

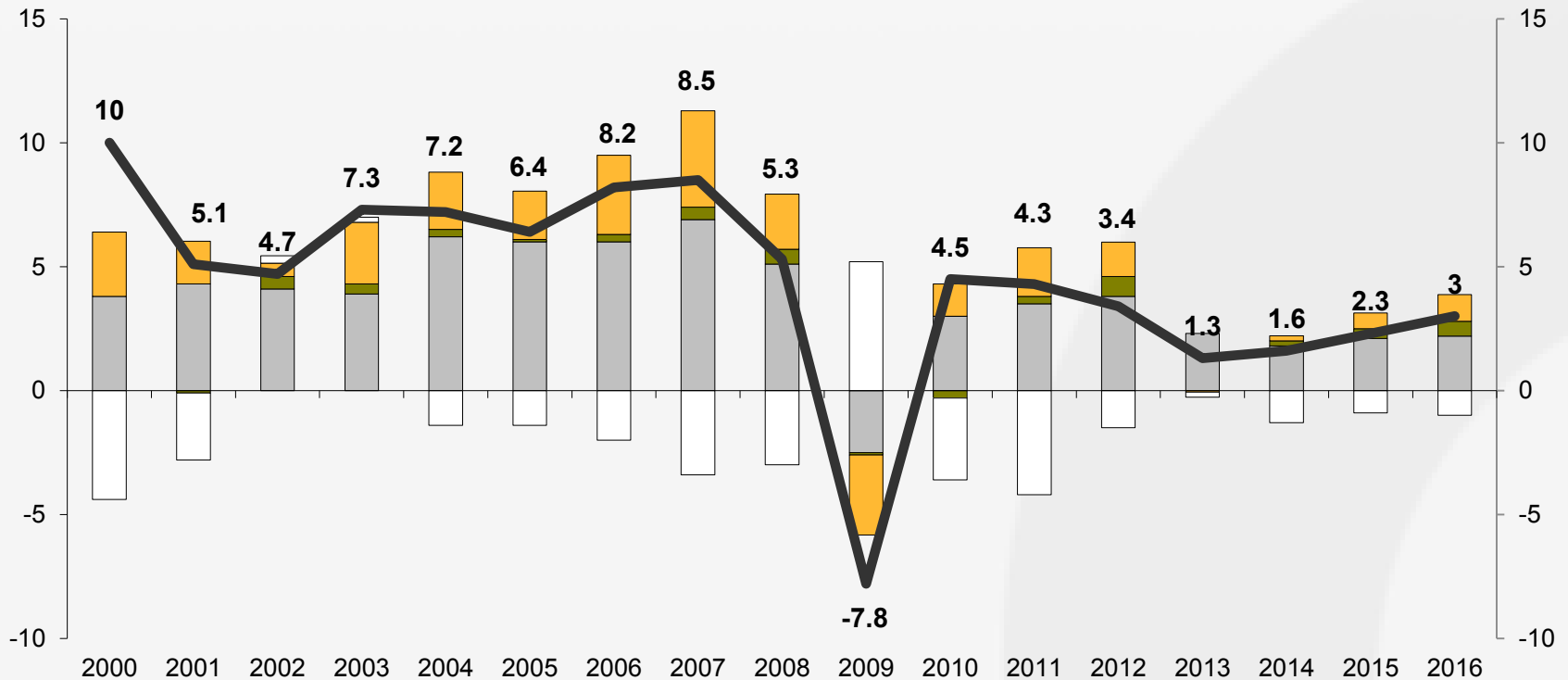
# Russia was 'stuck in transition' already before Ukraine crisis. Key challenges (old and new):

- Energy exports and growth sustainability
  - Increased pressures on energy supply diversification (both in the EU and RU)
  - Sectoral sanctions already start to bite, no longer largely symbolic
  - Investment climate already suffers, imports and FDI down, capital flight
- Diversification and modernisation of the economy under threat
  - Growing reform pressures owing to sanctions?
  - Yet modernisation is more difficult without more FDI!
- Stability of the ruling elite
  - Putin's ratings grow, Russia's ratings fall, rouble and MICEX fluctuate
  - Yet this may change with more hardship ...
- Integration on the post-Soviet space derailed/fails?
  - Crimea not really helpful for Putin's Eurasian integration project
  - New design/reset of EU neighbourhood policies?

# GDP growth: original (pre-sanctions) scenario

## contributions of main components to GDP growth, in pp

Private consumption
  State consumption
  Gross capital formation
  Net exports
  GDP growth, in % (rhs)

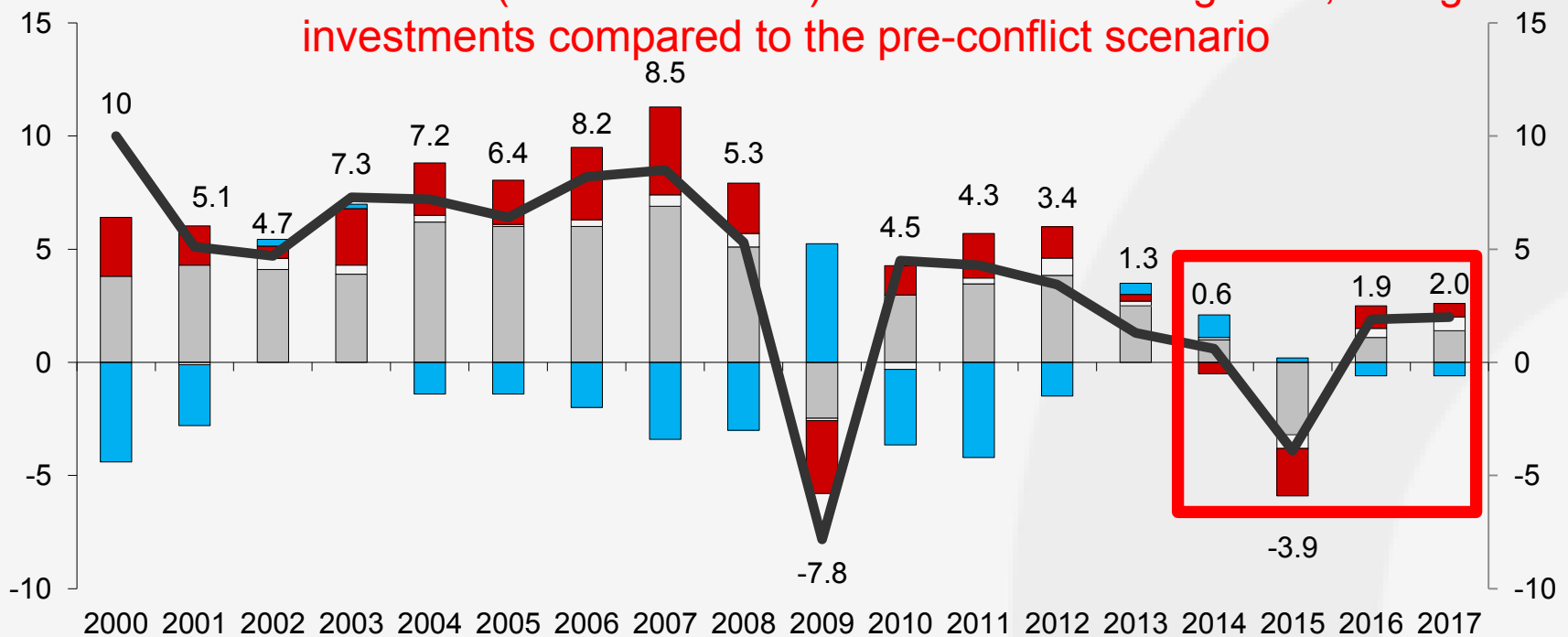


# GDP growth: current (March 2015) scenario; contributions of components to GDP growth, in pp

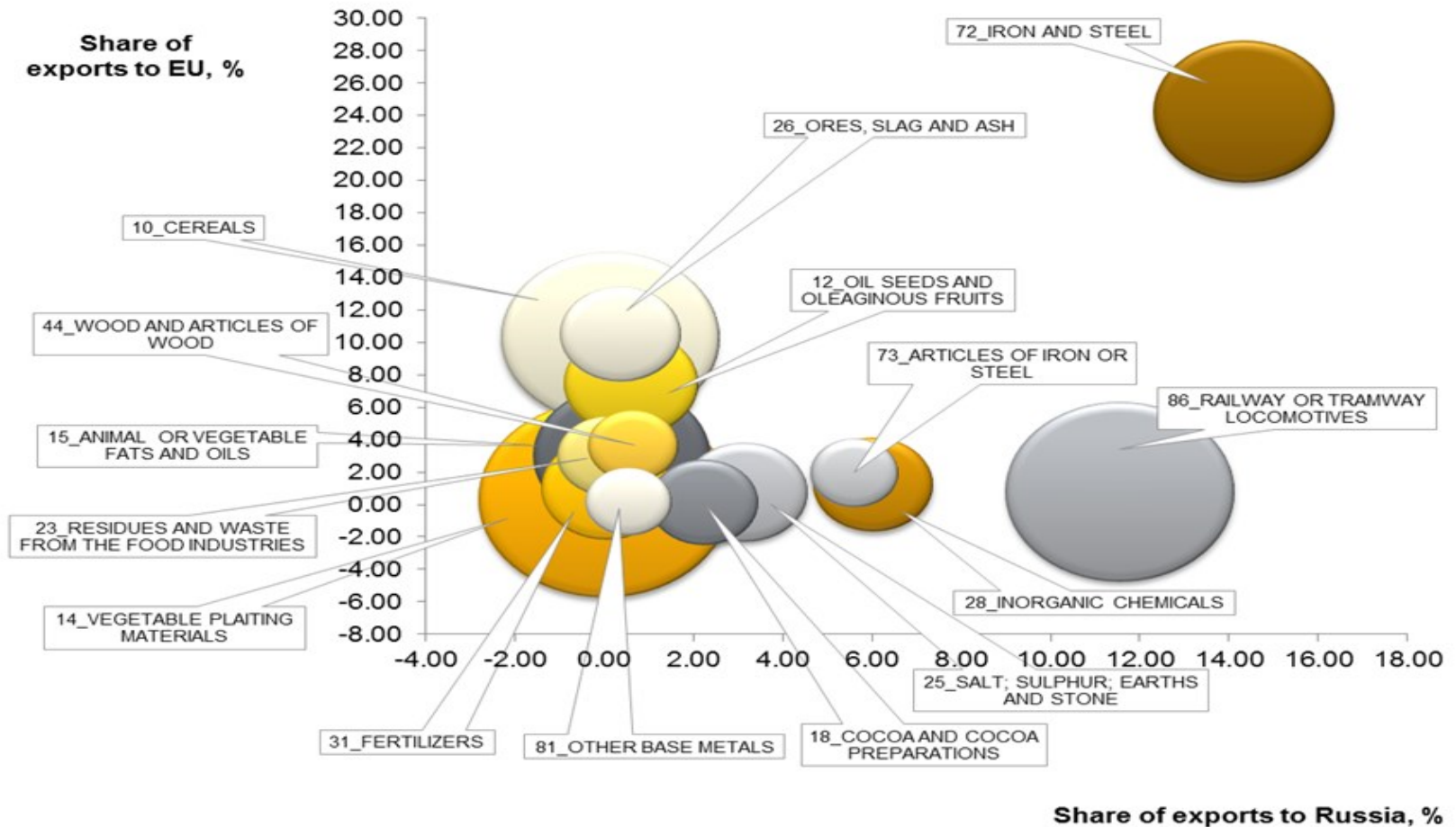
Private consumption
  State consumption
  Gross capital formation

Net exports
  GDP growth, in % (rhs)

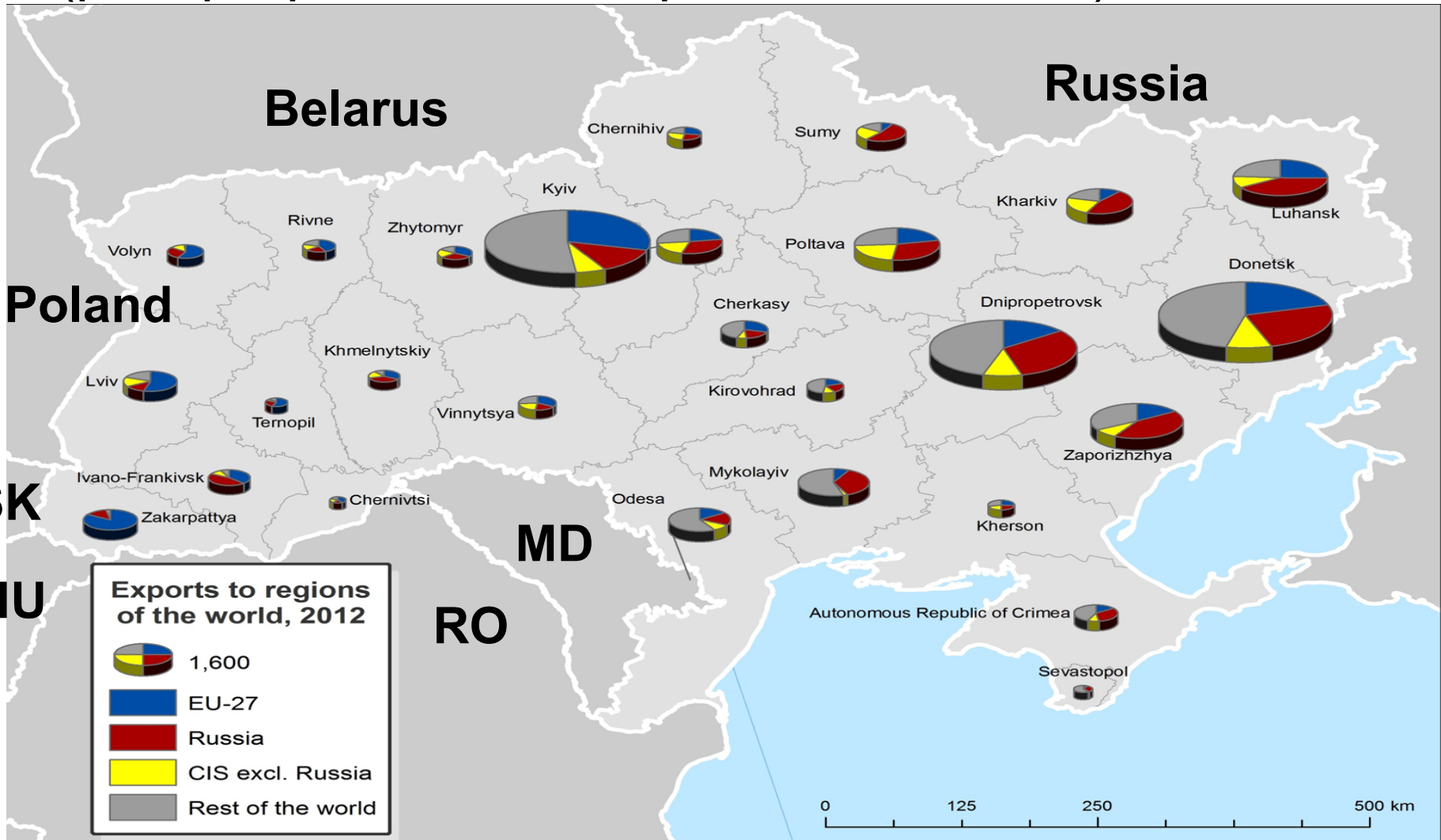
Costs of the conflict: about 1% of GDP in 2014 (close to EUR 20 billion) and 6% of GDP in 2015 (EUR 110 billion) due to lower GDP growth, falling investments compared to the pre-conflict scenario



# Top 15 most competitive industries of Ukraine (bubble=RCA), 2013

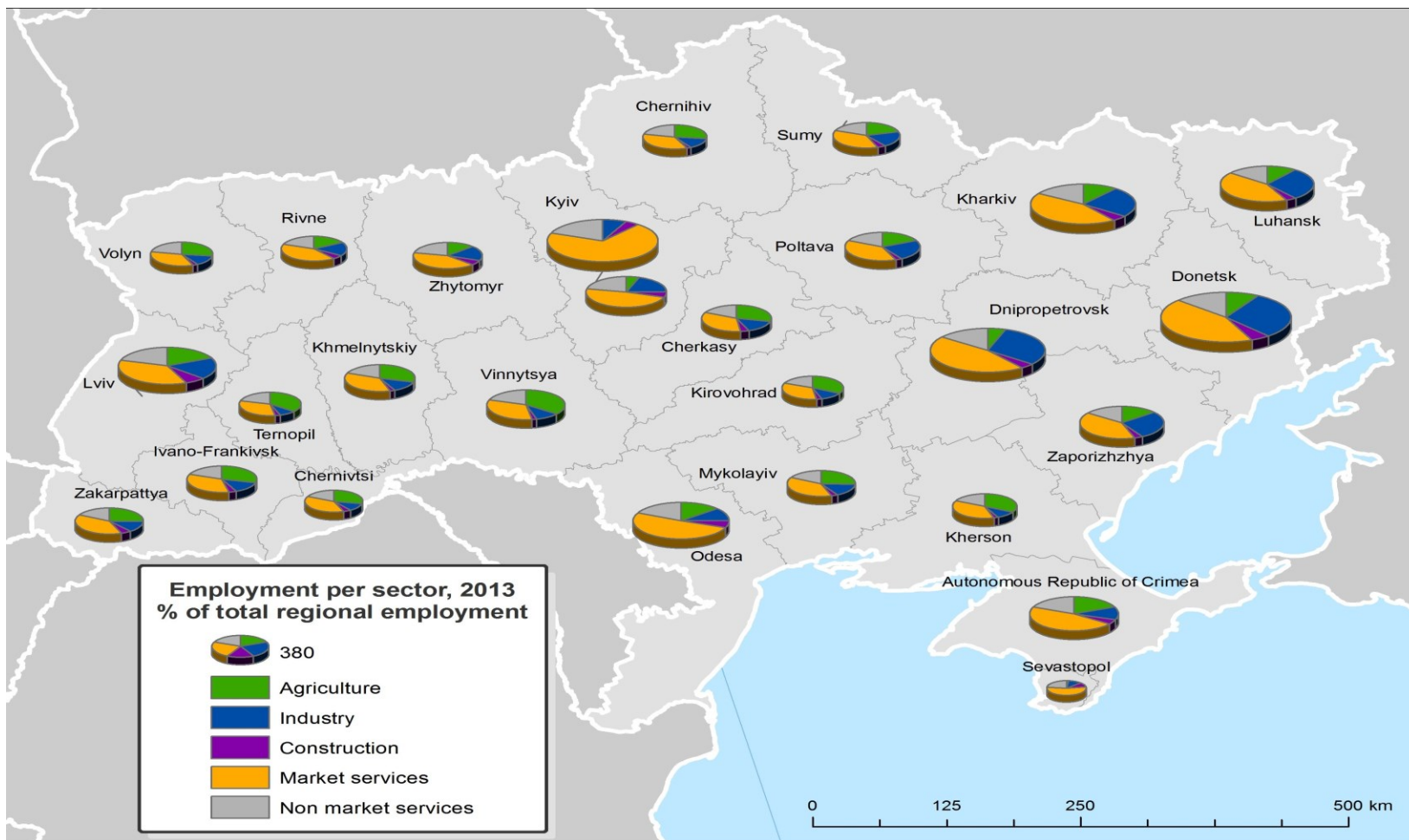


# Regional composition of exports, 2012 (pies proportional to exports in USD mn)



# Specialisation of Ukraine's regions by employment, 2013

(pies proportional to the number of employees)



## Some preliminary conclusions for Ukraine

- New specialization patterns are hampered by disrupted relations with Russia. Resulting economic repercussions will hurt not only in the short run, but also in the medium and long run.
- Ukraine's position between the EU and the Russia-led Eurasian Economic Union (EEU) and its nearly equal (yet asymmetric) dependence on both markets puts forward a challenge how to maintain, expand and deepen its trade relations in both (i.e. EU and "eastern") directions simultaneously.
- Russia demands changes in EU-Ukraine DCFTA and threatens to revoke Ukraine-CIS Free Trade agreement, imposing tariffs on Ukraine's exports.
- Delay in the implementation of DCFTA also results in a delay of its expected benefits.
- Annual loss for Ukraine from the break-up of economic relations with Russia is estimated at USD 33 billion; the cumulated overall losses at USD 100 billion.

**Thanks for your attention !!!**