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### Searching for the Bottom

March 6, 2009

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#### EXECUTIVE SUMMARY

The worst fears about one to two years of collapsing real sector performance seem to be coming true. Last year was worse than anyone expected. And now faint hopes of industrial recovery, after the November-December 2008 decline, have been dashed, by a shocking 34.1% slump in industrial output in January.

The poor start to the year, and aggravating domestic and external demand trends, compel stark conclusions that Ukraine is staring at double-digit shrinkage this year. Moreover, our current baseline forecast of 10.7% GDP shrinkage contains little prospect of reversal.

Externally-driven *hryvnia* depreciation has almost ended>>>

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