Monthly Economic Monitor Ukraine

No.1 (207), January 2018

EXECUTIVE SUMMARY

HIGHLIGHT: YEAR 2017

Politics: In December, the Arbitration Institute of the Stockholm Chamber of Commerce issued the final award ruling in the dispute between Ukrainian oil and gas company Naftogaz and Russian gas supplier Gazprom.

Real sector: Improved consumer confidence, growing household incomes, and recovery in corporate investment spending supported real GDP growth at 2.1% yoy in the third quarter of 2017.

Energy sector: The National Energy and Utilities Regulatory Commission regained its quorum for the next three months.

Agriculture: Between January and November, the agricultural production declined by 2.8% yoy due to the decrease in crop production at 3.8% yoy.

External sector: Current account was nearly balanced in November with USD 18 m surplus as compared to USD 315 m deficit in October.

Fiscal policy: Consolidated fiscal expenditures in 2017 were lower than planned primarily due to lower fiscal deficit.

Social policy: Real disposable income grew by only 0.2% yoy due to the accelerated inflation.

Labour market: Unemployment rate (ILO methodology) in the third quarter of 2017 remained almost at the level of last year: 8.9% of economically active population in the age between 15-70 years old.

Monetary policy: Consumer inflation moved to 13.7% yoy in December as CPI increased by 1.0% mom.

Exchange rate: Interbank UAH/USD exchange rate gradually weakened in December, what reflected seasonal surge in imports in December.

State debt: In December, domestic government borrowings increased substantially after the Ministry of Finance increased yields.

Highlight of the month: Year 2017

THE YEAR IN REVIEW

2017 was a year of hopes that had a mixed record in coming true. In international relations, there were a number of successes including visa-free regime for short-term travels of Ukrainians to the EU, the introduction of free trade area with Canada and the full implementation of Association Agreement between Ukraine and the EU. Ukraine was able to return to the international capital markets for the first time since 2013. The Parliament finally approved the healthcare reform law, which means that the reform of primary healthcare starts in 2018. The approval of the Education Law became controversial. It means important changes in the status of education establishments and modernisation of education curriculum, but its provision on language of teaching was heavily criticised by Hungary and Poland. Approved pension reform only partially reflected the obligation of country in the framework of the IMF program as higher requirements of working record were complemented by higher than previously expected increases in pensions. At the same time, the Government failed to approve the land market reform. Instead, the Parliament extended the moratorium on agricultural land sales for another year. The privatization law and the law on credit registry were not approved. The automatic inspection of e-declarations was not also introduced. The Anti-corruption court was not created The Government also did not increase gas tariffs for population as it was previously planned. As a result, Ukraine did not receive scheduled for 2017 two tranches of IMF loan and the final tranche under the MFA III. ☐

Economic recovery was lower than previously expected: real GDP is estimated to grow at about 2.2% in 2017. Low growth is partially explained by the blocked of trade with the occupied part of Donbas. Inflation was significantly higher than the NBU target due to rapid increase in minimum wage and growth of commodity prices.

Politics

- The anti-corruption policy was among the most debated issues over entire 2017. The anti-corruption institutions continued working with the different levels of success. The National Anti-Corruption Bureau (NABU) indicted several high-ranking officials, including the Head of State Fiscal Service, in the corruption. Several members of the Parliament were stripped of their parliamentary immunity, which opens the possibility to open court trials against them. At the same time, the National Agency on Corruption Prevention (NAPS) has delayed the inspection of e-declarations; the selection of e-declarations for inspection was based on manual approach and not on risk profiling.
- During the year, several Ukrainian anti-corruption activists were attacked and charged with crimes. Additionally, a newly introduced legislation required anti-corruption activists to declare their personal assets starting from 2018, while a number of NGOs and commercial firms reported being searched by law enforcement bodies.
- Ukraine made progress in reforming healthcare, public administration, secondary education, justice and pension systems, and public media. The healthcare reform was started by adopting the laws that reorganize health care facilities from budget entities into state-owned and municipal non-profit enterprises and allowing patients to choose their primary care doctor. Justice system reform in 2017 included steps on introducing more transparency into selection of judges, launching a new Supreme Court, and reorganization of the first instance courts. Ukraine also continued the transformation of state-controlled TV and radio broadcasting companies into politically independent public broadcasters by launching the new Ukrainian public broadcaster National Public TV and Radio Company of Ukraine (NPTRCU). ☐
- Ukraine received the USD 1 bn disbursement of the loan from the International Monetary Fund under the Extended Fund Facility (EFF) program and EUR 0.6 bn from the EU in the framework of the MFA III. At the same time, the two planned disbursements of the IMF loan to Ukraine and the final tranche of the MFA III were missed in 2017. The country did not implement a number of significant reforms including elimination of the moratorium on the sales of agricultural land, establishment of the Anti-Corruption court, and introduction of the automatic inspection of e-declarations of government officials.
- Citizens of Ukraine holding biometric passports received the right for short-term visa-free travel to the EU following the respective approval of the EU Council. The official dialogue between Ukraine and the EU on visa liberalization began in 2008, and in 2010. The EU provided a visa liberalization plan for Ukraine that included a list of measures, such as introducing biometric passports, establishing anti-corruption agencies, and launching electronic assets disclosure system for public officials. However, the EU reserves the right to cancel the visa-free travel for Ukraine if the country does not meet the necessary conditions, in particular, fails to ensure the independence, effectiveness, and sustainability of the anti-corruption institutions. ☐
- Since March 2017, the trade with the uncontrolled eastern parts of the country was stopped as a result of the shipments blocking campaign that was carried out by politicians and activists in protest against trading with Russia-led separatists. As the eastern parts of Ukraine supplied the major share of coal to the rest of the country, Ukraine experienced power shortages and had to import coal, while supply chains were disrupted for metallurgical factories in the country that relied on the eastern coal, coke, and ferrous metals.
- The Canada-Ukraine Free Trade Agreement (CUFTA) came into force on August 1, 2017. The Association Agreement between Ukraine and the EU fully entered into force on September 1, 2017.
- The military conflict with combined Russian-separatist forces in the eastern Ukraine continued in 2017. The most serious escalations of the conflict took place in winter in the town of Avdiivka where the shelling by

combined Russian-separatist forces damaged infrastructure and left local residents without water, heating, and electricity in the freezing weather as well as in summer when combined Russian-separatist forces repeatedly broke the temporary ceasefires. With a purpose to counteract Russian disinformation, Ukraine blocked several Russian websites and social media platforms. 203 service members of the Ukrainian Armed Forces were killed in the war in 2017 and 1126 service members were wounded.

- In the biggest prisoner exchange since the beginning of the war, Ukraine in December exchanged 237 imprisoned fighters of illegal armed groups for 74 hostages captured by combined Russian-separatist forces. Earlier in 2017, two members of the Mejlis of the Crimean Tatar people were released from politically motivated imprisonment by Russian occupational authorities in the Autonomous Republic of Crimea, while many more Ukrainian citizens remain captive in the Crimea, in the eastern Ukraine, and in Russia.

Real sector

- Real GDP in the first three quarters of 2017 increased by 2.3% yoy due to stronger domestic demand. Gross fixed capital accumulation surged by 19.5% yoy as companies continued to invest in new machinery and equipment and infrastructure after years of underinvestment. At the same time, higher minimum wage and tighter labour market helped spur income growth and domestic demand. However higher domestic demand drove 7.3% yoy growth of imports. Real exports increased by 1.8% yoy as diversification of exports and improved external demand offset the effects of blocked trade with occupied part of Donbas.
- Most sectors improved their performance during the year. Industrial output was almost unchanged in eleven months of 2017 (0.1% yoy decline reported). Growing domestic demand spurred growth of manufacturing output by 3.9% yoy. This offset decline in extractive industry output by 6.0% yoy and electricity production by 5.7% yoy due to blocked trade with occupied part of Donbas. Rising domestic demand also fuelled growth in retail sales and freight volumes. Growing infrastructure investment and commercial property development helped construction to increase by 22.5% yoy in January-November.

Energy

- The Stockholm Arbitrage Court adopted a final decision in the Naftogaz-Gazprom gas supply case. The court cancelled the "take or pay" clause of the gas contract for 2012-2017, thus, saving the Naftogaz USD 56 bn. It also decreased the required amount of gas purchase to 5 bcm per year from 52 bcm in 2018-2019 and obliged Gazprom to decrease the contracted gas price to market levels. However, the Naftogaz still has to pay the Gazprom USD 2 bn for the gas consumed in 2014.
- The law "On the Electricity Market of Ukraine" was adopted in May 2017. It introduced a new energy market model in accordance with the Third Energy Package, including the unbundling of transmission and distribution system operator requirements. The Energorynok, the national operator of the wholesale electricity market in Ukraine, later that year created a branch 'Market Operator' for selling the electricity on the "day ahead" and 24-hour electricity markets according to the new energy market model. In addition, the state enterprise Ukrenergo, the national operator of the electricity network, was transformed into a private joint stock company with a 100% public ownership.
- In June 2017, several important laws were adopted, including the law on general rules for commercial metering of utility services, on the Energy Efficiency Fund, and on energy performance of buildings. The requirement on energy efficiency certification for several key b building categories, including new buildings, is expected to launch a fundamentally new market for the thermal and energy modernization of the buildings in Ukraine. Newly launched Energy Efficiency Fund will partially compensate costs improved energy efficiency of the buildings. The Fund's activities are to be financed at the expense of central budget and international donors' contributions. The State Budget Law for 2018 allocates UAH 1.2 bn for the Fund's financing, which is unlikely to be sufficient for the effective Fund's activity.
- In June, the Government refused the plans to increase gas tariffs for population requiring that the Naftogaz should provide the gas to households at the same price as before. This returns price distortions on the Ukrainian gas markets and might result in further deterioration of gas infrastructure and overconsumption of gas by the population.
- Ukrainian electricity system operator Ukrenergo signed an agreement on the unification of the electrical system of Ukraine and Moldova with the electricity system of continental Europe ENTSO-E. Synchronization with ENTSO-E requires not only resolving complex technical issues but also introducing different principles of selling electricity (when any consumer in Ukraine can buy electricity from any European producer and Ukrainian producers can export electricity to any consumer in Europe).

Transport

- In 2017, the Cabinet of Ministers extended the temporary mechanism for financing the construction of highways in Ukraine. 50% of the over-executed customs revenues (mostly VAT on imports) are earmarked for highway construction in the respective region. This plan was continued for 2018.
- High fees in Ukrainian sea ports have long been an obstacle to the development of sea industry in Ukraine. The Cabinet of Ministers decided to increase the ports' competitiveness by decreasing sea port (ship, channel, lighthouse, sanitary, anchor, private and administrative) fees by 20% starting 2018.
- In October 2017, the Ukrzalisnytsia finished construction of Beskydsky railway tunnel, which goes through Carpathian mountains from Beskyd to Skotarske stations. The new tunnel will allow up to 100 pairs of trains per day at the speed of 60-70 km/h (up from 47 pairs of trains at the speed of 15-40 km/h of the old

tunnel). The Ukrzaliznytsya expects to make the new tunnel operational by June 2018 after it finishes constructing the railway in the tunnel and laying the electricity cables. The tunnel will increase Ukraine's attractiveness as a transit country.

Agriculture

- Between January and November, the agricultural production declined by 2.8% yoy due to decrease in crop production at 3.8% yoy.
- The Government in 2017 set a priority to support farming and development of agricultural cooperation. This decision resulted in the establishment of a new position of Deputy Minister of agricultural policy, who will be responsible for the support of farming. The Government also adopted Concept on the development of farms and agricultural cooperatives for 2018-2020.☐
- One of the main Eurointegration laws "On the safety and hygiene of animal feed" was adopted. It approximates the animal feed production to the European food safety requirements.
- The EU adopted additional tariff quotas for duty-free importation of a number of Ukrainian agricultural products (cereals, honey, processed tomatoes, grape and apple juices). Quotas for honey and grape juice are filled almost immediately.
- The system of state support for agricultural producers showed limited effectiveness in 2017. Large poultry producers received the lion's share of subsidies.

External Sector

- During 11 months of 2017, current account deficit remained at USD 3.0 bn (as close to 2016 figure). Larger merchandise trade deficit and investment income payments were offset by higher remittance inflows and trade in services surplus.
- Exports of goods increased by 20% yoy including 33% yoy increase in exports to the EU. This reflected higher commodity prices and likely effects of free trade with EU. Between January and November imports of goods increased by 22% yoy as mineral imports jumped by 51% yoy from low base. Investment demand explained continued fast growth in machine building imports that increased by over 81% from 2015 low. Imports of other items increased by 15% yoy buoyed by consumer demand.
- Financial account surplus reached USD 5.5 bn in January-November (as compared to USD 4.7 bn during the same period of 2016). Public sector inflows increased to USD 2.1 bn as Ukraine issued Eurobonds whiles nonfinancial FDI inflows increased to USD 1.5 bn but remained very low.

Fiscal policy

- 2017 fiscal year repeated traditional problems of fiscal policy in the country. During the year, central fiscal budget and local budgets were in surplus, which turned into deficit at the end of the year. The central fiscal deficit is estimated to reach near UAH 45 bn. Financing of capital expenditures at the end of the year again resulted in low effectiveness and efficiency, which urge the Government to shift to the Medium-Term Expenditure Framework (MTEF) from traditional one-year budgeting. The Government has promised to implement the MTEF starting the Budget 2019.☐
- Privatisation plans were again not realised in 2017. Overall, privatization receipts at UAH 3.4 bn accounted for only about 20% of annual target. The attempts to privatize the Odessa Portside Plant failed. ☐
- In April, the automatic VAT refund was introduced on the basis of electronic registry, which is available online. According to the State Fiscal Service, between April and October VAT refund arrears were almost eliminated. This contributes substantially to the improvement of business climate. At the same time, the implementation of the blocking of the VAT invoices registration since July 2017 was controversial, what resulted in its termination since the beginning of 2018.
- In December, the Parliament approved the State Budget Law for 2018 and the amendments to the Budget Code and the Tax Code. The Budget-2018 is based on realistic macroeconomic assumptions but contains risks related to revenues and deficit financing. Amendments to the Budget Code primarily are explained by the necessity to implement healthcare reform and other changes in legislation. Tax amendments loosened fiscal stance through as the tax base was narrowed by the provision of some tax privileges on VAT payment (e.g. option paying VAT on imports of a number of investment goods in 24 monthly instalments; zero VAT rate for imports of electro cars).☐

Social policy

- Nominal disposable income increased in 2017 primarily due to higher wage income. Other income components increased slower. The growth of real disposable income was slow because of accelerated inflation. ☐
- The pension reform was approved in autumn 2017. The retirement age was not increased. However, required working record to receive old-age pension will gradually increase. The minimum old-age pension was also raised. The Government also approved the roadmap to introduce the compulsory accumulative pillar of the pension system.☐
- The coverage of households with housing and utility subsidies increased in 2017. In November 2017, 6.6 m households received subsidies, which comprise 44.3% of all households. The central fiscal financing of subsidies was increased several times during the year.

Labour market

- The average wage in November 2017 reached UAH 7479 and was by 38.3% higher than in November 2016. It increased by 21.4% yoy in real terms. Wage growth was explained by surge in minimum wage in 2017 (from UAH 1600 to UAH 3200) and improved financial situation of companies.
- Unemployment rate (ILO methodology) in the first nine months of 2017 increased by 0.2 p.p. to 9.4% of economically active population in age of 15-70 years old. This is partially explained by demographic changes.
- The Government increased minimum wage from UAH 3200 to UAH 3723 since January 2018. The further increase of minimum wage to UAH 4200 during 2018 is promised by the Government.

Deregulation

- To lower administrative pressure on business and promote competition, Ukraine cancelled the government regulation of prices of a number of goods and services, in particular on food products that are considered socially significant.
- In 2017, Ukraine adopted a Law aimed to protect businesses from unjustified and illegal searches by law enforcement agencies. The Law allows searches only with presence of lawyers, requires the law enforcers carrying out searches to video record their actions, and prohibits seizing original documents and hardware.
- The obligatory use of stamps on documents for businesses was eliminated, which contributes to the ease of doing business.

Inflation, monetary policy, and exchange rate

- Inflation remained high in 2017 and reached 14.4% on average in 2016 from 13.9% in 2015. This reflected surge in food prices, gradual recovery in consumer demand and higher labour costs. Food prices increased by 13% while housing and utility costs surged by 27%.
- The NBU changed policy rate from 14% p.a. to 14.5% p.a. over the year. The NBU reduced the policy rate twice in spring but reverted the changes by the end of the year due to growing inflation pressure. Still, bank interest rates continued falling in 2017. The indicative retail rate for 12-month hryvnia deposits reduced to under 14% p.a. from 18% p.a. ☐
- Interbank exchange rate weakened slightly from UAH 27 per USD in the beginning of 2017 to UAH 28 per USD Hryvnia exchange rate followed seasonal pattern where it appreciated in the spring and weakened in the end of the year. Higher consumer and investment demand for imported goods increased pressure on the exchange rate in last quarter of 2017. International reserves reached USD 18.8 bn by the end of 2017 due to public sector foreign currency borrowing and net purchases of foreign currency on the interbank market.

State debt

- State debt grew by 7.5% in the US dollar equivalent (to USD 76.3 bn) or by 6.9% in hryvnia equivalent (to UAH 2 062 bn) in eleven months of 2017. External fiscal sustainability risks remained high as FX debt accounts for 69.7%.
- Between January and November, domestic debt increased by 6.8% in hryvnia equivalent primarily due to further recapitalization of the state banks. Total capital injection for PrivatBank, Oshchadbank, and Ukreximbank reached UAH 70.7 bn in 2017.
- In October, the Government and the NBU completed reprofiling of state domestic debt, which was in the portfolio of the NBU. The state domestic bonds at UAH 220 bn (out of UAH 361 bn) were exchanged by long-term bonds (with maturities in 2025-2047) with either indexed for inflation yields (about UAH 145 bn) or fixed yield. ☐
- In 2017, Ukraine returned to the international capital markets for the first time since 2013. It placed 15-years Eurobonds of USD 3 bn at 7,375% p.a., USD 1.6 bn from which were directed for the buyback purchase of sovereign Eurobonds with maturity in 2019-2020. Ukraine also received USD 1.0 bn in one tranche from the IMF under the EFF and EUR 600 m from the EU under the MFA III. Overall, external debt grew by 7.6% in USD-equivalent in eleven months of 2017.
- The Ministry of Finance approved the Medium-term State Debt Management Strategy for 2017-2019. The target of direct state debt in relation to GDP was set at 66%, 62%, and 58%, respectively for 2017-2019. The average debt maturity is planned to increase to 7 years in 2017-2018 and 6 years in 2019. ☐

Monthly Economic Monitor Ukraine

Politics: Naftogaz avoids tens of billions of dollars-worth claims in the gas-related international court case

Gas dispute. In December, the Arbitration Institute of the Stockholm Chamber of Commerce issued the final award ruling in the dispute between Ukrainian oil and gas company Naftogaz and Russian gas supplier Gazprom. The ruling rejected Gazprom's USD 56 bn claims for the "take-or-pay" contract provision in 2012-2017. The court decision allowed Naftogaz to reduce its future mandatory annual purchases of gas from Gazprom for the next two years by more than 10 times, which will better match Ukraine's actual needs for gas imports.☐

As a result, Naftogaz will have to buy 5 billion cubic meters of gas per year from Gazprom starting in 2018. The ruling also obliges Naftogaz to pay Gazprom over USD 2 bn of debt for the gas supplied in 2014. This ruling follows the May 2017 ruling of the same court, which satisfied Naftogaz's requirement to reduce the gas price to market levels from April and to cancel the "take-or-pay" provision of the contract between the two companies.

In another claim, Naftogaz is seeking up to USD 16 bn award from Gazprom in relation to a transit contract. The Stockholm court is expected to reach a decision on this case in February 2018.

The war in Donbas. The armed conflict in the eastern Ukraine continued in December. Combined Russian-separatist forces broke the "Christmas ceasefire" that was agreed by the Trilateral Contact Group in Minsk in December in connection with the forthcoming Christmas and New Year celebrations. On the first day of the ceasefire, combined Russian-separatist forces attacked several positions of Ukrainian armed forces killing one Ukrainian serviceman. 20 service members of the Ukrainian Armed Forces were killed in the war in December, and 56 service members were wounded.

In December, Ukraine handed over 237 imprisoned fighters of illegal armed groups to the combined Russian-separatist forces, while in return they released 74 hostages who they had taken captive, including journalists, activists, academics, and bloggers. The hostages reported having been tortured by the combined Russian-separatist forces and being kept in inhuman conditions. It was the first exchange of prisoners between Ukraine and Russian-led forces over more than a year and the biggest one since the beginning of the conflict in the eastern Ukraine.

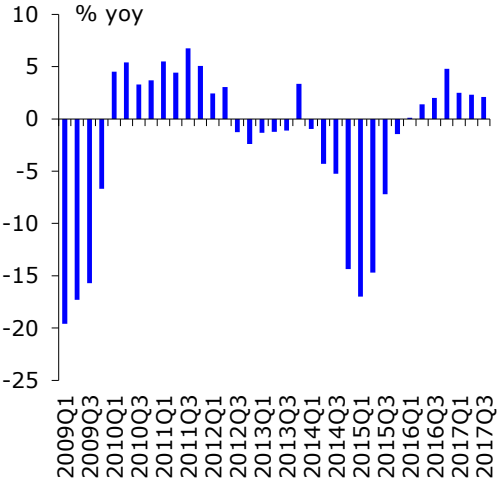
Justice reform. Judicial reform in Ukraine entered its second stage, which foresees the liquidation of local courts and the establishment of district courts. In December, President of Ukraine Petro Poroshenko signed the decrees that will launch the reorganization of courts. The purpose of this process is to improve access to justice and to ensure a more effective consideration of court cases. These changes, however, raise concerns about the possible delays with the cases that are currently being considered by local courts and about political influence on the appointment of judges to the newly created courts.

The President submitted a draft law to the Parliament that would create a High Anti-corruption Court in Ukraine. This step had been long expected by the country's anti-corruption agencies and civil society as well as by Ukraine's international partners. However, the representatives of the IMF, the EU, and the Venice Commission criticized the draft law. Ukrainian anti-corruption NGOs say that the draft law needs to be amended as it contradicts the recommendations of the Venice Commission. According to the draft law, the jurisdiction of the Court does not cover all cases investigated by the National Anti-corruption Bureau of Ukraine. Hot debates on the Draft are expected in the Parliament.☐

Lethal weapon. In December, the administration of U.S. President Donald Trump approved the sale of defensive arms to Ukraine that

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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includes sniper rifles, ammunition, and associated accessories. Later in the same month, the Trump administration approved a plan to provide lethal weapons to Ukraine including Javelin anti-tank missiles.

Real sector: Economic recovery continues

GDP. Real GDP grew by 2.1% yoy in the third quarter of 2017. GDP growth was supported by improved consumer confidence, growing household incomes and recovery in corporate investment spending. Real household demand increased by 5.4% yoy while gross fixed capital formation surged by 15.8% yoy. However growing consumer and investment translated into real imports growing by 13.2% yoy. This more than offset contribution of domestic demand to GDP growth. However, growth in external demand for goods and services exported by Ukrainian producers resulted in real exports rising by 6.9%.

Sectoral trends. Industrial output in November remained slightly higher than in 2016 with 0.3% yoy change. The growth of manufacturing slowed to 3% yoy but most manufacturing industries continued growing at a fast clip. Food production reduced by 1.8% yoy due to lower agricultural output. Production of chemicals, pharmaceuticals and construction materials continued double-digit growth. Metallurgy increased output by 2.7% yoy as increased focus on finished metal goods offset lower primary steel output. Production of electronic, optical and electric equipment dropped due to lull in orders. At the same time, production of machinery was stable while production of transport equipment continued growing. As a result, total machine building output grew by 3.6% yoy. ☐

Extractive industry output declined by 2.8% yoy which is slower than in previous months as coal production in controlled part of Ukraine gradually offset some of the lost production in occupied Donbas and demand for construction materials increased.

Construction increased by 10.7% yoy in November with growth of infrastructure construction at 21% yoy due to higher fiscal capital outlays. Retail sales grew by 6.8% yoy in November as consumer demand remained strong.

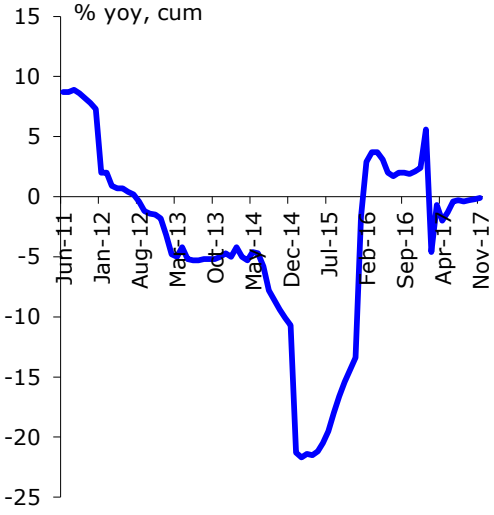
Energy: The NERC regained its quorum

NERC. The National Energy and Utilities Regulatory Commission (NERC) regained its quorum for the next three months after the President assigned Viktoriya Morozova and Vadym Taratun as its members on December 23. This became possible due to the amendments on the NERC law approved in November. The new members were assigned till the election of new NERC members by the nomination committee but for not more than three months. The nomination committee has already announced the contest for five new members. The documents from the candidates are accepted until February 12, 2018. ☐

Electricity. At its first meeting after regaining the quorum, the NERC adopted the drafts of several important documents for the implementation of the new electricity market model: the code of the transmission system, the code of the distribution systems, methodology of forming fees for connecting to the transmission and distribution systems, market rules, the rules of the "day ahead" market and the 24h market, rules of the retail electricity market and the commercial electricity accounting code. All these documents are available for comments on the NERC website.

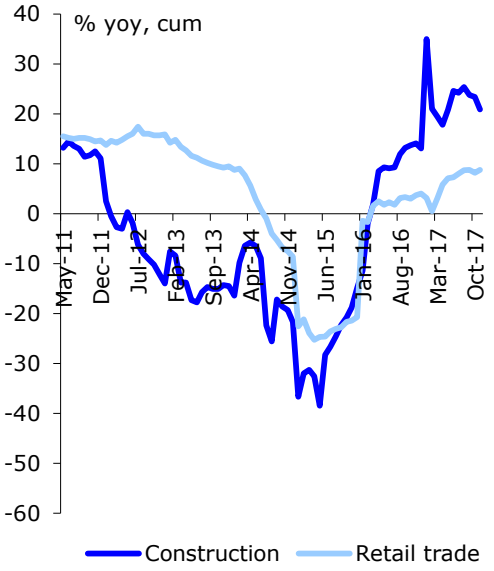
The NERC increased the forecast wholesale price of electricity by 9.5% to UAH 1495 per MWT*h in the first quarter of 2018 and by further 6% to UAH 1587 for the rest of the year. This is the price that the electricity producers sell electricity on the wholesale market. The increase was explained by the planned decrease of the share of the nuclear power plants in electricity generation to 53% and the increase of the share of thermal power plants to 31%. The NERC also took into the account the increase in the price of coal by 26% to USD 83 per ton.

Industrial output



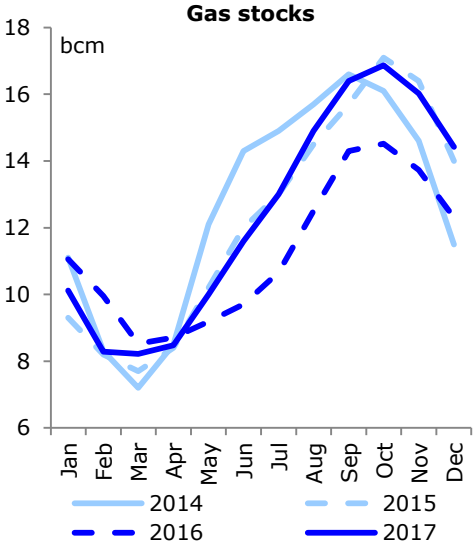
Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Real sector trends



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

Gas stocks



Source: Ministry of Energy

Agriculture: The Law on safety and hygiene of animal feed was approved

Production. Between January and November, the agricultural production declined by 2.8% yoy due to decrease in crop production at 3.8% yoy. As of November 1, harvest of grain and sunflower seeds decreased by 6% yoy and by 9.5% yoy, respectively, due to unfavorable weather conditions. Harvest of potatoes and sugar beet increased by 2.1% yoy and 2.5% yoy, respectively.

Livestock production reduced by only 0.3% yoy as it was supported by the increase in egg production by 3.0% yoy. Milk production was close to last year's figure as higher yields counterweighted lower number of cows.

Trade. Between January and November, Ukrainian agricultural export increased by 19% yoy to USD 16.4 bn. Leading export positions were sunflower, safflower and cotton oil (24.3% of agricultural exports), corn (16.2%), and wheat (15.5%). Geographical structure of agricultural exports remains unchanged with 43% of exports to Asia, 31.8% to Europe, and 14.5% to Africa. Ukraine entered TOP-3 of the biggest exporters of agricultural goods to the EU.

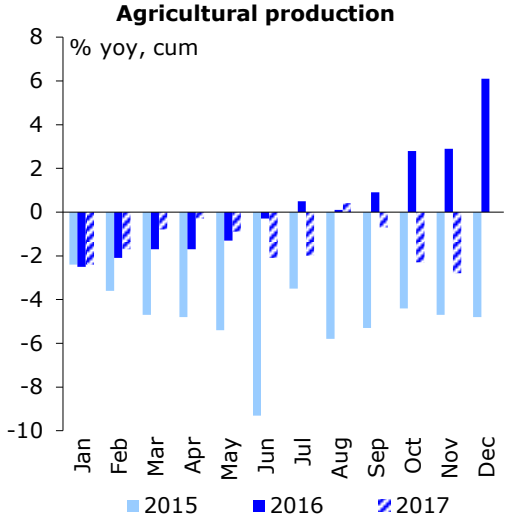
Agricultural trade balance of Ukraine comprises USD 12.3 bn.

Policy. December was marked by debates on the amendments to agricultural legislation. The initiative to abolish VAT refund on exports of industrial crops and oilseeds since March 2018 resulted in farmers' strikes in the beginning of the month. Later, the Parliament decided to postpone the introduction of this amendment. The VAT refund will be cancelled for soybean exports from September 2018 and for rapeseed seeds exports from January 2020 as VAT rate for exports of these crops will be set at 0%. Sunflower seeds producers will continue to receive VAT refund on exports. ☐

During approval of the State Budget Law for 2018, the program for budget subsidies to the agricultural producers was abolished. Instead, the financing of the support of livestock production was increased by UAH 1.7 bn to UAH 4 bn. Besides, the state support to horticulture and hop production is planned at UAH 300 m.

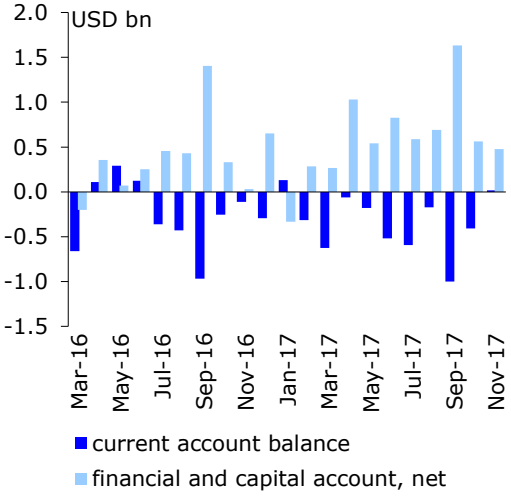
On December 21, the Verkhovna Rada adopted law on safety and hygiene of animal feed. The law regulates the relations between operators on the animal feed market; envisages rights and obligations, as well as responsibility for the quality and safety of products, and brings the terminology in line with EU legislation. The approval of the Law complies with Ukraine's obligations in the framework of the implementation of the Association Agreement between Ukraine and the EU.

Agricultural production



Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

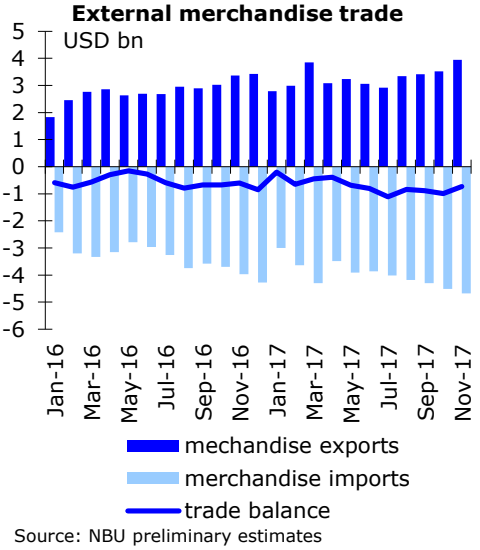
External sector: Current account was close to balance in November

Current account. The current account was nearly balanced in November with USD 18 m surplus as compared to USD 315 m deficit in October. Trade deficit reduced to USD 0.45 bn from USD 0.71 bn in October as imports growth slowed. The net inflow of remittances remained high at USD 0.86 bn while net investment income payments moved to USD 0.39 bn. ☐

Merchandise exports increased by 17% yoy in November. Agricultural product exports remained high but was lower than record figures from 2016. Grain exports dropped by 15% yoy but exports of other agricultural products continued to grow. Metallurgy exports exceeded USD 1 bn per month mark for the first time since 2014 as export volumes grew and steel prices remained much higher than in 2016. Export of machine building goods jumped by 83% yoy due to large (and likely one-off) shipments to China.

Merchandise imports increased by 17% yoy in November. Imports of machinery and equipment grew by 21% yoy from high statistical base. Imports of mineral products increased by 26% yoy due to record shipments of coal while gas imports also remained high. Imports of other items (excluding informal trade) surged by 24% yoy

External merchandise trade



Source: NBU preliminary estimates

as demand for imported food products and other imported consumer goods remained strong.

Financial account. Capital inflows under financial account were USD 0.5 bn in November. Public sector didn't engage in major external transactions with USD 31 m in net capital inflows. Bank sector reduced external assets by USD 431 m mainly to purchase foreign currency government bonds. Banks also converted some of its debt into capital leading to USD 105 m in FDI. Overall bank sector reported USD 379 m in capital inflows. Real sector raised only USD 64 m in net FDI in November while debt flows were close to balance: increase in trade loans offset other debt repayments. Cash foreign currency outside of the banking sector increased for the second month in a row reflecting higher depreciation expectations and higher cash foreign currency transfers from abroad.

Fiscal policy: Budget turned to deficit in December

According to the preliminary data of the State Treasury, in 2017 central fiscal revenues increased by 28.7% and accounted for 99.9% of plan. Local fiscal revenues grew by 36.3% and exceeded the annual plan by 6.6%. Wage growth, higher domestic demand, and improved financial situation of companies contributed to growth in tax revenues. Non-tax revenues increased primarily due to higher receipts from state-owned companies and budget entities as well as funds from special confiscation.

At the same time, consolidated fiscal expenditures were lower than planned primarily due to lower fiscal deficit even though they surged in December. Privatisation receipts reached only near 20% of annual plan. Increased expenditures at the end of the year resulted in liquidity problems, which forced the Government to increase short-term borrowings on domestic market. Funds in Single Treasury Account dropped to UAH 5.1 bn at the beginning of January 2018 from UAH 54.1 bn in the beginning of December 2017. Overall, the consolidated fiscal deficit is estimated at UAH 40-45 bn.

Social policy: Real disposable income remained stable in the third quarter

Nominal disposable income in the third quarter of 2017 increased by 16.4% yoy. However, it grew by only 0.2% yoy in real terms due to the accelerated inflation.

Nominal wage income increased by 29.2% yoy. It grew slower than officially reported wages, which might be likely explained by de-shadowing and decline in employment. Income from entrepreneurship and subsidiary farming grew by only 9.8% yoy likely due to high competition and stable demand. Income from social assistance grew by 11.4% yoy as the pensions and social assistance payments were increased in line with officially expected inflation. At the same time, income from property declined by 0.8% yoy as higher banking deposits of population were counterweighted by lower interest rates.

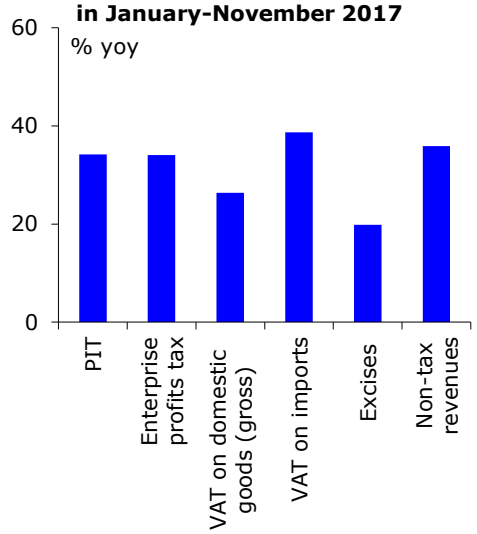
Labour market: Strong wage growth in all sectors

Unemployment. Unemployment rate (ILO methodology) in the third quarter of 2017 remained almost at the level of last year: 8.9% of economically active population in the age between 15-70 years old (8.8% in the same period of last year). The unemployment rate of women was much lower than that of men (6.6% and 11.0%, respectively). ☐

Overall, in the first three quarters of 2017 unemployment rate at 9.4% was by 0.2 p.p. higher than in the same period of last year. The number of economically active individuals declined by 0.5% yoy during the same period.

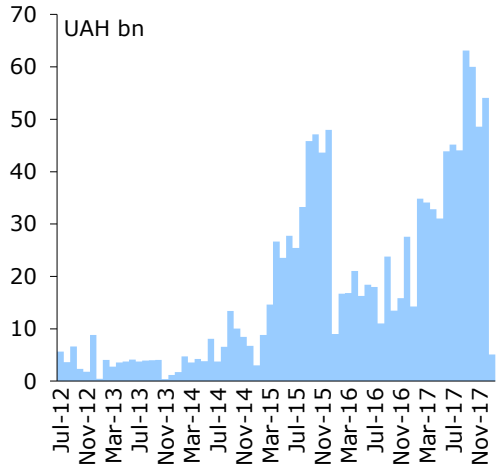
Wage. The average wage in November 2017 reached UAH 7479 and was by 38.3% higher than in November 2016. Wage in agriculture, real estate, post service, education, healthcare, and sports remained on average lower than average in economy. The highest wages were paid in IT, financial sector, and state administration and defence.☐

Growth of Consolidated fiscal revenues in January-November 2017



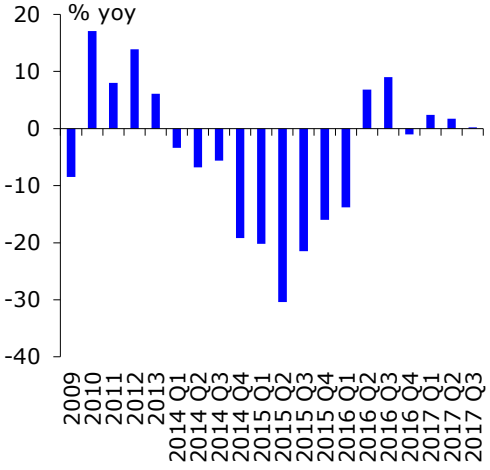
Source: State Treasury eports

Balance of the Single Treasury Account



* in the beginning of month
Source: State Treasury

Real disposable household incomes



Source: Ukrstat

The highest wage growth was reported in education (by 57.4% yoy), state administration and defence (51.7% yoy), and healthcare (49.0% yoy). The improved financial situation of companies in agriculture and in industry and surge in minimum wage resulted in growth of wages in these sectors by 44.8% yoy and 31.6% yoy, respectively.☐

Monetary policy: Inflation moved to 13.7% yoy in December

Consumer inflation moved to 13.7% yoy in December as CPI increased by 1.0% mom. Dairy prices continued growing at a fast clip despite a sustained decline in global prices for the last three months. This may reflect tight domestic supplies. Fruit and vegetable prices also significantly increased in December. High oil prices continued to push up gas prices increasing transport costs. Core inflation reached 9.5% yoy in December as labour costs increased and consumer demand continued growing.

On December 15, the NBU increased policy rate from 13.5% to 14.5% p.a. This was second policy rate increase over the last two monthly policy meetings. The NBU thus reversed policy rate decreases adopted in the spring of 2017. The tighter monetary policy is understandable taking into account rising inflation expectations and increasing demand pressure on inflation. However, there is significant risk that NBU has done too little and too late to contain inflation. This may increase inflation risks for 2018.

Exchange rate: Hryvnia weakened in December

Interbank UAH/USD exchange rate gradually weakened in December from UAH 27 per USD to UAH 28 per USD. This likely reflected seasonal surge in imports in December. Sales of cash foreign currency to banks were higher than purchases by USD 65 m. The NBU sold USD 183 m on net basis to reduce exchange rate volatility.

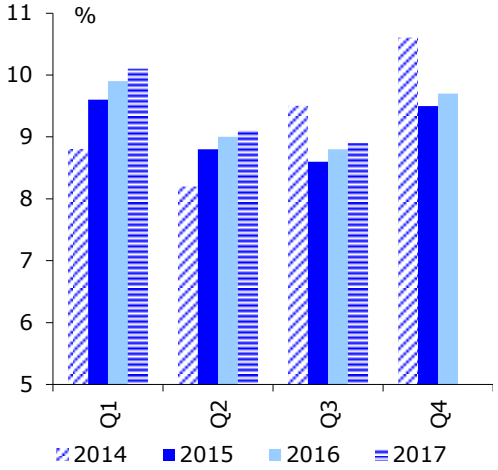
The NBU international reserves reduced slightly to USD 18.8 bn. The NBU payments to the IMF at USD 161 m offset net government receipts from foreign currency operations at USD 165 m.

State debt: Domestic debt significantly increased

In December, domestic borrowings grew significantly both in UAH and in foreign currency. Contrary to November, most auctions were successful as the Ministry of Finance increased yields, which reflects the increase in NBU discount rate to 13.5% in November and 14.5% in December. The Ministry of Finance placed UAH 5.1 bn domestic government bonds with weighted average yield at 16.1% (compared to 14.8% in November). Besides, the Government issued USD 428 m (at 4.95% p.a.) and EUR 134 m (at 3.95% p.a.) of FX-denominated bonds. However, the maturities of 88% of bonds denominated in USD were short (six months), which signals about liquidity gaps faced by the Government and its hopes that the situation is to improve in the beginning of the year.

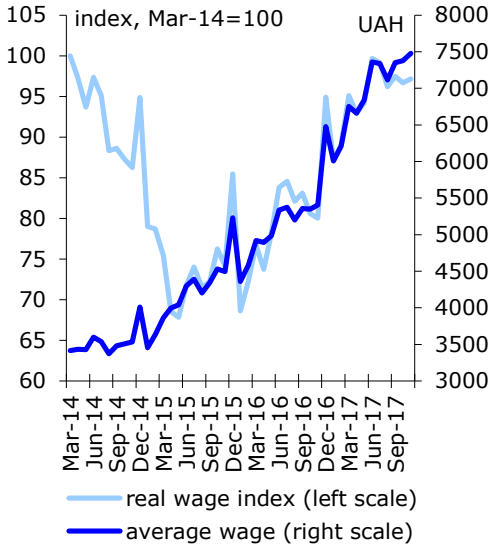
In December, Privatbank and Oschadbank were recapitalized by UAH 16 bn and UAH 5.8 bn respectively. Overall, in 2017 non-market issues of domestic government bonds totaled UAH 70.7 bn.

Unemployment rate (ILO)



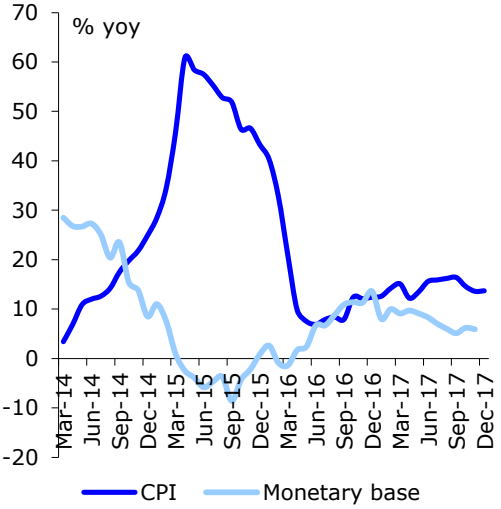
* 2014 - without Crimea, 2015 - without Crimea and occupied territory in the East
Source: Ukrstat

Average wage*



*not including AR Crimea
Source: Ukrstat

CPI and monetary base development



Source: Ukrstat, NBU

Tables

		Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Industrial production (real)	% yoy cum.	-13.0	4.5	2.6	2.5	2.8	-0.7	-0.4	-0.3	5.6	0.4	-0.7	-2.0	-1.3	-0.4	-0.3	-0.4	-0.3	-0.2	-0.1	...
Construction (real)	% yoy cum.	-12.3	8.3	13.0	17.3	17.4	19.4	24.6	23.8	35.0	21.0	19.4	17.8	20.8	24.6	24.2	25.4	23.8	23.4	22.5	...
Agricultural production (real)	% yoy cum.	-4.8	-1.7	-0.3	0.9	6.1	-0.8	-2.1	-0.7	-2.4	-1.7	-0.8	-0.3	-0.9	-2.1	-2.0	0.4	-0.7	-2.3	-2.8	...
Retail trade turnover (real)	% yoy cum.	-20.7	1.6	2.3	3.3	4.0	3.1	7.3	8.8	3.1	0.5	3.1	5.8	7.1	7.3	8.0	8.7	8.8	8.2	8.0	...
Average wage	UAH	4753	4622	5072	5311	5744	6323	6953	7268	6008	6209	6752	6659	6840	7360	7339	7114	7351	7377	7479	...
CPI	% yoy eop	43.3	20.9	6.9	7.9	12.4	15.1	15.6	16.4	12.6	14.2	15.1	12.2	13.5	15.6	15.9	16.2	16.4	14.6	13.6	13.7
PPI	% yoy eop	25.4	10.5	15.7	19.6	35.7	38.3	26.3	22.4	36.8	38.9	38.3	35.6	27.1	26.3	23.3	23.6	22.4	18.8	18.4	16.5
Exports (USD)*	% yoy cum.	-27.0	-16.4	-10.1	-8.0	-4.0	29.3	21.1	18.9	42.0	28.6	29.3	23.4	22.8	21.1	19.6	19.1	18.9	18.4	20.1	...
Imports (USD)*	% yoy cum.	-29.3	-10.9	-4.0	0.6	4.4	18.2	20.3	17.7	20.0	15.0	18.2	16.5	19.7	20.3	19.7	18.1	17.7	18.0	21.8	...
Trade balance*	USD bn cum.	-1.6	-2.3	-1.9	-4.1	-5.8	-0.9	-2.3	-4.3	0.0	-0.5	-0.9	-1.1	-1.6	-2.3	-3.2	-3.6	-4.3	-5.0	-5.8	...
Current account**	USD bn cum.	-0.2	-1.5	-0.9	-2.8	-3.8	-0.8	-1.6	-3.0	0.1	-0.2	-0.8	-0.9	-1.0	-1.6	-2.2	-2.1	-3.0	-3.3	-3.0	...
Gross international reserves	USD bn eop	13.3	12.7	14.0	15.6	15.5	15.1	18.0	18.6	15.4	15.5	15.1	17.2	17.6	18.0	17.8	18.0	18.6	18.7	18.9	18.8
Monetary Base	% yoy eop	0.8	-1.4	1.7	10.6	13.6	9.1	8.3	5.1	8.0	10.0	9.1	9.7	9.1	8.3	7.0	6.0	5.1	6.2	5.9	...
Lending rate on UAH credits	% pa, aop	20.7	20.0	20.9	17.3	14.7	15.8	14.7	14.9	15.9	15.5	15.8	15.3	15.2	14.7	14.0	14.3	14.9	15.1	16.3	...
Exchange rate (interbank)	USD aop	22.90	25.69	25.2	17.27	25.90	27.09	26.44	25.93	27.22	27.05	26.99	26.82	26.40	26.09	25.95	25.65	26.18	26.67	26.73	27.52
Exchange rate (official)	USD aop	22.33	25.68	25.3	25.40	25.67	27.06	26.46	25.91	27.15	27.03	27.00	26.86	26.42	26.11	25.97	25.64	26.11	26.65	26.71	27.54
Exchange rate (official)	EUR aop	24.91	28.34	28.6	25.58	28.18	28.81	29.06	30.38	28.80	28.81	28.82	28.77	29.16	29.26	29.84	30.23	31.08	31.38	31.32	32.58

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[CP]
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	948.1	913.3	1079.3	1300.0	1404.7	1465.2	1586.9	1988.5	2383.2
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	93.3
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	2.3
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
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	6.1
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
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
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
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
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
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
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
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	-4.1
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
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
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
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
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
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
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
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
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
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	0.00	0.00	11.04	19.26	26.22	28.42

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		Q3 12	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
GDP	UAH bn	387.1	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	455.6	535.3	669.2	723.1	583.9	657.0	821.3
GDP (real)	% yoy	-1.3	-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	1.5	2.3	4.8	2.5	2.3	2.1
Household consumption (real)	% yoy	10.2	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	0.9	2.8	6.9	5.4
State consumption (real)	% yoy	9.7	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	2.7	-1.5	2.0	-2.2	4.2	-7.8	4.3
Gross fixed capital formation (real)	% yoy	-2.9	-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	4.5	17.8	23.9	27.1	20.1	23.7	15.8
Exports of goods and services (real)	% yoy	-1.8	-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	-3.7	9.7	-0.4	-2.1	6.9
Imports of goods and services (real)	% yoy	6.6	-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	-3.6	-0.1	16.1	19.6	2.9	4.6	13.2
Agriculture, hunting, forestry (real)*	% yoy	-8.0	-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	-1.5	0.6	1.1	18.4	-0.7	-2.9	-0.1
Manufacturing industry (real)*	% yoy	-4.9	-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	8.0	4.0	0.2	2.7	11.7	4.2	4.8
Construction (real)*	% yoy	-14.3	-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	9.8	17.2	20.2	15.6	21.3	28.8	25.2
Trade, repair services (real)*	% yoy	-0.5	-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	3.6	6.7	3.7	1.9	3.1	3.8	5.7
Transport (real)*	% yoy	-8.3	-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	2.5	0.7	3.2	4.7	4.1	6.3
Balance of payments (BPM6)																						
Current account balance	USD bn	-3.9	-4.8	-3.2	-2.3	-6.0	-5.0	-1.3	-0.8	-1.2	-1.4	-0.4	0.3	0.2	-0.3	-1.5	0.5	-1.9	-1.0	-0.8	-0.3	-1.7
Current account balance	% of GDP	-8.1	-10.1	-8.4	-5.1	-12.1	-9.8	-3.5	-2.5	-3.3	-6.7	-2.4	1.5	0.9	-1.2	-8.4	2.6	-7.1	-3.4	-3.5	-1.0	-5.2
Trade balance in goods	USD m	-5503	-6233	-4635	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1147	-496	-689	-1123	-1941	-685	-2147	-2235	-1428	-1897	-2819
Trade balance in services	USD m	2361	1578	1349	1504	2575	1066	937	443	456	686	604	418	309	420	286	308	108	507	421	608	503
Direct investment (FDI)**	USD m	2037	1876	1082	496	1510	991	-665	-319	725	558	397	907	890	818	1366	760	999	143	464	1029	347
Gross international reserves	USD bn	29.3	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
Exchange rate (interbank), UAH/USD	aop	8.09	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
Exchange rate (official), UAH/USD	aop	7.99	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
Fiscal indicators																						
Consolidated fiscal revenues	% of GDP	28.2	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	27.8	35.6	37.8	75.5	112.8
Personal income tax	% of GDP	4.5	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	5.4	5.6	6.7	12.9	20.1
Enterprise profits tax	% of GDP	2.9	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	5.3	8.1
Value-added tax	% of GDP	8.6	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	13.7	22.5	34.1
Excise tax	% of GDP	2.8	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	8.3	13.1
Consolidated fiscal expenditures	% of GDP	30.7	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	35.6	30.8	38.6	37.1	67.6	106.5
Current expenditures	% of GDP	27.8	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	34.2	33.9	27.9	33.0	36.2	64.6	100.0
Capital expenditures	% of GDP	2.9	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	3.0	6.5
Consolidated fiscal balance	% of GDP	-3.0	-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	7.9	6.3
Privatisation receipts	% of GDP	0.1	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	0.5
Banking system																						
Monetary aggregate M0	% yoy cum	5.2	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
Monetary aggregate M2	% yoy cum	10.7	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
Household deposits in national currency	% yoy cum	16.3	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
Household deposits in foreign currency	% yoy cum	17.0	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
Com. bank credits in national currency	% yoy cum	9.1	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
Com. bank credits in foreign currency	% yoy cum	-9.9	-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
Long-term com. bank credits	% yoy cum	-8.0	-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
Long-term com. bank credits	% of total	59.1	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
Average lending rate on national currency credits	% p.a.	19.5	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
Average lending rate on foreign currency credits	% p.a.	8.5	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

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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