Monthly Economic Monitor Ukraine

- Newly established parliamentary coalition lacks majority.
- Real GDP growth slowed to 3.6% yoy for eleven months of the year after massive decline in November.
- According to preliminary estimate of the Derzhkomstat, real GDP increased by mere 2.1% in 2008.
- Gazprom ceased to supply gas to Ukraine on January 1 after gas negotiations failed.
- The NBU estimated current account deficit at USD 11.7 bn or 6.7% of GDP in the first eleven months of 2008.
- 2009 budget was passed with deficit at 3.0% of GDP.
- Central fiscal transfer to the Pension Fund is estimated at 4.7% of GDP for 2009.
- Consumer price inflation remained at 22.3% yoy in December.
- Inter-bank exchange rate reached new historical low at 9.55 UAH/USD in mid-December but hryvnya returned to the previous levels by the end of the month.
- HIGHLIGHT OF THE MONTH: Budget 2009.

No.1 (99)
January
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: Parliamentary Coalition remains in limbo

On December 16 the representatives of Yulia Tymoshenko Block (BYuT), Lytvyn Block and "Our Ukraine – People's Self-defence" (OUPS) parliamentary factions agreed to create coalition of "national development, stability and order". However, the coalition was supported by only 37 out of 72 members of pro-presidential faction OUPS as President Victor Yushchenko opposed this coalition. One member of the BYuT faction also refused to sign the agreement. Thus, though these three factions have 248 members, which is enough to form coalition *de jure*, only 212 deputies support coalition leaving it unable to pass laws without support from opposition factions of Communists or Party of Regions.

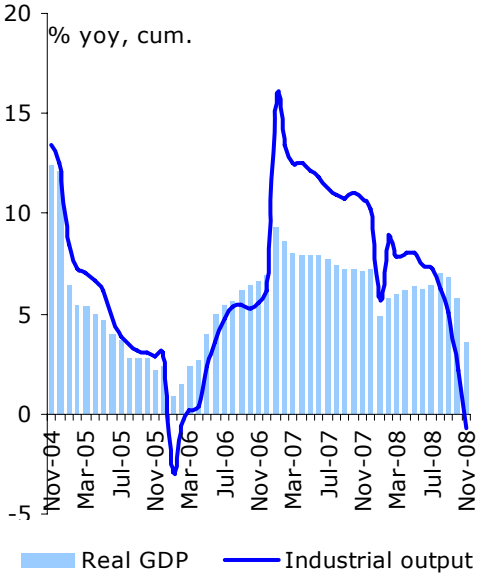
Real sector: Economy took a full-blown hit in November

November real GDP declined sharply by 14.4% yoy bringing real GDP growth for eleven months of 2008 down to 3.6% yoy. Conditions on key external markets continued to worsen further battering Ukrainian exports, while decline in real incomes and hryvnya depreciation undermined purchasing power of households. Consequently, value added plummeted in mining, manufacturing, trade, and financial sector. In particular, industrial production fell by 0.7% yoy in eleven-month period due to a 28.6% yoy decline in November. The most sizable decreases in November output were noted in non-energy mining (60.2% yoy), transport machine building (51.6% yoy), and metal production (48.8% yoy) due to weak external demand and the credit crunch. Firms contracted operations and undertook full-scale saving measures. As a result, economic pain spread to industries previously unaffected by the downturn.

The economic situation continued to deteriorate in December. The Derzhkomstat preliminary estimated the real GDP growth at 2.1% in 2008, thus registering further deceleration compared to eleven-month figure. The industrial output declined by 3.1% yoy in real terms in 2008.

According to the Derzhkomstat, in the third quarter of 2008 real GDP grew by 6.9% yoy. The real final household consumption accelerated to 16.7% yoy compared to 13.3% yoy in the second quarter as temporary summer revaluation of hryvnia stimulated purchases of non-food consumer products. This behaviour pushed real imports growth up to 31.8% yoy, overwhelmingly surpassing very fast growth of real exports at 18.9% yoy fuelled by grain and metals exports. Contrary to consumption, real gross fixed capital formation decelerated to 0.1% yoy compared to 6.3% yoy in the second quarter as investment plans were cancelled due to the credit crunch

Real growth rates of GDP and industrial production



Source: Derzhkomstat

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and increasing uncertainty. At the same time, inventories grew by UAH 17.2 bn signalling about beginning of the problems with demand.

Sectoral trends: Gazprom cuts off gas on January 1

Energy. The conflict between NJSC Naftogaz Ukrainy and OJSC Gazprom (Russia) entered the new phase after the two companies failed to reach agreement on conditions of natural gas supply to Ukraine and transit through its territory in 2009. An important obstacle to successful completion of negotiations was Ukraine's debt for the natural gas purchased in 2008 that according to Gazprom amounted to USD 2.6 bn as of December 1. The indebtedness was accumulated due to low revenues of Naftogaz caused by decline in natural gas sales to large industrial consumers. Hryvnia depreciation was another factor complicating company's debt repayment. Naftogaz managed to repay the debt by the end of December with state credits but Gazprom still demands USD 0.6 bn in fines and penalties for late payment.

The negotiations failure prompted Gazprom to cease gas supplies at first for Ukraine on January 1, 2009 and later for transit to the EU customers. Gazprom explained the latter decision by the gas theft in Ukraine. Intensive tripartite talks among Ukraine, Russia, and the EU resulted in the agreement to restart gas transit to Europe on January 13 after international monitors were placed on Ukrainian pipelines. However, further technical complications precluded the resumption of transit as scheduled. The conflict once again demonstrated the deficiency of short-term contracts for gas supply posing serious treats to security of Ukraine and its neighbours.

Agriculture. In December, the Verkhovna Rada adopted a law aimed at supporting agriculture during financial crisis. To come into force, the law is to be signed by the President. The law obliges banks that receive NBU refinancing to offer agricultural producers to extend loans maturity for at least one year. As of November 30, such loans amounted to UAH 28 bn. The law also introduces state price regulation for a number of agricultural services, including regulation of fees for keeping grain in certified warehouses. The envisaged measures might bring some relief for agricultural producers in the short run. However, in the long run, banks may be reluctant to lend to agricultural producers due to the risk of similar government actions in the future.

Privatisation. In December, the Cabinet of Ministers approved the list of objects for privatization in 2009, largely replicating the previous year's list. "Turboatom", Odessa by-port plant, energy generating companies are among the companies for sale. But the President suspended part of the document contesting the constitutionality of the sale of "Turboatom", energy generating companies and several other objects. Thus, the probability of successful privatization campaign in 2009 remains quite low.

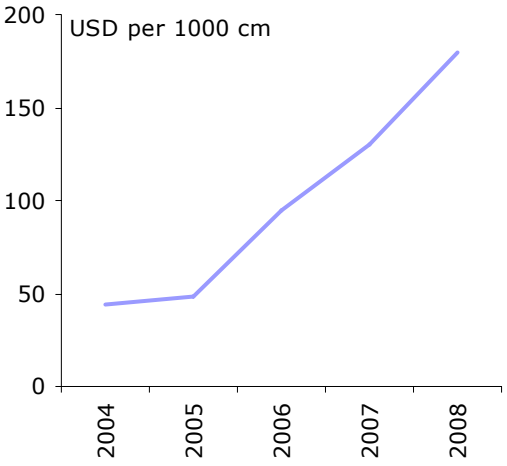
On December 26, the Verkhovna Rada dismissed the Head of the State Property Fund (SPFU) Mrs. Semeyuk-Samsonenko. The next day the Cabinet of Ministers appointed the Deputy, Dmytro Parfenenko as the acting head of the SPFU. However, the President suspended this appointment further prolonging conflict with the Cabinet of Ministers concerning the control over the SPFU.

Transport. Starting mid-December, fares for railway passenger traffic to all destinations excluding the CIS and Baltic countries were increased by 15% in average and indexed to euro. It was the last revision in passenger rail tariffs in 2008. Earlier during the year internal fares and fares to the CIS and Baltic countries grew stepwise by cumulative increase by 15% and 25%, respectively. The revision of tariffs was motivated by the need to cut losses from passenger transportation.

External sector: Commodity trade dropped in November

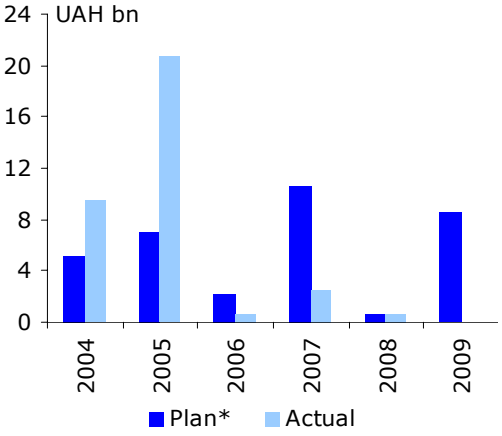
According to the preliminary estimates of the NBU, both commodity exports and imports dropped in November 2008 responding to the

Price for imported natural gas for Ukraine



Source: Gas contracts signed by NJSC Naftogas

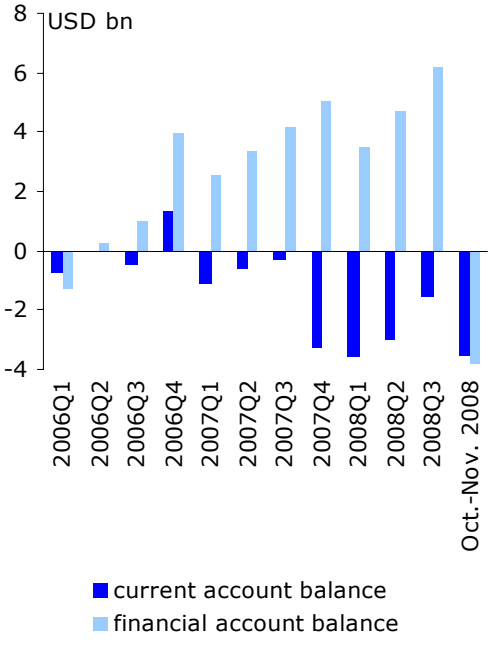
Privatisation revenues



*as amended

Source: State Treasury of Ukraine, State Property Fund of Ukraine

Balance of payments



Source: NBU

deterioration of the economic situation in the country and abroad. Although exports plummeted faster – monthly exports reduced by 16.0% yoy in dollar terms, while imports by 10.7% yoy – the decline in imports was sufficient to ensure some contraction of commodity trade deficit, allowing also slight improvement of current account deficit to USD 1.6 bn in November. Eleven-month current account deficit was estimated at USD 11.7 bn (6.7% of GDP).

The financial account deficit was preserved in November due to continued outflow of foreign cash from banking system and repayment of external debts. Also, in line with expectations long-term foreign capital inflow continued to dry up, with monthly net inflow of FDI at USD 0.3 bn and net medium- and long-term borrowings of private sector, including banks, at only USD 0.5 bn. The receipt of first USD 4.5 bn instalment of the IMF loan allowed the NBU to increase international reserves slightly, which were extensively spent to cover the financial and current account deficits.

Fiscal policy: Central fiscal deficit is planned at 3.0% of GDP in 2009

The Verkhovna Rada approved the State Budget Law for 2009 only on December 26. The central fiscal revenues and expenditures are planned at UAH 238.9 bn (22.8% of GDP) and UAH 267.3 bn (25.5% of GDP). The deficit is envisaged at UAH 31.1 bn or 3.0% of GDP, though the terms of the IMF stand-by loan require the balanced budget for 2009. The deficit financing includes privatisation receipts, borrowing and accumulated Treasury Account funds. The Government is likely to revise the budget by the end of April.

Between January and November 2008 the central fiscal revenues were still higher than planned by 4.4% due to over-executed enterprise profit tax (EPT) receipts. Based on good financial results of previous months, the EPT receipts exceeded the target by 20.1%. The VAT collection continued to deteriorate to 98.9% of the plan due to low revenues from VAT paid on domestically produced goods at 89.8% of the target. The execution of central fiscal expenditures was at 96.0%. The central fiscal deficit slightly decreased to UAH 1.0 bn or 0.1% of GDP.

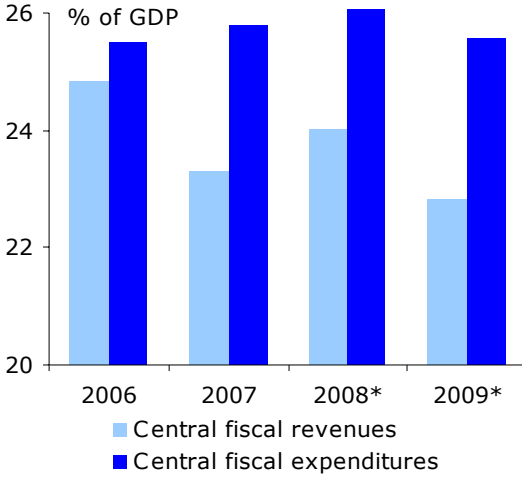
Earlier in December, the Verkhovna Rada approved the amendments to the State Budget Law for 2008. The central fiscal expenditures were increased by UAH 13.6 bn. These expenditures were primarily needed to provide additional transfers to the Pension Fund (UAH 6.6 bn) and NJSC Naftogas Ukrainy (UAH 3.2 bn). In addition, it was foreseen to provide direct UAH 3.0 bn transfer to the newly created Stabilisation Fund. These expenditures were envisaged to be partially financed at the expense of higher than previously planned revenues (UAH 7.2 bn). Besides, the Parliament increased the central fiscal deficit by one third to UAH 25.0 bn or 2.6% of GDP in 2008.

Social policy: Central fiscal transfer to the Pension Fund accounts for 4.7% of GDP

According to the State Budget Law 2009, the subsistence minimum will not be increased in 2009, leaving minimum pension constant at UAH 544. However, as the economic situation deteriorates, the Pension Fund will have UAH 13.1 bn deficit. It is to be financed through special fiscal central transfer. Besides, additional UAH 35.8 bn central fiscal transfer will be needed to pay pensions to retired state officials, retired military servicemen, judges and miners as well as to cover losses due to special (lower than generally applicable) pension contribution rate paid by agricultural producers. Therefore, total transfer to the Pension Fund will reach 18.3% of central fiscal expenditures, or 4.7% of GDP. Also, the Parliament approved proposed write-off of the loan to the Pension Fund provided in 2008 (UAH 4.7 bn). So, unreformed pension system requires significant fiscal financing, posing additional burden on the budget at the time of economic crisis.

In 2009 minimum wage will be gradually increased from UAH 605 to UAH 669 as of December 1 with first revision foreseen in April. Thus,

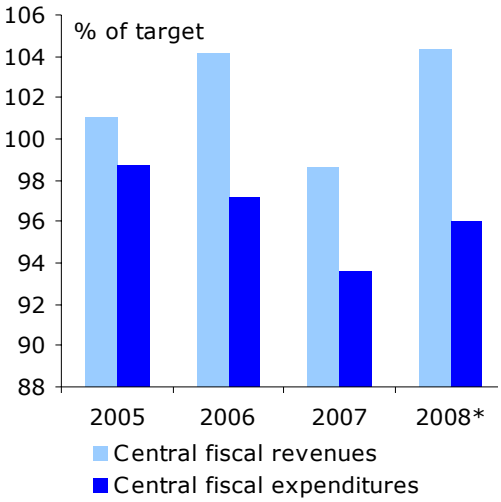
Central fiscal revenues and expenditures



* planned

Source: the State Treasury reports, the State Budget Law for 2008, the State Budget Law for 2009.

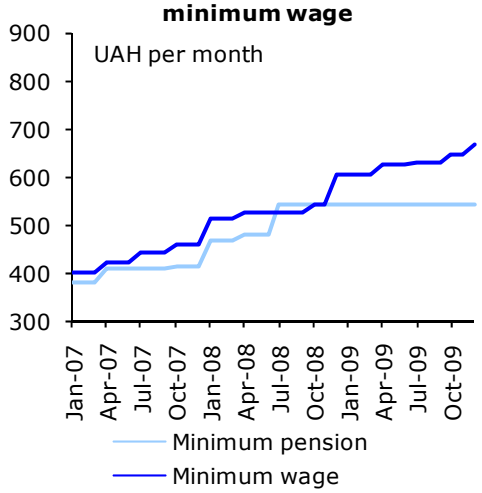
Execution of the central fiscal revenues and expenditures



* As of December 1, 2008

Source: State Treasury reports

Monthly minimum pension and minimum wage



Source: State Budget Laws for 2007, 2008 and 2009

legislative requirement to equate minimum wage to subsistence minimum will be fulfilled only in December. Limited minimum wage increase should ease cost pressures for enterprises suffering from financial crisis. To reduce cost pressure in public sector, the Government fixed the wage of the first tariff grade in the Unified Tariff Scale for employees in the public sector at UAH 545, i.e. at minimum wage between October and November 2008. A floor for public employees' wage has been preserved at effective minimum wage. Thus, the adjustment of wages in public sector to increases in minimum wage was *de-facto* suspended.

Monetary policy: Inflation reached 22.3% yoy in 2008

Consumer inflation remained at 22.3% yoy in December. Increases in gas prices and imported goods prices were offset by the statistical base effect and decline in demand. Decrease in wages and producer prices further limited inflation pressure.

Money supply growth decelerated in December to 29.9% yoy despite growth of foreign currency deposits in hryvnia due to depreciation. Liquidity became less tight during the month as government traditionally increased spending in the end of the year, and the NBU continued to provide generous refinancing.

In December, NBU revised its policy regarding financial crisis and lifted some of the restrictions on the banks operations. Remaining restrictions include moratorium on deposit withdrawals before maturity and a number of restrictions on foreign exchange operations. In particular, banks are prohibited to make purchases of foreign currency on their own behalf other than to repay matured obligations. The NBU also increased reserve requirements for foreign currency deposits by 1 percentage point and introduced prohibitive reserve requirements for foreign currency loans to borrowers without foreign currency income. Thus, the NBU continued to fight dollarization in the country.

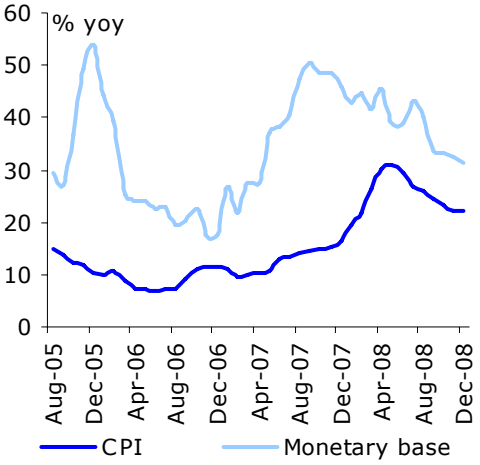
Financial markets: Hryvnya reached new lows

Exchange rate. In the first half of December, the inter-bank exchange rate remained relatively stable around 7.50 UAH/USD. However, later in the month the demand for foreign currency surged once again due to the increased hryvnya resources and high end-of-year demand. On December 18, hryvnya reached new historical low of 9.55 UAH/USD. To combat the devaluation the NBU increased foreign exchange market interventions that constituted USD 2.7 bn during the month. Yet other factor for increased supply of foreign currency was households' foreign cash sales on the holiday season eve. By the end of December exchange rate stabilized around 7.70-7.80 UAH/USD.

State debt. In December, the Ministry of Finance proceeded with active domestic borrowing policy. In particular, it placed UAH 1.2 bn of five-year domestic government bonds with 15.6% p.a. weighted-average yield maturing in 2010-2011. The Government also started to issue state bonds to recapitalize state banks. In November, UAH 2.0 bn seven-year state bonds with 9.5% p.a yield were issued to increase the authorized capital of two state banks – "Oschadbank" and "UkrEximBank" – by UAH 1 bn each. The NBU later bought these bonds. In December, another UAH 11.8 bn issue of state bonds with 9.5% p.a yield was used to increase capital of "Oschadbank". In total, the Government issued UAH 23.5 bn of domestic state bonds in 2008 compared to UAH 10.8 bn plan set in the Budget Law 2008.

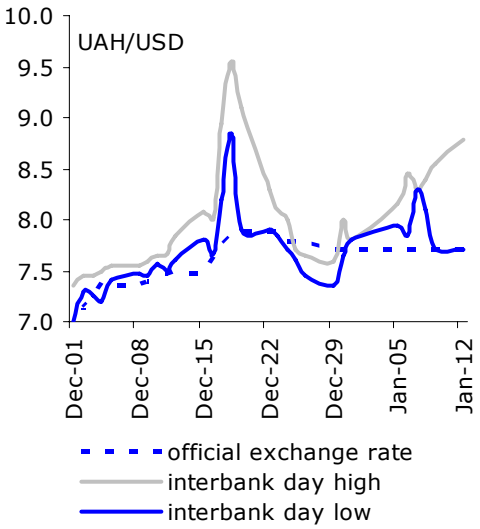
Banking sector. Responding to increased frequency of interest rate revisions on existing loans by banks, in December the Verkhovna Rada passed the law prohibiting increases in interest rates on outstanding loans and decreases in interest rate on existing deposits by banks unilaterally. This law came into force on January 9. Thus, increased financing costs will have to be borne by the banks and probably taxpayers through recapitalization of banks. Restrictions on deposit and credit rate changes may also cause either transition to floating rates or decrease in maturity of these instruments.

CPI and monetary base development



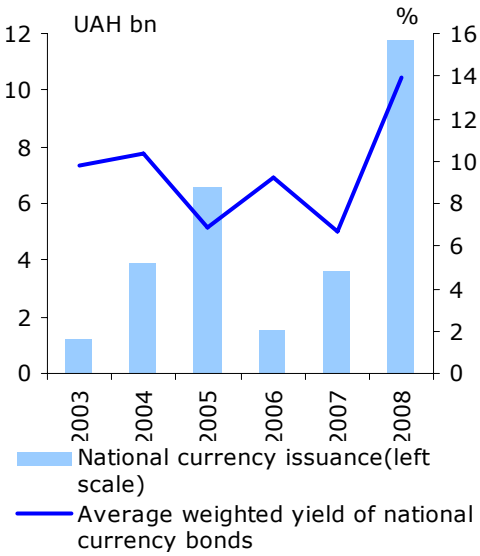
Source: Derzhkomstat, NBU

Exchange rate



Source: Reuters Investor

Issuance and average yield of state bonds in national currency



Source: NBU, the Ministry of Finance, IER estimations

Highlight of the month: Budget 2009

A budget is highly in deficit

by Oleksandra Betliy

The State Budget Law for 2009 should be exceptional as 2009 is widely expected to be the first recession year since 1999. At the same time, macroeconomic assumptions of the budget indicators are rather optimistic. In particular, real GDP is officially expected to grow by 0.4%, while consumer inflation is forecasted at 9.5% eop. For comparison, according to the IER forecast dated December 2008, the drop of real GDP will reach 6.2%, while consumer inflation is expected at 19.5% eop.

Despite optimistic real GDP forecast, the Government took into account drastic economic conditions in 2009, and the State Budget Law for 2009 maintains most of social standards fixed in nominal terms as well as envisage other unpopular cost-cutting measures. The Verkhovna Rada approved the Budget in the evening of December 26 after one reading and only with thinnest possible majority. The President stated that the Budget had many shortcomings, but still signed the draft into a Law.

For 2009, the central fiscal revenues and expenditures are planned to increase in nominal terms to UAH 238.9 bn and UAH 267.3 bn, respectively, but will decline in relation to GDP to 22.8% and 25.5%, respectively, against the background of economic recession. For comparison, in 2008 revenues and expenditures were planned at 24.0% and 26.2% of GDP, respectively. High deficit is mostly attributed to the introduction of the Stabilisation Fund and higher debt service spending.

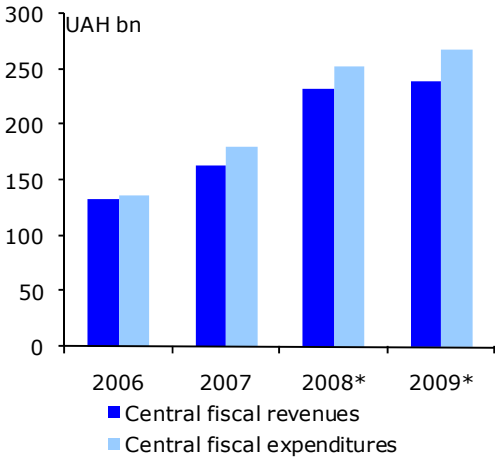
The creation of the Stabilisation Fund within a framework of special fund of the budget is a new feature of the State Budget introduced in accordance with the Anti-Crisis Law approved in the end of 2008. Privatisation receipts and sale of non-agricultural land (UAH 9.8 bn), state domestic borrowings (UAH 4.8 bn) and loans of international organisations (UAH 4.2 bn) and a small portion of budget revenues are earmarked for the Stabilisation Fund. Money accumulated at this Fund may be used for a variety of goals. They include subsidised interest rates, implementation of investment projects and support of different projects in agriculture and coal mining, execution of the State Program on Ukrainian preparation to the EURO-2012 as well as purchase of arms and military equipment. Allocations from the Fund will be done by the Government. However, the state is unlikely to raise anything close to the entire planned amount of UAH 20 bn.

Thus, the central fiscal deficit that include funds for financing the Stabilisation Fund may be less than UAH 31.1 bn or 3.0% of GDP. The approval of the central fiscal deficit contradicts terms of IMF stand-by loan to Ukraine, which require a balanced budget for 2009. In addition to borrowings and privatisation receipts the deficit is also to be financed at the expense of funds accumulated at the Unified Treasury Account (UAH 6.1 bn).

At the same time, the direct state debt is set to increase by UAH 61.4 bn as the Government plans to recapitalise the Ukrainian banks through the issuance of domestic state bonds at UAH 44.9 bn. According to the Budget Law, the NBU is required to purchase these bonds from banks. If the NBU does so, money will be infused into the economy, possibly increasing inflation pressure.

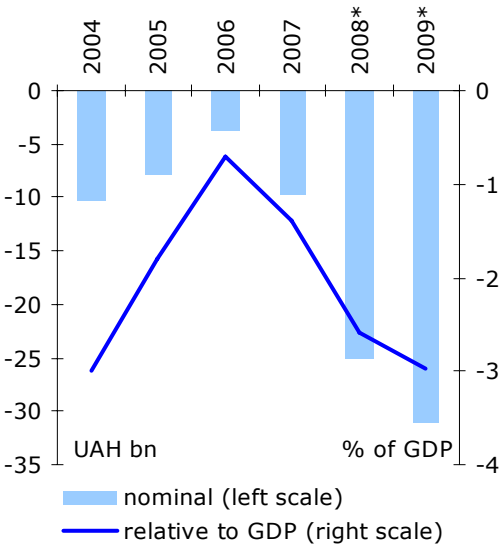
As the most of the fiscal deficit will be used to finance the Stabilisation Fund and for debt service, the social standards increases are restricted in 2009. In particular, the subsistence minimum and minimum pensions will remain fixed at the level set in December 2008, while the minimum wage will be only gradually increased starting from the second quarter of 2009. Still, the transfer to the Pension Fund will be somewhat bigger as December 2008 pensions were still higher than 2008 average. As a result, the spending on social protection are planned to increase by 2.0% to

Central fiscal revenues and expenditures



Note: * plan
Source: Treasury reports, State Budget Laws for 2006, 2007, 2008 and 2009

Central fiscal deficit



Note: * plan
Source: State Treasury Reports, State Budget Laws for 2008 and 2009

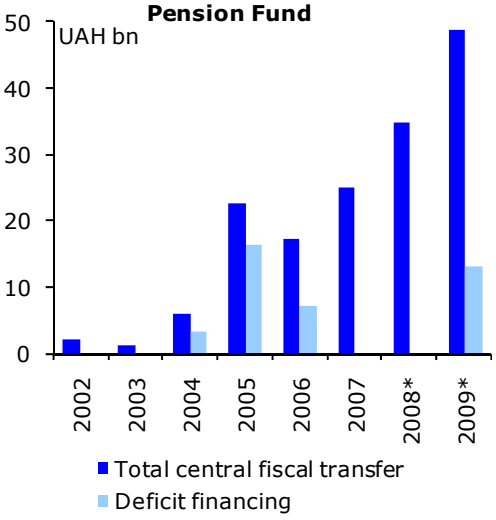
UAH 52.9 bn, but it will decline to 19.8% as share of total central fiscal expenditures.

The state investments (so-called development expenditures) within the budget will be almost halved from levels approved for 2008 and amount to UAH 33.6 bn. However, some capital items may be financed through the Stabilisation Fund spending. The Government also hopes to finance road and metro construction, implementation of investment projects related to the EURO-2012 through additional UAH 39.0 bn attracted by enterprises under state guarantees. However, raising this amount of funds using state guarantees is questionable as financing options will remain limited over 2009 both domestically and internationally.

Revenue targets in particular those set for value added and enterprise profits taxes collection seem rather optimistic though consistent with officially assumed economic growth. Besides, a significant mismatch between revenues inflow and needed expenditures financing is expected in the first quarter of 2009, thus questioning how timely and completely the financing of fiscal expenditures will be in 2009.

In general, the State Budget Law contains many questionable provisions. Most of expenditures are of a consumption nature reflecting high level of social commitments, while the financing for the Stabilisation Fund aimed at stimulating economic development is rather doubtful. As the State Budget Law contradicts the terms of the IMF loan, the President and the Prime-Minister promised to revise this Law in order to approximate it better to the requirements of the Memorandum. In principle, the approved Law requires the Cabinet of Ministers to submit to the Parliament the Draft Law on Amendments to the Budget of 2009 after analysing the results of economic development of Ukraine in the first quarter, but not later than May 1. It is not very likely that the balanced budget will be then approved, but it could be expected that the Government would try to look for a compromise with the IMF about the execution of deficit budget in 2009.

Central fiscal transfer to the Pension Fund



Source: State Budget Laws for 2003-2009

Economic Trends		Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Aug	Sep	Oct	Nov	Dec
GDP growth (real)	% yoy	6.2	7.4	6.5	6.5	6.9	…	10.9	5.5	-2.1	-14.4	…
GDP growth (real)	% yoy cum.	7.3	7.6	6.5	6.5	6.7	2.1	7.1	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	6.3	5.1	2.2	-0.7	-3.1
Agricultural production (real)	% yoy cum.	-5.1	-5.6	0.2	-0.3	15.1	…	21.0	15.1	17.6	18.0	…
CPI	% yoy eop	14.4	16.6	26.2	29.3	24.6	22.3	26.0	24.6	23.2	22.3	22.3
PPI	% yoy eop	19.6	23.3	31.8	43.7	42.7	23.0	46.9	42.7	37.7	27.4	23.0
Exports (USD)***	% yoy cum.	27.3	27.4	30.1	41.1	46.6	…	48.5"	50.1"	48.2"	41.7"	…
Imports (USD)***	% yoy cum.	31.5	34.8	45.1	52.9	54.9	…	58.3"	60.2"	57.0"	49.4"	…
Merchandise trade balance	USD bn cum.	-6.12	-10.6	-4.6	-8.6	-12.3	…	-12.5"	-14.3"	-16.4"	-17.7"	…
Current account	USD bn cum.	-2.47	-5.9	-3.6	-6.8	-8.2	…	x	x	x	x	x
Current account	% GDP, cum.	-2.5	-4.2	-9.6	-8.2	-5.8	…	x	x	x	x	x
Gross international reserves	USD bn eop	30.6	32.5	33.2	35.5	37.5	31.5	38.1	37.5	31.9	32.7	31.5
Monetary Base	% yoy eop	50.6	46.0	41.4	38.9	33.0	31.5	40.2	33.8	33.1	32.2	31.5
Lending rate on UAH credits **	% pa, aop	13.7	14.0	14.6	17.2	17.1	21.1	17.3	16.8	19.1	22.6	21.6
Exchange rate (interbank)	USD aop	5.01	5.04	5.03	4.79	4.70	6.49	4.62	4.83	5.56	6.11	7.76
Exchange rate (official)	USD aop	5.05	5.05	5.05	4.96	4.85	6.21	4.84	4.85	5.04	6.00	6.51
Exchange rate (official)	EUR aop	6.93	7.31	7.56	7.75	7.31	8.22	7.29	6.99	6.75	7.65	10.24

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

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	712.9	959.0[e]
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	65.0	86.2	107.8	141.2	182.0[e]
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.6	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	…
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	31.2[e]
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	34.8	35.3[e]
Current account	USD bn	1.2 °	1.4	3.1	2.9	6.9	2.5	-1.6	-5.9	-12.2[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	9.0[e]
International reserves	USD bn	1.48	3.09	4.42	6.94	9.52	19.39	22.26	32.48	31.5
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.9	-1.1	…
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	15.0	12.6	18.9[e]
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	10.1	14.6[e]
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

''' "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		Q4 05	Q1 06	Q2 06	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08
GDP	UAH bn	123.6	105.4	124.1	150.4	157.7	137.6	165.1	197.4	212.8	186.6	232.5	278.3
GDP (real)	% yoy	1.7	4.1	6.8	6.9	9.5	8.9	8.6	6.2	7.4	6.5	6.5	6.9
Household consumption (real)	% yoy	17.1	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	4.0	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	0.3	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	-15.5	-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	-0.9	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	-7.2	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	2.0	-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	-7.5	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	-11.9	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	7.8	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	-0.1	-0.8	0.0	0.5	-1.4	1.2	-0.8	-0.5	-3.5	-3.6	-2.8	-1.6
Current account balance	% of GDP	-0.4	-3.7	0.0	1.7	-4.3	4.4	-2.4	-1.2	-8.3	-9.7	-6.0	-2.8
Trade balance in goods	USD m	-788	-1353	-935	-884	-2022	-1735	-1701	-2684	-4452	-4321	-3562	-3546
Trade balance in services	USD m	191	219	506	1054	347	103	512	1689	392	261	526	1483
Current transfers	USD m	780	622	790	851	910	825	968	1099	1183	966	957	1029
Direct investment (FDI)	USD m	6474	1053	1389	1636	1258	1709	1934	3927	1648	2387	3083	3310
Portfolio investments	USD m	1347	4	-141	370	3350	1816	1477	517	1844	225	129	-707
Gross international reserves	USD bn	19.4	17.3	17.6	19.1	22.3	23.5	25.6	30.6	32.5	33.2	35.5	37.5
Exchange rate(market), UAH/USD	aop	5.02	5.06	5.02	5.02	5.03	5.04	5.02	5.01	5.04	5.03	4.79	4.70
Exchange rate(official), UAH/USD	aop	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	4.96	4.85
Fiscal indicators													
Consolidated fiscal revenues	% of GDP	31.0	31.2	31.7	31.9	32.8	33.3	32.8	30.8	31.1	32.5	42.7	29.2
Personal income tax	% of GDP	4.2	4.4	4.6	4.1	4.1	5.1	5.3	4.9	4.8	5.1	6.9	4.3
Enterprise profits tax	% of GDP	6.3	3.4	4.6	4.3	6.7	3.8	4.1	4.1	6.4	4.1	5.2	4.9
Value-added tax	% of GDP	7.3	9.2	9.2	9.7	9.3	10.4	9.8	8.7	7.6	10.5	14.9	9.7
Excise tax	% of GDP	1.7	1.8	1.7	1.5	1.5	1.8	1.7	1.6	1.3	1.5	1.8	1.2
Consolidated fiscal expenditures	% of GDP	41.7	30.9	32.8	29.4	36.6	28.4	31.0	29.6	36.7	29.5	42.2	27.0
Current expenditures	% of GDP	34.2	28.9	29.7	24.9	29.2	26.9	28.4	25.9	27.3	28.6	37.3	22.2
Capital expenditures	% of GDP	7.5	1.9	3.2	4.5	7.4	1.6	2.6	3.7	9.4	0.9	5.0	4.8
Consolidated fiscal balance	% of GDP	6.2	-0.4	1.1	-2.4	4.0	4.7	1.7	1.2	-6.2	3.0	0.5	-1.9
Privatisation receipts	% of GDP	16.0	0.1	0.1	0.1	0.1	0.5	0.5	0.3	0.4	0.1	0.1	0.0
Labour market													
Average wage (real)	% yoy	26.4	23.8	22.6	18.8	11.3	14.7	13.9	14.9	15.7	13.8	7.1	7.1
Household income (real)	% yoy	18.9	22.1	18.6	20.3	16.3	17.5	17.4	14.9	16.4	19.0	10.1	7.0
methodology)	% cum	7.8	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	42.2	36.2	25.3	23.7	24.5	22.9	30.4	36.4	48.2	48.4	48.8	37.9
Monetary aggregate M2	% yoy cum	53.9	39.2	36.6	36.7	34.3	38.6	40.7	47.8	50.8	52.7	48.8	37.4
Household deposits in national currency	% yoy cum	90.8	54.6	41.1	39.7	37.3	50.7	56.3	64.8	71.9	68.8	68.2	53.3
Household deposits in foreign currency	% yoy cum	59.1	54.5	66.2	64.3	57.5	52.3	43.8	38.4	32.5	35.2	32.9	31.2
Com. bank credits in national currency	% yoy cum	58.7	59.8	53.7	49.0	52.3	52.4	57.2	60.7	72.7	81.2	70.7	53.4
Com. bank credits in foreign currency	% yoy cum	66.3	72.0	82.1	90.4	95.4	98.9	97.4	91.0	75.4	71.3	57.9	61.0
Long-term com. bank credits	% yoy cum	84.6	87.6	86.7	76.6	79.5	84.1	86.5	87.9	85.7	84.8	67.2	50.9
Long-term com. bank credits	% of total	61.8	63.1	63.4	63.5	64.9	65.8	67.3	68.2	69.2	69.1	68.6	66.8
Average lending rate on national currency credits	% p.a.	16.4	15.8	15.5	14.6	15.1	14.0	13.9	13.7	14.0	14.6	17.3	17.1
Average lending rate on foreign currency credits	% p.a.	11.7	11.5	11.3	11.3	11.5	11.5	11.4	11.3	11.1	10.8	11.4	12.1

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added

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