

ANALYSIS OF THE CURRENT STATE OF THE INDUSTRIAL SECTOR OF UKRAINE**Somchenko V.V., Savchyna A.I.***Zaporizhzhia National University
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Key words:

production, industry index, investments, products, industry, regulation, realization, development, formation.

In the article it is noted that in the conditions of formation of market relations established in the state, it is urgent to activate the work of the existing industrial sector of the region. It is established that a great role in this process is given to regional executive authorities and local self-government, on which a number of problems depend. It is proved that the main driving force for the development of production and improvement of its efficiency in the modern civilized market system is fair competition. The questions of development of the industrial branch in the economy of the country, its formation, current state and tendencies of development are considered. The index of industrial production, the volume of industrial production, the number of economic entities and employed workers in industrial enterprises, the net profit (loss) of industrial enterprises, the share of enterprises that received profit and loss, the level of profitability of industrial enterprises, the amount of capital investments in the Ukrainian industry. The analysis of the current state of the industry of Ukraine shows that at present the stable activity of industrial enterprises is broken. It is established that over the last two years the volume of industrial production has decreased, which is caused by the destruction of production potential and transport infrastructure in the country's industry. The lion's share in the structure of industrial products sold in Ukraine during the analyzed period falls on the manufacturing industry. The decline in the number of enterprises was influenced by the deepening of the monopolization of markets due to their greater influence on them. Also, in the last five years, there has been a decrease in the share of profit-making enterprises in Ukraine. In addition, capital investments in the manufacturing industry have increased since 2016 compared to 2014 and 2015. The same situation is observed in the supply of electricity, gas, steam and air conditioning. According to the results of the research, the list of problems that exist in the industrial complex in Ukraine is presented and the main mechanisms of modernization of the industrial sector of economy are given, which will allow to improve the quality and modernize the process of production of industrial products and to increase the level of competitiveness.

АНАЛІЗ СУЧАСНОГО СТАНУ ПРОМИСЛОВОГО СЕКТОРА УКРАЇНИ**Сьомченко В. В., Савчина А. І.***Запорізький національний університет
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виробництво, індекс промисловості, інвестиції, продукція, промисловість, регулювання, реалізація, розвиток, формування.

У статті зазначено, що в умовах формування ринкових відносин, які склалися в державі, актуальною є активізація роботи наявного промислового сектора регіону. Установлено, що велика роль у цьому процесі відводиться регіональним органам виконавчої влади та місцевого самоврядування, від яких залежить вирішення ряду проблем. Доведено, що основною рушійною силою розвитку виробництва і підвищення його ефективності в сучасній цивілізованій ринковій системі є добросовісна конкуренція. Розглянуто питання розвитку промислової галузі в економіці країни, її становлення, сучасний стан та тенденції розвитку. Проаналізовано індекс промислової продукції, обсяг реалізованої промислової продукції, кількість суб'єктів господарювання та зайнятих працівників на промислових підприємствах, чистий прибуток (збиток) промислових підприємств, частка підприємств, які отримали прибуток та зазнали збитків, рівень рентабельності промислових підприємств, сума капітальних інвестицій у промисловість України. Проведений аналіз сучасного стану промисловості України свідчить про те, що сьогодні порушено стабільну діяльність промислових підприємств. Установлено, що протягом останніх двох років обсяг реалізованої промислової продукції скоротився, що зумовлено руйнуванням виробничого потенціалу та транспортної інфраструктури в промисловості країни. Ліва частка в структурі реалізованої промислової продукції в Україні протягом аналізованого періоду припадає на переробну промисловість. На зменшення

кількості підприємств вплинуло поглиблення монополізації ринків через посилення великого впливу на них. Також протягом останніх п'яти років в Україні спостерігається зменшення частки підприємств, які отримали прибуток. Крім того, з 2016 року відбувається зростання капітальних інвестицій у переробній промисловості порівняно з 2014 та 2015 рр. Така сама ситуація спостерігається в галузі постачання електроенергії, газу, пари та кондиційованого повітря. За результатами дослідження наведено перелік проблем, які існують у промисловому комплексі в Україні, та наведено основні механізми модернізації промислового сектору економіки, які дадуть змогу покращити якість і модернізувати процес виробництва промислової продукції, та підвищать рівень конкурентоспроможності.

Statement of the problem

Industry is the most important structural element of the economic complex of Ukraine, accounting for one third of fixed assets and more than 30% of the population employed in the national economy. The industrial sector plays a key role in the Ukrainian economy, and its performance indicators are a major factor in the social and economic development of the country. Research on the state of the industrial sector plays an important role, because the industry sufficiently strongly influences the socio-economic situation of our country, taking into account its export opportunities and exerts a tremendous influence on the overall health of the Ukrainian economy.

Analysis of recent studies and publications

The Ukrainian industrial sector is the object of study of many domestic and foreign economists. The research of price aspects of the development of the industrial sector of the economy are devoted to the works of such scientists as M.A. Sushko [1], M.V. Gerasymchuk [2], O.V. Kindzersky [3], L.I. Fedulova [4], M.M. Yusupova [5] and others. In their works, they paid special attention to such issues as production stabilization, development of production potential, creation of preconditions for economic growth, stabilization of the state of the economy of industries. In addition, much attention is paid to the problems of investment policy, industry development. However, as the range of statistical information is steadily increasing, it is necessary to analyze the current state of the Ukrainian industrial sector to further explore these issues.

Objectives of the article

The purpose of the study is to summarize the main aspects of industrial sector development in the conditions of recession of the Ukrainian economy, identify problems of functioning of industrial enterprises in Ukraine and identify the main mechanisms of modernization of the industrial sector of the economy.

The main material of the research

The industrial sector plays a key role in Ukraine's economy and its performance indicators are a key factor in socio-economic development. Thus, a deeper understanding of the structure and trends in the industrial sector is important for policymakers, as this sector has a tremendous impact on the overall health of the Ukrainian economy, including its export potential [1].

In the conditions of formation of the market relations which have developed in the state, it is urgent to activate the work of the existing industrial complex of the region. This task can be accomplished by ensuring an effective combination of national and regional management of the industrial complex. Regional authorities and local governments play a major role in this process, on which a number of problems depend, namely:

- determination of priority directions of regional industrial policy;
- ensuring effective cooperation between business leaders and authorities;
- promoting the effective work of the enterprises of the region.

To solve these problems, the current activities of the largest enterprises in the region are monitored, which allows to determine the characteristic tendencies of their activity, reasons for success or failure, the need to intervene in the work of the enterprise in order to provide assistance [2].

Fair competition is the main driving force behind the development of production and its efficiency in the modern civilized market system. However, in the conditions of the Ukrainian economy, including in industry, this power is still very weak. This is due to the preservation of a considerable level of monopolization of production, the creation of unequal conditions of management for different enterprises. In addition, the state industrial policy as an important component of the economic policy of the state, which directs activities to accelerate the economic development of the country and its regions, to stimulate the work of industrial enterprises of all forms of ownership in the direction of achieving the national economy set goals, is intended to contribute to the effective solution of acute social problems of society [3].

Industry today remains the engine of transformational transformation in most developed countries. As the sphere of manifestation and realization of the determining part of the material and intellectual needs of man, it is the most important economic factor of modern society. In the Ukrainian economy, the role of industry - its largest sector – remains leading. It should be noted that it produces about 40% of all-Ukrainian output of goods and services, 80% of their exports, creates more than 30% of GVA. About one-third of fixed assets and employment in the economy are concentrated in this industry. In the current difficult situation, industrial production is one of the main sources of remuneration of employees, profits of entrepreneurs, tax and currency revenues of the state.

The general state of the industry is now characterized as de-industrialization, which is related to the structural and technological backwardness of production, the closure of a large number of unique, including high-tech, enterprises, total deterioration of the fixed capital of the industry due to the slowdown in reproduction processes and the chronic shortage of investment [4]. In this regard, unstable dynamics of the industrial production index is observed in Ukraine (Fig. 1). According to 2014-2018, the industrial production index was not stable.

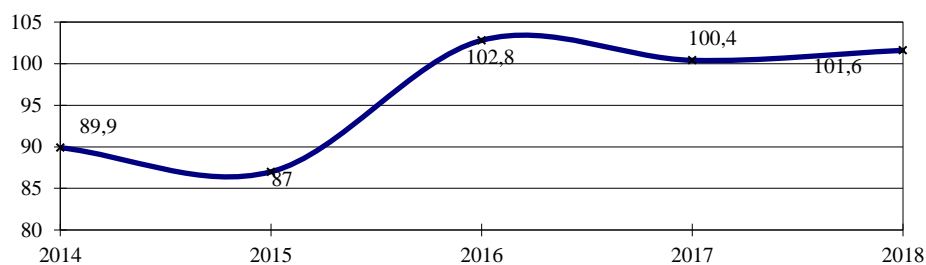


Fig.1. Index of industrial production in Ukraine during 2014-2018

In 2015, it decreased by almost 3%, and in 2016 it increased sharply by almost 13% compared to 2014, and since 2016 it had a moderate condition. Thus, over the last

five years, the industrial production index has increased: in the extractive industry – by 16.1%, in the manufacturing industry – by 10.4%, and in the supply of electricity, gas, steam and air conditioning – by 9.4% table 1.

Table 1 – Index of industrial production by type of economic activity in Ukraine during 2014-2018, % (It is formed by an author on basis [6])

Indicator	2014	2015	2016	2017	2018
Industry	89,9	87,0	102,8	100,4	101,6
The mining industry	86,3	85,8	99,8	94,3	102,4
Manufacturing industry	90,7	87,4	104,3	104,8	101,1
Supply of electricity, gas, steam and air conditioning	93,4	88,0	102,5	93,5	102,8

Regarding the indicator of the volume of industrial production in Ukraine during 2014-2017, in 2017 compared to 2014, it increased by UAH 1179188.6 million (table 2).

Table 2 – The volume of industrial products sold in Ukraine during 2014-2017. UAH million (It is formed by an author on basis [6])

Indicator	2014	2015	2016	2017
Industry	1428839,1	1776603,7	2158930,0	2608027,7
The mining industry	154700,8	191599,3	240150,3	322706,7
Manufacturing industry	903735,3	1139213,2	1312729,0	1619495,3
Supply of electricity, gas, steam and air conditioning	351803,2	424705,2	580354,1	638406,6

A steady upward trend in this indicator is observed across all types of industry. Thus, the output of extractive industry increased by UAH 168005.9 million, the processing industry – by UAH 715760 million, as well as the supply of electricity, gas, steam and air conditioning – by UAH 286603.4 million. In addition, it should be noted

that over the last two years the volume of industrial production has decreased, which is caused by the destruction of production capacity and transport infrastructure in the country's industry. Table data. 2 show that the lion's share in the structure of industrial production in Ukraine during the whole period falls on the processing industry (Fig. 2).

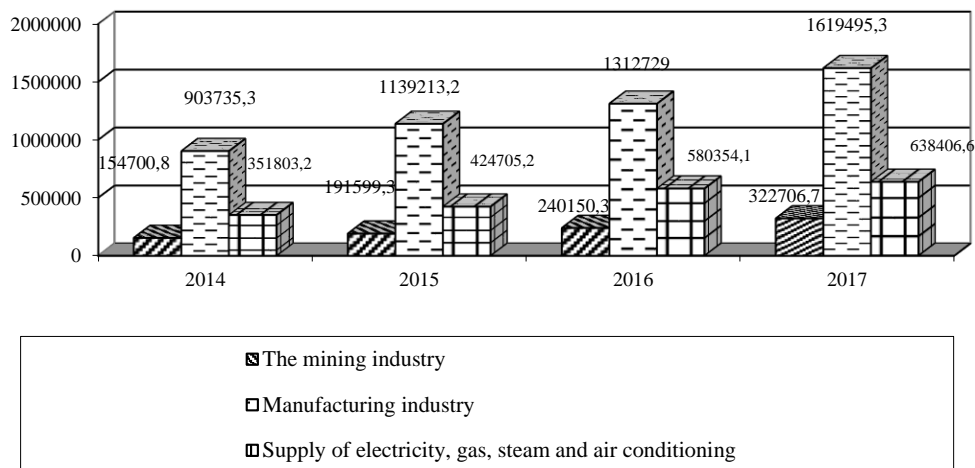


Fig. 2. Structures of the realized industrial products are in Ukraine in 2014-2017, % (it is made an author on basis [6])

At the end of 2017, the number of industrial enterprises in Ukraine amounted to 1805144 units, which is 127181 units less than 2014. Such dynamics were caused by a decrease in the number of industrial individuals-

entrepreneurs – by 2824 units, as well as a decrease in industrial enterprises. The decrease in the number of enterprises may be due to the deepening of the monopolization of the markets due to the increased large influence on them (table 3).

Table 3 – Number of economic entities and employees in industrial enterprises in Ukraine in 2014-2017

Indicator	2014	2015	2016	2017
Number of economic entities, units, incl.	1932325	1974439	1865631	1805144
Enterprises	341165	343561	306470	338341
individual entrepreneurs	1591160	1630878	1559161	1466803
Number of employees employed in thousands	9008,3	8331,9	8244,0	8271,3

In addition, during 2014-2015, domestic industrial enterprises operated at a loss. And since 2016, there has been an increase in profits, ie the loss of industrial enterprises has been decreasing every year (Fig. 3).

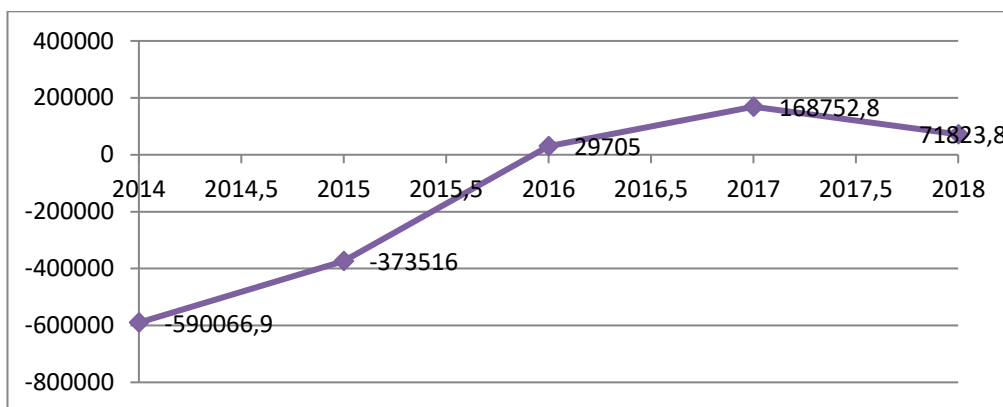


Fig. 3. Dynamics of net profit (loss) of industrial enterprises in Ukraine during 2014-2018, million UAH. (it is made an author on basis [6])

Thus, in 2016 this indicator decreased by UAH 560361,9 million compared to 2014. During 2016-2017, profits increased. While in 2016 the profit amounted to UAH 29705 million, in 2017 it increased significantly by UAH 168752.8 million. However, in 2017, there is a gradual decline in profits. In total, the loss at the end of 2018 amounted to UAH 71823.8 million, which is UAH 518242.5 million less than 2014. Also, over the last five years, there has been a 13.3% decrease in the share of profit-making enterprises in Ukraine.

Thus, despite the fact that industrial enterprises in Ukraine have been operating at a loss in recent years, they are still dominated by profit-making enterprises. Investment capacity is primarily driven by the financial potential of industrial enterprises, which has declined markedly due to the decline in industrial output [7]. In 2018, the amount of capital investments in the industry of Ukraine amounted to UAH 179718.3 million, which is UAH 1827 million more than in 2014 (Fig. 4).

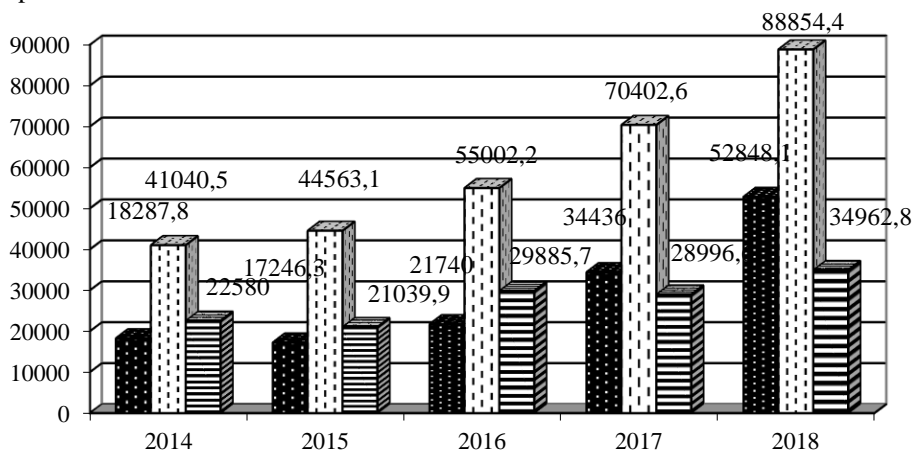


Fig.4. Dynamics of capital investments in the industry of Ukraine during 2014-2017, million UAH. (it is made an author on basis [6])

In addition, since 2016 we have seen an increase in capital investment in the processing industry compared to 2014 and 2015. The same situation is observed in the supply of

electricity, gas, steam and air conditioning. This figure increased by UAH 34962 million in 2018.

Table 4 – Capital investments by type of economic activity, 2014-2018, mln.
(It is formed by an author on basis [6])

Indicator	2014	2015	2016	2017	2018
Industry	182743,8	214168,0	100835,2	116490,1	179718,3
The mining industry	18287,8	17246,3	21740,0	34436,0	52848,1
Manufacturing industry	41040,5	44563,1	55002,2	70402,6	88854,4
Supply of electricity, gas, steam and air conditioning	22580,0	21039,9	29885,7	28996,6	34962,8

It should be noted that in the structure of capital investments in the industry of Ukraine in 2016 the lion's share belongs to the processing industry (50.6%).

We believe that the main mechanisms of modernization of the industrial sector of the economy are:

- 1) deepening of institutional transformations aimed at forming in the industrial complex of dynamic and competitive private sector, improvement of the corporate governance system;
- 2) improvement of forecasting and state programming, implementation of state target programs;
- 3) active protection of interests of domestic producers in the domestic and foreign markets;
- 4) fiscal (tax) stimulation of innovation and export of high-tech products;
- 5) application of favorable customs regimes for the import of technological equipment;
- 6) improvement of the system of state orders and purchases;
- 7) maximizing the use of privatization investment instruments;
- 8) state assistance in the development of financial leasing;
- 9) the use of additional incentives for the development of small and medium-sized businesses, venture (including external) investments;

10) promoting the comprehensive development of joint ventures and foreign enterprises, production cooperation with enterprises of EU countries, Russia and other countries in the technological updating of the leading sectors of the Ukrainian economy [5].

Conclusions

The analysis of the current state of the industry of Ukraine shows that at present the stable activity of industrial enterprises is broken. The destabilizing factors are the following: reduction of the volume of foreign orders for industrial products; increasing the level of selling prices for industrial products; reducing the number of employees. All this makes it possible to conclude that the negative tendencies in the recent years in the work of the industrial complex of Ukraine have caused the level of competitiveness of the industry. All this forces industrial enterprises to solve their own problems on their own. The management of these enterprises make serious decisions regarding technical improvement, retooling, increasing the level of innovation and human resources. Such measures will improve the quality and modernize the process of production of industrial products, which, in turn, will take these products to the next level and increase the level of competitiveness in the future.

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