INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: INTELLECTUAL PROPERTY RIGHTS

Politics: The Joint Forces Operation replaces the Anti-Terrorist Operation as the war in the eastern Ukraine enters its fifth year.

Real sector: The Ukrstat released flash estimate of real GDP growth in the first quarter at 3.1% yoy. Growth was supported by the increase in domestic demand.

Energy sector: The Naftogaz in May announced that separation of the Naftogaz natural gas transit business would be impossible until the end of the transit contract in 2019.

Agriculture: As of April, Ukraine has exhausted six annual quotas for duty-free exports to the EU.

External sector: Current account deficit increased to USD 0.76 bn in March from USD 0.51 bn in March 2017 due to increase in trade deficit and growth of net investment income payments abroad.

Fiscal policy: Central fiscal revenues due to the general fund in the first quarter of 2018 were by 4.7% lower than officially planned, which indicates lack of fiscal space for increase in minimum wage.

Social policy: The Government again has changed the eligibility criteria for the provision of housing and utility subsidies, which would likely result in lower number of households with the subsidies.

Labour market: Growth of real wages slowed down to 9.5% yoy from around 20% yoy last year.

Monetary policy: Consumer inflation moved to 13.1% yoy in April from 13.2% yoy in March. Strong increase in food prices remained a main driver of inflation.

Exchange rate: Interbank UAH/USD exchange rate moved in narrow range close to UAH 26 per USD in April. Growing export revenues were balanced by strong import demand.

State debt: Fitch Ratings confirmed Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'B-' with a Stable Outlook.

Highlight of the month: Intellectual Property Rights

INTELLECTUAL PROPERTY RIGHTS IN UKRAINE: SLUGGISH REFORMS

By Yevhen Anhel

Intellectual property (IP) protection and enforcement when done right are one of the fundamental conditions for innovation and competition. Ukraine's strategic documents (in particular, Ukraine-2020 Strategy) list protection of IP rights among policy priority. However, the implementation of IP-related reforms remains slow. This was noticed by the Western partners of Ukraine (both the USA and the EU), that are expecting radical changes in the field of IPR protection and enforcement.

On April 27, the Office of the US Trade Representative (USTR) published the annual Special 301 Report. This document identified countries with high level of IP rights violations and provides an assessment of the state IP policy in these countries. Ukraine is in this list of countries. This year, the USTR confirmed the absence of sufficient progress of Ukraine in the area of IP rights protection and left Ukraine in the Priority Watch List. For several years, the list of key IP issues in Ukraine has remained almost unchanged. The USTR criticized 1) nontransparent and unfair administration of the system for collective management organizations (CMOs) 2) wide-spread use of unlicensed software by government institutions 3) failure to introduce more effective measures to combat online piracy. At the same time, the Report pays special attention to the issue of CMOs. In total, there are 19 CMOs registered in Ukraine, but most of them collect royalties without transferring payments to legitimate right holders.

In general, Special 301 Report underlines the limited progress in the field of IP over the last few years. Although several draft laws on IP rights protection (concerning patents, copyright and related rights, trademarks, geographical indications, CMOs, topographies of semiconductors) are pending in the Verkhovna Rada. Most of them seem to be far from the approval. Some draft laws were submitted to the Verkhovna Rada more than a year ago but have progressed only to the first reading. This reflects slow legislative process for majority of draft laws and high number of pending drafts.

Like in 2017, the new Report discusses law "On State Support of Cinematography" (adopted in March 2017) that includes provisions regarding takedown of online pirated content after notice from rightsholder. Implementation of notice and takedown system was one of the key demands of the US rightsholders. However, the Report notes that stakeholder groups reported to USTR that the new law is "too ambiguous or too onerous to facilitate an efficient and effective response to online piracy". Such a situation can warn Western partners that there might be some problems with other IPR-related draft laws that would be adopted in the near or far future.

The European Commission also published report on IPR issues in third countries, which was made public in March of this year. The EU report notes a number of positive changes in Ukraine including establishment of a specialized IP court, shutting down pirate sites, etc. However, the EC moved Ukraine from Priority 3 to Priority 2, citing lack of implementation of the IP provisions defined in the Association Agreement between Ukraine and the EU, high level of piracy and counterfeiting. EU agreed with the US report that implementation of online takedown provisions remains problematic and that rogue CMOs are the major concern. In contrast with the US, EU was also concerned about piracy of physical goods. Ukraine was identified as one of four major transit points for fake goods entering EU. EU stakeholders companied about lows efficiency and corruption of customs. In response to problems identified in the report, EU intends to continue dialogue regarding implementation of IP provisions in the Association Agreement.

In December 2017, the US announced partial suspension of Ukraine from the Generalized System of Preferences, which allows duty-free export of more than 3,500 Ukrainian product lines to the US. The suspension was delayed for 120 days to give Ukraine opportunity to remedy situation with problem IPR reforms (in particular CMOs). However, the required draft law (#7466) was not passed in time. As a result, on April 26, the partial suspension on 155 types of Ukrainian goods came into force. Current impact on Ukrainian exports is quite small (several millions US dollars), but Ukraine should keep in mind possible extension of such measures if reforms are stopped. Law on CMOs was approved in Rada on May 15 and proper implementation would be the next step of the CMO reform.

In conclusion, the IP rights protection remains more of a priority of Ukraine's international partners than of actual priority of Ukraine's authorities. The reforms in this area are necessary to foster innovation and creative industries in Ukraine. Ukraine should demonstrate its ability to fulfill its commitments and remain a reliable partner. It is necessary to pass and implement the IP-related draft laws, as well to complete the establishment of the High Court for Intellectual Property Matters and reform of the state system for IP protection. Otherwise, Ukraine's image as a country with weak IP rights protection will remain unchanged, and Ukraine's partners could apply more painful economic measures to press for reforms.

This Highlight of the Month is prepared within the project "Civic Synergy", which is supported by the EU and the International Renaissance Foundation. Any views expressed in this column are those of the author and do not necessarily reflect those of European Union and Renessaince Foundation.

Monthly Economic Monitor Ukraine

Politics: The Joint Forces Operation replaces the Anti-Terrorist Operation as the war in the eastern Ukraine enters its fifth year

The war in Donbas. In April, Ukrainian participation in the Donbas conflict was restructured. Ukrainian military now works within the Joint Forces Operation instead of the Anti-Terror Operation that had been conducted by Ukrainian forces since April 2014. Starting from April 30th, 2018, all formations of the Ukrainian army, the police, the Security Service of Ukraine, the National Guard, and the Border Service that are deployed in the war zone serve under the command of the Joint Operational Headquarters of the Armed Forces. Control over the operation was passed from State Security Service according to the law "On Special Aspects of the State Policy to Ensure Ukraine's State Sovereignty in the Temporarily Occupied Areas in Donetsk and Luhansk Oblasts" adopted in January 2018.

The armed conflict in the eastern Ukraine continued in April. Combined Russian-separatist forces attacked the positions of Ukrainian armed forces in Donetsk and Luhansk oblasts. Five civilian employees of the Donetsk water filtration plant were wounded when they came under fire while commuting to work in a bus. As a result, the filtration plant had been shut down for security reasons for several days in April. 5 service members of the Ukrainian Armed Forces were killed in the war in April, and 88 service members were wounded.

The IMF. In April, the IMF lowered the projected Ukraine's GDP growth in 2019 to 3.3 percent from 4 percent. However, the IMF retained its forecast of GDP growth in 2018 at 3.2 percent. Director of the IMF's European Department Poul Thomsen said during a briefing in April that the IMF had observed a slowdown of reforms in Ukraine. In early May, Ukraine made two regular payments to the IMF with a total sum of more than USD 400 m to service the debt under the Stand-by Arrangement Program.

Crimea. Ukrainian citizen Oleksandr Steshenko disappeared in the Russia-occupied Crimea in April after the arrest by Russian occupational authorities when crossing the administrative line between mainland Ukraine and the Crimea. He disappeared while being held under administrative arrest, in what his lawyer believes to be an abduction. Also in April, a resident of the Russia-occupied Sevastopol Ihor Movenko was sentenced by a Russian court to two years in prison for a comment on social media criticizing Russia's occupation of the Crimea.

Local elections. 40 united territorial communities in Ukraine held their first elections in April. These territorial communities include four cities, 16 towns, and 113 villages and are located in seventeen regions of Ukraine. After these elections, the total number of all the elections held in united territorial communities in Ukraine is 707.

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

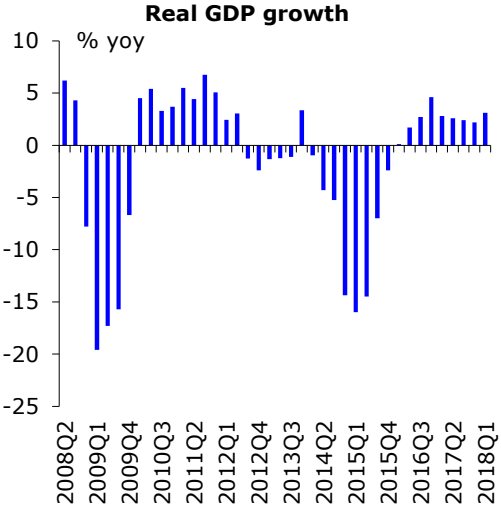
GDP. The Ukrstat released flash estimate of real GDP growth in the first quarter at 3.1% yoy. This likely reflected high consumer and investment demand. External demand supported growth in industrial output. Trade and other service sectors likely also increased production.

Sectoral trends. Industrial output growth in March slowed down to 1% yoy reflecting mostly one-off factors. On the one hand, cold weather boosted production of electricity and coal. On the other hand, bad weather, disruptions in gas supplies and logistics problems pushed manufacturing output down by 4.6% yoy. Besides, sunflower oil processing plummeted from previous year's record, while plant repairs limited steel production.

Retail sales grew by 7.6% yoy in March as consumer demand continued to increase. Cold weather limited the construction activity

Population (without Crimea): 42.6 m
Industry/GVA: 23%
Agriculture/GVA: 14%
Investment/GDP: 14%
Exports: EU 32%, Asia 35%, Russia 9%
Imports: EU 37%, Asia 20%, Russia 13%

Real GDP growth



Source: Ukrstat

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and building construction dropped by over 10% yoy. Funding of engineering projects remained high pushing the construction of infrastructure and industrial objects up by 5% yoy.

Energy: The impossible unbundling

The Naftogaz unbundling. The Naftogaz in May announced that separation of the Naftogaz natural gas transit business would be impossible until the end of the transit contract in 2019. The Naftogaz explained that the Stockholm Arbitrage Court decision did not confirm the possibility of transferring the gas transit agreement with Gazprom to another operator. The Government will have to either delay the planned unbundling of the gas transit business or change the model of unbundling without violating the gas transit contract.

Electricity. The Antimonopoly Committee of Ukraine prohibited amendments to Wholesale Electricity Market (WEM) Contract that would prioritise the energy blocks of the thermal power stations (TPPs) working on gas coal before the blocks working on anthracite coal. The gas coal blocks were supposed to be used for electricity production even when using the anthracite coal blocks was cheaper. The Committee concluded that such prioritisation would restrict competition on the electricity market. This would reduce incentives for the TPPs to switch to gas coal for electricity generation.

Energy Efficiency. On April 23, International Finance Corporation, the European Union and Germany signed agreements offsetting up the multi-donor Fund for increasing energy efficiency in Ukraine. The EU and Germany will initially invest EUR 53 m into the Fund which will be managed by the IFC. The multi-donor Fund will work with the Energy Efficiency Fund created by the Ukrainian government on projects on increasing energy efficiency in multi-storied buildings and providing expert support for the energy services market development. As the state Energy Efficiency Fund budget for 2018 is UAH 1.6 bn (EUR 51 m) financing from the multi-donor Fund will be of great help.

Agriculture: European food safety standards for livestock production

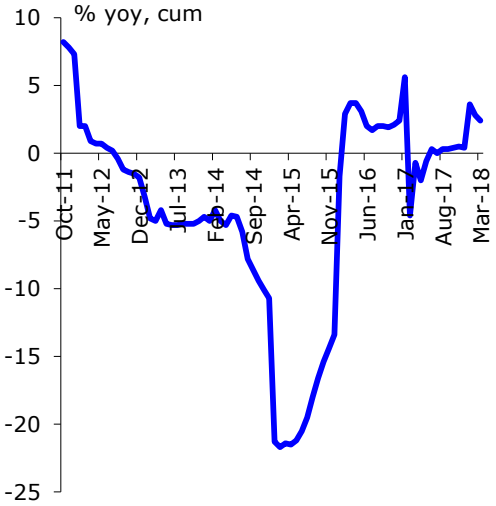
Production. As of April, around 80% of winter crops were in good or satisfactory condition which is higher than average 60-70%. As a result, Ukrainian Grain Association forecasts 5% increase in grain and oilseed harvest.

As of 1st of April, the number of cows decreased by 4.3% yoy and number of pigs fell by 8.1% yoy. However, overall livestock production was close to previous year's level in the first quarter (with 0.5% yoy decrease) as egg production increased by 2.3% yoy and number of poultry increased by 1.2% yoy.

Trade. As of April, Ukraine has exhausted six annual quotas for duty-free exports to the EU: honey, malt and wheat gluten, processed tomatoes, grape and apple juices, as well as wheat and corn. Quarterly quotas for a number butter and poultry meat were also exhausted. At the end of 2017, on top of existing quotas, there were allocated additional quotas for duty-free exports to the EU. Four of them have been used completely: honey, processed tomatoes, wheat and corn, whereas duty-free deliveries of cereals and flour have been closed by around 95%.

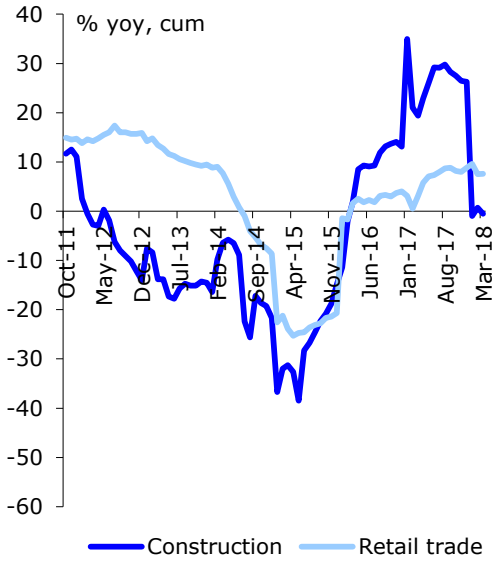
Policy. On April 4, 2018, the Law «On State Control over Compliance with legislation on food, animal feed, animal by-products, livestock health and welfare» (#2042-VIII from 18.05.2017) came into force. This Law is a significant step in fulfilling obligations under the Association Agreement between Ukraine and the EU. It reforms the system of state control over food safety. According to the regulations issued under the new law, no more than three animals per week may be slaughtered at the farmyard. And from January 1, 2025 meat and by-products obtained from slaughter at the farmyard can be solely used for self-consumption or sale in the market to the end user within 50 kilometers from the slaughter site.

Industrial output



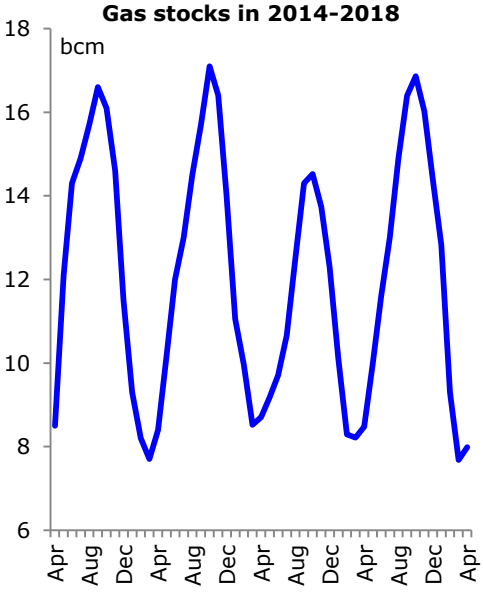
Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Real sector trends



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

Gas stocks in 2014-2018



Source: Ministry of Energy

External sector: Current account deficit increased in March

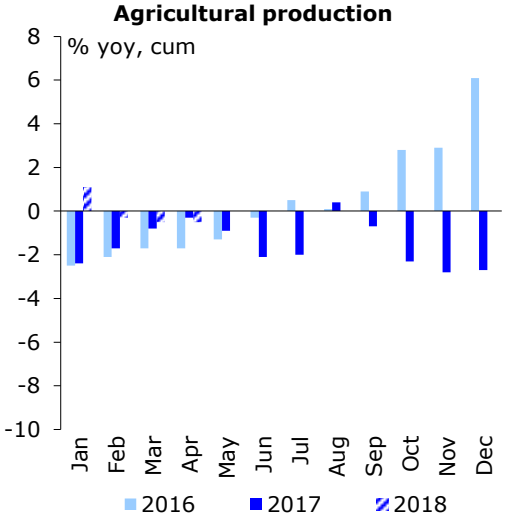
Current account. Current account deficit increased to USD 0.76 bn in March from USD 0.51 bn in March 2017. This reflected increase in trade deficit to USD 0.7 bn and growth of net investment income payments abroad to USD 1.23 bn (including USD 0.56 bn in coupon payments on Eurobonds issued in 2015 and 2017). Services exports grew by over 13% yoy in response to higher gas transit flows and IT services exports. Net inflow of secondary income and wages reached USD 1.08 bn in March.

Merchandise exports dropped by 4% yoy in March. Agricultural product exports remained high but dropped by 16% yoy from record level in March 2017. Metallurgy exports increased by 14% yoy in dollar terms but export volumes decreased.

Merchandise imports was close to March 2017 level. Imports of mineral products and machine building products dropped slightly from high statistical base. Growing consumer demand pushed imports of other items up by 6% yoy.

Financial account. Capital inflows under financial account were USD 0.7 bn in March. Public sector was inactive in March and recorded USD 36 m in net capital outflows. Bank sector raised USD 231 m in capital inflows including USD 133 m from Eurobonds issued by the Ukreximbank. Real sector raised USD 288 m in net FDI in the first quarter down from USD 460 m in the first quarter of 2017. Real sector debt inflows were USD 421 m driven by higher trade loans to Ukrainian importers.

Agricultural production



Source: Ukrstat

Fiscal policy: Fiscal situation did not improve

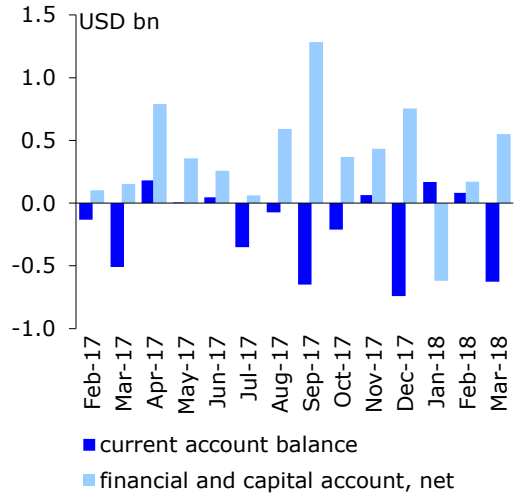
Revenues. Consolidated fiscal revenues in the first quarter of 2018 increased by 12.9% yoy as compared to about 30% growth in the entire 2017. Revenues from excise duties from domestically produced goods dropped because tobacco producers (likely temporarily) reduced production after the excise rates were increased since January 2018. Rent payments halved due to lower rates and smaller extraction. Net VAT revenues grew by only 5.4% yoy as VAT refund increased faster (by 25% yoy) than gross VAT receipts. This is explained by higher nominal exports, statistical base effect (automatic VAT refund system was launched in April 2017), and sharp drop of VAT collected from agricultural companies. CPT revenues doubled due to better financial results of companies (including the Naftogaz) in 2017. Non-tax revenues increased by 26.5% yoy.

Overall, central fiscal revenues due to the general fund were by 4.7% lower than officially planned. As a result, the Minister of Finance stated that there is no fiscal room to increase minimum wage from current UAH 3723. The Minister did this in response to the provision in 2018 State Budget Law that requires the Cabinet of Ministers Finance to investigate possibility to increase minimum wage to UAH 4200 after the assessment of economic development in the first quarter.

Expenditures. Consolidated fiscal expenditures in the first quarter increased by 16.4% yoy. Current expenditures grew by 15.9% yoy as wage spending and purchase of goods and services increased by 20.9% yoy and 26.5% yoy, respectively. Spending on pensions and social payments surged by 37.7% yoy as the pension payments increased more than social contributions. Capital expenditures increased by 36.1% yoy, but remained low at 2.9% of total consolidated fiscal expenditures.

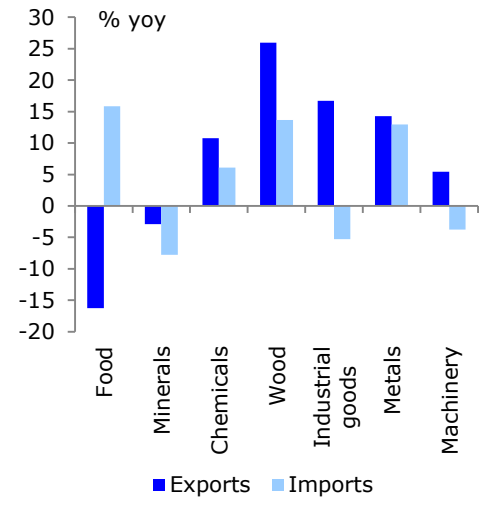
Deficit. Consolidated budget was in deficit, which is unusual for the first quarter. Still, the deficit was low at UAH 3 bn. The central fiscal deficit reached UAH 20.6 bn. The deficit was financed by spending fund accumulated at the Single Treasury account. The privatization receipts remained low at UAH 34.6 m. The Government planned UAH 21.3 bn of privatization receipts in entire 2018, which it promises to fulfill due to the implementation of the new Privatisation law. In particular, the list of companies for small-scale and large-scale privatization was already approved. The list of 26 large companies for

Balance of payments



Source: NBU preliminary estimates

Trade in goods in March 2018



Source: NBU preliminary estimates

the privatization includes power machinery producer Turboatom and thermal power generator Centrenergo. The starting price for the sale of the Odesa Portside Plant was reduced to USD 54 m.

Social policy: New changes in the housing and utility subsidies

The Government again has changed the eligibility criteria for the provision of housing and utility subsidies (HUS), which would likely result in lower number of households with the HUS. In particular, the definition of "wealthy" households not eligible for HUS was expanded. Now households with apartments above 120 square meters, houses above 200 square meters, vehicle less 5-years from the date of production are not eligible for HUS. This is in addition to existing restriction on acquiring goods or services valued at more than UAH 50000 by any family member within the last 12 months. The HUS will be also denied to working-able persons with no or very little reported income (excluding students, registered unemployed etc.). As before, the special social commission would be able to make exceptions to grant the HUS to families in special cases. However, the grounds for exceptions were narrowed and no HUS is supposed to be granted to labour migrants (defined as absent from the country for over 60 days except for study or business).

It is not the first attempt by the Government to limit space for welfare abuse by restricting eligibility for the subsidies. However, it would be beneficial for all stakeholder, if Government finally approves the comprehensive social welfare reform. In particular, it could consider the possibility to combine the HUS program with the low-income family assistance, as it was foreseen in the IMF program in 2014.

Labour market: Slowdown in wage growth

Average wage in March increased by 24.1% yoy to UAH 8382. Growth of real wages slowed down to 9.5% yoy from around 20% yoy last year. Labour migration created labour shortages in some fields forcing employers to increase wages. Besides recent increase in minimum wage contributed to wage growth. Labour shortages was likely one of the factors for the increase in wages in industry above the average (by 26.7% yoy in nominal terms). Wages in state administration and defence increased by 41.7% yoy partially due to the state administration reform.

Wages in education and healthcare increased less than average. They remained by 21.2% and 36% lower than average in economy.

Monetary policy: Inflation moved to 13.1% yoy in April

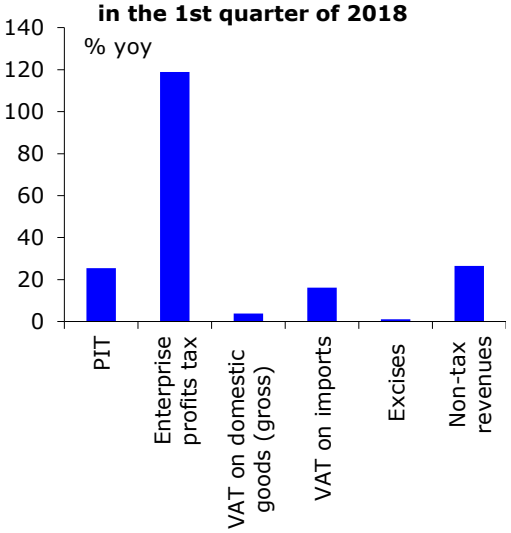
Consumer inflation moved to 13.1% yoy in April from 13.2% yoy in March. Strong increase in food prices remained a main driver of inflation. Food price growth remained high at 17.9% yoy with even faster growth of meat and milk prices. Potential for slowdown in food prices is limited as global prices for key Ukrainian exports are once again growing. Non-food inflation remained in single digits in response to lower inflation expectations and stable exchange rate. However, growing oil prices may push non-food inflation higher.

The NBU maintained policy rate at 17% p.a. at the policy meeting in April. On the one hand, the NBU maintained its position that current monetary policy is sufficiently tight to bring inflation back to target in the middle of 2019. On the other hand, the NBU noted growing food prices and rising consumer demand and predicted that policy rate decreases are unlikely this year. Current policy stance likely offers good balance between risks to inflation and economic growth.

Exchange rate: Hryvnia remained stable in April

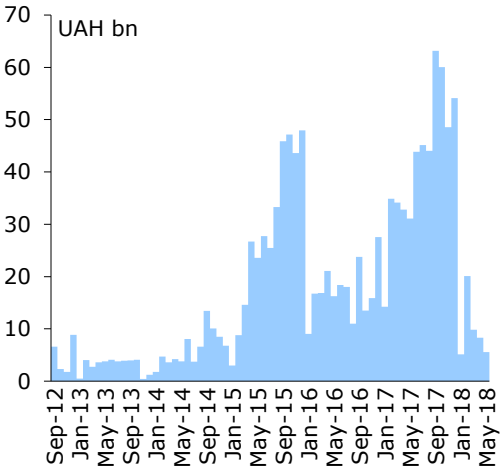
Interbank UAH/USD exchange rate moved in narrow range close to UAH 26 per USD in April. Growing export revenues were balanced by strong import demand. Besides, the NBU bought USD 303 m on net basis to replenish international reserves. The NBU international reserves increased to USD 18.4 bn as foreign currency operations of the government were close to balance.

Growth of Consolidated fiscal revenues in the 1st quarter of 2018



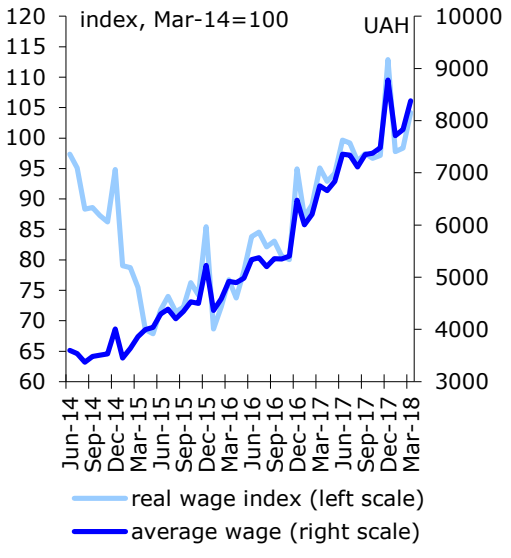
Source: State Treasury reports

Balance of the Single Treasury Account



* in the beginning of month
Source: State Treasury

Average wage*

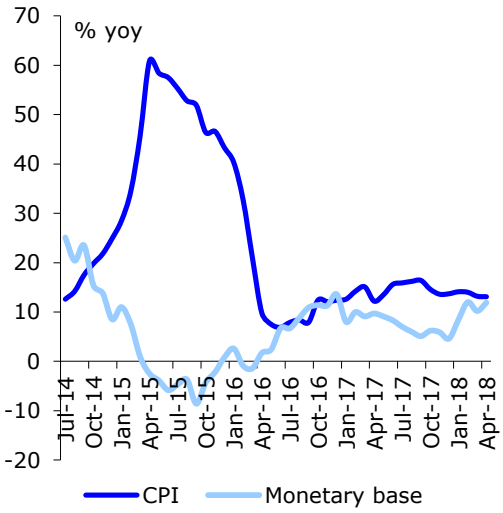


*not including AR Crimea
Source: Ukrstat

State debt: Fitch Affirms Ukraine at 'B-'

In April, Fitch Ratings confirmed Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'B-' with a Stable Outlook. Ukraine's ratings balance weak external liquidity, a high public debt burden and structural weaknesses, in terms of a weak banking sector, institutional constraints and geopolitical and political risks, against improved policy credibility and coherence, the sovereign's near-term manageable debt repayment profile and a track record of multilateral support. This rating is the same as the S&P rating and is not likely to change in 2018.

CPI and monetary base development



Source: Ukrstat, NBU

Tables

		Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Industrial production (real)	% yoy cum.	2.6	2.5	2.8	-0.7	0.3	0.3	0.4	2.4	-0.6	0.3	0.0	0.3	0.3	0.4	0.5	0.4	3.6	2.8	2.4	...
Construction (real)	% yoy cum.	13.0	17.3	17.4	25.4	29.2	28.3	26.3	-0.3	26.0	29.2	29.1	29.8	28.3	27.5	26.5	26.3	-1.0	0.7	-0.3	...
Agricultural production (real)	% yoy cum.	-0.3	0.9	6.3	-0.8	-2.1	-0.7	-2.7	-0.5	-0.9	-2.1	-2.0	0.4	-0.7	-2.3	-2.8	-2.7	1.1	-0.3	-0.5	...
Retail trade turnover (real)	% yoy cum.	2.3	3.3	4.0	3.1	7.3	8.8	8.8	7.6	7.1	7.3	8.0	8.7	8.8	8.2	8.0	8.8	9.6	7.5	7.6	...
Average wage	UAH	5072	5311	5744	6323	6953	7268	7878	7974	6840	7360	7339	7114	7351	7377	7479	8777	7711	7828	8382	...
CPI	% yoy eop	6.9	7.9	12.4	15.1	15.6	16.4	13.7	13.2	13.5	15.6	15.9	16.2	16.4	14.6	13.6	13.7	14.1	14.0	13.2	13.1
PPI	% yoy eop	15.7	19.6	35.7	38.3	26.3	22.4	16.5	15.9	27.1	26.3	23.3	23.6	22.4	18.8	18.4	16.5	22.0	19.6	15.9	14.1
Exports (USD)*	% yoy cum.	-10.0	-7.9	-3.9	28.7	21.3	19.0	16.9	9.3	22.8	21.3	19.9	19.2	19.0	18.7	18.1	16.9	19.2	15.4	9.3	...
Imports (USD)*	% yoy cum.	-3.7	0.9	4.5	20.6	22.4	19.7	18.9	10.8	22.0	22.4	21.6	20.2	19.7	20.1	19.7	18.9	26.2	16.8	10.8	...
Trade balance*	USD bn cum.	-2.3	-2.3	-4.1	-1.3	-3.1	-5.8	-5.8	-6.7	-2.4	-3.1	-4.1	-5.0	-5.8	-6.7	-7.4	-8.6	-0.5	-1.1	-1.7	...
Current account**	USD bn cum.	0.0	-1.2	-1.3	-0.4	-0.1	-1.2	-1.2	-1.4	-0.2	-0.1	-0.5	-0.5	-1.2	-1.4	-1.3	-2.1	0.1	0.2	-0.6	...
Gross international reserves	USD bn eop	14.0	15.6	15.5	15.1	18.0	18.6	18.6	18.7	17.6	18.0	17.8	18.0	18.6	18.7	18.9	18.8	18.6	18.4	18.2	18.4
Monetary Base	% yoy eop	1.7	10.6	13.6	9.1	8.3	5.1	5.1	6.2	9.1	8.3	7.0	6.0	5.1	6.2	5.9	4.6	8.4	12.0	10.2	11.9
Lending rate on UAH credits	% pa, aop	20.9	17.3	14.7	15.7	15.1	14.4	16.1	16.9	15.2	14.7	14.0	14.3	14.9	15.1	16.3	17.0	16.3	17.0	17.5	...
Exchange rate (interbank)	USD aop	25.2	17.27	25.90	27.09	26.44	25.93	26.97	27.27	26.40	26.09	25.95	25.65	26.18	26.67	26.73	27.52	28.43	27.09	26.29	26.13
Exchange rate (official)	USD aop	25.3	25.40	25.67	27.06	26.46	25.91	26.97	27.32	26.42	26.11	25.97	25.64	26.11	26.65	26.71	27.54	28.43	27.17	26.34	26.15
Exchange rate (official)	EUR aop	28.6	25.58	28.18	28.81	29.06	30.38	31.76	33.56	29.16	29.26	29.84	30.23	31.08	31.38	31.32	32.58	34.60	33.59	32.50	32.14

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		Q4 12	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
GDP	UAH bn	379.2	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
GDP (real)	% yoy	-2.4	-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
Household consumption (real)	% yoy	4.9	5.9	8.7	6.8	6.3	3.3	-7.8	-13.9	-12.2	-21.0	-27.8	-20.0	-14.6	-2.2	4.0	4.7	1.9	4.3	9.5	6.3	10.7
State consumption (real)	% yoy	1.1	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
Gross fixed capital formation (real)	% yoy	-2.1	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	9.7	19.8	4.7	9.2
Exports of goods and services (real)	% yoy	-7.2	-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
Imports of goods and services (real)	% yoy	-0.2	1.3	-15.7	1.7	-0.6	-11.8	-10.9	-32.3	-29.6	-18.1	-28.1	-13.0	-11.9	-3.4	-0.1	17.4	19.4	4.4	8.3	13.2	20.2
Agriculture, hunting, forestry (real)*	% yoy	-3.5	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
Manufacturing industry (real)*	% yoy	-6.6	-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
Construction (real)*	% yoy	-18.7	-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
Trade, repair services (real)*	% yoy	-2.0	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
Transport (real)*	% yoy	-10.5	-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
Balance of payments (BPM6)																						
Current account balance	USD bn	-4.8	-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	-0.4	0.2	-1.1	-0.9
Current account balance	% of GDP	-10.1	-8.4	-5.1	-12.1	-9.8	-3.5	-2.5	-3.3	-6.7	-0.4	3.8	2.9	0.5	-6.0	5.2	-4.7	-0.5	-1.6	0.9	-3.3	-2.7
Trade balance in goods	USD m	-6233	-4635	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1147	-496	-689	-1123	-1924	-665	-2128	-2225	-1451	-1923	-2828	-3170
Trade balance in services	USD m	1578	1349	1504	2575	1066	937	443	456	686	487	255	110	241	152	103	-170	404	103	193	134	332
Direct investment (FDI)**	USD m	1876	1082	496	1510	991	-665	-319	725	558	397	907	890	818	1,366	760	999	143	464	1,029	347	354
Gross international reserves	USD bn	24.5	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	18.7
Exchange rate (interbank), UAH/USD	aop	8.11	8.11	8.14	8.15	8.21	9.14	11.71	12.58	13.56	21.23	21.26	21.74	22.90	25.69	25.23	17.27	25.90	27.09	26.44	25.93	26.97
Exchange rate (official), UAH/USD	aop	7.99	7.99	7.99	7.99	7.99	8.86	12.71	12.58	21.18	21.33	21.23	21.69	22.33	25.68	25.26	25.40	25.67	27.06	26.46	25.91	26.97
Fiscal indicators																						
Consolidated fiscal revenues	% of GDP	33.6	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
Personal income tax	% of GDP	5.0	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
Enterprise profits tax	% of GDP	4.2	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
Value-added tax	% of GDP	10.0	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
Excise tax	% of GDP	2.4	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
Consolidated fiscal expenditures	% of GDP	41.3	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
Current expenditures	% of GDP	37.3	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
Capital expenditures	% of GDP	4.0	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
Consolidated fiscal balance	% of GDP	-7.8	-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
Privatisation receipts	% of GDP	0.4	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
Banking system																						
Monetary aggregate M0	% yoy cum	5.5	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
Monetary aggregate M2	% yoy cum	13.1	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
Household deposits in national currency	% yoy cum	16.3	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
Household deposits in foreign currency	% yoy cum	21.8	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
Com. bank credits in national currency	% yoy cum	7.7	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
Com. bank credits in foreign currency	% yoy cum	-7.3	-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
Long-term com. bank credits	% yoy cum	-6.6	-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
Long-term com. bank credits	% of total	57.8	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
Average lending rate on national currency credits	% p.a.	20.8	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
Average lending rate on foreign currency credits	% p.a.	8.8	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

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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