

Ukraine anticipates USD 5.5 bln international financing in 2018

World

Posted by:

Posted on : 2017/11/6 20:36:17

Analyst: “We expect gross reserves will slide to USD 18.0 bln in 2017. We expect they will improve to USD 21.0 bln in 2018 with the rising role of private investments.”

KYIV, Nov 6, 2017 - The National Bank of Ukraine (NBU) anticipates USD 3.5 bln in financing from the IMF, USD 1.5 bln proceeds from Eurobond placement and USD 0.5 bln in financing from the World Bank in 2018, Concorde Capital informed clients based on the NBU’s inflationary report published on Nov. 2. This inflow will enable Ukraine to boost its gross international reserves to USD 22.2 bln (4.2 month of imports) as of end-2018, according to the NBU. In 2017, it anticipates gross reserves at UAH 18.6 bln (3.6 month of imports), flat from the end of September. Concorde analyst Alexander Paraschiy added: “Our expectations of Ukraine's 2018 financial flows diverge from the NBU's optimism. Firstly, it’s not clear what financing will keep reserves propped up at the level of USD 18.6 bln by the end of 2017. The next IMF tranche will be delayed while Ukraine still has to repay nearly USD 603 mln to the Fund in November-December. What’s more, we see the NBU defending the hryvnia with interventions in these two months in what will also shave a slice off gross reserves. “Secondly, we have doubts on the IMF tranches (possibly two assumed by the NBU) of USD 3.5 bln next year. The To Do list to receive the first tranche is quite challenging as it includes hiking natural gas prices even further and establishing an independent Anti-Corruption Court. The next tranche may also require launching a farmland market, which we view as nearly impossible in an election campaign year. The authorities won't be rushing to comply with these requirements so we expect IMF funds will be no more than USD 2 bln in 2018. “Instead, it's possible that Ukraine will receive a EUR 0.6 bln loan tranche of macro financial assistance from the EU in 2018, which was somehow overlooked by the NBU's report. ‘We expect gross reserves will slide to USD 18.0 bln in 2017. We expect they will improve to USD 21.0 bln in 2018 with the rising role of private investments.”

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