

Sovereign Rating

New Update

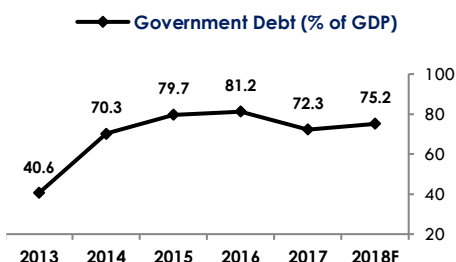
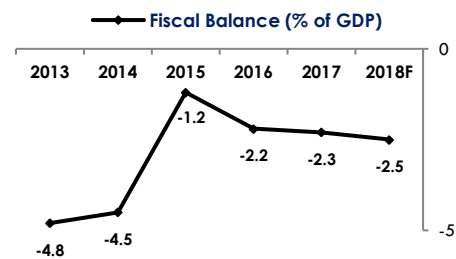
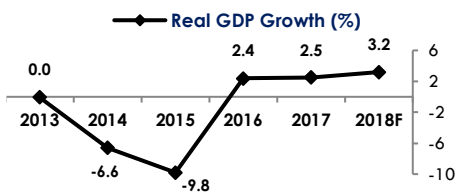
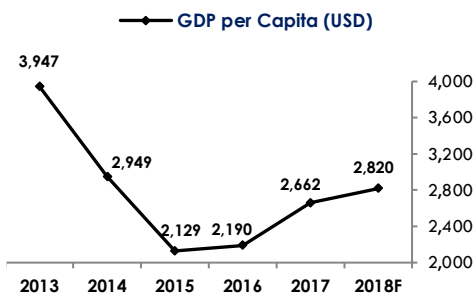
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RATINGS

		Long	Short	
Sovereign	Foreign Currency	B-	C	
	Local Currency	B-	C	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable



Ukraine

Macroeconomic Variables

Data	2017*	2016*	2015*	2014*	2013*
GDP Current Prices (UAH bn)	2,983	2,385	1,989	1,587	1,465
GDP Current Prices (USD bn)	112.9	93.3	91.0	133.5	179.6
Population (mn)	42.4	42.6	42.8	45.3	45.5
Unemployment (% of labor force)	9.4	9.3	9.1	9.3	7.3
Annual Inflation (CPI) (%)	13.7	12.4	43.3	24.9	0.5
Real GDP Growth (%)	2.5	2.4	-9.8	-6.6	0.0
Current Account Balance/GDP (%)	-3.5	-4.1	-0.3	-3.9	-9.2
Foreign Debt (% of GDP)	109.8	129.4	134.9	98.3	82.2
Off. International Reserves (USD bn)	18.8	15.5	13.3	7.5	20.4
Exchange Rate (UAH per USD)	28.3	26.9	24.0	15.8	8.2

* End of year

Bn: Billion, mn: million

Ukraine's economic, social, and political problems, exacerbated by conflicts in Eastern Ukraine continue, although conditions somewhat improved in 2016 and 2017. Tight fiscal and monetary policies in line with a focus on economic programs under the *Extended Fund Facility* with the International Monetary Fund have helped establish a sound base for improvement in conditions. However, due to tight policies, economic conditions remain difficult for the population, corruption remains high, and the popularity of the government is low. Despite a second year of modest real GDP growth in 2017, the level of poverty remains above pre-crisis levels. Although the fiscal deficit of 2.3% of GDP in 2017 was within the target, government debt levels remain high.

Bolstering economic growth and addressing macroeconomic vulnerabilities require progress on the unfinished structural reform agenda, which, together with some headway on the IMF program, would also help to strengthen investor confidence. In these regards, JCR Eurasia Rating has assigned the Long-Term Foreign and Local Currency Sovereign Ratings of Ukraine as "B-" with "Stable" outlooks. An upgrade in Ukraine's current sovereign ratings and outlooks require robust measures to safeguard macroeconomic stability and completion of pending reforms especially in land markets, the financial sector, anticorruption, and privatization, which would bolster investor confidence and FDI, as well as boost economic growth.

Strengths

- Positive reform momentum
- Gradually improving economic indicators
- Ongoing multilateral/bilateral support
- Inherent economic potential
- Abundant natural mineral resources
- Ongoing interest of EU and the western countries

Constraints

- Internal division in the country
- High level of corruption within institutions
- Ongoing geopolitical risks
- Existence of oligarchs and vested interests
- Existing financing and fiscal pressures
- High inflation and interest rates
- Above pre-crisis level of poverty despite modest decline in 2017
- Ongoing current account deficits increase the dependence on external funds