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EXCHANGE RATE COMPONENT OF THE EXPORTS COMPETITIVENESS

The purpose of the article is to analyze the effects of currencies and exchange rates on the competitiveness of export products of Ukrainian manufacturers, to consolidate the theoretical foundations and practical provisions of the introduction of foreign currencies into the company's export activities in order to increase the competitiveness of exported products.

To achieve this goal, the following methods were used: theoretical and monographic analysis of current exchange rate development, statistical methods of analysis of the foreign exchange market of Ukraine, comparison methods and more.

The object of the study is the exchange rate as a key component of the competitiveness of export products from domestic manufacturers (using the example of PJSC "Mondelis Ukraine").

The subject of the study is the theoretical basis and practical recommendations for improving the competitiveness of Ukrainian companies when entering the international market.

The information base of the article is scientific publications, monographs of foreign and Ukrainian economists, official websites of the National Bank of Ukraine, the Verkhovna Rada, the Cabinet of Ministers of Ukraine, the International Monetary Fund, etc. The main scientific findings are as follows: systematization of approaches to increase the competitiveness of exported market products through the use of exchange rate volatility and exchange rate provisions in export contracts; in-depth analysis of the effectiveness of managing the competitiveness of export products;

The results obtained can be used by PJSC Mondelis Ukraine in shaping the policy to manage the competitiveness of export products in international markets, as well as in defining the product competitiveness strategy.

Keywords: exchange rate, competitiveness, exports, currency, National bank of Ukraine, risk.

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ВАЛЮТНА СКЛАДОВА ЕКСПОРТНОЇ КОНКУРЕНТОСПРОМОЖНОСТІ

Метою статті є аналіз впливу валют і валютних курсів на конкурентоспроможність експортної продукції українських виробників, дослідження теоретичних засад і імплементація практичних рекомендацій щодо впливу обмінних курсів на експортну діяльність підприємства з метою підвищення конкурентоспроможності експортованої продукції.

Для досягнення цієї мети були використані такі методи: теоретико-монографічний аналіз валютного курсу, статистичні методи аналізу валютного ринку України, методи порівняння тощо.

Об'єктом дослідження є валютний курс як ключова складова конкурентоспроможності експортної продукції вітчизняних виробників (на прикладі ПАТ «Монделіс Україна»).

Предметом дослідження є теоретичні основи та практичні рекомендації щодо підвищення конкурентоспроможності українських компаній при виході на міжнародний ринок.

Інформаційною базою статті є наукові публікації, монографії зарубіжних та українських економістів, офіційні сайти Національного банку України, Верховної Ради, Кабінету Міністрів України, Міжнародного валютного фонду тощо.

Основні наукові висновки: систематизація підходів до підвищення конкурентоспроможності експортованої ринкової продукції шляхом використання положень про волатильність валютного курсу та положень обмінного курсу в експортних контрактах; поглиблений аналіз ефективності управління конкурентоспроможністю експортної продукції;

Отримані результати можуть бути використані ПАТ «Монделіс Україна» при формуванні політики управління конкурентоспроможністю експортної продукції на міжнародних ринках, а також при визначенні стратегії конкурентоспроможності продукції.

Ключові слова: валютний курс, конкурентоспроможність, експорт, валюта, Національний банк України, ризик.

Formulation of the problem

Ukraine's open economic model envisages the development of effective international trade, especially export, as one of the main sources of the country's balance of payments. The strong competition in international markets requires that domestic producers strengthen the competitiveness of export products. It is difficult for

domestic producers to compete with high quality products from abroad. The most effective way to counteract this problem is to regulate export prices for products without reducing profits. Export products are always traded in a special currency (domestic or foreign), depending on the foreign trade partner. In such conditions, the exchange rate can be an effective component in improving the trading position in the international market, which determines the relevance of this work. Therefore, the state can and should support local producers. Currently, the Ukrainian government cannot control prices in international markets in general, but the Ukrainian government has the power to influence the national currency and exchange rates, and to provide statistics on the exchange rates in the domestic foreign exchange market.

On the basis of official information and forecasts, domestic producers can design their own monetary policy for their export transactions. Domestic companies, according to the law, may prefer one currency or another, depending on their characteristics in the international market and denominations in Ukraine.

The relevance of the article lies in the fierce competition in the modern international market: domestic producers have to strengthen the competitiveness of their export products, which robs them of their position compared to other countries. Currency is an undervalued component of export business that can be used by domestic producers.

The aim of the article is to examine the financial indicators and currency risks that affect the competitiveness of export goods from Ukrainian manufacturers.

The following tasks were set and carried out:

Knowledge of the theoretical fundamentals of currency and exchange rate as components for increasing the competitiveness of export products;

Study of the monetary policy of the National Bank of Ukraine as the main regulator of monetary policy;

Analysis of the financial results of PJSC "Mondelis Ukraine".

The subject of the study is the exchange rate as a key component of the competitiveness of export products from domestic manufacturers (using the example of PJSC "Mondelis Ukraine").

The scientific novelty of the article is a new approach to increasing the competitiveness of export products with the help of the government of Ukraine through the rational use of the currency and exchange rate of domestic companies. The concept provides for the creation and design of a specific currency management for domestic producers within the currency and exchange rate. Demonstrating the effectiveness of implementing currency hedging methods will encourage domestic companies to improve their international currency trading strategy.

Research results

In countries where restrictions on foreign exchange transactions (currency restrictions) have been minimized, international foreign exchange markets have been established. Such markets are likely to be governed by intergovernmental agreements, market participant agreements and traditions. They are mainly located in cities with a favorable geographic location and with a large concentration of multinational banks, non-bank financial institutions and trading companies that have to make payments in much of the world market. These include London, New York, Paris, Zurich, Frankfurt am Main, San Francisco, Toronto, Tokyo, Singapore, Hong Kong and others.

The foreign exchange market can be classified according to other criteria: according to the nature of the transactions: the market for conversion transactions, the market for deposit and credit transactions; by territorial location: European, North American, Asian, etc.; by types of conversion transactions: futures market, options market, etc.; according to the type of currency trading: cash market, non-cash market.

The foreign exchange market has all the attributes of a normal market: objects and subjects, supply and demand, price, special infrastructure and communication, etc.

The exchange rate depends on the balance of payments, inflation, the ratio between supply and demand of each currency, migration of short-term capital between countries, political stability, economic conditions, currency stability, confidence in it and more. The exchange rate can be defined either as a "national currency rate" or as a "foreign exchange rate".

The national currency rate is the amount of foreign currency that can be bought or sold per unit of national currency at a given time:

$$E_n^d = \frac{M_E^f}{M_E^d} \quad (1)$$

where E_n^d – nominal exchange rate of the national currency; M_E^d – the amount of national currency offered in exchange for foreign; M_E^f – the amount of foreign currency offered in exchange for national.

Foreign exchange rate - is the amount of national currency that can be purchased per unit of foreign currency:

$$E_n^f = \frac{M_E^d}{M_E^f} \quad (2)$$

where E_n^f – nominal exchange rate of foreign currency to national.

The exchange rate of the national currency of Ukraine is the UAH $E_n^d = 0.035$ USD/UAH., and the foreign exchange rate is the USD $E_n^f = 28.50$ UAH/USD. As we can see, the nominal exchange rate of foreign and national currencies are inverse values that characterize the same proportion of the exchange of two currencies.

Monetary policy should also ensure effective hedging against currency risks, since all exchange rates are volatile in their dynamics. The reason for this is that any currency with a fixed exchange rate is converted into a currency with a floating rate.

Currency risk is the actual or potential processing of losses due to price / currency volatility at the time of signing or executing an international trade agreement. Exchange rate instability is due to factors such as the increase / depreciation of the local currency, capital movements in the local / foreign currency, speculation in the foreign exchange market, etc.

Currency risks have the greatest impact on domestic participants in international merchants (exporters), as such contracts are usually concluded as part of a deferred payment. For example, maintaining the price of a currency and paying for it leads to currency risks associated with the purchasing power of the currency. Special instruments are used to hedge against risks - foreign exchange reserves.

Foreign exchange reserves are special terms that allow you to estimate the amount of payment in the same proportion as the ratio between the exchange rate of payment for goods.

The Ukrainian companies has only recently started its own business in the international markets and many of them have course management. Controlling the exchange rate is part of the financial strategy and can be short or long, aggressive or conservative, flexible or rigid. This exchange rate policy can be selected for the foreign exchange margin. Margin as additional income can flow into production to improve product quality or to lower prices. Both of these increase the competitiveness of exports for domestic manufacturers.

Currency - a common form of money, legal tender in the country, manufactured and sold by the government as a means of payment for international payments. Usually, the currency is converted at a certain exchange rate. The exchange rate is variable and can be set. The exchange rate can be a very powerful tool in international trade. Improving the competitiveness of domestic companies closely related to the regulation of the domestic foreign exchange market and exchange rate forecasting. The National Bank of Ukraine is the main body that sets the official exchange rate of the national currency (UAH) for hard currencies. Most of the foreign exchange income was generated in US dollars and euros due to their free convertibility and stability in exchange rate dynamics. REER and NEER hryvnia fell and propose to improve the competitiveness of Ukrainian exports. When this instability favors a devaluation of exporters.

Exchange rate management (currency) is part of the financial strategy. There are short-term or long-term, aggressive or conservative, flexible or restrictive monetary policies that offer a currency margin. Profitability as reserve profit leads to an increased competitiveness of export products for domestic producers.

We will conduct a factor analysis of gross profit (loss) PJSC «Mondelis Ukraine» for 2018 and 2019 (Table 1).

Table 1

Factor analysis of gross profit (loss), thousand UAH

Net profit (revenue) from sales (goods, works, services)		The cost of sales products (goods, works, services)		Gross profit (loss)		Growth (decrease) of gross profit		
by previous period	for the reporting period	by previous period	for the reporting period	by previous period (gr.1-gr.3)	for the reporting period (gr.2-gr.4)	total (gr.6gr.5)	due to the growth (decrease) of net income, (gr.2gr.1)	by reducing (increasing) the cost of goods sold (gr.3-gr.4)
4022962	4801280	3054886	3620134	968076	1181146	+21307	+778318	+565248

According to Table 1 we can observe an increase in sales revenue by 778,318 thousand UAH, but not due to a decrease in cost (because in 2019 compared to 2018 it increased by 565248 thousand UAH), but due to an increase in net income (increase in sales).

Next, we examine the indicators of efficiency of production activities of the organization. This group of indicators determines the cost-effectiveness of production costs, the rational operation of fixed assets, the perfection of manufacturing technology, the organization of labor in production. It is proposed to calculate the indicators according to the formulas given in Table 2.

The financial state of the enterprise can be characterized by a number of indicators. The results of their calculation are presented in Table 3.

Thus, the calculated indicators indicate an improvement in the performance of the enterprise, in particular the growth of net income from sales, growth in production. The analysis of the indicators of efficiency of production activity of the enterprise showed a positive financial and economic situation, as evidenced by the growing net profit.

As for the performance of financial activities, they are within the norm, the company has no long-term liabilities and has sufficient own funds to repay current liabilities.

Table 2

Indicators of efficiency of production activities of the enterprise

Indicator	Formula for calculation
Relative cost per UAH. products	$C = \frac{GC}{V_c} \quad (3),$ where C – relative cost per UAH. products; GC – gross costs, UAH; V _c – volume of production, UAH. 3620134/4772387,29=0,76
Return on assets	$Ra = \frac{V}{V_{FA}} \cdot P \quad (4),$ where V _p – production volume, monetary units; V _{FA} - average annual value of fixed assets. 4772387,29/1303968=3,66
Product profitability indicator	$P_p = \frac{NP}{C} \cdot 100\% \quad (5),$ NP – net profit from sales; C – the total cost of production. 277737/3620134=0,077
Labor productivity indicator	$LP = \frac{V}{N_a} \cdot P \quad (6),$ where N _a - average number of staff. 4772387,29/1108= 4307,2 thousand UAH / person.
Coefficient of automation (mechanization) of production	$C_{aut} = \frac{V_{aut}}{V_p} \quad (7),$ where V _{aut} – the volume of products produced using machines (automat). 4772387,29/4772387,29=1

The domestic confectionery market is characterized by a high degree of competition and saturation, so that the leading positions are occupied by manufacturers who are the first to react to changing consumer preferences, dynamically update the product range and saturate it with new products. Around 800 companies are active in the confectionery market.

Table 3

Indicators of efficiency of financial activity of the enterprise (2019)

Indicator	Formula for calculation	Source of information	Calculation
Coefficient of autonomy (solvency)	$CA = \frac{OF}{C_b} \quad (8),$ where CA – coefficient of autonomy (normative value CA>0,5); OF – the amount of own funds of the organization; C _b – currency balance.	CA = fl r.1495 / fl r.1900	CA=1757007/3277901 =0,54
Coefficient of financial stability	$CFS = \frac{E}{AL} \quad (9),$ where CFS – coefficient of financial stability (positive phenomenon - growth of the indicator, CFS ≥1); E – equity, AL – the amount of liabilities of the enterprise.	CFS = fl r.1495 / (fl r.1595 + fl r.1695)	CFS= 1757007/(0+1520894) =1,15
Coefficient of absolute liquidity	$C_{abs.1} = \frac{CE}{CL} \quad (10),$ where C _{abs.1} – Coefficient of absolute liquidity (normative value C _{abs.1} =0,2÷0,35); CE – cash of the enterprise (in national and foreign currency); CL – current liabilities	C _{abs.1} = (fl r.1165 + fl r.1166) / fl r.1695	Cabs 1 = =168018/1520894= =0,11
Coefficient of equity maneuverability	$CEM = \frac{CA}{CL} \quad (11),$ where CEM – coefficient of equity maneuverability (normative value CEM>0; growth rate); CA – current assets	CEM = (fl r.1195) / fl r.1695	CEM= =1553508/1520894= =1,02

The company's currency risk is associated with monetary assets and liabilities in foreign currencies as well as the general volatile situation on the currency markets. This risk arises from purchases made by the company in currencies other than its functional currency.

The management of PJSC Mondelis Ukraine has implemented a guideline that obliges the company to manage the currency risk for currencies other than the functional currency. Management also determines the acceptable level of risk separately for each currency and the overall level of risk.

Table 4

Company's assets and liabilities

Indicators as of December 31, 2019			Indicators as of December 31, 2018			
In thousands of UAH	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
UAH	444558	670665	226 107	390739	473597	82858
USD	275324	82115	193209	199420	109374	90046
EUR	123367	457359	333992	118955	211354	92399
GBP	47695	421898	374203	101557	402172	300615
Other currencies	–	132	132	–	1983	1983
Total	890944	1632169	741225	810671	1198480	387809

As early as 2020, Mondelis Ukraine invested USD 9.0 million in the purchase of new equipment for the Trostyanets chocolate factory and started exporting its products to 12 countries in the European Union. The company also plans to increase deliveries to the European market and the Gulf States.

In addition to the installation of new equipment in the Trostyanets confectionery factory, production was also expanded, and management plans to replenish the products of 6 more Gulf states in 2021. Before that, export was directed to the CIS markets, but due to the embargo between Ukraine and Russia, as well as the instability in the economic sphere, the company began to look for new export routes.

Since the company recently entered the European foreign market, it has already received a certificate confirming the corresponding quality of the products.

The company has passed international halal certification and obtained a certificate of conformity. In order to obtain the certificate, the company went through several stages of certification, including the assessment of the products and production areas, the development of suitable procedures and system control, the collection and development of all necessary documents, the training of the staff and the certification audit.

The products produced in the factory now receive an additional quality mark that extends the market geography.

Conclusion

Currency is a generally accepted form of money, legal tender in the country, issued and implemented by certain governments as a means of payment for international payments. As a rule, currencies are converted at a certain rate – exchange rate. The exchange rate can be variable and fixed. The exchange rate can be a very powerful tool in international trade. Improving the competitiveness of domestic companies closely related to the regulation of the domestic foreign exchange market and the forecasting of the exchange rate. In the case of Ukraine, exchange rate policy provides for it. The National Bank of Ukraine is the main authority that sets the official exchange rate of the national currency (hryvnia) to the freely convertible currencies. Most of the foreign currency revenues were generated in USD and EUR due to their free convertibility and stability of exchange rate dynamics. The hryvnia REER and NEER declined, indicating an improvement in the competitiveness of Ukrainian export products. With such exchange rate volatility, the devaluation of the local currency is beneficial for exporters.

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