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CORE DIRECTIONS OF THE CRISIS INFLUENCE ON UKRAINIAN BANKING SYSTEM MINIMIZATION

The most important factor of world economy development in 2008-2009 is the global financial and economic crisis. Its influence on all industries and economies is difficult to be overvalued. The aggregate demand has fallen dramatically in major countries, most goods markets have felt the structural changes of demand as well as supply, stock markets have declined more than twice, derivatives markets have almost dropped down. Being an integral part of the global economy Ukraine was heavily affected by the crisis. Banking system of our country was one of the mostly influenced fields. The crisis rapidly resulted in broad deposits outflow, the substantial rise of interest rates, massive speculations on exchange market and with all this going on we had inflation increasing with even more severe inflation expectations. All mentioned rapidly spread to the real economy.

In this situation the banking system is such element of the national economy that on the one hand felt the most severe crisis influence and on the other can become the basis for economy recovery. Taking this into account only the direct and considered monetary policy could lead to optimal level of banking system development under crisis and promote crisis influence minimization.

To our mind the core directions of crisis influence on Ukrainian banking system minimization are the following.

1. Strengthening the banking system credibility. We mean first of all the confidence of people who trust their savings to banks in the form of deposits. Even in the most powerful economy the banking system won't be able to return the holding if all of them will be demanded at the same time. That is the issue of a great psychological importance. The similar situation was observed in Ukraine. In the last quarter of 2008 the total deposits fell by 13,7 % (31,8 bln. hryvnias) and at the same time the total deposits of individual depositors dropped by 14,8 %. The more people trust the banks the greater the chances to easily overcome crisis negative influence. This point implies not only the prevention of deposits outflow but also promoting people savings in order to transform them into deposits.

2. Decrease of speculating pressure in the foreign exchange market. This measure is extremely important since some banks transferred their refinancing resources not for deposits returning and their capital structure balancing but for speculations with dollar, that brought about particularly the weakening of hryvnia to more than 8 per USD. The regulating policy of NBU must be tough in this sense.

3. Reduction of the level of economy dollarization. Such step will obviously cut the dollar demand thus promoting hryvnia strengthening. The crisis caused the change

of the dollarization level reduction trend that was observed in 2007. It increased in 2008 from somewhere 23 % to almost 31 %.

4. Lowering the inflation pressure. The measures aimed at monetary base restriction should be undertaken. The monetary base growth in 2008 was 31,6 % that is too high for current conditions. The growth rate must not differ significantly from the economy growth rate. On the other hand it would be not sound to cut the monetary base growth rate rapidly since it will bring about even greater macroeconomic disproportions. The optimal rate for 2009 to our mind will be somewhere around 10-14 %. A great portion of inflation pressure lowering measures lies under authority of other regulators besides NBU such as Ministry of Finance, Ministry of Economy etc.

5. Optimal balancing between short- and long-term measures. Here we mean first of all that strategic long-term objectives must be of the highest priority. It does not of course diminish the importance of current policy measures though long-term banking system stability is the core task in this sense.