

# Embarking on a New Growth Cycle

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The economy is performing far better than expected. Derzhstat, the statistics agency, reported a 2.4% y/y GDP increase in Q2, twice faster than we initially projected. Booming local investment — +22.5% y/y for H1 — and recovering consumption are the drivers. Remarkably, this result was achieved despite a slight drop in industrial output, and a break in relations with occupied Donbas.

This upward trend, coupled with a new wave in price growth among exports, tells us that the economy is beginning a new growth cycle. We may be able to forget about crisis aftermath: the main discussion could be about new heights in growth potential.

Still, political developments are worrisome. Pre-election jockeying has already started, and President Petro Poroshenko's first steps in this game have been really disappointing. First, he stripped Mikheil Saakashvili, the ex-president of Georgia and now leader of the new opposition party "The Movement of New Forces," of his Ukrainian citizenship. This has caused a serious stir: many observers compared it to ex-president Viktor Yanukovich's imprisonment of Yulia Tymoshenko. Oddly, this makes little sense, since Saakashvili lost popularity among Ukrainians long ago >>>