

***Energy, Industry, and Economic Growth  
in Ukraine***

**Dr. Keith Crane**

**Ukraine-US Energy Dialogue III**

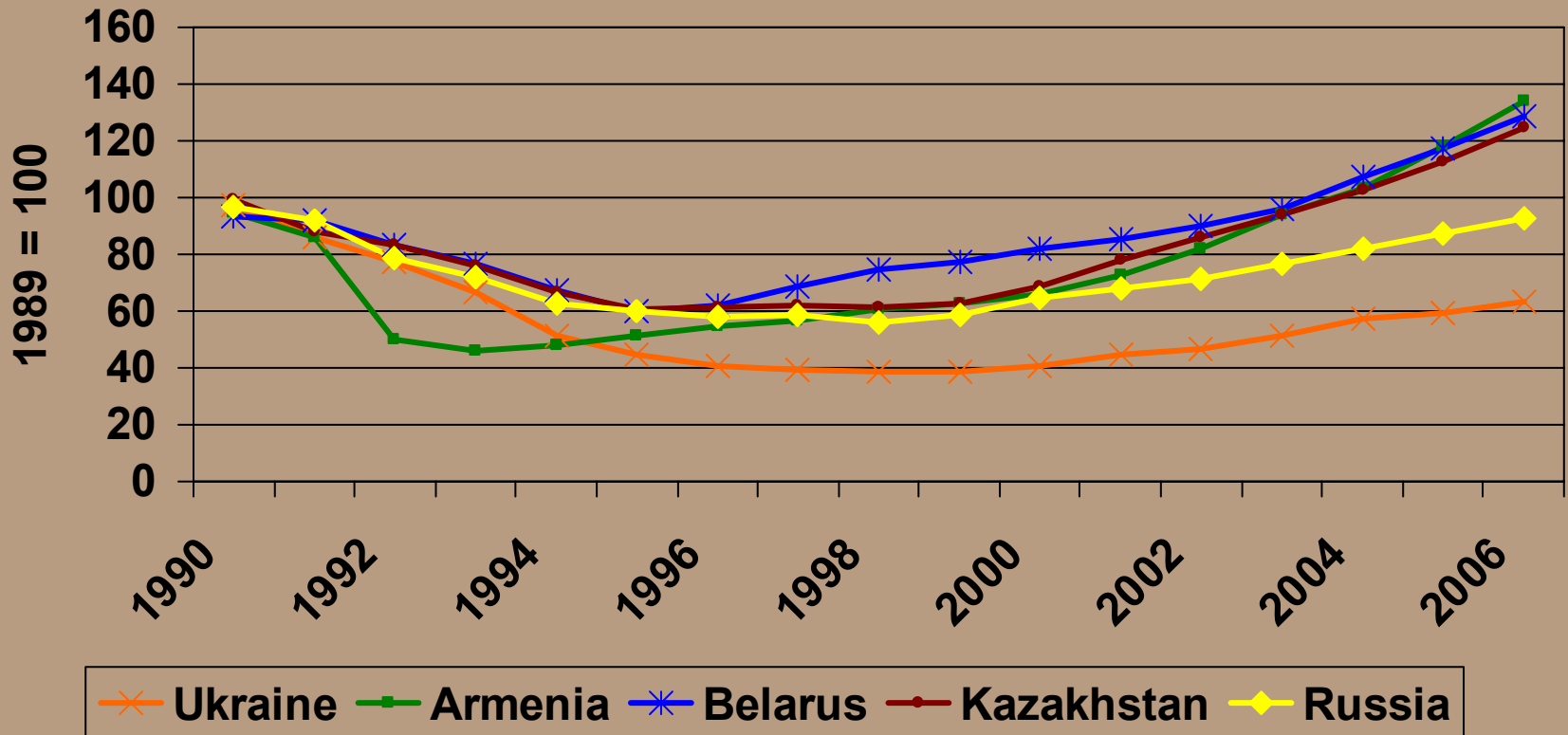
**April 15, 2008**

# *Outline*

- **Industry and Ukrainian Economic Growth**
- **Energy and Industrial Output**
- **Implications of Higher Energy Prices for Industrial Output and Economic Growth**

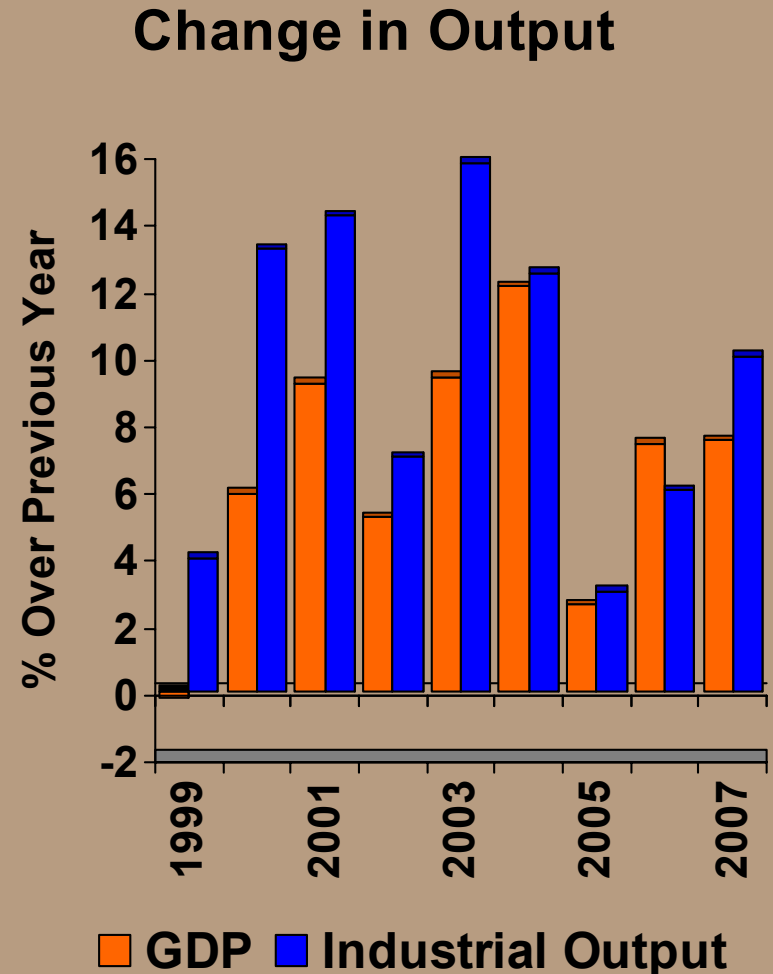
# *Ukraine Suffered the Longest and One of the Deepest Recessions in the CIS*

## Gross Domestic Product



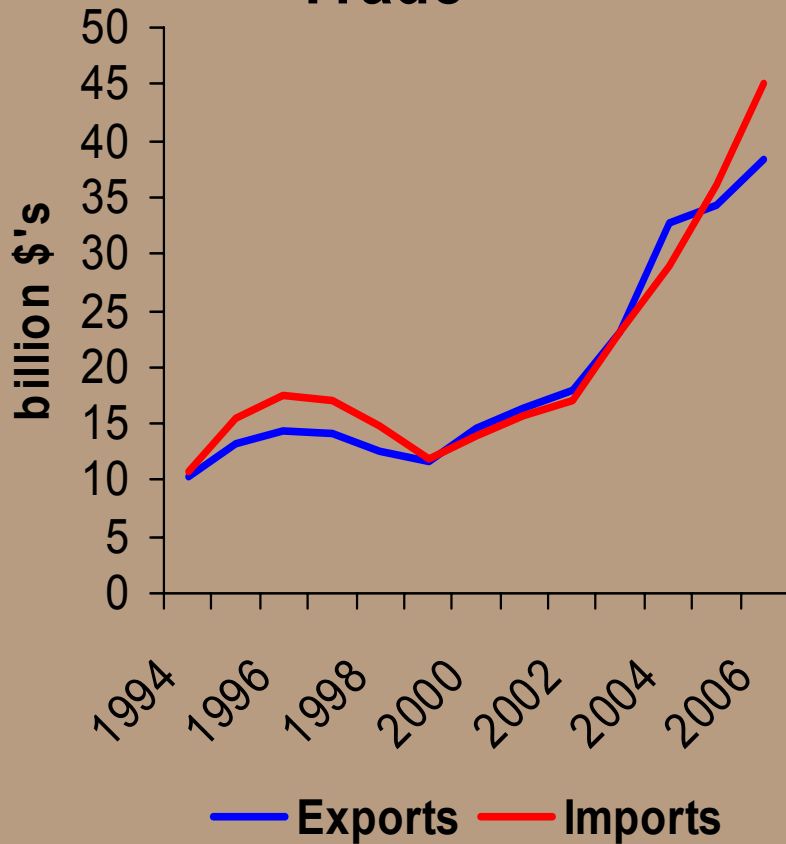
# ***Recession Bottomed Out in 1999, Industry Has Been Major Driver of Growth***

- Like other transition economies, initial rebound driven by increases in industrial output in export sectors
- Small business activity also important, although development has been stunted in comparison with Central and Southeastern Europe
- Services, especially finance, telecommunications, have also driven growth



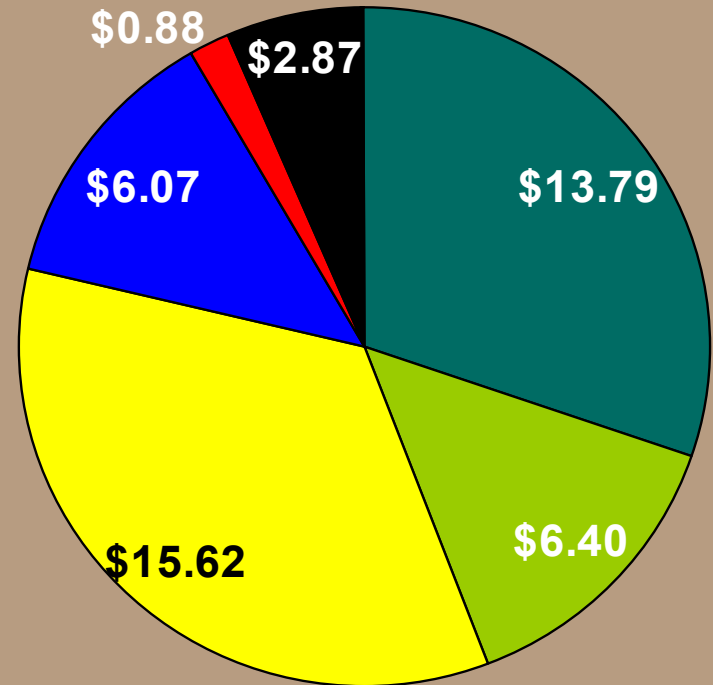
# ***Industrial Exports Key; EU Now Most Important Trading Partner***

## Ukrainian Foreign Trade



## Exports in 2006

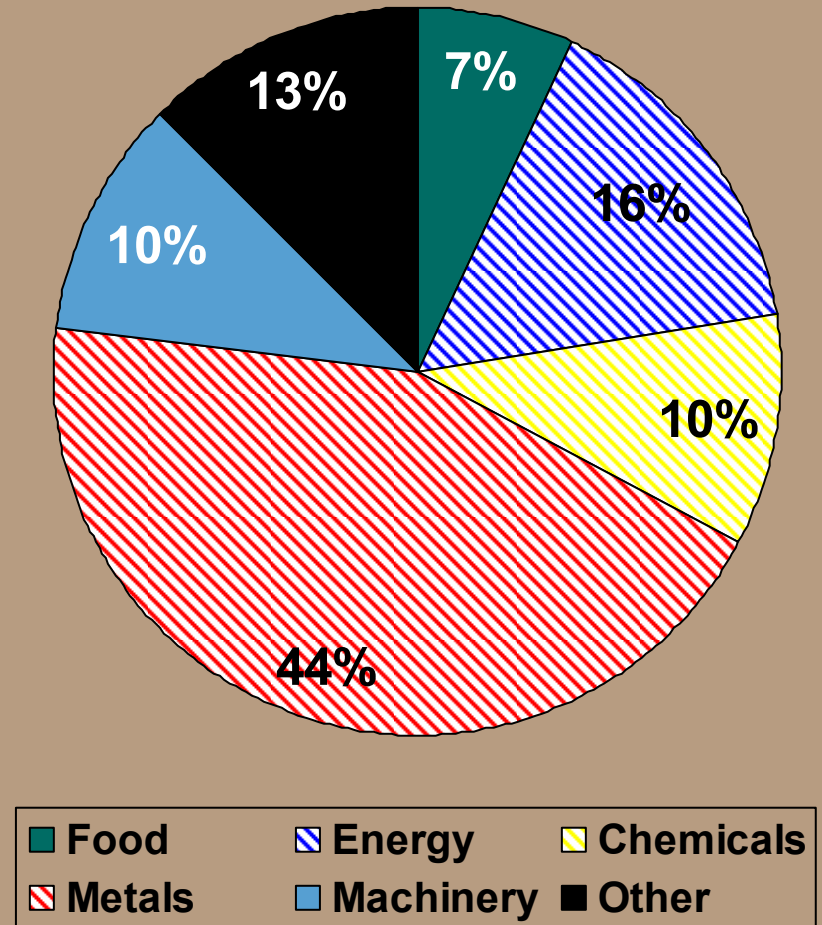
(billion \$'s)



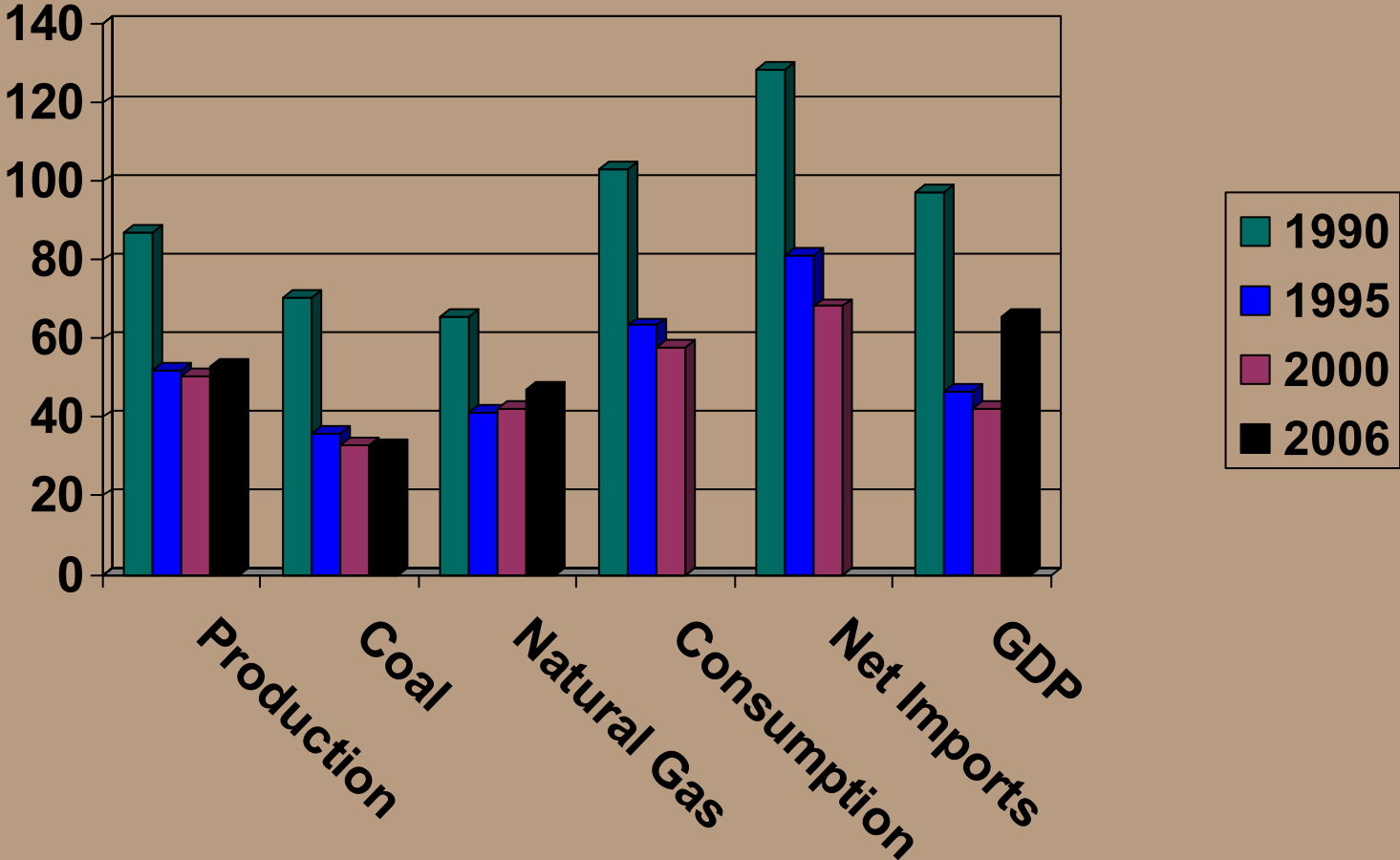
- Russia
- Other CIS
- EU
- Asia
- U.S.
- Other

# ***But Exports Concentrated in Energy-Intensive Products***

- **Metals, energy, and chemicals account for two-thirds of exports**
- **Cheap energy, implicit subsidies boost exports of coal, chemicals, metals**



# Ukrainian Energy Sector Has Shrunk



# ***Ukrainian Economy, Industry Should Be Able to Improve Efficiency Without Big Hit to Growth***

- Energy use per unit of GDP plummeted in Central Europe during the transition
- Energy use per unit of GDP rose in Ukraine
- Big difference:
  - Prices rose to Western European levels in Central Europe
  - In Ukraine, prices stayed low
- Central Europe adapted to higher prices by increasing efficiency
- Ukraine should be able to do so too

Energy Use Per Unit of GDP

