



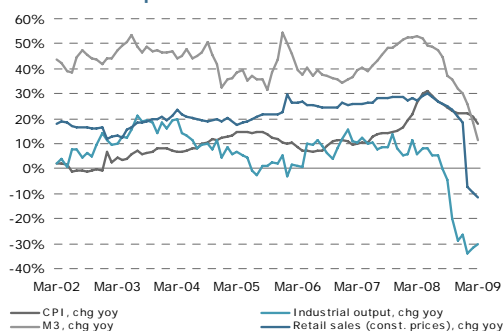
2009 Economic Outlook

Notes from the consensus forecast conference

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Economic snapshot



Source: State Statistics Committee

Key macroeconomic indicators

	2008	2009E	2010F
Business cycle			
Real GDP, chg yoy	2.1	-7.0	4.0
Nominal GDP, USD bln	180.3	119.5	140.1
Industrial output, chg yoy	-3.1	-11.5	7.5
CPI (eop), chg yoy	22.3	15.0	7.0
PPI (eop), chg yoy	23.0	18.0	10.0

External sector

NBU reserves (eop), USD bln	31.5	23.3	19.9
FDI net, USD bln	9.7	7.5	9.0
Current account balance, % GDP	-6.6	-1.1	2.0
Capital account balance, % GDP	7.7	-5.9	-4.4
External debt, % of GDP	57.3	84.6	70.6

Exchange rate

Interbank UAH/USD (avg)	5.27	8.50	8.10
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Source: State Statistics Committee, National Bank of Ukraine, Ministry of Finance, Bloomberg, Concorde Capital estimates

Prices for core commodities, as of April 16

	Current	%, YTD	%, yoy
Gas imports, USD/tcm *	270.00	-25%	50%
Crude oil (URALS), USD/bbl	50.90	21%	-53%
Milling wheat 3rd gr, USD/mt, FOB**	153.00	24%	-48%
Steel square billet, USD/mt, FOB**	345.00	-5%	-61%

* Naftogaz of Ukraine estimates; the price has not been officially announced

** Black Sea ports

Source: Interfax, Bloomberg

- Yesterday Concorde Capital took part in a consensus forecast conference held by weekly Expert Ukraine; among participants were sixteen banks, think-tanks, and international organizations
- Participants agreed that drop in manufacturing may be over, but decline in services is most likely to go on
- Estimates of key economic indicators vary widely among the forecasters, which underlines that there is still a lot of uncertainty in economic outlook
- Following recent data on industrial production and retail trade in 1Q09 we are most likely to review our economic growth assumptions for 2009 in the coming monthly macroeconomic overview

Consensus view

Most participants agreed that industrial production could have reached the bottom, however some expect the second wave of decline in output later this year. Yesterday the State Statistics Committee announced that industrial output was down 30.4% yoy in March, an improvement over the fall of 34.1% yoy in January and 31.6% yoy in February. However, the consensus was that while manufacturing falldown could be over, services are most likely to continue declining in upcoming months.

The participants outlined the following factors to have a major impact on the state of Ukraine's economy in 2009:

- timing and extent of global economic recovery
- continuation of the IMF standby loan program
- presidential elections in October 2009
- government support of Ukraine's banking system
- exchange rate dynamics
- government's policies to cover fiscal deficit

There is still a lot of uncertainty in experts' assumptions, and individual forecasts markedly deviate from the consensus median. For instance, estimates of average UAH/USD in 2009 are dispersed from 8.10 to 11.00. Current account forecasts vary from surplus of 4.3% of GDP to deficit of 2.4% of GDP.

Our view

We support the view that manufacturing may be bottoming out, but a moderate recovery will hardly start sooner than the yearend.

Yesterday's releases of industrial production and retail sales in 1Q09 were worse than we expected, and we will most likely downgrade our estimates of change in 2009 real GDP and industrial output in our coming monthly macroeconomic overview. Underlying estimates of change in consumption and investment will be changed as well. In accordance to amendments in local demand assumptions we may improve our forecasts of current account balance.

We see strong devaluation pressure on the hryvnya from the balance-of-payments side throughout 2009, but suppose that the exchange rate may not see significant deterioration. The measures of the National Bank have proved to be efficient to curb UAH/USD rise, and with more measures coming we may expect further successful exchange rate policy. We confirm our annual average UAH/USD forecast at 8.50.

We expect consumer prices to increase 15% yoy in 2009 mostly due to hike in utilities prices and increases in taxes or duties for

selected products (for instance, alcohol and tobacco). We think that the factor of UAH depreciation has mostly played out. We retain our forecast of public debt at the yearend, which is higher than consensus, and assumes continuation of the IMF standby loan program.

We also stick to our estimates of growth in monetary aggregates. Notably, compared to the consensus forecast conference in March, in April median estimates of growth in monetary aggregates shifted closer to our more conservative forecasts.

Consensus and Concorde Capital's forecast of key macroeconomic indicators

	Consensus forecast, median		Concorde forecast
	Mar-09	Apr-09	
Business cycle indicators			
Real GDP, % chg yoy	-9.0	-10.2	-7.0
Nominal GDP, UAH bln	975.7	997.7	1016.0
Consumption, % chg yoy	-13.2	-14.0	-10.0
Investment, % chg yoy	-20.0	-20.0	-14.0
Industrial output, % chg yoy	-18.0	-16.8	-11.5
Unemployment (ILO methodology, eop), %	11.8	11.3	11.0
Real disposable income, % chg yoy	-14.5	-14.8	-12.0
CPI (eop), % chg yoy	18.0	16.6	15.0
PPI (eop), % chg yoy	16.7	16.0	18.0
External indicators			
Current account balance, USD bln	0.3	0.7	-1.3
Trade balance, USD bln	0.7	-1.0	-2.3
Capital account balance, USD bln	-10.0	-9.1	-7.0
NBU reserves, USD bln	21.2	20.5	23.3
Public debt, % of GDP	27.3	29.6	34.3
Monetary indicators			
Monetary base, % chg yoy	12.8	12.4	12.5
Money supply, % chg yoy	13.8	9.9	9.8
Exchange rate			
Interbank UAH/USD (avg)	9.03	8.98	8.50

Source: Expert Ukraine, Concorde Capital

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