FACTORS OF EXPORT INCOMES FORMATION AND WAYS TO INCREASE CURRENCY INCOMES OF UKRAINE

Abstract. Under conditions of persistent trade balance deficit, there activates a search for ways of export increase and, consequently, of currency incomes of Ukraine. The goal of this article is to evaluate the state of Ukraine’s export, its dynamics, development of extended classification of the factors influencing the formation of export incomes, detecting the problems in this sphere, development of recommendations concerning the growth of export and increase in currency incomes of Ukraine. The methods of research applied are analysis and synthesis, system approach, comparison, generalization, scientific abstracting, and statistical method.

This work contains a substantial analysis of the current state and dynamics of foreign trade of Ukraine in general and its exports in particular. There has been developed an extended classification of factors influencing the formation of export incomes, sum total of which falls into two groups: the factors determining the quantity of exported goods, and the factors determining their prices. The first group includes the following: availability of export potential, export potential realization, state of the market regarding consumers. The second group comprises the following: production costs level, existence of trade obstacles, currency exchange rate. The influence of all mentioned factors on Ukraine’s export has been analyzed. There have been disclosed the main problems in this sphere, such as imperfect export structure, high expenditure level and the share of import in export, unfavorable market environment for development of export-oriented enterprises.

There have been given recommendations concerning an increase in export and currency incomes of Ukraine, including efficient utilizing of both home and foreign resources, optimizing export structure, creating a favorable market environment, taking into consideration elasticity of demand on national exported goods and elasticity of supply from foreign countries to gain competitive advantage, introduction of new technologies, production modernizing, utilizing the advantages of economic integration, and ensuring devaluation effect.

Keywords: export incomes, export, import, export potential, elasticity of national export’s demand and supply, trade barriers, currency incomes, currency exchange rate.

JEL Classification F19, F31, F49

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ФАКТОРИ ФОРМУВАННЯ ЕКСПОРТНИХ НАДХОДЖЕНЬ І ШЛЯХИ ЗБІЛЬШЕННЯ ВАЛЮТНИХ ДОХОДІВ УКРАЇНИ

Анотація. В умовах довготривалого дефіциту торгівельного балансу актуалізується пошук шляхів збільшення експорту і, відповідно, валютних доходів України. Мета статті — оцінка стану експорту в Україні, його динаміки, розроблення розширеної класифікації факторів, що впливають на формування експортних надходжень, виявлення проблем у цій галузі, розроблення рекомендацій щодо нарошування експорту і збільшення валютних доходів України. Методи дослідження: аналіз і синтез, системний підхід, порівняння, узагальнення, наукової абстракції, статистичний метод.

Грунтovно проаналізовано сучасний стан і динаміку зовнішньої торгівлі України загалом і експорту зокрема. Розроблено розширену класифікацію факторів, що впливають на формування експортних надходжень, уся сукцупність яких розподіляється на дві групи: фактори, що детермінують кількість товарів, які експортують; фактори, що детермінують їхні ціни. До першої групи належать такі: наявність експортного потенціалу, реалізація експортного потенціалу, кон'юнктура на зовнішніх ринках з боку споживачів. Друга група: рівень витрат на виробництво товарів, наявність торговельних обмежень, валютний курс. Проаналізовано вплив усіх факторів на експорт України. Розкрито основні проблеми в цій сфері, такі як: недосконалість структури експорту, високий рівень витрат і імпортотемпності експорту, несприятливе ринкове середовище для розвитку експортноорієнтованих виробництв. Надано рекомендації щодо зростання експорту й валютних доходів України, серед них: ефективне використання як внутрішніх, так і зовнішніх ресурсів, оптимізація структури експорту, створення сприятливого ринкового середовища, урахування еластичності попиту на національні експортні товари й еластичності пропозиції з інших країн для отримання конкурентних переваг, упровадження нових технологій, модернізація виробництва, використання переваг економічної інтеграції, забезпечення девальваційного ефекту.

Ключові слова: експортні надходження, експорт, імпорт, експортний потенціал, еластичність попиту і пропозиції національного експорту, торгіві обмеження, валютні доходи, валютний курс.

Формула: 0; рис.: 3; табл.: 0; бібл.: 15.

Introduction. A country’s development depends to a large extent on the state and development of export-related branches. In times of economic crises countries try to stimulate, first of all, export-oriented enterprises, because they are the most efficient, capable of competing in international markets. Besides, export is a source of currency incomes, which are used to finance the balance of payment. An important goal is not only to increase the volume of export, but also to ensure its well-balanced structure, striving for prevalence of goods with high added value within its structure. The draft of «The Strategy of stable development of Ukraine till 2030» states that by 2030 the share of goods with high added value is to reach 15% [1]. Under conditions of persisting trade balance deficit, there actualizes the search for ways to increase export and, correspondently, currency incomes. This is what determines the need in and urgency of this research.

Literature review and the problem statement. Foreign trade in general and export in particular are analyzed in works by leading scientists like Gorbal N.I., Didkovska B.V., Melnyk T.M., Kyzym M.O., Matiushenko I.Yu., Berenda S.V., Yaroshenko I.V., Panaseiko I.M., Guba M.O. The researches analyze the tendencies in development of foreign trade, national export, the problems of foreign trade regulating [2—9]. Nevertheless, despite the available publications on this problematic, the issue of national export development and growth of its competitiveness in current conditions need further research.
The goal of this article is to estimate the state of export in Ukraine, its dynamics, to develop an extended classification of factors influencing the formation of export incomes, to detect problems in this sphere, to develop recommendations concerning the growth of export and increasing currency incomes of Ukraine.

The following methods of research were applied in the work: analysis and synthesis, system approach, comparison, generalization, scientific abstracting, and statistical method.

Methodology and research methods. The fundamental principles of economic theory, scientific works of leading scientists in the area of international economic relations are used as a methodological and theoretical basis for this investigation.

In the process of research, general scientific and special methods of scientific cognition are used, namely: analysis and synthesis, system approach, comparison, generalization, scientific abstracting, statistical methods, graphical methods.

Research results. In Ukraine, the export between 2010 and 2019 reached its maximum of $64,427 million in 2012, following which its decrease was observed down to $33,560 million in 2016, which is the lowest indicator in the analyzed period. After 2017 the growth renewed, in 2019 export amounted to $46,091 million. Import displayed a similar tendency, the maximum value being $86,273 million in 2012, and the minimum one $38,875 million in 2015 (Fig. 1).

![Fig. 1. The dynamics of Ukraine’s foreign trade indicators in 2010—2019](image)

During the researched period, trade balance was negative. The fact of existing of negative balance during a long period calls for searching the ways of increasing currency incomes. To this effect, the authors have developed an extended classification of export incomes’ formation factors, sum total of which can be subdivided into the following two groups.

I. Factors determining the amount of goods to be exported.

II. Factors determining their prices.

The amount of exported goods is determined by the following factors:

1) the availability of export potential, i.e., a possibility of producing national export goods that depends on the availability of a corresponding resource base, namely:

   a) availability of home resources;
   b) accessibility to imported resources.

The availability of home natural, investment, innovative, human, intellectual resources as well as the possibility of obtaining imported resources enables increasing production and export of goods;
2) export potential realization that is connected with the presence of favorable market environment for development of export-oriented enterprises, which depends on taxation level, loan interest rate, state support, the extent of markets’ monopolizing, the shadow economy share, etc.; 3) the situation in foreign markets regarding consumers that is determined by:
   a) price elasticity of demand for the national export. This depends on the following factors:
      – exported product’s characteristics, the extend of its indispensability and uniqueness;
      – the share of a particular product in the structure of general consumption;
      – the presence of a sector that competes with import in the countries consuming a particular product;
      – time period.
   b) elasticity of demand for national export goods by income;
   c) elasticity of supply from foreign countries.

If price elasticity of demand for national export is high, then its volumes will grow with lowering export prices. In case of low elasticity of demand for national export, there will not be sufficient increase in export volume. Nevertheless, if a unique product is exported, certain stability of export supplies will be ensured.

When incomes increase in conditions of high elasticity demand by income, there will occur the growth of export volumes of high-quality export goods.

If elasticity of supply from foreign countries is higher than that of national producers, then at decreasing of export prices there will be no significant growth in export.

Consider the impact of the aforementioned factors on Ukraine’s export.

Viewing the first group of factors, it should be noted that Ukraine possesses a considerable export potential, it is an exporter of such goods as food stuffs and raw materials for their production, ferrous and non-ferrous metals and articles from them, mineral products, chemical industry products, and so on (Fig. 2).

As can be clearly seen from Fig. 2, the largest share of Ukraine’s export is comprised by food products and raw materials to produce them — 48,0% of total volume ($22 123 million), the largest consumer being, notably, Asian countries — 43,7% ($9 676 million), Europe — 33,1% ($7 326 million); ferrous and non-ferrous metals and articles from them — 21,7% ($9 995 million), of them to European countries — 37,5% ($3 746 million), to Asia — 25,8% ($2 580 million); mineral
products — 9.6% ($4 405 million), including export to European countries — 59.1% ($2 602 million), to Asia — 34.2% ($1 506 million); machines and equipment, transportation means and devices — 7.4% ($3 426 million), the largest share being the CIS countries — 44.5% ($1 524 million), Europe — 31.9% ($1 092 million); chemical products — 4.7% ($2 171 million), including to CIS countries — 41.6% of total value ($904 million), to European countries — 37.2% ($808 million) [10]. Despite the existing of significant export potential, the export structure is imperfect due to prevailing of goods with low added value. Besides, in Ukrainian export to European countries there prevail goods of lower extent of treatment, while to the CIS and Asian countries those with a greater one.

Ukraine is rich in local resources: highly qualified labor force, natural resources, fertile soil, but it should be noted that economy of Ukraine depends on imported energy resources. Import distribution analysis by main groups of goods attests to a large share of energy resources and components utilized in production of national goods, including exported ones (Fig. 3).

![Fig. 3. Ukraine’s import structure by main commodities groups in 2019](image)

Note: composed by authors on the basis of [10].

Thus, in 2019, the largest share of imported goods were machines and equipment, means of transportation, and devices — 32.1% of total volume that constitutes $19 361 million, the biggest part of it being to European countries — 45.6% and Asia — 39.5%; mineral products — 20.9% of total volume ($12 638 million) and notably 57.4% from the CIS countries, 29.9% from Europe [10].

It should be noted that the share of mineral fuels, oil, and its cracking products constitutes 23.4% of the total volume of imports, the growth percentage compared to 2017 being 114.5% [11]. Pure import of raw energy in 2017 was 33.2 million tons in oil equivalent and increased compared to the previous year by 20.2% mainly on account of import of natural gas and coal. Within the structure of energy import, the share of coal was the largest and constituted 36.8%, natural gas — 31.9%, crude oil and petroleum products — 31.2% [12]. The analysis of this data attests to the need of searching for ways to decrease Ukraine’s dependence of energy resources import.

An important condition of export growth is efficient realization of export potential connected with creating a favorable market environment. According to the World Economic Forum, in 2017/2018 Ukraine took 120th position in the world by finance market development, by institutions — 118th position, macroeconomic environment — 121st position, comfort for entrepreneurship — 90th position. On polling the respondents, among the main problems the following were highlighted: inflation, corruption, tax rates, and tax regulations [13]. In 2019 Ukraine took 136th position in the world by finance system development, by institutions — 104th
position, macroeconomic stability — 133rd position, inflation — 131th position, business dynamism — 85th position [14]. The presence of a large state debt, considerable part of which is denominated in foreign currency, makes the problem of increasing export currency incomes of special urgency for Ukraine [15].

Taking into account the elasticity of demand and supply of exported goods influencing their volumes, it is expedient to describe competitive advantages in the following way: For goods, elasticity of demand for which is high the accent should be made on ensuring price prevailing on account of lowering the prices, while for those with low price — on ensuring prevailing quality, production and export of unique goods. It is important to take into account price elasticity proposition from foreign countries, whose index will be higher for goods with low added value. This stipulates the need in producing and exporting high-technology goods for Ukraine to gain advantage in the international market.

Thus, when solving the task of increasing the volumes of export, it is necessary to attain its optimum structure that should be aimed at increasing the share of goods with high added value, diversifying energy sources, development of home energy sources; creating favorable conditions for total realization of export potential; taking into account elasticity of demand and supply when forming competitive advantages for exported goods.

Viewing the second group of factors, it should be noted that the prices of exported goods are determined by:
1) expenditures for production of goods;
2) extent of home markets’ protection, i.e. existence of trade barriers;
3) currency exchange rate.

When there is decrease in expenditures for production of goods, trade barriers, national currency exchange rate, there occurs a decrease in national export goods and increase export volumes.

In Ukraine, along with certain advantages such as quite low wages compared with trade-partners countries (like those of the European Union the share of which in total export is 37,6%), there exists high dependency of national enterprises on energy resources, as well as high tax rates, loan percentage rate, permanently growing prices on energy resources, which leads to growth of expenditures. Besides, one should take into account the impact of currency exchange rate factor that affects the prices on imported resources.

Currently, the world economy displays the tendency towards integration that is immediately connected with liberalization. With growing integration, trade barriers diminish, and volumes of trade increase. Ukraine is getting ever more involved into the Euro-integration processes. In Ukraine, as of January 1, 2016 the Deep and Comprehensive Free Trade Area (DCFTA) with the EU was officially introduced. The European Union, despite proclaiming the free trade principles, introduces non-tariff regulation methods to protect national markets from foreign competition. One of the most utilized trade restriction methods are tariff quotas. A tariff quota is an instrument of trade policy that enables to import a certain amount of a product at base preferential tax rate for a limited period of time, and in case of exceeding the specified volume the product is imported at a higher import tax rate. Initially, tariff quotas were applied sparingly. Further on, it is due to their application to imported goods from Ukraine that there occurred a decrease in positive effects from the introduction of FTA between Ukraine and the European Union. Establishing an FTA was supposed to lead to activation of foreign trade operations and increasing benefits from trade. According to the Agreement on Association between Ukraine and the EU, import tax rates will be gradually decreased during a certain period. The smallest benefit was obtained by agrarians, because in spite of the possibility of trading their produce and products of its treatment at zero-rate from January 1, 2016, they could sell it within tariff quotas. In total, zero-rate tariff quotas included in 2016 36 positions of goods from Ukraine, additional volumes were set on four kinds of products [3], but the amounts of tariff quotas for some goods positions were insufficient. Thus, in the first half of 2016, the zero-rate export quotas to the EU were used in full for honey, treated tomatoes, sugar, grape and apple juices, wheat, etc.; at the beginning of June 2016, 85% of all zero-rate quotas
for export of food stuffs to the EU were used up. Existence of tariff quotas influences competitiveness of Ukrainian export goods. And although some goods, like honey, are also exported with payment of import tax (volumes of honey extra of quotas exceed the quotas 4 times), other goods positions, like poultry, are exported within quotas only, because paying the tax considerably decreases competitiveness of these goods [3].

Considerable impact on export prices is caused by currency exchange rate. At present, national exporters can get devaluation advantage on account of lower currency value compared with that of trade-partners countries.

Nevertheless, one should take into account the existence of high share of import in the national export, which decreases the devaluation effect, and in some cases neutralizes it. If in production of exported goods the share of expenditure on imported resources is smaller than that on national resources, there is an increase in exports along with positive devaluation effect. In the case of the share of expenditures on imported components exceeding that of natural resources, the production expenditures, and, consequently, the price of exported goods will increase, that leads to a decrease in export volumes, i.e. a negative devaluation effect appears.

Thus, to gain a price advantage, it is necessary to introduce new technologies, along with modernization, foreign trade liberalization, decrease in the share of import in the national export.

Conclusions. As can be seen, solving the issue of increasing currency incomes of Ukraine calls for the introduction of a number of measures developed on the basis of the offered extended classification of factors influencing the export incomes formation aimed at both increase of export volumes and its price:

– efficient utilizing of both home and foreign resources, optimizing the export structure in the direction of increasing the share of goods with high added value;

– diversifying the sources of energy resources, exploiting home and development of alternative energy sources to decrease dependency on suppliers of imported components and energy resources;

– creating a favorable market environment for development of export-oriented enterprises on account of state support, decrease in the extent of markets monopolizing, shadow economy, taxes, loan interest rates in order to achieve the utmost realization of export potential;

– taking into account the elasticity of demand for national export goods and elasticity of supply from foreign countries to gain competitive advantages and conquering foreign markets;

– offering unique goods in foreign markets that will ensure stability of export supplies;

– development and introduction of new technologies, production modernizing that will enhance decrease in production expenditures on export goods;

– decreasing trade limitations, utilizing the benefits of economic integration to attain a price advantage;

– decrease in the share of import in the national export, ensuring the devaluation effect.

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