

Sovereign Rating

New Update

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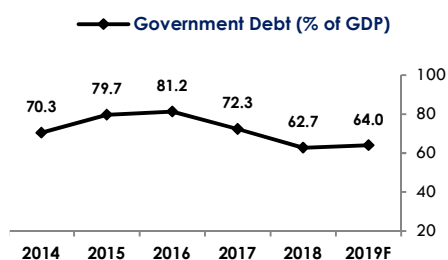
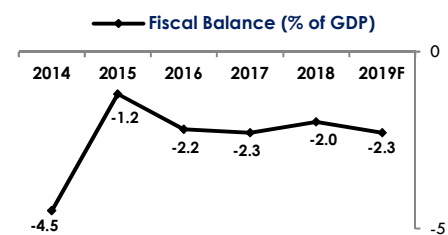
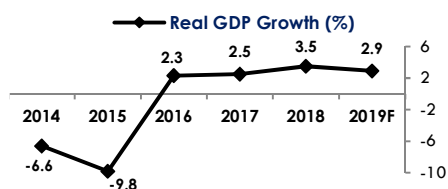
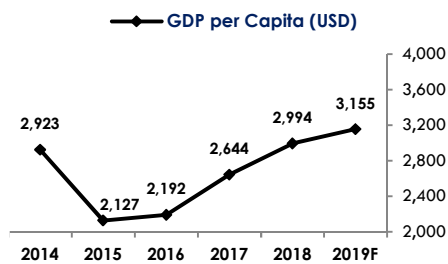
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RATINGS

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



(*) F: Forecast

Ukraine

Macroeconomic Variables

Data	2018*	2017*	2016*	2015*	2014*
GDP Current Prices (UAH bn)	3,428	2,983	2,385	1,989	1,587
GDP Current Prices (USD bn)	126.4	112.1	93.4	90.9	132.3
Population (million)	42.2	42.4	42.6	42.8	45.3
Unemployment (% of labor force)	9.4	9.2	9.3	9.1	9.3
Annual Inflation (CPI) (%)	9.8	13.7	12.4	43.3	24.9
Real GDP Growth (%)	3.5	2.5	2.3	-9.8	-6.6
Current Account Balance/GDP (%)	-3.6	-2.2	-1.4	1.8	-3.5
Foreign Debt (% of GDP)	90.8	103.0	120.5	129.4	94.7
Off. International Reserves (USD bn)	20.8	18.8	15.5	13.3	7.5
Exchange Rate (UAH per USD)	27.5	28.3	26.9	24.0	15.8

* End of year, Bn: Billion

The Ukrainian authorities have been able to restore macroeconomic stability and growth following the severe economic crisis of 2014-15, with strong support from the international community. However, with some notable exceptions, efforts to create a more dynamic, open, and competitive economy still falls short of expectations. In addition, the Ukrainian economy continues to face important challenges such as weaker than expected growth rates, weak business environment, high level of corruption, higher than pre-crisis level of poverty, investor confidence held back by delays in key reforms, high NPL ratios in the banking sector, and substantial domestic and external financing needs in an increasingly challenging financing environment. As Ukraine faces major public debt repayments in 2019 and 2020, it is critical to limit the budget deficit for 2019 below the fiscal deficit target of 2.5% of GDP.

Bolstering economic growth and addressing macroeconomic vulnerabilities require progress on the unfinished structural reform agenda, which together with some headway on the new 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 structural 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

- Continuing positive reform momentum
- Ongoing multilateral/bilateral support of international organizations
- Gradually improving economic indicators
- Inherent economic potential supported by well-educated population and abundant fertile arable lands
- Abundant natural mineral resources
- Ongoing support of EU and 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
- Higher than targeted inflation and relatively high interest rates pressure investments growth
- Above pre-crisis level of poverty
- Growing external trade and current account deficits increasing the dependence on external funds