

Monthly Economic Monitor Ukraine

- The IMF approved new Stand-by Arrangement for Ukraine.
- Industrial production growth in June decelerated to 8.9% yoy.
- Tariffs for natural gas were increased.
- Ukraine faced twin surpluses of financial and current account for the third month in a row.
- Central fiscal deficit (general fund) widened to UAH 25.3 bn in June.
- Eligibility criteria for getting housing and utility subsidies were softened.
- Wage growth continues.
- The state debt surged in July.
- Legal entities' loans in foreign currency increased.
- HIGHLIGHT OF THE MONTH: New Gas Market Law

**No.8 (118)
August
2010**

Politics: The IMF approved SDR 10 bn Stand-By Arrangement for Ukraine

On July 28, the IMF Executive Board approved a 29-month SDR 10 bn (near USD 15.1 bn) Stand-by Arrangement for Ukraine. New Arrangement became possible after Ukrainian authorities made some steps towards reforms. In particular, the Parliament approved laws envisaging budget sequester, increase in the NBU independence, introduction of inflation targeting, and new regulation of the natural gas market. The new version of the Budget Code was also adopted, while the Draft Tax Code was approved in the first reading. Besides, the gas tariffs for population and district heating companies were raised to ensure lower deficit of the Naftogas.

The first tranche at USD 1.89 bn was already transferred, including USD 1.0 bn for fiscal purposes. Overall, USD 2 bn are assigned for fiscal purposes, while others instalments should be transferred to the international reserves of the NBU.

The Memorandum signed between the IMF and Ukraine foresees the authorities' liability to restore fiscal sustainability. In particular, the target for general government deficit is set at 3.5% of GDP in 2011 and 2.5% of GDP in 2012, while public debt should become lower than 35% of GDP by 2015. Besides, the Government is to continue reforms in energy sector and restore banks soundness. The monetary policy should focus on domestic price stability rather than fixed exchange rate. Therefore, the future cooperation with the IMF and transfer of next instalments will largely depend on the fulfilment of taken obligations by Ukrainian authorities.

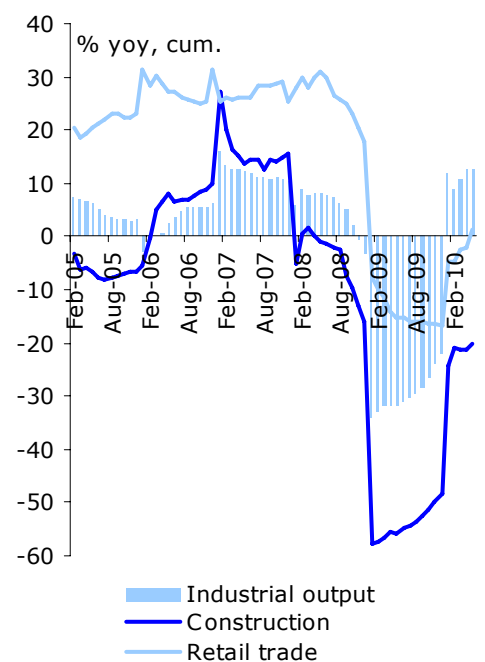
On July 10, the speaker of the Verkhovna Rada declared closed the 6th regular session of the Parliament, which proved to be rather fruitful in comparison with previous ones. The legislative output of this session numbers 135 laws passed, including the State Budget Law for 2010 and the Budget Code, the Law on public procurement, the Law on judicial system and status of judges, as well as, the Law on local elections. The Law on essential principles of domestic and foreign policy established a non-aligned status of Ukraine. The next 7th regular parliamentary session is scheduled to open on September 7, 2010.

Real sector: Further weakening of industrial production was observed

Industrial production growth in June continued to decelerate to 8.9% yoy. Growth of metallurgy and chemical production growth slowed to 6.7% yoy and 15.3% yoy, respectively, due to weak external demand. Machine building output grew by 35.4% yoy being primarily supported by demand for railcars and industrial equipment. Food industry growth accelerated to 0.4% yoy due to seasonal demand growth.

Population: 45.9 m
Industry/GDP: 27%
Agriculture/GDP: 8%
Investment/GDP: 18%
Exports to: Russia 25%, EU 28%
Imports from: Russia 22%, EU 35%

Real sector trends



Source: Derzhkomstat

Institute for Economic Research
and Policy Consulting
Reytarska 8/5-A, 01034 Kyiv
Tel. (+38044) 278-6342
Fax (+38044) 278-6336
E-mail: institute@ier.kiev.ua
<http://www.ier.kiev.ua>

In June, freight turnover grew by 14.2% yoy triggered by increased transit volumes of natural gas and ammonia, as well as iron ore freights. Construction remained sluggish demonstrating tiny improvement; in the first half of 2010 it declined by 19.3% yoy. Retail trade volumes continued revival trend expanding by 2.3% yoy between January and June. Agricultural output growth slightly decelerated to 3.4% yoy.

Sectoral trends: Tariffs for natural gas were increased

Energy. On July 8, the Parliament adopted the Law 'On the principles of operation of the natural gas market' envisaging the procedures to establish the competitive gas market in Ukraine. The document could be considered as an important step towards national legislation harmonization with the European one, as it complies with respective EU regulation of natural gas market, including Directive 2003/55/EC. The implementation of stated in the document competitive rules is expected to vanish existing drawbacks in pricing and bring new quality standards to the market (see *MEMU Supplement*).

On July 13, the National Electricity Regulation Commission (NERC) increased the tariffs for natural gas for population and district heating companies by 50% since August 1, 2010. Such step was one of the conditions for the IMF approval of new Stand-By Agreement. According to the NERC decision, the tariffs for industrial consumers and budget entities were also increased by 9.8% since August 1, 2010. This is *de facto* the second tariff increase for national steel and chemicals producers after cancellation of gas prices privileges introduced as an anti-crisis measure in the end of 2008. On average gas price for industry will equate UAH 2187.2 per thousand cubic meters. This coincides with estimated weighted average price of imported natural gas in 2010. New price will result in higher expenditures of economic agents, while it will restrict the liquidity gap of the Naftogas at near 1.0% of GDP in 2010 and decrease the fiscal support of company this year and thereafter.

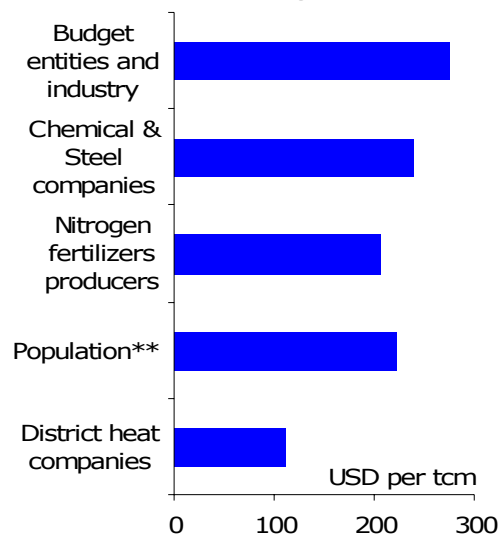
Agriculture. Ukraine is at the final stage of harvesting early grain crops. The harvesting campaign was accompanied with bad weather conditions, what impacted yields and quality of grain. Due to unfavourable weather conditions, the Ministry of Agricultural Policy decreased the grain harvest forecast to 40 m tons. This estimate might be further revised downwards, taking into account current heat and danger of burning out of existing crops. During the last month harvest forecast in Russia was also reduced by 20 m tons to 60 m tons. Russian government introduced export ban for grains in concern with damages and fires of crops as well as rising prices on the internal market. Due to lower harvests in most grain exporting countries grain prices on world market doubled during the last month and keep growing. Ukrainian exports, although being officially open, is actually blocked by prolonged quality checks and leads to breaches of existing export agreements.

Telecommunications. On July 1, the Parliament amended the Law "On telecommunications". It obliged mobile companies and the regulator to create technical conditions for mobile numbers portability since 2011. Even if it is retarded, this decision already strengthens competition on the market and stimulates operators to increase quality and decrease price of services.

The National Commission for Communications Regulation established fees for interconnection between fixed-line and mobile operators. They constitute 0.18-0.25 UAH/min for access to fixed-line networks, and 0.35-0.40 UAH/min for mobile ones. Earlier interconnection fees were agreed between companies, which resulted in market conflicts and stoppages in service supply. Now, it is expected that dominant companies will not be able to abuse their monopolistic position.

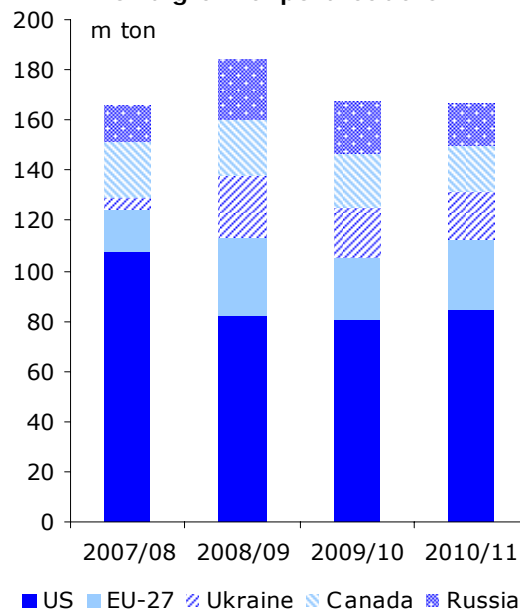
Transport. Memorandum of understanding between the CMU and metal and chemical producers was not prolonged. This means the cessation of practice of preferential tariffs for freight transportation by rail at the level of October 2008 for respective industrial companies. Metal and chemical producers had enjoyed lower tariffs

Gas prices in Ukraine for different consumers (as of August 1, 2010)*



Source: NERC
 * Prices excluding VAT, extra charge, and transportation & supply costs
 ** Average price

World grain export leaders



Source: USDA estimates as of July 9, 2010

for 21 months, though initially the period had been set for 3 months. Finally, the Ukrzaliznytsia's revenues leakage and cross-subsidization at the expense of other industrial customers have stopped.

External sector: Balance of payment continued to strengthen in June

In June, current account formed positive for the third month in a row (USD 0.2 bn). Gradual increase in merchandise exports (by 2.7% mom) was offset by respective merchandise imports increase (by 3.5% mom). Positive trends in external demand for Ukrainian metals and machine building production somewhat weakened as European sovereign debt crisis negatively impacting external demand and world prices. Besides, exports of agricultural production continued decreasing. Merchandise imports were developing more smoothly being triggered by higher domestic demand for machine building production and chemical products. Slight increase in trade deficit in goods (USD 0.2 bn) was more than compensated by larger trade surplus in services (USD 0.3 bn) supported by higher gas transit fee and volumes transited.

Financial and capital account surplus increased by near 3 times as compared to May (to USD 2.6 bn) thanks to loan from the Russian VTB (USD 2.0 bn) to Ukrainian government. The loan is devoted to fiscal purposes. Positive trend of June was also supported by twofold increase in net FDI inflow (USD 755 m) against the background of improved situation at external capital markets and investment climate in Ukraine. No changes in development of other categories were observed. Thus, NBU continued increasing international reserves.

Fiscal policy: Fiscal revenues and expenditures were substantially cut

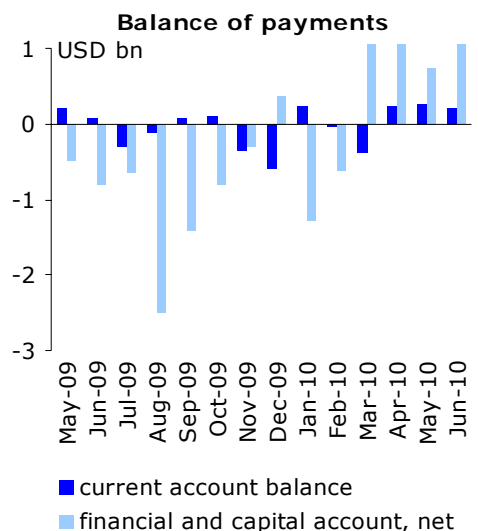
Budget Sequester. In July, under the pressure of the IMF the Parliament approved initiated by the Government law on budget sequester. Such a policy decision was needed due to high fiscal pressure created by lower than planned fiscal revenues. The plan of central fiscal revenues for 2010 was reduced by 5.0% to UAH 252.7 bn primarily due to lower VAT collections. Target for central fiscal expenditures was cut by 5.3% to UAH 305.6 bn. As a result, planned central fiscal deficit declined to UAH 54.1 bn or 4.99% of GDP.

Budget Execution. Between January and June central fiscal revenues due to general fund were executed at 92.3% of plan due to lower than planned tax revenues. Overall, collections of all tax revenues, but excises, were under-executed. In particular, VAT revenues reached 87.9% of the target against the background of weaker growth of imports and domestic production than it was officially expected. Planned revenues from VAT on imports did not take into account the provision of zero VAT rate for gas imported by the Naftogaz. At the same time, VAT refunds appeared to be under-executed as well. Enterprise profits tax revenues were executed at 89.8% being slightly lower than in the same period of 2009. Non-tax revenues, on the contrary, were over-executed.

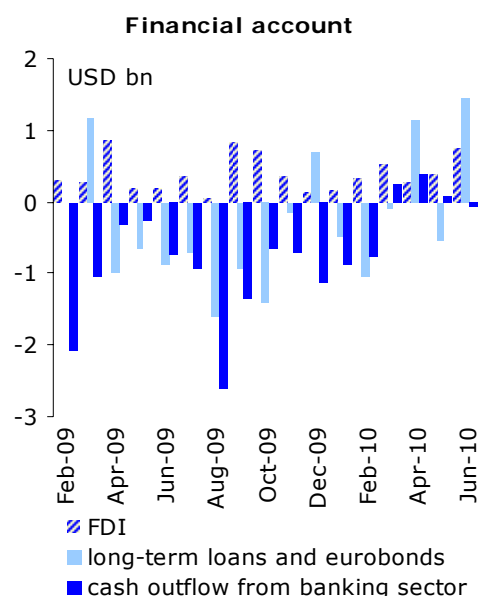
Central fiscal expenditures (general fund) were executed at 95.6% of target. As usually, social protection was financed almost in full, while programs under the function of housing and utility sector were financed only at 61.4% of plan. Therefore, lower than expected revenues did not allow the Government to finance all planned expenditures. Central fiscal deficit (general fund) reached UAH 25.3 bn, which is by UAH 9.7 bn higher than a month before. The deficit was partly financed at the expense of attracted loan from the Russian VTB.

Social policy: More people will be eligible for housing and utility subsidies

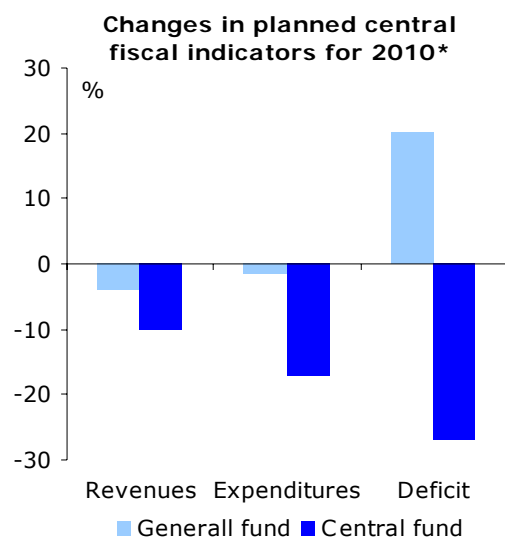
Subsidies. The Government approved amendments to the procedure of providing housing and utility subsidies to households. Such decision is aimed at increasing the coverage of households by this social assistance program under conditions of increased gas tariffs



Source: NBU, preliminary estimates



Source: NBU preliminary estimates



Note: fiscal indicators approved in July as compared to the Budget Law as of April 27
Source: State Budget Law for 2010 as of 27.04.10 and with amendments as of 8.07.10

and expected growth in housing and utility tariffs. The upper bound for the share of expenditures for housing and utility services in households' incomes, which makes households eligible for subsidy, was reduced from 15% to 10% for households consisting of only pensioners, disabled and children under 18 years old. For other households this share was reduced from 20% to 15%. Besides, the procedure for application for the subsidy was facilitated. Officials expect that the number of households eligible for subsidy will double.

Pension Fund. On July 21, the Government finally approved the budget of the Pension Fund for 2010, which envisages the deficit at UAH 28.8 bn (near 2.7% of GDP). The deficit will be financed at the expense of central fiscal transfer at UAH 26.6 bn and residual funds on the Fund's account as of January 1, 2010. The Fund will also receive central fiscal transfer at UAH 38.2 bn for financing pensions defined by different state programs, including pensions to retired miners and military servants. Overall, expenditures of the Pension Fund are planned at UAH 192.3 bn (near 18% of GDP). Such high expenditures and deficit in relation to GDP again indicate the problem of non-sustainability of the pension system in Ukraine. Therefore, the pension reform is one of the topics of negotiations between the IMF and Ukraine.

Labour market: Wage growth continues

In June, average wage grew by 7.8% mom to UAH 2373. Traditionally for June the highest wage increase was observed in public sectors. In particular, rapid wage growth in education is likely to be primarily explained by vocation payments to staff. Other sectors increased wage at a very moderate pace. Wage growth there could be attributed to more hours worked in June as compared to May. In particular, wages in industry increased by 2.7% mom. At the same time, financial sector reduced salaries by 5.4% mom on average.

Monetary policy: Inflation targeting is on agenda

The Verkhovna Rada amended the Law on the National bank to meet IMF requirements in the framework of further cooperation between the IMF and Ukraine. According to the new edition of law, price stability was set as the main goal of the NBU. While price stability is an important prerequisite for inflation targeting, political and economic situation in Ukraine remains highly dependent on changes in exchange rate. Thus, the exchange rate is likely to remain the main anchor of the monetary policy in the medium term.

In July, CPI slightly decelerated to 6.8% yoy as demand remained sluggish, while new harvest and more or less stable national currency allowed to keep inflation expectations low. Price decrease for food items continued to contribute to CPI deceleration.

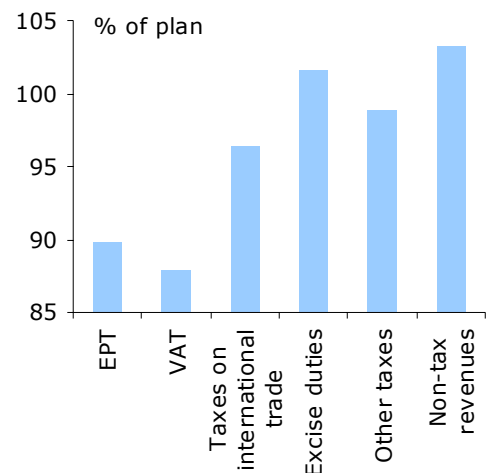
In July, growth of money supply significantly accelerated (to 16.9% yoy, which is by 4 p.p. higher than in June. Monetary base increased by 18.3% yoy. As before, monetary base increase was attributed to the NBU interventions on foreign currency market, as well as the NBU transfer to the State budget related to the excess of the Bank's revenues over expenditures.

Financial markets: State debt surged in July

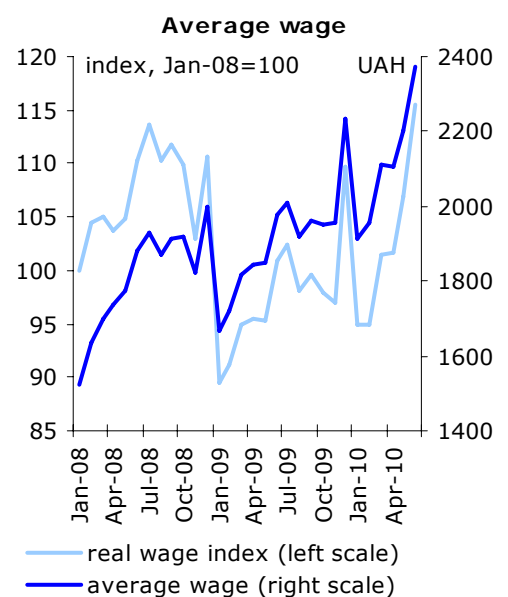
State debt: In July, the Government successfully placed 4 issues of domestic state bonds totalling to UAH 4.3 bn, UAH 1.2 bn of which are to be repaid in 2010. Commercial banks and non-residents were most active on the market purchasing 83.7% and 18.6% of the amount, respectively. The NBU slightly decreased its portfolio of OVDPs. Weighted average yield of issues is 9.8% with near 7% paid on debt maturing in 2010 and 12.5% on long-term debt.

Besides, according to new Stand-by Arrangement the cumulative tranche at USD 2.0 bn is foreseen for the fiscal purposes in 2010. Half of this amount was already received. Overall, the state debt is rapidly increasing in 2010, continuing the previous year trend. However, by the end of this year it is likely to remain at the safe level according to international standards.

Execution of central fiscal revenues (general fund), Jan.-June 2010

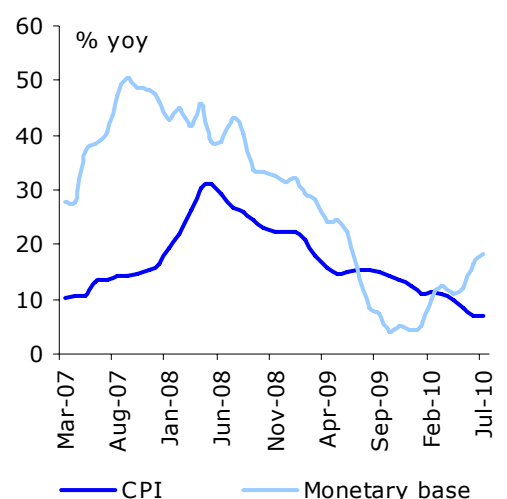


Source: State Treasury reports



Source: Derzhkomstat

CPI and monetary base development



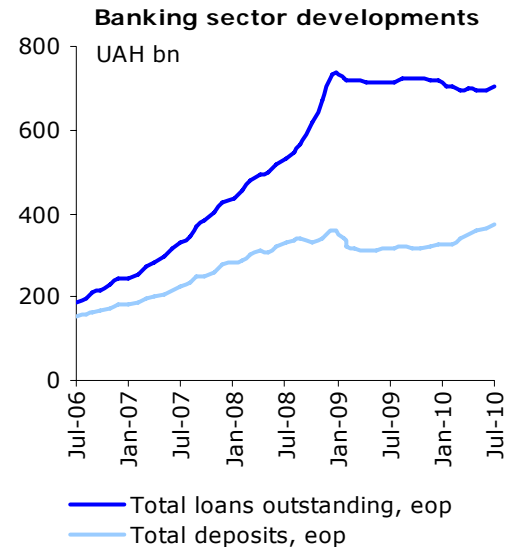
Source: Derzhkomstat, NBU



Banking sector. In July, growth of bank deposits accelerated to 3.3% mom primarily thanks to households' deposits increase (by 3.5% mom). For the first time since March, foreign currency deposits of households increased almost symmetrically with national currency ones. This is likely to indicate new trend of deposits' diversification. Legal entities deposits also grew (by 2.9% mom).

Loans in national economy grew by 1.2% mom, which is the highest increase since December 2008 when the most of debts were restructured. This happened due to expanding crediting to legal entities indicating improved economic stance of Ukrainian enterprises and lower risk-averseness of Ukrainian banks. Households mostly continued repaying old debts.

Exchange rate. In July, slight appreciation of national currency was observed. Exchange rate remained in the range of 7.89-7.91 UAH per USD. Demand and supply for cash foreign currency continued to balance since April. The NBU reduced net purchases of foreign currency at non-cash foreign exchange market to USD 0.8 bn in July from USD 0.9 bn in June.



Source: NBU

Highlight of the month: New Gas Market Law

New model of gas market: what will it change?

by Dmytro Naumenko

On July 8, the Parliament approved the Law 'On principles of operations on the natural gas market' long awaited by the national gas market operators and international community. Permanent state intervention into pricing and setting of entrance barriers destroyed competition at the Ukrainian gas market. State company NJS 'Naftogas of Ukraine' is the biggest operator at the market and controls its major segments. Currently it carries losses in gas sales to population and district heat companies due to pricing mechanism set by the Government. As a result, gas transmission system and another infrastructure are significantly underinvested, that seriously threatens energy security.

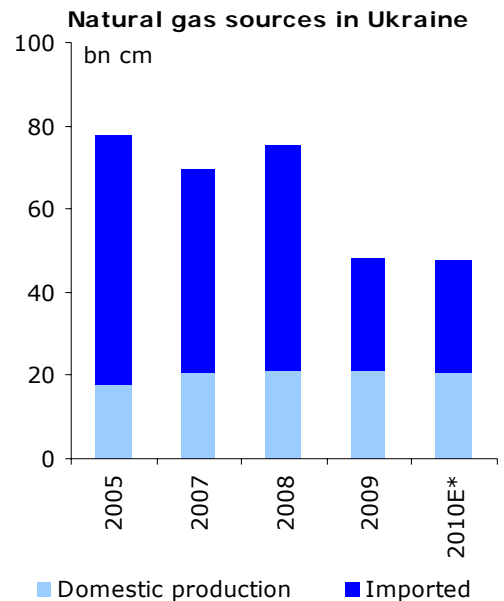
Under such conditions, development of new model of gas market, including modernization of the gas transit system, was one of the main requirements of the IMF, the European Commission and other international organizations for continuation of financial support of Ukraine. Changes in market regulation are supposed to eliminate current cross-subsidization of different segments of gas market and make the market more transparent and attractive for investments.

The EU regulation of natural gas market (namely Directive 2003/55/EC and EU Regulation 1775/2005) was chosen as a basis for new gas market law in Ukraine. The reforms of gas sector in the EU itself were based on concepts of *gas markets opening* in the Member States or *competitive environment*: (1) consumers choose free suppliers of natural gas; (2) operators get free access to the network infrastructure, including transit and local pipelines and underground gas storage (UGS). The markets are to be opened through *vertical unbundling*, which involves separating the transportation, distribution and supply in a vertically integrated gas companies.

New Gas Market Law in Ukraine guarantees equal conditions for market access to all operators complying with licensing requirements defined by the regulator. Business activities in transportation, supply, distribution and storage of natural gas should be separated in terms of legal ownership and decision-making. This would lead to vertical unbundling of the Naftogas. The Law also envisages regulated third party access to network infrastructure, which is expected to create possibilities to operate on the market for other than affiliated with the Naftogas gas suppliers. Finally, market regulator, the National Commission on Electricity Regulation (NERC), became legally enforced to act independently from other state authorities. This could be treated as an important step towards the competitive pricing on the market.

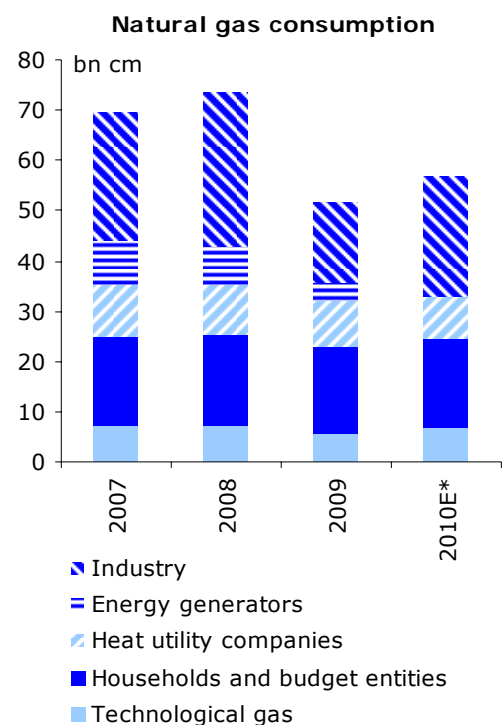
Meanwhile, according to the Law, the Government will keep full control over the gas extraction through state owned companies affiliated with the Naftogas. These companies are obliged to sell extracted gas to state agency at regulated price. State agency will sell extracted in Ukraine gas to population. This would allow the Government to soften price shock for households in the nearest future, but may further seriously constraint the development of gas exploration in Ukraine.

The most expected results of new Gas Law implementation are legislative and operational unbundling of the state monopolist NJS 'Naftogas'. It is likely to be divided into a number of companies engaged in natural gas production, transit, distribution and supply. *De facto* independence of existing gas companies and entrance of new players will create conditions for competition, improvement in services quality, market-based pricing and necessary investments in network infrastructure. Besides, establishment of a competitive gas market would ease further cooperation with the EU and international organizations related to financing modernization and expansion of



Source: 'Energobusiness'

* NG Balance: CMU Order #1679 as of 29.12.2009



Source: 'Energobusiness'

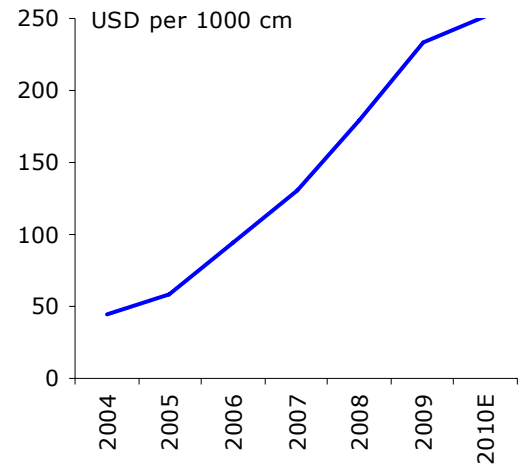
* NG Balance: CMU Order #1679 as of 29.12.2009



the Ukrainian gas transit system having been declared in Brussels Declaration in March 2009.

However, implementation of Gas Law carries a number of potential risks. The key one is only formal vertical unbundling of the Naftogas. This would mean actual conservation of existing market distortions. Besides, the NERC independence may remain only declared creating preconditions for further political intervention into price setting and for lobbying interests of certain operators on the gas market. Thus, implementation of competitive conditions at the Ukrainian gas market will require an impartial state policy directed on operators unbundling and fair pricing.

Price for imported natural gas for Ukraine



Source: Gas contracts signed by NJSC Naftogas

Economic Trends		Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Jan	Feb	Mar	Apr	May	Jun	Jul
Industrial production (real)	% yoy cum.	-31.9	-31.1	-28.4	-21.9	10.8	12	11.8	8.8	10.8	12.6	12.6	12.0	...
Construction (real)	% yoy cum.	-56.7	-54.9	-52.4	-48.2	-21.4	-19.3	-24.1	-20.9	-21.4	-21.2	-20.0	-19.3	...
Agricultural production (real)	% yoy cum.	1.7	2.6	3.3	0.1	5.3	3.4	5.4	5.2	5.3	4.9	4.5	3.4	...
Retail trade turnover (real)	% yoy cum.	-11.5	-15.2	-16.2	-16.6	-2.6	2.3	-4.8	-4.7	-2.6	-2.1	1.1	2.3	...
Average wage	UAH	1736	1892	1940	2046	1933	...	1916	1955	2109	2107	2201	2373	...
CPI	% yoy eop	18.1	15.0	15.0	12.3	11.0	6.9	11.1	11.5	11.0	9.7	8.5	6.9	6.8
PPI	% yoy eop	12.8	-0.9	1.6	14.3	18.6	25.5	16.3	16.4	18.6	21.7	27.9	25.5	24.4
Exports (USD)***	% yoy cum.	-35.6	-42.2	-43.7	-40.7	22.1	...	23.6	24.7	24.6	28.1	30.6e
Imports (USD)***	% yoy cum.	-45.2	-49.5	-49.3	-46.9	18.3	...	63.0	20.7	20.7	23.0	29.0e
Merchandise trade balance	USD bn cum.	-0.8	-1.9	-3.7	-5.7	-1.3	...	-0.3	-0.7	-1.5	-1.9	-1.8e	-2.0e	...
Current account****	USD bn cum.	-0.7	-0.8	-1.1	-1.8	-0.2	...	0.2	0.1	-0.2	0.0	0.3e	0.2e	...
Current account	% GDP, cum.	-3.4	-1.5	-1.3	-1.5	-0.7	...	x	x	x	x	x
Gross international reserves	USD bn eop	25.4	27.3	28.2	26.5	25.1	29.5	25.3	24.1	25.1	26.4	26.7	29.5	...
Monetary Base	% yoy eop	28.1	22.4	7.5	4.4	12.5	16.3	5.3	10.0	12.5	11.0	11.9	16.3	18.3
Lending rate on UAH credits **	% pa, aop	26.5	19.1	17.9	19.8	17.4	14.8	17.4	17.9	16.8	15.6	14.6	14.1	...
Exchange rate (interbank)	USD aop	8.1	7.76	8.00	8.06	8.00	7.92	8.04	8.01	7.96	7.92	7.92	7.91	7.91
Exchange rate (official)	USD aop	7.70	7.66	7.82	7.99	7.99	7.92	8.00	8.00	7.97	7.93	7.93	7.92	...
Exchange rate (official)	EUR aop	10.06	10.41	11.18	11.81	11.07	10.10	11.43	10.95	10.82	10.63	10.00	9.67	...

Sources: Derzhkomstat, Ministry of Finance, NBU, IFS, Reuters, own calculations

" Monthly figures are only for merchandise exports and imports (source: Derzhkomstat)

Quarterly figures are for trade in goods and services (source: NBU)

* Monthly figures do not include the regular quarterly revision of the GDP series

**Weighted average for different maturities (source: NBU)

*** Growth rate in dollar terms

**** Monthly data are according to the preliminary estimates provided by the NBU

^e preliminary estimate provided by the NBU

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	948.1	914.7
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.4
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1	-15.1
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-26.6
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5	-0.3
CPI	% yoy aop	28.2	12.0	0.8	5.2	9.0	13.5	9.1	12.8	25.2	15.9
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3
PPI	% yoy aop	20.9	8.6	3.1	7.6	20.5	16.7	9.6	19.5	35.5	6.5
PPI	% yoy eop	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	23	14.3
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.2	27.5	33.8	-36.6
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.0	35.5	38.5	-43.7
Current account	USD bn	1.5	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.93	-1.8
Current account	% GDP	4.7	3.7	7.6	5.9	10.6	2.9	-1.5	-3.7	-7.189	-1.7
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	6.5	5.3	9.2	9.903	4.7
International reserves	USD bn	1.5	3.1	4.4	6.9	9.7	19.4	22.4	32.5	31.54	26.5
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5	-2.362
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	14.8	12.5	19.9	33
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	9.8	15	21.5
Monetary base	% yoy eop	39.9	37.4	33.6	30.1	34.1	53.9	17.5	46.0	31.5	4.4
Exchange rate	USD aop	5.44	5.37	5.33	5.33	5.32	5.12	5.05	5.05	5.27	7.79
Exchange rate	USD eop	5.44	5.30	5.33	5.33	5.31	5.05	5.05	5.05	7.7	7.98
Exchange rate	EUR aop	5.03	4.81	5.03	6.02	6.61	6.39	6.34	6.92	7.71	10.87
Exchange rate	EUR eop	5.10	4.67	5.53	6.66	7.22	5.97	6.65	7.42	10.86	11.68

Sources: Derzhkomstat, NBU, Ministry of Finance, own calculations

''' "Minus" denotes a consolidated fiscal deficit

Notes:

avg	average	ytd	year-to-date	NBU	National Bank of Ukraine
cum	cumulative	p.a.	per annum	EPT	Enterprise profit tax
mom	month on month change	eop	end of the period	VAT	Value added tax
qoq	quarter on quarter change	aop	average of the period	NJSC	National joint stock company
yoy	year-on-year change	gs	goods and services		

Quarterly trends

National accounts		Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
GDP	UAH bn	137.6	165.1	197.4	212.8	187.7	233.7	275.8	252.7	188.0	213.7	251.3	261.7	218.1	
GDP (real)	% yoy	8.9	8.6	6.2	7.4	6.3	6.2	6.4	-8.0	-20.2	-17.8	-16.0	-6.8	4.9	
Household consumption (real)	% yoy	14.7	15.5	15.2	19.0	22.5	13.3	16.7	1.6	-15.1	-14.3	-13.7	-13.8	0.5	
State consumption (real)	% yoy	0.8	6.2	4.4	2.4	-0.2	1.3	-0.2	0.2	0.5	-5.4	-7.9	-8.7	0.5	...
Gross fixed capital formation (real)	% yoy	24.4	23.5	18.9	23.8	19.4	12.0	0.1	-17.4	-53.9	-51.3	-48.8	-29.9	-2.2	...
Exports of goods and services (real)	% yoy	4.9	5.2	0.1	5.6	4.4	7.2	18.9	-10.4	-25.8	-37.9	-34.0	3.2	7.0	...
Imports of goods and services (real)	% yoy	12.9	19.6	13.7	27.2	23.8	24.4	31.8	-4.2	-38.1	-52.5	-46.3	-10.2	2.4	...
Agriculture, hunting, forestry (real)*	% yoy	4.8	6.8	-9.3	7.1	0.5	-0.5	21.9	20.7	-1.1	3.3	4.3	-9.7	6.1	...
Manufacturing industry (real)*	% yoy	15.0	13.2	13.1	4.4	9.0	9.4	1.8	-22.6	-35.8	-32.9	-28.6	-5.0	12.4	...
Construction (real)*	% yoy	13.3	8.2	12.7	5.8	-1.5	-6.3	-17.0	-32.7	-54.3	-47.0	-46.5	-38.2	-19.2	...
Trade, repair services (real)*	% yoy	14.3	17.5	25.3	15.0	15.7	10.9	2.2	-13.9	-13.2	-13.2	-19.1	-16.6	2.2	...
Transport (real)*	% yoy	7.0	5.6	8.0	10.2	10.2	14.1	10.8	-4.3	-14.4	-11.2	-9.6	-1.1	3.6	...
Balance of payments															
Current account balance	USD bn	-1.1	-0.6	-0.3	-3.257	-3.7	-3.4	-2.1	-3.7	-0.7	-0.2	-0.1	-0.9	-0.2	0.6
Current account balance	% of GDP	-4.0	-1.9	-0.8	-7.7	-10.0	-7.1	-3.7	-9.2	-2.7	-0.6	-0.2	-2.7	-0.7	...
Trade balance in goods	USD m	-1735	-1701	-2684	-4452	-4490	-4171	-3868	-3562	-957	-699	-1486	-1513	-1300	-717
Trade balance in services	USD m	50	448	1614	308	77	308	1341	15	177	494	1328	634	810	1131
Current transfers	USD m	732	844	947	1016	740	833	831	723	632	667	640	722	629	753
Direct investment (FDI)	USD m	1709	1934	3927	1648	2430	3091	3324	1058	883	1279	1210	1282	867	1397
Portfolio investments	USD m	1816	1477	616	1844	217	160	-690	-967	-434	-360	-2334	1396	-317	...
Gross international reserves	USD bn	23.0	25.9	30.7	32.5	33.2	35.5	37.5	31.5	25.4	27.3	28.2	26.5	25.1	29.5
Exchange rate(market), UAH/USD	aop	5.04	5.02	5.01	5.04	5.03	4.79	4.70	6.49	8.09	7.76	7.99	8.06	8.00	7.91
Exchange rate(official), UAH/USD	aop	5.05	5.05	5.05	5.05	5.05	4.96	4.85	6.21	7.70	7.66	7.82	7.99	7.99	7.91
Fiscal indicators															
Consolidated fiscal revenues	% of GDP	33.3	32.8	30.8	31.1	32.9	32.0	29.5	31.6	35.0	30.6	25.4	35.8	30.8	...
Personal income tax	% of GDP	5.1	5.3	4.9	4.8	5.2	5.1	4.3	4.9	5.2	5.3	4.4	4.7	4.9	...
Enterprise profits tax	% of GDP	3.8	4.1	4.1	6.4	4.2	4.5	5.0	6.3	3.9	3.3	3.7	3.6	4.3	...
Value-added tax	% of GDP	10.4	9.8	8.7	7.6	10.6	10.9	9.8	7.8	11.8	8.3	6.4	10.9	9.8	...
Excise tax	% of GDP	1.8	1.7	1.6	1.3	1.5	1.3	1.2	1.4	2.0	2.4	2.5	2.6	2.4	...
Consolidated fiscal expenditures	% of GDP	28.4	31.0	29.6	36.7	29.8	31.6	27.2	41.2	34.6	36.7	29.5	34.3	32.9	...
Current expenditures	% of GDP	26.9	28.4	25.9	27.3	28.9	28.5	22.4	33.8	33.7	35.0	26.9	31.2	32.3	...
Capital expenditures	% of GDP	1.6	2.6	3.7	9.4	1.0	3.1	4.8	7.4	0.9	1.7	2.6	3.1	0.6	...
Consolidated fiscal balance	% of GDP	4.7	1.7	1.2	-6.2	3.0	0.4	1.9	-10.3	0.0	-6.2	-4.5	1.1	-2.0	...
Privatisation receipts	% of GDP	0.5	0.5	0.3	0.4	0.1	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.1	...
Labour market															
Average wage (real)	% yoy	12.3	11.7	12.7	13.4	13.4	6.1	6.3	0.5	-11.7	-8.6	-10.7	-5.9	5.7	...
Household income (real)	% yoy	17.5	17.4	14.9	16.4	19.0	10.1	6.6	2.7	-10.8	-6.9	-8.6	-7.6	1.4	...
Unemployment rate (ILO methodology)	% cum	7.4	6.6	6.2	6.4	7.1	6.2	6.0	7.5	9.5	9.1	8.6	8.8	9.0	...
Banking system															
Monetary aggregate M0	% yoy cum	26.2	30.6	41.1	48.2	48.4	48.6	37.9	39.3	33.9	22.8	11.5	1.5	5.4	9.9
Monetary aggregate M2	% yoy cum	38.6	40.7	47.8	50.8	52.7	48.8	37.4	31.0	12.0	5.3	-1.4	-5.4	6.9	13.2
Household deposits in national currency	% yoy cum	50.7	56.3	64.8	71.9	67.9	67.0	53.3	7.5	-10.9	-16.1	-25.4	-8.5	7.1	20.1
Household deposits in foreign currency	% yoy cum	52.3	43.8	38.4	32.5	35.2	32.9	31.2	66.3	31.8	33.0	39.2	4.7	22.8	21.5
Com. bank credits in national currency	% yoy cum	52.4	57.2	60.7	72.7	81.2	70.6	54.9	40.4	27.6	27.8	25.2	16.9	13.6	8.3
Com. bank credits in foreign currency	% yoy cum	98.9	97.4	91.0	75.4	71.3	57.9	53.4	103.6	70.8	48.7	32.4	-15.2	-13.7	-10.5
Long-term com. bank credits	% yoy cum	84.1	86.5	87.9	85.7	84.8	67.2	50.9	73.3	50.8	37.3	29.9	-3.8	-3.9	-2.8
Long-term com. bank credits	% of total	65.8	67.3	68.2	69.2	69.1	68.6	66.8	69.8	69.9	68.2	67.3	68.1	68.5	68.9
Average lending rate on national currency credits	% p.a.	14.0	13.9	13.7	14.0	15.7	17.6	17.7	21.6	26.2	19.1	17.5	19.8	17.4	14.6
Average lending rate on foreign currency credits	% p.a.	11.5	11.4	11.3	11.1	10.9	11.9	12.4	11.9	9.6	9.6	10.0	10.1	10.4	10.8

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

* change in value added

° preliminary NBU estimates for balance of payments, GDP esti

Disclaimer

The Monthly Economic Monitor of Ukraine has been prepared by the Institute for Economic Research and Policy Consulting for informational purposes only. All judgments in this report reflect authors' point of view as of date publication, and can be changed without notice. Although we used our best efforts in preparing this publication, we make no guarantees as to its accurateness. The IER does not take any responsibility for any losses or other problems that directly or indirectly resulted from the use of any part of this publication. Reproduction without prior permission is prohibited; when quoting please cite Institute for Economic Research and Policy Consulting.