

**JCR Eurasia Rating  
SOVEREIGN RATING**

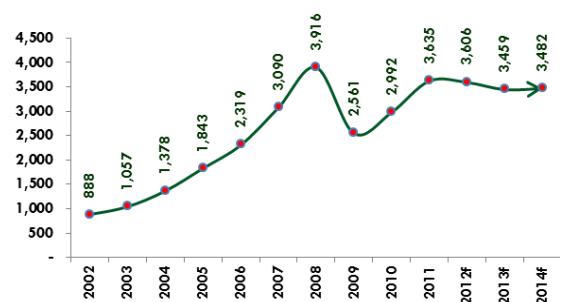
**Sovereign  
June 2012**

UKRAINE		Long Term	Short Term
Sovereign	Foreign currency	B+	B
	Local currency	B+	B
	Outlook	Stable	Stable
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UKRAINE MAIN INDICATORS						
Data	2011*	2010*	2009*	2008*	2007*	2006*
GDP Current Prices UAH (bn)	1,317	1,083	913	948	720	544
GDP Current Prices USD (bn)	165	136	117	179	142	107
Population (mn)	45.45	45.60	45.78	45.96	46.19	46.47
Unemployment Rate (%)	8.20	8.40	9.40	7.50	6.90	8.20
Annual Inflation Rate (%)	7.2	9.8	15.9	25.2	12.8	11.6
Real GDP Growth (%)	4.80	4.20	-15.1	2.70	7.70	7.10
Current Account Balance/GDP (%)	-5.45	-1.91	-1.48	-7.09	-3.69	-1.50
Broad Money UAH (bn)	967	861	809	778	440	249
Official International Reserves USD (bn)	2,455	-8,461	5,654	-1,080	-8,980	-1,999
Average Exchange Rate UAH per USD	7.97	7.94	7.79	5.27	5.05	5.05

\*End of year

**GDP Per Capita In US Dollars**



**Real GDP Growth %**



**Country Outlook and Rating Perspective**

Ukraine has taken significant steps in devoting itself to democratic values and an open market economic system as an independent and secular state.

The second largest economic power of the former Soviet Union, Ukraine improved the dynamics of its socioeconomic development during the last decade as evidenced through the maintenance of high growth rates and significant improvement in household incomes.

The political scene is characterized by harsh political rivalries and a concentration of power among the two parties and has resulted in political crises.

Full utilization of its strategic location, food production capacity, industrial experience and energetic entrepreneurs will require the country to resolve such primary issues as security of property rights, corruption in bureaucracy, legal permits, registration of property, payment of taxes, across border trading facilities and insolvency.

Ukraine's international relations framework is mainly patterned by three pillars; a democratic system accompanied by an open market economy, its status as a regional player and its relations with the EU and the West – the latter posing some challenges and trade-offs with regard to its regional relations.

Despite some adversities during the second half of 2011, the monetary and fiscal authorities of Ukraine were able to sustain growth rates through rigid measures for two successive years following a deep contraction period in 2009 – accompanied by the lowest consumer inflation in the previous nine years.

**Positive Factors**

- Government's convenience of access to external and domestic debt market
- Strategic importance via its geopolitical location between Russia and the EU
- Strategic natural resources
- Highly trained and well-educated labor force of 20 million and entrepreneurial dynamism
- Expansion of financialization level and improvement in relevant regulations
- Low level of fiscal deficit
- Consensus in the field of politics regarding necessary reforms
- Harmonization efforts with the EU
- Sizeable FDI increases during the 2000s

**Negative Factors**

- Vulnerability to financial shocks through external dependency
- Large shadow economy
- High volatility of inflation rates
- High level of corruption and bribery despite government's discouragement
- Political rivalries and slow policy making
- High level of gross external and domestic debt of government and private sector compared to GDP
- Unsustainable foreign currency exposure
- Pressure on investors exerted by adversities in business climate
- Increasing budget expenditures on social security due to threats on continuing fiscal deficit reduction posed by the upcoming election
- Deterioration in lending base through declining rollover rates of the banking sector

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**"Global Knowledge supported by Local Experience"**

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