Monthly Economic Monitor Ukraine

No.1 (195), January 2017

EXECUTIVE SUMMARY

HIGHLIGHT: YEAR 2016

Politics: In December, the Government nationalized the PrivatBank, the largest private bank in Ukraine, after it failed to increase capital according to schedule.

Real sector: Real GDP growth accelerated to 2.0% yoy in the third quarter of 2016 as domestic demand increased.

Energy sector: Negotiations between Ukraine and Russia on the conditions of gas supplies in heating season 2016/17 failed in December 2016.

Agriculture: In 2016, Ukraine fully used tariff-free quotas on exports of honey, sugar, processed tomatoes, barley, maize, and poultry to the EU.

External sector: Current account deficit narrowed to USD 165 m in November 2016 due to positive net inflow of primary income and lower net outflow of investment income.

Fiscal policy: In the end of December, the Parliament approved the State Budget for 2017 and amendments to the Tax and Budget Codes.

Social policy: The number of households that received housing and utility subsidies reached 6.1 m (40.5% of total number of households).

Labour market: Since January 2017, minimum wage was increased to UAH 3200 from UAH 1600 in December 2016.

Monetary policy: Double-digit inflation in 2016 reflected higher energy prices for households, rising gasoline prices and excises on tobacco and alcohol.

Exchange rate: Interbank exchange rate weakened gradually to UAH 27 per USD in December.

State debt: State debt increased in December as the Government supported the Deposit Guarantee Fund and recapitalized the PrivatBank.

Highlight of the month: Year 2016

THE YEAR IN REVIEW

2016 became a year of start of the economic recovery path. Real GDP growth in 2016 is estimated at 1.4%. It was supported by higher domestic demand. In particular, real private final consumption increased due to higher disposable income primarily attributed to increase in wage income. Investments increased due to higher commercial and residential construction, larger government financing of infrastructural projects as well as the implementation of delayed modernisation projects. At the same time, real net exports made negative contribution to economic growth due to decline in real exports as Russia imposed ban on imports of many Ukrainian products and restricted transit of Ukrainian goods to other countries through Russia's territory. Besides, Ukrainian companies suffered losses due to military conflict in the East of the country. Necessity to maintain support by the IMF and other official international donors at the time of difficult economic situation pushed the Government to continue implementation of reforms. The Public Procurement Law was fully implemented, which means that since 2016 all public entities should conduct procurement above certain threshold on the basis of electronic platform ProZorro. The Government has also moved forward the reform in energy sector imposing the import parity price on gas sold in Ukraine regardless its origin. E-declarations became another important win of the year 2016. The Parliament also approved important laws on the judicial and tax reforms, which are to become wins of 2017, if fully implemented.

Politics

- The application of the Deep and Comprehensive Free Trade Area (DCFTA) between Ukraine and the European Union started in January 2016. Besides, throughout the year, Ukraine had been negotiating visa liberalization with the EU. A joint report released in late 2016 by the European External Action Service and the European Commission noted that Ukraine had successfully met all benchmarks under the Visa Liberalization Action Plan. However, in 2016, the European Parliament did not cancel short-term visas for Ukrainians.
- Political uncertainty was high during the year. The Cabinet of Ministers changed in 2016 after the resignation of Prime Minister Arseniy Yatseniuk, which was preceded by the resignation of Minister of Economic Development and Trade Aivaras Abromavičius and two parliamentary factions leaving the government coalition. Volodymyr Groysman, a close ally of President Petro Poroshenko and a former Speaker of the Verkhovna Rada, became a new Prime Minister. At the end of the year, several high officials left their positions, including Head of Odesa Oblast Administration Mikheil Saakashvili and National Police Chief Khatia Dekanoidze. They cited political pressure and lack of support from the Government as reasons for their departure.
- The armed conflict with combined Russian-separatist forces in the eastern Ukraine continued resulting in losses of Ukrainian servicemen. It escalated the most in July and August in the area of the towns of Mariinka and Avdiivka and in December when Ukrainian army was defending Svitlodarsk bulge in Donetsk oblast. Russia failed to fulfil the requirements of the Minsk peace process, including a withdrawal of its troops from Ukrainian territory and a full ceasefire.
- Procurement through the public electronic system ProZorro became obligatory for all public institutions and companies, which was officially declared to have resulted on savings. However, some other of approved changes we *de facto* not fully implemented. Important changes took place in 2016 in the area of civil service and judicial system. A new law on civil service became effective since May 2016 that *de jure* makes the process of hiring public servants more transparent. However, salaries of civil servants were not increased to more competitive level, which resulted in inefficient implementation of changes. Amendments to the Constitution on judiciary and a new law on judicial system made the selection of judges more competitive and stripped the Parliament and the President of the right to dismiss judges. Ukraine still did not start land market and pension reforms and did not take necessary steps to increase the independence of anti-corruption law enforcement agencies and to convict corrupt high-level officials.
- In 2016, Russian occupation of the Autonomous Republic of Crimea continued and led to politically motivated prosecutions and abductions. The Supreme Court of the Russian Federation declared the Mejlis of the Crimean Tatar People an extremist organization. In November 2016, the United Nations human rights committee adopted a resolution that recognizes the AR of Crimea and the city of Sevastopol as temporarily occupied by Russia and condemns the abuses and discrimination against Crimean Tatars, ethnic Ukrainians, and other groups by Russian occupation authorities.

Real sector

- Real GDP in the first three quarters of 2016 increased by 1.3% yoy due to stronger domestic demand. Gross fixed capital accumulation surged by 16.5% yoy likely due to necessity to increase competitiveness after years of under-investments. At the same time, wage income increased as employers compensated for lost purchasing power of wages in 2014-2015. Higher domestic demand drove the growth of imports. Real exports declined by 5.3% yoy as Russia banned imports from Ukraine of many products (primarily food) and demand on other markets remained weak.
- Most sectors improved their performance during the year. Industrial output increased by 2.1% yoy in eleven months of 2016 due to recovery of manufacturing. At the same time, extractive industry declined production by 0.4% yoy as the war in the East created logistic problems. Increase in real private final

consumption and industrial output resulted in higher real gross value added in trade and transports. Construction surged due to higher financing of all types of construction.

Energy

- In 2016, the Government continued reforms on the gas market. It created "Magystralni gazoprovody Ukrainy" (MGU, eng. Trunk Gas Pipelines of Ukraine), a new operator of gas pipeline system of Ukraine in the framework of the Naftogaz unbundling process. After unbundling, the Naftogaz will retain only the function of gas trading, while gas storage and transportation will be performed by other companies.
- The Ukrtransgaz launched a backhaul gas transportation mechanism on Ukrainian border with Slovakia, Poland, and Hungary and started lending underground gas storages to foreign customers.
- The Verkhovna Rada approved the Law on the National Energy and Utilities Regulatory Commission (NERC), which increased the NERC's independence in the long-run. The Parliament also approved the Law on electricity market of Ukraine, which establishes the market of bilateral contracts and the balancing market in Ukraine.
- Ukrainian Government set the universal price of gas for households based on import parity and increased the purchasing price for Ukrgazvydobuvannya close to imports price. Moreover, purchasing prices for coal are set based on wholesale market price in the port of Rotterdam.

Transport

- Ukraine joined the Trans-Caspian International Transport Route connecting China, Kazakhstan, Azerbaijan, Georgia and Turkey, and reaching Europe as its final destination. Railways of Georgia, Iran, Azerbaijan and Ukraine agreed on a unified tariff for cargo transportation from India to Europe, which is necessary to make this Route competitive.
- Ukraine removed limitations on air transportation with Estonia, Armenia, Italy, Poland, and Lithuania. Also Open Air Agreement with the USA signed in 2015 came into force in January 2016.

Agriculture

- Agricultural production increased by 2.9% yoy in the first eleven months of 2016 due to good harvest of most crops. This was explained by both higher yields and larger harvested areas. At the same time, livestock production declined due to weak demand.
- The biggest failure of the year in agricultural policy relates to the prolongation of the moratorium on agricultural land sales for one more year until 2018. This further hampers the investment attractiveness of Ukrainian agricultural business. Moreover, producers again will be unable to use the land as a collateral.
- Special VAT scheme for agricultural producers was narrowed in 2016 and cancelled since 2017 regardless agrarian lobby. Besides, since 2017 the Government introduced direct state transfers to agricultural companies, which is a move forward more transparency and higher efficiency of state aid.
- The efforts of the Ministry of Agrarian Policy and Food ensured the entrance of Ukrainian dairy producers to the EU market. However, this only partially compensated losses from the embargo imposed by Russia for Ukrainian food products.

External Sector

- During 11 months of 2016, current account deficit broadened to USD 3.1 bn (as compared to USD 0.5 bn deficit in the same period of 2015) due to larger trade deficit. Exports of goods decreased by 6.6% yoy mainly due to ban imposed by Russia on imports from Ukraine of many products, logistic problems, and weak demand on other markets. Besides, prices for some food products (e.g. wheat) continued declining. The introduction of the DCFTA since January 2016 supported exports of goods to the EU that increased by 1.7% yoy. Ukrainian metallurgical plants also benefited from anti-dumping duties for some metals imposed by the EU against Russia and China. Between January and November imports of goods increased by 0.9% yoy as sharp reduction in mineral imports was counterweighted by growth of imports of other products (primarily, machine building). As a result, the EU was a main trading partner of Ukraine in 2016.
- Financial account surplus reached USD 4.0 bn (as compared to USD 0.6 bn during the same period of 2015) as FDI inflow grew by 49% yoy to USD 3.3 bn and the Government received external funding. As a result, balance of payments was in surplus of USD 1.0 bn.
- On July 11, 2016, the Governments of Canada and Ukraine signed the Canada-Ukraine Free Trade Agreement (CUFTA). In September 2016, the Government of Canada submitted agreement to the parliament for ratification. According to the CUFTA, Canada opens its market for 99% of Ukrainian goods.

Fiscal policy

- Fiscal situation remained encouraging in 2016. Consolidated fiscal revenues grew rapidly due to improved tax administration and increased economic indicators. In particular, PIT revenues grew due to higher effective tax rate and bigger wages. Higher rates and consumption contributed to growth of excise collections. Narrowed use of special VAT scheme for agricultural companies, higher consumption and investments resulted in VAT revenues growth. Local fiscal revenues and expenditures increased due decentralization efforts.
- Lower than planned consolidated fiscal deficit resulted in underfinanced expenditures. As usually, capital outlays likely were under-executed more than current expenditures.

- In December, the Government pushed through the Parliament several important draft laws overnight, including the State Budget Law for 2017, amendments to the Budget Code and the Tax Code and changes to many other laws. The parameters of the State Budget Law for 2017 are based on rather realistic macroeconomic assumptions, even though there is a downward risk for tax revenues (e.g. VAT and EPT). New provisions of the Budget Code are directed towards increase in decentralisation. Amendments to the Tax Code are primarily directed towards easing of tax administration.

Privatisation

- The State Property Fund of Ukraine (SPFU) failed to restart privatisation in 2016 primarily due to economic and political uncertainty. Only small stakes were sold generating UAH 0.3 bn of privatisation receipts (1.9% of annual target).
- The SPFU announced the privatisation of the Odesa Port Plant for two times but failed to sell this strategic company due to absence of buyers caused by unclear perspectives of the natural gas and fertilizers prices as well as high company's debt burden. The privatisation of other blue chips (including regional power generation companies) was postponed.
- The Parliament approved the long-awaited law aimed to accelerate the privatization in Ukraine and make the process more effective. This law removes the requirement to sell 5-10% of the companies' stakes on stock exchanges, prohibits privatization of Ukrainian companies by Russian buyers, and opens the possibility to attract advisers for the sale of large companies.

Social policy

- Real disposable income increased in 2016 primarily due to higher wage income. It grew by 7.3% yoy in the third quarter.
- The Pension Fund's deficit surged in 2016 due to reduction of own revenues, which were substituted by the increased central fiscal transfer. Decline in revenues was caused by the reduction of rate of single social contribution (SSC) from average rate of 44% to flat rate of 22%. The data suggests that there was limited de-shadowing impact.
- The coverage of households by housing and utility subsidies surged in 2016 due to rapid increase in housing and utility tariffs. In November, 6.1 m households (40.5% of all households) received subsidies.

Labour market

- Average wage in November increased by 20.2% yoy in nominal terms and 8.4% yoy in real terms. Employees were compensated part of the purchasing power of wages lost in 2014 and 2015 at times of high inflation.
- Unemployment rate (ILO methodology) in the first nine months of 2016 increased to 9.2% of economically active population in age of 15-70 years old as compared to 9.0% in the same period of 2015. This is partially explained by demographic changes.
- The Government increased minimum wage from UAH 1600 to UAH 3200 since January 2017. Such increase might result in higher unemployment as SMEs might reduce employment.

Deregulation

- During the year the Government continued efforts for deregulation and simplifying tax administration. The Ministry of Economic Development and Trade reported 40% decrease of required permits and 46% decrease of licenses over the years from 2014 to 2016. The number of administrative services was reduced; some of the most typical ones are available online.
- The Parliament prolonged the moratorium on the planned inspections of businesses by government agencies (except for the State Fiscal Service). State oversight was amended through restrictions on the frequency and duration of inspections. Information about inspections is to become publicly available.
- The export of services was simplified. Now cross-border contracts can be signed in electronic form and invoices may be used as contracts and primary accounting documents.
- Since 2017 the problem of VAT overdue refund arrears should be resolved as amendments to the Tax Code urge for automatic refunds according to single register.

Monetary policy, exchange rate, inflation and financial sector

- Inflation slowed remarkably to 13.9% on average in 2016 from 48.7% on average in 2015. This reflected moderate increase in demand, weak global commodity prices and lower inflation expectations. Food prices increased by 9% while housing and utility costs surged by 35%.
- The NBU reduced policy rate to 14% p.a. from 22% p.a. between April and October of 2016 and held it steady afterwards. This helped deposit and lending rates to move down as well. Indicative retail deposit rate reduced to 18% p.a. from 21% p.a. for 12-month hryvnia deposits while interest rate on short-term corporate lending fell to 15% p.a. from 20% p.a.
- Interbank exchange rate weakened from UAH 24 per USD in the beginning of 2016 to UAH 27 per USD in the end of 2016 as demand for foreign currency outpaced supply. This reflected higher consumer and investment demand for imported goods. International reserves increased to USD 15.5 bn by the end of 2016 due to state foreign currency borrowing and net purchases of foreign currency on the interbank market.

- 20 banks were liquidated in 2016 for a number of reasons. Some closed voluntarily, some did not have enough liquidity to function, while other failed to reach required capital or violated money laundering rules. The largest Ukrainian bank Privatbank failed to recapitalize as required but it was bailed out and nationalized by the Government.

State debt

- External borrowings were significantly below the annual target as the Government delayed reforms required for the timely receipt of IMF tranches (only third tranche at USD 1.0 bn received) and the loan under EU macro-financial assistance program (expected at EUR 600 m). Resumption of the IMF Program in September enabled the Ministry of Finance to place USD 1 bn of five-year Eurobonds, guaranteed by the US government. Earlier, USD 300 m were provided by the Government of Japan. Besides, there was an additional issue of derivatives related to 2015 sovereign debt restructuring (near USD 431 m).
- Gross issue of state domestic bonds denominated in hryvnia in 2016 (without recapitalization) grew to UAH 37 bn from UAH 10.0 bn in 2015 due to higher demand. The Ministry of Finance placed USD 3 bn and EUR 141 m of foreign currency denominated bonds for debt repayments. Besides, the Government recapitalized Privatbank at UAH 107 bn, Oshchadbank and Ukreximbank at UAH 14.3 bn and supported the Deposit Guarantee Fund by the special issue of state domestic bonds at UAH 9.7 bn.
- Sovereign rating of Ukraine (IDRs) was upgraded by Fitch Ratings from CCC to B- with a stable outlook primarily due to the resumption of the IMF Program and better macroeconomic outlook.

Monthly Economic Monitor Ukraine

Politics: Biggest bank in Ukraine nationalized

Banking. In December, the Government nationalized the PrivatBank, the largest private bank in Ukraine. PrivatBank was declared insolvent by the NBU after it failed to increase capital according to schedule. The shortfall in capital of the bank reached UAH 148 bn. The NBU estimated the bank's related party loans as 93% of its credit portfolio. The prompt resolution of any bank to increase capital according to the schedule was one of the conditions for the IMF loan disbursement. By the end of December, the Government recapitalized PrivatBank with a special issue of UAH 107 bn state domestic bonds.

The war in Donbas. The military conflict at the Svitlodarsk bulge (Donetsk oblast) in mid-December led to the spike of causalities among Ukrainian servicemen. According to the reports of the Ministry of Defense, combined Russian-separatist forces attempted to overtake Ukrainian positions at the Svitlodarsk bulge using weapons that are banned under the Minsk agreements, including mortars and artillery systems. In December, 17 service members of the Ukrainian Armed Forces were killed in the war and 112 service members were wounded. The fighting and losses continued during the "Christmas ceasefire" in late December.

Meanwhile, the suggestions for Ukraine's compromise with the Russian Federation made by Ukrainian billionaire and media owner Victor Pinchuk were met with a disagreement from Ukrainian government and diplomatic circles. Pinchuk called for holding local elections in the Russia-controlled eastern parts of the country without regaining full control over this area and advocated surrendering the aspirations for EU and NATO membership. The Administration of the President of Ukraine said compromises like this were a wrong policy and a surrender of the sovereignty and territorial integrity of Ukraine.

Entrepreneurship legislation. Several laws adopted in December by the Verkhovna Rada changed the entrepreneurship landscape and conditions for private firms and entrepreneurs in Ukraine. One of these laws obliges registered private entrepreneurs to pay single social contribution even for the months without any activity. As a result, more than 128 thousands of registered private entrepreneurs officially closed their businesses by early January 2017. The Ministry of Social Policy estimated the number of inactive entrepreneurs as close to 800 thousands. The same law drastically increased the fine for obstructing government inspections regarding unofficial employees and untaxed reimbursements.

Amendments to the Tax Code envisage changes in administration of taxes. The military units of the Tax police, whose activity typically hampered business development, are to be substituted by Financial police. The amendments also ensure the validity of operations in the taxpayers' online "electronic office".

The IMF. Ukraine did not receive the fourth tranche of IMF loan by the end of 2016, even though it took several policy steps in 2016 required by the IMF Program, e.g. launched electronic declarations, adopted state budget for 2017 in time, and resolved the issue of PrivatBank. However, other reforms, such as land market, pensions, and anti-corruption reforms, still need to be implemented. Ukraine's government officials expect the IMF to approve the disbursement of the next tranche for Ukraine in January 2017.

Real sector: Smooth path of recovery

GDP. Real GDP growth accelerated to 2.0% yoy in the third quarter of 2016 from 1.4% yoy in the second quarter. On the demand side, the growth was supported by higher domestic demand. Gross fixed capital accumulation surged by 24.8% yoy as companies needed to increase competitiveness. At the same time, higher real disposable income (by 7.3% yoy) resulted in growth of real private final consumption by 4.9% yoy. In particular, employers increased wages to compensate for lost purchasing power in the preceding two years. Higher purchasing power of households and companies drove growth in real

Population (without Crimea): 42.7 m
Industry/GDP: 19%
Agriculture/GDP: 10%
Investment/GDP: 14%
Exports to: Russia 18%, EU 32%
Imports from: Russia 23%, EU 39%

Real GDP growth



Source: Ukrstat

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imports by 13.9% yoy. Overall contribution of real net exports to economic growth was negative as real exports continued declining (by 5.5% yoy).

On the production side, logistic problems were among major reasons behind the decline in real gross value added (GVA) in extractive industry at 4.1% yoy. Growth of GVA in manufacturing decelerated to 0.1% yoy due to statistical base effect. Good crop harvest explains increase in real GVA in agriculture at 1.1% yoy. Higher consumption and industrial output resulted in growth of value added in wholesale and retail trade by 3.8% yoy and transport by 1.1% yoy.

Sectoral trends. Industrial output growth accelerated to 3.7% yoy in November from 0.8% yoy in October as output increased in most sectors. Completed railway repairs and higher external demand resulted in increase in extractive industry at 3.3% yoy (e.g. extraction of coal surged by 11.7% yoy) and metallurgy at 4.9% yoy. Machine building grew by 6.9% yoy primarily due to higher defence orders, which more than compensated decline in car production. Good harvest of sugar beets and sunflower seeds contributed to growth of food production by 7.8% yoy. At the same time, chemical production declined by 6.4% yoy due to low demand and high competition on domestic and external markets.

In November, retail sales by enterprises grew by 3.8% yoy, which reflects higher consumption. In particular, household income increased, while consumer sentiments improved.

Construction grew by 11.6% yoy in November as compared to 7.8% yoy in October due to favourable weather conditions. Commercial construction surged by 24.5% yoy.

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

Energy: No gas deal with Russia

Gas. Negotiations between Ukraine and Russia on the conditions of gas supplies in heating season 2016/17 failed in December 2016 as Russia refused to sign the addendum to the gas contract. Russia considers it unnecessary and insists on using the existing contract, which is currently under the dispute in the Stockholm Arbitrage Court. The Gasprom offered instead to exchange guarantee letters. At the same time, the Naftogaz claims that operation under the current contract would *de facto* legitimize it and, thus, reduce chances for winning the dispute in the Stockholm Arbitrage Court.

Operators of gas transportation systems in Ukraine and Poland, Ukratransgaz and Gaz-System S.A., signed an agreement on the rules for designing and construction of gas interconnector between Hermanowice in Poland and Bilche Volytsia in Ukraine. The pipeline is projected to have a capacity for up to 5 bn cubic meters (bcm) of gas per year by 2020, when the upgrading of the gas transportation system in Poland is completed. The project will help diversify gas supplies to Ukraine (including LNG) and integrate regional gas markets in Eastern Europe.

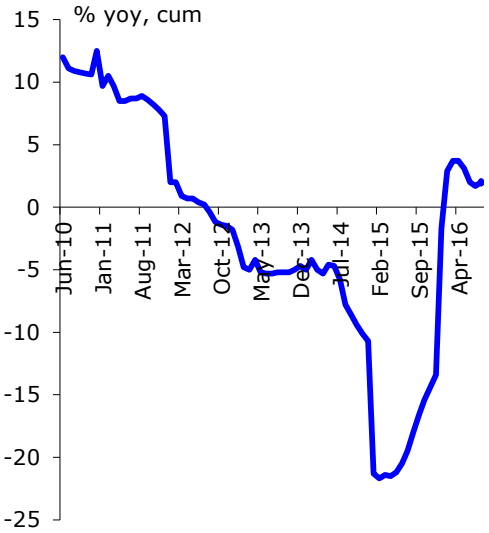
Electricity. The National Energy and Utilities Regulatory Commission (NERC) set new electricity tariffs for business for January 2017. Tariffs have been decreased in 12 regions, increased in 4 regions. In other regions, tariffs were decreased for the 1st voltage class while increased for the 2nd voltage class. The changes were done to bring the tariffs closer to cost-covering levels in different regions.

Agriculture: Growth of output and trade

Production and trade. Agricultural production increased by 2.9% yoy in eleven months of 2016 due to 5.3% yoy increase in crop production. Good harvest enabled increase in food exports. Besides, milk and dairy producers benefited from the entrance to the EU market.

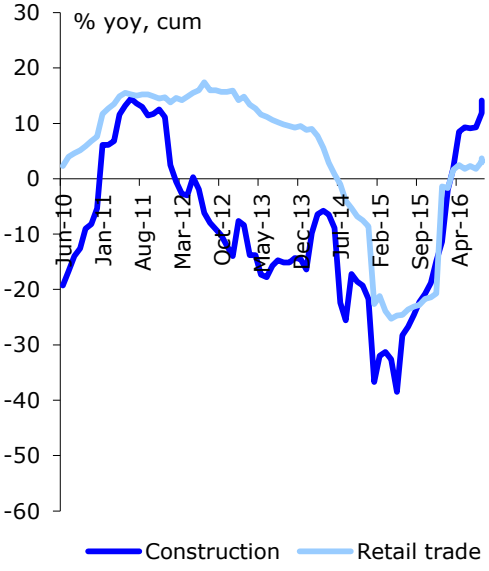
Overall, in 2016 Ukraine fully used tariff-free quotas on exports of on honey, sugar, processed tomatoes, barley, maize, and poultry to the

Industrial output



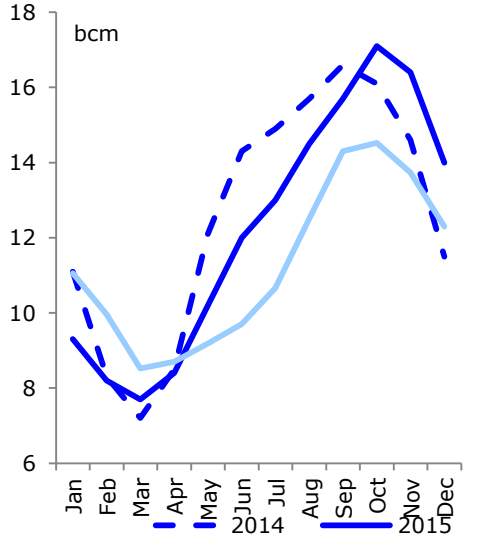
Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Real sector trends



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

Gas stocks



Source: Ministry of Energy

EU. Export quotas on grape and apple juice were almost fully used. At the same time, quotas on dairy products exports were not fully used, likely due to insufficient production compliance with EU norms. Some other quotas were not used at all (e.g. pork and beef meat, garlic). This suggests that the Ministry of Agrarian Policy and Food should intensify its talks win the EU partners on the revision of quotas size. This is also proved by the fact that within first two weeks of 2017 annual honey export quota and quarterly poultry quota were fully used.

State aid. Direct support of farmers in 2016 remained insignificant (at UAH 14.8 m). Support was provided to 66 farmers. However, in 2017 direct state support of farmers is to increase to over UAH 3 bn. If provided on the fair and competitive basis, it would positively benefit agricultural development not only in 2017 but also in the longer run.

External sector: Imports recovery

Current account deficit narrowed to USD 165 m in November 2016 from USD 233 m in November 2015 due to positive net inflow of primary income and lower net outflow of investment income. At the same time, trade deficit increased by USD 113 m to USD 446 m in November 2016.

Exports of goods increased by 15.4% yoy (as compared to drop at 0.6% in October 2016). Food exports surged by 22.1% yoy primarily due to higher export volumes of sunflower oil (due to larger harvest) and sugar (partially due to access to new foreign markets). In November 2016, exports of minerals grew by 23.8% yoy (after 1.0% yoy decline in previous month) as result of higher iron ore prices and demand. Increase in exports of metals accelerated to 21.8% yoy (from 5.8% yoy in October 2016). However, decline in exports of machinery accelerated to 21.1% yoy from 11.5% yoy in October. Exports of services increased by 17.9% yoy.

Merchandise imports grew faster than exports (by 17.8% yoy after 1% yoy decline in October). Growth of energy imports by 16.6% yoy is attributed to higher gasoline imports. Non-energy imports increased by 18.2% yoy (11.5% yoy growth in October) primarily due to larger purchases of machinery (by 39.3% yoy). Imports of services increased by 15.9% yoy.

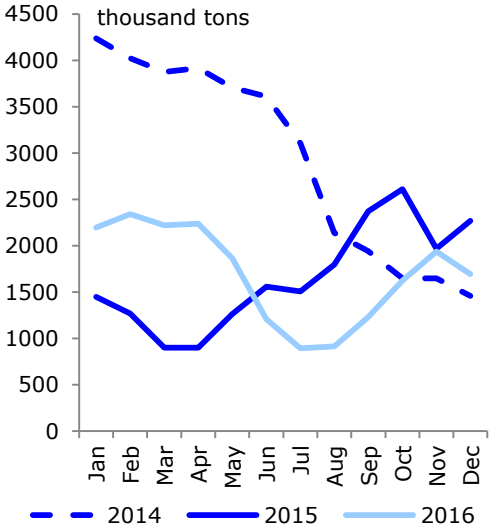
Financial account surplus decreased to USD 84 m in November (as compared to USD 584 m in November 2015). Net inflow of FDI remained low (at USD 132 m). The Government did not attract external financing, but repaid USD 149 m of outstanding debt. Net debt position of banks remained stable. Real sector debt outflows were USD 0.3 bn due to repayment of outstanding trade loans. Net sales of cash foreign currency to banks dropped to USD 0.14 bn mostly in response to higher exchange rate volatility.

Fiscal policy: Encouraging fiscal situation

Revenues. According to the preliminary information of the State Treasury, consolidated fiscal revenues in 2016 grew by 20.7%. Increase in revenues is attributed to legislative changes, improved tax administration, and better economic development. In particular, PIT revenues increased rapidly due to higher effective tax rate as well as larger wages. VAT collections increased against the background of higher consumer and investment demand, increased prices as well as introduction of the system of VAT accounts. At the same time, VAT refunds also increased due to better administration. The Government likely fully executed EPT revenues, likely due to better financial results of companies. However, there is a possibility that some companies paid EPT in advance. The NBU transferred the required part of its profit to the budget. At the same time, rent payments were substantially under-executed.

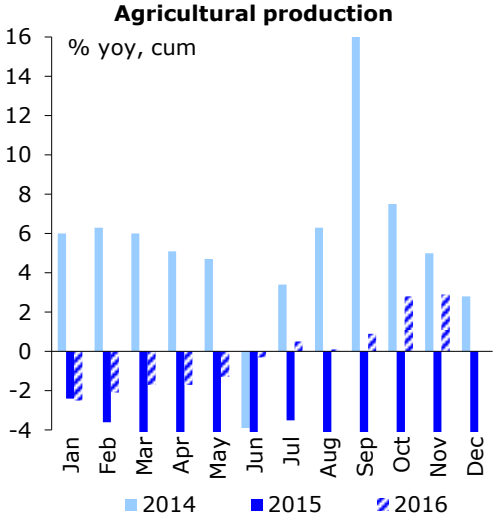
Overall, the Treasury currently reports consolidated fiscal revenues in 2016 close to the revised annual target. However, central fiscal revenues were under-executed, while local fiscal revenues were higher than planned.

Coal stocks at TPPs



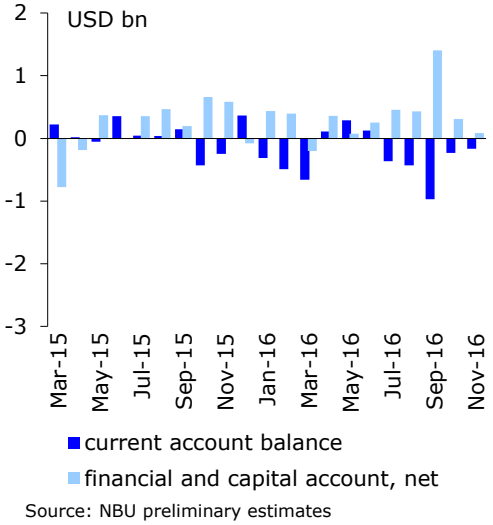
Source: Ministry of Energy, Ukrenergo

Agricultural production



Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

Deficit and Expenditures. Between January and November consolidated fiscal expenditures grew by 25.0% yoy, which is lower than planned due to lower than planned deficit. The Government did not restart the privatisation and, gap in privatisation receipts was not compensated by higher borrowings. Social protection expenditures surged by 57.4% yoy primarily due to higher central fiscal transfer to the Pension Fund. Capital expenditures surged by 37.9% yoy but reached only 51.9% of annual target.

State Budget 2017. The Parliament approved over one evening and a night the draft laws from the Budget package and the State Budget law for 2017. Approved amendments to the Budget Code envisage higher decentralisation and changes in payment of stipends to students in tertiary education. Since 2017, medical and education subvention will not cover utility spending. Instead, they should be financed by local government entities, which is expected to stimulate energy efficiency measures.

Two of the approved laws envisaged amendments to the Tax Code. The excise rates for some products (alcohol) were increased in line with inflation. The tax administration was improved. In particular, now the Treasury will have to automatically refund VAT to all applicants according to the single register (previously there were two registers and refund was made only after the State Fiscal Service provided a special conclusion on the appeal). The Tax Police was eliminated and to be substituted by the Financial Police, which should be a primarily analytical department (the draft law on the Financial Policy is currently elaborated by the Ministry of Finance). The reasons for inspections by the State Fiscal Service was revised, which is likely to make inspections less ad hoc.

The approved State Budget Law for 2017 has different fiscal parameters than the draft submitted by the Government in September 2016. The major reason is the single increase of minimum wage to UAH 3200 on January 1, 2017. Initial draft planned gradual increase to UAH 1762 in December. In particular, the Government increased targets of VAT, PIT and SST revenues, and increased spending on wages of employees in public sectors. Overall, central fiscal revenues are planned at UAH 731 bn (by 20.2% higher than target for 2016). Central fiscal deficit (without bank recapitalisation) is planned at UAH 77.5 bn which broadly corresponds to the fiscal indicator envisaged in the IMF Program.

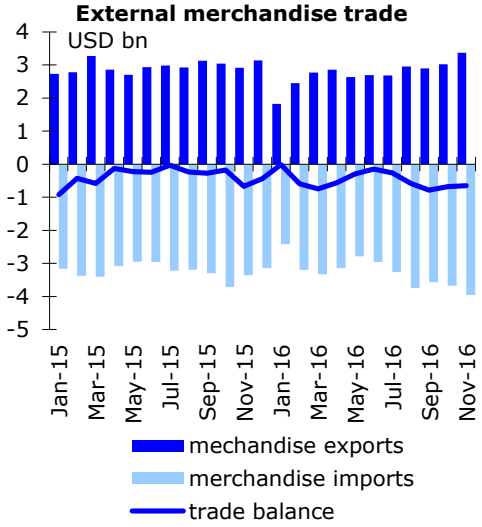
The structure of expenditures has not changed substantially as there were no substantial reform on the spending side. The transfer to the Pension Fund remains high (at UAH 141 bn), which is close to the level of 2016 as pensions increase slower than wages. At the same time, the Government envisaged UAH 0.5 bn for the program of reimbursement of spending on medicine for three diseases (hypertension, diabetes and asthma), which is one of the steps approved in the framework of announced healthcare reform.

Social policy: Advanced payment of pensions

Pensions. In December, the Government took a decision on the advanced payment of pensions to those, who was eligible to receive pension in the first half of January, 2017. Such step was already conducted in the end of 2015. There is no clear information on the respective spending; however, it seems that contrary to 2015 the Government did not increase the planned central fiscal transfer, but used the accumulated by the Pension Fund funding. In 2017, minimum pension will be gradually increased from UAH 1247 in January to UAH 1373 in December.

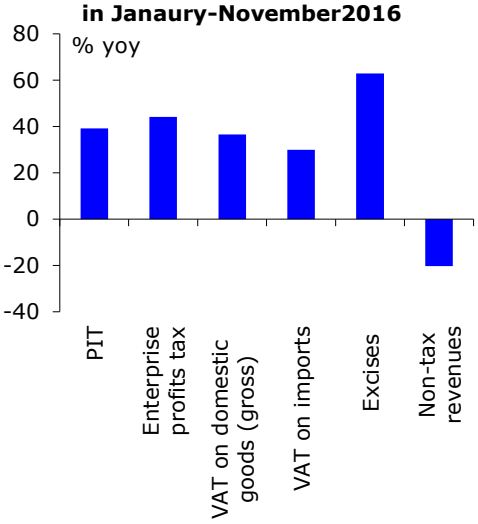
Subsidies. The number of households that received housing and utility subsidies (HUS) reached 6.1 m (40.5% of total number of households. Higher coverage by the HUS is explained by more rapid increase in housing and utility tariffs than of income. Average HUS size increased by 43.2% yoy to UAH 1104.5. Households with four and more members accounted for 14.6% of all recipients.

External merchandise trade



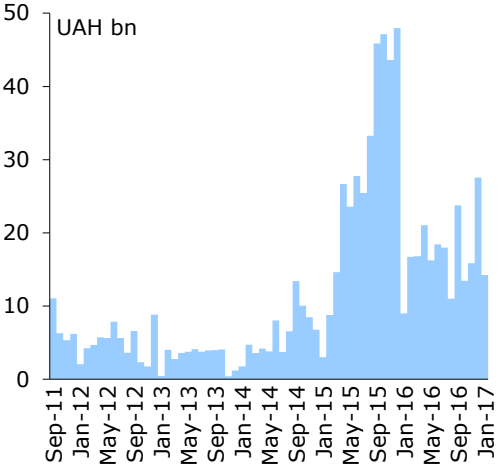
Source: NBU preliminary estimates

Growth of Consolidated fiscal revenues in Janaury-November2016



Source: State Treasury reports

Balance of the Single Treasury Account



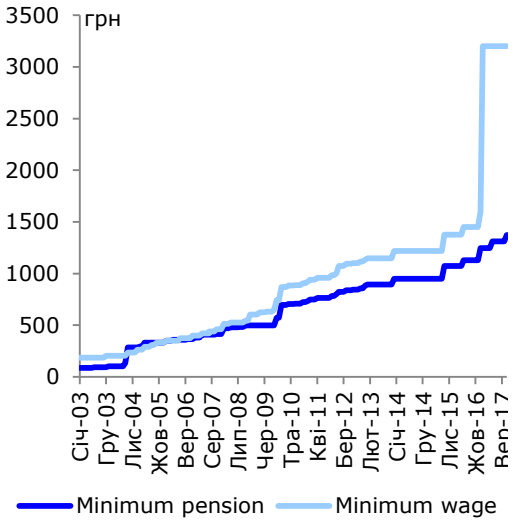
* in the beginning of month
Source: State Treasury

Labour market: High average wage growth

Average wage in November grew by 20.2% yoy in nominal terms and 8.4% yoy in real terms. Wage growth was the highest in sectors with better performance, including agriculture, IT, construction and trade. Besides, wages grew rapidly in public sectors. Average rate reached UAH 5406, while minimum wage was UAH 1450.

Since January 2017 minimum wage was increased to UAH 3200 from UAH 1600 in December 2016. As usual, minimum wage increase was implemented in the State Budget Law for 2017. At the same time, the Government loosened the regulation of the tariff scale. Previously base salary in tariff scale had to be higher or equal to minimum wage. Now base rate may start from subsistence minimum set for working able individuals (UAH 1600 as of January 2017) but full salary must still exceed minimum wage for all workers. This means that some companies have flexibility to reduce the wage differentiation between employees of different qualification after surge in minimum wage. Legislation was also amended to allow inspections of minimum wage compliance by representatives of local government entities as well as State Labour Inspectorate while fines for violating labour rules increased.

Minimum wage and minimum pension



Source: State Budget Laws for 2006-2016, Draft State Budget Law for 2017 (for the 2nd reading)

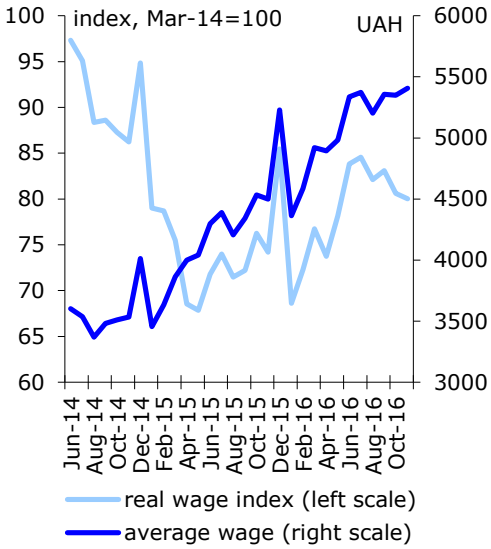
Monetary policy: Inflation returned to 12.4% yoy

Consumer inflation returned to 12.4% yoy in December as compared to 12.1% yoy in November. Double-digit inflation in 2016 reflected higher energy prices for households, rising gasoline prices and excises on tobacco and alcohol. This led housing and utility prices jump by 47.2% yoy, while gasoline, alcohol and tobacco prices rose by around 20% each. Price increases for most other items remained in single digits as demand remained moderate. Retail sales increased only by 13.5% yoy over 11 months of 2016. As a result, core inflation was only 5.8% yoy in December 2016.

Food prices increased on average only by 3.3% yoy over 12 months of 2016. Price increases were moderate as global grain prices decreased, while producers and retailers were not able to increase their margins in 2016. Milk and dairy product consumer prices increased sharply in 2016 (by 19%-29%) in response to lower production and higher global prices. However, agricultural producers were able to receive large part of consumer price increase reflecting their better bargaining power in 2016.

In December, the NBU helped to smooth impact of Privatbank nationalization on banking sector. It provided sufficient refinancing to Privatbank to cover cash withdrawals and ensure smooth functioning of the payment system. Year-end increase in government spending also helped to provide liquidity to the banking system. At the same time, liquidity remained moderate and it is unlikely to add to inflation pressure.

Average wage*

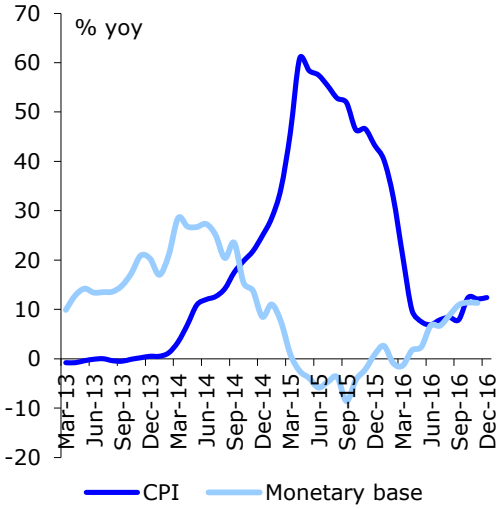


*not including AR Crimea
Source: Ukrstat

Exchange rate: Hryvnia weakens in December

Interbank exchange rate weakened gradually to UAH 27 per USD in December. This reflected growing domestic demand for imported goods and increased depreciation expectations after Privatbank was nationalized. This was partly offset by improving export prices and export volumes. The NBU sold net USD 119 m in December to support exchange rate. Still, international reserves of the NBU increased slightly to USD 15.5 bn due to net government foreign currency inflows at USD 0.5 bn.

CPI and monetary base development



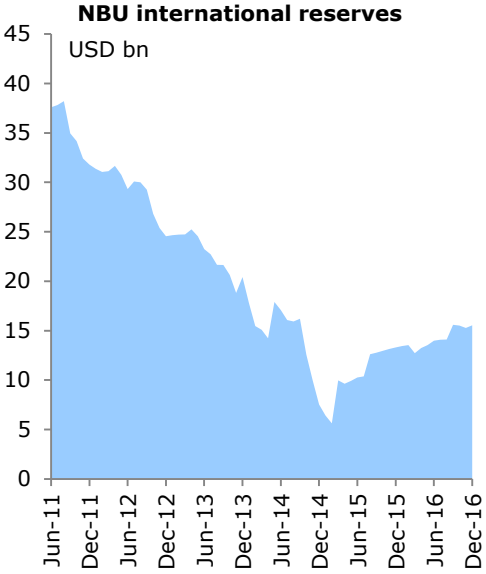
Source: Ukrstat, NBU

State debt: PrivatBank's recapitalization significantly increased state debt

In December, the Ministry of Finance placed UAH 463 m of short-term state domestic bonds with weighted average yield at 15.3% p.a. as compared to UAH 48.9 m at 15.2% p.a. in November. Besides, the Government issued USD 550 m of two-year USD-denominated bonds at 6.3% p.a. as it failed to implement reforms required to receive the loan under EU macro-financial assistance program (at EUR 600 m).

In late December-early January the Ministry of Finance issued UAH 107 bn of long-term state domestic bonds with weighted average yield at 7.5% to recapitalize the PrivatBank after its nationalization. Besides, the Government supported the Deposit Guarantee Fund by the special issue of state domestic bonds at UAH 9.7 bn.

NBU international reserves



Source: NBU

Tables

		Q3 14	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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	…
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	…
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	…
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	…
Average wage	UAH	3463	4113	4313	4753	4622	5072	5311	4895	4984	5337	5374	5202	5358	5350	5406	…
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
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
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	…
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	…
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	…
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	…
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
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	…
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	…
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
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
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

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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