

UKRAINE

A Season for Trouble

**Swine Flu Panic May Shave 1 PP
from 2009 GDP Growth**

**Social Amendments: The
President's Parting Shot**

**Currency Fears Driving the
Action**

Executive Summary

A media frenzy over a supposed swine flu epidemic in early November created a national panic that temporarily overshadowed the economy as the overriding public fear. Schools shut for three weeks; many public events were canceled; and people stayed close to home, dealing a blow to restaurants, groceries and transportation. The epidemic, or fears of it, could shave as much as an additional 1 p.p. from the potential GDP growth rate.

The presidential campaign has also brought more – and unwelcome – surprises. President Viktor Yushchenko at the end of October unexpectedly signed a controversial law that authorizes a significant rise in social spending, by hiking the minimum wage, and stipulating other spending provisions. The IFIs have already stridently criticized the law, for it will further bloat the public deficit, raise labor costs for already-depressed enterprises, and rock the fragile boat of negotiations with the IMF. No one expected Yushchenko, who until now has protected the IMF deal, to sign off on this>>>