

Ukraine: risks muted so far

Monthly macroeconomic update

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Sovereign CDS (5Y USD), bps



Source: Bloomberg

Key macroeconomic indicators

	2008	2009E	2010F
Business cycle			
Real GDP, chg yoy	2.1	-15.0	4.0
Nominal GDP, USD bln	180.3	117.1	129.3
Industrial output, chg yoy	-3.1	-21.9	6.8
CPI (eop), chg yoy	22.3	12.3	10.0
PPI (eop), chg yoy	23.0	14.4	10.0
Public finance			
Consolidated budget deficit*, USD bln	-5.7	-8.3	-6.0
Consolidated budget deficit, % GDP	-3.2	-7.4	-4.6
Public debt, USD bln	24.6	37.8	51.8
Public debt, % of GDP	13.6	33.0	40.8
External sector			
NBU reserves (eop), USD bln	31.5	26.5	28.1
Current account balance, % GDP	-7.0	-1.7	1.4
Capital account balance, % GDP	7.8	-10.1	-3.2
External debt, % of GDP	56.4	90.0	85.6

Exchange rate

Interbank UAH/USD (avg)	5.30	8.11	8.15
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*Incl. Naftogaz, excl. Banks recapitalization

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

Prices for core commodities, as of February 26

	Current	chg YTD	chg yoy
Gas imports, USD/tcm	305.20	47%	-15%
Crude oil (URALS), USD/bbl	75.11	-2%	67%
Milling wheat 3rd gr, USD/mt, FOB*	151.00	3%	-1%
Steel square billet, USD/mt, FOB*	465.00	12%	31%

* Black Sea ports

Source: Bloomberg

Ukraine entered 2010 with a stable exchange rate, narrowing sovereign spreads (by ~250 bps) and real economic growth (+7.5% yoy in January). Though, as political uncertainty persists, risks in the fiscal sphere and to the UAH/USD rate remain. Looking ahead, the renewal of external demand, IMF cooperation and more prudent fiscal policy are set to drive recovery in 2H10.

2010 off to better start than we expected

While the financial crisis has translated into government debt concerns elsewhere, Ukraine's gross public debt (33% of GDP in 2009, 41% in 2010F) has remained in check, with the government repaying its domestic UAH debt on time (UAH 2 bln in 2M10). Yet, measures to reduce the fiscal deficit (7.4% of GDP in 2009) are definitely required.

Other indicators also suggest macro risks have been muted so far: Ukraine's CDS quotes dropped from above 1,200 bps early this year to 900-950 bps, while the UAH/USD rate has remained at 8-8.1.

Political uncertainty still poses risks

Though presidential elections are over, political uncertainty persists, jeopardizing macroeconomic stability in the short-term. This could further delay the return of responsible fiscal policy and complicate refinancing Ukraine's UAH 10.6 bln (USD 1.3 bln) in domestic debt due in March-June.

Political instability postpones renewal of IMF cooperation. This deprives the NBU of additional FX reserves, meaning less flexibility in maintaining the exchange rate in the short-term. The NBU continues to uphold strict monetary policy and spends a monthly average USD 0.6 bln to defend the hryvnya.

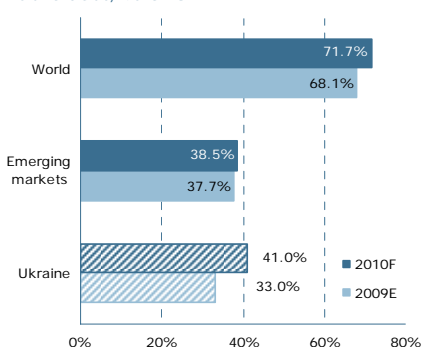
Signs of real recovery are here

For the first time since 3Q08, the Ukrainian economy might post real yoy growth in 1Q10; GDP went up 7.5% yoy in January 2010 (vs. -7% yoy in 4Q09), according to the NBU's preliminary data, on the back of export recovery and a low comparison base.

Other encouraging signs: consumer inflation decelerated to 11.1% yoy in January (vs. 12.3% in December). The BoP current account deficit narrowed sixfold to 1.7% of GDP in 2009, following 30% real UAH depreciation. In the banking sector, as capital adequacy improves (to 19.3% in January) and deposits continue coming (+4.7% in four months ending in January), the NBU has just started efforts to stimulate bank lending.

Public debt at manageable 33% of GDP

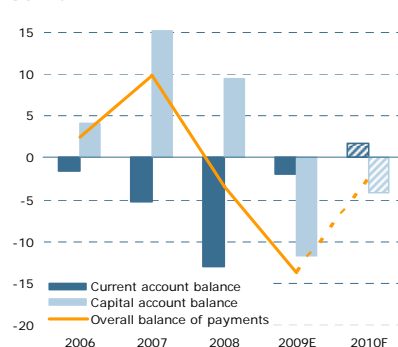
Public debt, % of GDP



Source: IMF, Ministry of Finance, State Stat. Com.

BoP improves

USD bln



Source: NBU, Concorde Capital estimates

USD/UAH rate stable since November

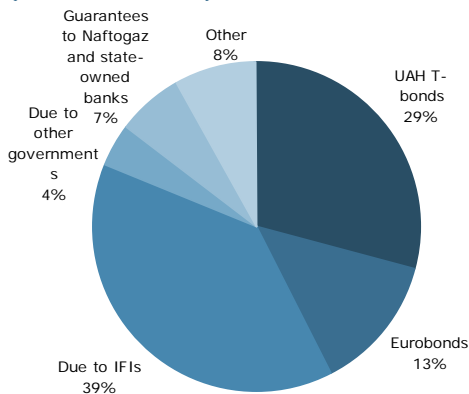
Daily



Source: UkrDealing

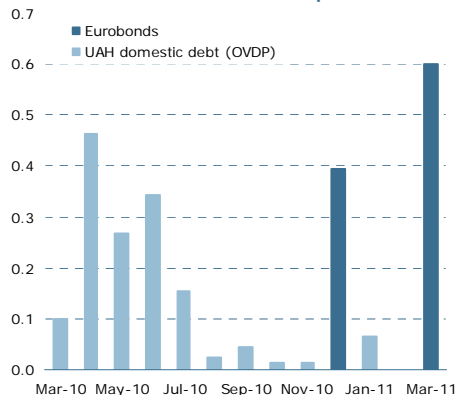
Focus: public finance

**Total public debt structure as of 12/31/09
(Total: USD 37.7 bln)**



Source: Ministry of Finance, Concorde Capital

UAH T-Bill and Eurobond redemptions, USD bln



Source: Ministry of Finance, Concorde Capital

Fiscal balance 2009

	UAH bln	% of GDP
Fiscal deficit		
Consolidated budget deficit as reported	21.6	2.4%
Reclassification of SDR receipts from global allocation	15.6	1.7%
Naftogaz capitalization	30.0	3.4%
Total fiscal deficit	67.2	7.4%
Banks recapitalization	19.6	2.1%
Deficit financing		
Loans from IMF	38.4	4.2%
SDR global allocation by IMF	15.6	1.7%
Net domestic borrowings	38.6	4.2%
Eurobonds issued/repaid(-), net	-9.7	-1.1%
Other, net	3.9	0.4%
Total financing, net	86.8	9.5%

Source: State Statistics Committee, Finance Ministry, Verkhovna Rada, National Bank of Ukraine, Concorde Capital estimates

Public debt burden: still under control

While the financial crisis has translated into government debt concerns elsewhere, Ukraine's gross public debt (33% of GDP in 2009, 41% in 2010F) has remained in check. Public debt servicing, though up 2.3x yoy last year, amounted to 3.3% of budget outlays or 1.1% of GDP in 2009, below the average for the emerging economies of the G20 (9.0% and 2.4% respectively, according to the IMF).

In 2009 public debt rose 60% to USD 37.7 bln, following a 2.2x increase in the fiscal deficit and capital infusions into state-owned & troubled banks (USD 2.6 bln in 2009). As most of the deficit was financed via the IMF, debt composition remained favorable. Almost 40% of it is long-term, cheap debt provided by IFIs (incl. USD 11.3 bln from the IMF). Medium-term Eurobonds account for another 13%.

The nearest sovereign Eurobond redemptions are in December (yen notes for ~USD 400 mln) and March 2011 (USD 600 mln). We expect the government to get access to USD 6.3 bln of its IMF stand-by facility by mid-2010, which should give the government more than enough to repay these liabilities.

Achilles' heal – domestic UAH debt

The main concern related to public debt is its short-term UAH component (~4% of total), incl. UAH 10.6 bln (USD 1.3 bln, 1.1% of GDP) due in March-July. Given that the government, most likely, will see a fiscal deficit of ~UAH 5 bln in 1H10, similar to in 1H09, and its scarce cash balance (UAH 1.9 as of end-January vs. ~UAH 15-20 bln in pre-crisis 2008), it will have to refinance (IMF resources might not be available in time).

So far the government has been able to refinance its UAH debt (~UAH 7 bln in October-February) by attracting resources from domestic investors (although at 23-27%). There are no signs that it cannot continue doing so in the future.

Importantly, only 2% of all UAH debt is held by foreign investors. So, any possible disruptions in its repayment will not directly effect the exchange rate as UAH debt restructuring did in 1998, when foreigners held ~45% of UAH-denominated sovereign debt instruments.

2009 fiscal deficit at worrisome 7.4% of GDP

In 2009 Ukraine's fiscal deficit reached UAH 67.2 bln or 7.4% of GDP (vs. 3.2% in 2008, including Naftogaz following the IMF's approach)¹. As fiscal revenues remain weak due to the slow economic recovery and limited access to capital markets, public finances require an overhaul to reduce the deficit, foremost on the expenditures side.

The total fiscal deficit was below the maximum allowed UAH 79.1 bln in the IMF stand-by facility memorandum (dated July 23, 2009). While the general government deficit of UAH 37.2 bln (4.1% of GDP) was in line with the IMF cap of 6%, Naftogaz deficit financing (3.2% of GDP) breached the IMF cap (2.6% of GDP) as the government failed to increase retail utility tariffs before the presidential election.

Total budget revenues declined 8.3% yoy in 2009. Following the ~15% real GDP decline, this was mainly at the expense of lower corporate income tax (-31%) and VAT (-8.1%) revenues, which together accounted for 43% of total receipts.

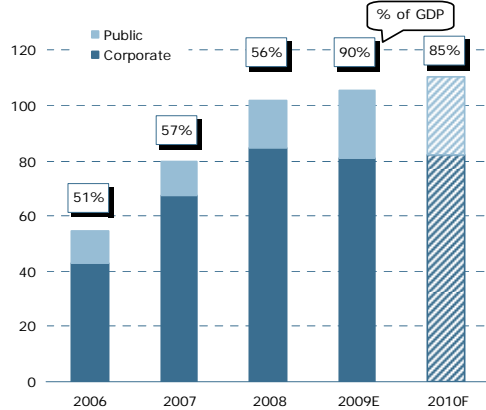
At the same time, total outlays were almost unchanged (-0.6%). In the presidential election year, social expenses rose 7.3% in 2009, while those for capital needs were cut by more than half vs. 2008.

Fiscal deficit work needed in 2010

In 2010, we expect the main contribution to curbing the fiscal deficit to come from optimizing general gov't expenses and reducing

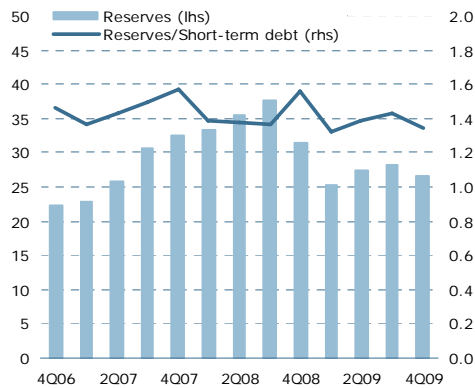
¹ To obtain this 2009 deficit number we reclassified UAH 15.6 bln of the IMF's global SDR disbursement from revenues to deficit financing; included into deficit UAH 30 bln of gov't investments into a Naftogaz equity to finance gas import payments, following the IMF's calculation approach.

Gross external debt, USD bln



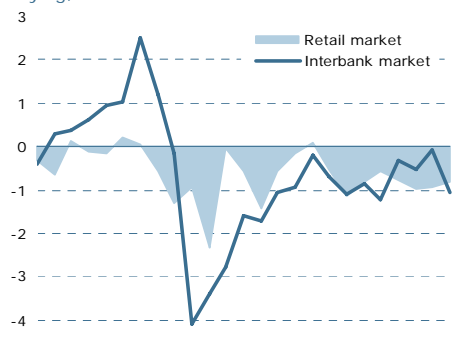
Source: National Bank of Ukraine, Concorde Capital estimates

NBU FX reserves (USD bln), NBU reserves to short-term external debt



Source: National Bank of Ukraine, Concorde Capital estimates

Excessive supply in the domestic interbank and retail forex markets: NBU net buying(+)/selling(-) foreign exchange in the interbank market, selling less buying, USD bln



Source: National Bank of Ukraine

Naftogaz' deficit via higher utility tariffs. As we forecast a nominal 10% increase in revenues on the back of 4% real growth, the fiscal deficit (including Naftogaz) should stand at 6.5% of GDP in 2010.

One of the main sources of deficit financing in 2010 will likely be the issuance of UAH debt securities. A significant portion of them can be bought out by local banks (and then refinanced by the NBU) or contributed to capital of state-owned banks (and then bought out by the NBU). We do not expect such implicit NBU financing of the budget deficit to stimulate inflation as long as the NBU continues absorbing hryvnyas from the market and domestic demand remains weak. Nonetheless, the wide fiscal deficit will continue crowding out investments, especially if interest rates remain high.

IMF loans could be another source of deficit financing. As in 2009, a portion of these funds could go directly to the government instead of the NBU. One hidden reserve for deficit financing could be privatization, given political will and continuation of the global recovery that should enable the sale of state property at acceptable prices.

In the worst case scenario of prolonged political uncertainty, a government-NBU standoff and a lack of IMF support, we expect the government to cut expenses and the fiscal deficit to not exceed its 2009 level and stay within 5-6% of GDP simply because of tight access to capital markets for Ukraine to finance it.

External debt almost intact in 2009

We estimate gross external debt rose by a marginal 3.7% in 2009 to USD 105 bln. Its ratio to GDP, though, increased from 56% to 90% during the year due to 50% hryvnya depreciation as well as the nominal GDP decline in UAH terms (by ~4%).

The minor increase in external debt in 2009 came from IMF loans to the NBU and government, while corporate external debt shrank by ~5.6% in 2009E. The short-term corporate segment went down by ~3.4%, according to the NBU, and is fully covered by NBU reserves (reserves/short-term debt was ~135% as of end-2009).

The most deleveraging happened in banking sector, where external debt declined 15% in 9M09 to USD 33.6 bln. Around half of the remaining debt is loans from international banking groups to local subsidiaries, which we expect to be prolonged, if necessary. External debt of other corporates rose 0.5% to USD 41.5 bln during 9M09.

Political uncertainty carries macro risks

Though the presidential election is over, political uncertainty persists. The main question is when the new government will be formed, and its composition. Prolonged ambiguity aggravates macroeconomic risks, which have been muted so far this year.

Public finances and USD/UAH rate might be at risk

The absence of a new government and/or the scheduling of early parliamentary elections **might postpone the return to responsible fiscal policy** and approval of the 2010 budget. Uncertainty raises questions about the government's ability to refinance its short-term domestic debt.

Additionally, the lack of resources for regular outlays and debt servicing could be aggravated by disjointed cooperation between the NBU and government.

In the medium-term, delays in optimizing public expenses and curbing Naftogaz' deficit will keep borrowing costs high, slowing-down real recovery by crowding out investments.

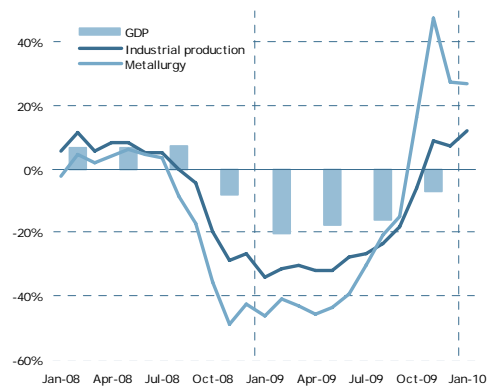
Political instability can also **delay the renewal of cooperation with the IMF**. This could deprive the NBU of additional infusions into its FX

reserves, giving it less flexibility to maintain exchange rate stability. The NBU still intervenes considerably (USD 1 bln in January 2010) on the domestic forex market and pursues a strict monetary policy to keep the UAH/USD stable.

The lack of new IMF financing could also mean more difficulties in financing the budget deficit.

In the worst-case, political uncertainty could lead to a surge in FX demand on the retail market. As the population still buys on average USD 0.7 bln more than it sells each month, this could put sizeable pressure on the hryvnya. This scenario, though, is less likely as the rate has remained stable throughout the presidential campaign.

GDP real change (yoy, quart)
Industrial production and metallurgy real change (yoy, month)



Source: National Bank of Ukraine

Real recovery: slowly but surely

Real dynamics improved, not sustainable yet

For the first time since 3Q08, the Ukrainian economy might post real yoy growth in 1Q10; GDP went up 7.5% yoy in January 2010 (vs. -7% yoy in 4Q09), according to preliminary NBU estimates. Industrial production picked up 11.8% yoy in January after gaining 7.4% yoy in December (-21.9% in 2009).

According to the State Statistics Committee's preliminary data, the decline in real GDP in 2009 equaled 15%, slowing to -7% yoy in 4Q09 (vs. -15.9% yoy in 3Q09). For 2010 we foresee 4% real GDP growth, driven by export-oriented industries (notably, metallurgy).

We estimate that by end-2009/early-2010 GDP was driven by a further narrowing in the external trade deficit. Budget spending, in contrast, declined nominally by 13.8% yoy in 4Q09 (vs. -1.3% yoy in 3Q09) as the government lacked resources to fund all its planned outlays.

January's industrial output growth, in turn, was fueled by metallurgy (+26.6% yoy), which managed to maintain monthly crude steel output at ~1.5 mln mt for the third straight month (50% above the October-November 2008 trough and ~40% off its pre-crisis level).

Agriculture, another key sector of the Ukrainian economy, posted 0.1% real growth in output in 2009 and +5.4% yoy in January. Although harvests were down 13.7% in 2009, they remained high by historical standards (46 mln mt vs. 38 mln mt average in 2004-2008).

Improved real dynamics are explained, in part, by the very low comparison base at end-2008/early-2009. We expect annual growth to slow by yearend, in line with the upward trending comparison base of 2009. However, qoq/mom growth could possibly accelerate, reflecting the strengthening economic recovery.

We expect the economic recovery to begin picking up steam by mid-2010, facilitated by metallurgy. Domestic consumer and investment demand will lag as personal income is still depressed (-10% in real terms in 9M09); investment activity is low due to scarce bank lending, high interest rates (above 20% in UAH) and political & economic policy uncertainty.

BoP deficit narrows

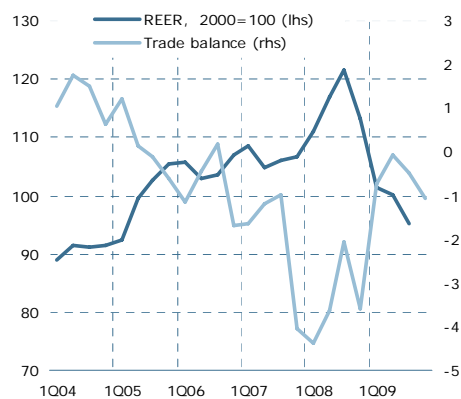
Stabilization in the BoP in the recent months vs. the volatile end-2008/early-2009 facilitated UAH exchange rate stabilization and eased devaluation expectations.

In 2009 Ukraine's current account (CA) deficit narrowed sixfold, to USD 1.9 bln or 1.7% of GDP. This was driven by a smaller trade deficit: due to weak domestic demand and 30% real UAH depreciation, imports plummeted 43.1% in 2009 while the decline in exports narrowed -36.7% in nominal terms.

In January 2010, the CA declined to +USD 0.2 bln vs. +USD 0.7 bln in January 2009 on the back of a 2.5x increase in gas imports.

We envision the CA to improve further and turn positive in 2010 with

Trade balance (USD bln) vs. REER



Source: National Bank of Ukraine, IMF IFS

the surplus possibly reaching as much as 1.4% of GDP on the back of recovering demand in other emerging markets, the main consumers of Ukraine's metallurgy and weak domestic demand.

The capital account, in contrast, turned negative in 2009, with a deficit amounting to USD 11.8 bln or 10% of GDP vs. a surplus of 7.8% of GDP in 2008. Some 80% of the 2009 deficit was derived from the retail FX market, where the public bought USD 9.6 bln more in foreign currency than it sold (vs. USD 12.6 bln in 2008). FDI, in turn, amounted to USD 4.5 bln in 2009, down 56% from 2008.

We project the capital account deficit to narrow to 3.2% of GDP in 2010 as we expect FDI to go up by as much as 12% in dollar terms following political stabilization. Demand for foreign currency on the retail market should also decline in 2010 with the banking system recovering and devaluation expectations tamed.

NBU to revive lending as confidence restores slowly

The population's trust in banks continued to improve in end-2009/early-2010. Since the trough in March 2009, retail deposits gained 11% as of end-January with inflows accelerating in the last four months (+4.7%). Furthermore, in December-January, UAH deposits grew faster than foreign currency deposits (4.4% vs. 0.2%), signaling improvement in confidence in the national currency.

On top of that, the banking sector's capitalization (CAR) rose to 19.3% as of end-January vs. 15.6% as of end-September.

Nonetheless, in January, the NBU's monetary policy remained quite strict to facilitate exchange rate stability. The monetary base dropped 2.8% mom (+5.2% yoy, up from +4.4% yoy in December) due to the NBU sucking up excess currency supply from the forex market (USD 1.1 bln in January). The NBU also absorbed UAH 16.6 bln from the market via the issuance of short-term CDs.

In our view, the NBU will be able to stimulate real growth in 2010 by loosening monetary policy. An improving BoP in 2H10 should allow the NBU to pump more money into the economy to kick start domestic lending without jeopardizing the exchange rate.

Following signs of stabilization in the exchange rate and banking spheres, the NBU has already taken its first steps to stimulate bank lending. At the beginning of February, the NBU introduced a new type of secured refinancing – a "stimulating loan" provided for as long as five years and collateralized by foreign currency, among other assets. Proceeds can be used for lending to local corporations "strategically important to the economy and its recovery", according to the Cabinet of Minister's list.

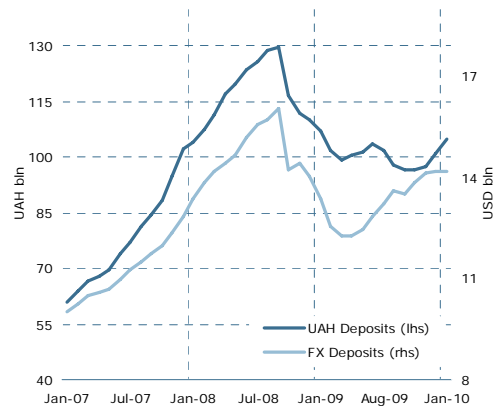
This initiative should provide a positive impulse to the still very dormant lending by local banks. For this to happen, a prudent approach of defining "strategically important" corporations by the government and reasonable technical implementation of the refinancing by the NBU will be needed.

Inflation continues cooling

In January 2010 consumer prices went up 11.1% yoy vs. +12.3% yoy in December. Weak domestic demand continued restraining price increases in durable goods, contributing around one-third of the inflation deceleration in January. At the same time, increases in food commodity prices (+11.1% yoy in January vs. +10.9% yoy in December) were a lagged response to end-2009 rises in world prices and domestic supply disruptions.

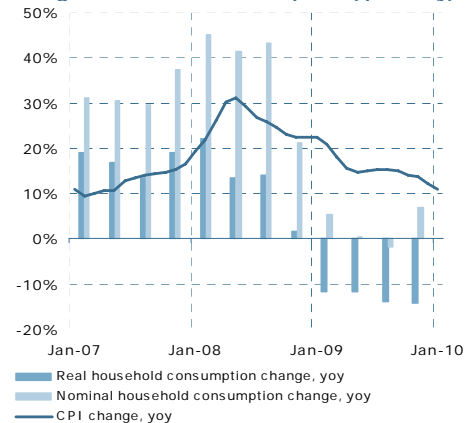
Lax domestic consumer demand along with tight monetary policy and expected exchange rate stability will restrain inflation in 2010. On the other hand, retail utility tariff hikes by the government (we expect by ~30%) could add as much as 3 pp (compared to 2009) to CPI. On balance, we expect slight deceleration in inflation to around 10% as of end-2010.

Retail deposits stock



Source: National Bank of Ukraine

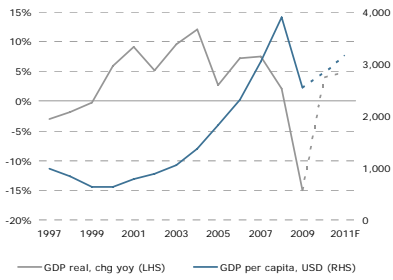
Inflation (monthly) vs. Change in household consumption (quarterly), yoy



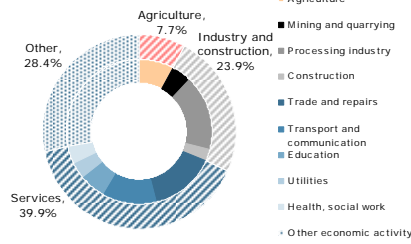
Source: State Statistics Committee of Ukraine

Macro monitor

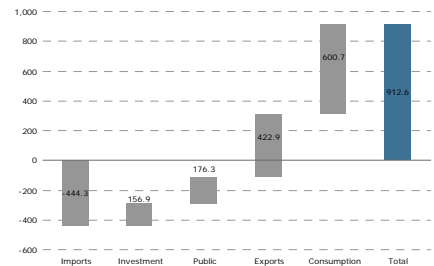
GDP growth and GDP per capita



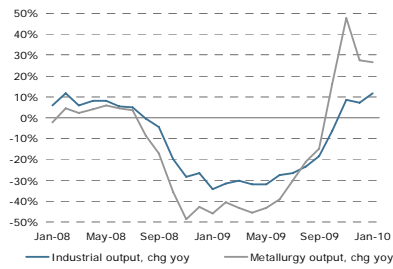
GDP by sector in 2009



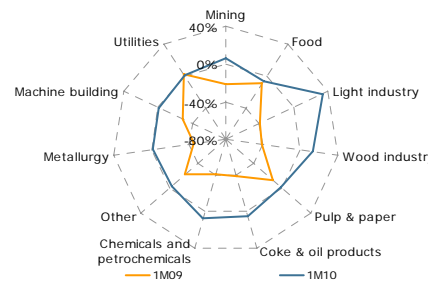
GDP by expenditures in 2009, UAH bln



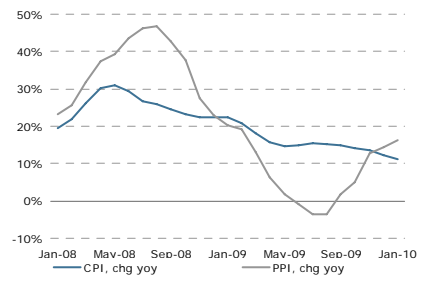
Manufacturing indicators



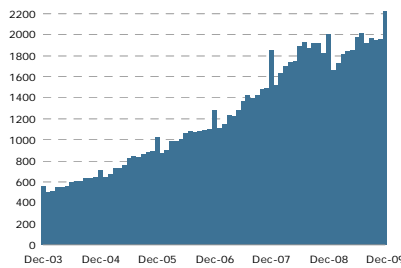
Industrial output growth by sector, chg yoy



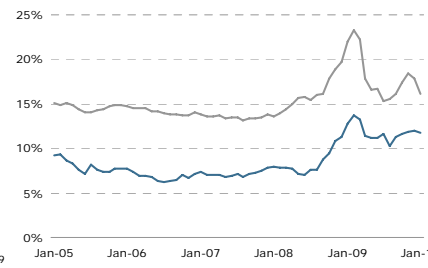
Inflation



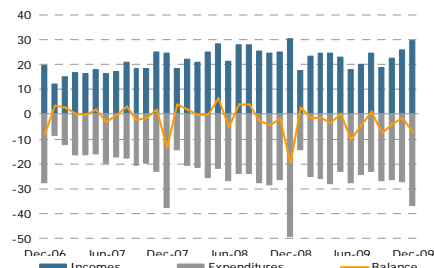
Average monthly salary, UAH



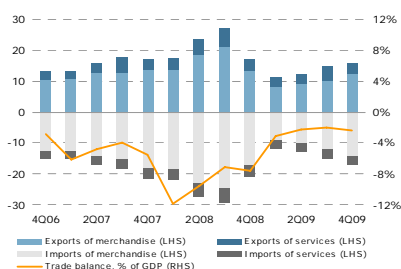
Interest rates



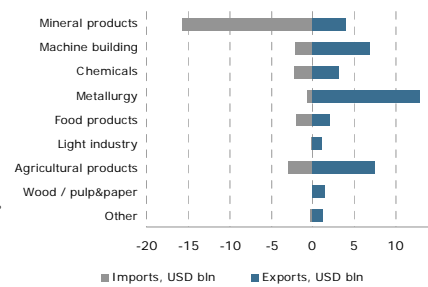
Consolidated budget execution, UAH bln



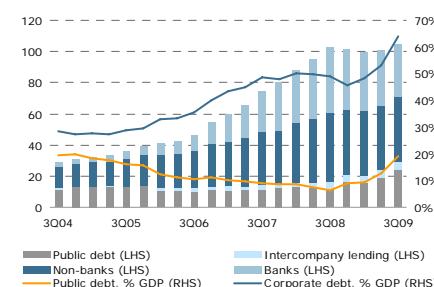
External trade, USD bln



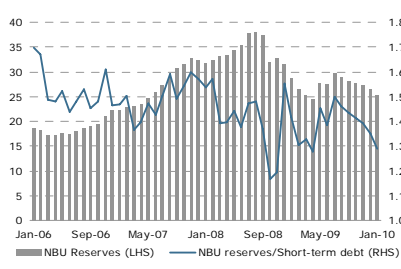
External trade in merchandise, 1M10



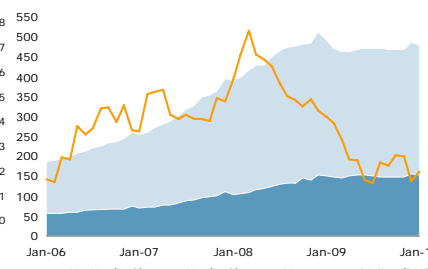
External debt, USD bln



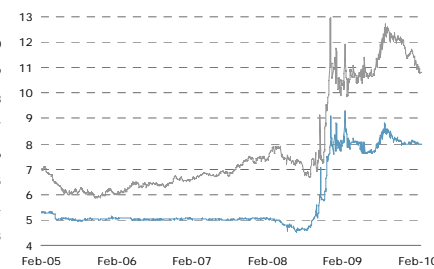
NBU reserves



Money supply structure, UAH bln



UAH exchange rates



Sources: National Bank of Ukraine, State Statistics Committee, Ministry of Finance, Bloomberg, Concorde Capital estimates

Macro indicators yearly

	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F
Business cycle indicators										
Real GDP, % chg yoy	5.2	9.6	12.1	2.7	7.3	7.6	2.1	-15.0	4.0	4.9
Nominal GDP, UAH bln	226	267	345	441	538	713	950	913	1053	1181
Nominal GDP, USD bln	42.4	50.1	65.0	86.1	106.5	141.2	180.3	117.1	129.3	144.1
GDP per capita, UAH	4685	5591	7273	9372	11630	15372	20534	19854	23025	25924
GDP per capita, USD	880	1048	1371	1829	2303	3044	3897	2549	2825	3161
Consumption, % chg yoy	9.5	11.5	13.1	20.6	15.9	17.1	11.8	-14.1	4.0	5.0
Investment, % chg yoy	-1.5	24.3	5.5	14.0	18.5	22.1	5.1	-52.9	4.0	7.5
Industrial output, % chg yoy	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-21.9	6.8	7.7
CPI (eop), % chg yoy	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3	10.0	8.0
PPI (eop), % chg yoy	5.7	11.1	24.1	9.5	14.1	23.3	23.0	14.4	10.0	15.0
External indicators										
Current account balance, USD bln	3.2	2.9	6.9	2.5	-1.6	-5.9	-12.5	-1.9	1.7	1.4
Current account balance, % GDP	7.5	5.8	10.6	2.9	-1.5	-4.2	-7.0	-1.7	1.4	1.0
Trade balance, USD bln	1.9	1.3	5.0	0.7	-3.1	-7.9	-13.7	-2.7	1.6	1.5
Trade balance, % GDP	4.4	2.6	7.7	0.8	-2.9	-5.6	-7.6	-2.3	1.3	1.0
Exports, USD bln	23.4	29.0	41.3	44.4	50.2	64.0	85.7	54.1	62.9	70.1
Exports, % chg yoy	10.7	24.0	42.6	7.5	13.2	27.4	34.0	-36.9	16.2	11.5
Imports, USD bln	21.5	27.7	36.3	43.7	53.3	71.9	99.4	56.1	61.2	68.6
Imports, % chg yoy	5.0	28.7	31.3	20.4	22.0	34.8	38.3	-43.5	9.1	12.0
Capital account balance, USD bln	-1.2	0.1	-4.6	7.7	3.7	15.3	14.0	-11.8	-4.2	2.5
Capital account balance, % GDP	-2.9	0.2	-7.1	9.0	3.5	10.9	7.8	-10.1	-3.2	1.7
FDI net, USD bln	0.7	1.4	1.7	7.5	5.7	9.2	9.9	4.5	5.0	6.0
NBU reserves (eop), USD bln	4.4	5.1	9.5	19.4	22.3	32.5	31.5	26.5	28.1	31.9
Debt indicators										
Public debt, USD bln	13.8	14.5	16.0	15.5	15.9	17.6	24.6	37.8	51.8	61.0
Public debt, % GDP	32.5	29.0	24.7	18.0	15.0	12.4	13.6	33.0	40.8	42.3
Corporate external debt, USD bln	n/a	13.0	17.8	25.5	42.7	67.6	85.0	81.2	82.0	87.0
Corporate external debt, % GDP	n/a	25.9	27.3	29.6	40.1	47.9	47.1	69.4	63.5	60.4
Gross external debt, USD bln	n/a	23.8	30.6	38.9	54.5	80.0	101.7	105.4	110.7	117.6
Gross external debt, % GDP	n/a	47.5	47.1	45.2	51.2	56.6	56.4	90.0	85.6	81.7
Monetary indicators										
Monetary base, UAH bln	30.7	40.1	53.8	82.8	97.2	141.9	186.7	195.0	219.9	252.9
Monetary base, % chg yoy	33.6	30.5	34.1	53.9	17.5	46.0	31.6	4.4	12.8	15.0
Money supply (M3), UAH bln	64.9	95.0	125.8	194.1	261.1	396.2	514.7	487.3	560.8	670.2
Money supply, % chg yoy	41.8	46.5	32.4	54.3	34.5	51.7	29.9	-5.3	15.1	19.5
Monetary multiplier (eop MB/M3)	2.1	2.4	2.3	2.3	2.7	2.8	2.8	2.5	2.6	2.7
Monetization (avg M3/GDP), %	24.9	30.3	32.0	36.7	42.3	46.4	46.0	47.9	49.7	52.1
Exchange rate										
Interbank UAH/USD (avg)	5.33	5.33	5.32	5.10	5.04	5.03	5.30	8.11	8.15	8.20
State budget										
Revenues, UAH bln	n/a	55.1	70.3	105.2	133.5	165.9	231.7	210.3	221.2	259.9
Expenses, UAH bln	n/a	55.8	79.5	112.8	137.1	174.2	241.5	242.4	263.4	289.4
Balance, % GDP	n/a	-0.4	-3.0	-1.8	-0.7	-1.4	-1.3	-3.5	-4.0	-2.5
Social indicators										
Population, mln (eop)	48.0	47.6	47.3	46.9	46.6	46.4	46.3	46.0	45.8	45.6
Unemployment (ILO methodology, avg), %	9.6	9.1	8.6	7.2	6.8	6.4	6.4	8.0	7.5	7.0
Average monthly salary, UAH	376	463	591	806	1,043	1,351	1,806	1,909	2,163	2,523
Real disposable income, % chg yoy	18.0	5.8	16.8	20.1	16.1	12.8	10.3	-9.4	3.0	8.0

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

Macro indicators quarterly

	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
Business cycle indicators													
Real GDP, % yoy	9.6	8.9	8.6	6.2	7.4	6.5	6.5	6.9	-8.0	-20.3	-17.8	-15.9	n/a
Nominal GDP, UAH bln	157.7	133.1	161.4	197.4	212.8	186.6	232.5	285.4	269.7	183.2	207.1	250.6	n/a
Nominal GDP, USD bln	31.2	26.4	32.0	39.1	42.1	37.0	46.8	58.9	43.4	23.8	27.1	32.1	n/a
GDP per capita, UAH	11478	12087	12903	13929	15132	16306	17860	19785	21042	20995	20475	19750	n/a
GDP per capita, USD	2273	2393	2555	2758	3032	3229	3554	3986	4019	3739	3316	2739	n/a
Consumption, chg yoy	13.8	19.1	17.0	13.6	19.0	22.0	13.3	14.1	1.6	-11.6	-11.6	-13.9	n/a
Investment, chg yoy	23.0	16.6	27.8	19.1	25.1	13.9	31.0	12.9	-24.8	-48.7	-57.8	-39.4	n/a
Industrial output, chg yoy	6.2	12.9	11.8	10.7	10.2	7.8	7.5	5.1	-3.1	-31.9	-31.1	-28.4	-21.9
CPI (eop), chg yoy	11.6	10.1	13.0	14.4	16.6	26.2	29.3	24.6	22.3	18.1	15.0	15.0	12.3
PPI (eop), chg yoy	14.2	16.7	19.9	20.4	21.0	26.9	40.3	45.3	29.3	13.0	-0.9	1.7	14.4
External sector													
Current account balance, USD bln	-1.4	-1.2	-0.8	-0.5	-3.5	-3.6	-3.0	-1.6	-3.7	-0.7	-0.1	-0.4	-0.8
Current account balance, % GDP	-1.5	-4.6	-3.4	-2.5	-4.2	-9.7	-7.9	-5.8	-6.6	-2.9	-1.5	-1.3	-1.7
Trade balance, USD bln	-1.7	-1.6	-1.2	-1.0	-4.1	-4.4	-3.6	-2.1	-3.6	-0.8	-0.4	-0.5	-1.1
Trade balance, % GDP	-2.9	-6.2	-4.8	-3.9	-5.6	-11.9	-9.6	-7.1	-7.6	-3.2	-2.3	-2.0	-2.3
Exports, USD bln	13.3	13.4	15.8	17.5	17.3	17.5	23.6	27.4	17.3	11.3	12.5	14.7	15.8
Exports, chg yoy	17.8	28.6	29.4	22.4	30.0	31.0	49.3	56.1	-0.1	-35.6	-47.1	-46.3	-9.0
Imports, USD bln	15.0	15.0	17.0	18.5	21.4	21.9	27.2	29.4	20.9	12.0	12.9	15.2	16.8
Imports, chg yoy	25.9	30.1	34.4	30.9	42.6	46.0	60.1	58.9	-2.3	-45.1	-52.6	-48.5	-19.5
Capital account balance, USD bln	3.9	2.5	3.5	4.2	5.2	3.5	5.7	6.1	-5.8	-4.5	-2.0	-4.5	-0.7
Capital account balance, % GDP	3.5	9.5	10.3	10.4	10.9	9.5	11.0	10.8	5.3	-19.0	-12.8	-13.3	-10.1
FDI net, USD bln	1.4	1.7	1.9	3.9	1.6	2.4	3.1	3.3	1.1	0.8	1.3	1.2	1.3
NBU reserves (eop), USD bln	22.3	23.0	25.9	30.6	32.5	33.2	35.4	37.5	31.5	25.4	27.3	28.1	26.5
NBU reserves, % of ST ext. debt	146.3	136.6	142.5	149.3	157.0	139.1	137.8	137.1	155.4	132.7	138.5	143.4	134.2
Debt indicators													
Public debt, USD bln	15.9	16.0	15.5	16.3	17.6	17.8	17.7	17.1	24.6	24.3	28.7	34.9	37.8
Public debt, % of GDP	15.0	14.2	13.0	12.7	12.4	11.8	10.7	9.2	13.2	14.0	18.7	27.6	32.3
Corporate external debt, USD bln	42.7	48.6	53.8	62.8	67.6	75.1	82.5	90.8	85.0	83.4	81.3	80.2	n/a
Corporate external debt, % of GDP	40.1	43.4	45.1	48.8	47.9	50.0	50.0	49.1	45.7	48.2	53.1	63.5	n/a
Gross external debt, USD bln	54.5	59.8	65.3	74.2	80.0	88.1	94.9	102.4	101.7	99.5	100.6	104.4	n/a
Gross external debt, % of GDP	51.2	53.4	54.7	57.7	56.6	58.7	57.5	55.4	54.6	57.6	65.7	82.6	n/a
Monetary indicators													
Monetary base, UAH bln	97.2	96.4	111.0	127.7	141.9	136.4	154.2	170.8	186.7	174.8	188.7	183.6	195.0
Money supply (M3), UAH bln	261.1	272.5	303.0	348.2	396.2	416.2	450.6	477.7	514.7	463.7	472.7	469.5	487.3
Money supply, chg yoy	34.5	39.5	41.5	48.3	51.7	52.8	48.7	37.2	29.9	11.4	4.9	-1.7	-5.3
Monetary multiplier (MB/M3)	2.7	2.8	2.7	2.7	2.8	3.1	2.9	2.8	2.8	2.7	2.5	2.6	2.5
Monetization (avg M3/GDP), %	42.3	41.9	44.4	44.8	46.4	44.1	45.9	45.5	46.0	46.8	47.2	47.1	47.9
Exchange rate													
Interbank UAH/USD (eop)	5.05	5.03	5.02	5.03	5.05	5.00	4.57	5.08	7.50	8.25	7.72	8.27	7.98
Interbank UAH/USD (avg)	5.04	5.04	5.03	5.01	5.05	5.04	4.85	4.71	6.58	8.26	7.82	8.21	8.11
State budget													
Revenues, UAH bln	133.5	33.5	71.3	113.7	165.9	46.7	104.8	169.1	231.7	51.3	101.1	148.9	209.7
Expenses, UAH bln	137.1	29.4	70.6	116.1	174.2	45.5	102.9	165.1	241.5	51.0	110.7	170.9	242.7
Balance, % GDP	-0.7	3.0	0.2	-0.6	-1.4	0.6	0.4	0.4	-1.3	-0.3	-2.7	-3.7	-3.1
Social indicators													
Population, mln (eop)	46.6	46.6	46.5	46.4	46.4	46.3	46.2	46.2	46.1	46.1	46.0	46.0	46.0
Unemployment (ILO methodology), %	8.2	7.4	5.8	5.4	6.9	7.1	5.4	5.5	7.5	9.5	8.6	7.8	n/a
Average monthly salary, UAH	1,157	1,161	1,290	1,415	1,603	1,619	1,787	1,906	1,914	1,735	1,892	1,964	2,046

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

Macro indicators monthly

	2008					2009							2010	
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Business cycle indicators														
Industrial output, chg yoy	-26.6	-34.1	-31.6	-30.4	-31.8	-31.8	-27.5	-26.7	-23.3	-18.4	-6.2	8.6	7.4	11.8
Metallurgy	-42.7	-46.0	-40.7	-43.1	-45.5	-43.4	-39.3	-30.4	-21.1	-14.9	16.2	47.6	27.3	26.6
Machine building	-37.1	-58.3	-53.5	-53.0	-52.6	-53.0	-48.0	-52.9	-50.2	-45.6	-34.5	-12.6	-2.5	22.3
Food processing	-4.9	-14.3	-10.1	-9.4	-2.8	-2.1	0.9	-8.7	-10.1	-6.0	-5.0	-8.8	1.4	-2.0
Chemicals	-38.0	-49.6	-37.7	-29.8	-28.6	-33.1	-25.3	-27.8	-22.1	-18.4	-8.7	12.4	17.4	29.5
Retail sales, chg yoy (cumulative)	18.6	-7.1	-9.4	-11.5	-14.3	-15.3	-15.2	-15.9	-15.9	-16.2	-16.3	-16.5	-16.6	-4.8
Construction works, chg yoy	-15.8	-57.6	-57.3	-56.7	-55.6	-55.8	-54.9	-54.3	-53.6	-52.4	-51.5	-49.7	-48.2	-24.1
CPI, chg yoy	22.3	22.3	20.9	18.1	15.6	14.7	15.0	15.5	15.3	15.0	14.1	13.6	12.3	11.1
CPI, chg mom	2.1	2.9	1.5	1.4	0.9	0.5	1.1	-0.1	-0.2	0.8	0.9	1.1	0.9	1.8
PPI, chg yoy	23.0	20.4	19.1	13.0	6.4	1.9	-0.9	-3.6	-3.6	1.7	5.1	12.8	14.4	16.3
PPI, chg mom	-0.4	0.2	1.8	1.1	0.4	-0.7	1.4	0.7	1.8	3.6	1.9	0.4	1.0	1.9
External sector indicators														
Merchandise exports, USD bln	4.0	2.4	2.7	3.2	3.1	2.9	3.0	3.2	3.2	3.7	4.2	4.0	4.1	n/a
Merchandise exports, chg yoy	-17.6	-33.4	-42.5	-41.1	-44.5	-53.4	-57.0	-57.8	-52.2	-44.2	-28.8	9.1	3.6	n/a
Merchandise imports, USD bln	4.8	2.0	3.8	3.9	3.6	3.2	3.2	3.9	3.8	4.1	4.3	4.5	5.0	n/a
Merchandise imports, chg yoy	-27.9	-55.9	-41.2	-48.9	-54.8	-58.5	-59.7	-55.8	-53.0	-52.1	-43.3	-14.3	5.0	n/a
Merchandise trade balance, USD bln	-0.8	0.4	-1.1	-0.7	-0.5	-0.3	-0.2	-0.7	-0.6	-0.3	-0.2	-0.6	-0.9	n/a
NBU reserves, USD bln	31.5	28.8	26.5	25.4	24.5	27.8	27.3	29.6	28.9	28.1	27.7	27.3	26.5	25.3
Monetary indicators														
Monetary base, UAH bln	186.7	180.0	173.4	174.8	180.2	181.7	188.7	189.2	183.4	183.6	180.5	181.4	195.0	189.4
Monetary base, chg yoy	31.5	32.1	29.1	28.1	24.3	24.5	22.4	15.6	8.5	7.5	4.1	5.0	4.4	5.2
Monetary base, chg mom	8.0	-3.6	-3.7	0.8	3.1	0.8	3.9	0.2	-3.1	0.1	-1.7	0.5	7.5	-2.8
Money supply (M3), UAH bln	514.7	492.7	470.8	463.7	465.1	468.2	472.7	471.9	471.1	469.5	468.2	470.4	487.3	480.2
Money supply (M3), chg yoy	29.9	25.9	18.2	11.4	8.2	9.0	4.9	0.9	-0.8	-1.7	-2.7	-2.8	-5.3	-2.5
Money supply (M3), chg mom	6.4	-4.3	-4.5	-1.5	0.3	0.7	1.0	-0.2	-0.2	-0.3	-0.3	0.5	3.6	-1.5
Monetary multiplier (MB/M3)	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.6	2.6	2.6	2.6	2.5	2.5
Monetization (M3/GDP), %	46.0	48.2	47.1	46.8	46.9	47.0	47.2	47.2	47.2	47.1	47.0	47.1	47.9	41.0
Banking system														
Net assets, UAH bln	927.2	905.8	885.6	878.1	873.4	863.0	868.6	869.2	881.2	893.5	875.9	885.0	890.7	870.9
Net assets, chg yoy	54.7	50.0	44.0	35.9	32.6	29.0	24.2	21.1	19.0	18.1	10.6	3.7	-3.9	-3.9
Loans (hryvnya), UAH bln	300.1	297.4	304.0	310.0	315.5	321.5	335.0	339.1	338.8	344.3	346.3	346.9	350.9	341.1
Loans (foreign currency), UAH bln	433.8	425.1	413.6	406.5	399.4	391.5	380.8	378.9	388.9	385.1	381.3	375.8	367.8	362.3
Deposits (hryvnya), UAH bln	200.3	187.7	179.1	177.3	174.4	175.6	179.3	175.4	168.4	168.2	163.2	164.9	173.8	169.6
Deposits (foreign currency), UAH bln	157.5	154.4	144.2	139.6	140.9	143.4	142.3	144.6	162.0	158.9	162.8	163.7	161.7	162.7
Exchange rate														
Interbank UAH/USD (eop)	8.05	7.97	8.45	8.25	8.08	7.62	7.72	7.96	8.47	8.27	8.09	8.00	7.98	8.02
Interbank UAH/USD (avg)	7.87	8.24	8.28	8.26	8.08	7.73	7.64	7.84	8.28	8.55	8.25	8.12	7.98	8.07
State budget														
Revenues, UAH bln	231.7	13.4	32.0	51.3	70.5	88.6	101.1	115.9	135.3	148.9	166.0	186.6	209.7	n/a
Expenses, UAH bln	241.5	10.9	31.0	51.0	72.4	90.7	110.7	130.1	149.9	170.9	191.8	214.3	242.7	n/a
Social indicators														
Population, mln (eop)	46.1	46.1	46.1	46.1	46.1	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	n/a
Average monthly salary, UAH	2,001	1,665	1,723	1,818	1,845	1,851	1,980	2,008	1,919	1,964	1,950	1,955	2,233	n/a

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

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