Monthly Economic Monitor Ukraine

No.4 (210), April 2018

EXECUTIVE SUMMARY

HIGHLIGHT: THE SOE REFORM

Politics: The Verkhovna Rada finally appointed the Head of the NBU, the Chairman and 9 members of the Accounting Chamber, and the Ombudsman.

Real sector: Real GDP increased by 2.5% in 2017 due to higher domestic demand. Net real exports made negative contribution to the growth.

Energy sector: The Cabinet of Ministers postponed the decision to raise gas tariffs for the households till June 2018 despite Ukraine`s obligations taken in the IMF program.

Transport: International airports "Boryspil" (in Kyiv) and "Lviv" signed agreements with the Irish lowcost carrier Ryanair.

Agriculture: As of March, around 99.7% of seeded winter crops and 98.6% of winter rapeseed successfully sprouted.

External sector: The NBU in March revised the methodology for calculating remittance flows, which resulted in the revision of balance of payment figures for the recent three years. The current account deficits narrowed.

Fiscal policy: According to the preliminary data of the State Treasury, central fiscal revenues in the first quarter of 2018 increased by 10.8% yoy, which is slower than planned.

Social policy: The Government started the monetisation of privileges on transport services.

Labour market: Unemployment rate was at 9.5% of economically active population in age of 15-70 years old in 2017 as compared to 9.3% in 2016.

Monetary policy: Consumer inflation slowed slightly to 13.2% yoy in March from 14.0% yoy in February.

Exchange rate: Growing export revenues and lower depreciation expectations contributed to stronger hryvnia in March.

State debt: The Ministry of Finance increased yields for domestic government bonds due to higher NBU discounted rate.

Highlight of the month: SOE reform

THE SOE GOVERNANCE REFORM IS UNDER A RISK

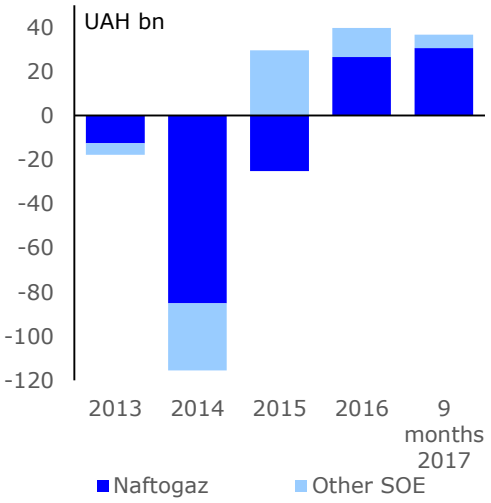
By Oleksandra Betliy

By April 1, state officials and certain other individuals were required to submit 2017 property and income e-declarations. While many people criticised the new requirement for the anti-corruption activists to submit e-declarations, members of supervisory boards at state-owned enterprises (SOE) were also required to submit such declarations in 2018. As a result, several members of SOE supervisory boards announced plans to resign. This puts under a risk the SOE governance reform, which is one of the Government policy priorities.

Originally, the obligation to submit electronic declarations of assets and income was introduced for persons authorized to perform functions of the central or local government as part of anti-corruption reforms. However, one year ago this obligation was extended to anti-corruption activists and members of supervisory boards of SOE. International organizations including the IMF, the World Bank, the European Commission, and the Venice Commission of the Council of Europe, as well as civil society representatives criticized this requirement and proposed its removal. However, by the end of March the Parliament failed to amend the law.

Therefore, since April 1, members of SOE supervisory boards are obliged to submit e-declarations in Ukraine on all earnings they have not only in Ukraine, but also abroad, but also on all assets. This puts under a risk the SOE governance reform, according to which all SOE should have supervisory boards with professional independent members both Ukraine and from abroad. Therefore, several foreign independent directors have already announced their possible resignation if e-declaration requirement would remain.

Net financial results of the SOE



Source: Ministry of Economic Development and Trade

The creation of the supervisory boards at the SOE with the majority of independent directors was one of the essential measures in the framework of the SOE governance reform. Overall, Ukraine had 3392 SOE with aggregated assets at UAH 1.6 trillion in September 2017 (for the comparison, there are 301 SOE in Poland and 371 SOE in Hungary). According to the data of the Ministry of Economic Development and Trade (MEDT), only 1611 SOE were in operation in the first nine months of 2017. 1051 SOE reported profits, while other were loss making. The MEDT assessed positively the management efficiency of only 22 out of 84 entities that manage SOE. The SOEs also receive bulk of the state aid. Inefficient governance of the SOEs contributed to the IMF-estimated state aid to SOE (including subsidies and privileges) at 5% of GDP in 2017.

To reduce the fiscal losses and improve efficiency of the SOE the Government started to corporate governance reform in 2016. The implementation of this reform is expected to prevent political interference and corruption, separate the roles of the regulator and the owner, and introduce globally recognized corporate governance standards.

Three major pillars of the corporate governance reform can be defined. First, the Government should introduce strategic planning, which would define key performance indicators for each SOE. This pillar also envisages increase in the transparency of SOE governance. Second, independent supervisory boards are to be set up on each SOE. This element of the reform is crucial as it would contribute to the higher efficiency of the SOE due to the elimination of the corruption schemes and state capture. In particular, supervisory boards will be responsible for the hiring managers, evaluation of SOE performance, and the selection of auditors. Third, members of supervisory boards and managers of SOE are to receive competitive wages, which would create incentives for their efficient work. Necessary regulations for the second and third pillars were introduced, but selection of independent directors was delayed.

Several SOE received supervisory boards, some members of which were foreigners; however, independent supervisory boards are still to be appointed on most large state-owned companies. Now, there is a high risk that the Government will not be able to attract professional managers from abroad to become members of supervisory boards at SOE as they would then have to submit e-declarations of all assets and earning they have not only in Ukraine, but also abroad, which is highly unusual. The risk also relates to private and public companies that are considered as those conducting anti-corruption activities: the members of their supervisory boards also have to submit e-declarations.

Therefore, the Parliament is better to eliminate the vague requirement for the submission of e-declarations by members of supervisory boards as well as by anti-corruption activists. In turn, the Government should continue the scheduled corporate governance reform. This includes the large-scale privatization of SOE. The State Property Fund of Ukraine plans to privatize 100 companies this year, which are expected to bring UAH 22.5 bn to the budget. The small SOEs (with assets below UAH 250 m) are to be sold through the ProZorro.Sales platform, which is already used for the sale of assets of liquidated banks by the Deposit Guaranteed Fund. Therefore, instead of creating additional barriers to efficient corporate governance at SOE, the Government should increase efforts for the continuation of the reform.

Monthly Economic Monitor Ukraine

Politics: The Verkhovna Rada makes key government appointments

Government appointments. The Verkhovna Rada approved the resignation of Valeria Hontareva as the Head of the NBU and consented to the appointment of Yakiv Smolii as the new Head. Mr. Smoliy was an acting head of the NBU for over six months and was nominated for this position by the President of Ukraine Petro Poroshenko. The appointment of the NBU Head is essential for the independence of the National Bank.

The Verkhovna Rada also appointed MP Ludmyla Denisova as a new Ombudsman. Her appointment was criticized by civil society activists on the grounds that she has no experience in the area of human rights and owns business in Russia-occupied Crimea. The tenure of the former ombudsman Valeriya Lutkovska ended in April 2017.

The Verkhovna Rada elected 9 members of the Accounting Chamber and appointed MP Valeriy Patskan as the Chairman of the Chamber. This is expected to contribute to higher efficiency and independence of the work of the Accounting Chamber.

Prosecutor General Yurii Lutsenko initiated dismissal of the Head of the Specialized Anti-Corruption Prosecutor's Office (SAP) Nazar Kholodnytskyi. Mr. Kholodnytskyi is suspected in criminal and disciplinary offences, including incitement of witnesses to giving false testimony and disclosure of confidential information regarding a pre-trial investigation. The investigation of his actions was carried out by the Prosecutor General's Office jointly with the National Anti-corruption Bureau. SAP is an important anti-corruption institution in Ukraine set up in 2015 as a part of the system of independent law enforcement agencies created to tackle high-level corruption in Ukraine.

The war in Donbas. The armed conflict in the eastern Ukraine continued in March. Combined Russian-separatist forces attacked the positions of Ukrainian armed forces in Donetsk and Luhansk oblasts violating several ceasefire agreements that were reached during the month. The latest of these agreements – the Easter ceasefire – was violated by combined Russian-separatist forces mere minutes after it came into effect. 7 service members of the Ukrainian Armed Forces were killed in the war in March, and 25 service members were wounded. Also in March, Ukraine expelled 13 Russian diplomats in response to the poisoning of a former Russian spy in Salisbury, the UK. The North Atlantic Alliance (NATO) in March recognized Ukraine as an aspirant country in a statement on enlargement.

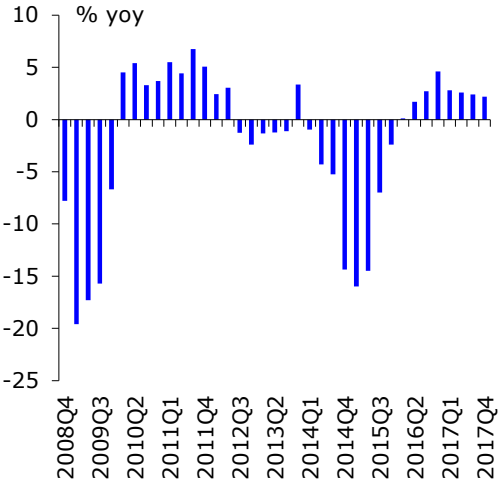
Civil society. Ukrainian Public Integrity Council suspended its participation in the re-evaluation of judges. The Council, which consists of representatives of civil society, stressed that the candidates' selection process is conducted in very short terms without thorough assessment of professional ethics and integrity of judges. As a result, it allows selecting judges with compromised integrity who are suspected in corruption.

Also in March, the Verkhovna Rada failed to revoke the law that obliges anti-corruption activists to submit electronic declarations of assets. The e-declarations were originally introduced for public servants as an anticorruption measure. The controversial requirement regarding the activists introduced in a vaguely worded bill allows a wide range of interpretations regarding who could be considered an anti-corruption activists and has been criticized by Ukrainian civil society and politicians as well as by representatives of international community, in particular the G7 Ambassadors in Ukraine, and the Venice Commission of the Council of Europe.

MFA. In March, the European Commission approved the MFA IV program for Ukraine at EUR 1 b. The exact conditionalities are not known yet. In the end of 2017, Ukraine failed to receive the final third tranche of the MFA III as it did not fulfil four conditionalities.

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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Real sector: Real GDP increased by 2.5% in 2017

GDP. The Ukrstat released preliminary estimate of real GDP growth in 2017 at 2.5%. This was higher than flash estimate of 2.3% growth. On the demand side, the Ukrstat revised upwards quarterly indicators for real private final consumption and real government consumption as well as imports, but revised downwards growth in real gross fixed capital accumulation. On the production side, better than previously reported growth in construction, IT, and real estate operation contributed positively to the GDP.

Overall, real private final consumption increased by 7.8% due to real disposable income growth at 6.0%. Higher investments into equipment and larger fiscal capital outlays resulted in growth of real gross fixed accumulation at 18.2%. At the same time, higher domestic demand resulted in rapid imports growth (at 12.2%). Exports increased by only 3.5% (primarily due to higher exports to the EU). As a result, real net exports contribution to real GDP growth was negative at 5.0 p.p.

Real gross value added (GVA) in construction surged by 26.9%. This likely contributed to the growth of real estate operations by 7.8%. Manufacturing grew by 5.1% due to higher domestic and external demand. At the same time, value added in extractive industry declined by 5.9% due to lost mines on the occupied territory of Donbas. Higher consumption and external trade resulted in larger GVA in retail and wholesale trade and in transport (by 5.0% and 4.3%).

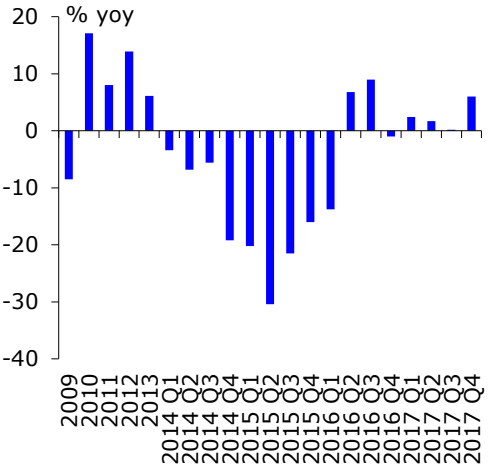
The Ukrstat is likely to revise real GDP figures for 2017 and for two preceding years taking into account modified remittances figures by the NBU. The Ukrstat is likely to increase household consumption and imports slightly. Updated indicators are expected in the end of April.

Sectoral trends. Industrial output growth slowed down to 1.9% yoy in February from 3.6% yoy in January. Food production (without tobacco and beverages) increased by only 0.9% yoy (after growing by 4.8% yoy in January) due to drop of the production of sunflower oil. The production of alcohol beverages and tobacco products dropped sharply due to increase in excise rates. Machine building and metallurgy increased their output by 5.9% yoy and 4.6% yoy, respectively.

Extractive industry output grew slightly as extraction of iron ore and construction materials increased (at 2.3% yoy)

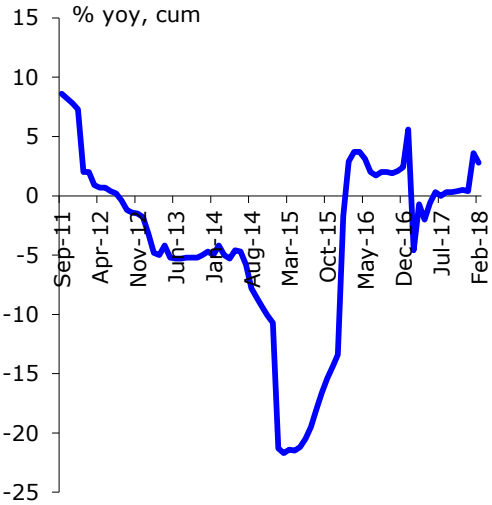
Growth of retail sales slowed down to 5.6% yoy from 9.6% yoy in January likely due to bad weather. Similarly, unfavourable weather conditions led to decline in construction by 2.3% yoy.

Real disposable household incomes



Source: Ukrstat

Industrial output



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

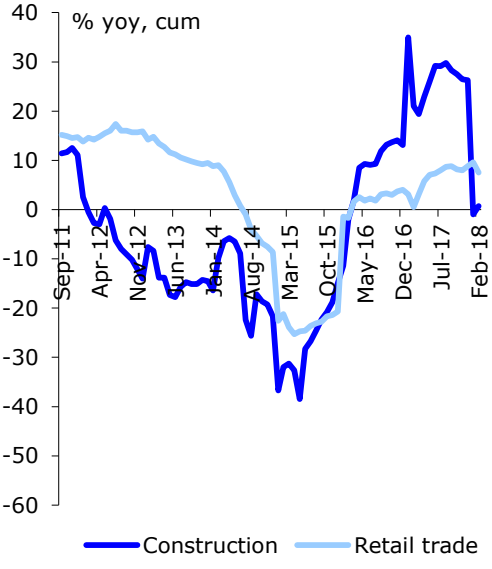
Energy: The NERC again has no quorum

The NERC. The nomination committee for the National Energy and Utilities Regulatory Commission (NERC) selected 47 candidates for the new members of the Commission. The candidates will undergo a special security check after which the NERC will submit the list of selected candidates to the President. The President then will choose five new NERC members out of this list. Viktoriya Morozova and Vadym Taratun, who were temporarily assigned for three months to the NERC in December 2017 to save the quorum of the Commission, were fired in March. At the end of March, the NERC again lost its quorum until five new members are assigned and, thus, cannot approve any decisions. In addition, the term for the head of the NERC is also ending soon so the Commission will have to elect a new head.

Gas. The Cabinet of Ministers postponed the decision to raise gas tariffs for the households till June 2018 despite Ukraine`s obligations to the International Monetary Fund. Ukraine committed to keep the gas prices for the households at the import parity level (average gas import price for the period). Currently, households' gas prices (at UAH 4942 per 1000 cubic meters not including VAT and transportation costs) are around 30% below the import parity.

Electricity. The NERC adopted secondary legislation necessary for the implementation of the law on electricity market. In particular, it

Real sector trends



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

adopted the market rules, the transmission system code, the distribution system code, the code of commercial market for electricity accounting, and the rules for the retail electricity market. These documents are required for the successful implementation of the electricity market after the completion of the transition period in 2019.

Electricity retail prices for industrial consumers increased in April by 3.7-9.2% mom for the first class consumer category depending on the electricity provider and by 2.2-7.5% mom for the second class consumer category. The raise was explained by the increase in the forecast wholesale electricity price for 2018 (by 9.5% for the first quarter of 2018 and by 6.1% for the rest of the year).

Transport: Ryanair comes to Ukraine

Air transportation. International airports "Boryspil" (in Kyiv) and "Lviv" signed agreements with the Irish lowcost carrier Ryanair. The company will start flights in October and will connect Kyiv with Barcelona, Bratislava, London, Poznan, Gdansk, Warsaw, Wroclaw, Krakow, Vilnius, Stockholm, and Lviv with Dusseldorf, Memmingham, and Warsaw. Ryanair announced that it also considers opening a data center and aircraft maintenance center in Ukraine. This is the second attempt of Ryanair to enter the Ukrainian market.

Concession. The Ministry of Infrastructure announced the start of the concession projects in the state stevedoring companies Olvia (Mykolayiv) and Kherson Sea Port. The first project involves investments of USD 250 m into the construction of the new terminal and piers. The second project envisages attracting USD 45 m of private investments into the renovation and construction of transhipment facilities. These projects require adoption of the law on concessions, the first reading of which was passed in the Parliament on April 3.

Another law on concession of roads came into force in March. The law sets requirements for the construction of concession roads, mechanisms of assigning land plots and the maximum fee for using the road. The first concession road announced to be built is Lviv-Krakovets (84km). The construction is estimated to take up to five years, the concession period is 49 years.

Agriculture: The winter crops are mostly in good conditions

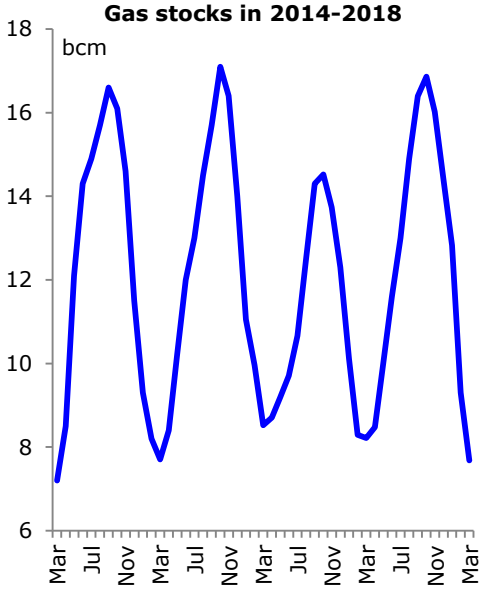
Production. As of March, around 99.7% of seeded winter crops and 98.6% of winter rapeseed successfully sprouted. About 90% of them are in good or satisfactory condition.

As of 1st of March, the number of cows decreased by 4.5% yoy and number of pigs fell by 7.7%. Between January and February, milk production declined by 0.9% yoy due to lower milk production by households (at 3.4% yoy). Poultry numbers and egg production remained on the similar levels as last year.

Trade. Between January and February, Ukrainian agricultural export increased by 3.4% yoy to USD 2.77 bn. Share of agriculture in the total Ukraine's exports constituted 37.6% in comparison to 42.8% in similar period of 2017.

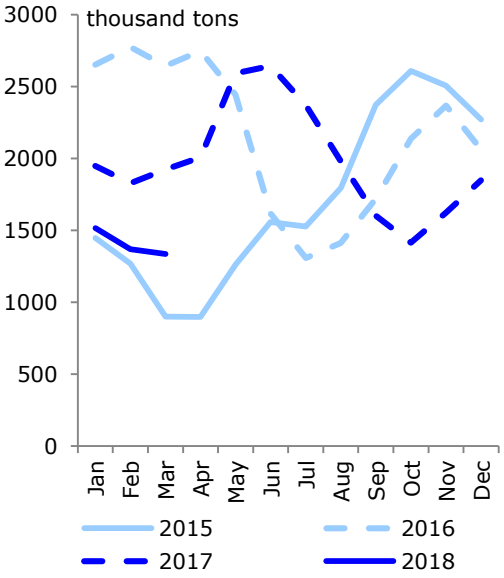
Policy. Farmers continued protesting against recently adopted amendment to the Tax Code, that envisage the introduction on 0% VAT on soy exports and, thus, elimination of VAT refunds on soy exports since September 2018. They claim that this decision hampers development of soy producers but benefits large scale processors owned by the large domestic oligarchic, as well as international multinational corporations. As a result, soy producers demand the Verkhovna Rada to revoke this norm and envisage 20% VAT for soy production and full-scale VAT refunds on its exports. Ukrainian Agrarian Council (UAC, association of medium and large-scale farmers) called its members for strike by blocking the national highways. Meanwhile, the UAC initiated the creation of the inter-factional deputy association "Agrarian Council", which will support and protect the interests of domestic agricultural producers.

Gas stocks in 2014-2018



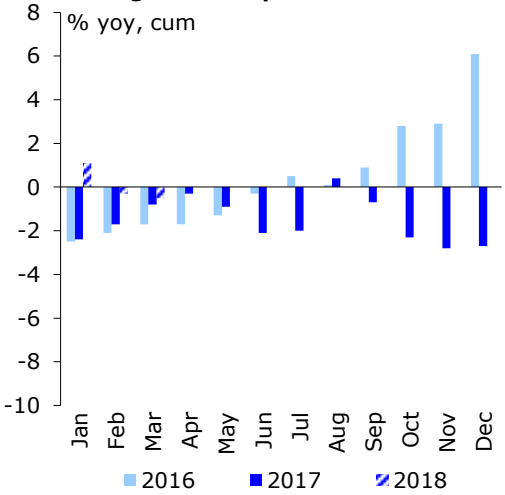
Source: Ministry of Energy

Coal stocks at TPPs



Source: Ministry of Energy, Ukrenergo

Agricultural production



Source: Ukrstat

The draft Law "On the fundamentals of state agricultural and rural development policies" was submitted to the Parliament. This draft Law aims to set the general legislative framework on the comprehensive policies in relation to of the agricultural sector of Ukraine, which should comply with the EU standards. The draft Law defines 10 priorities of the state agricultural and rural development policies in accordance with obligations of Ukraine on European integration. At the same time, it defines minimum financing of state agricultural and rural development policies at not lower than 5% of budget expenditures.

External sector: Current account was close to balance in February

Methodology: The NBU in March revised the methodology for calculating remittance flows, which resulted in the revision of balance of payment figures for the recent three years. As a result, wage income from abroad and secondary income inflows increased significantly. The NBU also increased its estimates of travel services imports and foreign currency cash outside banking system to balance increased inflows.

Current account. Current account was close to balance in February with USD 9 m surplus. Trade deficit at USD 0.64 bn was roughly at the same level as a year ago. Net investment income payments were also close to previous year's result at USD 0.37 bn. Net inflow of secondary and wage income reached USD 1.0 bn in February.

Merchandise exports increased by 11% yoy in February. Agricultural product exports increased by 3% yoy as higher grain and meat exports offset lower sunflower exports. Metallurgy exports increased by 24% yoy in response to growing external demand. Steel export prices also remained higher than a year ago.

Merchandise imports grew by 9.5% yoy in February or at a slowest year-on-year rate since October 2016. This in part reflected lower energy imports as mineral products imports dropped by 16% yoy. Machine building imports slowed down slightly but still grew by 29% yoy. Imports of other items increased by 14% yoy as consumer demand remained strong.

Financial account. Recorded capital inflows under financial account were USD 0.56 bn in February. Public sector raised USD 161 m in net capital inflows as non-residents increased investments in domestic government bonds. Bank sector reported USD 344 m in capital outflows as banks increased net external deposits. Real sector raised USD 111 m in net FDI in February. Real sector debt inflows were USD 0.48 bn as Ukrainian importers increased their payables. Cash foreign currency outside the banking sector reduced by USD 146 m.

Fiscal policy: Fiscal situation faces challenges

According to the preliminary data of the State Treasury, central fiscal revenues in the first quarter of 2018 increased by 10.8% yoy after declining by 0.5% yoy between January and February. Tax revenues likely increased due to the higher EPT and PIT collections in March. However, VAT collections were likely close to last year's figures hryvna appreciation limited VAT revenues from imports and VAT refunds grew.

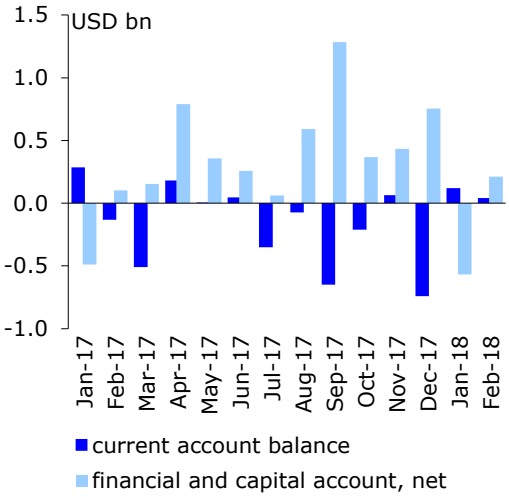
After the NBU finalized its financial report for 2017 in early April it plans to transfer to the budget UAH 44.6 bn instead of planned in the budget amount at UAH 50.5 bn. Therefore, the Government will have to find other sources to cover this gap.

As of April 1, the funds at the Single Treasury Account reduced to UAH 8.3 bn as the Government made substantial debt service payments. The Government also had foreign currency at the account in the NBU equivalent to UAH 38 bn, which is to be used for further payments on FX debt.

Social policy: Monetisation of privileges

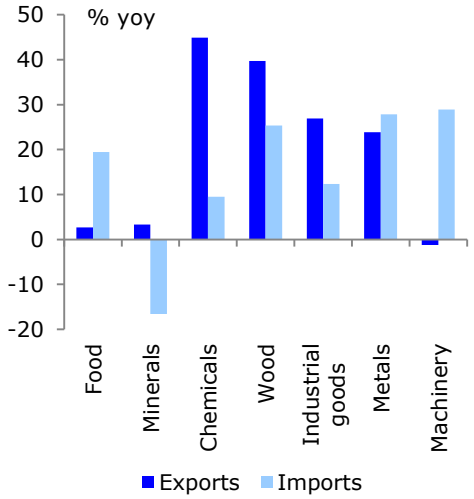
The Government started the monetisation of privileges on transport services. Previously the transport privileges were provided in-kind

Balance of payments



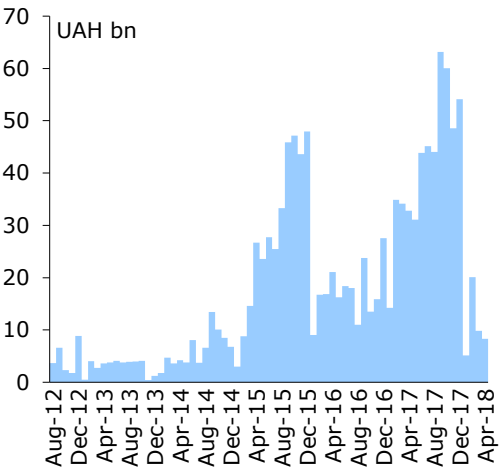
Source: NBU preliminary estimates

Trade in goods in February 2018



Source: NBU preliminary estimates

Balance of the Single Treasury Account



* in the beginning of month
Source: State Treasury

without limitations on the number of trips. The costs then were to be covered from local budgets. However, transport companies often complain on the arrears for the services provided to subsidized groups of individuals. Besides, individuals from cities benefit more from in-kind transport privileges as the public transportation is much more developed there. At the same time, this system is unfavourable for individuals in rural areas with lack of access to public transportation; private providers of transport services put strict limits on number of privileged passengers per trip.

Now, local council have an option to replace in-kind privileges for some individuals with monthly monetary payment. The cash payment should cover the cost at least 30 trips per month (average trip by municipal transport in the region). If local authorities approve the decision to cover the minimum number of trips, the individuals in cities might lose if previously they travelled more than once perday. At the same time, individuals that rarely used public transport may benefit from the new system.

Labour market: Unemployment rate remained almost unchanged

Unemployment rate (ILO methodology) slightly increased to 9.9% of economically active population at 15-70 years old in the fourth quarter of 2017 from 9.7% in the fourth quarter of 2016. Overall in 2017, unemployment rate was at 9.5% as compared to 9.3% in 2016. Unemployment rate remained higher for men than for women (11.1% and 7.7%, respectively). As usual, there were more unemployed among young people (18.9% for 15-24 year-olds and 11.3% for age group of 25-29 years old). 27% of unemployed reported that they look for a job already for more than a year, Therefore, long-term unemployment remains the issue, which should urge the State Employment Office to improve efficiency of active labour market policies.

Monetary policy: Inflation slowed to 13.2% yoy in March

Consumer inflation slowed slightly to 13.2% yoy in March from 14.0% yoy in February. Food price growth remained high at 17.9% yoy. Prices for bread and meat grew slower than in previous months. Slow growth in global prices for meat and dairy helped to contain domestic price increases. At the same time, fruit and vegetable prices were much higher than in March 2017. Non-food inflation slowed down as fuel prices reduced in March as compared to previous month. Core inflation slowed down to 9.4% yoy in March as cost pressure on prices reduced.

Recent increases in the NBU policy rate seem to have uneven impact on bank interest rates. Loan interest rate have increased though slower than policy rate while effect on deposit rates was low. Average interest rate on hryvnia corporate loans increased to 16.0% p.a. in March from the July 2017 low of 13.0% p.a., while deposit interest rates for household changed little from summer 2017 levels. This may reflect growing supply of deposits.

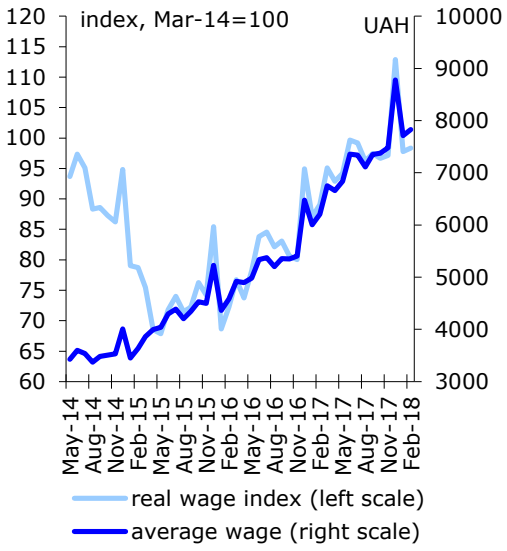
Exchange rate: Hryvnia continued to appreciate in March

Interbank UAH/USD exchange rate continued to appreciate in March and dipped below UAH 26 per USD by the middle of the month. It retreated slightly in the second half of March. Growing export revenues and lower depreciation expectations contributed to stronger hryvnia. In response, the NBU bought USD 376 m on net basis to service external debt and reduce exchange rate volatility. Sales of cash foreign currency to banks remained higher than purchases. The NBU international reserves reduced to USD 18.2 bn as foreign currency debt payments of the government exceeded new inflows.

State debt: Domestic government bonds yields increased further

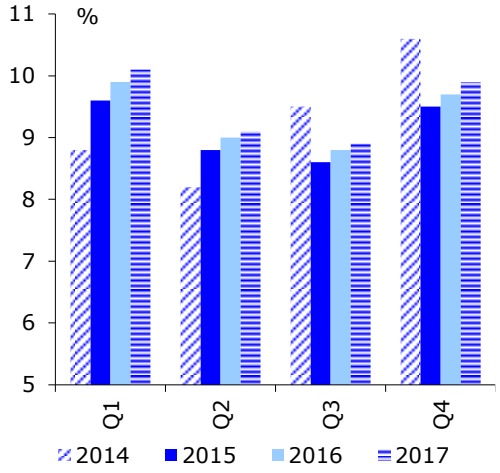
Domestic debt. In March, the Ministry of Finance placed UAH 7.4 bn of domestic government bonds with the weighted average yield at 17.1%. The Ministry increased yields due to the discounted rate hike

Average wage*



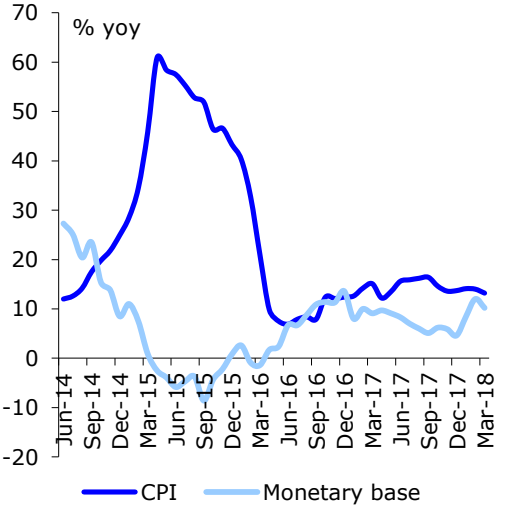
*not including AR Crimea
Source: Ukrstat

Unemployment rate (ILO)



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

CPI and monetary base development

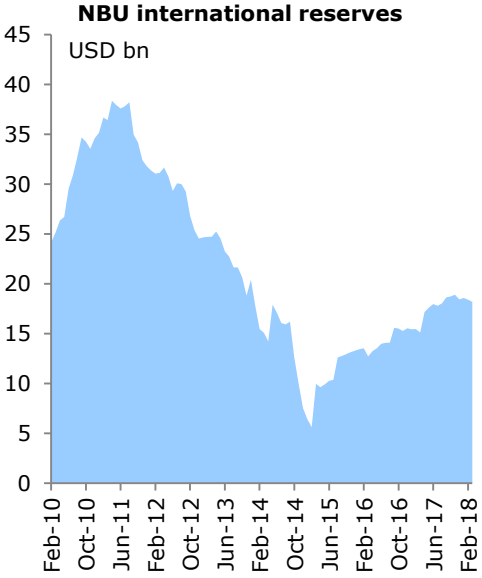


Source: Ukrstat, NBU

in March. B Near 91% of bonds were with maturities of up to one year (mainly 3- and 8-month bonds), which might reflect the Government plans to place Eurobonds in the nearest months. Majority of bonds were bought by the banks, which increased their holdings of domestic government bonds by UAH 6.2 bn (to UAH 350 bn).

The Ministry of Finance also issued USD 670 m of one- and two-year USD-denominated bonds with yield at 5.2% p.a. and EUR 123 m of two-year EUR-denominated bonds with yield at 4.1% p.a. The latter substituted planned UAH-bonds issue.

NBU international reserves



Source: NBU

Tables

		Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Industrial production (real)	% yoy cum.	4.5	2.6	2.5	2.8	-0.7	0.3	0.3	0.4	-2.0	-0.6	0.3	0.0	0.3	0.3	0.4	0.5	0.4	3.6	2.8	...
Construction (real)	% yoy cum.	8.3	13.0	17.3	17.4	25.4	29.2	28.3	26.3	22.9	26.0	29.2	29.1	29.8	28.3	27.5	26.5	26.3	-1.0	0.7	...
Agricultural production (real)	% yoy cum.	-1.7	-0.3	0.9	6.3	-0.8	-2.1	-0.7	-2.7	-0.3	-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.	1.6	2.3	3.3	4.0	3.1	7.3	8.8	8.8	5.8	7.1	7.3	8.0	8.7	8.8	8.2	8.0	8.8	9.6	7.5	...
Average wage	UAH	4622	5072	5311	5744	6323	6953	7268	7878	6659	6840	7360	7339	7114	7351	7377	7479	8777	7711	7828	...
CPI	% yoy eop	20.9	6.9	7.9	12.4	15.1	15.6	16.4	13.7	12.2	13.5	15.6	15.9	16.2	16.4	14.6	13.6	13.7	14.1	14.0	13.2
PPI	% yoy eop	10.5	15.7	19.6	35.7	38.3	26.3	22.4	16.5	35.6	27.1	26.3	23.3	23.6	22.4	18.8	18.4	16.5	22.0	19.6	15.9
Exports (USD)*	% yoy cum.	-16.7	-10.0	-7.9	-3.9	28.7	21.3	19.0	16.9	23.2	22.8	21.3	19.9	19.2	19.0	18.7	18.1	16.9	19.3	15.1	...
Imports (USD)*	% yoy cum.	-6.9	-3.7	0.9	4.5	20.6	22.4	19.7	18.9	18.9	22.0	22.4	21.6	20.2	19.7	20.1	19.7	18.9	26.3	17.0	...
Trade balance*	USD bn cum.	-1.8	-2.3	-2.3	-4.1	-1.3	-3.1	-5.8	-6.7	-1.7	-2.4	-3.1	-4.1	-5.0	-5.8	-6.7	-7.4	-8.6	-0.5	-1.1	...
Current account**	USD bn cum.	-1.1	0.0	-1.2	-1.3	-0.4	-0.1	-1.2	-1.4	-0.2	-0.2	-0.1	-0.5	-0.5	-1.2	-1.4	-1.3	-2.1	0.1	0.1	...
Gross international reserves	USD bn eop	12.7	14.0	15.6	15.5	15.1	18.0	18.6	18.7	17.2	17.6	18.0	17.8	18.0	18.6	18.7	18.9	18.8	18.6	18.4	18.2
Monetary Base	% yoy eop	-1.4	1.7	10.6	13.6	9.1	8.3	5.1	6.2	9.7	9.1	8.3	7.0	6.0	5.1	6.2	5.9	4.6	8.4	12.0	10.2
Lending rate on UAH credits	% pa, aop	20.0	20.9	17.3	14.7	15.7	15.1	14.4	16.1	15.3	15.2	14.7	14.0	14.3	14.9	15.1	16.3	17.0	16.3	17.0	...
Exchange rate (interbank)	USD aop	25.69	25.2	17.27	25.90	27.09	26.44	25.93	26.97	26.82	26.40	26.09	25.95	25.65	26.18	26.67	26.73	27.52	28.43	27.09	26.29
Exchange rate (official)	USD aop	25.68	25.3	25.40	25.67	27.06	26.46	25.91	26.97	26.86	26.42	26.11	25.97	25.64	26.11	26.65	26.71	27.54	28.43	27.17	26.34
Exchange rate (official)	EUR aop	28.34	28.6	25.58	28.18	28.81	29.06	30.38	31.76	28.77	29.16	29.26	29.84	30.23	31.08	31.38	31.32	32.58	34.60	33.59	32.50

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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