Ukraine economy

Recovery on track, IMF deal is crucial in 2018

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CONCORDE CAPITAL

Summary

Ukraine's economy smoothly overcame a state-imposed trade blockade with occupied Donbas in 2017 and benefited from a recovery in private consumption and investments. External accounts also surprised positively due to more money transfers from abroad. On the downside however, inflation exceeded even the gloomiest projections in 2017.

Current tendencies promise a very similar economic pattern in 2018. Despite key macro-numbers being positive, our main concerns are regarding reforms progress and consequently on potential funding from international creditors. Ukraine enjoyed success from receiving an IMF loan tranche, as well as a Eurobond placement in 2017. However, the authorities' zeal for reforms faded soon after the September placement.

To get though the next three years without shocks, Ukraine needs to secure at least one IMF tranche this year, which looks doable so far. All our 2018 forecasts are based on the assumption of a successful fourth review of IMF's External Funds Facility (EFF) program in 1H18. Otherwise, the macro situation will be far worse.

Ukraine's economy performed well in 2017. For 9M17, real GDP increased 2.3% yoy on the back of a 20% surge in investment in fixed assets and a 5% rise in private consumption. That strong performance was in spite of stagnating industry (-0.1% in 2017, mostly resulting from broken trade with occupied Donbas) and falling agri production (-2.7% in 2017). 3.1% yoy growth in services for 9M17 underpinned the economy on the supply side. We estimate 2.0% GDP growth in 2017 and for this year, we see the economy speeding up to 3.3% yoy growth fueled by consumption, investments, and a low comparison base on industry and farming.

External accounts developed better than we initially expected in 2017 with the C/A deficit at USD 3.8 bln (11% higher yoy, 3.6% of Ukraine's GDP). The result exceeded our expectations owing to stronger wage transfers and individual money transfers from abroad. For 2018, we expect the trade deficit to widen further on the back of expanding imports and we project a USD 4.2 bln C/A deficit, or 3.6% of GDP.

An intensive state debt repayment schedule in 2018-2020 (over USD 15 bln) looks affordable for the country and won't significantly harm its gross reserves, provided that Ukraine is able to significantly boost its reserves from cooperation with the IMF and other Western lenders and possibly from FDI this year. It is critical for Ukraine to accumulate enough fat this year to overcome 2019, which will be replete with political risks due to scheduled presidential and parliamentary elections. The IMF, whose current EFF program with Ukraine is scheduled to finish in early 2019, won't be of much help next year. In our view, Ukraine can survive without a new IMF loan program until 2021. In the meantime, it's vital that Ukraine completes one more successful review to gain the next tranche in 2Q18 and concludes the existing program on a positive note.

The hryvnia, Ukraine's national currency, has been demonstrating its traditional seasonal pattern in 2016 - early 2018 with a moderate devaluation trend. We expect the hryvnia will lose its weight by the end of 2018, depreciating to UAH 29.5/USD (or 4.9% yoy) by December 2018 owing to external trade tendencies.

In 2017, consumer inflation reached 13.7% YTD, exceeding any projections. Food price growth of 17.7% YTD was responsible for more than half of CPI growth. For 2018, we expect inflation will ease to 8.9% YTD growth (11.8 yoy), still remaining above the National Bank's target range of 4%-8%.

Among the possible positive events for Ukraine in 2018 is a Naftogaz victory over Gazprom in the Stockholm court, which could award the Ukrainian gas monopoly about USD 2 bln, net. However, it's unlikely that Ukraine's international accounts will benefit from this. For instance, Gazprom may pay this bill with the "Yanukovych debt" to a Russian state fund.

Key macro indicators

	2015	2016	2017E	2018E
Real GDP, yoy	-9.8%	+2.4%	+2.0%	+3.3%
Nominal GDP, USD bln	90.3	93.2	109.5	117.7
C/A balance, USD bln	-0.2	-3.5	-3.8	-4.2
Gross int'l reserves, USD bln	13.3	15.5	18.8	21.7
External public debt, USD bln	43.4	45.6	49.0	50.0
Total state debt, USD bln	65.5	71.0	76.3	78.2
Budget balance, % of GDP	-1.2%	-2.2%	-1.5%	-2.5%
CPI, year-end	43.3%	12.4%	13.7%	8.9%
UAH/USD, average	21.9	25.6	26.9	28.5
UAH/USD, year-end	24.0	27.2	28.1	29.5

Source: UkrStat, MinFin, NBU, Concorde Capital research

Private consumption and investments drive GDP growth

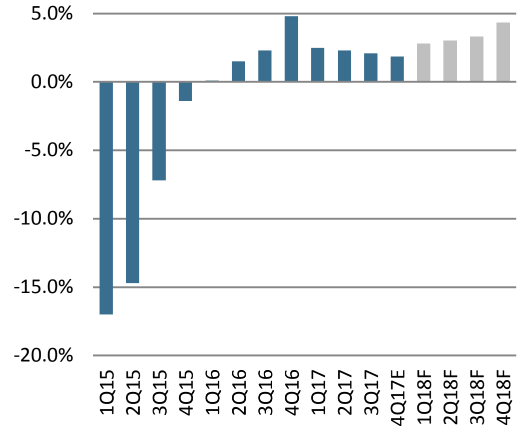
Real GDP increased 2.3% yoy in 9M17 (2.1% yoy in 3Q17), exceeding our expectations. Private consumption rose 4.9% yoy in 9M17 and investment in fixed assets advanced 19.5% yoy, which drove the growth.

Ukrainian industry suffered from the government deciding to break trade relations with occupied Donbas in spring 2017 as production slid 0.1% yoy for the full year. Agri-production fell 2.7% yoy in 2017 on the back of a grain harvest drop. Services rose 3.1% yoy in 9M17, offsetting poor industrial and agricultural production on the supply side.

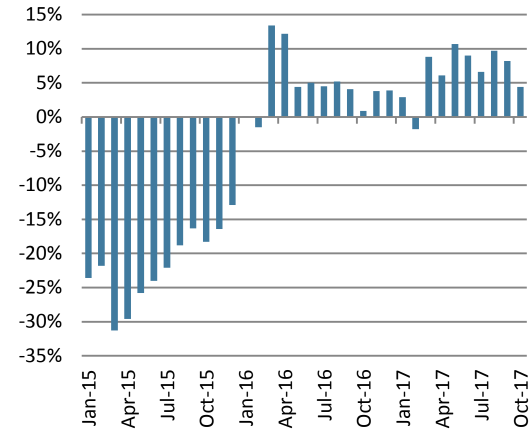
In 4Q17, a drop in the grain harvest by nearly 6% will undermine the annual GDP result, which we expect at 2.0% yoy growth in 2017.

For 2018, we expect strong private consumption and investment demand to be sustained amid recovering industry and slightly improving agriculture. We project 3.3% real GDP growth in 2018.

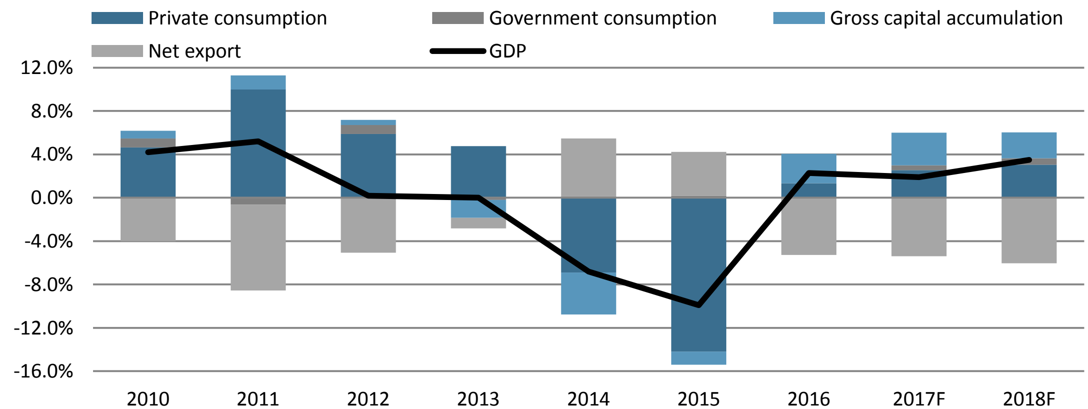
Real GDP change, quarterly data & outlook



Organized retail trade, yoy chg



Drivers of real GDP change



Source: UkrStat, Concorde Capital research

Industry suffers from Donbas blockade in 2017, to be better off in 2018

Ukraine's industrial output finished 2017 in the red at a 0.1% yoy drop. The sector was positive in the last few months (0.4% yoy growth in December, 0.3% yoy in November and 0.4% yoy in October). However, its performance still remains fragile.

Broken supply chains with eastern Donbas is the main reason for the poor performance. Mining fell 5.8% yoy in 2017 on coal supplies plunging 16.3% yoy, with numerous coal mines being on the other side of the conflict line.

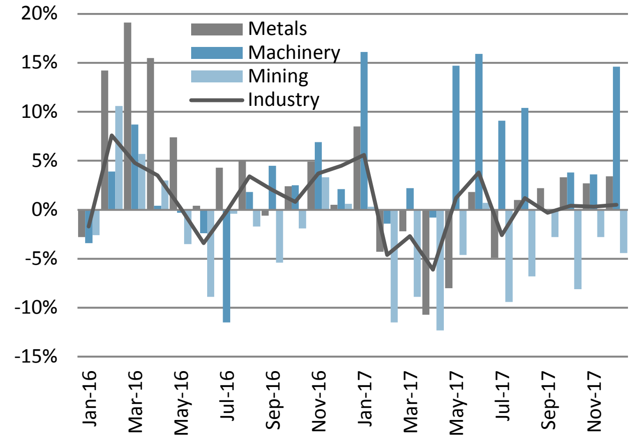
Regionally, the weakest performance in industrial output was in the partially occupied easternmost Donetsk and Luhansk regions and the neighboring eastern regions, which used to have closer economic ties to Donbas. At the same time, most of Ukraine's western regions showed over 5% yoy growth. The best performing was the Ivano-Frankivsk region, possibly having benefited from the opening of some new electric equipment facilities in 2H17.

Metal production was expected to recover promptly amid high export prices and free production capacities outside of occupied Donbas. However, the recovery was delayed and grew only 3.4% yoy in December and -0.4% yoy for the year.

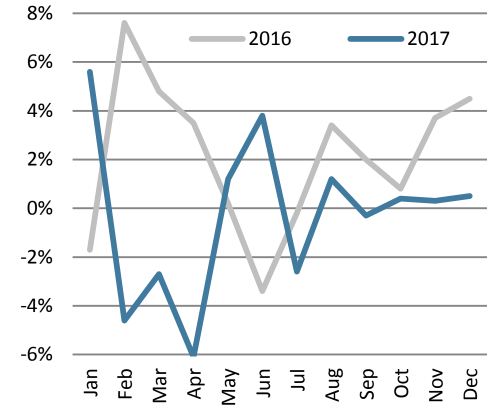
Machinery output grew 7.3% yoy in 2017, mainly driven by orders for freight railcars , which more than tripled during the year.

We expect the situation with industry will improve to 4.6% yoy output growth in 2018 as the fallout from the trade blockade wears off.

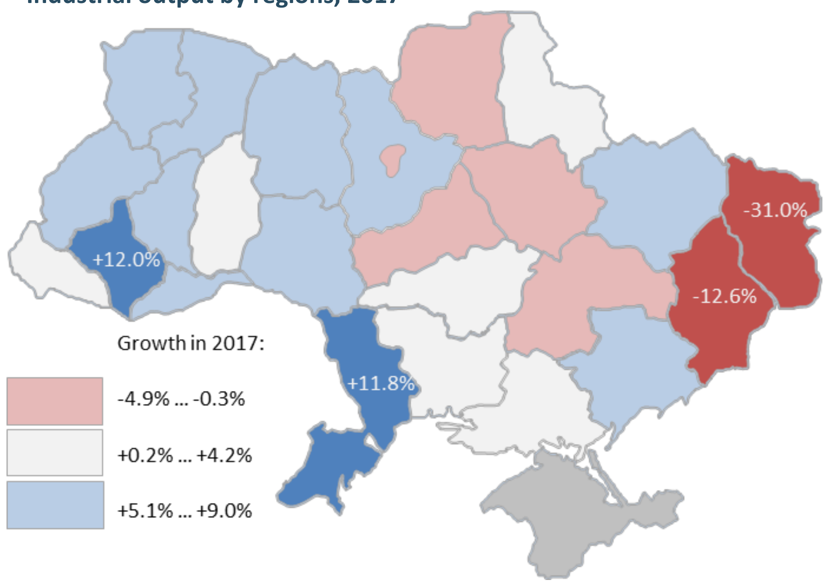
Key industry drivers, yoy



Industrial output, yoy



Industrial output by regions, 2017



Source: UkrStat, Concorde Capital research

Inflation accelerates above expectations

Consumer inflation reached 13.7% YTD in 2017, far above what economists had projected. The main drivers were prices for food (17.7% growth YTD), alcohol & tobacco (20.7% YTD), and transportation (16.7% YTD).

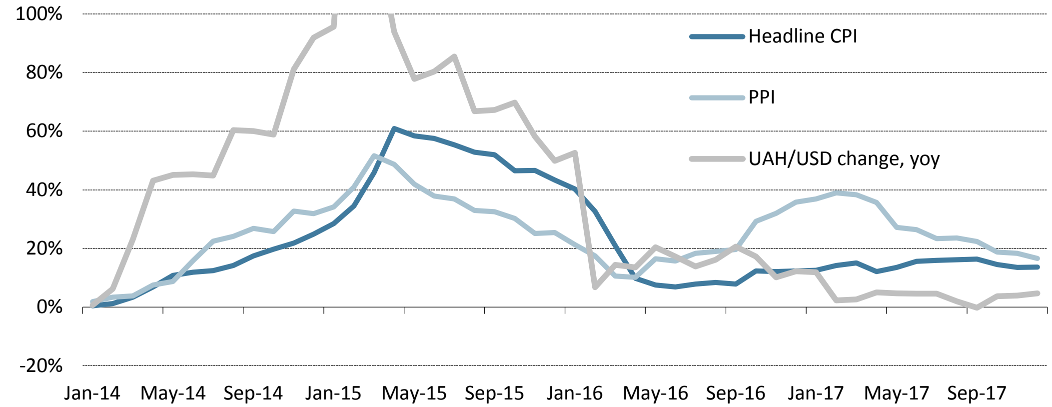
The inflation trend exceeded not only the National Bank's forecasts of 9.1% YTD initially and 12.2% YTD in September, but also exceeded its targeted range of 6%-10%.

For 2018, we expect inflation will ease from last year but not as steeply as we projected initially given the current spiral. Food prices should remain the main driver in 1H18. We project monthly inflation above 1% at least till March. So far, we expect better 2018 farming results in what should translate into inflation easing through the summer months.

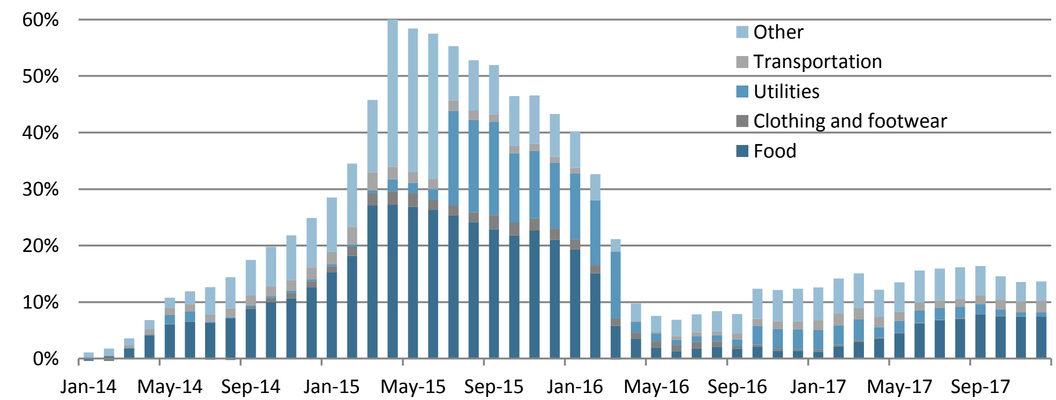
In October, we expect a jump in utility rates (gas and heating rates rising by 19% at least) in what will add 0.7pp to CPI growth in that month. Overall, we expect 8.9% YTD CPI growth (11.8% yoy) in 2018.

The National Bank's recent update on the inflation outlook (8.9% YTD growth in 2018) is in line with our forecast.

Inflation indicators, yoy



Breakdown of headline CPI, yoy



Source: UkrStat, Concorde Capital research

Budget deficit narrows to 1.5% of GDP in 2017

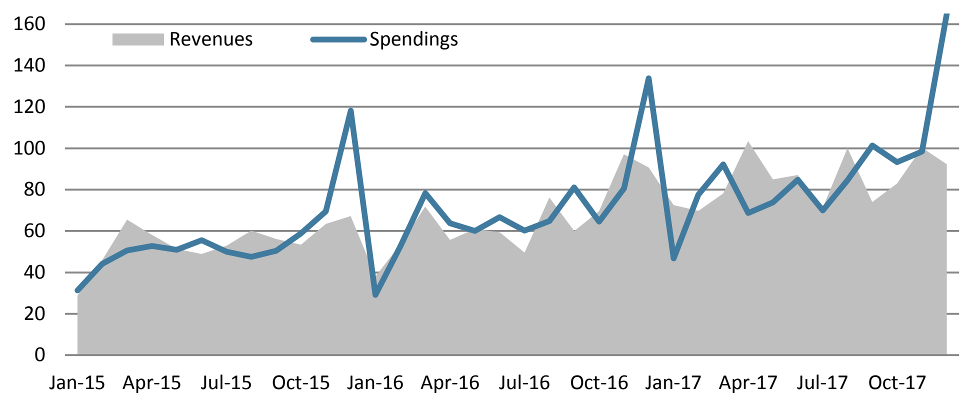
General budget revenue grew 29.9% yoy to UAH 1.02 trillion in 2017, which appeared to be 0.7% above plan. Two-thirds of the general budget collection growth was from VAT (up 33.3% yoy), personal income tax (up 33.8% yoy), as well as UAH 29.7 bln confiscated from the alleged accounts of ex-president Viktor Yanukovych.

Fiscal spending was UAH 1.06 trillion, or UAH 62.4 billion less than planned. As a result, the general budget deficit was only UAH 42.1 billion, or 1.5% of GDP, or way below the 3.0% of GDP limit committed to the IMF. Remarkably, the 2016 budget deficit was higher at UAH 54.7 billion, or 2.3% of GDP (vs. the committed limit of 3.7%).

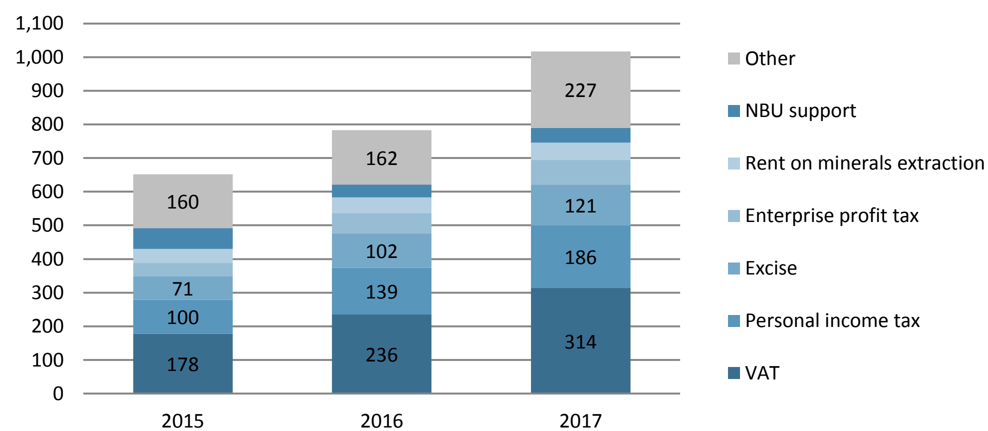
Ukraine's parliament approved the 2018 state budget with a 2.5% of GDP deficit target. The annual revenue target is ambitious at 18.5% yoy growth, however this target looks realistic in light of the strong inflation tendency.

The experience of 2015-2017, when Ukraine's factual budget deficit was lower than planned (and what was committed to the IMF) may be deceptive for the future: in 2018-2019, the government will be temped to inflate budget outlays and exceed agreed-upon state deficit levels ahead of scheduled elections. Keeping in mind such risk, we forecast the 2018 budget deficit within the levels currently planned by the government.

Monthly general budget balance,



Budget revenue breakdown by sources, UAH bln



Source: MinFin, Concorde Capital research

State debt to fall below 70% of GDP in 2018

As of end-2017, Ukraine's state debt reached USD 76.3 bln from USD 71.0 bln at the year start. The main sources were a USD 1.32 bln net increase in international Eurobonds outstanding, a USD 1.0 bln IMF loan tranche, a EUR 0.6 bln loan from the EU and UAH 48.9 bln in state bonds issued for the replenishment of the statutory capital of state banks.

So far we assume one more IMF loan tranche (USD 2.0 bln), a EUR 0.6 bln loan from EU and a Eurobond placement (USD 2.0 bln) this year. Under that assumption, the state debt will reach USD 78.4 bln, sliding below 70% of GDP (68.0% of GDP).

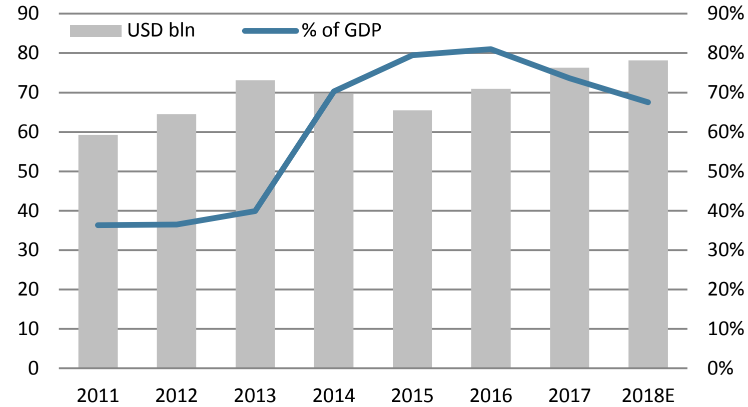
IMF cooperation should produce USD 2.0 bln tranche in 2018

Ukraine was scheduled to receive this quarter its 13th IMF loan tranche under the External Funds Facility program totaling USD 17.5 bln that was launched in 2015. Instead, it has received so far only four tranches amounting to USD 8.5 bln. One last tranche is possible this year. To secure it, Ukraine needs to adopt legislation creating an anti-corruption court in line with IFI demands and adjusting natural gas prices for households to import parity.

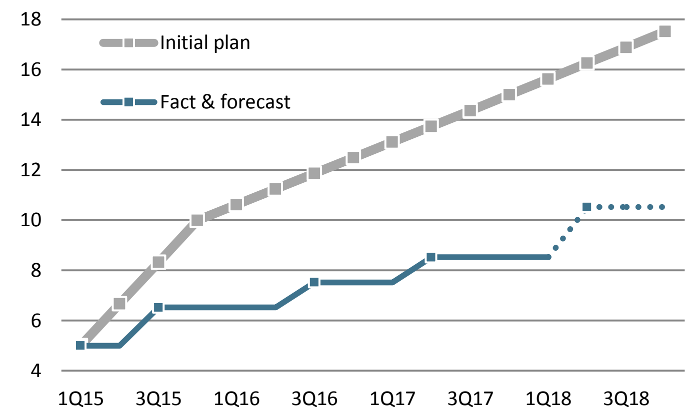
Ukraine has already done a lot to secure this tranche, including adopting "pension reform," a 2018 state budget with an IMF-approved deficit, and a new privatization law. So we expect the two sides to find compromise on these two remaining issues. Given this year's heavy debt payments scheduled to the IMF (USD 2.4 bln), we believe this year's tranche could be bigger than the previous two (USD 1 bln each). Most likely, Ukraine will get USD 2.0 bln this time around.

It is very unlikely that Ukraine will get a second IMF loan this year as demands from the Fund will not be politically feasible. In particular, the IMF is most likely to insist on the launch of a farmland market land some painful changes to the recently adopted pension reform. Those aren't doable for Ukraine's power brokers in a pre-election year.

Ukraine's state debt



IMF tranches under EFF program, cumulative amount, USD bln



Source: MinFin, IMF, Concorde Capital research

Gross foreign reserves to grow in 2018 if IMF program remains

In 2017, gross international reserves rose USD 3.3 bln to USD 18.8 bln (3.6 months of imports), mainly due to a USD 1.3 bln currency purchase by the central bank and the EU's MFA loan tranche of EUR 0.6 bln.

The placement of international Eurobonds (USD 3.0 bln) and local Eurobonds (USD 2.0 bln) were mostly used for coupon payments and repayment/repurchases of existing bonds, only generating net USD 0.8 bln inflow.

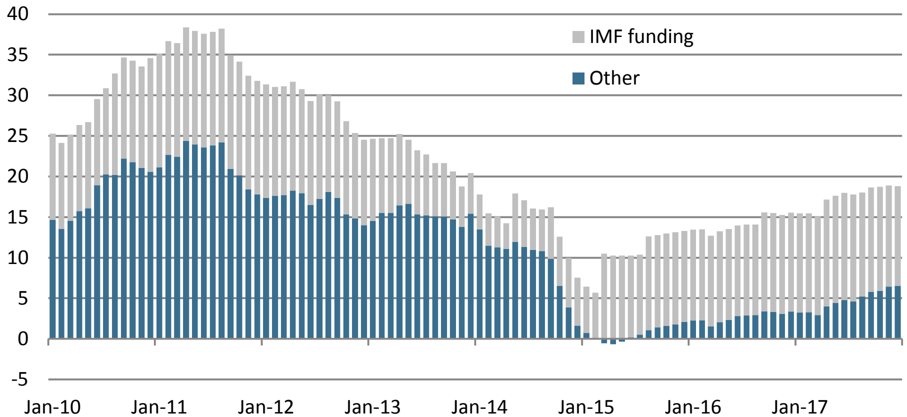
IMF's USD 1.0 bln tranche issued in April 2017 was fully offset by comparable payments to the IMF during the year.

For 2018, we expect gross reserves swelling USD 2.8 bln to USD 21.6 bln based on the following expectations:

- Ukraine will receive its next IMF tranche of up to USD 2.0 bln, which will help to repay USD 2.4 bln to the Fund this year.
- Ukraine will get one wire from the EU worth EUR 0.6 bln under a renewed macro-financial assistance program.
- Ukraine will place Eurobonds for USD 2 bln (of which it will use USD 1.1 bln for coupons on existing Eurobonds), and will fully refinance the payments under local Eurobonds with new local issues (USD 2.8 bln due this year).
- Ukraine's central bank will purchase net USD 1.2 bln on the ForEx market.

In general, **our outlook on rising reserves is based on the key assumption that Ukraine will continue its cooperation with the IMF with one loan tranche to be received in 2Q18**. Otherwise, Ukraine will face a decline in gross reserves in 2018 by about USD 1 bln.

Gross NBU reserves, USD bln



	Inflow	Outlow	Net	
End-16 reserves				**15.5**
IMF	1.0	-1.0	0.0	
Eurobonds	3.0	-2.7	0.3	
EU MFA tranche	0.6		0.6	
Local bonds	2.0	-1.5	0.5	
Net interventions			1.3	
Other, net			0.6	
End-17 reserves				**18.8**
IMF	2.0	-2.4	-0.4	
Eurobonds	2.0	-1.1	0.9	
EU MFA tranche	0.7		0.7	
Net interventions			1.2	
Other, net			0.4	
End-18 reserves				**21.6**

Source: NBU, Concorde Capital research

Sovereign debt repayment schedule: doable in 2019-2020 if IMF loan in 2018

By partially repurchasing in September 2017 USD 1.1 bln in state Eurobonds due in 2019, and a USD 0.4 bln bond due in 2020, Ukraine has smoothened its repayment schedule.

Still, in 2018-2020, Ukraine will have to repay USD 15.4 bln to the IMF and the holders of sovereign and quasi-sovereign Eurobonds, while the country's current account deficit for the next three years will exceed USD 14 bln. That means Ukraine will have to **raise over USD 25 bln** on its financial account and from IMF lending in 2018-2020 to ensure that its reserves won't drop below a USD 15 bln threshold as of end-2020 (which is three months of future imports).

This task is doable, but only provided that Ukraine meets IMF requirements for this year's loan tranche, which will keep access open to international financing. Moreover, there is a good chance for Ukraine to get through 2019-2020 even without a new loan program with the IMF after the existing one expires in early 2019.

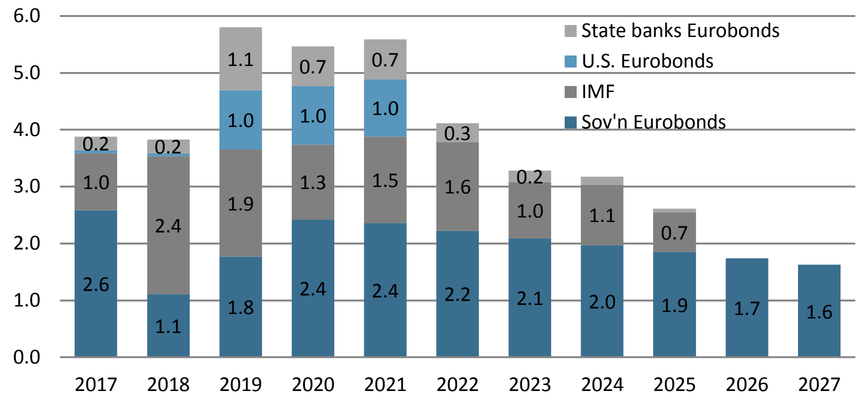
In particular, Ukraine can count on the following sources of foreign cash inflow in the next three years:

- USD 6-7 bln in proceeds from sovereign Eurobond placements
- USD 2-3 bln from raising quasi sovereign debt
- USD 4-6 bln from FDI
- About USD 3 bln from IFIs and multilateral lenders
- About USD 2 bln from foreign currency returning to the banking system
- About USD 4 bln from other sources

Given the intensive debt repayment schedule of 2019-2020, as well as next year's elections (both presidential and parliamentary) that will limit the nation's ability to tap new debt, it is vital for Ukraine to finish 2018 with increased gross reserves, as well as complete the current IMF program on a positive note.

The government will not pursue any significant economic reforms in late 2018 and 2019, which means a new IMF program is very unlikely to be initiated in this period.

Payment schedule on external debt, USD bln*



External accounts and gross reserves: base-case scenario, USD bln

	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Reserves, year-start	**34.6**	**31.8**	**24.6**	**20.4**	**7.5**	**13.3**	**15.5**	**18.8**	**21.6**	**19.9**
C/A	-10.2	-14.3	-16.5	-4.6	-0.2	-3.5	-3.8	-4.2	-4.7	-5.8
Currency to banks	-11.4	-8.0	-2.7	-3.5	1.8	4.7	1.7	1.2	0.8	0.7
Multilateral loans	0.0	0.0	0.0	2.2	1.0	0.4	0.7	0.8	0.7	0.7
FDI, actual	7.0	7.2	4.1	0.3	3.0	1.2	1.7	2.4	1.7	3.0
Other	8.8	5.9	11.7	-6.6	-6.1	-2.4	1.5	1.0	1.4	1.4
Eurobonds – new	4.6	6.4	6.0	1.0	1.0	1.0	3.0	2.0	2.0	3.0
Eurobonds – repay	-1.3	-1.0	-1.2	-2.6	0.0	0.0	-1.7	0.0	-1.7	-2.4
IMF - new			-	4.5	6.6	1.0	1.0	2.0	-	-
IMF - repay		-3.4	-5.6	-3.6	-1.4	-	-1.0	-2.4	-1.9	-1.3
Reserves, year-end	**31.8**	**24.6**	**20.4**	**7.5**	**13.3**	**15.5**	**18.8**	**21.6**	**19.9**	**19.2**

** Including principal and interest; ** Sovereign and quasi-sovereign, including U.S.-guaranteed*
Source: MinFin, NBU, Bloomberg, Concorde Capital research

Risks to Ukraine's external accounts: IMF and court litigations

The key risk is the inability to reach agreement with the IMF

Anti-corruption court
Ukraine's cooperation with the IMF has stalled amid the unwillingness of power brokers to create an efficient anti-corruption system, with an independent High Anti-Corruption Court at the cornerstone. Accustomed to controlling and protecting shadow cash flows, top politicians are unhappy with the recent activity of an earlier created independent National Anti-Corruption Bureau and Specialized Anti-Corruption Prosecutor's Office, which have already produced embarrassing investigations. However, even the opening of criminal cases and arrests of some of key officials have brought no criminal convictions because of resistance throughout the corrupt court system, which the anti-corruption court is likely to break.

The creation of a truly independent court will create a full-cycle anti-corruption legal system beyond the influence of the president, Cabinet and parliament. It will not only bring punishment to corrupt bigwigs (which would be virtually unprecedented in Ukraine), but will also significantly weaken the power vertical in the state and even weaken power brokers' ability to influence decision-making in state bodies. Such threats to the ruling elites are the key reason for their resistance to creating the independent court.

We expect that Western creditors and institutions, particularly the IMF, will successfully pressure the president and parliament to find compromise - within Council of Europe standards - on new legislation creating a truly independent court.

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If the IMF deal fails, Ukraine won't see any tranches this year - nor any multilateral or bilateral loans from its Western partners - which have the potential of exceeding USD 3 bln in 2018. In which case, Ukraine will not only face hardship in placing Eurobonds, but also will face a risk of investment outflow and a new currency shock.

Once it secures its only expected IMF tranche in 2018, Ukraine will also need to conclude the EFF program – which terminates in early 2019 – on a positive note to leave its borrowing window open for future years. That will be a challenging task, given that the Poroshenko administration has already shown fierce resistance to the reforms required for the upcoming tranche, let alone further measures that could be even more difficult. So after the completing the EFF's fourth review, which we expect in 2Q18, the IMF will find it difficult to be optimistic about further reforms until after the elections conclude in 2019.

Litigation on "Yanukovych debt": Ukraine will have to pay over USD 3 bln

The English Court of Appeal will reach a final ruling on Russia's claim that Ukraine should repay a USD 3 bln debt (Eurobonds held by the Russian National Welfare Fund) taken by former President Yanukovych in late 2013. Most likely, the decision (expected in 1H18) won't be in Ukraine's favor, meaning the government will be required to repay over USD 3.3 bln to the Russian fund. In our view, such a decision won't affect Ukraine's BoP much in the nearest years as Ukraine's parliament imposed a moratorium on such debt repayment and its removal looks politically impossible.

As this debt has been already excluded from the key covenants of Ukraine's other borrowings, we see no overall consequences from its unwillingness to pay the "Yanukovych debt." Most likely, this debt will remain outstanding (and will increase by a possible daily fine to be awarded by the U.K. court) and will some day be reconciled with Russia's obligations to compensate damages caused to Ukraine by the aggression and occupation on its territories.

Naftogaz/Gazprom case: so far Naftogaz is USD 2 bln in red, may be USD 2 bln in black

Another legal battle is Naftogaz vs. Gazprom: in December, the Stockholm court ruled that Naftogaz should pay USD 2.0 bln to Gazprom for natural gas that it underpaid in 4Q13 and 2Q14, and the bill will rise by USD 55 mln each quarter. But Naftogaz still has a chance to win up to USD 16 bln in other litigation (on a transit contact), the decision on which could come in late February.

In the best case, we estimate the court will rule that Gazprom owes slightly more than USD 4 bln to Naftogaz for transit underpayments in 2016-2017 (when Ukraine introduced a new gas transit rate and VAT charges for transit services that Gazprom refused to adhere to). If so, the balance in the litigation will be about USD 2 bln in favor of Naftogaz.

However, Naftogaz is unlikely to benefit from such a court decision. For instance, Gazprom may choose to pay Naftogaz in "Yanukovych bonds" (instead of cash) by purchasing them from the State National Welfare Fund and passing them to Naftogaz. Russia's MinFin indicated earlier that it was exploring an opportunity to sell the bonds.

External accounts: C/A deficit better than projected on higher money transfers

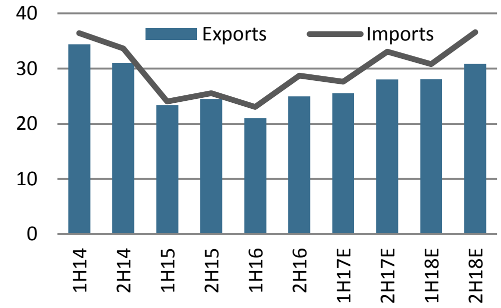
External accounts performed better than we initially expected in 2017 as the current account deficit was USD 3.84 bln, or just 11% higher yoy. This was the result of higher wage transfers and individual money transfers from abroad.

In particular, compensation for employees improved 23% yoy to USD 5.28 bln. And secondary incomes (including individual money transfers) increased to USD 3.79 bln for 2017, or 23% more than a year ago.

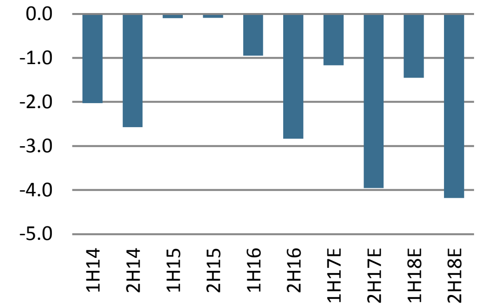
At the same time, the trade deficit expanded in line with our expectations and reached USD 6.85 bln, a 25% yoy increase.

For 2018, we anticipate further trade deficit expansion on the back of recovering demand for imports. However, strengthening inflow of individual transfers will prevent the C/A deficit from rising quickly. For 2018, we project a USD 4.2 bln C/A deficit, or 3.6% of GDP.

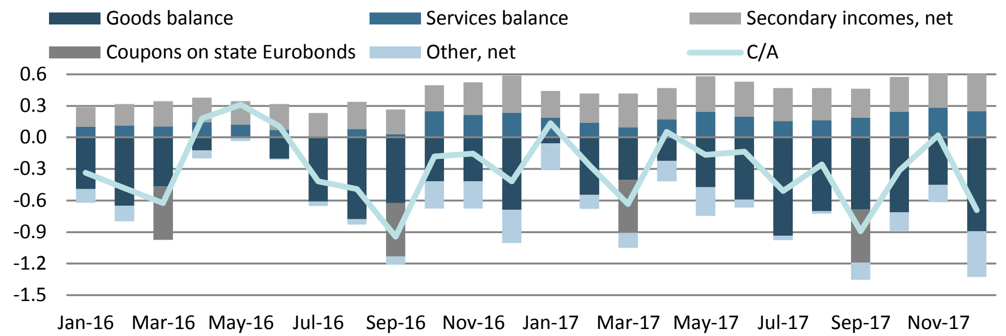
Goods & services trade, USD bln



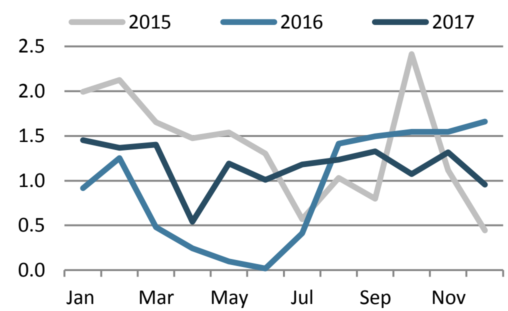
C/A balance, USD bln



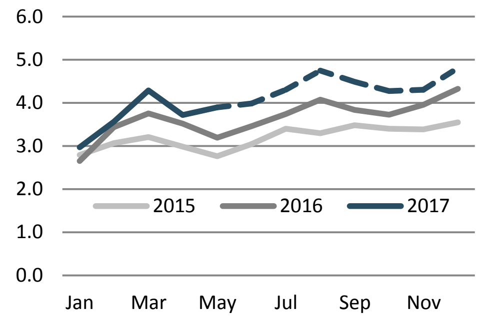
C/A balance structure, USD bln



Natural gas imports, bcm



Non-energy imports, USD bln



Source: NBU, UkrStat, Energobiznes, Concorde Capital research

External accounts: Financial inflow improves on Eurobond placement in 2017

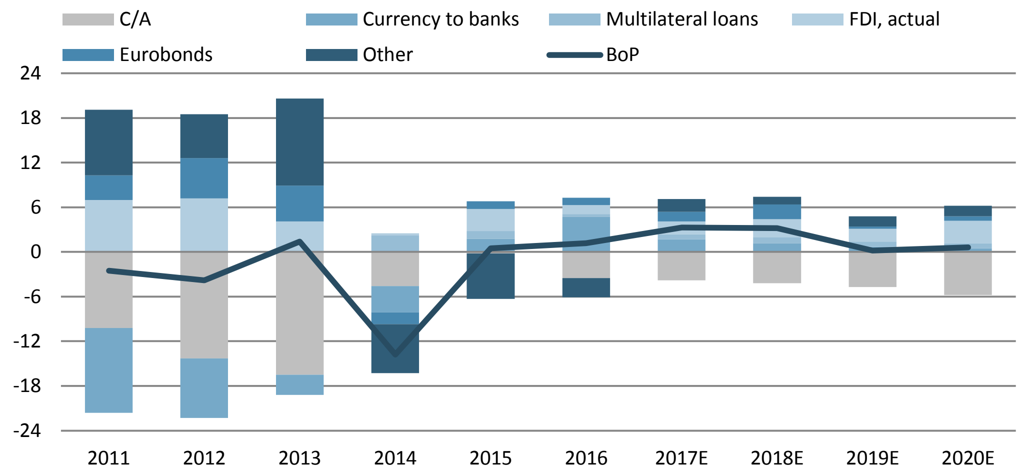
Ukraine's capital and financial accounts reached a USD 6.4 bln surplus in 2017 from USD 4.6 bln a year ago. The gain was driven by net proceeds from state Eurobonds (USD 1.32 bln out of a USD 3.0 bln placement), growing trade credits (USD 0.8 bln net vs. USD 0.2 bln a year ago) and declining banking debts in foreign currency (USD 0.8 bln from USD 1.9 bln a year ago).

At the same time, individual cash returns to the banking system significantly shrunk to USD 1.7 bln in 2017 from USD 4.7 bln a year ago. Net FDI inflow dropped to USD 2.3 bln in 2017 from USD 3.3 bln a year ago. However, net of recapitalization of banks, FDI actually improved in 2017 to about USD 1.7 bln from USD 1.2 bln in 2016.

For 2018, financial inflow prospects will heavily depend on IMF feedback on Ukraine and some important reforms (e.g. privatization).

Our base-case scenario is Ukraine will successfully complete the fourth review of its program with the IMF, creating the opportunity for new Eurobond placements (about USD 2.0 bln) and more wires from the EU under the macro-financial program (EUR 0.6 bln). We expect financial inflow increasing to USD 7.4 bln in 2018.

Key items of BoP, USD bln



Source: NBU, Bloomberg, Concorde Capital research

Ukrainian currency shows seasonal pattern vs. U.S. dollar

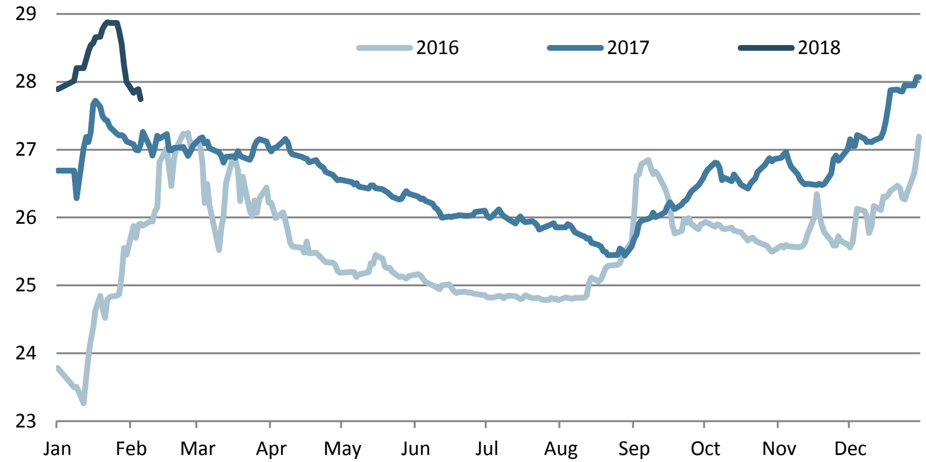
Ukraine's hryvnia has been extending its traditional pattern throughout the last several months:

- In general, the hryvnia is weakening against the U.S. dollar in late December and January on short-term widening of the trade deficit and excess demand for dollars (driven by increased demand from state contractors who receive a major part of their money from budgets at the end of the calendar year, as well as reduced remittances from abroad due to less economic activity abroad during the winter season).
- It starts appreciating in late January-February on improvement of the C/A balance, a trend that continues till late summer.
- In the autumn, the hryvnia returns to its depreciation trend on the back of a widening trade deficit and mounting public outlays, with devaluation peaking at the beginning of the next year.

Seasonality aside, the Ukrainian currency is on a gradual weakening trend against the U.S. dollar, having lost 11.7% of its value in 2016 and 3.1% in 2017.

We expect the Ukrainian currency will gradually appreciate to about the UAH 26.5/USD rate by the end of summer 2018 but will finish the year at UAH 29.5/USD, or a 4.8% yoy drop. We see the hryvnia's devaluation pace will be between 3% and 5% p.a. in the next couple of years.

UAH / USD interbank currency rate



Source: NBU, Concorde Capital research

Key macro indicators

	2009	2010	2011	2012	2013	2014	2015	2016	2017E	2018E
Economic activity										
Real GDP, yoy	-14.8%	4.1%	5.5%	0.2%	0.0%	-6.6%	-9.8%	2.4%	2.0%	3.3%
Household consumption, yoy	-14.2%	7.2%	15.0%	9.0%	7.8%	-9.6%	-19.9%	2.0%	4.5%	4.7%
Investments in fixed capital, yoy	-46.2%	4.0%	10.1%	2.5%	-6.6%	-23.0%	-8.7%	20.4%	17.8%	13.2%
Nominal GDP, UAH bln	913	1,083	1,302	1,411	1,465	1,567	1,979	2,383	2,910	3,356
Nominal GDP, USD bln	117.1	136.5	163.4	176.6	183.3	132.8	90.3	93.2	109.5	117.7
GDP per capita, USD	2,548	2,982	3,584	3,885	4,040	2,935	2,112	2,188	2,582	2,789
Industrial output, yoy	-21.9%	12.2%	8.0%	-0.7%	-4.3%	-10.1%	-13.0%	2.8%	-0.1%	4.6%
Inflation										
CPI (eop)	12.3%	9.1%	4.6%	-0.2%	0.5%	24.9%	43.3%	12.4%	13.7%	8.9%
CPI average	15.9%	9.4%	8.0%	0.6%	-0.3%	12.1%	48.7%	13.9%	14.4%	11.8%
PPI (eop)	14.3%	18.7%	14.2%	0.3%	1.7%	31.8%	25.4%	35.7%	16.5%	12.6%
External accounts										
Current account balance, USD bln	-1.7	-3.0	-10.2	-14.3	-16.5	-4.6	-0.2	-3.5	-3.8	-4.2
% GDP	-1.5%	-2.2%	-6.2%	-8.1%	-9.0%	-3.5%	-0.2%	-3.8%	-3.5%	-3.6%
Financial account balance, USD bln	-12.0	8.0	7.8	10.2	18.5	-8.7	1.0	4.8	6.4	7.5
% GDP	-10.2%	5.9%	4.8%	5.8%	10.1%	-6.6%	1.1%	5.2%	5.8%	6.4%
Net FDI, USD bln	4.7	5.8	7.0	7.2	4.1	0.3	3.0	3.3	2.3	2.6
% GDP	4.0%	4.2%	4.3%	4.1%	2.2%	0.2%	3.3%	3.5%	2.1%	2.2%
Gross NBU reserves (eop), USD bln	26.5	34.6	31.8	24.6	20.4	7.5	13.3	15.5	18.8	21.7
State debt										
Total state debt, USD bln	39.8	54.3	59.2	64.5	73.2	69.8	65.5	71.0	76.3	78.2
% GDP*	34.7%	39.9%	36.3%	36.5%	39.9%	70.3%	79.4%	81.0%	73.6%	67.6%
State external debt, USD bln	26.6	34.8	37.5	38.7	37.6	38.8	43.4	45.6	49.0	50.0
% GDP*	23.2%	25.6%	23.0%	21.9%	20.5%	39.1%	52.7%	52.0%	47.3%	43.2%
Gross external debt, USD bln	103.4	117.3	126.2	134.6	142.1	126.3	118.7	113.6	119.6	135.6
% GDP*	88.3%	85.9%	77.2%	76.2%	77.5%	95.1%	131.5%	121.9%	109.2%	115.2%
Exchange rate										
Official UAH/USD (eop)	7.99	7.97	8.03	8.05	8.15	15.77	24.00	27.20	28.07	29.50
Official UAH/USD (avg)	7.95	7.94	7.99	8.07	8.12	11.97	21.90	25.60	26.90	28.50
Fiscal indicators										
Consolidated budget revenues, USD bln	36.3	39.6	49.9	55.2	54.5	38.1	29.8	30.6	37.8	40.8
% GDP	31.6%	29.0%	30.6%	31.6%	30.2%	29.1%	32.9%	32.8%	34.9%	34.7%
Consolidated budget expenditures, USD bln	38.7	47.6	52.2	61.0	62.3	43.7	31.0	32.6	39.3	43.6
% GDP	33.7%	34.9%	32.0%	34.9%	34.5%	33.4%	34.4%	35.1%	36.3%	37.1%
Consolidated budget balance, USD bln	-2.4	-8.0	-2.3	-5.8	-7.8	-5.6	-1.3	-2.1	-1.5	-2.8
% GDP	-2.1%	-5.9%	-1.4%	-3.3%	-4.3%	-4.6%	-1.6%	-2.3%	-1.5%	-2.5%

** Based on UAH value of debt and GDP*
Source: UkrStat, NBU, MinFin, Concorde Capital research

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