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Baseline Scenario for 2009-2010:
Weak

Assumptions

Activity: Real Sector Languishes

Public Sector: Living Beyond Our
Means

External Accounts: The Current
Account Turns Positive

Business Conditions: No
Improvement Expected

Risks: Political Uncertainty Reigns

UKRAINE

Economic Outlook: In Stable But Critical Condition

Executive Summary

Socioeconomic life will continue to be politically driven in 2010. The presidential elections are unlikely to bring stability: regardless of who wins, the main players will keep fighting for control over the key branches of power.

Continued political confrontation will have a negative effect on economic performance. Unlike in the pre-crisis period, when the economy was developing in spite of ruling parties' destructive policies, the country badly needs systemic reforms for the coming years. We are skeptical about the likelihood of a rapid near-term rebound in resource prices. In this situation, domestically-generated growth – which is heavily dependant upon the quality of economic policy – should be viewed as the main potential source of development.

The fiscal gap will remain the major headache for the Cabinet. [>>>](#)