



CONCORDE CAPITAL

Hryvnya exchange rate

Money outflows send rates down

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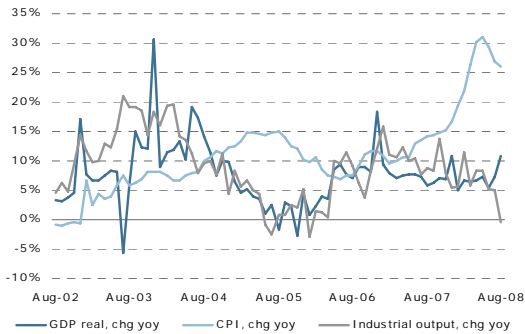
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Business cycle indicators



Source: State Statistics Committee

Key macroeconomic indicators

	2007	2008E	2009F
Real economy			
Real GDP, % yoy	7.6	6.8	6.5
Nominal GDP, USD bln	141.2	202.4	246.8
Industrial output, % yoy	10.2	7.0	7.5
CPI (eop), % yoy	16.6	21.0	15.0
PPI (eop), % yoy	23.2	40.0	18.0
Retail trade, % yoy	28.8	25.5	25.0
Banking assets, % yoy	76.0	50.0	45.0
Construction, % yoy	15.8	-2.0	5.0
External sector			
Trade balance, % GDP	-5.6	-4.9	-5.8
Current account balance, % GDP	-4.2	-4.3	-5.3
Net FDI, USD bln	9.9	11.4	15.0
NBU reserves, USD bln	32.5	42.0	50.5
External debt, % GDP	59.9	56.8	57.9

Monetary & fiscal policy

Money supply (M3), % yoy	51.7	25.0	40.0
Official UAH/USD (eop)	5.05	4.95	4.90
Consolidated budget, % GDP	-1.1	-1.0	-0.6

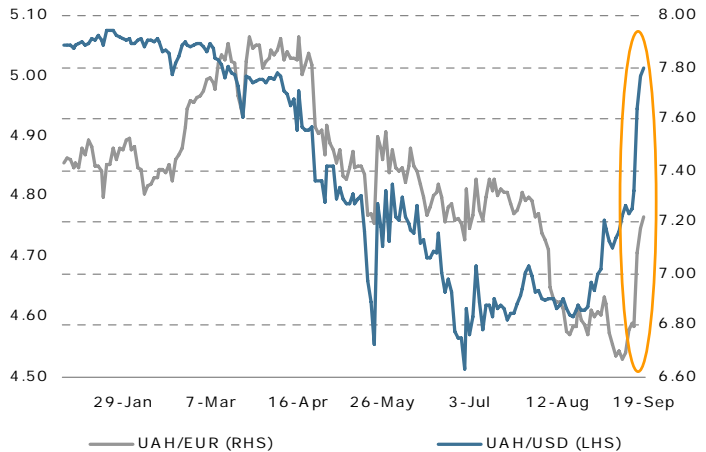
Source: State Statistics Committee, National Bank of Ukraine, Concorde Capital estimates

Prices for core commodities, as of September 19

	Current	%, YTD	%, yoy
Gas imports, USD/tcm	179.5	0%	38%
Crude oil (URALS), USD/bbl	92.7	1%	23%
Winter wheat, USD/mt, FOB**	258.0	1%	9%
Steel square billet, USD/mt, FOB**	630.0	-1%	21%

**Black Sea ports
Source: Gas of Ukraine, Bloomberg, Agriculture Analytical Agency, Metal Courier

- Over the last three days, the hryvnya weakened 4.2% against the dollar and 6.2% vs. the Euro
- The sharp fall was instigated by EM investors withdrawing funds and Naftogaz' dollar purchases
- NBU Supervisory Council Chair Petro Poroshenko will participate in a conference call on Ukraine's exchange rate policy on Sept. 25



Source: Bloomberg

Foreign investors withdraw money from Ukraine

As more Wall Street institutions floundered, jittered foreign investors pulled short-term funds out of Ukraine September 17-18. Demand for US dollars and Euros was whipped up by investors seeking to exchange hryvnias after unloading UAH-denominated securities. The devalued hryvnya is further depressing the value of UAH-denominated PFTS-traded stocks, making them cheaper to buy and relatively more costly to exit.

Naftogaz' demand for greenbacks adds on

An additional currency demand booster was Naftogaz of Ukraine, which on Sept. 17, of all days, started to purchase dollars to pay off its debt for imported natural gas.

UAH/USD to settle at 4.95 by yearend

National Bank Vice Chairman Anatoliy Shapovalov said on September 17 that the NBU will not intervene in the coming days, unless the weakening of the exchange rate proves to have legs. In our view, seasonal demand for the dollar and Naftogaz' USD purchases should keep the rate high in the coming months. We keep our yearend UAH/USD forecast at 4.95, should the National Bank not intervene significantly.

Conference Call with Petro Poroshenko – September 25

Concorde Capital will hold a conference call on September 25 on Ukraine's exchange rate policy with Petro Poroshenko, Chairman of Supervisory Council of the National Bank of Ukraine. Please save the date and plan to attend. Contact our sales desk for details.

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