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<https://doi.org/10.26661/2414-0287-2020-4-48-14>**IMPACT OF THE COVID-19 PANDEMIC ON UKRAINIAN ECONOMY****Korinnyi S., Karmazina V.***Zaporizhzhia National University  
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**Key words:**

coronavirus, pandemic, lockdown, economy, entrepreneurship, GDP.

Economic development and overcoming the crisis is one of the strategically important tasks for Ukraine. The article considers the efficiency of entrepreneurship in comparison with previous years. Statistical data on the dynamics of GDP, export-import operations, unemployment are investigated. The impact of the coronavirus pandemic on the economic development of Ukraine is characterized. The reasons for the need for effective public policy in overcoming the effects of the economic crisis are highlighted. The implications and prospects of declaring a lockdown and severely increasing the quarantine restrictions, associated with the spread of COVID-19, have been explored.

**ВПЛИВ ПАНДЕМІЇ COVID-19 НА ЕКОНОМІКУ УКРАЇНИ****Коринній С., Кормазіна В.***Запорізький національний університет  
Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

коронавірус, пандемія, локдаун, економіка, підприємництво, ВВП.

Розвиток економіки та подолання кризи є одним з стратегічно важливих завдань для України. У статті розглянуто ефективність діяльності підприємництва у порівнянні з минулими роками. Досліджено статистичні дані щодо динаміки ВВП, експортно-імпортних операцій, рівня безробіття. Охарактеризовано вплив пандемії коронавірусу на економічний розвиток України. Виокремлено причини необхідності провадження ефективної державної політики у рамках подолання наслідків економічної кризи. Досліджено наслідки та перспективи оголошення локдауну та жорсткого посилення карантинних обмежень, пов'язаних з поширенням COVID-19.

**Formulation of the problem**

In 2020, one of the main factors influencing the world economy was the factor of the coronavirus pandemic. The constant increase in the number of patients has led to the introduction of a state of emergency in general or in individual regions. Sanitary and epidemiological measures of various kinds are being carried out in almost all countries of the world, labor restrictions have been established, new forms of education have been introduced, and the role of state regulation in the economic sphere has been strengthened. As a result, Covid-19 has significantly changed the lives of many countries, including Ukraine. That is why there is a need to analyze the future scenario of economic development in a crisis.

**Analysis of recent studies and publications**

The impact of the coronavirus pandemic and the stages of development of the modern domestic economy are currently being considered in detail in their works by journalists, political scientists, economists such as Yakubin O., Yarlikova O., Grigorenko Y., Goncharov O. and others. The Kyiv School of Economics, international organizations (IMF, World Bank, International Labor Organization, etc.) were engaged in substantiation and analysis of various spheres of Ukraine's economy.

**Objectives of the article**

The purpose of this article is a detailed analysis of the state of economic development of Ukraine in the context of the coronavirus pandemic in 2020. To achieve this goal, the work provides a number of tasks, the main of which are: 1) to investigate the current state of the Ukrainian economy; 2) to carry out the statistical analysis of influence of economic crisis on our state; 3) analyze the essence of the lockdown prospects for its introduction in Ukraine.

**The main material of the research**

In Ukraine, the first case of COVID-19 infection was recorded on March 2, 2020. The rapid spread of coronavirus had an impact not only on the demographic situation of the country, but also on the economy.

In general, all economic crises differ from each other. Therefore, the current crisis in Ukraine due to coronavirus also has a unique number of features. Now there is a change in the structure of production resources. At the beginning of the pandemic, the government deliberately restricted communication between people and the interaction of sectors of the economy to avoid accelerating morbidity. During the first wave, the normal operation of a large number of enterprises was banned. These are travel companies, hotels, restaurants, cafes, services, trade in various goods (not including essential goods), companies in the field of logistics, freight and passenger transport [1].

The second wave of coronavirus, which is currently in full swing in most parts of the world, closes on lockdown one country after another (Switzerland, France, Germany, Britain, etc.). Such strict actions are closely associated with permanent anti-record in the number infected with Covid.

At the end of the summer, it was said that the critical mark for Ukrainian medicine was 3000 patients per day, in mid-October the president announced the figure of 9500, and two weeks later the threshold was raised to 15000. And if the trend will gain momentum, and the number of Ukrainian ill will reach to 30000 people, authorities will have to announce a lockdown. On November 23, 2020 has been recorded 10,945 new cases in Ukraine. This strategy is explained by the desire to

minimize economic losses, and the meaning of lockdown is not only to stop the pandemic, but also to adapt hospitals to the daily admission of a significant number of patients [2].

In our opinion, the main blow from the closure of borders and strict quarantine restrictions, as last time, will fall on small and medium-sized businesses.

In the period from 2016 to 2019, large and medium-sized enterprises showed positive dynamics in terms of profitable business. And the financial results of large and medium-sized businesses in 2020 already show a negative trend of reducing corporate profits by almost 2 times, and increasing the amount of losses of enterprises more than twice compared to last year (Table 1).

Table 1 Financial results before taxation of large and medium enterprises

Period	Profits of enterprises	Losses of enterprises
2016	247824,7	162116,5
2017	337179,5	114970,1
2018	352917,8	156385,5
2019	454978,6	112169,1
January-June, 2020	262349,4	233161,4

Source: compiled by the author on the basis [3]

Small businesses have also lost much of their revenue. According to a survey by the European Business Association, as a result of the first wave of the pandemic, a third of companies lost 50-75% of revenue, almost 45% - up to half of revenue, another 7% of respondents considered closing the business [4].

A study by the European Business Association found that a third of entrepreneurs will reduce the scale or even close their businesses altogether in the event of a second lockdown. And only 21% of respondents said that their work will be minimally affected by quarantine.

The assessment of how much (or not) the business suffered during quarantine is also based on tax deductions. From them, we can say that the biggest losses during the first lockdown suffered cinemas, which in March and September, 55% paid less taxes than the same period in 2019.

The "weekend quarantine" introduced in Ukraine on November 14 also put under attack and the network of restaurants. For Saturday and Sunday lost 35-40% of

revenue. And according to political scientist Oleksiy Yakubin, after the first lockdown, a third of service organizations did not open [5].

One of the most tangible consequences of the economic crisis and lockdown will be a drop in demand for Ukrainian exports. In January-June 2020, exports of goods and services decreased, according to the NBU, by 6.6%, which has not been observed since January 2017. Since the beginning of the year, continuing the reduction of exports good to EU countries - 17%. And the volume of imports of goods and services decreased by 19.7% compared to 2019. Imports of goods from EU countries decreased by 11.4%. The final positive balance of trade in goods and services in January-June 2020 amounted to 163 million US dollars [6].

For the period January-September 2020, the ratio of imports to exports was 52% to 48%, respectively. Compared to the selected period last year, there is a reduction in foreign trade operations of Ukraine (Table 2).

Table 2 The structure of foreign trade in goods and services of Ukraine

	Exports		Imports	
	thsd.USD	in % to January-September 2019	thsd.USD	in % to January-September 2019
January-September, 2020	35017806,3	94,4	37962054,8	85,7

Source: compiled by the author on the basis [3]

The slowdown in China's economy due to the coronavirus, which is currently one of Ukraine's largest trading partners, will in turn exacerbate the domestic crisis. After all, smaller volumes of production and

construction in China will mean a drop in demand for Ukrainian metallurgy, and smaller volumes of imports of goods from China to Ukraine will lead to a fall in customs and tax revenues to the Ukrainian budget [7].

As a result of downtime, the number of goods produced in the country was reduced, as a result of which Ukraine's GDP in actual prices in the first quarter of 2020

decreased compared to the previous period. The small recovery in the second quarter was caused by the easing of quarantine conditions in the summer (Fig. 1).

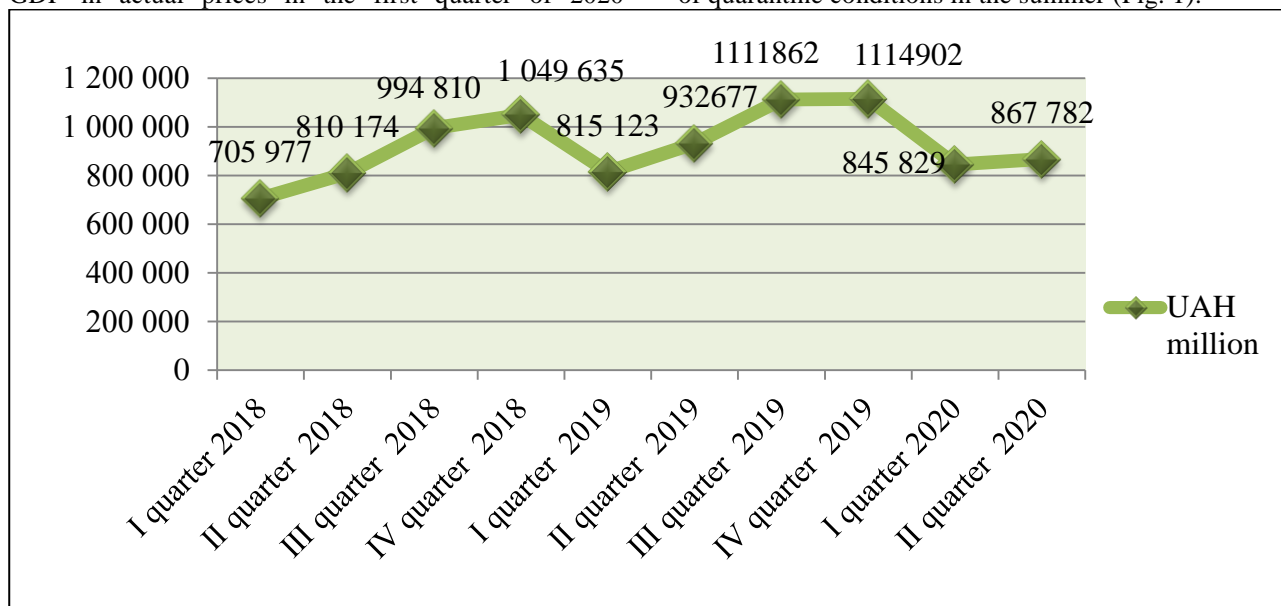


Figure 1 - Gross domestic products at actual prices, UAH million

Source: compiled by the author on the basis [3].

In addition, according to various independent expert estimates, 45% - 50% of the Ukrainian economy during the coronacrisis is in the shadows. According to Ernst & Young, with the support of MasterCard in the framework of the Memorandum of Cooperation with the Ministry of Economy of Ukraine, the NBU and the State Statistics Service, a quarter of Ukraine's official GDP or UAH 846 billion are shadow transactions [8].

So, in the first quarter of 2020, the GDP of the Euro zone countries fell by 3.6% due to the coronacrisis (seasonally adjusted figure for the fourth quarter of 2019). For example, the fall in GDP of Austria was 2.6%, Spain - 5.2%, France - 5.3%, Italy - 5.3%. However, the domestic economy is no exception. Ukraine suffered the largest losses among the EU countries, and if in the first quarter the fall in GDP compared to the previous quarter was 1.3%, in the second quarter the volume of GDP decreased by as much as 11.4% (Fig. 2).

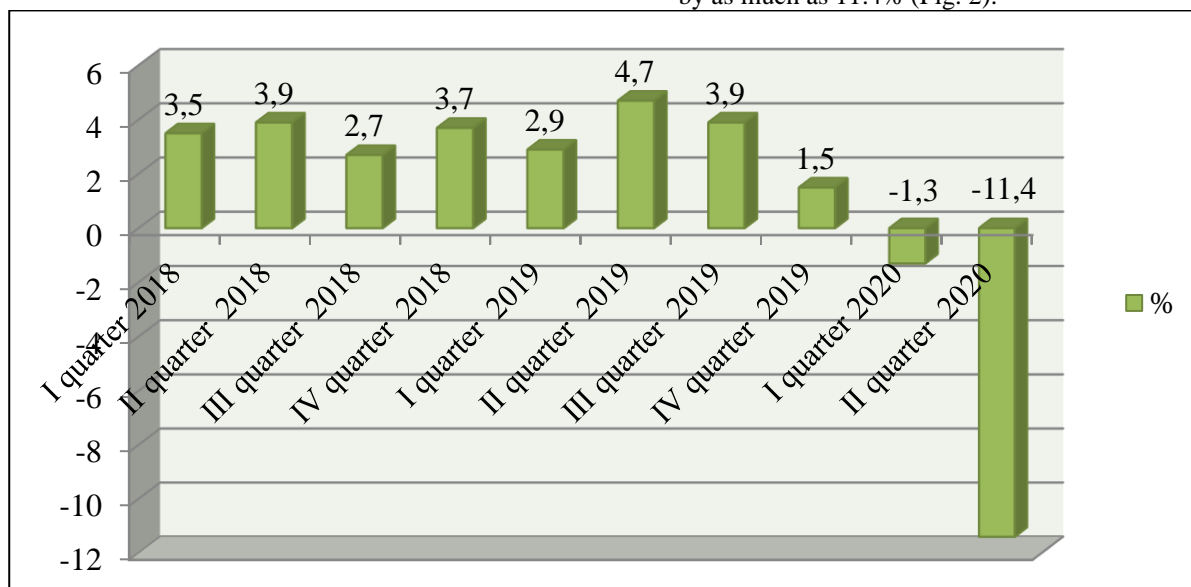


Figure 2 – Change in Ukraine's GDP, %

Source: compiled by the author on the basis [3].

As a result, each negative change in GDP leads to an increase in the budget deficit and the need to borrow from international organizations. So clearly seen the growth of public debt at the end of 2020 (Fig. 3)

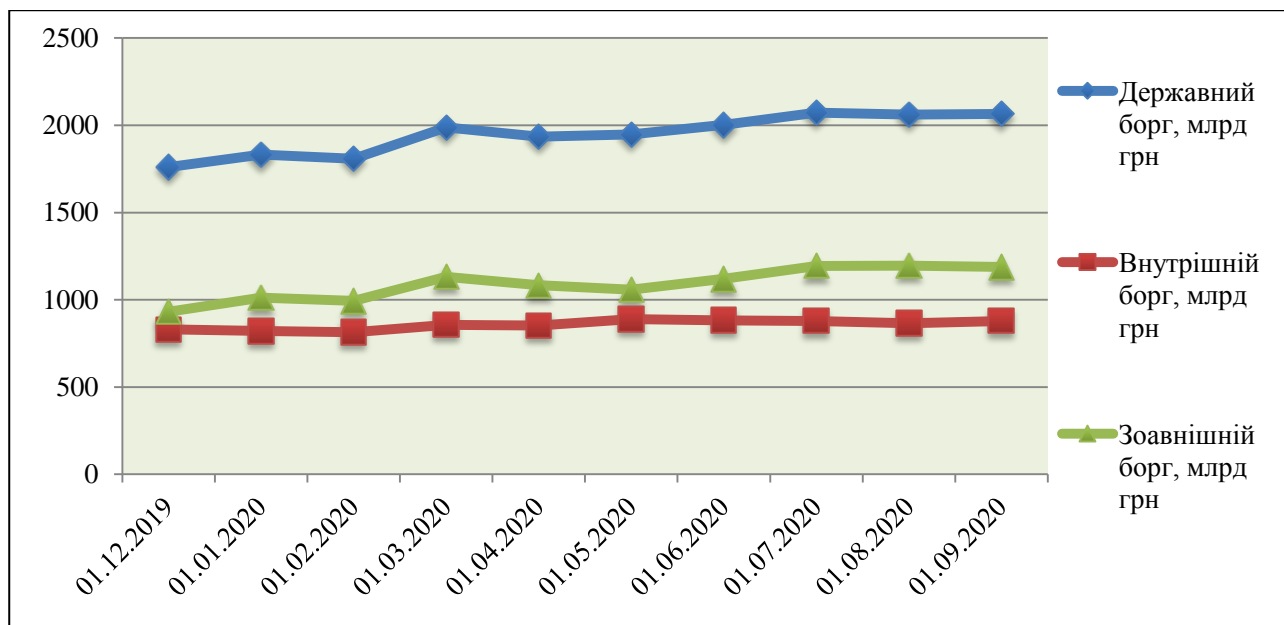


Figure 3 - Dynamics of Ukraine's public debt in 2020

Source: compiled by the author on the basis [3].

According to the World Bank forecast, the ratio of public debt to GDP will have the following prospects:

- 1) The end of 2020 - will increase to 62%;
- 2) 2021 - will decrease to 58.9% [9].

As a result of such a sharp drop in production, unemployment is rising. Some organizations conducted staff reduction or sent on vacation at his own expense. In November 2020, the International Labor Organization presented disappointing data. The COVID-19 pandemic has worse effects on the labor

market (about 25 million unemployed) than the severe financial crisis of 2008-2009 (22 million unemployed) [10]. Thus, the unemployment rate in Ukraine began to rise sharply in April (by 30%), with the introduction of strict quarantine. To date, the number of unemployed reaches a record level and is more than 1 million people according to statistical information, although it should be borne in mind that part of the unemployed who did not register with the Employment Center after losing their jobs (Table 3).

Table 3 The number of registered unemployed in Ukraine in 2020

Period in 2020	Number of registered unemployed, persons	Growth rate, %
January	373 176	10,4
February	376 779	0,97
March	349 424	-7,3
April	457 005	30,8
May	511 388	11,9
June	517 704	1,2
July	505 975	-2,3
August	473 961	-6,3
September	433 382	-8,6
October	399 486	-7,8

Source: compiled by the author on the basis [11].

In turn, experts from the Organization for Economic Co-operation and Development (OECD) assessed the effects of coronavirus waves. Predicted that the world economy will fall in 2020 to 6% in the first wave of 7.6% for the second wave. Analysts' views on Ukraine's economy have also recently improved:

- 1) Dragon Capital - up to -5.5% from -7.2%;

- 2) P. Morgan - up to -4% from -4.7%;

- 3) The NBU expected a decline of 6% this year, but allows to improve its forecast to 5% [4].

It is worth noting that the Kyiv School of Economics has made a detailed consensus forecast of how a lockdown of various levels would affect the economy of Ukraine if it were introduced from early November to late 2020 (Fig. 4).

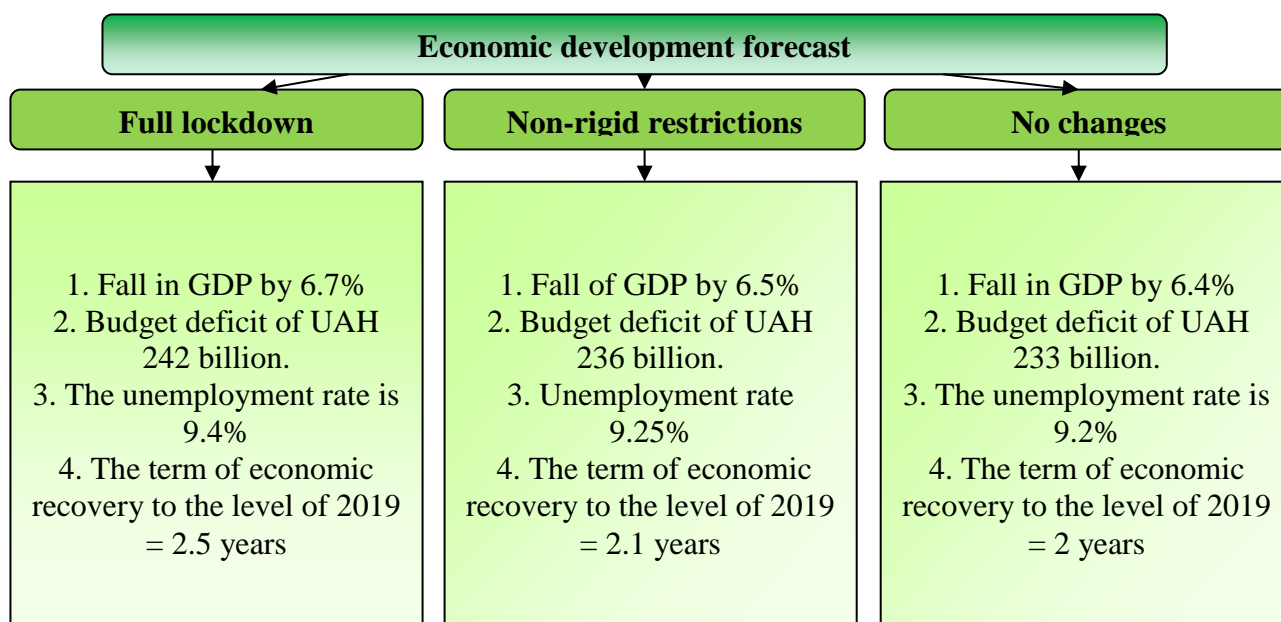


Figure 4 - Forecast of Ukraine's economy under various quarantine restrictions  
Source: compiled by the author on the basis [2]

The IMF believes that in the event of a lockdown, Ukraine will be able to revive and restore its economy to the level of 2019 only in 2021 (Table 4).

Table 4 IMF forecasts for Ukraine

Indicator	IMF forecast for 2020	IMF forecast for 2021
GDP		
nominal, UAH billion	3908,00	4277,00
% of real change	-8,2	1,1
Exchange rate, UAH / USD USA	30,00	28,90
Unemployment rate	12,6	12

Source: compiled by the author on the basis [12]

To support our economy during the crisis may Agro-industries. Ukraine ranks in the TOP countries-exporters of agricultural products: 1st place in the world in exports of sunflower oil, 2nd place - barley, fourth - corn, also Ukraine occupies a leading position in exports of wheat, butter, oilseeds, 7th place in poultry meat. Agricultural goods accounted for 48% of Ukrainian exports in January 2020. In general, in January 2020, Ukraine exported agricultural products worth 1984 million US dollars, which is 14% more than in the same month in 2019. Most bought in countries such as China, Egypt, Spain, the Netherlands and Turkey. According to the results of 2020, the agricultural sector may increase significantly, and exports of agricultural products may exceed 50% of total exports of goods from Ukraine (currently it is about 40%) [13].

In order to minimize the negative effects of lockdown, we can identify a number of key tasks that must be performed by public authorities. The first is the return of creditors' confidence, which is possible with a gradual reduction in public debt. Secondly, support for certain sectors of economic activity. Small and medium-sized enterprises and agro-industry especially need help. To do this, it is necessary to intensify the activities introduced at the beginning of the year by the state support programs "APK-2020" and

"Affordable loans 5-7-9%". Third, it is necessary to increase unemployment benefits. The next step should be to attract investments both outside and within the country (assistance from the oligarchy).

**Conclusions**

The economic crisis in our country due to the coronavirus pandemic raises more questions than answers. At present, no economist can fully predict how long the effects of quarantine restrictions on lockdown will be felt and how serious they will be. In our opinion, the state should take all measures to avoid a hard lockdown, and in case of its announcement to focus efforts on the main tasks of maintaining internal stability. The current crisis is widening the gap between Ukraine and the developed world, which affects both the decline in competitiveness and quality of life. Summarizing the forecasts of various organizations of international activities, we can conclude that in order to restore the lost financial resources in 2020, the state needs to take active action. If effective internal and foreign policy, Ukraine will be able to restore the economy to pre-crisis levels in 2021, but fully recover until the end of 2022. The threat of failure of such an optimistic prognosis may be a sharp change in the situation with the spread of COVID-19.

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