

THE RESEARCH OF CAUSES OF FERROUS AND NON-FERROUS METALS EXPORTS REDUCTION IN UKRAINE

The world financial crisis 2007-2009 had effected on a socio-economic situation in the majority of countries. Analysis shows that significant factor that influenced on intensifying of crisis in Ukraine and on decline of GDP was reduction of export of ferrous metals and non-ferrous metals, including reduction of export of steel, copper, aluminium, lead. This reduction was caused by decline at the world market of metallurgy.

Thereby the purpose of research is the analysis of fluctuation of ferrous metals export in Ukraine as one of the major factor of budget implementation.

The export of ferrous and non-ferrous metals during 2006-2009 by the quarters is the informative base of research [5].

On the fig. 1 the graph representing time-histories of analyzable index is introduced.

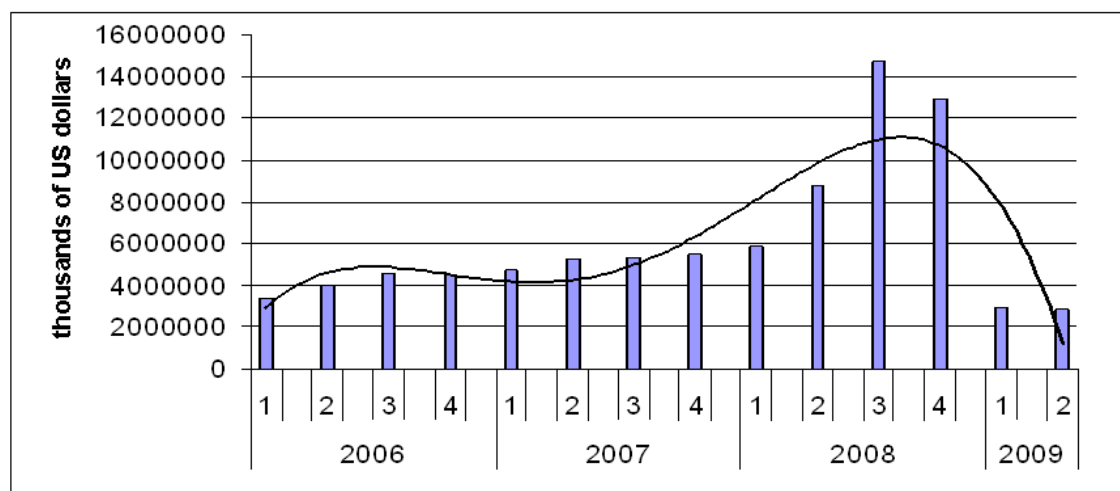


Fig. 1. Ferrous and non-ferrous metals export index in Ukraine during 2006-2009 by the quarters, thousands of USD.

From the graph it is obvious that the tendency of export volumes fluctuation has a structural shift, being on 3 quarter 2008, which was conditioned by sharp demand reduction on the products of national metallurgy on the world market. Therefore it was preferred econometric model with a structural shift that use dummy variable [1]. Because both analyzable periods (before and after a structural shift) has a nonlinear form, a hypothesis about the exponential type of trend was advanced. The obtained model is presented below:

$$y = 2349446,53 + e^{8,97+0,23 \times T - 1,59 \times dummy} \quad (1)$$

$$(R^2 = 0,612)$$

Taking into account present tendencies, the prognosis of metals export of Ukraine in the first quarter of 2010 will make \$9502662.195 thousands of USD that exceeds average quarter index of 2009, but does not amount to the middle quarterly level of metal export during 2008, which is \$10,566,793.03 thousands of USD.

The analysis of causes of current changes in metallurgical industry of Ukraine is suggested. The fundamental factor, determining metal prices, is balance of supply and demand in world metal market, what confirms supposition that the slump of metal industry in Ukraine is related to the crisis on the world market of metallurgy. Metallurgical

industry was one of the first to feel pressure of world recession, which was expressed in reduction of demand, sharp decline of production and prices, deficiency in a cash in hand, growth of debts et cetera.

Diminution of Ukrainian metallurgy export is related not only with change of the market conjuncture but also with uncompetitive prices and uncompetitive quality of Ukrainian metal. The basic competitor of Ukraine at the metal market is China, because it produces metals with the better quality and at the same time cheaper, that is achieved with a help of newer equipment and technologies, high degree of labour discipline at comparatively low payment of labour. Another negative factor is that Ukrainian production utilizes expensive Russian energy, unlike China which has own energy sources.

Unstable political situation, absence of guarantees of property rights and non-observance of legislation, high taxes, corruption have an influence on the noncompetitiveness of the Ukrainian commodities, including metallurgy, both on the external and internal markets. The specificity of Ukrainian metallurgical industry is that industry is controlled by political parties, and major funds are directed not to modernization, but to the maintenance of political parties. In return, using political influence political parties, allow certain enterprises not to pay taxes, to sell production by steep prices. The decline of metallurgical industry production influences not only on an economic sphere but also on a social sphere through the increase of amount of unemployed persons that affects on the changes of employment pattern, and similarly on demographic, because the changes in employment pattern influences on labour migratory processes [2].

The external market of metallurgy still remains inert. The international metallurgical consortium World Steel Association considers that plans of production on 2010, which were presented by enterprises before, should be corrected toward a decline. This situation affects metallurgical industry in Ukraine. In obedience to the ratified program of production, in Ukraine it is planned to produce 27,8 million tonne of cast-iron (+8,2% to 2009), 32,1 million tonne of steel (+7,8%), 30 million tonne of rolled metal (+7,9). Before metallurgical producers planned to grow production volumes on 25-30% in 2010 compare to 2009 [4].

At the same time demand on metallurgical production remains limited in the world market, the volume of supply is not surplus, that helps metallurgists to continue former policy of price increase. However consumers' resistance increases. The noticeable price growth on metal production at the beginning of January 2010 (on \$25/tonne, some types of products on \$37/tonne) by the end of month was replaced reduction of prices on \$5-\$10/tonne [3].

Current increase of the prices of raw material and energy is negative factor for the producers of metal. A lot of experts consider that growth of resources expenses this year, namely - in the first quarter and beginning of the second quarter of 2010, will be considerable than price growth of metal production. At that majority of metallurgical companies completed 2009 with negative profit, and some of them were not able to obtain positive profitability even in a fourth quarter [3].

However, continued renewal of world GDP will influent on the increase of raw material demand, including base metals.

Thus, the followings results were drew on the basis of the conducted researches:

1) the adequate model of Ukrainian metallurgy export fluctuation was developed with the dummy variables of shift and predicted index of metals export on the first quarter of 2010 was obtained;

2) internal and external factors influencing on volume of Ukrainian metallurgy export are considered;

3) for overcoming consequences of crisis in Ukraine it is necessary to create terms for renewal and development of industry and to abbreviate state expenses for the purpose of abridgment the State Budget deficit. In this case stabilization of political situation in the country and government policy in Ukraine are important, which have to realize the necessity of development of priority industries of national economy, but not to follow improvident priorities of socially-fiscal populism.

The source citation: 1. Геєць В.М., Клебанова Т.С., Черняк О.І. Моделі і методи соціально-економічного прогнозування: підручник. – Х.: ВД «ІНЖЕК», 2005. – 396 с. 2. Григорьян Э.Р., Мунтян М.А., Сафонова М.А. Глобализация и моделирование социальной динамики. – М.: Институт социальных наук, 2001. – 240 с. 3. Тарнавский В. Обзор рынков: Мировой рынок стали: 2010 г. // www.ugmk.info/art/mirovoj-rynok-stali-28-janvarja-4-fevralja-2010-g-.html 4. www.rosfincom.ru/news/536319.html (с ссылкой на www.lme.co.uk) 5. www.ukrstat.gov.ua - Государственный комитет статистики Украины.