Monthly Economic Monitor Ukraine

- The second review within the framework of the IMF stand-by loan agreement was completed.
- Real GDP dropped by 20.3% yoy in the first quarter of 2009 as investment activity halved and inventories shrunk.
- The Verkhovna Rada granted privileges to biofuels.
- Current account deficit narrowed to USD 0.7 bn between January and May.
- The central fiscal revenues (general fund) declined by 12.0% yoy in the first five months of 2009.
- Real disposable incomes declined by 12.9% yoy in the first quarter of 2009 as the ILO unemployment rate reached 9.5%.
- Inflation accelerated to 15.0% yoy in June.
- Household deposits increased by 2.7% mom in June but banks continued to decrease loans.
- HIGHLIGHT OF THE MONTH: Bank recapitalization

No.7 (105)
July
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%

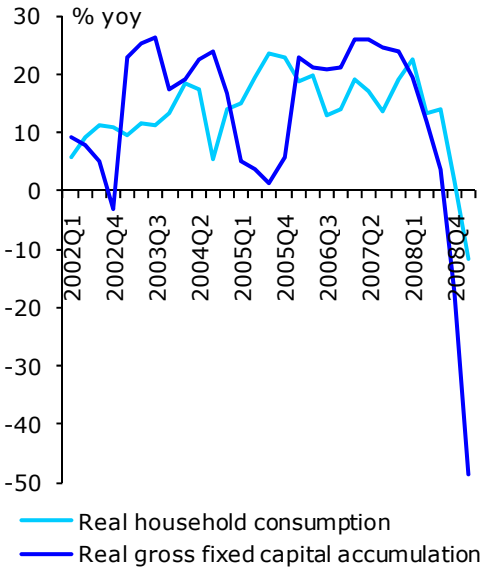
Politics: The IMF mission recommended to disburse the third instalment of the stand-by loan to Ukraine

In the end of the June, Ukraine started talks on the second review of the IMF stand-by loan with the IMF mission. Ukraine fulfilled all quantitative criteria for the loan and talks on remaining issues were successful. Thus, the IMF mission recommended to the IMF Executive Board to disburse the third instalment of the IMF loan amounted to USD 3.3 bn to Ukraine. The decision regarding the disbursement should be considered at the IMF Executive Board in August.

The end of May and early June were marked by intense public discussion regarding possible parliamentary coalition between the Party of Regions and the BYUT, two largest factions that always positioned themselves as irreconcilable opponents. Possible changes in the Constitution attracted the most interest. Allegedly, two-stage parliamentary elections were planned to ensure that a winning party gets a majority in the Verkhovna Rada. In addition, Ukraine was expected to turn into a parliamentary republic with the President elected by the Parliament. These initiatives provoked very uneven reaction in the country. On June 7, leader of opposition Party of Regions faction Victor Yanukovych announced the collapse of talks. Subsequently Prime Minister Yulia Tymoshenko confirmed this information. Both leaders denied intentions to cancel direct presidential elections, and claimed that talks were aimed to address economic issues amid the crisis.

Several days before the collapse of the talks, the Verkhovna Rada dismissed Defence Minister Yuri Yekhanurov who was nominated by the President. The dismissal was initiated by Prime Minister who accused former Minister of numerous violations of law. The Party of Regions supported the discharge with 161 votes.

Quarterly consumption and investments



Source: Derzhkomstat

Real sector: Real GDP dropped by 20.3% yoy in the first quarter of 2009

Real GDP contracted by 20.3% yoy in the first quarter of 2009 reflecting the extremely negative influence of the global economic crisis on the Ukrainian economy. On production side, the major decrease in real value added was in construction (by 54.1% yoy) hard-hit by the decline in the investment activity, and manufacturing (by 36.5% yoy) that suffered from the drop in external demand. At the same time, agriculture, healthcare, and education faired relatively well with results ranging from 1.3% yoy growth to 4.6% yoy contraction.

From demand point of view, halving of real gross fixed capital accumulation (dropped by 48.7% yoy) and downward phase of inventory cycle were the main drivers of the economic decline. Household consumption proved to be quite resilient falling only by 11.6% yoy in real terms, while state consumption even increased by

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1.8% as state directed almost all spending on social transfers and consumption. A 35.6% yoy reduction in real imports vastly outpaced 15.9% yoy decline in real exports, improving the country's external balance.

Industry remained stagnant in May with the same 31.8% yoy real decline in industrial output as in April. Metal production and iron ore extraction grew from previous month but remained in deep fall. At the same time, food industry continued to improve its performance with decline curtailed to mere 2.1% yoy likely due to relatively robust domestic demand and import substitution effect. Chemical industry and machinery output decreased further at 9.6% and 3.1% mom, respectively, loosing positions at external markets in May.

Other sectors of economy also remained in decline. Construction output dropped by 55.8% yoy in the first five months of 2009 reflecting the stagnating demand on residential and commercial property. Retail trade decreased by 15.3% yoy between January and May accelerating its decline. This trend could be partly explained by increased share of informal trade. At the same time transport somewhat improved its output from 38.3% yoy drop in the first four months of 2009 to 36.6% yoy over five months.

Sectoral trends: Biofuels got privileges similar to concessions for other types of alternative fuels

Agriculture. In June, the President signed the law aimed at fostering a production of biofuels in Ukraine thereby improving energy security of the country. It is expected that the share of alternative fuels reach 20% of total energy consumption in Ukraine by 2020. The law grants numerous privileges to both biological fuel producers and producers of equipment that uses biofuels. These privileges are similar to concessions previously provided to other types of alternative fuels. The privileges include profit tax, VAT, and import duty exemptions for materials and equipment used in biofuel production as well as some for vehicles (agricultural machinery, buses, and trucks not produced in Ukraine) operating on biofuels. There is also zero excises on sales of motor biofuels, and accelerated depreciating scheme for biofuels producers. The incentives are designed to attract both local and foreign investments. The impact of the law on alternative fuels production will heavily depend on relative profitability of such projects, while the law will definitely be costly for the state and for fuels' consumers.

Energy. The Government decided to increase statutory capital of the NJC "Naftogas of Ukraine" from UAH 5.6 bn to UAH 24.2 bn using state bonds. Naftogas may use additional funds to repay a part of the company's debt to state banks. If the capital increase is implemented, it will allow the Government to continue quasi-fiscal operations to pay for imported gas.

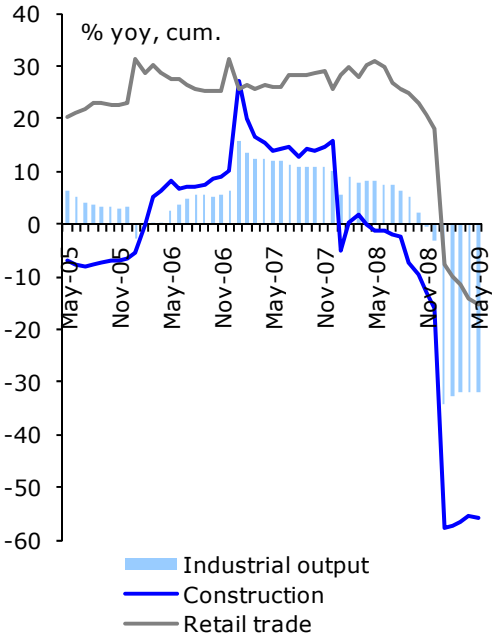
Transport. In June, tariffs for passenger rail travel were again increased. In particular, tickets for coach became by 4.7% more expensive, for compartment by 7.4%. Therefore, six-month cumulative raise of passenger tariffs has been 9.5% for couch and 15.0% for compartment. Higher tariffs are not likely to increase revenues of railway monopolist Ukrzaliznytsia significantly, and these changes cannot replace urgent reforms in the sector.

The Cabinet of Ministers made Kyiv Great Bypass Road and Odesa-Reni highway available for concession. However, previous road concessions in Ukraine (Lviv-Krakovets, Lviv-Brody) failed due to low or unpredictable traffic, weak regulatory framework, including poorly specified government guarantees. It remains questionable whether the Government will manage to attract private investors for new concessions amid the economic crisis.

External sector: Current account balance turned positive in May

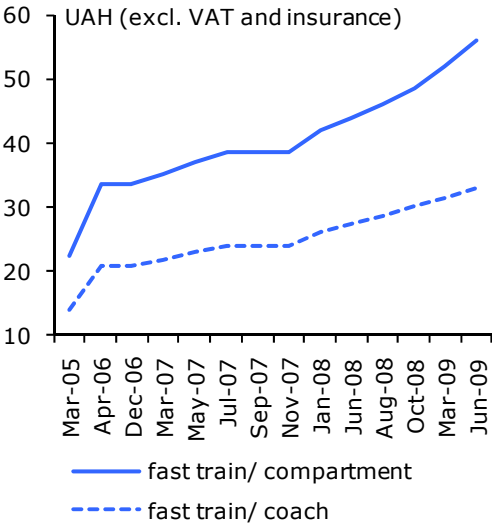
According to the NBU preliminary estimates, in the first five months of 2009 current account deficit narrowed to USD 0.7 bn after surplus of USD 0.2 bn in May. The narrowing occurred thanks to decreased merchandise trade deficit and increased net current transfers. In

Real sector trends



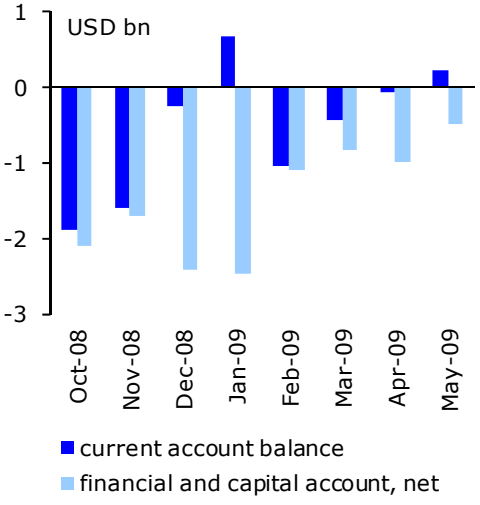
Source: Derzhkomstat

Domestic passenger railway tranportation tariffs (500 km)



Source: Ministry of Transport and Communications

Balance of payments



Source: NBU, preliminary estimates

particular, merchandise imports contracted by 58.9% yoy in dollar terms in May, while the reduction in merchandise exports was a bit slower at 53.2% yoy.

Financial account also continued to improve in May thanks to reduction of foreign currency outside banks for the first time since the beginning of the crisis, and less debt repayments to non-residents. As a result, financial account deficit decreased to USD 0.7 bn in May bringing five-month deficit to USD 5.9 bn. However, amid bad economic situation in the country net FDI inflow reached its lowest level since 2005 at USD 0.2 bn in May.

The list of goods subject to 13% import surcharge once again became disputable. On June 23, the Constitutional Court ruled that only Verkhovna Rada can decide upon the change in custom tariffs and therefore the Cabinet of Ministers (CMU) has no right to change a temporary import surcharge that is formally equated to tariffs. This ruling questions a legitimacy of the CMU Resolution #230 that abolished the surcharge for all products except for cars and refrigerators. Generally, decisions of the Constitutional court do not apply retroactively and the State Customs Service continues to apply the Resolution since it was not officially repealed. The Ministries of Justice and Economy are to provide further clarifications though.

Meanwhile, on June 25, the WTO Balance of Payment Restrictions Committee decided not to impose any sanctions on Ukraine until September 7, 2009. As the surcharge was introduced for six-month term expiring on September 6, Ukraine is unlikely to incur any sanctions if no new trade restrictions contrary to the WTO obligations are imposed.

Fiscal policy: The central fiscal deficit reached UAH 7.5 bn by the end of May

Between January and May, central fiscal revenues due to the general fund declined by 12.0% yoy and reached UAH 62.5 bn. Nevertheless, they were very close to the target (99.8%) as both enterprise profit tax and VAT revenues were close to projected levels. Moreover, the NBU completed transfer of its profit to the state coffers (110% of annual plan). On the other hand, receipts from rent payments, taxes on international trade and official transfers were under-executed. The execution of central fiscal expenditures (general fund) improved to 96.3% of the planned figure. Central fiscal deficit due to general fund increased to UAH 7.5 bn. The deficit was primarily financed at the expense internal borrowings. Funds at Unified Treasury Account increased by UAH 8.8 bn as the Government received SDR 1 bn of the IMF loan.

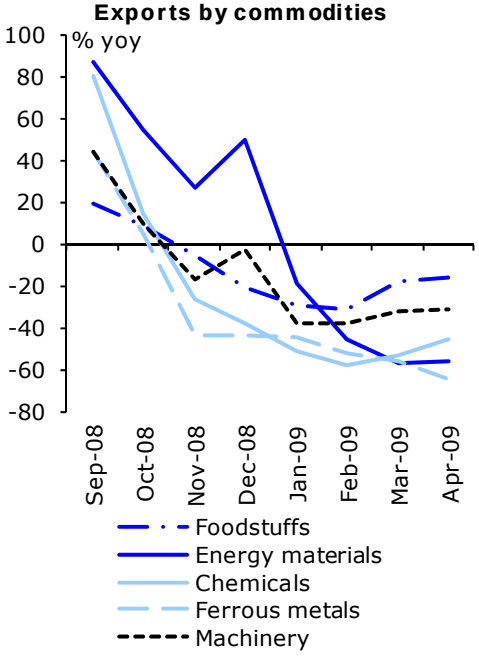
On June 23, the Parliament adopted a new version of the Budget Code and amended some tax laws. These changes have to be signed by the President to come into force. One of key features of the revised Code is the provision of transfers from the central budget directly to local budgets of all levels, while currently transfers are received by regional and district budgets and then distributed further. The Code also changes the distribution of financial resources among central and local budgets, introduces new local taxes (property tax) and envisages other measures aimed at enhancing financial autonomy of local government entities. At the same time, the Code strengthens the role of Cabinet of Ministers in the budget process.

In June, the Verkhovna Rada amended the 2009 State Budget. The central fiscal revenues plan was raised by UAH 0.3 bn (to 239.2 UAH bn) thanks to the increase in excise rates for beer and other alcoholic beverages. The additional funds are to be used to finance expenditures on insulin supply to diabetics, twenty-four-hour water supply in Lviv, and a reconstruction of Taras Shevchenko Museum in Kaniv city.

Social policy: Real disposable incomes declined by 12.9% yoy in the first quarter of 2009

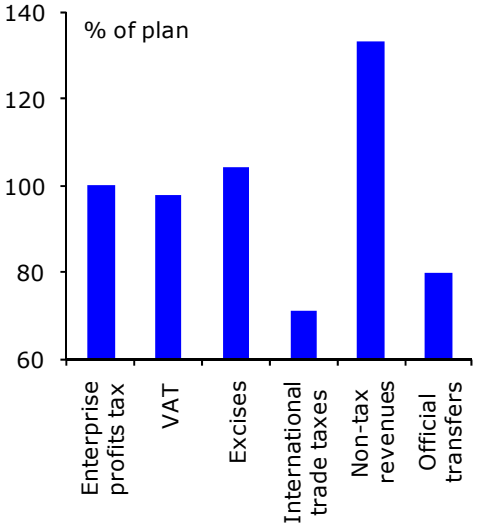
Household incomes. According to the Derzhkomstat real disposable incomes of households reduced by 12.9% yoy in the first quarter of

Exports by commodities



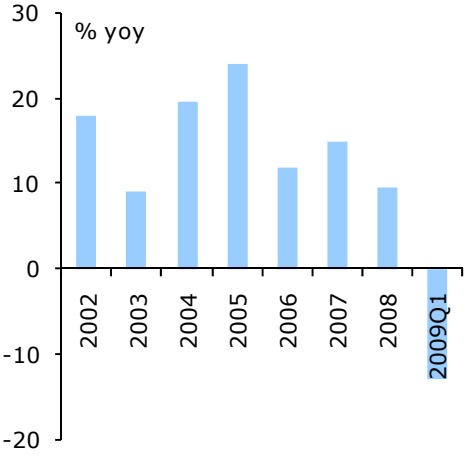
Source: Derzhkomstat

Central fiscal revenues execution in January-May 2009



Source: State Treasury

Real disposable household incomes



Source: Derzhkomstat

2009. Nominal incomes were 4.8% higher than in the same period last year. Stagnant nominal wages against the background of rising unemployment resulted in reduction of real wage incomes by 14.9% yoy. Incomes received from social assistance and current transfers declined only by 4.2% yoy in real terms. As a result, the share of wages in total households' incomes declined to 42.0% and was by 1.1 p.p. lower than a share of social assistance and current transfers.

Social privileges. In June, the Cabinet of Ministers adopted the Strategy aimed at streamlining the system of privileges to certain groups of population, the step envisaged in the Memorandum between the IMF and Ukraine signed in May 2009. Formally, the Strategy foresees means-tested provision of privileges to individuals. However, the procedures of granting privileges to individuals with recognized outstanding (labour) merits for the Fatherland (1.2 m), war veterans (2.8 m), and to persons affected by the Chernobyl catastrophe (1.9 m) are to be maintained. Moreover, privileges to the occupational groups are to be cut only in case of adequate increase in their incomes. Therefore, *de-facto* the Strategy does not agree with positions of the IMF and the World Bank that suggest to introduce means-tested privileges to all groups of population as well as eliminate privileges to occupational groups. Therefore, the new Strategy is likely not to result in higher efficiency of social welfare system in Ukraine.

Labour market: ILO unemployment rate reached 9.5% in the first quarter of 2009

According to the Derzhkomstat, the ILO unemployment rate for individuals aged between 15 and 70 reached 9.5% in the first quarter of 2009 as compared to 7.1% in the first quarter of 2008. Thus, a number of unemployed increased by a half of million on the back of dropped economic activity. The unemployment rate increased more in urban areas. Besides, it was higher for males than for females (11.4% and 7.4%, respectively). That means sharper decline in output in sectors where male employment was higher, in particular, in construction, metal production, machine building, and manufacturing of construction materials. Aggregate unemployment rate is likely to remain close to current level during the year, as lower rural unemployment in the second and third quarters will balance further growth in urban unemployment.

Monetary policy: Inflation accelerated to 15.0% yoy in June

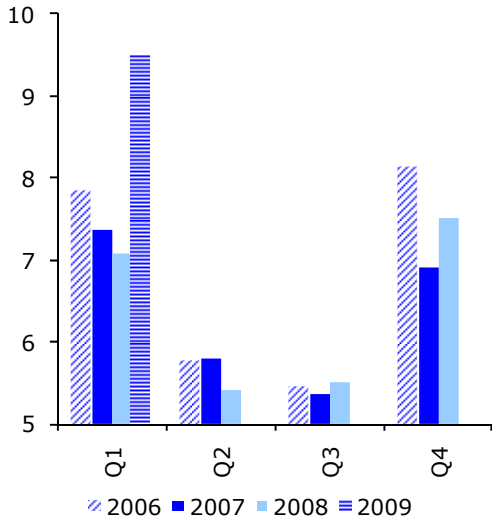
Consumer prices growth accelerated to 15.0% yoy in June in part due to increases in regulated prices, like utility tariffs in Kyiv and passenger rail tickets, and increased excise tax on tobacco products. Besides, inflation expectations remain persistently high supporting prices. At the same time weakness of demand gradually slowed price growth for many components of the CPI basket in the last months. Prices are likely to remain subdued over the next summer months, as economic activity will hardly recover markedly.

Money supply and monetary base growth reached 4.9% yoy and 22.4% yoy respectively in June. Banks took in new deposits while providing little credit. Although the NBU decreased liquidity withdrawals through interventions, it increased its CD operations and withdrawn up to UAH 5 bn from the market through this channel. Overall, banks still enjoyed high liquidity with their reserves at the NBU reaching over UAH 24 bn in the last week of June.

Financial markets: Banks attract deposits but still refrain from lending

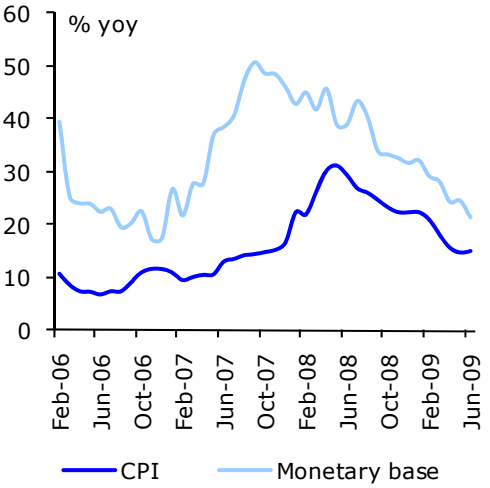
Banking sector. In June, household deposits continued to grow for the third month in a row and increased by 2.7% mom. In May, new deposits were mostly short-term (up to 1 year) despite the gradual decrease in interest rate, reflecting still weak confidence in the Ukrainian banking system. Deposits of legal entities dropped by 0.9% mom in June as foreign currency deposits decreased by UAH 4.4 bn. It could be assumed that some of these funds were used for

Unemployment rate (ILO)



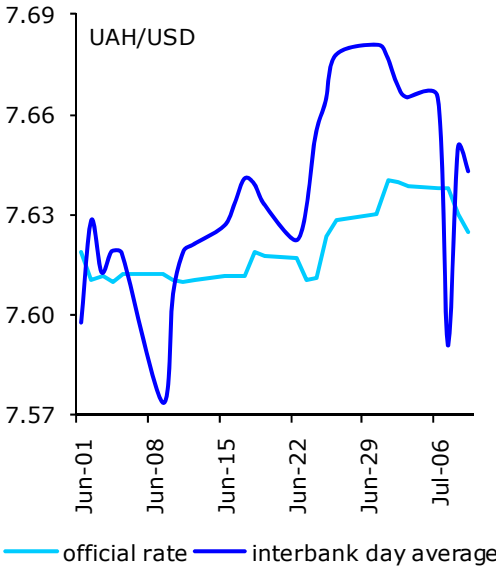
Source: Derzhkomstat

CPI and monetary base



Source: Derzhkomstat, NBU

Exchange rate



Source: NBU

servicing of foreign currency loans, which amount outstanding fell by UAH 7.8 bn.

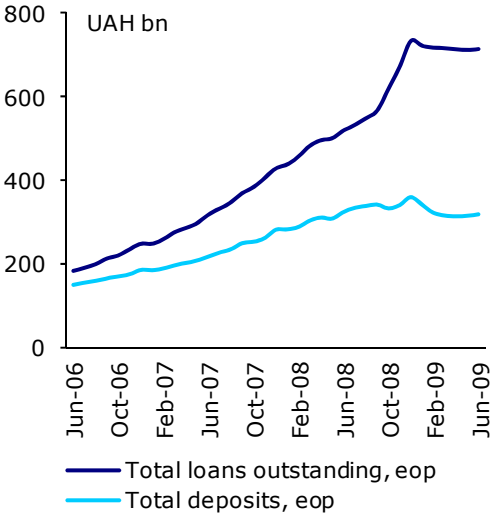
Lending to legal entities increased by 1.2% mom thanks to wider borrowing in national currency. Mostly likely, it means a restructuring of old debts as the amount of newly issued loans in national currency has decreased between February and May. Besides government continued quasi-fiscal operations with state banks. Credits to households continued to reduce and dropped by 1.1% mom in June. Lending in both national and foreign currencies remained restricted.

In June, three banks were selected for recapitalisation by the Government. In July, after necessary procedures were completed, the Government increased capital of Rodovid, Kyiv and Ukrgazbank by UAH 9.47 bn using state bonds. The state acquired almost 100% stakes in Rodovid and Kyiv wiping out previous owners and 85% stake in Ukrgazbank. Capitalized banks accounted for near 4% of total deposits and 3% of total assets of the banking sector as April 1.

Exchange rate. Inter-bank UAH/USD exchange rate remained stable in June in 7.57-7.68 range while official rate fluctuated in 7.61-7.63 UAH per USD. It somewhat weakened in the end of the month probably due to high bank liquidity and closing of the quarter payments but change was no more than 1-2%. Demand and supply on the market were close to balance with the NBU interventions amounting to USD 690 m.

State debt. In June, the Ministry of Finance placed UAH 1.0 bn of domestic state bonds maturing in 2009-2012 with 19.4% p.a. average yield. The share of short-term bonds remained high and constituted 96.2% of the amount issued as the demand for bonds with longer maturities has stayed low. Additionally, the Ministry of Finance issued UAH 1.0 bn of domestic bonds with 9.5% p.a. yield to increase the capital of state owned UkrEximBank.

Banking sector developments



Source: NBU

Highlight of the month: Bank recapitalization

Too big to fail?

By Alla Kobylyanska

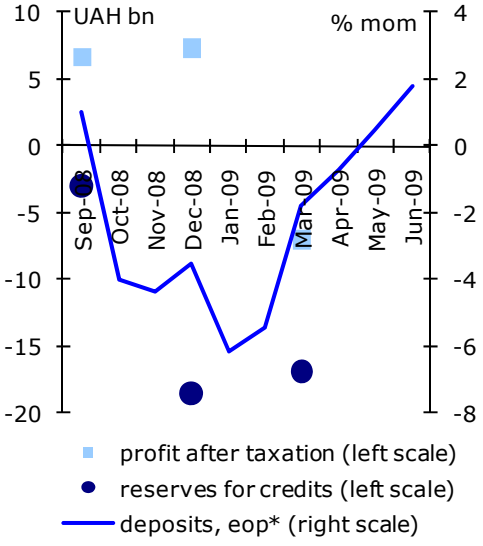
In the last quarter of 2008, the world financial crisis severely hit the Ukrainian banking system. The banks lost external financing, while export receipts dropped as external demand for Ukrainian products slumped. Domestically, an attempt of hostile takeover of Prominvestbank (PIB) in October triggered deposit withdrawals throughout system that continued up to April 2009 undermining domestic funding base. Speculative demand for cash foreign currency also contributed to deposit withdrawals. During the period, national currency deposits dropped by UAH 36.0 bn or 17.1%. On the asset side, falling housing prices and decline in economic activity undermined asset quality. Moreover, hryvnia depreciation made foreign currency debt servicing difficult increasing number of problem loans. As a result, banks faced liquidity problems and large losses. Some of them have definitely needed recapitalisation.

Recapitalization of problem banks has been among conditions of the IMF aid. The rationale has been to ensure banking stability and increase credibility of banks as precondition of economic recovery. Thirty-eight largest banks were stress-tested to assess their capital need. This procedure that included the impact assessment of economic crisis on capital adequacy was finished in March. Among main assumptions were 9% of real GDP drop and 30% of hryvnia devaluation. State banks Oschadbank and Ukreximbank were recapitalized first by UAH 14.4 bn in accordance to stress-test results. The test also showed necessity to increase capital of private banks under investigation by at least UAH 30.5 bn. The NBU obliged private banking institutions to raise capital from their owners or other investors. If banks are unable to raise private capital, banks might be recapitalized by the state, reorganized or liquidated. Shareholders of private banks committed to provide UAH 21.5 bn. Thus, at least UAH 9.0 bn gap remained. Moreover, moderate macroeconomic outlook embedded in stress tests meant that actually problem banks suffered larger than expected losses, further necessitating state recapitalisation.

The following state recapitalisation procedure has been established in Ukraine. The process starts with appointment of temporary administrator by the NBU to manage the bank. If the Government decides to help the problem bank, bank may be required to decrease its capital to dilute the existing owners sufficiently to allow government to take at least 75% plus one share alone or with other investor. After that, existing owners are given opportunity to buy new shares. Subject to necessary regulatory approvals, the Government buys common shares with newly issued state bonds. Bank can later sell the bonds to the NBU. Recapitalised banks are managed by the civil servants from the Ministry of Finance. Law does not provide any guidelines on the management of these banks. Later the Government is expected to sell its stake in recapitalised banks, and funds received may be used to redeem the state bonds from the NBU. Thus, *de facto* the NBU lends the Government funds for recapitalization.

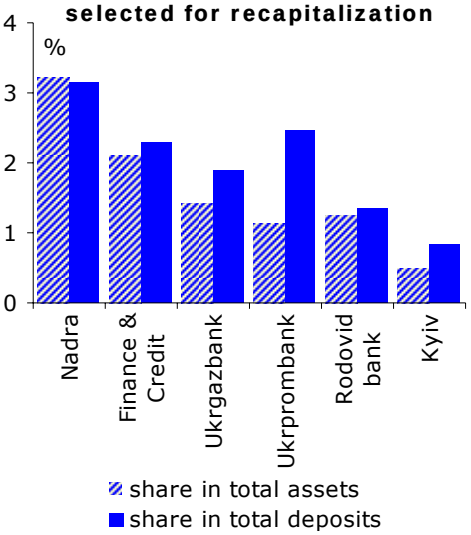
The Government decided to recapitalise only several large problem banks, while other system banks committed to recapitalize by their own means. Several banks were initially named including Nadra, Ukrprombank, Finance & Credit, Kyiv, Rodovid and Ukrgasbank. The PIB was not in this list as it managed to find outside investors. The Russian Vnesheconombank recapitalized the PIB by UAH 1.1 bn in the beginning of 2009. Later, the list was further narrowed as the Government refused to capitalise Nadra and Ukrprombank until they finish debt restructuring. In addition, Finance & Credit was exempted from the list as not experiencing problems sufficient to justify majority state stake in the bank.

Banking crisis



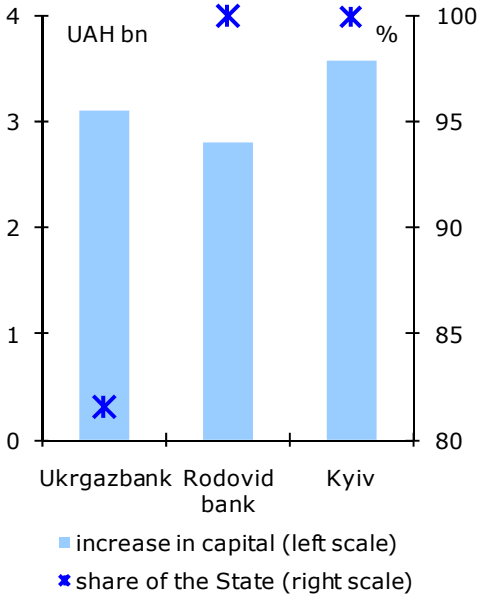
Source: NBU
*corrected for exchange rate changes

Market share of banks provisionally selected for recapitalization



Source: NBU, as of April 1

Recapitalization



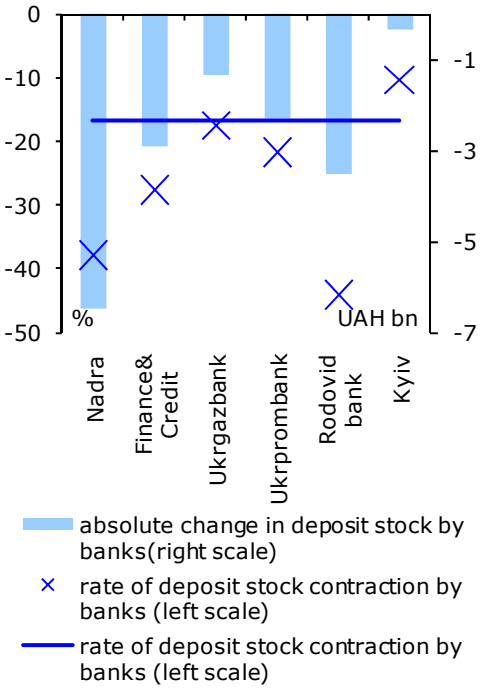
Source: Ministry of Finance

On June 10, the Government announced its decision to inject UAH 9.47 bn in three banks: Kyiv, Rodovid and Ukrgasbank. Accounting for 4.7% of total deposits before crisis, the banks not only belonged to different groups by the size of assets, but their performance indicators were uneven. During last two quarters, deposit withdrawals from these banks constituted 10.4%, 44.0% and 17.6% of deposit stock respectively, while the system faced 16.9% contraction. Kyiv bank posted UAH 0.4 bn loss in the first quarter of 2009 due to significant increase in reserves for problem debts. Rodovid also lost money, and only Ukrgasbank managed to receive small profit during the period.

In early July, recapitalisation procedures were completed. The Government received 99.94% and 99.97% in Kyiv and Rodovid banks thus two banks were essentially nationalised. Also, the Government now has 81.6% of shares in Ukrgazbank. Recapitalization will lead to increase in share of the state in authorized capital in banking system from 23.4% to 41.4% (based on amount of capital as of April 1). At the same time, assets of state-owned banks will increase only to 15.3% from 12.2%. Thus, the Government will increase its influence in banking sector significantly. The outcome of recapitalization and situation in financial system will heavily depend on efficiency of new management and market strategy. Announced first steps of new owner are to conduct payments delayed due to the absence of liquidity and start paying out deposits.

Recapitalized banks face two significant risks. The first risk is a continuation of bank run as increase in capital would not be sufficient to satisfy all banks' creditors immediately. The second risk is a use of these banks for quasi-fiscal operations that will increase risk-taking and may lead to further losses. Taking into account the plans to resell the banks to outside investor in the future, new management should be interested in improvement of financial indicators but short-term nature of political decision-making in the country may endanger recapitalised banks.

Deposit withdrawals in October 2008-March 2009



Source: NBU

Economic Trends		Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Dec	Jan	Feb	Mar	Apr	May	Jun
Industrial production (real)	% yoy cum.	7.9	7.7	5.1	-3.1	-31.9	…	-3.1	-34.1	-31.6	-31.9	-31.9	-31.9	…
Construction (real)	% yoy cum.	1.7	-1.2	-7.2	-16	-56.7	…	-16.0	-57.6	-57.3	-56.7	-55.6	-55.8	…
Agricultural production (real)	% yoy cum.	0.2	-0.3	15.1	17.5	1.7	…	17.5	0.5	1.1	1.7	2.1	2.3	…
Retail trade turnover (real)	% yoy cum.	27.2	28.8	25.1	18.6	-11.5	…	18.6	-7.1	-9.4	-11.5	-14.3	-15.3	…
Average wage	UAH	1619	1797	1906	1914	1736	…	2001	1665	1723	1818	1845	1851	…
CPI	% yoy eop	26.2	29.3	24.6	22.3	18.1	15.0	22.3	22.3	20.9	18.1	15.6	14.7	15.0
PPI	% yoy eop	31.8	43.7	42.7	23.0	12.8	-0.9	23.0	20.4	19.0	12.8	6.3	1.9	-0.9
Exports (USD)***	% yoy cum.	31.1	40.8	46.3	33.8	-35.4	…	35.9''	-33.4''	-38.6''	-39.6''	-41.1	…	…
Imports (USD)***	% yoy cum.	46.0	54.0	56.4	38.8	-44.5	…	41.1''	-56.0''	-47.5''	-48.1''	-50.1	…	…
Merchandise trade balance	USD bn cum.	-4.7	-9.1	-13.2	-16.9	-1.1	…	-18.5''	-0.4''	-0.7''	-1.4''	-1.9	…	…
Current account****	USD bn cum.	-3.7	-6.8	-9.2	-12.9	-0.8	…	-12.9	0.6	-1.0	-0.4	0.0	0.2	…
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	31.5	28.8	26.5	25.4	24.5	27.8	27.3
Monetary Base	% yoy eop	41.5	38.9	33.8	31.5	28.1	22.4	31.6	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	21.6	25.6	27.2	26.7	20.4	18.5	18.5
Exchange rate (interbank)	USD aop	5.03	4.79	4.70	6.49	8.1	7.75	7.76	8.08	8.23	7.97	7.93	7.70	7.63
Exchange rate (official)	USD aop	5.05	4.96	4.85	6.21	7.70	7.66	7.58	7.70	7.70	7.70	7.70	7.65	7.62
Exchange rate (official)	EUR aop	7.56	7.75	7.31	8.22	10.06	10.41	10.24	10.29	9.86	10.05	10.18	10.39	10.67

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

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	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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