

UKRAINE

Critical Cash

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Though Ukraine made it smoothly through 2012, the uncertainty isn't over. Next year, payments due to the IMF will surge by 60%; the current account deficit will keep growing; and the Central Bank will be forced to address devaluation.

Against this backdrop, smooth economic growth in 2013 will hang on two critical assumptions: 1) that the IMF stand-by program will resume, or at least that the Fund will offer some positive signal, and 2) that the Bank will finally manage to devalue the *hryvnia* by 5% to 10%, without triggering catastrophic chain reactions.

If those challenges are accomplished, we can think about gradual revival of growth next year, with 1.4% expansion of GDP (from an 0.8% increase expected in 2012); a modest CAD rise, to 7.8% GDP (from 7.6% GDP this year); and a relatively safe gross reserve, at above \$20 billion.

But failure to comply with the IMF requirements>>>