INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.11 (145), November 2012

EXECUTIVE SUMMARY

HIGHLIGHT: PARLIAMENTARY ELECTION

Politics: As a result of Parliament elections 5 parties passed 5% threshold: the ruling Party of Regions, the opposition party "Bat'kivshyna", the newcomer party of Vitaliy Klychko "UDAR", the Communist Party of Ukraine and the radical right party "Svoboda".

Real Sector: According to preliminary Ukrstat estimates, real GDP declined by 1.3% yoy in the third quarter of 2012.

Sectoral news: The Government has not officially introduced export restrictions, but the Ministry of Agrarian Policy strongly recommended grain traders to switch to exports of forage crops.

External sector: Financial and capital account surplus in September shrank to USD 0.2 bn as outflow of foreign currency from banks jumped to USD 1.5 bn.

Fiscal policy: Fiscal gap surged in September and October putting execution of the fiscal parameters under the risk in 2012.

Social policy: The Cabinet of Ministers approved the Program on Housing for Young Families for 2013 – 2017.

Labour market: The Government plans to increase number of employed individuals by 0.9 m to 21.2-21.4 m persons by 2017.

Monetary policy: Interbank interest rates exceeded 40% p.a. by the end of October.

Financial markets: The exchange rate flexibility increased in October.

Highlight of the month: Parliamentary election

UKRAINE HAS NEITHER PASSED DEMOCRACY TEST, NOR BECOME A SECOND BELARUS

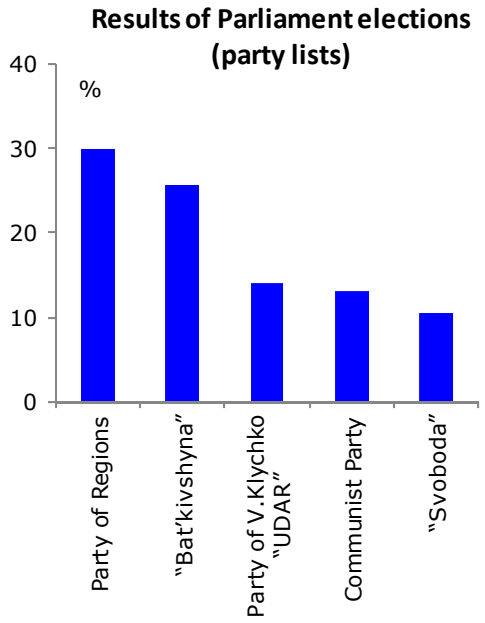
By Kateryna Shynkaruk

On October 28, Ukraine held Parliamentary election based on a mixed voting system, which has not been in use since 2002 (in 2006 and 2007 the members of the Parliament were elected by proportional representation). Respective amendments to the election law have been introduced in July 2012. In line with the new voting system, 50% of MPs are elected on proportional ballot and the other 50% - in 225 single-mandate constituencies. Besides, the election threshold for parties was raised from 3% to 5% and parties have been prohibited to ally into political blocks. The new composition of Verkhovna Rada is expected to assume its powers within six weeks after the election day, i.e. before December 15, 2012. In this particular date the Verkhovna Rada of 7th convocation is most likely to proceed to its tasks.

The official results of the election have not been announced yet as the delay in the tabulation process in single mandate constituencies, where the ruling party candidates are still trying to outrun their rivals from opposition parties. As of November 9, according to the Central Election Commission 100% of the vote count on proportional ballot shows that 5% threshold has been passed by 5 parties: the Party of Regions – 30%, the party "Bat'kivshyna" - 25.54%, the party of Vitaliy Klychko "UDAR" - 13.96%, the Communist Party of Ukraine (CPU) - 13.18%, and the party "Svoboda" - 10.44%. Compared to the

previous elections, the party "Svoboda" (obtained 0.79% in 2007) and the CPU (obtained 5.39% in 2007) have managed to noticeably expand their electoral support. It is worth mentioning though, that the support for the far-right party "Svoboda" by the protest vote in central and eastern regions has been mainly situational and later on will depend greatly on the party's position in the new parliament.

The results of 99.62% vote count in single mandate constituencies also indicate the victory of the ruling Party of Regions, which has obtained 115 places in the Parliament. Besides, at least 20 out of 44 independent candidates are aligned to the Party of Regions and will subsequently join its parliamentary faction. While opposition parties "Bat'kivshyna", "Svoboda" and "UDAR" in total have won 90 places in territorial constituencies. Interestingly, none of the Communist Party representatives has won in territorial constituencies, although the CPU has managed to significantly improve its result on proportional ballot.



Source: Central Election Commission

Having obtained 187 places in parliament, the Party of Regions intends to preserve the pro-presidential majority in Verkhovna Rada of the new convocation. The ruling party will hardly manage to expand its faction to 226 votes only with non-faction MPs and individuals from other factions (the so-called "tushki"). However, in case of its agreement with the CPU, which has obtained 32 places, the Party of Regions may confidently form a parliamentary majority. Therefore, there is a low probability that there will be any substantial changes in the government policies within the next years. Irrespective of the new government composition, Ukraine will try to resume cooperation with the International Monetary Fund, and, thus, will have to ensure a higher flexibility of the national currency and increase gas and heating tariffs for population.

These elections have been critically assessed by international observers as less democratic than Parliamentary election of 2007 and Presidential election of 2010. The preliminary report by international observers from the OSCE, PACE, the European Parliament and the NATO Parliamentary Assembly criticizes Ukraine for "the lack of a level playing field, caused primarily by the abuse of administrative resources, lack of transparency of campaign and party financing, and lack of balanced media coverage". In addition, international observers have negatively assessed the tabulation process as it lacked transparency. Their concerns with the voting process and tabulation have expressed representatives of the U.S., the EU and NATO. Specifically, the U.S. State Department shared the concerns cited in the international observers' preliminary conclusions and once again emphasized the inadmissibility of politically motivated convictions of opposition leaders, which prevented them from standing in the elections. Nevertheless, the United States remain committed to working with Ukraine to advance democratic and economic reforms.

High Representative of the EU for Foreign Affairs and Security Policy Catherine Ashton and Commissioner for Enlargement and European Neighbourhood Policy Stefan Fule shared the international observers' concerns. In their second statement on Ukraine's elections of November 5 they have expressed their increasing concern with the delay in the announcement of the election consolidated results and have urged the authorities and all parties involved to take the necessary steps allowing for the rapid announcement of the final results.

The EU sees Ukraine's adherence to democratic standards in parliamentary election as a one of the preconditions for moving forward with the EU-Ukraine Association Agreement including deep and comprehensive free trade area that have been on hold for political reasons since December 2011. This issue will be considered on November 19 at the meeting of the Foreign Affairs Council. However, the overall assessment of the current situation in Ukraine leaves little ground for optimistic forecast on the subject.

At the same time, the Ministry of Foreign Affairs of the Russian Federation stated that the elections reflected Ukraine's commitment to democratic norms and the rule of law, whereas observers from the CIS Inter-Parliamentary Assembly (CIS IPA) concluded that there were no serious violations or excesses during the elections. According to the CIS IPA observers, the minor irregularities noticed on the election day could not distort the voters' will.

On the whole, despite the criticism of the election campaign environment and tabulation process, the international community has recognized the elections preliminary results as such that roughly reflect the will of Ukrainian voters notwithstanding the admitted irregularities. This suggests that the West does not want to isolate Ukraine following the Belarusian scenario. Both the U.S. and the EU realize that despite the authoritarian trends, by now Ukraine has preserved competitive political system, not allowing to similize it with Belarus. This still leaves space for political dialogue.

Monthly Economic Monitor Ukraine

Politics: Ukraine holds parliamentary election

On October 28 the Parliamentary election was held in Ukraine. The counting of 100% ballots in party lists voting shows that 5% threshold has been passed by 5 parties: the ruling Party of Regions (30.00%), the opposition party "Bat'kivshyna" (25.54%), the newcomer party of Vitaliy Klychko "UDAR" (13.96%), the Communist Party of Ukraine (13.18%) and the radical right party "Svoboda" (10.44%). At the same time, the results in single mandate constituencies indicate the victory of the Party of Regions (115 places out 225) versus 90 places won by candidates from "Bat'kivshyna", "Svoboda" and "UDAR". In addition, the majority of non-partisan winning candidates (44 places) is likely to join the Party of Regions. Therefore, the ruling Party of Regions with the Communist Party are likely to form a marginal majority. At the same time, they will not be able to form a qualified majority required for approval of new version of the Constitution.

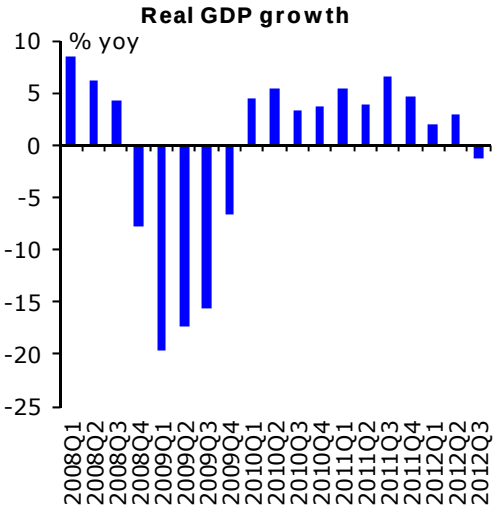
Population: 45.6 m
Industry/GDP: 24%
Agriculture/GDP: 8%
Investment/GDP: 21%
Exports to: Russia 25%, EU 28%
Imports from: Russia 22%, EU 35%

Real sector: Real GDP declined by 1.3% yoy in the third quarter

GDP. According to preliminary Ukrstat estimates real GDP dropped by 1.3% yoy in the third quarter of 2012 as compared to growth at 3.0% in the second quarter. Negative contribution of net exports was probably key factor in GDP decline. Gross fixed capital accumulation might have also declined as construction works dropped. At the same time, real private final consumption likely slowed down but continued growing.

Sectoral trends. Industrial output in September dropped by 7.0% yoy and manufacturing fell by 7.0% yoy. As previously the drop is attributed to decline in production of export-oriented companies due to reduction in external demand for Ukrainian products. Chemical industry increased production by only 0.8% yoy after double-digit growth during eight months in a row. Chemical products exports fell by 19.1% yoy in US dollar terms. Domestically oriented food industry production contracted by 4.7% yoy primarily due to lower production of alcoholic beverages and tobacco products. Overall, industrial output declined to the level of April 2011.

Between January and September retail trade turnover growth remained at 16.0% yoy likely reflecting slowdown in consumption increase. Construction declined by 9.1% yoy due to lack of financing. Fright turnover declined by 7.0% yoy due to drop in industrial production.



Source: Ukrstat

Sectoral news: Grain exports restrictions have not been introduced

Agriculture. As of October 16th, Ukraine has exported 7.1 m tons of grains: 3.6 m tons of wheat (2.9 m tons - food wheat), 2 m tons of corn and 1.4 m tons of barley. Major stakeholders, including key players at the grain market and representatives of the Ministry of Agrarian Policy met to discuss grain balance and possible export interventions as wheat exports are approaching the previously agreed margin. Participants agreed that 5 m tons of wheat allowed for exports would be utilized by mid-November. The Ministry has not officially introduced export restrictions, but strongly recommended grain traders to switch to exports of forage crops (e.g., corn) as 5.4 m tons of wheat (4.5 of food wheat) has been already contracted. However, export interventions could be introduced as soon as deficit of wheat is observed at the domestic market. Meanwhile, the government has started flour interventions from the Agrarian State Fund to stabilize prices for bread.

Energy. In October, the Cabinet of Ministers canceled the Naftogaz' monopoly on natural gas imports to Ukraine as it allowed such imports by other companies. This decision is made in the framework of the gas market reform. The company willing to import and sell natural gas in Ukraine needs to have a license issued by the NERC.

Institute for Economic Research
and Policy Consulting
Reytarska 8/5-A, 01034 Kyiv
Tel. (+38044) 278-6342
Fax (+38044) 278-6336
E-mail: institute@ier.kiev.ua
http://www.ier.com.ua

Currently, 292 companies have licenses to supply gas under unregulated tariffs. However, not all of them have access to gas transportation network. Further liberalization of the gas market will depend on whether there will be a free access to the gas network.

The state enterprise Nuclear Fuel launched construction of nuclear fuel plant in Ukraine. The plant will be jointly owned by Ukrainian Nuclear Fuel and Russian TVEL. The blueprint for the plant will only be ready next spring. In the meantime, the Nuclear Fuel will perform preliminary works on the site: remove soil, prepare electricity network, construct railway, etc. The plant is expected to start working in 2015. The plant will supply nuclear fuel to all 15 nuclear power plants in Ukraine and increase energy independence of Ukraine. At the moment, 45% of energy is produced by these plants but Ukraine still lacks nuclear fuel capacities.

Privatisation. In October, shares of several gas distribution companies were sold on stock exchanges. Eight stakes (from 1.2% to 9.9%) were purchased by the Gaztek, affiliated with Dmytro Firtash. Other minority stakes were distributed among individuals.

Overall, in the first ten months of 2012 privatization receipts reached UAH 5.7 bn (56.6% of annual plan). The annual target is unlikely to be fully executed this year.

External sector: Financial account surplus shrank to USD 0.2 bn

Current account deficit remained high at USD 1.3 bn in September as improved merchandise trade deficit was offset by seasonal decrease in services exports. Merchandise trade deficit shrank to USD 1.5 bn. Exports of goods remained close to August level. While food products exports reached new highs all other components of exports fell. In total, non-food exports fell by 15.5% yoy. Merchandise imports also declined by 3.6% yoy. Increase in imports of consumption goods including food and manufactured items slowed, while imports of commodities and investment goods probably fell.

Financial and capital account surplus in September shrank to USD 0.2 bn as outflow of foreign currency from banks jumped to USD 1.5 bn. Net FDI inflows slowed to USD 0.5 bn, while the Government placed additional USD 0.6 bn of 2017 Eurobonds. Private sector successfully refinanced external debt and obtained new financing at USD 0.6 bn.

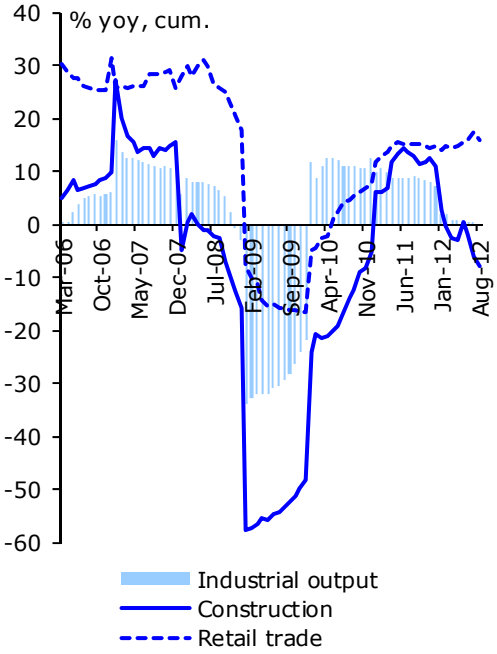
Fiscal policy: Fiscal sustainability concerns are growing

Execution of the State Budget. Between January and September central fiscal revenues reached UAH 246 bn. They accounted for only 65.3% of annual plan, which is lower than usual. It is likely to be explained by too optimistic plan of fiscal revenues for 2012 as well as economic slowdown. Central fiscal revenues (due to general fund) were under-executed by 3.0%. Receipts from VAT, excise tax and rent payments were lower than planned, while EPT and taxes on international trade were over-executed. In particular, good collection rate of EPT was ensured by persistent advance tax payments. Non-tax revenues were by 4.7% lower than a target despite of higher than planned transfer of profits by the NBU. At the same time, the growth of revenues (general and special fund) further decelerated to 8.7% yoy from 9.3% yoy in eight month of 2012 due to the economic slowdown.

Central fiscal expenditures (general fund) increased by 15.2% yoy, but were under-executed by 8.6% of the plan. As a result, central fiscal deficit surged to UAH 24.4 bn in nine months of the year from UAH 16.7 bn between January and August. It was primarily financed by domestic borrowings and privatisation receipts.

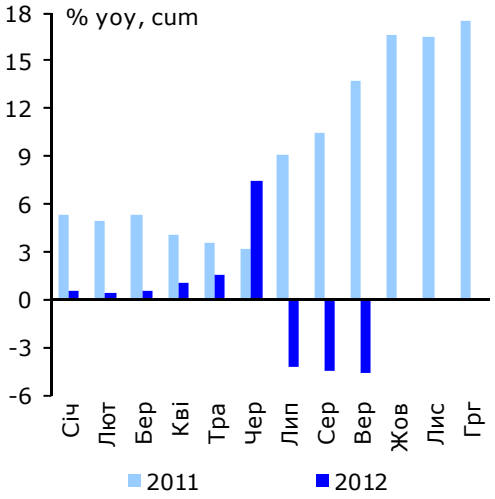
According to the preliminary information of the State Treasury between January and October central fiscal revenues (general and special fund) reached only 72.5% of annual plan. As a result, the Government will have to collect UAH 104 bn of revenues in last two

Real sector trends



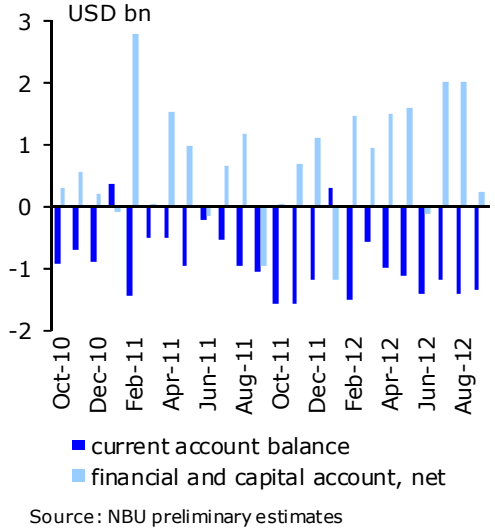
Source: Ukrstat

Agricultural output



Source: Ukrstat

Balance of payments



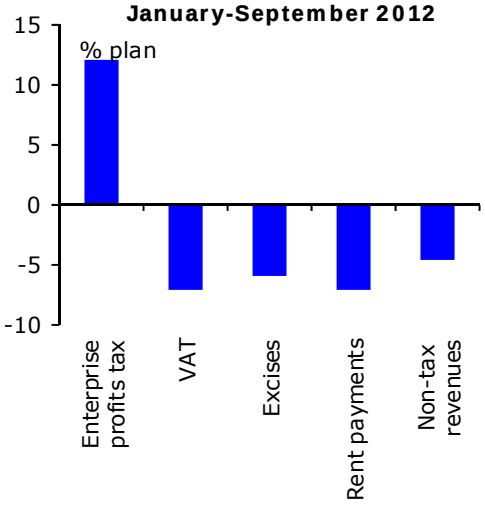
Source: NBU preliminary estimates

months of 2012 while in October it collected only UAH 27 bn. Therefore, it is very unlikely that the budget figures will be executed in 2012. However, instead of sequestering the budget the Parliament continued expanding annual targets of revenues, expenditures and deficit through approval of numerous budget amendments in October and early November.

Besides, the funds at the Single treasury account dropped to UAH 1.8 bn in the end of October, which is the minimum level since March 2010. It again raised concerns on the fiscal sustainability.

Amendments to the Budget Code. On November 1, the President signed the law on the Budget Code amendments. The changes to the Law are mainly aimed at clarification of budget classification, general improvement of budget management and financial viability of local budgets. In particular, the main sources of formation and use of the special fund of the State budget will now be defined directly in the Budget Code. It will slightly weaken ad-hoc decision of the Government and make budget process more transparent. Funds for the construction and maintenance of municipal roads will be transferred from the State budget to local budgets each ten days (instead of each month), which should speed up the financing of infrastructure projects at local level.

Execution of central fiscal revenues due to general fund in January-September 2012



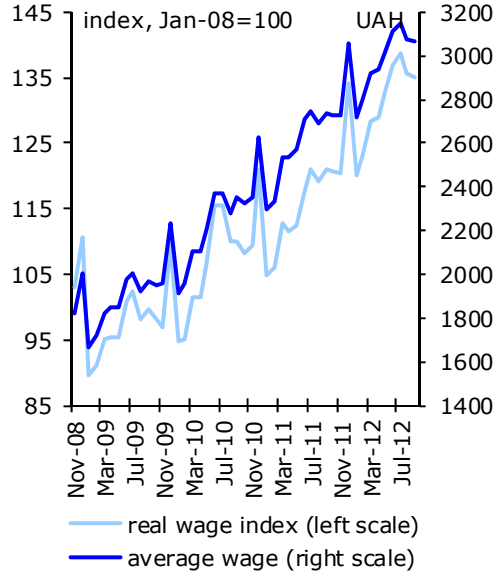
Source: State Treasury reports

Social policy: New Program on housing for young families

In October the Cabinet of Ministers approved the Program on Housing for families under 35 for 2013 – 2017, which succeeded similar Program approved for 2001-2011. The execution of previous Program was much lower than planned. In particular, central fiscal funding accounted for only 42.4% of target, while local fiscal financing reached only 30.2% of planned amount. Lack of medium term expenditures framework contributed to this, as it is required for effective implementation of multi-year programs.

Overall, new Program envisages total financing at UAH 5.5 bn including 60% of central fiscal financing. This will be sufficient to fund apartments for 16755 youth families. As of 2011 more than 100 thousand young families were registered in queue for municipal housing. Budget funds will probably be used mostly for subsidizing interest rate on commercial mortgages. In this case it will be affordable only for young families with high and middle income. Given limited funds for housing subsidies the Government should concentrate on affordable housing programs for all poorer families including young ones.

Average wage



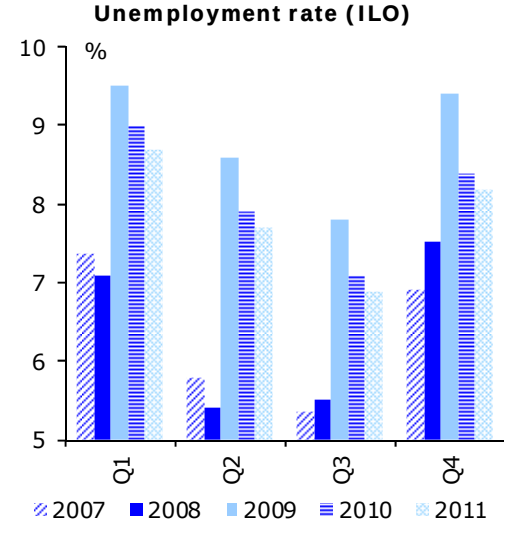
Source: Ukrstat

Labour Market: New Employment program was approved

The Government approved the Program on Employment and Job Creation until 2017, which envisages measures aimed at higher employment, incentives for employers to create jobs and labour capital development. The major target of the Program is increase in number of employed individuals by 0.9 m to 21.2-21.4 m persons. The unemployment rate (ILO methodology) is to decline from 7.7-7.9% to 6.3-6.6% of economically active population between 15 and 70 years old. Such parameters indicate that the Government plans to increase employment by engaging economically inactive people in the workforce. Program is also aimed at reduction of informal employment, eradication of working poor, improvement of working places and increase in wages.

The measures proposed to reach ambitious Program goals are not always economically sound. In particular, it is planned to create special tax and investment treatment for selected sectors. Instead, it would be better to improve tax administration and regulatory climate for all companies. However, the Program also envisages measures, which are long-waited by the labour market. This relates to approval and introduction of National qualification framework, which is to be similar to the European one. Besides, the forecast of labour demand by qualifications and jobs is to be introduced, which will help state

Unemployment rate (ILO)



Source: Ukrstat

funding of education to be better tailored to market needs. The research community is likely to welcome plans to conduct in-depth statistical surveys on issues of youth employment, children labour and labour migration. The absence of regular surveys on these issues do not allow for elaborating of required policies related to labour market and social policy.

Overall, most measures are very general and the results are too broad. Besides, terms of introduction of such measures are defined very broadly. This raises concerns on the effectiveness of the Program. Therefore, the Government is still a long way to go to increase employment.

Monetary policy: Sky-high interbank interest rates

Interbank market became more segmented and liquidity remained tight in October leading to high and volatile interbank rates. The NBU withdrew liquidity from the market by selling foreign currency and failing to sterilize interventions. The Central bank again offered only limited liquidity on refinancing auctions, although it increased less transparent repo operations with state domestic bonds owned by banks. As a result, interbank rates reached new highs with averages for a few days exceeding 40% p.a.

In October CPI growth remained at 0.0% yoy for the third months in row. Low global food prices (FAO food price index went down by 1.6% yoy in October) and high domestic stocks contributed to contained food prices index. Food prices fell by 2.7% yoy reflecting slow growth of processed food prices and decline in prices for a number of raw food products. Core inflation slowed to 1.1% yoy reflecting slowdown of economic activity and tight monetary policy. Fixed exchange rate and unchanged gas, heating and electricity tariffs also contributed to absence of CPI growth.

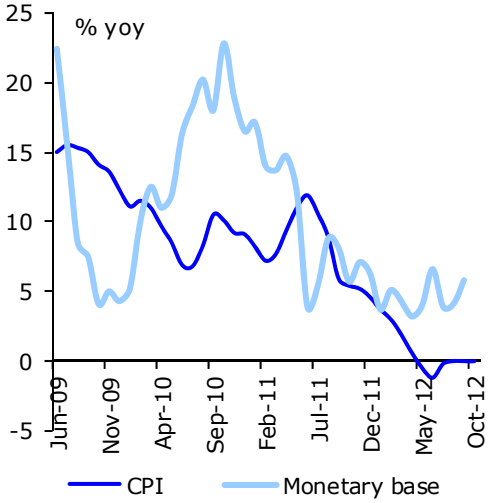
Financial markets: Increase in exchange rate flexibility

Exchange rate. The NBU continued to increase exchange rate flexibility in October allowing interbank exchange rate to fluctuate in UAH 8.1-8.2 per USD range. At the same time, the NBU continued to support the exchange rate. Net interventions increased to USD 1.8 bn due to high devaluation expectations. In particular net demand for cash foreign currency reached highest value over the last three years or USD 2.2 bn. As a result international reserves decreased by USD 2.4 bn to USD 26.8 bn.

State debt. In October, the Government placed UAH 4.2 bn of hryvnia-denominated domestic bonds with 13.9% weighted average yield, including UAH 0.3 bn of indexed bonds. The demand for bonds was primarily concentrated on five- and seven-year bonds, which accounted for 48.3% and 43.7% of the total placement, respectively. Hryvnia-denominated domestic bonds were primarily bought by banks and non-residents and were sufficient to ensure debt maturing in October. The placements of hryvnia-denominated domestic state bonds is likely to remain high during last two months of the year, while placements of foreign currency bonds are not planned in the end of 2012.

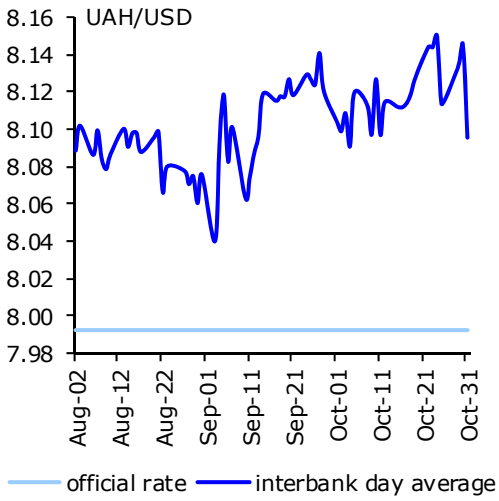
On October 10, the Cabinet of Ministers started issuing treasury bills (T-bills) for population through the state bank 'Oschadbank'. Ukraine's treasury bills are a new financial instrument issued in the documentary form and guaranteed by the state. In October, the Ministry of Finance issued USD 100 m of T-bills with two-year maturity and 9.2% p.a. coupon. Principle of each bill is USD 500. Coupon is to be paid every six months. There was a strong demand for T-bills as near 87% of issued bills were sold during the first ten days after their release.

CPI and monetary base development



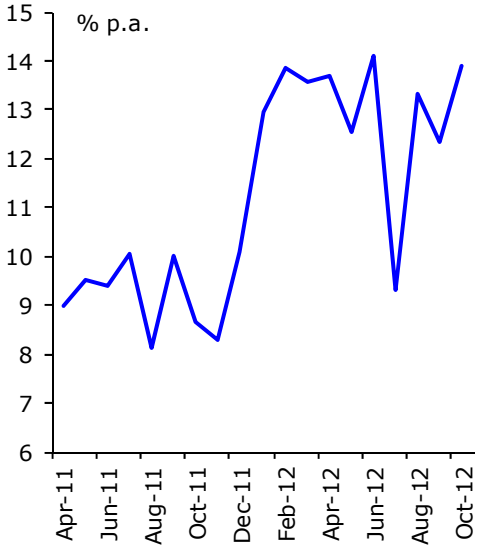
Source: Ukrstat, NBU

Exchange rate



Source: NBU

Weighted average yield for domestic state bonds



Source: NBU

Economic Trends		Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct
Industrial production (real)	% yoy cum.	9.7	8.7	8.6	7.3	0.9	0.4	-1.2	2.0	2.0	0.9	0.7	0.7	0.4	0.2	-0.4	-1.2	...
Construction (real)	% yoy cum.	6.8	14.5	11.4	11.1	-2.7	-1.9	-9.1	2.5	-0.5	-2.7	-3.0	0.3	-1.9	-6.2	-8.0	-9.1	...
Agricultural production (real)	% yoy cum.	5.3	3.2	13.7	17.5	0.5	7.4	-4.6	0.5	0.4	0.5	1.1	1.5	7.4	-4.2	-4.5	-4.6	...
Retail trade turnover (real)	% yoy cum.	13.5	15.2	15.2	14.7	14.2	16.0	16.0	13.8	14.6	14.2	14.8	15.5	16.0	17.4	16.0	16.0	...
Average wage	UAH	2389	2605	2727	2837	2923	3109	3064	2722	2799	2923	2942	3015	3109	3151	3073	3064	...
CPI	% yoy eop	7.7	11.9	5.9	4.6	1.9	-1.2	0.0	3.7	3.0	1.9	0.6	-0.5	-1.2	-0.1	0.0	0.0	0.0
PPI	% yoy eop	20.3	20.0	21.3	14.2	6.5	4.5	0.3	11.8	7.5	6.5	6.9	4.3	4.5	1.4	1.4	0.3	0.6
Exports (USD)*	% yoy cum.	40.5	39.3	26.8	21.8	5.3	2.5	2.2	14.4	10.1	5.3	4.8	5.8	2.5	3.3	2.9	2.2	...
Imports (USD)*	% yoy cum.	52.8	51.0	30.9	21.9	3.5	8.5	6.8	6.6	5.9	3.5	6.3	7.3	8.5	9.1	8.3	6.8	...
Merchandise trade balance	USD bn cum.	-3.0	-5.4	-9.3	-13.8	-3.7	-9.0	-14.1	-0.3	-2.4	-3.7	-5.5	-7.2	-9.0	-10.8	-12.6	-14.1	...
Current account**	USD bn cum.	-1.3	-2.9	-5.0	-9.0	-1.8	-5.3	-9.3	0.3	-1.2	-1.8	-2.8	-3.9	-5.3	-6.5	-7.9	-9.3	...
Gross international reserves	USD bn eop	36.4	37.6	35.0	31.8	31.1	29.3	29.3	31.4	31.0	31.1	31.7	30.8	29.3	30.1	30.0	29.3	26.8
Monetary Base	% yoy eop	13.7	3.9	8.1	6.3	4.3	6.6	5.8	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	13.3	13.6	14.8	18.4	15.5	15.7	19.6	15.7	15.4	15.4	14.6	14.7	17.7	19.6	20.3	18.8	...
Exchange rate (interbank)	USD aop	7.95	7.98	7.99	8.01	8.02	8.05	8.09	8.03	8.02	8.02	8.03	8.05	8.07	8.08	8.09	8.10	8.12
Exchange rate (official)	USD aop	7.94	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	7.99	7.99	7.99
Exchange rate (official)	EUR aop	10.85	11.48	11.27	10.76	10.46	10.26	9.99	10.30	10.54	10.53	10.51	10.27	10.01	9.83	9.89	10.25	10.37

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	1660	1102
Portfolio investments	USD m	-350	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506	222	-340
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	15.0
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	7.8
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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