Monthly Economic Monitor Ukraine

No.10 (180), October 2015

EXECUTIVE SUMMARY

HIGHLIGHT: WINTER IS COMING

Politics: For the first time since the Russian aggression Ukraine imposed sanctions against companies and individuals related to the aggression.

Real sector: Contraction of real GDP decelerated to 14.6% yoy in the second quarter of 2015 as compared to 17.6% yoy in the first three months of the year.

Energy sector: The Naftogaz and the Gasprom finally reached an agreement on gas supplies in the last quarter of 2015 and in the first quarter of 2016.

Transport. Sanctions were imposed on Russian air carriers that perform flights to the occupied territory of Crimea.

Agriculture: Between January and July 2015, grains exports increased by 15.0% yoy to 18.4 m tons.

External sector: Exports fell due to drop in global prices for essential exports products, disruption in production caused by military conflict in the East, and trade tensions with Russia.

Fiscal policy: As usual over the last years, the Government failed to prepare the draft State Budget Law for 2016 in time for Constitutional deadline.

Social policy: Drop in real disposable income accelerated to 34.0% yoy in the second quarter of 2015.

Labour market: As a consequence of economic recession, unemployment rate (ILO methodology) increased to 8.8% of economically active population at age 15-70 years old in the second quarter of 2015.

Monetary policy: In September, monthly core inflation jumped to 3.0% mom, which reflected imperfect methodology of accounting for seasonal changes in prices for clothing and footwear.

Exchange rate: In September, interbank exchange rate remained in UAH 21-23 range set by the NBU.

State debt: On September 17, the Verkhovna Rada adopted the legislation needed for state bond restructuring and bondholder meeting.

Highlight of the month: Winter is coming

HOW IS UKRAINIAN ENERGY SECTOR PREPARED FOR THE COMING WINTER SEASON?

By Iryna Kosse

The coming heating season of October 2015 – April 2016 may be the most challenging season for the Ukrainian energy sector since Ukraine's independence. Each subsector of energy sector (coal sector, electricity generation, and gas sector) has its own challenges in addition to the general problems like military conflict in the East, currency depreciation, debt accumulation, and high inflation. Tackling those challenges is essential for the smooth passing of the coming heating season.

Coal sector was devastated by the loss of mines on the East of Ukraine. Coal extraction decreased by 48% yoy in January-August 2015 to 26 m t (these figures may include reports by mines on uncontrolled parts of Donbas). This caused problems in the electricity sector, mainly at thermal power plants (TPPs) that use coal for electricity generation and generate about 40% of electricity. The biggest problem is with the anthracite coal (type A) used at 5 out of 11 currently working TPPs as it is extracted on the occupied territory of Donbas. Thus, it has to be either sourced from the occupied area or imported from other countries. Coal from the uncontrolled territory of Donbas is cheaper (at UAH 1100 per tonne or USD 51 per tonne), but it can be difficult to transport due to the military operations. Besides, it is subject to checks by security and fiscal services to ensure that minimum of proceeds go towards financing terrorism. Imports of coal from Russia are more expensive (coal costs USD 64-67 per tonne) and supply is tightly controlled by Russian authorities and can be easily disrupted due to political reasons. Finally, imports from South Africa are the most expensive (USD 74-78 per ton) with long delivery time. Besides, this coal may have insufficient quality, while coal delivery depends on sea ports capacity. On the other hand, these supplies do not depend on negotiations with Russia or self-proclaimed "republics" in the East of Ukraine. As of October 9, there were 2.05 m tonnes of coal stored at TPPs, which is 6% more than a year ago (1.93 m tonnes on October 1, 2014) but still below the official target defined at 2.8 m tonnes. However, this figure includes 0.7 m tonnes of coal at Burshtyn and Luhansk TPPs, which operate as energy islands and do not transmit electricity to the Unified Energy System of Ukraine.

Thermal power plants together with hydro power plants (HPPs) are used as peaking and reserve capacity to regulate the energy consumption in the peak hours. HPPs generate around 10% of electricity in Ukraine. However, due to extremely dry summer hydro power plants experience water shortage and their use for shunting purposes is limited. In particular, the Dnieper cascade of HPPs was in September at the lowest production level in its history (6.5-10 m KWt*h daily), Dniester water inflow was the lowest since 1985. As a result, the HPPs in 2015 are expected to generate 20-25% less of electricity compared to the previous year.

Half of the electricity in Ukraine is generated by nuclear power plants (NPPs). Usually NPPs are used as baseload units generating a steady stream of electricity independent of consumption peaks during the day. But *de facto* NPPs were used to level out peak loads due to high share of nuclear capacity in production and deficit of coal.[1] With limited production by coal and hydro plants, the NPPs have to work with minimum off-line time during winter season. Unscheduled repairs in NPPs may unbalance the system. In addition, the NPPs depend on nuclear fuel supplies from Russia. Their waste is also stored in Russia and has to be transported there.

Overall, in January-August 2015 electricity consumption decreased by 12% yoy due to the drop in industrial production, lower private consumption (against the background of warmer winter), and the use of energy saving technologies. Electricity generation decreased by 14% yoy and exports of electricity dropped by 60% for the same period. Taking into account the low levels of coal stock at TPPs and vulnerability of coal supplies the repetition of last year's blackouts is quite possible.

The gas sector has been not just important as main heating fuel in Ukraine but it is also politically sensitive. Ukrainian major gas supplier for many years – Russia – often used gas prices as a tool to influence Ukrainian international policy. However, last year showed that it is possible to diversify gas sources and use resulting competition to negotiate lower prices. So, this year the agreement on gas supplies during the winter season was reached much quicker and did not require nine rounds of negotiations as in 2014. The parties agreed on the price of gas for October-December 2015 and on the price setting mechanism for January-March 2016. Ukraine still needs Russian gas for the winter as reverse gas supplies from Europe are not enough to cover the transit needs and domestic consumption. In 2014, Ukraine consumed 42.5 bn cubic meters (bcm) of gas, 19.5 bcm of which was imported. In eight months of 2015, Ukraine consumed 21.8 bcm (decrease by 20% yoy), 11.7 bcm of which was imported (decrease by 23% yoy). According to the Naftogaz estimates, in April 2015 - March 2016 Ukrainian population may consume 21.3 bcm of gas out which 12.8 bcm could be covered with domestic production and 8.5 bcm needs to be imported. Agreement with Russia ensures sufficient import supplies. However, the Naftogaz would still need to ensure that it collects sufficient payments from gas sales to pay for gas imports. Uncertainty remains on how well Ukrainian households would be able to pay newly increased tariffs for gas and heating. Over eight months of 2015 households paid 94% of gas bills and 116% of heating bills (this reduced debt for previous years by 25% and corresponds to seasonal pattern). If payment rates remain high, rules requiring immediate transfer of share of consumer payments due to the Naftogas may provide the company with sufficient liquidity. In addition, the World Bank together with the European Investment Bank provided USD 520 m to the Naftogaz for gas purchases.

Overall, to ensure smooth heating season Ukraine needs to solve several problems simultaneously. First, it needs to guarantee a steady stream of coal of the required type to TPPs to avoid power shortages in winter. Electricity generating companies have already contracted the required amounts of coal in South Africa and

Russia but the TPPs might need the Government's help in financing the purchases as their heating tariff covers only the price of coal produced domestically. Second, Ukraine has to finalise gas negotiations with Russia, sign the agreement and start pumping gas into storages. Sufficient amount of gas in storages will send a positive signal to the European partners and ensure a stable winter season. Third, Ukraine has to finish all required maintenance works at TPPs and NPPs before the winter especially taking into account the possibility of increased load on nuclear power plants. All in all, Ukrainians may need to face a cold winter as gas production declines, the Government experiences lack of funds, and coal supplies to TPPs remain vulnerable. In case of severe shortage of electricity generation capacity the Ukrenergo may return to its practice of limiting electricity supplies to industrial consumers inducing them to move to night shifts. As a worst case scenario, the population might experience blackouts.

In the longer run the Government should finish the electricity and gas market reforms moving to cost-covering tariffs and compensation mechanisms for low income individual consumers. This work should be coupled with the introduction of energy saving technologies on the industrial and private levels which would allow Ukraine to reduce its energy consumption.

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[1] http://www.atom.gov.ua/ua/press/articles/44134-dosit_brehati_pro_atom/

Monthly Economic Monitor Ukraine

Politics: Hostilities in Donbas are over, but the conflict is not

The war in Donbas. On September 29, representatives of Ukraine, Russia and the OSCE signed an agreement on withdrawal of certain weapons with calibre less than 100 mm. Those weapons had to be pulled back at least 15 kilometres from the front line. On September 30, leaders of Russia controlled insurgents agreed to conform to that agreement. Starting from October 1, insurgents almost stopped firing and shelling against Ukrainian troops. The withdrawal is expected to be fully completed in the first half of November. After the negotiations of leaders of Germany, France, Russia, and Ukraine that took place in Paris on October 2 insurgents also decided to reschedule local elections from October-November 2015 to February 2016. That decision was also expected to contribute to settling the conflict according to the Minsk agreements.

However, the conflict is unlikely to stop. Although Russia may be willing to admit a formal restoration of Ukrainian power over Donbas, it intends to keep real control over the region to use it. As a result, the conflict in Donbas may be frozen for a long time. The escalation of the conflict in the nearest months is unlikely because of Russia's increased involvement in the civil war in Syria, which will draw Russian military resources away from Ukraine.

Russia. On September 16, for the first time since the Russian aggression Ukraine imposed sanctions against companies and individuals related to the aggression. President Petro Poroshenko approved a list of 388 individuals who are subject to sanctions, including Russian officials, military officers, journalists, managers, and Ukrainian citizens who supported aggression. The list also contained names of 105 organizations including some Russian banks, airlines, transport companies, and software companies. The sanctions included asset freezes, entry bans, revoking licences, bans on transit through Ukraine, and bans on the access to public procurement.

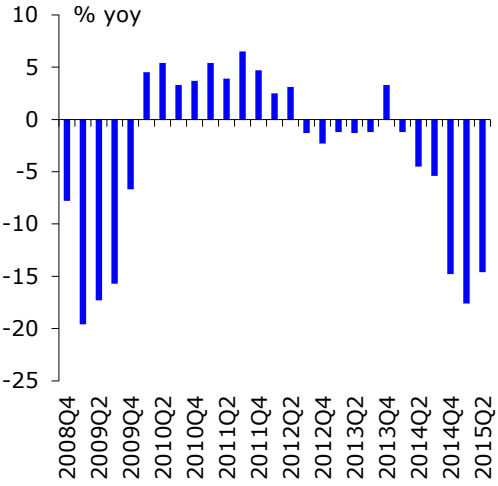
Law enforcement. In September and early October, the first 70 detectives of the National Ant-Corruption Bureau (NACB) took the oath of office. The NACB also continued to select additional detectives through competition (the total number of detectives was planned to be 242). However, the NACB, which had to be responsible for fighting corruption among top officials, could not start any investigation because a special anti-corruption prosecutor was not appointed. In September, the General Prosecutor ordered to establish a special anti-corruption prosecutor's office. It is expected that the anti-corruption prosecutor will be appointed no later than at the end of the year.

On September 26, the national police, which was intended to replace the current police force officially called 'militia', started patrolling Kharkiv's streets. As of October 7, the police patrolled four cities (Kyiv, Kharkiv, Lviv, and Odesa). In other three towns, future police officers were undergoing training (Mykolaiv, Uzhhorod, and Mukachevo). In 16 cities and towns selection process was under way (including Dnipropetrovsk, Lutsk, and Khmelnytskyy). The patrol police are expected to start operating in all cities and towns by the end of March 2016. The Ministry of Internal Affairs also plans to reform other militia units (road police, investigative units, etc.).

Public procurement. On September 15, the Parliament passed a bill amending the Law on Public Procurement. The amendments, most of which became effective on September 30, make the access to public procurement easier for private companies. Specifically, the bill increases transparency of procurement procedures, reduces requirements to applicants, and curtails opportunities for using unwarranted complaints to block procurement. The amendments also contribute to harmonization of Ukrainian public procurement laws with the EU *acquis*, which is a precondition for granting access for Ukrainian companies to the European public procurement market.

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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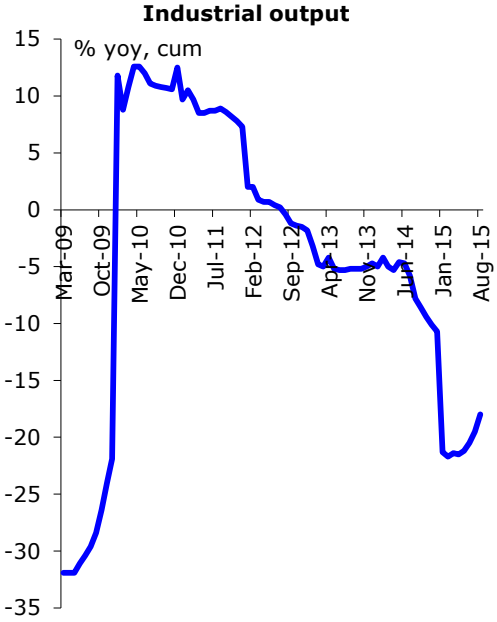
The IMF. On September 22-October 2, an IMF mission visited Kyiv for the second review under the Extended Fund Facility Arrangement (EFF). The mission discussed with Ukraine's authorities policies needed to complete the review. It reached understanding on most issues, but decided to continue discussions on some policies for 2016 at a later date. That decision implied that the third disbursement in the amount of USD 1.7 bn (SDR 1.2 bn) is not likely to be made in 2015. Ukraine received about USD 6.7 bn as the first two disbursements under the EFF in March and August.

Real sector: Contraction of domestic demand

GDP. Contraction of real GDP decelerated to 14.6% yoy in the second quarter of 2015 as compared to 17.6% yoy in the first three months of the year. Decline in GDP is explained by sharp drop in domestic demand as well as continued impact of war in Donbas. In particular, drop in purchasing power of households (inflation exceeded 50% yoy) and economic losses in Donbas (in 2013, Donetsk and Luhansk oblasts were responsible for up to 15% of retail sales as compared to 4% in 2015) resulted in contraction of real private final consumption by 27.6% yoy. Real gross fixed capital accumulation declined by 13.8% yoy due to worsened financial situation of companies and very limited bank lending. At the same time, real exports declined less than real imports reflecting a degree of import substitution. This buffered the effect of lower domestic demand on production.

On the production side, real gross value added (GVA) dropped in all sectors. Low domestic and external demand as well as war in the East resulted in drop of real GVA in manufacturing by 21.8% yoy. Sharp drop in demand worsened access to financing caused decline in real GVA in construction by 25.6% yoy. Agriculture fell by 11.7% yoy partially due to later start of harvesting season. Lower real private final consumption contributed to decline in real GVA in trade by 20.4% yoy. At the same time, transport declined by only 2.7% yoy likely due to changes in logistic routes due to the military conflict in the East.

Industrial output



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

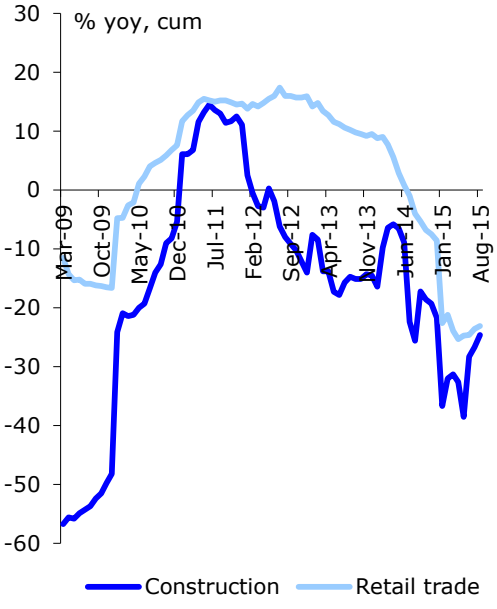
Sectoral trends. Drop in industrial production in August sharply decelerated to 5.8% yoy from 13.4% yoy in July. Statistical base effect was the major reason for such slowdown in contraction. In particular, in August 2014 many companies in Donbas either terminated or stopped their operation due to escalation of war, while companies in other regions (e.g. steel plants) faced logistic problems. In particular, in August 2015 production in metallurgy declined by only 1.8% yoy, while chemical production was at the level of last year. Performance of machine building somewhat improved as decline decelerated to 6.3% yoy. It was likely partially supported by higher military orders. Food production (excluding tobacco and beverages) declined by 8.3% yoy due to lower demand, decline in cattle heads as well as later harvesting of sunflower seeds. Overall, manufacturing production dropped by 8.3% yoy. At the same time, output of extractive industry increased by 0.9% yoy due to statistical base effect.

In August, retail sales by enterprises were flat (dropped by 0.2% mom) after growing for three months in a row. In annual terms retail sales declined by 18.8% yoy.

At the same time, situation in construction improved due to higher residential construction (by 8.5% yoy). Overall, construction declined by 15.4% yoy due to 26% drop in commercial construction and 20% fall investments into infrastructural projects.

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

Real sector trends



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

Energy sector: Ukraine reaches a deal on gas with Russia

Gas. The tripartite negotiations on supplies of Russian gas held at the end of September ended with reaching an agreement (it is yet to be

signed by the parties). The price of gas was defined at USD 227.36 for the fourth quarter of 2015. Price for 2016 is to be set quarterly. The Naftogaz is obliged to purchase 2 bn cubic meters of gas from the Gasprom during the next six months. The Gasprom waives the "take-or-pay" clause for the period of October 1, 2015 - March 31, 2016. This is an important agreement before the start of the winter season as it will allow Ukraine to accumulate enough gas for own consumption and transit needs.

The international financial institutions launched the financial support of the Naftogaz at USD 1 bn to purchase gas necessary for the heating season. In particular, the EBRD has already allocated USD 300 m, and KfW loaned EUR 200 m. USD 500 m will be loaned by the World Bank. In addition, the Naftogaz will spend USD 500 m received as a central fiscal transfer and loans from Ukrainian state banks.

The Government continues efforts to enable the implementation of the gas market reform. The National Energy and Utilities Regulatory Commission (NERC) adopted ten resolutions required for the implementation of the Law *On National Gas Market*. In particular, it approved the Procedure for Natural Gas Transmission System, the Gas Distribution Procedure, the Code for Gas Storages (and criteria for regulated access to the storages), and Rules for Natural Gas Supply. Still, further work is to be done. In particular, the NERC notes that adoption of three more laws by the Parliament and a number of other legislative acts are required, for example, regarding the creation of safety stock of gas, gas supplies by independent traders to the population, ownership of gas distribution network, etc. The Law *On National Gas Market* comes into force on October 1.

The Cabinet of Ministers obliged the state-owned gas production company Ukrgazvydobuvannya to sell its gas at predefined prices exclusively to the Naftogaz till April 2017. This gas will be used to form natural gas reserves for the population and thermal energy producers. This solution limits the competition on the gas market and violates Ukraine's obligations within the Energy Community.

Electricity. In October, the NERC increased the tariff for electricity produced by hydro power plants (HPP) by 104% from UAH 0.27 to UAH 0.55 per kWt*h. This can be explained by the low water levels in rivers, decreased electricity production by the HPPs and the resulting shortage of funding to cover the costs of the HPPs.

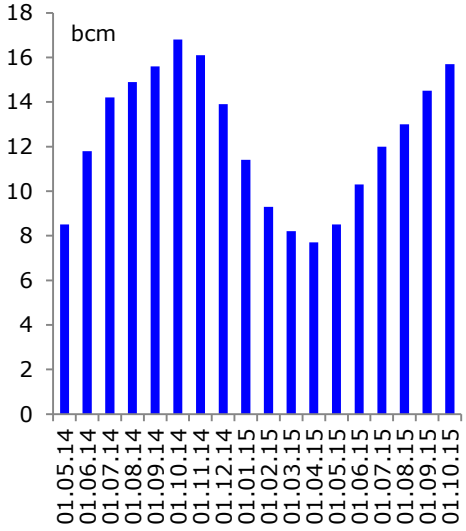
Transport. Sanctions were imposed on air carriers

Sanctions. The Ukrainian Security Council on September 16 expanded the list of companies under sanctions adding, among others, all major Russian air carriers: Aeroflot, Transaero, S7 Airlines, and Rossiya. The companies are accused in violating Ukrainian laws and performing flights to the occupied territory of Crimea. Sanctions will be applied for one year since October 25. In response, Russia completely closed its airspace for Ukrainian air companies after prohibiting to use Russian airspace for transit flights already in 2014. According to the Minister of Infrastructure, the passenger volume of air carriers between Ukraine and Russia was 0.7 m people in the first quarter of 2015. Leading Ukrainian airline Ukraine International Airlines (UIA) estimates its direct losses from Russian sanctions at USD 10 m annually. The sanctions will also affect state air navigation company Ukraerorukh (annual losses are estimated at USD 150 m), airports, handling and other related companies.

Sanctions will also be applied to the "First Freight Company in Ukraine", daughter of Russian railway company, which is prohibited to transport goods via, to and from Ukraine. In response to sanctions, Russia banned the usage of railway wagons of Ukrainian logistics company Ukrreftrans from October 30. The mutual actions may contribute to further decline in Russian transit of goods to Ukrainian sea ports.

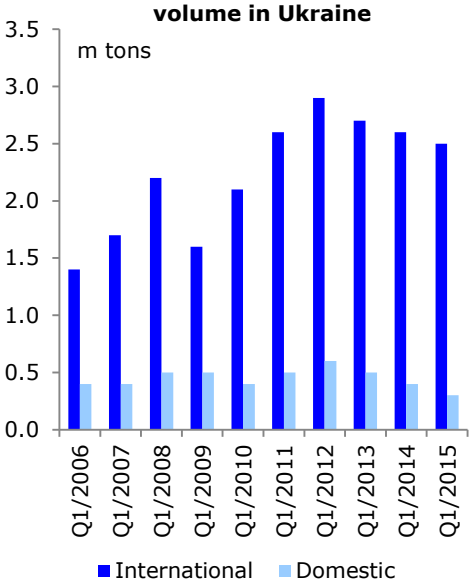
Railways. On September 2, the Cabinet of Ministers approved the Statute of the public joint stock company "Ukrainian railways" with 100% state ownership which is formed on the base of Ukrainian railway company Ukrzaliznytsya. The first issue of 230 m of ordinary

Gas in storage



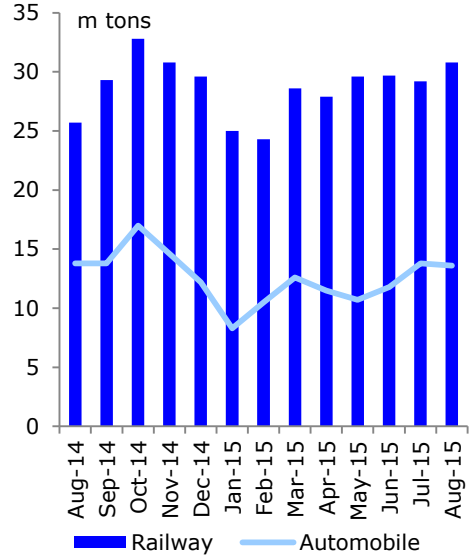
Source: Gas Infrastructure Europe

Passenger air transportation volume in Ukraine



Source: State Aviation Service

Freight volume in Ukraine



Source: Ukrstat

registered shares with the nominal value of UAH 1000 per share is planned to be made by the Ministry of Infrastructure. The statutory capital of Ukrainian Railways is UAH 230 bn. According to the Statute, strategic managerial decisions will be made by the Cabinet of Ministers, while operational and business decisions are in the competence of the Supervisory Board and the Management Board. State registration of the company is expected in October. Creation of the public joint stock company will make the management and operations of the new company more transparent than they were in Ukrzaliznytsya. It is the first step towards the corporatization of the company which is expected to help attract investments into railway industry.

Agriculture: Grain exports increased

Production. Gross agricultural production in August decreased by 11.1% yoy. Particularly, crop production between January and August 2015 decreased by 6.4% yoy. Beside the general economic situation, this is caused by the weather, which was more favourable in 2014. As a result, by the beginning of September amounts of collected corn and sunflower equalled 44.0% and 30.6% of the last year volume. At the same time, harvest of wheat and soybeans increased (by 9.9% yoy and 52.7% yoy, respectively) due to larger harvested area and small yield increase of soybeans. The livestock production decreased by 5.0% yoy due to lower domestic demand and the collapse of trade with Russia.

Exports. Between January and July 2015, grains exports increased by 15.0% yoy to 18.4 m tons. According to the Ministry of Agrarian Policy and Food (Minagro), this is partially the consequence of the cancellation of compulsory grain quarantine certificate, which created delays and caused corruption. In value terms (in USD), export decreased by 9.6% yoy due to fall in world prices.

Agricultural policy. In the end of September, 18 Ukrainian milk processing companies were allowed to export their products to China. Before, Ukrainian milk exports to China were terminated after Chinese authorities required each importing firm to pass equivalency test of own and Chinese phitosanitary system. According to the opinion of several experts, Ukrainian companies will start exporting not sooner than in half a year. The most attractive export products are likely to be dry milk products. Chinese import milk market is by six times bigger than the Russian one.

In October, the Government shortened the period of state registration of nitrogenous fertilizers containing the active substance, included in the list of permitted substances, from one year to forty days. This step should facilitate the access of both import and domestic fertilizers to domestic market.

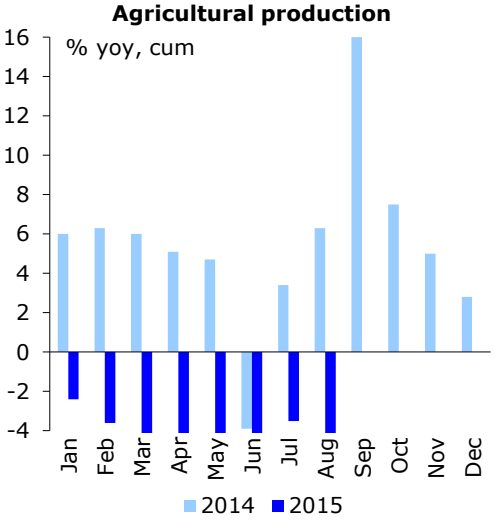
External sector: Twin surplus holds

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 balance in August was positive at USD 0.1 bn as slight deficit of trade in goods (at USD 0.2 bn) was compensated by positive net exports of services (at USD 0.2 bn) and inflow of private transfers. Merchandise trade deficit increased as exports dropped faster than imports.

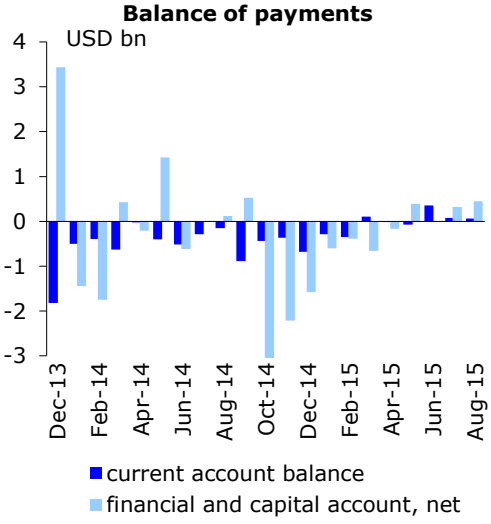
Exports fell due to drop in global prices for essential exports products, disruption in production caused by military conflict in the East, and trade tensions with Russia. Still, decline in merchandise exports slowed down to 28.0% yoy due to statistical base effect. In particular, exports of metals declined by 36.0% yoy, and exports of mineral dropped by 51.9% yoy. Exports of machinery, which so far was not successful in reallocating sales from the Russian market, contracted by 28.7% yoy. Decline in exports of chemicals by 34.5% yoy was also partially attributed to restricted access to natural gas. Exports of agri-food products dropped by 14.4% yoy as higher physical volume of

Agricultural production



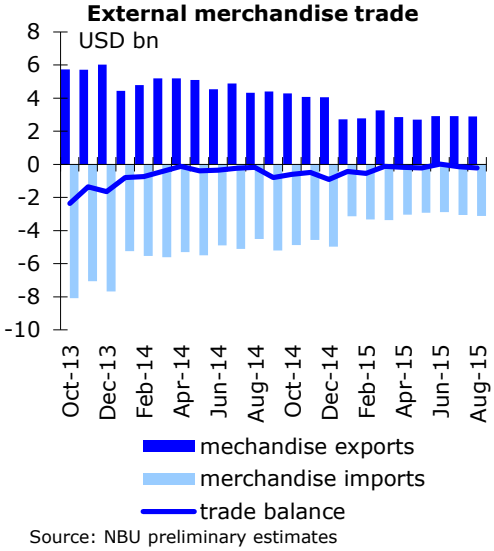
Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

External merchandise trade



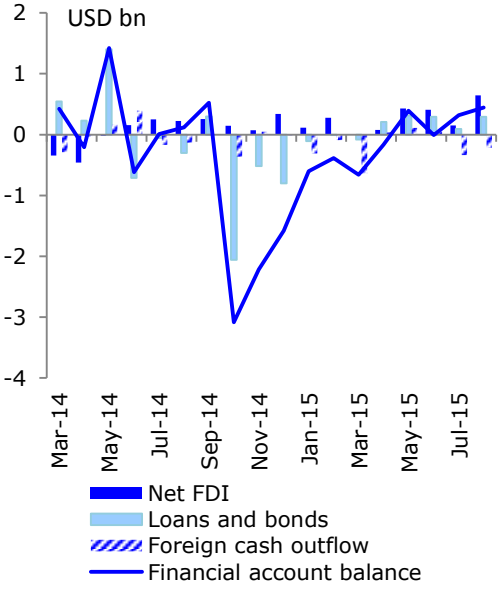
Source: NBU preliminary estimates

exports did not counterweight the impact of lower world prices . Exports of services contracted by 16.5% yoy.

Decline in imports also slowed downed to 27.2% yoy due to low statistical base. Food imports contracted by 41.8% yoy due to lower purchasing power of Ukrainians and import substitution. Termination of investment projects against the background of restricted financing and high economic and political uncertainty resulted in contraction of machinery imports by 18.1% yoy. Overall imports of industrial products (including chemicals, wood, industrial goods, metals and machinery) decreased by 22.5% yoy. Imports of minerals decreased by 19.9% yoy as Ukraine purchased smaller amounts of natural gas at lower effective price than in the same period of last year. Imports of services declined by 19.1% yoy.

Financial account balance was positive at USD 0.4 bn. Net FDI (at USD 0.6 bn) was directed mainly on recapitalization of the banking sector. The Government sector attracted USD 0.5 bn of net external borrowings. External investment position of banks slightly deteriorated due to significant contraction of external liabilities (at USD 0.9 bn). Real sector in August repaid USD 0.3 bn of external debt and accumulated USD 0.3 bn of trade loans. Amount of foreign cash outside banks shrunk by USD 0.3 bn.

Financial account



Source: NBU

Fiscal policy: Delays in the budget process for 2016

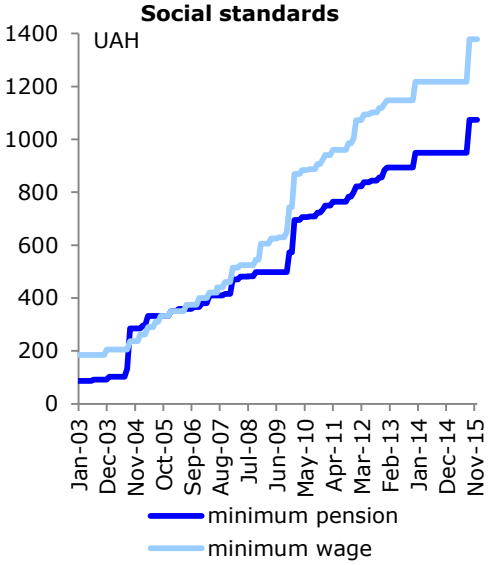
State Budget for 2016. As usual over the last years, the Government failed to prepare the draft State Budget Law for 2016 in time for Constitutional deadline (before September 15). Among other things planned tax changes were not finalized. Interim draft based on current tax laws was submitted to the Parliament on September 14, but it was immediately withdrawn in from the Verkhovna Rada the same day. Thus, the Budget will likely be rushed through the Parliament in December.

Execution. Consolidated fiscal revenues in eight months of the year increased by 36.3% yoy (if we exclude VAT refunds by special state domestic bonds made last year). Net collections of VAT increased by 33.0% yoy due to high inflation and hryvnia depreciation. The same factors resulted in surge of revenues from excise duties. Still, growth of revenues from excise duty decelerated to 39.6% yoy (from 46.1% yoy in seven months) as excise rates were increased in August 2014. PIT revenues growth accelerated to 33.8% yoy as wages continued to adjust to the burst of inflation in March and April. Collections of duties on international trade more than tripled due to introduction of temporary imports surcharge at 5-10%.

Higher than planned revenues and under-financed expenditures resulted in consolidated fiscal surplus at UAH 28.3 bn (as compared to deficit at UAH 28.6 bn a year ago).

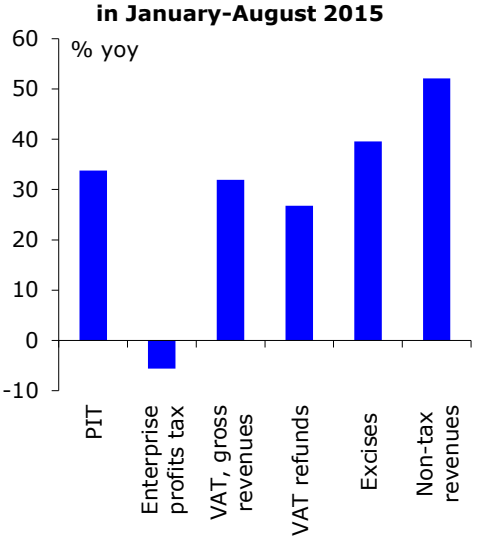
Budget amendments. Higher than expected fiscal revenues pushed the Government to revise the State Budget for 2015. Projected central fiscal revenues increased by UAH 14.3 bn to UAH 517 bn. Planned central fiscal expenditures were increased by the same amount so that the deficit target remained unchanged. Additional spending was allocated to increase central fiscal transfer to the Pension Fund and to cover higher wage and welfare payments as the Government moved forwards the increase in social standards (including minimum wage and minimum pension) to September from December. This is long discussed decision that will cover some of the lost purchasing power of the most vulnerable household. The Government also increased for the subventions to local governments to cover arrears for differences in utility tariffs by UAH 2.7 bn.

Social standards



Source: State Budget Laws for 2006-2015

Consolidated fiscal revenues in January-August 2015



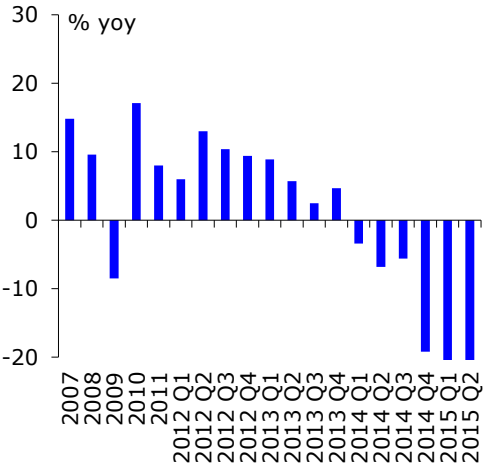
Source: State Treasury reports

Social policy: Sharp decline in household income

Drop in real disposable income accelerated to 34.0% yoy in the second quarter of 2015 as compared to 23.6% yoy in the first three months of the year. It was primarily attributed to higher inflation. At the same time, growth of nominal disposable income remained minimal at 4.8% yoy (as compared to 4.2% yoy in the first quarter).

Nominal wage income grew only by 7.7% yoy due to decline in employment. At the same time, income from subsidiary farming and entrepreneurs activity grew by only 13.9% yoy due to limited demand and higher statistical base. Frozen social standards and restrictions on special pensions led nominal income from social assistance to decline by 2.4% yoy. Besides, higher share of income spent on mandatory taxes and contributions (at 6.9% of total income) due to higher tax rates limited income available for discretionary spending.

Real disposable household incomes



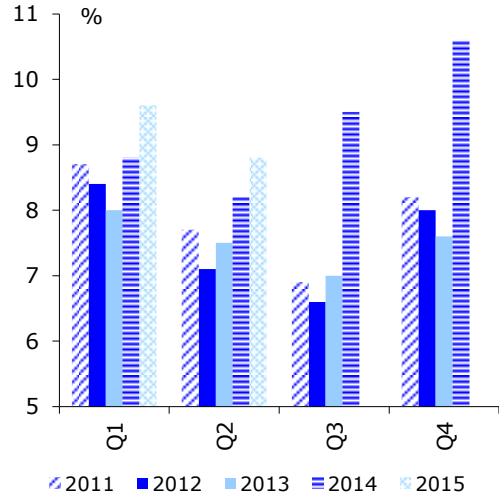
Source: Ukrstat

Labour market: Unemployment increased

Unemployment. As a consequence of economic recession, unemployment rate (ILO methodology) increased to 8.8% of economically active population at age 15-70 years old in the second quarter of 2015 as compared to 8.2% in the same period of 2014. New statistics does not include the zone of antiterrorist operation. Besides, it seems that it does not fully account for unemployment of internally displaced persons (IDPs). In particular, the Ministry of Social Policy reports on 1.5 m persons registered as IDPs. Therefore, increase in unemployment was likely higher than reported by the Ukrstat.

Unemployment rate increased in 19 regions (out of 25 regions). The largest unemployment rate was recorded in the regions most affected by war: 13.6% of economically active population in Donetsk oblast and 15.6% in Luhansk oblast.

Unemployment rate (ILO)



Source: Ukrstat

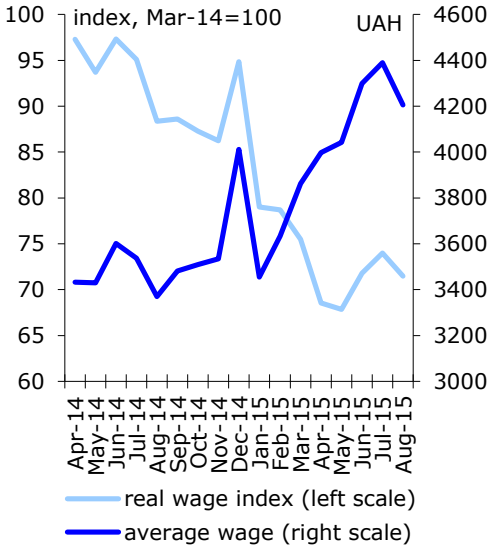
Wage. Average wage in August grew by 24.8% yoy to UAH 4205. High inflation and bad financial results of companies (due to low domestic and external demand) continued to put a downward pressure on real wages, which decreased by 19.2% yoy.

Good harvest likely explains increase in nominal wages in agriculture by 28.2% yoy. Still, wages in the sector continued to be by 20.6% lower than average in economy.

Industrial companies increased wages by 27.3% yoy primarily due to wage indexation for inflation, larger demand for products in several sectors, and higher revenues (in hryvnia equivalent) of export-oriented companies. The most remarkable change in wages was reported by two sectors. Wages in the production of computers and electrical equipment sector increased by 78.3% yoy likely due to increase in production attributed to higher military orders. Wages in coke manufacturing and petroleum refinery increased by 51.3% yoy due to increased demand. On the other hand, increase of average wage was depressed by the modest wage increase (at 16.7% yoy) in the electricity and gas supply sector, which employs 15.7% of industrial workers. This can be explained by the poor financial situation in companies in the sector. Currently, only 34.5% of them are profitable due to low tariffs and customer debts problems.

Basic wages in public sectors were frozen since 2014 and funds for bonuses and premiums were limited. As a result, wages increased by 18.6% yoy in public administration and defence, by 10.3% yoy and 15.2% yoy in education and healthcare, respectively.

Average wage*



*not including AR Crimea
Source: Ukrstat

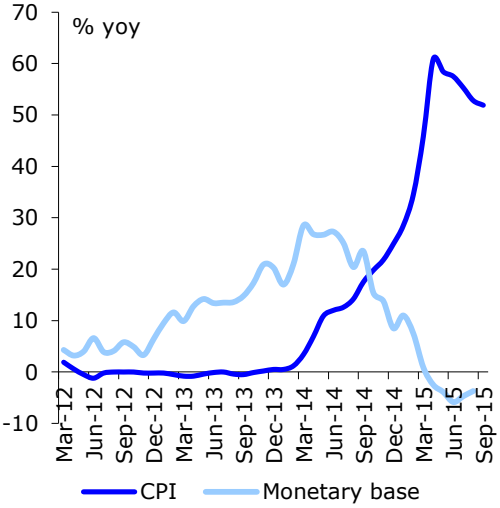
Monetary policy: Fashion inflation

In September, monthly core inflation jumped to 3.0% mom, which is the highest level since April. However, this reflected imperfect methodology of accounting for seasonal changes in prices for clothing and footwear (about 15% in core CPI basket). This likely reflected underestimation of prices in summer months (reported drop of prices by 7.5% in June-August) and overestimation of price increase in September (at 18.3% mom). If we replace price changes for clothing and footwear with average value in the last four months we see slower but more stable deceleration of inflation in the summer months (adjusted core inflation slowed to 1.0% mom in June and July and to 0.7% mom in August) and continued slowdown of adjusted core inflation in September to 0.5% mom. This reflects falling global commodity prices, stable exchange rate and lacklustre consumer demand. Besides it also likely means that inflation expectations reduced sufficiently to prevent recurrence of inflation/depreciation cycle in autumn

Headline CPI growth in September was 2.3% mom or 51.9% yoy. On the one hand share of clothing in full CPI basket is lower than in core CPI. Also falling global oil and grain prices led to lower prices for gasoline and bread products for Ukrainian consumers. On the other hand, the Government continued with scheduled electricity price increases (electricity tariffs were increased by 25% adding 0.4% to CPI) and the Ukrstat reported seasonal increases in fruit and vegetable prices.

On September 24, the NBU reduced policy rate for a second time in two months to 22% p.a. from 27% p.a., but so far rates on deposit operations remained unchanged since July. Healthier banks continued to invest large parts of their liquidity in the NBU overnight and 7-90 day deposits facilities. Funds invested in term facilities increased by UAH 9 bn over September to UAH 42 bn by the end of month, while average balances on overnight facility reached UAH 11.8 bn. This means that healthier banks remained very cautious in lending to businesses.

CPI and monetary base development

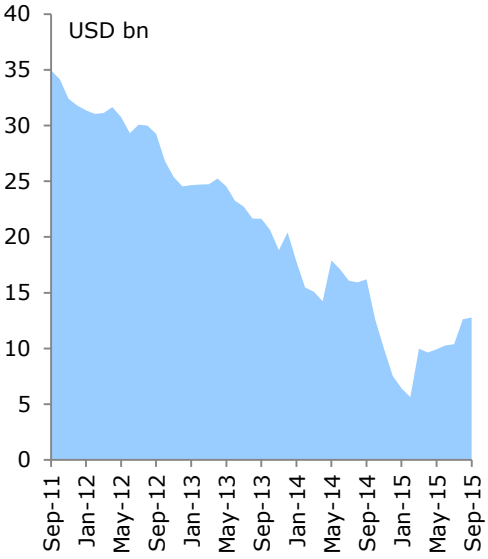


Source: Ukrstat, NBU

Exchange rate: September calm

In September, interbank exchange rate remained in UAH 21-23 range set by the NBU as the NBU bought USD 152 m to increase international reserves. Supply and demand on interbank market were close to the balance and no seasonal increase in demand for foreign currency was observed. This may mean that seasonal increase in demand for investment goods did not happen. Net sales of cash foreign currency to banks increased to USD 167 m bringing the total for the third quarter to USD 0.45 bn. This likely reflects lower depreciation expectations and use of foreign currency savings to cover drop in disposable income. International reserves reached USD 12.8 bn by the end of September.

NBU international reserves



Source: NBU

State debt: Laws on sovereign debt restructuring were adopted

Debt restructuring. On September 17, the Verkhovna Rada adopted the legislation needed for state bond restructuring and bondholder meeting. Old sovereign bonds are to be exchanged for new bonds as well as sovereign GDP-linked derivatives (VRI) to be issued by Ukraine. As this procedure takes time, the Cabinet of Ministers had to impose moratorium on the Eurobonds payments including principal payment due on September 21. Bondholder meeting, which is needed to approve restructuring, will be held in London on October 14, 2015.

External debt. According to signed on September 16 agreement, the World Bank will provide Ukraine with USD 500 m loan (at near 1% p.a.) for seventeen years with six-year grace period. It is a part of the Second Programme Loan for the Development Policy of the Ukrainian financial sector. The Programme is aimed at strengthening the capacity of the Deposit Guarantee Fund, improving the solvency of the banking system (primarily through implementation of bank recapitalization), strengthening the legal and institutional framework to improve the efficiency of the banking system. To receive the loan, Ukraine founded the Council for Financial Stability, adopted the Law on the Deposit Guarantee Fund, closed insolvent banks and provided additional capital to several banks. Total financial support package of the World Bank is planned to reach USD 2 bn in 2015.

Tables

		Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Oct[c]	Nov[c]	Dec[c]	Jan[c]	Feb[c]	Mar[c]	Apr[c]	May[c]	Jun[c]	Jul[c]	Aug[c]	Sep[c]
Industrial production (real)	% yoy cum.	-5.2	-4.7	-5.0	-4.7	-8.6	-10.1	-21.4	-9.4	-10.1	-10.7	-21.3	-21.7	-21.4	-21.5	-21.2	-20.5	-19.5	-18.0	...
Construction (real)	% yoy cum.	-15.1	-14.5	-6.4	-8.9	-17.2	-19.3	-31.3	-18.6	-19.3	-21.7	-36.7	-32.0	-31.3	-32.6	-38.5	-28.3	-26.7	-24.6	...
Agricultural production (real)	% yoy cum.	3.0	13.7	6.0	-3.9	16.0	5.0	-4.7	7.5	5.0	2.8	-2.4	-3.6	-4.7	-4.8	-5.4	-9.3	-3.5	-5.8	...
Retail trade turnover (real)	% yoy cum.	9.8	9.5	7.7	0.8	-5.3	-7.5	-23.9	-6.8	-7.5	-8.6	-22.6	-21.2	-23.9	-25.3	-24.7	-24.6	-23.6	-23.1	...
Average wage	UAH	3331	3390	3245	3488	3463	3508	3650	3509	3534	4012	3455	3633	3863	3998	4042	4299	4390	4205	...
CPI	% yoy eop	-0.5	0.5	3.4	12.0	17.5	21.8	45.8	19.8	21.8	24.9	28.5	34.5	45.8	60.9	58.4	57.5	55.3	52.8	51.9
PPI	% yoy eop	-0.9	1.7	3.9	15.9	26.9	32.8	51.7	25.9	32.8	31.8	34.1	41.0	51.7	48.6	42.0	37.9	37.0	33.0	32.5
Exports (USD)*	% yoy cum.	-6.2	-5.2	-7.7	-6.5	-9.8	-13.1	-32.9	-11.5	-13.1	-15.0	-30.8	-32.3	-32.9	-34.5	-36.4	-35.4	-35.4	-34.6	...
Imports (USD)*	% yoy cum.	-4.1	-3.4	-14.7	-18.6	-24.5	-27.1	-36.0	-26.3	-27.1	-27.8	-36.3	-35.9	-36.0	-37.2	-39.3	-39.2	-38.8	-36.4	...
Merchandise trade balance	USD bn cum.	-14.2	-19.6	-1.9	-0.6	-5.2	-6.5	-1.0	-6.0	-6.5	-7.6	-0.4	-0.9	-1.0	-1.1	-1.3	-1.2	-1.4	-1.9	...
Current account**	USD bn cum.	-11.4	-16.4	-1.3	-0.6	-3.8	-4.6	-0.5	-4.2	-4.6	-5.3	-0.3	-0.6	-0.5	-0.3	-0.3	0.0	0.1	-0.1	...
Gross international reserves	USD bn eop	21.6	20.4	15.1	17.1	16.4	7.5	10.0	12.6	10.0	7.5	6.4	5.6	10.0	9.6	9.9	10.3	10.4	12.6	12.8
Monetary Base	% yoy eop	14.8	20.3	28.5	25.1	23.5	13.8	0.9	15.4	13.8	8.5	11.0	7.5	0.9	-2.5	-3.9	-5.9	-4.7	-3.7	...
Lending rate on UAH credits	% pa, aop	15.3	16.5	18.5	17.5	16.4	16.4	19.9	16.3	16.7	16.9	17.2	18.8	23.6	23.8	23.6	22.0	21.2	21.2	...
Exchange rate (interbank)	USD aop	8.15	8.21	9.1	11.71	12.58	13.56	21.23	12.93	14.75	15.63	15.94	24.77	22.98	22.49	20.94	21.26	21.79	21.65	21.79
Exchange rate (official)	USD aop	7.99	7.99	8.9	12.71	12.58	13.56	21.18	12.95	14.70	15.62	15.81	24.48	23.26	22.71	20.92	21.23	21.76	21.54	21.78
Exchange rate (official)	EUR aop	10.58	10.87	12.14	13.71	16.67	17.21	23.88	16.43	18.36	19.26	18.53	27.78	25.32	24.47	23.32	23.84	23.94	23.93	24.46

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

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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