Monthly Economic Monitor Ukraine

No.1 (171), January 2015

EXECUTIVE SUMMARY

HIGHLIGHT: YEAR 2014

Politics: On December 23, the Verkhovna Rada abandoned Ukraine's nonaligned status, which is a step toward membership in NATO.

Real Sector: In November, the industrial output dropped by 16.3% yoy primarily due to military conflict in the East of Ukraine and decline in demand for Ukrainian goods from Russia.

Energy sector: Ukraine negotiated electricity imports from Russia to cover electric energy shortages at peak hours and ease the problem with coal supplies to thermal power plants.

Agriculture: The Parliament canceled the ban on sale of meat of backyard slaughtering and homemade dairy products planned from January, 2015.

External sector: Financial and capital account was in deficit at USD 2.2 bn primarily due to debt repayment by the Naftogaz to the Gasprom.

Fiscal policy: According to preliminary data of the State Treasury, central fiscal revenues (before VAT refund) in 2014 were by 8.2% or UAH 36.3 bn lower than target as both tax and non-tax revenues were under-executed. Planned central fiscal revenues for 2015 are too optimistic.

Social policy: Subsistence minimum and, thus, minimum pension and minimum wage will remain unchanged until December 2015.

Labour market: Unemployment rate (ILO methodology) increased to 9.5% of economically active population in age of 15-70 in the third quarter of 2014.

Monetary policy: In December, consumer inflation reached 24.9% yoy, while month-to-month price increase accelerated 3.0% mom, the highest level since May.

Exchange rate: In December, depreciation expectations increased and black market exchange rate increased sharply.

State debt: By the end of 2014 state debt is estimated to reach near 70% of GDP (as compared to 40% in the end of 2013).

Highlight of the month: Year 2014

THE YEAR IN REVIEW

2014 was the most difficult year for Ukrainian economy in the XXI century. Ukraine faced economic crisis and military conflict in the East, while Russia annexed Crimea. Real GDP is estimated to decline by near 7% in 2014 due to a drop in domestic demand and weak external demand. High economic and political uncertainty resulted in low domestic and foreign investments. Private sector was not able to refinance its debts, which pushed financial account balance into deficit. The Government faced large liquidity gap as assistance from the IMF, the EU and other official donors was mostly used to repay previous debts including to Gazprom. As a result, fiscal expenditures were largely under-financed. At the same time, the authorities (during the year Ukraine received new President, new Government and new Parliament) were slow in implementing reforms in 2014. Still, the Association Agreement with the EU became partly effective in November 2014, defining Ukraine's commitments on future reforms.

Politics

- In 2014, pro-European forces came to power in Ukraine. In February, the President Viktor Yanukovych fled to Russia after a failed attempt to violently put down mass protests, known as Euromaidan. An opposition leader Oleksandr Turchynov was Acting President until the inauguration of Petro Poroshenko, a centrist politician who won the Presidential election in May. The Government changed twice: after the flight of Viktor Yanukovych and after the October parliamentary elections which were won by pro-European parties.
- Ukraine embarked on the path towards European integration, putting aside its long standing policy of balancing between the EU and Russia. In June, Ukraine finally signed the long-awaited Association Agreement with the EU. A part of the Agreement became effective on November 1 (provisions on justice, freedom, and sector cooperation). In April, the EU also granted Ukraine autonomous trade preferences, which would be effective until 2016 when a free trade area between the EU and Ukraine is to be established.
- Russia started an undeclared war against Ukraine. In March, Russia annexed Crimea, a peninsula with the population of 2.4 m in the south of Ukraine. In April, Russian-backed separatists began an insurgency in Donbas, an old industrial region in the East of Ukraine, which later turned into a large-scale war between Ukrainian and Russian troops. As a result, besides Crimea Ukraine lost control over an area in Donbas with a pre-war population of about 3.8 m. At least 4,700 people were killed, and a long-term military conflict on the territory of Ukraine is ongoing.
- Ukraine resumed cooperation with the IMF. In April, the IMF approved a two-year Stand-By Arrangement (SBA) in the amount of SDR 11 bn (USD 15.8 bn at the current exchange rate) for Ukraine. The SBA is expected to support a comprehensive program of economic reforms. In May and September, Ukraine received two disbursements of the loan at SDR 3 bn (USD 4.7 bn).

Real sector

- Real GDP is estimated to decline by near 7% in 2014. Real private final consumption dropped due to lower real disposable income. At the same time, financial constraints, terminated investment projects and fiscal gap caused sharp contraction of real gross fixed capital accumulation.
- Agriculture again was the one of the few sectors with increased real gross value added. Industrial output dropped by 10.1% yoy in the eleven months of 2014 primarily due to destruction and closures of many companies in the occupied territory in the East of Ukraine and trade tensions with Russia.

Energy

- In March, Russia cancelled the gas deal of December 2013 (promising gas price of USD 266 per 1000 cubic meters) and denounced the Kharkiv Agreement, which granted Ukraine a discount of USD 100 per tcm of gas. In October, after lengthy negotiations Ukraine signed provisional agreement with Russia on gas supplies from November 2014 till March 31, 2015.
- Ukrainian Government continued efforts to diversify natural gas supplies. In 2014, reverse gas supplies were received through Poland, Hungary and Slovakia.
- The National Commission for State Energy and Public Utilities Regulation raised the gas tariffs for all types of consumers during 2014 to reduce the deficit of the Naftogaz. In particular, tariffs for population were increased on average by 63% from May and for the heating companies by 40% from July. The electricity tariff for households was increased on average by 12% from July 2014. Starting July 1, the Government increased tariffs on heating and water supply to cost-covering levels and, simultaneously, cancelled compensations from the state budget to utility companies.
- In November-December, Ukraine experienced severe power shortages due to lack of coal at thermal power stations, low water levels at hydro power stations and repairs at nuclear power plants. To cover the deficit Ukraine made coal purchases from the South Africa and Russia and signed deal on electricity imports from Russia.

Transport

- Military operation on the East of Ukraine heavily damaged railway infrastructure and destroyed Donetsk international airport. According to Ukrzaliznytsya estimates, it will need UAH 700 m to restore 704 objects of railway infrastructure (696 objects were already restored).
- In the end of December 2014, Ukraine stopped railway and bus communication with the Crimean peninsula. Air communication with Crimea was stopped in April after its annexation by Russia.

Agriculture

- Favourable weather conditions resulted in record harvest of grains and pulses (more than 64 m t) even without Crimea and military conflict zone in the East of Ukraine.
- Autonomous trade preferences granted by the EU to Ukraine and gradual harmonisation of legislation stimulated increase in agricultural and food to the EU by 16% yoy to USD 4.2 bn in the first ten months of 2014.
- In April, the Parliament approved the Law that eliminated 113 of permits and procedures (including 14 related to the agricultural sector) in order to improve business climate.
- In July, an important law on food and feed quality control was approved. It envisions implementation of the European model of food quality and safety system based on the HACCP (Hazard Analysis and Critical Control Points), establishment of a single government body on food safety, elimination of several permits and procedures not existing in the EU. In August, the Parliament approved the Law on identification and registration of animals, which is crucial for opening an access for Ukrainian meat produce to the EU market.

External Sector

- Current account deficit in 2014 narrowed due to sharp hryvnia depreciation. At the same time, financial and capital account was in deficit as high political and economic uncertainty did not allow private sector to refinance its debts and resulted in low FDI inflows. As a result, balance of payments was in deficit, which was financed by IMF loans and international reserves.
- Merchandise trade deficit narrowed as imports dropped more than exports. Merchandise exports declined due to military conflict in the East of Ukraine and trade tensions with Russia. Imports substitution and low consumption and investment demand resulted in sharp decline in non-energy imports. Lower industrial output and energy saving efforts resulted in decline in energy imports.

Fiscal policy

- The Government faced high liquidity gap during the entire 2014 as international assistance (from the IMF, the EU, and several other official donors) was mostly used for debt service and repayments. Sharp deterioration of economy and accordingly massive shortfalls of revenues led the Government to push through two extensive budget sequesters and wide-reaching revenue side measures. In particular, the Government increased rates of rent payments and excise duties, introduced military surcharge to PIT collected to central budget, raised PIT rates from passive income, and re-introduced pension fund tax on currency exchange operations.
- Fiscal revenues were under-executed in 2014 due to optimistic budget plan and higher than expected economic downturn. Central fiscal deficit increased but remained lower than planned due to absent privatisation receipts. As a result, the Government was forced to cut back further on discretionary spending. Capital expenditures were likely to be lower than 50% of annual target.
- The Parliament hastily approved the State Budget Law for 2015 during the last days of December, which is based on amended provisions of the Tax and Budget Codes.

Privatisation

- High political and economic uncertainty resulted in decent inflows from privatisation unrealistic. In eleven months of 2014, privatisation receipts reached UAH 60 m out of planned UAH 17 bn.

Social policy

- Real disposable income declined in 2014 due to real decline of all income components.
- The Pension Fund's deficit remained high against the background of small increase in nominal gross wage bill.
- The Government decided to cease all payments to occupied territories including wages, pensions and social payments to people that live there.

Labour market

- Labour market developments were affected by the war with Russia and its economic consequences.
- Average real wages declined by more than 10% in 2014 due to financial constraints of companies, fiscal consolidation measures and accelerated inflation.
- Unemployment rate reached 9.5% of economically active population in age of 15-70 in the third quarter of 2014, which is the highest level for the last ten years. Underemployment also increased.

Inflation and exchange rate

- Consumer inflation was 12.1% on average in 2014 but it reached 24.9% yoy in December. This reflected hrvynia depreciation from UAH 8 per USD on average in 2013 to UAH 12 per USD on average in 2014. The Government also allowed utility tariffs to increase by 11-69% adding 4% to CPI. At the same time, inflation was contained by minimal growth in wages and frozen social standards.
- The NBU was forced to abandon exchange rate peg in February 2014 as the Government and private sector lost access to external funding. After brief episode of floating exchange rate the NBU started to apply harsh administrative measures to support exchange rate. NBU also increased interest rates on monetary policy operations but this was partly offset by refinancing of problem banks. Still the year ended with exchange rate of UAH 16 per USD and international reserves lower than half of that in the beginning of the year.

State debt

- The state debt more than doubled in 2014 and reached near 70% of GDP due to hryvnia depreciation, new borrowings, and the recapitalisation of state-owned companies (primarily the Naftogaz and state banks). Besides, the Ministry of Finance issued special state domestic bonds to cover VAT refund arrears.
- The support received from official international donors reached near USD 9 bn. In particular, the Government received USD 4.7 bn under two-year IMF SBA, EUR 1.36 bn within two EU macro-financial assistance loan programs and loans from the World Bank. The Ministry of Finance placed USD 1 bn of five-year Eurobonds, guaranteed by the US government. The rest was mainly provided by governments of Canada and Japan.
- The NBU holdings of state domestic bonds increased by 11.3 p.p. to 69.5% of total state domestic bonds outstanding.

Monthly Economic Monitor Ukraine

Politics: The Parliament abandoned Ukraine's nonaligned status

NATO. On December 23 the Verkhovna Rada abandoned Ukraine's nonaligned status. This is a step toward membership in NATO, which Russia tries to block. However, Ukraine is unlikely to become a member of NATO in the nearest future.

East. In December, the intensity of fighting in Donetsk and Luhansk oblasts decreased. According to Ukrainian military officials, pro-Russian insurgents and Russian troops reduced the number of attacks on Ukrainian forces. As of December 29, the number of Ukrainian troops killed during the ceasefire agreed on September 5 was 203. This number was slightly larger than three weeks earlier (192 as of December 9). However, the number of civilian casualties might continue to be large. According to the United Nations, the conservative estimate of the total death toll from the conflict reached 4,771 on December 24 (it was 4,356 as of November 25, and 4,035 as of October 29). It is expected that the intensity of the military conflict will remain low in the nearest months because of harsh weather conditions in winter, the little success of permanent attacks on Ukrainian troops, and mounting economic troubles of Russia. Nevertheless, the conflict is not likely to end soon as Russia tries to use the conflict as a tool to destabilize Ukraine and influence its policies.

Population: 45.5 m
Industry/GDP: 23%
Agriculture/GDP: 10%
Investment/GDP: 18%
Exports to: Russia 24%, EU 26%
Imports from: Russia 30%, EU 35%

Real sector: Bad performance of most sectors of economy

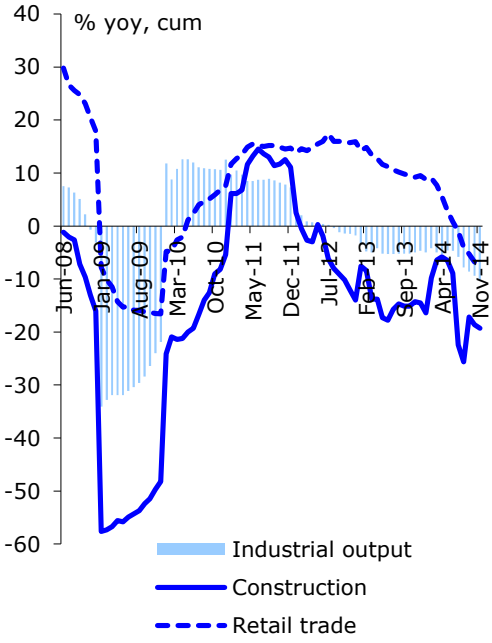
Sectoral trends. In November the industrial output dropped by 16.3% yoy primarily due to military conflict in the East of Ukraine and decline in demand for Ukrainian goods from Russia. Machine building production contracted by 23.6% yoy due to lower domestic demand for investment goods and vehicles as well as decline in demand of Russia for locomotives and railway carriages. Termination of work of several chemical producers and natural gas supply problems faced by the Odesa by port plant result in decline in chemical production by 21.4% yoy. Weak external demand, logistic problems and military conflict in the East are major reasons behind reduction of metallurgy production by 20.1% yoy. At the same time, food production increased by 5.6% yoy likely due to imports substitution against the background of hryvnia depreciation.

Lower industrial output, energy savings and lower consumption resulted in decline in supplies of electricity, gas and water by 8.4% yoy.

Performance of several other sectors worsened. Retail trade by enterprises dropped by 17.9% yoy, which reflects decline in real private final consumption. Decline in construction was limited to 19.3% yoy despite almost complete stoppage of construction in Donetsk and Lugansk regions

Agricultural output declined by 30.7% yoy in November due to very high statistical base. Between January and November it increased by 5.0% yoy, what makes agriculture one of the few sectors that increased output in 2014.

Real sector trends



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

Energy: Ukraine found a temporary solution to electricity problems

Electricity. According to the President of Ukraine, state energy generation and transportation companies of Ukraine and Russia, Ukrinterenergo and Inter RAO, on December 28 signed a deal on electricity supply to Ukraine. Ukraine will receive 1400 MWt of electricity daily. This additional electricity will cover electric energy shortages at peak hours and ease the problem with coal supplies to thermal power plants.

The National Commission for State Energy and Public Utilities Regulation increased retail tariffs on electricity since January 2015 by 5% mom for industrial consumers of the first (more or equal 35 kWt)

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

and second (less than 35 kWt) voltage classes to UAH 1.0837 and UAH 1.3211 per 1 kWt/h, respectively. Overall, in 2014 the retail electricity tariffs were increased by 27.2% for the first voltage class consumers and by 21.9% for the second voltage class consumers. At the same time, the Commission increased the wholesale forecasted price for electricity since January 1 by 5% mom to UAH 988.03 per 1 MWt/h (or to UAH 0.98803 per 1 kWt/h). It should be noted that the average wholesale price of electricity in December was around UAH 0.6096 per 1 kWt/h which is almost twice as high as the electricity tariff for households.

Gas and oil extraction. On December 25, the Verkhovna Rada of Ukraine adopted changes to the Tax Code of Ukraine increasing rent rates since 2015 up to 70% for the natural gas extracted under the product sharing agreements. The rent rate was kept at 55% for the gas extracted at depths up to 5 km, while the rent rate was decreased to 20% from 28% for the gas extracted at depths deeper than 5 km. The temporary increases in rent rates for oil extraction were made permanent starting January 1, 2015: 45% for oil extracted at depths up to 5 km and 28% for oil extracted at depths deeper than 5 km. These measures increase oil and gas extraction costs and make the oil and gas extraction business in Ukraine less profitable.

Agricultural sector: Increase of exports to the EU

Exports. According to the Ministry of Agricultural Policy and Food, trade turnover by agricultural products between the EU and Ukraine in the first ten months of 2014 increased by 2.5% yoy to USD 6.5 bn. Trade balance was in surplus at USD 1.9 bn, which is about twice times higher than in the same period of last year. The largest shares in the trade turnover have Spain (14.3%), Germany (10.6%) and France (8.1%).

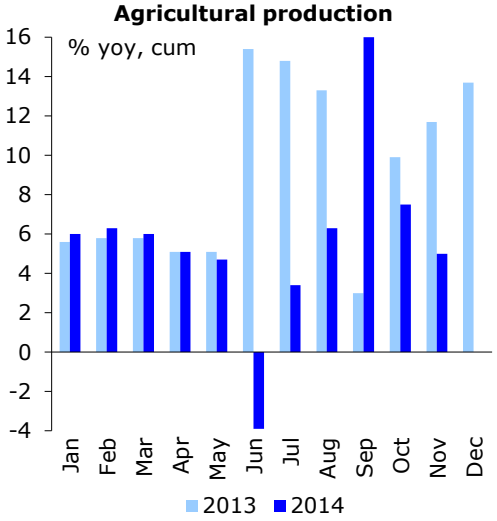
Overall, total agricultural and food exports increased by 4.2% yoy to USD 13.7 bn. At the same time, exports to the EU boosted by 16% yoy to USD 4.2 bn. In particular, export to the EU of fats and oils of animal or plant origin increased by 57.3%, cereals – by 38.9%, wastes and residues of food industry – by 28.3%. Increase in exports to the EU is partially attributed to the application of the autonomous trade preferences by the EU since April and gradual harmonisation of Ukrainian standards with European ones.

By the end of the first period of autonomous trade preferences granted by the EU to Ukraine(December 31, 2014), tariff quotas (allocated on the basis of first come, first served) for exports of natural honey, grape and apple juices, cereal grain and groats and processed tomatoes were fully exhausted. Tariff quotas for malt and wheat gluten, bran and other residues, sugar and chocolate, starches and inulin, onions and garlic were used by 28.4%, 11.5%, 10.5%, 7.3% and 7.1%, respectively, while exports of products in 15 categories have not even started. Tariff quotas based on import licenses were fully used only for corn, wheat and poultry, and only at by 9.1% for barley.

At the same time, imports substitution due to hryvnia depreciation and weak consumption demand resulted in decline in agricultural and foods imports from the EU by 15.7% yoy to USD 2.3 bn.

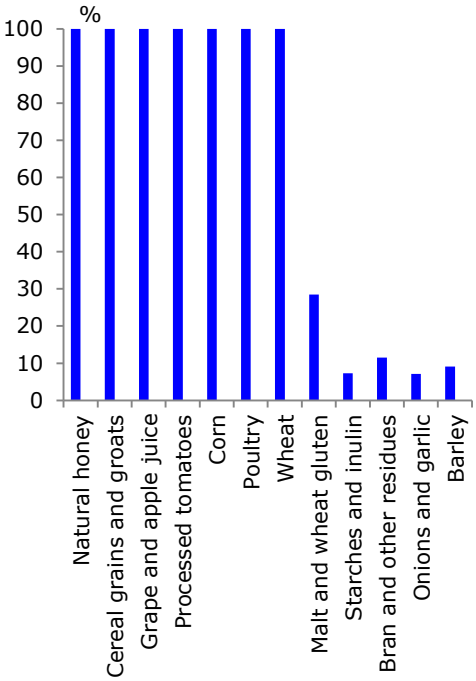
Legislation. On December 28, the Parliament cancelled the ban on sale of meat of backyard slaughtering and homemade dairy products planned from January, 2015 (which was envisaged in the Law "On safety and quality of food products"). New provisions were introduced, which allow selling homemade meat and dairy products on the agri-food market if their quality is approved by the laboratory located at the market. Considering that the network of slaughterhouses and milk collection points is still not sufficiently developed, these legislative changes sound like a good compromise solution to ensure food safety but also prevent negative social and economic consequences for rural households. However, effectiveness of this policy will depend on proper implementation, i.e., availability and quality of work of laboratories at the markets.

Agricultural production



Source: Ukrstat

Share of the EU tariff qouta used by Ukrainian producers



Source: Taxation and Customs Union, Ministry of Economic Development and Trade of Ukraine

External sector: The balance of payments remained in huge deficit

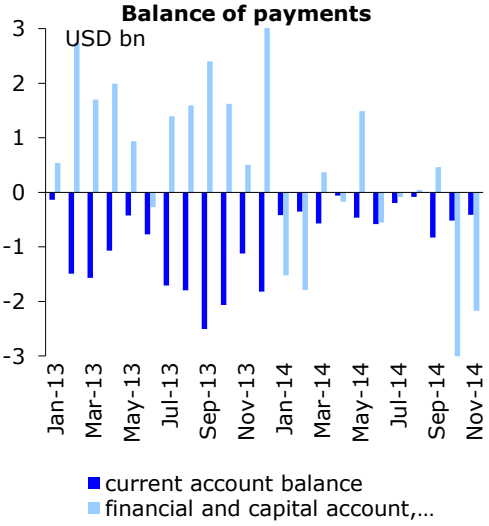
Current account deficit in November narrowed to USD 0.4 bn. Merchandize trade deficit declined to USD 0.5 bn, while services trade was almost balanced.

Exports of goods reduced by 27.7% yoy due to military conflict and trade tensions with Russia. Minerals exports dropped by 42.1% yoy as some companies stopped operation in the East of Ukraine, while some other reallocated supplies to domestic market. Exports of machinery reduced by 31.9% yoy due to limited access to the Russian market. Exports of metals decreased by 29.3% due to low prices and weak external demand. Exports of food products contracted by 20.1% yoy due to high base statistical base as well as lower grain prices. Autonomous trade preferences by EU had positive but limited impact on Ukrainian food exports.

Decline in imports of goods accelerated to by 34.3% yoy due to low consumption and investment domestic demand. The most affected non-energy group was imports of food products, which reduced by 42.3% yoy primarily dye to imports substitution caused by hryvnia depreciation. Energy imports decreased by 33.7% yoy as gas purchases from Europe couldn't replace the amounts previously imported amount from Russia.

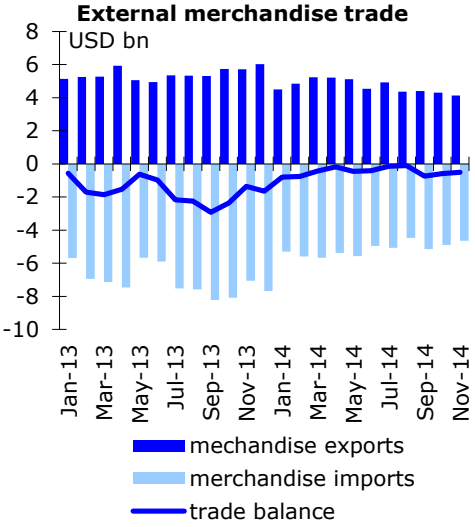
Financial and capital account was in deficit at USD 2.2 bn primarily due to debt repayment by the Naftogaz to the Gasprom. FDI inflow remained weak but positive at USD 0.1 bn due to low confidence of foreign investors against the background of high political and economic instability. Balance of credit and bond operations was negative. However, balance of borrowings of the government sector was positive due to the received EU financing. Outflow of cash foreign currency from banking system was not observed in November.

Balance of payments



Source: NBU preliminary estimates

External merchandise trade



Source: NBU preliminary estimates

Fiscal policy: Fiscal indicators were not executed fully in 2014

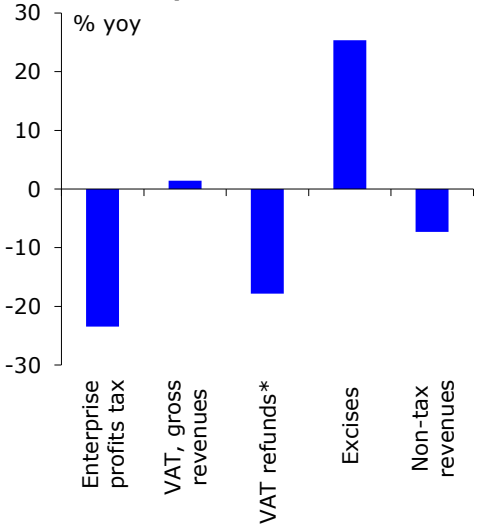
Preliminary data. According to preliminary data of the State Treasury central fiscal revenues (before VAT refund) in 2014 grew by 7.2%. They were by 8.2% or UAH 36.3 bn lower than target as both tax and non-tax revenues were under-executed. Revenues were supported by lower than planned VAT refunds (executed at 84% of target). PIT revenues due to central budget increased primarily due to introduction of military surcharge to PIT. Hryvnia depreciation ensured higher revenues from excise and VAT on imports.

Lower than planned revenues as well as deficit pushed the Government to cut discretionary spending further. At the same time, debt service remained timely.

Budget 2015. The Parliament approved the State Budget Law for 2015 at 5 A.M. of December 29. The Budget is based on numerous amendments of the Tax and Budget Codes and other legislation. Central fiscal revenues plan at UAH 476 bn is overoptimistic as it implies increase in revenues by about 31% as compared to actual indicator for 2014. Main sources of revenues growth include higher tax rates including increase in rates of rent payments and excises, somewhat larger tax base and redistribution of revenues to central budget, i.e 25% of PIT revenues (and 60% of PIT collected in city of Kyiv) will be due to central budget. Besides, transfer of the NBU profit to the central budget is to increase to UAH 65.4 bn as compared to UAH 22.8 bn in 2014.

Central fiscal deficit is planned at UAH 63.7 bn or 3.7% of GDP (based on official GDP forecast). Privatisation receipts are again planned at UAH 17 bn, which might be executed only under assumption of higher economic and political stability in the country. At the same time, general government deficit estimated according to the IMF methodology is planned at near 6% of GDP. In particular, the Government envisages special issues of state domestic bonds to recapitalise the Naftogaz and energy companies, step in several commercial banks (if they do not increase their capital as required), and provide financing to the Deposit Guaranteed Fund.

Growth of central fiscal revenues January-November 2014



* cash VAT refunds (without VAT-bonds)
Source: State Treasury reports

On the expenditure side the Government increased financing of defence and security items. At the same time, it somewhat streamlined social assistance through making welfare policies more targeted to poor and eliminating some privileges.

Tax amendments. Besides the Budget the Parliament approved amendments to the Tax Code introduced by the Government. On the positive side, the Parliament approved some reductions in tax burden through harmonization in application of similar taxes and simpler accounting standards for EPT calculation. Such changes might facilitate business operations if tax administration will ease. However, new regulation became effective since January 1, 2015, which creates additional pressure for business to prepare to new rules. Such approach does not favour good investment climate in the country and reduces fiscal transparency.

The Government increased excise rates for alcohol and tobacco products and introduced excise taxes on cargo vans and buses. Rates of rent payments were also increased. Special tax on cars with large cylinder volume was introduced. PIT rate for passive income was increased to 20%. The tax base subject to the property tax was broadened and now the tax will apply to flats of more than 60 square meters and houses of more than 120 square meters. Military surcharge to PIT was made semi-permanent (i.e it will remain in force until it is cancelled).

Moreover, additional surcharge on imports (5% for food items and 10% for other goods with some exemptions) was introduced for 12 months. However, it may come in force only after consultations with international partners including the EU, the WTO and the IMF. It is unlikely that it will become effective without consent of the EU and the IMF.

Overall, most amendments to the Tax Code are aimed at ensuring higher revenues rather than simplify tax administration and ease tax burden. The plan of tax collections for 2015 seem to be too optimistic.

Payroll taxes. The Verkhovna Rada also approved sweeping changes to social security laws including measures to stimulate wage de-shadowing. Companies increasing wages by at least 30% from average wage in 2014 with resulting average wage in company higher than 3 minimal wages will be able to apply lower than regular rates of the single social contribution (SSC). However, companies will still have to pay at least 40% of regular rate of SSC and at least UAH 700 per person. Since 2016 companies with defined level of average wage will be eligible to pay SSC at the level of 60% of regular rate.

Due to strict conditions, absence of amnesty for prior violations, very short-term tax relief and difficult economic conditions it is likely that very few companies will use this provision.

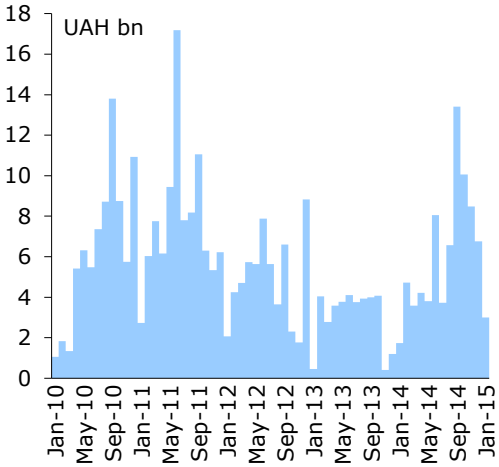
Legislative amendments foresee that social contribution rate will be decreased to 22%-29% in 2016 for high wage earners, but projected decrease is not accompanied by compensatory measures to broaden contribution base (aside from highly ineffective measures on de-shadowing) and, therefore, it is not credible. Therefore, the impact of SSC reduction on wage de-shadowing is likely to be very restricted.

Social policy: Further decline in real social standards

Income. Disposable income in the third quarter of 2014 increased by 4.4% yoy in nominal terms and declined by 9.0% yoy in real terms. All income components declined in real terms. Higher spending on taxes and other transfers put downward pressure to disposable income growth.

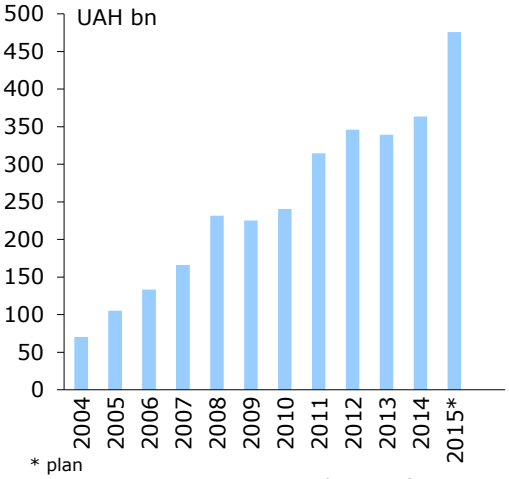
Wage income grew by only 5.7% yoy in nominal terms due to lower employment and restricted wage increases in private and public sectors. Income from social assistance declined by 5.7% yoy in nominal terms due to high fiscal pressure and disruption of payments in Donbas. At the same time, income from entrepreneurs activity and subsidiary farming grew by 8.6% yoy in nominal terms due to good harvest.

Balance of the Single Treasury Account



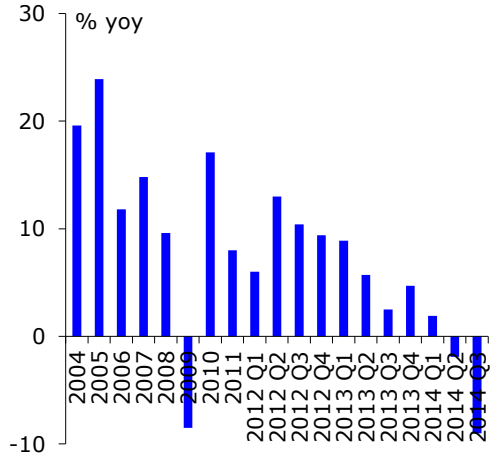
* in the beginning of month
Source: State Treasury

Central fiscal revenues



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

Real disposable household incomes

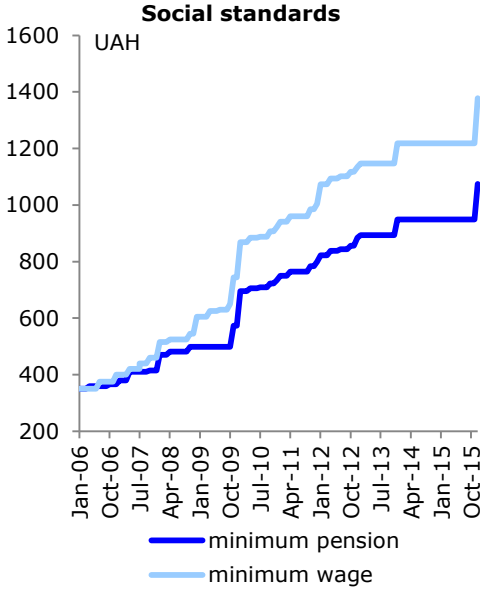


Source: Ukrstat

2015. Subsistence minimum and, thus, minimum pension and minimum wage, will remain unchanged until December 2015. Last time they were increased in December 2013. Such decision is explained by attempts of the Government to contain growth of pension liabilities and reduce fiscal pressure during economic recession. In December 2015 subsistence minimum for all demographic groups and minimum wage is planned to be increased by 13.1% yoy (similar to December-to-December inflation forecast by the Government). Taking into account average increase in subsistence minimum at 5.6% in 2014 and 1.1% in 2015, social standards in real terms will decline by more than 10% as compared to 2013. This decline in purchasing power will limit consumption hampering economic recovery.

Social security system. On December 28 the Verkhovna Rada approved new version of the Law on Social security system to reduce administrative spending and eliminate inappropriate functions of the social security funds. The Fund of compulsory social insurance in case of temporary loss of ability to work and the Fund of compulsory social insurance in case of occupational disease and accident at work were combined into one Social security fund. The functions and liabilities of the Fund more or less combined those of two funds. At the same time, some unjustified functions were canceled, including payment for spa treatment of insured individuals and their children as well as financing of health resorts and sanatorium.

Social standards



Source: State Budget Laws for 2006-2015

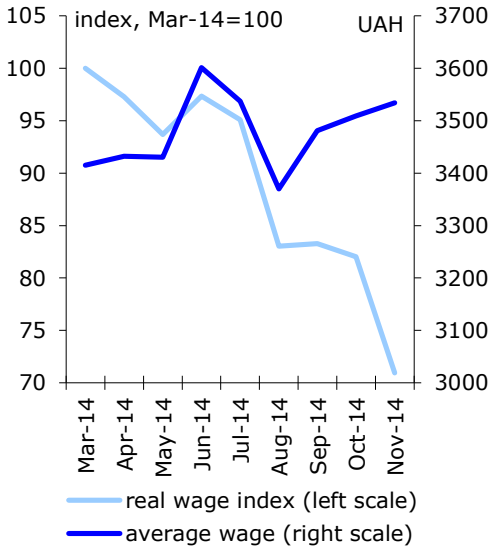
Labour market: Unemployment increased

Wage. Average wage in November grew by 7.6% yoy in nominal terms likely due to minimum wage increase and indexation of wages for inflation. However, it dropped by 13.5% yoy in real terms due to financial constraints of companies and high fiscal pressure against the background of accelerated inflation. Another reason for the real wage decline is an introduction of military fee at 1.5% of wage from August 2014.

Average wage in industry grew by 8.2% yoy, which is slightly above the minimum wage increase (at 6.2% yoy). The most significant growth was in textile industry (at 19.1% yoy), production of electronic equipment (at 20.1% yoy) and metallurgy (18.2% yoy). Even though sales values and production volume in all these industries are lower than year before, volume of future orders is considerably higher (20.5% yoy higher for textile industry, 6.5% yoy higher for metallurgy and 5.2% yoy higher for electronic equipment). This, together with inflation indexation and minimal wage increase, may be the cause for average wage increase.

Fluctuation of exchange rate and uncertainty about credits availability in the next year might be the reasons for small increase of wages in agriculture (by 4.6% yoy). Fiscal consolidation measures continued to put a downward pressure on wage growth in public sector. For instance, nominal average wage in public administration and defence decreased by 0.4% yoy, wage in education and health care grew by 4.3% yoy and 6.1% yoy respectively.

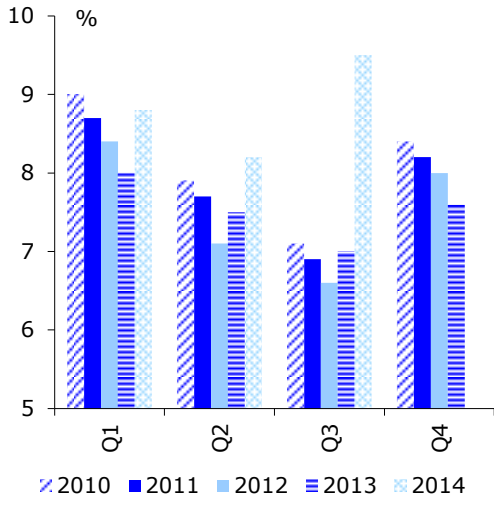
Average wage*



*not including AR Crimea
Source: Ukrstat

Unemployment. Unemployment rate (ILO methodology) increased to 9.5% of economically active population in age of 15-70 in the third quarter of 2014 as compared to 7.0% in the third quarter of 2013 as a result of economic recession. Number of unemployed increased to 1.9 m individuals. Unemployment primarily increased in urban areas, which reflects decline in industrial output. Share of unemployed in urban area increased by 15 p.p. as compared to the same period of last year to 63% of all unemployed.

Unemployment rate (ILO)



Source: Ukrstat

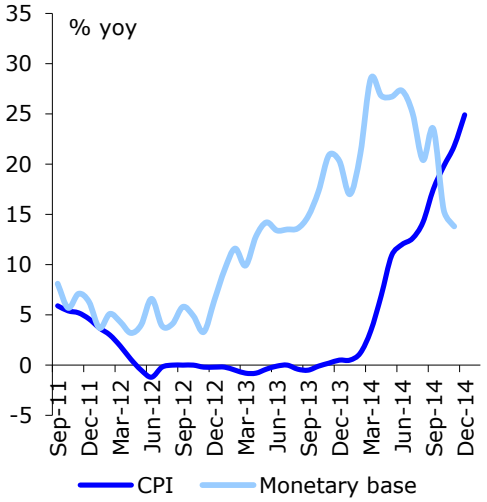
Monetary policy: Inflation reached 24.9% yoy in December

In December consumer inflation reached 24.9% yoy, while month-to-month price increase accelerated 3.0% mom, the highest level since May. Sharp increase in buckwheat and vegetable prices contributed 1 p.p. to monthly inflation, while wide-based price increases continued in response to high hrvynia depreciation expectations.

In 2014 inflation could have been even higher if it was not constrained by weak demand and lower global energy prices. Import substitution, preference for cheaper products led prices for clothing and footwear to increase by only 4.6% yoy in December. Prices for household appliances increased by 14.6% yoy, although they are almost completely imported.

Interbank market rates exceeded 20% p.a. in December as demand for liquidity increased in the end of the year. At the same time, some banks had significant amounts of extra liquidity as average amount of funds on deposit facilities at the NBU was UAH 15 bn.

CPI and monetary base development



Source: Ukrstat, NBU

Exchange rate: Increase in depreciation expectations

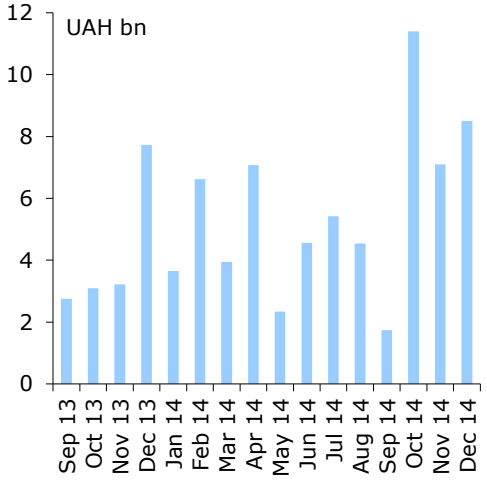
In December depreciation expectations increased and black market exchange rate increased sharply. End-of-year increase in demand for cash foreign currency may have also influenced informal exchange rate. Exchange rate at formal interbank market remained relatively stable at slightly lower than UAH 16 per USD, but interbank market turnover was very low at USD 6.8 bn. Repeal of pension fund tax on non-cash forex transactions may increase interbank market liquidity in 2015. NBU international reserves in the end of the year reduced to USD 7.5 bn as the Naftogaz repaid USD 1.65 bn to the Gasprom for previously imported gas.

State debt: State debt surged in 2014

Debt. During 2014 state debt surged due to sharp hryvnia depreciation, new domestic and external borrowings for deficit financing and special issues of state domestic bonds for recapitalisation of state-owned companies and VAT refunds. By the end of 2014 state debt is estimated to reach near 70% of GDP (as compared to 40% in the end of 2013).

Domestic debt. In December, the total state domestic bonds outstanding increased by UAH 47 bn (to UAH 458 bn). The Government issued bonds at UAH 20 bn to reimburse the NBU for repaying budget support received from the IMF under previous SBA arrangement (near USD 1.3 bn). It also issued UAH 5 bn of ten-year state domestic bonds at 9.5% p.a. directed for the recapitalisation of the State Export-Import Bank of Ukraine (JSC Ukreximbank). Moreover, the Government recapitalised Oschadbank at UAH 11.6 bn.

State domestic bonds placements in UAH (without recapitalisation)



Source: NBU

In December the Ministry of Finance also placed UAH 8.5 bn of hryvnia denominated bonds with weighted average yield at 16.7. Two-year bonds accounted for 71.8% of the total placement. The Government also issued EUR 130 m of short-term EUR-denominated bonds (with yields at 9% p.a.), which was lower than planned due to lack of demand.

Besides, the Ministry of Finance issued the last (fifth) tranche of special state domestic bonds at UAH 55.4 m (out of total UAH 7 bn approved by the Cabinet of Ministers) to cover VAT refund arrears.

External debt. In late December, the European Investment Bank (EIB) agreed to provide Ukraine with two loans in the framework of EUR 3 bn lending plan. The loan at EUR 400 m is to be allocated for SME promotion projects. Another loan at EUR 200 m for is to be directed at financing of small-scale reconstructions in the Eastern Ukraine and assistance to internally displaced persons.

Tables

Economic Trends		Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Jan	Feb	Mar	Apr[c]	May[c]	Jun[c]	Jul[c]	Aug[c]	Sep[c]	Oct[c]	Nov[c]	Dec[c]
Industrial production (real)	% yoy cum.	-1.2	-1.8	-5.0	-5.3	-5.2	-4.7	-5.0	-4.7	-5.8	-5.0	-4.2	-5.0	-5.3	-4.6	-4.7	-5.8	-7.8	-8.6	-9.4	-10.1	…
Construction (real)	% yoy cum.	-9.1	-14	-13.8	-17.8	-15.1	-14.5	-6.4	-8.9	-22	-16.4	-9.8	-6.4	-5.8	-6.5	-8.9	-22.4	-4.0	-17.2	-18.6	-19.3	…
Agricultural production (real)	% yoy cum.	-4.6	-4.5	5.8	15.4	3.0	13.7	6.0	-3.9	3.4	6.0	6.3	6.0	5.0	4.7	-3.9	3.4	6.3	16.0	7.5	5.0	…
Retail trade turnover (real)	% yoy cum.	16.0	15.9	13.4	11.2	9.8	9.5	7.7	0.8	-1	8.8	9.0	7.7	5.6	2.9	0.8	-1.0	-4.0	-5.3	-6.8	-7.5	…
Average wage	UAH	3064	3195	3085	3289	3331	3390	3245	3488	3463	3148	3189	3398	3432	3430	3601	3537	3370	3481	3509	3534	…
CPI	% yoy eop	0.0	-0.2	-0.8	-0.1	-0.5	0.5	3.4	12.0	12.6	0.5	1.2	3.4	6.9	10.9	12.0	12.6	14.2	17.5	19.8	21.8	24.9
PPI	% yoy eop	0.3	0.3	0.2	-1.6	-0.9	1.7	3.9	15.9	22.5	1.9	3.3	3.9	6.1	8.8	15.9	22.5	24.2	26.9	25.9	32.8	31.8
Exports (USD)*	% yoy cum.	2.6	1.0	-4.7	-7.1	-6.2	-5.2	-7.7	-6.5	-13.9	-12.2	-10.0	-6.8	-8.3	-6.4	-6.7	-6.8	-8.2	-9.1	-10.8	-12.6	…
Imports (USD)*	% yoy cum.	7.6	5.6	-0.8	-8.3	-4.1	-3.4	-14.7	-18.6	-38.5	-6.7	-13.6	-16.1	-19.9	-17.3	-17.3	-19.5	-22.4	-24.8	-26.3	-26.7	…
Merchandise trade balance	USD bn cum.	-14.8	-20.5	-4.0	-7.1	-14.2	-19.6	-1.9	-0.6	-0.6	-0.8	-1.5	-1.9	-2.0	-2.2	-2.5	-2.7	-3.0	-3.6	-4.2	-5.1	…
Current account**	USD bn cum.	-10.0	-14.4	-3.1	-5.5	-11.4	-16.4	-1.3	-0.6	-1.0	-0.4	-0.8	-1.3	-1.2	-1.5	-1.9	-2.3	-2.7	-3.3	-4.0	-4.5	…
Gross international reserves	USD bn eop	29.3	24.5	24.7	23.2	21.6	20.4	15.1	17.1	16.4	17.8	15.5	15.1	14.2	17.9	17.1	16.1	15.9	16.4	12.6	10.0	7.5
Monetary Base	% yoy eop	5.8	6.4	9.9	13.4	14.8	20.3	28.5	25.1	23.5	17.0	21.0	28.5	26.8	26.7	27.3	25.1	20.4	23.5	15.4	13.8	…
Lending rate on UAH credits	% pa, aop	19.6	20.8	16.2	15.4	15.3	16.5	18.5	17.5	16.4	15.1	20.3	20.0	17.5	17.9	17.2	16.1	16.8	16.2	16.3	16.7	…
Exchange rate (interbank)	USD aop	8.10	8.15	8.12	8.14	8.15	8.21	9.1	11.71	12.6	8.37	9.08	9.98	11.61	11.78	11.79	11.74	12.98	13.01	12.93	14.75	15.63
Exchange rate (official)	USD aop	7.99	7.99	7.99	7.99	7.99	7.99	8.9	12.71	12.6	7.99	8.65	9.92	11.64	11.64	11.81	11.76	12.95	13.02	12.95	14.70	15.62
Exchange rate (official)	EUR aop	9.99	10.37	10.55	10.44	10.58	10.87	12.14	13.71	16.67	10.92	11.80	13.69	16.08	16.00	16.04	15.93	17.25	16.83	16.43	18.36	19.26

Sources: Ukrstat, NBU, ICAP, 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

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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	40.1
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
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
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
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
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
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

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

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

Notes:

avg	average	**ytd**	year-to-date	**NBU**	National Bank of Ukraine
cum	cumulative	**p.a.**	per annum	**EPT**	Enterprise profit tax
mom	month on month change	**eop**	end of the period	**VAT**	Value added tax
qoq	quarter on quarter change	**aop**	average of the period	**Ukrstat**	State Statistics Service of Ukraine
yoy	year-on-year change	**gs**	goods and services		

Quarterly trends

National accounts		Q4 09	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	Q2 14[c]	Q3 14[c]
GDP	UAH bn	259.9	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	313.0	372.7	428.2
GDP (real)	% yoy	-6.7	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	-1.1	-4.6	-5.3
Household consumption (real)	% yoy	-16.2	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	5.7	-2.3	-13.2
State consumption (real)	% yoy	-3.7	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	-9.1	6.9	-0.8
Gross fixed capital formation (real)	% yoy	-33.7	-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	-19.1	-18.5	-29.9
Exports of goods and services (real)	% yoy	6.9	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	-2.0	-7.4	-19.3
Imports of goods and services (real)	% yoy	-11.1	-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	-7.0	-11.3	-32.2
Agriculture, hunting, forestry (real)*	% yoy	-11.6	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	6.0	-8.8	25.9
Manufacturing industry (real)*	% yoy	6.5	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	-6.8	-8.4	-15.2
Construction (real)*	% yoy	-32.8	-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	-3.9	-16.9	-26.1
Trade, repair services (real)*	% yoy	-16.4	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	3.1	-9.1	-17.8
Transport (real)*	% yoy	-0.4	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	-5.8	-6.1	-7.1
Balance of payments																			
Current account balance	USD bn	-0.9	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	-1.3	-0.6	-1.0
Current account balance	% of GDP	-2.7	-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	-3.8	-2.1	-2.9
Trade balance in goods	USD m	-1407	-1236	-697	-3597	-2851	-4580	-5224	-3867	-5577	-5215	-5833	-4045	-3053	-7232	-5268	-1949	-567	-585
Trade balance in services	USD m	550	930	1115	1262	1514	2007	1312	1299	1362	1975	1084	822	893	1919	480	589	142	-325
Current transfers	USD m	722	608	728	1039	878	988	803	683	805	777	711	533	589	480	547	232	472	284
Direct investment (FDI)	USD m	1282	923	1196	880	2422	2090	1623	1663	1091	2002	1871	821	472	1199	859	-713	-292	606
Portfolio investments (equity)	USD m	41	-20	-18	149	113	42	207	-3	74	83	339	705	579	664	-757	-239	-53	-77
Gross international reserves	USD bn	26.5	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
Exchange rate (interbank), UAH/USD	aop	8.06	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
Exchange rate (official), UAH/USD	aop	7.99	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
Fiscal indicators																			
Consolidated fiscal revenues	% of GDP	36.0	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	30.1	29.2
Personal income tax	% of GDP	4.7	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	5.0
Enterprise profits tax	% of GDP	3.6	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	2.2
Value-added tax	% of GDP	11.0	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	8.1
Excise tax	% of GDP	2.6	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	3.6
Consolidated fiscal expenditures	% of GDP	34.5	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	35.7	35.6	32.2
Current expenditures	% of GDP	31.4	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	35.2	34.6	30.5
Capital expenditures	% of GDP	3.1	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	1.7
Consolidated fiscal balance	% of GDP	1.1	-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	-5.5	-3.3
Privatisation receipts	% of GDP	0.0	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
Labour market																			
Average wage (real)	% yoy	-5.7	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	-10.9
Household income (real)	% yoy	-7.6	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	1.9	-1.9	…
Unemployment rate (ILO methodology)	% cum	9.4	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	8.8	8.2	…
Banking system																			
Monetary aggregate M0	% yoy cum	1.5	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
Monetary aggregate M2	% yoy cum	-5.4	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	23.8
Household deposits in national currency	% yoy cum	-8.5	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
Household deposits in foreign currency	% yoy cum	4.7	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
Com. bank credits in national currency	% yoy cum	16.9	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
Com. bank credits in foreign currency	% yoy cum	-15.2	-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
Long-term com. bank credits	% yoy cum	-3.8	-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
Long-term com. bank credits	% of total	68.1	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
Average lending rate on national currency credits	% p.a.	19.8	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
Average lending rate on foreign currency credits	% p.a.	10.1	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

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 paymer

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

Oleksa Stepaniuk
stepaniuk@ier.kiev.ua

Victor Grechyn
grechyn@ier.kiev.ua

Center for Contemporary Society Studies

Iryna Fedets
fedets@ier.kiev.ua

Hanna Opanasenko
opanasenko@ier.keiv.ua

Tetiana Oliinyk
oliinyk@ier.kiev.ua

German-Ukrainian Agricultural Policy Dialogue

Yuliya Ogarenko
ogarenko@ier.kiev.ua

Mariya Yaroshko
yaroshko@apd-ukraine.de

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