Monthly Economic Monitor Ukraine

No.6 (152), June 2013

EXECUTIVE SUMMARY

HIGHLIGHT: HRYVNIA

Politics: Ukraine signed a memorandum on deepening cooperation with the Eurasian Economic Commission, a regulatory body of the Customs Union of Belarus, Kazakhstan, and Russia.

Real Sector: Real GDP dropped by 1.1% yoy in the first quarter due to negative contribution of net exports.

Energy sector: The projected balance of supply and distribution of natural gas for 2013 envisages further decrease gas consumption and imports.

Agriculture: All regions of Ukraine had fully completed sowing campaign within optimal agro technological timing by the end of May.

External sector: Current account deficit narrowed to USD 0.7 bn in April due to lower trade deficit and almost balanced net payments on income.

Fiscal policy: To finance growing expenditures the Government increased central fiscal deficit to UAH 16.1 bn from UAH 4.5 bn in the first quarter. The deficit is financed at the expense of borrowings.

Social policy: The Pension Fund expenditures rapidly increase requiring substantial fiscal financing.

Labour market: Companies in all sectors increased wages although changes ranged from growth at 2.9% yoy for transport to 14.1% yoy for agriculture.

Monetary policy: Headline consumer inflation remained negative in May for seven months in a row at -0.4% yoy.

Financial markets: In May the NBU decided to extend administrative measures introduced in November 2012 to support exchange rate for other six months.

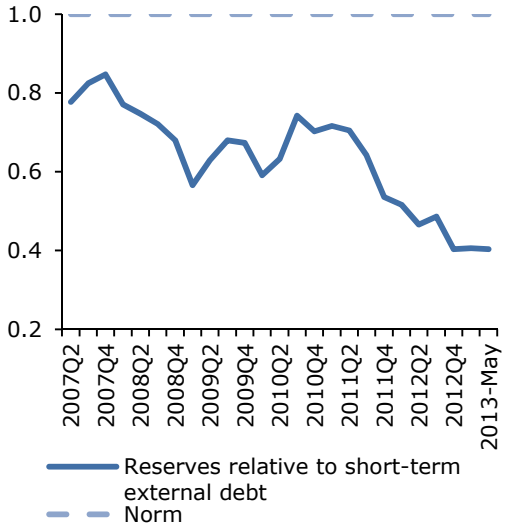
Highlight of the month: Hryvnia

EXCHANGE RATE PROPPED UP BY ADMINISTRATIVE MEASURES

Vitaliy Kravchuk

In May the NBU extended administrative measures to support hryvnia to November 2013. Thus, exporters would be required to receive payment and transfer funds to Ukrainian bank account within 90 days of shipment for another six months. In turn, banks are required to sell 50% of foreign currency received from exports. Individuals with over UAH 150000 per month of foreign transfers will also receive their money in hryvnia.

Debt coverage by reserves



Source: Own calculations based on NBU data

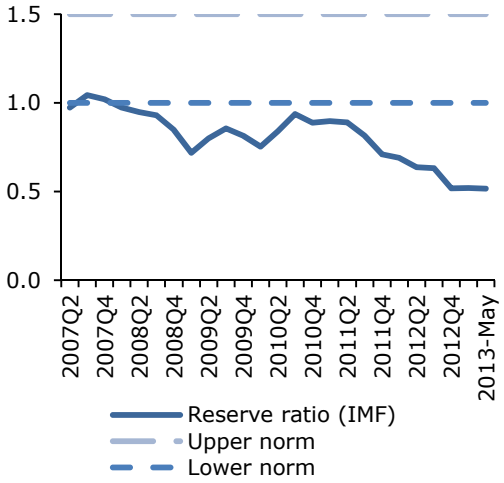
Legal basis for this extension is somewhat doubtful. The law authorizes the NBU to introduce administrative measures for up to six months, while the NBU in fact extended them to twelve months. Accordingly they may be in force indefinitely if they are extended each six months. The NBU also did not publish draft resolution as required for most measures.

In November 2012 when restrictions were first introduced hryvnia was under pressure and the NBU had to spend USD 5.0 bn between September and November to support exchange rate. Overall, international reserves dropped by 23% in 2012. Monetary conditions were also tight with interbank interest rate over 30% p.a. on some days. In 2013 the NBU spent only USD 1.0 bn to support exchange rate stability over first four months of the year and bought USD 0.4 bn in May. Due to government foreign currency borrowing reserves remained stable in USD 24-25 bn range despite significant payments to the IMF and interventions.

It is unclear how administrative measures contributed to stabilization of hryvnia. It can be argued that they had opposite effect. Between September and November 2012 net demand for cash foreign currency was USD 5.5 bn. This means that interventions were needed to balance cash segment of the market while supply of cashless foreign currency was matched with demand (with slight surplus of USD 0.5 bn). In the first half of 2013 cashless market liquidity was significantly lower than in the second half of 2012 and demand also did not differ much from supply. To some degree decline in market liquidity was seasonal and could be influenced by other factors. Still the only observed effect of administrative measures seems to be lower liquidity of the foreign exchange market.

Hryvnia exchange rate remained stable in 2013 due to drop in demand for cash foreign currency from banks. Sales were higher than purchases by only USD 0.3 bn between January and May 2013. Sharp decrease in cash foreign currency demand was likely caused lower depreciation expectations as well as limited funds for purchases of foreign currency. In any case administrative measures were probably successful only by their influence on depreciation expectations. Extension of the measures is unlikely to have similar effect.

Reserve coverage under IMF metrics



Source: own calculations based on NBU data

Thus, the benefits from extension of administrative measures will probably be absent. If demand for cash foreign currency reaches the 2012 levels the NBU will again be forced to defend the exchange rate with limited reserves. It may be able to keep exchange rate fixed for another year but at a cost of even more vulnerable economy afterwards. According to recent estimates the NBU needs about USD 47 bn to adequately protect economy from external shocks based on IMF metrics of adequate international reserves.[1] Ukraine's international reserves are low as indicated by their comparison to 3 months of imports (USD 28 bn) and short-term external debt (USD 61 bn).

Move to more flexible exchange rate or at least transition of peg to basket of currencies and elimination of administrative measures will lead to more liquid market and less pressure on reserves. This will also help Ukrainian economy to adjust to external shocks. However, any transition to less fixed exchange rate should preferably be gradual to avoid internal shocks due to dollarization of economy. However, if this process will not start soon sudden transition to flexible and much weaker hryvnia may be the only option whether it will be in 2013 or 2015.

[1] See Policy brief PB 03/2013 by IER and German advisory group
http://www.ier.com.ua/files/publications/Policy_Briefing_Series/2013/PB_02_2013_eng.pdf

Monthly Economic Monitor Ukraine

Politics: The Customs Union Agreed to Grant Observer Status to Ukraine

Russia. Ukraine made a step towards closer relations with the Customs Union of Belarus, Kazakhstan, and Russia (CU). On May 31, Ukraine signed a memorandum on deepening cooperation with the Eurasian Economic Commission, a regulatory body of the Union. The memorandum, which is not legally binding, states that Ukraine looks to obtain an observer status in the Union. The CU decided to introduce such cooperation format on May 29. The president of Kazakhstan Nursultan Nazarbayev said that documents granting Ukraine the status would be technically prepared by autumn 2013. Ukraine's initiative to sign the memorandum can be considered as a diplomatic move aimed at improving relations with Russia. However, it will not bring the country any concrete benefits, including a decrease in gas prices. Room for closer cooperation between Ukraine and Russia is limited because Russia's goal is to ensure a full membership of Ukraine in the Customs Union, but Ukraine does not consider such an option.

The European Union. A number of issues blocking the EU-Ukraine Association Agreement (AA) are still not resolved, but Ukraine still has time to implement expected changes. In late May, the Minister of Foreign Affairs of Lithuania Linas Linkevicius stated that Ukraine achieved some progress in one of three problem areas — elaboration of a new election law. But the other two conditions of the EU are not met. Specifically, Ukraine did not achieve progress in implementing a law enforcement reform, and in solving the problem of selective justice. Nevertheless, the EU continues the process of technical preparation for the signature of the AA, which is scheduled for November 2013. The EU unveiled plans for the DCFTA, which is a part of the Association Agreement, to become effective in 2014. According to the EU statement, the AA will be signed only if Ukraine makes necessary political decisions to resolve all issues. Chances that the agreement will be signed are rather low.

Real sector: Real GDP declined by 1.1% yoy in the first quarter

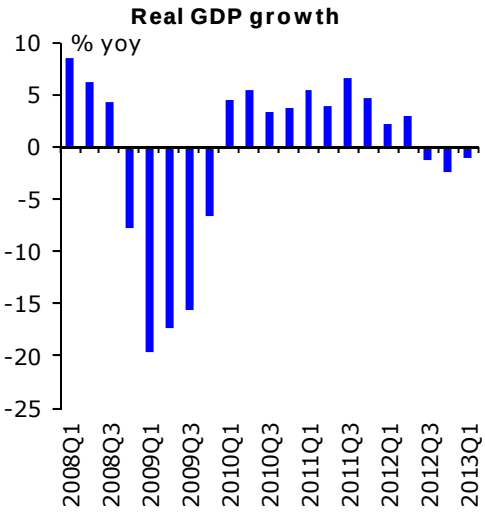
GDP. The Ukrstat revised its preliminary estimate of real GDP growth in the first quarter of 2013 up by 0.2 p.p. to -1.1% yoy. On the demand side, real private final consumption growth (at 4.5% yoy) and increase in gross fixed capital accumulation (at 4.0% yoy) made positive contribution to real GDP growth. Slowdown in real private final consumption was rather sharp and not consistent with statistics for retail sales of goods. To some degree this discrepancy may be explained by lower spending on services. Deceleration of consumption may be attributed to slowdown in disposable household income growth and higher savings. At the same time, investment performed much better than expected based on deep decline of construction. This may be due to large investment in energy infrastructure reported but not actually spent. Net exports made negative contribution to growth.

On production side, real gross value added (GVA) increased only in agriculture, trade, health care and in other services. Drop in external demand resulted in fall of real GVA in manufacturing at 9.5% yoy.

Sectoral trends. Industrial output in April declined by 2.2% yoy as compared to 5.2% yoy fall in March, which is attributed to better performance manufacturing as well as statistical base effect. Decline in manufacturing production slowed to 3.5% yoy from 9.3% yoy in March. Steel and chemical production exports increased as compared to first quarter performance, while domestic demand supported food industry Machine building production dropped by 8.8% yoy as compared to 20.3% yoy contraction in March likely due to higher external demand.

Food production returned to growth (at 1.6% yoy) due to higher domestic demand. At the same time, higher meat and milk production

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%



Source: Ukrstat

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(by 11% yoy and 14% yoy, respectively) is explained by larger numbers of livestock. Excluding alcohol and tobacco food output grew by 4.5% yoy. Agricultural output increase by 5.1% yoy in first four months of the year.

Decline in real wholesale trade turnover decelerated to 4.8% yoy in the first four months of the year reflecting some improvement in international trade. At the same time, retail trade turnover growth further decelerated to 12.7% yoy.

Freight transportation turnover declined by 10.7% yoy, which reflects lower industrial production as well as lower transit flows.

Energy sector: Government approved Gas balance for 2013

The Cabinet of Ministers approved the projected balance of supply and distribution of natural gas for 2013. Ukraine is projected to consume (including for technical purposes) 51.3 bn cubic meters (bcm) of gas out of which 27.3 bcm of gas will be imported, 22.04 bcm will be extracted, and 2.25 bcm will be used from the underground storage facilities. Major external gas supply routes include Russian Gazprom sales to Naftogaz (18 bcm), and to Ostchem (8 bcm). Reverse imports from German RWE is expected to reach 1.3 bcm. In 2012, Ukraine decreased gas consumption by 7.6% to 54.8 bcm and gas imports by 26.5% to 32.9 bcm. The balance shows that Ukraine plans to further decrease gas consumption and imports. This is good for decreasing energy dependence from Russia and spending on gas imports but financial state of Naftogaz is not likely to improve. Profitable sales to industrial customers will decrease while conflict with Russia on take-or-pay provision of the gas imports contract may deepen.

Agriculture: Agricultural producers finished sowing campaign

This year agricultural producers had to undertake sowing campaign in the shortest possible period due to unfavorable weather conditions. According to the Ministry of Agricultural Policy all regions of Ukraine had fully completed sowing campaign within optimal agro technological timing by the end of May. Overall, spring grains and legumes were sawn at about 8.2 m ha, which is about 2.4% lower than in 2012. Early grains and legumes were planted at 2.8 m ha, particularly, barley at 2.2 m ha, spring wheat at 152 thous. ha, oat at 260 thous. ha and peas at 199 thous. ha. About 4.8 thous. ha of land were allocated to corn, which is 2% higher than was planned initially. Cropping areas under sugar beet, sunflower and rise also increased compared to preliminary forecast.

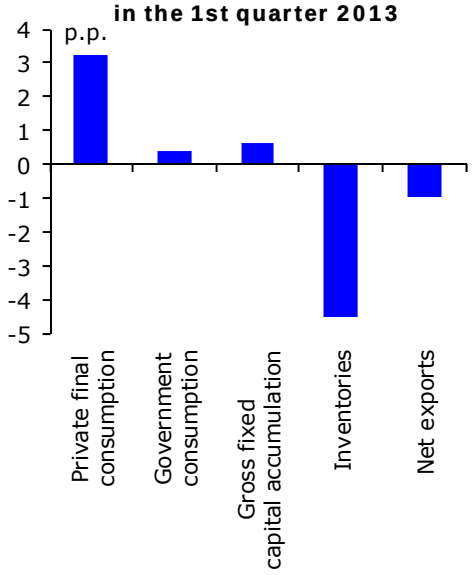
At the moment, crops are in good and satisfactory condition. Moreover, agricultural producers are fully supplied with fertilizers and crop protection measures. In particular, 1.3 m t of fertilizers (13% yoy growth) are in stock. Thus, good harvest could be expected this year. However, high temperatures and deficit of moisture might negatively affect the growth and development of plants, especially in southern regions.

External sector: Current account deficit narrowed to USD 0.7 bn in April

According to the NBU preliminary estimates current account deficit narrowed to USD 0.7 bn in April as net payments of income were close to zero and merchandise trade deficit shrank to USD 1.1 bn. Exports of goods grew by 3.0% yoy with largest gains in exports of mineral products. Exports of iron ore, coal and of other mineral products jumped by 47.3% yoy but from low statistical base and is unlikely to grow at this rate in the future. Steel exports fell by 6.2% yoy but was by 22.5% higher than average value for previous six months.

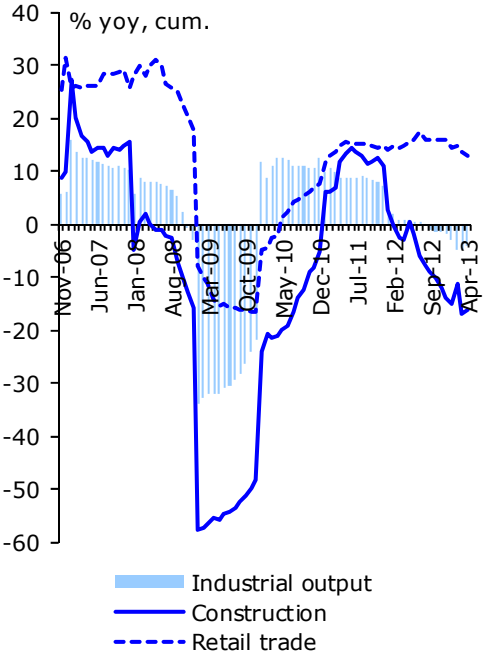
Imports of goods fell by 7.9% yoy in dollar terms as imports of mineral products (primarily oil and gas) fell by 30% yoy. Imports of other products were unchanged. Higher imports of consumer goods was offset by lower imports of cars, machinery and equipment.

Contributions to real GDP growth in the 1st quarter 2013



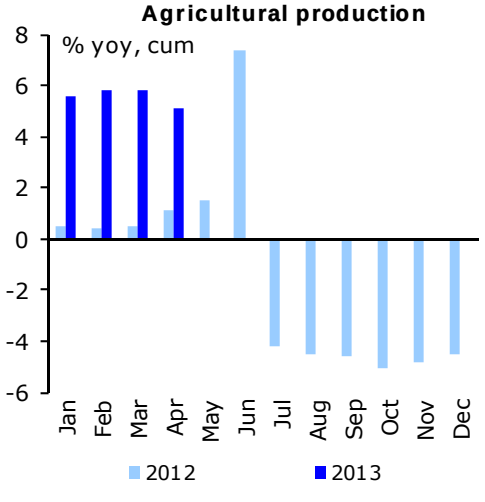
Source: Ukrstat, own calculations

Real sector trends



Source: Ukrstat

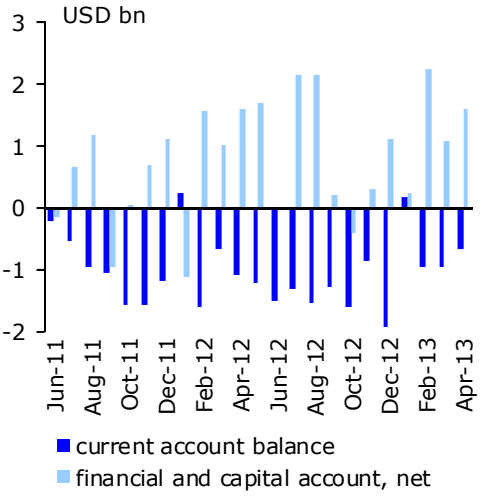
Agricultural production



Source: Ukrstat

Financial and capital account surplus reached USD 1.6 bn thanks to government inflows of USD 1.0 bn after successful Eurobond issue. Net FDI flows remained at USD 0.4 bn, while portfolio investment in equity reached USD 0.3 bn. Eurobonds issued by private sector were not sufficient to roll over debt and overall repayments were USD 1.0 bn higher than borrowing. Outflow of cash foreign currency remained very low at USD 0.1 bn while Ukrainian companies and banks continued to decrease foreign deposits. Foreign deposits fell by USD 2.3 bn over four months of 2013 as funds from Chinese loans received in December were spent.

Balance of payments

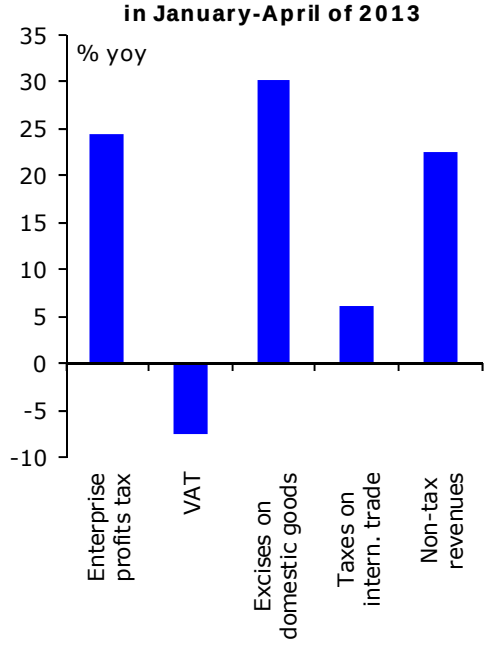


Source: NBU preliminary estimates

Fiscal policy: The central fiscal deficit widened to UAH 16.1 bn in January-April

Budget execution. Between January and April growth of central fiscal revenues (general and special fund) decelerated to 4.9% yoy from 8.5% yoy in the first quarter as in April revenues contracted by 6.5% yoy due to reduction in tax receipts. In particular, VAT collections dropped by 8.8% yoy against the background of slowdown in economy and higher VAT refunds. Excises on imported goods and taxes on international trade decreased by 11.4% yoy and 4.0% yoy, respectively. Lower revenues from these taxes were only partially compensated by higher collections of other revenues. Excises on domestic goods grew by 28.4% yoy due to the rate hikes. Collections of enterprise profit tax (EPT) increased by 2.5% yoy likely due to the introduction of obligatory advance EPT payments from the beginning of 2013. Overall, central fiscal revenues due to general fund were slightly over-executed in the first four month of 2013 (by 0.8%).

Growth of central fiscal revenues in January-April of 2013



Source: State Treasury reports

Central fiscal expenditures augmented by 16.2% yoy at the background of higher social standards and increase in transfers to the Naftogaz. Expenditures were by 7.5% lower than planned due to the lack of financing. To finance growing expenditures the Government increased central fiscal deficit to UAH 16.1 bn from UAH 4.5 bn in the first quarter.

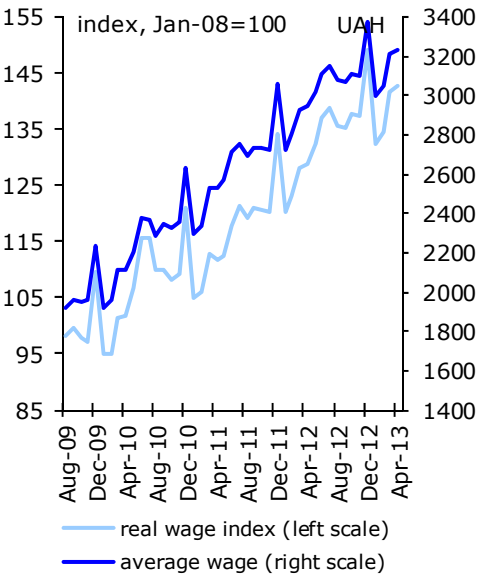
Privatisation. In May, the State Property Fund of Ukraine (SPFU) sold stakes of five coal processing plants. The total revenue received was UAH 111.7 m. Besides, the SPFU plans to continue privatisation in energy sector. In particular, it approved the Plan for the privatization of power generation and supply companies. According to the schedule, four packages (including "Donbasenergo) will be sold in August and seven in September.

Even if all these companies are sold at higher than starting price, the annual plan of privatisation receipts (at UAH 10.9 bn) is unlikely to be executed.

Social policy: Pension Fund's expenditures grow

According to the Pension Fund, between January and May its expenditures increased by 12.9% yoy to UAH 103.8 bn. At the same time, pension contributions collected by the Fund, increased only by 7.3% yoy. As a result, these revenues accounted for 63.6% of total Fund's spending. As budget financing was likely insufficient to cover pension spending the Government continued to resort to off-budget financing in the form of the Treasury's loan. One of the reasons for heavy reliance on fiscal transfers is difference between minimum pension and pension to be received according to the formula envisaged in the Pension law. Overall, sustainability of the Fund raises high concerns.

Average wage



Source: Ukrstat

Labour Market: Wages grow rapidly

In April, average wage grew by 9.9% yoy to UAH 3233. Companies in all sectors increased wages although changes ranged from growth at 2.9% yoy for transport to 14.1% yoy for agriculture.

Drop in wages in financial services was changed by growth at 7.4% yoy due to statistical base effect. In particular, in May 2012 wages in the sector declined likely due to financial problems faced by companies.

Indexation of wages to minimum wage supported wages in industry. Industries oriented on domestic market, including food and pharmaceuticals, received higher revenues, which allow them to spend more on wage increases. Wages in education and health care accelerated due to the government decision to raise the base rate in Single Tariff Scale for wages in public sector.

Monetary policy: Low inflation and high liquidity

Headline consumer inflation remained negative in May for seven months in a row at -0.4% yoy. Other indicators of inflation also point to stable prices: core CPI increased by 0.2% yoy while deflator of retail sales (that excludes prices for services) was negative at -0.3% yoy. Inflation close to zero reflects a combination of factors including economic slowdown, fixed utility prices, stable global prices for traded goods, lower inflation expectations and high stocks of agricultural goods. This also means that zero inflation is unlikely to continue even in the short-term. At the same time, slowdown of wage/price spiral and lower inflation expectations might make inflation easier to manage in the future.

Monetary conditions remained relaxed in May leading to low interbank interest rates at 2-5% p.a. The NBU purchased foreign currency worth over UAH 3 bn, while lower government funds at the NBU also supported bank liquidity. The NBU offset some of the liquidity injected by offering deposit certificates (CDs) to banks. Demand for CDs increased as interest rates offered by NBU became competitive. NBU CDs outstanding increased to UAH 5.7 bn by the end of May from UAH 3.8 bn at the beginning of the month.

CPI and monetary base development



Source: Ukrstat, NBU

Financial markets: Administrative measures to support exchange rate extended

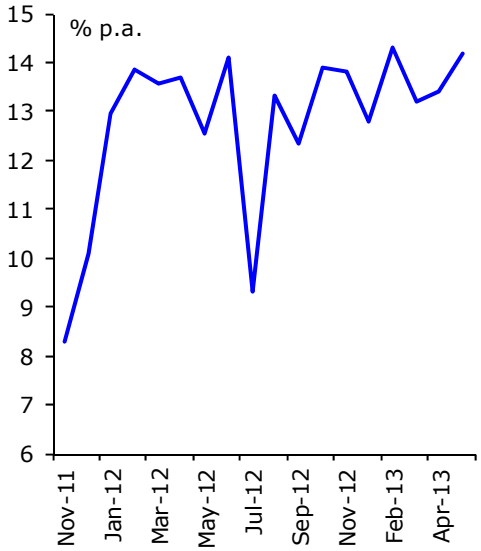
Exchange rate. In May the NBU decided to extend administrative measures introduced in November 2012 to support exchange rate for other six months. This decision came despite limited pressure on exchange rate. NBU net purchases of foreign currency were USD 0.4 bn in May and international reserves were stable over the last six months. Administrative measures also failed to produce additional supply of foreign currency as foreign exchange market became less liquid and demand for cashless foreign currency was slightly higher than supply.

State debt. In May 2013, the Ministry of Finance placed USD 0.8 bn of USD-denominated bonds with weighted average yield at 7.6% p.a. The demand was primarily distributed between two- and four-year bonds. Besides, the Government placed UAH 3.3 bn of hryvnia denominated domestic bonds with weighted average yield at 14.2 p.a. Five- and seven-year bonds accounted for near 98.5% of the total placement.

Overall, in May the Ministry of Finance redeemed UAH 7,7 bn (principal repayments), including near USD 617 m to the IMF. In June the Government is to redeem Eurobonds for USD 1.0 bn.

Overall, state debt (direct and guaranteed) reached UAH 553 bn as of May 1, 2013, which is by 7.3% higher than in the beginning of this year. According to IER's estimates, it may exceed 40% of GDP in the end of 2013.

Weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Industrial production (real)	% yoy cum.	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	...
Construction (real)	% yoy cum.	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	...
Agricultural production (real)	% yoy cum.	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	...
Retail trade turnover (real)	% yoy cum.	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	...
Average wage	UAH	2837	2923	3109	3064	3195	3085	3109	3151	3073	3064	3110	3098	3377	3000	3044	3212	3233	...
CPI	% yoy eop	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
PPI	% yoy eop	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
Exports (USD)*	% yoy cum.	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	...
Imports (USD)*	% yoy cum.	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	...
Merchandise trade balance	USD bn cum.	-13.8	-3.9	-9.5	-14.8	-20.5	-3.1	-9.5	-11.4	-13.3	-14.8	-16.6	-17.9	-20.5	-0.4	-1.6	-3.1	-4.2	...
Current account**	USD bn cum.	-9.0	-2.0	-5.9	-10.0	-14.4	-1.8	-5.9	-7.2	-8.7	-10.0	-11.6	-12.4	-14.4	0.2	-0.8	-1.8	-2.4	...
Gross international reserves	USD bn eop	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
Monetary Base	% yoy eop	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	...
Lending rate on UAH credits	% pa, aop	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	...
Exchange rate (interbank)	USD aop	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
Exchange rate (official)	USD aop	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
Exchange rate (official)	EUR aop	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

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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