

ICPS newsletter®

During a crisis, forecasting must be more flexible

The spread of forecasts for the fall in Ukraine's GDP for 2009 grows with every passing month. At the moment, it ranges from a positive 0.4% growth (Government forecast) to a negative 16% fall (independent research company). In this kind of situation, forecasts need to be updated more frequently and various scenarios of economic development need to be modeled

The economic situation is rapidly deteriorating

During March, the International Centre for Policy Studies' economic team revised its macroeconomic forecast for 2009–2011. The negative trends of Q4'08 grew stronger at the beginning of 2009. This considerably worsens the prospects for Ukraine's economy. ICPS will shortly send out its updated forecast along with its publication *economic statistics* to all subscribers and clients.

Greater uncertainty calls for varied scenarios

In February, ICPS experts began work on a project to develop a macroeconomic model of forecasting for Ukraine's Ministry of Economy. The project is being undertaken jointly with the Dutch consultancy MMC, with funding from the World Bank. At the moment, a test model has been constructed that will make it possible to analyze several development scenarios for Ukraine's economy and to evaluate the impact of external shocks and the consequences of changing policies.

Government forecasts needs to be realistic

Having a realistic forecast for economic growth is a necessary condition for the

Government's upcoming revision of the State Budget. At the beginning of April 2009, the Ministry of Economy will hold its next consensus forecast seminar, which includes economists from ICPS.

The main topics for discussion will be: the impact of the world economic crisis on Ukraine, prospects for foreign trade, and possible scenarios for how the situation on the currency market will develop. Based on the results of these discussions, the Government will likely revise its forecast for key macroeconomic indicators, as they are currently too optimistic. ■

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By the way...

On 19 March, the Ministry of Economy is holding a roundtable on "Ukraine's Potential and its Realization," where the results of the Socio-Economic Performance and Potential Analysis Capacity" (SEPPAC) project will be presented. The purpose of this project has been to increase capacity among government officials and the non-government sector to develop and analyze public policy by evaluating Ukraine's economic potential and the

socio-economic impact of its realization. This project has been underway during the last 3.5 years in partnership with the Conference Board of Canada, with funding from the Canadian International Development Agency (CIDA).

Over 6–10 March, ICPS Senior Economist Ildar Gazizullin took part on the "Impact of the Economic Crisis on Ukraine" conference, organized by the Robert Schumann Fund. During this event, the economist offered his analysis of the current situation and ICPS's economic forecasts.

From 25 February to 5 March, ICPS Director Olga Shumylo was in the United States, where she participated in the presentation of a report by the Policy Association for an Open Society (PASOS), a network of non-government policy think-tanks. The study, "New Champions of Democracy: EU support of democracy after the last expansion," evaluates the role of the Visegrad Four in the democratization of Ukraine, Bosnia & Herzegovina and Belarus. Ms. Shumylo also attended meetings with representatives of key government agencies, donors and prominent think-tanks.

In January, ICPS launched a project called "Preparation of Ukraine for the implementation of EU-Ukraine Association Agreement: analytical and methodological support" with funding from the Swedish International Development Agency (SIDA). The project is scheduled to run 18 months and consists of three main components: methodological support for the work of the Office of the Coordinator for European and Euroatlantic Integration; analytical support for Ukraine's negotiations regarding a Free Trade Area; and analysis of Ukraine's institutional readiness to undertake the Association Agreement.

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