

**JCR Eurasia Rating
SOVEREIGN RATING**

**Sovereign
June 17, 2015, Review**

UKRAINE		Long-Term	Short-Term
Sovereign	Foreign currency	B-	C
	Local currency	B-	B
	Outlook	Negative	Negative
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UKRAINE						
Data**	2014*	2013*	2012*	2011*	2010*	2009*
GDP Current Prices UAH (bn)	1,520.00	1,449.40	1,404.66	1,302.10	1,082.57	913.55
GDP Current Prices USD (bn)	126.56	177.84	175.80	163.43	136.42	117.23
Population (mn)	45.42	45.55	45.63	45.78	45.60	45.78
Unemployment Rate (%)	10.60	7.23	7.53	8.50	8.40	9.40
Annual Inflation Rate (%)	24.90	0.50	-0.20	4.60	9.80	15.9
Real GDP Growth (%)	-6.50	-0.10	0.25	5.20	4.20	-15.10
Current Account Balance/GDP (%)	-4.31	-9.29	-8.15	-6.26	-2.21	-1.48
Broad Money UAH (bn)	953.88	906.3	771.3	682.7	682.7	470.49
Reserve Assets USD-(bn)	7.53	20.41	24.56	31.79	34.57	26.50
Exchange Rate UAH per USD	12.01	8.15	7.99	7.97	7.94	7.79

*End of year, ** National accounts data exclude Crimea starting in 2014

Country Outlook and Rating Perspective

Ukraine struggles with deepening recession due to annexation of its Crimea region by Russia in March 2014 and the intensified conflict in its Donbass region. FX interventions to mitigate the sharp depreciation of the Hryvnia (UAH) have reduced the international reserves to critically low levels. Capital outflow fueled by lack of confidence worsened the external financing needs given Ukraine's high level of governmental and external debt and introduced the need for debt-restructuring with debt holders which is currently under negotiation.

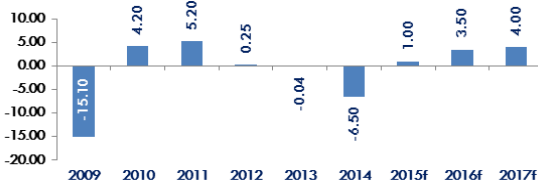
Cancellation of the current Stand-By Agreement and IMF Board's approval of a new four-year extended arrangement under the Extended Fund Facility (EFF) will provide a financing of USD 17.5bn and enable an immediate USD 5bn disbursement in 2015. A total external financing package of USD 40 billion, including debt-restructuring and new official disbursements, is estimated to restore growth and stabilize the economy on the condition that Ukraine Government adopts a set of comprehensive structural reforms and policies.

JCR Eurasia Rating has assigned a negative outlook for the Ukrainian economy based on the high level of public and external debt further increased by exchange rate depreciation, unresolved conflict in the east which undermines confidence, limited external assistance from outside world, and uncertainties in the debt operation process.

→ GDP per Head (GDP -per capita, in dollars)



■ Real GDP Growth



Positive Factors

- Approval of a 4-year IMF program placing the economy on a sustainable path
- Energy sector reforms and restructuring Naftogaz to eliminate fiscal drains
- Prudent monetary policy and amendments to strengthen NBU
- Committed five-party coalition government to implement a comprehensive set of measures
- Structural benchmarks addressing deep rooted challenges to improve business climate
- Decisive banking system reforms to restore financial system
- Slightly improved balance of payment needs

Negative Factors

- Accelerated inflation driven by the sharp depreciation of UAH
- Uncertainties in the debt operation process considering Ukraine's immediate financing needs
- Unresolved conflict in the east of the country deteriorating investment climate
- Increasing unemployment along with education and health spending cuts, aggravating social costs
- Rising non-performing loans further impairing banks' asset quality
- Contraction of steel production and steady decline of commodity prices
- Limited external assistance from the outside world

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"Global Knowledge supported by Local Experience"