



Evaluation of Domestic Market Development in Ukraine

Nazariy Popadynets¹(✉), Inna Irtysheva²,
Lyudmila Shymanovska-Dianych³, Olesia Diugovanets⁴,
Iryna Hryhoruk⁵, Iryna Kramarenko⁶, Tetiana Husakovska³,
Yevheniya Boiko², Nataliya Hryshyna², Olena Ishchenko²,
Nataliya Tubaltseva², and Dariya Archybisova²

¹ SI “Institute of Regional Research named after M. I. Dolishnyi of the NAS of Ukraine”, Kozelnytska Str. 4, Lviv 79026, Ukraine
popadynets.n@gmail.com

² Admiral Makarov National University of Shipbuilding,
Heroyiv Ukrayiny Ave., 9, Mykolayiv 54025, Ukraine
innauamd@gmail.com

³ Poltava University of Economics and Trade,
Koval Str. 3, Poltava 36014, Ukraine
ludad5846@gmail.com

⁴ State University, «Uzhhorod National University»,
Pidhirna Str, 46, 88000 Uzhhorod, Ukraine
olesia.diugovanets@uzhnu.edu.ua

⁵ Vasyl Stefanyk Precarpathian National University,
Shevchenko, Str. 57, Ivano-Frankivsk 76018, Ukraine
ira.hryhoruk@gmail.com

⁶ Mykolaiv Interregional Institute of Human Development of the University
“Ukraine”, Viyskova Str. 22, Mykolayiv 54000, Ukraine
ukraina_09@ukr.net

Abstract. The current state of the domestic consumer goods market in Ukraine and its main development trends indicate a rather serious threat to the economic and food security of Ukraine. The paper aims to evaluate the development of the domestic market in Ukraine and define the factors of its regulation impact. Methodologically, the paper is based on the use of systemic, analytical, statistical, dialectical, and mathematical methods. The dynamic processes of domestic market development in Ukraine are determined by the calculation of the integral parameter based on the Index provided by the Global Competitiveness Report. The capacity of domestic producers of food is analyzed, and the place of Ukraine in supplying these goods to the EU Member States is determined.

Keywords: Food products · Domestic market · Regulatory mechanisms · Competitiveness agriculture

1 Introduction

With the deepening crisis in the world and the period of the formation of new globalization processes, new requirements for the development of the national economy arise. Changes in the socio-economic development of the state were ripe, and crisis political processes and deep social stratification hampered the development of Ukraine. The future of Ukraine decisively depends on the all-round development of the national economy and especially its center – the internal market; it is the most important factor in the further economic growth of the state. Some aspects of Ukraine’s internal market development and structural policy were researched by local scientists as [1–7] and others. However, it should be noted that today, more than ever, the domestic market needs government regulation in order to create a competitive environment by using modern mechanisms. Therefore, in the process of improving the mechanisms of state regulation, it is proposed to assess the place of our country in accordance with the “Global Competitiveness Report” and calculate the integral value of this indicator by market components (internal competition, trade openness, capacity, etc.).

2 Methodology

It is proposed to evaluate the development of the domestic market in Ukraine by calculating the integral indicator based on the results of the Global Competitiveness Report index, which is determined by the formula:

$$IC = \sum R_i p_i \quad (1)$$

where

- R_i – this is the dynamics of the rating value compared to the previous year (“1” - increase, “0” – decrease or no change);
- p_i – share of rating.

3 Results and Discussion

According to the World Economic Forum, in 2019, in accordance with the value of the “Global Competitiveness Report”, Ukraine ranked 85th and worsened its position by 2 steps (83rd place) relative to 2018. The main components of the index are arranged as follows:

- Institutions – 104th place;
- Infrastructure – 57th place;
- ICT solutions – 78th place;
- Macroeconomic stability – 133rd place;
- Health – 101st place;
- Skills – 44th place;

- Food market – 57th place;
- Labour market – 59th place;
- Financial system – 136th place;
- Market size – 47th place;
- Business dynamism – 85th place;
- Innovative ability – 60th place [8]

Based on the proposed method for evaluating the integral level of the domestic market development in Ukraine according to the components of the Global Competitiveness Report for the period 2013–2019 (Table 1) it is determined that during this period there is a strengthening of positions to increase internal competition and open trade in the domestic market. However, the market capacity indicator during this period significantly changed its position in the international ranking. The calculation of the integral value of the Global Competitiveness Report indicator showed a high result in 2019, that is, for all components of the domestic market there was an increase in the ranking relative to 2018, which is positive for open international competition.

Table 1. Evaluation of the integral level of the domestic market development in Ukraine according to the Global Competitiveness Report components (2013–2019)

	2013– 2014	2014– 2015	2015– 2016	2016– 2017	2017– 2018	2019	Change of position 2019 from 2013
<i>Internal competition (40%–0,40)</i>							
Commodity market	118	108	107	108	101	57	↑61
Distortive effect of taxes and subsidies on competition	133	125	126	133	129	104	↑29
The scale of market monopolization	140	104	101	99	124	89	↑51
Competition in the services market	127	125	122	108	78	77	↑50
<i>Open trade (40%–0,40)</i>							
Prevalence of non-tariff barriers	118	106	116	113	120	91	↑27
Trade tariffs	41	43	43	41	44	43	↓2
Complexity of tariffs	127	123	113	69	75	66	↑61
The efficiency of the registration goods process	140	125	127	128	126	90	↑50
<i>Market capacity (20%–0,20)</i>							
Market capacity	45	51	53	50	61	47	↓2
Gross Domestic Product	38	41	47	48	74	48	↓10
Imports	51	60	59	51	47	44	↑7
Integral value of the indicator (IC)	X	0,70	0,60	0,60	0,50	1,00	X

Source: compiled and calculated by the author

Thus, the data of the Global Competitiveness Report index by market components characterize the strengthening of positions to increase internal competition and open trade in it. However, the market capacity indicator for the period under research has significantly changed its position in the international ranking. The calculation of the integral value of the Global Competitiveness Report indicator showed a high result in 2019, that is, for all components of the domestic market there was an increase in the ranking relative to 2018, which is positive for open international competition.

Evaluation of the integral level of the domestic market development in Ukraine showed that it is the factors of internal influence that form negative preconditions for strengthening the potential of trade. Therefore, in our opinion, it is advisable to analyze and group the factors influencing the regulation of the domestic market development (Table 2).

Table 2. Factors influencing the internal market regulation

Components	Content of factors	Deterioration (↓), Improvement (↑)
Financial and economic	Decrease in the volume of retail turnover in the regions and a slowdown in its growth in the regions	↓
	Decrease in the volume of imports of goods and services to the domestic market of Ukraine	↓
	General deterioration of the investment climate, decrease in the volume of capital investments in the regions	↓
	Deterioration of financial results of economic activity of enterprises	↓
	Decrease in innovation activity and supply in the domestic market of R&D results and innovative products	↓
	Activation of negative trends associated with the shadowing of the domestic market	↑
	Improving the infrastructure of the domestic market	↑
Institutional and legal	Military conflict in Eastern Ukraine, annexation of the Autonomous Republic of Crimea	↓
	Unregulated legal and regulatory framework for domestic market regulation in relation to the system of international agreements	↓
Social	Providing information and consulting support to the population and business entities	↑
	Improving the socio-psychological and organizational professional environment of labour and entrepreneurial activity in the domestic market	↑
	Increasing the level of material well-being of the population and creating additional jobs	↑
	Makes a significant contribution to the economic development of the territory and the country	↑
Ecological	Use of international ISO quality standards	↑
	Formation of the organic products market	↓

Source: grouped by author

An important step that encourages the development of mechanisms for regulating the domestic market development is its export or import orientation. So, according to the data of the Ministry of Economic Development, Trade and Agriculture of Ukraine at the end of 2019, Ukraine took 1st place in Europe and 2nd place in the world (out of 123 countries) in terms of the volume of exported organic products to the EU, having risen two steps compared to the previous year [9].

The EU widely spreads its imports of organic agri-food products, with a total of 115 countries registering exports to the EU. In terms of volume, China is the largest supplier of organic agri-food products in the EU with 415,243 tons of products, or 12.7% of the total (Table 3). Ecuador, Dominican Republic, Ukraine and Turkey each have 8% market share. The consumer demand of European consumers for Ukrainian organic products testifies to their high quality and competitiveness. The leading position of Ukraine in the world trade in organic products demonstrates the active development of this industry; it is a priority in the formation of a strategy for the development of the domestic consumer goods market.

Table 3. The number of organic agri-food products imports in the EU (by country of origin)

Country	Tons	%
China	41524312,72	12,7
Ecuador	2784758,53	8,5
Dominican Republic	2745998,44	8,4
Ukraine	2667418,25	8,2
Turkey	2642188,16	8,1
Peru	2072746,47	6,4
Third countries	1707535,28	5,2
UAE	127807	3,9
India	125807	3,9
Brazil	72353	2,2
Others	1055262	32,4
Total	3258532	3,9

Source: calculated based on the [10].

During 2019, 3,240,000 tons of organic agri-food products were imported to the EU, more than 10% of which came from Ukraine. Ukrainian exports to the EU increased by 27% – from 265,817 tons in 2018 to 337,856 tons in 2019. Basically, grain crops (except for rice and wheat, 76.9% of cereals of Ukrainian origin), wheat (31.8% from Ukraine), oilseeds (except for soybeans, 18.2% and second place after Turkey) are exported to the EU from Ukraine, soybeans (4th place and 13% of soybean imports from Ukraine), fruits (11% and 3rd place). Also, Ukraine is included in the group of the largest exporters of cake, fruit juices and vegetables, which are key export products [9].

In 2018, Ukraine ranked fourth in terms of organic exports to the EU, behind China, Ecuador and the Dominican Republic. It should be noted that the Dominican Republic and Ecuador supply almost exclusively tropical products to the EU: 90% of

exports are tropical fruits, fresh or dried, nuts and spices. In general, imported organic products account for about 2% of the total imports of agri-food products in the EU.

The European Commission has unveiled the EU's "From Farm to Fork" strategy, which envisages an increase in land for organic production to 25% of agricultural land by 2030. Now this figure is about 8% [9].

Ukraine is the first EU supplier of organic products on the European continent. 70% of total imports consists mainly of cereals, broken down into "Cereals other than wheat and rice" (42.8%) and "Wheat" (28.5%). Oilseeds account for more than 15% of the total, broken down to "Oilseeds other than soybeans" (10.8%) and soybeans (5%).

4 Conclusions

The main aim of state regulation of the domestic consumer goods market is to ensure the growth of the population's well-being by creating conditions for meeting the needs in the consumer market and stimulating the development of national producers.

The products that Ukrainian manufacturers provide to the foreign market is a factor that ensures an increase in the standard of the population living, in addition, it is a promising source of additional funds from the export of products. Therefore, in our opinion, the government of the country needs to focus all efforts for the proper level of regulation processes of the market development for final products, developing strategic documents and providing regulatory, information and consulting, financial and credit, investment support for the food sector.

The globalization of the economy and a fairly high level of integration of the Ukrainian economy into the world economic system creates significant challenges for the state as regulators of the national economy. State regulation of the internal market in these conditions should contribute to the development and stimulation of the competitive foundations of the economy, provides for the priority solution of the following tasks:

- increasing the level of competitiveness of domestic products;
- improving the institutional and organizational and economic principles of the internal market functioning;
- definition and consolidation of the principles of natural monopolies functioning;
- creation of effective incentives to encourage the development of competition in monopolized sectors of the economy;
- building an optimal system of price regulation, which would ensure a combination of the interests of producers, consumers and society as a whole;
- formation of an effective system for protecting consumers' rights to receive goods and services of proper quality in sufficient volume at economically reasonable prices.

References

1. Vasylytsiv, T., et al.: Economy's innovative technological competitiveness: decomposition, methodics of analysis and priorities of public policy. *Manage. Sci. Lett.* **10**(13), 3173–3182 (2020)
2. Irtysheva, I., et al.: Building favorable investment climate for economic development. *Accounting* **6**(5), 773–780 (2020)
3. Panukhnyk, O., Popadynets, N., Fedotova, Y.: Analysis and modeling of factor determinants of food provision at consumer market of Ukraine. *Global. J. Environ. Sci. Manage.* **5**(S1), 215–226 (2019)
4. Melnyk, M., Korcelli-Olejniczak, E., Chorna, N., Popadynets, N.: Development of regional IT clusters in Ukraine: institutional and investment dimensions. *Econ. Ann. XXI* **173**(9–10), 19–25 (2018)
5. Popadynets, N., Shults, S., Barna, M.: Differences in consumer buying behavior in consumer markets of the EU member states and Ukraine. *Econ. Ann. XXI* **166**(1–2), 26–30 (2017)
6. Kramarenko, I., et al.: The model of economic system management for the Black Sea region of Ukraine in the sustainable development context. *Accounting* **6**(4), 387–394 (2020)
7. Kolomyets, I., Popadynets, N.: Trade at Ukrainian internal market: the development mechanism. *Actual Probl. Econ.* **1**(175), 69–75 (2016)
8. The Global Competitiveness Report 2019 (2019). http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf
9. Ministry of Economic Development, Trade and Agriculture of Ukraine (2019). <https://www.me.gov.ua/News/Detail?lang=uk-UA&id=28478e1e-eea9-4143-808a-f258bd33dab9&title=UkrainaPosila1-MistseVvropiZaObsiagamiImportovanoiOrganichnoiProduktsiiTa2-geMistseUSviti>
10. Organic imports in the EUA first analysis-Year 2018 (2019). https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/market-brief-organic-imports-mar2019_en.pdf