

Continuing Growth Despite IMF Issues

Ukraine's economy is clearly enroute to recovery. GDP grew 2.5% y/y in 2017, on the back of private consumption, which rose +7.6% y/y, and local investment, which jumped +18.1% y/y. GDP would have grown even more if not for a -6.3% y/y drop in the grain harvest, and a -16.3% y/y decline in coal extraction.

We expect GDP to accelerate to 3.2% y/y in 2018. The pattern of growth will be very similar to that of 2017, but this time industry and agriculture will contribute to the positive trend. Industrial output has already moved positively, climbing +2.8% for February 2018, and is expected to be strong, on the back of the low baseline. Agro-production also is expected to recover.

External accounts appeared to be in much better shape than previously thought>>>

CONTENTS

Baseline Scenario: Predictable Growth Ahead

Assumptions

Activity: Economy Should Speed Up With Stronger Industrial Output

Inflation Still High, But Likely to Slow as Food Prices Ease in H2

Monetary Policy Goes on a Tightening Track to Fight Inflation

Fiscal Accounts: Revenue Growth Eases as VAT Refunds are Automated

External Accounts: Revised Data on Remittances Improves CAD

Business Conditions: Company Asset Seizures Appear on the Rise Again

Risks: IMF Funding Could Stall, as Populist Policies Gain Traction