INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.6 (200), June 2017

EXECUTIVE SUMMARY

HIGHLIGHT: 200 MONTHS

Politics: In May, Ukraine received first favorable decisions in the Stockholm Arbitration Court on the gas dispute between Ukraine's state-run oil and gas company Naftogaz and Russian gas supplier Gazprom.

Real sector: According to the official baseline scenario real GDP is expected to increase by 1.8% in 2017, 3.0% in 2018, 3.6% in 2019, and 4.0% in 2020.

Energy sector: In May, the Cabinet of Ministers approved the ambitious plan of the reform and development of the coal industry till 2020.

Agriculture: The agricultural production in April declined by 0.3% yoy.

External sector: Current account deficit reduced to USD 0.15 bn in April as merchandise trade deficit dropped to USD 0.48 bn.

Fiscal policy: Between January and May consolidated fiscal revenues increased by 47.0% yoy due to higher tax and non-tax revenues.

Social policy: The Government presented the draft law on the pension reform that includes steps towards streamlining the solidarity pillar of the pension system.

Labour market: Average wage in April grew by 36.0% yoy in nominal terms and by 20.7% yoy in real terms due to increase in minimum wage.

Monetary policy: Consumer inflation increased to 13.5% yoy in May reflecting high statistical base.

Exchange rate: Interbank UAH/USD exchange rate continued to drift back to UAH 26 per USD as export revenues increased in May.

State debt: Between January and April state debt grew by 4.7% in the US dollar equivalent.

Highlight of the month: 200 months

200 MONTHS OF UKRAINE'S LIFE: UPS, DOWNS, AND CHALLENGES

We are happy to introduce the 200th issue of the IER Monthly Economic Monitor Ukraine. This means that we have presented short analysis of economic life of Ukraine for last 200 months. The first issue of the MEMU was issued in October 2000. During these months Ukraine's economy went through some ups and downs. We try to list some of them.

- During 2000-2017, Ukraine had 4 Presidents. Two Presidents were elected after revolutions: Orange revolution (in 2004) and Revolution of Dignity (in 2013-2014). There were 6 convocations of the Verkhovna Rada and 12 Cabinet of Ministers. Such political instability was often named as one of the major impediments for business development in Ukraine.
- 2000 was the first year of economic growth since Ukraine gained independence in 1991. It was ensured by successful reforms and improved external demand. The growth continued to 2008 with average real GDP growth rate during these 9 years of 6.9%. However, in the end of 2008 conditions on key external markets worsened battering Ukrainian exports, while decline in real income and hryvnya depreciation undermined purchasing power of households. In 2009, real GDP dropped by 15.1% after collapse in investment spending. Economy started recovering in 2010 and 2011 due to improved external and domestic demand. However, recession returned in the second half of 2012. Recession turned into depression in 2014 and 2015 due to military conflict in the Eastern Donbas and the annexation of Crimea by Russia. Macroeconomic stabilization was reached again in 2016 with the real GDP growth of 2.3%.
- Between October 2000 and May 2017, consumer prices in Ukraine surged by 11 times. This corresponds to average annual price increase at 15.6%. Hryvnia depreciation from UAH 5.44 per USD in the end of 2000 to UAH 26.42 per USD in May 2017 was one of the contributors to inflation as the share of imported consumption and investment goods is high.
- Ukraine substantially increased its participation in trade agreements. In May 2008, Ukraine became a member of the WTO after 15 years of negotiations. Ukraine and the EU started negotiations on the new enhanced cooperation agreement in March 2007. The Association Agreement between Ukraine and the EU that envisaged the creation of the deep and comprehensive free trade area (DCFTA) was signed in 2014 (political part in March and economic part in June); the DCFTA part of the Agreement was provisionally applied in January 2016. Ukraine also signed and ratified the FTAs with CIS, Canada, Montenegro, Macedonia, and Moldova.
- In 2017 as well as in 2000 Ukraine has the IMF support in the framework of the extended fund facility (EFF). In between Ukraine had four SBAs, which completed prematurely or were replaced by new arrangement (usually after the first review of the program) due to the lack of political will to implement all required policy measures. Still, the IMF remains one of the largest pushing factors for reforms in the country. The macrofinancial assistance by the EU and DPLs of the World Bank also stimulate the Government to continue reforms. Now, the Association Agreement with the EU might be considered as a longer-term roadmap for reforms.
- Overall, 2000 was marked by the essential reforms aimed at reducing tax fraud, cutting state capture in energy sector, recovering privatization of state-owned companies, streamlining fiscal policies, restructuring coal mines, and establishing social security system. The Government succeeded in a degree of international trade liberalization in the following years. But by 2014 substantial universal energy subsidies were provided in the form of discounted heating and electricity tariffs for population, which created room for state capture. Some large companies, whose privatization was discussed already in 2000, were sold (e.g. Kryvorizhstal, Ukrtelecom, oblenergos, etc.); however, many companies still remain in the state ownership, which often results in their inefficiency and state capture. The Government has not yet either privatised or created the consortium for the management of the gas transporting system, which was debated already in 2000.
- The Ukrainian authorities intensified reforms efforts only in 2015 and 2016 due to tremendous challenges they faced. Deregulation and public procurement reform (the implementation of the e-procurements on the basis of Prozorro) were among the largest successes. The Government has finally reduced energy subsidies. The NBU has started shifting its monetary policy to inflation targeting after the decade of discourse. The banking sector became sounder, as problem banks were taken out of the market. The Government also introduced fiscal consolidation measures and improved tax administration. There are now high chances that the healthcare will be reformed, as this sector remains the one without changes since Soviet Union times.
- Land market reform was high in the agenda in 2000 and is in the agenda now as the sale of agricultural land sale is still prohibited. Social welfare remains inefficient due to low targeting to the poorest households. While in 2000, the Government had only two Ukreximbank and Oschadbank and announced plans on the way of the privatization of the former, currently there are six banks (including Ukreximbank and Oschadbank) in state ownership and no real strategy for their privatization.

Overall, Ukraine faced many challenges during 2000 and 2017. However, they made the country somewhat stronger and more prosperous as the authorities had to implement reforms to survive. International partners have played the essential role as pushers for reforms. However, GDP per capita still remains very low as compared to neighboring countries, which urges for further reforms aimed at better welfare, higher efficiency, lower state capture and smaller corruption.

Monthly Economic Monitor Ukraine

Politics: Ukraine's successes with gas dispute and the EU relations come amid losses in the war

Gas dispute. In May, Ukraine received first favorable decisions in the Stockholm Arbitration Court on the gas dispute between Ukraine's state-run oil and gas company Naftogaz and Russian gas supplier Gazprom. In 2014, the Naftogaz and the Gazprom filed claims and counterclaims regarding the contracts that amounted to billions of US dollars. The total amount of claims from the Naftogaz lawsuit against the Gazprom is USD 42.5 bn, including the reimbursement of overpayments at USD 30.3 bn. The Gazprom wanted the Naftogaz to pay USD 47.1 bn for the gas that Ukraine did not receive.

In May, the Arbitration Institute of the Stockholm Chamber of Commerce ruled in favour of the company Naftogaz in the dispute with Russian gas supplier Gazprom over the take-or-pay gas contracts. The take-or-pay clause that was signed in 2009 required Ukraine to pay for a particular amount of Russian gas whether it was used or not. From now on, the contract between the Nafogaz and the Gazprom will not contain this clause anymore. The court decision also abolished the ban on re-exporting Russian gas.

However, the court ruling is not final. The concluding decision that will specify monetary awards is expected to be reached by the court in June. Additionally, the same court currently reviews another dispute between the Naftogaz and Gazprom regarding gas transit.

The current victory is expected to help Ukraine reduce further its energy dependence on Russia. Since November 2015, Ukraine has not bought gas directly from Russia. Instead, the country purchased gas from the EU and used its own supplies. The gas price for Ukraine will be tied to the prices in European gas hubs.

The war in Donbas. The escalation of the military conflict in the Eastern Ukraine continued in May and led to losses of lives for civilians and military personnel. 10 service members of the Ukrainian Armed Forces were killed in the war and 136 service members were wounded. Four civilians died from the attack of combined Russian-separatist forces on the town of Avdiivka in Donetsk oblast in mid-May. According to the OSCE SMM status report, from the beginning of 2017, there have been 233 civilian casualties in eastern Ukraine, including 44 fatalities.

Ukraine-EU relations. In May, the EU Council approved visa-free travel for the citizens of Ukraine. Ukrainian holders of biometric passports will not require a visa to stay for 90 days in any 180-day period in the countries of the Schengen Area. To achieve this, Ukraine had to meet legal and practical milestones in the areas of document security, migration, human rights, and anti-corruption institutions. However, according to the suspension mechanism adopted by the EU in 2017, visa liberalization may be suspended by the EU in case of significant migration or security issues with Ukraine. Visa liberalization enters force on June 11, 2017.

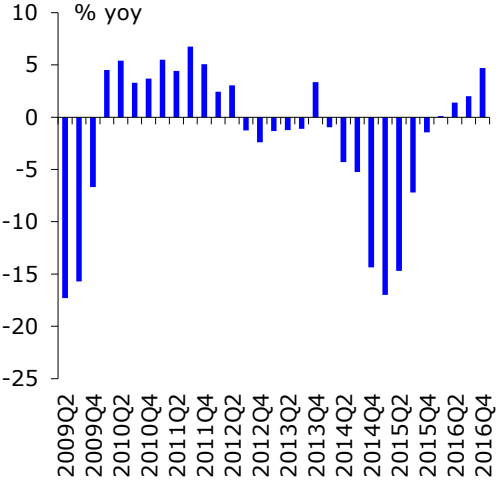
Meanwhile, the Senate of the Kingdom of Netherlands ratified the EU-Ukraine Association Agreement, ending a year-long process of political debates and popular voting. After the EU finalizes the procedures for the conclusion of the Agreement, the Agreement will enter into full capacity.

Resignations of government ministers. Two ministers of Ukrainian Government – Minister of Agriculture Taras Kutovyy and Minister of Information Policy Yuriy Stets – resigned in May in the midst of ongoing public discussion of significant issues in their respective areas. In May, Ukrainian Parliament did not support a bill that would allow drafting a roadmap for the agricultural land market in Ukraine. The land market reform is the conditionality for the provision of another tranche of the IMF loan.

In May, debates about information policy and security unfolded as Ukraine introduced sanctions against multiple Russian companies and

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

Institute for Economic Research
and Policy Consulting
Reytarska 8/5-A, 01034 Kyiv
Fax (+38044) 278-6336
E-mail: institute@ier.kiev.ua
http://www.ier.com.ua

blocked a number of Russian websites, including search engines and social networks. Ukrainian security authorities accused several sanctioned Russian web companies in illegal storing and transmitting of personal data of Ukrainian citizens.

Ukrainian Parliament has yet to approve the resignations of the ministers.

Real sector: The medium term macroeconomic forecast was approved

Forecast. In May, the Cabinet of Ministers approved the macroeconomic forecast for 2018-2020, which is used in budget and other policy planning. 2017 forecast was also revised with GDP growth now projected at 1.8%

Three scenarios were developed. The optimistic and baseline scenarios assume implementation of reforms defined in the Government strategy until 2020. Optimistic scenario assumes that these reforms give bigger boost to business sentiment and job creation. According to the baseline scenario real GDP is expected to increase by 3.0% in 2018, 3.6% in 2019, and 4.0% in 2020, while the real GDP growth under optimistic scenario is estimated at 4% in the first two years and 5% in 2020. The pessimistic scenario assumes less favourable external conditions (resulting in lower external demand and lower capital inflows) which would result in growth of 1.2% in 2018, 1.0% in 2019, and 1.7% in 2020.

Sectoral trends. Decline in industrial production accelerated to 6.1% yoy in April from 2.7% yoy in March. Coal extraction dropped by 23.6% yoy (due to loss of seized mines in Eastern Donbas) and iron ore extraction reduced by 4.4% yoy primarily due to the suspension of trade with the Eastern Donbas controlled by Russian-backed separatists. As a result, coke production and metallurgy production dropped by 4.3% yoy and 10.7% yoy, respectively. Machine building declined by 0.8% yoy as the drop in the production of freight carrs and machines for metallurgy and agriculture was counterweighted by higher production of electronic equipment. Energy production dropped by 17.8% yoy. Food production increased by 5% yoy due to stable demand.

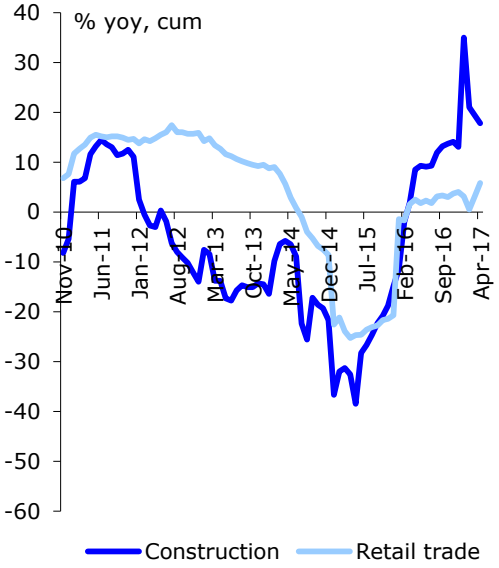
Retail sales increased by 6.1% yoy in April. This is likely to reflect higher disposable income. Construction grew by 7.4% due to growth of commercial construction and increase in financing of infrastructural projects. At the same time, residential construction dropped by 7.9% yoy.

Energy: Another attempt to reform the coal industry

Coal. On May 24, the Cabinet of Ministers adopted the Concept of Reform and Development of the Coal Industry till 2020. The Concept envisages full replacement of thermal coal by the gas coal for all thermal power plants (TPPs) of Ukraine. The Concept also aims to make the state coal mines profitable. By the end of 2017, the Ministry of Energy hopes to bring 70% of state coal mines to the cost-covering level and even make half of them profitable. This will be done by privatizing some mines and closing those that can never work without the state support, making layoffs of the managerial staff, selling non-core assets, and decreasing the production costs. The Concept is an ambitious plan but these changes for Ukraine are long overdue.

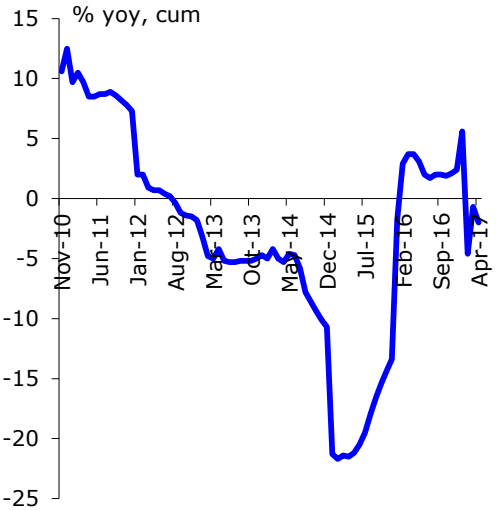
Electricity. On May 16, the Ukrenergo and the Elia Grid International, international division of the Elia Group (Belgium-Germany), signed the partnership memorandum on synchronization of the Integrated Power System of Ukraine with ENTSO-E (synchronized electricity zone of the continental Europe). The partners will determine the requirements for the accession to ENTSO-E, write a practical guide for the system operator, and implement a code of the electricity network. Connecting to the ENTSO-E will help to develop the electricity market and attract investments into Ukrainian electricity infrastructure.

Real sector trends



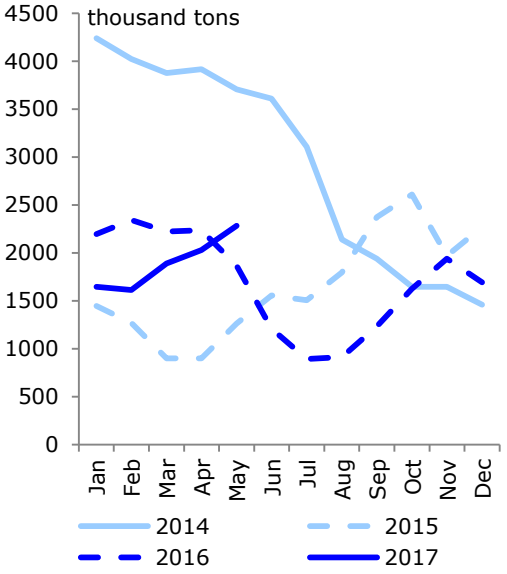
Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Industrial output



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

Coal stocks at TPPs



Source: Ministry of Energy, Ukrenergo

Agriculture: Grain exports reached a new record

Production. The agricultural production in April declined by 0.3% yoy. Production of frozen pork meat surged by 38% yoy likely due to low statistical base. Higher domestic and external demand resulted in growth of poultry meat production by 31.9% yoy. Beef production decreased by 20.5% yoy due to comparatively low investment returns and high investments required into the development of beef and dairy production.

The Ministry of Agrarian Policy and Food (MAPF) downgraded its forecast of fruits, berries and grape harvest by 29% due to May frosts. According to "UkrAgroConsult", grains harvest forecast is expected to be by 7.7% lower than in the previous year - 60.9 m compared with 65.22 m tons respectively.

Trade. In April, the MAPF reported that Ukraine has fully used annual tariff quotas on six goods to the EU: namely, grape and apple juices, corn, cereals and flour, processed tomatoes, sugar and honey. Already in May, the negotiations between Ukraine and the EU ended with the decision of the Committee on International Trade of the European Parliament to expand existing tariff quotas, except for processed tomatoes and wheat.

As of May 31, 2017, grain exports of marketing year 2016/2017 reached a new record 40.7 m tons, which is by 1.7 m tons more than grain exports in the entire 2015/2016 marketing year. Increase in exports of barley by 20.5% to 5.3 m tons was the major contributor to this growth. Overall, by May Ukraine exported 16.7 m tons of wheat, 5.4 m tons of rye, and 18.6 m tons of corn.

Policy. In May, the Parliament approved the Law "On State Control over Compliance with Food Legislation, Feed, Animal by-Products, Animal Health and Welfare". This Law is a significant step in reforming the system of State control over food safety. This regulation was one of the Ukraine's liabilities envisaged in the Association Agreement with the EU. The implementation of new food safety standards is expected to facilitate access of Ukrainian agricultural producers to the EU market. It would also benefit domestic customers by the provision of higher quality products.

External sector: Moderate effect of Donbas trade suspension

Current account. Current account deficit reduced to USD 0.15 bn in April as merchandise trade deficit dropped to USD 0.48 bn. Net inflow of remittances decreased slightly to USD 0.58 bn, while trade in services surplus was USD 0.12 bn.

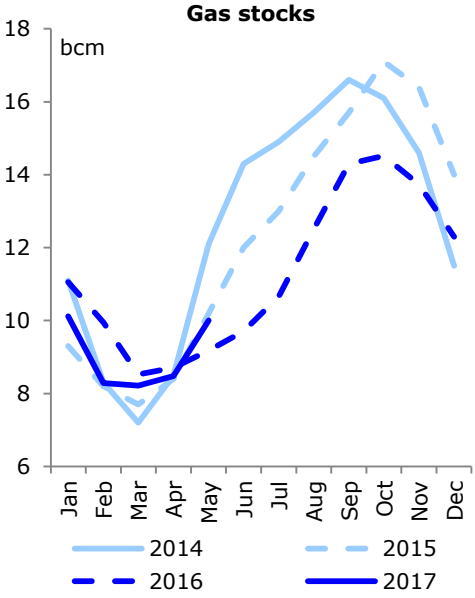
Merchandise exports increased by 7% yoy in dollar terms in April which was much slower than first quarter growth. This reflected higher statistical base and effects of suspension of transport flows with the Eastern Donbas.

Metallurgy exports dropped by 7% yoy in dollar terms and by over 40% yoy in volume as plants in uncontrolled area stopped exports and supply of coking coal to controlled part of Ukraine. Exports of mineral products including iron ore remained high at USD 0.33 bn as exports volumes continued to increase. Exports of agricultural products increased by 15% yoy but was lower than record volumes in March.

Imports of mineral products was up by 62% yoy as natural gas imports grew from low statistical base and coal imports increased to replace coal supplies from Donbas. Imports of machinery and equipment increased by 20% yoy as investment demand remained robust, but it was lower by 21% than March multi-year high. Imports of other items was lower by 1% yoy likely reflecting impact of trade suspension.

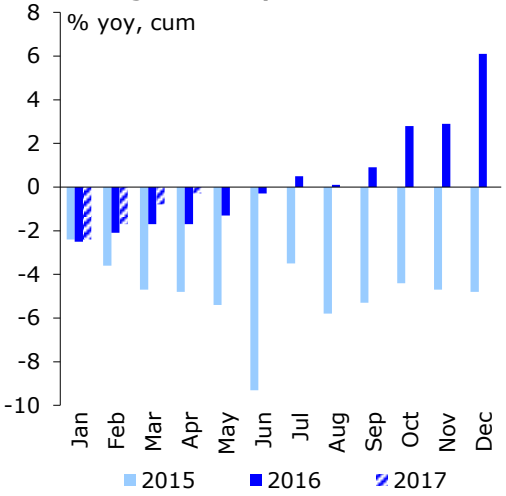
Overall trade suspension with Donbas had an expected effect. Reduced steel exports and increased coal imports was offset in part by higher iron ore exports and lower imports of intermediate goods. Size of this effect seems to be moderate and there are signs that it reduced in May with metallurgy exports recovering to a degree.

Gas stocks



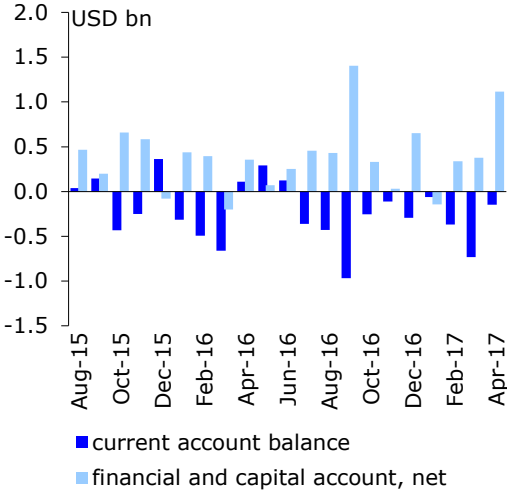
Source: Ministry of Energy

Agricultural production



Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

Financial account. Capital inflows under financial account increased to USD 1.1 bn in April. Net FDI inflows remained very low totalling USD 190 m over four months of 2017. The Government received USD 0.6 bn in macro-financial assistance from the EU. Bank sector repaid some of the deposits to non-resident depositors leading to USD 0.2 bn outflow. Depreciation expectations remained low with inflows of cash foreign currency to banks at USD 0.27 bn. Trade loans to Ukrainian importers continued to increase but at a slower pace in previous months. Debt flows of real sector excluding trade loans were also positive at USD 0.13 bn.

Fiscal policy: Rapid growth of revenues due to one-time inflows

2017. According to the preliminary information of the State Treasury, in the first five months of 2017 consolidated fiscal revenues increased by 47.0% yoy due to higher tax and non-tax revenues. Tax revenues increased by 27.6% yoy due to higher collection of major taxes. Increase in average wage resulted in higher collections of PIT. Improved financial results and better enforcement likely contributed to higher EPT revenues. Increase in consumption explain increase in collection of VAT and excise duties. VAT refunds increased by 32.9% yoy due to increase in exports as well as better administration of refunds. At the same time, non-tax revenues surged due to the transfer of the NBU profit at UAH 15.0 bn (zero in the same period of 2016) and inflow of funds from special confiscation at UAH 29.7 bn.

Increase in average wage also resulted in growth of revenues from the single social contribution by 33.7% yoy. As a result, the Pension Fund's revenues are higher than planned and the Government has started discussions on possible increase in minimum pensions earlier than previously planned.

Social policy: Pension reform announced

The Government presented the draft law on the pension reform, which is to be implemented by the end of 2017. The reform includes steps towards streamlining the solidarity pillar of the pension system. The introduction of compulsory accumulative pillar of the pension system has remained currently out of the scope of suggested measures due to high deficit of the Pension Fund.

The necessary number of years with paid social contributions to receive pensions starting from 60 years of age will be gradually increased from 15 years to 35 years. Individuals with lower working record will be able to get pension from 63 years old.

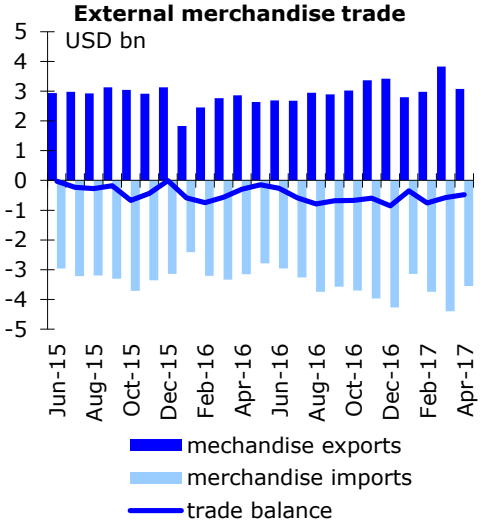
The Government also suggests increasing the average wage level, which is used in pension calculation according to the formula defined in the Pension Law. Average wage for pension purposes was previously fixed for several years. This is expected to result in higher pensions for some of the current pensioners and reduce differences in pensions for pensioners that had similar wage levels but retired in different years. At the same time, the pensions for new pensioners might decline as the Government plans to reduce "replacement" coefficient in the pension formula from 1.35 to 1.

Overall, suggested steps are likely to decelerate the growth of the Pension Fund's expenditures in the medium and longer run.

Labour market: Average wages continue growing

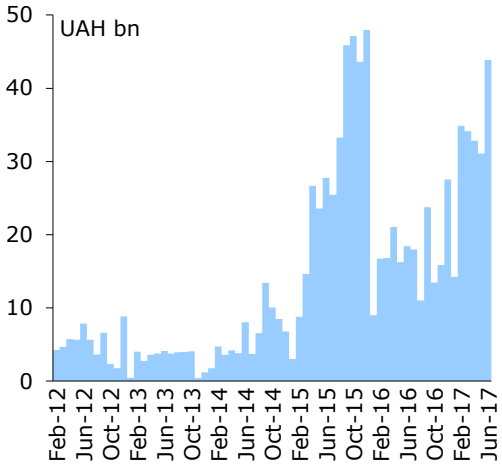
Average wage in April grew by 36.0% yoy in nominal terms and by 20.7% yoy in real terms due to increase in minimum wage since January from UAH 1600 to UAH 3200. Increase in average wage in state administration and defence by 47.4% yoy is also attributed to the changes in remuneration of civil servants due to the partial implementation of new law on Civil service. Increase in minimum wage and in increase in base salary of the Unified tariff scale for public employees resulted in growth of average wage in education and healthcare grew by 60.7% yoy and 53.7% yoy, respectively. Still, wages in healthcare and education remained by 28.4% and 18.9%, respectively, lower than average. Wages in agriculture grew by 49.3% yoy. Wage growth in industry decelerated to 26.0% yoy.

External merchandise trade



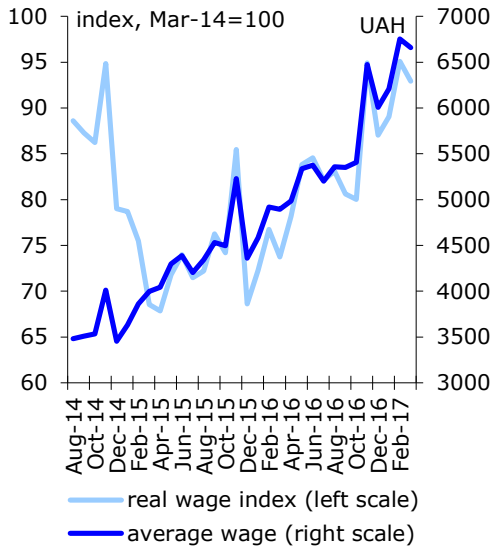
Source: NBU preliminary estimates

Balance of the Single Treasury Account



* in the beginning of month
Source: State Treasury

Average wage*



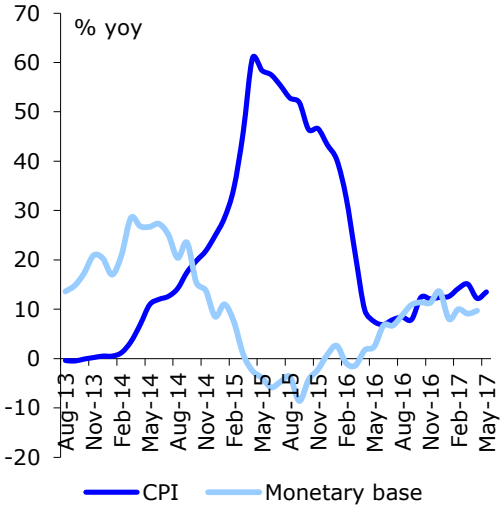
*not including AR Crimea
Source: Ukrstat

Monetary policy: Inflation accelerated to 13.5% yoy in May

Consumer inflation increased to 13.5% yoy in May as food price index accelerated to 10.6% yoy. Prices for milk products remained high, meat prices started growing faster and prices for new fruit and vegetables are significantly higher than a year before. This reflected poor harvest for early fruit and vegetables, high global prices and growing labour costs in agriculture and food industry. Regulated prices for water and housing maintenance continued to increase as utilities requested higher prices. Monthly core inflation was 0.3% mom as domestic demand growth remained slow and exchange rate appreciated slightly.

The NBU reduced policy rate from 13% p.a. to 12.5% p.a. during scheduled meeting on May 25. The NBU acknowledged growing inflation risks from growing food prices and planned increase in pensions. It seems to believe that inflation remains on track to reach the target (6-10% yoy in December) despite several months of significant CPI increases. However, the NBU signaled that there will be no further policy rate decreases this year unless inflation risks decrease over the next months.

CPI and monetary base development



Source: Ukrstat, NBU

Exchange rate: Hryvnia strengthened slightly in May

Interbank UAH/USD exchange rate continued to drift back to UAH 26 per USD as export revenues increased in May. The NBU increased purchases of foreign currency to USD 525 m and NBU purchases exceeded USD 1 bn between March and May. Turnover of cash foreign currency market continued to increase as the NBU relaxed restrictions on cash FX sales. Still, banks purchased much more cash foreign currency than sold with net purchases over USD 449 m in May.

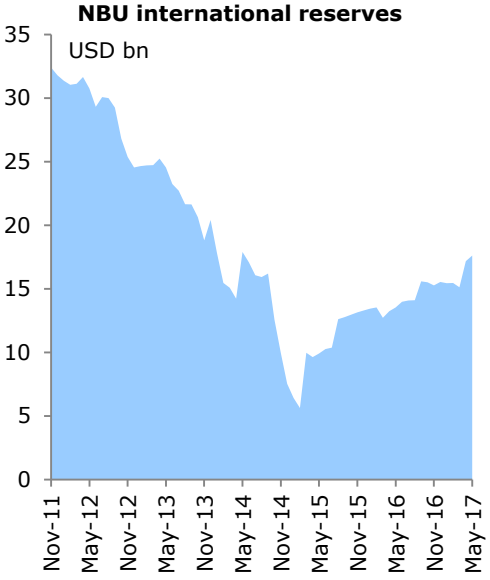
State debt: State debt grew since the beginning of 2017

Debt. According to the Ministry of Finance, between January and April state debt grew by 4.7% in the US dollar equivalent (to USD 74.3 bn) and by 2.2% in hryvnia equivalent (to UAH 1 973 bn). Domestic debt increased by 3.2% in hryvnia equivalent primarily due to special bond issues for the recapitalization of the PrivatBank, the Oshchadbank, and the Ukreximbank. Its share in the total debt grew insignificantly by 0.4 p.p. to 36.1% f. External debt increased by by 4.2% 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. The share of hryvnia-denominated debt remained almost unchanged (30.8% of total state debt), which means high debt vulnerability to exchange rate shocks.

Domestic debt. In May, the Ministry of Finance placed UAH 3.4 bn of state domestic bonds with weighted average yield at 14.5% p.a. Two-year bonds accounted for 51.6% of the total placement. The Government generated USD 38.1 m from the issue of three-year USD-denominated bonds (at 5.5% p.a.).

Debt management. In late May, the Cabinet of Ministers approved a Resolution on future reprofiling of the NBU portfolio via exchange of government bonds in the ownership of the NBU (near 120 issues worth of UAH 222 bn) for new bonds (40 new issues of UAH 229 bn with maturities in 2025-2047). The new bonds will have a floating yield at the level of inflation plus 150 bp. The rest of the bonds in the NBU portfolio (near UAH 155 bn) will remain unchanged. The implementation of this decision is aimed at reducing burden of debt repayments over next several years with peak FX debt repayments.

NBU international reserves



Source: NBU

Tables

		Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Industrial production (real)	% yoy cum.	-20.0	-16.1	-13.0	4.5	2.6	2.5	2.8	2.6	2.3	2.5	2.5	2.4	2.6	2.8	5.6	0.4	-0.7	-2.0	...
Construction (real)	% yoy cum.	-26.2	-20.9	-12.3	8.3	13.0	17.3	17.4	13.0	14.4	15.4	17.3	17.0	17.2	17.4	35.0	21.0	19.4	17.8	...
Agricultural production (real)	% yoy cum.	-9.3	-5.3	-4.8	-1.7	-0.3	0.9	6.1	-0.3	0.5	0.1	0.9	2.8	2.9	6.1	-2.4	-1.7	-0.8	-0.3	...
Retail trade turnover (real)	% yoy cum.	-24.6	-22.3	-20.7	1.6	2.3	3.3	4.0	2.3	2.4	3.1	3.3	3.0	3.7	4.0	3.1	0.5	3.1	5.8	...
Average wage	UAH	4113	4313	4753	4622	5072	5311	5744	5337	5374	5202	5358	5350	5406	6475	6008	6209	6752	6659	...
CPI	% yoy eop	57.5	51.9	43.3	20.9	6.9	7.9	12.4	6.9	7.9	8.4	7.9	12.4	12.1	12.4	12.6	14.2	15.1	12.2	13.5
PPI	% yoy eop	37.9	32.5	25.4	10.5	15.7	19.6	35.7	15.7	18.3	18.9	19.6	29.2	32.0	35.7	36.8	38.9	38.3	35.6	27.1
Exports (USD)*	% yoy cum.	-32.2	-29.8	-27.0	-16.4	-10.1	-8.0	-4.0	-10.1	-9.9	-8.4	-8.0	-7.1	-5.1	-4.0	41.2	27.6	28.6	23.1	...
Imports (USD)*	% yoy cum.	-34.2	-31.8	-29.3	-10.9	-4.0	0.6	4.4	-4.0	-2.9	-0.4	0.6	0.5	2.1	4.4	27.1	19.5	21.1	19.1	...
Trade balance*	USD bn cum.	-1.1	-1.2	-1.6	-2.3	-1.9	-4.1	-5.8	-2.0	-2.7	-3.4	-4.1	-4.6	-5.0	-5.8	-0.2	-0.8	-1.2	-1.6	...
Current account**	USD bn cum.	-0.1	0.1	-0.2	-1.5	-0.9	-2.8	-3.8	-0.9	-1.4	-1.9	-2.8	-3.0	-3.1	-3.8	-0.1	-0.4	-1.2	-1.3	...
Gross international reserves	USD bn eop	10.3	12.8	13.3	12.7	14.0	15.6	15.5	14.0	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	6.7	8.8	10.6	11.4	11.3	13.6	8.0	10.0	9.1	9.7	...
Lending rate on UAH credits	% pa, aop	23.1	21.1	20.7	20.0	20.9	17.3	14.7	20.6	18.0	17.0	16.8	14.2	13.7	16.1	15.9	15.5	15.8	15.3	...
Exchange rate (interbank)	USD aop	21.56	21.74	22.90	25.69	25.2	17.27	25.90	24.93	24.82	25.14	26.23	25.72	25.71	26.27	27.22	27.05	26.99	26.82	26.40
Exchange rate (official)	USD aop	21.62	21.69	22.33	25.68	25.3	25.40	25.67	24.95	24.82	25.65	26.28	25.76	25.70	25.55	27.15	27.03	27.00	26.86	26.42
Exchange rate (official)	EUR aop	23.93	24.69	24.91	28.34	28.6	25.58	28.18	28.09	27.49	28.65	29.47	28.45	27.78	28.29	28.80	28.81	28.82	28.77	29.16

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

Contact information:

Institute for Economic Research
and Policy Consulting
Reytarska St. 8/5-A, 01030 Kyiv
Tel. (+38044) 278-6342
Fax (+38044) 278-6336
E-mail: institute@ier.kiev.ua
http://www.ier.com.ua

Head of the Board-Director

Igor Burakovsky
burakovsky@ier.kiev.ua

Chief Executive

Oksana Kuziakiv
kuziakiv@ier.kiev.ua

Academic Director

Veronika Movchan
movchan@ier.kiev.ua

Centre for Economic Studies

Oleksandra Betliy
betliy@ier.kiev.ua

Vitaliy Kravchuk
Kravchyk@ier.kiev.ua

Iryna Kosse
kosse@ier.kiev.ua

Kateryna Furmanets
furmanets@ier.kiev.ua

Olha Krasovska
krasovska@ier.kiev.ua

Anna Kharchenko
kharchenko@ier.kiev.ua

Yevhen Anhel
anhel@ier.kiev.ua

Oleksandr Krinitsyn
krinitsyn@ier.kiev.ua

Andrii Butin
butin@ier.kiev.ua

Center for Contemporary Society Studies

Iryna Fedets
fedets@ier.kiev.ua

Victoria Bespalko
bespalko@ier.kiev.ua

Nataliia Freik
freik@ier.kiev.ua

German-Ukrainian Agricultural Policy Dialogue

Mariya Yaroshko
yaroshko@apd-ukraine.de

Anastasiia Pylaieva
pylaieva@apd-ukraine.de

Mariya Bogonos
bogonos@apd-ukraine.de

Disclaimer

The Monthly Economic Monitor of Ukraine has been prepared by the Institute for Economic Research and Policy Consulting for informational purposes only. All judgments in this report reflect authors' point of view as of date publication and can be changed without notice. Although we used our best efforts in preparing this publication, we make no guarantees as to its accurateness. The IER does not take any responsibility for any losses or other problems that directly or indirectly resulted from the use of any part of this publication. Reproduction without prior permission is prohibited; when quoting please cite Institute for Economic Research and Policy Consulting.