INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

# Monthly Economic Monitor Ukraine

No.6 (188), June 2016

## EXECUTIVE SUMMARY

***HIGHLIGHT: CAPITAL AND CURRENCY CONTROLS***

***Politics:*** The Parliament finally launched a reform of the judiciary.

***Real sector:*** According to the flash Ukrstat estimate real GDP increased by only 0.1% yoy in the first quarter of 2016.

***Energy sector:*** Gas consumption declined by 12% in the 2015-2016 heating season.

***Agriculture:*** Gross agricultural production in April decreased by 1.7% yoy.

***External sector:*** Current account in April was in surplus at USD 0.3 bn.

***Fiscal policy:*** Consolidated fiscal revenues in April declined by 4.2% yoy due to sharp decrease in non-tax revenues.

***Privatisation:*** The privatization of the Odesa Port Plant is to be announced in June and conducted in July.

***Social policy:*** The coverage of households by housing and utility subsidies increased sharply.

***Labour market:*** Average wage increased by 7.6% yoy in real terms due to the slowdown of inflation.

***Monetary policy:*** 12-month consumer inflation slowed to 7.5% yoy in May.

***Exchange rate:*** On June 8, the NBU allowed partial repatriation of dividends accrued by foreign investors and reduced mandatory sale requirement on foreign currency inflows.

***State debt:*** The Governments of Ukraine and the USA signed an agreement on the loan warranties for Ukraine at USD 1 bn.

# Highlight of the month: Capital and currency controls

## INCHING TOWARDS NORMALIZATION

*By Vitaliy Kravchuk*

In 2012 and 2013 the National bank of Ukraine (NBU) had difficulty maintaining peg of hryvnia to US dollar at UAH 8 per USD and introduced a number of measures to keep peg going including capital controls. These measures were imposed on temporary basis in addition to "permanent" capital controls that restricted capital outflows by Ukrainian residents. However, economic and financial crisis in Ukraine that started in 2014 had direct impact on exchange rate stability. As a result, the peg had to be abandoned in 2014. Between April 2014 and April 2016 hryvnia lost 35% of its value as compared to currencies of its trading partners[1]. In response NBU took a number of actions to reduce volatility of the exchange rate. The NBU continued with interventions on the interbank market and expanded administrative measures to reduce capital outflows and increase supply of the foreign currency on the market. Key measures[2] include:

- direct capital controls, i.e. restrictions on cash foreign currency purchases, outward money transfers by individuals, prohibition on advance repayment of loans, restrictions on use of hryvnia by nonresidents, prohibition on repatriation of dividends[3], restrictions on advance payments for imports etc.;
- increased scrutiny of trade transactions, i.e. heightened documentation requirements, vetting of planned foreign currency purchases by the NBU supposedly to weed out prohibited capital outflows masquerading as trade or other allowed transactions;
- measures to increase supply of foreign currency - requirement to receive and repatriate to Ukrainian bank payments for exports within 90 days of shipment and mandatory sale of part of foreign currency inflows in the banking system.

Expanded capital controls helped to stabilize foreign currency market and reduce depreciation expectations. However, they fueled expansion of "black" and "gray" market for foreign currency and formation of multiple exchange rates. They also contributed to low liquidity of the foreign exchange market. For example, turnover of the interbank foreign exchange market was USD 9.6 bn in May 2016 as compared to USD 38.4 bn in May 2013. This forced the NBU and state-owned banks to intervene in the market just to balance day-to-day changes in demand and supply. Finally, capital controls became less effective over time as market participants found new ways to work around them. This in a few cases required tightening of capital controls by the NBU and moved the situation further from normal.

When revising capital controls the NBU always stressed that restrictions are temporary and will be rolled back as soon as situation allows. The NBU and the IMF also agreed (as part of IMF EFF program received by Ukraine in 2015) on a plan that would define what kind of improvement in financial sector and Ukrainian economy in general would be sufficient to remove or scale back different type of controls. This plan was not made public. In the second half of 2015 and first five months of 2016, the NBU made numerous revisions to capital controls that tended to make life slightly easier for market participants but changes were mostly minor.

On June 7, the NBU made the most significant changes to capital controls so far. It reduced portion of foreign currency inflows mandated for sale to 65% from 75%, and allowed partial repatriation of dividends. The NBU increased limits for cash foreign currency purchases and cash foreign currency withdrawals from bank deposits. On May 25, the NBU also allowed purchase of foreign currency next day after hryvnia funds for purchase were deposited with the bank[4]. This was likely part of changes in the capital controls agreed with the IMF as part of the second review of the EFF Program.

These changes seem to be timed well. Supply of foreign currency since April was sufficient to cover demand and allowed the NBU to purchase about USD 1 bn to expand reserves while hryvnia appreciated slightly vs. US dollar. Additional reserves should help reduce volatility from reduced supply and increased demand of foreign currency. Foreign currency market is also less active in summer and purchases of cash foreign currency are unlikely to increase significantly over summer. Thus, immediate effect on exchange rate will likely be muted. In autumn foreign currency liberalization may add to seasonal pressure on exchange rate. But, commodity prices and harvest results will likely have more impact on exchange rate than less strict capital controls. This is particularly true as most elements of administrative measures remain in place.

In the medium term, removal of "temporary" capital controls can be expected to improve investment climate and produce more efficient foreign currency market. It will also allow companies to manage their external risks. This should amply offset impact from temporary change in demand and supply.

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1 Based on nominal effective exchange rate (NEER) index calculated by the NBU.
2 Including those introduced in 2012-2013 and maintained or expanded later.
3 Which would technically be current account restrictions rather than capital controls but difficult economic situation in Ukraine and elasticity of accounting standards likely mean that dividend transfers include large part of capital outflows.
4 Previously bank customers could only do it on T+3 and then on T+2 basis.

# Monthly Economic Monitor Ukraine

## Politics: The Parliament launched a reform of the judiciary

***The judiciary.*** On June 2, the Parliament passed the Constitutional amendments that provided a foundation for a reform of the judiciary. A law that determined details of the reform was also adopted. The judicial reform is aimed at increasing political independence of the judiciary, and raising the requirements for judges. The most important modifications are changes to the procedures of appointment and dismissal of judges. The Parliament will be stripped of powers to appoint judges, and the role of the President in their appointment will be reduced. Neither the Parliament, nor the President will have right to dismiss judges. Those powers will be transferred to the High Council of Justice, a body to be formed mainly by judges themselves. Another important modification is more elaborate procedure for competition for the selection of judges. The Constitutional amendments and the law also refine the grounds for dismissal and detention of judges, limit their immunity from prosecution, substantially raise their salaries, and enhance control over sources of their income. In addition, the amendments provide for competence and integrity checks for the incumbent judges. As a part of the reform, prosecutor's offices will be also deprived of the powers to conduct investigations.

The amendments and the law were cautiously welcomed by western partners of Ukraine but criticised by certain civil society representatives. The latter feared that the reform might result mostly in formal changes, so independence and effectiveness of the judiciary might not increase substantially. In addition, the decision to preserve a role for the President in appointing judges might keep his influence on the judiciary, especially in the reform transition period (2016-2018). Although the amendments are expected to become effective in September, some important provisions, including the reform of the High Council of Justice, may become effective only in 2019. The civil society representatives also pointed out that the amendments limit a range of persons that may represent an individual or private institution in a court to members of the Bar (gradually in 2017-2019).

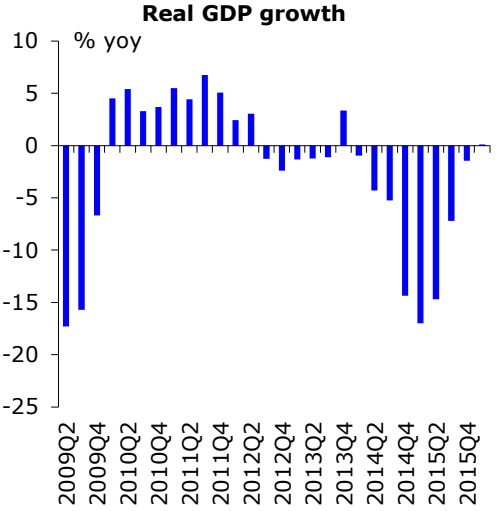
***Public prosecution.*** On May 12, President Petro Poroshenko appointed Yuriy Lutsenko as the Prosecutor General, with the consent of the Parliament. Previously Yuriy Lutsenko was a leader of the parliamentary faction of the Petro Poroshenko Bloc. In 2005-2006, and in 2007-2010 he was Minister of Internal Affairs of Ukraine. Yuriy Lutsenko became the third Prosecutor General who did not work in a prosecutor's office previously (after Viktor Shyshkin who was Prosecutor General in 1991-1993, and Vitaliy Yarema who held that position in 2014-2015), and the first one without a degree in law. This required the Parliament to approve the corresponding amendments to the law on prosecutor's offices. Yuriy Lutsenko stated that he would eradicate corrupt officials from public prosecution offices, and fight against organized crime. However, his ability to reform public prosecution is limited because in April the powers of selection of prosecutors were transferred to prosecutors' self-governance bodies.

***The IMF.*** On May 10-18, an IMF mission visited Kyiv for a review under the Extended Fund Facility Arrangement (EFF). The mission reached an agreement with Ukraine's authorities on a set of policies needed to complete the review. The IMF stated that Ukraine should maintain financial and fiscal stability, implement structural and institutional reforms, and strive to fight against corruption. If the IMF Executive Board approves the agreement and the review, Ukraine may get the third disbursement under the EFF in July. In March 2015, the IMF approved a four-year EFF in the amount of SDR 12.4 (USD 17.5 bn) for Ukraine. In 2015, Ukraine received USD 6.7 bn as the first two disbursements. Earlier it was expected that the third disbursement would amount to SDR 1.2 bn (USD 1.7 bn).

**The war in Donbas.** In May, clashes and exchanges of fire escalated in several flashpoints, mostly near the cities of Donetsk and Horlivka.

**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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Russia-controlled insurgents used heavy weapons that should have been withdrawn from the front line according to a ceasefire agreement reached in September 2015. In May, 26 Ukrainian servicemen were killed. The front line did not change during the month. Ukraine, Russia and the OSCE continued negotiations within the Trilateral Contact Group (TCG) in Minsk, but those negotiations yielded no results. According to the United Nations, the conservative estimate of the total death toll from the conflict reached 9 371 on May 15 (it was 9 167 on February 15).

## Real sector: Good performance in April

***GDP.*** According to the flash Ukrstat estimate real GDP increased by only 0.1% yoy in the first quarter of 2016. Seasonally adjusted GDP declined by 0.7% as compared to the fourth quarter of 2015. This is explained by poor results of economic sectors in the first two months of the year. The economic situation improved since March.

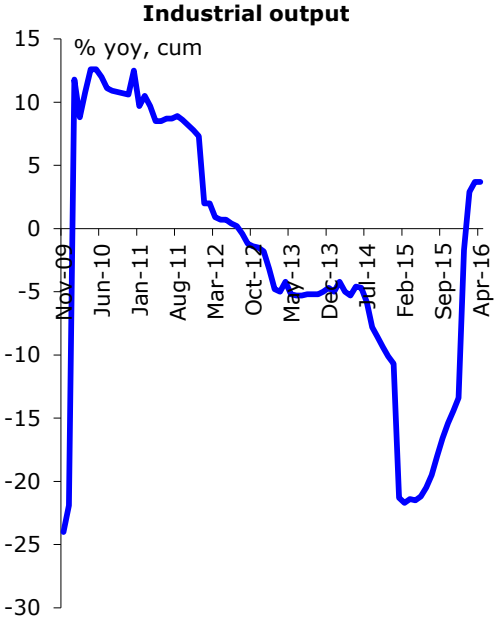
***Sectoral trends.*** Growth of industrial output in April slowed down to 3.5% yoy from 4.8% yoy in March. This reflected deceleration of production in extractive industry (to 3.0% yoy from 5.7% yoy in March). Manufacturing increased output by 5.8% yoy in April (as compared to 6.5% yoy increase in March). Production of consumer goods returned to growth with output of durables growing by 11.0% yoy and nondurables by 3.4%. Machine building increased by only 0.4% yoy (as compared to 8.7% yoy a month before) primarily due to lower orders for electronic and optic equipment. At the same time, manufacturing of machinery and transport equipment increased. Metallurgy benefited from improved demand and higher prices, which resulted in growth of sector's output by 15.5% yoy.

In April, retail sales by enterprises increased by 12.2% yoy. This reflected slowdown in inflation and low statistical base.

Construction in April surged by 17.2% yoy due to rebound in demand for commercial property and increase in investment in infrastructure and industrial complexes.

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

**Industrial output**




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

## Energy: Results of the past heating season

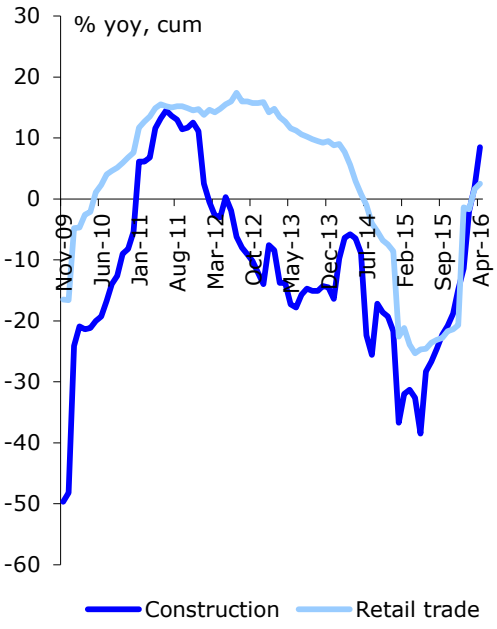
***Gas.*** During the 2015-2016 heating season (October-April), Ukraine consumed 24.6 bn cubic meters (bcm) of gas: 49% (11.8 bcm) of own extracted gas, the rest was covered by gas from underground storages and imports. This is by 12% less than during the previous heating season 2014-2015. The weighted average price of gas for the Naftogaz in the fourth quarter of 2015 was USD 228 per thousand cubic meters (tcm) and USD 198 per tcm in the first quarter of 2016.

***Electricity.*** Mariupil and Bakhmut transmission grids were transferred from Donbas electricity system to Northern electricity system of Ukrenergo. The move was taken to improve control and operational dispatch management on parts of Donetsk and Lugansk oblasts.

On May 25, the Cabinet of Ministers allowed the state enterprise Energorynok to buy electricity from the wind farm Novoazovsky situated on the occupied territories in Eastern Ukraine. The electricity has to be consumed on the controlled territories. This is an exception to the general prohibition to buy electric energy from companies situated on the occupied territories adopted in 2015.

The Antimonopoly Committee of Ukraine (ACU) finished its survey of the electricity and thermal coal markets which covered the period from 2013 to the first half of 2015. The ACU concluded that there were structural signs of the dominant position on the electricity generation market: Energoatom, DTEK and Ukrhydroenergo as sellers and Energorynok as a buyer. However, their market power is limited by the administrative control of the National Energy and Utilities Regulatory Commission (NERC) and of the Ministry of Energy and Coal Industry. Factors limiting the competition on the market are high level of debts, absence of the markets for support services and for

**Real sector trends**




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

thermal coal, inability of the final consumer to influence the price and volumes, state support of coal mines, nontransparent procedure for accession to power grid etc. The ACU recommended increasing transparency on the market, creating the market for support services and thermal coal and improving the debt situation among others.

## Agriculture: Decline in agricultural production

***Production.*** Gross agricultural production in April decreased by 1.7% yoy. This was primarily caused by the 6.6% yoy decrease in the meat production. In particular, decrease in the number of animals was caused by low demand as well as sharper increase in input prices than in output prices (by 24.5% yoy and 6.6% yoy, respectively). At the same time, egg production in April increased by 17.8% yoy due to renovation of exports to Iraq. Milk production remained at the level of 2015.

The winter crops benefited from mildly warm and rainy weather in May. As a result, it is expected that average yield of winter crops in 2016 will be higher than last year, which would partially compensate impact of smaller seeded area (it declined by 11.0% yoy). Favourable weather in May also positively affected crops seeded during spring campaign.

As of beginning of June, seeding campaign was almost completed. Grains and leguminous crops were seeded on 7.2 m ha, which is by 5.8% more than in 2015. Sunflower seeded area increased by 15.2% yoy to 5.3 m ha. Considerable increase in the sunflower area is explained by the decrease in the area designated for winter wheat and high profitability of sunflower. Moreover, climate change allows now to seed sunflower further to the North than before.

***Agricultural trade.*** Russia partially cancelled the food embargo regime. Particularly, Ukrainian exporters will be able to export poultry, frozen beef, dry and frozen vegetables to Russia if these products are used solely for the production of food products for children.

As of June 2016, Ukraine used up annual EU tariff import quotas for wheat, corn, oat, sugar, honey, juice, malt and fine ground barley. Ukrainian exporters did not even start to use the quotas for dairy products and meat except poultry. However, last year several Ukrainian companies received the right to export dairy products to the EU. Thus, it is possible that milk quota will be used in the second half of 2016.

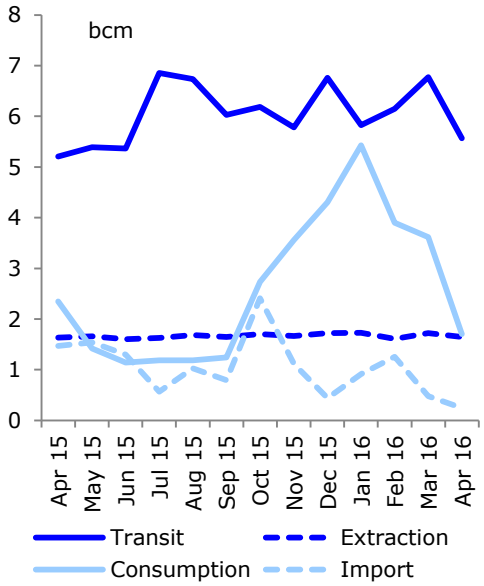
United Arab Emirates (UAE) terminated imports of all Ukrainian food products at the end of April due to the problems with the Ukrainian halal certification center. This will negatively affect egg production, because UAE was the largest importer of Ukrainian eggs in 2016 with the share of 49.6% of total Ukraine's exports of eggs. The UAE do not have complaints regarding the quality of Ukrainian products. The problem with the halal center is a result of change in the UAE requirements to national halal certification centers. The situation is under supervision of both minister of agrarian policy and food of Ukraine and the head of the State Service for Food Safety and Consumer Protection and is likely to be shortly resolved.

## External sector: Exports of goods increased

***Current account.*** Current account in April was in surplus at USD 0.3 bn (as compared to balanced current account in April 2015) mainly due to lower trade in goods deficit and net inflow of primary income. Trade in goods deficit reduced to USD 0.1 bn (USD 0.2 bn in April 2015) as exports started to grow, whereas imports still contracted. Trade in services surplus slightly reduced as imports decreased less than exports. Positive inflow of primary income at USD 0.1 bn was a result of lower repayments of interest on investments. Net inflow of secondary income remained stable at USD 0.2 bn.

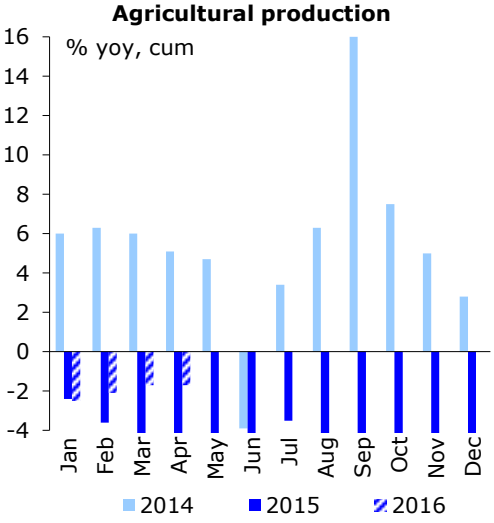
Exports of goods increased by 0.1% yoy (as compared to drop at 15.9% yoy in March). Exports of food increased by 18.5% yoy due to higher exports volumes and prices of grains. Increase in iron ore prices and exported volumes resulted in higher exports of minerals by

**Gas flows**



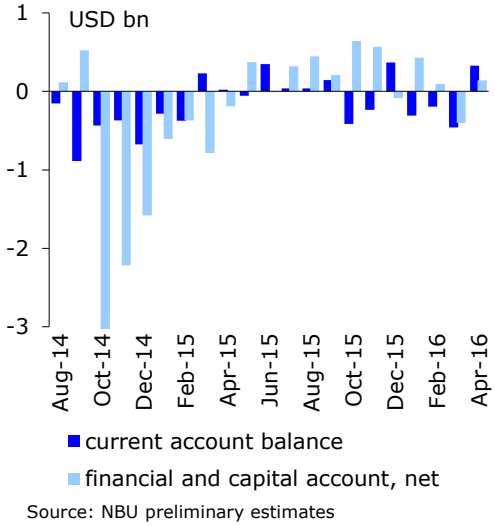

Source: Ministry of Energy

**Agricultural production**




Source: Ukrstat

**Balance of payments**




Source: NBU preliminary estimates

1.2% yoy. Exports of wood started to recover and increased by 7.6% yoy. Decline in exports of machinery slowed down to 12.9% yoy due to higher shipments of rail cars. Exports of metals declined by 17.5% yoy (as compared to 33.0% in March) due to slow rebound of prices for Ukrainian steel exports. Exports of chemicals dropped by 30.0% yoy. Exports of services dropped by 3.0% yoy (as compared to 1.4% yoy in March).

Decline in imports of goods decelerated to 2.2% yoy (from 6.2% yoy in March). Increase in non-mineral imports accelerated to 21.3% yoy due to higher demand, liberalized access for the EU goods, as well as cancellation of additional import surcharge. Higher demand resulted in rebound of food imports (by 24.4% yoy) and industrial goods imports (by 1.2% yoy). Imports of machinery accelerated to 58.6% yoy due to higher purchases of cars. Growth of imports of chemical products slightly slowed to 17.0% yoy due to earlier start of seeding campaign this year, which resulted in peak purchases of fertilizers and seeds in March. Imports of metals increased by 12.3% yoy due to improved performance of metallurgy and construction. Minerals imports declined by 54.3% yoy because of high inventories of natural gas. Imports of services decreased by 3.4% yoy (as compared to increase by 6.4% yoy in March).

***Financial account.*** Financial account in April turned to surplus at USD 0.1 bn. Net inflow of FDI increased to USD 0.5 bn; moreover, almost one third of this inflow was allocated to the real sector. The Government sector neither received debt financing, nor repaid liabilities. External position of banks decreased by USD 0.1 bn due to repayment of debt. External liabilities of real sector increased by USD 0.3 bn due to new trade loans and long-term loans. Foreign cash outside banks shrunk by another USD 0.5 bn due to stabilization of hryvnia.

## Fiscal policy: Tax revenues continue to grow

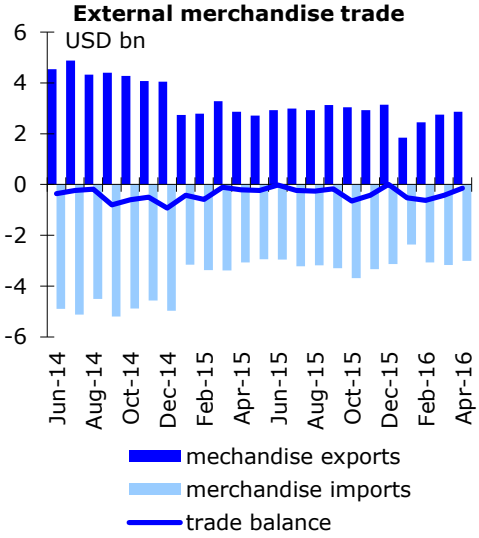
***Revenues.*** Consolidated fiscal revenues in April declined by 4.2% yoy (as compared to growth by 9.6% yoy in March). This is explained by sharp decrease in non-tax revenues (in April 2015, budget received part of funds from sale of 3G licences and advance transfer of NBU profit). Tax revenues growth slowed down due to cancellation of import duty surcharge and change in schedule of EPT payments (EPT receipts dropped by 48.7% yoy as most payments are now due quarterly, i.e. in May). Higher wages and larger effective PIT rate resulted in growth of PIT collections by 40.0% yoy. Gross VAT revenues increased by 34.4% yoy due to inflation, some recovery in demand, and improved tax administration. VAT refunds increased by 61.1% yoy as waiting time for VAT refunds decreased from previous year. Revenues from excise duties doubled due to higher rates and increased sales.

***Expenditures.*** Consolidated fiscal expenditures in April grew by 20.8% yoy. Wage payments (including payroll taxes) grew by 23.4% yoy as increase in wages of employees in public sectors and civil servants was higher than cut in single social contribution. The Government increased transfer to the Pension Fund (due to drop in Fund's own revenues) and sharply expanded financing of housing and utility subsidies due to expanded eligibility. Even though capital outlays increased by 27.9% yoy, they remained negligible and accounted for only 3.6% of total consolidated fiscal expenditures. At the same time, expenditures on debt service declined due to debt restructuring.

***Deficit.*** Overall, consolidated fiscal balance was in deficit at UAH 5.1 bn in the first four months of the year. Central fiscal deficit of UAH 22.2 bn was financed primarily by domestic government bonds. However, local budgets ran UAH 17.1 bn surplus as local budget revenues exceeded projections.

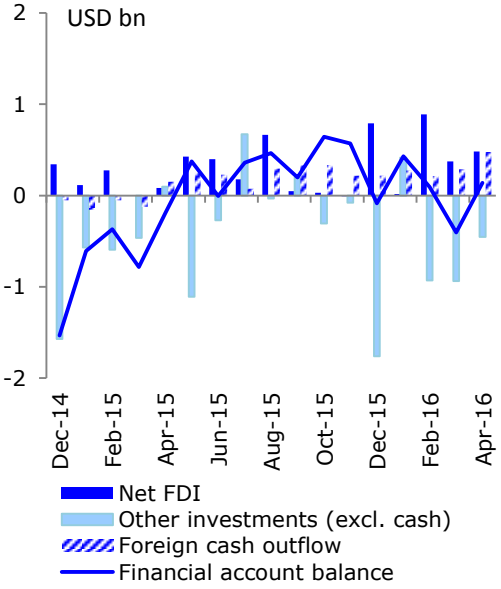
***Budget law amendments.*** The Parliament approved Budget-2016 amendments (submitted by the Government), according to which planned central fiscal revenues are to be increased by 1.1% to UAH 602 bn with respective change in expenditures (deficit target remains unchanged). Increased planned revenues from EPT, VAT and rent

**External merchandise trade**



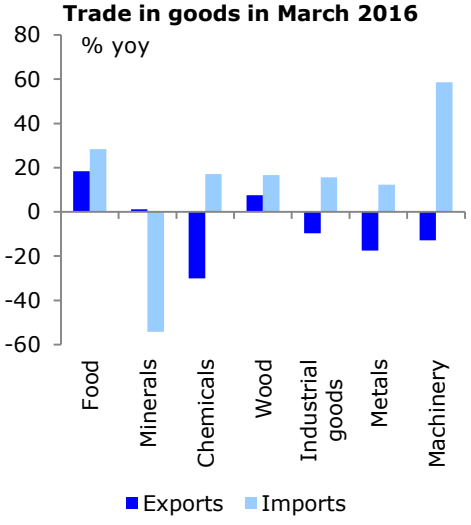

Source: NBU preliminary estimates

**Financial account**




Source: NBU

**Trade in goods in March 2016**




Source: NBU preliminary estimates

payments are explained by higher than previously assumed gas and heating tariffs. At the same time, the Government reduced target of PIT revenues due to the cancellation of pension taxation. Additional revenues are to be primarily spent on financing housing and utility subsidies. Besides, the Government plans to increase subsistence minimum (and, thus, minimum pension and minimum wage) by 10.3% in December (previously it was planned to be increased by 6.9%).

## Privatisation: The OPP's starting privatization price was announced

On May 18, the Government announced the starting price for the privatization of the Odesa Port Plant (OPP, the largest company in chemical industry) at UAH 13.2 bn (or USD 523 m). In case of successful OPP sale the Government will be very likely to execute annual privatization receipts target, as starting OPP price accounts for 77% of the plan. However, representatives of the IMF and the EBRD expressed concerns that starting price is too high.

According to State Property Fund of Ukraine (SPFU), the OPP was valuated at USD 719 m. However, there is arbitration dispute between OPP and Ostchem claiming USD 193 m debt from OPP (as a result, initially valuated price was lowered by this amount).

The SPFU Head stated that there are five potential buyers. The OPP will be sold according to the auction procedure if there are at least two bidders. The OPP privatization is to be announced in June and conducted in July.

## Social policy: Increase in coverage by housing and utility subsidies

Rapid increase in tariffs of gas, heating and other utility services as well as simplified application procedures resulted in surge in coverage by housing and utility subsidies (HUS). In April, 5.1 m households received HUS.

Overall, in the first four months of 2016, accrued subsidies were UAH 33.1 bn (as compared to UAH 2.5 bn in the same period of 2015. The cancellation of social gas tariff in May and sharp increase in heating tariffs is expected to increase number of HUS recipients to 7-8 m households during heating season. Taking current numbers into account the recently increased planned state budget financing of HUS in 2016 at UAH 40 bn will be insufficient to finance increased demand for subsidies.

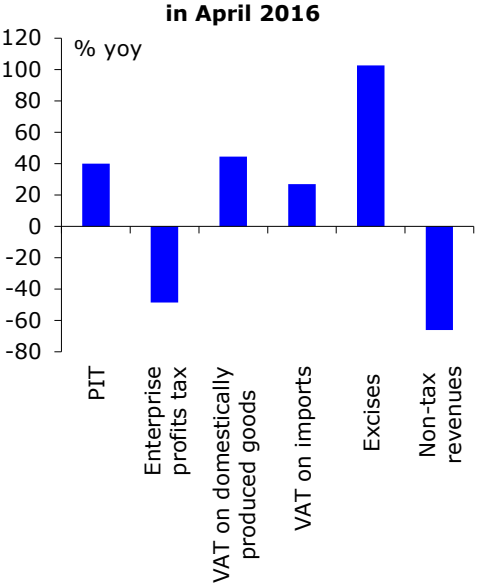
## Labour market: Average real wage increased

Average nominal wage in April grew by 22.4% yoy to UAH 4895 primarily due to wage indexation and minimum wage increase. For the second month in a row, average wage increased in real terms (by 7.6% yoy) due to the slowdown of inflation.

Nominal wage in the industry increased on average by 21.6% yoy. Average wage in extractive industry increased only by 13.1% yoy due to unfavorable financial situation of coal mines in the East of Ukraine. Average wage in manufacturing increased by 23.8% yoy in nominal terms. The wage grew the most in the manufacturing of computers, electronic and optical equipment segment (by 56.2% yoy), which benefited from defense procurements and import substitution. Growth of food and textile production resulted in growth of wages in these sectors by 27.9% yoy and 38.5% yoy, respectively. Wages in metallurgy grew less than on average (by 17.1%) despite increase in production. Wage growth in the electricity and gas supply sector was above the average level (at 22.9% yoy).

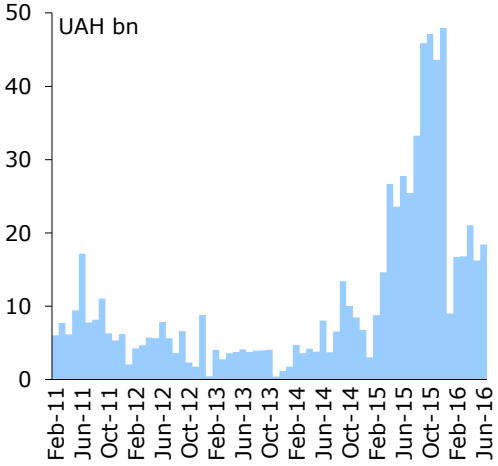
Wages increased by 20.3% yoy in education and by 22.0% yoy in health care. Wages in state administration and defense grew by 36.3% yoy. The main reason for growth was the increase in the wage rate system that is used for calculating the salaries of public sector workers that took place at the end of 2015.

**Growth of Consolidated fiscal revenues in April 2016**



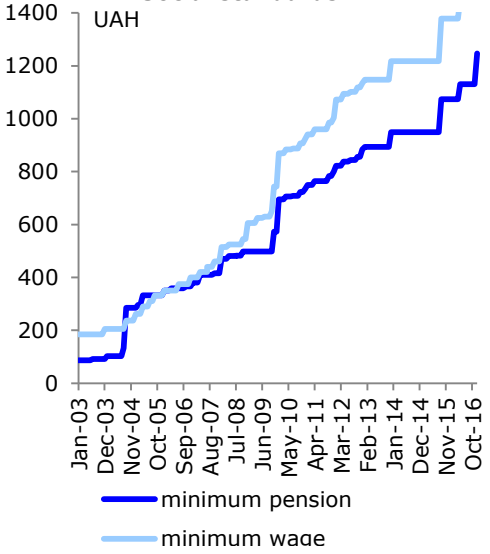

Source: State Treasury reports

**Balance of the Single Treasury Account**




* in the beginning of month
Source: State Treasury

**Social standards**




Source: State Budget Laws for 2006-2016

## Monetary policy: Consumer inflation continues to slow down

12-month consumer inflation slowed to 7.5% yoy in May. This reflected high statistical base and slowdown in core inflation. Core inflation was 0.2% mom as consumer demand remained low despite some increase from previous months and inflation expectations gradually decreased. On the supply side, global food and commodity prices increased but remained lower than in previous year.

Prices outside core basket moved in opposing directions. On the one hand, the Ukrstat reported decrease in vegetable and milk prices which seems to contradict results price monitoring for key "social" goods reported each decade by the Ukrstat. The Government also decreased prices for natural gas for households by 4%. This decision was accompanied by increase in gas price for heat generating companies; however, the impact of this price increase would be accounted in the CPI in the next months. On the other hand, rebound in oil prices led to higher gasoline prices (by 5.8% mom) and prices for alcohol and tobacco went up by 3.3% mom. Overall monthly increase in CPI was 0.1% mom.

On May 27, the NBU reduced policy rate by 1 p.p. to 18% p.a., which resulted in decline in overnight deposit rate to 16% p.a. Change in policy rate was explained by lower inflation and improvement in balance of payments. Deposit rate was previously reduced on April 22 from 18% p.a. to 17% p.a. Reduction in NBU interest rates seems to have some impact on the interbank interest rates and deposit rates but lending rates either remained stable or increased.

## Exchange rate: Stability continues

In May hryvnia remained stable as compared to US dollar in UAH 25-25.5 per USD range. This reflected ample supply on the foreign exchange market and moderate demand. Supply was boosted by seasonal factors and recent increase in steel and grain prices, while demand was capped by lower depreciation expectations. The NBU purchased USD 333 m to smooth exchange rate fluctuations, while net sales of cash foreign currency by households remained high at USD 319 m. The NBU's international reserves increased to USD 13.5 bn in response to NBU's foreign currency purchases and net foreign currency borrowing by the Government (via issuance of foreign currency domestic bonds).

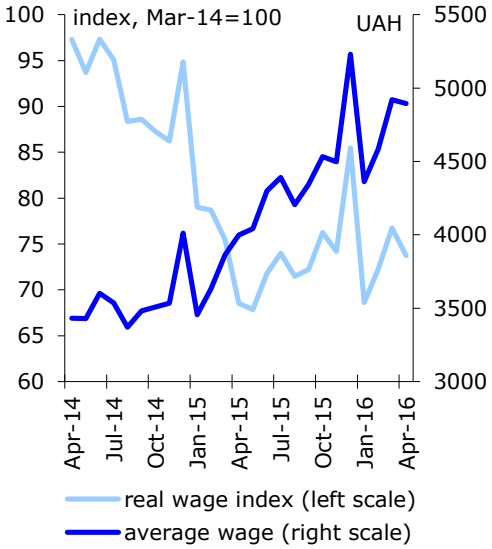
The NBU also reduced capital controls in May by reducing documentation requirements for currency transactions, increasing limits for foreign currency operations by households and reducing waiting time for foreign currency purchases. This reflected more balanced demand and supply on foreign currency market. On June 8, the NBU also allowed partial repatriation of dividends accrued by foreign investors and reduced mandatory sale requirement on foreign currency inflows to 65% from 75%.

## State debt: The third agreement on loan warranties for Ukraine

***Domestic debt.*** In May, the Ministry of Finance placed UAH 5.4 bn of domestic bonds with weighted average yield at 17.4% p.a. as compared to UAH 8.6 bn at 18.4% p.a. in April. Short-term bonds accounted for near 73.2% of the total placement. Besides, the Government issued USD 271 m of 1.5-year USD-denominated bonds with yields at 7.5% p.a.

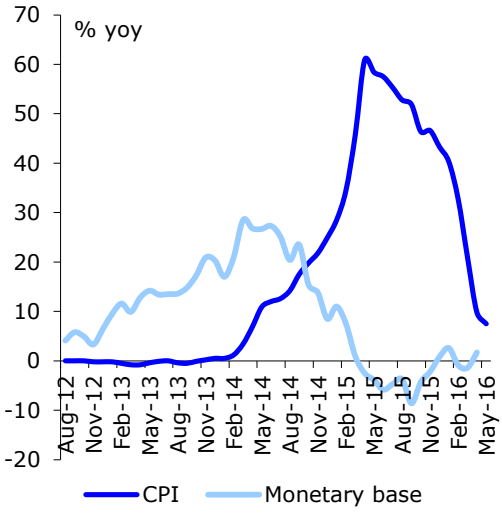
***External debt.*** In early June, the Governments of Ukraine and the USA signed an agreement on the third loan warranties for Ukraine at USD 1 bn. Money will be received from five-year Eurobonds issued with the US loan warranty (with the yield at near 2% p.a.). The received funds will be transferred to the state budget primarily for social aid to the most vulnerable citizens to protect them against economic impacts including the adjusted gas prices. Previous two loan warranties at USD 1 bn each were provided in 2014 and 2015.

**Average wage***



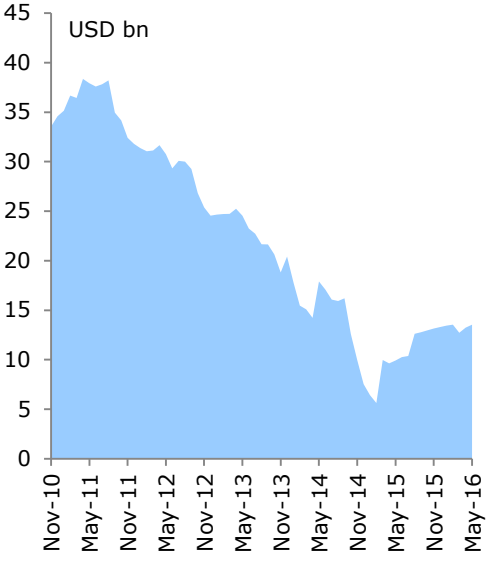

*not including AR Crimea
Source: Ukrstat

**CPI and monetary base development**




Source: Ukrstat, NBU

**NBU international reserves**




Source: NBU

## Tables

| | | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Q2 15 | Q3 15 | Q4 15 | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Industrial production (real) | % yoy cum. | -4.0 | -8.0 | -10.1 | -20.5 | -20.0 | -16.1 | -13.0 | -20.0 | -19.0 | -17.4 | -16.1 | -14.9 | -14.0 | -13.0 | -1.7 | 2.9 | 3.7 | 3.7 | … |
| Construction (real) | % yoy cum. | -7.8 | -16.4 | -20.4 | -29.7 | -26.2 | -20.9 | -12.3 | -26.2 | -25.0 | -22.8 | -20.9 | -18.9 | -17.3 | -12.3 | -11.4 | -2.0 | 1.9 | 8.5 | … |
| Agricultural production (real) | % yoy cum. | -3.9 | 16.0 | 2.2 | -4.7 | -9.3 | -5.3 | -4.8 | -9.3 | -3.5 | -5.8 | -5.3 | -4.4 | -4.7 | -4.8 | -2.5 | -2.1 | -1.7 | -1.7 | … |
| Retail trade turnover (real) | % yoy cum. | 0.8 | -5.3 | -7.5 | -23.9 | -24.6 | -22.3 | -20.7 | -24.6 | -23.6 | -23.1 | -22.3 | -21.7 | -21.4 | -20.7 | -1.4 | -1.7 | 1.6 | 2.5 | … |
| Average wage | UAH | 3488 | 3463 | 3508 | 3650 | 4113 | 4313 | 4753 | 4299 | 4390 | 4205 | 4343 | 4532 | 4498 | 5230 | 4362 | 4585 | 4920 | 4895 | … |
| CPI | % yoy eop | 12.0 | 17.5 | 21.8 | 45.8 | 57.5 | 51.9 | 43.3 | 57.5 | 55.3 | 52.8 | 51.9 | 46.4 | 46.6 | 43.3 | 40.3 | 32.7 | 20.9 | 9.8 | 7.5 |
| PPI | % yoy eop | 15.9 | 26.9 | 32.8 | 51.7 | 37.9 | 32.5 | 25.4 | 37.9 | 37.0 | 33.0 | 32.5 | 30.2 | 25.1 | 25.4 | 21.2 | 17.4 | 10.5 | 10.1 | 16.4 |
| Exports (USD)* | % yoy cum. | -12 | -16.4 | -19.9 | -31.4 | -32.2 | -29.8 | -27.0 | -32.2 | -31.9 | -31.0 | -29.8 | -28.9 | -28.1 | -27.0 | -30.0 | -18.6 | -16.4 | -12.3 | … |
| Imports (USD)* | % yoy cum. | -18.0 | -24.8 | -28.1 | -33.1 | -34.2 | -31.8 | -29.3 | -34.2 | -33.5 | -32.2 | -31.8 | -30.4 | -29.5 | -29.3 | -22.9 | -14.0 | -10.9 | -8.3 | … |
| Trade balance | USD bn cum. | -2.0 | -3.0 | -4.6 | -0.6 | -0.6 | -1.0 | -1.7 | -0.6 | -0.8 | -1.0 | -1.0 | -1.5 | -1.8 | -1.7 | -0.4 | -1.1 | -1.6 | -1.7 | … |
| Current account** | USD bn cum. | -2.0 | -1.2 | -2.6 | -0.4 | -0.1 | 0.1 | -0.2 | -0.1 | -0.1 | 0.0 | 0.1 | -0.3 | -0.5 | -0.2 | -0.3 | -0.5 | -1.0 | -0.6 | … |
| Gross international reserves | USD bn eop | 17.1 | 16.4 | 7.5 | 10.0 | 10.3 | 12.8 | 13.3 | 10.3 | 10.4 | 12.6 | 12.8 | 13.0 | 13.1 | 13.3 | 13.4 | 13.5 | 12.7 | 13.2 | 13.5 |
| Monetary Base | % yoy eop | 25.1 | 23.5 | 13.8 | 0.9 | -5.9 | -8.6 | 0.8 | -5.9 | -4.7 | -3.7 | -8.6 | -4.3 | -2.2 | 0.8 | 2.6 | -0.9 | -1.4 | 1.7 | … |
| Lending rate on UAH credits | % pa, aop | 17.5 | 16.4 | 16.4 | 19.9 | 23.1 | 21.1 | 20.7 | 22.0 | 21.2 | 21.2 | 21.0 | 20.9 | 20.7 | 20.4 | 20.0 | 19.8 | 20.3 | 20.9 | … |
| Exchange rate (interbank) | USD aop | 11.71 | 12.58 | 13.56 | 21.23 | 21.56 | 21.74 | 22.90 | 21.26 | 21.79 | 21.65 | 21.79 | 21.94 | 23.33 | 23.42 | 24.32 | 26.45 | 26.30 | 25.54 | 25.21 |
| Exchange rate (official) | USD aop | 12.71 | 12.58 | 13.56 | 21.18 | 21.62 | 21.69 | 22.33 | 21.23 | 21.76 | 21.54 | 21.78 | 21.84 | 23.31 | 21.84 | 24.26 | 26.39 | 26.39 | 25.63 | 25.21 |
| Exchange rate (official) | EUR aop | 13.71 | 16.67 | 17.21 | 23.88 | 23.88 | 24.11 | 24.62 | 23.84 | 23.94 | 23.93 | 24.46 | 24.56 | 25.07 | 24.23 | 26.35 | 29.33 | 29.33 | 29.06 | 28.50 |

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 | | Q4 10 | Q1 11 | Q2 11 | Q3 11 | Q4 11 | Q1 12 | Q2 12 | 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] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP | UAH bn | 306.3 | 258.6 | 310.3 | 368.5 | 362.6 | 292.3 | 346.0 | 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 |
| GDP (real) | % yoy | 3.7 | 5.5 | 4.4 | 6.7 | 5.1 | 2.4 | 3.0 | -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 |
| Household consumption (real) | % yoy | 12.8 | 13.6 | 14.9 | 15.9 | 18.0 | 7.1 | 11.8 | 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 |
| State consumption (real) | % yoy | 10.0 | 2.0 | 3.4 | -9.4 | -6.4 | 3.5 | 5.0 | 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 |
| Gross fixed capital formation (real) | % yoy | 10.5 | -3.4 | 4.1 | 17.8 | 10.8 | 15.3 | 18.7 | -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 |
| Exports of goods and services (real) | % yoy | 0.9 | 17.6 | 2.7 | -1.0 | -5.5 | -7.4 | -6.3 | -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 |
| Imports of goods and services (real) | % yoy | 13.2 | 35.2 | 20.2 | 10.4 | 3.5 | -2.9 | 11.9 | 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 |
| Agriculture, hunting, forestry (real)* | % yoy | 0.9 | 3.5 | 0.4 | 18.1 | 35.6 | 0.4 | 11.4 | -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 |
| Manufacturing industry (real)* | % yoy | 7.6 | 8.0 | 3.9 | 7.5 | -4.2 | 2.5 | 0.5 | -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 |
| Construction (real)* | % yoy | 3.9 | 1.0 | 5.3 | -7.7 | -1.5 | -4.9 | 1.7 | -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 |
| Trade, repair services (real)* | % yoy | 4.7 | 10.4 | 3.3 | 8.3 | 4.2 | 2.1 | 3.4 | -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 |
| Transport (real)* | % yoy | 0.1 | 16.0 | 12.1 | 10.4 | 13.2 | -2.6 | -3.2 | -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 |
| **Balance of payments (BPM6)** | | | | | | | | | | | | | | | | | | | | | | |
| Current account balance | USD bn | -2.5 | -1.6 | -1.7 | -2.6 | -4.3 | -1.9 | -3.7 | -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 |
| Current account balance | % of GDP | -6.5 | -4.9 | -4.4 | -5.6 | -9.6 | -5.2 | -8.5 | -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 |
| Trade balance in goods | USD m | -3903 | -3951 | -3211 | -5098 | -5771 | -4292 | -5818 | -5503 | -6233 | -4635 | -3677 | -7881 | -5935 | -2195 | -1185 | -1412 | -2336 | -1111 | -470 | -662 | -1066 |
| Trade balance in services | USD m | 1148 | 1614 | 1882 | 2523 | 1867 | 1864 | 1697 | 2361 | 1578 | 1349 | 1504 | 2575 | 1066 | 937 | 443 | 456 | 686 | 555 | 388 | 278 | 397 |
| Current transfers | USD m | 842 | 1039 | 878 | 988 | 803 | 683 | 805 | 777 | 711 | 533 | 589 | 480 | 547 | 241 | 494 | 306 | 500 | 558 | 715 | 644 | 711 |
| Direct investment (FDI)* | USD m | 2170 | 880 | 2422 | 2090 | 1623 | 2012 | 1270 | 2037 | 1876 | 1082 | 496 | 1510 | 991 | -665 | -319 | 725 | 558 | 397 | 907 | 890 | 818 |
| Portfolio investments (equity)* | USD m | 196 | 150 | 116 | 43 | 210 | 1 | 74 | 83 | 358 | 713 | 568 | 655 | -756 | -241 | -49 | -84 | -17 | 141 | 10 | 13 | 13 |
| Gross international reserves | USD bn | 34.6 | 36.4 | 37.6 | 35.0 | 31.8 | 31.1 | 29.3 | 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 |
| Exchange rate (interbank), UAH/USD | aop | 7.96 | 7.95 | 7.98 | 7.99 | 8.01 | 8.03 | 8.04 | 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 |
| Exchange rate (official), UAH/USD | aop | 7.93 | 7.94 | 7.97 | 7.97 | 7.98 | 7.99 | 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 |
| **Fiscal indicators** | | | | | | | | | | | | | | | | | | | | | | |
| Consolidated fiscal revenues | % of GDP | 32.4 | 32.7 | 30.1 | 29.6 | 30.8 | 33.7 | 31.8 | 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 |
| Personal income tax | % of GDP | 4.8 | 5.0 | 4.8 | 4.2 | 4.7 | 5.1 | 4.9 | 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 |
| Enterprise profits tax | % of GDP | 4.2 | 4.5 | 4.6 | 3.6 | 4.4 | 4.9 | 4.1 | 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 |
| Value-added tax | % of GDP | 10.0 | 7.5 | 12.9 | 9.7 | 9.6 | 10.8 | 10.4 | 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 |
| Excise tax | % of GDP | 2.6 | 2.1 | 3.0 | 2.8 | 2.5 | 2.8 | 2.9 | 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 |
| Consolidated fiscal expenditures | % of GDP | 37.7 | 32.7 | 33.2 | 27.0 | 35.7 | 33.9 | 34.1 | 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 |
| Current expenditures | % of GDP | 32.9 | 31.4 | 30.8 | 24.0 | 30.2 | 31.9 | 31.6 | 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 |
| Capital expenditures | % of GDP | 4.8 | 1.3 | 2.4 | 3.0 | 5.6 | 1.9 | 2.5 | 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 |
| Consolidated fiscal balance | % of GDP | -5.6 | -0.3 | -3.4 | -3.9 | -5.5 | -0.2 | -2.6 | -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 |
| Privatisation receipts | % of GDP | 0.2 | 0.4 | 3.2 | 0.0 | 0.1 | 1.4 | 0.3 | 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 |
| **Banking system** | | | | | | | | | | | | | | | | | | | | | | |
| Monetary aggregate M0 | % yoy cum | 16.5 | 15.7 | 11.5 | 8.6 | 6.3 | 4.7 | 6.7 | 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 |
| Monetary aggregate M2 | % yoy cum | 23.1 | 25.5 | 22.0 | 16.0 | 14.4 | 11.2 | 9.0 | 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 |
| Household deposits in national currency | % yoy cum | 41.4 | 43.3 | 26.0 | 16.7 | 12.3 | 14.4 | 16.4 | 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 |
| Household deposits in foreign currency | % yoy cum | 16.9 | 19.7 | 21.0 | 15.7 | 13.4 | 12.4 | 10.8 | 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 |
| Com. bank credits in national currency | % yoy cum | 11.2 | 16.0 | 18.5 | 21.1 | 21.0 | 17.4 | 15.3 | 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 |
| Com. bank credits in foreign currency | % yoy cum | -8.3 | -2.1 | 0.9 | -2.3 | -4.2 | -7.0 | -10.8 | -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 |
| Long-term com. bank credits | % yoy cum | -0.5 | 5.0 | 6.3 | 5.3 | 2.9 | -2.9 | -7.0 | -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 |
| Long-term com. bank credits | % of total | 66.3 | 67.2 | 66.6 | 64.4 | 62.9 | 61.5 | 59.8 | 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 |
| Average lending rate on national currency credits | % p.a. | 15.0 | 13.1 | 13.5 | 14.1 | 18.4 | 15.5 | 15.6 | 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 |
| Average lending rate on foreign currency credits | % p.a. | 10.1 | 10.2 | 9.8 | 8.8 | 8.4 | 8.2 | 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 |

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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