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BUSINESS DEVELOPMENT UNDER MARTIAL LAW IN UKRAINE

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The topic of business development in the context of the war in Ukraine is very relevant, as the armed conflict directly impacts the country's economy and business environment.

On the one hand, the war has led to a drop in exports, a reduction in foreign trade, and a more difficult environment for attracting investment. On the other hand, the war creates new business opportunities, particularly in areas related to meeting the needs of the military, restoring damaged facilities and infrastructure, and developing infrastructure in areas not affected by the fighting.

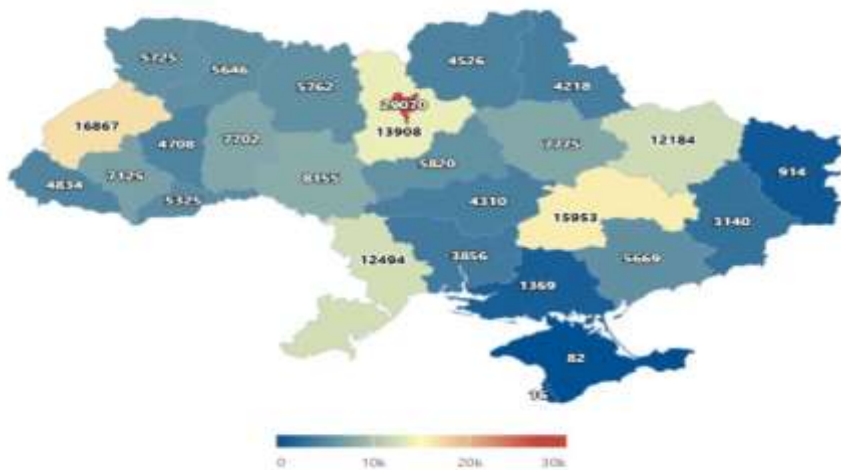
Since the outbreak of full-scale war, the Ukrainian economy has suffered heavy losses. In 2022, the economy fell by 14.9% in the first quarter. It was the

result of the critical situation after 02/24/2022. In the second quarter, the gross domestic product decreased by 36.9%. Implementing anti-crisis measures by the NBU with the support of international partners and military successes helped to stabilize the economy gradually. Initial signs of economic activity emerged in the spring as the territories were liberated, businesses were relocated, and logistics were restored. As a result, GDP fell to 30.6% in the third quarter. By the end of the year, the economic recovery was interrupted by hostile attacks on critical infrastructure. Some companies could adapt to the conditions, but production was reduced. Due to the electricity shortage, GDP fell by 31.4% in the fourth quarter [2].

The economic downturn has led to unemployment, rising prices, partial suspension of production or closure of enterprises. The main reason for unemployment was the economic downturn and the corresponding decline in the financial results of production. Two and half million people have lost their jobs since the start of the full-scale invasion.

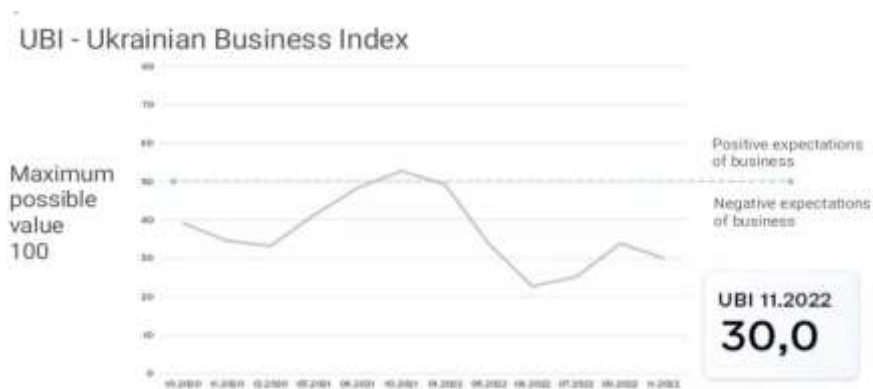
After the start of the full-scale invasion, private entrepreneurs could not be registered due to the lack of registers. When work resumed, it became possible to register on the Diia portal.

After February 24, 2022, new individual entrepreneurs were registered in Ukraine. The highest number of sole proprietor registrations was in September 2022. The top three regions are Kyiv (29070), Lviv (16867), and Dnipro (15953). Regarding popularity, trade-related activities ranked first, followed by IT technologies and car sales (Picture 1) [1].



Picture 1 – Number of registered businesses from 02/24/2022

The UIA (Ukrainian Activity Index) shows businesses' activity and ability to increase sales and create jobs. The UBI (Ukrainian Business Index) is 30 (out of 100). The index fell slightly in November compared to September, but it is higher than in June-July. The decline in the index in November indicates a deterioration in business expectations for a rapid improvement in the economic situation. The decline is observed in virtually all indicators measured by the UBI: the number of orders, inventories, hiring, and output/volume of services provided (Picture 2).



Picture 2 – Ukrainian Business Index

In November, 31.7% of enterprises had entirely or almost completely stopped working since February 24. This is the lowest figure since the surveys began in March, with 55.9% of enterprises partially or entirely out of business in April, 46.8% in June, and 33.8% in September.

In November, 9.4% of enterprises reported an increase in the volume of work compared to the pre-war period, the highest figure since the surveys began in March. The share of such enterprises is gradually increasing [3].

The paper provides examples of how the economic downturn has affected business development since the beginning of the war, including the temporary or complete closure of enterprises and unemployment. It also identifies where in Ukraine there were the most business registrations during the war. The largest number of registrations was recorded in the city of Kyiv. The business activity index was determined, which shows 30 and is lower than in September but higher than in June-July. And it was noted that 9.4% of entrepreneurs increased their workload after the war started.

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