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UKRAINE

QUARTERLY REPORT
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Prospects positive after a robust 2019

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Despite concerns about doubled elections and the new president's unusual background, 2019 appeared especially good in economic terms. A $4.9 billion inflow into hryvnia-denominated state bonds; a $2.9 billion payment from Gazprom mandated by the Stockholm arbitration; a 17% strengthening of the currency; a new record-high grain harvest; inflation slowing to 4.1% ytd, below the 6.3% target; and an almost flat CAD, all create a rosy picture for Ukraine. Even MinFin's problems with state collections, which stem from the strong hryvnia and slower inflation, and the recession in industrial production, didn't overshadow the general positive picture. We estimate that GDP has sped up to 3.6% y/y in 2019, from 3.3% y/y a year ago.

To large extent the success of 2019 was the result of lucky coincidences, we believe. It will be difficult to replicate all of those positive features again. Meanwhile, negative trends, with subdued industry performance and a 27.5% drop in natural gas transit, are sure to arrive **>>>**