Monthly Economic Monitor Ukraine

No.11 (205), November 2017

EXECUTIVE SUMMARY

HIGHLIGHT: INVESTMENT CLIMATE

Politics: Ukraine moved four positions up in the 2018 Doing Business report of the World Bank. Now, it is ranked the 76th among the 190 economies covered by the ranking.

Real sector: Industrial output in September declined by 0.3% yoy as coal production dropped by over 24% yoy and electricity generation reduced by over 4% yoy.

Energy sector: Ukraine moves forward with the electricity market reform.

Transport: The Ministry of Infrastructure finally received an approval of the State Regulatory Service (SRS) to increase railway freight tariffs by 15%.

Agriculture: Between January and September, the agricultural production declined by 0.7% yoy due to decrease of crop production by 0.8% yoy and livestock production by 0.6% yoy.

External sector: Capital inflows under financial account increased to USD 1.6 bn in September as public sector raised USD 1.4 bn with Eurobond issued.

Fiscal policy: In September, growth of consolidated fiscal revenues decelerated to 23.4% yoy (from 31.4% yoy in August) due to 12.7% yoy decline in non-tax revenues.

Social policy: The Government increased spending on the housing and utility subsidies.

Labour market: Minimum wage increase helped reduce wage differences between regions.

Monetary policy: Consumer inflation slowed to 14.6% yoy in October reflecting high statistical base.

Exchange rate: UAH/USD exchange rate weakened slightly in October and moved closer to USD 27 per USD.

State debt: Between January and September of 2017, state debt grew by 8.5% in the US dollar equivalent (to USD 77.0 bn) or by 5.9% in hryvnia equivalent.

Highlight of the month: Investment climate

REFORMS ARE REQUIRED FOR THE INVESTMENTS IN UKRAINE

by Oleksandra Betliy

Ukraine is unlikely to receive another installment of the IMF loan in 2017, as two planned disbursements were missed. The next tranche may come in the first quarter of 2018 if the Parliament and the Government deliver on their commitments. At the same time, the European Union delayed of another tranche of the assistance under the MFA III. These delays are explained by the slow progress in the number of reforms, promised under the EFF and the MFA III. This may reduce investment attractiveness of Ukraine.

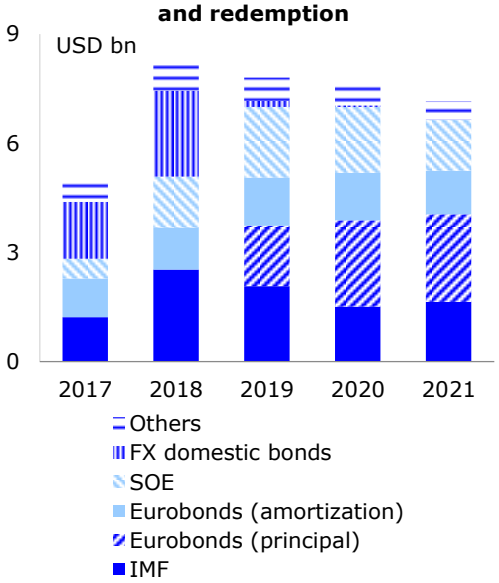
Close cooperation with international donors is necessary for Ukraine's further economic recovery and growth for several major reasons. First, their support shows private investors that reforms are ongoing and are likely to continue.

Second, international donors create additional pressure to the Government and the Parliament to implement necessary reforms as they meet with political opposition. A number of important legislative measures approved over the recent years were supported by international organisations through technical aid and/or by their inclusion in conditionality for financial assistance. This relates to the fiscal consolidation measures, creation of anti-corruption institutions, technical regulation reform, education and healthcare reforms.

Third, NBU international reserves in the end of October reached USD 18.7 bn, which is much larger than in 2014-2015 but may be still insufficient to cover potential capital outflows especially taking into account Ukraine's future debt payments. According to the NBU, FX state and quasi-state debt servicing and redemption will be equal to about USD 8.2 bn in 2018 and USD 7.8 bn in 2019. Therefore, inflow of assistance from international donors will help Ukraine to keep reserves at adequate level.

Recently the reforms slowed down with little progress in such areas as property rights protection and judicial reform. However, the improvements in these spheres are key to boost both domestic and external investments.

FX state and quasi-state debt servicing and redemption



Source: NBU Inflation report, October 2017

New anti-corruption institutions are important part of judicial reform. The National Anti-Corruption Bureau of Ukraine (NABU), the Specialized Anti-corruption Prosecutor's Office (SAP) and the National Agency on Prevention of Corruption (NAPC) were created in 2015 but so far had limited success in fighting corruption. The NABU was able to secure few convictions as court cases it pursues frequently face significant delay. To ensure faster and more professional trials the creation of the specialized Anti-corruption court is suggested by local experts. It is also envisaged in the IMF Program. At the same time, the NAPC amassed several millions of asset and income declarations but so far it has done little with this mountain of data. Automatic verification of e-declarations to flag inconsistencies was not yet introduced, but it is one of the most essential conditions for the next trahche of assistance under the MFA III.

The land market reform is a measure that can boost investment in agriculture. According to the World Bank, the elimination of agricultural land moratorium might stimulate additional 1.5% of economic growth each year. However, the Government still has not approved the land market model and, thus, it remains unclear when and how the owners of agricultural land could start selling their plots officially. Meanwhile, the moratorium results in losses of land owners, un-official transfers of land, inefficiency of land use and fraud. The approval of the land market reform is one of the benchmarks defined in the EFF with the IMF.

The announced privatization might become another instrument for attracting FDI if the Government ensures transparent auctions. The Parliament approved in the first reading the Draft law on privatization, which foresees the "triage" of state-owned enterprises (SOE). The SOEs are to be divided onto three groups: to remain in state ownership, to be sold, or to be liquidated. Improvement in corporate governance of the remaining SOEs is also foreseen in the IMF program. The Draft State Budget for 2018 envisages privatization receipts at UAH 22 bn, which would be realistic only if the Government finally sells several blue chip companies (e.g. Odessa portside plant and Centroenergo). The FDI could also be stimulated by improved legislation on concessions and public private partnership.

Ukraine needs at the very least 5% annual GDP growth to catch up with neighboring countries in economic development. One option for this would be improved investment climate for higher FDI and domestic-sourced capital investment. Other options are limited given lack of fiscal space and aging capital assets. Improvement of investment climate requires tangible progress in the property rights protection and the commercial dispute resolution. The privatization, land market reform and improved legislation on concession are also necessary to bring FDI to the country. The international donors might further support economic growth through good advice, knowledge sharing and financial aid.

Monthly Economic Monitor Ukraine

Politics: Doing Business report puts Ukraine four positions higher

Doing Business. Ukraine moved four positions up in the 2018 Doing Business report of the World Bank. Now, it is ranked the 76th among the 190 economies covered by the ranking. The biggest progress for Ukraine was recorded in the area of construction permits where the fees to obtain a permit were reduced. A noticeable improvement also took place on the tax payment indicator due to Ukraine reducing the rate for the united social contribution tax. However, Ukraine fell down on several indicators, such as ease of registering new business and protecting minority shareholders.

Crimea. Ilmi Umerov and Akhtem Chiygoz, Deputy heads of the Mejlis, the Crimean Tatar representative body, were released by Russian occupation authorities in Crimea in October. Their release was negotiated with the assistance of Turkish government. Akhtem Chiygoz was sentenced to eight years in prison by a court in Russian-occupied Crimea for organizing protests. Ilmi Umerov was sentenced to two years in prison for publicly supporting territorial integrity of Ukraine. Both former political prisoners returned to Kyiv via Turkey. In a statement issued in early November, the Mejlis said that 57 people were political prisoners in the occupied Crimea.

The war in Donbas. The armed conflict in the eastern Ukraine continued in October. Combined Russian-separatist forces repeatedly violated the previously negotiated ceasefire and attacked Ukrainian armed forces and civilian settlements. 11 service members of the Ukrainian Armed Forces were killed in the war in October, and 49 service members were wounded.

The security situation also worsened outside the ATO area. In October, ATO veteran Amina Okueva was killed in an ambush outside Kyiv, while her husband and fellow ATO veteran Adam Osmaev was wounded (in June they were already attacked by a terrorist in Kyiv but without success).

Healthcare reform. After long debates, the Verkhovna Rada approved an essential law on healthcare reform. This law changes the financing principles of the healthcare from financing infrastructure to payment for healthcare provided. The reform is to start from the primary level. Patients also received a right to select their primary care doctors who would receive per capita payment for their work. The National Health Service (NHS) is to be created for contracting health facilities and paying them for the healthcare provided. The tariffs for the payment for healthcare provided at the secondary and tertiary levels of healthcare will be elaborated and approved in 2018 and 2019. The law also envisages the introduction of state guaranteed package of healthcare. At the same time, the MPs rejected the suggestion of the Cabinet of Ministers to introduce co-financing of healthcare, which is not included into state guaranteed package. Therefore, the sustainability of the new healthcare system financing is under concern. The President has not yet signed the draft into the law.

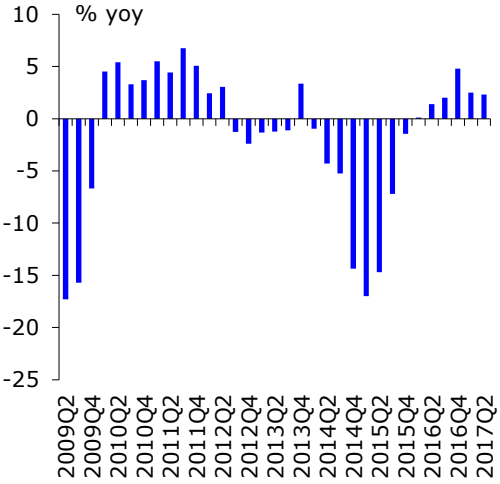
Territorial elections. First elections in 201 newly united territorial communities of Ukraine were held on October 29, 2017. Observing NGOs did not record any significant violations that could affect the results of the elections, although they reported minor violations at polling stations. The next territorial elections in Ukraine will take place in December this year. According to the Ministry of Regional Development, Construction, Housing and Utilities, after the elections held in October and December, there will be 665 united territorial communities in Ukraine.

Real sector: Recovery continues

Sectoral trends. Industrial output in September declined by 0.3% yoy as coal production dropped by over 24% yoy and electricity generation reduced by over 4% yoy. This reflected continued effect of stopped economic links with occupied part of Donbas. Manufacturing

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



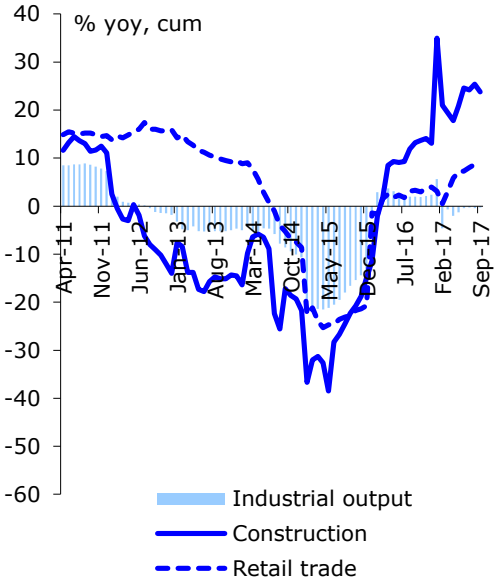
Source: Ukrstat

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production index increased by 1.2% yoy. As several plants producing renewed operations the chemical production grew by 33.4% yoy. Metallurgy increased by 2.2% yoy due to higher demand and renewal of work by one steel plant. Large construction volumes (at 10.2% yoy) supported extraction and production of construction materials. Machine building declined by 0.3% yoy due to temporary drop in production of electronic and optical equipment. At the same time, production of locomotives and railcars doubled. The food production dropped by 3.3% yoy in part due to later harvesting of sunflower and sugar beets.

Retail sales grew by 8.1% yoy due to increased disposable income of households.

Real sector trends



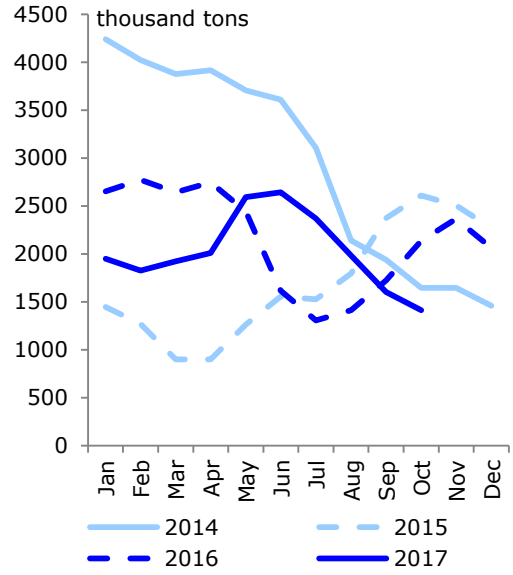
Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Energy: Ukraine moves forward with the electricity market reform

Electricity. The Energorynok, the national operator of the wholesale electricity market in Ukraine, created a branch '*Market Operator*' for selling the electricity on the "day ahead" and 24-hour electricity markets. It is expected that the branch will be later transformed by the Cabinet of Ministers into a joint-stock company with a 100% state ownership without the right to be privatised. The "day-ahead" and 24-hour electricity markets are being created according to the new model of the electricity market introduced by the law On the Electricity Market (came into force in June, 2017).

Tariffs. The Cabinet of Ministers decreased the price of gas for heating and hot water supply for budget entities by 22% to UAH 6177.5 per thousand cubic meters. This gas is supplied within the special liabilities framework (public service obligations or PSO) according to which the Naftogaz sells gas at reduced prices to intermediaries who then sell it to budget entities. This will allow to narrow the discrepancy between the price of gas that the intermediary pays and the price of gas included in its heating tariff. For example, for Kyivenergo this difference was UAH 2967 per thousand cubic meters and resulted in a daily loss of UAH 1.2 m.

Coal stocks at TPPs

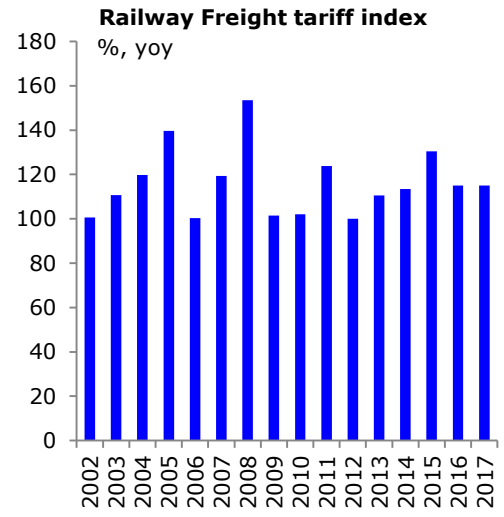


Source: Ministry of Energy, Ukrenergo

Transport: Railway freight tariffs increased

Railways. On 20 of October, the Ministry of Infrastructure finally received an approval of the State Regulatory Service (SRS) to increase railway freight tariffs by 15%. In February and early October, the SRS did not agree with the suggested by the Ministry increase in tariffs by 25% and 22.5%, respectively. The SRS stated that the monopoly status of the state railway company Ukrzaliznytsya and the lack of an independent regulator on the market required additional analysis of Ukrzaliznytsya's data and an open discussion with business clients. The Ukrzaliznytsya plans to spend additional revenues on rolling stock modernization.

Railway Freight tariff index



Source: Ukrstat

Agriculture: Increased state aid for 2018

Production. Between January and September, the agricultural production declined by 0.7% yoy due to decrease of crop production by 0.8% yoy and livestock production by 0.6% yoy. Milk production declined by 0.8% yoy regardless higher yields. Egg production increased by 1.6% yoy due to stable demand.

As of October 1, harvest of grain and sunflower seeds decreased by 5.3% yoy and by 4.2% yoy, respectively, due to unfavourable weather conditions. Harvest of potatoes increased by 2.1% yoy.

Trade. In the first nine months of 2017, the export of Ukrainian agricultural and food products increased by 24% yoy to USD 13 bn. It comprised 41.7% of the total export of Ukraine. Crops export increased by 21% yoy due to higher sales of corn (18% of agricultural exports), wheat and wheat mix (14.5% of agricultural exports). Export of oil and fats grew by 27% yoy. Food export increased by 25% yoy to USD 410 m. Agricultural imports increased by 6.0% yoy to USD 3 bn.

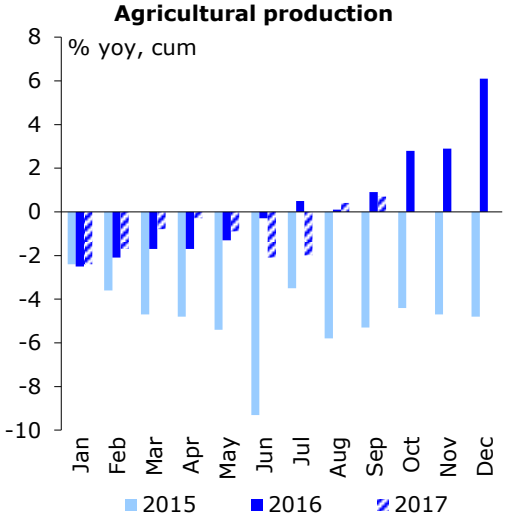
Between January-September, export of honey reached record levels of 46.2 thousand t or USD 86.9 m. Main importers of Ukrainian honey

are USA, Germany and Poland. The exports of honey has exceeded annual tax free quota for export of Ukrainian honey to the EU already in the first quarter of 2017.

Policy. On October 4, the Cabinet of Ministers increased financing of the state support of hop development, planting of young gardens and vineyards, and berries production by UAH 224 m to UAH 299 m. This would allow the Government to finance commitments under this program, which have been previously taken. UAH 67.5 m will be directed at the support of new projects in plantation of gardens, vineyards, and berries as well as in sector's infrastructural development. At the same time, the Cabinet of Ministers reduced the financing of the program 'Financing support of agricultural producers'.

The Deputy Minister of the Ministry of Agriculture and Food Policy (MAPF) Maxim Martynuk announced the preliminary distribution of UAH 6.3 bn of state aid in agriculture in 2018. UAH 2 bn is to be allocated for subsidies, which is by 50% lower than planned for 2017. UAH 1 bn is to be directed for the partial compensation for buying Ukrainian agricultural machinery. Support of livestock production is planned at UAH 2 bn. The Government also plans launching two new support programs: support of farming and agricultural cooperation (UAH 1 bn) and the improvement of livestock genetics (UAH 300 m). At the moment, there is ongoing work on the formation of procedures for the use of funds. The amounts of the budget assignations for financing state support programs might be changed if MPs amend the amount of state aid to agriculture during budget process.

Agricultural production



Source: Ukrstat

External sector: Current account deficit reached USD 1.0 bn in September

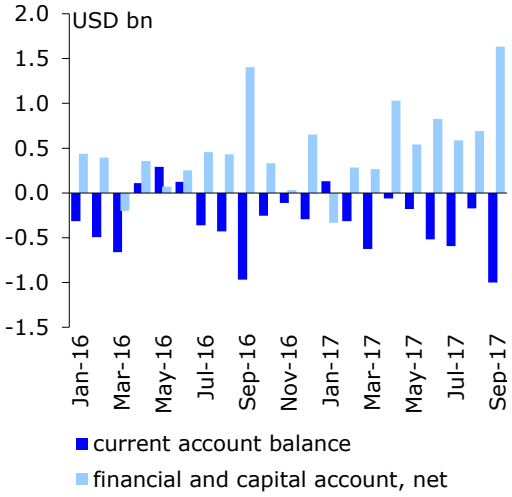
Current account. Current account deficit reached USD 1.0 bn in September. Investment income payments increased to USD 0.99 bn including USD 505 m coupon on Eurobonds issued in 2015. Net inflow of remittances reduced slightly to USD 0.66 bn, while trade in services surplus was at respectable USD 0.22 bn. Merchandise trade deficit increased somewhat to USD 0.89 bn.

Merchandise exports increased by 18% yoy in September. Agricultural product exports increased by 23% yoy as export prices for grain improved and non-grain export volumes grew. Metallurgy exports increased by 8% yoy in dollar terms as steel prices remained much higher than in 2016. Restrictions on passage limited steel export volumes from Azov seaports.

Merchandise imports increased by 21% yoy in September. Imports of mineral products grew by 40% yoy as oil prices increased and coal imports continued to be much higher than in 2016. Imports of machinery and equipment increased by 30% yoy in part due to surge in car imports. Imports of other items (excluding informal trade) surged by 19% yoy primarily due to strong consumer demand.

Financial account. Capital inflows under financial account increased to USD 1.6 bn in September. Public sector raised USD 1.4 bn with Eurobond issued. Bank sector received USD 31 m in FDI but also increased net foreign deposits by USD 190 m. Overall bank sector reported USD 159 m capital outflows. Real sector raised USD 149 m in net FDI in September including through privatisation. Inflows of trade loans and other debt were USD 177 m. Increased depreciation expectations led to lower inflows of cash foreign currency to banks at USD 167 m.

Balance of payments



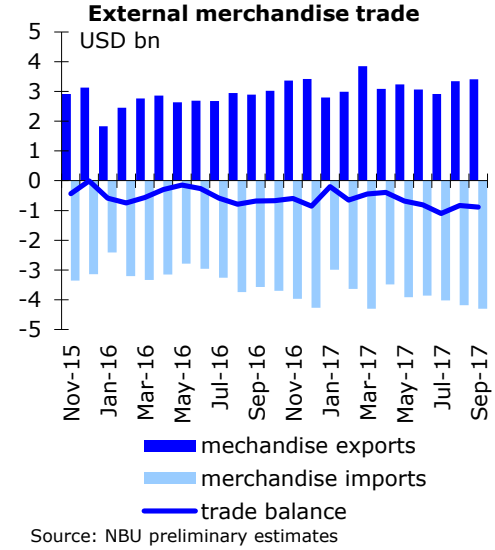
Source: NBU preliminary estimates

Fiscal policy: Slowdown in revenues' growth

In September, growth of consolidated fiscal revenues decelerated to 23.4% yoy (from 31.4% yoy in August) due to 12.7% yoy decline in non-tax revenues. Tax revenues increased by 31.1% yoy due to high growth of VAT revenues. Net VAT revenues were supported by growth of gross VAT revenues by 38.7% yoy with small increase in VAT refunds at 3.9% yoy. As previously, PIT collections grew by about 33% yoy due to strong wage growth.

Overall increase in consolidated fiscal revenues remained high at 41.1% yoy in the first nine months of the year. Increased domestic

External merchandise trade



Source: NBU preliminary estimates

demand supported growth of both VAT and EPT revenues by about 33% yoy. High wage growth resulted in growth of PIT collections at 34.0% yoy. Excise revenues increased by 16.7% yoy likely due to increased rates against the background of stable demand. Non-tax revenues grew by 81.1% yoy due to the higher transfer of NBU profit to the budget, special confiscation revenues and bigger own revenues of budget entities. Between January and September, consolidated fiscal expenditures increased slower than revenues (by 25.7% yoy). As a result, fiscal balance was in surplus of UAH 41.7 bn over the first three quarters of 2017.

However, after 5 months of surplus, the consolidated fiscal balance turned to deficit in September of UAH 27 bn. The deficit is likely to remain high during the last quarter of the year, which is a traditional pattern for Ukraine. Each year capital spending is done mostly in the last months of the year, which limits efficiency of capital outlays.

Social policy: The Government increased allocations for housing and utility subsidies

In September, 6.2 m households (41.6% of total number of households) received housing and utility subsidies (HUS). For comparison, last year 35.9% households received HUS. 37.6% of HUS recipients had only one member (likely single pensioners), while 34.1% had three or more members (i.e. families with children). In November, the Government started cash payouts to the HUS recipients that used less gas and electricity than they were eligible to use according to social consumption norms in the previous heating season. Overall, 1.7 m households are expected to receive this pay-out.

The Government previously underestimated funds needed to cover HUS in 2016/2017 and 2017/2018 heating seasons. On November 9, MPs approved the increase in allocations for housing and utility subsidies and privileges by UAH 7.6 bn to UAH 68.8 bn. However, this amount is not likely to be sufficient and the Government might again lack money by the end of year.

In the current Draft State Budget Law for 2018, the Government envisages the decline in HUS spending to UAH 55.0 bn. The official justification of this decline is the expected drop in number of households that receive HUS. In particular, the HUS provision to households in new heating season will be estimated on the basis of wages of the first and the second quarters of 2017, when wages increased rapidly due to minimum wage hike. During this period wage growth was faster than increase in housing and utility tariffs. Still, the planned HUS financing for 2018 seems to be again underestimated. This becomes even more important taking into account the intention of the Government to monetize the subsidy financing at the level of suppliers of housing and utility services.

Labour market: Wage growth remains strong

In September average wage growth remained at about 37% yoy in nominal terms and about 17% yoy in real terms. The patterns of growth by sectors did not change. Budget sectors and state administration increased wages the most, which is explained by low base, increase in minimum wage and revision of tariff scales.

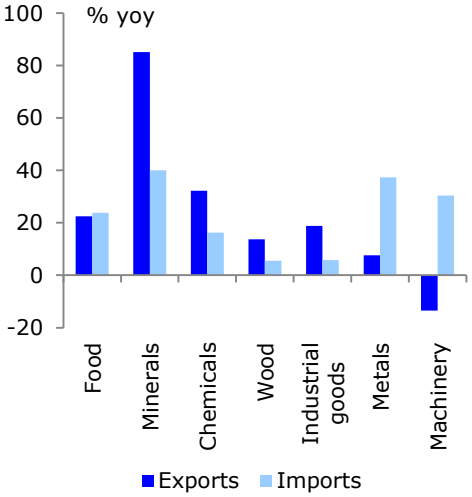
Wage growth in industry remained lower than average (29% yoy). However, wage growth accelerated in chemical production to 38.3% yoy due to recovery in the performance of the sector. Improved demand also allowed producers of electrical equipment and machines to increase wages faster than average.

As it was expected, minimum wage increase helped reduce wage differences between regions.

Monetary policy: Inflation slowed to 14.6% yoy in October

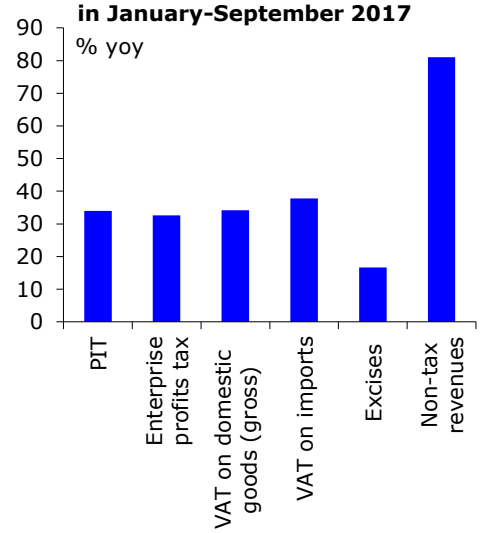
Consumer inflation slowed to 14.6% yoy in October reflecting high statistical base. Growth in food prices slowed slightly on year-to-year basis but food price index still grew by 18% yoy. Food price growth

Trade in goods in September 2017



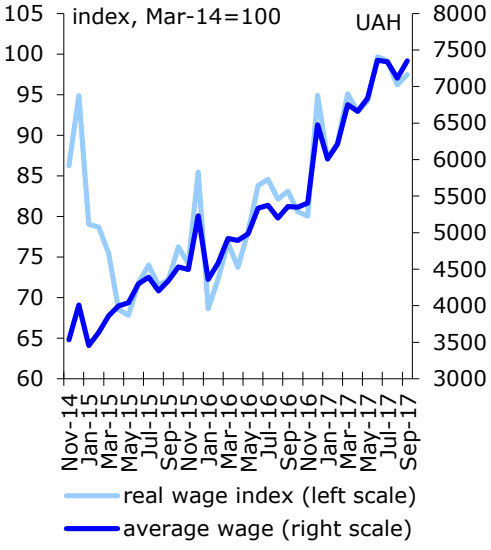
Source: NBU preliminary estimates

Growth of Consolidated fiscal revenues in January-September 2017



Source: State Treasury eports

Average wage*

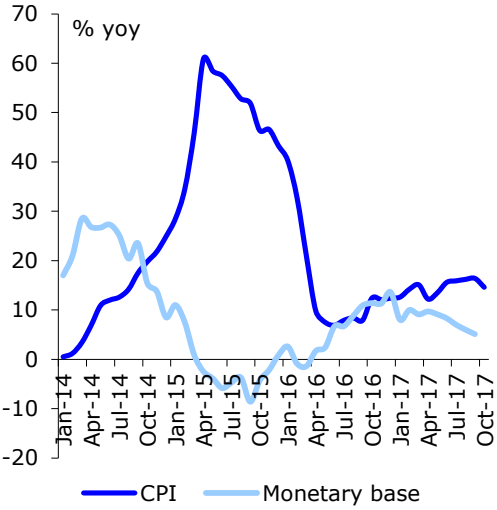


*not including AR Crimea
Source: Ukrstat

may slow further in next months as FAO international food price index increased by as little as 2.5% yoy in October. Utilities prices increased by 15% yoy which is less than in previous months. Increase in Brent oil prices to USD 60 per barrel led gasoline prices to increase by 16% yoy. Core inflation increased to 8.1% yoy in October in response to increasing wage costs and gradual increase in domestic demand.

The NBU increased policy rate to 13.5% p.a. during October 26 monetary policy meeting. The NBU acknowledged increased pressure on inflation from social spending increases and higher inflation expectations and revised its inflation forecasts for 2017 and 2018. The NBU decided that return of inflation to target in 2018 would be difficult without tighter monetary policy. Revised inflation forecast from NBU seems optimistic but increase in policy rate was necessary to keep inflation in single digits in 2018.

CPI and monetary base development

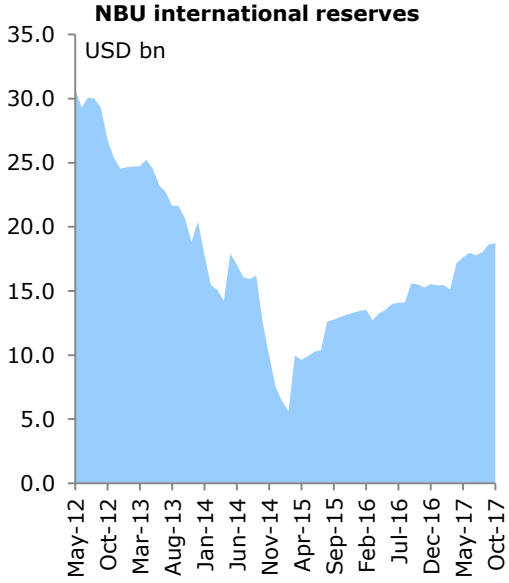


Source: Ukrstat, NBU

Exchange rate: Hryvnia weakened slightly in October

UAH/USD exchange rate weakened slightly in October and moved closer to USD 27 per USD. It responded to strong import demand and higher depreciation expectations. Purchases of cash foreign currency from banks for the first time in three years exceeded sales to banks (if by only USD 2 m). This was partly offset by increase in export revenue and NBU sales of foreign currency. NBU spent USD 147 m on net basis to reduce exchange rate volatility. NBU international reserves inched up to USD 18.7 bn as government receipts from foreign currency operations exceeded foreign currency sales by the NBU.

NBU international reserves



Source: NBU

State debt: State debt grew in January-September of 2017

Debt. According to the Ministry of Finance, between January and September of 2017, state debt grew by 8.5% in the US dollar equivalent (to USD 77.0 bn) or by 5.9% in hryvnia equivalent (to UAH 2043 bn). Domestic debt increased by 4.4% in hryvnia equivalent primarily due to further recapitalization of the PrivatBank, the Oshchadbank, and the Ukreximbank.

External debt grew by 9.4% in USD-equivalent mainly due to the receipt of the forth IMF tranche under the EFF at USD 1.0 bn and the EU macro-finance assistance at EUR 600 m. In September the Government placed 15-years Eurobonds of USD 3 bn on the international capital market. The share of FX debt remained almost unchanged at 69.5% of total state debt. Therefore, fiscal sustainability remains an issue for concern especially taking into account that annual redemption and servicing of FX state and quasi-state debt will reach near USD 8 bn in 2018 and in 2019.

Domestic debt. In October, domestic borrowings dropped significantly. Only three out of five scheduled auctions were successful due to low demand. The Ministry of Finance placed state domestic bonds at UAH 1.6 bn (at 14.93% p.a.). The Government also placed USD 170.3 m of two-year USD-denominated bonds (at 5.4% p.a.).

Tables

		Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Industrial production (real)	% yoy cum.	-13.0	4.5	2.6	2.5	2.8	-0.7	-0.4	-0.3	2.6	2.8	5.6	0.4	-0.7	-2.0	-1.3	-0.4	-0.3	-0.4	-0.3	…
Construction (real)	% yoy cum.	-12.3	8.3	13.0	17.3	17.4	19.4	24.6	23.8	17.2	17.4	35.0	21.0	19.4	17.8	20.8	24.6	24.2	25.4	23.8	…
Agricultural production (real)	% yoy cum.	-4.8	-1.7	-0.3	0.9	6.1	-0.8	-2.1	-0.7	2.9	6.1	-2.4	-1.7	-0.8	-0.3	-0.9	-2.1	-2.0	0.4	-0.7	…
Retail trade turnover (real)	% yoy cum.	-20.7	1.6	2.3	3.3	4.0	3.1	7.3	8.8	3.7	4.0	3.1	0.5	3.1	5.8	7.1	7.3	8.0	8.7	8.8	…
Average wage	UAH	4753	4622	5072	5311	5744	6323	6953	7268	5406	6475	6008	6209	6752	6659	6840	7360	7339	7114	7351	…
CPI	% yoy eop	43.3	20.9	6.9	7.9	12.4	15.1	15.6	16.4	12.1	12.4	12.6	14.2	15.1	12.2	13.5	15.6	15.9	16.2	16.4	14.6
PPI	% yoy eop	25.4	10.5	15.7	19.6	35.7	38.3	26.3	22.4	32.0	35.7	36.8	38.9	38.3	35.6	27.1	26.3	23.3	23.6	22.4	18.8
Exports (USD)*	% yoy cum.	-27.0	-16.4	-10.1	-8.0	-4.0	29.3	21.1	18.9	-5.1	-4.0	42.0	28.6	29.3	23.4	22.8	21.1	19.6	19.1	18.9	…
Imports (USD)*	% yoy cum.	-29.3	-10.9	-4.0	0.6	4.4	18.2	20.3	17.7	2.1	4.4	20.0	15.0	18.2	16.5	19.7	20.3	19.7	18.1	17.7	…
Trade balance*	USD bn cum.	-1.6	-2.3	-1.9	-4.1	-5.8	-0.9	-2.3	-4.3	-5.0	-5.8	0.0	-0.5	-0.9	-1.1	-1.6	-2.3	-3.2	-3.6	-4.3	…
Current account**	USD bn cum.	-0.2	-1.5	-0.9	-2.8	-3.8	-0.8	-1.6	-3.0	-3.3	-3.8	0.1	-0.2	-0.8	-0.9	-1.0	-1.6	-2.2	-2.1	-3.0	…
Gross international reserves	USD bn eop	13.3	12.7	14.0	15.6	15.5	15.1	18.0	18.6	15.3	15.5	15.4	15.5	15.1	17.2	17.6	18.0	17.8	18.0	18.6	18.7
Monetary Base	% yoy eop	0.8	-1.4	1.7	10.6	13.6	9.1	8.3	5.1	11.3	13.6	8.0	10.0	9.1	9.7	9.1	8.3	7.0	6.0	5.1	…
Lending rate on UAH credits	% pa, aop	20.7	20.0	20.9	17.3	14.7	15.8	14.7	14.9	13.7	16.1	15.9	15.5	15.8	15.3	15.2	14.7	14.0	14.3	14.9	…
Exchange rate (interbank)	USD aop	22.90	25.69	25.2	17.27	25.90	27.09	26.44	25.93	25.71	26.27	27.22	27.05	26.99	26.82	26.40	26.09	25.95	25.65	26.18	26.67
Exchange rate (official)	USD aop	22.33	25.68	25.3	25.40	25.67	27.06	26.46	25.91	25.70	25.55	27.15	27.03	27.00	26.86	26.42	26.11	25.97	25.64	26.11	26.65
Exchange rate (official)	EUR aop	24.91	28.34	28.6	25.58	28.18	28.81	29.06	30.38	27.78	28.29	28.80	28.81	28.82	28.77	29.16	29.26	29.84	30.23	31.08	31.38

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
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
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
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
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
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
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
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
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
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
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
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
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
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	-0.4
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	-3.7	-1.6
Trade balance in goods	USD m	-5503	-6233	-4635	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1147	-496	-689	-1123	-1941	-685	-2147	-2235	-1296	-1825
Trade balance in services	USD m	2361	1578	1349	1504	2575	1066	937	443	456	686	604	418	309	420	286	308	108	507	423	622
Direct investment (FDI)**	USD m	2037	1876	1082	496	1510	991	-665	-319	725	558	397	907	890	818	1366	760	999	143	469	1030
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates

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