

Future of Ukraine's economy

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Economic outlook

Political crisis

Standard and Poor's
downgrade of the
country's credit rating

Long history of poor
performance



The credit agency
downgraded the economy
from CCC+ to CCC

The main reason is the high
probability of lack of the
financial assistance

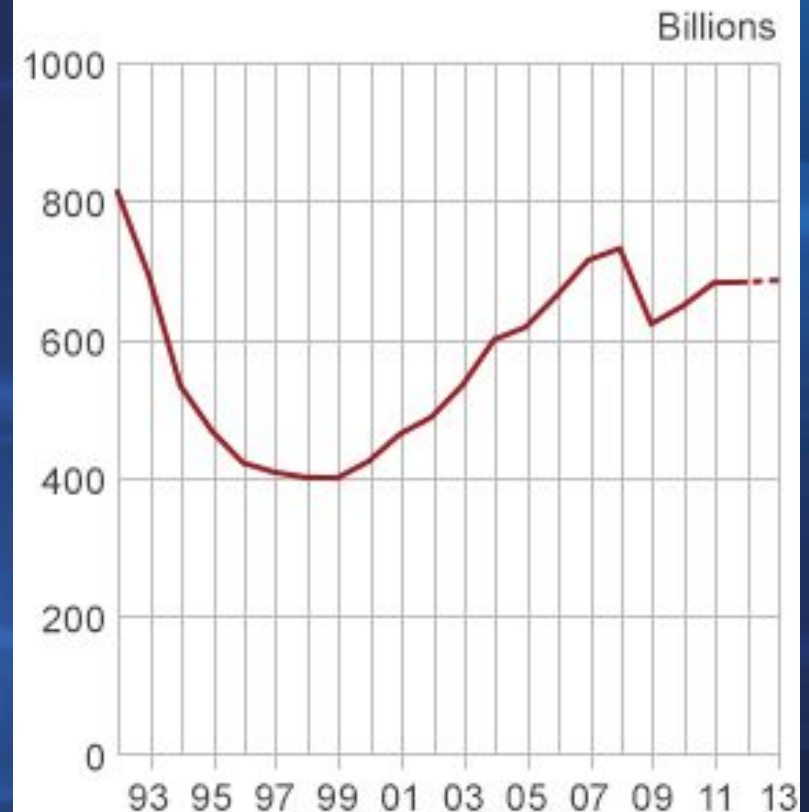
Ukraine was in economic crisis long before the protests

Since the Soviet Union broke up, the economies of the former Soviet Union republics contracted sharply. Much the same happened to the Soviet satellites in Central and Eastern Europe.

Almost all have reversed the decline, but Ukraine has not. **Its economy is still smaller than it was in 1992.**

Ukraine GDP

Constant prices, Hryvnia*



*Base year 2007.

Source: IMF World Economic Outlook

Ukraine's economic burden

Comparison to Poland
(using purchasing power
parity)

The amount of foreign
debt in relation to GDP is
8%

1992

Economy of
Poland



Economy of
Ukraine

Now

Economy of
Poland



Economy of
Ukraine

2 times

A deficit of that size can be manageable if
international financial markets have confidence
in the economic outlook

**But Standard and Poor's declined Ukraine's
credit rating!**

Who can help?

Russia

Russia has promised \$15 billion to Ukraine. The promise was part of a trade agreement which triggered the current crisis. It has provided \$3 billion so far, but with Yanukovich now ousted, it is not clear if the offer is still on the table.

IMF

The IMF agreed a \$15.5 billion loan for Ukraine in 2010, but suspended the deal last year after Kiev failed to implement the required reforms.

European Union

It promised a loan of \$825 million as part of the IMF bailout package.

US

The United States said it is ready to provide more financial support to Ukraine, in addition to the IMF aid.

Ukraine needs \$35 billion over the next two years

The European Union and IMF are unlikely to commit money until they can negotiate the conditions of a rescue deal with a government formed on the basis of the election result

But here's the rub: **Ukraine might not be able to wait that long**



PHOTO: BRENDAN HOFFMAN/GETTY IMAGES

The main problems

Foreign currency reserves

Some economists reckon *those reserves could fall to \$12 billion* or less by the end of this month – **worth just six weeks of imports.**

Ukraine burned through \$1.7 billion of foreign currency reserves in January.

It had about \$17 billion left at the end of January

Currency

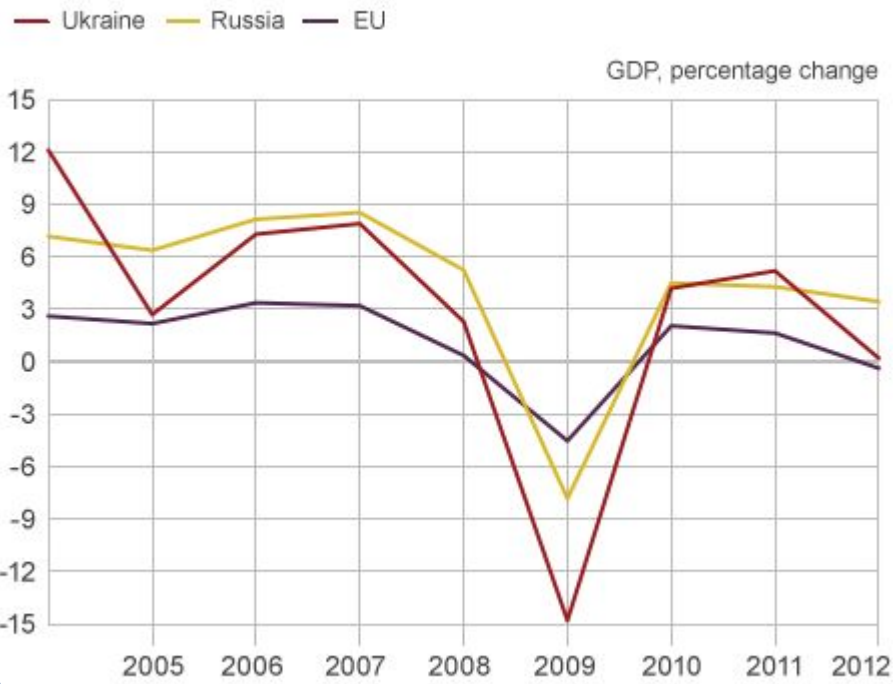
The hryvnia has fallen nearly 12% since the start of the year

Debt

Ukraine has about \$13 billion worth of debt falling due this year, including a \$1 billion bond in June, arrears on Russian gas imports, and about \$3 billion owed to the IMF.

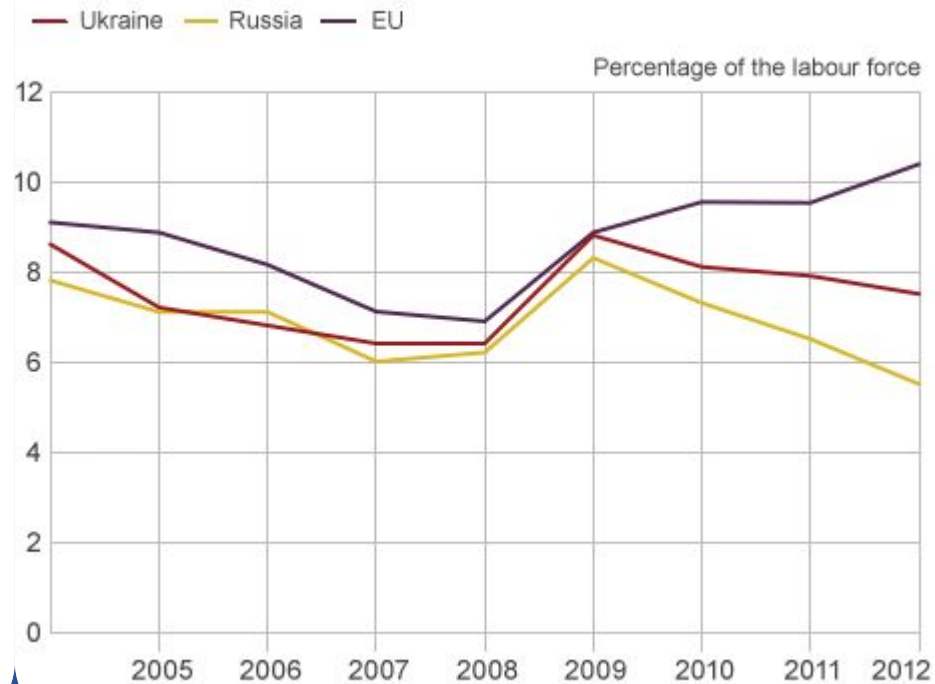
The main problems

Economic growth



Source: World Bank development indicators

Unemployment



Source: World Bank development indicators

***Thank you for your
kind attention!***