Macroeconomic indicators - WB sees Ukrainian GDP decline at 15pct

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Interfax cited Mr Ruslan Piontkivsky World Bank senior economist as saying that the World Bank has retained its forecast for the fall in Ukraine gross domestic product in 2009 at 15% although it revised upwards the GDP growth forecast in 2010 from 1% to 2.5%.

He said inflation in Ukraine in 2009 is projected at up to 14%, and in 2010 at up to 11%.

As the World Bank said in a press release, the Consumer Price Index growth in 2009 is expected at 13.8% and in 2010 at 10.6%. Ukraine nominal GDP in 2009 is forecast to shrink to UAH 912.3 billion down from UAH 949.9 billion in 2008 while in 2010 it is expected to expand to UAH 1.032 trillion.

As reported earlier, the World Bank in July 2009 downgraded its forecast for the expected fall in Ukraine's GDP in 2009 from 9% to 15% but improved its inflation forecast from 16.4% to 13.4%.

It predicted that real GDP was to grow 1% in 2010, with consumer prices growing by 10.5%. In its recent economic update the World Bank said that Ukraine state and guaranteed debt in 2009 is to increase to 36.7% of GDP and in 2010 to 41.7%.

The bank experts say that in 2009 there will be a deficit of Ukraine current account balance of 0.6% of GDP whereas in 2010 Ukraine will see a surplus of 0.1% of GDP.

The World Bank economic update on Ukraine dated October 15th 2009 reads that "Ukraine real sector bottomed out in the H1 of 2009 but fiscal and financial pressures give no grounds for complacency."

The World Bank said that while reflecting the global outlook it improved its growth forecast for 2010 but domestic demand is likely to remain subdued.

Mr Piontkivsky said "The key reason for the GDP forecast upgrade to 2.5% is the improvement of the situation in the world. Recently, forecasts for the global economy were revised. The key impact on the Ukrainian economy will be seen through a rise in export demand."

He said that one should not expect a quick restoration of foreign demand for Ukrainian exports to pre crisis levels rather this would take at least several years.

The World Bank believes that the fiscal deficit remains the key problem for macroeconomic stability in the country due to a growing fall in tax payments.

The press release said that "A balanced budget should be urgently approved. Our analysis of the national budget for 2010 showed that a deficit of 4% GDP is unachievable without considerable trimming of expenditure."

The World Bank said that the government's macroeconomic forecasts for 2010 are too optimistic, while expenditures especially pension payments have been underestimated.

(Sourced from www.interfax.com.ua)