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## Early Election Will Do the Economy No Favors

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### EXECUTIVE SUMMARY

Early signals of an easing of economic problems coincided with early presidential election campaigning: the opposition Party of Region launched protests, while President Viktor Yushchenko made a desperate bid to cushion his future, by proposing the Constitution be changed to create a House of Representatives, and that ex-presidents be made senators for life. An annoyed Parliament retaliated by moving up presidential elections to this October 25<sup>th</sup>, from January 17, 2010, the better to get rid of Yushchenko early. There's no deep political meaning in any of this; however, we're now in the throes of campaigning, which will do the economy no favors.

Two major problems – the exchange rate and shrinking real sector – seem to have already hit bottom, at least for the next half year. The *hryvnia* stabilized at close to 8 per \$1; we don't expect it to weaken during the traditionally quiet spring-summer. Industry also seems to be out of tricks for now: output has shrunk more than 30% over the past several months.

Although we now think of these factors as tendencies, not risks (at least in the near-term), we need to watch for other deepening problems>>>

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