INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.7 (141), July 2012

EXECUTIVE SUMMARY

HIGHLIGHT: AIR TRANSPORTATION

Politics: Ukraine successfully co-hosted UEFA European Football Championship.

Real Sector: Real GDP grew by 2.0% yoy in the first quarter of 2012 primarily due to strong real private final consumption.

Sectoral news: The Government introduced floating excise duties on petroleum to stabilise prices.

External sector: Current account deficit was at USD 0.7 bn in May, while financial and capital account surplus reached USD 1.2 bn.

Fiscal policy: Amendments to the Tax Code envisage provision facilitating SME development.

Social policy: Real disposable income increased by 10.6% yoy in the first quarter of 2012.

Labour market: Labour market remained weak in the beginning of 2012.

Monetary policy: In June CPI fell by 1.2% yoy, which was the lowest level of 12-month CPI change in Ukrainian history.

Financial markets: The NBU international reserves dipped below USD 30 bn for the first time since June 2010.

Highlight of the month: Air transportation

FUTURE OF NEW UKRAINIAN AIRPORTS

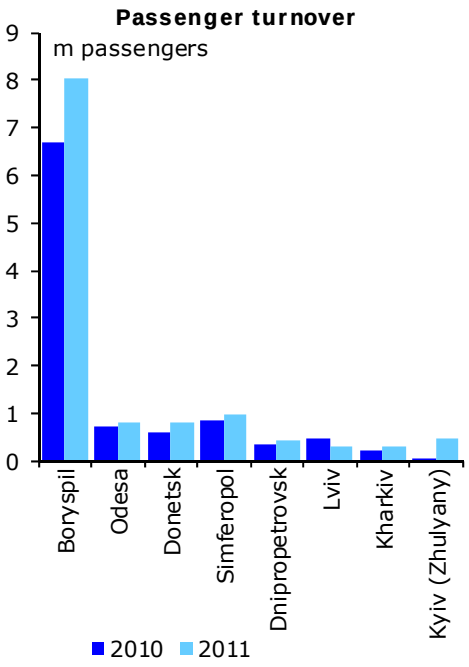
By Iryna Kosse

In June, Ukraine lived under the glow of the Euro-2012 football championship. To prepare for the event Ukraine spent USD 800 m for construction of stadiums and around USD 4.3 bn for modernisation of airports and other infrastructure. In particular, fiscal financing was allocated for construction of stadiums in Kyiv and Lviv, and returns to these investments are arguable. At the same time, renovation of airports is often considered as a facilitator development of business as well as tourism in the country as it makes travelling easier. However, such expectations appeared under a risk due to the low competition between different airlines on Ukrainian market.

Overall, the Government financed massive airport renovations in cities hosting the Euro-2012. In particular, in Boryspil airport (Kyiv) a new terminal D was constructed with capacity for 3000 passengers per hour (p/h), while terminal B was renovated to reach capacity for 2400 p/h. As a result, overall capacity of the airport increased by 2.5 times. Donetsk airport was equipped with a new terminal with capacity for 3200 p/h, new runway and control tower. Construction of a new runway and control tower resulted in increase of the capacity of Kharkiv airport to 2250 p/h. A new terminal with capacity for 2000 p/h, new runway and control tower were constructed at Lviv airport.

On the eve of the Euro-2012 the Government announced initiatives to attract budget air carriers to fly to Ukraine during EURO-2012. It also suggested that cheap airplane tickets would induce the Ukrainian hotels to decrease their extraordinary high prices. But despite these declarations the low-cost air

companies did not enter the market and foreign fans mostly used regular or charter flights. During the championship passenger turnover in Ukraine increased by 4.5 times at Kharkiv airport, 3 times at Boryspil airport (Kyiv), 2.5 times at Donetsk airport and 2 times at Lviv airport. However, there is a risk that after the end of Euro-2012 the passenger turnover figures will return to pre-championship level and additional capacities at Ukrainian airports will stay idle. Three main obstacles preventing the development of passenger air travel are the absence of an open air market, regulated airport fees and high bureaucracy. As a result, the market is characterised by low competition and unfair rules for different players.



Source: Derzhaviasluzhba

To stimulate the market development Ukraine would benefit from joining the Common Aviation Air Agreement (CAAA). Currently all international destinations are divided between Ukrainian and European air companies on mutual base and are regulated by international agreements for each destination. The CAAA allows Ukrainian and European air companies to fly to and from Ukraine without limits. Since 2007, Ukraine held five rounds of negotiations but the Agreement still has not been signed. In February, the President of Ukraine instructed the Cabinet of Ministers to complete the negotiations on the CAAA by July 2. In June, the Ministry of Infrastructure asked the President to reschedule the deadline to January 1, 2013. Ukrainian aviation authority Derzhaviasluzhba explains the delay by different views of the EU and Ukraine on certification of airplanes. Ukraine insists on allowing all airplanes certified in Ukraine to operate on the common air market, but the EU allows only airplanes certified by the European Aviation Safety Agency (EASA). This requirement is written in the EU Regulation No. 216/2008. However, Ukraine as developer and producer of aircraft follows Chicago Convention on International Civil Aviation and is responsible for maintaining airworthiness of thousands of uncertified by the EASA aircrafts and their components. According to Ukrainian airplane manufacturer state-owned enterprise "Antonov", certification of one type of airplane by the EASA costs USD 40 m per year. Among Ukrainian airplanes only An-26 has EASA certificate. The last consultation on the topic was held on June 8 and now the parties prepare to sign a memorandum of understanding. According to the Ministry of Infrastructure, the memorandum may include an agreement on mutual recognition of certificates of airworthiness (BASA). Earlier the Vice Prime Minister Boris Kolesnikov announced that Ukraine will not sign the CAAA unless it gets a free visa regime with the EU, which is not justified policy approach. In particular, liberalization of visa regime and joining the CAA Agreement are completely different issues requiring various policy measures to be implemented by Ukraine.

The problem with regulated airport fees can be partially solved by the introduction of measures aimed at attracting low-cost air companies to Ukraine. The draft regulation on the issue has been elaborated by the Ministry of Infrastructure and is currently under the discussion. In particular, Ukrainian airports may get the right to set airport fees for low-cost companies (currently they are defined by the Ministry of Infrastructure). According to international evidence such fees for low-costs are usually lower than fees paid by other companies. However, the eligibility criteria for the company to enjoy lower fee might include minimum number of airplanes in ownership or lease (the Ministry suggests 10 aircrafts) with age not more than 10 years. If approved, this step would facilitate other low-costs to enter Ukraine's market.

To sum up, joining the CAAA by Ukraine and permission for airports to independently negotiate airport fees would stimulate increase in the passenger turnover. This would justify high investments into airport infrastructure. At the same time, Ukrainian government should also change the bureaucracy culture improving overall regulatory climate in the country.

Monthly Economic Monitor Ukraine

Politics: Outcomes of Ukraine's co-hosting Euro 2012

From June 8 to July 1 Ukraine co-hosted UEFA European Football Championship (Euro-2012) together with Poland. The football matches were held in 4 Ukrainian host-cities: Kyiv, Lviv, Donetsk and Kharkiv. Despite the fears that Ukraine is poorly prepared to host Euro-2012, as well as overall unfavourable political situation, the final assessments of the Championship organisation were mostly positive.

International media, which initially depicted Ukraine as racist and uncivilized country, gradually improved their opinion on Ukraine. .At the same time, the number of football fans was subdued by overpriced lodging and limitations of transport infrastructure. Overall, about 1.8 m foreign visitors attended Ukraine during the Championship.

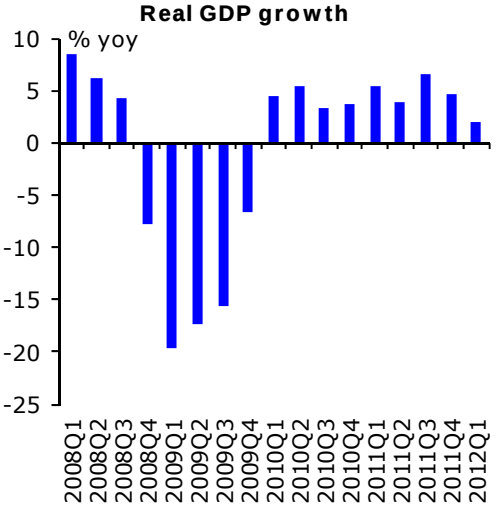
Despite the previous calls by European officials to boycott Euro 2012 matches held in Ukraine due to the former Prime Minister Yuliya Tymoshenko imprisonment, many of them softened their position in the course of the Championship. In particular, top-level officials of Italy and Spain attended the final match on July 1 that took place in Kyiv.

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: Real private final consumption remains major driving force of economic growth

GDP: The Ukrstat improved its estimate of real GDP growth in the first quarter of 2012 to 2.0% yoy. Real private final consumption jumped by 9.8% yoy. Real gross fixed capital accumulation grew by 7.6% yoy, but remained lower than in the first three months of 2004. Strong domestic demand stimulated non-energy imports. In particular, share of domestic consumer goods fell by 4.4 p.p. to 59.9% of retail sales (by 6.9 p.p. to 42.1% for non-food products). At the same time, total real imports declined by 4.3% yoy primarily due to sharp fall in purchases of natural gas. Real exports reduced by 6.8% yoy reflecting challenging external conditions. Decline in inventories subtracted 6.5 p.p from GDP growth. At least half of decline in inventories was attributed to grains sales.

Real GDP growth



Source: Ukrstat

On the production side, agriculture and manufacturing stagnated in the first quarter of the year. Gross value added (GVA) in construction declined by 3.1% yoy due to cold weather in winter months as well as limited access to financial resources . At the same time, GVA in trade increased by 5.5% yoy due to higher retail sales. Growth in transport and communication (at 3.8% yoy) was likely to be attributed to developments in communication sector and road improvements related to the Euro-2012. Therefore, growth of most sectors decelerated in the first quarter of 2012 and is likely to remain weak throughout the year.

Sectoral trends. Industrial output in May increased by 1.0% yoy primarily due to growth of production and distribution of electricity, gas and water. Chemical production continues growing rapidly (16.4% yoy) due to higher external demand. Food sector also improved its performance. Output in machine building increased by 0.5% yoy but it was much lower than in the last quarter of 2011. Metallurgy reduced its production reflecting lower external demand for steel and steel products. Overall, stagnation of export-oriented sector puts under a question economic growth in 2012 creating also risks for the execution of ambitious fiscal revenues plan.

Construction works turned to growth at 0.3% yoy between January and May 2012 probably due to final preparations for the Euro-2012. Retail trade turnover growth accelerated to 15.5% yoy against the background of increase in wages and pensions as well as lower consumer inflation. Retail sales deflator slowed to 3.1% yoy in May. At the same time, agricultural output increased by 1.5% yoy.

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Sectoral news: The Government aims at stabilisation of gasoline prices

Energy. On June 19, the Law on floating excise duties on petroleum products came into force. Excise duties as of June 19 are taken as a base till the end of the year and are to be indexed every 10 days depending on the average price of crude oil (Brent) for the previous 10 days. The new calculation mechanism resulted in increase of excise duties on diesel fuel and petrol by 27.4% by the end of June as the price of oil declined during this period. This outcome is opposite to falling petroleum prices on European markets. It also contradicts announced government intentions to reduce petrol prices on the domestic market. Change in mechanism of setting excise duties was likely to be initialed by the Ministry of Infrastructure, which needs money for roads maintenance and construction. At the same time, the excise duties will be reduced in times of crude oil price growth. As a result, on average such floating excise rate will help to keep petrol prices more stable, while additional revenues from excise taxes are arguable in the medium-term.

The Cabinet of Ministers decided to transform gas transportation company "Ukrtransgas" and gas extracting company "Ukrgasvydobuvannhya", daughter companies of the "Naftogas", into public joint stock companies. The decision corresponds to the requirements of the Energy Community that forbid a single company to extract and supply gas. However, such step is not likely to solve the inefficiency problems of the "Naftogas".

On June 8, the Parliament adopted amendments to the State Budget Law for 2012 increasing subventions (by UAH 2.4 bn to UAH 7 bn) aimed at repaying the difference in tariffs on heat energy, centralized water and wastewater. The additional funding will allow decreasing indebtedness of local administrations before energy companies. However, it does not solve the problem of cross-subsidization in the utility sector and utility tariffs lower than cost-covering level.

Agriculture. Hot and dry June weather stimulated unusually early ripening of crops. Harvesting season begun two weeks earlier than usually with the first million tons of grain harvested by end of June. The yields appeared lower than expected creating risks for the forecast of grain harvests in 2012 at near 45 m tons. As a result, the grain harvest might be by 20% lower than in 2011, but still higher than in 2010. Ukrainian producers are expected to compensate lower yields by increased world prices resulted from overall lower world supply of grain. However, this would become possible only under an assumption of unchanged trade policy in Ukraine.

External sector: Current account deficit reached 0.7 bn

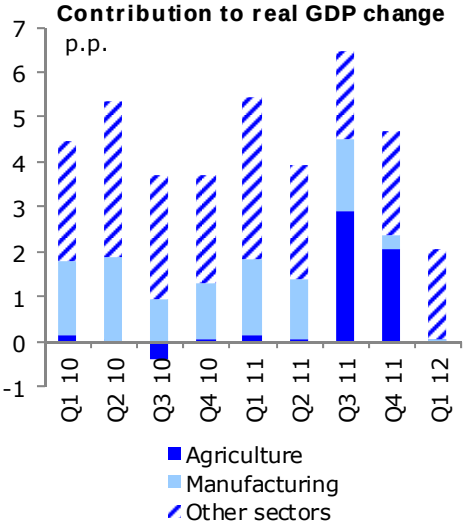
Current account deficit was at USD 0.7 bn as yield flows became negative at USD 0.2 bn in May. Merchandise exports reached USD 6.3 bn and increased by 9.4% yoy in dollar terms thanks to strong growth of food and machine building exports. Steel exports was almost unchanged on year-on-year basis but reached the highest value over the last 12 months. Strong domestic demand led to increase in merchandise imports excluding mineral products by 27.3% yoy. Low gas import volume and low demand from oil refineries limited imports of gas and crude oil as well as almost stopped exports of processed oil products. Overall merchandise imports growth was 10.8% yoy in dollar terms.

Financial and capital account surplus in May reached USD 1.2 bn. Net FDI inflows were close to zero, while net inflows of debt capital were USD 0.2 bn as banks and companies were able to refinance external debt. Inflow of "trade loans" and low cash foreign currency purchases were the main factors that led to financial account surplus.

Fiscal policy: Taxation rules were partially streamlined

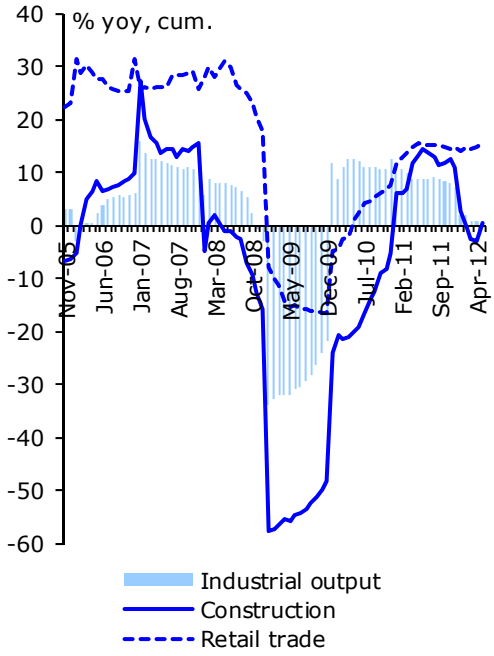
Tax Code Amendments. In June, the President signed the Law on amendments to the Tax Code. Approved changes include abolishment of the restrictions on the voluntary registration as a VAT payer and

Contribution to real GDP change



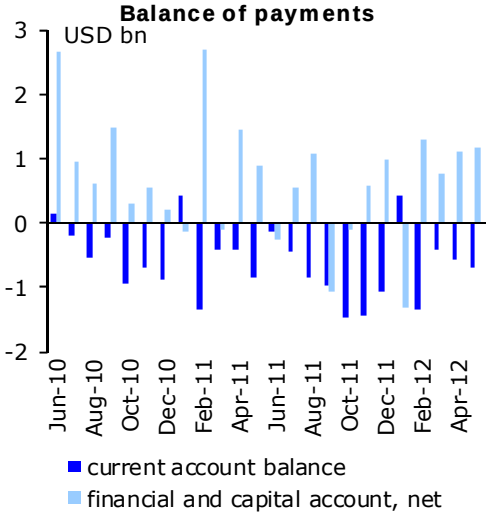
Source: own calculations, Ukrstat

Real sector trends



Source: Ukrstat

Balance of payments



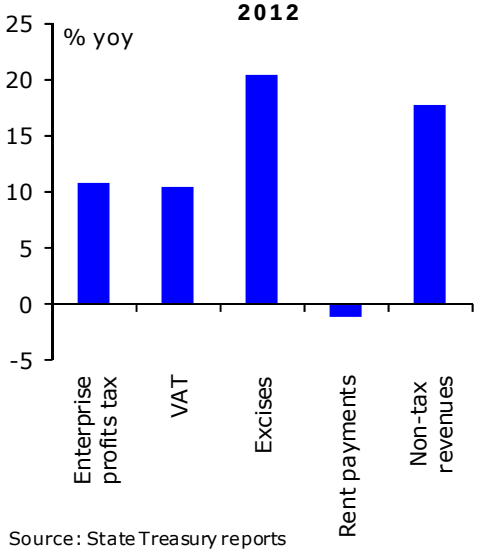
Source: NBU preliminary estimates

faster VAT registration (5 instead of 10 business days). Payers of unified tax were allowed to switch between tax groups during a year with no penalties applied to them in 2012. Paper copy of VAT invoice is no more required in case it is completed in electronic format. These changes are likely to favour SMEs development.

Besides, the introduction of the real estate tax was postponed until January 1, 2013. Moreover, royalties for oil and gas are to be cancelled since 2013, while fees for use of subsoil will be increased. It is expected that such changes might result in higher tax burden on extraction industry.

Execution of the State Budget. Between January and May growth of central fiscal revenues (general and special fund) decelerate further to 12.1% yoy due to economic slowdown. They were close to the target. Higher revenues were partially ensured by tight tax administration and increase in non-tax revenues. In particular, non-tax revenues increased by 17.6% yoy primarily due to higher transfer of the NBU profits to the budget. The execution of central fiscal expenditures was low at 93.0% of plan. As a result, the central fiscal deficit slightly decreased as compared to the first four month of the year (from UAH 4.5 bn to UAH 3.7 bn). The deficit was covered by privatization receipts, while extensive borrowings were directed towards debt redemptions. Risks of under-execution of major fiscal parameters in 2012 remain high.

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

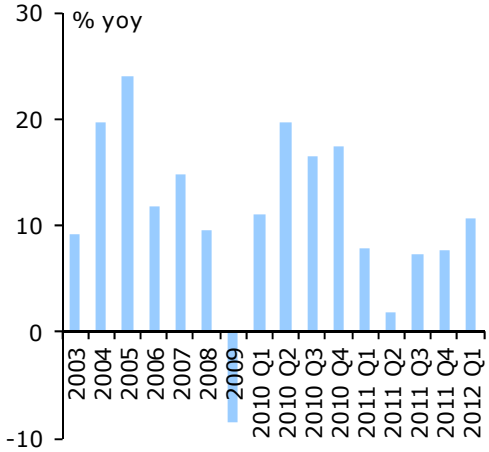


Source: State Treasury reports

Social policy: Real disposable income increased rapidly

In the first quarter of 2012, household income increased by 10.7% in real terms. Real wages income grew by 11.7% yoy as minimum wage increased by 11.0% yoy in real terms. Income from subsidiary faming and entrepreneurs' activity increased by 10.2% yoy in real terms Growth of real income from property decelerated to 5.5% yoy due to slower increase in banking deposits. Income from social assistance grew only by 4.7% yoy in real terms due to limited increase in minimum pensions and implementation of pension reform. At the same time, households needed less funds for paying interest on loans, as the amount of credits outstanding continued declining. As a result, disposable households income grew by 13.9% yoy in nominal terms and 10.6% yoy in real terms.

Real disposable household incomes

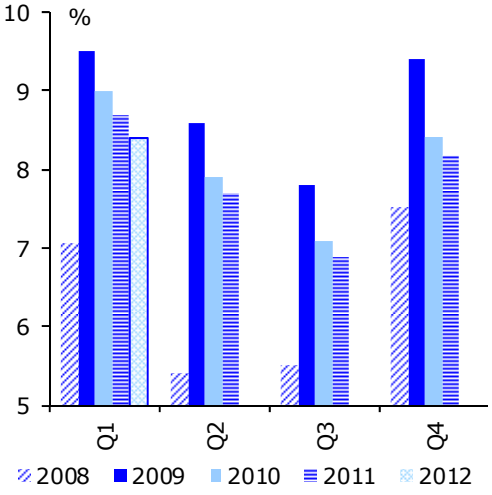


Source: Ukrstat

Labour Market: Labour market remained weak

Unemployment rate (ILO methodology) in the first three months of 2012 was at 8.4% of economically active individuals of age between 15 and 70 years old as compared to 8.7% in the same period of 2011. It remained higher than before the crisis, when it was at 7.1% in the first quarter of 2008. However, unemployment rate remained high at 10.4% for men, who work primarily in industrial sector, as compared to 7.1% in 2008. Female unemployment is now lower than in 2008. Besides, number of employed individuals remained unchanged as compared to the first three months of 2011 signalling about still weak labour market. Unchanged employment could signal about low job creation as well as increase in job destruction likely related to restructuring of some companies.

Unemployment rate (ILO)



Source: Ukrstat

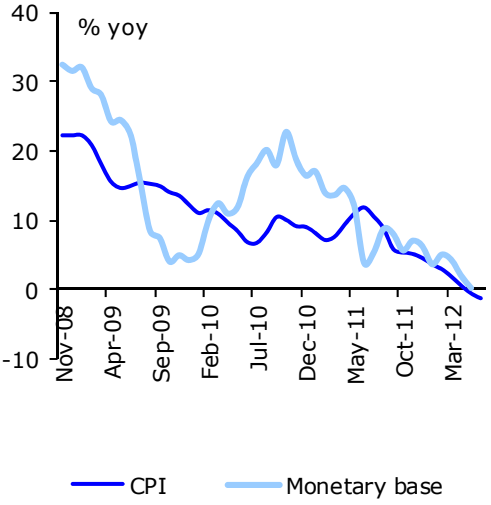
Monetary policy: Deflation or inflation

CPI. In June CPI fell by 1.2% yoy. It was the lowest level of 12-month CPI change in Ukrainian history. However, CPI was disproportionally affected by the large swings in prices for a few products. Defects in statistical accounting for seasonal products might have magnified the effect. For example, collapse in price index for vegetables in the second half of 2011 knocked off 4-6 percentage points off CPI growth. As a result, prices for vegetables should be on average lower than in 2007. At the same time, core inflation remained positive at 3.7% yoy, even though slowdown in economic activity and softness in global commodity prices did contribute to its deceleration.

Monetary policy. In June the NBU again revised the reserve requirements for Ukrainian banks. Banks are now required to hold

10% of current accounts and 9% of short-term deposits in foreign currency as reserves. In addition, required reserves include 3% of long-term deposits and external borrowing in foreign currency. As compared to requirements introduced in March reserve requirements were increased by 1 p.p. for most types of foreign currency liabilities (1.5 p.p. increase for current accounts). Reserve requirements for national currency liabilities of banks remained zero. As a result, overall sum of required reserves may increase by around UAH 4.5 bn. Half of the reserves will have to be deposited to special account at the NBU, while banks may use another half for intra-day operations. However, they must have reserves in full at the beginning of the day. At the same time, the NBU created incentives for banks to buy government bonds in foreign currency as they are allowed to include 10% of these bonds holdings in reserves. Overall, policy changes might reduce free liquidity by about UAH 2.5 bn. This is questionable shift given high interbank rates and slow lending growth. But it may support the main goal of the NBU policy, particularly hryvnia peg to US dollar. Policy changes are also supposed to increase incentives for national currency and long-term FX deposits. So far, share of FX deposits with maturity less than 1-year did decrease over the last few years.

CPI and monetary base development



Source: Ukrstat, NBU

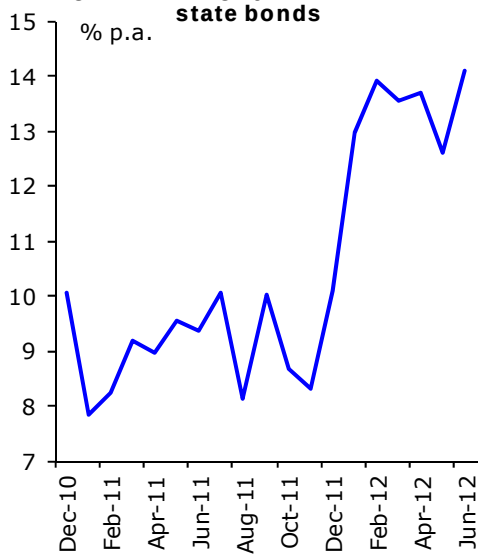
Financial markets: No effect from Euro-2012

Exchange rate. Average daily interbank UAH/USD exchange rate fluctuated in June from UAH 8.06 per USD to UAH 8.10 per USD. Despite previous expectations of additional supply of foreign currency during Euro-2012 football championship the NBU was forced to sell USD 1.2 bn to support exchange rate. Net interventions were USD 0.7 bn as the NBU bought foreign currency on few occasions. Unusually low supply of cash foreign currency contributed to imbalances. As a result, the NBU international reserves dipped below USD 30 bn for the first time since June 2010.

State debt. In June, The Government continued to increase domestic borrowings to ensure timely and full domestic and external debt redemption. The Ministry of Finance predominantly placed state domestic bonds denominated in foreign currency likely due to higher demand. The placement of domestic state bonds denominated in USD and EUR reached USD 939.7 m and EUR 40.2 m, respectively. The weighted average yield for EUR – denominated bonds remained at 4.8% p.a., while it declined by 0.8 p.p. to 8.5% p.a. for USD-denominated bonds. Their demand was almost equally divided between one- and three-year bonds.

The interest towards hryvnia denominated bonds increased by the end of the month due to higher yields. In particular, the Ministry of Finance placed UAH 5.7 bn of hryvnia denominated bonds with 14.1% p.a. weighted average yield. Near 94% of this placement were five- and seven -year bonds, which were likely bought by state-owned banks. Attracted borrowings were sufficient to ensure debt maturing in June.

Weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Industrial production (real)	% yoy cum.	11.0	9.7	8.7	8.6	7.3	0.9	8.9	8.6	8.2	7.8	7.3	2.0	2.0	0.9	0.7	0.7	…
Construction (real)	% yoy cum.	-5.4	6.8	14.5	11.4	11.1	-2.7	13.0	11.4	11.7	12.5	11.1	2.5	-0.5	-2.7	-3.0	0.3	…
Agricultural production (real)	% yoy cum.	-1.0	5.3	3.2	13.7	17.5	0.5	10.5	13.7	16.6	16.5	17.5	0.5	0.4	0.5	1.1	1.5	…
Retail trade turnover (real)	% yoy cum.	7.6	13.5	15.2	15.2	14.7	14.2	15.2	15.2	14.9	14.5	14.7	13.8	14.6	14.2	14.8	15.5	…
Average wage	UAH	2407	2389	2605	2727	2837	2923	2694	2737	2729	2727	3054	2722	2799	2923	2942	3015	…
CPI	% yoy eop	9.1	7.7	11.9	5.9	4.6	1.9	8.9	5.9	5.4	5.2	4.6	3.7	3.0	1.9	0.6	-0.5	-1.2
PPI	% yoy eop	18.7	20.3	20.0	21.3	14.2	6.5	19.9	21.3	16.3	17.3	14.2	11.8	7.5	6.5	6.9	4.3	4.5
Exports (USD)*	% yoy cum.	27.7	40.5	39.3	26.8	21.8	5.3	31.1	26.8	23.8	21.9	21.8	14.4	10.1	5.3	4.8	5.8	…
Imports (USD)*	% yoy cum.	30.1	52.8	51.0	30.9	21.9	3.5	30.8	30.9	27.0	24.4	21.9	6.6	5.9	3.5	6.3	7.3	…
Merchandise trade balance	USD bn cum.	-8.4	-3.0	-5.4	-9.3	-13.8	-2.9	-8.0	-9.3	-11.1	-12.5	-13.8	-0.1	-1.9	-2.9	-4.3	-5.6	…
Current account**	USD bn cum.	-2.9	-1.3	-2.9	-5.0	-9.0	-1.3	-4.0	-5.0	-6.5	-7.9	-9.0	0.4	-0.9	-1.3	-1.9	-2.6	…
Gross international reserves	USD bn eop	34.6	36.4	37.6	35.0	31.8	31.1	38.2	35.0	34.3	32.4	31.8	31.4	31.0	31.1	31.7	30.8	29.3
Monetary Base	% yoy eop	15.8	13.7	3.9	8.1	6.3	4.3	8.8	8.1	5.7	7.1	6.3	3.7	5.1	4.3	3.2	4.0	…
Lending rate on UAH credits	% pa, aop	13.6	13.3	13.6	14.8	18.4	15.5	14.9	15.6	18.7	19.0	17.5	15.7	15.4	15.4	14.6	14.7	…
Exchange rate (interbank)	USD aop	7.96	7.95	7.98	7.99	8.01	8.02	7.99	8.00	8.01	8.01	8.02	8.03	8.02	8.02	8.03	8.05	8.07
Exchange rate (official)	USD aop	7.93	7.94	7.97	7.97	7.98	7.99	7.97	7.97	7.97	7.98	7.99	7.99	7.99	7.99	7.99	7.99	7.99
Exchange rate (official)	EUR aop	10.79	10.85	11.48	11.27	10.76	10.46	11.42	11.03	10.91	10.84	10.54	10.30	10.54	10.53	10.51	10.27	10.01

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		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	Q1 12
GDP	UAH bn	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	297.0
GDP (real)	% yoy	-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	2.0
Household consumption (real)	% yoy	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	9.8
State consumption (real)	% yoy	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	1.9
Gross fixed capital formation (real)	% yoy	-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	7.6
Exports of goods and services (real)	% yoy	-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	-6.8
Imports of goods and services (real)	% yoy	-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	-4.3
Agriculture, hunting, forestry (real)*	% yoy	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	0.5
Manufacturing industry (real)*	% yoy	-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	0.2
Construction (real)*	% yoy	-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	-3.1
Trade, repair services (real)*	% yoy	-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	5.5
Transport (real)*	% yoy	-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	3.8
Balance of payments															
Current account balance	USD bn	-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	-1.3
Current account balance	% of GDP	-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	-3.5
Trade balance in goods	USD m	-3562	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-3084	-2267	-3928	-4526	-2910
Trade balance in services	USD m	15	116	432	1256	550	930	1115	1536	823	1007	1227	1686	967	1088
Current transfers	USD m	723	632	667	640	722	608	728	797	842	1039	878	988	803	672
Direct investment (FDI)	USD m	1058	883	1279	1210	1282	923	1196	1470	2170	882	2284	2100	1275	1657
Portfolio investments	USD m	-967	-350	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506	222
Gross international reserves	USD bn	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	31.1
Exchange rate(market), UAH/USD	aop	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	8.03
Exchange rate(official), UAH/USD	aop	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	7.99
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	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	33.2
Personal income tax	% of GDP	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	5.0
Enterprise profits tax	% of GDP	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	4.8
Value-added tax	% of GDP	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	10.6
Excise tax	% of GDP	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	2.7
Consolidated fiscal expenditures	% of GDP	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	33.3
Current expenditures	% of GDP	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	31.4
Capital expenditures	% of GDP	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	1.9
Consolidated fiscal balance	% of GDP	-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	-0.2
Privatisation receipts	% of GDP	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	1.4
Labour market															
Average wage (real)	% yoy	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	14.7
Household income (real)	% yoy	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	13.9
Unemployment rate (ILO methodology)	% cum	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	8.4
Banking system															
Monetary aggregate M0	% yoy cum	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	4.7
Monetary aggregate M2	% yoy cum	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	11.2
Household deposits in national currency	% yoy cum	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	14.4
Household deposits in foreign currency	% yoy cum	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	12.4
Com. bank credits in national currency	% yoy cum	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	17.4
Com. bank credits in foreign currency	% yoy cum	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	-7.0
Long-term com. bank credits	% yoy cum	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	-2.9
Long-term com. bank credits	% of total	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	61.5
Average lending rate on national currency credits	% p.a.	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	15.5
Average lending rate on foreign currency credits	% p.a.	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	8.2

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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