

## PROBLEMS OF FORMATION OF INVESTMENT POTENTIAL OF THE NATIONAL ECONOMY

## ПРОБЛЕМИ ФОРМУВАННЯ ІНВЕСТИЦІЙНОГО ПОТЕНЦІАЛУ НАЦІОНАЛЬНОЇ ЕКОНОМІКИ

*The article reveals the peculiarities of the formation of investment potential of the national economy. It is substantiated that in the conditions of decentralization of power and finances there is a need for structural changes and diversification of economic activities not only at the state level, but also at the local and meso levels. It is proved that the investment potential is associated with national wealth and gross domestic product. It has been found that the largest share of fixed assets of Ukraine is concentrated in industry. As a result of the research, it is proved that in terms of assessing the investment potential through the national wealth and fixed assets of Ukraine, industry is the dominant imperative, which should be considered transport with related economic activities and administrative support services. It is justified that the revealed dynamics of the recession of the industrial sector of the Ukrainian economy has taken place in combination with the deterioration of price dynamics in key commodity markets of national exports. It is proposed to improve the position of Ukraine in world markets, it is necessary to intensify cooperation between business (owners), government and civil society in the development and adoption of national and territorial program documents.*

**Key words:** state regulation of economy, decentralization, investments, investment potential, national economy, industry.

*В статті раскрыты особенности формирования инвестиционного потенциала национальной экономики. Обосновано, что в условиях децентрализации власти и*

*финансов возникает необходимость структурных изменений и диверсификации видов экономической деятельности не только на уровне государства, а и на локальном и мезоуровнях. Засвидетельствовано, что инвестиционный потенциал связывают с национальным богатством и валовым внутренним продуктом. Установлено, что наибольшая доля основных средств Украины сосредоточена в промышленности. В результате проведенных исследований доказано, что в разрезе оценки инвестиционного потенциала через национальное богатство и основные средства Украины, промышленность выступает доминантным императивом, за которым следует рассматривать транспорт с сопутствующими видами экономической деятельности и административно-вспомогательное обслуживание. Обосновано, что выявлена динамика спада промышленного сектора экономики Украины происходила в сочетании с ухудшением ценовой динамики на ключевых товарных рынках национального экспорта. Предложено для улучшения позиции Украины на мировых рынках необходимо активизировать сотрудничество бизнеса (владельцев), власти и представителей гражданского общества в направлении разработки и принятия общегосударственных и территориальных программных документов.*

**Ключевые слова:** государственное регулирование экономики, децентрализация, инвестиции, инвестиционный потенциал, национальная экономика, промышленность.

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*У статті розкрито особливості формування інвестиційного потенціалу національної економіки. Обґрунтовано, що в умовах децентралізації влади та фінансів виникає необхідність структурних змін та диверсифікації видів економічної діяльності не тільки на рівні держави, а і на локальному та мезорівнях. Засвідчено, що інвестиційний потенціал пов'язують із національним багатством та валовим внутрішнім продуктом. З'ясовано, що найбільша частка основних засобів України зосереджена у промисловості. В результаті проведених досліджень доведено, що у розрізі оцінки інвестиційного потенціалу через національне багатство та основні засоби України, промисловість виступає домінуючим імперативом, за яким слід розглядати транспорт із супутніми видами економічної діяльності та адміністративно-допоміжне обслуговування. Обґрунтовано, що виявлена динаміка спаду промислового сектору економіки України відбувалася у поєднанні із погіршенням цінової динаміки на ключових товарних ринках національного експорту. Проаналізовано і доведено, що виявлений спад виробництва продукції пояснюється впливом наступних факторів: високий рівень зносу основних засобів; недоступність традиційних ринків; високий рівень енергомісткості та матеріаломісткості виробництва; військові дії; кадрові кризи через відтік кваліфікованих працівників за кордон; інвестиційні обмеження; пандемія Covid-19. Встановлено, що обмеження інвестиційних ресурсів для промислового сектору пояснюється неохочим кредитуванням підприємств даного сектору, навіть за наявності вільних коштів у банківських установ. Проаналізовано статистичні дані, які демонструють зменшення загальної чисельності населення України, від'ємний природний приріст та додатний міграційний приріст. Проте міграційний приріст не перекидає значення природного зменшення населення. Запропоновано для покращення позиції України на світових ринках необхідно активізувати співпрацю бізнесу (власників), влади та представників громадського суспільства в напрямку розробки та прийняття загальнодержавних та територіальних програмних документів.*

**Ключові слова:** державне регулювання економіки, децентралізація, інвестиції, інвестиційний потенціал, національна економіка, промисловість.

**Formulation of the problem.** Investment potential should be considered as a source of economic growth in the country as a whole, as well as its territories and industries. Again, the emergence of new challenges for the national and global economy, for example, COVID-19, proves the importance of using investment resources to address planned national development issues and for emergencies.

In the context of decentralization of power and finance, there is a need for structural changes and diversification of economic activities not only at the state level, but also at the local and meso levels, as there are threats of inability of leading enterprises and industries to adapt to new challenges and competitive conditions of globalization. Sometimes, in the context of economic globalization, the possibility of state

influence on the development of individual business structures and economic entities is much smaller than the influence of the global economy and international corporations. Given these trends, there is a need to assess the investment potential at different levels: national, sectoral, territorial, and local [15].

#### **Analysis of recent research and publications.**

Researchers of the investment sphere often associate the national investment potential with long-term investments in the productive and non-productive spheres in order to make a profit or achieve a social effect [2, p. 112; 3, p. 320; 4, p. 260; 5, p. 187; 12–14].

S.O. Zaika considers investment potential as “a set of hidden investment resources, opportunities, stocks, which under the influence of various factors interact to address strategic objectives” [6]. I.P. Nechytailo interprets the national investment potential of the country as “the amount of national wealth accumulated by society at the time of assessing the potential and gross product of the current period, aimed at saving” [7].

Thus, the investment potential is associated with national wealth and gross domestic product.

Formulation of the goals of the article. The purpose of this work is to substantiate the modern features of the formation of investment potential of the national economy.

**Presenting main material.** Public wealth contains the means of production, which in turn include fixed and current assets. At the beginning of 2018, the value of fixed assets in Ukraine as a whole amounted to 3,571 billion UAH, and at the end of the year - 3,783 billion UAH. The indexation ratio of fixed assets was 118.4% and the depreciation rate was 60.6% [1]. The characteristics of the change and structure of fixed assets of Ukraine do not differ radically over the past five years, so 2018 can serve as a base year. Statistics show that the largest share of fixed assets in Ukraine is concentrated in industry: 34%. In the structure of fixed assets of industry, the largest share of 14.8% is occupied by fixed assets of electricity, gas, steam and air conditioning, and 13.1% is for fixed assets of the processing industry [1]. The next largest fixed assets are occupied by transport, warehousing, postal and courier activities (18%) and activities in the field of administrative and support services (15.5%). Thus, in terms of assessing the investment potential through the national wealth and fixed assets of Ukraine, industry is the dominant imperative, which should be considered transport with related economic activities and administrative support services. A negative characteristic of fixed assets of Ukraine is the high degree of wear, in particular for industry; this figure is 66.4%, for transport with related economic activities – 62.9%, and for administrative support services it is as much as 83%. Thus, the types of economic activity that occupy the largest share in the structure of fixed assets of Ukraine are characterized

by the highest level of wear [15]. Industry belongs to those types of economic activity that affect all spheres of life of the population. “It creates the means of labour and consumer goods, thereby influencing people’s employment, economic development, social sphere, ecology, security ... Therefore, in leading countries, industry is purposefully developed” [7]. In absolute terms, the dynamics of industrial output at current prices shows growth each year. However, if we use the possibility of converting prices into the prices of the base year, the indices of industrial production do not always exceed 100%. The index of industrial products in terms of prices in 2016 (2016 = 100%) shows a decline in industrial production in 2013, 2014, 2015 and 2019 [8]. The monthly dynamics of the industrial production index for 2020 proves the continuation of the identified decline in production volumes. For 2020, in all sub-sectors of industry there are months during which there is a decrease in production (Industrial Production Index <100%) except for the production of chemicals and chemical products. In industry as a whole, the average level of the industrial production index is 93.0%. This gives grounds to claim that in 2020 this figure will also be less than 100% [8].

The identified decline in the industrial sector of Ukraine’s economy was combined with deteriorating price dynamics in key commodity markets of national exports, such as metallurgy, and price competitiveness of domestic products. The identified decline in production is due to the influence of the following factors: high level of depreciation of fixed assets; unavailability of traditional markets; high level of energy and material consumption of production; military action; personnel crisis due to the outflow of skilled workers abroad; investment restrictions; the COVID-19 pandemic.

In response to the emergence of new threats to industrial development, the Cabinet of Ministers of Ukraine in February 2020 established a coordination center on industry, “its task is to prepare effective solutions that promote domestic industry, industrial production, and job creation. The coordination center includes representatives of the central executive bodies – the Ministry of Finance, the Ministry of Infrastructure, the Ministry of Energy, the State Tax and State Customs Services, the State Statistics Committee” [9].

After overcoming the decline in GDP in 2014–2015, Ukraine was experiencing a period of gradual recovery and increase in production. However, due to the decline in industrial production, another decline in GDP is also expected in 2020.

The limitation of investment resources for the industrial sector is explained by the reluctance to lend to enterprises in this sector, even if there are free funds in banking institutions.

Statistical data for 2015–2019 show a slight decrease (-2.07%) in the share of own funds of

enterprises and organizations in the structure of capital investments, which is evidence of a decrease in the level of own investment opportunities of enterprises and organizations, in particular. However, the share of own funds in the structure of capital investments remains dominant and exceeds 65% [1].

In the first half of 2020, the amount of capital investment amounted to UAH 163,781.5 million, which is much less than in 2019. In the structure of capital investments, own funds have already reached the level of 69% in January-June 2020. The share of state budget funds decreased to 4.5%, and the share of local budgets was up to 7% [1].

It should be noted that the first half of 2020 was marked by a sharp decrease in the level of capital investment compared to the corresponding period of 2019. According to the State Statistics Service of Ukraine, in January-June 2020, the total capital investment index was 65.1%, which means a decrease of 34.9% in the level of capital investment in general for all types of economic activity. For agriculture, forestry and fisheries, the decrease in the level of capital investment in the first half of 2020 was 44.5%, for industry – 37.2%, for construction – 22.9%, for transport – 55.4%.

In the first half of 2020, the capital investment index exceeded 100% (as a percentage of the corresponding period of the previous year) only for the following types of economic activity: postal and courier activities (139.2%), provision of other services (124.3%), telecommunications (110.7%), which partially provided an opportunity to compensate for the lack of capital investment of the previous period for this type of activity.

Thus, for the first half of 2020, the crisis state of capital investment in Ukraine is outlined. A similar crisis situation has been observed in the dynamics of foreign direct investment in Ukraine since the beginning of 2020.

Another alarming signal is that the statistics show a decrease in the total population of Ukraine, a negative natural increase and a positive migration increase. However, migratory growth does not overshadow the importance of natural population decline. Thus, migration processes cannot restore the population as of 1991. There is a threat of demographic crisis and staff shortage, which negatively affects the level of human and investment capital of Ukraine. Therefore, it is necessary to implement social programs to support the birth rate and improve living standards.

Unsatisfactory financial conditions in combination with limited access to investment resources for enterprises make it impossible to modernize fixed assets, as well as production and technological processes, as well as increase production. Limited own resources and the inability to attract foreign investment lead to a loss of competitive position of industrial enterprises in domestic and global markets.

Strictly speaking, this situation is typical for industrial enterprises and the enterprises of other economic activities, including agricultural, transport enterprises, etc. [11].

To improve Ukraine's position in world markets, it is necessary to intensify cooperation between business (owners), government and civil society in the development and adoption of national and territorial program documents [15]. This entails the need to create a legal framework, as well as organizational and economic mechanism to reconcile the interests of all participants in this type of cooperation on a long-term partnership basis. The presence of representatives of the scientific sphere in such cooperation will accelerate innovative development at the national, sectoral and territorial levels.

Conclusions and suggestions. The study allows us to draw the following conclusions:

1. The factors of negative influence on the development of Ukrainian industry are determined: reduction of the level of world prices for ferrous metals; national gaps in the development of railway transport, which causes problems with logistics; the need to repair production facilities in the fields of metallurgy, electricity, gas and steam supply, coke and oil refining; low level of yield in agriculture (for the food industry); sanctions of the Russian Federation; inflation; reducing the use of electricity and gas due to global warming; market advantage of imports of competitive products. The priority tasks for the development of Ukrainian industry are also outlined: renewal of industrial production facilities; infrastructure and logistics development; balancing external and internal market conditions; providing the food industry by increasing the volume of agricultural production; ensuring the purchasing power of domestic consumers and expanding demand.

2. It is established that the level of capital investments in the first half of 2020 lags significantly behind the previous year. In addition, with the development of the COVID-19 pandemic in 2020, the situation with the inflow of foreign direct investment in Ukraine has also deteriorated significantly. The balance of FDI according to preliminary results amounted to -112.6%. This was not the case even in the unfavourable economic development of 2014, which was characterized as a crisis period associated with the military conflict in the east and the annexation of Crimea.

3. In terms of assessing the investment potential through the national wealth and fixed assets of Ukraine, industry is defined as a dominant imperative, which should be considered transport with related economic activities and administrative support services. A high degree of depreciation of fixed assets was established, in particular, for industry this figure is 66.4%, for transport with related economic activities – 62.9%, and for administrative and support services



as much as 83%. Thus, the types of economic activity that occupy the largest share in the structure of fixed assets of Ukraine are characterized by the highest level of wear. The established pattern clearly has a negative impact on the level of investment potential.

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