THE IT MARKET OF UKRAINE IN WAR CONDITIONS: CHALLENGES AND PERSPECTIVES

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The IT market of Ukraine was one of the fastest growing markets of the national economy before the start of the full-scale war. In recent years, the national IT industry has become one of the largest exporters of IT services in the EU, growing by 25-30% every year and generating more than 4% of Ukraine's GDP [1].

Since the full-scale Russian invasion, the IT industry has become almost the only industry that still keeps on developing, creating new places of work, implementing new projects and attracting investments. In the meantime, absolutely all IT companies faced problems related to the war. However, in according with the research "Do IT Like Ukraine" [1], more than 34.3% companies successfully adapted to the challenges caused by the war, 61.3% – that is, instead the vast majority of IT companies did not overcome all challenges, but in general operate normally.

During the period of hostilities, the most significant challenges for companies in the IT market were the following: migration of employees and their families, relocation of companies; the ban on the departure of IT specialists abroad; recruitment of IT specialists; retention of clients and minimization of risks in working with clients; unsustainable national currency regulation and restrictions introduced by the NBU.

Still despite all the challenges and barriers, the IT industry keeps evolving. Under the results of ten months of 2022, the industry grew and brought $6 billion in export revenue to the economy of Ukraine, which is 10% more compared to the same period in 2021. The share of IT services exports in GDP increased by 51% to 5.4%, and the share of services exports increased by 24% to 47%, that is almost half [2].

The IT market demonstrated high level of stability due to the large-scale and rapid reformation of the industry during the war. Most companies managed to effectively implement business continuity plans, switch to flexible work models, relocate teams and diversify offices in Ukraine and abroad. Companies continued to work continuously and implement projects even in blackouts, pay taxes on time, attract new customers, and actively enter the global market.

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The state is also trying to support the development of the industry, in particular, the Ministry of Digital Transformation of Ukraine [3] launched the venture fund Blue&Yellow Heritage Fund together with the venture capital company ffVC. It is focused on Ukrainian enterprises and startups. By the beginning of 2023, the fund has managed to raise 50 million dollars.

The Ukrainian IT industry is a great example of the industry that demonstrates determination and resilience in the face of adversity. Despite the challenges, the industry is investing in its people, working on innovative projects and services and preparing to become a product-oriented business rather than relying solely on outsourcing. This transformation can become the basis for a more successful period of progress in the future, proving that even in times of crisis there is enormous potential for development and progress.

The war created many new problems but the information technology market in Ukraine should remain a motivator of economic progress. Investment is a basic condition for the development of the industry but the solution for a successful future lies in the development of progressive services and products capable of meeting the needs of a war-torn country.

New technologies developments in the field of "military-tech", primarily the development of new drones, seems to be the most promising areas of the IT market development in the near future.

Another promising area of the IT market development may be achieved in the field of cyber security, as well as initiatives in the military field (for example, software for drones, air defense, etc.). Thus, the Ukrainian IT industry can undergo revolutionary changes concerning the current crisis, and after a few years start a new sustainable and progressive phase in the industry.

References:

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