Monthly Economic Monitor Ukraine

- Russia tried to convince Ukraine to join the Customs Union.
- Industrial output growth slowed to 8.0% yoy in March.
- The Cabinet of Ministers canceled export quotas for corn.
- The ECU made final payment for the Ukrtelecom.
- Current account as well as financial and capital account was in deficit in March.
- Central fiscal deficit reached UAH 2.1 bn in the first quarter of 2011.
- The Pension Fund sustainability remains an issue.
- Average wage increased by 8.3% mom in March.
- Consumer inflation accelerated to 9.4% yoy in April.
- EBRD plans to continues investing in Ukraine.
- Highlight of the month: Pension reform

No.5 (127)
May
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: Russia tried to convince Ukraine to join the Customs Union

On April 12 Russian Prime Minister Vladimir Putin visited Kyiv to discuss with President Victor Yanukovych and Prime Minister Mykola Azarov the possible participation of Ukraine in the Customs Union of Russia, Belarus and Kazakhstan (CURBK). Russia increased pressure on Ukraine to join CURBK as talks with the EU on deep and comprehensive FTA progressed and now may finish by the end of this year.

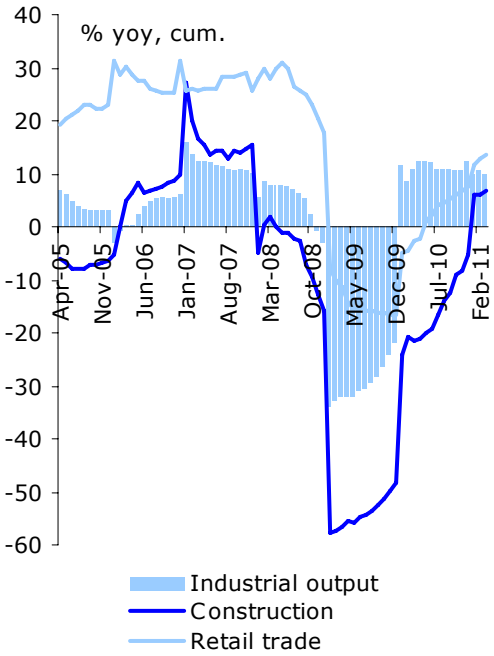
Despite Russian arguments in support of the CURBK Ukrainian side emphasized the incompatibility of FTA with the EU with membership in the CU with Russia, Belarus and Kazakhstan. Instead, Ukraine suggested special cooperation with CURBK in '3+1' format. The Ukrainian side is ready to work out an agreement on free trade area between Ukraine and the Customs Union (3+1), which would lead to bilateral abolition or gradual reduction of customs tariffs. Besides, cooperation with the CURBK may be further enhanced through the sectoral agreements in the key areas of mutual interest.

Real sector: Industrial production grew by 8.0% yoy in March

In March industrial production growth decelerated to 8.0% yoy. Steel production growth decelerated to 5.7% yoy due to steel accumulated during previous months. Refineries output declined by 21.5% yoy in part due to government regulation of gasoline prices. Machine building and chemistry preserved high output growth of that increased by 22.8% yoy and 12.2% yoy, correspondingly, due to high external demand.

Between January and March freight turnover grew by 13.1% yoy due to increased shipments of chemicals, construction materials and natural gas. During the first quarter of 2011 construction volumes grew by 6.8% yoy in part due to low statistical base of the previous year. Retail trade turnover increased by 13.5% yoy as consumer demand continued to increase. Agriculture output grew by 5.3% yoy as farmers increased stocks of poultry and pigs.

Real sector trends



Source: Derzhkomstat

Sectoral trends: NJS "Naftogas" deficit is expected to decline

Energy. According to the Head of the National Electricity Regulatory Commission the draft of new Energy Strategy of Ukraine envisages UAH 780 bn of investments in Ukrainian energy sector till 2030. Investments are expected to come mainly from private investors to rehabilitate existing generation capacities and build new ones including renewable energy. This estimates are close to those made by the DTEK (UAH 800 bn till 2030) and the World bank (USD 3.5 bn or 3% of GDP annually). Moreover, according to the DTEK Ukraine is estimated to invest additional UAH 62 bn for reaching EU environment standards in generation envisaged by the Energy Community Treaty. The necessity of these investments makes the

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privatization of generation and transmission companies in power energy more urgent.

The Government published the financial plan of state gas monopolist NJS 'Naftogas of Ukraine' for 2011. Cash inflow from operations is projected at UAH 149.7 bn, while outflow is expected to exceed 158.2 bn. Thus, cash deficit of the company will decline to UAH 8.5 bn in 2011 comparing with UAH 15 bn in 2010. The planned deficit and old company's debts are planned to be covered at the expense of new corporate bonds issue at UAH 20.4 bn as well as increase in statutory capital ensured by state bonds. Meanwhile, the major risk implied in the financial plan is import gas prices growth as the weighted-average import gas price for Ukraine is projected to reach USD 300 per thousand cubic meters (cm) comparing with USD 290 per thousand cm envisaged by the plan.

Agriculture. The Cabinet of Ministers relaxed grain export regime by cancelling quotas for corn. The export quotas were initially introduced in October 2010 for wheat, barley and corn and prolonged twice in December 2010 and in March 2011. Quota for corn exports was the largest at 5 m tonnes out of 6.2 m tonnes for all grains.

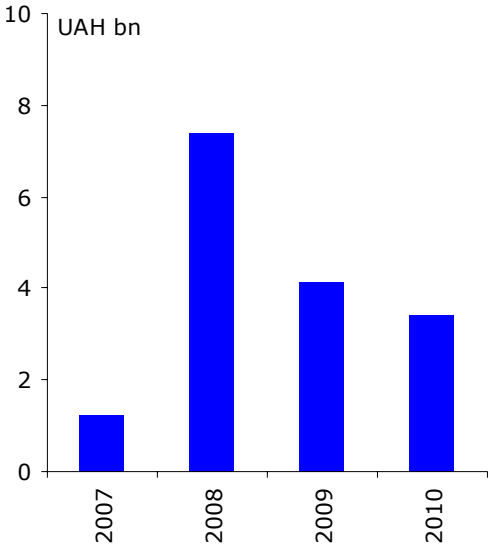
Transport. Ukraine and China have signed an agreement on USD 2 bn loan to be provided by China for construction of transport infrastructure. This loan will enable construction of railway connection between Kyiv and the Boryspil International Airport as well as extension of Kyiv Great Bypass Road. However, new loan will not improve regulatory regime, which currently cannot ensure sustainable maintenance and development of infrastructure in Ukraine.

Telecommunications. On April 8, 2011 ECU (new owner of Ukrtelecom) transferred UAH 4.2 bn to the State Treasury. The final payment was made on May 10, 2011. Therefore, the deal on Ukrtelecom's privatization is closed. New owners announced their plans of the company's restructuring, in particular to dismiss redundant employees, to resolve problem of loss-making services (telegraph, local fixed telephony, radio), to raise funds through IPO and, finally, to sell the company in 5 years. Increase in efficiency of the company's operations has been one of the rationales for privatization. However, restructuring should be conducted in line with restrictions imposed by sales agreement and at new owner's expense.

The National Commission for Communications Regulation (NCCR) decided to increase tariffs for local fixed telephony which are regulated by the state. The first 25% increase in monthly fee was made starting May and 8% increase is planned in September. Such measures are explained by necessity to improve cost-covering level of services, though it now coincides with privatization of Ukrtelecom.

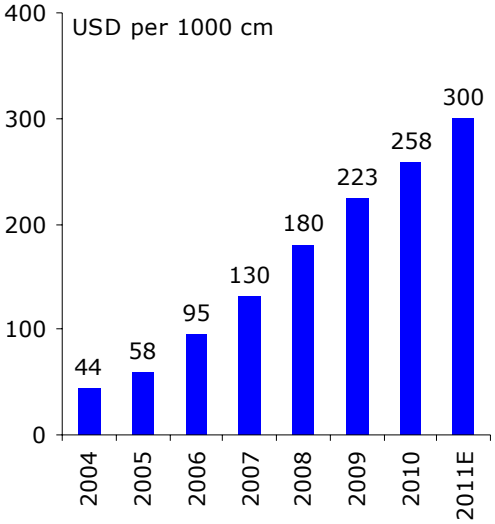
Privatization. The Cabinet of Ministers approved the list of 4 energy generating and 7 distribution companies for privatization. The size of shareholdings varies from 25 to 50%. Most likely the shareholdings will be acquired by current players of the energy market and will not interest foreign investors. The State Property Fund (SPFU) has not decided yet on timing and mode of privatization of energy companies. On April 18 the SPFU approved the privatization plan of 144 enterprises. The majority of them are planned to be sold via competition and at the auction, the rest will be offered at the stock exchange. Some of the object has not changed since last year list.

Fiscal compensation to NJS 'Naftogas'



Source: Treasury reports

Import natural gas price for Ukraine



Note: E - estimate
Source: NJS "Naftogas"

External sector: Current account deficit declined in March

In March, current account deficit declined to USD 0.13 bn from USD 1.1 bn in February. Current account deficit shrank as steel and machinery exports grew to USD 3.1 bn in March from USD 2.3 bn in February and current transfers grew to USD 0.6 bn. Import growth remained strong in line with consumer demand and constrained improvement in current account.

Financial and capital account balance was again negative in March at USD 0.4 bn. FDI and gross private sector external borrowing were still lower than levels observed in second half of 2010 as access to

global financial markets worsened due to events in Middle East. Increase in accounts payable by Ukrainian importers also slowed in March. According to NBU estimates they grew by USD 3.0 bn or 22% in the first quarter of 2011. Source of this rapid growth is unclear so far. At the same time, purchases of cash foreign currency decreased slightly, but remained high.

Fiscal policy: The central fiscal surplus turned into deficit again in March

Budget. According to the State Treasury, in the first quarter of 2011 the central fiscal revenues due to the general fund were executed at UAH 56.7 bn or 101.0% of the projected level. The central fiscal revenues reached 23.8% of the year target, which is higher than in previous years. In particular, growing consumption and imports led to revenues from VAT and from international trade taxes that were by 3.7% and 10.0% higher than target respectively. The proceeds from the enterprise profit tax (EPT) reached the projected level (100.6% of the plan) thanks to increasing corporate profits and advance tax payments. At the same time, revenues from excises and several types of non-tax revenues were lower than the target.

The execution of central fiscal expenditures due to general fund improved slightly (to 94.6% of the target). The expenditures on social protection and intergovernmental transfers were the closest to the target as usual. At the same time, the State Target Program on Preparation and Holding of the Euro-2012 in Ukraine were financed only by 42.4% of the plan. Thanks to the higher than projected revenues and under-execution of expenditures the State budget had only small deficit of UAH 2.1 bn (due to the general fund).

Taxes. On April 1, 2011, several important provisions of the New Tax Code of Ukraine came into force. In particular, the EPT rate is now 23% and not 25% (with further annual reductions in 2012-2014). At the same time, tax base of EPT increased as invoices from physical persons –entrepreneurs working under the simplified taxation system are not longer tax deductible. In addition, there were significant changes of depreciation rules, several categories of business obtained privileges, while some were temporarily exempted from the EPT payment.

Social policy: The pension sustainability is still an issue

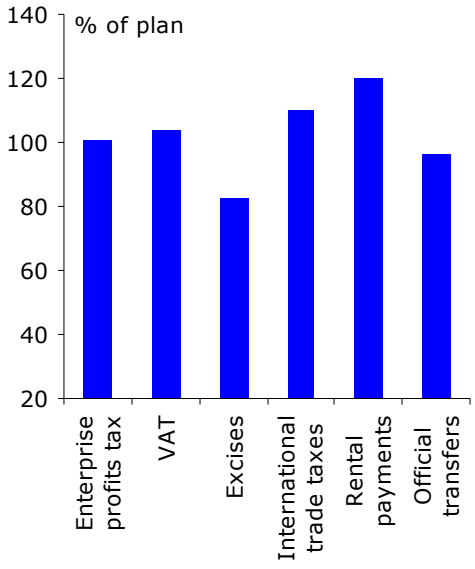
According to the Pension Fund its revenues increased by 21.4% yoy to UAH 45.4 bn in the first quarter of 2011 due to increase in own revenues as well as larger central fiscal transfer. Own revenues grew by 22.9% yoy due to increase in contribution base. One the one hand, wages continued growing resulted in higher pension insurance contributions. On the other hand, in July 2010 private entrepreneurs working under simplified taxation were obliged to pay pension contributions at least at the minimum level. At the same time, the central fiscal transfer increased by 18.2% yoy to UAH 14.4 bn or 21.6% of total central fiscal expenditures. The share of the transfer for financing Fund's deficit increased by 2.6 p.p. to 30.8%, which indicates still harsh financial position of the Pension Fund.

In March monthly pension expenditures reached UAH 17.3 bn, and were by 2.7% higher than in January most likely due to pension indexation. Average pension at UAH 1178 as of April 1 was at 13.3% higher than in the beginning of year. Therefore, it likely that increases happened mostly on the lower end of the pension distribution.

Labour Market: Wages surged in March

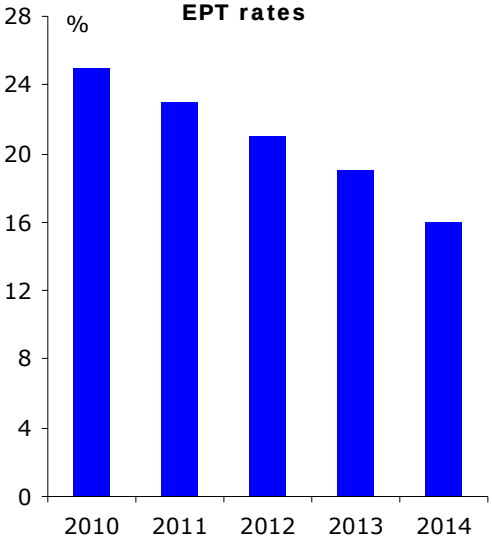
Average wage increased by 8.3% mom in March to UAH 2531, which is slightly higher than the average seasonal wage increase in March in pre-crisis years. Between January and March average wage increased by 19.9% yoy to UAH 2389 against the background of economic recovery and increase in minimum wages. Wages grew more than on average in such sectors as construction, agriculture, industry and trade. Public sectors increased wages at the lowest pace due to fiscal constraints. Still, the sectoral differentiation in wages remained significant. In particular, financial sector paid wages, which

Central fiscal revenues (general fund) in the 1st quarter of 2011



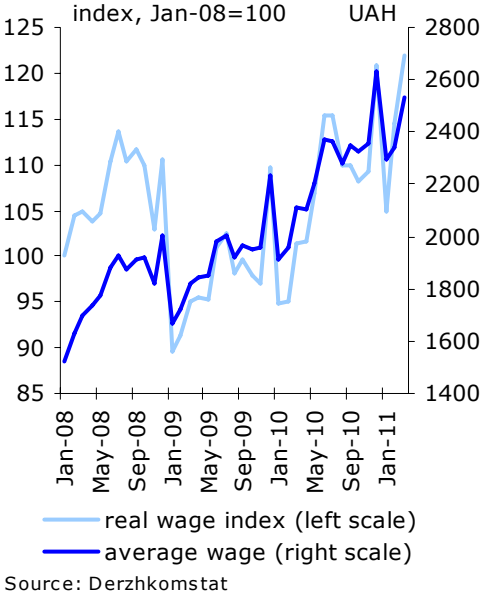
Source: State Treasury reports

EPT rates



Source: Tax Code

Average wage



Source: Derzhkomstat

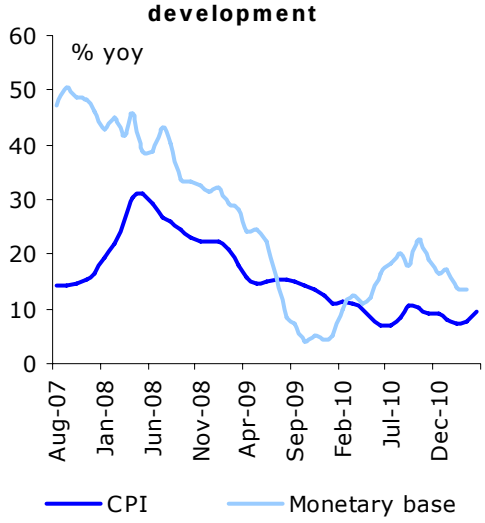
were by more than three times higher than in agriculture and health care.

Monetary policy: Inflation accelerated to 9,4% yoy in April

In April, CPI growth accelerated to 9.4% yoy in part due to low statistical base. Supply-side pressures including 15% increase in electricity tariffs, growing world oil and food prices also contributed. End-April Urals oil price grew by 44% yoy, while April FAO food index grew 36% yoy. Core CPI growth accelerated slightly to 7.3% yoy responding to increased demand.

The NBU supplied liquidity to banking sector through interventions on foreign exchange market and banks on average kept investment in NBU CDs close to March levels. Government took in part of additional liquidity through increased funds at the NBU. Overall bank liquidity increased slightly in April and interbank interest rates went down, while interbank lending volumes expanded.

CPI and monetary base development



Source: Derzhkomstat, NBU

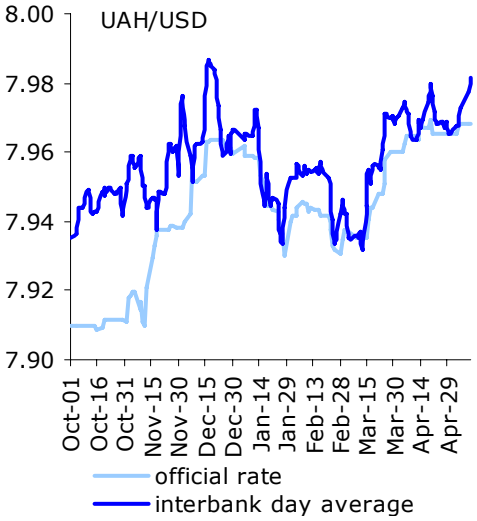
Financial markets: The EBRD will continue investing into Ukraine

State debt. In April, domestic state bond yields continued to trend downwards. The weighted-average yield dropped from 9.2% p.a. to 9.0% p.a. compared to previous month due to favourable market conditions. The Ministry of Finance placed UAH 4.8 bn of domestic state bonds, which is less than needed to be repaid during April. Nevertheless, there was no problem with current debt payments due to the surplus at the state treasury account and received proceeds from the Ukrtelecom privatization. The demand for the state bonds was distributed between short-term bonds and new two-year bonds, which constituted 33.1% and 36.9% of the total placement, respectively. The rest of issue were tree-year bonds maturing in March 2014. At the same time, the Ministry of Finance refused to sell amortized bonds on small demand.

Besides, in late March - early April the Government continued to recapitalize state banks and support state companies using government bonds. In particular, UAH 4.0 bn issue of seven-year state bonds with 9.5% p.a. yield was allowed to increase the authorized capital of 'Rodovid Bank'. It is a part of the operation on the transfer of the bank depositors to state-owned bank (JSC 'Oschadbank'). Besides, UAH 5 bn was issued for capitalization of the NJSC Naftogaz of Ukraine, which facilitated the company's payment to Gazprom on natural gas supply.

In mid-April, the EBRD approved a Medium-term Strategy of cooperation with Ukraine until 2014. According to the Strategy the Bank intends to invest into Ukraine EUR 1 bn annually. It will primarily focus on the support of energy sector and agriculture, as well as infrastructure development. Ukraine is the Bank's second largest country of operations. Between 1992 and 2010, the Bank approved more than 280 projects in Ukraine accounting for a net investments at over EUR 5.9 bn. Further cooperation with Ukraine will to a large extent depend on the implementation of reforms, particularly in the public sector. The EBRD will reduce its investments in case of slow reform progress.

Exchange rate



Source: NBU

Banking sector. Banking sector seasonally decreased lending to nonfinancial corporations in the first quarter of 2011. In real terms (CPI-adjusted) gross loans issued to nonfinancial corporations in the first quarter of 2011 reduced by 22% yoy. Although decline is slightly higher for longer-term loans, figures are broadly similar for different maturities. Lending to households remains insignificant. Gross loans issued to households were slightly more than 25% of 2008 level. Thus, credit crunch is essentially over for at least some companies, while household lending is far from recovery.

Exchange rate. In March, interbank exchange rate was fixed around UAH 7.97 per USD. The NBU renewed net purchases of foreign currency bringing international reserves to USD 38.4 bn, which is higher than pre-crisis level in nominal terms. As imports and external debt payable in next 12 months are now also close to pre-crisis

levels international reserves provide roughly the same cushion as before the crisis. However, significant part of reserves is on loan from IMF, which will have to be repaid in 2012 and 2013. Thus, reserves will need to keep growing in the future.

Highlight of the month: Pension reform

The urge for sustainability of pension system

by Oleksandra Betliy

One of the most debatable topics of current Ukraine's policy agenda is pension reform aimed at increasing sustainability of the pension system. The pension liabilities have already reached 18% of GDP, which is the highest level in the region. In 2010 the deficit of the Pension Fund at 2.5% of GDP was financed at the expense of central fiscal transfers, increasing from 1.5% of GDP in 2009. The gap in the Fund's budget is one of the major components of the fiscal deficit creating constant risk for fiscal consolidation.

Moreover, the pension system would become even more unsustainable than now due to declining and ageing population. According to the UN estimates, between 2010 and 2050 the total Ukrainian population will shrink by 22.9% to 35 m persons. The share of people over 60 years old will increase by 12.5 p.p. to 37.6% of total population, while population aged between 20 and 60 years will decline to 43.2%.

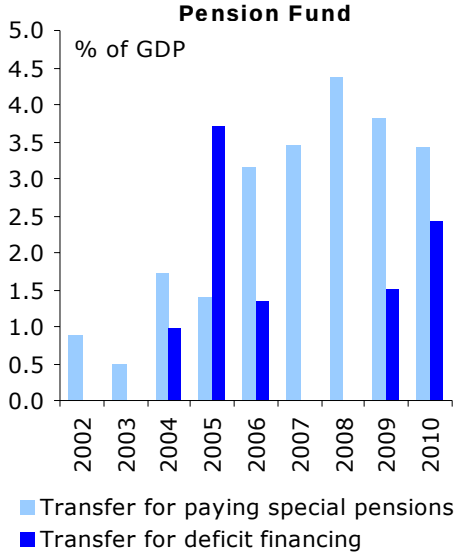
To put pension system on a sustainable financing foundation and take into account demographic challenges, in December 2010 the Government submitted to the Verkhovna Rada a Draft Law "On legislative measures to support pension reform", No. 7455. The major steps include increase in retirement age for women, higher contribution period, and some restrictions on special pensions.

In particular, the Draft Law envisages the increase in retirement age for women to 60 years old from current 55 years old. It will be increased by half-a-year each year. Thus, the increase in retirement age by 5 years would require 10 years. The retirement age for men is suggested to keep at 60 years old justified by their low life expectancy at birth. However, for the sustainability of pension system the life expectancy at retirement age matters. This indicator is at 14.3 years for men and 23.7 years for women, being similar and even higher than in some countries with transition economies. Therefore, for reaching pension system sustainability in the long run the Government should not only increase retirement age for women to 60 years old to making it equal with age for men, but also to consider possibilities to gradually increase this age for both genders beyond 60 years old. At the same time, this measure should be complemented with steps towards improving labour market situation to stimulate jobs creation. Active labour market policies are also to be strengthened. Health care reform aimed at higher access and quality of care is required to improve health of Ukrainians, which would result in higher life expectancy.

The Draft Law also suggests increasing the minimum insurance period. In particular, minimum insurance period, which enables individuals to receive pensions when they reach retirement age is to be increased from 5 years to 15 years. Minimum insurance record for receiving old-age pension at least at minimum level is to be increased to 25 year for women (from current 20) and 35 year for men (from current 30). Such steps would stimulate people contribute longer to the pension system. However, long-term impact of such step could be limited as longer contribution period would result in higher pensions. At the same time, some people of pre-retirement age could face the problem of not having enough working record when they retire, unless this issues is tackled in the law.

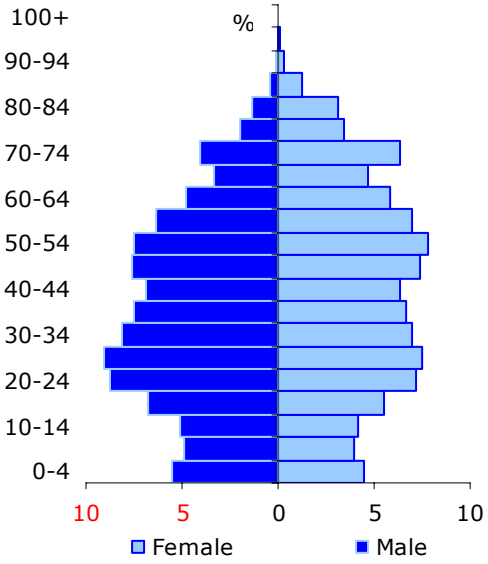
Another measure relates to partial restriction of generous special pensions (in particular, for civil servants, judges, military servants, etc.), which require high fiscal financing (4% of GDP in 2010). In particular, individuals with lower retirement age would receive pensions only after reaching statutory retirement age if they continue working. Besides, pensioners with special (more generous) pensions that continue working after reaching retirement age would receive pensions only in sizes, defined by the Pension Insurance Law.

Central fiscal transfer to the Pension Fund



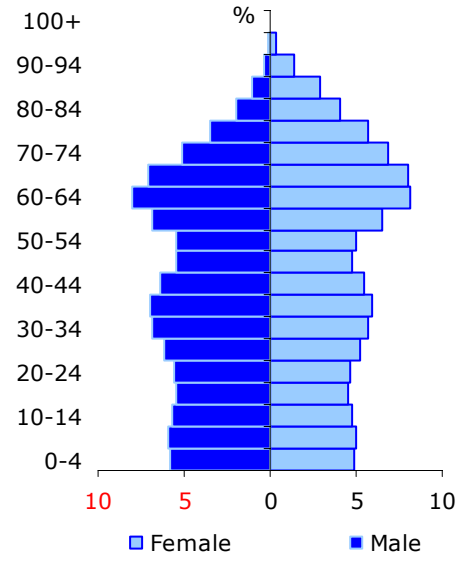
Source: State Treasury reports, Derzhkomstat

Demographic tree, 2010



Source: UN

Demographic tree, 2050



Source: UN

However, these changes would relate only to new pensioners. Therefore, it would only restrict growth of pension liabilities related to special pensions in the middle run not affecting current stock of liabilities.

The restriction of generous special pensions is a step forward, but its implementation may cause socially negative side effects. At the moment special pension regulation for some occupations, e.g. police, military servants, serve as a stimulus for people to work on their jobs as wages remain rather low. If pensions are restricted, the government could face problems with filling respective vacancies. To mitigate these side effects the government should increase wages for privilege occupations with simultaneous public governance reform aimed at increasing efficiencies in respective fields.

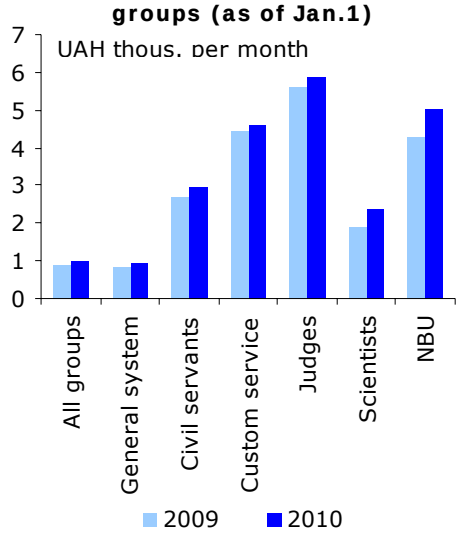
The Draft Law also suggests imposing maximum pension size at the level of 12 sizes of subsistence minimum set for individuals that lost working ability. This is equity policy measure, than the step towards consolidation of pension system. Its impact would be limited due to relatively small number of pensioners with pensions higher than suggested cap.

No provisions on real changes in formula for calculating pensions, deteriorated due to sharp administrative increases in minimum pensions, is envisaged in the Draft Law. At the moment many pensioners receive pensions close to the minimum level. As a result, the incentives for individuals to contribute to the system remain low.

The document also envisages the introduction of the second pillar of the pension system in few years. However, international evidence proves that this step could be done only after the solidarity pillar is on sound sustainable basis, which would be difficult to reach within next 5 years at least.

To sum up, the submitted Draft Law, if passed, would be a step forward. It would help to put the pension system onto a sustainable path. However, its impact in the short run will be rather limited, as it would primarily concern new retirees. Besides, the envisaged measures should be complemented with efficient labour market policies as well as renovation of trust to the pension system and increase in incentives of individuals to participate in it. The health care reform is also needed for increasing life expectancy of Ukrainians.

Average pension by pensioners' groups (as of Jan.1)



Source: Derzhkomstat

Economic Trends		Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
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	10.5	9.7	…
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	6.8	…
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	5.3	…
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	13.5	…
Average wage	UAH	2046	1993	2227	2332	2407	2280	2349	2322	2353	2239	2297	2338	2531	…
CPI	% yoy eop	12.3	11.0	6.9	10.5	9.1	8.3	10.5	10.1	9.2	9.1	8.2	7.2	7.7	9.4
PPI	% yoy eop	14.3	18.6	25.5	19.2	18.7	23.3	19.2	19.8	18.9	18.7	18.0	21.4	20.3	20.8
Exports (USD)*	% yoy cum.	-40.7	22.1	28.9	31.6	29.0[e]	33.2	32.1	29.9	29.8	29.0[e]	54.5[e]	46.8[e]	48.4[e]	…
Imports (USD)*	% yoy cum.	-46.9	18.5	24.7	34.9	35.4[e]	31.8	32.2	33.5	33.9	35.4[e]	56.0[e]	63.9[e]	57.2[e]	…
Merchandise trade balance	USD bn cum.	-5.7	-1.2	-2.0	-4.8	-8.4	-4.6	-5.4	-6.9	-8.0	-8,4[e]	-0.4[e]	-1.6[e]	-0.9[e]	…
Current account**	USD bn cum.	-1.8	0.0	0.5	-0.3	-2.6	-0.6	-0.3	-1.1	-1.4	-2.2	0.3	-1.1	-0.5	…
Current account	% GDP, cum.	-1.5	-0.7	0.8	-0.3	…	x	x	x	x	x	x	x	x	…
Gross international reserves	USD bn eop	26.5	25.1	29.5	34.7	34.6	32.7	34.7	34.3	33.5	34.6	35.1	36.7	36.4	38.4
Monetary Base	% yoy eop	4.4	12.5	16.3	18.0	15.8	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	12.6	13.0	13.1	12.8	15.0	13.6	12.9	13.3	…
Exchange rate (interbank)	USD aop	8.06	8.00	7.92	7.90	7.96	7.89	7.92	7.95	7.95	7.97	7.95	7.95	7.97	7.97
Exchange rate (official)	USD aop	7.99	7.99	7.92	7.90	7.93	7.89	7.91	7.91	7.93	7.96	7.95	7.94	7.94	7.96
Exchange rate (official)	EUR aop	11.81	11.07	10.10	10.18	10.79	10.18	10.29	10.99	10.87	10.50	10.6	10.8	11.1	11.49

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		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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