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EXECUTIVE SUMMARY

The economic situation continues to be deeply negative, with the real sector turning in double-digit declines and the demand side looking bleak. A temporary revival of steel production in July was a brief gleam in the general darkness. In H2, we expect GDP to continue negative, and growth to shrink by about -16.3% for 2009. Q4's low statistical base -- 2008 GDP fell by 8% y/y -- will be the main factor behind growth "improvement."

Despite general *hryvnia* emission expectations, the Central Bank was keeping monetary policy tight in midyear. In contrast to previous years, the monetary base decreased by 1.8% by the end of August (vs. +19.1% a year ago). Furthermore, the stalled banking sector allowed the money supply to drop by 8.8% by the end of August (vs. +19.8% a year ago). Given this tendency, we expect>>>

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