JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

Sovereign Rating

☐New ☒Update

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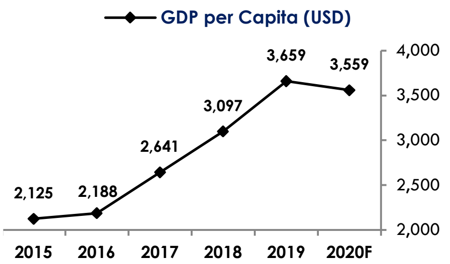
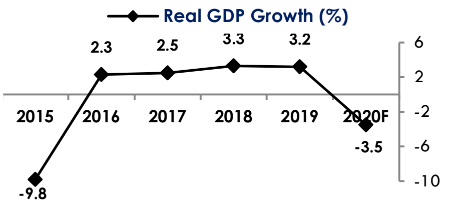
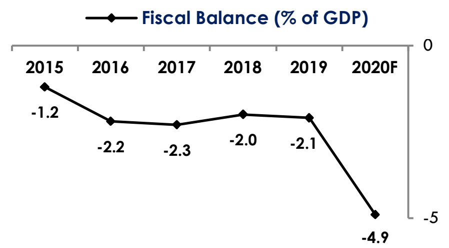
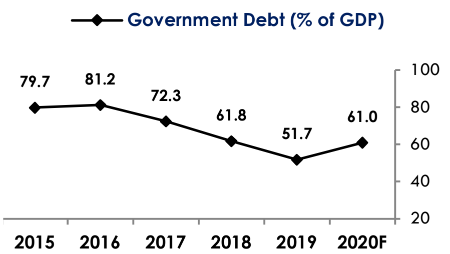
RATINGS

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









(*) F: Forecast

Ukraine

Macroeconomic Variables

Data	2019*	2018*	2017*	2016*	2015*
GDP Current Prices (UAH bn)	3,975	3,561	2,984	2,385	1,989
GDP Current Prices (USD bn)	153.8	130.9	112.2	93.4	91.0
Population (million)	41.9	42.2	42.4	42.6	42.8
Unemployment (% of labor force)	8.9	8.8	9.5	9.4	9.1
Annual Inflation (CPI) (%)	4.1	9.8	13.7	12.4	43.3
Real GDP Growth (%)	3.2	3.3	2.5	2.3	-9.8
Current Account Balance/GDP (%)	-3.1	-3.3	-2.1	-2.0	-0.2
Foreign Debt (% of GDP)	79.2	87.6	102.9	120.5	129.3
Off. International Reserves (USD bn)	25.3	20.8	18.8	15.5	13.3
Exchange Rate (UAH per USD)	23.7	27.7	28.3	27.0	24.0

* End of year, Bn: Billion

Ukraine has experienced acute political, security and economic challenges during the past six years. Following the "Maidan" uprisings in February 2014, Ukraine has witnessed several challenging events such as the outbreak of conflict in eastern Ukraine and the annexation of Crimea by Russia. 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 by carrying out key reforms including; carrying out significant fiscal consolidation, moving to a flexible exchange rate regime, reforming energy tariffs and social assistance policies, enhancing the transparency of public procurements, simplifying business regulations, stabilizing and restructuring the banking sector, moving forward on health and pension reforms, and establishing anticorruption agencies.

However, with some notable exceptions, efforts to create a more dynamic, open, and competitive economy still falls short of expectations. In addition, the Covid-19 pandemic is forcing a sudden slowdown in economic activity. The response to pandemic in Ukraine is expected to require public health interventions, social assistance for vulnerable households, and economic reforms to mobilize adequate international financing to support the economic growth once the crisis subsides. A weakening appetite for additional reforms and imprudent fiscal management remain as key domestic policy risks. Current President Zelensky's Government remains committed to an ambitious and wide-ranging reform agenda. Consequently, mainly due to positive developments in economic fundamentals and structural reform efforts, JCR Eurasia Rating has upgraded the Long Term Foreign and Local Currency Sovereign Ratings of Ukraine from "**B-**" to "**B**" and affirmed its Short Term ratings as "**C**" with "**Stable**" outlooks.

Strengths

- Ongoing multilateral/bilateral support of international organizations
- Improving economic indicators until the outbreak of the Covid-19 pandemic
- Continuing positive reform momentum
- 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

- Slowdown in economic growth and expected deterioration of economic fundamentals due to Covid-19 pandemic
- Ongoing geopolitical risks
- Uncertainties regarding the reform momentum and relations with key creditors
- High level of corruption within institutions
- Existence of oligarchs and vested interests
- Low levels of fixed investment and FDI
- Above pre-crisis level of poverty
- Exchange rate risks arising from FX denominated debt

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