

**JCR Eurasia Rating
SOVEREIGN RATING**

**Sovereign
June 29, 2016, Review**

UKRAINE		Long-Term	Short-Term
Sovereign	Foreign currency	CC	C
	Local currency	CC	C
	Outlook	Stable	Stable
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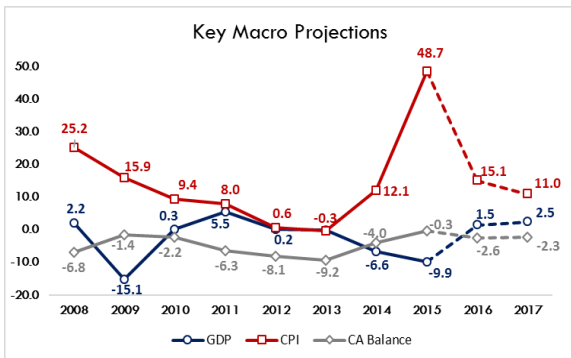
UKRAINE					
Data*	2015	2014**	2013	2012	2011
GDP Current Prices UAH (bn)	1,980.00	1,520.00	1,449.40	1,40466	1,302.10
GDP Current Prices USD (bn)	90.52	126.56	177.84	175.80	163.43
Population (mn)	45.15	45.42	45.55	45.63	45.78
Unemployment Rate (%)	9.48	10.60	7.23	7.53	8.50
Annual Inflation Rate (%)	48.70	24.90	0.50	-0.20	4.60
Real GDP Growth (%)	-9.87	-6.50	-0.10	0.25	5.20
CA Balance/GDP (%)	-0.29	-4.31	-9.29	-8.15	-6.26
Broad Money UAH (bn)	994.06	953.88	906.3	771.3	682.7
Reserve Assets USD (bn)	13.30	7.53	20.41	24.56	31.79
UAH / USD	24.05	15.01	8.15	7.99	7.97

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

The deep political crisis revived in Ukraine following the resignation of the ministers and a vote of no confidence to prime minister of Ukraine which came to power in 2013, due to slow pacing reforms and feeble economic progress. On April 10, a new government was formed on the basis of two largest fractions and was approved by Ukraine's Parliament on April 14, 2016.

Ukraine is currently implementing a comprehensive program under the four-year EFF program amounting to USD 17.5 billion. At present, Ukraine has received only the first tranche worth USD 5bn on March 13, 2015, and the second one worth USD 1.7bn on August 4, 2015. Newly formed Ukrainian government's cooperation with IMF will be crucial considering the previous failure of government to deliver substantial efforts in realizing reforms. To keep Ukraine on a path to steady recovery and sustainable growth, implementing the roadmap actions and prompt measures agreed with IMF will be vital.

JCR Eurasia Rating has downgraded the Long Term FC and LC sovereign ratings of Ukraine to 'CC', a speculative and assigned a 'Stable' outlook.



Positive Factors

- Bottomed out economy returned to positive GDP growth
- Considerable spending cuts and improved revenue performance to rehabilitate government's finances
- Prudent stance of National Bank of Ukraine (NBU) to achieve an annual inflation forecast of 12%
- Recent change in the IMF's bylaws regarding its lending into arrears policy enables the Fund to lend to a member
- Comprehensive technical assistance requested by government and provided by the fund
- Reforms covering energy sector, public procurement, restoration of NBU

Negative Factors

- Defaulting on a USD 3 billion debt to Russia eroding the Country's credibility
- Sizable financing needs in the short term regarding energy security, rebuilding eastern Ukraine and to remain solvent
- Reduced living standards due to austerity measures covering social assistance, healthcare and education
- Recovery in the local currency deposits which failed to translate in to credit growth
- Exports figures strained by falling global commodity prices
- Delayed IMF loan under the EFF due to unaccomplished reforms including improving governance and fighting corruption
- Downward revision of the global economic growth projections

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