GlobalSource Partners **UKRAINE**

QUARTERLY REPORT

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A Sustainable Recovery That Elections Could Upend

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Ukraine's economy was clearly experiencing a healthy recovery in 2018. GDP sped up to +3.2% y/y, from +2.5% y/y in 2017. Inflation slowed to +9.8% ytd from +13.7%. The hryvnia remained largely stable, losing a negligible 2.2% on average through the year, and even strengthening in the last days of December to UAH 27.70/dollar, vs. UAH 28.10 in December 2017, on the back of the IMF deal. The budget was successfully balanced, with the deficit within the initially targeted limits, according to a MinFin report.

External accounts delivered disturbing news, however. In 2018, the CAD appeared to be double our initial expectation: we'd projected it at $4.9 billion, or 3.8% of GDP. Nearly flat export growth for foodstuffs, coupled with a steady revival of imports, was the main reason for a sharp CAD increase in 2018. In 2019, we expect CAD expansion to be less dramatic, given the record-high 2018 grain harvest.

Despite the wider CAD, Ukraine managed to build up gross international reserves to $20.8 billion (or 3.5 month of imports), from $18.8 billion a year ago **>>>**