

Will Kolomoyskiy derail the IMF deal?

CONTENTS

Gauging Kolomoyskiy's power: more noise than influence

Arrests of bankers: anti-corruption move or selective justice?

Hryvnia redux: currency keeps strengthening

Industry plunges 5% in October; no revival in sight

Retail trade jumps 12.2% y/y in October on optimistic sentiments

Inflation: strong hryvnia has CPI slowing faster than predicted

Monetary policy: real sector interest rates finally started falling

Fiscal accounts: as revenues fall, Minfin adjusts spending plan

External accounts: CAD narrows, with agro-exports up energy imports down

Calendar of events

When we drafted this report, the IMF mission left Kyiv signaling that the deal was not there. Before that, things in Ukraine seemed to have been moving right along. The Verkhovna Rada had approved a package of very important bills that includes unbundling Naftogaz and reinstating the illegal enrichment provision, and passed the first reading of a land reform bill. The legislature had also approved a realistic 2020 spending plan, with a modest deficit of 2.1% of GDP.

But on the eve of the IMF mission to Kyiv, things suddenly turned quite sour. Firstly, oligarch Ihor Kolomoyskiy dropped a bombshell, telling the *New York Times* that "financing from Russia could replace loans from the IMF." He then claimed that Ukraine would receive \$100 billion from the Russians. After this, law enforcement agencies arranged a series of arrests among bankers, detaining, among others, Oleksiy Pysaruk, a former first deputy governor of the NBU. These developments created a very unfortunate backdrop for the IMF visit.

Foreign observers have already asked many questions about Kolomoyskiy's influence, and have been asking President Volodymyr Zelenskiy to show clearly the independence of his decisions. The Office of the President tried to distance itself from the oligarch at a meeting of G7 ambassadors, stating plainly that "there is no reason to return state-owned PrivatBank to its former shareholders." That was a good start. But after this new set of controversial statements from Kolomoyskiy, it no longer looks like enough >>>