INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: UKRAINE-RUSSIA

Politics: In the end of February the Parliament voted for a return to the Constitution of 2004, pushing the balance of power in favor of a parliamentary system, and appointed new Government. In the last two days of February Russian troops invaded Crimea.

Real Sector: Industrial output in January declined by 5% yoy from already low base of January 2013.

Energy sector: Fearing the raise in gas price, the Naftogaz doubled its daily gas purchase volumes in the beginning of March.

Agriculture: Grain exports could amount to a record 33 m t in 2013/2014 marketing year if transport operations in seaports were not interfered by Russian military operations.

External sector: Exports of goods in January dropped by 11.7% yoy primarily due to decline in agricultural exports and drop in exports of machinery and equipment.

Fiscal policy: In January, central fiscal revenues increased by 9.0% yoy (to UAH 25.3 bn), but they were under-executed by 20.6%.

Social policy: The Pension Fund reported that all pensions were paid in full even though during February there were some delays in pension payments as scheduled due to liquidity gaps faced by the Fund.

Labour market: Average wage growth in January decelerated to 4.9% yoy due to economic problems as well as political instability.

Monetary policy: Headline consumer inflation was reported at 1.2% yoy in February.

Financial markets: In February hryvnia exchange rate depreciated by 23% and reached its weakest historical point at UAH 11.25 per USD if we use market close interbank rate as our measure.

Highlight of the month: Ukraine-Russia

FROM REVOLUTION TO EXTERNAL AGGRESSION

Igor Burakovsky

February 2014 will be named in the history of Ukraine as the time of the most dramatic confrontation between the most active and conscious part of society and government characterized by the largest number of casualties in the history of independent Ukraine. In order to stop the bloodshed and prevent the escalation of the civil conflict Ukrainian political opposition and President Viktor Yanukovych signed a political agreement to resolve the crisis. This agreement envisages the return to the Constitution of 2004, early presidential elections in 2014, formation of coalition government and investigation of events of the last days in Kiev in cooperation with the Council of Europe. This agreement was attested by the officials from Germany, Poland and France, but Russian representative Vladimir Lukin who participated in the talks refused to do it. Shortly after the conclusion of the agreement Viktor Yanukovych left for Russia secretly and officially refused to meet respective commitments.

While in Kiev the new bodies of central government were in the process of formation, Crimea and a number of regional centers saw the activation of the political forces, which declared that they did not recognize new Government in Kiev, came up with the slogan of federalization of the country and demanded to hold referendums on joining Russia. It should be noted that the media have found sufficient amount of evidence that the active role in these disturbances played Russian citizens.

But the most dramatic developments took place in the Autonomous Republic of Crimea where during February 27-28 the new government was formed in rather questionable way and decision was taken to hold a May 25 referendum on granting Crimean autonomy state independence. At the same time, troops without any recognition signs blocked the objects of the Military forces of Ukraine, locations of ships and infrastructure of Ukraine's Black Sea Fleet and later attempted to seize military facilities of Ukrainian army. Crimean authorities and the leaders of the Russian Federation stated that the abovementioned actions have been done by the "self-defense forces of the Crimea", but in fact armed "militia" turned out to be regular Russian troops. Thus, Russia committed an act of unprovoked aggression in order to annex the Crimea. The scope and nature of such actions means in practice the beginning of the actual occupation of Ukraine. Official Kyiv declared the inadmissibility of such intervention and appealed to the international community for help, including parties to the Budapest Memorandum, which guaranteed the territorial integrity of Ukraine in exchange for giving up nuclear weapons.

On March 1, the Russian Federation Council gave consent to President Putin to bring troops to Crimea. Ukraine perceived this decision as a declaration of war, although Russian President Vladimir Putin said that sending troops Ukraine is not considered.

On March 6, Crimean parliament during closed special session adopted a decision on accession to Russia and sent request to the Russian President, State Duma and Federal Council to start "all procedures necessary to accept Crimea as subject of Russian Federation." Crimean Parliament also adopted decision to schedule referendum on the status of the peninsula on March 16 in order to back up decisions to join the Russian Federation.

Kiev officials condemned the actions of Crimean authorities, declared appeal to Russian Federation and decision to hold referendum to be illegal and requested political support from international community.

The situation in Crimea and Ukraine virtually resulted in global political crisis with Russia on one side and all international community on the other as overwhelming majority of the countries, members of UN Security Council, UN, OSCE, EU directly condemned Russian policy or (as China) called all parties engaged to political settlement of the conflict.

The position of Russia can be summarized as follows:

1. Non-recognition of the new Government in Kiev. Russia believes that in fact military non-constitutional coup took place in Ukraine, while the formation of the new Government and adoption of relevant decisions took place under pressure of nationalistically-minded extremists. That is why Russia declared that it has no obligations to the new Government in Kyiv according to the Budapest memorandum, while the legitimacy of new Ukrainian authorities has not been disputed by the international community in principle.
2. Russia has the right to protect its compatriots especially on the territory of the former USSR and in case of necessity will exercise this right. Russia denies presence of Russian military forces in Crimea. According to Russia one can see in Crimea the so-called local self-defense forces maintaining order. At the same time, international community explicitly declares that the Russian military forces are directly engaged in the conflict on Ukrainian territory and urge Russia to withdraw them.
3. Russia believes that the Western policy has been traditionally based on double standards; the West does not understand what is going in Ukraine and has no grounds to threaten Russia.

Russia's actions and declarations in fact have put into question modern system of international security and have exposed Russia to the risk of global political isolation, because international community has unanimously condemned Russian policy, declared its full and unconditional support to Ukraine in its pursuit to secure territorial integrity as well as readiness to introduce political and economic sanctions against Russia. In fact, for the first time since the Second World War international community has faced the dangerous situation when one country strongly intends to annex territory of another country with all subsequent non-predictable political, military and economic implications for the entire world.

Monthly Economic Monitor Ukraine

Politics: Ukraine stands on the brink of war with Russia

Government. On February 22, the Parliament ousted President Viktor Yanukovych, who held his post for almost four years. That happened after a series of fierce clashes between the police and protesters, who demanded resignation of the President and strict law enforcement. On February 18 to 20, about 100 people were killed in the clashes in Kyiv. Such heavy casualties provoked a split in the ruling party and demoralized law enforcement troops, which started to go out of control of Viktor Yanukovych. As a result, he fled Kyiv, later he left Ukraine and found shelter in Russia.

On February 22, the Parliament voted for a return to the Constitution of 2004, pushing the balance of power in favor of a parliamentary system. Oleksandr Turchynov, the first deputy leader of the opposition Batkivshchyna party, was appointed Speaker of the Parliament and, thus, became acting President of Ukraine. The Parliament also scheduled Presidential election on May 25. On February 27, it appointed Arseniy Yatsenyuk, the deputy leader of the Batkivshchyna party, as a Prime Minister, and appointed a new government. New Cabinet of Ministers intends to sign the Association Agreement with the European Union in the coming weeks, and resume negotiations with the IMF. To ensure new IMF program the Government plans to increase gas tariffs and sequester the budget.

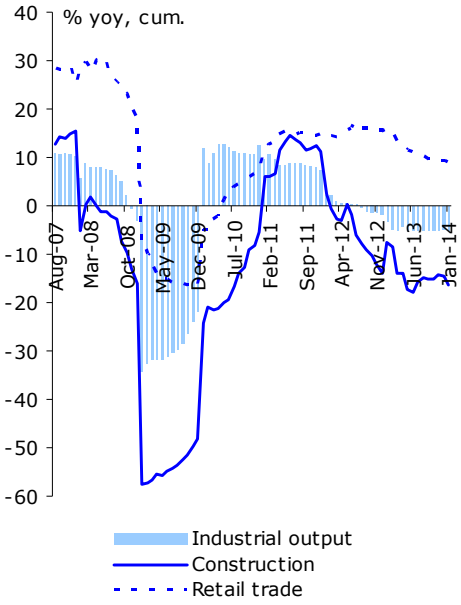
Russia. On February 27, Russian troops invaded Crimea, a peninsula in the South of Ukraine. The intervention was carried out without a single shot and was de facto supported by some members of Crimea's local parliament. On March 1, the upper house of the Russian Parliament authorized military intervention in Ukraine, claiming that Russian citizens and Russian speaking people in the country are under threat after the change of the Government of Ukraine. Ukrainian army and border guard did not try to stop Russian troops, presumably because Ukrainian government did not want to trigger a large-scale military conflict with Russia. The government qualified the intervention as an act of aggression, demanded that Russian forces withdraw immediately from Crimea and called for help to the USA and the EU. However, Russia officially did not recognize presence of its troops in Ukraine calling the armed men that invaded into the Crimea "local self-defense". The government of Ukraine continues to control its military bases and border control points in Crimea, but they are blocked by Russian servicemen.

It is possible that the intervention of Russia to Crimea was a part of a larger plan that was aimed at seizing control over the whole territory of Ukraine. In late February Russian troops started massive training near the northwestern border, which is 250-350 km from Kyiv. Those military activities were stopped after the USA and the EU countries warned Russia about tough sanctions for aggression. But Russia in fact declines to withdraw its troops from Crimea. Moreover, 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. 78 out of 100 members of the parliament voted for the respective decree.

The attempts to solve the conflict by diplomatic means were unsuccessful. It is likely that Crimea will remain under Russian control at least in the coming months. Russia may annex the peninsula and make it an integral part of its territory. Russia also may keep Crimea under control without annexing it (either as an autonomous region within Ukraine or an independent state with limited recognition) to get a lever of pressure on Ukraine after the change of government in Kyiv. The possibility of a large scale invasion into the mainland of Ukraine also cannot be ruled out. The conflict will have important implications on the economy. On the one hand, companies face increased political and security risks. On the other hand, the conflict helped Ukraine to get more financial aid from Western countries.

Population: 45.6 m
Industry/GDP: 24%
Agriculture/GDP: 8%
Investment/GDP: 21%
Exports to: Russia 25%, EU 28%
Imports from: Russia 22%, EU 35%

Real sector trends



Source: Ukrstat

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Real sector: Industrial output declines

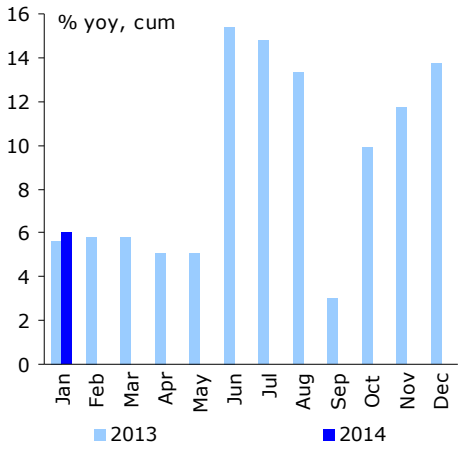
Sectoral trends. Industrial output in January declined by 5% yoy from already low base of January 2013. In particular, manufacturing output dropped by 9.4% yoy likely due to lower demand as well as high political and economic uncertainty. Production of metallurgy declined by 10.1% yoy. Machine building output contracted by 22.9% yoy primarily due to crash in production of locomotives and railway carriages (by 56.3% yoy) and production of electronic and optical products (by 59.3% yoy). At the same time, production of cars more than tripled from the extremely low base but dropped by a quarter as compared to January 2012. Food production declined by 4.9% yoy. As Odessa oil refinery started working since September 30, oil refining increased output by 76.2% yoy.

Agricultural production in January increased by 6.0% yoy primarily due to higher production of meat and eggs. This was supported by increase in rearing pigs and poultry.

Construction dropped by 16.4% yoy as investment spending suffered from political and economic instability. It should be noted that construction volumes are always minimal in January.

Retail trade turnover in January grew by 8.8% yoy likely due to higher disposable income and decrease in savings rate. Lower confidence in banking system and depreciation expectations may explain decrease in propensity to save.

Agricultural production



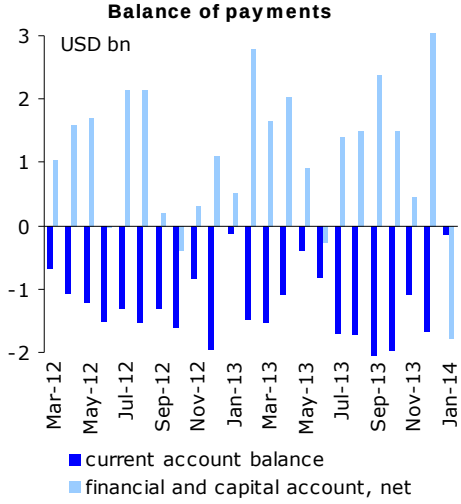
Source: Ukrstat

Energy: The Naftogaz might lose the gas price discount

Russian Gasprom confirmed that Ukrainian Nafrogaz paid USD 1.3 bn for gas consumed in 2013 reducing its debt before Gazprom to USD 1.5 bn. However, this payment is not enough to extend the discount for the price of gas to the second quarter of 2014. Fearing the raise in gas price, the Naftogaz doubled its daily gas purchase volumes from 28 m cubic meters in February to 45 m in the beginning of March. That way the Naftogaz tries to accumulate more gas at a lower price. Correspondingly, the Naftogaz decreased outtake of gas from the underground storage facilities where Ukraine stored 9.2 bcm of gas as of beginning of March.

Günther Oettinger, European Commissioner for Energy, said on March 4 that the issue of a huge Ukrainian debt would be included into the EC assistance package. Also, German RWE confirmed that according to the existing contract with the Naftogaz the RWE could increase gas supplies to Ukraine in case Russia decreases its gas export volumes to Ukraine.

Balance of payments



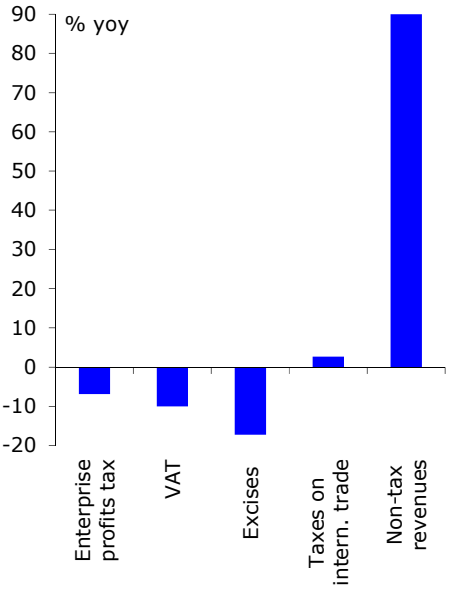
Source: NBU preliminary estimates

Agriculture: Performance of agriculture was not influenced by political crisis

Despite unstable political situation grain exports did not suffer. According to the Ministry of Agricultural Policy and Food about 2.3 m t of grains were exported in February. In total, grain exports reached about 24 m t since the beginning of the 2013/2014 marketing year (July, 2013 to June, 2014), which is by 36.7% higher than for the same period of last year. Grain exports could amount to a record 33 m t in 2013/2014 marketing year if transport operations in seaports were not interfered by Russian military operations.

Seeding campaign also started on time. According to the Ministry of Agricultural Policy and Food early grains were seeded on more than 25 thous. ha (out of planned 19 m ha) in Crimea, Zaporizhzha, Kherson and Mykolaiv regions by the end of February. Business expectations in terms of selling of input materials seem generally positive. However, stabilization of macroeconomic situation is crucially important for agricultural sector as availability of financial resources is essential for timely implementation of all necessary field work.

Growth of central fiscal revenues in January of 2014



Source: State Treasury reports

External sector: Financial account deficit was at USD 1.8 bn in January

Current account deficit was at USD 0.1 bn in January, which is similar to January 2013 figure. Trade deficit was at USD 0.2 bn. Merchandise trade volume was lower than in January 2011, while trade in services increased.

Exports of goods in January dropped by 11.7% yoy. Exports of consumer goods and steel remained broadly stable, while agricultural exports declined by 12% due to lower prices. 30% drop in exports of machinery and equipment reflected low demand from Russia, while exports of fertilizers dropped fourfold due to loss of competiveness and increased share of Ukrainian manufacturers on domestic market. Merchandise imports fell by 9.1% yoy as investment and consumer demand was subdued in January and price of Russian gas dropped.

Financial and capital account had USD 1.8 bn deficit in January reflecting capital outflows, limited access to external market and repayment of trade loans. Net FDI inflows were close to zero, while banks attracted USD 0.9 bn in short-term loans replacing longer-term financing. Repayments of trade loans were at USD 1.3 bn and outflow of cash foreign currency from banks was at USD 0.7 bn.

Fiscal policy: Central fiscal revenues were highly under-executed in January

The State Budget Execution. In January, central fiscal revenues increased by 9.0% yoy (to UAH 25.3 bn), but they were under-executed by 20.6%. The growth was explained by higher non-tax revenues, mainly, larger NBU profits transferred to the budget (UAH 4 bn compared to UAH 1 bn in the first month of 2013). At the same time, tax collections dropped by 4.3% yoy and amounted only 80.7% of the target. In particular, VAT revenues declined by 10.0% yoy. EPT collections dropped by 6.9% due to lower profits of enterprises.

Central fiscal expenditures increased by 8.4% yoy but were by 10.0% lower than the target due to lack of financing. In particular, social protection programs were financed with delay but almost in full despite of politic and economic instability. At the same time, health care items and transfers to local budgets, which were traditionally fully financed, were under-executed by 29.3% and 16.3%, respectively.

The funds accumulated at the Single Treasury Account decline to UAH 3.6 bn in the beginning of March from UAH 4.7 bn in the beginning of February. Overall, fiscal situation worsened due to political and economic instability. The Government is likely to implement fiscal consolidation measures to receive new IMF program.

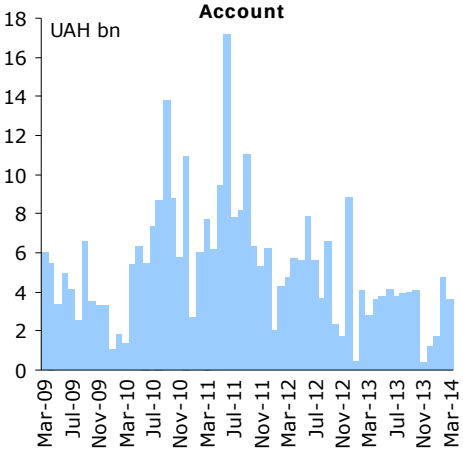
Administration. In early March, the Cabinet of Ministers of Ukraine eliminated the Ministry of Revenue and Duties and instead renewed the State Tax Service and the State Customs Service. These two services are now subordinated to the Ministry of Finance as it was before 2013. Such step somewhat contradicts to the tendency in the OECD countries, which combine functions of tax and custom administration in a single entity (often subordinated to the Ministry of Finance).

Social policy: Pension are paid so far

According to the preliminary information of the Pension Fund its expenditures in the first two months of 2014 increased by 2.9% yoy to UAH 42.5 bn. At the same time, minimum pension was increased by 6.2% yoy. Higher pension payments were financed at the expense of pension contributions (which grew due to somewhat higher wage bill) as well as central fiscal transfers at UAH 13.9 bn. The Fund reported that all pensions were paid in full. However, during February there were some delays in pension payments as scheduled due to liquidity gaps faced by the Fund.

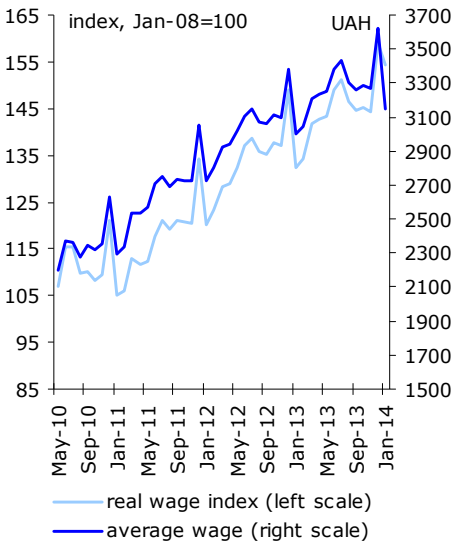
Due to economic and political uncertainty the budget of the Pension Fund for 2014 has not yet being approved. At the same time, the State Budget Law for 2014 envisages transfer to cover the Fund's deficit at the level of 2013 (UAH 21.8 bn). In 2013 the Fund did was funded without resorting to off-budget Treasury loans as the Government did not attract the necessary financing. Still, as of beginning of 2014 the Pension Fund owes to the State Treasury UAH 49 bn, which were provided in previous years to the Fund to cover supposedly short-term liquidity gasp and were never paid back. This debt is likely to be gradually written off as the Fund is not likely to generate additional revenues for repayment.

Balance of the Single Treasury Account



* in the beginning of month
Source: State Treasury

Average wage



Source: Ukrstat

Labour Market: Wages growth decelerates further

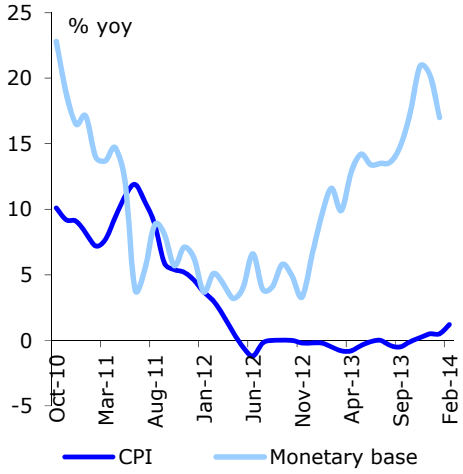
Average wage growth in January decelerated to 4.9% yoy. At the same time, wages declined by 13% as compared to December 2013, which is more than could be expected through seasonality. Slowdown in wage growth might be attributed to economic problems as well as political instability.

Industry in January increased wage by 4.7% yoy despite continued decline in industrial output. This likely happened only due to increase in minimum wage in December 2013.

Wages in public-funded education and health care sectors were increased by only 0.6% yoy and 4.0% yoy. Wage growth in state administration was only at 3.8% yoy. Such a limited wage increase is explained by high fiscal pressure.

Difficult economic situation is likely to lead to further deceleration of wage growth over 2014 and possibly to falling wages in real terms if inflation will be higher than expected. Nominal wages will still increase against the background of minimum wage growth.

CPI and monetary base development



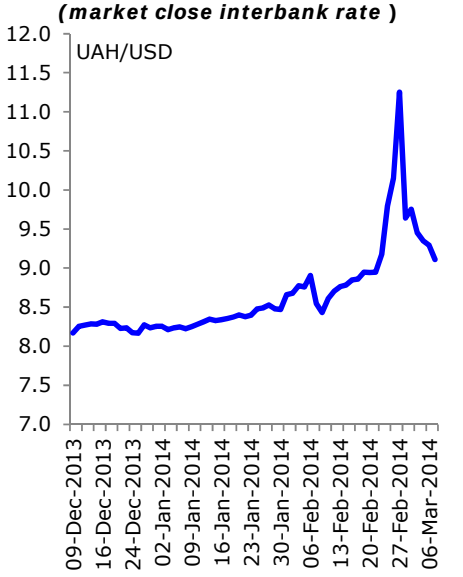
Source: Ukrstat, NBU

Monetary policy: Consumer inflation accelerated to 1.2% in February

Headline consumer inflation was reported at 1.2% yoy in February. Increase in excise duties led to increase in prices for alcohol and tobacco by 11.5% yoy, while bad harvest led prices for vegetables to jump by 30.3% yoy. Prices for processed products on average were close to previous year levels while meat prices were down 2.2% yoy due to cheaper feed and growing supply. Prices for clothing and footwear plummeted by 8.2% yoy likely reflecting discounting by retailers to move inventory in uncertain times. 20% yoy depreciation of Turkish lira vs US dollar contributed to lower prices for clothing imported from Turkey (one of the largest sources of imports). Hryvnia depreciation led to wide-based price increase including fruit, gasoline, cars etc.

Monetary conditions tightened in February as deposit withdrawals and foreign currency interventions drained liquidity. In response NBU relaxed reserve requirements, expanded availability of refinancing including special facility for banks with large deposit withdrawals. Requirement for the banks to hold client funds for a week before purchasing foreign currency and NBU purchases of government bonds also supported liquidity. Still in the end of February the NBU also introduced restrictions on foreign currency deposit withdrawals while some banks suspended or limited lending and decreased cash withdrawal limits from ATMs.

Exchange rate
(market close interbank rate)



Source: NBU

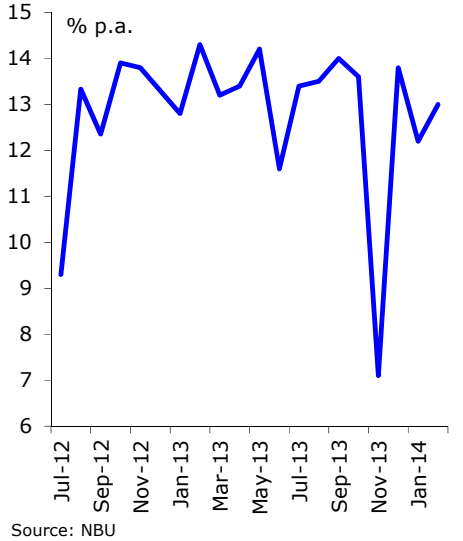
Financial markets: Hryvnia's wild ride

Exchange rate. In February hryvnia exchange rate depreciated by 23% and reached its weakest historical point at UAH 11.25 per USD if we use market close interbank rate as our measure. However, we suspect that few deals were made at over UAH 11 per USD and the NBU reports average exchange rate for the last days of February at around UAH 10 per USD.

First bout of depreciation happened in the first few days of the month as hryvnia continued gradual but steady weakening to UAH 9 per USD while the NBU reported record deal volumes on the interbank market. In response on February 6 the NBU adopted emergency measures including restrictions on capital outflows and requirement to the banks to hold funds for purchase of foreign currency for six working days before selling foreign currency to clients. The exchange rate retreated to UAH 8.6 per USD for a few days but returned to previous level by February 19 while NBU purchased excess foreign currency in the first few days when restrictions were introduced.

Political events culminating with the new government and the new NBU Governor led the exchange rate to weaken sharply in the end of the month. In response the NBU management strengthened restrictions introduced on February 6 and limited foreign currency deposit withdrawals in cash (but with no additional restrictions on bank transfers), but mostly refrained from interventions. Unlike

Weighted average yield for domestic state bonds



Source: NBU

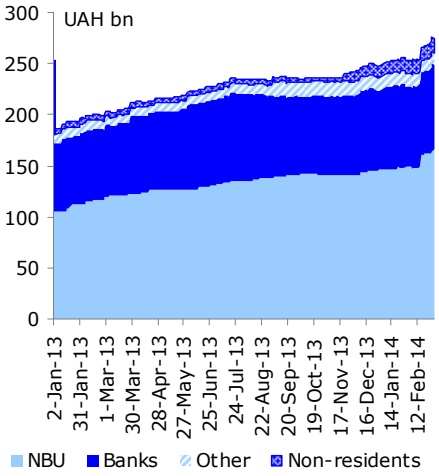
several other episodes of exchange rate pressure net purchases of cash foreign currency were limited and did not exceed USD 0.8 bn in February (in part due to disruptions in supplies).

International reserves dropped to USD 15.5 bn by the end of February as the NBU made payments on foreign currency debt of USD 0.8 bn and supplied USD 1.5 bn to the Naftogaz for partial repayment of its gas debt.

State debt. In February, domestic borrowings increased by 50% compared to previous month but were lower than planned due to low demand. The Ministry of Finance placed UAH 6.6 bn of hryvnia denominated bonds with weighted average yield at 13.0 p.a. The demand was fully concentrated on five-year bonds.

In mid-February, the Government continued the long-lasting practice of increasing statutory capital of state enterprises with special issues of state domestic bonds. In particular, the NJSC Naftogaz was recapitalized by additional UAH 11.0 bn out of UAH 14.9 bn foreseen for 2014. This step was taken to provide the company with liquidity to enable its payments to the Gazprom. The bonds were issued for 5 years at 14.3% p.a. These bonds finally seem to appear in the holdings of the NBU. As the result, was of beginning of March the NBU held 60.4% of all state domestic bonds as compared to 58.8% a month before.

Domestic government bond holdings



Source: NBU

Economic Trends		Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Industrial production (real)	% yoy cum.	0.4	-1.2	-1.8	-5.0	-5.3	-5.2	-4.7	-5.0	-4.2	-5.2	-5.3	-5.3	-5.2	-5.2	-5.2	-5.0	-4.7	-5.0	…
Construction (real)	% yoy cum.	-1.9	-9.1	-14	-13.8	-17.8	-15.1	-14.5	-13.8	-13.8	-17.3	-17.8	-15.7	-14.7	-15.1	-15.1	-14.3	-14.5	-16.4	…
Agricultural production (real)	% yoy cum.	7.4	-4.6	-4.5	5.8	15.4	3.0	13.7	5.8	5.1	5.1	15.4	14.8	13.3	3.0	9.9	11.7	13.7	6.0	…
Retail trade turnover (real)	% yoy cum.	16.0	16.0	15.9	13.4	11.2	9.8	9.5	13.4	12.7	11.6	11.2	10.6	10.2	9.8	9.5	9.2	9.5	8.8	…
Average wage	UAH	3109	3064	3195	3085	3289	3331	3390	3212	3233	3253	3380	3429	3304	3261	3283	3268	3619	3148	…
CPI	% yoy eop	-1.2	0.0	-0.2	-0.8	-0.1	-0.5	0.5	-0.8	-0.8	-0.4	-0.1	0.0	-0.4	-0.5	-0.1	0.2	0.5	0.5	1.2
PPI	% yoy eop	4.5	0.3	0.3	0.2	-1.6	-0.9	1.7	0.2	-1.0	1.9	-1.6	-1.6	-0.9	-0.9	0.8	-0.5	1.7	1.9	3.3
Exports (USD)*	% yoy cum.	2.5	2.6	1.0	-4.7	-7.1	-6.2	…	-5.3	-3.9	-7.7	-8.4	-8.5	-8.7	-8.8	-9.0	-8.8	-7.6	-11.7	…
Imports (USD)*	% yoy cum.	9.8	7.6	5.6	-0.8	-8.3	-4.1	…	-2.4	-2.7	-9.0	-10.8	-9.6	-8.8	-6.4	-6.0	-5.7	-5.8	-9.1	…
Merchandise trade balance	USD bn cum.	-9.5	-14.8	-20.5	-4.0	-7.1	-14.2	…	-4.0	-5.8	-6.2	-7.1	-9.2	-11.4	-14.2	-16.6	-18.0	-19.6	-0.6	…
Current account**	USD bn cum.	-5.9	-10.0	-14.4	-3.1	-5.5	-11.4	…	-3.1	-4.3	-4.7	-5.5	-7.2	-8.9	-11.4	-13.4	-14.5	-16.1	-0.1	…
Gross international reserves	USD bn eop	29.3	29.3	24.5	24.7	23.2	21.6	20.4	24.7	25.2	24.5	23.2	22.7	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	9.9	12.8	14.2	13.4	13.5	13.6	14.8	17.3	20.9	20.3	17.0	…
Lending rate on UAH credits	% pa, aop	15.7	19.6	20.8	16.2	15.4	15.3	16.5	16.1	15.3	15.6	15.3	15.7	15.0	15.2	15.4	16.7	17.4	15.1	…
Exchange rate (interbank)	USD aop	8.06	8.10	8.15	8.12	8.14	8.15	8.21	8.13	8.14	8.13	8.15	8.14	8.12	8.17	8.18	8.20	8.24	8.37	9.08
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	7.99	7.99	8.65
Exchange rate (official)	EUR aop	10.26	9.99	10.37	10.55	10.44	10.58	10.87	10.36	10.40	10.38	10.41	10.45	10.64	10.67	10.90	10.79	10.94	10.92	11.80

Sources: Ukrstat, NBU, own calculations

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

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

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	…
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	…
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	
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	
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	…
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	-5.6	-8.7	…
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	
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	…
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	…
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	…
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
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	301.6	351.9	392.6
GDP (real)	% yoy	-15.7	-6.7	4.5	5.4	3.3	3.7	5.1	3.9	6.5	5.0	2.2	3.0	–1.3	–2.5	-1.1	-1.3	-1.3
Household consumption (real)	% yoy	-14.3	-16.2	0.2	6.8	7.8	12.8	13.2	14.2	16.1	18.5	8.6	15.7	14.0	6.9	4.5	7.4	6.7
State consumption (real)	% yoy	-4.3	-3.7	3.8	-4.0	5.8	10.0	2.0	2.9	-9.4	-6.6	0.9	2.7	7.9	–1.3	2.1	-1.0	-3.0
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	12.3	16.2	–6.9	–7.5	4.0	-19.7	-7.1
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	–8.2	–9	–4.9	–8.7	-6.8	-14.4	-7.8
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	–2.3	9.9	4.2	4.0	-4.6	-19.1	-1.1
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	0.4	11.3	-8.4	–3.9	3.2	20.9	-2.1
Manufacturing industry (real)*	% yoy	-25.6	6.5	10.9	10.1	7.6	7.6	7.8	3.4	4.6	-2.9	–0.1	–0.1	-6.1	–7.2	-9.5	-9.2	-9.7
Construction (real)*	% yoy	-43.6	-32.8	-7.7	-5.8	9.6	3.9	1.7	10.9	0.1	2.0	–3.4	–0.2	-15.1	–12.2	-14.8	-20.9	-11.7
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	5.1	6.8	3.5	0.3	3.1	1.4	3.4
Transport (real)*	% yoy	-5.7	-0.4	1.3	1.8	3.0	0.1	10.2	7.9	5.7	11.1	3.7	3.8	–1.8	–1.5	-3.3	-2.2	1.4
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	-2.7	-2.0	-5.2
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	-7.2	-4.5	-10.7
Trade balance in goods	USD m	-1396	-1407	-1236	-697	-2870	-3585	-3597	-2851	-4580	-5224	-3867	-5577	-5215	-5833	-3700	-2808	-6576
Trade balance in services	USD m	1256	550	930	1115	1536	823	1262	1514	2007	1312	1299	1362	1975	1084	859	992	2029
Current transfers	USD m	640	722	608	728	797	842	1039	878	988	803	683	805	777	711	548	604	495
Direct investment (FDI)	USD m	1210	1282	923	1196	1470	2170	880	2422	2090	1623	1663	1091	2002	1871	832	1088	1166
Portfolio investments (equity)	USD m	32	41	-20	-18	135	197	149	113	42	207	-3	74	83	339	705	683	665
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
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
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
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	35.4	29.6	27.7
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	3.9
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	3.5	3.4
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	9.1
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	2.6
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	37.2	36.1	25.3
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	35.9	34.2	22.5
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	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	-6.4	3.6
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	0.0
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
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	7.6	4.7	1.9
Unemployment rate (ILO methodology)	% cum	8.6	8.8	9.0	8.5	8.1	8.1	8.7	8.2	7.8	7.9	8.4	7.8	7.4	7.9	8.0	7.5	7.0
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
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
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
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
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
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
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
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
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
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

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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