



INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

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Macroeconomic Forecast Ukraine - update

No major changes in economic outlook for Ukraine

Forecast period: years 2009 and 2010

Date of forecast completion: June 23, 2009

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Key forecast figures

| | 2005 | 2006 | 2007 | 2008E | 2009E | 2010F |
|--------------------------------------|------|------|------|-------|---------|--------|
| Real GDP, % yoy | 2.7 | 7.3 | 7.6 | 2.1 | -13.4 ↑ | 3.8 ↑ |
| Consolidated fiscal revenues, UAH bn | 134 | 172 | 220 | 298 | 275 ↑ | 303 ↑ |
| Consolidated fiscal balance % of GDP | 1.8 | 0.7 | 1.1 | 1.5 | 3.9 ↑ | 2.7 ↑ |
| Current account balance, % of GDP | 2.9 | -1.5 | -4.2 | -7.2 | -0.6 ↓ | 0.3 ↓ |
| 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 | 490 ↑ | 526 ↓ |
| CPI, % aop | 13.5 | 8.0 | 12.8 | 25.2 | 16.2 ↓ | 14.5 ↓ |

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

EXECUTIVE SUMMARY

GDP: We slightly revised the estimate of real GDP contraction to 13.4% in 2009 to incorporate the newest statistical information. The real GDP is forecasted to grow by 3.8% in 2010 against the background of very low statistical base. (see p. 3)

Disposable Incomes and Unemployment: Households' real disposable incomes are estimated to decline by 14.6% in 2009 and further fall by 1.1% in 2010. 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. (see p. 3)

Fiscal Indicators: The consolidated fiscal revenues are estimated to decline in relation to GDP to 29.6% in 2009. The fiscal deficit is expected at 3.9% of GDP, not taking into account banks' recapitalisation. As previously, a significant time mismatch between fiscal revenues' inflow and required fiscal expenditures is expected. In 2010 the consolidated fiscal revenues are expected to further decline in relation to GDP to 26.6%, while the deficit will be at 2.7% of GDP. (see p. 4)

Balance of Payments: The current account will be in deficit at USD 0.7 bn (0.6% of GDP) in 2009 and turn to surplus at USD 0.4 bn (0.3% of GDP) in 2010. The large net outflows of other investments will result in financial account deficits in 2009 and 2010. (see p. 4)

Monetary Survey: Money supply is expected to decline by 4.3% in 2009, but resume grow in 2010. The exchange rate will be on average at 8.02 UAH/USD in 2009, and 7.90 UAH/USD in 2010. The consumer price inflation is expected to decelerate compared to 2008, though remain high at 16.2% on average in 2009 and 14.5% in 2010. (see p. 5)

Pessimistic Scenario: Later than assumed recovery of global economy will further suppress demand for Ukrainian exports and restrain access to foreign capital. As a result, under risk scenario the real GDP will drop by 16.2% in 2009 and further decline by 1.5% in 2010.

Optimistic Scenario: In case of faster recovery of the economic activity in Ukraine, the real GDP is expected to decline by 11.5% in 2009 and grow by 7.4% in 2010.

Macroeconomic Forecast Ukraine - update

Macroeconomy: GDP outlook for 2009 remains gloomy

Gross Domestic Product: The economic developments in Ukraine in May somewhat differed from trends embedded in the previous estimates. On the one hand, performance of key industries was better than it was projected. On the other, retail trade deteriorated more. Also inflation was slower than earlier expected impacting the growth of real household consumption. As a result, we revised the estimate of real GDP contraction to 13.4% in 2009. The outlook for the economic recovery next year was also somewhat improved. The IER forecasts the real GDP to grow by 3.8% in 2010.

Demand side: Factors determining real private final consumption deterioration in 2009 include sharply declining real disposable households' incomes, high loan redemption payments and restricted crediting. The development of these factors was in line with expectations. Still, we revised the rate of drop in the real private consumption due to lower than previously expected inflation. As a result, final households' consumption is estimated to decline by 16.9% in real terms in 2009. In 2010 the real private final consumption will grow by 4.7% thanks to increased incomes and lower net loan redemption burden.

We keep our forecast of decline in real gross fixed capital accumulation at 31.5% in 2009. As previously, we expect that firms will not launch new projects, but finance already started projects. The economic recovery in 2010 will enable companies and the Government to increase investments into infrastructural and equipment modernisation projects. Thus, real gross fixed capital accumulation will grow by 10.8% in 2010.

As the external conjuncture developed as expected, we do not revise the estimate of real exports of goods and services in 2009 and 2010. It is forecast to decline by 24.5% in 2009 and grow by 6.7% next year. At the same time, we narrowed the expected reduction in real imports to 39.9% in 2009 against the background of improved estimate of real private final consumption. Next year, the IER forecasts real imports to grow by 11.9%.

Production: As before, the largest drop in real value added is expected in construction (by 31.9%). We revised the forecast of decline in industrial sectors to take into account better than previously expected economic performance of major industrial sectors. As a result, the real value added in manufacturing is forecast to decline by 18.5% in 2009. Recent negative developments in retail trade provoked a revision of its rate of contraction to 16.5%.

We keep our forecast of real value added growth rates in 2010. The highest growth is forecast in construction that will increase by 13.8% primarily thanks to implementation of large infrastructure projects. Other sectors will also revive though production volumes will not reach pre-crisis levels.

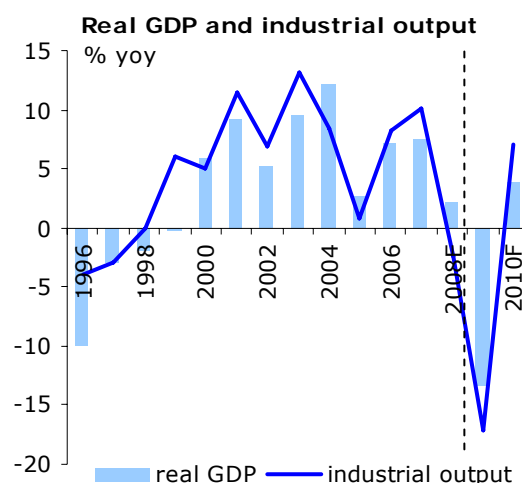
Pessimistic scenario: Further stagnation of external demand for Ukrainian products remains one of key economic risk in 2009. Under risk scenario the real GDP is expected to decline by 16.2% in 2009 and by further 1.5% in 2010.

Optimistic scenario: Under the optimistic scenario the Ukrainian economic agents are expected to revive their activity more strongly than under baseline scenario. As a result, the real GDP will decline by 11.5% in 2009 and grow by hefty 7.4% in 2010.

Disposable incomes and unemployment: Real disposable households' incomes will decline by 14.6% in 2009

Households: We somewhat improved our forecast of real disposable incomes development for 2009 and 2010 due to lower than previously expected inflation.

As previously we expect moderate growth of nominal wages and



Note: E - estimate, F - forecast

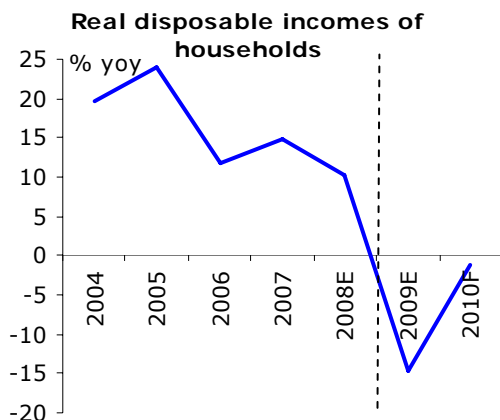
Source: Derzhkomstat, IER calculations

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

Expressed as percentage points of GDP change

| | Pessimistic | Base | Optimistic |
|----------------------------------|-------------|-------|------------|
| 2009 | | | |
| Real GDP | -16.2 | -13.4 | -11.5 |
| <i>Contributions:</i> | | | |
| Private consumption | -11.8 | -10.2 | -9.4 |
| Government consumption | -3.6 | -2.2 | -2.3 |
| Gross fixed capital accumulation | -9.0 | -8.6 | -7.6 |
| Inventories | -2.4 | -2.6 | -2.6 |
| Net exports | 10.7 | 10.4 | 10.5 |
| 2010 | | | |
| Real GDP | -1.5 | 3.8 | 7.4 |
| <i>Contributions:</i> | | | |
| Private consumption | -3.0 | 2.8 | 5.2 |
| Government consumption | -2.3 | -0.2 | 0.2 |
| Gross fixed capital accumulation | 1.4 | 2.4 | 2.6 |
| Inventories | -2.6 | 1.5 | 1.5 |
| Net exports | -0.4 | -2.6 | -2.1 |
| Real GDP | -1.5 | 3.8 | 7.4 |

Source: IER calculations



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

lower employment in 2009. In particular, nominal average wage is forecasted to grow by 5.0% this year. At the same time, regardless recent news about reduction in number of individuals registered as unemployed in the State Employment Offices we preserve the estimate of the unemployment rate defined according to the ILO methodology at 9.5% of individuals between 15 and 70 years old. The resulting drop in real wage incomes as well as decline in other households' real incomes components will cause the real disposable incomes of households to contract by 14.6% in 2009.

In 2010 all households' income components will grow in nominal terms. Though, they will decline in real terms due to still high inflation. Consequently, real disposable income is forecasted to decline by 1.1% next year.

Pessimistic scenario: Under the pessimistic scenario the real disposable incomes of households will drop by 18.1% in 2009 and further decline by 8.8% in 2010.

Optimistic scenario: The faster economic recovery will result in decline in the real disposable incomes of households at 13.2% in 2009 and their increase by 3.3% in 2010.

Fiscal indicators: Consolidated fiscal revenues in 2010 will exceed the 2008 level

Consolidated fiscal parameters: The forecast of consolidated fiscal revenues was improved against the background of higher estimate for imports. In particular, revenues are estimated at UAH 275 bn (29.6% of GDP) in 2009. Also we improved the forecast of consolidated fiscal revenues in 2010 to UAH 303 bn, which are higher than in 2008. However, the revenues will still decline in relation to GDP to 26.6% primarily due to equalisation of minimum wage to subsistence minimum set for working able individuals, and lower shares of final consumption and imports in GDP.

The estimates of consolidated fiscal deficit remained unchanged at 3.9% of GDP in 2009 and 2.7% of GDP in 2010. The deficits will be primarily financed at the expense of domestic borrowings.

The share of fiscal capital expenditures will be low (3.0% of GDP in 2009 and 2.6% of GDP in 2010) due to low maneuverability of the Government to cut high recurrent expenditures.

Pessimistic scenario: In 2009 the fiscal position of the Government might be under additional pressure in the case of deeper than expected economic recession resulting in sharper deterioration of firms' financial state, accumulation of tax arrears and lower gross wages. In this case consolidated fiscal revenues will further decline to UAH 255 bn in 2009, while the deficit will be close to the estimate under the base scenario. Under this scenario in 2010 the fiscal revenues will increase to UAH 301 bn remaining lower than in 2008.

Optimistic scenario: Under the optimistic scenario the consolidated fiscal revenues are estimated at UAH 286 bn in 2009. The fiscal deficit at 4.2% of GDP will enable the Government to finance expenditures above the levels of 2008. In 2010 the consolidated fiscal revenues are forecasted at UAH 321 bn.

Balance of payments: Current account deficit will be at 0.6% of GDP in 2009

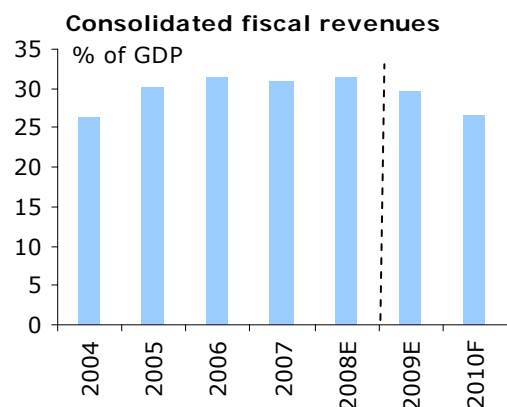
Current account: As before we expect less current account deficit widening in the second half of the year as commodity trade deficit will be compensated by service trade surplus. Thus, current account deficit will narrow to USD 0.7 bn (0.6% of GDP) in 2009. In 2010 current account balance will be in surplus at USD 0.4 bn (0.3% of GDP).

Between January and April we observed significant imports contraction (by 50.2% yoy in dollar terms) due to both deteriorated investment and consumption demand, and administrative restrictions. As previously we expect a deceleration of merchandise imports contraction later in the year. The estimate of contraction in merchandise imports was revised to 45.0% in dollar terms in 2009 against the background of growing crude oil prices. The merchandise exports are forecast to drop by 36.9% in 2009.

Incomes and unemployment under different scenarios

| | <i>Pessimistic</i> | Base | <i>Optimistic</i> |
|--------------------------------|--------------------|--------------|-------------------|
| 2009 | | | |
| Real disposable incomes, % yoy | -18.1 | -14.6 | -13.2 |
| Unemployment rate*, % | 11.0 | 9.5 | 9.0 |
| 2010 | | | |
| Real disposable incomes, % yoy | -8.8 | -1.1 | 3.3 |
| Unemployment rate*, % | 10.5 | 8.5 | 8.0 |

* ILO methodology, aged between 15 and 70 years old
Source: IER calculations



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

Fiscal indicators under different scenarios
% of GDP

| | <i>Pessimistic</i> | Base | <i>Optimistic</i> |
|------------------------------|--------------------|-------------|-------------------|
| 2009 | | | |
| Consolidated fiscal revenues | 27.6 | 29.6 | 30.6 |
| Capital expenditures | 2.2 | 3.0 | 4.2 |
| Consolidated fiscal deficit | 3.7 | 3.9 | 4.2 |
| 2010 | | | |
| Consolidated fiscal revenues | 27.0 | 26.6 | 27.1 |
| Capital expenditures | 1.9 | 2.6 | 3.8 |
| Consolidated fiscal deficit | 2.0 | 2.7 | 2.3 |

Source: IER calculations

The merchandise exports and imports will regain growth (by 14.8% and 16.3% in dollar terms, respectively) in 2010. Despite symmetric renewal of external and internal demand, imports will restore faster than exports due to high demand for energy materials. As a result, merchandise trade deficit will reach USD 3.4 bn in 2009 and USD 4.2 bn in 2010.

We keep our forecast of service imports and exports contraction at 27.7% and 20.1% in dollar terms in 2009. They will increase by about 17.0% in 2010. Thus, services trade surplus will be at USD 3.2 bn and USD 3.6 bn in 2009 and 2010, respectively.

The forecast of net current transfers was revised upwards to USD 2.5 bn in 2009 and USD 3.2 bn in 2010 against the background of receipts from selling rights on CO₂ emissions to Japan. Net incomes outflow are forecasted at USD 2.5 bn and USD 1.3 bn, respectively.

Capital and financial accounts: Between January and April financial account deficit narrowed to USD 5.7 bn due to decrease in other investment outflow and new loans issuance. Recapitalization of some Ukrainian banks by international owners, as well as loans from the EBRD and parent companies to financial sector will help to support the trend. However, other investment outflow will remain high. Thus, the financial account will be in deficits at USD 7.1 bn in 2009 and USD 0.7 bn in 2010.

Pessimistic scenario: Under the pessimistic scenario the current account balance will be in deficit in 2009 and 2010 at USD 2.9 bn and USD 1.4 bn, respectively. Financial account deficits are forecasted at USD 8.3 bn in 2009 and USD 5.2 bn in 2010.

Optimistic scenario: More pronounced revival of international trade will result in higher than under the base scenario current account surplus in 2010 (at USD 1.1 bn). On the financial side wider possibilities for debt refinancing and new loans are expected.

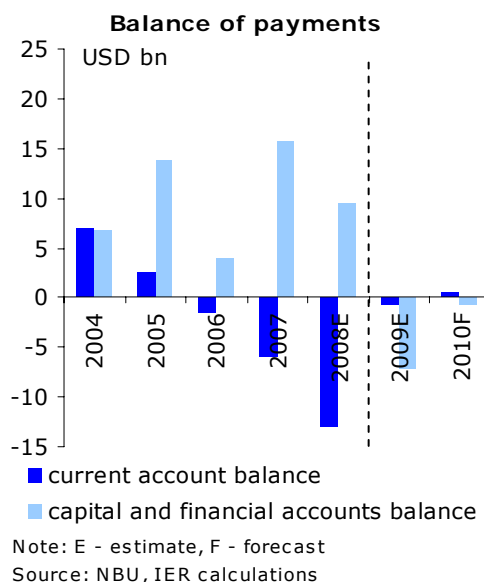
Monetary Survey: Consumer inflation will remain high in 2009 and 2010

Money aggregates. Money supply growth decelerated to 9.0% yoy in May 2009 as compared to 30.2% yoy in December 2008. Decrease in money multiplier due to growing share of cash in money supply and slow growth of base money will cause money supply to fall by 4.3% in 2009. Bank claims on private sector will contract by 6.7% or UAH 51 bn, and the NBU net reserve assets will also fall. The NBU financing of the Government will not offset the fall. In 2010 bank claims on private sector are forecasted to increase by 6.6%, while economic activity will somewhat improve and the banks will receive new deposits. Thus, we predict money supply to grow by 7.3% in 2010.

Inflation. In May 2009 inflation slowed to 14.7% yoy as compared to 22.3% yoy in December 2008 due to high households' debt, limited wage growth, and rising unemployment. On the supply side, strong inflation expectations supported high price level. Increased cash in circulation and inflation expectations will continue to maintain price growth at high level despite weak demand. We forecast the CPI to grow by 16.2% on average in 2009 and at 15.3% yoy in December. In 2010 consumer demand will remain weak, while inflation expectations are likely to subside as stability returns to the economy. As a result, inflation is expected to slow to 15.1% on average in 2010 and to 13.5% yoy in December of 2010.

Exchange rate. Hryvnia was broadly stable relative to US dollar in the first half of 2009 in UAH/USD 7.5-8.5 range. Volatility decreased significantly in the second quarter. Increased burden of external debt repayments and some improvement in imports may weaken hryvnia in the second half of 2009 as hryvnia remains highly sensitive to fluctuations in demand and supply. On the other hand, certain improvements on global financial markets and higher external demand for Ukrainian goods may support hryvnia in the end of the year. In general we expect average official exchange rate to reach UAH/USD 8.02 in 2009.

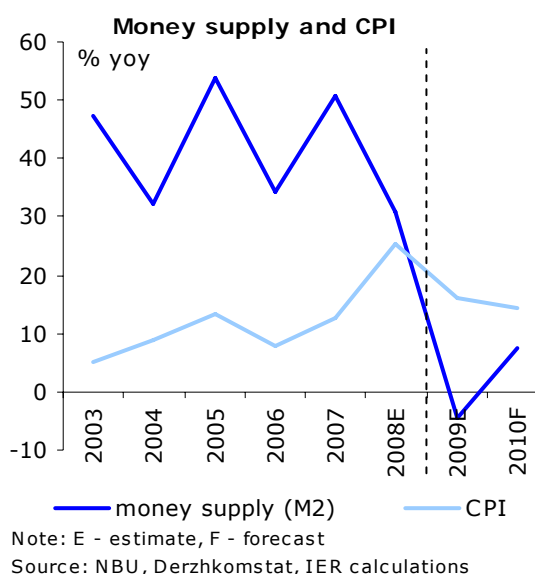
In 2010 dollarisation may fall leading to increase in foreign currency supply. At the same time, higher imports and high external debt are



Balance of payment indicators under different scenarios

| USD bn | Pessimistic | Base | Optimistic |
|---------------------------------------|-------------|------|------------|
| 2009 | | | |
| Current account balance | -2.9 | -0.7 | -1.0 |
| Capital and financial account balance | -8.3 | -7.1 | -5.7 |
| 2010 | | | |
| Current account balance | -1.4 | 0.4 | 1.1 |
| Capital and financial account balance | -5.2 | -0.7 | 0.8 |

Source: IER calculations



**Monetary survey indicators under different scenarios**

| | <i>Pessimistic</i> | Base | <i>Optimistic</i> |
|--------------------------------------|--------------------|-------------|-------------------|
| | | 2009 | |
| CPI, % aop | 17.8 | 16.2 | 15.9 |
| Money supply (M2), % yoy | 13.1 | -4.3 | -1.4 |
| Official exchange rate, UAH/USD, aop | 9.55 | 8.02 | 7.87 |
| | | 2010 | |
| CPI, % aop | 25.3 | 14.5 | 14.7 |
| Money supply (M2), % yoy | 4.8 | 7.3 | 12.4 |
| Official exchange rate, UAH/USD, aop | 11.98 | 7.90 | 7.63 |

Source: IER calculations

expected to increase demand. On balance hryvnya is expected to appreciate slightly. Thus, average official exchange rate is forecasted at 7.90 UAH/USD in 2010.

Pessimistic scenario. If the global economic downturn lasts longer than expected fiscal deficit financing with the help of NBU will cause the inflation to accelerate in 2009 and 2010. In this case inflation will reach on average 17.8% in 2009 and 23.6% 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, hryvnia is likely to reach UAH 9.55 per USD on average in 2009, with further depreciation to UAH 11.98 per USD in 2010.

Optimistic scenario. If economic recovery appears stronger than expected, increased demand will push inflation in 2010 to 14.7% on average and 14.4% yoy in December. Demand for the foreign currency is forecasted to be weaker due to greater confidence in hryvnya. Thus, exchange rate will be stronger in 2009 and in 2010 at 7.87 UAH per USD and 7.63 UAH per USD as annual average.



ASSUMPTIONS OF THE FORECAST

BASE and OPTIMISTIC scenario

- The global financial markets will stabilise in the 3rd quarter of 2009.
- The economies of the USA will start growing on a quarterly basis in the 3rd quarter of 2009, while the EU and Japan will start growing on a quarterly basis in the 4th quarter of 2009.
- Ukraine together with Poland will host the EURO 2012 which will create stimulus for investments into infrastructure projects.
- The world prices for crude oil (Brent) will be at USD 55-60 per barrel on average in 2009 and reach USD 75 per barrel on average in 2010.
- 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 recover in 2010.
- The external demand for Ukrainian nitrogen fertilizers will remain high in 2009 and 2010.
- VAT refund overdue arrears will be accumulated in 2009 and somewhat decline in 2010.
- The accumulated advance EPT payments will be reducing throughout 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.
- 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.
- Utility, gas and electricity tariffs for population will be increased in 2009 and 2010.
- The official privatisation plan will not be executed in 2009. In 2010 the Government will succeed in privatising some blue chips.
- The Government will receive loans from the World Bank and the EBRD in 2009 and 2010.
- 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 most of 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 and OPTIMISTIC 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 50 per barrel in 2009 and at USD 65 per 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 in 2009 and 2010.
- Financial sector will suffer large losses and several large banks will fail in 2009 and 2010.
- IMF will refuse to cooperate with Ukraine and no other instalments of loan will be disbursed.

TABLES
Table 1. National Accounts (GDP)

| | | 2006 | 2007 | 2008E | 2009E | 2010F |
|---|--------|-------|-------|-------|-------|--------|
| Nominal GDP | UAH bn | 537.7 | 712.9 | 949.9 | 925.5 | 1137.6 |
| | USD bn | 106.5 | 141.2 | 180.3 | 115.4 | 144.0 |
| Real GDP | % yoy | 7.3 | 7.6 | 2.1 | -13.4 | 3.8 |
| GDP expenditure side components | | | | | | |
| Private consumption, real | % yoy | 15.9 | 17.1 | 11.8 | -16.9 | 4.7 |
| 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 | -31.5 | 10.8 |
| Exports, real | % yoy | -5.6 | 3.2 | 5.2 | -24.5 | 6.7 |
| Imports, real | % yoy | 6.8 | 19.9 | 17.1 | -39.9 | 11.9 |
| GDP production side components | | | | | | |
| Agriculture, real | % yoy | 2.0 | -5.0 | 17.2 | -6.5 | 3.7 |
| Extractive industry, real | % yoy | 9.9 | 4.1 | -1.5 | -13.8 | 5.2 |
| Manufacturing, real | % yoy | 9.2 | 12.8 | -2.3 | -18.9 | 7.9 |
| Production and distribution of electricity, gas and water, real | % yoy | 0.1 | 1.3 | -4.8 | -11.9 | 5.8 |
| Construction, real | % yoy | 0.3 | 13.2 | -17.5 | -31.9 | 13.8 |
| Trade, repair services, real | % yoy | 17.7 | 20.6 | 1.8 | -16.5 | 4.7 |
| Transport, real | % yoy | 7.6 | 11.0 | 7.1 | -14.8 | 3.7 |
| Education, real | % yoy | 2.1 | 4.3 | -0.4 | -1.5 | 0.5 |
| Health care, real | % yoy | 2.4 | -0.4 | -0.4 | -2.1 | 0.0 |
| Other types of economic activity, real | % yoy | 5.7 | 6.0 | 1.9 | -12.7 | 1.5 |
| Estimated payments to financial intermediaries, real | % yoy | 59.6 | 30.0 | -2.6 | -38.0 | 15.0 |
| Net taxes on products, real | % yoy | 13.4 | 4.9 | 8.0 | -15.1 | 5.2 |

Table 2. Incomes and Unemployment rate

| | | 2006 | 2007 | 2008E | 2009E | 2010F |
|---|-------|------|------|-------|-------|-------|
| Real disposable incomes | % yoy | 11.8 | 14.8 | 10.3 | -14.6 | -1.1 |
| 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 | 274.9 | 302.9 |
| | % of GDP | 31.6 | 30.8 | 31.4 | 29.6 | 26.6 |
| EPT revenues | UAH bn | 26.2 | 34.4 | 47.9 | 32.8 | 37.3 |
| | % of GDP | 4.8 | 4.8 | 5.0 | 3.5 | 3.3 |
| VAT revenues | UAH bn | 50.4 | 59.4 | 92.1 | 82.7 | 92.9 |
| | % of GDP | 9.3 | 8.3 | 9.7 | 8.9 | 8.1 |
| PIT revenues | UAH bn | 22.8 | 34.8 | 45.9 | 43.5 | 40.3 |
| | % of GDP | 4.2 | 4.9 | 4.8 | 4.7 | 3.5 |
| Consolidated fiscal expenditures | UAH bn | 175.3 | 226.0 | 309.2 | 308.7 | 331.6 |
| | % of GDP | 32.2 | 31.4 | 32.6 | 33.3 | 29.1 |
| Current consolidated fiscal expenditures | % of GDP | 27.7 | 26.0 | 28.2 | 30.3 | 26.5 |
| Capital consolidated fiscal expenditures | % of GDP | 4.5 | 5.4 | 4.3 | 3.0 | 2.6 |
| Consolidated fiscal balance (without bank recapitalisation) | % of GDP | 0.7 | 1.1 | 1.5 | 3.9 | 2.7 |
| Privatisation receipts | UAH bn | 3.8 | 2.2 | 0.5 | 1.3 | 4.0 |

Table 4. Balance of Payments

| | | 2006 | 2007 | 2008E | 2009E | 2010F |
|--------------------------------|----------|-------|-------|-------|-------|-------|
| Current Account balance | USD bn | -1.6 | -5.9 | -12.9 | -0.7 | 0.4 |
| | % of GDP | -1.5 | -4.2 | -7.2 | -0.6 | 0.3 |
| Exports of goods | USD bn | 38.9 | 49.8 | 67.7 | 42.7 | 49.1 |
| Imports of goods | USD bn | -44.1 | -60.4 | -84.7 | -46.6 | -54.1 |
| Balance of services | USD bn | 2.1 | 2.7 | 2.4 | 3.1 | 3.6 |
| 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 | -1.3 | -2.0 | 1.8 |
| Other investments | USD bn | -5.4 | 0.8 | 1.1 | -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 | 502.1 | 548.5 |
| | % yoy | 34.3 | 50.8 | 31.0 | -2.0 | 9.3 |
| Consumer price index (CPI) | % yoy aop | 8.0 | 12.8 | 25.2 | 16.2 | 14.5 |
| | % yoy eop | 11.6 | 16.6 | 22.3 | 15.3 | 12.1 |
| Exchange rate (official) | USD aop | 5.05 | 5.05 | 5.27 | 8.02 | 7.90 |
| | USD eop | 5.05 | 5.05 | 7.70 | 8.20 | 7.55 |

Note: E - estimate, F - forecast, yoy - year-on-year change, aop - average of the period, eop - end of 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 distributed 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 – distributed 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 charge.

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 publications for each of the component of the Business Tendencies available to 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 derivatives in Ukraine: Sequencing the reform steps, by Robert Kirchner, Ricardo Giucci, and Alla Kobylanska, 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 for the 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