Monthly Economic Monitor Ukraine

- Public administration reform brought about only limited changes.
- Real GDP growth slowed to 3.4% yoy in the third quarter of 2010 due to change in net exports.
- Grain export quotas were extended until March.
- Financial account surplus was only USD 0.3 bn as demand for foreign cash continued in November.
- The State Budget Law for 2011 was approved with a central fiscal deficit at 3.1% of GDP.
- Social standards will be increased in line with officially projected inflation in 2011.
- Total central fiscal transfer to the Pension Fund is expected to remain high at 18.1% of fiscal expenditures in 2011.
- Consumer inflation was 9.1% yoy in December due to limited consumer demand and government actions.
- In December demand for cash foreign currency was at its highest level since September 2008.
- HIGHLIGHT OF THE MONTH: 2010

No.1 (123)
January
2011

Population: 45.9 m
Industry/GDP: 27%
Agriculture/GDP: 8%
Investment/GDP: 18%
Exports to: Russia 25%, EU 28%
Imports from: Russia 22%, EU 35%

Politics: Public administration reform introduced only quantitative changes

On December 9 President issued Decree "On optimization of central executive authorities," which launched an administrative reform in Ukrainian government. The Decree reduces number of ministries from 20 to 16. The Cabinet's Secretariat is reduced by at least 50 percent, while the posts of vice-prime ministers are combined with ministerial portfolios. The number of civil servants is to be reduced by at least 30 percent. The central executive authorities other than ministries are reorganized in the bodies of three types: services, agencies and inspections or merged with other bodies.

Reducing number of state bodies and civil servants has some advantages including less redundancy in civil service. However the reform has been criticized by the experts, as it addresses the existing problems of low institutional capacity in Ukraine only superficially. Reorganizations of state bodies may destroy pockets of efficient governance and institutional memory that existed in the system. Besides, the reform is not accompanied by the qualitative steps designed not only to reorganize, but also improve the efficiency and transparency of public service.

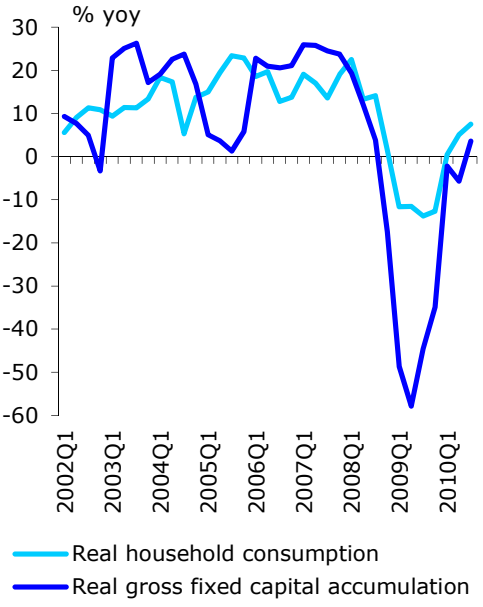
Real sector: Real GDP increased by 3.4% yoy in the third quarter of 2010

According to Derzhkomstat data, real GDP grew by 3.4% yoy in the third quarter of 2010, as compared with 5.9% yoy growth observed in the second quarter. On the one hand. negative contribution of net exports to growth increased as weak growth of real exports was accompanied real imports growth by 19.9% yoy. On the other hand, domestic demand became a central driving force for real GDP growth. Real final consumption of households and real gross fixed capital accumulation grew by 7.5% yoy and 3.6% yoy, respectively. On production side, the major contributors to real GDP growth were manufacturing industry and retail trade while agriculture contracted its gross value added by 3.3% yoy due to low harvest.

In November 2010, industrial production growth has decelerated to 9.9% yoy primarily owing to decline in output in refineries by 36.4% yoy. Production of chemical products slowed down to 17.4% yoy. At the same time, growth of output in steel industry accellerated by 10.9% yoy due to low statistical base of the previous year. Construction materials production hiked by 17.4% yoy due to concrete output growth by 36.1% yoy.

Freight turnover decelerated again in November and grew by 6.3% yoy over eleven months of the year. It was constrained by fall in

Quarterly consumption and investments trends



Source: Derzhkomstat

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transportation of grain (by 39% yoy) and contraction of oil transit (by 30.7% yoy). Construction volumes continued to improve and decline contracted to 8.2% yoy between January and November 2010. Retail trade turnover accelerated to 6.8% yoy over eleven months of 2010 driven by strong consumer demand, while agriculture output declined by 1.3% yoy due to deceleration of animal husbandry output.

Sectoral trends: Grain export quotas extended until March

Agriculture. Government extended validity of the grain export quotas until March 2011. Government allowed exports of additional 0.5 m tonnes of wheat (mixture of wheat and rye) and 1.5 m tonnes of corn. Previously export quotas were set to expire in December 2010. Quota allocation mechanism remained non-transparent. The time period for application is only seven days. Also traders are required to obtain confirmation from the Ministry of Agricultural and Food Policy verifying the availability of grain stocks to be exported. The confirmation procedure was left to discretion of the Ministry. As a result many companies couldn't apply for quotas. Prolongation of the restrictions would further harm the agricultural sector. According to estimates by producer associations, it is already lost USD 2 bn due to introduction of quotas in November.

Energy. On December 1, Ukraine signed bilateral agreement with Russian OJSC 'Gazprom' that provided Ukrainian side with the guarantees on gas transit over the next 5 years. According to the agreement, Gazprom is obliged to transit at least 112 bn cubic meters (cm) of natural gas through Ukraine territory annually. Additionally, Gazprom made an USD 1.5 bn advance on transit fees. This guarantee is expected to make the gas transit volumes more predictable in mid-term and to foster the investments in Ukrainian gas transit facilities.

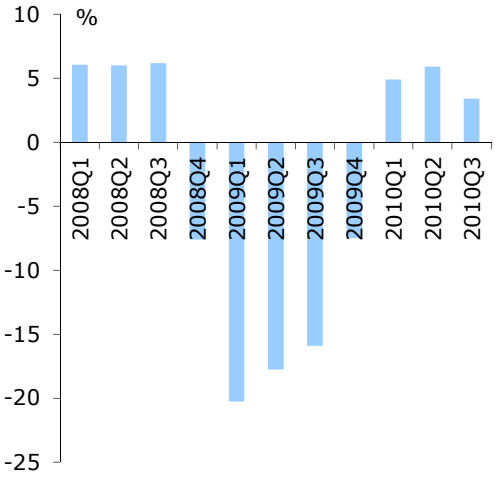
On December 15, the Verkhovna Rada ratified the Protocol of Accession to Energy Community signed in September in Skopje (Macedonia). The Protocol is a very important framework agreement that foresees Ukraine's obligation to unify legislation on energy sector with EU norms. Besides, the agreement contains schedule of implementation of the provisions the EC directives in national legislation. According to it, Ukraine promised to reform gas and electricity markets to be more competitive. Also, the legislative changes are expected to make investments in Ukrainian gas market more attractive.

Transport. The EU agreed to grant EUR 65 m to Ukraine to implement transport strategy within framework of Sector Budget Support. This amount is earmarked for implementation of institutional reforms, increase of safety, improvements in transport infrastructure and transport flows as well as strengthening of administrative capacities. The general aim of the EU's assistance is to achieve goals set in Priorities for Action jointly agreed by Ukraine and the EU.

Telecommunications. At the end of 2010 the National Commission for Communications Regulation was granted with additional powers, in particular to determine telecom operators with significant market power and to set fees for traffic transmission (transit and termination). Also it now can set tariffs for use of telephone channels, 90% of which belongs to the state incumbent Ukrtelecom. Those provisions should ensure fair access for all telecom companies to channels network and to networks of each other. Therefore, it is expected that competition will be fair and consumers will not suffer from monopolistic abuses.

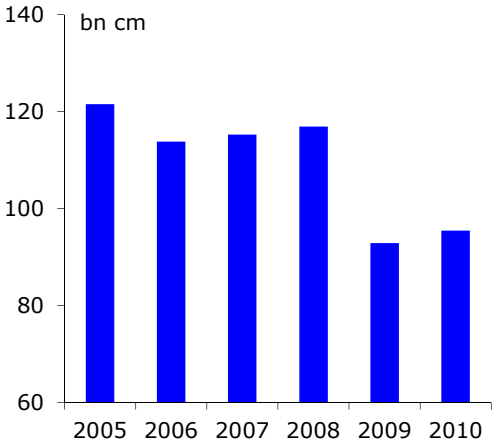
Privatization. Privatisation auction of national telecommunication operator "Ukrtelecom" scheduled in December did not take place. Although six companies were initially interested in the company, only subsidiary of Austrian EPIC decided to participate. Other interested parties including potential Ukrainian investors SCM and MTS did not take part in the action. According to auction rules, single bidder will be offered to pay independently assessed price. Assessor was

Real GDP growth



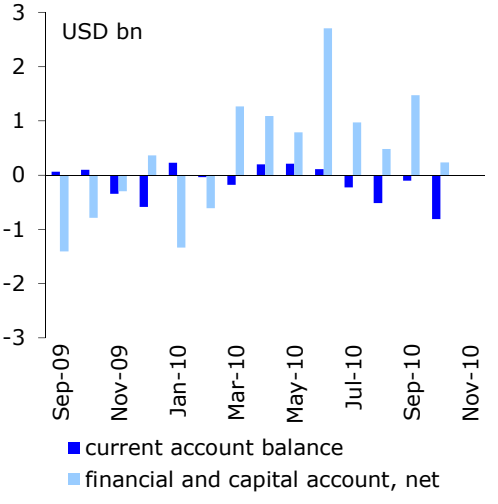
Source: Derzhkomstat

Natural gas transit through Ukraine to Europe



Source: Derzhkomstat; NJC 'Naftogas'

Balance of payments



Source: NBU preliminary estimates

selected in January and result is expected in February. Bidder will have to pay the higher of the assessment price or starting price of UAH 10.5 bn. Thus, even the reduced privatization plan of UAH 6.3 bn was executed only by 15% in 2010. If the sale of Ukrtelecom will happen in February the new target defined in the State budget at UAH 10 bn will be immediately reached.

External sector: Current account deficit decreased to USD 0.5 bn

In November 2010, current account deficit shrank to USD 0.5 bn from USD 0.8 bn in October. Current account deficit contracted as merchandise exports growth accelerated to 28.2% yoy in dollar terms from 15.0% yoy in October. Increased steel prices and resumption of mineral products exports were the main drivers of exports growth in November.

Financial and capital account surplus in November remained small at USD 0.3 bn. Ukrainian economy received net FDI inflow at USD 0.7 bn in November and state-owned companies attracted USD 1 bn with government guarantees. However, high demand for foreign cash continued unabated as USD 1.5 bn of cash foreign currency left banks.

Fiscal policy: State Budget Law for 2011 is based on new tax regulation

Budget 2011. In December the Parliament approved the 2011 Budget. The Law is based on provisions of new Budget and Tax Codes. The fiscal parameters are based on realistic macroeconomic forecast. Central fiscal revenues are planned to increase to UAH 281 bn or by near 17% from 2010 figures. At the same time, central fiscal expenditures will grow slower reaching UAH 322 bn against the background of reduction in central fiscal deficit. Social standards will grow in line with officially projected inflation, which limits increase in expenditures for social protection and wage payments. There were no other significant changes in expenditure side planning. The central fiscal deficit, planned at 3.1% of GDP, is to be financed primarily at the expense of borrowings.

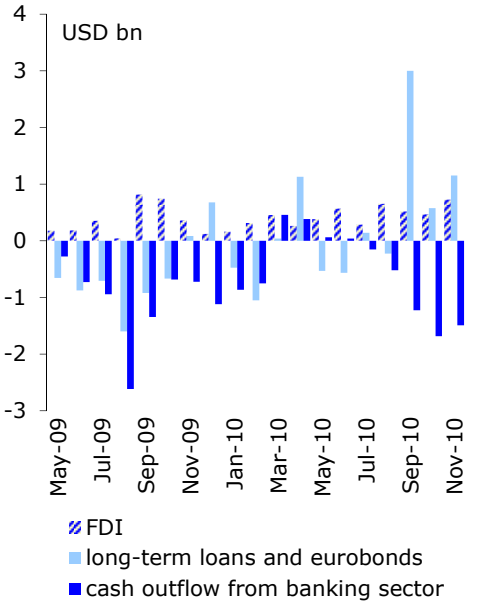
Budget Execution. According to the preliminary information of the State Treasury central fiscal revenues reached UAH 241 bn in 2010, which is by 14.6% higher than in 2009. They were mostly in line with revised target for fiscal revenues.

Social policy: The Pension Fund remains in deficit in 2011

Social standards in 2011. Social standards in 2011 are planned to be increased in line with officially expected inflation. In particular, subsistence minimum for general population will be gradually raised and in December 2011 will increase by 8.9% yoy. Minimum pension will reach UAH 800 in December, growing by 9.0% yoy. As the pension reform have not been done yet the Pension Fund will remain in deficit. The central fiscal transfer for financing Fund's deficit is expected to reduce to UAH 17.8 bn as growth of pensions will be outpaced by increase in wages subject to pension contributions. Total central fiscal transfer to the Pension Fund is planned at UAH 58.3 bn, which accounts for 18.1% of central fiscal revenues.

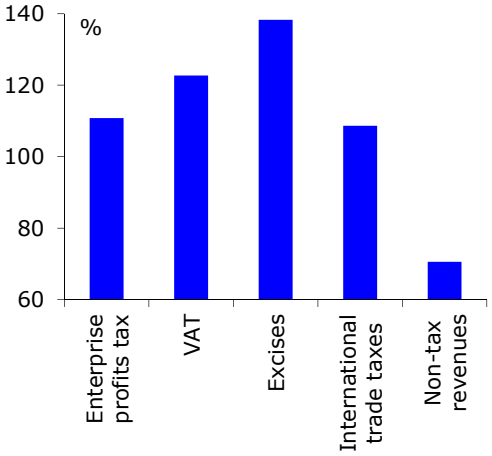
Household income. Real disposable income increased by 11.0% yoy in the third quarter of 2010 due to growth of all main components. While real wage income grew by 11.3% yoy, real income received from social assistance and current transfers increased by 9.1% yoy. As a result, share of received wages in total household income increased to 40.8% as compared to 36.0% share of social payments and current transfers. Real income from interest payment continued growing, while payments for debt servicing were lower than in the third quarter of 2009.

Selected financial account components



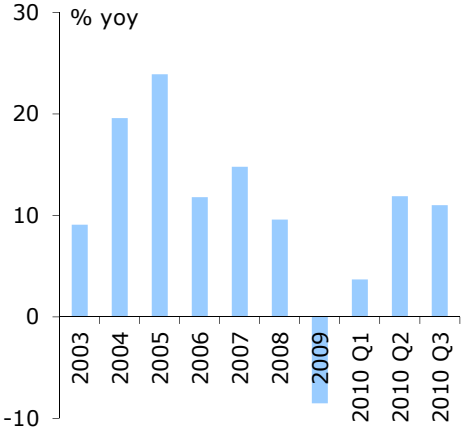
Source: NBU preliminary estimates

Planned central fiscal revenues in 2011 as compared to 2010*



* comparison with ammended planned indicators for 2010
Source: State Treasury reports, State Budget Laws

Real disposable household incomes



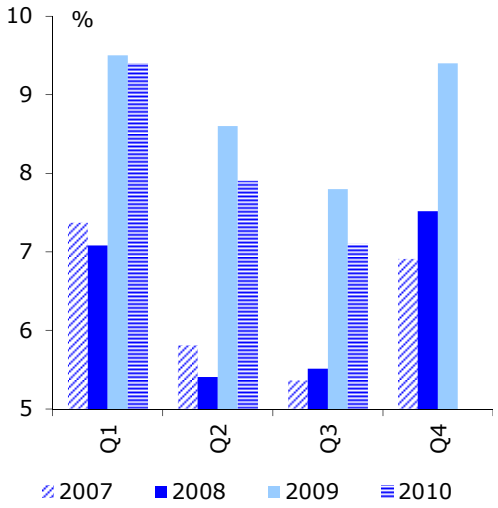
Source: Derzhkomstat

Labour Market: Real minimum wage will remain unchanged

Wages in 2011. According to the State Budget Law for 2011 minimum wage will be gradually increased from UAH 941 in January to UAH 1004 in December. In real terms, it will remain close to the level of 2010 as in December it will grow by 8.9% yoy, which is officially projected inflation for the year. Minimum wage increases will remain one of the drivers of nominal wage growth in economy. The base rate of the Unified Tariff Scale used to determine wages for employees in public sector will be also gradually increased, but remain at 65.1% of the minimum wage. Therefore, large part of public sector employees will receive minimum wage as base salary in 2011.

Unemployment rate. The unemployment rate (ILO methodology) declined to 7.1% of economically active population between 15 and 70 years old in the third quarter of 2010 as compared to 7.8% in the same period of 2009. However, unemployment remained significantly higher than in 2008. Growth in industry contributed to larger decrease of unemployment rate among males and in urban settlements. The unemployment rate had likely increased in the fourth quarter of 2010 due to seasonal factors.

Unemployment rate (ILO)



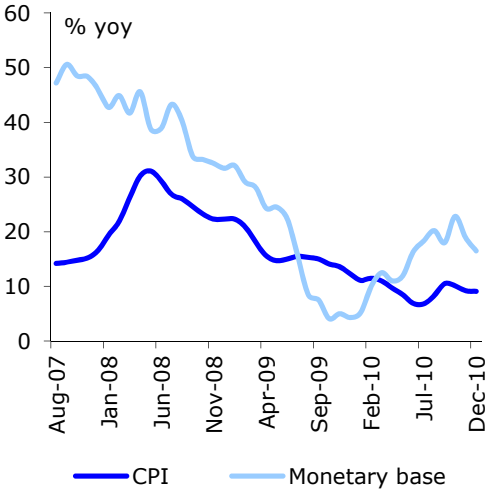
Source: Derzhkomstat

Monetary policy: Inflation changed to 9.1% yoy in December

In December, consumer inflation was 9.1% yoy. Thus, December inflation was in single digits for the first time since 2003. A number of factors contributed to low inflation. On the one hand, inflation pressure was limited by relatively weak consumer demand and gradually falling inflation expectations. It is also one of the main reasons for core inflation of 7.9% yoy in December. On the other hand, government exerted pressure on producers to contain prices increases and postponed a number of utility tariff increases for the following year. Thus government limited price growth in the short term but threatened price stability in the longer run.

Money supply reached UAH 598.4 bn in December and grew by 22.8% yoy, while monetary base increased by 16.5% yoy. Money supply grew faster than monetary base as cash returned to banking system. Share of cash in money supply decreased to 30.6% from 32.2% in December 2009. Reserve ratio (defined as (monetary base-cash in circulation)/(money supply-cash in circulation)) also decreased to 10.3% from 11.5% a year ago as banks increased lending somewhat. At the same time, reserve ratio is still much higher than pre-crisis levels. This constrained growth of money aggregates.

CPI and monetary base development



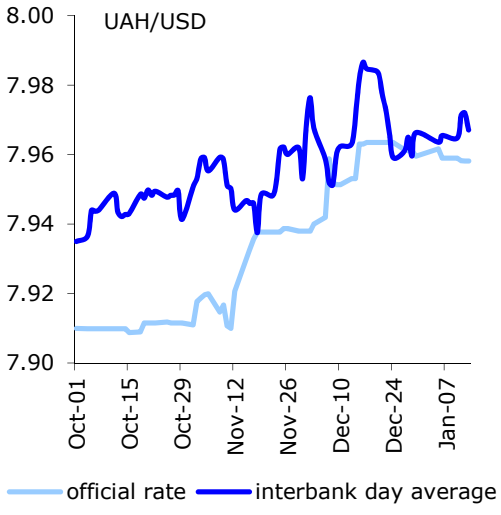
Source: Derzhkomstat, NBU

Financial markets: Demand for foreign cash reached new high

Exchange rate. In December, banks sold over USD 3.5 bn of cash foreign currency to population and shadow economy. It is a number unseen since September 2008. At the same time supply of foreign cash was only USD 1.8 bn. Demand for cashless foreign currency was also high due to end-of-year payments of trade debt and other scheduled external debt payments. Although supply of foreign currency was also significant NBU continued interventions to support hryvnia with net sales of foreign currency of USD 0.6 bn. NBU also allowed interbank UAH/USD exchange rate to edge closer to UAH 8 per USD with maximum of UAH 7.99 per USD observed in the middle of the month.

Banking sector. In December, household deposits grew by 28.5% yoy including 41.2% yoy increase in deposits in national currency. Household deposits grew thanks to rising disposable income and renewed trust in banking sector. In nominal terms household deposits in national currency are 10.5% higher than pre-crisis (September 2008) level while deposits in foreign currency increased by 4.2% (in dollar equivalent). Corporate deposits in national currency grew by 34.1% yoy reflecting improved financial situation of the real sector. Still they were lower than in September 2008.

Exchange rate



Source: NBU

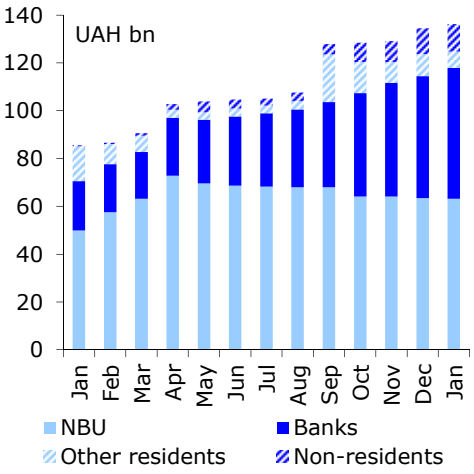
In December bank loans in national currency to corporations decreased slightly from November level but they still grew by 13.5% yoy. Corporations were the main target of bank lending in 2010. At the same time, banks were reluctant to lend to households. National currency loans to households decreased by 2.1% yoy in December. Households continued to pay down foreign currency debt that was issued in large part before crisis. In December, it decreased by a third from September 2008 level in dollar terms.

State debt. In 2010 the state debt continued growing rapidly. It increased by near 35% due to both higher domestic and external borrowing. In 2010 the Government issued UAH 70.7 bn of domestic state bonds including VAT-bonds and bonds for recapitalisation of banks and NJSC Naftogaz. During the year the yields on the state bonds reduced from over 20% to near 10%. The share of domestic state bonds by nominal value in NBU portfolio declined from 59.7% in the end of 2009 to 46.5% in the end of 2010. At the same time, banks and non-residents increased their shares in total bonds outstanding to 40.2% and 8.3%, respectively.

In December, Ukraine received USD 1.5 bn instalment of IMF loan under the Stand-by program. Thus, IMF recognized that Ukraine complied with terms of the loan. USD 1 bn of the new instalment will be transferred to budget. Overall, Ukraine received USD 3.4. bn from the IMF in 2010.

Besides, in the last month of the year the Government issued 1-year Eurobonds at USD 0.5 bn with yield 6.7% p.a. As a result, total Eurobonds issue reached USD 2.5 bn in 2010. At the same time, the Government successfully reimbursed Yen-bonds issued in 2006 at near USD 427 m.

Structure of state domestic bonds by holders in 2010*



*By principal
Source: NBU

Highlight of the month: Year 2010

THE YEAR IN REVIEW

In 2010 Ukraine was in transition, economic as well as political. Economy has started growing; however, consequences of crisis were still felt. Political stability returned to Ukraine but at what price is still unclear. Country had its share of failures as well as successes. Below is a review of the main features of the past year.

Politics

- After the presidential elections the President, Government and Parliament - were under the control of one party. Thus previous period of political instability came to an end government policies became better coordinated.
- However, the methods of consolidating power were questionable and drew warnings from the Western partners on Ukraine's adherence to democratic values. In particular, Constitutional reform was abolished and criminal prosecution of political opponents was initiated called. As a result, Ukraine has been classified as a "partly free" country in the Freedom House's annual survey "Freedom in the World".
- Kharkiv accords of April 21 are a controversial step in Kyiv's relations with Moscow. In particular, lease of the Black Sea Fleet base in Crimea was extended until 2042 in exchange for a dubious discount on gas prices for Ukraine.
- Accession to Energy Community Treaty in September and the Action Plan on visa-free regime for short trips to the EU countries granted in November were among Ukraine's achievements in relations with the EU.

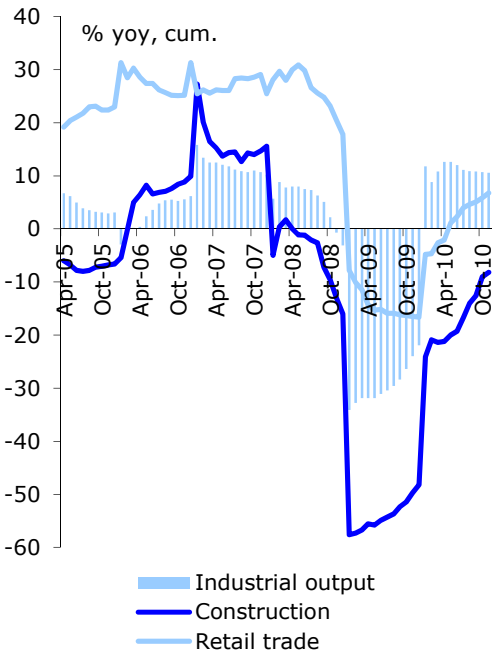
Real sector

- Ukrainian economy has slowly started recovering from the crisis. Real GDP grew by 4.6% yoy over three quarters of 2010 restricted by weak growth of consumption, stagnant investments and unstable export.
- Industrial production grew only by 10.6% yoy between January and November of 2010 as compared to the fall by 24.0% yoy over the same period of 2009. Output in most industries remained below pre-crisis level.

Energy

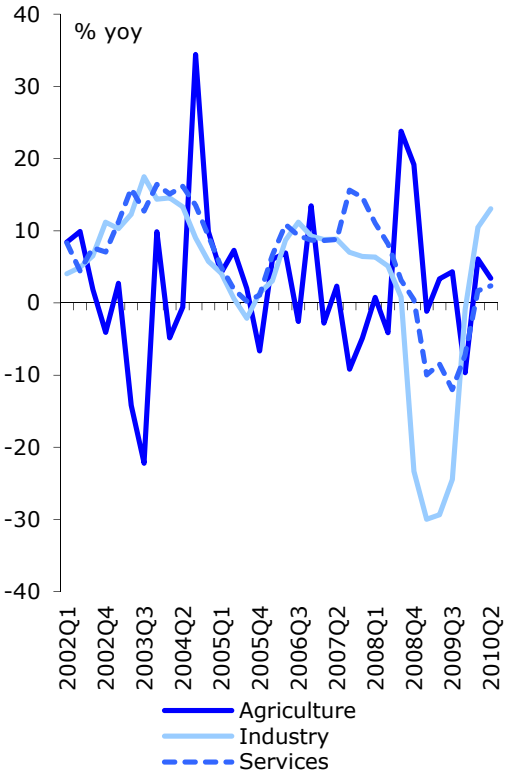
- The gas market reform has been *de jure* started with the approval Law "On principles of operations on the natural gas market". It is expected to bring the European standards of gas market organization in Ukraine. Ukraine joined the Energy Community with the same aim. However, no few actual measure were implemented in 2010.
- In April 2010, Ukraine received discount for natural gas imported from Russia. Price was decreased by USD 100 per thousand cm for the following 10 years starting from the second quarter of 2010. However, even discounted price was close to those paid by other Gazprom clients in gas negotiations.
- Ukraine started raising gas tariffs to the cost-covering level to improve the financial state of the Naftogaz and reduce cross-subzidization. Starting from August 1, the prices for natural gas for population and utilities were raised by 50%.
- The former gas intermediary in Ukrainian market – "RosUkrEnergo AG" – won the arbitration against "Naftogas" in the Arbitration Institute of the Stockholm Chamber of Commerce and successfully enforced the decision in Ukraine. As a result, NJS "Naftogas" was obliged to transfer 12.1 bn cm of natural gas to "RosUkrEnergo AG", while "RosUkrEnergo AG" has to pay USD 1.7 bn to "Naftogas". It means up to USD 2 bn of losses to Naftogas.

Real sector trends



Source: Derzhkomstat

GVA by major sectors



Source: Derzhkomstat

Agriculture

- Agricultural performance somewhat deteriorated in 2010 compared to 2009. Decrease in harvest by 15% resulted in a slight fall of agricultural output by 1.3% yoy between January and November 2010.
- Export restrictions severely disturbed the market entailing losses to the sector comparable with budget support level.
- Livestock production increased by 4.1%, which would support the investor's attention in 2011.

Transport

- Prices for transport services stopped growing as transport flows weres 2009 indicators.
- Debt burden of major state-owned monopolies (Ukrzaliznytsia and Ukravtodor) increased without noticeable infrastructure improvements and reforms.

Telecommunications

- The sector regulator was granted with powers to regulate access to networks of telecom operators and, therefore, to prevent monopolistic abuses.

External Sector

- Foreign capital returned to Ukraine in force. Financial account deficit of USD 12.9 bn in the first eleven months of 2009 became USD 7.2 bn surplus between January and November 2010.
- International trade grew along with the world economy but remained below 2007 level in dollar terms.

Fiscal policy

- The Government moved forward fiscal reforms. The Tax Code and new version of the Budget Code were approved. However, reforms remained far from complete. There is a need for further decentralisation and decision on reform of the simplified taxation system.
- During the year, the Government elaborated and the Parliament passed 2010 and 2011 Budgets. The fiscal parameters for 2010 approved in April turned out to be too optimistic. This resulted in budget sequester already in July. At the same time, the fiscal indicators for 2011 look rather realistic.
- As in previous year, privatisation receipts remained low. Central fiscal deficit was financed at the expense of substantial domestic and external borrowing.

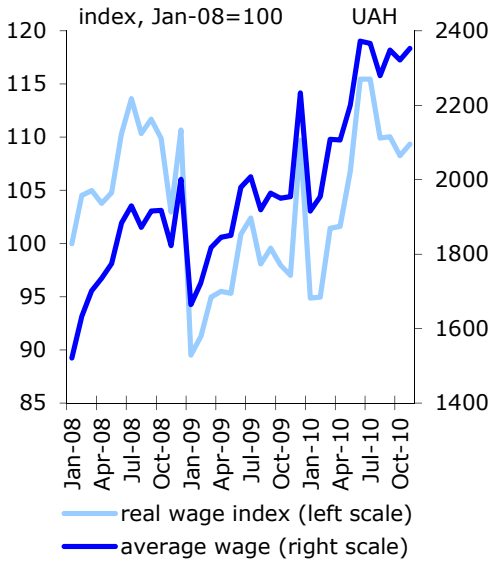
Social policy

- The Parliament approved the Law on the Unified Social Contribution, which combines pension insurance contribution and three social insurance contributions. The Law results in lower administrative burden on business, but not in lower payroll.
- Real disposable income returned to growth after fall in 2009. Wage incomes became more important source of household income as increase in social payments and current transfers was restricted by available fiscal revenues.
- As in previous year pensions were paid in full although it required substantial central fiscal transfer and short-term loans provided by the State Treasury.

Labour market

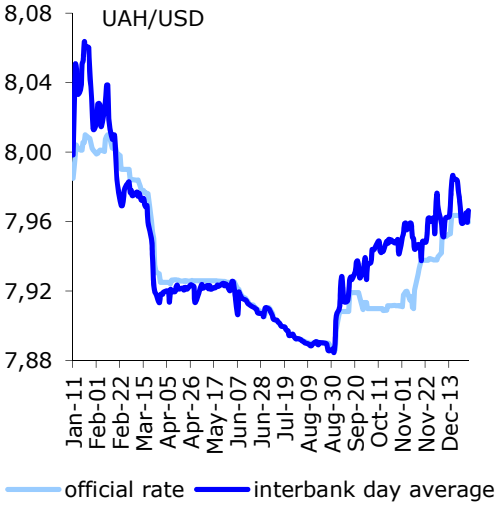
- Parliament failed to approve Labour code despite heated discussions. Current Code was approved in 1971.
- Social partners finally signed The General Agreement for 2010-2012 in November 2010. They have failed to agree on the level of minimum wage, but agreed to move its level towards 45% of average wage.

Average wage



Source: Derzhkomstat

Exchange rate in 2010



Source: NBU

- Labour market became stronger than in 2009, but still remained weak. Average wage was growing in all sectors of economy against the background of improved economic situation.
- Economic growth was insufficient to return unemployment rate measured according to the ILO methodology to the level before the crisis.

Monetary policy

- CPI growth in Ukraine returned to single digits due to government intervention.
- National bank returned to tight control over the exchange rate as UAH/USD exchange rate remained in UAH/USD 7.88-8.06 range through the year.

Financial markets

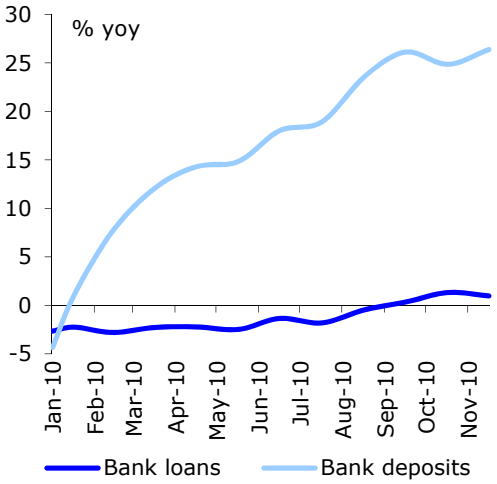
Banking sector

- Banking sector stabilized and deposits exceeded pre-crisis levels.
- Banking sector remained in trouble as problem loans continued to accumulate and a number of banks continued to post losses.

State debt

- Domestic and external state debt continued growing rapidly. The Government issued external state bonds for the first time since 2007. The loans were received from the IMF and Russian VTB.

Growth of bank loans and deposits



Source: NBU

Economic Trends		Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Industrial production (real)	% yoy cum.	-28.4	-21.9	10.8	12.0	10.8	…	12.6	12.0	11.1	10.9	10.8	10.7	9.9	…
Construction (real)	% yoy cum.	-52.4	-48.2	-21.4	-19.3	-12.6	…	-20.0	-19.3	-16.7	-14.0	-12.6	-9.0	-8.2	…
Agricultural production (real)	% yoy cum.	3.3	0.1	5.3	3.4	-1.3	…	4.5	3.4	-0.6	-4.1	-1.3	-1.2	-1.3	…
Retail trade turnover (real)	% yoy cum.	-16.2	-16.6	-2.6	2.3	5.1	…	1.1	2.3	4.0	4.6	5.1	5.9	6.8	…
Average wage	UAH	1940	2046	1993	2227	2332	…	2201	2373	2367	2280	2349	2322	2353	…
CPI	% yoy eop	15.0	12.3	11.0	6.9	10.5	9.1	8.5	6.9	6.8	8.3	10.5	10.1	9.2	9.1
PPI	% yoy eop	1.6	14.3	18.6	25.5	19.2	18.7	27.9	25.5	24.4	23.3	19.2	19.8	18.9	18.7
Exports (USD)*	% yoy cum.	-43.7	-40.7	22.1	28.9	31.6	…	31.4	33.5	33.3	33.2	32.1	29.9	29.3[e]	…
Imports (USD)*	% yoy cum.	-49.3	-46.9	18.5	24.7	34.9	…	25.9	29.6	30.1	31.8	32.2	33.5	35.7[e]	…
Merchandise trade balance	USD bn cum.	-3.7	-5.7	-1.2	-2.0	-4.8	…	-2.1	-2.5	-3.5	-4.6	-5.4	-6.9	-7.0[e]	…
Current account**	USD bn cum.	-1.1	-1.8	0.0	0.5	-0.3	…	0.2	0.5	0.0	-0.6	-0.3	-1.1	-1.6	…
Current account	% GDP, cum.	-1.3	-1.5	-0.7	0.8	-0.3	…	x	x	x	x	x	x	x	x
Gross international reserves	USD bn eop	28.2	26.5	25.1	29.5	34.7	34.6	26.7	29.5	30.9	32.7	34.7	34.3	33.5	34.6
Monetary Base	% yoy eop	7.5	4.4	12.5	16.3	18.0	15.8	11.9	16.3	18.3	20.2	18.0	22.8	18.9	15.8
Lending rate on UAH credits	% pa, aop	17.9	19.8	17.4	14.8	13.0	13.6	14.6	14.1	13.5	12.6	13.0	13.1	12.8	15.0
Exchange rate (interbank)	USD aop	8.00	8.06	8.00	7.92	7.90	7.96	7.92	7.91	7.90	7.89	7.92	7.95	7.95	7.97
Exchange rate (official)	USD aop	7.82	7.99	7.99	7.92	7.90	7.93	7.93	7.92	7.90	7.89	7.91	7.91	7.93	7.96
Exchange rate (official)	EUR aop	11.18	11.81	11.07	10.10	10.18	10.79	10.00	9.67	10.06	10.18	10.29	10.99	10.87	10.50

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
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	948.1	914.7
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.4
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1	-15.1
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-21.9
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5	0.1
CPI	% yoy aop	28.2	12.0	0.8	5.2	9.0	13.5	9.1	12.8	25.2	15.9
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3
PPI	% yoy aop	20.9	8.6	3.1	7.6	20.5	16.7	9.6	19.5	35.5	6.5
PPI	% yoy eop	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	23.0	14.3
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.2	27.5	33.8	-36.7
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	35.5	38.6	-43.1
Current account	USD bn	1.5	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.9	-1.9
Current account	% GDP	4.7	3.7	7.6	5.9	10.6	2.9	-1.5	-3.7	-7.2	-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
International reserves	USD bn	1.5	3.1	4.4	6.9	9.7	19.4	22.4	32.5	31.5	26.5
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5	-2.4
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
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
Monetary base	% yoy eop	39.9	37.4	33.6	30.1	34.1	53.9	17.5	46.0	31.5	4.4
Exchange rate	USD aop	5.44	5.37	5.33	5.33	5.32	5.12	5.05	5.05	5.27	7.79
Exchange rate	USD eop	5.44	5.30	5.33	5.33	5.31	5.05	5.05	5.05	7.70	7.98
Exchange rate	EUR aop	5.03	4.81	5.03	6.02	6.61	6.39	6.34	6.92	7.71	10.87
Exchange rate	EUR eop	5.10	4.67	5.53	6.66	7.22	5.97	6.65	7.42	10.86	11.68

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	**Derzhcomstat**	State Statistics committee of Ukraine
yoy	year-on-year change	**gs**	goods and services		

Quarterly trends

National accounts		Q2 07	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
GDP	UAH bn	165.1	197.4	212.8	187.7	233.7	275.8	252.7	188.0	213.7	251.3	261.7	218.1	262.4	303.7
GDP (real)	% yoy	8.6	6.2	7.4	6.3	6.2	6.4	-8.0	-20.2	-17.8	-16.0	-6.8	4.9	5.9	3.4
Household consumption (real)	% yoy	15.5	15.2	19.0	22.5	13.3	16.7	1.6	-15.1	-14.3	-13.7	-13.8	0.5	5.1	7.5
State consumption (real)	% yoy	6.2	4.4	2.4	-0.2	1.3	-0.2	0.2	0.5	-5.4	-7.9	-8.7	0.5	-0.7	4.2
Gross fixed capital formation (real)	% yoy	23.5	18.9	23.8	19.4	12.0	0.1	-17.4	-53.9	-51.3	-48.8	-29.9	-2.2	-5.7	3.6
Exports of goods and services (real)	% yoy	5.2	0.1	5.6	4.4	7.2	18.9	-10.4	-25.8	-37.9	-34.0	3.2	7.0	14.9	6.0
Imports of goods and services (real)	% yoy	19.6	13.7	27.2	23.8	24.4	31.8	-4.2	-38.1	-52.5	-46.3	-10.2	2.4	24.9	19.9
Agriculture, hunting, forestry (real)*	% yoy	6.8	-9.3	7.1	0.5	-0.5	21.9	20.7	-1.1	3.3	4.3	-9.7	6.1	3.4	-3.3
Manufacturing industry (real)*	% yoy	13.2	13.1	4.4	9.0	9.4	1.8	-22.6	-35.8	-32.9	-28.6	-5.0	12.4	14.7	12.8
Construction (real)*	% yoy	8.2	12.7	5.8	-1.5	-6.3	-17.0	-32.7	-54.3	-47.0	-46.5	-38.2	-19.2	-15.5	1.1
Trade, repair services (real)*	% yoy	17.5	25.3	15.0	15.7	10.9	2.2	-13.9	-13.2	-13.2	-19.1	-16.6	2.2	4.2	10.8
Transport(real)*	% yoy	5.6	8.0	10.2	10.2	14.1	10.8	-4.3	-14.4	-11.2	-9.6	-1.1	3.6	5.0	3.7
Balance of payments															
Current account balance	USD bn	-0.6	-0.3	-3.26	-3.7	-3.4	-2.1	-3.7	-0.6	-0.2	-0.1	-0.9	0.0	0.5	-0.8
Current account balance	% of GDP	-1.9	-0.8	-7.7	-10.0	-7.1	-3.7	-9.2	-2.6	-0.6	-0.2	-2.7	0.0	1.6	-2.2
Trade balance in goods	USD m	-1701	-2684	-4452	-4490	-4171	-3868	-3562	-882	-622	-1396	-1407	-1229	-818	-2793
Trade balance in services	USD m	448	1614	308	77	308	1341	15	116	432	1256	550	937	1222	1569
Current transfers	USD m	844	947	1016	740	833	831	723	632	667	640	722	642	749	815
Direct investment (FDI)	USD m	1934	3927	1648	2430	3091	3324	1058	883	1279	1210	1282	923	1213	1453
Portfolio investments	USD m	1477	616	1844	217	160	-690	-967	-350	2286	1428	1396	-312	806	2532
Gross international reserves	USD bn	25.9	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
Exchange rate(market), UAH/USD	aop	5.02	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
Exchange rate(official), UAH/USD	aop	5.05	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
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	32.8	30.8	31.1	32.9	32.0	29.5	31.6	35.0	30.6	25.4	35.8	30.8	29.8	23.1
Personal income tax	% of GDP	5.3	4.9	4.8	5.2	5.1	4.3	4.9	5.2	5.3	4.4	4.7	4.9	4.7	4.3
Enterprise profits tax	% of GDP	4.1	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
Value-added tax	% of GDP	9.8	8.7	7.6	10.6	10.9	9.8	7.8	11.8	8.3	6.4	10.9	9.8	9.6	10.1
Excise tax	% of GDP	1.7	1.6	1.3	1.5	1.3	1.2	1.4	2.0	2.4	2.5	2.6	2.4	2.9	2.5
Consolidated fiscal expenditures	% of GDP	31.0	29.6	36.7	29.8	31.6	27.2	41.2	34.6	36.7	29.5	34.3	32.9	37.9	30.1
Current expenditures	% of GDP	28.4	25.9	27.3	28.9	28.5	22.4	33.8	33.7	35.0	26.9	31.2	32.3	36.6	26.4
Capital expenditures	% of GDP	2.6	3.7	9.4	1.0	3.1	4.8	7.4	0.9	1.7	2.6	3.1	0.6	1.3	3.7
Consolidated fiscal balance	% of GDP	1.7	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
Privatisation receipts	% of GDP	0.5	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
Labour market															
Average wage (real)	% yoy	11.7	12.7	13.4	13.4	6.1	6.3	0.5	-11.7	-8.6	-10.7	-5.7	3.3	8.7	12.3
Household income (real)	% yoy	17.4	14.9	16.4	19.0	10.1	6.6	2.7	-10.8	-6.9	-8.6	-7.6	3.7	11.8	11.0
Unemployment rate (ILO methodology)	% cum	6.6	6.2	6.4	7.1	6.2	6.0	7.5	9.5	9.1	8.6	8.8	9.0	8.5	8.1
Banking system															
Monetary aggregate M0	% yoy cum	30.6	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
Monetary aggregate M2	% yoy cum	40.7	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
Household deposits in national currency	% yoy cum	56.3	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
Household deposits in foreign currency	% yoy cum	43.8	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
Com. bank credits in national currency	% yoy cum	57.2	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
Com. bank credits in foreign currency	% yoy cum	97.4	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
Long-term com. bank credits	% yoy cum	86.5	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
Long-term com. bank credits	% of total	67.3	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
Average lending rate on national currency credits	% p.a.	13.9	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
Average lending rate on foreign currency credits	% p.a.	11.4	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

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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