

## UKRAINE

# Unhappy Endings

**CONTENTS****Overview: Shame and Poverty****Industry: Stagnating****Retail Trade: Growth Driver****Prices: CPI Growth Dwindles, as PPI Rebounds****Interest Rates and Monetary Policy: Rates to Fall****Fiscal Accounts: Collections Slowing****External Accounts: Better?**

Ukraine is sinking deeper into international embarrassment. Although the economy and currency are being desperately held together in the runup to the October 28<sup>th</sup> elections, we expect turbulence after that.

The shocking April incident in which jail guards beat up incarcerated former Prime Minister Yulia Tymoshenko was decried domestically and abroad, and has only worsened the already-negative image of the ruling group. Now many Western politicians are openly wondering if Ukraine is going the way of Belarus – German Chancellor Angela Merkel made this comparison, and called Ukraine a “dictatorship” -- and many are calling for the boycott of the Euro 2012 soccer championship, scheduled to start June 8<sup>th</sup>.

The economy is stagnating. Industrial output was flat in April, y/y, and government budget revenue growth plunged to 1.6% y/y, from 14.4% in Q1. The situation isn't critical yet>>>