INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

Monthly Economic Monitor Ukraine

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EXECUTIVE SUMMARY

HIGHLIGHT: HEALTHCARE REFORM

Politics: Ukraine makes another step towards reforms. The Parliament approved the Privatization Law, the Law on limited liability companies, and the Law on credit register.

Real sector: According to the preliminary Ukrstat estimate, the growth of real GDP decelerated slightly to 1.8% yoy in the fourth quarter of 2017. Economic growth in entire 2017 is likely to be 2.1-2.2%.

Energy sector: In January, the new mechanism for financing housing and utility subsidies came into force.

Transport: Since January 1, 2018, seaport freight fees were reduced by 20%, which would increase competitiveness of Ukrainian ports

Agriculture: The agricultural production in 2017 declined by 2.7% yoy due to a decrease in crop production.

External sector: Current account deficit reached USD 0.69 bn in December, which was one of the highest values since 2015.

Fiscal policy: Consolidated fiscal expenditures in 2017 were by UAH 62.3 bn or by 6.6% lower than planned.

Social policy: Own revenues of the Pension Fund in 2018 are planned to increase by 34.3%.

Labour market: Average wage in 2017 increased by 18.9% yoy in real terms primarily due to surge of minimum wage.

Monetary policy: The NBU increased policy rate from 14.5% p.a. to 16.0% p.a.

Exchange rate: The NBU international reserves reduced to USD 18.4 bn in January.

State debt: Non-residents increased their holdings of the domestic government bonds in January.

Highlight of the month: Healthcare reform

BETTER ACCESS TO THE HEALTHCARE: IS IT POSSIBLE IN UKRAINE?

By Oleksandra Betliy

During many years, healthcare system remained one of the least reformed in Ukraine. Quality of healthcare was going down and the system was mired in corruption and unofficial payments. Ukrainians often complain about costs of healthcare services and medicines. As a result, the necessity of healthcare reform was clear, but there was no agreement on the best path forward. In 2014, the Strategic Advisory Group under the support of the Soros's Foundation prepared the Strategy of Healthcare Reform for 2015-2020. The Strategy was not officially approved by the Government, but it was considered by the Ministry of Health while drafting legislation on healthcare reform. After long debates, the laws launching the healthcare reform were approved in 2017 with first changes starting in 2018.

Approved legislation changes healthcare delivery and the financing principles. The health facilities will receive greater autonomy after they change their legal status from budget entities to municipal non-commercial companies. The timing of this change will depend on decisions of local authorities. Heads of health facilities will have higher independence in the allocation of funding as well as in setting personnel policies. According to the reform, the structure of the healthcare delivery will change with more care provided at the primary level. The primary level doctor will be responsible for the preventive measures as well as early diagnostics, which is expected to ensure better health of the population. The reform will launch at the primary level of the healthcare system in 2018, while the changes at the secondary level are to be started in 2019.

The essential element of the healthcare reform relates to the financing of healthcare. The Government will move from financing the health infrastructure to financing the healthcare provided. The allocation of financing will be also changed. Currently, the health facilities are financed by the local authorities but most of the funds come from centrally distributed medical subvention. However, going forward the National Health Service of Ukraine (NHSU) will contract with health facilities for healthcare delivery and will be paying for the services provided. The Cabinet of Ministers approved the decision to establish the NHSU in December 2017 and announced a search for the NHSU chief in the beginning of February.

Since April 2018, individuals will receive a right to select own primary level doctor (either family doctor or therapist/pediatrician). The doctors of primary care will receive financing based on a number of persons in their care, which is expected to raise the level of their remuneration and increase a quality of care provided. The primary health facilities are to receive financing from the NHSU starting in the second half of the year. According to the Ministry of Health, per capita payment in the second half of the year will be set at UAH 370 (this is a payment per year). It is yet to clear which costs are to be covered by the tariff. According to the Ministry, the local budgets will be responsible for utility payments as well as the purchase of required equipment.

The financing of the secondary and tertiary level of health facilities are to be changed later. The financing is to be defined based on the diagnostic related groups (DRG). Currently, the Ministry of Healthcare is collecting information from pilot health facilities at the secondary level, which would include data on the actually provided health care as current data is not always accurate. This would allow to define DRG and set the tariffs for care provided.

The shift towards new approach of financing healthcare also requires the introduction of an electronic system of healthcare data *eHealth*. It was launched in 2017 and will be further developed over several more years. Currently, it focuses on the primary healthcare. The primary level doctors will have to register their patients within a system. In the future, the eHealth will contain all health information on each individual, which is expected to increase the quality of treatment prescribed to the patient. The system will also increase the transparency of financing health facilities as it would register the patient visits to doctors.

Since 2020, the Verkhovna Rada will set a state-funded guaranteed minimum healthcare package as a part of the budget process. It would certainly cover primary healthcare (including several necessary tests, vaccination) and emergency care. The care at the secondary level will be covered by the budget financing only if a patient was directed to the respective medical specialists by his/her primary level doctor. The guaranteed minimum package will not only include costs of the healthcare delivered but also cover the costs of prescribed medicines. Since 2017, the Government has already launched the program "Accessible medicines", which reimburses (full or partial) costs for the essential medicines in case of such diseases as cardiovascular diseases, bronchial asthma, and type II diabetes.

The plans for the healthcare reform are very inspiring. However, there are many risks to the reform implementation. The actual implementation of the reform depends largely on the will and support of the reform by local authorities and heads of health facilities. In particular, the decision on the autonomisation of health facilities depends on them. The local authorities should also be fiscally responsible and allocate more financing for healthcare. Another risk relates to the possible delays in the creation of the NHSU, which would become a major player in the reformed healthcare system in Ukraine. Besides, the clear anti-corruption procedures must be included in the system as the NHSU will be a key spending unit in the healthcare system.

Monthly Economic Monitor Ukraine

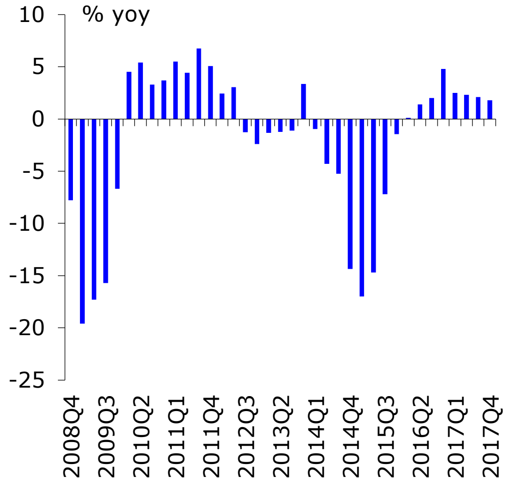
Politics: Ukraine makes another step towards reforms

Privatization law. In January, the Verkhovna Rada passed the law "On Privatisation of State-Owned Property" that aims to streamline and simplify privatisation. All state-owned enterprises (SOE) are to be divided into three groups: those to be privatized, to be liquidated, and to have better corporate governance. This is a substantial step forward taking into account that the current governance of 3500 SOEs produces poor results with many companies reporting losses. The law outlines the procedure of the privatisation. If the first sale attempt fails the law allows subsequent sale prices to be cheaper than the original one. Among the law's innovations is the possibility of privatisation to be initiated not only by the Government, but also by an interested bidder and the temporary option (until January 1, 2021) to apply foreign law to govern the asset's sale and purchase agreement. The approval of the privatisation law is among the targets in the IMF program.

Population (without Crimea): 42.6 m
Industry/GVA: 23%
Agriculture/GVA: 14%
Investment/GDP: 14%
Exports: EU 32%, Asia 35%, Russia 9%
Imports: EU 37%, Asia 20%, Russia 13%

Law on limited liability companies. In early February, the Verkhovna Rada adopted a law "On Companies with Limited and Additional Liability" that determines the legal status of respective companies, regulates the procedure of their creation, operation, and termination, as well as clarifies the rights and obligations of their participants. The new law gives the participants of the LLCs more rights regarding governing of their business by allowing all basic legal relations in the companies to be regulated by corporate contract.

Real GDP growth



Source: Ukrstat

Law on credit register. Also in February, the Verkhovna Rada passed a law on the Credit register of the National Bank of Ukraine. The law allows the NBU to create a centralized register for credits where the debt is more than 100 minimum wages. The law is one of the requirements of the IMF cooperation with Ukraine. It was also one of the conditionalities of the MFA III of the EU.

Donbas reintegration law. In January, the Verkhovna Rada passed a law that defines state policy on the restoration of Ukraine's sovereignty over the temporarily occupied territories in Donetsk and Luhansk oblasts. The law regulates legal rights, property, movement, and other issues regarding the eastern parts of the country controlled by Russia-backed separatists. In particular, the law defines the uncontrolled areas in the East as occupied by Russia, which is similar to the legal designation of the AR of Crimea and Sevastopol. It also allows the movement of people and goods across the conflict contact line only through military checkpoints and entitles the law enforcement and military personnel to carry out extended security measures such as apprehending people and searching buildings. Additionally, the law names the Russian Federation as an aggressor state and gives the President of Ukraine the authority to create a joint headquarters of Ukrainian armed forces and security agencies to conduct military operations in the region. Supporters of the bill say it would help Ukraine to restore control over the separatist-held areas in the East of the country. Critics say that the law gives the President the powers not foreseen by the Constitution, limits the freedom of movement across the contact line, and contains misuse risks.

The war in Donbas. The armed conflict in the eastern Ukraine continued in January. Combined Russian-separatist forces attacked the positions of Ukrainian armed forces. According to the reports of the Ministry of Defence, combined Russian-separatist forces fired heavy weapons at the city of Dokuchaivsk, which is occupied by Russia-backed separatists. 12 service members of the Ukrainian Armed Forces were killed in the war in January and 43 service members were wounded.

Real sector: Economic growth at about 2% in 2017

GDP. According to the preliminary Ukrstat estimate, the economy continued recovering in the fourth quarter of 2017 with a quarter to quarter GDP growth reported in nine of the last ten quarters. Still, the

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growth of real GDP decelerated slightly to 1.8% yoy in the fourth quarter of 2017 from 2.1% yoy in the third quarter. The domestic demand remained the driving force of the growth, while net real exports made a negative contribution to the growth. Economic growth in entire 2017 is likely to be 2.1-2.2%.

Sectoral trends. Industrial output in December remained close to the previous year's level but it was reported lower by 0.5% yoy after 0.3% yoy increase in November. The decline in extractive industry accelerated to 4.4% yoy due to the high statistical base. Warmer weather in December resulted in a sharp reduction in production and distribution of electricity at 13.3% yoy. At the same time, growth in manufacturing accelerated to 4.4% yoy. Chemical production increased by 41.0% yoy from the low statistical base as several companies renewed their operation. Higher production of finished steel products including pipes supported the growth of metallurgy at 3.4% yoy. Machine building grew by 13.3% yoy with wide-based growth due to higher investment demand, defence orders and increased exports. However, food production (without tobacco and alcohol) declined by 2.9% yoy primarily due to lower production of meat, bread, and sunflower oil. This reflected lower agricultural output.

Construction growth deceleration to 9.7% yoy in December. Residential construction remained close to the levels of December 2016, while commercial construction grew by 3.2% yoy. Higher fiscal capital outlays at the end of the year ensured the growth of infrastructural construction at 17.8% yoy. In 2017, construction increased by 20.9% yoy.

Higher consumption demand in the end of year ensured by rapid wages and pension growth resulted in the growth of retail trade turnover by enterprises by 15.7% yoy in December. Overall, retail trade increased by 8.8% in 2017.

Energy: Monetisation of utility subsidies

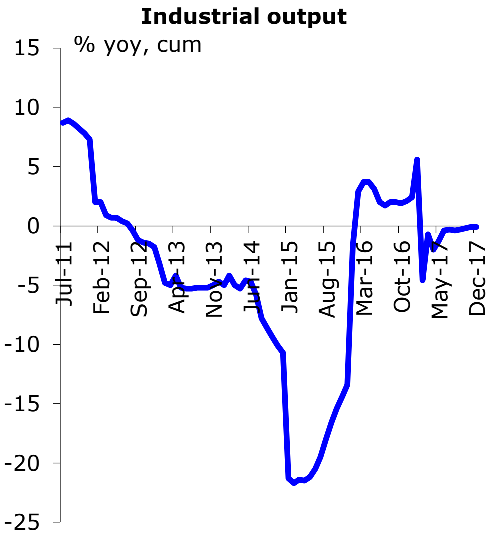
Utility subsidies. In January, the new mechanism for financing housing and utility subsidies came into force. According to the new program, which was approved in November 2017, the Government will introduce the monetization of the subsidies in three stages. The first stage that started in January involves the removal of the special scheme when most of the subsidies were paid out as a reduction of tax and other liabilities. The utility service providers can use the received financing only for payments to any energy supplier including private companies. This contributes to the improvement of the financial situation of utility companies and higher transparency. During the second stage, a joint database of the subsidy recipients will be created. And at the third stage, the households will receive cash housing and utility subsidies on their personal accounts, which would increase incentives for the energy efficiency.

Gas. Ukraine used 24% of the gas stored in its underground storages during the heating season of 2017/18. As of January 27, there were 12.8 bn cubic meters of gas in the storages which is 26% higher than in January 2017.

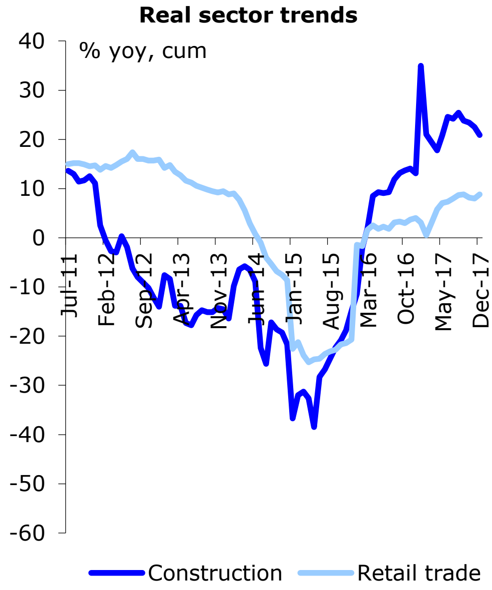
Transport: Seaport fees reduced by 20%

Seaport fees. Since January 1, 2018, all seaport freight fees were reduced by 20% except for the lighthouse fee. Lower seaport fees will help to improve the competitiveness of Ukrainian ports, decrease exporters' costs and increase investments. At the same time, this 20% reduction of fees would mean a loss of around USD 2 m for the state budget. To compensate this loss it is necessary to increase the freight volume by 1-2%. However, this is only the beginning of the process as seaport fees in Ukraine still remain 2 times higher than in most other countries.

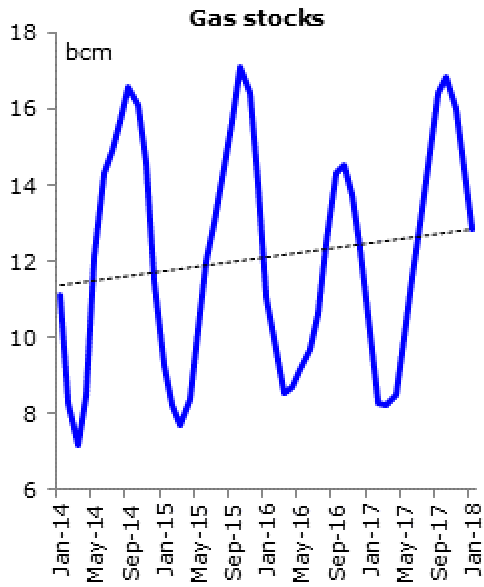
Maritime administration. The Cabinet of Ministers approved a decision to create a Maritime Administration of Ukraine, which will start operation in August 2018. The new body will coordinate all 13 seaports of Ukraine, control safety of seafaring and represent Ukraine internationally. Currently, these functions are performed by the state



Note: Since April 2014 - data excludes Crimea
Source: Ukrstat



Note: Since April 2014 - data excludes Crimea
Source: Ukrstat



Source: Ministry of Energy

company Ukrtransbezpeka and other administrative bodies of several ministries. The new body will unify the functions and comply with the International Maritime Organization (IMO) requirements.

Agriculture: Preliminary results of 2017

Production. According to the Ukrstat, the agricultural production in 2017 declined by 2.7% yoy due to decrease in crop production by 3.6% yoy and livestock production by 0.4% yoy.

The production of grains and leguminous crops declined by 7.3% to 61.3 m t likely due to the unfavorable weather during spring. The volume of production of oilseeds increased by 4.4% to 18.3 m t.

As of January 1, 2018, the number of cows and pigs decreased by 2.1% yoy and 8.2% yoy, respectively. This was likely caused by higher costs of keeping cattle. The decline in the number of pigs was attributed to the outbreak of African swine fever. Milk production declined by only 0.5% yoy. As production of milk in agricultural enterprises increased by 2.1% yoy due to higher yields, while it decreased in households by 1.4% due to low purchase prices. The sales of agricultural animals for slaughter reduced by 0.4% yoy. Higher demand resulted in the increase in eggs production at 3.2% yoy.

Trade. Ukrainian agricultural and food export in 2017 increased by 16.3% yoy to USD 17.9 b. According to the NBU, it accounts for 44.5% of total Ukrainian goods exports. Leading exported agricultural products were grains (36.2% of agricultural export), vegetable oils (25.1%), and oilseeds (11.3%). Agricultural and food export of Ukraine in 2017 set several records. Grain export amounted to 41.8 m t. Sugar exports almost reached 600 thousand t.

Agricultural foreign trade turnover of Ukraine in 2017 comprised USD 22.3 bn.

External sector: Current account deficit surged to 0.7 bn in December

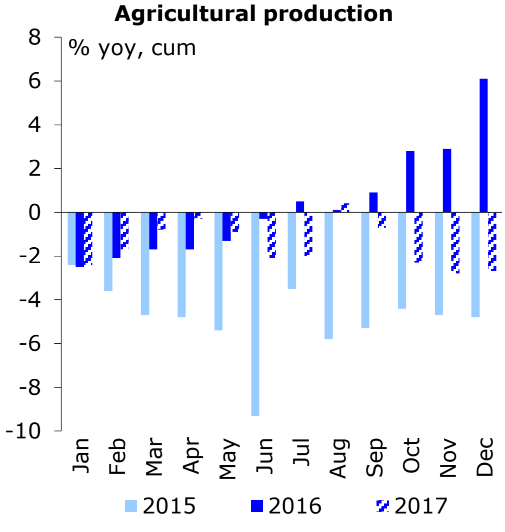
Current account. Current account deficit reached USD 0.69 bn in December, which was one of the highest values since 2015. Merchandise trade deficit was USD 1.14 bn, post-2013 record. The net inflow of remittances reached USD 0.92 bn, while net investment income payments surged to USD 0.72 bn due to large interest payments.

Merchandise exports increased by 7% yoy in December which is slower than in previous months. Agricultural product exports dropped by 10% yoy. Exports of grain and sunflower oil declined reflecting lower harvest, but exports of products of animal origin continued to grow. Metallurgy exports increased by 33.5% yoy as export prices remained favourable. Export of machine building goods increased by 25% yoy.

Merchandise imports increased by 11% yoy in December from the high statistical base. High investment demand resulted in further growth of imports of machinery and equipment that reached USD 1.42 bn. This is not much lower than USD 1.65 bn observed in December 2013. Imports of mineral products increased by 11% yoy as coal imports remained high. Imports of other items (excluding informal trade) increased by 15% yoy.

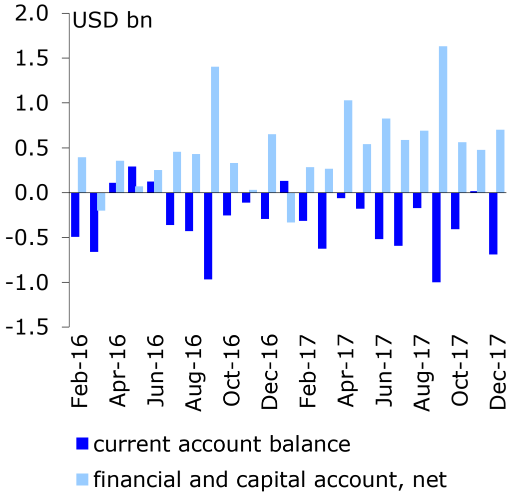
Financial account. Capital inflows under financial account remained at USD 0.5 bn in December. Public sector remained passive in December as in two previous months with USD 14 m in net capital inflows. Bank sector reported USD 228 m in capital inflows as it increased external liabilities. Real sector raised USD 193 m in net FDI in December bringing annual net FDI inflow to USD 1.7 bn. Debt flows were USD 137 m as a reduction in net trade loans partly offset new debt by real sector. Cash foreign currency outside the banking sector increased for the third month in a row as cash transfers from abroad remained high.

Agricultural production



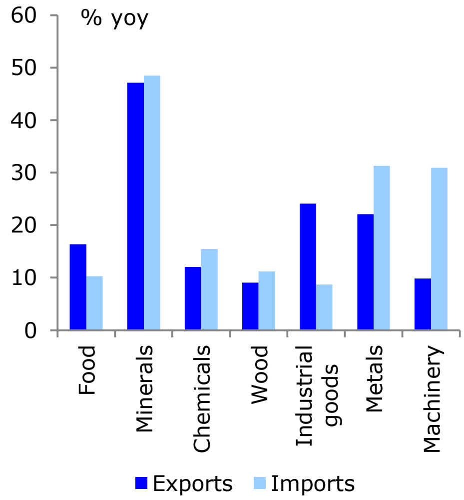
Source: Ukrstat

Balance of payments



Source: NBU preliminary estimates

Trade in goods in 2017



Source: NBU preliminary estimates

Fiscal policy: Underfinanced fiscal expenditures in 2017

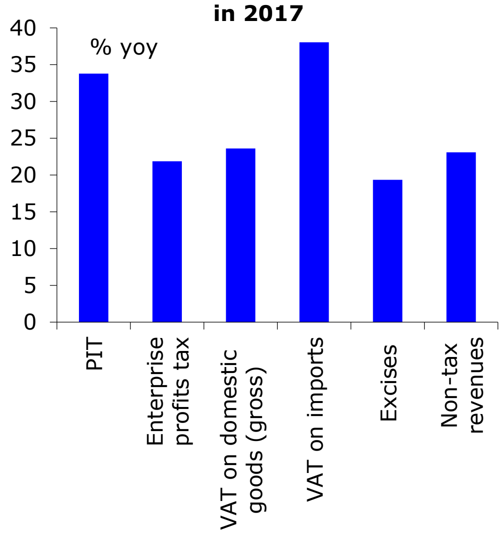
Consolidated fiscal revenues in 2017 for the first time passed trillion-hryvnia mark. They were by 0.7% higher than annual target primarily due to higher than planned VAT revenues (by 3.7% exceeded the plan). Revenues increased by 29.9% due to higher collections of all major sources of revenues. Increased wages, he improved financial situation of companies, and more efficient tax administration resulted in the growth of tax revenues by 27.3%. The growth of non-tax revenues at 23.1% was primarily supported by higher dividends of state-owned companies, larger transfer of the NBU profit, and higher own revenues of budget entities. The Government also received UAH 29.7 bn from special confiscation.

Consolidated fiscal deficit at UAH 42.1 bn was by 2.8 times lower than planned. This reflected lower than planned consolidated fiscal expenditures (by UAH 62.3 bn or by 6.6% lower than planned). As usual, the capital outlays were underfinanced the most (by 22.3% of plan) even though their financing surged in December.

The traditional one-year fiscal planning again resulted in a peak of fiscal spending in December. Consolidated fiscal expenditures in December accounted for 15.7% of total annual spending. One-third of capital outlays were only financed in the last month of the year.

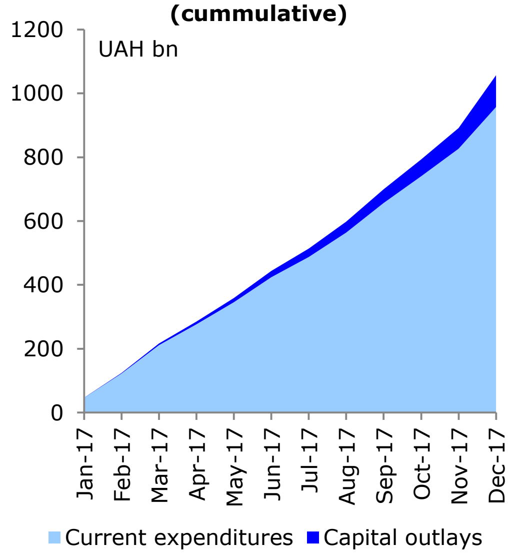
This reminds us about to the need to introduce medium-term budget expenditure framework (MTEF) in the nearest future. Such changes are also envisaged in the Memorandum of cooperation with the IMF as well as in the Association Agreement between Ukraine and the EU. In January 2018, the Cabinet of Ministers approved several draft laws to be submitted to the Verkhovna Rada on the introduction of the MTEF already starting next fiscal year.

Growth of Consolidated fiscal revenues in 2017



Source: State Treasury reports

Consolidated fiscal expenditures in 2017 (cummulative)



Source: State Treasury reports

Social policy: Central fiscal transfer to the Pension Fund remains high

2017. Expenditures of the Pension Fund in 2017 increased by 15.0% as minimum pension was gradually increased during the year and the pensions were revised upwards in autumn after the introduction of the pension reform. In December, the Government financed part of pensions due in January 2018 (at UAH 10 bn), which was also done a year before. Only 54.5% of all pension expenditures were financed by own revenues of the Pension Fund (mostly single social contribution). Still, this was significantly higher than 44.1% in 2016 as own revenues surged by 42.3% due to wage growth. The rest of expenditures were financed by the central fiscal transfer at UAH 133 bn. According to the Pension Fund, it repaid all short-term loans from the State Treasury received in 2017; however, it still owes the Treasury UAH 48.1 bn borrowed predominantly in 2012-2013.

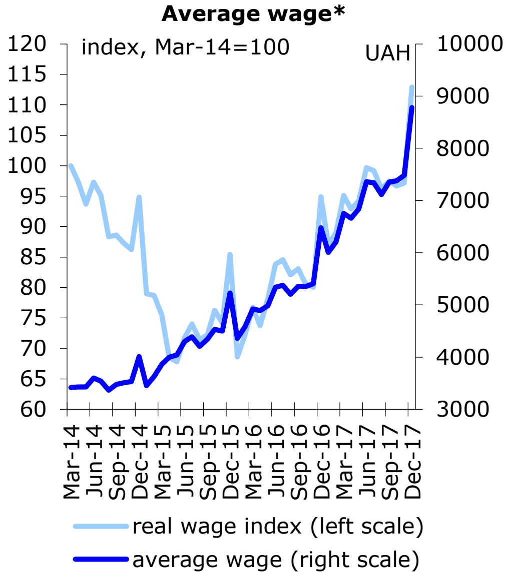
2018. In January, the Government approved the budget of the Pension Fund for 2018. Own revenues are planned to increase by 34.3%. They will finance 61.7% of total Fund's expenditures. The central fiscal transfer is planned close to the level of the previous year (at UAH 139 bn).

Labour market: Sharp increase in wages in 2017

Sharp wage increases during entire 2017 somewhat slowed down in the end of the year due to statistical base effect. Wage growth in December decelerated to 35.5% yoy from 38.3% yoy in November. Wages in December reached UAH 8777. They increased by 18.9% yoy in real terms.

Wage growth decelerated in all sectors. As previously, the fastest wage growth was reported by agricultural companies, state administration, and defence, education and culture. At the same time, wages in agriculture and education remained by 18% lower than average in the economy. Wages in healthcare grew by 33.4% yoy and were by 29.8% lower than average in the economy, which underlines the need for the increase in wages of medical personnel in the framework of healthcare reform. Wages in the industry grew by 30.0% yoy with higher than average growth in metallurgy and machine building.

Average wage*



*not including AR Crimea
Source: Ukrstat

Monetary policy: Inflation increased to 14.1% yoy in January

Consumer inflation increased to 14.1% yoy in January. Prices for food, tobacco and alcohol as well as gas increased by 18-21% yoy. Inflation remained high as tight domestic supplies and growing production costs intersected with growing demand. As a result, core inflation reached 9.8% yoy in January.

The NBU increased policy rate from 14.5% p.a. to 16.0% p.a. on January 25. This was the third policy rate increase in a row. The NBU also declared its intention to continue tightening monetary policy if there are no signs of lower inflation pressure. This reduced depreciation expectations but high inflation in January means that further policy rate increases are likely in the near future.

Exchange rate: Hryvnia was volatile in January

Interbank UAH/USD exchange rate weakened in the first three weeks of January from UAH 28 per USD to almost UAH 29 per USD. This reflected strong import demand for machinery and equipment and high energy imports. Depreciation expectations also increased. In response, the NBU sold USD 267 m to reduce exchange rate fluctuations. Hryvnia recovered to the previous level by the end of the month and continued appreciating vs US dollar in the beginning of February. This likely reflected reduced depreciation expectations and increased capital inflows after the NBU increased policy rate. The NBU bought back USD 251 m by the end of January.

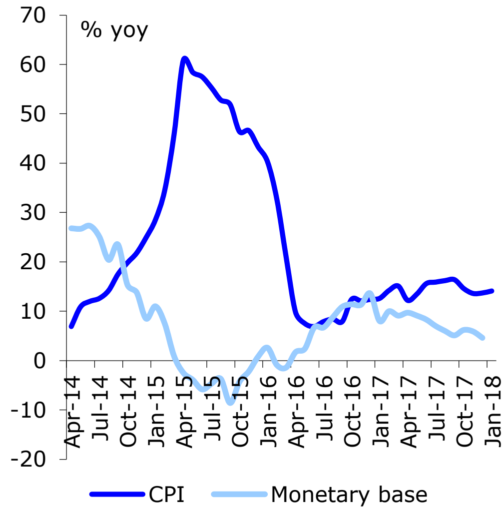
Sales of cash foreign currency to banks were higher than purchases by USD 257 m meaning that households likely used the increased exchange rate as an opportunity to sell foreign cash. The NBU international reserves reduced to USD 18.4 bn as the Government spent USD 0.56 bn to service FX public debt.

State debt: The Government approved the State Debt Management Program for 2018

Debt management. On January 31, the Ministry of Finance approved the State Debt Management Program for 2018. The principal and interest payments are planned at UAH 306 bn in 2018 (compared to UAH 474 bn in 2017), from which payments on domestic debt account for 63.2%. The FX state debt payments account for 80% of total principal and interest payments. Domestic debt is likely to remain unchanged in nominal terms. The Government hopes to raise USD 3 bn through the placement of Eurobonds in 2018 to refinance external debt and finance the fiscal deficit.

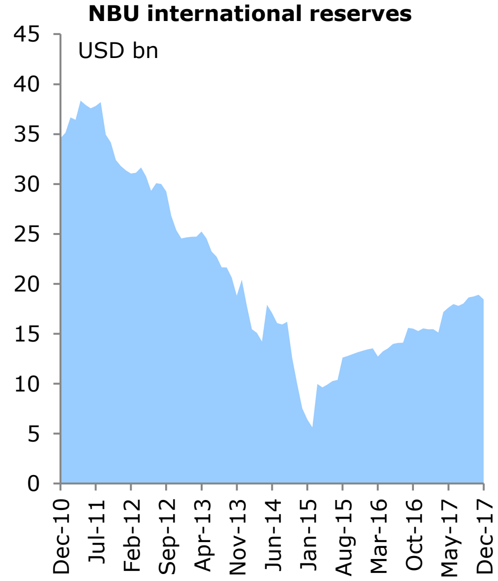
Domestic debt. In January, the Government placed UAH 8.5 bn of state domestic bonds with the weighted average yield at about 16%. Most bonds (about 89%) were with a maturity up to nine-months, which likely reflects hopes of the Ministry of Finance to place Eurobonds in the nearest months. Most of the bonds were used for the refinancing of all debts. The demand was ensured by the non-residents as state domestic bonds remain secure investment. At the same time, domestic banks were less interested in state domestic bonds with yields at about 16% after the NBU raised the discounted rate to 16%.

CPI and monetary base development



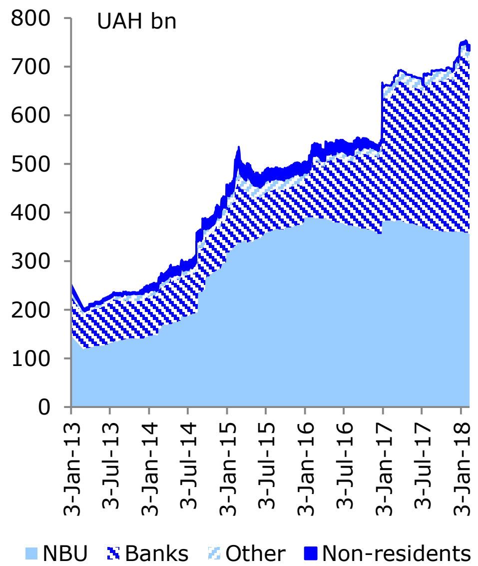
Source: Ukrstat, NBU

NBU international reserves



Source: NBU

Domestic government bond holdings



Source: NBU

Tables

		Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Industrial production (real)	% yoy cum.	-13.0	4.5	2.6	2.5	2.8	-0.7	-0.4	-0.3	0.4	-0.7	-2.0	-1.3	-0.4	-0.3	-0.4	-0.3	-0.2	-0.1	-0.1	…
Construction (real)	% yoy cum.	-12.3	8.3	13.0	17.3	17.4	19.4	24.6	23.8	21.0	19.4	17.8	20.8	24.6	24.2	25.4	23.8	23.4	22.5	20.9	…
Agricultural production (real)	% yoy cum.	-4.8	-1.7	-0.3	0.9	6.1	-0.8	-2.1	-0.7	-1.7	-0.8	-0.3	-0.9	-2.1	-2.0	0.4	-0.7	-2.3	-2.8	-2.7	…
Retail trade turnover (real)	% yoy cum.	-20.7	1.6	2.3	3.3	4.0	3.1	7.3	8.8	0.5	3.1	5.8	7.1	7.3	8.0	8.7	8.8	8.2	8.0	8.8	…
Average wage	UAH	4753	4622	5072	5311	5744	6323	6953	7268	6209	6752	6659	6840	7360	7339	7114	7351	7377	7479	8777	…
CPI	% yoy eop	43.3	20.9	6.9	7.9	12.4	15.1	15.6	16.4	14.2	15.1	12.2	13.5	15.6	15.9	16.2	16.4	14.6	13.6	13.7	14.1
PPI	% yoy eop	25.4	10.5	15.7	19.6	35.7	38.3	26.3	22.4	38.9	38.3	35.6	27.1	26.3	23.3	23.6	22.4	18.8	18.4	16.5	22.0
Exports (USD)*	% yoy cum.	-27.0	-16.4	-10.1	-8.0	-4.0	29.3	21.1	18.9	28.6	29.3	23.4	22.8	21.1	19.6	19.1	18.9	18.4	20.1	17.3	…
Imports (USD)*	% yoy cum.	-29.3	-10.9	-4.0	0.6	4.4	18.2	20.3	17.7	15.0	18.2	16.5	19.7	20.3	19.7	18.1	17.7	18.0	21.8	18.1	…
Trade balance*	USD bn cum.	-1.6	-2.3	-1.9	-4.1	-5.8	-0.9	-2.3	-4.3	-0.5	-0.9	-1.1	-1.6	-2.3	-3.2	-3.6	-4.3	-5.0	-5.8	-6.8	…
Current account**	USD bn cum.	-0.2	-1.5	-0.9	-2.8	-3.8	-0.8	-1.6	-3.0	-0.2	-0.8	-0.9	-1.0	-1.6	-2.2	-2.1	-3.0	-3.3	-3.0	-3.8	…
Gross international reserves	USD bn eop	13.3	12.7	14.0	15.6	15.5	15.1	18.0	18.6	15.5	15.1	17.2	17.6	18.0	17.8	18.0	18.6	18.7	18.9	18.8	18.4
Monetary Base	% yoy eop	0.8	-1.4	1.7	10.6	13.6	9.1	8.3	5.1	10.0	9.1	9.7	9.1	8.3	7.0	6.0	5.1	6.2	5.9	4.6	…
Lending rate on UAH credits	% pa, aop	20.7	20.0	20.9	17.3	14.7	15.8	14.7	14.9	15.5	15.8	15.3	15.2	14.7	14.0	14.3	14.9	15.1	16.3	17.0	…
Exchange rate (interbank)	USD aop	22.90	25.69	25.2	17.27	25.90	27.09	26.44	25.93	27.05	26.99	26.82	26.40	26.09	25.95	25.65	26.18	26.67	26.73	27.52	28.43
Exchange rate (official)	USD aop	22.33	25.68	25.3	25.40	25.67	27.06	26.46	25.91	27.03	27.00	26.86	26.42	26.11	25.97	25.64	26.11	26.65	26.71	27.54	28.43
Exchange rate (official)	EUR aop	24.91	28.34	28.6	25.58	28.18	28.81	29.06	30.38	28.81	28.82	28.77	29.16	29.26	29.84	30.23	31.08	31.38	31.32	32.58	34.60

Sources: Ukrstat, NBU, own calculations

* Trade in goods and services

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

Key Economic Indicators		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010[c]	2011[c]	2012[c]	2013[c]	2014[c]	2015[c]	2016[cP]
Nominal GDP	UAH bn	170.1	204.2	225.8	267.3	345.1	441.5	544.2	720.7	948.1	913.3	1079.3	1300.0	1404.7	1465.2	1586.9	1988.5	2383.2
Nominal GDP	USD bn	31.3	38.0	42.4	50.1	64.9	86.2	107.8	142.7	179.9	117.2	136.0	163.1	175.8	183.3	133.7	91.0	93.3
GDP growth (real)	% yoy	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.3	-14.8	4.1	5.5	0.2	0.0	-6.6	-9.8	2.3
Industrial production	% yoy	13.2	14.2	7.0	15.8	12.5	3.1	6.2	7.1	-5.0	-20.6	12.2	8.0	-0.7	-4.3	-10.1	-13.0	2.8
Agricultural production	% yoy	9.8	10.2	1.2	-11.0	19.7	-0.1	0.4	-5.2	17.5	0.1	-1.4	20.2	-3.9	13.6	2.2	-4.8	6.1
CPI	% yoy aop	28.2	12.0	0.8	5.2	9.0	13.5	9.1	12.8	25.2	15.9	9.4	8.0	0.6	-0.3	12.1	48.7	13.9
CPI	% yoy eop	25.8	6.1	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3	9.1	4.6	-0.2	0.5	24.9	43.3	12.4
PPI	% yoy aop	20.9	8.6	3.1	7.6	20.5	16.7	9.6	19.5	35.5	6.5	20.9	19.0	3.7	-0.1	17.1	36.0	20.5
PPI	% yoy eop	20.8	0.9	5.7	11.1	24.1	9.5	14.1	23.3	23.0	14.3	18.7	14.2	0.3	1.7	31.8	25.4	35.7
Exports (gs, USD)	% yoy	17.9	9.5	10.7	24.0	42.6	7.5	13.4	27.0	34.3	-36.9	26.0	27.5	3.4	-5.5	-19.9	-27.0	-4.0
Imports (gs, USD)	% yoy	18.9	14.1	4.9	28.7	31.3	20.4	22.6	35.232	39.3	-44.2	28.8	34.8	7.5	-3.5	-28.1	-29.3	4.4
Current account	USD bn	1.5	1.4	3.1	2.9	6.9	2.5	-1.6	-5.3	-12.8	-1.7	-3.0	-10.2	-14.3	-16.5	-4.6	-0.2	-3.8
Current account	% GDP	4.8	3.7	7.3	5.8	10.6	2.9	-1.5	-3.7	-7.1	-1.5	-2.2	-6.3	-8.2	-9.0	-3.4	-0.2	-4.1
FDI (net)	USD bn	0.6	0.8	0.7	1.4	1.7	7.5	5.7	9.218	9.9	4.7	5.8	7.0	7.2	4.1	0.3	3.0	3.3
International reserves	USD bn	1.5	3.1	4.4	6.9	9.7	19.4	22.4	32.5	31.5	26.5	36.7	31.8	31.4	20.4	7.5	13.3	15.5
Fiscal balance'''	% GDP	-0.7	-1.9	0.8	-0.2	-3.0	-1.9	-0.7	-1.1	-1.5	-2.4	-6.0	-1.8	-3.6	-4.4	-4.6	-1.6	-3.1
Total state debt	% GDP eop	45.3	36.5	33.5	29.0	24.7	17.7	14.8	12.5	19.9	33.0	40.0	36.0	37.5	39.9	69.4	79.1	81.0
External state debt (total)	% GDP eop	33.0	26.3	24.1	21.4	18.6	13.4	11.7	9.8	15.0	21.5	25.6	22.8	22.1	20.5	38.5	52.4	52.0
Monetary base	% yoy eop	39.9	37.4	33.6	30.1	34.1	53.9	17.5	46.0	31.5	4.4	15.8	6.3	6.4	20.3	8.5	0.8	13.6
Exchange rate	USD aop	5.44	5.37	5.33	5.33	5.32	5.12	5.05	5.05	5.27	7.79	7.94	7.97	7.99	7.99	11.87	21.84	25.55
Exchange rate	USD eop	5.44	5.30	5.33	5.33	5.31	5.05	5.05	5.05	7.70	7.98	7.96	7.99	7.99	7.99	15.77	24.00	27.19
Exchange rate	EUR aop	5.03	4.81	5.03	6.02	6.61	6.39	6.34	6.92	7.71	10.87	10.53	11.09	10.27	10.61	15.72	24.23	28.29
Exchange rate	EUR eop	5.10	4.67	5.53	6.66	7.22	5.97	6.65	7.42	10.86	11.68	10.57	0.00	0.00	11.04	19.26	26.22	28.42

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

''' "Minus" denotes a consolidated fiscal deficit; without recapitalisation

[c] Data excludes Crimea where available

P - preliminary data

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	**Ukrstat**	State Statistics Service of Ukraine
yoy	year-on-year change	**gs**	goods and services		

Quarterly trends

National accounts		Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17
GDP	UAH bn	387.1	379.2	303.8	354.8	398.0	408.6	316.9	382.4	440.5	447.1	376.0	456.7	567.0	588.8	455.6	535.3	669.2	723.1	583.9	657.0	821.3
GDP (real)	% yoy	-1.3	-2.4	-1.3	-1.2	-1.1	3.4	-1.0	-4.3	-5.3	-14.4	-16.0	-14.5	-7.0	-2.4	0.1	1.5	2.3	4.8	2.5	2.3	2.1
Household consumption (real)	% yoy	10.2	4.9	5.9	8.7	6.8	6.3	3.3	-7.8	-13.9	-12.2	-21.0	-27.8	-20.0	-14.6	-2.2	4.0	4.7	0.9	2.8	6.9	5.4
State consumption (real)	% yoy	9.7	1.1	2.0	-0.9	-1.5	-2.9	-5.9	5.2	0.1	4.5	0.9	-5.6	-0.8	11.1	2.7	-1.5	2.0	-2.2	4.2	-7.8	4.3
Gross fixed capital formation (real)	% yoy	-2.9	-2.1	6.1	-18.1	-8.9	-8.7	-19.9	-19.3	-28.0	-26.5	-23.8	-14.2	-5.0	1.5	4.5	17.8	23.9	27.1	20.1	23.7	15.8
Exports of goods and services (real)	% yoy	-1.8	-7.2	-7.4	-13.5	-6.8	-4.5	-5.1	-2.3	-16.8	-31.1	-21.9	-18.0	-6.8	-3.5	-4.1	-7.2	-3.7	9.7	-0.4	-2.1	6.9
Imports of goods and services (real)	% yoy	6.6	-0.2	1.3	-15.7	1.7	-0.6	-11.8	-10.9	-32.3	-29.6	-18.1	-28.1	-13.0	-11.9	-3.6	-0.1	16.1	19.6	2.9	4.6	13.2
Agriculture, hunting, forestry (real)*	% yoy	-8.0	-3.5	5.7	21.7	-2.8	36.5	5.7	-9.1	25.6	-20.6	-4.7	-11.6	-3.8	-2.5	-1.5	0.6	1.1	18.4	-0.7	-2.9	-0.1
Manufacturing industry (real)*	% yoy	-4.9	-6.6	-9.3	-9.9	-10.6	-9.8	-3.2	-5.4	-12.7	-13.2	-25.2	-22.5	-9.2	-2.3	8.0	4.0	0.2	2.7	11.7	4.2	4.8
Construction (real)*	% yoy	-14.3	-18.7	-16.1	-19.4	-8.0	-4.4	4.7	-14.0	-26.3	-30.8	-36.6	-30.6	-15.6	6.0	9.8	17.2	20.2	15.6	21.3	28.8	25.2
Trade, repair services (real)*	% yoy	-0.5	-2.0	0.2	-1.2	0.9	0.9	-3.0	-7.2	-18.4	-26.6	-26.5	-19.9	-14.2	2.6	3.6	6.7	3.7	1.9	3.1	3.8	5.7
Transport (real)*	% yoy	-8.3	-10.5	-1.7	-0.8	1.3	2.7	-7.8	-10.9	-10.1	-11.0	-10.5	-2.4	0.3	2.2	6.2	2.5	0.7	3.2	4.7	4.1	6.3
Balance of payments (BPM6)																						
Current account balance	USD bn	-3.9	-4.8	-3.2	-2.3	-6.0	-5.0	-1.3	-0.8	-1.2	-1.4	-0.4	0.3	0.2	-0.3	-1.5	0.5	-1.9	-1.0	-0.8	-0.3	-1.7
Current account balance	% of GDP	-8.1	-10.1	-8.4	-5.1	-12.1	-9.8	-3.5	-2.5	-3.3	-6.7	-2.4	1.5	0.9	-1.2	-8.4	2.6	-7.1	-3.4	-3.5	-1.0	-5.2
Trade balance in goods	USD m	-5503	-6233	-4635	-3677	-7881	-5935	-2195	-1185	-1412	-2336	-1147	-496	-689	-1123	-1941	-685	-2147	-2235	-1428	-1897	-2819
Trade balance in services	USD m	2361	1578	1349	1504	2575	1066	937	443	456	686	604	418	309	420	286	308	108	507	421	608	503
Direct investment (FDI)**	USD m	2037	1876	1082	496	1510	991	-665	-319	725	558	397	907	890	818	1366	760	999	143	464	1029	347
Gross international reserves	USD bn	29.3	24.5	24.7	23.2	21.6	20.4	15.1	17.1	16.4	7.5	10.0	10.3	12.8	13.3	12.7	14.0	15.6	15.5	15.1	18.0	18.6
Exchange rate (interbank), UAH/USD	aop	8.09	8.11	8.11	8.14	8.15	8.21	9.14	11.71	12.58	13.56	21.23	21.26	21.74	22.90	25.69	25.23	17.27	25.90	27.09	26.44	25.93
Exchange rate (official), UAH/USD	aop	7.99	7.99	7.99	7.99	7.99	7.99	8.86	12.71	12.58	21.18	21.33	21.23	21.69	22.33	25.68	25.26	25.40	25.67	27.06	26.46	25.91
Fiscal indicators																						
Consolidated fiscal revenues	% of GDP	28.2	33.6	35.2	29.4	28.9	28.6	35.4	29.4	24.7	27.4	37.3	34.7	29.8	31.3	35.9	32.9	27.8	35.6	37.8	75.5	112.8
Personal income tax	% of GDP	4.5	5.0	5.3	5.1	4.6	4.8	5.1	4.7	4.2	5.0	5.5	5.3	4.5	5.1	6.3	6.3	5.4	5.6	6.7	12.9	20.1
Enterprise profits tax	% of GDP	2.9	4.2	6.1	3.4	3.0	3.0	4.9	2.5	1.9	1.5	4.4	1.7	1.2	1.3	3.5	2.1	1.9	2.8	2.5	5.3	8.1
Value-added tax	% of GDP	8.6	10.0	9.7	9.0	8.1	8.4	8.7	9.5	6.8	10.1	11.4	9.1	8.0	8.2	11.7	11.4	8.1	9.3	13.7	22.5	34.1
Excise tax	% of GDP	2.8	2.4	3.1	2.6	2.3	2.2	2.5	3.0	3.0	2.8	3.3	3.4	3.0	3.1	4.1	5.1	4.1	3.9	4.4	8.3	13.1
Consolidated fiscal expenditures	% of GDP	30.7	41.3	36.9	35.8	30.1	35.9	35.2	34.7	27.2	35.5	33.5	34.9	26.1	41.9	35.1	35.6	30.8	38.6	37.1	67.6	106.5
Current expenditures	% of GDP	27.8	37.3	35.6	33.9	28.2	33.2	34.8	33.7	25.8	33.6	31.8	33.6	24.0	38.0	34.2	33.9	27.9	33.0	36.2	64.6	100.0
Capital expenditures	% of GDP	2.9	4.0	1.3	1.9	1.9	2.8	0.5	1.0	1.4	1.9	1.7	1.3	2.1	3.9	0.9	1.7	2.9	5.6	0.9	3.0	6.5
Consolidated fiscal balance	% of GDP	-3.0	-7.8	-1.9	-6.3	-1.5	-7.3	0.1	-5.3	-2.8	-8.8	3.7	0.4	-3.6	10.8	0.8	-2.8	-3.0	-3.2	0.7	7.9	6.3
Privatisation receipts	% of GDP	0.1	0.4	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Banking system																						
Monetary aggregate M0	% yoy cum	5.2	5.5	9.7	9.8	12.3	17.0	19.2	31.9	28.8	19.0	6.0	-1.3	-6.2	-0.1	-5.3	0.3	8.0	11.2	7.8	7.2	4.7
Monetary aggregate M2	% yoy cum	10.7	13.1	16.0	17.9	19.2	17.5	17.7	13.4	14.2	5.4	9.0	3.1	5.6	4.0	-1.7	6.3	12.6	10.9	6.7	6.5	6.6
Household deposits in national currency	% yoy cum	16.3	16.3	19.1	26.5	33.4	38.0	7.9	-2.3	-12.3	-22.1	-19.1	-17.7	-16.6	-1.0	4.3	9.4	15.1	5.4	10.5	12.8	13.5
Household deposits in foreign currency	% yoy cum	17.0	21.8	17.0	14.7	8.4	0.9	19.8	10.2	5.5	18.0	25.4	11.6	3.7	-2.4	-16.1	-2.7	12.1	10.9	-1.5	1.4	-0.8
Com. bank credits in national currency	% yoy cum	9.1	7.7	8.6	7.4	10.2	16.9	12.3	4.9	-0.8	-9.1	-11.0	-11.8	-15.8	-20.8	-16.6	-13.3	-1.5	16.4	17.1	21.3	19.0
Com. bank credits in foreign currency	% yoy cum	-9.9	-7.3	-4.4	-0.4	0.8	2.8	36.4	38.5	49.1	53.5	58.4	29.2	18.7	15.9	-15.0	-2.0	2.0	-9.9	-21.4	-18.3	-19.4
Long-term com. bank credits	% yoy cum	-8.0	-6.6	-5.6	-2.7	-0.5	2.9	26.3	24.4	24.6	21.7	17.9	3.1	-5.7	-10.5	-18.1	-10.3	-1.1	19.2	14.8	18.7	-6.8
Long-term com. bank credits	% of total	59.1	57.8	55.9	55.7	55.1	53.2	58.5	59.1	59.8	59.5	58.5	57.6	60.7	55.4	55.6	55.8	55.9	64.9	67.2	66.8	53.0
Average lending rate on national currency credits	% p.a.	19.5	20.8	16.2	15.3	15.3	16.5	18.4	17.5	16.4	16.6	19.9	23.1	21.1	20.7	20.0	20.9	17.3	14.7	15.7	15.1	14.4
Average lending rate on foreign currency credits	% p.a.	8.5	8.8	9.4	9.7	9.6	8.8	8.7	9.4	9.2	8.8	8.2	9.3	9.2	9.1	8.9	9.1	8.3	8.5	8.0	8.0	7.2

Sources: National Bank of Ukraine, State Committee of Statistics, State Treasury, Ministry of Finance, Reuters, IER estimates
* change in value added
** Inflow of FDI

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