

UKRAINE

WORLD RANK: **134** REGIONAL RANK: **45**

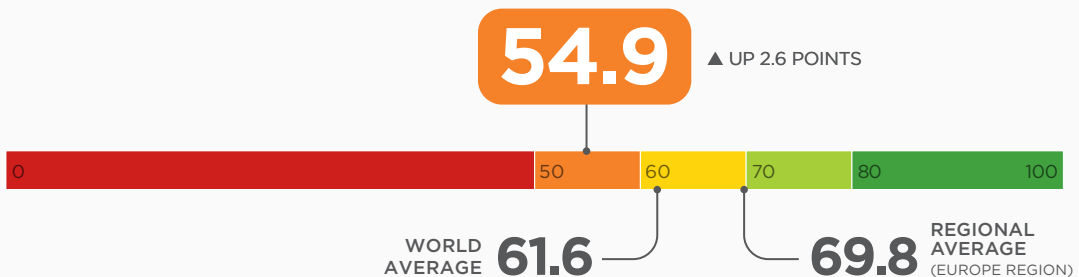
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Ukraine's economic freedom score is 54.9, making its economy the 134th freest in the 2020 *Index*. Its overall score has increased by 2.6 points due to a higher scores for **judicial effectiveness**, **government integrity**, and **trade freedom**. Ukraine is ranked 45th among 45 countries in the Europe region, and its overall score is well below the regional and world averages.

The Ukrainian economy ascended from the ranks of the repressed in 2018 and has climbed in the mostly unfree category for three years in a row. In 2018, the economy emerged from a severe downturn that began in 2013.

In a positive development for government integrity, the new government has already ended the immunity from criminal prosecution that had been enjoyed by parliamentary deputies. Another proposal would lift the current moratorium on the sale of agricultural land, which the World Bank estimates would increase annual GDP by about 1.5 percentage points.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +15.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
42.0 million

GDP (PPP):
\$390.3 billion
3.3% growth in 2018
5-year compound
annual growth -1.6%
\$9,283 per capita

UNEMPLOYMENT:
9.4%

INFLATION (CPI):
10.9%

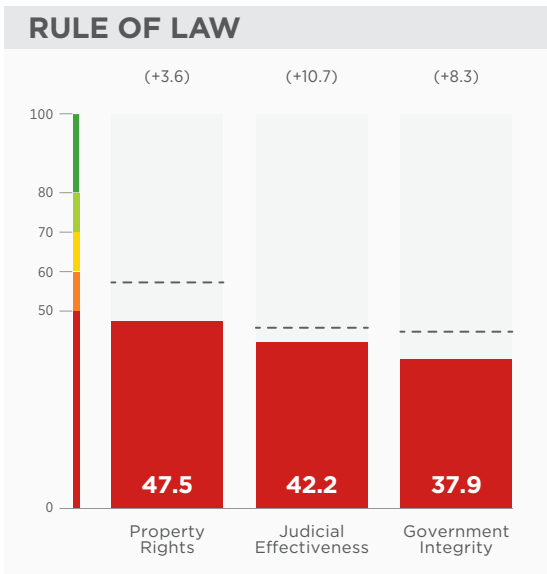
FDI INFLOW:
\$2.4 billion

PUBLIC DEBT:
63.9% of GDP

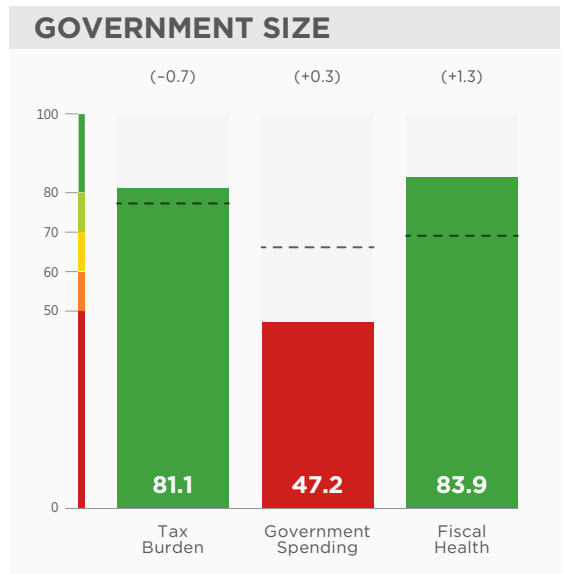
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Long known as the “Breadbasket of Europe” because of its fertile black soil, Ukraine gained independence after the Soviet Union collapsed in 1991. In the six years since the “Maydan” revolt, Ukraine’s political landscape has been transformed. Rival business-political networks continue to exercise significant influence, but a generational change is in progress. Actor and comedian Volodymyr Zelensky, a 42-year-old political newcomer, won the April 2019 presidential election, and his party won an absolute majority in July 2019 parliamentary elections. Russia’s illegal annexation of the Crimean Peninsula and destabilization of the eastern Donbas region continue to damage the Ukrainian economy, which relies heavily on the production of wheat and exports of industrial and energy products.

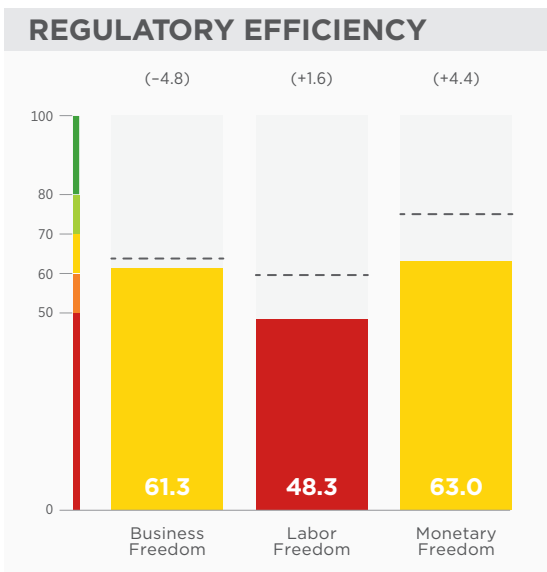
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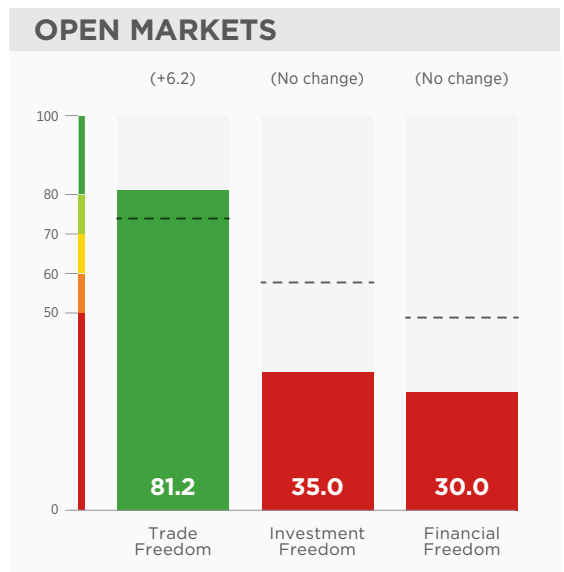
Ukraine's regulatory framework theoretically protects and registers property interests. Mortgages and liens are recorded, but enforcement of property rights by the judicial system is lacking. Enforcement of contracts is time-consuming and costly. The judiciary is susceptible to political pressure and fraught with corruption and bribes. Corruption remains a serious problem, and there is little political will to fight it despite strong pressure from civil society.



The top individual income tax rate is 20 percent, and the top corporate tax rate is 18 percent. Other taxes include value-added and property taxes. The overall tax burden equals 34.2 percent of total domestic income. Government spending has amounted to 42.0 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.2 percent of GDP. Public debt is equivalent to 63.9 percent of GDP.



The pace of business-friendly reforms decreased over the past year, although the reforms implemented in recent years brought some macroeconomic stability and improved the business environment. Entrenched vested interests are a problem for entrepreneurs. The labor code is antiquated and lacks flexibility. If it can muster the political will, the new government will have the opportunity to bring transparency to an opaque system of subsidies.



The total value of exports and imports of goods and services equals 99.0 percent of GDP. The average applied tariff rate is 1.9 percent, and 142 nontariff measures are in force. Despite some improvements, excessive bureaucracy deters much-needed growth in private investment. Nonperforming loans continue to be a drag on the banking system. The capital market is underdeveloped, and this limits financing options.