Monthly Economic Monitor Ukraine

No.3 (149), March 2013

EXECUTIVE SUMMARY

HIGHLIGHT: UKRAINE-EU SUMMIT

Politics: Ukraine did not arranged new program with the IMF due to absence of political will to conduct necessary reforms.

Real Sector: Industrial output declined by 3.2% yoy due to lower production in export-oriented sectors.

Energy sector: Production of solar energy surged due to state support. However, its share remained negligible at 0.3% of total energy produced.

Agriculture: Agricultural producers again face tight financial conditions to finance seeding campaign.

External sector: Export fell by 3.5% as strong demand for Ukrainian fertilizers and grain was not sufficient to offset stagnant global market for steel and falling exports of machine building products.

Fiscal policy: Central fiscal deficit amounted to UAH 1.6 bn in January. Nevertheless, central fiscal expenditures (general fund) were financed at only 82.4% of target.

Social policy: Expenditures of the Pension Fund in 2013 are planned to account to near 16% of GDP, which is high by international standards.

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

Monetary policy: In February, CPI fell by 0.5% yoy marking fourth month with negative CPI growth.

Financial markets: In February, UAH/USD exchange rate continued to fluctuate in tight range around UAH 8.10 mark on interbank market.

Highlight of the month: Ukraine-EU Summit

UKRAINE AND EU: MOMENT OF DEFINITION

Kateryna Shynkaruk

On February 25, 16th Ukraine-EU Summit took place in Brussels. In contrast to the previous meetings at the highest level, the atmosphere in Brussels was intentionally friendly. Both European Union's President Herman Van Rompuy and European Commission's President Jose Manuel Barroso spent more than four hours with President Viktor Yanukovych thus demonstrating the importance they attach to reaching understanding with Ukraine's leadership.

The summit's main objective was to demonstrate the political will and discuss the conditions of signing the EU-Ukraine Association Agreement at the next Eastern Partnership Summit in Vilnius in November 2013 as it was outlined in EU Foreign Affairs Council conclusions of 10 December 2012. As President Barroso pointed out, the summit took place at "a moment of definition for Ukraine's European choice and a moment of definition for our relations with our Eastern partners as we prepare for the Vilnius Summit later this year".

The Association Agreement (AA) with Ukraine, including Deep and Comprehensive Free Trade Area (DCFTA), is a unique by scope and ambition bilateral treaty that the European Union has ever signed with a non-candidate state. Besides establishing a far-reaching contractual relation with the EU on the basis of "political association and economic integration" formula, the AA provides for large-scale reforms in economic, taxation and legal systems and has a unique potential to promote the country's Europeanization. The AA signing could be accompanied by an opening for provisional application of its parts; the scope of its provisional application will be subject to negotiations between the parties.

Thus, the signature of the already initialed AA is to consolidate Ukraine's European choice and respective development model through a comprehensive legally binding agreement that comprises DCFTA and precludes Ukraine's joining the Russia-led customs union. This argument was emphasized in the open address by Ukrainian civil society organizations, where they urged the EU and its Member States to sign the AA in 2013, creating an additional lever to ensure the irreversibility of Ukraine's European choice. Besides, the AA will create a positive example for the rest of Eastern Partnership countries and therefore will demonstrate that all the efforts applied by the EU in the Eastern neighborhood were not in vain. There are even proponents of the AA unconditional signature with Ukraine as the only viable instrument of its Europeanization (for instance, these arguments were recently brought about by Chairman of the EU-Ukraine Parliamentary Cooperation Committee in the European Parliament Pawel Kowal).

Nevertheless, EU's current position can be articulated as "no compromise in values" and Ukraine is expected to take decisive steps in order to achieve "tangible progress" in addressing the three key issues reemphasized by EU leaders: selective justice and preventing its recurrence, the follow-up work to address the shortcomings in the October Parliamentary elections; and progressing on reforms as set out in the jointly agreed Association Agenda, for example in areas such as the reform of the judiciary, respect for the rule of law and human rights, the fight against corruption as well as increasing citizens' participation in public decision-making in Ukraine.

Moreover, the timeline to demonstrate such progress is extremely tight: until early May 2013. This timeline was set by the EU with regard to all the necessary bureaucratic preparations before the November summit in Vilnius. At the same time, during his visit to Ukraine in early February, EU Commissioner for Enlargement and Neighbourhood Policy Stefan Fule made it clear that if Ukraine loses the chance of signing the AA in 2013, the next political momentum may appear only in 2016, after elections to the European Parliament and the formation of new European Commission in 2014 and presidential elections in Ukraine in 2015. Also, during his visit Commissioner Fule forwarded to Ukrainian government a list of 19 indicators that in the view of the EU would demonstrate Ukraine's determination to achieve progress in the three areas mentioned above. Some of these measures were reflected in the government's Action Plan for Ukraine's EU integration in 2013. Other measures, according to President Yanukovych, are soon to be included into a respective presidential decree.

During the summit the parties signed the Memorandum of Understanding and Loan Agreement for EU Macro-Financial Assistance to Ukraine of up to EUR 610 m, which is to complement Ukraine's future agreement with the International Monetary Fund. This move may be seen as a sign of EU commitment to constructive engagement with Ukraine. In addition, during the summit the parties discussed the format of Ukraine's possible cooperation with the Russia-led Customs Union, energy relations in EU-Ukraine-Russia triangle and President Yanukovich's upcoming meeting with Vladimir Putin, scheduled for March 4, 2013. The EU rhetoric in this respect has altered, as Jose Manuel Barroso stated that it is possible to find such a cooperation format with the Customs Union (except membership) that wouldn't contradict the Association Agreement.

Overall, the summit can be deemed as successful, given that both parties had no high expectations from the event *per se*. The most decisive will be the next few months, during which Ukraine will have to provide EU with the evidence of its reform efforts that would be convincing enough both for Brussels and EU member–states.

Monthly Economic Monitor Ukraine

Politics: First Stage of Ukraine-IMF Talks Completed

On February 12, the IMF mission completed its visit to Ukraine that started on January 29. During their visit the IMF representatives discussed with Ukrainian government economic policies that could be supported by a Stand-By Arrangement (SBA) with the IMF. Ukraine's negotiations on a new SBA are complicated by the absence of political will to conduct reforms. It faces continuous IMF criticism for subsidies on gas and heating for households that "undermine Ukraine's budget and its balance of payments" especially at times of visible economic slowdown.

Upon the conclusion of first stage of such discussions Mission Chief for Ukraine Christopher Jarvis noted significant progress in reaching understanding with Ukraine's authorities on policies that should address the issues of budget and current account deficits, strengthen reserves, and create jobs. However, he stressed that a number of important issues remain outstanding, and the IMF expects to continue their discussion during its next visit in March.

Population: 45.6 m
Industry/GDP: 24%
Agriculture/GDP: 8%
Investment/GDP: 21%
Exports to: Russia 25%, EU 28%
Imports from: Russia 22%, EU 35%

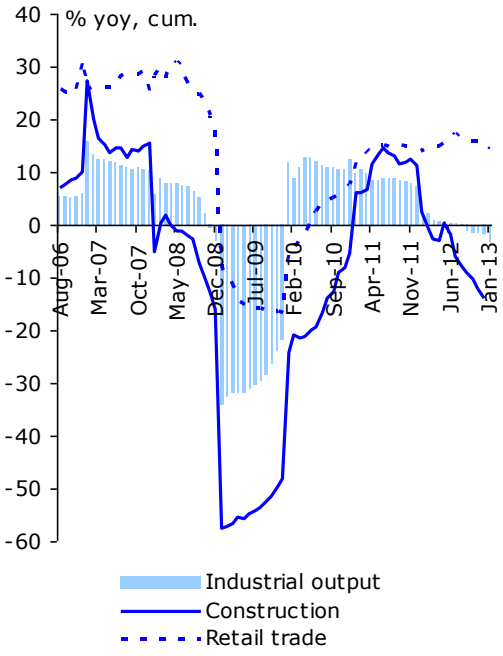
Real sector: Drop in industrial output decelerated in January

In January 2013 industrial output declined by 3.2% yoy due to reduction in production of export-oriented goods. In particular, weak export demand resulted in drop of output in metallurgy (by 8.6% yoy) and in machine building (by 7.8% yoy). At the same time, downturn in these sectors became less severe to somewhat higher demand. Chemical production dropped by 19.9% yoy likely due to low domestic and external demand.

As only one out of six oil refineries worked in January, output of oil refineries accounted only for 36.2% of production in January 2012. Production in extraction sector declined by 1.9% yoy. This is partially attributed to disruptions in coal supplies in 2012 and resulting increase in stocks. Other factor is depressed construction sector, resulting in lower demand for construction materials and raw inputs.

At the same time, output in food industry increased by 9.5% yoy due to continued growth in consumer demand as well as high harvest of sugar beet. High consumer demand is also reflected in growth of real retail trade turnover by 14.2% yoy in January. Decline in industrial output and international trade resulted in drop of freight turnover at 13.0% yoy. Lower gas transit by Russia also weighed down transport turnover. Agricultural production increased by 5.6% yoy as livestock production enjoyed relatively low prices of feed attributed to good crop harvest.

Real sector trends



Source: Ukrstat

Energy sector: Ukraine gets more solar energy

In February, several new solar power plants (SPPs) with the total capacity of 40 MWt were put into operation: an SPP with capacity of 29.037 MWt in Mykolayiv region, a photovoltaic power plant with capacity of 9.806 MWt in Kherson region, and an SPP with capacity of 1.3 MWt in Kirovohrad region. These start-ups continued developments of 2012 when the total capacity of new SPPs reached 130.3 MWt. Overall, energy produced by SPPs increased from 30.1 m KWt*h in 2011 to 333.6 m KWt*h in 2012. However, their share in total energy production remains negligible at around 0.3%.

Rapid development of solar power market might be attributed to government policy, which envisages significantly higher tariffs paid to SPPs than to other energy producers. In particular, in March 2013 tariff for 1 KWt*h is defined at UAH 5.05 (EUR 0.48) for solar energy costs and UAH 0.35 (EUR 0.03) for nuclear energy.

However, such developments will hardly continue. Ground SPPs that start operations after April 2013 will have their tariff reduced by 27% (to EUR 0.35). Such regulation complies with a European practice, according to which the regulator sets high initial tariffs for a couple of years and then gradually reduces them. For example, in Germany in 2004 the tariff for solar energy was defined at EUR 0.45-0.57

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depending on its type and in 2011 it was reduced to EUR 0.22-0.29. In Italy, the tariff initially was set at EUR 0.44-0.49 and later it was reduced to EUR 0.36-0.38. The Great Britain also defined higher tariffs for several years (at EUR 0.37-0.52) and then reduced them. This gradual tariff reduction is designed to allow the new industry to grow and mature, and the cost of solar power production to decrease.

Agriculture: Good grain harvest is expected in 2013

According to information of Ukrainian Hydro Meteorological Centre about 8-10% of winter crops is in unsatisfactory condition and should be reseeded. This is less than in 2012, when about 25% of winter crops were lost. The largest share of damaged winter crops is in the regions of the South of Ukraine, in particular, 22% in Odessa and between 12% to 16% in Donetsk, Zaporizhzhya and Kherson regions. Favorable weather conditions in winter allowed starting seeding campaign in Mykolaiv, Kherson and Crimea one month earlier than in 2012. However, ice crust in other regions delays seeding by 3-5 weeks.

Overall, agricultural producers are planning to spend UAH 38.6 bn for seeding campaign this year, which is by UAH 1.3 bn higher than in 2012. The largest share of total costs will be spent for mineral fertilizers (UAH 8.3 bn). According to estimates of the Ministry of Agricultural Policy agricultural producers are currently lacking about UAH 8 bn to cover all costs of the seeding campaign. This shortage could be covered through participation in forward purchases of the Agrarian Fund and the State Food and Grain Corporation, which cumulatively might contribute UAH 3.3 bn. At the same time, the rest should be found through bank loans, which remain very restricted.

External sector: Seasonal current account surplus returned in 2013

According to the NBU preliminary estimates current account surplus in January shrank to USD 0.08 bn as compared to USD 0.23 bn January 2012. Current account is usually in surplus in January due to dip in imports. Merchandise trade deficit remained unchanged from a year ago, while imports of services increased by 9% yoy.

Export fell by 3.5% as strong demand for Ukrainian fertilizers and grain was not sufficient to offset stagnant global market for steel and falling exports of machine building products. Imports fell by 3.3% in dollar terms. Weak demand for investment goods was sufficient to offset impact of continued demand for imported consumer goods. Imports of food products, furniture and other wood items and manufactured items (including clothing) grew by 37% yoy in dollar terms. This trend reflects not only higher consumption demand, but also larger administrative pressure to collect more taxes on imports.

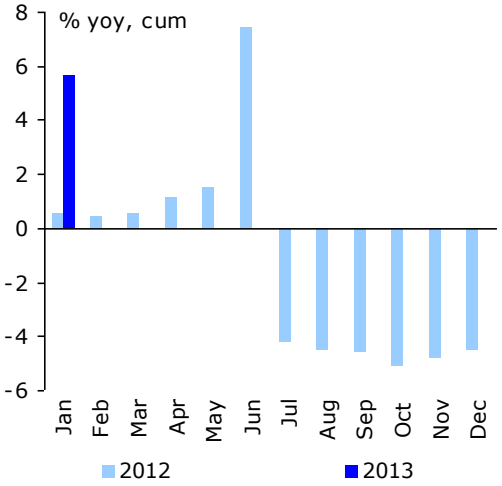
Financial and capital account remained in surplus at USD 0.3 bn in January. Net FDI inflows continued at USD 0.4 bn. Net private sector borrowing reached USD 0.5 bn as government-owned Eximbank issued loan participation notes at USD 0.5 bn. Outflow of cash foreign currency from banks decreased to lowest point since April 2012. At the same time, other outflows (trade loans etc) reached USD 1.3 bn.

Fiscal policy: Central fiscal deficit was high in January

In January, central fiscal revenues (general and special fund) increased by 6.9% yoy to UAH 23.2 bn. This growth was mainly explained by higher revenues from enterprise profit tax (EPT), which augmented by four times compared to January 2012. This could be explained by the introduction of obligatory advance EPT payments from January, 2013. At the same time, VAT revenues declined by 6.4% yoy due to slowdown in economy as well as higher VAT refunds.

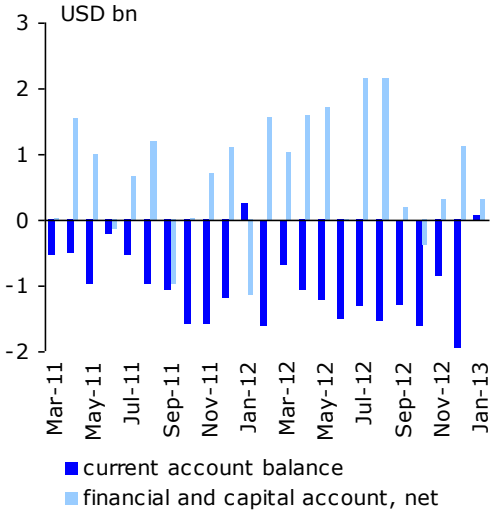
Even though central fiscal expenditures grew by 23.3% yoy to 24.8 UAH bn, they reached only 82.4% of target. In particular, only social protection programs were financed almost in full. At the same time, transfers to local budgets, which were traditionally fully financed, were under-financed by 26.8% from plan.

Agricultural production



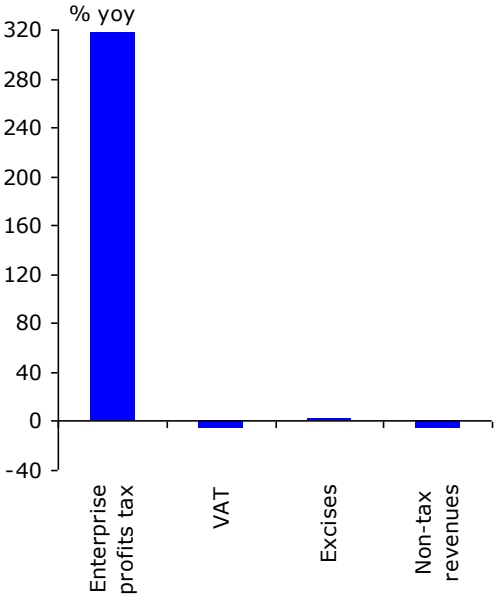
Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

Growth of central fiscal revenues in January 2013



Source: State Treasury reports

To finance fiscal expenditures and repayment of debt the Government run total central fiscal deficit at UAH 1.6 bn as compared to surplus of UAH 1.5 bn in the first month of 2012. It was primarily financed by domestic borrowings.

The funds accumulated at the Single Treasury Account dropped to only UAH 1.3 bn and UAH 6.8 bn in the beginning of January and February, respectively, as compared to UAH 14 bn in the beginning of 2012. Therefore, fiscal pressure remains high.

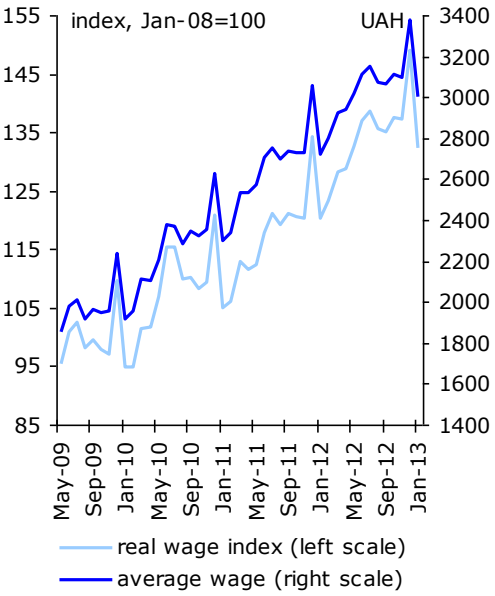
Social policy: The Pension Fund deficit is approved at UAH 21 bn

The Government approved the Pension Fund budget for 2013 with a deficit at UAH 21 bn, which is to be financed by direct central fiscal transfer. The planned deficit is lower than actual deficit in 2012 (at UAH 30 bn), which was partially covered by no-transparently provided State Treasury loans.

Besides, the Pension Fund will receive another central fiscal transfer at UAH 61.5 bn for paying pensions according to different state pension programs. There are two types of such programs. Some groups of pensioners (former miners, civil servants, judges, etc.) are entitled to special pensions mostly based on final salary. Besides, the Government compensates the Pension Fund the difference between pensions calculated according to the Pension Law and minimum guaranteed pension. Such difference appeared after a rapid increase in minimum pension in 2004 and 2005, while parameters for formula-based pensions were not changed.

Expenditures of the Pension Fund are planned to increase by 7.8% to UAH 252 bn. Thus, they will account to near 16% of GDP, which is high by international standards.

Average wage



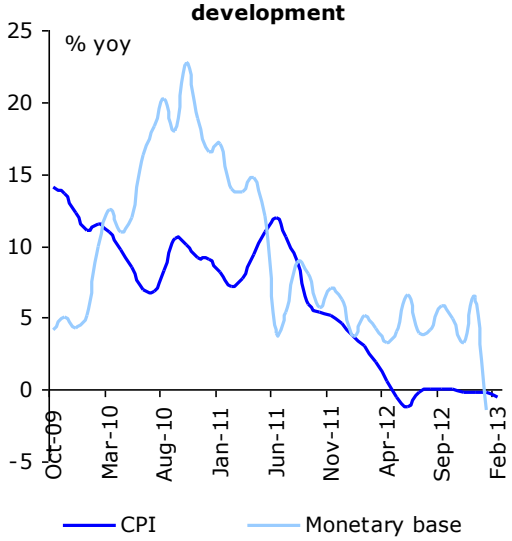
Source: Ukrstat

Labour Market: Wage growth decelerates

In January, wage growth decelerated to 10.2% yoy from 18.5% yoy a year ago due to economic slowdown. Still increase in minimum wage supported wage growth. As 2013 Budget foresees slowdown of minimum wage to 7.4% yoy by December 2013, wage growth might decelerate further by the end of year.

In January wages fell on seasonally adjusted basis and dropped to the level of April 2012. Such shifts are likely to be attributed to economic slowdown. Besides, more companies probably increased unpaid leave as well as shortened working week in order to cut labour costs. In the fourth quarter of 2012 1 m employees or near 5% of labour force worked part-time due to economic reasons and another 0.2 m employees were on unpaid leave.

CPI and monetary base development



Source: Ukrstat, NBU

Monetary policy: CPI keeps declining

In February, CPI fell by 0.5% yoy marking fourth month with negative CPI growth. Food prices fell by 3.2% yoy as prices for most products were lower than a year ago. Core inflation slowed to 0.5% yoy reflecting economic downturn in Ukraine and tight monetary policy in 2012.

Monetary conditions remained loose in February. NBU interventions on the interbank market were offset by NBU purchases of government bonds as well as conversion of foreign currency raised by the Government into hryvnia. As a result, interbank rates remained below 5% p.a. as bank liquidity remained over UAH 25 bn most of the time. Besides, interest rates on deposits and loans started to go down although they remain elevated.

Financial markets: Continued calm on foreign exchange market

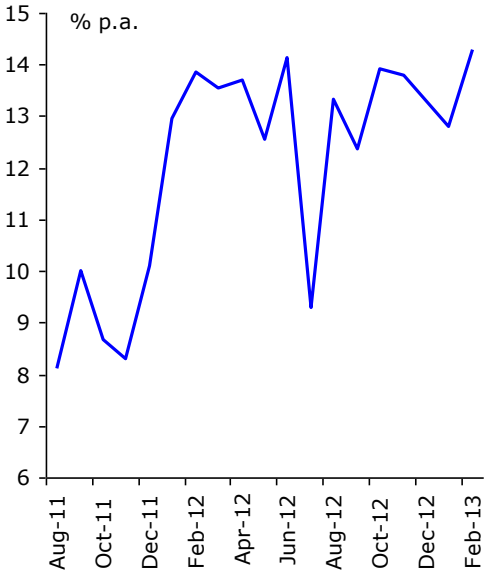
Exchange rate. In February, UAH/USD exchange rate continued to fluctuate in tight range around UAH 8.10 mark on interbank market. The NBU conducted limited interventions on foreign exchange market mostly to support government operations. As a result, international reserves remained at USD 24.7 bn after USD 1.0 bn payment to the

IMF, although government borrowing in foreign currency was about USD 1.7 bn.

State debt. In February 2013, the Government had to increase the yields on hryvnia denominated domestic state bonds to 14.3% p.a. as compared to 12.8% p.a. in January due to restricted demand. Still, the Ministry of Finance placed only UAH 0.2 bn of five-year domestic state bonds denominated in hryvnia. At the same time, the Government placed USD 668 m of state domestic bonds denominated in US dollars with 8.0% p.a. weighted average yield. These bonds were mostly purchased by state-owned banks. Received funds were not enough to cover large principal and interest payments scheduled for this month (near UAH 10.4 bn). Therefore, the Government likely used funds accumulated from Eurobonds issue in early February (USD 1.0 bn). Overall, required financing of debt servicing (including principal) totals to near UAH 116 bn in 2013.

In February, the Minister of Finance signed a Memorandum of Understanding and Loan Agreement for the EU Macro-Financial Assistance to Ukraine. According to the Memorandum, the European Commission (EC) will provide Ukraine with credit up to EUR 610 m for 15 years at EUribor + 2% to support the stability of the country's finance and economy. The loan will be divided into four tranches of EUR 100 m, EUR 10 m, EUR 250 m and EUR 250 m. The first tranche will be made after ratification of the Memorandum and Loan Agreement by the Verkhovna Rada under a condition of positive statement of the EC on the implementation of the SBA by Ukraine. Other tranches will be provided by the EC only if the Ukrainian Government will conduct envisaged in the Memorandum reforms related to financial, budget and energy sectors.

Weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
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	-3.2	...
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	-15.2	...
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	5.6	...
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	14.2	...
Average wage	UAH	2605	2727	2837	2923	3109	3064	3195	2923	2942	3015	3109	3151	3073	3064	3110	3098	3377	3000	...
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	-0.5
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	-0.9
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	-3.5	...
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	-3.3	...
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	-0.4	...
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	0.1	...
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	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	-1.4	...
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	17.7	...
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	8.11
Exchange rate (official)	USD aop	7.97	7.97	7.98	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99
Exchange rate (official)	EUR aop	11.48	11.27	10.76	10.46	10.26	9.99	10.37	10.53	10.51	10.27	10.01	9.83	9.89	10.25	10.37	10.26	10.49	10.60	10.70

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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