Monthly Economic Monitor Ukraine

- Visa liberalization action plan was approved during Ukraine-EU summit
- Industrial output growth remained at 10.2% yoy as rising external demand was offset by slowing food industry.
- Naftogaz settled dispute with RosUkrEnergo leading to gradual return of 12.1 bn cubic meters of natural gas.
- Current account deficit reached USD 0.9 bn in October due to surge in imports.
- Tax code was approved in December with provisions on simplified taxation excluded.
- Number of people approved to receive subsidies between August and October tripled as compared to previous year.
- CPI growth slowed to 9.2% yoy mostly due to government interference.
- High demand for cash foreign currency remained in November.
- HIGHLIGHT OF THE MONTH: Tax code

No.12 (122)
December
2010

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: Visa liberalization action plan was approved during Ukraine-EU summit

On November 22 the Ukraine – EU summit was held in Brussels. It was the first such summit for currently serving Ukrainian president Viktor Yanukovych. During the summit, the EU leaders outlined three key challenges for EU-Ukraine cooperation in 2011. First priority is signing Association agreement by the end of the next year. The second is strengthening democracy, the rule of law and human rights protection in Ukraine. The last challenge is cooperation in energy sector to ensure stable transit of gas and oil via Ukraine to the EU countries.

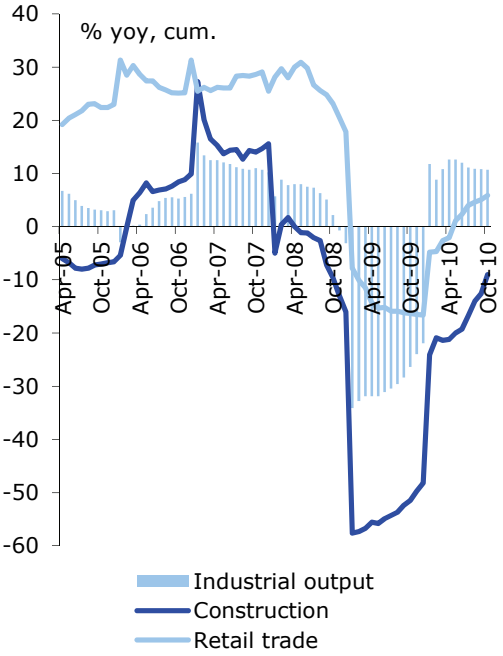
The key achievement of this summit was a long-expected Action plan on visa liberalization. Successful completion of the Action plan is necessary condition for visa-free travel to EU and very important step in the process. However, political decision of EU members will still be needed to grant visa exemption to Ukraine.

Real sector: Industrial production increased by 10.2% yoy

In October as well as in September, industrial production grew by 10.2% yoy. Increased demand for export goods was balanced by slower growth of food industry. Machine building increased its output by 32% yoy due to higher vehicles production. Chemical industry expanded production by 21.8% yoy due to low statistical base. Also, utilities growth accelerated to 13.2% yoy due to earlier beginning of heating season.

Freight turnover growth continued to decelerate and slowed to 8.1% yoy between January and October. It was caused by introduction of grain export quotas against the background of high statistical base. Construction activity increased in October leading to decline of 9.0% yoy over ten months of 2010 as compared 19.3% fall in the first half of the year. Retail trade turnover also improved significantly and increased by 5.9% yoy likely due to large demand for imported goods

Real sector trends



Source: Derzhkomstat

Sectoral trends: Naftogaz settled dispute with RosUkrEnergo

Energy. On November 24, Supreme Court of Ukraine recognized legitimacy of two Stockholm Arbitrage decisions that solved dispute between RosUkrEnergo AG and NJS 'Naftogaz' for ownership of 12.1 bn cubic meters (bcm) of natural gas. As a result, NJS 'Naftogaz' and RosUkrEnergo AG agreed on the process of implementing the decision. RosUkrEnergo will receive gas gradually, while repaying proportional part of its USD 1.7 bn debt to Naftogaz. The deal is

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equivalent to Naftogaz selling 12.1 bcm of natural gas at USD 140 per 1000 cm to RosUkrEnergo over several months.

This settlement introduced more certainty to Naftogaz. Gradual implementation will preclude disruptions to gas supply in Ukraine that were possible if all gas was transferred at once. However, Naftogaz will still bear over USD 1 bn of losses as current gas prices are higher. The exact amount of losses will depend on the price of gas needed to replace gas transferred to RosUkrenergo. Naftogaz may also have additional tax liabilities. Overall, court decision is not likely to lead to disruptions in gas transport system, but it will increase financial pressure on already struggling Ukrainian gas monopolist.

Agriculture. In November, the Ministry of Economy distributed grain export quotas. The quotas were distributed in proportion to available stocks and capacity to export as determined by the Agriculture ministry. Applications for the quotas were to be accepted within 15 days until November 18, but on November 10 the Government abruptly changed deadline for the application to November 12. Besides, the Agriculture ministry was slow in determining export capacities of traders. As a result, few applications were submitted on time and only 78% of quotas were distributed on November 12. Many international grain traders have not received licenses for exports. Opaque mechanism of quota distribution again damaged Ukrainian reputation on the world arena and discouraged investments in agricultural sector.

Transport. In November, the EBRD agreed to provide EUR 450 m loan to Ukravtodor, the State Road Service of Ukraine, to improve roads near Kyiv. The EBRD financing is expected to be matched by a similar-sized loan from the European Investment Bank and by EUR 170 m from Ukraine. Loan maturity is 15 years with a 4-year grace period and interest rate is EuroLIBOR+1%. Those funds are necessary to maintain and develop roads system in Ukraine, but they are not likely to be used efficiently as previous credit history of Ukravtodor showed.

Ukrainian railway operator Ukrzaliznytsia (UZ) agreed with Barclays Capital Bank on new restructuring of USD 550 m syndicated loan after it failed to pay the next portion of USD 110 m in August 2010. This agreement will cost railways company additional USD 52.3 m, but it will improve current liquidity. Inability to service debt underscored failure of UZ operations to generate sufficient cash flow.

External sector: Current account deficit reached USD 0.9 bn

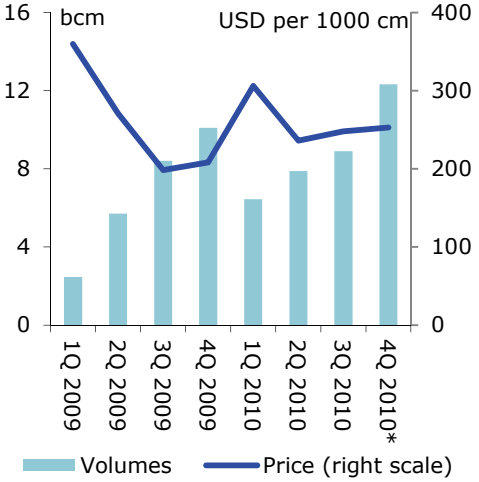
In October, current account deficit reached USD 0.9 bn, the highest level since February 2009. Current account deficit widened mostly due to growing merchandise imports, while goods exports remained at September level attributed to restrictions on wheat exports and temporary decrease in mineral exports. High fuel imports led merchandise imports growth at 41.0% yoy in dollar terms. Merchandise exports grew only by 14.3% yoy.

Financial and capital account surplus in October was at USD 0.3 bn. Ukrainian economy received net FDI inflow at USD 0.5 bn in October and real sector attracted 0.6 bn of net debt capital inflow. However, high demand for foreign cash led to USD 1.7 bn outflow of cash foreign currency from banks.

Fiscal policy: Tax code was approved

Tax Code: On December 3, President signed the Tax Code into law after Verkhovna Rada agreed with his amendments. Provisions on simplified taxation were deleted from the document. The reform of simplified taxation will be conducted afterwards. The Tax Code foresees gradual reduction of the EPT rate from current 25% to 16% in 2014. The VAT rate will be reduced from 20% to 17% in 2014. Personal income tax rate will become slightly progressive with maximum rate of 17%. At the same time, the taxation of interest earned on deposits was postponed until 2015. The final version of the Tax Code increased rights of the tax authorities, but less than the

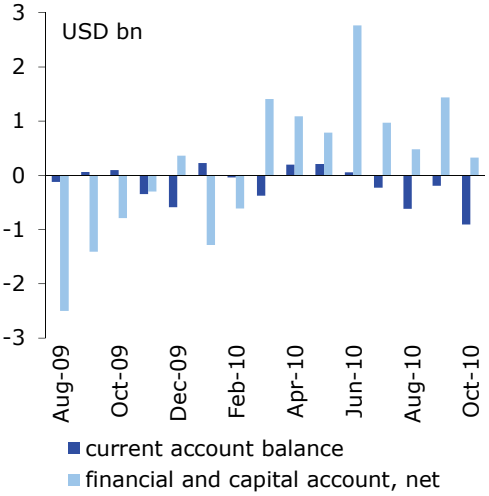
Imports of natural gas



* Assuming 4.0 bn cm import volume in December

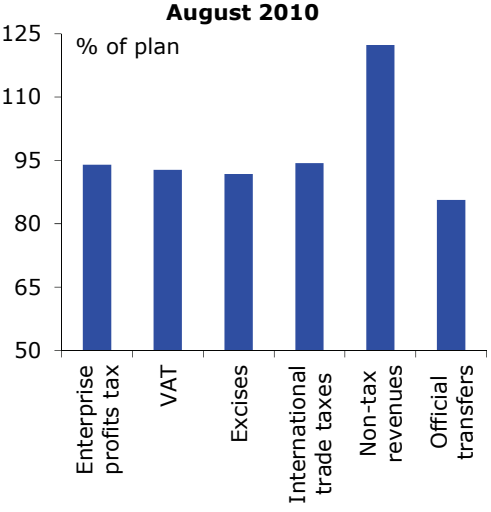
Source: Derzhkomstat; NJC 'Naftogas'

Balance of payments



Source: NBU, preliminary estimates

Central fiscal revenues in January-August 2010



Source: State Treasury reports

previous drafts. Most provisions of the Tax Code will become effective January 1, 2011, leaving tight window for businesses to adapt to new tax regulation and procedures.

Budget Execution: Between January and October, central fiscal revenues due to general fund were by 3.8% lower than target slightly improving from previous period. As earlier, tax revenues were lower than planned. Collections of EPT and VAT were under-executed by 6.0% and 7.3% of targets, respectively.

Execution of central fiscal expenditures (general fund) remained at 97% of the target against the background of limited increase in deficit. The cumulative central fiscal deficit increased by UAH 3.8 bn to UAH 56.6 bn as government spent funds at the Single Treasury Account that were accumulated from government borrowing in the previous months. The Government remained cautious about financing expenditures, but it also aggravated end-year spending spree by postponing large share of expenditures to December.

Social policy: The number of utility subsidies recipients increased

Between August and October, the number of families approved to receive housing and utility subsidies more than tripled as compared to the same period of last year. Rapid increase could be primarily explained by the changes in regulations effective as of August 1, 2010. In particular, the families with housing and utility spending exceeding 15% of their income became eligible for the subsidies. Previously, the threshold was defined at 20%. Besides, in August the gas tariffs for the population were raised by 50%, contributing to increase in share of housing and utility spending in family's income.

At the same time, eligibility criteria for receiving subsidies, in particular, related to large purchases, economic activity of family members were more rigorously enforced. As a result, number of rejections increased by 28.8 p.p. to 46.9% of applicants for the subsidy. Therefore, amended regulations resulted in increase in number of recipients, but increased enforcement made it harder to receive subsidies for average applicant.

Labour Market: Wages declined in October

In October average wage declined by 1.1% mom to UAH 2322. It happened in part due to seasonal factors. The major contributors to wage decline were transport and education, which reduced wages by 6.1% mom and 6.7% mom, respectively. The drop in wages in education was caused by autumn break scheduled in October this year.

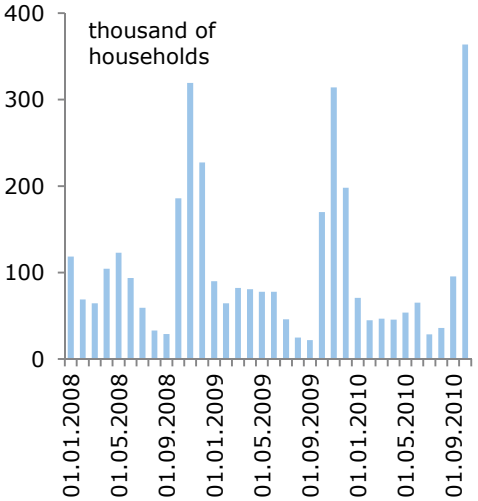
At the same time, wages in other sectors was also smaller than expected considering increase in minimum wage. In particular, wages in industrial sectors grew by mere 0.3% mom, which might signal weak financial state of enterprises. The fastest wage increase was in financial services (by 6.9% mom) reflecting recovery in banking sector.

Monetary policy: CPI growth decelerated to 9.2% yoy in November

In November, CPI growth decelerated to 9.2% yoy from 10.1% yoy in October. CPI growth slowed due to decline in price indices for raw food products. Reported decrease in prices is likely to be related to administrative pressure. Core inflation that excludes administratively regulated prices and raw food product prices remained almost unchanged at 8.0% yoy in November.

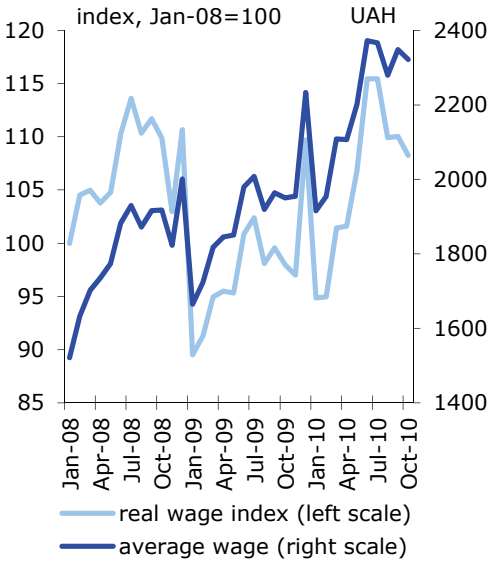
Liquidity in banking system decreased in November as the NBU withdrew it through net sales of foreign currency. Decline in deposits of legal entities and high demand for cash foreign currency led money supply growth to slow to 22.2% yoy in November, while monetary base growth slowed to 18.9% yoy.

Number of households approved for the subsidy



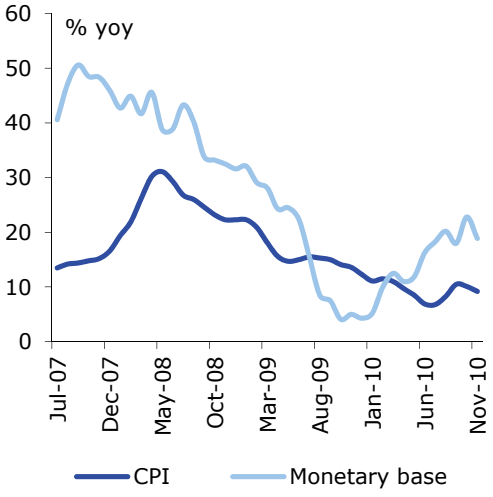
Source: Derzhkomstat

Average wage



Source: Derzhkomstat

CPI and monetary base development



Source: Derzhkomstat, NBU

Financial markets: The NBU continued to sell foreign currency in November

Exchange rate. In November, demand for cash foreign currency remained persistently high, although net sales of cash foreign currency slightly decreased. Lack of trust in national currency combined with slowly rising income is one of the major reasons for high demand for cash foreign currency. growing shadow economy supported by increase in economic activity and fears about tax reform was another driver of demand.

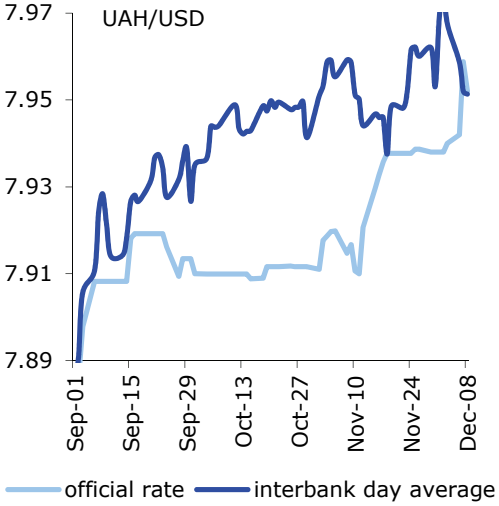
On cashless segment of the market supply was mostly higher than demand allowing the NBU to purchase euros and Australian dollars worth USD 0.67 bn. However, the NBU also sold foreign currency to "Naftogaz" to enable the company to pay for imported gas. As a result, the NBU made net sales of foreign currency at equivalent of USD 0.38 bn in November. The NBU maintained hryvnia in tight range against US dollar at UAH 7.94-7.96 per USD on the interbank market.

Banking sector. In November, bank deposits remained at October level as outflow of deposits of legal entities was offset by growing household deposits. Decrease in deposits of legal entities could be attributed to slowdown of economic activity in November and increased demand for cash foreign currency.

Dollarization of loans outstanding continued to decrease as borrowers repaid existing loans and new loans were discouraged by legal restrictions. As a result, share of foreign currency loans dropped to 46.7% in November 2010 from 52.4% in November 2009.

State debt. In November, the Government issued UAH 8.0 bn of domestic bonds, out of which UAH 7.4 bn were provided to NJSC «Naftogaz» as increase in authorized capital. The company sold most of these bonds to banks and non-residents to obtain liquidity. At the same time, funds attracted by the Government on primary market were not sufficient to refinance UAH 2.6 bn of domestic bonds due in November.

Exchange rate



Source: NBU

Highlight of the month: Tax Code

First steps towards the tax reform

by Oleksandra Betliy

Ukrainian taxation system is recognized as complex and expensive due to large number of taxes and numerous controversial procedures. The VAT refund arrears has been for years a large problem for many exporting companies increasing costs of business in the country. In particular, according to the World Bank report *'Doing Business'* Ukrainian business had one of the largest costs of tax compliance. Therefore, business expected for a long time that tax reform would remedy these problems. Although first drafts of Tax code were released in 2007, new administration rushed work on the Tax Code and it was approved by the Parliament on December 2 and signed by the President two days later. Attempts to push Tax Code through Parliament quickly led to weak communication between the Government and business.

The most controversial proposed provisions of draft Tax Code was simplified taxation system (STS). The STS was originally introduced in 1999 for stimulating development of small business. The system for private entrepreneurs envisages payment of flat unified tax up to UAH 200 per months if the annual turnover is lower than UAH 500 000. At the same time, small companies with turnover under UAH 1 m could pay either tax at 6% of turnover and VAT or 10% of turnover in lieu of all taxes. The parameters of the STS have not been changed within the period of existence. The simplicity of accounting and low tax level resulted in more 2.7 m individuals registered as private entrepreneurs in 2009 with 1.6 m employees, accounting together 19% of economically active population. However, the system was also used for tax evasion and minimization. Consequently, the drafts of Tax Code proposed elimination of the STS for legal entities and enlarged the list of activities that are not eligible for the STS for physical persons. Besies, the Draft Code did not propose viable transition to other forms of taxation for private entrepreneurs. As a result, the taxpayers working on the STS went for the strike, which resulted in the Presidential veto of the first version of the Tax Code approved by the Parliament in the end of November.

The final document does not contain a section on the STS, meaning that the private entrepreneurs and small companies will continue working on the STS following old rules. However, legal entities working on the general taxation system are not allowed to deduct payments to STS taxpayers (except for IT services) from profit subject to enterprise profit tax (EPT). Therefore, companies working on general taxation are discouraged from purchasing goods and services from taxpayers under the STS as de facto the price of those becomes higher by EPT rate. At the same time, the tax burden will somewhat increase for private entrepreneurs as unified tax will now cover only tax liability and it will be paid to the local budgets. Previously part of single tax covered part of entrepreneur's liability to the Pension Fund and social funds. Since 2011 this reduction will be cancelled.

Overall, the finally approved document, which contains the suggestions of the President, removed some of drawbacks of the drafts, but it is still far from perfect. The EPT rate will decline from current 25% to 23% in 2011 and then gradually to 16% in 2014. The positive change in the profit taxation is lower number of differences between commercial and tax accounting, which simplifies overall accounting. At the same time, since 2012 companies will have to report reconciliation of discrepancies between two forms of reporting. The depreciation rules will become closer to EU practices, even though they need further improvement. In particular, even though the Code foresees 16 groups of fixed assets, most of them fall under the four group with the same minimal period of depreciation.

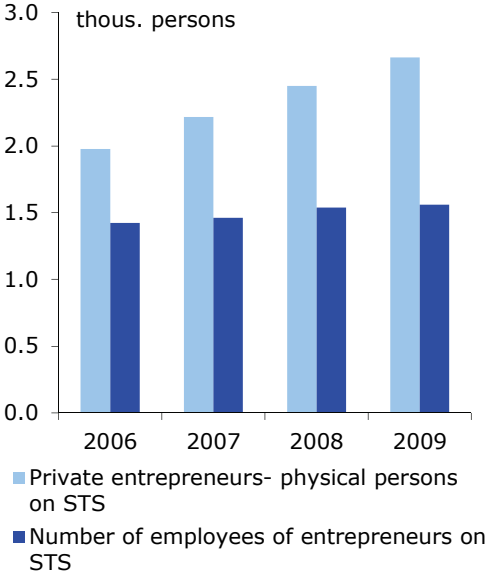
The VAT rate will be reduced from current 20% to 17% in 2014. The document foresees automatic VAT refunds for taxpayers with good

The eligibility criteria for simplified taxation system

	Unified tax for physical person	*Unified tax for legal entities*
Maximum annual turnover (UAH)	500 000	1 000 000
Maximum number of employees	10	50
Monthly tax level/rate	UAH 20 – 200	6% of turnover + VAT or 10% of turnover including VAT

Source: The Decree of the President of Ukraine "On the Simplified System of Taxation, Accounting and Reporting of the Entities of Small Entrepreneurship"

Number of individuals on the STS



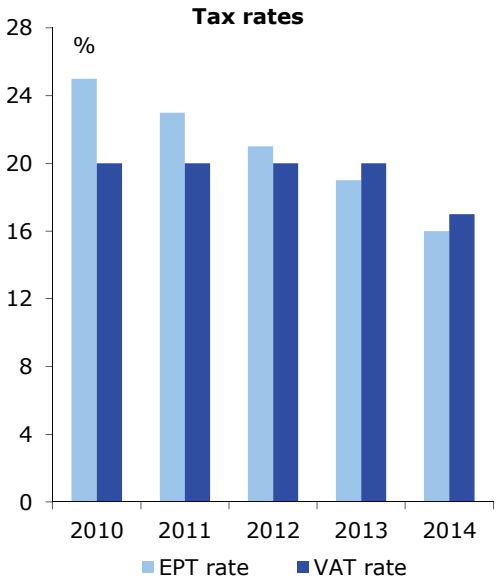
Source: Derzhkomstat

track record. The personal income tax will become slightly progressive with base rate of 15%, while 17% rate will be applied for income exceeding 10 times minimum wage. Several inefficient local taxes and duties were eliminated, which is a welcome step. The property tax is to be introduced in 2012. If efficiently implemented it would become additional source of financing local budgets. The Government has also postponed taxation of deposit interests till 2015.

Another topic for debate during the approval of the Tax Code was about functions of tax authorities. According to the approved Code, the rights of tax authorities were increased in relation to reasons and procedures of inspection, requirements for documents provision, etc. There was no increase in rights of taxpayers to counterbalance increased power of tax authorities.

New Tax Code will come into effect on January 1 2011 with some exceptions. In particular, the section on the EPT will be implemented in the second quarter of the year to provide companies with more time to prepare to new taxation rules. New year of 2011 will be challenging for business and public authorities as the Budget Code and the Law on the Unified social contribution also will become effective as of January 1. Therefore, all economic agents will have to adapt to changed legislative base in short period of time, which might result in mistakes in accounting and reporting in the beginning of year. It remains unclear why the Government tried so hard in approving the document within short period and introducing it starting 2011, instead of taking enough time to prepare comprehensive and clear document, while providing time for economic agents to learn new rules.

To sum up, the approval of the Tax Code is just a first step towards the tax reform as most provisions remained similar to existing rules, although some improvement was made. Positive feature of the document is the combination of most tax legislation in one text, which replaced more than 20 documents. However, the Code does not introduce significant additional incentives for economic development in the short and medium run. Gradual decline in tax rates and elimination of some inefficient local taxes are steps in the right direction, while they cannot by themselves improve business climate. Besides, the question of changes in the STS remains on the agenda. Therefore, the Government has only started the tax reform and has to make more efforts to ensure it will stimulate economic development.



Source: Laws of Ukraine, Tax Code

Economic Trends		Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	May	Jun	Jul	Aug	Sep	Oct	Nov
Industrial production (real)	% yoy cum.	-31.1	-28.4	-21.9	10.8	12.0	10.8	12.6	12.0	11.1	10.9	10.8	10.7	…
Construction (real)	% yoy cum.	-54.9	-52.4	-48.2	-21.4	-19.3	-12.6	-20.0	-19.3	-16.7	-14.0	-12.6	-9.0	…
Agricultural production (real)	% yoy cum.	2.6	3.3	0.1	5.3	3.4	-1.3	4.5	3.4	-0.6	-4.1	-1.3	-1.2	…
Retail trade turnover (real)	% yoy cum.	-15.2	-16.2	-16.6	-2.6	2.3	5.1	1.1	2.3	4.0	4.6	5.1	5.9	…
Average wage	UAH	1892	1940	2046	1993	2227	2332	2201	2373	2367	2280	2349	2322	…
CPI	% yoy eop	15.0	15.0	12.3	11.0	6.9	10.5	8.5	6.9	6.8	8.3	10.5	10.1	9.2
PPI	% yoy eop	-0.9	1.6	14.3	18.6	25.5	19.2	27.9	25.5	24.4	23.3	19.2	19.8	18.9
Exports (USD)*	% yoy cum.	-42.2	-43.7	-40.7	22.1	28.9	26.8	31.4	33.5	33.3	33.2	32.1	29.3[e]	…
Imports (USD)*	% yoy cum.	-49.5	-49.3	-46.9	18.5	24.7	27.3	25.9	29.6	30.1	31.8	32.2	35.7[e]	…
Merchandise trade balance	USD bn cum.	-1.9	-3.7	-5.7	-1.2	-2.0	-4.8	-2.1	-2.5	-3.5	-4.6	-5.4	-6.1[e]	…
Current account**	USD bn cum.	-0.8	-1.1	-1.8	-0.2	0.1	-0.9	0.2	0.1	0.0	-0.7	-0.9	-1.7	…
Current account	% GDP, cum.	-1.5	-1.3	-1.5	-0.7	0.2	2.7[e]	x	x	x	x	x	x	x
Gross international reserves	USD bn eop	27.3	28.2	26.5	25.1	29.5	34.70	26.7	29.5	30.9	32.7	34.7	34.3	33.5
Monetary Base	% yoy eop	22.4	7.5	4.4	12.5	16.3	18.0	11.9	16.3	18.3	20.2	18.0	22.8	18.9
Lending rate on UAH credits	% pa, aop	19.1	17.9	19.8	17.4	14.8	13.0	14.6	14.1	13.5	12.6	13.0	13.1	12.8
Exchange rate (interbank)	USD aop	7.76	8.00	8.06	8.00	7.92	7.90	7.92	7.91	7.90	7.89	7.92	7.95	7.95
Exchange rate (official)	USD aop	7.66	7.82	7.99	7.99	7.92	7.90	7.93	7.92	7.90	7.89	7.91	7.91	7.93
Exchange rate (official)	EUR aop	10.41	11.18	11.81	11.07	10.10	10.18	10.00	9.67	10.06	10.18	10.29	10.99	10.87

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	299.1[e]
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	3.5[e]
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	…
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	…
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	…
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	…
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	…
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	…
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	…
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	…
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	…
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	…
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	-0.2	0.4	-1.0[e]
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	-0.7	1.2	2.7
Trade balance in goods	USD m	-1701	-2684	-4452	-4490	-4171	-3868	-3562	-882	-622	-1396	-1407	-1229	-818	-2793[e]
Trade balance in services	USD m	448	1614	308	77	308	1341	15	116	432	1256	550	745	1017	1404[e]
Current transfers	USD m	844	947	1016	740	833	831	723	632	667	640	722	629	749	802[e]
Direct investment (FDI)	USD m	1934	3927	1648	2430	3091	3324	1058	883	1279	1210	1282	923	1213	1453[e]
Portfolio investments	USD m	1477	616	1844	217	160	-690	-967	-350	2286	1428	1396	-317	799	…
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	23.4[e]
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	4.4[e]
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	3.5[e]
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	10.2[e]
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[e]
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	30.5[e]
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	26.8[e]
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[e]
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	-7.5[e]
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[e]
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	11.8
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	1.4	8.7	…
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	…
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
[e] preliminary NBU estimates for balance of payments, GDP estimate by IER, budget data include UAH 16.4 bn VAT refund using government bonds

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