INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.1 (135), January 2012

EXECUTIVE SUMMARY

***HIGHLIGHT:* YEAR 2011**

Politics: Negotiations on the Association Agreement between Ukraine and the EU were completed.

Real Sector: Real industrial output growth continued decelerating in November.

Sectoral news: The grain harvest is estimated to increase by 48% as compared to 2010.

External sector: Current account deficit approaches pre-crisis levels.

Fiscal policy: The State Budget Law for 2012 is approved on the basis of current gas prices.

Social policy: Real disposable income growth accelerated to 10.3% yoy in the third quarter.

Labour market: Labour market remained weak in 2011.

Monetary policy: CPI growth reached only 4.6% yoy in December.

Financial markets: The placement of USD-denominated state bonds allowed the Government to finance deficit.

Highlight of the month: Year 2011

THE YEAR IN REVIEW

In 2011 Ukraine's economy continued recovering from the crisis. Growth was supported by increase in domestic demand, while external demand for Ukrainian products remained weak and unstable. The year was marked by large number of negotiations, major of which failed to reach favourable results for the country. Political instability again became one of the risks for future democratic development of Ukraine.

Politics: the year in review

- Ukraine finalised the Association Agreement with the EU, including deep and comprehensive free trade area. However, the date of its signing has not been defined yet and prospects for its ratification are unclear.
- The IMF has not disbursed any new instalment of the loan under the Stand-by Arrangements signed in 2010 as Ukraine failed to implement all required policy steps.
- The Party of Regions continued power consolidation through prosecution of opposition leaders and changes in election legislation for future parliamentary elections, all of which drew criticism and warnings from Ukraine's Western partners.
- The intensification of Ukraine's political dialogue with Russia did not bring the expected economic benefits. In particular, gas negotiations that were aimed to review gas prices for Ukraine established by the contracts of 2009 lasted throughout the year, but failed.

Real sector

- Ukraine's economy continued recovering from the economic crisis and grew by 5.3% yoy in the first three quarters of 2011. At the same time, the growth decelerated in last months of the year primarily due to weaker external demand for Ukrainian products.
- Agriculture has boosted economic recovery in 2011 thanks to record harvests of most crops.

Energy

- The prices of gas imported from Russia continued rapidly increasing (from USD 280 per thousand cubic meters in the first quarter of 2011 to USD 400 in the fourth quarter). At the same time, gas tariffs for population were not increased by the Government.
- In 2011, two solar parks were launched in the Crimea by the Activ Solar with total capacity of 160 MW. Powerful wind farms were started by the DTEK holding, Wind Parks of Ukraine and Concord Group. As a result, Ukraine was included in quarterly report 'Renewable Energy Country Attractiveness Index' by international accounting firm Ernst & Young in, where Ukraine took the 32nd place among 40 countries.
- The Government has written off debts of energy companies worth UAH 24 bn as well as debts of regional gas companies worth UAH 7.4 bn. These decisions will likely lead to worsening of payment discipline, while not solving the problem of budget gaps of these companies.

Agriculture

- Agricultural output increased by almost 17% yoy over 11 months of 2011 due to good harvest. Crop production increased by about 30%.
- In 2011 Ukraine adopted the Law "On the State Land Cadastre" moving closer to agricultural land market. However, key institutional components of the well-functioning land market are still missing and, as a result, the moratorium on agricultural land sale was extended to 2013.
- Grain exports was restricted until November. This led to losses for producers through low prices and to traders through additional storage costs.

Transport

- In 2011, Ukraine increased investments into infrastructure primarily as a part of preparation to the EURO-2012. In particular, it intensified road construction as well as modernized and refurbished four airports.

Privatisation

- As a result of restrictive conditions for participation, the most attractive lots for privatization in 2011 were sold to the sole bidder in the auction. In particular, after many years of preparation and stalling the Ukrtelecom was sold to Austrian company for UAH 10.6 bn.
- Privatisation of energy sector was launched and is planned to be executed till the end of 2012

External Sector

- Current account deficit in Ukraine approached pre-crisis level. It is estimated at over 6% of GDP in 2011 as compared to 7.2% of GDP in 2008.
- External capital inflows reduced sharply since August of 2011 as global economic slowdown became apparent.

Fiscal policy

- The Tax Code came into force and was amended several times during the year. Administration of taxes was tightened, while the process of paying taxes was not much eased.
- New regulation of simplified taxation will become effective in 2012. It envisages several categories of taxpayers and higher tax rate to be paid. At the same time, coverage of simplified taxation was not narrowed.
- Between January and November the central fiscal deficit remained much lower than the target due to difficulties in obtaining domestic and external financing. As a result, large share of capital expenditures was postponed to December.
- For the first time since sale of the Krivorizhstal the plan for privatisation receipts was executed.

Social policy

- The pension reform continued in 2011. Retirement age for women was increased and number of years of work needed to receive pension became larger. At the same time, higher pensions were somewhat restricted. New regulation will have positive impact on the sustainability of the Pension Fund, but only in the medium run.
- Government attempted to reverse mass court-ordered increases in social privileges to large cross-section of population including victims of Chornobyl catastrophe and veterans of Afghan war. This resulted in rise of social tensions. In the end of year the Parliament delegated the authority to set these social privileges to the Cabinet of Ministers.

- As in 2010 the pensions were paid without delays, although it required substantial central fiscal transfer and short-term loans provided by the State Treasury.
- Real disposable income continued growing in 2011 against the background of higher social standards, wages, larger income from sale of agricultural products as well as decelerated inflation.

Labour market

- Labour market became weaker in the end of the year. Average wage declined during autumn months as compared to summer.
- Unemployment rate (ILO methodology) declined primarily due to demographic changes.

Monetary policy

- CPI growth in Ukraine reached 4.6% yoy in December, the lowest level over the last ten years as good harvest dampened prices.
- The National Bank of Ukraine continued tight control over the exchange rate despite depreciation pressure in the second half of 2011.

State debt

- State debt continued growing, though its growth decelerated compared to 2010. The most significant increase was in external debt, mostly as a result of the newplacements of Eurobonds.
- The demand for the domestic bonds remained low, which forced the Government to introduce USD-linked and USD-denominated government securities in the second half the year.
- Government liquidity was sufficient for current debt payments due to restricted spending and proceeds from the Ukrtelecom privatization. Government continued to recapitalize state banks and support state companies using state bonds.
- The Cabinet of Ministers approved the Medium-Term Government Debt Management Strategy for 2011-2013, which envisaged annual reduction of state debt relative to GDP.

Monthly Economic Monitor Ukraine

Politics: EU-Ukraine Summit for the Summit's Sake

On 19 December, the EU-Ukraine annual summit took place in Kyiv. Its main accomplishment was the declaration on the official completion of negotiations on the Association Agreement (AA). The AA will substitute the Partnership and Cooperation Agreement and establish a legal framework for further economic integration and political association between Ukraine and the EU. The key component of the Agreement is a creation of deep and comprehensive free trade area. Besides, the text of the AA includes the acknowledgement of Ukraine's European aspirations by the EU's taking note of its European identity. However, it does not provide clear membership prospect.

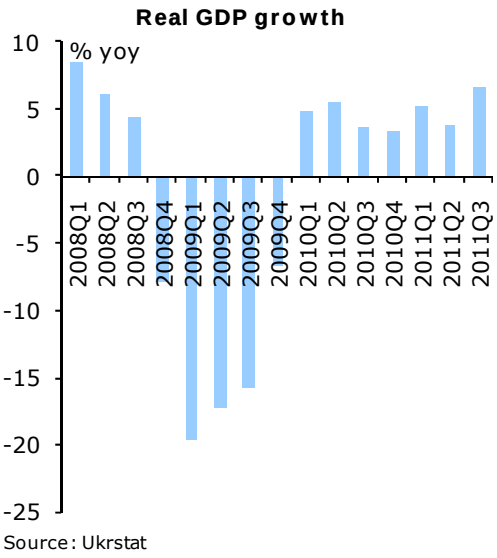
EU was willing to complete negotiations despite Ukraine's democratic backsliding mainly allied with the prosecuting and jailing opposition leader and former Prime-minister Yuliya Tymoshenko. Nevertheless, the signature and subsequent ratification of the AA will depend on Ukraine's adherence to the European democratic values and the rule of law.

In December, Ukraine intensified talks with Russia on the revision of gas contracts signed in 2009 to ensure decline in base price. Despite all efforts, an agreement was not achieved and the new contract was not signed.

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 sector: Industrial output growth continues decelerating

GDP. Real GDP growth accelerated to 6.6% yoy in the third quarter of 2011 from 3.8% yoy in the second quarter. On the production side, record harvest led to increase in gross value added (GVA) in agriculture by 16.5% yoy. Manufacturing also contributed to economic recovery. Increase in production and consumption stimulated growth of trade and transport. At the same time, growth GVA in construction slowed likely due to statistical base effect.



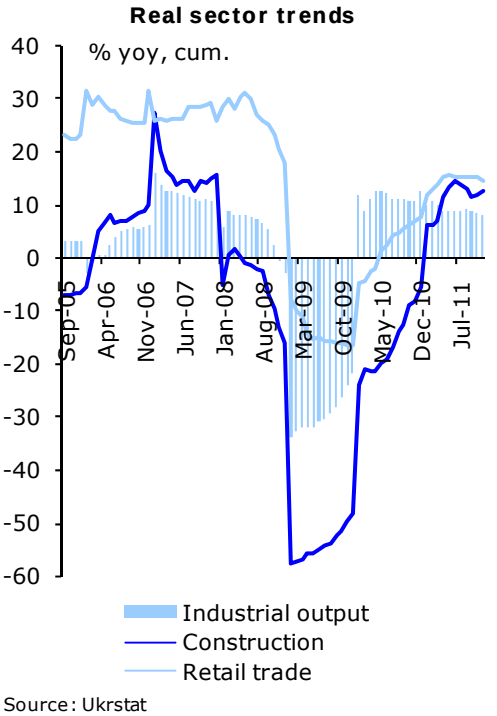
Source: Ukrstat

On demand side, real private final consumption remained the major contributor to real GDP growth increasing by 15.7% yoy. Households primarily increased purchases of food items, which could be attributed to decline in prices for fruits and vegetables. Besides, purchases of clothing as well as housing appliances increased rapidly.

Growth of real fixed capital accumulation accelerated to 15.2% yoy. Construction of commercial properties and infrastructure grew 31.4% yoy in part due to state financing. At the same time, the Ukrstat continued to report falling investment into residential construction due to methodological errors (overstated statistical base).

Real imports growth decelerated to 13.6% yoy. At the same time, real exports declined by 3.4% yoy due to unstable and weak external demand for most Ukrainian products as well as restrictions on grain exports. The resulting negative contribution of real net exports into economic growth declined as compared to previous quarter.

Sectoral trends. Real industrial output growth continued decelerating against the background of weak external demand. It grew by 3.4% yoy in November as compared to 4.7% yoy in October. In particular, output in metallurgy fell by 1.4% yoy as inventories declined. Machine building also reduced output by 0.4% yoy primarily due to decline in railcar production as well as machinery and equipment manufacturing, which could be attributed to decline in external demand. At the same time, higher demand for fertilizers resulted in acceleration of output growth in chemical production to 10.2% yoy.



Source: Ukrstat

In November most other sectors also demonstrated slower growth. Deceleration of industrial output resulted in slower growth of freight turnover, which grew by 6.6% yoy between January and November as compared to 7.3% yoy in the first ten months of 2011. The growth was supported by good harvest. Growth in agriculture remained high at 16.5% yoy in eleven months of the year. Retail trade growth decelerated to 14.5% yoy likely due to unfavourable

development of wages. At the same time, construction slightly accelerated growth to 12.5% yoy as compared to 11.7% yoy in first ten months of the year. However, construction volumes remained much lower than before the crisis.

Sectoral news: Privatisation in energy sector continues

Energy. On December 21, the Verkhovna Rada ratified an agreement with Azerbaijan on transportation of Caspian oil through Ukraine. The expected additional volumes of Azerbaijan oil may total 20 m tons. The agreement involves transportation of up to 3 m tons of oil by domestic routes to refineries in Drohobych and Nadvirna, up to 5 m tons in the western direction (to Hungary, Slovakia, Czech Republic, Poland) and up to 12 m tons to Belarus. Signing of this agreement is a very important step towards wider use of the Odesa - Brody oil pipeline in the direct mode. Overall, the capacity of the first stage of the Odessa – Brody pipeline was envisaged at 14.5 m tons. Therefore, Ukraine will increase its status as a transit country. Besides, increase in oil transport is a welcome step as it will also ensure higher fiscal revenues.

Agriculture. The grain harvest is preliminary estimated at 58.2 m t in 2011, being by 48% higher than in 2010.The reason for that is the increase in average yields, which were still almost twice lower than in the EU and the US. If the yield was at average EU level, Ukraine could have received about 76 m t of grains. Allowing agricultural land sales may foster investments needed to improve productivity.

In December start date for agricultural land sale was postponed until January 2013 from January 2012. Absence of the Law on the Land market was one of the reasons for this decision. Proposed drafts of this law were controversial leading to protracted debate. In particular, the most recent Draft Law on the Land Market suggested the creation of the agricultural land market with the domination of the state. Still, the continued moratorium sends bad signals to the international community impeding the inflow of foreign investments into Ukraine's agriculture.

Privatisation. The plan for privatisation receipts was accidentally executed in 2011 after many years of futile optimism. As of December 2011, receipts from privatization reached around UAH 11.5 bn as the sale of Ukrtelecom for UAH 10.6 bn closed in the first half of this year instead of 2010. Besides, several sales were made in energy sector.

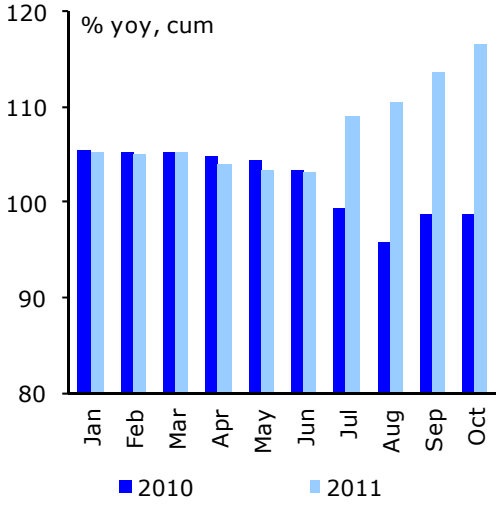
The Government expects to complete sales of energy companies by the end of 2012. The State property Fund of Ukraine (SPFU) is to prepare the sale of 13 shareholdings of energy generating and distribution companies. In particular, auctions of state shareholdings in Dnipro-, Donetsk-, Zakarpattyaoblenergo are scheduled for January 2012. They are likely to be more competitive than sale of Zakhidoblenergo, where only one company (the DTEK) participated in tender. Currently there are already 10 companies interested in new tenders. Start price is UAH 1.2 bn for 25% shares of Dniproenergo, UAH 450 m for 40% of Donetskoblenergo, UAH 135 m for 50% of Zakarpattyaoblenergo. Sales of 50% of Vinnitsyaoblenergo (start price UAH 168 m) and 45% of Chernivtsioblenergo (start price UAH 65 m) are scheduled for February.

External sector: Current account deficit reached USD 1.6 bn

In November current account deficit reached to USD 1.6 bn. Merchandise trade deficit declined to USD 1.4 bn as grain export increased and steel exports remained steady. Merchandise imports continued to grow at 24% yoy. Improved trade balance was offset by higher payout of income to foreign investors. Over eleven months of the year current account deficit widened to USD 8.7 bn from USD 2.1 bn a year ago.

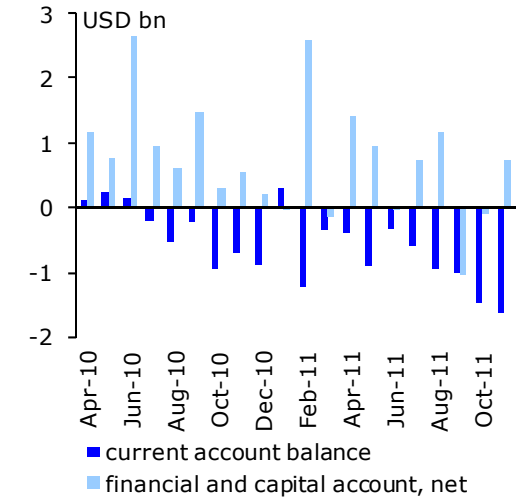
Financial and capital account in November swung to USD 0.7 bn surplus from USD 0.1 bn deficit in October due to increase in short

Agricultural output



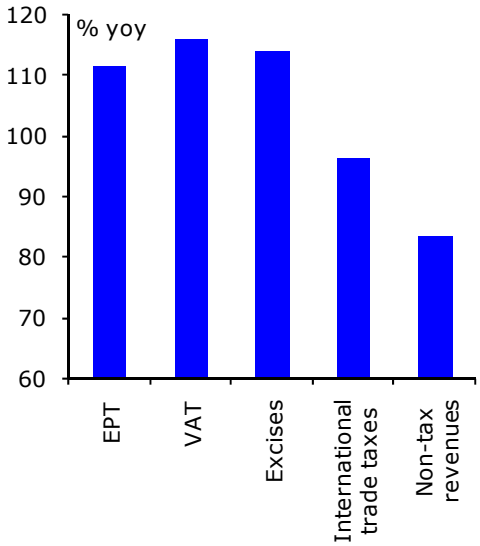
Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

Planned central fiscal revenues in 2012*



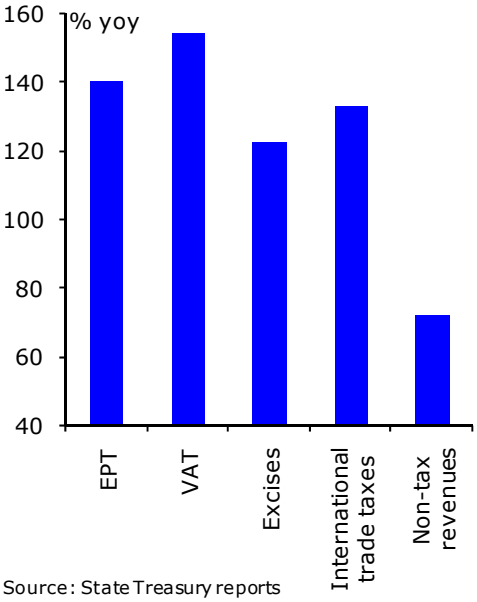
*comparison with ammended planned indicators for 2011
Source: State Treasury reports, State Budget Laws

term borrowing and capital flows to real sector. At the same time, FDI inflows slipped to USD 0.15 bn, while outflows of cash foreign currency from banking sector remained high at USD 1.5 bn. Over 11 months banking sector lost USD 10.8 bn in cash foreign currency.

Fiscal policy: State Budget Law for 2012 was approved

State Budget 2012: On December 22, the Verkhovna Rada approved the revised State Budget Law for 2012 with a delay explained by attempts of Ukrainian Government to negotiate reduction in natural gas prices with Russia. As negotiations failed, the Budget Law is based on the current gas price of USD 416 per thousand cubic meters. At the same time, fiscal revenues and expenditures were downgraded as compared to the Budget Law approved in the first reading to take into account worsened economic outlook for 2012. In particular, real GDP growth forecast was downgraded from 5.0% to 3.9% for 2012. New estimate is close to the IER forecast (3.6%). Central fiscal revenues are planned at UAH 333 bn, which is by 18.2% higher than 2011 target, while central fiscal expenditures are estimated to grow slower (by 11.2%) and reach UAH 358 bn reflecting possible difficulties in in financing in central fiscal deficit. Central fiscal deficit was set at 2.5% of GDP (including recapitalization of the Naftogaz). Overall, it complies with fiscal target defined in the Stand-by Agreement with IMF.

Central fiscal revenues in January-November 2011



Source: State Treasury reports

Budget execution: Between January and November growth of central fiscal revenues (general and special fund) decelerated to 32.0% yoy. Tax collection increased reflecting economic growth and stricter tax administration. In particular, the VAT and EPT receipts augmented by 54.6% yoy and 40.4% yoy respectively.

Central fiscal revenues due to general fund were over-executed by 3.7% in eleven months of the year. Revenues from all major sources were higher than expected except for excises and international trade taxes, which were lower than target by 7.4% and 6.3%, respectively. In particular, export duties were lower than target due to cancellation of grain exports duties.

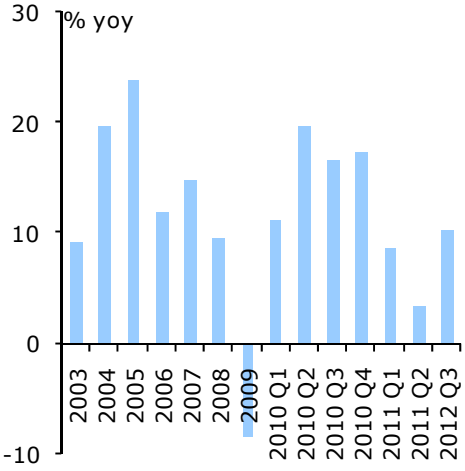
Central fiscal expenditures (due to general fund) were executed at 94.0% of the target. They accounted for 85.7% of annual plan, which is lower than usual for November. Moreover, capital expenditures reached only 60% of the annual plan.

Difficulties in borrowing and high revenues led central fiscal deficit (the general fund) to decrease to UAH 10.2 bn from UAH 13.1 bn in ten months of the year, as compared to annual target of about UAH 38 bn. Low expenditure execution could have been attributed to the attempts of the Government to save funds for debt redemption due in December. In particular, the accumulated funds made it possible for the Ministry of Finance to redeem the Eurobonds at USD 600 m in December.

Social policy: Disposable income growth accelerated

Real disposable income growth accelerated to 10.3% yoy in the third quarter of 2011 as compared 3.4% yoy in the second quarter. This was partially attributed to deceleration of inflation. Increase in real income from entrepreneurship activity and subsidiary farming reached 21.1% yoy likely due to good harvest. As a result, the share of this income component in total income grew by 2.7 p.p. to 22.3%.

Real disposable household incomes



Source: Ukrstat

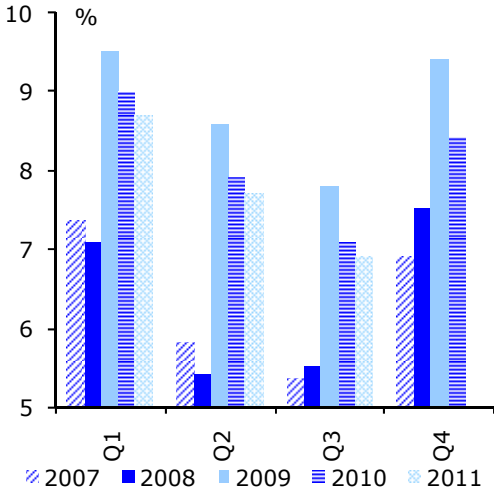
Improved revenues of companies resulted in higher wage income of employees (by 6.5% yoy). Besides, the decision of the Government to increase wages to employees in public-owned sectors also positively influenced wage income. At the same time, increase in social standards combined with deceleration of inflation led to real growth of income from social assistance payments at 1.9% yoy as compared to decline by 1.4% in the second quarter. At the same time, debt burden continued declining contributing to acceleration of disposable income growth.

Labour Market: Unemployment rate slightly declined

Unemployment rate (ILO methodology) reduced to 6.9% economically active population in age between 15 and 70 years old in the third quarter of 2011 as compared to 7.1% in the same period of 2010. This reduction is not statistically significant and it is caused by the decline in number of economically active population. Thus, it does not indicate strengthening of labour market in 2011 as compared to 2010.

At the same time, unemployment rate seasonally declined as compared to the second quarter of 2011, when it was equal to 7.7%. In addition to seasonal factors this reduction in unemployment might indicate strengthening of the labour market between June and September as compared to the second quarter of the year. This could have been attributed to better performance of all sectors of economy. However, the unemployment rate may increase in the fourth quarter due to seasonal factors as well as slowdown in economic recovery.

Unemployment rate (ILO)



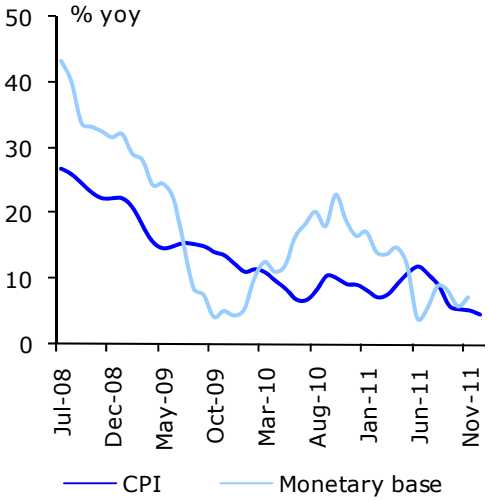
Source: Ukrstat

Monetary policy: CPI growth was at 4.6% yoy

In December, CPI growth slowed again to 4.6% yoy. According to the Ukrstat food prices were on average almost unchanged from December 2010. Prices for unprocessed food items including vegetables, sugar, groats, fruit, fell, while prices for processed items like bread and meat grew. Good harvest contained food prices growth, although the Ukrstat may also have understated price level. Increased electricity and water tariffs as well as higher fuel costs contributed to inflation.

Bank liquidity improved in December as the NBU decreased sales of foreign currency and government spent money accumulated at the NBU. At the beginning of December government had UAH 24 bn in the NBU accounts. As a result, in December total bank liquidity exceeded UAH 25 bn for several days and interbank interest rates went down somewhat. Nevertheless, improvement in liquidity was uneven and interbank interest rates remained in double digits

CPI and monetary base development



Source: Ukrstat, NBU

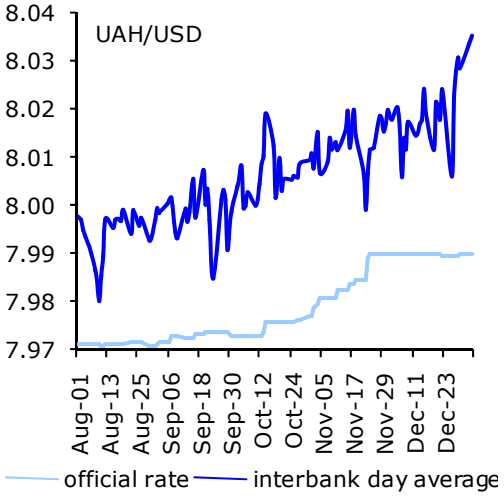
Financial markets: Exchange rate remained stable in December

Exchange rate. In December, interbank exchange rate weakened slightly to UAH 8.02 per USD. The NBU foreign exchange reserves dropped by USD 0.6 bn to USD 31.8 bn due to negative effect of the fluctuations in the in USD/EUR exchange rates as well as small(around USD 0.1-0.3 bn) net sales of foreign currency. Thus, imbalances between supply and demand continued to improve in December for the third month in a row.

State debt. On December 9, the Parliament amended the Law 'On securities and stock market', which allowed the Ministry of Finance to issue domestic state bonds in foreign currency. New bonds can be paid and repaid in foreign currency, while transactions with them on the secondary market should be made only in hryvnia. The new financial tool is aimed at covering the fiscal gap at the time of low hryvnia liquidity of Ukrainian banks and restricted access to international capital markets. Over two weeks of December the Ministry of Finance raised USD 413 m using USD-dominated bonds with the average yield ranged between 8.6-9.3%. Government sold mostly one-year bonds. Overall, the introduction of USD-dominated bonds created useful instrument to finance fiscal deficit. At the same time, the state becomes more vulnerable to the foreign exchange risk.

Moreover, the Ministry of Finance also placed domestic state bonds denominated in hryvnia at UAH 3.0 bn. However government had toe to increase in yields, which grew from 8.3% p.a. on average in November to 10.1% p.a. in December and shorten maturity. Therefore, the Government *de facto* shifted the fiscal gap to the first half of 2012, when fiscal situation is likely to be difficult against the background of slowed economic growth.

Exchange rate



Source: NBU

As of December 1, the total sate debt (direct and guaranteed) reached UAH 475 bn (USD 59.4 bn), increasing by 9.8% from the beginning of 2011. According to the State Budget Law for 2012, gross state borrowings will reach UAH 98.5 bn (as compared to UAH 91.6 bn planned for 2011), including UAH 12 bn for recapitalization. The share of expenditures on debt service in overall expenditures will grow as well (to 8.3% from 6.8% in 2011). According to IER forecast the state debt in relation to GDP will slightly increase to 38.6% in 2012 from 37.8% estimated for 2011. However, Government expects lower debt to GDP ratio in 2012 due to more optimistic forecast of GDP growth. Thus, Ukraine's indebtedness will further increase.

Economic Trends		Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Industrial production (real)	% yoy cum.	10.8	11.0	9.7	8.7	8.6	9.7	8.5	8.5	8.7	8.7	8.9	8.6	8.2	7.8	…
Construction (real)	% yoy cum.	-12.6	-5.4	6.8	14.5	11.4	6.8	11.6	13.2	14.5	13.6	13.0	11.4	11.7	12.5	…
Agricultural production (real)	% yoy cum.	-1.3	-1.0	5.3	3.2	13.7	5.3	4.0	3.5	3.2	9.1	10.5	13.7	16.6	16.5	…
Retail trade turnover (real)	% yoy cum.	5.1	7.6	13.5	15.2	15.2	13.5	14.9	15.5	15.2	15.0	15.2	15.2	14.9	14.5	…
Average wage	UAH	2332	2407	2389	2605	2737	2531	2533	2573	2708	2749	2694	2737	2729	2727	…
CPI	% yoy	10.5	9.1	7.7	11.9	…	7.7	9.4	11.0	11.9	10.6	8.9	5.9	5.4	5.2	4.6
PPI	% yoy	19.2	18.7	20.3	20.0	…	20.3	20.8	18.8	20.0	20.3	19.9	21.3	16.3	17.3	14.2
Exports (USD)*	% yoy cum.	28.6	27.7	40.5	42.5	38.0	49.2	44.4	43.9	42.5	40.0	39.7	38.0	36.1[e]	34.5[e]	…
Imports (USD)*	% yoy cum.	28.2	30.1	52.8	50.8	44.1	58.5	52.3	52.5	50.8	46.7	46.1	44.1	41.8[e]	39.8[e]	…
Merchandise trade balance	USD bn cum.	-4.8	-8.4	-3.0	-5.5	-9.1	-3.1	-3.8	-4.6	-5.5	-6.7	-7.8	-9.1	-11.1[e]	-12.5[e]	…
Current account**	USD bn cum.	-0.5	-2.9	-1.3	-2.9	-5.5	-1.3	-1.6	-2.5	-2.9	-3.3	-4.5	-5.5	-7.0[e]	-8.7[e]	…
Current account	% GDP, cum.	-0.5	-2.1	-3.8	-4.0	x	x	x	x	x	x	x	x	x	x	…
Gross international reserves	USD bn eop	34.7	34.6	36.4	37.6	35	36.4	38.4	37.9	37.6	37.8	38.2	35.0	34.3	32.4	31.8
Monetary Base	% yoy	18.0	15.8	13.7	3.9	8.1	13.7	14.7	12.1	3.9	5.4	8.8	8.1	5.7	7.1	…
Lending rate on UAH credits	% pa, aop	13.0	13.6	13.3	13.5	15.5	13.3	13.0	13.4	14.0	13.9	14.9	15.5	18.7	18.9	…
Exchange rate (interbank)	USD aop	7.90	7.96	7.95	7.98	7.99	7.97	7.97	7.98	7.99	7.99	7.99	8.00	8.01	8.01	8.02
Exchange rate (official)	USD aop	7.90	7.93	7.94	7.97	7.97	7.94	7.96	7.97	7.97	7.97	7.97	7.97	7.97	7.98	7.99
Exchange rate (official)	EUR aop	10.18	10.79	10.85	11.48	11.27	11.10	11.49	11.48	11.47	11.38	11.42	11.03	10.91	10.84	10.54

Sources: Ukrstat, NBU, own calculations

* Monthly figures are only for merchandise exports and imports (source: Derzhkomstat)
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	1095	…
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.4	138.0	…
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1	-15.1	4.2	…
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	…
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	…
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	…
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	…
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	…
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	…
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	…
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	-5.9	…
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	39.5	…
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	25.3	…
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	…
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: Derzhkomstat, 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		Q2 08	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
GDP	UAH bn	236.0	276.5	244.1	189.0	214.1	250.3	259.9	219.4	260.2	304.7	310.3	263.6	316.5	388.0
GDP (real)	% yoy	6.2	4.3	-7.8	-19.6	-17.3	-15.7	-6.7	4.8	5.5	3.6	3.3	5.3	3.8	6.6
Household consumption (real)	% yoy	12.6	14.4	4.7	-14.5	-14.5	-14.3	-16.2	1.2	7.8	9.4	9.0	12.7	14.1	15.7
State consumption (real)	% yoy	2.2	-5.3	7.4	0.2	-1.6	-4.3	-3.7	4.1	-1.9	3.7	5.0	0.1	-0.4	-11.3
Gross fixed capital formation (real)	% yoy	9.1	-3.2	-23.1	-58.0	-55.9	-53.2	-33.7	-7.5	-1.2	12.6	10.6	4.5	8.6	15.2
Exports of goods and services (real)	% yoy	13.8	21.0	-13.2	-22.2	-34.1	-30.9	6.9	-0.2	10.8	2.6	4.9	19.0	4.9	-3.4
Imports of goods and services (real)	% yoy	29.7	34.8	-11.8	-37.4	-52.3	-47.6	-11.1	-7.8	16.7	20.2	14.3	39.3	24.2	13.6
Agriculture, hunting, forestry (real)*	% yoy	-4.1	23.8	19.2	-1.1	3.4	2.2	-11.6	4.9	0.1	-3.3	0.3	5.8	1.1	16.5
Manufacturing industry (real)*	% yoy	5.6	-1.5	-27.0	-33.7	-26.1	-25.6	6.5	14.4	16.1	12.5	15.0	12.9	8.7	11.9
Construction (real)*	% yoy	-18.7	-33.9	-39.5	-54.2	-42.7	-43.6	-32.8	-12.4	-8.7	7.4	1.3	7.8	21.7	10.5
Trade, repair services (real)*	% yoy	8.8	-0.7	-6.2	-15.6	-15.7	-22.0	-16.4	1.1	-1.6	1.7	0.3	9.7	1.6	7.1
Transport (real)*	% yoy	14.6	10.1	-0.3	-13.4	-9.2	-5.7	-0.4	5.5	6.8	5.2	3.0	4.4	5.8	7.2
Balance of payments															
Current account balance	USD bn	-3.3	-2.1	-3.7	-0.6	-0.2	-0.1	-0.9	0.0	0.5	-1.0	-2.5	-1.3	-1.6	-2.7[e]
Current account balance	% of GDP	-7.0	-3.6	-9.4	-2.6	-0.6	-0.2	-2.7	-0.1	1.6	-2.5	-6.4	-3.8	-4.1	-5.5[e]
Trade balance in goods	USD m	-4171	-3868	-3562	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-2880	-2320	-4.1[e]
Trade balance in services	USD m	308	1341	15	116	432	1256	550	930	1115	1536	823	855	1047	1.5[e]
Current transfers	USD m	833	831	723	632	667	640	722	608	728	797	842	1034	866	978[e]
Direct investment (FDI)	USD m	3091	3324	1058	883	1279	1210	1282	923	1196	1470	2170	882	2284	2088[e]
Portfolio investments	USD m	160	-690	-967	-350	-351	-2286	1428	-307	804	2532	1288	1163	1841	…
Gross international reserves	USD bn	35.5	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
Exchange rate(market), UAH/USD	aop	4.79	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
Exchange rate(official), UAH/USD	aop	4.96	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
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	32.0	29.5	31.6	34.8	30.6	25.5	36.0	30.6	30.0	23.0	32.0	32.0	29.5	28.1
Personal income tax	% of GDP	5.1	4.3	4.9	5.2	5.3	4.4	4.7	4.9	4.8	4.3	4.8	4.9	4.7	4.0
Enterprise profits tax	% of GDP	4.5	5.0	6.3	3.9	3.3	3.7	3.6	4.3	3.0	3.4	4.2	4.4	4.5	3.5
Value-added tax	% of GDP	10.9	9.8	7.8	11.7	8.3	6.4	11.0	9.7	9.7	8.4	9.8	7.4	12.6	9.2
Excise tax	% of GDP	1.3	1.2	1.4	2.0	2.3	2.5	2.6	2.4	2.9	2.5	2.5	2.1	3.0	2.6
Consolidated fiscal expenditures	% of GDP	31.6	27.2	41.2	34.4	36.6	29.6	34.5	32.7	38.2	30.0	37.2	32.1	32.6	25.6
Current expenditures	% of GDP	28.5	22.4	33.8	33.5	34.9	27.0	31.4	32.1	36.9	26.3	32.5	30.8	30.2	22.8
Capital expenditures	% of GDP	3.1	4.8	7.4	0.9	1.7	2.6	3.1	0.6	1.4	3.7	4.7	1.2	2.3	2.8
Consolidated fiscal balance	% of GDP	0.4	1.9	-10.3	0.0	-6.2	-4.5	1.1	-2.0	-7.9	-7.4	-5.6	-0.3	-3.3	3.7
Privatisation receipts	% of GDP	0.0	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
Labour market															
Average wage (real)	% yoy	6.1	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
Household income (real)	% yoy	10.1	6.6	2.7	-10.8	-6.9	-8.6	-7.6	3.7	11.8	11.0	14.7	8.7	3.4	10.3
Unemployment rate (ILO methodology)	% cum	6.2	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
Banking system															
Monetary aggregate M0	% yoy cum	48.6	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
Monetary aggregate M2	% yoy cum	48.8	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
Household deposits in national currency	% yoy cum	67.0	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
Household deposits in foreign currency	% yoy cum	32.9	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
Com. bank credits in national currency	% yoy cum	70.6	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
Com. bank credits in foreign currency	% yoy cum	57.9	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
Long-term com. bank credits	% yoy cum	67.2	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
Long-term com. bank credits	% of total	68.6	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
Average lending rate on national currency credits	% p.a.	17.6	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
Average lending rate on foreign currency credits	% p.a.	11.9	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

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

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