

UKRAINE

Hope Springs Eternal

Yearning for Turnaround

The Business Environment: Post-Election Scenarios

Traditional economic indicators are sending out all the right signals to suggest economic recovery. By the end of 2009, industrial output was growing, the current account was moving toward balance, and the banking sector had stabilized. However, our outlook is not especially optimistic.

In pre-crisis 2008, the Ukrainian ferrous metallurgy, the core of the country's, economy, approached the upper limit of its production capacities, since investment in developing that capacity was poor. So, even if Ukraine experiences strengthening of demand for its exports, the country is likely to enjoy only short period of recovery growth.

Yet, after a year of economic hardship, Ukrainians are longing for an improvement in their well-being. In this situation, a sense of "turning point" will be of great political importance. It is high time for policymakers to start thinking about a new growth model for the country, such as improving the business climate, stabilizing the political process and starting urgent reforms. Unfortunately, the authorities are ignoring their "homework," and just sit around waiting for the supposedly "inevitable" return of pre-crisis prosperity. However, unlike in the prosperous time of high export prices, authorities' loose attitude toward internal reforms is very likely to be politically punished this time.

That means forecasts for the business environment will be especially important for the post-election period[>>>](#)