INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

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Macroeconomic Forecast Ukraine

More cheerful news for 2010

Forecast period: years 2009 and 2010

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Key forecast figures

	2005	2006	2007	2008E	2009E	2010F
Real GDP, % yoy	2.7	7.3	7.6	2.1	-12.0	6.9 ↑
Consolidated fiscal revenues, UAH bn	134	172	220	298	279 ↑	306 ↑
Consolidated fiscal balance % of GDP	-1.8	-0.7	-1.1	-1.5	-3.4	-2.1 ↑
Current account balance, % of GDP	2.9	-1.5	-4.2	-7.2	-1.3 ↓	2.2 ↓
Net FDI inflow, USD bn	7.5	5.7	9.2	9.7	6.0 ↓	8.0 ↓
Money supply, UAH bn	193	259	391	513	487 ↓	558 ↓
CPI, % aop	13.5	8.0	12.8	25.2	18.0 ↓	15.3 ↓

Note: E - estimate, F - forecast, yoy - year-on-year change, aop - average of the period,
↓- if forecast was revised downwards, ↑ - if forecast was revised upwards

Source: State Statistics Committee, NBU, State Treasury, IER forecasts and estimates

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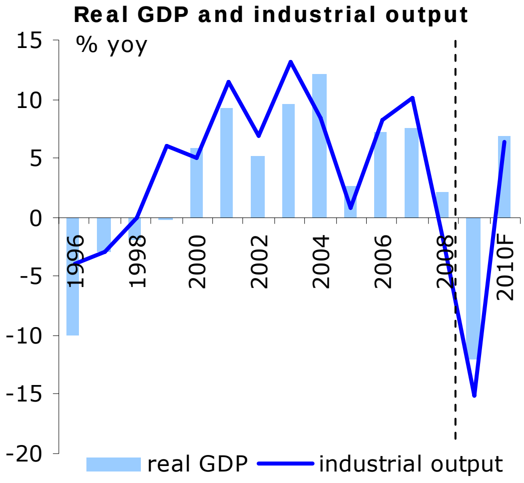
Executive summary

GDP: Economic development in Ukraine and in the world was in line with assumptions and expectations embedded in the previous issue of the IER forecast. Therefore, we preserved the estimate of real GDP contraction at 12.0% for 2009, though somewhat changed the development of its components. In particular, we improved the forecast of real private final consumption, while deepened a drop in real investments.

For 2010 we expect faster than previously forecasted recovery of real private final consumption thanks to higher availability of credits. The revised growth of real imports will not fully counterweight larger contribution of real consumption to economic growth. As a result, the forecast of real GDP growth was revised upwards to 6.9%.

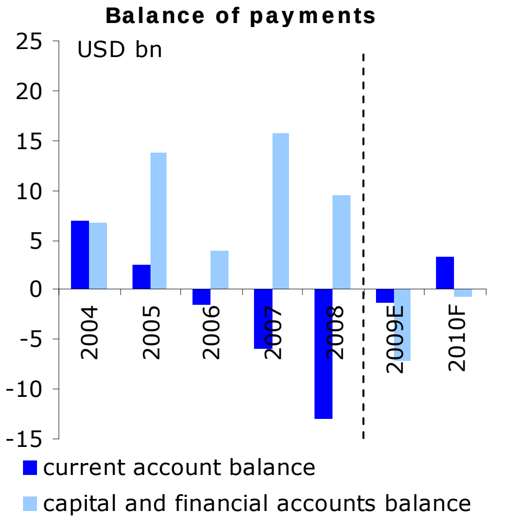


Note: E - estimate, F - forecast
Source: Derzhkomstat, IER calculations

Disposable incomes and unemployment: The real disposable incomes of households are estimated to decline by 13.7% in 2009, but resume growth at 4.4% in 2010 thanks to economic recovery. Unemployment rate (ILO methodology) will reach 9.5% of individuals between 15 and 70 years old in 2009, and somewhat decline to 8.5% next year.

Fiscal indicators: We improved the estimate of consolidated fiscal revenues for 2009 incorporating revenues from the custom clearance of disputed gas and refinanced credit of the State Road Service of Ukraine. Fiscal deficit forecast was slightly revised upwards to 3.4% of GDP, not taking into account banks' recapitalisation. We still assume that the Government will succeed in streamlining social assistance and state aid, which would allow financing capital expenditures. However, a significant time mismatch between fiscal revenues inflow and required fiscal expenditures is expected.

The consolidated fiscal expenditures are expected to reach UAH 330 bn in 2010, while the deficit will be at 2.1% of GDP.

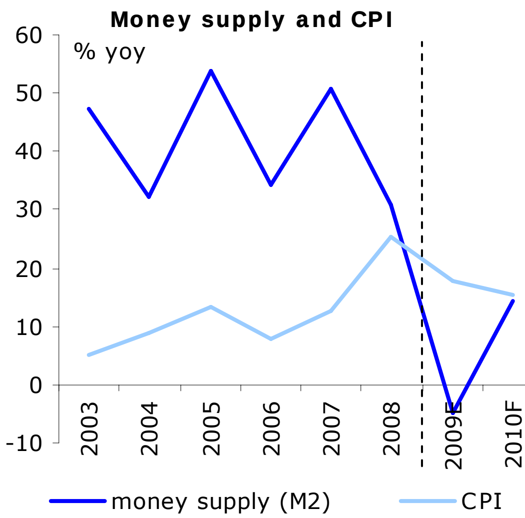


Note: E - estimate, F - forecast
Source: NBU, IER calculations

Balance of Payments: The current account deficit is forecasted to shrink to 1.3% of GDP in 2009 thanks to lower in commodity trade deficit. In particular, imports of goods in dollar terms are expected to decline more than exports of goods (by 45.2% and 37.2%, respectively). The IER forecasts that current account balance will turn to positive at 2.2% of GDP in 2010.

Large net outflows of other investments and portfolio investments will result in financial account deficit at USD 7.1 bn in 2009 and USD 0.7 bn next year.

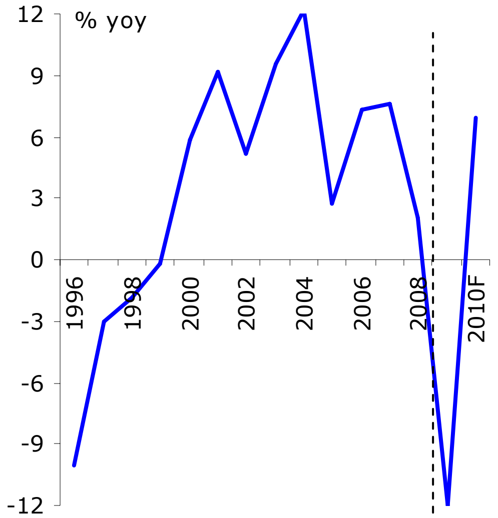
Monetary Survey and Inflation: We upgraded the forecast of money supply contraction in 2009 to 4.9% due to higher decline in banks claims on private sector than previously expected. Recovery in 2010 will be dominated by increases in cash and foreign currency deposits resulting in increase in money supply by 14.5%. The exchange rate will be on average at UAH/USD 8.21 in 2009 and UAH/USD 7.90 in 2010. The consumer price inflation is estimated to slow down to 18.0% on average in 2009 with further deceleration to 15.3% in 2010.



Note: E - estimate, F - forecast
Source: NBU, Derzhkomstat, IER calculations

Major Risks of the Forecast: Later than assumed global economy recovery remains a major risk for economic development of Ukraine further suppressing demand for Ukrainian exports and restraining access to foreign capital. In this case the decline in real private consumption will be even more pronounced, while the corporate sector defaults will become more frequent. As a result, under risk scenario the real GDP will decline by 14.7% in 2009 and demonstrate slower growth at 4.1% in 2010.

Real gross domestic product



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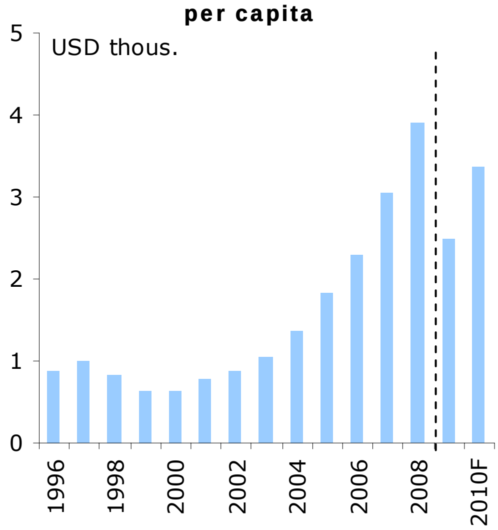
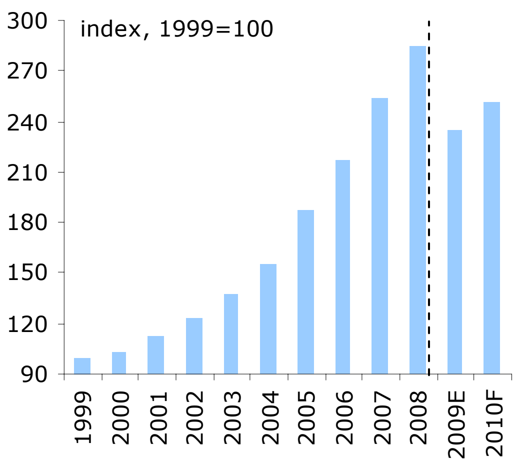
Source: Derzhkomstat, IER calculations

Gross domestic product per capita



Note: E - estimate, F - forecast
Source: Derzhkomstat, IER calculations

Real households' final consumption



Note: E - estimate, F - forecast
Source: Derzhkomstat, IER calculations

GROSS DOMESTIC PRODUCT

GDP: Recovery of private demand could boost economic growth in 2010

The economic performance in Ukraine in the first quarter of 2009 overwhelmed even the most pessimistic forecasts. Sizeable contractions in industrial production, transport, retail trade, and construction contributed to significant reduction of output and set particularly low statistical base. It is expected that economic situation will be better already in the second quarter of 2009. However, this optimism should be treated carefully as pre-crisis levels of production in key industries are not expected to be reached even by the end of 2009, while the whole economy will not recover to pre-crisis level even in 2010. Re-estimating the performance of domestic economy within the period, the IER still preserves its forecast of real GDP contraction by 12.0% in 2009, but increases growth forecast for 2010 to 6.9%.

The real private final consumption will decline due to net repayments of credits and reduction in real incomes in 2009. Investments will also be heavily depressed even despite some advances in execution of infrastructure projects, planned by the government in 2009. The rate of real exports contraction will gradually decelerate during 2009 thanks to both increased competitiveness due to hryvnia devaluation and gradually reviving demand on the key external markets. At the same time, depressed domestic demand and substitution effect will ensure that the contraction of real imports remains deep.

The key external risk of Ukraine's economic development in 2009 is prolonged economic recession in the country's major trade partners. Domestically, a lot will depend on the ability of large companies to repay or restructure their debts.

Economic perspectives of Ukraine look better for 2010 against the background of gradual recovery of the world economy. Increased external demand will boost nominal wages and corporate profits stimulating domestic absorption. Besides, expected steady renewal of crediting should soften liquidity constrains of real sector and households. Firms will resume or start new modernisation programs, in particularly to improve energy efficiency. Also, sizable investments into infrastructure are assumed in the framework of EURO 2012 preparations. Following real exports, real imports will also increase meeting rising demands.

Slow recovery of the world economy becomes less important risk factor of Ukraine's economic growth in 2010. As for now, the risk is shifted towards domestic banking system, which slow recovery means limited credit availability for economic agents that hampers growth.

Private Consumption: Real private final consumption will grow by 7.2% in 2010

The forecast of real private final consumption contraction in 2009 was revised to 17.3% due to several reasons. First, the labour market conditions appeared to be more rigid than previously expected, resulting in less fall in real disposable incomes. Besides, the banking sector somewhat stabilised, resulting in lower net credits outflow, estimated at UAH 50.0 bn for the entire year. The introduction of the 13% surcharge on imports on passenger cars seems to have no major impact on purchases. As previously, we assume that households will restrict consumption of durable and luxury goods. At the same time, real spending for education and health care will be rather close to 2008 levels.

Moreover, we improved the forecast of real private final consumption in 2010. A resumption of crediting (though credit repayments will remain substantial) accompanied by the increase in real disposable incomes and set against low statistical base will mean that real private final consumption will grow by 7.2%. Food consumption will completely recover to 2008 level, while durables and services will offset around half of their decline in 2009.

Investments: Investment projects stand back in 2009

In the first quarter of 2009 real investments declined sharply after companies' cash flows and availability of new credits reduced. Moreover, existing credit obligations sucked dry limited financial resources of firms, forcing them to postpone new projects and freeze current investment programmes. Such uncomfortable conditions are expected to preserve during almost entire 2009. The situation is likely to improve in early 2010, when crediting resume and production accelerate providing sufficient for capital investments cash flows.

Taking into account trends observed in the first quarter, forecast assumption that in 2009 companies would continue already started projects was re-assessed. Currently it is anticipated that commercial and residential construction projects remain mostly frozen in 2009 as private domestic demand for new facilities will be weak. At the same time, technical modernisation projects will be continued (for example, projects aimed at replacement of gas with coal in metallurgy). Public infrastructure investments are expected to be realised at the expense of new loans from international financial institutions. These loans were agreed between March and April of 2009. Therefore, the IER downgraded its previous forecast of real gross fixed capital accumulation decline to 27.8% in 2009.

Looser financial constrains are expected to boost two types of investments in 2010. First, firms will continue technical modernisation to improve enterprises' energy efficiency in face of gradual increase in energy prices. Second, infrastructure construction in framework of preparations to the EURO 2012 will be fostered. At the same time, the residential construction is not expected to recover significantly, hampering revival of construction sector and investments. Considering these factors, the IER slightly upgraded its forecast of real fixed capital accumulation growth to 11.7% in 2010.

Significant impact on economic performance in 2009 will have firms' strategy regarding inventories accumulated during 2008. The IER expects that in 2009 enterprises will first try to sell the major part of inventories and only then resume production. Thus, expected reduction in inventories stock by UAH 12.0 bn in 2009 will cause real GDP contraction by 2.6 p.p. In 2010 firms will accumulate about UAH 2.0 bn inventories for smoothing seasonal peaks in demand for their production, which will correspond to increase in real GDP by 1.4 p.p.

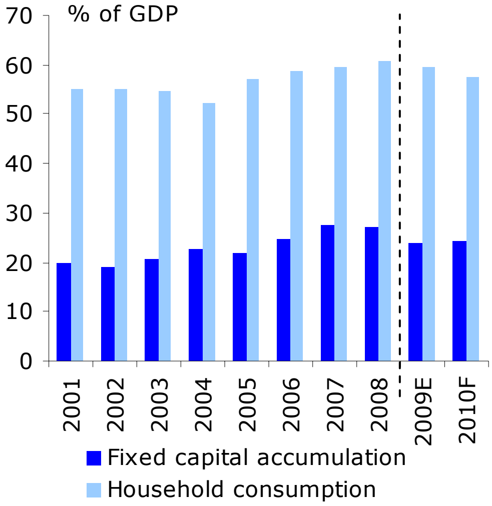
External trade: Improving external conditions do not promise quick recovery of real exports

In 2009 real exports is expected to be depressed despite hryvnia devaluation, though it will continuously improve throughout the year against the background of low statistical base of the first quarter. Exports of ferrous metals will gradually recover; however, the pre-crisis level will not be reached due to global recession in construction. Even despite strong demand and signed contracts, customers' inability to pay regularly for products will impede exports of machinery for investment projects. At the same time, increasing demand and prices for agricultural products will drive their exports. External demand for fertilizers will also surge by the end of the year, providing more export opportunities. Taking this situation into account, the IER forecast of 22.2% real export contraction in 2009.

Real imports is forecast to drop by 39.1% in 2009 because of weak domestic demand. Households are expected to cease demand for durables and partly substitute imported essentials with domestically produced goods. The investment demand for imported goods will also be weak during the year. Besides, demand for inputs including natural gas and other energy materials reduces as industrial production decreases, while Ukrainian steel companies and power generation firms gradually switch to coal extracted in Ukraine.

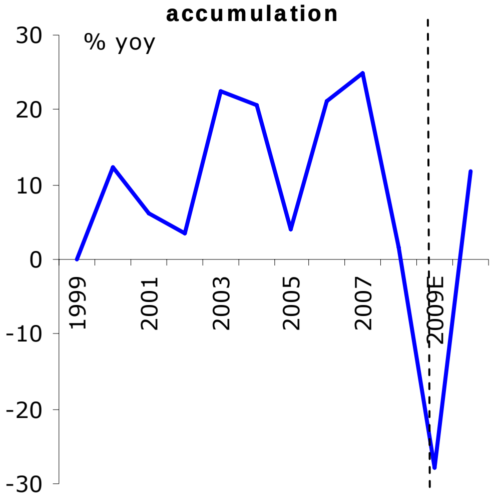
In 2010 both external conditions and domestic demand are expected to improve, boosting trade flows. The real exports are forecast to grow by 10.9%, with the fastest recovery in machine building products' exports. Real imports will increase by 13.3% on the back of

Structure of gross domestic product



Note: E - estimate, F - forecast
Source: Derzhkomstat, IER calculations

Real gross fixed capital accumulation



Note: E - estimate, F - forecast
Source: Derzhkomstat, IER calculations

Real exports and imports

Note: E - estimate, F - forecast
Source: Derzhkomstat, IER calculations

Contributions to real GDP growth, supply side view

Expressed as percentage points of GDP growth

	2008	2009E	2010F
Real GDP	2.1	-7.2	6.4
Contributions:			
Agriculture	2.1	-12.0	6.9
Extractive industry			
Manufacturing	1.1	-0.4	0.3
Production and distribution of electricity, gas and water	-0.1	-0.6	0.2
Construction	-0.5	-3.3	1.2
Trade, repair services	-0.2	-0.2	0.2
Transport	-0.7	-1.2	0.4
Education	0.2	-1.8	1.1
Health care	0.7	-1.2	0.7
Other types of economic activity	0.0	-0.1	0.1
Estimated payments to financial intermediaries	0.0	-0.1	0.0
Net taxes on products	0.4	-2.6	2.8

E - estimate, F – forecast
Source: Derzhkomstat, IER calculations

Contributions to real GDP growth under different scenarios, demand side view

Expressed as percentage points of GDP growth

	2009		2010	
	Basic	*Risk*	*Basic*	*Risk*
Real GDP	-12.0	-14.7	6.9	4.1
Contributions:				
Private consumption	-10.5	-12.3	4.3	1.2
Government consumption	-2.2	-2.5	-0.2	-1.1
Gross fixed capital accumulation	-7.6	-8.7	2.8	1.9
Inventories	-2.6	-2.3	1.4	0.7
Net exports	11.1	11.2	-1.3	1.5

Source: IER calculations

low statistical base of 2009. Imports will increase for all major product categories, with fastest recovery again in machines and equipment. Despite improvements, the IER does not expect recovery of external trade volumes to the pre-crisis level in 2010.

Production: Recovery in some sectors will be offset by deeper contraction in others

Real value added will decrease in all sectors of economy in 2009. The most significant contraction of production and, thus, of value added, is expected in construction and manufacturing as the former heavily depended on crediting, while the demand for products of latter sharply dropped. At the same time, domestic consumer oriented sectors that produce essentials and services will suffer the least and preserve relatively high production levels and real value added.

Real value added in agriculture will contract less than previously expected. The reason to upgrade the forecast was increased areas under crops and improved external demand and prices for food that would drive production in Ukraine. However, expected lower yields in crop production will still result in 6.5% decline of real value added in agriculture in 2009. In 2010 the technological innovations and capital investments in the sector will stimulate growth of productivity with consecutive increase in real value added by 4.7%.

The IER improved its forecast of real value added development in industry in 2009 because of better than expected rebound in March. In 2009 real value added in manufacturing will decrease by 17.4% mainly thanks to steep output reduction in machine building, production of construction materials, and metal production. These industries will recover very slowly because of low investment demand on domestic and external markets. Following the first quarter trends, other industries are not expected to decrease production further and may even start recovering output volumes. In 2010 production of investment oriented industries will partially recover, assuring growth of real value added in industry by 7.2%.

Low output in the first quarter and worsening forecasts of investment demand has resulted in further downgrading of drop in construction real value added to 31.9% in 2009. Next year recovery of infrastructure construction and some revival in other spheres are expected, causing 14.8% real value added growth in 2010.

In the first quarter of 2009 consumer services (retail trade and passenger transportation) moderately decreased, while business services (wholesale trade and freight transportation) plunged down following significant contraction in industrial production. Weak performance during the first quarter and expected slow recovery in the main industries induced the IER to slightly downgrade its forecasts of real value added contraction in trade and transport to 13.2% and 12.4% in 2009, respectively. The revival of consumption demand and industrial production in 2010 is expected to boost real value added in these sectors by 7.2% and 6.8%, respectively.

Risk assessment

The biggest concern for Ukraine's economic development in 2009 is the extent to which expected economic recovery in other countries will influence domestic agents. Specifically, Ukrainian firms may not increase their exports because of protectionism measures or fierce international competition. In this case real exports will reduce by 28.8% in 2009 and enterprises' sales will be lower than in the base scenario, limiting wages and investments. Under conditions of rapid decrease in real incomes real private final consumption will decline by 20.2% in 2009. Real fixed capital accumulation will contract by 31.9% because of further depressed ability to finance investment projects. At the same time, real imports will decline by 45.0% due to more significant hryvnia devaluation and weaker domestic demand. As a result, the real GDP contraction is expected at 14.7% in 2009.

In 2010 the major impediment of economic recovery will be continuation of the credit crunch. It will limit investment potential of Ukrainian enterprises, having negative multiplicative impact on the whole economy. In this case real GDP will grow by 4.1% in 2010.

DISPOSABLE INCOMES AND UNEMPLOYMENT

Households: Unemployment rate will reach 9.5% in 2009

Increased unemployment rate and moderate growth of wages against the background of economic downfall will result in the decline of real disposable incomes of households by 13.7% in 2009.

In particular, we forecast that average monthly wage will grow by 2.4% to UAH 1850 against the background of legally defined gradual minimum wage increase and indexation of wages for inflation. At the same time, in 2009 unemployment rate (ILO methodology) will reach 9.5% of individuals between 15 and 70 years old. The highest reduction of employment is expected in construction, industry and financial activity. At the same time, the employment in state administration, education and health care will remain close to pre-crisis levels. As a result, the wage incomes will drop by around 20.0% in real terms.

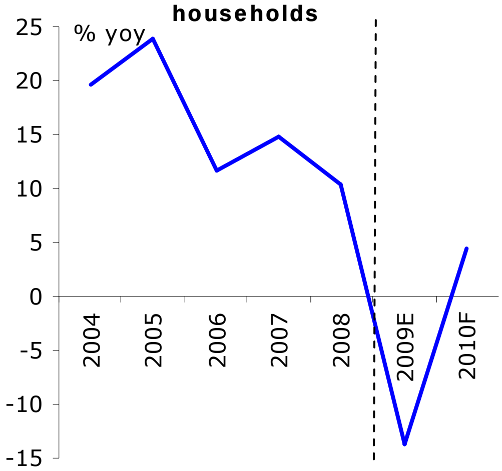
Households' incomes from entrepreneurship and agriculture will increase in nominal terms by 8.0%, while incomes from social assistance will remain close to the 2008 level in real terms. As a result, the incomes from social assistance and transfers will exceed the wages incomes.

In 2010 all households' income components, except of those received from entrepreneurship and agriculture, will increase in real terms thanks to economic recovery. In particular, average wage will reach UAH 2150, while unemployment rate will decline to 8.5%. As a result, real disposable income is forecasted to grow by 4.4%.

Risk assessment

Under the risk scenario, the deeper deterioration of financial state of enterprises will result in higher unemployment rate (12.0% of individuals between 15 and 70 years old according to the ILO methodology) and average wages being close to the previous year indicator. As a result, real disposable incomes of households are estimated to drop by 18.9% in 2009 and further decline by 2.8% in 2010.

Real disposable incomes of households

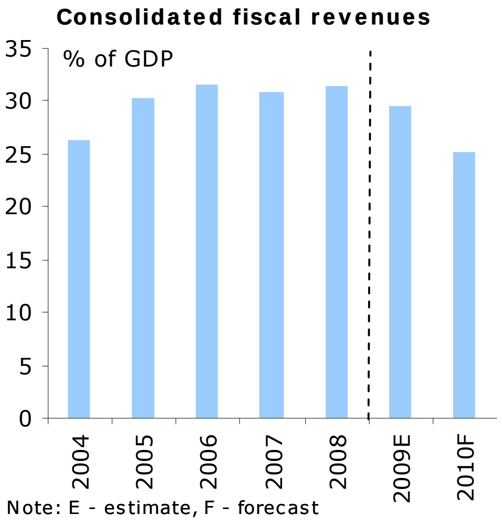


Note: E - estimate, F - forecast
Source: Derhkomstat, IER calculations

Incomes and unemployment under different scenarios

	2009		2010	
	Basic	*Risk*	*Basic*	*Risk*
Real disposable incomes, % yoy	-13.7	-18.9	4.4	-2.8
Unemployment rate (ILO methodology, aged between 15 and 70 years old), %	9.5	12.0	8.5	9.5

Source: IER calculations



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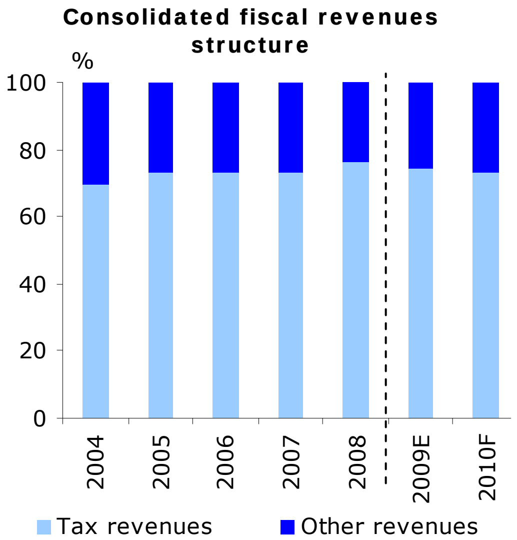
Source: State Treasury Reports, IER calculations



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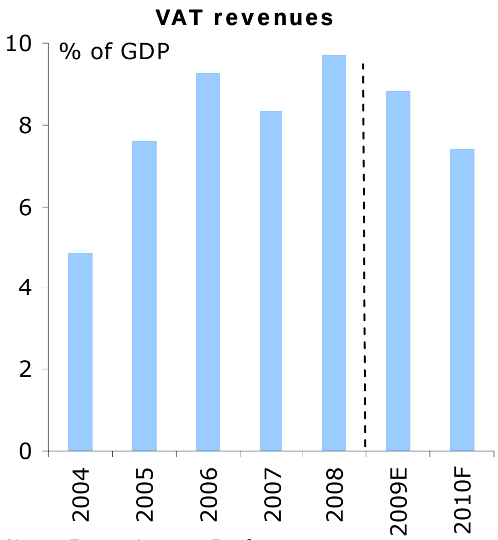

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FISCAL INDICATORS

Consolidated fiscal revenues: The Government will face fiscal gap in 2009

Though the consolidated fiscal revenues in the first quarter of 2009 were by 6.5% higher than in the same period of 2008, we still preserve our forecast of nominal reduction of revenues this year. This is explained by several reasons. First, higher revenues in the first tree months of the year are attributed to non-regular sources. In particular, the revenues include VAT receipts received from the custom clearance of disputed gas, and new credit received by the State Road Service of Ukraine (Ukravtodor), which was used for redemption of old credit. In total, these two revenues sources accounted for around 12.0% of total revenues between January and March. Thus, we upgraded our previous forecast of consolidated fiscal revenues to UAH 279 bn or 29.6% of GDP to account for these revenues.

The revenues will be by 6.3% lower than in 2008 as receipts from major taxes, namely enterprise profits tax (EPT), value added tax (VAT) and personal income tax (PIT) will decline. Such trend is attributed to deteriorated financial state of enterprises and sharp drop in nominal imports. At the same time, the revenues from excises will increase thanks to raised rates of this tax. Though, we believe that the Government overestimates the potential revenues from this step as the demand for the respective goods, primarily tobacco and alcohol products, will decline this year. As the expected revenues are lower than planned in the State Budget for 2009, the Government is at risk to face fiscal gaps during the year that will be difficult to cover.

The forecast of consolidated fiscal revenues in 2010 was also upgraded mainly due to revised forecast of nominal consumption, investments, exports and imports. The revenues are expected to increase to UAH 306 bn. However, they will sharply decline in relation to GDP to 25.2% against the background of changed GDP structure. In particular, the share of imports will decline from 54.9% of GDP in 2008 to 43.3% in 2010 negatively impacting the VAT receipts in relation to GDP.

Within the forecast period the VAT will remain the major tax revenue source accounting for around 29.0% of total consolidated fiscal revenues. At the same time, the EPT and PIT shares will sharply decline. The other tax receipts will increase to 16.5% and 18.7% of total revenues in 2009 and 2010, respectively.

VAT: The VAT revenues are estimated to decline in relation to GDP

Between January and March of 2009 the VAT receipts were by 11.4% higher than during the same period of last year. Additional revenues are attributed to receipts from the disputed custom clearance of gas. As this is irregular source of revenues, we still keep our forecast for 2009 of VAT revenues being lower than last year. At the same time, as the execution of VAT revenues was better than we previously expected and the NJSC Naftogaz Ukrainy *de facto* does not enjoy the legally established tax credit we somewhat improved the VAT revenues forecast for 2009.

So, the VAT revenues are estimated at UAH 83.1 bn in 2009, being by 9.8% lower than in 2008. Their share in GDP will drop by 0.9 p.p. to 8.8% of GDP. The VAT revenues will decline against the background of reduced nominal consumption and imports in hryvnia equivalent as well as increase in shadow economy. The IER forecast for 2009 VAT receipts is by 14.1% lower than the Government plan, approved in the State Budget Law for 2009.

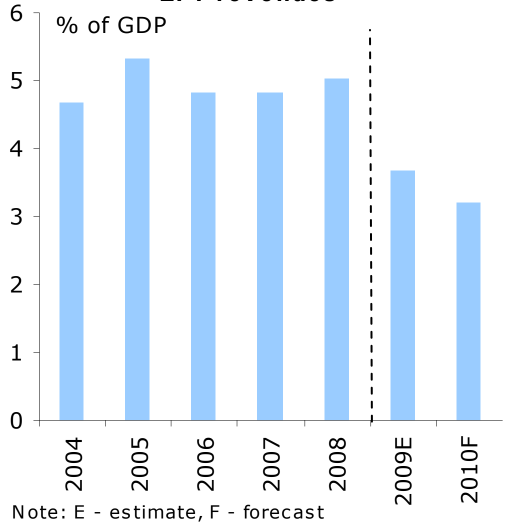
The VAT revenues are forecasted at UAH 89.7 bn in 2010. They will further decline in relation to GDP to 7.4% primarily due to changed structure of the GDP with lower share of imports. The increase in nominal VAT revenues will be primarily attributed to revenues from the VAT on domestically produced goods.

EPT: The revenues from EPT will decline in 2009

During the first quarter of 2009 the revenues from enterprise profits tax (EPT) declined by 6.2% yoy or UAH 0.5 bn as firms' financial performance continues worsening. The EPT revenues contraction is expected to accelerate by the end of the year due to slashed economic activity in major industries and financial sector. In particular, low prices on world steel markets and credits ceasing would severely hit the companies in real sector. Moreover, the situation is expected to deteriorate further due to EPT overpayments made in the last two quarters as the Government was actively using advance schemes in EPT collection. Hence, we preserve the forecast of EPT at UAH 34.6 bn or 3.7% of GDP, which is by UAH 13.8 bn lower than previous year. As a result, the IER forecast of the EPT revenues is by UAH 8.1 bn lower than the Government fiscal plan as of December, 2008.

For 2010 the revenues from the EPT are forecasted at UAH 39.1 bn or 3.2% of GDP. Despite starting the economic recovery we assume more conservative scenario for EPT revenues growth. Though the prices for Ukrainian exports will start growing in the end of 2009 the companies' margins increase will be moderate as time is needed to reach economies of scale. At the same time, the enterprises are expected to benefit from crediting resumption and relatively low prices on inputs.

EPT revenues



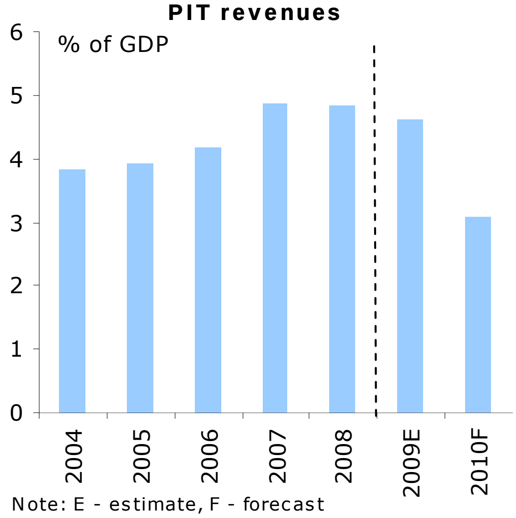
Note: E - estimate, F - forecast
Source: State Treasury Reports, IER calculations

PIT: Gross wages will slightly decline in 2009

We somewhat improved the forecast of PIT revenues in 2009 as the labour market appeared to be more rigid than earlier expected. Besides, employers seem to stick to policy of paying wages just above the level, which makes an employee eligible for social privilege. Still, the employment levels will decline resulting in slight reduction of gross wages as compared to 2008 against the background of moderate increase in average wage. As a result, the PIT revenues are estimated at UAH 43.5 bn or 4.6% of GDP in 2009.

At the same time, we keep the forecast of drop in PIT revenues in 2010 to UAH 37.5 bn or 3.1% of GDP. Such trend is attributed to equalisation of minimum wage to the subsistence minimum level set for working able individuals as of January 1, 2010. This would result in sharp growth of social privilege as well as number of people eligible for such tax allowance. This downward impact will be only partially counterweighted by increase in the national wage bill. The wage growth will remain restricted by the necessity to invest into energy-saving technologies.

PIT revenues



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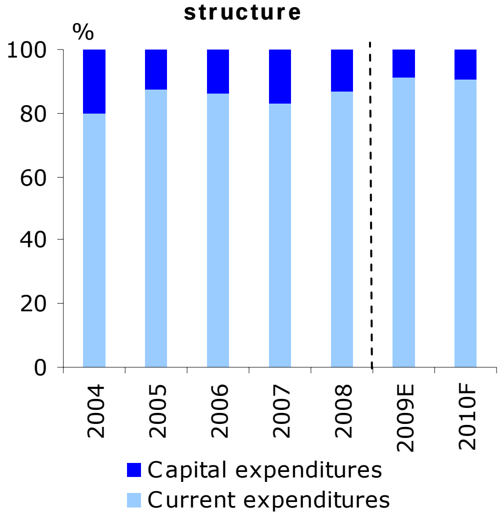
Source: State Treasury Reports, IER calculations

Consolidated fiscal expenditures: The expenditures will drop to 24.6% of GDP in 2010

The forecast of consolidated fiscal expenditures in 2009 was revised upwards to UAH 309 bn or 32.7% of GDP against the background of upgraded revenues estimate. The expenditures will be at the level of 2008, but by 9.5% lower than officially planned. The mismatch between revenues inflow and required fiscal spending results in the use-up of funds accumulated on the Unified Treasury Account. As a result, the Government might face problems in financing all taken liabilities, though we believe that it will finance social liabilities fully and in time. It is expected that during the year the transfers to the Pension Fund for financing deficit and the NJSC Naftogaz for compensating the difference in tariffs will be increased. Thus, current expenditure will reach 30.0% of GDP. The public procurement will decline as compared to previous year due to lack of available funding at the level of budget entities. At the same time, the Government will be able to direct UAH 26.1 bn for capital spending, including road construction projects.

The consolidated fiscal expenditures will increase in nominal terms to UAH 330 bn in 2010, but decline in relation to GDP to 27.1%. The Government will continue streamlining state support and social assistance policies. Capital expenditures are expected to increase to UAH 31.2 bn or 2.6% of GDP. In particular, the Government will finance infrastructure projects in the framework of EURO-2012.

Consolidated fiscal expenditures structure



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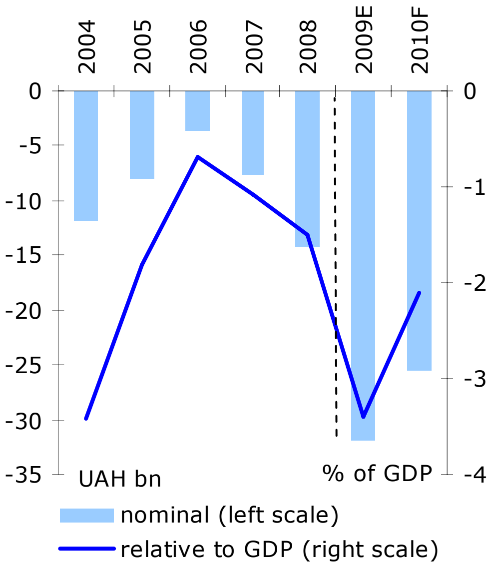
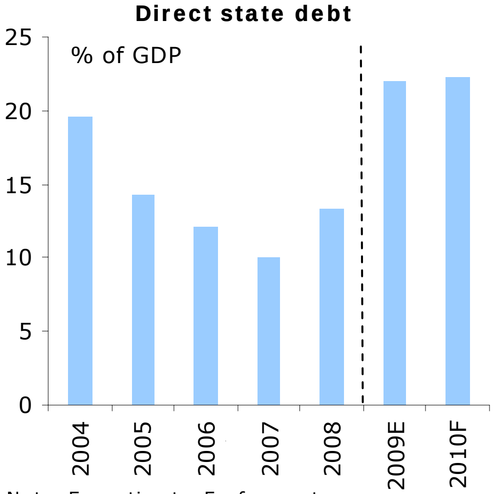
Source: State Treasury Reports, IER calculations

Consolidated fiscal balance



Note: E - estimate, F - forecast
Source: State Treasury Reports, IER calculations

Direct state debt



Note: E - estimate, F - forecast
Source: State Treasury Reports, IER calculations

Fiscal indicators under different scenarios
% of GDP

	2009		2010	
	Basic	*Risk*	*Basic*	*Risk*
Consolidated fiscal revenues	29.6	27.3	25.2	24.7
Capital expenditures	2.8	2.3	2.6	2.3
Consolidated fiscal deficit	-3.4	-4.2	-2.1	-2.1

Source: IER calculations

Consolidated fiscal balance: The deficit will be primarily financed at the expense of borrowings

We revised the estimate of the consolidated fiscal deficit to UAH 32.0 bn or 3.4% of GDP (not taking into account the funds for banks' recapitalisation), which is similar to the official plan for 2009. Therefore, the deficit will be in line with the updated Memorandum signed between the IMF and Ukraine, which restricts fiscal deficit by 4.0% of GDP.

The deficit is expected to be financed primarily at the expense of loans of international organisations and other Governments and domestic state borrowings. In particular, the Government is expected to receive loans from EBRD and the World Bank and other Governments at UAH 32.8 bn. At the same time, we have downgraded the privatisation receipts to UAH 1.0 bn as the political will to revive the privatisation process is absent. Hence, the financing at the expense of domestic borrowings was increased to UAH 24.0 bn. Most of Government bonds are likely to be purchased by state banks and then sold to the NBU. The direct state debt is estimated to sharply increase to 22.0% of GDP. Besides, the Government will be faced by necessity to use around UAH 3.0 bn from the Unified Treasury Account. We do not expect sovereign default on external or domestic debt servicing and redemption payments.

The IER forecast of consolidated fiscal deficit in 2010 remained unchanged at UAH 25.6 bn or 2.1% of GDP. The Government is expected to issue Eurobonds at USD 0.5 bn and receive loans from international organization at USD 2.0 bn thanks to the recovery of global financial markets and economic growth anticipations. Moreover, the Government will be able to attract UAH 12.9 bn on domestic market. As a result, the direct state debt will slightly increase reaching 22.3% of GDP. The privatisation process will gradually restore in 2010 due to stabilisation of political situation and acceleration of investors' activity resulting in privatisation receipts at around UAH 4.0 bn.

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. However, negative impact of such changes on consolidated fiscal revenues will be to some extent counterweighted by increase in nominal imports in hryvnia equivalent due to more rapid than under base scenario hryvnia devaluation. As a result, central fiscal revenues will sharply decline to UAH 254 bn being by UAH 42.0 bn lower than in 2008. In such case the Government will intensify borrowings on domestic market. As a result, the consolidated fiscal deficit will increase to 4.2% of GDP exceeding the cap foreseen in the revised Memorandum signed between the IMF and Ukraine. The Government will face a real challenge to sequestrate the budget.

Under risk scenario the consolidated fiscal revenues in 2010 will be rather close to the estimates in the base scenario against the background of further hryvnia devaluation resulting in higher nominal imports in hryvnia equivalent. The Government will be forced to increase public wages more due to rampant inflation. At the same time, the capital expenditures will remain low at 2.3% of GDP, which seems insufficient for financing required infrastructure projects in the framework of the EURO-2012. For financing fiscal spending the Government will issue more domestic state bonds than under basic scenario as privatisation process will not be restored. As a result, the consolidated fiscal deficit will account for 2.1% of GDP as under the base scenario.

BALANCE OF PAYMENTS

Current account: Current account surplus will reach 2.2% of GDP in 2010

According to the NBU preliminary estimates in the first quarter of 2009 current account balance was negative at USD 0.9 bn due to deficit in commodity trade. We expect commodity trade deficit to be partly balanced by increased service trade surplus later this year, thus current account is forecasted to be in deficit at USD 1.4 bn (1.3% of GDP) in 2009. However, it will turn to positive at USD 3.3 bn (2.2% of GDP) in 2010.

Between January and March commodity imports contracted more than exports (by 46.9% yoy and 39.2% yoy in dollar terms, respectively) as internal demand plunged more than external in face of hryvnia devaluation and drop in real incomes of Ukrainian economic agents. Intentions to restrict commodity imports through introduction of 13% imports surcharge were lately limited to cars and refrigerators (around 8% of total imports), and according to the NBU these measures were not efficient. We expect that annual imports contraction will narrow to 45.2% with machine building product imports suffering the most. At the same time, we revised downwards exports contraction as we changes assessment of agricultural products exports. We still stick to assumption that world economy starts reviving by the end of 2009, thus stimulating exports rebound later in 2009. Exports is forecasted to decline by 37.2% in dollar terms.

In 2010 exports will recover faster than imports (growing by 21.4% and 15.3% in dollar terms, respectively) as internal consumption renewal will lag behind external. We slightly revised upwards import growth on the back of faster resumption of consumption and investment demand. Thus, commodity trade deficit will shrink to USD 1.9 bn in 2010 compared to USD 3.9 bn in 2009.

We revised downwards our forecast of services exports mainly due to drop in demand for Ukrainian transportation services in light of international trade contraction. Services imports will continue suffering from lower purchasing power of Ukrainian economic agents. Thus, services exports will contract by 21.8% in dollar terms, while imports by 26.8%. In 2010 exports of services will rebound faster than imports reflecting more pronounce improvement of external demand. Service exports and imports growth will constitute 18.4% and 15.4%, respectively. Thus, services trade surplus will widen to USD 3.5 bn in 2010 from USD 2.7 bn in 2009.

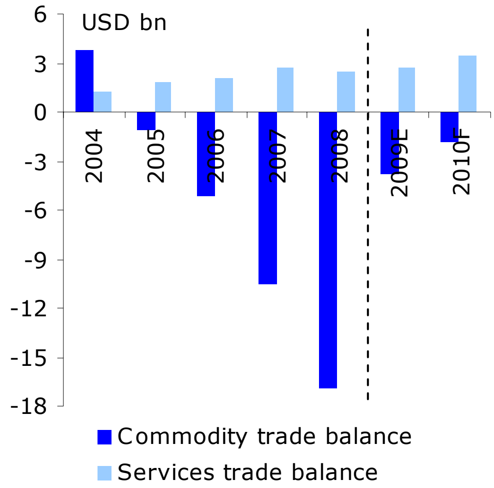
We maintained the forecast that current transfers will shrink in 2009 to USD 2.8 bn in line with worsening of economic state of developed countries. However, we revised downwards their forecast for 2010 (USD 3.2 bn). Net incomes from abroad will reach USD 3.0 bn in 2009 and USD 1.5 bn in 2010.

Capital and financial account: Foreign capital outflows will pace down till the end of 2009

Both current account and financial account deficits in 2009 will be financed at the expense of international reserves, and the NBU will spend USD 8.4 bn during the year. In 2010 we expect the NBU to increase reserves as current account will be in surplus, while financial account balance will be negligible.

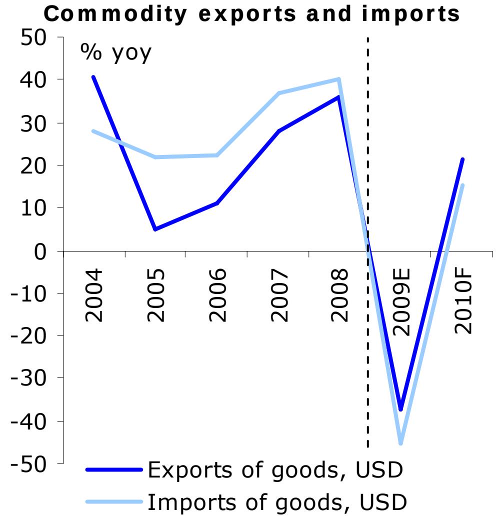
According to the NBU preliminary estimates in the first quarter financial account deficit reached USD 4.3 bn. The biggest share of overall outflow on financial side was assured by increase in foreign cash outside banks. As Ukrainian financial market resumed growth, outflow on financial side contracted. As such developments were in line with our expectations we kept our previous forecast for 2009. As earlier the net inflow of FDI for 2009 (USD 6.0 bn) will be mostly ensured by in infrastructure programs and support of Ukrainian banks. At the same time, net portfolio investment outflows will be significant in face of high Eurobonds repayments (USD 2.0 bn). As possibilities to get refinancing will be scarce payments on other

International trade



Note: E - estimate, F - forecast
Source: NBU, IER calculations

Commodity exports and imports

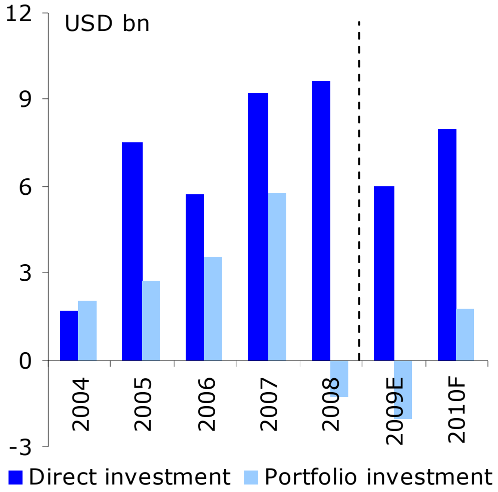


Note: E - estimate, F - forecast
Source: NBU, IER calculations

Services exports and imports

Note: E - estimate, F - forecast
Source: NBU, IER calculations

Foreign direct and portfolio investment net flows



Note: E - estimate, F - forecast
Source: NBU, IER calculations

Balance of payment indicators under different scenarios
USD bn

	2009		2010	
	Basic	*Risk*	*Basic*	*Risk*
Current account balance	-1.4	-3.6	3.3	1.7
Capital and financial account balance	-7.1	-8.3	-0.7	-5.2

Source: IER calculations

investment will remain high resulting in net outflows at USD 11.1 bn. In sum, financial account deficit will be at USD 7.1 bn.

In 2010 we expect the revival of foreign investors' activity. This will stimulate FDI inflow, especially investment projects related to EURO-2012 and purchases of undervalued industrial enterprises. Net FDI inflow will be at USD 8.0 bn. Eurobond repayments will be compensated by portfolio investment inflows, which will allow net inflow of portfolio investment at USD 1.8 bn. Net outflow of other investment will reduce to USD 10.4 bn. In the end, financial account deficit will reach USD 0.7 bn.

Risks assessment

The postponement of economic revival in the world will seriously hamper Ukrainian exports, mainly ferrous metals and machine building products. Worse international perspectives will also result in sever downturn in economic stance of Ukrainian economic agents, inevitably leading to further commodity import deterioration. Trade in services will be also hit more severely. Thus, in 2009 exports of goods and services will drop by 45.2% in dollar terms and imports by 50.3%. The current account deficit will widen to USD 3.6 bn.

On the financial account side massive defaults are probable under risk scenario as debt restructuring will not be provided. Lower net FDI inflow and portfolio investors' flight from Ukrainian markets will only add to problems. As a result, financial account deficit will reach USD 8.3 bn. The NBU will have to pay around USD 11.8 bn of its international reserves to cover double deficit.

In 2010 current account will improve and will be positive at USD 1.6 bn despite lower pace of economic revival. The commodity trade surplus will contribute the most to the current account improvement. In sum, exports of goods and services will raise by 13.7% in dollar terms, while imports will grow by 6.5%.

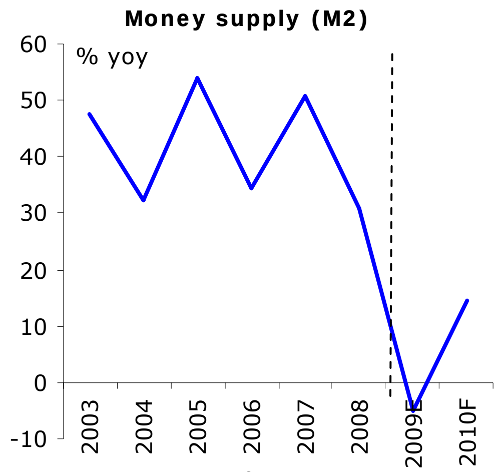
Under risk scenario, financial account deficit will narrow to USD 5.2 bn as portfolio investment outflow will stop and net FDI inflow will grow, while net outflow of other investment will remain significant. The balance of payment deficit will be financed by USD 3.5 bn of the NBU international reserves.

MONETARY SURVEY AND INFLATION

Monetary policy: Exchange rate so far remains the main anchor of the monetary policy

Since the end of 2008 to April 2009 the NBU maintained the UAH/USD official exchange rate at the fixed level signifying commitment to maintain stability in the market for some time. At the same time the NBU refinancing in February and March 2009 was provided mainly to support problem banks, and the NBU open market operations were conducted to finance fiscal deficit. Thus, the exchange rate so far remains the main concern of the NBU.

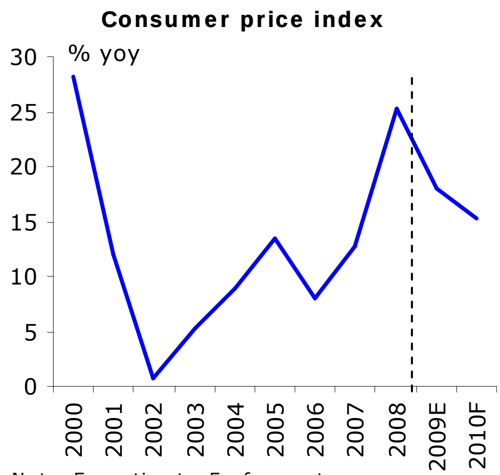
On the other hand, the NBU committed to began transition to inflation targeting and limit its interventions on the forex market as part of its agreement with IMF. Overall the NBU is expected to comply with these requirements in some degree. Therefore, official and market exchange rates are expected to become more flexible but still managed in the second half of 2009 and in 2010.



Note: E - estimate, F - forecast
Source: NBU, IER calculations

Monetary aggregates: Money supply falls in 2009 but will recover in 2010

Money supply (M2) is expected to fall by 4.9% or to UAH 487 bn in 2009 with growth by 14.5% in 2010 to UAH 558 bn. However, money supply is expected to improve somewhat from UAH 461 bn level recorded in March by the end of the year. Foreign currency and time deposits are expected to drop by 20.1% and 10.5% respectively in 2009. Foreign currency deposits are expected to remain roughly at their March level of USD 18.1 bn as withdrawals in the second quarter may be compensated by later increases in export revenues and some inflows from households. National currency time deposits are expected to fall further from March level as confidence in banking system remains low. Recovery in 2010 will be dominated by increases in cash and foreign currency deposits as confidence to the banking system is not likely to improve significantly. Cash and foreign currency deposits are forecasted to increase by UAH 53 bn in 2010 while money supply will increase by UAH 71 bn.

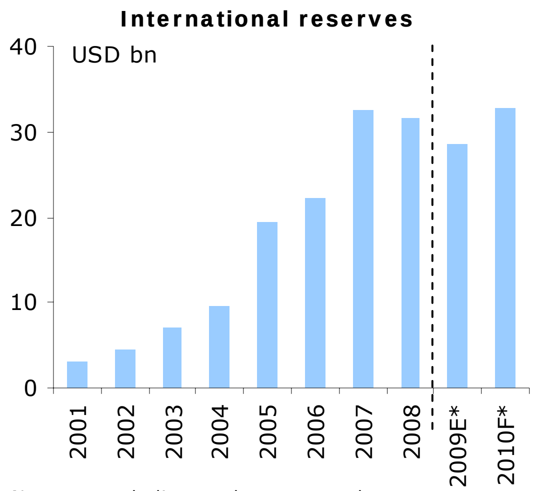


Note: E - estimate, F - forecast
Source: Derzhkomstat, IER calculations

On the asset side, provision of credit to private sector will be constrained by limited domestic and external funding. Claims of banks to private sector are forecasted to fall by 6.2% in 2009 to UAH 708 bn. In 2010 they will increase by 5.1% as financial sector will gradually recover and will reach UAH 744 bn by the end of 2010. Velocity of money will increase slightly in 2009 and more significantly in 2010.

Inflation: Consumer inflation will decelerate in 2009 and 2010

Consumer inflation is forecast to slow compared to 2008, but it will stay high at 18.0% as annual average in 2009 and at 16.4% yoy in December. In the first quarter inflation slowed down to 18.1% yoy in March from 22.3% yoy in December 2008. On the demand side increased unemployment, limited nominal incomes and high debt burden impaired purchasing power of the households. On the supply side, falling labour costs and slower growth in prices for domestically produced items also constrained inflation pressure. However, higher prices for imported goods due to loss in external value of hryvnia and high inflation expectations contributed to price growth. These trends are expected to continue over the rest of 2009 as exchange rate fluctuations may maintain high inflation expectations and pressure on imported goods prices while consumer demand will remain very weak.



Note: * excluding exchange rate changes
E - estimate, F - forecast
Source: NBU, IER calculations

In 2010 consumer demand will continue to be relatively weak while inflation expectations are likely to fall under appreciating hryvnya. Thus inflation is expected to slow to 15.3% on average in 2010 and to 13.7% yoy in December 2010.

Exchange rate: Hryvnia depreciation in 2009 will be limited by reserve sales

The NBU maintained official rate at UAH/USD 7.70 since December

29, 2008 while market rate stabilised in 7.90-8.00 UAH/USD. However, we assume that the NBU will honour its promise to IMF to set official rate at the average inter-bank level in the second quarter. We expect relative market stability to be preserved in the second quarter though hryvnia remains highly sensitive to fluctuations in demand and supply due to the limited liquidity in the market. Increased burden of external debt repayments and some improvement in imports may weaken hryvnya in the second half of 2009. However, some improvements on global financial markets and higher external demand for Ukrainian goods may support hryvnya in the end of the year. Overall, we expect average official exchange rate to reach UAH/USD 8.21 in 2009.

In 2010 foreign exchange market is likely to become more liquid and dollarization may fall somewhat increasing foreign currency supply. Thus, average official exchange rate is forecasted at 7.90 UAH/USD in 2010.

Monetary survey indicators under different scenarios

	2009		2010	
	Basic	*Risk*	*Basic*	*Risk*
CPI, % aop	18.0	20.9	15.3	25.3
Money supply (M2), % yoy	-4.9	5.3	14.5	5.5
Official exchange rate, UAH/USD, aop	8.2	9.7	7.9	12.0

Source: IER calculations

Risks assessment

If "green shoots" of the global recovery will turn out to be false hopes, increase in prices for imported goods, lack of confidence in national currency and fiscal deficit financing with the help of NBU will cause the inflation to accelerate in 2009 and 2010. In this case inflation will reach 20.9% in 2009 and 25.3% in 2010. Global economic slowdown will further increase difficulty of financing foreign capital outflows while excessive supply of hryvnya and speculative demand are likely to increase depreciation pressure. Therefore, under risk scenario hryvnia is likely to reach at UAH 9.66 per USD on average in 2009, with further depreciation to UAH 11.98 per USD in 2010.

ASSUMPTIONS OF THE FORECAST

BASE scenario

- The global financial markets will stabilise in the 3rd quarter of 2009.
- The economies of the USA and the EU will start growing on a quarterly basis in the 4th quarter of 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.
- The world prices for crude oil (*Brent*) will be in the range of USD 40-50 per barrel on average in 2009, and reach USD 70 per barrel by the end of 2010 with annual average at USD 60 per barrel.
- Metal prices (FOB *Black sea*) will start growing in the end of 2009.
- The demand for machine building production of Ukraine will decline in CIS countries in 2009, but will partly restore in 2010.
- The external demand for Ukrainian nitrogen fertilizers will remain high in 2009 and 2010.
- The FTA between Ukraine and the EU will not be implemented within the period of forecast.
- The anti-smuggling policy is to be continued by the Government in 2009 and 2010.
- VAT refund overdue arrears will be accumulated in 2009.
- The advance EPT payments will not be conducted in 2009 and 2010.
- Social standards will not be increased above the levels envisaged in the State Budget Law for 2009 approved on December 26, 2008, but grow in line with the officially projected inflation in 2010.
- Minimum wage will be equalised with subsistence minimum for working able individuals as of January 1, 2010.
- Social assistance and state support programs will be somewhat streamlined in 2009 and 2010.
- The share of shadow economy will increase in 2009, but somewhat decline in 2010.
- Wage arrears will be accumulated in 2009, but decline in 2010.
- Both open and hidden unemployment will surge in the first half of 2009, but will decline in 2010.
- Utility tariffs for population will be increased in 2009 and 2010, and gas and electricity for population will be revised upwards in 2010.
- The privatisation process will be restored in 2010.
- The Government will receive loans from the World Bank and the EBRD in 2009 and 2010.
- Ukraine will manage to attract loans from other Governments to finance fiscal deficit in 2009.
- Early time deposit withdrawals will not be allowed till the second half of 2009.
- The NBU will continue to make interventions in 2009 to smooth exchange rate fluctuations, but the volumes will be limited. In 2010 the exchange rate will be in managed float.
- 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.
- Mass defaults in real sector will not occur in 2009 and 2010.

RISK scenario (assumption that differ from the BASE scenario)

- The global economy will start growing on a quarterly basis only in the second quarter of 2010.
- The world price for crude oil will be at USD 30 per barrel in 2009 and in 2010.
- Global metal prices will start growing in the second half of 2010.
- External demand for machinery will remain low till the end of 2010.
- The weather conditions in Ukraine will not be favourable for grains production.
- VAT refund overdue arrears will be accumulated in 2010.
- Tax payments arrears will be accumulated throughout entire forecast period.
- Social standards will be increased above the levels of officially projected inflation in 2010.
- The privatisation will not be conducted in 2010.
- Economy will suffer from widespread credit defaults in the real sector.
- Financial sector will suffer large losses and several large banks will fail.
- IMF will refuse to provide Ukraine with another instalments of loan.

TABLES

Table 1. National Accounts (GDP)

		2006	2007	2008E	2009E	2010F
Nominal GDP	UAH bn	537.7	712.9	949.9	943.5	1215.2
	USD bn	106.5	141.2	180.3	115.0	153.8
Real GDP	% yoy	7.3	7.6	2.1	-12.0	6.9
GDP expenditure side components						
Private consumption, real	% yoy	15.9	17.1	11.8	-17.3	7.2
State consumption, real	% yoy	2.7	2.8	0.4	-12.5	-0.8
Fixed assets accumulation, real	% yoy	21.2	24.8	1.6	-27.8	11.7
Exports, real	% yoy	-5.6	3.2	5.2	-22.2	10.9
Imports, real	% yoy	6.8	19.9	17.1	-39.1	13.3
GDP production side components						
Agriculture, real	% yoy	2.0	-5.0	17.2	-6.5	4.7
Extractive industry, real	% yoy	9.9	4.1	-1.5	-11.8	3.9
Manufacturing , real	% yoy	9.2	12.8	-2.3	-17.4	7.2
Production and distribution of electricity, gas and water, real	% yoy	0.1	1.3	-4.8	-6.1	5.9
Construction, real	% yoy	0.3	13.2	-17.5	-31.9	14.8
Trade, repair services, real	% yoy	17.7	20.6	1.8	-13.2	7.2
Transport, real	% yoy	7.6	11.0	7.1	-12.4	6.8
Education, real	% yoy	2.1	4.3	-0.4	-1.5	2.5
Health care, real	% yoy	2.4	-0.4	-0.4	-2.1	1.0
Other types of economic activity, real	% yoy	5.7	6.0	1.9	-12.0	12.2
Estimated payments to financial intermediaries, real	% yoy	59.6	30.0	-2.6	-35.0	15.0
Net taxes on products, real	% yoy	13.4	4.9	8.0	-14.3	4.1

Table 2. Incomes and Unemployment rate

		2006	2007	2008E	2009E	2010F
Real disposable incomes	% yoy	11.8	14.8	10.3	-13.7	4.4
Unemployment rate (ILO methodology, aged between 15 and 70 years old)	%	6.8	6.4	6.4	9.5	8.5

Table 3. Fiscal Indicators

		2006	2007	2008E	2009E	2010F
Consolidated fiscal revenues	UAH bn	171.7	219.9	297.8	279.2	306.2
	% of GDP	31.6	30.8	31.4	29.6	25.2
EPT revenues	UAH bn	26.2	34.4	47.9	34.6	39.1
	% of GDP	4.8	4.8	5.0	3.7	3.2
VAT revenues	UAH bn	50.4	59.4	92.1	83.1	89.7
	% of GDP	9.3	8.3	9.7	8.8	7.4
PIT revenues	UAH bn	22.8	34.8	45.9	43.5	37.5
	% of GDP	4.2	4.9	4.8	4.6	3.1
Consolidated fiscal expenditures	UAH bn	175.3	226.0	309.2	309.2	329.7
	% of GDP	32.2	31.4	32.6	32.8	27.1
Current consolidated fiscal expenditures	% of GDP	27.7	26.0	28.2	30.0	24.6
Capital consolidated fiscal expenditures	% of GDP	4.5	5.4	4.3	2.8	2.6
Consolidated fiscal balance (without bank recapitalisation)	% of GDP	0.7	1.1	1.5	3.4	2.1
Privatisation receipts	UAH bn	3.8	2.2	0.5	1.0	4.0

Table 4. Balance of Payments

		2006	2007	2008E	2009E	2010F
Current Account balance	USD bn	-1.6	-5.9	-12.9	-1.4	3.3
	% of GDP	-1.5	-4.2	-7.2	-1.3	2.2
Exports of goods	USD bn	38.9	49.8	67.7	42.6	51.7
Imports of goods	USD bn	-44.1	-60.4	-84.7	-46.4	-53.5
Balance of services	USD bn	2.1	2.7	2.4	2.7	3.5
Capital and Financial Accounts	USD bn	3.9	15.8	9.5	-7.1	-0.7
Direct investments	USD bn	5.7	9.2	9.7	6.0	8.0
Portfolio investments	USD bn	3.6	5.8	x	-2.0	1.8
Other investments	USD bn	-5.4	0.8	x	-11.1	-10.5

Table 5. Monetary Aggregates and CPI

		2006	2007	2008E	2009E	2010F
Money supply (M2)	UAH bn	259.4	391.3	512.5	487.5	558.1
	% yoy	34.3	50.8	31.0	-4.9	14.5
Consumer price index (CPI)	% yoy aop	8.0	12.8	25.2	18.0	15.3
	% yoy eop	11.6	16.6	22.3	16.4	13.7
Exchange rate (official)	USD aop	5.05	5.05	5.27	8.21	7.90
	USD eop	5.05	5.05	7.70	8.10	7.55

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

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INSTITUTE 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:

- The Role of Trade Policy in Reducing Ukraine's Current Account Deficit - Lessons from Abroad, by Christian Helmers, Veronika Movchan, Ricardo Giucci and Kateryna Kutsenko, Policy Paper 01, March 2009
- Developing the market for foreign exchange derivates in Ukraine: Sequencing the reform steps, by Robert Kirchner, Ricardo Giucci, and Alla Kobylyanska, Policy Paper 09, January 2009
- 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