Monthly Economic Monitor Ukraine

No.11 (157), November 2013

EXECUTIVE SUMMARY

HIGHLIGHT: "DOING BUSINESS"

Politics: In October Ukrainian authorities did little to ensure signing of the Association Agreement with the EU as well as to make new IMF program possible.

Real Sector: Real GDP dropped by 1.5% yoy in the third quarter of 2013, which is the fifth quarter in a row of declining real GDP.

Energy sector: The Verkhovna Rada has finally adopted the law "On Operating Principles of Electricity Market of Ukraine" that changes the electricity market model of Ukraine.

Agriculture: 'Agricultural Sector Development Strategy of Ukraine till 2020' is directed at ensuring increase in gross agricultural output by 1.3 times by 2020 and growth of exports at 3-4% annually.

External sector: Current account deficit ballooned to USD 2.0 bn in September and according to preliminary estimates it came within breathing distance to largest value since 2009.

Fiscal policy: Funds at the Single Treasury Account declined to UAH 0.4 bn as of November 1, which is the lowest level for last ten years.

Social policy: The Pension Fund is increasingly financed at the expense of central fiscal transfer.

Labour market: Labour market situation remains weak with reduced number of staff employed and rapid deceleration of wage growth.

Monetary policy: Headline consumer inflation remained negative at 0.1% yoy in October as Ukrstat reported increase in prices for a number of raw food products.

Financial markets: International reserves dropped to USD 20.6 bn by the end of October as the NBU made payments to IMF and conducted limited interventions on foreign exchange markets.

Highlight of the month: "Doing Business"

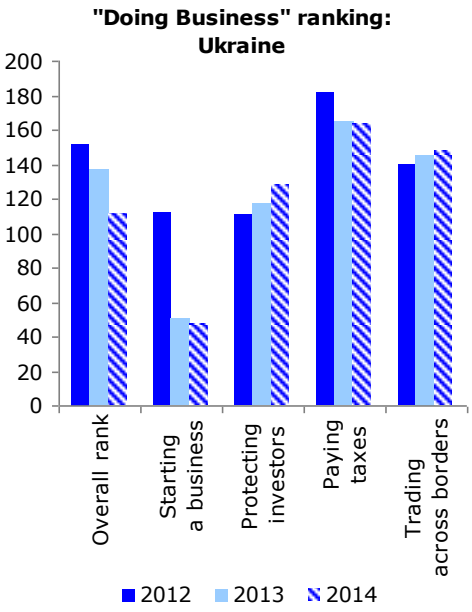
DOING BUSINESS IN UKRAINE: RAPID INCREASE IN RATINGS BUT LITTLE SYSTEMIC CHANGES

Iryna Fedets

Ukraine ranked 112th among the 189 nations in the "Doing Business – 2014" rating by the World Bank. The rating is composed of ten topics, including starting a business, getting credit, paying taxes, protecting investors, and trading across borders. Ukraine has made the greatest improvement in ranking as compared to other countries: it has climbed by 28 positions from the 140th place, where it had been in the previous year, improving ranking in eight areas. However, the rapid rise has happened only in a few areas and it does not necessarily mean improvement of business climate in the country.

Improvement in Doing Business rating became a state policy priority. However, the Government focused on achieving progress in indicators that are easiest to improve and impact overall rating the most. It seems not to care much about overall business climate in Ukraine. Methodology of "Doing Business" report contributes to it. In particular, focusing economic reforms on the areas outlined in the ranking brings instant result: simplified issuance of permits in a single category is sufficient for Ukraine to soar from the bottom of the rating on respective topic up to position in top 50.

Ukraine's rapid advancement in the rating in 2013 happened mostly due to simplification of procedures for obtaining construction permits. It took 544 days and required 29 procedures to obtain these permits five years ago. In 2013, the number of procedures shrank to 10, and the time needed to complete them shortened to 73 days. As a result, in terms of "Dealing with Construction Permits", Ukraine has risen from number 186 in the 2013 ranking to the 41st place in the 2014 report. In addition, it has become easier to register property in Ukraine. Compared to previous year, registration procedure was shortened by a month (from 75 to 40 days). The cost of the procedure has also decreased from 3.7% to 1.9% of the property value.



Source: World Bank 'Doing Business - 2014'

On the other hand, Ukraine's rating on a number of topics remained very low. In particular, Ukrainian business has to wait more than 270 days in order to get electricity, putting Ukraine on the 172nd place according to this criterion. Despite the reduction of the amount of time business spends to pay taxes by 100 hours just over the last year, Ukraine had improved in the rankings in terms of "Paying Taxes" more modestly as Ukraine remains very far from best practices. Now, Ukraine is number 164 according to this criterion.

Ukraine's 128th place in "Protecting Investors" reflects the problems with investor protection. Long delays and high costs of resolving insolvency are not conductive to doing business in Ukraine, which resulted in Ukraine's 162nd position in this area. Expensive export and import procedures do not allow Ukraine to rise above the 148th rank in "Trading Across Borders".

While the "Doing Business" report is a helpful instrument for comparison of certain procedures related to doing business, it does not reflect the business climate fully. Economic liberty and competition, rule of law, inspections and technical standards, corruption and macroeconomic situation remain beyond its scope. It should be added that even the indicators that are covered by the ranking do not always reflect conditions for doing business completely. For example, number of credit bureaus and availability of information on business credit history is measured under the "Getting Credit", within where Ukraine has high rating (13th). However, it does not account for the fact that it is difficult to obtain credit for business because of high interest rates.

Therefore, to create a favorable business climate in the country and to attract investment, reforms should be implemented not only following the criteria in a certain rating, but in a wider context. Thus, the authors of the "Doing business" report recommend Ukraine to move to more flexible exchange rate, increase capacity of the judicial system, maintain competition, implement legal norms more transparently, introduce risk-based inspections and align the system of technical standards and certification requirements with the EU norms in 2014. Implementation of these decisions will increase investment attractiveness of Ukraine and improve business environment in the country rather than only position in rating.

Monthly Economic Monitor Ukraine

Politics: The EU-Ukraine association agreement may be postponed

The European Union. In October, Ukraine made little progress in fulfilling the requirements of the EU for signing the Association Agreement (AA). The Parliament passed only one law aimed at meeting the EU's conditions (the law on financing new election in five constituencies), and preliminarily approved a Constitutional amendment regarding guarantees for judicial independence. However, the Parliament did not schedule Kyiv mayoral election in December. It also did not consider the bill on Prosecutor General Office that was endorsed by the European Commission for Democracy through Law (the Venice Commission) in October.

The EU requirement to solve the issue of selective justice was not met as Yulia Tymoshenko, Ukraine's former Prime Minister, remained imprisoned. Three draft bills allowing her to go to Germany for medical treatment were submitted to the Parliament, but were not considered during the month. In addition, Ukraine did not resolve controversies in trade with the EU.

Those developments cast doubt on whether the AA will be signed at the Eastern Partnership Summit in Vilnius, Lithuania on November 29th. In October, the European Parliament recommended to the Council of Europe to sign the Agreement only if Ukraine would meet the necessary conditions.

The IMF. In the second half of October, the IMF Article IV mission visited Kyiv to discuss Ukraine's economic policies with top officials from the Government and the National Bank. The IMF mission recommended that Ukrainian authorities implemented three key reforms: (1) increased exchange rate flexibility, (2) ensured fiscal consolidation, and (3) raised domestic energy tariffs. In particular, the mission suggested that Ukraine should postpone VAT and corporate tax cuts and curb fiscal expenditures through wage and employment restraint. Ukraine also should strengthen the banking sector. Ukrainian officials intend to continue negotiations with the IMF in order sign a new stand-by arrangement. This would require politically difficult decisions.

Real sector: Real GDP declined again

GDP. According to the preliminary Ukrstat estimate real GDP dropped by 1.5% yoy in the third quarter of 2013. On demand side, negative contribution in real net exports and lower investments might be behind lower real GDP. Slowdown in consumption may have also contributed. On the production side, rainy weather in September did not allow agriculture to support economic growth.

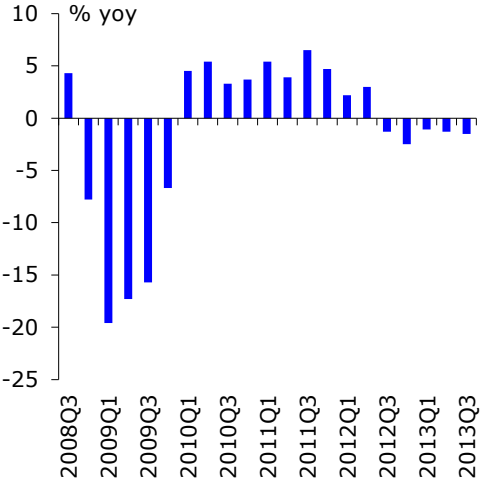
Sectoral trends. Reduction in industrial output in September remained close to August level (at 5.6% yoy) as the demand for key Ukrainian export commodities did not improve. Trade tensions with Russia also limited exports for some products. Output in metallurgy declined by 5.2% yoy. At the same time, machine building producers likely overestimated effects of recycling fee in previous months and had to pull back production in September. As a result, output dropped by 16.2% yoy. Slightly higher domestic demand did little to support domestic production of consumer goods due to increased competition from imported goods. Food production declined by 12.8% yoy as sugar production was delayed by rainy weather.

Rainy weather also led to postponed harvesting and higher losses. As a result, in nine months of 2013 agricultural production growth decelerated to only 3.0% yoy from 13.3% yoy between January and August. Still, the yields increased substantially for grain (by 18% yoy), fruits and sunflower seeds.

Construction declined by 16.2% yoy as recession dampened demand for commercial real estate and public investment dropped sharply. At the same time, residential construction grew by 7.2% yoy.

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 GDP growth



Source: Ukrstat

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Retail sales of companies continued to slow down but still grew by 2.5% yoy in September, which reflects slowdown in income growth and higher savings.

Energy sector: Ukraine changes electricity market model.

On October 24, the Verkhovna Rada adopted the law "On Operating Principles of Electricity Market of Ukraine" that changes the electricity market model of Ukraine. New model envisages introduction of the bilateral agreements, "day ahead" electricity market, unified balancing market, unified market for auxiliary services, electricity retail market and creation of Cost Imbalance Allocation Fund. This model is a right step towards an open and competitive electricity market in Ukraine, higher efficiency and investment attraction.

The main drawback of the model is the Cost Imbalance Allocation Fund which preserves the high levels of cross subsidies in the sector while shifting the focus of subsidies from electricity consumers to electricity producers. With the new Fund traditional electricity producers (nuclear and hydro power stations) will subsidize producers of "green" electricity and thermal power plants.

The Law has high chances to be signed by the President. However, there are still issues that need to be addressed, including licensing requirements, local content requirements, taxation etc. Moreover, a number of bylaws and regulations have to be developed to make the new market model work.

Agriculture: Agricultural sector development strategy of Ukraine till 2020

In October the Cabinet of Ministers approved 'Agricultural Sector Development Strategy of Ukraine till 2020'. The Strategy aims to ensure appropriate organizational and economic conditions for an effective and sustainable development of the agricultural sector and availability of high-quality, safe, and affordable domestically produced goods.

The document also outlines key challenges faced by agriculture today and specifies strategic targets for the development of the sector such as food security, investment attractiveness improvement, efficient use of land resources, etc.

It is expected that gross agricultural output will grow by 1.3 times by 2020 and exports will increase by 3-4% annually if the Strategy is implemented. However, to reach these targets the Government has to ensure political and economic stability in the country as well as favourable investment climate in the sector.

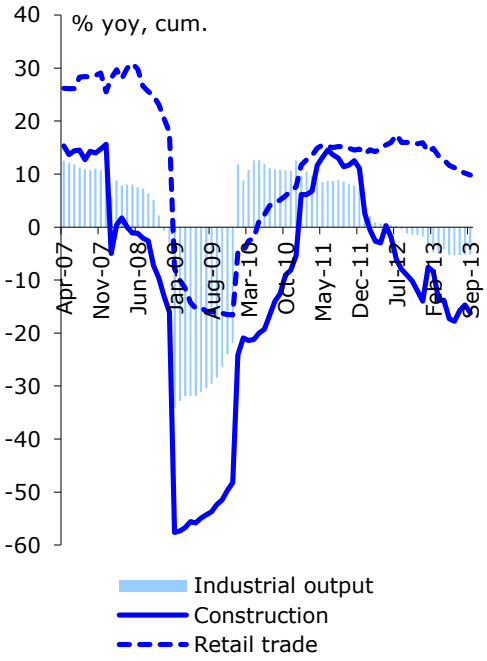
External sector: Merchandise trade deficit reached USD 2.4 bn

Current account deficit ballooned to USD 2.0 bn in September and according to preliminary estimates it came within breathing distance to largest value since 2009 reflecting merchandise trade deficit of USD 2.4 bn. Lower net payments of income and continued revenues from tourist season supported current account.

Exports of goods in September remained subdued and dropped by 9.9% but was not lower than in previous months. Agricultural exports remained the main source of export revenues but it dropped by 15% yoy due to rainy weather disrupting harvest as well as expectations of high global supply this year. Exports of metallurgy products dropped by 6% reflecting somewhat lower prices and stagnant demand. Export of transport and machine building products continued to feel trade disruptions with Russia. Merchandise imports jumped by 6.7% yoy. Imports of mineral products reached USD 2.8 bn as Naftogaz prepared for winter by increasing purchases of gas from Russia. Imports of other goods was flat. Imports of investment goods and industrial inputs dropped due to recession in Ukrainian economy and recycling fee on car imports. Imports of consumer goods continued growing.

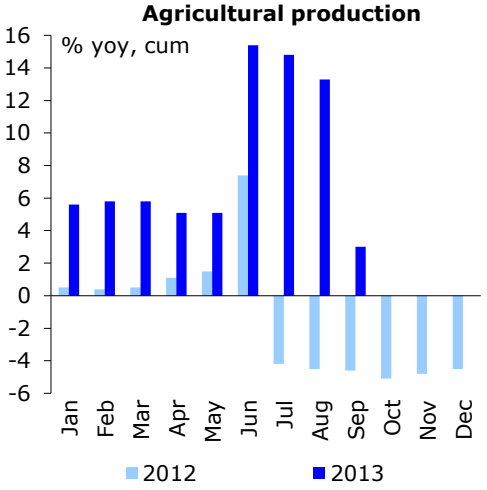
Financial and capital account surplus widened to USD 1.9 bn in September despite repayments of FDI loans and low portfolio

Real sector trends



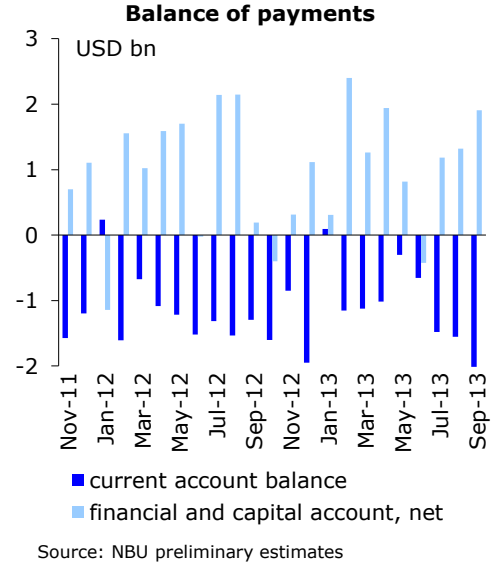
Source: Ukrstat

Agricultural production



Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

inflows. Net debt inflows reached USD 1.1 bn as government raised USD 750 m syndicated loan and private sector was able to refinance debt repayments despite downgrade in Ukraine's credit rating. Foreign cash outflows from banks remained at USD 0.5 bn. Trade loans and other inflows reached USD 1.5 bn as Naftogaz increased its debt for Russian gas.

Fiscal policy: Treasury balance plummeted to ten-year low

Budget execution. According to preliminary data of the State Treasury, central fiscal revenues increased by only 1.9% yoy between January and October compared to 1.8% yoy in the first nine months of the year due to surge in non-tax collections.

Between January and September the transfer of the NBU profits to the budget increased by more than 50% yoy. At the same time, economic recession resulted in lower tax collections, which dropped by 2.8% yoy. Revenues from VAT declined by 7.1% yoy due to higher VAT refunds and imports decline. Revenues from taxes on international trade and excises on imported goods decreased against the background of sharp decline in imports. However, EPT grew by 6.8% yoy primarily due to introduction of obligatory advanced payments of this tax since January 2013.

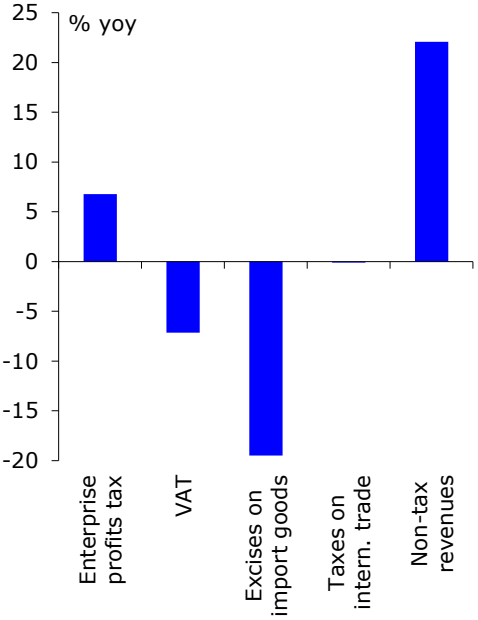
Central fiscal deficit surged to UAH 35.2 bn in the first nine months compared to UAH 24.4 bn in the same period of 2012, but was lower than planned. It was primarily financed at the expense of domestic borrowings, while the privatization receipts reached only 8.4% of the annual target.

As a result, central fiscal expenditures were highly under-executed. In October the Government terminated payments of wages and social assistance, in order to be able to serve its debt, including payment of the IMF loan.

Lower than planned revenues and insufficient borrowings resulted in the depletion of funds at the Single Treasury Account UAH 0.4 bn as of November 1, 2013, which is the lowest amount for last 10 years. For comparison, the Government had at the Treasury UAH 4.1 bn as of October1. Overall, the Government is likely to have delays in financing even protected items in the last two months of the year.

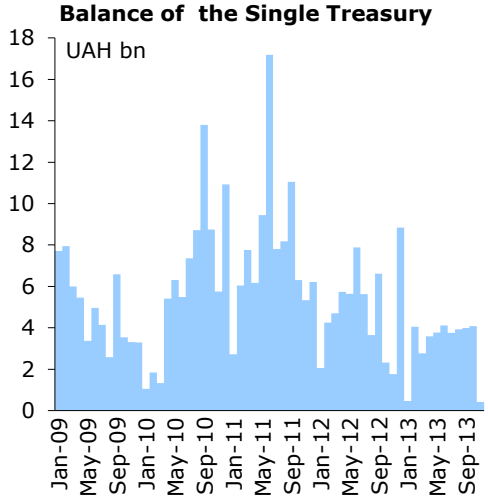
Promissory notes. In October, the Cabinet of Ministers of Ukraine defined the maximum amount of promissory notes. In particular, UAH 12 bn of promissory notes are to be used for payment of the VAT refund. Besides, UAH 3.6 bn are likely to be allocated to redeem budget arrears. At the same time, the Verkhovna Rada amended State Budget Law for 2013, allowing the Government to redeem budget arrears to utility companies via promissory notes. Their amount is to be determined by the Government. Overall, these promissory notes decrease fiscal transparency and increase uncertainty. Moreover, the Government is not likely to include promissory notes into the debt statistics, even though de facto it increases its debt liabilities.

Change in central fiscal revenues in January-September of 2013



Source: State Treasury reports

Balance of the Single Treasury



* in the beginning of month
Source: State Treasury

Social policy: The Pension Fund's deficit remains high

In nine months of 2013 the Pension Fund's expenditures increased by 8.5% yoy to UAH 187 bn due to increase in pension payments, predominantly explained by higher minimum pension. Pensions were financed at the expense of higher revenues from pension insurance contribution (by 6.3% yoy) and larger central fiscal transfer. Share of expenditures, which is financed by revenues from pension insurance contribution, declined to 65.4%, which is by 1.4 p.p. lower than in the same period of last year.

At the same time, loans of the State Treasury were much lower this year (estimated at near UAH 1.5 bn as compared to estimated UAH 13.5 bn last year). This could be partially explained by higher central fiscal transfer, which surged by 31.8% yoy with larger increase of deficit financing transfer (by 51.3% yoy). Another reason of low Treasury loans is absence of financing for these loans. The

Government even acknowledged some delays in social payments, which were widely reported over the last few months.

Labour Market: Weak labour market

Labour market situation remains weak. In September the number of staff employed by companies with at least 10 employees declined by 4.2% yoy, while wage growth decelerated to 6.5% yoy. This reflects economic recession and related decline in corporate profits and harsh fiscal situation.

Still, wages in industry grew by 7.4% yoy likely due to several reasons. First, big industrial companies pay wages tied to minimum wage increase (at 5.3% yoy). Second, higher minimum wage also lead to higher thresholds for social tax privilege and automated VAT refunds leading to some de-shadowing of wages. Third, the companies are trying to increase labour productivity by laying off part-time employees and putting more work on remaining staff with some increase in wage.

The number of jobs might reduce further if the economic situation does not improve and trade frictions with Russia are not resolved.

Monetary policy: Reported drop in CPI shrank to 0.1% yoy

Headline consumer inflation remained negative at 0.1% yoy in October as Ukrstat reported increase in prices for a number of raw food products. Nevertheless downward bias in CPI estimates was still observed. By conservative estimate price index for vegetables in October should have increased by over 50% yoy as opposed to 2% drop reported. This alone would have increased headline CPI by 2%. Price increases for a number of food products were significantly smaller than reported by State Price inspection and private sources while opposite examples were hard to find.

Monetary conditions tightened in October as the NBU withdrew liquidity through interventions on foreign exchange market and increased reserve requirements in the end of September. NBU reported increase in average interbank interest rate to 4.9% in October from 4.0% in September while bank free reserves dropped to about UAH 12 bn on average in October. Banks also increasingly advertised deposit rates over 20% p.a.

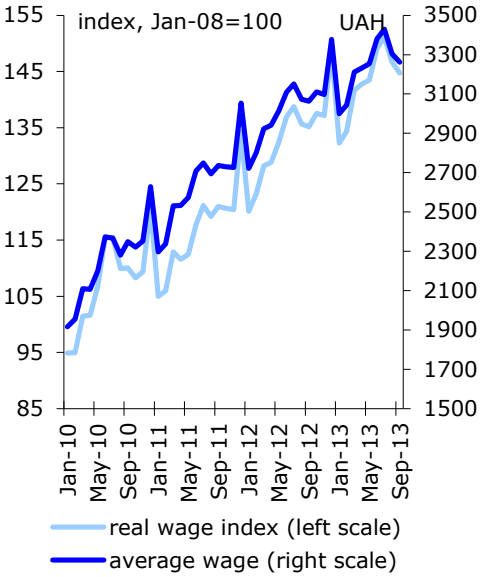
Financial markets: Continued administrative measures for exchange rate stability

Exchange rate. In October Ukrainian foreign exchange market became increasingly opaque or segmented as the NBU consistently reported daily average interbank exchange rate that is significantly lower than "buy" exchange rate for cash transactions (on average by UAH 0.028 per USD). This would not make economic sense unless most banks were unable to buy US dollars at average interbank rate. This would mean that significant part of foreign exchange transactions reported to the NBU were at non-market prices. This is also supported by reports of market exchange rates from commercial sources that differ markedly from the NBU reports.

International reserves dropped to USD 20.6 bn by the end of October as the NBU made payments to IMF and conducted limited interventions on foreign exchange markets at USD 0.3 bn).

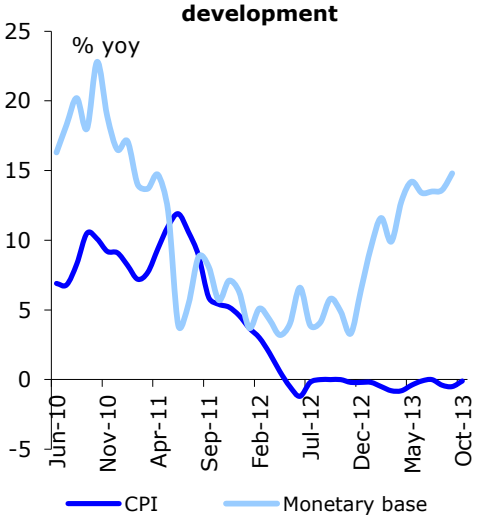
State debt. In October 2013, the Government attracted new borrowings only on domestic market as the yields for Ukrainian Eurobonds remained high. The Ministry of Finance placed UAH 3.1 bn hryvnia denominated bonds with weighted average yield at 13.6 p.a. Due to lower than planned borrowings the Government terminated financing of some expenditures to be able to serve its debt in October and beginning of November.

Average wage



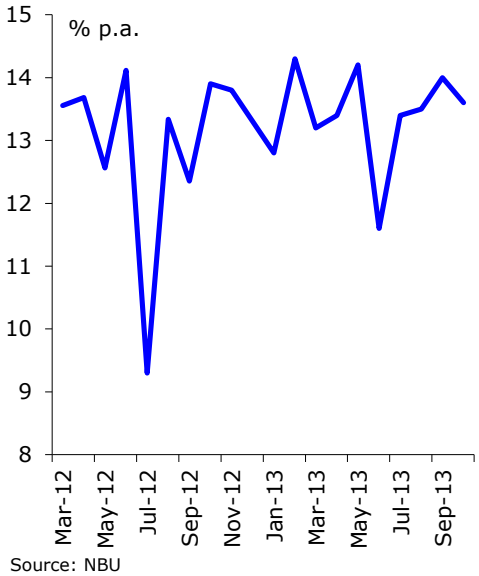
Source: Ukrstat

CPI and monetary base development



Source: Ukrstat, NBU

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	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Industrial production (real)	% yoy cum.	8.6	7.3	0.9	0.4	-1.2	-1.8	-5.0	-1.5	-1.8	-3.2	-4.8	-5.0	-4.2	-5.2	-5.3	-5.3	-5.2	-5.2	...
Construction (real)	% yoy cum.	11.4	11.1	-2.7	-1.9	-9.1	-14	-13.8	-12.1	-13.8	-7.6	-8.4	-13.8	-13.8	-17.3	-17.8	-15.7	-14.7	-16.2	...
Agricultural production (real)	% yoy cum.	13.7	17.5	0.5	7.4	-4.6	-4.5	5.8	-4.8	-4.5	5.6	5.8	5.8	5.1	5.1	15.4	14.8	13.3	3.0	...
Retail trade turnover (real)	% yoy cum.	15.2	14.7	14.2	16.0	16.0	15.9	13.4	15.7	15.9	14.2	14.8	13.4	12.7	11.6	11.2	10.6	10.2	9.8	...
Average wage	UAH	2727	2837	2923	3109	3064	3195	3085	3098	3377	3000	3044	3212	3233	3253	3380	3429	3304	3261	...
CPI	% yoy eop	5.9	4.6	1.9	-1.2	0.0	-0.2	-0.8	-0.2	-0.2	-0.2	-0.5	-0.8	-0.8	-0.4	-0.1	0.0	-0.4	-0.5	-0.1
PPI	% yoy eop	21.3	14.2	6.5	4.5	0.3	0.3	0.2	0.0	0.3	1.5	-0.9	0.2	-1.0	1.9	-1.6	-1.6	-0.9	-0.9	...
Exports (USD)*	% yoy cum.	26.8	21.8	5.2	2.5	2.6	1.0	-2.1	2.0	0.5	-5.7	-1.2	-5.3	-3.9	-7.6	-8.3	-8.4	-8.6	-8.8	...
Imports (USD)*	% yoy cum.	30.9	21.9	5.8	9.8	7.6	5.6	-4.7	5.8	5.3	-2.1	-3.6	-3.5	-3.6	-9.7	-11.5	-10.4	-9.8	-8.0	...
Merchandise trade balance	USD bn cum.	-9.3	-13.8	-3.9	-9.5	-14.8	-20.5	-3.8	-17.9	-20.5	-0.5	-2.0	-3.8	-5.3	-5.9	-6.8	-8.8	-10.8	-13.2	...
Current account**	USD bn cum.	-5.0	-9.0	-2.0	-5.9	-10.0	-14.4	-2.9	-12.4	-14.4	0.0	-1.5	-2.9	-4.0	-4.4	-5.2	-6.7	-8.2	-10.2	...
Gross international reserves	USD bn eop	35.0	31.8	31.1	29.3	29.3	24.5	24.7	25.4	24.5	24.7	24.7	24.7	25.2	24.5	23.2	22.7	21.7	21.6	20.6
Monetary Base	% yoy eop	8.1	6.3	4.3	6.6	5.8	6.4	9.9	3.3	6.4	9.5	11.6	9.9	12.8	14.2	13.4	13.5	13.6	14.8	...
Lending rate on UAH credits	% pa, aop	14.8	18.4	15.5	15.7	19.6	20.8	16.2	23.2	17.6	16.5	15.9	16.1	15.3	15.6	15.3	15.7	15.0	15.2	...
Exchange rate (interbank)	USD aop	7.99	8.01	8.02	8.05	8.09	8.11	8.11	8.13	8.09	8.10	8.11	8.11	8.11	8.12	8.12	8.11	8.10	8.13	8.14
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
Exchange rate (official)	EUR aop	11.27	10.76	10.46	10.26	9.99	10.37	10.55	10.26	10.49	10.60	10.70	10.36	10.40	10.38	10.41	10.45	10.64	10.67	10.90

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	Q2 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	351.9
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	-1.3
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	7.4
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	-1.0
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	-19.7
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	-14.4
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	-19.1
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	20.9
Manufacturing industry (real)*	% yoy	-26.1	-25.6	6.5	10.9	10.1	7.6	7.6	7.8	3.4	4.6	-2.9	–0.1	–0.1	-6.1	–7.2	-9.5	-9.2
Construction (real)*	% yoy	-42.7	-43.6	-32.8	-7.7	-5.8	9.6	3.9	1.7	10.9	0.1	2.0	–3.4	–0.2	-15.1	–12.2	-14.8	-20.9
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	1.4
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	-2.2
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	-2.7	-2.0
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	-7.2	-4.5
Trade balance in goods	USD m	-622	-1396	-1407	-1236	-697	-2870	-3585	-3597	-2851	-4580	-5224	-3867	-5577	-5215	-5833	-3700	-2808
Trade balance in services	USD m	432	1256	550	930	1115	1536	823	1262	1514	2007	1312	1299	1362	1975	1084	859	992
Current transfers	USD m	667	640	722	608	728	797	842	1039	878	988	803	683	805	777	711	548	604
Direct investment (FDI)	USD m	1279	1210	1282	923	1196	1470	2170	880	2422	2090	1623	1663	1091	2002	1871	832	1088
Portfolio investments	USD m	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506	222	-369	2890	339	705	592
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	23.1
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	8.12
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	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	29.6
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	5.1
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	3.5
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	9.1
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	2.6
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	36.1
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	34.2
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	1.9
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	-6.4
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	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	9.3
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	7.6	…
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	8.0	…
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	9.8
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	17.9
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	26.5
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	14.7
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	7.4
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	-0.4
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	-2.7
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	55.7
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	15.3
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	9.7

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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