# Monthly Economic Monitor Ukraine

No.12 (158), December 2013

## EXECUTIVE SUMMARY

***HIGHLIGHT: UKRAINE-EU***

***Politics:*** Ukraine refused to sign the Association Agreement with the European Union, and, thus, deferred establishment of a Deep and Comprehensive Free Trade Area with the EU to an indefinite future. The refusal triggered the largest protests since the "Orange revolution" in 2004.

***Real Sector:*** Ukrstat revised upwards real GDP in the third quarter but it still declined by 1.3% yoy, which is the fifth quarter in a row of declining real GDP.

***Energy sector:*** If gas consumption volumes remain unchanged Ukraine will not have enough gas to survive through the winter and will have to reach an agreement with Gazprom or find additional sources of gas supply.

***Transport:*** Ukraine ratified an Agreement on Common Airspace with the EU.

***Agriculture:*** Grain harvest reached record levels in 2013.

***External sector:*** Current account deficit shrank to USD 1.9 bn in October from USD 2.2 bn in September. Revised deficit for September was the largest since 2009.

***Fiscal policy:*** In 2013 capital expenditures are likely to be significantly lower than annual target. Moreover, the Government will not be able to finance fully and timely current expenditures.

***Social policy:*** The Pension Fund was allowed by the Government to attract bank loans for liquidity management purposes, which may be dangerous.

***Labour market:*** In October wage growth decelerated to 5.6% yoy due to worsening of financial situation of companies.

***Monetary policy:*** Monetary conditions tightened in October as the NBU withdrew liquidity through interventions on foreign exchange market and increased reserve requirements.

***Financial markets:*** International reserves dropped to USD 18.8 bn by the end of October.

# Highlight of the month: Ukraine-EU

## UKRAINE-EU: STRATEGIC PAUSE OR CHANGING THE COURSE

*Igor Burakovsky*

It would be no exaggeration to say that the preparation for signing EU-Ukraine Association Agreement dominated political agenda in November. All discussions were predominantly centered around the ability of Ukraine to fulfil EU criteria in general and solve the problem of former PM Yulia Tymoshenko medical treatment abroad in particular as the necessary preconditions enabling signing EU-Ukraine Association Agreement during the third Eastern Partnership Summit scheduled for November 28-29 in Vilnius. In this context On November 18 EU High Representative for Foreign Affairs and Security Policy Catherine Ashton declared that EU looks forward to see Ukraine in Vilnius. At the same time she expressed her hope that "by that time Ukraine will be able to complete her part of the journey".

But quite unexpectedly for all on November 21 the Cabinet of Ministers of Ukraine adopted Regulation "The issue of concluding Association Agreement between the European Union and its Member States, of the One Part, and Ukraine, of the Other Part". This Regulation formally suspended the preparation for concluding Association Agreement due to necessity to take measures aimed at recovering lost industrial output as well as economic and trade losses in cooperation with Russian Federation and other Commonwealth of Independent States member-countries. It was also stressed that Ukraine needs to develop national market (economy) to the level ensuring equitable relations between Ukraine and European Union member-states.

It should be specifically noted that this document also contained proposal to EU and Russian Federation establish trilateral commission in order "to work on the set of issues related to recovering lost industrial output as well as economic and trade losses, promotion of trade, further trade liberalization, harmonization regulatory regimes as tool of improving conditions for entrepreneurial activities."

On November 22 the European Commissioner for Enlargement and European Neighbourhood Policy Stefan Fule regretted this decision and expressed his but at the same time declared that EU is ready to resume preparation for concluding Association Agreement as soon as Ukraine confirms is readiness to resume its movement towards political association and economic integration with EU." Later a number of European politicians made practically the same statements.

On November 24 supporters of European integration and opposition figures announced termless political action which later moved from European square to Independence Square (Maidan).

On the eve of Vilnius Summit Ukrainian President and Prime-Minister made a number of statements the arguments behind Ukraine's decision not to sign Association Agreement.

Firstly, Ukraine does not renounce from pro-european integration course, but for the countries the terms and conditions of Association Agreement and its consequences are of paramount importance, thus these issues need additional analysis. The counter has already done a lot in the process of preparation of agreement and demands partnership relations.

Secondly, Ukraine needs compensation of losses due to decreasing volumes of trade with Russia and other CIS countries including losses induced by Russian economic sanctions. At the same time negotiations with IMF failed to bring any tangible results.

Thirdly, as Ukraine does not become EU member the country will not get access to the relevant structural funds. Currently Ukraine is offered assistance amounting from 600 million to 1 billion Euros, but in order to implement European standards and modernize production facilities Ukraine needs at least 20 billion Euros per annum while its total relevant needs make up around 160 billion Euros by 2017.

These arguments turned out to be a total surprise for EU and triggered out quite a hard-line response from EU and EU member states. They perceived Ukraine's position as insult and interpreted refusal to sign Agreement as the loss of historical chance. At the same time EU declared its readiness to return to conclusion of Agreement once Ukraine is ready.

It is obvious that in reality this decision of Ukrainian leadership was prompted by Russian hard economic pressure and attempts to find "quick" and substantial funds to support Ukrainian ailing economy suffering from recession.

In general the Ukraine's refusal to sing Agreement and the way how it was done caused sincere indignation of Ukrainian partners from EU and Ukrainian society.

In Ukraine the refusal to sign the Agreement provoked numerous protests. The crackdown of protestants in the unprecedented cruel way which took place in Kiev on the night between 29 and November 30 triggered a wave of protests across the country. Without exaggeration the greatest in the history of independent Ukraine political crisis outburst and generated real threat of breakup of the country.

At the same time Ukraine's economy suffers from recession, in order to overcome recession well-thought quick and rather unpopular actions are necessary. Despite all optimistic declarations of Ukrainian leadership external financing needs will make Ukraine to seek assistance from IMF, while the refusal to sign the Agreement will complicate negotiations with this institution. Financial assistance from Russia will be conditioned by a number of political commitments from Ukraine such as accession to the Customs Union.

# Monthly Economic Monitor Ukraine

## Politics: Refusal to sign the EU Association triggered an acute political crisis in Ukraine

On November 29, Ukraine refused to sign the Association Agreement with the European Union, and, thus, deferred establishment of a Deep and Comprehensive Free Trade Area with the EU to an indefinite future. The President Viktor Yanukovych explained that implementation of the agreement could have a negative impact on the economy but the aid offered by the EU was insufficient. He also stated that pressure from Russia played a role. In the preceding months Russia, a major trade partner of Ukraine, had banned imports of some Ukrainian goods and warned that the policy could be extended if the country would sign the Agreement.

The refusal triggered the largest protests since the "Orange revolution" in 2004. The wave of demonstrations and civil unrest began across Ukraine on November 21, when the Government decided to stop the process of preparation for the signing of the Agreement. Initially protesters demanded the Agreement be signed, later they called for resignation of the Government and the President. An attempt to disperse the protesters' camp in the main square of Kyiv, made by the police on November 29, led to an escalation of protests. According to different estimates, from 300,000 to 800,000 people took part in a rally in Kyiv, which was accompanied by violent clashes with the police, on December 1. The Parliament, however, refused to dismiss the Government on December 3.

The outlook is uncertain, with three potential scenarios. Under the first one the protests will be put down by force. The second scenario is resolution of the crisis by conducting an early election of the President. Under the third scenario the crisis is not likely to be resolved shortly, which implies that the degree of political instability in Ukraine may be high at least until the next Presidential election in 2015. Any possible attempts to stop the protests with force will alienate Ukraine from the West and push it closer to Russia, which persistently tries to ensure a full membership of Ukraine in the Customs Union of Belarus, Kazakhstan, and Russia.

## Real sector: Real GDP declined by 1.3% yoy

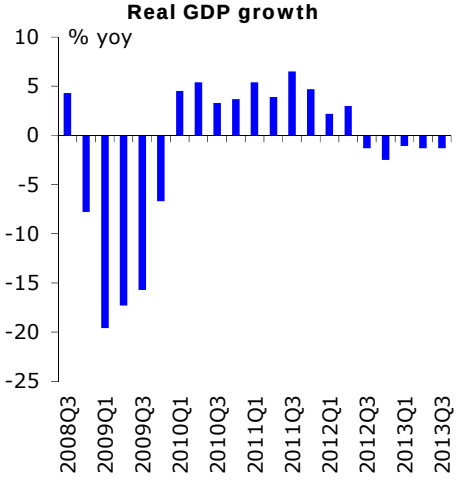
***GDP.*** Ukrstat revised upwards real GDP in the third quarter but it still declined by 1.3% yoy (as compared to preliminary estimate at 1.5% yoy). This was a fifth quarter of declining GDP on year-to-year basis. Real private final consumption growth at 6.7% yoy contributed 5 p.p to GDP growth. It grew due to higher real disposable income and lower saving rate. As a result, domestic demand grew despite drop in fixed capital accumulation by 7.1% yoy and falling government consumption. Net exports made subtracted 3.5 p.p. from economic growth as real exports declined by 7.8% yoy, while imports reduced only by 1.1% yoy. Changes in inventories shaved another 1 p.p. from growth.

On the production side, real gross value added (GVA) in agriculture reduced by 2.1% yoy as harvesting was postponed to October and November due to rainy weather. Weak domestic and external demand resulted in drop in real GVA in manufacturing by 9.7% yoy. Real GVA in trade grew by 3.4% yoy as it was supported by still growing consumption. At the same time, GVA in transport surprisingly grew by 1.4% yoy.

***Sectoral trends.*** Reduction in industrial output in October decelerated to 4.9% yoy primarily due to statistical base effect and better performance of food production. In particular, sunflower oil producers started processing of sunflower seeds harvested this year. Moreover, meat production surged in October. At the same time, sugar production remained by almost 50% lower than a year ago likely due to later harvesting of sugar beets. Manufacture of refined petroleum increased by 20.6% yoy from a very low statistical base as one of the oil refinery resumed operations after long shutdown.

**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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At the same time, car production surged by 39% from previous month probably due to the introduction of recycling fee on imports. Metallurgy dropped by 8.0% yoy due to weak external demand and changes in trade conditions with Russia.

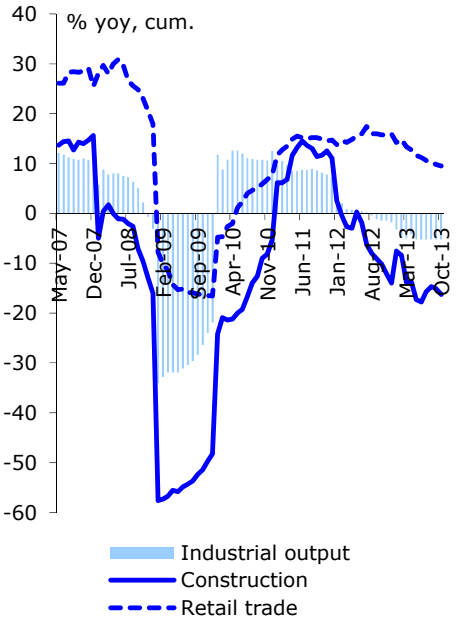
Production and distribution of electricity, gas and water grew by 8.9% yoy due to earlier start of heating season this year.

After bad performance in September, the agricultural production increased by 9.9% yoy in October. In particular, crop production grew by 12.4% yoy due to higher yields for most crops. Growth of livestock production remained at 4.5% yoy.

Between January and October retail trade grew by 9.5% yoy. At the same time, growth of retail sales of companies decelerated further to 1.5% yoy in October, which signals slowdown in consumption.

In October, construction declined by 24.3% yoy as public and private investment in engineering structures collapsed. Residential construction, which grew in previous periods, fell by 7.1% yoy.

**Real sector trends**



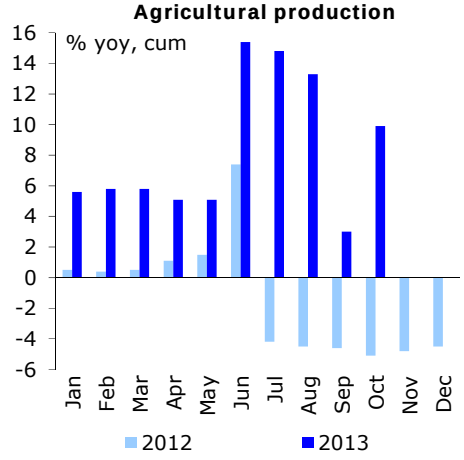

Source: Ukrstat

## Energy sector: Ukraine signs offshore gas drilling deal

On November 13, the Cabinet of Ministers cancelled the controversial requirement to inject (introduced in June) 50% of natural gas volumes produced by independent private companies in Ukraine to the underground gas storage facilities. According to the Naftogas, as of November 28, Ukraine pumped 17.6 bcm of gas into its underground storage facilities. During the previous heating season (fourth quarter of 2012 – first quarter of 2013) Ukraine used 27.7 bcm of gas from the storages, while additional 10.4 bcm were received and consumed from domestic production. Therefore, if the consumption volumes remain unchanged Ukraine will not have enough gas to survive through the winter and will have to reach an agreement with Gazprom or find additional sources of gas supply.

On November 27, Ukraine signed a production sharing agreement with Eni (Italy), Electricite de France (EdF), Chornomornaftogas, and Vody Ukrainy on exploration of oil fields Subotino, Abikha, Mayachna and Kavkazka in the Black Sea. The share of private investors is set at 75%. The individual companies' shares are distributed as follows: Eni – 50%, EdF – 5%, Vody Ukrainy – 35%, Chornomornaftogas – 10%. In addition, the investors will have to pay a fee of USD 2.2 per barrel of extracted oil or condensate. This is a second production sharing agreement on offshore gas drilling after the one signed in September with Exxon Mobil, Royal Dutch Shell, and OMV Petrom on Skifska gas field. These agreements are long-term shots at improvement of energy security of Ukraine.

**Agricultural production**

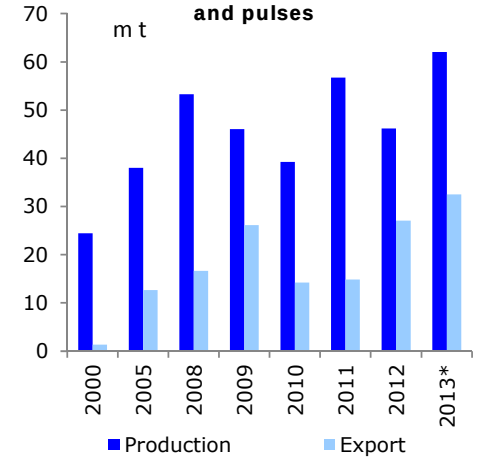



Source: Ukrstat

## Transport: Ukrainian air carriers will be able to fly to Europe without limits

On November 28, Ukraine ratified an Agreement on Common Airspace with the EU. This agreement was the only positive outcome of the Eastern Partnership summit in Vilnius. According to the Agreement, all Ukrainian air companies will be able to perform direct flights to any destination in the EU starting summer navigation season of 2015 (last Sunday of March). European air carriers will have the same rights regarding destinations in Ukraine. In addition, all restrictions on weekly flights between Ukraine and the EU will be waived. Full implementation of the agreement is expected to attract new airlines, thus, increasing competition, improving the quality and reducing the cost of aviation services. At the same time, Ukrainian airlines will have time to prepare for effective competition with European carriers.

**Production and export of grains and pulses**




Source: Derzhstat
* Forecast of the MAP, export for 13/14 marketing yea

## Agriculture: Record harvest in 2013

About 62 m t ha of grains and pulses were harvested from 15.5 m ha of lands (98% of the harvested area) by the end of November according to the Ministry of Agricultural Policy and Food. This is a record harvest since 2011, when 56 m t of grains and pulses were collected. Average yield increased by 27% to about 4 t/ha.

According to the Ministry, grain exports amounted to about 15.0 m t in the 2013/2014 marketing year, which is by about 19.4% higher comparing to the last year. Estimated export potential is at the level

of 32.5 m t. In particular, 6.1 m t of wheat (including 4.8 m t of milling wheat), 2 m t of barley and 5.9 m t of corn were exported.

## External sector: Merchandise trade deficit shrank to USD 2.4 bn

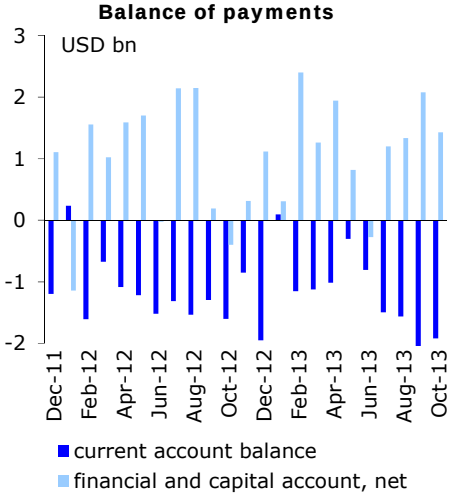
Current account deficit shrank to USD 1.9 bn in October from USD 2.2 bn in September. Revised deficit for September was the largest since 2009. Merchandise trade deficit shrank to USD 2.3 bn in October from historical high of USD 2.6 bn. Net current transfers remained low due to economic slowdown in Russia and the EU. Decline in net income payments to non-residents was offset by seasonal decrease in services exports (that still grew by 9% yoy).

Exports of goods in October dropped by 10.6% yoy but increased from previous months as agricultural exports resumed after rainy September. Agricultural exports reached a third of total merchandise exports but dropped by 9% yoy reflecting lower export prices. Exports of metallurgy products dropped by 1% yoy reflecting lower prices, even though export volume increased slightly from low statistical base. Export of transport and machine building products dropped by 28% yoy. Demand for railway cars in Russia fell significantly due to surplus of freight car inventories.

Merchandise imports dropped by 2.7% yoy. Imports of mineral products over the last three months reached USD 7.6 bn as the Naftogaz replenished stocks of gas in underground storage from dangerously low levels. Imports of consumer goods slowed down, while imports of investment goods fell.

Financial and capital account balance remained in surplus at USD 1.9 bn in September despite repayments of FDI loans, portfolio outflows, and lack of government borrowing. Net debt inflows to private sector were at USD 0.2 bn as private sector was able to refinance debt repayments. Trade loans and other inflows reached USD 1.7 bn as Russian gas was received without payment.

**Balance of payments**




Source: NBU preliminary estimates

## Fiscal policy: State Budget execution is failed

According to preliminary data of the State Treasury, in November central fiscal revenues dropped by 6.3% yoy due to decline in tax revenues. Overall, between January and November revenues growth decelerated to 1.0% yoy compared to 1.9% yoy in the first ten months of the year. Growth was ensured by higher non-tax collections (primarily due to larger transfer of the NBU profits).

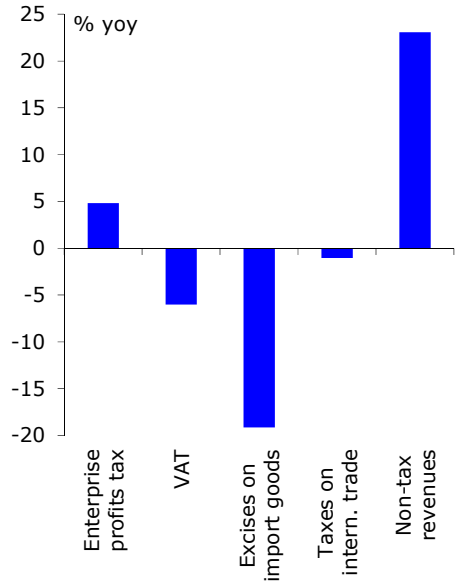
Central fiscal revenues reached only 80.1% of the annual target. Thus, the Government has to collect near UAH 74.5 bn of revenues in December to reach the planned figure, which is unrealistic taking into account that average mothly revenues during recent months were near UAH 30 bn. Therefore, annual shortfall of revenues may exceed UAH 40 bn.

Central fiscal deficit was also lower than planned in the first eleven months of the year primarily due to lower than planned external borrowings and privatization receipts.

As a result, fiscal expenditures might be underfinanced this year by at least UAH 55 bn. In particular, capital expenditures are likely to be significantly lower than annual target. Moreover, the Government will not be able to finance fully and timely current expenditures.

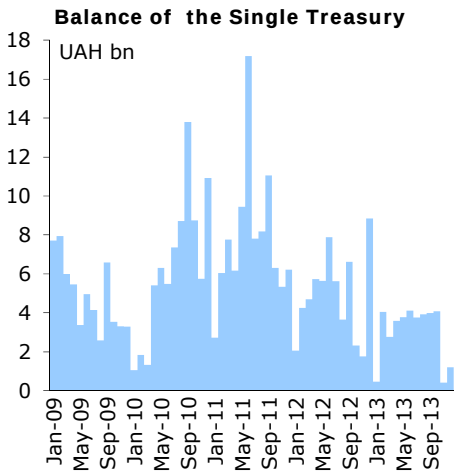
Difficult fiscal situation in 2013 as well as high economic and political uncertainty resulted in absence of the approved by the Government Draft State Budget Law for 2014. According to recent Presidential statements it is to be submitted to the Parliament on December 17.

**Growth of central fiscal revenues in January-October of 2013**




Source: State Treasury reports

**Balance of the Single Treasury**




* in the beginning of month
Source: State Treasury

## Social policy: The Pension Fund's deficit remains high

In 11 months of 2013 expenditures of the Pension Fund grew by 7.4% yoy to UAH 229 bn. 33.4% of expenditures were financed at the by the central fiscal transfer intended to cover deficit and special state pensions. Growth of wages ensured increase in the Fund's revenues from pension contributions by 5.6% yoy. At the same time, on-budget financing of the Pension Fund's deficit was sufficient to cover it unlike in previous years. Government's liquidity problems over the last

months limited short-term loans from Treasury leading to some delays in pension payments.

As a result, the Pension Fund was allowed by the Government to attract bank loans for liquidity management purposes. However, this may be dangerous if Pension Fund deficit will turn out larger than budgeted and may lead to snowballing bank debt and growing interest costs.

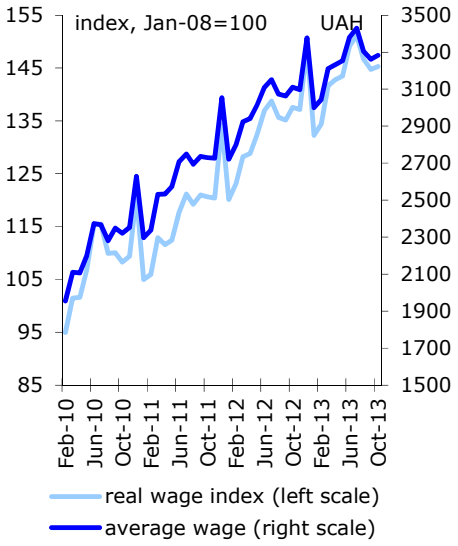
### Labour Market: Wage growth decelerates

In October wage growth decelerated to 5.6% yoy due to worsening of financial situation of companies. Besides, in 2013 minimum wage was increased only in January and December, while in previous years there were four or five hikes during the year.

Good performance of agriculture resulted in increase of wages by 14.7% yoy. At the same time, wages in industry grew by 6.0% yoy due to higher minimum wage (by 4.8% yoy). In particular, some companies had to increase wages along tariff scale while average wage for automatic VAT refund is also tied to minimum wage.

Difficult fiscal situation resulted in small wage growth in education and health care (by 2.6% yoy and 4.6% yoy). Wage growth was slower in financial sector (by 1.9% yoy) as banks continue to work on containing administrative costs and financial sector wages remain almost twice higher than average.

**Average wage**



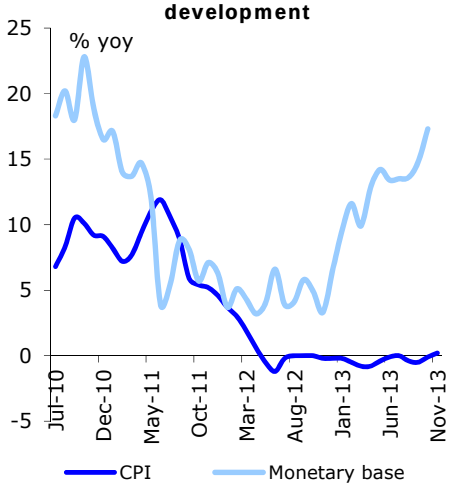

Source: Ukrstat

### Monetary policy: Ukrstat reported positive inflation for the first time in 18 months

Headline consumer inflation was reported at 0.2% yoy in October. Ukrstat reported stable prices for food (excluding fruit and vegetables) as lower meat prices (due to cheap feed grain and growing supply) offset moderate increase in prices for other food items. Prices for clothing and footwear dropped by 3.5% yoy despite significant increase in customs prices on imports. Prices for other goods and services increased by 2.8% yoy.

Monetary conditions tightened in October as the NBU withdrew liquidity through interventions on foreign exchange market (UAH 6.5 bn) and increased reserve requirements. It was partly offset by the NBU quasi-fiscal operations as the NBU bought UAH 6 bn of government bonds and issued one-year loan to (likely) government-owned banks. The NBU reported increase in average interbank interest rate to 6% in November from 5% in October, while bank free reserves dropped to about UAH 10 bn on average in October.

**CPI and monetary base development**




Source: Ukrstat, NBU

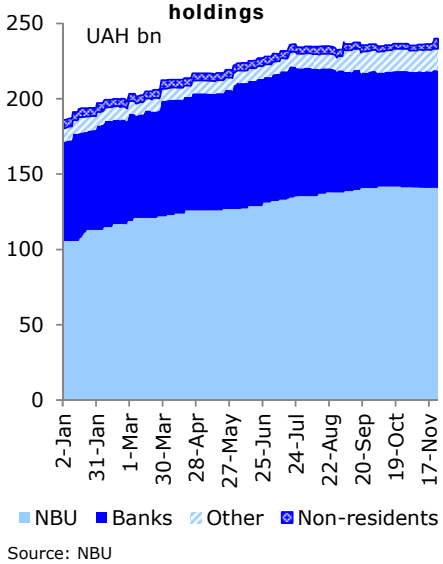
### Financial markets: Foreign currency sale requirement extended

***Exchange rate.*** In November the NBU continued to report interbank exchange rate much lower than reported by commercial sources and cash exchange rate. Still, exchange rate was more or less stable in UAH 8.2-8.25 per USD range as the NBU increased interventions to USD 0.8 bn. The NBU also extended mandatory sale of 50% foreign revenue for another 6 months. Since September adminidtrative measures apply to almost all foreign currency receipts rather than only export revenues. Overall, administrative measures will be in force for 18 months which will make them far from temporary as required by the law.

International reserves dropped to USD 18.8 bn by the end of October as the NBU made net payments on external debt of USD 0.7 bn and conducted interventions.

***State debt.*** In November 2013, external capital markets remained closed to the Government due to unfavourable rates. At the same time, the Government was able to place USD 0.5 bn USD-denominated bonds with put options. Most of these bonds were likely to be purchased by non-residents. As a result, the non-residents' portfolio of state bonds augmented to UAH 9.0 bn by the end of the month (from UAH 3.4 bn as of November 1, 2013).To cover liquidity gaps in the short-run the Government also placed 21-day maturity hryvnia denominated bonds. These bonds accounted for 61.3% of the total placement (UAH 2.0 bn of UAH 3.2 bn).

**Domestic government bond holdings**




Source: NBU

| Economic Trends | | Q1 12 | Q2 12 | Q3 12 | Q4 12 | Q1 13 | Q2 13 | Q3 13 | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Industrial production (real) | % yoy cum. | 0.9 | 0.4 | -1.2 | -1.8 | -5.0 | -5.3 | -5.2 | -1.8 | -3.2 | -4.8 | -5.0 | -4.2 | -5.2 | -5.3 | -5.3 | -5.2 | -5.2 | -5.2 | ... |
| Construction (real) | % yoy cum. | -2.7 | -1.9 | -9.1 | -14 | -13.8 | -17.8 | -15.1 | -13.8 | -7.6 | -8.4 | -13.8 | -13.8 | -17.3 | -17.8 | -15.7 | -14.7 | -15.1 | -16.3 | ... |
| Agricultural production (real) | % yoy cum. | 0.5 | 7.4 | -4.6 | -4.5 | 5.8 | 15.4 | 3.0 | -4.5 | 5.6 | 5.8 | 5.8 | 5.1 | 5.1 | 15.4 | 14.8 | 13.3 | 3.0 | 9.9 | ... |
| Retail trade turnover (real) | % yoy cum. | 14.2 | 16.0 | 16.0 | 15.9 | 13.4 | 11.2 | 9.8 | 15.9 | 14.2 | 14.8 | 13.4 | 12.7 | 11.6 | 11.2 | 10.6 | 10.2 | 9.8 | 9.5 | ... |
| Average wage | UAH | 2923 | 3109 | 3064 | 3195 | 3085 | 3289 | 3331 | 3377 | 3000 | 3044 | 3212 | 3233 | 3253 | 3380 | 3429 | 3304 | 3261 | 3283 | ... |
| CPI | % yoy eop | 1.9 | -1.2 | 0.0 | -0.2 | -0.8 | -0.1 | -0.5 | -0.2 | -0.2 | -0.5 | -0.8 | -0.8 | -0.4 | -0.1 | 0.0 | -0.4 | -0.5 | -0.1 | 0.2 |
| PPI | % yoy eop | 6.5 | 4.5 | 0.3 | 0.3 | 0.2 | -1.6 | -0.9 | 0.3 | 1.5 | -0.9 | 0.2 | -1.0 | 1.9 | -1.6 | -1.6 | -0.9 | -0.9 | 0.8 | -0.5 |
| Exports (USD)* | % yoy cum. | 5.2 | 2.5 | 2.6 | 1.0 | -2.1 | -7.0 | -6.5 | 0.5 | -5.7 | -1.2 | -5.3 | -3.9 | -7.6 | -8.3 | -8.4 | -8.6 | -8.8 | -9.0 | ... |
| Imports (USD)* | % yoy cum. | 5.8 | 9.8 | 7.6 | 5.6 | -4.7 | -8.8 | -5.6 | 5.3 | -2.1 | -3.6 | -3.5 | -3.6 | -9.7 | -11.5 | -10.4 | -9.8 | -8.0 | -7.1 | ... |
| Merchandise trade balance | USD bn cum. | -3.9 | -9.5 | -14.8 | -20.5 | -3.8 | -6.8 | -13.4 | -20.5 | -0.5 | -2.0 | -3.8 | -5.3 | -5.9 | -6.8 | -8.8 | -10.8 | -13.4 | -15.7 | ... |
| Current account** | USD bn cum. | -2.0 | -5.9 | -10.0 | -14.4 | -2.9 | -5.2 | ... | -14.4 | 0.0 | -1.5 | -2.9 | -4.0 | -4.4 | -5.2 | -6.7 | -8.2 | -10.4 | -12.3 | ... |
| Gross international reserves | USD bn eop | 31.1 | 29.3 | 29.3 | 24.5 | 24.7 | 23.2 | 21.6 | 24.5 | 24.7 | 24.7 | 24.7 | 25.2 | 24.5 | 23.2 | 22.7 | 21.7 | 21.6 | 20.6 | ... |
| Monetary Base | % yoy eop | 4.3 | 6.6 | 5.8 | 6.4 | 9.9 | 13.4 | 14.8 | 6.4 | 9.5 | 11.6 | 9.9 | 12.8 | 14.2 | 13.4 | 13.5 | 13.6 | 14.8 | 17.3 | ... |
| Lending rate on UAH credits | % pa, aop | 15.5 | 15.7 | 19.6 | 20.8 | 16.2 | 15.4 | 15.3 | 17.6 | 16.5 | 15.9 | 16.1 | 15.3 | 15.6 | 15.3 | 15.7 | 15.0 | 15.2 | 15.6 | ... |
| Exchange rate (interbank) | USD aop | 8.02 | 8.05 | 8.09 | 8.11 | 8.11 | 8.11 | 8.11 | 8.09 | 8.10 | 8.11 | 8.11 | 8.11 | 8.12 | 8.12 | 8.11 | 8.10 | 8.13 | 8.14 | 8.15 |
| 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 | 10.46 | 10.26 | 9.99 | 10.37 | 10.55 | 10.44 | 10.58 | 10.49 | 10.60 | 10.70 | 10.36 | 10.40 | 10.38 | 10.41 | 10.45 | 10.64 | 10.67 | 10.90 | 10.79 |

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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 0.2 |
| 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 | -1.8 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 | -14.8 |
| 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 | -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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |

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 | 8.11 | 8.11 |
| 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 | … |
| 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 | … |
| **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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