

Responding to the Coronavirus Crisis

Update on Ukraine (15/05/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms				Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance	
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
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Economic channels of disruption

Private consumption, metals, remittances

- Lockdown is in place since 16 March. All non-essential services are closed while public transport in Kyiv is open only for employees of critically important agencies.
- The rising global uncertainty has caused a confidence crisis, resulting in currency depreciation and soaring debt refinancing costs on international financial markets.
- Disrupted travel will hit temporary workers in the western neighbourhood and take a toll on remittances (7.8% of GDP in 2019).

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020)	2020: -4.5%
	2021: 5.0%
Business sentiment index	Mar: 45.8 (down 5.4 points m/m)
	Apr: 29.9 (down 15.9 points m/m)
Exchange rate change	March: -12.5%
(minus means depreciation)	April: +4.0%
F/X interventions	March: net sale of US\$ 2.2bn
	April: net purchase of US\$ 0.7 billion

Crisis response measures to date

Prompt liquidity injection, fiscal response package approved

- Remaining fiscal space: low to moderate (quasi-fiscal deficits eliminated, public debt reduced to around 50%, debt repayment burden remains high).
- Initial fiscal measures are focused on temporary tax breaks and tax audit holidays.
- Crisis response package equal to 1.6% of GDP, was adopted by parliament on April 13. Specific measures yet to be determined.
- Monetary policy: Introduced long-term refinancing facility, relaxed LCR and RR requirements and expanded list of collateral for ELA.

Selected crisis response indicators

Prudential requirements loosened	Implementation of enhanced capital requirements extended by one year
VAT reduction	Goods related to addressing the pandemic are VAT exempt
Committed external assistance	Expected signing of 18 months US\$ 5 billion IMF SBA, which is expected to unlock US\$ 1 billion from WB and EUR 1.7 billion EU MFA.

Key short-term priorities

Secure external financing, support SMEs and vulnerable households, ensure the spring seeding season goes as planned