INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: STATE BUDGET 2013

Politics: In September Ukraine initiated talks with the WTO on customs duties revision.

Real Sector: Industrial output in August dropped by 4.7% yoy due to contraction in manufacturing.

Sectoral news: Ukraine has applied to the Russian Gazprom for purchase of 24.5 bn cubic meters of gas for 2013 as compared to expected purchases of 27 bn cubic meters in 2012.

External sector: Current account deficit widened to USD 1.5 bn in August as improvement in services exports from travel was offset by unusually high net yield outflows.

Fiscal policy: Lower revenues and deficit resulted in under-execution of the central fiscal expenditures (due to general fund) in first eight months of 2012 by 8.0% of the plan.

Social policy: The Pension Funds' deficit was again covered by the special central fiscal transfer and loans received from the State Treasury.

Labour market: Gross wages grew by 16.8% yoy due to increase in average wages in all sectors of economy against the background of unchanged employment.

Monetary policy: In September CPI remained at the level of the same month of 2011.

Financial markets: The Government attracted more funds on domestic and global capital markets in September.

Highlight of the month: State Budget 2013

UKRAINE'S FISCAL STANCE REMAINS VULNERABLE

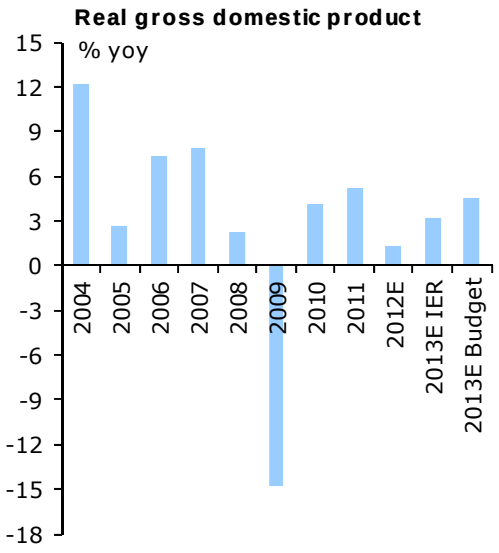
By Oleksandra Betliy, Vitaliy Kravchuk

The Institute forecasts real GDP growth to accelerate to 3.3% in 2013 as compared to 1.3% in 2012. At the same time, according to official announcements fiscal parameters of the preliminary Draft State Budget Law for 2013 were based on the forecast of real GDP growth at 4.5%. According to the best practices the Government should use conservative economic projections in fiscal planning. If economic assumptions are not changed during the revision of the draft budget the Government might face the necessity to cut the budget expenditures in 2013.

Currently there is no public draft of the State Budget Law for 2013 despite deadline on September 15. Technically, the Government approved the draft law and submitted it to Parliament in time, on September 15. However, the committee of Verkhovna Rada found many deficiencies and drawbacks in the document and the Speaker returned the draft to the Government almost immediately. According to recent news reports the Government is likely to submit revised version of the Law to the Parliament in the mid-October and the President expects the Budget to be approved in November.

The evidence suggests that it is beneficial to base estimates of fiscal parameters on conservative economic scenario, which is close to pessimistic rather than to optimistic assumptions. In particular, it is always easier to distribute additional revenues than to cut budget expenditures. Often, capital outlays are the easiest source of cutbacks, which impact the future economic growth. Important drawback of

Ukrainian fiscal policy is a lack of medium-term expenditures framework (MTEF). As a result, planning for multi-year projects is severely hampered. Efficient MTEF would also result in higher fiscal transparency improving business climate in the country. Besides, it would facilitate reforms in public sector, which is particularly important in for healthcare reform.



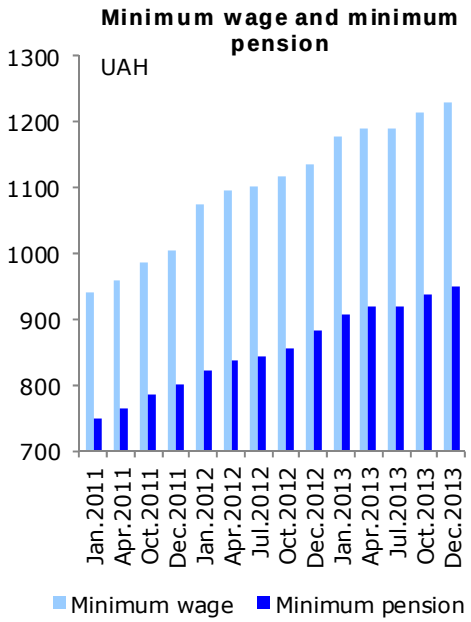
Note: E - estimate, F - forecast
Source: Ukrstat, IER calculations

It should be noted that it is usual practice of Ukrainian government to underestimate inflation and overestimate real economic growth. As a result, nominal figures may remain realistic, while increases in social standards and wages are overstated in real terms. Still, the Institute's forecast of nominal GDP is lower than officially announced, which could indicate possible under-execution of consolidated fiscal revenues at near UAH 15 bn.

Although the Draft Budget was not made public a number of decisions contained in the draft were announced. Based on available information there were no surprises in this document. While increase of central fiscal revenues was envisaged at 6.4%, minimum wages were to be raised by 8.5%. Wage differentiation in public sectors was also envisaged to increase, which is needed to create appropriate incentives for public employees. Increase in minimum pension was envisaged to decelerate from 10.5% on average in 2012 to 7.2% on average in 2013. Besides, additional funds (UAH 22.2 bn) will be used to index pensions in line with inflation and wage growth. The Government also plans to increase social assistance payments including birth grants and childcare allowances. As a result, the capital outlays are not likely to increase as a share of total fiscal expenditures. However, their financing is important taking into account deteriorated infrastructure, including roads, housing and utility infrastructure.

The central fiscal deficit was envisaged at 1.65% of GDP, which is higher than IER's estimate. The difference could be explained by difference is assumptions on access to the international capital markets. Taking into account high domestic and external debt to mature in 2013 (up to 5% of GDP), the Government is not likely to run high deficit. At the same time, the general government deficit (including local budgets, social security funds as well as deficit of state-owned enterprises) will be higher if the Government continues off-budget support of the Naftogaz and the Pension Fund. This is especially true if Government will be unwilling to increase gas tariffs for population and heat generating companies.

Therefore, it would be beneficial for the country if the revised State Budget Law for 2013 is based on realistic macroeconomic assumptions. The risks of deterioration of external situation, which impacts substantially Ukraine's economic development, should be taken into account as well. Besides, the Government should finally introduce the MTEF approach fully, which is envisaged in the Budget Code. In particular, the document on the medium term plans of major articles of revenues and expenditures should be submitted to the Parliament simultaneously with the State Budget Law for 2013.



Source: State Budget Laws for 2011-2012,draft State Budget Law for 2013

Monthly Economic Monitor Ukraine

Politics: Ukraine proposes the revision of WTO obligations

In September Ukraine initiated talks with the WTO on customs duties revision in line with Article XXVIII of the GATT. Ukraine's government forwarded to WTO members the position document containing suggestions on the increase in binding tariffs for 371 tariff lines. These products account for 5% of Ukraine's total imports. Ukraine is expected to provide equivalent concessions to WTO partners. If Ukraine and its major trade partners fail to reach agreement Ukraine may impose new binding tariffs unilaterally, but other countries might retaliate by increasing tariffs for Ukrainian goods.

Ukraine's initiative immediately raised concerns by the EU and the USA, which are Ukraine's important trade partners within the WTO. According to the EC officials, this initiative can harm Ukraine's progress in the formation of deep and comprehensive free trade area (DCFTA) with the EU.

The Ukrainian government expects to receive responses by WTO member-states on the possibility of such revisions by December 12, 2012. According to the Government Commissioner for European Integration Valeriy Piatnytskyi, Ukraine's main partners in future WTO talks on customs duties revision would be the EU, the USA, China and Turkey. Moreover, Mr. Piatnytskyi emphasized that Ukraine does not intend to change its trade agreements, such as EFTA or DCFTA with the EU.

Real sector: Drop in industrial output

Sectoral trends. Industrial output in August dropped by 4.7% yoy due to contraction in manufacturing. Export oriented sectors reduced their output due to low demand as economies of major trading partners remain weak. Decline in external demand for steel and uncertain outlook caused drop of output in metallurgy by 12.5% yoy from high base of August 2011. Decline in machine building worsened to 13.7% yoy as railway transport production fell 10.7% yoy after growth in previous months. Manufacture of food and beverages reduced by 1.4% yoy due to decline in production of alcoholic beverages. Food processing excluding alcohol and tobacco probably grew slightly. Still, higher share of imported food products probably prevented food industry from capitalizing on growth in consumer demand. Chemical manufacture grew by 12.8% yoy supported by rapid increase in production of pharmaceuticals (at 22.2% yoy).

Between January and August retail trade turnover growth decelerated to 16.0% yoy reflecting significant slowdown in consumption growth in August. Construction continued contracting (by 8.0% yoy) due to end of Euro-2012 and uncertain investment climate. Freight turnover declined by 7.2% yoy due to drop in gas and oil transit. Lower harvest of crops resulted in decline in agricultural output by 4.5% yoy.

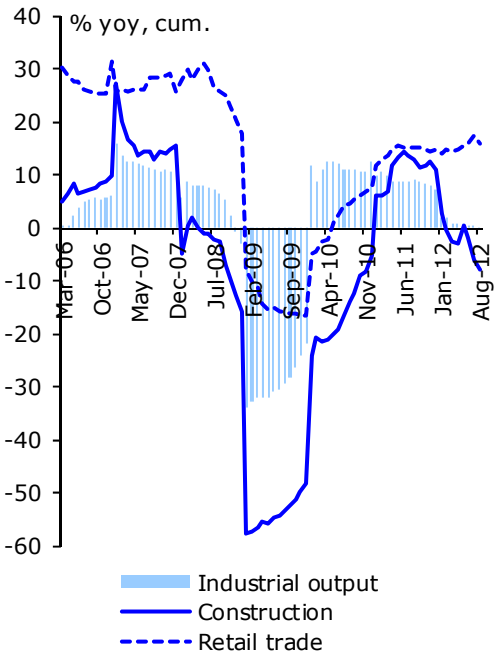
Sectoral news: Plans to reduce imports of natural gas in 2013

Energy. On September 13, the Energy Minister Yuriy Boyko announced that Ukraine has applied to the Russian Gazprom for purchase of 24.5 bn cubic meters of gas for 2013 as compared to expected purchases of 27 bn cubic meters in 2012. The Government plans to decrease gas consumption through increase in energy efficiency. In particular, it expects installation of gas meters, construction of coal gasification plants, own gas extraction. Besides, partial substitution of gas by coal at heating companies is planned.

In September, NJSC "Ukrenergo" started construction of electricity transmission lines "Rivnenska NPP – Kyivska". The lines are expected to improve energy supply to central and northern regions of Ukraine. This is one of three major electricity projects mainly financed by the EBRD and the EIB. Total cost of project is EUR 415 m with EUR 300 m borrowed from the EBRD and the EIB and the rest covered by

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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"Ukrenergo". The other two projects relate to equipment upgrade of hydro power plants, the majority of which were built in 1960s (project cost is EUR 690 m, EUR 400 m borrowed from the EBRD and the EIB) and construction of "Zaporizska NPP – Kakhovska" transmission lines to improve energy supply to southern region of Ukraine (project cost is EUR 397 m with EUR 350 m borrowed from the EBRD and the EIB).

Agriculture In September the Ministry of Agricultural Policy and Food increased grain forecast for 2012 from 45.3 to 46.5 m tons. Although expected harvest is by 18% lower than in 2011, it is enough to cover domestic demand and allow exports. Policy-makers claim that there is no need to introduce export quotas since intervention fund has enough grain to guarantee food security in the country. At the same time, the Ministry has already signed a memorandum with key stakeholders at the grain market, which limits marginal amounts of grain exports, particularly, 4 m tons of wheat, 3 m tons of barley and 12.4 m tons of corn. Grain traders state that another 1.5 m tons of wheat exports could be negotiated due to available end-year stocks. According to the Memorandum such extension might be discussed with the Ministry once wheat exports crosses a critical point of 80% of envisaged target.

Privatisation. In September the State Property Fund continued privatisation of gas distribution companies. The company Gaztek, affiliated with Dmytro Firtash, expanded its presence in that sector. The Gaztek purchased stakes ranging from 16% to 26% in 10 gas distribution companies for the cumulative price of UAH 269.5 m. The only stake sold to another bidder ("Group of companies Sodruzhestvo") was 26% shares in "Kremenchukgaz".

Overall, in the first nine month of 2012 privatization receipts reached UAH 5.4 bn (53.5% of annual plan). The receipts are unlikely to reach the annual target by the end of year.

External sector: Financial account surplus remained at USD 2.1 bn

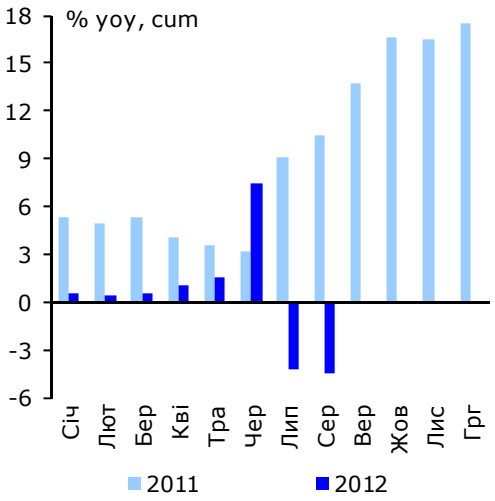
Current account deficit widened to USD 1.5 bn in August from USD 1.3 bn in July as improvement in services exports from travel was offset by unusually high net yield outflows at USD 0.7 bn. Merchandise trade deficit remained at USD 1.8 bn in August. Exports of goods increased only by 0.8% yoy to USD 5.9 bn partly due to high statistical base. While machine building and food products exports continued growing at healthy pace steel exports fell by 16% yoy and chemical products exports slowed down. Merchandise imports growth slowed down to 3.1% yoy in dollar terms also reflecting high statistical base. Imports was supported by higher gas imports and continued imports of consumer goods including clothing.

Financial and capital account surplus in August remained at USD 2.1 bn despite lower inflows from government borrowing. Net FDI inflows increased to USD 0.9 bn, highest value this year, as FDI abroad stopped and owners increased financing of their subsidiaries in Ukraine. Net borrowing by the private sector was small at USD 0.5 bn as banks continued to decrease external debt while real sector increased its dependence on external financing. Financial account surplus reached USD 2 bn thanks to USD 0.7 bn net inflow of deposits(through decrease of Ukrainian deposits abroad as well as higher deposits of non-residents) and USD 0.5 bn of other inflows.

Fiscal policy: Main fiscal indicators are under-executed

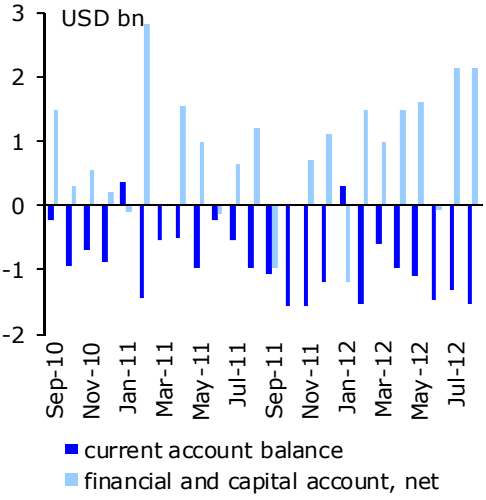
Central fiscal revenues in eight months of the year reached UAH 221 bn accounting for 58.9% of annual plan. This is lower than usual for such period, which might indicate too optimistic plan of fiscal revenues for 2012. The Government likely over-estimated VAT revenues. Better EPT performance at 64.8% of annual plan are partially ensured by persistent advance tax payments. In particular, EPT revenues due to general fund of the budget are over-executed by 11.3% of the target. At the same time, VAT receipts due to general fund were by 4.8% lower than planned. Higher than planned transfer of profits by the NBU by 10.4% supported non-tax revenues, although

Agricultural output



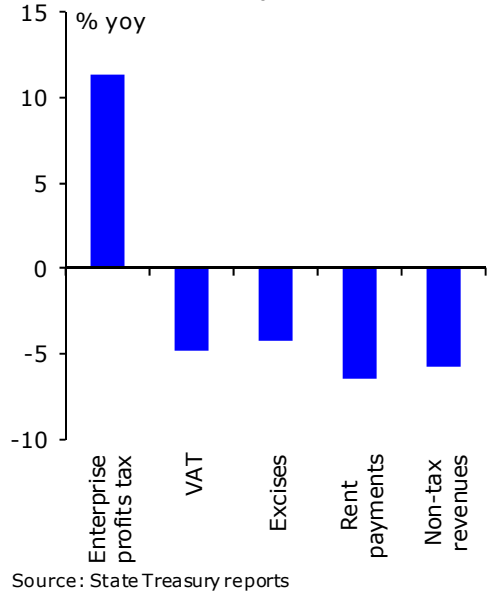
Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

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



Source: State Treasury reports

they still were by 5.8% lower than a target. Overall, central fiscal revenues due to general fund were by 1.5% below the planned level. According to the preliminary information of the State Treasury central fiscal revenues growth further decelerated to 8.6% yoy in first nine months of the year from 9.3% yoy between January and August.

Lower revenues and deficit resulted in under-execution of the central fiscal expenditures (general fund) in first eight months of 2012 by 8.0% of the plan. Capital outlays were financed only at 42.0% of annual target. The central fiscal deficit remained close to the level of seven months of the year. The deficit at UAH 16.7 bn was primarily financed by domestic borrowings and privatisation receipts.

Social policy: The Pension Fund's budget remains unbalanced

Between January and August the Pension Fund's total revenues reached UAH 144 bn due to increase in receipts from pension insurance contributions and other own revenues by 14.8% yoy. Share of own revenues in total revenues increased by 2.7 p.p. to 71.0% due to growth of gross wages. The Pension Fund also received central fiscal transfer to cover special pensions. The deficit of the Pension Fund exceeded 17 bn. It was covered by another central fiscal transfer of UAH 9.3 bn as well as loans received by the Fund from the State Treasury. These loans are estimated to reach UAH 8.0 bn in the end of August. As the Pension Fund is unlikely to repay the loans by the end of the year the Government probably overestimated wage growth. Overall, fiscal space to increase social payments will be hard to find.

Labour Market: Gross wages grew rapidly

Gross wages paid in first eight months of the year grew by 16.8% yoy due to increase in average wages in all sectors of economy against the background of unchanged employment. At the same time, employment trends differed by sectors. Number of staff in enterprises with over 10 employees declined as compared to the same period of last year in industry, construction and financial sector likely due to worsening of economic activity. Moreover, there were cutbacks in public sector employment including in state administration, health care and education. Such development could be attributed to administrative reform as well to the retirement of some employees, who were not substituted by other people.

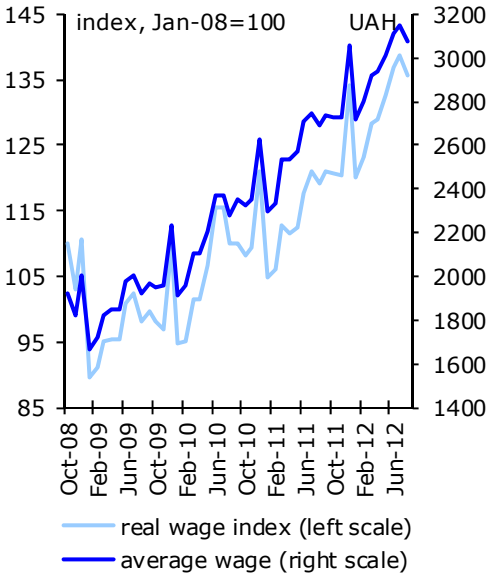
Average wage growth in August decelerated to 14.1% yoy. Wages grew slower in industry and construction likely due to worsening of financial situation of companies in these sectors. Besides, wage growth decelerated in agricultural sector probably due to higher statistical base, which was driven by good harvest in 2011.

Monetary policy: CPI growth remains zero

In September CPI remained at the level of the same month of 2011 and went down by 0.3% from December 2011 due to both external and internal factors. Low global food prices and stable commodity prices contained external pressure on prices. Government price policy including refusal to increase utility tariffs and higher price regulation also limited CPI growth. Good harvest of fruits and vegetables led to significant negative contribution of these items to inflation. Finally, slow economic growth and tight monetary policy also contributed to unchanged CPI.

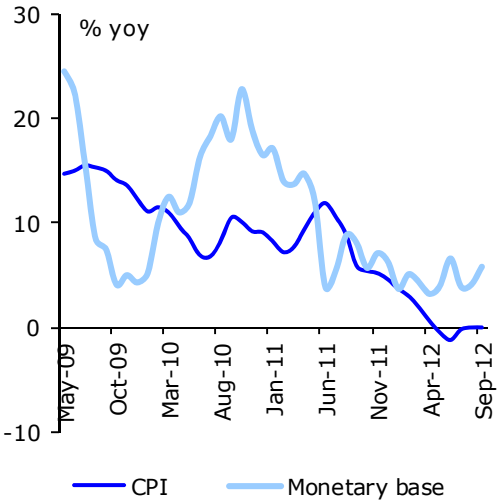
Bank liquidity remained tight in September reflecting low free reserves and high interbank interest rates. After injection of UAH 3.8 bn supplied to three banks in the end of August the NBU refused to provide sizable refinancing to banks. Still, average bank reserves in September were higher than in August and interbank interest rate remained below 15% p.a. for the most of the month. Bank funding remained tight leading to continued increase in deposit and lending rates.

Average wage



Source: Ukrstat

CPI and monetary base development



Source: Ukrstat, NBU

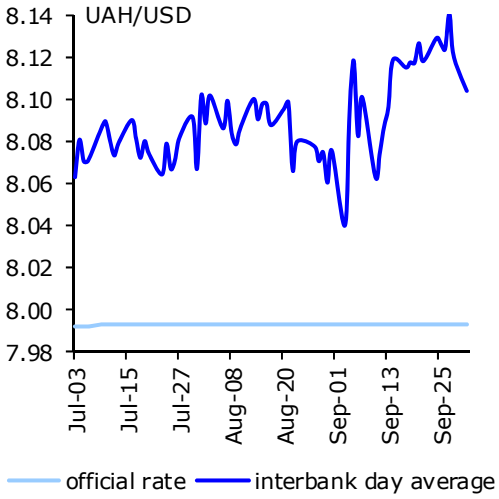
Financial markets: Increase in exchange rate flexibility

Exchange rate. The NBU slightly increased exchange rate flexibility in September allowing interbank exchange rate to depreciate to UAH 8.12 per USD by the end of the month. Exchange rate returned to levels below UAH 8.10 per USD in the beginning of October. The NBU offered significant support to the exchange rate as net interventions reached USD 1.5 bn.

State debt. In September the Government raised UAH 1.3 bn from the placement of hryvnia-denominated domestic bonds with maturity more than two years including UAH 0.5 bn with principal indexed to USD/UAH exchange rate. Overall, between January and September government issued UAH 27.3 bn hryvnia-denominated domestic bonds. Besides, the Government attracted USD 2.4 bn and EUR 0.3 bn from placement of state domestic bonds denominated in foreign currency. The Government also issued special state domestic bonds for recapitalization of the Naftogas at UAH 6.0 bn in March and the Ukrgidroenergo at UAH 1.0 bn in September.

Besides, Government returned to global financial markets in September and placed USD 0.6 bn of Eurobonds as additional tranche of USD 2 bn July issue. However, this time yield was more favourable at 7.5% p.a. as compared to 9.25% p.a. in July reflecting lower CDS spreads for Ukraine. At USD 2.6 bn Ukrainian bonds maturing in July 2017 will be by far the most liquid issue of Ukrainian Eurobonds. Attracted funds are likely to be used for repayment of the IMF loan in November of 2012.

Exchange rate



Source: NBU

Economic Trends		Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Aug
Industrial production (real)	% yoy cum.	11.0	9.7	8.7	8.6	7.3	0.9	8.6	8.2	7.8	7.3	2.0	2.0	0.9	0.7	0.7	0.4	0.2	-0.4	...
Construction (real)	% yoy cum.	-5.4	6.8	14.5	11.4	11.1	-2.7	11.4	11.7	12.5	11.1	2.5	-0.5	-2.7	-3.0	0.3	-1.9	-6.2	-8.0	...
Agricultural production (real)	% yoy cum.	-1.0	5.3	3.2	13.7	17.5	0.5	13.7	16.6	16.5	17.5	0.5	0.4	0.5	1.1	1.5	7.4	-4.2	-4.5	...
Retail trade turnover (real)	% yoy cum.	7.6	13.5	15.2	15.2	14.7	14.2	15.2	14.9	14.5	14.7	13.8	14.6	14.2	14.8	15.5	16.0	17.4	16.0	...
Average wage	UAH	2407	2389	2605	2727	2837	2923	2737	2729	2727	3054	2722	2799	2923	2942	3015	3109	3151	3073	...
CPI	% yoy eop	9.1	7.7	11.9	5.9	4.6	1.9	5.9	5.4	5.2	4.6	3.7	3.0	1.9	0.6	-0.5	-1.2	-0.1	0.0	0.0
PPI	% yoy eop	18.7	20.3	20.0	21.3	14.2	6.5	21.3	16.3	17.3	14.2	11.8	7.5	6.5	6.9	4.3	4.5	1.4	1.4	0.3
Exports (USD)*	% yoy cum.	27.7	40.5	39.3	26.8	21.8	5.3	26.8	23.8	21.9	21.8	14.4	10.1	5.3	4.8	5.8	2.5	3.3	2.9	...
Imports (USD)*	% yoy cum.	30.1	52.8	51.0	30.9	21.9	3.5	30.9	27.0	24.4	21.9	6.6	5.9	3.5	6.3	7.3	8.5	9.1	8.3	...
Merchandise trade balance	USD bn cum.	-8.4	-3.0	-5.4	-9.3	-13.8	-2.9	-9.3	-11.1	-12.5	-13.8	-0.1	-1.9	-2.9	-4.3	-5.6	-9.0	-10.8	-12.7	...
Current account**	USD bn cum.	-2.9	-1.3	-2.9	-5.0	-9.0	-1.3	-5.0	-6.5	-7.9	-9.0	0.4	-0.9	-1.3	-1.9	-2.6	-5.4	-6.7	-8.2	...
Gross international reserves	USD bn eop	34.6	36.4	37.6	35.0	31.8	31.1	35.0	34.3	32.4	31.8	31.4	31.0	31.1	31.7	30.8	29.3	30.1	30.0	29.3
Monetary Base	% yoy eop	15.8	13.7	3.9	8.1	6.3	4.3	8.1	5.7	7.1	6.3	3.7	5.1	4.3	3.2	4.0	6.6	3.9	4.1	5.8
Lending rate on UAH credits	% pa, aop	13.6	13.3	13.6	14.8	18.4	15.5	15.6	18.7	19.0	17.5	15.7	15.4	15.4	14.6	14.7	17.7	19.6	20.3	18.9
Exchange rate (interbank)	USD aop	7.96	7.95	7.98	7.99	8.01	8.02	8.00	8.01	8.01	8.02	8.03	8.02	8.02	8.03	8.05	8.07	8.08	8.09	8.10
Exchange rate (official)	USD aop	7.93	7.94	7.97	7.97	7.98	7.99	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
Exchange rate (official)	EUR aop	10.79	10.85	11.48	11.27	10.76	10.46	11.03	10.91	10.84	10.54	10.30	10.54	10.53	10.51	10.27	10.01	9.83	9.89	10.25

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	1657	1102
Portfolio investments	USD m	-350	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506	222	…
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	…
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	…
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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