Monthly Economic Monitor Ukraine

- President's Chief of Staff Viktor Baloga resigned.
- Industrial production in April worsened, but domestic demand seems to somewhat recover.
- The central fiscal revenues (general fund) declined by 5.3% yoy in the first four months of 2009.
- The Pension Fund financing gap exceeded UAH 7 bn between January and April.
- Nominal wage increased by 1.5% mom in April.
- Consumer inflation decelerated to 14.7% yoy in May.
- Inter-bank exchange rate has appreciated to UAH/USD 7.6 from 7.9 during May.
- HIGHLIGHT OF THE MONTH: Relations with the IMF

No.6 (104)
June
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: President's Chief of Staff Viktor Baloga resigned

Viktor Baloga, President Viktor Yushchenko's chief of staff, resigned from his position on May 19, citing his disagreement with the President's decision to run for the second term. Among other reasons, he also mentioned the disregard of a number of initiatives advanced by the office staff. Mr. Baloga also accused the President of nepotism while making appointments on key posts in public authorities. Most observers think that Baloga's resignation will significantly weaken Viktor Yushchenko`s position since with Baloga's departure the President loses an efficient manager and a strong supporter. At the same time, it is likely that confrontation between the President and the Prime Minister, which emerged long before Mr. Baloga becoming Chief of Presidential Staff, will not disappear.

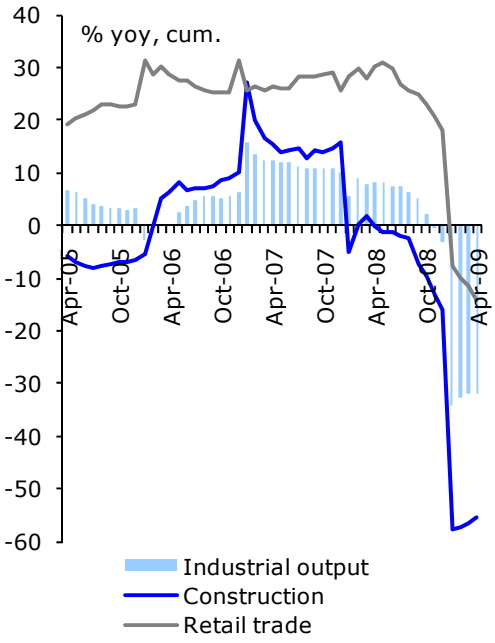
The post of Chief of Staff did not remain vacant as on May 19 the President appointed one of his closest allies, Vira Ulyanchenko, the Head of Kyiv Oblast Administration, to this position. Three days before the new appointment Vira Ulyanchenko was elected as the Head of the Council of the pro-presidential "Our Ukraine" party.

Real sector: Ukrainian industry in the headwinds

Real industrial output fell by 31.8% yoy in April, accelerating its contraction by 1.4 p.p. from March, partly explained by differences in number of working days. In addition, the deterioration of external demand for metals resulted in deepening of output contraction in metal production and non-energy mining to 45.5% yoy and 36.1% yoy, respectively. Besides, warm weather in April caused output reduction in energy mining and production and distribution of energy, water, and gas to 6.2% yoy and 20.3% yoy, respectively. On the other hand, food industry output improved to the levels close to the previous year, bringing decline to only 2.8% yoy.

April developments in other sectors continued their previous trends. Compared to March, cumulative output growth in agriculture in the first four months of the year accelerated to 2.1% yoy in real terms, while in construction output contraction remained deep at 55.6% yoy. Between January and April retail trade and passenger transportation decreased outputs by 14.3% yoy and 9.7% yoy, respectively, against the background of high statistical base. At the same time, the contraction in freight transportation increased to 38.3% yoy following reduction of industrial output.

Real sector trends



Source: Derzhkomstat

Sectoral trends: Naftogas of Ukraine faces large liquidity gap

Energy. According to Ukraine's gas balance approved by the Government, NJC "Naftogas of Ukraine" needs to import 14.0 bn cubic meters of natural gas worth around USD 2.5 bn to pump into underground storage in the second half of 2009. However, cost growth and preferential natural gas prices in non-industry segments precluded the company from accumulating enough cash flows from its own revenues. The Government was also unable to raise funds to

Institute for Economic Research
and Policy Consulting
Reytarska 8/5-A, 01034 Kyiv
Tel. (+38044) 278-6342
Fax (+38044) 278-6336
E-mail: institute@ier.kiev.ua
http://www.ier.kiev.ua

finance liquidity gap in the company. On the other hand, the Russian Federation so far also refused to provide the company with a credit for the purchase of required volumes of gas. Ukraine used quasi-fiscal operations to provide UAH 3.8 bn needed to pay for the gas imported in May but this source of financing is not sustainable.

The electricity production in Ukraine continued to contract further due to stagnating consumption. Between January and April the electricity consumption decreased by 14.7% yoy. Electricity consumption fell by more than 30% in construction materials, chemical and metal industries and in machine building, while the population has increased consumption by 11.8% yoy or 1.3 bn KWh.

Agriculture. In May, Ukraine continued to adapt its regulations on control over the quality of agricultural products to the EU and the WTO rules to improve access to the EU market for Ukrainian food products. In particular, the Ministry of Agrarian Policy developed new technical regulations for meat and milk industries. Besides, on May 13, the Cabinet of Ministers of Ukraine required GMO food products to be labelled starting from July. However, Ukraine still lacks effective control mechanisms that would ensure the implementation of such measures.

Telecommunications. In May, the National Commission for Regulation of Communications increased monthly fee for home phones by 10-20% in urban areas and by 10% in rural areas. The measure was explained by high input costs and low margins in fixed telecommunications.

Transport. In May, new Pricing Manual for Freight Rail Transportation came into force. It separated infrastructure and carriage charges in the tariff structure and consolidated some fees for ancillary services. This step makes pricing more transparent. However, total cost of freight railway transportation may increase since majority of items became more expensive. The Ministry of Transport and Communications adopted a list of discounting coefficients for wide range of clients to mitigate the effects of the increase.

Privatisation. The President abolished his ban on the privatisation of several enterprises after the Constitutional Court rejected his challenge. The list of the companies include Turboatom, Dnerpoenergo, Donbasenergo, Zahidenergo, state energy generating company Centerenergo, and Kryvorizhya ore-processing plant. These companies are likely to be attractive to investors. At the same time, the President has suspended privatisation of state coalmines initiated by the Cabinet of Ministers.

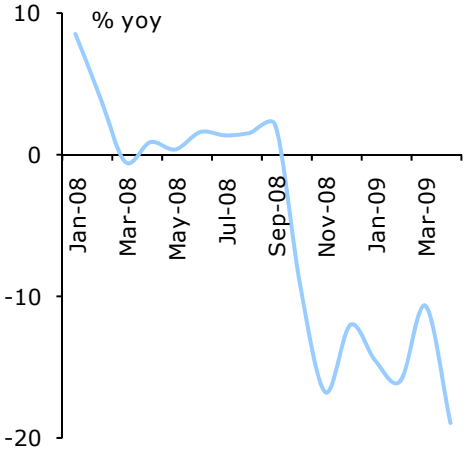
On May 20, the Verkhovna Rada of Ukraine allowed the Prime Minister to assign and dismiss the Head of the State Property Fund. President signed the law on June 11.

External sector: Balance of payments continued to improve in April

According to the NBU preliminary estimates, between January and April the current account deficit was USD 0.6 bn, changing slightly compare to USD 0.5 bn in the first quarter. Merchandise exports contraction accelerated to 40.5% yoy in dollar terms due to unfavourable external trade conditions for ferrous metals and machinery. However, merchandise imports suffered even more due to decrease in gas supply and imposition of 13% surcharge on car imports, dragging the imports down by 50.2% yoy in the first four months of 2009. While merchandise trade deficit (USD 1.6 bn) was fully covered by services trade surplus and positive net current transfers received partly from selling rights on CO_2 emissions to Japan, net outflow of current incomes pushed overall current account balance into deficit.

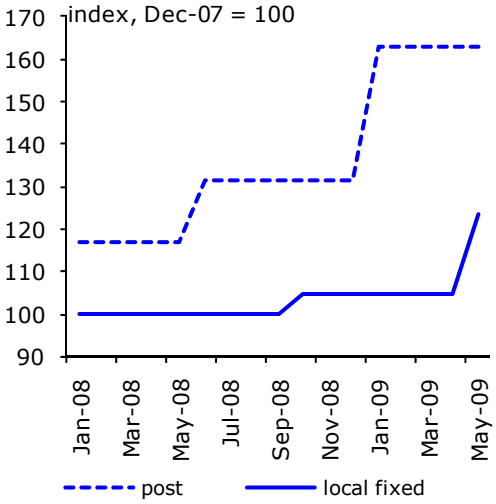
Financial account deficit widening slowed. The deficit was USD 5.7 bn over four months as compared to USD 4.7 bn in the first quarter. In April, outflows of cash foreign currency decelerated dramatically and the FDI inflows were close to 2008 level partly thanks to recapitalisation of foreign-owned banks. On the other hand, debt

Electricity production



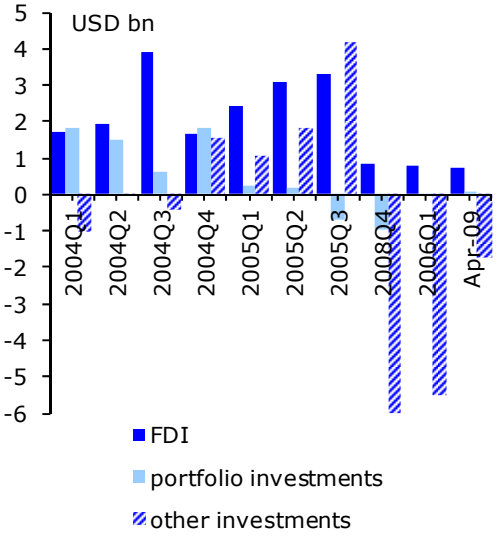
Source: Ministry of Fuel and Energy

Price indices for communications



Source: State Statistics Committee

Financial account



Source: NBU

repayments intensified. In particular, banking sector repaid USD 1.1 bn of external debt in April as compared to USD 1.0 bn over the first three months of the year.

Fiscal policy: The central fiscal revenues due to general fund declined by 5.3% yoy

Between January and April, the execution rate of central fiscal revenues due to the general fund improved to 99.7% of the target thanks to several reasons. First, collections from enterprise profits tax (EPT) were over-executed by 11.6% of plan, primarily, due to advanced tax payment. Second, the NBU transferred to the state coffers UAH 4.4 bn, which is 110% of annual plan. On the other hand, receipts from VAT, rent payments, excises, as well as taxes on international trade and official transfers were under-executed. The revenues fell by 5.3% yoy. The execution of central fiscal expenditures reached 95.7% of the target. Central fiscal deficit due to general fund increased to UAH 6.1 bn. The deficit was primarily financed at the expense of funds accumulated at the Single Treasury Account and internal borrowings.

Social policy: The Pension Fund faces increasing cash flow gap

Between January and April, the total revenues of the Pension Fund increased by 11.7% yoy to UAH 46.1 bn, while own revenues grew by 1.6% yoy reaching UAH 31.0 bn. At the same time, revenues in April were lower than in the same month of 2008. The cash flow gap between revenues and expenditures exceeded UAH 7 bn during the first four months of the year. Approximately half of this amount was financed by the loan received by the Fund from the Treasury in the end of 2008 and then written off by the Government. Another part of the gap is likely to be covered by the loan provided by the Treasury in line with procedure envisaged in the State Budget Law for 2009. It might be expected that the cash flow gap will increase over time, forcing the Government to increase central fiscal transfer to the Pension Fund as remaining funds on the Treasury account are likely to be needed for the operating purposes.

Labour market: Wages continued to grow in April

In April, nominal wage increased by 1.5% mom and 6.3% yoy to UAH 1845. The wage developments differed among sectors. In particular, wages continued falling in trade, industry, financial services, real estate and engineering services. Nevertheless, the decline was not enough to offset growth in sectors with seasonal increase in wages, primarily in agriculture. The wages in this sector displayed the largest growth (by 13.7% mom) but remained lower than average wage. In real terms, average wage decline in April slowed down to 8.0% yoy on the back of decelerating inflation. The largest contraction of real wages was in construction, trade, financial services, and industry that suffered the most from the crisis. Only agriculture, air transportation, post and communication services demonstrated real wage growth, as these sectors appeared to be relatively insulated from the economic crisis.

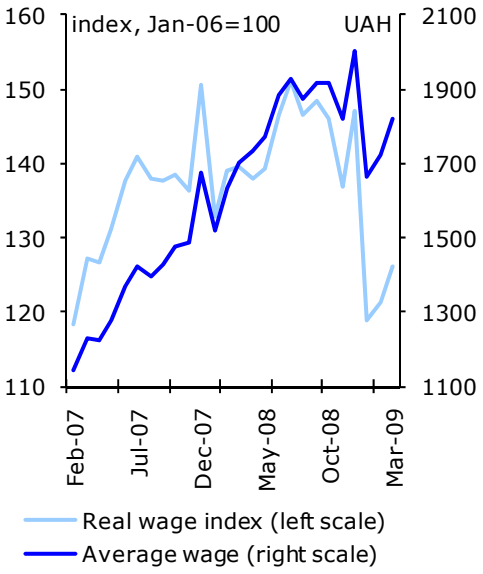
Monetary policy: Inflation decelerated to 14.7% yoy in May

Consumer inflation decelerated to 14.7% yoy in May. High statistical base and weak demand due to the limited incomes and high debt burden determined slower CPI growth. Favourable commodities prices and government price regulation also contributed to the lower inflation.

Money supply growth accelerated slightly in May to 9.0% yoy in line with monetary base growth. Drain of liquidity from the banking sector slowed as the NBU decreased its interventions on the foreign exchange market and banks did not lose deposits. Thus, banking sector retained adequate level of liquidity and inter-bank interest rates remained in single digits.

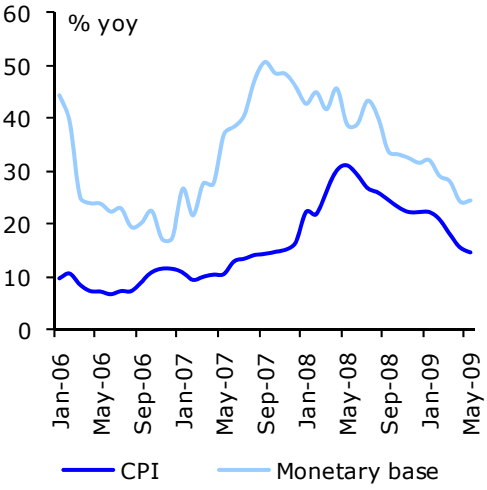
Starting from June, the NBU will regulate banking sector liquidity using new rules. This was one of the measures required to receive

Average wage



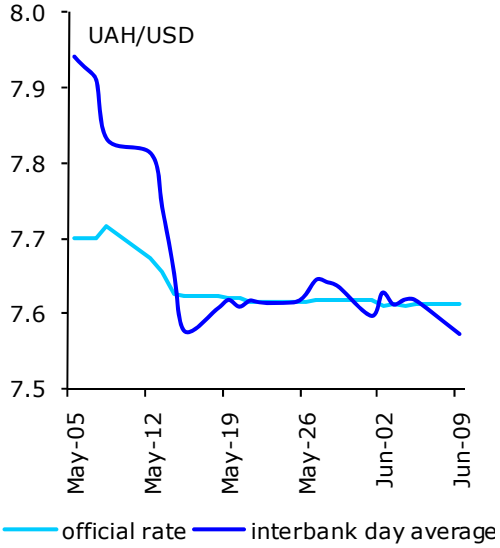
Source: Derzhkomstat

CPI and monetary base



Source: Derzhkomstat, NBU

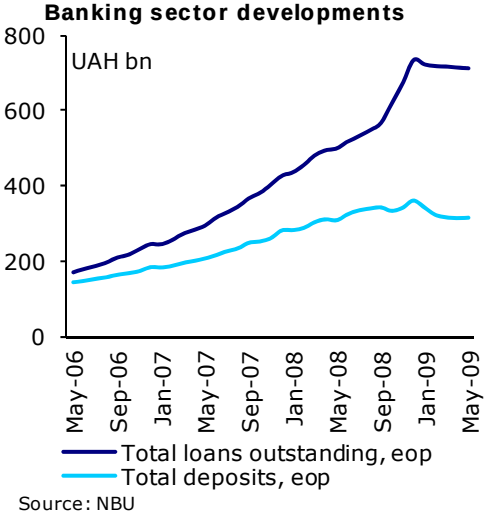
Exchange rate



Source: NBU

the second tranche of the IMF loan. One of the purposes of the new rules was to better separate monetary policy operations and lender-of-the-last-resort financing for problem banks. According to new rules, maximum maturity of refinancing operations and CDs was decreased to 90 days. Swaps with foreign currency were replaced by refinancing with foreign currency as collateral. The NBU also envisages expanded role for open market operations with government bonds as the NBU owns more of them. Now, the NBU may sell government bonds with an option for the buyer to sell the bonds back to the NBU until maturity. However, the rules are unclear about the price, at which the NBU will repurchase the bonds.

Banking sector developments



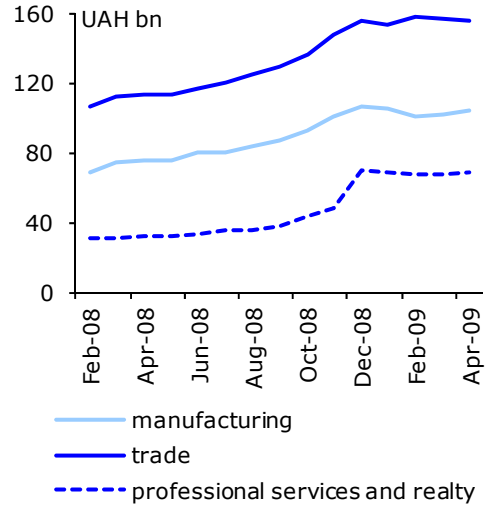
Source: NBU

Financial markets: Hryvnya appreciated slightly in May

Exchange rate. On May 8, the NBU started to set official exchange rate within range of ±2% of the average daily inter-bank exchange rate in accordance with the IMF requirements. Thus, official exchange rate was changed for the first time in 2009. Later during the month official hryvnia rate and inter-bank rate reflected slight appreciation of hryvnia. Average inter-bank rate decreased from UAH/USD 7.94 on May 1 to 7.58 on May 15 and later remained in UAH/USD 7.60-7.65 range. At the same time, official rate went down from 7.70 until May 8 to 7.62 on May 15 and remained close to 7.62 for the rest of the month. The appreciation may be attributed primarily to two factors. First, changes in currency market regulations will force banks to decrease their open forex positions. Besides, the demand for the foreign currency both on the cash and non-cash markets declined as speculative demand fell. The NBU needed to sell only USD 215 m to balance demand and supply, which is the smallest amount since the beginning of the crisis in October 2008. While demand for the cash foreign currency has fallen markedly in 2009, in May it reached new lows unseen since the summer of 2005. The decline in speculative flows is likely to increase the stability in the market.

Banking sector. In April, banking sector continued to show signs of stabilisation. Household deposits increased by 0.6% mom for the first time since crisis, even though banks decreased interest rate. In particular, short-term national currency deposits increased by 7.5% mom. Thus, in May the NBU cancelled moratorium on early deposit withdrawals, though previously it promised the IMF to make such decision by November. Despite eased withdrawals household deposits continued to grow in May.

Loans outstanding



Source: NBU

In April, the Government and the NBU changed rules for bank recapitalisation. The qualified banks have to be under temporary administration and be one of 26 systemic banks. The Government by itself or jointly with outside investor should get more than 75% in capital (but still not less than 60%+1 share for the Government). The NBU allowed temporary administrators to decrease authorized capital to be equal to regulatory capitals. This will ease dilution of shares of old investors. On June 10 government decided to recapitalize the Rodovid Bank, the Ukrgasbank and the Bank Kyiv by UAH 9.57 bn.

State debt. In May, the Ministry of Finance carried out the placement of one- , two- and three-year domestic state bonds at UAH 0.8 bn with weighted-average yield of 18.9% p.a. The share of short-term domestic state bonds maturing in the end of 2009 and mid-2010 constituted 81.1% of the amount issued due to the lack of demand for longer-term bonds offered by the government.

On May 12, Ukraine received the second tranche of a stand-by loan from the International Monetary Fund (IMF) totalling SDR 1.9 bn or USD 2.8 bn. Out of this sum SDR 1 bn was transferred to the Treasury account to be used for servicing external state borrowing in 2009.

Highlight of the month: Relations with the IMF

New terms of engagement

By Vitaliy Kravchuk

In October 2008, the Ukrainian balance of payments suffered from capital outflows and sharp fall of exports receipts. Even though the National Bank spent several billion dollars trying to stabilize the exchange rate, hryvnia continued to depreciate rapidly. Thus, Ukrainian authorities turned to the IMF to replenish the international reserves and improve credibility with foreign investors and official donors. Consequently, the IMF and Ukraine signed a Stand-By Arrangement for SDR 11 bn (equivalent to USD 16.4 bn at the time of approval). The Agreement with IMF initially created new fears about the scope of problems in Ukraine, but later it somewhat improved confidence in the country.

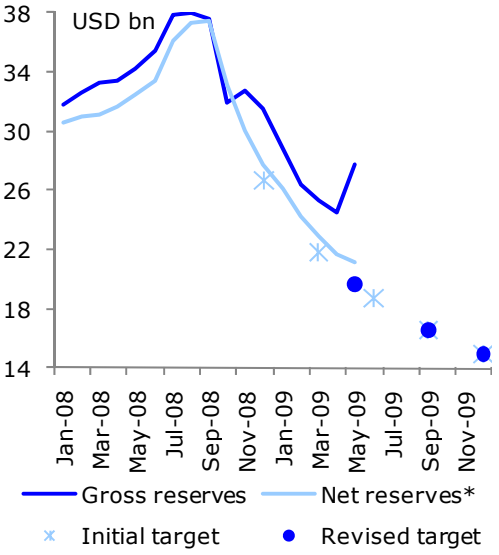
The loan was to be disbursed in nine instalments. Ukraine had to complete several prior actions to receive the first SDR 3 bn tranche. These included the law about bank recapitalisation, launch of diagnostic study for the largest banks, move to the interventions on the foreign exchange market through transparent auctions, and resolution of the situation with the Prominvestbank that was the first among the largest banks to suffer a bank run. The Government managed to push the necessary law through the Verkhovna Rada, and the loan was approved by the IMF board. The rest of prior conditions were fulfilled after the loan approval.

To receive the remaining tranches of the loan, Ukraine had to comply with several quantitative and structural targets. In particular, Ukraine promised not to introduce several types of capital and forex controls, not to impose new trade restrictions for balance of payments purposes, to complete bank recapitalisation in eight months, and to improve the NBU independence. In macroeconomic policy, Ukraine agreed on quarterly floors on net international reserves, caps on the base money and limits of general government deficit. Thus, the NBU interventions in 2009 were limited to USD 11.8 bn, while USD 8 bn could be spent to support the exchange rate in the first half of 2009. Base money increase in 2009 was limited to UAH 21 bn or 11% of projected amount at the end of 2008. General government budget was expected to have a small surplus over the course of 2009 and reach balance by the end of the year (excluding bank recapitalization costs).

In all, Ukraine committed not to spend all of the international reserves to maintain the exchange rate at the previous unsustainable level. Authorities also committed not to try to print their way out of recession, although retained enough flexibility to fight the crisis. On the other hand, the IMF refrained from micromanagement and excessive involvement in introducing a large number of required reforms. The compromise achieved was beneficial for Ukraine. The IMF funds provided helped to close external financing gap without decrease in international reserves to dangerously low levels. Moreover, the IMF deal served as catalyst for additional official financing and over time supported confidence of foreign counterparts in Ukraine despite initial negative reaction. It promoted sound economic policy as opposed to populism.

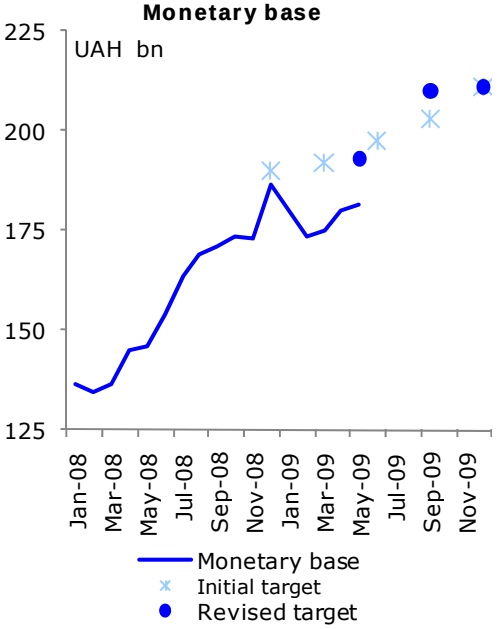
However, keeping to the commitments was more difficult than it initially seemed. On the one hand, by the end of 2008 and in the beginning of 2009, severity of the global economic downturn became evident, domestic demand plunged bringing down imports. Taxes on imports that were the main generator of revenues in the previous years also plunged leaving Government cash-strapped. Thus, balanced budget became unrealistic, as it required cutting pensions and wages in public sector, which is a political suicide and contradicts the announced aims of the social policy. At the same time, financing fiscal deficit became increasingly difficult.

International reserves



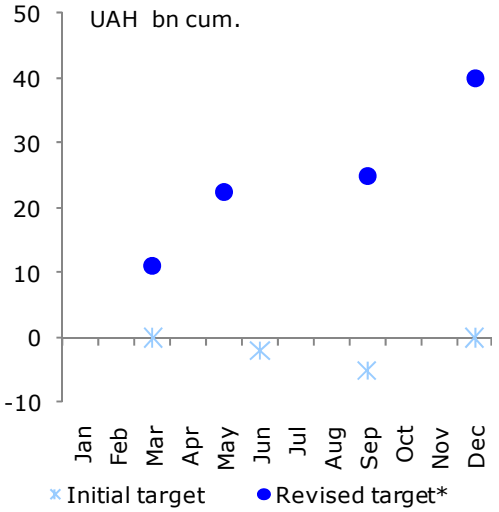
* at program exchange rates
Source: IMF, NBU, IER calculations

Monetary base



Source: IMF, NBU

General government deficit in 2009



* actual figure for March
Source: IMF

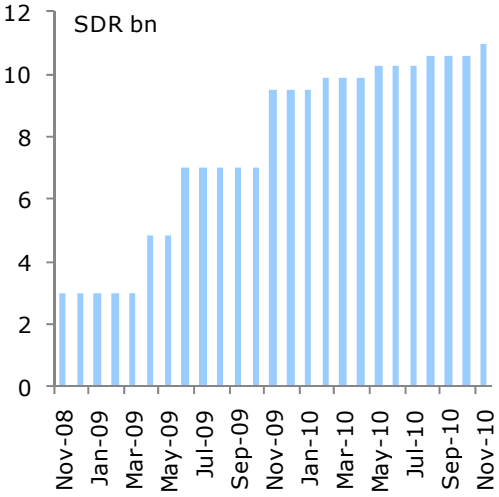
On the other hand, Ukrainian authorities often chose to ignore their promises for political reasons. The Verkhovna Rada restricted the NBU independence by requiring it to conduct refinancing with the Government approval and forcing it to finance the fiscal deficit. It also introduced 13% import surcharge on a number of products. The Government pronounced the NBU the enemy of the state #1 as it allowed hryvnia to depreciate too much, gave refinancing to the wrong banks, and refused to conduct quasi-fiscal operations. The Government also did not have much progress with bank recapitalisation. The NBU maintained official exchange rate in 2009 closer to the interbank rate than in 2008, but significant gap remained. The National Bank also continued to use administrative restrictions. Still, the NBU maintained international reserves and monetary base within promised range in December 2008 and in March 2009. Due to all broken requirements, Ukraine did not receive second instalment of the IMF loan scheduled for February.

Negotiations with the IMF continued in March and April until the compromise was reached. The IMF decided that the general government deficit of 4.0% of GDP is reasonable as forecast of real GDP contraction for 2009 was downgraded from 3% to 8%. It also agreed to increase the second tranche to SDR 1.875 bn and provide third tranche at SDR 2.125 bn scheduled in two months. Currently it is likely that Ukraine will get the third tranche in time as most conditions were fulfilled. Moreover, the IMF allowed using SDR 1 bn to repay external state debt due in 2009, thus reducing fiscal financing needs for 2009. In return, Ukraine cancelled most of the controversial decisions, took actions to raise additional money for the budget and the Pension Fund, and aligned official exchange rate with interbank rate. The NBU also removed some administrative restrictions including moratorium on the early deposits withdrawal and revised its refinancing framework.

New quantitative targets allow general government deficit of UAH 25 bn by the end of September and additional UAH 15 bn in the last quarter. The NBU may spend up to USD 4.5 bn over the four months until September and additional USD 1.7 bn in the last quarter. As the NBU is likely to spend less than full allowance by the end of September it should have enough room to intervene in the end of 2009. The NBU also promised to maintain the monetary base below UAH 210 bn at the end of the third quarter and UAH 211 bn at the end of 2009. As of June 1, monetary base was UAH 181.7 bn leaving significant room for the NBU to support economy if needed. However, if government spends all UAH 44 bn for bank recapitalization, monetary base may increase significantly. Overall, the targets leave enough room for manoeuvre in macroeconomic policy and are reasonable.

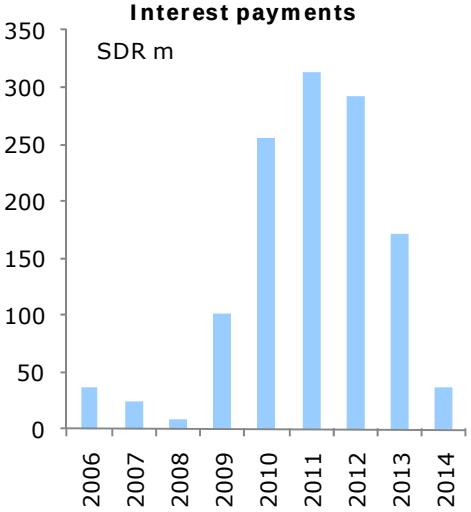
Summing up, prolonged negotiations about the IMF loan seem to have reached a win-win outcome. On the one hand, the IMF managed to preserve most of the conditionality and achieved continued cooperation with Ukraine. Ukrainian authorities, on the other hand, received the necessary external push to rethink unwise decisions. Besides, Ukraine has increased reserves and fiscal deficit financing, and the national currency obtained a much-needed boost in credibility. Moreover, Ukrainian authorities did not have to make unpopular fiscal spending cuts or to choose between low economic activity and low inflation.

Revised IMF loan schedule



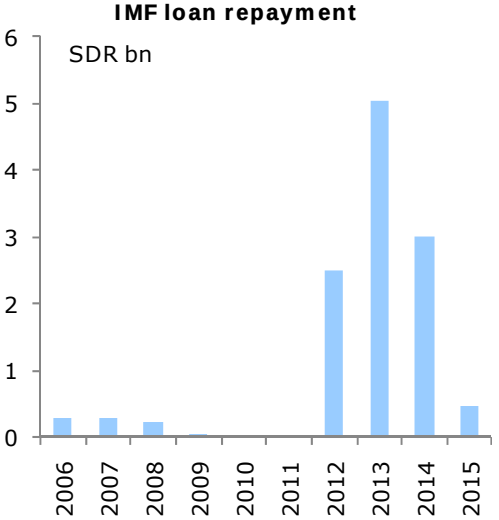
Source: IMF

Interest payments



Source: IMF

IMF loan repayment



Source: IMF

Economic Trends		Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Dec	Jan	Feb	Mar	Apr	May
Industrial production (real)	% yoy cum.	10.2	7.9	7.7	5.1	-3.1	-31.9	-3.1	-34.1	-31.6	-31.9	-31.9	…
Construction (real)	% yoy cum.	15.6	1.7	-1.2	-7.2	-16	-56.7	-16.0	-57.6	-57.3	-56.7	-55.6	…
Agricultural production (real)	% yoy cum.	-5.6	0.2	-0.3	15.1	17.5	1.7	17.5	0.5	1.1	1.7	2.1	…
Retail trade turnover (real)	% yoy cum.	28.8	27.2	28.8	25.1	18.6	-11.5	18.6	-7.1	-9.4	-11.5	-14.3	…
Average wage	UAH	1545	1619	1797	1906	1914	1736	2001	1665	1723	1818	1845	…
CPI	% yoy eop	16.6	26.2	29.3	24.6	22.3	18.1	22.3	22.3	20.9	18.1	15.6	14.7
PPI	% yoy eop	23.3	31.8	43.7	42.7	23.0	12.8	23.0	20.4	19.0	12.8	6.3	1.9
Exports (USD)***	% yoy cum.	27.4	31.1	40.8	46.3	33.8	-34.9[e]	35.9''	-33.4''	-38.6"	-39.6"	…	…
Imports (USD)***	% yoy cum.	34.8	46.0	54.0	56.4	38.8	-44.9[e]	41.1''	-56.0''	-47.5"	-48.1"	…	…
Merchandise trade balance	USD bn cum.	-10.6	-4.7	-9.1	-13.2	-16.9	-1.6[e]	-18.5''	-0.4''	-0.7''	-1.4"	…	…
Current account****	USD bn cum.	-5.3	-3.7	-6.8	-9.2	-12.9	-0.5[e]	-12.9	0.6	-0.4	-0.9	…	…
Current account	% GDP, cum.	-4.2	-9.6	-8.2	-5.8	-7.1	…	x	x	x	x	x	x
Gross international reserves	USD bn eop	32.5	33.2	35.5	37.5	31.5	25.4	31.5	28.8	26.5	25.4	24.5	27.8
Monetary Base	% yoy eop	46.0	41.5	38.9	33.8	31.5	28.1	31.6	32.1	29.1	28.1	24.3	24.5
Lending rate on UAH credits **	% pa, aop	14.0	15.2	17.4	17.8	21.0	26.5	21.6	25.6	27.2	26.7	20.4	18.5
Exchange rate (interbank)	USD aop	5.04	5.03	4.79	4.70	6.49	8.1	7.76	8.08	8.23	7.97	7.93	7.70
Exchange rate (official)	USD aop	5.05	5.05	4.96	4.85	6.21	7.70	7.58	7.70	7.70	7.70	7.70	7.65
Exchange rate (official)	EUR aop	7.31	7.56	7.75	7.31	8.22	10.06	10.24	10.29	9.86	10.05	10.18	10.39

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	1.2	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.9
Current account	% GDP	3.8	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	9.7
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
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
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
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
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
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
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
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
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
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
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
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
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
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
Current account balance	% of GDP	-3.7	0.0	1.7	-4.3	-4.0	-1.9	-0.8	-7.7	-10.0	-7.2	-3.7	-9.2
Trade balance in goods	USD m	-1353	-935	-884	-2022	-1735	-1701	-2684	-4452	-4670	-4401	-4121	-3742
Trade balance in services	USD m	219	506	1054	347	50	448	1614	308	219	492	1544	159
Current transfers	USD m	622	790	851	910	732	844	947	1016	740	833	831	723
Direct investment (FDI)	USD m	1153	1489	1736	1359	1709	1934	3927	1648	2430	3091	3324	838
Portfolio investments	USD m	4	-141	370	3350	1816	1477	616	1844	217	160	-690	-967.0
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
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	32.9	32.0	29.5	31.6
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
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
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
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
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
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
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
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
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
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
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
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
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

Disclaimer

This Monthly Economic Monitor of Ukraine has been prepared by the Institute for Economic Research and Policy Consulting for informational purposes only. All judgments in this report reflect our point of view as of date publication and can be changed without notice. Although we used our best efforts in preparing this publication, we make no guarantees as to its accurateness. The IER does not take any responsibility for any losses or other problems that directly or indirectly resulted from the use of any part of this publication. Reproduction without prior permission is prohibited; when quoting please cite Institute for Economic Research and Policy Consulting.