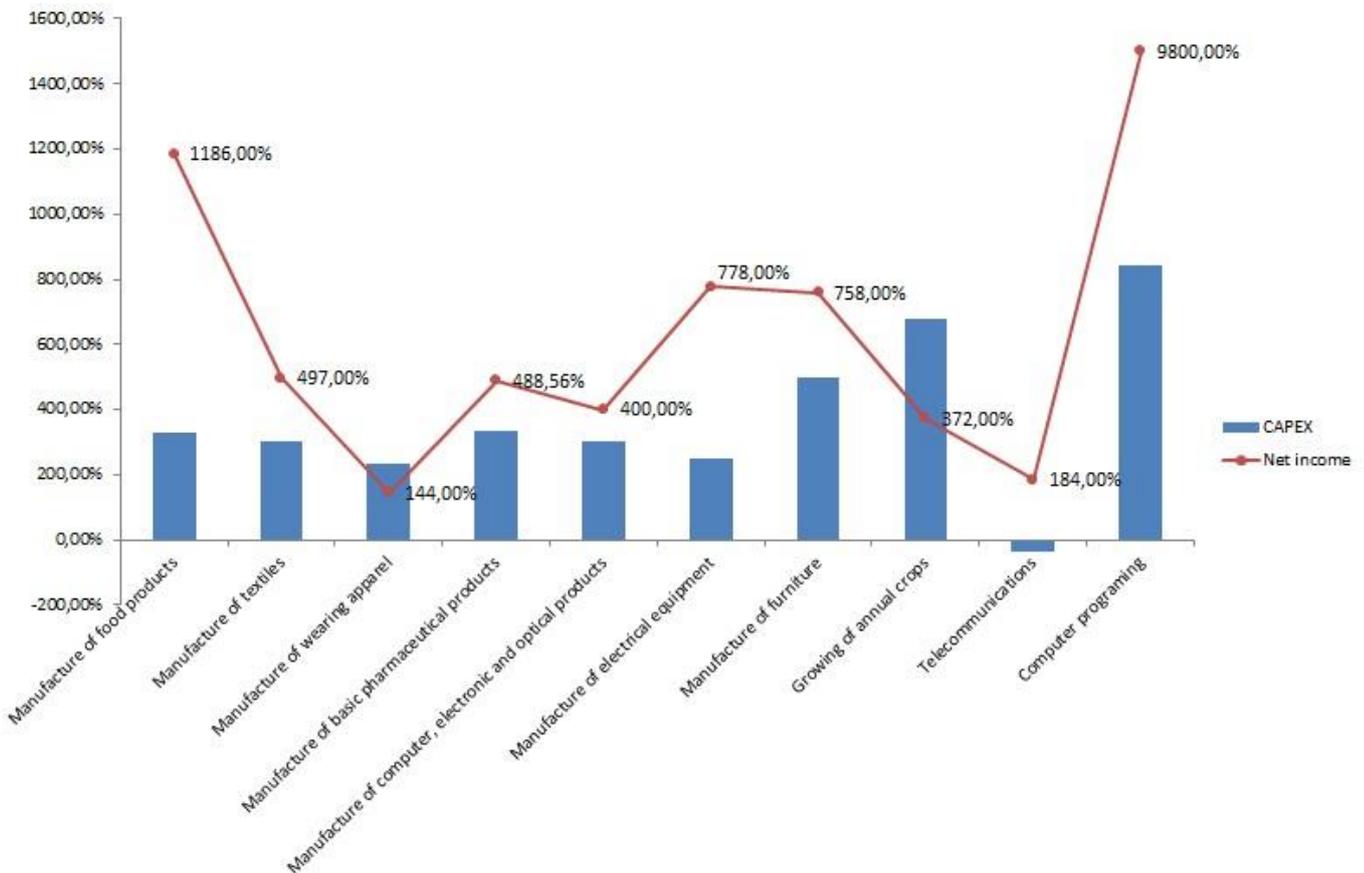


# ANALYSIS OF UKRAINIAN ECONOMY SECTORS, WHICH HAVE PROSPECTS FOR GROWTH AND ATTRACTION OF INVESTMENTS

Based on the Ukraine's economy analysis, the next types of economic activity were defined as promising for further growth and foreign investment attraction:

- Manufacture of food products
- Manufacture of textiles
- Manufacture of wearing apparel
- Manufacture of basic pharmaceutical products
- Manufacture of computer, electronic and optical products
- Manufacture of electrical equipment
- Manufacture of furniture
- Growing of annual crops
- Telecommunications
- Computer programming, consultancy and related activities

The analysis was developed considering turnover dynamics, capital investment and net income of enterprises within 2010-18. The above-mentioned economic activities were chosen due to the best ratio of net profit growth to capital investment growth. The agility of enterprises' economic recovery after the crisis 2014 and the number of years with a positive net profit (more than 4) were also taken into consideration.



Food processing companies need large capital investments, so the industry came out of the crisis 2014 only in 2017. It should be noted that the volume of sales has been increasing within 9 years and the growth equaled 239%. As the population has shrunk over this period, this indicates an increase in per capita food expenditures and a likely increase in export.

Capital investment increased by 326% within 9 years. At the same time soar of net income reached 4586% (net income in 2018 exceeded the average net income of 9 years by 1186%). Moreover, the growth of capital investment gives a very rapid result, in the form of a significant increase of net income in next year.

The main contribution is made by large enterprises. Thus, within 9 years the financial result of profitable large enterprises has increased almost 5 times. Same time the financial results of the whole industry increased only 3.2 times. If we compare the difference in the financial result between enterprises that earned a profit and enterprises that suffer losses, on average for 9 years, the profit of large enterprises exceeded losses by 586%, in medium-sized companies losses exceeded profit by 26%, in small firms losses exceeded profit by 57%.

Enterprises which manufacture textiles had showed poor financial results even before the crisis 2014, but since 2016, the industry, especially medium-sized enterprises, has started to become more beneficial after a sharp increase in capital investment.

Therefore, within 9 years the growth of turnover amounted to 243%, and capital investment increased by 304%. During the same period, net income has rocketed 18 times (net income in 2018 exceeded the average net income within 9 years by 497%).

However, it should be noted that the main share of growth, both sales and investment, was during 2014-18. But net income began to grow in 2016. Medium-sized enterprises were first recovered from the crisis. During 2016-18, the difference in the financial result between enterprises that earned a profit and enterprises that suffer losses reached more than UAH 1 billion (or 816%). Small firms recovered from the crisis in 2017 and the difference in financial results for 2017-18 equaled UAH 489 million (or 730%).

Manufacture of wearing apparel although showed a huge income growth - 12900% within 9 years, still they had a bad first half of the last decade, when the profit year alternated with the loss year (net income in 2018 exceeded the average net income within 9 years by 144%). It should also be noted that the enterprises of the industry did not suffer much from the 2014 crisis. Within 9 years the turnover increased by 388%, and capital investment by 231%.

The best results show medium-sized companies, where in the last 3 years, the financial result of enterprises that earned a profit exceeds the financial result of enterprises that suffer loss by 4-5.5 times. In small firms only 2-3 times.

The enterprises of the pharmaceutical industry felt almost the best during the observation period. Every year (excluding the crisis 2014), the net income of enterprises steadily grows along with the growth in sales, and in capital investment. Within 9 years the turnover rose by 378%, capital investments by 335% and net income by 489%.

Enterprises of computers production, electronic and optical products had only one non-profitable year (2014), and the dynamics of net income growth exceeds the dynamics of growth in sales and capital investment. If since 2015 the turnover has doubled, capital investment has tripled, and net income has quadrupled.

Enterprises of electrical equipment production (electric motors and generators, batteries and accumulators, wires and electrical devices, household electrical appliances) within 9 years increased sales by 162%, capital investment by 248% and net income by 778%. That is, each invested hryvnia brought an increase in net income by 3 hryvnia.

Furniture manufacturers have shown a positive financial result within all 9 years. Turnover rose by 331%, capital investment by 496% and net income by 758% over 9 years.

Enterprises which growing annual and biennial plants showed the best results among the enterprises of the agro-industrial complex. Taking into account, that the industry needs large capital investments, which grew by 679% within 9 years, net income increased by 372% over the same period.

The telecommunications industry, despite a 39% decline in capital investment within 9 years, showed a net income growth of 184%. If not the crisis 2014, the growth would have been even greater. The turnover rose by 55%.

Computer programming and related consulting companies have increased their turnover by 10 times within 9 years. Capital investment hit a peak in 2016, equaled 844%. According to the results of 2018, the amount of capital investment exceeded the figure in 2010 by only 45%. However, this did not affect the net income, which began to grow swiftly in 2016 and during 2010-18 soar by 9800% in total.

I also want to pay attention to a land transport. The total loss of the industry is formed by large enterprises, while medium-sized companies have earned positive net income within the last 3 years; small firms have become profitable in 2018. Moreover, the growth of net income of small and medium enterprises with positive financial results exceeds 600% within 9 years. The loss of all large enterprises within 9 years radically rose 25 times to UAH 38 billion.

Hence, the loss (UAH 50 billion) of 26% enterprises in the industry is almost twice the profit of the remaining 74% enterprises (UAH 26 billion).