Monthly Economic Monitor Ukraine

No.7 (201), July 2017

EXECUTIVE SUMMARY

HIGHLIGHT: CYBERSECURITY

Politics: Delay in major reforms resulted in the termination of the fifth tranche of the IMF loan.

Real sector: Real GDP in the first quarter of 2017 increased by 2.5% yoy due to higher domestic demand.

Energy sector: The Verkhovna Rada approved the decision on the creation of a special fund to finance thermal and energy modernization measures of the buildings in Ukraine.

Agriculture: The EU increased tariff quotas for a number of agricultural products.

External sector: Current account deficit widened to USD 0.19 bn in May as merchandise trade deficit reached USD 0.69 bn.

Fiscal policy: The Government submitted to the Verkhovna Rada the Budget resolution for 2018-2020, which is a step towards the introduction of the MTEF.

Social policy: In the first quarter of 2017, disposable income grew by 16.6% yoy in nominal terms due to higher income from wages and social assistance.

Labour market: Unemployment rate (ILO methodology) in the first quarter of 2017 reached 10.1% of economically active population of age 15-70 years.

Monetary policy: Consumer inflation accelerated to 15.6% yoy in June, the highest level since March 2016.

Exchange rate: Interbank UAH/USD exchange rate traded closer to UAH 26 per USD in June as supply and demand factors remained balanced.

State debt: The Cabinet of Ministers adopted a decision on additional capitalization of the PrivatBank at UAH 38.5 bn.

Highlight of the month: Cybersecurity

UKRAINE FACES ECONOMIC LOSSES FROM COMPUTER VIRUS

At the end of June, Ukraine faced what looked like the massive ransomware attack. Many public and private companies were infected by the virus identifying itself as Petya ransomware[1], which is similar to the virus WannaCry that attacked computers in many countries in April of 2017. New virus resulted in the loss of data by many state-owned and private companies in Ukraine. However, companies in seven other countries reported that they were affected by the virus. As a result, they have faced economic losses as companies could not operate properly as they needed time for the recovery of data.

The virus Petya encrypts the files on the hard disk and then demands a payment for the decryption of the data. However, none of the companies that made a payment (in total around USD 10 000 during the first day after virus injection) reported to receive a decryption code. The virus reminds the cyberattack Black Energy, which heavily hit Urkainian energy companies in the end of 2016. The virus used the vulnerabilities of the SMBv1 protocol (which was also used by the virus WannaCry, which hit the large number of European counties and the USA in April of 2017) called EternalBlue, EternalRomance and other vulnerabilities. However, the protection from these vulnerabilities was released between March and May. This meant that companies did not provide sufficient attention to cybersecurity including most basic steps such as running systems with latest security patches and updated antivirus programs.

In Ukraine, Petya was predominantly spread by the update of the program M.E.Doc, which is used for the submissions of accounting reporting to the State Fiscal Service (previously the Ministry of Revenues and Duties). The vulnerability of the M.E.Doc was disclosed in May when hundreds of Ukrainian companies were infected by another virus X.Data.[2] However, the company denied the reports and claimed to be virus-free. Later it was reported that M.E.Doc issued at least three compromised updates (on April 14, May 15, and June 22) and was in the middle of issuing a new one on July 5.[3] M.E.Doc program was introduced in 2010. It was highly recommended for the usage by the Ministry of Revenues and Duties if companies did not want to face additional problems with the submitted reports. As a result, it became a *de facto* standard on the Ukraine's market. While now there is no problem in using alternative software majority of users continued using M.E.Doc software. This is the major reasons explaining widespread impact of virus Petya both on private and public companies.

Various ministries reported that they had faced problems with the operation of computers. In particular, the Ministry of Infrastructure announced that two out of six servers and more than a hundred computers stopped working. The problems were also faced by state-owned banks and companies, including Oschadbank, Ukrgazbank, UrkPoshta, airport Boryspil, Ukrenergo. Even in the beginning of July the State Fiscal Service was not able to work fully with the electronic tax reports. Private sector (including some banks, energy companies, telecommunication, etc.) also suffered losses from the attack.

Overall, more than 12 500 Ukrainian companies appealed to the Cyber Police that they were attacked by the virus. However, not all companies reached to the Cyber Police due to either low trust to the efficiency of the Cyber Police or use of illegal software by companies (and, possibility of fines). Those companies that registered as having problems were allowed to send tax reports with the delay.

At the same time, international companies also suffered from the virus. The Maersk shipping company, based in Denmark, British advertising company WPP, the U.S. pharmaceutical giant Merck, and Russian company Rosneft reported having problems due to the virus. These companies primarily were infected as they had open VPN channels with their Ukrainian daughters or partners.

At the beginning of July, the M.E.Doc was raided by the Security Service of Ukraine, the Cyberpolice, and the prosecution office. The company's servers were confiscated to be analysed on the origin of the virus. At the same time, the criminal case against the company was opened. The Cyberpolice announced that Petya attack was a cover for massive intelligence-gathering operation on Ukrainian companies. Bad actors (presumably Russian) used compromised software updates to install backdoors in IT systems of Ukrainian companies and gather useful data.

The recent events indicated once again that companies do not invest enough funds and time into the information security and cyber security. For Ukrainian companies it seems particularly relevant given. The virus Petya used vulnerabilities known months before the hard hit; however, companies did not make proper conclusions. In the future the businesses and the government should allocate more time and financing for the network management. One of the decisions could be the separation of accounting network from other networks at the office space. Further segmentation is needed especially for larger companies. The stakeholders should also study the possibilities to save backups in the cloud or purchase larger servers for backups. The training of the staff on the cyber security issues becomes essential as well. The IT specialists at companies should be very qualified and have to be suitably compensated to ensure uninterrupted operation of companies that can be easily threatened by cyberattacks. The companies will also have to invest money into new official software as well as install regular updates of the antivirus programs.

[1] Later security companies analysed the code and found that it was based on earlier Petya ransomware but it is in fact is a disk wiper ie recovery of data was not possible. To differentiate it from original software it was identified by plethora of names stressing different nature of new version including notPetya, exPetr, PetrWrap, Diskcoder.C, Nyetya. Older designation of Petya.A was also used. Here we refer to it as simply Petya.

[2] https://goo.gl/bFCG3N

[3] http://blog.talosintelligence.com/2017/07/the-medoc-connection.html

Monthly Economic Monitor Ukraine

Politics: Two terrorist acts target the army and law enforcement

The war in Donbas. A car bomb in Kyiv killed Colonel Maksym Shapoval, an officer of the Ukrainian Defense Ministry's Main Intelligence Directorate. He was the commander of a covert reconnaissance division that collected evidence of Russia's military operations against Ukraine and conducted covert raids into the areas occupied by Russian-led separatists. Ukrainian authorities called this an act of terrorism, which could be carried out by Russian special services. Later in June, the Security Service of Ukraine Colonel Yuriy Vozny was killed when his car exploded over a mine in the Ukrainian-controlled part of Donetsk oblast. Three other SBU officers that were in this car were hospitalized with injuries.

The most recent attempt at ceasefire failed to stop the fighting and losses. In mid-June, Minsk Trilateral Contact Group reached a decision to begin a "harvest truce" so that the farmers who live near the front line could safely collect their crops. Nevertheless, combined Russian-separatist forces continued attacks on Ukrainian positions during the ceasefire period. 23 service members of the Ukrainian Armed Forces were killed in the war in June, including 5 during the "harvest ceasefire", and 123 service members were wounded, including 22 during the "harvest ceasefire".

Price regulations. The Cabinet of Ministers canceled the regulation of prices for a number of goods, mostly food items, and services starting from July 1, 2017. The pricing deregulation aims to reduce administrative pressure on businesses and eliminate the excessive state interference into economic processes, according to Ukrainian Government. It is also expected to develop competition in the food industry. In 2016, the Government canceled regulation of prices on several food items as an experiment, which did not trigger a significant growth of prices on the respective items.

The IMF. Prime Minister of Ukraine Volodymyr Hroisman said that Ukraine will likely receive the fifth installment of the loan from the IMF at around USD 1.9 bn in autumn of 2017 instead of summer. The reason for this is the delay in the adoption of laws on key reforms by Ukrainian Parliament. In June, the Parliament had not voted for the pension reform, while the land market reform and the anti-corruption court are not yet in place.

Real sector: Increase in real GDP in the first quarter

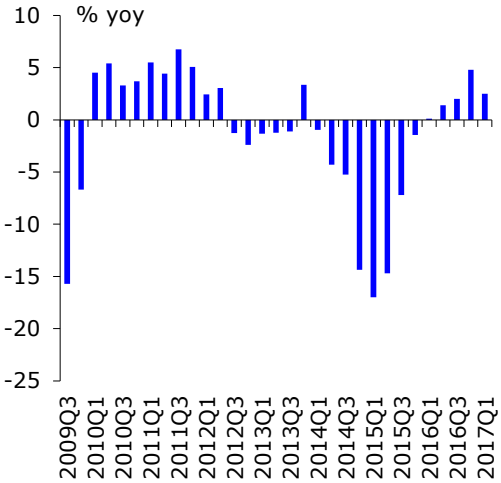
GDP. Real GDP in the first quarter of 2017 increased by 2.5% yoy (the growth was 4.8% yoy in the fourth quarter of 2016). However, according to the Ukrstat calculations, real GDP was by 0.3% lower than in the previous quarter on seasonally adjusted basis. Slower growth and quarter-to-quarter decline reflects primarily absence of boost from good and late harvest that contributed significantly to growth in last quarter of 2017.

The economic growth also decelerated due to the worsening in the extractive industry and electricity production explained by the ban of trade with non-government controlled areas (NGCA) of Donbas. Besides, in March some companies located at this territory were expropriated and, thus, stopped reporting to the Ukrstat. The contribution of agriculture to economic was also negative as sector's gross value added (GVA) declined by 0.7% yoy. The growth was supported by increase in real GVA in construction (at 21.3% yoy), trade (at 3.1% yoy), manufacturing (at 3.2% yoy), and transport (at 4.7% yoy).

On the demand side, the economic growth was supported by increase in real private final consumption at 2.8% yoy. Growth of gross fixed capital investments remained strong at 20.1% yoy. Real net exports contribution remained negative as real exports declined by 0.4% yoy, while real imports increased by 2.9% yoy.

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



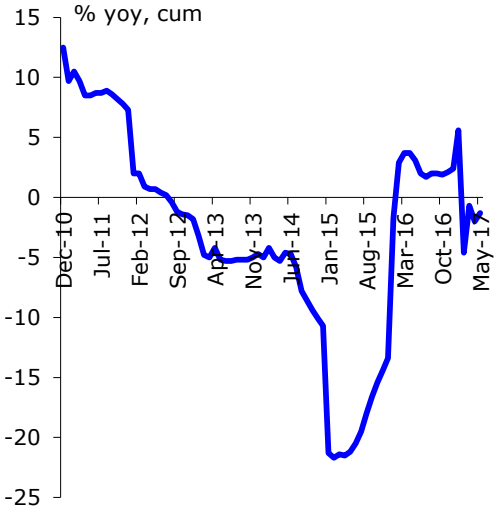
Source: Ukrstat

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Sectoral trends. Industrial production increased by 1.2% yoy in May after reduction at 6.1% yoy in April. This is partially attributed to the calendar effect (adjusted for number of working days there was 4.6% yoy decline in April and zero growth in May). Increase in construction (at 24.5% yoy) stimulated extraction and production of construction materials. Stable external and domestic demand (as well as increase in world sunflower oil prices) resulted in acceleration of food production growth to 10.7% yoy. Machine building increased by 14.7% yoy due to higher production of most product groups, including railway cars for Ukrzaliznytsia. At the same time, metallurgy output dropped by 8.0% yoy and chemical production declined by 1.1% yoy due to the loss of companies at the NGCA and broken supply links.

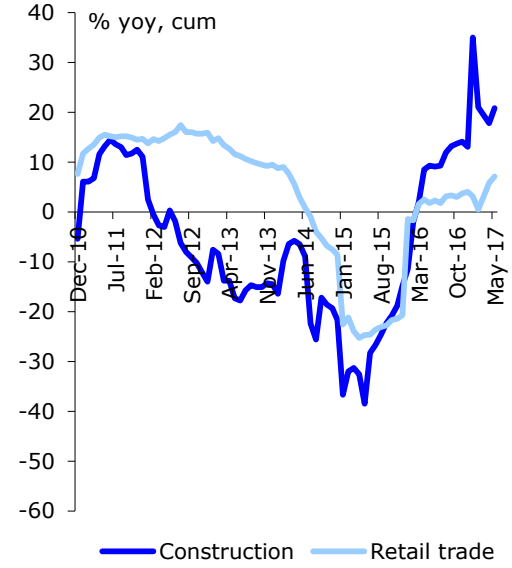
Retail sales increased by 10.7% yoy in May. This is likely to reflect higher disposable income and improved consumer sentiment.

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 creates the Energy Efficiency Fund

Regulation. On June 8, the Verkhovna Rada adopted the law "On the Energy Efficiency Fund" which envisages the creation of a special fund to finance thermal and energy modernization measures of the buildings in Ukraine. The Supervisory Board of the Fund will consist of two representatives of the Cabinet of Ministers, two independent experts, and a representative of the donors. The Fund will partially compensate costs of works on the increase of energy efficiency of the buildings. The Fund's activities are to be financed at the expense of central budget and international donors' contributions. In particular, the EU is expected to invest EUR 100 m into the Fund, according to the Vice-President of the European Commission Maroš Šefčovič.

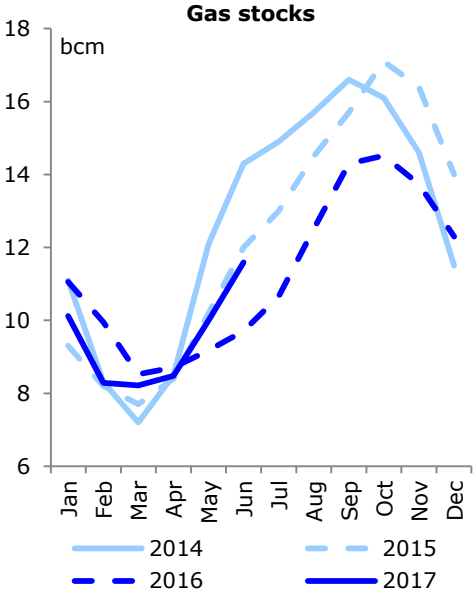
The mechanisms of attracting financing for the Energy Efficiency Fund are defined in another approved by the Parliament law "On energy efficiency of buildings". The law introduces obligatory certification of energy efficiency of buildings.

The approved law "On commercial accounting of utility services" introduces obligatory installation of meters for thermal energy, hot and cold water of all buildings connected to the grid. The meters have to be installed by service providers by October 1, 2018 (for housing) and by October 1, 2017 (for commercial buildings). Such measures are likely to increase efficiency of utility services, induce consumers to save energy and water.

Electricity. On June 28, Ukrainian electricity system operator Ukrenergo signed an agreement on the unification of the electrical system of Ukraine and Moldova with the 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). Currently, the Ukrenergo estimates that Ukrainian electricity system is ready for synchronization with ENTSO-E at only 15%.

Gas. Ukraine is actively pumping gas into its storages in preparation for the next heating season. Since March 22, the Ukrtransgaz increased gas in storage by 47.3% to 11.9 bn cubic meters. If Ukraine keeps the same pumping pace during the next four months, it will start the heating season with around 16 bn cubic meters of gas. For comparison, last year Ukraine started the heating season with 14.7 bn cubic meters of gas in storages.

Gas stocks



Source: Ministry of Energy

Agriculture: Grain harvest started in five oblasts

Production. In the first five months of 2017, the agricultural production declined by 0.9% yoy presumably due to lower milk production. Production of animals for slaughter and eggs remained close to the previous years' figures. As of June 1st, number of cows decreased by 2.4% yoy, while number of poultry increased by 1.4% yoy. Number of pigs decreased by 8.3% yoy; however, it increased by 4.7% since the beginning of the year. According to the Pig Producers Association of Ukraine, slow growth rates of pig production

(after decline due to the African Swine Fever) are explained by shortages of sows, number of which dropped by 20.5% yoy.

In June, early grain and leguminous crops harvesting started in five southern and central oblasts. In total, 313.9 thousand tons of crops were grinded in comparison to 1 m tons in the same period of 2016 due to colder summer. According to *Agropolit.com*, unfavourable weather conditions would lead to 15-20% losses of early grain and rapeseed.

Trade. Grain exports in 2016/2017 marketing year increased by 11% to new record level of 44.4 m t. Barley exports increased by 21.3% yoy, corn exports - by 18.9% yoy, wheat exports – by 3.5% yoy. At the same time, rye exports dropped by 38% yoy due to further decrease of area harvested likely explained by lower profitability in comparison to other grains and legumes.

Between January and May exports of butter was by 3.2 times higher than in the similar period of 2016, as country entered top 5 largest butter exporters in the world. According to the forecast of the Ukrainian Food Export Board, Ukrainian enterprises can increase butter export by other 50% by the end of this year in case of stable demand on the world market.

Policy. In the end of June, the Ministry of Agrarian Policy and Food announced that temporary additional trade preferences for the imports of Ukrainian agrarian and food products were approved by the EU Council. The tariff quotas for number of products were increased.

The Cabinet of Ministers abolished the State price regulation for several food products like flour, bread, cereals, meat, dairy, eggs etc. This decision is aimed to reduce administrative pressure on business and eliminate excessive state interference into economic processes, as well as promote competition and de-bureaucratization (deregulation) of pricing mechanism. It is not officially expected to push upwards prices for food products.

External sector: Imports keeps growing

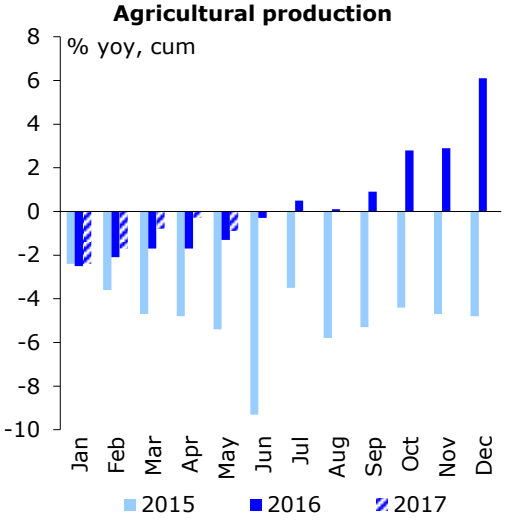
Current account. Current account deficit widened to USD 0.19 bn in May as merchandise trade deficit reached USD 0.69 bn, this year's highest value. Net inflow of remittances increased to USD 0.67 bn, while trade in services surplus reached USD 0.19 bn. Growing services exports (by 15% yoy) including IT services exports helped reduce the current account deficit. Net investment income payments remained almost unchanged at USD 0.36 bn.

Merchandise exports increased by 21% yoy in dollar terms. Growth was broad-based with most product groups posting substantial gains. Metallurgy exports increased by 19% yoy in dollar terms reflecting higher prices and gradual adjustment to stopped production in steel mills in Eastern Donbas (although export volumes were still lower than in 2016). Exports of agricultural products grew by 30% yoy including through diversification of exports geography and nomenclature.

Merchandise imports increased by 41% yoy, Imports of mineral products increased to USD 0.95 bn (or by 2.1 times yoy) as gas imports financed by IFIs continued and coal imports remained high. Imports of machinery and equipment increased by 48% yoy reflecting strong imports of agricultural machinery and imports of nuclear fuel (which is classed with machinery). Imports of other items grew by 18% yoy.

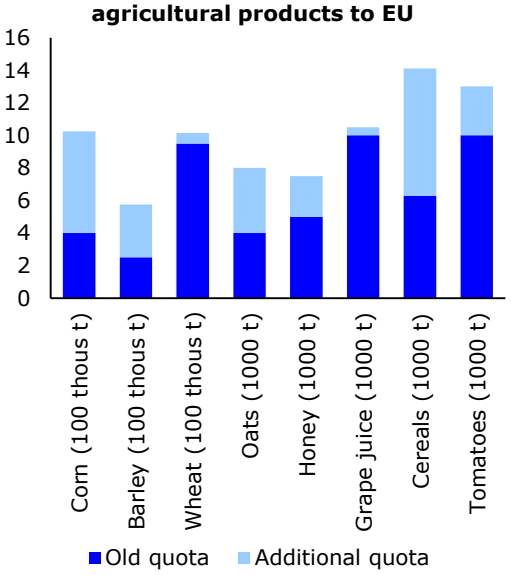
Financial account. Capital inflows under financial account reduced to USD 0.6 bn in May due to absence of government inflows. Net FDI inflows were also close to zero in May. Bank sector slightly increased external deposits posting USD 0.05 bn net outflow. Inflows of cash foreign currency to banks increased to USD 0.38 bn or highest value over 8 months. Trade loans to Ukrainian importers increased by USD 0.37 bn and real sector raised money by issuing debt securities

Agricultural production



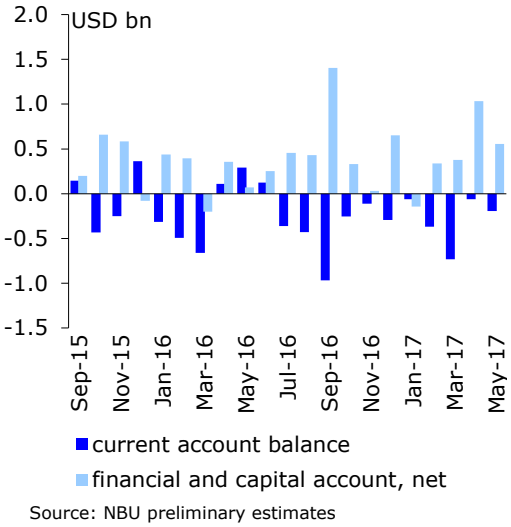
Source: Ukrstat

Tariff quota for exports of Ukrainian agricultural products to EU



Source: Ministry of Agrarian Policy and Food

Balance of payments



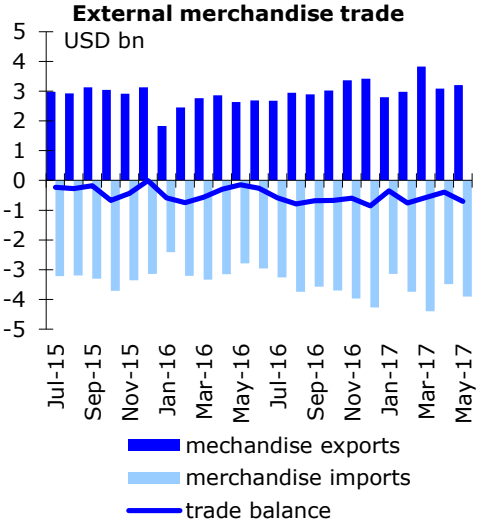
Source: NBU preliminary estimates

Fiscal policy: First steps towards MTEF

Budget resolution. The Government submitted to the Verkhovna Rada the Budget resolution for 2018-2020. The document defined major fiscal parameters for three years, including ceilings for expenditures of key spending units. It broadly defined the reforms and measures to be implemented within this period without defining the specific timeline for them. The document is to be approved by the Parliament in July and will be used for the drafting of 2018 budget due in September. This is the first time the Ministry of Finance elaborated the Budget resolution for medium term perspective, which follows the promises to move towards medium-term expenditure framework (MTEF) in the nearest future.

2017. According to the preliminary information of the State Treasury, in the first half of 2017 consolidated fiscal revenues remained at near 47% yoy. Net VAT revenues increased regardless surge in VAT refunds (by 57.7% yoy) due to higher consumption as well as elimination of special VAT scheme for agricultural companies. Higher wages stimulated increase in PIT revenues. Excise collections grew due to larger consumption and higher rates. The NBU transferred to the budget UAH 20.0 bn of profits as compared to zero last year.

External merchandise trade



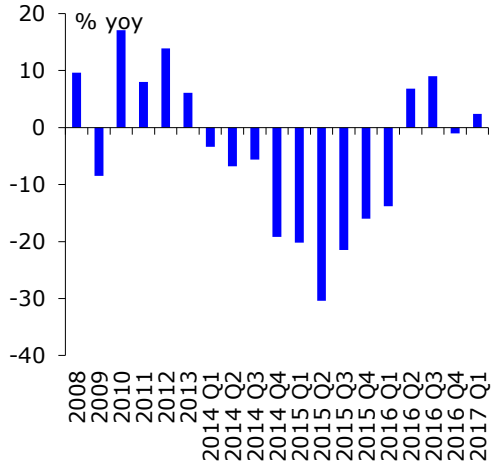
Source: NBU preliminary estimates

Social policy: Increase in real disposable income in the first quarter

In the first quarter of 2017, disposable income grew by 16.6% yoy in nominal terms and 2.4% yoy in real terms. This was primarily explained by increase in nominal wage income by 25.9% yoy against the background of doubled minimum wage since January 1, 2017. At the same time, wage income grew slower than average wage, which is explained by higher unemployment and the fact that some companies did not raise actual wage payments, but increased official payment. Therefore, this might indicate the de-shadowing of wages, which was one of the goals announced by the Government when increasing minimum wage.

Income from social assistance increased by 16.2% yoy due to increase in pensions and other social assistance payments. Weak increase in income from entrepreneurship activity and subsidiary farming (at 3.2% yoy) might be attributed to high competition at the market and low purchasing power of households. At the same time, decline in interest on deposits explains the reduction of income from property by 17.9% yoy.

Real disposable household incomes



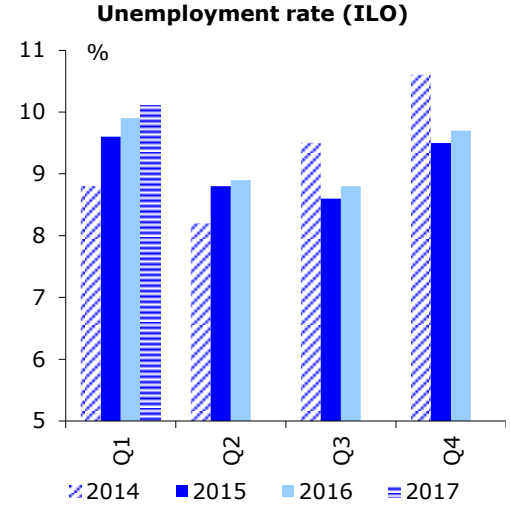
Source: Ukrstat

Labour market: Unemployment rate increased in the first quarter

Unemployment rate. Unemployment rate (ILO methodology) in the first quarter of 2017 reached 10.1% of economically active population of age 15-70 years as compared to 9.9% in the first quarter of 2016. This is the second quarter since 2002 that unemployment rate exceeded 10%, but the change from previous year was not statistically significant. Unemployment rate of men was higher than of women (11.5% and 8.5%, respectively).

Wage. Average wage growth in May accelerated to 37.2% yoy (from 36.0% yoy in April) due to higher wage increases in sectors that improved economic performance. As previously, minimum wage increase remains major factor for increased reported average wages in 2017. This may be why sectors with traditionally lower than average wages (agriculture, education, and healthcare) report record wage increases. Officially reported average wage increase is also partially explained by increase in part of wage, which is officially paid by employers to employees.

Unemployment rate (ILO)



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

Monetary policy: Inflation accelerated to 15.6% yoy in June

Consumer inflation accelerated to 15.6% yoy in June, the highest level since March 2016. Food price index increased by 15.0% yoy, another multi-month high. Prices for meat and milk products grew by 20-30% yoy due to higher costs and growing exports. Prices for early

fruit and vegetables jumped as compared to previous year due to limited harvest (by 29% yoy and 41% yoy). Tobacco prices increased by 44% yoy and utility and housing price index was up by 29% due to regulatory actions. Core inflation was 6.8% yoy as domestic demand remained sluggish and exchange rate volatility low.

The NBU maintained policy rate at 12.5% p.a. during scheduled meeting on July 6. The NBU monetary policy committee acknowledged that inflation was above its previous projections but remained convinced that its inflation forecast at 9.1% yoy in December 2017 is achievable. NBU's inflation target for 2017 seems almost out of reach as 2% increase in CPI in the second half of 2017 would be sufficient to bring inflation to double digits. Still, the NBU seems reluctant to increase the policy rate unless inflation pressure increases dramatically.

Exchange rate: Stable exchange rate in June

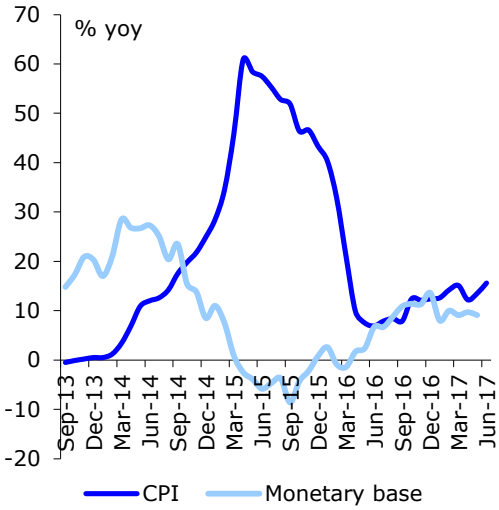
Interbank UAH/USD exchange rate traded closer to UAH 26 per USD in June as supply and demand factors remained balanced. Interbank market liquidity continued to improve gradually. Sales of cash foreign currency by banks at USD 433 m were highest since 2014 but purchases exceeded sales by USD 339 m. The NBU reduced net purchases of foreign currency to USD 300 m with total net purchases at USD 1.4 bn in the first half of 2017. NBU international reserves reached USD 18.0 bn as government operations were close to zero.

State debt: Domestic debt keeps growing

In June, the Ministry of Finance placed UAH 2.4 bn of state domestic bonds with weighted average yield at 14.5% p.a. compared to UAH 3.4 bn at the same yield in May. Two- and three-year bonds accounted for 22.2% and 61.0% of the total placement respectively.

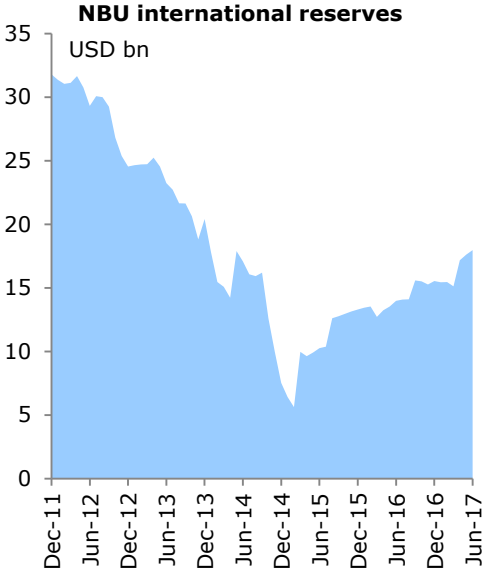
On June 23, the Cabinet of Ministers adopted a decision on additional capitalization of the PrivatBank at UAH 38.5 bn based on the E&Y audit conclusion about the bank's negative capital position and the NBU suggestion. First part of additional capital was injected into the PrivatBank in July (at UAH 22.5 bn). The rest is expected in November (at UAH 16.0 bn). The bonds will have maturity up to seventeen years with the yield up to 9.8% p.a. Since December 2016, PrivatBank has been already capitalized by UAH 116.8 bn.

CPI and monetary base development



Source: Ukrstat, NBU

NBU international reserves



Source: NBU

Tables

		Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Industrial production (real)	% yoy cum.	-20.0	-16.1	-13.0	4.5	2.6	2.5	2.8	2.3	2.5	2.5	2.4	2.6	2.8	5.6	0.4	-0.7	-2.0	-1.3	…
Construction (real)	% yoy cum.	-26.2	-20.9	-12.3	8.3	13.0	17.3	17.4	14.4	15.4	17.3	17.0	17.2	17.4	35.0	21.0	19.4	17.8	20.8	…
Agricultural production (real)	% yoy cum.	-9.3	-5.3	-4.8	-1.7	-0.3	0.9	6.1	0.5	0.1	0.9	2.8	2.9	6.1	-2.4	-1.7	-0.8	-0.3	-0.9	…
Retail trade turnover (real)	% yoy cum.	-24.6	-22.3	-20.7	1.6	2.3	3.3	4.0	2.4	3.1	3.3	3.0	3.7	4.0	3.1	0.5	3.1	5.8	7.1	…
Average wage	UAH	4113	4313	4753	4622	5072	5311	5744	5374	5202	5358	5350	5406	6475	6008	6209	6752	6659	6840	…
CPI	% yoy eop	57.5	51.9	43.3	20.9	6.9	7.9	12.4	7.9	8.4	7.9	12.4	12.1	12.4	12.6	14.2	15.1	12.2	13.5	15.6
PPI	% yoy eop	37.9	32.5	25.4	10.5	15.7	19.6	35.7	18.3	18.9	19.6	29.2	32.0	35.7	36.8	38.9	38.3	35.6	27.1	26.3
Exports (USD)*	% yoy cum.	-32.2	-29.8	-27.0	-16.4	-10.1	-8.0	-4.0	-9.9	-8.4	-8.0	-7.1	-5.1	-4.0	41.2	27.6	28.6	23.1	22.7	…
Imports (USD)*	% yoy cum.	-34.2	-31.8	-29.3	-10.9	-4.0	0.6	4.4	-2.9	-0.4	0.6	0.5	2.1	4.4	27.1	19.5	21.1	19.1	19.6	…
Trade balance*	USD bn cum.	-1.1	-1.2	-1.6	-2.3	-1.9	-4.1	-5.8	-2.7	-3.4	-4.1	-4.6	-5.0	-5.8	-0.2	-0.8	-1.2	-1.6	-1.6	…
Current account**	USD bn cum.	-0.1	0.1	-0.2	-1.5	-0.9	-2.8	-3.8	-1.4	-1.9	-2.8	-3.0	-3.1	-3.8	-0.1	-0.4	-1.2	-1.3	-1.1	…
Gross international reserves	USD bn eop	10.3	12.8	13.3	12.7	14.0	15.6	15.5	14.1	14.1	15.6	15.5	15.3	15.5	15.4	15.5	15.1	17.2	17.6	
Monetary Base	% yoy eop	-5.9	-8.6	0.8	-1.4	1.7	10.6	13.6	6.7	8.8	10.6	11.4	11.3	13.6	8.0	10.0	9.1	9.7	9.1	…
Lending rate on UAH credits	% pa, aop	23.1	21.1	20.7	20.0	20.9	17.3	14.7	18.0	17.0	16.8	14.2	13.7	16.1	15.9	15.5	15.8	15.3	15.2	…
Exchange rate (interbank)	USD aop	21.56	21.74	22.90	25.69	25.2	17.27	25.90	24.82	25.14	26.23	25.72	25.71	26.27	27.22	27.05	26.99	26.82	26.40	26.09
Exchange rate (official)	USD aop	21.62	21.69	22.33	25.68	25.3	25.40	25.67	24.82	25.65	26.28	25.76	25.70	25.55	27.15	27.03	27.00	26.86	26.42	26.11
Exchange rate (official)	EUR aop	23.93	24.69	24.91	28.34	28.6	25.58	28.18	27.49	28.65	29.47	28.45	27.78	28.29	28.80	28.81	28.82	28.77	29.16	29.26

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[c]	Q2 14[c]	Q3 14[c]	Q4 14[c]	Q1 15[c]	Q2 15[c]	Q3 15[c]	Q4 15[c]	Q1 16[c]	Q2 16[c]	Q3 16[c]	Q4 16[c]
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
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
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
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
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
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
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
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
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
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
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
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
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
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	0.8	-1.1	-8.4	2.6	-7.1	-3.4
Trade balance in goods	USD m	-5503	-6233	-4635	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1147	-496	-689	-1123	-1941	-685	-2147	-2235
Trade balance in services	USD m	2361	1578	1349	1504	2575	1066	937	443	456	686	604	418	309	420	286	308	108	507
Direct investment (FDI)**	USD m	2037	1876	1082	496	1510	991	-665	-319	725	558	397	907	890	818	1366	760	999	143
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added
** Inflow of FDI
[c] Data excludes Crimea, since 2015 data excludes pa

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