INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.8 (142), August 2012

EXECUTIVE SUMMARY

HIGHLIGHT: BIOETHANOL BLENDING MANDATES

Politics: According to the Freedom House report democracy in Ukraine is in decline.

Real Sector: Industrial output declined by 1.4% yoy in part due to low number of working days.

Sectoral news: Gazprom provided financing to the Naftogaz to support gas purchases.

External sector: Current account deficit widened to USD 1.0 bn in June as financial and capital account swung to the deficit of USD 0.5 bn.

Fiscal policy: New amendments to the Tax Code were introduced to consolidate tax policymaking in the Finance Ministry.

Social policy: Own revenues of the Pension Fund increased by 14.9% yoy in the first half of 2012 and allowed the Government to decrease transfer to finance pensions.

Labour market: Wages fell in private sector in June due to low working time.

Monetary policy: In July CPI fell by 0.2% yoy as food prices fell by 3.0% yoy.

Financial markets: Ukraine placed USD 2 bn issue of Eurobonds in July.

Highlight of the month: Bioethanol blending mandates

BIOFUELS POLICY, TECHNICAL CONSTRAINS AND ECONOMIC COSTS

By Yuliya Ogarenko

In July amendments to several Laws regarding biofuels production and use were signed into the Law by the President. The Law introduces blending mandates for bioethanol in motor fuel produced or sold in Ukraine. Starting from 2013 a recommended share of bioethanol in fuels is at least 5%. This target will become mandatory in 2014 and will be further increased to 7% since 2016. It is also specified in the Law that the Cabinet of Ministers will approve the list of enterprises eligible to produce mixed motor fuels.

Policymakers claim that enforcement of mandatory blending mandates will stimulate development of domestic biofuels market, reduce imports of oil products, and improve energy security.

According to estimate of A95 Consulting Group, about 4.13 m tonnes of petrol were consumed in Ukraine in 2011. Based on current level of consumption 0.21 m tonnes of bioethanol will be required by 2015 to meet 5% blending target and 0.29 m tonnes to fulfil 7% target. These figures will be even higher as domestic demand for petrol will grow in the next 3-4 years. According to study by the National Academy of Sciences of Ukraine about 14000 tonnes of bioethanol is produced in Ukraine as of 2011. This means that bioethanol production should be increased by 20 times in the next couple of years to reach 5% target. At the same time, 60% of state distilleries capacity is idle at the moment, which could be potentially used for bioethanol production. According to the Ministry of Agricultural Policy, "Ukrspirt" is currently preparing a plan for restructuring to utilize free capacities for bioethanol production. Capacities

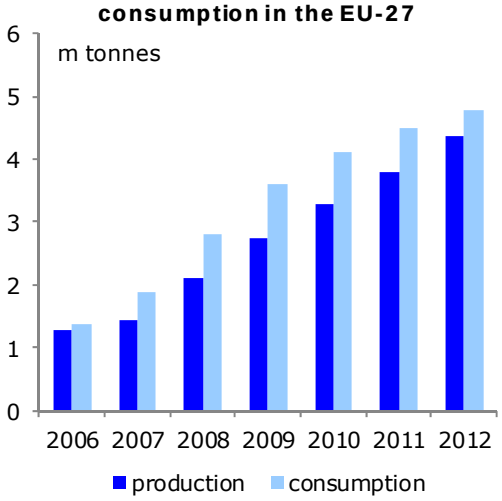
should be sufficient to fully meet the demand for bioethanol. Thus, "Ukrspirt" is likely to be a major producer of bioethanol if restructuring is undertaken fast enough.

It is argued in the explanatory note to the Law that up to 10% of ethanol content in petrol is absolutely compatible with fuel system components. However, there are different opinions about this threshold and it should be carefully evaluated given that significant number of cars used in Ukraine is old. A detailed analysis of the technical capacity of the car park in Ukraine and possibility of switching to mixed petrol should have been conducted prior to introduction of demanding policy mandates.

From economic point of view, blending mandates act as subsidy to bioethanol producers on the expense of final consumers. This measure will create an upward pressure on petrol prices. Thus, drivers will have to pay more to fuel their cars. To prevent increase in petrol prices the government may provide subsidies to blenders as it is done in the EU but this will cause additional burden for the state budget. Alternatively, policymakers may introduce measures to ensure availability of sufficient quantities and cheap sugar beet and/or corn for bioethanol production. Thus, the government might either extend existing subsidies to increase sugar beet production or impose trade restrictions for corn. Both solutions are very economically inefficient. Moreover, EU experience shows that subsidising of the biofuels sector is very cost-ineffective option to achieve climate change mitigation and energy security targets.

EU biofuels market has developed rapidly over the last decade. In particular, bioethanol production reached about 2.8 m tonnes in 2009 and is forecasted to grow further to 4.4 m tonnes in 2012. This is mainly explained by increasing oil prices and favorable legislative conditions. The European Commission adopted a number of Directives introducing different support schemes for biofuels production and use since this was seen as one of the solutions to climate change and energy security problems. In particular, Renewables Energy Directive (2009/28/EC) sets an overall target for the EU of 10% renewables (mainly biofuels) in transport sector by 2020. However, only biofuels which meet certain sustainability criteria are counted towards National renewable targets and are eligible for financial support from the government. Although greenhouse gases (GHG) emissions reductions requirements and land conversion restrictions help to mitigate negative social and environmental consequences some risks associated with biofuels production remain such as indirect land use change. Moreover, biofuels support is always much more expensive than other options to attain the same goals.

Bioethanol production and consumption in the EU-27



Source : USDA FAS

The cost of biofuels support in the EU is very high, although excise tax exemptions were reduced considerably and subsidies for feedstock cultivation were abolished. According to estimates by the Global Subsidies Initiative subsidies reached EUR 0.24 and EUR 0.22 per liter of consumed bioethanol and biodiesel, respectively, in 2008. If calculated in EUR per t CO_2-eqv. emissions avoided such support is from 5 to 21 times higher (depending on the feedstock) than the price of CO_2- eqv. offsets at the European Climate Exchange. Thus, the EU biofules policy could not be justified by climate change mitigation purposes. Moreover, recent studies show that biofuels cultivation is actually leading to overall increase of GHG emissions if impact of deforestation and other changes in land use induced by expansion of biofuels feedstock is accounted for. As a result, many scientific institutions and NGOs including International Institute for Sustainable Development, Action Aid, Friends of the Earth, etc. are calling for the European Commission to rework its biofuels policy and stop all subsidies to conventional biofuels.

To sum up, Ukrainian government should reconsider its biofuels policy and reject mandatory blending mandates for bioethanol since this policy is not cost-effective option to address energy security and reduce GHG emissions. Alternatively, policymakers should introduce incentives to reduce energy consumption in transport sector and support R&D projects to improve competitiveness of more sustainable second and third generation biofuels.

Monthly Economic Monitor Ukraine

Politics: Democracy is declining in Ukraine

On July 5, Freedom House experts presented special report on Ukraine entitled "Sounding the Alarm Round 2: Protecting Democracy in Ukraine". The report's title refers to the persistence of democracy decline in Ukraine, which had been noted in the report of 2011. Most of the concerns voiced a year ago remain in place, whereas the situation has significantly deteriorated in the areas of selective prosecution of opposition leaders and corruption. The major threats to democracy in Ukraine include the consolidation of power in the executive branch; non-democratic local elections; growing corruption; the continued prosecution of high-level opposition politicians, and shrinking space for freedom of the media.

However, in July, freedom of the media has seen additional restrictions from the authorities. The filing of criminal cases against online newspaper LB.ua and channel TVi caused a statement by the International Federation of Journalists and its regional organisation, the European Federation of Journalists, demanding the President of Ukraine to put an end to their prosecution. In response to that the President instructed the Prosecutor General Viktor Pshonka and Chairman of State Tax Service Oleksandr Klymenko to verify the legality of criminal cases against the respective media.

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%

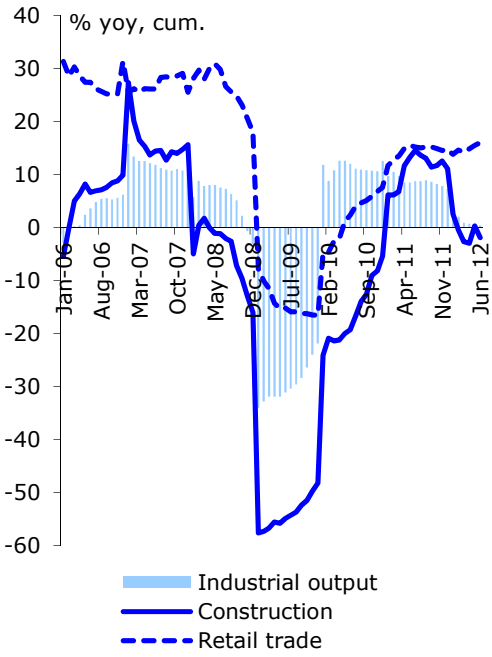
Real sector: Manufacturing output declined in the first half of 2012

Sectoral trends. Industrial output in June declined by 1.4% yoy partially due to lower number of working days. Oil refining collapsed by 58.0% yoy as several oil refineries remained closed. Output declined in metallurgy and machine building reflecting weak external demand, although steel and pig iron production grew by 3.0% yoy. The chemical production growth decelerated to 6.2% yoy likely due to earlier harvest this year, which resulted in lower demand for fertilisers. The EURO-2012 in four Ukrainian cities supported growth in food industry (by 3.0% yoy). The production and distribution of electricity, gas and water increased by 6.6% yoy likely due to hot weather in June as well as higher exports of electricity.

Impact of the EURO-2012 on retail trade and transport was disappointingly small. Although growth of retail trade turnover accelerated to 16.0% yoy in the first half of 2012 it probably fell on seasonally adjusted basis in June as compared to May. Impact on railway passenger transportation turnover was also negligible. At the same time, construction works contracted by 1.9% yoy due to completion of construction projects related to the preparation to the European football championship.

Agricultural output growth accelerated to 7.4% yoy in the first six months of the year as harvest started by several weeks earlier than in previous year. In particular, by July 1 the harvested areas of grain were by more than 3 times larger than a year ago. At the same time, grain yields are lower than in 2011 signalling about deceleration of growth in the sector by the end of year.

Real sector trends



Source: Ukrstat

Sectoral news: Gazprom supports Ukrainian gas purchases

Energy. The Naftogaz agreed to raise the volume of gas in underground gas storage (UGS) in 2012 by 8 bn cubic meters on the request of the Russian Gazprom. The cost of additional gas purchases was partially covered by Gazprom's advance payment of USD 2 bn for future gas transit. The Gasprombank also opened USD 2 bn credit line for the Naftogaz. Willingness of Gazprom to support the functioning of Ukrainian gas transit system (GTS) signals about the importance of Ukraine for Russian gas exports.

On July 2, the Naftogaz of Ukraine signed a Memorandum of understanding with German Ferrostaal on modernization of gas turbines and gas compressors at Bar station of Soyuz gas pipeline. Soyuz pipeline was built in 1975-78. It consists of 12 compressor

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stations with cumulative project capacity 26 bn cubic meters per year. This pilot project is expected to give a start of complete modernization of Ukrainian GTS in cooperation with EU companies.

Coal mines. 80% of state coal mines are unprofitable requiring substantial fiscal subsidies. Increased coal output (by 5% yoy for the first half of 2012) only raises coal inventories (by 25% yoy by July 1), which remain unsold due to a lack of demand. Possible solution to the problem of overproduction can be the implementation of the program to replace gas with coal that is expected to start in 2013. It is to be financed by credit lines opened by China. However, economic justification of such changes is under a question.

Agriculture. Grain harvest forecast was decreased to 43 m tons by Ukrainian meteocenter. Grain harvest is still expected to be sufficient for satisfying domestic demand and allow for some exports. Policymakers signaled that they do not intend to introduce grain exports restrictions. However, the evidence of previous years suggests that exports might be restricted if increasing prices at the global market create upward pressure on domestic prices. Parliament elections scheduled for October may lead to populistic decisions. If imposed, grain exports restrictions will further hamper investment climate in the agricultural sector as well as create losses for the economy.

External sector: Current account deficit reached USD 1.0 bn

Current account deficit widened at USD 1.0 bn as yield outflows reached USD 0.4 bn in June. Merchandise trade deficit widened slightly to USD 1.4 bn from USD 1.3 bn in May. Exports of goods declined by 11.3% yoy to USD 5.5 bn. This reflected drop in steel exports and collapse in gasoline exports caused by shutdown of refineries that were working on imported oil. Steel exports was down by 20.9% yoy. EURO-2012 football championship did not have much impact on exports of services as it increased only by 6.7% yoy. Weaker domestic demand and finish of Euro-2012 preparations led to slowdown of merchandise imports growth to 2.0% yoy in dollar terms.

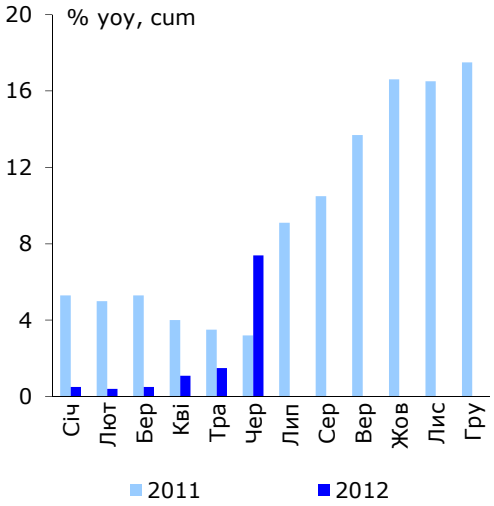
Financial and capital account in June swung to a deficit of USD 0.5 bn. It was primarily fuelled by government debt repayments of USD 1 bn to Russian VTB and USD 0.5 bn in maturing Eurobonds. Net FDI inflows increased to USD 0.5 bn, while net outflows of debt capital from private sector was USD 0.4 bn. Inflow of "trade loans" contained financial account deficit.

Fiscal policy: New changes to the Tax Code

Tax Code Amendments. In July, the Parliament approved new amendments to the Tax Code although they were not yet signed by the President. In particular, most regulatory functions of State Tax Service (including approval of scheduled tax audits as well as setting of tax accounting and control procedures), were transferred to the Ministry of Finance. Such centralization of power may strengthen the administrative pressure on businesses.

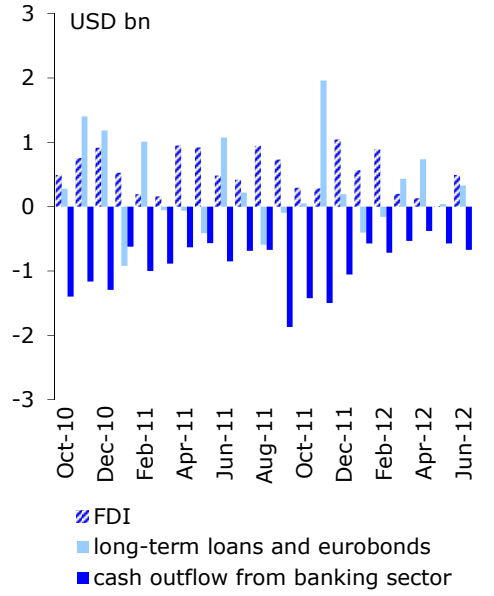
Moreover, approved changes included reduction of PIT tax rate for dividends received from foreign sources (from 15% to 5%). Besides, new groups of single taxpayers (fifth and sixth group) were introduced to favour SMEs development. The maximum annual turnover for the taxpayers of these groups was increased from UAH 5 m to UAH 20 m, while the tax rate dropped from 21% of turnover to 10% (or to 7% if VAT is paid). However, the requirement toward the maximum number of employees remained unchanged (20 and 50 employees respectively). Besides, companies with annual profit under UAH 10 m will be able to pay monthly advance payments of EPT without compulsory submission of quarterly declarations (only annual declarations are envisaged). However, tax administration for VAT payers with losses for the previous reporting year was tightened as they will not have the right to obtain VAT refunds automatically.

Agricultural output



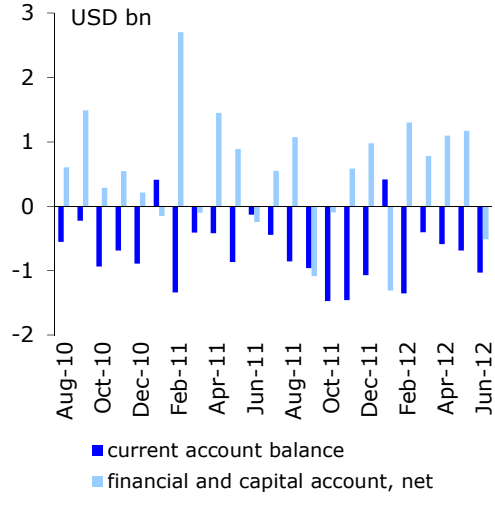
Source: Ukrstat

Selected financial account components



Source: NBU preliminary estimates

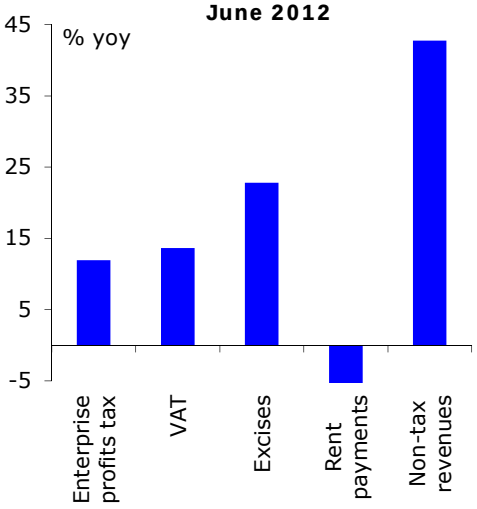
Balance of payments



Source: NBU preliminary estimates

Execution of the State Budget. In the first half of 2012, growth of central fiscal revenues (general and special fund) slightly accelerated to 16.9% despite the economic slowdown. It was primarily attributed to significant increase in non-tax revenues in June. In particular, transfer of the NBU profits to the budget reached UAH 7.9 bn, or 82.3% of the annual target. At the same time, higher tax revenues were partially ensured by tight tax administration. The central fiscal revenues were close to the target. The execution of central fiscal expenditures decreased to 92.1% of plan. The central fiscal deficit grew as compared to the first five month of the year (from UAH 3.7 bn to UAH 6.7 bn). It was covered by borrowing and privatization receipts. Besides, large part of borrowing was directed towards debt redemptions.

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



Source: State Treasury reports

Social policy: Pension payments continue growing

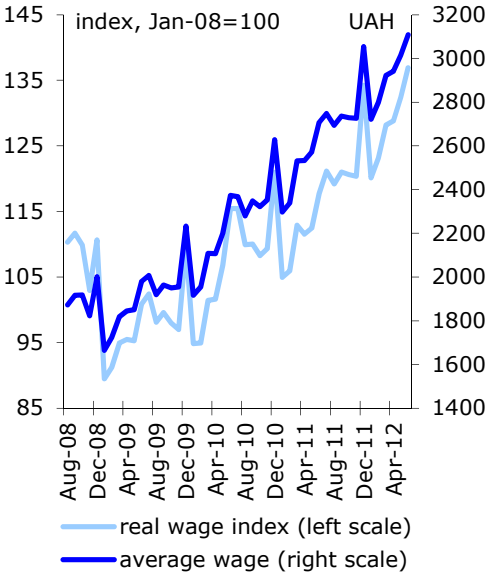
In the first half of 2012 pension payments increased by 6.9% yoy to UAH 111.8 bn and were financed by own revenues of the Pension Fund as well as large central fiscal transfer. Increase in wages resulted in growth of own Fund's revenues by 14.9% yoy and allowed the Government to decrease budget financing of the Fund by 7% yoy. This includes decline in deficit-financing part of fiscal transfer and treasury loans. At the same time, transfer directed for financing special pension programs increased by 19.8% yoy. Overall, central fiscal transfer remained large despite declining to 18.1% of total central fiscal expenditures (by 3.2 p.p. lower than in the same period of 2011).

Labour Market: Average wage growth decelerated

The smaller number of working days, which was partially attributed to shifted working days due to EURO-2012, resulted in decline of wages in many sectors of economy in June as compared to May. Average wage growth in the country was largely attributed to vacation payments in education and other public sectors. Therefore, this effect will be smoothed out in July. Overall, wage growth on year-to-year basis in June decelerated to 14.8% yoy.

Average wage amounted to UAH 3109 reaching 2.8 sizes of subsistence minimum for working able individuals. Industry, state administration and financial services paid wages higher than average for economy.

Average wage



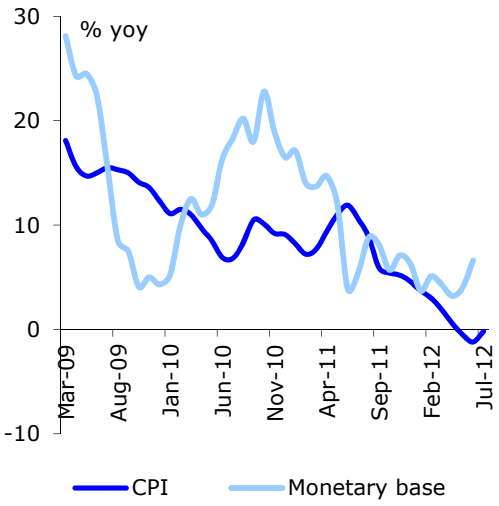
Source: Ukrstat

Monetary policy: Falling prices

In July CPI declined by 0.2% yoy as compared to 1.2% decrease in June marking three consecutive months of falling prices. High stocks and falling global food prices (FAO food index fell by 14% yoy in June) explain decrease in consumer food prices by 3.0% yoy. Slowdown of economic activity also limited demand pressure on inflation. Core inflation slowed to 3.1% yoy in July from 3.7% yoy in June.

Liquidity remained tight in July as average interbank lending rate moved to 16% p.a. from 15% p.a. in June. The NBU interventions withdrew UAH 10 bn of liquidity. The effect of interventions was partly offset by NBU purchases of government bonds and decrease in UAH government funds at the NBU.

CPI and monetary base development



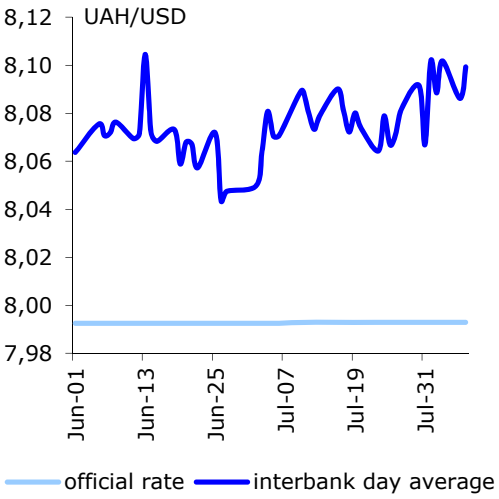
Source: Ukrstat, NBU

Financial markets: USD 2 bn Eurobonds issue

State debt. In July, the Ministry of Finance placed USD 2.0 bn of five-year Eurobonds with 9.25% p.a. weighted average yield. This was the first public external debt issue since June 2011. 75% of the Eurobond was purchased by investors from the US, UK, and continental Europe. Lead managers of the bond issue were JP Morgan, Morgan Stanley, Troika Dialog and VTB Capital. The amount of the placement was increased from initial plans and became the largest in Ukrainian borrowing history. However, it was also the most expensive market issue since 2003. The Eurobond issue and other foreign currency borrowing will cover most of borrowing needs this year. This will allow the Government to fulfill most of the planned expenditures, but it also significantly increased country's foreign currency risk.

Exchange rate. Exchange rate remained stable in July as average daily interbank UAH/USD exchange rate continued to fluctuate in UAH 8.05-8.10 range in July. However, the NBU had to support the exchange rate and net sales of foreign currency reached USD 1.2 bn. The NBU international reserves returned to USD 30 bn level due to Eurobonds issue.

Exchange rate



Source: NBU

Economic Trends		Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Jul
Industrial production (real)	% yoy cum.	11.0	9.7	8.7	8.6	7.3	0.9	8.9	8.6	8.2	7.8	7.3	2.0	2.0	0.9	0.7	0.7	0.4	…
Construction (real)	% yoy cum.	-5.4	6.8	14.5	11.4	11.1	-2.7	13.0	11.4	11.7	12.5	11.1	2.5	-0.5	-2.7	-3.0	0.3	-1.9	…
Agricultural production (real)	% yoy cum.	-1.0	5.3	3.2	13.7	17.5	0.5	10.5	13.7	16.6	16.5	17.5	0.5	0.4	0.5	1.1	1.5	7.4	…
Retail trade turnover (real)	% yoy cum.	7.6	13.5	15.2	15.2	14.7	14.2	15.2	15.2	14.9	14.5	14.7	13.8	14.6	14.2	14.8	15.5	16.0	…
Average wage	UAH	2407	2389	2605	2727	2837	2923	2694	2737	2729	2727	3054	2722	2799	2923	2942	3015	3109	…
CPI	% yoy eop	9.1	7.7	11.9	5.9	4.6	1.9	8.9	5.9	5.4	5.2	4.6	3.7	3.0	1.9	0.6	-0.5	-1.2	-0.2
PPI	% yoy eop	18.7	20.3	20.0	21.3	14.2	6.5	19.9	21.3	16.3	17.3	14.2	11.8	7.5	6.5	6.9	4.3	4.5	1.4
Exports (USD)*	% yoy cum.	27.7	40.5	39.3	26.8	21.8	5.3	31.1	26.8	23.8	21.9	21.8	14.4	10.1	5.3	4.8	5.8	2.6	…
Imports (USD)*	% yoy cum.	30.1	52.8	51.0	30.9	21.9	3.5	30.8	30.9	27.0	24.4	21.9	6.6	5.9	3.5	6.3	7.3	6.4	…
Merchandise trade balance	USD bn cum.	-8.4	-3.0	-5.4	-9.3	-13.8	-2.9	-8.0	-9.3	-11.1	-12.5	-13.8	-0.1	-1.9	-2.9	-4.3	-5.6	-6.9	…
Current account**	USD bn cum.	-2.9	-1.3	-2.9	-5.0	-9.0	-1.3	-4.0	-5.0	-6.5	-7.9	-9.0	0.4	-0.9	-1.3	-1.9	-2.6	-3.6	…
Gross international reserves	USD bn eop	34.6	36.4	37.6	35.0	31.8	31.1	38.2	35.0	34.3	32.4	31.8	31.4	31.0	31.1	31.7	30.8	29.3	30.1
Monetary Base	% yoy eop	15.8	13.7	3.9	8.1	6.3	4.3	8.8	8.1	5.7	7.1	6.3	3.7	5.1	4.3	3.2	4.0	6.6	…
Lending rate on UAH credits	% pa, aop	13.6	13.3	13.6	14.8	18.4	15.5	14.9	15.6	18.7	19.0	17.5	15.7	15.4	15.4	14.6	14.7	17.7	…
Exchange rate (interbank)	USD aop	7.96	7.95	7.98	7.99	8.01	8.02	7.99	8.00	8.01	8.01	8.02	8.03	8.02	8.02	8.03	8.05	8.07	8.08
Exchange rate (official)	USD aop	7.93	7.94	7.97	7.97	7.98	7.99	7.97	7.97	7.97	7.98	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99
Exchange rate (official)	EUR aop	10.79	10.85	11.48	11.27	10.76	10.46	11.42	11.03	10.91	10.84	10.54	10.30	10.54	10.53	10.51	10.27	10.01	9.83

Sources: Ukrstat, NBU, own calculations

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

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

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

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

''' "Minus" denotes a consolidated fiscal deficit

P - preliminary data

Notes:

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

Quarterly trends

National accounts		Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12
GDP	UAH bn	244.1	189.0	214.1	250.3	259.9	217.3	256.8	301.3	307.3	261.9	314.6	376.0	364.1	297.0
GDP (real)	% yoy	-7.8	-19.6	-17.3	-15.7	-6.7	4.5	5.4	3.3	3.7	5.4	3.9	6.5	4.7	2.0
Household consumption (real)	% yoy	4.7	-14.5	-14.5	-14.3	-16.2	0.2	6.8	7.8	12.8	13.8	15.3	17.8	12.8	9.8
State consumption (real)	% yoy	7.4	0.2	-1.6	-4.3	-3.7	3.8	-4.0	5.8	10.0	3.5	4.0	-10.5	-5.7	1.9
Gross fixed capital formation (real)	% yoy	-23.1	-58.0	-55.9	-53.2	-33.7	-5.7	-3.2	9.5	10.5	2.1	5.2	11.0	16.9	7.6
Exports of goods and services (real)	% yoy	-13.2	-22.2	-34.1	-30.9	6.9	0.4	13.2	2.0	0.9	17.0	2.9	-2.2	-5.6	-6.8
Imports of goods and services (real)	% yoy	-11.8	-37.4	-52.3	-47.6	-11.1	-6.2	17.2	20.2	13.2	37.2	23.1	12.0	3.3	-4.3
Agriculture, hunting, forestry (real)*	% yoy	19.2	-1.1	3.4	2.2	-11.6	5.4	0.5	-3.2	0.9	5.4	2.0	17.4	28.9	0.5
Manufacturing industry (real)*	% yoy	-27.0	-33.7	-26.1	-25.6	6.5	10.9	10.1	7.6	7.6	13.3	8.9	10.2	2.2	0.2
Construction (real)*	% yoy	-39.5	-54.2	-42.7	-43.6	-32.8	-7.7	-5.8	9.6	3.9	6.4	19.4	7.3	9.8	-3.1
Trade, repair services (real)*	% yoy	-6.2	-15.6	-15.7	-22.0	-16.4	6.1	9.6	10.1	4.7	8.9	2.8	6.8	5.8	5.5
Transport (real)*	% yoy	-0.3	-13.4	-9.2	-5.7	-0.4	1.3	1.8	3.0	0.1	7.2	7.5	3.4	9.4	3.8
Balance of payments															
Current account balance	USD bn	-3.7	-0.6	-0.2	-0.1	-0.9	0.0	0.5	-1.0	-2.5	-1.3	-1.4	-2.3	-4.0	-1.3
Current account balance	% of GDP	-9.4	-2.6	-0.6	-0.2	-2.7	-0.1	1.6	-2.6	-6.5	-4.1	-3.6	-4.8	-8.8	-3.5
Trade balance in goods	USD m	-3562	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-3084	-2267	-3928	-4526	-2910
Trade balance in services	USD m	15	116	432	1256	550	930	1115	1536	823	1007	1227	1686	967	1088
Current transfers	USD m	723	632	667	640	722	608	728	797	842	1039	878	988	803	672
Direct investment (FDI)	USD m	1058	883	1279	1210	1282	923	1196	1470	2170	882	2284	2100	1275	1657
Portfolio investments	USD m	-967	-350	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506	222
Gross international reserves	USD bn	31.5	25.4	27.3	28.2	26.5	25.1	29.5	34.7	34.6	36.4	37.6	35.0	31.8	31.1
Exchange rate(market), UAH/USD	aop	6.49	8.09	7.76	7.99	8.06	8.00	7.91	7.90	7.96	7.95	7.98	7.99	8.01	8.03
Exchange rate(official), UAH/USD	aop	6.21	7.70	7.66	7.82	7.99	7.99	7.91	7.90	7.93	7.94	7.97	7.97	7.98	7.99
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	31.6	34.8	30.6	25.5	36.0	30.9	30.4	23.3	32.3	32.2	29.7	29.0	30.6	33.2
Personal income tax	% of GDP	4.9	5.2	5.3	4.4	4.7	4.9	4.8	4.4	4.8	4.9	4.8	4.1	4.7	5.0
Enterprise profits tax	% of GDP	6.3	3.9	3.3	3.7	3.6	4.3	3.0	3.4	4.2	4.4	4.5	3.6	4.4	4.8
Value-added tax	% of GDP	7.8	11.7	8.3	6.4	11.0	9.8	9.8	8.5	9.9	7.5	12.7	9.5	9.6	10.6
Excise tax	% of GDP	1.4	2.0	2.3	2.5	2.6	2.4	3.0	2.5	2.6	2.1	3.0	2.7	2.4	2.7
Consolidated fiscal expenditures	% of GDP	41.2	34.4	36.6	29.6	34.5	33.0	38.7	30.3	37.6	32.3	32.8	26.5	35.6	33.3
Current expenditures	% of GDP	33.8	33.5	34.9	27.0	31.4	32.4	37.4	26.6	32.8	31.0	30.4	23.5	30.1	31.4
Capital expenditures	% of GDP	7.4	0.9	1.7	2.6	3.1	0.6	1.4	3.7	4.8	1.2	2.3	2.9	5.5	1.9
Consolidated fiscal balance	% of GDP	-10.3	0.0	-6.2	-4.5	1.1	-2.0	-8.0	-7.5	-5.6	-0.3	-3.3	-3.8	-5.5	-0.2
Privatisation receipts	% of GDP	0.0	0.0	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.4	3.1	0.0	0.1	1.4
Labour market															
Average wage (real)	% yoy	0.5	-11.7	-8.6	-10.7	-5.7	3.3	8.7	12.3	11.4	11.1	5.5	7.7	10.8	14.7
Household income (real)	% yoy	2.7	-10.8	-6.9	-8.6	-7.6	3.7	11.8	11.0	14.7	7.8	1.9	7.3	7.7	13.9
Unemployment rate (ILO methodology)	% cum	7.5	9.5	9.1	8.6	8.8	9.0	8.5	8.1	8.1	8.7	8.2	7.8	7.9	8.4
Banking system															
Monetary aggregate M0	% yoy cum	39.3	33.9	22.8	11.5	1.5	5.4	9.9	17.4	16.5	15.7	11.5	8.6	6.3	4.7
Monetary aggregate M2	% yoy cum	31.0	12.0	5.3	-1.4	-5.4	6.9	13.2	21.6	23.1	25.5	22.0	16.0	14.4	11.2
Household deposits in national currency	% yoy cum	7.5	-10.9	-16.1	-25.4	-8.5	7.1	20.1	38.6	41.4	43.3	26.0	16.7	12.3	14.4
Household deposits in foreign currency	% yoy cum	66.3	31.8	33.0	39.2	4.7	22.8	21.5	17.7	16.9	19.7	21.0	15.7	13.4	12.4
Com. bank credits in national currency	% yoy cum	40.4	27.6	27.8	25.2	16.9	13.6	8.3	6.0	11.2	16.0	18.5	21.1	21.0	17.4
Com. bank credits in foreign currency	% yoy cum	103.6	70.8	48.7	32.4	-15.2	-13.7	-10.5	-13.2	-8.3	-2.1	0.9	-2.3	-4.2	-7.0
Long-term com. bank credits	% yoy cum	73.3	50.8	37.3	29.9	-3.8	-3.9	-2.8	0.6	-0.5	5.0	6.3	5.3	2.9	-2.9
Long-term com. bank credits	% of total	69.8	69.9	68.2	67.3	68.1	68.5	68.9	67.5	66.3	67.2	66.6	64.4	62.9	61.5
Average lending rate on national currency credits	% p.a.	21.6	26.2	19.1	17.5	19.8	17.3	15.0	13.0	15.0	13.1	13.5	14.1	18.4	15.5
Average lending rate on foreign currency credits	% p.a.	11.9	9.6	9.6	10.0	10.1	10.9	11.1	10.3	10.1	10.2	9.8	8.8	8.4	8.2

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added

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