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Ukraine Predicts 4.3 Percent Drop in GDP in 'Difficult' 2015

By The Moscow Times

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A year of revolution and war with separatists has pushed the hryvnia currency to record lows.

KIEV — Ukraine's Finance Minister forecast the economy will shrink by 4.3 percent next year and warned of the huge challenge of getting state finances in order as she presented a draft budget to parliament on Tuesday.

A year of revolution and war with pro-Russian separatists has pushed the hryvnia currency to record lows and crippled the economy, which was already near bankruptcy after years of corruption and economic mismanagement.

Finance Minister Natalia Yaresko said 30 percent of next year's budget would be spent on defense and debt obligations and the deficit would be 3.7 percent of GDP.

"A difficult year awaits us," Yaresko told deputies, who are under pressure to approve a budget as soon as possible in order to get the next tranche of financial aid under a $17-

billion International Monetary Fund loan package.

Yaresko highlighted the financial toll of the standoff with eastern rebels, saying the conflict cost the government 100 million hryvnia ($6.3 million) every day.

"Without the help of foreign partners we won't be able to overcome the crisis," she said.

Earlier this month Kiev said it needed the IMF to expand its bailout program due to the worsened economic outlook, but the Fund and Ukraine's other Western backers have made it clear any further financial assistance will hinge on Kiev implementing long-promised reforms.

Prime Minister Arseniy Yatsenyuk said the proposed budget was drafted based on a forecast average rate for the national hryvnia currency of 17 to the dollar.

The average hryvnia rate at a daily Central Bank auction on Tuesday was 15.75. The currency has weakened nearly 50 percent since the start of the year.

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