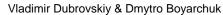
## QUARTERLY REPORT



July 25, 2017



## Good but Sad

The general picture for Ukraine's economy is both good and not so good. The economy is now in the black, and GDP grew a much better than expected 2.5% y/y in Q1 2017. Still, growth was driven by a temporary improvement in the balance of trade — a trend that shifted during April. We now expect GDP growth to slow over the year, and project 1.8% y/y growth for 2017, down from 2.3% y/y in 2016.

The rupture in economic relations with occupied Donbas passed without notice for most ordinary Ukrainians. The hryvnia remains stable, and budget revenues are booming. Industrial numbers also recovered from May but for 6m 2017 industry is still in the red, with -0.4% growth.

External accounts are robust, with the CAD only slightly exceeding last year's levels, at \$1.1 billion, vs. \$1 billion for May. However, the trade deficit has already visibly widened since April, which threatens a CAD expansion to \$4.4 billion, or 4.2% of GDP in 2017, up from \$3.8 billion or 4.1% of GDP a year ago >>>

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