
Recession reports - Ukrainian recovery may take at least 2 years

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Bloomberg cited Mr Viktor Yushchenko president of Ukraine as saying that the country economy the most damaged in Europe by the global crisis may take two years to recover even if the Cabinet succeeds in trimming the deficit.

Mr Yushchenko said the draft budget deficit for next year would be equivalent to as much as 12% of gross domestic product and warned the government of Prime Minister Ms Yulia Timoshenko who will stand against him in January elections is succumbing to populist spending.

Mr Yushchenko said “If we talk about the probability of restoring the economic situation to the way it was a year ago or a year and a half, then it is clear now that without reform it would take many years. With profound and fair reforms, it would take about two years.”

He said that the economic malaise can be attributed to plunging worldwide demand for steel and raw materials, a USD 12 billion bond repayment this year and an unrealistic budget for the current year. The chief blame lies with Ms Timoshenko and the parliamentary majority parties who ignored his warnings over the past years.

He added that Industry also is squeezed by a government decision to drop a plan to refund value added taxes to exporters starving them of cash to increase efficiency. Ms Yushchenko said “If we take a look at the situation we have today, then the downfall of industry is really tremendous.”

He said in the interview that the burgeoning budget deficit could further weaken the hryvnia and accelerate inflation already the fastest in Europe.”

According to the Economy Ministry the former Soviet republic economy shrank an annual 20.3% in the Q1 after growing 6.3% YoY in the same period just a year earlier. It may contract as much as 12% this year the worst slump since 1995.

(Sourced from Bloomberg)

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