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ANALYSIS OF MODERN CONDITION AND DEVELOPMENT TENDENCIES OF THE METALLURGICAL INDUSTRY OF UKRAINE IN THE CONDITIONS OF INSTABILITY

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Currently, the metallurgical industry remains the base industry for the economy of Ukraine, its modernization and the elimination of structural deformations are important prerequisites for ensuring the economic security of the state and economic growth. However, in Ukraine for a long period stable negative trends in the functioning of the industry persisted, which deepened against the background of the deteriorating socio-economic situation in the eastern regions of Ukraine. Given the persistence of foreign economic conditions unfavorable to increase of exports of Ukrainian metallurgical products, the prospects for the development of the metallurgical industry of Ukraine are largely related to the expansion of the domestic market by reorienting metallurgical enterprises to meet domestic needs, as well as reducing the dependence on changes of the conjuncture in world markets. In the current conditions, the issue of the need for large-scale structural reforms in the industrial sector of Ukraine has emerged again. Their absence jeopardizes the further competitiveness of the national economy not only in external but also in internal markets. Reforms must be preceded by a thorough analysis of existing problems, which will help to identify their source and simplify the search for solutions. One stage of such an analysis is to assess the current state of industrial enterprises and the trends of their development. The article analyzes the current state and the characteristics of the domestic metallurgical industry in conditions of instability. The competitiveness of the metallurgical complex of Ukraine and the problems facing the industry on the world market are considered. The financial performance of the Ukrainian metallurgical enterprises and ways to achieve their sustainable development are investigated. The analysis shows the significant problems accumulated in the metallurgical sector of Ukraine. To reform the domestic metallurgical industry, it is necessary to create the conditions for efficient use of scientific potential and enhancement of the role of the state in the implementation of the investment-innovative model of development of the industry. Today, the efficiency of investment policy determines the state of production, the level of technical equipment of fixed assets of enterprises. Our country has some of the largest deposits of iron ore, so it is necessary to prevent the decline of the metallurgical industry that can bring Ukraine to a new level of economic development.

Keywords: metallurgical industry, steel production, turnover index, steel products, profitability.

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Introduction

The metallurgical complex of Ukraine acts as one of the basic elements of state economy. Metallurgy is the main donor of the budget, the main supplier of currency. In the pre-crisis period, the share of metallurgical production in Ukraine's gross domestic product (GDP) was 27%. More than 40% of the currency came to the state from metallurgy. Its activity is connected with direct and feedback energy, coal mining, machine building, construction, financial sphere, etc. Today the branch provides about 500 thousand jobs in the most densely populated regions of Ukraine. Until recently, Ukraine's metallurgical industry ranked seventh in the world by volume [5, 44].

Formulation of the problem

The main factor that led to the fall in volumes of metallurgy production in 2014–2017 is the complex military-political circumstances in the East of Ukraine. Military actions led to the destruction of a significant part of the production capacity of ferrous metallurgy enterprises and the deterioration of infrastructure and logistics. Moreover, the destruction of infrastructure is a major factor in reducing the production load of metallurgical enterprises in the Donbass. Also, the military conflict has caused a deterioration of economic relations between Ukrainian and Russian enterprises. Due to the historical circumstances of the development of the metallurgical industry of Ukraine, the main consumers and partners of domestic enterprises in the foreign market were the enterprises of the Russian Federation. Before the events of 2013–2014, the alternative markets were not given enough attention and they were undeveloped. Close productive and economic ties are still forcing some Ukrainian companies to cooperate with Russian consumers, but some of them have already abandoned cooperation. In particular, Kryviy Rih Mining and Metallurgical Plant «ArcelorMittal Kryviy Rih» has almost entirely stopped exports to Russia and began to develop new markets for its products [3, 104].

Analysis and research of publications

The problems of the development of the metallurgical industry were investigated by many Ukrainian scientists, in particular, Amoshi O., Ben T., Blank I., Zagorskaya T., Makogon Y., Paskhaver O., Borsch L., Vitlinsky V., Mezentsev K., Moldovan O., Sokolova A., Goroshkova L., Bolshakova V., Furdichko N., Shevchuk N., Arapova O., and others. These authors investigate the mechanism of increasing the efficiency of metallurgical production, global processes of globalization of metal markets in the conditions of the crisis, the impact of the crisis on the metallurgical industry of Ukraine. However, the state and dynamics of the development of metallurgy in the conditions of modern Ukraine are not sufficiently studied.

The purpose of the article is to investigate the problems, the dynamics of development and the ways to increase the competitiveness of Ukrainian metallurgical complex.

Statement of the main material

The main factors that determined the character and principles of the development of metallurgical enterprises over the past decade were the corporate revolution in the industry, the transfer of ownership of strategic enterprises to private hands, and the loss of state control, not only over mining and metallurgical giants, but over middle-level enterprises as well. A paradoxical situation arose: the reversal of power, when it is no longer the case that the state governs and directs the activity of the branch according to state interests, but vice versa, the owners of enterprises prepare and ensure the adoption of state decisions in favor of their own corporate interests, which often do not coincide with national ones. This policy has resulted in the almost catastrophic deterioration of the competitive position of the metallurgical enterprises of Ukraine from the very beginning of the global economic crisis, which automatically affected the financial stability and competitiveness of the state as a whole [5, 44].

In the conditions of increasing competition, Ukrainian enterprises experience acutely the main problems that have accumulated in the industry:

– technical and technological backwardness, a significant lag behind developed countries on the temps of modernization;

– insufficiently wide range of metal products;

– unsatisfactory ecological qualities;

– the loss of traditional markets of products and reorientation to other markets;

– the effect of trade (transport) restrictions on the part of the Russian Federation;

– lower prices on world commodity markets;

– the absence of orders on the domestic market;

– high interest rates on credit resources;

– high energy and resource consumption of metal production, high tariffs for energy resources and railway transportation compared to leading foreign enterprises;

– the lack of raw materials for metallurgical enterprises;

– undeveloped intra-industrial and inter-sectoral cooperation;

– the absence of the system of state support for the industry;

– the insufficiency of the mechanisms of protection of domestic producers [1–4].

At present, the enterprises of the industry are not ready for global measures aimed at the reconstruction and reorganization of production, whereas the attracted investments are mainly aimed at completing previously started projects and implementing short-term highly profitable measures. Enterprises' own resources and borrowed funds remain the most acceptable sources of financing for the implementation of modernization projects.

However, Ukraine has many factors favorable for the development of the metallurgical complex: the proximity of the placement of deposits of coking coal, iron and manganese ores, limestone, molding sands, refractories; recently discovered large reserves of various ores of non-ferrous metals; the dense network of connections between deposits; the large and reliable source of water supply, which is the Dnieper with its reservoirs; the development of metal-containing machinery construction; large quantity of scrap metal; highly skilled personnel.

In the Zaporizhzhia region, the development of the metallurgical complex can be considered a priority, because it provides about 35% of the total industrial production in this area. At the same time, it should be noted that the role of metallurgy in the Zaporizhzhia region has been gradually decreasing in recent years. There have been significant changes in the structure of industrial production over the past 5 years; the proportion of products of metallurgical enterprises has decreased significantly. This is primarily due to decrease in the competitiveness of steel products in world markets [2, c. 169].

Tabl. 1 shows the competitiveness of Ukraine's metallurgical industry on the world stage.

The data in Tabl. 1 indicate that world crude steel production reached 1691.2 million tonnes (Mt) for the year 2017, up by 5.3% compared to 2016. Crude steel production increased in all regions in 2017 except in the CIS, which has remained stable.

Annual production for Asia was 1162.5 Mt of crude steel in 2017, an increase of 5.4% compared to 2016. China's crude steel production in 2017 reached 831.7 Mt, up by 5.7% on 2016. China's share of world crude steel production increased from 49.0% in 2016 to 49.2% in 2017. Japan produced 104.7 Mt in 2017, down by – 0.1% compared to 2016. India's crude steel production for 2017 was 101.4 Mt, up by 6.2% on 2016. South Korea produced 71.1 Mt of crude steel in 2017, an increase of 3.7% compared to 2016.

In 2017, the EU produced 168.7 Mt of crude steel, an increase of 4.1% compared to 2016. Italy produced 24.0 Mt in 2017, up by 2.9% on 2016. Spain produced 14.5 Mt of crude steel in 2017, an increase of 6.2% compared to 2016.

Crude steel production in North America was 116.0 Mt, 4.8% higher than in 2016. The US produced 81.6 Mt of crude steel, up by 4.0% on 2016.

Annual crude steel production for South America was 43.7 Mt in 2017, an increase of 8.7% on 2016. Brazil produced 34.4 Mt in 2017, up by 9.9% compared to 2016.

Worldsteel's estimation of 2017 crude steel production in the CIS based on available data was 102.1 Mt, the same amount as in 2016. Russia produced 71.3 Mt of crude steel in 2017, up by 1.3% on 2016.

Ukraine recorded a decrease of – 12% with a year-end figure of 21.3 Mt. In the world ranking of steel producers Ukraine has fallen to the 12th place, although for the last 20 years it confidently occupied one of the first ten places [7].

The dynamics of indicators of the metallurgical industry in Ukraine is shown in tabl. 2.

The analysis of financial indicators of domestic metallurgical enterprises activity (tabl. 3) showed that

Table 1

Major steel-producing countries, mln tonnes

Country	Rank	2013	Rank	2014	Rank	2015	Rank	2016	Rank	2017	2017/2016, %
China	1	822,0	1	822,7	1	803,8	1	786,9	1	831,7	5,7
Japan	2	110,6	2	110,7	2	105,1	2	104,8	2	104,7	–0,1
United States	3	86,9	3	88,2	4	78,8	4	78,5	3	81,6	6,2
India	4	81,3	4	86,5	3	89,0	3	95,5	4	101,4	4,0
Russia	5	69,0	6	71,5	5	70,9	5	70,5	5	71,3	1,3
South Korea	6	66,1	5	71,5	6	69,7	6	68,6	6	71,0	3,7
Germany	7	42,6	7	42,9	7	42,7	7	42,1	7	43,4	3,5
Turkey	8	34,7	8	34,0	9	31,5	8	33,2	8	37,5	13,1
Brazil	9	34,2	9	33,9	8	33,3	9	31,3	9	34,4	9,9
Ukraine	10	32,8	10	27,2	10	23,0	10	24,2	12	21,3	–12,0
Italy	11	24,1	11	23,7	11	22,0	11	21,8	10	24,1	2,9
Taiwan, China	12	22,3	12	23,1	12	21,4	12	24,2	11	22,4	6,8
World		1649,0		1665,0		1620,0		1606,3		1691,2	5,3

Source: [7]

Table 2

Dynamics of indicators of the metallurgical industry in Ukraine

Indicators	2013	2014	2015	2016	2017	2017/2013, %
Apparent steel use, million tonnes, finished steel products	5.6	4.3	3.3	4.3	4.5	–19.6
Apparent kilogrammes, finished steel products	123.4	95.4	74.4	96.0	101.5	–17.7
Continuously-cast steel output, million tonnes	17.0	14.7	11.2	11.8	11.1	–34.7
Total export, million tonnes	24.7	21.5	17.7	18.2	15.2	–38.5
Net export, million tonnes	23.0	20.3	16.9	17.1	13.8	–40.0

Source: [7]

the profitability of industry enterprises in 2017 (UAH 23211.8 million) increased compared to 2016 (UAH 12320.3 million). The total profit received by small, medium and large enterprises of the metallurgical complex in 2017 grew by 88.4% in comparison with the previous year, and total losses – by 59.8%. The increase in profits against the background of declining production and exports can be attributed to the decrease in the number of industry enterprises due to closing the least efficient companies, as well as the increase in exporters' revenues due to the reduction of the UAH exchange rate [3, 103].

At the same time, the share of profitable metallurgical enterprises has increased from 63.9% in 2013 to 74.1% in 2017 during the last 5 years. Thus, along with an increase in the share of profitable enterprises, the profits of these enterprises also significantly increased.

The dynamics of the profitability of Ukrainian metallurgical enterprises is shown in tabl. 4.

If in 2013 the profitability of the metallurgical industry was – 2.7%, indicating its obvious unprofitableness, then in 2014, this indicator has improved to 2.8%. In 2016 the metallurgical industry shows profitability of 3.9%. Thus, during 2013–2017 there were two significant changes:

1) the significant increase both in profits and losses of metallurgical enterprises in 2014 due to the devaluation of the national currency and the deterioration of economic situation. At the same time, the level of the profitability of the industry improves from – 2.7% in 2013 to 2.8% in 2014 due to the additional income obtained by exporters as a result of the devaluation of UAH;

2) the decrease in the share of profitable metallurgical enterprises in 2017 due to the closure of the least efficient enterprises, and the growth of the net profit of those enterprises that did not bankrupt.

Conclusions

On the basis of the analysis, we can conclude that the current state of the metallurgical industry in Ukraine is pretty complicated. This is due to many factors, including military actions in the ATO zone, unfavorable conditions on world markets for metallurgical products, as well as obsolete technologies and means of production. However, Ukraine has great potential for the development of metallurgical production, which can be realized by overcoming the problems facing the industry.

The main directions of overcoming the problems and achieving the further sustainable development of the metallurgical industry of Ukraine are as follows:

– raising the level of investment attractiveness of enterprises in the metallurgical industry;

– creation and implementation of effective dividend policy in order to increase the investment attractiveness of steel companies;

– diversification of foreign markets in the European and North-African directions;

– decrease of dependence on imports of high-tech products;

– modernization of fixed assets of metallurgical enterprises;

– optimization of production processes and introduction of innovations;

– expansion of the range of products, in particular in the direction of increasing the share of products with high added value;

Table 3

Net profit (loss) of Ukrainian metallurgical enterprises, mln. UAH

Years	Financial result (balance)	Profitable enterprises		Loss-making enterprises	
		in % to the total	financial result	in % to the total	financial result
2013	–13022.3	63.9	1895.1	36.1	14917.4
2014	–41948.8	62.0	5874.3	38.0	47823.1
2015	–44346.5	73.4	7901.2	26.6	52247.7
2016	–8339.5	75.4	12320.3	24.6	20659.8
2017	–9803.2	74.1	23211.8	25.9	33015.0

Source: [6]

Table 4

Profitability of operational activity of large and medium Ukrainian metallurgical enterprises, mln. UAH

Years	Outcome from operational activity	Operational costs	Cost effectiveness level (loss), %
2013	–6772.8	251545.8	–2.7
2014	8046.9	285774.9	2.8
2015	2646.9	354971.1	0.7
2016	13342.6	346059.8	3.9
2017	7396.6	465747.3	1.6

Source: [6]

– stimulation at the state level of domestic consumption of metallurgical products, achieving the optimal balance between domestic and external consumption;

– changes in tax legislation to stimulate domestic consumption, in particular, improving the methods of collecting VAT;

– strengthening of the state's participation in the development of the metallurgical industry through the creation of state innovation and investment programs;

– increase of own high-tech production [1–4].

The proposed set of measures is aimed at overcoming the negative factors prevailing at the present stage of the functioning of the metallurgical industry of Ukraine, as well as realization of the existing potential of the national metallurgical industry.

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АНАЛІЗ СУЧАСНОГО СТАНУ ТА ТЕНДЕНЦІЙ РОЗВИТКУ МЕТАЛУРГІЙНОЇ ГАЛУЗІ УКРАЇНИ В УМОВАХ НЕСТАБІЛЬНОСТІ

Сепета В.В.

В наш час металургійна промисловість залишається базовою галуззю для економіки України, її модернізація та усунення структурних деформацій є важливими передумовами забезпечення економічної безпеки держави та економічного зростання. Проте в Україні протягом тривалого періоду зберігаються стійкі негативні тенденції у функціонуванні галузі, які поглибилися на тлі погіршення соціально-економічної ситуації у східних регіонах України. За умов збереження зовнішньоекономічної кон'юнктури, несприятливої для нарощування українського експорту металургійної продукції, перспективи розвитку металургійної галузі України значною мірою пов'язані з розширенням внутрішнього ринку шляхом переорієнтації металургійних підприємств на задоволення внутрішніх потреб, а також зниження залежності від змін кон'юнктури на світових ринках. У нинішніх умовах вчергове постало питання необхідності реалізації масштабних структурних реформ у промисловому секторі України. Відсутність останніх ставить під загрозу подальшу конкурентоспроможність національної економіки не лише на зовнішньому, але і на внутрішньому ринках. Передувати реформам має ретельний аналіз існуючих проблем, що дозволить визначити джерело їх походження та спростить пошук шляхів вирішення. Одним із етапів такого аналізу є оцінювання сучасного стану промислових підприємств та тенденцій їх розвитку. У статті проаналізовано сучасний стан та характерні особливості вітчизняної металургійної промисловості в умовах нестабільності. Розглянуто конкурентоспроможність металургійного комплексу України та проблеми, які постають перед галуззю на світовому ринку. Досліджено фінансові показники діяльності українських металургійних підприємств та шляхи досягнення їх сталого розвитку. Виконано аналіз свідчить про значні проблеми, нагромаджені у металургійній галузі України. Для реформування вітчизняної металургійної галузі необхідно створити умови для ефективного використання наукового потенціалу та підвищення ролі держави у реалізації інвестиційно-інноваційної моделі розвитку галузі. Сьогодні від ефективності інвестиційної політики залежить стан виробництва, рівень технічної оснащеності основних засобів підприємств. Наша держава має одні з найбільших родовищ залізної руди, саме тому потрібно не допустити занепаду металургійної галузі, яка може вивести Україну на новий рівень економічного розвитку.

Ключові слова: металургійна галузь, виробництво сталі, індекс обороту, металургійна продукція, рентабельність.

АНАЛИЗ СОВРЕМЕННОГО СОСТОЯНИЯ И ТЕНДЕНЦИЙ РАЗВИТИЯ МЕТАЛЛУРГИЧЕСКОЙ ОТРАСЛИ УКРАИНЫ В УСЛОВИЯХ НЕСТАБИЛЬНОСТИ

Сепетая В.В.

В настоящее время металлургическая промышленность остается базовой отраслью для экономики Украины, ее модернизация и устранение структурных деформаций являются важными предпосылками обеспечения экономической безопасности государства и экономического роста. Однако в Украине в течение длительного периода сохраняются устойчивые негативные тенденции в функционировании отрасли, которые углубились на фоне ухудшения социально-экономической ситуации в восточных регионах Украины. При сохранении внешнеэкономической конъюнктуры, неблагоприятной для наращивания украинского экспорта металлургической продукции, перспективы развития металлургической отрасли Украины в значительной степени связаны с расширением внутреннего рынка путем переориентации металлургических предприятий на удовлетворение внутренних потребностей, а также снижения зависимости от изменений конъюнктуры на мировых рынках. В нынешних условиях в очередной раз встал вопрос о необходимости реализации масштабных структурных реформ в промышленном секторе Украины. Отсутствие последних ставит под угрозу дальнейшую конкурентоспособность национальной экономики не только на внешнем, но и внутреннем рынках. Предшествовать реформам должен тщательный анализ существующих проблем, который позволит определить источник их происхождения и упростит поиск путей решения. Одним из этапов такого анализа является оценка современного состояния промышленных предприятий и тенденций их развития. В статье проанализировано современное состояние и характерные особенности отечественной металлургической промышленности в условиях нестабильности. Рассмотрены конкурентоспособность металлургического комплекса Украины и проблемы, возникающие перед отраслью на мировом рынке. Исследованы финансовые показатели деятельности украинских металлургических предприятий и пути достижения их устойчивого развития. Проведенный анализ свидетельствует о значительных проблемах, накопленных в металлургической отрасли Украины. Для реформирования отечественной металлургической отрасли необходимо создать условия для эффективного использования научного потенциала и повышение роли государства в реализации инвестиционно-инновационной модели развития отрасли. Сегодня от эффективности инвестиционной политики зависит состояние производства, уровень технической оснащенности основных средств предприятий. Наше государство имеет одни из крупнейших месторождений железной руды, поэтому нужно не допустить упадка металлургической отрасли, которая может вывести Украину на новый уровень экономического развития.

Ключевые слова: металлургическая отрасль, производство стали, индекс оборота, металлургическая продукция, рентабельность.

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Currently, the metallurgical industry remains the base industry for the economy of Ukraine, its modernization and the elimination of structural deformations are important prerequisites for ensuring the economic security of the state and economic growth. However, in Ukraine for a long period stable negative trends in the functioning of the industry persisted, which deepened against the background of the deteriorating socio-economic situation in the eastern regions of Ukraine. Given the persistence of foreign economic conditions unfavorable to increase of exports of Ukrainian metallurgical products, the prospects for the development of the metallurgical industry of Ukraine are largely related to the expansion of the domestic market by reorienting metallurgical enterprises to meet domestic needs, as well as reducing the dependence on changes of the conjuncture in world markets. In the current conditions, the issue of the need for large-scale structural reforms in the industrial sector of Ukraine has emerged again. Their absence jeopardizes the further competitiveness of the national economy not only in external but also in internal markets. Reforms must be preceded by a thorough analysis of existing problems, which will help to identify their source and simplify the search for solutions. One stage of such an analysis is to assess the current state of industrial enterprises and the trends of their development. The article analyzes the current state and the characteristics of the domestic metallurgical industry in conditions of instability. The competitiveness of the metallurgical complex of Ukraine and the problems facing the industry on the world market are considered. The financial performance of the Ukrainian metallurgical enterprises and ways to achieve their sustainable development are investigated. The analysis shows the significant problems accumulated in the metallurgical sector of Ukraine. To reform the domestic metallurgical industry, it is necessary to create the conditions for efficient use of scientific potential and enhancement of the role of the state in the implementation of the investment-innovative model of development of the industry. Today, the efficiency of investment policy determines the state of production, the level of technical equipment of fixed assets of enterprises. Our country has some of the largest deposits of iron ore, so it is necessary to prevent the decline of the metallurgical industry that can bring Ukraine to a new level of economic development.

Keywords: metallurgical industry, steel production, turnover index, steel products, profitability.

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