

Ukraine as a dubious investment project

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We live in an era of loans and borrowings. A house, a car, a fridge, a telephone and much more are often bought on credit. According to a very similar scheme, on a somewhat larger scale, all states are functioning.

In this case, international monetary and credit institutions such as the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development (EBRD) and others play a significant role in the global economy.

Of particular importance such organizations acquire for countries whose economies are transitional. To those at the present time can be counted Ukraine.

And it is not surprising that recently released by the European Bank for Reconstruction and Development (it is the largest foreign investor in Ukraine and generally invested more than 12.5 billion euros) annual analysis, which says that Ukraine's economy is in a revival stage and shows a positive dynamic, caused Kiev, a flurry of positive emotions and was perceived as a hint of the possibility of new loans. At the same time, it seems that no one pays much attention to the words that the initiated positive reforms have not yet been brought to fruition.

The bank's report also states that «the key factors for accelerating Ukrainian economic development should be compliance with fiscal policy, lowering nominal interest rates and improving the business climate».

The permanent representative of the International Monetary Fund in Ukraine, Jost Lyungman, agreed with these provisions during the presentation of the economic outlook for the

European economy and a look at the macroeconomic trends of the Ukrainian economy.

According to the EBRD, in 2017, the Ukrainian economy showed an increase of 2.5%. In the current year, this figure could increase to 3.5%. At the same time, analysts at the bank are confident that Ukraine will continue to need financial support from external donors, in particular the International Monetary Fund, to achieve macroeconomic stability.

In the released analysis, the approval of the creation of an anti-corruption court, the approval of laws on privatization, foreign exchange operations, the management of state banks and the protection of creditors' rights are reflected as positive aspects.

Investors consider the extreme level of corruption in Ukraine as the main problem of the Ukrainian economy. They estimate that if corruption were maintained at the average European level, then the economy could grow up to 5% per year.

In addition, a huge level of emigration in the near future can lead to problems in the labor market, which will have a negative impact on the growth rate of the country's economy.

According to the analysts' forecasts, it is not very difficult for Ukraine to achieve macroeconomic stability. To do this, you must adhere to fiscal policy and reduce nominal interest rates. After all, high interest rates are directly related to inflation, as they restrain the domestic investor, who is hard to borrow money in banks at such a percentage. To lower rates you need to overcome inflation. And this is impossible because of the high level of corruption, rising prices due to the very high interest rates.

In general, a vicious circle is obtained. And the unstable internal political situation is unlikely to attract large investors.

In addition, in six months, elections will be held in the country and it is now extremely difficult to predict their results. In the periodically appearing results of public polls, a new candidate leads each time.

Thus, it turns out that at present Ukraine is an extremely dubious investment project. It's not known where the state will go after the elections, and therefore it is very easy to lose all the money invested.

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