Monthly Economic Monitor Ukraine

- Tensions between the President and the Prime Minister have intensified amid the economic crisis.
- Real GDP growth slowed to 2.1% yoy in 2008 as industrial output dropped by 3.1% yoy.
- Gas supply was restored on January 21 after long-term gas supply and transit deals between Gazprom and Naftogaz were signed.
- The NBU estimated current account deficit at record USD 11.9 bn or 6.7% of GDP for 2008.
- The central fiscal deficit reached 1.3% of GDP in 2008.
- Real wages declined by 2.3% yoy in December.
- Consumer price inflation remained at 22.3% yoy in January 2009.
- Inter-bank exchange rate remained relatively stable in UAH/USD 7.7-8.1 range in the second half of January.
- HIGHLIGHT OF THE MONTH: Gas crisis

No.2 (100)
February
2009

Population: 46.4 m
Industry/GDP: 32%
Agriculture/GDP: 7%
Investment/GDP: 27%
Exports to: Russia 26%, EU 28%
Imports from: Russia 28%, EU 37%

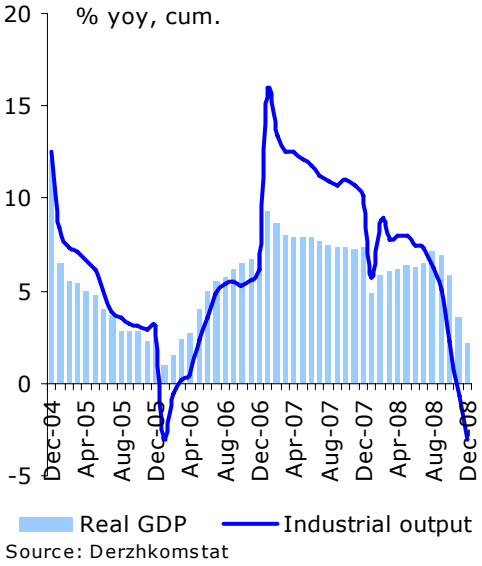
Politics: Conflict between the President and the Prime Minister has deepened

The beginning of 2009 was marked by new political tensions as the President and the Prime Minister traded insults over a number of economic and political issues. In particular, President Viktor Yushchenko argued that terms and conditions of the gas supply and transit contracts agreed upon by Yulia Tymoshenko in Moscow have been very disadvantageous to Ukraine. The Prime Minister was accused of "selling out" to Russia for a political gain. Another hot spot was the budget: the President claimed that the government had not have sufficient funds to pay wages and pensions due to lack of fiscal revenues. The Prime Minister denied these allegations.

On the other hand, the Prime Minister urged the President to initiate the dismissal of the National Bank leaders allegedly responsible for criminal activities, resulting in the critical situation in the financial system and sharp depreciation of the national currency. According to the Constitution, the NBU Governor is appointed and dismissed jointly by the President and the Verkhovna Rada. After the President had refused to start the procedure of Volodymyr Stelmakh's discharge, the Parliament passed the resolution blaming the President for the crisis. Moreover, the Verkhovna Rada also repealed its decision appointing Volodymyr Stelmakh as the National Bank Governor. Though this decision contradicts the Constitution, it has added to instability, hurting the credibility of the NBU monetary policy. Yulia Tymoshenko also pondered the idea of replacing pro-presidential ministers by ones that are more loyal.

The protracted confrontation between the two top officials of Ukraine has further destabilized its institutional system and rendered impossible the efficient governance of the country in times of crisis.

Real growth rates of GDP and industrial production



Source: Derzhkomstat

Real sector: The growth of real GDP sharply decelerated in 2008 against last-quarter economic slump

The Derzhkomstat preliminarily estimated real GDP to grow by only 2.1% in 2008 as economic activity shrank in the last quarter of the year. November economic slump partly subsided in the last month of the year as holiday purchases temporary revitalised retail trade, winter season stimulated demand for electricity and gas, and hryvnia devaluation plus revived demand from international traders that restocked falling inventories allowed exporters to somewhat renew production. Thus, the real GDP decline by 14.4% yoy in November was followed by lesser 9.2% yoy drop in December.

In 2008 industrial production declined by 3.1% for the first time since 1998. Tremendous contraction of demand for metals and chemical products on international markets was complemented by falling domestic demand hurting food production and machine building. The steepest decline was registered in mining and smelting complex: coke production fell by 5.0%, metal production by 10.6%,

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and non-energy mining by 6.1%. Six-month downhill slide of metal production was interrupted in December due to hryvnia devaluation and pickup of external demand, thought this fact had minor impact on annual figures. Domestic market oriented sectors like food production and production of construction materials continued to nosedive in the end of the year amid depressed internal demand.

Sectoral trends: Gazprom restored gas supply on January 21

Energy. January was marked by the most serious energy conflict in Europe over decades. The gas cut-off staged by Russia in response to failed gas deal with Ukraine forced some European countries to apply emergency measures. After three weeks of blame game, on January 19, NJSC Naftogaz Ukrainy and OJSC Gazprom (Russia) signed two long-terms contracts on natural gas supply to Ukraine and on transit of natural gas to the European consumers. The gas supply was fully restored on January 21.

According to new contracts, Ukraine will purchase 40 bn cubic meters (cm) of natural gas and transit 120 bn cm of Russian gas to the EU in 2009. Parties agreed to apply formula in setting natural gas price and transit fee between 2009 and 2019. The formula links gas price with petroleum products price in Europe with a lag. For 2009, Ukraine will receive a 20% price discount in exchange for constant gas transit fee for Russia at USD 1.7 per thousand cubic meters (cm) per 100 km. The intermediary CJSC RosUkrEnergo was excluded from gas supply scheme, and its remaining gas reserves at 11 bn cm were to be sold to Ukraine at USD 153.9 per thousand cm. The Gazprom affiliate company – CJSC GazpromZbut Ukraine – will be able to service about 25% of Ukraine's domestic gas market as the National Electricity Regulatory Commission (NERC) increased its annual license up to 13.5 bn cm.

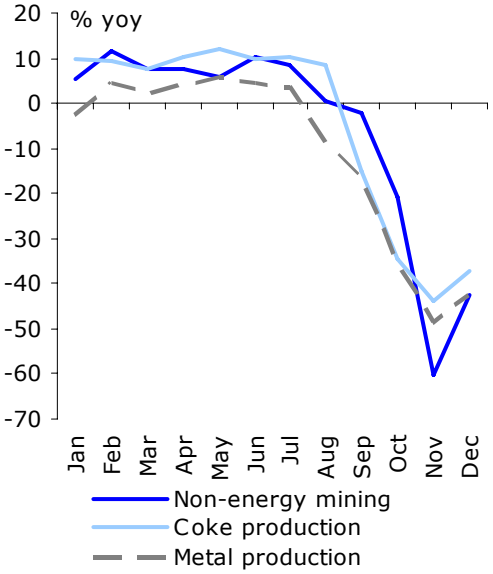
According to the Government, the annual average price for imported natural gas will be USD 228.8 per thousand cm in 2009 taking into account falling oil prices in the second half of 2008. The NERC set the price for gas in 2009 for most industrial consumers at USD 334 per thousand cm, while chemical industry and metal producers will pay USD 315 per thousand cm thanks to preferences provided by the Government.

Agriculture. The Anti-Crisis Law passed in October 2008 brought new taxation regime for agrarians in January. General regime of the VAT taxation has been extended to agricultural and food industry enterprises. However producers with 75% of their sales generated by qualified agricultural products and services can register to receive tax privilege allowing them to retain the VAT received from the sales. This tax privilege will become the major form of support for the sector in troublesome 2009 since projected fiscal expenditures on agriculture shrank considerably from the previous year.

Privatisation. In the end of January, the State Property Fund adopted privatization plan for 2009. The plan includes state shareholdings in 232 enterprises to be sold via auctions or at the stock exchange. This list contained initially none of the remaining blue chips like Ukrtelecom, Odessa by-port plant or oblenergos. However, later the revision of the plan brought Ukrtelecom and minority stakes in oblenergos to the list.

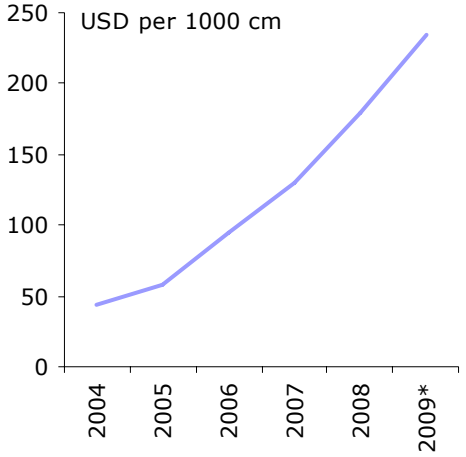
Telecommunications. From January 1 new fees for use of radio frequencies came into force. The frequencies use has become half more expensive for telecommunications operators. Also, the state post monopolist "Ukrposhta" further increased its tariffs. In particular, maximum tariffs for universal post services grew by 50% on average and tariffs for newspaper subscriptions and delivery by 27%. Such measures were aimed to remove cross-subsidization within Ukrposhta's operations thus making the company more stable in the distressed economic environment. Also, higher tariffs should boost company's profits and thus the sum payable to state coffers.

Production in mining and smelting sector in 2008



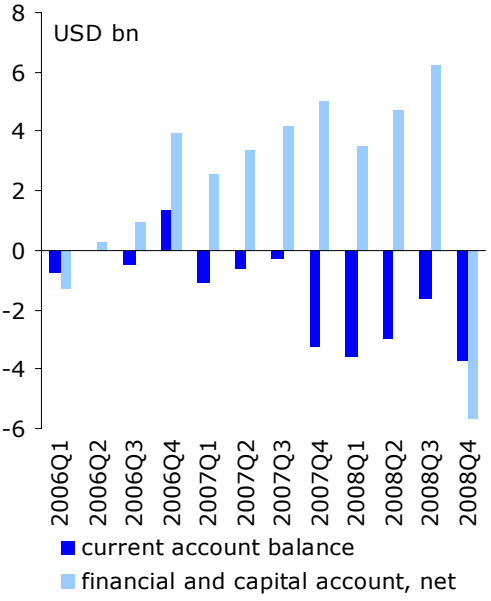
Source: Derzhkomstat

Price for imported natural gas for Ukraine



Source: Gas contracts signed by Naftogas
* Government estimate

Balance of payments



Source: NBU

External sector: Record current account deficit in 2008

According to the preliminary estimate of the NBU, current account (CA) deficit widened to USD 11.9 bn or 6.7% of GDP in 2008, the highest ever result both in absolute terms and as a share of GDP. The CA deficit was mostly attributed to wide commodity trade deficit estimated at USD 16.0 bn, although it somewhat shrank in last months of the year thanks to imports declining faster than exports. The surplus in service trade at USD 2.1 bn was balanced by net income outflow.

Commodity exports grew by 35.9% in dollar terms in 2008, slowing from highs recorded in the first three quarters of the year (50.0% yoy) when exports had accelerated mostly due to the bubble on the commodity markets. In the last quarter, global economic slowdown seriously hit external demand for major Ukrainian export goods. Commodity import growth was 38.4% in dollar terms for the full year, as compared to 57.5% yoy over January-September 2008. The deceleration was explained by sharp hryvnia depreciation in the end of the year, and dropped domestic demand amid credit crunch and depressed incomes.

In the last quarter, financial account was in deficit at USD 5.7 bn as net FDI inflows plummeted and huge outflows of portfolio and other investments were recorded due to global financial crisis and lack of investor confidence in Ukraine. Thus, annual financial account surplus at USD 8.8 bn was insufficient to cover CA deficit, forcing the NBU to spend international reserves to satisfy demand for foreign currency in the last quarter.

Fiscal policy: The central fiscal deficit reached 1.3% of GDP in 2008

In 2008, the central fiscal revenues were executed at 97.0% of the target. Despite a sharp decline in economic activity in the last months of the year, the enterprise profit tax (EPT) and receipts from the profits of state-owned enterprises were over-executed by 12.3% and 14.1%, respectively, thanks to good financial results of previous months. At the same time, collections of all other major revenue sources including VAT, excises, taxes on international trade and official transfers were below the target. In particular, VAT receipts deteriorated to 92.7% of the plan due to the low revenues from VAT paid on domestically produced goods and services.

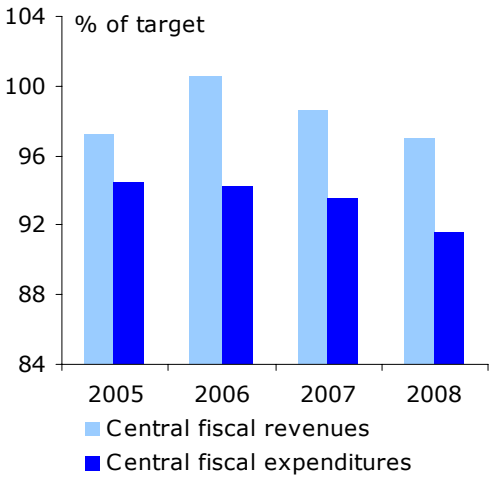
The execution of central fiscal expenditures in 2008 worsened by the end of year and constituted 91.6% of the target, which is less than in previous years. The utility sector financing had traditionally the lowest execution rate (39.7% of the plan), while social protection, public order and defence was financed at over 95%. The central fiscal deficit amounted UAH 12.5 bn or 1.3% of GDP in 2008. As the privatisation receipts were extremely low, the deficit was mainly financed using domestic borrowing and funds accumulated at the Unified Treasury Account.

Social policy: Real wages declined in December by 2.3% yoy

Slump in economic activity resulted in considerable deceleration of real wage growth from 13.8% yoy in the first quarter to 6.8% as annual average. Real wages in industry grew by below-average 3.7%. The expansion of real wages in construction reverted to decline as production plummeted. The growth of wages in publicly funded sectors was above the average with 11.3% increase in state administration.

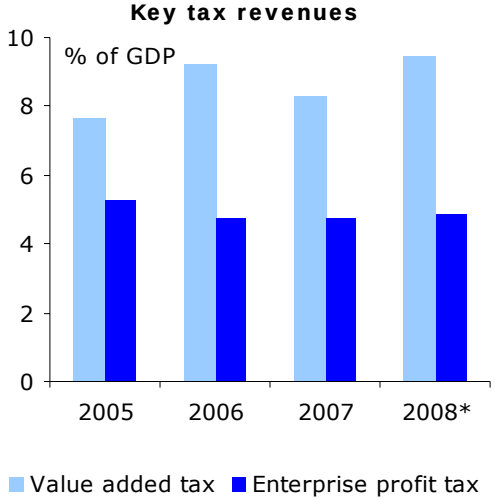
The nominal wage changed its development in the last quarter of 2008. While the wages in October remained close to September levels, they declined by 4.9% in November. In December, a month of year-end bonuses, the nominal wage reached UAH 2001 offsetting its decline a month before. Still December wage increase was much slower than traditionally in previous years, which along with high inflation resulted in real wages decline in December by 2.3% yoy. Besides, December nominal wages in industry, construction and

Execution of the central fiscal revenues and expenditures



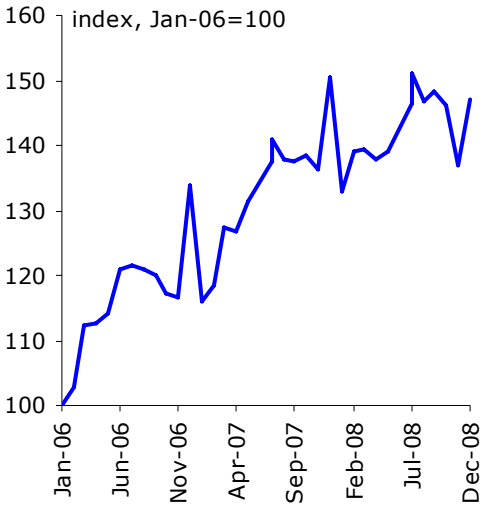
Source: State Treasury

Key tax revenues



* estimated GDP figure for 2008
Source: State Treasury

Real wage index



Source: Derzhkomstat

agriculture were lower than in October. The highest increase in December nominal wage was in public administration by 23.2% as compared to October. This fact contradicts the officially announced cost-cutting strategy including restricted wage growth.

Monetary policy: Inflation remained at 22.3% yoy in January

Consumer inflation remained at 22.3% yoy in January. Among push factors were high inflation expectations and increase in prices for imported goods that reflected hryvnya depreciation started last year. However low wages, high unemployment and absence of social spending spree usual for January contained inflation pressure.

Money supply growth decelerated in January to 25.7% yoy as liquidity decreased due to the NBU interventions on the interbank market and deposit withdrawals. Liquidity was less tight during early January as government traditionally increased spending in the end of the year and enterprises were high on deposits at the beginning of the year. However, absence of the NBU refinancing caused short-term interest rates on the interbank market to reach sky-high levels of 60% p.a. in the end of January.

According to Article 86 of Budget Law 2009 the NBU was forbidden to refinance banks until new rules of refinancing would be developed jointly with the Cabinet of Ministers. This ban caused serious problems in financial sector including delays with payments and deposit withdrawals lasted until new rules were finally adopted on January 29. Essentially the rules remained exactly the same with two exceptions. First, the government seemingly received the veto power over loans longer than 14 days in maturity including financial stabilization loans but excluding repos and forex swaps. However the language of the resolution is unclear about what happens when the government disagrees with the NBU over refinancing. Second, the government representative receives access to all information about NBU refinancing. Thus, the government received a legal power to intervene into monetary policy, eroding the NBU's independence.

Financial markets: Hryvnya stabilised by mid-January

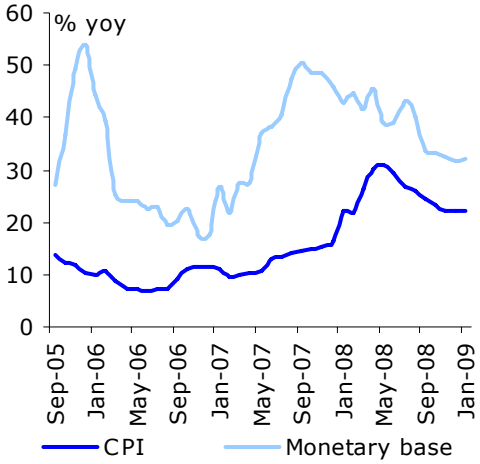
Exchange rate. Exchange rate was relatively stable in UAH/USD 7.70-8.10 range in the second half of January after the spike to UAH/USD 8.79 in the first half of the month. The latter was fuelled by the fears over gas crisis and illiquid market. Later the NBU stepped in with regular and predictable interventions covering the difference in demand and supply and stabilising the market. As the NBU has about USD 5.5 bn to spend for interventions in the first quarter and only USD 1.7 bn were spent in January, the degree of stability may last in February but market remains very sensitive to even the small surges of demand.

State debt. The Ministry of Finance carried out the placement of short-term domestic state bonds maturing in middle of 2009. Total placement amounted to a mere UAH 176.4 m with 17.8% p.a. weighted-average yield. Market showed no interest in longer-term bonds offered by the government.

The risk of default by the state agency Ukravtodor associated with Morgan Stanley's call for early repayment of USD 465 m ten-year debt was removed in January. Credit Suisse Investment Bank agreed to provide a USD 465 m loan to Ukravtodor at LIBOR+8% thus refinancing the debt to Morgan Stanley. Another USD 465 m in debt has been already transferred from Morgan Stanley Bank International to Credit Suisse Investment Bank without change of credit conditions (LIBOR+2.57%) in November 2008. Thus, Credit Suisse became a sole creditor to Ukravtodor. The principal amount of debt remained unchanged though debt service expenditures of Ukravtodor will increase due to higher interest rate set for January loan.

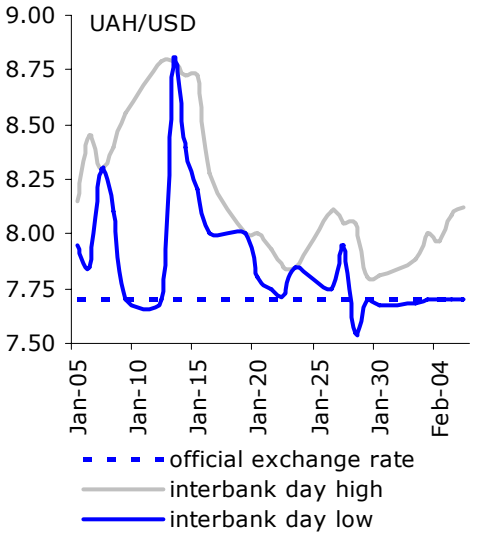
Banking sector. Lending in national currency expanded in December, though the source of such advance is unsustainable. Out of UAH 21.3 bn of new loans issued to corporate borrowers in December UAH 18.5 bn were given to state companies. In particular, Naftogaz received UAH 12.5 bn as loans from state banks

CPI and monetary base development



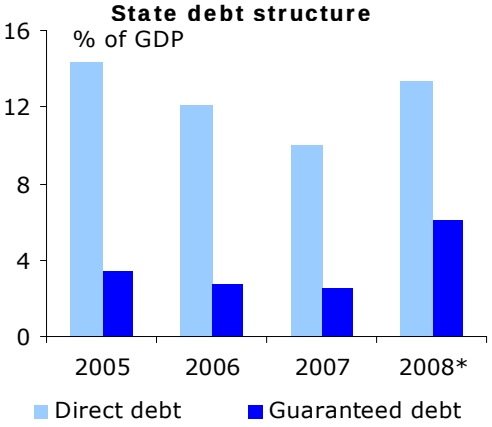
Source: Derzhkomstat, NBU

Exchange rate



Source: Reuters Investor

State debt structure

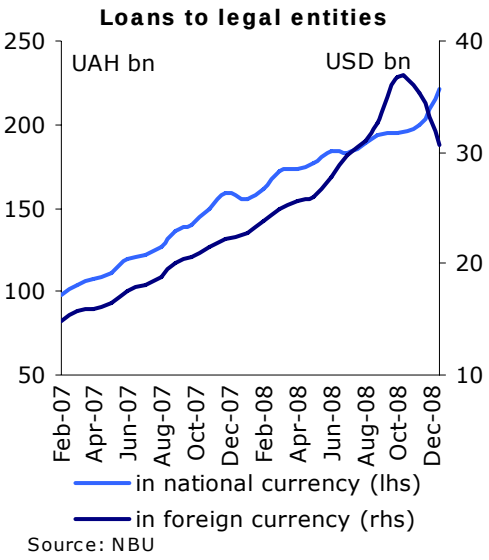


Source: Ministry of Finance reports
*IER estimate of GDP for 2008

Oschadbank and Ukreximbank. Total outstanding credits increased by 71.9% to UAH 734.0 bn on the back of high growth rates in the beginning of 2008. In November and December withdrawals of national currency deposits slowed down significantly while foreign currency deposits grew in value due to hryvnya depreciation, thus deposit growth decelerated but deposits still increased by 27.7% in 2008.

The stress test of top-17 Ukrainian banks conducted in accordance with the IMF Memorandum showed that these banks are to augment their capital by approximately UAH 25 bn. The lion share of this amount is attributed to subsidiaries of foreign banks, the most vulnerable to further hryvnia depreciation because of considerable exposure to foreign liabilities.

Some sector reorganization has already started in January. The NBU sent special representative to Nadra bank to control its activities more closely. The problems in this bank has recently aggravated despite the October repayment of a syndicated credit at the expense of the NBU refinancing. Temporary administration was introduced in UkrPromBank that failed to repay the NBU loan.



Source: NBU

Highlight of the month: Gas crisis

Transition to the long-term contracts

by Dmytro Naumenko

The gas conflict between Russia and Ukraine resulted in a two-week cut-off of major gas supply flows for Europe amid a cold winter. This breach became a final push for OJSC Gazprom and NJSC Naftogaz Ukrainy to sign direct long-term separate contracts for purchase and for transit of natural gas from Russia between 2009 and 2019.

The parties agreed upon a new formula-based approach for natural gas pricing in the next 11 years. The price for imported natural gas will be calculated quarterly using the base price USD 450 per thousand cm with adjustment for change in average prices of crude oil and gasoil on FOB Med Italy market (so-called Northern Platt's) during nine months preceding the given quarter. Thus, the base price was calculated using high prices for oil products in Europe between April and December of 2008. Transit fee for Russian natural gas will be based on USD 2.04 per thousand cm per 100 kilometres adjusted for inflation in the EU. Parties also agreed mutual price discounts for 2009. The price for imported natural gas will be marked down by 20%, bringing the price for the first quarter to USD 360 per thousand cm. On the other hand, transit fee in 2009 will be fixed at USD 1.7 per thousand cm per 100 kilometres, equal to the 2008 level.

The switch to long-term relationship with Russia was the positive result of gas negotiations that should eliminate regular quarrels over price of natural gas supplied to Ukraine. Yet other positive achievement was long-awaited predictability and transparency of pricing in gas imports. However, the contracts also contain a number of provisions that may cause problems in medium and long run. The points of the new contracts that are most worrisome for Ukraine are as follows:

A. The Naftogaz committed to make annual purchase of 52 bn cm of natural gas using 'take or pay' approach between 2010 and 2019. Ukraine will have to buy contracted gas volume under the threat of large fees and penalties while re-export is prohibited. This volume may be decreased by up to 20% but only with 6-month notice and by mutual agreement of counterparties.

At the same time, Gazprom transit gas flows to Europe will not be subject to 'ship or pay' approach: it may reduce gas transit from earmarked 110 bn cm without penalties. Such deal contradicts the EU Energy Charter and against Ukraine's economic interests.

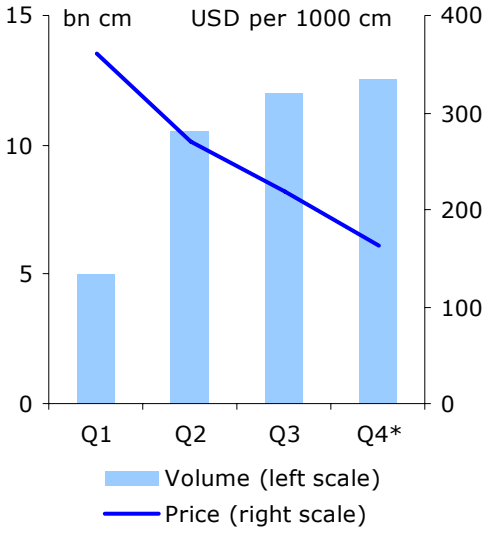
B. The base price at USD 450 per thousand cm seems high if compared with prices paid by other largest consumers of Russian gas in the first quarter of 2009 like Germany (USD 370 per thousand cm including transportation costs) and Italy (USD 410).

C. Agreed baseline transit fee at USD 2.04 per thousand cm per 100 kilometres starting from 2010 is among the lowest in Europe. Such low fee is usually available either in exchange for price discounts in natural gas purchases or for political considerations. This fee does not cover Ukraine's operation costs, amortization and capital expenditures.

D. Formula for gas price doesn't follow the European practice of gas pricing that links the price for natural gas with prices of its substitutes on local market that allows keeping the country's energy balance steady. For Ukraine the contract base price is linked to European heavy fuel oil and gas oil prices, though gas oil is rarely used in Ukraine. However to establish more economically justified price, Ukraine has to develop domestic market for the substitutes.

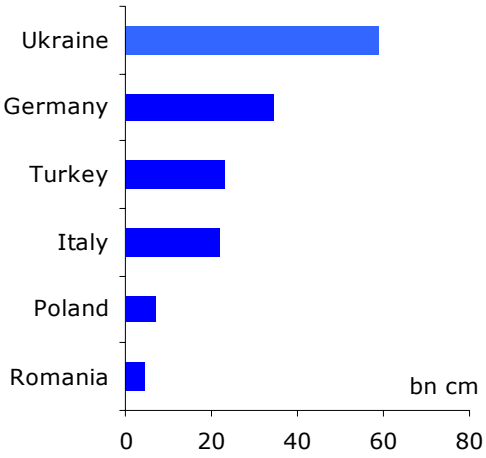
New gas contracts seem to be weighted in favour of Gazprom in the long run. Aforementioned problems could evoke new conflicts over the performance under new contracts.

Volumes and prices for imported natural gas in 2009



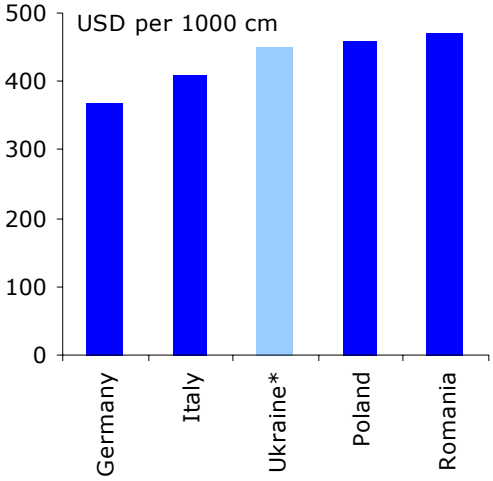
Source: 2009 gas supply contract
* NJSC Naftogas estimate

Russian gas consumption in 2007



Source: OJSC "Gazprom"

Prices for Russian natural gas (1 quarter 2009)



Source: UkrGazEnergo
* Base price

Economic Trends		Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Sep	Oct	Nov	Dec	Jan
GDP growth (real)	% yoy	6.2	7.4	6.5	6.5	6.9	…	5.5	-2.1	-14.4	…	…
GDP growth (real)	% yoy cum.	7.3	7.6	6.5	6.5	6.7	2.1	6.9	5.8	3.6	2.1	…
Industrial production (real)	% yoy cum.	10.7	10.2	7.8	7.5	5.1	-3.1	5.1	2.2	-0.7	-3.1	…
Agricultural production (real)	% yoy cum.	-5.1	-5.6	0.2	-0.3	15.1	…	15.1	17.6	18.0	17.5	…
CPI	% yoy eop	14.4	16.6	26.2	29.3	24.6	22.3	24.6	23.2	22.3	22.3	22.3
PPI	% yoy eop	19.6	23.3	31.8	43.7	42.7	23.0	42.7	37.7	27.4	23.0	20.4
Exports (USD)***	% yoy cum.	27.3	27.4	30.1	41.1	46.6	84.0[e]	50.1"	48.2"	41.7"	…	…
Imports (USD)***	% yoy cum.	31.5	34.8	45.1	52.9	54.9	98.0[e]	60.2"	57.0"	49.4"	…	…
Merchandise trade balance	USD bn cum.	-6.12	-10.6	-4.6	-8.6	-12.3	-13.8[e]	-14.3"	-16.4"	-17.7"	…	…
Current account	USD bn cum.	-2.47	-5.9	-3.6	-6.8	-8.2	-11.7[e]	x	x	x	x	x
Current account	% GDP, cum.	-2.5	-4.2	-9.6	-8.2	-5.8	-6.7[e]	x	x	x	x	x
Gross international reserves	USD bn eop	30.6	32.5	33.2	35.5	37.5	31.5	37.5	31.9	32.7	31.5	28.5
Monetary Base	% yoy eop	50.6	46.0	41.4	38.9	33.0	31.5	33.8	33.1	32.2	31.6	32.1
Lending rate on UAH credits **	% pa, aop	13.7	14.0	14.6	17.2	17.1	21.1	16.8	19.1	22.6	21.6	26.5
Exchange rate (interbank)	USD aop	5.01	5.04	5.03	4.79	4.70	6.49	4.83	5.56	6.11	7.76	8.08
Exchange rate (official)	USD aop	5.05	5.05	5.05	4.96	4.85	6.21	4.85	5.04	6.00	7.58	7.70
Exchange rate (official)	EUR aop	6.93	7.31	7.56	7.75	7.31	8.22	6.99	6.75	7.65	10.24	10.10

Sources: Derzhkomstat, Ministry of Finance, NBU, IFS, Reuters, 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 figures do not include the regular quarterly revision of the GDP series

**Weighted average for different maturities (source: NBU)

*** Growth rate in dollar terms

[e] Preliminary estimate provided by the NBU

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	718.9	972.3[e]
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	65.0	86.2	107.8	142.4	184.5[e]
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	-3.1
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5
CPI	% yoy aop	28.2	12.0	0.8	5.2	9.0	13.5	9.1	16.6	25.2
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	12.8	22.3
PPI	% yoy aop	20.9	8.6	3.1	7.6	20.5	16.7	9.6	19.5	35.5
PPI	% yoy eop	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	23.0
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.2	27.4	33.9[e]
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	34.8	38.3[e]
Current account	USD bn	1.2 °	1.4	3.1	2.9	6.9	2.5	-1.6	-5.9	-12.9[e]
Current account	% GDP	3.8 °	3.7	7.6	5.9	10.6	2.9	-1.5	-4.2	-6.7[e]
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	6.5	5.3	9.2	9.9[e]
International reserves	USD bn	1.5	3.1	4.4	6.9	9.5	19.4	22.3	32.5	31.5
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.9	-1.1	-1.5
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	15.0	12.6	19.5
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	10.1	14.6
Monetary base	% yoy eop	39.9	37.4	33.6	30.1	34.1	53.9	17.5	46.0	31.5
Exchange rate	USD aop	5.44	5.37	5.33	5.33	5.31	5.12	5.05	5.05	5.27
Exchange rate	USD eop	5.44	5.30	5.33	5.33	5.31	5.05	5.05	5.05	7.70
Exchange rate	EUR aop	5.03	4.81	5.03	6.02	6.62	6.40	6.32	6.92	7.71
Exchange rate	EUR eop	5.10	4.67	5.53	6.66	7.22	5.97	6.65	7.42	10.86

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

[e] IER estimate for GDP, NBU estimate for payment balance

''' "Minus" denotes a consolidated fiscal deficit

° The value of the aircraft complexes transferred to Russia as repayment of a gas debts according to the inter-governmental agreement reached in October 1999 totaling USD 274 m is not included.

Notes:

avg	average	**ytd**	year-to-date
cum	cumulative	**p.a.**	per annum
mom	month on month change	**eop**	end of the period
qoq	quarter on quarter change	**aop**	average of the period
yoy	year-on-year change	**gs**	goods and services

Quarterly trends

National accounts		Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08
GDP	UAH bn	105.4	124.1	150.4	157.7	137.6	165.1	197.4	212.8	186.6	232.5	278.3	274.8[e]
GDP (real)	% yoy	4.1	6.8	6.9	9.5	8.9	8.6	6.2	7.4	6.5	6.5	6.9	-8.6[e]
Household consumption (real)	% yoy	20.2	18.2	11.8	9.9	14.7	15.5	15.2	19.0	22.0	13.3	16.7	…
State consumption (real)	% yoy	9.6	5.8	5.8	1.0	0.8	6.2	4.4	2.4	1.0	1.5	-0.2	…
Gross fixed capital formation (real)	% yoy	19.9	19.3	17.9	18.3	24.4	23.5	18.9	23.8	14.7	6.3	0.1	…
Exports of goods and services (real)	% yoy	-14.9	-9.6	3.2	1.0	4.9	5.2	0.1	5.6	0.9	8.9	18.9	…
Imports of goods and services (real)	% yoy	10.7	0.9	8.3	6.4	12.9	19.6	13.7	27.2	20.2	25.6	31.8	…
Agriculture, hunting, forestry (real)*	% yoy	3.8	2.8	-5.6	8.1	4.8	6.8	-9.3	7.1	0.4	-0.4	21.9	…
Manufacturing industry (real)*	% yoy	-1.5	6.1	7.3	7.2	15.0	13.2	13.1	4.4	8.7	9.0	1.4	…
Construction (real)*	% yoy	0.1	0.8	1.4	4.2	13.3	8.2	12.7	5.8	-1.5	-6.4	-17.1	…
Trade, repair services (real)*	% yoy	6.2	16.4	20.0	21.9	14.3	17.5	25.3	15.0	15.7	10.9	2.2	…
Transport (real)*	% yoy	4.9	7.7	9.4	5.3	7.0	5.6	8.0	10.2	10.1	10.6	10.7	…
Balance of payments													
Current account balance	USD bn	-0.8	0.0	0.5	-1.4	1.2	-0.8	-0.5	-3.5	-3.6	-2.8	-1.6	-3.9[e]
Current account balance	% of GDP	-3.7	0.0	1.7	-4.3	4.4	-2.4	-1.2	-8.3	-9.7	-6.0	-2.8	-8.8[e]
Trade balance in goods	USD m	-1353	-935	-884	-2022	-1735	-1701	-2684	-4452	-4321	-3562	-3546	-4471[e]
Trade balance in services	USD m	219	506	1054	347	103	512	1689	392	261	526	1483	-170[e]
Current transfers	USD m	622	790	851	910	825	968	1099	1183	966	957	1029	948[e]
Direct investment (FDI)	USD m	1053	1389	1636	1258	1709	1934	3927	1648	2387	3083	3310	1120[e]
Portfolio investments	USD m	4	-141	370	3350	1816	1477	517	1844	225	129	-707	…
Gross international reserves	USD bn	17.3	17.6	19.1	22.3	23.5	25.6	30.6	32.5	33.2	35.5	37.5	31.5
Exchange rate(market), UAH/USD	aop	5.06	5.02	5.02	5.03	5.04	5.02	5.01	5.04	5.03	4.79	4.70	6.49
Exchange rate(official), UAH/USD	aop	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	4.96	4.85	6.21
Fiscal indicators													
Consolidated fiscal revenues	% of GDP	31.2	31.7	31.9	32.8	33.3	32.8	30.8	31.1	32.5	42.7	29.2	29.1
Personal income tax	% of GDP	4.4	4.6	4.1	4.1	5.1	5.3	4.9	4.8	5.1	6.9	4.3	4.5
Enterprise profits tax	% of GDP	3.4	4.6	4.3	6.7	3.8	4.1	4.1	6.4	4.1	5.2	4.9	5.8
Value-added tax	% of GDP	9.2	9.2	9.7	9.3	10.4	9.8	8.7	7.6	10.5	14.9	9.7	7.1
Excise tax	% of GDP	1.8	1.7	1.5	1.5	1.8	1.7	1.6	1.3	1.5	1.8	1.2	1.3
Consolidated fiscal expenditures	% of GDP	30.9	32.8	29.4	36.6	28.4	31.0	29.6	36.7	29.5	42.2	27.0	37.9
Current expenditures	% of GDP	28.9	29.7	24.9	29.2	26.9	28.4	25.9	27.3	28.6	37.3	22.2	31.1
Capital expenditures	% of GDP	1.9	3.2	4.5	7.4	1.6	2.6	3.7	9.4	0.9	5.0	4.8	6.8
Consolidated fiscal balance	% of GDP	-0.4	1.1	-2.4	4.0	4.7	1.7	1.2	-6.2	3.0	0.5	1.9	-9.4
Privatisation receipts	% of GDP	0.1	0.1	0.1	0.1	0.5	0.5	0.3	0.4	0.1	0.1	0.0	0.0
Labour market													
Average wage (real)	% yoy	23.8	22.6	18.8	11.3	14.7	13.9	14.9	15.7	13.8	7.1	7.1	1.1
Household income (real)	% yoy	22.1	18.6	20.3	16.3	17.5	17.4	14.9	16.4	19.0	10.1	6.6	2.7
methodology)	% cum	7.9	6.8	6.4	6.8	7.4	6.6	6.2	6.4	7.1	6.2	6.0	…
Banking system													
Monetary aggregate M0	% yoy cum	36.2	25.3	23.7	24.5	22.9	30.4	36.4	48.2	48.4	48.8	37.9	39.3
Monetary aggregate M2	% yoy cum	39.2	36.6	36.7	34.3	38.6	40.7	47.8	50.8	52.7	48.8	37.4	31.0
Household deposits in national currency	% yoy cum	54.6	41.1	39.7	37.3	50.7	56.3	64.8	71.9	68.8	68.2	53.3	8.3
Household deposits in foreign currency	% yoy cum	54.5	66.2	64.3	57.5	52.3	43.8	38.4	32.5	35.2	32.9	31.2	66.1
Com. bank credits in national currency	% yoy cum	59.8	53.7	49.0	52.3	52.4	57.2	60.7	72.7	81.2	70.7	53.4	37.0
Com. bank credits in foreign currency	% yoy cum	72.0	82.1	90.4	95.4	98.9	97.4	91.0	75.4	71.3	57.9	61.0	94.2
Long-term com. bank credits	% yoy cum	87.6	86.7	76.6	79.5	84.1	86.5	87.9	85.7	84.8	67.2	50.9	73.3
Long-term com. bank credits	% of total	63.1	63.4	63.5	64.9	65.8	67.3	68.2	69.2	69.1	68.6	66.8	69.8
Average lending rate on national currency credits	% p.a.	15.8	15.5	14.6	15.1	14.0	13.9	13.7	14.0	14.6	17.3	17.1	21.1
Average lending rate on foreign currency credits	% p.a.	11.5	11.3	11.3	11.5	11.5	11.4	11.3	11.1	10.8	11.4	12.1	12.3

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates

* change in value added

[e] preliminary, IER estimates

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