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PREREQUISITES FOR THE APPLICATION OF MONETARY POLICY TOOLS OF THE "NEW REALITY" IN THE CONDITIONS OF THE GEOPOLITICAL IMPACT OF MILITARY AGGRESSION IN UKRAINE

ABSTRACT

The prospects of using a new type of monetary policy instruments, which determine modern significant changes in the development of global financial, economic and social relations, caused by the geopolitical influence of military aggression in Ukraine, are studied. Not only the negative financial and economic impact on the country victim of hostilities, i.e., Ukraine, was established. Problems with inflation and debt were also identified in the G7 countries, as well as in China due to the consequences of the war in Ukraine. It was determined that the financial system of countries that have close trade and monetary transactions with developed market countries will also have a significant impact of the global crisis. The financial and economic indicators of Ukraine, the G7 countries and China for the medium term are predicted. The influence of the main financial threats on the macroeconomic stability of the country's economy in the conditions of military aggression is determined, and the main instruments of monetary policy that would allow maintaining such stability are indicated. It is noted that the use of a new type of monetary policy in modern realities, based on non-traditional instruments, will contribute to overcoming the negative impact of military aggression in all countries that experience it.

Keywords: geopolitics, military aggression, monetary policy, monetary risk, globalization risk, inflation, interventions on the currency market, key policy rate

JEL Classification: D81, E12, E42, H56, O16, P43, P44

INTRODUCTION

Geopolitical risks are growing today as ever. The world community had no time to recover from the consequences of one of the largest pandemics in recent times, associated with the spread of the COVID-19 virus, as it faced the increasing influence of inflation. At the same time, there has been a military conflict on the European continent for more than a year, which only increases these geopolitical risks every month.

It is worth noting that global risk in the modern world is associated with the consequences of full-scale russian military aggression against Ukraine since February 2022. For the first time since the end of World War II in 1945, Europe faced a large-scale military conflict. Millions of internal and external refugees, tens of thousands of casualties, destruction of entire cities and towns, and financial and economic crises are all the consequences of war in Ukraine during 2022-2024.

Global risk today is a full-scale russian military aggression against Ukraine, which has negative and devastating consequences in the economic and financial sphere not only for the victim country but also for many countries in the world. It is also worth applying new developments in new monetary policy, given the last years, determined by the consequences of military aggression at the centre of the European continent. It is worth paying attention to the development of the latest financial technologies, including Blockchain and cryptocurrencies, and considering using digital currencies in the future.

The scale and localization of militarized conflicts, and especially wars, have a great negative impact on the regional, and especially the global economy. Wars and military conflicts have harmful consequences not only for directly involved countries. We are convinced that the devastating impact of such conflicts is also for those countries that indirectly influence or depend on military confrontations. We need to understand that when we talk about direct costs associated with militarized conflicts, we mean not only a reduction in income from financial losses or reducing business. In this case, everything is part of the economic manifestation of the negative actions of the conflict. First of all, we always understand that war is measured in terms of life and lost resources, as well as destroys state and private property and social infrastructure, in addition, we confidently say that during such conflicts, victims are worthwhile. To look for new prospects and opportunities. After all, the pre-war structure of the economy and the financial system may be unsuitable or partially destroyed. Then it is necessary to introduce the latest developments to support the life of society.

LITERATURE REVIEW

The impact of the Russian-Ukrainian war on the financial system, the global economy, and the development of innovation is the subject of research by many scientists who have made a significant contribution to the study of this issue. In particular, the main provisions for the effective management of the budget process are set out in the works of such scientists as Ahmed Sh., Brondoni S. M., Guénette J.D., Jones E., Tosun O.K., etc.

We understand that today the Russian-Ukrainian war will accurately influence the change of strategic resources, including energy, oil, minerals, and various components. Such uncertainty, which is inherent in military conditions, will accurately increase the indecision of individual Western consumers of such goods. As the scientists of Khudaykulova M., Yuanqiong H., and Khudaykulov A. rightly believed, «the increased imposition of sanctions has impacted the supply significantly; the opportunity cost of military investment, the humanitarian loss of the financial system, and the burden of repairing post-war damage are vast» (Khudaykulova et al., 2022).

Scientists Irtyshcheva I., Kramarenko I., Sirenko I. correctly noticed in 2022 that «global socioeconomic development will depend on the most significant factors: energy and food contributed to rising inflation in 2021 when oil and gas supplies were constrained after several years of restrained investment and geopolitical uncertainty; the rise in food prices will affect every country in the world, as extreme weather conditions have reduced crop yields and rising oil and gas prices have increased the cost of fertilizers»; etc. (Irtyshcheva et al., 2022).

According to research by scientist Braunerhjelm P., «the supply side of the economy has long been neglected in stabilization policies; the standard measures of large-scale infrastructure investments and similar projects were previously undertaken quite frequently and are presently facing renewed interest focusing on environmental projects, infrastructure maintenance, etc.» (Braunerhjelm, 2022).

Some Ukrainian scientists note that the risks to the financial security of joint companies are needed by their components, which are manifested in the reduction or increase of the values of the corresponding indicators relatively optimal. It is in the research of such scientists that the main focus is made on the need to assess the degree of influence of some complex restraining and sometimes stimulating financial risk factors. It is then that we can argue that this will be done to reflect the efficiency of formation and use of financial resources.

Danylyshyn B. and Bohdan I. in their study considered the monetary policy during the war. As an example, the monetary support of the national producer of goods and the creation of jobs in the USA during the Second World War was studied and the effect on the containment of price growth due to the concentration of the new money supply in the objects of generating new added value was shown (Danylyshyn and Bohdan, 2022).

Despite the diversity in research on monetary policy issues, scientists are increasingly raising questions about a new type of monetary policy. This approach increasingly understands a somewhat broader vision than the classical instruments of monetary policy and their power of influence. At the same time, some scientists point out that monetary policy has taken on a different look in recent years. For example, in the study of the scientist Fabris N., "the question is raised about whether central banks have moved from one extreme of excessively expansionary monetary policy to the other extreme of excessively contractionary monetary policy, and whether such a policy carries the risk of a recurrence of recession" (Fabris N., 2023).

AIMS AND OBJECTIVES

The purpose of the article is to make a scientific and practical assessment of the prerequisites for the application of the tools of a new type of monetary policy, which determines the modern impressive changes in the development of world financial, economic and social relations, which are caused by the geopolitical influence of military aggression in Ukraine. In accordance with this goal, the main task is to study the state of the main indicators, according to which it is possible to understand the impact on the financial and economic state of the country that suffered the most in the war - Ukraine. It was also important to understand how recent military aggression has affected inflation and debt problems in the G7 countries, as well as China. After all, it is worth understanding how the impact of the global crisis on the financial system of such countries will affect the financial and economic status of countries that have close trade and monetary transactions with them.

METHODS

The methods of analysis and synthesis, deduction are used as observation and generalization of the theoretical material of the global impact of military aggression, which threatens the sustainable development of society. This type of data is often used to understand complex financial phenomena, as well as to study the underlying causes and motives of these phenomena and events. It is in this case that qualitative analysis is used to test theoretical developments that explain the impact of global risks on inhibiting the development of financial markets.

Deduction involves reasoning from general principles to specific financial cases. This method begins with a theory or hypothesis and uses logical approaches to arrive at clear conclusions or predictions. It should be noted that deductive reasoning helps researchers test financial theories against empirical data or make predictions about future scientific observations. In this direction, deduction can include the use of existing financial and economic theoretical ideas or principles to analyze specific cases of global risks, including those of a military nature, thus extracting specific ideas or conclusions.

In addition, the mention of observation and generalization indicates an empirical approach to research. We have applied a systematic approach to identifying factors that have a globalization impact on the financial sphere during hostilities. In addition, we have applied both analytical and graphic methods to identify trends in the development of the financial system in the conditions of a crisis. An important method is to use the ARIMA method, namely.

Autoregressive Integrated Moving Average. In particular, this method is convenient for forecasting inflation, public debt, and GDP. Particular attention was applied to expert evaluations and comparative analysis. It should be noted that these approaches are relevant when forming recommendations for the use of "new reality" tools in monetary policy.

RESULTS

The nature of the rigid full-scale terrorist war, which has been running for the third year in a row, against Ukraine, is extremely destructive. All this threatens not only Ukrainian statehood but also global financial security.

To support the activities of the economy and reduce pressure on foreign exchange reserves and banking, the Ukrainian government has taken important fiscal measures (including control over the movement of capital in the banking sector), while fully servicing its internal and external debt. It should be noted that economic activity in Ukraine has been sluggish in recent years, as the war has destroyed vital production infrastructure and forced the company to close some settlements. We can state that the trade in goods has changed since damage to transport routes made it impossible to land transportation access to the Black Sea has decreased, and there has been a decrease in trade due to navigation that supported Ukraine's exports. This has particularly seriously affected financial and economic processes. After all, most trading operations in Ukraine took place precisely through the sea trade. Leading final experts see that the war in Ukraine will twice reduce GDP in the future. They also predict that the war will last for a long time, but will remain in the geographical area where it occurs. In addition, there is a threat of spreading hostilities outside the country, in the direction of NATO's eastern border.

The geopolitical influence of military aggression is not only tangible in Ukraine. To understand how negatively the war has affected, it is worth considering several indicators that describe the financial condition in countries. In particular, it is a state of public debt and expectation of inflation. Consider Ukraine, the Great Seven and China. To understand the changes, it is worth considering the dynamics for 2007-2024. The results of the study of the debt of the studied countries for 2007-

2024 and the forecast for 2025-2027 are presented in Figure 1. The forecast by ARIMA method in Python programming in Google Colab.

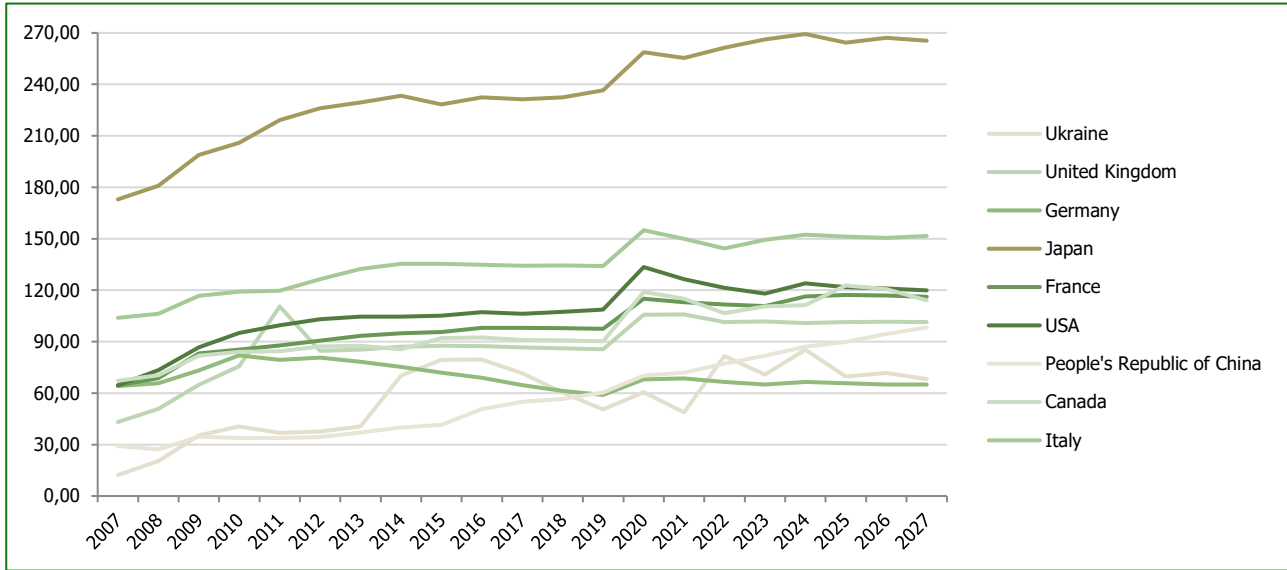


Figure 1. General Government Debt by country during 2007-2027, % of GDP. (Source: calculated by the authors based on IMF Dattamapper)

So, based on the data in Figure 1, the following can be stated. The debt of countries has increased over the last 20 years. The language applies to both highly developed countries and others. The situation worsened after the global financial crisis of 2008-2009, the consequences of the pandemic crisis of 2020-2022, as well as the consequences of a full-scale invasion of the Russian Federation in Ukraine in 2022-2024. Undoubtedly, situations with their debt. Although expected that the situation will significantly improve in 2025-2026 is an unlikely prospect. The world may face military challenges at different points in the world. Thus, in the medium term, it is obvious that the countries of the world will face even greater issues of financial support, and debts will only grow.

Another indicator that also shows changes in financial condition is the inflation index. Consider in Figure 2, inflation changes in the studied countries during 2007-2024, and offer a forecast of this indicator for the coming years (IMF Dattamapper). This forecast is made by ARIMA in Python programming language in Google Colab.

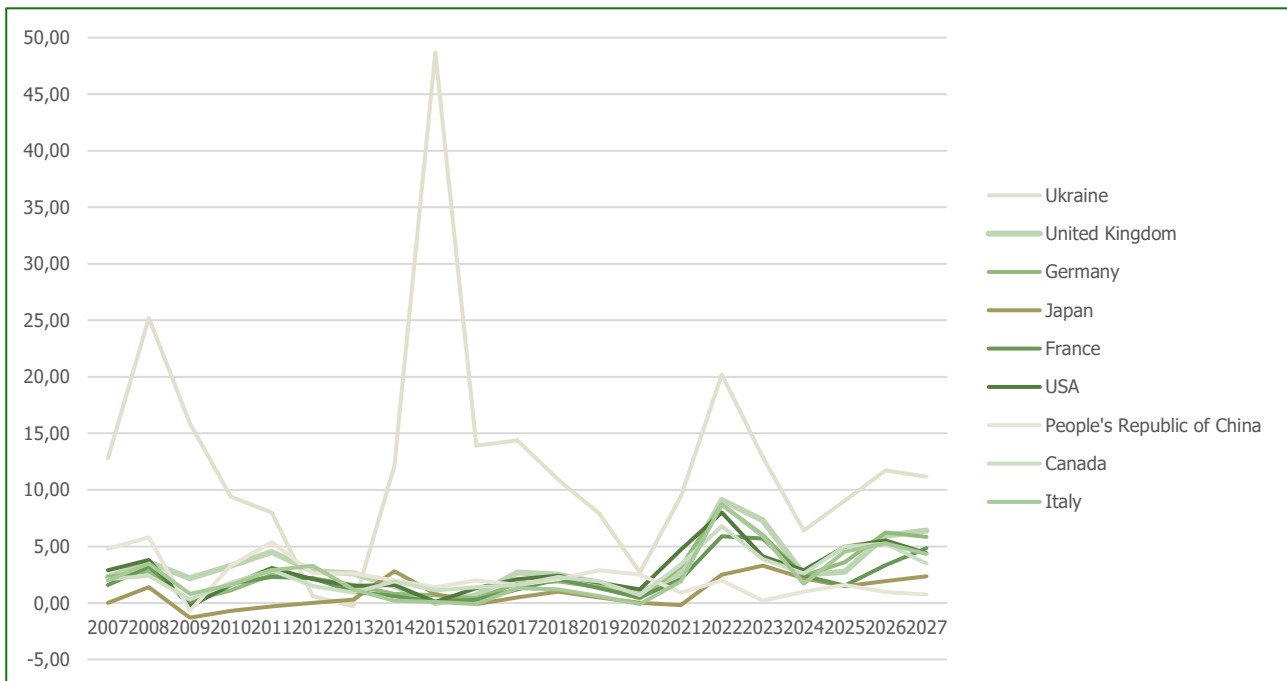


Figure 2. Inflation rate by country during 2007-2027, %. (Source: calculated by the authors based on IMF Dattamapper)

Therefore, based on the study of the inflation index, the following can be argued. During 2007-2024, for the countries of the Great Seven and China, inflation did not overcome the border of 10%. But we are talking about countries that have strong economies, and the reaction to the various shocks that we considered earlier in the case of debt, were of importance to them too. However, the inflation did not disperse the unmanaged condition. The monetary policy by central banks and governments of these countries has managed to reach a relatively small importance of inflation. Instead, the situation for Ukraine was difficult in 2022, when inflation reached more than 20%, but this value was much less than in 2008 and in 2015. As for Ukrainian military realities, inflation will continue to grow over the next two years. The much stronger impact of inflation, which was in 2022, should not be expected shortly. But this is possible due to two points: the incomes of the population will not grow too much, and business structures will try to reduce their costs; utility tariffs will not increase but will be fixed, and the central regulator will conduct a successful monetary policy aimed at maintaining the national currency of Ukraine and stabilizing the foreign exchange market (primarily by promoting the attraction of funds for deposits, as well as domestic state loan bonds). As we have seen in recent months, it will be very difficult to achieve such a state of financial and economic phenomena. And therefore, in the next two years, the situation with inflation may even exceed 11%. At the same time, we see that inflation topics in the medium term will have a tendency to grow for such economically developed countries as Great Britain, Germany, France, and Italy. As we can see, the influence of adverse factors is much stronger for weaker economies than for economically developed countries. But even for European countries, the negative impact of military aggression will remain for a maximum of two more years.

One example of such influence is the situation in the US economy. In particular, since the full-scale invasion of the Russian Federation into Ukraine, the Federal Reserve System has been forced to raise interest rates 11 times. This was primarily done to influence inflation. In addition, it affected the cooling of the labour market. On the other hand, in recent years, there have been serious problems with workers in the economy. Moreover, the growth of wages was one of the factors of the inflationary crisis in the USA. This situation negatively affected the income of a huge number of Americans and reduced their ability to save. Therefore, we conclude that in such a powerful country as the USA, monetary policy is no longer as confident as it was three years ago, i.e., it is acting with a significant delay as of May 2024. Moreover, inflation from the war in Ukraine and internal processes contribute to the fact that the US economy has a risk of recession of more than 30% in the coming year.

Over the past 15 years, the interaction between fiscal and monetary policy has become increasingly clear and noticeable, as the significant increase in public debt and fluctuations in inflation have particularly contributed to this.

It is worth mentioning that at the beginning of the full-scale invasion, the budget deficit of Ukraine increased to almost 10%, and already in 2024 it amounted to more than 20%. Thus, the policy of the state was then focused on monetary financing. Despite fears of an increase in inflation rates, this did not happen. To a large extent, this depended on the fact that the state regulator, represented by the National Bank of Ukraine, took measures regarding currency interventions, and this was done at the expense of international reserves. In addition, it is noticeable that the provision of official reserves was made through funds received as grant funding. Crediting through foreign loans also took place. As you can see, the structure of financing was not uniform, and therefore monetary financing in 2022 accounted for only one-seventh of the financing of public expenditures of Ukraine. Moreover, loans accounted for only a tenth of the financing. Quite often today, the state of the financial system of Ukraine is compared with the financial systems of developed countries, which at one time were in a state of war. So, the financial system of the USA during the Second World War also faced significant problems with financial support for the country's expenses. And, according to historical data, raising funds through various loans was almost 47%. In Israel at the end of the 60s of the 20th century, total loans made up almost a third of the financing of public expenditures. Based on this, we can state that the state policy related to monetary measures is largely related to the growth of the state's indebtedness. At the same time, purely monetary financing of expenses, which was formed due to a sharp increase in expenses in the state, is a potential risk of accelerating inflationary processes. The geopolitical impact of military aggression in Ukraine will also affect the financial system of other countries, albeit much slower and weaker. And it will also show similar problems, although on a much smaller scale.

It is worth mentioning an important tool of monetary policy – the Key Policy Rate. Such a rate is, as is known, the value of money in the country. In addition, this indicator serves as an operational goal of monetary policy, in particular when setting interest rates on the interbank credit market. The higher this indicator is, the less favourable conditions for lending will be in the country. If it is possible to lower the Key Policy Rate, more favourable conditions will be formed for business development. In today's realities, it is very difficult for Ukraine to reach the level of Key Policy Rate of 6%, as it was in 2020. But against the background of rising inflation in 2022, the National Bank of Ukraine managed to influence the situation, and the Key Policy Rate did not exceed 25%. At present, this indicator has a steady downward trend - as of mid-April 2024, it was 13.5%. Undoubtedly, the stability of the financial system of Ukraine during the military aggression of the Russian Federation is a factor that is important for the countries of Europe, as well as the countries that are in trade

and economic relations with them. That is why it is so important to maintain international financial support to maintain financial stability in Ukraine. It is thanks to such financing that it is possible to support the State Budget of Ukraine and to successfully maintain the inflow of foreign investments. It is worth noting that international financial aid will tend to decrease in the next two years. That is, if in 2024 financing is expected at the level of more than USD 40 billion, then in 2025 it will already be within USD 25 billion, and in 2026 - no more than USD 13 billion. Of course, the situation may change, but today the trends look like this.

And the consequences of such a military invasion are the greatest challenge for the geopolitical economic spheres. As soon as hostilities began, and the population of Ukraine was undergoing all the horrors of hostilities, unprecedented economic sanctions were imposed against Russia. It was primarily about the import and export of goods and services. Particular attention was paid to the services of banking and payment systems. This approach was influenced by the financial market of the aggressor country, but not long. In addition, several hundred high-ranking persons accustomed to calling "oligarchs" have come under financial and administrative sanctions. This approach was to be done because such persons had direct connections with the Russian regime. Therefore, the impact was focused on their assets that were removed or frozen (Tosun, Eshragh, 2022).

Leading economists make a forecast of global economic growth during Russia's military aggression against Ukraine. Their vision is that the level of developed economies will reach almost a forty-year maximum by almost 6%, while the inflation index in developed countries and developing countries will accelerate to almost 10%, which will certainly be the highest since the global financial crisis of 2008. In this situation, all countries of the world will look for new opportunities for their development. Creating new financial instruments will be an integral part of such opportunities. Such orientation will uniquely positively affect the development of the securities market and the financial services market, as components of the financial markets. Of course, an approach focused on the latest financial instruments should stabilize the foreign exchange market in the short term. That is why the introduction of modern financial innovations will ensure some stability of the economic process in the future for 2-3 years, by 2027. Recall that the dynamic development of the financial sector is ensured by the rapid implementation of e-commerce. After all, this development has a positive effect on the number of users of mobile devices and the widespread use of payment tools. As of today, more online funds, mobile payments, as well as the latest technologies of contactless payments are gradually changing the payment habits of all participants in the financial system. We will increasingly observe in the near period that such a process will gain momentum and will extend to all areas and connections of life and business. Thus, this process will actively promote the gradual implementation of basic principles of sustainable development in countries where there are no hostilities.

For countries in hostilities (it is about Ukraine), the issue of sustainable development has a somewhat delayed perspective. However, it is possible to achieve certain aspects of this socio-ecological and economic development through the active introduction of financial innovations. After all, they will help to achieve inclusive development. It is because of this development that we mean updating the concept of sustainable development in terms of strengthening socio-economic aspects of stability. We remember that the concept of inclusive development was formed during the evolution of the concept of sustainable development, and which still occupies a dominant place in the development of the 21st century civilization. The process of transition to a stability model is constant, moving from one version of the model to another, and certain components have priority over a period. We emphasize that at the same time, the non-economic factors (social responsibility of every resident, the environment, and the accessibility of financial services) will be increasingly influenced by the economy that now acquires economic characteristics and values.

The dynamics of the socio-ecological-economic situation in a certain territory, and we understand that this is important in these realities today, more than ever, requires a system of measures of activating influence. It is this stimulating effect that should be aimed at overcoming crises or negative phenomena. Moreover, such action should take place in the social, economic, and environmental spheres of development. Indeed, only systemic transformations of the system and the modernization of existing approaches to strengthening the development of territories in social, economic, and environmental spheres will allow to achieve sustainable development of territories. In this case, a country can be considered under the territory, but it can also be about smaller administrative entities. We need to understand that this is exactly what we need to form and implement a clear and effective strategy for stimulating the sustainable development of territories. In this case, the main purpose of such a strategy of activation of sustainable development of territories is to achieve sustainable development of territories by clear and certain principles of equilibrium, harmony, stability, competitiveness, and safety. But in this case, it is necessary to apply a rather complex system of interrelated and highly effective measures of activating the impact on the socio-ecological and economic system of territories. A comprehensive system of activation of sustainable development of the territory means that all stimulating measures are applied to a unified system of stimulation measures to the socio-economic situation of the territory (Polishchuk, V., 2013).

Russia's invasion of Ukraine will dramatically change the world, and in Europe, these changes will occur faster, and will certainly affect the course of the nature of sustainable development. However, shortly (2-3 years), this shift represents huge geopolitical risks. The impact of the Russian-Ukrainian war on trade and economic development shows that the prospect of the world economy will deteriorate quickly (and in long-term terms. It is also necessary to record new problems for financial instability, sustainable development, complex global reconfiguration of chains of commodity and raw materials, and an increase in trade costs for transnational corporations (Brondoni, S.M., 2022).

We are deeply convinced that to achieve the key principles of sustainable development of territories, as well as to overcome the destructive impact of military aggression as soon as possible, to ensure the reconstruction of the economic system and the steady development of the financial sphere, the application of current innovative technologies and solutions, the governments of countries with a market economy need to start a full-fledged implementation of an effective monetary and credit system.

Observations of constant changes in monetary policy confirm that if extremely low interest rates are consistently used as a tool, such a policy silently becomes less attractive. What is worth noting is that it even manifests itself in the context of ensuring the stability of financial markets and access to the liquidity of the financial system. In addition, we should note that the importance of the fiscal policy of the state is increasing more and more often. And the effect of such a policy is also due to low interest rates. However, let's note a certain nuance: after the introduction of extensive and effective fiscal incentives (we are primarily talking about the USA and, to a lesser extent, the EU), interest rates applied by regulators tend to change quickly. Such a policy can have a serious impact on countries that already growing public debt and a serious budget deficit. Therefore, such conditions may affect such countries and force them to revise their financial strategies as soon as possible. Only in this way will it contribute to a relatively quick adaptation to the challenges that have occurred in the financial sphere.

Given these statements, we testify to the importance of implementing a monetary policy that will be highly effective in the future. The tools for implementing such a policy significantly affect the overall prospects of the country's economic system. Also important is the impact on the financial sector of the country, in particular on its innovative component. At the current stage of the development of financial and economic processes, the establishment of reliable monetary supervision is extremely important. The current state is marked not only by social problems but also by issues of financial security. In particular, we are talking about jumps in inflation, the progressive devaluation of the national currency, the extreme growth of the budget deficit, and the reduction of reserves. Indeed, it is worth noting that the transparency of the monetary policy implemented in Ukraine is a cornerstone for the development of financial and economic relations. We must understand that fixing the key areas for improvement and applying effective tools of monetary regulation can contribute to the creation of a modern and effective basis of monetary policy. The vision that a balanced monetary policy will ensure much greater financial inclusion of the population is essential. It is then that it can be said that the foundations will be laid for the promotion of sustainable development in economic, social, and environmental directions.

We also note that there is a need to implement effective long-term monetary measures aimed at rapid softening of cyclic fluctuations at the level of business structures, investment coverage in tangible and intangible assets, financial inclusion, etc. This long-term vision should be supplemented by reforms for the formation of trust among business structures about the prospects of the financial system, especially after hostilities in the future. Certainly, such approaches will have a double benefit of promoting long-term growth and maintaining social costs, especially in an economy that is tired of war. This will undoubtedly increase the competitiveness of the business environment in the future.

We have to talk about how it will have a print for the development of the economy as a whole. Let us investigate how the gross domestic product has changed for the countries we consider more carefully - Ukraine, China, and G7 countries. As in previous studies, we will conduct analytics for 2007-2024, as well as try to make a forecast of GDP for countries in the medium term for 2023-2027. We summarize all the data obtained in Figure 3 obtained by the ARIMA method in Python programming in Google Colab.

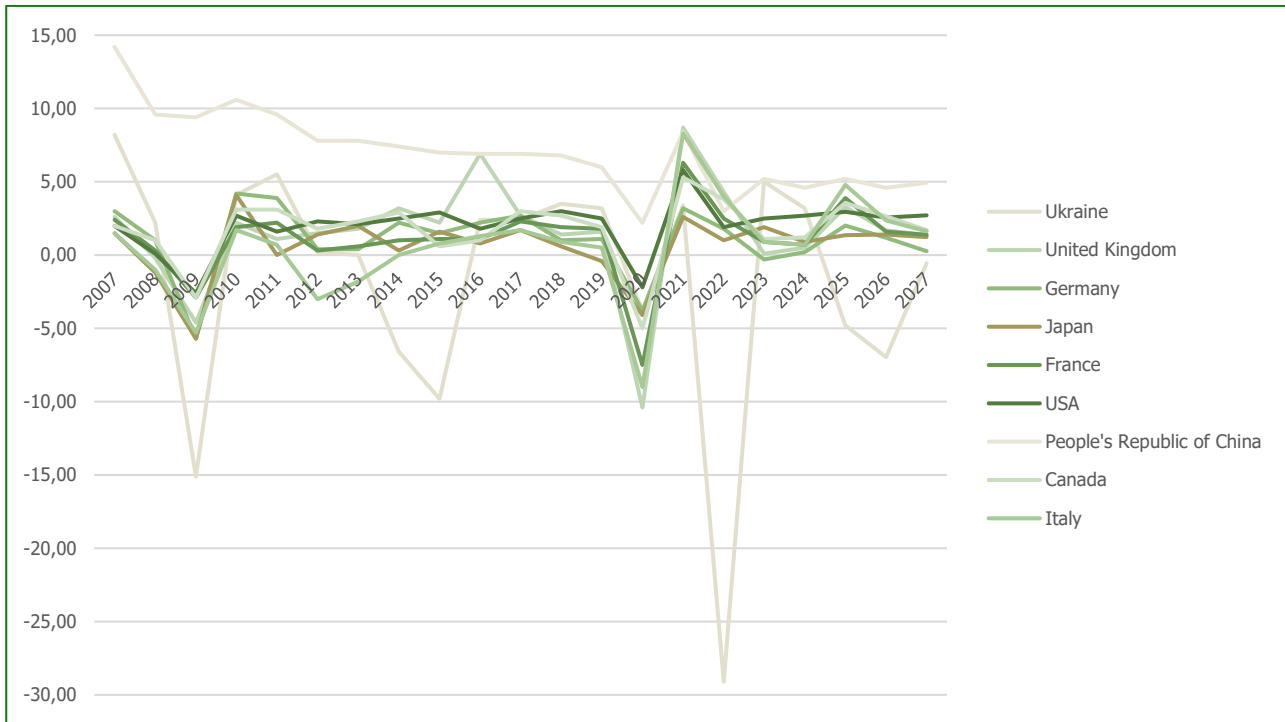


Figure 3. Gross Domestic Product by country during 2007-2027, %. (Source: calculated by the authors based on IMF Dattamapper)

As we can see from the research, in 2025-2027 we will not observe significant economic growth among the countries we considered. However, these years will still be difficult for Ukraine. Even if hostilities end shortly future. This will be influenced by various cyclical factors, the loss of a part of the economic potential, the outflow of a part of the population, and a decrease in the financial capabilities of the population. The geopolitical risk of military aggression will also affect other countries that have fairly good trends in economic development.

Economic growth will also affect the distribution of financial services and instruments. However, growing inflationary trends in the country will not contribute to the development of the financial sector. Undoubtedly, such influencing factors as the low level of income prevent the expansion of the range of financial products. We must understand that the state when the majority of the population trusts the stability of the national currency and the financial transactions related to it will positively affect the economic state of the country. This approach will be accompanied by job creation. And such a situation will contribute to the improvement of the country's economic potential. If there is an increase in income, it is possible to predict a reduction in the risk of erosion of savings. However, we must understand that the increase in income under the effect of depreciation caused by inflationary influences is still insufficient for the accumulation of savings. As a result, it potentially reduces the purchasing power of the population. Consequently, the ability to purchase goods and resources decreases, thus reducing the potential standard of living of the population.

It is worth mentioning the positive practice of using financial technologies in the form of services in the world. For example, Fintech has enabled financial institutions in China to attract more deposits and savings from households in both rural and urban areas. The establishment of cooperation between conventional banking institutions and Fintech service providers has had a great influence on the acceleration of such relations. In addition, we should note the significant impact in this case of significant investments of traditional financial service providers in the digital transformation of the financial system.

Continuing the consideration of the innovative development of the financial sector, we should pay attention to the following innovations: digital currencies and cryptocurrencies. In particular, as digital currencies develop, the functions of the national currency will be enriched, and the national currency will acquire new functions such as storage and measurement of value. Also, the weight of the free convertibility of the currency instead of a single payment instrument will increase. We are observing the growing acceptance of digital currencies by the population of various countries. Accordingly, the global financial system will change dramatically and inevitably in many ways in the coming years. In particular, in such approaches as individual payment methods and payment systems. We cannot rule out a change in the structure of the banking system and the functioning of the capital market (Wang, Y., Lucey, B.M., Vigne, S.A., & Yarovaya, L., 2022).

The modern economy should be based on an innovative component. In particular, innovativeness involves an active search for new models and non-standard instruments of financial markets. Of course, the financial market is not homogeneous,

and today the formation of its innovative part - the cryptocurrency market - has created the prerequisites for the legalization of new financial relations. In this case, the spread of financial relations with cryptocurrency exchanges in Ukraine has grown significantly over the past 15 years. This was facilitated by such factors as a powerful theoretical base and the possibility of active use. We should also highlight the principles of the cryptocurrency market: creating a consensus, maintaining an appropriate level of security, and ensuring uniqueness, as well as compliance with the transaction process.

We already see that a full-scale confrontation that has been going on for the third year is not a crisis or conflict, but is an obvious war. Accordingly, if the duration of the war reaches more than one year, then it will certainly affect not only the national economy of Ukraine (this has already happened), or a regional economy (this is happening now), but on global economic processes. Indeed, only the active influence of governments that can ensure financial sustainability and balance, and rapid interaction in this matter can provide this issue at a proper level.

Russia's modern military aggression against Ukraine, which began on February 24, 2022, and continues to this time, has a unique character and is extremely different from past political uncertainty and wars such as the Russian annexation of Crimea in 2014, and the Persian Gulf war in Iraq. The very fact that the Russian invasion of Ukraine is practically in the centre of Europe, indicates that it is necessary to respond not only to diplomatic statements or trade and economic sanctions but also by radical methods and measures. Indeed, this invasion has caused significant risks and shaken the world economy. It is worth mentioning that the geopolitical risk index demonstrates that the geopolitical threat has reached a peak level after Russia's invasion of Ukraine. In the future, we must be aware of the fact that the Russian invasion will probably worsen financial mediation and trade, causing concern about slower economic growth and faster inflation around the world. Therefore, globalized processes today have signs of globalization. After all, events that have been going on for more than a year in one country have significantly affected most countries of the world and will still affect a certain period. As a result, the impact of the crisis from Russia's military aggression against Ukraine is much broader and deeper than the impact of previous political and military events over the last 30 years.

As we have noted, a modern military conflict that broke up on the territory of the European continent is a very unusual and powerful economic and geopolitical event. In the studies of many modern scientists, the influence of the Russian-Ukrainian military conflict on the overflow of volatility and its dynamics on the main world financial markets is considered. Moreover, the research was conducted on the eve and during the war. We understand that today a significant number of scientists are closely monitoring the volatility situation. This is done to understand the intensity of shock transmission between markets. Studying all the features of this situation will allow us to understand how to quickly recover from the negative consequences of military actions. After all, the impact of the war is already taking place and it will have inevitable consequences on all platforms of the world financial market. It is worth understanding as a result of studying the work of scientists that the paired overflow reveals a significant correlation between different financial markets. In particular, we are talking about the correlation between the securities markets of the G7 countries and China. The development of the Russian-Ukrainian war led to a strong increase in the overall flows between various financial markets. Thus, the securities markets of such G7 countries as France and Germany turned out to be the main transmitters of net volatility. Moreover, another country of this informal association - Japan - became the leading recipient of net volatility. We should also note that before the military aggression of the Russian Federation against Ukraine, the US stock market served as a transmitter of volatility. At the same time, during the military aggression, the securities market of this country with a developed market economy turned into a receiver of volatility. Moreover, the role of the Chinese stock market changed from a receiver of volatility before the military invasion to a transmitter of volatility during the start of full-scale military operations in Ukraine (Li, Y., Alshater, M., & Yoon, S.-M., 2022).

We understand that the difficult financial and economic situation related to the full-scale invasion of Russia into Ukraine exacerbates the issue of uninterrupted work of international financial markets. As well as military conflict influences the possibility of applying financial innovations related to crypto assets. As the scientists Nimani A. and Spahaja D., in their research noted in their research, «the European Union's governance system should include directions for the development of «crypto-assets» regulations, including their use and possible risks. Regulatory policy should be aimed at improving the management tools of the exchange system and the balance of trade and economic systems» (Nimani, A., Spahaja, D., 2023).

Ensuring transparency and availability of relevant information regarding stock and over-the-counter markets is important for overcoming any manifestations of the globalization risk of military aggression. Of course, this should be done given the security situation. Also, in the context of achieving relative stability, it is worth solving the issue of minimizing the negative impact of financial risks. If we take into account the activity of commodity markets and the interaction of stock markets with them, the following can be stated. In this sense, it is important to realize that the improper functioning of one market

can disrupt other sectors of the financial economy. We must understand that such an approach requires a reliable regulatory framework, as well as effective financial monitoring mechanisms. In addition, close cooperation between financial market regulators, direct participants in financial markets, as well as relevant stakeholders is quite important. At the same time, the integrity, stability, and sustainability of financial markets must be maintained. Moreover, if financial market participants are aware of all the risks, and they will actively apply the latest approaches to risk management, then such policies will have a powerful effect on smoothing potential systemic risks. The financial market will benefit from this approach to efficiency, and confidence in the market will only be strengthened.

As we can note, each of the developed countries responds to different risks that will be formed from a military conflict in Ukraine. This response in stock markets cannot be positive for most countries. But we need to understand that the changes that are taking place in the stock markets of the countries of the world are a reflection of deeper processes that take place in the economy of developed countries in the world. We agree with research by some scientists that the war in Ukraine has changed the economic landscape in Europe, increasing prices for energy and food and widely accelerating inflation. These economic factors can seriously distract European countries from the victims and destruction that Ukraine points out. Moreover, these factors will influence decisions on the armed and financial support of the Ukrainian people in their self-defence. In this case, it is worth noting the particularly important role of European institutions in the restoration of economic stability.

When economists cannot agree on what models to use or how the data should be interpreted, their decisions cannot be cast as truly technocratic and apolitical. This problem is compounded when the only way the Governing Council can moderate relative borrowing costs, and thus ensure a coherent monetary policy across the Eurozone, is to accord benefits to one group of countries while imposing costs on another (Jones, E., 2022).

Indeed, we note that today there is a problem of regulation of monetary and fiscal processes by financial institutions. Moreover, trends in the transformation of financial relations, rapid upheavals in world markets, increasing changes in migration flows, and powerful changes in the behaviour patterns of the environment of business structures create a new phase of economic instability and especially financial inequality.

Such changes are quite often associated with financial globalization. Sometimes mistakenly attribute all negative processes related to financial markets to this phenomenon. It is worth noting that financial globalization is the free and effective movement of capital between countries and regions, the functioning of world financial markets, the formation of supranational systems of regulation of international finances, and the implementation of global financial strategies of transnational corporations and transnational banks. Financial globalization is considered the highest stage of internationalization of all forms of financial markets in response to the need to develop monetary and financial relations. This, in turn, leads to the unification of national financial markets into a single financial market and the creation of a global financial system.

The activities of all financial institutions are associated with financial globalization. We agree that the role of such institutions has grown significantly over the past 17 years. This can be demonstrated by the increase in assets of various financial institutions in the world from year to year steadily increasing. For example, as of 2007, this figure was 443% of world GDP. In 2009, when the Global Financial Crisis was going on, this indicator was 447% of GDP, and already in 2015 – 414% of GDP. In 2022, this indicator grew to 572% of GDP. Our forecasts indicate that in 2025-2027 this indicator will be worse than the values for 2020-2022 - at the level of 455-484% of world GDP.

The active development of financial technologies in the EU in the last decade is due to the loss of trust of customers in the banking system during the global financial and economic crisis of 2008-2009, the growth of demand for convenient and affordable financial services, the activation of the use of mobile applications, which allows customers to solve financial issues independently. The newest "generation of millennials" clearly strives for innovation, and is a powerful catalyst for change in the financial sector. It is worth noting that today the gradual integration of global economic relations related to financial markets is noted. Therefore, it should be recognized that globalization is the most influential force that determines the direction of future economic development.

Since the beginning of the full-scale invasion of Ukraine, the World Bank and other financial institutions have been actively fighting inflation. In particular, due to the active application of strict monetary policy. Financial markets, like resource markets, lived, in a certain way, with the expectation that the troubles they have been experiencing recently, the period of "expensive money" will end in early 2024 and the situation will improve. But this is not happening. Because the European central banks will reduce the refinancing rate, accordingly, they will "infuse" relatively "cheap money" into the economy. However, the Federal Reserve Bank of the United States has hinted that this will not happen. And maybe there will even be an increase in the refinancing rate.

Non-traditional instruments of monetary policy are becoming more and more relevant. One such potential tool is central bank mediation. This is a kind of continuation of the policy of interest rates. Alternatives to such rates can also be considered. In particular, the action may take place through the purchase of assets. And you can also use negative interest rates. The next potential non-traditional instrument is the purchase of corporate or government bonds, i.e., debt securities. In this case, on the one hand, the state regulator acts as a passive participant, increasing the liquidity of assets. And on the other hand, and this is justified, acts as an active player, investing in securities.

If we review the work of non-domestic scientists over the past 15 years related to monetary policy, we can distinguish two ways of implementing non-traditional monetary policy instruments: the signalling approach and the portfolio balance approach. First of all, this was caused by financial crises, during which classical instruments were less effective, and caused a violation of the transmission mechanism.

Moreover, scholarly studies of the Fed's use of non-traditional monetary policy tools have shown that such intervention has been effective. However, the only drawback of non-traditional tools is that it is still impossible to estimate the measures and their costs.

Instead, the use of non-traditional instruments in a world where risks are growing is the basis for the formation of a new stage of monetary policy. This new stage began to actively develop after 2008. The role of the state began to grow, and at the same time, central banks wanted to maintain independence from the policies conducted by state regulators. Thus, today there is a policy between Keynesianism and monetarism - the policy of the "new reality".

During our research, we established the impact of the main financial threats on the macroeconomic stability of the country's economy in the conditions of military aggression and indicated the monetary policy tools of the new reality, which are combined with fiscal tools, ensuring the support of such stability (Figure 4).

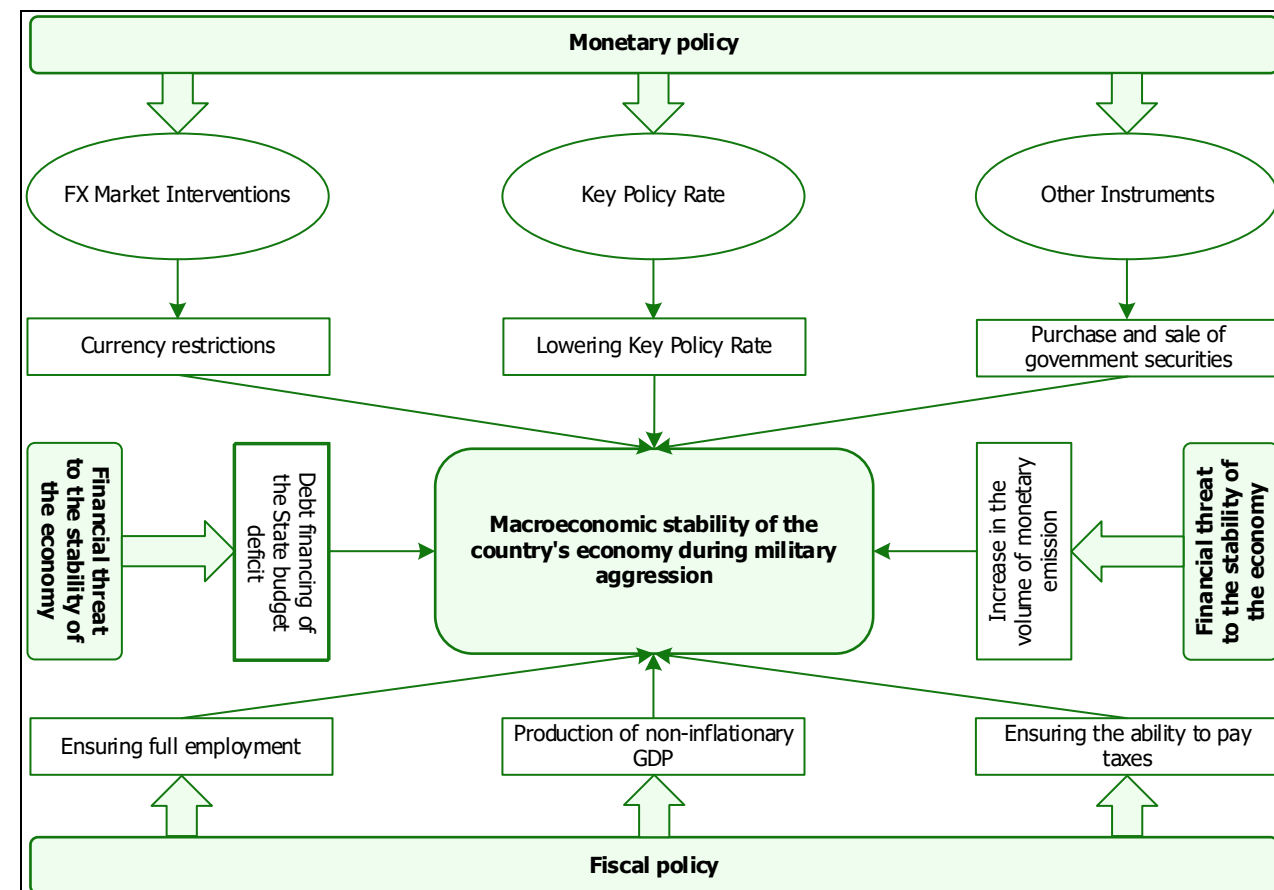


Figure 4. Macroeconomic stability of the country's economy during military aggression.

Indeed, an effective monetary policy contributes to the efficient movement of funds and, the stable functioning of the banking and monetary system. In addition, such a policy will have a positive impact on the credit and investment markets. Moreover, there will be an impact on the productive use of material and labour resources. It is worth noting that an unbalanced monetary policy disrupts incomes and expenditures, causes sharp fluctuations in production, and also increases

unemployment and prices. Imperfect monetary policy is often the main cause of financial and economic crises and is a threat to economic stability. At the same time, successful state initiatives and increasing the number of budget expenditures are fairly reliable tools for eliminating crisis phenomena.

We can state that the existing models of institutional independence of central banks do not create a basis for independent optimization of two very closely related macroeconomic regulation tools - monetary and fiscal policy. Maintaining calm in financial markets, as well as consolidating inflationary expectations, requires focused confidence in both monetary and fiscal policy. It is necessary to review the existing models of aggregate supply (reject the assumption of absolute elasticity of aggregate supply in the world of globalization changes and technical progress). In addition, it is worth making clear changes in the revision of the methods of assessment and forecasting of potential and equilibrium values as the basis of macroeconomic policy. It is necessary to strengthen the state policy of stimulating aggregate supply, which, in particular, will limit the pressure on the monetary policy of the state. Delaying such measures will reduce the potential of financial markets.

There is a valid question of adapting the strategies and communications of central banks and monetary policy instruments to a situation of acute uncertainty. An alternative to raising interest rates today should be increased administrative control over price growth. That is, today the leading countries of the world will depart from the understanding of free exchange rate formation. And in the next few years, we will see a new policy of monetary policy based on limited liberalization of financial institutions that will operate within the limits of clear monetary regulation. At the same time, the central banks of the developed countries of the world will increasingly defend two positions during the globalization risk of military aggression: to implement the policy of inflation targeting and to preserve the stability of the classical (not digital or cryptocurrency!) national monetary unit.

The modern influence of globalization on the economy of Ukraine is particularly noticeable. For example, a decrease in the pace of construction in countries such as the USA and China leads to a decrease in the purchase of Ukrainian metal and therefore slows down the growth of the Ukrainian economy. Another important factor in reducing globalization risks is the gradual departure from the dollarization of the economy. All the countries of Eastern and Central Europe, increasing their economic potential in the 1990s and 2000s, moved away from the high dependence of the economy on the American currency. This became one of the drivers of the relatively easy passage of the 2008-2009 crisis in the same Poland. The US dollar looks set to trend higher against major world currencies in the coming years. As a result, the economy of Ukraine will have an extremely high risk of a decrease in competitiveness. That is, monetary policy should consist shortly in a sharp decrease in dependence on the US dollar. But this is about a peaceful state and future politics because it is extremely difficult to do this in a state of military aggression.

The situation in Ukraine is unique in that the history of monetary risks has not ended in the country since 2008. After the global financial crisis, caused for Ukraine by a decrease in export volumes and inflow of foreign currency. In fact, as of 2009, Ukraine's GDP shrank by more than 30%. And, as a result, mortgage and construction lending decreased. This, in turn, reduced demand to zero. Also, against the background of falling export prices, there was an increase in the trade balance deficit. Problems with the outflow of investments were added, and as a result – a significant negative balance of payments. The result was not long in coming - the devaluation of the national currency of Ukraine amounted to more than 50%. That is, the monetary risks caused by the globalization factor, as of 2008-2009, were among the most painful in the world for Ukraine.

The current situation regarding the scale of losses and the complexity of choosing approaches to monetary policy is worsening even more. It is worth noting the build-up of several vectors of the current situation. First of all, there is a deep global and strategic impact of Russia's full-scale military invasion of Ukraine. In addition, the acceleration of the restructuring of energy supply systems under the influence of increasing geopolitical threats is noted. Although in this form it is still necessary to overcome the consequences of the shelling of various power generation facilities. We should also note the increase in the differentiation of the vulnerability of countries importing energy carriers from Russia. The overall globalization aspect will largely depend on the influence of the US Fed policy in connection with the increasing role of financial globalization. At the same time, it is very important to weigh the economic and political situation of the two main alternative drivers of world economic growth - the USA and China. You should also not miss the vector of increasing losses from anti-inflationary monetary policy due to the strong increase in private and public debt recently.

DISCUSSION

Scientists Cecioni, M., Ferrero, G., and Secchi, A. include non-traditional instruments of monetary policy such as policy intervention that aims to rectify a malfunctioning of the monetary transmission mechanism or to provide further stimulus

to the economy when the official interest rates reach the zero bound. We therefore classify as non-standard tools all the measures implemented during the global financial crisis that addressed liquidity shortages, including depository institutions and other important segments of the financial market, the direct purchase of private and public securities, and the adoption of particular forms of communication designed to restore a more normal functioning of the markets and influence expectations about future official interest rates (Cecioni, M., Ferrero, G., and Secchi, A., 2018).

Indeed, non-traditional instruments that had practical application during financial challenges, and are not related to classical instruments of monetary policy, can be considered to be taken as a separate group of financial measures.

We agree with the opinion of scientists Guénette J.D., Kenworthy Ph., Wheeler C., that «going forward, Ukraine will require additional external financial assistance and its debt will likely have to be restructured to support a robust reconstruction and recovery and to anchor fiscal sustainability» (Guénette, J.D., Kenworthy, Ph., & Wheeler, C., 2022). In this case, debt management measures will also be an additional factor influencing monetary policy during the crisis.

The studies of scientists Ahmed Sh., Hasan M.M., and Kamal Md R. are very valid and well-argued and prove that «to improve investor confidence, policy actions such as fiscal, monetary, and other appropriate measures should be implemented. In the short term, policymakers in Europe should consider lowering their significant reliance on Russia for critical oil and gas supplies, and pursuing alternative energy sources while working towards long-term sustainability» (Ahmed, Sh., Hasan, M.M., & Kamal, Md R., 2022). In this case, we also understand that macroeconomic stability will be based not only on normative monetary indicators but also on the extent to which the state, which has been geopolitically influenced by military aggression, will manage to establish principles and independence in trade and economic matters.

The NBU's introduction of administrative restrictions on the use of monetary policy instruments, the violation of the economic security of financial institutions, and the insufficient level of financial inclusion are realities that are gradually going beyond the scope of the problems of the war-victim country. At the same time, the ongoing conflicting nature of monetary and fiscal policy coordination does not allow for united efforts to overcome all problems caused by military aggression in full.

If we talk about the key state regulators of financial markets, then it is the central banks that have become the key subjects of the formation of state economic policy. What about such a policy that is prone to crises in the financial economy? Furthermore, we argue that in tandem with the growing importance and weight of central banks, the spatial effects of monetary interventions will only intensify in the next three years. Our research shows that the economic consequences of 2020-2024 will increase existing spatial disparities at the level of victim countries-developing countries-developed economies-G7 countries. In this aspect, the spatial ramifications of monetary policy will increase. In this vision, we are close to the opinion of scientists Sokol M., and Pataccini L., that «the enormous power of central banks in spatial development requires urgent attention: what central banks do, and how they do it, matters a lot for uneven geographical development» (Sokol, M., & Pataccini, L., 2021).

The scientist Reichlin L. notes that «monetary policy - standard or unconventional - has implications for fiscal policy and fiscal policy has implications for price stability... Fiscal-monetary interactions, however, naturally arise via the general government intertemporal budget constraint» (Reichlin, L., 2020).

We are indeed recording a strong influence of monetary policy during the special situation in which Ukraine found itself, starting in 2022. But attention to fiscal factors should be at the proper level, in particular, we are talking about preventing a decrease in the receipt of own tax revenues to the budget and effective budget management. On the other hand, military aggression, as we have already found out, affects not only the financial system of Ukraine but also extends far beyond its borders. Therefore, we see this question in a somewhat different context. The monetary policy of Ukraine during the war challenges should be based on the "new reality", namely the combination of monetary and fiscal approaches. Moreover, monetary instruments should naturally prevail, and fiscal factors should only be complementary.

CONCLUSIONS

In the course of our research, the prospects for the use of new types of monetary policy instruments have been determined. Such instruments can increasingly be called non-traditional instruments of monetary policy, and their use leads to significant modern changes in the development of global financial, economic and social relations caused by the geopolitical influence of military aggression in Ukraine. We found that it was not only the victim country (ie Ukraine) that suffered significant financial shocks in the military conflict. In addition, it turned out that the negative impact due to the consequences of the war in Ukraine is felt in the form of problems with inflation and indebtedness of the G7 countries, as well as China. We have determined that the global crisis will also have a significant impact on the financial systems of countries

that have close trade and monetary transactions with advanced market countries. In the article, we predict the financial and economic indicators of Ukraine, the G7 countries, and China in the medium term. It is worth noting that we determined the impact of the main financial threats on the macroeconomic stability of the country's economy in the conditions of military aggression and indicated the main instruments of monetary policy that will allow for maintaining such stability. It is noteworthy that we discovered that the use of monetary policy of new approaches and measures is relevant today, which will help overcome the negative impact of military aggression not only in Ukraine but also in other countries. Non-traditional instruments of such a policy will include currency restrictions, lowering the discount rate, buying and selling government securities, ensuring full employment, producing non-inflationary GDP, and ensuring the ability to pay taxes. All these approaches and measures will make it possible to counteract the debt financing of the state budget deficit and increase the volume of money emissions. Prospects for further research are the development of a "new reality" monetary policy mechanism, which will be increasingly relevant for overcoming problems in countries that have experienced the devastating impact of military aggression. Also, in our future research, it is worth paying more attention to such directions of a new type of monetary policy, which has already had an impact on the financial systems of countries with a market economy that has found themselves in a state of crisis, such as the signalling approach and the portfolio balance approach.

ADDITIONAL INFORMATION

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CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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ПЕРЕДУМОВИ ЗАСТОСУВАННЯ ІНСТРУМЕНТІВ МОНЕТАРНОЇ ПОЛІТИКИ «НОВОЇ РЕАЛЬНОСТІ» В УМОВАХ ГЕОПОЛІТИЧНОГО ВПЛИВУ ВОЄННОЇ АГРЕСІЇ В УКРАЇНІ

Досліджено перспективи використання нового типу інструментів монетарної політики, що визначає сучасні суттєві зміни в розвитку світових фінансово-економічних і соціальних відносин, зумовлені геополітичним впливом воєнної агресії в Україні. Установлено не лише негативний фінансово-економічний вплив на країну-жертву бойових дій, тобто Україну. Також були виявлені проблеми з інфляцією та боргом у країнах Великої сімки, а також у Китаї через наслідки війни в Україні. Визначено, що суттєвого впливу світової кризи зазнає також фінансова система країн, які мають тісні торгово-грошові операції з країнами розвинутого ринку. Передбачено фінансово-економічні показники України, країн Великої сімки та Китаю на середньострокову перспективу. Визначено вплив основних фінансових загроз на макроекономічну стабільність економіки країни в умовах воєнної агресії та зазначені основні інструменти монетарної політики, які б дозволили підтримувати таку стабільність. Зауважено, що використання монетарної політики нового типу в сучасних реаліях, що спирається на нетрадиційні інструменти, сприятиме подоланню негативного впливу воєнної агресії в усіх країнах, що його відчувають.

Ключові слова: геополітика, воєнна агресія, грошово-кредитна політика, монетарний ризик, глобалізаційний ризик, інфляція, інтервенції на валютному ринку, облікова ставка

JEL Класифікація: D81, E12, E42, H56, O16, P43, P44