UKRAINE

Ukraine’s economic freedom score is 54.1, making its economy the 130th freest in the 2022 Index. Ukraine is ranked 44th among 45 countries in the Europe region, and its overall score is below the regional and world averages.

Five years ago, the Ukrainian economy was gaining strength, but growth slowed in 2019, and the economy contracted in 2020. Growth resumed in 2021. During that half-decade, economic freedom has generally trended upward. Aided by score increases in labor freedom and monetary freedom, Ukraine has recorded an impressive 6.0-point overall gain of economic freedom since 2017 but is still in the middle ranks of the “Mostly Unfree” countries. Fiscal health is somewhat positive, but investment freedom, financial freedom, and rule of law exhibit weaknesses.

IMPACT OF COVID-19: As of December 1, 2021, 91,860 deaths had been attributed to the pandemic in Ukraine, and the government’s response to the crisis ranked 40th among the countries included in this Index in terms of its stringency. The economy contracted by 4.2 percent in 2020.

ECONOMIC FREEDOM SCORE

54.1

WORLD AVERAGE 60.0

REGIONAL AVERAGE (EUROPE) 69.5

HISTORICAL INDEX SCORE CHANGE (SINCE 1995): +14.2

RECENT FREEDOM TREND

BACKGROUND: Long known as the “Breadbasket of Europe” because of its fertile black soil, Ukraine is located in Eastern Europe north of the Black Sea. In the eight years since the “Maidan” revolution, 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 Zelenskyy, a 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.

QUICK FACTS

POPULATION: 44.1 million

GDP (PPP): $543.8 billion

-4.2% growth in 2020

5-year compound annual growth 1.5%

$13,110 per capita

UNEMPLOYMENT: 9.5%

INFLATION (CPI): 2.7%

FDI INFLOW: -$868.0 million

PUBLIC DEBT: 60.7% of GDP

2020 data unless otherwise noted. Data compiled as of September 2021.
Property rights and secured interests are protected by law, and the recording system is generally reliable, but enforcement is undermined by corrupt courts. In 2021, in an effort to unleash productivity and investment, the government ended a 20-year moratorium on the sale of farmland. The judiciary’s susceptibility to political pressure, corruption, and bribery weakens public confidence. Government integrity remains severely compromised.

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 19.2 percent of total domestic income. Government spending has amounted to 43.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.5 percent of GDP. Public debt is equivalent to 60.7 percent of GDP.

Regulatory decisions are characterized by a high degree of arbitrariness and favoritism. A change has been made to speed up the review and issuance of patents. There is a skilled computer software workforce. Most state-owned enterprises rely on government subsidies to function and cannot compete directly with private firms. Subsidies for natural gas were reimplemented in 2021.

Ukraine has 20 preferential trade agreements in force. The trade-weighted average tariff rate is 3.2 percent, and 150 nontariff measures are in effect. Despite progress, lingering bureaucracy deters much-needed growth in private investment. Nonperforming loans continue to be a drag on the banking system. The capital market’s lack of development limits financing options.