

UKRAINE

# On an Uncertain Path

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Despite this year's impressive grain harvest, the domestic economy still faces plenty of uncertainty, linked to gas imports and the outlook for grain exports. The risk of another global recession also raises many questions about the development path of Ukraine, and the region. Nonetheless, for the moment we see a good chance for Ukraine to develop smoothly, and to show strong macroeconomic results over the next 18 months.

In 2011 we expect 5.7% y/y GDP growth, surprisingly low Q2 estimates and projected slowdown in industrial output notwithstanding. An almost 30% grain harvest increase this year, and steady double-digit internal private consumption growth, are the main reasons for our optimistic view.

External accounts also have a chance to improve, in view of lowered Russian gas imports in H2, and strengthened grain export capacities (due to the outstanding harvest). Still, this opportunity could be missed>>>