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Assessment of Foreign Economic Performance of Ukrainian Enterprises in the Context of Currency Fluctuations

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Keywords	Abstract
foreign economic activity currency fluctuations martial law economic security exports	This article offers a comprehensive analysis of the effectiveness of foreign economic activity (FEA) among Ukrainian enterprises in the context of intense currency fluctuations caused by prolonged martial law and geopolitical instability. The study focuses on the macroeconomic dynamics of Ukraine's foreign trade from 2022 to 2025, with particular attention to exports, imports, trade balance, and the trade coverage ratio. Based on official statistics and academic research, it reveals how currency devaluation has had both positive and negative implications: while it enhances the price competitiveness of Ukrainian exports, it also increases the cost of critical imports and logistical operations, especially for small and medium-sized enterprises (SMEs). The study identifies several structural challenges, such as limited access to financial instruments for currency risk management, a volatile regulatory environment, and uneven trade performance across regions. As part of the analysis, the author proposes targeted measures to improve FEA performance, including the development of foreign exchange insurance mechanisms, simplification of trade procedures through digital platforms, and broader international cooperation to support wartime exports. Additionally, the article highlights the importance of improving financial literacy among enterprise managers and fostering adaptive capacity across sectors. The findings provide both theoretical insights and practical recommendations aimed at enhancing Ukraine's export potential, economic resilience, and long-term strategic positioning in global markets. The study contributes to current discussions on how to strengthen foreign trade under conditions of crisis and recovery.

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Introduction.

Foreign economic activity (FEA) remains a cornerstone of Ukraine's national economy, particularly as the country continues its path toward deeper integration with global and European markets. However, from 2022 onward, Ukrainian enterprises have operated in an increasingly turbulent environment, shaped by full-scale military conflict, global supply disruptions, and severe currency fluctuations. The war not only caused direct destruction to industrial infrastructure and export capacity, but also undermined the reliability of logistics, raised transaction costs, and triggered sweeping regulatory transformations in trade and finance.

In this challenging context, ensuring the sustainability and adaptability of FEA has become a matter of national economic resilience. Enterprises—especially those operating in high-risk regions or dependent on import-intensive processes—must now confront multidimensional risks that combine operational, financial, and geopolitical uncertainty. Moreover, the volatility of the hryvnia against major global currencies adds a critical layer of complexity, influencing pricing decisions, profitability, and the feasibility of long-term export strategies.

As Ukraine shifts from wartime survival to strategic recovery, studying the efficiency and structure of its foreign trade is not only timely, but essential for shaping targeted policy interventions. This research situates FEA at the intersection of economic security, institutional flexibility, and external competitiveness, providing an evidence-based platform for the design of adaptive regulatory and financial mechanisms.

Statement of the Problem.

Currency volatility disrupted logistics routes, restrictions on financial transactions, and heightened risks have significantly complicated the foreign economic operations of Ukrainian enterprises. Despite these challenges, foreign trade continues to serve as a vital instrument for maintaining economic stability and supporting post-war recovery. Assessing the effectiveness of FEA under such conditions requires improved methodological approaches that incorporate both economic and national security considerations.

Foreign economic activity is a critical component of Ukraine's national economy, especially in light of the country's aspirations for deeper integration into the global economic system. However, the period from 2022 to 2024 has been marked by unprecedented challenges stemming from both external and internal factors. The full-scale military invasion has severely disrupted traditional trade routes, supply chains, and production capacities. Additionally, the imposition of martial law and subsequent regulatory changes have introduced new complexities for enterprises engaged in foreign trade.

In addition to these structural and macroeconomic factors, enterprise-level vulnerabilities play a critical role in determining the resilience of foreign trade activity. Many Ukrainian firms lack sufficient access to currency hedging tools, financial consulting, or trade insurance mechanisms, particularly small and medium-sized enterprises (SMEs). These firms are disproportionately affected by exchange rate volatility and often cannot afford the higher transaction costs associated with foreign markets. As a result, there is an urgent need for targeted support measures that address the needs of different segments of the business sector. Furthermore, the post-war environment will likely be characterized by continued financial volatility and fragile supply chains, requiring sustained efforts to develop adaptive business models and strengthen institutional capacity. This situation underscores the relevance of research aimed at identifying policy instruments that can mitigate risks and unlock the potential of foreign trade as a driver of recovery.

Another important aspect is the uneven distribution of foreign trade activity across sectors and regions. Enterprises located in frontline or temporarily occupied areas have experienced total export collapse, while companies in western regions are trying to reorient toward EU markets. This geographical disparity necessitates a more flexible regulatory approach and differentiated support strategies. Understanding the spatial and sectoral dimensions of FEA efficiency is crucial for formulating effective recovery and export stimulation policies.

Analysis of Recent Research and Publications

There is considerable scholarly interest in the issues of currency risk and the efficiency of foreign economic activity, as reflected in the works of Skrypnyk S., Protseviat O., Voronova O. [3], Kvasha S., Pavlenko O., Vakulenko V. [2], and Shuhalii A. [4]. In addition, Y. Kozak's textbook [5] systematizes the fundamental principles of organizing foreign economic activity, which remain relevant even under martial law. A key focus of existing research is the development of enterprise adaptation strategies in the context of wartime foreign economic operations. However, there remains a lack of comprehensive analysis regarding the relationship between currency fluctuations and the efficiency of foreign economic activity—measured in terms of profitability, trade volumes, and balance—both at the micro and macro levels, particularly in light of the unprecedented challenges posed by the war.

Objective

The purpose of this article is to analyze the impact of currency fluctuations on the efficiency of foreign economic activity of Ukrainian enterprises under martial law, and to identify key directions for improving regulatory policy and enhancing the adaptability of enterprises.

Summary of the main material.

According to the State Statistics Service of Ukraine [1], the period from 2022 to 2024 witnessed a sharp decline in exports alongside rising import costs, resulting in a negative trade balance and a reduction in the trade coverage ratio. Simultaneously, significant exchange rate fluctuations had a direct impact on pricing structures, profitability, and the overall cost of foreign trade operations. To assess the currency-related effects on import and export activities, official data on the hryvnia exchange rate against major currencies published by the National Bank of Ukraine [7] were utilized.

An analysis of relevant scientific literature [2–4] highlights the growing need for flexible contracting strategies, risk hedging mechanisms, and increased state support for exporters. Notably, periods of hryvnia devaluation enhanced the price competitiveness of Ukrainian exports by lowering the foreign currency cost of domestic goods. However, these same periods also led to a rise in the hryvnia-denominated value of critical imports, including raw materials, components, and technological equipment.

This situation presented a dilemma for many manufacturing enterprises: although export revenues in hryvnia terms increased, so did operational costs, often eroding potential profits. Import-oriented companies, in turn, faced a direct escalation in the cost of goods, which forced them to either revise domestic pricing strategies or reduce profit margins in order to preserve market share. Additionally, logistics expenses and customs duties—often linked to the exchange rate—also experienced upward pressure.

Table 1 and **Figure 1** illustrate the key trends in export-import operations during the period 2022–2025. In 2022, the full-scale invasion triggered a sharp decline in exports, which fell to USD 44.1 billion. This dramatic drop was a direct consequence of widespread destruction across Ukraine's economy—including damage to production facilities, the blockade of seaports, the loss of key logistics routes, and a significant reduction in domestic output. These factors severely limited the ability of enterprises to realize their export potential in international markets.

In contrast, imports reached USD 55.3 billion in the same year. This increase was driven by the urgent need to bring in critical goods such as energy resources, military equipment, medicines, humanitarian aid, and other essential supplies required to sustain economic activity and ensure the survival of the population. As a result, the foreign trade balance turned negative, amounting to USD –11.1 billion. The trade coverage ratio dropped to 0.80, reflecting the growing imbalance between imports and exports.

Table 1; Key indicators of Ukraine's foreign trade for the period 2022-2025 [1; 6]

Year	*Exports, mln $*	*Imports, mln $*	*Balance, mln $*	*Coverage ratio*
2022	44 148,8	55 273,5	-11 124,7	0,80
2023	36 195,2	63 568,9	-27 373,7	0,57
2024	41 733,1	70 751,2	-29 018,1	0,59
2025 (estimate)	46 000,0	72 000,0	-26 000,0	0,64

Note: figures for 2025 based on trends of previous years and forecasts of the Ministry of Economy and the NBU.

In 2024, a slight stabilization in exports was recorded, with volumes rising to USD 41.7 billion. This improvement can be attributed to the establishment of alternative logistics routes—particularly the functioning of the sea corridor—the adaptation of Ukrainian enterprises to the new business environment, and the partial resumption of production in de-occupied and relatively safer regions. However, imports continued to grow at a faster pace, reaching USD 70.7 billion. As a result, the foreign trade balance remained negative at USD –29.0 billion—the worst figure recorded during the analyzed period. The coverage ratio declined further to 0.59 [1].

According to the macroeconomic forecast provided by the National Bank of Ukraine in its 2024 Annual Report [6], a gradual recovery of export potential is expected. Export volumes for 2025 are projected to reach USD 46.0 billion, aligning with positive economic growth trends. At the same time, imports are forecasted to rise to USD 72.0 billion, reflecting a sustained high demand for foreign goods, primarily driven by reconstruction needs and domestic consumption.

The projected trade deficit in 2025 is expected to improve slightly to USD –26.0 billion. While this suggests a modest recovery in foreign trade, the Ukrainian economy remains heavily reliant on imports. These trends underscore the urgent need for targeted export support policies, particularly for industrial enterprises, which play a critical role in maintaining Ukraine's presence in foreign markets.

Beyond macroeconomic indicators, the operational effectiveness of foreign economic activity depends significantly on enterprise-level decision-making and access to appropriate tools and support systems. Small and medium-sized enterprises (SMEs), which constitute the backbone of Ukraine's business environment, often lack the capacity to manage exchange rate volatility without external assistance. Unlike large exporters, SMEs are typically constrained by limited access to trade finance, risk hedging instruments, and market intelligence. As a result, even minor fluctuations in the national currency can lead to substantial disruptions in their foreign trade operations.

In response to these challenges, some enterprises have begun exploring cooperative models such as export consortia, shared logistics hubs, and collective procurement of financial services. These models allow businesses to pool resources and reduce individual exposure to currency and trade-related risks. Preliminary case studies from western regions of Ukraine demonstrate that export consortia have helped firms access larger EU buyers by aggregating supply volumes and ensuring stable product flows.

Another promising direction involves integrating digital platforms to manage exchange risks and automate trade documentation. Platforms enabling real-time exchange rate monitoring, smart invoicing, and embedded insurance services offer SMEs a higher degree of control and planning capacity. However, the adoption of such digital solutions remains uneven due to disparities in digital readiness and technical expertise across enterprises.

Furthermore, regional authorities and business support centers can play a more proactive role in facilitating access to external markets. Initiatives such as regional export strategies, mentoring programs for first-time exporters, and multilingual trade helpdesks could bridge informational and capability gaps. Embedding such measures within broader export promotion policies will ensure that not only large, but also small and adaptive firms can participate meaningfully in Ukraine's foreign trade recovery.

Moreover, the implementation of end-to-end digital ecosystems can significantly enhance transparency and efficiency in cross-border operations. Government-led platforms such as Diia.Business and "E-Export School" already provide educational resources and export readiness tools for SMEs. The integration of blockchain-based registries for customs clearance, smart invoicing systems with built-in exchange rate conversion, and AI-assisted export planning tools could offer new competitive advantages to Ukrainian exporters. In particular, digital platforms that aggregate currency forecasts and allow real-time access to hedging offers from banks and fintech companies may reduce market entry barriers for small businesses. However, the digital divide between regions, and the lack of funding for technology adoption, remain substantial barriers. A national strategy for FEA digitalization—co-developed with business associations—could address these disparities, focusing on interoperability, cybersecurity, and SME-focused subsidies. These innovations are essential not just for managing currency risk but also for ensuring the structural modernization of Ukraine's foreign trade.

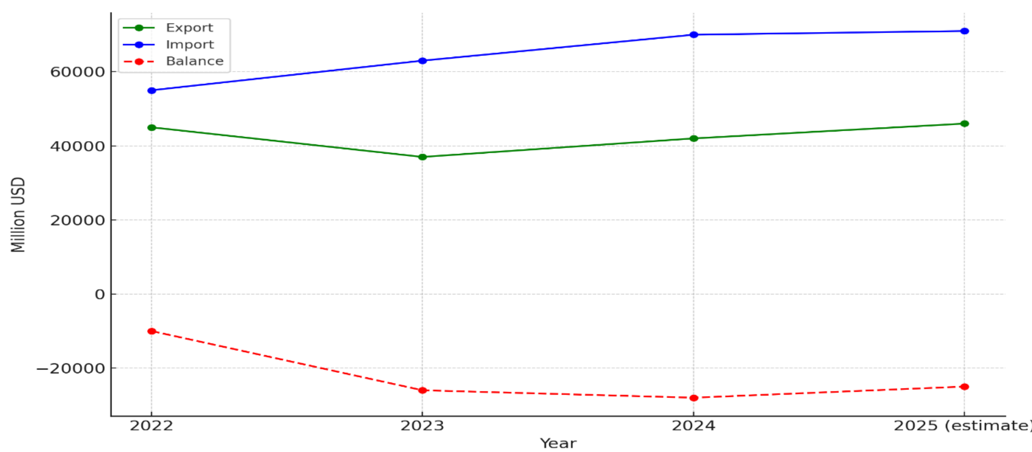

Figure 1. Dynamics of Ukraine's Foreign Trade in Goods, 2022-2025 [1].

Figure 1 illustrates the annual dynamics of exports, imports, and the foreign trade balance. It is evident that in 2022–2023, imports significantly and rapidly outpaced exports, resulting in a critically negative trade balance that peaked in 2024. During that year, the trend of increasing imports persisted, while exports showed only a gradual recovery. The forecast for 2025 suggests a partial improvement in the trade balance, which may signal the beginning of a slow but steady recovery phase in Ukraine's foreign economic activity.

Notably, Figure 1 also highlights a consistently low coverage ratio—remaining below 0.64 throughout the period—further underscoring the Ukrainian economy's critical dependence on imports. This situation accentuates the urgent need to develop and strengthen effective export support policies, particularly for industrial enterprises that have historically been key players in foreign markets.

The regulatory environment for foreign economic activity (FEA) in Ukraine in 2025 continues to evolve in response to ongoing military challenges and volatile global markets. The government has expanded the list of permitted transactions and maintained a simplified licensing regime for exports and imports of strategic goods. At the beginning of 2025, the National Bank of Ukraine introduced additional measures to ease currency restrictions, notably increasing limits on currency transactions for small and medium-sized enterprises, thereby enhancing flexibility in conducting foreign economic operations [6; 2].

According to the State Statistics Service, in the first months of 2025, exports of goods increased by 9% compared to the same period in 2024, indicating a gradual recovery in foreign trade in the face of war and currency instability [1; 9]. However, access to international financial instruments and currency insurance remains limited, which continues to be a significant barrier for Ukrainian exporters [8].

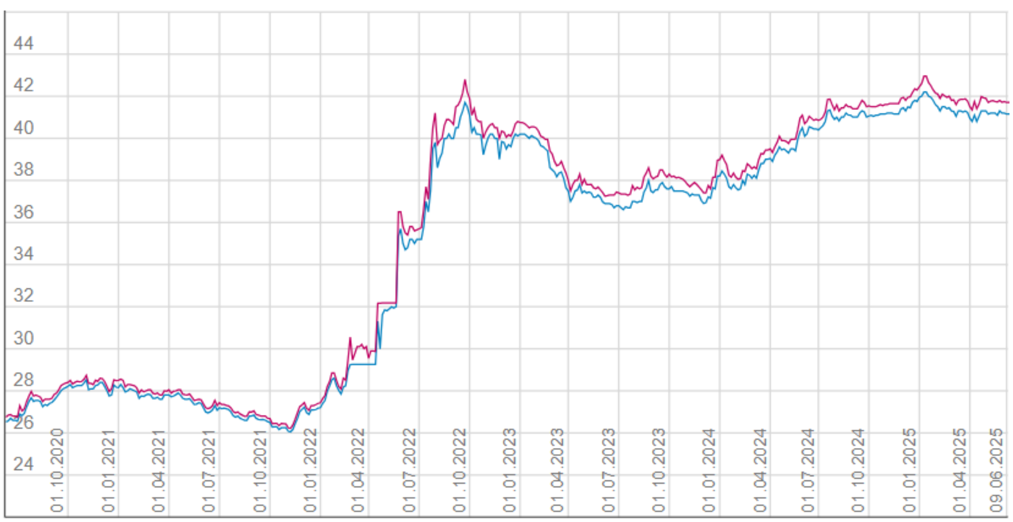

Figure 2. Dynamics of the UAH/USD Exchange Rate from October 1, 2020, to June 9, 2025 [14].

Figure 2 presents various indicators of the buy and sell exchange rates. The most pronounced and significant impact on the hryvnia exchange rate was caused by the outbreak of the full-scale war in February 2022, which triggered a sharp and substantial depreciation of the national currency.

Following this initial shock, the exchange rate experienced periods of relative stabilization, reflecting the economy’s adaptation and the regulator’s (National Bank of Ukraine) efforts to maintain financial stability.

Despite these stabilization phases, the overall trend since February 2022 has been a persistent depreciation pressure on the hryvnia, likely driven by ongoing military operations, macroeconomic imbalances, and the continued need for external financing.

By the end of the period shown in the chart, the hryvnia exchange rate fluctuated around UAH 40–41 per USD, a significantly higher level compared to the pre-war period.

To improve the efficiency of foreign economic activity among Ukrainian enterprises amid high uncertainty in the currency environment and martial law, it is necessary to focus on the following priority areas:

- Expanding access to foreign exchange financial instruments: Stimulate the development of local currency hedging products, particularly by providing tax incentives for companies offering such services [10]. Establish state support mechanisms for currency risk insurance to reduce risks associated with currency fluctuations, especially for small and medium-sized exporters.
- Improving currency regulation: Implement more flexible currency control rules with differentiated requirements tailored to different sectors of the economy [6].
- Supporting the digitalization of foreign trade processes: Accelerate the introduction of electronic platforms for customs clearance, currency transactions, and reporting [11].
- Strengthening international cooperation: Intensify negotiations with international financial organizations (e.g., EBRD, World Bank, MIGA) to secure access to specialized wartime export credit and insurance programs [12].
- Increasing financial literacy of enterprises: Organize training sessions and consultations on currency risk management [13] to help Ukrainian enterprises better understand and apply hedging instruments, as well as develop more effective strategies to mitigate the negative impacts of currency fluctuations.

Implementation of these measures will not only enhance the efficiency of foreign trade for Ukrainian enterprises but also strengthen economic security and accelerate Ukraine’s post-war economic recovery.

The importance of a resilient and adaptive foreign economic sector cannot be overstated in the current context, where ongoing military conflict and global economic volatility continue to shape Ukraine’s trade environment. Enterprises that can successfully navigate currency fluctuations and logistical challenges will be better positioned to maintain competitiveness in international markets and contribute to the nation’s economic stability.

To translate these findings into actionable policy, a structured roadmap is needed to reinforce institutional and macroeconomic capacity. First, the Ministry of Economy and the National Bank of Ukraine should jointly develop adaptive regulatory protocols that align currency control measures with exporters' needs. These could include flexible repatriation deadlines, currency corridor forecasting, and simplified documentation for hedging operations. Second, fiscal tools such as tax credits for exporters using currency insurance, or accelerated VAT refunds for digital exporters, could offer short-term liquidity relief.

Third, regional export development offices should be empowered to collect and disseminate market intelligence, helping SMEs navigate currency volatility. Creating a centralized portal for financial support programs (grants, guarantees, subsidized credit) could streamline access to wartime export incentives. Additionally, public-private partnerships should be encouraged to develop export-financing instruments tailored to high-risk geopolitical contexts.

Lastly, Ukraine should strengthen its cooperation with institutions like the WTO, IMF, and MIGA to access capacity-building initiatives and crisis-specific trade insurance products. This approach would not only mitigate immediate risks but also build a strategic foundation for Ukraine’s long-term integration into global trade systems under volatile conditions.

Conclusions.

Improving the efficiency of foreign economic activity of Ukrainian enterprises requires an integrated approach that considers both the internal capacities of enterprises and the external challenges posed by the global environment. Enterprises must leverage their existing resources, such as human capital, technological capacity, and supply chain flexibility, while also adapting to rapidly changing external conditions. This dual focus will allow businesses not only to survive but to thrive amid uncertainty.

Of particular importance is the development of financial and institutional mechanisms to support exporters during the transitional period of post-war recovery. These mechanisms should include expanded access to affordable credit, currency risk mitigation tools, and streamlined customs and regulatory procedures. Enhanced cooperation between government bodies, financial institutions, and business associations will be crucial to implement such support effectively.

Further research should focus on modeling the adaptive behavior of enterprises in response to changes in state currency policy and integration processes. This includes exploring how businesses adjust pricing, sourcing, and investment decisions in response to currency volatility and changing trade regulations. Employing advanced statistical techniques, such as correlation and regression analyses, to examine the relationships between exchange rate dynamics (UAH/USD) and key trade indicators such as exports, trade balance, and coverage ratio will provide valuable insights. Preliminary analysis suggests a moderate inverse relationship between the rate of hryvnia devaluation and the trade deficit level, which requires further clarification through quantitative modeling.

Moreover, attention should be paid to sector-specific impacts, as the effects of currency fluctuations and trade disruptions are not uniform across industries. For example, export-oriented manufacturing enterprises may benefit from a weaker national currency through improved price competitiveness abroad, while import-dependent sectors may face increased costs and supply chain risks. Policymakers should consider these nuances when designing targeted support programs.

To complement financial and regulatory measures, the use of tax incentives, logistics subsidies, and localization strategies can play a vital role in supporting exporters and mitigating the negative effects of currency fluctuations. Encouraging the localization of production can reduce reliance on imported components and enhance supply chain resilience. Simultaneously, investments in digital infrastructure and e-commerce platforms can open new export opportunities and simplify trade procedures.

In addition to institutional support, increasing the financial literacy of enterprise managers and decision-makers is essential. Training programs focused on currency risk management, financial planning, and international market analysis will empower businesses to make informed decisions and proactively manage risks.

In summary, a holistic strategy that combines financial, regulatory, educational, and technological interventions is necessary to enhance the foreign economic activity of Ukrainian enterprises under challenging conditions. Such a strategy will not only improve trade performance but also contribute to the broader goals of economic recovery, security, and integration into the global economy.

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