INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: CUSTOMS REFORM

Politics: In June, the Verkhovna Rada adopted the Law "On High Anti-Corruption Court" and the Law "On National Security".

Real sector: The Ukrstat confirmed real GDP growth in the first quarter at 3.1% yoy. This reflected strong growth in capital investment and slower yet robust growth of consumer demand.

Energy sector: The Cabinet of Ministers again terminated increase in gas prices for population, which puts under the risk the provision of the next tranche of loan by the IMF.

Transport: The Cabinet of Ministers adopted in May the Transport Strategy until 2030 that sets the priorities of the sector development.

Agriculture: In 2017/2018 marketing year Ukraine exported around 39.4 m of grain, which is 10% less than in 2016/2017 due to lower harvest.

External sector: Current account deficit totalled USD 0.41 bn over the first five months of 2018.

Fiscal policy: The central government run the deficit at UAH 9.8 bn in the first half of 2018, while local budgets reported cumulative surplus at UAH 20.2 bn.

Social policy: In the end of July, the Pension Fund delayed the pensions payment for the first time for many years.

Labour market: Unemployment rate (ILO methodology) in the first quarter of 2018 declined to 9.7% of economically active population in the age of 15-70 years old from 10.1% in the same period of 2017.

Monetary policy: The NBU unexpectedly increased policy rate by 0.5 p.p. to 17.5% p.a. at the policy meeting in July.

Exchange rate: Interbank UAH/USD exchange rate moved in the narrow range between UAH 26 and UAH 26.5 per USD in the second quarter of 2018.

State debt: Fiscal sustainability risks remain high as the Government will have to make pick debt repayments in 2018 and 2019.

Highlight of the month: Customs reform

EXPORTERS AND IMPORTERS IN UKRAINE: TRADE FACILITATION MEANS TRANSPARENCY AND CLEAR RULES

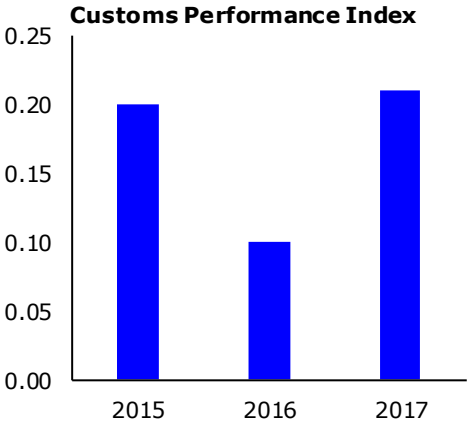
By Iryna Fedets

The full-scale implementation of the customs reform in Ukraine has not been implemented. Therefore, customs clearance in the country remains lengthy and complicated, which is reflected in Ukraine's low positions in comparative international rankings. A new annual survey of exporters and importers in Ukraine conducted by the IER[1] shows that a customs reform that would bring more transparency and reduce bureaucracy is necessary.

In 2015, Ukrainian government defined the World Bank's international "Doing Business" ranking as the indicator of success of the deregulation reform that intended to remove barriers for private entrepreneurship in the country. Despite a notable progress that Ukraine demonstrated in this ranking over the recent years moving up from the 96th place in 2015 to the 76th one in 2018 worldwide, its international trade performance still brings the overall result down. Due to the long hours needed to import and export and the related high compliance costs, Ukraine was placed at the 119th position in the "trading across borders" category in 2018.

Last year, the Ministry of Finance of Ukraine initiated a reorganization of customs, which is a part of the State Fiscal Service. But in 2018, the Cabinet of Ministers canceled the decrees that were meant to guide this process. Meanwhile, Ukrainian businesses involved in international trade report recurrent problems that are rooted in complicated legislation as well as in the lack of transparency at Ukrainian customs.

The IER conducted the third wave of the survey of Ukrainian exporters and importers in late 2017 and early 2018. The survey shows that the assessment of the customs performance by businesses virtually has not changed since 2015 when the first wave of this survey took place. In 2017, the Customs Performance Index calculated by the IER was +0.21 on the scale from -1 to +1 (the index shows the assessment of customs efficiency by the surveyed enterprises). The value of the Customs Performance Index was +0.2 in 2015 and +0.1 in 2016. This suggests that while positive assessments prevail over the negative ones, there is no visible change in the businesses' opinion about customs performance.



Source: IER survey

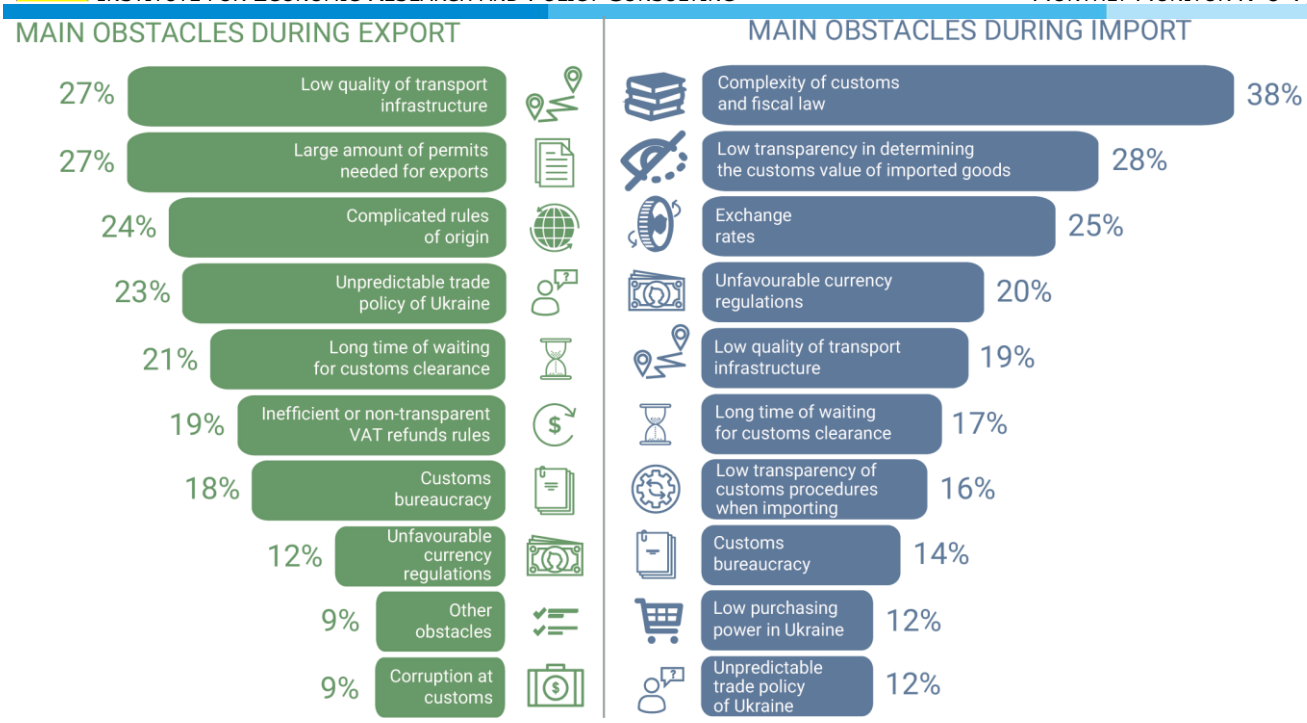
According to surveyed enterprises, major barriers that hinder foreign trade include bureaucracy and lack of access to information at customs, as well as difficulties associated with infrastructure and currency rate in Ukraine. For importers, complicated customs and tax legislation is the main obstacle (38% of them reported this problem). However, the impact of some of the other barriers is smaller now than it was a year before. The share of the importers that report among key barriers the lack of transparency at determining customs value of goods and the unfavourable currency regulations decreased in 2017 as compared to 2016. This may be attributed to foreign currency liberalization in Ukraine and successful court appeals by businesses that resulted in lowering custom values of goods.

The most frequently reported trade barriers for exports are low quality of transport infrastructure and large number of permits needed to export. 27% of the surveyed exporters reported these problems. Slightly smaller shares of exporters name complicated rules of origin and unpredictable trade policy of Ukraine as obstacles. While the share of the enterprises reporting lack of predictability in Ukraine's trade policy reduced in 2017 compared to 2016, the percentage of those facing large number of permits for export, on the contrary, increased. The Export Strategy approved by Ukrainian government in 2017 can explain the improvement in policy predictability assessments, but the fact that the problem of many permits required for exports became more pressing signals the need of deregulation in foreign trade.

Recently, the Verkhovna Rada took steps towards actual implementation of the single window at customs and the Cabinet of Ministers approved the operation of police force at customs. While the latter move has been explained as an anti-smuggling measure, its legitimacy is disputed. Making customs procedures more transparent, reducing the bureaucracy and making trade policy more clear and predictable will not only boost Ukraine's international business rankings, but also will encourage entrepreneurship and trade.

Source: Main obstacles during export and import, IER survey, https://goo.gl/1V45dh

[1] "Trade Facilitation in Ukraine: Businesses' Assessment and Expectations 2017/2018" http://www.ier.com.ua/files/Public_events/2018/TFD_III_Presentation/TFD_III_2017-2018_report.pdf (in Ukrainian)



Source: Main obstacles during export and import, IER survey

Monthly Economic Monitor Ukraine

Politics: Ukraine adopts key anti-corruption legislation

Legislation. In June, the Verkhovna Rada adopted the law on High Anti-Corruption Court. The need for the specialized court was explained by the lack of convictions despite numerous corruption cases being sent to the courts by Ukraine's recently established anti-corruption law enforcement bodies. Establishing the anti-corruption court was among key conditionalities of the further IMF support of Ukraine. However, the initially adopted law allowed the appeals on already existing corruption-related cases to be handled by the current courts system, which drew criticism from the IMF. In July, the Verkhovna Rada amended the law so that appeals to the existing corruption cases would fall under the new court's jurisdiction.

In June, the Verkhovna Rada adopted the law "On National Security" that clarifies the functions of different security and law enforcement bodies in Ukraine and introduces civilian control over law enforcement agencies. The law restricts economic investigation functions of the Security Service of Ukraine, but implementing this change requires amendments to other existing laws. Also, in June, the Verkhovna Rada adopted the law "On Currency and Currency Transactions". It liberalizes government oversight of currency operations and brings it up to date.

The war in Donbas. The armed conflict in the eastern Ukraine continued in May and June. During these two months, the OSCE Special Monitoring Mission (SMM) observed an increase of the ceasefire violations compared to April. Combined Russian-separatist forces attacked the positions of Ukrainian armed forces in Donetsk and Luhansk oblasts. An escalation in civilian casualties took place in May when 11 civilians were killed in the conflict. Since the beginning of the year, the OSCE SMM has confirmed information on 150 civilian casualties: 29 people were killed and 121 wounded. 13 service members of the Ukrainian Armed Forces were killed in the war in May, and 92 service members were wounded. In June, 14 service members of the Ukrainian Armed Forces were killed in the war and 69 service members were wounded.

Also, in May, the joint investigation team (JIT) that investigates the shooting down of the flight MH17 in 2014 and consists of representatives of Australia, Malaysia, the Netherlands, and Ukraine concluded that the plane was downed by Russian BUK military missile. Following the JIT conclusion, the Netherlands and Australia announced they hold Russia responsible for downing of the plane.

Government. In June, the Verkhovna Rada dismissed Oleksandr Danyliuk from the post of the Minister of Finance of Ukraine. His dismissal was initiated by Prime Minister Volodymyr Groysman, while Danyliuk accused the Prime Minister in intervening in his hiring decisions regarding deputy ministers. Former First Deputy Minister of Finance Oksana Markarova was appointed Acting Minister of Finance.

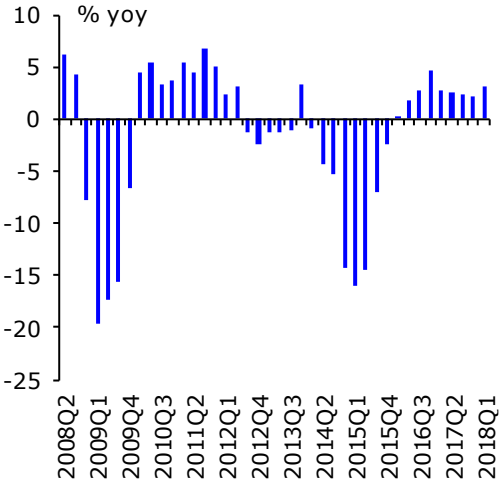
MFA. European Parliament and Council of Europe approved the fourth program of macro-financial assistance for Ukraine worth 1 billion euro. The exact conditions of the assistance have not been defined yet, but the European Parliament stated that it will be conditional on Ukraine's progress in the fight against corruption and on the respect of democratic mechanisms including a multi-party parliamentary system, the rule of law, and human rights in Ukraine.

Real sector: Real GDP increased by 3.1% yoy in the first quarter

GDP. The Ukrstat confirmed real GDP growth in the first quarter at 3.1% yoy. This reflected strong growth in capital investment at 17% yoy and slower yet robust growth of consumer demand at 6% yoy. Real exports dropped by 10% yoy due to lower grain and steel exports volumes, while lower energy imports pushed real imports down by 5% yoy. Domestic demand supported brisk growth in the service sectors including 6% yoy increase of real gross value added (GVA) in trade and 5% yoy GVA growth in IT and communications. Limited

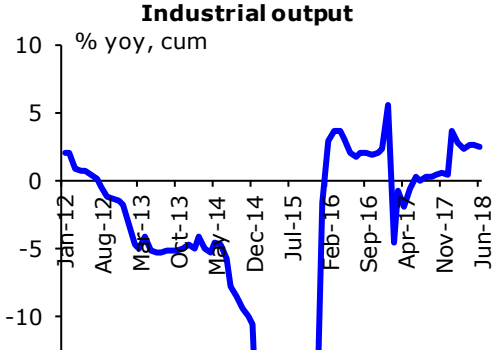
Population (without Crimea): 42.5 m
Industry/GVA: 26%
Agriculture/GVA: 12%
Investment/GDP: 16%
Exports: EU 35%, Asia 27%, Russia 13%
Imports: EU 72%, Asia 19%, Russia 13%

Real GDP growth



Source: Ukrstat

Industrial output



growth of external demand led GVA in the industry grew slower at 2.4% yoy and value added in transport to reduce slightly.

Sectoral trends. Industrial output growth over six months of 2018 grew by 2.5% yoy as compared to 2.4% yoy in the first quarter. Mining output increased by 2.0% yoy as coal and iron ore extraction were higher than a year ago. This happened despite the slowdown in iron ore production in the second quarter due to worker unrest. Manufacturing output grew by 2.5% yoy between January and June due to higher production in the chemical industry, machine building, and metallurgy. Machine building output grew in response to investment demand and chemical industry output sharply increased as previously idle capacity was used again. Metallurgy output slowed down in May due to repairs and disruption in iron ore supplies but recovered in June. Lower harvest constrained food production.

Retail sales in the first half of the year grew by 6.2% yoy as consumer incomes expanded due to higher wages and pensions as well as increased remittances. Construction activity recovered in the second quarter after cold weather limited the construction activity in the first quarter. It increased by 2.8% yoy over six months of 2018.

Energy: no market prices for gas yet

Gas. The Cabinet of Ministers (CMU) prolonged public service obligations (PSO) of the Naftogaz to sell natural gas to the households and district heating generating companies at a discount price till the end of July 2018. This contradicts the Ukraine's obligation to abolish PSO and use market prices, which was envisaged in the IMF program. Initially, the CMU Resolution No.187 of 2017 set the end date for PSO to April 1, 2018. The question of setting market prices for gas remains one of the conditions for continuing cooperation with the IMF. The Government is likely to increase gas prices for population in autumn, but still to the level below import parity.

In May, Naftogaz filed a complaint in the Swiss court for the compulsory USD 2.6 bn recovery from Gazprom due to unwillingness of the Russian company to honor the decision of the Stockholm Arbitrage Court. Other complaints were filed in the courts of the Great Britain and the Netherlands. The Commercial Court in London granted the Naftogaz request to freeze the British assets of Gazprom. The Netherlands court also granted the request but six out of seven Gazprom branches in the Netherlands refused to comply. On June 13, the Svea Court of Appeal suspended the execution of the Stockholm Arbitrage Court decision due to Gazprom's appeal. Naftogaz submitted its counterarguments to the Court of Appeal and hopes that the court's decision will be cancelled.

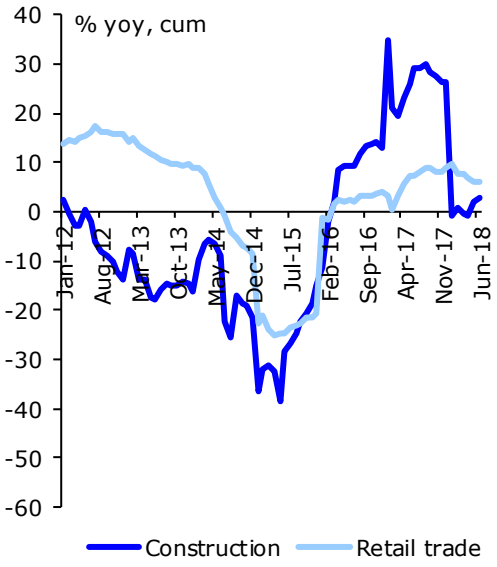
Ukrtransgaz considers the Gas Transmission Code approved by the National Energy and Utilities Regulatory Commission (NERC) in December 2017 to be noncompliant with the European norms and requests its revision. The Energy Dispute Resolution Centre (EDRC) of the Energy Community Secretariat agreed to act as a facilitator of the NERC and Ukrtransgaz negotiations over the implementation of the amendments to the Code which are supposed to enter into force by August 1, 2018. The EDRC appointed Predrag Grujicic, the Head of the Energy Community Secretariat Gas Unit, as Facilitator to the dispute.

The NERC. The NERC restored its quorum and now is fully functional. On May 30, the President chose five new NERC members out of the list of 47 candidates selected by the Nomination Committee. The new NERC members are Olena Antonova, Oleksander Formagey, Dmytro Kovalenko, Yevgen Maglyovany and Oksana Kryvenko. On June 6, Oksana Kryvenko was elected the Head of the NERC.

Transport: Ukraine has a new Transport Strategy until 2030

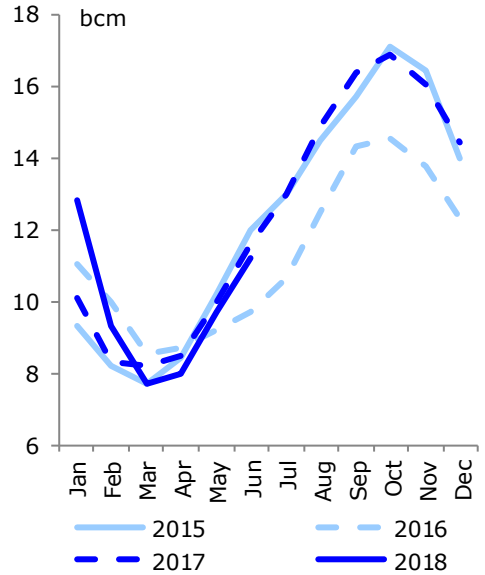
Transport strategy. The Cabinet of Ministers adopted in May the Transport Strategy until 2030 that sets the priorities of the sector development. According to the Strategy, Ukraine will continue to develop the infrastructure and connect it to the world and Trans European transportation networks: create multimodal freight trains and free route airspace of Ukraine (FRAU), use navigation technologies based on Global Navigation Satellite System (GNSS). It is expected that the Strategy implementation will help Ukraine to

Real sector trends



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

Gas stocks in 2015-2018



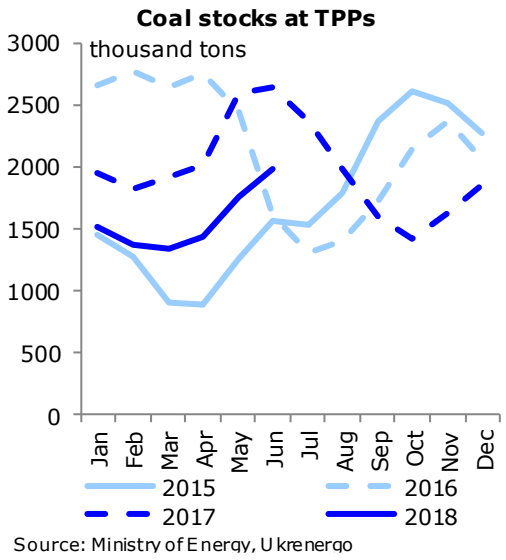
Source: Ministry of Energy

reach TOP-50 in the Logistics Performance Index by the World Bank. In the 2016 ranking Ukraine held the 80th place. In addition, Ukraine plans to increase the river freight volumes by 5 times and reach TOP-100 of the biggest sea ports by volume of container handling. Ukraine also plans to modernize at least 90% of infrastructure fixed assets by 2030.

Sea transportation. In June, the International Maritime Organization (IMO) conducted an audit of Ukraine's fulfillment of obligations as a port state, flag state and coastal state in the sphere of maritime security. Ukraine signed a Memorandum of cooperation between Ukraine and IMO concerning Ukraine's participation in the audit system on May 18, 2018. The audit took place in Kyiv and Odesa. Ukraine passed the audit with one warning and less than 10 comments.

Railway transportation. Ukrzaliznytsya opened the Beskydsky tunnel on May 24. The tunnel is a part of the Pan-European Corridor V that goes via Venice - Trieste/Koper - Ljubljana - Maribor - Budapest - Uzhhorod - Lviv – Kyiv. The new tunnel will allow up to 92 pairs of trains per day at the speed of up to 60 km/h (up from 47 pairs of trains at the speed of 15-40 km/h of the old tunnel). The construction cost UAH 2.3 bn (EBRD credit of EUR 40mn, EIB credit of EUR 55mn, and Ukrzaliznytsya's own financing). The tunnel is expected to increase Ukraine's attractiveness as a transit country.

Ukrzaliznytsya reform. The Cabinet of Ministers approved the composition of the Supervisory Council of Ukrzaliznytsya. The independent members of the Council are Anders Aslund from Atlantic Council, Sevki Acuner, formerly from the EBRD, Christian Kun from Deutsche Bank, and Andreas Mathieu, senior advisor of Austrian OMV. Ukraine is represented by the director of the Investment Promotion and Support Office Daniel Bilak, member of the Supervisory Board of "Main gas pipelines of Ukraine" Konstantin Maryevich, and a member of the Investment Promotion and Support Office Ivan Yurik.

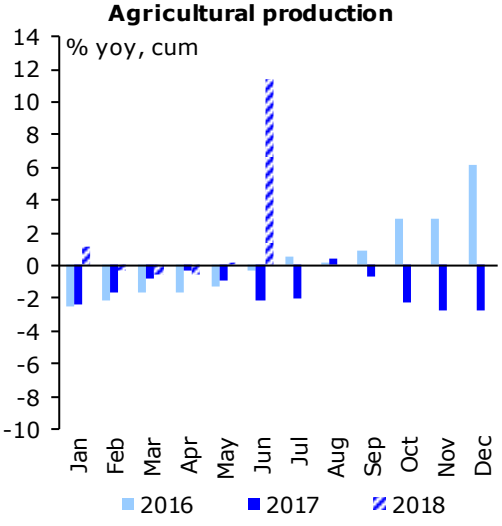


Source: Ministry of Energy, Ukrenergo

Agriculture: First transfer of state subsidies for livestock producers in 2018

Production. As of May, winter crops grow on the area of 7.2 m ha, whereas only 0.1% of seeded area didn't survive the winter. Sowing of summer crops continues on the area of 7.1 m ha (97% of planned area), most of which are in a good or satisfactory condition. Six oblasts of Ukraine have already finished sowing campaign.

In the first five months of 2018 agricultural production was similar to previous year's level. However, it increased by 2.8% yoy in agricultural enterprises and decreased by 2.3% in households due to decrease in livestock production. As of 1st of June, the number of cows decreased by 3.7% yoy and number of pigs fell by 5.7% yoy. Milk production in the first five months of the year decreased by 1.3% yoy. Egg production increased by 2.4% yoy and number of poultry increased by 1.7% yoy.



Source: Ukrstat

Due to the warm weather this year's harvesting campaign started much earlier than in 2017. As of June, 27th, 13 oblasts of Ukraine have already harvested 2.7 m t of grain and pulses from the total area of 884 thousand ha. However average yield is much lower due to lower precipitation - 3.06 ton per ha (3.3 ton per ha in July 2017), with the only exception for winter wheat, which yields are higher by 11% yoy.

Trade. According to the State Fiscal Service, in the first quarter of 2018 Ukraine's agriculture and food exports grew by 22.8% yoy to USD 4.3 bn. Share of agricultural products in the overall exports of goods decreased from 44% in the first quarter of 2017 to 38% in 2018. Crops and vegetable oils constituted accounted for USD 2.2 bn and USD 1.2 bn respectively. Imports amounted to USD 1.3 bn. The resulting foreign trade balance (in agriculture) was positive at USD 3 bn.

In first four month of 2018, foreign trade turnover of agricultural and food products between Ukraine and EU increased by almost 14% yoy to USD 2.8 bn. At the same time, agriculture and food exports to the

EU increased by 26.6% yoy to to USD 1.9 bn. Imports of these goods from the EU increased by around 13% yoy.

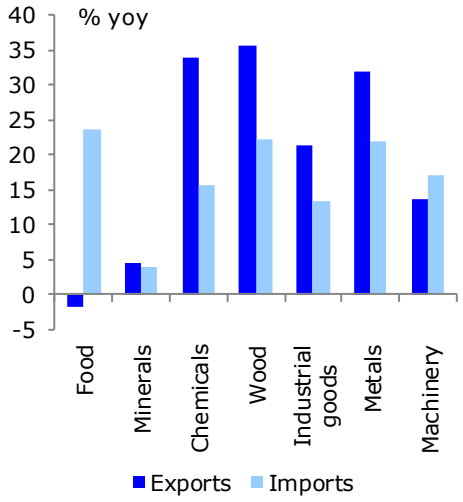
In 2017/2018 marketing year Ukraine exported around 39.4 m of grain, which is 10% less than in 2016/2017 due to lower harvest. Export of flour in the same period increased by 4% reaching 412.6 thousand t.

Policy. On May 22, 2018, Verkhovna Rada adopted draft law in the first reading On amendments to the Tax Code of Ukraine on certain issues of taxation of Value Added Tax on oilseeds exports operations outside the customs territory of Ukraine (№7403-д). According to its provisions, export VAT will be reimbursed only to independent oilseeds producers. This excludes small farmers, as they will not be able to form large quantities of products for export. While large companies will benefit from buying produce from small farmers at the reduced prices, then selling it at world market prices and receiving export VAT reimbursements. The law was transferred for signing by the president of Ukraine.

On June, 18, 2018, The Ministry of Agricultural Policy and Food transferred UAH 6.7 m to the regional state administrations for financing the subsidy paid for each caw. About 3,600 individual calves' keepers will receive a payment. Moreover, state subsidies in the amount of UAH 259 m will be transferred to the agricultural enterprises. Subsidies are payed for registered calves in three parts: for 1-5 month old calves – UAH 500 per head, for 5-9 month old – UAH 700 per head and for calves 9-13 month old – UAH 1500 per head.

On June, 6, the Cabinet of Ministers adopted a Decree on Amendments to the Procedure for the Issue of Veterinary Documents. Now, goods that are sold outside the territory of Ukraine must be accompanied by originals of international veterinary certificates issued by the state inspector of veterinary medicine or by an authorized veterinarian doctor. The decision was made with the aim of establishing effective work of the territorial bodies of the State service for food safety and consumer protection of Ukraine and for the possibility of processing veterinary documents for the export of livestock products according to modern international requirements.

Trade in goods in Jan-May 2018



Source: NBU preliminary estimates

External sector: Current account deficit was USD 0.4 bn between January and May

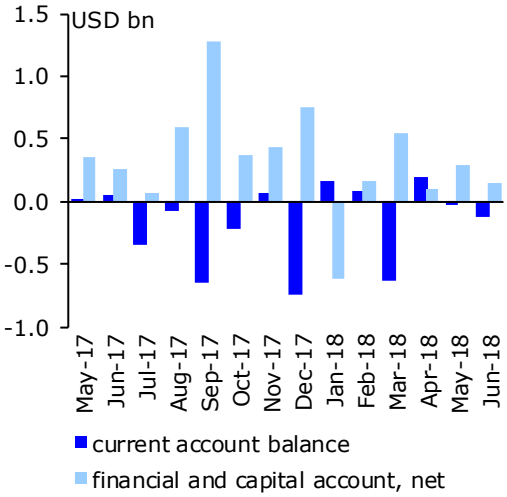
Current account. Current account deficit totalled USD 0.41 bn over the first five months of 2018 and current account was close to balance in three out five of these months including May. Trade in services surplus reached USD 0.43 bn as services exports grew faster than imports (by 12% yoy vs. 8% yoy). Net inflow of secondary income and wages (remittances) increased to USD 5.9 bn over five months from USD 4.7 bn a year ago as the number of Ukrainian workers in Poland and other neighbouring countries increased. This was offset by USD 3.4 bn in net investment income payments abroad and USD 3.4 bn in merchandise trade deficit.

Merchandise exports grew by 12% yoy in dollar terms between January and May. Higher prices and reliable demand for steel were the main drivers of export growth and monthly metallurgy exports exceeded billion dollars for the first time in several years. Agricultural exports remained the largest source of export revenues, but it dropped slightly by 2% yoy due to lower harvest and modest price growth. Export of other goods including machinery and chemicals increased by 17% yoy.

Merchandise imports increased by 14% yoy between January and May. Imports of mineral products increased by 2% yoy as lower import volumes and higher energy prices offset each other. Growing consumer and investment demand pushed imports of other items up by 17% yoy.

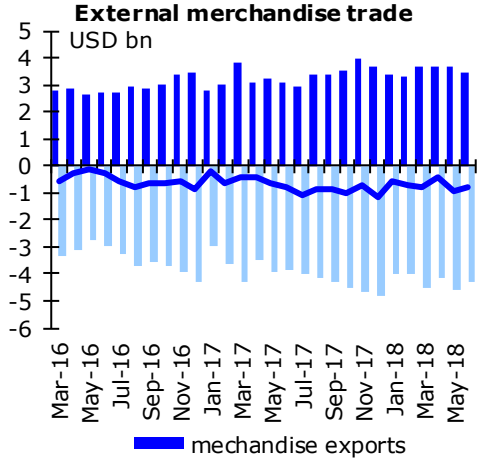
Financial account. Capital inflows under financial account were USD 0.7 bn in the first five months of 2018. Public sector was mostly inactive over the period and recorded USD 33 m in net capital outflows (non-resident investments in the domestic government bonds at the beginning of the year reversed in the spring). Bank sector recorded USD 344 m in FDI inflows (mostly reinvested profits and debt-to-equity conversions) and USD 179 m in other outflows. Real sector raised USD 375 m in net FDI between January and May down from USD 737 m a year ago. Real sector debt outflows were USD 505 m as Ukrainian exporters

Balance of payments



Source: NBU preliminary estimates

External merchandise trade



extended trade credit to their buyers and Ukrainian companies repaid some of their debt.

Fiscal policy: The fiscal gap increases

Revenues. Consolidated fiscal revenues in the first half of 2018 grew by only 3.7% yoy largely due to the absence of the one-off revenues from seized assets (UAH 29.7 bn in the first half of 2017). Consolidated tax revenues grew by 18.1% yoy due to higher collection of major taxes.

Still, rent payments declined by 21% yoy. This shortfall is explained by advance payment made in the end of 2017 by the UGV, state-owned gas extraction company. Besides, a number of joint-venture deals subject to high rent rates were dissolved and rent rate were reduced for the new wells.

Excise revenues remained close to the last years' figures despite increased rates. In particular, excise revenues on domestically produced goods declined due to the drop of official production of tobacco products.

VAT revenues improved in the second quarter. This is partially attributed to the payment of the Naftogaz of the VAT due to the win in the Stockholm Arbitrage and resulting decline in arrears. Still, VAT on imports increased by only 13.8% yoy in the first half of 2018.

Non-tax revenues grew by 40.8% yoy due to higher NBU profit transfer (schedule of the NBU profit transfers was moved earlier this year leaving less for the second half of 2018).

Overall, revenues due to general fund of central budget were by 3.5% (or UAH 14.9 bn) below the plan. The IER considers that the Government is unlikely to fulfil the revenues target this year.

Deficit. The consolidated fiscal balance was reported to be positive between January and June. The central government run the deficit at UAH 9.8 bn, while local budgets reported cumulative surplus at UAH 20.2 bn. Central fiscal deficit was much lower than planned due to absence of available financing. In particular, the Government did not place Eurobonds so far in 2018. Besides, privatisation receipts reached only UAH 50.0 m as compared to planned UAH 4.6 bn. The Government is unlikely to fulfil the privatisation target of UAH 21.3 bn this year (only small-scale privatisation has just started). At the same time, if the Government continues the cooperation with the IMF, it is likely to successfully place Eurobonds, and receive MFA IV from the EU (EUR 500 m) and Development Policy Loan (DPL) from the World Bank (USD 600 m). This is essential to avoid the budget sequester this year.

Expenditures. Lower than planned revenues and deficit financing resulted in under-execution of fiscal expenditures. Central fiscal expenditures (general fund) were by 8.8% (or by UAH 41 bn) lower than planned.

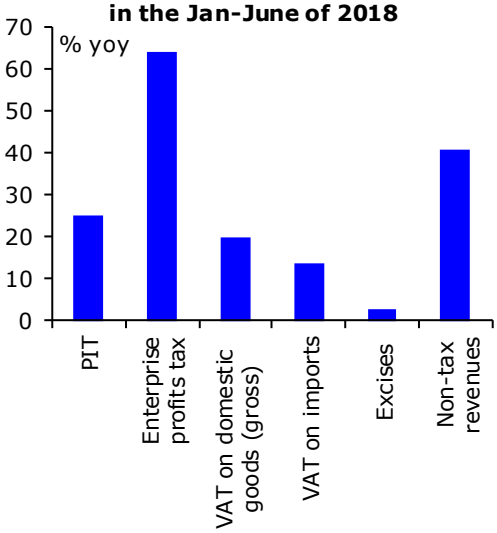
Overall, consolidated fiscal expenditures in the first half of the year increased by 25.5% yoy. Capital expenditures grew by 62.9% yoy but reached only 5.8% of total expenditures.

Social policy: Pensions delays in July

Pensions. In the end of July, the Pension Fund delayed the pensions payment for the first time for many years. This again raised the debates on the sustainability of the Fund after the general pensions were increased in 2017 and military pensions were raised in March.

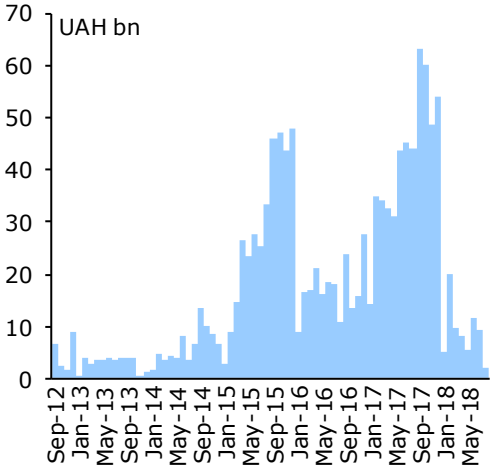
Overall, the financial situation of the Pension Fund deteriorated in the beginning of the year. This is reflected in the accumulated debt to the State Treasury, which covers liquidity gaps of the Fund with (supposedly) very short-term loans. In the first half of the year, the debt accumulated to UAH 6.5 bn as the increase in own revenues and central fiscal transfer was not sufficient to cover sharp increase in expenditures for pension payment that increased by 39.9% yoy. The situation likely worsened in July, after the minimum pension was increased by 4.5%. To solve the problem, the Ministry of Finance mandated the State Treasury to provide additional loans to the

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



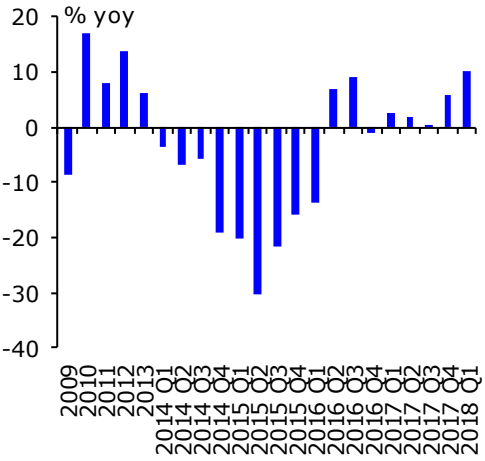
Source: State Treasury reports

Balance of the Single Treasury Account



* in the beginning of month

Real disposable household incomes



Source: Ukrstat

Pension Fund. However, it seems that the Government may need to ask the Parliament to increase the central fiscal transfer to the Fund to avoid pension delays in the rest of the year.

Household income. Disposable household income in the first quarter of 2018 increased by 23.6% yoy in nominal terms and by 10.0% yoy in real terms. Nominal wage income grew by 27.6% yoy due to higher wages and stable employment. Increased pensions explain growth of income from social assistance by 35.0% yoy. Larger demand and higher inflation were among the reasons for increase in income from subsidiary farming and entrepreneurial activities by 17.1% yoy. At the same time, lower interest rates on deposits was among key reasons for decline in income from property by 6.1% yoy.

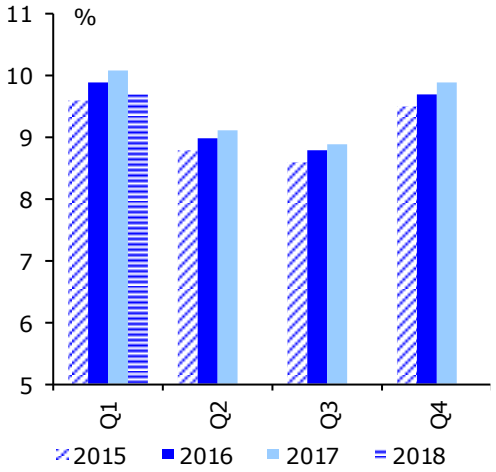
Labour market: Labour market pressure increases

Unemployment. Unemployment rate (ILO methodology) in the first quarter of 2018 declined to 9.7% of economically active population in the age of 15-70 years old from 10.1% in the same period of 2017. Such decline might be a positive change at the labour marker related to the economic recovery and resulting higher labour demand. At the same time, it is small and not statistically significant. Still, in the first quarter the IER Business Tendency Survey revealed that lack of qualified employees was among top ten biggest impediments to growth of manufacturing companies. This might be related to high skills mismatch at the market as well as increased labour migration.

Wage. Average wage in June increased by 24.2% yoy in nominal terms (to UAH 9141) and by 13.0% yoy in real terms. The highest wage growth at 38.8% yoy was reported in state administration and defence. It might be explained by the state governance reforms, including the creation of directorates with well-paid personnel in the Ministries (wage in the sector reached UAH 13453). Still, the highest wages were paid in financial and insurance activities (UAH 15648 on average) and by IT companies (UAH 14020). Wages in industry grew by 25.1% yoy to UAH 9552 likely due to increased minimum wage and higher labour market pressure.

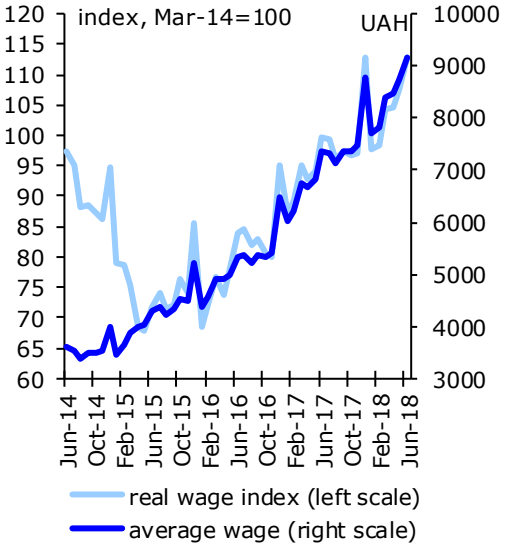
Wages in healthcare increased by only 16.9% yoy and were at 67.8% of the average wage in economy. This may start to change in July due to the primary healthcare reform.

Unemployment rate (ILO)



* 2014 - without Crimea, 2015 - without Crimea and occupied territory in the East
Source: Ukrstat

Average wage*



* not including AR Crimea
Source: Ukrstat

Monetary policy: Inflation slowed to 9.9% yoy in June

Consumer inflation slowed to 9.9% yoy in June from 13.7% yoy in December 2017. Food price growth slowed down even more to 9.5% yoy from 18.3% yoy. This reflected better supplies from producers and weaker global food prices. Non-food inflation remained low as inflation expectations remained moderate and exchange rate remained stable. The Government also maintained electricity and gas prices for households unchanged. However, higher oil prices pushed up transport prices for consumers and transport costs for producers and retailers.

The NBU unexpectedly increased policy rate by 0.5 p.p. to 17.5% p.a. at the policy meeting in July. The NBU explained the move by increased risks to the cooperation with the IMF, high inflation expectations, and inflation pressure from high wages. As these risks are hardly new this may mean that the NBU reevaluated their impact on inflation.

Exchange rate: Hryvnia remained stable in the second quarter

Interbank UAH/USD exchange rate moved in the narrow range between UAH 26 and UAH 26.5 per USD in the second quarter of 2018. Export revenues grew despite some slowdown in June and remittances remained high. This was balanced by strong import demand. Besides, the NBU bought USD 0.5 bn on a net basis to replenish international reserves. The NBU international reserves reduced slightly to USD 18.0 bn due to repayment of debt to the IMF.

State debt: State debt has decreased by 6.9% in hryvnia equivalent since the beginning of the year

Debt. According to the Ministry of Finance, as of May 31, 2018, state debt dropped by 6.9% in hryvnia equivalent (to UAH 1993 bn) and by 0.1% in the US dollar equivalent (to USD 76.3 bn) as compared to December 31, 2017. External debt fell by 3.8% in the US dollar equivalent primarily due to the IMF debt repayment. The share of FX debt slightly decreased (by 2.1 p.p. to 67.8% of total state debt).

CPI and monetary base development



Fiscal sustainability risks remain high as the Government will have to make pick debt repayments in 2018 and 2019. Total redemption and servicing of external state debt (direct and guaranteed) in these two years is expected to reach about USD 9.2 bn. Besides, domestic debt repayments will account for near UAH 401 bn.

The Ministry of Finance did not enter international capital markets in the first half of the year. Currently, conditions worsened, but the Ministry is likely to issue Eurobonds in autumn to finance the deficit. According to the State Budget Law, total external borrowings (including the MFA III from the EU) are planned at USD 3,7 bn.

Domestic debt. In May-June, the Ministry of Finance placed UAH 6.1 bn of domestic state bonds (UAH 1.5 bn and UAH 4.6 bn respectively). The weighted average yield grew to 17.3% compared to 16.9 in April. Near 90.2% of bonds were with maturities of up to one year, including 2-5-month bonds.

At the same time, the Ministry of Finance changed the auction schedule to offer FX-denominated bonds at higher yields due to lower than expected demand for local currency bonds with longer maturities. It issued USD 812 m of one- and two-year USD-denominated bonds with yield at 5.5% p.a. (compared to previous issue at 5.2% in March). Besides, EUR 64.6 m of 1.5-year EUR-denominated bonds were sold in May with yield at 4.1%. These issues were primarily used to refinance current debt repayments scheduled for May-June.

The banks increased their holdings of domestic state bonds by UAH 9.1 bn (to UAH 359 bn). As a result, the share of state domestic debt in the portfolio of banks (48.1%) slightly exceeded the share of the NBU (47.0%).

Tables

		Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Industrial production (real)	% yoy cum.	2.5	2.8	-0.7	0.3	0.3	0.4	2.4	2.5	0.0	0.3	0.3	0.4	0.5	0.4	3.6	2.8	2.4	2.6	2.6	2.5
Construction (real)	% yoy cum.	17.3	17.4	25.4	29.2	28.3	26.3	-0.3	2.8	29.1	29.8	28.3	27.5	26.5	26.3	-1.0	0.7	-0.3	-0.8	1.8	2.8
Agricultural production (real)	% yoy cum.	0.9	6.3	-0.8	-2.1	-0.7	-2.7	-0.5	11.4	-2.0	0.4	-0.7	-2.3	-2.8	-2.7	1.1	-0.3	-0.5	-0.5	0.2	11.4
Retail trade turnover (real)	% yoy cum.	3.3	4.0	3.1	7.3	8.8	8.8	7.6	6.2	8.0	8.7	8.8	8.2	8.0	8.8	9.6	7.5	7.6	7.0	6.1	6.2
Average wage	UAH	5311	5744	6323	6953	7268	7878	7974	8749	7339	7114	7351	7377	7479	8777	7711	7828	8382	8382	8725	9141
CPI	% yoy eop	7.9	12.4	15.1	15.6	16.4	13.7	13.2	9.9	15.9	16.2	16.4	14.6	13.6	13.7	14.1	14.0	13.2	13.1	11.7	9.9
PPI	% yoy eop	19.6	35.7	38.3	26.3	22.4	16.5	15.9	18.4	23.3	23.6	22.4	18.8	18.4	16.5	22.0	19.6	15.9	14.1	16.5	18.4
Exports (USD)*	% yoy cum.	-7.9	-3.9	28.7	21.3	19.0	16.9	9.4	11.3	19.9	19.2	19.0	18.7	18.1	16.9	19.0	15.0	9.4	11.4	11.7	11.3
Imports (USD)*	% yoy cum.	0.9	4.5	20.6	22.4	19.7	18.9	12.1	12.6	21.6	20.2	19.7	20.1	19.7	18.9	27.4	17.7	12.1	12.9	13.2	12.6
Trade balance*	USD bn cum.	-2.3	-4.1	-1.3	-3.1	-5.8	-8.6	-1.9	-3.8	-4.1	-5.0	-5.8	-6.7	-7.4	-8.6	-0.5	-1.2	-1.9	-2.2	-3.0	-3.8
Current account**	USD bn cum.	-1.2	-1.3	-0.4	-0.1	-1.2	-2.1	-0.7	-0.6	-0.5	-0.5	-1.2	-1.4	-1.3	-2.1	0.1	0.1	-0.7	-0.5	-0.5	-0.6
Gross international reserves	USD bn eop	15.6	15.5	15.1	18.0	18.6	18.8	18.2	18.0	17.8	18.0	18.6	18.7	18.9	18.8	18.6	18.4	18.2	18.4	18.2	18.0
Monetary Base	% yoy eop	10.6	13.6	9.1	8.3	5.1	4.6	10.2	6.2	7.0	6.0	5.1	6.2	5.9	4.6	8.4	12.0	10.2	11.9	10.6	10.0
Lending rate on UAH credits	% pa, aop	17.3	14.7	15.7	15.1	14.4	16.1	16.9	17.9	14.0	14.3	14.9	15.1	16.3	17.0	16.3	17.0	17.5	17.7	17.9	18.0
Exchange rate (interbank)	USD aop	17.27	25.90	27.09	26.44	25.93	26.97	27.27	26.18	25.95	25.65	26.18	26.67	26.73	27.52	28.43	27.09	26.29	26.13	26.17	26.23
Exchange rate (official)	USD aop	25.40	25.67	27.06	26.46	25.91	26.97	27.32	26.18	25.97	25.64	26.11	26.65	26.71	27.54	28.43	27.17	26.34	26.15	26.18	26.20
Exchange rate (official)	EUR aop	25.58	28.18	28.81	29.06	30.38	31.76	33.56	31.27	29.84	30.23	31.08	31.38	31.32	32.58	34.60	33.59	32.50	32.14	31.01	30.65

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		Q1 13	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
GDP	UAH bn	303.8	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
GDP (real)	% yoy	-1.3	-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
Household consumption (real)	% yoy	5.9	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
State consumption (real)	% yoy	2.0	-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
Gross fixed capital formation (real)	% yoy	6.1	-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
Exports of goods and services (real)	% yoy	-7.4	-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
Imports of goods and services (real)	% yoy	1.3	-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
Agriculture, hunting, forestry (real)*	% yoy	5.7	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
Manufacturing industry (real)*	% yoy	-9.3	-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
Construction (real)*	% yoy	-16.1	-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
Trade, repair services (real)*	% yoy	0.2	-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
Transport (real)*	% yoy	-1.7	-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
Balance of payments (BPM6)																						
Current account balance	USD bn	-3.2	-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
Current account balance	% of GDP	-8.4	-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	-1.4
Trade balance in goods	USD m	-4635	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1147	-496	-689	-1123	-1924	-665	-2128	-2225	-1451	-1923	-2828	-3170	-2008
Trade balance in services	USD m	1349	1504	2575	1066	937	443	456	686	487	255	110	241	152	103	-170	404	103	193	134	332	238
Direct investment (FDI)**	USD m	1082	496	1510	991	-665	-319	725	558	397	907	890	818	1,366	760	999	143	593	1,062	503	435	428
Gross international reserves	USD bn	24.7	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
Exchange rate (interbank), UAH/USD	aop	8.12	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	10.2
Exchange rate (official), UAH/USD	aop	7.99	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	16.9
Fiscal indicators																						
Consolidated fiscal revenues	% of GDP	35.2	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	38.1	33.9	38.1	42.1
Personal income tax	% of GDP	5.3	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	6.3	6.5	7.4	8.3
Enterprise profits tax	% of GDP	6.1	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	2.8	2.5	2.8	5.4
Value-added tax	% of GDP	9.7	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	9.4	10.5	12.5	14.3
Excise tax	% of GDP	3.1	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	4.0	4.3	4.9	4.4
Consolidated fiscal expenditures	% of GDP	36.9	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	31.4	35.4	49.4	42.6
Current expenditures	% of GDP	35.6	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	29.4	32.2	41.6	41.4
Capital expenditures	% of GDP	1.3	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	2.0	3.2	7.8	1.2
Consolidated fiscal balance	% of GDP	-1.9	-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	6.7	-1.5	-11.6	-0.5
Privatisation receipts	% of GDP	0.0	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
Banking system																						
Monetary aggregate M0	% yoy cum	9.7	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
Monetary aggregate M2	% yoy cum	16.0	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
Household deposits in national currency	% yoy cum	19.1	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
Household deposits in foreign currency	% yoy cum	17.0	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
Com. bank credits in national currency	% yoy cum	8.6	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
Com. bank credits in foreign currency	% yoy cum	-4.4	-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
Long-term com. bank credits	% yoy cum	-5.6	-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
Long-term com. bank credits	% of total	55.9	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
Average lending rate on national currency credits	% p.a.	16.2	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
Average lending rate on foreign currency credits	% p.a.	9.4	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

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

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