Institute for Economic Research and Policy Consulting

No.4 (16), December, 2008

Macroeconomic Forecast Ukraine

Hard landing scenario in 2009

Forecast period: years 2008 and 2009

Date of forecast completion: December 22, 2008

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GDP: The real GDP growth will decelerate to 1.4% in 2008 as both domestic and external demand tumbled. For 2009 the real GDP is forecasted to decline by 6.2%.

Fiscal indicators: The consolidated fiscal revenues are estimated at 30.1% of GDP in 2008 plummeting to 26.7% of GDP next year. Due to high recurrent fiscal spending the Government will have to run consolidated fiscal deficit at 1.9% in 2009.

Balance of payment: The current account deficit is expected to widen to 6.7% of GDP in 2008, but shrink to 2.1% of GDP in 2009. In 2009 the financial account balance will be negative at USD 9.6 bn. Both deficits will be financed at the expense of the international reserves of the NBU and the IMF loan.

Monetary survey and inflation: The money supply is estimated to decelerate to 11.0% yoy in 2009. The consumer price inflation will reach 25.2% as annual average in 2008 and remain high at 20.3% in 2009.

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Macroeconomic Forecast Ukraine - update

- The real GDP growth in 2008 is estimated at 1.4% sharply decelerating compared to mid-year figure as both domestic and external demand tumbled.
- According to baseline scenario, in 2009 the real GDP is forecast drop by 6.2% with all major sectors reducing their production.
- The consolidated fiscal revenues will decline in nominal terms and relative to GDP in 2009 due to deterioration of economic situation in the country. Besides, shadow economy is expected to widen.
- The Government will face a serious challenge of financing mandatory fiscal expenditures in the first quarter of 2009 as the considerable mismatch between fiscal revenues inflow and fiscal obligations is expected.
- The consolidated fiscal deficit is estimated at 1.6% of GDP in 2008 with some further widening to 1.9% of GDP in 2009. It will be primarily financed by the funds accumulated at the Unified Treasury Account and issuance of domestic government bonds.
- The current account deficit is estimated at 6.7% of GDP in 2008. Already in the fourth quarter the deficit has been partly covered by the NBU international reserves, as inflow of foreign capital turned into outlow and export receipts dropped.
- The current account deficit is forecast to narrow to 2.1% of GDP in 2009 as imports plummet. Though, the financial account will also be in deficit requiring further international reserves spending.
- The money supply growth is estimated to decelerate to 11.0% in 2009 in line with the obligations taken in the Memorandum with the IMF.
- The CPI growth will reach 25.2% as annual average in 2008. Next year it will slow a bit but still stay high at 20.3% as annual average.
- For 2008 the average exchange rate is estimated at 5.2 UAH/USD, while end-year official exchange rate is expected to settle at somewhat below 8.0 UAH/USD.
- After further depreciation at the beginning of 2009 the hryvnia value is forecast to bounce back by the end of the year due to scarcity of hryvnia, partial reversal of speculative foreign currency outflows, and start of economic activity recovery. The exchange rate is estimated to settle at 7.8 UAH/USD at the end of 2009.

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Forecast Period:
Years 2008 and 2009

Key forecast figures

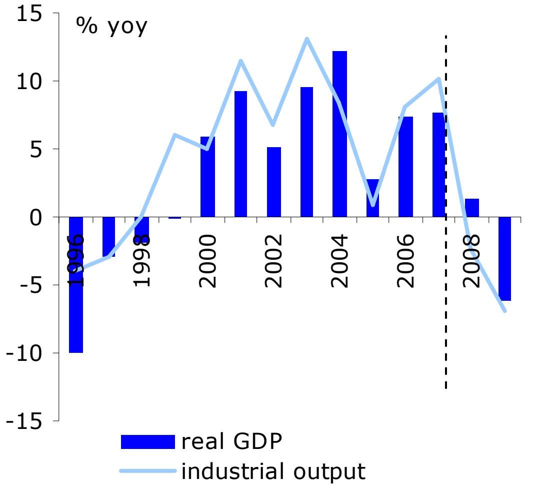
	2007	*2008E*	*2009F*
Real GDP, %	7.6	1.4	-6.2
Consolidated fiscal revenues, UAH bn	220	287	282
Consolidated fiscal deficit, % of GDP	1.1	-1.6	-1.9
Current account balance, % of GDP	-4.2	-6.7	-2.1
Net FDI inflow, USD bn	9.2	9.0	4.0
Money supply, UAH bn	391	493	547
CPI, % aop	12.8	25.2	20.3

E - estimate, F – forecast
Source: Derzhkomstat, NBU, State Treasury, IER calculations and forecast

Macroeconomy: Recession is expected in 2009

GDP: Deteriorated external conditions and sharp decline of business activity in the country in the last quarter of the year resulted in quick deceleration of the real GDP growth in 2008. The full-scale recession is expected next year. In particular, tumbled profits and credit crunch will hurt investment activity, while lower wages, increased unemployment, and restricted budget spending will result in declining real households' consumption. Low external demand and fierce competition will result in real exports fall despite gains provided by devaluation. Also real imports will plummet against the devaluation and drop in domestic incomes. As a result, the IER forecasts the deceleration of real GDP to 1.4% yoy in 2008 and real GDP decline by 6.2% yoy in 2009.

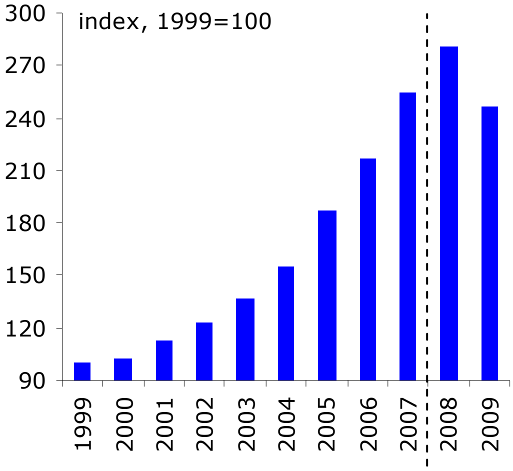
Real GDP and industrial output



Source: Derzhkomstat, IER calculations

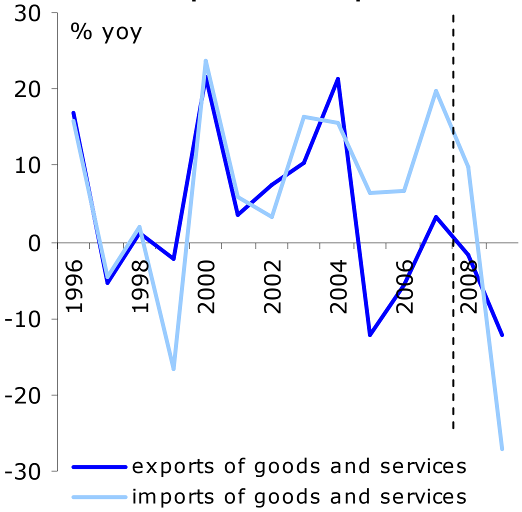
Demand side: In 2008, real final households' consumption have remained the major driver of economic development, increasing by 10.3% yoy thanks to high growth rates in the first nine months of the year. However, already in the end of 2008 monthly real disposable incomes declined due to restricted growth of nominal incomes, both wages and social transfers, against the background of sharp increase in prices for imported goods due to hryvnia devaluation. At the same time, problems in financial sector resulted in the end of credit bonanza that boosted consumption previous years. Moreover, households started to face credit defaults problem, especially on foreign currency loans, servicing of which virtually

Real households' final consumption



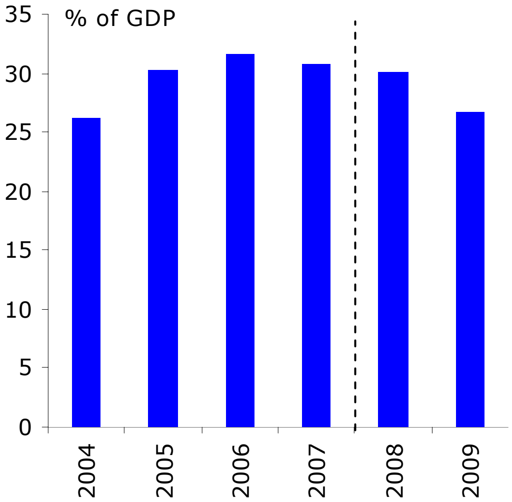
Source: Derzhkomstat, IER calculations

Real exports and imports



Source: Derzhkomstat, IER calculations

Consolidated fiscal revenues



Source: State Treasury Reports, IER calculations

doubled in hryvnia equivalent. The situation is expected to even worsen in 2009. Still, it is expected that households will be to some extent inclined to partly spend their savings, both deposits and cash, to smooth their consumption and protect money against inflation. Other boost for next year consumption could come from presidential election campaign. After balancing all factors, the decrease in real final households' consumption is forecast at 12.1% yoy in 2009.

Investments, namely real gross fixed capital accumulation, will decline by 4.4% yoy in 2008. Major Ukrainian firms froze all their investment activity in the late 2008, and they are not expected to restore it until credits become cheaper and sales improve. The signs of recovery are expected not earlier than in the second half of 2009. Some investment activity in the country is expected to be generated by the preparations to the European Football Championship scheduled for 2012. However, potential financing of the projects associated with EURO-2012 remains questionable, as state capital expenditures are excepted to be negligible, while the provision of state guarantees for private financing requires time-consuming paperwork. As a result, real gross fixed capital accumulation will decline by 15.2% in 2009.

Real exports of goods and services will decrease in 2008 by 1.6% yoy due to collapsed external demand for Ukrainian metals and chemicals. At the same time, growth of real imports will decelerate to 9.9% yoy because of cooling down consumption and investment demands. In 2009, the Ukrainian exports will partially regain its competitiveness thanks to hryvnia devaluation, though weak external demand will still lead to decrease in real volumes. According to the IER estimation, real exports will drop by 12.3% yoy in 2009. Devaluation makes imports less competitive on domestic market and hardly affordable for most of Ukrainians next year. Thus, imports of both consumption and investments goods will reduce. The IER forecasts the decrease in real imports by 27.1% yoy in 2009.

Production: The value added in industry has declined rapidly in real terms in the fourth quarter of 2008, and this trend is expected to dominate in 2009. In particular, real value added in *manufacturing* is estimated to decrease by 2.0% yoy in 2008, and by 6.8% yoy in 2009. It is explained primarily by deep recession in metallurgy, chemical and automobile production as well as food production and light industry. *Agriculture* is expected to fall by 5.9% yoy in real terms in 2009 against the high statistical base of 2008 (+17.5% yoy). The real value added in *construction* will decline by 19.5% yoy and 16.1% yoy in 2008 and 2009, respectively. The important driver of economic growth in recent years – *trade* – is expected to decline by 13.9% in real terms in 2009 as both retail and wholesale trades shrink and also partly switch to shadow operations.

Risk Assessment: Under risks scenario the world economy will not recover its growth till the end of 2009, keeping credit funds unavailable for Ukrainian enterprises and external demand for metals and chemicals low during the entire period of the forecast. Under this scenario, the real GDP will decline by 10.9% in 2009.

Fiscal Indicators: Central fiscal deficit will be at 1.9% of GDP in 2009

Consolidated fiscal parameters: For 2008 the consolidated fiscal revenues are estimated at UAH 287 bn or 30.1% of GDP, which is lower than the Government plan as of December, 2008. Revenues are expected to further decline in 2009 in nominal terms (by UAH 4.8 bn compared to 2008 figure) and in relation to GDP (to 26.7%) due to several reasons. First, the deteriorated financial state of enterprises will result in lower receipts from enterprise profit tax. Some enterprises suffering from the economic crisis will reduce labour costs by labour shedding, cutting wages as well as increasing share of wage payments in envelopes. These steps will result in lower personal income tax revenues. Lower revenues from VAT will be attributed to the faster decline in imports than exports in dollar terms.

The consolidated fiscal expenditures will remain fairly the same in nominal terms in 2008 and 2009 at UAH 300 bn, but will decline to 28.4% in relation to GDP in 2009. The consolidated fiscal deficit is expected at 1.9% of GDP next year, not taking into account funds required for banks recapitalisation. The deficit will be financed at the expense of funds accumulated at the Unified Treasury Account, issuance of domestic government bonds as well as loans of international organisations (the World Bank and the EBRD) and privatization receipts. The Government will have to run a deficit due to high fraction of recurrent fiscal expenditures, such as wage payments, social transfers, subsidies to specified sectors and population, etc., which are not easy to cut even in the situation of restricted financing. Besides, the Government will have to envisage the central fiscal transfers to the Pension Fund and the Unemployment Insurance Fund for financing their deficits. Though, it is expected that the Government will streamline certain expenditure items. In particular, steps towards more targeted provision of social assistance will be taken. It is likely that on average the wages of civil servants and employees in public sector will remain at most at the level of 2008. At the same time, the capital spending will be low, not allowing the Government to finance infrastructure projects.

The expected fiscal deficit does not comply with the Memorandum signed by Ukraine with the IMF, which envisages the balanced budget for next year. However, it is anticipated that this provision of the Memorandum could be reconsidered in the first quarter of 2009 allowing the Ukrainian Government to run a deficit.

On a whole the fiscal position of the Government looks rather solid in 2009. However, there will be a significant time mismatch between revenues inflow and required fiscal spending. In particular, the inflow of fiscal revenues will be higher in the second half of the year, when economy is expected to start recovering. At the same time, the expenditures for social protection are likely to be more concentrated in the first quarter of 2009. As a result, the Government will face a fiscal gap in the first quarter of 2009, which poses questions regarding how timely and completely the financing of required fiscal expenditures will be next year.

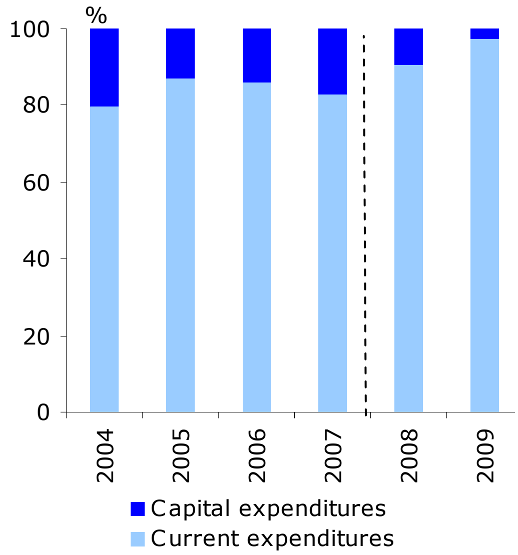
Risks assessment: In 2009 the fiscal positions of the Government might be further challenged by deeper than expected economic recession resulting in sharper deterioration of firms' financial state, tax payment arrears, much lower gross wages, and remarkable increase in shadow economy. As a result, nominal consolidated fiscal revenues and expenditures will significantly decline as compared to 2008. The capital expenditures will be almost absent, while social expenditures will be also reduced. The Government will run fiscal deficit at 2.4% of GDP financed primarily at the expense of all funds accumulated at the Unified Treasury Account by 2009, sales of domestic state bonds and loans of international financial organisations.

Balance of Payments: In 2009 international reserves will be used to finance deficits

Current account: The current account deficit is forecasted to reach 6.7% of GDP (USD 12.3 bn) in 2008 considerably shrinking to 2.1% of GDP (USD 2.5 bn) in 2009. In 2008 exports of goods is estimated to increase by 32.0% in dollar terms, and imports by 37.0% significantly decelerating even as compared to ten months of the year. In 2009 exports and imports will decline by 23.3% and 30.5%, respectively, continuing the trend started in the fourth quarter of 2008. The downturn in exports will be attributed to sharp drop in external demand and prices. Metal and chemical producers will be hurt the most, though exporters of Ukrainian machinery will also face problems. Lower imports is explained by deceleration of both domestic investment and consumer demand and sharp hryvnia devaluation. Commodity trade deficit is estimated at USD 17.0 bn in 2008, reducing to USD 7.0 bn in 2009.

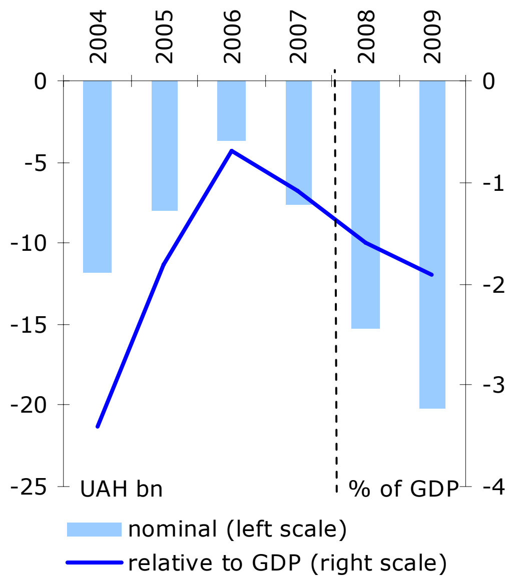
Another reason for shrinking current account deficit in 2009 is decline in service imports by 10.5% in dollar terms, while service exports is forecast to remain the same. For comparison, in 2008,

Consolidated fiscal expenditures structure



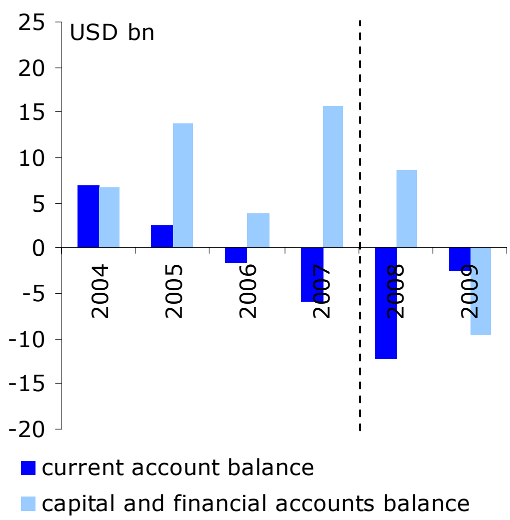
Source: State Treasury Reports, IER calculations

Consolidated fiscal deficit



Source: State Treasury Reports, IER calculations

Balance of payment



Source: the NBU, IER calculations

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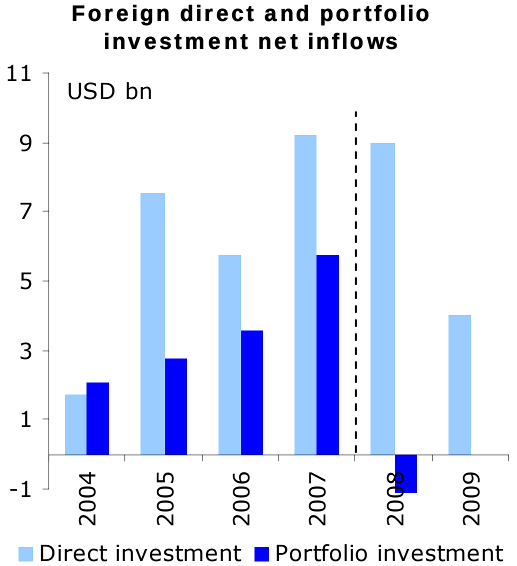
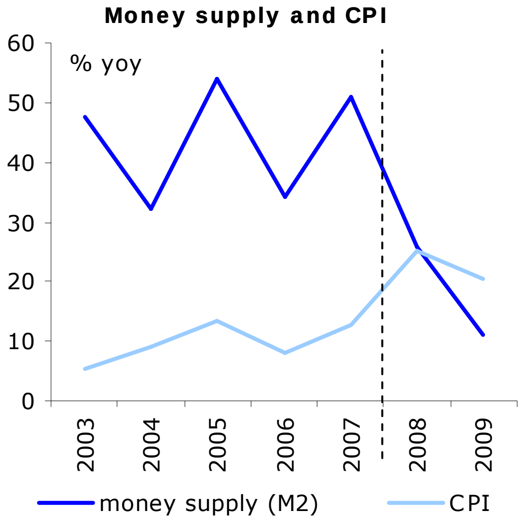


Source: NBU, IER calculations



Source: NBU, Derzhcomstat, IER calculations

exports and imports of services are estimated to growth by 33.0% and 39.0%, respectively. The drop in service imports is attributed to reduced purchasing power of Ukraine's economic agents against lower incomes and hryvnia devaluation.

Due to the slowdown in global economy net current transfers will reduce from USD 4.5 bn in 2008 to USD 3.0 bn in 2009.

Capital and financial accounts: The financial account surplus accumulated in the first half of 2008 declined by the end of the year due to the outflows of portfolio and other investments in the last four months of the year. The resulting surplus (USD 8.7 bn) has been insufficient for covering current account deficit. In this situation the NBU was forced to sell a noticeable part of the foreign reserves to satisfy the demand for foreign currency.

In 2009 the financial account balance will be negative at USD 9.6 bn due to significant outflow of capital. In particular, the net outflow of other investments is forecast at USD 13.6 bn and is explained by the expected repayment of external credits by both real sector and commercial banks, though against the background of inflow of the EBRD and WB loans. The net FDI inflow is expected to shrink to USD 4.0 bn, mostly fulfilled by assumed recapitalization of the Ukrainian banks with foreign ownership and M&A deals. In 2009 negative financial account balance will force the NBU to spend up to USD 12.0 bn for covering the deficits.

Risks assessment: The deeper than assumed deterioration of external demand for Ukrainian products in 2009 will result in further worsening of export perspectives, while imports will plummet due to reduced consumption, hryvnia devaluation and legal restrictions. Under this scenario, current account will be balanced. On the financial account side the major risk is ultimate folding of external financing until 2010 resulting in net outflow on financial side at USD 20.1 bn. In this situation the NBU may sell much more reserves than envisaged under the base-line scenario to cover the financial account deficit.

Inflation and exchange rate: Consumer inflation will decelerate slightly in 2009

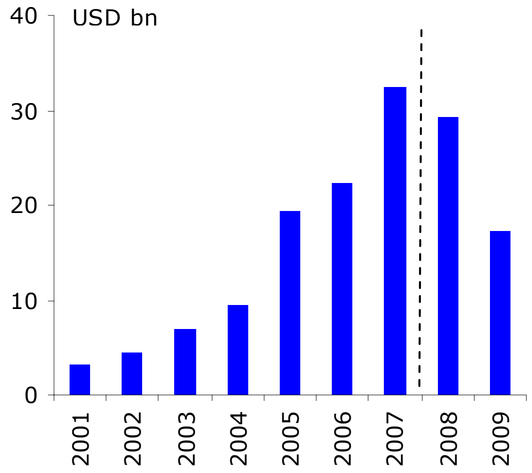
Inflation: Average inflation is estimated at 25.2% for 2008 thanks to aggressive income policy and strong inflation expectations. In 2009, monetary conditions are expected to be tight due to low confidence in ban king system, high bank losses due to non-performing loans, and restricted access to foreign funding. However hryvnia devaluation will expand bank balance sheets items denominated in foreign currency. Money supply is expected to grow by 11% in 2009, while domestic credit is expected to remain almost at 2008 level with 5.0% increase. Decline of the consumer spending due to rising unemployment and limited incomes will limit the price growth in 2009. However, on the supply side hryvnia devaluation will create high inflation expectations influencing pricing decisions of the domestic producers, while prices for imported goods will reflect loss in external value of hryvnia. Rising energy and imported component costs will add further pressure. As producers are likely to adjust to the falling demand quite quickly, demand pressures may turn out to be not sufficient to cause significant deceleration in inflation. Thus, c onsumer inflation is forecast to slow a bit compared to the previous year, but it will stay very high at 20.3% as annual average in 2009.

Exchange rate: Though the NBU international reserves are augmented by the USD 4.3 bn first instalment of IMF loan, the limited NBU interventions will only smooth hryvnia depreciation caused by worsening international conditions and strong depreciation expectations that fuelled speculative demand. Though, the end-of-year depreciation of hryvnia may be somewhat limited by the increase in hryvnia demand in end December. As a result, official exchange rate is estimated at 5.2 UAH/USD on average in 2008. Despite UAH/USD exchange rates swings in December, driven by various factors, we expect that the official exchange rate will stay somewhat below 8.0 UAH/USD level till the end of the year.

We presume that next year the NBU will mostly keep its obligation to maintain the official exchange rate at market level. We expect the hryvnia to fall further to 9-10 UAH/USD in the first quarter of 2009 as foreign currency demand continue surpassing supply. However, partial reversal of speculative foreign currency outflows as economic agents will return some of the previously bought dollars to banks as deposits or exchange them to hryvnia against the background of decline in current account outflows will increase foreign currency supply. At the same time, foreign currency demand is likely to be limited due to the scarcity of hryvnia. Thus, hryvnia exchange rate is likely to bounce back from early-year heights to as high as 7.80 UAH/USD by the end of 2009 with average exchange rate for 2009 at 8.8 UAH/USD.

Risk assessment: If global financial crisis turns out worse than expected in 2009 and populist economic policy allows financing fiscal deficit through printing hryvnia, significant problems in financial sector will cause contraction of domestic credit by 8.0%, while money supply will grow by 7.2% mostly due to increase in cash in circulation. Under this scenario, hryvnia devaluation will cause consumer price growth to accelerate to 25.7% on average in 2009. Large capital outflows and excessive printing of hryvnia will cause it to depreciate to UAH 9.7 per USD on average in 2009.

International reserves



Source: NBU, IER calculations

ASSUMPTIONS OF THE FORECAST

BASE scenario

- The global economy will start its recovery in the third quarter of 2009.
- The Presidential election campaign will take place in 2009.
- The early Parliament elections will not be conducted in the first half of 2009 with a slight chance of elections in autumn 2009.
- Ukraine together with Poland will host the EURO 2012 creating stimulus for investments into infrastructure projects.
- Price for imported gas will reach the range USD 210-250 per thousand cubic meters at the border with Russia in 2009.
- The price for gas transit will not rise in 2009.
- The NJSC "Naftogas Ukrainy" will repay its debts to the Russian company Gasprom in monetary form.
- The FTA between Ukraine and the EU will not be implemented within the period of forecast.
- Price for ferrous metals (Black Sea, FOB) will grow moderately in the second half of 2009.
- The world prices for crude oil will be around USD 50 per barrel in 2009.
- International food prices will decline in the first half of 2009 and then will restore their growth.
- The demand on machine building production of Ukraine will decline in the CIS countries market in 2009.
- The anti-smuggling policy is to be continued by the Government in 2009.
- VAT privileges will be introduced in 2009.
- VAT refund overdue arrears will be accumulated in 2009.
- The rates of excise tax for specific goods will be raised in 2009.
- The minimum wage as well as subsistence minimum will not be increased on January 1, 2009.
- Social standards will not be increased above officially projected inflation rate.
- Social assistance projects will be streamlined.
- The share of shadow economy will increase in 2009.
- Wage arrears will be accumulated in 2009.
- Both open and hidden unemployment will surge in the end of 2008 and the first half of 2009.
- In 2009 gas and utility tariffs will be increased for population.
- The privatization process will be restored in 2009.
- The Government will receive loans from the World Bank and EBRD in 2009.
- Deposit withdrawals will not be allowed till the second half of 2009.
- The NBU will follow gradual transition to floating exchange rate.
- In 2009 financial sector will remain functioning as deposit protection will be paid in full and the NBU and the Government will support large banks that have problems.

RISK scenario (assumption that differ from the BASE scenario)

- The global economy will be decelerating till 2010.
- Price for imported gas will be in range of USD 250-400 per thousand cubic meters at the border with Russia in 2009.
- Ukraine will not host the EURO 2012.
- External demand for metal production will remain low till the end of 2009.
- In 2009 import restrictions will be introduced on temporary basis.
- Price for ferrous metals (Black Sea, FOB) will remain low in 2009.
- The world price for crude oil will be at USD 40 per barrel in 2009
- International food prices will decline till the end of 2009.
- Tax payments arrears will be accumulated in 2009.
- Households will accumulate utility payment arrears in 2009.
- The privatisation will not be conducted in 2009.
- The NBU will not be able to support exchange rate stability.
- Economy will suffer from widespread credit defaults in the real sector.
- Financial sector will suffer large losses and several large banks will fail.

TABLES

Table 1. National Accounts (GDP)

		2005	2006	2007	2008E	2009F
Nominal GDP	UAH bn	441.5	537.7	712.9	952.9	1036.9
	USD bn	86.2	106.5	141.2	183.3	117.8
Real GDP	% yoy	2.7	7.3	7.6	1.4	-6.2
GDP expenditure side components						
Private consumption, real	% yoy	20.6	15.9	17.1	10.3	-12.1
State consumption, real	% yoy	2.9	2.7	2.8	1.2	-14.2
Fixed assets accumulation, real	% yoy	3.9	21.2	24.8	-4.4	-15.2
Exports, real	% yoy	-12.2	-5.6	3.2	-1.6	-12.3
Imports, real	% yoy	6.4	6.8	19.9	9.9	-27.1
GDP production side components						
Agriculture, real	% yoy	0.4	2.0	-5.0	17.5	-5.9
Extractive industry, real	% yoy	2.5	9.9	4.1	-2.3	-8.1
Manufacturing , real	% yoy	0.4	9.2	12.8	-2.0	-6.8
Production and distribution of electricity, gas and water, real	% yoy	1.7	0.1	1.3	-4.8	-5.4
Construction, real	% yoy	-13.3	0.3	13.2	-19.5	-16.1
Trade, repair services, real	% yoy	-14.7	17.7	20.6	-1.0	-13.9
Transport, real	% yoy	8.2	7.6	11.0	8.8	2.1
Education, real	% yoy	0.0	2.1	4.3	0.0	-1.9
Health care, real	% yoy	0.2	2.4	-0.4	-0.5	-2.1
Other types of economic activity, real	% yoy	9.3	5.7	6.0	2.5	-6.8
Estimated payments to financial intermediaries, real	% yoy	35.3	59.6	30.0	12.0	-5.3
Net taxes on products, real	% yoy	26.7	13.4	2.4	7.5	-2.9

Table 2. Fiscal Indicators

		2005	2006	2007	2008E	2009F
Consolidated fiscal revenues	UAH bn	134.0	171.7	219.9	286.6	281.8
	% of GDP	30.4	31.6	30.8	30.1	26.7
EPT revenues	UAH bn	23.5	26.2	34.4	43.7	37.8
	% of GDP	5.3	4.8	4.8	4.6	3.6
VAT revenues	UAH bn	33.8	50.4	59.4	90.0	91.2
	% of GDP	7.7	9.3	8.3	9.4	8.6
PIT revenues	UAH bn	17.3	22.8	34.8	45.5	44.0
	% of GDP	3.9	4.2	4.9	4.8	4.2
Consolidated fiscal expenditures	UAH bn	141.5	175.3	226.0	299.9	300.0
	% of GDP	32.1	32.2	31.7	31.5	28.4
Current consolidated fiscal expenditures	% of GDP	28.0	27.7	26.3	28.6	27.7
Capital consolidated fiscal expenditures	% of GDP	4.1	4.5	5.4	2.9	0.7
Consolidated fiscal deficit (without bank recapitalisation)	% of GDP	1.8	0.7	1.1	-1.6	-1.9
Privatisation receipts	UAH bn	7.4	3.8	2.2	0.7	8.8

Table 3. Balance of Payments

		2005	2006	2007	2008E	2009F
Current Account balance	USD bn	2.5	-1.6	-5.9	-12.3	-2.5
	% of GDP	2.9	-1.5	-4.2	-6.7	-2.1
Exports of goods	USD bn	35.0	38.9	49.8	65.8	50.5
Imports of goods	USD bn	-36.2	-44.1	-60.4	-82.8	-57.5
Balance of services	USD bn	1.8	2.1	2.7	2.9	4.6
Capital and Financial Accounts	USD bn	13.8	3.9	15.8	8.7	-9.6
Direct investments	USD bn	7.5	5.7	9.2	9.0	4.0
Portfolio investments	USD bn	2.8	3.6	5.8	-4.0	0.0
Other investments	USD bn	3.5	-5.4	0.8	3.7	-13.6

Table 4. Monetary Aggregates and CPI

		2005	2006	2007	2008E	2009F
Money supply (M2)	UAH bn	193.1	259.4	391.3	492.9	547.1
	% yoy	53.9	34.3	50.8	26.0	11.0
Consumer price index (CPI)	% yoy aop	13.5	8.0	12.8	25.2	20.3

Note: E - estimate, F - forecast, yoy - year-on-year change, aop - average of the period
Source: State Statistics Committee, NBU, State Treasury, IER forecasts and estimates

INTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING PRODUCTS

Monthly Economic Monitor Ukraine (MEMU) with supplement

The MEMU contains a monthly review and brief analysis of the key economic policy measures and data that come public during the previous month. The MEMU supplement presents extended analysis of one key event in the Ukrainian economy. There are 12 issues per year disturbed among subscribers.

Macroeconomic Forecast of Ukraine (MEFU)

The MEFU includes forecast of the GDP and its components, fiscal indicators, balance of payments, inflation, exchange rate for current and next years. There are 12 issues per year – 4 quarterly issues and 8 updates with short comments – disturbed among subscribers.

Infrastructure Monitoring of Ukraine (IMU)

The IMU is an annual report that presents information on the restructuring of six key infrastructure sectors of the Ukrainian economy in a standardized manner, which allows for cross-industry comparisons. Monitored indicators are qualitative and fall into three broad categories: (1) commercialisation, (2) tariff reform, and (3) regulatory and institutional development. Twenty-one indicators allow for economic and policy-making analysis at different aggregation levels. It is distributed free of change.

Economic Summary for Ukraine

Economic summary is a review and brief analysis of the key economic indicators and policy measures of the year. It is published in January using the available statistics and annual estimates and updated in May when the most of previous year data becomes publicly available. The product is distributed among subscribers.

Business Tendencies Survey

Business Tendency Surveys are comprised of two surveys. The first one – Industries – is prepared on the basis of quarterly surveys of industrial enterprises managers. The second – Banking – is based on the survey of banks managers. There are four publication for each of the component of the Business Tendencies available and participants of the surveys and to subscribers.

Policy Papers

The policy papers are the joint product of the German Advisory Group for Economic Reforms in Ukraine and the IER aimed at providing economic policy recommendations to Ukraine's policy makers. The recommendations are based on the careful analysis of Ukraine's situation, state-of-the-art economic theory, and best international practices. The papers are available for policy makers and – with some time lag – for general public. The list of the most recent policy papers includes:

- Assessing the impact of the protracted economic slowdown on the pension insurance in Ukraine: Hope for the best, but prepare fort he worst! by Lars Handrich, Oleksandra Betliy, Policy Paper 09, November 2008
- Deposit Insurance in Ukraine: Time for Reform?, by Ricardo Giucci, Robert Kirchner, Policy Paper 08 November 2008
- Principles and methods of targeted social assistance: Policy recommendations for Ukraine, by Lars Handrich, Oleksandra Betliy, Policy Paper 07, October 2008
- How to deal with 'European gas prices' in Ukraine?, by Ferdinand Pavel, Inna Yuzefovych, Policy Paper 06, October 2008
- Inflation in Ukraine: Results and Policy Implications of an Empirical Study, by Robert Kirchner, Enzo Weber, Ricardo Giucci, Policy Paper 05, October 2008
- The Housing Construction Sector in Ukraine: Reasons for the Current Recession and Policy Implications, by Ricardo Giucci, Robert Kirchner, Roman Voznyak, Policy Paper 04, October 2008
- The Policy Interaction between the Government and the National Bank of Ukraine: Assessment of the Current Framework and Policy Recommendations, by Ricardo Giucci, Robert Kirchner, Vitaliy Kravchuk, Policy Paper 03, June 2008
- Inflation Expectations: Importance and Measurement, by Robert Kirchner, Ricardo Giucci, Yaroslava Suchok, Oksana Kuziakiv and Veronika Movchan, Policy Paper 02, June 2008
- Learning to float: Recommendations on exchange rate policy in Ukraine during the transition period towards inflation targeting, by by Ricardo Giucci, Robert Kirchner, Vitaliy Kravchuk, Policy Paper 01, June 2008