INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: REFORM AGENDA

Politics: Moody's upgraded Ukraine's rating to Caa2 with positive outlook due to the progress in reforms and improved external position.

Real sector: Growth of capital investments in the second quarter of 2017 remained strong at 23.4% yoy.

Energy sector: The Government refused the plans to increase gas tariffs for population.

Transport: The Government decreased sea port fees

Agriculture: In the first seven months of 2017, the agricultural production declined by 2% yoy.

External sector: Merchandise trade deficit in July exceeded USD 1 bn for the second time since 2013.

Fiscal policy: In the first seven months of 2017, consolidated fiscal revenues grew by 45.7% yoy.

Social policy: The number of households who were granted housing and utility subsidies in the first seven months of 2017 grew by 60.6% yoy to 5.9 m households.

Labour market: Recent data suggests that there are signs of wage de-shadowing in the first half of the year.

Monetary policy: Consumer inflation accelerated to 16.2% yoy in August with highest year-to-year increase since March 2016.

Exchange rate: Interbank UAH/USD exchange rate continued to appreciate gradually to UAH 25.5 per USD by the end of August.

State debt: The Government plans to place USD-denominated Eurobonds.

Highlight of the month: Reform Agenda

AMBITIOUS PLAN OF REFORMS REQUIRES POLITICAL CONSENSUS

By Oleksandra Betliy

In Ukraine, the new political season starts each year in September, when the Parliament returns from vacation. The most contentious document in the fall agenda is the Draft State Budget Law for next fiscal year. This year, the agenda also contains a number of widely debated, laws both in the Verkhovna Rada and in public. The list of reforms includes topics with direct impact on many people such as pension reform and healthcare reform.

In July, the Parliament approved the draft amendments to the major Pension Law in the first reading. It suggests increases in pensions for pensioners that retired over 2 or more years ago as their pensions were disproportionally lower than pension of new retirees with similar working record. Besides, the draft envisages the measures to stimulate unofficially employed individuals (or employees with informal wage payments) to participate in the pension system. In particular, the required pension insurance record to be eligible for pension by age is to be gradually increased from 25 years in 2018 to 35 years in 2028. The standard retirement age is suggested to remain at 60 years old. However, individuals with lower than required insurance record at 60 will be able to either retire at 63 or pay one-time insurance contribution. The Government also suggested strengthening requirements to indexation of pensions in line with inflation and wages growth. However, final wording of amendments to Pension law may change significantly in legislative process. By September, people deputies submitted hundreds of suggestions to the Draft. On September 8, the Verkhovna Rada Committee on social policy and pensions approved some of them and recommended to the Parliament to approve the document. One of the MP's amendments relates to the introduction of the compulsory accumulation pillar of the pension system already in 2019. This step seems rather premature given the absence of strong financial market regulator, stock exchange market, and continued political instability.

Healthcare reform is defined by the Government among priorities for September 2017. Healthcare sector did not have any significant changes for many years. However, lack of equity access to quality healthcare placed the healthcare reform among the top priorities for the public. In 2017, the Government and the Parliament attempted to increase the autonomy of health facilities, which is expected to increase the efficiency of healthcare system, introduce some competition, and improve quality of healthcare. Government also started reimbursement of costs for medicines used to treat cardiovascular diseases, bronchial asthma, and type II diabetes. Before summer vacations the Verkhovna Rada tentatively approved another draft law on healthcare reform that was debated for a long time. Healthcare reform draft law was approved in the first reading, but was not put for the voting in the second reading due to lack of political consensus. The draft law envisages the introduction of the guaranteed package of healthcare services, which is expected to include the most essential services. Therefore, the Government finally admits that it does not have money to finance all health services at budget resources. At the same time, the Parliament did not agree with the Ministry of Health on the necessity to introduce co-payments for treatments in health facilities at secondary and tertiary levels, which puts under a question the sustainability of the Ministry's vision of the reform. The one of key issues for the critics of the draft law is the provision on the creation of the National Health Services, which is to become the only contractor and payer of health services from all health facilities. Overall, there is a large risk that the draft law will not be approved in the nearest future, even though healthcare reform is required to increase currently low expected life expectancy.

The Ministry of Finance also defines as a priority the introduction of the Financial Investigation Service, which should replace the Tax Police. The Draft law was submitted by the Ministry to the Cabinet of Ministers several months ago and it may be approved in October. New Service should act more as an analytics and investigative unit rather than militarized raids for which Tax Police units are famous.

The decentralization remains high in the political agenda of the Government and the Parliament. Several draft laws were already submitted to the Parliament and envisage the extension of powers and responsibilities of local self-government entities as well as simplification of the procedure of forming amalgamated territorial communities.

The privatization of state-owned enterprises (SOE) also received more attention. The Government approved the draft law, according to which all SOEs will be divided into three groups: to be privatized, to be liquidated, and to remain at the state ownership. Currently, according to the Ministry of Economic Development and Trade there are 3500 SOE, most of them are loss-making. For some of companies the Government has hardly any information. According to the Ministry of Finance, the implementation of the new approach towards SOE management would allow the Government to generate UAH 22 bn in privatization receipts in 2018.

At the same time, the land reform was postponed again. The current moratorium on agricultural land sale is likely to automatically prolonged due to absence of the law on land circulation required for lifting the moratorium. The IMF seems to agree with this revision to reform agenda and it is expected that mission for the next EFF review scheduled for the end of September 2017 will not require land reform to be completed for successful review.

This list reforms is far from full. The legislative changes are planned in the area of energy sector, housing and utility sector, and environment. The Government also plans to continue efforts in deregulation and technical regulation. Law enforcement also remains high in the political agenda. However, the implementation of all plans would require strong political will and close cooperation between the Government, the Parliament and the President.

Monthly Economic Monitor Ukraine

Politics: Investigation of anticorruption activists by law enforcement raises concerns of selective justice

Rating. In the end of August 2017, Moody's upgraded Ukraine's rating to Caa2 with positive outlook due to the progress in reforms and improved external position. However, it is still lower than the ratings by S&P and Fitch at B- with stable forecast.

Anticorruption. In August, the Investigative Department of the Kyiv Fiscal Service opened an inquiry into the finances of the Anti-Corruption Action Centre, an NGO that has advocated for anticorruption legislation and monitored the appointments to Ukraine's National Anti-Corruption Bureau (NABU) including the Bureau's advisory and auditory bodies. At the same time, the Head of the Board of the Anti-Corruption Action Centre Vitaliy Shabunin was charged with causing deliberate injury of medium severity after punching a person in a fight. Additionally, in late August, a member of Kharkiv Oblast Council and head of Kharkiv Anticorruption Center Dmytro Bulakh was attacked and beaten, which led to a serious injury. Kharkiv Anticorruption Center attributes this attack to their investigation into local and national politicians. All these occasions raise the question on the possible political pressure on anticorruption NGOs and possible selective justice.

The EU. The Association Agreement (AA) between Ukraine and the EU fully entered into force on September 1, 2017, three years after its signing. Most articles of the Agreement were already provisionally applied with the deep and comprehensive free trade area active since January 2016. Now, Ukraine will start the AA implementation in such spheres as foreign policy, security, justice, taxation, public finance, science, technology, healthcare, and education.

The war in Donbas. The armed conflict in the eastern Ukraine continued in August. The Minsk Trilateral Contact Group agreed to start a "back to school" ceasefire in late August to allow children in the contact line regions to go to school safely. However, combined Russian-separatist forces repeatedly violated the ceasefire. 12 service members of the Ukrainian Armed Forces were killed in the war in August, and 79 service members were wounded.

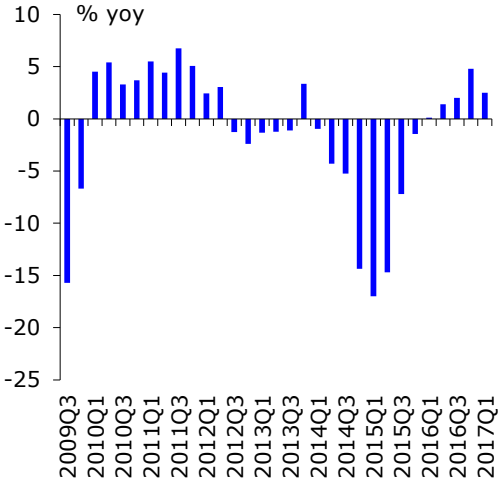
Ukrainian civilians continue to be targeted by combined Russian-separatist forces. In Luhansk, combined Russian-separatist forces sentenced pro-Ukrainian blogger Eduard Nedelyayev, who wrote about the life in the occupied city, to 14 years of prison. Ukrainian citizen Pavlo Hryb, 19-year-old son of a military officer, disappeared in Belarus. Ukrainian authorities believe he was abducted by Russia's special services.

Crimea. Political persecutions and human rights violations continued in Russia-occupied Crimea. In a statement issued in mid-August, Ukrainian Ministry of Foreign Affairs stated that at least five politically motivated sentences of imprisonment were passed by Russian authorities in the Crimea over the previous month. Seven people were arrested or fined over this period in politically motivated cases, and several searches in the houses of the Crimean Tatars were conducted, according to the Ministry. Among the arrested individuals is Volodymyr Balukh who was sentenced to more than 3 years in prison due to his open opposition to Russia's occupation of the Crimea.

Public administration reform. In August, the Cabinet of Ministers of Ukraine announced about the launching of directorates as part of the public administration reform by the end of 2017. The directorates will be created in ten pilot ministries: of agrarian policy and food, culture, education and science, energy and coal industry, finance, healthcare, justice, infrastructure, social policy, and regional development, construction, housing and utilities. There will be directorates within the Secretariat of the Cabinet of Ministers, the National Agency for Civil Service and the State Agency for Electronic Governance. They will be responsible for policy analysis and recommendations, drafting and monitoring of legislation.

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

Real GDP growth



Source: Ukrstat

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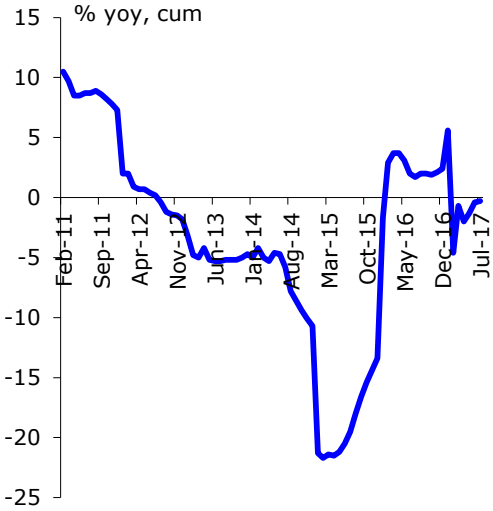
Real sector: Strong growth in investments

Capital investments. Growth of capital investments in the second quarter of 2017 remained strong at 23.4% yoy, which is close to figures for the first quarter (at 21.4% yoy). Agriculture and industry remained major contributors to investments growth due to improved performance and need for the modernization. Own financing of companies remained the major source of financing with the share of 72.6%. Fiscal capital outlays increased in importance and financed to 8.7% of capital investments.

Sectoral trends. Industrial output (adjusted for working day effects) declined by 2.2% yoy in July after growing at 3.3% in June. The Ukrstat reported decline in electricity production by 16.1% yoy reflecting inconsistency in statistical methodology and lower production by thermal power plants (electricity production in energy units reduced from 12.6 TWh in July 2016 to 11.7TWh in July 2017 i.e. by 7.0% yoy). Stop in reported production in occupied territories was the key reason for the decline in extractive industry and metallurgy (at 9.4% yoy and 4.9% yoy, respectively). At the same time, production of pipes increased by 34.9% yoy due to higher domestic demand. Growing investment supported higher output for other ready steel products and construction materials. Growth of food production at 5.0% yoy was supported by higher production of sunflower oil, which compensated for the decline in production of flour and dairy products. Increase in machine building production decelerated to 9.1% yoy. At the same time, chemical production growth accelerated to 26.7% yoy as several enterprises renewed their operation.

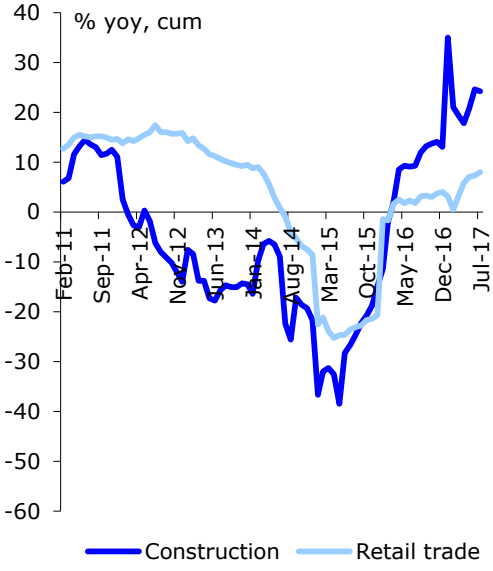
Higher statistical base and slowdown in residential construction resulted in the deceleration of growth of construction to 17.3% yoy in July (from 31.9% yoy in June). Retail sales growth remained strong at 6.6% yoy in real terms as incomes kept growing faster than consumer prices.

Industrial output



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

Real sector trends



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

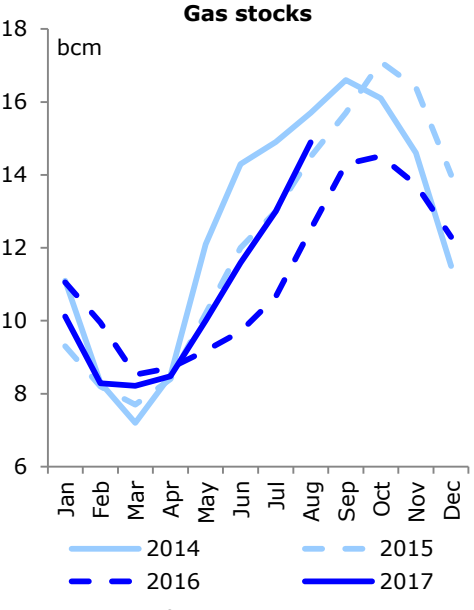
Energy: Ukraine violates requirements of the Energy Community

Gas. In June, the Government refused the plans to increase gas tariffs for population stating that the Naftogaz should provide the gas to households at discounted price. On August 22, the Energy Community Secretariat initiated the dispute settlement case (ECS-2/17) against Ukraine for violating the acquis communautaire on natural gas as this decision contradicts the announced gas market reform. The Naftogaz supports the Secretariat on this issue and notes that the oblgases do not provide the detailed information on the gas consumption of the population and may resell the gas purchased at a special lower price to industrial consumers. The refusal to increase gas for population also does not comply with the IMF program.

Energy Strategy. The Cabinet of Ministers adopted the Energy Strategy of Ukraine until 2035. The nuclear power plants are expected to produce 50% of the electricity in the country, renewable energy sources will produce 25%, HPPs (except small) will give 13% and the remaining 12% will be produced by thermal power plants. These are ambitious plans as currently renewable energy sources account for only 1.2% of the total electricity generation and thermal power plants produce 33%.

Tariffs. The National Energy and Utilities Regulatory Commission (NERC) increased the average tariff for 2017 for Ukrhydroenergo, Ukrainian operator of hydro power plants (HPPs), by 19% to UAH 0.656 per KWt*h. The increase was explained by lower forecasted electricity production by HPPs in 2017 and high fixed costs for construction of Dniester HAPP.

Gas stocks



Source: Ministry of Energy

Transport: Ukraine decreases sea port fees

Sea ports. 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.

Fees in Yuzhny sea port for oil tankers with transit oil were also reduced by 75%. In addition, certain fees were decreased in Chornomorsk, Mykolaiv, Odesa and Yuzhny sea ports for transit oil "sea-coast-sea" handling. These changes were adopted in the framework of the implementation of the agreements between the Presidents of Ukraine and Azerbaijan signed in 2016.

Roads. The Cabinet of Ministers reclassified several roads in Ukraine and created new transport corridors. Highway H-08 was extended to Mariupol, international highway M-09 was extended to Ternopil, international road M-21 was extended to the Belarusian border, new national corridor Center-West H-02 from road M-06 in Lviv region to road H-08 in Cherkasy region was created, regional roads R-52, R-70 and R-13 were classified as national roads H-31, H-33 and H-28 respectively. Now, these roads and their infrastructure should comply with higher standards, which would require more financing for road maintenance but should make Ukraine more attractive for goods transit.

Agriculture: State aid extended to pig production

Production. In the first seven months of 2017, the agricultural production declined by 2% yoy. Crop production dropped by 3.1% yoy due to lower harvest. Livestock production decreased by 0.7% yoy as milk production reduced by 0.9% yoy. Egg production increased by 0.9% yoy and production of animals for slaughter grew by 0.4% yoy.

As of August 1, 2017, the number of cattle in agricultural enterprises decreased by 0.7% yoy. The number of cows and pigs declined by 2.3% yoy and 8.6% yoy, respectively. Poultry numbers increased by 1% yoy, that can be explained by the fact that profitability of poultry production is higher than of other livestock.

Trade. Between January and July, agricultural exports increased by 26.1% to USD 9.8 bn. It accounted for almost 45% of total Ukraine's exports. Higher external demand resulted in the growth of exports of dairy products by 69.3% yoy to USD 140.8 m.

Policy. On August 9, the Cabinet of Ministers expanded the state aid for the pig breeding through the partial refund of purchased animals. The aid is expected to support the development of the sector.

The Government approved the implementation of pilot project on monitoring the land relations. It plans to conduct a regular monitoring of more than 140 indicators of land use including composition of land, the number of landowners and land users, the average size of land plots. This information will be open to the public and international organisations that will help to rapidly react to risks and allow professional decision-making on the land use.

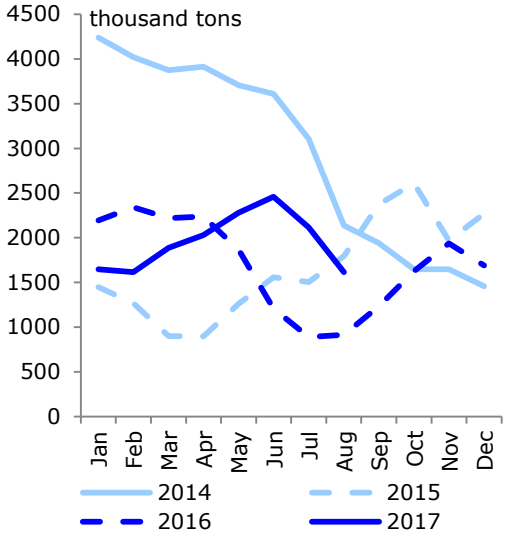
More than half of the total amount of subsidies to farmers (introduced in 2017) were allocated to the poultry sector. Moreover, 42% of total amount of subsidies (UAH 809 m) were received PJSC Myronivsky Hliboproduct. Another poultry producer - Avangard agroholding - received second largest share of subsidies comprising UAH 142 m. For the next year, it was proposed to limit the maximum value of subsidy per company to UAH 150 m to include small and medium producers.

External sector: Merchandise trade deficit widens in July

Current account. Current account deficit reached USD 0.59 bn in July as merchandise trade deficit exceeded USD 1 bn for the second time since 2013 (at USD 1.08 bn). Net inflow of remittances increased to USD 0.68 bn while trade in services surplus was USD 0.18 bn. Service exports continued to grow and reached highest level since 2014. This helped reduce impact of growing merchandise trade deficit on current account totals. Net investment income payments were at USD 0.37 bn.

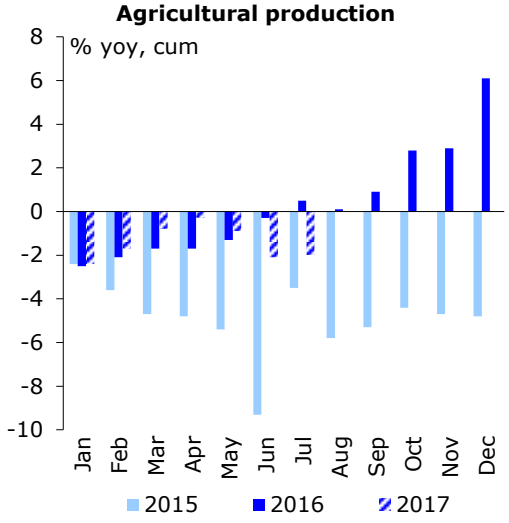
Merchandise exports increased by 10% yoy in July. Metallurgy exports increased by only 2% yoy in dollar terms despite high steel prices due

Coal stocks at TPPs



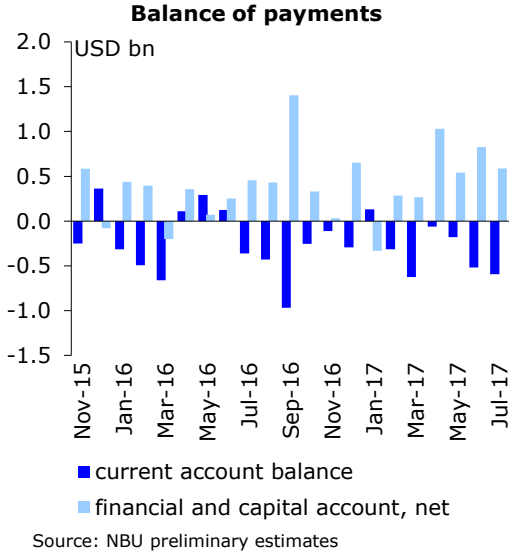
Source: Ministry of Energy, Ukrenergo

Agricultural production



Source: Ukrstat

Balance of payments



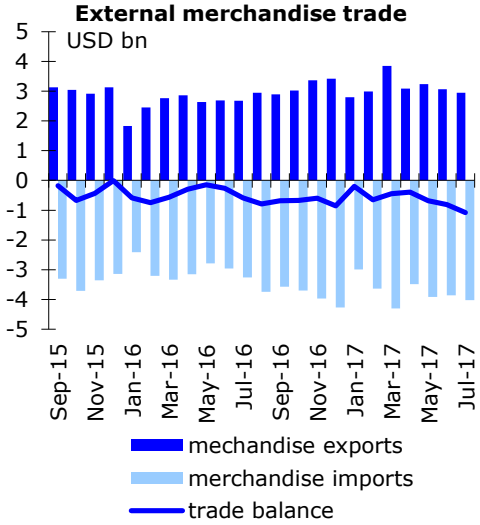
Source: NBU preliminary estimates

to higher statistical base and persistently low export volume. Growth in exports of agricultural products remained at 11% yoy as growing sunflower oil exports offset lower export of grain. Export of mineral products (iron ore and construction materials) and machine building products continued to grow

Merchandise imports increased by 22% yoy in July. Imports of mineral products grew by 56% yoy as purchases of coal and gasoline expanded. Imports of machinery and equipment increased by 29% yoy as investment demand for imported items remained strong. Imports of other items grew by 7% yoy.

Financial account. Capital inflows under financial account decreased to USD 0.3 bn in July. Public sector repaid USD 60 m in external debt. Bank sector increased foreign assets by USD 445 m and repaid USD 176 m in debt and foreign deposits leading to capital outflow at USD 621 m. Real sector raised USD 134 m in FDI in July bringing total FDI inflows to real sector over 7 months of 2017 to USD 878 m. This is much smaller than in 2013 but significantly better than in 2014-2016. Real sector also continued to raise capital through trade loans (USD 388 m) and other debt (USD 244 m). Inflows of cash foreign currency to banks remained high at USD 364 m despite summer demand for foreign travel cash with total inflows of USD 1.7 bn over seven months of 2017.

External merchandise trade



Source: NBU preliminary estimates

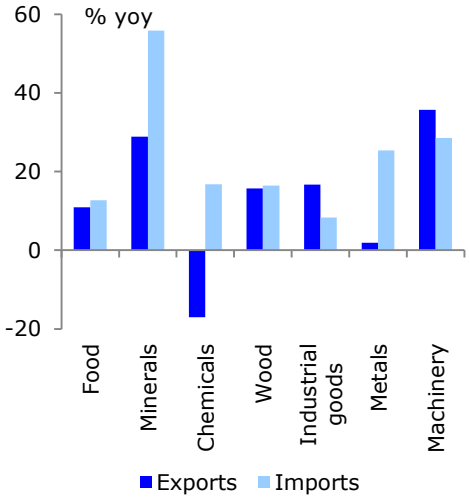
Fiscal policy: Large fiscal surplus remains

2017. In the first seven months of 2017, consolidated fiscal revenues grew by 45.7% yoy. Rising VAT revenues were the largest contributor to this growth due to increase in domestic demand, which more than counterweighted increase in VAT refunds (at 41.5% yoy). Higher PIT collections also made large contribution to consolidated revenues growth. They increased due to strong growth of officially paid wages. Non-tax revenues more than doubled due to timely transfer of the NBU profits to the budget (UAH 25.0 bn as compared to zero in the same period of last year) and increases in profits of companies transferred to the budget. The Government also received funds from special confiscation.

Growth of consolidated fiscal expenditures remained slower than of revenues (at 25.1% yoy). Even though capital fiscal outlays increased by 50.3% yoy, they have accounted for only 5.1% of total expenditures and were financed at 27.5% of annual plan. This means that capital spending will likely remain heavily tilted towards last months of the year degrading quality of public procurement.

Overall, consolidated fiscal balance remained in surplus of UAH 52.8 bn. It will turn to deficit likely in September-October due and expected increase spending of local budgets. Still, the Government is likely to run lower than planned (at UAH 104 bn) consolidated fiscal deficit this year.

Trade in goods in July 2017

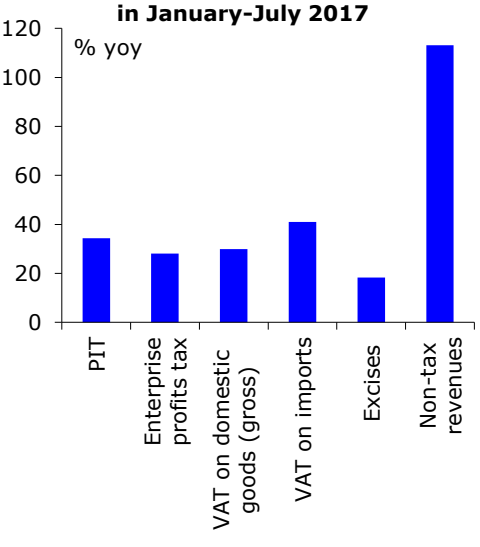


Source: NBU preliminary estimates

Social policy: Higher coverage of housing and utility subsidies

As growth of housing and utility tariffs during recent year was higher than of household income the number of households who were granted housing and utility subsidies (HUS) in the first seven months of 2017 grew by 60.6% yoy to 5.9 m households. As coverage of subsidies remains high requiring substantial fiscal financing the Government tries to look for possible correction of HUS provision. In August, the Government reduced the period, income for which is considered while granting HUS was reduced from four to two quarters. The social norms of gas consumption were also reduced.

Growth of Consolidated fiscal revenues in January-July 2017



Source: State Treasury eports

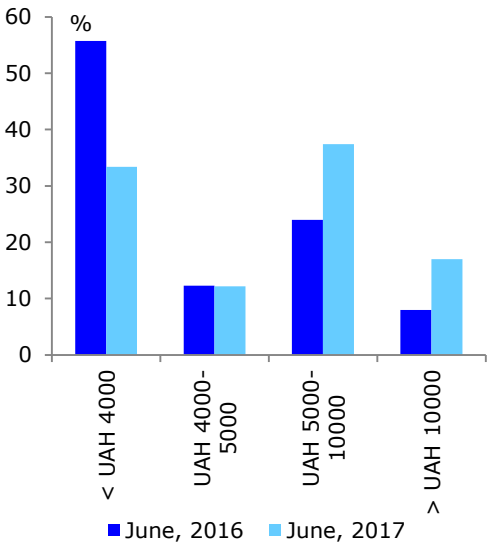
Labour market: Some wage de-shadowing is likely

Recent data suggests that there are signs of wage de-shadowing in the first half of the year. Average wages during this period grew by 37.2% yoy due to increased minimum wage and improved economic performance of many companies. This resulted in growth of SSC revenues by 35.3% yoy. In June 2017, 33.4% of employees received wage below UAH 4000, as compared to 55.7% employees with such wages in June 2016. 9% of employees were reported to receive wage

below minimum level (UAH 3200) this year as compared to 2.6% (minimum wage was at UAH 1450) last year. At the same time, wages grew not only for lower-paid employees. The data also indicates that wage above UAH 10 000 were received by 17% of employees in June 2017 compared to 8% last year.

The impact of minimum wage increase on employment was rather limited by now. Number of employees (who received remuneration for at least 50% of working time) declined by only 1.2% yoy (if Donetsk and Luhansk oblasts are not included into data).

Distribution of employees by wage size



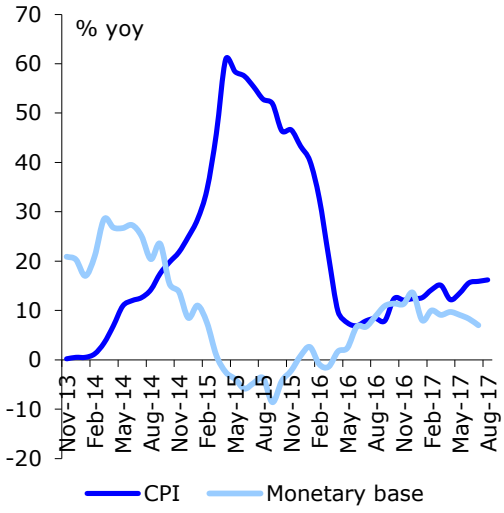
Source: Ukrstat

Monetary policy: Inflation accelerated to 16.2% yoy

Consumer inflation accelerated to 16.2% yoy in August with highest year-to-year increase since March 2016. Continued run-up in food prices and increases in utility prices in previous months contributed to high reading of inflation. Prices for meat and milk products increased by 29-30% yoy as domestic supply was limited by stagnant production and export increases. Vegetable prices remained over 40% higher than in previous summer. Core inflation also increased gradually reaching 7.8% yoy in August reflecting price increases for processed food products and moderate increase in demand pressure.

Money supply increased by 5.5% yoy and monetary base by 6% yoy in August. Low appetite for risk meant that banks increased their holdings of NBU deposit certificates despite comparatively low policy rate. Government also increased funds at Treasury account. This offset increase in liquidity from NBU foreign currency and government bond purchases.

CPI and monetary base development

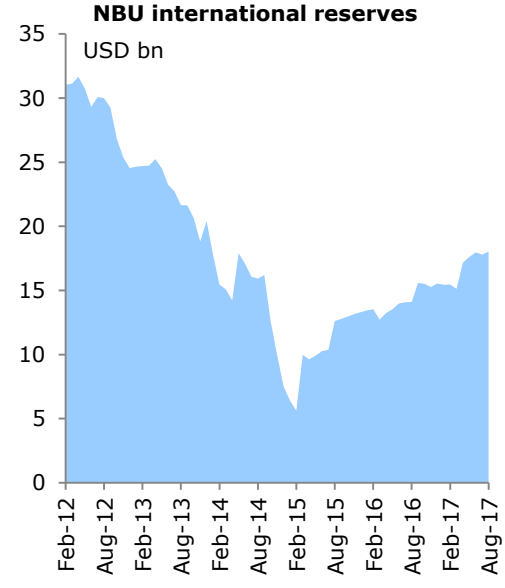


Source: Ukrstat, NBU

Exchange rate: Hryvnia appreciated slightly in August

Interbank UAH/USD exchange rate continued to appreciate gradually to UAH 25.5 per USD by the end of August. However exchange rate bounced back to UAH 26 per USD in the beginning of September due to seasonal increase in demand. Export revenues increased in August while demand remained contained. Sales of cash foreign currency to banks continued to outstrip purchases with net sales of USD 194 m. This allowed the NBU to purchase USD 234 m (net) to increase reserves. NBU international reserves exceeded USD 18 bn as NBU foreign currency purchases and government inflows from foreign currency government bonds were sufficient for first payment under the IMF Stand-by program in 2014.

NBU international reserves



Source: NBU

State debt: Ukraine is preparing for sovereign Eurobonds issue

External debt. In early September, the Government mandated BNP Paribas, JP Morgan and Goldman Sachs to organize a roadshow to place USD-denominated Eurobonds, which is for first time since 2013. Along with this offering, the Ministry of Finance announced a buyback purchase of sovereign Eurobonds with maturity in 2019-2020. The offering price is set at 106.00% of the principal for UKRAIN-19 and 106.75% for UKRAIN-20.

It is a very positive step for Ukraine aimed at reducing significant debt burden of 2019-2020 and shifting it for 10-15 years ahead without increase in debt servicing cost.

Domestic debt. In August, the Ministry of Finance placed UAH 2.1 bn of state domestic bonds with weighted average yield at 14.4% p.a. The demand was mostly concentrated on one and three-year bonds, which accounted for 45.1% and 51.2% of the total placement respectively. At the same time, the expected demand for two-year bonds was not received as it flowed to USD-denominated bonds.

Hryvnia bond yields remain unchanged, while USD-denominated bond yields slightly increased (from 5.34% to 5.40%). The Government placed USD 352 m of two-year USD-denominated bonds, which were much less than the actual demand (near USD 477 m).

Tables

		Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Industrial production (real)	% yoy cum.	-13.0	4.5	2.6	2.5	2.8	-0.7	-0.4	2.5	2.4	2.6	2.8	5.6	0.4	-0.7	-2.0	-1.3	-0.4	-0.3	…
Construction (real)	% yoy cum.	-12.3	8.3	13.0	17.3	17.4	19.4	24.6	17.3	17.0	17.2	17.4	35.0	21.0	19.4	17.8	20.8	24.6	24.2	…
Agricultural production (real)	% yoy cum.	-4.8	-1.7	-0.3	0.9	6.1	-0.8	-2.1	0.9	2.8	2.9	6.1	-2.4	-1.7	-0.8	-0.3	-0.9	-2.1	-2.0	…
Retail trade turnover (real)	% yoy cum.	-20.7	1.6	2.3	3.3	4.0	3.1	7.3	3.3	3.0	3.7	4.0	3.1	0.5	3.1	5.8	7.1	7.3	8.0	…
Average wage	UAH	4753	4622	5072	5311	5744	6323	6953	5358	5350	5406	6475	6008	6209	6752	6659	6840	7360	7339	…
CPI	% yoy eop	43.3	20.9	6.9	7.9	12.4	15.1	15.6	7.9	12.4	12.1	12.4	12.6	14.2	15.1	12.2	13.5	15.6	15.9	16.2
PPI	% yoy eop	25.4	10.5	15.7	19.6	35.7	38.3	26.3	19.6	29.2	32.0	35.7	36.8	38.9	38.3	35.6	27.1	26.3	23.3	23.6
Exports (USD)*	% yoy cum.	-27.0	-16.4	-10.1	-8.0	-4.0	29.3	21.1	-8.0	-7.1	-5.1	-4.0	42.0	28.6	29.3	23.4	22.8	21.1	19.6	…
Imports (USD)*	% yoy cum.	-29.3	-10.9	-4.0	0.6	4.4	18.2	20.3	0.6	0.5	2.1	4.4	20.0	15.0	18.2	16.5	19.7	20.3	19.7	…
Trade balance*	USD bn cum.	-1.6	-2.3	-1.9	-4.1	-5.8	-0.9	-2.3	-4.1	-4.5	-5.0	-5.8	0.0	-0.5	-0.9	-1.1	-1.6	-2.3	-3.2	…
Current account**	USD bn cum.	-0.2	-1.5	-0.9	-2.8	-3.8	-0.8	-1.6	-2.8	-3.1	-3.3	-3.8	0.1	-0.2	-0.8	-0.9	-1.0	-1.6	-2.2	…
Gross international reserves	USD bn eop	13.3	12.7	14.0	15.6	15.5	15.1	18.0	15.6	15.5	15.3	15.5	15.4	15.5	15.1	17.2	17.6	18.0	17.8	18.0
Monetary Base	% yoy eop	0.8	-1.4	1.7	10.6	13.6	9.1	8.3	10.6	11.4	11.3	13.6	8.0	10.0	9.1	9.7	9.1	8.3	7.0	…
Lending rate on UAH credits	% pa, aop	20.7	20.0	20.9	17.3	14.7	15.8	14.7	16.8	14.2	13.7	16.1	15.9	15.5	15.8	15.3	15.2	14.7	14.0	…
Exchange rate (interbank)	USD aop	22.90	25.69	25.2	17.27	25.90	27.09	26.44	26.23	25.72	25.71	26.27	27.22	27.05	26.99	26.82	26.40	26.09	25.95	25.65
Exchange rate (official)	USD aop	22.33	25.68	25.3	25.40	25.67	27.06	26.46	26.28	25.76	25.70	25.55	27.15	27.03	27.00	26.86	26.42	26.11	25.97	25.64
Exchange rate (official)	EUR aop	24.91	28.34	28.6	25.58	28.18	28.81	29.06	29.47	28.45	27.78	28.29	28.80	28.81	28.82	28.77	29.16	29.26	29.84	30.23

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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
Direct investment (FDI)**	USD m	2037	1876	1082	496	1510	991	-665	-319	725	558	397	907	890	818	1366	760	999	143	469
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

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

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