INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: SAFEGUARDS ON IMPORTED CARS

Politics: In early April the crisis in the Parliament reached its peak as pro-presidential majority adopted over 20 laws on a special session outside the Parliament's premises.

Real Sector: Drop in industrial output in February accelerated to 6.0% yoy as improvement in external demand was insufficient to lift export-oriented sectors.

Energy sector: Ukraine considerably decreased imports of natural gas from Russia in the attempt to diversify its gas imports.

Agriculture: Introduction of compulsory crop-rotation plans seems to be inefficient policy to address the problem of soil quality deterioration.

External sector: Current account deficit in February shrank to USD 1.0 bn due to falling merchandise imports.

Fiscal policy: Growing need to finance fiscal expenditures and debt redemption resulted in widening of central fiscal deficit to UAH 2.3 bn in February.

Social policy: Real disposable income increased by 9.7% in 2012 primarily due to higher wages and social assistance.

Labour market: Unemployment rate reached 8.0% of economically active population of age between 15-70 years old in the last quarter of 2012.

Monetary policy: In March, CPI fell by 0.8% yoy due to fall in food prices.

Financial markets: In March the Government increased placement of domestic state bonds due to higher fiscal expenditures and debt redemption.

Highlight of the month: Safeguards on Imported Cars

EXPECTED IMPACT OF SAFEGUARD MEASURES ON IMPORTED MOTOR CARS

Veronika Movchan

Since April 13, 2013, imports of new motor cars will become more expensive in Ukraine due to the implementation of safeguard measures.

According to the decision of the Intergovernmental Commission on International Trade, safeguard measures will be applied to new passenger cars with spark-ignition engine of a cylinder capacity between 1000 and 2200 cubic centimeters (cc), and will take a form of safeguard (special) duty applied in addition to current 10% import duty. The safeguard duty will vary depending on the cylinder capacity. For vehicles with the cylinder capacity from 1000 up to 1500 cc the duty rate will be 6.46%. For vehicles with the cylinder capacity from 1500 up to 2200 cc the duty rate will be 12.95%. The measures are set for three years, and no liberalization is envisaged over this period. Safeguards will be applied to all countries exporting these products to Ukraine, including countries that have free trade agreements with Ukraine.

Introduction of the duty will have a definite negative impact on domestic consumers, as they will have either to switch to other car models or postpone a purchase or pay more. The price is expected to increase by 7.8% and 15.6% for cars with 1000-1500cc and 1500-2200cc cylinder capacity, respectively. Imports will be also negatively affected, although the impact will depend on demand elasticity. According to the IER estimates, a reduction in imports could be approximately 5% and 11% for cars with 1000-1500cc and 1500-2200cc cylinder capacity, respectively.

Higher protection could benefit domestic producers that hope to regain a part of the domestic market, as well as importers of cars not subject to safeguard duty. However, the impact will primarily depend on consumers' choice as the price is only one of factors determining a demand.

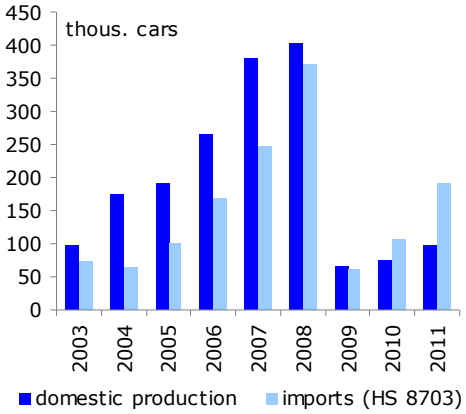
Direct fiscal impact of the safeguard measure is ambiguous. According to the IER estimates, import-related fiscal revenues will drop by 2% due to decrease in nominal imports despite higher duties. At the same time, the increase in fiscal revenue generated by domestic producers is uncertain and conditional upon changes in demand for domestically produced cars.

The decision could have also indirect impact on other sectors, as the implementation of safeguard measures requires provision of adequate trade compensation for affected exporting countries.

According to WTO Safeguards Agreement, Ukraine as the country applying a safeguard measure must maintain a substantially equivalent level of concessions and other obligations with respect to affected exporting WTO members (Japan, Germany, Russia, Korea, Turkey, UK, Spain and others) by providing adequate trade compensation. If Ukraine does not offer adequate trade compensation, for instance lower import duties on other products of affected countries, these countries could unilaterally worsen access to their markets for Ukrainian products.

The WTO Safeguards Agreement envisages exemption from this rule. The right for adequate trade compensation cannot be used during the first three years of application of a safeguard measure if the measure is taken based on an absolute increase in imports, and otherwise conforms to the provisions of the Agreement.

Domestic production and imports of passenger cars in Ukraine



Source: Ukrstat, UN ComTrade, IER estimates

However, it is questionable whether Ukraine can use this exemption. The text of the decision appeals not to absolute increase in imports, but to relative increase in imports. In particular, the decision states that "the import of motor cars in quantitative equivalent in 2010 comparative to 2008 decreased by 71% but increased by 38% relative to production of domestic industry". Thus, it is likely that Ukraine will have to provide compensation or face a risk of suspension of substantially equivalent concessions, i.e. additional trade barriers in accessing markets of affected countries.

Summing up, the decision to introduce safeguard measures on passenger cars is likely to have an overall negative impact on Ukraine's economy. Benefits of the decision may be captured by domestic producers assuming favorable demand elasticity. At the same time, consumers will be worse off having either to pay more or to alter their consumption behavior. Moreover, it is very likely that other sectors will be worse off due to Ukraine's obligation to provide trade compensation.

Monthly Economic Monitor Ukraine

Politics: Gridlock in the Parliament

Parliament. In early April the crisis in the Verkhovna Rada (parliament) reached its peak as pro-presidential majority adopted over 20 laws on a special session outside the Rada's premises. This legally questionable voting was held in response to the parliament's possible dissolution by the President after 30 days of its inefficiency. This option is currently discussed in the ruling Party of Regions (PoR), as the parliament's work has been permanently blocked by the opposition. The latter keeps protesting against the violation of personal voting procedure by MPs from the parliamentary majority and use of their MP cards to vote instead of their absent colleagues. Increase in political uncertainty harms already unfavorable investment climate.

IMF. On March 27, the IMF mission headed by Christopher Jarvis returned to Ukraine after unsuccessful negotiations in late January 2013. This visit lasted till 10 April and did not result in favourable for Ukraine results. The parties continue negotiations on a new Stand-By Arrangement (SBA). The main issue hindering the negotiations is the IMF requirement to Ukrainian government to increase tariffs on gas and heating for households. This would allow the Government to decrease subsidies to the Naftogaz. But this is a politically risky move for President Victor Yanukovych who is planning to run for a second term in the upcoming elections in 2015. The negotiations are expected to continue in April in Washington.

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%

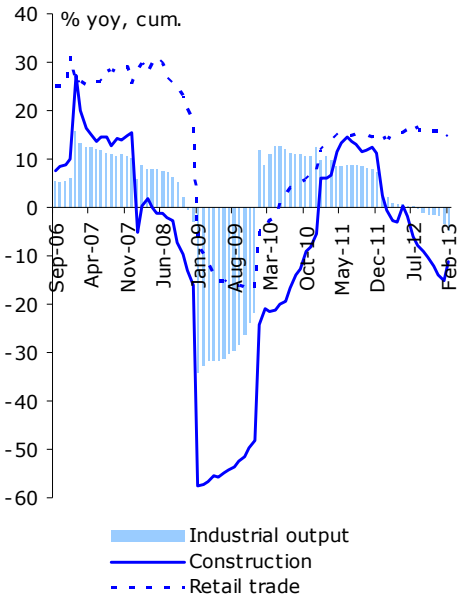
Real sector: Drop in industrial output deepened

In February drop in industrial output accelerated to 6.0% yoy. In particular, supply of electricity and gas dropped by 17.2% yoy due to warm winter this year. Besides, February 2013 is one day shorter than February 2012. Manufacturing production declined by 5.6% yoy as improvement in external demand was insufficient to lift export-oriented sectors. Drop in machine building production widened to 11.4% yoy, while metallurgy reduced output by 6.6% yoy. Food production increased by 3.0% yoy as it was supported by strong domestic demand and growth in livestock production.

Between January and February agricultural output increased by 5.8% yoy as livestock production growth was supported by low prices for feed grain. At the same time, lower industrial output contributed to decline in real wholesale trade at 5.2% yoy. Strong consumption supported growth of real retail trade turnover at 14.8% yoy.

In February construction works declined by 14.9% yoy due to falling investment of corporates and capital fiscal outplays. At the same time, residential construction grew by 14.5% yoy likely due to warmer weather.

Real sector trends



Source: Ukrstat

Energy sector: Ukraine diversifies its gas imports.

In the beginning of 2013, Ukraine considerably decreased its imports of natural gas from Russia. In February, gas imports fell by 38.3% yoy to 2.25 bcm. According to the Ministry of Energy, Ukraine used gas previously accumulated in underground storage facilities instead of imports. The share of gas imports from Russia is likely to change due to reverse gas supply from Europe. In March, the Naftogaz received the first gas from Hungary as part of the gas contract signed in the end of 2012 between Ukrainian Naftogaz and German RWE for 5 bcm of natural gas (in November-January, Ukraine already received 99.4 m cubic meters of gas through Poland). The new Hungarian route has higher capacity and was made possible by a technical agreement with Hungarian FGSZ and an approval from Hungarian gas regulator.

The National Electricity Regulatory Commission (NERC) approved new rules on electrical equipment connection to electricity grids. Rules came into force on March 1. The rules define two types of electrical equipment connections: standard (up to 160 kWt) and nonstandard (more than 160 kWt). New rules reduce the time needed to connect

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standard electrical equipment to electricity grids from 304-319 days to 30-40 days. New legislation provides clear and transparent procedure for electrical equipment connection to electricity grids and ensures the balance of interests of electricity grids owners and customers.

Agriculture: State control of crop-rotation

As of March, 2013, only 2% of agricultural producers already developed crop-rotation plans and 10% of land tenants just commissioned preparation of such plans. This is required by provisions of the Land Cadastre for all agricultural producers operating at more than 100 ha. The largest number of contracts has already been signed in Crimea, Chernihiv, Zaporizhzhya, Ternopil and Sumy oblasts (about 20% of expected total number of contracts in each region).

Respective legislative amendments were introduced to address the problem of soil quality deterioration primarily due to mono-cropping (e.g., cultivating rapeseed or sunflower year after year). Although soil is an important asset and its quality should be maintained, state control of crop rotation is economically inefficient method of achieving desired target. First, agricultural producers are facing additional administrative and financial burden since commissioning of the crop-rotation project costs about UAH30per ha on average. Non-compliance fine is set at UAH 1800 for physical persons and up to UAH 85000 for officials. Secondly, agricultural producers will not be able to benefit from higher prices at the market if a given crop is not supposed to be cultivated according to the plan. On the contrary, effective soil quality monitoring system and high fines for soil exhaustion could be more efficient and effective policy instrument.

External sector: Current account deficit shrank in February

According to the NBU preliminary estimates current account deficit in February shrank to USD 1.0 bn as compared to USD 1.6 bn in February 2012. Merchandise trade deficit shrank to USD 1.2 bn due to falling merchandise imports. At the same time, exports of services declined by over 10% yoy probably reflecting lower gas and oil transit. Current transfers were also low in February as the EU economy remained in recession.

Exports grew by 8.1% yoy in dollar terms from low statistical base. Steel exports somewhat recovered from three-year minimum observed in January reflecting some improvement in export prices. Food exports increased by 31.5% yoy, even though it fell by 29% from record level in October became lower than steel exports (after five months as the largest export item) but still.

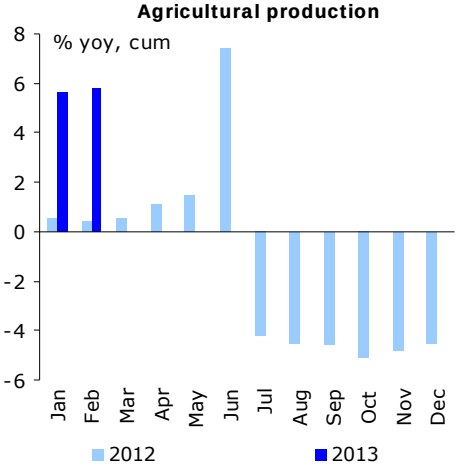
Imports fell by 7.5% yoy in dollar terms due to lower imports of energy. Mineral products imports fell by 39% yoy, while imports of other items grew by 12%. Weak demand for investment goods probably also supported low imports. At the same time, imports of food products, and manufactured items (including clothing) grew by 35% yoy in dollar terms. Precautionary imports of pharmaceutical products prior to introduction of import licencing also contributed to growth of nonenergy imports.

Financial and capital account surplus reached USD 2.2 bn in February as the Government issued USD 1 bn of Eurobonds and private companies also started to tap Eurobond market. Net FDI inflows continued at USD 0.5 bn. Net private sector borrowing was negative at USD 0.1 bn due to high repayments of external debt by Ukrainian banks. Outflow of cash foreign currency from banks remained low at USD 0.4 bn, while Ukrainian banks decreased foreign currency deposits in foreign banks.

Fiscal policy: The central fiscal deficit grew to 2.3 bn

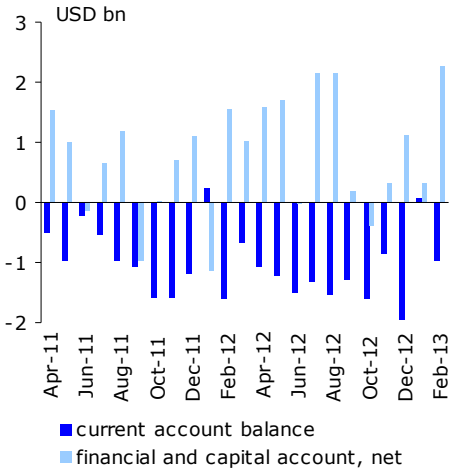
Between January and February, central fiscal revenues (general and special fund) increased by 5.2% yoy to 54.5 UAH bn primarily due to higher collections of enterprise profit tax (EPT). EPT receipts

Agricultural production



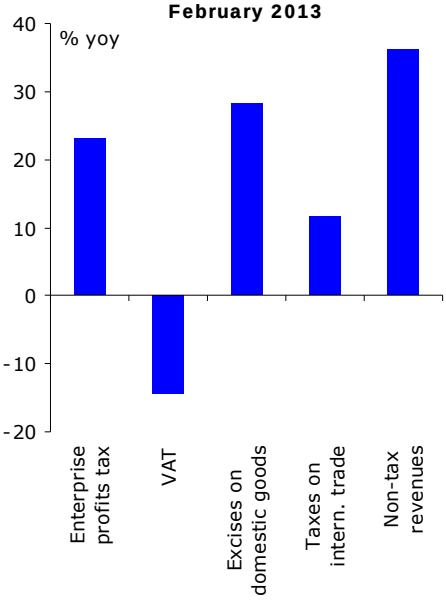
Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

Central fiscal revenues in January-February 2013



Source: State Treasury reports

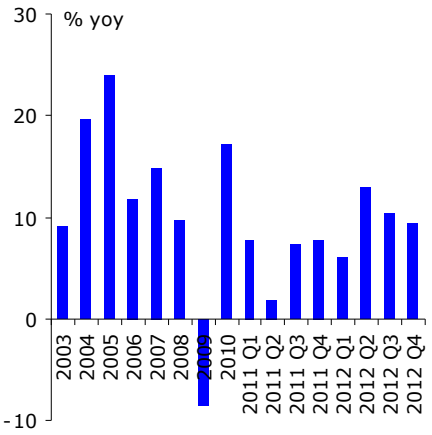
augmented by 23.1% yoy due to the introduction of obligatory advance EPT payments from January, 2013. Excises on domestic goods grew by 28.2% yoy due to the rate hikes. At the same time, slowdown in economy as well as higher VAT refunds resulted in decline in VAT revenues by 14.4% yoy .

At the same time, central fiscal revenues due to general fund were under-executed by 1% of plan.

Central fiscal expenditures increased by 20.9% yoy to UAH 56.7 bn. As in previous period, the Government was not able to fully finance its liabilities. Central fiscal expenditures (general fund) were executed at only 89.4% of the plan. Only social protection programs were financed almost in full, while health care programs were significantly underfinanced (by 51.8% from plan).

Growing need to finance fiscal expenditures and debt redemption resulted in widening of central fiscal deficit. It increased to UAH 2.3 bn from UAH 1.6 bn in January as compared to surplus of UAH 4.7 bn in the first two month of 2012. The deficit was primarily financed by domestic borrowings.

Real disposable household incomes



Source: Ukrstat

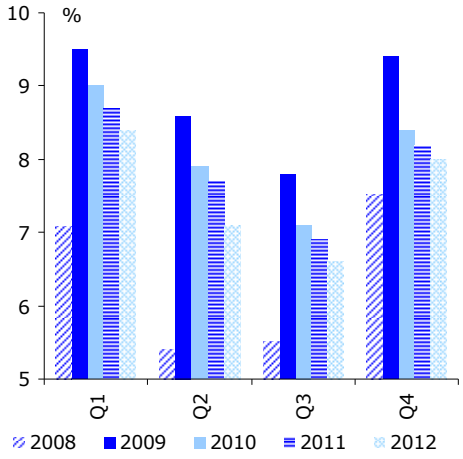
Social policy: Real disposable income grew by 9.7% in 2012

In 2012 disposable income grew by 9.7% in real terms and 10.3% in nominal terms primarily due to higher income from wages and social assistance.

In particular, wage income increased by 12.1% in nominal terms due to wage growth primarily explained by increase in minimum wage. Implementation of social initiatives last year resulted in growth of income from social assistance by 14.2%.

At the same time, households spent less on paying interest on credits as net outstanding credits declined in 2012. As household deposits and interest rates were growing, households income from property, primarily comprised of interest on deposits, increased by 9.7%.

Unemployment rate (ILO)



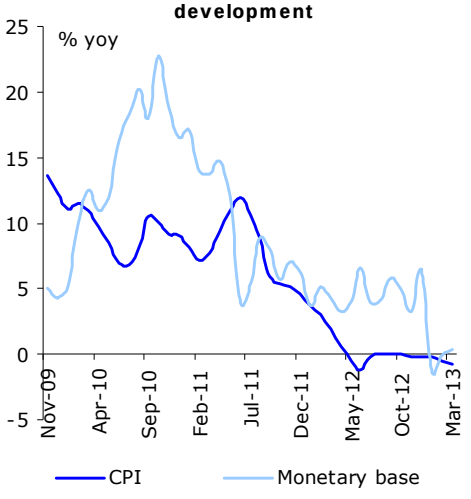
Source: Ukrstat

Labour Market: Labour market remains weak

In the fourth quarter of 2012 unemployment rate (ILO methodology) was at 8.0% of economically active population of age between 15-70 years old, which is by 1.4 p.p. lower than in fourth quarter of 2009. Economic slowdown did not impact unemployment in the end of 2012 as preferred initial response is reduced working hours or temporary lay-offs. If the economic situation does not improve soon enough, some of these employees might become unemployed.

Overall, unemployment rate was at 7.5% of economically active population of age between 15-70 years old in 2012 as compared to 7.9% in 2011. Unemployment rate remained high for men than for women (8.5% and 6.4%, respectively).

CPI and monetary base development



Source: Ukrstat, NBU

Monetary policy: CPI keeps declining

In March, CPI fell by 0.8% yoy. Food prices fell by 3.2% yoy with sharp decreases in prices for vegetables, fruits, sugar, and eggs. Aside from general economic factors, comparatively good harvest previous year, improved storage infrastructure and increase in livestock output led to lower food prices. This was particularly pronounced for raw food products. Producer prices for processed food products were somewhat higher than last year but were also subdued. Core inflation remained close to zero reflecting recession in Ukraine and tight monetary conditions in the previous year.

Monetary conditions remain expansive in March. Monetary base grew by 9.9% yoy and money supply increased by 15.7% yoy. The NBU continued purchased UAH 7.3 bn of government bonds and its holdings of government bonds passed UAH 120 bn mark. Foreign currency interventions remained limited. As a result, interbank rates remained below 5% p.a. as bank liquidity somewhat decreased but remained over UAH 20 bn. . Nevertheless, interest rates on deposits and loans remain very high n real terms.

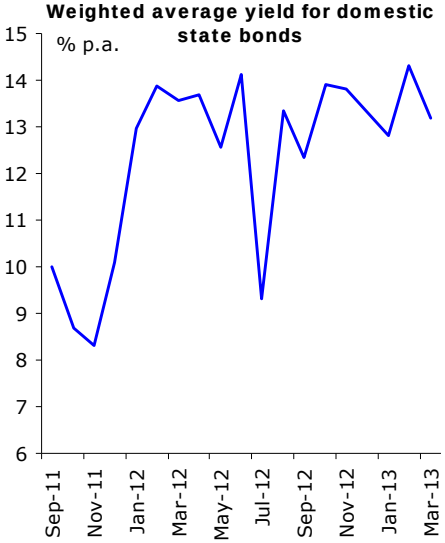
Financial markets: Low pressure on exchange rate

Exchange rate. In March, UAH/USD exchange rate continued to fluctuate in tight range of UAH 8.09-8.13 mark on interbank market. The NBU conducted limited interventions (estimated at USD 0.3bn) on foreign exchange market mostly to support the Naftogaz. Net government borrowing in foreign currency is estimated at USD 0.5 bn. Increase in international reserves was also limited by exchange rate effects (for non-USD reserves). As a result, foreign exchange reserves increased only by USD 17 m.

State debt. In March 2013, the Government significantly increased domestic borrowings due to higher fiscal expenditures and debt redemption as well lack of external borrowings. In particular, the Ministry of Finance placed UAH 5.4 bn of domestic state bonds denominated in hryvnia with 13.2 p.a. weighted average yield. 82.5% of placed bonds were five and seven-year bonds. Besides, the Government placed USD 0.9 bn of USD-denominated bonds. The demand was almost equally distributed between two–, three- and four-year bonds.

In March state borrowings were higher than debt servicing (at UAH 6.9 bn). Stock of state domestic bonds increased by 5.9% to UAH 212 bn as of end of March. Thus, it more than doubled during last three years. The next peak debt payments are scheduled for May and June (UAH 11.8 bn and UAH 11.0 bn, respectively).

Weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Industrial production (real)	% yoy cum.	8.7	8.6	7.3	0.9	0.4	-1.2	-1.8	0.7	0.7	0.4	0.2	-0.4	-1.2	-1.4	-1.5	-1.8	-3.2	-4.8	…
Construction (real)	% yoy cum.	14.5	11.4	11.1	-2.7	-1.9	-9.1	-14	-3.0	0.3	-1.9	-6.2	-8.0	-9.1	-10.2	-12.1	-13.8	-15.2	-11.3	…
Agricultural production (real)	% yoy cum.	3.2	13.7	17.5	0.5	7.4	-4.6	-4.5	1.1	1.5	7.4	-4.2	-4.5	-4.6	-5.1	-4.8	-4.5	5.6	5.8	…
Retail trade turnover (real)	% yoy cum.	15.2	15.2	14.7	14.2	16.0	16.0	15.9	14.8	15.5	16.0	17.4	16.0	16.0	15.7	15.7	15.9	14.2	14.8	…
Average wage	UAH	2605	2727	2837	2923	3109	3064	3195	2942	3015	3109	3151	3073	3064	3110	3098	3377	3000	3044	…
CPI	% yoy eop	11.9	5.9	4.6	1.9	-1.2	0.0	-0.2	0.6	-0.5	-1.2	-0.1	0.0	0.0	0.0	-0.2	-0.2	-0.2	-0.5	-0.8
PPI	% yoy eop	20.0	21.3	14.2	6.5	4.5	0.3	0.3	6.9	4.3	4.5	1.4	1.4	0.3	0.6	0.0	0.3	1.5	-0.9	0.2
Exports (USD)*	% yoy cum.	39.3	26.8	21.8	5.2	2.5	2.1	0.5	4.7	5.7	2.5	3.2	2.9	2.1	2.8	2.0	0.5	-3.5	2.0	…
Imports (USD)*	% yoy cum.	51.0	30.9	21.9	5.8	9.8	7.8	5.3	9.2	10.6	9.8	10.3	9.4	7.8	7.3	5.8	5.3	-3.3	-5.5	…
Merchandise trade balance	USD bn cum.	-5.4	-9.3	-13.8	-3.9	-9.5	-14.8	-20.5	-5.8	-7.7	-9.5	-11.4	-13.3	-14.8	-16.6	-17.9	-20.5	-0.4	-1.2	…
Current account**	USD bn cum.	-2.9	-5.0	-9.0	-2.0	-5.9	-10.0	-14.4	-3.1	-4.3	-5.9	-7.2	-8.7	-10.0	-11.6	-12.4	-14.4	0.1	-1.0	…
Gross international reserves	USD bn eop	37.6	35.0	31.8	31.1	29.3	29.3	24.5	31.7	30.8	29.3	30.1	30.0	29.3	26.8	25.4	24.5	24.7	24.7	24.7
Monetary Base	% yoy eop	3.9	8.1	6.3	4.3	6.6	5.8	6.4	3.2	4.0	6.6	3.9	4.1	5.8	4.9	3.3	6.4	-1.4	-0.1	0.3
Lending rate on UAH credits	% pa, aop	13.6	14.8	18.4	15.5	15.7	19.6	21.1	14.6	14.7	17.7	19.6	20.3	18.8	21.7	23.2	18.4	17.7	15.6	15.9
Exchange rate (interbank)	USD aop	7.98	7.99	8.01	8.02	8.05	8.09	8.11	8.03	8.05	8.07	8.08	8.09	8.10	8.12	8.13	8.09	8.10	8.11	8.11
Exchange rate (official)	USD aop	7.97	7.97	7.98	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	11.48	11.27	10.76	10.46	10.26	9.99	10.37	10.51	10.27	10.01	9.83	9.89	10.25	10.37	10.26	10.49	10.60	10.70	10.36

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		Q2 09	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
GDP	UAH bn	214.1	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
GDP (real)	% yoy	-17.3	-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
Household consumption (real)	% yoy	-14.5	-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
State consumption (real)	% yoy	-1.6	-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
Gross fixed capital formation (real)	% yoy	-55.9	-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
Exports of goods and services (real)	% yoy	-34.1	-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
Imports of goods and services (real)	% yoy	-52.3	-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
Agriculture, hunting, forestry (real)*	% yoy	3.4	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
Manufacturing industry (real)*	% yoy	-26.1	-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
Construction (real)*	% yoy	-42.7	-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
Trade, repair services (real)*	% yoy	-15.7	-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
Transport (real)*	% yoy	-9.2	-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
Balance of payments																
Current account balance	USD bn	-0.2	-0.1	-0.9	0.0	0.5	-1.0	-2.5	-1.6	-1.7	-2.6	-4.4	-2.0	-3.8	-4.1	-4.9
Current account balance	% of GDP	-0.6	-0.2	-2.7	-0.1	1.6	-2.6	-6.5	-4.9	-4.4	-5.6	-9.5	-5.6	-8.7	-8.5	-10.3
Trade balance in goods	USD m	-622	-1396	-1407	-1236	-697	-2870	-3585	-3084	-2267	-3928	-4526	-3895	-5622	-5252	-5833
Trade balance in services	USD m	432	1256	550	930	1115	1536	823	1007	1227	1686	967	1366	1413	1946	1084
Current transfers	USD m	667	640	722	608	728	797	842	1039	878	988	803	672	785	765	711
Direct investment (FDI)	USD m	1279	1210	1282	923	1196	1470	2170	882	2284	2100	1275	1663	1102	2152	1871
Portfolio investments	USD m	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506	222	-369	2890	339
Gross international reserves	USD bn	27.3	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	26.8
Exchange rate (interbank), UAH/USD	aop	7.76	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
Exchange rate (official), UAH/USD	aop	7.66	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
Fiscal indicators																
Consolidated fiscal revenues	% of GDP	30.6	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
Personal income tax	% of GDP	5.3	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
Enterprise profits tax	% of GDP	3.3	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
Value-added tax	% of GDP	8.3	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
Excise tax	% of GDP	2.3	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
Consolidated fiscal expenditures	% of GDP	36.6	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
Current expenditures	% of GDP	34.9	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
Capital expenditures	% of GDP	1.7	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
Consolidated fiscal balance	% of GDP	-6.2	-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
Privatisation receipts	% of GDP	0.2	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
Labour market																
Average wage (real)	% yoy	-8.6	-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
Household income (real)	% yoy	-6.9	-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
Unemployment rate (ILO methodology)	% cum	9.1	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
Banking system																
Monetary aggregate M0	% yoy cum	22.8	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
Monetary aggregate M2	% yoy cum	5.3	-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
Household deposits in national currency	% yoy cum	-16.1	-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
Household deposits in foreign currency	% yoy cum	33.0	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
Com. bank credits in national currency	% yoy cum	27.8	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
Com. bank credits in foreign currency	% yoy cum	48.7	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
Long-term com. bank credits	% yoy cum	37.3	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
Long-term com. bank credits	% of total	68.2	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
Average lending rate on national currency credits	% p.a.	19.1	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
Average lending rate on foreign currency credits	% p.a.	9.6	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

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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