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MACROECONOMIC STABILITY IN UKRAINE: A PEST-BASED ANALYSIS OF THREATS

Summary. This study examines macroeconomic stability in Ukraine under contemporary challenges. It uses PEST-analysis as a tool for the systematic assessment of the external environment. The study synthesizes key political, economic, social, and technological factors. These factors shape the current state and future prospects of macroeconomic stability in the country within the context of Sustainable Development Goals 8 and 17. The political component shows that the security situation remains a key driver of economic dynamics. Military risks and related uncertainty significantly limit investment activity. They also complicate budget planning. The economic analysis shows that Ukraine's macroeconomic stability depends largely on public finances. Inflationary pressures arise from rising energy costs, disrupted supply chains, and monetary imbalances. These processes reduce household purchasing power and weaken business activity. The social dimension of macroeconomic stability highlights long-term challenges relating to demographic change and labor market transformation. The technological component of the PEST analysis reveals both constraints and development opportunities. Significant damage to critical infrastructure, especially energy and transport systems, disrupts production processes and logistics. Dependence on imported technologies in strategic sectors increases the economy's vulnerability to external shocks. The findings indicate that macroeconomic stability in Ukraine emerges from a complex interaction of external and internal factors. High political and security risks combine with structural economic imbalances and persistent social challenges.
Keywords: macroeconomic stability, political landscape, war, inflation, debt.

In the context of contemporary global and domestic transformations, macroeconomic stability has become a highly relevant issue for Ukraine. The full-scale war, structural economic imbalances, demographic shifts, and rapid digitalisation shape a complex and dynamic environment in which the national economy operates. It is important to note that Ukraine's policymaking process must align with the Sustainable Development Goals. In particular, SDG 8 focuses on decent work and economic growth, while SDG 17 promotes partnerships for sustainable development (United Nations, 2026). Therefore, macroeconomic stability becomes a key precondition for economic growth, stronger international investment attractiveness, and the resilience of the national financial system.

In this context, comprehensive analytical approaches play a crucial role. PEST analysis provides a structured framework for assessing political, economic, social, and technological factors that influence the macroeconomic situation. This approach helps identify key risks and challenges, as well as potential opportunities for strengthening Ukraine's economic development at the global level.

First, the political factors (**P**) of macroeconomic stability require consideration. Ukraine's political environment remains one of the main sources of economic risk. Military actions and resulting security uncertainty continue to significantly affect investment and financial activity. Dependence on international financial assistance from institutions such as the IMF, the EU, and the United States also creates vulnerability to delays or changes in funding conditions. In this regard, on 15 April 2026, Ukraine has received over $5.5 billion in military assistance during the latest "Ramstein" meeting. Partner countries made several key commitments:

- The United Kingdom will provide the largest drone support package in 2026;
- Germany will invest $4 billion in air defence systems and allocate $600 million for deep strike and mid strike capabilities;
- Norway will allocate $150 million for a logistics hub;
- Spain will direct €215 million under the SAFE initiative, among others (Financial Club, 2026).

Corruption also remains a significant political risk. The Corruption Perceptions Index (CPI)

serves as an important indicator. It measures perceived levels of public sector corruption across countries (0 indicates very high corruption, while 100 indicates very low corruption). Ukraine traditionally records a medium or below-average score (Figure 1). As of the end of 2024, the CPI stood at 35.7. However, an upward trend in this indicator suggests a gradual reduction in corruption due to ongoing reforms, including anti-corruption institutions, digitalisation, and transparent procurement systems. Key reforms include the establishment of a comprehensive anti-corruption infrastructure after 2014. This system consists of the National Anti-Corruption Bureau of Ukraine, the Specialised Anti-Corruption Prosecutor's Office, and the High Anti-Corruption Court. In 2016, the National Agency on Corruption Prevention introduced the e-declaration system, which increased transparency regarding public officials' assets.

Political instability also represents a major risk factor. Electoral cycles and internal elite conflicts can reduce the predictability of economic policy. Figure 1 also presents the political stability indicator in Ukraine from 2010 to 2024. The most significant declines occurred in 2014, associated with the beginning of military conflict in eastern Ukraine, the annexation of Crimea, and a change of government, and in 2022, linked to the start of the full-scale Russian invasion.

Overall, these political determinants represent severe external shocks and indicators of institutional deterioration, which have negatively affected macroeconomic equilibrium.

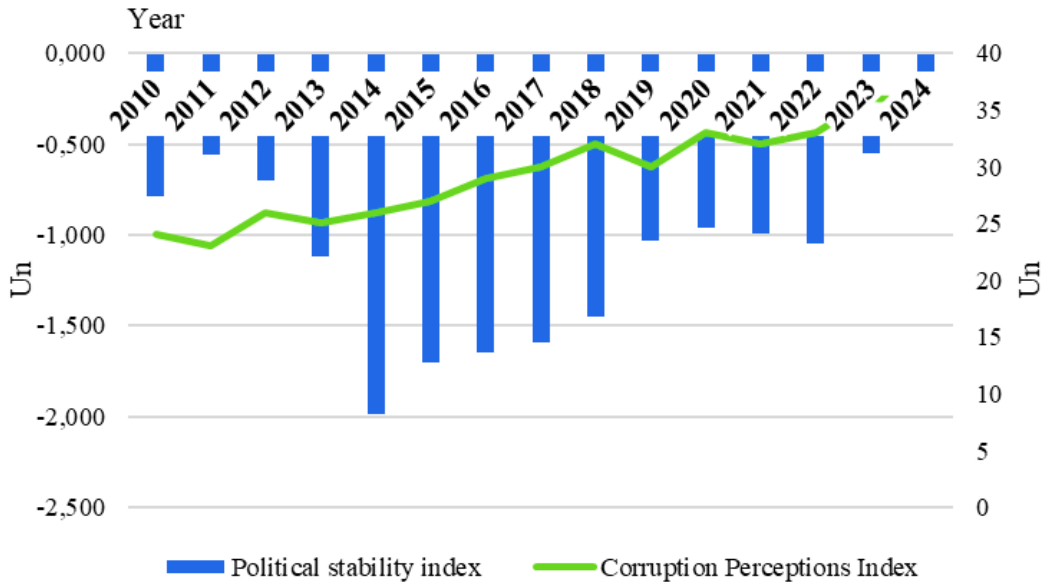

Figure 1. Trends in in political stability index and corruption perceptions index in Ukraine from 2010 to 2024, %
Source: author`s development based on World Bank, 2026; National Bank of Ukraine, 2026, The Global Economy, 2026

Another group of threats to Ukraine's macroeconomic stability consists of economic factors (**E**), which directly shape the level of macroeconomic stability. At present, the key economic challenges include high inflation, rising public debt, dependence on international financial assistance, and structural imbalances intensified by military actions. In this context, Figure 2 presents the dynamics of the inflation rate (GDP deflator) and public debt as a percentage of GDP for the period 2010–2024. Both indicators show similar movement patterns over time. The most significant peaks appear in 2015 and 2022. Inflation reached 38.8% in 2015. This increase resulted from a sharp devaluation of the Ukrainian hryvnia, when the exchange rate changed from 15.7 UAH/USD at the end of 2014 to 33 UAH/USD in 2015. Additional pressure came from tariff increases. The authorities later stabilised the situation through inflation targeting and the attraction of international financial assistance. Another peak occurred in 2022, when inflation reached 34.9%. The National Bank of Ukraine introduced a flexible inflation targeting regime. This framework aims to bring inflation to the 5% target over a policy horizon not exceeding three years. It relies on a coordinated set of instruments, including interest rate policy, exchange rate management, currency restrictions, and, when necessary, additional monetary tools. Public debt also reached peak levels in 2015 and 2022, at

70.2% and 78.5% of GDP respectively. Despite these pressures, the government applies several instruments to reduce debt risks. These include Eurobond restructuring, prioritization of grants over loans, increased use of concessional financing, issuance of domestic government bonds, and cooperation with the IMF.

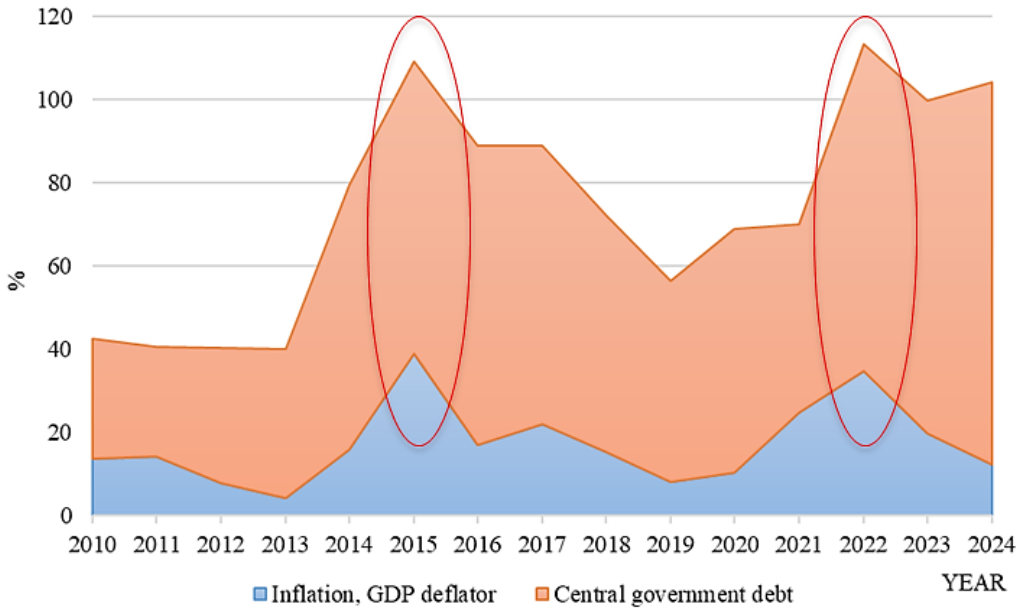

Figure 2. Trends in inflation and central government debt (as a percentage of GDP) in Ukraine from 2010 to 2024, %
Source: author`s development based on World Bank, 2026; National Bank of Ukraine, 2026.

Social processes (**S**) also have a long-term impact on Ukraine's macroeconomic stability. They influence it mainly through large-scale migration flows and demographic losses. These losses relate to the outflow of the working-age population abroad. As a result, Ukraine faces a reduction in its labour potential. As of the end of 2023, net migration amounted to 299,961 persons. This figure indicates a clear dominance of emigration over immigration. Consequently, the country experiences a decline in labour resources and deeper demographic imbalances in the context of the full-scale Russian invasion of Ukraine. Over the past ten years, the most significant outflow occurred in 2022, reaching 5,699,445 persons.

Another social challenge involves changes in employment structure. In particular, the share of the defence sector and public financing has increased, while private sector activity has contracted. Figure 3 presents the dynamics of the unemployment rate and the Gini index, which reflects income inequality. The highest unemployment level in Ukraine occurred in 2022, reaching 21%. The Gini index also reached its peak values in 2019 and 2022, at 26.6 and 26.7 respectively. An increase in the Gini index indicates a widening income gap between the richest and poorest segments of society. In other words, income inequality has intensified over time.

Figure 3. Trends in unemployment and Gini index in Ukraine from 2010 to 2024, %
Source: author`s development based on World Bank, 2026; National Bank of Ukraine, 2026.

Another important aspect of the PEST analysis concerns technological challenges (**T**) and opportunities for ensuring macroeconomic stability in Ukraine. In particular, the destruction of critical infrastructure, including energy, transport, and digital systems, caused by the war in Ukraine has a significant negative impact. It restricts production capacity and complicates the normal functioning of the economy. At the same time, Ukraine remains highly dependent on imported technologies in strategically important sectors such as energy, defence, and IT infrastructure. This dependence increases vulnerability to external shocks and limits technological autonomy. Cyber threats and cyberattacks against state and financial systems represent an additional risk factor. These attacks can disrupt digital services and destabilise key economic processes, including public administration and financial transactions. Figure 4 presents changes in the number of personnel in research and development, as well as R&D expenditure in Ukraine over the period 2010-2024.

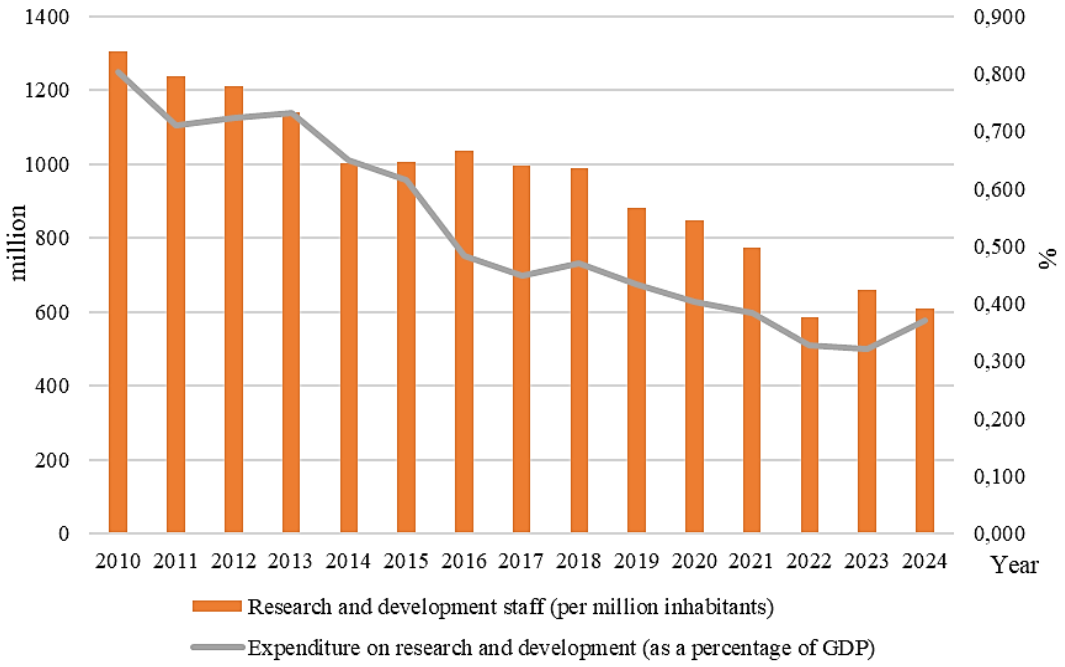

Figure 4. Trends in research and development staff and expenditure on research and development in Ukraine from 2010 to 2024, million, %
Source: author`s development based on World Bank, 2026; National Bank of Ukraine, 2026.

Over the past 15 years, both indicators have shown a declining trend. This pattern reflects a systemic weakening of Ukraine's scientific and technological capacity, as well as a reduction in the economy's innovation potential. In particular, the decrease in the number of personnel engaged in research and development has been accompanied by insufficient funding levels. This situation limits the ability to conduct high-quality scientific research, implement innovations, and develop high-tech sectors. Such a trend may generate long-term negative consequences for Ukraine's competitiveness in the global market. It also weakens the country's capacity to ensure sustainable economic growth.

At the same time, digital transformation creates significant potential for strengthening macroeconomic resilience. The development of e-governance, fintech solutions, and digital public services, such as DIIA and PROZORRO, improves administrative efficiency. It also supports transparency and contributes to long-term economic growth.

Overall, Ukraine's macroeconomic stability develops under conditions of combined external and internal pressures. External risks are dominated by security and political factors. Internal challenges include inflation, public debt levels, and demographic decline. At the same time, technological modernisation and international support create opportunities for gradual recovery and a transition toward a more resilient economic model.

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