INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.12 (146), December 2012

EXECUTIVE SUMMARY

HIGHLIGHT: STATE BUDGET 2013

Politics: Slowdown in economic activities and increased fiscal and debt sustainability risks negatively impacted Ukraine's ratings by the international ratings services.

Real Sector: Performance of most industrial sectors was less negative in October.

Energy sector: The Government intensified attempts aimed at higher gas supply diversification.

Agriculture: Government measures to support domestic agrimachinery production might turn out to be inefficient.

External sector: Current account deficit reached highest post-crisis value at USD 1.6 bn in October, while financial and capital account swung to USD 0.4 bn deficit.

Fiscal policy: Under-execution of central fiscal revenues and expenditures is expected to be record in 2012.

Social policy: The Pension Fund's deficit remains high. It is financed at the expense of direct central fiscal transfer as well as non-transparent loan provided by the State Treasury.

Labour market: Minimum wage will be increased by 4.9% on average in 2013, which would restrict average wage growth.

Monetary policy: In November CPI fell by 0.2% yoy after three months of zero inflation.

Financial markets: The NBU introduced administrative restrictions on FX market, which are unlikely to be efficient in the ling run.

Highlight of the month: State Budget 2013

RESTRICTED FISCAL REVENUES SHAPED NEXT YEAR'S BUDGET

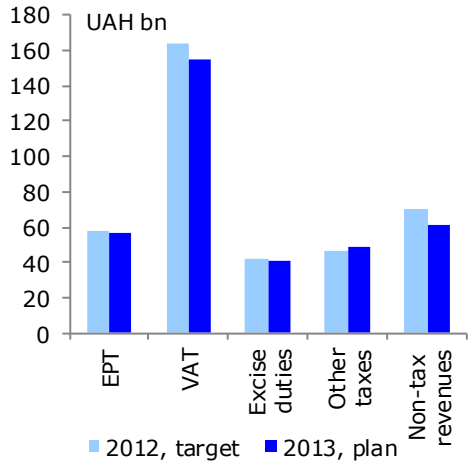
By Oleksandra Betliy

The draft Budget Law for 2013 was approved by the Verkhovna Rada on December 6 in violation of the Budget Code. It was adopted only three days after its submission to the Rada without following prescribed procedure and any careful consideration of proposed budget was obviously impossible. Rushed schedule was caused by the possibility that newly elected Rada may fail to approve budget in December. In this case, financing expenditures at one twelfth of fiscal expenditures of previous year would not be sufficient in 2013. It could result in further delays and arrears in wage and pension payments. At the same time, final parameters of the State Budget Law for next year were finalised after voting due to last-minute changes that were not incorporated to the Draft. This created possibilities for changes not approved by the Rada. So far the President has not signed the draft Budget and final text of the Budget is not available.

By the end of 2012 the fiscal revenues will definitely be lower than planned due to problems with planning as well as higher slowdown in economic activity. As a result, the planned central fiscal revenues in draft 2013 budget are by 3.3% lower than annual target for 2012. To make up for low revenues the State Budget Law envisages increase in state guarantees and quasi-fiscal operations.

The Draft State Budget for 2013 is based on more optimistic macroeconomic scenario out of two scenarios approved by the Cabinet of Ministers. In this scenario real GDP will increase by 3.4%, which is higher than the IER forecast at near 2%. CPI growth is estimated at 4.8% yoy in December 2013, which is lower than the Institute's forecast. As a result, our forecasts of nominal GDP, which is the most essential parameter for fiscal purposes, are close. At the same time, according to our estimates the plan for tax revenues (in particular, collections of EPT and VAT) is too optimistic. Thus, it is highly unlikely that the Government follows best international practice and uses conservative macroeconomic scenario for planning fiscal revenues. Moreover, to ensure additional revenues the Government requires the NBU to transfer its profits in 2013 quarterly at least at the amount of UAH 4 bn each quarter.

Central fiscal revenues

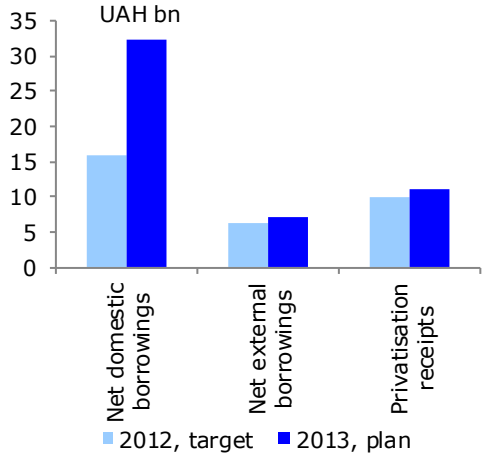


Source: State Budget Law for 2012, Draft State Budget Law for 2013

As the Government will not have enough financing for capital spending the Budget envisages providing state guarantees at 3.2% of GDP. The allocation of these guarantees is delegated to the Cabinet of Ministers while the Law defines only total limit without any breakdown, which reduces fiscal transparency. Moreover, state guarantees increase fiscal vulnerability as decentralization of government borrowing may lead to higher borrowing costs and less fiscal discipline. Higher guarantees are partly related to the permit to budget entities to attract financing for capital outlays above the amount of approved budget allocations. In particular, envisaged expenditures for development (which is broader term than capital spending) are by 24% lower than plan for 2012 approved in December 2011. Therefore, if budget entities will have difficulties obtaining financing, capital outlays could be lower in 2013, resulting in even worse situation in infrastructure sectors as well as such important sectors as health care and education. Still, state banks could be compelled to provide such loans to budget entities, which would expand quasi-fiscal operations and lead to deterioration balances of these banks.

At the same time, share of recurrent expenditures will increase further in 2013, which will limit possibilities for cutbacks by the Government if situation worsens. Higher minimum pension and minimum wage, which will be raised by 7.4% yoy in December 2013, will result in higher transfer to the Pension Fund and larger public wage bill. Base rate of the Unified Tariff Scale for public employees will increase to 74.3% of minimum wage for eleven months of the year and to 76.2% in December leading to larger increase in public sector wages. Wage differentiation in public sectors is likely to increase, but wages will still remain lower than average in economy. Overall, wages in public and private sectors will grow slower than in 2012 leading to corresponding slowdown in pension contributions and PIT revenues. Therefore, local budgets could again face difficulties in financing health care and education in 2013.

Central fiscal deficit



Source: State Budget Law for 2012, Draft State Budget Law for 2013

Facing low revenues the Government plans to increase central fiscal deficit from UAH 31 bn planned in 2012 to UAH 50.4 bn in 2013. The deficit at near 3.2% of GDP will consist of privatisation receipts and borrowings. The plan of privatisation receipts at UAH 10.9 bn is ambitious and the Government will have to sell several of few remaining state-owned blue chip companies to receive these funds. External borrowings are planned at near USD 5 bn and will be used mostly for rolling over maturing debt (including USD 2.5 bn of IMF loan). Net domestic borrowings are expected at UAH 32.3 bn, which may crowd out real sector lending, undermining potential economic recovery. The state debt will also increase due to so-called recapitalisation of state banks and companies. Such recapitalization is used to exclude bond issues from official deficit. In particular, the draft State Budget Law envisages UAH 14.7 bn of government bonds issued using this scheme. They are likely to be bought by the NBU.

Overall, the procedure of approval State Budget Law violated Ukrainian legislation as well as best budgeting practices. The approved budget carries higher risks for fiscal sustainability and increases state guarantees as well as direct state debt. As a result, fiscal vulnerability increases. Taking into account all risks and high central fiscal deficit the Budget is likely to be criticized by the IMF. Negotiations to be held in January could result in State Budget Law amendments in the first several months of the year. Possible compromise may entail cuts in tax privileges to certain sectors, which heavily undermine a VAT and EPT revenues.

Monthly Economic Monitor Ukraine

Politics: Ukraine descends in international credit ratings

On December 6, the IMF Resident Representative in Ukraine Max Alier announced that "at the request of the Ukrainian authorities" the IMF mission visit to Ukraine, which was scheduled for December 7-17 in order to discuss a Stand-By Arrangement (SBA), will be postponed until the second half of January 2013. Given the resignation of Mykola Azarov government in early December, this will permit the representatives of the new Cabinet of Ministers to conduct negotiations with the IMF. In 2011-2012 the IMF was suspending disbursements to Ukraine under the SBA, approved in 2010 and expiring in the end of 2012. At the same time, the capacities of new Government to negotiate a new stand-by arrangement remain vague, taking into account parameters of approved State Budget Law and unwillingness to increase gas tariffs for population.

Slowdown in economic activities and increased fiscal and debt sustainability risks negatively impacted Ukraine's ratings by the international ratings services. For instance, the Moody's Investors Service downgraded Ukraine's government bond rating to B3 from B2 keeping a negative outlook. Subsequently, Standard & Poor's lowered its long-term foreign- and local-currency sovereign credit ratings on Ukraine to B from B+, also preserving a negative outlook. Additionally, the agency affirmed its B short-term ratings on Ukraine and lowered the long-term Ukraine national scale rating to uaB- from uaB+. The deterioration of Ukraine's ratings can increase the cost of government borrowings in 2013.

Real sector: Performance of manufacturing was less negative

Sectoral trends. Performance of most industrial sectors was less negative in October. In particular, decline in industrial output narrowed to 4.2% yoy. Extractive industry again demonstrated growth (0.5% yoy) due to larger extraction of gas and coal. Manufacturing output declined by 5.2% yoy as compared to 10.7% yoy drop in September. Chemical industry production grew by 7.4% yoy partially due to statistical base effect. Still its output remained lower than in August. Decline in metallurgy remained at 9.4% yoy due to weak external demand, while machine building contraction shrank by 5.2 p.p. to 16.2% yoy due to improved production of electronic equipment. Increase in meat processing and vegetable oil production contributed in food industry growth at 2.2% yoy.

Between January and October, retail trade turnover growth somewhat slowed to 15.7% yoy likely reflecting deceleration of wage growth. Construction contraction deepened to 10.2% yoy due to financial constraints and high statistical base. Economic slowdown and lower transit of Russian gas resulted in decline in fright turnover at 6.4%. Output in agriculture declined by 5.1% yoy primarily due to lower grain harvest.

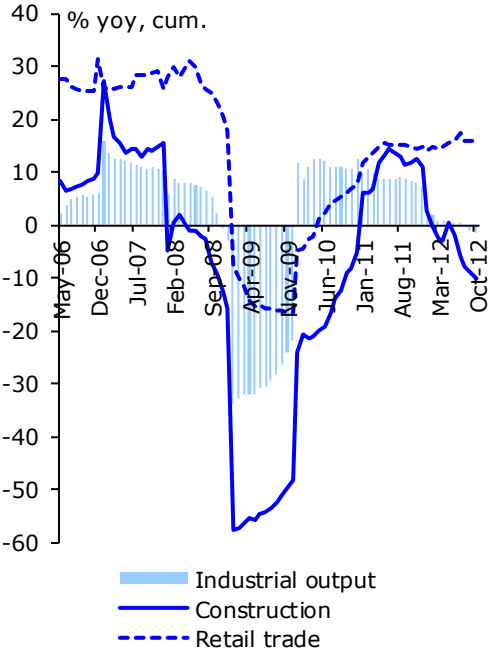
Energy sector: Attempts to increase gas supply diversification

On November 1, NJSC "Naftogaz Ukraine" and German RWE signed a 2-months agreement to supply 1 million m^3 of gas per day through Poland. This was part of Ukrainian efforts to diversify gas supply. One option is the "reverse" gas transit/supply. The price of gas is tied to the spot price of gas in Germany. According to the Energy Minister Boyko the German gas would be USD 40-70 per 1000 m^3 lower than the Russian gas. The supply started on November 1. However, RWE cannot supply more than 1.46 bn m^3 per year due to technical restrictions of the Polish pipeline. The Energy Ministry expects to buy European gas via Hungary in January 2013.

Another option of gas diversification is liquefied gas. At the beginning of November, the State Agency for Investments and National Projects announced two tenders on financing construction of LNG terminal. On November 26, project was officially started and two documents were signed: an agreement on renting the floating storage regasification

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 trends



Source: Ukrstat

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unit from American Exelerate Energy and a memorandum of intent. However, the memorandum of intent was signed with an impostor instead of a potential investor, Spanish Gas Natural Fenosa damaging credibility of the Ukrainian side.

Ukraine also changed legislation to further develop renewable energy market. Since April 2013 "green tariff" on electricity produced from biogas (with multiple of 2.3 relative to regular tariff) will be introduced and differentiated the tariffs for hydropower plants depending on capacity increasing incentives for small plants. Besides, it envisages a reduction of electricity tariff for solar power stations that start production after April 2013. The law also strengthened the domestic content requirements for equipment, raw materials and services used for generating electricity necessary to qualify for green tariff. This provision may raise concerns from WTO members. Similar measures by the EU and Canada were challenged by Japan, China and other WTO countries.

Agriculture: Counterproductive measures to support domestic agrimachinery production

In the end of November, amendments of the Law on supporting domestic production of agrimachinery came into force. The Law specifies that only domestically produced agrimachinery and equipment is eligible for state support programmes, e.g., partial compensation of loans rates and leasing payments from the state budget. At the same time, the definition of domestically produced agrimachinery was narrowed to machinery with the local content requirement at 60% (50% before changes) except for tractors and combine harvesters requirements for which will be later set by the Cabinet of Ministers. Moreover, import tariffs on agrimachinery were raised from 2% to 10%, while import duties for some components were reduced. Politicians claim that these policy measures will foster development of the domestic manufacturing and assembling of agrimachinery providing farmers with relatively cheap machines. However, such approach is likely to create inefficient local production capacities and impose higher costs on farmers since they prefer imported machines due to their higher cost/productivity ratio. On the contrary, the Government should follow market-oriented approach and improve investment climate to establish favorable conditions for development of the competitive agrimachinery industry.

External sector: Current account deficit reached new high

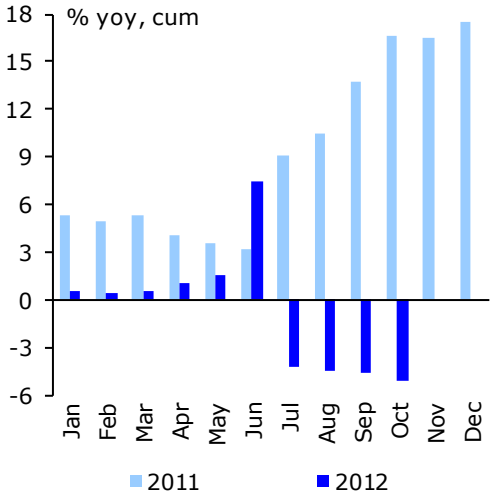
According to NBU preliminary estimates current account deficit reached highest post-crisis value at USD 1.6 bn in October. Net income payments exceeded net current transfers reflecting weak global economy and high external debt. Merchandise trade deficit widened to USD 1.8 bn. Exports of goods increased by 8.1% yoy in dollar terms reflecting boom in grain exports due to high world prices and sufficient domestic harvest. Exports of machinery and equipment was also strong, but other components of exports fell as metals exports reached lowest value since July 2010. In total, non-food exports fell by 9.7% yoy. Merchandise imports grew by 3.4% yoy. Imports of consumption goods remained high reflecting depreciation expectations and substitution of domestic goods by imports. In particular, imports of food and manufactured items grew by 31% yoy and 47% yoy, respectively. Imports of commodities and investment goods fell.

Financial and capital account swung to USD 0.4 bn deficit as outflow of foreign currency from banks reached USD 1.9 bn. Net FDI inflows slowed to USD 0.4 bn, while banks continued to repay external debt. Other inflows (such as receivables) and lower foreign assets helped contain deficit.

Fiscal policy: State Budget Law for 2013 was approved

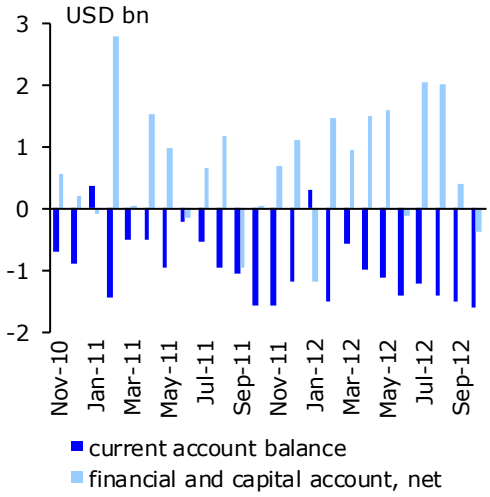
State Budget 2013. On December 6, the Verkhovna Rada approved the State Budget Law for 2013. The main fiscal indicators are based on rather optimistic macroeconomic outlook for 2013, including real

Agricultural output



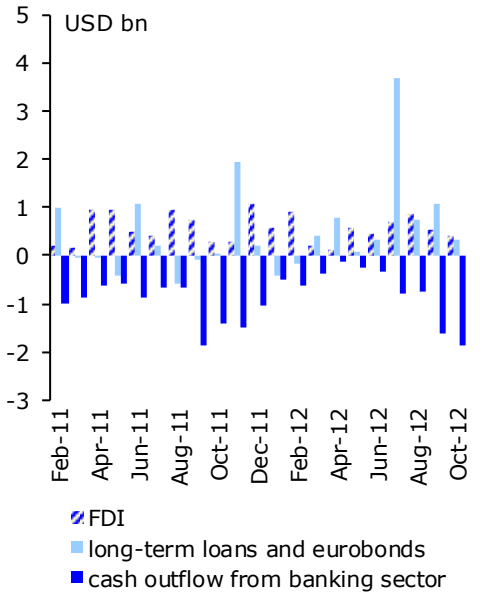
Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

Selected financial account components

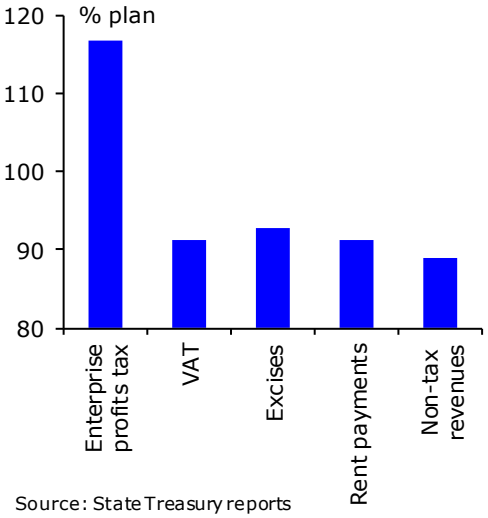


Source: NBU preliminary estimates

GDP growth forecast at 3.4%, inflation rate (CPI) at 4.8% and exchange rate of UAH 8.3-8.4 per USD. Average gas price is foreseen to remain at USD 421 per thous. m^3. Central fiscal revenues are planned at UAH 362 bn, which is by 3.3% lower than the annual target for 2012, but by near 8% above the estimated revenues for this year. Central fiscal deficit is defined at 50.4 bn (or 3.2% of GDP) and is to be primarily financed at the expense of domestic borrowings. As a result, it will lead to further increase in state debt. Overall, the approved State Budget 2013 may increase the risks of fiscal sustainability against the background of worsened economic perspective for 2013.

Execution of the State Budget. Central fiscal revenues in ten months of the year reached UAH 274 bn accounting for only 71.8% of annual plan. This clearly indicates that the Government will not be able to fully execute the revenues plan in 2012. Already between January and October central fiscal revenues were by 4.6% lower than the target. Low revenues execution is related to economic slowdown as well as unrealistic fiscal revenues projections. In particular, receipts from VAT, excise tax, rent payments were lower than planned. Non-tax revenues were under-executed as well (by 11.1%) despite of higher than planned transfer of profits by the NBU (by 30.4%). At the same time, EPT and taxes on international trade were over-executed. In particular, better EPT performance at 116.7% of ten-month plan was primarily ensured by persistent advance tax payments.

Execution of central fiscal revenues due to general fund in January-October 2012



Source: State Treasury reports

Central fiscal expenditures (general fund) were under-executed by 7.9% of the plan. In particular, capital expenditures were under-financed by half. As a result, central fiscal deficit grew rapidly to UAH 33.2 bn in ten months of the year from UAH 24.4 bn between January and September. It was primarily financed by domestic borrowings and partially by privatisation receipts.

According to the preliminary information of the State Treasury central fiscal revenues reached UAH 306 bn between January and November. Therefore, the Government will have to collect UAH 75.6 bn of revenues in December, while in November revenues reached only UAH 32 bn. Therefore, under-execution of revenues and expenditures is expected to be record this year.

Privatisation. In November the State Property Fund of Ukraine continued with the privatisation of energy companies. It sold 94.5% shares in "Kharkiv Combined Heat and Power Plant No.5" to "Ukristgaz" (affiliated with Dmytro Firtash) for UAH 340 m (UAH 10.5 m more than starting price).

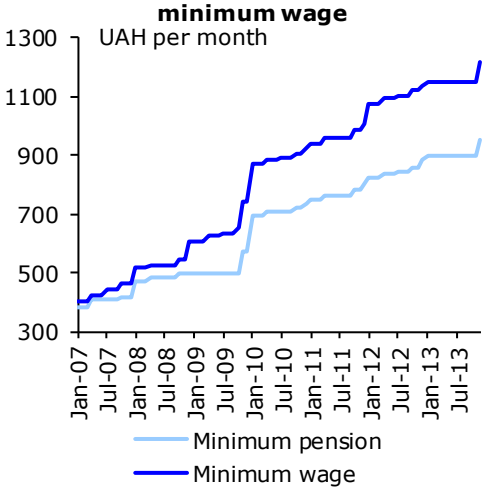
Overall, in the first eleven months of 2012 privatization receipts reached UAH 6.0 bn (60.0% of annual plan). Despite the SPFU's plans to privatize several stakes in December, it is unlikely that the annual target will be reached.

Social policy: The pension system remains in high deficit

According to the preliminary information of the Pension Fund between January and November its own revenues increased by 14.0% yoy to UAH 142 bn. At the same time, total expenditures grew by 10.3% yoy and were financed by pension contributions, central fiscal transfer as well as non-transparent loans provided by the Treasury. According to IER estimates Treasury loans could reach UAH 15 bn in the first eleven months of the year adding strains to fiscal situation. Higher than planned deficit is related to additional pension increases approved in spring. The Fund's total deficit could remain close to the previous year's figure at near UAH 30 bn.

According to the draft State Budget Law for 2013 minimum pension is to increase by on average by 6.6% to UAH 899. Total central fiscal transfer to the Pension Fund is to reach UAH 83.2 bn, as compared to UAH 64.5 bn target for 2012. The part of transfer for financing deficit of the Pension Fund is set at UAH 21.8 bn. The transfer for financing special pension programs will increase by 25.0% as it will now include targeted social assistance to pensioners with pensions lower than

Monthly minimum pension and minimum wage



Source: State Budget Laws for 2007 - 2012, Draft State Budget Law for 2013

minimum level. Therefore, the Pension Fund's deficit will remain high in 2013 as increases in pensions were not backed by sufficient wage growth.

Labour Market: Average wages continue growing

In October average wages grew by 14.0% yoy to UAH 3110. It was probably driven by minimum wage increase as well as increase in the salary of base rate of the Unified tariff scale for employees of public sectors. In particular, wages in health care and education increased by more than 20% yoy in October. At the same time, wages in these sectors remained lower than average: at only 71.2% and 81.8% of average in health care and education, respectively. Wages in industry grew by 11.2% yoy, while minimum wage was raised by 14.2% yoy. Such discrepancy is related to worsened financial condition of manufacturing, especially export-oriented sectors.

Minimum wage is expected to increase by 4.9% on average in 2013. Therefore, average wage growth will likely decelerate, which would also restrict real private consumption growth.

Monetary policy: Falling CPI

In November CPI fell by 0.2% yoy after three months of zero inflation. Low global prices for sugar and meat and high domestic stocks contributed to decline in prices of raw food products. Lower prices of inputs and slowdown in wage growth and other costs limited producer prices growth for food industry to 3.7% yoy. Overall, food prices fell by 2.9% yoy. Fixed exchange rate and unchanged gas, heating and electricity tariffs also contributed to decline in CPI.

Money supply and monetary base fell in November as the NBU withdrew funds through interventions on FX market and failed to replace it through refinancing. Still, banks received some liquidity from state bonds sales to the NBU and cash hryvnia from foreign currency sales. As a result, interbank rates remained high and volatile in November but did not rise. However, lending and deposit rates continued to increase reflecting the need to replace external funding and uncertainty about liquidity created by the NBU.

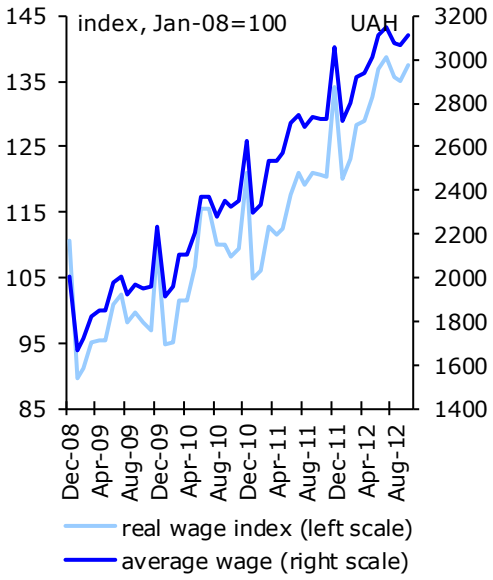
Financial markets: Administrative measures to the rescue

Exchange rate. In the beginning of November demand for foreign currency increased sharply, while supply decreased reflecting depreciation expectations and postelection sentiment. As a result, average hryvnia exchange rate weakened by 1% at the interbank market and market segmented leading different market participant to pay different prices for the same dollars at the same time in the range UAH 8.1-8.3 per USD.

As the NBU had relatively low international reserves and was unwilling to increase interventions or allow hryvnia to weaken it responded with administrative measures. The NBU used new powers granted by the Parliament to require exporters to transfer export revenues within 90 days to Ukrainian banks instead of 180 usually required by law. The NBU also mandated banks to sell 50% of export revenues for hryvnia. These measures will be in force for 6 months if not canceled by the NBU earlier. Another initiative of the NBU to impose 15% tax on cash foreign currency sales so far has failed, but was also used to decrease demand for cash foreign currency. Wide international experience conclusively shows that administrative restrictions on FX market are rarely effective in the medium term and is never productive in terms of economic growth. Still, they may be effective in the short term. Decrease in foreign currency deposits by legal entities in November despite strong depreciation expectations may support this assertion.

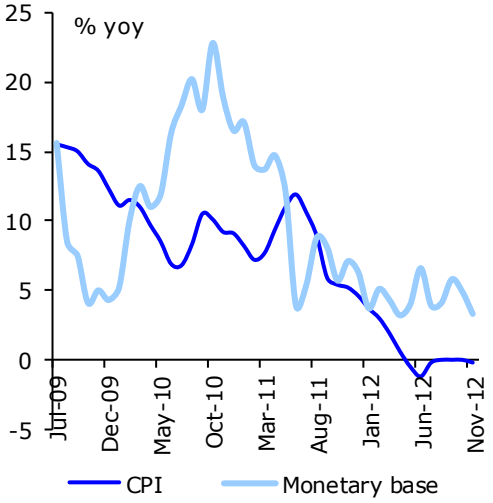
Whatever the reason interbank market stabilized in late Novermber. Net interventions of the NBU and net demand for cash foreign currency were high, but decreased to USD 1.6 bn and USD 1.5 bn, respectively. International reserves decreased by USD 1.5 bn to USD 25.4 bn as government Eurobond issue offset large repayment of IMF loan.

Average wage



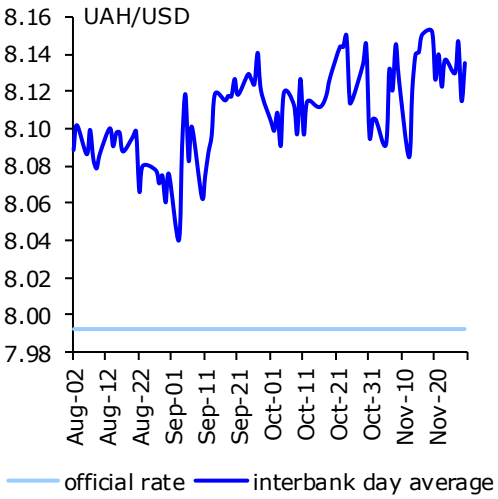
Source: Ukrstat

CPI and monetary base development



Source: Ukrstat, NBU

Exchange rate



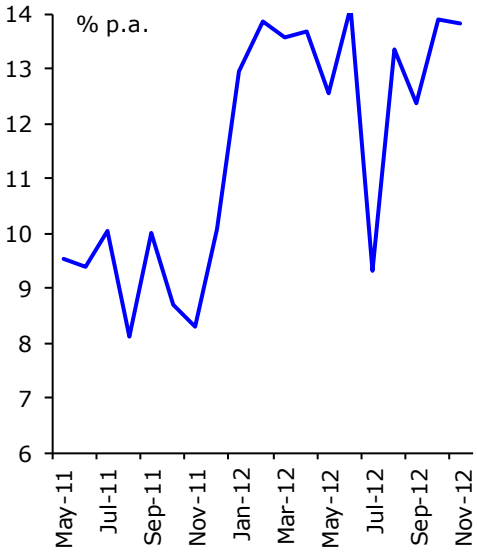
Source: NBU

State debt. In November, the Government continued to increase state borrowings due to shortage of revenues for financing planned expenditures. The Ministry of Finance placed UAH 5.9 bn of hryvnia-denominated domestic bonds with 13.8% weighted average yield, including UAH 0.6 bn of indexed bonds. As in previous month, the demand for bonds was primarily divided between five- and seven-year bonds, which accounted for 47.2% and 42.8% of total placement, respectively. Besides, the Government placed USD 74.1 m of USD-denominated two-year state domestic bonds with 8.3% weighted average yield.

The Government also successfully placed USD 1.25 bn of ten-year Eurobonds with at 7.8% p.a. This placement became necessary due to significant fiscal gap faced by the Government. In particular, in November there were already delays in financing protected items. However, even taking this placement into account as of November 26 the Government had only UAH 11 bn at the Single Treasury Account. Therefore, Eurobonds placement had somewhat eased fiscal pressure. As revenues are not likely to be financed in full, the Government will have to continue heavy borrowings.

According to the preliminary information of the State Treasury, between January and November, the total state borrowings (due to the general fund) grew by 58.4% yoy to UAH 103 bn accounting for 104.2% of the annual target.

Weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov.
Industrial production (real)	% yoy cum.	9.7	8.7	8.6	7.3	0.9	0.4	-1.2	2.0	0.9	0.7	0.7	0.4	0.2	-0.4	-1.2	-1.4	…
Construction (real)	% yoy cum.	6.8	14.5	11.4	11.1	-2.7	-1.9	-9.1	-0.5	-2.7	-3.0	0.3	-1.9	-6.2	-8.0	-9.1	-10.2	…
Agricultural production (real)	% yoy cum.	5.3	3.2	13.7	17.5	0.5	7.4	-4.6	0.4	0.5	1.1	1.5	7.4	-4.2	-4.5	-4.6	-5.1	…
Retail trade turnover (real)	% yoy cum.	13.5	15.2	15.2	14.7	14.2	16.0	16.0	14.6	14.2	14.8	15.5	16.0	17.4	16.0	16.0	15.7	…
Average wage	UAH	2389	2605	2727	2837	2923	3109	3064	2799	2923	2942	3015	3109	3151	3073	3064	3110	…
CPI	% yoy eop	7.7	11.9	5.9	4.6	1.9	-1.2	0.0	3.0	1.9	0.6	-0.5	-1.2	-0.1	0.0	0.0	0.0	-0.2
PPI	% yoy eop	20.3	20.0	21.3	14.2	6.5	4.5	0.3	7.5	6.5	6.9	4.3	4.5	1.4	1.4	0.3	0.6	0.0
Exports (USD)*	% yoy cum.	40.5	39.3	26.8	21.8	5.3	2.5	2.2	10.1	5.3	4.8	5.8	2.5	3.3	2.9	2.2	2.4	…
Imports (USD)*	% yoy cum.	52.8	51.0	30.9	21.9	3.5	8.5	6.8	5.9	3.5	6.3	7.3	8.5	9.1	8.3	6.8	5.9	…
Merchandise trade balance	USD bn cum.	-3.0	-5.4	-9.3	-13.8	-3.7	-9.0	-14.1	-2.4	-3.7	-5.5	-7.2	-9.0	-10.8	-12.6	-14.1	-16.2	…
Current account**	USD bn cum.	-1.3	-2.9	-5.0	-9.0	-1.8	-5.3	-9.3	-1.2	-1.8	-2.8	-3.9	-5.3	-6.5	-7.9	-9.3	-11.1	…
Gross international reserves	USD bn eop	36.4	37.6	35.0	31.8	31.1	29.3	29.3	31.0	31.1	31.7	30.8	29.3	30.1	30.0	29.3	26.8	25.4
Monetary Base	% yoy eop	13.7	3.9	8.1	6.3	4.3	6.6	5.8	5.1	4.3	3.2	4.0	6.6	3.9	4.1	5.8	4.9	3.3
Lending rate on UAH credits	% pa, aop	13.3	13.6	14.8	18.4	15.5	15.7	19.6	15.4	15.4	14.6	14.7	17.7	19.6	20.3	18.8	21.7	…
Exchange rate (interbank)	USD aop	7.95	7.98	7.99	8.01	8.02	8.05	8.09	8.02	8.02	8.03	8.05	8.07	8.08	8.09	8.10	8.12	8.13
Exchange rate (official)	USD aop	7.94	7.97	7.97	7.98	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99
Exchange rate (official)	EUR aop	10.85	11.48	11.27	10.76	10.46	10.26	9.99	10.54	10.53	10.51	10.27	10.01	9.83	9.89	10.25	10.37	10.26

Sources: Ukrstat, NBU, own calculations

* Monthly figures are only for merchandise exports and imports (source: NBU, preliminary data)
Quarterly figures are for trade in goods and services (source: NBU)

** Monthly data are according to the preliminary estimates provided by the NBU

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	948.1	914.7	1082.6	1316.6
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.4	136.4	165.2
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1	-14.8	4.1	5.2
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-21.9	11.2	7.3
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5	0.1	-1.0	17.5
CPI	% yoy aop	28.2	12.0	0.8	5.2	9.0	13.5	9.1	12.8	25.2	15.9	9.4	8.0
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3	9.1	4.6
PPI	% yoy aop	20.9	8.6	3.1	7.6	20.5	16.7	9.6	19.5	35.5	6.5	20.9	19.0
PPI	% yoy eop	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	23.0	14.3	18.7	14.2
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.2	27.5	33.8	-36.7	27.1	28.2
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	35.5	38.6	-43.1	29.3	33.8
Current account	USD bn	1.5	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.9	-1.9	-2.9	-9.3
Current account	% GDP	4.7	3.7	7.6	5.9	10.6	2.9	-1.5	-3.7	-7.2	-1.7	-1.7	-5.6
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	6.5	5.3	9.2	9.9	4.5	5.7	6.6
International reserves	USD bn	1.5	3.1	4.4	6.9	9.7	19.4	22.4	32.5	31.5	26.5	36.7	31.8
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5	-2.4	-6.0	-1.8
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	14.8	12.5	19.9	33.0	39.9	36.0
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	9.8	15.0	21.5	25.6	22.8
Monetary base	% yoy eop	39.9	37.4	33.6	30.1	34.1	53.9	17.5	46.0	31.5	4.4	15.8	6.3
Exchange rate	USD aop	5.44	5.37	5.33	5.33	5.32	5.12	5.05	5.05	5.27	7.79	7.94	7.97
Exchange rate	USD eop	5.44	5.30	5.33	5.33	5.31	5.05	5.05	5.05	7.70	7.98	7.96	7.99
Exchange rate	EUR aop	5.03	4.81	5.03	6.02	6.61	6.39	6.34	6.92	7.71	10.87	10.53	11.09
Exchange rate	EUR eop	5.10	4.67	5.53	6.66	7.22	5.97	6.65	7.42	10.86	11.68	10.57	10.54

Sources: Ukrstat, NBU, Ministry of Finance, own calculations

''' "Minus" denotes a consolidated fiscal deficit

P - preliminary data

Notes:

avg	average	**ytd**	year-to-date	**NBU**	National Bank of Ukraine
cum	cumulative	**p.a.**	per annum	**EPT**	Enterprise profit tax
mom	month on month change	**eop**	end of the period	**VAT**	Value added tax
qoq	quarter on quarter change	**aop**	average of the period	**Ukrstat**	State Statistics Service of Ukraine
yoy	year-on-year change	**gs**	goods and services		

Quarterly trends

National accounts		Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12
GDP	UAH bn	189.0	214.1	250.3	259.9	217.3	256.8	301.3	307.3	261.9	314.6	376.0	364.1	297.0	351.8
GDP (real)	% yoy	-19.6	-17.3	-15.7	-6.7	4.5	5.4	3.3	3.7	5.4	3.9	6.5	4.7	2.0	3.0
Household consumption (real)	% yoy	-14.5	-14.5	-14.3	-16.2	0.2	6.8	7.8	12.8	13.8	15.3	17.8	12.8	9.8	14.3
State consumption (real)	% yoy	0.2	-1.6	-4.3	-3.7	3.8	-4.0	5.8	10.0	3.5	4.0	-10.5	-5.7	1.9	2.5
Gross fixed capital formation (real)	% yoy	-58.0	-55.9	-53.2	-33.7	-5.7	-3.2	9.5	10.5	2.1	5.2	11.0	16.9	7.6	16.5
Exports of goods and services (real)	% yoy	-22.2	-34.1	-30.9	6.9	0.4	13.2	2.0	0.9	17.0	2.9	-2.2	-5.6	-6.8	-6.8
Imports of goods and services (real)	% yoy	-37.4	-52.3	-47.6	-11.1	-6.2	17.2	20.2	13.2	37.2	23.1	12.0	3.3	-4.3	10.8
Agriculture, hunting, forestry (real)*	% yoy	-1.1	3.4	2.2	-11.6	5.4	0.5	-3.2	0.9	5.4	2.0	17.4	28.9	0.5	11.4
Manufacturing industry (real)*	% yoy	-33.7	-26.1	-25.6	6.5	10.9	10.1	7.6	7.6	13.3	8.9	10.2	2.2	0.2	-0.3
Construction (real)*	% yoy	-54.2	-42.7	-43.6	-32.8	-7.7	-5.8	9.6	3.9	6.4	19.4	7.3	9.8	-3.1	0.3
Trade, repair services (real)*	% yoy	-15.6	-15.7	-22.0	-16.4	6.1	9.6	10.1	4.7	8.9	2.8	6.8	5.8	5.5	6.9
Transport (real)*	% yoy	-13.4	-9.2	-5.7	-0.4	1.3	1.8	3.0	0.1	7.2	7.5	3.4	9.4	3.8	3.8
Balance of payments															
Current account balance	USD bn	-0.6	-0.2	-0.1	-0.9	0.0	0.5	-1.0	-2.5	-1.3	-1.4	-2.3	-4.0	-1.3	-3.5
Current account balance	% of GDP	-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	-8.1
Trade balance in goods	USD m	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-3084	-2267	-3928	-4526	-2910	-5308
Trade balance in services	USD m	116	432	1256	550	930	1115	1536	823	1007	1227	1686	967	1088	1413
Current transfers	USD m	632	667	640	722	608	728	797	842	1039	878	988	803	672	785
Direct investment (FDI)	USD m	883	1279	1210	1282	923	1196	1470	2170	882	2284	2100	1275	1660	1102
Portfolio investments	USD m	-350	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506	222	-340
Gross international reserves	USD bn	25.4	27.3	28.2	26.5	25.1	29.5	34.7	34.6	36.4	37.6	35.0	31.8	31.1	29.3
Exchange rate (interbank), UAH/USD	aop	8.09	7.76	7.99	8.06	8.00	7.91	7.90	7.96	7.95	7.98	7.99	8.01	8.03	8.05
Exchange rate (official), UAH/USD	aop	7.70	7.66	7.82	7.99	7.99	7.91	7.90	7.93	7.94	7.97	7.97	7.98	7.99	7.99
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	34.8	30.6	25.5	36.0	30.9	30.4	23.3	32.3	32.2	29.7	29.0	30.6	33.2	31.3
Personal income tax	% of GDP	5.2	5.3	4.4	4.7	4.9	4.8	4.4	4.8	4.9	4.8	4.1	4.7	5.0	4.8
Enterprise profits tax	% of GDP	3.9	3.3	3.7	3.6	4.3	3.0	3.4	4.2	4.4	4.5	3.6	4.4	4.8	4.1
Value-added tax	% of GDP	11.7	8.3	6.4	11.0	9.8	9.8	8.5	9.9	7.5	12.7	9.5	9.6	10.6	10.2
Excise tax	% of GDP	2.0	2.3	2.5	2.6	2.4	3.0	2.5	2.6	2.1	3.0	2.7	2.4	2.7	2.9
Consolidated fiscal expenditures	% of GDP	34.4	36.6	29.6	34.5	33.0	38.7	30.3	37.6	32.3	32.8	26.5	35.6	33.3	33.5
Current expenditures	% of GDP	33.5	34.9	27.0	31.4	32.4	37.4	26.6	32.8	31.0	30.4	23.5	30.1	31.4	31.1
Capital expenditures	% of GDP	0.9	1.7	2.6	3.1	0.6	1.4	3.7	4.8	1.2	2.3	2.9	5.5	1.9	2.4
Consolidated fiscal balance	% of GDP	0.0	-6.2	-4.5	1.1	-2.0	-8.0	-7.5	-5.6	-0.3	-3.3	-3.8	-5.5	-0.2	-2.6
Privatisation receipts	% of GDP	0.0	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.4	3.1	0.0	0.1	1.4	0.3
Labour market															
Average wage (real)	% yoy	-11.7	-8.6	-10.7	-5.7	3.3	8.7	12.3	11.4	11.1	5.5	7.7	10.8	14.7	16.5
Household income (real)	% yoy	-10.8	-6.9	-8.6	-7.6	3.7	11.8	11.0	14.7	7.8	1.9	7.3	7.7	13.9	15.0
Unemployment rate (ILO methodology)	% cum	9.5	9.1	8.6	8.8	9.0	8.5	8.1	8.1	8.7	8.2	7.8	7.9	8.4	7.8
Banking system															
Monetary aggregate M0	% yoy cum	33.9	22.8	11.5	1.5	5.4	9.9	17.4	16.5	15.7	11.5	8.6	6.3	4.7	6.7
Monetary aggregate M2	% yoy cum	12.0	5.3	-1.4	-5.4	6.9	13.2	21.6	23.1	25.5	22.0	16.0	14.4	11.2	9.0
Household deposits in national currency	% yoy cum	-10.9	-16.1	-25.4	-8.5	7.1	20.1	38.6	41.4	43.3	26.0	16.7	12.3	14.4	9.6
Household deposits in foreign currency	% yoy cum	31.8	33.0	39.2	4.7	22.8	21.5	17.7	16.9	19.7	21.0	15.7	13.4	12.4	11.6
Com. bank credits in national currency	% yoy cum	27.6	27.8	25.2	16.9	13.6	8.3	6.0	11.2	16.0	18.5	21.1	21.0	17.4	15.3
Com. bank credits in foreign currency	% yoy cum	70.8	48.7	32.4	-15.2	-13.7	-10.5	-13.2	-8.3	-2.1	0.9	-2.3	-4.2	-7.0	-10.8
Long-term com. bank credits	% yoy cum	50.8	37.3	29.9	-3.8	-3.9	-2.8	0.6	-0.5	5.0	6.3	5.3	2.9	-2.9	-7.0
Long-term com. bank credits	% of total	69.9	68.2	67.3	68.1	68.5	68.9	67.5	66.3	67.2	66.6	64.4	62.9	61.5	59.8
Average lending rate on national currency credits	% p.a.	26.2	19.1	17.5	19.8	17.3	15.0	13.0	15.0	13.1	13.5	14.1	18.4	15.5	15.7
Average lending rate on foreign currency credits	% p.a.	9.6	9.6	10.0	10.1	10.9	11.1	10.3	10.1	10.2	9.8	8.8	8.4	8.2	8.2

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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