Monthly Economic Monitor Ukraine

- IMF provided the third tranche of the stand-by loan at USD 3.3 bn.
- Observed improvements in real sector were associated mostly with lower statistical base effect rather than with significantly higher volumes of production.
- International investors will provide USD 1.7 bn sovereign-guaranteed loan to NJC 'Naftogas of Ukraine'.
- Current account deficit shrunk to USD 0.7 bn between January and June.
- Central fiscal revenues (general fund) contracted by 13.8% yoy in the first half of the year.
- Average nominal wage increased to UAH 1980 in June.
- Inflation accelerated to 15.5% in July.
- Hrynvia depreciated to 7.86 per USD due to significant demand for US dollars from NJS 'Naftogas of Ukraine' and speculative operations.
- HIGHLIGHT OF THE MONTH: Debt redemption peak

No.8 (106)
August
2009

Population: 46.4 m
Industry/GDP: 32%
Agriculture/GDP: 8%
Investment/GDP: 29%
Exports to: Russia 26%, EU 28%
Imports from: Russia 28%, EU 37%

Politics: IMF provided the third tranche of the stand-by loan at USD 3.3 bn

In late July, the IMF approved the immediate release of the third tranche under the Stand-By Arrangement with Ukraine. It amounts to SDR 2.12 bn (about USD 3.3 bn). The already realized disbursement has been entirely directed to the budget to meet external obligations of the Government. Mainly thanks to the IMF decision, international rating agency Standard & Poor's improved the Ukraine's forecast for sovereign rating from 'negative' to 'positive' indicating a high probability of a rating upgrade in the future.

On July 24, the Verkhovna Rada held an extraordinary session. The key point was an amendment to the law on presidential election. According to the new procedure approved, the period of the elections campaign is reduced from 120 to 90 days. Parliamentary factions were given a priority in proposing candidates for district and divisional electoral commissions. The financial deposit lodged in by a party nominating a candidate or by the candidate on his/her own was raised to UAH 2.5 m. In addition, the deputies have abrogated the voting with absentee ballots and decided that the High Administrative Court's ruling concerning complaints on election results would be definitive and may not be subject to appeal in reviewing court.

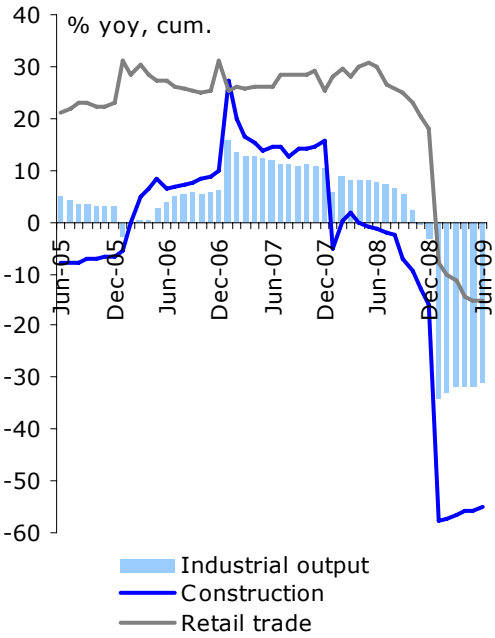
Just after the passing of this bill, the President's staff officials said that Viktor Yushchenko would certainly veto it and would request the Constitutional Court's opinion on the legality of holding the Parliament's extraordinary session. The Yulia Tymoshenko faction in the Parliament has already threatened to hold another extraordinary session in order to override the eventual President's veto should it occur before September. Potential candidates who do not have their factions in the Verkhovna Rada heavily criticized the changes in the rules of forming the electoral commissions.

Real sector: Contraction in key sectors decelerated thanks to low statistical base

Industrial production contraction decelerated to 31.1% yoy in the first half of 2009 thanks to both low statistical base of the previous year and output increase compared to May. Machine building made the biggest contribution to output acceleration from May to June 2009; though it remained manufacturing sector most hit by the crisis. Building materials and chemical industries slowed contraction distinctly as well, while metal production improved more modestly. At the same time, food industry has already achieved the pre-crisis output level thanks to an increase in real exports. Food output grew by 0.9% yoy in June.

The growth in agriculture accelerated to 2.6% yoy in the first half of the year. Other sectors of the economy remained stagnant as most

Real sector trends



Source: Derzhkomstat

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of observed improvements in figures were due to the effect of decreasing statistical base rather than increased physical volumes of output in each of these sectors. In particular, the decline in construction, cargo transportation, and retail trade turnover decelerated to 54.9% yoy, 34.8% yoy, and 15.2% yoy over the first half of the year, respectively. As the statistical base will be even lower by the end of 2009 for all sectors excluding agriculture, performance indicators for the majority of sectors are expected to improve in the future despite still weak business activity.

Sectoral trends: The pool of international investors is to lend USD 1.7 bn to NJS 'Naftogas of Ukraine'

Energy. The pool of international investors (IMF, the World Bank, the EBRD and the European Investment Bank) reached agreement with the Government of Ukraine on providing an USD 1.7 bn sovereign-guaranteed loan to NJS 'Naftogas of Ukraine'. The main purpose of this support package is to ensure an unhampered gas transit to Europe through Ukraine ahead of the forthcoming winter and to provide financial support for the state programme on gas sector reforms. Particularly, the EBRD has already provided USD 300 m for current payments for imported Russian natural gas, and USD 450 m are to be invested in gas transport system modernization, especially in energy efficiency improvement measures.

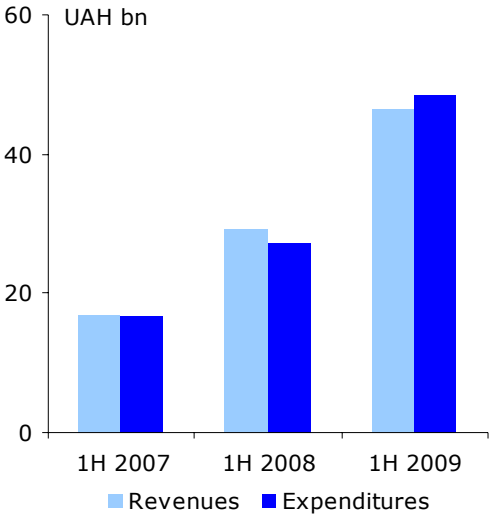
Agriculture. The harvesting campaign started a new crop year with a faster processing of crops than in 2008. As of August 4, over half of areas under grain and pulses have been harvested with 30.5 m tons gathered. Most of the early crops are still to be harvested so that final production is yet unclear. Realistic forecasts stood at 41.5 m tons of grain and pulses meaning a significant reduction in volumes. The Ministry of Agriculture Policy reports about 40% milling wheat share, which represents a 10 percentage points improvement over the last season. However, the stated quality improvement of grain is questionable given a decreased usage of agrochemicals. The increase may reflect technical changes in classification enforced from July 1, according to which more types of grain fall under the milling status thanks to weaker quality criteria (11% of protein and 18% of gluten now compared to 14% and 20%, respectively applied before).

Transport. The Cabinet of Ministers has again prolonged the preferential rail tariffs for metal and chemicals producers until October 1, 2009, extending the initial three-month grace period to one year. Currently metallurgical enterprises and grain traders also put pressure on the Government to lower tariffs for port services. However, at the moment production costs, in particular for metals, have substantially fallen due to market forces, and such state support measures aimed at the prevention of rapid cost growth seem less relevant. In addition, these privileges drain out transport enterprises' funds and could result in tensions with the WTO concerning indirect export subsidies.

The Cabinet of Ministers increased the amount of state guarantees to 'Ukravtodor' (State Road Service) from UAH 5 bn to UAH 8 bn to cover its credits. The Government intends to compensate for low revenues of the Road Fund by credits and thus ensure the financing of road construction and maintenance projects. This step can help in the short run, but it also increases the debt burden for 'Ukravtodor' and the guarantee obligations of the state budget.

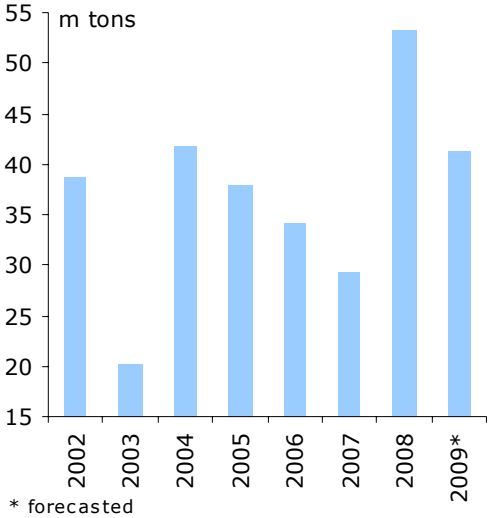
Privatisation. The State Property Fund of Ukraine (SPFU) announced the competition for 99.567% shares of the Odessa By-Port Plant for September 29. The start price is set at UAH 4 bn, while investment obligations sum up to UAH 1.3 bn in the next five years. The potential owner should let all ammonium exporters to use transhipment capacities within quotas set by the Ministry of Industrial Policy and agree with the Cabinet of Ministers on the common tariff rates for transhipment services. At the same time, telecommunication operator JSC 'Ukrtelecom' was *de-facto* dropped out from the list for privatization as the Government passed the corporate governance power over the enterprise from the SPFU to

NJC 'Naftogas of Ukraine' financial statements*



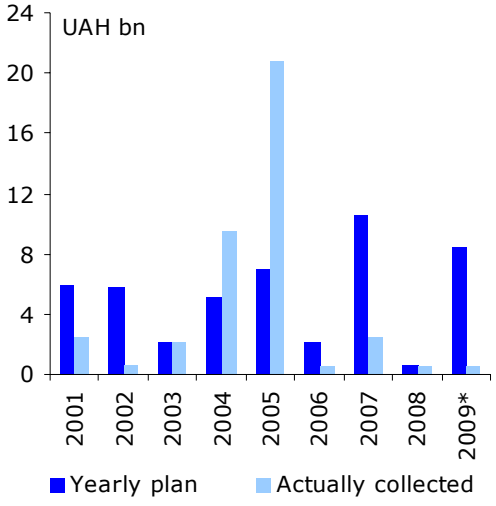
* National accounting standards
Source: NJC 'Naftogas Ukrainy'

Grains and pulses harvested



* forecasted
Source: Derzhkomstat, Ministry of Agricultural Policy

Privatisation revenues



* as of 01/06/2009
Source: State treasury, SPFU

the Ministry of Transport and Communication. This step indicated that in the nearest future the operator would remain in the state property.

External sector: Balance of payment continues improving

According to the NBU preliminary estimates, current account deficit shrunk to USD 0.7 bn between January and June thanks to continuously reducing merchandise trade deficit. The latter was secured by still faster contraction in imports as compared to exports. While merchandise exports dropped by 46.2% yoy in dollar terms, imports decreased by 53.5% yoy for the first half of 2009. A large share of imports reduction is attributed to much lower imports of energy materials as demand plunged and planned gas purchases for winter-2010 were postponed to the third quarter when market gas price will be lower.

June surplus in service trade was the highest since the beginning of 2009 most likely due to seasonal increase in exports of tourist services. As a result, the service balance reached USD 0.7 bn in the first six months of the year. However, high dividend payments led to an increase in net income outflows continue depressing current account balance.

Financial account deficit amounted to USD 6.7 bn for the first six months of 2009, two-thirds of which were accumulated during the first quarter. The FDI net inflow remained very low despite the second wave of long-term investment influx into banking institutions in the first summer month.

On August 4, the General WTO Council officially approved the WTO Balance of Payment Restrictions Committee report stating that the 13% import surcharge should be abolished by September 7 as it contradicts WTO principles and does not help to adjust balance of payment imbalances. By the law, the surcharge is to expire on September 6. Thus, an imposition of any penalties will depend on new political initiatives regarding this surcharge.

Fiscal policy: The central fiscal deficit (general fund) reached UAH 14.1 bn in June

The fiscal stance of the Government deteriorated further in June. In particular, in the first half of 2009 the central fiscal revenues (general fund) contracted by 13.8% yoy, while between January and May they declined by 12.0% yoy. The highest drop was noted in revenues from international trade taxes (by 39.2% yoy) attributed to rapid trade contraction. The sharp worsening of companies' financial stance resulted in a decline in revenues from the enterprise profits tax by 19.9% yoy. The VAT collections also decreased by 19.2% yoy due to a drop in imports only partly allayed by smaller decline in VAT paid on domestically produced goods. At the same time, excise revenues increased by 58.2% yoy because of higher excise rates.

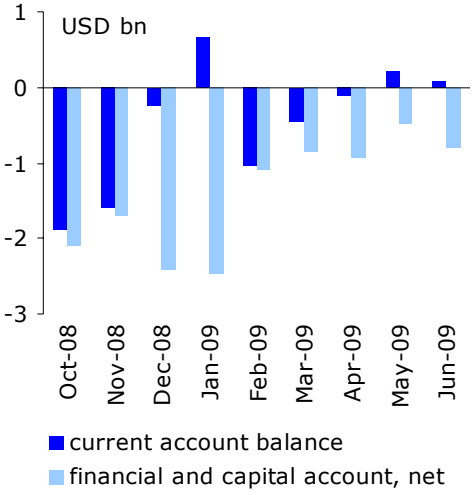
According to the State Treasury preliminary information the revenue shortfall exacerbated in July. In particular, central fiscal revenues (general fund) declined by 15.2% yoy in the first seven months of the year.

Semi-annual central fiscal expenditures (general fund) were executed at 96.8% of the planned figure. They were by 0.4% higher than a year before. Higher expenditures became possible thanks to the deficit that reached UAH 14.1 bn for the first six months increasing by UAH 6.6 bn in June alone. The deficit was financed at the expense of internal and external borrowings. The latter were ensured by the IMF loan provided to the Government in May.

Social policy: Number of households that received subsidies declined

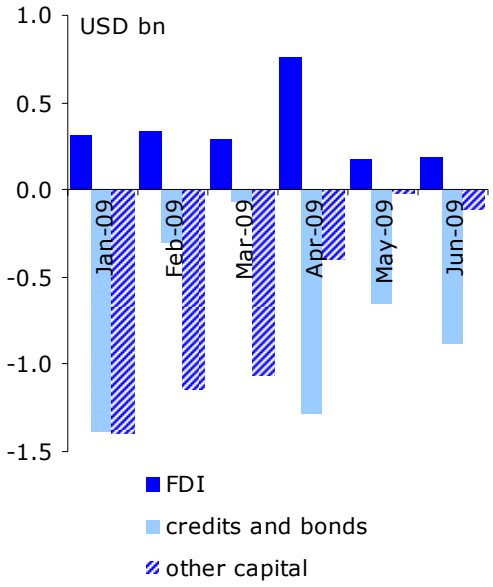
Between January and June, the number of households that applied for utility and housing subsidies declined by 12.3% yoy despite a sharp increase in unemployment and real incomes, while the number of households assigned for subsidies declined by 17.4% yoy. The share of households that assigned for subsidy declined by 5.4

Balance of payments



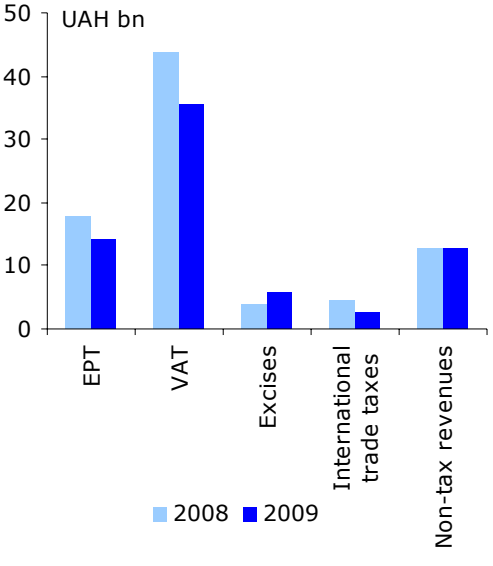
Source: NBU, preliminary estimates

Financial account



Source: NBU

Central fiscal revenues (general fund) in January-June



Source: State Treasury

percentage points to 86.1% of applied. In addition, the number of households already receiving subsidies declined by 17.9% yoy in June. Given deteriorating households' welfare and thus growing demand for state support, the reduction in subsidy applications are likely to be attributed to increased bureaucratic impediments and administrative restrictions for receiving subsidy for housing and utility services.

In the end of May, the Government approved a regulation imposing additional restrictions on eligibility of households for the subsidy. In particular, incomes and expenditures inspections were strengthened. Households that spent on durables, real estate, housing maintenance or mobile communication more than 10 sizes of subsistence minimum during last year are not eligible for the subsidy anymore. This decision allows better streamlining state support to the poor. However, statistical figures suggest that some eligibility restrictions were implemented far before the legal act was approved.

Labour market: Nominal wages in June grew by 7.0% mom

In June, the nominal average wage increased by 7.0% mom to UAH 1980 thanks to wage growth in all sectors except for financial operations, fishery, and hotels and restaurants. Half of the growth is attributed to the wage increase in education, most likely explained by traditional vacation payments, and thus of a temporary nature. The industry and construction paid higher wages likely due to some acceleration of activities. For the rest of the year a growth of nominal wages is expected to be much more moderate.

Between January and June, average wage grew by 6.1% yoy in nominal terms, but contracted by 9.8% yoy in real terms. The nominal gross wages declined by 0.1% yoy against the background of reduced employment hampering the revenues of the Pension Fund and local budgets.

Monetary policy: Inflation accelerated to 15.5% yoy in July

Consumer prices growth accelerated to 15.5% yoy in July due to low statistical base effect. Besides, inflation expectations remained high maintaining high prices and resulting in a core inflation of 18.7% yoy in July. At the same time, weak demand restrains inflationary pressure making further acceleration of inflation unlikely.

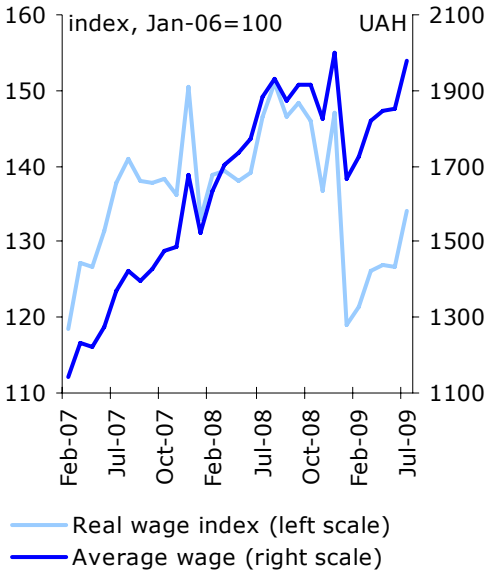
Banks continued to hoard liquidity in uncertain environment, while recapitalised banks received UAH 1.5 bn from NBU. Thus, banks maintained UAH 20-25 bn in reserves despite withdrawals through interventions and aggressive certificates of deposits sales. In a further attempt to contain liquidity, the NBU decided to freeze 40% of required reserves at special accounts. Previously banks were required to accumulate reserves by the end of the day, but they were available for intra-day operations. As the headline reserve requirements were not changed, the impact of the NBU decision on the banking sector liquidity is likely to be limited.

Financial markets: Situation in banking remains difficult

Banking sector. Between January and June, household deposits decreased by 7.7% yoy in face of significant foreign currency deposit withdrawals in the first quarter of 2009. In addition, the term structure of household deposits changed a lot. The share of demand deposits and short-term deposits has reached 59.0% compared to 44.3% at the end of 2008 reflecting a change in the savings strategy of the population. The decrease in legal entities deposits was more significant and reached 17.1% yoy due to the high debt burden and the low liquidity of enterprises.

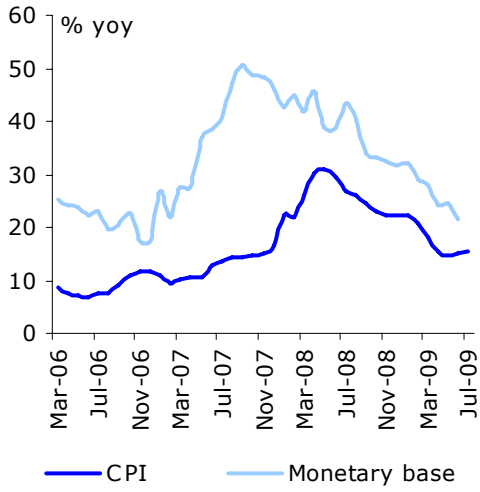
The total amount of household credits outstanding fell by 9.4% since the beginning of the year. Despite restructuring of existing debt and legislative restrictions on crediting in foreign currency, the currency structure of population's borrowings remained unchanged maintaining foreign currency credits dominance. At the same time, lending to legal entities increased by 1.4% yoy in the first half of

Average wage



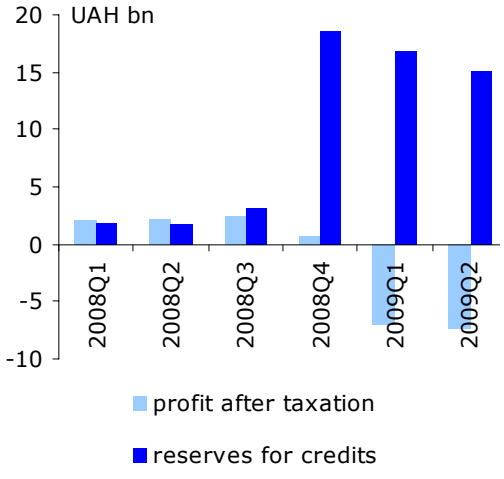
Source: Derzhkomstat

CPI and monetary base



Source: Derzhkomstat, NBU

Banking performance



Source: NBU

2009 thanks to higher national currency credits outstanding, whose share has risen by 7.0 percentage points to 56.9% in June since the end of 2008.

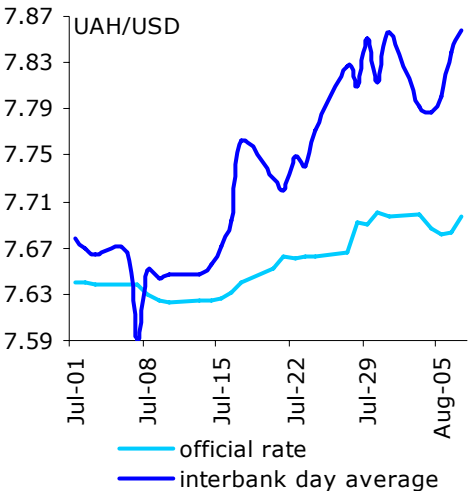
In general, the situation in the banking sector remains difficult. Banking losses grew to UAH 14.3 bn in the first half of 2009 due to an increase in reserves for bad loans. During the period, banks closed 120 branches compared to 25 a year before.

On July 24, the Verkhovna Rada significantly empowered temporary administrators approving amendments to the Law of Ukraine 'On banks and banking activity'. Temporary administrators got exclusive rights to make decisions on reorganization and management of banks with the NBU bearing all the legal responsibility for their actions. According to the amendment, the NBU with agreement of the Cabinet of Ministers can also initiate the creation of rescue banks for the protection of depositors (investors) funds. Such institutions might serve as banks for bad assets. Both initiatives seem to be logical and promising, while specific implementation of the law might be problematic.

Exchange rate. Hryvnia weakened somewhat in July. Depreciation was caused by significant purchases of US dollars by NJS 'Naftogas of Ukraine' and speculative operations. According to the NBU, the average daily interbank rate went from the low of UAH/USD 7.59 on July 7 to 7.86 by the end of the month. Market dealers quoted prices above UAH 8 per USD. The official rate went from UAH/USD 7.62-7.63 to UAH/USD 7.70, widening the distance between official and interbank close to a maximum of 2%. After several days of "wait-and-see" the NBU stabilised the exchange rate offering enough US dollars to satisfy demand.

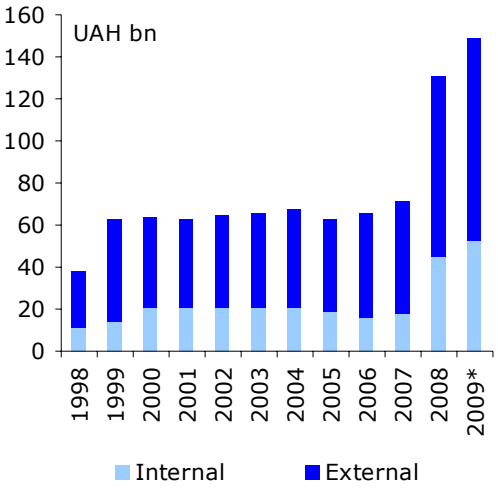
State debt. In July, the Ministry of Finance placed UAH 1.6 bn of state bonds maturing in 2009-2012 on the domestic market with a 20.0% p.a. average yield. The Ministry continued to issue short-term liabilities maturing in the end of 2009 and mid-2010 that constituted 92.6% of the total placed amount. The direct state debt increased by USD 3.3 bn in July as the IMF directed the third tranche of a stand-by loan to the public coffers.

Exchange rate



Source: NBU

Direct state debt



Source: Ministry of Finance of Ukraine
Note: * as of June 30, 2009

Highlight of the month: Debt redemption peak

Buffaloed by a debt problem

By Alla Kobylyanska and Dmytro Naumenko

Debt redemption peak is expected in the second half of 2009, when Ukrainian banks and real sector companies will have to repay almost USD 3.0 bn of their liabilities. The largest part (64.3%) of this sum accounts for Eurobonds, while the remainder is syndicated loans. This situation may impose significant risks for economic stability in the country, as the major debt issuers will simultaneously face the urgent problem of foreign currency accumulation. It may cause significant depreciation pressure on hryvnia exacerbated by devaluation expectations and thus destabilise economic situation in the country. Here, we provide an analysis how key sectors are likely to deal with this debt payment challenge.

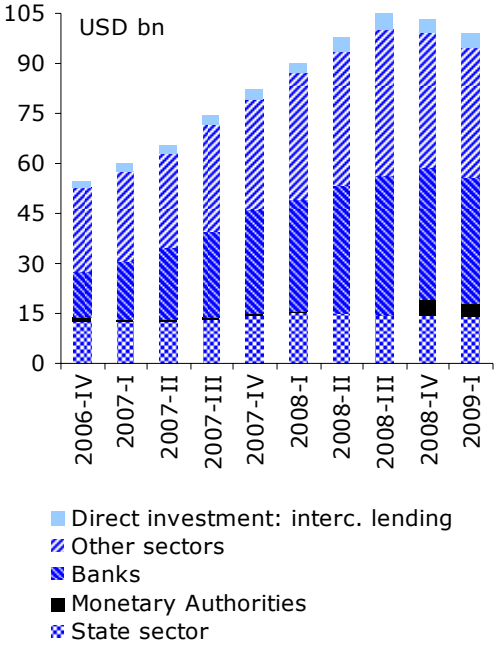
Before the crisis, the Ukrainian banking sector was one of the main borrowers in the country, accounting for around 40% of total external debt. Favourable economic conditions raised demand for credits especially from the banks with foreign capital. These credits were used mostly for network developing and consumer crediting. Strong competition pushed banks to employ rather risky strategies that backfired in the crisis. Banks have not received expected before credit refinancing on the back of weak global economic conditions. A significant share of non-performing assets in banks' credit portfolios and restricted access to foreign currency in Ukraine complicated the situation.

In the second half of 2009 Ukrainian banks have to redeem around 75% (USD 0.9 bn) of Eurobonds and 50% (USD 0.7 bn) of syndicated loans scheduled for the current year. Specifically, Ukreximbank should repay USD 250 m of Eurobonds in September. This should be less of a problem as Ukreximbank has the significant and long-lasting support from the EBRD. Alfa-Bank, which has to pay back USD 345 m of Eurobonds, chose another strategy and restructured its debt, blemishing, however, its international credit rating. Repayments of syndicated loans will be easier for Ukrainian banks as most of the credit consortiums are headed by their parental banks. Those are expected to provide refinancing. Only PUMB and Nadra bank will have significant problems with servicing their external debts. PUMB must pay back USD 345 m in August and still has unsettled claims with Cargill Financial Services. Nadra is in bad financial stance waiting for state recapitalisation and negotiating for external debt restructuring.

Real sector companies were attracting funds at much lower volumes than banks. Unlike domestic banks that frequently enjoyed a support of parental foreign banks, Ukrainian companies were raising funds for investment programs as independent players and could not attract large amounts of money on international capital markets. Although indebtedness in the corporate sector has been lower and economic crisis has hit banking sector more strongly, non-financial companies also have significantly suffered from credit crunch and demand contraction. Those factors created numerous problems for companies' profits and liquidity, doubting timely debt repayment.

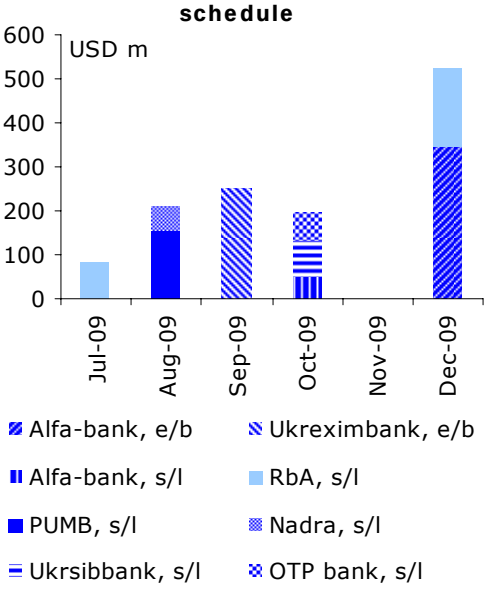
According to our calculations, in the second half of 2009 the largest private sector debtors will pay almost USD 1 bn as redemption of previously issued Eurobonds, while payments on syndicated loans will account for USD 264 m only. Severe economic crisis will force the major Ukrainian real sector companies to seek additional funds or debts restructuring. For instance, NJC 'Naftogas of Ukraine' payments for Eurobonds totalled USD 500 m with redemption in September. High payment led to discussions about a debt restructuring. Nevertheless, the company will most likely pay the debt at the expense of quasi-fiscal credits. Large automotive company 'ZAZ' and retail chain 'Furshet' will most probably encounter difficulties with debts redemption as they suffered large

External debt



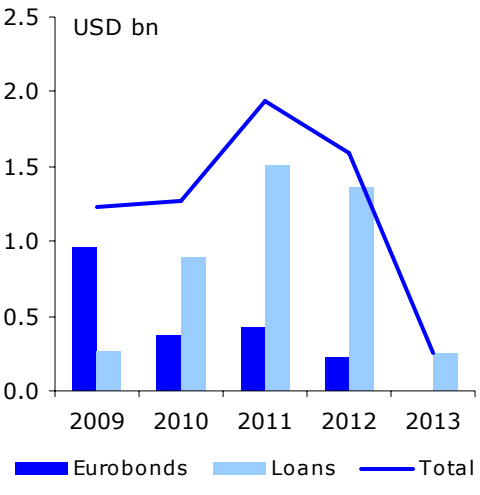
Source: NBU

Main banks-debtors repayment schedule



Source: Cbonds.info, Loansradar
s/l-syndicated loan, e/b- Eurobonds

Repayment schedule (real sector)



Source: Cbonds.info; Erste Bank

losses due to the downfall of consumers' demand. This might result in negotiations with debt holders about Eurobond restructuring. The first precedent of Eurobond restructuring has already happened with the developer company 'XXI Century' where the debt holders exploited the right of advanced repayment of USD 175 m of Eurobonds in 2009. Despite of the difficult liquidity situation the company has successfully restructured its indebtedness by offering to investors exclusive rights and warrants for buying stocks of an additional securities issue. To the contrary, mobile operator 'Kyivstar' remains the only debtor with USD 266 m payment on Eurobonds this year that seems to be able to make payments in time at the expense of own resources thanks to a quite stable situation in the telecommunication sector.

As of now, most of the debtors are likely to cope with their problems either by paying off or by restructuring their debts. However, restructuring will have negative effect on companies' performance in the future: it lightens debt burden now, but aggravates it for future periods – mostly between 2010 and 2012 – whereas hopes for a fast improvement of the financial stance of Ukrainian borrowers remain weak.

External debt payments of real sector in the second half of 2009

Debtor	USD m	Redemption date
Eurobonds, total	**966**	**-**
Naftogas	500	30.09.2009
Kyivstar	266	17.08.2009
ZAZ	125	21.12.2009
Furshet	75	07.11.2009
Syndicated loans, total	**263**	
Azovstal	120	24.07.2009
Grain Trading Company Ltd.	100	17.09.2009
Malteurop Ukraine	41	07.10.2009
Ukrtelecom	1.5	2009
Total	**1229**	**-**

Source: Cbonds.info, Erste Babk

Economic Trends		Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Jan	Feb	Mar	Apr	May	Jun	Jul
Industrial production (real)	% yoy cum.	7.9	7.7	5.1	-3.1	-31.9	-31	-34.1	-31.6	-31.9	-31.9	-31.9	-31.1	…
Construction (real)	% yoy cum.	1.7	-1.2	-7.2	-16	-56.7	-55	-57.6	-57.3	-56.7	-55.6	-55.8	-54.9	…
Agricultural production (real)	% yoy cum.	0.2	-0.3	15.1	17.5	1.7	2.6	0.5	1.1	1.7	2.1	2.3	2.6	…
Retail trade turnover (real)	% yoy cum.	27.2	28.8	25.1	18.6	-11.5	-15	-7.1	-9.4	-11.5	-14.3	-15.3	-15.2	…
Average wage	UAH	1619	1797	1906	1914	1736	1892	1665	1723	1818	1845	1851	1980	…
CPI	% yoy eop	26.2	29.3	24.6	22.3	18.1	15.0	22.3	20.9	18.1	15.6	14.7	15.0	15.5
PPI	% yoy eop	31.8	43.7	42.7	23.0	12.8	-0.9	20.4	19.0	12.8	6.3	1.9	-0.9	-3.7
Exports (USD)***	% yoy cum.	31.1	40.8	46.3	33.8	-35.4	…	-33.4''	-38.6"	-39.6"	-41.1	-44.1	…	…
Imports (USD)***	% yoy cum.	46.0	54.0	56.4	38.8	-44.5	…	-56.0''	-47.5"	-48.1"	-50.1	-52.0	…	…
Merchandise trade balance	USD bn cum.	-4.7	-9.1	-13.2	-16.9	-1.1	…	-0.4''	-0.7''	-1.4"	-1.9	-2.2	…	…
Current account****	USD bn cum.	-3.7	-6.8	-9.2	-12.9	-0.8	-0.7	0.6	-1.0	-0.4	-0.1	0.2	0.1	…
Current account	% GDP, cum.	-9.6	-8.2	-5.8	-7.1	-3.4	…	x	x	x	x	x	x	x
Gross international reserves	USD bn eop	33.2	35.5	37.5	31.5	25.4	27.3	28.8	26.5	25.4	24.5	27.8	27.3	29.6
Monetary Base	% yoy eop	41.5	38.9	33.8	31.5	28.1	22.4	32.1	29.1	28.1	24.3	24.5	22.4	…
Lending rate on UAH credits **	% pa, aop	15.2	17.4	17.8	21.0	26.5	19.1	25.6	27.2	26.7	20.4	18.5	18.5	18.5
Exchange rate (interbank)	USD aop	5.03	4.79	4.70	6.49	8.1	7.75	8.08	8.23	7.97	7.93	7.70	7.63	7.86
Exchange rate (official)	USD aop	5.05	4.96	4.85	6.21	7.70	7.66	7.70	7.70	7.70	7.70	7.65	7.62	7.70
Exchange rate (official)	EUR aop	7.56	7.75	7.31	8.22	10.06	10.41	10.29	9.86	10.05	10.18	10.39	10.67	10.82

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

**** 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
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	949.9
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	180.2
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	12.8	25.2
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	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	27.5	33.8
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	35.5	38.6
Current account	USD bn	1.5	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.9
Current account	% GDP	4.7	3.7	7.6	5.9	10.6	2.9	-1.5	-3.7	-7.2
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	6.5	5.3	9.2	9.9
International reserves	USD bn	1.5	3.1	4.4	6.9	9.7	19.4	22.4	32.5	31.5
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	14.8	12.5	19.9
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	9.8	15.0
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	5.32	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	6.61	6.39	6.34	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

''' "Minus" denotes a consolidated fiscal deficit

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	Q1 09
GDP	UAH bn	105.4	124.1	150.4	157.7	137.6	165.1	197.4	212.8	187.7	233.7	275.8	252.7	183.2
GDP (real)	% yoy	4.1	6.8	6.9	9.5	8.9	8.6	6.2	7.4	6.3	6.2	6.4	-8.0	-20.3
Household consumption (real)	% yoy	20.2	18.2	11.8	9.9	14.7	15.5	15.2	19.0	22.5	13.3	16.7	1.6	-11.6
State consumption (real)	% yoy	9.6	5.8	5.8	1.0	0.8	6.2	4.4	2.4	-0.2	1.3	-0.2	0.2	1.8
Gross fixed capital formation (real)	% yoy	19.9	19.3	17.9	18.3	24.4	23.5	18.9	23.8	19.4	12.0	0.1	-17.4	-48.7
Exports of goods and services (real)	% yoy	-14.9	-9.6	3.2	1.0	4.9	5.2	0.1	5.6	4.4	7.2	18.9	-10.4	-15.9
Imports of goods and services (real)	% yoy	10.7	0.9	8.3	6.4	12.9	19.6	13.7	27.2	23.8	24.4	31.8	-4.2	-35.6
Agriculture, hunting, forestry (real)*	% yoy	3.8	2.8	-5.6	8.1	4.8	6.8	-9.3	7.1	0.5	-0.5	21.9	20.7	1.3
Manufacturing industry (real)*	% yoy	-1.5	6.1	7.3	7.2	15.0	13.2	13.1	4.4	9.0	9.4	1.8	-22.6	-36.5
Construction (real)*	% yoy	0.1	0.8	1.4	4.2	13.3	8.2	12.7	5.8	-1.5	-6.3	-17.0	-32.7	-54.1
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	-13.9	-18.0
Transport (real)*	% yoy	4.9	7.7	9.4	5.3	7.0	5.6	8.0	10.2	10.2	14.1	10.8	-4.3	-14.4
Balance of payments														
Current account balance	USD bn	-0.8	0.0	0.5	-1.4	-1.1	-0.6	-0.3	-3.257	-3.7	-3.4	-2.1	-3.7	-0.8
Current account balance	% of GDP	-3.7	0.0	1.7	-4.3	-4.0	-1.9	-0.8	-7.7	-10.0	-7.1	-3.7	-9.2	-3.4
Trade balance in goods	USD m	-1353	-935	-884	-2022	-1735	-1701	-2684	-4452	-4670	-4401	-4121	-3742	-1141
Trade balance in services	USD m	219	506	1054	347	50	448	1614	308	219	492	1544	159	267
Current transfers	USD m	622	790	851	910	732	844	947	1016	740	833	831	723	629
Direct investment (FDI)	USD m	1153	1489	1736	1359	1709	1934	3927	1648	2430	3091	3324	1058	941
Portfolio investments	USD m	4	-141	370	3350	1816	1477	616	1844	217	160	-690	-967	-436
Gross international reserves	USD bn	17.3	17.7	19.2	22.4	23.0	25.9	30.7	32.5	33.2	35.5	37.5	31.5	25.4
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	8.09
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	7.70
Fiscal indicators														
Consolidated fiscal revenues	% of GDP	31.2	31.7	31.9	32.8	33.3	32.8	30.8	31.1	32.9	32.0	29.5	31.6	35.9
Personal income tax	% of GDP	4.4	4.6	4.1	4.1	5.1	5.3	4.9	4.8	5.2	5.1	4.3	4.9	5.3
Enterprise profits tax	% of GDP	3.4	4.6	4.3	6.7	3.8	4.1	4.1	6.4	4.2	4.5	5.0	6.3	4.0
Value-added tax	% of GDP	9.2	9.2	9.7	9.3	10.4	9.8	8.7	7.6	10.6	10.9	9.8	7.8	12.1
Excise tax	% of GDP	1.8	1.7	1.5	1.5	1.8	1.7	1.6	1.3	1.5	1.3	1.2	1.4	2.0
Consolidated fiscal expenditures	% of GDP	30.9	32.8	29.4	36.6	28.4	31.0	29.6	36.7	29.8	31.6	27.2	41.2	35.4
Current expenditures	% of GDP	28.9	29.7	24.9	29.2	26.9	28.4	25.9	27.3	28.9	28.5	22.4	33.8	34.5
Capital expenditures	% of GDP	1.9	3.2	4.5	7.4	1.6	2.6	3.7	9.4	1.0	3.1	4.8	7.4	0.9
Consolidated fiscal balance	% of GDP	-0.4	1.1	-2.4	4.0	4.7	1.7	1.2	-6.2	3.0	0.4	1.9	-10.3	0.0
Privatisation receipts	% of GDP	0.1	0.1	0.1	0.1	0.5	0.5	0.3	0.4	0.1	0.0	0.0	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	-10.9
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	-7.3
Unemployment rate (ILO methodology)	% cum	7.9	6.8	6.4	6.8	7.4	6.6	6.2	6.4	7.1	6.2	6.0	7.5	9.5
Banking system														
Monetary aggregate M0	% yoy cum	36.2	25.3	23.7	24.5	26.2	30.6	41.1	48.2	48.4	48.6	37.9	39.3	33.9
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	12.0
Household deposits in national currency	% yoy cum	54.6	41.1	39.7	37.3	50.7	56.3	64.8	71.9	67.9	67.0	53.3	7.5	-10.9
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	66.3	31.8
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	70.6	54.9	40.4	27.6
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	53.4	103.6	70.8
Long-term com. bank credits	% yoy cum	87.6	86.7	76.6	79.5	84.1	86.5	87.9	85.7	84.84	67.2	50.9	73.3	50.8
Long-term com. bank credits	% of total	63.1	63.4	63.5	64.9	65.8	67.3	68.2	69.2	69.05	68.6	66.8	69.8	69.9
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	15.69	17.6	17.7	21.6	26.2
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	10.95	11.9	12.4	11.9	9.6

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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