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Ukraine's Hard Currency Reserves Suffered Biggest Fall Since Soviet Era in 2014

By The Moscow Times

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KIEV — Ukraine's foreign currency reserves were down to just over $7.5 billion last year, the lowest level for 10 years and barely enough to cover five weeks of imports, pressured by external debt repayments including to the International Monetary Fund and to Russia for gas.

The figures from the Central Bank starkly illustrated the ex-Soviet country's parlous financial state after a tumultuous year in which street protests chased a Moscow-backed leader from power, Russia annexed Crimea and separatist conflict erupted in the east in which more than 4,700 people have been killed.

The Central Bank said reserves were at $7.533 billion as of Jan. 1 showing a fall of 63 percent over last year, the steepest yearly fall in Ukraine's post-Soviet history.

In December alone, reserves fell 24 percent from $9.966 billion, already a 10-year low, the bank said.

The figures emerged as a team from the International Monetary Fund (IMF), which has thrown Ukraine a $17 billion financial lifeline, continued its work in Kiev to assess long-term prospects for the economy and review the planned reforms by the pro-Western leadership.

The government of Prime Minister Arseniy Yatsenyuk expects the visit to unlock three tranches of new and overdue credit, possibly totaling more than $4 billion, with the bailout program possibly being expanded beyond $17 billion.

Ukraine has sought to protect its currency reserves levels by not intervening since early November to prop up the national currency the hryvna whose value has dropped to around 15.7 to the dollar.

But repayment of $14 billion of external debt falling due in 2014 took its toll.

This included repayments to the IMF under an old bailout program, a $1.7 eurobond payment by the state gas company Naftogaz which was guaranteed by the government and $3.1 billion worth of outstanding Naftogaz debt to Russia's Gazprom for supplies of natural gas.

"FX reserves have dropped $12.9 billion over the year — probably a clear indication of the size of the annual financing gap now. They also now represent the lowest level since 2005," Timothy Ash of Standard Bank wrote in a commentary.

Reserves peaked at $38.4 billion in April 2011.

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