Monthly Economic Monitor Ukraine

No.2 (160), February 2014

EXECUTIVE SUMMARY

HIGHLIGHT: BUDGET 2014

Politics: The Prime Minister of Ukraine Mykola Azarov stepped down on January, 28. According to the Constitution, resignation of Prime Minister resulted in the resignation of the Government.

Real Sector: According to the preliminary Ukrstat estimate real GDP did not change in 2013.

Energy sector: The Naftogaz again did not pay for gas to Russian Gazprom likely due to liquidity gap.

Transport: The Cabinet of Ministers approved the Concept of the State Economic Program for Development of Passenger Automobile Industry until 2020

Agriculture: Budget support of agriculture will increase in 2014, but its efficiency remains under the question.

Privatisation: The fulfillment of the privatization plan for 2014 will be a real challenge for the Government.

External sector: Financial and capital account surplus widened to USD 3.3 bn in December as the government raised USD 3 bn in Eurobonds from Russia and FDI surged to 0.6 bn.

Fiscal policy: The Government postponed fiscal consolidation, which further increases fiscal sustainability risks.

Social policy: Subsistence minimum and, as a result, minimum pension and minimum wage will be increased by 8.1% on average in 2014.

Labour market: Regional difference in wages remained high in 2013 and only five regions paid wages higher than average in economy.

Monetary policy: Headline consumer inflation was reported at 0.5% yoy in January.

Financial markets: Interbank UAH/USD exchange rate changed from UAH 8.2-8.3 per USD in the beginning of the year to over UAH 8.5 in the end of January.

Highlight of the month: Budget 2014

ARE THERE CHANCES TO SURVIVE?

Oleksandra Betliy

Fiscal indicators were under-executed in 2013 and are likely to be not met in 2014. Recently approved State Budget Law for 2014 is based on optimistic macroeconomic forecast that envisages real GDP growth at 3%, while according to consensus forecast it would be near 1%. This undermines fiscal revenues. Besides, the Government will face problems with deficit financing due to large refinancing needs, difficult access to external financial market as well as ambitious target of privatisation receipts.

Overall, planned fiscal revenues are likely to be over-estimated. Besides, the Government decided to use unconventional sources of financing reducing fiscal transparency. In particular, the Government intends to use promissory notes to repay VAT refund arrears (near UAH 15 bn as of beginning of 2014) and budget arrears. This financial instrument was introduced in 2013 but was not used due to absence of applications from taxpayers as well as due to critics by experts and international financial institutions. The Budget Law again allows the Pension Fund to borrow from banks to cover liquidity gaps. Previously the Pension Fund accumulated over UAH 40 bn loans of the State Treasury that are unlikely to be returned. As the Government does not currently plan to increase gas tariffs for population and heating generating companies, it continues to inject funds into the Naftogaz through off-budget and on-budget subsidies, which drain scarce resources.

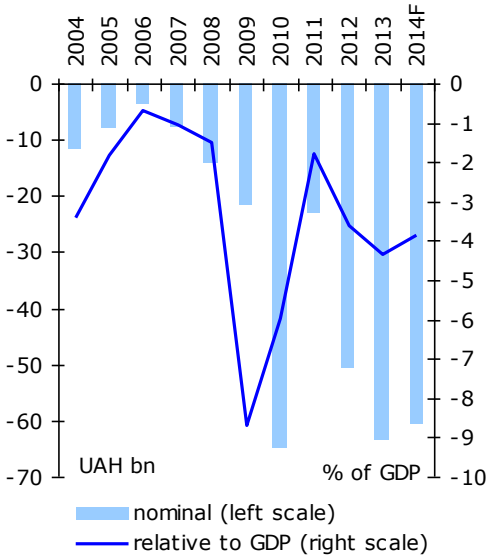
Deficit financing of the budget is also under concern. Although a deal is in place to receive USD 12 bn from Russia this year, Russia so far postponed first instalment due to absence of permanent government, while demand at international capital markets is absent. Overall, if the political turbulence continues or the opposition comes to power the ability of the Government to attract over USD 5 bn at international capital market required to roll-over external debt is rather restricted. Thus, injection from IMF and/or other IFIs will be required.

Net domestic borrowings planned at UAH 35.5 bn (or 13.8% of total direct domestic state debt) are also under a question due to limited liquidity of banks and likely low demand from other participants. Therefore, the only real buyer of new issues of state domestic bonds is likely to remain the NBU, which already holds 58.8% of domestic bonds outstanding as of end of January 2014. Besides, the Government plans privatisation receipts at UAH 19.4 bn, which is unlikely if economic and political uncertainty do not decrease.

Therefore, full and timely financing of government liabilities remains under a question in 2014 as it was in 2013. The pressure will remain high throughout a year. At the same time, fiscal sustainability concerns increase rapidly. Hryvnia depreciation alone may add up at least 3 p.p. of GDP to the projected state debt level. Overall, state debt is likely to exceed 45% of GDP in 2014 making the issue of fiscal consolidation more urgent. In particular, to stabilise state debt in relation to GDP the Government has to primary fiscal balance surplus at near 2% of GDP, implying necessary adjustment of 4% of GDP from 2013 level.

Given high non-discretionary spending and limited access to capital markets capital spending will be low on the agenda of any government, especially taking into account coming Presidential elections. Social standards may increase in real terms in 2014 if inflation will remain under control. Minimum wage increase is likely to remain the main factor of average wage growth. This, in turn, limits revenues of the Pension Fund. Lack of substantial capital expenditures will further worsen potential growth in the medium-term

Consolidated fiscal balance



Note: F - forecast
* without funds for recapitalisation
Source: State Treasury Reports, IER calculations

This short analysis of fiscal situation again brings us to the conclusion that any government will soon be forced to change fiscal policy in Ukraine. Fiscal consolidation is required especially taking into account recent worsening of Ukraine's rating by major world rating agencies. Ukraine will be able to make ends meet only by reforms including those foreseen in 2010 stand-by arrangement with IMF.

Monthly Economic Monitor Ukraine

Politics: The Government resigns as political crisis aggravates

Government. The Prime Minister of Ukraine Mykola Azarov, who held his post for almost four years, stepped down on January, 28. His resignation followed soon after an escalation of the political crisis that began in November. According to the Constitution, resignation of Prime Minister resulted in the resignation of the Government. However, all members of the government, except for Mykola Azarov, continue to perform their duties until a new government is appointed. The acting government is headed by the Acting First Deputy Prime Minister Serhii Arbuzov. It is expected that a new government will be appointed in February.

Political crisis. The political crisis that began in November after Ukraine refused to sign the Association Agreement (AA) with the EU aggravated in January. On January 16, the Parliament passed laws that substantially restricted civil liberties and greatly increased penalties for protesters. Those laws extended the legal framework for stopping mass peaceful protests by force and were called unconstitutional by the parliamentary opposition. The laws triggered violent clashes in Kyiv, in which at least 4 protesters were killed, and a wave of civil unrest across Ukraine. Protesters occupied regional administration offices in 10 out of 27 regions of Ukraine, demonstrations took place in most other regions. The clashes stopped at the end of the month after the parliament withdrew the laws that restricted civil liberties, and the government stepped down.

The situation continues to look like a stalemate. Protesters, which demand resignation of the President Viktor Yanukovych, and honest and law-abiding law enforcement, continue to occupy Maidan Nezalezhnosti, the central square of Kyiv, a part of Kyiv City Hall, and administration offices in some regions. But the President refused to step down as well as ensure the prosecution of police officers that committed unlawful acts of violence against peaceful protesters in November and January.

A new round of the crisis increased the degree of political and economic uncertainty as financial aid from Russia, which promised to purchase Ukrainian Eurobonds at USD 15 bn, was put into question after the resignation of the Government. However, the crisis may be resolved if a new majority emerges in the Parliament.

Real sector: Real GDP growth at 0% in 2013

GDP. According to the preliminary Ukrstat estimate real GDP did not change in 2013. After declining during five quarters in a row real GDP finally grew by 3.7% yoy in the fourth quarter of 2013 due to positive contribution of agricultural production growth.

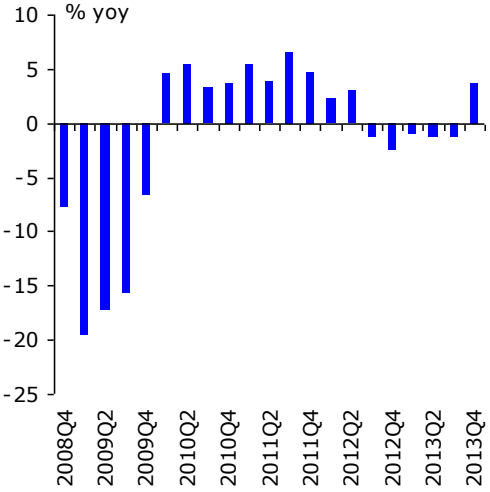
Sectoral trends. Drop in industrial output in December decelerated to 0.5% yoy from 4.7% yoy in November primarily due to statistical base effect. Food production was supported by high domestic demand. Moreover, meat processing increased by 12.1% yoy due to low prices for feed grain. Decline in oil refining was at 4.6% yoy as Odessa oil refinery started working since September 30. The introduction of recycling fees on cars supported growth of car production at 68.4% yoy from extremely low statistical base. At the same time, output in machine building declined by 9.7% yoy. Steel production increased by 0.9% yoy in anticipation of improved external demand, though from very low base.

The record grain harvest (at 63 m tonnes) supported growth in agricultural production at 13.7% in 2013. Good crop harvest supported increase in livestock production by 4.8%.

In 2013 retail trade turnover growth was at 9.5% due to disposable income growth. It accelerated in December maybe due to of high political and economic uncertainty.

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 GDP growth



Source: Ukrstat

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Construction declined by 14.5% in 2013 reflecting drop in public funding and reluctance to invest in commercial property. At the same time, residential construction grew by 6.6%.

Energy sector: Continued problems with liquidity at the Naftogas

By January 25, the Naftogas of Ukraine was supposed to pay Russian Gazprom USD 2.7 bn for gas consumed since August 2013. However, likely due to liquidity gap it did not pay this debt as of February 6, 2014. The problems with liquidity can be partially explained by debts of local heating companies to the Naftogas. The heating companies owe Naftogas UAH 24.8 bn (and UAH 14.9 bn in 2013 alone). Such arrears were traditionally written off in the past according to special government decisions, which hampered further payment discipline of heating companies. Besides, the Naftogaz did not receive planned UAH 10 bn of compensation from the state budget for the difference in tariffs for gas sold to the local heating companies.

Gas consumption in Ukraine continued to decrease in 2013 partially due to higher energy efficiency explained by the high price of Russian gas. Decline in industry also contributed to lower demand for gas. In 2013, Ukraine consumed 50.36 bcm of gas which is by 8.1% less than in 2012. Gas imports decreased in 2013 by 15.1% to 27.97 bcm. However, after Gazprom lowered the price of its gas for Ukraine, Ukrainian officials announced that Ukraine plans to increase the volume of imported Russian gas to 33 bcm in 2014, which is a vague statement.

Transport: Approved Concept for automobile industry development

On January 15, the Cabinet of Ministers approved the Concept of the State Economic Program for Development of Passenger Automobile Industry until 2020. As an optimal solution for the problems in the industry the Concept suggests creation of new enterprises with participation of global automakers to produce cars and automotive parts. The local content should be not less than 55% and the share of Ukrainian cars on the domestic market should increase from 20% to 60%. According to the Concept, the car output is planned to increase from 45800 units in 2013 to 735000 in 2020. Such plans are very ambitious taking into account that new car sales in 2013 decreased by 7% to 202000, from which 80% were imported. Moreover, the financing of such Program seems rather unrealistic.

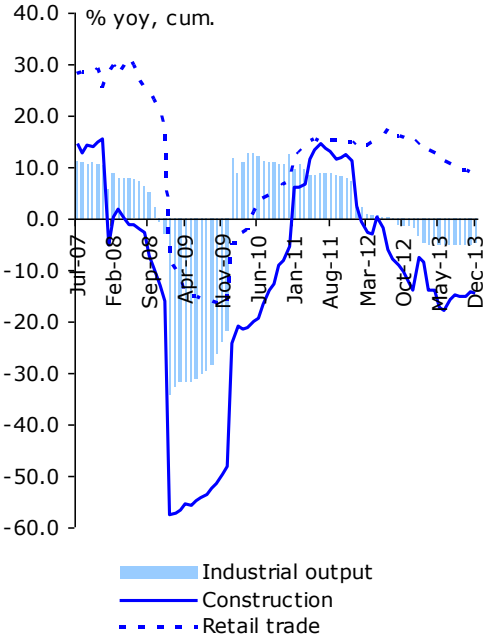
Overall, car production in Ukraine declined by 88% since 2007 due to low competitiveness of national car producers.

Agriculture: Government expenditures in agriculture

The State Budget Law for 2014 envisages about UAH 10.2 bn of spending in agricultural sector (2% of the central fiscal expenditures). In particular, UAH 8.5 bn will be allocated to cover tasks and responsibilities of the Ministry of Agrarian Policy and Food and the rest will be allocated to other relevant institutions (the National Academy of Agrarian Sciences of Ukraine, JSC "Ukragroleasing", etc.). The Government plans to allocate UAH 200 m for the development of wholesale markets for agricultural products, increase support to animal production sector by about 25% (UAH 900 m), while funding of some other measures is decreased. Overall, fiscal outlays planned for 2014 are by 16% higher than in 2013.

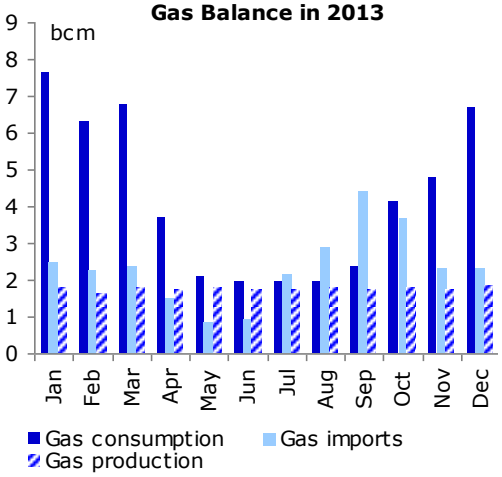
In particular, in 2013 central fiscal expenditures for agricultural sector amounted to around UAH 8.8 bn which is 10% lower than in 2012. As in the previous year, planned agricultural outlays were much higher (about 20%) than actually allocated. Moreover, execution rate of production subsidies (financial support of animal and crop production, price support measures, etc.) is generally much lower than execution rate of growth-enhancing measures (education, training, regional development, etc.). In particular, only 60% of envisioned production subsidies was finally allocated to producers in 2013. This discrepancy hampers investment climate in the sector as agricultural producers could not be sure that panned government support would be actually provided.

Real sector trends



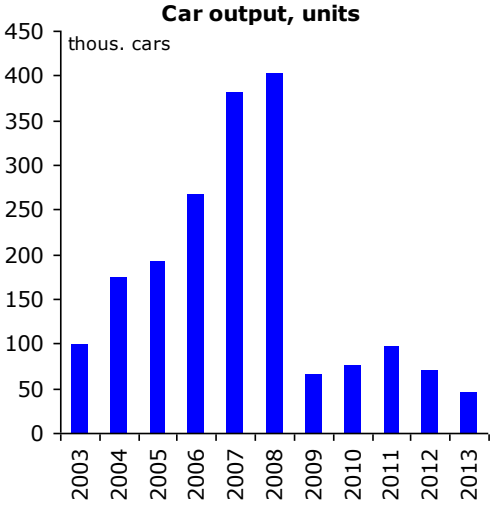
Source: Ukrstat

Gas Balance in 2013



Source: Ministry of Energy

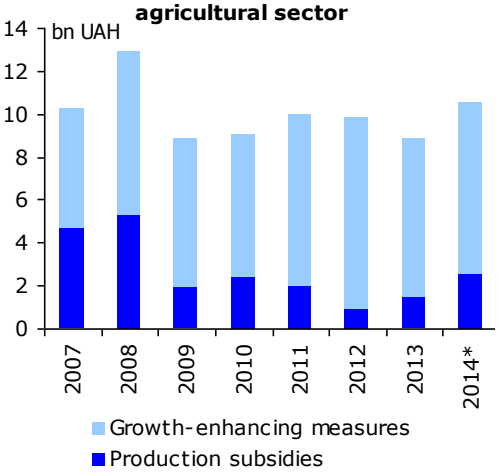
Car output, units



Source: Ukrstat

Overall, a general tendency is observed that government support is gradually shifting from market-distorting expenditures towards growth-enhancing measures. This is a positive tendency since the latter support the development of competitive sector in the long run. However, efficiency of Government support should be improved since the share of administrative expenditures in total agricultural outlays has increased by more than 2 times in the last 7 years.

Government expenditures in agricultural sector



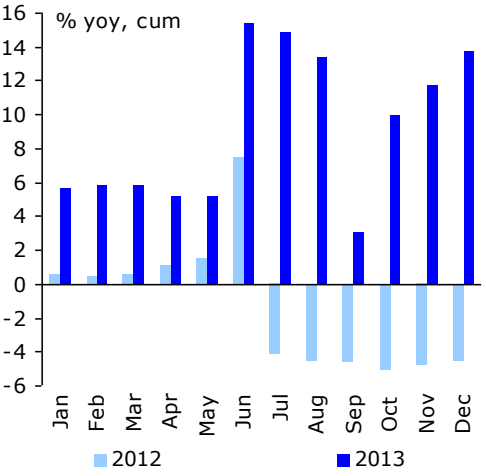
Note: * plan
Source: own estimates based on reports of the Treasury of Ukraine, Law of Ukraine on the State Budget of Ukraine for 2014

Privatisation: Ambitious privatisation plans for 2014

In 2014, the Government expects to raise UAH 19.4 bn from privatisation. According to the State Property Fund of Ukraine (SPFU), the list of public assets to be sold in 2014 includes a 99.57% stake of Odesa by-port plant, a large ammonia and fertiliser producer, a 75.22% stake of Turboatom, a power generation equipment manufacturer, and a 50% stake of Azovmash, a large manufacturer of railway wagons and industrial equipment. The SPFU also intends to continue privatisation in the energy sector in 2014 by selling controlling stakes in 7 local power distribution companies and gas distribution companies, and minority stakes in 51 electric and gas companies. Moreover, in January, the Fund began the preparation for sale of 57 coal mines. The SPFU did not specify what stakes of mines would be sold.

The prospects for fulfillment of the plan are not clear. On the one hand, the Government persistently did not meet privatisation targets in the last years. In 2013, the Government planned to receive UAH 10.9 bn from privatisation, but raised just 13.6% of that amount (UAH 1.5 bn). Moreover, privatisation process may be hampered by political instability. On the other hand, the Government may have stronger incentives to raise money on the eve of Presidential elections, which are scheduled on March 2015.

Agricultural production



Source: Ukrstat

External sector: Current account deficit reached USD 1.7 bn in December

Current account deficit widened to USD 1.7 bn in December from USD 1.1 bn in November. Merchandise trade deficit widened to USD 1.6 bn in December as exports and imports increased slightly. Balance of trade in services remained constant on larger turnover. Net income payments to non-residents surged to USD 0.6 bn likely due to seasonal factors.

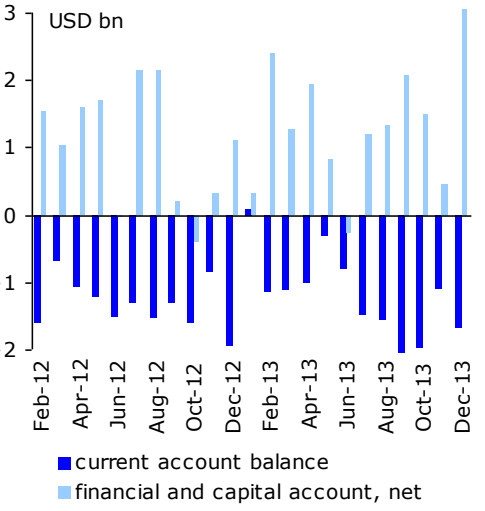
Exports of goods in December grew by 5.1% yoy and preliminarily exceeded USD 6 bn for the first time in 2013. Political instability did not seem to impact exports. Agricultural exports approached USD 2 bn and increased by 10% yoy from low statistical base. Exports of metallurgy products also increased by 10% yoy but from the lowest value in the previous year. Exports of machinery products fell by 14% yoy but increased from previous months.

Merchandise imports dropped by 7.3% yoy. Imports of mineral products increased to USD 1.9 bn, while imports of machinery and transport equipment fell by 26% yoy. Imports of consumer goods picked up over the last few months.

Financial and capital account surplus widened to USD 3.3 bn in December as the government raised USD 3 bn in Eurobonds from Russia and FDI surged to 0.6 bn. Net portfolio outflows were reported at USD 0.5 bn likely reflecting related party transactions. Net debt inflows to private sector were at USD 1.3 bn that went mostly to banks although access to external markets was limited. Political instability led to outflows of USD 1.4 bn in cash foreign currency from banks while foreign deposits of Ukrainian resident increased by USD 0.7 bn. Increase in trade loans and other inflows were USD 0.9 bn as Naftogaz increased its debt to Gazprom.

Overall, in 2013 financial and capital account surplus at USD 18.2 bn was sufficient to cover substantial current account deficit at USD 16.1 bn (near 8.9% of GDP).

Balance of payments



Source: NBU preliminary estimates

Fiscal policy: State Budget law for 2014 was finally approved

State Budget Law 2014. On January16, the Verkhovna Rada approved the State Budget Law for 2014. Central fiscal revenues and expenditures are set at 23.7% and 27.1% of GDP (UAH 392 bn and 447 bn respectively). Central fiscal deficit at 3.6% of GDP is to be primarily financed at the expense of domestic borrowings. Fiscal indicators are based on optimistic macroeconomic forecast. In particular, real GDP growth is estimated at 3.0%. Overall, the Government postponed fiscal consolidation, which further increases fiscal sustainability risks.

The State Budget Execution-2013. The central fiscal revenues in 2013 dropped by 2.0% (to UAH 339 bn) and were under-executed by 7.3% primarily due to economic slowdown. Tax revenues from all major sources were lower than planned. In particular, EPT collections were under-executed by 6.2% due to lower than expected profits despite significant advance tax payments. The revenues from VAT amounted to 94.5% of target due slow growth of consumption against the background of obscure increase in VAT refunds (by 16.3% yoy). Excises on import and taxes on international trade were also under-executed due to decline in trade. Non-tax revenues were lower than plan as well despite larger NBU profits transferred to the budget (UAH 28.3 bn).

Central fiscal deficit grew against the background of revenue shortfall. It widened to UAH 64.7 bn compared to UAH 53.4 bn in 2012. However, the deficit was still lower than the amended target (UAH 75.5 bn) due to lower than planned borrowings and privatisation receipts.

Central fiscal expenditures increased by 2.0% but were by 8.1% lower than target. Capital expenditures reached only 55.8% of the target undermining future economic growth in Ukraine.

The State Budget Execution-2014. According to preliminary data of the State Treasury, in January central fiscal revenues (general and special fund) increased by 9.1% yoy. At the same time, VAT refund grew by 15.6% yoy and were by 34.6% higher than planned, which seems vague due to exporti decline.

Social policy: Social standards increase in 2014

According to the State Budget Law for 2014 subsistence minimum and, as a result, minimum pension and minimum wage will be increased by 8.1% on average in 2014 (or by 6.8% in December-on-December terms). As of January it remains at the level of December 2013 and then will be increased in July and October. Social standards growth is higher than inflation in 2013. At the same time, they are not likely to increase in real terms by the end of 2014. In particular, official forecast envisages CPI growth at 8.3% yoy in December 2014.

Increase in subsistence minimum will result in higher assistance paid to low-income families and higher birth grants, which might further contribute to reduction of absolute poverty.

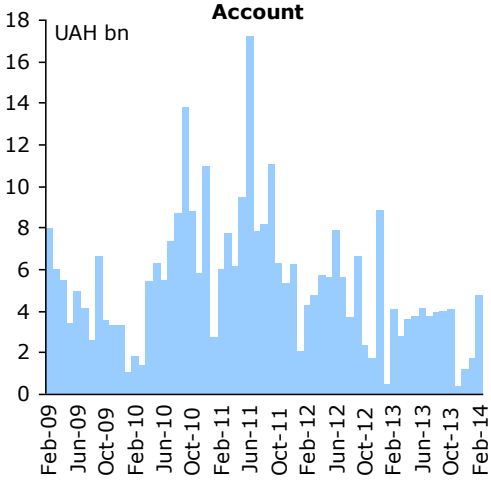
Labour Market: Real wages grew in 2013

Average wage in 2013 grew by 8.2% in nominal terms (to UAH 3265) and 7.9% in real terms. One of the highest wage growth at 12.1% (in nominal terms) was in agriculture due to good performance of the sector. At the same time, wages in this sector remained the lowest in economy at UAH 2339, while the highest wages were traditionally paid in financial sector (UAH 6274).

Wages in industry grew by 8.2% despite decline in production as indexing wages to minimum wage is most prevalent here. Pharmaceutical companies increased wages by 10.1% likely due to government programs to increase share of national pharmaceuticals at the market (especially in public procurement).

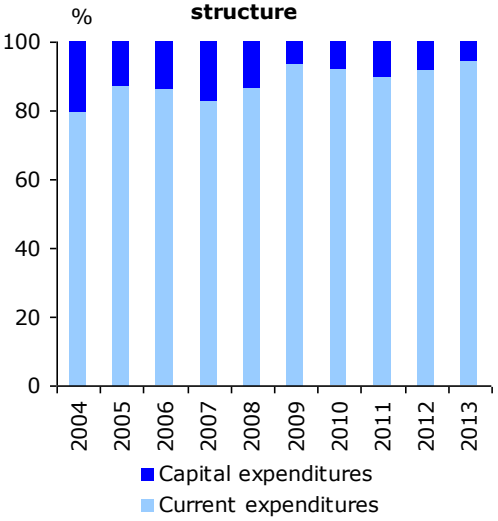
Wages in health care and education grew slower than in economy likely due to liquidity constraints faced by local budgets. At the same time, wages in public administration grew by 8.4%.

Balance of the Single Treasury Account



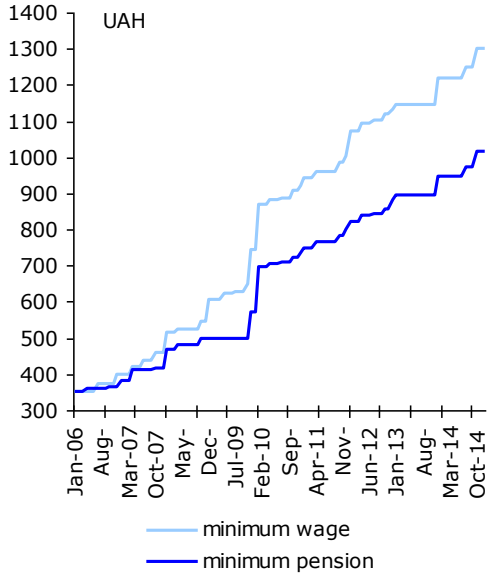
* in the beginning of month
Source: State Treasury

Consolidated fiscal expenditures structure



Source: State Treasury Reports

Social standards



Source: State budget laws for 2006-2014

Regional difference in wages also remained high and, only five regions – Kyiv city, Kyiv oblast, Dniupropetrovska, Donetska and Luhanska oblansts – paid wages higher than average in economy.

Monetary policy: Monetary policy: Consumer inflation was reported at 0.5% in January

Headline consumer inflation was reported at 0.5% yoy in January. The Ukrstat reported 0.7% yoy drop in prices for food (e.g. meat, fruits and vegetable oil prices) due to good harvest and cheap feed. Higher prices for milk products, sugar and vegetables were not sufficient to offset this. Prices for clothing and footwear reportedly dropped by 4.4% yoy despite surge in demand. Prices for other goods increased on average by 1.5% yoy.

Monetary conditions eased in January as liquidity was abundant in the beginning of the year although the NBU withdrew liquidity towards the end of the month through interventions on foreign exchange market. As the result, the NBU reported decrease in average interbank interest rate to 7% p.a. in January.

Financial markets: Hryvnia continued creeping depreciation

Exchange rate. In January hryvnia continued gradual weakening as the NBU tried to conserve limited reserves. Interbank UAH/USD exchange rate changed from UAH 8.2-8.3 per USD in the beginning of the year to over UAH 8.5 in the end of the month. This forced the NBU to enter open market for the first time in few months.

International reserves dropped to USD 17.8 bn by the end of January as the NBU made net payments on foreign currency debt of USD 1.1 bn and conducted intervention of USD 1.7 bn.

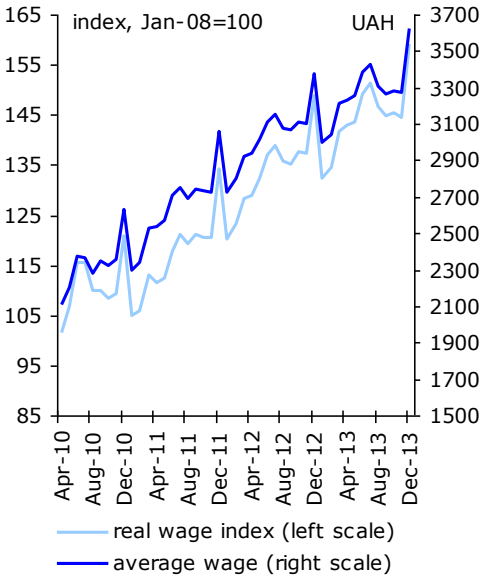
State debt. In January, domestic borrowings were limited by low demand. The Ministry of Finance placed UAH 3.7 bn of hryvnia denominated bonds with weighted average yield at 12.2 p.a. The Government had to increase the yields for short-term bonds to attract investors. As a result, the share of such bonds in the total placement increased to 35.3%. Besides, the Government placed USD 199.7 m of twenty-days bonds. However, receipts from all bonds issues reached only half of the debt to be repaid in January (including repayment of USD 650 m of IMF debt). The rest was likely financed at the expense of previously accumulated funds, in particular, those received from Eurobonds issue purchased by Russia in December 2013 (USD 3 bn).

On January 20, the Cabinet of Ministers approved a decision to conduct additional issue of 2-years Eurobonds that were issued in December and bought by Russia. However, Russia postponed its decision to purchase new issue until the appointment of new government in Ukraine.

At the same time, in January the Government again increased statutory capital of the state bank 'Oschadbank' by UAH 1.4 bn to UAH 17.2 bn through special issue of state domestic bonds at 9.5% p.a.

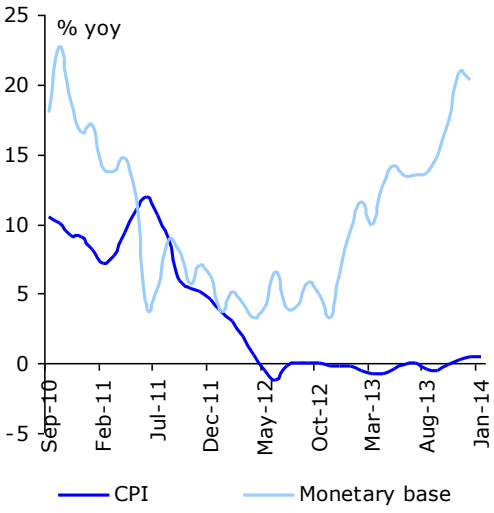
In late January-early February, key world rating agencies further downgraded Ukraine's credit rating. It was a result of political crisis escalation and higher uncertainty on provision of Russia's support package. In particular, Moody's downgraded Ukraine's government bond rating to Caa2 from Caa1 and assigned a negative outlook, while S&P revised its Ukraine's outlook to 'C-plus' from 'B-minus' (to negative from stable). As a result, the yields for Ukrainian sovereign Eurobonds increased by 1-2 p.p.

Average wage



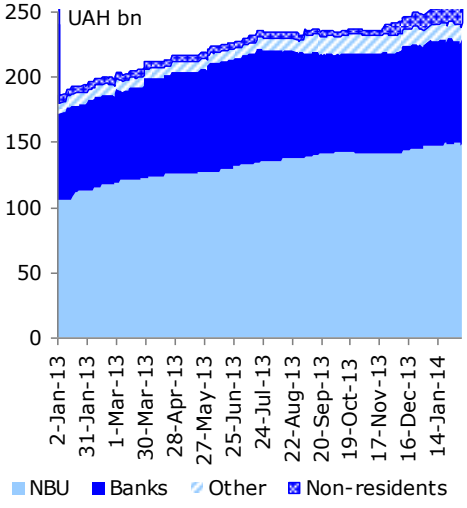
Source: Ukrstat

CPI and monetary base development



Source: Ukrstat, NBU

Domestic government bond holdings



Source: NBU

Economic Trends		Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Industrial production (real)	% yoy cum.	0.4	-1.2	-1.8	-5.0	-5.3	-5.2	-4.7	-4.8	-5.0	-4.2	-5.2	-5.3	-5.3	-5.2	-5.2	-5.2	-5.0	-4.7	...
Construction (real)	% yoy cum.	-1.9	-9.1	-14	-13.8	-17.8	-15.1	-14.5	-8.4	-13.8	-13.8	-17.3	-17.8	-15.7	-14.7	-15.1	-15.1	-14.3	-14.5	...
Agricultural production (real)	% yoy cum.	7.4	-4.6	-4.5	5.8	15.4	3.0	13.7	5.8	5.8	5.1	5.1	15.4	14.8	13.3	3.0	9.9	11.7	13.7	...
Retail trade turnover (real)	% yoy cum.	16.0	16.0	15.9	13.4	11.2	9.8	9.5	14.8	13.4	12.7	11.6	11.2	10.6	10.2	9.8	9.5	9.2	9.5	...
Average wage	UAH	3109	3064	3195	3085	3289	3331	3390	3044	3212	3233	3253	3380	3429	3304	3261	3283	3268	3619	...
CPI	% yoy eop	-1.2	0.0	-0.2	-0.8	-0.1	-0.5	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
PPI	% yoy eop	4.5	0.3	0.3	0.2	-1.6	-0.9	1.7	-0.9	0.2	-1.0	1.9	-1.6	-1.6	-0.9	-0.9	0.8	-0.5	1.7	1.9
Exports (USD)*	% yoy cum.	2.5	2.6	1.0	-4.7	-7.1	-6.2	...	-1.2	-5.3	-3.9	-7.7	-8.4	-8.5	-8.7	-8.8	-9.0	-8.8	-7.6	...
Imports (USD)*	% yoy cum.	9.8	7.6	5.6	-0.8	-8.3	-4.1	...	-2.5	-2.4	-2.7	-9.0	-10.8	-9.6	-8.8	-6.4	-6.0	-5.7	-5.8	...
Merchandise trade balance	USD bn cum.	-9.5	-14.8	-20.5	-4.0	-7.1	-14.2	...	-2.2	-4.0	-5.8	-6.2	-7.1	-9.2	-11.4	-14.2	-16.6	-18.0	-19.6	...
Current account**	USD bn cum.	-5.9	-10.0	-14.4	-3.1	-5.5	-11.4	...	-1.6	-3.1	-4.3	-4.7	-5.5	-7.2	-8.9	-11.4	-13.4	-14.5	-16.1	...
Gross international reserves	USD bn eop	29.3	29.3	24.5	24.7	23.2	21.6	20.4	24.7	24.7	25.2	24.5	23.2	22.7	21.7	21.6	20.6	18.8	20.4	17.8
Monetary Base	% yoy eop	6.6	5.8	6.4	9.9	13.4	14.8	20.3	11.6	9.9	12.8	14.2	13.4	13.5	13.6	14.8	17.3	20.9	20.3	...
Lending rate on UAH credits	% pa, aop	15.7	19.6	20.8	16.2	15.4	15.3	16.8	15.9	16.1	15.3	15.6	15.3	15.7	15.0	15.2	15.6	17.0	17.7	...
Exchange rate (interbank)	USD aop	8.06	8.10	8.15	8.12	8.14	8.15	8.21	8.13	8.13	8.14	8.13	8.15	8.14	8.12	8.17	8.18	8.20	8.24	8.37
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	7.99
Exchange rate (official)	EUR aop	10.26	9.99	10.37	10.55	10.44	10.58	10.87	10.70	10.36	10.40	10.38	10.41	10.45	10.64	10.67	10.90	10.79	10.94	10.92

Sources: Ukrstat, NBU, own calculations

* Monthly figures are only for merchandise exports and imports (source: NBU, preliminary data)

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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