group. The normalization of the work of any pharmacological company will result in the stabilization of the exchange rate, and the abolition of the law on VAT on medicines.

References:

1. [http://www.apteka.ua/article/285970]
2. [http://pidruchniki.ws/12631113/finansi/upravlinnya_pributkom]
3. [Budgeting in the system of financial managemententerprise dys ... Candidate. econ Sciences: 08.04.01 / S.V. Onishchenko; Kiev. nats econ un - K., 2003. - 19 p. - uk.]

Yana Horobets, Hanna Yushko

Research supervisor: Bohdan Adamyk
Candidate in Economics, Associate Professor,
Language tutor: Oleksandra Duda
Candidate of Philological Sciences, Associate Professor
Ternopil National Economic University

DEVELOPMENTS IN UKRAINE'S BANKING SYSTEM

After a heavy recession brought on by the military conflict with Russia, Ukraine's economy and banking system now appear to be firmly on the mend. Indeed, things have improved to such an extent that by the end of May, Moody's had revised its outlook for Ukrainian banking from negative to stable. The ratings agency has attributed much of the improved outlook to a growth in confidence in the country's currency on the back of significantly improved inflation expectations, which in turn is expected to boost the solvency of its lenders.

It has been a remarkable achievement, given that only just over a year ago inflation was recorded at more than 60 percent; today it is in the single digits. Much of the stabilisation has been thanks to the Ukraine central bank's decision to float its currency, the hryvnia, early last year. Efforts to prop up the hryvnia had resulted in the bank's foreign currency and gold reserves hitting a 10-year low of less than $7 billion — not even enough to cover five weeks of imports. With financial assistance from the IMF (International Monetary Fund) following the floatation, as well as the imposition of capital controls, the central bank was able to steady the hryvnia and has even managed to purchase dollars to replenish its reserves.

As such, a 12-percent rise in currency deposits was recorded during the 12 months to March 2019, bucking the trend of deposit outflows from the banking system in previous years.

While the banking system shows consistent signs of improvement, however, the number of nonperforming loans (NPLs) continues to swell, with banks finding it is virtually impossible to collect on money owed to them in recent times. World Bank data shows that NPLs nearly doubled between 2013 and 2015, rising from 12.9 percent of total lending to 24.3 percent. Many of these loans originated before the 2014 overthrow of President Viktor Yanukovych, when banking ownership and industry regulation were significantly murkier and when banks were used for widespread money-laundering.

Even today there is little in the way of enforcing regulations to deter financial crime, which has resulted in debtors being able to get away with not having to repay their loans. Over 350 reports of fraud and other illegal activity have been identified by the central bank recently, but the authorities have failed to act on even a single case as yet. Despite vastly improving liquidity throughout the banking sector, banks still have little incentive to lend. As such, many banks have simply placed their assets with the central bank and earned interest at zero risk. Other banks, meanwhile, have decided to exit Ukraine; Italy's biggest lender Unicredit, for example, announced in February that it will be selling its Ukrsotsbank in the country to Russia's Alfa Bank.

Much work still remains, but with Ukraine now technically out of its recession and posting positive gross domestic product growth, albeit, marginal signs are clear that the worst of the conditions for banking and the country's economy are now in the past. Should the central bank continue to make significant strides in consolidating the industry and combating the existing culture of fraud and financial crime, it will go a long way towards returning Ukraine's banking system to the international fold.

Therefore, whatever the problems of the banking system are today, qualitative shifts are already evident in the way it operates. They aren't strongly felt just yet, because the path to a system that works like quality clockwork or like the best models in the world is a very long one. Hoverwer, the path is the right one and the pace is strong. All Ukraine's banks need time now.

References:

1. Caprio G., Honohan P. Finance for Growth: Policy Choices in a Volatile World [Electronic recourse] / The World Bank. – Accessed mode: http://mpra.ub.unimuenchen.de/9929/1/MPRA_ paper_9929.pdf.
2. Mathieson D. The Role of Foreign Banks in Emerging Markets [Electronic recourse] / D. Mathieson, J. Roldos // World Bank, IMF, and Brookings Institution 3rd Annual Financial Markets and Development Conference. 19-21 April, 2001, New York. – Accessed mode: http://www1.worldbank.org.
3. Claessens, S. How Does Foreign Entry Affect Domestic Banking Markets? / S. Claessens, A. DemirgucKunt and H. Huizinga // Journal of Banking and Finance. – 2001. – № 2. – Pp. 891–911.

Nazar Huzio
Research supervisor: Casimir Voznyi
Candidate of Economics Sciences, Associate Professor
Language tutor: Iryna Horenko
Candidate of Philological Sciences
Ternopil National Economic University

INFLATION AND DEVALUATION: MACROECONOMIC MUTUAL RELATIONS AND DEPENDENCES

The economy of modern globalized life demonstrates an interesting system of complex interdependencies and influences between its various components and elements. Perhaps now we can speak of the emergence of a new product of economic, political and social globalization – the world economy, which integrates national economies into a new quality, a system of new relations. The basic economic processes and phenomena described by the corresponding traditional economic categories began to gain new meaning. In particular, the macroeconomic problem, which manifests itself in the field of monetary and credit relations, mediates the connection of inflationary processes and the devaluation of national currencies in the conditions of the global economy, is of particular interest.

The basic problems of inflation and deflation are studied discretely and enough deeply and comprehensively – they are directly or indirectly in the focus of scientific research and analysis of most of the economic schools of the past and present. Understanding the new nature of the relationship between inflation and devaluation will allow to master more efficient means