# Monthly Economic Monitor Ukraine

No.9 (179), September 2015

## EXECUTIVE SUMMARY

***HIGHLIGHT: DEBT RESTRUCTURING***

***Politics:*** On August 31, the Parliament approved in the first reading amendments to the Constitution that establish a framework for decentralization of power in Ukraine.

***Real Sector:*** Improvement in many sectors is recorded. Industrial production in July declined by 13.4% yoy as compared to 18.1% yoy a month before

***Energy sector:*** The Naftogaz lacks funds to purchase enough gas for heating season.

***Agriculture:*** Gross agricultural production in July increased by 1.9% yoy due to good harvest of grains, rape, vegetables and fruits after declining for six months in a row.

***External sector:*** Current account balance in July was positive at USD 0.1 bn due to small deficit of trade in goods and services.

***Fiscal policy:*** The State Budget for 2016 is likely to be based on new Tax Code. The design of new tax system is still unknown.

***Privatisation:*** The Government again postponed privatisation.

***Social policy:*** The Government announced plans to increase social standards, including minimum wage and minimum pension, since September 2015.

***Labour market:*** Average wage in July increased by 23.1% to 4390 UAH due to indexation for inflation.

***Monetary policy:*** Headline CPI in August dropped by 0.8%, which reflected continued seasonal drop in prices for fruit and vegetables and lower bread prices due to falling grain prices.

***Exchange rate:*** In August, interbank exchange rate remained in UAH 21-23 per USD range set by the NBU despite almost complete absence of the NBU interventions in the market.

***State debt:*** In late August, the Ministry of Finance finally agreed with the Committee of Ukraine's International Commercial Creditors on basic parameters of sovereign debt restructuring.

# Highlight of the month: Debt restructuring

## WHAT THE DEAL ON DEBT RESTRUCTURING BRINGS TO UKRAINE

*Oleksandra Betliy, Vitaliy Kravchuk*

In August the Cabinet of Ministers announced the successful completion of negotiations with creditors on state debt restructuring. Holders of Eurobonds will will receive portfolio of new Eurobonds from 9 new issues in equal proportions with total principal reduced by 20%. New bonds will mature in each of the years between 2019-2027. At the same time, the investors will be compensated for the haircut on new bonds with sovereign derivatives where payout is tied to GDP size and real GDP growth of Ukraine. New derivatives are referred to as Value Recovery Instrument (VRI). The agreement on debt restructuring was reached with private owners of USD 9 bn of Ukraine's Eurobonds (out of USD 18 bn). For the deal to be completed changes in Ukrainian legislation must be approved by the Parliament. Then qualified majority of holders of each Eurobond issue will have to approve the restructuring. There is good chance that the rest of owners (except for Russia) will agree on the same deal.

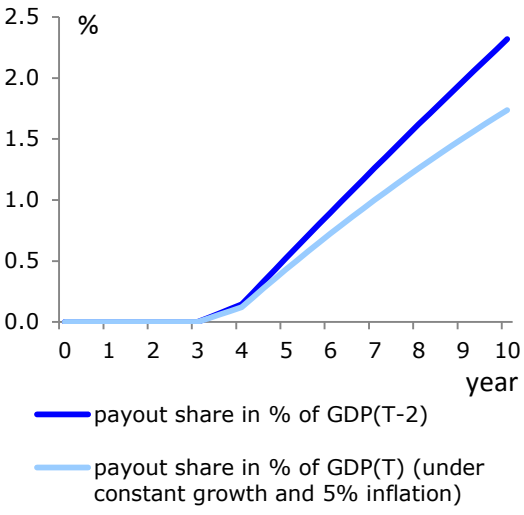
According to media reports committee members hold qualified majority in 5 of the Eurobond issues and blocking share in most of the issues. However, owners of Eurobonds with maturity in 2015-2017 face largest maturity extension and may try to demand more favourable terms for the restructuring for these issues. It is unclear how likely they are to succeed. It seems that this agreement reached key goals as agreed with the IMF including maturity extension, reduction of debt level as well as more even debt servicing burden.

From the beginning the Ministry of Finance suggested to bondholders to cut face value by 40%, while bondholders at first rejected the idea of haircut and later offered token 5% write-down. As a result, reduction of face value by 20% is a compromise between the parties. But in order to get haircut the Government had to offer sweeter terms in other areas. For example, coupon on new bonds is quite high at 7.75% p.a. and maturity extension ranges from 8 years for 2015 bonds to zero for 2023 bonds. Coupon is close to average on bond portfolio but offers high return in current low interest-rate environment. Maturity extension averaging four years is also shorter than possible range of 5-10 years.

Still, the Government will receive a relief from repaying large amount of debt during next four years. This will allow the Government to reduce gross financing needs for the next four years by at least USD 15 bn as required by the IMF Program. Continued IMF Program will allow Ukraine to receive assistance from official international donors. In particular, issue of another USD 1 bn through US guaranteed Eurobonds is expected by the end of 2015. The EU will continue provision of the macrofinancial assistance loans. This will reduce the fiscal pressure and will allow Ukraine to use international assistance to stabilise and grow economy rather than repaying commercial creditors. The NBU will be able to increase international reserves, which would result in higher stability of exchange rate. This is also likely to improve investment climate as sovereign debt moratorium would have slowed capital inflows and delayed return of private companies to global capital market.

At the same time, the question remains on the possible costs of sovereign derivatives where payouts may start since 2021. According to the published information, the Government between 2021 and 2040 will pay holders of VRI certain share of nominal GDP depending on real GDP growth based on complex formula. For example in case of 3.5% GDP growth in 2019 VRI holders would receive total payment equal 0.07% of 2019 GDP in 2021, when the final GDP figures would be released. The sum in hryvnia would probably be converted at then-current exchange rate to US dollars. If GDP growth would exceed 4% payouts would be significantly larger. For example, 6% growth in 2019 would trigger 0.9% payout and each additional percentage point of growth would add about 0.35-0.4% of GDP to payout[1]. Between 2021 and 2025 the payment will be capped by 1% of GDP. After 2025 China style GDP growth at 8-10% may trigger payments up to 1.5-2% of GDP. At the same time, no payment will be due if GDP is below USD 125.4 bn[2] or real GDP growth is below 3%. Some key terms of VRI remain to be negotiated, i.e. what exchange rate to use, GDP methodology and so on. Potential real GDP growth is estimated by the IMF at 4%. The key risk for Ukraine in this instrument is volatile growth. If Ukraine's growth will be below 4% in most years, payouts would be small or zero and VRI would be almost costless for Ukraine. If the growth would be higher investors may receive substantial compensation but fast economic growth would lift all boats and this would be a problem we should want to have. It should be noted that payments will be calculated as a share of nominal GDP in base yeare. This would mean that payment as a share of current year's GDP can be lower. For example in case of steady 7% growth and 5% GDP deflator we would have to pay each year 1.26% of GDP in base year. But this would translate to 1% of GDP in the current year. In case of volatile growth economy may grow slowly on average but after years of fast growth large payments would be due in years with recession. Overall, VRI should not be a large burden for Ukrainian budget but it will create additional fiscal risks in case of volatile growth.

**Payout share depending on GDP growth**




Source: own calculations

At the same time, the repayment of debt to Russia, which is due in December 2015, is still an open question and may complicate restructuring process. In the end of 2013 Russia provided USD 3 bn in financing to Ukraine as a signal of political support to President Yanukovych. However, the funding was structured as commercial Eurobonds under English law to provide additional assurance of repayment in case of regime change in Ukraine. As a result, this debt will likely be treated as private debt subject to restructuring. On the one hand, this means that Ukraine is obliged to offer the same restructuring terms to Russia as to other investors despite Russia's annexation of Crimea and the Russian involvement in the military conflict in the East. If Russia refuses to accept restructuring the IMF can continue to lend to Ukraine without changes in its policies (it is against IMF policy to lend to countries in default to official creditors). Moreover, default on Eurobonds owned Russia will not trigger cross-default clauses for new bonds issued under restructuring[3].

Overall, debt restructuring will positively impact macroeconomic situation in the country and would allow avoiding disorderly default. This means less international lawsuits. The Government and private corporations would return sooner to commercial funding. It will allow reducing fiscal pressure and allowing the NBU to increase international reserves. The deal could be not the best attainable as IMF terms required Ukraine to seek significant haircut on the bonds and as a result to offer concessions on other aspects of the deal. The restructuring with e.g. 10-year extension of maturity of all bonds and 3-5% coupon on the bonds without haircut and derivatives may have been more advantageous in the end. But it is very easy to second-guess even the most difficult negotiations. We should also remember that the restructuring is yet to be finalized. This includes domestic procedures (approval by the Verkhovna Rada of draft laws submitted by the Cabinet of Ministers on September 9) and votes of the bondholders. The situation is complicated by uncertainty of Russian debt status (IMF board has not taken final decision on how to treat Russian debt) and fast approaching maturity of 2015 Eurobond (September 23).

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1 If real GDP growth in the year T-2 is r% than in year T we have to pay (0.4*(r-4)+0.15)/(1+r)% of nominal GDP in the year T-2 if r>4%.

2 According to the IER estimate GDP is likely to decline to USD 87 bn in 2015 as compared to USD 132 bn in 2014.

3 Cross-default clause which is standard in Eurobond contract and it is present in all current Eurobond s allows bondholders to demand immediate repayment of the bond if borrower misses payment on other Eurobond. Debt restructuring terms foresee exemption for old bonds from cross-default

# Monthly Economic Monitor Ukraine

## Politics: Constitutional amendments put political stability at risk

***The Constitution.*** On August 31, the Parliament approved in the first reading amendments to the Constitution that establish a framework for decentralization of power in Ukraine. 265 out of 420 of the members of the Verkhovna Rada voted for the amendments. The amending bill makes provision for establishment of local governments (executive committees), which will resume the functions performed now by centrally directed local state administrations. According to the amendments, local self-government in some areas of Donetsk and Lugansk regions (Donbas) may have peculiarities defined by a special law (a requirement of the Minsk agreements, which are intended to settle the conflict in Donbas).

The bill was supported by most of MP's from the Petro Poroshenko Bloc and the People's Front party. But the other members of the government coalition (the Samopomich party, the Radical party and the Batkivshchyna party) mostly voted against the amendments. However, the bill was supported by pro-Russian Opposition bloc. The vote sparked violent protests against possible granting special rights to the areas occupied now by Russia. Three National guardsmen were killed by a hand grenade and more than 100 people were wounded in clashes near the parliament building on the day of voting. On September 1, the Radical party declared that it leaves the government coalition in protest against the amendments. The next vote for the bill may also lead to political instability. The amendments to the Constitution will become effective if at least 300 MP's approve it at the current session of the Parliament, which will last to January or February 2016, and the President signs the bill.

***The war in Donbas.*** On August 26, a new agreement on a permanent ceasefire starting from September 1 was reached. The agreement was settled within the Trilateral Contact Group (TCG), which included the representatives of Ukraine, Russia and the OSCE. As a result, the intensity of fighting in Donbas decreased. Up to August 28 there were 70-110 cases of firing and shelling against Ukrainian troops per day, but starting from August 30, the number of such cases decreased to 3-19 per day. The previous similar lull took place in December 2014, and it lasted only four weeks. The intensity of the military conflict may increase again as Russia tries to use the conflict as a tool to destabilize Ukraine and influence its policies.

***Law enforcement.*** In August, Ukraine continued to gradually reform its law enforcement system. The national police, which was intended to replace the current police force officially called 'militia', started patrolling Lviv's and Odesa's streets on August 23 and 25, respectively. The police reform is expected to be completed in November.

In August, the first step in the implementation of reform the prosecution system was also made. The general prosecutor's office (GPO) accepted 6,000 applications for 700 positions of heads and deputy heads of local branches of the GPO. Those positions are expected to be filled by competition up to the end of 2015. In 2016, the reform will be extended to the regional and the central level of the prosecution system.

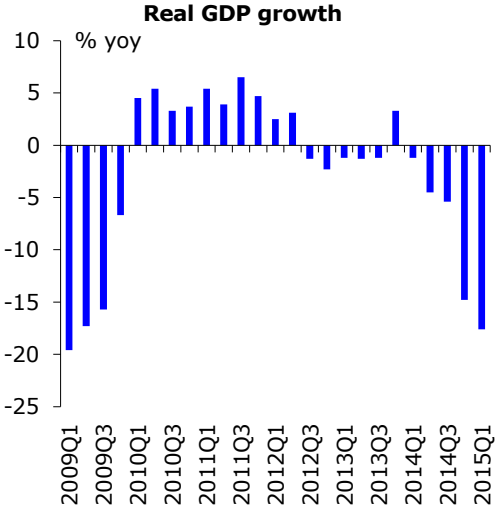
In early September, two versions of a bill on the judicial reform were prepared to be sent the European Commission for Democracy through Law (the Venice Commission) for evaluation. One of them is drafted by the President's Constitutional Commission, the other — by civic activists. The former bill establishes mechanisms for gradual change of judges, and the latter designs a completely new system of justice.

## Real sector: Some improvement is recorded

***Sectoral trends.*** Industrial production in July declined by 13.4% yoy as compared to 18.1% yoy a month before primarily due to statistical base effect. In particular, escalation of military conflict in Donbas resulted in sharp drop in production in the second half of 2014.

**Population (without Crimea): 42.7 m**
**Industry/GDP: 19%**
**Agriculture/GDP: 10%**
**Investment/GDP: 14%**
**Exports to: Russia 18%, EU 32%**
**Imports from: Russia 23%, EU 39%**

**Real GDP growth**




Source: Ukrstat

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

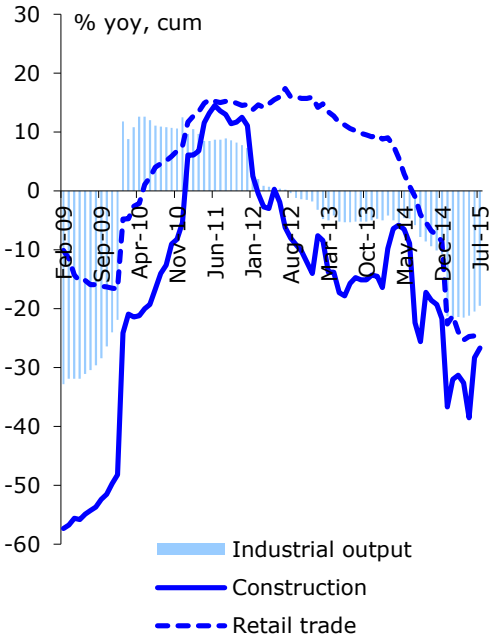
Decline in manufacturing decelerated to 12.0% yoy as compared to 17.6% yoy in June. Situation in metallurgy improved due to partial recovery of work of Alchevsk steel plant. Higher defence orders supported work of machine building, where decline slowed down to 11% yoy as compared to 17.6% yoy a month before. Food production (excluding tobacco and beverages) declined by 9.8% yoy primarily due drop in real household income.

In July, retail sales by enterprises did not fall for the fourth month in a row and increased by over 1% on seasonally adjusted basis. This point to stabilization of real private final consumption. This likely happened as real incomes partially recovered in response to increase in nominal income against the background of decelerated inflation.

At the same time, situation in construction did not improve. In particular, construction dropped by 24.6% yoy after decline by 23.9% in June due to worsened performance of commercial construction.

*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**

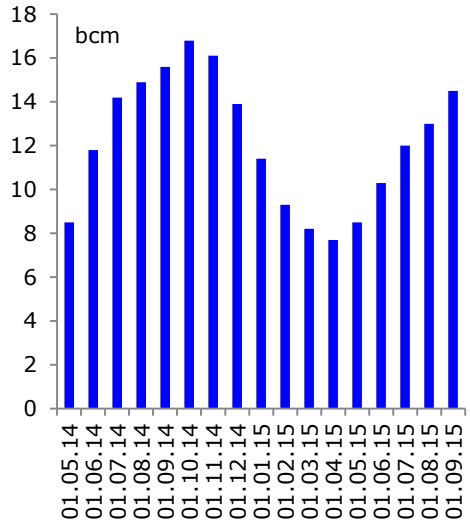



Note: Since April 2014 - data excludes Crimea
Source: Ukrstat

## Energy sector: Ukraine needs money to buy fuel

***Gas.*** In August, gas imports from Europe almost doubled as compared to the previous month and reached 1 bn cubic meters (bcm). This allowed Ukraine to accumulate 14.7 bcm of gas in underground storages as of September 6, while it had 16 bcm of gas in storage in the same period of last year. According to the Energy Minister, the country would need at least 19 bcm of gas to pass the winter season. At the current pace of gas accumulation without Russian gas Ukraine will have only 16.5-17 bcm by the start of the heating season. The major problem for the Naftogaz is not the lack of gas in Europe or technical difficulties but the lack of funds for gas purchases. Currently Ukraine is engaged in negotiations with the European Commission and international financial organizations on attracting financial assistance to pay for gas. So far, no agreement has been reached.

**Gas in storage**




Source: Gas Infrastructure Europe

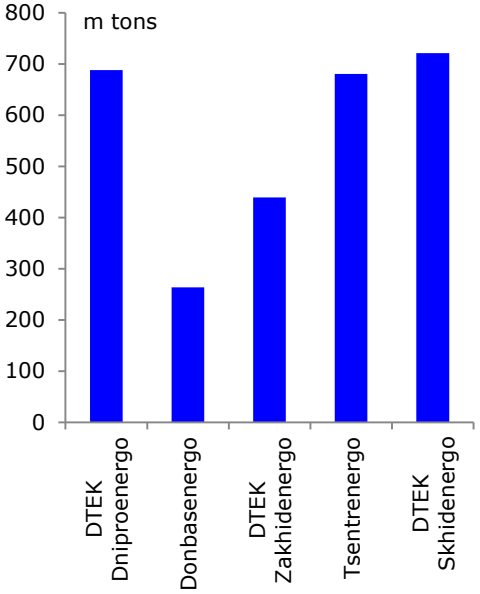
***Electricity.*** In August, Ukraine resumed electricity imports from Russia due to hot weather and maintenance works at nuclear power plants. The price of electricity imported from Russia was UAH 900 per MW*h in August and was set at UAH 950.1 per MW*h for September. For comparison, the price of electricity that Ukraine supplies to Poland as an emergency aid is UAH 1790 per MW*h and the price of electricity on the domestic wholesale market is UAH 1178 per MW*h.

From September 1, the electricity tariffs for the households increased on average by 23%: to UAH 0.456 per kW*h for consumption up to 100 kW*h, to UAH 0.789 for consumption between 100 and 600 kW*h, and to UAH 1.479 for consumption above 600 kW*h. This is the second stage of bringing the electricity tariffs to the cost covering level after increasing tariffs in April 2015. Next increase by another 23% will be introduced in March 2016. The last increase is expected in March 2017, when the average price will reach UAH 1.2277 per kW*h. By that time the tariff is estimated to be equal to the cost covering level for electricity. At the same time, electricity tariffs for industrial consumers of the first voltage class decreased by 2% to UAH 1.2505 per kW*h and stayed the same for the second voltage class at UAH 1.502. By increasing the electricity tariffs for the households the Government decreases cross-subsidisation in the industry and induces the population to save energy.

***Coal.*** The railway line Mayorske-Mykytivka between Donetsk and Luhansk regions was restored and starting August 16 is again used for coal transportation from Donbas coal region to Zmyivska thermal power plant (TPP). The track was damaged a year ago as a result of shelling and could not be restored due to military operations in the area. Currently energy companies can use three routes to supply coal from the occupied territory in Donbas: Mayorske - Mykytivka, Yasynuvata - Skotovata and Sentyanivka – Shypilove depending on the military situation in the area. The rest of the needed volume of

coal is imported. Between January and July, Ukraine imported 1.5 m tons of coal from South Africa, Russia, Poland and Australia. According to the Ministry of Energy order, there should be at minimum 2.8 m tons of coal at TPPs by November 1 for securing the heating season. As of August 31, there were 1.4 m tons of coal in storage including 0.6 m tons of anthracite. The target seems unrealistic and can only be met if the Government intensifies coal transportation from the occupied territories.

**Required coal in storage by November 1, 2015**




Source: Ministry of Energy

## Agriculture: Record harvest of wheat

***Production.*** Gross agricultural production in July increased by 1.9% yoy due to good harvest of grains, rape, vegetables and fruits after declining for six months in a row. This year wheat crop is officially estimated at 24.2 m tones, which is the largest wheat harvest in last ten years. Decline in average wheat yield by 1.5% yoy was compensated the larger harvested area.

According to estimates of the Ukrainian club of agricultural business buckwheat crop is likely to decline by 14.0% as compared to previous year. Farmers decreased harvesting areas under buckwheat, which is one of the least profitable grains culture. Consequently, imported buckwheat is likely to account for a quarter of total supply, while prices are expected to increase by around 30.0%.

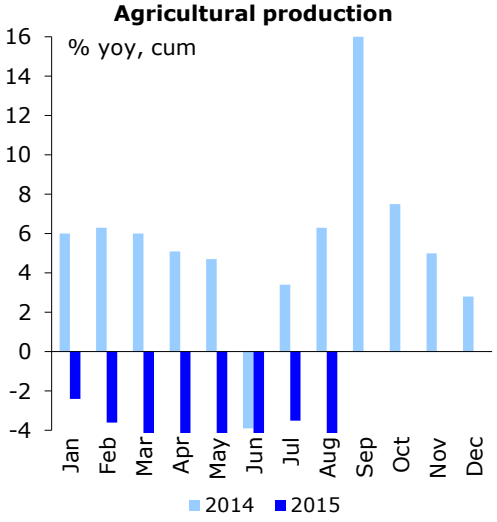
The amount of grain exports as of September 10 was 7.0 m tones. The main recipients of Ukrainian wheat as of June 2015 were Egypt (17.2% of export volume), Italy (9.5% of export volume) and Israel (5.9% of export volume). The main recipients of Ukrainian maize export were China (22.1% of export volume), Egypt (16.8% of export volume) and Spain (12.0% of export volume).

Livestock production is negatively affected by the decrease of consumers' purchasing power. As of August 2015, number of cattle decreased by 7.1% yoy, number of pigs decreased by 3.3% yoy, number of poultry fell by 4.8% yoy. At the same time, pig meat prices fell by approximately 10.0% during August, as a result of oversupply: owners are afraid that animals can catch African swine fever virus and kill them beforehand.

Area under winter crops in 2016 is expected to be 18.0% smaller than in 2015. The sowing campaign should start in the mid-September. Insufficient amount of rains in southern and eastern regions (40% of sown area) can delay the start of the sowing campaign there.

***Agricultural policy***. At the beginning of August 2015, the Cabinet of Ministers allowed inspections of swine-growing enterprises (which was banned before) in order to stop the spreading of African swine fever virus. Another measure was the destruction of wild swine populations in Kyiv, Zhytomyr, Sumy, Rivne and Chernihiv regions. Despite this, new cases of infection are still discovered (the last one was recorded on the 7th of September in Chernihiv region).

**Agricultural production**




Source: Ukrstat

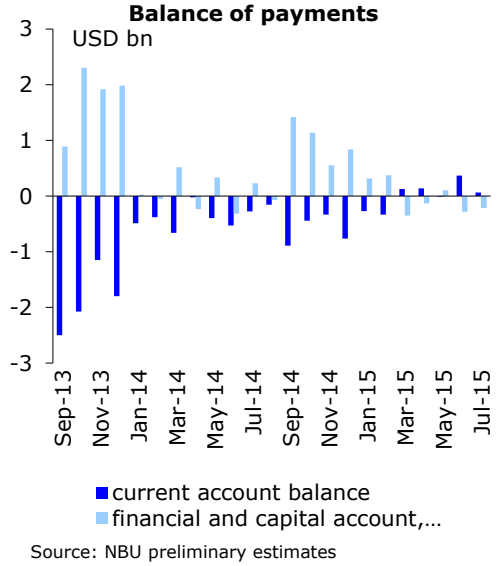
## External sector: Second consecutive month of twin surplus

*Note: As 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, starting from this issue external sector will be analysed using BPM6 methodology. All historical data used in graphs is updated respectively.*

Current account balance in July was positive at USD 0.1 bn due to small deficit of trade in goods and services. Merchandise trade was in deficit of USD 0.2 bn, which, however, was partially compensated by net exports of services equal to USD 0.1. Comparing to July 2014, primary income net outflow halved to UAH 0.1 bn, while net private transfers increased by almost 30% to UAH 0.2 bn. Capital account was in slight surplus less than USD 0.1.

Drop of merchandise exports accelerated to 35.3% yoy in July from 29.1% yoy in June. Exports to Russia declined by 2.5 times in response to trade restrictions and disruption of exports from Donbas.

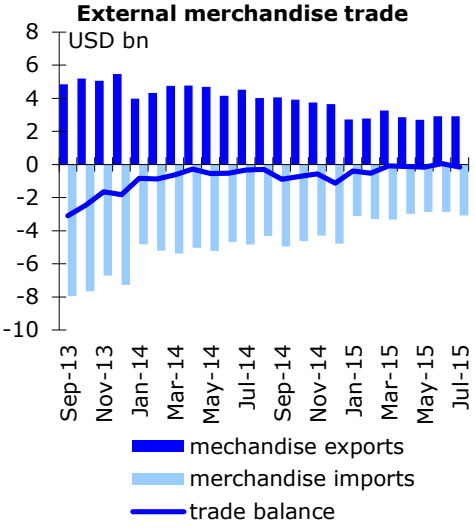
**Balance of payments**




Source: NBU preliminary estimates

In particular, exports of machinery, for which Russia is a key market, contracted by 51.0% yoy. Decline in exports of chemicals by 33.7% yoy is attributed to the suspension of production at the occupied territories as well as restricted access to both domestic and imported inputs. Downward trend in global prices for key export commodities also negatively contributed to Ukraine's exports, affecting primarily exports of cereals, metals and iron ore. Exports of minerals dropped by 46.4% as export price of iron ore, the major export item within this commodity group, decreased by 33.2% yoy (physical value increased by 26.4%). Price drop, the suspension of production and restricted access to raw materials explain decline in exports of metals by 42.4% yoy. Food exports decreased by 20.2% yoy as high crop yields and reallocation of sales from Russia to the rest of the world were not substantial to compensate for lower prices. In particular, according to the data provided by the State Fiscal Service of Ukraine, real exports of cereals in July increased by 25.9% yoy, while prices declined by 26.1% yoy, which resulted in contraction of nominal exports of cereals by 6.9% yoy. Exports of services dropped by 22.5% yoy because of lower exports of transit and business services.

**External merchandise trade**

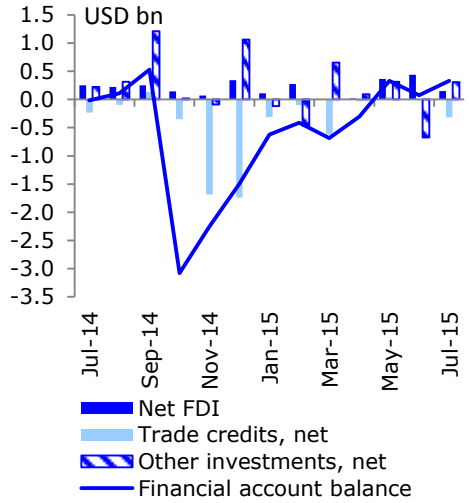



Source: NBU preliminary estimates

Decline in imports of goods remained close to 37% yoy. Lower purchasing power of consumers resulted in decreased of food exports by 47.1% yoy. Termination of investment projects against the background of restricted financing and high economic and political uncertainty resulted in contraction of machinery imports by 36.0% yoy. Overall imports of industrial products (including chemicals, wood, industrial goods, metals and machinery) decreased by 36.5% yoy. Imports of minerals decreased by 18.7% 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 24.1% yoy.

Financial account balance was positive at USD 0.3. Net FDI inflow slightly decreased to USD 0.2 bn, which were allocated mainly to the real sector. The Government sector attracted USD 0.7 bn of external debt financing from the USA, the EU and the World bank. External investment position of banks slightly deteriorated even though they were able to attract some foreign cash and deposits. Real sector in July repaid USD 0.3 bn of external debt and USD 0.4 of trade loans. Amount of foreign cash outside banks shrunk by another USD 0.1 bn.

**Financial account**

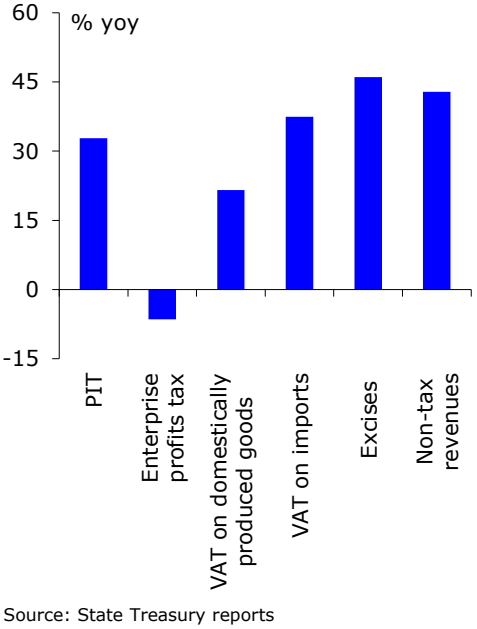



Source: NBU preliminary estimates

## Fiscal policy: Tax reform is in agenda

***Execution.*** Consolidated fiscal revenues in seven months of 2015 increased by 37.5% yoy. However, if we exclude VAT refunds by special state domestic bonds made in last year the growth will be slightly smaller at 34.6% yoy (in particular, last year in July the Government refunded VAT at the expense of special bonds at UAH 5.4 bn, which were accounted in revenues instead of deficit). PIT revenues grew by 32.8% yoy due to introduction of military fee, increase in wage bill and higher taxation of passive income. Inflation and hryvnia depreciation resulted in larger revenues from excise and VAT on both domestically produced goods and imports. At the same time, EPT revenues declined by 6.5% yoy despite inflation due to very bad financial situation of companies. Collections of duties on international trade more than tripled due to introduction of temporary imports surcharge at 5-10%.

**Growth of Consolidated fiscal revenues in May 2015**




Source: State Treasury reports

As neither central government or local governments have started spending extra revenues (central fiscal revenues due to general fund were over-executed by 8.1% of target or UAH 20.5 bn) consolidated fiscal surplus reached UAH 15.4 bn. The Government also under-executed planned central fiscal expenditures (general fund) by 7.7% of target. The Government is expected to revise the budget in the nearest future to spend additional revenues primarily on increase in social standards. According to the respective draft law central fiscal spending is due to increase by 2.6%.

***Tax reform.*** On September 3, 2015, the tax reform was discussed at the National Reform Council. In particular, the Minister of Finance and the Head of the VR Committee on tax and custom policies presented their concepts of tax reform. The Minister of Finance suggested to introduce flat 20% rate for PIT, VAT, EPT and single social

contribution (SSC) and broaden tax base by elimination of most privileges. Property tax rate and excise rates are to be increased. The simplified taxation system (STS) is to be restricted to individual entrepreneurs with annual sales below UAH 2 m (currently UAH 20 m). The rates should be also changed with increased SSC in STS and closer alignment of PIT and SSC. Three-year moratorium on tax law changes was suggested. The VR Committee concept envisages EPT and VAT at 15%, PIT at 10%, and SSC at 20%. E-procedures for excise administration are to be introduced. STS is to remain but in somewhat curtailed form.

So far, the draft laws on tax reform were not submitted to the Parliament. Meanwhile the Ministry of Finance announced that they are ready to submit the Draft Budget for 2016 in time (until September 15) basing on the current version of Tax Code. At the same time, they are expecting that they will revise the Draft budget as soon as new tax rules are approved so that the year 2016 starts with new Tax Code.

## Privatisation: Big privatisation is postponed again

The Government again postponed the big privatisation until the new amendments to the Law on privatisation are approved by the Parliament and new valuation methodology is adopted.

According to Ihor Bilous, the Head of the State Property Fund (SPFU), the privatisation of the Odesa by-Port Plant (OPP) will be held in the beginning of the next year. As a result, on August 21, the 5% stake of the OPP was withdrawn from the selling on the stock exchange. The privatisation of Centrenergo is postponed till the end of the heating period.

Obviously, the planned target for privatisation receipts for 2015 will not be reached. As a result, the plan is likely to be revised later this year, as it was done in previous years. Still, the SPFU expects to receive near UAH 1 bn in 2015 (or 5.9% of the annual target) as it plans to sell the President Hotel, several regional power generation companies, and several other small objects.

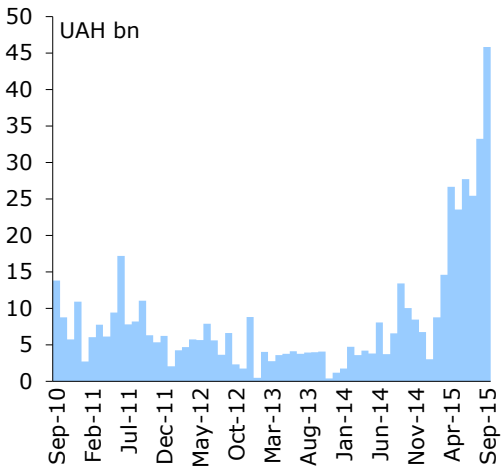
The SPFU is going to privatise illiquid companies via Dutch auction, according to which seller starts from the highest price and this price is lowered until some buyer accepts the price. The change of method was caused by the fact that there were many cases, when classic auctions were unsuccessful as the initial price was too high for potential buyers. The 12.45% stake in Emalkhimprom is the first company that expected to be privatised in this way on September 18.

To increase transparency, the SPFU continues to publish information on companies, which are to be privatised in 2015 and beyond. Till now the Fund presented the financial information about a number of companies, including the Odesa by-Port Plant and Sumykhimprom.

## Social policy: The Government announces increase in social standards

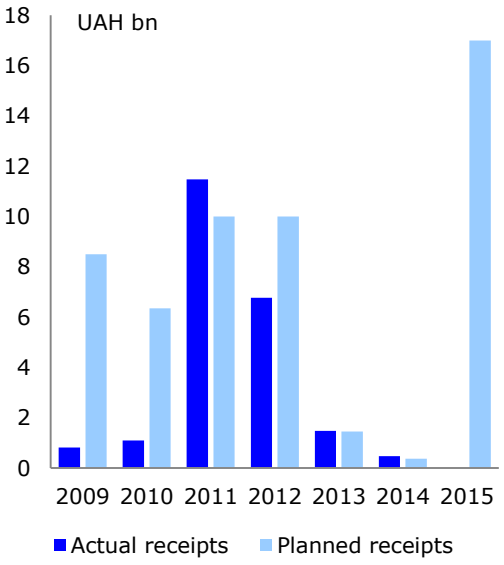
The Government announced plans to increase social standards, including minimum wage and minimum pension, since September 2015. The respective draft law was submitted to the Parliament on September 9. In particular, the draft law suggest to shift increase in subsistence minimum envisaged at 13% from December to September. The subsistence minimum was increased last time in December 2013, after which the Government cancelled any increases in social standards due to high fiscal pressure. At the same time, in 2015 social standards dropped sharply in real terms due to accelerated inflation. Besides, the Government did not approve the special resolution on indexation of population income. As a result, in 2015 indexation of wages and pensions was restricted as it was conducted within limits of available financing. Increase in social standards is likely to support consumption of the most poor individuals and, thus, is not likely to impact imports, but rather would support economic growth.

**Balance of the Single Treasury Account**



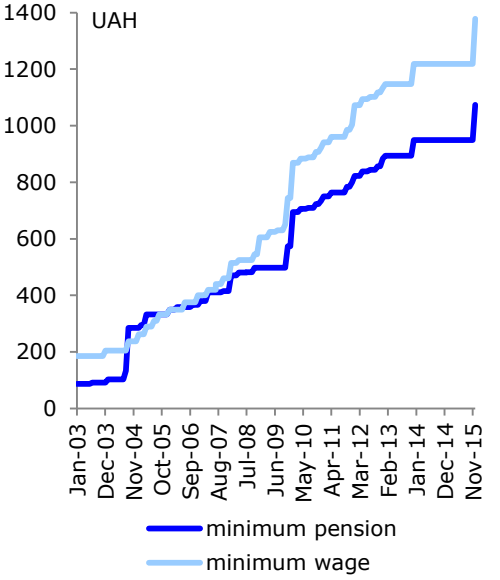

* in the beginning of month
Source: State Treasury

**Privatisation receipts**




Source: SPFU

**Social standards**




Source: State Budget Laws for 2006-2015

## Labour market: Real wages continues to fall

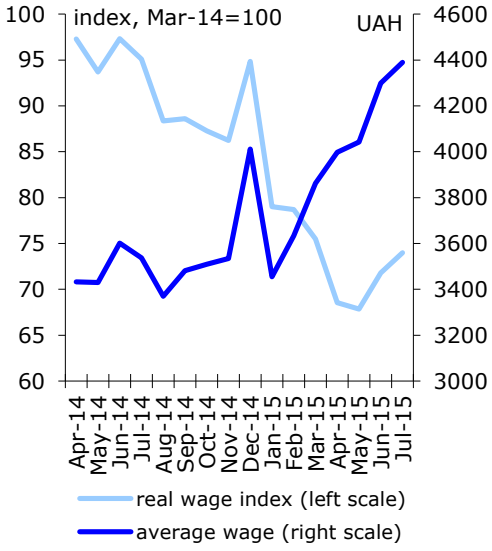
Average wage in July increased by 23.1% to 4390 UAH due to indexation for inflation. Decline in real wages decelerated to 22.8% yoy due to slowdown in inflation.

Average nominal wage in some sectors increased almost in line with inflation rate (CPI grew by 52.8% yoy in July). Particularly, wages grew by 47.2% yoy in trade, by 39.9% yoy in information and telecommunication sector, and by 34.0% yoy in sector of professional and scientific services. This is partially explained by the considerable share of foreign owners/clients in these sectors and partially by the closure of the weakest companies.

Wages in manufacturing grew on average by 31.6% yoy. As previously, strongest growth was shown by the domestic oriented sectors. In particular, textile industry likely benefited from imports substitution (37.9% yoy wage increase). The production of computers and electrical equipment increased wages by 50.4% yoy likely due to higher military orders. Wages in chemical production increased by 43.6% yoy due to higher incomes from export as well as import substitution effect.

Basic wages in public sectors were frozen since 2014 and funds for bonuses and premiums were limited. As a result, wages increased by 13.5% yoy in public administration and defense, by 10.7% yoy and 9.0% yoy in education and healthcare, respectively.

**Average wage***




*not including AR Crimea
Source: Ukrstat

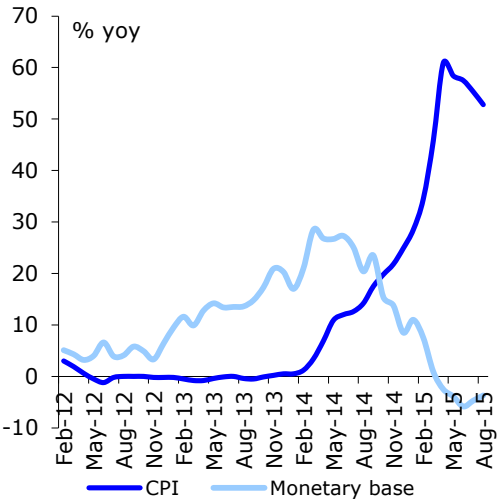
## Monetary policy: Slow summer continues

In August, monthly core inflation remained low at 0.2% mom. In part, this reflected continued drop in prices for clothing and footwear reported by the Ukrstat at 1.2% mom (after drop by 4.8% mom in July). At the same time, price growth for other goods and services continued to slow down. This likely reflected moderating inflation expectations and summer slowdown in price revisions by producers and traders.

Headline CPI in August dropped by 0.8% mom. This reflected continued seasonal drop in prices for fruit and vegetables and lower bread prices due to falling grain prices. At the same time, meat price continued to increase on all levels of value chain as producers implement price increases delayed in spring due to low demand.

On August 28, the NBU reduced policy rate to 27% p.a. from 30% p.a. but the change was formal. The National bank in fact loosened monetary policy in the middle of July, when it reduced interest rates on deposit operations. August move just mirrored previous change in deposit rate. More loose monetary policy and more stable banking sector resulted in lower interest rates on deposits and loans. Despite slightly lower interest rates, deposits in hryvnia continued to grow in August.

**CPI and monetary base development**

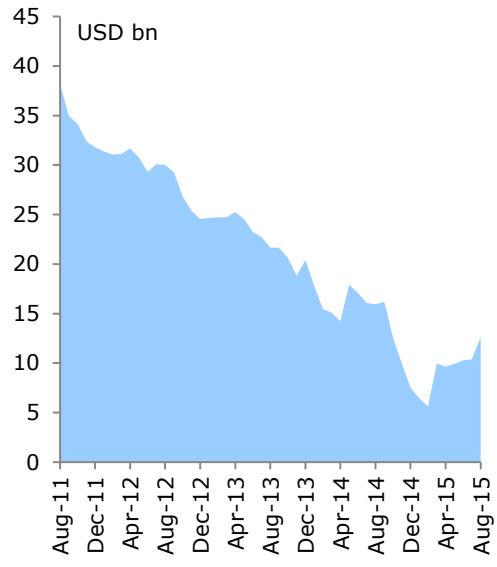



Source: Ukrstat, NBU

## Exchange rate: Still balanced market

In August, interbank exchange rate remained in UAH 21-23 per USD range set by the NBU despite almost complete absence of the NBU interventions in the market. Supply and demand on interbank market were close to the balance even considering that the Naftogaz bought foreign currency on the open market since June. Successful review of the IMF program probably helped to calm depreciation expectations, while export revenues remained stable. Net sales of cash foreign currency to banks increased to USD 152 m likely reflecting demand for hryvnia for current consumption. International reserves reached USD 12.5 bn by the end of August after second disbursement of IMF loan under EFF program was received in the beginning of month.

**NBU international reserves**




Source: NBU

## State debt: Basic parameters of sovereign debt restructuring agreed

***Debt restructuring.*** In late August, the Ministry of Finance finally agreed with the Committee of Ukraine's International Commercial Creditors on basic parameters of sovereign debt restructuring. According to the agreement, Ukraine will receive a haircut of 20% on the principal. This will allow the Government to reduce financing

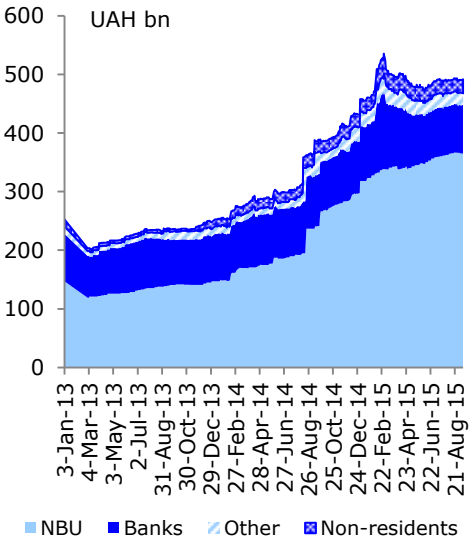
needs for the next four years by at least USD 15 bn, which corresponds to the IMF Program. Principal payments will be shifted from 2015-2023 to 2019-2027. As a result, old Eurobonds will be replaced by new ones maturing in 2019-2027. At the same time, Russia did not participate in the restructuring process. It is still unclear whether Russia will receive principal of USD 3 bn Eurobond due in December.

The Ministry of Finance plans to complete sovereign debt restructuring by the end of October and return to external capital market by 2017. The negotiated by the Ministry Finance debt restructuring is still to be approved by the Verkhovna Rada.

***External debt.*** On 25 August, the World Bank approved a USD 500 m loan to finance the Second Multi-Sector Development Policy Operation in Ukraine. The funds will be provided for sixteen years with seven-year grace period at near 1.25% p.a. The loan is aimed at supporting structural and macroeconomic reforms, including improvement of public sector governance, business environment, energy and social assistance. Total financial support package of the World Bank is to reach USD 2 bn in 2015. The First Multi-Sector Development Policy Loan of USD 750 m was transferred in May 2014.

In August, Ukraine received USD 24 m of financial assistance from Norway. In early September, German state bank KfW signed an agreement with the Minister of Finance on provision of EUR 200 m loan to support the Deposit guarantee fund. It is aimed at increasing confidence in Ukraine's banking sector. The loan will be granted for fifteen years with five-year grace period and semi-annual coupon payments (the yield will not exceed 2.6%).

**Domestic government bond holdings**




Source: NBU

## Tables

| | | Q3 13 | Q4 13 | Q1 14 | Q2 14 | Q3 14 | Q4 14 | Q1 15 | Sep[c] | Oct[c] | Nov[c] | Dec[c] | Jan[c] | Feb[c] | Mar[c] | Apr[c] | May[c] | Jun[c] | Jul[c] | Aug[c] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Industrial production (real) | % yoy cum. | -5.2 | -4.7 | -5.0 | -4.7 | -8.6 | -10.1 | -21.4 | -8.6 | -9.4 | -10.1 | -10.7 | -21.3 | -21.7 | -21.4 | -21.5 | -21.2 | -20.5 | -19.5 | … |
| Construction (real) | % yoy cum. | -15.1 | -14.5 | -6.4 | -8.9 | -17.2 | -19.3 | -31.3 | -17.2 | -18.6 | -19.3 | -21.7 | -36.7 | -32.0 | -31.3 | -32.6 | -38.5 | -28.3 | -26.7 | … |
| Agricultural production (real) | % yoy cum. | 3.0 | 13.7 | 6.0 | -3.9 | 16.0 | 5.0 | -4.7 | 16.0 | 7.5 | 5.0 | 2.8 | -2.4 | -3.6 | -4.7 | -4.8 | -5.4 | -9.3 | -3.5 | … |
| Retail trade turnover (real) | % yoy cum. | 9.8 | 9.5 | 7.7 | 0.8 | -5.3 | -7.5 | -23.9 | -5.3 | -6.8 | -7.5 | -8.6 | -22.6 | -21.2 | -23.9 | -25.3 | -24.7 | -24.6 | -23.6 | … |
| Average wage | UAH | 3331 | 3390 | 3245 | 3488 | 3463 | 3508 | 3650 | 3481 | 3509 | 3534 | 4012 | 3455 | 3633 | 3863 | 3998 | 4042 | 4299 | 4390 | … |
| CPI | % yoy eop | -0.5 | 0.5 | 3.4 | 12.0 | 17.5 | 21.8 | 45.8 | 17.5 | 19.8 | 21.8 | 24.9 | 28.5 | 34.5 | 45.8 | 60.9 | 58.4 | 57.5 | 55.3 | 52.8 |
| PPI | % yoy eop | -0.9 | 1.7 | 3.9 | 15.9 | 26.9 | 32.8 | 51.7 | 26.9 | 25.9 | 32.8 | 31.8 | 34.1 | 41.0 | 51.7 | 48.6 | 42.0 | 37.9 | 37.0 | 33.0 |
| Exports (USD)* | % yoy cum. | -6.2 | -5.2 | -7.7 | -6.5 | -9.8 | -13.1 | -32.9 | -9.8 | -11.5 | -13.1 | -15.0 | -30.8 | -32.3 | -32.9 | -34.5 | -36.4 | -35.4 | -35.4 | … |
| Imports (USD)* | % yoy cum. | -4.1 | -3.4 | -14.7 | -18.6 | -24.5 | -27.1 | -36.0 | -24.5 | -26.3 | -27.1 | -27.8 | -36.3 | -35.9 | -36.0 | -37.2 | -39.3 | -39.2 | -38.8 | … |
| Merchandise trade balance | USD bn cum. | -14.2 | -19.6 | -1.9 | -0.6 | -5.2 | -6.5 | -1.0 | -5.2 | -6.0 | -6.5 | -7.6 | -0.4 | -0.9 | -1.0 | -1.1 | -1.3 | -1.2 | -1.4 | … |
| Current account** | USD bn cum. | -11.4 | -16.4 | -1.3 | -0.6 | -3.8 | -4.6 | -0.5 | -3.8 | -4.2 | -4.6 | -5.3 | -0.3 | -0.6 | -0.5 | -0.3 | -0.3 | 0.0 | 0.1 | … |
| Gross international reserves | USD bn eop | 21.6 | 20.4 | 15.1 | 17.1 | 16.4 | 7.5 | 10.0 | 16.4 | 12.6 | 10.0 | 7.5 | 6.4 | 5.6 | 10.0 | 9.6 | 9.9 | 10.3 | 10.4 | 12.6 |
| Monetary Base | % yoy eop | 14.8 | 20.3 | 28.5 | 25.1 | 23.5 | 13.8 | 0.9 | 23.5 | 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 | 16.2 | 16.3 | 16.7 | 16.9 | 17.2 | 18.8 | 23.6 | 23.8 | 23.6 | 22.0 | 21.2 | … |
| Exchange rate (interbank) | USD aop | 8.15 | 8.21 | 9.1 | 11.71 | 12.58 | 13.56 | 21.23 | 13.01 | 12.93 | 14.75 | 15.63 | 15.94 | 24.77 | 22.98 | 22.49 | 20.94 | 21.26 | 21.79 | 21.65 |
| Exchange rate (official) | USD aop | 7.99 | 7.99 | 8.9 | 12.71 | 12.58 | 13.56 | 21.18 | 13.02 | 12.95 | 14.70 | 15.62 | 15.81 | 24.48 | 23.26 | 22.71 | 20.92 | 21.23 | 21.76 | 21.54 |
| Exchange rate (official) | EUR aop | 10.58 | 10.87 | 12.14 | 13.71 | 16.67 | 17.21 | 23.88 | 16.83 | 16.43 | 18.36 | 19.26 | 18.53 | 27.78 | 25.32 | 24.47 | 23.32 | 23.84 | 23.94 | 23.93 |

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 | | Q1 10 | 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] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP | UAH bn | 217.3 | 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 |
| GDP (real) | % yoy | 4.5 | 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 |
| Household consumption (real) | % yoy | 0.2 | 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 |
| State consumption (real) | % yoy | 3.8 | -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 |
| Gross fixed capital formation (real) | % yoy | -5.7 | -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 |
| Exports of goods and services (real) | % yoy | 0.4 | 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 |
| Imports of goods and services (real) | % yoy | -6.2 | 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 |
| Agriculture, hunting, forestry (real)* | % yoy | 5.4 | 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 |
| Manufacturing industry (real)* | % yoy | 10.9 | 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 |
| Construction (real)* | % yoy | -7.7 | -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 |
| Trade, repair services (real)* | % yoy | 6.1 | 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 |
| Transport (real)* | % yoy | 1.3 | 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 |
| **Balance of payments** | | | | | | | | | | | | | | | | | | | | |
| Current account balance | USD bn | 0.0 | 0.5 | -1.6 | -1.7 | -2.6 | -4.4 | -2.1 | -3.8 | -4.0 | -4.9 | -3.1 | -2.3 | -6.0 | -4.9 | -1.5 | -0.9 | -1.3 | -1.5 | -0.5 |
| Current account balance | % of GDP | -0.1 | 1.6 | -4.9 | -4.4 | -5.6 | -9.5 | -5.6 | -8.7 | -8.3 | -10.3 | -8.3 | -5.1 | -12.2 | -9.8 | -4.3 | -3.2 | -3.8 | -7.1 | -2.6 |
| Trade balance in goods | USD m | -1236 | -697 | -3597 | -2851 | -4580 | -5224 | -3867 | -5577 | -5215 | -5833 | -4045 | -3053 | -7232 | -5268 | -1956 | -869 | -1216 | -2024 | -798 |
| Trade balance in services | USD m | 930 | 1115 | 1262 | 1514 | 2007 | 1312 | 1299 | 1362 | 1975 | 1084 | 822 | 893 | 1919 | 480 | 444 | -55 | 89 | 304 | 180 |
| Current transfers | USD m | 608 | 728 | 1039 | 878 | 988 | 803 | 683 | 805 | 777 | 711 | 533 | 589 | 480 | 547 | 241 | 494 | 306 | 500 | 443 |
| Direct investment (FDI) | USD m | 923 | 1196 | 880 | 2422 | 2090 | 1623 | 1663 | 1091 | 2002 | 1871 | 821 | 472 | 1199 | 859 | -665 | -319 | 725 | 558 | 460 |
| Portfolio investments (equity) | USD m | -20 | -18 | 149 | 113 | 42 | 207 | -3 | 74 | 83 | 339 | 705 | 579 | 664 | -757 | -239 | -50 | -84 | -17 | -13 |
| Gross international reserves | USD bn | 25.1 | 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 |
| Exchange rate (interbank), UAH/USD | aop | 8.00 | 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 |
| Exchange rate (official), UAH/USD | aop | 7.99 | 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 |
| **Fiscal indicators** | | | | | | | | | | | | | | | | | | | | |
| Consolidated fiscal revenues | % of GDP | 30.9 | 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 |
| Personal income tax | % of GDP | 4.9 | 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 |
| Enterprise profits tax | % of GDP | 4.3 | 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 |
| Value-added tax | % of GDP | 9.8 | 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 |
| Excise tax | % of GDP | 2.4 | 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 |
| Consolidated fiscal expenditures | % of GDP | 33.0 | 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 |
| Current expenditures | % of GDP | 32.4 | 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 |
| Capital expenditures | % of GDP | 0.6 | 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 |
| Consolidated fiscal balance | % of GDP | -2.0 | -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 |
| Privatisation receipts | % of GDP | 0.1 | 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 |
| **Labour market** | | | | | | | | | | | | | | | | | | | | |
| Average wage (real) | % yoy | 3.3 | 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 |
| Household income (real) | % yoy | 3.7 | 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 |
| Unemployment rate (ILO methodology) | % cum | 9.0 | 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 |
| **Banking system** | | | | | | | | | | | | | | | | | | | | |
| Monetary aggregate M0 | % yoy cum | 5.4 | 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 |
| Monetary aggregate M2 | % yoy cum | 6.9 | 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 |
| Household deposits in national currency | % yoy cum | 7.1 | 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 |
| Household deposits in foreign currency | % yoy cum | 22.8 | 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 |
| Com. bank credits in national currency | % yoy cum | 13.6 | 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 |
| Com. bank credits in foreign currency | % yoy cum | -13.7 | -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 |
| Long-term com. bank credits | % yoy cum | -3.9 | -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 |
| Long-term com. bank credits | % of total | 68.5 | 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 |
| Average lending rate on national currency credits | % p.a. | 17.3 | 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 | 20.1 |
| Average lending rate on foreign currency credits | % p.a. | 10.9 | 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 | 8.0 |

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 balance of pa

**Contact information:**

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

**Head of the Board-Director**

Igor Burakovsky
burakovsky@ier.kiev.ua

**Chief Executive**

Oksana Kuziakiv
kuziakiv@ier.kiev.ua

**Academic Director**

Veronika Movchan
movchan@ier.kiev.ua

**Centre for Economic Studies**

Oleksandra Betliy
betliy@ier.kiev.ua

Vitaliy Kravchuk
Kravchyk@ier.kiev.ua

Iryna Kosse
kosse@ier.kiev.ua

Kateryna Furmanets
furmanets@ier.kiev.ua

Artur Kovalchuk
kovalchuk@ier.kiev.ua

Dmytro Naumenko
naumenko@ier.kiev.ua

Mykola Ryzhenkov
ryzhenkov@ier.kiev.ua

Kostiantyn Kravchuk
k.kravchuk@ier.kiev.ua

Oleksandr Krinitsyn
krinitsyn@ier.kiev.ua

Andrii Butin
butin@ier.kiev.ua

**Center for Contemporary Society Studies**

Iryna Fedets
fedets@ier.kiev.ua

Tetiana Oliinyk
oliinyk@ier.kiev.ua

Victoria Bespalko
bespalko@ier.kiev.ua

**German-Ukrainian Agricultural Policy Dialogue**

Oleksa Stepaniuk
stepaniuk@ier.kiev.ua

Mariya Yaroshko
yaroshko@apd-ukraine.de

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