The Economy of the Donbas in Figures

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German Advisory Group

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Motivation

- The current political tensions in Ukraine have led to a new interest in regional aspects of economic activity in the country
- A particular interest lies in the oblasts Donetsk and Luhansk, which together form the Donets Basin (“Donbas”), a traditional coal-mining region that is heavily industrialised
- In this presentation, we provide key economic figures for the two oblasts, and compare them to relevant benchmark data on national level

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Structure

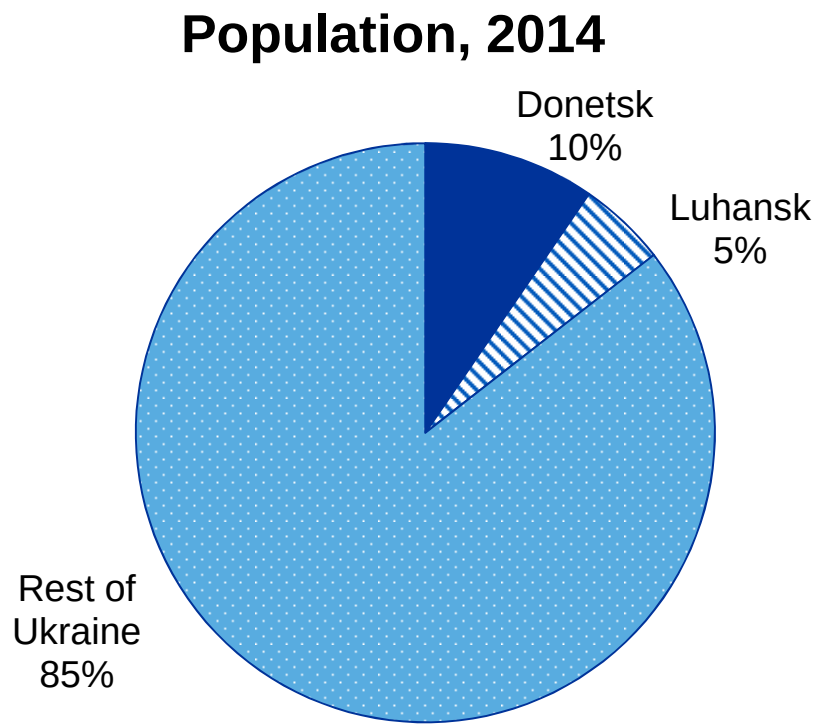
1. Population
2. Gross Domestic Product
3. Sales of Industrial Products
4. Capital Investments
5. Wages and Unemployment
6. Total Exports by Products and by Countries
7. The issue of fiscal transfer

Contact

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1. Population

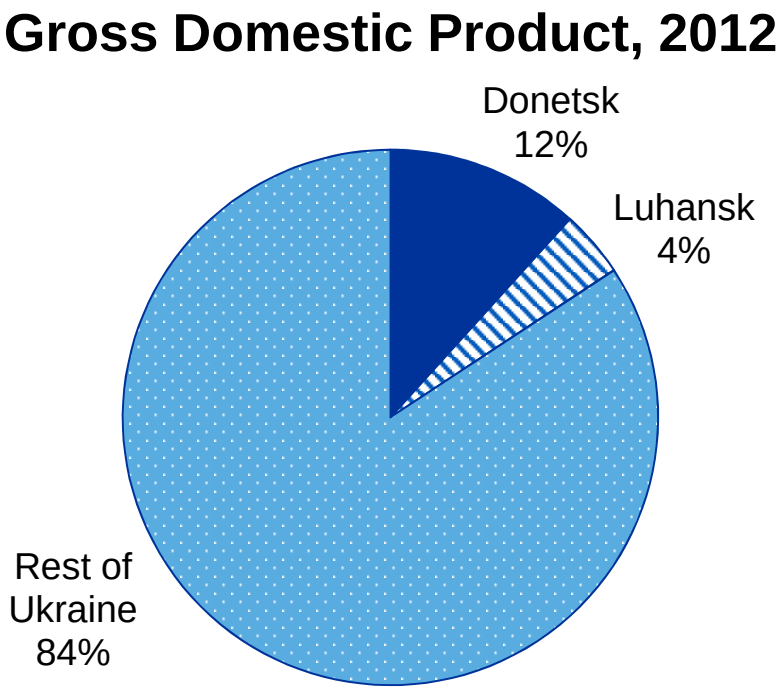


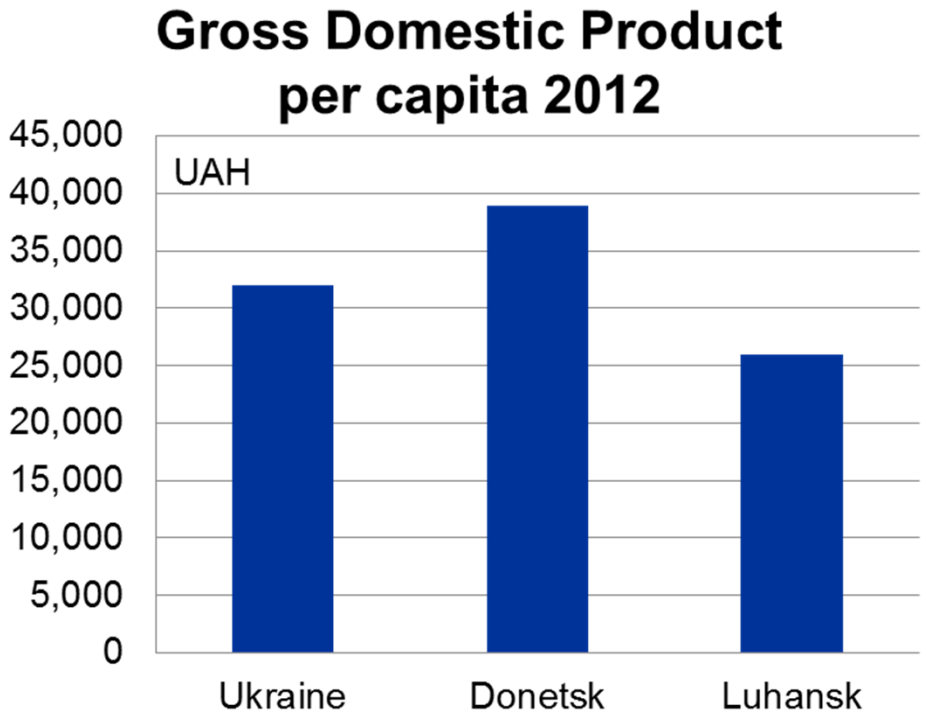
- Population as of 01.01.2014: 45.4 m for Ukraine, of which 4.3 m Donetsk and 2.2 m Luhansk

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2. Gross Domestic Product



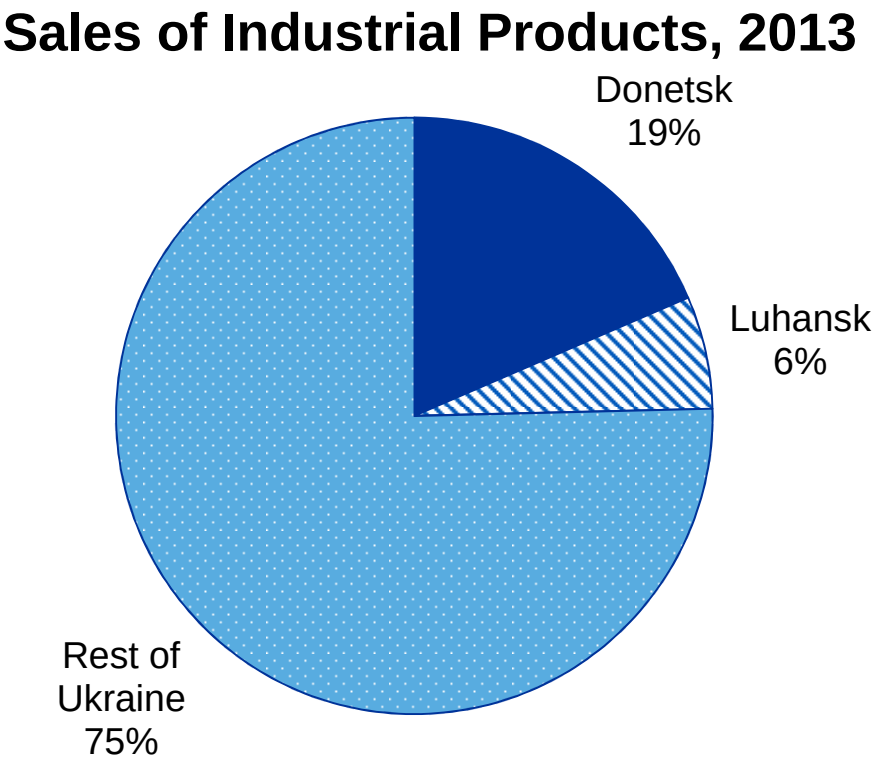


- The Donbas contributes 16% to Ukraine's GDP, with Donetsk's share three times bigger than Luhansk's
- The GDP per capita is in Donetsk higher than the national average, while Luhansk's GDP is lower

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3. Sales of Industrial Products

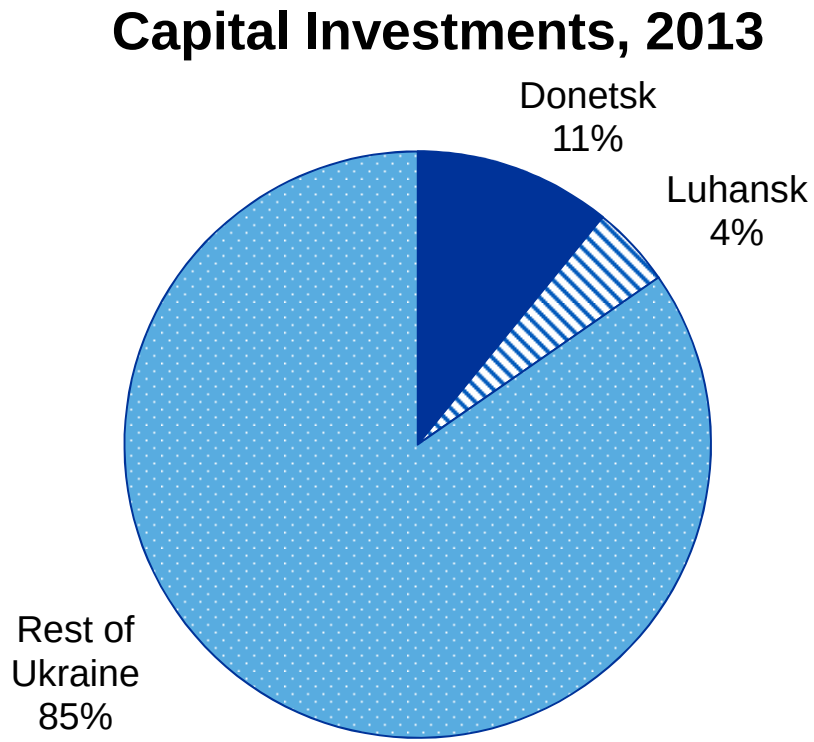


- Due to their industrial structure, the share of both oblasts in industrial sales is significantly higher than their respective share in the overall economy

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4. Capital Investments

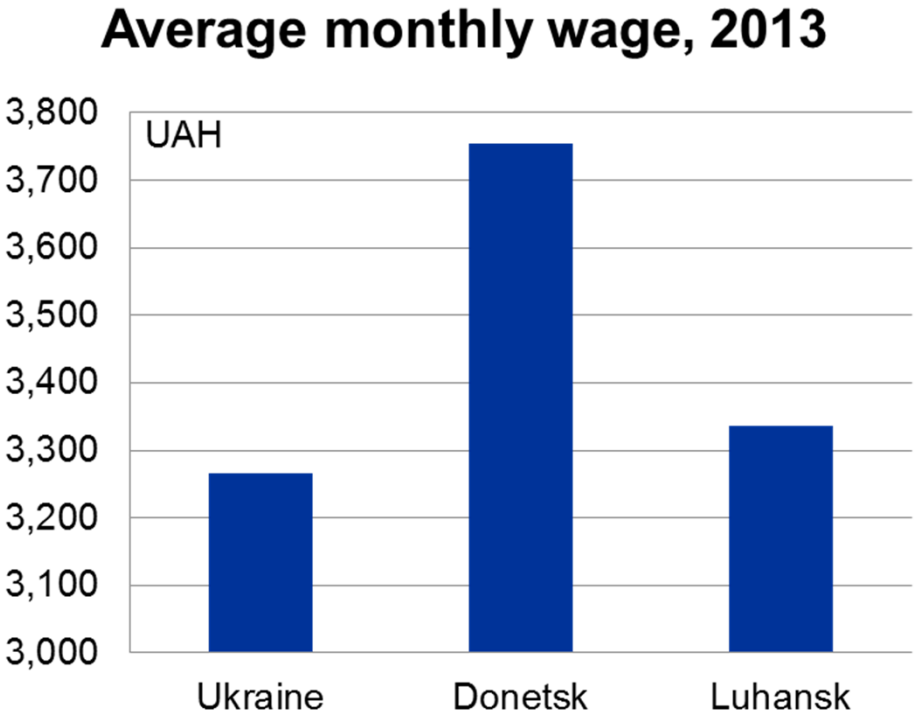


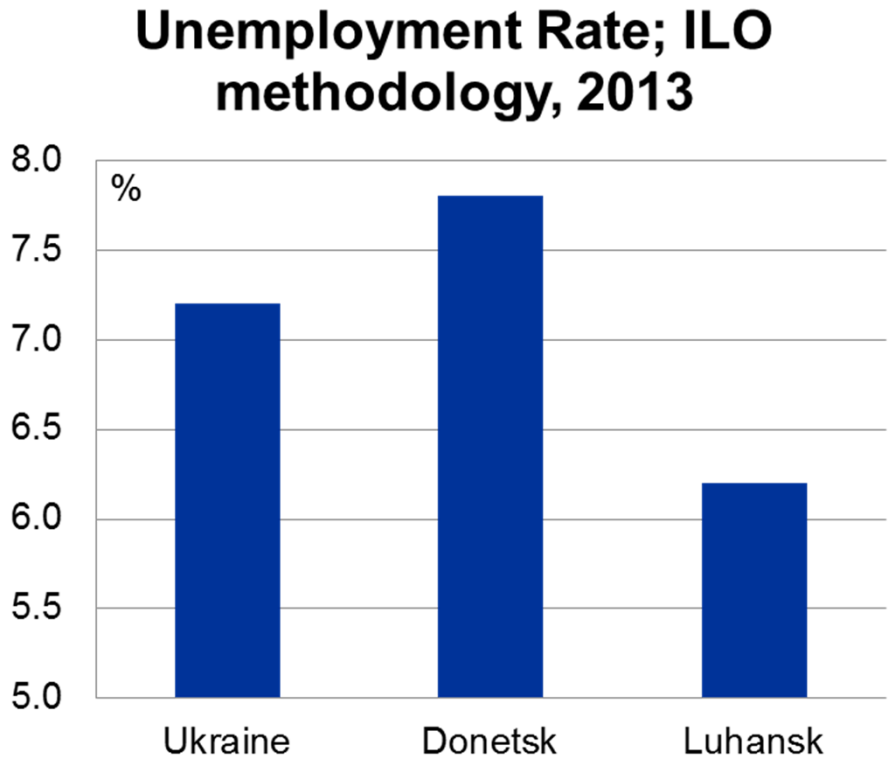
- The share of capital investments is quite in line with the overall share in GDP

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5. Wages and Unemployment



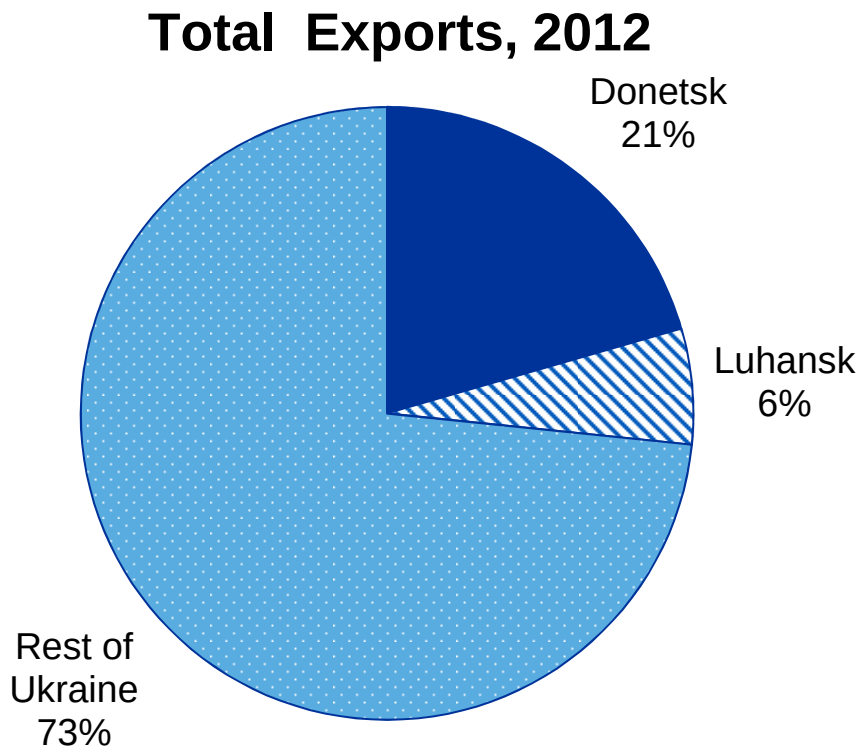


- While the average wage in Luhansk is quite similar to the national average, wages in Donetsk are significantly higher
- Donetsk unemployment rate is higher and Luhansk clearly lower than the national average

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6. Total Exports

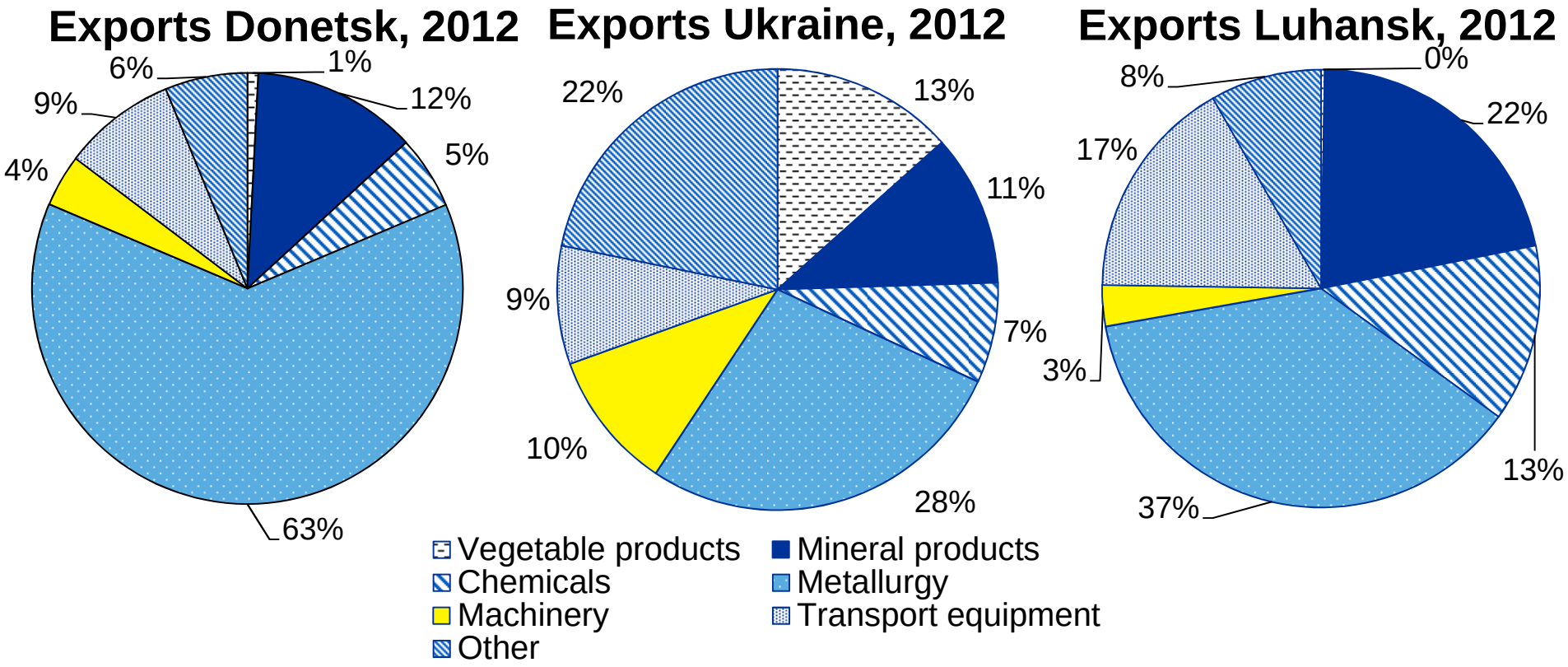


- Total exports from Ukraine USD 68.8 bn, of which USD 14.1 bn Donetsk and USD 4.2 bn Luhansk
- Share of both regions in exports is significantly higher than their respective share in the overall economy

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Exports by Products



- There are clear variations in the product structure of the exports of both regions: While Donetsk is the centre of metallurgy, the sectors mineral products, transport equipment & chemicals are more important in Luhansk
- The share of machinery is lower than the national average in both regions

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Exports by Countries of Destination (2012)



- The geographical structure of Donetsk's exports is roughly similar to the national average
- The share of the Russian Federation is much higher in Luhansk than both in Donetsk and Ukraine, while the share of the EU is similar

Note: EU is EU-28 in case of Ukraine, for the oblasts Donetsk and Luhansk the numbers include only the 17 most important trading partners. The numbers are therefore underestimated and not fully comparable.

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7. The issue of fiscal transfers

- Often question nowadays: Are the oblasts Donetsk and Luhansk net financial contributors or net recipients?
- To put it differently: Does the Donbas finance the central government (“Kyiv”) or is the opposite the truth?
- Unfortunately, based on publicly available data, this interesting question cannot be answered; there is a lack of public data to provide a serious answer to this question
- Consequently, any assertion in this respect should be treated with much care, since it is unclear how the results can be derived without the necessary data

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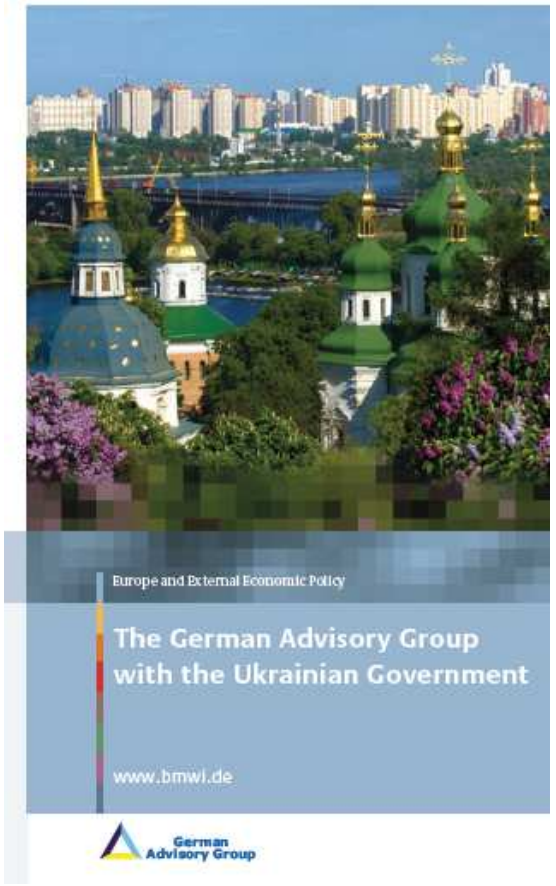
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