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FINANCIAL RESIELENCE OF UKRAINE UNDER MARTIAL LAW

In martial law conditions, ensuring the country's financial stability and further social and economic development becomes of great importance. The research aims to determine the features of achieving the country's financial stability in martial law conditions. The main scientific methods of research are dialectical and institutional, structural, comparative, the method of scientific abstraction, analysis, and expert assessments, which allow for ensuring the conceptual unity and thoroughness of the study. The research has analyzed the actual state of

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ФІНАНСОВА СТІЙКІСТЬ УКРАЇНИ В УМОВАХ ВОЄННОГО СТАНУ

За воєнного стану вагомого значення набуває питання забезпечення фінансової стійкості країни та подальший суспільно-економічний розвиток. Метою статті є визначення особливостей досягнення фінансової стійкості країни в умовах воєнного стану. Основними науковими методами дослідження є діалектичний та інституційний, структурний, порівняльний, наукового абстрагування, аналізу та експертних оцінок, що дозволили забезпечити концептуальну єдність та ґрунтовність дослідження. У ході дослідження проаналізовано фактичний

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ensuring the financial stability of Ukraine in conditions of martial law. It was established that despite the measures taken to curb inflation, the purchasing power of the population decreased, and real GDP during this period did not reach the pre-war level. The level of public debt and budget deficit during the studied period of the war increased significantly, which significantly increased the pressure on the financial system and its stability. Ukraine's gold and foreign exchange reserves increased during the analyzed period, however, given that part of the debt is in foreign currency, the National Bank of Ukraine adheres to a policy of preventing the depreciation of the hryvnia. The research presented in the article is based on the hypothesis of the need to strengthen the country's financial stability under martial law by implementing a balanced and effective policy in the budgetary, tax, customs and monetary spheres. Based on the research, promising areas for strengthening financial stability have been identified, particularly through the development of effective measures to slow down the inflation rate, reduce the budget deficit, and manage the state's external and internal debt.

Keywords: financial stability, financial system, budget deficit, public debt, martial law.

стан забезпечення фінансової стійкості України в умовах воєнного стану. Встановлено, що, попри застосовані заходи стримування темпів інфляції, купівельна спроможність населення знизилася, а реальний ВВП протягом цього періоду не досяг довоєнного рівня. Рівень державного боргу та дефіцит бюджету за досліджуваний період війни суттєво зросли, що значно посилило тиск на фінансову систему та її стійкість. Золотовалютні резерви України впродовж аналізованого періоду зросли, проте, враховуючи, що частина боргу в іноземній валюті, Національний банк України дотримується політики запобігання здешевленню гривні. Дослідження ґрунтується на гіпотезі щодо необхідності посилення фінансової стійкості країни в умовах дії воєнного стану шляхом реалізації виваженої та дієвої політики в бюджетній, податковій, митній та грошово-кредитній сферах. На основі дослідження визначено перспективні напрями посилення фінансової стійкості, зокрема, через розроблення дієвих заходів задля сповільнення рівня інфляції, зниження рівня бюджетного дефіциту, управління державним зовнішнім та внутрішнім боргом.

Ключові слова: фінансова стійкість, фінансова система, дефіцит бюджету. державний борг, воєнний стан.

JEL Classification E21, E44, E64, H21, H68.

Introduction

Financial stability is the basis for ensuring the social and economic development of the country and one of the important factors of the stability of the national economy, the full implementation of state and local budgets, financial support for the country's defense to increase the country's capabilities, as well as maintaining an adequate standard of living for citizens under martial law. Compliance with the country's financial stability involves strengthening the level of budget balance, effective and rational implementation of budget programs, and strengthening the synergistic relationship between the levels of the budget system. In order to strengthen effective budget and tax policy, it is important to use the fiscal regulatory mechanism, particularly in terms of improving the tax administration system. Accordingly, financial stability is a significant tool for the country's social development, which determines the relevance of the study.

Financial sustainability indicators determine the social and economic development of the country (Barua, 2019). In particular, the effectiveness of fiscal and monetary policies contributes to the stability and resilience of public finances (Auerbach, 2010). Also, in conditions of financial system volatility, price stabilization and maintenance of low inflation caused by sudden changes in interest rates are important to maintain stability (Dinh et al., 2025). As a result, achieving appropriate financial sustainability indicators will contribute to positive dynamics of GDP and social development (Athari, 2023).

It is important to form a mechanism for constantly reviewing and updating approaches to assessing the level of financial stability of a country, taking into account its dynamism and cyclicality (Lupenko & Radionov, 2021). The system of indicators of the country's financial stability covers both generalized data on individual financial institutions and key macroeconomic indicators that determine the state of functioning of the financial system. Such indicators are used in macroprudential analysis and help assess and monitor both the strengths and potential risks of the financial system. The main goal is to increase its stability and minimize the risk of financial crises (Chubenko et al., 2018). According to the requirements of the International Monetary Fund (IMF), countries must collect and publish information on 40 financial stability indicators, in particular, 25 of them relate to the deposit-taking corporations' sector (including 12 basic ones), and another 15 indicators for clients of this sector.

According to the research of Gasiy et al. (2025), the implementation of a new macroprudential strategy by the National Bank of Ukraine contributes to the reduction of systemic risks and strengthening of the financial stability of the banking sector. Despite the difficult conditions caused by the martial law, the banking system demonstrates a tendency to reduce the concentration of credit risks. This indicates an increase in regulatory standards and a more cautious approach of banks to lending. Financial institutions maintain an adequate level of liquidity, which allows them to fulfill their obligations to depositors promptly. At the same time, the investment activity of banks remains low, which is associated with an increased level of uncertainty in financial markets.

A review of the economic literature indicates the lack of unity among researchers in interpreting the definition of "financial stability of the country", which is characteristic of both the domestic and foreign scientific communities. Such ambiguity complicates the formation of a clear idea of the essence of this concept and also prevents the development of unified approaches to ensuring the stability of the financial system and the use of standard indicators for its assessment. Despite the presence of significant scientific achievements and proposed methodological, organizational, and institutional solutions, it should be recognized that this topic requires constant analysis, updating of approaches, and continued scientific research. This is especially relevant in conditions of martial law, which creates additional threats to the national economy.

The aim of the research is to determine the features of achieving the country's financial stability under martial law.

The research presented in the article is based on the hypothesis of the need to strengthen the country's financial stability under martial law by implementing a balanced and effective policy in the budgetary, tax, customs, and monetary spheres. In particular, important indicators of compliance with financial stability are budgetary policy, budget deficit, internal and external debt, and tax burden, as well as purchasing power, inflation rate, stability of the national currency, gold, and foreign exchange reserves.

The article uses a set of scientific methods and approaches, which allowed the realization of the conceptual unity of the study. During the study, dialectical and institutional methods were used – to reveal the essence of the country's financial stability; generalization and structural methods – to assess the influence of factors on the overall level of stability of the financial system; the method of analysis and comparison – to assess the level of stability of the financial system in conditions of crisis phenomena; methods of scientific abstraction and expert assessments – to determine the directions of strengthening the country's financial stability in conditions of martial law.

Structurally, the main part of the research is divided into three sections, the first of which is devoted to determining the economic essence and main characteristics of the country's financial stability. The second section analyzes the financial stability of Ukraine under martial law, characterizes the main trends and dynamics of macroeconomic indicators under the influence of military-political and social and economic factors. The third section identifies areas for strengthening Ukraine's financial stability.

1. The economic essence and main characteristics of the country's financial stability

Transformational changes that occur in the social and economic environment of the country directly affect the economic and, accordingly, financial stability of the state. The country's financial system is a central link in the process of state management and effective regulation of social and economic processes. Without the stable functioning of the financial system, it is impossible to achieve priorities and important social goals for the population and the state. Financial stability is, first of all, the proper functioning of the national economy, which is a primary task for any country in terms of achieving its main tasks and priorities of social and economic development. In countries with transformational economies, the stability of state institutions is quite low, and accordingly, in the process of policy coordination, the level of intervention of state administration bodies in central bank policy and the achievement of fiscal stability increases (Makohon, 2024).

The beginning of a full-scale invasion has affected the reduction of financial, economic and social stability. This requires appropriate measures and the development of effective scientifically based approaches in budgetary, social, financial, economic policy to strengthen macroeconomic stability, an effective mechanism of the components of the financial system, in particular, the tax, monetary, budgetary, social, investment, foreign economic, scientific and technological, energy, and production spheres (Barik & Pradhan, 2021). The stability of the financial system is primarily the reliable functioning of its integral mechanism, harmonious interaction with the real sector of the economy, stable implementation of financial transactions, timely response to current and potential risks and destabilizing factors, where its effective functioning is observed in compliance with the appropriate level of employment of the population, stability of the national currency, trust in financial and credit institutions, effective distribution and use of public finances for the benefit of the country, stabilization of the social and economic situation is ensured, the basis for economic growth, sustainable dynamics of social development is formed.

In accordance with the Decree of the President of Ukraine № 170/2015 of March 24, 2015, the Financial Stability Council was established. The main purpose of this body is to identify systemic risks and potential threats to financial stability, and develop recommendations aimed at minimizing their impact on the financial system. The Council has the status of an interdepartmental body and serves as a platform for professional discussions on financial stability issues. The decisions adopted by the Council are of a recommendatory nature, that is, the institution does not interfere in the operational activities of the institutions that are part of it but collectively formulates proposals for the implementation of state policy in the field of ensuring financial stability. The National Bank of Ukraine provides organizational support and analytical support for the functioning of the Council. To increase the efficiency of its work, several working groups (committees) were created to develop mechanisms for interdepartmental cooperation, coordinate actions to stabilize the country’s financial system, and formulate sound recommendations to reduce systemic risks in the banking and financial sectors (Decree of the President of Ukraine "On the Financial Stability Council", 2023, May 27).

The Law of Ukraine "On the National Bank of Ukraine" stipulates that the National Bank of Ukraine is the key institution responsible for the formation and development of the financial stability system, cooperating with the Ministry of Finance of Ukraine, the National Securities and Stock Market Commission, and the Deposit Guarantee Fund of Individuals. As the central element of the financial system, the National Bank supervises its main components, manages international reserves, issues national currency, and provides loans to depositors. In addition, the NBU assesses the effectiveness of the functioning of the financial system and its stability, using appropriate quantitative and qualitative indicators. Twice a year, it publishes a Financial Stability Report based on calculations of the Financial Stress Index (FSI) and other indicators, with an emphasis on analyzing the stability of the banking sector (Law of Ukraine "On the National Bank of Ukraine", 2024, December 19).

Financial soundness indicators are indicators that reflect the current state of the financial system, in particular financial institutions, as well as their interaction with counterparties from the non-financial corporations and households' sectors. This data covers key characteristics of the activities of deposit-taking corporations (banks), in particular the level of capitalization, asset quality, profitability and profitability, the level of liquidity, and sensitivity to market risks. They also include recommended financial soundness indicators and the primary data necessary for their calculation. Thanks to these indicators, it is possible to form an idea of the situation in the markets where financial institutions operate. The assessment methodology proposed by the International Monetary Fund, which is based on 12 basic indicators, although widely used, is not perfect. It requires further improvement, in particular, clarification of the definitions of individual indicators and methods of calculation.

2. Features of Ukraine's financial stability under martial law

The social and economic situation in Ukraine has undergone significant changes as a result of martial law, which has significantly affected the financial stability of the state. One of the key indicators of the well-being of the population, and therefore an indicator of the state of the financial system, is purchasing power, which, along with consumer preferences, reflects consumer sentiment and allows us to assess the impact of military actions on the standard of living of the population. Purchasing power determines the ability of citizens to purchase necessary goods and services for available financial resources, which directly depends on the level of income of the population, inflation, and the general price level. Income growth contributes to an increase in purchasing power, however, in cases where prices grow faster than incomes, it, accordingly, decreases and vice versa – when the growth rate of incomes outpaces inflation, the purchasing power of the population improves. With the beginning of the full-scale invasion of Ukraine, the purchasing power of the population has sharply decreased, as some domestic enterprises have ceased their economic activities, the hryvnia exchange rate has fallen sharply, budget expenditures and the budget deficit have increased, while revenues have fallen significantly, which has increased the risks of financial stability. In such a situation, the main task of the authorities is not to disperse financial resources, but rather to focus budget funds on important, priority areas of ensuring the country's defense capability, humanitarian and social programs to support temporarily displaced persons, and other priority measures.

During 2023, economic activity in Ukraine gradually recovered, resulting in a strengthening of purchasing power, which had previously experienced a significant decline. Although some economic indicators have not yet reached pre-war levels, there has already been a noticeable revival of consumer behavior. In particular, 52% of citizens made purchases with the same frequency as in 2022, and 44% spent about the same amount of money.

This indicates a certain stabilization of purchasing power and adaptation to new realities. Compared to 2022, the number of purchases increased by 9% – in offline stores and by 12% on the Internet. Expenditure volumes also increased by 22% – in regular stores and by 20% online. This demonstrates a gradual restoration of confidence in trade and the activation of consumer demand. The level of spending also depended on the place of residence. Internally displaced persons spent an average of 21% less in physical stores and 7% less in online stores than those who remained in their homes. Overall, the economic situation stabilized somewhat in 2023, but citizens' purchasing power has not yet fully recovered.

During periods of declining purchasing power, the population usually prioritizes expenses related to maintaining health and meeting basic needs. First of all, this applies to the purchase of food, paying for housing (or its rental), using transport services, as well as purchasing medicines. In 2024, according to the State Statistics Service, the level of consumer inflation in Ukraine was 12.0%. In particular, in December it was 1.4%. Inflation processes continued at the beginning of 2025, which is explained by both temporary factors, such as a decrease in harvest volumes, and more persistent ones, including an increase in enterprises' costs for energy resources, labor costs, and the impact of exchange rate fluctuations. The actual inflation rate at the end of 2024 exceeded the forecasts made by the National Bank of Ukraine. The main reason for this discrepancy was a significant increase in food prices, which was caused by weaker harvests. In addition, rising business costs, particularly for electricity and wages, have significantly contributed to the rise in inflationary pressure. To a lesser extent, the weakening of the hryvnia has also contributed to the general increase in the price of goods and services (Law of Ukraine "On the State Budget of Ukraine for 2025", 2024, November 19).

In conclusion, purchasing power is an important factor determining the quality of life of the population. Its decline leads to increased social tension, increased inequality, and can cause social conflicts and political instability. One of the key factors affecting purchasing power is the level of real wages, that is, the amount that an employee receives for his work, taking into account inflationary processes. The consumer price index (CPI) is used to determine it.

In 2024, the average wage of full-time employees increased by 22% and amounted to UAH 20 592. At the same time, this indicator is calculated before deducting mandatory tax payments, in particular personal income tax. Taking into account the tax burden, the actual average wage was about UAH 15 855, which is equivalent to less than USD 380 at the exchange rate for that period. The increase in wages was due to a number of factors, the key to which is the structural shortage of labor respectively employers, needed to increase wages to maintain the existing human resource potential and attract qualified specialists. Despite the formal growth in nominal incomes of the population, real purchasing power has not changed significantly. The main reason for this is the high level of inflation, which affected the positive effect of wage increases due to the increase in the cost of basic goods and services.

Despite the difficult macroeconomic conditions, in 2024 the national economy showed some signs of stabilization. The persistence of negative trends, in particular, the decline in industrial production volumes, demographic losses and significant dependence on external financial support, indicate a deep economic crisis. In this context, the prospects for economic recovery largely depend on the end of hostilities, as well as the implementation of effective social and economic policies. The moderate growth in nominal wages is associated with a shortage of labor resources, namely: in June 2024, the average wage level was UAH 20.5 thousand, which is 23% higher than the same indicator in 2023. It is expected that by the end of 2025 this indicator may increase to UAH 22–23 thousand. The slowdown in wage growth, which is due to the slow pace of economic recovery, and therefore a likely decrease in the real purchasing power of the population. Despite signs of labor market recovery, the number of current vacancies has still not reached pre-war levels and is approximately 90% of the volume of 2021. The unemployment rate remains high at 15.3%. The labor shortage is projected to persist, and if economic growth accelerates, the problem of staff shortages may become systemic.

The tendency of the Ukrainian population to save against the background of a difficult social and economic situation indicates limited purchasing power of citizens. Despite a certain increase in the level of wages since the beginning of the full-scale invasion, the increase in the minimum wage from UAH 6 500 to UAH 8 000 did not provide a significant improvement in the material situation of the population. According to Article 8 of the Law of Ukraine "On the State Budget of Ukraine for 2025" (2024, November 19), the minimum wage is maintained at the 2024 level and is UAH 8 000, while the subsistence minimum for the able-bodied population is set at UAH 3 028 (Article 7). This ratio demonstrates the limited financial capabilities of the population in conditions of ongoing economic instability.

In 2024, Ukraine’s gross domestic product grew by 3.8%, but its real level remains 17.4% lower than the pre-war period. According to the forecasts of the National Bank of Ukraine, GDP is expected to grow by 3.6% in 2025 compared to the previous year. The main factors in reducing expectations were the overestimation of potential GDP due to further losses of production factors and the continued negative impact of armed aggression. In February 2025, Ukraine’s real GDP grew by 0.7%, and the cumulative growth for the first two months was 1.1%. This dynamic is partly explained by the high base of comparison in 2024. At the same time, the impact of negative factors was partially offset by significant budget financing for measures to restore critical infrastructure and implement state housing programs ("eRecovery", "eHousing") (Law of Ukraine "On the State Budget of Ukraine for 2025", 2024, November 19).

According to the Ministry of Economy of Ukraine, a positive factor in February 2025 was also the revival of domestic consumer demand, in particular due to the growth of retail trade and the improvement in consumer sentiment, which has been recorded for four consecutive months. At the same time, some sectors showed a decrease in indicators: in particular, in agriculture due to the increase in the cost of livestock products, in the extractive industry due to damage to the gas extraction infrastructure, as well as in the transport sector due to a decrease in export activity. The dynamics of GDP growth in 2024 was uneven: 6.5% in the first quarter (compared to the same period in 2023), 3.7% in the second quarter, and only 2.0% in the third quarter. The forecast included in the state budget for 2025 predicts annual GDP growth of 2.7%.

In February 2025, Ukraine observed a deterioration in the assessment of the current economic situation of the population. The current situation index decreased by 4.6 points and amounted to 53.3 points, which is lower than the indicator of January 2025. The economic expectations index increased by 4.2 points and reached the level of 91.6 points. A decrease in the inflation expectations index by 3.9 points to the level of 181.4 points was also recorded, and the devaluation expectations index decreased by 8.8 points, to 158.3 points. These indicators are components of the Consumer Sentiment Index, which is calculated based on a sample survey of households. The study covers a representative sample of 1,000 people aged 16 and over. The index value ranges from 0 to 200, where 200 points indicate a completely positive assessment of the economic situation by all respondents, and a level of 100 points indicates a balance between positive and negative assessments. A value below 100 points signals the predominance of pessimistic assessments in society.

One of the factors improving expectations is the reduction of social tension related to the exchange rate of the national currency: in January and February 2025, the US dollar exchange rate showed a downward trend, offsetting the growth of more than 10% during 2024. Inflationary processes remain significant: in February 2025, annual inflation was 13.4%, while the growth of consumer prices slowed down to 0.8% per month. The financial and budgetary system is experiencing an increase in structural budget deficit. This trend is due to the growing need to finance the functioning of the state, in particular its defense capability, ensuring social support for the population, as well as in the restoration of critical infrastructure. Ensuring macroeconomic and financial stability depends on the state's ability to accumulate financial resources through tax and budgetary instruments, form an effective system of budget expenditures, and perform strategic functions of public administration (Ministry of Finance of Ukraine, n. d.).

In this context, the concept of the budget mechanism is important, which is interpreted as a set of institutional and instrumental means of state influence on the economy through the system of budgetary relations. The budget mechanism is designed to create favorable conditions for the stable economic and social development of the country, adapting to changes in the external environment. At the same time, uncertainty affected the reduction of tax revenues to the budget at the initial stage of major armed aggression, the application by the state of a set of tax incentives, which led to the formation of an active budget deficit (Pasichnyi, 2024).

Analysis of the dynamics of revenues and expenditures of the State Budget of Ukraine (*Table*) indicates the systematic presence of a deficit over the past fourteen years. At the same time, the State Budget of Ukraine performs a key regulatory function in the economy, determining the volumes of necessary financial resources to maintain the stability of the financial system, allocate resources according to priority areas and form strategic vectors of the country's social and economic development.

Table

Dynamics of revenues and expenditures of the State Budget of Ukraine, 2011–2024, UAH million

Year	Revenue	Expenditures	Deficit
2011	314616.9	333459.5	23557.6
2012	346054.0	395681.5	53445.2
2013	339180.3	403403.2	64707.6
2014	357084.2	430217.8	78052.8
2015	534694.8	576911.4	45167.5
2016	616274.8	684743.4	70130.2
2017	793265.0	839243.7	47849.6
2018	928108.3	985842.0	59247.9
2019	998278.9	1072891.5	78049.5
2020	1076016.7	1288016.7	217096.1
2021	1296852.9	1490258.9	197937.4
2022	1787395.6	2705423.3	914701.7
2023	2671998.0	4014418.1	1333110.7
2024	3122713.4	4486682.7	1358500.1

Source: (Ministry of Finance of Ukraine, n. d.).

In 2020, the state budget deficit of Ukraine exceeded UAH 217 billion, which was 5.18% of GDP. Similar high deficit levels were recorded in 2013 (4.45% of GDP) and 2014 (4.98% of GDP). In 2021, this figure decreased to 3.63% of GDP, which is 1.55 pp less than the previous year. However, with the beginning of full-scale aggression in 2022, the situation in the field of public finance became more complicated. In particular, a drop in GDP of 28.8%, a reduction in exports by 35%, as well as an increase in budget cash expenditures to UAH 2.702 trillion (92.2% of planned indicators) caused a record deficit of almost UAH 915 billion. In 2023, a similar trend continued, the state budget was executed with a deficit of UAH 1.33 trillion, in particular, the general fund deficit was UAH 1.36 trillion, which is less than the approved plan (UAH 1.83 trillion). The steady growth of the deficit necessitates the active attraction of external and domestic financing, which in turn leads to an increase in public debt. In conditions of martial law, reducing the gap between budget revenues and expenditures is a difficult task due to the priority of financing the defense sector.

According to the Law of Ukraine "On the State Budget for 2024", revenues (excluding transfers) were set at UAH 1,768.5 billion, while expenditures reached UAH 3 355.0 billion, which is almost twice as much as revenues. Among the largest areas of expenditure are financing education (UAH 179.1 billion), healthcare (UAH 203.4 billion), social protection (UAH 469.4 billion), and veterans’ support (UAH 14.3 billion). At the same time, the largest amount of funds was directed to defense and security – UAH 1 692.6 billion, which indicates a reorientation of budget policy towards ensuring national security. The total budget deficit at the end of 2024 reached UAH 1.35 trillion (Ministry of Finance of Ukraine, n. d.).

Financing the state budget deficit under martial law requires the mobilization of additional resources, and in their absence, the risk of a fiscal gap increases. This affects the revision of traditional mechanisms for generating revenues and expenditures. Under martial law, the issue of limited budget resources is important, which affects the optimization of state and local budget expenditures. In August 2024, the "credit holidays" granted to Ukraine under the 2022 agreements with external creditors expired, and accordingly, a new agreement was reached to restructure the external state debt for USD 20 billion by 2029. More than 97% of Eurobond holders supported the agreement, which will allow Ukraine to save USD 11.4 billion in the next three years, providing additional resources to finance critical needs, including defense.

External debt plays a dual role: on the one hand, it contributes to the financial stability of the state in times of crisis, and on the other hand, it forms future fiscal obligations. The main risks remain the increase in the debt burden on future generations, the loss of financial independence, and the decrease in debt sustainability. As of January 31, 2025, the state and state-guaranteed debt of Ukraine amounted to UAH 7 068.00 billion (USD 168.99 billion), of which 72.74% was external debt (UAH 5 141.34 billion or USD 122.93 billion), the rest was domestic debt (UAH 1 926.66 billion or USD 46.07 billion) (Ministry of Finance of Ukraine, n. d.).

The state budget is also supported by external financial assistance. As of December 2024, Ukraine had received a total of USD 105.9 billion in international financial assistance, which averages over USD 35 billion annually. These resources were mostly directed to financing social budget items, while the state covered military expenditures from its own funds. The volume of international assistance varied depending on the foreign policy situation and financial mechanisms, from emergency grants to long-term development programs. To increase the revenue side of the budget, in October 2024 the government increased the military levy from 1.5% to 5%, and also extended it to single tax payers: 1% of income for payers of group III, 10% of the minimum wage (UAH 8 000) for individual entrepreneurs of groups I, II and IV. Ukraine’s gold and foreign exchange reserves during martial law showed a growing trend. Thus, at the end of 2022 they amounted to USD 28.5 billion, in 2023 – USD 40.5 billion, and in 2024 – USD 43.8 billion. As of February 28, 2025, reserves decreased to USD 40.1 billion, which indicates partial use of accumulated resources to stabilize the economy at the beginning of this year (Ministry of Finance of Ukraine, n. d.).

Since the beginning of the full-scale invasion, the issue of demographic indicators has become relevant. According to the Institute of Demography, the population of Ukraine in the government-controlled territory is currently about 31.5 million people, which means that demographic losses due to the war amount to about 10 million people. This is almost a quarter of the country's total population. According to the director of the Institute of Demography and Social Research Libanova (2025), those who left Ukraine are about 4.5 million, of whom a third are adolescents under 18 years of age. In contrast, only 6% are people over 65 years of age, which indicates a significant increase in the aging process of the nation in war conditions. Demographic losses, especially among young people and women of reproductive age, threaten the country's demographic growth and future development. In this regard, we can only note that the demographic situation worsens financial sustainability; therefore, it is important to develop appropriate government programs to address this problem, including encouraging citizens to return to Ukraine and engage in economic activity and the reconstruction of the country.

3. Directions for strengthening the financial stability of Ukraine

The formation of a stable financial system of the country in the conditions of social and economic transformations and in the presence of limited budgetary financial resources should be based on modeling financial relationships, analyzing synergistic interactions between elements of the financial system, and identifying cause-and-effect dependencies (Papadimitriou et al., 2019). It is important to form a comprehensive approach to the use of financial and budgetary instruments, ensuring a balanced combination of the goals of all components of financial policy. This allows us to take into account economic and social factors, while maintaining the stability of the financial system.

The effective use of financial policy instruments should adapt to economic cyclicality and meet the priorities of the social and economic development of the state. It is important to improve the methods of forming budget revenues, taking into account institutional changes in the public finance system, and adaptation to social and economic changes. This will contribute to increasing the adaptability of the budget system and enhancing the efficiency of regulating the revenue part of the budget. It is important to develop conceptual approaches to the functioning of the public finance system, which involves substantiating the principles of forming public revenues and expenditures, the coordinated use of financial instruments to ensure macroeconomic stability, and the activation of the processes of formation and rational redistribution of public financial resources.

One of the priority conditions for the formation of an effective financial policy is the effective distribution of limited financial resources. Tax policy in martial law should be aimed at the formation of stable budget revenues, the development of effective tools for solving tax regulation tasks, taking into account the peculiarities of economic development and social conditions.

The implementation of long-term goals of financial and budgetary policy largely depends on the extent to which the institutional features of the economic environment and the relationships between its elements are taken into account (Chugunov & Liubchak, 2024). The priority tasks of this policy include: systematic improvement of approaches to forecasting budget revenues, in particular tax revenues, taking into account economic dynamics and the impact of both internal and external factors on budget sustainability; optimization of the structure of budget revenues; increasing the level of transparency and sustainability of the fiscal system; effective use of budget funds and the formation of a transparent budget policy.

The development of tax policy in the context of integration into the European space, stimulating the development of the domestic capital market and its interaction with European financial structures, simplifying access to financing for business entities, maintaining financial stability, minimizing the impact of negative factors on the financial system, and reasonable use of external financial resources are important. The implementation of effective budget policy as a priority instrument for regulating macroeconomic balance should be carried out taking into account the dynamics of social and economic changes, an effective mechanism for the formation of state financial resources, a rational approach to managing the budget deficit and public debt, and a reasonable system of intergovernmental relations. Such an approach will contribute to strengthening financial stability, increasing the efficiency of social transformations, and enhancing the effectiveness of fiscal and budgetary policy (Zakhidna et al., 2023). Achieving financial architecture for the budget and tax system will allow the formation of the necessary financial resources to support economic growth. The priority area is the development and implementation of a budget strategy that ensures a balance between aggregate demand and supply, thereby contributing to achieving macroeconomic stability.

The need to ensure budgetary balance necessitates the need to strengthen the influence of budgetary policy in the system of macroeconomic equilibrium through the application of adaptive budgetary architecture, effective management of inter-budgetary transfers, and the establishment of a stronger link between macroeconomic indicators and budgetary policy priorities (Kozlov, 2023). The above will lead to an increase in the efficiency of public finance management. To increase the efficiency of financial and budgetary policy, it is important to ensure coordinated interaction between budgetary, fiscal, customs, and debt policies, which will allow to achieve a synergistic effect in the development of public finances and will contribute to the coordination of actions of all participants in the budgetary process. Effective use of public resources is possible only under conditions of fundamental structural changes in state institutions (Kaneva & Stadnik, 2023).

Conclusions

The research shows that under martial law and relevant social and economic transformations, the country's financial stability depends on effective policies in the budgetary, tax, customs, and financial and credit spheres, and international financial assistance. Under such conditions, it is important to develop effective financial measures to curb inflation, reduce the budget deficit, and effectively manage the state's external and internal debt.

It is important to maintain the stability of the financial and credit policy, which determines the general level of confidence in the financial system, price policy, and contributes to the country's economic development. The conditions for achieving monetary and credit balance are strengthening financial reserves, controlling inflation, and creating a favorable environment for attracting investments. It is advisable to form an effective foreign financial policy. Cooperation with international institutions and governments of foreign countries allows supporting the country's solvency under martial law. At the same time, it is important to ensure the transparent use of funds raised, which will contribute to the country's social and economic development. The priority is the development of the domestic economic market, the stimulation of entrepreneurship, especially in the field of small and medium-sized businesses, which are important components of financial stability. In conditions of martial law, domestic production meets the needs of the economy, creating jobs and generating tax revenues for budgets of all levels. In order to preserve and strengthen financial stability in conditions of martial law, it is necessary to ensure effective synergy between financial, economic and security policies, maintain the stability of monetary policy and the national currency, and form financial and economic interaction with international partners.

An important task for achieving financial stability is to form appropriate principles for the functioning of the public finance system, in particular, to substantiate the principles of effective distribution and redistribution of state financial resources in the system of financial and economic relations, to ensure coordinated use of financial instruments, methods and levers to support macroeconomic stability. The priority is to develop institutional approaches to improving the criteria for compliance of financial policy components with the standards of financial and economic security of the country. It is necessary to coordinate the mechanisms for forming state financial resources, taking into account financial and institutional capacity, structural transformations in the financial system, macroeconomic trends and features of the financial and budgetary regulation system. The formation of the principles of financial stability should include an analysis of the impact of external and internal factors on financial indicators, an assessment of the level of financial security of the state, and the establishment of justified institutional measures for managing the budget deficit and public debt.

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