

IMF stabilization loan

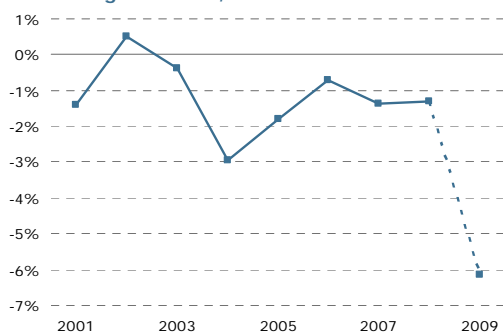
IMF funds to cover budget deficit?

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Andrii Parkhomenko
 pav@concorde.com.ua
 +380 44 391 5577

- Today RBC-Ukraine reported that IMF might increase the amount of the standby loan to cover budget deficit
- We estimate that USD 1-2 bln may be allocated for this purpose

State budget balance, % of GDP



Source: Ministry of Finance, Concorde Capital

IMF tranches schedule

Date	Amount	
	SDR mln	USD mln
November 10, 2008	3,000	4,475
February 15, 2009	1,250	1,865
May 15, 2009	2,500	3,729
August 15, 2009	750	1,119
November 15, 2009	2,000	2,984
February 15, 2010	375	559
May 15, 2010	375	559
August 15, 2010	375	559
October 15, 2010	375	559

Source: IMF, Concorde Capital

Note: pending tranches are in italics

Today a local news agency RBC-Ukraine reported that the IMF mission head Ceyla Pazarbasioglu does not rule out that the IMF may increase the amount of the standby loan (currently USD 16.4 bln) and that the additional funds may be used to cover budget deficit. The agency cited a "participant of the meeting of representatives of the IMF, the National Bank, and the Cabinet of Ministers". The participant also said that the IMF mission will finish its visit to Ukraine in two days.

This piece of news raises the confidence that the decision on the extension of the second tranche of the loan could come next week. Accordingly, there is now more probability that the third tranche of the loan will come on time (mid-May).

Although the IMF does not usually finance fiscal shortfalls, we think that additional USD 1-2 bln could be allocated for this purpose. Previously, media reported that the IMF and Ukraine negotiated the budget deficit of 3% of GDP (UAH ~30 bln). However, if the expenditure side of the budget is not amended, the deficit may be twice larger.

In any case, support from the IMF would decrease the need to resort to other means to cover the shortfall: issue new money or cut expenses. In addition, the fiscal help from the IMF may unlock other sources of covering the deficit. Earlier, the United States and the EU said that they were ready to loan Ukraine to cover the budget gap after the IMF resumes its standby loan program.

Concorde Capital, Head office
2 Mechnikova Street, 21st Floor
Parus Business Centre
Kyiv 01601, Ukraine
Tel.: +380 44 391 5577
Fax: +380 44 391 5571

www.concorde.ua

CEO
Igor Mazepa
im@concorde.com.ua

Head of Sales & Trading
Roman Nasirov
rn@concorde.com.ua

International Sales & Trading
Anastasiya Nazarenko an@concorde.com.ua
Marina Martirosyan mm@concorde.com.ua
Andriy Supranonok sap@concorde.com.ua

Domestic Sales & Trading
Yuriy Pilipenko up@concorde.com.ua
Alisa Tikhomirova at@concorde.com.ua

Director of Research
Konstantin Fisun, CFA kf@concorde.com.ua

Concorde Capital
4 Fourth Lesnoy Pereulok, 5th Floor
Capital Plaza
Moscow 125047, Russia
Tel.: +7 495 642 87 15
Fax: +7 495 225 85 00

office@concorde.com.ua

RESEARCH

Strategy
Konstantin Fisun kf@concorde.com.ua
Oleksandr Klymchuk ok@concorde.com.ua

Metals & Mining
Eugene Cherviachenko ec@concorde.com.ua
Andriy Gerus ga@concorde.com.ua

Utilities (Telecom, Energy)
Alexander Paraschiy ap@concorde.com.ua

Oil & Gas
Andriy Gerus ga@concorde.com.ua

Real Estate/Construction, Consumer-related
Andriy Gostik, CFA ag@concorde.com.ua

Machinery
Alexander Paraschiy ap@concorde.com.ua
Eugene Cherviachenko ec@concorde.com.ua

Economics, Financial services
Andrii Parkhomenko pav@concorde.com.ua

Fixed Income
Oleksandr Klymchuk ok@concorde.com.ua

Editor
Brad Wells bw@concorde.com.ua

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