

**UKRAINE**

# A Sad Lack of Growth Prospects

All indicators suggest that 2016 will see GDP growth of 1.2% y/y. The bad news is that this minor rise is primarily due to a low comparative base, after two years of contraction. Unfortunately, we don't see solid evidence that growth will continue. External demand, traditionally at the core of the Ukrainian economic growth, promises to be sluggish, amid declining resource prices, the Russian embargo on Ukrainian food imports and the abolition of the free trade agreement. Domestic demand is unlikely to lead a recovery. Moreover, any investment boom is unlikely to make its way to Ukraine, given widespread corruption and the authorities' lackluster efforts to leave the old system behind. Indeed, it looks as if 2016 will be a year of stagnation. Economic developments will largely depend upon deregulation progress, reform of the judicial system and prosecutorial bodies, and the tax administration and customs services >>>

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