

## COMPARATIVE ANALYSIS OF THE PUBLIC DEBT OF GERMANY AND UKRAINE

In the context of financial globalization, the development of the international financial system is characterized by a significant increase in the external debt of most countries of the world. This growth is due to a severe shortage of own financial resources for internal investment, the need to cover the state budget deficit, not always efficient use of loans and credits, breach of debt, and imbalance in current payments.

At present, most of the countries in the world are facing the issue of public debt management. Despite the numerous implications of this method of financing the budget deficit, public borrowing remains the most used method of financing expenditures. The level of debt load in many countries, including Ukraine, is critical. This phenomenon indicates an inefficient debt policy and lack of an optimal public debt management strategy. Thus, the study of approaches to public debt management in other countries allows to identify priority directions of the country's recovery from the debt crisis

Nowadays the number of international relations with the European Union is increasing in Ukraine. So Germany has been selected for analysis as an EU Member State. Germany is Europe's largest economy. Germany's economic structure is characterized by a healthy mix of service and industrial sectors.

Germany's national debt includes the money raised by Germany's federal government through the issuance of debt instruments. Germany also includes the debts of its states and local government in the national debt figure. In fact, Germany refers to its national debts as «public debt» [1].

Statistical data and indicators of socio-economic development Ukraine and Germany are reported in Table 1.

Table 1 Indicators of socio-economic development Ukraine and Germany from 2007 -2017

Year	Ukraine					Germany				
	National Debt, USD Million	GDP, USD Million	Population, thousand people	Debt Per Capita	Debt (%GDP)	National Debt, USD Million	GDP, USD Million	Population, thousand people	Debt Per Capita	Debt (%GDP)
2007	15950	107767	46929.5	339.87	12.27%	2192822	3444720	82266.4	26655.14	63.66%
2008	17571	143260	46646.0	376.69	20.40%	2454817	3770150	82110.1	29896.65	65.11%
2009	36988	181313	46372.7	797.62	35.48%	2490673	3426670	81902.3	30410.29	72.68%
2010	41535	117079	46143.7	900.12	40.59%	2798113	3423470	81776.9	34216.41	81.73%
2011	55206	136011	45962.9	1201.10	36.89%	2989389	3761140	80275.0	37239.36	79.48%
2012	60192	163161	45778.5	1314.85	37.52%	2858942	3545950	80425.8	35547.56	80.63%
2013	65923	175707	45633.6	1444.62	40.52%	2936082	3753690	80645.6	36407.22	78.22%
2014	72757	179572	45553.1	1597.19	70.30%	2939015	3904920	80982.5	36291.98	75.26%
2015	91790	130571	45426.3	2020.64	79.49%	2420898	3383090	81686.6	29636.41	71.56%
2016	71933	90489	42929.3	1675.62	81.20%	2397425	3496610	82348.7	29113.10	68.56%
2017	75768	93313	42760.5	1771.92	71.95%	2389764	3700610	82792.4	28864.53	64.58%

Source: [2, 3]

Table 1 shows that Ukraine has a tendency to increase the ratio of national debt to gross domestic product (GDP) in recent years. In 2015, there was a sharp decrease in gross domestic product from 179 572 million USD to 130 571 million USD, ie by 28%. Next year, GDP continues to decline and amounted to 90489 million USD.

Among the factors that have a negative impact on the situation in the economy, the NBU names: a decrease in export earnings amid falling global prices for raw materials; trade restrictions on the part of the Russian Federation, devaluation of currencies of the countries-trading partners, increased political uncertainty.

This statistic shows the national debt of Germany from 2007 to 2017 in relation to the gross domestic product (GDP). In 2013, Germany's national debt amounted to 72.5 percent of its annual GDP, and that percentage is decreasing. The federal government aims to meet the Maastricht limit – which dictates that the debt-to-GDP ratio must not exceed 60 percent. The national debt of Ukraine in 2017 decreased by 9.25% from its gross domestic product from 81.20% to 71.95%, ie by 4 907 million USD. Germany's total debt is at approximately 2.389 trillion USD. Also, in recent years, there has been a tendency towards a decrease in debt per person. In 2017, national debt per person amounted to 28864.53 USD.

Germany is in the midst of a protracted boom, with industrial output, retail sales and disposable income all rising and employment at around its highest level since reunification in 1990. Ministers expect the economy to grow at a healthy clip of 2.1 per cent this year [4].

Moreover, the figure 1 and figure 2 below show that over the past twenty years, the debt ratio of Germany and Ukraine to GDP has been growing.

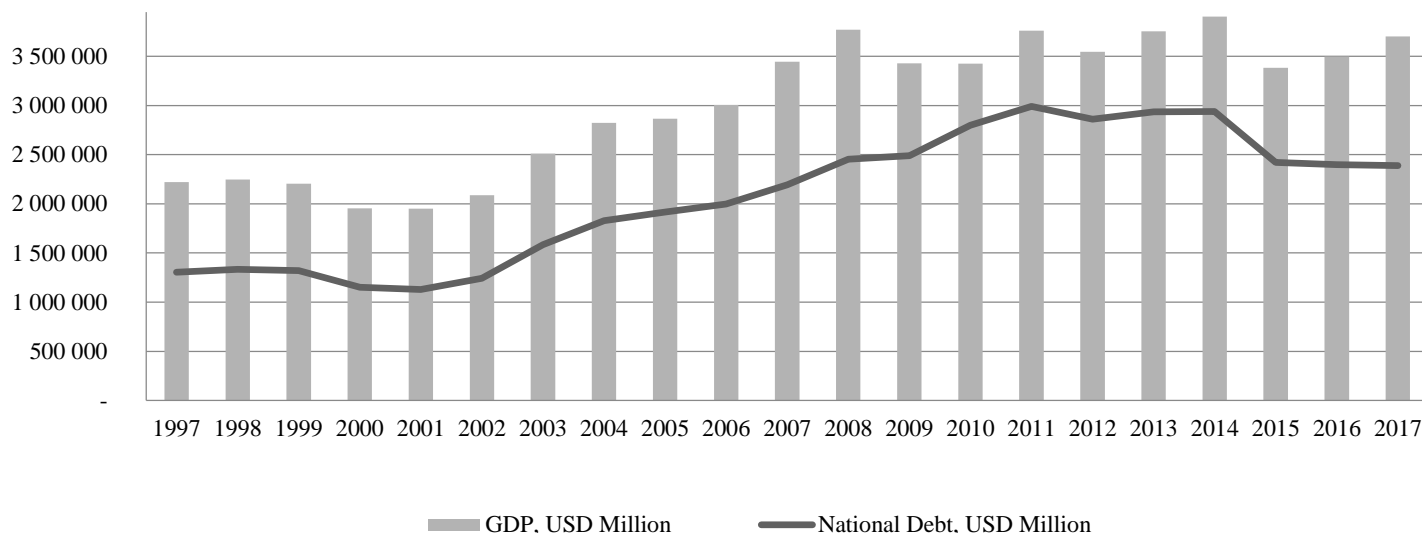


Figure 1. Germany's national debt and GDP from 1997-2017

The figures refer to the whole country and include the debts of the state, the communities, the municipalities and the social insurances. In 2017, the national debt of Germany amounted to approximately 65 percent of the GDP

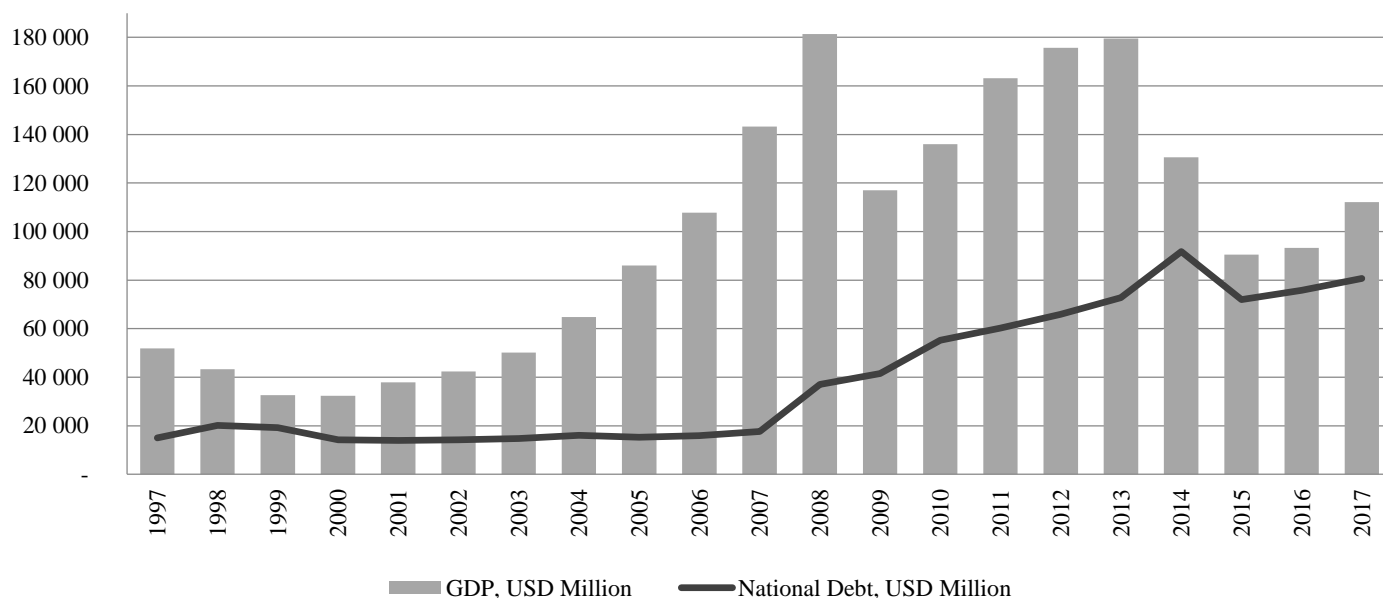


Figure 2. Ukraine's national debt and GDP from 1997-2017

The economic downturn of 2014-2015 and the 60% devaluation of the hryvnia led to a rapid increase in the ratio of public debt to GDP of Ukraine: from 40% in 2013 to 81% in 2016. Due to the restructuring of part of the debt in 2015, the implementation of structural reforms and the resumption of economic growth, the ratio of public debt to GDP was reduced to 72% in 2017, which, however, remains one of the highest rates in Eastern Europe

Summing up, given the high level of public debt, it is critically important for Ukraine to conduct a balanced fiscal (budget) policy. National debt relative to the size of the economy is an important but not the only indicator of the presence or absence of problems: as already mentioned, some developed countries, such as Germany, have a very high debt to GDP ratio. Therefore, in addition to size, the cost of borrowing, the currency structure of the public debt and the schedule of payments on it are also important. In the last issue, Ukraine faces the biggest problem: large payments on foreign currency debts from the state budget in the coming years.

### Bibliography:

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3. Ukraine National Debt available at : <https://countryeconomy.com/national-debt/ukraine>
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