

**UKRAINE**

# Economy Stabilizes, But Recovery is Far Away

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We continue to observe positive developments in the economy. GDP shrinkage slowed down from -17.2% y/y in Q1 to -14.6% y/y in Q2. Industrial output's ongoing decline shrank "just" -5.8% y/y in August, from -20.5% y/y in H1. As the hryvnia strengthened, disinflation was also noticeable. The risks that could potentially contribute to a default have waned, particularly after a debt restructuring deal was reached.

Still, economic recovery has yet to be found on the agenda of the day, thanks to falling global resource prices, and the regional situation that has surfaced due to Russia's economic problems. Against this backdrop, we expect the performance of the Ukrainian economy to remain sluggish, at least till mid-2016. So we have lowered our 2015 GDP forecast to -11.0% y/y (from -8.7% y/y, previously), and to +0.8% y/y (from +2% y/y previously) for 2016>>>