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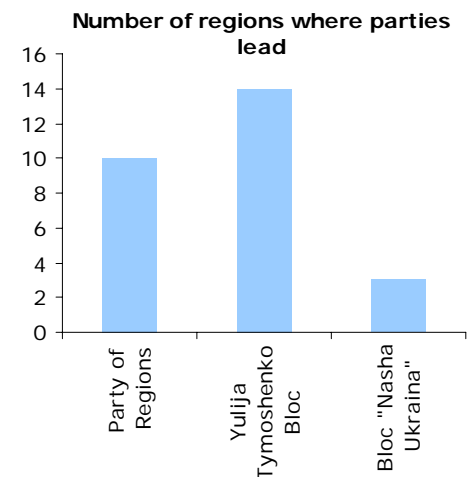
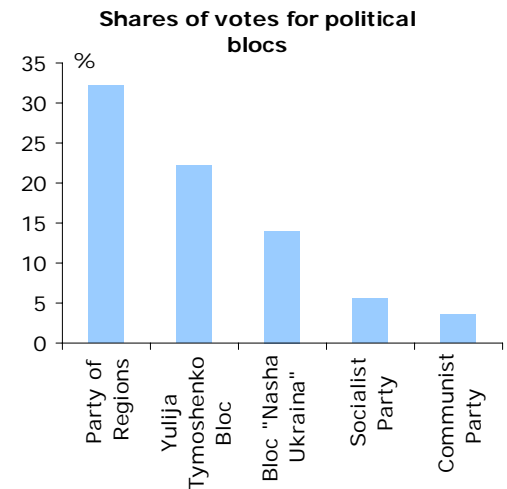
Parliament elections 2006

On March 26 Ukrainian voters in the parliamentary elections gave the mandate to represent them to five parties/blocs. The Party of Regions, headed by Viktor Yanukovich, who lost the presidential elections to Viktor Yushenko in the Orange revolution events of 2004, became the leader of the ballot receiving 32.12% according to the primary count of the votes. Political forces that supported Orange revolution and Viktor Yushenko as a President received about 41.88% in total. However, these forces are separated into several blocs with the Bloc of Yulia Tymoshenko leading the count with 22.27%, followed by the Nasha Ukraina (13.94%) and the Socialist Party (5.67%). Communist Party of Ukraine (3.66%) barely made it to the parliament. Other 40 parties and blocs shared the rest of votes. On the edge of getting into the parliament were the radical bloc of Natalia Vitrenko with 2.93%, and block of speaker Volodymyr Lytwen" with 2.73% of votes. These elections are the first in Ukrainian history to be held on purely proportionate system as opposed to the mixed proportional and majoritarian system of the 2002 parliamentary elections.

The main fear of the opponents of the proportional system was that in the presence of the 45 blocs/parties in the election list Ukraine would receive a highly fractured parliament in the absence of the structured political scene. However, small parties and "technical" political projects started just before elections and lacking grass-root political support, did not overcome the 3% threshold. Among the most prominent losers of the campaign are Social-Democratic Party of Ukraine (United) headed by Viktor Medvedchuk, ex-vice-speaker and ex-head of the presidential administration; party Trudova Ukraina, which was linked to the support of a big Ukrainian businessman Viktor Pinchuk; Bloc Pora-PRP, which was part of the so called Orange forces; and Bloc of speaker of the previous parliament Volodymyr Lytvyn "We". The newly elected parliament will be the first one to operate under the recently changed Constitution. Constitutional reform of 2004 turns Ukraine into the parliamentary-presidential country. The main difference from the previous modus operandi of Ukrainian power system is that parliament is responsible for nominating the Cabinet of Ministers. However, to arrive to this point a coalition has to be formed, which under current configuration of the political forces in the parliament, presents a difficult challenge to the main political players.

Two of the most likely coalition structures are the Party of Regions and the Nasha Ukraina and the so-called "Orange coalition". Should the "Orange coalition" be formed among the Nasha Ukraina, the Socialist Party and the Bloc of Yulia Tymoshenko, the latter would likely head the government. This coalition would allow protecting the "Orange electorate" of the parties, but would marginalize the Party of Regions, which clearly represents Eastern Ukraine. The coalition between the Party of Regions and the Nasha Ukraina would render a more stable unit than the previous configuration, however, voters, supporting the Nasha Ukraina, are likely to oppose such a development, stripping the Nasha Ukraina of electoral base, which would likely start supporting the Bloc of Yulia Tymoshenko. On the one hand, such a coalition could stabilize the situation in the country and country's economy, favouring the growth of big businesses. On the other hand, such a coalition can be focused on its own objectives, which would be less correlated with the general electorate's wish to see more reforms as well as a more pragmatic approach to the state policy-making.

Whatever are the results of the coalition creation, it is necessary to stress that these elections are the first ones to be conducted in an open competition between the parties, where no mass media censorship or administrative pressure was exerted by the state. International observers have all noted that these elections were free and satisfied the criteria of the democratic elections.





Quarterly Trends

National accounts **		Q2 03	Q3 03	Q4 03	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	Q3 05	Q4 05
GDP	UAH bn	60.0	75.6	77.1	64.7	79.0	100.5	100.6	82.5	95.0	120.0	...
GDP (real)	% yoy	10.0	6.8	12.1	12.7	13.7	14.0	8.5	5.0	3.2	1.2	...
Households consumption (real)	% yoy	14.4	11.2	13.6	14.6	16.8	13.1	16.2	16.4	14.6	19.4	...
State consumption (real)	% yoy	17.8	19.2	9.0	3.3	1.0	5.0	10.1	5.2	2.2	2.3	...
Gross fixed capital formation (real)	% yoy	20.4	24.3	9.0	18.4	6.5	4.6	12.9	-2.6	-0.9	-0.1	...
Exports of goods and services (real)	% yoy	9.8	9.8	11.6	18.1	19.9	10.5	8.6	0.1	-2.5	-17.9	...
Imports of goods and services (real)	% yoy	16.2	17.4	17.7	13.8	7.3	6.7	7.8	6.6	2.1	1.7	...
Agriculture, hunting, forestry (real)*	% yoy	-13.7	-22.5	6.7	-4.4	0.9	35.7	9.9	5.9	8.5	2.2	...
Manufacturing industry (real)*	% yoy	15.4	23.0	20.1	23.9	16.3	12.5	9.4	7.8	3.2	0.2	...
Construction (real)*	% yoy	24.8	30.9	16.9	29.9	30.6	16.4	3.9	-5.9	-9.0	-6.3	...
Trade, repair services (real)*	% yoy	15.1	22.6	29.6	23.6	35.0	2.7	13.7	-1.5	-3.2	-6.2	...
Transport (real)*	% yoy	11.5	15.9	11.7	10.1	8.0	12.3	10.5	7.3	6.8	4.7	...
Balance of payments												
Current account balance	USD bn	0.7	0.7	0.4	1.4	2.3	2.1	1.1	1.6	0.6	0.4	-0.1
Current account balance	% of GDP	7.0	5.0	3.0	11.1	15.7	10.9	5.7	9.9	3.3	1.7	-0.4
Trade balance in goods	USD m	-42	-155	-381	933	1552	774	482	1020	-236	-1131	-788
Trade balance in services	USD m	399	362	409	133	198	749	157	188	392	1035	191
Current transfers	USD m	526	574	584	475	758	720	623	626	694	745	780
Direct investment (FDI)	USD m	454	390	329	333	614	420	344	247	365	477	6474
Portfolio investments	USD m	640	-444	-293	449	149	1313	156	397	923	90	1347
Gross international reserves	USD bn	6.2	6.7	6.9	7.9	9.6	12.1	9.5	12.0	13.1	14.3	19.4
Fiscal indicators												
Consolidated fiscal revenues	% of GDP	31.7	30.1	28.6	27.2	26.9	26.3	25.9	32.1	35.1	31.5	31.0
Personal income tax	% of GDP	5.7	5.3	5.1	4.4	4.1	3.8	3.8	4.3	4.4	3.9	4.2
Enterprise profits tax	% of GDP	5.1	4.8	5.0	3.9	4.0	4.1	6.1	4.8	5.9	5.3	6.3
Value-added tax	% of GDP	6.3	5.8	4.8	6.2	5.7	5.1	4.1	8.6	9.2	7.9	7.3
Excise tax	% of GDP	2.2	2.1	2.0	2.1	2.1	2.0	1.8	2.0	2.0	2.0	1.7
Consolidated fiscal expenditures	% of GDP	29.2	27.9	28.8	25.3	26.5	26.8	35.2	28.3	36.4	28.1	41.7
Current expenditures	% of GDP	26.3	24.2	24.3	22.4	22.7	21.7	27.2	26.5	33.6	24.0	34.2
Capital expenditures	% of GDP	3.0	3.7	4.4	2.9	3.8	5.1	8.0	1.8	2.7	4.1	7.5
Consolidated fiscal balance	% of GDP	2.5	2.2	-0.2	1.9	0.4	-0.5	-9.3	3.7	1.0	-5.0	6.2
Privatisation receipts	% of GDP	1.0	1.0	0.8	1.5	3.7	3.5	1.0	0.2	0.6	0.6	16.0
Labour market												
Average wage (real)	% yoy	19.1	19.9	14.9	19.9	18.6	14.7	15.4	15.0	19.0	19.6	26.4
Household income (real)	% yoy	8.6	10.0	8.7	11.7	16.3	11.3	16.6	24.0	28.0	19.4	18.9
Unemployment rate (ILO methodology)	%	8.8	9.2	9.0	9.3	8.3	8.1	8.7	8.7	7.0	5.2	...
Banking system												
Monetary aggregate M0	% yoy cum	37.0	30.5	25.3	29.1	25.6	37.1	27.9	28.2	39.1	31.1	42.2
Monetary aggregate M2	% yoy cum	54.6	49.9	47.6	45.4	44.8	51.5	32.3	38.9	37.4	31.3	53.9
Household deposits in national currency	% yoy cum	74.7	65.0	66.1	69.4	67.3	67.9	26.2	28.3	31.6
Household deposits in foreign currency	% yoy cum	70.2	70.4	77.5	67.0	61.7	55.2	54.3	51.8	45.4
Com. bank credits in national currency	% yoy cum	71.2	73.0	61.7	56.8	52.1	44.3	29.4	28.3	32.6	43.4	58.7
Com. bank credits in foreign currency	% yoy cum	48.4	57.7	60.9	63.6	56.2	43.5	32.2	33.1	36.8	47.1	66.3
Long-term com. bank credits	% yoy cum	156.4	164.0	157.9	141.7	102.7	82.7	57.1	49.5	53.0	70.1	84.6
Long-term com. bank credits	% of total	37.4	40.1	45.0	47.4	49.3	50.9	54.2	54.4	56.1	59.7	61.8
Average lending rate on national cur. credits	% p.a.	17.2	17.2	17.7	17.2	16.6	17.0	17.6	17.0	15.4	15.4	16.4
Average lending rate on foreign cur. credits	% p.a.	12.6	11.7	10.9	12.2	12.1	12.6	12.2	12.1	11.0	11.3	11.7

SOURCES: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, IER estimates

* change in value added

** preliminary

Notes:

yoy year on year change

p.a. per annum