

ЕКОНОМІКО-ПРАВОВИЙ ФАКУЛЬТЕТ

СЕКЦІЯ ІНТЕГРАЦІЯ УКРАЇНИ У СВІТОВЕ ГОСПОДАРСТВО

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DETERMINANTS OF THE CEE COUNTRIES' DEBT SECURITY SHAPING

The Central and Eastern European countries have been undergoing economic transformations for several decades, which required expended financing including external resources. In the process of market transformation, the financial sector of the region has experienced major structural reforms, including privatization, liberalization and attraction of foreign capital.

The external debt of the CEE countries was formed under the influence of changes in the sources of external borrowing. The availability of external financial resources and corresponding shaping of external debt in CEE transition economies depended on the degree of their integration in world capital market and a number of domestic preconditions [2]. At the beginning of the transformation period, mainly official sources of the CEE countries' external financing dominated. In the early 1990s the sharp deterioration in tax revenues was observed and the countries' solvency was critically low. The insignificant scale of private lending inflows was caused by such factors as the high political and social costs of the transition process, the incompleteness of reforms in most countries of the region, and high levels of corruption and political instability.

In 1992, the access of CEE countries to international credit markets was restored. The scales of private loans began to grow (by 1996 they accounted for over 70 percent of total external loans). The revival of private external lending was associated with the improvement of the economic situation through the acceleration of economic reforms, the liberalization of domestic markets, and outlining prospects for EU integration.

For some time the access of CEE countries to external financing was quite limited and the formation of external debt of CEE countries began only in the 1990s. At the same time, some countries (Hungary, Poland, Bulgaria) managed to accumulate rather significant external debt and became the most indebted transition countries. Due to the great debt burden in these economies, experts express doubts on their ability to attract external financing in the near future.

Nowadays almost all countries of the group (except Albania) are member states of the European Union. Entry into the EU intensified the process of external economic and financial dependence of the CEE economies, entailed by the strengthening trend of globalization and internationalization [4]. At the same time, the external risks of debt security in the region have increased. Before the global financial crisis, the average indicators of indebtedness and solvency in CEE countries were quite ambiguous. The ratio of public debt to GDP, which should not

exceed 60%, in 2007, was 28% on average by group of countries. Even in the post-crisis years, this indicator did not exceed 51%. Alongside it, the state of the external component of debt security is quite unstable. The ratio of external debt to GDP even in the pre-crisis period exceeded 72%, and in subsequent years reached 96%. However, as the results of the authors' previous studies shows, the average ratio of external debt to GDP in the CEE group is lower than in most of the leading developed countries [1]. The ratio of external debt to exports of goods and services before the crisis was slightly above the recommended threshold of 140%, equaling 157% in 2007. At the peak of the crisis, the figure reached 209%, but today it has returned to safe zone and in 2019 the ratio was 122%.

Thus, CEE countries show a high level of heterogeneity in terms of the level of national economies' debt security. The results of the analysis of the CEE economies' debt security show that, on average, in the group of CEE states there was some improvement in the debt situation in 2017-2019. However, the trend of debt security strengthening can prove to be rather instable. On the one hand, the countries of the region turned out to be highly differentiated in terms of debt security. Further deterioration of the indebtedness and solvency indicators in Latvia, Slovenia and the Slovak Republic can entail the aggravation of the debt problems in the region as a whole.

On the other hand, with the deepening integration of CEE countries into the global economic and financial system, the impact of external challenges and threats to the debt security of the region is growing. Even before the COVID-19 pandemic, the deteriorations of the global economic environment and the slowdown in economic growth were expected in all countries [3]. As a result of the global recession, more volatile conditions of the global financial environment were forecasted, which could entail a decline in credit supply, an increase in credit risks and a general contraction in the international lending. On the background of declining economic growth and reduced production, the ratios of public debt to GDP and external debt to GDP will increase, indicating deterioration in countries' debt security. The pandemic has only worsened forecasts towards the global economic outlook and posed a serious challenge to CEE countries' debt security. Government spending on solving problems caused by the COVID-19 has become a source of additional pressure on public budgets and has produced a negative impact on public finances. According to some estimates, the consequences of the COVID-19 pandemic are a greater threat to European financial systems than the Eurozone debt crisis. The situation is further complicated by the fact that the prospects for ending the pandemic are rather uncertain and, therefore, unpredictable in terms of the impact on public finances of the CEE countries.

A significant challenge for the prospects of debt security shaping in the CEE countries is the general growth of global debt, which could potentially provoke the development of the global debt crisis and cause the collapse of the global financial and credit system. At the same time, nowadays experts assess the threats of a global debt crisis as rather insignificant. This is explained by the fact that since the global crisis of 2008-2009, the banking sector has noticeably recovered. However, the world banking system is more stable and profitable today than in the first post-crisis years.

Global economic and political imbalances caused by policy divergence in Europe and the USA can increase tensions in the national financial markets of the CEE countries, entail an increase in exchange rate and capital flow volatility which can cause reduction of countries' official reserves and international solvency. However, the CEEC group remains highly differentiated in terms of the national economies development. Eleven of twelve countries in the region (except Albania) are member states of the European Union. In addition, five countries (Estonia, Latvia, Lithuania, Slovakia, and Slovenia) are members of the Eurozone. Poland, Hungary and the Czech Republic are considered to be the region's leaders in terms of economic

development. At the same time, the financial markets of seven CEE countries (Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, and Romania) are still considered by international organizations as the emerging markets [1]. Given this as well as the differences between CEE countries in terms of debt security level, indebtedness and solvency, the nature and scale of the mentioned global challenges manifestation in each country of the region can be significantly differentiated.

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НОВІ ВИМІРИ МІЖНАРОДНОЇ КОНКУРЕНТОСПРОМОЖНОСТІ НАЦІОНАЛЬНИХ ЕКОНОМІК

Після початку пандемії коронавірусної інфекції COVID-19 спровокований цією подією економічний спад все ще значно впливає на економіку та соціальну сферу країн світу. Жодна країна не змогла уникнути негативних наслідків, однак, як зазначається в новому випуску Доповіді про глобальну конкурентоспроможність, підготовлену Світовим економічним форумом, країни з розвиненою цифровою економікою та цифровими навичками мешканців, потужною системою соціального захисту та попереднім досвідом боротьби з епідеміями краще справляються з наслідками пандемії для своєї економіки та громадян.

У міру поживлення глобальної економіки країни з'являються можливості виходити за рамки поточного антикризового порядку денного і фокусуватися не тільки на відновлення докризових темпів економічного зростання. Спеціальний випуск Доповіді про глобальну конкурентоспроможність 2020: Країни на шляху відновлення економіки,