

Preparing for the Next Great Ukrainian Economic Crisis: Lessons Learned from 2008

Opinion

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An expat who has lived through one previous crisis in Ukraine offers his suggestions as to the best way to prepare for what he sees as the inevitable next crisis. Some of his Ukraine-centric suggestions have efficacy for many parts of the world.

By Ben Scott* In my last article, I explained why I was worried about the Ukrainian hryvnia. If/when this thing ever budges from its current peg to the US dollar, it has the potential to gum up life on the street here even more. I was here last time when the hryvnia fell and I've got some practical advice for all of the newcomers out there - now is the time to get prepared. Here are my top seven tips for how to get ready for the next (not so) great Ukrainian economic crisis, based on my lessons learned from the 2007-2008 financial crisis:

1. Don't keep (much of) your money in hryvnias. This might seem obvious, but it's important to not overlook the basics. If depreciation happens, your money will instantly be worth less. If you get paid in hryvnias or have an elaborate collection hiding out tucked in your mattress or buried at dacha - now is the time to pull them out and exchange them for another international currency. In 2007-2008, there were weeks where it was nearly impossible to find any hard international currency on hand in any bank, even in central Kyiv.
2. Create an emergency fund for yourself. If you can manage it, build up a bit of your savings into a personal fund to be used exclusively for emergency purposes. This can come in handy if your employer encounters any problems with processing pay checks or has to resort to downsizing. In such pinches, this will help to ensure you can keep a roof over your head and food on your table. Experts advise anywhere from 3-12 months of monthly expenses as a suitable buffer.
3. Don't put all of your eggs in one basket. If you keep your money in Ukrainian banks, know that their responses to the 2008 crisis varied wildly. There were times when it was impossible to get deposits back while other banks imposed limits on withdrawals, paid out foreign-currency denominated accounts in hryvnias, or simply closed their doors. Spreading your money between banks or asset types prevents it from ever being completely locked up and inaccessible.
4. Diversify your income sources. Consider your employment situation and whether your employer's business (or your own) is susceptible to economic shocks. If there are doubts, it might be prudent to diversify your income sources, whether that means taking on a tutoring gig or moonlighting as a translator or work-from-home entrepreneur. It's far easier to make key contacts and start these initiatives when you are not pressured for time, money, or instant success.
5. Pay off debt. This is near universal financial advice, but is perhaps particularly true in Ukraine. We've all heard horror stories of unpredictable Ukrainian lenders unilaterally changing contract terms or otherwise creating problems for debtors. If you can avoid being in that situation, do it.
6. Max out your benefits and vacation time beforehand. In 2007-2008, one of the first things to be cut by progressive Ukrainian employers that offered such things in the first place were benefits like medical insurance and housing assistance. So take advantage of such perks while they are still available to you. Also, if you've been considering a vacation, I'd strongly consider doing so before the next crisis strikes. Not only will you be in a more savings-minded mode afterward, but if your job could become uncertain, you will be less likely to want to spend much time slacking off away from the

office – and even if you did, you probably wouldn’t enjoy it much. 7. Renew relationships with former coworkers, family, and friends. Quite simply, you never know what help you might need down the road or from whom. You’re not setting yourself up very well if you only reach out to certain people in times of dire need. So my advice is to nurture these relationships, not necessarily with the expectation of getting anything back - they might be just as likely to need to call on you at some point.

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*Ben Scott is a U.S. citizen and, against his occasional better judgment and the advice of friends and numerous acquaintances, remains a long-time resident of Ukraine.

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