INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.4 (138), April 2012

EXECUTIVE SUMMARY

***HIGHLIGHT:* SOCIAL INITIATIVES**

Politics: Ukraine and the European Union initialled the text of the Association Agreement (AA), including provisions on a Deep and Comprehensive Free Trade Area.

Real Sector: Real GDP grew by 5.2% in 2011 due to strong domestic demand.

Sectoral news: Gasoline prices continued growing raising discussions on the necessity of state intervetions.

External sector: In February current account balance became negative, while financial account balance turned positive.

Fiscal policy: Central fiscal expenditures were under-executed due to attempts of the Government to accumulate funds for peak debt payments.

Social policy: Real disposable income grew by 6.1% in 2011.

Labour market: Labour market remained weak throughout 2011 being characterised by high skills mismatches.

Monetary policy: CPI growth decelerated further to 1.9% yoy in March.

Financial markets: The Government continued inventing new instruments to ensure higher borrowings.

Highlight of the month: Social initiatives

NEW SOCIAL INITIATIVES ON THE EVE OF PARLIAMENT ELECTIONS

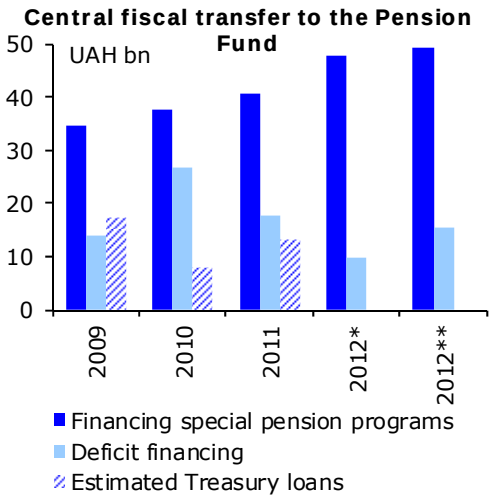
By Oleksandra Betliy

On March 7 the President of Ukraine announced new social initiatives. Social initiatives include increase in pensions and other social payments as well as UAH 1000 payouts to former depositors of Soviet Sberbank. The respective Draft Law was submitted to the Parliament on April 9 suggesting increase in central fiscal expenditures by UAH 33.3 bn, from which UAH 18.2 bn will be directed for financing social initiatives.[1] Increase in social spending is probably related to Parliamentary elections in October. The timing of new social package is not favourable taking into account recent slow-down of economic activity and high external risks.

The increase in pension payments is the most important social initiative. In particular, pensions to individuals retired before 2008 are to be revised as they have disproportionally lower pensions than pensioners who retired later due to deficiencies of formula used for pensions calculations. Pensions of war veterans and several other groups will have higher increases. Overall, the Draft on Amendments to the State Budget Law envisages additional transfer to the Pension fund at UAH 7.0 bn. Another UAH 2.1 bn will come from improved projections of the Fund's revenues. However, the Institute expects that Pension Fund's revenues from payroll taxes are likely to be lower than previously approved. Thus, the Government will likely to have to increase funding of the Pension Fund through further amendments to the Budget or non-transparent loans provided by the State Treasury.

At the same time, initiatives do not envisage targeted approach to provide social assistance. Often increase in social assistance relates to veterans, disabled and victims of Chornobyl catastrophe without means-testing. As a result, social spending will remain ineffective. Large part of spending will go to middle- and higher-income recipients.

Another initiative is a payout to former depositors of the Soviet Sberbank. In particular, each person that had sufficient deposit at the Sberbank will receive UAH 1000, if he/she did not receive this payment in 2009. According to official estimates, 6 m persons will be eligible for this payment. However, state-owned Oschadbank will try to induce depositors to keep some of the money as a deposit.



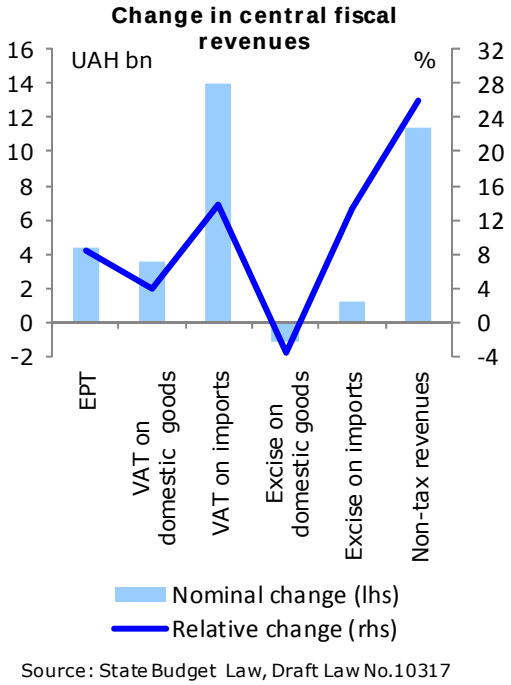
*Note: * Approved, ** Draft Law on Budget Amendments*
Source: State Budget Laws, Draft Law No.10317

The Presidential social initiatives, which were reflected in the Amendments, also included modernisation of social services to increase coverage of vulnerable population groups. In particular, priority was given to social integration of such groups, including disabled individuals. The additional financing is to be allocated for purchasing wheelchairs, prosthesis, rehabilitation of disabled, and related measures. Such steps are welcome, even though they raise concerns on the effectiveness of such spending under the condition of unchanged principles of funds allocation.

Aforementioned measures are not likely to stimulate economic growth in Ukraine. The increase in social expenditures will bring their share in total fiscal spending, while healthcare, education and other important public goals will have to compete for increasingly scarce public funds. Also higher social expenditures will increase social entitlements for future years. Social initiatives will also complicate negotiations with the IMF on the new instalment of the stand-by loan.

The President also announced measures to stimulate residential construction. In particular, the mortgage interest rates on 'affordable housing' are to be lower than 3% p.a. with the rest compensated by the state to banks. Total financing of such measures is envisaged in the Draft Law at UAH 1.0 bn. However, such step might have only marginal impact on the market taking into account high housing prices in Ukraine as well as likely lower than required envisaged requirement (10-15 years).

Overall, the total expenditures for the social package are envisaged to amount to UAH 18.2 bn. These measures may add 1.7% to projected disposable income in 2012. According to official estimates inflation might increase additionally by 1.0-1.5 p.p. Besides, part of additional consumer spending will be spent on imports leading to negative impact on current account balance.



Source: State Budget Law, Draft Law No.10317

Increase in social spending raises concerns about its financing. According to the Draft Amendments to the State Budget Law financing is primarily to be received from additional receives from VAT and EPT and from selling natural resources rights. However, the revenues estimates seem to be optimistic taking into account deterioration of macroeconomic outlook. As a result, fiscal revenues may reach projected level if the tax administration will become even tighter, which will further depress business activities. Second possibility is that the overdue VAT refund arrears will be increased. Last, but not least, companies will continue paying extensive amounts of tax in advance. All these factors will worsen investment climate.

Besides, the Draft Amendments to the State Budget Law envisages increase in other fiscal expenditures. Even though it was announce as changes to finance social package, the financing of later accounts for only 55% of total additional revenues to be raised. Other expenditures are directed to many various items, including increase in state aid to coalmining and agriculture, financing of Parliament elections and increase in goods reserves. However, most of these steps are also unlikely to stimulate economic recovery in Ukraine.

Therefore, even though the steps to increase living standards of poor Ukrainians could be welcome, the timing and the approaches taken are debatable. Initiative will not stimulate economic growth, which is proven to be the best measure to improve welfare. Besides, little attention is devoted to the introduction of targeted social assistance, which is the most effective way to help poor. The improvement of targeting principle in welfare programmes should also be a part of the reforms package aimed to increase effectiveness of budget spending.

[1] *Draft Law on Amendments to the State Budget Law for 2012 (on social initiatives), No.10317 from April 9, 2012*

Monthly Economic Monitor Ukraine

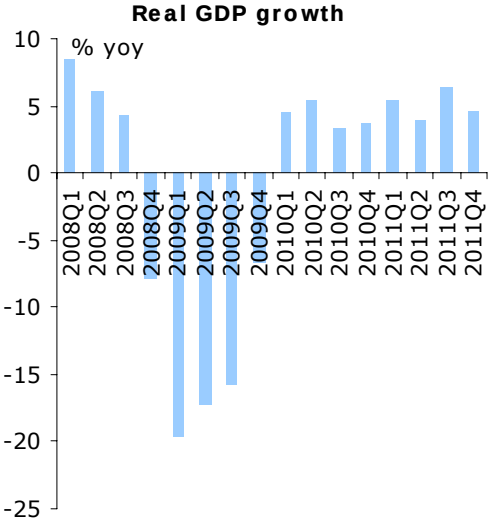
Politics: Ukraine-EU Association Agreement Initialled

On March 30 the Chief Negotiators of Ukraine and the European Union initialled the text of the Association Agreement (AA), including provisions on a Deep and Comprehensive Free Trade Area. The initializing procedure followed the completion of negotiations on the AA announced in December 2011 during the annual EU-Ukraine Summit. The signature of the AA is likely to take place on December 2012 only under the condition of adherence to democratic values, improvement of situation with political prisoners and ensuring free, fair and transparent parliamentary elections. Nevertheless, further AA ratification by national parliaments of the EU member states raises even more doubts, as Germany, France and the UK made clear that they will not ratify the AA without major improvement of the situation with democracy in Ukraine.

In March the President of Ukraine Viktor Yanukovych attended the second Nuclear Security Summit held in Seoul, South Korea. During the summit Viktor Yanukovych had a meeting with the UN Secretary General Ban Ki-moon, and talked to leaders of Azerbaijan, Finland, Lithuania, Russia, and Vietnam before the summit's first plenary session. The summit's highlight, however, was short conversation of Viktor Yanukovych's with the U.S. President Barack Obama. Mr. Obama has also expressed concerns about selective prosecution of political opposition in Ukraine. He stressed that the viability of Ukrainian democracy should be demonstrated by ensuring free, fair and transparent parliamentary elections, which are to be held in October.

Population: 45.6 m
Industry/GDP: 28%
Agriculture/GDP: 8%
Investment/GDP: 19%
Exports to: Russia 25%, EU 28%
Imports from: Russia 22%, EU 35%

Real GDP growth



Source: Ukrstat

Real sector: Real private consumption continues driving economic growth

GDP. According to the revised estimates of Ukrstat real GDP grew by 5.2% in 2011. The real private final consumption increased by 15% making positive contribution to economic growth at 9.5 p.p. At the same time, increased consumption stimulated larger imports. Consumption grew due to higher real disposable income as well as lower saving rate. In particular, debt burden on households declined and loans increased after two years of contraction.

Limited banking credits and restricted own funds of companies as well as economic and political uncertainty defined the pattern of real fixed capital accumulation. Increase in state capital outlays, on the contrary, supported investment growth. Real fixed capital accumulation increased by 10.1% from low base of 2010 and remained lower than in 2004.

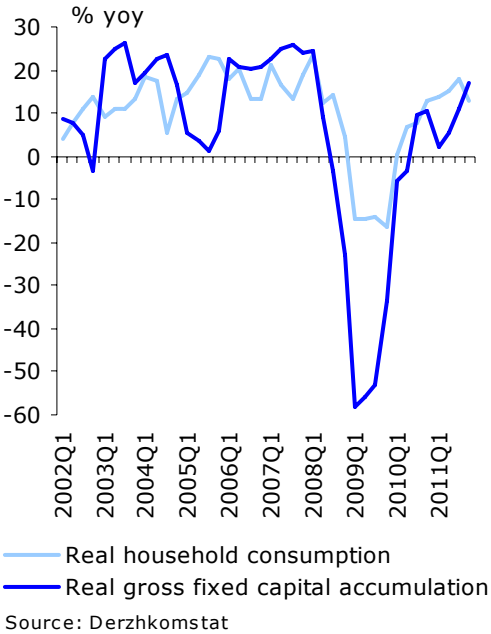
Increase in investments and consumption resulted in rapid growth of real imports (by 16.8%). At the same time, real exports increased by mere 2.2% due to exports restrictions on grain for a large part of year and bad sea-port infrastructure. Low external demand in the second half of the year also contained exports. As a result, net exports contribution to real GDP growth was negative at 7.9 p.p.

Inventories added 2.2 p.p. to economic growth. Increased inventories reflect record agricultural harvests. However, the Ukrastat might have overstated inventories due to mismatches in statistical reporting. In this case they will be corrected during the next revision of the GDP.

On the production side, agriculture and manufacturing contributed the most to economic growth. Real gross value added (GVA) in these sectors increased by 17.6% and 6.9%, respectively. Surge in consumption stimulated growth of GVA in trade. Higher consumption and production also contributed to higher GVA in transports.

Sectoral trends. Real industrial output growth decelerated to 1.6% yoy in February due to decline in extractive industry and several manufacturing industries. In particular, metallurgy declined production by 3.8% yoy due to lower external demand, which is likely to remain weak throughout major part of year. Uncompetitive playing ground at gasoline market resulted in the decision of the TNK-BP to

Quarterly consumption and investments trends



Source: Derzhkomstat

stop production on the Lysychansk oil refinery (recently the TNK-BP announced about attempts to restructure the company and sell this refinery plant). As a result, the production in coke and refinery industry declined by 12.4% yoy. Performance of machine building deteriorated increasing by mere 0.2% yoy. At the same time, chemical industry increased production by 11.8% yoy partially due to higher demand for fertilisers on domestic and external markets. Extremely cold weather in February resulted in growth of production and distribution of electricity, gas and water by 12.3% yoy.

In the first two months of 2012 retail trade turnover growth accelerated to 14.6% yoy being supported by continued growth of household income. Output in agriculture grew by 0.4% yoy. At the same time, fright turnover fell by 5.6% yoy primarily due to decline in pipeline transportation. In February, the Russian Gazprom reduced gas transit to the EU through Ukraine partially due to increased domestic demand. Cold weather also contributed to worsened performance in construction, which declined by 0.5% yoy between January and February.

Sectoral news: Introduction of state interventions on gasoline market are discussed

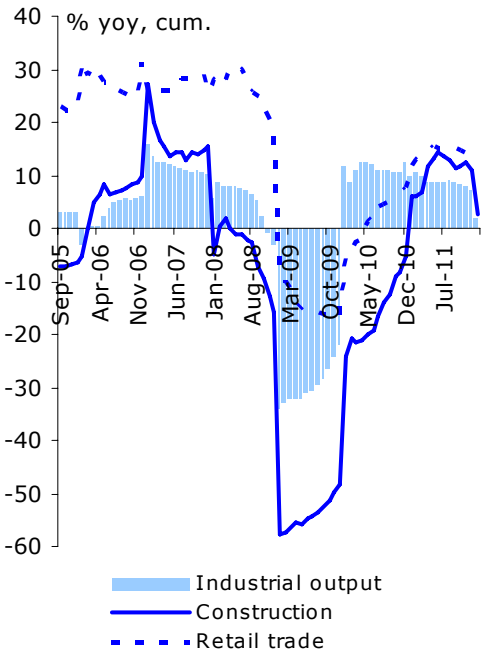
Energy. During recent months the average price of gasoline increased by 15 - 20% to UAH 13528 per tonne (A-95 gasoline) due to crude oil price growth as well as higher excise duties. The Government traditionally has decided to intervene to the market. Several approaches were discussed. In particular, the Energy Ministry suggested three measures to stabilize gasoline prices. First one relates to the processing of 1 m tonnes of oil at the Lysychansk oil refinery. The second measure relates to lowering of excise duties for the sowing period. Third, the Ministry raised the issue of temporary cancellation of VAT for oil imports. However, all these initiatives were not supported by the Cabinet of Ministers as of April 2. In turn, the Cabinet decided to increase the marginal gasoline price corridor by UAH 0.1 and inspect mini-refineries for gasoline quality. Besides, it is suggested to introduce flexible excise rate, which would depend on the world crude oil prices. In the past government interventions to the gasoline market proved to be ineffective in Ukraine having only short-term stabilization impact on prices.

Agriculture. In March Ukrainian President Viktor Yanukovych signed the Law "On the specifics of the insurance of agricultural production with state support", which comes into force on July 1, 2012. The Law sets general framework for agricultural insurance in Ukraine and defines provisions for government support schemes to stimulate development of insurance in crop production and in animal husbandry. It is aimed to protect agricultural companies from losses associated with harvest damage, animal diseases, etc. As a result, the agricultural producers might receive higher incentives for expanding their operations as well as better access to banking lending.

However, the Law contains several ambiguous provisions. For example, it foresees partial compensation of insurance payments by state. However, such government subsidies will be provided only if producers bought insurance from companies included in a special pool. To be in the pool insurance companies have to meet the list of requirements. These requirements as well as insurance tariffs and indicators that influence them should be defined by the Government. Therefore, there are concerns on the ad hoc government decision, which would indeed deteriorate the investment climate in the sector even further. Additional risk for execution of new law in 2012 relates to absence of respective insurance premium compensation in the State Budget Law for 2012.

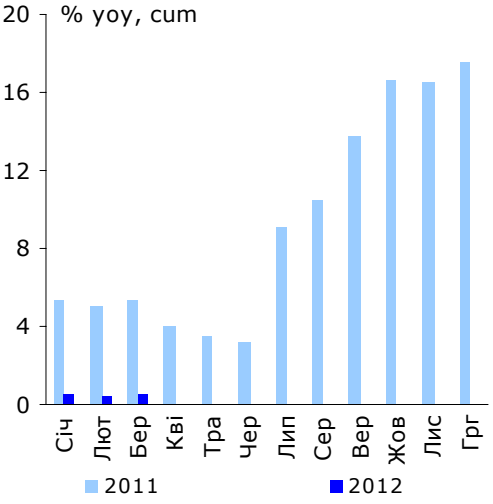
Privatisation. In the first quarter privatization receipts totalled UAH 4.1 bn (40% of annual budget plan). This amount was ensured by sales of 6 lots in energy sector. In particular, in March the DTEK bought 25% stake in Dniproenergo (for UAH 1.2 bn). As a result, the DTEK became a key private player on energy generation market with cummulative installed energy generation capacity of 18.2 GW.

Real sector trends



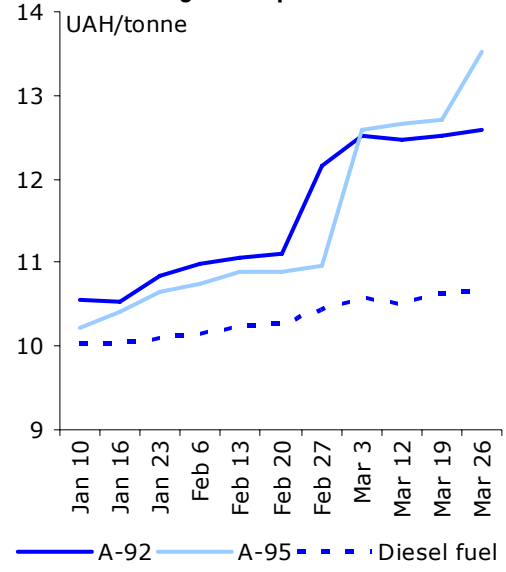
Source: Ukrstat

Agricultural output



Source: Ukrstat

Average fuel prices in 2012



Source: Energobusiness

The State Property Fund of Ukraine (SPFU) continues preparations for sale of other companies. In particular, the privatization of 50% stake of Dniprooblenergo is scheduled for April and sale of 45% of Crimenergo is likely to be conducted in May. Besides, the auction for 37.58% stake of "Lviv coal company" is planned for May. The SPFU will offer this object at "Ukrainian interbank currency stock exchange" instead of traditional privatization auction.

Transport. The Ministry of Infrastructure introduces an open skies regime on charter flights of football fans during Euro-2012 (from May 15 till July 15). During this period foreign airlines will be allowed to carry out charter flights without restrictions but without the right to sell air transportation services on the territory of Ukraine. The open skies regime foresees lifting restrictions on the number of flights and airlines that can enter the country's airspace. Absence of restrictions on routes and frequency of flights should be of interest to low cost airlines and may lead to decrease of air tickets prices. Overall, an open sky regime increases effectiveness of airport usage, leads to improved methods of management of air companies and higher quality of air transportation.

The railway monopolist *Ukrzaliznytsia* (UZ) has adopted a new tariff system on passenger transportation. Now, UZ will be able to use seasonal indexation to the price of transportation in compartment carriages. During 2012, the price of ticket is planned to increase by 14.3%. Tariffs will also differ according to the day of week. The UZ expects that the new system will partially decrease cross-subsidization of passenger transportation by fright transportation and ensure uniform distribution of passenger traffic during the year.

External sector: Financial account returns to surplus

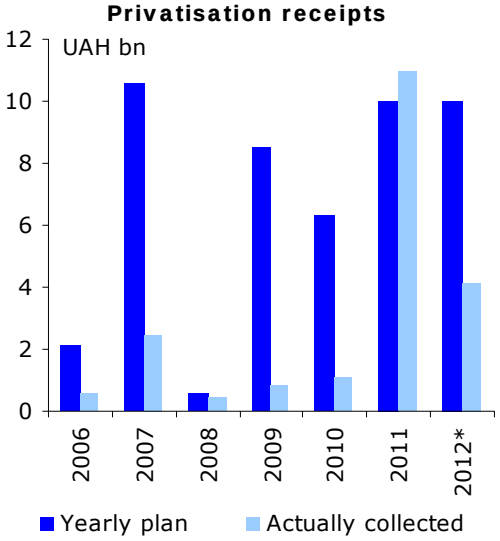
In February current account returned to deficit at USD 1.3 bn. It is comparable to February 2011 deficit. Merchandise trade deficit remained at USD 1.4 bn as it was a year ago. Exports grew only by 5.5% yoy due to decline in demand in major trading partners. Major exports category, namely, steel exports fell by 4.6% yoy to the lowest level since July 2010. At the same time, food exports and mineral products exports grew by 16.3% yoy and 21.5% yoy reflecting low base for comparison. Imports growth also slowed to 4.1% yoy being supported by higher purchases of machine building goods and mineral products. Imports of most other product groups fell in February. Overall, external sector weakened significantly over last several months.

Financial and capital account switched to surplus in February at USD 1.2 bn. Net FDI inflows continued to be strong at USD 0.8 bn. Significant inflows were observed for three months in the row with cumulative FDI receipts at USD 2.4 bn. Access to global financial markets remained restricted for Ukrainian borrowers, but relatively low scheduled payments led to small net inflow of debt capital. Cash foreign currency outflows from banking sector increased slightly to USD 0.7 bn, while other net inflows totalled USD 1.2 bn in February as opposed to USD 1.5 bn outflow in January.

Fiscal policy: Central fiscal balance remained positive in February

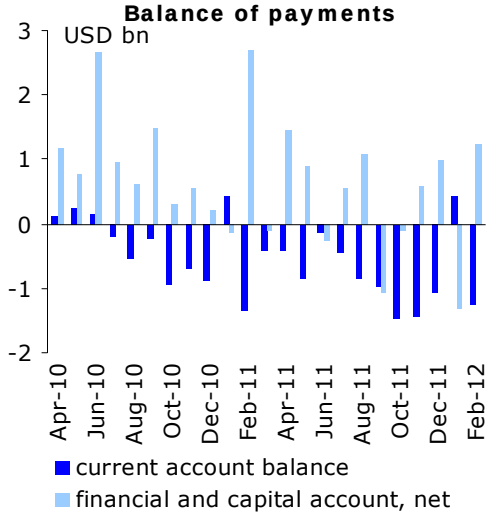
Between January and February, central fiscal revenues (general and special fund) grew by 15.9% yoy to 51.8 UAH bn. Higher EPT collections (by 18.1% yoy) were likely attributed to increased corporate profits. Besides, companies continued paying this tax in advance under the tax administration pressure. Higher consumption mostly contributed to VAT revenues growth. Net VAT receipts grew only by 7.0% due to higher VAT refunds, which increased by 44.7% yoy. According to official data overdue VAT refunds declined by 59.5% to UAH 4.5 bn. As before, collections of excise duties grew due to the rate hikes, but were contained by reported fall in production of excisable items. At the same time, the rent payments on natural gas augmented. Non-tax revenues also increased significantly (by 40.0% yoy) primarily due to higher transfer of the NBU profits. Overall,

Privatisation receipts



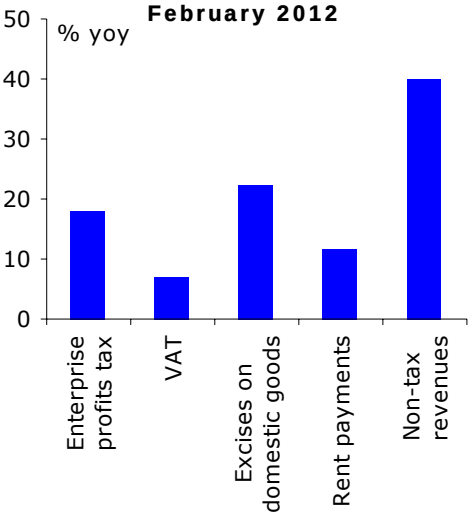
Note: * execution as of April 1, 2012
Source: SPFU, State Budget Laws

Balance of payments



Source: NBU preliminary estimates

Growth of central fiscal revenues due to general fund in January-February 2012



Source: State Treasury reports

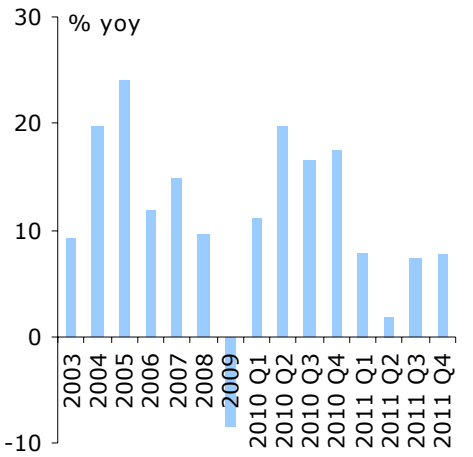
central fiscal revenues due to general fund were by 1.9% higher than the target.

The execution of central fiscal expenditures due to general fund constituted 90.8% of the target, which is less than in previous years. Government aimed to accumulate budget funds for the redemption of domestic and external borrowings maturing in the beginning of the year. Expected difficulties in financing fiscal deficit in the next months led to central fiscal surplus of UAH 4.7 bn

Social policy: Real disposable income increased by 6.1% in 2011

Disposable income in 2011 increased by 14.5% in nominal terms and 6.1% in real terms. Real wage income grew by 7.4% due to higher minimum wages and increased productivity. Wage income constituted 41.7% of total income. Economic recovery and record agricultural harvests enabled growth of income of entrepreneurs and farmers by 15.0% in real terms. At the same time, income from social assistance and current transfers increased by mere 1.4% due to limited increases in social standards and necessity to increase capital fiscal expenditures. Even though households increased deposits, income from interest and related sources declined in real terms due to lower interest rates paid by banks.

Real disposable household incomes

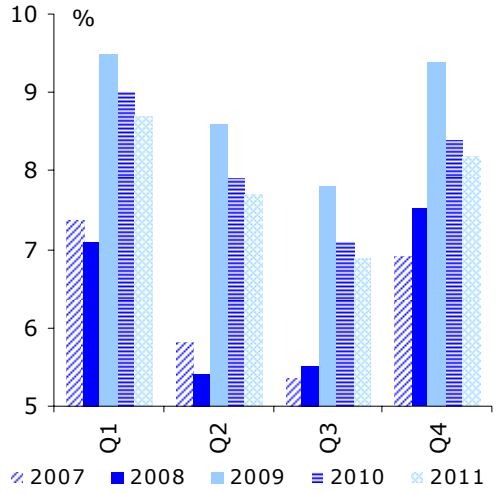


Source: Ukrstat

Labour Market: Labour market remained weak in 2011

Unemployment rate (ILO methodology) in 2011 moved down by 0.2 p.p. to 7.9% of economically active population in age between 15-70 years old. It remained higher than before the crisis most likely due to several reasons. First, the output in many sectors has not yet reached pre-crisis levels. Second, restructuring during crisis allowed companies to become less labour intensive. At the same time, surveys of employers indicate that skills mismatches remain high and they often fail to find workers with necessary skills. The Government recently announced new initiatives to address these concerns, but they are unlikely to be effective in the short-run.

Unemployment rate (ILO)



Source: Ukrstat

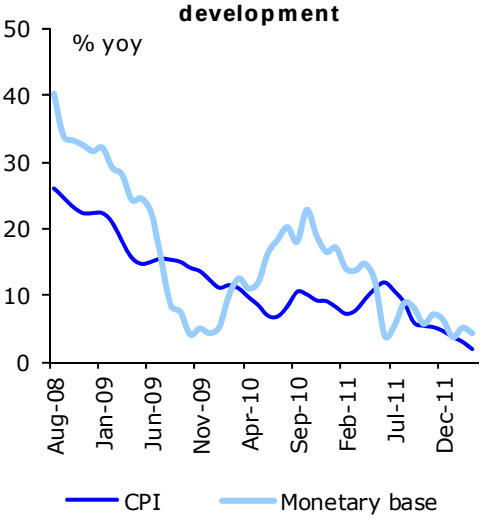
Monetary policy: Downward trend for CPI growth

In March, CPI growth continued downward trend to 1.9% yoy. CPI was still by 0.6% below June 2011 price level. As before headline inflation was weighed down by high supply of fruit, vegetables and sugar due to good harvest, but recent increase in oil prices supported CPI growth. At the same time, slowdown in economic activity and gradual decline in inflation expectations led core inflation to slow to 5.3% yoy.

Liquidity in banking sector increased in March to over UAH 20 bn on average from UAH 17 bn in February. As a result, overnight rates fell to 3% p.a., while one-month Kievprime declined to 10% p.a. Still, one-month interbank rates remained in double digits, while 1-year deposit rates crossed 16% mark. This reflects remaining funding pressure on banks.

The NBU changed reserve requirements for banks, which became effective from April 1. Net effect of changes was to release about UAH 1 bn of frozen funds from special account at NBU. However banks will still be required to maintain these reserves at correspondent account at the NBU. At the same time, the central bank increased reserve requirements for short-term foreign currency deposits and allowed zero reserves on foreign borrowing in Russian rubles.

CPI and monetary base development



Source: Ukrstat, NBU

Financial markets: International reserves stop falling

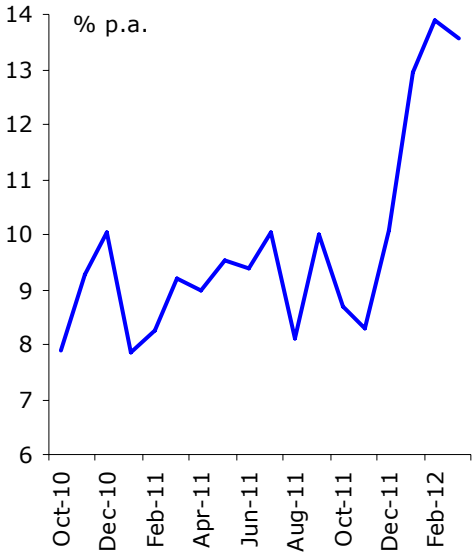
Exchange rate. In March international reserves of the NBU edged up for the first time in eight months by USD 0.08 bn to USD 31.1 bn. This probably reflects purchases of foreign currency by the central bank as exchange rate effects had at least USD 0.3 bn negative impact on reserves while government debt service probably used USD 0.1 bn.

State debt. In March, the Government significantly increased domestic borrowings primarily required for debt servicing (UAH 7.5

bn). In particular, the Ministry of Finance placed UAH 6.5 bn of hryvnia denominated bonds and USD 254.9 m of USD-denominated bonds with 13.6% and 9.3% weighted average yield, respectively. The demand for these bonds was primarily distributed between one – and two-year bonds (44.4% and 44.8%, respectively.

Besides, the Cabinet of Ministers allowed placing EUR-denominated domestic government bonds. Such option enabled the Government to place EUR 205.2 m of two-year bonds with favourable yield at 4.8%. However, the demand for these bonds is likely be moderate due to limited euro-liquidity of the banking sector. Therefore, the Government has recently increased array of borrowing instruments, which, though, make fiscal stance more vulnerable to external shocks.

Weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q4 10	Q1 11	Q2 11	Q3 11	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Industrial production (real)	% yoy cum.	11.0	9.7	8.7	8.6	8.5	8.7	8.7	8.9	8.6	8.2	7.8	7.3	2.0	2.0	…
Construction (real)	% yoy cum.	-5.4	6.8	14.5	11.4	13.2	14.5	13.6	13.0	11.4	11.7	12.5	11.1	2.5	-0.5	…
Agricultural production (real)	% yoy cum.	-1.0	5.3	3.2	13.7	3.5	3.2	9.1	10.5	13.7	16.6	16.5	17.5	0.5	0.4	0.5
Retail trade turnover (real)	% yoy cum.	7.6	13.5	15.2	15.2	15.5	15.2	15.0	15.2	15.2	14.9	14.5	14.7	13.8	14.6	…
Average wage	UAH	2407	2389	2605	2737	2573	2708	2749	2694	2737	2729	2727	3054	2722	2799	…
CPI	% yoy	9.1	7.7	11.9	5.9	11.0	11.9	10.6	8.9	5.9	5.4	5.2	4.6	3.7	3.0	1.9
PPI	% yoy	18.7	20.3	20.0	21.3	18.8	20.0	20.3	19.9	21.3	16.3	17.3	14.2	11.8	7.5	6.5
Exports (USD)*	% yoy cum.	27.7	40.5	39.3	26.8	36.1	39.3	26.2	31.1	26.8	23.8	21.9	21.8	14.4	9.9	…
Imports (USD)*	% yoy cum.	30.1	52.8	51.0	30.92	55.9	51.0	27.4	30.8	30.9	27.0	24.4	21.9	6.6	5.2	…
Merchandise trade balance	USD bn cum.	-8.4	-3.0	-5.4	-9.28	-4.8	-5.4	-6.5	-8.0	-9.3	-11.1	-12.5	-13.8	-0.1	-1.8	…
Current account**	USD bn cum.	-2.9	-1.3	-2.9	-5.01	-2.6	-2.8	-3.2	-4.0	-5.0	-6.5	-7.9	-9.0	0.4	-0.9	…
Gross international reserves	USD bn eop	34.6	36.4	37.6	34.95	37.9	37.6	37.8	38.2	35.0	34.3	32.4	31.8	31.4	31.0	31.1
Monetary Base	% yoy	15.8	13.7	3.9	8.1	12.1	3.9	5.4	8.8	8.1	5.7	7.1	6.3	3.7	5.1	4.3
Lending rate on UAH credits	% pa, aop	13.6	13.3	13.5	15.5	13.4	14.0	13.9	14.9	15.5	18.7	18.9	17.2	15.6	15.3	15.9
Exchange rate (interbank)	USD aop	7.96	7.95	7.98	7.99	7.98	7.99	7.99	7.99	8.00	8.01	8.01	8.02	8.03	8.02	8.02
Exchange rate (official)	USD aop	7.93	7.94	7.97	7.97	7.97	7.97	7.97	7.97	7.97	7.97	7.98	7.99	7.99	7.99	7.99
Exchange rate (official)	EUR aop	10.79	10.85	11.48	11.27	11.48	11.47	11.38	11.42	11.03	10.91	10.84	10.54	10.30	10.54	10.53

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

e preliminary estimate 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	-15.1	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

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		Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
GDP	UAH bn	276.5	244.1	189.0	214.1	250.3	259.9	217.3	256.8	301.3	307.3	261.9	314.6	376.0	364.1
GDP (real)	% yoy	4.3	-7.8	-19.6	-17.3	-15.7	-6.7	4.5	5.4	3.3	3.7	5.4	3.9	6.5	4.7
Household consumption (real)	% yoy	14.4	4.7	-14.5	-14.5	-14.3	-16.2	0.2	6.8	7.8	12.8	13.8	15.3	17.8	12.8
State consumption (real)	% yoy	-5.3	7.4	0.2	-1.6	-4.3	-3.7	3.8	-4.0	5.8	10.0	3.5	4.0	-10.5	-5.7
Gross fixed capital formation (real)	% yoy	-3.2	-23.1	-58.0	-55.9	-53.2	-33.7	-5.7	-3.2	9.5	10.5	2.1	5.2	11.0	16.9
Exports of goods and services (real)	% yoy	21.0	-13.2	-22.2	-34.1	-30.9	6.9	0.4	13.2	2.0	0.9	17.0	2.9	-2.2	-5.6
Imports of goods and services (real)	% yoy	34.8	-11.8	-37.4	-52.3	-47.6	-11.1	-6.2	17.2	20.2	13.2	37.2	23.1	12.0	3.3
Agriculture, hunting, forestry (real)*	% yoy	23.8	19.2	-1.1	3.4	2.2	-11.6	5.4	0.5	-3.2	0.9	5.4	2.0	17.4	28.9
Manufacturing industry (real)*	% yoy	-1.5	-27.0	-33.7	-26.1	-25.6	6.5	10.9	10.1	7.6	7.6	13.3	8.9	10.2	2.2
Construction (real)*	% yoy	-33.9	-39.5	-54.2	-42.7	-43.6	-32.8	-7.7	-5.8	9.6	3.9	6.4	19.4	7.3	9.8
Trade, repair services (real)*	% yoy	-0.7	-6.2	-15.6	-15.7	-22.0	-16.4	6.1	9.6	10.1	4.7	8.9	2.8	6.8	5.8
Transport (real)*	% yoy	10.1	-0.3	-13.4	-9.2	-5.7	-0.4	1.3	1.8	3.0	0.1	7.2	7.5	3.4	9.4
Balance of payments															
Current account balance	USD bn	-2.1	-3.7	-0.6	-0.2	-0.1	-0.9	0.0	0.5	-1.0	-2.5	-1.3	-1.4	-2.3	-4.0
Current account balance	% of GDP	-3.6	-9.4	-2.6	-0.6	-0.2	-2.7	-0.1	1.6	-2.6	-6.5	-4.1	-3.6	-4.8	-8.8
Trade balance in goods	USD m	-3868	-3562	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-3084	-2267	-3928	-4526
Trade balance in services	USD m	1341	15	116	432	1256	550	930	1115	1536	823	1007	1227	1686	967
Current transfers	USD m	831	723	632	667	640	722	608	728	797	842	1039	878	988	803
Direct investment (FDI)	USD m	3324	1058	883	1279	1210	1282	923	1196	1470	2170	882	2284	2100	1275
Portfolio investments	USD m	-690	-967	-350	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506
Gross international reserves	USD bn	37.5	31.5	25.4	27.3	28.2	26.5	25.1	29.5	34.7	34.6	36.4	37.6	35.0	31.8
Exchange rate(market), UAH/USD	aop	4.70	6.49	8.09	7.76	7.99	8.06	8.00	7.91	7.90	7.96	7.95	7.98	7.99	8.01
Exchange rate(official), UAH/USD	aop	4.85	6.21	7.70	7.66	7.82	7.99	7.99	7.91	7.90	7.93	7.94	7.97	7.97	7.98
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	29.5	31.6	34.8	30.6	25.5	36.0	30.9	30.4	23.3	32.3	32.2	29.7	29.0	30.6
Personal income tax	% of GDP	4.3	4.9	5.2	5.3	4.4	4.7	4.9	4.8	4.4	4.8	4.9	4.8	4.1	4.7
Enterprise profits tax	% of GDP	5.0	6.3	3.9	3.3	3.7	3.6	4.3	3.0	3.4	4.2	4.4	4.5	3.6	4.4
Value-added tax	% of GDP	9.8	7.8	11.7	8.3	6.4	11.0	9.8	9.8	8.5	9.9	7.5	12.7	9.5	9.6
Excise tax	% of GDP	1.2	1.4	2.0	2.3	2.5	2.6	2.4	3.0	2.5	2.6	2.1	3.0	2.7	2.4
Consolidated fiscal expenditures	% of GDP	27.2	41.2	34.4	36.6	29.6	34.5	33.0	38.7	30.3	37.6	32.3	32.8	26.5	35.6
Current expenditures	% of GDP	22.4	33.8	33.5	34.9	27.0	31.4	32.4	37.4	26.6	32.8	31.0	30.4	23.5	30.1
Capital expenditures	% of GDP	4.8	7.4	0.9	1.7	2.6	3.1	0.6	1.4	3.7	4.8	1.2	2.3	2.9	5.5
Consolidated fiscal balance	% of GDP	1.9	-10.3	0.0	-6.2	-4.5	1.1	-2.0	-8.0	-7.5	-5.6	-0.3	-3.3	3.8	5.5
Privatisation receipts	% of GDP	0.0	0.0	0.0	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.4	3.1	0.0	0.1
Labour market															
Average wage (real)	% yoy	6.3	0.5	-11.7	-8.6	-10.7	-5.7	3.3	8.7	12.3	11.4	11.1	5.5	7.7	10.8
Household income (real)	% yoy	6.6	2.7	-10.8	-6.9	-8.6	-7.6	3.7	11.8	11.0	14.7	7.8	1.9	7.3	7.7
Unemployment rate (ILO methodology)	% cum	6.0	7.5	9.5	9.1	8.6	8.8	9.0	8.5	8.1	8.1	8.7	8.2	7.8	7.9
Banking system															
Monetary aggregate M0	% yoy cum	37.9	39.3	33.9	22.8	11.5	1.5	5.4	9.9	17.4	16.5	15.7	11.5	8.6	6.3
Monetary aggregate M2	% yoy cum	37.4	31.0	12.0	5.3	-1.4	-5.4	6.9	13.2	21.6	23.1	25.5	22.0	16.0	14.4
Household deposits in national currency	% yoy cum	53.3	7.5	-10.9	-16.1	-25.4	-8.5	7.1	20.1	38.6	41.4	43.3	26.0	16.7	12.3
Household deposits in foreign currency	% yoy cum	31.2	66.3	31.8	33.0	39.2	4.7	22.8	21.5	17.7	16.9	19.7	21.0	15.7	13.4
Com. bank credits in national currency	% yoy cum	54.9	40.4	27.6	27.8	25.2	16.9	13.6	8.3	6.0	11.2	16.0	18.5	21.1	21.0
Com. bank credits in foreign currency	% yoy cum	53.4	103.6	70.8	48.7	32.4	-15.2	-13.7	-10.5	-13.2	-8.3	-2.1	0.9	-2.3	-4.2
Long-term com. bank credits	% yoy cum	50.9	73.3	50.8	37.3	29.9	-3.8	-3.9	-2.8	0.6	-0.5	5.0	6.3	5.3	2.9
Long-term com. bank credits	% of total	66.8	69.8	69.9	68.2	67.3	68.1	68.5	68.9	67.5	66.3	67.2	66.6	64.4	62.9
Average lending rate on national currency credits	% p.a.	17.7	21.6	26.2	19.1	17.5	19.8	17.3	15.0	13.0	15.0	13.1	13.5	14.1	18.4
Average lending rate on foreign currency credits	% p.a.	12.4	11.9	9.6	9.6	10.0	10.1	10.9	11.1	10.3	10.1	10.2	9.8	8.8	8.4

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added
[e] preliminary NBU estimates for balance of payments

Disclaimer

The Monthly Economic Monitor of Ukraine has been prepared by the Institute for Economic Research and Policy Consulting for informational purposes only. All judgments in this report reflect authors' point of view as of date publication, and can be changed without notice. Although we used our best efforts in preparing this publication, we make no guarantees as to its accurateness. The IER does not take any responsibility for any losses or other problems that directly or indirectly resulted from the use of any part of this publication. Reproduction without prior permission is prohibited; when quoting please cite Institute for Economic Research and Policy Consulting.