Monthly Economic Monitor Ukraine

No.3 (197), March 2017

EXECUTIVE SUMMARY

HIGHLIGHT: BLOCKADE

Politics: The IMF scheduled the next meeting of the Executive Board regarding Ukraine on March 20, 2017. However, the installment of the tranche is under the risk taking into account the expected impact of trade blockade at the East of Ukraine on major macroeconomic indicators.☐

Real sector: In 2016, capital investments increased by 18.0% after three years of decline.

Energy sector: On February 15, the Cabinet of Ministers introduced emergency measures on the electricity market due to the blockade of coal supplies from the non-controlled area.

Transport. The Cabinet of Ministers introduced new quality control mechanism for road construction. ☐

Agriculture: The Cabinet of Ministers approved a procedure for the provision of fully-fledged subsidy program for the agriculture sector.

External sector: In January 2017, current account deficit narrowed to USD 0.03 bn from USD 0.3 bn in January 2016 due to lower trade deficit.

Fiscal policy: According to the preliminary information of the State Treasury, consolidated fiscal revenues in February 2017 increased substantially by 52.3% yoy.

Social policy: In January 2017, average pension grew by 7.6% yoy to UAH 1823 per month primarily due to minimum pension increase.

Labour market: Average wage in January surged by 37.7% yoy to UAH 6008 primarily due to increase of minimum wage.

Monetary policy: Consumer inflation rose to 14.2% yoy in February as the Ukrstat reported highest inflation over the last 11 months.

Exchange rate: Foreign exchange market calmed in February with interbank exchange rate fluctuating around UAH 27 per USD.

State debt: In February, the Government continued to recapitalize state banks, which results in further increase in state debt.

Highlight of the month: Blockade

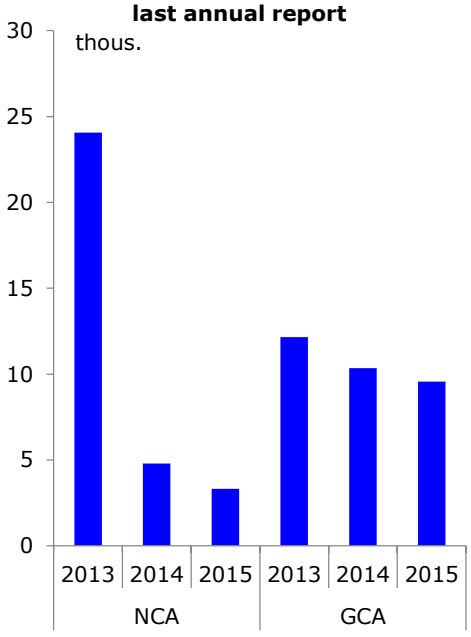
WILL THE BLOCKADE OF TRADE IN THE EAST HAMPER ECONOMIC DEVELOPMENT IN THE COUNTRY?

In February, the Government of Ukraine declared the "emergency in the energy sector" to address disruption of coal supplies to thermal power plants. It was caused by the blockade of coal trade across the contact line of the conflict in eastern Ukraine. Since January 2017, activists blocked coal shipments from parts of Eastern Ukraine that are occupied by Russia-backed separatists. They protested against trading with "the enemy" and argued that profits from this trade were used by combined Russian-separatist forces to fuel the war. Supporters of the blockade also said that Ukraine's energy sector had not become independent, as Ukraine continued to bring anthracite coal from the non-controlled area (NCA) rather than import it from other countries in spite of the introduced formula of *Rotterdam+* for the coal price definition.

Ukrainian authorities said that the blockade should be stopped as it disrupts the coal supply to the country and reduces steel exports. They claimed that the trading was done with enterprises that pay taxes into Ukrainian budget and pay wages to their employees in hryvnia on the Government controlled area. Some Ukrainian enterprises said that they would purchase coal from Russia if the blockade continues. The ambassadors of the G7 member states (Germany, Italy, Canada, the United Kingdom, the United States, France and Japan) have urged all parties "to unblock railways and roads for legitimate trade" and called on the Government of Ukraine to make energy supply transparent and more secure. However, in the first days of March, the leaders of the Russia-controlled militant organizations that occupy parts of the Donbas "nationalized" a number of Ukrainian enterprises that operate on the NCA. As a result, Ukrainian authorities approved the decision to blockade the trade with the NCA unless companies are returned to their previous owners.

Overall, it is rather tricky to estimate the results of the blockade on the economic development of the Government controlled area (GCA) of Donbas due to strong but non-transparent links with the companies at the NCA. After the beginning of war in spring of 2014, some companies at the NCA closed or were forced to close their businesses, while other continued working on the NCA or moved business to the controlled part of Ukraine or to Russia. Most companies operating at the occupied territory stopped reporting to the Ukrainian authorities. Still, some companies located at the NCA continued reporting to the Ukrstat as well as paying taxes. They did it to be able to export their products or sell then on the GCA of Ukraine. According to the Ukrstat, 3818 companies from NCA submitted their reports in 2015. Moreover, in 2015, hundreds of private entrepreneurs were registered with the address in the NCA. Overall, 86.2% of companies located at the NCA either ceased operation or stopped official reporting between 2013 and 2015.

Number of companies in Donetsk and Luhansk oblasts depending on year of last annual report



Source: business connections data

Therefore, the blockade of trade means that companies that continued to report to the Ukrstat will stop appear in official statistics, worsening the indicators of economic activity by few percentage points. Moreover, these companies paid taxes in Ukraine. However, as they also were exporting their produce they received VAT refunds, which reduces their impact on the fiscal revenues. Moreover, the Government will not transfer subsidies to the coal mines, as it did previously. As a result, direct impact on the fiscal situation should be limited.

According to the NBU estimates, losses of exports may reach USD 2 bn, which may increase pressure on exchange rate. The loss of the coal from the NCA means that coal will have to be imported from other countries likely at a higher price.

Overall, the NBU estimates that the blockade of trade with the NCA might reduce real GDP growth by 1.3 p.p. (to near 1.5%). However, the outcome would depend on how quickly companies would be able to adjust to new realities.

Still, the blockade might hamper the cooperation with the IMF as it changes macroeconomic basis of the program. Therefore, the Government will have to update the macroeconomic forecast at least for 2017. This might terminate the instalment of the next tranche of the IMF loan under the EFF (the executive Board meeting on this issue is planned for March 20).

Monthly Economic Monitor Ukraine

Politics: Blocked coal shipments cause political and energy crisis

Coal blockade. Since January 2017, Ukrainian activists including the veterans of the anti-terrorist operation had been blocking coal shipments from parts of Eastern Ukraine that are occupied by Russia-backed separatists. They protested against trading with Russia's puppet regimes. Ukrainian authorities said that the blockade should be stopped as it disrupts the coal supply to the country and negatively impacts the economic development of Ukraine. In the first days of March, the leaders of the Russia-controlled militant organizations that occupy parts of the Donbas "nationalized" a number of Ukrainian enterprises that operate on the NCA. After that, the National Security and Defense Council of Ukraine decided to suspend transportation of freight across the contact line until the full ceasefire and withdrawal of heavy weapons that are provided by Minsk Agreements are implemented and until the seized enterprises are returned under the jurisdiction of Ukraine.

The war in Donbas. The military conflict in the Eastern Ukraine continued in February despite the negotiations about a new ceasefire. Combined Russian-separatist forces attacked Ukrainian positions in the areas of cities of Donetsk, Luhansk, and Mariupol. In February, 21 service members of the Ukrainian Armed Forces were killed in the war and 123 service members were wounded.

Crimea. Ukrainian Member of Parliament Andriy Artemenko was expelled from his parliamentary faction of the Radical Party. It happened after information emerged about his contacts with advisers and associates with ties to the US Presidential Administration where he proposed a plan to "lease" the Russia-occupied Autonomous Republic of Crimea to Russia. In return, he expected peace in the Eastern Ukraine and easing of Western sanctions on Russia. Ukrainian authorities called this plan a "surrender" of Crimea. Ukrainian prosecutors filed a court proceeding against Andriy Artemenko accusing him of treason.

Cyber security. In February, the President of Ukraine issued two decrees that change the online security and privacy regulations in the country. The decrees enact the decisions of the National Security and Defense Council "On the Information Security Doctrine of Ukraine" and "On Threats to Cyber Security of Ukraine and Urgent Measures to Neutralize Them". With a goal to counteract Russia's informational warfare, the document authorizes the Government to monitor Ukrainian media for information that could pose a threat to the national security of Ukraine. The decisions also tasks the Cabinet of Ministers to prepare a draft law that provides for saving users' data and blocking certain websites, a step that critics say may introduce online censorship.

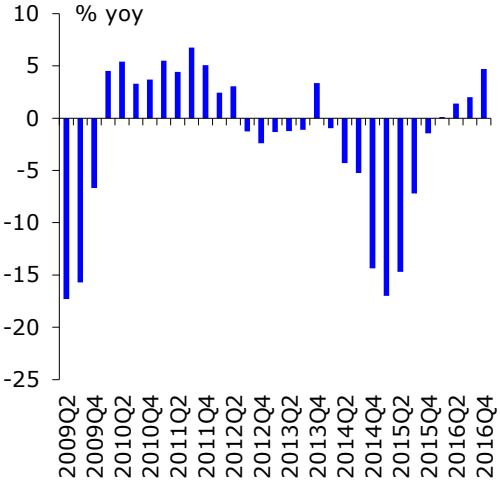
The IMF. The IMF scheduled the next meeting of the Executive Board regarding Ukraine on March 20, 2017. The Board is expected to approve the decision on the disbursement of about US $ 1 billion to Ukraine as the positive decision on the third review of the EFF program was made by the Mission in early March. The IMF reported having reached agreement with Ukrainian authorities on an updated Memorandum of Economic and Financial Policies.

Real sector: Good start of the year

Capital investments. In 2016, capital investments increased by 18.0% after three years of decline. Industry increased investments by 18.7% due to higher investments in coal, oil and gas extraction, food production and other sectors. Agriculture increased capital investments by 49.5% to purchase better machinery and equipment. At the same time, IT sector investments dropped by 36.9% from a high statistical base (this sector invested into expensive 3G licences in 2015). As usual, most investments were financed from own funds of companies (70% of all financing).

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

Real GDP growth



Source: Ukrstat

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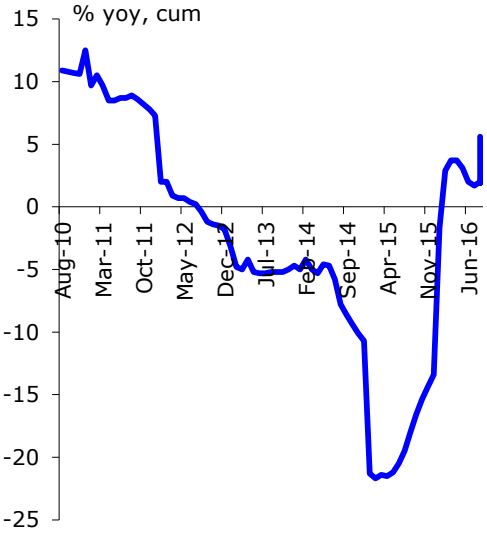
Sectoral trends. Industrial output growth accelerated to 5.6% in January 2017 from 4.5% yoy in December 2016. Metallurgy increased production by 8.5% yoy. Machine building grew by 16.1% yoy likely due to higher demand for specialized industrial equipment and railcars. Food production increased by 8.1% yoy as it was still supported by strong demand and good harvest of sunflower seeds. Increase in manufacturing resulted in increase of supply of electricity and gas by 2.3% yoy.

Construction surged by 35.0% yoy due to high demand for housing and mild weather conditions. Residential construction increased by 57.4% yoy.

Retail trade grew by only 3.1% yoy regardless sharp increase in minimum wage. In particular, consumer sentiments remained weak.

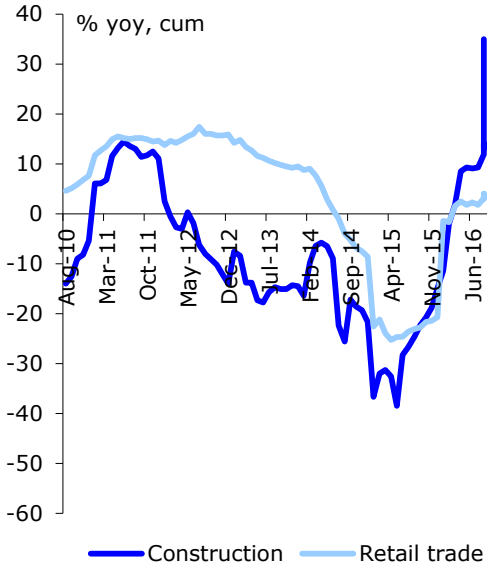
The Ukrstat publishes data excluding the temporarily occupied territory of the Autonomous Republic of Crimea and Sevastopil and the part of the territory of the anti-terrorist operation in the East.☐

Industrial output



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

Real sector trends



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

Energy: Emergency measures on the electricity market

Electricity. On February 15, the Cabinet of Ministers introduced emergency measures on the electricity market due to the blockade of coal supplies from the non-controlled area since the end of January. In case of severe shortages of coal the Ministry of Energy will be able to balance electricity consumption by switching off consumers in peak hours. Also, the share of nuclear power plants in electricity generation will be increased. It already reached record volumes on February 18 of 302.93 m kW*h per day as compared to 257.9 m kW*h per day on average in January 2017 and 277.55 m kW*h in February 2017. The Ministry of Energy revised the estimated balance of energy for March 2017 accordingly increasing electricity production at nuclear and hydro power plants and decreasing it at thermal power plants.

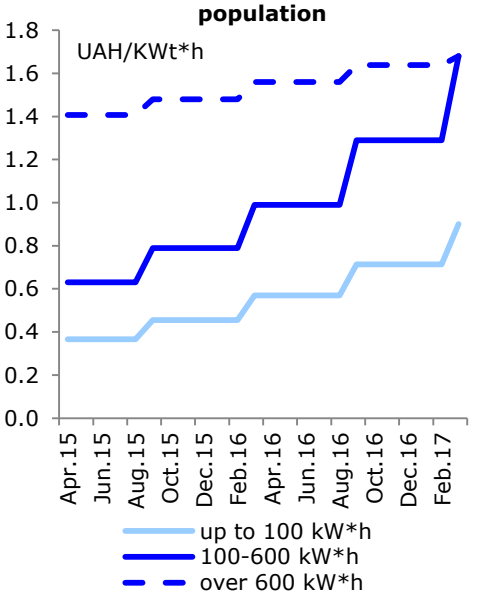
Coal. On March 2, an explosion and collapse of the rock was on Stepova coal mine No.10 in Lviv region. Eight persons were killed and 23 individuals were wounded. As a result, the mine was temporarily closed due to high levels of methane. A special commission has been formed to investigate the cause of explosion.

Utilities. The National Energy and Utilities Regulatory Commission (NERC) increased electricity tariffs for the population by 26.1% to UAH 0.9 for consumption up to 100 kW*h per month, by 30.2% to UAH 1.68 for consumption of 100-600 kW*h per month and by 2.6% to UAH 1.68 for consumption over 600 kW*h per month. This is the last round of tariff increase according to schedule approved in April 2015 to bring the price of electricity to cost-covering level. However, the tariffs might increase again as the costs of electricity production increase.

The Cabinet of Ministers decreased the social norms for gas consumption for the population from 5.5 to 5 cubic meters per square meter from May 1, 2017. It also decreased the consumption quota for thermal energy for consumers with individual or building meters from 0.0548 to 0.0431 GCal per square meter and decreased the consumption quota for electricity used for heating from 65 to 51 kW*h per square meter. This is expected to result in lower need for financing of housing and utility subsidies for households.

Transparency. In February, the second Extractive Industries Transparency Initiative (EITI) Report of Ukraine was issued. The report covers activities of 97 extractive companies in 2014-2015. These companies together paid more than 99% of tax revenues to the consolidated budget of Ukraine from extractive industries. The report provides information on tax and other payments received by the state from natural resources extractive companies, the procedures for granting permits (licenses) for the use of natural resources and other information.

Retail electricity tariffs for population



Source: NERC

Transport: The new quality control mechanism for road construction

Roads. The Cabinet of Ministers obliged to use the FIDIC (International Federation of Consulting Engineers) system during all

road works in Ukraine. The FIDIC issues international standard forms of contracts for works and for clients, consultants, joint ventures and representatives to use in international construction projects. According to the Minister of Infrastructure, technical control over road works will be performed by the independent engineering service to ensure high quality of construction and maintenance works. Previously such control was performed by the customer of the works.

The Cabinet of Ministers introduced the new mechanism for financing the construction of highways in Ukraine. Now, 50% of the over-executed customs revenues will be earmarked for highway construction in the respective region. In 2016, this mechanism was used in Volyn, Lviv, Odesa and Chernivtsi regions and the city of Kyiv and allowed to spend additional UAH 1.5 bn on roads construction and maintenance.

Agriculture: Livestock production declined

Production. In two months of 2017, livestock production declined by 1.7% yoy. As of March 1, the number of cattle decline by 1.1% yoy likely due to still high investment risks. The African Swine Fever became one the key reasons for the reduction of the number of pigs by 7.5% yoy. At the same time, the meat, milk, and egg production in February remained close to the levels of previous year likely due to stable demand.

Trade. In 2016, the exports of agricultural and foods products exceeded USD 15.5 bn and reached 42.5% of merchandise exports of Ukraine. Near 45.9% of this export was directed to Asian countries. The EU became the second largest importer of this group of exports with the share of 27.5%. Africa imported 15.7% of Ukrainian agricultural and food products.

Policy. On February 21, the Cabinet of Ministers approved a procedure for the provision of fully-fledged subsidy program for the agriculture sector. The subsidy is to be provided to agricultural companies automatically according to the single registry formed according to their applications. The planned central fiscal expenditures for this subsidy are planned at UAH 4.8 bn.

On March 1, the Cabinet of Ministers also approved rules for the 15% compensation (including VAT) of the costs of purchased agricultural machines with 60% locally produced components. 35% localization is required for tractors. Overall, the Ministry of Agrarian Policy and Food announced that the compensation amount is budgeted at UAH 550 m in 2017.

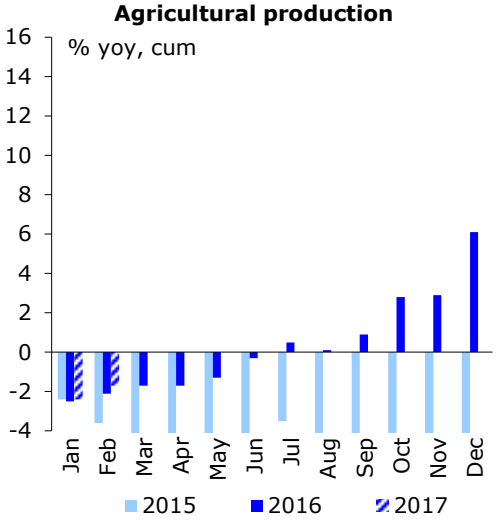
External sector: FDI inflows continued to decrease

Current account. In January 2017, current account deficit narrowed to USD 0.03 bn from USD 0.3 bn in January 2016 due to lower trade deficit. Merchandise trade deficit declined to USD 0.4 bn as a result of faster recovery of exports as compared with January 2016. Trade in services surplus increased to USD 0.16 bn. Net outflow of primary income was close to zero, including net outflow of investment income at USD 0.3 bn. Remittances from abroad increased by 11.7% yoy to USD 0.5 bn.

Growth of merchandize exports accelerated to 52.7% yoy (as compared to increase at 9.2% in December 2016). Exports of all product groups increased, except for exports of chemicals, which decreased by 8.7% yoy. The most significant growth was in export of minerals (by 71.9% yoy) primarily due to statistical base effect. Food exports increased by 55.4% yoy mainly due to higher sales of crops, oils, and fats. Export of metals increased by 70.1% due to increase in steel prices. Growth of export of electrical machinery and equipment was the main reason for increase in machinery exports by 34.3% yoy. Exports of manufactured goods increased by 46.3% yoy mostly due to higher export of clothes and shoes. Exports of services increased by 16.2% yoy.

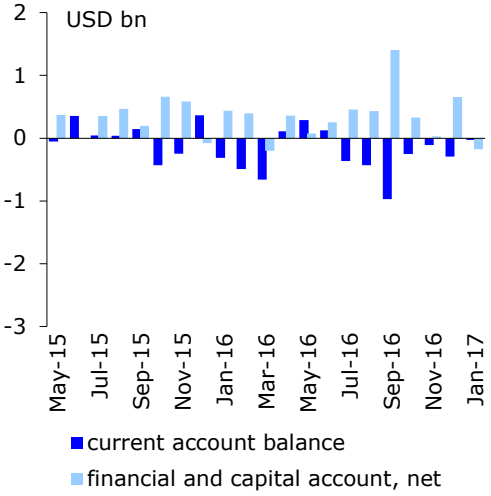
Imports of goods increased by 31.6% yoy (as compared to 36.0% yoy in December 2016). Imports of minerals increased by 65.1% yoy due to higher purchases of natural gas. Imports of machinery and

Agricultural production



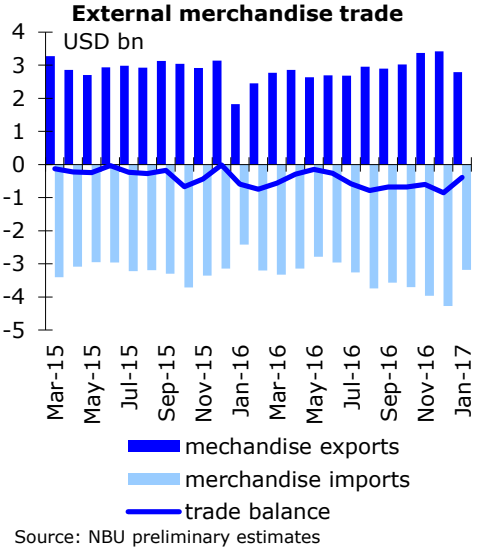
Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

External merchandise trade



Source: NBU preliminary estimates

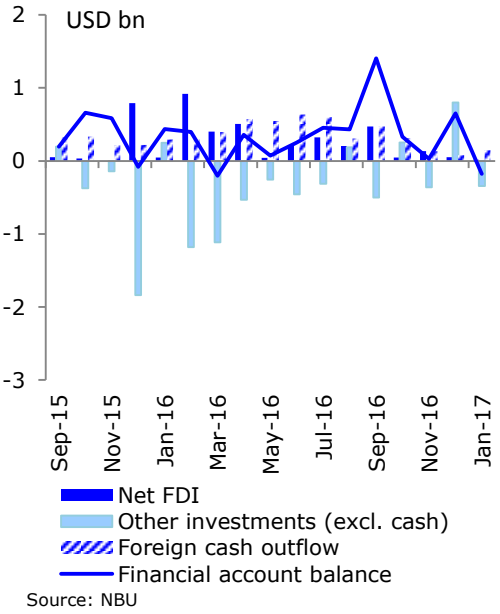
metals increased by 61.3% yoy and 30.1% yoy, respectively. At the same time, imports of foods dropped by 14.5% yoy due to lower purchases of sugar and crops (likely caused by good harvest of crops in Ukraine). Imports of services increased by 14.4% yoy.

Financial account. In January 2017, financial account was in deficit at USD 177 m (as compared to USD 436 m surplus in January 2016) as both public and private sectors repayments were higher than inflows. Net inflow of FDI decreased to USD 17 m (76% of which were allocated to the real sector). The Government sector outflows were USD 44 m. External assets of banking sector decreased by USD 0.2 bn and banks repaid USD 0.3 bn in liabilities. Real sector did not attract much of external financing. Net sales of cash foreign currency to banks was equal to USD 0.15 bn.

Trade policy. On 22 February 2017, WTO's Trade Facilitation Agreement enters into force, which seeks to expedite the movement of goods across borders. The agreement launches a new phase for trade facilitation reforms all over the world and improves multilateral trading system as a whole.

Also, an amendment to the WTO's agreement on intellectual property entered into force on 23 January. It gives legal certainty that generic versions of patent-protected medicines can be produced under compulsory licences specifically for export to countries with limited or no pharmaceutical production capacity.

Financial account

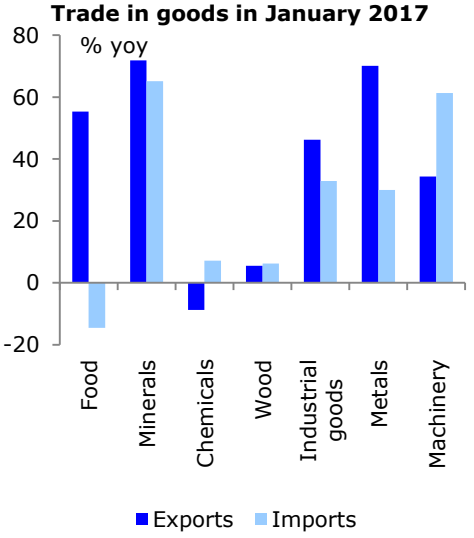


Source: NBU

Fiscal policy: Higher growth of revenues

2017. According to the preliminary information of the State Treasury, consolidated fiscal revenues in February 2017 increased substantially by 52.3% yoy. This is lower than growth reported in January (at 90.3% yoy) as the State Fiscal Service was refunding VAT in February, while in January refunds were at almost zero. Tax revenues almost doubled in February likely due to the same reasons as in January. In particular, gross VAT revenues grew not only because of higher consumption, but also due to the full elimination of the special VAT scheme for agricultural companies. Increase in wages, largely attributed to the doubling minimum wage, drove PIT revenues. Higher rates and larger consumption explain sharp growth in collection of excise duties. Therefore, the year has started with rather encouraging fiscal results.

Trade in goods in January 2017

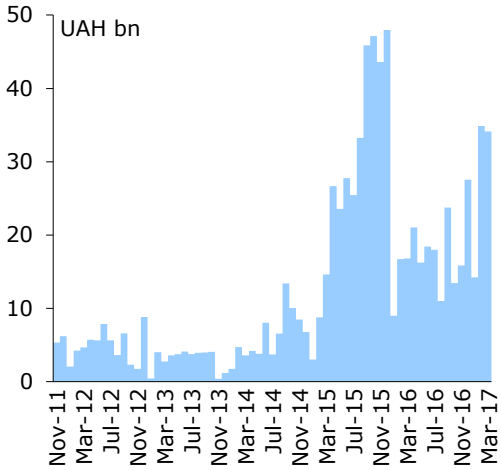


Source: NBU preliminary estimates

Social policy: The Pension Fund reported on the 2016 figures

The Pension Fund published annual report for 2016. Total Fund's revenues reached UAH 256 bn including UAH 107 bn in own revenues. However, only 53% of own expenditures were financed by own revenues. The rest was covered by the central fiscal transfer, which increased in 2016 by 1.5 times. In particular, the Government compensated increased deficit of the Fund due to the decline in the single social contribution rate by half to flat rate of 22%. Besides, the budget transfer financed special pension programs as well as co-payment to the minimum pension for pensioners with lower pensions. In January 2017, average pension grew by 7.6% yoy to UAH 1823 per month primarily due to minimum pension increase.

Balance of the Single Treasury Account



* in the beginning of month

Source: State Treasury

Labour market: Sharp wage growth

Average wage in January surged by 37.7% yoy to UAH 6008 primarily due to increase of minimum wage from UAH 1600 to UAH 3200. It grew by 21.4% yoy in real terms.

The sharpest growth was in sectors with traditionally the lowest wages, including agriculture, education and healthcare. In these sectors wage grew by more than 50% yoy. Industry increased wages by 30.4% yoy with growth in textile industry by 52.2% yoy. At the same time, wages in chemical industry and coke production grew by less than 20% yoy as wages there were high previously and these companies face financial constraints. Industrial companies, especially large ones, are expected to increase wage further later during the year due to the adjustment of wages along tariff grid.

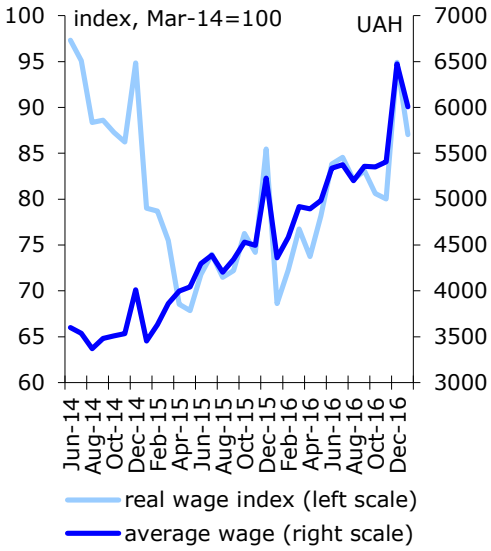
Monetary policy: Inflation reached 14.2% yoy in February

Consumer inflation rose to 14.2% yoy in February as the Ukrstat reported highest inflation over the last 11 months. This reflected low statistical base (CPI reduced by 0.4% mom in February 2016) and pick up in food prices over the last several months. Global food prices as measured by FAO Food Price Index increased by 17.2% yoy with international dairy prices going up by 37% yoy. While oil prices stabilized since December, average spot Brent oil price still increased by over 70% yoy in February.

Monthly core inflation remained moderate at 0.7% mom but excluding effect of seasonal decrease in clothing and footwear prices it exceeded 1% mom. Domestic demand remained limited by low household incomes keeping a lid on core inflation. However, rising commodity prices and political instability increase inflation risks.

On March 3, the NBU decided to keep discount rate at 14% p.a. citing increase in inflation risk. Disruption of exports from uncontrolled part of Donbas may increase depreciation pressure on hryvnia adding to inflation expectations as well. At the same time banks continued to reduce interest rates on deposits and corporate loans in February and in the beginning of March. This may mean that inflation expectations so far didn't increase.

Average wage*

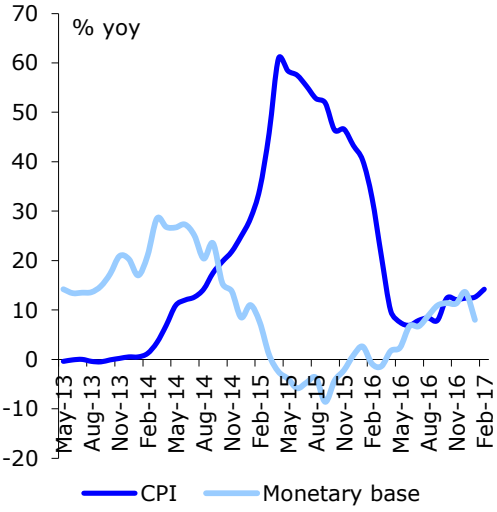


*not including AR Crimea
Source: Ukrstat

Exchange rate: Hryvnia volatility reduced in February

Foreign exchange market calmed in February with interbank exchange rate fluctuating around UAH 27 per USD. Depreciation expectations reduced and sales of cash foreign currency to banks increased, Cash exchange rate became very close to inter-bank rate by the end of the month. NBU purchased net USD 81 m to replenish reserves spent earlier. NBU international reserves remained at around USD 15.45 bn due to net government outflows at USD 129 m.

CPI and monetary base development



Source: Ukrstat, NBU

State debt: Further increase in domestic state debt

In February, the Ministry of Finance placed UAH 2.9 bn of state domestic bonds with weighted average yield at 15.3% p.a. as compared to UAH 1.1 bn at 15.7% p.a. in January. The demand for the bonds was primarily concentrated on two- and three-year bonds, which accounted for 59.4% of the total placement.

The Government continued to recapitalize state banks, which results in further increase in state debt. In particular, the Ministry of Finance issued additional UAH 9.8 bn of fifteen-year state domestic bonds (with the yield of 6% p.a.) to recapitalize the Privatbank, which was nationalized in December 2016. Since December 2016 the total amount of the bank's recapitalization reached UAH 116.8 bn. The Government also recapitalized Oshchadbank and Ukreximbank at UAH 3.5 bn and UAH 3.0 bn, respectively (via issue of ten-year bonds).

Tables

		Q3 14	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Industrial production (real)	% yoy cum.	-8.0	-20.0	-16.1	-13.0	3.7	2.0	2.0	3.7	3.1	2.0	1.7	2.0	2.0	1.9	2.1	2.4	5.6	…
Construction (real)	% yoy cum.	-16.4	-26.2	-20.9	-12.3	1.9	9.1	13.2	8.5	9.3	9.1	9.3	11.9	13.2	13.7	14.1	13.1	35.0	…
Agricultural production (real)	% yoy cum.	16.0	-9.3	-5.3	-4.8	-1.7	-0.3	0.9	-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.	-5.3	-24.6	-22.3	-20.7	1.6	2.3	3.3	2.5	1.8	2.3	2.4	3.1	3.3	3.0	3.7	4.0	3.1	…
Average wage	UAH	3463	4113	4313	4753	4622	5072	5311	4895	4984	5337	5374	5202	5358	5350	5406	6475	6008	…
CPI	% yoy eop	17.5	57.5	51.9	43.3	20.9	6.9	7.9	9.8	7.5	6.9	7.9	8.4	7.9	12.4	12.1	12.4	12.6	14.2
PPI	% yoy eop	26.9	37.9	32.5	25.4	10.5	15.7	19.6	10.1	16.4	15.7	18.3	18.9	19.6	29.2	32.0	35.7	36.8	38.9
Exports (USD)*	% yoy cum.	-16.4	-32.2	-29.8	-27.0	-16.4	-10.2	-8.1	-13.1	-10.8	-10.2	-9.9	-8.4	-8.1	-7.3	-5.2	-4.1	41.0	…
Imports (USD)*	% yoy cum.	-24.8	-34.2	-31.8	-29.3	-10.9	-5.4	-0.7	-6.7	-6.3	-5.4	-4.2	-1.8	-0.7	-0.6	1.9	3.9	27.6	…
Trade balance	USD bn cum.	-3.0	-0.6	-1.0	-1.7	-1.6	-1.7	-3.6	-1.6	-1.6	-1.7	-2.3	-3.0	-3.6	-4.1	-5.9	-6.8	-0.9	…
Current account**	USD bn cum.	-1.2	-0.1	0.1	-0.2	-1.0	-0.6	-2.3	-1.1	-0.8	-0.6	-1.0	-1.4	-2.3	-2.5	-3.1	-3.4	0.0	…
Gross international reserves	USD bn eop	16.4	10.3	12.8	13.3	12.7	14.0	15.6	13.2	13.5	14.0	14.1	14.1	15.6	15.5	15.3	15.5	15.4	15.5
Monetary Base	% yoy eop	23.5	-5.9	-8.6	0.8	-1.4	1.7	10.6	1.7	2.4	6.7	6.7	8.8	10.6	11.4	11.3	13.6	8.0	…
Lending rate on UAH credits	% pa, aop	16.4	23.1	21.1	20.7	20.0	20.9	20.8	20.9	21.1	20.6	18.0	17.0	16.8	14.2	13.7	16.1	15.9	…
Exchange rate (interbank)	USD aop	12.58	21.56	21.74	22.90	25.69	25.2	25.68	25.54	25.21	24.93	24.82	25.14	26.23	25.72	25.71	26.27	27.22	27.05
Exchange rate (official)	USD aop	12.58	21.62	21.69	22.33	25.68	25.3	25.74	25.63	25.21	24.95	24.82	25.65	26.28	25.76	25.70	25.55	27.15	27.03
Exchange rate (official)	EUR aop	24.37	23.93	24.69	24.91	28.34	28.6	28.96	29.06	28.50	28.09	27.49	28.65	29.47	28.45	27.78	28.29	28.80	28.81

Sources: Ukrstat, NBU, own calculations

* Trade in goods and services

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]
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	1568.9	1979.5
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	132.2	90.6
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	-9.9
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
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
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
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
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
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
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
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
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
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	-3.5	-0.2
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
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
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
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	79.4
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	52.7
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
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
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
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
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	10.54	10.30	11.04	19.26	26.22

Sources: Ukrstat, NBU, Ministry of Finance, own calculations

''' "Minus" denotes a consolidated fiscal deficit; without recapitalisation

[c] Data excludes Crimea where available

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]
GDP	UAH bn	387.1	379.2	303.8	354.8	398.0	408.6	316.9	382.4	440.5	447.1	375.5	455.2	563.9	584.8	453.2	531.8	664.7
GDP (real)	% yoy	-1.3	-2.4	-1.3	-1.2	-1.1	3.4	-1.0	-4.3	-5.3	-14.4	-17.0	-14.7	-7.2	-1.4	0.1	1.4	2.0
Household consumption (real)	% yoy	10.2	4.9	5.9	8.7	6.8	6.3	3.3	-7.8	-13.9	-12.2	-20.7	-28.1	-19.3	-13.0	-2.2	4.3	4.9
State consumption (real)	% yoy	9.7	1.1	2.0	-0.9	-1.5	-2.9	-5.9	5.2	0.1	4.5	2.7	-5.9	-1.7	8.1	0.1	-2.4	3.0
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	-22.8	-13.8	-6.3	1.4	4.2	17.6	24.8
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	-26.1	-22.1	-10.8	-5.8	-3.8	-6.5	-5.5
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	-19.8	-32.1	-18.2	-17.3	-7.2	-0.1	13.9
Agriculture, hunting, forestry (real)*	% yoy	-8.0	-3.5	5.7	21.7	-2.8	36.5	5.7	-9.1	25.6	-20.6	-4.7	-11.8	-3.8	-3.6	-1.6	0.6	1.1
Manufacturing industry (real)*	% yoy	-4.9	-6.6	-9.3	-9.9	-10.6	-9.8	-3.2	-5.4	-12.7	-13.2	-24.4	-20.7	-7.9	-0.2	6.9	3.4	0.1
Construction (real)*	% yoy	-14.3	-18.7	-16.1	-19.4	-8.0	-4.4	4.7	-14.0	-26.3	-30.8	-30.4	-24.2	-9.1	10.8	6.8	14.9	17.5
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	-25.0	-19.8	-13.6	-6.1	3.7	7.1	3.8
Transport (real)*	% yoy	-8.3	-10.5	-1.7	-0.8	1.3	2.7	-7.8	-10.9	-10.1	-11.0	-8.2	-2.3	-0.2	4.9	5.4	2.8	1.1
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	-1.8
Current account balance	% of GDP	-8.1	-10.1	-8.4	-5.1	-12.1	-9.8	-3.5	-2.5	-3.3	-6.7	-2.4	1.5	0.9	-1.1	-8.3	2.5	-6.8
Trade balance in goods	USD m	-5503	-6233	-4635	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1111	-470	-662	-1066	-1655	-615	-2054
Trade balance in services	USD m	2361	1578	1349	1504	2575	1066	937	443	456	686	555	388	278	397	263	293	123
Direct investment (FDI)*	USD m	2037	1876	1082	496	1510	991	-665	-319	725	558	397	907	890	818	1365	760	999
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
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	25.68
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	25.74
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	34.8	30.0	31.5	36.1	33.1	27.9
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	6.4	5.4
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	3.6	2.1	1.9
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	9.2	8.1	8.3	11.7	11.5	8.1
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	4.2	5.1	4.1
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	33.6	35.0	26.2	42.2	35.3	35.8	31.0
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	33.7	24.2	38.3	34.4	34.1	28.1
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	3.0
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	0.9	-2.8	-3.1
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
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
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
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
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
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
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
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
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
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	20.8
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

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

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