INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

No.12 (134), December 2011

EXECUTIVE SUMMARY

***HIGHLIGHT:* BUSINESS CONFIDENCE**

Politics: The IMF Mission left without reaching the decision on disbursement of next tranche of loan.

Real Sector: Agriculture accelerated growth to 16.6% yoy due to record harvest.

Sectoral news: The privatisation in energy sector started in October.

External sector: Current account deficit widened to USD 1.5 bn due to growing import against the background of weak external demand.

Fiscal policy: The fiscal deficit remained much lower than planned in the first ten months of 2011.

Social policy: The Pension Fund has a significant liquidity gap, which is covered by the Treasury's loans.

Labour market: In 2011 wage inequality remained close to last year levels.

Monetary policy: CPI growth slowed further to 5.2% yoy in October.

Financial markets: The demand for state domestic bonds was low in November.

Highlight of the month: Business confidence

Economic sentiments in Ukraine

By Oleksandra Betliy, Oksana Kuziakiv

Most international organisations downgraded their forecasts of world economic growth. In the EU the expectations for economic development are very pessimistic with recession expected in the end of 2011 and in 2012. Large debt problems in many EU member-states forced the leaders to conduct yet another crucial summit about the future of the EU. The situation in the USA is also not very encouraging and fiscal austerity measures are still to be implemented. The uncertainty about the development of global economy increased, and there is little optimism about the quick recovery. According to recent OECD projections difference between upside and downside scenario GDP only in US and euro area exceeds USD 1 trln in 2012. As a result, the risks for economic development of Ukraine, which is an open economy with large share of imports and exports in GDP, surged during recent months. According to the IER forecast the real GDP will grow by 3.6% in 2012 under base scenario, while it could decline by 3.1% if there is a recession in advanced economies.

Large level of uncertainty and vulnerabilities in Ukraine's economy are reflected in the Consumer Confidence Index (CCI, the GFK Ukraine) and the IER business confidence indicators. According to the IER Business Tendency Survey the share of enterprises with pessimistic outlook more than doubled in the third quarter of 2011 to 24.4%.[1] At the same time, GFK CCI in October was lower than a year ago, which also signals about increasing worries of consumers on future economic development.[2]

Over recent years the Government has announced and implemented changes in many areas of economic policy. However, during this period the share of "pessimists" was well above the share of

"optimists" in both consumer and business surveys. Therefore, more economic agents either have not expected improvements in economic situation or anticipated further deterioration.

The most expected change until 2011 was the introduction of the Tax Code. It was to become a facilitation of Ukraine's complex and expensive tax system. The Tax Code was introduced in the January 2011. However, in the third quarter of 2011 65.8% of managers of Ukrainian industrial companies named the excessive taxation (that includes tax rate and tax administration) as the major impediment for business development. It is likely that the problem was with tight and unfair tax administration. Therefore, tax reform has not resulted in investment climate improvement despite decreased enterprise profit tax rate, reduced number of local taxes and streamlined tax legislation. Enterprises regarded this impediment as increasingly important in the third quarter of 2011.

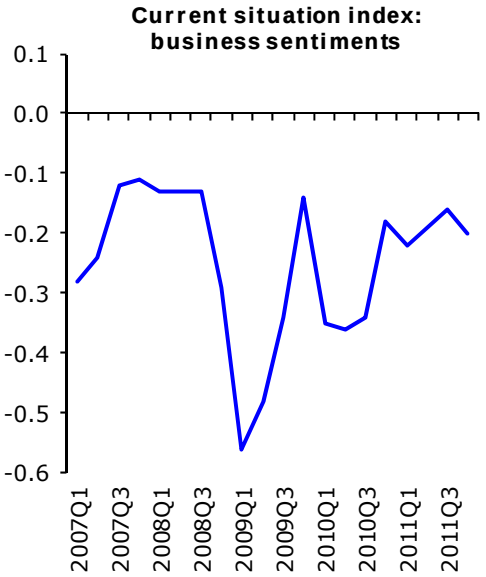
Another large barrier to business development is high regulatory burden. The share of respondents that considered such barrier important increased to 48.4% in the first half of the year and declined to 32.2% in the third quarter of 2011. On the one hand, such decline could signal about higher efficiency of the Government efforts to improve Ukraine's rating in the Doing Business (the World Bank). On the other hand, it might mean that tight tax administration overshadowed other problems for the business.

Frequent changes of economic policies are also named as one of large impediments related to the Government policies. Traditionally this barrier becomes less important in the third quarter of the year, which could be associated with lower activity of the Government and the Parliament due to vacation period. In particular, in the third quarter of 2011 it was the reason for improvement in the composite index of 'unfavourable regulatory climate'.

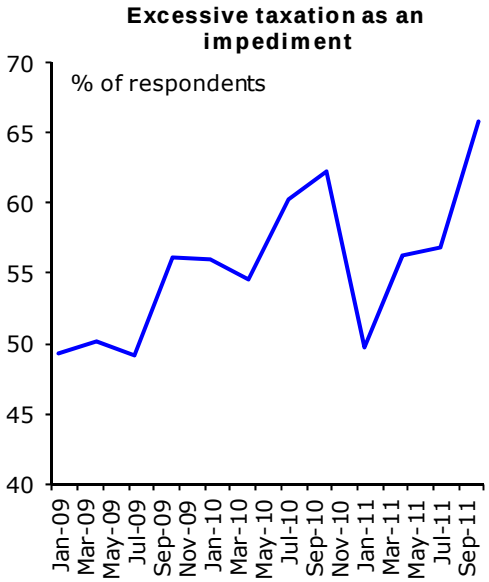
Therefore, the Government policies seem not very effective in improving business climate in Ukraine. Lack of effective policies and absence of structural reforms contributed to drop of Ukraine's real GDP in 2009 at 14.8%. As the fast recovery of global economy is not expected, the competition for external investment is increasing. Favourable investment climate could support faster recovery of Ukrainian economy in time of high uncertainty and vulnerability. Therefore, the Government will benefit from improving regulatory climate in the country. It should start with introduction of fair tax administration, under which the taxpayers will be able to protect their rights, the tax administration will comply with the law and tax inspectors will not use regulations selectively. While conducting reforms, the authorities should put all efforts towards communication of clear messages on necessary steps and fiscal consolidation measures to make them clear to all economic agents. Overall, low credibility of Government policies jeopardize the success of reforms.

[1] Quarterly Enterprise Survey, the IER, No.4(38), November 2011

[2] Consumer confidence in Ukraine, October 2011: improvement by 3.9 p. up to 78.6, the GFK Ukraine, http://www.gfk.ua/imperia/md/content/gfkukraine/pr essr eleases/111118_gfk_rel_cci_october_eng.pdf



Source: IER Surveys



Source: IER Surveys

Monthly Economic Monitor Ukraine

Politics: Ukraine aspires for continued dialogue with IMF and EU

The IMF Mission worked in Kyiv from October 25 to November 3, 2011 to study the possibility of further provision of financing to Ukraine and, eventually, has taken a pause to carry out additional technical work. During its consultations with the Ukrainian government the parties discussed the effects of the crisis in the EU and the outcome of talks with Russia on the reduction of gas price. The IMF had expected Ukraine to increase gas tariffs for population, the decision on which was postponed by the Government. According to the Prime-Minister Mykola Azarov, after the completion on gas talks with Russia Ukraine will have to adjust its 'Stand-by' Arrangement for 2012 with the IMF.

On November 11, Ukraine announced that the negotiations on the Association Agreement with the EU, including creation of deep and comprehensive free trade area, were close to completion. Thus, the Government expressed hopes for the agreement to be initialed by the parties on December, 19 at the EU-Ukraine annual summit, which is to be held in Kyiv. Nevertheless, on November 24, the discussions during EU-Ukraine Parliamentary Cooperation Committee session revealed that the Association Agreement is technically unready to be initialed during the forthcoming summit. At the same time, the EU diplomats made it clear that, except technical, there are quite clear political reasons behind this situation linked with the increase in non-democratic trends in Ukraine.

Real sector: Agriculture accelerated growth

Real industrial output growth decelerated further to 4.7% yoy in October as compared to 6.4% yoy in September. In particular, growth in chemical production and metallurgy slowed down likely due to low external demand. At the same time, deceleration of growth of food industry could be related to statistical base effect. Besides, slower growth of output in some sectors as compared to September may be explained by the change in number of working days.

In first ten months of 2011 fright turnover grew by 7.3% yoy as it was supported by recovery of industrial production and good harvests, as well as increased oil and gas transit. Growth in agriculture accelerated to 16.6% yoy due to record harvest of most crops. Higher production of meat and eggs resulted in growth of livestock production at 2.4% yoy.

Higher wages and delayed demand allowed retail trade to grow by 14.9% yoy between January and October. At the same time, growth in construction was at 11.7% yoy. Still, construction volumes remained much lower than before the crisis primarily due to low lending by banks.

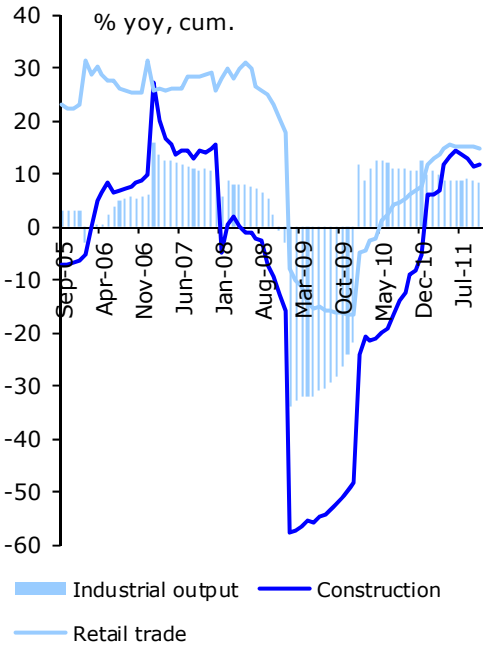
Sectoral news: Share of public sector declines

Energy. On November 23, the company DTEK, which is a part of the System Capital Management, won the concession tenders for state-owned coal mines: Rovenkyantratsyt and Sverdlovantratsyt. Concession agreement is to be signed for 49 years. Under tender conditions, during next four years the DTEK is obliged to invest into the development of Rovenkyantratsyt and Sverdlovantratsyt UAH 3.0 bn and UAH 2.7 bn, respectively. Such capital investments are supposed to ensure increase in coal extraction at these mines by 0.1 m tons and 0.43 m tons, respectively, by 2016. Concession payments were set at UAH 120 m per year as compared to UAH 5 bn revenues and UAH 160 m net income of these mines in 2010. Overall, the concession of coal mines could be welcome step in Ukraine taking into account their deteriorated fixed capital. However, the tender procedure was not fully transparent and fair, which raises questions about most favourable outcomes of these concessions.

Privatization. In November new stage of privatization of energy companies of Ukraine was successfully launched with the first auction for the sale of the Zakhidenergo. There was one participant – the

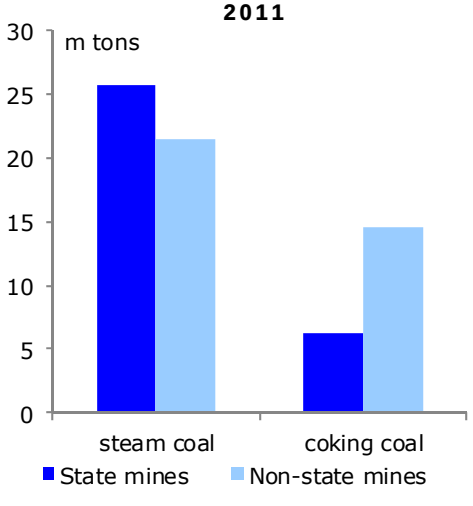
Population: 45.6 m
Industry/GDP: 28%
Agriculture/GDP: 8%
Investment/GDP: 19%
Exports to: Russia 25%, EU 28%
Imports from: Russia 22%, EU 35%

Real sector trends



Source: Ukrstat

Coal output for 10 months of 2011



Source: Energobusiness

energy holding DTEK Holdings Limited - that offered for the 45.1% shareholding UAH 1.9 bn. After the sale of the Ukrtelecom, this is the second precedent of the auction with only one participant under the current SPFU management. As a result, the independent assessment procedure should follow to define the final sale price.

The auction for the sale of 25% shareholding of the Kyivenergo was postponed from November 25 to December 9. There were two participants registered – the Poltavaoblenergo and the DTEK. The start price for the object was UAH 432.3 m. The DTEK won the auction proposing the price at UAH 450.5 m, which was by UAH 4.5 m higher than competitor's bid. Therefore, the energy holding DTEK increased its share on the energy market and is likely to continue active participation in privatisation of energy companies in the future.

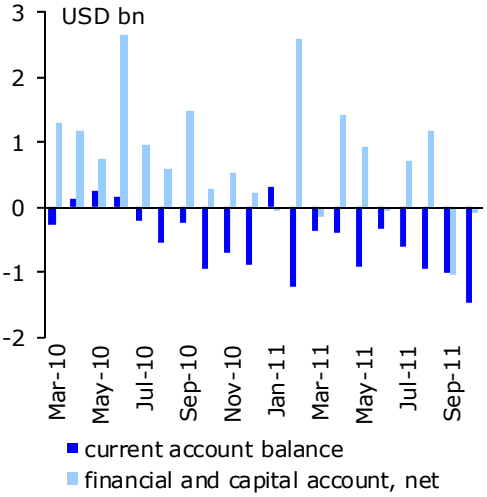
Overall, Ukraine intends to sell 10 energy companies in 2012. Thus, the SPFU plans to start next year with a number of big-ticket sales in energy sector. The privatisation process could be also facilitated if the State privatisation program, submitted to the Parliament, is approved in the nearest months.

External sector: Current account deficit widened to USD 1.5 bn

In October current account deficit widened to USD 1.5 bn and reached the highest level over the last 3 years. Merchandise trade deficit reached USD 1.8 bn as external demand remained low, while import of mineral products and machinery continued to grow. Services surplus also fell to USD 0.25 bn from USD 0.50 bn in September due to seasonal factors. Decline in income outflow contained worsening of the current account.

Financial and capital account deficit in October shrank to USD 0.1 bn from USD 1.0 in September due to temporary decrease in loan repayments as well as increased external lending. Renewed "other" capital inflows of unclear origin and decreased demand for cash foreign currency also contributed to lower financial account deficit.

Balance of payments



Source: NBU preliminary estimates

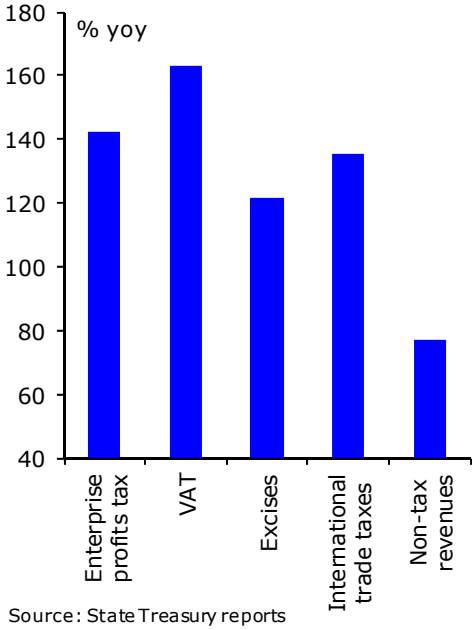
Fiscal policy: The central fiscal deficit continued to grow

Between January and October the central fiscal revenues (general and special fund) augmented by 36.5% yoy to UAH 252 bn. It is primarily explained by economic recovery. The revenues from the enterprise profit tax (EPT) grew by 42.3% yoy, which is mainly attributed to increasing profits of private manufacturing companies. Besides, significant amount of revenues was collected from tax overpayments and as a result of tax inspections. The VAT collections increased by 63.2% yoy due to growing imports and domestic production as well as tighter administration. Moreover, cumulative sum of VAT refunds was close to the figures of 2010, when almost half of refunds was made through VAT-bonds issue. Collections of rent payments and excise duties grew due to the rate hikes.

The ten-month plan of central fiscal revenues due to general fund was over-executed by 3.7%. It was primarily a result of higher than expected collections from VAT and EPT. At the same time, the receipts from international trade taxes and excises were lower than target.

The central fiscal expenditures (general fund) were executed at 93.5% of the plan (or 77.0% of the annual plan). The capital expenditures accounted for only 48.7% of annual target. The central fiscal deficit (general fund) increased to UAH 13.1 bn from UAH 10.9 bn in January-September, which is still lower than projected (UAH 33.0 bn).

Central fiscal revenues in January-October 2011



Source: State Treasury reports

Social policy: The Pensions Fund likely faces liquidity gap

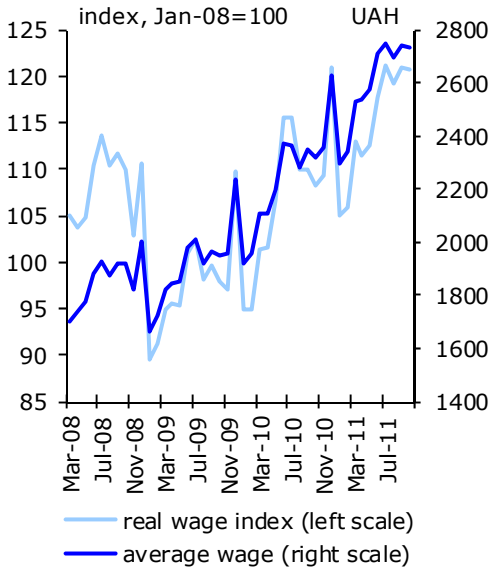
Between January and October the Pension Fund's financing increased by 7.0% yoy to UAH 163 bn. Growth was primarily explained by the increase in gross wages, which supported increase in own Fund's

revenues by 17.8% yoy. At the same time, the Government appeared to optimistic while planning Fund's annual deficit, which was estimated to decline to UAH 17.8 bn from actual deficit at near UAH 35 bn in 2010. As a result, the State Treasury has continued providing the Pension Fund with loans to cover liquidity gaps and enable full payment of pensions. Even though these loans are not reported openly, the data suggests that the amount of these loans has surged to near UAH 12 bn for ten months of this year. Taking into account worsened outlook for economic development in 2012 it is not likely that this deficit will be sharply reduced next year in line with the figures envisaged in the Draft State Budget Law for 2012.

Labour Market: Wage inequality remained

In September 2011, 5.9% of employees (who was paid for more than 50% of working time) received wages below minimum level as compared to 7.9% in the same month one year ago. Average wage in economy grew by 16.5% yoy in September. The median wage also grew at similar magnitude, which indicates that wage inequality remained at the previous level. Lower wages were traditionally paid in agriculture, where share of employees wage less than UAH 1500 was over 50%. High share could be explained by large number of workers with part-time jobs in this sector. At the same time, such budget sectors as education and health care also are characterised by rather large share of staff employees with lower than minimum wages. In September agriculture, education and health care sectors paid wages, which were by more than 20% lower than average level of economy. Financial services paid wages by 90% higher than average.

Average wage



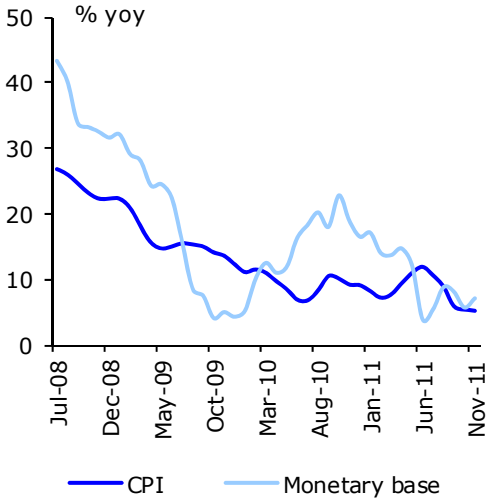
Source: Derzhkomstat

Monetary policy: CPI growth continued to slow

In November, CPI growth slowed to 5.2% yoy; the Ukrstat reported lower price level than in April. Good harvest contained growth of food prices at 1.6% yoy and led to falling prices for a number of unprocessed food items. The Government also maintained utility prices steady and continued to influence prices on other products through direct regulation and administrative pressure. At the same time, inflation expectations slowed down somewhat, while social standards grew moderately. Core inflation that excludes raw agricultural products, energy and regulated prices slowed only to 7.3% yoy in November.

The NBU maintained tight monetary policy as it continued to sell foreign currency and refused to expand refinancing operations. As a result, the 1-month Kievprime rate remained over 25% p.a., while deposit rates offered by some banks exceeded 20% p.a. The NBU raised reserve requirements for short-term foreign currency deposits in Ukrainian banks by 1.5 p.p. to 7.5% starting from December 1. This increased amount of required reserves by estimated UAH 2 bn. At the same time, the NBU released 30% of the reserves or up to UAH 4 bn for everyday operations of banks although banks are still required to have this money on the NBU correspondent account by the end of day.

CPI and monetary base development



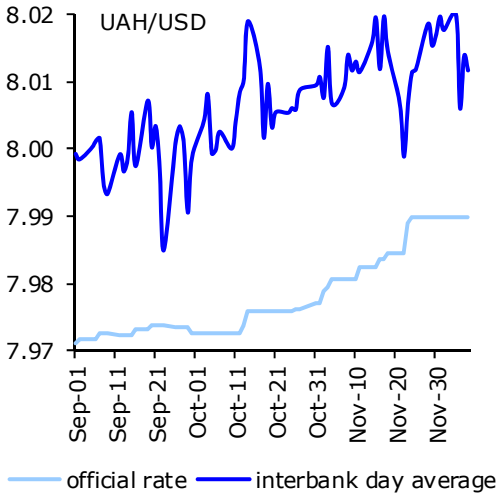
Source: Ukrstat, NBU

Financial markets: Exchange rate remained stable in November

Exchange rate. In November, interbank exchange rate remained stable at near UAH 8.01 per USD. Tight liquidity forced some banks to sell foreign currency to increase hryvnia liquidity. Cash demand was dampened by documentation requirements, while export revenues probably remained stable. The NBU foreign exchange reserves dropped by USD 1.8 bn to USD 32.4 bn due to interventions of USD 0.7 bn and negative effect of the fluctuations in the in USD/EUR, USD/AUD exchange rates. According to the IER estimates the NBU holds around EUR 10 bn and at least AUD 1.5 bn in foreign reserves.

State debt. In November, the Ministry of Finance continued to offer USD-indexed bonds, which were first introduced in September. However, the demand for these bonds was lower as the Ministry of

Exchange rate



Source: NBU

Finance did not want to increase the yields, while the liquidity of banking sector was low. As a result, the Government managed to place only UAH 1.4 bn of 3-years domestic state bonds with average yield of 8.3% p.a., which were likely purchased by the state banks under the support of the NBU. The amount of placement and accumulated at the Single Treasury Account funds allowed the Government to conduct redemptions of principal and interest repayments in time.

On November 30, the Ministry of Finance succeeded to extend the maturity of loan received from the Russian VTB in 2010 for another half a year. This postponement allowed to reduce the debt reimbursement burden at the end of this year and gave chance for the government to replace the loan to long-term bonds in the first half of 2012.

Economic Trends		Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Industrial production (real)	% yoy cum.	10.8	11.0	9.7	8.7	8.6	10.5	9.7	8.5	8.5	8.7	8.7	8.9	8.6	8.2	…
Construction (real)	% yoy cum.	-12.6	-5.4	6.8	14.5	11.4	6.1	6.8	11.6	13.2	14.5	13.6	13.0	11.4	11.7	…
Agricultural production (real)	% yoy cum.	-1.3	-1.0	5.3	3.2	13.7	5.0	5.3	4.0	3.5	3.2	9.1	10.5	13.7	16.6	…
Retail trade turnover (real)	% yoy cum.	5.1	7.6	13.5	15.2	15.2	12.7	13.5	14.9	15.5	15.2	15.0	15.2	15.2	14.9	…
Average wage	UAH	2332	2407	2389	2605	2737	2338	2531	2533	2573	2708	2749	2694	2737	2729	…
CPI	% yoy	10.5	9.1	7.7	11.9	…	7.2	7.7	9.4	11.0	11.9	10.6	8.9	5.9	5.4	5.2
PPI	% yoy	19.2	18.7	20.3	20.0	…	21.4	20.3	20.8	18.8	20.0	20.3	19.9	21.3	16.3	17.3
Exports (USD)*	% yoy cum.	28.6	27.7	40.5	42.5	38.0	46.8	49.2	44.4	43.9	42.5	40.0	39.7	38.0	36.1[e]	…
Imports (USD)*	% yoy cum.	28.2	30.1	52.8	50.8	44.1	64.1	58.5	52.3	52.5	50.8	46.7	46.1	44.1	41.8[e]	…
Merchandise trade balance	USD bn cum.	-4.8	-8.4	-3.0	-5.5	-9.1	-2.1	-3.1	-3.8	-4.6	-5.5	-6.7	-7.8	-9.1	-11.1[e]	…
Current account**	USD bn cum.	-0.5	-2.9	-1.3	-2.9	-5.5	-0.9	-1.3	-1.6	-2.5	-2.9	-3.3	-4.5	-5.5	-7.0[e]	…
Current account	% GDP, cum.	-0.5	-2.1	-3.8	-4.0	x	x	x	x	x	x	x	x	x	x	…
Gross international reserves	USD bn eop	34.7	34.6	36.4	37.6	35	36.7	36.4	38.4	37.9	37.6	37.8	38.2	35.0	34.3	32.4
Monetary Base	% yoy	18.0	15.8	13.7	3.9	8.1	14.0	13.7	14.7	12.1	3.9	5.4	8.8	8.1	5.7	7.1
Lending rate on UAH credits	% pa, aop	13.0	13.6	13.3	13.5	15.5	12.9	13.3	13.0	13.4	14.0	13.9	14.9	15.5	18.7	18.9
Exchange rate (interbank)	USD aop	7.90	7.96	7.95	7.98	7.99	7.95	7.97	7.97	7.98	7.99	7.99	7.99	8.00	8.01	8.0
Exchange rate (official)	USD aop	7.90	7.93	7.94	7.97	7.97	7.94	7.94	7.96	7.97	7.97	7.97	7.97	7.97	7.97	7.98
Exchange rate (official)	EUR aop	10.18	10.79	10.85	11.48	11.27	10.83	11.10	11.49	11.48	11.47	11.38	11.42	11.03	10.91	10.84

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

[e] preliminary estimate 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		Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11
GDP	UAH bn	236.0	276.5	244.1	189.0	214.1	250.3	259.9	219.4	260.2	304.7	310.3	263.6	316.5	385.0[e]
GDP (real)	% yoy	6.2	4.3	-7.8	-19.6	-17.3	-15.7	-6.7	4.8	5.5	3.6	3.3	5.3	3.8	6.6
Household consumption (real)	% yoy	12.6	14.4	4.7	-14.5	-14.5	-14.3	-16.2	1.2	7.8	9.4	9.0	12.7	14.1	…
State consumption (real)	% yoy	2.2	-5.3	7.4	0.2	-1.6	-4.3	-3.7	4.1	-1.9	3.7	5.0	0.1	-0.4	…
Gross fixed capital formation (real)	% yoy	9.1	-3.2	-23.1	-58.0	-55.9	-53.2	-33.7	-7.5	-1.2	12.6	10.6	4.5	8.6	…
Exports of goods and services (real)	% yoy	13.8	21.0	-13.2	-22.2	-34.1	-30.9	6.9	-0.2	10.8	2.6	4.9	19.0	4.9	…
Imports of goods and services (real)	% yoy	29.7	34.8	-11.8	-37.4	-52.3	-47.6	-11.1	-7.8	16.7	20.2	14.3	39.3	24.2	…
Agriculture, hunting, forestry (real)*	% yoy	-4.1	23.8	19.2	-1.1	3.4	2.2	-11.6	4.9	0.1	-3.3	0.3	5.8	1.1	…
Manufacturing industry (real)*	% yoy	5.6	-1.5	-27.0	-33.7	-26.1	-25.6	6.5	14.4	16.1	12.5	15.0	12.9	8.7	…
Construction (real)*	% yoy	-18.7	-33.9	-39.5	-54.2	-42.7	-43.6	-32.8	-12.4	-8.7	7.4	1.3	7.8	21.7	…
Trade, repair services (real)*	% yoy	8.8	-0.7	-6.2	-15.6	-15.7	-22.0	-16.4	1.1	-1.6	1.7	0.3	9.7	1.6	…
Transport(real)*	% yoy	14.6	10.1	-0.3	-13.4	-9.2	-5.7	-0.4	5.5	6.8	5.2	3.0	4.4	5.8	…
Balance of payments															
Current account balance	USD bn	-3.3	-2.1	-3.7	-0.6	-0.2	-0.1	-0.9	0.0	0.5	-1.0	-2.5	-1.3	-1.6	-2.7[e]
Current account balance	% of GDP	-7.0	-3.6	-9.4	-2.6	-0.6	-0.2	-2.7	-0.1	1.6	-2.5	-6.4	-3.8	-4.1	-5.6[e]
Trade balance in goods	USD m	-4171	-3868	-3562	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-2880	-2320	-4.1[e]
Trade balance in services	USD m	308	1341	15	116	432	1256	550	930	1115	1536	823	855	1047	1.5[e]
Current transfers	USD m	833	831	723	632	667	640	722	608	728	797	842	1034	866	978[e]
Direct investment (FDI)	USD m	3091	3324	1058	883	1279	1210	1282	923	1196	1470	2170	882	2284	2088[e]
Portfolio investments	USD m	160	-690	-967	-350	-351	-2286	1428	-307	804	2532	1288	1163	1841	…
Gross international reserves	USD bn	35.5	37.5	31.5	25.4	27.3	28.2	26.5	25.1	29.5	34.7	34.6	36.4	37.6	35.0
Exchange rate(market), UAH/USD	aop	4.79	4.70	6.49	8.09	7.76	7.99	8.06	8.00	7.91	7.90	7.96	7.95	7.98	7.99
Exchange rate(official), UAH/USD	aop	4.96	4.85	6.21	7.70	7.66	7.82	7.99	7.99	7.91	7.90	7.93	7.94	7.97	7.97
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	32.0	29.5	31.6	34.8	30.6	25.5	36.0	30.6	30.0	23.0	32.0	32.0	29.5	28.3[e]
Personal income tax	% of GDP	5.1	4.3	4.9	5.2	5.3	4.4	4.7	4.9	4.8	4.3	4.8	4.9	4.7	4.0[e]
Enterprise profits tax	% of GDP	4.5	5.0	6.3	3.9	3.3	3.7	3.6	4.3	3.0	3.4	4.2	4.4	4.5	3.5[e]
Value-added tax	% of GDP	10.9	9.8	7.8	11.7	8.3	6.4	11.0	9.7	9.7	8.4	9.8	7.4	12.6	9.3[e]
Excise tax	% of GDP	1.3	1.2	1.4	2.0	2.3	2.5	2.6	2.4	2.9	2.5	2.5	2.1	3.0	2.6[e]
Consolidated fiscal expenditures	% of GDP	31.6	27.2	41.2	34.4	36.6	29.6	34.5	32.7	38.2	30.0	37.2	32.1	32.6	25.8[e]
Current expenditures	% of GDP	28.5	22.4	33.8	33.5	34.9	27.0	31.4	32.1	36.9	26.3	32.5	30.8	30.2	23.0[e]
Capital expenditures	% of GDP	3.1	4.8	7.4	0.9	1.7	2.6	3.1	0.6	1.4	3.7	4.7	1.2	2.3	2.9[e]
Consolidated fiscal balance	% of GDP	0.4	1.9	-10.3	0.0	-6.2	-4.5	1.1	-2.0	-7.9	-7.4	-5.6	-0.3	-3.3	3.7[e]
Privatisation receipts	% of GDP	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.1	0.0	0.1	0.2	0.4	3.1	0.0[e]
Labour market															
Average wage (real)	% yoy	6.1	6.3	0.5	-11.7	-8.6	-10.7	-5.7	3.3	8.7	12.3	11.4	11.1	5.5	7.7
Household income (real)	% yoy	10.1	6.6	2.7	-10.8	-6.9	-8.6	-7.6	3.7	11.8	11.0	14.7	8.7	3.4	…
Unemployment rate (ILO methodology)	% cum	6.2	6.0	7.5	9.5	9.1	8.6	8.8	9.0	8.5	8.1	8.1	8.7	8.2	…
Banking system															
Monetary aggregate M0	% yoy cum	48.6	37.9	39.3	33.9	22.8	11.5	1.5	5.4	9.9	17.4	16.5	15.7	11.5	8.6
Monetary aggregate M2	% yoy cum	48.8	37.4	31.0	12.0	5.3	-1.4	-5.4	6.9	13.2	21.6	23.1	25.5	22.0	16.0
Household deposits in national currency	% yoy cum	67.0	53.3	7.5	-10.9	-16.1	-25.4	-8.5	7.1	20.1	38.6	41.4	43.3	26.0	16.7
Household deposits in foreign currency	% yoy cum	32.9	31.2	66.3	31.8	33.0	39.2	4.7	22.8	21.5	17.7	16.9	19.7	21.0	15.7
Com. bank credits in national currency	% yoy cum	70.6	54.9	40.4	27.6	27.8	25.2	16.9	13.6	8.3	6.0	11.2	16.0	18.5	21.1
Com. bank credits in foreign currency	% yoy cum	57.9	53.4	103.6	70.8	48.7	32.4	-15.2	-13.7	-10.5	-13.2	-8.3	-2.1	0.9	-2.3
Long-term com. bank credits	% yoy cum	67.2	50.9	73.3	50.8	37.3	29.9	-3.8	-3.9	-2.8	0.6	-0.5	5.0	6.3	5.3
Long-term com. bank credits	% of total	68.6	66.8	69.8	69.9	68.2	67.3	68.1	68.5	68.9	67.5	66.3	67.2	66.6	64.4
Average lending rate on national currency credits	% p.a.	17.6	17.7	21.6	26.2	19.1	17.5	19.8	17.3	15.0	13.0	15.0	13.1	13.5	14.1
Average lending rate on foreign currency credits	% p.a.	11.9	12.4	11.9	9.6	9.6	10.0	10.1	10.9	11.1	10.3	10.1	10.2	9.8	8.8

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added
[e] preliminary NBU estimates for balance of payments, GDP estimate by IER

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