![CONCORDE CAPITAL]

Ukraine | Research
Economy
Desk Note

October 1, 2013

Fall economy 2013

Bet on hryvnia depreciation

A fiscal crisis, coupled with a continued foreign currency deficit, outlines another season of elevated risks for Ukraine. The potential for improving trade and fiscal balances looks elusive in view of QE3 tapering plans, the trade conflict with Russia and cooling domestic demand. With a recent sovereign debt rating downgrade, attracting a new public loan looks to be not an option for the government. What's more, Ukraine did little this year to renew IMF cooperation. We bet on depreciation starting to unfold already in the coming two months, thus seeing a high risk related to investments into UAH-denominated papers.

- The trade balance will expand sharply in 2H13 on the back of increased natural gas imports. At the year's start, trade statistics improved due to delayed gas imports. However, the government has scheduled for 2H13 a minimum 60% h/h increase in gas purchases. We project the current account (C/A) deficit at USD 14.8 bln (flat yoy, 8.8% of GDP).
- Gross reserves will decrease to the USD 20 bln mark by the year end, in the best-case scenario. National Bank of Ukraine (NBU) reserves declined USD 3.6 bln in May-August to UAH 21.65 bln, or 2.4 months of imports, caused by external debt redemptions and closed access to external markets. We see further gross reserves declines as inevitable, with anticipated seasonal upsurge in individual demand for dollars and a rising energy bill, against the background of continued redemptions to the IMF through the fall.
- We see this pressure on NBU reserves and the currency will peak in October-November, and point there is a high probability that the hryvnia will start depreciating very soon. Our estimates show that nearly a 20% depreciation is needed to balance external accounts, but our base-case scenario now is the hryvnia will lose no more than 10% to trade at 8.5-8.8/USD by end-2013.
- No visible progress on renewed IMF cooperation is another factor that discourages potential lenders to Ukraine and plays in favor of a devaluation scenario. Yet we see a high chance the IMF program will resume as soon as our devaluation bet works out (which the government will demonstrate as an eased ForEx market control). In turn, we expect some improvement in trade accounts in 1H14 (on high grain exports), which coupled with possible IMF support will allow the government to consider a national currency revaluation option – a vital step for the president to gain political support on the eve of his re-election campaign.

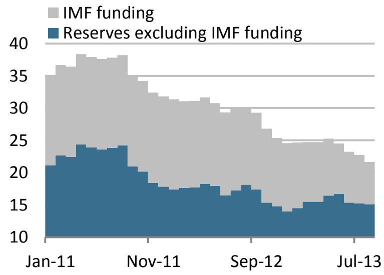
Key macro data and forecasts

	2009	2010	2011	2012	2013E
GDP growth yoy	-14.8%	4.1%	5.2%	0.2%	-0.3%
Household consumption growth, yoy	-14.2%	7.2%	15.0%	11.7%	3.4%
CPI, eop	12.3%	9.1%	4.6%	-0.2%	0.9%
C/A balance, % of GDP	-1.5%	-2.2%	-6.1%	-8.4%	-8.8%
General budget balance (incl. Naftogaz), % of GDP	-4.5%	-7.9%	-2.0%	-4.0%	-5.6%

Source: UkrStat, NBU, Concorde Capital research

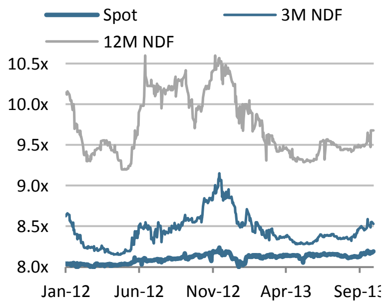
Alexander Paraschiy
ap@concorde.com.ua

Gross NBU reserves, USD bln



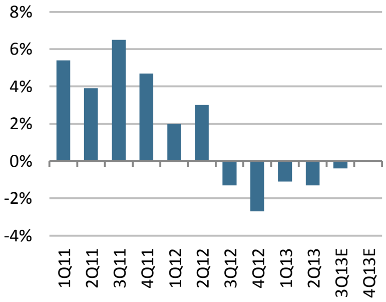
Source: NBU

UAH/USD market



Source: Bloomberg

Real GDP growth



Source: UkrStat, Concorde Capital research

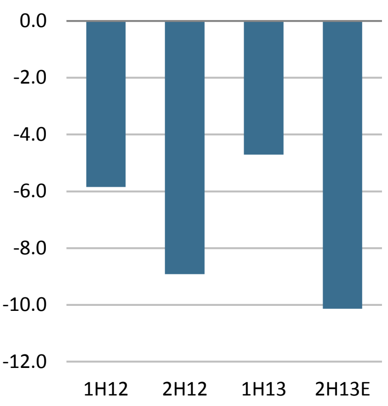
THE HRYVNIA: GLASS IS HALF EMPTY

Fundamentals point to severe pressure on NBU reserves in 2H13

We see at least three factors that will cause enormous pressure on the country's foreign currency reserves in 2H13 that eventually can lead to hryvnia devaluation:

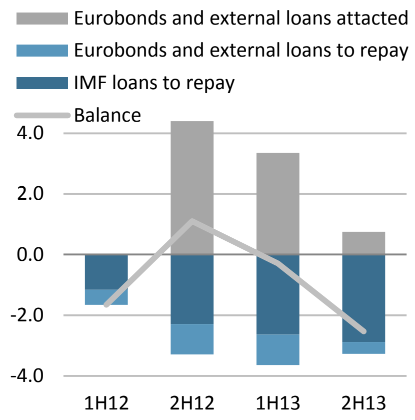
- Larger C/A deficit compared to both 1H13 and 2H12, which will result in a need to catch up to gas purchase delays at the year's start and on-going weak external demand for Ukraine's commodities, all of which can be exaggerated by tougher trade conditions with Russia.
- Seasonal increase in demand for foreign currency from the population that was not seen in 1H13, but was clearly observed in the second half of each year since 2010.
- On-going tough repayment schedule of foreign debt, which this time is aggravated by a closed window to new external loans. Currently, Ukrainian Eurobonds yield more than 11%, which is the cost ceiling set by the National Bank for sovereign lending. On top of that, the IMF is very unlikely to lend to Ukraine under the current circumstances since at least two of its key demands (ForEx market liberalization and higher household gas prices) are not being implemented.

C/A balance, USD bln



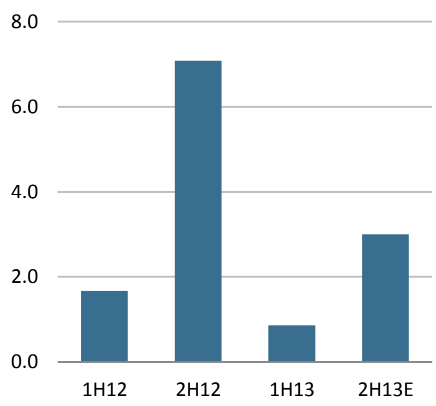
Source: NBU, Concorde Capital estimates

External state debt flow, USD bln*



** Including state banks and Naftogaz*
Source: NBU, MinFin, Concorde Capital estimates

Net retail demand for cash dollars, USD bln



Source: NBU, Concorde Capital estimates

Just these three factors have enough potential to decrease NBU reserves to USD 18 bln by the end of 2013, and/or trigger hryvnia devaluation this fall. We see that the pressure will be tough in early October and especially tough in early November, when the three factors will work simultaneously.

Still room for positive surprises, as before

At the moment, we don't see any intention of the government changing its currency policy, with policy makers being strongly encouraged to keep the hryvnia rate flat. Theoretically, they may get lucky again (as in late 2012) and some factors may indeed play in their favour:

- Raising gas imports without using the country's foreign cash reserves. Ukraine's second-biggest gas importer, Dmytro Firtash, said gas imports can increase enormously (to about USD 7.3 bln in 2H13 vs. USD 4.2 bln in 1H13) without immediate cash payments by Ukraine. Though nobody is familiar with the details of possible agreements on gas supplies, optimists can claim that boosted gas imports will not affect Ukraine's foreign reserves.
- Cash demand for dollars from the population may decrease significantly. Some experts believe that this year, households will be not that thirsty for

cash dollars as in previous years since their disposable income is growing slower and because the NBU did a good job in discouraging the accumulation of foreign currency. We agree that cash demand this year could be smaller (and we expect it will be 2.3x smaller yoy in 2H13), but it will certainly have an effect on the NBU's tiny reserves.

- International loans can be attracted. Securing USD 2-3 bln for a country as large as Ukraine doesn't look like a big deal, in theory. So far, we do not see anybody willing to lend to the government, but such a theoretical opportunity always exists. In particular, a Russian state bank reportedly granted a USD 750 mln loan to the Ukrainian government in September, despite the political tensions between the two countries. Some experts also claim Ukraine may receive a loan from EU after it signs the Association Agreement.

The hryvnia's future: it's a matter of luck

We see the authorities playing a hit-or-miss game with the hryvnia's exchange rate. Resources are insufficient for maintaining currency stability until the elections. So this rather delicate situation will remain hanging on a thread. Most Ukrainian economic observers share a similar, if not identical, view, and their outlook for the hryvnia differs only in their belief in whether or not the government will be lucky this time round.

Our view: devaluation – IMF – revaluation

Our understanding is the government is still striving to maintain hryvnia stability to enable President Yanukovych use this "stability" among the key achievements of his first presidential term. The idea is that will enable him to secure some electoral support for the February 2015 vote.

Though for us it looks clear that keeping the hryvnia stable till that time will be impossible without IMF support. In turn, the IMF has effectively demanded hryvnia devaluation to make Ukraine's external accounts better balanced. Under these circumstances, we believe the government will have no other choice but to let some of the pressure on the hryvnia realized by the year end.

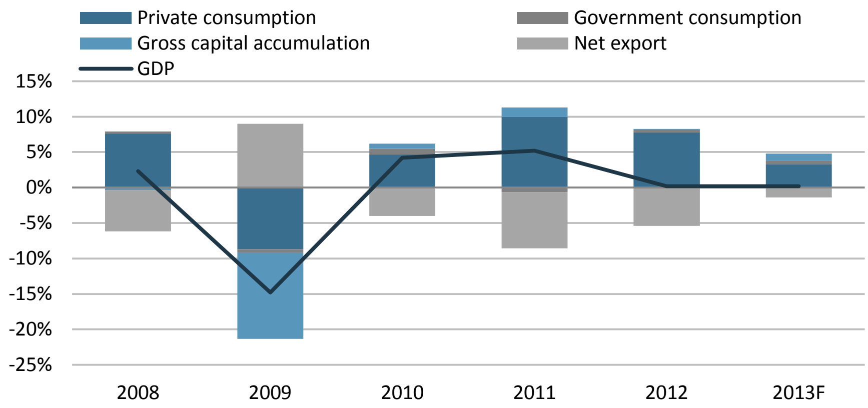
A moderately controlled devaluation will enable the government to start new IMF negotiations and secure new international loans. To preserve support for Yanukovych for the election, the government will need to maintain a smooth hryvnia devaluation and initiate a revaluation process as soon as the IMF grants a new loan. Then Yanukovych can focus his campaign on his ability to strengthen the hryvnia in 2014. The fundamental reason for such strengthening can be an improvement in external trade accounts in early 2014, to be fuelled by record-high grain exports.

So, our bet is the hryvnia will weaken to about 8.5-8.8/USD (from the current level of 8.2/USD) by the end of 2013, and after the government attracts a new loan from the IMF, it will act to strengthen the local currency to about 8.4-8.6/USD.

GDP TO DECLINE 0.3% IN 2013

Our optimism about GDP growth prospects was premature. The widely discussed revival of the world economy in 2H13 does not look that strong as anticipated. What's more, the main pillar of growth, domestic demand, started cooling down from the year start. In this respect, we revise our GDP estimate to -0.3% yoy in 2013 (from 1.6% projected in the year's start).

Components of GDP growth

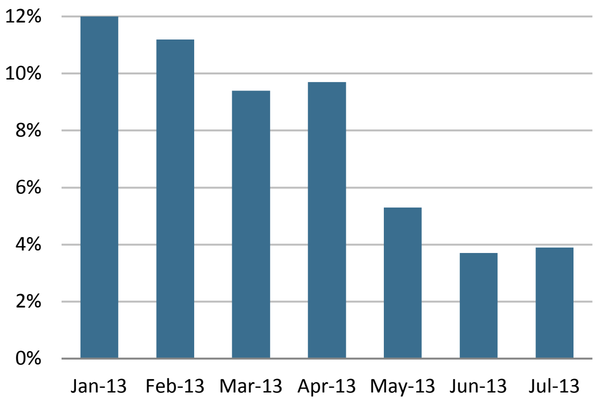


Source: UkrStat, Concorde Capital estimates

Household demand is cooling

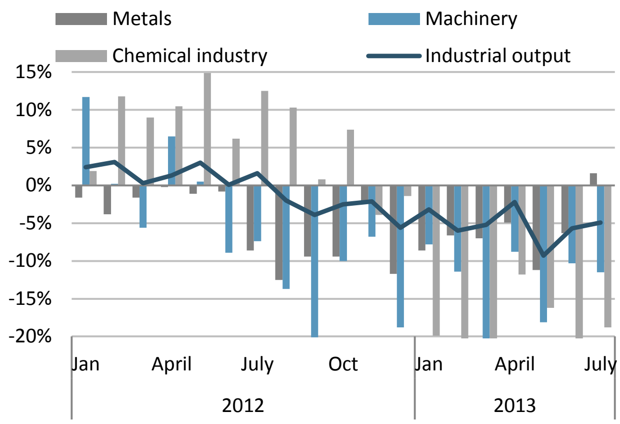
Private consumption was quite weak at the year's start. In 2Q13, the government reported private consumption rising to 7.3% yoy (from +4.4% in 1Q13) but the growth is still twice smaller than a year ago (+15.5% yoy in 2Q12). Pessimistic consumption sentiments and relatively slower real income growth (+9.3% yoy in 2Q13 vs. +16.0% yoy in 2Q12) are the main reasons behind such a slowdown. In light of this trend, we lowered our private consumption growth forecast to 3.4% (from 8.4%) in 2013.

Organized retail trade, yoy change



Source: UkrStat

Industrial output, yoy change



Source: UkrStat

Industry to fall at least 3.5% in 2013

Industrial output fell 5.2% yoy in 8M13, owing to sliding metal (-5.8%), machinery (-13.4%) and chemical (-19.5%) production. We still hope that the low statistical base in 2H13 will mitigate the sliding rates by the year end. However, so far a revival does not look secured. Chemical production was halted at several key fertilizer-producing factories in September. And anticipated metal price revival did not happen so far. Against this backdrop, we expect industrial output will fall by at least 3.5% in 2013.

Agri production to grow up to 10%

In 2013, Ukraine is expected to produce a record-high grain harvest of up to 60.1 mmt, according to USDA estimates (+30.1% yoy). Such volume of crops promises that agri-sector production will increase nearly 10% in real terms. The recent estimates, however, look much smaller: due to heavy rains harvesting campaign of late crops is going tough in Ukraine. The real agri-output will partially compensate for the negative trend in the industry, we expect.

FOOD DEFLATION DOMINATES

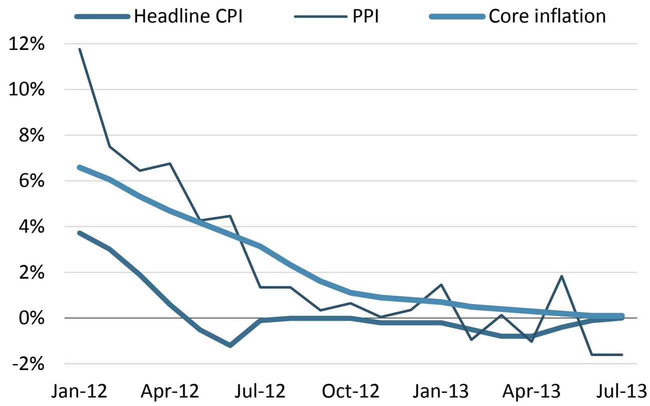
In the 8M13, Ukraine's CPI declined 0.4% yoy due to continued food deflation (-2.4% yoy). A steady increase in other CPI components such as healthcare (+2.0% yoy), transportation (+2.1% yoy), education (+3.9% yoy) and utilities (+0.3% yoy) did not help to overcome the effect of falling food prices.

In light of this trend and in view of the anticipated record grain harvest in 2013, we expect the food price index will decline 2.6% yoy in 2013, drawing down CPI to -0.4% yoy.

At this stage, we do not see any factors that might change this trend except for the hryvnia exchange rate. Indeed, it seems too late to expect an IMF loan program, which means that a gas tariffs hike is unlikely. At the same time, the situation with the fixed hryvnia rate looks quite shaky: if a currency correction starts unfolding this fall, the CPI decline might be less dramatic - near -0.1% yoy in 2013. In this case, the main burden from imported inflation will have been shifted to 2014.

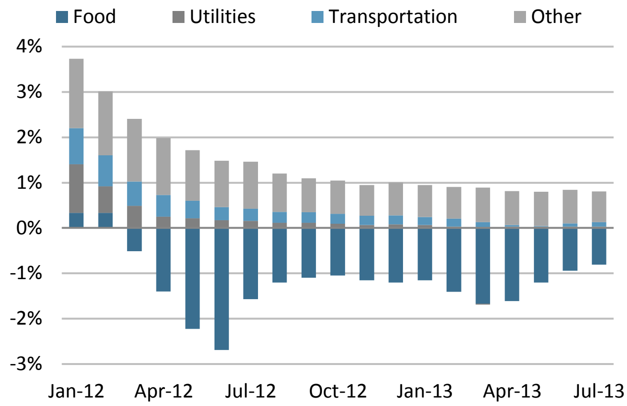
The producer prices index (PPI) is also demonstrating a deflationary trend on the back of sliding resource prices. In 8M13, the PPI declined 0.3% yoy, which is far below our initial expectations. We lower our PPI estimate to +0.6% yoy (from +7.2% yoy) in view of the continued sluggish development of the world economy.

CPI and PPI, yoy, 2013



Source: UkrStat

Headline CPI breakdown, 2013



Source: UkrStat

BALANCE OF PAYMENTS:
Gross reserves to approach USD 20 bln in 2013

The government reported that the C/A deficit improved to 7.6% of GDP in July (USD 13.7 bln, 12-month rolling) from 8.4% of GDP in 2012 (USD 14.8 bln, 12-month rolling). The decline in the trade deficit primarily stemmed from reduced energy imports, which saved the country USD 5.2 bln yoy in 8M13. The authorities will have to accelerate gas imports in 2H13, which will widen the C/A deficit by the yearend. Export revenue from the anticipated record grain harvest might mitigate energy imports growth in 2H13, but in view of declining grain prices the effect of a good harvest on the C/A will be subdued.

Against this backdrop, we are keeping our C/A balance estimate at USD 14.8 bln (flat yoy), which is 8.8% of GDP (under 8.8 hryvnia per USD).

Record grain exports to have modest effect amid falling grain prices

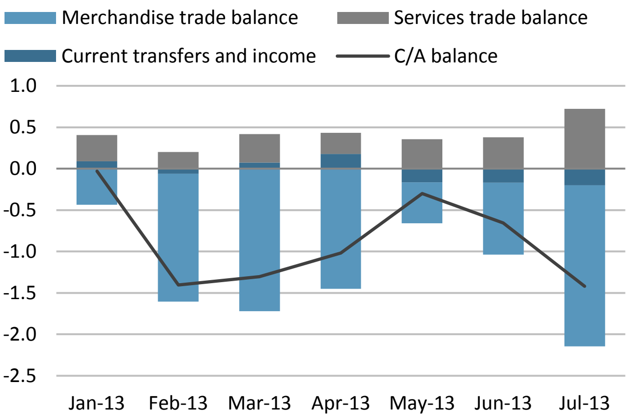
The potential grain export is the only positive driver for Ukraine's trade balance for 2H13. The U.S. Department of Agriculture expects Ukraine's grain harvest to reach 60.1 mmt in the 2013/2014 marketing year (vs. 46.2 mmt in 2013/2012) and grain exports will increase nearly 30% to 30 mmt in 2013/2014.

Though grain exports are projected to hit records, subdued exports prices (expected at nearly 15-20% lower yoy) will not allow export earnings to increase too much. Our estimates show that, with everything equal, 30 mmt of grain exports will increase foreign cash earnings only by USD 0.8 bln through the 2013/2014 marketing year.

However, even that positive effect will not reflect on the foreign cash inflow in 2H13. Recall in 2012, Ukraine received a USD 1.5 bln loan from the Export-Import Bank of China. According to the agreement, the State Food Grain Corporation of Ukraine is obliged to provide 4-6 mmt of grain to China to cover the loan through the 2013/2014 marketing year. In other words, more than 10% of expected grain exports have been already prepaid in 2012 and will not help to cope with the currency deficit in 2013. Moreover, grain traders aren't rushing to export grains quickly in 2H13 since they anticipate better prices later this season (maybe as late as in 1H14).

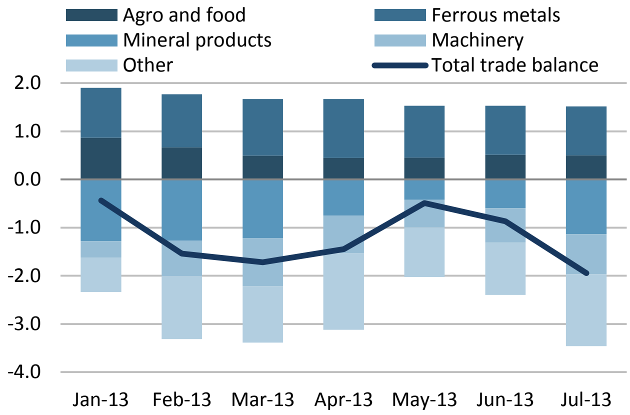
All in all, we see the general effect of grain exports on the trade balance in 2H13 as quite dubious. At the same time, we expect the grain export will have a more pronounced effect on C/A balance in 1H14.

C/A balance, USD bln



Source: NBU

Merchandise trade balance, USD bln



Source: NBU

Gas imports to surge 60% in 2H13

In 1H13, Ukraine imported only 10.3 bcm of natural gas which is 35.1% less than a year ago. The policy was targeted to save foreign cash in the country and hope for some price discounts from Gazprom. However, the state's energy balance presumes that Ukraine needs a minimum of 27 bcm of imported gas in 2013. Against this backdrop, even with the "foreign cash parsimony policy," the authorities will have to increase gas imports significantly (by nearly 60% vs. 1H13) to secure enough gas in storage for the cold season. Needless to say, hopes for a cheaper gas failed to realize.

This situation portends at least a USD 2.4 bln increase in the 2H13 gas bill h/h, which will correct down the unnaturally positive trade balance registered in 1H13.

Scarce capital inflow endangers national currency

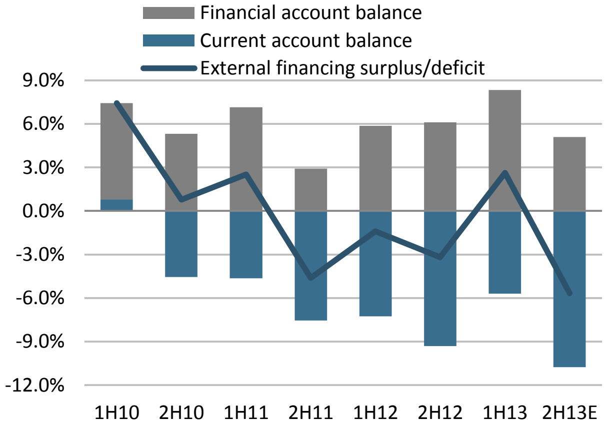
Despite the reduced C/A deficit in 1H13, the authorities were unable to prevent a foreign gross reserves decline. By the end of August, the NBU gross reserves dropped to USD 21.65 bln (USD -2.9 bln YTD) which is 2.4 months of future imports.

QE3 tapering talks, which started in May, were the main reason for the sliding reserves, we think. Nominally, the NBU reported an USD 8.0 bln surplus on its financial account for 7M13. However, this financial surplus on the one hand was technical (due to methodological peculiarities it did not consider a USD 3.0 bln redemption to the IMF in 7M13). On the other hand, it reflected USD 2.25 bln in Eurobonds placed by MinFin and USD 1.1 bln in Eurobonds placed by state banks. In other words, the financial account surplus net of these two effects was quite modest (USD 1.65 bln).

Against this backdrop and in view of tightened access to external markets, we see a high risk of on-going declines in gross reserves in 2H13, with consequent pressure on the national currency.

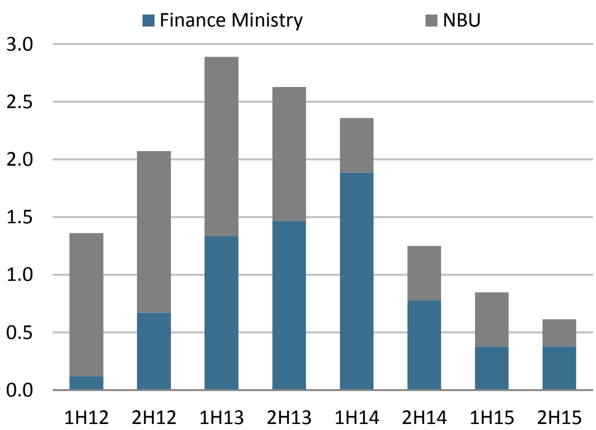
In addition to the expected widening of the C/A deficit, Ukraine will have to pay back nearly USD 1.6 bln externally and USD 0.7 bln internally in September-December. On top of that, Naftogaz of Ukraine is scheduled to repay its USD 0.4 bln loan in October. To make matters worse, traditionally the second half involves a revival of household demand for foreign cash.

External financing gap, % of GDP



Source: NBU

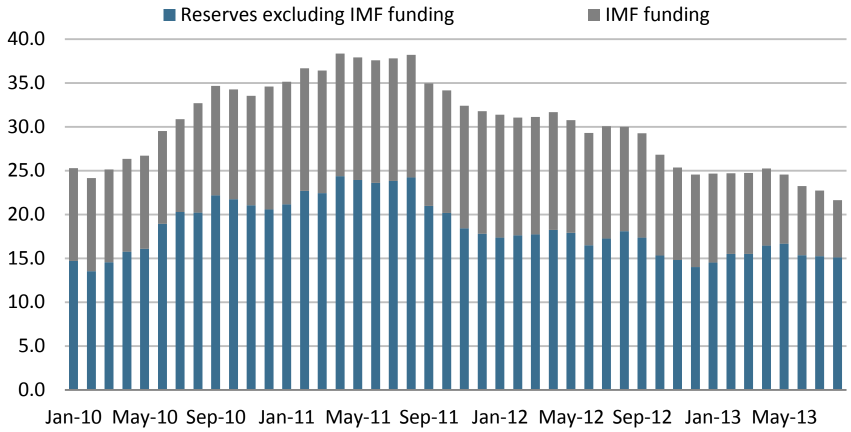
IMF debt redemption, USD bln



Source: NBU, MinFin

In this context, we see a high risk of gross reserves falling below USD 20 bln to nearly USD 18 bln by the end of 2013 if no external funding available. However, in our forecast we still assume at least USD 2.0 bln in external funding, which should enable the NBU to keep reserves at USD 20.1 bln by the year end.

Gross NBU international reserves, USD bln

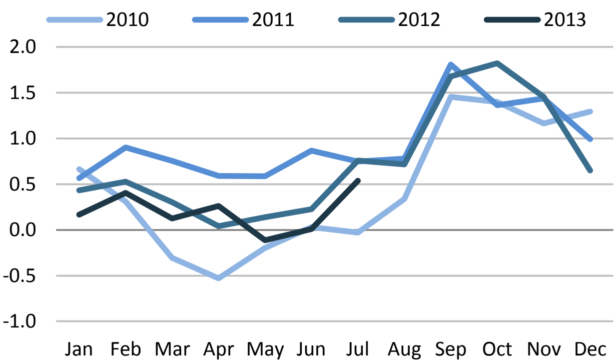


Source: NBU

Retail demand for cash dollars: another factor that starts depressing reserves

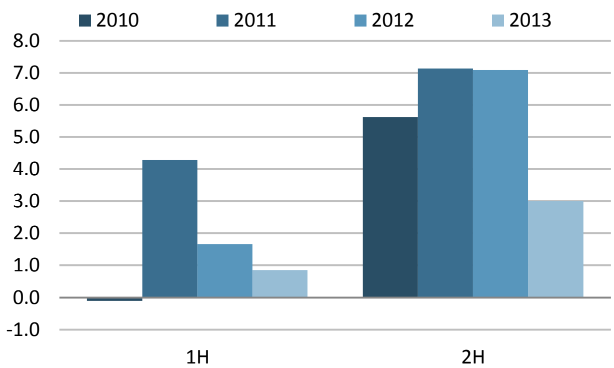
The arrival of fall means a traditional factor that endangers the stability of the local currency is starting to work. As the experience of 2010-2012 suggests, cash demand for dollars from population, usually being weak in the first half, becomes enormous in each of the three autumn months.

Seasonality of net retail demand for dollars, USD bln



Source: NBU

Net retail demand for dollars, USD bln



Source: NBU, Concorde Capital estimates (for 2H13)

Remarkably, so far gross reserves have been declining even without any noticeable increase in individual cash demand. After the NBU had suppressed the devaluation wave in 2012, households abstained from active foreign currency purchases. However, the situation might change quite quickly at any point. At minimum, an elevated seasonal demand for cash can hardly be avoided this fall (in July, foreign cash outflow from the banking system was already revived to USD 539 mln from USD 11 mln in June).

In light of this, any spark of a currency panic might be critical considering gross reserves are slim and currency outflow is strengthening. Regardless of a panic, we expect boosted retail demand for dollars in the coming months simply because it has become tradition.

The gross reserves level might serve as a trigger for elevated currency concerns in and of itself. Though in 2012, gross reserves broke the USD 30 bln ceiling without any consequences, foreign reserves falling below USD 20 bln (nearly 2.2 months of future imports) will probably be perceived as a disturbing signal.

We stress that the fact alone about slim reserves will not cause the hryvnia to collapse. At the same time, we expect many companies will adjust their activities accordingly in view of the inevitable currency deficit in the foreseeable future, which could threaten the hryvnia's stability.

THE BUDGET:

Sluggish revenue to push debt up to 40% of GDP

Accrued 2013 fiscal balance to exceed 5% of GDP

The State Treasury reported a 1.4% yoy decline in central budget revenue in 8M13, vs. +6.9% yoy in its revised full-year target. In light of low state collections, we anticipate about a UAH 30 bln revenue shortfall with an accrued fiscal gap of up to UAH 80 bln (nearly 5.5% of GDP). Still, the effective budget deficit (covered with cash) is unlikely to exceed 4.0% of GDP and we expect the rest of the gap to be transferred into arrears.

NBU to cover budget deficit

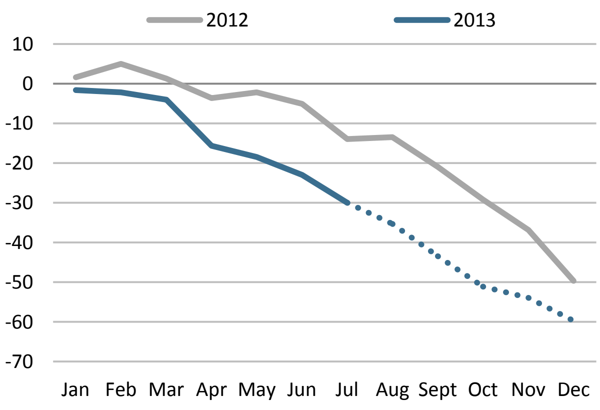
Initially, the state budget deficit was targeted at UAH 50.6 bln. Though state revenue is far below the targeted level, we can hardly expect the authorities to cover the 5.5% of GDP fiscal gap (UAH 80 bln) in full. Devaluation sentiments are the main reason for that. Recall for 2013, the government planned to cover the deficit with privatization revenue (UAH 10.9 bln) and external borrowing (UAH 7.1 bln), with the rest to be funded by domestic borrowing. Privatization revenue has been scarce so far (UAH 0.9 bln YTD by mid-September, or 8.3% of the annual plan), while access to external markets is limited.

The NBU remains the only reliable source of deficit funding (through state securities purchase). However, in light of persistent devaluation concerns, on-going hryvnia emissions could be quite limited so as not to endanger currency stability. In this context, we assume the effective budget deficit (covered by state lending, excluding Naftogaz financing needs) will not exceed 4.0% of GDP.

Naftogaz to run at least a UAH 18.7 bln loss

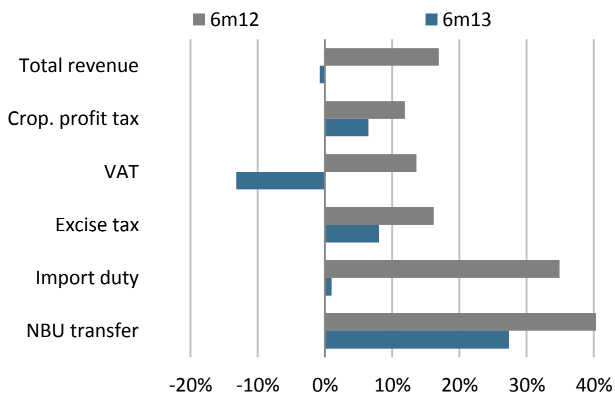
In 1H13, Naftogaz of Ukraine, the state gas production and distribution monopoly, reported UAH 10 bln in losses, thus having exhausted an UAH 8 bln subsidy earmarked initially in the budget. Afterwards, the Cabinet approved an UAH 18.7 bln full-year cash deficit for the company, which presumes extra financing of UAH 10.7 bln, most likely via additional public debt.

Central budget balance, YTD, UAH bln



Source: MinFin, Concorde Capital estimates

Central budget revenue growth, yoy

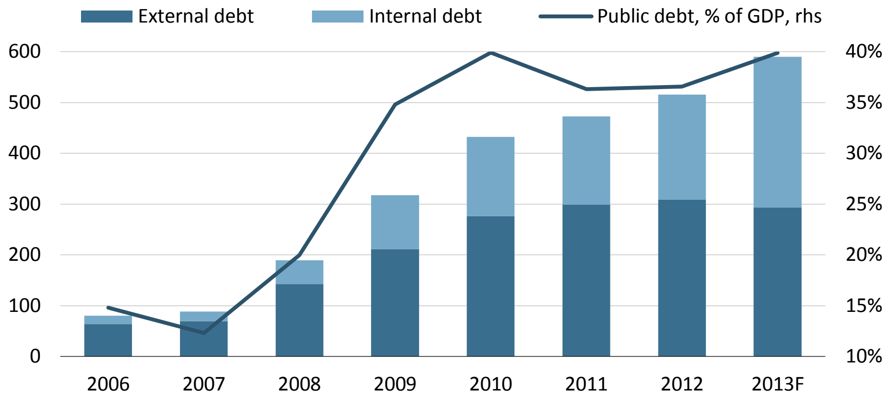


Source: MinFin, Concorde Capital estimates

Public debt to approach 40% GDP

The state revenue underperformance and swelled Naftogaz deficit portend a significant public debt increase in 2H13. Even if the Cabinet abstains from excessive spending and sticks to its 4.0% of GDP fiscal gap, we see more than UAH 45 bln of new net borrowings needed in 2H13 to fulfill basic recurrent spending. Against this backdrop, we anticipate public debt to reach UAH 590 bln in 2013 (UAH 546.3 bln by the end of August), which will be close to 40% of GDP.

Public debt, UAH bln



Source: MinFin, Concorde Capital estimates

APPENDICES

Appendix I. Key macro indicators

Key historical data and forecasts

	2006	2007	2008	2009	2010	2011	2012	2013E
Economic activity indicators								
Real GDP, % chg yoy	7.3	7.9	2.3	-14.8	4.1	5.2	0.2	-0.3
Household consumption, % chg yoy	15.9	17.2	13.1	-14.2	7.2	15.0	11.7	3.4
Investments in fixed capital, % chg yoy	20.9	24.4	-1.2	-50.5	4.0	10.1	0.6	-6.3
Nominal GDP, UAH bln	544	721	948	913	1,083	1,302	1,409	1,461
Nominal GDP, USD bln	108	143	180	117	137	163	176	166
GDP per capita, USD	2,312	3,060	3,881	2,541	2,981	3,557	3,859	3,646
Industrial output, % chg yoy	6.2	7.6	-5.2	-21.9	11.2	8.0	-0.5	-3.5
CPI (eop), %	11.6	16.6	22.3	12.3	9.1	4.6	-0.2	0.9
CPI average, %	9.1	12.8	25.2	15.9	9.4	8.0	0.6	-0.4
PPI (eop), %	14.1	23.3	23.0	14.3	18.7	14.2	0.3	5.4
External accounts								
Current account balance, USD bln	-1.6	-5.3	-12.8	-1.7	-3.0	-10.2	-14.8	-14.8
% GDP	-1.5%	-3.7%	-7.1%	-1.5%	-2.2%	-6.3%	-8.4%	-8.9%
Merchandise trade balance, USD bln	-5.2	-10.6	-16.1	-4.3	-8.4	-16.3	-20.5	-18.0
% GDP	-4.8%	-7.4%	-8.9%	-3.7%	-6.1%	-10.0%	-11.6%	-10.9%
Service trade balance, USD bln	2.1	2.4	1.7	2.4	4.4	6.1	5.7	4.0
% GDP	1.9%	1.7%	0.9%	2.1%	3.2%	3.7%	3.2%	2.4%
Financial account balance, USD bln	4.0	14.7	9.7	-12.0	8.0	7.8	10.6	11.7
% GDP	3.7%	10.3%	5.4%	-10.3%	5.8%	4.8%	6.0%	7.1%
FDI net, USD bln	5.7	9.2	9.9	4.7	5.8	7.0	7.0	6.6
% GDP	5.3%	6.4%	5.5%	4.0%	4.2%	4.3%	4.0%	4.0%
Gross NBU reserves (eop), USD bln	22.4	32.5	31.5	26.5	34.6	31.8	24.6	20.1
Public debt								
Public debt, USD bln	15.9	17.6	24.6	39.8	54.3	59.2	64.5	67.0
% GDP	14.7%	12.3%	13.7%	34.0%	39.6%	36.3%	36.6%	40.4%
Public external debt, USD bln	12.7	13.9	18.5	26.6	34.8	37.5	38.7	36.7
% GDP	11.8%	9.7%	10.3%	22.7%	25.4%	23.0%	22.0%	22.1%
Gross external debt, USD bln	54.5	80.0	101.7	103.4	117.3	126.2	135.1	131.0
% GDP	50.5%	55.9%	56.5%	88.4%	85.6%	77.4%	76.8%	78.9%
Monetary and banking sector indicators								
Monetary base, UAH bln	97	142	187	195	226	240	255	289
Monetary base, chg yoy	17.5%	46.0%	31.6%	4.4%	15.8%	6.3%	6.4%	13.3%
Money supply (M3), UAH bln	261	396	516	487	598	686	773	889
Money supply, chg yoy	34.5%	51.7%	30.2%	-5.5%	22.7%	14.7%	12.8%	15.1%
Monetary multiplier (eop M3/MB)	2.7	2.8	2.8	2.5	2.6	2.9	3.0	3.1
Monetization (M3/GDP), eop	48.0%	54.9%	54.4%	53.3%	55.2%	52.7%	54.9%	60.9%
Bank loans, chg yoy	71.0%	74.1%	72.0%	-1.5%	1.3%	9.4%	1.7%	5.5%
Bank deposits, % chg yoy	38.0%	52.7%	26.7%	-6.9%	24.4%	18.0%	16.4%	15.5%
Loan-to-deposit ratio	1.32	1.50	2.04	2.16	1.76	1.63	1.42	1.30
Exchange rate								
Official UAH/USD (eop)	5.05	5.05	7.58	7.97	7.96	7.99	7.99	8.80
Official UAH/USD (avg)	5.05	5.05	5.27	7.79	7.94	7.97	7.99	8.20
Fiscal indicators								
Consolidated budget revenues, USD bln	34.0	43.6	56.5	37	39.8	49.8	55.7	49.9
% of GDP	32%	30.5%	31.4%	31.6%	29.1%	30.6%	31.6%	30.1%
Consolidated budget expenditures, USD bln	34.7	44.8	58.7	39.4	47.8	52.1	61.5	57.2
% of GDP	32%	31.3%	32.6%	33.7%	34.9%	32.0%	34.9%	34.5%
Consolidated budget balance, USD bln	-0.7	-1.2	-2.2	-2.4	-8	-2.3	-5.8	-7.3
% of GDP	-0.7%	-0.8%	-1.2%	-2.1%	-5.8%	-1.4%	-3.3%	-4.4%
General budget balance (incl. Naftogaz), USD bln	n/a	n/a	n/a	-5.3	-10.7	-3.2	-7.0	-9.3
% GDP	n/a	n/a	n/a	-4.5%	-7.8%	-2.0%	-4.0%	-5.6%
Social indicators								
Population, mln (eop)	46.6	46.4	46.1	46.0	45.8	45.6	45.6	45.6
Unemployment (ILO methodology, avg.), %	7.4%	6.9%	6.9%	9.6%	8.8%	8.6%	8.3	8.0
Average monthly salary, USD	206	268	343	245	282	330	378	375
Real disposable income, % chg yoy	11.8%	14.8%	7.6%	-10.0%	17.1%	8.0%	13.5	7.9

Source: UkrStat, NBU, Concorde Capital research

Contacts

CONCORDE CAPITAL
2 Mechnikova Street, 16th Floor
Parus Business Centre
Kyiv 01601, Ukraine
Tel.: +380 44 391 5577
Fax: +380 44 391 5571
www.concorde.ua
Bloomberg: TYPE CONR <GO>

CEO
Igor Mazepa im@concorde.com.ua

SALES

Andriy Gerus ga@concorde.com.ua
Alexandra Kushnir ak@concorde-group.eu
Yuri Tovstenko ytovstenko@concorde.com.ua

RESEARCH

Head of Research
Alexander Paraschiy ap@concorde.com.ua

Agriculture, Consumer, Utilities
Alexander Paraschiy ap@concorde.com.ua

Basic Materials
Roman Topolyuk rt@concorde.com.ua

Macro, Fixed income, Financials
Alexander Paraschiy ap@concorde.com.ua

Editor, Politics
Zenon Zawada zzawada@concorde.com.ua