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POST-CRISIS GLOBAL REBALANCING AND INTERNATIONAL CAPITAL FLOWS

Summary. *After the global crisis, developed and emerging economies have to re-balance accumulated imbalances, which are interconnected with the international capital flows changes.*

Capital flows are driven by the number of factors, have contradictory implications, they inter-relay with pre-crisis and post-crisis global imbalances. Capital flows changes are influencing on the global re-balancing, should be considering while assessing a probability of financial crises in a future.

Key words: international capital flows, capital flows factors, capital flows structure, global imbalances, post-crisis rebalancing, capital inflows, capital outflows.

Ключові слова: міжнародні потоки капіталу, фактори руху капіталу, структура руху капіталу, глобальні дисбаланси, пост-кризове ребалансування, приплив капіталу, відплив капіталу.

Introduction.

Global crisis rapid spillover in 2008-2009 some researchers have explained as result of deeper international financial integration and cross-border capital flows. In post-crisis time international capital flows are changed in developed and emerging economies.

After financial crisis the global economy and financial markets does not show clear signs of restoring economic and financial balances, stable growth. Post-crisis picture looks like a complex interaction of the double- or multi speed recovery, global imbalances, sovereign debt and budget crises, commodities and asset prices volatility, structural changes of international capital flows. This requires to study the post-crisis specific of financial globalization, capital flows changes, international contagion, mixed trends on financial markets, prospects of financial stabilization or future financial crisis.

The research aim is to study the link between international capital flows and post-crisis rebalancing. The last is playing a systematic role in more sustainable economic growth and fi-

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nancial stability. The objective is to estimate the current factors and trends of international capital flows and their influence on the post-crisis rebalancing. The selected relevant case is to study structural changes in the international capital flows to transitional economies, specifically to Ukraine as a one of most affected by crisis in Central and Eastern Europe.

Research methodology and results.

The research methodology is based on the application of international macro- and microeconomic approaches in line with structural comparative analysis. A study is focused on factors and structural changes in international capital flows with respect of their implications on post-crisis re-balancing.

A complex nature of factors, structure and impact of international capital flows attracts a growing interest in modern research literature. Many scholars notion that the pure economic factors like marginal profitability of investing capital abroad or deficit of domestic investments may not be judged as a comprehensive explanation of cross-border capital flows. Some researches are focusing on the inter-relation of various factors of capital flows as well as mixed impact of capital inflows and outflows. Among known hypotheses are "Lukas Paradox" noted that high profitability of foreign capital in developing countries featured along with relatively low capital inflow to them due to the recipients' countries' institutional weakness [13]. Another is "Trilemma" argued by Obstfeld/Taylor and focused on contradictory co-relations between exchange rates regimes, capital flows and monetary policy [14,15]. Capital flows reversals during crises has been named as "sudden stop" - unexpected switch from external capital inflows to their outflows [5,6].

A focus in noted research approaches is on the systemic causes of the structural changes in international capital flows and their global implications.

Capital flows, exchange rates, financial assets value and monetary policy stays as key drivers of the international financial markets. The last global crisis has shown that international financial markets fluctuations were interrelated with changes in cross-border capital movements.

International capital flows are forcing financial integration and globalization. But they threatened by global imbalances featuring during last two decades.

Global imbalances are considering in many researches as opposite current accounts balances of different countries: 1) permanent current account negative balance in USA and developed Europe and positive balance in oil-exporting and export-led emerging economies; 2) related concentration of foreign exchanges reserves in emerging economies [1]. Current account imbalances reflecting trade surpluses and deficits, but they are influenced by de-facto fixed exchange rates in many export-oriented countries. Such interpretation of global imbalances is focusing on the fact that export-led countries accumulate excessive foreign currency stocks and their currencies exchange rates accumulate revaluation potential. Imbalances, currency reserves and financial assets accumulation are leading to growing capital outflows from oil-exporting and emerging economies.

Negative current account sets a deficit of foreign currency and makes pressure on the domestic currency devaluation. Such effect may be offset by positive capital account such as foreign direct and financial investments net inflow.

Current accounts deficit in the USA and other industrialized countries stimulate capital inflows in order to keep external and monetary balance. So US and many other developed countries are net importers of capital.

US dollar position as a leading currency of global trade and financial markets enforce the holders of dollar assets to invest the American economy. A large part of the emerging economies'

official reserves are denominated in US dollars, they are pledging into US government securities and other assets, constitute a capital inflow to the US. Growth of sovereign wealth funds (SWF) – government-sponsored investment institutions accumulated governmental financial liquidity in oil exporting and Asian emerging economies – is directed to the similar purpose to pledge the excessive financial liquidity into developed countries assets. Excessive liquidity stimulate capital outflow and investing into US securities, Eurobonds, internationally quoted shares and other liquid financial assets.

External financial imbalances in many countries were emerged due to the substantial changes of financial assets and liabilities value during financial crisis, which lead to re-composition of the countries' international investment position. Another dimension of external financial imbalanced was rapid accumulation of the government and corporate external debt during the crisis. It was primarily due to the governments emergency spending for the financial and banking systems bailing-out, financial institutions lending for restoring liquidity, banks shares acquisition and "infected assets" holding by the governments. Financial imbalances influencing on the changing patterns and composition of the international capital flows.

Fiscal imbalances and budget deficits in many developed and transitional economies have been resulted out of opposite causes – drop down of budget revenues during the crisis and government's extra expenditures for managing crisis impact. External borrowing was used widely for financing budget deficit and lead to raise of sovereign debt in many countries.

Therefore global imbalances, external financial imbalances and fiscal imbalances accumulation during the crisis as well as post-crisis rebalancing are relating to the international capital flows.

International capital flows have different components such as foreign direct investments, portfolio investments, other private flows like bonds and long-term loans. Each of them has specific factors and trends. But some common, systemic factors and features are becoming more obvious during last decades due to markets liberalization, cross-border liquidity movements, financial integration, hybrid financial instruments and innovations. For example, traditionally a cross-border mergers and acquisitions (M&A) statistically are reported as a form of foreign direct investments (FDI). In fact a cross-border M&A financially could be structured as a direct cash purchase of a foreign company, international bank loan for a foreign corporate shares purchase, cross-border shares swap, pledging shares to specially create international holding company in third country and others.

Structure of capital flows becomes more flexible and financial infrastructure allows better conditions for financial liquidity. Major international financial markets are increasingly integrated and interdependent.

Therefore the cross-border capital movement structure is characterized not only with concentration, internationalization, competition but with systemic features such as integration, volatility, co-movements and substitution of different types of international financial flows.

A complex structure, systemic features and implications of international capital flows requires to use not only traditional profit-measured and institutional approaches, but to apply a multifactor analysis – to identify major factors of international financial flows, their structure and trends, contradictory implications of capital inflows and outflows.

International capital flows have different factors, risks and implications. It means that cross-border capital flows as well as financial markets movements are resulting out of combination of different factors:

1) Global factors
2) International contagion

3) Domestic factors

4) Internal volatility of capital flows

First group of factors - global factors – constitute global economic environment, international financial environment, financial liquidity and interest rates, global financial risks.

Post-crisis global economic environment is characterized with the pace and stability of economic recovery. Restoring of pre-crisis levels of the economy and growth rates are most important for financial markets stability. The economic growth determines a countries' demand for external financing and capital inflows, which influence on post-crisis re-balancing,

Dual-speed or multi-speed economic recovery are considering by international organizations and researchers as post-crisis phenomena [7]. Advanced economies are having low or moderate growth rates along with excessive sovereign debt and large unemployment, which could be considered as "weak" or "fragile" recovery. While emerging economies demonstrates much higher growth rates, increasing official reserves and financial assets, but some of them are looking "overheating", have speeding inflation and banking systems problems.

Economic growth differences makes capital flows re-direction in two major aspects – steady inflows to emerging markets and increasing outflows from them.

Global financial liquidity composition and value is other global factor of cross-border capital flows. The current trend is a relocation of financial liquidity from global financial centers to

<table>
<tr><th></th><th>Січ-07</th><th>Лют-08</th><th>Лют-09</th><th>Бер-10</th></tr>
<tr><td>LIBOR</td><td>5.4%</td><td>2.38%</td><td>0.99 %</td><td>0.87 %</td></tr>
<tr><td>EMBI+</td><td rowspan="2">122</td><td rowspan="2">2024</td><td rowspan="2">1005</td><td rowspan="2">468</td></tr>
<tr><td>Ukraine</td></tr>
<tr><td>Sovereign rating</td><td rowspan="2">BB-/Positive (25.10.2006-14.05.2008)</td><td rowspan="2">BB-/Negative (25.09.2008)</td><td rowspan="2">B-/Negative (12.11.2009)</td><td rowspan="2">B-/Stable (17.03.2010)</td></tr>
<tr><td>FITCH</td></tr>
<tr><td>UAH/USD</td><td>5-Тра</td><td>Лип-56</td><td>Лип-98</td><td>Лип-92</td></tr>
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emerging economies. The last are becoming an important source of capital outflow directed both to developed and developing economies. International liquidity volume and structure, stock exchanges indexes, financial assets value, exchange rates composition of financial assets are changing permanently in response to global and national factors. They are influencing financial markets volatility and investors preferences, provoke large-scale speculative movements of finance between different segment of financial markets and countries. Its especially affecting export-led and emerging economies which are sensitive to the changing conditions of global markets.

Table 1.

Major international benchmark conditions of external financing for Ukraine, 2003-2010

Source: National Bank of Ukraine, Fitch Ratings, IMF Data and Statistics.

In case of Ukraine a situation before crisis looks as combination of high benchmark rates on international financial markets (such as LIBOR) and improving sovereign rating trend re-

sulted in positive markets perceptions, relatively low spreads and favorable conditions for attracting external financing.

But after crisis the combination of external and domestic factors have changed – low LIBOR

	2006	2007	2008	2009
USA	7,96	8,05	5,09	3,25
Canada	5,81	6,1	4,73	2,4
UK	4,65	5,52	4,63	1,63
Italy	5,62	6,33	6,84	4,76
India	11,19	13,02	13,31	12,19
China	6,12	7,47	5,31	5,31
Russia	10,43	10,03	12,23	15,31
Ukraine	15,47	13,9	17,49	20,86

and stable investment grade sovereign rating were accompanied with higher markets risk expectations, tightening lending conditions and therefore higher then before crisis interest rates for Ukrainian borrowers.

Differences of interest rates on national financial markets remain an important factor of cross-border financial inflows. Interest rates and currency risk are taken into account for medium-term cross-border interbank loans, private flows such bonds and lending facilities for financial and non-financial corporations. Post-crisis changes of interest rates are reflecting a controversial picture in different countries.

Table 2.

Lending conditions of domestic banks for typical borrowers in pre-crisis and post crisis time in selected countries, weighted average interest rates in national currency 2006-2009.

Source: World Bank statistical database -// Electronic source: http://data.worldbank.org/indicator/FR.INR.LEND

As it appears from the data, post-crisis interest rates have fail substantially in developed countries, for example in USA, UK, Canada, Italy as result of central banks monetary policy and historically low refinancing rates. It would improve lending conditions for economic recovery and financial institutions liquidity. But in many emerging economies when central banks lowered refinancing rates, it have not effected lending rates. Examples of India, Russia and Ukraine show post-crisis increase of interest rates which reflects countries' remaining risks, resulting from the large crisis fail of GDP, domestic currency volatility, institutional weakness and structural problems. Higher interest rates in many emerging and developing economies played a negative effect but were accompanied with higher rates of economic growth.

Interest rates are driven by national financial markets macroeconomic and monetary conditions, rates differential influence on the cross-border private flows with respect to the global and national markets risks.

Global risks are influencing on the international commodities and financial markets condi-

	Чер-05	Чер-06	Чер-07	Чер-08	Чер-09	Чер-10
CDS outstanding	10211	20352	42580	57403	36046	30261

tions and volatility. Global risks impact on the international financial flows depends on the financial institutions capability to hedge or to offset risk using risk-taking and risk-mitigating

financial innovations.

Such innovations rapid spread since early 2000-th have encouraged a financial institutions risk appetite, large increase of risky domestic and cross-border lending, lead to asset prices boom in developed countries, have provoked global credit crunch and financial crisis in 2008. One of such instruments – credit default swaps (CDS) – provides to lenders an insurance protection for the debt outstanding repayment in case of the borrowers' default.

Table 3.
Credit Default Swaps (CDS): outstanding amounts on the international financial markets, Billions of US Dollars

Sources: BIS Quarterly Review. December 2007. - BIS, Basel 2007. A103; BIS Quarterly Review. December 2010. - BIS, Basel 2010. A121.

As to BIS data, CDS volumes have been increased dramatically before the global financial crises and reached an amount of 57 trillion US dollars in 2008 slightly below the global GDP value. The CDS increase did allow international banks to hedge a larger volume of credit risk and therefore to ease a credit conditions. It feed the credit boom and asset prices bubble in 2002-2007 which were important causes of global financial crisis. After crisis the CDS volumes down-sized almost at twice and it become a factor of tightening international credit conditions.

Such situation helped to re-balance demand and supply of credit internationally as well as put on stronger requirement to effective allocation of financial liquidity. But at the same time it limit access to external borrowing for post-crisis recovery and modernization especially of transitional economies such as Ukraine.

A contagion is covering a second group of factors of global crisis, post-crisis sovereign debt crisis and post-crisis rebalancing. Contagion nature could be explained as result of international financial links and financial integration. Capital flows and global financial integration push up international financial links in various forms – accumulated FDI, financial assets cross-border holdings, international bank claims, global financial centers flows, global payment systems, international financial exchanges and others.

Integration and financial linkages led to growing interconnectedness and interdependence of financial markets and institutions, which in turn makes possible to generate contagion effect while some national markets are getting into high volatility or crisis.

An effect of contagion is mostly obvious in the times of crises, but a nature of contagion has a broad interpretation in researches. Sometimes a term "contagion" is using as a synonym to other term – "spillover' – meaning a spreading of some market signals, products, innovations, technologies across national borders.

Contagion could be considered as a specific mechanism of cross-border transposition of the national or international financial markets trends, fluctuations, risks, financial assets value change, exchange rates change to other national financial markets or other segments of international financial markets. For example, in case of large unexpected value change (beyond of normal market volatility) of internationally quoted shares or bonds this will effect not only their issuer, but also owners, holders and traders in other countries, international exchanges.

The extent and effect of contagion are driven by the international financial links, financial integration, country international investment position, geographical location and foreign financial markets exposure, external debt and servicing capacity.

Domestic factors constitute a third group influencing on the international capital flows. They represent macro- and micro economic fundamentals such as growth rates, inflation, exchange rates regime and volatility, fiscal and monetary balances, current account of BOP, country investment climate and access to finance.

Capital flows internal volatility representing a fourth group of factors of the international capital flows, influencing on their structure and dynamics. Internal volatility covering a factors, which could be considered as systemic causes of changes in capital flows arising out of the structure of capital flows. Major factors of this group are: capital inflows and outflows asymmetry, net balance of capital flow, balance of payments capital account structure, external financial shocks, "sudden stop" of capital inflow.

International capital flows have played a significant rope in origination of pre-crisis imbalances, injection and spillover of global financial crisis of 2008-2009.

Global financial crisis originated out of set of economic and financial asymmetries, excessive market risk-taking and accumulated financial imbalances. Major of them have been:

- credit boom in major developed countries in 2003-2006 and related increase of the international bank claims;
- asset prices of the major financial markets and real estate prices boom;
- rapid increase of structured financial products based on securitization and their cross-country holdings;
- financial and credit risk hedge instruments increase which softened lending conditions.
- risk international accumulation with cross-country holdings of structured financial instruments.

Scheme 2008-2009 global financial and banking crisis could be represented as growth of trade, financial and fiscal imbalances and crisis as a way to restore the balances:

- liquidity excessive growth, financial and credit boom: money and credit expansion, assets value growth, consumption growth.
- finance and economy overheating and imbalanced
- correction of finance - asset value and share prices drop, currency devaluation, loosing market confidence, loosing liquidity, bankruptcy
- financial crisis impact on economy – borrower's defaults - less credit supply - slowdown – recession.

Cross-countries spillovers have channeled global crisis impact on the national economies and financial systems via generating external shocks through foreign trade and financial channels. External shocks, asset and commodities prices contradictory movements have added to the global imbalances and volatility. All noted have influenced on structural changes in international financial markets and capital flows.

Therefore global crisis spillovers and capital flows have been asymmetric and affected developed, transition and emerging economies at a different extent and impact.

Post-crisis global rebalancing should cover the easing and bringing to fundamentals the following imbalances:

- Current account imbalances in order to keep currency reserves and exchange rates at the optimum levels and to avoid excessive over- or undervaluation of major currencies;
- Financial imbalances to downsize external governmental debt in developed countries and reserves accumulation in export-led economies;
- Fiscal imbalances to minimize budget deficit to GDP in developed countries increased as result of extra governments spending during and after crisis.

Current economic and financial trends are reflecting the specific post-crisis economic and financial asymmetries and imbalances such as:

- phenomenon of "two-speed" economic recovery as assessed by IMF – moderate economic growth in developed economies and much higher rates of growth in emerging and transitional economies, which leads to changes on international markets structure and volatility, balance of

economic and financial powers;

- two-speed economic growth would lead to global economic shift and during current decade China potentially may overcome the USA by GDP volume;
- alongside with crisis the financial systems of the EU countries and the USA have accumulated large external liabilities, while the emerging Asia rapidly concentrating external assets and foreign exchange reserves;
- different economies could be able to reach pre-crisis levels of GDP at a different time and conditions, for example Ukraine would reach the pre-crisis GDP in 2012;
- banking and financial systems in many countries have been stabilized during the crisis with governmental financial support, but in post-crisis times it leads to accumulation of budget deficits, overlapping with large external debt in several European countries and the USA, which influencing respectively on the US dollar and Euro instability;
- post-crisis recovery have demonstrated the fragility of "catching-up" and "export-lead" development models for transitional economies and foresight a need for shifting towards fast modernisation and innovations;
- some developed and transitional economies obsolete infrastructure may become the major challenge for their economic development in a future because its modernization may require large investments.

Post-crisis international rebalancing could be considered as combination of market adjustments, regulatory measures and capital flows directed to easing the major accumulated imbalances and asymmetries:

- current account imbalances – negative in the USA and developed Europe and positive in emerging Asia;
- currencies exchange rates asymmetries to macroeconomic fundamentals and purchasing power parity, while some currencies are largely devaluated or revaluated;
- external assets and liabilities imbalances which are asymmetric in different groups of countries;
- fiscal and budget imbalances in major developed economies;
- excessive volatility on commodities and financial markets.

Pre-crisis, crisis and post-crisis global economic and financial imbalances are inter-related with the international capital flows structural changes .

Before crisis the capital flows have influenced the deeper integration and interdependence of global and national financial markets.

During the crisis such international interdependence and capital flows (including assets cross-listing and cross-holding, financial liquidity speculative movements) have played as spillovers of crisis and external shocks.

After crisis the international capital flows are influencing on post-crisis asymmetries and at the same time are playing significantly towards global rebalancing.

During and after crisis capital flows were interconnected with the major external shocks affected developed and emerging economies:

- combination of supply and demand shocks due to drop down of international trade of major commodities (steel, metals, oil, etc), quick shift of high growing to declining and stagnating prices for oil, steel, agricultural commodities, which generated large shifts in the flows of speculative commodities-linked capital on international financial markets;
- unexpected and substantial movements in exchange rates, which influencing on the terms of trade, international assets and liabilities value, domestic market prices, international competitiveness, investment attractiveness, outflow and inflow of capital;

- decreasing of market interest rates such as LIBOR as result of the central bank coordinated policy for extremely low basic rates, increasing monetary liquidity and support capital flows;

Year, Quarters	2008 I	2008 II	2008 III	2008 IV	2009 I	2009 II	2009 III	2009 IV	2010	2011 I
Current Account	-3362	-3313	-2078	-3710	-654	-181	-68	-878	-2884	-1300
Capital account	3527	5723	6058	-5754	-4571	-1865	-4834	-655	7914	2409

- large fluctuation of international financial markets indexes which causing deleveraging, influenced on the companies capitalization and borrowing capacities, terms of borrowing, structure of international capital inflows and outflows;
- international credit ratings large fluctuations, which are determine price and accessibility of international borrowing, foreign liabilities cost, international and domestic credit market conditions;
- international capital flows switches implies on the financial capital inflow-outflow balance, capital flight, balance of payments, exchange rates, economic activity.

External financial shocks are influencing the countries balances of payments and international investment position, foreign capital inflows.

Table 4.

Current and capital accounts balances during financial crisis, balance of payments of Ukraine, 2008-2009, quarterly, MIO US Dollars

Source: Balance of Payments 2009, 1 quarter 2011 (analytical form). – National Bank of Ukraine.

Current account deficit originated in 2006 as result of excessive demand for imports supported by high credit expansion and changes in terms of trade. Negative current account have been balanced by positive capital account mainly with large FDI inflow. In result it makes possible to increase official reserves and manage slight currency revaluation in mid-2008.

In the fall of 2008 export revenues have failed dramatically due to the international markets drops. Consequent corporate (financial and non-financial corporations) external debt servicing problem put strong pressure on currency markets causing rapid devaluation of national currency. Balance of payment data shows the coinciding peaks of negative current and capital accounts in IV quarter of 2008 and reflecting the rapid switch from substantial inflows to large capital outflow from Ukraine since end-2008. Such switch is known as "sudden stop" of foreign capital movement, when net inflow is changing to reversal net outflow.

Year, Quart.	2008 I	2008 II	2008 III	2008 IV	2009	2010	2011 I
FDI balance	2430	3091	3324	1058	4654	5759	867
Loans, bonds Balance	3247	4595	5516	-1045	-9137	6762	-242

Structural changes of the international capital flows have been provoked by external shocks and financial assets value drops during crisis. Capital flows changes could be defined as structural due to the quick change to opposite/reversal movements as well as substantial change of qualitative and quantitative composition of foreign capital inflows and outflows.

Table 5.

Structural changes in capital flows balances during financial crisis in Ukraine, 2008-2009, quarterly, MIO US Dollars

Source: Balance of Payments 2009, I quarter 2011 (analytical form). – National Bank of Ukraine.

Major crisis-caused changes in capital flows would be considered as structural because they reflecting the substantial changes in value, composition, major forms and directions. For example, in Ukraine the FDI balance has dropped in 2009 for 54 % with continuing decline in 2010. Most severe fell affected the financial sector.

The long term loans balance switched from positive to negative due to: 1) new loans provision minimized; 2) accumulated loans servicing cost increase. In 2009 the overall trend of the government external debt increase have affected balance of payment and budget deficit, limiting the domestic consumption and economic growth.

Major crisis-caused structural changes in the international capital flows are:

- financial assets value dilution, increasing share of "infected assets" due to the international financial markets downturn and rising risk transfer cost;
- divestments – outflow of foreign portfolio and short-term investments due to the asset value decreasing, currency devaluation, investment losses;
- reversal flows – quick switch of net inflows to net outflows of the specific type of capital movements, especially as for short-term private capital flows;
- negative equity – drop down of the specific assets market price below the liabilities value related to long-term external debt, underlined assets value decrease in case of securitization.

External financial shocks and capital flows structural changes have macro- and macro economic implication on transitional economies.

Macroeconomic impact could be assessed with the balance of payments adjustments, international investment position structural changes, exchange rates excessive volatility, worse financial conditions for economic recovery and growth.

Microeconomic impact could be considered with the changing foreign trade and investment patterns, revising access conditions to international financial markets, tightening credit standards, foreign owned banks better comparative performance during crisis and post-recession time.

The global financial instability continues, the economic recovery in developed countries continues weak, the sovereign debt crisis in the USA and Europe remains hard to mange, central banks monetary policies are bringing limited results, therefore a probability of financial crises in a near future still considerable.

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ECONOMIC SITUATION IN UKRAINE, IMPACT OF GLOBAL INTEGRATION PROCESSES

Abstract:

At the current stage of Ukraine's increasingly integrated into global financial and credit space. The main and most developed in the last few years, forms of such integration are: the integration processes in the banking system and financial resources of external financial markets, economic actors in Ukraine through the implementation of external loans.

As part of the internal processes of integration in the banking system there is an active entry of foreign banks into the Ukrainian market. Specifically, in 2008 the domestic market of 180 banks operating license from the NBU. Of these, 49 (27,2%) - a bank with foreign capital and including - 18 banks (10%) - a bank with 100-percent foreign capital. As of 01/11/2010, the number of registered banks in Ukraine, which have a license, dropped to 178, including number of banks with foreign capital increased during the crisis period to 53, including a 100-percent foreign capital - 20.

During the years 2008-2010 (01.01.2008 to 01.11.2010 and) the share of foreign capital in the registered capital of banks of Ukraine increased from 35,0% to 39,5% of total assets of banks increased from 599.396 billion. to 927.122 billion., more than 50%.

Another evidence of increasing activity of foreign banks to acquire domestic financial institutions (non-residents' purchases of Ukrainian banks) are quantitative and qualitative characteristics of foreign direct investment in Ukraine. Thus, in recent years was the most attractive investment for the financial sector. Despite the cri-

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