

## JUSTIFICATION OF INFLATIONARY TRENDS IN THE CONTEXT OF SOCIAL AND MACROECONOMIC DEVELOPMENT OF THE NATIONAL ECONOMY OF UKRAINE

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**Introduction.** Inflation is a multifaceted, complex process that clearly reflects all the major problems and contradictions of the economy. Most obviously, it manifests itself in the systematic overflow of money supply channels with a mass of surplus money, which leads to their devaluation and additional redistribution of national income and national wealth to the detriment of the majority of the population. The main purpose of the country's monetary policy is to ensure the stability of the national currency, which is an important prerequisite for macroeconomic development of any state. Creating this precondition is especially important for our country, because inflation in Ukraine is much higher than in the EU, where Ukraine seeks to integrate. Today, the issue of finding ways to reduce and overcome inflation is extremely important.

**Literature review.** The theoretical basis of the study of inflation is the works of world classics of economic science, such as J. M. Keynes [1] and M. Friedman [2]. Among Ukrainian scientists, such well-known authors as A. Galchynskyi [3], M. Savluk [4] and P. Krush. Also, the development of anti-inflationary policy in the economy of Ukraine at the beginning of its independence and the specifics of inflationary processes were studied by O. Baranovskyi, Y. Zhalilo, O. Melnyk [5].

Modern researchers continue the traditions of the domestic economic scientific school by adapting the methodological principles of the issue of inflation to the leading international theories and practices. At the same time, this question remains open, especially in the conditions of the functioning of the economy of Ukraine in the conditions of war.

**Purpose.** The purpose of the study is analyzing the reasons for the deepening of the inflation process in Ukraine at the present stage and justification of inflationary trends in the context of social and macroeconomic development of the national economy of Ukraine.

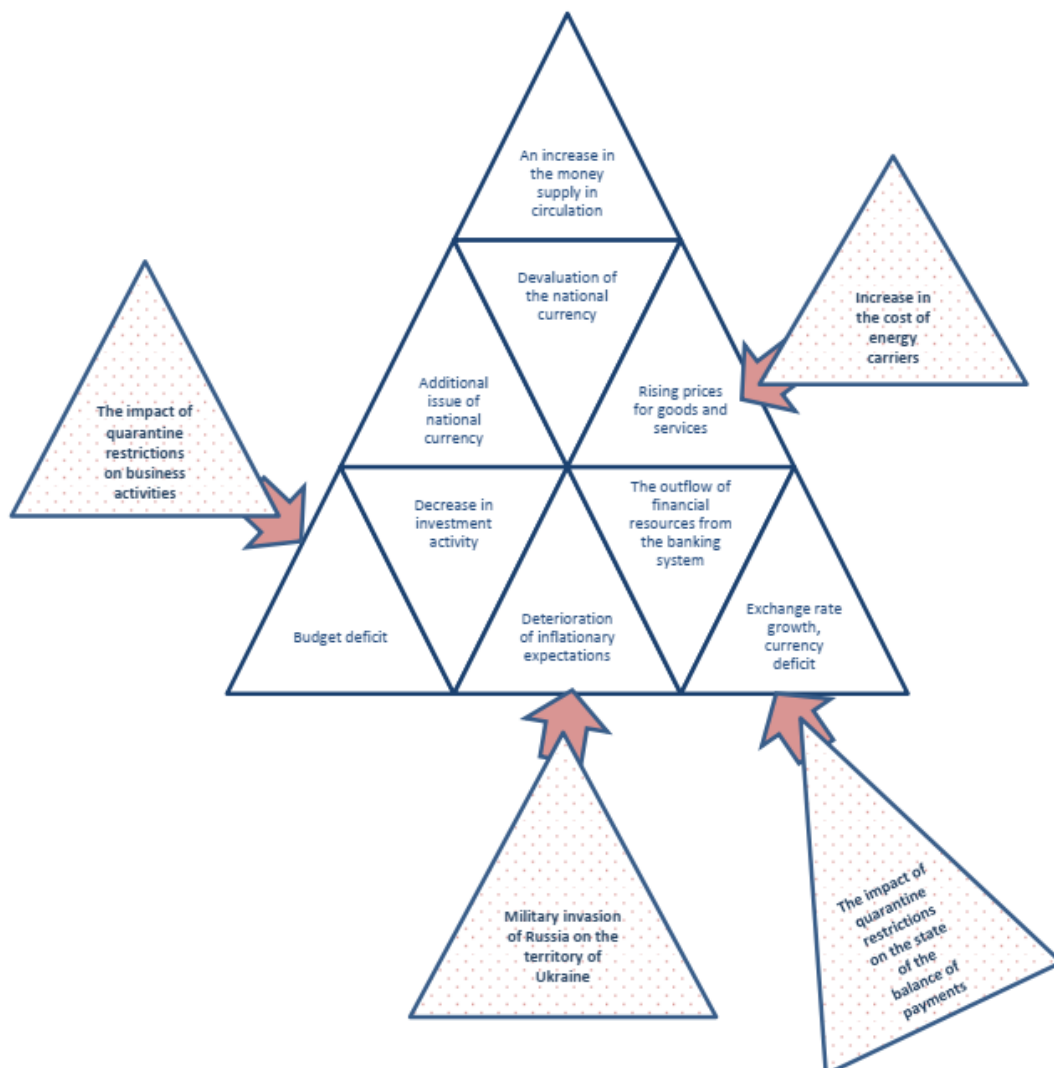
**Methods.** The methods of the study are general scientific methods (method of theoretical generalization, analysis and synthesis); graphic methods.

**Results.** Some scientists [6-8] consider monetary indicators, exchange rate, budget deficit, administratively set prices, and wage level to be the most significant factors in the formation of inflationary processes in Ukraine. Among the main non-monetary factors, the authors [9-12] include crop failures, price fluctuations on the oil

market, pre-election inflationary and devaluation expectations. Undoubtedly, Ukraine, as an active consumer of imported energy carriers, is exposed to the risk of external inflation brought into the economy through the oil's prices, oil products, gas, and raw materials imported from abroad.

Bureaucracy and monopolization of the economy are also among the causes of inflation in unfavorable business conditions. An interesting study of the causes of fluctuations is the phenomenon of price level inertia in Ukraine. To the factors identified above, in our opinion, it is appropriate to include those that take into account the state of the modern Ukrainian economy, adjusted by the global COVID-pandemic and the war with the Russian Federation. So, the development of inflationary processes in Ukraine has certain regularities.

According to fig. 1, in the case of inflationary expectations, self-development and acceleration of inflation occurs (when the population and economic entities in the country expect that inflation will manifest itself in economic processes, or predict an increase in its rates, by their actions aimed at preserving their own financial assets from depreciation, they really cause expansion of the limits of inflationary processes).

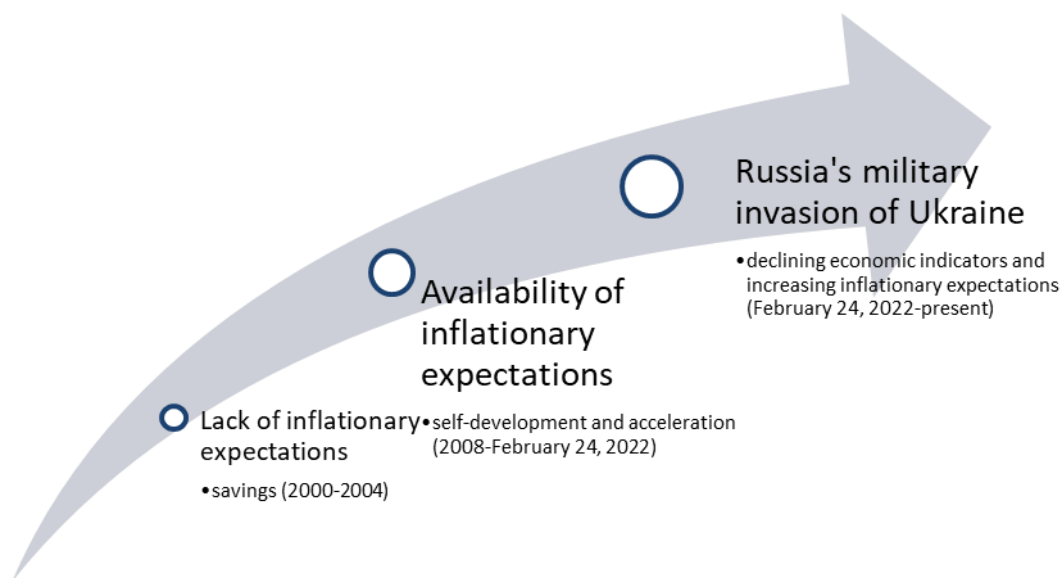


**Fig. 1. Factors of inflationary processes in Ukraine**

*Source: author's development*

And, on the contrary, in the absence of inflationary expectations, a process of saving funds is observed (when the participants of economic relations have no fears about the development of inflationary processes and devaluation of the value of financial assets in the future, most citizens and business entities become inclined to set aside part of the available cash as capital for certain purposes, in particular, to multiply or acquire some real asset in the future).

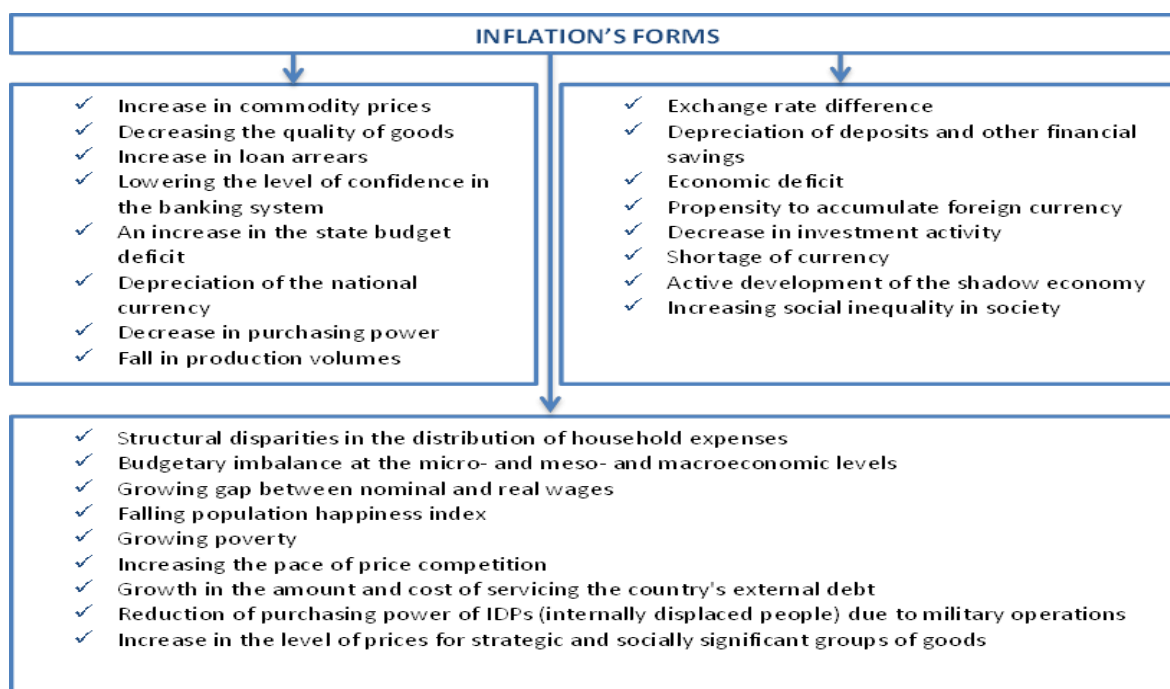
Economic depression is characterized by a drop in the level of interest rates, the value of assets, the income levels of economic entities and the profitability of business structures. In general, the depression phase continues in Ukraine according to a seven-year cycle since the first wave of the global financial crisis in 2008-2009. The second wave occurs in 2014-2015 and it's associated with the consequences of the Revolution of Dignity and the occupation of Crimea, Donetsk and Luhansk regions. The third wave arose against the backdrop of a global pandemic and a foreign economic and foreign policy crisis. The increase in prices and tariffs in 2019-2022, which are regulated administratively, as well as base inflation and currency fluctuations significantly affected the patterns of development of inflationary processes in Ukraine. The fourth wave of inflationary expectations is associated with Russia's military invasion of our country (war) (Fig. 2).



**Fig. 2. Patterns of inflation in Ukraine**

*Source: author's development*

In fig. 3 forms of manifestations of inflationary processes in Ukraine are grouped. Analyzing the causes of fluctuations, the author [10] considers the intensification of inflation processes to be natural, when the state stimulates enterprises and the population to actively use imported goods.



**Fig. 3. Forms of inflation in Ukraine**

*Source: author's development*

The increase in world prices for raw materials and energy carriers, the receipt of foreign loans, foreign currency, the import of foreign currency from abroad and its acquisition by the central bank increase the money supply in the country, thereby contributing to the devaluation of the national currency, and intensifying inflationary processes. In our opinion, it is advisable to supplement the list of the above forms of manifestation of domestic inflationary processes with the block given in the lower part of the scheme, which includes the latest modern trends. In the pre-war period of recent years, such a regularity of the inflationary process as the fear and panic of the population regarding the fact that the national currency will soon completely lose its purchasing power became characteristic of Ukraine. Such adaptive inflationary expectations are related to the fact of political instability, the activity of the mass media, and the loss of trust in the government. Under the conditions of high inflationary expectations and the growth of the foreign currency exchange rate, the population prefers to keep their savings not in the national currency, but in US dollars or euros [10].

**Conclusions.** The increase in the level of inflation in Ukraine is constantly intensified by the imbalance of state revenues and expenses, the presence of a budget deficit; extensive use of domestic borrowing to cover the budget deficit; which leads to an increase in the money supply in circulation, and therefore stimulates an increase in prices; growth of the mass of credit resources in circulation as a result of the expansion of the credit system. In addition, as a result of military operations in the country, the prices of consumer goods, which belong to strategic and socially significant groups of goods (fuel, groceries, hygiene products, pharmaceuticals, etc.), have increased significantly.

A retrospective analysis of the development of inflationary processes in Ukraine gives grounds for asserting that political and foreign economic factors have the most significant influence on price growth in our country. The analysis of factors influencing price dynamics over the past ten years shows that the inflation index in Ukraine is determined mainly by monetary factors, because the action of most of the mentioned factors was based on the presence of an excess money supply in circulation. A significant increase in the level of inflation, starting from March 2022, was caused by the military invasion of Russia on the territory of our state.

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## РЕФЕРАТИ ABSTRACTS

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### ОБҐРУНТУВАННЯ ІНФЛЯЦІЙНИХ ТЕНДЕНЦІЙ В КОНТЕКСТІ СОЦІАЛЬНОГО ТА МАКРОЕКОНОМІЧНОГО РОЗВИТКУ НАЦІОНАЛЬНОЇ ЕКОНОМІКИ УКРАЇНИ

**Мета.** Метою дослідження є аналіз причин поглиблення інфляційних процесів в Україні на сучасному етапі та обґрунтування інфляційних тенденцій в контексті соціального та макроекономічного розвитку національної економіки України. **Методика дослідження.** Теоретичною і методологічною основою дослідження є праці провідних вітчизняних і зарубіжних науковців, присвячені розгляду інфляції як фактора розвитку національної економіки. В роботі використано метод теоретичного узагальнення; метод аналізу і синтезу; графічні методи.

**Результати.** За результатами дослідження актуалізовано фактори впливу на інфляційні процеси в контексті соціального та макроекономічного розвитку національної економіки України. Встановлено закономірності розвитку інфляційних процесів в Україні в період з 2000-2023 рр. Зокрема, зазначено, що у передвоєнний період для України стала характерною така закономірність інфляційного процесу, як страх і паніка населення щодо того, що національна валюта незабаром повністю втратить свою купівельну спроможність. Також встановлено, що зростання рівня інфляції в Україні постійно посилюється незбалансованістю державних доходів і видатків, наявністю бюджетного дефіциту; широким використанням внутрішніх запозичень для покриття бюджетного дефіциту. Крім того, внаслідок військових дій в країні значно зросли ціни на споживчі товари, які належать до стратегічних та соціально значущих груп товарів (паливо, продукти харчування, засоби гігієни, фармацевтичні препарати тощо). **Наукова новизна.** Набув подальшого розвитку науково-теоретичний підхід до управління інфляційними процесами в Україні шляхом ретроспективного аналізу та актуалізації форм інфляції в контексті соціального та макроекономічного розвитку національної економіки України в умовах війни. **Практична значущість.** Практичне значення дослідження полягає у можливості використання його результатів для розроблення стратегічних та тактичних рішень у сфері монетарної політики, спрямованих на стимулювання економічного розвитку за збереження низьких темпів інфляції. У рамках подальших досліджень даної проблематики заплановано поглиблений аналіз методів боротьби з інфляцією.

**Ключові слова:** інфляція, форми, фактори, соціальна сфера, макроекономіка, національна економіка, розвиток.

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**Purpose.** The purpose of the study is analyzing the reasons for the deepening of the inflation process in Ukraine at the present stage and justification of inflationary trends in the context of social and macroeconomic development of the national economy of Ukraine. **Methodology of research.** The theoretical and methodological bases of the study were the works of leading domestic and foreign scientists devoted to the inflation as a factor in the development of the national economy. The method of theoretical generalization; method of analysis and synthesis; graphical methods were used in the study. **Findings.** Based on the results of the study, the factors of influence on inflationary processes in the context of social and macroeconomic development of the national economy of Ukraine are actualized. The patterns of development of inflationary processes in Ukraine in the period from 2000-2023 are determined. In the pre-war period of recent years, such a regularity of the inflationary process as the fear and panic of the population regarding the fact that the national currency will soon completely lose its purchasing power became characteristic of Ukraine. Also, the increase in the level of inflation in Ukraine is constantly intensified by the imbalance of state revenues and expenditures, the presence of a budget deficit; extensive use of domestic borrowing to cover the budget deficit. In addition, as a result of military operations in the country, the prices of consumer goods, which belong to strategic and socially significant groups of goods (fuel, groceries, hygiene products, pharmaceuticals, etc.), have increased significantly. **Originality.** The scientific and theoretical approach to managing inflationary processes in Ukraine was further developed through a retrospective analysis and actualization of inflationary forms in the context of social and macroeconomic development of the national economy of Ukraine in the wartime. **Practical value.** The practical value of the study is the possibility of using its results to develop strategic and tactical monetary policy decisions aimed at stimulating economic development while maintaining low inflation.

**Keywords:** inflation, forms, factors, social sphere, macroeconomics, national economy, development

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