INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: ANTI-CRISIS MEASURES

Politics: On March 21, Russia officially annexed Crimea, a peninsula with population of 2.4 m in the south of Ukraine. The annexation was not recognized by Ukraine and by the international community.

Real Sector: Industrial output in February declined by 3.7% yoy due to weak domestic and external demand.

Energy sector: The National Energy Regulation Commission raised gas tariffs for all types of consumers to reduce deficit of the Naftogaz.

Agriculture: The Government somewhat revised taxation rules and reduced fiscal spending for agriculture.

External sector: Current account deficit in February reduced to USD 0.1 bn mainly due to decline in merchandise imports.

Fiscal policy: Taking into account high fiscal gap and unrealistic fiscal parameters approved in the initial State Budget Law for 2014 the Government revised downwards all major fiscal parameters.

Privatisation: The plan for privatisation receipts for 2014 is ambitious and is not likely to be executed.

Social policy: Real disposable income growth in 2013 decelerated to 5.3% due to slower growth of all income components.

Labour market: Unemployment rate of economically active population in age of 15-70 (ILO methodology) declined to 7.6% in the fourth quarter of 2013.

Monetary policy: Consumer inflation surged to 3.4% yoy in March in response to hryvnia depreciation and increase in inflation expectations.

Exchange rate: In March hryvnia weakened sharply as the NBU refrained from supporting exchange rate through interventions.

State debt: State borrowings were lower than target in the first quarter of 2014 due to low demand for state domestic bonds and no access to international capital markets.

Highlight of the month: Anti-crisis measures

CAN THE GOVERNMENT ENSURE MACROECONOMIC STABILITY?

Oleksandra Betliy, Vitaliy Kravchuk

In March the Verkhovna Rada approved the Revised State Budget for 2014 and the amendments to the Tax Code and social assistance laws. These Laws are directed at long-overdue fiscal consolidation. They should contribute to macroeconomic stabilisation in Ukraine.

In the new version of the State Budget for 2014 planned revenues and expenditures were revised downwards. New budget parameters take into account recent tax increases and other revenue-raising measures. However, planned central fiscal revenues were reduced by 5.7% as new revenues were insufficient to offset effects of worsening economic situation and overly optimistic macroeconomic assumptions used for initial planning of revenues. To increase revenues the Government increased VAT and PIT rates for some taxpayers and hiked excise tax rates and natural resource charges. In particular, the Government increased personal income tax rates on richer individuals making PIT more progressive. Previously investment income was taxed at 5% as opposed to general tax rates of 15% and 17%. 2014 investment income will be now taxed at 15-25% with 25% tax on yearly investment income over 396 subsistence minimums (UAH 465696). This decision is economically justified due to difficult economic situation as well as minimisation of taxation through paying salary as investment income rather than wages.

The VAT rate reduction planned in 2015 was cancelled to avoid loss of potential fiscal revenues against the background of high fiscal gap. 7% VAT rate for medicines and medical products was introduced since April 1, 2014. Medicines and medical products are taxed in most EU countries. However, sudden introduction of VAT on these products without transition period results in logistical difficulties and some supply problems. Besides, this will also decrease affordability of medicines at the time of deceleration of income growth and higher cost of imports.

The Government also plans to issue special state domestic bonds for VAT refunds accumulated as of beginning 2014 (estimated at UAH 15 bn) similar to those issued in 2004 and 2010. This step may increase liquidity of exporters, while preserving fiscal revenues. However, timely cash VAT refunds with simultaneous rooting out fraud are important for investment climate in Ukraine.

In order to ensure additional fiscal revenues the Government increased rates of excise taxes and charges for natural resources. Higher rate of fraud may decrease effectiveness of increased tax rates.

Besides, the 0.5% tax on purchases of foreign currency earmarked for the Pension fund was reintroduced since April 2014 after several years without such tax. Overall, it is likely to generate significant revenues (planned at UAH 9.1 bn), which will help to finance the deficit of the Pension Fund. However, there is evidence that this tax may be harmful for development of efficient foreign currency market. This will be particularly important for transition to floating exchange rate and may hamper investment in the next years. Thus, it is important for it to be phased out as soon as possible.

On the expenditure side, the cuts were made to most programs including social spending and capital outlays. In particular, subsistence minimum (SM) and, thus, minimum wage and minimum pension will remain fixed for entire year, while before, they were planned to be increased by 6.8% by the end of the year. Besides, in-kind privileges to several groups of public sector employees (judges, police, etc) became more means-tested. Only those employees with average per capita family income lower than 1.4 subsistence minimums are eligible for privileges.

Besides, the Government reduced social assistance to families with children. In particular, the size of birth grants was unified at UAH 41280 or 40 SMs at a current rate (before it was 30 SMs for the first child, 60 SMs – for the second child, 120 SMs – for more children) and will be paid during three years starting July 2014. At the same time, the payment of assistance for caring child up to three years old is cancelled.

The number of staff in central executive body is to be reduced. However, the possible savings from this step are likely to be limited as it should be implemented by only December 31.

At the same time, share of social spending in budget expenditures will remain high. In particular, the Government increased planned spending for housing and utility subsidies by UAH 1.4 bn and introduced compensation of increased utility bill for the poorest households. This was motivated by the decision to increase gas prices for population by 56% on average since May 2014. This would decrease deficit of the Naftogaz and hence fiscal and quasi-fiscal subsidies to the Naftogaz, which remains unsustainable. These subsidies include issue of state domestic bonds at UAH 33 bn, which is excluded from budget deficit as they will be formally exchanged for additional shares in the Naftogaz (the company will remain 100% owned by the state).

Overall, budget amendments as well as increase in gas prices along with approval of several other laws (e.g. on public procurement) are necessary to ensure new IMF program, which is important for Ukraine. New IMF loan will be part of larger financing package provided by IFIs and EU. This will provide relatively cheap financing for the budget, support necessary reforms in the country and is likely to become positive signal for other investors.

Monthly Economic Monitor Ukraine

Politics: Russia annexed Crimea

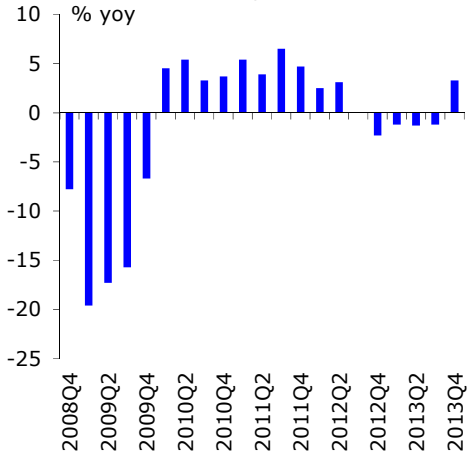
Russia. On March 21, Russia officially annexed Crimea, a peninsula with population of 2.4 m in the south of Ukraine. The annexation began in late February when Russian troops took control of key installations in Crimea, including local government buildings, transport hubs, and communications centers. The troops also blocked Ukrainian military bases in Crimea. On March 6, Crimea's local parliament suddenly voted in favor of joining Russia and scheduled a referendum on March 16 to confirm that decision. According to the Crimean authorities, 83.1% of voters participated in the referendum, and 96.8% of them voted to join Russia. But according to Mustafa Dzhemilev, a leader of the Crimean Tatar community, in fact only 32.4% of voters attended the referendum. The Russian intervention was carried out with only a few shots being fired. During the month, almost all local law enforcement personnel and about a third of Ukrainian military troops went over to Russia, another third retired from military service, while the rest of troops started to leave for mainland Ukraine.

The annexation was not recognized by Ukraine and by the international community. On March 27, the UN General Assembly declared the secession vote invalid. It is likely that the annexation of Crimea is a part of a larger plan that includes destabilisation of the situation in Ukraine, with the ultimate goal of establishing Russian control over the entire territory of Ukraine. Destabilisation may call into a question, whether Ukraine will be able to hold Presidential election on May 25.

The European Union. On March 21, Ukraine signed several chapters of the long-awaited Association agreement (AA) with the European Union (EU). In particular, the parties signed the preamble, the first article (objectives of the agreement), the first section (general principles), the second section (political dialogue and reform, political association, cooperation and convergence in the field of foreign and security policy), and the seventh section (institutional, general and final provisions). The unsigned sections of the AA cover economic cooperation, including establishment of a deep and comprehensive free trade area, cooperation in the areas of justice and security, and sector cooperation. The remaining part of the AA is expected to be signed after the Presidential election. Meanwhile, the EU decided to grant autonomous trade preferences to Ukraine until November. In particular, it plans to remove temporarily more than 80% of tariffs charged on farm produce imports and 94.7% of tariffs charged on industrial goods imports from Ukraine.

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 GDP growth



Source: Ukrstat

Real sector: Industrial output declines

GDP. According to Ukrstat revised data, real GDP in the first three quarters of 2013 declined by 1.2% yoy. This decline was offset by real GDP growth in the fourth quarter at 3.3% yoy. As a result, real GDP in 2013 remained at the level of 2012.

On demand side, real private final consumption growth at 6.8% yoy contributed 4.7 p.p to GDP growth. It grew due to higher real disposable income and lower saving rate. At the same time, fixed capital accumulation decreased by 5.1% yoy due to high political and economic uncertainty. Net exports subtracted 1.0 p.p. from economic growth as real exports declined by 4.1% yoy, while imports reduced only by 1.8% yoy.

On the production side, in the fourth quarter real gross value added (GVA) in agriculture increased by 38.2% yoy due to good crop harvest. At the same time, weak domestic and external demand resulted in decline in real GVA in manufacturing by 8.9% yoy. Trade increased by 4.7% yoy due to higher consumption and lower saving rate.

Sectoral trends. Industrial output in February declined by 3.7% yoy. Manufacturing output dropped by 6.6% yoy due to low domestic and external demand. Production of metallurgy declined by 10.1% yoy

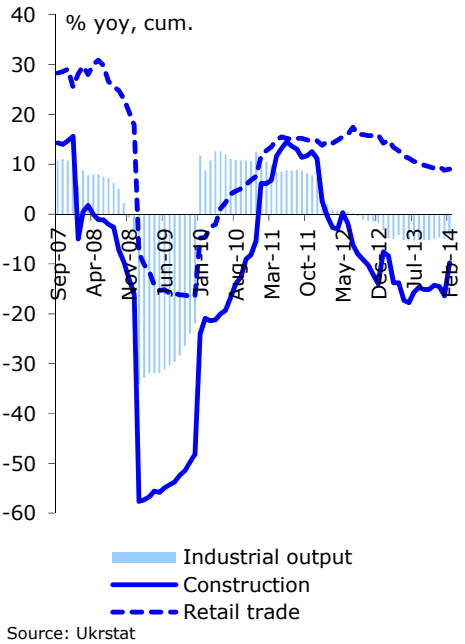
Institute for Economic Research
and Policy Consulting
Reytarska 8/5-A, 01034 Kyiv
Fax (+38044) 278-6336
E-mail: institute@ier.kiev.ua
http://www.ier.com.ua

due to continuing adverse conditions in the global markets. Machine building output contracted by 14.8% yoy primarily due to drop in production of locomotives and railway carriages (by 54.0% yoy). At the same time, the oil refining increased output by 5% yoy as Odessa oil refinery resumed work in September, 2013.

Agricultural production in February increased by 6.7% yoy primarily due to higher production of meat and eggs.

Between January and February retail trade turnover grew by 9.0% yoy likely due to continued consumption growth.

Real sector trends



Source: Ukrstat

Energy: National regulator raised gas tariffs

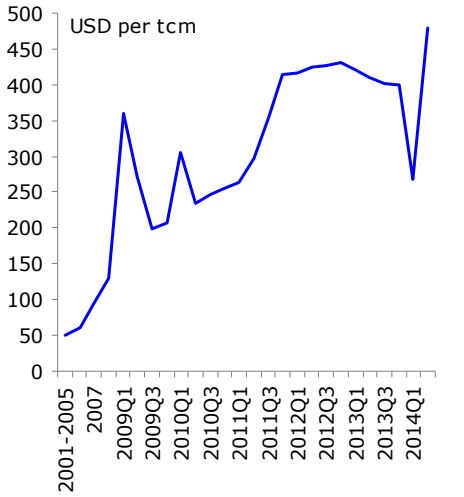
In March, Russia canceled agreement on the price of gas of USD 268.5 for 1 tcm (from the December 2013) and denounced the Kharkiv Agreements, which granted Ukraine a discount of USD 100 per tcm of gas. As a result, the price of Russian gas increased to USD 480 for Ukraine. At the same time, the National Energy Regulation Commission (NERC) increased gas tariffs with regard to the former decision of Russia but has not yet taken into account the latter decision. In particular, the NERC raised the gas tariff for the industrial enterprises by 29.1% from April (to UAH 4020 per tcm), for budget enterprises by 64.2% from April (to UAH 4020 per tcm). The gas tariffs for population will be increased by 50% from May and for the heating companies by 40% from July. This decision will contribute to the decline in the deficit of the Naftogaz. The Naftogaz's deficit is expected to be financed at the expense of central budget subsidies and recapitalization.

In March, Ukraine increased its daily intake of gas by 36% to 86 m^3 in order to decrease outtake from the underground storage facilities (USF). According to the Energy Minister, by the end of March Ukraine had 7 bcm of gas in its USF excluding the gas stored in the Chernomornaftogas storage. Ukraine started the 2013-2014 heating season with 18 bcm of gas in storages. At the same time, the Naftogaz continued delays in its payments to Gasprom. As a result, as of beginning of April the Naftogaz's debt to Gasprom reached USD 1.75 bn for gas consumed in 2013 and 2014.

Dutch Shell quit negotiations on signing the product sharing agreement on exploration of Skifska field in the Black Sea. Shell expected to sign the agreement in 2012 or 2013 but finally decided to focus on other exploration projects in Ukraine. One of the reasons of Shell's decision is the uncertain status of Crimea near which Skifska field is situated. The tender for Skifska field was held in 2012. Winners (Exxon Mobil, Shell, Petrom and Nadra Ukrainy) offered the Ukrainian government a special payment of USD 325m.

The NERC increased the tariff for electricity produced by nuclear power plants (NPP) by 20.5% to 0.2782 UAH/kWatt*h. The additional funds will allow Energoatom to finance the program on raising safety levels at NPPs.

Price of natural gas imported from Russia



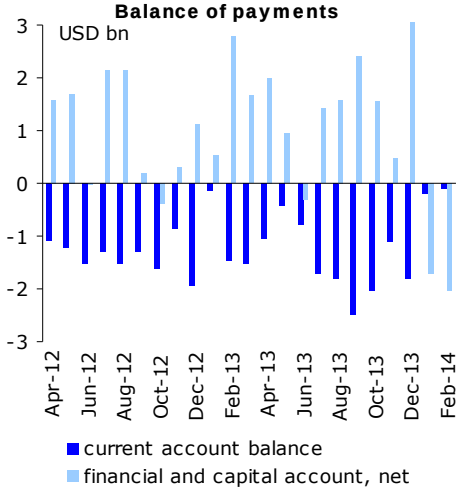
Source: MinEnergo

Agriculture: Repercussions of anti-crisis measures

In March the Parliament changed taxation of the agricultural sector. In particular, tax base of the fixed agricultural tax was revised; minimum land rent and excise tax for alcoholic beverages were increased; certain amendments of the VAT regime for grains and technical crops will come into effect as from October. These measures are targeted to contribute to short-term objective to increase fiscal revenues; however, such an ad hoc approach is inconsistent with stability principle of the tax legislation in Ukraine.

At the same time, planned fiscal expenditures on the sector were cut by 20%. Spending on a number of provisions was completely eliminated (e.g., measures on the control of pests and diseases of crops, state-funded agricultural exhibitions, development of the wholesale markets, etc.). Administrative expenditures of government bodies in agriculture are planned to be decreased by 20%, while support to agricultural producers was cut by 45%. Funding of the National Academy of Agricultural Sciences, Agrarian Fund and programmes related to rural development were also reduced.

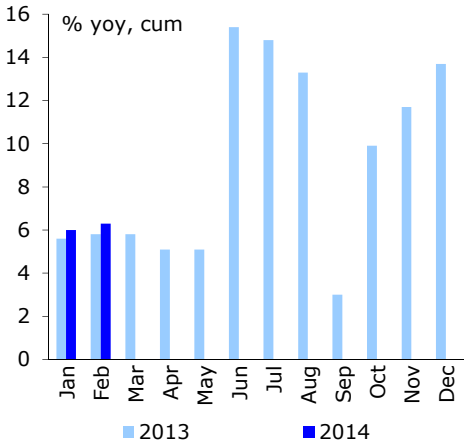
Balance of payments



Source: NBU preliminary estimates

Aforementioned fiscal policy amendments might result in decrease of production for certain agricultural sub-sectors. However, such anti-crisis measures are not likely to have serious consequences for the whole agricultural sector and food security of Ukraine provided that idle bureaucratic constraints are removed and more freedom is given to business. Moreover, the agricultural development in 2014 is likely to be supported by some liberalisation of trade by the EU.

Agricultural production



Source: Ukrstat

External sector: Financial account deficit reached USD 2.0 bn in February

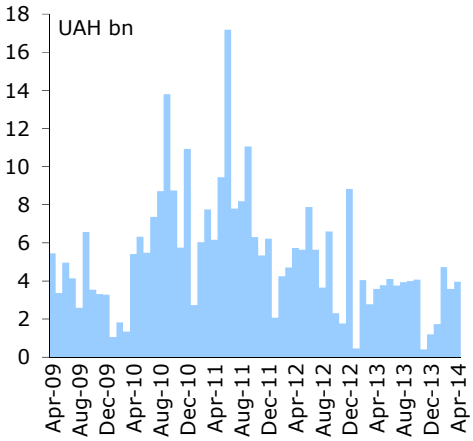
Current account deficit in February reduced to USD 0.1 bn as compared to USD 1.5 bn a year ago. Merchandise trade deficit amounted to USD 0.6 bn. Current account deficit improved mainly due to decline in merchandise imports.

Decline in goods exports slowed to 7.4% yoy. Major drop occurred for exports of chemicals (34% yoy), machinery (20% yoy) and metals (7% yoy). At the same time, exports of mineral products grew by 38% yoy due to the low base of comparison.

Goods imports decreased by 21.7% yoy primarily due to high political uncertainty. Imports of mineral products declined by 38% yoy and machinery by 28% yoy. Low consumption demand resulted in drop in imports of manufactured goods.

Financial and capital account deficit widened to USD 2.0 bn. Net FDI outflow at USD 0.2 USD was likely explained by political uncertainty. Negative balance of loan and bond operations reflected limited access to external financial markets. Hryvnia depreciation expectations and deposits outflow led to surge in cash foreign currency outflows from banking sector to USD 1.9 bn in February.

Balance of the Single Treasury Account



* in the beginning of month
Source: State Treasury

Fiscal policy: The Government revised major fiscal parameters for 2014

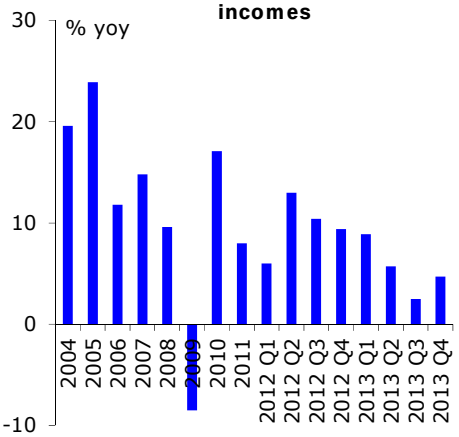
Budget amendments. Taking into account high fiscal gap and unrealistic fiscal plans the Verkhovna Rada approved budget amendments requested by the Government. As a result, planned fiscal revenues were reduced by 5.7% to UAH 373 bn. In particular, expected tax revenues dropped by UAH 27.1 bn despite a number of revenue raising measures including higher excise taxes and resource charges and increased personal income tax. Fiscal expenditures were cut by 8.8% to UAH 315 bn as both current and capital expenditures were reduced. Deficit financing plans were adjusted to account for expected financial assistance from international donors. Domestic financing was revised downwards.

The State Budget Execution. According to the preliminary data of the State Treasury central fiscal revenues grew by 5.9% yoy in the first three months of 2014. At the same time, central fiscal revenues due to general fund grew by 9.0% yoy. Therefore, the Government likely didn't reduce accumulated advance EPT payments and VAT refund arrears. Fiscal situation remained problematic as the Government had limited access to financing and it had to increase defence spending and, thus, was not able to finance all planned expenditures.

Between January and February central fiscal revenues due to general fund were by 9.8% yoy lower than target due to low tax revenues. In particular, VAT revenues were by 33.4% lower than plan due to sharp decline in imports and economic downturn. Low imports also impacted duties on international trade. Political situation and lower consumption resulted in under-execution of excise duties collections by 13.7%. At the same time, central fiscal revenues were supported by early transfer of NBU profits that was higher than planned by 54.4%.

As the Government did not have access to planned Russian financing, central fiscal expenditures (general fund) were by 12.9% lower than target. As a result, central fiscal expenditures (general fund) increased only by 0.9% yoy.

Real disposable household incomes



Source: Ukrstat

Privatisation: Target for 2014 remains high

According to the amended State Budget Law for 2014 privatization receipts are planned at UAH 17 bn, which is by 12% lower than initial

target. Still, the plan is very ambitious. The list of companies to be sold has to be approved in April. Overall, it is highly unlikely that the State Property Fund of Ukraine will ensure the execution of the target due to high political and economic uncertainty.

Social policy: Disposable household income growth decelerated in 2013

Real disposable income growth in 2013 decelerated to 5.3% after it surged by 13.9% a in 2012 due to slower growth of all components.

Total household income increased by 5.3% in nominal terms. In particular, wage income grew by only 4.0% due to slower growth of average wage. Wages in informal sector of economy were likely growing at a slower pace than in official sector. At the same time, good harvest resulted in growth of income from subsidiary farming and entrepreneurial activities by 7.9%. Despite fiscal constraints income from social assistance payments grew by 7.4% due to increase in pensions and other payments due to increase in subsistence minimum by 7% on average.

At the same time, expenditures on goods and services increased by 8.8% reflecting lower saving rate.

Labour Market: Decline in unemployment despite crisis

Unemployment. Unemployment rate of economically active population in age of 15-70 (ILO methodology) declined to 7.6% in the fourth quarter of 2013 as compared to 8.0% in the last quarter of 2012. Therefore, labour market showed strong resistance to the general economic slowdown with the reduction of industrial output. This can be explained by the unwillingness of employers to dismiss workers. At the same time, number of employees shifted either to unpaid leave or reduced working week.

Overall, unemployment rate was at 7.2% of economically active population between 15-70 years old in 2013 as compared to 7.5% in 2012.

Wage. In February wage growth decelerated to 4.8% yoy. Especially weak growth was demonstrated by the industry (at 2.3% yoy) even though minimum wage was increased by 6.2% yoy. In particular, wages declined in manufacturing of electronic and optic equipment, transportation manufacturing and electricity and gas supply, which might be attributed to financial problems in these sectors.

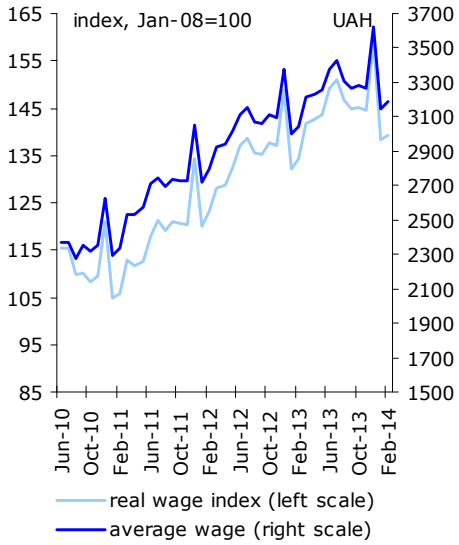
Wages in education and health care continued to grow slower than average wage (1.2% yoy and 4.2% yoy) due to difficult fiscal situation. On the other hand, wages in government administration increased by 6.9% yoy.

Monetary policy: Consumer inflation surged to 3.4% yoy in March

Consumer inflation surged to 3.4% yoy in March in response to hryvnia depreciation and increase in inflation expectations. The Ukrstat reported growth at 3.6% yoy in food prices as prices surged for a number of unprocessed products including eggs and sugar, bananas and other imported fruit. However, low demand and lags in price setting limited increase in prices for domestically produced food products. There was also broad-based increase in prices for non-food items but it was also dampened by low demand. It seems that prices for many imported goods did not reflect full impact of changes in exchange rate. Prices for gasoline and cars were notable exceptions from this trend.

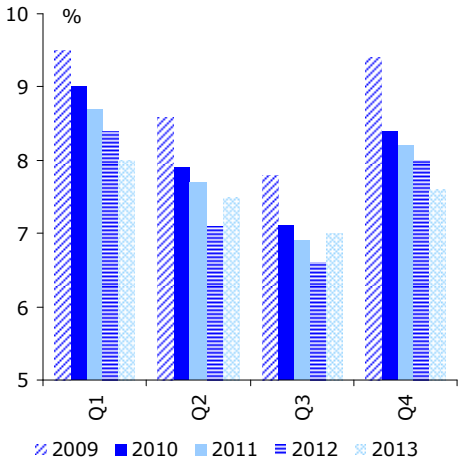
Monetary conditions eased somewhat in March as liquidity was abundant in some banks that suspended lending, while reserve requirements were relaxed in the end of February. As a result, the NBU reported decrease in average interbank interest rate to 8.8% p.a. in March. However, interbank market remained fragmented. Some banks preferred to park funds at the NBU overnight deposit facility at 2% p.a., while others obtained expensive refinancing costing up to 19.5% p.a. to cover deposit outflows.

Average wage



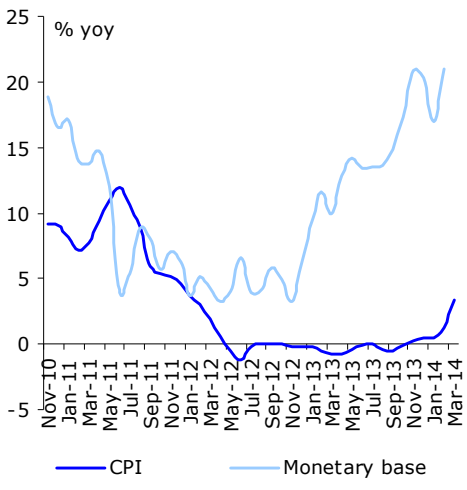
Source: Ukrstat

Unemployment rate (ILO)



Source: Ukrstat

CPI and monetary base development



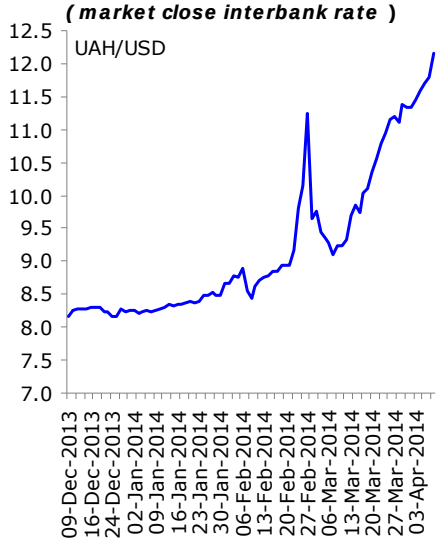
Source: Ukrstat, NBU

Exchange rate: Hryvnia continued to depreciate

In March hryvnia weakened sharply as the NBU refrained from supporting exchange rate through interventions. Interbank UAH/USD exchange rate increased from UAH 10 per USD in the beginning of the month to over UAH 11 in the end of the month. The NBU eased some of administrative restrictions on the foreign exchange market in the second half of March. In particular, it allowed purchasing foreign currency within three working days after transferring hryvnia to the bank from April 1. At the same time, the NBU further limited operations with foreign currency for consumers.

International reserves dropped to USD 15.1 bn by the end of March as the NBU made payments on foreign currency government debt of USD 0.45 bn.

Exchange rate
(market close interbank rate)



Source: NBU

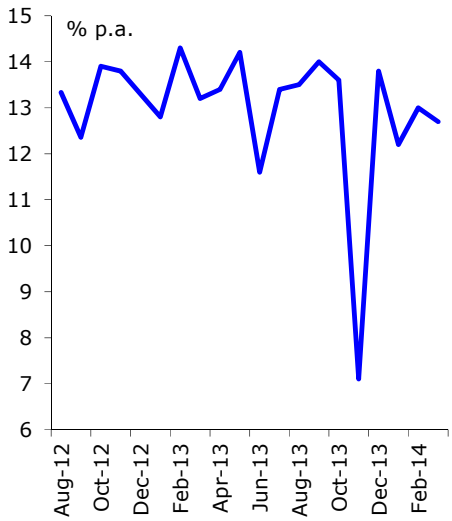
State debt: Borrowings remain limited

According to the State Treasury, in the first quarter of 2013 state borrowing reached only 28.7% (or UAH 24.1 bn) of the quarterly target. Such low execution of the plan was explained by low demand for state domestic bonds and no access to international capital markets. Financial assistance programs announced by the IMF, the EU and some other governments remain still in the process of launching.

In March, domestic borrowings dropped by half compared to previous month. The Ministry of Finance placed only UAH 3.9 bn of hryvnia denominated bonds with weighted average yield at 12.7 p.a. The share of bonds with maturity from one to three years increased to 46.7%. The rest of demand was fully concentrated on five-year bonds.

Next large debt repayments to IMF are scheduled in May and August (SDR 390.6 m and SDR 265.6 m, respectively). Besides, in June the Government will have to repay USD 1.0 bn of Eurobonds issued in 2012 to repackage half of the VTB loan. These payments might be ensured by new loans expected from the IMF in May.

Weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Apr	May	Jun	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Industrial production (real)	% yoy cum.	0.4	-1.2	-1.8	-5.0	-5.3	-5.2	-4.7	-4.2	-5.2	-5.3	-5.2	-5.2	-5.2	-5.0	-4.7	-5.0	-4.2	…
Construction (real)	% yoy cum.	-1.9	-9.1	-14	-13.8	-17.8	-15.1	-14.5	-13.8	-17.3	-17.8	-14.7	-15.1	-15.1	-14.3	-14.5	-16.4	-9.8	…
Agricultural production (real)	% yoy cum.	7.4	-4.6	-4.5	5.8	15.4	3.0	13.7	5.1	5.1	15.4	13.3	3.0	9.9	11.7	13.7	6.0	6.3	…
Retail trade turnover (real)	% yoy cum.	16.0	16.0	15.9	13.4	11.2	9.8	9.5	12.7	11.6	11.2	10.2	9.8	9.5	9.2	9.5	8.8	9.0	…
Average wage	UAH	3109	3064	3195	3085	3289	3331	3390	3233	3253	3380	3304	3261	3283	3268	3619	3148	3189	…
CPI	% yoy eop	-1.2	0.0	-0.2	-0.8	-0.1	-0.5	0.5	-0.8	-0.4	-0.1	-0.4	-0.5	-0.1	0.2	0.5	0.5	1.2	3.4
PPI	% yoy eop	4.5	0.3	0.3	0.2	-1.6	-0.9	1.7	-1.0	1.9	-1.6	-0.9	-0.9	0.8	-0.5	1.7	1.9	3.3	3.9
Exports (USD)*	% yoy cum.	2.5	2.6	1.0	-4.7	-7.1	-6.2	…	-3.9	-7.7	-8.4	-8.7	-8.8	-9.0	-8.8	-7.6	-11.7	-9.5	…
Imports (USD)*	% yoy cum.	9.8	7.6	5.6	-0.8	-8.3	-4.1	…	-2.7	-9.0	-10.8	-8.8	-6.4	-6.0	-5.7	-5.8	-9.1	-15.9	…
Merchandise trade balance	USD bn cum.	-9.5	-14.8	-20.5	-4.0	-7.1	-14.2	…	-5.8	-6.2	-7.1	-11.4	-14.2	-16.6	-18.0	-19.6	-0.6	-1.2	…
Current account**	USD bn cum.	-5.9	-10.0	-14.4	-3.1	-5.5	-11.4	…	-4.3	-4.7	-5.5	-8.9	-11.4	-13.4	-14.5	-16.1	-0.2	-0.3	…
Gross international reserves	USD bn eop	29.3	29.3	24.5	24.7	23.2	21.6	20.4	25.2	24.5	23.2	21.7	21.6	20.6	18.8	20.4	17.8	15.5	…
Monetary Base	% yoy eop	6.6	5.8	6.4	9.9	13.4	14.8	20.3	12.8	14.2	13.4	13.6	14.8	17.3	20.9	20.3	17.0	21.0	…
Lending rate on UAH credits	% pa, aop	15.7	19.6	20.8	16.2	15.4	15.3	16.5	15.3	15.6	15.3	15.0	15.2	15.4	16.7	17.4	15.1	20.4	…
Exchange rate (interbank)	USD aop	8.06	8.10	8.15	8.12	8.14	8.15	8.21	8.14	8.13	8.15	8.12	8.17	8.18	8.20	8.24	8.37	9.08	9.98
Exchange rate (official)	USD aop	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	8.65	9.92
Exchange rate (official)	EUR aop	10.26	9.99	10.37	10.55	10.44	10.58	10.87	10.40	10.38	10.41	10.64	10.67	10.90	10.79	10.94	10.92	11.80	13.69

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

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		Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13
GDP	UAH bn	250.3	259.9	217.3	256.8	301.3	307.3	257.7	311.0	369.8	363.6	293.5	349.2	387.6	378.6	302.9	353.0	394.7	404.3
GDP (real)	% yoy	-15.7	-6.7	4.5	5.4	3.3	3.7	5.1	3.9	6.5	5.0	2.5	3.1	–1.3	-2.3	-1.2	-1.3	-1.2	3.3
Household consumption (real)	% yoy	-14.3	-16.2	0.2	6.8	7.8	12.8	13.2	14.2	16.1	18.5	7.8	12.3	11.0	5.5	6.5	9.5	8.4	6.8
State consumption (real)	% yoy	-4.3	-3.7	3.8	-4.0	5.8	10.0	2.0	2.9	-9.4	-6.6	3.3	4.8	9.9	1.5	1.1	-2.3	-3.3	-2.5
Gross fixed capital formation (real)	% yoy	-53.2	-33.7	-5.7	-3.2	9.5	10.5	-1.8	3.7	9.7	12.0	13.8	17.5	-5.2	-4.9	7.0	-17.4	-7.7	-5.1
Exports of goods and services (real)	% yoy	-30.9	6.9	0.4	13.2	2.0	0.9	19.4	4.9	0.3	-4.1	-7.3	-8.1	-3.8	-9.6	-9.0	-14.3	-7.9	-4.1
Imports of goods and services (real)	% yoy	-47.6	-11.1	-6.2	17.2	20.2	13.2	38.1	23.3	12.5	5.2	-3.0	9.0	4.3	-2.6	-2.4	-18.4	-0.7	-1.8
Agriculture, hunting, forestry (real)*	% yoy	2.2	-11.6	5.4	0.5	-3.2	0.9	4.9	1.3	16.7	38.1	0.5	11.5	-8.3	-4.0	5.7	20.8	-2.0	38.2
Manufacturing industry (real)*	% yoy	-25.6	6.5	10.9	10.1	7.6	7.6	7.8	3.4	4.6	-2.9	1.1	1.8	-4.8	-5.5	-9.5	-9.2	-9.8	-8.9
Construction (real)*	% yoy	-43.6	-32.8	-7.7	-5.8	9.6	3.9	1.7	10.9	0.1	2.0	1.2	3.4	-15.3	-20.8	-14.9	-20.8	-11.1	-7.7
Trade, repair services (real)*	% yoy	-22.0	-16.4	6.1	9.6	10.1	4.7	9.8	2.8	6.1	3.0	3.2	4.6	0.4	-1.2	1.6	-0.2	1.9	4.7
Transport (real)*	% yoy	-5.7	-0.4	1.3	1.8	3.0	0.1	10.2	7.9	5.7	11.1	-2.3	-3.3	-8.4	-9.5	-2.7	-0.6	2.8	2.8
Balance of payments																			
Current account balance	USD bn	-0.1	-0.9	0.0	0.5	-1.0	-2.5	-1.6	-1.7	-2.6	-4.4	-2.1	-3.8	-4.0	-4.9	-3.1	-2.3	-6.0	-4.9
Current account balance	% of GDP	-0.2	-2.7	-0.1	1.6	-2.6	-6.5	-4.9	-4.4	-5.6	-9.5	-5.6	-8.7	-8.3	-10.3	-8.3	-5.1	-12.2	-9.8
Trade balance in goods	USD m	-1396	-1407	-1236	-697	-2870	-3585	-3597	-2851	-4580	-5224	-3867	-5577	-5215	-5833	-4045	-3053	-7232	-5268
Trade balance in services	USD m	1256	550	930	1115	1536	823	1262	1514	2007	1312	1299	1362	1975	1084	822	893	1919	480
Current transfers	USD m	640	722	608	728	797	842	1039	878	988	803	683	805	777	711	533	589	480	547
Direct investment (FDI)	USD m	1210	1282	923	1196	1470	2170	880	2422	2090	1623	1663	1091	2002	1871	821	472	1199	859
Portfolio investments (equity)	USD m	32	41	-20	-18	135	197	149	113	42	207	-3	74	83	339	705	579	664	-757
Gross international reserves	USD bn	28.2	26.5	25.1	29.5	34.7	34.6	36.4	37.6	35.0	31.8	31.1	29.3	29.3	24.5	24.7	23.2	21.6	20.4
Exchange rate (interbank), UAH/USD	aop	7.99	8.06	8.00	7.91	7.90	7.96	7.95	7.98	7.99	8.01	8.03	8.04	8.09	8.11	8.11	8.14	8.15	8.21
Exchange rate (official), UAH/USD	aop	7.82	7.99	7.99	7.91	7.90	7.93	7.94	7.97	7.97	7.98	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99
Fiscal indicators																			
Consolidated fiscal revenues	% of GDP	25.5	36.0	30.9	30.4	23.3	32.3	32.8	30.0	29.5	30.7	33.6	31.6	28.2	33.7	35.3	29.5	29.1	28.9
Personal income tax	% of GDP	4.4	4.7	4.9	4.8	4.4	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
Enterprise profits tax	% of GDP	3.7	3.6	4.3	3.0	3.4	4.2	4.5	4.5	3.6	4.4	4.9	4.1	2.9	4.2	6.2	3.4	3.0	3.0
Value-added tax	% of GDP	6.4	11.0	9.8	9.8	8.5	9.9	7.6	12.9	9.6	9.6	10.8	10.3	8.6	10.0	9.7	9.1	8.2	8.5
Excise tax	% of GDP	2.5	2.6	2.4	3.0	2.5	2.6	2.1	3.0	2.7	2.4	2.8	2.9	2.8	2.4	3.1	2.6	2.3	2.2
Consolidated fiscal expenditures	% of GDP	29.6	34.5	33.0	38.7	30.3	37.6	32.8	33.1	26.9	35.6	33.7	33.8	30.7	41.4	37.0	36.0	30.4	36.3
Current expenditures	% of GDP	27.0	31.4	32.4	37.4	26.6	32.8	31.5	30.8	23.9	30.1	31.8	31.3	27.7	37.4	35.7	34.1	28.5	33.5
Capital expenditures	% of GDP	2.6	3.1	0.6	1.4	3.7	4.8	1.3	2.4	3.0	5.5	1.9	2.4	2.9	4.0	1.3	1.9	1.9	2.8
Consolidated fiscal balance	% of GDP	-4.5	1.1	-2.0	-8.0	-7.5	-5.6	-0.3	-3.4	-3.9	-5.5	-0.2	-2.6	-3.0	-7.8	-1.9	-6.3	-1.5	-7.4
Privatisation receipts	% of GDP	0.1	0.0	0.1	0.0	0.1	0.2	0.4	3.2	0.0	0.1	1.4	0.3	0.1	0.4	0.0	0.0	0.2	0.1
Labour market																			
Average wage (real)	% yoy	-10.7	-5.7	3.3	8.7	12.3	11.4	11.1	5.5	7.7	10.8	14.7	16.5	13.3	12.9	9.9	9.3	8.1	5.9
Household income (real)	% yoy	-8.6	-7.6	3.7	11.8	11.0	14.7	7.8	1.9	7.3	7.7	6.0	13.0	10.4	9.4	8.9	5.7	2.5	4.7
Unemployment rate (ILO methodology)	% cum	7.8	9.4	9.0	7.9	7.1	8.4	8.7	7.7	6.9	8.2	8.4	7.1	6.6	8.0	8.0	7.5	7.0	7.6
Banking system																			
Monetary aggregate M0	% yoy cum	11.5	1.5	5.4	9.9	17.4	16.5	15.7	11.5	8.6	6.3	4.7	6.7	5.2	5.5	9.7	9.8	12.3	17.0
Monetary aggregate M2	% yoy cum	-1.4	-5.4	6.9	13.2	21.6	23.1	25.5	22.0	16.0	14.4	11.2	9.0	10.7	13.1	16.0	17.9	19.2	17.5
Household deposits in national currency	% yoy cum	-25.4	-8.5	7.1	20.1	38.6	41.4	43.3	26.0	16.7	12.3	14.4	16.4	16.3	16.3	19.1	26.5	33.4	38.0
Household deposits in foreign currency	% yoy cum	39.2	4.7	22.8	21.5	17.7	16.9	19.7	21.0	15.7	13.4	12.4	10.8	17.0	21.8	17.0	14.7	8.4	0.9
Com. bank credits in national currency	% yoy cum	25.2	16.9	13.6	8.3	6.0	11.2	16.0	18.5	21.1	21.0	17.4	15.3	9.1	7.7	8.6	7.4	10.2	16.9
Com. bank credits in foreign currency	% yoy cum	32.4	-15.2	-13.7	-10.5	-13.2	-8.3	-2.1	0.9	-2.3	-4.2	-7.0	-10.8	-9.9	-7.3	-4.4	-0.4	0.8	2.8
Long-term com. bank credits	% yoy cum	29.9	-3.8	-3.9	-2.8	0.6	-0.5	5.0	6.3	5.3	2.9	-2.9	-7.0	-8.0	-6.6	-5.6	-2.7	-0.5	2.9
Long-term com. bank credits	% of total	67.3	68.1	68.5	68.9	67.5	66.3	67.2	66.6	64.4	62.9	61.5	59.8	59.1	57.8	55.9	55.7	55.1	53.2
Average lending rate on national currency credits	% p.a.	17.5	19.8	17.3	15.0	13.0	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
Average lending rate on foreign currency credits	% p.a.	10.0	10.1	10.9	11.1	10.3	10.1	10.2	9.8	8.8	8.4	8.2	8.2	8.5	8.8	9.4	9.7	9.6	8.8

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added

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