Monthly Economic Monitor Ukraine

No.11 (193), November 2016

EXECUTIVE SUMMARY

HIGHLIGHT: MINIMUM WAGE

Politics: Top Ukrainian public officials and politicians filled out e-declarations that contain information on all their assets and finances. E-declaring of assets was one of the key conditions of the EU Visa liberalization Action Plan for Ukraine.

Real sector: According to Ukrstat flash estimate, real GDP grew by 1.8% yoy in the third quarter of 2016 (due to increase in domestic demand).

Energy sector: Increase in retail electricity tariffs for business by 24-26% is under a dispute at Kyiv Administrative Court.

Agriculture: The Parliament extended agricultural land sale moratorium for another year until 2018.

External sector: Current account deficit increased to USD 875 m in September from USD 451 m in August reflecting USD 505 m coupon payment on 2015 Eurobonds.

Fiscal policy: The Government revised estimates of planned fiscal revenues and expenditures in the Draft State Budget for 2017 to take into account rapid increase in minimum wage.

Social policy: The Government has not revised major social standards in the Draft State Budget, which was submitted to the Parliament for the second reading.

Labour market: Average wage in September grew by 23.4% yoy to UAH 5358 due to higher minimum wage, lower rate of single social contribution and bigger salaries in publicly funded sectors.

Monetary policy: Consumer inflation returned to double digits at 12.4% yoy in October, which reflects low statistical base and 52% increase in heating tariff effective in October.

Exchange rate: Interbank exchange rate remained in tight UAH 25.6-26.0 per USD range in October with little volatility.

State debt: Domestic state borrowings reduced primarily due to restricted demand for state domestic bonds.

Highlight of the month: Minimum wage

MINIMUM WAGE: RISKS AND POSSIBILITIES

by Oleksandra Betliy

On October 26, the Government announced decision to double the minimum wage to UAH 3200 since January 2017 (from UAH 1600 effective in December 2016). This decision was incorporated into the draft State Budget for 2017 submitted to the Parliament for the second reading. Increase in the minimum wage to full size of subsistence level, de-shadowing of wages and stealing the steam from political opponents seem to be the main motives behind the increase. Overall, the Ministry of Finance projects no increase in fiscal deficit due to minimum wage increase. However, it may have impact on macroeconomic indicators. Moreover, international evidence shows that rapid minimum wage increase may have different impacts.

The possible reasoning. There were two official reasons for doubling of minimum wage. First, the Prime-Minister explained the increase by need to raise wages above real subsistence level. The Ministry of Social Policy calculated that the value of minimum subsistence basket was about UAH 3200 in August as compared to UAH 1600 subsistence minimum envisaged in draft Budget for 2017. Another reason was the desire to push wage de-shadowing. In particular, some employers report paying minimum wages to their employees and pay the rest informally without paying personal income tax (PIT) and single social contribution (SSC). Political reasoning is also likely. Proposed minimum wage matches proposals from opposition parties in the Parliament and low minimum wage was one of the favourite talking points of the opposition.

Public Sectors. Minimum wage increase would result in higher wages of employees in state administration and other public sectors, which require higher wage spending from central and local budgets. To contain growth of wages the Government kept base wage in public sector at UAH 1600 as previously planned. This means that employees in public sectors with wages over UAH 3200 will only receive previously planned wage increases. Employees with wages below UAH 3200 after bonuses will receive top-up to the minimum level. Therefore, the differentiation of wages will decline. Higher wages in public sectors will result in higher consumption of respective employees and, thus, larger VAT revenues.

Private sector. Impact of minimum wage on private sector is hard to predict and it will likely vary for different companies, sectors, and regions. Minimum wage increase is mandatory but different companies might have different approaches to dealing with the increase.

First, some companies are expected to comply with higher minimum wage in full. Wages are likely to be increased first to employees with wages below UAH 3200. Then higher-paid employees will get a raise but likely with a lag. Additional labour costs will be covered either through lower investment, lower profit or higher prices. The first option may hamper competitiveness of companies in the middle run. However, not all companies will be able to pass on higher labour costs burden to consumers due to weak demand. Added costs will differ if companies reduce informal wage payments or if they actually increase wages. Still, both de-shadowing and higher wages would result in higher revenues from PIT and SSC. However, de-shadowing will not result in higher consumer spending and thus VAT.

Second, other companies will try to contain labour costs increase through different strategies. They may reduce reported working hours, shift employees to contractors or informal employees or reduce workforce. This means that any increase in PIT and SSC payments will be limited and in some cases overall taxable wages may decline or remain constant. Spending of the State Employment Service on unemployment benefits will likely increase as some employees will lose their jobs. This will limit funding for active labour market policies. Small companies in less developed regions may feel the most pain from minimum wage increase due to low margins and weak demand. At the same time, increase in public sector wages will contribute to demand the most in small towns.

The overall impact of changes in wages and employment strategies in private sectors is not clear. Unemployment will probably increase slightly as businesses are likely to adapt in other way. It is unlikely that state labour inspection will have capacity to inspect a lot of businesses for compliance with minimum wage rules. Income will increase for some low-wage employees but it is difficult to assess their number.

Other measures: Minimum wage was traditionally a base for calculation of different payments like fines and sanctions, the ceiling for e-declarations, wages of civil servants, judges and prosecutors, property tax, etc. In such cases the Government suggested either substituting the minimum wage by subsistence minimum (which will be set at UAH 1600) or reducing by half the coefficients used in calculations. As a result, all these payments will remain unchanged.

To sum up, the impact of rapid minimum wage increase on economy is not straightforward. It would depend on the reaction of employers. Currently, shadow economy is estimated at near 40% of GDP (by the Ministry of Economic Development and Trade). It is rather difficult to model impact scenarios for the shadow economy. However, it is clear that risks of higher unemployment, lower consumption and unbalanced budget are there.

Monthly Economic Monitor Ukraine

Politics: E-declarations shed light on the assets of public officials in Ukraine

E-declarations. By October 30, top Ukrainian public officials and politicians, including the President, the Prime Minister, the Government members, and the Members of Parliament, had to fill out e-declarations that contain information on all their assets and finances. The electronic declaring of the assets of public servants and their family members is seen as a substantial anti-corruption measure. Also, e-declaring of assets was one of the key conditions of the EU Visa liberalization Action Plan for Ukraine. There have been numerous attempts over the previous months to postpone and weaken the e-declaring law and to limit the scope and public access to e-declarations.

More than 103 thousands of Ukrainian officials submitted their e-declarations before the deadline. Declarations of numerous members of political elite attracted media attention, as the disclosed assets included expensive property, cars, luxury items and millions of Ukrainian and foreign currency in cash. Public officials who have failed to declare their property or submitted false information may be investigated by the National Agency for Prevention of Corruption and the National Anti-Corruption Bureau of Ukraine.

The war in Donbas. The 'Normandy Four' group met in Berlin in October, as the conflict in Ukraine's east continued. Government leaders of France, Germany, Russia and Ukraine met to discuss the armed conflict in the Eastern Ukraine that is supported by Russia. The sides agreed to develop a 'roadmap' to implement Minsk peace process. The attacks by combined Russian-separatist forces continued in October. 11 service members of the Ukrainian Armed Forces were killed in the war and 113 service members were wounded.

The IMF. The next tranche of IMF loan was planned to be provided to Ukraine by the end of 2016. The likelihood of this tranche was high taking into account successful e-declaration process. The open issue for the discussion was an actual institutional independence of the NBU. The IMF concerns were raised due to the submission of the bill to the Verkhovna Rada that aims to increase the government's control over the NBU. However, the initiated sharp increase in minimum wage might result in the termination of the following tranche. The IMF scheduled the third review of Ukraine's EFF program for November 15, 2016, while the fourth review is expected in February 2017.

Doing Business. Ukraine was placed the 80th in the ranking of 190 world nations in the latest World Bank's report 'Doing Business 2017'. Ukraine made the biggest progress in the areas of protecting minority investors, enforcing contracts and getting electricity. However, resolving insolvency, dealing with construction permits, and getting electricity remain Ukraine's weakest spots of the ranking where the country occupies positions below the 100th one.

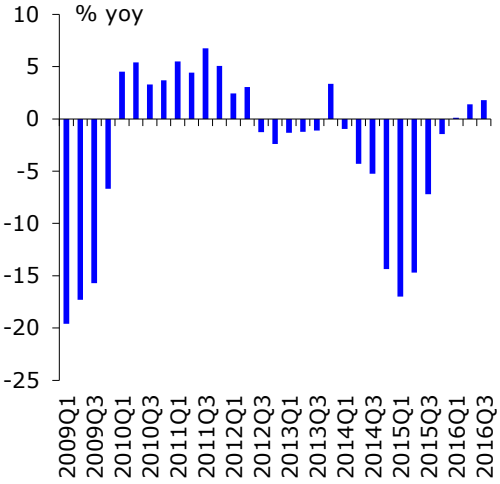
Real sector: Gradual recovery continues

GDP. According to Ukrstat flash estimate, real GDP grew by 1.8% yoy in the third quarter of 2016 (seasonally adjusted growth was at 0.4% qoq). Real GDP growth was at 1.2% yoy in the nine months of the year due to higher domestic demand. Real net exports made negative contribution to growth.

Sectoral trends. Industrial output increased by 2.0% yoy in September (3.4% yoy in August). The deceleration reflects high statistical base (as production increased by 1.6% mom on seasonally adjusted basis). Besides, short-term issues (including railway repairs and replacement of equipment) contributed to lower output in metallurgy (by 0.6% yoy) and extraction industry (by 5.4% yoy). At the same time, food production grew by 11.3% yoy as good harvest supported higher production of sugar and sunflower oil. Machine building grew by 4.5% yoy due to surge in production of network equipment and measuring instruments likely due to higher defence orders.

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

Institute for Economic Research
and Policy Consulting
Reytarska 8/5-A, 01034 Kyiv
Fax (+38044) 278-6336
E-mail: institute@ier.kiev.ua
http://www.ier.com.ua

Over nine months of 2016 retail and wholesale sales continued to accelerate gradually (by 3.3% yoy and 5.8% yoy, respectively). This reflected higher households incomes and gradual economic recovery.

Construction surged by 15.3% yoy 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.

Energy: Increase in electricity tariffs for industry is under a court dispute

Electricity. Between January and October 2016, retail electricity tariffs for business increased by 24-26% depending on the class of consumers. This increase caused complaints from the consumers and on November 4 Kyiv Administrative Court invalidated the resolutions of the National Energy and Utilities Regulatory Commission (NERC) on tariffs increases by 5.2-6% in May and by 8.2-10% in July 2016. The Court argues that these resolutions violate the NERC resolution from 2005 that caps monthly tariffs increases at 5%. The NERC appealed the court decision.

The Ministry of Energy approved the Projected Balance of Electricity Production and Consumption for 2017. According to the forecast, in 2017 Ukraine will produce 157.852 bn KWt*h of electricity and consume 148 bn KWt*h (increase by 1.3% yoy). Major electricity producers are nuclear power plants (53% of the produced electricity), thermal power plants (32%) and hydro power plants (5%). Timely preparation of the projected balance is very important for planning necessary fuel supplies.

Utilities. The Cabinet of Ministers approved installment plan for heating bills for the households that do not receive utility subsidies. This may soften effect of the rapid increase in heating bills. Any household may use this scheme after notification to heating provider. Under this mechanism, the consumer pays 50% of the heating bill immediately and the rest in equal parts in April-September (i.e. between heating seasons). This solution created many uncertainties for providers of utility services and suppliers of fuel as it would lead to liquidity gaps. The Government promised to ensure that suppliers do not receive liquidity gaps due to installment payments (likely through deferred payment to the Naftogaz for supplied gas). The Naftogaz considers the option of using the World Bank loan (USD 500 m) to cover this gap. The Kyivenergo warns that the deferred payment mechanism will increase the company's indebtedness and may lead to disruption of electricity supplies.

Agriculture: Agricultural land sale moratorium extended

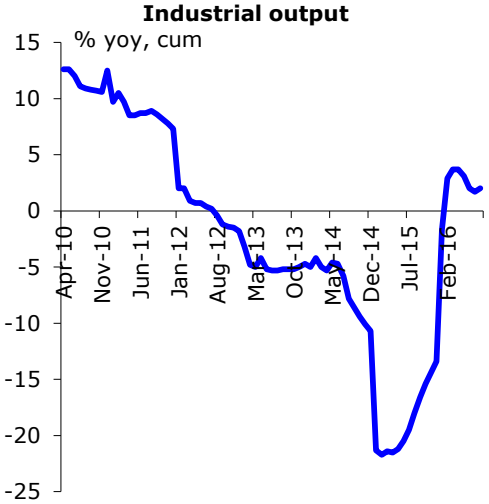
Policy. The Parliament extended agricultural land sale moratorium for another year until 2018. This moratorium was first introduced in 2001 to provide time for the government to prepare infrastructure and to work out model agricultural land market that works in Ukraine. Justification for continued moratorium has not changed over the years. The Parliament again noted the deficiencies of current legislation, and the need to approve the Law on Land Market. This draft law had to be submitted to the Verkhovna Rada by the end of October according to the IMF Program. Currently, the moratorium results in lower prices of land leases. Besides, it prevents agribusinesses, including SMEs, from using land as a collateral.

Production. Agricultural production increased by 2.6% yoy in September as compared to decline by 0.9% yoy in August. The growth was ensured by good harvest of grains and technical crops, due to larger harvesting areas as well as increased yields. At the same time, livestock production declined (by 2.6% in the first nine months of the year) due to lower production of milk and eggs.

External sector: Financial account surplus continues

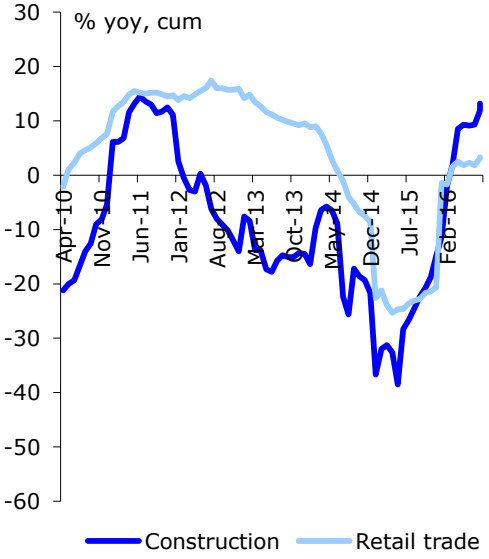
Current account. Current account deficit increased to USD 875 m in September from USD 451 m in August reflecting USD 505 m coupon

Industrial output



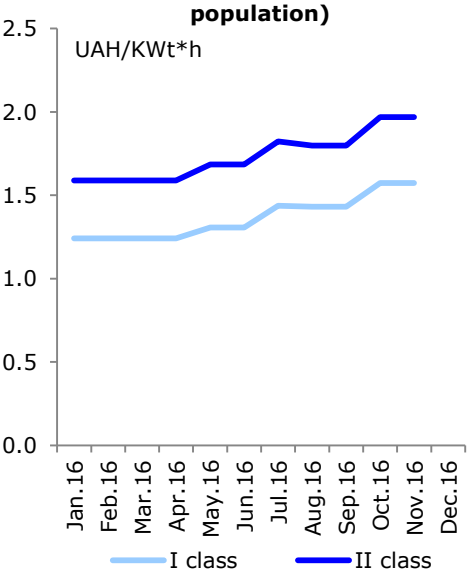
Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Real sector trends



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

Retail electricity tariffs (except population)



Source: NERC

payment on 2015 Eurobonds. As a result, net payment of investment income reached USD 0.9 bn. At the same time, remittances (secondary income and wages) remained almost unchanged at net inflow of USD 0.6 bn.

Trade deficit reduced to USD 0.6 bn in September from USD 0.7 bn in August. Exports of goods and services remained at USD 4.0 bn, while imports decreased to USD 4.6 bn. Food export volume remained almost constant in dollar terms as grain exports decreased (in part due to sanitary restrictions in Egypt) and sunflower oil exports went up. Steel exports decreased slightly in response to lower export prices. Imports of consumer goods decreased slightly (in response to weaker hryvnia) and imports of investment goods reduced after surge in August (including higher imports of agricultural machinery). Energy imports remained considerable as the Naftogaz continued preparations for winter season.

Financial account. Financial account surplus in September reached USD 1.3 bn (as compared to USD 0.5 bn in August). Net inflow of FDI surged to USD 0.44 bn including USD 0.18 bn for bank recapitalization and USD 0.26 bn in non-financial sector. Non-financial FDI remained low but surged over the recent months likely reflecting improved investment confidence. US guaranteed Eurobond brought net government inflows to USD 1.0 bn. Net sales of cash foreign currency to the banking sector were at USD 0.47 bn as households continued to spend foreign currency savings. Other private sector outflows were USD 0.5 bn.

Fiscal policy: Draft Budget 2017 was submitted for the second reading

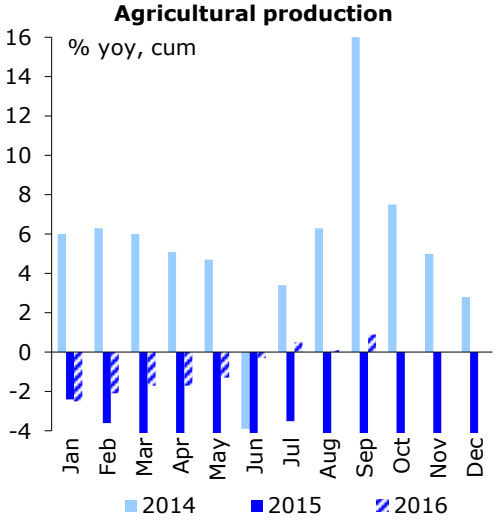
State Budget 2017. The Government submitted the revised draft of State Budget Law for 2017 to the Parliament. Both central fiscal revenues and central fiscal expenditures targets were increased by UAH 15.1 bn due to minimum wage increase from UAH 1600 to UAH 3200 since January 2017. Thus, central fiscal deficit is still planned at 3% of GDP. The Government assumes that minimum wage increase will result in higher gross wage bill and, thus, higher consumption. Additional fiscal revenues are expected from higher collections of PIT and VAT (UAH 5.5 bn and UAH 7.0 bn, respectively), but EPT revenues are projected to be lower by UAH 3.0 bn. Revenues from the single social contribution are expected to increase by UAH 14.8 bn due to higher wages and higher minimal contribution. This would result in lower transfer to the Pension Fund. Higher wages will also result in lower coverage by housing and utility subsidies, planned financing of which was reduced by UAH 3.2 bn. Overall, the estimate of additional fiscal revenues from minimum wage increase seems optimistic. It may underestimate resulting reduction in formal employment or reported working hour. According to the Budget Code schedule the Draft State Budget Law is supposed to be put for voting by November 21.

Revenues. According to the preliminary information of the State Treasury, consolidated fiscal revenues surged by 30.9% yoy in October as compared to growth by 6.8% yoy in September. This reflects UAH 10 bn partial transfer of the NBU profit to the budget. This transfer became possible after newly formed NBU Council approved 2015 financial statements. Tax revenues continued growing due to higher effective rates, bigger wages and larger consumption and investments. Rent payments remained lower than planned.

Overall, it seems that 2016 consolidated fiscal revenues will be lower than plan by about 2%. If plans to require advance EPT payments in December 2016 for November and December estimated profit will fall through, this gap can be even higher.

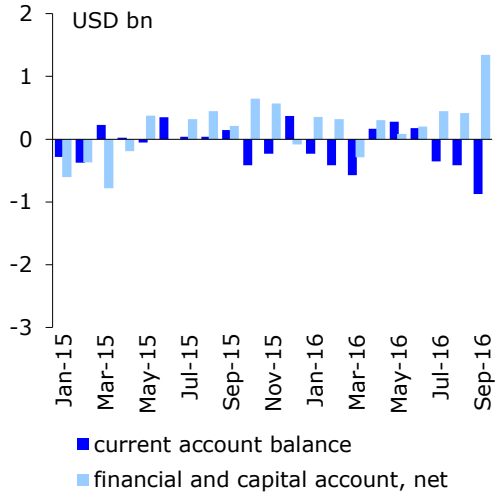
Expenditures. Consolidated fiscal expenditures in September surged by 61.1% yoy as the Government paid coupon on Eurobonds. Besides, capital consolidated spending grew by 84.5% yoy and its share increased to 11.1% of total consolidated expenditures. Spending on pensions doubled as compared to previous year as the Government increased the transfer to the Pension Fund to

Agricultural production



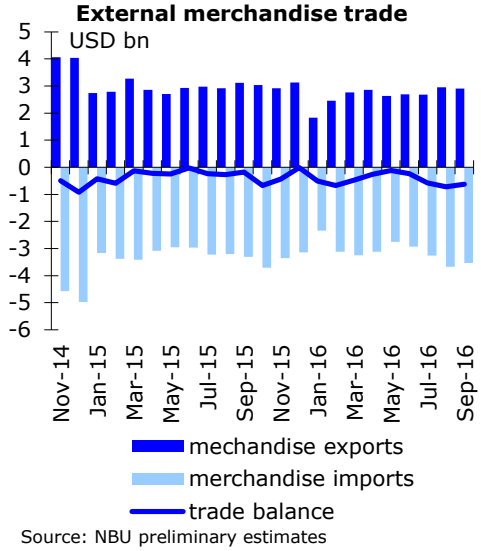
Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

External merchandise trade



Source: NBU preliminary estimates

compensate for lost revenues from the reduction of the single social contribution rate.

Considering high probability of under-executed fiscal revenues and lower than planned fiscal deficit the Government is not likely to finance fully expenditures. Capital outlays are usually the first source of expenditure cuts. Local budgets are likely to end the year in surplus as they may not be able to spent all revenues by the end of the year (local budgets surplus was at UAH 31.7 bn in the first nine months of the year).

Social policy: No much changes in the State Budget 2017

The Government has not revised major social standards in the Draft State Budget, which was submitted for the second reading. Subsistence minimum is planned at previous levels despite revision of subsistence basket. The revision of basket was not substantial, but it increased its value, which is way above levels envisaged in the 2017 draft Budget. As the Government does not have funds for rapid increase in minimum pensions and social assistance payments, only minimum wage was increased sharply.

To sustain the growth of pension spending the Government suggested to extent the limitations on special pensions until the end of 2017. This includes the cap on pensions at UAH 10740. Besides, former civil servants, judges, prosecutors and some other groups will only receive pensions if they are no longer hold their jobs.

Labour market: Further increase in real wages

Wage. Average wage in September grew by 23.4% yoy to UAH 5358 due to higher minimum wage, lower rate of single social contribution and bigger salaries in publicly funded sectors. Slowdown in inflation ensured increase in real wages by 15.6% yoy.

Wages grew more or less at the same rates in all sectors. Good harvest allowed agricultural companies to increase nominal wages by 29.1% yoy. Increase in salaries along the unified tariff scale for employees in budget sectors resulted in higher average wages in education and healthcare (by 23.0% yoy and 21.1% yoy). Still, wages in these sectors was much lower than average.

Wages in industry increased on average by 21.9% yoy. Predictably wages grew more in sectors with better performance (manufacturing of electronic and optical equipment, and machinery, pharmaceuticals production). At the same time, wages declined by 3.3% yoy in coke manufacturing and oil refineries. Improved financial situation of electricity and gas supply and distribution companies (due to hikes in tariffs) allowed companies of the sector to increase wages by 31.8% yoy.

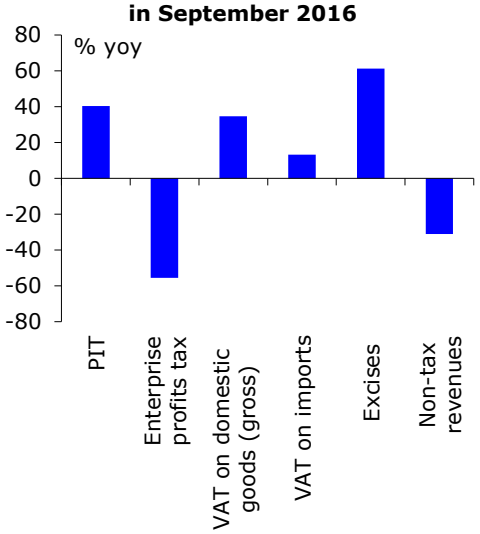
Monetary policy: Inflation surged to 12.4% yoy

Consumer inflation returned to double digits at 12.4% yoy in October from 7.9% yoy in September. This reflects low statistical base and 52% increase in heating tariff effective in October. Increase in housing and utility price index reached 44.4% yoy reflecting sharp utility tariff increases over the last 12 months (60% yoy for electricity, 81% yoy for hot water and heating, 42% yoy for natural gas). In contrast, price index for food products increased by 4.9% yoy.

Monthly core inflation (excluding administered, energy and raw food prices) was 0.9% yoy in October. Nominal retail sales growth was moderate at 14% yoy (in September) as sharp increase in utility tariffs consumed much of income growth.

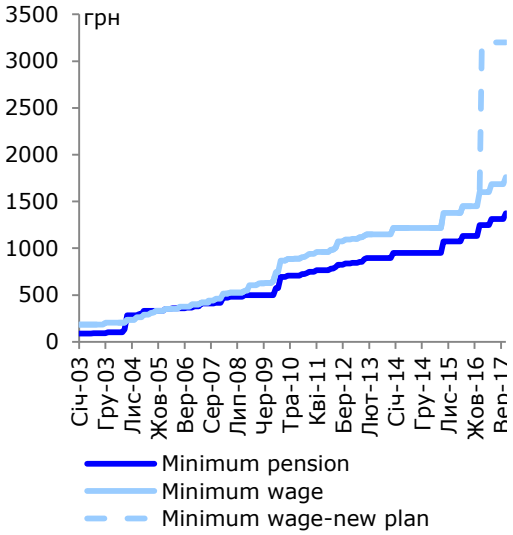
In October, the NBU reduced policy rate by 1 p.p. to 14% p.a. This reflected confidence of the NBU that inflation remained under control and on track to target. Money supply increased by 6.1% yoy including 13% yoy increase in hryvnia deposits reflecting gradual improvement in cash flow of companies and increased confidence in bank sector.

Growth of Consolidated fiscal revenues in September 2016



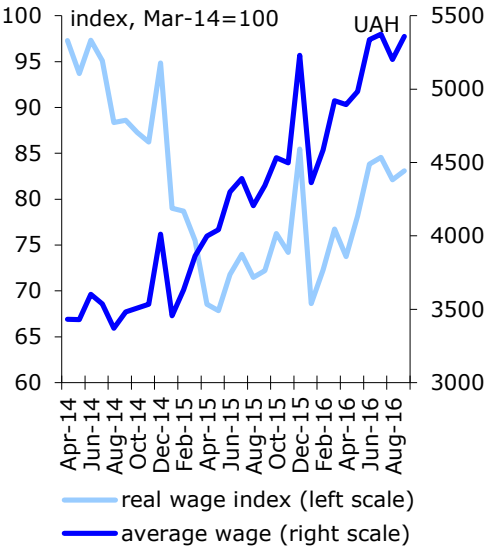
Source: State Treasury reports

Minimum wage and minimum pension



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

Average wage*



*not including AR Crimea
Source: Ukrstat

Exchange rate: Volatility was low in October

Interbank exchange rate remained in tight UAH 25.6-26.0 per USD range in October with little volatility. Food exports increased in October adding to supply on the market. This likely more than offset lower sales of cash foreign currency to banks. The NBU bought USD 274 m in October to increase reserves. International reserves of the NBU reduced slightly to USD 15.5 bn due to exchange rate and gold price fluctuations and net government outflows at USD 211 m.

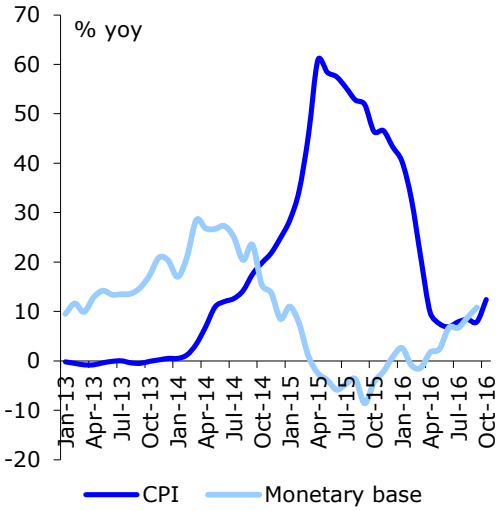
State debt: Partial resumption of external funding

External debt. The Ministry of Finance and the German State Development Bank KfW signed a EUR 150 m loan agreement (at 3.97% p.a.) for the development of the energy supply infrastructure in five oblasts (Kharkiv, Zaporizhya, Dnipropetrovsk, Lugansk and Donetsk oblasts). It is a part of the total loan package of EUR 500 m agreed by Governments of Ukraine and the Federal Republic of Germany in early 2015 (Ukraine has previously received EUR 200 m).

EUR 600 m is expected to be received from the EU under macro-financial assistance program in early 2017. Ukraine is supposed to meet two conditions to qualify for the loan. First, it needs to lift a timber export ban and, second, it should resolve issues related to social payments for internally displaced persons.

Domestic debt. In October, the Ministry of Finance placed UAH 0.6 bn of state domestic bonds with weighted average yield at 15.6% p.a. as compared to UAH 5.9 bn at 7.9% p.a. in September. The average bond yield appeared to be higher as the Government did not place any UAH/USD indexed bonds with traditionally lower interest rates. At the same time, the yield for three-year bonds, which accounted for near 72.8% of the total placement, slightly decreased (from 16.1% p.a. to 15.8% p.a.). Besides, the Government issued EUR 141 m of two-year EUR-denominated bonds at 4.0% p.a., which were last time placed in October, 2014.

CPI and monetary base development



Source: Ukrstat, NBU

Tables

		Q3 14	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Industrial production (real)	% yoy cum.	-8.0	-20.0	-16.1	-13.0	3.7	2.0	2.0	3.7	3.7	3.1	2.0	1.7	2.0	2.0	…
Construction (real)	% yoy cum.	-16.4	-26.2	-20.9	-12.3	1.9	9.1	13.2	1.9	8.5	9.3	9.1	9.3	11.9	13.2	…
Agricultural production (real)	% yoy cum.	16.0	-9.3	-5.3	-4.8	-1.7	-0.3	0.9	-1.7	-1.7	-1.3	-0.3	0.5	0.1	0.9	…
Retail trade turnover (real)	% yoy cum.	-5.3	-24.6	-22.3	-20.7	1.6	2.3	3.3	1.6	2.5	1.8	2.3	2.4	3.1	3.3	…
Average wage	UAH	3463	4113	4313	4753	4622	5072	…	4920	4895	4984	5337	5374	5202	5358	…
CPI	% yoy eop	17.5	57.5	51.9	43.3	20.9	6.9	7.9	20.9	9.8	7.5	6.9	7.9	8.4	7.9	12.4
PPI	% yoy eop	26.9	37.9	32.5	25.4	10.5	15.7	19.6	10.5	10.1	16.4	15.7	18.3	18.9	19.6	29.2
Exports (USD)*	% yoy cum.	-16.4	-32.2	-29.8	-27.0	-16.4	-9.7	-8.1	-16.4	-12.3	-10.3	-9.7	-9.5	-8.5	-8.1	…
Imports (USD)*	% yoy cum.	-24.8	-34.2	-31.8	-29.3	-10.9	-6.2	-0.8	-10.9	-8.3	-7.3	-6.2	-5.0	-2.0	-0.8	…
Trade balance	USD bn cum.	-3.0	-0.6	-1.0	-1.7	-1.6	-2.0	-4.2	-1.6	-1.7	-1.3	-2.0	-2.5	-3.6	-4.2	…
Current account**	USD bn cum.	-1.2	-0.1	0.1	-0.2	-1.0	-0.2	-2.3	-1.0	-0.6	-0.4	-0.2	-0.5	-1.4	-2.3	…
Gross international reserves	USD bn eop	16.4	10.3	12.8	13.3	12.7	14.0	15.6	12.7	13.2	13.5	14.0	14.1	14.1	15.6	15.5
Monetary Base	% yoy eop	23.5	-5.9	-8.6	0.8	-1.4	1.7	10.6	-1.4	1.7	2.4	6.7	6.7	8.8	10.6	…
Lending rate on UAH credits	% pa, aop	16.4	23.1	21.1	20.7	20.0	20.9	20.8	20.3	20.9	21.1	20.6	18.0	17.0	16.8	…
Exchange rate (interbank)	USD aop	12.58	21.56	21.74	22.90	25.69	25.2	25.68	26.30	25.54	25.21	24.93	24.82	25.14	26.23	25.72
Exchange rate (official)	USD aop	12.58	21.62	21.69	22.33	25.68	25.3	25.74	26.39	25.63	25.21	24.95	24.82	25.65	26.28	25.76
Exchange rate (official)	EUR aop	24.37	23.93	24.69	24.91	28.34	28.6	28.96	29.33	29.06	28.50	28.09	27.49	28.65	29.47	28.45

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

Contact information:

Institute for Economic Research
and Policy Consulting
Reytarska St. 8/5-A, 01030 Kyiv
Tel. (+38044) 278-6342
Fax (+38044) 278-6336
E-mail: institute@ier.kiev.ua
http://www.ier.com.ua

Head of the Board-Director

Igor Burakovsky
burakovsky@ier.kiev.ua

Chief Executive

Oksana Kuziakiv
kuziakiv@ier.kiev.ua

Academic Director

Veronika Movchan
movchan@ier.kiev.ua

Centre for Economic Studies

Oleksandra Betliy
betliy@ier.kiev.ua

Vitaliy Kravchuk
Kravchyk@ier.kiev.ua

Iryna Kosse
kosse@ier.kiev.ua

Mykola Ryzhenkov
ryzhenkov@ier.kiev.ua

Kateryna Furmanets
furmanets@ier.kiev.ua

Artur Kovalchuk
kovalchuk@ier.kiev.ua

Olha Krasovska
krasovska@ier.kiev.ua

Oleksandr Krinitsyn
krinitsyn@ier.kiev.ua

Andrii Butin
butin@ier.kiev.ua

Center for Contemporary Society Studies

Iryna Fedets
fedets@ier.kiev.ua

Victoria Bespalko
bespalko@ier.kiev.ua

German-Ukrainian Agricultural Policy Dialogue

Oleksa Stepaniuk
stepaniuk@ier.kiev.ua

Mariya Yaroshko
yaroshko@apd-ukraine.de

Disclaimer

The Monthly Economic Monitor of Ukraine has been prepared by the Institute for Economic Research and Policy Consulting for informational purposes only. All judgments in this report reflect authors' point of view as of date publication, and can be changed without notice. Although we used our best efforts in preparing this publication, we make no guarantees as to its accurateness. The IER does not take any responsibility for any losses or other problems that directly or indirectly resulted from the use of any part of this publication. Reproduction without prior permission is prohibited; when quoting please cite Institute for Economic Research and Policy Consulting.