INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: THE IMF

Politics: The National Anti-Corruption Bureau and the Special Anti-Corruption Prosecutor's Office charged Roman Nasirov, the head of the State Fiscal Service of Ukraine, with an abuse of powers.

Real sector: In 2016, real GDP grew by 2.3% due to increase in domestic demand.

Energy sector: The lack of coal caused electricity producers to import coal and the National Energy and Utilities Regulatory Commission (NERC) increased the price of coal used for calculation of electricity tariffs.

Agriculture: As of March 31, 1.2 m hectares of early grain and leguminous crops were sowed (51% of planned area).

External sector: Current account deficit widened to USD 0.40 bn in February due to increase in merchandise trade deficit.

Fiscal policy: According to the preliminary information of the State Treasury, in the first quarter of 2017, consolidated fiscal revenues increased by 35.6% yoy due to higher tax and non-tax revenues.

Social policy: In 2016, disposable income increased by 14.2% in nominal terms due to higher income from all major sources.

Labour market: Average wage in February grew by 35.4% yoy in nominal terms and 18.0% yoy in real terms due to minimum wage increase.

Monetary policy: Consumer inflation surged to 15.1% yoy in March.

Exchange rate: Interbank UAH/USD exchange rate in March fluctuated near UAH 27 per USD as high export prices offset impact of Donbas blockade on export revenues.

State debt: In the first days of April, Ukraine received USD 1 bn from the IMF under the EFF and EUR 600 m from the European Union as macro-finance assistance.

Highlight of the month: The IMF

THE GOVERNMENT IS LIKELY TO CONTINUE REFORMS UNDER THE WATCH OF THE IMF

Oleksandra Betliy

On April 3, the IMF Executive Board concluded 2016 Article IV Consultation with Ukraine (IMF biannual macroeconomic surveillance) and completed the Third Review of Ukraine's EFF program. As a result, Ukraine received USD 1 bn disbursement, which was originally scheduled for November 15, 2016. Initially, the disbursement was delayed due to late approval of the State Budget Law and amendments to the Tax Code and failure of the Government to deliver on a number of other reforms promised after the Second Review of the EFF program concluded in October 2016. On March 20, the Executive Board meeting was postponed as the embargo on trade with the non-government controlled areas in the East of Ukraine was imposed leading to changed macroeconomic outlook. The forecast of real GDP growth was downgraded to near 2% and projected current account deficit was increased to 3.7% of GDP. Ukraine's real GDP is forecasted to grow by 3.2% in 2018.

Ukraine received the third tranche under the EFF due to the macroeconomic recovery and "remarkable fiscal adjustment". The State Budget Law for 2017 complies with the Program targets including higher expenditures efficiency and general government deficit at 3% of GDP. The NBU efforts were praised for progress made in containing inflation under floating exchange rate regime and in rehabilitating the banking system. The Government delivered on promised increases in energy prices for households and other energy policy reforms, which resulted in lower cross subsidization, tariff close to cost recovery levels, and higher energy efficiency.

In 2017, three more tranches of the IMF loan are scheduled at the total amount of about USD 4.5 bn (with the fourth tranche previously planned already for May). To receive these tranches Ukrainian authorities should continue reforms promised under the Memorandum of Economic and Financial Policies (MEFP) with the IMF and adhere to numeric targets for international reserves, fiscal deficit and monetary base. The NBU is expected to continue restoration of banks' soundness, ensure repayment of loans provided to related parties by the PryvatBank before its nationalization, and complete the shift towards inflation targeting. The introduction of medium term expenditure budget framework, further improvement in fairness of tax administration, the implementation of public administration reform (including remuneration of public sector employees) are expected. The Government should also implement structural reforms that should improve investment climate in the country. This includes the pension reform, the land market reform, the state-owned enterprises (SEO) reform, and efficient implementation of anti-corruption policies.

The pension reform is one of the largest priorities for the Government for 2017. It should envisage the steps towards decelerating the growth of the number of pensioners in the future. In particular, the early retirement schemes should be limited further as currently average retirement age of Ukrainians is 58.5 years for men and 56 years for women (these are estimates of the IMF, while the Minister of Social Policy previously reported lower ages). The pensioners are supposed to receive incentives to retire later than minimum retirement age. They will receive a wider range of retirement ages and pensions that provide incentives for longer employment and later retirement. To make such steps efficient the Government then would have to increase pensions substantially for retirees with more years of working record. The approval of respective legislative amendments was promised by the end of April, which is not likely. At the same time, the IMF considers the introduction of the compulsory second pillar of the pension system – defined contribution pensions – premature, while the Government does not have the consolidated view on this step of the reform.

Land reform is another essential reform, which is expected not only by the IMF, but also by other international donors including the World Bank. In the end of 2016, the Government extended the moratorium on agricultural land sale for another year. There is a risk that populist forces in the Parliament would try to postpone the sale of agricultural land for another year. However, the Government finally started serious negotiations on the model of agricultural land market, which is expected to increase the transparency and improve investment climate in agriculture. It is likely that the foreigners will not have a right to purchase the agricultural land at the beginning. The Parliament is expected to approve a law on agricultural land circulation by the end of May that would allow sales of agricultural land "under adequate safeguards" to start in 2018.

Besides, the Government has promised to implement comprehensive SEO reform, which includes appointment of independent supervisory boards and audit of reports for the largest SEO. The privatization will resume. During recent years the Government failed to execute privatization plans largely due to the lack of political will and efficient strategy. Now, it has promised to continue with small, middle and large scale privatization. In particular, the Government in the MEFP committed to privatize such large enterprises as the Odesa Portside Plant, the Centrenergo, the Turboatom, and the Ukrspyrt.

The IMF continues paying large attention to the anti-corruption policies of the Government. During last years the Government has created the National agency for Prevention of Corruption and the National Anti-Corruption Bureau of Ukraine. The Fund as well as other international donors praised these steps as well as introduction of e-declarations of public officials. However, newly created institutions so far delivered few successful prosecutions, which is partially explained by lack of specialized anticorruption court and limited range of investigative tools available. The Court is now promised to be established by mid-June, 2017, while extension of investigative powers of NABU is scheduled for end-May.

Overall, the list of promised by the Government reforms is rather ambitious. To receive next tranches of the IMF loan the speed of reforms should be increased. There is a strong need for the political will for future changes. The Government will require the support of the Parliament and the Presidential Administration to efficiently implement changes under the MEFP policy agenda.

Monthly Economic Monitor Ukraine

Politics: Head of the State Fiscal Service accused of corruption

Corruption. In March, Ukrainian anti-corruption law enforcement agencies, the National Anti-Corruption Bureau and the Special Anti-Corruption Prosecutor's Office, charged Roman Nasirov, the head of the State Fiscal Service, with an abuse of powers. He is suspected in using his position to restructure the taxes of gas extraction companies linked to Ukraine's runaway MP Oleksandr Onyshchenko – a graft scheme that caused an estimated loss of tax revenues at UAH 2 bn. The court ruled to place Nasirov under a pretrial detention for 60 days with a bail set at UAH 100 m, which was later paid by Nasirov's family. Nasirov was suspended from his post while the investigation is carried on. This is the only high-profile case so far for Ukraine's newly established anticorruption law enforcement bodies.

E-declarations. Many officials of the 'second wave' – i.e. deputies of local and regional councils, minor public officials of executive bodies, ranking members of the armed forces, National Police officers etc. – were not able to fill out electronic declarations by the deadline defined as of April 1, due to technical malfunction of the electronic system. Prime Minister Volodymyr Groysman called on the leadership of the National Anti-Corruption Agency that oversees the e-declaring process to resign due to this fact. The head of the Agency Natalia Korchak refused to resign and explained the errors in the system by the poor quality of work by a state-owned subcontractor that administrated the declarations database.

In March, the Parliament obliged members of anti-corruption NGOs to submit the same e-declarations as required from public officials. Proponents of this move say that this will make NGOs that promote anti-corruption policies more transparent, while the opponents stress that it would expose anti-corruption activists to pressure and intimidation by politicians with a vested interest to inhibit investigations of corruption.

The war in Donbas. The military conflict in the Eastern Ukraine continued in March. The military helicopter Mi-2 crashed near the city of Kramatorsk in Donetsk region, and five people on board died. In March, 27 service members of the Ukrainian Armed Forces were killed in the war and 189 service members were wounded.

Explosion at Zaporizhkoks. Four people were killed in an explosion at coke factory Zaporizhkoks in the city of Zaporizhzhya. They were contractors who welded a gas storage tank as it exploded. Zaporizhkoks is one of the largest coke producers in Ukraine: it produces 10 percent of all domestic coke.

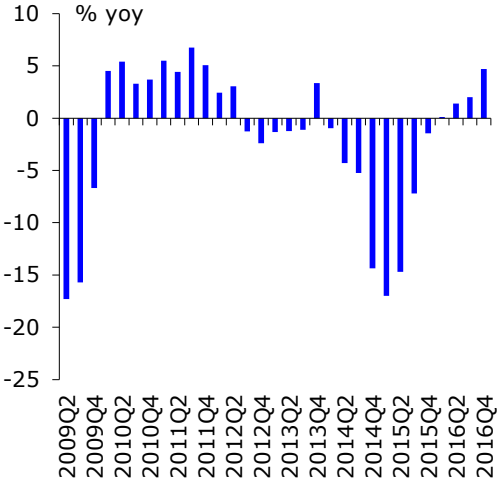
The IMF. The IMF provided a USD 1-bnn disbursement to Ukraine following the third review of the EFF program. This brought the total sum of disbursements under the arrangement to more than USD 8 bn. In a statement following the review, the IMF urged Ukraine to undertake structural reforms, including a comprehensive pension reform, a land market reform, and a public administration reform. The IMF also pointed out that despite the creation of new anti-corruption institutions, the results in tackling corruption had not been achieved yet.

Real sector: Deceleration in growth in February

GDP. In 2016, real GDP grew by 2.3% due to increase in domestic demand. Real gross fixed capital accumulation increased by 20.1% due to higher investments into machinery and larger commercial construction. At the same time, real final private consumption increased by only 1.8% despite significant increase in nominal income. Sharp increase in tariffs led to lower consumption of gas, electricity and water (consumption of utilities and housing services dropped by 12%) and reduced funds available for other purposes. Households also increased savings after several years of spending them to smooth consumption. Still, real household spending on

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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consumer goods increased significantly despite high unemployment and depreciation expectations. High investment and consumer demand resulted in growth of real imports by 8.4%. At the same time, real exports declined by 1.6% due to weak external demand and trade ban by Russia and problems with transit through Russia's territory. As a result, net real exports contribution to growth was negative at 5.4 p.p. Strong positive contribution to economic growth (at 3.6 p.p.) was made by larger inventories, which are explained by high harvest gathered in the end of 2016 and anticipated growth in domestic demand.

On the production side, real gross value added (GVA) increased in agriculture by 6.0% due to good harvest. Manufacturing recovered by 3.6% due to higher demand and improved logistics, while military conflict in the East resulted in decline in real GVA in extractive industry by 1.0%. Construction rapidly grew by 16.3% due to higher investments in commercial and infrastructural construction and expected increase in demand for residential housing. Higher consumption and manufacturing resulted in increase in real GVA in trade and transport by 4.0% and 3.0%, respectively. Continued bank closures in 2016 explain the decline in real GVA in financial services by 15.7%.

Sectoral trends. Disruption of trade with occupied territories in the East of Ukraine resulted in decline of industrial output in February by 4.6% yoy. Coal mining dropped by 25.9% yoy as those mines located at non-government controlled area of Donbas that still reported to Ukrstat either stopped operation or suspended reporting to the Ukrstat after the blockade had started. As a result, coke production also dropped by 23.3% yoy. Metallurgy declined by 4.3% yoy as growing domestic demand for pipes and finished steel products partly offset reported 16.3% yoy drop in steel production (production at controlled part of Ukraine reduced by less). Machine-building declined by 1.4% yoy primarily due to statistical base effect. It was supported by higher demand for specialized machinery used in industry and agriculture, defence orders and higher production of transport equipment including locomotives and railcars ordered by Ukrzaliznytsia. Stable demand resulted in increase in food production by 1.2% yoy.

Retail sales dropped by 1.7% yoy due to calendar day effect (February 2016 was 29 days long). Construction grew by 4.8% yoy due to growth in commercial and infrastructural construction.

Energy: Coal deficit due to transport blockade

Coal and electricity. In March, the difficult situation with coal supplies due to the transport blockade worsened when Russian-backed separatists seized control over DTEK coal mines and the located on the occupied territory Starobeshivska thermal power plant (TPP) owned by the Donbasenergo. The TPP supplied electricity to DTEK electricity distribution companies.

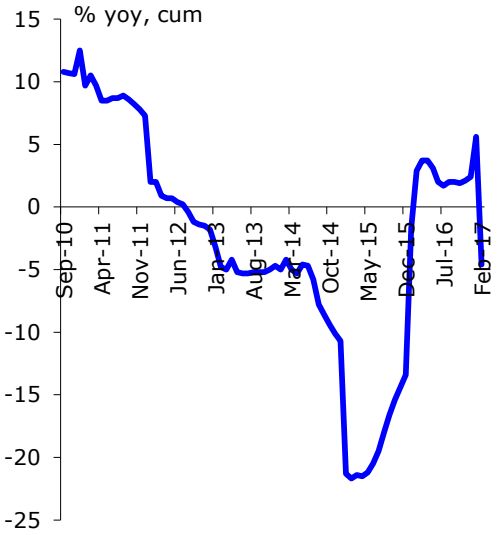
The lack of coal caused electricity producers to import coal and the National Energy and Utilities Regulatory Commission (NERC) increased the price of coal used for calculation of electricity tariffs by 26% to UAH 2071-2222 per ton due to the increase of the price of coal at the world markets (the price formula is based on the annual average price of coal at Rotterdam). At the same time, the average cost of production of coal at state mines is UAH 2510.31 per ton.

As some time is needed to accumulate the required coal stocks, on April 5, the Prydniprovska and Trypilska TPPs have stopped generating electricity.

As a consequence, the Energy Ministry had to reduce the forecast for electricity production at thermal power plants for 2017 by 2.9% to 48.6 bn kW*h. The estimated electricity generation at hydro power plants was increased by 27.6% and by nuclear power plants by 1% to compensate for this loss.

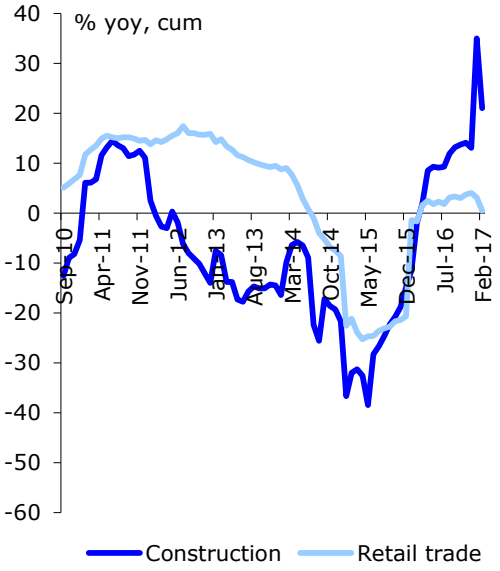
Gas. In the end of March, the NERC approved the introduction of a capacity-based distribution tariff for using the capacity of the gas network since April 1. The new billing system envisaged the division

Industrial output



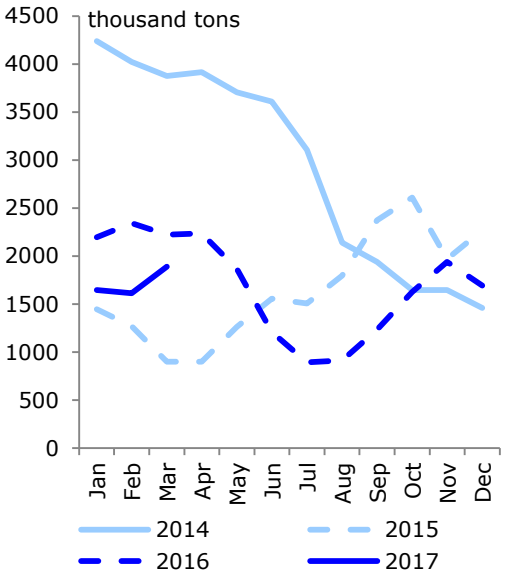
Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Real sector trends



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

Coal stocks at TPPs



Source: Ministry of Energy, Ukrenergo

of the gas bill into the cost of gas and a fee for gas transportation and distribution. This system was widely criticized by the President, Prime-Minister and experts as it would significantly increase the final gas payments for consumers. As a result, the NERC canceled its previous decision and decided to further elaborate the issue.

Market reforms. To comply with a new Law on the NERC, approved in 2016, the President finally adopted the rotation plan for the Head and the members of the NERC. According to the plan, two current members of the NERC have to be changed within the next six months, two members within the year and one member and the NERC Head have to be changed within the next 18 months. NERC members are elected for the period of six years and no more than two members can be changed during one calendar year. Regular rotation of the NERC members is expected to increase its independence and credibility.

Agriculture: State support is increasing

Production. As of March 31, 1.2 m hectares of early grain and leguminous crops were sowed (51% of planned area). Winter cereals came up on an area of 7.1 m ha out of planted 7.2 m ha. Overall area under the crops in 2017 is expected at 26.8 m ha, which is similar to the level of 2016 (26.5 m ha).

Trade. According to the NBU, growth of export of agricultural goods and food products in February decelerated to 15.9% yoy from 55.9% yoy in January due to lower grain exports. Exports of grain declined due to lower world prices of grains and lower sales of maize to Egypt. Exports of food products, especially of sunflower oil, increased. Exports of meat and by-products increased by 1.7 times as compared to February 2016 due to the resumption of poultry export to the EU.

Policy. In March, the Cabinet of Ministers increased the compensation of the costs of purchased agricultural machinery with 60% of locally produced components from 15% to 20%. In total for 2017, the Government allocated UAH 5.5 bn for the support of agricultural sector of economy, amounting for 1% of gross agricultural production. Moreover, planned by the Government direct payments to agricultural companies will be primary directed at the niche sectors of agriculture like grapes, fruits, berries, nuts, vegetables, tobacco production.

External sector: Current account deficit widens

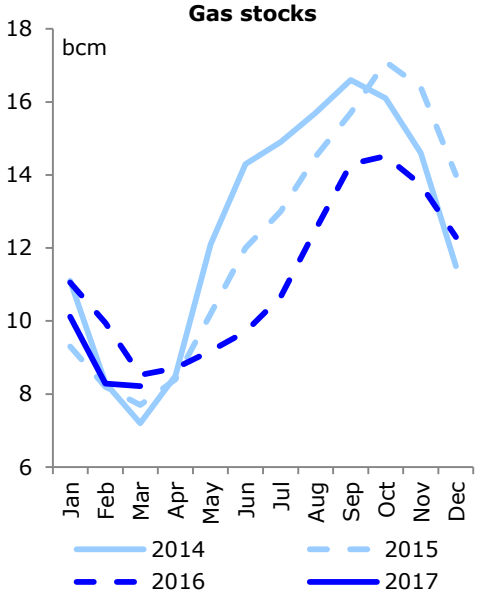
Current account. Current account deficit widened to USD 0.40 bn in February from USD 0.14 bn in January. This reflected increase in merchandise trade deficit to USD 0.79 bn. Exports increased by 21% yoy in response to higher export prices for steel and iron ore and increase in diversification of food exports. Imports grew by 17% yoy as imports of mineral products surged by 54% yoy while imports of other items increased by 8% yoy. Imports of machinery and equipment continued growing in response to strong demand. Other current account components didn't change much from January. Net inflow of remittances (USD 0.54 bn) and trade in services surplus (USD 0.15 bn) offset net investment income outflows (USD 0.30 bn) and reduced current account deficit.

Financial account. Capital inflows under financial account were USD 0.4 bn in February. FDI inflows remained at low level observed over the last five months (USD 45 m) going mostly to real sector. Public sector flows also were close to zero. Banks sector outflows were USD 0.4 bn as banks increased their foreign assets. Inflows of trade loans reached USD 0.5 bn in February and inflows of cash foreign currency in banking sector surged to USD 0.3 bn as depreciation expectations reduced.

Fiscal policy: The MTEF introduction is promised

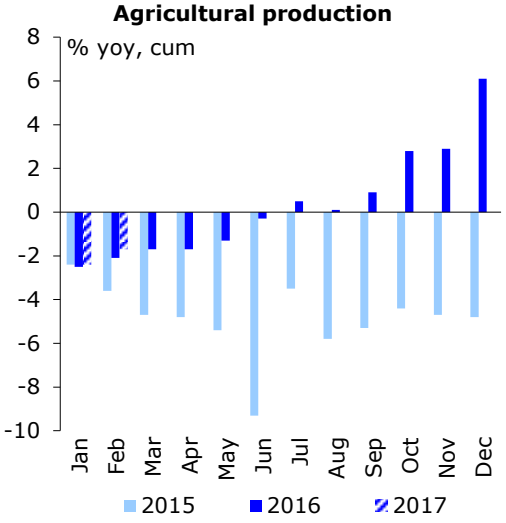
2017. According to the preliminary information of the State Treasury, in the first quarter of 2017, consolidated fiscal revenues increased by 35.6% yoy due to higher tax and non-tax revenues. PIT revenues increased due to surge in minimum wage. Higher nominal consumption and imports as well as full elimination of special VAT

Gas stocks



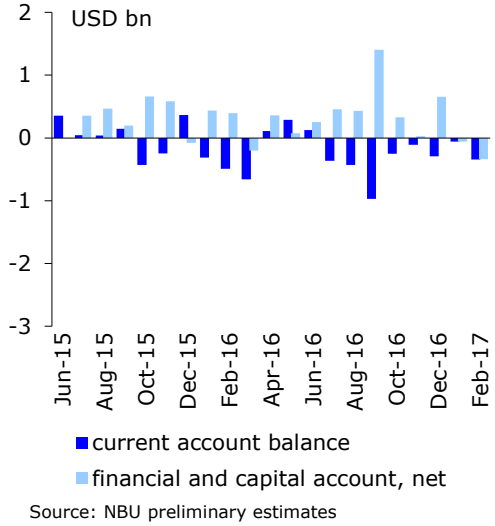
Source: Ministry of Energy

Agricultural production



Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

scheme for agricultural companies resulted in larger gross VAT revenues, which were only partially neglected by higher VAT refunds. Non-tax revenues grew due to higher own revenues of budget entities and larger transfer of companies' profits to the budget.

However, growth of consolidated fiscal revenues in March rapidly decelerated to 11.8% yoy from 52.3% yoy in February.

MTEF. The Parliament amended the Budget Code to facilitate introduction of medium-term budget expenditure framework (MTEF) in Ukraine. Initial step would be Budget resolution for 2018-2020 expected in June. The Resolution is expected to define expenditure limits for key spending units for three years. These limits are to be maintain while drafting the budget requests for these years. The full-scale implementation of the MTEF is not likely this year; however, the start of the process is already encouraging. The MTEF is expected to ensure higher efficiency and effectiveness of budget spending.

Social policy: Increase in nominal disposable income in 2016

In 2016, disposable income increased by 14.2% in nominal terms due to higher income from all major sources. At the same time, it grew only by 0.3% in real terms. The employees were the only group with increased real wage income as employers tried to compensate for the loss of purchasing power of wages and had to increase wages due to minimum wage increase. At the same time, weak demand resulted in small decline in real income from subsidiary farming and entrepreneurship activity. Decline in deposit rates contributed to lower real income from interest in deposits. Income from social assistance was restricted by reduced payments to pensioners in Donbas. At the same time, higher effective PIT rate (on active and passive income) is another reason for small growth of disposable income.

Labour market: Minimum wage increase results in rapid growth of average wages

The Government decision to double minimum wage since January 2017 (to UAH 3200) resulted in rapid growth of average wage in February at 35.4% yoy in nominal terms and 18.0% yoy in real terms.

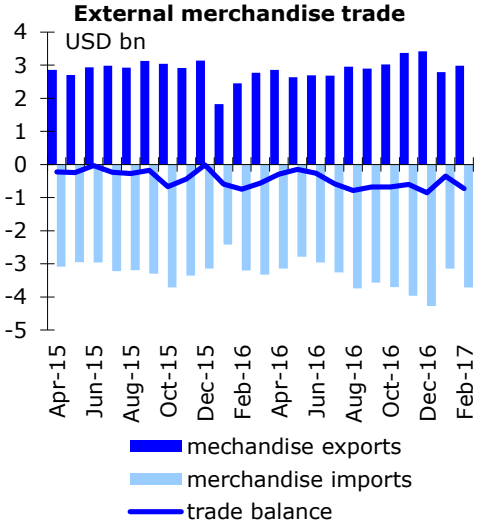
As in January, the highest growth was in sectors with traditionally low wages. In particular, nominal wages increased in education and healthcare by 62.7% yoy and 54.6% yoy, respectively. Agricultural companies increased wages by 49.1% yoy. Still, wages in these three sectors remained the lowest in economy (along with accommodation and catering). Wages in state administration and defence increased by 51.5% yoy (bringing the sector to the Top-5 sectors with the highest wage) due to gradual implementation of the new law on civil service that envisages increase in wages in the sector. Industrial sectors increased wages by 27.4% yoy; however, they are likely to gradually increase wages during the year due to the wage adjustments along tariff scales.

Increase in average wage resulted in increase of revenues from single social contribution by 29.4% yoy in the first three months of the year.

Monetary policy: Inflation surged to 15.1% yoy in March

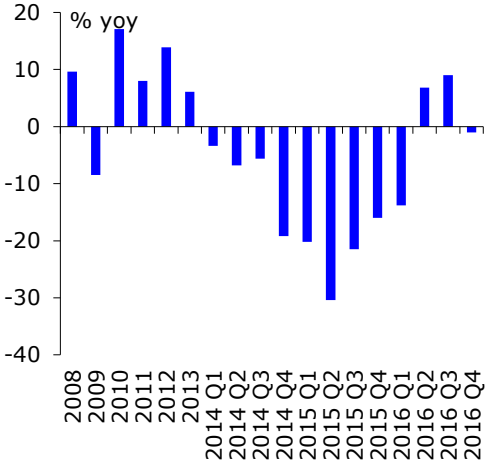
Consumer inflation surged to 15.1% yoy in March. CPI growth reflected mostly supply-side factors. These include growing global food prices over previous months (FAO global food price index was up 13.4% yoy in March but decreased by 2.8% from February), increase in excise taxes on tobacco and alcohol (leading to 30% yoy jump in consumer prices for these products), shift of oil prices to USD 50-60 per barrel range. Sharp increase in regulated prices for electricity, heating and water supply (by 42-89% yoy) also contributed to CPI growth. Consumer demand remained tepid despite recent increase in minimum wage and inflation expectations remained anchored. This helped to keep core inflation that excludes products with regulated prices, energy and certain unprocessed food products from index basket at 6.3% yoy.

External merchandise trade



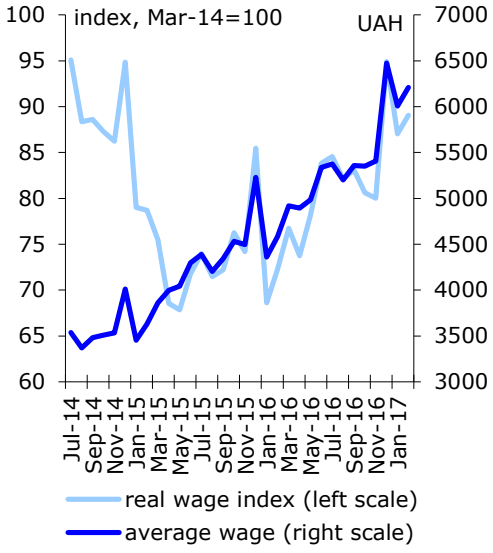
Source: NBU preliminary estimates

Real disposable household incomes



Source: Ukrstat

Average wage*



*not including AR Crimea
Source: Ukrstat

On April 14, the NBU reduced discount rate to 13% p.a. citing reduction in exchange rate volatility and moderation in inflation expectations. The NBU pointed to expected increase in demand pressure on inflation and projected growth in food prices due to supply factors but these concerns were apparently insufficient for monetary policy committee to keep policy rate steady as it did over the last several months. This may mean that the NBU is more optimistic on inflation path in 2017 than other forecasters.

Exchange rate: Calm continued in March

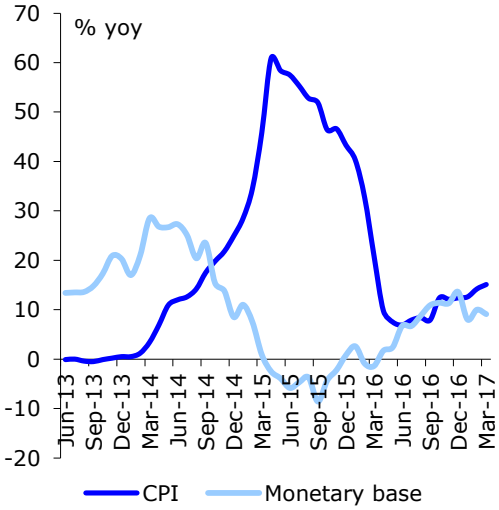
Interbank foreign exchange market remained calm in March. Interbank UAH/USD exchange rate fluctuated near UAH 27 per USD as high export prices offset impact of Donbas blockade on export revenues. Depreciation expectations reduced markedly as gross sales of cash foreign currency to banks increased by over two thirds from February to USD 456 m and cash exchange rate continued to strengthen. The NBU used this opportunity to purchase USD 128 m to replenish reserves. The NBU international reserves reached USD 16.7 bn by April 5 as NBU received USD 1 bn from IMF and USD 0.1 bn from Swiss National Bank. The Government received EUR 600 m in macrofinancial assistance from the EU that offset USD 0.5 bn payment of the Eurobond coupon in March.

State debt: Increased external debt

In the first days of April, Ukraine received USD 1 bn from the IMF under the EFF and EUR 600 m from the European Union as macro-finance assistance. This was a result of economic stabilization and implementation of promised reforms by Ukrainian government, particularly, in the area of anti-corruption policies.

In March, the Ministry of Finance placed UAH 2.3 bn of state domestic bonds with weighted average 15.2% p.a., which is close to the results of February. The demand for the bonds was primarily concentrated on two- and three-year bonds.

CPI and monetary base development



Source: Ukrstat, NBU

Tables

		Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Industrial production (real)	% yoy cum.	-20.0	-16.1	-13.0	4.5	2.6	2.5	2.8	4.5	3.8	2.6	2.3	2.5	2.5	2.4	2.6	2.8	5.6	-4.6	…
Construction (real)	% yoy cum.	-26.2	-20.9	-12.3	8.3	13.0	17.3	17.4	13.0	12.9	13.0	14.4	15.4	17.3	17.0	17.2	17.4	35.0	21.0	…
Agricultural production (real)	% yoy cum.	-9.3	-5.3	-4.8	-1.7	-0.3	0.9	6.1	-1.7	-1.3	-0.3	0.5	0.1	0.9	2.8	2.9	6.1	-2.4	-1.7	…
Retail trade turnover (real)	% yoy cum.	-24.6	-22.3	-20.7	1.6	2.3	3.3	4.0	2.5	1.8	2.3	2.4	3.1	3.3	3.0	3.7	4.0	3.1	0.5	…
Average wage	UAH	4113	4313	4753	4622	5072	5311	5744	4895	4984	5337	5374	5202	5358	5350	5406	6475	6008	6209	…
CPI	% yoy eop	57.5	51.9	43.3	20.9	6.9	7.9	12.4	9.8	7.5	6.9	7.9	8.4	7.9	12.4	12.1	12.4	12.6	14.2	15.1
PPI	% yoy eop	37.9	32.5	25.4	10.5	15.7	19.6	35.7	10.1	16.4	15.7	18.3	18.9	19.6	29.2	32.0	35.7	36.8	38.9	38.3
Exports (USD)*	% yoy cum.	-32.2	-29.8	-27.0	-16.4	-10.1	-8.0	-4.0	-13.0	-10.8	-10.1	-9.9	-8.4	-8.0	-7.1	-5.1	-4.0	41.2	27.6	…
Imports (USD)*	% yoy cum.	-34.2	-31.8	-29.3	-10.9	-4.0	0.6	4.4	-5.2	-5.0	-4.0	-2.9	-0.4	0.6	0.5	2.1	4.4	27.1	19.5	…
Trade balance*	USD bn cum.	-1.1	-1.2	-1.6	-2.3	-1.9	-4.1	-5.8	-1.8	-1.8	-2.0	-2.7	-3.4	-4.1	-4.6	-5.0	-5.8	-0.3	-0.9	…
Current account**	USD bn cum.	-0.1	0.1	-0.2	-1.5	-0.9	-2.8	-3.8	-1.3	-1.0	-0.9	-1.4	-1.9	-2.8	-3.0	-3.1	-3.8	-0.1	-0.5	…
Gross international reserves	USD bn eop	10.3	12.8	13.3	12.7	14.0	15.6	15.5	13.2	13.5	14.0	14.1	14.1	15.6	15.5	15.3	15.5	15.4	15.5	15.1
Monetary Base	% yoy eop	-5.9	-8.6	0.8	-1.4	1.7	10.6	13.6	1.7	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	20.9	21.1	20.6	18.0	17.0	16.8	14.2	13.7	16.1	15.9	15.5	…
Exchange rate (interbank)	USD aop	21.56	21.74	22.90	25.69	25.2	17.27	25.90	25.54	25.21	24.93	24.82	25.14	26.23	25.72	25.71	26.27	27.22	27.05	26.99
Exchange rate (official)	USD aop	21.62	21.69	22.33	25.68	25.3	25.40	25.67	25.63	25.21	24.95	24.82	25.65	26.28	25.76	25.70	25.55	27.15	27.03	27.00
Exchange rate (official)	EUR aop	23.93	24.69	24.91	28.34	28.6	25.58	28.18	29.06	28.50	28.09	27.49	28.65	29.47	28.45	27.78	28.29	28.80	28.81	28.82

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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