Coronavirus response in 2021: building back better

Update on Ukraine (16 June 2021)

Covid-19 policy response

- The authorities put in place a range of crisis response measures in 2020, amounting to around 3 per cent of GDP. Initial measures included temporary tax breaks, an expansion of the subsidised loan programme, a credit guarantee scheme and social support programmes. Additional support was provided to vulnerable households and businesses, such as the forgiveness of penalties for delays in loan repayments.

- In December 2020, parliament adopted a number of measures to support businesses during the second lockdown. These included a one-off financial grant of UAH 8,000 (US$ 280) to employees and sole entrepreneurs who lost their income, exemption from income tax and social security payments from December 2020 to May 2021 for some sole traders, and the write-off of tax debts not exceeding UAH 3,060. The subsidised loan programme was continued into 2021. In addition, parliament approved state guarantees worth US$ 180 million for bank business lending.

Macroeconomic indicators (%)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>3.4</td>
<td>3.2</td>
<td>-4.0</td>
</tr>
<tr>
<td>Annual inflation (end-year)</td>
<td>10.9</td>
<td>7.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Government balance/GDP</td>
<td>-2.1</td>
<td>-2.2</td>
<td>-5.8</td>
</tr>
<tr>
<td>Current-account balance/GDP</td>
<td>-4.9</td>
<td>-2.7</td>
<td>4.0</td>
</tr>
<tr>
<td>Net FDI/GDP</td>
<td>-4.1</td>
<td>-3.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Public debt/GDP (end-year)</td>
<td>60.9</td>
<td>50.2</td>
<td>60.8</td>
</tr>
<tr>
<td>Unemployment rate (end-year)</td>
<td>8.8</td>
<td>8.2</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Short-term indicators

- EBRD GDP growth forecast (June 2021) 2021: 3.5%; 2022: 3.5%
- GDP quarterly growth: -2.0% y/y (Q1 2021)
- Industrial production: 13.0% y/y (April 2021)
- Business activity expectations index (BAEI): 46.9 (April 2021)
- Retail sales: 34.4% y/y (April 2021)
- Annual inflation: 9.5% y/y (May 2021)

EBRD assessment of transition qualities (ATQs), 2020

- Competitive
- Well-governed
- Green
- Inclusive
- Resilient
- Integrated

Building back better: key ongoing initiatives

- The creation of the Bureau of Economic Security in March 2021, which will oversee economic crimes in the law enforcement system, is expected to contribute to business development.

- Ukraine plans to set up a national greenhouse gas (GHG) emissions trading system and to introduce carbon taxes in 2025. In 2021, the country is expected to implement a system to monitor, report and verify GHG emissions.

- Unemployment and pension funds have been boosted to support the most vulnerable citizens.

- The expansion of government services available via the “Diia” app is ongoing, and National Action Plan priorities include the nationwide rollout of high-speed internet and new opportunities for distance learning.

Key short-term priorities

- Preserving the independence of the National Bank of Ukraine (NBU) is vital for macroeconomic stability and maintaining access to external funding.
- Progress is needed in key areas of public governance and the fight against corruption needs to continue.
- Corporate governance reform needs to be reinvigorated.

To learn more about the EBRD’s support for Ukraine, visit: [https://www.ebrd.com/ukraine.html](https://www.ebrd.com/ukraine.html)