INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

***HIGHLIGHT:* BUDGET-2012**

Politics: The President of Ukraine held talks with Russia and attended Eastern Partnership Summit.

Real Sector: Higher real private final consumption supported real GDP growth at 3.8% in the second quarter of 2011.

Sectoral news: Gas tariffs were again increased only for industrial consumers.

External sector: In August current account deficit widened to USD 1.0 bn due to increase in deficit of merchandise trade.

Fiscal policy: Economic recovery and taxation changes resulted in growth of central fiscal revenues at 40.7% yoy in the first eight months of the year.

Social policy: Disposable income growth decelerated to 3.4% yoy in the second quarter.

Labour market: Unemployment rate reduced mainly due to demographic changes.

Monetary policy: CPI growth further slowed to 5.9% yoy in September.

Financial markets: The NBU foreign exchange reserves dropped due to fluctuations in exchange rate of major reserve currencies and interventions.

Highlight of the month: Budget 2012

Draft State Budget for 2012: uncertainties remain

By Oleksandra Betliy

The Government submitted the Draft State Budget Law for 2012 to the Verkhovna Rada in time. Fiscal parameters are based on the realistic macroeconomic forecast made with an assumption of benign global economy. Under this scenario the advanced economies will grow very slowly without going to recession.

Revenues: The Draft Budget envisages central fiscal revenues at UAH 338 bn, which is 10.1% increase from this year's plan for (including amendments and adjustments of the Ministry of Finance). The share of GDP distributed through the central budget is expected to decline to 22.4%. As no changes are expected to the tax legislation, the structure of revenues will not change much next year. Increase in revenues will be attributed to economic recovery leading to improved financial state of companies and higher wages. Imports growth will stimulate increase in net VAT revenues, excise and import duties. At the same time, the Government seems to underestimate nominal exports for 2012, and has overly conservative plan for VAT refunds.

Deficit: Central fiscal expenditures are planned to increase by 7.9% due to reduction in central fiscal deficit to UAH 24.1 bn. Overall, the deficit is planned at 1.6% of GDP as compared to 2.9% of GDP in 2011. The general government deficit is estimated at 2.5% of GDP, which complies with fiscal target defined in the stand-by agreement. In particular, the Naftogaz's deficit is estimated at 0.8% of GDP and will be financed through special issue of domestic state bonds. Additional deficit is attributed to capitalization of two state companies (UkrEnergo, UkrHidro). At the same time, there is a risk of larger deficit. The central fiscal deficit will be financed by external borrowing and privatization.

Expenditures: Central fiscal expenditures for social protection will be reduced by 11.8% as government intends to slash the Pension Fund's deficit by UAH 15.6 bn to UAH 2.2 bn. Rapid decline is expected to be attributed by moderate increase in social standards, widening contribution base as well as implementation of the pension reform. However, it is likely that such forecast is

overly optimistic as usual. As a result, the State Treasury will probably be required to provide the Fund with short-term loans for covering liquidity gaps, which is already a traditional practice in Ukraine. Other items of social spending will be increased to finance higher social standards and increased coverage by housing and utility subsidies.

Nominal central fiscal expenditures for other direction of fiscal spending will increase. In particular, spending will be increased partially due to higher wages as well as larger utility payments. At the same time, remuneration to military seems to be increased more than wages in such budget sectors as education and health care. This is rather arguable strategy taking into account absence of reforms in army.

Central fiscal expenditures for general public service will grow due to increase in spending for debt services by UAH 7.0 bn to UAH 30.0 bn (or 2.0% of GDP). Additional UAH 0.9 bn will be allocated for conducting census, which was postponed from 2011. Spending on economic activity will grow by 15.8%. State aid financing will be provided primarily to agriculture and coal mining. It is likely to remain inefficient as there is no law governing state aid, which would ensure transparency and fairness of state support.

Overall, in 2012 it is estimated that 56.9% of total consolidated fiscal expenditures will be directed towards financing functions related to human capital (education, health care, culture and sports) and social protection, which is by 1.0 p.p. lower than in 2012.

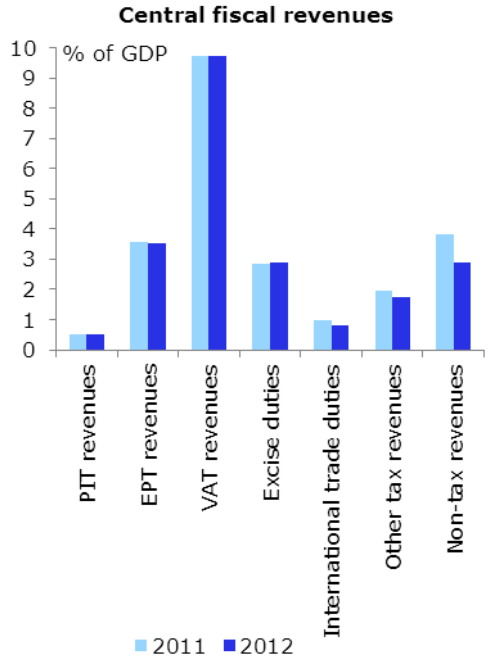
Social standards: The Draft Law envisages increase in social standards, including minimum wage, which will stimulate household income growth in 2012. In particular, minimum pension will be increased by 10.0% on average next year, while minimum wages will be raised by 14.2%. Therefore, social standards are likely to grow in real terms, if the Government will keep inflation at 7.9% in December-to-December terms.

The Government will increase social protection of the low-income families. Both size and coverage of the assistance to low-income families will increase due to higher guaranteed minimum income (GMI). The GMI will increase by 17.3% on average for individuals that lost their ability to work and by 14.2% for working able individuals.

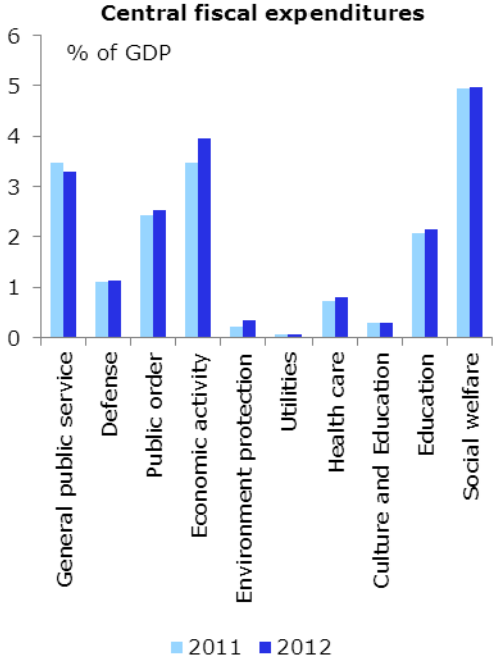
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Overall, there are positive and negative sides in the State Budget Draft Law. Fiscal indicators are based on realistic macroeconomic forecast, if global economy situation will not seriously deteriorate. The Government tried to be careful about increasing social standards, in order to contain wage spending and the Pension Fund's deficit. At the same time, increase in expenditures for economic activity will expand opportunities for embezzlement and corruption and will remain ineffective in absence of clear law on state aid.

At the same time, the failure of the US and the EU to reach debt sustainability or larger than expected impact of austerity measures could hamper the fiscal position of Ukraine next year. High share of recurrent expenditures will make the task of cutting budget spending rather difficult In Ukraine.



Source: State Budget for 2011, Draft State Budget for 2012



Source: State Budget for 2011, Draft State Budget for 2012

Monthly Economic Monitor Ukraine

Politics: Viktor Yanukovych held talks with Russia and attended Eastern Partnership Summit

On September, 24 Ukrainian President Viktor Yanukovych visited Moscow, where he held negotiations with Russian President Dmitriy Medvedev and Prime-Minister Vladimir Putin on gas issues and Ukraine's participation in the customs union of Russia, Belarus and Kazakhstan and other issues. No specific results were reported in the outcome of the visit as Ukraine and Russia seem to insist on their positions with regard to the current gas contracts. Nevertheless, according to Prime-Minister Mykola Azarov, Ukraine and Russia agreed to revise the gas agreements of 2009 under the condition of restructuring NJSC 'Naftogaz of Ukraine' and establishing a tripartite consortium with the participation of the EU companies. It is expected that Russia will reduce the price of gas for Ukraine's needs for two types of consumers: for budgetary institutions and population, whereas Ukraine will lower gas transition tariff.

The Eastern Partnership summit, which took place in Warsaw on September 29-30, brought no significant results with regard to the Ukraine-EU relations. Even though the official aim of the summit was to review achievements of the partnership and revise EU commitments to its Eastern partners, the key subject of discussions with Ukraine's President Viktor Yanukovych was the arrest of Yulia Tymoshenko. The EU partners reiterated that Ukraine's backsliding on democracy and rule of law would hamper progress in its relations with the EU. In particular, ratification of the Association Agreement, including deep and comprehensive free trade area, may be delayed indefinitely.

Real sector: Real GDP growth was supported by higher consumption

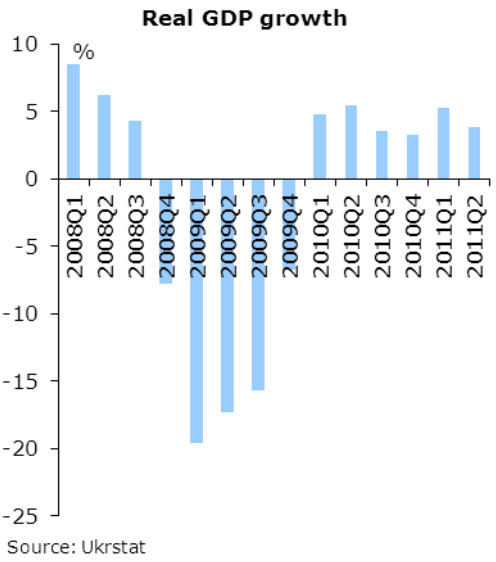
GDP: The Ukrstat maintained its previous estimate of real GDP growth at 3.8% yoy in the second quarter of 2011 as compared to 5.3% yoy in the first quarter. On the production side, real gross value added (GVA) in manufacturing increased by 8.7% yoy. It is likely to be attributed to growth in output in metallurgy, machine building and chemical industry. Increase in industrial production stimulated demand for transport services. As a result, the real GVA in transport and communication grew by 5.8% yoy. The real GVA growth in agriculture at 1.1% yoy is expected to accelerate in the second half of the year due to good grain harvest. Real GVA in construction increased by 21.7% yoy but from very low base. Real GVA in construction in second quarter of 2011 was at 47% of GVA in 2008.

On the demand side, growth of real private final consumption at 14.1% yoy was the major contributor to the GDP growth. There was also significant increase in investment in machinery and commercial construction (by 17.3% yoy and 29.8% yoy, respectively). At the same time, residential construction declined significantly. However, increase in domestic demand was satisfied primarily through imports leading to real imports growth by 24.2% yoy. Real exports growth decelerated by 14.1 p.p. to 4.9% yoy, signaling unstable demand for major Ukrainian exports.

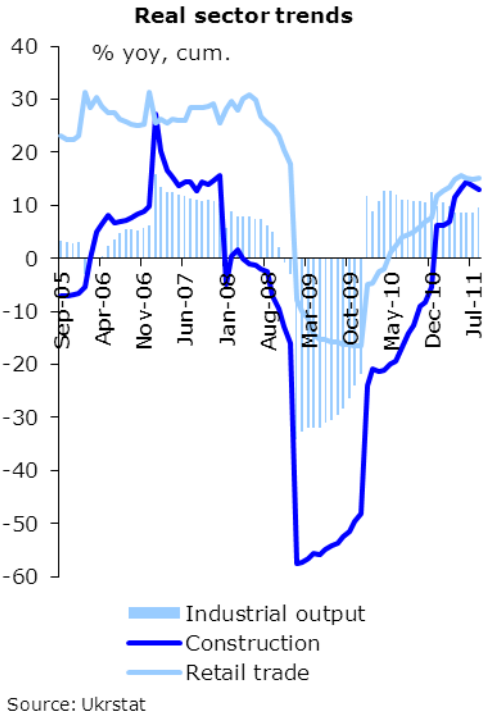
Sectoral trends: Real industrial output growth accelerated to 9.6% yoy in August as compared to 8.7% yoy in July. In particular, production in machine building grew by 22.1% yoy against higher domestic and external demand. Besides, production of other non-metal products also increased.

Freight turnover growth decelerated to 8.2% yoy between January and August primarily due to decline in pipeline transit. Growth of construction further decelerated to 13.0% yoy likely due to statistical base effect. Growth in agriculture accelerated to 10.5% yoy due to increase in grain harvest (by 21.0% yoy as of September 1). At the same time, livestock production grew by 2.8% yoy.

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%



Source: Ukrstat



Source: Ukrstat

Sectoral news: Gas tariffs were increased for industrial consumers

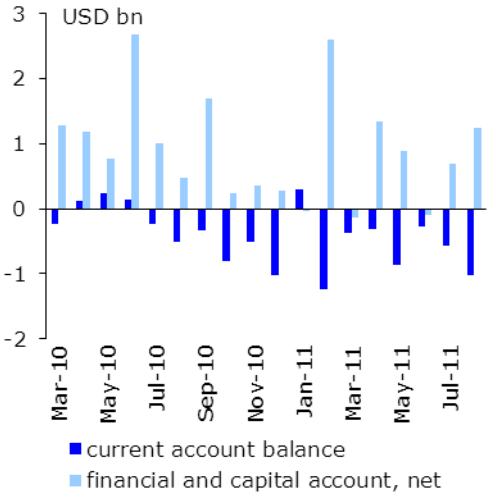
Energy. In the end of September, the National Electricity Regulatory Commission (NERC) increased gas prices for industrial consumers starting October 1. The price was raised by 11.9% to UAH 3,382 per thousand cubic meters (cm) (approximately USD 424). According to the Minister of Energy Yuriy Boyko, in the fourth quarter of 2011 the price of Russian gas for Ukraine will reach USD 398-402 per thousand cubic meters (cm), a 13% increase from the third quarter. Overall gas prices for industrial consumers increased by 54.6% yoy as compared to imported gas price increase by 58.1%. Taking into account target surcharge fee, VAT, transportation and distribution tariffs, the final retail price for national enterprises will reach almost USD 562 per thousand cm.

At the same time, the decision to increase gas tariffs for heating generating companies and population has not yet been approved. As a result, amount of the costly cross-subsidies charged from industrial consumers continued to grow limiting competitiveness of Ukrainian producers.

Privatization. In the end of September privatization receipts reached UAH 11 bn, what exceeds the planed amount by 10%. This sum includes the sale of the Ukrtelecom for UAH 10,575 bn. Meanwhile, the preparations for privatization in energy sector companies move on. The Cabinet of Ministers approved privatization terms for 45% share of Zakhidenergo and 25% of Kyivenergo. The state limited the range of applicants by prohibiting foreign state owned companies (with state share above 25%) to submit bids for shareholdings. In 2011 and 2012 the Government plans to sell all four heat generators and 14 regional energy distribution companies (oblenergo).

Draft State Budget for 2012 foresees UAH 10 bn privatization receipts. Extra funds are to be directed to the State Fund for Regional Development. Thus the SPFU should be very efficient in ensuring declared amounts, half of which might be obtained from the privatization of energy companies, the rest, however, by at least one blue chip.

Balance of payments



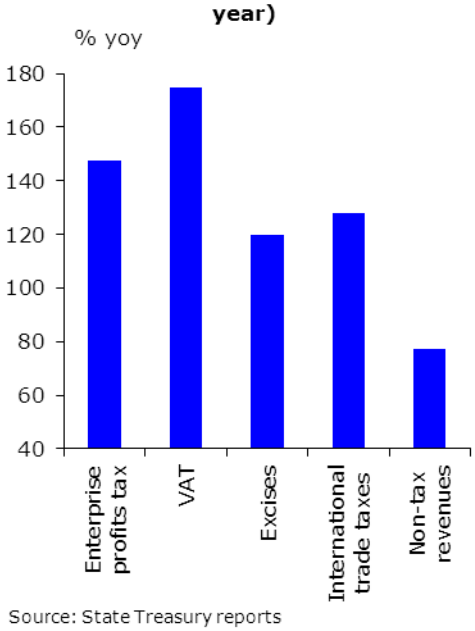
Source: NBU preliminary estimates

External sector: Current account deficit widened to USD 1 bn

In August current account deficit widened to USD 1.0 bn from USD 0.6 bn in July as deficit of merchandise trade reached to USD 1.4 bn. Acceleration of merchandise exports growth to 35.8% yoy from 26.6% happened mostly due to low statistical base and improved grain exports. Still, merchandise exports remained below March and June levels. Imports of goods grew by 33.5% yoy in August due to higher oil imports as well as increase in imports of machinery, equipment and vehicles (at 64% yoy). Services exports remained seasonally high, but it was offset by high services imports and outflow of incomes that reached USD 0.4 bn.

Financial and capital account surplus in August expanded to USD 1.2 bn from USD 0.7 bn in July reflecting surge in FDI to USD 0.9 bn. FDI increased as owners of the largest Ukrainian bank "Privatbank" repatriated some of the offshore capital to Ukraine in order to change ownership structure. Also, financial account surplus and current account deficit were likely overstated as payments for imports were significantly smaller than imports similarly to previous months. Financial account balance was again supported by temporary and one-off factors.

Central fiscal revenues in January-August 2011 (compared to previous year)



Source: State Treasury reports

Fiscal policy: The central fiscal deficit remained low

Between January and August central fiscal revenues (general and special fund) continued to grow compared to previous year. They increased by 40.7% yoy to UAH 202 bn primarily due to low statistical base of 2010. Besides, near UAH 5.4 bn of these revenues were collected during tax inspections. Additionally according to the

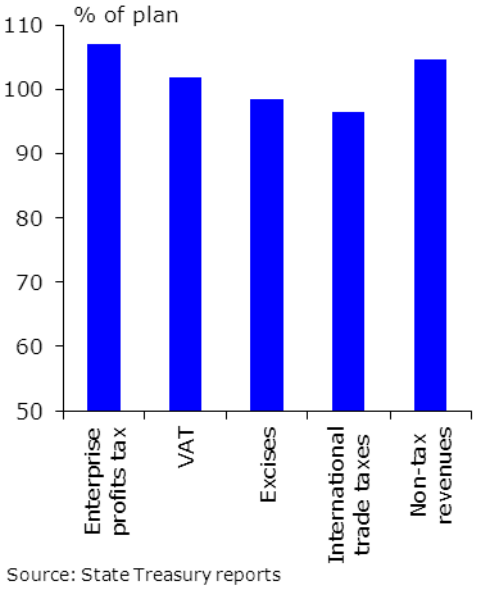
Accounting Chamber, the amount of overpayments to the State budget since the beginning of the year reached UAH 17.4 bn.

The receipts from the enterprise profit tax (EPT) augmented by 47.6% yoy. It is mainly attributed to increasing profits of private industrial companies against the background of rising world prices on their production. Presumably, the EPT revenues will grow further as the State Tax Service (STS) has prohibited companies to include losses of previous years to the current period costs, which will expand the tax base. The VAT revenues increased as well (by 26.1% yoy) due to growing production and imports. At the same time, the amount VAT refund was on level of the previous year (UAH 28.7 bn). Besides, the rental revenues and excises grew due to the rate hikes. Non-tax revenues fell by 22.9% yoy. It is primarily explained by budget classification changes and lower NBU profits.

As a result of higher than expected collections of major revenue sources (primarily VAT, EPT and rental payments) the plan of central fiscal revenues due to general fund was over-executed by 2.3%. At the same time, the receipts from excises and international trade taxes were lower than target.

The central fiscal expenditures (general fund) were executed at 94.3% of the plan, while capital expenditures reached only 32.0% of this year plan. The central fiscal deficit (general fund) declined to UAH 6.6 bn from UAH 9.0 bn in the first seven months of the year.

Central fiscal revenues (general fund) in January-August of 2011



Source: State Treasury reports

Social policy: Disposable income continues growing

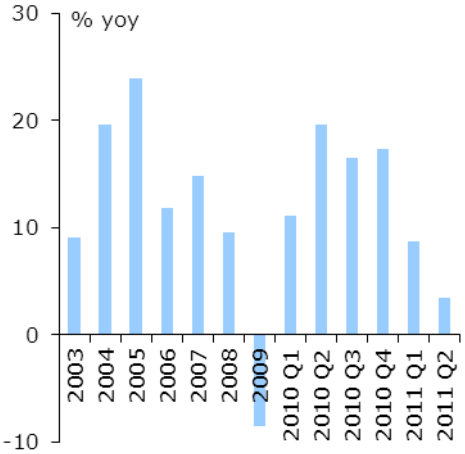
Real disposable income growth decelerated to 3.4% yoy in the second quarter of 2011 as compared to 8.7% yoy in previous quarter. It is primarily explained by higher inflation between April and June. In particular, nominal disposable income grew by 14.5% yoy during this period decelerating as compared to the previous quarter by 2.6 p.p.

Real income from social assistance and current transfers declined by 1.4% yoy due to conservative fiscal policy. Income from wages grew by 4.7% yoy in real terms, and 15.9% yoy in nominal terms. The growth is likely to be explained by administrative increase in minimum wage as well as some improvement of financial state of companies. At the same time, debt burden decreased from 2010, which supported real final private consumption growth.

Labour Market: Unemployment rate reduced marginally

Unemployment rate (ILO methodology) reduced to 7.7% of economically active population in age between 15 and 70 years old as compared to 8.7% in the first quarter of 2011. However, half of the reduction was attributed to the decline in economically active population. Therefore, some of unemployed either went to inactivity or reached 70 years old. Besides, the unemployment rate remained by more than 2 p.p. higher than on average before the crisis, signaling about still weak labour market. In particular, Ukraine faces job-free economic recovery achieved through increase in productivity.

Real disposable household incomes



Source: Ukrstat

Monetary policy: CPI growth reached record low level

In September, CPI growth slowed to 5.9% yoy, which is level unseen since 2002. Good harvest of fruits and vegetables and imperfect statistic methodology led the Ukrstat to report that fruit prices fell by 3.3% yoy, while vegetable prices fell by 40.3% yoy. Over the last three months fruits and vegetables defined most of the deceleration in CPI growth from 11.6% yoy in June. Core inflation that excludes raw agricultural products, energy and regulated prices slowed only to 8.1% yoy.

Bank liquidity remained tight and interbank interest rates remained high in September. Average interest rates were similar to August levels. The NBU withdrew of liquidity from bank sector through large foreign currency sales. The NBU partly offset the impact through further decrease in CDs outstanding, slight increase in refinancing loans by the NBU and increased government bonds holdings. The

Government also injected liquidity in the banking sector through reduced government funds at the NBU. According to the Treasury government funds dropped to near UAH 20 bn from UAH 33 bn by the end of August.

Financial markets: Exchange rate remained stable in August

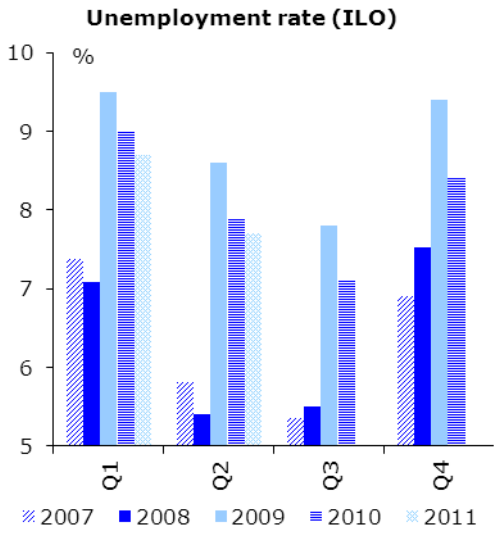
Exchange rate. In September, interbank exchange rate remained stable at near UAH 8.00 per USD. However, cash exchange rate gradually depreciated with selling rate reaching 8.04 per USD. Demand for US dollars on interbank market increased to USD 15.0 bn from USD 11.0 bn in August, but supply did not increase correspondingly. As a result, the NBU was forced to sell in total USD 2.6 bn of foreign currency to support exchange rate.

The NBU foreign exchange reserves dropped to USD 34.95 bn from USD 38.2 bn due to several reasons. The first one refers to fluctuations in the in USD/EUR, USD/AUD exchange rates. The second factor relates to changes in EU member countries government bond values. Besides, reserves declined due to NBU interventions conducted at the interbank foreign exchange market. According to the IER estimates the NBU holds up to EUR 10 bn and at least AUD 1.5 bn in foreign reserves. Exchange rate losses on these holdings may have reached USD 1.3 bn in September. At the same time, net NBU interventions to support exchange rate totalled near USD 2.0 bn.

State debt. In September, as in previous few months, majority of domestic bond auctions on the primary market were cancelled due to differences between the Ministry of Finance and the market expectations. The Government managed to place only UAH 165.5 m of bonds with average yield of 10.0% p.a. The main reason for the demand decline was the Ministry's unwillingness to increase the yields. Small demand was exacerbated by low level of banking sector liquidity and significant reduction of non-residents local-currency bonds portfolio. The investors (primarily, the Deposits Guarantee Fund) were more interested in three-year bonds, which constituted 100% of the total bonds issued. In September, Ukraine had to pay the largest payment in domestic debt principal and interest repayments so far this year (UAH 8.2 bn). As the Ministry of Finance refinanced almost none of the proceeds, the domestic debt payments were covered by the funds accumulated earlier. Between October and December, scheduled repayments are planned at UAH 8.6 bn.

By the end of September, the Government introduced new financial tool, which allowed buyers of government bonds to reduce their currency risks. In particular, the Cabinet of Ministers approved the resolution that determined the conditions for the issue of new, local-currency bonds linked to the exchange rate of USD/UAH. The bonds will be denominated in UAH with maturity ranging from one to five years and semi-annual coupon. The principal will be indexed on the exchange rate difference before its repayment. At the same time, the coupon payments will not be indexed.

The European Bank for Reconstruction and Development (EBRD) granted 15-year sovereign loan of EUR 200 m to UkrHydroEnergo. The funds will be spent on the modernization of 28 turbine-generators at six hydroelectric projects on Dnipro River. It is the part of a larger project, which envisages similar parallel financing from the European Investment Bank (EIB).



Source: Ukrstat



Source: Ukrstat, NBU

Economic Trends		Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Industrial production (real)	% yoy cum.	10.8	11.0	9.7	8.7	...	9.7	10.5	9.7	8.5	8.5	8.7	8.7	8.9	...
Construction (real)	% yoy cum.	-12.6	-5.4	6.8	14.5	...	6.1	6.1	6.8	11.6	13.2	14.5	13.6	13.0	...
Agricultural production (real)	% yoy cum.	-1.3	-1.0	5.3	3.2	...	5.3	5.0	5.3	4.0	3.5	3.2	9.1	10.5	...
Retail trade turnover (real)	% yoy cum.	5.1	7.6	13.5	15.2	...	11.7	12.7	13.5	14.9	15.5	15.2	15.0	15.2	...
Average wage	UAH	2332	2407	2389	2605	...	2297	2338	2531	2533	2573	2708	2749	2694	...
CPI	% yoy	10.5	9.1	7.7	11.9	...	8.2	7.2	7.7	9.4	11.0	11.9	10.6	8.9	5.9
PPI	% yoy	19.2	18.7	20.3	20.0	...	18.0	21.4	20.3	20.8	18.8	20.0	20.3	19.9	21.3
Exports (USD)*	% yoy cum.	28.6	27.7	40.5	42.5	...	53.6	46.8	49.2	44.4	43.9	42.5	40.0	39.7	...
Imports (USD)*	% yoy cum.	28.2	30.1	52.8	50.8	...	54.4	64.1	58.5	52.3	52.5	50.8	46.7	46.1	...
Merchandise trade balance	USD bn cum.	-4.8	-8.4	-3.0	-5.5	...	-0.4	-2.1	-3.1	-3.8	-4.6	-5.5	-6.7	-7.8	...
Current account**	USD bn cum.	-0.5	-2.9	-1.3	-2.9	...	0.3	-0.9	-1.3	-1.6	-2.5	-2.9	-3.3	-4.5	...
Current account	% GDP, cum.	-0.5	-2.1	-3.8	-4.0	...	x	x	x	x	x	x	x	x	...
Gross international reserves	USD bn eop	34.7	34.6	36.4	37.6	35	35.1	36.7	36.4	38.4	37.9	37.6	37.8	38.2	35.0
Monetary Base	% yoy	18.0	15.8	13.7	3.9	...	17.1	14.0	13.7	14.7	12.1	3.9	5.4	8.8	...
Lending rate on UAH credits	% pa, aop	13.0	13.6	13.3	13.5	...	13.6	12.9	13.3	13.0	13.4	14.0	13.9	14.9	...
Exchange rate (interbank)	USD aop	7.90	7.96	7.95	7.98	7.99	7.95	7.95	7.97	7.97	7.98	7.99	7.99	7.99	8.00
Exchange rate (official)	USD aop	7.90	7.93	7.94	7.97	7.97	7.95	7.94	7.94	7.96	7.97	7.97	7.97	7.97	7.97
Exchange rate (official)	EUR aop	10.18	10.79	10.85	11.48	11.27	10.62	10.83	11.10	11.49	11.48	11.47	11.38	11.42	11.01

Sources: Derzhkomstat, NBU, own calculations

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

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

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	948.1	914.7	1095.0
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.4	138.0
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1	-15.1	4.2
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-21.9	11.2
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5	0.1	-1.0
CPI	% yoy aop	28.2	12.0	0.8	5.2	9.0	13.5	9.1	12.8	25.2	15.9	9.4
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3	9.1
PPI	% yoy aop	20.9	8.6	3.1	7.6	20.5	16.7	9.6	19.5	35.5	6.5	20.9
PPI	% yoy eop	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	23.0	14.3	18.7
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.2	27.5	33.8	-36.7	27.1
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	35.5	38.6	-43.1	29.3
Current account	USD bn	1.5	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.9	-1.9	-2.9
Current account	% GDP	4.7	3.7	7.6	5.9	10.6	2.9	-1.5	-3.7	-7.2	-1.7	-1.7
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	6.5	5.3	9.2	9.9	4.5	5.7
International reserves	USD bn	1.5	3.1	4.4	6.9	9.7	19.4	22.4	32.5	31.5	26.5	36.7
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5	-2.4	-5.9
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	14.8	12.5	19.9	33.0	39.5
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	9.8	15.0	21.5	25.3
Monetary base	% yoy eop	39.9	37.4	33.6	30.1	34.1	53.9	17.5	46.0	31.5	4.4	15.8
Exchange rate	USD aop	5.44	5.37	5.33	5.33	5.32	5.12	5.05	5.05	5.27	7.79	7.94
Exchange rate	USD eop	5.44	5.30	5.33	5.33	5.31	5.05	5.05	5.05	7.70	7.98	7.96
Exchange rate	EUR aop	5.03	4.81	5.03	6.02	6.61	6.39	6.34	6.92	7.71	10.87	10.53
Exchange rate	EUR eop	5.10	4.67	5.53	6.66	7.22	5.97	6.65	7.42	10.86	11.68	10.57

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

''' "Minus" denotes a consolidated fiscal deficit

Notes:

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

Quarterly trends

National accounts		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
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
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
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
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
Trade balance in goods	USD m	-4171	-3868	-3562	-882	-622	-1396	-1407	-1236	-697	-2870	-3585	-2880	-2320
Trade balance in services	USD m	308	1341	15	116	432	1256	550	930	1115	1536	823	855	1047
Current transfers	USD m	833	831	723	632	667	640	722	608	728	797	842	1034	866
Direct investment (FDI)	USD m	3091	3324	1058	883	1279	1210	1282	923	1196	1470	2170	882	2284
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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

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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