INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: **EXCHANGE RATE**

Politics: The EU and Ukraine defined political and economic priorities for the bilateral relations.

Real Sector: Industrial output in April remained at the level of April 2011.

Sectoral news: Multinational companies Shell and Chevron were announced as winners of the tender for the development of two deposits of shale gas.

External sector: Current account deficit widened to USD 0.6 bn in April, financial and capital account surplus reached USD 1.1 bn.

Fiscal policy: Economic slowdown might put under the risk the execution of major fiscal parameters.

Social policy: The coverage by housing and utility subsidies declined in April.

Labour market: Wage growth continued accelerating in April likely due to higher minimum wages and larger companies' sales.

Monetary policy: CPI declined in April by 0.5% yoy for the first time since 2002.

Financial markets: The Government continued attracting substantial borrowings on the domestic market.

Highlight of the month: Exchange rate

MONETARY POLICY, EXCHANGE RATE AND ELECTIONS

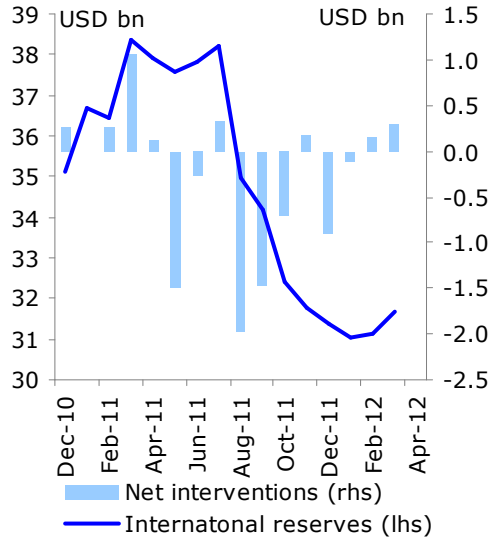
By Vitaliy Kravchuk

In 2012 speculations about possible hryvnia depreciation against US dollar continued. Main reasons behind this idea were deterioration of balance of payment position as well as large short-term external debt. In particular, the NBU and the Government should make several payments of the IMF loan received in 2008 and in the first half of 2009. At the same time, the NBU promised to keep hryvnia exchange rate stable, which is required by political needs.

Thus, not surprisingly, small changes in exchange rate in May brought outsize attention. In May average daily interbank exchange rate increased by 0.5% to UAH 8.07 per USD, while cash rate exceeded UAH 8.10 per USD. As the NBU kept the exchange rate in the very tight range over the last two years it was the highest value since 2009. The NBU limited its interventions on the market, thus, allowing these changes. As a result, market balanced itself and net NBU interventions were probably close to zero. But, it is more or less clear, that high political pressure means that the NBU will not allow the exchange rate of hryvnia against US dollar to reach higher than to 8.10 - 8.15 until Parliament elections scheduled for October. It will do it if such actions will not result in loss of large portion of international reserves. We argue that the NBU will be able to do this.

The NBU flexibility is limited in 2012 as its reserves will be used to pay debts to the IMF and other creditors of Ukraine. In particular, Ukraine has to repay USD 2.2 bn to IMF. This includes USD 1.7 bn that will be paid directly by the NBU, while the rest represents government debt. However, the Government will continue to try refinancing external debt. Thus, strain on reserves will likely be smaller. Otherwise, ability of the NBU to maintain the exchange rate peg will depend on demand and supply of the foreign currency. If global economic activity will not decline the foreign currency supply should be sufficient to satisfy routine demand.

NBU international reserves



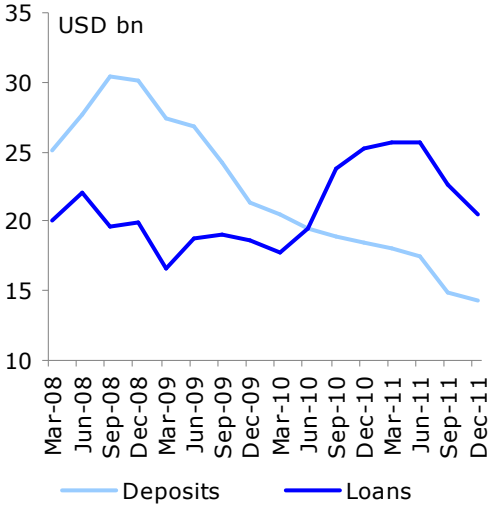
Source: NBU

Real sector continued to export despite global economic slowdown. Export volume and prices are unlikely to decline if external demand will remain at least at current level. Despite high gross figure of the short-term debt burden large part of the gross external debt is likely either trade financing or debt to related parties. Moreover, USD 20.4 bn of deposits belonging to Ukrainian residents held in BIS banks are larger than USD 14.3 bn in loans.

Of course, if there is a protracted spike in demand for cash foreign currency or sharp increase in capital outflows it would be difficult for the NBU to maintain exchange rate peg. Ш t is not the most likely but entirely plausible scenario.

After the elections the NBU will probably increase the flexibility of the hryvnia exchange rate against the US dollar. This will be done for domestic reasons and in response to external pressure. On domestic front, the NBU recently approved Guidelines for the monetary policy envisaging that the NBU will use price stability as the main goal of the monetary policy. The NBU still does not have timeline for the implementation of the full-fledged inflation targeting. Nevertheless, the NBU intends to reach price stability (defined as 3-5% inflation) by 2014. The NBU promised to intervene in the foreign exchange market to keep inflation in check, to increase reserves to 100% of short-term external debt (USD 57 bn as of December 2011). It also intends to smooth large exchange rate fluctuations as well. As these goals can contradict each other Guidelines are not very useful for understanding future exchange rate regime. Still, in the absence of political pressure the NBU will likely widen the band for the UAH/USD exchange rate.

Deposits and loans by Ukrainian residents in BIS members

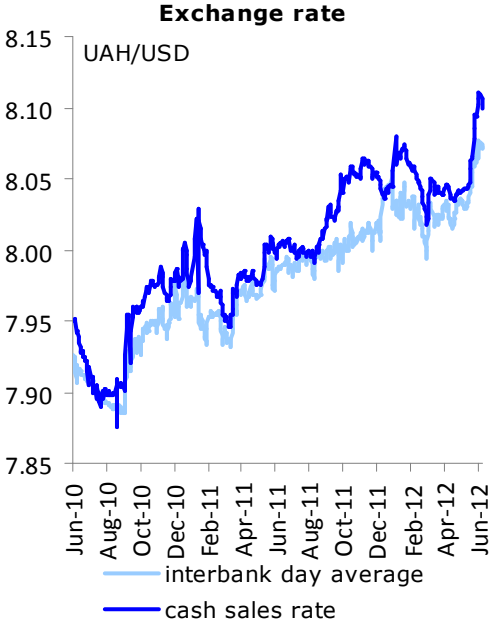


Source: Bank for international settlements (BIS)

External reasons for higher FX flexibility are IMF requirements and external competitiveness. In 2013 Ukrainian economy is likely to remain fragile and improved credibility from active IMF program would help public and private borrowers from Ukraine to refinance external debt and attract new investments at more advantageous terms. Also, Ukraine will have to repay SDR 3.8 bn (USD 5.8 bn at current exchange rate) to the IMF.

Continued peg of hryvnia to dollar may hurt external competitiveness of Ukraine. The NEER[1] of hryvnia depreciated by over 25% in 2008, while currency fluctuations in the next three years mostly balanced out. As a result, hryvnia was still by 23.3% weaker in March 2012 than in December 2007. But officially reported wages in March 2012 were almost double the wage in November 2007, reducing the competitiveness of Ukraine's economy.

Exchange rate



Source: NBU

To sum up, the NBU should move towards greater exchange rate flexibility. However, increased exchange rate flexibility should be very gradual if circumstances allow for it. 2008 crisis showed substantial impact of sharp changes in exchange rate on balance sheet of banks and companies. Although Ukrainian banking sector is less dollarized now than in 2008 share of foreign currency loans and deposits remains high. Another factor that supports "slow and easy approach" is the reaction of the people. 2008 crisis demonstrated the possibility of the sharp spike in demand for foreign currency and the immediate impact of the exchange rate changes on price level. These factors are to be taken into account by the NBU while moving towards higher FX flexibility.

[1] *The NBU calculates nominal effective exchange rate (NEER) of hryvnia, which measures average bilateral exchange rates of hryvnia to currencies of its main trading partners (euro, dollar, rouble and others).*

Monthly Economic Monitor Ukraine

Politics: Ukraine and the EU defined priorities for the bilateral relations

In May the EU-Ukraine Cooperation Council meeting took place in Brussels. The Ukrainian delegation was led by the Prime Minister Mykola Azarov. During the meeting the EU expressed its strong concern over the state of the rule of law in Ukraine and the criminal proceedings against former Prime Minister Yulia Tymoshenko and some members of her government.

The EU side emphasized that Ukraine's progress towards political association and economic integration would depend on Ukraine's performance, notably in relation to respect for common values and the rule of law. In particular, Ukraine's progress would be judged against such benchmarks, as response to the selective justice issue and broader judicial reform; the preparation and delivery of free and fair Parliamentary elections in October; and the acceleration of the reforms envisaged in the Association Agenda.

Brussels welcomed progress made by Ukraine in implementing the action plan on visa liberalization. Additionally, the parties underlined the importance of ongoing energy reform, including the restructuring of the NJSC Naftogaz.

Besides, the European Commission in May issued the Eastern Partnership Roadmap 2012-2013, which in its bilateral dimension covered most of the mentioned issues. The Roadmap sets objectives to be achieved by the partner countries before next EaP summit in autumn 2013. The document also defined the EU funding through ENPI and other available instruments, which should provide support for the expected reforms. Thus, the EU defined both political and financial priorities for Ukraine in fulfilling its commitments.

Real sector: Most sectors reduced production in April

Sectoral trends. Industrial output in April remained at the level of April 2011. It was supported by growth of extractive industry production at 2.5% yoy. Manufacturing output improved as compared to March due to statistical base effect. In particular, machine building grew by 6.5% yoy after downward trend in the previous month. The growth was attributed to higher vehicle production. Overall, only machine building and chemical production increased output in April year-on-year. Production in oil refineries halved due to non-transparent policies of the Government on the petroleum market.

Construction works fell only by 3.0% yoy in the first four months of the year due to renewed financing of construction projects and completion of projects related to the Euro-2012 football championship. Retail sales growth reached 14.8% yoy, maybe thanks to improved consumer sentiments. Freight turnover declined by 9.2% yoy but mostly due to lower gas transit. Agricultural output increased by 1.1% yoy due to reseeding of lost winter crops.

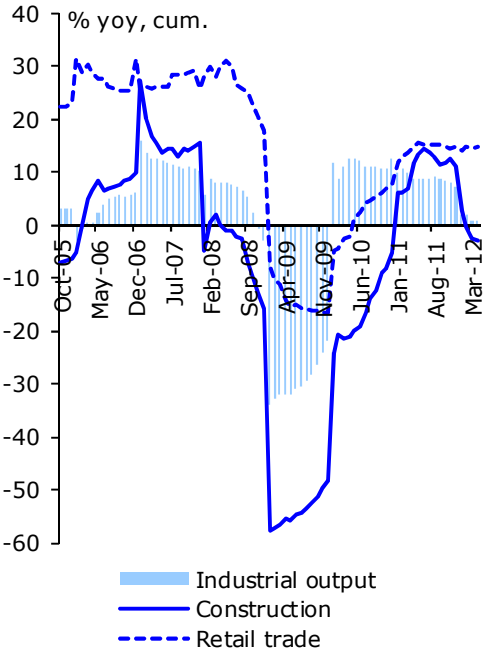
Sectoral news: Gas extraction rights were sold

Energy. On May 10, multinational companies Shell and Chevron were announced as winners of the tender for the development of Yuzivske (Kharkiv and Donetsk regions) and Oleske (Lviv and Ivano-Frankivsk regions) deposits of shale gas. It is expected that production-sharing agreements will be signed by the end of the year. According to announcements, it is expected that companies will transfer to the central budget UAH 6.0 bn this year. Investment requirement is estimated at near USD 50-70 bn during next 30 years. It is planned to find investors for other deposits (e.g. the Skifske and Foroske sea shelf deposits and Slobozhanske shale deposit). If these projects are successfully implemented, Ukraine may already start industrial gas production from shale rock in five years. However, such extraction requires thorough supervision of the state as raises high ecological concerns.

Agriculture. In May the Verkhovna Rada approved *the Law on Stimulating Production and Consumption of Biofuels in Ukraine*. The

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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Law has intentions to ensure harmonization of Ukrainian legislation on biofuel production and use with the EU legislation. It also aims at fostering the development of domestic biofuels market. The Law defines ambitious obligatory and recommended shares of biofuels in production of traditional fuels until 2015. However, Law provisions are rather declarative and, thus, do not provide effective mechanisms to achieve these targets. Therefore, these objectives do not seem to be realistic unless more specific steps and incentives are developed by the Government.

Privatisation. In early May, the President of Ukraine signed the *Law on Privatization of Mining Companies*. According to the Law the State Property Fund of Ukraine (SPFU) was allowed to sell all state stakes in joint stock mining companies. The Law established the three-year moratorium on bankruptcy proceeding and debt enforcement against coal-mining companies. However, such moratorium cannot be applied to terminated wage payments or any other financial compensation to workers.

In May, the SPFU continued privatistion of energy companies, which remained major generator of privatisation receipts in 2012. In particular, 45% of Crimenergo's shares were sold to DTEK Holding Ltd. Sale price was higher than start price by 4.1% (UAH 256.6 m). As a result, between January and May, privatisation receipts reached UAH 5.1 bn. The privatisation of oblenergoes is planned to be completed by the end of summer.

External sector: Merchandise trade deficit reached USD 1 bn

Current account deficit widened to USD 0.6 bn in April from USD 0.3 bn in March as merchandise trade deficit crossed billion dollar mark to USD 1.1 bn. Merchandise exports grew by 3.2% yoy in dollar terms thanks to higher food and machine building exports. Merchandise imports growth reached 14.8% yoy in dollar terms. Machine building imports ballooned by 50.4% yoy in part due to continued preparations for Euro-2012 football championship. Imports of other goods also picked up. Current account remained vulnerable as it was supported in April by reduced purchases of the imported gas as well as one off inflows of income from abroad. Mineral products imports fell by 3.3% yoy and there was net income inflow of USD 0.2 bn.

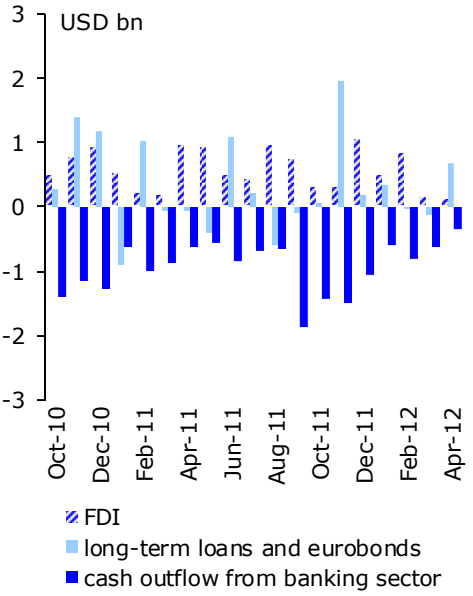
Financial and capital account surplus in April reached USD 1.1 bn. Net FDI inflows were low at USD 0.1 bn as FDI abroad reached USD 0.5 bn. At the same time, inflows of debt capital improved and reached USD 0.7 bn as banks and companies were able to secure external financing. Inflow of "trade loans" and lull in cash foreign currency purchases also helped to improve financial account.

Fiscal policy: The Verkhovna Rada approved the Budget Resolution for 2013

Budget Resolution. The Verkhovna Rada approved main guidelines for fiscal policy in 2013. The document envisages key macroeconomic indicators for next year, which might be reviewed during the preparation of Draft State Budget Law for 2013. Real GDP growth is forecasted at 4.5%, which seems rather optimistic. CPI is expected to grow by 5.9% yoy in December. Central fiscal deficit is to be targeted at 0.8-1.0% of GDP (compared to planned 1.8% of GDP in 2012). It is expected to be financed at the expense of privatisation receipts. The state debt is to decline below 25% of GDP. The Budget Resolution remained rather declarative and was approved only for next fiscal year. However, the Government would benefit from approving guidelines for fiscal policy for medium term taking into account attempts to implement MTEF in Ukraine.

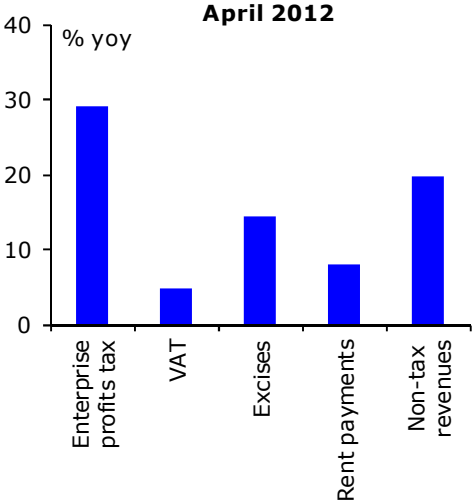
Execution of the State Budget. Between January and April growth of central fiscal revenues (general and special fund) decelerated further to 12.5% yoy due to economic slowdown. Higher revenues were partially ensured thanks to tight tax administration and non-tax revenues. Even though the State Treasury reported the over-execution of central fiscal revenues (due to general fund) by 1.5% of

Selected financial account components



Source: NBU preliminary estimates

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



Source: State Treasury reports

the target and the central fiscal balance turned negative (to UAH 4.5 bn), the execution of central fiscal expenditures remained low at 92.7% of plan. Further economic slowdown might put under a risk the execution of major fiscal parameters in 2012.

Social policy: Housing and utility subsidies coverage declined

In April 2012 number of families receiving housing and utility subsidy declined by 0.8 p.p. to 6.8% of all families as compared to April 2011. This is likely to be explained by lower increase in utility tariffs than of household income. As before near 95% of families enjoying housing and utility tariffs live in urban area due to the fact that most rural families are not using utilities other than gas and electricity. In particular, they rarely have access to centralised heating. Rural families were usually covered by the cash subsidy for liquefied gas and solid fuel. However, this social program was almost dormant in the first four months of the year.

Labour Market: Real average wage grew by 15.5% yoy in April

Average wage growth accelerated to 15.5% yoy in real terms. Nominal wage reached UAH 2942 or 2.7 times of subsistence minimum for working able individuals. As previously wage growth could be explained by increase in minimum wages. Another factor is higher sales of companies as compared to previous year. Overall, the wage growth is likely to decelerate by the end of year due to economic slowdown.

Monetary policy: Falling CPI

In May CPI fell by 0.5% yoy. This happened for the second time in Ukrainian history after seven-month period in 2002. Decline in the CPI was driven by the fall in the food prices by 4.2% yoy. Depressed food prices reflected lower global food prices (FAO food price index fell by 12% yoy in May) and low prices for Ukrainian crops after good harvest in 2011. At the same time, producer prices in food industry grew by 5.9% yoy in part due to increase in meat prices by 18.9% yoy.

Prices of most other components of the CPI were higher than a year ago but frequently not more than by 5% yoy. Overall, core CPI slowed to 4.2% yoy reflecting low inflation expectations and economic slowdown.

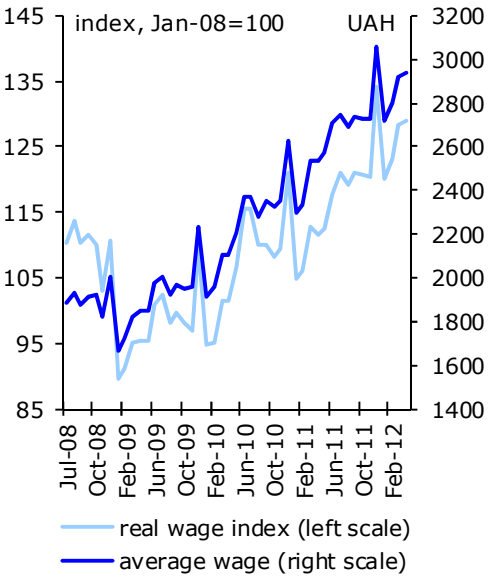
In April money supply growth slowed to 10.2% yoy, while monetary base increased only by 3.2% yoy. Faster growth of money supply reflects lower share of cash in money supply (down to 27.6% from 29.0% in April 2011) and lower reserve ratio. In response to economic slowdown and slow lending growth the NBU indicated that it intends to loosen monetary policy. In particular, it has already decided to release part of required bank reserves (about UAH 1.6 bn) from special NBU account where they were essentially frozen to general-purpose account were they can be used for intra-day payments. However, overall reserve requirements did not change and banks still must have 90% of the required reserves at the start of the each working day. Thus, the NBU actions had little impact on the monetary conditions.

Financial markets: Small fluctuations of the exchange rate

Exchange rate. Average daily interbank UAH/USD exchange rate depreciated in May from UAH 8.04 per USD to UAH 8.07 per USD. Although the change was very small the exchange rate left very narrow range maintained by the NBU over the last 12 months. While the NBU may allow the exchange rate to move within the slightly larger range it is unlikely to allow any meaningful exchange rate flexibility over the next few months.

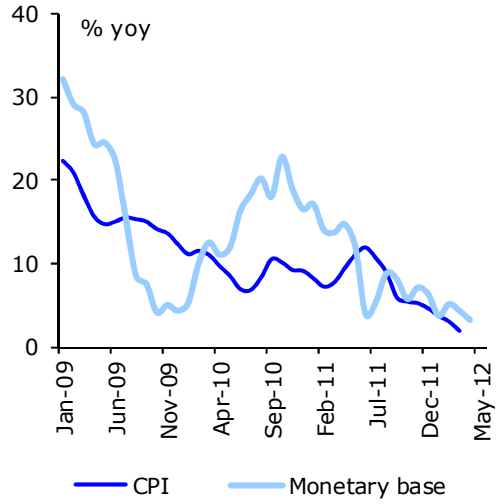
State debt. In May, the Government significantly increased the domestic borrowings against the background of pick debt repayments

Average wage



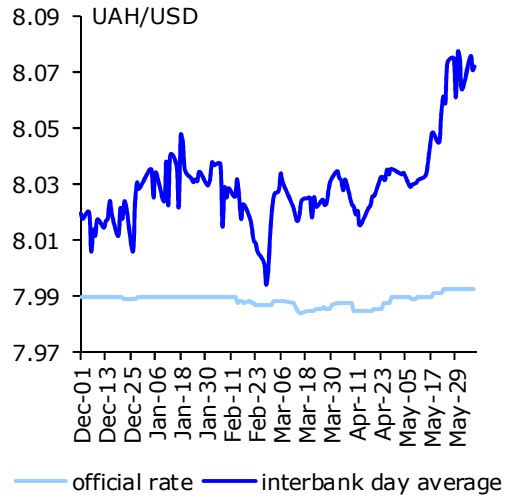
Source: Ukrstat

CPI and monetary base development



Source: Ukrstat, NBU

Exchange rate

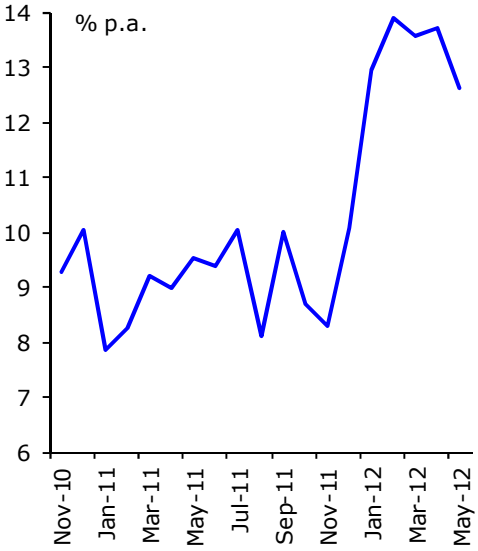


Source: NBU

next month, primarily related to VTB loan and previous Eurobond issues. The demand for hryvnia denominated bonds was weak for almost entire month. The Ministry of Finance placed UAH 2.8 bn of hryvnia denominated bonds with 12.6% p.a. weighted average yield. The demand was primarily concentrated on three-, five- and seven-year bonds (88.4% of the total placement). Besides, the placement of domestic state bonds denominated in USD reached record USD 558.7 m. Their weighted average yield remained at 9.3% p.a. Maturity of 73% of these bonds was short-term. The receipts from these bonds issues were likely used for repayment of part of VTB loan in June, 2012.

By the end of May the Ministry of Finance managed to reach an agreement with the VTB Capital PLC. According to it, the Government repaid 50% of the loan (USD 1 bn), received in 2010, along with all accrued interest on June 6. The rest is to be repaid till June, 2014. According to official announcements the Ministry of Finance will replace the second half of the loan with special Eurobond issue, significantly reducing the need for debt refinancing in June.

Weighted average yield for domestic state bonds



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
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	…
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	…
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	…
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	…
Average wage	UAH	2407	2389	2605	2727	2837	2923	2694	2737	2729	2727	3054	2722	2799	2923	2942	…
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
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
Exports (USD)*	% yoy cum.	27.7	40.5	39.3	26.8	21.8	5.2	31.1	26.8	23.8	21.9	21.8	14.4	10.1	5.2	4.6	…
Imports (USD)*	% yoy cum.	30.1	52.8	51.0	30.9	21.9	2.5	30.8	30.9	27.0	24.4	21.9	6.6	5.9	2.5	5.6	…
Merchandise trade balance	USD bn cum.	-8.4	-3.0	-5.4	-9.3	-13.8	-2.8	-8.0	-9.3	-11.1	-12.5	-13.8	-0.1	-1.9	-2.8	-4.2	…
Current account**	USD bn cum.	-2.9	-1.3	-2.9	-5.0	-9.0	-1.2	-4.0	-5.0	-6.5	-7.9	-9.0	0.4	-0.9	-1.2	-1.8	…
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
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	…
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	…
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
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
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

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
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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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