

UKRAINE

Stagnation Ahead

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Rather confusing signals for the Ukrainian economy emanated from the first months of this year. On the one hand, resource prices strengthened, meaning that deeper economic decline is unlikely. On the other, a corruption scandal involving President Petro Poroshenko's cronies has effectively blocked Western support, and has created yet another domestic political crisis. Amid economic stagnation, the data appears to indicate a relatively satisfactory macroeconomic situation for the rest of 2016.

In fact, the political crisis triggered by a recent corruption scandal is one of Ukraine's most pressing issues right now. We assume that, despite a possibly slow process to deal with the issue, it will eventually be resolved. Yet we understand perfectly well that the technocratic government society and Western donors are demanding is an arguable idea in itself, and certainly a threat to local elites, who will put up stiff resistance, to keep their rent-making schemes going for as long as possible. Only incredible pressure from the public and a halting of Western aid support can force local elites to accept giving up at least some of their rent-seeking schemes, if only for the sake of survival >>>