INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

# Monthly Economic Monitor Ukraine

No.7 (153), July 2013

## EXECUTIVE SUMMARY

***HIGHLIGHT: CASH TRANSACTIONS LIMITS***

***Politics:*** Ukraine made a few steps to resolve issues blocking the EU-Ukraine Association Agreement, but the progress was negligible. Chances that the Agreement will be signed in November are low.

***Real Sector:*** Performance of most sectors deteriorated in May. Industrial output dropped by 9.3% yoy.

***Energy sector:*** The Government requires an obligatory injection of 50% of natural gas volumes produced in Ukraine by independent private companies to the underground storage facilities. This measure might further worsen investment climate in the sector.

***Agriculture:*** The Memorandum of understanding for 2013/2014 marketing year was signed between the Ministry of Agricultural Policy of Ukraine and grain exporters, which might strengthen Ukraine's positions at international market.

***External sector:*** International trade turnover in May fell to one of the lowest levels in 30 months (the lowest excluding seasonal minimums in January).

***Fiscal policy:*** Fiscal pressure increased in May, when central fiscal revenues dropped by 15.2% yoy. As a result, central fiscal expenditures were under-financed regardless sharp increase in central fiscal deficit.

***Social policy:*** Growth of real disposable households income decelerated to 7.6% yoy in the first quarter of 2013. Real private final consumption grew by only 4.5% yoy due to higher saving rate.

***Labour market:*** Employers refrain from laying off workers. As a result, unemployment rate (ILO methodology) remained at 8.0% of economically active population in age of 15-70 years old.

***Monetary policy:*** Inflation remained close to zero, which reflects recession in Ukrainian economy and slowdown in global economy, fixed utility prices, and lower prices of agricultural goods.

***Financial markets:*** In June the exchange rate remained stable as both demand for cash foreign currency and cashless foreign currency were broadly balanced.

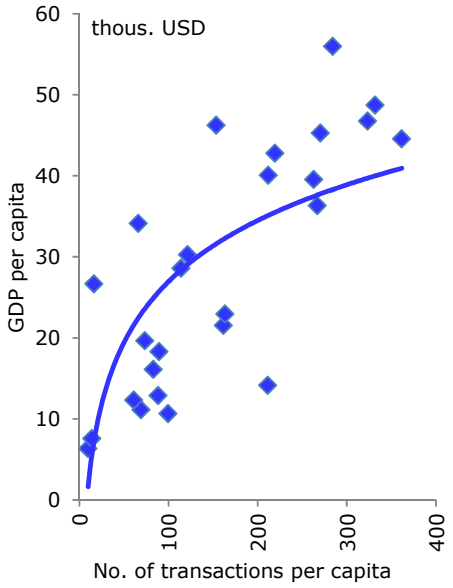
# Highlight of the month: Cash transactions limits

## THE NBU SETS AN UPPER LIMIT ON CASH TRANSACTIONS TO UAH 150,000

*By Dmytro Naumenko, Vitaliy Kravchuk*

On June 6 the board of the National Bank of Ukraine (NBU) adopted the Resolution on setting an upper limit on cash payments from September 1, 2013. In addition to already enforced cash transfer limits between enterprises of UAH 10,000 within one business day the NBU established the limits for cash payments for goods (works and services) at UAH 150,000 between individuals and between individuals and enterprises. All payments that exceed this threshold must be only made via bank current accounts or non-banking financial institutions.

**GDP and non-cash transactions per capita in the EU, 2010**



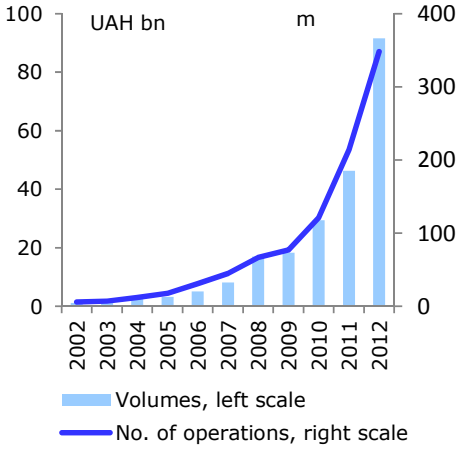

Source: BIS, ECB

The NBU officials stated that the main purpose of these restrictions is to stimulate development of non-cash payments in the country that would bring a number of positive externalities for banking system and economy. This measure is officially estimated to inject an additional liquidity into the banking system, wider use of cashless payments by population in national currency and reduced amount of cash in foreign currency outside banks. While setting these restrictive measures the NBU appealed to international practice including restrictions on cash transactions in a number of EU countries.

Indeed, international experience shows the connection between development of non-cash (electronic) payments and economic growth. The countries with high GDP per capita usually have higher level of cashless operations per capita and vice versa. Payments in electronic form stimulate household consumption, deeper involvement of population into the banking system, reduction of related to payments operational costs, and development of tourism and electronic commerce. Total cumulative savings from wider dispersion of electronic payments in economy could reach 1% of GDP. Besides, growth of electronic payments usually decreases the level of shadow economy making funds turnover cheaper and more convenient for households and businesses. Proposed threshold in Ukraine will probably still allow most cash transactions to go through and will apply predominantly to real estate deals, car purchases and luxury items.

Still, there are a number of concerns to this NBU decision. International evidence signals that this restriction might be justified as a tool to combat tax evasion and money laundering. Moreover, restrictions on cash payments solely to develop cashless payments would probably be contrary to EU laws. The NBU intention to stimulate cashless payments and boost the lending to real sector by issuing only restrictive measures aimed on fight with shadow economy would more likely fail in Ukrainian reality. Without simultaneous efforts for decreasing an enormous tax and administrative burden on business and adoption of incentive regulation for electronic payments development, the NBU will stimulate households and SME further use shadow payments. They will be obliged to disclose the sources of their income (which mostly comes from "grey economy") and bear the surcharges for use and making payments by bank current accounts for large one-time purchases (like dwellings or cars). Also, non-competitive environment in Ukrainian banking sector and weak NBU control on banking surcharges would lead to their disproportional growth after first inflows of liquidity into banks and, thus, another incentive to economic agents to switch to shadow payments.

**Non-cash payments by payments cards in Ukraine**




Source: NBU

Overall, proposed cash transactions limits in Ukraine should be applied as one of the measures of broader central bank policy aimed on development of modern electronic payments and corresponding infrastructure on a competitive basis. Application of only restrictive measures in non-competitive and difficult macroeconomic environment would have just the opposite effect – further growth of shadow economy in the country.

# Monthly Economic Monitor Ukraine

## Politics: Ukraine stuck on the way to the EU Association Agreement

In June, Ukraine made a few steps to resolve issues blocking the EU-Ukraine Association Agreement (AA), but the progress was negligible. The Parliament of Ukraine passed only one law aimed at meeting the requirements of the EU — the law on transparency of media ownership. Besides, the draft law on transfer pricing was approved in the first reading.

The Verkhovna Rada also partly met another condition of the AA signature, having approved the constitutional amendment regarding a broadening of the remit of the Accounting Chamber. According to the amendment, the Chamber will be authorized to control not only the expenditures of the State Budget, but also its revenues. However, in contradiction to the requirements of the EU, the remit of the Chamber will not cover local budgets. The amendment process will be finalized in the autumn 2013.

At the same time, Ukraine did not make progress in addressing the main issues — the problem of selective justice, law enforcement reform, and flawed electoral procedures. In June, the draft electoral law, prepared by the Ministry of Justice, was criticized by the European Commission for Democracy through Law (the Venice Commission). On June 24, European Commissioner for Enlargement and European Neighborhood Policy Stefan Fule stated that the EU would not postpone the signature of the AA, which was scheduled for November 2013, if Ukraine did not make necessary progress by then. Chances that the Agreement will be signed are low.

**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: Economic situation deteriorated further

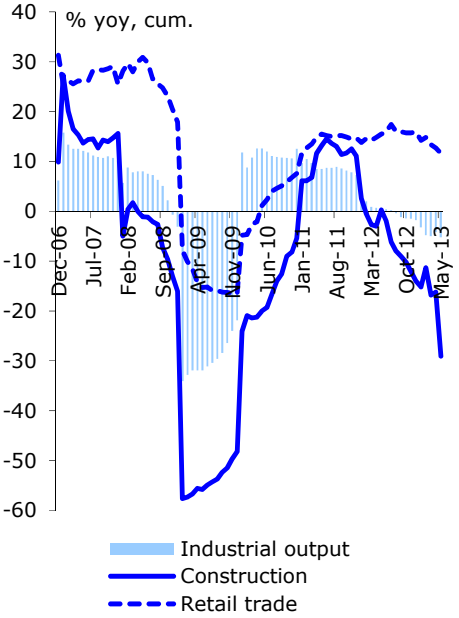
***Sectoral trends.*** Industrial output in May dropped by 9.3% yoy as compared to 2.2% yoy in April due to lower number of working days, statistical base effect as well as decline in demand. As a result, all industrial sectors demonstrated decline with the largest contraction in machine building (at 18.1% yoy), which declined due to drop in external demand. Output in metallurgy reduced by 11.2% yoy due to lower demand and high statistical base of last year. Regardless announced reopening of oil refineries the sector still demonstrates sharp decline from already low statistical base. Food production excluding alcohol and tobacco production again demonstrated decline (at 7.9% yoy) primarily due to lower number of working days as well as drop in sunflower oil production attributed likely due to restriction of its imports by Egypt.

Between January and May decline in real wholesale trade turnover accelerated to 5.8% yoy following contraction in industrial output and imports. Retail sales by enterprises slowed to 5.3% yoy in May.

Financial constraints of companies and state resulted in drop of construction by 29.1% yoy in May. At the same time, residential construction increased by 7.2% yoy.

Output in agriculture increased by 5.1% yoy in first five months of 2013. This is primarily attributed to good performance of livestock farming.

**Real sector trends**




Source: Ukrstat

## Energy sector: Ukrainian government intervenes into independent gas production

According to unpublished decree of the Cabinet of Ministers the Government requires an obligatory injection of 50% of natural gas volumes produced in Ukraine by independent private companies to the underground storage facilities between July 1 and October 15, 2013. This decision is aimed at helping Ukraine prepare for the 2013-14 heating season. Independent producers are already required by law to store the volume of gas required to meet their summer and winter contractual obligations. In addition, they need to store 10% of quarterly sales volumes for security reasons (for sales to industrial customers). Additional requirement by the Government may restrict their cash flow and even force independent producers to default on

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their obligations. The news has already caused a sharp criticism. In particular, Shell, one of the major players at the market, considers the measure to lead to a loss of confidence from investors and undermine the investment climate in Ukraine. Investors need a level playing field and stability. Such government measures hurt an already quite unfavorable business climate in Ukraine.

### Agriculture: Memorandum is signed between the Ministry and grain exporters

In June, the Memorandum of understanding for 2013/2014 marketing year was signed between the Ministry of Agricultural Policy of Ukraine and grain exporters. The Memorandum aims to foster cooperation between the Government and key players of the grain market and ensure that interests of all parties are met.

Memorandum has proven to be an effective instrument to strengthen position of Ukraine at the international market and guarantee food security within the country. In 2012/2013 marketing year, 23 m t of grains were exported. Minister of agricultural policy expects that about 24-26 m t of grain will be exported in the 2013/2014 marketing year. Total amount of grain negotiated for exports will be approved by the 1st of September. Grain harvest is expected to increase by 17% yoy to 53-54 m t.

### External sector: Current account deficit narrowed to USD 0.2 bn in May

According to the NBU preliminary estimates current account deficit narrowed to USD 0.2 bn in May from USD 0.7 bn in April as merchandise trade deficit shrank to USD 0.4 bn from USD 1.1 bn. At the same time, international trade turnover fell to one of the lowest levels in 30 months (the lowest excluding seasonal minimums in January). Exports of goods fell by 17.8% yoy with large drop in export of steel, food and machine building products ranging from 20% yoy to 35% yoy. This was explained by high statistical base, lower stocks of agricultural products as well as the end of several large export contracts. Exports of iron ore, coal and of other mineral products still grew by 41.5% yoy. Long holiday season in May might also have depressed international trade. It was particularly pronounced in imports. Imports of goods fell by 31.2% yoy in dollar terms. Imports of mineral products almost halved (primarily oil and gas) due to poor financial condition of Naftogaz and high statistical base. Still, imports of other products fell by 25.8% yoy. Imports of consumer goods was hit. Imports of cars, machinery and equipment dropped in part due to introduction of import duties on cars.

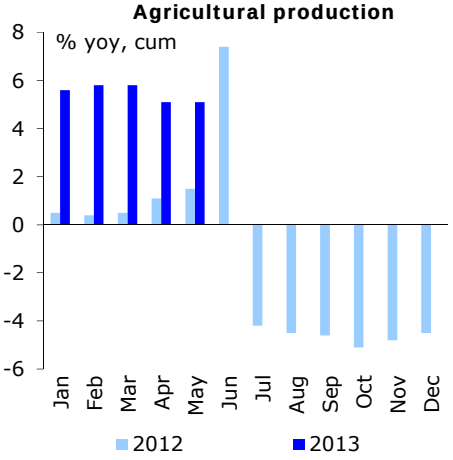
Financial and capital account surplus remained in surplus at USD 0.7 bn despite absence of government inflows and lull in FDI and portfolio investment. Eurobonds and debt issued by private sector exceeded repayments by USD 0.6 bn. Foreign deposits of Ukrainian banks and companies continued to fall in May, but this inflow was offset by repayments of trade loans or other outflows.

### Fiscal policy: Fiscal pressure increased in May

***Budget execution.*** Between January and May fiscal situation worsened against the background of economic slowdown. Growth of central fiscal revenues (general and special fund) decelerated further to 1.4% yoy from 4.9% yoy in the first four month of 2013. It is primarily explained by central fiscal revenue contraction in May at 15.2% yoy due to reduction in tax receipts. In particular, EPT revenues declined by 36.9% yoy in May primarily due to worse financial results of companies. VAT collections decreased by 6.0% yoy compared to May 2012 against the background of slowdown in economy and higher VAT refunds. Excises and taxes on international trade dropped as well.

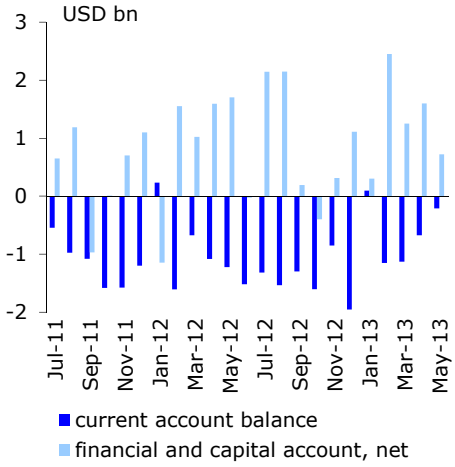
At the same time, non-tax revenues augmented by 25.9% yoy in the first five month of the year. This was primarily explained by increase in transfer of the NBU profits by 76.5% yoy. Besides, revenues of budget entities grew by 43.7% yoy, as the loan received by the State Road Agency (Ukravtodor) was included in fiscal revenues. As a

**Agricultural production**



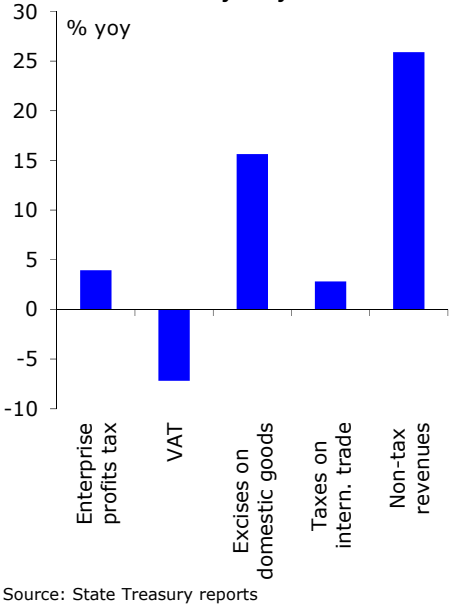

Source: Ukrstat

**Balance of payments**




Source: NBU preliminary estimates

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




Source: State Treasury reports

result, central fiscal revenues accounted only 35.8% of annual plan in the first five month of 2013.

Central fiscal expenditures augmented by 13.4% yoy. Larger spending were allocated for financing social standards and transfers to the Naftogaz. However, capital expenditures declined by 36.0% yoy, which hampers future economic development. Expenditures were by 7.5% yoy lower than planned due to the lack of financing.

To finance growing expenditures the Government further widened central fiscal deficit to UAH 18.5 bn from UAH 16.1 bn in the first four month of the year. It grew by five times compared to January-May of 2012 (from UAH 3.7 bn) and was primarily financed at the expense of domestic borrowings.

***Amendments to fiscal legislation.*** In early July, the Verhovna Rada amended the Law on State Budget of Ukraine for 2013 and Tax Code of Ukraine. According to the amended State Budget Law the Cabinet of Ministers of Ukraine will be allowed to use promissory notes for restructuring of budget debt accrued as of January 1, 2013. Besides, new provisions of the Tax Code envisage possibility to use promissory notes for the redemption of VAT refund, arrears on which totaled UAH 4.4 bn due to general fund as January 1, 2013. The promissory notes can be used upon the receivers' agreement.

The promissory notes will be issued with five-year maturity at 5% p.a., which make them similar to government bonds. The introduction of promissory notes is explained by difficult fiscal situation. At the same time, it is likely to negatively impact the business. In particular, it reduces even further liquidity of companies and can increase administrative pressure on business. Moreover, introduction of promissory notes will reduce fiscal transparency. The Amendments are still to be signed by the President, which is likely a time issue.

## Social policy: Deceleration of households income

In the first quarter of 2013 disposable household income growth decelerated to 7.1% yoy in nominal terms and 7.6% yoy in real terms. At the same time, real private final consumption grew only by 4.5% yoy due to higher saving rate.

Wage income grew by only 4.4% yoy due to lower employment and slowdown in wage growth. Increase in minimum wages is likely to remain the major driver of wage growth. At the same time, some companies laid out some of employees or shifted some to unpaid leave or shorter working hours in order to reduce labour costs.

As the Government tries to remain current on its obligations to pay pensions and major social allowances, the share of this income source reached 42.3% in total household income, which is only by 0.5 p.p. lower than share of wage income. In the first quarter of 2012 the difference was 3.7 p.p.

Income from entrepreneurs activity and subsidiary farming declined by 1.8% yoy. This might be attributed to worse business environment in the former source of income and declining prices for agricultural items.

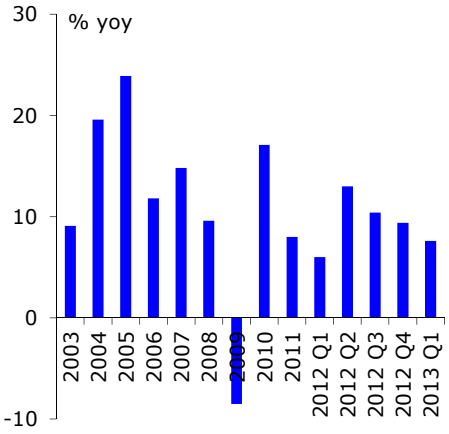
Overall, economic slowdown negatively impacted income growth although it remained strong considering economic environment. The growth might decelerate further taking into account continued recession and increase in fiscal pressure.

## Labour Market: Unemployment rate does not change

Unemployment rate (ILO methodology) in the first quarter of 2013 remained at 8.0% of economically active population in age of 15-70 years old as in the last quarter of 2012. At the same time, it declined by 0.4 p.p. as compared to the same period of 2012 regardless economic slowdown.

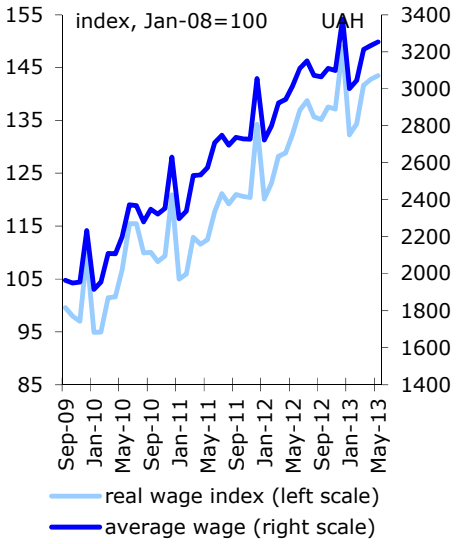
This might be partially explained by unwillingness of employers to dismiss employees. Instead employers have other options to reduce labour costs. In particular, in the first quarter fraction of employees worked shortened working week due to economic difficulties faced by companies increased to 5.5%.

**Real disposable household incomes**



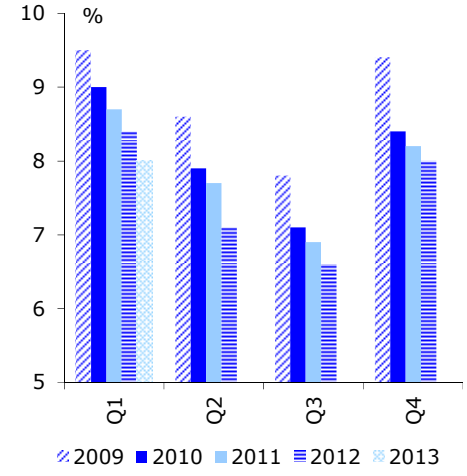

Source: Ukrstat

**Average wage**




Source: Ukrstat

**Unemployment rate (ILO)**




Source: Ukrstat

Overall, unemployment rate remained higher than before the crisis, when some workers were laid off and were not able to find another job. If economy remains in stagnation for longer period of time unemployment may rise again as companies will be looking for permanent ways to cut costs or just close down altogether.

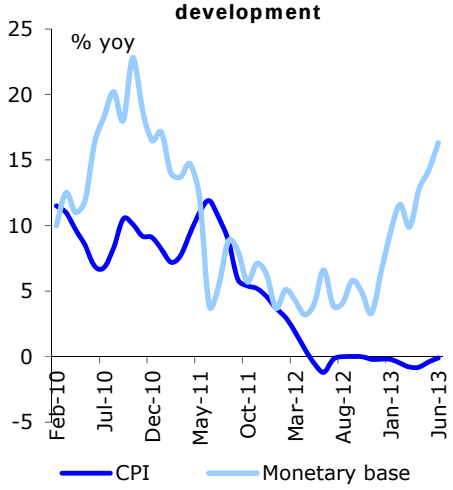
## Monetary policy: Stable prices and inconsistent monetary policy

Headline consumer inflation remained negative but close to zero for eight months in a row at -0.1% yoy in June. There are other indications of stable prices: core CPI and deflator of retail sales of goods increased by 0.1% yoy. Inflation close to zero reflects a combination of factors including recession in Ukrainian economy and slowdown in global economy, fixed utility prices, and lower prices of agricultural goods. However, zero inflation is unlikely to continue by the end of the year as at least one of the factors is likely to put it higher than zero. At the same time, slowdown of wage growth and lower inflation expectations mean that inflation will probably be lower than before.

Money supply increased by 17.5% yoy in June as monetary base increased by 16.3% yoy. Bank liquidity remained high supporting low interbank interest rates at 2-4% p.a. The NBU bought some government bonds but this was offset by issuance of NBU CDs.

The NBU also decreased the discount rate by 0.5 p.p. and similarly decreased the interest rate on its operations. However, lower interest rate is unlikely to influence interbank interest rate significantly. At the same time, the NBU restricted bank liquidity by hiking reserve requirements on all foreign currency funding by 2 p.p effective from July. Given that foreign currency liabilities of banks are about UAH 500 bn free reserves of the banks may drop by UAH 10 bn. Although stated goal of this step is lower dollarization of economy it may result in notably tighter monetary conditions.

**CPI and monetary base development**




Source: Ukrstat, NBU

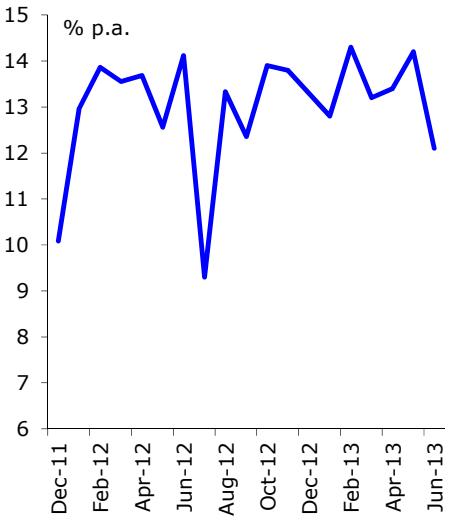
## Financial markets: Exchange rate remain stable in June

***Exchange rate.*** In June the exchange rate remained stable. Both demand for cash foreign currency and cashless foreign currency were broadly balanced. As a result, exchange rate remained in tight range without involvement of the NBU. The NBU international reserves dropped to USD 23.1 bn as the Government repaid USD 1 bn issue of Eurobonds.

***State debt.*** In June 2013, the Ministry of Finance placed UAH 3.9 bn of hryvnia denominated domestic bonds with weighted average yield at 12.1 p.a., which is by 2.1 p.p. lower than in May. The share of short-term bonds increased to 33.2% from 1.5% in May. At the same time, the amount received from USD-denominated bonds was low (USD 20.9 m of two- and three-year bonds with weighted average yield at 7.8% p.a.). Overall, in the first half of 2013 state borrowings amounted to UAH 75.5 bn, which was by 13.2% lower than plan due to restricted demand for state bonds.

The repayment of Eurobonds at USD 1.0 bn in June was ensured by previous borrowings. Therefore, the Government timely and fully meets its debt servicing obligations at the cost of new borrowings and under-financed expenditures.

**Weighted average yield for domestic state bonds**




Source: NBU

| Economic Trends | | Q3 11 | Q4 11 | Q1 12 | Q2 12 | Q3 12 | Q4 12 | Q1 13 | June | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Industrial production (real) | % yoy cum. | 8.6 | 7.3 | 0.9 | 0.4 | -1.2 | -1.8 | -5.0 | 0.4 | 0.2 | -0.4 | -1.2 | -1.4 | -1.5 | -1.8 | -3.2 | -4.8 | -5.0 | -4.2 | -5.2 | … |
| Construction (real) | % yoy cum. | 11.4 | 11.1 | -2.7 | -1.9 | -9.1 | -14 | -16.8 | -1.9 | -6.2 | -8.0 | -9.1 | -10.2 | -12.1 | -13.8 | -15.2 | -11.3 | -16.8 | -16.2 | -29.1 | … |
| Agricultural production (real) | % yoy cum. | 13.7 | 17.5 | 0.5 | 7.4 | -4.6 | -4.5 | 5.8 | 7.4 | -4.2 | -4.5 | -4.6 | -5.1 | -4.8 | -4.5 | 5.6 | 5.8 | 5.8 | 5.1 | 5.1 | … |
| Retail trade turnover (real) | % yoy cum. | 15.2 | 14.7 | 14.2 | 16.0 | 16.0 | 15.9 | 13.4 | 16.0 | 17.4 | 16.0 | 16.0 | 15.7 | 15.7 | 15.9 | 14.2 | 14.8 | 13.4 | 12.7 | 11.6 | … |
| Average wage | UAH | 2727 | 2837 | 2923 | 3109 | 3064 | 3195 | 3085 | 3109 | 3151 | 3073 | 3064 | 3110 | 3098 | 3377 | 3000 | 3044 | 3212 | 3233 | 3253 | … |
| CPI | % yoy eop | 5.9 | 4.6 | 1.9 | -1.2 | 0.0 | -0.2 | -0.8 | -1.2 | -0.1 | 0.0 | 0.0 | 0.0 | -0.2 | -0.2 | -0.2 | -0.5 | -0.8 | -0.8 | -0.4 | -0.1 |
| PPI | % yoy eop | 21.3 | 14.2 | 6.5 | 4.5 | 0.3 | 0.3 | 0.2 | 4.5 | 1.4 | 1.4 | 0.3 | 0.6 | 0.0 | 0.3 | 1.5 | -0.9 | 0.2 | -1.0 | 1.9 | -1.6 |
| Exports (USD)* | % yoy cum. | 26.8 | 21.8 | 5.2 | 2.5 | 2.6 | 1.0 | -2.1 | 2.5 | 3.2 | 2.9 | 2.1 | 2.8 | 2.0 | 0.5 | -3.6 | 2.0 | -2.3 | -0.9 | -4.7 | … |
| Imports (USD)* | % yoy cum. | 30.9 | 21.9 | 5.8 | 9.8 | 7.6 | 5.6 | -4.7 | 9.8 | 10.3 | 9.4 | 7.8 | 7.3 | 5.8 | 5.3 | -2.6 | -5.5 | -5.8 | -6.4 | -11.8 | … |
| Merchandise trade balance | USD bn cum. | -9.3 | -13.8 | -3.9 | -9.5 | -14.8 | -20.5 | -1.5 | -9.5 | -11.4 | -13.3 | -14.8 | -16.6 | -17.9 | -20.5 | -0.3 | -1.3 | -1.5 | -1.1 | -0.4 | … |
| Current account** | USD bn cum. | -5.0 | -9.0 | -2.0 | -5.9 | -10.0 | -14.4 | -1.1 | -5.9 | -7.2 | -8.7 | -10.0 | -11.6 | -12.4 | -14.4 | 0.1 | -1.2 | -1.1 | -0.7 | -0.2 | … |
| Gross international reserves | USD bn eop | 35.0 | 31.8 | 31.1 | 29.3 | 29.3 | 24.5 | 24.7 | 29.3 | 30.1 | 30.0 | 29.3 | 26.8 | 25.4 | 24.5 | 24.7 | 24.7 | 24.7 | 25.2 | 24.5 | 23.1 |
| Monetary Base | % yoy eop | 8.1 | 6.3 | 4.3 | 6.6 | 5.8 | 6.4 | 9.9 | 6.6 | 3.9 | 4.1 | 5.8 | 4.9 | 3.3 | 6.4 | 9.5 | 11.6 | 9.9 | 12.8 | 14.2 | 16.3 |
| Lending rate on UAH credits | % pa, aop | 14.8 | 18.4 | 15.5 | 15.7 | 19.6 | 20.8 | 16.2 | 17.7 | 19.6 | 20.3 | 18.8 | 21.7 | 23.2 | 17.6 | 16.5 | 15.9 | 16.1 | 15.3 | 15.6 | 15.3 |
| Exchange rate (interbank) | USD aop | 7.99 | 8.01 | 8.02 | 8.05 | 8.09 | 8.11 | 8.11 | 8.07 | 8.08 | 8.09 | 8.10 | 8.12 | 8.13 | 8.09 | 8.10 | 8.11 | 8.11 | 8.11 | 8.12 | 8.12 |
| Exchange rate (official) | USD aop | 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 | 7.99 | 7.99 |
| Exchange rate (official) | EUR aop | 11.27 | 10.76 | 10.46 | 10.26 | 9.99 | 10.37 | 10.55 | 10.01 | 9.83 | 9.89 | 10.25 | 10.37 | 10.26 | 10.49 | 10.60 | 10.70 | 10.36 | 10.40 | 10.38 | 10.41 |

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 | Q1 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 301.6 |
| 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 | -1.1 |
| 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 | 4.5 |
| 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 | 2.1 |
| 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 | 4.0 |
| 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 | -6.8 |
| 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 | -4.6 |
| 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 | 3.2 |
| 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 | -9.5 |
| 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 | -14.8 |
| 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 | 3.1 |
| 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 | -3.3 |
| **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 | -2.1 | -3.8 | -4.0 | -4.9 | -1.8 |
| 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 | -8.3 | -10.3 | -4.6 |
| Trade balance in goods | USD m | -622 | -1396 | -1407 | -1236 | -697 | -2870 | -3585 | -3597 | -2851 | -4580 | -5224 | -3867 | -5577 | -5215 | -5833 | -3065 |
| Trade balance in services | USD m | 432 | 1256 | 550 | 930 | 1115 | 1536 | 823 | 1262 | 1514 | 2007 | 1312 | 1299 | 1362 | 1975 | 1084 | 1161 |
| Current transfers | USD m | 667 | 640 | 722 | 608 | 728 | 797 | 842 | 1039 | 878 | 988 | 803 | 683 | 805 | 777 | 711 | 558 |
| Direct investment (FDI) | USD m | 1279 | 1210 | 1282 | 923 | 1196 | 1470 | 2170 | 880 | 2422 | 2090 | 1623 | 1663 | 1091 | 2002 | 1871 | 1232 |
| 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 | 24.5 | 24.7 |
| 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 | 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 | 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 | 35.4 |
| 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 | 5.3 |
| 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 | 6.2 |
| 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 | 9.7 |
| 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 | 3.1 |
| 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 | 37.2 |
| 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 | 35.9 |
| 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 | 1.3 |
| 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 | -1.9 |
| 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 | 0.0 |
| **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 | 9.9 |
| 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 | 9.7 |
| 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 | 16.0 |
| 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 | 19.1 |
| 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 | 17.0 |
| 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 | 8.6 |
| 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 | -4.4 |
| 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 | -5.6 |
| 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 | 55.9 |
| 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 | 16.2 |
| 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 | 9.4 |

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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