INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.9 (143), September 2012

EXECUTIVE SUMMARY

HIGHLIGHT: RUSSIA AND WTO

Politics: The IMF mission visited Ukraine. The timing of loan disbursement under the SBA is not clear.

Real Sector: Industrial output declined by 4.8% yoy due to lower external demand.

Sectoral news: The Government continues attempts to decrease dependency on the natural gas imported from Russia.

External sector: Current account deficit shrank to USD 1.3 bn in July from USD 1.5 bn in June as net yield outflows declined to USD 0.3 bn in July.

Fiscal policy: Between January and July central fiscal deficit surged to UAH 16.9 bn, while central fiscal expenditures were by 7.6% below the target.

Social policy: The Government states that 12 m former depositors of Soviet Sberbank will receive payouts in 2013.

Labour market: Wage growth continued decelerating in July due to economic slowdown.

Monetary policy: Bank liquidity remained tight in August reflecting low free reserves and high interbank interest rates.

Financial markets: Between January and August, total state borrowings grew by 26.2% yoy to UAH 76.8 bn.

Highlight of the month: Russia and WTO

WTO ACCESSION AND NEW UTILIZATION FEE IN RUSSIA: DO THEY FIT TOGETHER?

By Veronika Movchan

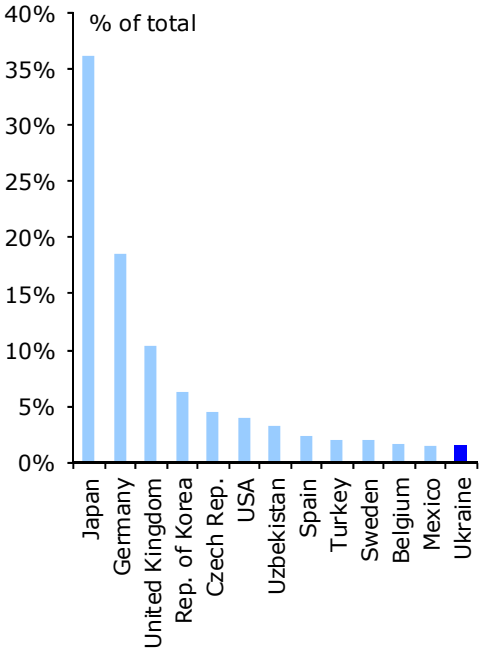
On August 22, the WTO welcomed the Russian Federation as its 156th member state. The country has committed to apply all WTO provisions in full since the date of accession with recourse to quite a few transition periods. A common sentiment has been that the Russia's WTO accession would ensure liberalization of the country's trade policy, make it more transparent and predictable, and facilitate its alignment with international standards and practices. However, disillusionment has already started growing.

On September 1, the Russian Federation enacted the utilization fee in respect to the motor vehicles. The decision was passed by the Russian Duma as amendments to the Federal law on waste production and consumption in the end of July, almost simultaneously with the ratification of the WTO accession package. Technical details – fee rates and procedural issues – were defined by the Decree of the Russian Government adopted in August 30.

The utilization fee is determined by multiplication of base rate by a pre-defined coefficient. There are two levels of base rate: it is set at RUB 20 000 (USD 620) for passenger cars, and at RUB 150 000 (USD 4660) for cargo transport and special purpose motor vehicles. Coefficients vary significantly depending upon motor vehicle characteristics (age, engine displacement, weight), customs procedure applied

(release for free circulation or temporary importation), and status of payer (legal entity or physical person).

Main passanger car exporters to Russia in 2011



Source: UN Comtrade

For instance, coefficient applied to passenger cars stays between 0.86 and 5.5 for new vehicles, and between 5.3 and 35.01 for vehicles older than three years. For cargo transport and special purposed motor vehicles, coefficients tend to be lower varying between 0.5 and 3 for new cars and between 0.88 and 13 for vehicles older than three years. The highest coefficients are applied towards dumpers designed to work off-road. In this case, coefficient ranges between 13.6 and 37 for new, and between 30.98 and 40 for older vehicles.

Physical persons can import new passenger car for personal use paying only 10% of base rate, while the utilization fee for used car would constitute 15% of base rate in this case.

According to the Federal law, the utilization fee will be charged in respect of vehicles produced in Russia, as well as imported into Russia. However, the Russian producers and foreign companies assembling cars in Russia could be exempted from payment of the fee if they take commitment to safely dispose cars once they are no longer used. Special inventory is established to register legal entities that undertook safely disposal commitments.

To be exempted, Russian producers or foreign companies assembling cars in Russia have to meet several criteria. First, they have to be a legal entity registered on the territory of the Russian Federation, mark the cars with VIN, and perform car manufacturing under the "industrial assembly" regime or carry out particular manufacturing operations. Second, they have to provide information regarding organization of reception of end-of-life vehicles (ELV) at special receiving points in each region of the Federation and in settlements/ towns with over 500 thousand inhabitants.

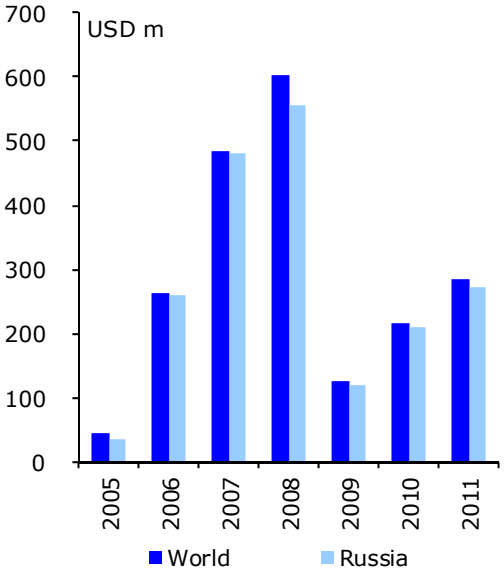
Belarusian and Kazakh producers could be also exempted from paying utilization fees if properly registered by the Ministry of Industry and Trade of the Russian Federation. To get registration, they have to mark the cars with VIN, and perform car manufacturing under the "industrial assembly" regime or carry out particular manufacturing operations.

Introduction of the utilization fee raises concerns regarding its compatibility with basic principles of the WTO. New regulation violates national treatment principle according to which the state has to treat importers and domestic legal entities equally. In case of utilization fee regulation, importers are clearly discriminated as could not be exempted from the fee payment even if they are ready to organize utilization of respective imported vehicles. Importers simply could not meet 'exemption criteria' that concerns manufacturing requirements.

Extensive differentiation of coefficients depending on wide range of parameters and high base rate could be also treated as an intention to create unjustified trade barriers violating the WTO rules and practices.

In 2011, Ukraine's exports of passenger cars (HS 8703) to Russia constituted USD 273.6 m, while exports of vehicles for the transportation of goods (HS 8704) were equal to USD 39.6. For both product categories, Russia has been the major export destination for Ukrainian automotive producers, and the introduction of utilization fee creates additional costs for exporters, especially painful in the lowest price segment of the market.

Ukraine's exports of passanger cars to Russia and the world



Source: UN ComTrade

However, the first reaction of the Ukrainian Government on the regulatory initiative of the Russian Federation seems to be inappropriate. Instead of using WTO mechanisms like dispute settlement, the Government initiated introduction of the utilization fee in Ukraine that is to be applied against imported cars. In this case reciprocity principle could be harmful as it would be clear violation of international obligations and the case could be filed against Ukraine. Currently, Ukraine faces the challenge to be the first that could try to apply trade defense tools provided by the WTO to shield its interests on the Russian market. Cooperation with other countries – WTO members, which exporters would suffer from utilization fee, could help.

Monthly Economic Monitor Ukraine

Politics: IMF Mission Visits Ukraine

On August 29th – September 5th, the IMF mission visited Ukraine to hold consultations with the government top officials. The major topic for the discussion related to the Draft State Budget Law for 2013. The IMF experts welcomed the government's policy of further fiscal consolidation and balanced debt policy. At the same time, they pointed to the Government that official macroeconomic assumptions put as a base for fiscal indicators are too optimistic. Among other issues evoked during the IMF mission's consultations with Ukraine's government were energy sector reform, and social welfare programs in Ukraine.

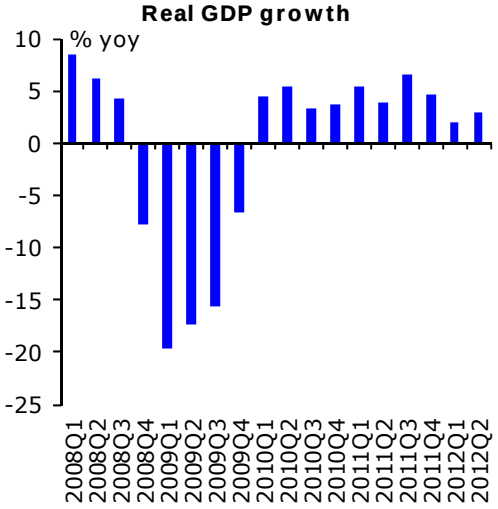
The timing of subsequent disbursements under the Stand-By Arrangement, approved by the IMF in July 2010, remained unclear. Although during its visit to Ukraine in May 2012, the IMF mission chief Chris Jarvis stated that to meet 1.8 percent of GDP deficit target, Ukraine's government should take additional measures, such as raising tax rates for high earners, ending tax exemptions, or reducing fiscal expenditures. The issue of raising gas and heating tariffs for population also remains on the agenda.

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: Economic slowdown in July

GDP. Real GDP growth accelerated to 3.0% yoy in the second quarter of 2012 as compared to 2.0% yoy in the first quarter. Real final private consumption was the major driver of economic growth. In particular, it increased due to higher real disposable income and lower saving rate reflecting lower debt repayments. Real gross fixed capital accumulation increased by 16.9% yoy due to investments related to the Euro-2012. Higher consumption and investment demand resulted in increase in real imports at 10.8% yoy. At the same time, weak external demand resulted in contraction of real exports at 6.8% yoy. Real GDP growth is expected to decelerate by the end of year.

Real GDP growth



Source: Ukrstat

Sectoral trends. Industrial output in July dropped by 4.8% yoy due to decline in external demand. Steel production fell by 8.5% yoy, while output in machine building reduced by 7.4% yoy. Machine building was supported by higher production of railways cars and locomotives, while car production continued declining (it dropped by 32.7% yoy). Several oil refineries remained shut, leading to decline in the sector at 56.0% yoy. Weak domestic demand and lack of financing for construction projects contained the development of domestic-oriented sectors. At the same time, early harvest supported growth of food sector by 0.4% yoy.

Retail trade turnover growth accelerated to 17.4% yoy between January and July likely attributed to increase in households income as well as further decline in CPI. At the same time, construction works continued declining. In seven months of 2012 they dropped by 6.2% yoy most likely due lack of financing as well as increased political and economic uncertainty. Lower gas transit was the major factor behind decline of freight turnover at 7.6% yoy.

As expected, agricultural output dropped by 4.2% yoy reflecting less favourable weather than in previous year. Grain harvest was by 20.9% yoy lower due to smaller harvested areas as well as lower yields. Rapeseeds harvest was also below last year figures. Harvested vegetables were higher than last year due to larger areas harvested as of August 1.

Sectoral news: Attempts to increase energy security

Energy. Expensive imported natural gas from Russia forces Ukraine to look for ways to increase its energy security. One of the options is to decrease consumption of gas by switching from gas to other fuels. On August 22, the Parliament approved state guarantees for a UAH 29.5 bn loan from China for projects on replacing natural gas with coal at Ukrainian thermal power stations. According to the Ministry of Energy, these funds will allow Ukraine to reduce gas consumption by 3 bn cubic meters. However, channeling funds from gas payments to

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coal mining industry will not solve the efficiency problem as coal mining industry has long been heavily subsidized from the state budget and suffers from inefficient management and high costs.

Another option to decrease dependency on imported natural gas is to develop own gas extraction industry and alternative gas routes. On August 15, the consortium of ExxonMobil, Shell, OMV Petrom and NJSC "Nadra of Ukraine" won the tender on the development of the Skifska oil and gas area. It is expected that Ukraine will extract at least 45 bn cubic meters of gas per year by 2020 as compared to 20.1 bn cubic meters in 2011. Also, on August 8, the Cabinet of Ministers had approved state guarantees for financing the construction of an LNG-terminal with estimated costs of EUR 969 m. Both measures aim to increase the supply of gas but are likely to face some problems. LNG-terminal near Odesa despite problems with sources of LNG has uncertain financing (there are no confirmed investors yet) and unresolved dispute with Turkey on access to Bosphorus. Extraction of gas from Skifska oil and gas area is highly risky since it requires further extensive exploration of the area.

Agriculture In the end of August the Cabinet of Ministers has introduced minimum farm-gate prices for raw milk at the level of UAH 2.2 per kilogram (without VAT). According to the Government, current farm-gate prices are as low as UAH 1.6-1.8 per kg in some regions of Ukraine. Policy makers claim that minimum prices would help to secure the income of households who currently supply about 80% of raw milk in Ukraine. However, such policy has proven to be economically inefficient as it acts as an indirect subsidy to dairy producers at cost of processors. Such policy undermines competitiveness of the dairy sector in the country allowing inefficient farms to stay in the market.

Privatisation. In August the State Property Fund of Ukraine (SPFU) continued with the privatisation of oblast gas distribution companies. It sold 26.0% of shares in "Poltavagas" to «Fineks-Ukraina» and 20.8% of shares in "Khersongas" to "Group of companies Sodruzhestvo". Moreover, 25.0% of the shares in "Ivano-Frankivskgas" and 25.2% in "Mykolaivgas" were sold to "Gastek" affiliated with Dmytro Firtash. Overall, the number of bidders in each tender is usually restricted to few companies already present at the market.

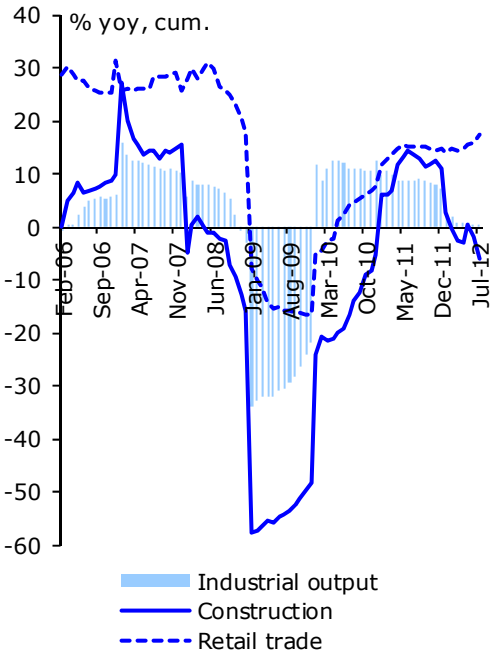
Overall, in August the SPFU announced tenders for the sale of shares (from 20.0% to 26.0%) in 12 gas distribution companies with cumulative starting value in UAH 251 m. Four of them were sold to "Gastek" in the beginning of September: "Sevastopilgas", "Dnipropetrovskgas", "Zaporizhiagas" and "Luhanskgaz" (totally for UAH 161 m). As a result, shares of 16 gas distribution companies were accumulated under the ownership of "Gastek", which is now the largest private owner of gas distribution companies in Ukraine.

External sector: Current account deficit shrank to USD 1.3 bn

Current account deficit shrank to USD 1.3 bn in July from USD 1.5 bn in June as net yield outflows declined to USD 0.3 bn in July. Merchandise trade deficit widened slightly to USD 1.3 bn in July. Exports of goods increased by 7.6% yoy to USD 5.8 bn. This reflects low statistical base (grain exports was stopped in July 2011) and jump in exports of machine building products. At the same time, steel exports was at the second lowest level since August 2010, while gasoline exports remained minimal. Merchandise imports growth accelerated to 12.9% yoy in dollar terms reflecting increase in mineral products imports by 12.4% yoy and higher imports of consumer goods.

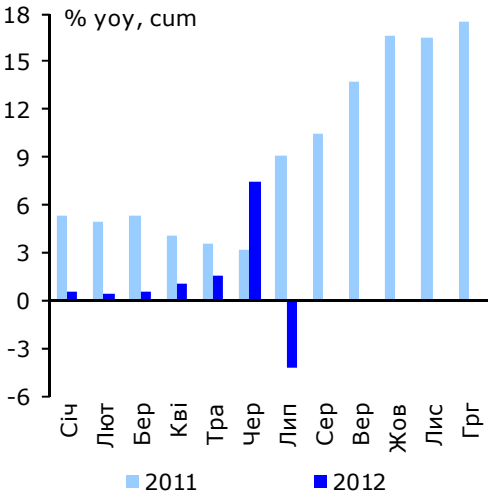
Financial and capital account in July reached USD 2.1 bn surplus thanks to USD 2 bn Eurobonds placement by the Government. Net borrowing by the private sector was close to zero, while net FDI inflows increased to USD 0.7 bn. Inflow of "trade loans" partially offset USD 1.9 bn outflow under heading "deposits and currency".

Real sector trends



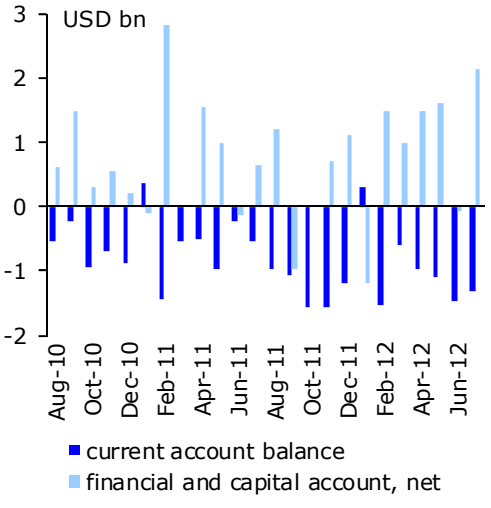
Source: Ukrstat

Agricultural output



Source: Ukrstat

Balance of payments



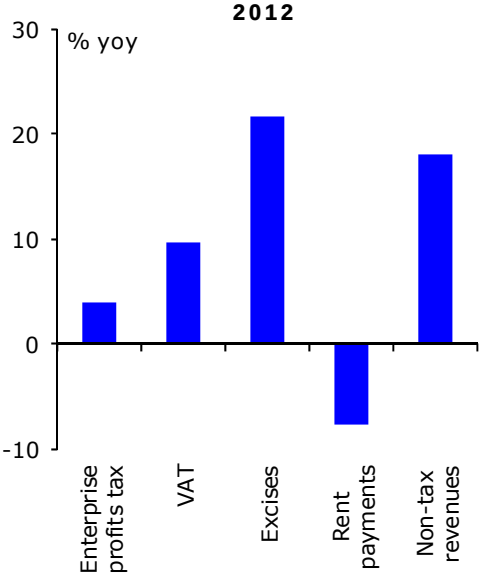
Source: NBU preliminary estimates

Fiscal policy: Fiscal deficit surged in July

Between January and July growth of central fiscal revenues (general and special fund) decelerated to 10.5% yoy from 16.9% yoy in the first half of 2012 due to the economic slowdown. Higher revenues were partially ensured by increase in non-tax revenues, which augmented by 18.1% yoy primarily due to higher transfer of the NBU profits to the budget. Higher tax revenues were partially attributed to tight tax administration. The central fiscal revenues (general fund) were below the target by 2.1%.

The execution of central fiscal expenditures remained low at 92.4% of plan. At the same time, central fiscal deficit surged to UAH 16.9 bn from UAH 6.7 bn in the first half of the year. The deficit was financed by domestic and external borrowings as well as privatisation receipts. Besides, part of deficit financing was likely ensured by funds withdrawn from local budgets. As a result, unprotected (capital) expenditures of LGE (local government entities) were highly underfinanced. Slow pace of fiscal consolidation and economic slowdown may further weaken Ukraine's fiscal position by the end of the year.

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



Source: State Treasury reports

Social policy: Payouts to former depositors of Soviet Sberbank will continue in 2013

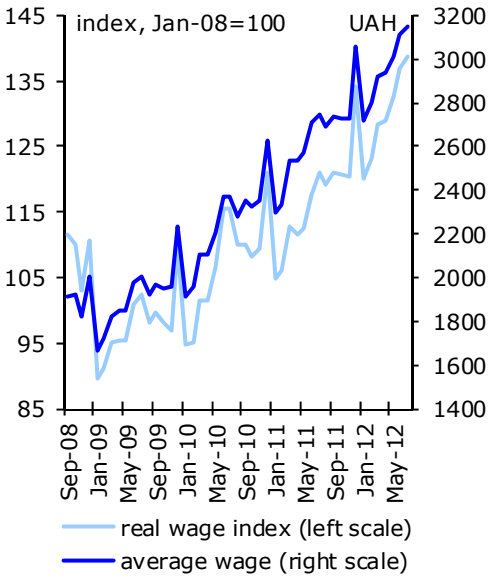
Between January and July the Government directed UAH 3.0 bn for the measures related to the payouts to former depositors of Soviet Sberbank. Overall, near 6 m persons are eligible for this payment in 2012. At the same time, the Ministry of Social Policy, Sergiy Tygipko, stated that the draft State Budget Law for 2013 will envisage financing for further payouts to former deposits. According to preliminary plans 12 m persons will receive payments next year.

Labour Market: Wage inequality remains

Average wage growth in July decelerated further to 14.6% yoy. In particular, wage growth slowed down in agriculture likely due to statistical base effect, while deceleration of salaries in financial intermediaries probably relate to slowdown in the sector. At the same time, minimum wage increase in July (at 14.8% yoy) contributed to wage growth acceleration in industrial sectors. Higher wages in health care could relate to increase in the base wage in the Single tariff scale for payment of wages to employees in public sectors.

Overall, average wage in July reached UAH 1351. Wage disparity remained high with lowest wages paid in agriculture (70.5% of average wage) and highest wage paid in financial services (189.3% of average wage). As a result, regional wage inequality also remained. Only four oblasts (Dnipropetrovsk, Donetsk, Luhansk, Kyiv) and city of Kyiv paid wages higher than average for economy. Companies in Ternopil oblast paid on average wages by 29.1% lower than average.

Average wage



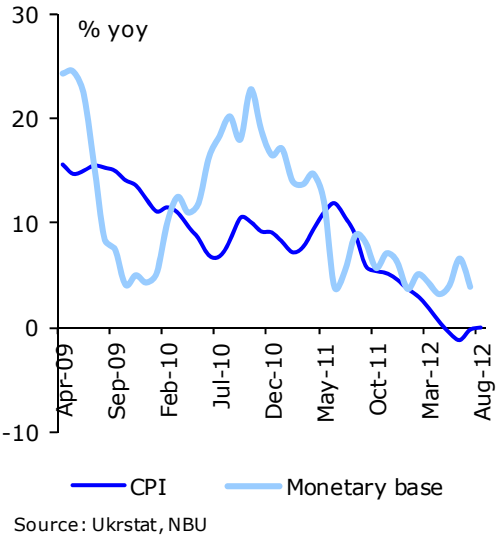
Source: Ukrstat

Monetary policy: Tight monetary policy leads to rising interest rates

Bank liquidity remained tight in August reflecting low free reserves and high interbank interest rates. In August NBU interventions and liquidity operations supplied more liquidity than withdrew, which was offset by increase in government funds at the NBU. Interbank interest rate crossed 20% p.a. mark for several days and remained over 15% for the most of the month. Reuters indicator of 1-year deposit rate for households was in range of 18.0-18.7% p.a. in the second half of August as compared to 16-16.5% p.a. between March and May. Rates increase was caused by three months of double digit interbank rates and limited access to external funding. The upward trend in nominal interest rates continues despite marked decrease in inflation over the last twelve months.

In August 2012 CPI remained unchanged from August 2011 level as compared to 0.1% yoy decrease in July. Decrease in consumer food prices by 2.7% yoy (primarily driven by unprocessed food products) was offset by modest increase in non-food prices. Slowdown of economic activity also limited demand pressure on inflation. Core

CPI and monetary base development



Source: Ukrstat, NBU

inflation was at 2.3% yoy in August. It increased only by 0.4% as compared to December 2011.

Financial markets: State debt increases

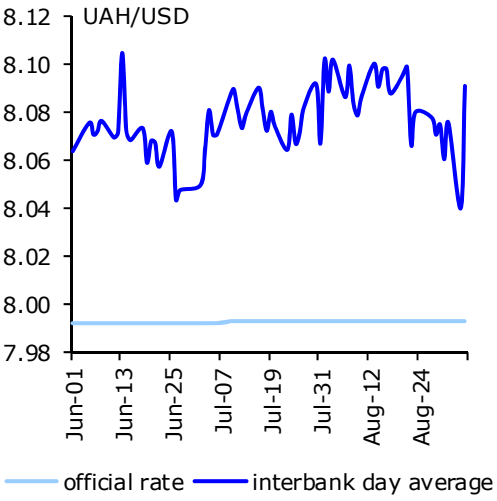
State debt. Between January and August, total state borrowings grew by 26.2% yoy to UAH 76.8 bn accounting for 78% of the annual target. The share of domestic borrowings increased by 9.5 p.p. to 68.8% of the total borrowings. Due to limited hryvnia liquidity of Ukrainian banks the Government placed USD and EUR denominated state domestic bonds, which accounted for near 43% of total state domestic borrowings in eight months of 2012. The Government was able to enter international capital market in July when it placed USD 2.0 bn of five-year Eurobonds. Large part of borrowing was directed towards debt redemptions.

On August 27, the Cabinet of Ministers approved a resolution, which allowed to repackage the rest of the loan of Russian VTB (USD 1.0 bn) into USD 1.0 bn Eurobonds issue with yield at 7.95%.

Guaranteed state debt. In early August, the President signed amendments to the State Budget Law for 2012. The targeted state debt guarantees for 2012 were increased from UAH 15.0 bn to UAH 68.8 bn. The Government plans to provide the "Naftogas" with UAH 29.5 bn of guarantees for the loan from the China Development Bank to finance the program on substitution of imported natural gas with domestic coal. The rest of additional guaranteed debt is to be raised from the Export –Import Bank of China for 15 years at 6% per annum for financing projects in agricultural sector. The State Food-Grain Corporation and small farmers are expected to be the main recipients of the loan. The funds would be spent for purchases of Chinese plant protection products, equipment and seeds, construction of a plant protection factory, processing of organic and mineral fertilizers in Ukraine. However, the purposes of both loans remain questionable.

Exchange rate. Exchange rate remained stable in August as average daily interbank UAH/USD exchange rate continued to fluctuate in UAH 8.07-8.10 range. Supply of foreign currency exceeded demand but the NBU did not use the opportunity to tighten exchange rate closer to UAH 8 per USD. Instead it bought foreign currency to offset international reserve losses related to USD 1.0 bn payment to the IMF as well as sale of foreign currency to the Naftogaz. As a result, net purchases of foreign currency reached USD 0.4 bn and international reserves declined only to USD 30.0 bn partially due to slight appreciation of euro.

Exchange rate



Source: NBU

Economic Trends		Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Jul	Aug
Industrial production (real)	% yoy cum.	11.0	9.7	8.7	8.6	7.3	0.9	8.6	8.2	7.8	7.3	2.0	2.0	0.9	0.7	0.7	0.4	0.2	...
Construction (real)	% yoy cum.	-5.4	6.8	14.5	11.4	11.1	-2.7	11.4	11.7	12.5	11.1	2.5	-0.5	-2.7	-3.0	0.3	-1.9	-6.2	...
Agricultural production (real)	% yoy cum.	-1.0	5.3	3.2	13.7	17.5	0.5	13.7	16.6	16.5	17.5	0.5	0.4	0.5	1.1	1.5	7.4	-4.2	...
Retail trade turnover (real)	% yoy cum.	7.6	13.5	15.2	15.2	14.7	14.2	15.2	14.9	14.5	14.7	13.8	14.6	14.2	14.8	15.5	16.0	17.4	...
Average wage	UAH	2407	2389	2605	2727	2837	2923	2737	2729	2727	3054	2722	2799	2923	2942	3015	3109	3151	...
CPI	% yoy eop	9.1	7.7	11.9	5.9	4.6	1.9	5.9	5.4	5.2	4.6	3.7	3.0	1.9	0.6	-0.5	-1.2	-0.1	0.0
PPI	% yoy eop	18.7	20.3	20.0	21.3	14.2	6.5	21.3	16.3	17.3	14.2	11.8	7.5	6.5	6.9	4.3	4.5	1.4	1.4
Exports (USD)*	% yoy cum.	27.7	40.5	39.3	26.8	21.8	5.3	26.8	23.8	21.9	21.8	14.4	10.1	5.3	4.8	5.8	2.5	3.3	...
Imports (USD)*	% yoy cum.	30.1	52.8	51.0	30.9	21.9	3.5	30.9	27.0	24.4	21.9	6.6	5.9	3.5	6.3	7.3	8.5	9.1	...
Merchandise trade balance	USD bn cum.	-8.4	-3.0	-5.4	-9.3	-13.8	-2.9	-9.3	-11.1	-12.5	-13.8	-0.1	-1.9	-2.9	-4.3	-5.6	-9.0	-10.8	...
Current account**	USD bn cum.	-2.9	-1.3	-2.9	-5.0	-9.0	-1.3	-5.0	-6.5	-7.9	-9.0	0.4	-0.9	-1.3	-1.9	-2.6	-5.4	-6.7	...
Gross international reserves	USD bn eop	34.6	36.4	37.6	35.0	31.8	31.1	35.0	34.3	32.4	31.8	31.4	31.0	31.1	31.7	30.8	29.3	30.1	30.0
Monetary Base	% yoy eop	15.8	13.7	3.9	8.1	6.3	4.3	8.1	5.7	7.1	6.3	3.7	5.1	4.3	3.2	4.0	6.6	3.9	...
Lending rate on UAH credits	% pa, aop	13.6	13.3	13.6	14.8	18.4	15.5	15.6	18.7	19.0	17.5	15.7	15.4	15.4	14.6	14.7	17.7	19.7	...
Exchange rate (interbank)	USD aop	7.96	7.95	7.98	7.99	8.01	8.02	8.00	8.01	8.01	8.02	8.03	8.02	8.02	8.03	8.05	8.07	8.08	8.09
Exchange rate (official)	USD aop	7.93	7.94	7.97	7.97	7.98	7.99	7.97	7.97	7.98	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99
Exchange rate (official)	EUR aop	10.79	10.85	11.48	11.27	10.76	10.46	11.03	10.91	10.84	10.54	10.30	10.54	10.53	10.51	10.27	10.01	9.83	9.89

Sources: Ukrstat, NBU, own calculations

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

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

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

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

''' "Minus" denotes a consolidated fiscal deficit

P - preliminary data

Notes:

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

Quarterly trends

National accounts		Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12
GDP	UAH bn	189.0	214.1	250.3	259.9	217.3	256.8	301.3	307.3	261.9	314.6	376.0	364.1	297.0	351.8
GDP (real)	% yoy	-19.6	-17.3	-15.7	-6.7	4.5	5.4	3.3	3.7	5.4	3.9	6.5	4.7	2.0	3.0
Household consumption (real)	% yoy	-14.5	-14.5	-14.3	-16.2	0.2	6.8	7.8	12.8	13.8	15.3	17.8	12.8	9.8	14.3
State consumption (real)	% yoy	0.2	-1.6	-4.3	-3.7	3.8	-4.0	5.8	10.0	3.5	4.0	-10.5	-5.7	1.9	2.5
Gross fixed capital formation (real)	% yoy	-58.0	-55.9	-53.2	-33.7	-5.7	-3.2	9.5	10.5	2.1	5.2	11.0	16.9	7.6	16.5
Exports of goods and services (real)	% yoy	-22.2	-34.1	-30.9	6.9	0.4	13.2	2.0	0.9	17.0	2.9	-2.2	-5.6	-6.8	-6.8
Imports of goods and services (real)	% yoy	-37.4	-52.3	-47.6	-11.1	-6.2	17.2	20.2	13.2	37.2	23.1	12.0	3.3	-4.3	10.8
Agriculture, hunting, forestry (real)*	% yoy	-1.1	3.4	2.2	-11.6	5.4	0.5	-3.2	0.9	5.4	2.0	17.4	28.9	0.5	11.4
Manufacturing industry (real)*	% yoy	-33.7	-26.1	-25.6	6.5	10.9	10.1	7.6	7.6	13.3	8.9	10.2	2.2	0.2	-0.3
Construction (real)*	% yoy	-54.2	-42.7	-43.6	-32.8	-7.7	-5.8	9.6	3.9	6.4	19.4	7.3	9.8	-3.1	0.3
Trade, repair services (real)*	% yoy	-15.6	-15.7	-22.0	-16.4	6.1	9.6	10.1	4.7	8.9	2.8	6.8	5.8	5.5	6.9
Transport (real)*	% yoy	-13.4	-9.2	-5.7	-0.4	1.3	1.8	3.0	0.1	7.2	7.5	3.4	9.4	3.8	3.8
Balance of payments															
Current account balance	USD bn	-0.6	-0.2	-0.1	-0.9	0.0	0.5	-1.0	-2.5	-1.3	-1.4	-2.3	-4.0	-1.3	-3.5
Current account balance	% of GDP	-2.6	-0.6	-0.2	-2.7	-0.1	1.6	-2.6	-6.5	-4.1	-3.6	-4.8	-8.8	-3.5	-8.1
Trade balance in goods	USD m	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-3084	-2267	-3928	-4526	-2910	-5308
Trade balance in services	USD m	116	432	1256	550	930	1115	1536	823	1007	1227	1686	967	1088	1413
Current transfers	USD m	632	667	640	722	608	728	797	842	1039	878	988	803	672	785
Direct investment (FDI)	USD m	883	1279	1210	1282	923	1196	1470	2170	882	2284	2100	1275	1657	1102
Portfolio investments	USD m	-350	-351	-2286	1428	-307	804	2532	1288	1163	1838	-938	-506	222	…
Gross international reserves	USD bn	25.4	27.3	28.2	26.5	25.1	29.5	34.7	34.6	36.4	37.6	35.0	31.8	31.1	29.3
Exchange rate (interbank), UAH/USD	aop	8.09	7.76	7.99	8.06	8.00	7.91	7.90	7.96	7.95	7.98	7.99	8.01	8.03	8.05
Exchange rate (official), UAH/USD	aop	7.70	7.66	7.82	7.99	7.99	7.91	7.90	7.93	7.94	7.97	7.97	7.98	7.99	7.99
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	34.8	30.6	25.5	36.0	30.9	30.4	23.3	32.3	32.2	29.7	29.0	30.6	33.2	31.3
Personal income tax	% of GDP	5.2	5.3	4.4	4.7	4.9	4.8	4.4	4.8	4.9	4.8	4.1	4.7	5.0	4.8
Enterprise profits tax	% of GDP	3.9	3.3	3.7	3.6	4.3	3.0	3.4	4.2	4.4	4.5	3.6	4.4	4.8	4.1
Value-added tax	% of GDP	11.7	8.3	6.4	11.0	9.8	9.8	8.5	9.9	7.5	12.7	9.5	9.6	10.6	10.2
Excise tax	% of GDP	2.0	2.3	2.5	2.6	2.4	3.0	2.5	2.6	2.1	3.0	2.7	2.4	2.7	2.9
Consolidated fiscal expenditures	% of GDP	34.4	36.6	29.6	34.5	33.0	38.7	30.3	37.6	32.3	32.8	26.5	35.6	33.3	33.5
Current expenditures	% of GDP	33.5	34.9	27.0	31.4	32.4	37.4	26.6	32.8	31.0	30.4	23.5	30.1	31.4	31.1
Capital expenditures	% of GDP	0.9	1.7	2.6	3.1	0.6	1.4	3.7	4.8	1.2	2.3	2.9	5.5	1.9	2.4
Consolidated fiscal balance	% of GDP	0.0	-6.2	-4.5	1.1	-2.0	-8.0	-7.5	-5.6	-0.3	-3.3	-3.8	-5.5	-0.2	-2.6
Privatisation receipts	% of GDP	0.0	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.4	3.1	0.0	0.1	1.4	0.3
Labour market															
Average wage (real)	% yoy	-11.7	-8.6	-10.7	-5.7	3.3	8.7	12.3	11.4	11.1	5.5	7.7	10.8	14.7	16.5
Household income (real)	% yoy	-10.8	-6.9	-8.6	-7.6	3.7	11.8	11.0	14.7	7.8	1.9	7.3	7.7	13.9	…
Unemployment rate (ILO methodology)	% cum	9.5	9.1	8.6	8.8	9.0	8.5	8.1	8.1	8.7	8.2	7.8	7.9	8.4	…
Banking system															
Monetary aggregate M0	% yoy cum	33.9	22.8	11.5	1.5	5.4	9.9	17.4	16.5	15.7	11.5	8.6	6.3	4.7	6.7
Monetary aggregate M2	% yoy cum	12.0	5.3	-1.4	-5.4	6.9	13.2	21.6	23.1	25.5	22.0	16.0	14.4	11.2	9.0
Household deposits in national currency	% yoy cum	-10.9	-16.1	-25.4	-8.5	7.1	20.1	38.6	41.4	43.3	26.0	16.7	12.3	14.4	9.6
Household deposits in foreign currency	% yoy cum	31.8	33.0	39.2	4.7	22.8	21.5	17.7	16.9	19.7	21.0	15.7	13.4	12.4	11.6
Com. bank credits in national currency	% yoy cum	27.6	27.8	25.2	16.9	13.6	8.3	6.0	11.2	16.0	18.5	21.1	21.0	17.4	15.3
Com. bank credits in foreign currency	% yoy cum	70.8	48.7	32.4	-15.2	-13.7	-10.5	-13.2	-8.3	-2.1	0.9	-2.3	-4.2	-7.0	-10.8
Long-term com. bank credits	% yoy cum	50.8	37.3	29.9	-3.8	-3.9	-2.8	0.6	-0.5	5.0	6.3	5.3	2.9	-2.9	-7.0
Long-term com. bank credits	% of total	69.9	68.2	67.3	68.1	68.5	68.9	67.5	66.3	67.2	66.6	64.4	62.9	61.5	59.8
Average lending rate on national currency credits	% p.a.	26.2	19.1	17.5	19.8	17.3	15.0	13.0	15.0	13.1	13.5	14.1	18.4	15.5	15.7
Average lending rate on foreign currency credits	% p.a.	9.6	9.6	10.0	10.1	10.9	11.1	10.3	10.1	10.2	9.8	8.8	8.4	8.2	8.2

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

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