



# **Case Study : Ukraine Hryvnia (UAH)**

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# Introduction


The Ukrainian hryvnia (UAH) is the country's official currency. The government of the country approved the currency in 1996. The money is divided into 100 kopykas, which are sometimes known as hryvnias or grivnas. In the foreign exchange market, the hryvnia is abbreviated as UAH. The National Bank of Ukraine, the country's central bank, is in charge of ensuring financial stability and promoting the country's economic development. In December 2020, 1 UAH is valued around \$0.035.



# History

The UAH currency is a versatile one, undergoing a course of variation over decades:

1. In February 2000, the currency was depreciated to UAH 5.6 = USD 1.00, following the Asian financial crisis of 1998. Later, the exchange rate remained reasonably stable at roughly 5.4 hryvnias per US dollar.
2. From April 21, 2005 until May 21, 2008, it was fixed at 5.05 hryvnias per US dollar.
3. Then, in the midst of a worldwide financial crisis that affected Ukraine hard, rapid depreciation began in mid-October 2008, with the hryvnia plunging 38.4% from UAH 4.85 to UAH 7.88 for 1 US dollar on 23 September 2008 to UAH 7.88 for 1 US dollar on 19 December 2008.
4. After this, following a period of turbulence, a new peg of 8 hryvnias to the US dollar was created, which lasted several years.

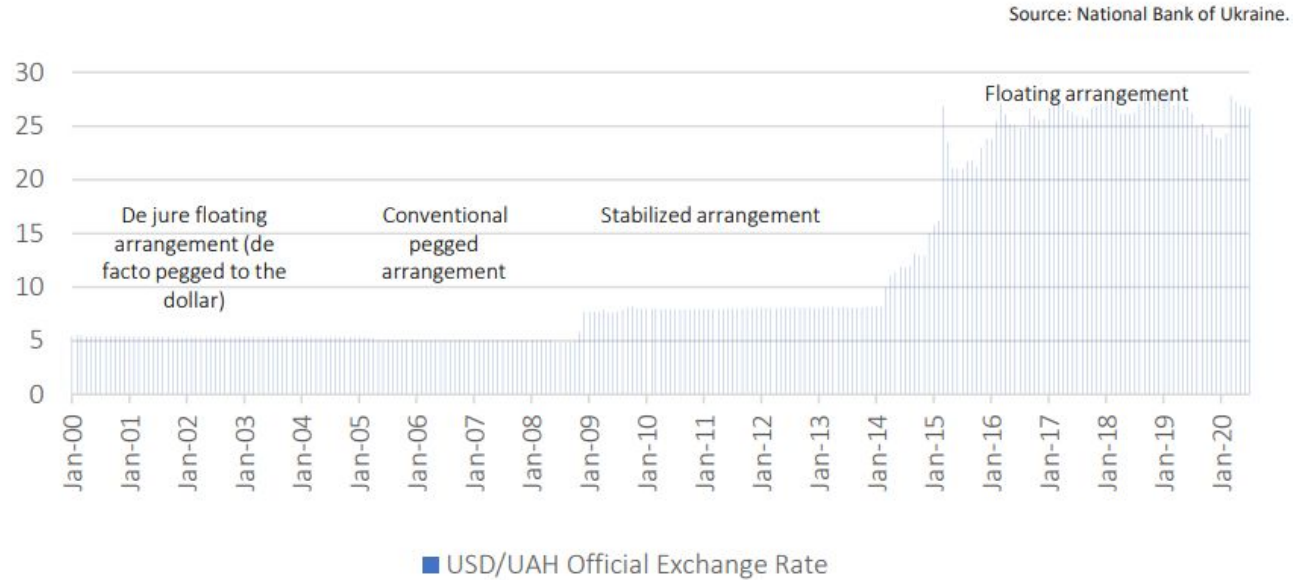


As the euro and other European countries' currencies depreciated against the dollar due to the European debt crisis in 2012, the peg was changed to a managed float, and the value in mid-2012 was around 8.14 per dollar.

Following political unrest in Ukraine, the National Bank of Ukraine converted the hryvnia into a fluctuating/floating currency on February 7, 2014, in order to meet IMF standards and maintain a steady currency price in the Forex market. The hryvnia lost over 70% of its value against the US dollar between 2014 and 2015, with the currency reaching a record low of 33 per dollar in February 2015.

In the interbank foreign exchange market on July 31, 2019, the hryvnia to US dollar exchange rate rose to 24.98, the highest level in three years.

# Systems Followed

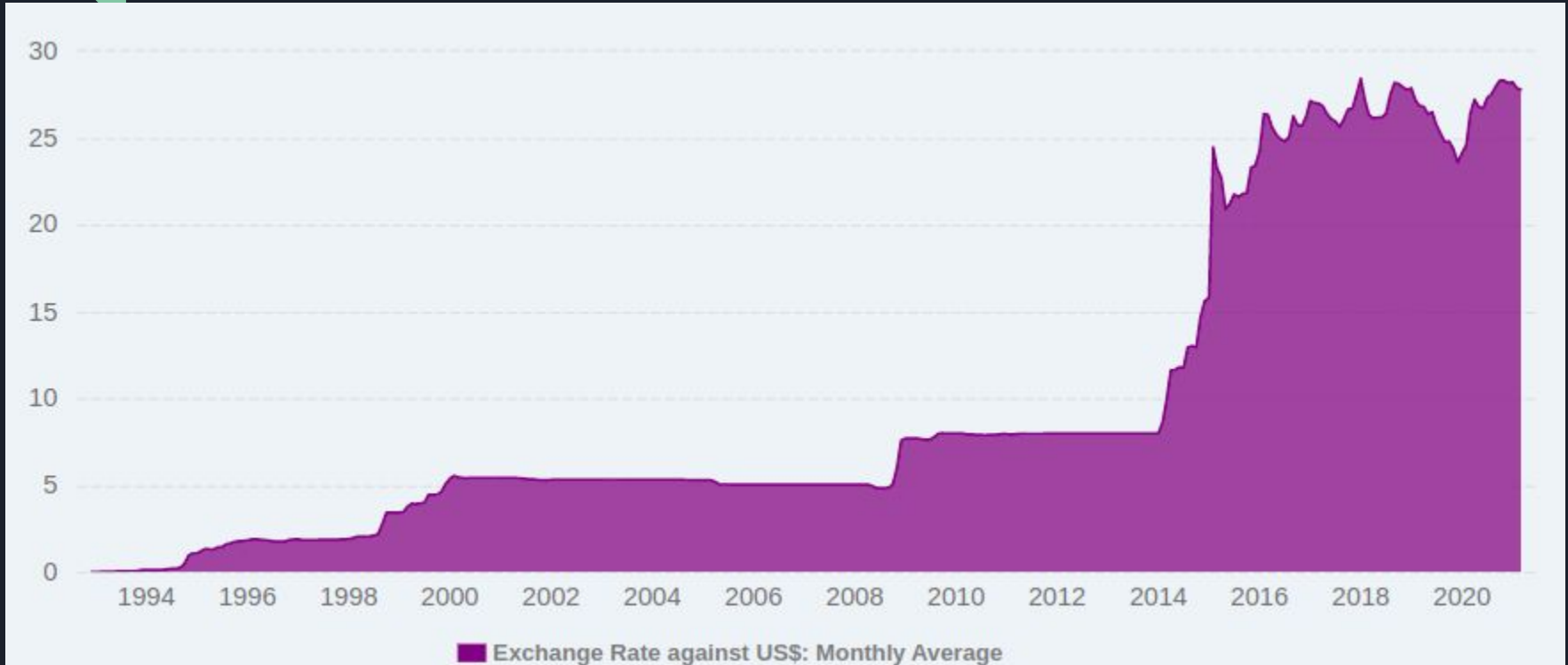




Since the start of 21st century, the Ukrainian currency has undergone 3 system changes,

1. **De jure floating arrangement** : In relation to the bipolar view, it showed that the country is generally moving towards either corner of the bipolar view of fixed exchange rate or floating exchange rate.
2. **Conventional pegged arrangement** : This established a fixed exchange rate for its currency against a foreign currency or a basket of currencies. The exchange rate between countries is stabilised by pegging a currency.
3. **Floating arrangement** : the most significant of all changes is the one started in 2014, owing to the political instability in that region, when the National Bank of Ukraine changed the hryvnia into a fluctuating/floating currency in an attempt to meet IMF requirements and to try to enforce a stable price for the currency in the Forex market.

# Exchange Rates Trend : USD vs UAH



# Current account balance (BOP, current US\$) - Ukraine

The Balance of Payments (BOP) is a statement that keeps track of all monetary transactions between citizens of a country and the rest of the globe over a specific time period.

