Monthly Economic Monitor Ukraine

- President consolidated his authority over executive.
- GDP reached UAH 1095 bn in 2010.
- Grain export quotas extended until July.
- Household electricity tariffs were increased by 15%.
- February payment balance was heavily influenced by on-off factors.
- Central fiscal surplus was observed in February.
- Real household income grew by 16.2% in 2010 exceeding 2008 level.
- Consumer inflation accelerated to 7.7% yoy in March due to supply side pressure.
- Government plans to decrease public debt burden and increase share of domestic debt.
- HIGHLIGHT OF THE MONTH: Foreign trade policy

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2011

Population: 45.6 m
Industry/GDP: 28%
Agriculture/GDP: 8%
Investment/GDP: 19%
Exports to: Russia 25%, EU 28%
Imports from: Russia 22%, EU 35%

Politics: President gets additional powers over Government

On March 17, the Verkhovna Rada of Ukraine approved amendments to the Law "On the Cabinet of Ministers of Ukraine" and new Law "On Central Executive Authorities". New provisions clarified legal basis for executive branch of the state and implemented some of the provisions of administrative reform.

At the same time, new law cemented presidential authority over the government and limited role of the Prime Minister. In particular, the President now appoints and dismisses deputy ministers and can give instructions directly to ministries without going through Prime Minister or the Cabinet. Prime Minister is not consulted, when ministers or other heads of executive bodies are dismissed.

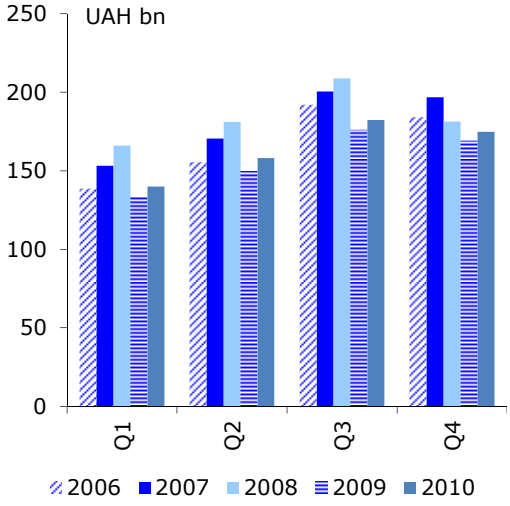
New powers for the President may contradict the Constitution as interpreted in several decisions of the Constitutional court. According to them Parliament may only clarify powers of the President expressly granted to him by the Constitution but cannot grant him any new powers.

Real sector: Real GDP grew by 4.2% in 2010

The Derzhkomstat released latest estimates of GDP in 2010 and revised quarterly breakdown of GDP. Real GDP grew by 4.2% while nominal GDP was revised upwards to UAH 1095 bn. On demand side, household consumption remained the major contributor to growth increasing at 7.0% in 2010. Real gross fixed capital accumulation growth was improved to 4.9% due to fast growth reported in the second half of the year. However, investments were likely overstated as simplified registration rules led to sharp increase in reported residential construction including of houses completed in previous years. Contribution of net real exports was negative. Real exports and imports growth was downgraded to 4.5% and 11.1%, respectively. On production side, gross value added (GVA) growth in manufacturing and utilities was downgraded to 14.5% and 8.1%, respectively, while growth of transportation and communication services GVA was higher than previously estimated at 5.1%. GVA in construction declined only by 1.7% due to growth in the second half of the year.

In February, industrial production growth improved and reached 11.5% yoy. The major contributors to growth were production of non-metallic goods and machine building that increased output by 33.2% yoy and 30.1% yoy, respectively, attributed to high demand for construction materials and acceleration of vehicles production. Chemical industry and metallurgy grew by 17% yoy mainly due to low statistical base of previous year. Food production decreased by 3.6% yoy mostly due to limited supply of grain mill products and growth of excises for tobacco products and alcoholic drinks.

GDP in constant prices



Source: Derzhkomstat

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Production and distribution of electricity increased by 5.9% yoy due to growth in manufacturing and transport.

Freight turnover accelerated further to 12.7% yoy over first two months of the year due to increase in transportation of non-metallic, chemical and steel products. Construction volumes grew by 6.1% yoy between January and February 2011. Retail trade turnover accelerated by 12.7% yoy over the period supported by increasing consumer demand and low statistical base in the beginning of the previous year. Agriculture output increased by 5.0% yoy as livestock production continued to grow.

Sectoral trends: Grain export quotas extended until June

Agriculture. On March 30, the grain export quotas were extended until June 30, 2011 and the quota for corn export was increased by 2 m tonnes. However, the Government recently introduced draft law to replace grain export quotas with export duties. According to economic research, export taxes make less welfare losses than export quotas.

Energy. On March 17, the National Commission on Electricity Regulation (NERC) approved the decision about the next increase of electricity tariffs for households. The price was increased by 15% for all categories of households (including those that consume less than 150 KWh per month) starting from April 1, 2011. Price increase will restrict the price gap between industrial and residential consumers, which would still remain quite large.

Telecommunications. In March telecommunications regulator published reports on quality of services provided by fixed-line and mobile telecom operators in 2010. Mostly, the regulator reported services quality within established limits. It was the first public report of this kind, which increased transparency in telecommunications sector.

Transport. On March 28, 2011, the Cabinet of Ministers provided the Boryspil International Airport with a sovereign guarantee for USD 372.3 m loan to construct the railway, which would connect the airport and Kyiv. Earlier, in September 2010, the Boryspil airport reached agreement with the CMCEC company (China) on construction of the railway line. It is planned to build 37.2 km transport link with two stops. Planned duration of the construction work is 28 months. Total construction cost is UAH 3.3 bn, which is planned to be financed by the airport, the CMCEC, the State Agency of Ukraine for Investment and Development, Development Bank of China and Industrial and Commercial Bank of China. Meanwhile, the Government claims that rail link would not be ready before the start of the EURO-2012.

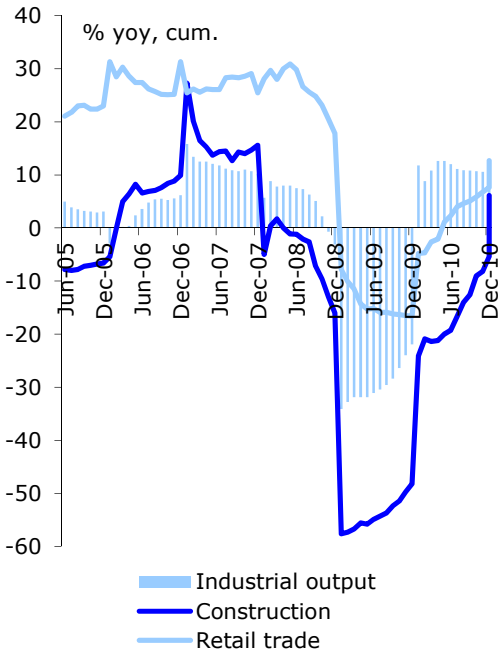
Privatization. On March 11, the State property Fund of Ukraine (SPFU) finalized sale of 92.8% of the telecommunication operator "Ukrtelecom" to Austrian EPIC for UAH 10.575 bn. Thus, ten year long search for a new owner for one of the top Ukrainian assets was settled in the fastest possible way, fully covering 2011 plan for privatization receipts.

State's 61.58% stake in the Private JSC "Ukraine international airlines" was sold to the minority shareholders for UAH 287.2 m. This is quite low price, but minority shareholders had preferential rights to buy out state from the company.

External sector: Current account worsened in February

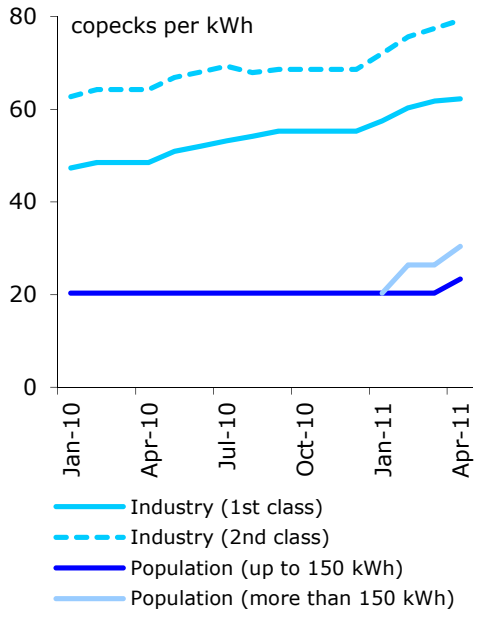
In February, current account had record deficit of USD 1.1 bn after seasonal surplus in January. Current account deficit widened as mineral products imports doubled as compared to previous year to USD 2.5 bn in February. It was caused by temporary increase in natural gas imports as the Naftogaz has to return 12.1 bn cubic meters of natural gas to the Rosukrenergo. Also, merchandise exports was weak and in dollar terms was lower than in last months of 2010.

Real sector trends



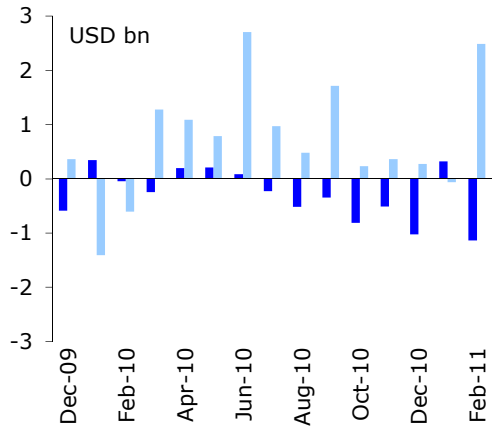
Source: Derzhkomstat

Electricity tariffs*



Source: NERC
* excluding VAT

Balance of payments



Source: NBU preliminary estimates

Financial and capital account surplus was high at USD 2.5 bn in February, after it was close to balance in January. However, it was caused by temporary factors as the Government placed USD 1.5 bn issue of Eurobonds and importers increased payables to foreign suppliers. At the same time, FDI and private loans were low, while purchases of cash foreign currency grew.

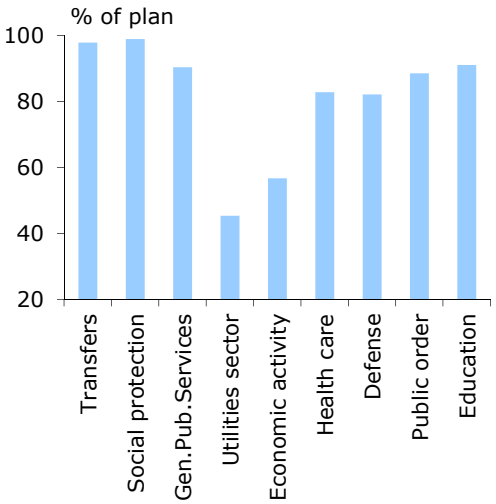
Fiscal policy: The central fiscal deficit turned into surplus in February

Budget execution. Between January and February, central fiscal revenues due to general fund were close to the target. VAT revenues exceeded the target by 3.2% due to the high revenues from VAT paid on domestically produced goods and services. The rental revenues were higher than target by 14.2% due to the increase in rates for some types of rental payments. The receipts from international trade taxes were over-executed as well (by 12.7% yoy). At the same time, revenues from EPT, excises and official transfers were lower than target (by 2.9%, 9.0% and 5.0%, respectively).

The central fiscal expenditures (general fund) constituted 91.7% of the target, which is less than in previous years. All expenditure items were underfinanced, although social protection and interbudgetary transfers were the closest to the target (99.0% and 97.9%, respectively). The rest of items were executed below 95% of plan. Higher than planned revenues and under-executed expenditures resulted in surplus (general fund) of UAH 2.9 bn. At the same time, the Government started external borrowing earlier than planned leading to record amount of funds accumulated at the Unified treasury account. Government funds at the NBU reached UAH 34.3 bn at the end of February exceeding previous record of UAH 30.9 bn observed in September 2010 and UAH 29.3 bn accumulated after the privatization of the Krivorizhstal in 2005.

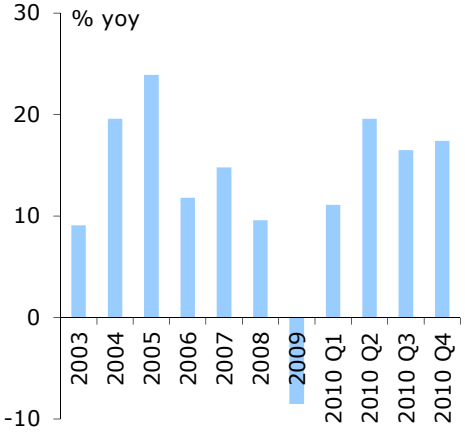
Tax policy. The State Tax Service (STS) *de jure* switched to the automatic VAT refunds from March 15, 2011 according to the Tax Code. However, only 24 companies out of 1971 applicants were determined as eligible for the automatic tax reimbursement. Majority of them are large export-oriented businesses, primarily, from metal and chemical industries, machine building and energy sector. One of primary hurdles to automatic reimbursement was requirement of average salary at least at 2.5 minimum wages over the preceding four quarters. More than 80% of all applicants could not meet this criterion. According to the agreement with the IMF 70% of the VAT reimbursement amount is to be refunded automatically. According to the STS estimate the amount of VAT refund arrears reached UAH 14.2 bn as of March 1, 2011.

Execution of central fiscal expenditures in January-February 2011 (general fund)



Source: State Treasury

Real disposable household incomes



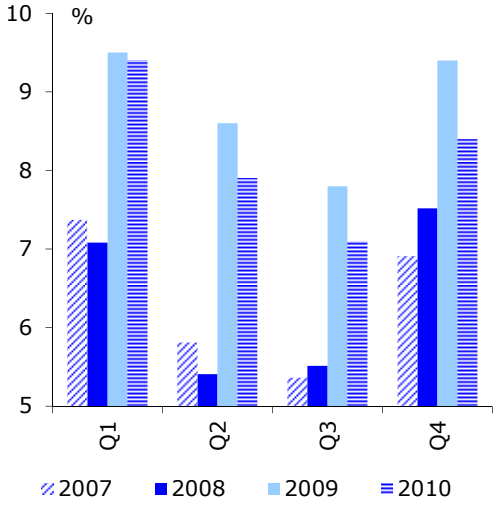
Source: Derzhkomstat

Social policy: Household income rapidly recovered in 2010

The Derzhkomstat sharply revised upwards quarterly estimates of real disposable income growth for 2010. Overall, in 2010 real disposable income grew by 16.2%. Thus, it was 6.3% higher than in 2008. All components of income increased, while lower debt burden resulted in lower interest payments.

The real wage income grew by 14.9%. Better financial state of many enterprises enabled them to pay higher wages and move some workers to full-time employment. Administrative push from minimum wage increase also contributed to wage growth. Income from social payments grew by 6.5% in real terms as minimum pensions were increased during the year. At the same time, pensions grew slower than wages due to the tight fiscal position. Sharp recovery of income in 2010 stimulated real private final consumption growth at 7.0% and increase in savings.

Unemployment rate (ILO)



Source: Derzhkomstat

Labour Market: Unemployment rate (ILO) somewhat declined in 2010

Despite improved economic situation, few jobs were created. The decline in unemployment rate (ILO methodology) to 8.1% of

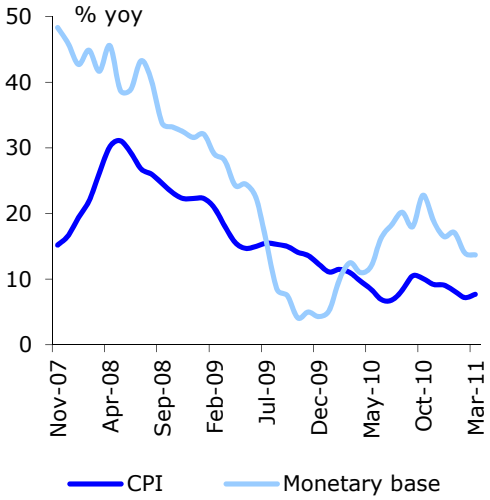
economically active population between 15 and 70 years old in 2010 as compared to 8.8% in 2009 was mostly explained by demographic factors. It remained by 1.7 p.p. higher than before the crisis. The unemployment rate among males remained much higher than for females. Nevertheless, gap decreased as industrial output grew and construction started to recover. Further development of the labour market would heavily depend on the state policies related to SME development and wage de-shadowing initiatives.

Monetary policy: Inflation accelerated to 7.7% yoy in March

In March, consumer inflation accelerated to 8.2% yoy mostly due to supply-side pressures such as growth in utility tariffs, gasoline and bread prices. At the same time, Derzhkomstat continued to report surprising falls in prices for a number of food items. Core CPI growth slowed to 7.0% yoy despite significant increase in demand.

Money supply continued to grow at 26.2% yoy in March, while monetary base growth slowed to 13.7% yoy from 14.0% yoy in February. Bank liquidity grew in March as the NBU renewed net purchases of foreign currency and the Government decreased its funds at the NBU.

CPI and monetary base development



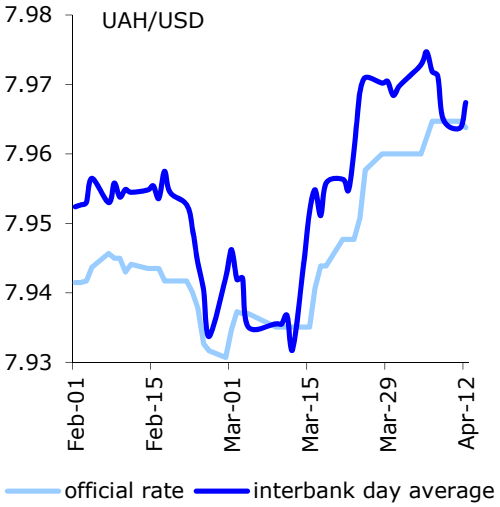
Source: Derzhkomstat, NBU

Financial markets: Medium term public debt strategy approved

State debt. On March 2, 2011, the Cabinet of Ministers of Ukraine approved Resolution on Medium-Term Government Debt Management Strategy for 2011-2013. It envisages main goals and objectives of the debt management for the nearest tree years. According to the Document, the state debt relative to GDP should be reduced by 2% of GDP annually (to 28% of GDP in 2013) apparently due to small primary fiscal deficits and growth in nominal GDP. At the same time, the share of domestic debt in direct state debt should be increased to 46% в 2011-2012 and to 48% in 2013 (from 42% as of March 1, 2011). According to the Strategy, these targets could be achieved by the wider range of debt instruments for the domestic market and improved market infrastructure. In particular, the Government will explore the possibility of inflation-linked bonds.

In March, the Ministry of Finance continued to increase its domestic borrowing. It placed UAH 4.7 bn of domestic state bonds with 9.2% p.a. weighted-average yield. The placement made it possible to cover the planned payments on domestic debt. The share of short-term bonds in the total placement declined to 44.5% as compared to 66.7% in February. At the same time, the share of issued three-year bonds increased significantly from 18.2% to 38.6% of the total placement as buyers were attracted by yields that still are at the double digits. Overall, in 2011 the Ministry of Finance plans to place UAH 48.6 bn of domestic state bonds (excluding nonmarket issuance).

Exchange rate



Source: NBU

Exchange rate. In March, interbank UAH/USD exchange rate slightly weakened from UAH 7.94 per USD to UAH 7.97 per USD, although the NBU renewed net purchases of foreign currency equal to USD 0.25 bn. In particular, the NBU sold US dollars, while purchasing Australian dollars, Euro and Swiss francs.

The NBU purchased AUD 0.4 bn in March bringing total purchases to AUD 0.8 bn since November 2010. The NBU interest in Australian dollars is quite unusual as Ukraine receives almost no current account inflows in Australian dollars, while FDI and borrowing are also mostly denominated in US dollars and Euro. At the same time, AUD market became more liquid than Swiss franc market in 2010 with 7.6% of global foreign exchange market turnover.

Highlight of the month: Foreign trade policy

Between two customs unions

by Veronika Movchan

Ukraine is a small open economy heavily relying on external trade. Exports of goods and services accounted for 50.2% of nominal GDP in 2010, while the ratio of imports to GDP was at 53.0%. Recently created Customs Union of Russia, Belarus and Kazakhstan (RBK CU) and the EU-27 are the largest trade partners of Ukraine. Together these two customs unions accounted for about two thirds of Ukraine's total commodity trade turnover in 2010.

Trade regimes between Ukraine and the EU, and Ukraine and the RBK CU are different. Trade with the EU occurs under the Most Favoured Nation (MFN) regime with tariff reductions provided by the EU in accordance with Generalized System of Preferences. In trade with Russia, Belarus and Kazakhstan, free trade agreements (FTAs) are in force for almost two decades. These agreements focus mostly on tariffs, and there are exemptions from free trade regime applied to selected commodities. Non-tariff measures play important role in commodity trade with both the RBK CU and the EU.

High importance of foreign trade for Ukraine's economic development is highlighted by large reaction of real GDP growth to external trade shocks. Thus, the country should strive to ensure the best possible access of the Ukrainian exports to external markets and smooth supply of needed intermediary and investment products from abroad. The WTO membership is a step to achieve the goal. Regional integration could provide additional opportunities.

While FTAs with Russia, Belarus and Kazakhstan are already in place, Ukraine is currently involved in active negotiations for a 'deep and comprehensive free trade area' with the EU. There have been sixteen rounds of talks since early 2008. Both parties claim significant progress, although important issues concerning energy sector and export tariffs remain unresolved. Nevertheless, the FTA Agreement could be signed in the end of 2011.

At the same time, Russia has pressed Ukraine to join the recently formed RBK CU and cease FTA talks with the EU and even threatened to increase trade barriers, if FTA agreement with the EU is concluded. Could this alternative be interesting for Ukraine? Let's start from costs.

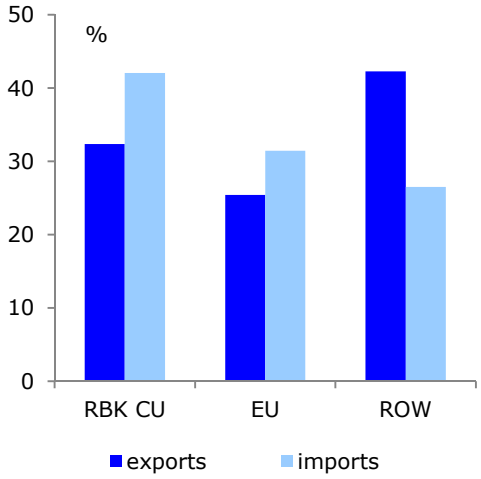
First, Ukraine is a member of the WTO and, thus, made commitment to bound its import tariffs. The revision of these commitments is theoretically possible, but costly as other member countries have a right to request compensation or impose additional duties on Ukrainian goods to compensate for the losses caused by the change in commitments. The comparison of average import tariffs of the RBK CU and average bound tariffs of Ukraine shows significant difference. The rate of protection is higher in the RBK CU for thirteen out of sixteen sectors of the economy.

Higher import tariffs in the RBK CU mean that Ukraine would face higher costs of imports in case of joining causing trade diversion towards Russia, Belarus, and Kazakhstan. Higher RBK CU tariffs for chemical products, machinery and equipment will make Ukraine to pay higher price for access to new technologies and innovative products from the rest of the world.

Moreover, Ukraine as the WTO member is obliged to comply with the WTO Agreements, which became a part of the country's legislation. At the same time, Russia, Belarus and Kazakhstan are just negotiating the WTO accession and thus are not bound by the WTO rules and norms. This disparity in legal basis creates additional obstacle in joining the RBK CU.

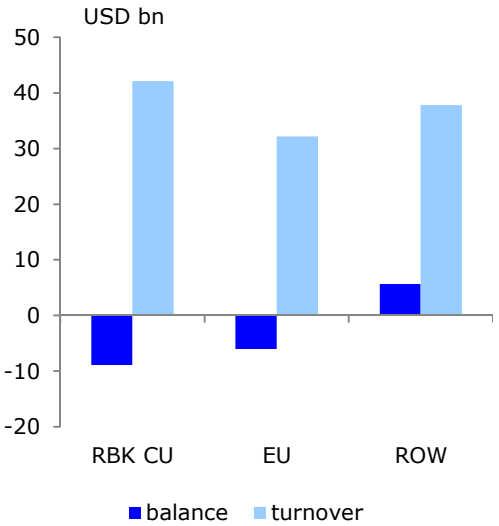
The membership in the RBK CU is exclusive and Ukraine would lose its right to negotiate free trade agreements with other countries, including the EU FTA Agreement. Commission of the RBK CU is

Geographic structure of Ukraines commodity trade in 2010



Source: Derzhkomstat

Ukraine' foreign trade turnover and balance in 2010



Source: Derzhkomstat

entitled to conduct new foreign trade related negotiations on behalf of the member states. Thus, Ukraine would forego all efforts devoted to the EU FTA talks and lose opportunity to obtain privileged access to largest regional market.

What could the RBK CU offer Ukraine to compensate these current and future losses? There are several possible advantages including cheaper energy, market access, and stronger bargaining power.

First, opportunities to reduce price on imported energy materials are offered. However, stable long-term energy price discounts are highly questionable. Russia plans to deregulate internal energy market, and thus its domestic prices will go up. Moreover, world energy prices are soaring, and fossil fuels stocks are finite. Increase in energy efficiency and supply diversification is sounder economic strategy than a search for short-term price discounts.

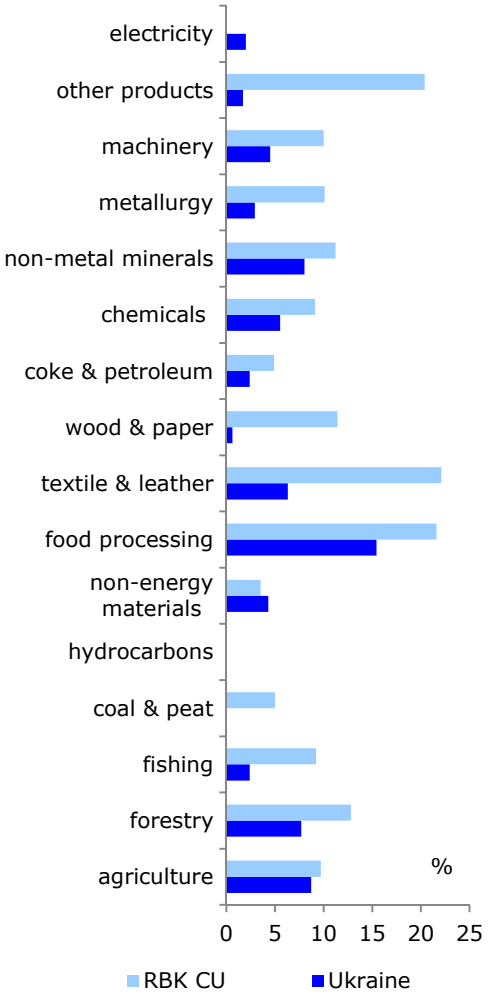
The second issue is market access. Ukraine already has signed free trade agreement with all countries – members of the RBK CU. Further gains received by elimination of exemptions are limited. Removal of customs control definitely creates additional gains, but similar gains could be achieved by ongoing Customs Service reform, if it reaches proclaimed goals. Moreover, in case of customs reforms, trade with all partners will be boosted, so no trade diversion effects will be observed.

Finally, Russia offers Ukraine stronger bargaining position in future FTA talks if the country joins the CU. However, as the CU member Ukraine would face multi-stage bargaining process. It would need to balance its interests with interests of other members of the CU, and not only with interests of the third countries, involved in the FTA talks with the CU. It is questionable that resulting FTAs would be more beneficial to Ukraine.

Summing up, the offered membership in the RBK CU is not in the economic interests of Ukraine. The country is geographically placed between two customs unions and actively trading with both. Thus, Ukraine has to think twice before joining any of two.

Currently, the best regional integration option for Ukraine is the establishment of mutually beneficial FTA with its trade partners. This type of integration offers vast opportunities that should not be sacrificed for the sake of the single customs union.

Import tariffs



Sources: Ukraine bound import tariffs schedule (www.wto.org), "Indicative level of Tariff Protection in Kazakhstan: Before and After the Customs Union (Part I)." Discussion Paper #5.3, March 2011. RAKURS Centre for Economic Analysis

Economic Trends		Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Industrial production (real)	% yoy cum.	-21.9	10.8	12.0	10.8	11.0	…	10.9	10.8	10.7	9.9	11.0	9.7	11.5	…
Construction (real)	% yoy cum.	-48.2	-21.4	-19.3	-12.6	-5.4	…	-14.0	-12.6	-9.0	-8.2	-5.4	6.1	6.1	…
Agricultural production (real)	% yoy cum.	0.1	5.3	3.4	-1.3	-1.0	…	-4.1	-1.3	-1.2	-1.3	-1.0	5.3	5.0	…
Retail trade turnover (real)	% yoy cum.	-16.6	-2.6	2.3	5.1	7.6	…	4.6	5.1	5.9	6.8	7.6	11.7	12.7	…
Average wage	UAH	2046	1993	2227	2332	2407	…	2280	2349	2322	2353	2629	2297	2338	…
CPI	% yoy eop	12.3	11.0	6.9	10.5	9.1	7.7	8.3	10.5	10.1	9.2	9.1	8.2	7.2	7.7
PPI	% yoy eop	14.3	18.6	25.5	19.2	18.7	20.3	23.3	19.2	19.8	18.9	18.7	18.0	21.4	20.3
Exports (USD)*	% yoy cum.	-40.7	24.2	30.6	28.6	27.7	…	33.2	32.1	29.9	29.8	29.6	53.6	46.8	…
Imports (USD)*	% yoy cum.	-46.9	18.1	24.8	28.2	30.1	…	31.8	32.2	33.5	33.9	33.7	54.4	64.1	…
Merchandise trade balance	USD bn cum.	-5.7	-1.2	-2.0	-5.2	-8.7	…	-4.6	-5.4	-6.9	-8.0	-9.3	-0.4	-2.1	…
Current account**	USD bn cum.	-1.7	0.1	0.6	-0.5	-2.9	…	-0.6	-0.5	-1.1	-1.4	-2.9	0.3	-0.8	…
Current account	% GDP, cum.	-1.7	0.2	0.9	-0.5	-2.1	…	x	x	x	x	x	x	x	…
Gross international reserves	USD bn eop	26.5	25.1	29.5	34.7	34.6	36.4	32.7	34.7	34.3	33.5	34.6	35.1	36.7	36.4
Monetary Base	% yoy eop	4.4	12.5	16.3	18.0	15.8	13.7	20.2	18.0	22.8	18.9	15.8	17.1	14.0	13.7
Lending rate on UAH credits	% pa, aop	19.8	17.4	14.8	13.0	13.6	13.1	12.6	13.0	13.1	12.8	15.0	13.4	12.8	13.1
Exchange rate (interbank)	USD aop	8.06	8.00	7.92	7.90	7.96	7.95	7.89	7.92	7.95	7.95	7.97	7.95	7.95	7.95
Exchange rate (official)	USD aop	7.99	7.99	7.92	7.90	7.93	7.94	7.89	7.91	7.91	7.93	7.96	7.95	7.94	7.94
Exchange rate (official)	EUR aop	11.81	11.07	10.10	10.18	10.79	10.85	10.18	10.29	10.99	10.87	10.50	10.62	10.84	11.09

Sources: Derzhkomstat, NBU, own calculations

* Monthly figures are only for merchandise exports and imports (source: Derzhkomstat)
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
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	948.1	914.7	1095.0
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.4	138.0
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1	-15.1	4.2
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
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
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
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
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
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
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
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
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
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
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
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
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5	-2.4	-5.9
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	39.5
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	25.3
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
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
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
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
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

Sources: Derzhkomstat, 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	**Derzhkomstat**	State Statistics committee of Ukraine
yoy	year-on-year change	**gs**	goods and services		

Quarterly trends

National accounts		Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10
GDP	UAH bn	197.4	212.8	191.5	236.0	276.5	244.1	189.0	214.1	250.3	259.9	219.4	260.2	304.7	310.3
GDP (real)	% yoy	6.2	7.4	8.5	6.2	4.3	-7.8	-19.6	-17.3	-15.7	-6.7	4.8	5.5	3.6	3.3
Household consumption (real)	% yoy	15.2	19.0	23.6	12.6	14.4	4.7	-14.5	-14.5	-14.3	-16.2	1.2	7.8	9.4	9.0
State consumption (real)	% yoy	4.4	2.4	-0.9	2.2	-5.3	7.4	0.2	-1.6	-4.3	-3.7	4.1	-1.9	3.7	5.0
Gross fixed capital formation (real)	% yoy	18.9	23.8	24.4	9.1	-3.2	-23.1	-58.0	-55.9	-53.2	-33.7	-7.5	-1.2	12.6	10.6
Exports of goods and services (real)	% yoy	0.1	5.6	0.1	13.8	21.0	-13.2	-22.2	-34.1	-30.9	6.9	-0.2	10.8	2.6	4.9
Imports of goods and services (real)	% yoy	13.7	27.2	19.3	29.7	34.8	-11.8	-37.4	-52.3	-47.6	-11.1	-7.8	16.7	20.2	14.3
Agriculture, hunting, forestry (real)*	% yoy	-9.3	7.1	0.8	-4.1	23.8	19.2	-1.1	3.4	2.2	-11.6	4.9	0.1	-3.3	0.3
Manufacturing industry (real)*	% yoy	13.1	4.4	7.2	5.6	-1.5	-27.0	-33.7	-26.1	-25.6	6.5	14.4	16.1	12.5	15.0
Construction (real)*	% yoy	12.7	5.8	-14.1	-18.7	-33.9	-39.5	-54.2	-42.7	-43.6	-32.8	-12.4	-8.7	7.4	1.1
Trade, repair services (real)*	% yoy	25.3	15.0	11.2	8.8	-0.7	-6.2	-15.6	-15.7	-22.0	-16.4	1.1	2.9	10.8	1.2
Transport(real)*	% yoy	8.0	10.2	15.1	14.6	10.1	-0.3	-13.4	-9.2	-5.7	-0.4	5.5	6.8	5.2	3.0
Balance of payments															
Current account balance	USD bn	-0.3	-3.26	-3.7	-3.4	-2.1	-3.7	-0.6	-0.2	-0.1	-0.9	0.1	0.5	-1.1	-2.3
Current account balance	% of GDP	-0.8	-7.7	-9.8	-7.1	-3.7	-9.5	-2.6	-0.6	-0.2	-2.7	0.2	1.5	-2.8	-6.0
Trade balance in goods	USD m	-2684	-4452	-4490	-4171	-3868	-3562	-882	-622	-1396	-1407	-1229	-818	-3103	-3562
Trade balance in services	USD m	1614	308	77	308	1341	15	116	432	1256	550	1018	1219	1659	966
Current transfers	USD m	947	1016	740	833	831	723	632	667	640	722	608	728	797	842
Direct investment (FDI)	USD m	3927	1648	2430	3091	3324	1058	883	1279	1210	1282	923	1196	1470	2170
Portfolio investments	USD m	616	1844	217	160	-690	-967	-350	-351	-2286	1428	-307	804	2532	1288
Gross international reserves	USD bn	30.7	32.5	33.2	35.5	37.5	31.5	25.4	27.3	28.2	26.5	25.1	29.5	34.7	34.6
Exchange rate(market), UAH/USD	aop	5.01	5.04	5.03	4.79	4.70	6.49	8.09	7.76	7.99	8.06	8.00	7.91	7.90	7.96
Exchange rate(official), UAH/USD	aop	5.05	5.05	5.05	4.96	4.85	6.21	7.70	7.66	7.82	7.99	7.99	7.91	7.90	7.93
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	30.8	31.1	32.9	32.0	29.5	31.6	34.8	30.6	25.5	36.0	30.6	30.0	23.0	32.0
Personal income tax	% of GDP	4.9	4.8	5.2	5.1	4.3	4.9	5.2	5.3	4.4	4.7	4.9	4.8	4.3	4.8
Enterprise profits tax	% of GDP	4.1	6.4	4.2	4.5	5.0	6.3	3.9	3.3	3.7	3.6	4.3	3.0	3.4	4.2
Value-added tax	% of GDP	8.7	7.6	10.6	10.9	9.8	7.8	11.7	8.3	6.4	11.0	9.7	9.7	8.4	9.9
Excise tax	% of GDP	1.6	1.3	1.5	1.3	1.2	1.4	2.0	2.3	2.5	2.6	2.4	2.9	2.5	2.5
Consolidated fiscal expenditures	% of GDP	29.6	36.7	29.8	31.6	27.2	41.2	34.4	36.6	29.6	34.5	32.7	38.2	30.0	37.2
Current expenditures	% of GDP	25.9	27.3	28.9	28.5	22.4	33.8	33.5	34.9	27.0	31.4	32.1	36.9	26.3	32.5
Capital expenditures	% of GDP	3.7	9.4	1.0	3.1	4.8	7.4	0.9	1.7	2.6	3.1	0.6	1.4	3.7	4.7
Consolidated fiscal balance	% of GDP	1.2	-6.2	3.0	0.4	1.9	-10.3	0.0	-6.2	-4.5	1.1	-2.0	-7.9	-7.4	-5.6
Privatisation receipts	% of GDP	0.3	0.4	0.1	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.1	0.0	0.1	0.2
Labour market															
Average wage (real)	% yoy	12.7	13.4	13.4	6.1	6.3	0.5	-11.7	-8.6	-10.7	-5.7	5.6	11.1	12.0	11.4
Household income (real)	% yoy	14.9	16.4	19.0	10.1	6.6	2.7	-10.8	-6.9	-8.6	-7.6	6.8	14.0	14.1	14.7
Unemployment rate (ILO methodology)	% cum	6.2	6.4	7.1	6.2	6.0	7.5	9.5	9.1	8.6	8.8	9.0	8.5	8.0	8.1
Banking system															
Monetary aggregate M0	% yoy cum	41.1	48.2	48.4	48.6	37.9	39.3	33.9	22.8	11.5	1.5	5.4	9.9	17.4	16.5
Monetary aggregate M2	% yoy cum	47.8	50.8	52.7	48.8	37.4	31.0	12.0	5.3	-1.4	-5.4	6.9	13.2	21.6	23.1
Household deposits in national currency	% yoy cum	64.8	71.9	67.9	67.0	53.3	7.5	-10.9	-16.1	-25.4	-8.5	7.1	20.1	38.6	41.4
Household deposits in foreign currency	% yoy cum	38.4	32.5	35.2	32.9	31.2	66.3	31.8	33.0	39.2	4.7	22.8	21.5	17.7	16.9
Com. bank credits in national currency	% yoy cum	60.7	72.7	81.2	70.6	54.9	40.4	27.6	27.8	25.2	16.9	13.6	8.3	6.0	11.2
Com. bank credits in foreign currency	% yoy cum	91.0	75.4	71.3	57.9	53.4	103.6	70.8	48.7	32.4	-15.2	-13.7	-10.5	-13.2	-8.3
Long-term com. bank credits	% yoy cum	87.9	85.7	84.8	67.2	50.9	73.3	50.8	37.3	29.9	-3.8	-3.9	-2.8	0.6	-0.5
Long-term com. bank credits	% of total	68.2	69.2	69.1	68.6	66.8	69.8	69.9	68.2	67.3	68.1	68.5	68.9	67.5	66.3
Average lending rate on national currency credits	% p.a.	13.7	14.0	15.7	17.6	17.7	21.6	26.2	19.1	17.5	19.8	17.3	15.0	13.0	15.0
Average lending rate on foreign currency credits	% p.a.	11.3	11.1	10.9	11.9	12.4	11.9	9.6	9.6	10.0	10.1	10.9	11.1	10.3	10.1

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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