INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.2 (135), February 2012

EXECUTIVE SUMMARY

***HIGHLIGHT:* CARD PAYMENTS**

Politics: The West signals Ukraine on possible international isolation.

Real Sector: Real GDP grew by 5.2% in 2011 due to rapid growth in real private final consumption.

Sectoral news: The holding DTEK became the major owner of energy generating and energy distributing companies.

External sector: Current account deficit increased to 5.6% of GDP.

Fiscal policy: Central fiscal deficit in 2011 was lower than planned due to financial constraints.

Social policy: The Pension Fund continued receiving the loans from the State Treasury for financing pension payments.

Labour market: Average wage increased by 17.6% in 2011.

Monetary policy: CPI growth decelerated to 3.7% yoy in January 2011.

Financial markets: The placement of state domestic bonds was lower than planned due to low banking liquidity.

Highlight of the month: Card payments

TOWARDS CASHLESS FUTURE

By Vitaliy Kravchuk

The development of payment card market in Ukraine as well as in other countries is determined by competition with other forms of retail payments and available investment in market's infrastructure. Payment cards are the main retail non-cash payment instrument in Ukraine, while the use of bank transfers, e-money and PayBox terminals is relatively rare. Nevertheless, contrary to developments in developed countries cash remains a prevalent instrument of settling retail transactions and the main competitor of payment cards.

Cash accounts for 62% of narrow money supply in Ukraine. This is much higher than in the Euro area (17%) and the CEE countries (17-40%) as well as in Kazakhstan and Belarus. Moreover, this ratio does not include tens of billions of US dollars that are also used in shadow economy of Ukraine.

One of the reasons for high share of cash payments in Ukraine is large shadow economy, in which most transaction are conducted in cash without appropriate booking. Unofficial wages remain high and are also paid in cash. Retail shops also have incentives to accept only cash to simplify tax avoidance. Nevertheless, payment card market in Ukraine experienced rapid growth over the last decade, although from a low starting point. In the end of 2001 less than 10% of adult Ukrainian population had access to payment cards. In 2009 and 2010 the number of cardholders exceeded number of adult population meaning that most Ukrainians had at least one payment card, while some had several cards issued by different banks. In 2011, there was small decline in number of cardholders as cards issued before the crisis expired. In sum, over 2001-2011, the number of commercial banks that are members of card payment systems more than doubled and the number of cardholders has increased tenfold to 35 million by the end of 2011.

As a result, payment card infrastructure also developed rapidly. Ukrainian network of ATMs is comparable in density to some of the EU countries: in Ukraine it is 723 ATMs per million inhabitants vs. 800-870 ATMs per million in France, Italy, Russia and Switzerland. Between 2002 and 2007 the number of active payment cards has grown by the factor of 12, equivalent to 50% annual growth over six years. By 2009, the number of active payment cards issued fell by 28% compared with the end of 2007, following the crisis in the banking sector. Due to the crisis many banks cancelled or cut back credit limits on payment cards as well as reduced marketing efforts. Consumer demand also fell and banks restricted issuance of payment cards, while consumers ceased to use some of the cards. In 2011, the number of active cards grew again as banks restarted marketing of bank card.

At the same time, potential return on infrastructure development (measured as a rate of its usage by population) remains low in Ukraine. In particular, the data analysis reveals that there is a huge difference between some of developed economies, where the annual number of card payments is 100-200 per capita (Australia, Canada, U.S., U.K., Denmark, Sweden, France, Finland, Netherlands, Belgium, Korea, Portugal), and several Eastern European, including Ukraine, countries where the number of card operations per capita does not exceed 10 per year. In turn, in Ukraine cardholders mostly withdraw cash.

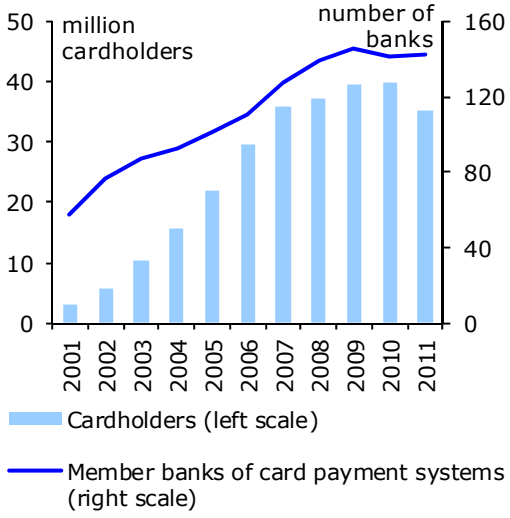
The amounts of withdrawn cash significantly increased between 2002 and 2008 due to the development of market infrastructure and sharp increase in nominal income. The number of cards increased by a factor of eight, while nominal disposable income grew by 4.5 times and cash withdrawals increased by 18 times. The average number of cash withdrawals per card did not change much.

At the same time, the number and volume of POS payments grew broadly similarly to cash withdrawals. However, the POS payments are characterised by a relatively smaller average size of payment. Between 2009 and 2011 the balance between POS payments and cash withdrawals shifted to the former. Besides, the number of POS payments in 2011 more than tripled as compared to 2008. As a result, the share of POS payments by number reached 24.5% of all transactions with cards in 2011 and by volume increased to 8.0%. In 2012, the share of POS transactions will likely continue to grow rapidly.

Overall, we may conclude that Ukrainian payment card market developed rapidly over the last ten years due to higher demand and substantial investments in the infrastructure. Although market suffered from the crisis it mostly recovered in 2011. At present, a rapid increase in the number of POS transactions could overtake ATM use in a few years. This indicates large shift in consumer behaviour and might make Ukrainian economy more transparent. However, more expensive cash remains prevalent payment instrument and may remain so if regulation or other obstacles constrain development of card payments.

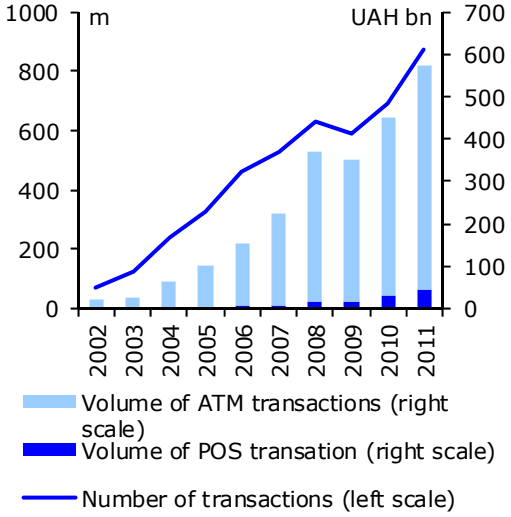
** This article is based on the forthcoming report "Ukraine's Payments Market: International Framework and National Regulation" (to be presented on Round Table on February 16, 2012).*

Number of cardholders and banks offering payment cards



Source: the NBU

Number and volume of payment card operation



Source: the NBU

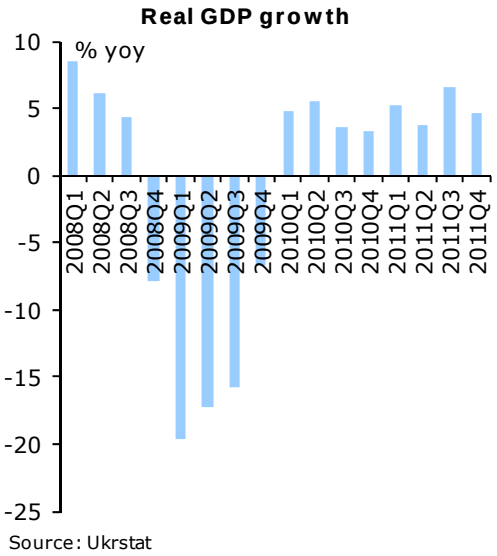
Monthly Economic Monitor Ukraine

Politics: The West signals Ukraine on possible international isolation

In the end of January annual meeting of the World Economic Forum was held in Davos. The President of Ukraine, Viktor Yanukovych, was cold-shouldered during the Forum by the EU leaders due to their concerns about democratic development of the country. Mr. Yanukovych had only few high level meetings at the Forum side-lines, including talks with the EBRD President Thomas Mirow and Polish President Bronislaw Komorowski. Besides, Viktor Yanukovych had an opening discussion with former Polish President Aleksander Kwasniewski at 8th Ukrainian Lunch "Options for the future". Nevertheless, the scarcity of these meetings only emphasized the overall chill in Western attitudes towards Ukrainian political elite.

On January 26 the Parliamentary Assembly of the Council of Europe (PACE) adopted a resolution entitled "The functioning of democratic institutions in Ukraine", calling to drop the charges against former Ukraine's government members. It also emphasised the necessity to conduct constitutional reform and further change Ukraine's election law. Also the PACE suggested that given further developments in Ukraine the Monitoring Committee might propose the introduction of sanctions against the country. According to the Ministry of Foreign Affairs of Ukraine this resolution will help to strengthen democracy and Ukraine will fulfil its commitments to the Council of Europe "in the foreseeable future".

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%



Source: Ukrstat

Real sector: Real GDP grew by 5.2% in 2011

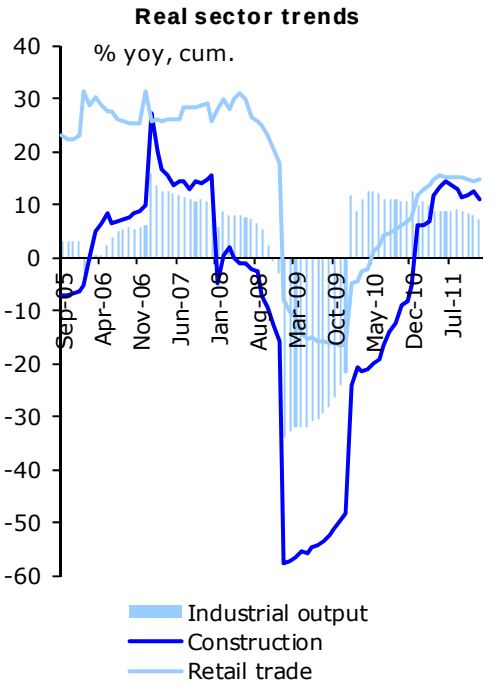
GDP. According to preliminary Ukrstat estimates real GDP growth decelerated to 4.6% yoy in the fourth quarter from 6.6% yoy one quarter earlier. Overall, real GDP grew by 5.2% in 2011. Nominal GDP increased by 21.4% to UAH 1314 bn. Real private final consumption was likely the major contributor to real GDP growth throughout entire year.

Sectoral trends. Real industrial output fell by 0.5% yoy in December 2011. Industrial output fell due to decline in manufacturing by 1.1% yoy as well as 5.3% yoy fall in electricity production. Most sectors in manufacturing, except for machine building, demonstrated decline in output likely due to weak external demand, which deteriorated by the end of 2011.

Overall, industrial output grew by 7.3% in 2011. Export-oriented sectors demonstrated higher recovery. In particular, output in machine-building increased on average by 16.9% due to higher production of all types of products, including production of locomotives. Chemical industry increased its output by 14.4% primarily due to higher demand for fertilisers. As the external demand for steel remained unstable and weak throughout the year, output in metallurgy increased only by 8.5%. Manufacture of coke and refined petroleum products continued to decline primarily due to lower production of petroleum products. In particular, significant part of gasoline consumed in Ukraine was imported tax-free, while domestic refineries still had low labour productivity and uneven quality control.

Slowdown in industry resulted in further deceleration of freight turnover growth to 5.7% in 2011. Growth in construction volumes also slowed to 11.1% despite warm weather, which could be explained by substantial financing constraints. At the same time, retail trade somewhat accelerated growth to 14.7%, which could be partially explained by increase in income as well as postponed consumption from previous year.

Agriculture increased output by 17.5% in 2011 due to record harvest of major crops. In particular, crop production increased by 28.2%, while livestock growth remained moderate at 2.5%. Grain production grew by 44.3%, which will support grain exports this marketing year. At the same time, increase in harvest of sugar beets might result in higher production of sugar, which could create downward pressure



Source: Ukrstat

on prices of this good. Overall, food industry is likely to benefit from good performance of agriculture due to likely decline in input prices.

Sectoral news: Privatisation in energy sector continued

Energy. The Ministry of Economic Development and Trade decided to postpone the adoption of *Euro 4* and *Euro 5* gasoline standards until July 2012. So far, three out of six oil refiners, namely Odesa, Kremenchuk and Lysychansk oil refineries, reported their readiness for the production of gasoline, which complies with the new standards. At the same time, other three refineries still require a substantial modernization of equipment and technologies to comply with these standards. The prompt introduction of new standards will increase the supply of high-quality fuel imports and, thus, increase competitiveness of Ukrainian refineries. Therefore, another delay with this step hampers development of this market segment.

Agriculture. Agricultural traders faced difficulties while exporting grain and other agricultural products early this year as a result of newly introduced legal changes. According to new legislation provisions, the permit centres at regional administrations were established in January. They operate according to the one stop shop principle, which was supposed to simplify regulating procedure for issuance of licensing documentation. However, these centres do not have enough capacity for timely processing required documentation, which has already caused delays in exports. Such problems prove once again that good implementation is essential for reforms.

Privatisation. In January the State Property Fund of Ukraine (SPFU) signed an agreement for the sale of 45.1% of Zakhidenego shares to the DTEK Holding Ltd. for the bid price of UAH 1.93 bn as the assessment price was declared lower than the bid one (UAH 1.898 bn). Share holdings (40.1%) in another energy distribution company, Donetskoblenergo, were sold also to the DTEK in the auction of two competitors for UAH 467.6 m. Thus, the privatization receipts in January accounted for near 20% of annual plan. The DTEK owns already three companies from the new privatization wave. The fourth one – Dniproenergo (25% of shares) will be purchased by the DTEK after the independent assessment procedure, presumably for the bid price of UAH 1.2 bn (with UAH 100 tsd price premium). Therefore, the DTEK becomes the owner of majority of energy distributing companies in Ukraine, which might in future contradict the EU legislation as the DTEK is also a major owner of energy generating companies.

The President signed the long-expected Law on the State Property Fund. This law is expected to result in higher efficiency and transparency of state property management and privatization.

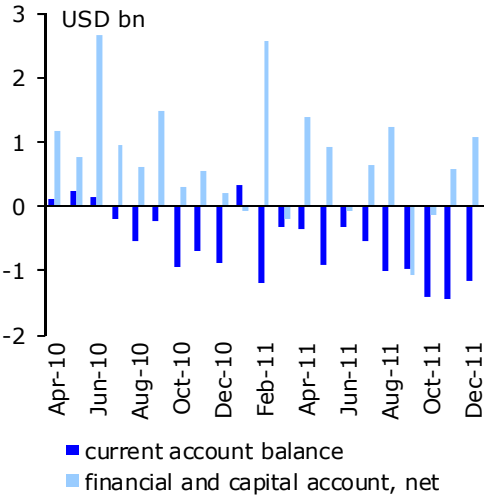
Transport. The Cabinet of Ministers approved a list of medium term transport infrastructure projects and a schedule for their implementation. The largest projects are improvement of the state of roads in the Kyiv area, construction of Odesa-Reni highway and electrification of Dolynska-Mykolaiv-Kherson-Dzhankoi railway line. The total cost of projects is estimated at UAH 42.7 bn. Fiscal financing accounts for only UAH 6.0 bn. At the same time, private companies should ensure the largest fraction of financing (UAH 14.2 bn). However, the private financing remains under question due to unfavorable investment climate and previous history of attracting private funds for big infrastructure projects.

External sector: Current account deficit reached USD 9.3 bn in 2011

In 2011 current account deficit widened to USD 9.3 bn or 5.6% of GDP from USD 3.0 bn (2.2% of GDP) in 2010. Merchandise trade deficit reached USD 13.8 bn as export grew by 33.1% and imports increased by 37.5%. Increase in payments of yield to foreign investors also contributed to wider current account deficit

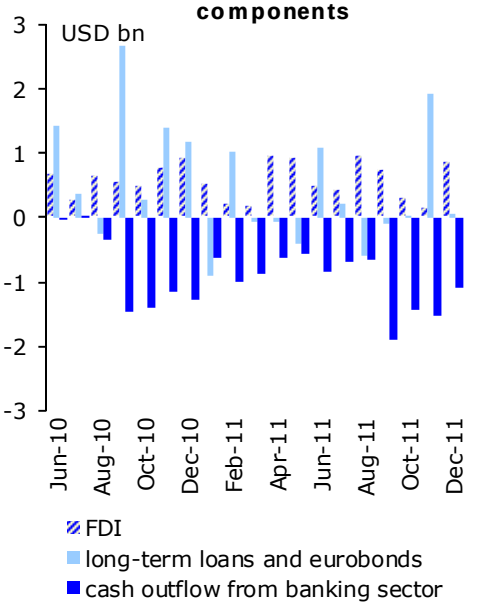
Merchandise exports reached USD 69.5 bn and was by 2.6% higher than in 2008 (in dollar terms). However the structure of exports

Balance of payments



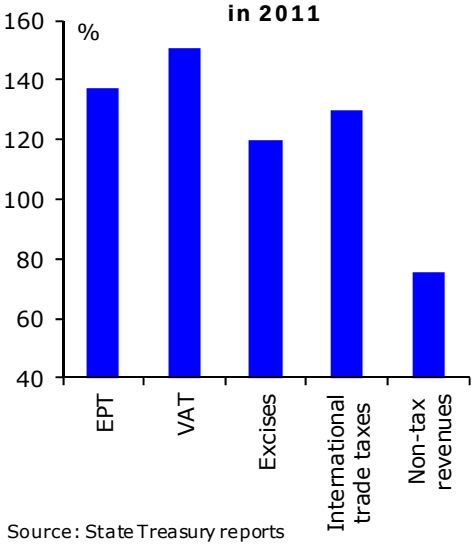
Source: NBU preliminary estimates

Selected financial account components



Source: NBU preliminary estimates

Growth of central fiscal revenues in 2011



Source: State Treasury reports

changed from 2008 as exports became more diversified. Share of metal exports fell by 10 p.p. to 32% of total exports, while exports of mineral products, machinery and transport equipment as well as food increased their shares. Merchandise imports was also close to 2008 level. Increase in gas prices led to growth of mineral products imports that reached 35.3% of overall imports as compared to 27.3% in 2008. At the same time, imports of machinery and equipment remained a quarter below its 2008 peak.

Financial and capital account surplus shrank to USD 6.8 bn or 4.1% of GDP. Financial account was weighed down by outflows of cash foreign currency from banks at USD 11.9 bn, continued net repayment of external debt by banks (USD 3.8 bn) and drop of net capital inflows raised by the Government to USD 0.9 bn. Financial account balance remained positive despite all these factors due to growth of net FDI to USD 6.6 bn and increased inflows of 'other capital' (likely attributed to differences between export and import payments and shipments of goods as well as debt restructuring).

Fiscal policy: *Financial constraints led to lower deficit*

Central fiscal revenues augmented by 30.8% (to UAH 315 bn) in 2011 due to the economic recovery and stricter tax administration. In particular, the receipts from the enterprise profit tax (EPT) grew by 37.0% reflecting improved financial state of enterprises as well as substantial tax overpayments and tax inspections. Growing domestic production and imports resulted in VAT revenues increase (by 50.7%). The problem of VAT refund arrears was not fully solved during last year despite the introduction of automatic VAT refund, which, though, did not function at full . Receipts from rent payments and excise duties grew due to the rate hikes.

Central fiscal revenues were at the planned level in 2011. Revenues from major sources exceeded the target level except for excises, taxes on international trade and non-tax revenues. At the same time, central fiscal expenditures accounted for only 93.8% of annual plan. Low expenditure execution was primarily attributed to hard budget constraints and significant debt redemption. Traditionally, financing of capital spending was substantially underfinanced (reached only 71.4% of the target) partially due to delays in financing allocation. Difficulties in borrowing led to lower than planned central fiscal deficit. It reached UAH 23.6 bn compared to the amended target of UAH 38.8 bn. At the same time, the Ministry of Finance estimated the general government deficit, including deficits of the Naftogaz and the Pension Fund, and banks recapitalization, at near 5% of GDP.

Social policy: The pensions were again partially financed by the Treasury loans

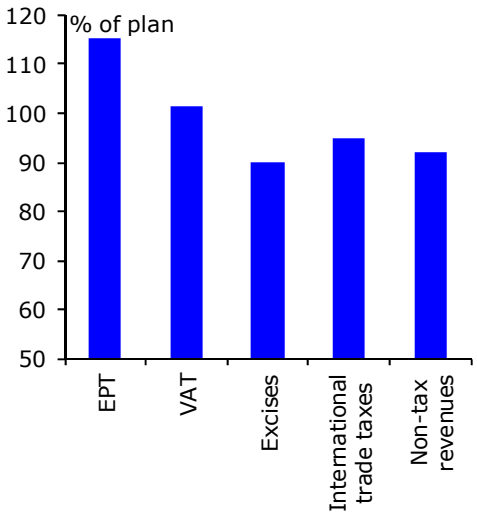
In 2011 pensions were again financed by pension insurance contributions, central fiscal transfer for paying special pensions and financing Fund's deficit as well as special loans of the State Treasury. According to the Pension Fund, the Fund's revenues reached UAH 198 bn in 2011 (15.1% of GDP). Own revenues of the Fund increased by 16.6% to UAH 139 bn due to increase in average wages. At the same time, the reported central fiscal transfer totalled to UAH 58.3 bn, including UAH 17.7 bn for financing Fund's deficit. Moreover, according to the Ministry of Finance, the State Treasury provided the Fund with loans to cover liquidity gaps, which totalled UAH 12.1 bn by the end of 2011. Therefore, the sustainability of the Pension Fund remains under the question, which urges further steps in pension reform.

As of January 2012 average old-age pension reached UAH 1246, growing by 8.2% yoy due to gradual increase in minimum pension.

Labour Market: Wages continued growing in 2011

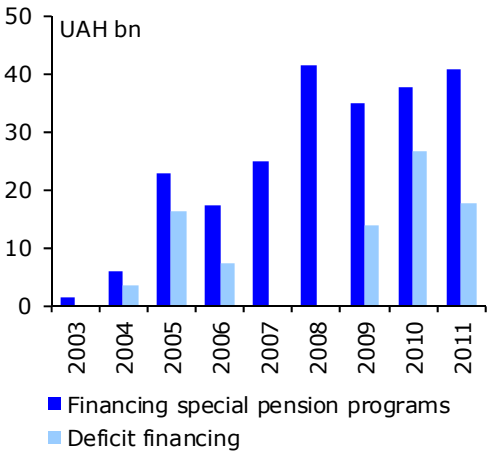
Wages in 2011 increased by 17.6% in nominal terms (to UAH 2633) and by 8.7% in real terms. Wages in construction increased rapidly (by 28.3% in nominal terms) and finally exceeded pre-crises level due to recovery in the sector. Record harvest enabled agricultural

Central fiscal revenues in 2011



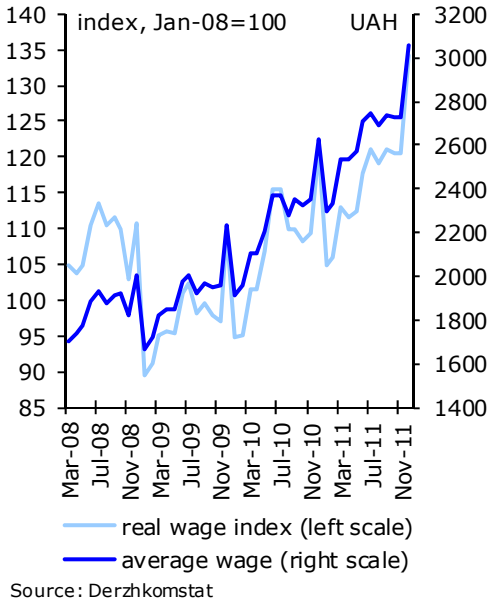
Source: State Treasury reports

Central fiscal transfer to the Pension



Note: not inlcuding loans from State Treasury
Source: State Budget Laws for 2003-2011

Average wage



Source: Derzhkomstat

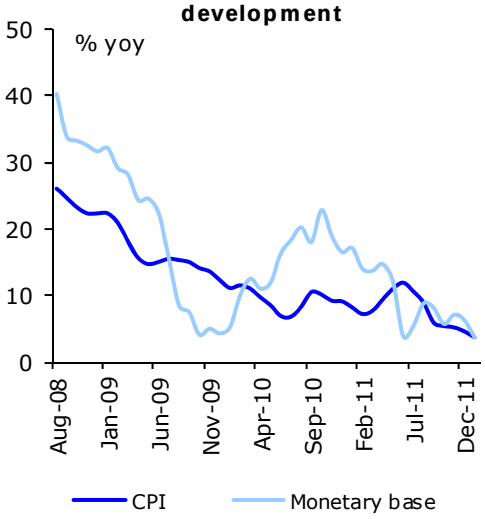
producers to increase nominal wages by 25.9%. However, wages in this sector exceeded only wages in health care. Industrial companies also increased wages more than on average with higher raises in export-oriented enterprises. Therefore, wages in 2011 grew due to several factors. First, the labour productivity increased while the financial results of companies improved. And secondly, minimum wage increase was another factor of wage hikes. Wages are expected to continue growing in 2012 due to similar factors.

Monetary policy: CPI growth reached another low

In January, CPI growth slowed to 3.7% yoy from 11.9% yoy in June 2011. According to the Ukrstat, consumer food prices increased on average only by 0.6% yoy. CPI grew due to higher utility tariffs and transport prices.

Liquidity pressures for banking sector eased in January. Bank balances with the NBU remained over UAH 20 bn for the most of the month, while interbank lending rates dropped to average of 5.2% p.a. At the same time deposit rates continued to grow reflecting continued concerns about liquidity in the banking sector. Bank balances declined to UAH 19.3 bn by the end of January as the NBU conducted interventions to support national currency and the Government increased its funds at the NBU from traditionally low point at the beginning of the year.

CPI and monetary base development



Source: Ukrstat, NBU

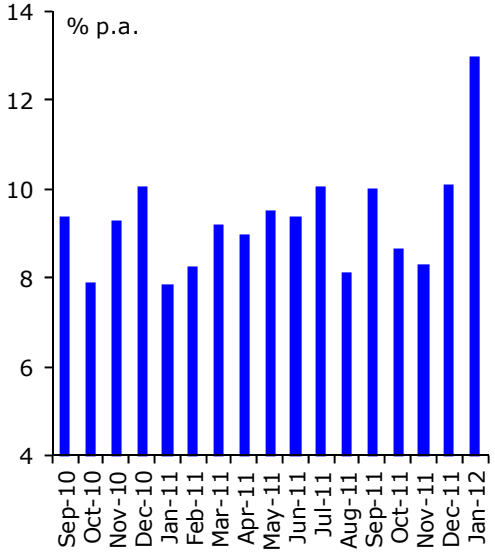
Financial markets: According to Big Mac index Ukrainian hryvnia is undervalued

Exchange rate. According to the published in the Economist *'Big Mac index'*, Ukrainian currency is undervalued by 50%, pointing to one of the lowest prices levels among countries surveyed. This is a rough measure of the purchasing power of the currency and does not account for differences in wealth levels in different countries. However, it does suggest that current exchange rate does not hamper external competitiveness of efficient Ukrainian enterprises.

State debt. In the second half of January, the Ministry of Finance was forced to increase yields on state domestic bonds due to low demand. In particular, the yields grew from 10.1% p.a. on average in December 2011 to 13.1% p.a. in January. At the same time, the low bank's liquidity did not allow the Ministry of Finance to attract required amount of financing. In particular, the Ministry was able to place only UAH 486 m of domestic state bonds denominated in hryvnia. The maturity of near 96% of bonds was less than 6 months. Low bank's liquidity also resulted in reduction of placed USD-denominated bonds to USD 144 m with 9.2% weighted average yield. The demand was primarily concentrated on the one-year bonds.

Therefore, the Government continued short-term borrowing, which increases risks for the fiscal position in the nearest future. Besides, in January non-residents continued reducing their holdings of state domestic bonds, which were primarily purchased by banks. Given such trends, the Government should continue fiscal consolidation and renew the cooperation with the IMF.

The weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Industrial production (real)	% yoy cum.	10.8	11.0	9.7	8.7	8.6	8.5	8.5	8.7	8.7	8.9	8.6	8.2	7.8	7.3	…
Construction (real)	% yoy cum.	-12.6	-5.4	6.8	14.5	11.4	11.6	13.2	14.5	13.6	13.0	11.4	11.7	12.5	11.1	…
Agricultural production (real)	% yoy cum.	-1.3	-1.0	5.3	3.2	13.7	4.0	3.5	3.2	9.1	10.5	13.7	16.6	16.5	17.5	…
Retail trade turnover (real)	% yoy cum.	5.1	7.6	13.5	15.2	15.2	14.9	15.5	15.2	15.0	15.2	15.2	14.9	14.5	14.7	…
Average wage	UAH	2332	2407	2389	2605	2737	2533	2573	2708	2749	2694	2737	2729	2727	2633	…
CPI	% yoy	10.5	9.1	7.7	11.9	…	9.4	11.0	11.9	10.6	8.9	5.9	5.4	5.2	4.6	3.7
PPI	% yoy	19.2	18.7	20.3	20.0	…	20.8	18.8	20.0	20.3	19.9	21.3	16.3	17.3	14.2	11.8
Exports (USD)*	% yoy cum.	28.6	27.7	40.5	42.5	38.0	44.4	43.9	42.5	40.0	39.7	38.0	36.1e	34.5e	33.1e	…
Imports (USD)*	% yoy cum.	28.2	30.1	52.8	50.8	44.1	52.3	52.5	50.8	46.7	46.1	44.1	41.8e	39.8e	37.5e	…
Merchandise trade balance	USD bn cum.	-4.8	-8.4	-3.0	-5.5	-9.1	-3.8	-4.6	-5.5	-6.7	-7.8	-9.1	-11.1e	-12.5e	-13.8e	…
Current account**	USD bn cum.	-0.5	-2.9	-1.3	-2.9	-5.5	-1.6	-2.5	-2.9	-3.3	-4.5	-5.5	-7.0e	-8.7e	-9.3e	…
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	38.4	37.9	37.6	37.8	38.2	35.0	34.3	32.4	31.8	31.4
Monetary Base	% yoy	18.0	15.8	13.7	3.9	8.1	14.7	12.1	3.9	5.4	8.8	8.1	5.7	7.1	6.3	…
Lending rate on UAH credits	% pa, aop	13.0	13.6	13.3	13.5	15.5	13.0	13.4	14.0	13.9	14.9	15.5	18.7	18.9	19.0	…
Exchange rate (interbank)	USD aop	7.90	7.96	7.95	7.98	7.99	7.97	7.98	7.99	7.99	7.99	8.00	8.01	8.01	8.02	8.03
Exchange rate (official)	USD aop	7.90	7.93	7.94	7.97	7.97	7.96	7.97	7.97	7.97	7.97	7.97	7.97	7.98	7.99	7.99
Exchange rate (official)	EUR aop	10.18	10.79	10.85	11.48	11.27	11.49	11.48	11.47	11.38	11.42	11.03	10.91	10.84	10.54	10.30

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	2011P
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	1314.0
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	164.9
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	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	-5.9	-4.3*
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	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	25.3	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		Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11
GDP	UAH bn	276.5	244.1	189.0	214.1	250.3	259.9	219.4	260.2	304.7	310.3	263.6	316.5	388.0	346.0
GDP (real)	% yoy	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	4.6
Household consumption (real)	% yoy	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	-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	-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	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	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	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	-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	-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	-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	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	-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	-4.0[e]
Current account balance	% of GDP	-3.6	-9.4	-2.6	-0.6	-0.2	-2.7	-0.1	1.6	-2.5	-6.4	-3.8	-4.1	-5.6	-9.2[e]
Trade balance in goods	USD m	-3868	-3562	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-2880	-2320	-4.1	-4.5[e]
Trade balance in services	USD m	1341	15	116	432	1256	550	930	1115	1536	823	855	1047	1488	815[e]
Current transfers	USD m	831	723	632	667	640	722	608	728	797	842	1034	866	979	978[e]
Direct investment (FDI)	USD m	3324	1058	883	1279	1210	1282	923	1196	1470	2170	882	2284	2100	1275
Portfolio investments	USD m	-690	-967	-350	-351	-2286	1428	-307	804	2532	1288	1163	1841	-841	...
Gross international reserves	USD bn	37.5	31.5	25.4	27.3	28.2	26.5	25.1	29.5	34.7	34.6	36.4	37.6	35.0	31.8
Exchange rate(market), UAH/USD	aop	4.70	6.49	8.09	7.76	7.99	8.06	8.00	7.91	7.90	7.96	7.95	7.98	7.99	8.01
Exchange rate(official), UAH/USD	aop	4.85	6.21	7.70	7.66	7.82	7.99	7.99	7.91	7.90	7.93	7.94	7.97	7.97	7.98
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	29.5	31.6	34.8	30.6	25.5	36.0	30.6	30.0	23.0	32.0	32.0	29.5	28.1	32.2
Personal income tax	% of GDP	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	4.9
Enterprise profits tax	% of GDP	5.0	6.3	3.9	3.3	3.7	3.6	4.3	3.0	3.4	4.2	4.4	4.5	3.5	4.6
Value-added tax	% of GDP	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	10.1
Excise tax	% of GDP	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	2.6
Consolidated fiscal expenditures	% of GDP	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	37.4
Current expenditures	% of GDP	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	31.6
Capital expenditures	% of GDP	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	5.8
Consolidated fiscal balance	% of GDP	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	5.8
Privatisation receipts	% of GDP	0.0	0.0	0.0	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.4	3.1	0.0	0.1
Labour market															
Average wage (real)	% yoy	6.3	0.5	-11.7	-8.6	-10.7	-5.7	3.3	8.7	12.3	11.4	11.1	5.5	7.7	10.8
Household income (real)	% yoy	6.6	2.7	-10.8	-6.9	-8.6	-7.6	3.7	11.8	11.0	14.7	8.7	3.4	10.3	...
Unemployment rate (ILO methodology)	% cum	6.0	7.5	9.5	9.1	8.6	8.8	9.0	8.5	8.1	8.1	8.7	8.2	7.8	...
Banking system															
Monetary aggregate M0	% yoy cum	37.9	39.3	33.9	22.8	11.5	1.5	5.4	9.9	17.4	16.5	15.7	11.5	8.6	6.3
Monetary aggregate M2	% yoy cum	37.4	31.0	12.0	5.3	-1.4	-5.4	6.9	13.2	21.6	23.1	25.5	22.0	16.0	14.4
Household deposits in national currency	% yoy cum	53.3	7.5	-10.9	-16.1	-25.4	-8.5	7.1	20.1	38.6	41.4	43.3	26.0	16.7	12.3
Household deposits in foreign currency	% yoy cum	31.2	66.3	31.8	33.0	39.2	4.7	22.8	21.5	17.7	16.9	19.7	21.0	15.7	13.4
Com. bank credits in national currency	% yoy cum	54.9	40.4	27.6	27.8	25.2	16.9	13.6	8.3	6.0	11.2	16.0	18.5	21.1	21.0
Com. bank credits in foreign currency	% yoy cum	53.4	103.6	70.8	48.7	32.4	-15.2	-13.7	-10.5	-13.2	-8.3	-2.1	0.9	-2.3	-4.2
Long-term com. bank credits	% yoy cum	50.9	73.3	50.8	37.3	29.9	-3.8	-3.9	-2.8	0.6	-0.5	5.0	6.3	5.3	2.9
Long-term com. bank credits	% of total	66.8	69.8	69.9	68.2	67.3	68.1	68.5	68.9	67.5	66.3	67.2	66.6	64.4	62.9
Average lending rate on national currency credits	% p.a.	17.7	21.6	26.2	19.1	17.5	19.8	17.3	15.0	13.0	15.0	13.1	13.5	14.1	18.4
Average lending rate on foreign currency credits	% p.a.	12.4	11.9	9.6	9.6	10.0	10.1	10.9	11.1	10.3	10.1	10.2	9.8	8.8	8.4

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

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