Monthly Economic Monitor Ukraine

No.2 (148), February 2013

EXECUTIVE SUMMARY

HIGHLIGHT: IMF

Politics: The IMF mission has returned to Kyiv to discuss new Stand-By Agreement. The result is not clear.

Real Sector: Ukraine's economy is currently in recession due to external imbalances and weak domestic institutions.

Energy sector: Ukraine attempts to decrease energy dependency from Russia.

Agriculture: Grains export margin, which was originally agreed for current marketing year between the Ministry and grain traders, was reached last month.

External sector: Current account deficit widened to 8.2% of GDP in 2012 as merchandise trade deficit reached record USD 20.4 bn.

Fiscal policy: Central fiscal expenditures were under-executed by 7.4% despite rapid increase in deficit.

Social policy: Coverage of families by housing and utility subsidies declined as income was growing, while tariffs remained almost unchanged.

Labour market: Wage growth decelerated reflecting decline in economic activity in most sectors.

Monetary policy: Interbank rates slid below 5% p.a. as monetary conditions loosened in January.

Financial markets: State debt increased by 8.9% in 2012.

Highlight of the month: IMF

IMF AND UKRAINE: MERRY-GO-ROUND

Oleksandra Betliy, Vitaliy Kravchuk

In the end of 2012 Moody's and Standard&Poor's downgraded Ukraine's credit rating by one notch. The reasons provided for the downgrade included delayed reforms and non-transparent and unpredictable policies. A number of urgent reforms were not implemented last year likely due to lack of political will. Among other things the Government refused to increase gas tariffs for population and increased fiscal spending despite worsening outlook for revenues. This reflected populist policies in preparation for the Parliament elections conducted in October. At the same time, economic slowdown in the end of the year increased existing fiscal pressure even more and the Government was not able execute fiscal revenues and expenditures in full. Pressure on foreign exchange market increased sharply due to high devaluation expectations and deterioration of current account balance, which resulted in introduction of administrative measures by the NBU in November. This calmed foreign exchange market but external pressures remained. Thus, new members of the Government face imposing challenges in the beginning of 2013.

One of the possible solutions is to negotiate a new program with the IMF. After delays IMF mission came to Ukraine in the last days of January. The talks are rather difficult as expected agenda is likely to include the same main components, including fiscal consolidation, larger flexibility of foreign exchange and energy market reforms. Failure of Ukrainian authorities to come through with similar reforms due to political difficulties led to break-up of the previous program. However, the Program with the IMF and implementation of related reforms are important for Ukraine from several points of view.

First, international reserves reduced last year as the NBU spent approximately USD 7 bn for interventions on the foreign exchange market and repayment of the part of the IMF loan. By the end of January international reserves reached USD 24.7 bn as compared to USD 26.9 bn spent on imports of goods and services in the last quarter of 2012, raising questions on the sustainability of current exchange rate policy. Besides, in 2012 devaluation expectations contributed to imports growth and larger current account deficit. Moreover, pressure on the foreign exchange market resulted in tight monetary policy undermining investments. Therefore, it is clear that the NBU should make exchange rate more flexible which will lead to some depreciation of hryvnia. Delays in moving to more flexible exchange rate will lead to increase in external imbalances and lower international reserves during transition. This means larger risk of abrupt devaluation and overshooting. Besides, if the IMF signs a new Program with the Ukrainian Government, than reserves will be augmented by new loan and improved investor sentiment may lead to larger financial account inflows.

Second, fiscal consolidation is highly important. Last year general government deficit (without Naftogaz's deficit) approached 4.5% of GDP, but revenues and financing were not sufficient to execute planned fiscal expenditures. The deficit was largely financed by domestic borrowings made in hryvnia and US dollars, which created a crowding out effect for private lending. Moreover, issuance of foreign currency denominated bonds makes state debt more vulnerable to currency shocks. In 2013 gross financing need, (deficit plus debt service) is likely to exceed 7% of GDP. In particular, the Government should repay USD 2.5 bn to the IMF this year. Therefore, the fiscal consolidation should be made.

One way to do it is changed tariff policy at the energy market. In particular, since 2008 the Naftogaz required budget subsidies to continue operating. The subsidies include direct budget payments to the Naftogaz, indirect payments to the Naftogaz customers, lost fiscal revenues through tax debt restructuring, tax deferrals, tax privileges, government guarantees on company debt as well as increase in statutory capital of the Naftogaz through issuance of government bonds. Budget payments totalled UAH 24 bn since 2009 and recapitalization with government bonds exceeded UAH 50 bn not counting UAH 8 bn recapitalization announced but not completed in 2013. Such policy is not sustainable and results in further accumulation of financial problems by the company. Therefore, the Government should increase tariffs for population and heating generating companies, which would require also increase in tariffs for heating. The housing and utility subsidies will then increase and allow to protect poor population. Net impact from gas price increase is estimated to be positive. In particular, reduction in transfers to the Naftogaz is expected to be higher than amount required for subsidies. Besides, targeted subsidies to the households in need are preferable to blanket subsidies through cheap gas.

Moreover, the IMF Program seems to be important for Ukraine's reputation. In particular, such Program is likely to improve investor's confidence in the country. Of course, the Government should continue other efforts to improve investment climate. In particular, its policies should become more transparent and predictable. Another issue relates to tax administration pressure, which has increased even more recently.

Overall, year of 2013 is very challenging for the Government. It should continue with reforms to ensure future economic growth and increase fiscal and debt sustainability.

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Politics: Russia puts pressure on Ukraine with a gas bill of USD 7 bn

On January 28, Russian Gazprom sent an invoice to NJSC Naftogas of USD 7 bn under "take or pay" provision of gas import contract, stating that Ukraine imported in 2012 less gas than stipulated by the contract. At the same time, NJSC Naftogas stressed that Ukraine fulfilled its obligations under the agreement with Gazprom. The dispute relates to differences in interpretation of "take or pay" provision. Naftogaz considers that required amount of gas imports is much lower than Gazprom. According to the President Viktor Yanukovych, these sanctions are unfair and are envisaged by the 2009 contract which itself needs to be revised.

Overall, this situation is widely seen as Moscow's attempt to put additional political and economic pressure on Ukraine in order to gain control over its gas transportation system and push Kyiv towards post-Soviet integration projects.

On January 29, the International Monetary Fund (IMF) mission arrived in Ukraine in order to discuss with Ukraine's government a new Stand-By Arrangement. The mission will have talks with Ukrainian authorities until February 12. Ukraine aspires to obtain a SDR 10 bn loan or about USD 15.4 bn. However, the negotiations are still ongoing and result is not clear.

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: Real GDP dropped by 2.7% yoy in the fourth quarter

GDP. Real GDP in the last quarter of 2012 dropped by 2.7% yoy likely to decline in exports and investments. Real GDP also fell as compared to previous quarter on seasonally-adjusted basis. Based on two-quarters of declining real GDP definition Ukrainian economy is currently in recession.

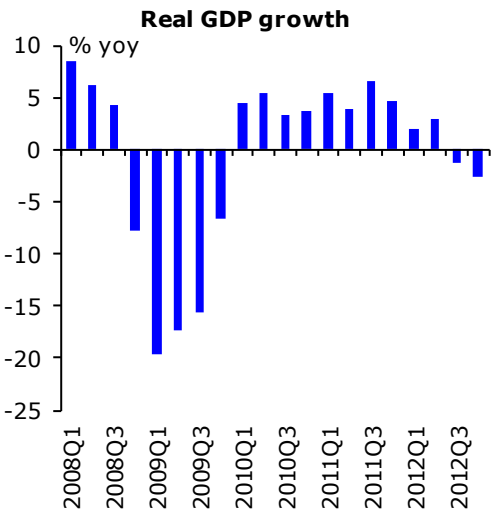
Overall, real GDP grew by 0.2% in 2012 due to strong real private consumption growth.

Sectoral trends. In December decline in industrial output accelerated to 7.6% yoy due to worse performance in the most sectors. Machine-building reduced output by 18.8% yoy likely reflecting lower external demand. Situation in metallurgy worsened and output in the sector declined by 11.7% yoy from already low statistical base of 2011. The chemical and petrochemical production reduced by 1.4% yoy. One of the several sectors demonstrating growth was food sector (at 2.2% yoy) due to relatively strong domestic demand.

Overall in 2012 industrial output declined by 1.8% due to decline in manufacturing at 3.7%. In particular, output declined in major export-oriented sectors, including machine building (by 6.0%) and metallurgy (by 5.2%). Chemical industry demonstrated growth at 8.1% due to strong domestic and external demand for most of the year.

In 2012 real retail trade turnover growth accelerated to 15.9% as private consumption remained strong. At the same time, nominal retail turnover growth decelerated by 8.1 p.p. to 19.2%. Particularly noticeable slowdown in nominal retail sales occurred in the end of the year.

Drop in construction widened further to 13.8% yoy due to financial constraints and high statistical base. Slowdown of international trade and lower transit of Russian gas resulted in decline in fright turnover at 7.6%.



Source: Ukrstat

Energy sector: Agreement with Shell improves Ukraine's image

In January finally Shell and Nadra Yuzivska Ltd signed the product-sharing agreement (PSA) in Davos in the presence of the Ukrainian President Victor Yanukovytch and the Prime-Minister of the Netherlands Mark Rutte. According to the draft PSA, Shell would

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receive tax and other privileges equivalent to near USD 80 m per year. Overall, envisaged benefits include exemption from custom duties, environmental fees, payment for special use of water, land and gas rent, surcharge to the current gas tariff, etc. At the same time, the value of gas output is expected to fully compensate for these benefits. According to the Ministry of Energy, expected minimum of 5 bn m^3 of gas extracted will be worth more than USD 690 m.

Favourable conditions for foreign companies in Ukraine already attract other investors. Vanco Prykerchenska announced its readiness to start production after its settlement with Ukraine is legalized in Ukrainian courts. It has already promised to give Ukraine 70% of fuel extracted (estimated 83 m tons of oil and 180 bn m^3 of gas).

Agriculture: Grain exports margin was reached in January

Ukraine exported about 1.5 m tons of grains in January, including around 1.25 m tons of corn, 0.11 m tons of barley and 0.07 m tons of wheat. Thus, grains export margin of 16 m tons, which was originally agreed for current marketing year between the Ministry and grain traders, was reached last month. Now, only grain traders that purchase wheat from the State Agrarian Fund would be allowed to continue with exports. Already on the 22nd of January, the Agrarian Fund sold 225 thous. tons of grains worth UAH 492 m at an open auction. At the same time, the Ministry of Agricultural Policy estimates total export potential of grains at the level of 23.2 m tons in 2012/13 marketing year, considering 46.2 m tons of grain yield in 2012.

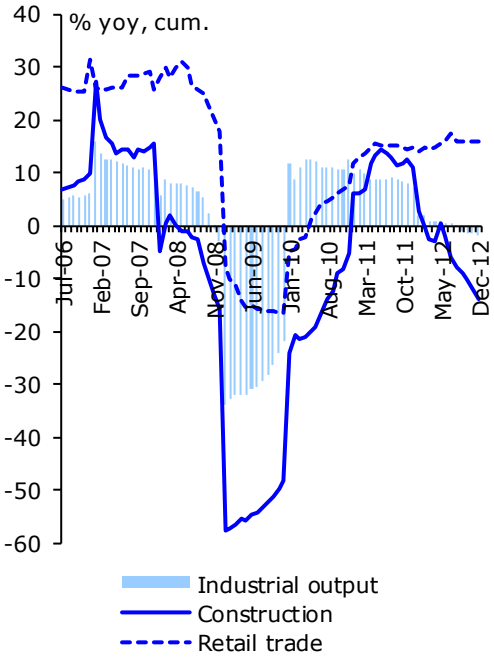
External sector: Current account deficit widened to USD 8.2% of GDP in 2012

According to the NBU preliminary estimates current account deficit widened to USD 14.4 bn or 8.2% of GDP in 2012. Merchandise trade deficit reached record USD 20.4 bn. Export barely increased by 0.5% as large increase in agricultural exports and continued demand for Ukrainian machine building exports offset losses from falling prices and demand for Ukrainian steel. Imports grew by 5.3% yoy in dollar terms. Imports of consumer goods grew strongly including imports of food and manufactured items as consumer demand grew. Over nine months of 2012 share of imported goods reached 40.3% of retail sales as compared to 36.5% in three quarters of 2011. Strong growth of investments in equipment including those related to EURO-2012 and other government investment projects (over 25% yoy over three quarters) also contributed to strong imports of investment items. At the same time imports of production inputs and commodities was contained by weak economic activity.

Exports and imports of services did not change much from previous year leading to USD 6.1 bn surplus in trade in services. On export side lost revenues from lower gas and railway transit were probably offset by higher tourism spending in Ukraine and export of IT services. Net income and current transfers offset each other. Despite slowdown in global economy and in Ukraine economy transfers of Ukrainians abroad as well as investment income of foreign investors didn't seem to fall over three quarters of 2012.

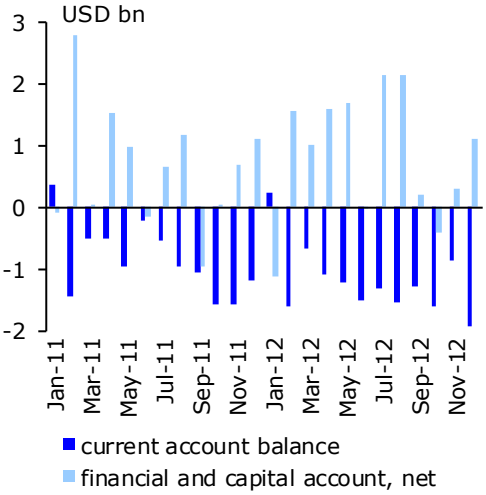
Financial and capital account reached surplus of USD 10.2 bn or 5.8% of GDP in 2012. Net FDI flows remained at USD 7.0 bn as increase in recorded investment abroad offset increase in the FDI inflows. Extensive external government borrowing including USD 4.85 bn in Eurobonds covered repayments to the VTB and the IMF as well as other lenders and led to USD 2.4 bn net inflow. Net private sector borrowing increased to USD 3.6 bn from USD 1.5 bn a year ago and short term debt was replaced by medium-term debt. Outflow of cash foreign currency from banks decreased to USD 8.8 bn.

Real sector trends



Source: Ukrstat

Balance of payments



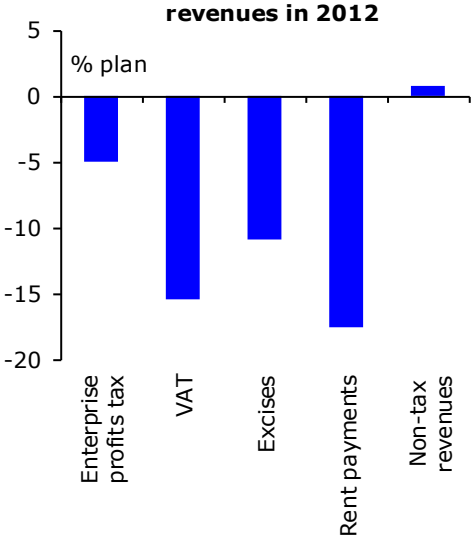
Source: NBU preliminary estimates

Fiscal policy: The State Budget Execution-2012 failed

In 2012 central fiscal revenues grew by 10.0% yoy to UAH 346 bn. They reached only 90.3% of the annual plan primarily due to unrealistic fiscal revenues projections and economic slowdown. Tax revenues from all major sources except for taxes on international trade were lower than planned. In particular, EPT collections were under-executed by 5% despite persistent advance tax payments. The receipts from VAT amounted to 84.6% of target due to lower than projected domestic production and imports. The problem of VAT refund arrears was not solved despite the introduction of automatic VAT refund. At the same time, non-tax revenues reached the planned level as the NBU profits transferred to the budget doubled.

Central fiscal expenditures augmented by 18.7% yoy primarily due to higher social spending and increase in direct and indirect transfers to the Naftogaz. Capital expenditures reached only 65.1% of the target undermining future economic growth in the country. Overall central fiscal expenditures were under-executed by 7.4% as their financing was supported by rapid increase in deficit. Central fiscal deficit reached UAH 53.4 bn compared to the amended target of 43 UAH bn. It was financed by borrowings (primarily domestic bonds) and privatisation receipts. This deficit does not account for the domestic state bonds issued for recapitalisation of companies and unreported loans to the Pension Fund. If included it is estimated to reach 4.5% of GDP in 2012, which exceeds target foreseen for 2012 in the Stand-by Agreement signed in 2010.

Execution of central fiscal revenues in 2012



Source: State Treasury reports

Social policy: Applications for housing and utility subsidies declined

In 2012 number of families that received housing and utility subsidy declined by 8.5% to 1.8 m. Average size of subsidy per family was stable. Last year households incomes continued growing tariffs for housing and utility services remained almost unchanged due to lack of political will. This resulted in lower demand for subsidies

The need for housing and utility subsidies is particularly acute support poorer families at times of increased tariffs. As gas and heating prices are expected to be raised in 2013 the coverage by the subsidy is likely to increase.

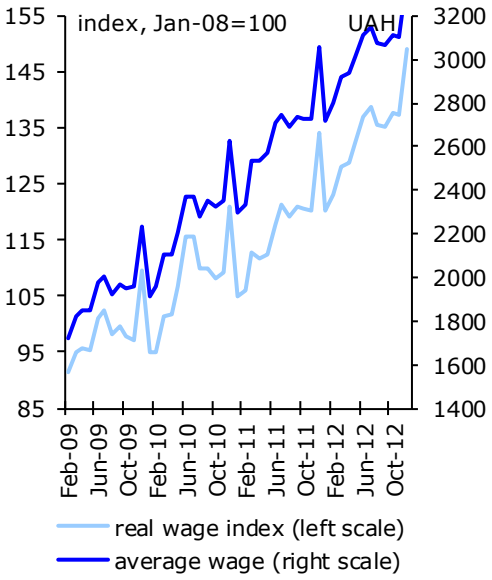
Labour Market: Wage growth decelerates

In December wage growth decelerated further to 10.6% yoy due to challenges and problems faced by most of the sectors. These challenges were amplified during bonus time in December. Wage growth continued at relatively strong pace taking into account decline in economic activity. Increases in minimum wage in 2012 probably helped to maintain momentum of wage increase. Industry increased wages only by 7.5%, what reflects larger decrease in economic activity in industrial sectors. Highest pace of wage growth was in education and health care as the Government increased the base rate in the Unified Tariff Scale for public employees faster than minimum wage growth.

Average wage equalled to UAH 3377 and was almost three times higher than minimum wage. However, only four sectors paid wage higher than average: financial sector, sector of real estate and developer's operations, industry and public administration. The lowest wage was paid in agriculture (at 62.3% of average) and health care (76.8% of average).

Regional inequality remained high as only tree oblasts – Dnipropetrovska, Donetska and Kyivska – and cities of Kyiv and Sevastopil paid wages higher than average. The lowest wages as previously were paid in agricultural Ternopilska and Chernigivska oblasts (at 73.0% and 74.0% of average, respectively).

Average wage



Source: Ukrstat

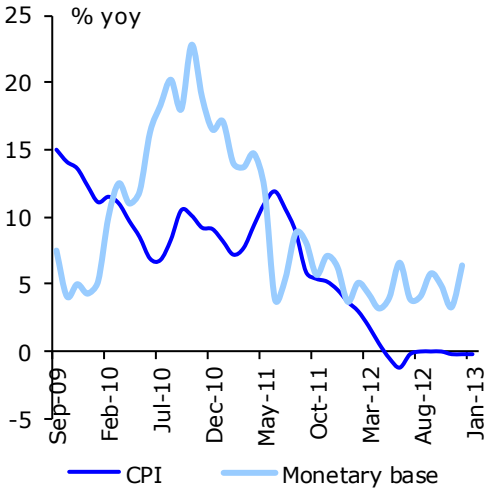
Monetary policy: Falling CPI

In January CPI again fell by 0.2% yoy. While prices for most non-food items grew slightly (on average by 2.6% yoy) prices for a number of

food items fell significantly due to high harvest. In particular falling prices for vegetables and sugar subtracted about 1.3% from CPI. Core inflation slowed to 0.7% yoy reflecting stable price for imported products, economic slowdown in Ukraine and tight monetary policy.

Monetary conditions loosened in January. Bank liquidity expanded as imbalances between demand and supply on foreign exchange market eased, the NBU injected liquidity by buying government bonds and government sold foreign currency raised from bond issues. As a result, interbank rates slid below 5% p.a. as bank liquidity topped UAH 30 bn for a few days.

CPI and monetary base development



Source: Ukrstat, NBU

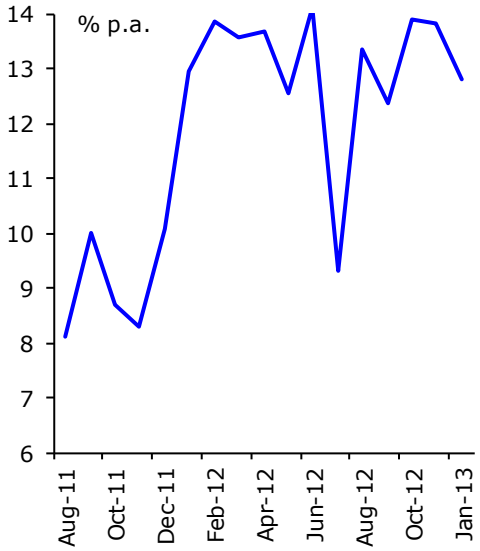
Financial markets: Lull on foreign exchange market

Exchange rate. In January UAH/USD exchange rate fluctuated around UAH 8.10 mark on interbank market. This reflected more or less balanced demand and supply. International reserves increased by USD 0.1 bn to USD 24.7 bn as the NBU operations with government were also balanced.

State debt. In 2012 total state debt (direct and guaranteed) increased by 8.9% yoy to UAH 515 bn (USD 64.5 bn) due to growing needs for financing fiscal expenditures. It increased in relation to GDP by 0.8 p.p. to 36.8%. The debt growth was primarily due to intensive placements of state domestic bonds and provision of state guarantees. As a result, domestic state debt increased by 18.9% and its share in total debt reached 40.0%. However, large share of these bonds was issued in US dollars, what increases vulnerability of debt to currency shocks. At the same time, the external state debt remained close to 2011 level as Eurobonds issues at USD 3.9 bn were used for refinancing of all debts. Although the debt level remained moderate by international standards, the debt sustainability raises concerns.

In January 2013, the Government managed to decrease the yields from 13.6% p.a. on average in 2012 to 12.8% p.a. in January 2013. The Ministry of Finance placed UAH 1.9 bn of domestic state bonds denominated in hryvnia, including UAH 0.6 bn of indexed bonds. The demand for bonds was divided between five- and three-year-bonds, which accounted for 71% and 29%, respectively. However, the most significant receipts were ensured by the placement of bonds denominated in US dollars, which reached USD 0.9 bn with 7.8% weighted average yield. The demand was primarily concentrated on the five-year bonds. They were mainly purchased by state-owned banks. Most of these funds were likely to be spent on principal repayment to the IMF (USD 0.6 bn), scheduled for this month.

Weighted average yield for domestic state bonds



Source: NBU

In early February Ukraine also placed tapped Eurobonds at USD 1.0 bn with a yield of 7.8 p.a. and maturity of 10 years. It was the second cheapest issue within last three years due to high liquidity on international capital market. The accumulated funds were sufficient to cover repayment of the IMF loan due to in February.

Overall, the Government will have to redeem UAH 81.1 bn of state debt and pay UAH 35.0 bn of principal this year, accounting cumulatively to 7.3% of GDP.

Guaranteed debt. In January, the Government again increased statutory capital of the NJSC Naftogaz by UAH 8 bn through special issue of state domestic bonds. The bonds are to be issued with five-year maturity at 14.3 p.a. Such bonds issue is important to help the Naftogaz to pay for imported gas. However, such instrument is not sustainable and results only in accumulation of financial problems of the company.

Economic Trends		Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Industrial production (real)	% yoy cum.	8.7	8.6	7.3	0.9	0.4	-1.2	-1.8	0.9	0.7	0.7	0.4	0.2	-0.4	-1.2	-1.4	-1.5	-1.8	...
Construction (real)	% yoy cum.	14.5	11.4	11.1	-2.7	-1.9	-9.1	-14	-2.7	-3.0	0.3	-1.9	-6.2	-8.0	-9.1	-10.2	-12.1	-13.8	...
Agricultural production (real)	% yoy cum.	3.2	13.7	17.5	0.5	7.4	-4.6	-4.5	0.5	1.1	1.5	7.4	-4.2	-4.5	-4.6	-5.1	-4.8	-4.5	...
Retail trade turnover (real)	% yoy cum.	15.2	15.2	14.7	14.2	16.0	16.0	15.9	14.2	14.8	15.5	16.0	17.4	16.0	16.0	15.7	15.7	15.9	...
Average wage	UAH	2605	2727	2837	2923	3109	3064	3195	2923	2942	3015	3109	3151	3073	3064	3110	3098	3377	...
CPI	% yoy eop	11.9	5.9	4.6	1.9	-1.2	0.0	-0.2	1.9	0.6	-0.5	-1.2	-0.1	0.0	0.0	0.0	-0.2	-0.2	-0.2
PPI	% yoy eop	20.0	21.3	14.2	6.5	4.5	0.3	0.3	6.5	6.9	4.3	4.5	1.4	1.4	0.3	0.6	0.0	0.3	1.5
Exports (USD)*	% yoy cum.	39.3	26.8	21.8	5.2	2.5	2.1	0.5	5.2	4.7	5.7	2.5	3.2	2.9	2.1	2.8	2.0	0.5	...
Imports (USD)*	% yoy cum.	51.0	30.9	21.9	5.8	9.8	7.8	5.3	5.8	9.2	10.6	9.8	10.3	9.4	7.8	7.3	5.8	5.3	...
Merchandise trade balance	USD bn cum.	-5.4	-9.3	-13.8	-3.9	-9.5	-14.8	-20.5	-3.9	-5.8	-7.7	-9.5	-11.4	-13.3	-14.8	-16.6	-17.9	-20.5	...
Current account**	USD bn cum.	-2.9	-5.0	-9.0	-2.0	-5.9	-10.0	-14.4	-2.0	-3.1	-4.3	-5.9	-7.2	-8.7	-10.0	-11.6	-12.4	-14.4	...
Gross international reserves	USD bn eop	37.6	35.0	31.8	31.1	29.3	29.3	24.5	31.1	31.7	30.8	29.3	30.1	30.0	29.3	26.8	25.4	24.5	24.7
Monetary Base	% yoy eop	3.9	8.1	6.3	4.3	6.6	5.8	6.4	4.3	3.2	4.0	6.6	3.9	4.1	5.8	4.9	3.3	6.4	...
Lending rate on UAH credits	% pa, aop	13.6	14.8	18.4	15.5	15.7	19.6	21.1	15.4	14.6	14.7	17.7	19.6	20.3	18.8	21.7	23.2	18.4	...
Exchange rate (interbank)	USD aop	7.98	7.99	8.01	8.02	8.05	8.09	8.11	8.02	8.03	8.05	8.07	8.08	8.09	8.10	8.12	8.13	8.09	8.10
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
Exchange rate (official)	EUR aop	11.48	11.27	10.76	10.46	10.26	9.99	10.37	10.53	10.51	10.27	10.01	9.83	9.89	10.25	10.37	10.26	10.49	10.60

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
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	948.1	914.7	1082.6	1316.6
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.4	136.4	165.2
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1	-14.8	4.1	5.2
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

Sources: Ukrstat, NBU, Ministry of Finance, own calculations

''' "Minus" denotes a consolidated fiscal deficit

P - preliminary data

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		Q1 09	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
GDP	UAH bn	189.0	214.1	250.3	259.9	217.3	256.8	301.3	307.3	261.9	314.6	376.0	364.1	297.0	351.8	392.1
GDP (real)	% yoy	-19.6	-17.3	-15.7	-6.7	4.5	5.4	3.3	3.7	5.4	3.9	6.5	4.7	2.0	3.0	-1.3
Household consumption (real)	% yoy	-14.5	-14.5	-14.3	-16.2	0.2	6.8	7.8	12.8	13.8	15.3	17.8	12.8	9.8	14.3	12.0
State consumption (real)	% yoy	0.2	-1.6	-4.3	-3.7	3.8	-4.0	5.8	10.0	3.5	4.0	-10.5	-5.7	1.9	2.5	9.4
Gross fixed capital formation (real)	% yoy	-58.0	-55.9	-53.2	-33.7	-5.7	-3.2	9.5	10.5	2.1	5.2	11.0	16.9	7.6	16.5	-14.8
Exports of goods and services (real)	% yoy	-22.2	-34.1	-30.9	6.9	0.4	13.2	2.0	0.9	17.0	2.9	-2.2	-5.6	-6.8	-6.8	-5.8
Imports of goods and services (real)	% yoy	-37.4	-52.3	-47.6	-11.1	-6.2	17.2	20.2	13.2	37.2	23.1	12.0	3.3	-4.3	10.8	5.5
Agriculture, hunting, forestry (real)*	% yoy	-1.1	3.4	2.2	-11.6	5.4	0.5	-3.2	0.9	5.4	2.0	17.4	28.9	0.5	11.4	-8.4
Manufacturing industry (real)*	% yoy	-33.7	-26.1	-25.6	6.5	10.9	10.1	7.6	7.6	13.3	8.9	10.2	2.2	0.2	-0.3	-6.4
Construction (real)*	% yoy	-54.2	-42.7	-43.6	-32.8	-7.7	-5.8	9.6	3.9	6.4	19.4	7.3	9.8	-3.1	0.3	-15.6
Trade, repair services (real)*	% yoy	-15.6	-15.7	-22.0	-16.4	6.1	9.6	10.1	4.7	8.9	2.8	6.8	5.8	5.5	6.9	2.1
Transport (real)*	% yoy	-13.4	-9.2	-5.7	-0.4	1.3	1.8	3.0	0.1	7.2	7.5	3.4	9.4	3.8	3.8	-0.2
Balance of payments																
Current account balance	USD bn	-0.6	-0.2	-0.1	-0.9	0.0	0.5	-1.0	-2.5	-1.6	-1.7	-2.6	-4.4	-1.8	-3.5	-4.1
Current account balance	% of GDP	-2.6	-0.6	-0.2	-2.7	-0.1	1.6	-2.6	-6.5	-4.8	-4.3	-5.5	-9.5	-4.9	-8.0	-8.4
Trade balance in goods	USD m	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-3084	-2267	-3928	-4526	-2910	-5308	-5252
Trade balance in services	USD m	116	432	1256	550	930	1115	1536	823	1007	1227	1686	967	1088	1413	1946
Current transfers	USD m	632	667	640	722	608	728	797	842	1039	878	988	803	672	785	765
Direct investment (FDI)	USD m	883	1279	1210	1282	923	1196	1470	2170	882	2284	2100	1275	1663	1102	2152
Portfolio investments	USD m	-350	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506	222	-369	2890
Gross international reserves	USD bn	25.4	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
Exchange rate (interbank), UAH/USD	aop	8.09	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
Exchange rate (official), UAH/USD	aop	7.70	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
Fiscal indicators																
Consolidated fiscal revenues	% of GDP	34.8	30.6	25.5	36.0	30.9	30.4	23.3	32.3	32.2	29.7	29.0	30.6	33.2	31.3	27.8
Personal income tax	% of GDP	5.2	5.3	4.4	4.7	4.9	4.8	4.4	4.8	4.9	4.8	4.1	4.7	5.0	4.8	4.4
Enterprise profits tax	% of GDP	3.9	3.3	3.7	3.6	4.3	3.0	3.4	4.2	4.4	4.5	3.6	4.4	4.8	4.1	2.8
Value-added tax	% of GDP	11.7	8.3	6.4	11.0	9.8	9.8	8.5	9.9	7.5	12.7	9.5	9.6	10.6	10.2	8.5
Excise tax	% of GDP	2.0	2.3	2.5	2.6	2.4	3.0	2.5	2.6	2.1	3.0	2.7	2.4	2.7	2.9	2.8
Consolidated fiscal expenditures	% of GDP	34.4	36.6	29.6	34.5	33.0	38.7	30.3	37.6	32.3	32.8	26.5	35.6	33.3	33.5	30.3
Current expenditures	% of GDP	33.5	34.9	27.0	31.4	32.4	37.4	26.6	32.8	31.0	30.4	23.5	30.1	31.4	31.1	27.4
Capital expenditures	% of GDP	0.9	1.7	2.6	3.1	0.6	1.4	3.7	4.8	1.2	2.3	2.9	5.5	1.9	2.4	2.9
Consolidated fiscal balance	% of GDP	0.0	-6.2	-4.5	1.1	-2.0	-8.0	-7.5	-5.6	-0.3	-3.3	-3.8	-5.5	-0.2	-2.6	-2.9
Privatisation receipts	% of GDP	0.0	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.4	3.1	0.0	0.1	1.4	0.3	0.1
Labour market																
Average wage (real)	% yoy	-11.7	-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
Household income (real)	% yoy	-10.8	-6.9	-8.6	-7.6	3.7	11.8	11.0	14.7	7.8	1.9	7.3	7.7	13.9	15.0	13.5
Unemployment rate (ILO methodology)	% cum	9.5	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
Banking system																
Monetary aggregate M0	% yoy cum	33.9	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
Monetary aggregate M2	% yoy cum	12.0	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
Household deposits in national currency	% yoy cum	-10.9	-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
Household deposits in foreign currency	% yoy cum	31.8	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
Com. bank credits in national currency	% yoy cum	27.6	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
Com. bank credits in foreign currency	% yoy cum	70.8	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
Long-term com. bank credits	% yoy cum	50.8	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
Long-term com. bank credits	% of total	69.9	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
Average lending rate on national currency credits	% p.a.	26.2	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
Average lending rate on foreign currency credits	% p.a.	9.6	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

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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