INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

***HIGHLIGHT:* NEW CUSTOMS CODE**

Politics: Increase in political uncertainty might hamper investment climate in Ukraine.

Real Sector: Economic development slowed in the first quarter of 2012. According to preliminary Ukrstat estimates real GDP grew by 1.8% yoy.

Sectoral news: The NERC increased electricity tariffs for large consumption volumes attempting to stimulate energy saving.

External sector: Current account deficit shrank to USD 1.2 bn in March due to deceleration of merchandise imports growth to 2.5% yoy.

Fiscal policy: The State Budget amendments raise concerns on fiscal sustainability as new fiscal revenues target looks too optimistic.

Social policy: The deficit of the Pension Fund will be higher than initially planned due to additional pensions increases.

Labour market: Wage growth in the first quarter of 2012 is likely to be primarily attributed to increase in minimum wage.

Monetary policy: Guidelines for monetary policy in 2012 have not yet been made public.

Financial markets: The NBU diversified its foreign currency holdings in 2011.

Highlight of the month: New Customs Code

NEW CUSTOMS CODE: WILL FOREIGN TRADE BECOME EASIER?

By Kateryna Pilkevych

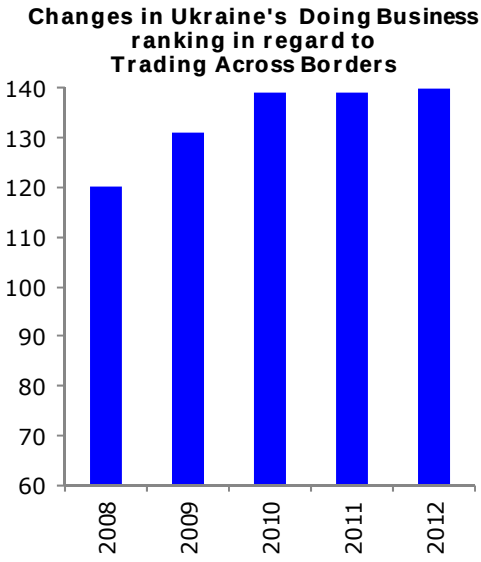
On April 19, the President signed new Customs Code. The Code has been developed with active participation of expert and business communities of Ukraine.

The new Customs Code contains a number of progressive provisions aimed at improvement of customs procedures and trade facilitation. They are primarily related to customs valuation and pre-shipment declaration, as well as to post-entry audit and appeal procedure. The most favourable for business development provisions concern customs registration at any customs agency (entry-point), pre-shipment declaration and simplification of customs clearance by shortening time envisaged for customs clearance (not longer than four hours) and reducing the number of required documents.

Besides, the Code has become more harmonized with international practices, in particular, with the International Convention on the Simplification and Harmonization of Customs Procedures, the Convention on Temporary Admission, as well as the updated Customs Code of the EU. However, certain provisions of Ukraine's Code, in particular concerning customs valuation and post-entry audit, are still not fully in line with the WTO and EU practices and could create obstacles for doing business in Ukraine.

The most important changes have been introduced in regard to customs valuation procedures. The customs value of goods imported to Ukraine is a basis for the calculation of import duties and taxes.

Therefore, customs valuation is a crucial point for any customs legislation framework. In Ukraine, it was one of the reasons for the President to veto the draft Customs Code in the end of 2011.

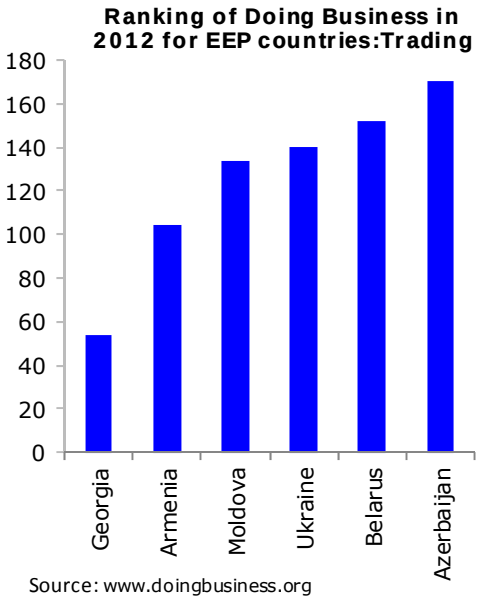


Source: : www.doingbusiness.org

Procedures for customs valuation and correction of customs value have undergone a significant revision. In particular, new Code provides an exhaustive List of documents to be filed to determine the customs value of goods. Customs authorities cannot request documents that are not listed. The Code also establishes clear cases when the customs value may be viewed as incorrect. Such cases include: (i) the customs value is computed improperly, (ii) not all documents, required in the List, are filed, (iii) wrong method is applied for determining the customs value, (iv) there is official information received from customs offices of other countries concerning indicative prices on goods. New procedure explicitly limits the State Customs Service's authority concerning customs valuation and makes valuation procedures more transparent according to obligations undertaken by Ukraine within the WTO framework.

Yet other novelty potentially aimed at serving business interests is legal automatism in customs valuation. In particular, in case the customs inspector cannot prove inaccuracy or incompleteness of information provided by the company, the value declared automatically will be recognized correct. However, effectiveness of this provision for protection of business interests should be proved by its implementation.

At the same time, there are some inconsistencies among provisions of the Code that could weaken positive effect from aforementioned norms. In particular, Articles 52 and 55 of the Code create legal collision, which could lead to the situation when the decision of customs authorities on correction of customs value can be made before consultations with declarant. If happened, it would contradict to the WTO rules according to which declarants should be given time to justify their position, while the customs authority is obliged to accompany its decision by written justification.



Source: www.doingbusiness.org

Another key idea of the new Customs Code is a shift from total customs control of goods imported to Ukraine to post-audit based on electronic declarations and risk analysis. The post-audit procedures have been introduced earlier and currently are regulated by separate acts that create doubts about legality of such activities. The new Code provides the legal right for customs officers to administer post-entry audits. Customs authorities are allowed to control accuracy of determined customs value of imported goods after completion of customs clearance procedures and admission of goods across the customs border of Ukraine. It means that customs declaration can be revisited for some time after customs clearance.

In general, post-audit is progressive tool aimed at customs procedure simplification, and it is widely used in the EU and other countries. However, efficiency of its implementation in Ukraine remains questionable taking into consideration strong fiscal function of the State Customs Service.

Summing up, the adoption of the new Customs Code is an advance for business in solving long-standing problems of customs regulations. However, despite evident simplification of customs procedures, interests for two major stakeholders – government and entrepreneurs – remain unbalanced, still providing more space for customs officers than declarants. Besides, new Code will become effective from June 1, 2012, providing very short period for adjustment to changes.

Monthly Economic Monitor Ukraine

Politics: EURO-2012 to become a hostage of human rights situation in Ukraine

On April 24 Ukraine's former Prime-Minister Yuliya Tymoshenko made a written statement that she was beaten in prison and forcibly transported to a hospital. Tymoshenko's injuries were confirmed by Ukrainian Parliament Commissioner for Human rights Nina Karpacheva, who visited Tymoshenko in prison. The incident caused a prompt negative reaction by international community and press. The EU top level officials expressed their concern with the situation. Besides, the Presidents of Germany, Austria, Slovenia and Czech Republic cancelled their visits to Ukraine scheduled for mid-May to participate in the Summit of the Presidents of Central European Countries in the Crimea. Additionally, the EU Commission President Jose Manuel Barroso announced he would not go to Ukraine during Euro-2012 unless there is a swift improvement in the human rights situation. The boycotting of Euro-2012 in Ukraine is also considered by German Chancellor Angela Merkel. This situation might further increase political instability in Ukraine hampering investment climate.

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%

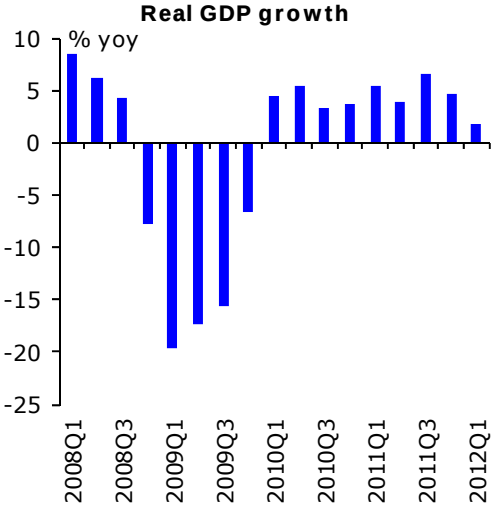
Real sector: Industrial output declined in March

GDP. According to the preliminary Ukrstat estimate real GDP increased by 1.8% yoy in the first quarter of 2012. Real private final consumption was likely to support this growth. Seasonally adjusted real GDP declined by 0.3% qoq likely due to worsening of Ukraine's external position.

Sectoral trends. Industrial output declined by 1.1% yoy in March due to worse performance of all manufacturing sectors except for food and chemical industries. The output in manufacturing in March was by 7.4% lower than average output in the second half of 2011. This is explained primarily by weak external demand for steel and machine-building products. Output of non-metal mineral manufacturing declined by 7.6% yoy in line with construction. Stop of Lysychansk oil refinery plant resulted in decline of oil refining by 35.6% yoy.

Between January and March retail sales grew by 14.2% from the first quarter of 2011. However, retail sales of companies were lower than in second quarter of 2011. Construction work fell by 2.7% yoy due to inclement weather in January and February. Logistical failures at Ukrainian railways, lower gas transit and slowdown in international trade resulted in decline in freight turnover by 7.8% yoy.

Real GDP growth



Source: Ukrstat

Sectoral news: Electricity tariff for consumers were increased

Energy. The National Energy Regulation Committee (NERC) approved the rules of access to Ukrainian gas transportation system (GTS). Equal access rights of all gas market players to Ukraine's GTS are to be ensured. Ukraine promised to implement Regulation №1775/2005 on conditions for access to the natural gas transmission networks when joining the Energy Community. On April 13, the Verkhovna Rada adopted amendments to the law on pipeline transportation that initiate reforms in the oil and gas industry. Therefore, Ukraine now may continue negotiations with the EBRD and the EIB on the financial support for Ukraine's GTS modernization.

In April, the NERC approved a 50% increase in electricity tariffs for the volume exceeding 800 kWt*h per month. Households using electric heating equipment during the heating period (October – April) should pay tariff by 50% higher than statutory price for volumes exceeding 1800 kWt*h per month. The tariffs became effective on May 1. New tariffs should decrease cross-subsidization in electricity sector and stimulate energy saving by consumers.

Agriculture. April amendments to the State Budget Law for 2012 envisaged financing for partial compensation of loses encountered by agricultural producers due to winterkill at UAH 0.3 bn. This compensation is to cover costs of farmers related to reseeding of winter crops, namely, wheat, triticale, barley and rye. It is estimated

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that about 3 m ha or 36% of winter crops were lost partially or completely and, thus, should be reseeded. The Government plans to compensate 10% of the total costs required which is about UAH 100 per ha on the average. Compensation will be allocated according to procedure approved by the Cabinet of Ministers in March. This financial support is especially important for small and medium enterprises, which have limited access to financial resources. The effectiveness of this measure will highly depend on timely and transparent allocation of required funds.

Privatisation. Ukrainian energy sector is likely to remain major generator of privatisation receipts in 2012. In April the DTEK Holding Ltd acquired the fifth oblenergo from the SPFU lot list – Dniprooblenergo. Dniprooblenergo is the largest Ukrainian energy distribution company. Sale price was 10% higher than start price (UAH 0.7 bn) and the DTEK won over its key competitor *Luganske energetichne obyednannya*. Both companies are also to compete for Crimenergo to be privatised in May. Key feature of current privatisation is that the enterprise at the auction goes to the minority shareholder. In June, the sales of 53.3% of Centraloblenergo and 60.8% of Donbasenergo are to complete privatisation of oblenergoes this year.

The privatization of other companies in energy sector will continue. The privatisation of gas distribution and supply companies (subordinated to the Naftogaz's daughter company "Gas of Ukraine") will be launched in May. By the end of July minority stakes in 48 gas enterprises are planned to be sold. Besides, the President allowed privatization of 14 combined heat and power stations. The sale of these companies is expected to result in attraction of investments required for modernisation of equipment and technologies.

Transport. Ukraine attempts to strengthen its positions of a transit country. In April, the Turkish Parliament approved the Ukrainian-Turkish agreement signed on January 25, 2011, on uniting the railway networks on both sides of the Black Sea with the sea lines. This measure could increase the volume of Ukraine's international trade by decreasing the waiting time in ports. The agreement allows transporting Ukrzaliznytsya's wagons through Turkish territory. As a next step Ukraine and Turkey will form a joint commission to work on rules for cargo transportation and tariff regime.

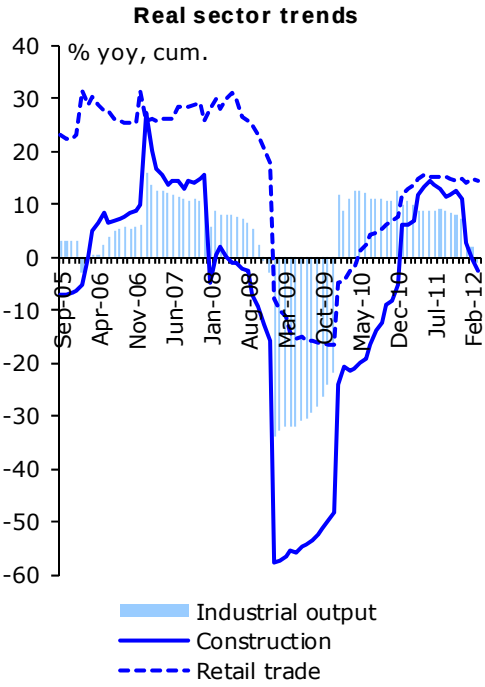
Two Ukrainian air carriers, Ukrainian International Airlines and Aerosvit, signed an amendment to the existing code sharing agreement adding 11 new destinations in Europe and Russia to the agreement. The document creates new possibilities for air transit through Kyiv.

External sector: Current account deficit reached USD 1.2 bn in the first quarter

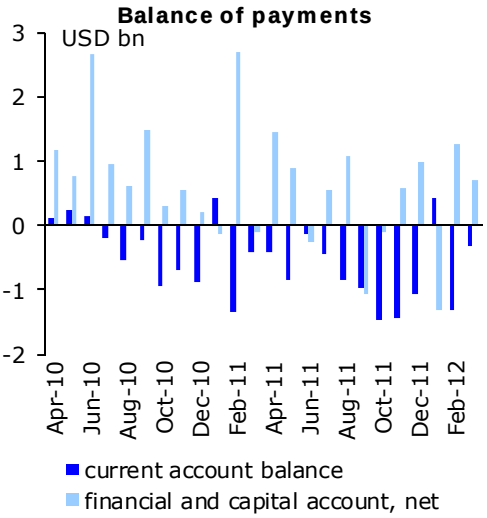
In the first quarter of 2012 international trade volumes marginally increased as compared to the first quarter of 2011, but remained lower than in other quarters of 2011. Merchandise exports grew by 5.2% yoy in dollar terms thanks to higher food and machine building exports. Slowdown in global construction and industrial output as well as lower steel prices caused steel exports to fall by 8.5% yoy.

Merchandise imports grew by 2.5% yoy in dollar terms. On the one hand, machine building imports increased by 28.4% yoy from low statistical base due to continued preparations for Euro-2012 football championship. On the other hand, natural gas import volume fell dramatically and mineral products imports decreased by 8.9% yoy. Imports of other goods increased by 1.4% yoy.

As a result, merchandise trade deficit shrank to USD 2.7 bn from USD 3.0 bn a year ago. Slowdown in global economy caused net current transfers to fall to USD 0.7 bn from USD 1.0 bn a year ago. Overall, current account deficit shrank to USD 1.2 bn from USD 4.0 bn in the previous quarter and USD 1.3 bn a year ago.



Source: Ukrstat



Source: NBU preliminary estimates

Financial and capital account surplus in the first quarter reached USD 0.7 bn. USD 1.5 bn of FDI inflows and USD 1.0 bn inflow of "trade loans" were offset by USD 2.0 bn of cash foreign currency outflows. Most banks and companies were able to refinance their external debt despite problems in access to global financial markets.

Fiscal policy: The Verkhovna Rada amended the State Budget Law for 2012

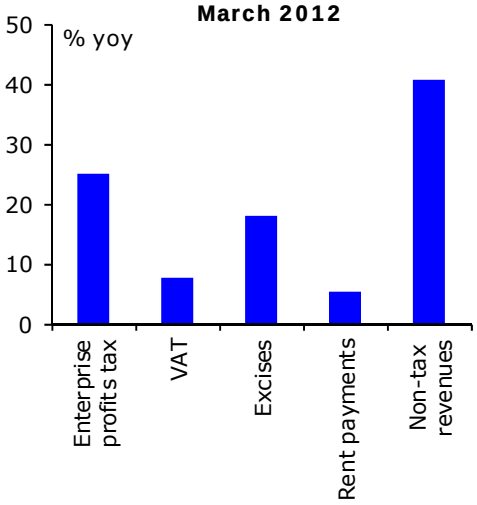
Amendments to the State Budget 2012. On April 12, the Verkhovna Rada amended the State Budget Law for 2012 to implement the social initiatives of the President of Ukraine. Targets for central fiscal revenues and expenditures were increased by 10.2% to UAH 367 bn and 9.4% to UAH 392 bn, respectively. Planned central fiscal deficit remained unchanged. Higher revenues from VAT and EPT are expected to be attributed to economic growth and de-shadowing. New revenues target looks too optimistic taking into account deceleration in economic growth.

Near 50% of increase in expenditures will be allocated for higher pensions and social assistance payments for socially vulnerable population as well as higher salaries for several categories of budgetary sector. Other additional expenditures will be directed to different purposes. In particular, the Government allocated more funds for state aid to agriculture and coal mining as well as for financing Parliamentary elections. Local government entities will receive additional subvention for compensating the difference between housing and utility tariffs and cost-covering level, which is aimed at improving financial stance of utility companies. Overall, approved amendments look questionable as they are likely to increase fiscal gap raising fiscal sustainability concerns.

Execution of the State Budget. In the first quarter of 2012 central fiscal revenues (general and special fund) increased by 16.3% yoy to UAH 77.2 bn. Higher consumption and imports resulted in increase in VAT revenues at 7.6% yoy. VAT refunds grew as well (by 27.4% yoy), which suppressed net VAT receipts. Higher EPT proceeds (by 24.9% yoy) were likely attributed to increase in corporate profits and advance tax payments. Non-tax revenues continued to grow (by 40.6% yoy) primarily due to higher transfer of the NBU profits to central coffers. Overall, central fiscal revenues (due to general fund) were by 2.1% higher than the target.

The execution of central fiscal expenditures due to general fund slightly improved (to 92.8% of the target). As a result, central fiscal balance was in surplus, which declined to UAH 1.0 bn from UAH 4.7 bn in the first two months of 2012. The surplus was ensured by privatization receipts, while extensive borrowings were directed towards old debt redemptions.

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

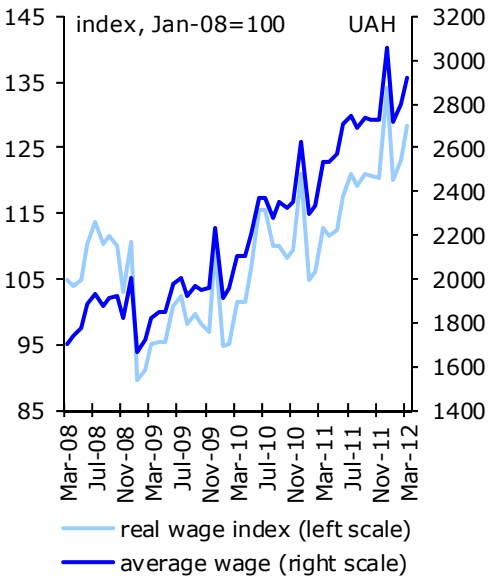


Source: State Treasury reports

Social policy: Social spending increase in 2012

The amendments to the State Budget Law for 2012 envisage sharp increase in social spending. In particular, most pensioners will receive on average UAH 100 in pension increases. As a result, the central fiscal transfer for financing the Pension Fund's deficit was increased by near 60% to UAH 15.3 bn. However, planned financing may be insufficient to fund pensions in full, which is likely to aggravate the pension system sustainability concerns. Payments to war veterans, allowances to disabled individuals and some other payments were also increased. Overall, social assistance is further mostly provided to different categories of population without clear targeting to the poorest.

Average wage



Source: Ukrstat

Labour Market: Real average wage grew by 13.5% yoy in March

Average wage in March increased by 15.5% yoy in nominal terms or 13.5% yoy in real terms. Strong wage growth was likely to be attributed to increase in minimum wage (14.0% yoy). First, wages for a lot of employees are indexed to minimum wage. Second, it increases official wages in grey economy as employers often aim to

pay at least 1.4 times of minimum wage to employees to avoid attention of tax collectors.

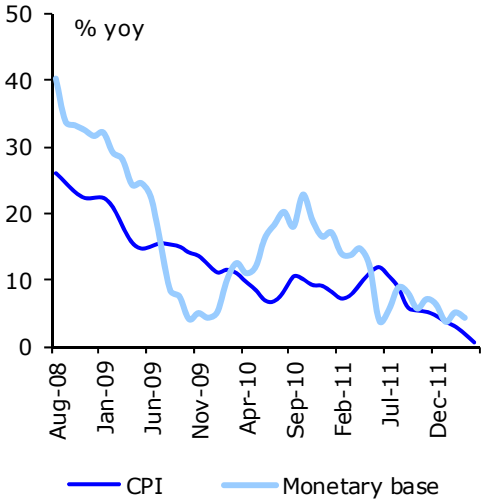
In March workers in metallurgy or coke and oil refinery manufacturing paid wages lower than a year ago in real terms. This is likely to be explained by problems facing by companies in these sectors. Sectoral differences in wage levels remained. As previously agriculture and health care paid the lowest wages at 60% and 70% of average in economy. Among manufacturing sectors light industry paid by more than 40% lower wages than average in economy.

Monetary policy: The NBU council resumes operations

In April the NBU council gathered for the first time since 2009 and elected new chairman. It is unclear what other decisions it made. It probably approved the NBU accounts for 2011 and the NBU budget for 2012. However, the NBU council still failed at its main job. In particular, the NBU operated without annual guidelines for monetary policy in 2011 and guidelines for monetary policy in 2012 were not made public.

In April central bank published its financial accounts for 2011. Financial report of the NBU highlighted continued dependence of Ukrainian banking sector on the stabilization loans issued by the NBU in 2008 and 2009.

CPI and monetary base development



Source: Ukrstat, NBU

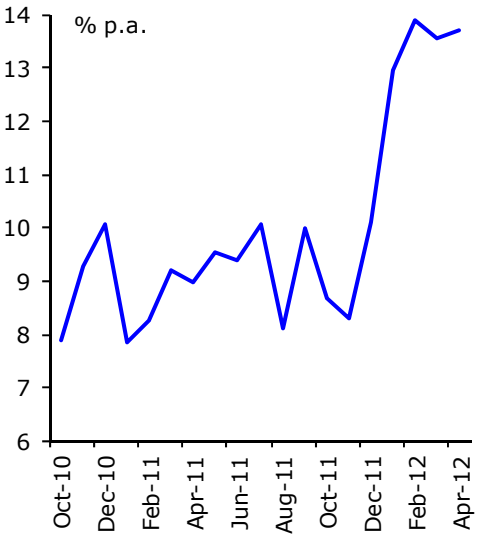
Financial markets: Changing international reserves of the NBU

International reserves. According to the NBU the central bank diversified its foreign currency holdings in 2011. Share of US dollar-denominated assets in foreign currency reserves of the NBU (excluding gold) fell to 51% in the end of 2011 from 60% at the beginning of the year. The share of Euro in reserves remained almost unchanged in 29-30% range. At the same time, the share of assets in other currencies such as pound, Australian dollars and Swiss francs shot up to 19.0% from 10.6% over 2011.

Continued diversification of reserves away from US dollars makes sense. However, it increased volatility of international reserves expressed in US dollars. The share of US dollars in reserves probably fell below 50% after the first quarter of 2012 as the NBU sold USD 1.2 bn in interventions and bought EUR 143 m as well as AUD 152 m.

State debt. In April, The Government reduced domestic borrowings against the background of lower debt service needs. The Ministry of Finance placed UAH 3.9 bn of hryvnia denominated bonds with 13.7% weighted average yield. The demand was primarily concentrated on one-year bonds (61.2% of the total placement), while two- and three-year bonds accounted for 18.5% and 12.2%, respectively. The Ministry of Finance reduced placements of bonds denominated in foreign currency. In particular, it issued only USD 79.7 m and EUR 71.1 m with 9.3% and 4.8% weighted average yield, respectively. Maturity of most bonds was short-term. Domestic borrowings allowed the Government to timely and fully serve domestic and external debts. At the same time, the Government postponed again the placement of Eurobonds due to unfavourable situation on international capital markets.

Weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q4 10	Q1 11	Q2 11	Q3 11	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Industrial production (real)	% yoy cum.	11.0	9.7	8.7	8.6	8.5	8.7	8.7	8.9	8.6	8.2	7.8	7.3	2.0	2.0	-1.1	…
Construction (real)	% yoy cum.	-5.4	6.8	14.5	11.4	13.2	14.5	13.6	13.0	11.4	11.7	12.5	11.1	2.5	-0.5	-2.7	…
Agricultural production (real)	% yoy cum.	-1.0	5.3	3.2	13.7	3.5	3.2	9.1	10.5	13.7	16.6	16.5	17.5	0.5	0.4	0.5	…
Retail trade turnover (real)	% yoy cum.	7.6	13.5	15.2	15.2	15.5	15.2	15.0	15.2	15.2	14.9	14.5	14.7	13.8	14.6	14.2	…
Average wage	UAH	2407	2389	2605	2737	2573	2708	2749	2694	2737	2729	2727	3054	2722	2799	2923	…
CPI	% yoy	9.1	7.7	11.9	5.9	11.0	11.9	10.6	8.9	5.9	5.4	5.2	4.6	3.7	3.0	1.9	0.6
PPI	% yoy	18.7	20.3	20.0	21.3	18.8	20.0	20.3	19.9	21.3	16.3	17.3	14.2	11.8	7.5	6.5	6.9
Exports (USD)*	% yoy cum.	27.7	40.5	39.3	26.8	36.1	39.3	26.2	31.1	26.8	23.8	21.9	21.8	14.4	10.1	5.2	…
Imports (USD)*	% yoy cum.	30.1	52.8	51.0	30.9	55.9	51.0	27.4	30.8	30.9	27.0	24.4	21.9	6.6	5.9	2.5	…
Merchandise trade balance	USD bn cum.	-8.4	-3.0	-5.4	-9.28	-4.8	-5.4	-6.5	-8.0	-9.3	-11.1	-12.5	-13.8	-0.1	-1.9	-2.8	…
Current account**	USD bn cum.	-2.9	-1.3	-2.9	-5.01	-2.6	-2.8	-3.2	-4.0	-5.0	-6.5	-7.9	-9.0	0.4	-0.9	-1.2	…
Gross international reserves	USD bn eop	34.6	36.4	37.6	35	37.9	37.6	37.8	38.2	35.0	34.3	32.4	31.8	31.4	31.0	31.1	…
Monetary Base	% yoy	15.8	13.7	3.9	8.1	12.1	3.9	5.4	8.8	8.1	5.7	7.1	6.3	3.7	5.1	4.3	…
Lending rate on UAH credits	% pa, aop	13.6	13.3	13.5	15.5	13.4	14.0	13.9	14.9	15.5	18.7	18.9	17.2	15.6	15.3	15.9	…
Exchange rate (interbank)	USD aop	7.96	7.95	7.98	7.99	7.98	7.99	7.99	7.99	8.00	8.01	8.01	8.02	8.03	8.02	8.02	8.03
Exchange rate (official)	USD aop	7.93	7.94	7.97	7.97	7.97	7.97	7.97	7.97	7.97	7.97	7.98	7.99	7.99	7.99	7.99	7.99
Exchange rate (official)	EUR aop	10.79	10.85	11.48	11.27	11.48	11.47	11.38	11.42	11.03	10.91	10.84	10.54	10.30	10.54	10.53	10.51

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	-15.1	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

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	217.3	256.8	301.3	307.3	261.9	314.6	376.0	364.1
GDP (real)	% yoy	4.3	-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
Household consumption (real)	% yoy	14.4	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
State consumption (real)	% yoy	-5.3	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
Gross fixed capital formation (real)	% yoy	-3.2	-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
Exports of goods and services (real)	% yoy	21.0	-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
Imports of goods and services (real)	% yoy	34.8	-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
Agriculture, hunting, forestry (real)*	% yoy	23.8	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
Manufacturing industry (real)*	% yoy	-1.5	-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
Construction (real)*	% yoy	-33.9	-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
Trade, repair services (real)*	% yoy	-0.7	-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
Transport (real)*	% yoy	10.1	-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
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	-1.4	-2.3	-4.0
Current account balance	% of GDP	-3.6	-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
Trade balance in goods	USD m	-3868	-3562	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-3084	-2267	-3928	-4526
Trade balance in services	USD m	1341	15	116	432	1256	550	930	1115	1536	823	1007	1227	1686	967
Current transfers	USD m	831	723	632	667	640	722	608	728	797	842	1039	878	988	803
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	1838	-938	-506
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	30.9	30.4	23.3	32.3	32.2	29.7	29.0	30.6
Personal income tax	% of GDP	4.3	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
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	3.6	4.4
Value-added tax	% of GDP	9.8	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
Excise tax	% of GDP	1.2	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
Consolidated fiscal expenditures	% of GDP	27.2	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
Current expenditures	% of GDP	22.4	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
Capital expenditures	% of GDP	4.8	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
Consolidated fiscal balance	% of GDP	1.9	-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
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	7.8	1.9	7.3	7.7
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	7.9
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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