Monthly Economic Monitor Ukraine

No.5 (199), May 2017

EXECUTIVE SUMMARY

HIGHLIGHT: CUSTOM REFORM

Politics: The decision of the United Nations International Court of Justice in April requires the introduction of measures to protect the rights of Ukrainians and Crimean Tatars in the Autonomous Republic of Crimea.

Real sector: The suspension of trade with the Eastern Donbas controlled by Russian-backed separatists decreased industrial production.

Energy sector: Ukrainian and EU companies will conduct the joint assessment of the possibility to use and develop the Ukrainian gas transportation system.

Agriculture: In the first quarter of 2017, the agricultural production declined by 0.8% yoy.

External sector: Current account deficit reached USD 0.8 bn in March as semi-annual payment of interest on restructured sovereign Eurobonds resulted in higher net outflows of income.

Fiscal policy: In April, Ukraine confiscated an estimated USD 1.3 bn of assets, which were stolen by the ousted former President Viktor Yanukovych and his associates.

Social policy: The promised by the Government pension reform is expected to increase average retirement age by increasing required number of years in employment, creating incentive for later retirement etc.

Labour market: Average wage in March surged by 37.2% yoy in nominal terms and by 18.7% yoy in real terms due to increase in minimum wage since January.

Monetary policy: Consumer inflation slowed to 12.2% yoy in April reflecting high statistical base.

Exchange rate: Interbank foreign exchange market remained calm in April.

State debt: Domestic debt continues growing due to new placement of domestic bonds and recapitalization of state-owned banks.

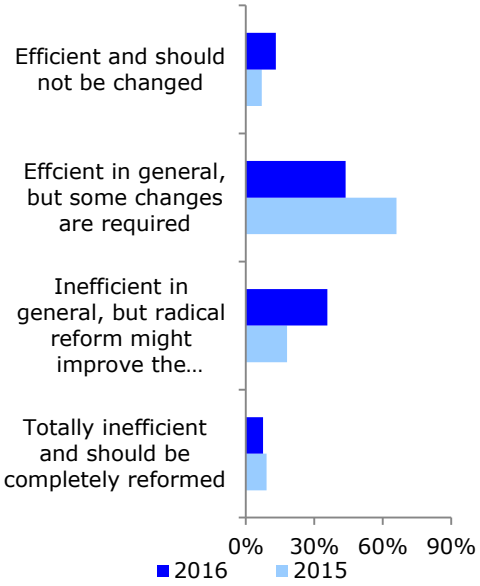
Highlight of the month: Custom reform

THE BUSINESS URGES THE GOVERNMENT TO IMPROVE CUSTOM PROCEDURES AND INCREASE TRANSPARENCY

The Ministry of Finance proposed to reform of customs in Ukraine with the aim of better transparency and predictability. The model of the reform and changes in custom procedures is currently debated between the Ministry of Finance and the representatives of the Parliament and the civil society. The reform will hopefully be implemented by the end of 2017.

The survey of exporters and importers conducted by the IER indicates that the custom reform is badly needed as custom regulation hampers trade growth.[1] Only 13% of exporters and importers think that work of custom services is efficient, while 43% of companies state that radical custom services reform is required. Importers demand the reform of custom services more often than exporters. The problems with custom procedures seem also to be higher for smaller companies.

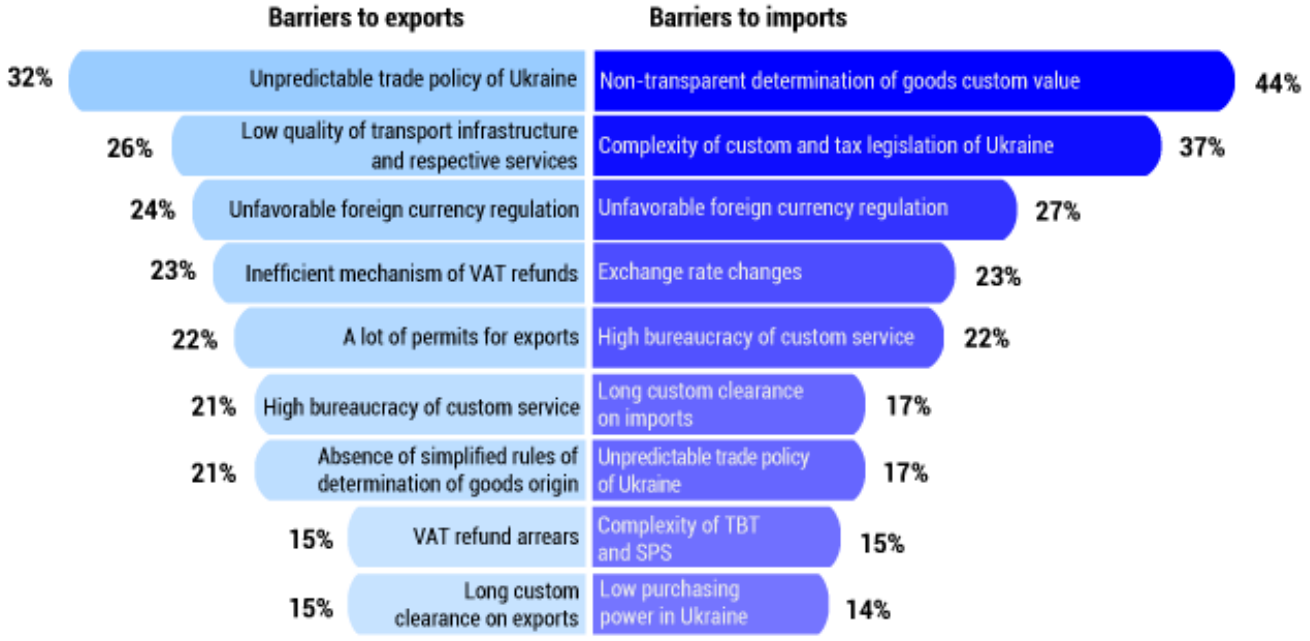
Assessment of work of custom service



Overall, imperfect custom legislation was named a problem by 56% of respondents. 30% of companies stated that one of the largest problem is low transparency and openness in the custom services operation. Deliberate overstatement of the customs value was a problem for 28% of companies. Near 25% of companies defined as essential also such problems as corruption, frequent changes in structure and governance, and old technical equipment at custom service (e.g. computers and software).

In particular, 27% of exporters and 35% of importers complained about facing barriers to trade. Main barriers to exports include unpredictable trade policy of Ukraine and low quality of transport infrastructure. VAT refund arrears are bigger problem for smaller companies. The biggest barriers to imports include non-transparent determination of goods custom value and complexity of custom and tax legislation in Ukraine. These problems are important for companies of all sizes. Unfavorable foreign currency regulation was a barrier for both exporters and importers. Therefore, recent foreign currency liberalization is likely to facilitate external trade.

The business community also named key steps to reduce trade barriers. These steps include as the full automation of custom clearance procedures (68% of respondents), introduction of the possibility to amend the custom documentation (67%), unification of Ukrainian and international custom documents (66%) as well as reduction in number of document required for custom clearance (61%). Other essential changes that would facilitate external trade include increase in transparency of custom clearance procedures and decline in time needed for this. To solve a problem with the determination of custom value the business recommends to define it in accordance with provided supporting documents. Most of the issues important for business are tackled in the proposed by the Ministry of Finance custom reform.



Source: IER

[1] Survey was conducted by the IER in the framework of the project: Trade Facilitation Dialogue. The report is available in Ukrainian at: https://goo.gl/XAWStR

Monthly Economic Monitor Ukraine

Politics: Escalation of the military conflict follows a fragile ceasefire

The war in Donbas. The military conflict in the eastern Ukraine escalated dramatically in the second half of April following a period of unstable "Easter" ceasefire that lasted in the first half of the month and was frequently violated by the combined Russian-separatist forces. Ukrainian observers of the Joint Center for Ceasefire Control and Coordination accused Russia-backed militants in targeted actions to further aggravate the conflict and the unwillingness to abide by the ceasefire. An American paramedic who was working with the OSCE Special Monitoring Mission was killed and two other OSCE monitors were wounded after their vehicle drove over a mine in the non-government controlled area of Luhansk oblast.

In April, 19 service members of the Ukrainian Armed Forces were killed in the war and 102 service members were wounded. According to the data announced by the President of Ukraine Petro Poroshenko, 69 service members of the Ukrainian Armed Forces died in the war in 2017 and more than 420 were wounded. According to the President, Ukraine has lost 2,652 service members of all the military and law enforcement bodies since the beginning of the anti-terrorist operation in the East.

Crimea. The United Nations International Court of Justice ruled in April to introduce measures to protect the rights of Ukrainians and Crimean Tatars in the Autonomous Republic of Crimea, which is occupied by Russia. The Court found that Russia must "refrain from imposing limitations on the ability of the Crimean Tatar community to conserve its representative institutions, including the Mejlis" and "ensure the availability of education in the Ukrainian language". The Court, however, rejected Ukraine's request to introduce provisional measures to make Russia implement the demands of the International Convention for the Suppression of the Financing of Terrorism, in particular to stop the supply of weapons to groups carrying out terrorist attacks in the eastern Ukraine.

Corruption. The National Anti-Corruption Bureau of Ukraine arrested a former Member of Parliament Mykola Martynenko. He is accused of the embezzlement of more than USD 17 m from the state enterprise "Eastern Mining and Processing Plant". Martynenko denied the allegation and was released on bail guaranteed by several lawmakers and government ministers.

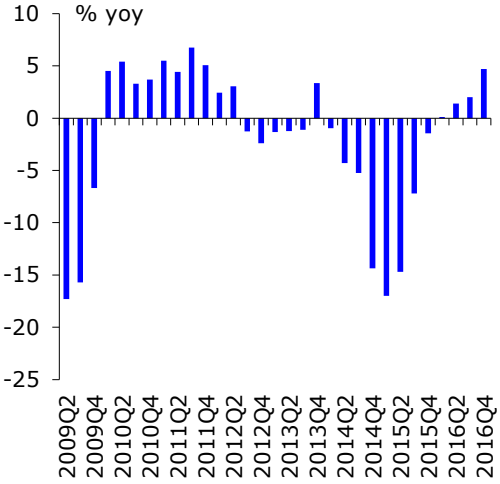
Healthcare reform. In April, the Verkhovna Rada of Ukraine passed the law on financial autonomy of medical facilities in the country. Health care facilities will be reorganized from budget entities into the state-owned and municipal non-profit enterprises. This will enable them to raise financing officially in addition to the funds allocated from the budget. Besides, they will have a right to make decisions on their spending, including the setting of the level of wages. The law will become effective in six months. Until the end of 2018, the medical facilities will enjoy the simplified procedure of the re-registration as non-profit enterprises.

Real sector: Decline in industrial output

Sectoral trends. The suspension of trade with the Eastern Donbas controlled by Russian-backed separatists decreased industrial production due to seizure of companies in the Eastern Donbas and disruption of production links. Among others, coal extraction dropped by 19.3% yoy (due to loss of seized mines in Eastern Donbas), iron ore extraction reduced by 12.2% yoy (due to loss of sales to Eastern Donbas) and steel production fell by 11.4% yoy (disruption of coke supplies and seized still mills). Warm weather and seizure of power plants and energy grids in Eastern Donbas contributed to the decline in production and supply of electricity, gas and water by 14.8% yoy. At the same time, growing domestic demand and gradual recovery of exports helped manufacturing grow by 3.0% yoy. Growing demand for construction materials propelled extraction and production of

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



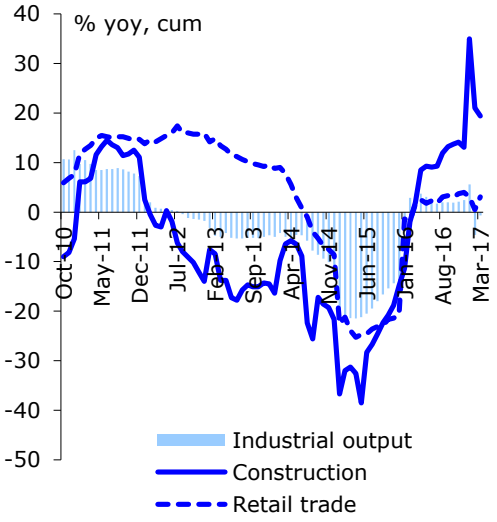
Source: Ukrstat

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

building materials. Stable demand and good crop harvest resulted in growth of food production by 7.5% yoy. In particular, oil and fat production (primarily sunflower oil) surged by 37.0% yoy. Higher demand for investment products helped machine building to increase production by 2.2% yoy. It contributed to production of pipes and other steel products. Overall, decline in industrial output decelerated to 2.7% yoy in March from 4.6% yoy in February.

Retail sales by enterprises increased by 3.1% yoy in the first quarter of 2017. This is likely to reflect increase in consumption explained by higher disposable income. Wholesale sales increased by 1.0% yoy despite the suspension of economic ties with Eastern Donbas.

Real sector trends



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

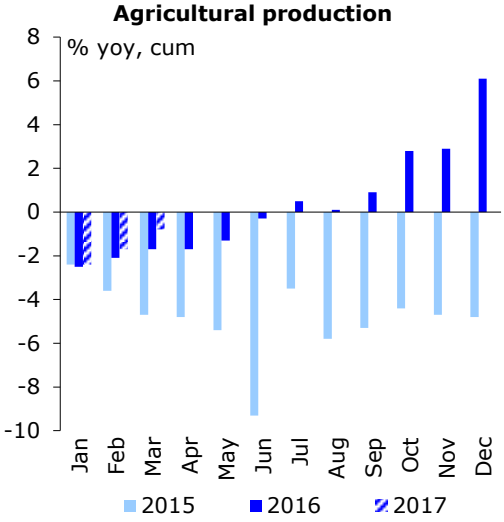
Energy: Europeans are interested in Ukrainian GTS

Gas. On April 10, the Naftogaz and the Ukrtransgaz signed a Memorandum of Understanding (MoU) with Snam S.p.A. (Italy) and Eustream a.s. (Slovakia) on the joint assessment of the possibility to use and develop the Ukrainian gas transportation system. Involvement of the European gas companies shows the importance of the Ukrainian gas route for European consumers. The MoU also aims at long-term stable gas transportation according to the European standards and non-discriminatory access to the gas network by third parties.

Electricity. On April 25, DTEK Luhansk TPP (thermal power plant) was reconnected to the United Energy System of Ukraine. The TPP was disconnected from the system in August 2014 due to the damaged power lines as a result of war on the East of Ukraine. Since then the TPP was the only electricity producer for the Luhansk region. After the reconnection the TPP would be able to exchange the electricity volumes with the rest of Ukraine which will increase its reliability.

Reforms. The Ministry of Energy approved the new Statute of the Ukrhydroenergo, the national operator of hydro power plants. According to the Statute, the company has to form a Supervisory Board where three independent directors will constitute a majority. The new Statute was developed in accordance with the law on corporate governance in state companies adopted in June 2016. This step is aimed to isolate the state enterprises from the political influence and simplify access to the international financial markets.

Agricultural production



Source: Ukrstat

Agriculture: Farmers received budget subsidies for February

Production. In the first quarter of 2017, the agricultural production declined by 0.8% yoy. As of April 1, 2017, the number of cattle in agricultural enterprises decreased by 0.9% yoy, where the number of cows declined by 2.5% yoy. The number of pigs reduced by 8% yoy, which is primarily explained by the continuation of African Swine Fever threads. Poultry numbers increased by 4.8%.

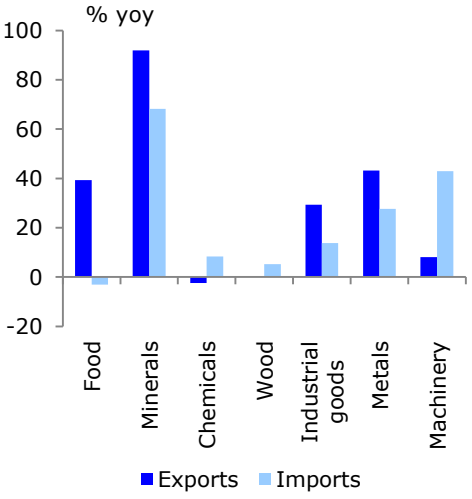
Trade. According to the State Fiscal Service, in the first quarter of 2017 external trade surplus of agricultural products increased by 37.7% yoy to USD 3.5 bn.

Exports surged by 38.6% yoy due to good crop harvest. Higher sales of sunflower oil, corn, and soya were the major contributors to exports growth. Share of agricultural products in the overall exports of goods increased from 42.6% in the first quarter of 2016 to 44% in 2017.

Imports declined by 4% yoy due to lower imports of most agricultural product categories. Imports of meat products dropped by 7% yoy mostly due to decrease in fish and butter purchases.

Policy. In the beginning of April, the Ministry of Agrarian Policy and Food directed UAH 306 m on the financing of the subsidies for development of agricultural producers and stimulation of agricultural production. Nearly 700 agricultural producers received subsidy for a total of only UAH 79.8 m for February 2017. Low financing of the budget subsidy is primarily explained by the methodology for the calculation of the base of subsidy. Thanks to the nature of mixed production of both crops and livestock in one enterprise, in the first

Trade in goods in Jan.-March 2017



Source: NBU preliminary estimates

half of year when crop pre-harvest expenses exceed input expenses of livestock production, subsidy calculation base for livestock production is low resulting in low volume of subsidy.

The Committee of Verkhovna Rada on Agrarian Policy and Land Relations summarized the recommendations of the parliamentary hearings on "Regulation of agricultural land market: search of Ukrainian model". It has recommended that the Government firs should elaborate the Concept of the Ukrainian model of agricultural land circulation. This Concept is to be seen as at "road map" for state actions in the land market reform. It would also become a base for the elaboration of the Law on the circulation of agricultural land. Such decision might postpone again the efficient introduction of land market.

External sector: External trade volumes grow

Current account. Current account deficit reached USD 0.8 bn in March as semi-annual payment of interest on restructured sovereign Eurobonds brought net outflows of income to USD 0.94 bn. Net inflow of remittances increased to USD 0.65 bn reducing the deficit.

At the same time, merchandise trade deficit reduced slightly from February to USD 0.63 bn. Exports was up by 37% yoy in response to growing agriculture exports volumes and higher export steel prices. Exports of iron ore and other mineral products doubled due to higher prices and decrease in domestic iron ore consumption. Imports of mineral products more than doubled from low statistical base, while imports of machinery and equipment jumped by 51% yoy. Imports of machinery and equipment at USD 1.26 bn reached record level since end-2013 in response to strong investment and consumer demand. Import of other items as well as services imports increased by 7% yoy, while export of services grew by 10% yoy. Overall, growing external trade points to continued recovery of Ukrainian economy.

Financial account. Capital inflows under financial account were USD 0.4 bn in March. Net FDI inflows remained anemic but increased to USD 63 m. the Government was not active in raising or retuning funds to external creditors. Banks sector continued to increase foreign assets leading to net outflow of USD 0.3 bn from the sector. Growing trade volumes led to continued large inflows of trade loans in March. Debt flows of real sector excluding trade loans were close to balance.

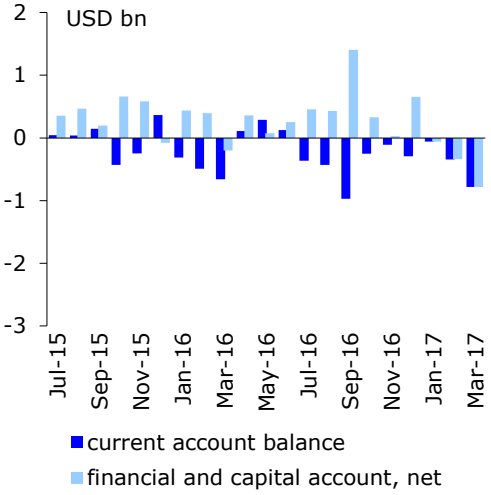
Fiscal policy: The plan for revenues from special confiscation is fulfilled

Special confiscation. In April, Ukraine confiscated an estimated USD 1.3 bn of assets (USD 1.1 bn in deposits and USD 0.2 bn in FX state domestic bonds), which Ukrainian authorities say were stolen by the ousted former President Viktor Yanukovych and his associates. Deposits were transferred to the account of the Government at the NBU in the first days of May. According to the State Budget Law for 2017, UAH 11.6 bn of these funds are earmarked for financing direct subsidies to agricultural companies, defense items, projects of the Regional Development Fund. The Government is yet to decide how to spend the rest of the received funds. In particular, it would be beneficial to use them to service the external debt. In 2017-2019 the Government should repay USD 11.0 bn of FX debt.

2017. According to the preliminary information of the State Treasury, in the first four months of 2017, consolidated fiscal revenues increased by 45.9% yoy due to higher tax and non-tax revenues. Minimum wage increase resulted in higher PIT revenues. VAT revenues grew due to higher consumption as well as elimination of the special VAT scheme for agricultural companies. Financial situation of companies improved and resulted in higher EPT collections. Higher consumption also contributed to increase in excise duty revenues. The NBU transferred to the budget UAH 10 bn of profits as compared to zero in the same period of 2016.

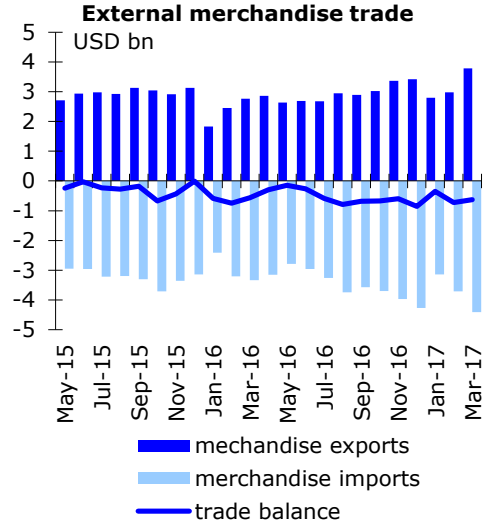
VAT. The Government started automatic VAT refunds on April 1. The new system is still in early stages but so far it works as intended. The transparency increased substantially as the Government publishes all

Balance of payments



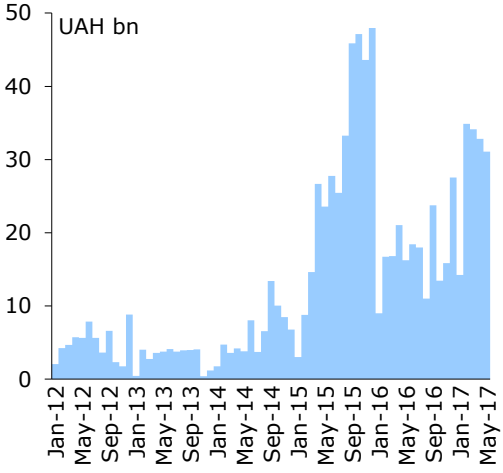
Source: NBU preliminary estimates

External merchandise trade



Source: NBU preliminary estimates

Balance of the Single Treasury Account



* in the beginning of month
Source: State Treasury

information on VAT claims and VAT refunds on the web-site of the Ministry of Finance. As a result, the ispace for corruption in the VAT refund procedures substantially reduced.

Social policy: Pension reform is expected in 2017

In letter of intent with the IMF, the Government promised that Parliament will approve the pension reform that would increase average retirement age by increasing required number of years in employment, creating incentive for later retirement etc. This was planned to be fulfilled by the end of April.

However, the Government in April announced plans to submit draft law on pension reforms to the Parliament over the following two months. The Government is likely to introduce changes into the first PAYG pillar of the Pension Fund. It will include the further restrictions on early retirement and special pension schemes. At the same time, currently the Government lacks the unity on the further steps in relation to the introduction of the second pillar of the pension system in the form of compulsory state Accumulative pension fund.

Labour market: Average wages continue growing

Average wage in March surged by 37.2% yoy in nominal terms and by 18.7% yoy in real terms due to increase in minimum wage since January from UAH 1600 to UAH 3200. As previously, agriculture, state administration, health and education sectors increased wages the most with 44-62% yoy increases. Nominal wage growth in industry remained strong 26.3% yoy in March (27.4% yoy in February).

Overall, the NBU business survey indicates that 40.1% of respondents plan to increase wages only to employees who had wage below minimum level, and 42.6% of companies planned to raise wages to all employees. Taking into account that usually companies increase wages immediately only for employees with lower than minimum wage level and then gradually to others, the impact of minimum wage is likely to be gradual as well.

Monetary policy: Inflation declined to 12.2% yoy in April

Consumer inflation slowed to 12.2% yoy in April reflecting high statistical base (gas price increased by 48.4% in April 2016). Consumer food price index continued growing in 1-2% per month range as in six previous months despite retreat in global food prices in March and April. This may reflect growing domestic costs and a degree of persistence in food price inflation. Monthly core inflation was 0.6% mom keeping 12-month increase in core CPI at 6.3% yoy. Domestic demand increased but remained moderate enough to keep pressure on inflation low.

Banks continued to gradually reduce interest rates on deposits and corporate loans in response to lower inflation expectations and reductions in the NBU deposit rate, but loan volumes remained low. Money supply in April increased by 7% yoy and monetary base by 10% yoy.

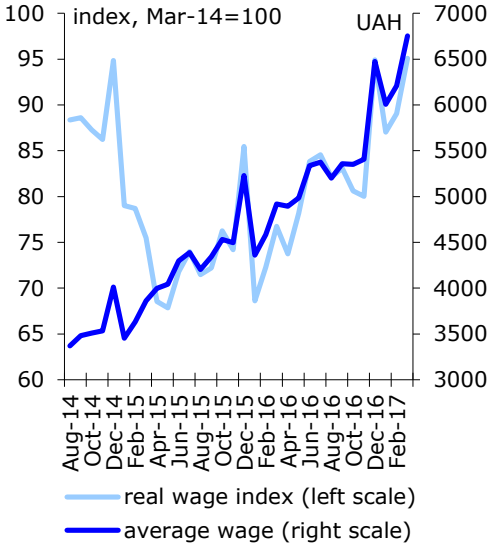
Exchange rate: Hryvnia strengthened slightly in April

Interbank foreign exchange market remained calm in April. Interbank UAH/USD exchange rate strengthened gradually from UAH 27 per USD to UAH 26.5 per USD as export revenues remained strong in April. NBU used the opportunity to buy USD 403 m to increase reserves. Depreciation expectations remained low as net purchases of cash foreign currency by banks increased to USD 356 m. The NBU international reserves increased to USD 17.2 bn by the end of April as Government spent only USD 68 m to service foreign currency debt. (As we wrote previously Government received EUR 600 m in macro financial aid from EU and NBU received USD 996 m from the IMF in the beginning of April.)

State debt: Domestic state debt grew further

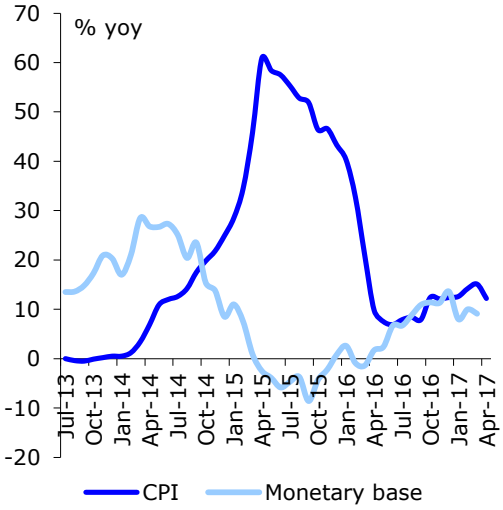
In April, the Ministry of Finance placed UAH 3.5 bn of state domestic bonds with weighted average yield at 14.9% p.a. as compared to UAH

Average wage*



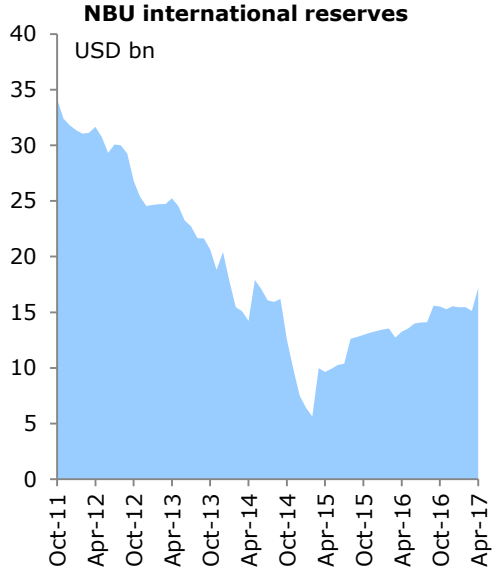
*not including AR Crimea
Source: Ukrstat

CPI and monetary base development



Source: Ukrstat, NBU

NBU international reserves



Source: NBU

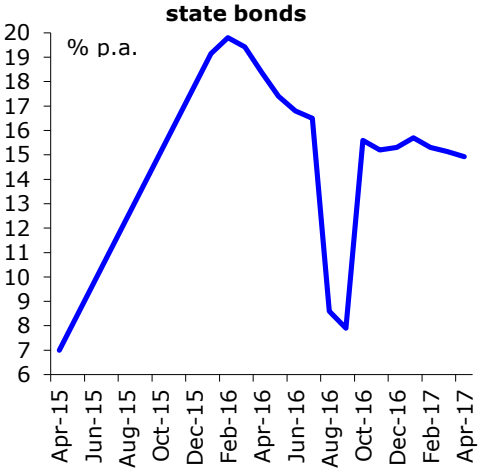
5.2 bn at 15.1% p.a. in March. Three-year bonds accounted for 80% of the total placement.

In March, the Government recapitalized the Oshchadbank and the Ukreximbank at UAH 5.4 bn and UAH 3.7 bn, respectively, through the special issue of fifteen-year state domestic bonds (at 5% p.a. and 9% p.a., respectively). As a result, the statutory capital grew to UAH 43.7 bn for the Oshchadbank and UAH 38.7 bn for the Ukreximbank.

The amount of OVDP for further recapitalization of these state banks will be determined by the end of the first half of 2017. Initially, according to the results of the 2015 stress test the Government planned to recapitalize Oschadbank and Ukreximbank approximately at USD 20 bn and USD 26 bn, respectively.

The total amount of the PrivatBank's recapitalization has already reached UAH 116.8 bn. However, the bank may still need additional recapitalization after audit.

Weighted average yield for domestic state bonds



Source: NBU

Tables

		Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Industrial production (real)	% yoy cum.	-20.0	-16.1	-13.0	4.5	2.6	2.5	2.8	3.8	2.6	2.3	2.5	2.5	2.4	2.6	2.8	5.6	0.4	-0.7	…
Construction (real)	% yoy cum.	-26.2	-20.9	-12.3	8.3	13.0	17.3	17.4	12.9	13.0	14.4	15.4	17.3	17.0	17.2	17.4	35.0	21.0	19.4	…
Agricultural production (real)	% yoy cum.	-9.3	-5.3	-4.8	-1.7	-0.3	0.9	6.1	-1.3	-0.3	0.5	0.1	0.9	2.8	2.9	6.1	-2.4	-1.7	-0.8	…
Retail trade turnover (real)	% yoy cum.	-24.6	-22.3	-20.7	1.6	2.3	3.3	4.0	1.8	2.3	2.4	3.1	3.3	3.0	3.7	4.0	3.1	0.5	3.1	…
Average wage	UAH	4113	4313	4753	4622	5072	5311	5744	4984	5337	5374	5202	5358	5350	5406	6475	6008	6209	6752	…
CPI	% yoy eop	57.5	51.9	43.3	20.9	6.9	7.9	12.4	7.5	6.9	7.9	8.4	7.9	12.4	12.1	12.4	12.6	14.2	15.1	12.2
PPI	% yoy eop	37.9	32.5	25.4	10.5	15.7	19.6	35.7	16.4	15.7	18.3	18.9	19.6	29.2	32.0	35.7	36.8	38.9	38.3	35.6
Exports (USD)*	% yoy cum.	-32.2	-29.8	-27.0	-16.4	-10.1	-8.0	-4.0	-10.8	-10.1	-9.9	-8.4	-8.0	-7.1	-5.1	-4.0	41.2	27.6	28.6	…
Imports (USD)*	% yoy cum.	-34.2	-31.8	-29.3	-10.9	-4.0	0.6	4.4	-5.0	-4.0	-2.9	-0.4	0.6	0.5	2.1	4.4	27.1	19.5	21.1	…
Trade balance*	USD bn cum.	-1.1	-1.2	-1.6	-2.3	-1.9	-4.1	-5.8	-1.8	-2.0	-2.7	-3.4	-4.1	-4.6	-5.0	-5.8	-0.2	-0.8	-1.3	…
Current account**	USD bn cum.	-0.1	0.1	-0.2	-1.5	-0.9	-2.8	-3.8	-1.0	-0.9	-1.4	-1.9	-2.8	-3.0	-3.1	-3.8	-0.1	-0.4	-1.2	…
Gross international reserves	USD bn eop	10.3	12.8	13.3	12.7	14.0	15.6	15.5	13.5	14.0	14.1	14.1	15.6	15.5	15.3	15.5	15.4	15.5	15.1	17.2
Monetary Base	% yoy eop	-5.9	-8.6	0.8	-1.4	1.7	10.6	13.6	2.4	6.7	6.7	8.8	10.6	11.4	11.3	13.6	8.0	10.0	9.1	…
Lending rate on UAH credits	% pa, aop	23.1	21.1	20.7	20.0	20.9	17.3	14.7	21.1	20.6	18.0	17.0	16.8	14.2	13.7	16.1	15.9	15.5	15.8	…
Exchange rate (interbank)	USD aop	21.56	21.74	22.90	25.69	25.2	17.27	25.90	25.21	24.93	24.82	25.14	26.23	25.72	25.71	26.27	27.22	27.05	26.99	26.82
Exchange rate (official)	USD aop	21.62	21.69	22.33	25.68	25.3	25.40	25.67	25.21	24.95	24.82	25.65	26.28	25.76	25.70	25.55	27.15	27.03	27.00	26.86
Exchange rate (official)	EUR aop	23.93	24.69	24.91	28.34	28.6	25.58	28.18	28.50	28.09	27.49	28.65	29.47	28.45	27.78	28.29	28.80	28.81	28.82	28.77

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 14c	Q2 14c	Q3 14c	Q4 14c	Q1 15c	Q2 15c	Q3 15c	Q4 15c	Q1 16c	Q2 16c	Q3 16c	Q4 16c
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.☐☐