

Hopes for an economic rally rise

People are calling the new Verkhovna Rada the “green (or mad) printer”: green for the Sluha Narodu’s party colors, and printer due to the speed at which this legislature is spitting out bills. Debates over legislation are very brief and largely token, which means that Ukraine will likely discover that many laws and amendments are flawed. Still, such a pace of work has never been seen in Kyiv before.

Economic numbers remain largely good. The grain harvest was reported up 15.7% y/y by September; the hryvnia remains strong, fluctuating slightly above UAH 25/USD; consumption was growing at +11.8% y/y in Q2; the CAD is smaller than expected; and inflation continues to slow.

Nevertheless, the solid core of the economy—industrial output—is stagnating, at +0.1% y/y by August, complicated by the situation on global markets, and the stronger hryvnia >>>

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Baseline scenario: a good economy, with global slowdown on the horizon

The optimistic scenario: genuine reforms lead to a growth boost

Assumptions

Activity: GDP remains strong, but global slowdown is in the air

Consumer inflation slows faster than expected

Monetary policy: interest rates high, despite NBU easing

Fiscal accounts: a minor shortfall in 2019; 2020 spending plan underway

External accounts: CAD narrows, as imports slow

Business conditions: Still in the planning stage

Risks: inexperience, incompetence and vested interests