

UKRAINE

With Pro-Ukrainian Sentiment Strengthening, Outlook is Positive

CONTENTS**Turmoil at the East: Tense, but Outlook is Positive****Ukrainian Oligarchs: A Crash of Business Empires?****Economic Reforms: IMF Support Expected Soon****Industry: Output Shrank 6.8% in March****Organized Retail Trade: Set to Decline after Devaluation****Prices: Devaluation and Gas Tariff Rises Drive Climb****Monetary Policy: In Search of New Bearings****Fiscal Accounts: Cautious Optimism****External Accounts: Should Improve on Devaluation and Inflows**

Ukrainian authorities haven't yet been very effective in fighting Russian invaders: rather, they've been careful to avoid injuring innocent civilians. And, due to Ukrainian indecisiveness, pro-Russian activists have begun terrorizing local residents. Slovyansk and Kramatorsk, small towns in the Donetsk oblast occupied by Russian saboteurs, have become the key locations of aggression. It hasn't taken long for fallout to develop: anti-Russian sentiment is rising fast. Surveys show that, in just one month, the percentage of Moscow supporters fell to 27.5% in Donetsk, down from 33% in March. This trend seems unlikely to reverse.

Though the situation in the East is complicated, we see signs of improvement in all oblasts but Donetsk. The appointment of Igor Kolomoyskiy, a Ukrainian oligarch and head of the European Jewish Council, as the governor of Dnipropetrovsk oblast (which adjoins Donetsk) has helped stabilize the situation. Since taking office, Kolomoyskiy has created self-defense regiments; has announced rewards of \$10,000 for the capture of each pro-Russian saboteur; and has worked assertively to clean up local law enforcement bodies.

Rinat Akhmetov, the richest man in Ukraine, and a long-time supporter of Viktor Yanukovich, appears much less patriotic>>>