

## **S&P affirms B- rating for Ukraine with stable outlook**

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**Analyst: "Ukraine will be able to secure next year the next loan tranches under the IMF's EFF program but the likelihood of any further tranches is very low, given that parliament approving the launch of a farmland market - as demanded by the IMF - will be close to impossible during the election campaign season."**

KYIV, Nov 14, 2017 - S&P Global Ratings affirmed its foreign currency rating for Ukraine at B- with a stable outlook, Concorde Capital informed clients based on an S&P Nov. 10 press release. The rating "remains constrained by Ukraine's large external refinancing risks, which necessitate continued compliance with Ukraine's IMF program," the agency commented. The stable outlook reflects S&P's view that Ukraine will maintain its access to international official lending by "pursuing the required fiscal, financial, and economic reforms." More specifically, S&P analysts expect Ukraine will be able to secure next year the next loan tranches under the IMF's EFF program. S&P identified the key requirements for the next tranche as pension reform (already approved), a new law on privatization (passed in the first reading last week), as well as two yet-to-do steps: establishing of an anti-corruption court and an energy rate hike, which is an adjustment of domestic natural gas prices to international benchmarks. They also highlighted that land reform "will likely be a prerequisite for one of the next IMF reviews" of the EFF program. Among the downside risks to its rating, S&P listed the inability to implement IMF-demanded reforms, the risk of "sizeable contingent liabilities" on the government balance sheet, and the risk of the central bank's independence being called into question. Concorde analyst Alexander Paraschiy added: "We share the rating agency's view that Ukraine's cooperation with the IMF will be vital for its macroeconomic stability and debt sustainability. We also share its view that continued cooperation with the IMF is very likely next year, with at least one tranche likely to arrive. "However, the likelihood of any further tranches is very low, given that parliament approving the launch of a farmland market - as demanded by the IMF - will be close to impossible during the election campaign season. That said, we share the rating agency's optimism about Ukraine's debt sustainability for the next year, while still seeing high risks for sovereign debt in 2020-2021.

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