Monthly Economic Monitor Ukraine

No.10 (214), October 2018

EXECUTIVE SUMMARY

HIGHLIGHT: BUDGET-2019

Politics: Ukraine and the IMF staff reached an agreement on a new 14-months Stand-By Arrangement (SBA) equivalent to USD 3.9 bn. The decision is still to be taken by the IMF Executive Board.

Real sector: Industrial output and construction declined in September. Households income growth supported retail sales.

Energy sector: The Ukrainian Government increased the price of gas for the households by about 23% starting November 1, 2018.

Agriculture: In September, the Verkhovna Rada adopted the Law on the deregulation in the sector of sugar production and distribution.

External sector: Current account deficit in September renewed post-2013 record for the second time in three months.

Fiscal policy: Central fiscal deficit in the first nine months of the year amounted to only UAH 7.3 bn, which was much lower than planned.

Social policy: The Government improved the ctriteria for eligibility for the housing and utility subsidies.

Labour market: The inequality of wages between sectors of economy reduced as compared to several years ago.

Monetary policy: Consumer inflation moved to 8.9% yoy in September.

Exchange rate: Interbank UAH/USD exchange rate stabilized around UAH 28 in September and remained in this range in October.

State debt: The positive signal from the IMF on the new SBA and the high need for the fiscal deficit financing pushed the Government to place Eurobonds in the end of October.

Highlight of the month: Budget-2019

DRAFT BUDGET-2019: REALISTIC FOR NOW

By Oleksandra Betliy

On October 18, the Parliament approved the 2019 Draft State Budget Law in the first reading. The Ministry of Finance and the Verkhovna Rada Budget Committee succeeded to maintain key fiscal indicators rather realistic. This was difficult, as the MPs submitted more than two thousands amendments to the initial draft. If all amendments were approved fiscal spending would increase by UAH 2.2 trillion and revenues would grow by UAH 0.8 trillion. Suggested additional revenues are unrealistic as they are based on wrong assumptions, while there were no details how to finance resulting huge fiscal gap.

The approval of the realistic fiscal indicators in the first reading and increase in gas prices for population by about 23% since November 2018 enabled the IMF to announce the staff-level agreement on USD 3.9 Stand-By Arrangement (SBA) for Ukraine. However, the approval of the SBA by the IMF Executive Board will be possible only after the President signs the realistic State Budget for 2019 into a law following final approval by the Verkhovna Rada.

The fiscal indicators of the initial Draft State Budget law for 2019, which was submitted to the Parliament on September 15, are based real GDP growth at 3% in 2019 and CPI at 7.4% yoy in December. Recently, the NBU and the IMF downgraded their forecast of real GDP growth to 2.5% and 2.7%, respectively, but increased the projected inflation. As a result, nominal GDP is not likely to differ substantially from the level assumed in the budget which is critical as budget is planned in nominal terms.

The major challenge for the next year is high payments on state debt. According to the Draft State Budget, Ukraine will have to repay about USD 4.0 bn of external borrowings and UAH 150 bn of domestic borrowings. Besides, UAH 145 bn is planned to be spent on interest payments. To ensure timely debt service the Government has to continue cooperation with the IMF. The active IMF program will unlock EUR 500 m in the macrofinancial assistance from the EU (MFA IV) and the loan guarantee from the World Bank. For this, Ukraine should ensure fiscally sustainable budget for 2019, continue anti-corruption policies and reform the State Fiscal Service.

The current version of the Draft Budget-2019 is based on the limited number of amendments to the Budget Code and the Tax Code. However, it does not envisage the introduction of exit capital tax (ECT)[1], which is hotly debated for more than a year. If introduced, the ECT will replace the corporate profit tax (CPT) as in Estonia, Georgia, and Latvia. The President submitted the ECT Draft Law to the Parliament in July 2018 (draft law No.8557) suggesting that it would improve business climate and result in higher investments. The estimates of the Ministry of Finance show that the introduction of ECT in 2019 will result in additional fiscal gap of about UAH 45 bn. Besides, there is still a risk that the unreformed State Fiscal Service (SFS) will step up the inspection of companies. Possible ECT introduction led the IMF and the World Bank to stress that the macroeconomic stability is essential for Ukraine. Thus, they will be ready to provide assistance to Ukraine only in case of prudent fiscal policy of the Government. As a result, the different approach to the ECT is under discussion. In particular, the Ministry of Finance suggested to pilot new tax for the companies with revenues below UAH 200 m (the larger companies will still have to pay CPT). Companies (legal entities) that currently pay unified tax under the third group of simplified taxation system will have to start working under the general taxation system and become ECT payers. Therefore, about 95-97% of companies will pay ECT, while the largest companies that currently pay about 80% of all CPT will further pay this tax. Such scenario of ECT introduction is still criticized by the IMF and the World Bank, but has a chance to be agreed with them as the estimates of the Ministry of Finance show that it will not create additional fiscal gap. Besides, the Government will have time to start real implementation of the SFS reform and work out technical details on the ECT implementation during next year without additional fiscal gap. The Parliament Committee on Tax and Custom Issues will consider the ECT draft law on November 6.

The SFS reform is required for the improvement of the business climate in the country as the business still complains about the corruption in the Service. There were already several concepts and strategies prepared and approved by the Government during recent years. Currently, the Ministry of Finance announced new approach to the reform. In particular, the SFS might be divided into three entities:

- the tax authority, which would be responsible for tax collection and communication with business;
- the custom service, which has also a border security component;
- the analytical investigation service instead of current tax police.

The reform will not be easy as it requires fundamental revision of procedures that are currently used in the SFS.

Meanwhile, the Government moves towards the implementation of BEPS principles, which will help to reduce the loss of taxable profits from Ukraine to offshores. The respective Draft law was already elaborated by the NBU and the Ministry of Finance.

The Ministry of Finance will still be challenged with the budget process in the Parliament over the next two months. Some MPs will likely try to bargain for some expenditures in their electoral districts in exchange for their support of the important draft laws taking into account Presidential and Parliament elections in 2019. The political risks to the Budget would have been lower if Ukraine had a medium-term budget framework. This is another policy change that the Government attempts to introduce in the country.

1 For the details on the ECT see: https://goo.gl/qExVRq

Monthly Economic Monitor Ukraine

Politics: Ukraine and the IMF agreed on a new Stand-By Arrangement

IMF. Ukraine and the IMF staff reached an agreement on a new 14-months Stand-By Arrangement (SBA) equivalent to USD 3.9 bn. New SBA is to substitute the previous EFF program, which was to expire in March 2019. The IMF announcement on the possibility of new SBA was preceded by the approval of realistic State Budget Law for 2019 in the first reading and the decision of the Cabinet of Ministers to increase household gas tariffs by about 23% to UAH 8.55 per cubic meter from November 1. The further increases in gas prices are envisaged for 2019 as even after the upcoming price hike the household gas prices will remain below import parity.

The new SBA program needs to be approved by the IMF's Executive Board towards the end of 2018 after Ukrainian Parliament approves a realistic State Budget Law for 2019. The conditionalities to be included into the Memorandum are still unclear.

The SBA intends to support Ukraine's fiscal stability and ensure continuing reforms during 2019 when the Presidential and the Parliament elections are scheduled. Further cooperation between Ukraine and the IMF is expected to unlock macro financial assistance from the EU and external borrowings guarantees from the World Bank, which would help the Government t o timely serve its debt in full.

War in Donbas. The armed conflict in the eastern Ukraine continued in September. Combined Russian-separatist forces attacked the positions of Ukrainian armed forces. Nine service members of the Ukrainian armed forces were killed in the war in September, and 42 service members were wounded. Two pilots – a Ukrainian and an American one – were killed in a crash of a Su-27 air force fighter during a training flight that took place during joint multinational exercises Clear Sky 2018 in Ukraine in October.

A law cancelling restrictions for women to serve in the Armed Forces of Ukraine was approved. According to the new law, servicemen and servicewomen receive equal access to military ranks and have equal responsibilities in the performance of military duties.

In October, Ukraine lost significant amount of heavy artillery ammunition because of the fire at an ammunition depot in Ichnya, Chernihiv oblast. Thousands of people were evacuated from the area and no casualties were reported.

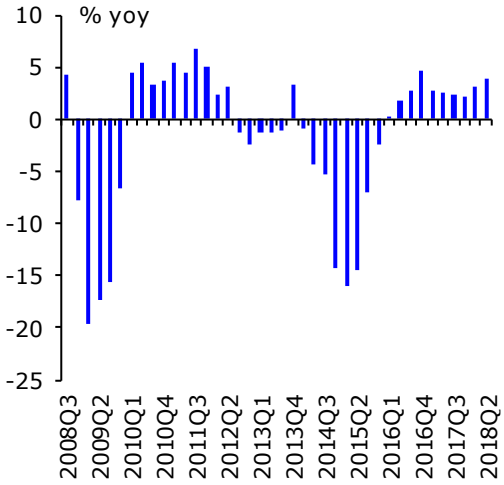
Central Election Commission. The activities of the Central Election Commission (CEC) were finally unlocked in September. First, the Parliament adopted a law increasing the number of seats in the CEC from 15 to 17 and then it appointed 14 new members to the CEC (two members retained their posts). One seat in the CEC remains vacant. Appointment of the new CEC is an important step ahead of the presidential and parliamentary elections scheduled for 2019. Besides, the CEC can now finally schedule the elections in newly created amalgamated territorial communities.

Customs reform. A law that simplifies customs clearance in Ukraine was adopted by the Verkhovna Rada in September. The law provides for the practical implementation of the "single window" principle that reduces the number of inspections required at customs and limits the time of customs clearance. It also requires government agencies to submit all the documents pertaining to customs clearance in an electronic form. The law is expected to result in higher transparency at customs and lower corruption.

Autocephaly. In October, the Synod of the bishops of the Orthodox Patriarchate of Constantinople confirmed the canonicity of Ukrainian Orthodox Church, which is an important step in the process of granting the Church autocephaly. This development is also viewed as the one that could result in Russia losing political influence in Ukraine.

Population (without Crimea): 42.5 m
Industry/GVA: 26%
Agriculture/GVA: 12%
Investment/GDP: 16%
Exports: EU 35%, Asia 27%, Russia 13%
Imports: EU 72%, Asia 19%, Russia 13%

Real GDP growth



Source: Ukrstat

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International benchmarking. Ukraine was ranked 83rd out of 140 countries in the 2018 Global Competitiveness Index published annually by the World Economic Forum. The Index measures competitiveness by a number of factors including institutions, macro-economic stability, innovation capability, infrastructure, and others. In the 2018 Index, the highest Ukraine's ranks were reported for such indicators as "Skills" (46th place globally), "Market size" (47th), and "Infrastructure" (in which Ukraine moved 21 positions up to the 57th place). Meanwhile, the IMF's latest World Economic Outlook report issued in October put Ukraine on the 134th position globally by the GDP per capita in current US dollars. With the GDP under 3 thousands USD per capita, Ukraine is the poorest country in Europe.

Real sector: Industrial output dropped slightly in September

Industrial output reduced by 1.3% yoy in September. Mining production was close to previous year's level. Coal extraction was up by 13% yoy and oil production recovered by 20% yoy after earlier drop. Extraction of iron ore and construction materials reduced in September.

Manufacturing output was down by 1.6% yoy in September as most industries reduced production apart from wider chemical industry (including pharma and oil and coke refining) and food industry. Chemical industry and related industries grew by 4-6% yoy and their growth was supported by consumer demand. Food production was almost unchanged. 25% yoy increase in sunflower oil production and 6% yoy rise in meat production offset drop in bakery and milk product output. Metallurgy output reduced by 1.3% yoy from high statistical base due to continued repairs on some plants. Machine building production dropped by 4.5% yoy. Electricity production and transmission dropped by 4% yoy due to warm weather.

Retail sales in September grew by 6.9% yoy as income growth more than offset worsened consumer expectations in the third quarter and rising saving. Construction product reduced by 1% yoy in September due to 15% yoy drop in residential construction. Investment in roads and power infrastructure continued to grow.

Energy: Gas tariffs were finally raised

Gas. The Ukrainian Government increased the price of gas for the households by about 23% starting November 1, 2018. This move was one of Ukraine's obligations in the framework of the IMF EFF Program. The further increases are planned for the next year as even increased tariff remains lower than import parity price.

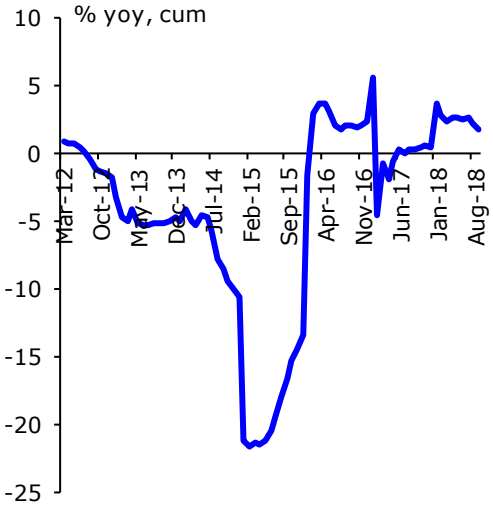
In September, Ukraine, the EU and the Russian Federation held several rounds of technical expert consultations on gas transportation issues. Ukraine confirmed its willingness to use the EU internal market regime on its territory and to fully implement the EU gas market rules and norms. The next step is the negotiations on the ministry level.

The Naftogaz informed Russian Gazprom that it credited USD 9 m overpayments for the gas transit as a penalty payments accrued on the Gazprom's debt in accordance with the Arbitrage Court ruling of February 28, 2018 on gas transit contract. In December 2017, the Stockholm Arbitrage Court decreased the tariff on gas transit via Ukraine but Gazprom disagrees and continues to pay the old price. At the same time, Gazprom still disputes USD 2.56 bn debt to the Naftogaz for violating the gas transit contract. Currently the penalty exceeds USD 100m.

Energy efficiency. The Ministry of Regional Development started issuing energy certificates on buildings with the class of energy efficiency defined by the energy audit. The certificate is an important tool for the Energy Efficiency Fund and the Organizations of Owners of Multi-apartment Buildings as it allows to estimate the effect from energy efficiency measures.

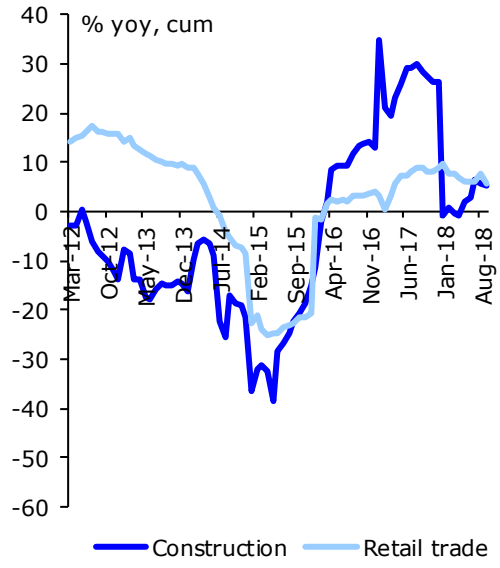
Transparency. On September 18, the Parliament adopted the law on transparency in extracting industries. The law allows the public full access to the information on payments of extracting companies to the

Industrial output



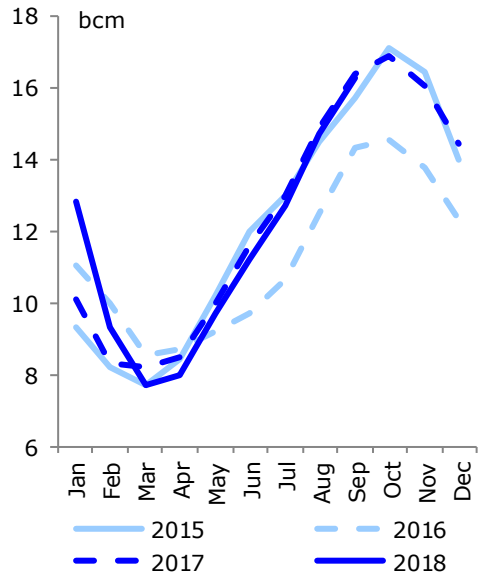
Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Real sector trends



Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Gas stocks in 2015-2018



Source: Ministry of Energy

state budget as well as envisages the possibility to publicly discuss questions of management of extractive natural resources. The law implements the EITI (Extractive Industries Transparency Initiative) standards in Ukraine.

Agriculture: Deregulation of sugar sector

Production. In January-August agricultural production grew by 2.0% yoy due to increase in crop production by 3.2% yoy. As of 1st of September, the number of cows decreased by 3.5% yoy and number of pigs fell by 4.5% yoy. Milk production decreased by 2.0% yoy. However, total livestock production remained on the level of 2017 due to increase in egg production (by 3.0% yoy) and poultry slaughter (by 5.4% yoy) as poultry number increased by 2.8% yoy.

As of September, 28, Ukrainian farmers harvested 40.1 m t of grain from an area of 11.0 m ha (74% of total area) with an average yield of 3.64 t per ha (lower by 5.2% yoy). This summer Ukraine avoided extreme draughts in comparison to other parts of the world, hence the weather did not negatively impacted the crop harvest.

Trade. In the first eight month of 2018, agricultural and food trade between Ukraine and the EU increased by 6.5% yoy to USD 5.4 bn due to higher imports from the EU, which increased by 24.6% yoy to USD 1.7 bn. As of September 21, seven quotas for duty free exports to the EU were exhausted: honey, malt and wheat gluten, processed tomatoes, grape and apple juices, wheat, corn and butter. Other quotas are almost fully exhausted: processed starch (99.4%), poultry meat (75%), garlic (61.2%). Half of the total quota for duty free exports of eggs and albumins has been filled in as well.

Policy. In September, the Verkhovna Rada adopted the Law on the deregulation in the sector of sugar production and distribution (No. 4532). Olena Kovalova, Deputy Minister of the Ministry Agrarian Policy and Food of Ukraine stated that the deregulation of the industry will help to stabilize prices on the domestic market, increase the number of sugar producers, as well as provide sustainable functioning of the sugar industry in the free market conditions.

External sector: Current account deficit widened to USD 1.7 bn in September

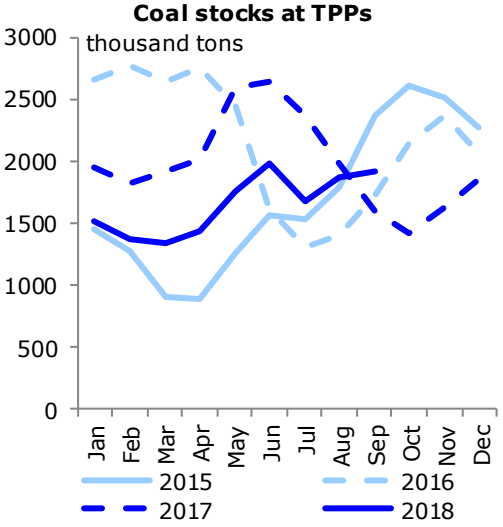
Current account. Current account deficit increased to USD 1.7 bn in September 2018 from USD 0.7 bn in September 2017. Current account deficit renewed post-2013 record for the second time in three months. Merchandise trade deficit reached USD 1.8 bn as export fell and imports continued to grow. Trade in services was close to balance in September. Net investment payments reached USD 1.1 bn in part due to coupon payments on sovereign Eurobonds. Net inflow of secondary income and wages (remittances) remained high at USD 1.2 bn.

Merchandise exports reduced by 4% yoy in dollar terms in September as exporters continued to complain about difficulties in getting their products to ports by railway. Agricultural exports dropped by 10% yoy despite higher grain prices than a year ago. Steel exports increased by 8% yoy but it was still at the lowest level over the last eleven months. Exports of other goods reduced by 3% yoy.

Merchandise imports grew by 17% yoy in September. Imports of mineral products increased by 25% yoy due to higher energy demand and sharp increase in energy prices. Imports of machinery and equipment grew by 23% yoy and exceeded September 2013 value. Imports of other items grew by 10% yoy as consumer demand remained strong.

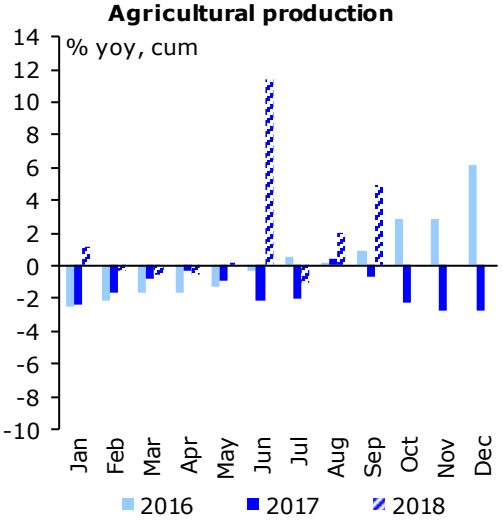
Financial account. Capital inflows under financial account were USD 1.1 bn in September. Public sector was inactive and recorded USD 1 m in net inflows. Bank sector reported USD 59 m in FDI inflows (mostly reinvested profits) and USD 106 m in other outflows. Real sector debt inflows were USD 990 m as importers increased debt for imported products and exporters reduced receivables.

Coal stocks at TPPs



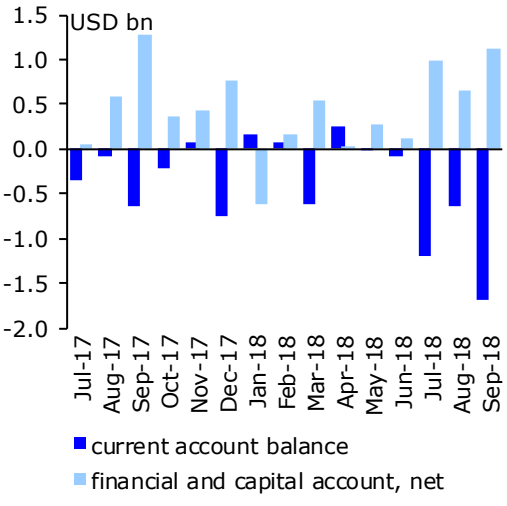
Source: Ministry of Energy, Ukrenergo

Agricultural production



Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

Fiscal policy: Low deficit means under-executed expenditures

Revenues. Consolidated fiscal revenues improved in September. They increased in the first nine months by 15.6% yoy due to higher collections of most key taxes. EPT revenues surged by 53.7% yoy due to improved financial results of companies. VAT collections of domestically produced and imported goods and services increased by 17.0% yoy and 18.0% yoy, respectively, while higher exports resulted in growth of VAT refunds by 11.5% yoy. Wage growth explain the increase in PIT revenues by 24.2% yoy. At the same time, collection of excises grew by only 9.2% yoy due to lower revenues from excises on domestically produced tobacco products. As previously, rent payments were by almost 17% lower than in the last year, which is likely explained by lower effective rate and advance rent payments made in December 2017.

Non-tax consolidated revenues increased by 28.5% yoy. NBU profit surged by 48.5% yoy due to earlier payout schedule but it was lower than the budget plan. The Naftogaz dividend was rescheduled to be paid mostly in the last quarter

Overall, central fiscal revenues due to general fund were by 2.8% lower than planned. This was primarily explained by under-execution of non-tax revenues.

Expenditures. Between January and September consolidated fiscal expenditures increased by 20.3% yoy. Capital spending surged by 56% yoy reaching 8.0% of total expenditures. Expenditures on pensions and social assistance increased by 30% yoy. The implementation of the government administration reform resulted in increased wage spending at 25.4% yoy.

Central fiscal expenditures (general fund) were 3.2% lower than target due to under-execution of revenues and lower than planned deficit financing.

Deficit. Central fiscal deficit in the first nine months of the year amounted to only UAH 7.3 bn, which was much lower than planned (the target of central fiscal deficit at general fund was defined at UAH 52.6 bn). This was a result of lower than planned external borrowings and negligible privatisation receipts. Local budgets had a surplus of UAH 21.8.

Social policy: Improved criteria for housing and utility subsidies

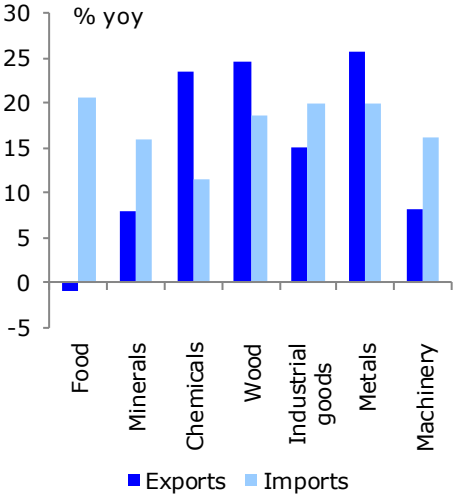
The Government improved the ctriteria for eligibility for the housing and utility subsidies (HUS). The changes were primarily designed to remove (likely unintended) gaps in coverage after HUS criteria were tightened in April. For example, the ineligibility for the subsidies of the households with apartment larger than 120 m^2 or houses larger 200 m^2 was revised to apply only to the heated area and not to the unheated utility areas. Subsidies were also allowed for the cases where several households live in the large house or apartment as long as each household has separate utility bill and occupies area below the limit. The criteria for provision of HUS to unemployed were also streamlined. Still, the coverage of households by the HUS is likely to reduce as the income growth and tighter criteria for HUS eligibility may overcome the impact of gas price increase.

Labour market: Wages continue growing

Nominal growth of average wage in September decelerated by 3.2 p.p. to 23.0% yoy primarily due to slowdown in wage growth in real estate and public administration. Real wages grew by 12.9% yoy. The highest wages were paid traditionally in financial and insurance sector and IT (UAH 15956 and UAH 14307, respectively) as compared to UAH 9042 average wage across all sectors. Still, the inequality of wages between sectors of economy reduced as compared to several years ago.

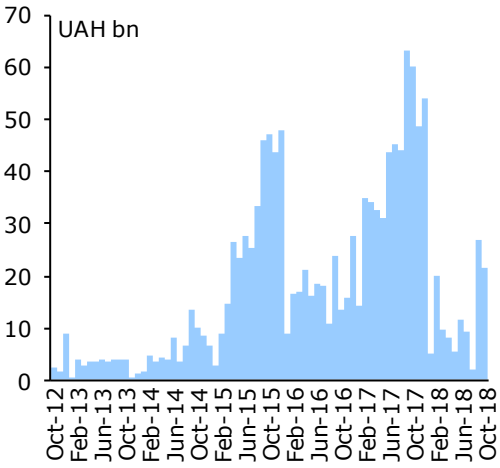
Growth of wages was the slowest in education and healthcare (15.9% yoy and 17.7% yoy, respectively) despite measures introduced to increase wages of staff in these sectors. The highest wage growth at

Trade in goods in Jan-Sep 2018



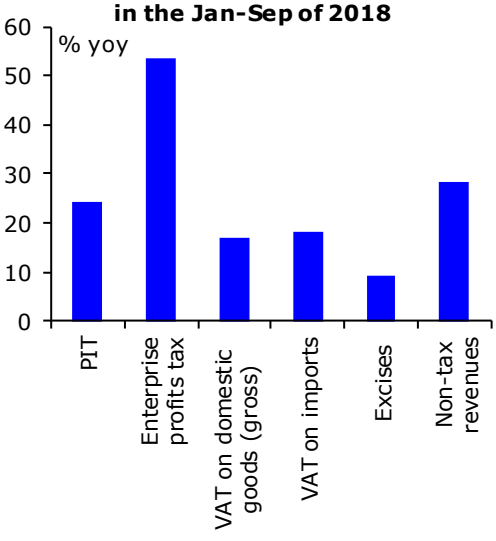
Source: NBU preliminary estimates

Balance of the Single Treasury Account



* in the beginning of month
Source: State Treasury

Growth of Consolidated fiscal revenues in the Jan-Sep of 2018



Source: State Treasury reports

31.6% yoy was reported by state administration and defence likely due to the implementation of state administration reform and increase in wages of military personnel. Wages in industry grew by 24.2% yoy due to increase in minimum wage and tight labour market.

Monetary policy: Inflation moved to 8.9% yoy in September

Consumer inflation moved to 8.9% yoy in September as inflation remained near 9% for three months in a row. Food price growth slowed slightly to 6.8% yoy. Prices for fruit and vegetables were on average lower than a year ago due to good harvest. Transport price index increased by 18% yoy in response to higher fuel costs. Impact of higher demand and growing imports costs on consumer prices remained limited. Core inflation was close to headline inflation at 8.7% yoy.

The NBU in October kept policy rate unchanged at 18% p.a. The NBU reasoned that monetary conditions are sufficiently tight to bring inflation to target by 2020 considering preliminary deal with the IMF. Further path of policy rate will depend on the interaction of political considerations in an election year with fiscal limitations caused by high debt repayments.

Exchange rate: Hryvnia remained stable around UAH 28 per USD in September and October

Interbank UAH/USD exchange rate stabilized around UAH 28 in September and remained in this range in October. This likely reflected lower demand for cash foreign currency and reduction in depreciation expectations as import payments remained high. The NBU tried to replenish international reserves and bought USD 163 m on net basis in September and first three weeks of October. Still large government debt service in September reduced the NBU international reserves reduced to USD 16.6 bn in September from USD 17.2 bn in August.

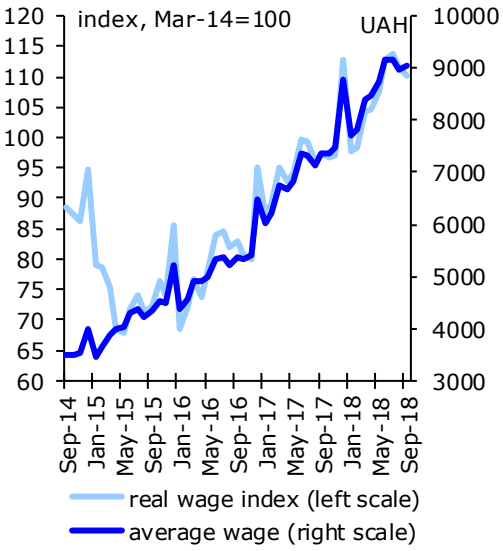
State debt: The forth EU MFA program for Ukraine of EUR 1 bn have been agreed

External debt. In September, the EU and Ukraine signed a Memorandum of Understanding and a loan agreement for Macro-Financial Assistance (MFA) of EUR 1 bn. This is the 4th MFA program provided to Ukraine since 2014. Ukraine received EUR 2.81 bn of assistance under the previous three programs and lost a chance to receive EUR 0.6 m as did not introduce all promised policy measures. The new loan will be provided for 15 years in two tranches, first of which is scheduled for autumn 2018 (EUR 500 m). The Memorandum is still to be ratified by the Verkhovna Rada of Ukraine.

To receive the first instalment, which is scheduled for autumn 2018, Ukraine should improve the predictability of the tax environment for businesses (to issue in the form of orders of the Ministry of Finance at least seven general tax consultations on the practical application of tax legislation in the third quarter of 2018), put in place an automated verification system for electronic asset declarations of persons authorised to perform functions of the state and local self-government, to ensure effective verification of information on companies' beneficial ownership and well-functioning of the independent High Anti-Corruption Court of Ukraine (include to the Draft budget 2019 an amount for its financing), improve corporate governance in state-owned enterprises. As previously, the EU will provide financing under the MFA IV only if Ukraine's cooperation with IMF is continued.

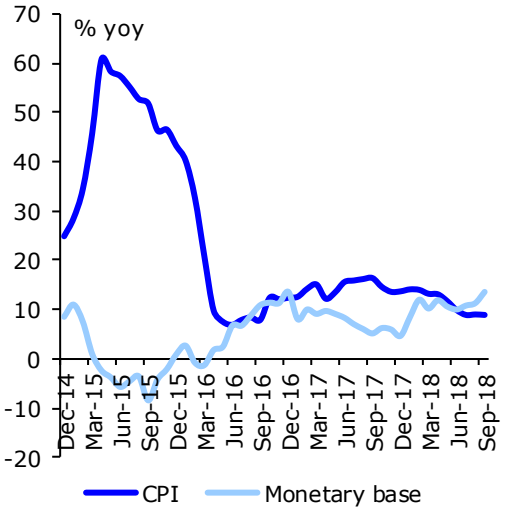
The positive signal from the IMF on the new SBA and the high need for the fiscal deficit financing pushed the Government to conduct the quick Roadshow on October 22-25. As a result, the Government placed USD 0.75 bn Eurobonds with a maturity of 5 years and USD 1.25 bn Eurobonds with a maturity of 10 years. The yields increased to 9% and 9.75%, respectively, which is explained by unfavourable situation partially related to problems in other emergency markets, political risks related to coming Presidential and Parliament elections,

Average wage*



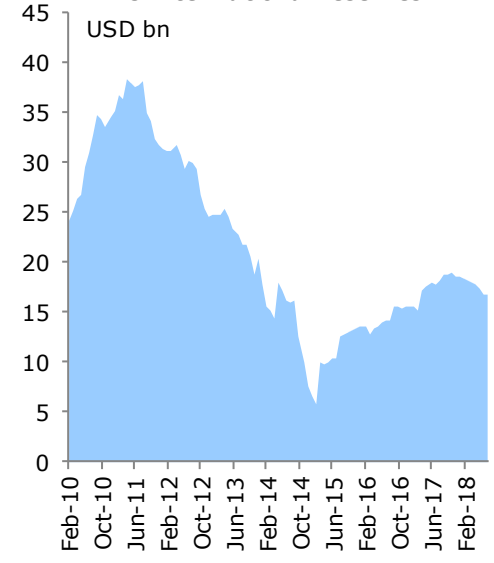
*not including AR Crimea
Source: Ukrstat

CPI and monetary base development



Source: Ukrstat, NBU

NBU international reserves

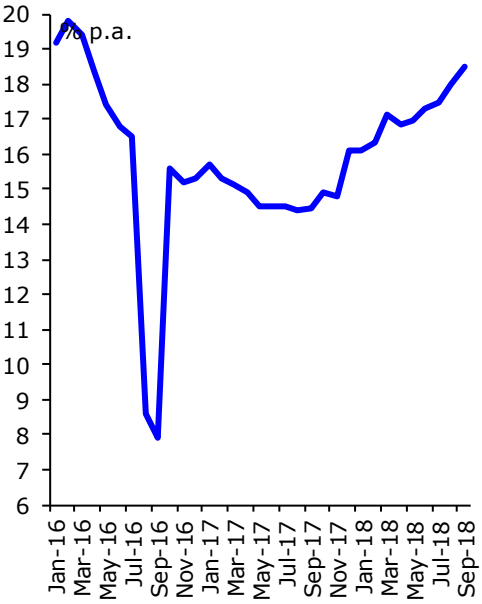


Source: NBU

lack of active IMF program. The rates were still lower than initially expected due to a high demand (at USD 4.9 bn). Still, this issue is not the most expensive one for Ukraine. In particular, Ukraine in 2012 placed 5-year Eurobonds at a rate of 9.25%, but the spread was higher than. The attracted funds will be used for early repay of bridge 6-month Eurobonds placed in August 2018 (USD 725 m) and for financing Government liabilities.

Domestic debt. In September, domestic borrowings were the lowest since the beginning of the year (UAH 319 m). It is partially explained by higher demand for FX-denominated government domestic bonds against the background of tangible weakening (depreciation) of the national currency. The weighted average yield increased further to 18.5% p.a. from 18.0% p.a. in August primarily due to increased key policy rate by the NBU. 100% of bonds were with maturities of up to one year due to low demand for local currency bonds with longer maturities. FX-denominated state domestic bonds decreased as well. The Ministry of Finance placed USD 47.1 m of USD-denominated bonds at 6.0% and EUR 1.2 m at 4.1% of EUR-denominated bonds (mostly 1.5-year).

Weighted average yield for domestic state bonds



Source: NBU

Tables

		Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Industrial production (real)	% yoy cum.	2.8	-0.7	0.3	0.3	0.4	2.4	2.5	1.8	0.3	0.4	0.5	0.4	3.6	2.8	2.4	2.6	2.6	2.5	2.6	2.2	1.8
Construction (real)	% yoy cum.	17.4	25.4	29.2	28.3	26.3	-0.3	2.8	5.4	28.3	27.5	26.5	26.3	-1.0	0.7	-0.3	-0.8	1.8	2.8	6.3	5.7	5.4
Agricultural production (real)	% yoy cum.	6.3	-0.8	-2.1	-0.7	-2.7	-0.5	11.4	4.9	-0.7	-2.3	-2.8	-2.7	1.1	-0.3	-0.5	-0.5	0.2	11.4	-1.0	2.0	4.9
Retail trade turnover (real)	% yoy cum.	4.0	3.1	7.3	8.8	8.8	7.6	6.2	5.5	8.8	8.2	8.0	8.8	9.6	7.5	7.6	7.0	6.1	6.2	6.6	7.5	5.5
Average wage	UAH	5744	6323	6953	7268	7878	7974	8749	9063	7351	7377	7479	8777	7711	7828	8382	8382	8725	9141	9170	8977	9042
CPI	% yoy eop	12.4	15.1	15.6	16.4	13.7	13.2	9.9	8.9	16.4	14.6	13.6	13.7	14.1	14.0	13.2	13.1	11.7	9.9	8.9	9.0	8.9
PPI	% yoy eop	35.7	38.3	26.3	22.4	16.5	15.9	18.4	18.9	22.4	18.8	18.4	16.5	22.0	19.6	15.9	14.1	16.5	18.4	18.1	19.3	18.9
Exports (USD)*	% yoy cum.	-3.9	28.7	21.3	19.0	16.9	9.2	11.4	9.6	19.0	18.7	18.1	16.9	18.8	14.8	9.2	11.4	11.7	11.4	11.5	11.2	9.62
Imports (USD)*	% yoy cum.	4.5	20.6	22.4	19.7	18.9	12.4	13.0	14.6	19.7	20.1	19.7	18.9	27.5	17.9	12.4	13.0	13.4	13.0	14.4	14.4	14.6
Trade balance*	USD bn cum.	-4.1	-1.3	-3.1	-5.8	-8.6	-1.9	-3.9	-9.0	-5.8	-6.7	-7.4	-8.6	-0.5	-1.2	-1.9	-2.2	-3.0	-3.9	-5.6	-6.8	-9.0
Current account**	USD bn cum.	-1.3	-0.4	-0.1	-1.2	-2.1	-0.5	-0.4	-3.9	-1.2	-1.4	-1.3	-2.1	0.1	0.2	-0.5	-0.3	-0.3	-0.4	-1.5	-2.1	-3.9
Gross international reserves	USD bn eop	15.5	15.1	18.0	18.6	18.8	18.2	18.0	16.6	18.6	18.7	18.9	18.8	18.6	18.4	18.2	18.4	18.2	18.0	17.8	17.2	16.6
Monetary Base	% yoy eop	13.6	9.1	8.3	5.1	4.6	10.2	10.0	13.6	5.1	6.2	5.9	4.6	8.4	12.0	10.2	11.9	10.6	10.0	10.8	11.3	13.6
Lending rate on UAH credits	% pa, aop	14.7	15.7	15.1	14.4	16.1	16.9	17.9	19.1	14.9	15.1	16.3	17.0	16.3	17.0	17.5	17.7	17.9	18.0	17.9	18.8	20.7
Exchange rate (official)	USD aop	25.67	27.06	26.46	25.91	26.97	27.32	26.18	27.36	26.11	26.65	26.71	27.54	28.43	27.17	26.34	26.15	26.18	26.20	26.40	27.48	28.19
Exchange rate (official)	EUR aop	28.18	28.81	29.06	30.38	31.76	33.56	31.27	31.83	31.08	31.38	31.32	32.58	34.60	33.59	32.50	32.14	31.01	30.65	30.83	31.75	32.90

Sources: Ukrstat, NBU, own calculations

* Trade in goods and services

** Monthly data are according to the preliminary estimates provided by the NBU

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]	2017[cp]
Nominal GDP	UAH bn	170	204	226	267	345	442	544	721	948	913	1079	1300	1405	1465	1587	1989	2385	2983
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.2	136.0	163.1	175.8	183.3	133.7	91.0	93.4	112.2
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.3	-14.8	4.1	5.5	0.2	0.0	-6.6	-9.8	2.4	2.5
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	7.1	-5.0	-20.6	12.2	8.0	-0.7	-4.3	-10.1	-13.0	2.8	0.4
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5	0.1	-1.4	20.2	-3.9	13.6	2.2	-4.8	6.3	2.7
CPI	% yoy aop	28.2	12.0	0.8	5.2	9.0	13.5	9.1	12.8	25.2	15.9	9.4	8.0	0.6	-0.3	12.1	48.7	13.9	14.4
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3	9.1	4.6	-0.2	0.5	24.9	43.3	12.4	13.7
PPI	% yoy aop	20.9	8.6	3.1	7.6	20.5	16.7	9.6	19.5	35.5	6.5	20.9	19.0	3.7	-0.1	17.1	36.0	20.5	26.4
PPI	% yoy eop	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	23.0	14.3	18.7	14.2	0.3	1.7	31.8	25.4	35.7	16.5
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.4	27.0	34.3	-36.9	26.0	27.5	3.4	-5.5	-19.9	-27.0	-4.0	16.9
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.6	35.232	39.3	-44.2	28.8	34.8	7.5	-3.5	-28.1	-29.3	4.4	18.9
Current account	USD bn	1.5	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.8	-1.7	-3.0	-10.2	-14.3	-16.5	-4.6	-0.2	-3.8	-2.1
Current account	% GDP	4.8	3.7	7.3	5.8	10.6	2.9	-1.5	-3.7	-7.1	-1.5	-2.2	-6.3	-8.2	-9.0	-3.4	-0.2	-4.0	-1.9
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	7.5	5.7	9.218	9.9	4.7	5.8	7.0	7.2	4.1	0.3	3.0	3.3	2.2
International reserves	USD bn	1.5	3.1	4.4	6.9	9.7	19.4	22.4	32.5	31.5	26.5	36.7	31.8	31.4	20.4	7.5	13.3	15.5	18.8
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5	-2.4	-6.0	-1.8	-3.6	-4.4	-4.6	-1.6	-3.1	-1.4
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	14.8	12.5	19.9	33.0	40.0	36.0	37.5	39.9	69.4	79.1	81.0	71.8
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	9.8	15.0	21.5	25.6	22.8	22.1	20.5	38.5	52.4	52.0	46.1
Monetary base	% yoy eop	39.9	37.4	33.6	30.1	34.1	53.9	17.5	46.0	31.5	4.4	15.8	6.3	6.4	20.3	8.5	0.8	13.6	18.8
Exchange rate	USD aop	5.44	5.37	5.33	5.33	5.32	5.12	5.05	5.05	5.27	7.79	7.94	7.97	7.99	7.99	11.87	21.84	25.55	26.60
Exchange rate	USD eop	5.44	5.30	5.33	5.33	5.31	5.05	5.05	5.05	7.70	7.98	7.96	7.99	7.99	7.99	15.77	24.00	27.19	28.07
Exchange rate	EUR aop	5.03	4.81	5.03	6.02	6.61	6.39	6.34	6.92	7.71	10.87	10.53	11.09	10.27	10.61	15.72	24.23	28.29	30.00
Exchange rate	EUR eop	5.10	4.67	5.53	6.66	7.22	5.97	6.65	7.42	10.86	11.68	10.57	10.57	10.30	11.04	19.26	26.22	28.42	33.50

Sources: Ukrstat, NBU, Ministry of Finance, own calculations

''' "Minus" denotes a consolidated fiscal deficit; without recapitalisation

[c] Data excludes Crimea where available

P - preliminary data

Notes:

avg	average	**ytd**	year-to-date	**NBU**	National Bank of Ukraine
cum	cumulative	**p.a.**	per annum	**EPT**	Enterprise profit tax
mom	month on month change	**eop**	end of the period	**VAT**	Value added tax
qoq	quarter on quarter change	**aop**	average of the period	**Ukrstat**	State Statistics Service of Ukraine
yoy	year-on-year change	**gs**	goods and services		

Quarterly trends

National accounts		Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
GDP	UAH bn	354.8	398.0	408.6	316.9	382.4	440.5	447.1	376.0	456.7	567.0	588.8	455.3	535.7	671.5	722.9	591.0	664.8	833.1	894.0	700.4	807.3
GDP (real)	% yoy	-1.2	-1.1	3.4	-1.0	-4.3	-5.3	-14.4	-16.0	-14.5	-7.0	-2.4	0.1	1.7	2.7	4.6	2.8	2.6	2.4	2.2	3.1	3.8
Household consumption (real)	% yoy	8.7	6.8	6.3	3.3	-7.8	-13.9	-12.2	-20.3	-27.0	-19.0	-13.6	-1.8	4.6	5.3	2.7	5.1	10.4	6.6	11.1	5.6	4.2
State consumption (real)	% yoy	-0.9	-1.5	-2.9	-5.9	5.2	0.1	4.5	0.9	-5.6	-0.8	11.1	1.5	-2.3	1.0	-1.6	7.9	-4.6	7.4	3.2	-1.4	11.0
Gross fixed capital formation (real)	% yoy	-18.1	-8.9	-8.7	-19.9	-19.3	-28.0	-26.5	-23.8	-14.2	-5.0	1.5	5.4	17.9	24.0	27.4	20.0	23.4	15.0	16.7	17.0	14.2
Exports of goods and services (real)	% yoy	-13.5	-6.8	-4.5	-5.1	-2.3	-16.8	-31.1	-21.9	-18.0	-6.8	-3.5	-4.1	-7.2	-4.6	9.8	-0.9	-2.1	7.2	8.8	-9.9	0.1
Imports of goods and services (real)	% yoy	-15.7	1.7	-0.6	-11.8	-10.9	-32.3	-29.6	-17.1	-27.0	-11.5	-10.5	-3.0	0.8	17.9	20.1	5.4	9.4	13.3	20.5	-5.4	3.0
Agriculture, fishing, forestry (real)*	% yoy	21.7	-2.8	36.5	5.7	-9.1	25.6	-20.6	-4.7	-11.6	-3.8	-2.5	-1.7	0.6	1.8	18.3	-0.7	-2.9	-0.1	-6.4	-0.5	19.3
Manufacturing industry (real)*	% yoy	-9.9	-10.6	-9.8	-3.2	-5.4	-12.7	-13.2	-25.2	-22.5	-9.2	-2.3	8.2	4.1	0.3	2.7	3.6	5.3	5.0	6.1	2.7	2.0
Construction (real)*	% yoy	-19.4	-8.0	-4.4	4.7	-14.0	-26.3	-30.8	-36.6	-30.6	-15.6	6.0	8.6	14.5	19.5	15.1	25.2	32.5	27.9	22.9	2.2	7.2
Trade, repair services (real)*	% yoy	-1.2	0.9	0.9	-3.0	-7.2	-18.4	-26.6	-26.5	-19.9	-14.2	2.6	3.7	7.6	3.8	1.9	3.1	3.9	5.1	7.9	5.8	3.4
Transport (real)*	% yoy	-0.8	1.3	2.7	-7.8	-10.9	-10.1	-11.0	-10.5	-2.4	0.3	2.2	6.2	3.5	0.9	2.6	4.6	3.8	5.4	3.3	0.3	2.7
Balance of payments (BPM6)																						
Current account balance	USD bn	-2.3	-6.0	-5.0	-1.3	-0.8	-1.2	-1.4	-0.1	0.8	0.8	0.1	-1.1	1.1	-1.2	-0.1	-0.5	0.2	-1.2	-0.9	-0.6	0.0
Current account balance	% of GDP	-5.1	-12.1	-9.8	-3.5	-2.5	-3.3	-4.3	-0.4	3.8	2.9	0.5	-6.0	5.2	-4.7	-0.5	-2.2	0.8	-3.8	-2.8	-2.2	0.1
Trade balance in goods	USD m	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1147	-496	-689	-1123	-1924	-665	-2128	-2225	-1451	-1923	-2828	-3170	-2091	-2186
Trade balance in services	USD m	1504	2575	1066	937	443	456	686	487	255	110	241	152	103	-170	404	103	193	134	332	238	233
Direct investment (FDI)**	USD m	496	1510	991	-665	-319	725	558	397	907	890	818	1,366	760	999	143	593	1,062	503	435	428	753
Gross international reserves	USD bn	23.2	21.6	20.4	15.1	17.1	16.4	7.5	10.0	10.3	12.8	13.3	12.7	14.0	15.6	15.5	15.1	18.0	18.6	18.8	18.2	18.0
Exchange rate (interbank), UAH/USD	aop	8.14	8.15	8.21	9.14	11.71	12.58	13.56	21.23	21.56	21.74	22.90	25.69	25.23	17.27	25.90	27.09	26.44	25.93	26.97	27.27	26.18
Exchange rate (official), UAH/USD	aop	7.99	7.99	7.99	8.86	12.71	12.58	13.56	21.18	21.62	21.69	22.33	25.68	25.26	25.40	25.67	27.06	26.46	25.91	26.97	27.32	26.18
Fiscal indicators																						
Consolidated fiscal revenues	% of GDP	29.4	28.9	28.6	35.4	29.4	24.7	27.4	37.3	34.7	29.8	31.3	35.9	32.9	27.7	35.6	37.3	41.4	29.4	30.8	35.5	32.9
Personal income tax	% of GDP	5.1	4.6	4.8	5.1	4.7	4.2	5.0	5.5	5.3	4.5	5.1	6.3	6.3	5.3	5.6	6.6	6.9	5.7	6.0	7.0	7.0
Enterprise profits tax	% of GDP	3.4	3.0	3.0	4.9	2.5	1.9	1.5	4.4	1.7	1.2	1.3	3.5	2.1	1.9	2.8	2.5	3.1	2.2	2.3	4.5	3.1
Value-added tax	% of GDP	9.0	8.1	8.4	8.7	9.5	6.8	10.1	11.4	9.1	8.0	8.2	11.7	11.4	8.1	9.3	13.6	10.2	9.1	10.1	12.1	11.1
Excise tax	% of GDP	2.6	2.3	2.2	2.5	3.0	3.0	2.8	3.3	3.4	3.0	3.1	4.1	5.1	4.1	3.9	4.4	4.3	3.7	4.0	3.7	3.7
Consolidated fiscal expenditures	% of GDP	35.8	30.1	35.9	35.2	34.7	27.2	35.5	33.5	34.9	26.1	41.9	35.1	35.5	30.7	38.6	36.6	34.2	30.7	39.9	36.0	37.8
Current expenditures	% of GDP	33.9	28.2	33.2	34.8	33.7	25.8	33.6	31.8	33.6	24.0	38.0	34.3	33.9	27.8	33.0	35.7	32.0	27.9	33.6	34.9	34.7
Capital expenditures	% of GDP	1.9	1.9	2.8	0.5	1.0	1.4	1.9	1.7	1.3	2.1	3.9	0.9	1.7	2.9	5.6	0.9	2.2	2.8	6.3	1.0	3.1
Consolidated fiscal balance	% of GDP	-6.3	-1.5	-7.3	0.1	-5.3	-2.8	-8.8	-3.7	-0.4	3.6	-10.8	0.8	-2.8	-3.0	-3.2	0.7	7.2	-1.3	-9.4	-0.4	-0.8
Privatisation receipts	% of GDP	0.0	0.2	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0
Banking system																						
Monetary aggregate M0	% yoy cum	9.8	12.3	17.0	19.2	31.9	28.8	19.0	6.0	-1.3	-6.2	-0.1	-5.3	0.3	8.0	11.2	7.8	7.2	4.7	5.8	11.2	11.7
Monetary aggregate M2	% yoy cum	17.9	19.2	17.5	17.7	13.4	14.2	5.4	9.0	3.1	5.6	4.0	-1.7	6.3	12.6	10.9	6.7	6.5	6.6	9.6	8.7	9.7
Household deposits in national currency	% yoy cum	26.5	33.4	38.0	7.9	-2.3	-12.3	-22.1	-19.1	-17.7	-16.6	-1.0	4.3	9.4	15.1	5.4	10.5	12.8	13.5	20.4	20.6	22.0
Household deposits in foreign currency	% yoy cum	14.7	8.4	0.9	19.8	10.2	5.5	18.0	25.4	11.6	3.7	-2.4	-16.1	-2.7	12.1	10.9	-1.5	1.4	-0.8	3.3	2.2	2.5
Com. bank credits in national currency	% yoy cum	7.4	10.2	16.9	12.3	4.9	-0.8	-9.1	-11.0	-11.8	-15.8	-20.8	-16.6	-13.3	-1.5	16.4	17.1	21.3	19.0	13.0	15.2	13.1
Com. bank credits in foreign currency	% yoy cum	-0.4	0.8	2.8	36.4	38.5	49.1	53.5	58.4	29.2	18.7	15.9	-15.0	-2.0	2.0	-9.9	-21.4	-18.3	-19.4	-9.7	-2.9	0.4
Long-term com. bank credits	% yoy cum	-2.7	-0.5	2.9	26.3	24.4	24.6	21.7	17.9	3.1	-5.7	-10.5	-18.1	-10.3	-1.1	19.2	14.8	18.7	-6.8	-5.7	-12.9	-12.1
Long-term com. bank credits	% of total	55.7	55.1	53.2	58.5	59.1	59.8	59.5	58.5	57.6	60.7	55.4	55.6	55.8	55.9	64.9	67.2	66.8	53.0	60.1	54.6	54.7
Average lending rate on national currency credits	% p.a.	15.3	15.3	16.5	18.4	17.5	16.4	16.6	19.9	23.1	21.1	20.7	20.0	20.9	17.3	14.7	15.7	15.1	14.4	16.1	16.9	17.8
Average lending rate on foreign currency credits	% p.a.	9.7	9.6	8.8	8.7	9.4	9.2	8.8	8.2	9.3	9.2	9.1	8.9	9.1	8.3	8.5	8.0	8.0	7.2	6.8	6.4	6.6

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added

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