INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: TAX REFORM

Politics: The Parliament may vote for resignation of the Government after December 11, when a one-year period after an approval of government's action plan expires. However, the resignation of the government in the nearest months is unlikely.

Real sector: According to the flash estimate of the Ukrstat, drop in real GDP in the third quarter of 2015 decelerated to 7.0% yoy.

Energy sector: In November, electricity transmission to Crimea from the continental part of Ukraine was stopped.

Agriculture: Gross agricultural production in October decreased by 4.4% yoy due to lower crop harvest and decline in livestock production.

External sector: Current account deficit in October broadened to USD 0.3 bn because of wider deficit of trade in goods.

Fiscal policy: The Ministry of Finance submitted to the Parliament number of draft laws including the Draft State Budget Law for 2016 and draft law on amendments to the Tax Code.

Social policy: Social standards (e.g. minimum pension and minimum wage) will decrease in real terms on average in 2016.

Labour market: Average wage grew by 4.3% mom, which is more than seasonally, due to minimum wage increase.

Monetary policy: Monthly core inflation in November remained moderate at 0.7% mom.

Exchange rate: In November, interbank exchange rate moved in UAH 23-24 per USD range.

State debt: The third IMF loan tranche under the EFF program (worth USD 1.7 bn), which was planned for December 2015, was postponed until 2016.

Highlight of the month: Tax reform

TRADITIONAL LAST MINUTE TAX CHANGES

Oleksandra Betliy

Tax reform is again a major topic for debate in Ukrainian society. It is not surprising given narrow tax base, high burden of complying with tax regulations, low confidence in tax authorities and payroll tax burden similar to most socially oriented West European economies. As usual, business will likely receive new tax rules close to Christmas. However, traditional pattern has some unusual features. Previously all major tax changes originated from the Government but this time MPs and some representatives of civil society presented competing vision for tax reform. In particular, MPs submitted the Draft Law on amendment to the Tax Code (No.3357) to the Parliament in October, while the Ministry of Finance presented publicly its version of revisions to the Tax Code only in the end of November. After intense political debate and heated discussions in the expert community the President intervened. As a result, on December 11, the Government submitted a sort of 'compromise' version of the Tax Code to the Parliament as a "priority" bill.

The Draft-3357 is claimed by its authors to simplify tax administration, introduce of automatic and transparent VAT refunds, as well as expansion of existing "online account" of a taxpayer, curbs to the authority of the State fiscal service. These changes are welcomed by business as they are expected to result in smaller corruption and fairer tax procedures. At the same time, the authors also suggested to reduce PIT, VAT and SSC rates as well as substitute the EPT by the tax on distributed profit. Sharp reduction in payroll taxes is aimed at reduction of tax-free cash wage payments. Simplified system of taxation (SST) is also to change: tighter eligibility for the third group and gradual increase in tax rates of unified tax. However, new taxation schemes are initiated for entrepreneurs under the PIT regulation, which might cause fraud. Overall, we estimate that implementation of this draft will lead to additional fiscal gap at about UAH 150 bn. Authors expect that large increase in tax base (due to de-shadowing) that would partly offset losses from tax revenues. However, this is not likely to happen partially due to lack of trust of business to the Government. Moreover, Draft law 3357 does not propose right combination of incentives and deterrents to meaningfully reduce tax avoidance and does not address trust issues, i.e. that risk that the Government would try to collect back taxes or prosecute managers of companies that reduce tax avoidance or risk that tax decrease would be only temporary. Cut in fiscal expenditures needed to offset lost revenues is impossible without deep cuts to social safety net, security spending and/or healthcare and education spending. Expecting lack of political will for spending cuts required to keep fiscal deficit sustainable. The IMF urged Ukraine to adopt more modest tax cuts. Unsustainable fiscal deficit may increase inflation risks and will likely disrupt aid from the IMF and other official donors. This may lead to new flare of inflation and depreciation of hryvnia.

Tax system: current vs. suggested[1]

	Current legislation	Draft No.3357	MinFin, Nov.	Draft No.3630
VAT	20% special VAT scheme for agriculture	15% special VAT scheme for livestock producers	20%[4] no privileges for agriculture	20%[4] modified special VAT scheme for agriculture in 2016
EPT	18%	tax on distributed profit[2]	20%	18% (17% since 2017)
PIT[3]	17-20%	10%	20%	18% (17% since 2017)
SSC	36.76-49.7% by employer / 3.6% by employee	20%	20%	20%
Cap on wage for SSC	17 MW	no	25 MW	25 MW

The Draft Tax Code published by the Ministry of Finance in the end of November also includes measures to reduce burden from tax administration. However, it does not change approach to tax inspections, which create concerns for business. It proposes lower payroll taxes but offers offsetting increases in other areas. It suggests single 20% tax rate for EPT, VAT, and PIT. The Ministry of Finance also proposed to narrow scope of simplified taxation and bring it closer to general system. Only individual entrepreneurs with sales up to UAH 2 m would be eligible for simplified taxation. Besides, entrepreneurs with cash operations at the SST will be obliged to use cash registers at their operations.[5] As a result, the entrepreneurs heavily criticised the tax reform from the Ministry. However, this draft is more balanced with a possible gap at UAH 50-60 bn.

On December 8, "compromise" concept of tax reform was presented by the Minister of Finance during a meeting of the National Reforms Council with the participation of the President of Ukraine. Already on December 11, the Government submitted the text of revised Tax Code to the Parliament (Draft Law No. 3630). However, authors and supporters of the Draft 3357 criticised new draft law for "not reducing substantially tax burden". Still, tax rates look more as a compromise between two available draft laws. PIT and EPT rates are to gradually reduce to 17% in 2017 (such reduction is not possible in 2016 due to high fiscal gap). SSC rate will be set at 20% and tax base will be capped by 25 sizes of minimum wage. VAT rate will remain unchanged. The special VAT scheme for agricultural producers will be changed for 2016: 25% of accrued VAT will remain at the level of agricultural producers, while the remaining will be transferred to the budget (currently producers can use 100% of accrued VAT for allowed purposes), and then it will be abolished. At the same time, VAT refunds to grain traders will be restored already in 2016. Such changes might harm development of livestock production, which would require the Government to ensure transparent and fair distribution of support to

livestock producers.[6] SST changes remained in the version previously proposed by the Ministry of Finance, which might create protests of entrepreneurs (especially of those that work on current Group 2).[7] While new tax rates are expected to come into force since January 2016, administrative changes are to become effective in April 2016.

Resulting fiscal gap from introduction of proposed tax changes might reach UAH 80-100 bn. The Government plans to compensate these losses through changes conducted elsewhere. In particular, it plans to legalise gambling and amber mining. The verification of pensions and social assistance payments is officially expected to bring savings at near UAH 4.6 bn. Provision of social assistance is planned to become more means-tested. At the same time, increases in social standards will become limited, and restrictions on high pensions will remain effective.

Overall, tax reform is important for improvement of investment climate of Ukraine. Fair and transparent tax administration is even more important than low tax rates (with the exception of the SSC rate). Tax reform should serve two major goals. On the one hand, it should ease tax administration for diligent taxpayers, eliminate loopholes and reduce average tax burden to boost economic recovery. On the other hand, we cannot afford large fiscal gaps, which would harm macroeconomic stability. At the current discussion, it seems that the best approach would be to reduce SSC rate from January 1, 2016, and simplify tax administration starting April 1, 2016 (this lag is required for adjusting business processes). Special VAT scheme for agriculture might be introduced in the version suggested in the compromise document. At the same time, the Government could benefit from postponement of any other revisions of rates of different taxes.

Tax reform should be part of the entire fiscal policy, which also includes fiscal expenditures and budget process. Taking into account high share of recurrent expenditures possibilities to sharply reduce fiscal expenditures are limited. However, the verification of pensions and different types of social allowances, which is already suggested by the Government, should be made. The Government should prepare for introducing transparent means-tested social assistance provision starting January 2017. Reforms in education and healthcare as well as use of e-procurements for all public procurements would result in higher efficiency of fiscal expenditures. Besides, the budget process should be changed. In particular, the Government should introduce medium term expenditure framework, which would also contribute to higher efficiency of spending as well as better transparency. There should be imposed precaution measures, which would not allow for high increases in fiscal expenditures during voting of the Budget Law in the Parliament and during the same fiscal year.

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[1] VAT – value added tax, EPT – enterprise profit tax, PIT – personal income tax, SSC – single social contribution, SST – simplified system of taxation, MW – minimum wage.

[2] The tax on distributed profit excludes reinvested profits from taxation. This type of corporate profit tax exists only in several countries (e.g. Estonia). However, in Ukrainian realities this would mean very few revenues from this tax in 2016, which would contribute to fiscal gap next year (EPT revenues are planned at UAH 40.6 bn in 2015).

[3] Currently non-taxable wage is defined at 50% of minimum wage (MW) applicable to all wages below 1.4 sizes of MW. The MinFin Draft from November suggested applicability of universal income tax deduction (set at minimum wage). In the Draft No.3630 non-taxable wage is defined at 50% of MW for wages below 3 sizes of WM. Draft 3357 did not envisage any non-taxable wages.

[4] In the MinFin draft from November current 7% VAT rate for pharmaceuticals is to be increased to full 20%. In the Draft 3630 7% VAT for pharmaceutical remain effective.

[5] Entrepreneurs of the third group with turnover above UAH 1 m are obliged to use registers from July 1, 2015.

[6] Currently, the Government provides payments to livestock producers from the budget. However, their allocation is known for lack of fairness and transparency.

[7] There are envisaged three groups of taxpayers under SST: Group A – provision of individual services, Group B – combined current Groups 2 and 3, Group C – current group 4 (agricultural companies). The most drastic changes are to be for current taxpayers in the Group 2, who now pays fixed share (up to 20%) of minimum wage. Tax base of taxpayers under new Group B for the purpose of paying unified tax (at the PIT rate) and SSC (20%) is to be calculated as the difference between revenues and expenditures. However, expenditures are to be calculated according to the coefficient: 0.85 in 2016 and 2017, 0.65 in 2018, and 0.45 since 2019. Overall, this means that tax burden will increase for higher income taxpayers of Group 2 and will not change substantially for Group 3 in 2016 and 2017. However, tax burden on taxpayers of new Group B will sharply increase in 2019. According to previously announced plans the entrepreneurs were to have a possibility to account real expenditures and use them while calculating actual tax base for calculating tax liabilities, which was to be an adequate measure (this is especially relevant for trade). However, this intention was not envisaged in the proposed Draft Law 3630.

Monthly Economic Monitor Ukraine

Politics: The Government may be reshuffled

The Government. In November, a group of members of the Parliament (MP's) from the government coalition started a campaign for resignation of the government. They argued that the government failed to carry out necessary economic reforms. As of December 9, more than 70 MP's supported the resignation call, including all MP's from Yulia Tymoshenko's Batkivshchyna party. In early December, Governor of Odessa region Mikheil Saakashvili, a close ally of President Petro Poroshenko, also accused Prime Minister Arseniy Yatseniuk of corruption. The Parliament may vote for resignation of the Government after December 11, when a one-year period after an approval of government's action plan expires. However, the resignation of the government in the nearest months is unlikely because it may trigger a political crisis leading to an early parliamentary election, which would not be beneficial for the main parliamentary parties. Still, some ministers may be changed instead.

Russia. In November, Russia conformed that it was going to further restrict imports from Ukraine starting from January 1, 2016. The restrictions would include an embargo on imports of some food products (meat, milk, vegetables, fruits etc.) and a non-preferential trade regime for import of a number of food and non-food products (the list of exemptions from free trade between Ukraine and Russia would be substantially expanded). In August 2015 Russia's government decided to impose the embargo responding to Ukraine's decision to join Western sanctions against Russia. The decision to expand the list of exemptions starting from January 1, 2016 was taken by Russia in September 2014. That decision was motivated by an intention to protect the domestic market from Ukrainian and European imports after EU-Ukraine free trade area is established. The EU, Ukraine and Russia conducted negotiations aimed at finding a solution to alleviate Russia's concerns, but those negotiations so far yielded no results. In the period from January to September Ukrainian exports to Russia fell by 56% yoy to USD 3.6 bn. Ukrainian exports to Russia are expected to decrease by USD 130-400 m in 2016 as a result of food embargo.

Public procurement. On November 11, members of the WTO's Committee on Government Procurement agreed to invite Ukraine to join the Government Procurement Agreement (GPA). Joining the GPA will give Ukrainian companies access to a global procurement market estimated at USD 1.7 trillion per year. On the other hand, Ukraine's corresponding market will be open to companies from 45 countries (including 28 EU members), which are signatories to the GPA. Ukraine may join the GPA in early 2016 after the Parliament ratifies the agreement.

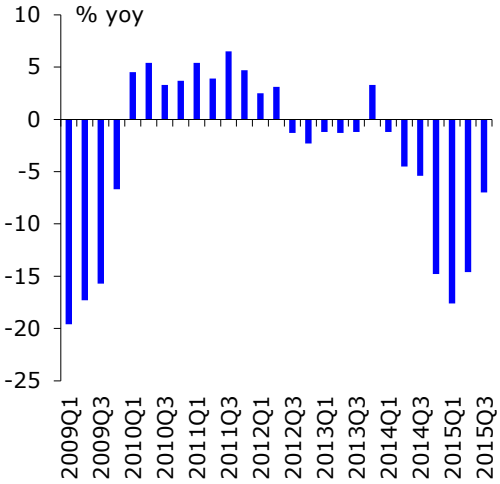
Law enforcement. On November 30, Prosecutor General Viktor Shokin appointed Nazar Kholodnytskyi as Special Anti-corruption Prosecutor. Appointment of the prosecutor allowed the National Anti-Corruption Bureau (NACB), established earlier this year to fight corruption among top officials, to launch investigations. Nazar Kholodnytskyi previously worked as a prosecutor for 9 years, mostly in Kyiv region. His appointment was a result of a competitive selection process, in which civil society activists were involved.

In late November and early December, the newly hired patrol police started working in Mykolaiv, Uzhhorod and Mukachevo. As of December 9, the new police patrolled seven cities and towns (including also Kyiv, Kharkiv, Lviv, and Odesa). Earlier it was expected that the patrol police would start operating in all cities and towns by the end of March 2016.

The war in Donbas. In November, a fragile truce was continued to be observed in Donbas. Russia-controlled insurgents kept on violating ceasefire by firing against Ukrainian troops. The number of violation incidents was up to 30-40 per day. Insurgents also intermittently attacked Ukrainian troops and shelled them using the types of

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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weapons that had to be withdrawn from the frontline according to the agreement reached on September 29. The withdrawal process was not completed as of early December. No progress in the implementation of Minsk peace agreements was made during the month. An escalation of the conflict in the nearest months is unlikely due to Russia's enduring involvement in the war in Syria.

Real sector: Improved economic situation

GDP. According to the flash estimate of the Ukrstat, drop in real GDP in the third quarter of 2015 decelerated to 7.0% yoy from 14.6% yoy in second quarter. Seasonally adjusted real GDP grew by 0.7% qoq. Real GDP figures indicate that macroeconomic stabilisation continued in the third quarter. As in previous two quarters of 2015 contraction of domestic demand was the key constraint for economic activity while positive net real exports cushioned the drop in GDP

Sectoral trends. Industrial output in October declined by 5.0% yoy. Growth in extractive industries decelerated to 1.9% yoy due to higher statistical base. Decline in manufacturing decelerated to 7.6% yoy (from 8.3% yoy). In particular, the chemical production was at the level of October of 2014 as several large companies restarted operation. Steel production also remained higher than a year ago but sales of higher value-added steel products suffered.

In October retail sales by enterprises continued to grow on seasonally adjusted basis for the last several month as wages recovered. Some of the lost purchasing power and consumer sentiment became less negatives.

Drop in in construction again decelerated to 12.2% yoy due to lower decline in all types of construction as public sector increased investment spending and spending on residential construction remained stable.

The Ukrstat publishes data excluding temporarily occupied territory of the Autonomous Republic of Crimea and Sevastopol and the part of the territory under anti-terroristic operation in the East. The statistical base was also revised to make like-to-like comparison available.

Energy. Ukraine stops electricity supplies to Crimea

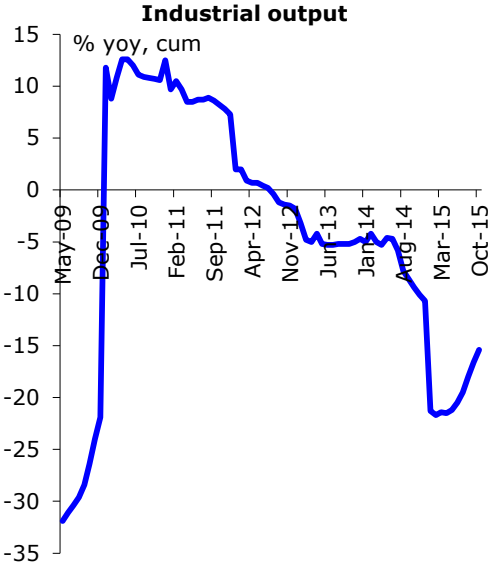
Electricity. On November 20-21, unidentified individuals damaged all four electricity pylons in Kherson region transmitting electricity to the Crimean peninsula. As a result, electricity transmission to Crimea from the continental part of Ukraine was stopped. The deficit of electricity in Crimea is 600-700 MWt. At peak hours, Ukraine supplied 1000-1050 MWt to the peninsula. Maximum capacity of Crimean own electricity generation is 350 MWt. On November 24, in response to this disruption Russia stopped its coal supplies to Ukraine. The same did the coal mines situated in the ATO zone. Disruption of electricity supply to Crimea also adversely affected the electricity network of continental Ukraine. Due to the lower consumption at off-peak hours in the system Ukrainian nuclear power plants (NPPs) had to decrease their electricity generation by 500 MWt. At the same time, thermal power plants (TPPs) had to compensate this decrease during peak hours. Additional load on TPPs means increased consumption of coal and gas by power plants and, thus, higher cost of electricity generation. Ukraine plans to partly restore electricity supplies to Crimea.

Coal. In November, coal stocks at TPPs decreased by 8% mom. According to the Energy Minister, Ukraine has enough coal stock for 45-50 days taking into account coal supplies from South Africa.

Gas. On November 24, the Verkhovna Rada adopted changes to the Tax Code that allow calculating the gas rent based on the weighted average price of gas imports and exempts coal supplies from the VAT payment till July 1, 2017. The changes were made in accordance with the law on natural gas market.

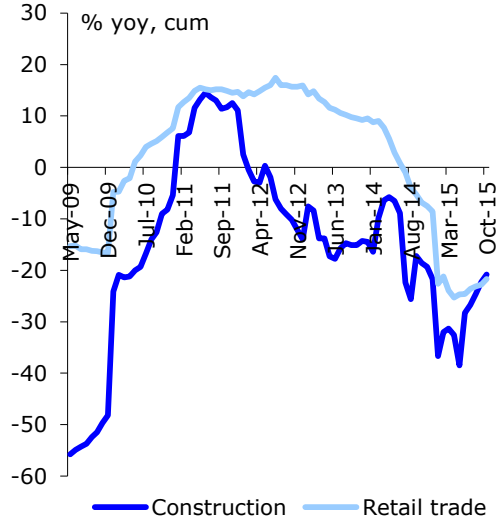
In November, Ukraine imported 1.1 bn cubic meters (bcm) of gas. Overall, in the third quarter of 2015 the average price of gas was USD 266 per thousand cubic meters.

Industrial output



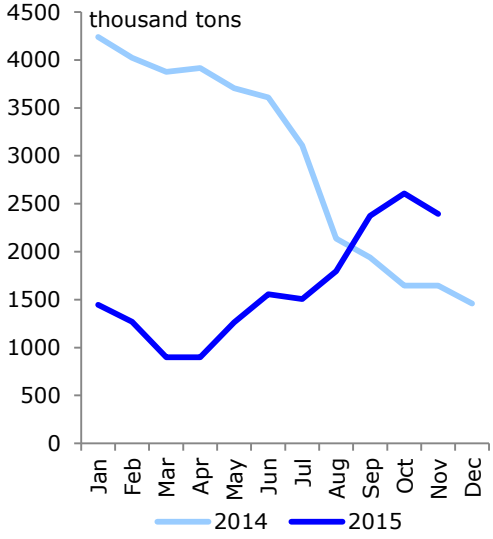
Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

Real sector trends



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

Coal stocks at TPPs



Note: data for November 2015 is given as of 27.11.15
Source: Ministry of Energy

Agriculture: Deregulation continues

Production. Gross agricultural production in October decreased by 4.4% yoy due to lower crop harvest and decline in livestock production. As of November 2015, harvested area of grains declined by 6.3% yoy. Average yield decreased by 3.6% yoy likely due to lower investments into fertilizers (against the background of simultaneous decline in world prices for major crops and increased prices for inputs. Livestock production fell by 5.0% yoy due to decrease in milk production explained by the ban of trade imposed by Russia.

Agricultural policy. In September, the Cabinet of Ministers defined responsibilities of the State Service of Ukraine on Food Safety and Consumer Protection. Major responsibilities include implementation of veterinary and food safety policies, plant quarantine measures, animal registration, control for sanitary laws fulfilment and seed certification. This is one more step towards reduction of unnecessary administrative costs of enterprises by elimination of state agencies with overlapping responsibilities.

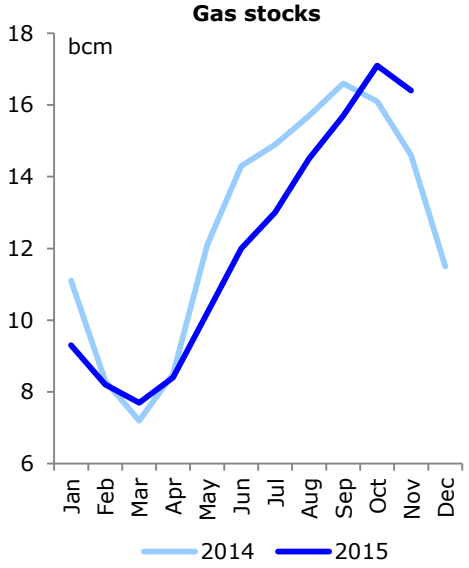
The Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine regarding food products" went into force in September. This Law harmonizes Ukrainian rules regarding GMO registration and food safety regulations to the EU acquis. Its adoption was a necessary condition in order to open EU market for Ukrainian animal products export.

In October, the Cabinet of Ministers eliminated veterinary certificate for forage grains sold on exports. This is expected to reduce administrative costs of exporters and speed up grains exports.

Starting November, the period during which phytosanitary and plant quarantine certificates for grains should be issued was shortened from 5 days to 24 hours as defined by the Law of Ukraine "About plant quarantine". This novation will improve the logistic chain for Ukrainian agricultural exports.

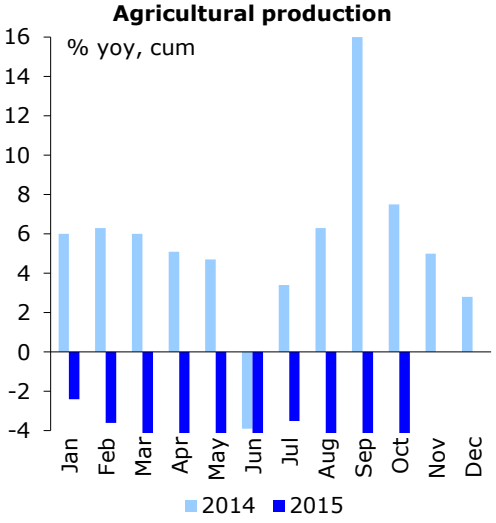
In December, the President signed the Law that prolongs moratorium on land market for one more year. Land moratorium will not affect agricultural production – companies already know how to work in such conditions. However, this will prevent companies from using land as collateral, which theoretically could have helped to attract necessary financial resources. This step may also discourage potential foreign investors.

Gas stocks



Note: data for November 2015 is given as of 27.11.15
Source: Ministry of Energy

Agricultural production



Source: Ukrstat

External sector: Current account turns negative

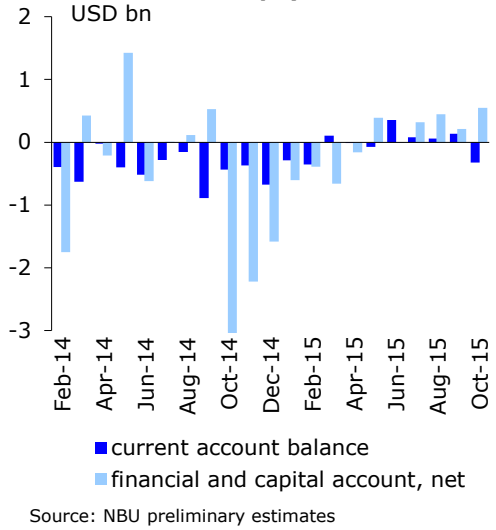
Note: In the analysis we use BPM6 methodology. In particular, since the third quarter of 2014 the NBU started to report balance of payment data based on the Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual.

Current account. Current account deficit in October broadened to USD 0.3 bn because of wider deficit of trade in goods (USD 0.6 bn). Merchandise trade deficit increased mainly because of deceleration of imports drop.

Exports of goods dropped by 23.3% yoy (as compared to 24.0% yoy decline in September) mainly because of lower sales of metals and food, which continue to suffer from world-wide commodity price decrease. Exports of metals dropped by 35.6% yoy as an effect of price decrease was further amplified by disrupted logistics. Statistical base effect resulted in decelerated exports drop of minerals (14.9% yoy) and machinery (26.5% yoy). Exports of minerals declined by 37.1% yoy as downward iron ore export price trend persisted. Exports of food decreased by 12.0% yoy as reduction of prices continued to exceed increase of physical quantities. Exports of services contracted by 16.3% yoy.

Merchandize imports drop decelerated to 21.2% yoy (from 34.5% yoy a month before) partially due to high statistical base. Imports increased by 12.9% as compared to September 2015 due to higher volumes of natural gas imports. Decline in imports of minerals decelerated to 11.5% yoy as Ukraine increased natural gas purchases

Balance of payments

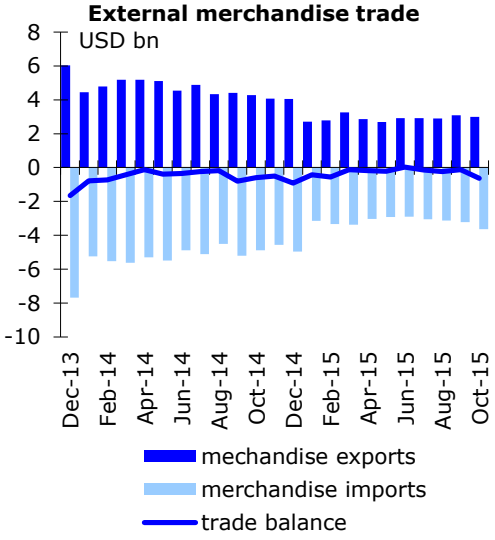


Source: NBU preliminary estimates

preparing to the heating season. Food imports contracted by 35.6% yoy due to lower purchasing power of Ukrainians and import substitution. Termination of investment projects caused by restricted financing, higher costs of investment goods (due to hryvnia depreciation) and high economic and political uncertainty resulted in contraction of machinery imports by 15.2% yoy. Overall, imports of manufactured products (including chemicals, wood, industrial goods, metals and machinery) decreased by 21.6% yoy. Imports of services declined by 15.6% yoy.

Financial account. Financial account surplus increased to USD 0.5 bn as the Government was able to receive additional debt financing and foreign cash reallocated from real sector to banks. FDI continued to be low and another USD 0.1 was attracted (half of the amount went to banks). Government sector was able to attract another USD 0.2 bn of net external debt financing (a loan guaranteed by Germany). External investment position of banks remained stable. External investment position of real sector deteriorated by USD 0.3 bn as amount of arrears and trade credits increased. Foreign cash outside banks shrunk by another USD 0.3 bn.

External merchandise trade

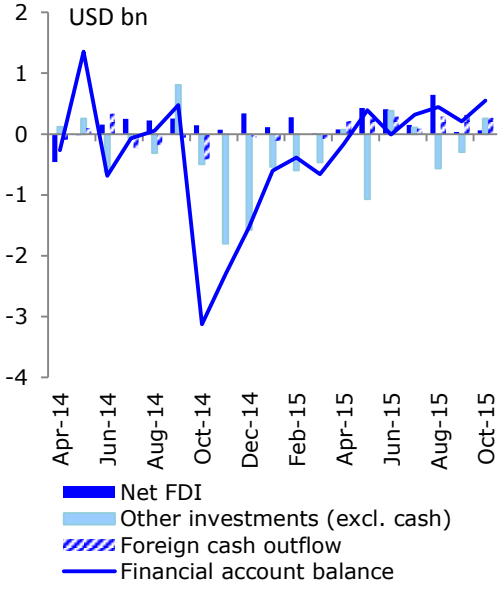


Source: NBU preliminary estimates

Fiscal policy: Substantial changes are planned

Budget-2016. On December 11, the Ministry of Finance submitted to the Parliament the Draft State Budget Law for 2016. Planned central fiscal revenues are to increase to UAH 601 bn as compared to UAH 517 bn approved by the Parliament for this year, while central fiscal expenditures are planned to grew by UAH 77.0 bn to UAH 674 bn. Central fiscal deficit is planned at UAH 83.7 bn which corresponds with the fiscal target envisaged in the IMF Program (deficit at 3.7% of GDP). But the Budget authorizes the Government to increase deficit to fund Deposit Guarantee Fund, recapitalize banks and subsidise the Naftogaz. Overall, the Ministry of Finance expects decline of the share of GDP redistributed through general government from 53% to 43%, which is very ambitious plan.

Financial account



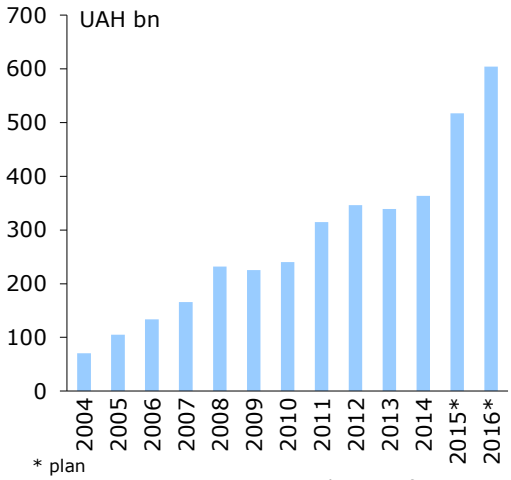
Source: NBU

The Draft Budget is based on numerous legislative changes. In particular, tax reform is expected to be implemented. It envisages the broadened tax base, increased excise rates, unified PIT rate at 18% (20% for dividends), decline of the single social contribution (SSC) to 20%. Besides, the document suggests changes in tax administration. Higher revenues are expected from legalisation of gambling and amber extraction.

Planned verification of pensions and social assistance payments is expected to bring savings at near UAH 4.6 bn. Still, on the expenditure side, the biggest change will relate to surge of central fiscal transfer to the Pension Fund from UAH 80.8 bn planned for 2015 to UAH 172 bn in 2016. Increased transfer is required to compensate drop of own revenues of the Pension Fund caused by sharp contraction of the SSC rate.

Fiscal indicators 2015. In October 2015 consolidated fiscal revenues increased by 45.9% yoy or UAH 16.8 bn as compared to October 2014. Temporary revenues from 5-10% of import duty surcharge and high transfer of the NBU profit added 14.8% to fiscal revenues. Personal income tax revenues were growing due to higher nominal wages, higher tax rate and wider tax base. Higher VAT and excise collections also reflect increase in nominal sales due to inflation.

Central fiscal revenues



* plan
Source: State Treasury, State Budget Law for 2015 , Draft State Budget Law for 2016

Contrary to previous months in October expenditures were higher than revenues. This is partially explained by increased social standards, which in practice became effective in October and included back payments for September. Spending on defence also increased. As a result, consolidated fiscal surplus in ten months of 2015 narrowed to UAH 26.8 bn from UAH 32.5 bn in the first nine months. Overall, the Government is likely to accelerate expenditures by the end of year.

Social policy: Increase in social standards is planned

According to the Draft State Budget Law for 2016 social standards are to be increased twice next year: in May and in December. In

particular, subsistence minimum (and, thus, minimum pension and minimum wage) will be increased by 12.8% on average next year and 12.5% yoy in December (in 2015 4.4% and 13.1% yoy, respectively). Therefore, real social standards will remain stable next year (although on average they will be lower than in 2015).

No real increase in social standards is understandable if we consider high share of social spending in the budget and lower expected fiscal revenues in relation to GDP. Draft budget also proposes to continue providing in-kind benefits for a number of professions on discretionary basis (based on available funds). This procedure is reauthorize on annual basis during last several years. Besides, the Ministry of Finance announced plans to do sampling verification of different social allowances as well as pensions with the aim to eliminate fraud in the system.

Labour market: Growth of real wages

Average nominal wage in October grew by 29.1% yoy to UAH 4532 due to wage indexation. Wages grew by 4.3% mom, which is more than seasonally, due to minimum wage increase. This contributed to the deceleration of decline in real wage to 12.6% yoy from 18.5% yoy in September. Another reason for this slowdown was lower inflation.

Industrial companies increased nominal wages on average by 24.5% yoy, also likely due to wage indexation for inflation and minimum wage increase. The highest wage growth was reported by textile industry (by 38.3% yoy), which benefited from import substitution. Wages continued to grow in coke manufacturing and petroleum refinery sector (by 38.8% yoy) likely due to higher sales of coke at domestic market. On the other hand, wage increase in the electricity and gas supply sector continued to be low (at 12.9% yoy).

In October, there was a considerable wage increase in budgetary sector due to increase in the base wage in the Unified tariff scale used for paying wages to employees in these sectors. In particular, wages increased by 11.9% mom in education and by 16.8% mom in health care. Wages in state administration grew by 12.3% mom.

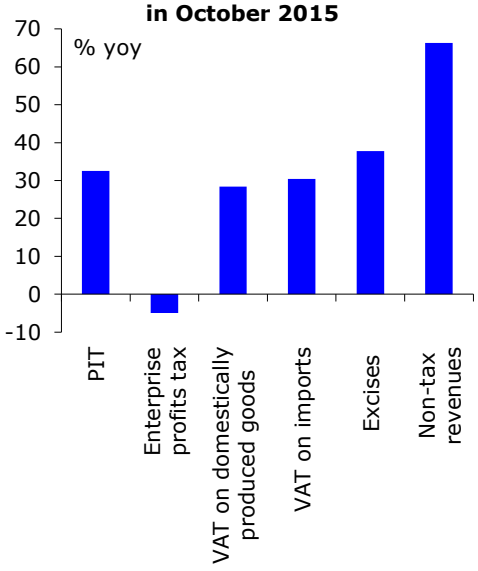
Monetary policy: Core inflation remains moderate

Monthly core inflation in November remained moderate at 0.7% mom. In all, monthly core inflation remained below 1% for five out of last six months. It seems that weak demand and relatively stable exchange rate helped to dampen inflation expectations. As a result, seasonal increase in prices for some goods did not translate into wide-based flare-up in inflation. However, inflation expectations remained considerable and in cases of tight supplies price increases were quick in coming.

This likely was one of the reasons for fast increases in prices of sugar, vegetables and eggs (excluded for core CPI as unprocessed food products). Price indices for these three good groups increased by 11-19% mom in November adding 1.1% to headline CPI. The Ukrstat also reported 20% increase in heating tariffs in November after 49% increase in October. It seems that the Ukrstat distributed over 70% increase in heating tariffs between October and November to account for the fact that new tariff was applied in the middle of October. In all, headline CPI increased by 2.0% mom or 46.6% yoy in November.

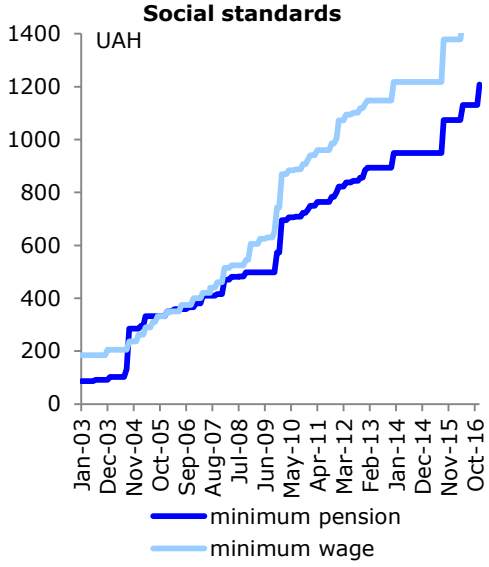
In November, bank liquidity remained broadly stable and monetary policy stance did not change. The NBU injected UAH 5.5 bn in liquidity through government bond purchases but withdraw UAH 3.2 bn through net sales of foreign currency. The Government funds at the Single Treasury account increased by UAH 4.2 bn. Bank deposits and loans remained close to previous month's levels in November as banking sector remained cautious in lending and weak disposable incomes and financial flows of companies limited inflows of deposits. Exchange rate change led money supply to increase by 1% mom in November to UAH 969 bn.

Growth of Consolidated fiscal revenues in October 2015



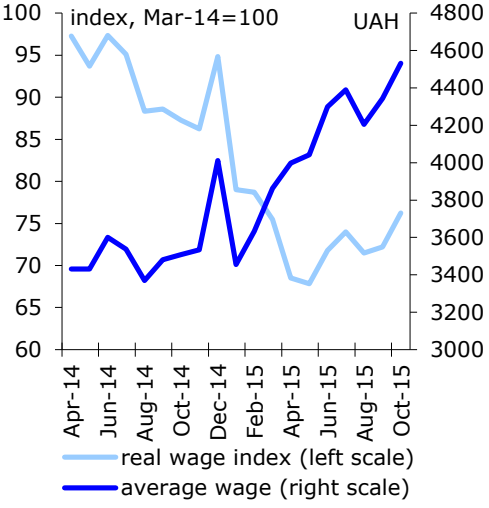
Source: State Treasury reports

Social standards



Source: State Budget Laws for 2006-2015,draft State Budget Law for 2016

Average wage*



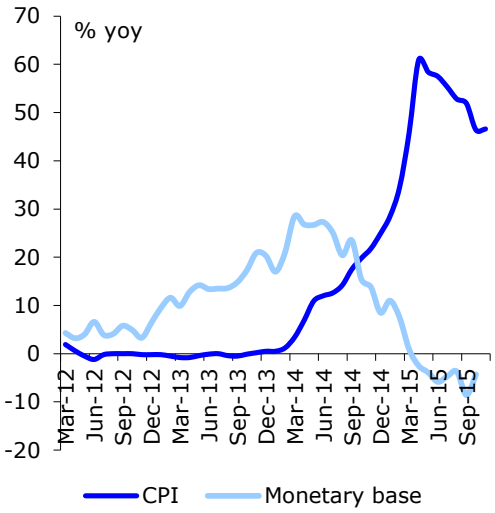
*not including AR Crimea
Source: Ukrstat

Exchange rate: New trading range for hryvnia?

In November, interbank exchange rate moved in UAH 23-24 per USD range as opposed to UAH 21-23 corridor observed in previous months. This likely reflected seasonal increase in trade deficit and depreciation expectations. The NBU sold dollars on auctions at exchange rate close to USD 24 per USD and bought dollars at UAH 23 per USD to limit volatility of exchange rate. Overall, the NBU sold USD 143 m to support exchange rate and net sales of cash foreign currency to banks were USD 70 m. On December 4, the NBU also extended all key restrictions on the forex market for another three months and widened grounds for blocking foreign currency transactions in cases of "risky" or suspected money laundering operations.

NBU's international reserves reached USD 13.1 bn by the end of November as the NBU received USD 0.65 bn from swap with People's Bank of China.

CPI and monetary base development



Source: Ukrstat, NBU

State debt: The third IMF loan tranche was postponed until 2016

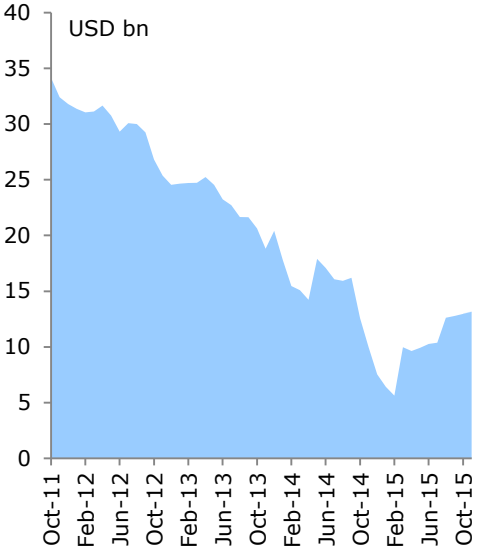
External debt. The third IMF loan tranche under the EFF program (worth USD 1.7 bn), which was planned for December 2015, was postponed until 2016. It is explained by the lack of clarity on tax reform and the parameters of the State Budget Law for 2016.

On November 19, the Government signed the agreement with the World Bank Group on provision of a USD 560 m loan aimed at financing construction and maintenance of roads. In particular, the funds will be spent on reconstruction of Poltava-Valky section of the Highway M03 (Kyiv-Kharkiv-Dovzhansky) as well as improvement of road safety of the key national transport corridors. The project is to be completed by 2021.

Domestic debt. In November, the Ministry of Finance provided the Deposit Guarantee Fund with two special issues of state domestic bonds of UAH 5.5 bn total at 11.1% p.a. These bonds were purchased by the NBU on the secondary market. The received funds will be spent to pay out the guaranteed deposits.

Debt restructuring. In mid-November, Russia initiated its own proposal on the restructuring OF USD 3 bn Eurobond. Previously Russia refused to accept common restructuring terms imposed on all other sovereign Eurobonds. According to the proposal, the debt is to be divided into three equal parts (USD 1 bn each) and should be repaid within next three years (2016-2018) under the guarantees of the US (or EU) government, or the international financial institutions. However, Ukrainian government is not likely to agree on such proposal.

NBU international reserves



Source: NBU

Tables

		Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Dec[c]	Jan[c]	Feb[c]	Mar[c]	Apr[c]	May[c]	Jun[c]	Jul[c]	Aug[c]	Sep[c]	Oct[c]	Nov[c]
Industrial production (real)	% yoy cum.	-5.2	-4.7	-5.0	-4.7	-8.6	-10.1	-21.4	-10.7	-21.3	-21.7	-21.4	-21.5	-21.2	-20.5	-19.5	-18.0	-16.6	-15.4	...
Construction (real)	% yoy cum.	-15.1	-14.5	-6.4	-8.9	-17.2	-19.3	-31.3	-21.7	-36.7	-32.0	-31.3	-32.6	-38.5	-28.3	-26.7	-24.6	-22.8	-20.8	...
Agricultural production (real)	% yoy cum.	3.0	13.7	6.0	-3.9	16.0	5.0	-4.7	2.8	-2.4	-3.6	-4.7	-4.8	-5.4	-9.3	-3.5	-5.8	-5.3	-4.4	...
Retail trade turnover (real)	% yoy cum.	9.8	9.5	7.7	0.8	-5.3	-7.5	-23.9	-8.6	-22.6	-21.2	-23.9	-25.3	-24.7	-24.6	-23.6	-23.1	-22.3	-21.7	...
Average wage	UAH	3331	3390	3245	3488	3463	3508	3650	4012	3455	3633	3863	3998	4042	4299	4390	4205	4343	4532	...
CPI	% yoy eop	-0.5	0.5	3.4	12.0	17.5	21.8	45.8	24.9	28.5	34.5	45.8	60.9	58.4	57.5	55.3	52.8	51.9	46.4	46.6
PPI	% yoy eop	-0.9	1.7	3.9	15.9	26.9	32.8	51.7	31.8	34.1	41.0	51.7	48.6	42.0	37.9	37.0	33.0	32.5	30.2	25.1
Exports (USD)*	% yoy cum.	-6.2	-5.2	-7.7	-6.5	-9.8	-13.1	-32.9	-15.0	-30.8	-32.3	-32.9	-34.5	-36.4	-35.4	-35.4	-34.6	-33.5	-32.6	...
Imports (USD)*	% yoy cum.	-4.1	-3.4	-14.7	-18.6	-24.5	-27.1	-36.0	-27.8	-36.3	-35.9	-36.0	-37.2	-39.3	-39.2	-38.8	-36.4	-36.2	-34.8	...
Merchandise trade balance	USD bn cum.	-14.2	-19.6	-1.9	-0.6	-5.2	-6.5	-1.0	-7.6	-0.4	-0.9	-1.0	-1.1	-1.3	-1.2	-1.4	-1.9	-2.0	-2.6	...
Current account**	USD bn cum.	-11.4	-16.4	-1.3	-0.6	-3.8	-4.6	-0.5	-5.3	-0.3	-0.6	-0.5	-0.6	-0.6	-0.3	-0.2	-0.1	0.0	-0.3	...
Gross international reserves	USD bn eop	21.6	20.4	15.1	17.1	16.4	7.5	10.0	7.5	6.4	5.6	10.0	9.6	9.9	10.3	10.4	12.6	12.8	13.0	13.1
Monetary Base	% yoy eop	14.8	20.3	28.5	25.1	23.5	13.8	0.9	8.5	11.0	7.5	0.9	-2.5	-3.9	-5.9	-4.7	-3.7	-8.6	-4.3	...
Lending rate on UAH credits	% pa, aop	15.3	16.5	18.5	17.5	16.4	16.4	19.9	16.9	17.2	18.8	23.6	23.8	23.6	22.0	21.2	21.2	21.0	20.9	...
Exchange rate (interbank)	USD aop	8.15	8.21	9.1	11.71	12.58	13.56	21.23	15.63	15.94	24.77	22.98	22.49	20.94	21.26	21.79	21.65	21.79	21.94	23.33
Exchange rate (official)	USD aop	7.99	7.99	8.9	12.71	12.58	13.56	21.18	15.62	15.81	24.48	23.26	22.71	20.92	21.23	21.76	21.54	21.78	21.84	23.31
Exchange rate (official)	EUR aop	10.58	10.87	12.14	13.71	16.67	17.21	23.88	19.26	18.53	27.78	25.32	24.47	23.32	23.84	23.94	23.93	24.46	24.56	25.07

Sources: Ukrstat, NBU, own calculations

* Monthly figures are only for merchandise exports and imports (source: NBU, preliminary data)
Quarterly figures are for trade in goods and services (source: NBU)

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

[c] Data excludes Crimea. Since 2015 the Ukrstat also does not include data for occupied territories in the East of Ukraine

[e] preliminary estimate provided by the NBU

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014[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	1082.6	1302.1	1408.9	1454.9	1566.7
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.2	136.4	163.4	176.3	182.0	132.0
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	5.2	0.3	0.0	-6.8
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-21.9	11.2	7.3	-0.5	-4.7	-10.7
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5	0.1	-1.0	17.5	-4.5	13.7	2.8
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
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
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
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
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.2	27.5	33.8	-36.7	27.1	28.2	1.0	-5.2	-0.2
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	35.5	38.6	-43.1	29.3	33.8	5.6	-3.4	-0.3
Current account	USD bn	1.5	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.9	-1.9	-2.9	-9.3	-14.3	-16.4	-5.3
Current account	% GDP	4.7	3.7	7.6	5.9	10.6	2.9	-1.5	-3.7	-7.2	-1.7	-1.7	-5.7	-8.1	-9.0	-4.0
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	6.5	5.3	9.2	9.9	4.5	5.7	6.6	6.6	3.4	0.3
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
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
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	39.9	36.0	37.4	39.9	70.2
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	22.0	20.6	39.0
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
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
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
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
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

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

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

[c] Data excludes Crimea

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		Q2 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]
GDP	UAH bn	256.8	257.7	311.0	369.8	363.6	293.5	349.2	387.6	378.6	302.9	353.0	394.7	404.3	313.6	375.9	434.2	443.1	367.6	449.6
GDP (real)	% yoy	5.4	5.1	3.9	6.5	5.0	2.5	3.1	–1.3	-2.3	-1.2	-1.3	-1.2	3.3	-1.2	-4.5	-5.4	-14.8	-17.6	-14.6
Household consumption (real)	% yoy	6.8	13.2	14.2	16.1	18.5	7.8	12.3	11.0	5.5	6.5	9.5	8.4	6.8	2.2	-9.0	-15.5	-13.6	-20.7	-27.6
State consumption (real)	% yoy	-4.0	2.0	2.9	-9.4	-6.6	3.3	4.8	9.9	1.5	1.1	-2.3	-3.3	-2.5	-6.0	4.5	-0.5	3.5	5.0	-6.7
Gross fixed capital formation (real)	% yoy	-3.2	-1.8	3.7	9.7	12.0	13.8	17.5	-5.2	-4.9	7.0	-17.4	-7.7	-5.1	-19.9	-16.8	-26.7	-26.2	-25.1	-13.8
Exports of goods and services (real)	% yoy	13.2	19.4	4.9	0.3	-4.1	-7.3	-8.1	-3.8	-9.6	-9.0	-14.3	-7.9	-4.1	-5.8	-2.6	-16.8	-31.0	-26.2	-22.5
Imports of goods and services (real)	% yoy	17.2	38.1	23.3	12.5	5.2	-3.0	9.0	4.3	-2.6	-2.4	-18.4	-0.7	-1.8	-13.0	-11.1	-31.9	-29.0	-20.1	-32.2
Agriculture, hunting, forestry (real)*	% yoy	0.5	4.9	1.3	16.7	38.1	0.5	11.5	-8.3	-4.0	5.7	20.8	-2.0	38.2	5.9	-9.0	25.7	-19.1	-4.8	-11.7
Manufacturing industry (real)*	% yoy	10.1	7.8	3.4	4.6	-2.9	1.1	1.8	-4.8	-5.5	-9.5	-9.2	-9.8	-8.9	-8.8	-8.0	-14.8	-16.7	-25.6	-21.8
Construction (real)*	% yoy	-5.8	1.7	10.9	0.1	2.0	1.2	3.4	-15.3	-20.8	-14.9	-20.8	-11.1	-7.7	4.4	-16.7	-24.1	-30.9	-35.3	-25.6
Trade, repair services (real)*	% yoy	9.6	9.8	2.8	6.1	3.0	3.2	4.6	0.4	-1.2	1.6	-0.2	1.9	4.7	-3.2	-8.2	-17.5	-21.7	-24.8	-20.4
Transport (real)*	% yoy	1.8	10.2	7.9	5.7	11.1	-2.3	-3.3	-8.4	-9.5	-2.7	-0.6	2.8	2.8	-2.3	-5.9	-5.6	-12.1	-13.2	-2.7
Balance of payments																				
Current account balance	USD bn	0.5	-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	-0.5	0.3
Current account balance	% of GDP	1.6	-4.9	-4.4	-5.6	-9.5	-5.2	-8.5	-8.1	-10.1	-8.5	-5.1	-12.2	-9.9	-3.6	-2.6	-3.4	-6.7	-3.1	1.3
Trade balance in goods	USD m	-978	-3951	-3211	-5098	-5771	-4292	-5818	-5503	-6233	-4635	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1104	-389
Trade balance in services	USD m	1392	1614	1882	2523	1867	1864	1697	2361	1578	1349	1504	2575	1066	937	443	456	686	633	469
Current transfers	USD m	728	1039	878	988	803	683	805	777	711	533	589	480	547	241	494	306	500	443	592
Direct investment (FDI)	USD m	1196	880	2422	2090	1623	1663	1091	2002	1871	821	472	1199	859	-665	-319	725	558	460	909
Portfolio investments (equity)	USD m	-18	149	113	42	207	-3	74	83	339	705	579	664	-757	-239	-50	-84	-17	-13	…
Gross international reserves	USD bn	29.5	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	10.26
Exchange rate (interbank), UAH/USD	aop	7.91	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
Exchange rate (official), UAH/USD	aop	7.91	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
Fiscal indicators																				
Consolidated fiscal revenues	% of GDP	30.4	32.8	30.0	29.5	30.7	33.6	31.6	28.2	33.7	35.3	29.5	29.1	28.9	35.8	29.9	25.1	27.7	38.2	60.4
Personal income tax	% of GDP	4.8	5.0	4.8	4.2	4.7	5.1	4.9	4.4	5.0	5.3	5.1	4.7	4.9	5.2	4.8	4.3	5.1	5.6	9.2
Enterprise profits tax	% of GDP	3.0	4.5	4.5	3.6	4.4	4.9	4.1	2.9	4.2	6.2	3.4	3.0	3.0	5.0	2.5	1.9	1.6	4.5	2.8
Value-added tax	% of GDP	9.8	7.6	12.9	9.6	9.6	10.8	10.3	8.6	10.0	9.7	9.1	8.2	8.5	8.8	9.7	6.9	10.2	11.7	16.3
Excise tax	% of GDP	3.0	2.1	3.0	2.7	2.4	2.8	2.9	2.8	2.4	3.1	2.6	2.3	2.2	2.5	3.0	3.1	2.8	3.4	6.0
Consolidated fiscal expenditures	% of GDP	38.7	32.8	33.1	26.9	35.6	33.7	33.8	30.7	41.4	37.0	36.0	30.4	36.3	35.6	35.3	27.6	35.9	34.3	57.1
Current expenditures	% of GDP	37.4	31.5	30.8	23.9	30.1	31.8	31.3	27.7	37.4	35.7	34.1	28.5	33.5	35.1	34.3	26.1	33.9	32.5	54.3
Capital expenditures	% of GDP	1.4	1.3	2.4	3.0	5.5	1.9	2.4	2.9	4.0	1.3	1.9	1.9	2.8	0.5	1.0	1.5	1.9	1.8	2.8
Consolidated fiscal balance	% of GDP	-8.0	-0.3	-3.4	-3.9	-5.5	-0.2	-2.6	-3.0	-7.8	-1.9	-6.3	-1.5	-7.4	0.1	-5.4	-2.8	-8.8	3.8	3.2
Privatisation receipts	% of GDP	0.0	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
Labour market																				
Average wage (real)	% yoy	8.7	11.1	5.5	7.7	10.8	14.7	16.5	13.3	12.9	9.9	9.3	8.1	5.9	3.5	-4.1	-11.0	-13.4	-20.1	-27.8
Household income (real)	% yoy	11.8	7.8	1.9	7.3	7.7	6.0	13.0	10.4	9.4	8.9	5.7	2.5	4.7	-3.4	-6.8	-5.6	-19.2	-23.5	-34.0
Unemployment rate (ILO methodology)	% cum	7.9	8.7	7.7	6.9	8.2	8.4	7.1	6.6	8.0	8.0	7.5	7.0	7.6	9.0	8.2	9.5	10.6	9.6	8.8
Banking system																				
Monetary aggregate M0	% yoy cum	9.9	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
Monetary aggregate M2	% yoy cum	13.2	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
Household deposits in national currency	% yoy cum	20.1	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
Household deposits in foreign currency	% yoy cum	21.5	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
Com. bank credits in national currency	% yoy cum	8.3	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	-11.1
Com. bank credits in foreign currency	% yoy cum	-10.5	-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	27.7
Long-term com. bank credits	% yoy cum	-2.8	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
Long-term com. bank credits	% of total	68.9	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
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
Average lending rate on foreign currency credits	% p.a.	11.1	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

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, preliminary NBU estimates for balan

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