Monthly Economic Monitor Ukraine

No.12 (194), December 2016

EXECUTIVE SUMMARY

HIGHLIGHT: DEREGULATION

Politics: Several top Ukrainian officials resigned in November explaining their decisions by corruption and sabotage in the government, while the appointment of state secretaries in several Ministries was controversial.

Real sector: Capital investments grew by 16.4% yoy over three quarters of 2016, which reflected delayed investments from previous years and low statistical base.

Energy sector: The Cabinet of Ministers created "Magystralni gazoprovody Ukrainy", a new operator of gas pipeline system of Ukraine, in the framework of the Naftogaz unbundling process.

Agriculture: Agricultural production increased by 2.9% yoy in eleven months of 2016 due to increase in crop production.

Privatisation: The State Property Fund of Ukraine again failed to sell Odesa Port Plant due to lack of interested buyers.

External sector: Current account deficit in October decreased to USD 0.2 bn due to increase in investment income payments.

Fiscal policy: Consolidated fiscal revenues in November surged by 53.8% yoy in part due to UAH 14 bn transfer of NBU profit to the budget.

Social policy: The Parliament approved amendments to numerous legislative acts to ensure lower impact of minimum wage increase starting January 2017 from UAH 1600 to UAH 3200.

Labour market: Growth of nominal average wages in October decelerated to 18.1% yoy due to statistical base effect.

Monetary policy: Consumer inflation remained in double digits at 12.1% yoy in November due to hikes in heating tariff increase.

Exchange rate: Volatility of exchange rate in the interbank market increased in the middle of November due to higher depreciation expectations.

State debt: Fitch Ratings upgraded Ukraine's long-term foreign and local currency issuer default ratings (IDRs) from CCC to B- with a stable outlook.

Highlight of the month: Deregulation

LEGISLATION AMENDED TO HELP SMALL BUSINESS, FREELANCERS

by Iryna Fedets

In November 2016, the Government of Ukraine took a number of deregulation steps that are likely to facilitate doing business in the country, especially for the smallest enterprises and for exporters of services. These steps include a package of laws that reduces the causes for business inspections as well as the Cabinet of Minister's ruling that cancels many outdated and onerous regulations for different sectors.

Moratorium. The moratorium on inspections of small and medium enterprises (SMEs) has been in place in Ukraine for more than two years. It was initially introduced in 2014 to support business development, as there were numerous reports about government oversight agencies that had interrupted business operations with frequent and lengthy inspections. The inspections were known for discretion and extortion.

In November 2016, the moratorium was prolonged until the end of 2017.[1] However, the new moratorium prohibits only planned inspections, while allowing unplanned inspections in a number of instances: by request of a business, by a court order, after a violation that resulted in a tragic outcome etc. The new moratorium narrows down the group of the government agencies that are prohibited from inspecting a business. The prohibition is not extended to such government agencies as the State Fiscal Service, the State Financial Inspection, the Anti-Monopoly Committee, the National Bank of Ukraine and others. Still, the State Fiscal Service (SFS) cannot inspect small businesses with annual income below UAH 20 m. This raised concerns as tax inspections have the highest burden on business. Still, the possible increase in pressure is not expected to be high as the amendments to the Tax Code on the easing of tax administration is likely to be approved by the Parliament by the end of 2016[2].

According to the "Annual Business Climate Assessment" survey of SMEs,[3] businesses lost more than two weeks from their operation activities on average in 2015 due to the SFS inspections. Almost half of the inspections by this agency resulted in fines. Costly fines for minor errors were a significant obstacle for small businesses.

Reforming inspections. The moratorium on inspections is still a temporary measure. The system of government oversight of business needed more comprehensive changes, which were included into two other laws approved in the November 2016. One of these laws[4] identifies the government entity responsible for inspecting the inspectors: businesses will be able to direct their complaints about controlling agencies to the State Regulatory Service. This law reduces the discretion by obliging government entities to interpret vague language of legislation in favor of businesses. The frequency of inspections is restricted to one inspection for one agency per year, and duration of inspections is limited to 15 days for small businesses and to 30 days for others. Also, the law introduces an integrated online open database of all inspections.

And the other law[5] makes is a responsibility of the State Regulatory Service to register administrative offenses of public officials when these offences happen in the areas of state oversight, licensing, and permits. (At the time of this publication, only one of these three laws (No. 2351a) was signed by the President of Ukraine.)

Export of services. In the first half of 2016, the value of services exported by Ukraine was USD 4.5 b. However, exporters of services faced regulatory burdens that raised the cost and duration of international contracts and transactions. In November 2016, the Verkhovna Rada of Ukraine passed the law[6] that simplified the complicated currency control procedures and allowed service exporters to sign cross-border contracts in electronic form with no translation from English. It also allowed the invoices to serve as contracts and primary accounting documents. The regulation will enter into force in January 2017.

Cabinet of Ministers. Also in November, the Cabinet of Ministers canceled 367 regulations that restricted business activity in Ukraine. The canceled regulations (some of which had been in place since Ukraine was a part of the Soviet Union) created administrative pressure on business and resulted in corruption. Specifically, the Government revoked a number of requirements and constraints in the areas of licensing, land price, trade, logistics, communications, and others.

To conclude, the legislative and executive branches of Ukrainian Government took a number of deregulation steps. These steps were aimed at solving long-standing problems of private entrepreneurs and SMEs that deal with government inspections and burdening regulatory demands on a regular basis. However, the key laws on business inspections may not enter into force if they are not signed by the President. Also, the moratorium does not cover inspections by the tax authorities, which are a major problem for businesses.

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1 The law "On the Peculiarities of Implementing the Measures of State Oversight (Control) of Economic Activity" No. 3153 from November 3, 2016.

2 The Verkhovna Rada adopted in the first reading the draft law "On Amendments to the Tax Code of Ukraine on Improving the Investment Climate." No. 5368.

3 The "Annual Business Climate Assessment" survey was conducted by the USAID "Leadership in Economic Development (LEV)" Program in Ukraine in 2015.

4 The law "On Amendments to the Law of Ukraine "On Principles of State Oversight (Control) of Economic Activity" on the Liberalization of the System of State Oversight" No. 2418a from November 3.

5 The law "On Amendments to Some Legislative Acts of Ukraine Concerning Improvement of Legislation in the Sphere of State Oversight (Control)" No. 2531a from November 3.

6 The law "On Amendments to Certain Legislative Acts of Ukraine (Regarding the Elimination of Administrative Barriers to Exports of Services)" No. 4496 from November 3.

Monthly Economic Monitor Ukraine

Politics: Top public officials leave their positions

Civil service. Several top Ukrainian officials resigned in November explaining their decisions by corruption and sabotage in the Government. Ex-President of Georgia Mikheil Saakashvili resigned from his position as the Head of the Odesa State Oblast Administration. He explained his decision to step down by interference and disruption coming from the Presidential Administration. Now, he has started a new oppositional political movement. Following Saakashvili's resignation, the Chief of Odesa oblast Customs Office Yulia Marushevska left her position. She said that sabotage and resistance to reforms from top government officials had blocked her efforts in fighting corruption schemes at the customs.

Also in November, the National Police Chief Khatia Dekanoidze resigned voicing her disagreement with the practice of using the police to defend political interests.

The positions of the state secretaries in the ministries of Ukrainian government were introduced in November. The special 12-person commission comprised of the representatives of government agencies and civil society organizations was interviewing and testing the candidates. However, several appointed state secretaries brought up disagreement from ministers. In particular, the Acting Minister of Public Health Ulyana Suprun and the Minister of Infrastructure Volodymyr Omelyan refused to work with the newly appointed secretaries of their ministries citing biased selection process. And the Minister of Energy and Coal Industry of Ukraine Ihor Nasalyk issued a statement calling for improvement of the selection procedure.

The war in Donbas. The attacks by combined Russian-separatist forces continued in November. 15 service members of the Ukrainian Armed Forces were killed in the war and 80 service members were wounded. Ukraine announced plans to conduct missile tests in the southern part of the country, to which the Russian Federation that illegally occupies the Crimean peninsula reacted with threats of a missile strike. As a result, Ukraine narrowed down the trainings zone. The tests were conducted in Kherson oblast in early December without incidents. The meeting of the 'Normandy Four' group took place in Minsk in November, but ended without evident progress on the 'roadmap' to implement Minsk peace process.

Healthcare reform. On November 30, the Cabinet of Ministers of Ukraine adopted a number of decrees to launch healthcare reform. Ukraine's healthcare system suffers from the inefficient distribution of funds, bureaucracy, and the widespread practice of informal payments for doctors. According to the Reform concept Ukrainians will receive a guaranteed package of healthcare at the government finance. Patients will have a right to select a GP. Financing to medical facilities will be allocated on the contract basis by the National Health Service, which will be created in 2017. Moreover, the Government introduced the national program for reimbursement of medications for type-2 diabetes, asthma, and cardiovascular diseases.

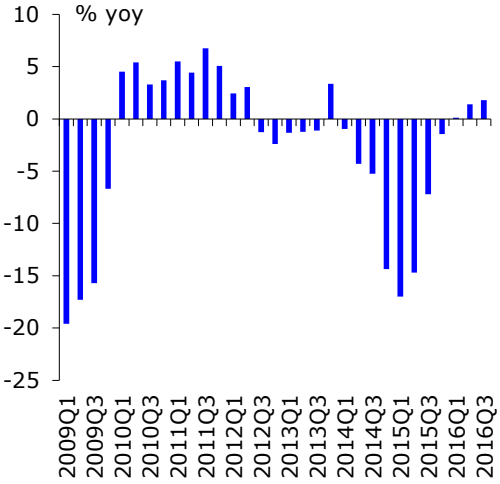
The IMF. Ukraine is not likely to receive the next tranche of the IMF loan by the end of 2016. After the third review of Ukraine's EFF program held in November the IMF mission concluded that Ukraine had not fulfilled the necessary conditions for receiving the next part of the loan. In particular, Ukraine still needs to adopt the 2017 State Budget, ensure medium-term fiscal sustainability, and convict corrupt high-level officials.

Real sector: Gradual recovery continues

Investments. According to the Ukrstat estimate, capital investments grew by 16.4% yoy over three quarters of 2016. This reflected delayed investments from previous years and low statistical base. Capital investments increased significantly in most industries with 62% yoy increase in agriculture investment and 94% yoy in real estate services. This was in response healthy profit margins in

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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agriculture and increase in demand for residential and commercial construction.

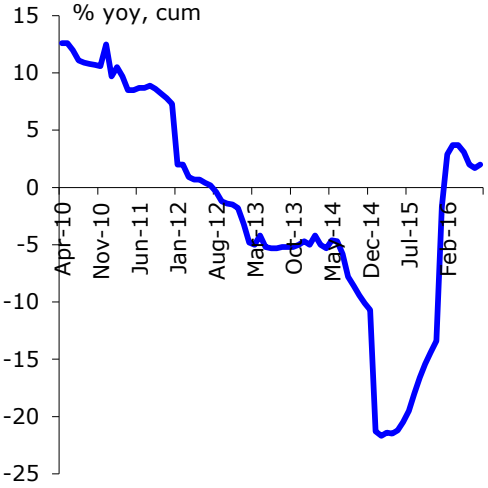
Sectoral trends. Industrial output increased by 0.8% yoy in October (2.0% yoy in September). The deceleration reflects slowdown in food production growth after September peak in processing new (plentiful) harvest. At the same time, impact of short-term issues (including railway repairs and replacement of equipment) receded leading to increase in metallurgy production at 2.4% yoy as well as smaller decline in extraction industry (by 1.9% yoy). Machine building grew by 2.5% yoy as demand for specialized equipment remained strong while car production was still weak.

Over ten months of 2016, wholesale and retail sales grew by 5.7% yoy and 3.0% yoy, respectively. This reflected higher consumer demand and growing economic activity. However, retail sales of legal entities increased only by 0.9% yoy in October due to high statistical base and possibly higher expected utility bills due in November.

Construction output grew by 7.8% yoy in October as compared to 15.3% yoy growth in September due to cold weather (October was colder than average, while September was significantly warmer). Still, construction output increased by 13.7% yoy over ten months of 2016 due to higher financing of all kinds of construction and low statistical base.

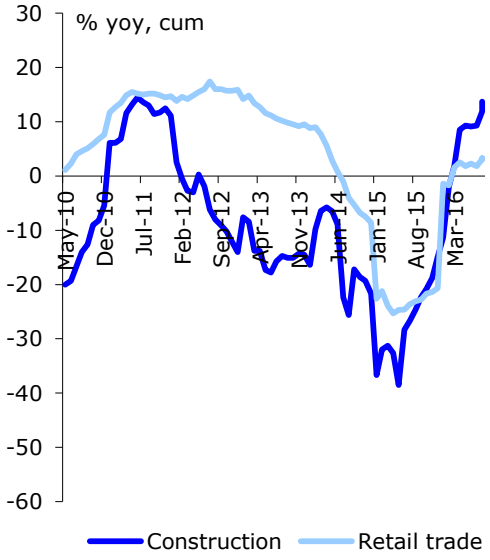
The Ukrstat publishes data excluding temporarily occupied territory of the Autonomous Republic of Crimea and Sevastopil and the part of the territory under anti-terrorist operation in the East.

Industrial output



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

Real sector trends



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

Energy: Ukraine started the Naftogaz unbundling

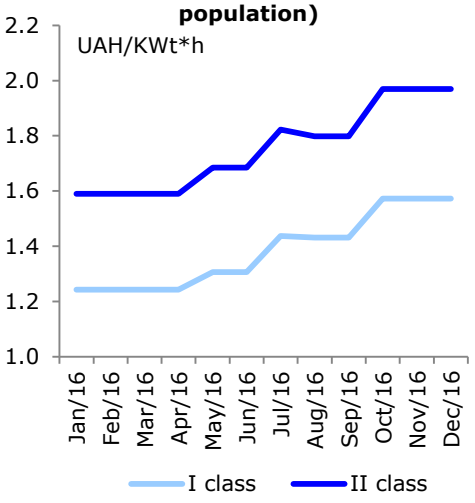
Gas market reform. The Cabinet of Ministers created "Magystralni gazoprovody Ukrainy" (MGU, Eng. *Trunk Gas Pipelines of Ukraine*), a new operator of gas pipeline system of Ukraine in the framework of the Naftogaz unbundling process. Transfer of assets from the Ukrgransgaz to the newly created company will start after the approval of the final decision of Stockholm Arbitrage Court on Naftogaz-Gasprom dispute. The Ministry of Energy will form the Supervisory Board of the MGU in April 2017 and the Board of Directors in May 2017. Creation of another company, the Underground Storages of Ukraine, was postponed from March 2017 till August 2017. After unbundling, the Naftogaz will retain only the function of gas trading. Gas storage and transportation will be performed by other companies.

International cooperation. On November 24, Ukraine and the EU signed a Memorandum of Understanding on a Strategic Energy Partnership. The Memorandum foresees enhanced cooperation in a number of energy topics, including energy security, full market integration, energy efficiency, decarbonisation of the economy. The Memorandum of Understanding covers an initial period of 10 years and will be implemented through annual priority work plans.

Gas storage. The Ukrtransgaz started lending underground gas storages to foreign customers. It signed agreements with Engie (France), DufEnergy Trading SA (Switzerland) and TrailStone Energy LLC (Switzerland) gas traders. First supplies of gas for a storage in Ukraine are expected in December. This development will not only increase the efficiency of gas storage use but also will allow foreign traders to provide gas to Ukrainian gas consumers directly. This will increase the competition on the market and might lead to gas price decrease for industrial consumers.

Nuclear energy. On November 29, the process of covering the fourth energy block of Chornobyl nuclear power plant with safety confinement was completed. The maintenance of confinement will cost Ukraine around USD 600 m per year. Testing of the structure should be completed by November 2017. In 2018, Ukraine expects to start dismantling and burying the ruins of the fourth energy block allocated under the confinement. For this task, Ukraine will need help of the international community.

Retail electricity tariffs (except population)



Source: NERC

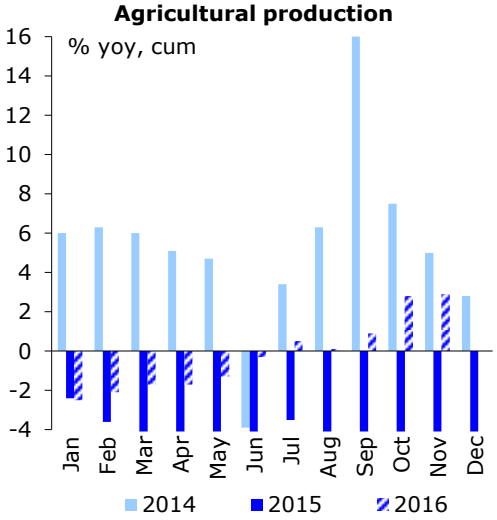
Utilities. In December, the National Energy and Utilities Regulatory Commission (NERC) increased the tariffs for thermal energy by 22% on average to UAH 1345.15 per GCal for budget entities, to UAH 1224.72 per GCal for other consumers except population. The NERC also increased tariffs for hot water supply for all consumers (except population) by 20% on average. The increase was explained by the higher costs of energy production at power plants.

Agriculture: Slow growth in production

Production. Agricultural production increased by 2.9% yoy in eleven months of 2016 due to increase in crop production (at 5.3% yoy). In particular, as of November 1, sugar beets and sunflower seeds production surged by 27.7% yoy and 19.0% yoy, respectively, due to higher yields and larger harvested areas.

At the same time, livestock production declined by 2.9% yoy likely due to weak domestic and lower external demand at the time of increased input prices. In particular, egg production dropped by 10.2% yoy due to restrictions on egg imports imposed by several countries.

Agricultural production



Source: Ukrstat

Privatisation: State Property Fund of Ukraine again failed to sell Odesa Port Plant

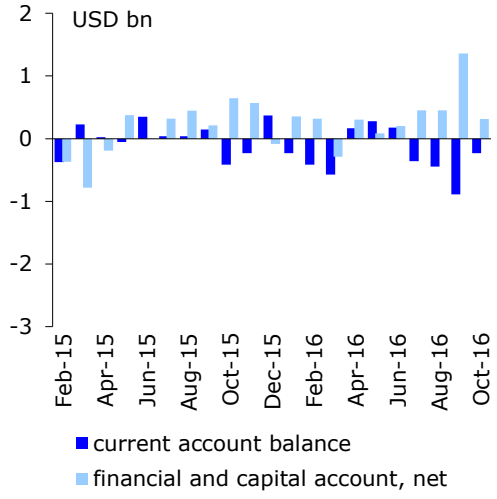
The State Property Fund of Ukraine (SPFU) again failed to sell Odesa Port Plant due to lack of interested buyers regardless decline in the starting price to UAH 5.2 bn (or almost USD 200 m) from 13.2 bn UAH (more than USD 500 m) in June. This was a second failure to sell the company this year. The major reasons for the failure remained the same. The possible explanation is a) high price of natural gas and its unclear prospective: b) high debt burden; c) low price of fertilizers (the OPP's main product) and d) high level of uncertainty associated with court disputes related to the company.

In November, the head of SPFU announced that there were 10 potential buyers, four of who started the preparation to the auction. But, no one participated.

Thus, the ambitious annual plan of the privatisation receipts at UAH 17.1 bn will not be fulfilled in 2016.

Obviously, the SPFU will try to privatise the OPP in 2017. However, the case is likely to be successful only if all disputes are settled. The Fund also plans to sell two other blue chips: Ukrspyrt (the largest manufacturer of alcohol and alcohol-containing products) and Turboatom (one of the largest turbine manufacturer in the world).

Balance of payments



Source: NBU preliminary estimates

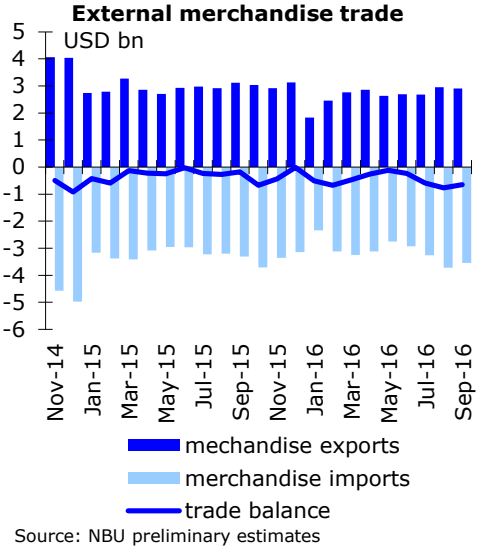
External sector: Investment income increased

Current account. Current account deficit in October decreased to USD 0.2 bn as compared to USD 0.4 bn deficit in October 2015. This reflected USD 0.2 bn increase in investment income payments from a year ago. Merchandise trade deficit was at USD 0.7 bn that equalled October 2015 deficit, with export and imports very close to previous year's level. Trade surplus in services was USD 0.1 bn. Net inflow of remittances (secondary income and compensation of employees) was the same as year ago (USD 0.6 bn).

Food export increased by 2.9% yoy to USD 1.4 bn as Ukraine restarted export of sugar in 2016. Due to high statistical base and increased focus on domestic market exports of chemical products was lower by 26.1% yoy. Also, there was a decrease in exports of machinery and equipment (by 11.5% yoy), wood (by 3.8%), and minerals (by 1%).

Imports in goods (as well as export) decreased by 0.6% yoy. 29,3% yoy decline in minerals imports reflected more evenly spaced natural gas purchases preparing to the 2016/2017 heating season than in 2015. As compared to September 2016 import of minerals increased by 5.6%. Increase in imports of food and industrial goods by 12% yoy was attributed to higher consumer demand. Consumer demand and lower taxes on imported used cars contributed to continued growth in imports of passenger cars (by 52% yoy). Strong investment demand

External merchandise trade



Source: NBU preliminary estimates

also continued leading to overall growth in imports of machinery by 34% yoy.

Financial account surplus decreased to USD 0.3 bn in October 2016 (as compared to USD 0.7 bn in October 2015). FDI inflow decreased sharply to USD 0.05 bn and was attracted only by real sector, nothing were allocated in purpose of bank recapitalization. General government paid back USD 0.3 bn. Net debt inflows of banking sector were USD 0.17 bn while real sector was able to attract USD 0.09 bn in net external financing. Net sales of cash foreign currency to the banking sector decrease to USD 0.3 bn mainly as the reaction on hryvnia revaluation.

Fiscal policy: Transfer of NBU profits supports fiscal position of the Government

Revenues. According to the preliminary information of the State Treasury, consolidated fiscal revenues in November surged by 53.8% yoy in part due to UAH 14 bn transfer of NBU profit to the budget (as compared to UAH 7 bn last year). General fund revenues from taxes and custom duties increased by 39.8% yoy likely due to higher collections of PIT and excise duties as well as larger gross VAT revenues. At the same time, VAT refund declined by 5.1% yoy.

Overall, the NBU transfer of profits in December is likely to help the Government to bring annual fiscal revenues closer to the target this year.

Deficit and Expenditures. Consolidated fiscal deficit in ten months of the year remained lower than planned due to substantial local fiscal surplus. The Government is likely to run lower than previously planned deficit in 2016, which will depend on further government decisions. In particular, the Government has announced plans to pay January pensions already in December of this year (as it was done in December 2015).

Still, capital fiscal outlays are not likely to be financed in full this year. In ten months of the year they accounted for only 46.3% of annual plan. Besides, quick tenders in the end of the year undermine the efficiency of spending.

Social policy: Some legislative amendment were approved

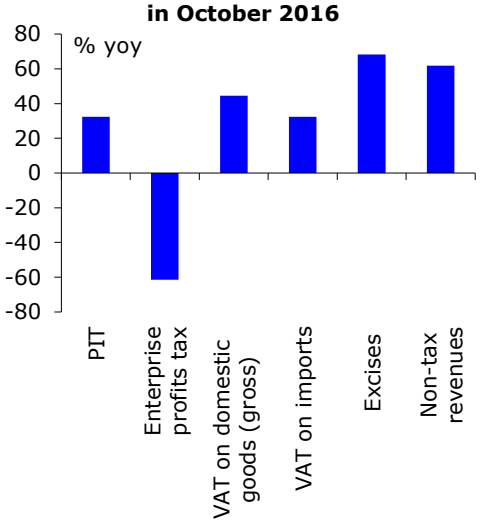
The Parliament approved amendments to numerous legislative acts to ensure lower impact of minimum wage increase starting January 2017 from UAH 1600 to UAH 3200. In particular, it revised the legislation on the tariff scale. Companies received more options in setting wages for their employees. Previously all companies were required to set wage grid also known as "tariff scale" for their employees. Now, they may use other schemes for defining wage system of their employees. Besides, base salary of tariff scale now may be lower than minimum wage as long as it is higher than subsistence minimum for working able individuals (UAH 1600 as of January 2017) and total wage paid to employees is higher than minimum wage. This was done to create legal ground to define the base salary of the Unified tariff scale for public employees at the level of subsistence minimum.

Other changes to legislation extended the limitation on the maximum pension size and payment of pensions for several groups of pensioners (including former civil servants, judges, prosecutors). New level of minimum wage is still to be defined in the State Budget Law for 2017, which is planned to be voted in the last decade of December.

Labour market: Slowdown in wage growth

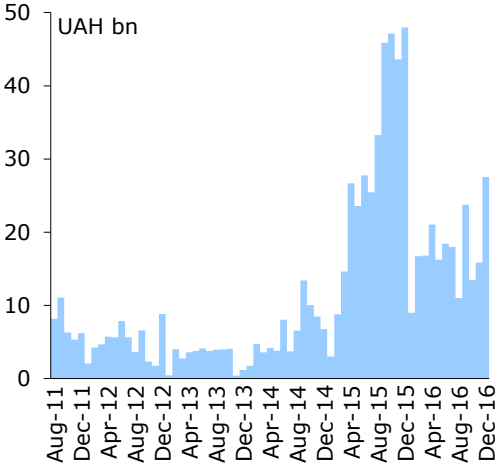
Growth of nominal average wages in October decelerated to 18.1% yoy from 23.4% yoy in September due to statistical base effect. In particular, minimum wage was increased in October 2015 and base salary for public sector employees was increased. As a result, wages in education and healthcare grew only by to 2.9% yoy and 6.0% yoy respectively (down from 23.0% yoy and 21.1% yoy increase in September).

Growth of Consolidated fiscal revenues in October 2016



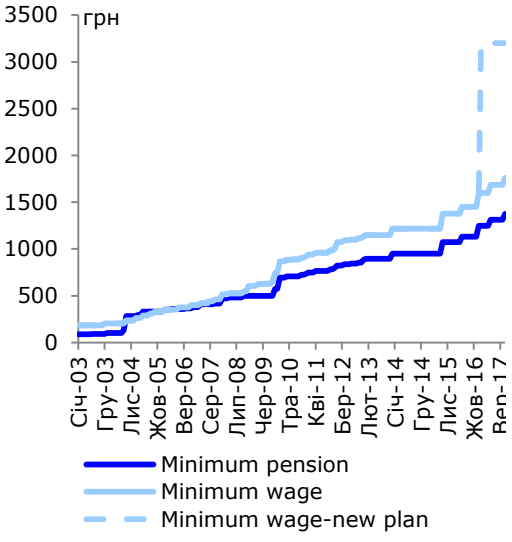
Source: State Treasury reports

Balance of the Single Treasury Account



* in the beginning of month
Source: State Treasury

Minimum wage and minimum pension



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

At the same time, industry increased wages by similar rate as in September (by about 22% yoy). As previously, wages grew more in manufacturing of electronic and optical equipment, and machinery, pharmaceuticals production.

Monetary policy: Inflation remained at 12.1% yoy

Consumer inflation remained in double digits at 12.1% yoy in November as compared to 12.4% yoy in October. This reflects the fact that 90% heating tariff increase effective in the new heating season (that started around October 15) was divided by the Ukrstat between October and November. As a result, monthly increase in utility price index reached 5.3% mom in November 2016 leading to 1.8% mom increase in the CPI. This offset the effect of high statistical base in November 2015. Monthly core inflation (excluding administered, energy and raw food prices) slowed to 0.5% mom in November as price increases for most components were in 0-1% range. Inflation expectations were gradually going down (at 14% yoy in the third quarter of 2016), while consumer demand growth remained slow. Nominal retail sales grew by 12% yoy in October.

On December 8, the NBU maintained policy rate at 14% p.a. Added inflation pressure from doubling of minimum wage planned for 2017 offset factors pushing for lower discount rate such as low exchange rate volatility and falling inflation expectations.

Exchange rate: Volatility was moderate in November

Interbank exchange rate remained in UAH 25.5-26.5 per USD range in November. Volatility of exchange rate in the interbank market increased in the middle of November due to higher depreciation expectations. The NBU sold USD 33 m to reduce fluctuations on November 16. Volatility receded later in the month likely in response to better balanced supply and demand. The NBU resumed foreign currency purchases to replenish reserves. At the same time, gap between cash and interbank exchange rate remained higher than in October signalling continued depreciation expectations. Sales of cash foreign currency by banks were also significantly higher than in October (USD 116 m vs. USD 65 m). The NBU bought USD 113 m in November. Still, International reserves of the NBU reduced slightly to USD 15.3 bn due to EUR/USD exchange rate and gold price fluctuations, and net government outflows at USD 88 m.

State debt: The state debt increased

Debt. According to the Ministry of Finance, as of October 31, state debt increased by 10.8% in hryvnia equivalent (to UAH 1 743 bn) or by 4.3% (to USD 68.4 bn) in the US dollar equivalent as compared to the end of 2015.

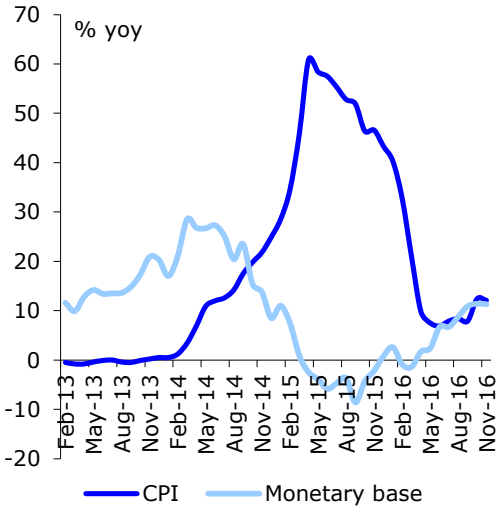
Domestic debt grew by 7.3% in hryvnia equivalent (or by 1.1% in USD-equivalent) due to new net borrowings, hryvnia depreciation as well as special bond issue for the recapitalization (UAH 14.3 bn). Currently, 15.7% of domestic state debt is denominated in foreign currency.

External debt increased by 6.0% in USD-equivalent due to the issue of five-year U.S.-guaranteed Eurobonds (at USD 1 bn) and received loan from the IMF (USD 1 bn). Besides, there was an additional issue of derivatives related to 2015 sovereign debt restructuring (near USD 431 m).

The share of hryvnia-denominated debt dropped to 27.5% of total state debt (from 29.8% at the end of 2015), which increased debt vulnerability to exchange rate shocks.

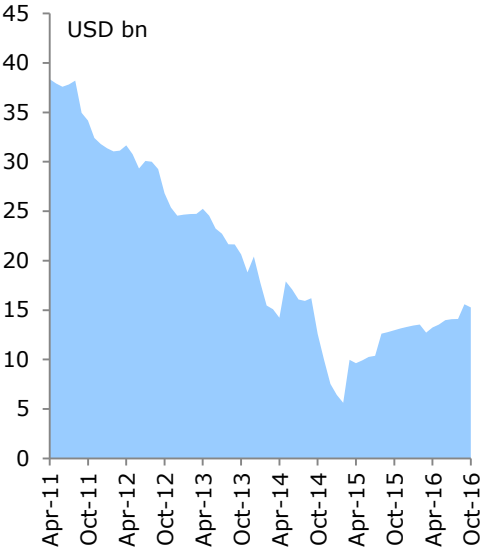
Domestic debt. In November, gross domestic borrowings were negligible. This was likely to be explained by restricted demand for state domestic bonds and hopes of the Government to receive funding from the EU under macro-financial assistance program. The Ministry of Finance placed only UAH 48.9 m of state domestic bonds with weighted average yield at 15.2% p.a. as compared to UAH 578 m at 15.6% p.a. in October.

CPI and monetary base development



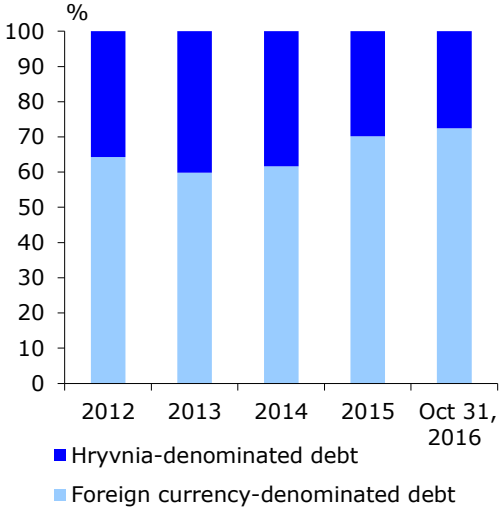
Source: Ukrstat, NBU

NBU international reserves



Source: NBU

State debt structure



Source: Ministry of Finance

Sovereign rating. Fitch Ratings upgraded Ukraine's long-term foreign and local currency issuer default ratings (IDRs) from CCC to B- with a stable outlook. This was a result of the resumption of the IMF Program and better macroeconomic outlook. However, significant risks related to the conflict in the East of Ukraine and high state debt vulnerability remained.

Tables

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

Sources: Ukrstat, NBU, own calculations

* Trade in goods and services

** Monthly data are according to the preliminary estimates provided by the NBU

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]	2015[c]
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		Q1 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14c	Q2 14c	Q3 14c	Q4 14c	Q1 15c	Q2 15c	Q3 15c	Q4 15c	Q1 16	Q2 16
GDP	UAH bn	292.3	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
GDP (real)	% yoy	2.4	-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
Household consumption (real)	% yoy	7.1	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
State consumption (real)	% yoy	3.5	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
Gross fixed capital formation (real)	% yoy	15.3	-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
Exports of goods and services (real)	% yoy	-7.4	-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
Imports of goods and services (real)	% yoy	-2.9	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
Agriculture, hunting, forestry (real)*	% yoy	0.4	-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
Manufacturing industry (real)*	% yoy	2.5	-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
Construction (real)*	% yoy	-4.9	-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
Trade, repair services (real)*	% yoy	2.1	-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
Transport (real)*	% yoy	-2.6	-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
Balance of payments (BPM6)																		
Current account balance	USD bn	-1.9	-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	-1.2	0.6
Current account balance	% of GDP	-5.2	-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	-6.9	2.9
Trade balance in goods	USD m	-4292	-5503	-6233	-4635	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1111	-470	-662	-1066	-1655	-615
Trade balance in services	USD m	1864	2361	1578	1349	1504	2575	1066	937	443	456	686	555	388	278	397	263	293
Direct investment (FDI)*	USD m	2012	2037	1876	1082	496	1510	991	-665	-319	725	558	397	907	890	818	1367	759
Gross international reserves	USD bn	31.1	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
Exchange rate (interbank), UAH/USD	aop	8.03	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
Exchange rate (official), UAH/USD	aop	7.99	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
Fiscal indicators																		
Consolidated fiscal revenues	% of GDP	33.7	28.2	33.6	35.2	29.4	28.9	28.6	35.4	29.4	24.7	27.4	37.3	34.8	37.2	40.4	36.1	38.7
Personal income tax	% of GDP	5.1	4.5	5.0	5.3	5.1	4.6	4.8	5.1	4.7	4.2	5.0	5.5	5.3	5.6	6.6	6.3	7.4
Enterprise profits tax	% of GDP	4.9	2.9	4.2	6.1	3.4	3.0	3.0	4.9	2.5	1.9	1.5	4.4	1.7	1.5	1.7	3.6	2.4
Value-added tax	% of GDP	10.8	8.6	10.0	9.7	9.0	8.1	8.4	8.7	9.5	6.8	10.1	11.4	9.2	10.0	10.6	11.7	13.4
Excise tax	% of GDP	2.8	2.8	2.4	3.1	2.6	2.3	2.2	2.5	3.0	3.0	2.8	3.3	3.4	3.7	4.0	4.2	6.0
Consolidated fiscal expenditures	% of GDP	33.9	30.7	41.3	36.9	35.8	30.1	35.9	35.2	34.7	27.2	35.5	33.6	35.0	32.5	54.2	35.3	41.8
Current expenditures	% of GDP	31.9	27.8	37.3	35.6	33.9	28.2	33.2	34.8	33.7	25.8	33.6	31.8	33.7	29.9	49.2	34.4	39.9
Capital expenditures	% of GDP	1.9	2.9	4.0	1.3	1.9	1.9	2.8	0.5	1.0	1.4	1.9	1.7	1.3	2.6	5.0	0.9	2.0
Consolidated fiscal balance	% of GDP	-0.2	-3.0	-7.8	-1.9	-6.3	-1.5	-7.3	0.1	-5.3	-2.8	-8.8	3.7	-0.4	4.4	-13.9	0.9	-3.3
Privatisation receipts	% of GDP	1.4	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
Banking system																		
Monetary aggregate M0	% yoy cum	4.7	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
Monetary aggregate M2	% yoy cum	11.2	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
Household deposits in national currency	% yoy cum	14.4	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
Household deposits in foreign currency	% yoy cum	12.4	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
Com. bank credits in national currency	% yoy cum	17.4	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
Com. bank credits in foreign currency	% yoy cum	-7.0	-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
Long-term com. bank credits	% yoy cum	-2.9	-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
Long-term com. bank credits	% of total	61.5	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	54.5
Average lending rate on national currency credits	% p.a.	15.5	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
Average lending rate on foreign currency credits	% p.a.	8.2	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

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added

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