Ukraine
Economy
Research Note

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War Economy

Nearing the Time for Harsh Decisions

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The economic situation in Ukraine has significantly worsened since August, when warfare escalated in the Donbas region. Industry underwent a double-digits plunge while the ForEx market was totally destabilized and shifted into the shadows. To make matters worse, the approved August budget amendments did not improve fiscal collections much while state debt broke through the 60% of GDP threshold. The situation is alarming and the economy is hanging on the single thread of IMF support. Against this backdrop, we see Ukraine approaching a time of harsh, unpopular fiscal decisions and probably in the banking sector. The government won't make any radical moves until the parliamentary elections but we expect dramatic budget spending cuts in November, including social payments.

- In August and September, the situation at the ForEx market had grown significantly complicated. Aggravated warfare in Donbas triggered a severe currency panic and for a few days, the exchange rate reached UAH 15/USD 1 (compared to the UAH 8.0/USD rate maintained in the four years leading up to February 2014). The National Bank of Ukraine (NBU) responded with severe regulations, prompting a boom in the black market and emergence of multiple exchange rates. Nominally, the authorities stabilized the exchange rate near UAH 13/USD on the official market, but effectively the ForEx was caught in a stalemate with the dramatic loss of confidence in the NBU, a steady drift of foreign currency trade to the shadow market and uncertainty in the hryvnia's future. In light of this, for our forecasting purposes, we accept the exchange rate dictated by authorities at the level of UAH 13/USD in the mid-term.

- Despite tax hikes approved by parliament in August, the budget's performance continued worsening. State collections declined 9.7% yoy in September. For 9M14, state revenue was still positive (+6.6% yoy) however it failed to keep up with its targeted 2014 11.4% revenue growth rate. With such trends preserved, we expect at least a UAH 20 bln shortfall by the year end. Unless the IMF approves a deficit widening, we expect dramatic budget cuts promptly after the Oct. 26 early parliamentary elections.

- The state debt has already broken through the 60% of GDP ceiling and it will keep growing on the back of further Naftogaz refunding and more external loans over the upcoming months. By the year's end, we anticipate the state debt hitting 65.4% of GDP, which is dangerous but not deadly if Ukraine keeps following IMF recommendations.

- Inflation is expected to approach the 20% YTD mark by the end of the year on the back of steady devaluation trends. By the end of September, CPI grew 16.2% YTD and we anticipate further increases owing to continued hryvnia volatility and a heating price adjustment at the start of the season.

- We estimate 2014 GDP will fall 7.8% yoy. Given that the political situation is changing by the day, the economic contraction could be even stronger. However, we assume the warfare won't expand beyond the Donbas self-governance zones, which should prevent economy from deeper contraction. For 2015, we project GDP growing 1.3% yoy under the assumption that the warfare cools by the end of 2014.

Quantitative easing in Ukrainian manner

For almost a year, Ukraine has been in a permanent turmoil. Up until August, the negative tendencies had been rather modest and it looked as if Ukraine would be able to weather the hardships and stabilize by the year end with some economic adjustments and the support of the West. However, the Russian military invasion in August and occupation of part of the Donetsk and Luhansk regions (collectively known as Donbas) changed the situation dramatically. Firstly, the armed conflict will not end in the near future (at best it will be frozen). Secondly, the self-governance zones (covering a third of Donbas's territory) will not "work for Ukraine" (offering no foreign currency proceeds, no taxes paid to the budget) though it will likely to receive some funding from Kyiv.

Against this backdrop, the authorities have started a very dangerous game that is very similar to the quantitative easing that the largest world economies are still playing, with the only difference being that Ukraine is not so fortunate to be printing one of the world's reserve currencies.

In essence, against the backdrop of political turmoil and war in the east, the authorities are trying to solve three mutually exclusive goals:

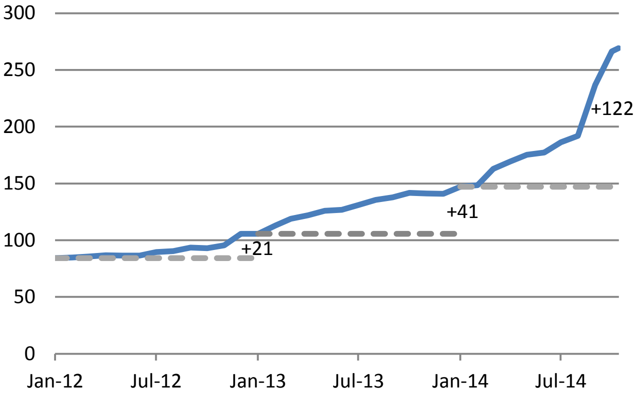
- Finance budgetary needs and support banking liquidity through active hryvnia printing;
- Maintain stability at the ForEx; and
- Target inflation dynamics.

Even for a healthy economy, active money printing would raise the risk of extra inflation and stronger pressure on the national currency. But the Ukrainian situation is even more complicated:

- The NBU's panicked overregulation that followed the August devaluation wave served to "break" the ForEx market, prompting players to lose confidence in the central bank's decisions and heavily leverage black market opportunities.
- Continued geopolitical uncertainty, shortage of foreign currency for individual purchases as well as widely discussed concerns on Ukrainian solvency after the Oct. 26 elections caused Ukrainians to withdraw their foreign currency deposits en masse.

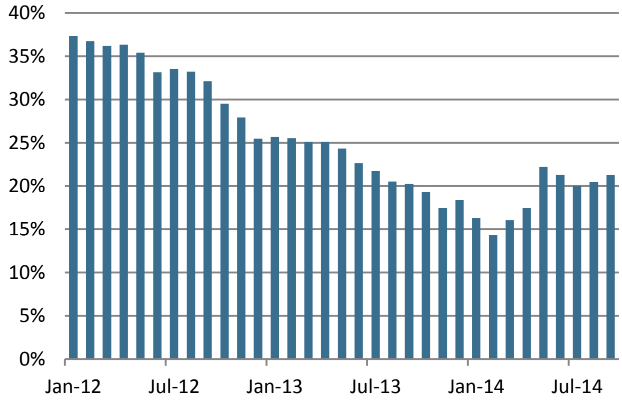
These developments caused newly printed hryvnia (for budget or banking sector liquidity in the amount of nearly UAH 290 mln) to move directly to the ForEx what only added fuel to the fire of demand for foreign currency, thus erasing any chance for the NBU to normalize foreign currency trading.

Central bank's portfolio of state bonds, UAH bln



Source: NBU

M2 coverage by gross reserves



Source: NBU

We don't anticipate this play stopping before the elections; however, halting hryvnia printing will be vital in November.

Further hryvnia printing might trigger not only uncontrolled events at the ForEx market, but also uncontrolled inflation. For sure, the IMF will be on guard to limit this game but we see huge risk that authorities might continue this poor practice due to pressure from potential social protests and overall domestic turmoil. Against this backdrop, the optimization of public spending (which requires fundamental reforms) and a selective approach in tapering bank refinancing are crucial for the financial system's survival.

Hryvnia prospects: Huge uncertainty with occupied Donbas

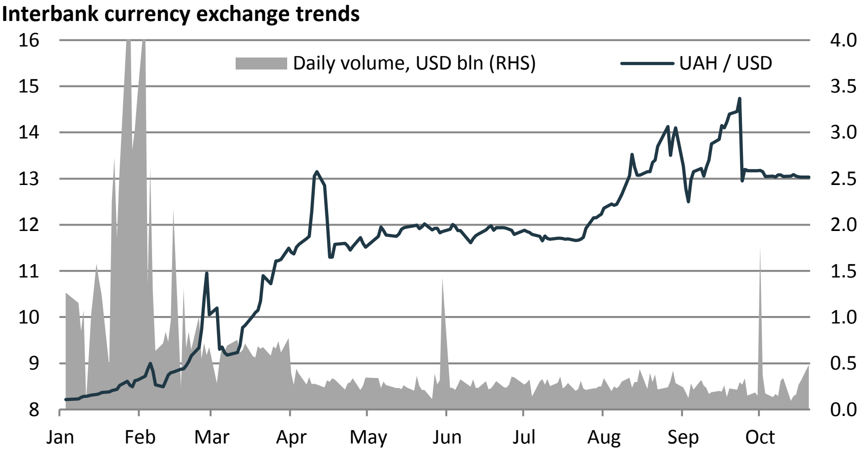
Throughout 2014, Ukraine experienced never-before-seen ForEx volatility with the hryvnia jumping both up and down. A free-float regime (without proper ForEx infrastructure) that was “introduced” in the context of geopolitical tension and subsequent warfare were the main reasons behind unprecedented hikes at the year start. After the first wave of hryvnia decline through the spring, it looked as if some new balanced level had been reached (in the range of UAH 11-12/USD). But market players lost their orientation after a new stage of volatility at the ForEx started in July-August, when the Donbas warfare escalated.

In fact, after the August C/A statistics were released (only a USD 42 mln deficit was reported), it became clear that it was predominantly the currency panic that was the main driver for the hryvnia sinking to UAH 15/USD at the end of the summer. The current situation is that the NBU effectively has “broken” the market with overregulation while failing to propose any clear vision of the future. It has only managed “to stabilize” nominally the headline exchange rate at the ForEx (near UAH 12.95/USD) while causing the black market to flourish and to create multiple exchange rates.

As a result, disregarding the steadily narrowing C/A deficit and good prospects in capital and financial accounts (IMF cooperation and other donors’ commitments), the situation at the official market reached a stalemate since players have lost confidence in the NBU’s moves. To make matters worse, the NBU is maintaining the banking sector’s current high liquidity by continuously “financing” the outflow of banking deposits, thereby adding more demand for dollars at the exchange market.

As we see huge uncertainty, for our forecasting purposes, we accept the exchange rate the authorities dictate: near 13/USD for 2014 and 2015.

Interbank currency exchange trends



Source: NBU

There is a light at the end...

The current situation is unique because only temporary factors have driven the devaluation of the local currency:

- The shortage of foreign currency can be only explained by market panic amid uncertainty (the outflow of dollar deposits and decreased supply of currency among foreign investors and exports), as well as the NBU's attempts to finance both the budget deficit and banking liquidity by printing new money.

- As soon as the situation in Donbas stabilizes (armed fighting is ongoing), panic will dissipate in the banking sector and the hryvnia will have a good chance to strengthen, even above the level dictated by the NBU.

- At the same time, the more time it will take to de-escalate the source of panic (rooted in political uncertainty), the higher the risk that the NBU will not be able to keep the hryvnia at the dictated level. So the question of what is the fair price of the hryvnia becomes irrelevant at the moment since huge uncertainties lay ahead.

From a fundamentals point of view, we have observed some positive trends for the hryvnia that are worth considering, and the only limiting factor for these fundamentals to kick in is panic prompted by the war and deposit outflow.

External trade: C/A deficit shrinking disregarding occupied Donbas

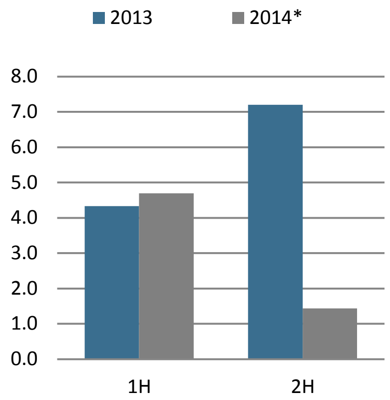
The key factor that points to the hryvnia's upside potential is the quickly contracting current accounts deficit. Disregarding the fact that Donbas industry has practically stopped, the C/A balance continued improving and for August, the NBU reported a negligible USD 42 mln deficit. In 8M14, the C/A deficit shrunk 3.3x yoy to USD 2.7 bln from USD 9.0 bln a year ago. A sharp decline in non-energy imports (-22.8% yoy), combined with sliding energy imports (-16.5% yoy), were the main factors in the improved external accounts amid the simultaneous 10.5% yoy exports contraction during the reported period.

We expect the C/A deficit to narrow even further. Concerns surfaced about the impact of the Donbas region's devastation on external trade, however, prompt non-energy imports plunge (-37.3% yoy) in August, which offset a 29.7% yoy exports decline that month, demonstrated that the impact of halted industry in Donbas on the health of external accounts might have been overestimated. After the hryvnia touched the UAH 15/USD level on several days, importers adjusted their prices accordingly, which promises further contraction of non-energy imports – even faster than 30% yoy – in the upcoming months.

Energy imports also will be much lower than a year ago due to the current natural gas conflict with Russia, lower gas consumption and possibly lower gas prices. Starting in June, Gazprom stopped supplying to Ukraine and gas imports since July have been coming only from the EU. Given that the chances for brokering a new gas contract are rather slim over the nearest future, we can hardly expect more than 3 bcm of gas imports arriving in 4Q14, most of which will go through Slovakia. In all, we expect overall gas imports in 2014 to not exceed 19 bcm (compared to 27.6 bcm in 2013). What's more, we expect gas prices will be agreed to have been near USD 385 per tcm in April-December (USD 268.5 per tcm in 1Q14), which means that the total 2014 gas bill might be USD 5 bln lower than a year ago.

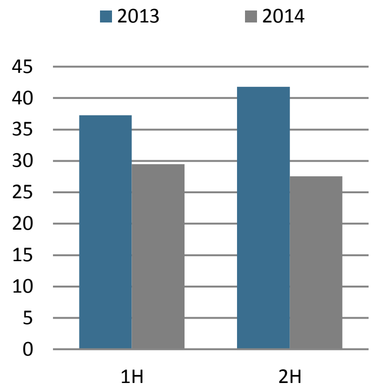
To sum up, in the upcoming months, we can hardly expect external trade to generate pressure on the ForEx markets. What's more, if at some stage the military factor becomes less dominating, we can see production channels recovering in what should enable overall exports to improve, with subsequent appreciation tendencies emerging at the ForEx. As of now, we project a USD 4.1 bln C/A deficit for 2014 (nearly 3.1% of GDP), which is 4x less than a year ago (USD 16.5 bln in 2013). However, we do not rule out the C/A deficit falling near USD 3 bln if the August devaluation wave turns out to have triggered a steep imports contraction.

Gas imports, USD bln



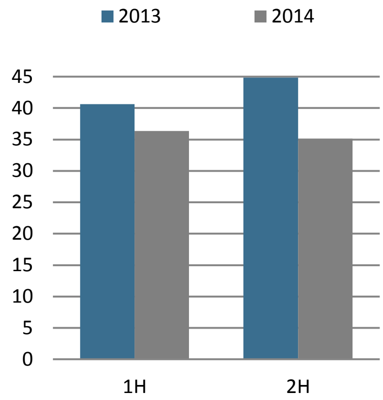
** Assuming USD 385 / tcm price since 2Q14*
Source: UkrStat, Concorde Capital estimates

Non-energy imports, bln USD



Source: UkrStat, Concorde Capital estimates

Exports, bln USD



Source: UkrStat, Concorde Capital estimates

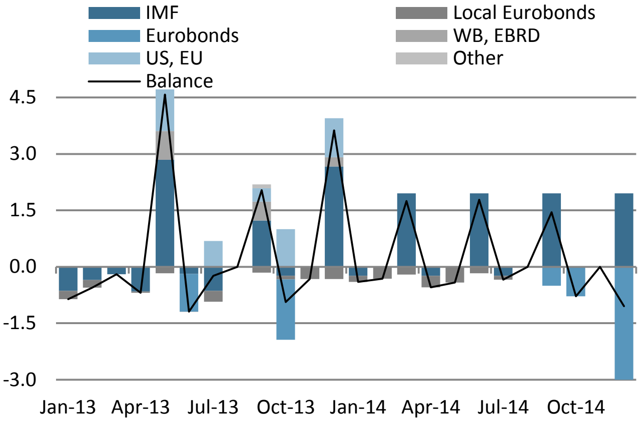
Capital accounts: Donors' support to offset panic-driven currency outflow

The potential financial inflow – in the form of ongoing Western support – against the backdrop of a shrinking C/A deficit also speaks to the hryvnia's chances for a better future. The situation now is quite shaky given that foreign currency outflow has strengthened with tightened ForEx regulation (in September, the NBU had to spend USD 833 mln on interventions and the trend is continuing in October); however, the anticipated placement of US-guaranteed USD 1 bln Eurobonds – as well as the projected USD 2.8 bln IMF support that should come by the end of 2014 – should offset the negative impact of a protracted foreign currency panic. Also we expect continued funding from the EU and the World Bank. Russia may demand an early redemption of USD 3 bln of its Eurobonds, however we do not consider this to be a critical risk. The Finance Ministry (MinFin) is not the decision-maker on such issues, which will be hanging on the IMF's position. If the Fund advises repaying the money, we expect it will duly boost its financial support to Ukraine as well.

In other words, disregarding the persistent, huge uncertainties looming over Ukraine and continued outflow of foreign currency deposits from its banking system, it looks like capital accounts should be relatively balanced over the upcoming months. We do not expect abundant funding from the West but the support should be enough to keep the economy afloat. Against this backdrop, we do not expect financial and capital accounts will put pressure on the hryvnia and we project gross international reserves to stay near USD 16.5 bln (2.4 months of future imports) by the end of the year (USD 16.2 bln by the end of September).

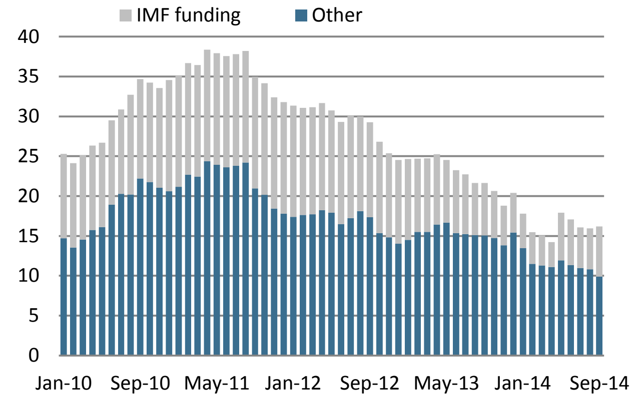
In fact, there is a risk that Russia might claim an early redemption of the USD 3.0 bln in debt. Also at some stage Ukraine might agree to cover a USD 3.1 bln debt for natural gas. However, given that Ukrainian MinFin is not independent to make such decisions (everything should be approved with the IMF), we believe such redemptions will be possible only if the IMF (or other donors like the EU) decides to enhance its financial support. In other words, even in this case we anticipate gross reserves to remain almost flat (USD 16 bln) by the year end on the back of external support.

Ukraine's borrowings and redemptions in 2014, USD bln



Source: IMF

Gross NBU international reserves, USD bln

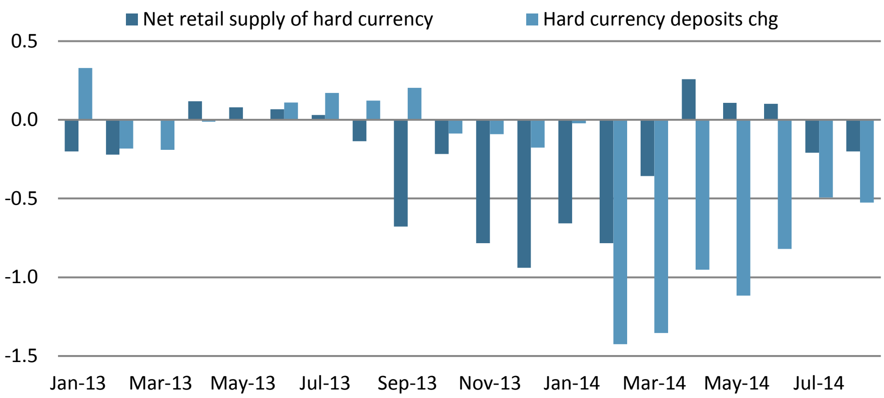


Source: NBU

Foreign cash: returning deposits

Another important factor of the current ForEx tension is individual demand for foreign cash and foreign currency deposit outflow from the banking system, which reached USD 8.8 bln (-28.6% YTD) in 8M14. In light of the ongoing aggression from Russia, we can hardly predict when the tendency will stop. However, we believe at some stage the withdrawn funds will return to the banking system. When this break happens, appreciation pressure will mount on the hryvnia, even if the number of banking institutions shrinks.

Individual demand for foreign currency and foreign deposit outflow, USD bln



Source: NBU

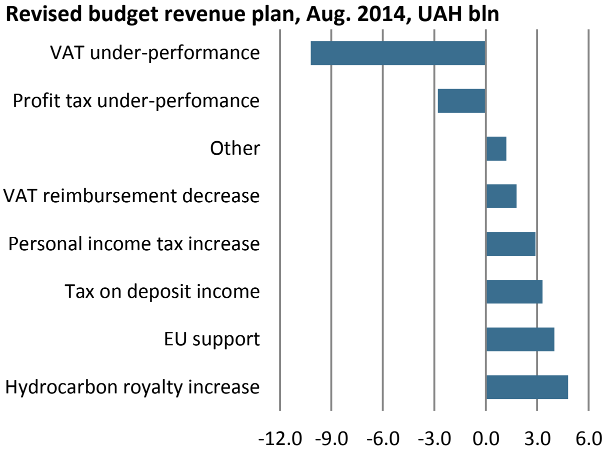
Fiscal policy: Wider shortfall ahead

Disregarding the August budget amendments to boost revenue, fiscal collections continued performing poorly. In September, central budget revenue declined 9.7% yoy. For 9M14, state revenue was still positive (+6.6% yoy) however it was still below the targeted 11.4% growth envisaged for the 2014 central budget revenue plan. To a large extent, the September decline was the result of a statistical effect given that in the same year-ago month, the NBU wired substantial funds (UAH 5.0 bln) to the budget. However, the picture remains weak even when removing this factor. The August budget amendments (increased taxes and royalties on hydrocarbon and iron ore extraction) should have secured revenue growth beyond the very modest results, which were disturbing to observe.

Indeed should the authorities make further attempts to increase taxes to balance the budget, we are very likely to observe only an adverse effect on the economy and subsequently on fiscal proceeds. The budget already soaks up almost 50% of GDP and the opportunities offered by further tax pressure look exhausted. For instance, since the year start, the authorities have already adjusted the excise duty on tobacco three times (which was up 40% YTD by September); however, excise collections have been falling (17% yoy in 1H14) due to the subsequent boom in smuggling in the country.

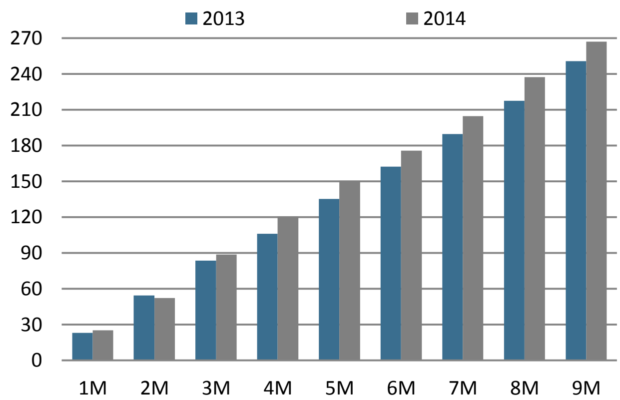
Broadly speaking, if the current declining trend continues, we project at least a UAH 20 bln budget revenue shortfall by the yearend. We cannot rule out better fiscal results over the upcoming months (given the lull in ongoing warfare in the east); however, we should be ready for a substantial underperformance that can threaten the IMF program. We don't believe the Cabinet will break its commitment to the Fund on the central budget deficit (UAH 63.8 bln, or 4.2% of GDP), however it might opt to negotiate a wider fiscal gap nevertheless. Otherwise, the authorities will solve the problem traditionally – through accumulation of arrears or more considerable budgets cuts promptly after the Oct. 26 early parliamentary elections.

Revised budget revenue plan, Aug. 2014, UAH bln



Source: MinFin, Concorde Capital calculations

State budget revenue, UAH bln



Source: MinFin

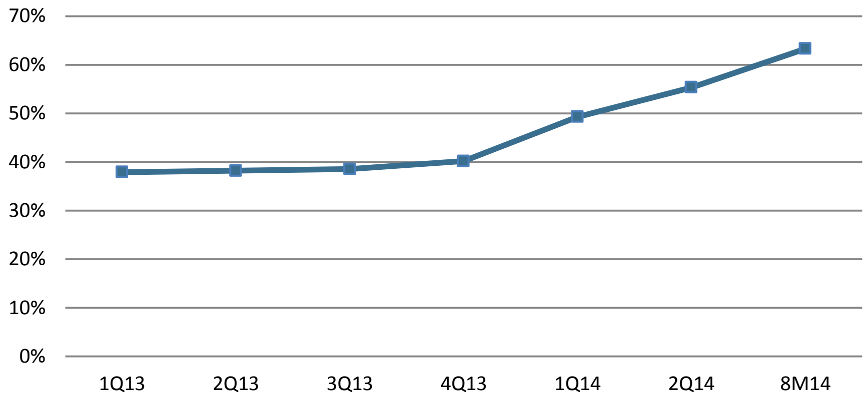
State debt breaks 60% of GDP threshold – what is next?

The UAH-denominated state debt increased 12.9% m/m in August, fuelled by the new devaluation wave and UAH 46.7 bln in refunding for state gas giant Naftogaz. It has already reached UAH 945.8 bln, which is above 60% of GDP (by our estimates). The upward tendency is expected to continue on the back of more refunding for Naftogaz (by at least UAH 16.6 bln in residuals from UAH

63.3 bln recently approved by the Cabinet) and more external loans (USD 1 bln in Eurobonds and USD 2.8 bln from the IMF). Thus by the end of the year, we anticipate state debt to reach 65.4% of GDP.

And what does it mean for us to break the 60%-of-GDP debt ceiling? In our opinion, it is dangerous but not critical as long as the Ukrainian government is backed by IMF support. The main risk that stems from breaking this level is that Russia might claim an early redemption of USD 3 bln in Eurobonds (maturing in December 2015). Even disregarding the dubiousness of such claims (since Russia “helped” Ukraine reach its current level of debt), Ukraine will be in a position to cover the payment if cooperation with the IMF continues.

State debt, % of GDP



Source: MnFin, Concorde Capital estimates

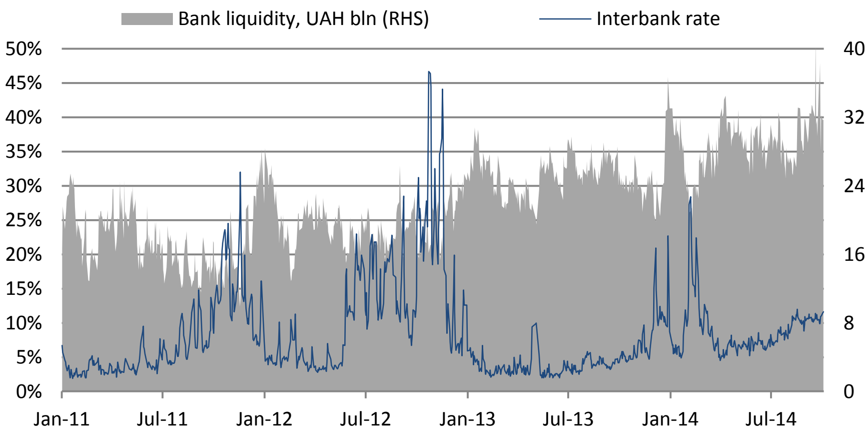
Monetary policy: Pumping liquidity against the backdrop of hryvnia decline

After the August devaluation panic, Ukraine's monetary policy became a mess. Nominally, the NBU is still committed to inflation-targeting. However, the regulator, as usual, is now trying to balance between two mutually exclusive targets – to support the budget with funding and banking system with liquidity while trying to prevent the hryvnia from further decline. So far, the NBU (with help of administrative measures) has reached some "stabilization" at the official ForEx. However, newly printed money created a boom in the foreign currency black market and creation of multiple exchange rates (at the ForEx, at NBU auctions, and at the black market).

The ForEx for the moment is in stalemate as strict administrative controls are pushing more operations into the shadow as the authorities are afraid to ease their clutches. At the same time, we do not see any sign from the NBU of easing its hryvnia-pumping. At least, we do not see any liquidity tightening (residuals at correspondent bank accounts remain above UAH 30 bln daily) in spite of the steady savings deposit outflow. What's more, budget collection results indicate that there will be a substantial shortfall by the year end in what might translate into more hryvnia-printing.

All in all, we do not see any sign of a potential monetary policy tightening. The monetary base already grew 14.4% YTD by the end of September and it looks like that rate is unlikely to ease. The NBU's 2014 monetary principles limited monetary base growth at 21% YTD and so far we are keeping our 2014 estimate at 19.8% YTD. However, we should keep in mind that this limit could be easily exceeded if hryvnia printing continues for the sake of budget deficit funding.

Bank liquidity and interbank rates



Source: NBU

Inflation to approach 20% YTD mark in 2014

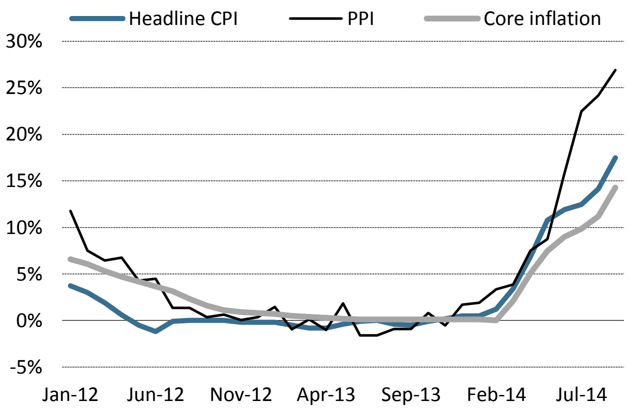
The devaluation wave started in August has changed consumer inflation prospects. Initially, we assumed that after the spring hryvnia devaluation, the CPI will slow down by the end of the summer and a robust grain harvest might even cause CPI to slide. However, the warfare in the east, with subsequent problems at the ForEx, pushed prices even higher.

For 9M14, the CPI has already increased 16.2% YTD, with hryvnia devaluation and increased gas and heating rates being the main reasons behind the upward trend. The hryvnia decline pushed transportation prices up by 36.0% YTD in 9M14, which was reflected in all prices including food (+15.5% YTD). Utility rates have grown 24.3% YTD on the back of a 60% of gas price increase in May and 40% heating price adjustment in July.

Further inflation prospects now look rather straightforward. The impact from the August devaluation should have diminished by the end of September and unless a new currency shock happens, consumer prices should slow down. In October, we anticipate utility rates growing on the back of continued heating rate adjustments; however, the overall impact on CPI will be limited. Thus for 2014, we project 11.3% yoy (19.1% YTD) in CPI growth.

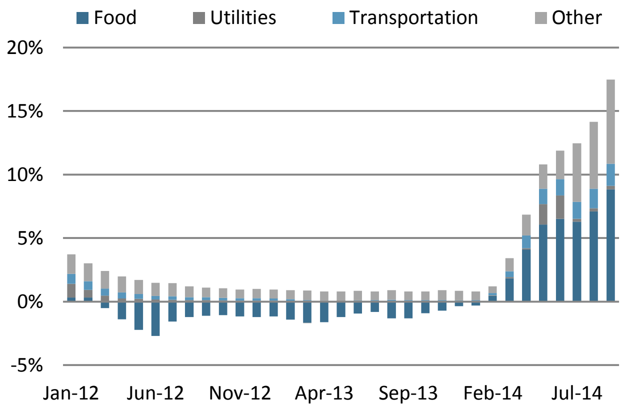
Producer prices have also received a boost from the August hryvnia decline. In 9M14, PPI already surged 27.4% YTD with energy inputs contributing the most. Due to the August devaluation wave, we have to revise the PPI forecast up to 17.3% yoy (32.4% YTD) for 2014 from 11.8% yoy (18.9% YTD) estimated previously.

CPI and PPI, yoy



Source: UkrStat

Headline CPI breakdown



Source: UkrStat

Economic prospects: falling deeper in 2H14

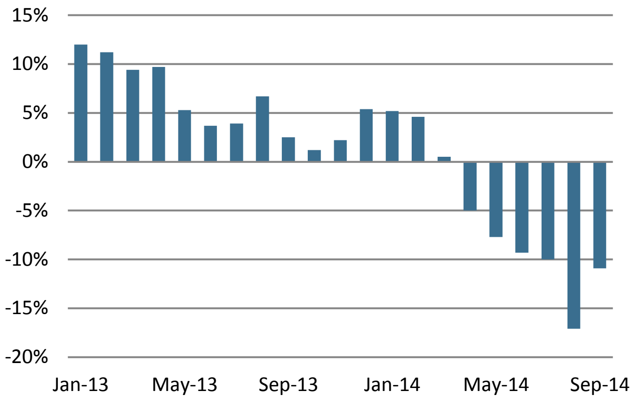
GDP declined 4.6% yoy in 2Q14. Private consumption decreased only 2.3% yoy, while state consumption increased 6.9% yoy. Falling investment in fixed assets (-18.5% yoy) appeared to be the main reason for the GDP contraction through the quarter. In light of those numbers, the situation looked not that dramatic.

However, the picture did change dramatically since August. Escalated warfare in the easternmost regions damaged many factories and undermined their output. UkrStat reported a 21.4% industrial output plunge in August and 16.6% yoy drop in September with production in the Donetsk region falling almost 60% yoy through August-September and plunging 85% yoy in the Luhansk region in the same period.

Against this backdrop, we revised our 2014 GDP decline to -7.8% (from -3.7% estimated previously) and we do not rule out that further aggravation might worsen economic performance even deeper. Falling exports (-11.2% yoy in 2014, in real terms), slumping investments (-26.6% yoy) as well as sliding consumption (-6.2% yoy) will be the main factors on the demand side for GDP decline. On the supply side, depressed industry (-11.8% yoy) will reflect economic contraction.

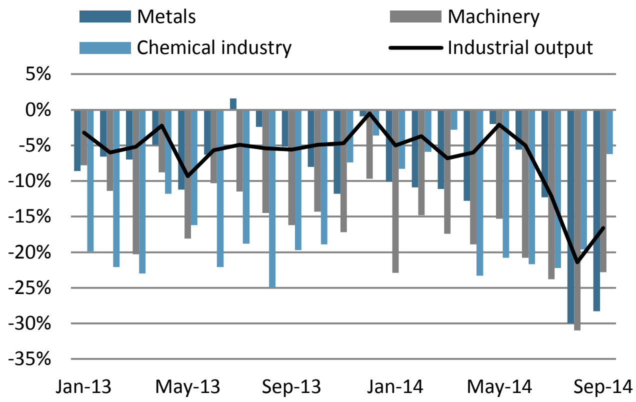
In regards to economic prospects in 2015, so far we project GDP growing 1.3% yoy under assumption that warfare ends by the end of 2014. We expect strengthening private consumption as well as exports – benefiting from the cheap hryvnia – to be the key driving forces.

Organized retail trade, yoy change



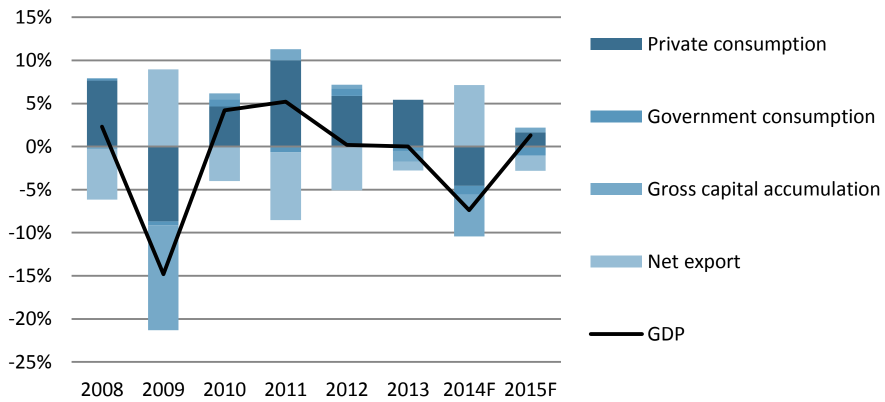
Source: UkrStat

Industrial output, yoy change



Source: UkrStat

Components of GDP change



Source: UkrStat, Concorde Capital estimates

Appendix. Key macro indicators

	2008	2009	2010	2011	2012	2013	2014F	2015F
Economic activity indicators								
Real GDP, chg yoy	2.3%	-14.8%	4.1%	5.2%	0.2%	0.0%	-7.8%	1.3%
Household consumption, chg yoy	13.1%	-14.2%	7.2%	15.0%	11.7%	7.8%	-7.6%	2.2%
Investments in fixed capital, chg yoy	-1.2%	-50.5%	4.0%	10.1%	0.6%	-6.6%	-28.1%	2.9%
Nominal GDP, UAH bln	948	913	1,083	1,302	1,411	1,454	1,554	1,705
Nominal GDP, USD bln	180	117	137	163	176	177	134	131
GDP per capita, USD	3,881	2,541	2,981	3,557	3,859	3,893	3,116	3,075
Industrial output, chg yoy	-5.2%	-21.9%	11.2%	8.0%	-0.5%	-4.7%	-11.8%	1.1%
CPI (eop)	22.3%	12.3%	9.1%	4.6%	-0.2%	0.5%	19.1%	4.7%
CPI average	25.2%	15.9%	9.4%	8.0%	0.6%	-0.3%	11.3%	10.5%
PPI (eop)	23.0%	14.3%	18.7%	14.2%	0.3%	1.7%	32.4%	5.3%
External accounts								
Current account balance, USD bln	-12.8	-1.7	-3.0	-10.2	-14.3	-16.4	-4.1	-6.5
% GDP	-7.1%	-1.5%	-2.2%	-6.3%	-8.1%	-9.2%	-3.1%	-5.0%
Merchandise trade balance, USD bln	-16.1	-4.3	-8.4	-16.3	-19.5	-19.6	-4.6	-9.3
% GDP	-8.9%	-3.7%	-6.1%	-10.0%	-11.1%	-11.1%	-3.4%	-7.1%
Service trade balance, USD bln	1.7	2.4	4.4	6.1	5.2	4.1	0.5	2.8
% GDP	0.9%	2.1%	3.2%	3.7%	3.0%	2.3%	0.4%	2.1%
Financial account balance, USD bln	9.7	-12.0	8.0	7.8	10.1	18.4	-2.9	4.5
% GDP	5.4%	-10.3%	5.8%	4.8%	5.7%	10.4%	-2.2%	3.4%
FDI net, USD bln	9.9	4.7	5.8	7.0	6.6	3.4	0.4	3.2
% GDP	5.5%	4.0%	4.2%	4.3%	3.8%	1.9%	0.3%	2.4%
Gross NBU reserves (eop), USD bln	31.5	26.5	34.6	31.8	24.6	20.4	16.5	20.2
Public debt								
Public debt, USD bln	24.6	39.8	54.3	59.2	64.5	73.1	87.1	92.0
% GDP	13.7%	34.0%	39.6%	36.3%	36.6%	41.3%	65.4%	70.2%
Public external debt, USD bln	18.5	26.6	34.8	37.5	38.7	37.5	43.5	48.7
% GDP	10.3%	22.7%	25.4%	23.0%	22.0%	21.2%	32.5%	37.2%
Gross external debt, USD bln	101.7	103.4	117.3	126.2	135.1	142.5	140.2	146.6
% GDP	56.5%	88.4%	85.6%	77.4%	76.8%	78.3%	104.6%	111.9%
Monetary and banking sector indicators								
Monetary base, UAH bln	187	195	226	240	255	307	368	452
chg yoy	31.6%	4.4%	15.8%	6.3%	6.4%	20.3%	19.8%	23.0%
Money supply (M3), UAH bln	516	487	598	686	773	910	1,027	1,309
chg yoy	30.2%	-5.5%	22.7%	14.7%	12.8%	17.6%	12.9%	27.4%
Monetary multiplier (eop M3/MB)	2.8	2.5	2.6	2.9	3.0	3.0	2.8	2.9
Monetization (eop M3/GDP)	54.4%	53.3%	55.2%	52.7%	54.9%	62.6%	66.1%	76.8%
Bank loans, chg yoy	72.0%	-1.5%	1.3%	9.4%	1.7%	11.7%	21.5%	25.4%
Bank deposits, chg yoy	26.7%	-6.9%	24.4%	18.0%	16.4%	17.1%	7.3%	23.7%
Loan-to-deposit ratio	2.04	2.16	1.76	1.63	1.42	1.36	1.54	1.56
Exchange rate								
Official UAH/USD (eop)	7.58	7.97	7.96	7.99	7.99	7.99	13.0	13.0
Official UAH/USD (avg)	5.27	7.79	7.94	7.97	7.99	7.99	11.6	13.0
Fiscal indicators								
Consolidated budget revenues, USD bln	56.5	37.0	39.8	49.8	55.7	54.0	40.9	40.6
% GDP	31.4%	31.6%	29.1%	30.6%	31.6%	30.5%	30.5%	31.0%
Consolidated budget expenditures, USD bln	58.7	39.4	47.8	52.1	61.5	61.7	47.8	46.5
% GDP	32.6%	33.7%	34.9%	32.0%	34.9%	34.8%	35.7%	35.5%
Consolidated budget balance, USD bln	-2.2	-2.4	-8.0	-2.3	-5.8	-7.7	-6.9	-5.9
% GDP	-1.2%	-2.1%	-5.8%	-1.4%	-3.3%	-4.3%	-5.2%	-4.5%
State budget + Naftogaz balance, USD bln	n/a	-5.3	-10.7	-3.2	-7.0	-8.7	-15.2	-13.5
% GDP	n/a	-4.5%	-7.8%	-2.0%	-4.0%	-4.9%	-11.4%	-10.3%
Social indicators								
Population, mln (eop)	46.1	46.0	45.8	45.6	45.6	45.5	43.0	42.6
Unemployment (ILO methodology, avg.)	6.9%	9.6%	8.8%	8.6%	8.3%	8.0%	9.2%	8.5%
Average monthly salary, USD	343	245	282	330	378	398	262	277
Real disposable income, chg yoy	7.6%	-10.0%	17.1%	8.0%	13.5%	5.3%	-7.6%	2.4%

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