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## UKRAINE

# What's Driving Growth?

## Executive Summary

The Ukrainian economy continued recovering through Q3, against a background of rapidly-reviving domestic demand. Despite pessimistic consumer sentiment, private consumption has kept on accelerating (10.1% y/y in Q3). On top of that, investment demand has shown a sharp quarterly increase, by 7.4% y/y, after two years of decline. As a consequence, the strengthened economic activity encouraged us to improve this year's GDP forecast to 4.4% y/y, from 3.6%. However, we're sticking with our earlier 2011 forecast (5.5% y/y of GDP growth), mainly due to our expectations of continued strengthening of internal consumption.

While the real sector surely benefited from recent tendencies, internal demand trends appeared to be bad news for currency stability>>>