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Financial markets and price increases in Europe after the russian-Ukrainian War

Artan Nimani

PhD, Professor

University of Gjakova "Fehmi Agani"

50000, Ismail Qemali Str., Gjakovë, Kosovo Republic

<https://orcid.org/0000-0001-6972-9172>

Denis Spahija*

MSc, Lecturer

University of Gjakova "Fehmi Agani"

50000, Ismail Qemali Str., Gjakovë, Kosovo Republic

<https://orcid.org/0000-0002-4059-0346>

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Abstract. The research relevance is predefined by the fact that the European financial market has suffered a direct negative impact due to the russian aggression and violation of the territorial integrity of Ukraine. All these processes are accompanied by several previously formed and unfavourable trends for socio-economic and financial development, which have become even more severe due to the hostilities. In particular, COVID-19, environmental degradation, rising inflation, deglobalization, insufficient social development of individual countries, as well as fuel and food shortages. The research aims to conclude a comparative analysis of financial policy in European countries and individual countries of the Balkan Peninsula, as well as substantiation of the financial risk management features and the formation of a forecast model of economic stabilization. To achieve the set objectives, scientific methods were used, including analysis method, analogy method, and modelling method. The article analyses expert reports and the results of scientific research on the current state of the financial market and monetary policy in Europe as a result of the russian-Ukrainian war, in particular in the Balkans and Kosovo. The analogy of the directions of financial policy in the period before the russian invasion of the territory of Ukraine with the period of direct aggression of the russian federation is conducted. The fundamental reasons for changes in pricing policy, in particular pricing mechanisms, are characterized. The determining factors of financial risks, tools for assessing the consequences, as well as generalization of management methods for their reduction and elimination in the future are substantiated. The directions of European financial support aimed at the defence sector and socio-economic needs are considered. The practical value of the work is that the conceptual model of strategic development of the European financial market in the context of stabilization processes of international financial policy, as well as food and energy security was formed

Keywords: financial risk management; russian aggression; monetary policy; food and energy safety; global economic tendency



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*Corresponding author

INTRODUCTION

Carrying out a comparative analysis of the financial market and monetary policy is due to an even greater deepening of negative and unpredictable political and, as a result, economic factors. The economic system underwent significant metamorphoses as a result of the outbreak of the coronavirus pandemic. Then there was an urgent need for a quick response of financial institutions to restrictions. As a result, the economy of many countries suffered significantly. It is also worth remembering the post-war years in cases of world military conflicts, when the existing algorithms for exiting the crisis turned out to be ineffective. Along with the mentioned factors, which in one way or another affect the general state of the economy in the state, there are also less visible ones in the short term, such as inflation, environmental difficulties, and so on. That is why it is important to conduct a preliminary economic analysis so that the consequences of the post-war crisis in Ukraine are not critical for the countries of Europe and the Balkans.

The financial market crisis in the European Union has significantly worsened since the Russian invasion of Ukraine and the violation of its sovereignty. Indeed, by February 24, 2022, there were already unfavourable economic trends, in particular, high inflation rates in some regions, and low socio-economic levels of life and welfare, which was expressed in the impoverishment of certain segments of the population (International Monetary Fund..., 2022). Therefore, with the beginning of full-scale actions in Ukraine, there was a decline in market sentiment, which consisted of the termination of peace dividends, which were used to address issues of sustainable development and social security, as well as rebalancing fiscal priorities (Qureshi *et al.*, 2022). Overall, the situation in Ukraine is characterized by a decrease in the population due to death or fleeing. At the same time, a large number of able-bodied citizens are in combat zones and conflict regions. All these events are undoubtedly accompanied by the economic crisis and mass impoverishment. Considering how all the above events have affected the international economic system, according to World Bank experts, the number of people living below the poverty line has increased from 100 million to 700 million (International Monetary Fund..., 2022).

It is worth noting the financial risks in food and energy security, which are the basis of the economic security key figures (Zhou *et al.*, 2022; Osička & Černoch, 2022). After all, the failure of logistics chains as a result of the pandemic has significantly intensified with the outbreak of active hostilities, which has significantly worsened the situation in the monetary market and caused a shock of supply and demand, respectively, the overall price increase. The leading Eurozone countries in terms of socio-economic welfare before the aggravation of the military conflict had an inflation rate of more than 5% (International Monetary Fund..., 2022). In particular, Ukraine and Russia were exporters of wheat,

which accounted for about 25% of the world's share of exports (International Monetary Fund..., 2022). At the same time, Russia until recently was one of the main suppliers of natural energy sources – fossil fuels, to the European Union. Therefore, a direct violation of procurement logistics led to a rise in prices. In general, the financial market may become more vulnerable due to the unpredictable escalation of the Russian-Ukrainian war and the untimely normalization of the European Union's leading countries' socio-economic development (Santorsola *et al.*, 2022). This situation will lead to a slowdown in economic activity, increased financial risks, and even higher inflation.

Researchers A. Bougias *et al.* (2022) study dynamic changes in the value of assets of the European business sector in the context of the financial market functioning during the Russian-Ukrainian war using the Merton structural model (1974). Scientists W. Boungou and W. Yatié (2022) study the impact of the Russian-Ukrainian war on global energy, food security, and pricing policy. In particular, the authors suggested using special approaches to assess the reliability and sustainability indicators employing modelling under different development prospects. K. Kuzemko *et al.* (2022) justifies the need to use the latest approaches to accelerate the supply of clean energy to the Eurozone. The authors also note that the so-called reset of the entire energy system is the basis of future geopolitical security. P. Zhuk (2022) explores promising directions of energy policy in the post-war, unpredictable period. K. Limonier (2022) emphasizes the importance of information technology in the investigation of open sources and the "digital field" of geopolitics in modern conditions. Yet, despite much scientific research on the current economic situation and analytical reports on prospects, the impact of the war, as well as its key segments, is not sufficiently defined due to underestimated financial risks and possible general destabilization.

The article aims to conclude a comparative analysis of the financial market and monetary policy development in European countries and individual countries of the Balkan Peninsula, as well as to substantiate the peculiarities of financial risk management and the formation of a forecast model of market stabilization.

MATERIAL AND METHODS

Analysis of financial reports and relevant financial documentation of the Central Bank, European Union institutions, International Monetary Fund, World Bank was presented as part of the work. In particular, the scientific works created by such authors as Adekoya *et al.* (2022), P. Žuk and P. Žuk (2022), Bougias *et al.* (2022) and others, related to the research in the field of the humanitarian and economic impact of the geopolitical conflict on the main areas of financial and economic activity within the Eurozone, in particular on the situation in the sphere

of food and energy security, turnover of major financial assets, the emergence of financial risks in the markets of various goods and services were studied.

The basis of scientific research is the methods of scientific knowledge, which are used at the stage of formation of the main issue, namely: synthesis method – the results and conclusions of analytical reports on the problems of the European Union financial market development in the conditions of war and economic crisis, in particular the main directions of monetary policy, are substantiated; analysis method – actual research and comparison of economic activity indicators before the beginning of active, destructive actions of the aggressor on Ukraine and actual and forecast indicators during the war, which are to ensure the production, social, and investment needs of the population of the European Union; analogy method – on the example of a single European Union country – Kosovo (Western Balkans), the author substantiates and summarizes the consequences of the war in Ukraine at the regional level in the context of the current financial position, the impact of external pressure and the main directions of monetary and investment policy of the state; modeling method – the main directions of reducing the negative impact of the war and the elimination of destructive factors on a balanced and stable macroeconomic environment are highlighted, as well as a conceptual model for strengthening the regulatory, and recovery policy concerning the global socio-economic and industrial spheres of the Eurozone and concerning its financial segments are developed. The study covered data analysis from 2019 to 2022. The study also analysed the gross domestic product of the USA, European countries, and the UK.

The first stage researched the overall situation in the European financial market after the escalation of the Russian-Ukrainian war. At this stage, the analysis method was used, because it was this method that was best suited for considering the issue from different angles. Next, the fundamental financial problems were highlighted, in particular financial risks, rising prices,

deterioration of profitability, the decline in investment flows, etc. In the next stage, the analysis of statistical information and the formation of graphic material reflecting the processes of increasing inflation, gross domestic product, and energy pricing policy were carried out. The factors that caused the change of indicators in connection with the problems of destabilization of the European macroeconomic environment were determined. For these stages the analysis scientific method was used as well. The third stage considered the monetary policy of the Western Balkan countries and the general economic situation under the influence of the war. The issues of Kosovo's development in pre-war conditions and during the war were studied separately, addressing the negative factors caused by the pandemic. The projected aspects of the socio-economic and financial development of Kosovo until the end of 2022 were also substantiated. In particular, the importance of improving the direction of fiscal policy in the issues of export and import of energy resources and agricultural products is substantiated. For this stage creation, the analogy method was used. The last stage was dedicated to the substantiation of the main directions to eliminate the imbalance and stabilize the financial market of the Eurozone, as well as building a conceptual model of the main European institutions activity in overcoming the causes of the economic crisis. Described discoveries at this stage were made by using of modeling method.

RESULTS

According to experts, the European financial market perceived the aggravation of the Russian-Ukrainian war, which escalated into a war, as quite orderly (European Central Bank..., 2022). However, some areas of the market have suffered significant consequences (Aslan & Posch, 2022). In particular, since the beginning of the full-scale invasion, an increase in prices for energy and food needs, which were unstable before, has been noted (Umar *et al.*, 2022). The derivatives market for the above goods and services is exposed to obvious financial risks (Fig. 1).

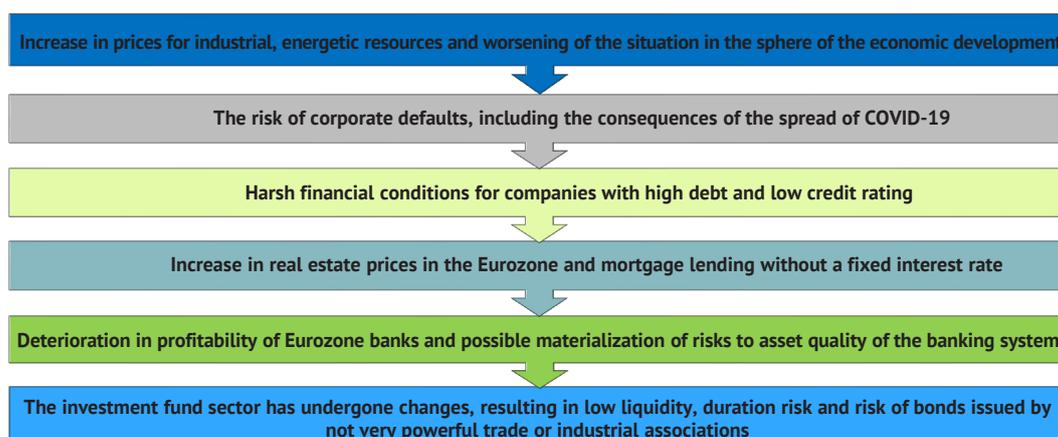


Figure 1. Eurozone financial market issues

Source: compiled by the authors following the "European Central Bank" (2022)

Thus, the war led to an increase in inflation in 2022 (Table 1) compared to 2021 (Fig. 2). It is worth noting that the European Union countries were importers of Russian fossil fuels. However, since October 2021, there have been restrictions on energy exports from Russia, which has led to higher energy prices and, accordingly, an

increase in overall inflation (Fig. 3) (Soriano & Torró, 2021). Thus, inflation in the Eurozone consumer sector in February 2022 increased from 3.9% to 6.8% in April, which meant an increase of 2.9 percentage points and was reflected in real GDP (gross domestic product) growth (Fig. 4) (European Investment Bank..., 2022).

Table 1. Analysis of GDP and inflation a few weeks before the full-scale invasion of Ukraine by Russia and a month of hostilities

| | GDP parameter, 2022 | | | The inflation rate, 2022 | | |
|----------------------|---------------------|-----|------------|--------------------------|-----|------------|
| | February | May | Difference | February | May | Difference |
| Eurozone | 3.9 | 2.7 | -1.2 | 3.9 | 6.8 | +2.9 |
| Great Britain | 4.3 | 3.8 | -0.5 | 7.0 | 9.7 | +2.7 |
| USA | 3.7 | 2.7 | -0.9 | 5.2 | 7.2 | +2.0 |

Source: compiled by the authors following the European Investment Bank (2022) report

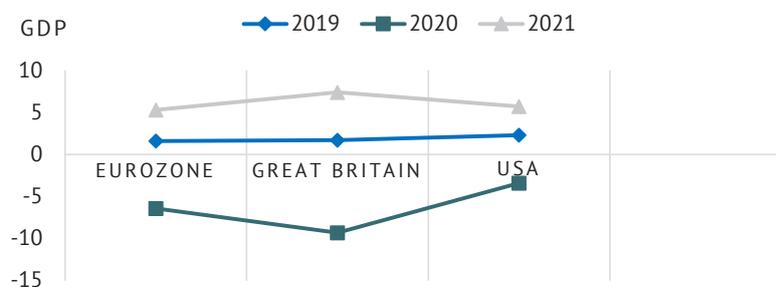


Figure 2. Actual GDP from 2019 to 2021 in the US, the Eurozone, and the UK

Source: compiled by the authors following the European Investment Bank (2022) report

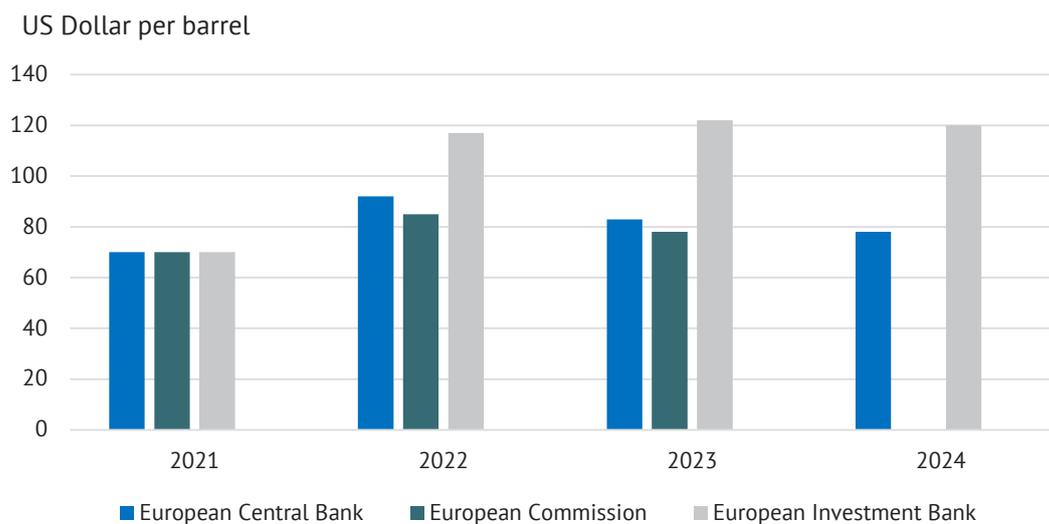


Figure 3. Comparative analysis of the projected fuel price policy in 2021-2022 and 2023-2024 calculated by experts of leading institutions of the European Union

Source: compiled by the authors following the European Central Bank (2022)

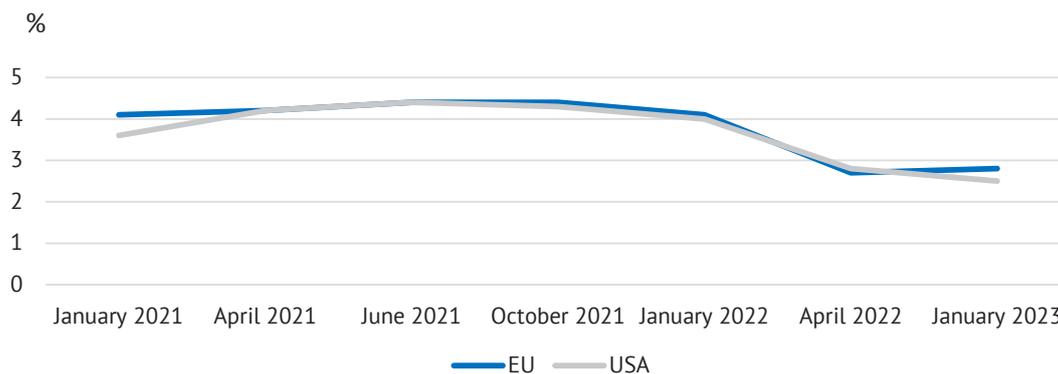


Figure 4. Comparative analysis of real GDP growth in 2021-2022 and projection of GDP growth in 2023 (in %) in the European Union and the United States

Source: compiled by the authors following the European Investment Bank (2022) report

After the financial market crisis caused by the pandemic, the European Union was expected to stabilize the economic situation in 2022 in a shorter time than the United States. However, Figure 3 shows that the forecast for real GDP growth in the Eurozone is close to that of the United States (International Monetary Fund..., 2022). Thus, the immediate consequences of the Russian-Ukrainian war may be a decrease in GDP growth to 1.5 percentage points in 2022 and 2023 (European Central Bank..., 2022). Therefore, a significant amount of financial market indices of the European Union was predicted at the beginning of the military conflict escalation (Tosun & Eshraghi, 2022). Currently, changes in the functioning of the balanced market environment allow us to analyse and calculate the impact of hostilities on socioeconomic development.

The financial market development perspective until 2024 also assumes that the pricing policy for goods and services will remain at the level of March 2022. It is also assumed that the financial stress index should stabilize by the end of 2022 (European Central Bank..., 2022). Monetary policy in the Western Balkans region has also changed and strengthened its position since March 2022. Therefore, the Central Bank has set a discount rate ranging from 1 to 1.5% since April 2022 due to high liquidity (European Investment Bank..., 2022). High inflation and its gradual increase, and growing financial risks led to the optimization of monetary policy directions.

A significant increase in the energy and food supplies caused a short-term amortization, which is noted at the end of February 2022 in the confrontation of the Serbian and Albanian currencies against the euro and the dollar. However, according to experts, the financial market of the Western Balkans was stable even despite the existing economic risks, loans, and equity (Western Balkans Regular Economic..., 2022). As for Kosovo, the country has strengthened its fiscal rates thanks to the functioning of the private sector, a significant increase in exports, credit growth, and significant economic stimulus. With the economic balance restored, the fiscal

policy has been strengthened and the level of public indebtedness has slowed down due to sufficient state budget revenues. However, all these developments took place in the context of extremely high inflationary pressures and rising import prices.

It should be noted that the long-term impact of external pressure may worsen the social and economic development perspectives of Kosovo due to its outdated energy production capacities. According to expert estimates, inflation is expected to slow down to 3-4% in 2022, provided that prices normalize during the second half of the year (Western Balkans Regular Economic..., 2022).

Directions for the financial market development, monetary and investment policy of Kosovo, which are expected by the end of 2022: the growth of credit rates should slow down to 3.9 percent, under the influence of the economic consequences of the Russian-Ukrainian war and the imposed sanctions (Western Balkans Regular Economic..., 2022); inflationary pressures will ease due to real incomes and the impact on consumer confidence; increase in the investment flows in the business sector due to the continuation of the current construction, as well as due to preferential financing from European financial institutions; exports will remain negative as import needs will increase to meet growing domestic demand and regulate external private investment; prolonged resilience to the energy crisis and global inflationary pressures may worsen the development perspectives and reduce real GDP growth; due to the internal energy crisis, consumer needs and production capacity will increase, which will lead to destabilization and high demand for imported energy resources; import price growth may remain high and will affect both consumer and producer prices as well as government spending; meanwhile, the ongoing war in Ukraine could affect future profits through the income of the Ukrainian diaspora living in the European Union through remittances, travel, exports, real estate; in the context of an unstable economic situation, overall inflation may increase to 5.4% in 2022 (Western Balkans Regular Economic..., 2022); an increase in the

budget deficit by the end of 2022 due to a decrease in national budget income (Western Balkans Regular Economic..., 2022).

Concerning imports, Kosovo is an importer of about 40% of all its agricultural products, namely wheat (Western Balkans Regular Economic..., 2022). This also applies to other agricultural products, depending on consumer needs. The country also imports fuel and energy resources, which creates a stable pricing policy despite the current energy crisis in the Eurozone. It is worth noting the importance of the research on the directions of Kosovo's fiscal policy for the possibility of decisive actions that will influence the change

of the macroeconomic environment. That is, at present, a cautious attitude is needed toward policy directions that will have high long-term fiscal costs, such as public sector compensation reform. And in the medium term, there is an urgent need to use economic stimulus to increase the share of exports, as well as to increase competitiveness, in particular, to overcome constraints to increase productivity and investment flow for overall socio-economic development. Thus, the actions of the main institutions of the European Union should be quite tough and decisive to eliminate the consequences of the economic crisis caused by the russian-Ukrainian war (Fig. 5) (Zielinska *et al.*, 2022).

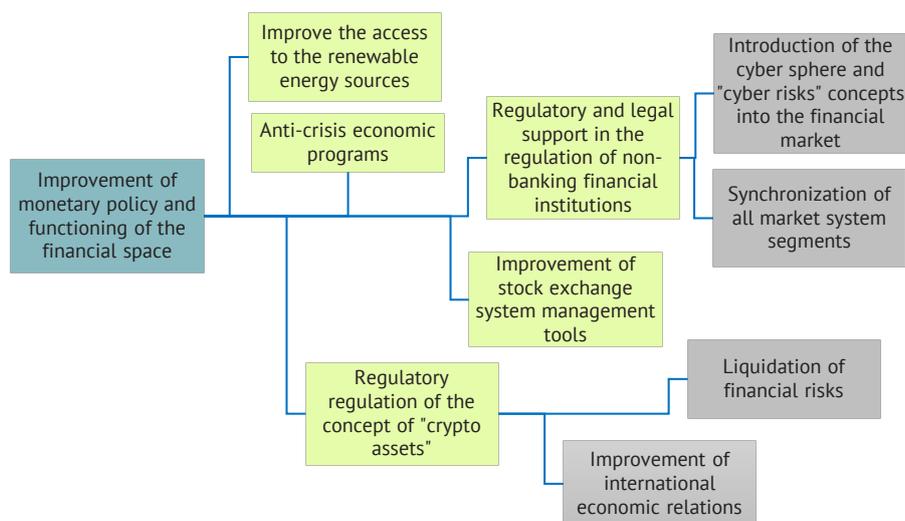


Figure 5. Conceptual model on the activities of the main European institutions in overcoming the economic crisis caused by the russian-Ukrainian war

Source: compiled by the authors following the International Monetary Fund (2022) report

Therefore, to reduce the risks of an unstable financial market, the Central Bank experts should develop special anti-crisis programs with specific areas of activity to optimize the determining aspects of functioning, considering real and prospective development indicators. The directions of monetary policy and the functioning of the financial space as a whole should be in line with the cyclical indicators with the elimination of the most vulnerable components of the integral system, especially considering the economic consequences of the pandemic and further military actions. Due to the tense situation regarding the supply of fuel and energy resources, it is necessary for the main institutions of the European Union to rapidly support and implement the energy efficiency and energy-saving areas that were formed at the UN Climate Change Conference in 2021. Such measures should establish balanced prices and improve access to renewable energy sources and alternative fossil fuels (Lambert *et al.*, 2022). It is also necessary to develop the areas of "green economy".

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. In particular, relevant information about the exchange and over-the-counter markets should be as transparent and accessible to the public as possible. Significant attention should be devoted to addressing issues related to the process of financial risk formation and their early elimination. It is necessary to synchronize the work of commodity markets and, for example, securities markets because the failure of the system of one of the markets leads to a failure in the functioning of other economic sector segments. Recently, this issue needed to be addressed in the functioning of the nickel market on the London Metal Exchange. This situation has caused concern on the part of reputable participants of exchange trade and financial specialists. In particular, regarding the risks of migration of important contracts

to OTC derivatives, which are not as transparent and without risk-mitigating instruments.

The lack of possible solutions to resolve the Russian-Ukrainian war and the tense geopolitical situation requires the inclusion of such a component as cyber risks in the financial market. After all, the cyber sphere plays a crucial role in the smooth, safe implementation of all economic operations, as well as in the balanced, stable development of the market. European financial institutions should direct their management levers to overcome possible financial risks in non-banking financial institutions. After all, this sector of the economy plays an increasing role as an intermediary in international capital flows. Currently, the Financial Stability Board of the European Union is working on the development of mechanisms to establish standards and norms to regulate and monitor the work of non-banking institutions.

The current stage of development requires stable functioning of the international payment system and balanced operation of all its elements. This concerns the prevention of fragmentation, i.e., the elimination of possible differences between the algorithms of state and cross-border payment transactions. An important factor is the strengthening of international economic ties. The fiscal policy directions should be aimed at restoring a favourable financial space and introducing special anti-crisis measures, which are subject to adjustment in the context of the reliability of macroeconomic policy. Currently, the risk of solvency for small and medium-sized companies in some countries that are members of the European Union remains large-scale. That is why the government should develop programs of financial support and prevention of mass bankruptcy. Of course, such financial support will depend on the viability of the company and the available fiscal space (International Monetary Fund..., 2022).

The war in Ukraine has led to a sharp increase in inflation and a decrease in economic potential in European countries. GDP indicators by the end of 2022 may decrease by 3%, which will mean a decrease of almost 1.5 percentage points compared to forecasts before the start of active hostilities (European Investment Bank..., 2022). Since Ukraine and Russia were the main importers of agricultural products and energy resources, there is an increase in the risks of food and energy threats. This situation is unfavourable for the development of related production capacities, respectively, in the absence of the main product. Of course, the failure of logistics chains will be more noticeable in countries with low socio-economic development and living standards. That is, the financial market and most economic segments have already felt the negative impact of the military conflict. It is also important to note the general increase in recession rates as a result of the COVID-19 pandemic, the impact of which was quite active before the war. However, the main financial

institutions of the European Union and the government are developing several programs for financial support, algorithms for reducing and eliminating risks, as well as adapted standards and regulations for the functioning of key sectors of the global financial market and the introduction of strict monetary policy measures.

As such, the regulation of aggregate demand and real national income, i.e., fiscal policy, is characterized by the short-term consequences of martial law in Ukraine for countries with a high level of economic development and is moderate compared to the long-term consequences of the pandemic (International Monetary Fund..., 2022). However, the growing long-term consequences in terms of dividends for peaceful needs may turn out to be larger than most government programs predicted. For example, since the beginning of the war, the European Union has been allocating from 100 to 500 million euros per month to support Ukrainian defence and social protection. World Bank experts predict that the total financial assistance to Ukraine for the reconstruction of settlements and critical infrastructure may amount to more than 100 billion euros.

DISCUSSION

Scientists from France and the United States G-D. Lo *et al.* (2022) in their research demonstrate that the financial market of Europe is characterized by vulnerability to the consequences of the war in Ukraine due to the long dependence on the firm position of Ukraine and Russia as large-scale logistics chains, namely, the sale of food products and energy resources. Accordingly, this dependence has led to a decrease in financial profitability and a kind of imbalance. The authors support the opinion of French and American colleagues justifying the concept of a supply shock in the financial market due to the war. In particular, the authors in their study point to the risks and unfavourable conditions for the formation of price policy.

Chinese scientists Y. Wang *et al.* (2022) characterize volatility indicators that reflect changes in the price policy of the financial market in the context of the level of income over a certain period. According to researchers, the volatility rate during the war in Ukraine increased from 35% to 85%, which of course was affected by the pandemic and became much higher in 2022. Such an increase in the indicator is observed due to changes in the role of commodities in the financial market sector and the overall profitability system, that is, the volatility spill over indicator is directly affected. The authors also note that the volatility effect and its accompanying elements are associated with increased geopolitical risk. Comparing their research results and the work of Chinese scientists, the authors did not consider a specifically defined concept of volatility and changes in its indicators under the influence of the war in Ukraine but substantiated the current problems of pricing, as well as the main levers that determine the

stability of the financial market of the European Union and Kosovo. However, the authors also emphasize the importance of considering financial risks at the level of geopolitical development for the formation of clear, balanced algorithms and scenarios for the further economic recovery of the European Union.

Indian scientists D. Rawtani *et al.* (2022) substantiate the statement that Russia's full-scale invasion of Ukraine is considered similar to World War II. The current conflict in Europe includes several political, spatial, socio-economic, and environmental consequences. The safety of life and health of the population is concerned. In particular, the war has caused devastating consequences for the world community and violated the integrity of natural ecosystems. The damage to the energy, engineering, and communication infrastructure has led to degradation processes such as pollution with heavy metals, and hazardous chemical compounds of water, land, and natural resources. In particular, this concerns the destruction of the fertile layer of soil cover and, as a result, a decrease in the productivity of agricultural land use. The study also described the issues related to the disruption of energy supplies to the European Union due to the devastating consequences of the military conflict. That is why the implementation of energy efficiency and energy saving through the use of renewable energy sources is an important issue.

The researcher M. Baranowski (2022) sees the ambiguous position of some countries regarding the war in Ukraine due to economic circumstances. Thus, the author emphasizes the dependence of some states on Russian gas or the territorial proximity to the aggressor country as primary factors in the formation of political and economic decisions. The author notes that prosperity shapes not only society's attitude to war, but also corrects the government's position. From an economic point of view, this mode may have negative consequences in the context of European countries' support for Ukraine, and therefore may provoke new economic obstacles for European countries.

Borko *et al.* (2022) investigated the ways of restoring the economic potential of Ukraine after the end of military operations on the territory of the country. According to scientists, the main economic factors that will affect the economic power of Ukraine are the reduction in the production of goods and the provision of services, the growth of inflation, the destruction of the material and technical base, the outflow of intellectual labour, and others. Countries importing goods from Ukraine partly depend on the level of economic development. If the post-war crisis becomes too large, Ukraine can choose a strategy of reducing the volume of exports of food and other types of products abroad, including to the countries of Europe and the Balkan Peninsula, in order to keep the economy at a stable level.

Researchers from the UK and Nigeria O. Adekoya *et al.* (2022) note the serious impact of the war in

Ukraine on the change of the European oil market. This segment of the economy is inseparably linked with the functioning of the energy, food, financial markets, and current assets. That is why the scientists study the relationship of the oil market with such financial assets as foreign exchange and precious metals funds, bitcoins, and stocks while conducting a comparative analysis of indicators before the active military invasion and directly during the war. The results of the scientific analysis show that the oil market is affected in the short term, i.e., depending on one-day indicators, and has a significant spill over effect on the European financial market. Researchers continue their scientific activities on forecasting the development of the oil market and its spill over effects on the economic situation in general. The authors agree with the conclusions of scholars from Nigeria and the UK on the importance of studying the relationship between the oil market and the current assets of investors in the financial market. In their research results, there are no specific comparisons of the situation with oil supply, but the authors substantiate the disruptions in the supply of energy resources in general and the current problems that have arisen as a result of the disruption of logistics connections.

It is worth noting that there is an issue of gradual termination of international economic ties with the aggressor state (Dolnicar & McCabe, 2022). As for the European Union, this concept concerns the maximum severance of ties with Russia, which will mean the restoration of environmental sustainability, energy, and social justice. Such changes in the macroeconomic environment expedite the promotion of strategic programs for the use of clean energy and alternative fuels. After all, a conscious, adapted to modern development energy sector is an important issue of geopolitical security during the crisis, which affects all sectors of economic and industrial activity.

CONCLUSIONS

Since 2020, the global economic system has been seriously affected by the epidemiological crisis caused by the coronavirus infection. The pandemic has had a negative impact on the development of many sectors of the economy, including the financial, transport, social, medical, educational, manufacturing, and logistics sectors. Since the end of 2021, the general rates of economic development, in particular real GDP, have almost reached the level of the last month of 2019. That is why the expert estimates in the field of economics and analytics indicated an increase in the main indicators, considering the future potential. Accordingly, at the time of calculations, the main European institutions were based on strong geopolitical ties and investments. The impact of the Russian-Ukrainian war did not allow for the achievement of the necessary, balanced level of socio-economic development that was observed before the pandemic. After all, due to the long-term supply of

energy resources and agricultural products by Russia, both Russia and Ukraine have experienced disruptions in the work of logistics chains, which has led to the danger of energy, food, and commodity crises, as well as rising prices and inflation. It was determined that the general level of inflation in 2022 increased compared to 2021. The study also predicted the stabilization of the financial stress index in European countries until 2024. With regard to the Western Balkans, it was determined that from the beginning of March 2022, the monetary policy in the region strengthened. However, Kosovo may have negative development prospects due to the lingering impact of external economic pressure. However, it will be possible to avoid such pressure due to real incomes and influence on consumer sentiment. Import prices may gradually increase, which in turn may cause a rise in consumer and producer prices and affect the volume of government spending.

Another problem is the uncertainty about the possible consequences, as the deployment and escalation of the military conflict can be unpredictable and cause even greater economic shock, which has already been felt by financial and non-banking institutions, the government, and individual households. That is why the governing sector of the European Union should introduce strict regulatory measures in the field of monetary, innovation,

and fiscal policy. Certainly, the war has changed the priority areas of development in which current assets were actively invested. Future promising areas of development should be the digitalization of development, strengthening the position of the "green economy". However, at the moment, additional cash flows are needed to maximize the transition to the use of environmentally friendly energy resources and means of electricity supply. That is why a regulated policy can reduce uncertainty and reduce the risks of a new recession.

Further areas of research should be a rational search for optimal conditions for the acquisition of assets to confirm inflation expectations and preserve the political confidence of all financial market participants in the Euro area. Special attention should be devoted to the choice of special macroprudential instruments to address the tightening financial conditions. The main European institutions should agree on global standards for the effective use of crypto assets in the context of their risks and activities.

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CONFLICT OF INTEREST

None.

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Фінансові ринки та зростання цін у Європі після російсько-української війни

Артан Німані

Доктор філософії, професор
Університет Гякова «Фемі Агані»
50000, вул. Ісмаїла Кемалі, м. Гякова, Республіка Косово
<https://orcid.org/0000-0001-6972-9172>

Денис Спахія

Магістр, викладач
Гяковський університет «Фемі Агані»
50000, вул. Ісмаїла Кемалі, м. Гякова, Республіка Косово
<https://orcid.org/0000-0002-4059-0346>

Анотація. Актуальність дослідження зумовлена тим, що європейський фінансовий ринок зазнав прямого негативного впливу внаслідок російської агресії та порушення територіальної цілісності України. Всі ці процеси супроводжуються низкою раніше сформованих і несприятливих для соціально-економічного та фінансового розвитку тенденцій, які ще більше загострилися через військові дії. Зокрема, COVID-19, погіршення стану довкілля, зростання інфляції, деглобалізація, недостатній соціальний розвиток окремих країн, а також дефіцит палива та продовольства. Метою дослідження є проведення порівняльного аналізу фінансової політики європейських країн та окремих країн Балканського півострова, а також обґрунтування особливостей управління фінансовими ризиками та формування прогнозної моделі економічної стабілізації. Для досягнення поставлених цілей було використано наукові методи, зокрема метод аналізу, метод аналогії та метод моделювання. У статті проаналізовано експертні звіти та результати наукових досліджень щодо поточного стану фінансового ринку та монетарної політики в Європі внаслідок російсько-української війни, зокрема на Балканах та в Косово. Проведено аналогію напрямів фінансової політики в період до російського вторгнення на територію України з періодом прямої агресії російської федерації. Охарактеризовано фундаментальні причини зміни цінової політики, зокрема механізмів ціноутворення. Обґрунтовано визначальні чинники фінансових ризиків, інструменти оцінки наслідків, а також узагальнення методів управління для їх зниження та усунення в майбутньому. Розглянуто напрями європейської фінансової підтримки, спрямованої на оборонний сектор та соціально-економічні потреби. Практична цінність роботи полягає в тому, що сформовано концептуальну модель стратегічного розвитку європейського фінансового ринку в контексті стабілізаційних процесів міжнародної фінансової політики, а також продовольчої та енергетичної безпеки

Ключові слова: управління фінансовими ризиками; російська агресія; монетарна політика; продовольча та енергетична безпека; глобальна економічна тенденція
