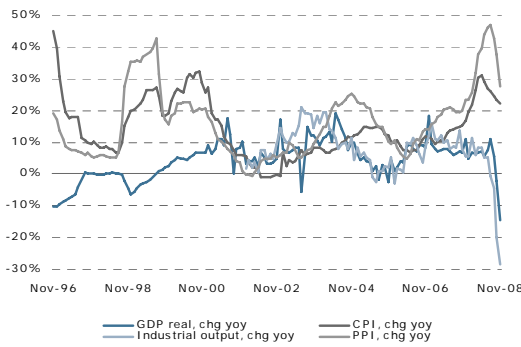




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Business cycle indicators



Source: State Statistics Committee, Concorde Capital calculations

Key macroeconomic indicators

	2007	2008E	2009F
Business cycle			
Real GDP, % yoy	7.6	3.3	-2.0
Nominal GDP, USD bln	141.2	185.1	167.3
Industrial output, % yoy	10.2	-4.0	-2.7
CPI (eop), % yoy	16.6	21.0	15.0
PPI (eop), % yoy	23.3	17.0	18.0
External sector			
FDI net, USD bln	9.2	10.4	7.5
C/A balance, % GDP	-4.2	-5.8	-3.3
Trade balance, % GDP	-5.6	-6.8	-4.8
External debt, % of GDP	59.9	60.4	59.6
Exchange rate			
Interbank UAH/USD (avg)	5.03	5.21	U/R
Interbank UAH/USD (eop)	5.05	8.00	U/R

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

Prices for core commodities, as of December 16

	Current	%, YTD	%, yoy
Gas imports, USD/tcm	179.50	0%	38%
Crude oil (URALS), USD/bbl	42.25	-54%	-59%
Winter wheat, USD/mt, FOB**	122.00	-52%	-52%
Steel square billet, USD/mt, FOB**	365.00	-37%	-32%

**Black Sea ports

Source: Gas of Ukraine, Bloomberg

- Fresh economic data released by the State Statistics Committee yesterday, shows sharp decline in economic activity
- Real GDP fell 14.4% yoy in November and grew 3.6% yoy in 11M08 down from 5.8% yoy in 10M08
- In October, growth rate in exports (34.9% yoy) and imports (30.2% yoy) nearly halved compared to September
- Retail trade growth further slowed to 20.9% yoy in 11M08, down from peak of 30.2% hit in May-08

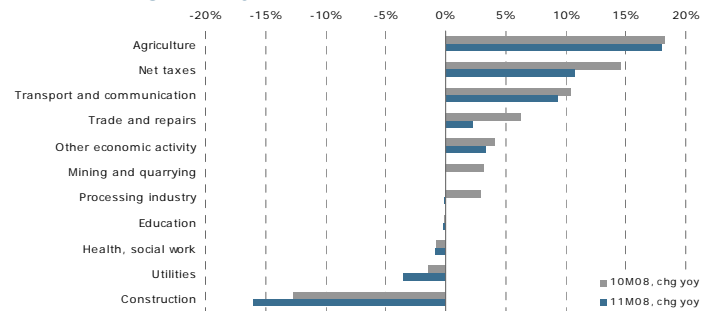
Economy plummets, agriculture unaffected

Ukraine is now facing the sharpest drop in economic activity in at least twelve years (see the chart on the left), since in 1996 the State Statistics Committee started issuing the data on GDP on a quarterly basis. In November real GDP fell 14.4% yoy, while in 11M08 gross domestic product grew 3.6% yoy. The December's data may be even worse, as consumers keep cutting expenses in the face of falling incomes and producers are accordingly cutting their output.

So far, the only sector showing unaffected growth is agriculture. Moreover, the sector has chances not to follow the others into the crisis, given that demand for agricultural products is relatively inelastic and comes both from Ukraine and abroad.

We maintain our 2008 GDP growth forecast at 3.3% yoy, however the actual yearend number may be lower. For 2009 we expect decrease of 2%.

Value added growth by sector



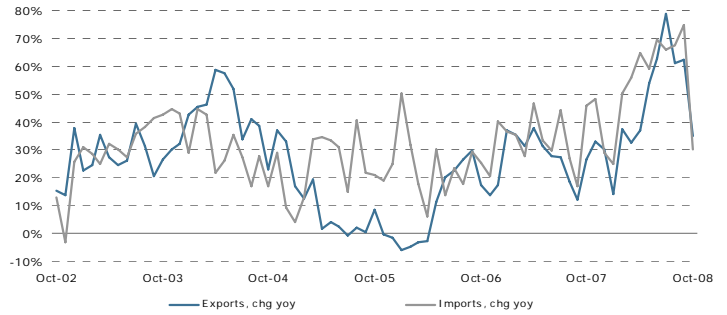
Source: State Statistics Committee

Foreign trade contracts on falling demand

According to the State Statistics Committee growth in external trade decelerated in October reflecting falling demand in Ukraine and abroad. Merchandise exports grew 34.9% yoy, down from 62.5% yoy in September. Growth in imports slowed to 30.2% yoy in October from 74.8% yoy in September. Merchandise trade imbalance made up USD 16.1 bln (10.2% of GDP) in 10M08.

We contend that in 2009 external trade will be significantly lower than this year in dollar terms. Under different scenarios annual change in either imports and exports will make from -10% to -30% in 2009, with imports most likely to contract more than exports. UAH depreciation and weakened consumer and investment demand will adversely affect demand for imports.

Trade growth tumbles after peaking in summer

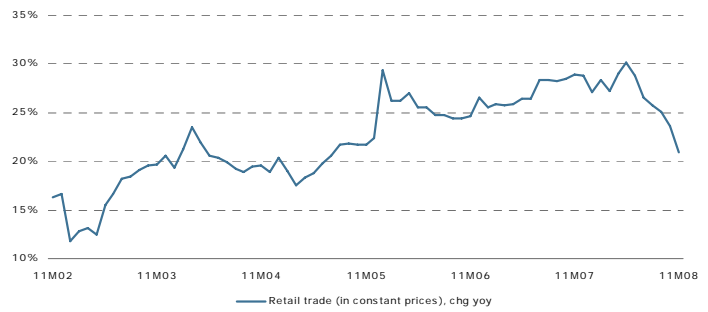


Source: State Statistics Committee

Retail trade falls amid decrease in income

Growth in retail trade made up 20.9% yoy in November, substantially lower than 23.6% yoy showed in October, as households' propensity to consume substantially decreased. Nominal disposable income fell 3.8% in October (the latest available data) and income outlook is quite gloomy: nearly 37% of people expect substantial decrease in standards of living and 36% fear to lose their jobs, according to the survey conducted by the Kyiv Gorshenin Institute of Management Issues in late November.

Retail trade growth is slowing sharply



Source: State Statistics Committee

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