



PRESS RELEASE

New forecast: Ukraine's GDP will grow by 4.3% in 2021

Berlin/Kyiv, 10.03.2021. Ukraine's economy will expand by 4.3%. That is the main result of a new [economic forecast for 2021](#) by the German Economic Team (GET), in cooperation with the Institute for Economic Research and Policy Consulting (IER), Kyiv.

The global pandemic significantly affected the Ukrainian economy during 2020. However, due to past economic reforms, the country faced this crisis much better prepared than past ones. As a result, we estimate a GDP decline for 2020, which is lower than in many peer countries. In particular, reforms ensuring a flexible exchange rate regime, inflation targeting policy by the National Bank and fiscal consolidation of the previous years are worth mentioning.

For 2021, we expect private consumption on the demand side and transport as well as agriculture on the supply side to boost the recovery. This will be supported by the recovery in partner countries and increasing trade flows. However, uncertainty remains with regard to continuation of the pandemic, a delayed vaccination programme, IMF cooperation and political risks.

Main results of the study:

- **After the pandemic, economic recovery in sight:** GDP will increase by 4.3% in 2021. Private consumption is the main driver of economic growth on the demand side. On the supply side, after a bad harvest in 2020, the agricultural sector will positively contribute to the economic recovery.
- **Private consumption will drive economic growth:** Private consumption is expected to increase by 5.9% in 2021, while government consumption is likely to decline by more than 1%. Both exports and imports will recover. Net exports will contribute negatively to GDP due to higher import growth, at the same time investment will have a positive contribution.
- **Recovery of transport and agricultural sector:** A gradual opening of travel restrictions will foster growth in the transport sector and support external and domestic demand to drive the recovery of the industry sector. Agriculture will grow by 5% in 2021 after bad weather conditions for harvest in 2020.
- **Inflation is forecast to increase, but to remain within the target range at the end of 2021:** After inflation was observed below the target range of the National Bank in 2020, an upward tendency is observable currently due to higher prices for food and services. Moreover, economic recovery, minimum wage increases and fiscal expansionary policy will strengthen inflation pressure. However, the National Bank will take necessary steps to maintain the inflation rate within the target range between 4% and 6%. Therefore, we expect inflation to remain within the target range at the end of 2021.
- **Current account surplus to remain in 2021:** After a large current account surplus in 2020, we forecast a small surplus of 2% of GDP in 2021. Trade balance deficit is expected to remain close to the 2020 level, while transfers and remittances will increase.

- **Pre-crisis macroeconomic stabilisation pays off:** Ukraine has faced this crisis much better prepared than past ones. In particular, ensuring a flexible exchange rate, inflation targeting policy by the National Bank and fiscal consolidation supported Ukraine during the crisis and allowed entering the growth path. However, risks regarding further waves of the pandemic, a delayed vaccination programme and delayed cooperation with the IMF will remain in 2021.

Robert Kirchner, Deputy Team Leader of the German Economic Team:

“The pandemic posed significant economic challenges to all countries around the globe, with Ukraine being no exception. Unlike in previous crises, macro-financial stability prevailed in Ukraine. This is in our view a success of previous macroeconomic economic reforms in the country, and shows directly their benefits.”

Vitaliy Kravchuk, Senior Research Fellow at IER Kyiv:

“Our forecast of 4.3% GDP is in line with other forecasts by the government and international institutions. But risks remain.”

Link to the [Policy Briefing](#)

German Economic Team: Financed by the Federal Ministry for Economic Affairs and Energy, the [German Economic Team](#) (GET) advises the governments of Moldova, Georgia, Ukraine, Belarus and Uzbekistan on economic policy matters. Furthermore, GET covers specific topics in other countries, such as Armenia. Berlin Economics has been commissioned with the implementation of the consultancy.

Institute for Economic Research and Policy Consulting (IER) is the leading Ukrainian analytical think tank focusing on economic research and policy advice. The IER was founded in October 1999 by top-ranking Ukrainian politicians and the German Advisory Group Ukraine, predecessor organisation of GET.

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