Ukraine | Macro Research
Macroeconomic Update

Ukrainian economic overview

Recovery extends, mid-term opportunities surface

Core trends

- **Ukraine's economy is set to expand ~4.7% in 2011** after expected +4.5% in 2010, driven by domestic demand recovery
- **Inflation should stay 9%-10% through 2011**, unchanged from 2010, on the back of rising utility tariffs, recovering domestic demand
- Fiscal deficit should shrink to ~4.3% of GDP in 2011 from 6% in 2010, while we expect **public debt at 43%-44% of GDP as of end-2011 vs. 41% in 2010E**
- **CA deficit will expand to 2%-2.5% of GDP in 2011 vs. 1.3% in 2010E,** but should be covered by net foreign investment inflow (+7% of GDP in 2011F)
- The NBU is able and intends to **keep the USD/UAH rate stable**, supported by continuous IMF support
- **Monetary conditions should become looser:** monetary supply to increase 20% in 2011F (same as in 2010), **bank gross assets to go up 20% in 2011F** vs. +10% in 2010E

Mid-term shifts create opportunities

We see a number of economic policy shifts that benefit Ukraine's investment landscape and its mid-term economic performance:

- **The new tax code**, effective January 1, 2011, reduces corporate income tax from 25% to 16% over the next four years. This will add 10%-30% to public companies' equity value.
- **Privatization** of Ukrtelecom, GenCos, Oblenergos, and Odesa Portside might provide attractive investment opportunities as well as reduce the government's role in the economy and finance the fiscal gap in the nearest years.
- **Utilities tariff hike by 20%-50% for households**, triggered by the IMF deal, reduces the need for central and local budget subsidies to suppliers. This fundamentally improves Ukraine's sovereign risk profile and is favorable to macro performance in the mid-term.
- Preparations for **Euro-2012** facilitate the attraction of foreign capital, stimulate infrastructure investments, and boost mid-term growth.
- **Better relations with Russia**, which came with the election of President Viktor Yanukovych in February, provides a more stable market for exported goods and ensures gas/oil supply.

Report date	**22 Dec 2010**

Key macroeconomic indicators

	2009	2010E	2011F
Business cycle			
Real GDP, chg yoy	-15.1	4.5	4.7
Nominal GDP, USD bln	117.4	132.3	151.4
Industrial output, chg yoy	-21.9	9.9	7.3
CPI (eop), chg yoy	12.3	9.5	10.0
Public finance			
Consolidated budget deficit*,USD bln	-8.3	-7.9	-6.5
Consolidated budget deficit, % GDP	-8.7	-6.0	-4.3
Public debt, USD bln	39.7	54.3	65.9
Public debt, % of GDP	34.8	41.1	43.6
External sector			
NBU reserves (eop), USD bln	26.5	35.0	43.4
Current account balance, % GDP	-1.5	-1.3	-2.1
Finanical account balance, % GDP	-10.2	6.6	7.0
External debt, % of GDP	88.1	86.7	81.1
Exchange rate			
Interbank UAH/USD (avg)	8.11	7.95	8.00

**Incl. Naftogaz, excl. Banks recapitalization*

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

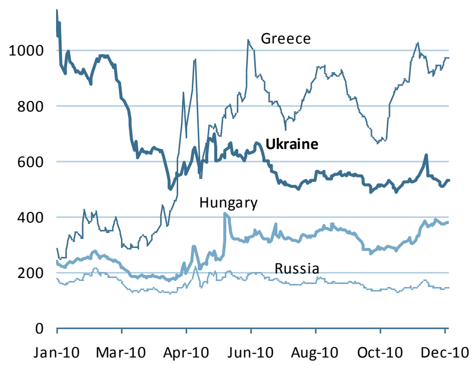
Core commodity prices as of December 21

	Current	chg YTD	chg yoy
Gas imports, USD/tcm	252.00	21%	21%
Crude oil (URALS), USD/mt	89.39	16%	25%
Milling wheat 3rd gr, USD/mt, FOB*	199.00	36%	36%
Steel square billet, USD/mt, FOB*	605.00	46%	46%

** Black Sea ports*

Source: Gas of Ukraine, Bloomberg

Sovereign CDS, USD 5Y, bps



Source: Bloomberg

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Domestic demand looks ready to kick in

Ukraine's economy is set to expand approximately 4.7% in 2011 after expected +4.5% in 2010. The acceleration is to be driven by a recovery in domestic demand, which lagged in 2010, while export-oriented industries will still contribute significantly to the growth (commodity export is 38% of GDP with more than three-quarters of that supplied to other EMs).

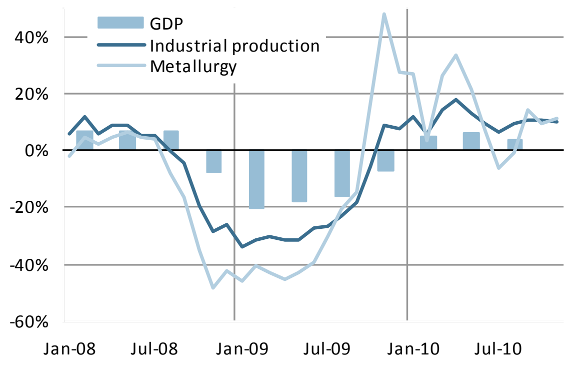
Real GDP climbs 4.8% y-o-y in 10M10

Ukraine's GDP grew 3.5% y-o-y in 3Q10, according to preliminary estimates by the State Statistics Committee, decelerating from 5.9% y-o-y in 2Q on the back of the diminishing low base effect from 2009. According to the central bank, real GDP grew 4.8% y-o-y in 11M10 (vs. 4.7% in 9M10). As the low base effect will continue to fade, **we see GDP up 4.5% for full year 2010. We expect GDP growth of 4.7% in 2011.**

While external demand remains the major driving force behind Ukraine's economic recovery, domestic consumer and investment demand are gradually picking up too (the latter mainly though government capital expenses). **In 2011, we expect domestic demand to play a bigger role although its strength will depend on economic and political stability, and the revival of the local financial sector.**

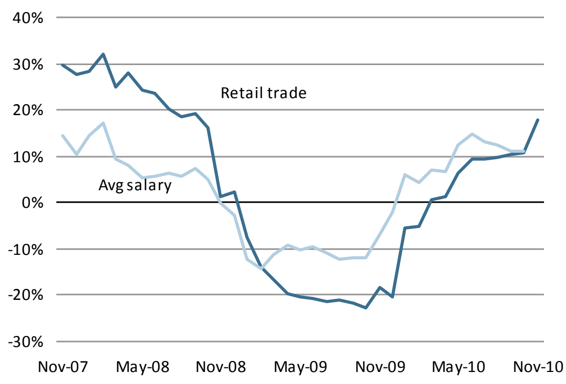
Real industrial production increased 9.9% y-o-y in November (vs. +10.2% y-o-y in October) and 10.6% y-o-y in 11M10 driven by export oriented metallurgy (22% of total industrial sales) and machinery (11% of total industrial sales). Stable global demand and increasing export steel prices (+33% as of mid-December from the trough at end-June) supported y-o-y growth in metallurgy output in the fall (+11.3% y-o-y average monthly growth) after a decline in July and August. Over 11M10, metallurgy picked up 12.2% y-o-y in real terms. Notably, steel production in October (1.6 mln mt) was at its highest since August 2008. Machinery, in turn, grew 33.5% y-o-y in 11M10.

GDP real change (y-o-y, quarterly), Industrial, metals production real change (y-o-y, monthly)



Source: State Statistics Committee

Retail trade and real monthly salary, y-o-y change



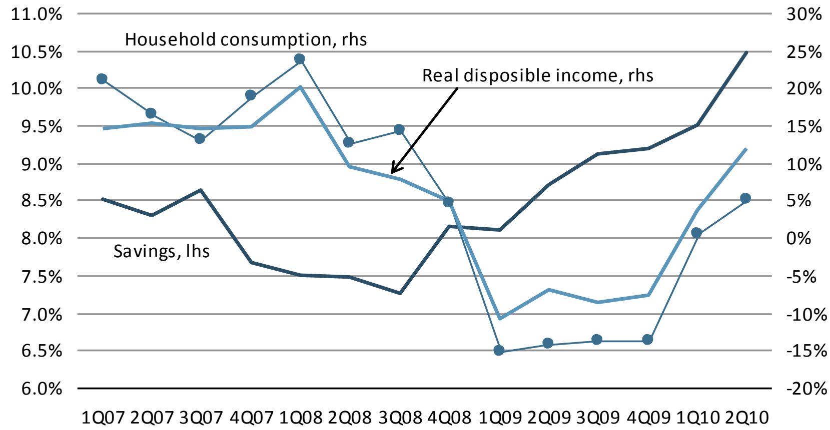
Source: State Statistics Committee

The gradual uptick in domestic consumer demand is shown by accelerating real growth in retail sales, to +6.8% y-o-y over 11M10 vs. +5.9% in 10M10. Household demand is driven by rising real disposable income, up 11.8% y-o-y in 2Q10 (after 3.7% y-o-y in 1Q10). Deceleration might occur in 2H10 as real salary growth sank from a peak of 14.6% y-o-y in June to 10.8% y-o-y in October.

Importantly, **household consumption is being dragged down by increased savings**, which rose to up to 10.5% of total income in 2Q10 (4Q rolling) vs.

9.2% at end-2009 and approximately 8% in 2008. Retail deposits are up 25% or UAH 53 bln over 11M10, while banks' retail loan portfolios fell 11% or UAH 27 bln over 11M10 and demand for foreign currency increased (net buys of USD 7.8 bln in the cash market in 11M10).

Household consumption and real disposable income, change y-o-y
Savings as a share of total income, 4Q rolling



Source: State Statistics Committee

Domestic demand to boost GDP growth in 2011

In 2011 we expect real GDP growth to be around 4.7%, up marginally from +4.5% in 2010. Domestic consumer and investment demand is expected to contribute substantially to this growth. Importantly, to fully unlock domestic demand, political and economic stability is needed to stop deleveraging by households (see above).

Financial institutions are expected to be more proactive in lending to channel savings into private investments and, to a lesser extent, private consumption of durables. The shrinking fiscal deficit (to 4.0%-4.5% of GDP in 2011, from 6.5% in 2010) is bound to limit demand for bank liquidity from the public sector. Nonetheless, the expected crowding out of private investments by public borrowings might not decline as much as we expect and this, hence, still constitutes one risk to the strength and quality of the recovery.

Domestic investment demand should be supported by government spending on infrastructure projects related to Euro 2012, especially providing that the Finance Ministry intends to grant the state road agency and national Euro 2012 preparation agency state guarantees on borrowings.

Export-oriented metallurgy and machinery will also continue growing in 2011, assuming stable global economic development. However, the rates are set to decelerate (from 10% to 7% for metallurgy and from ~30% to ~20% for machinery), owing mainly to the much stronger comparative base of 2010.

High inflation lingers

We expect inflation to stay at 9%-10% through 2011, unchanged from 2010, on the back of rising utility tariffs, recovering domestic demand, upward trending global food prices. This will set a floor on UAH interest rates, may induce the central bank to sterilize banks' excessive liquidity, discouraging them from more active lending.

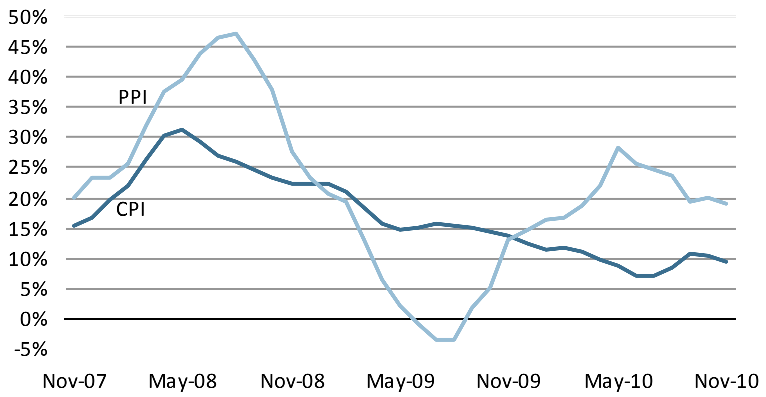
In November, consumer inflation was 9.2% y-o-y, down from a recent peak of 10.5% y-o-y in September, but higher than the trough of 6.8% y-o-y in July. At yearend, we expect inflation to be around 10% and to stay at 9%-10% through 2011.

The acceleration in inflation in recent months stemmed from one-off or temporary supply-side shocks. These include (i) a 50% increase in tightly regulated gas tariffs for households (as stipulated in IMF loan agreements), (ii) higher excises for alcohol and tobacco products (prices increased 15.6% y-o-y in July, 22.1% y-o-y in November) and (iii) a poor harvest. The effects of these drivers had already started fading by November.

Simultaneously, though, the broader economic recovery, and domestic household demand in particular, coupled with aggressive expansion in social outlays from the budget and high PPI growth (18.9% y-o-y in November) create additional inflationary pressure that we expect to extend into 2011.

Apart from the buildup in demand-side pressure, consumer inflation in 2011 will also be boosted by the government increasing oil excises, retail gas tariffs by another 50% in April 2011 and utilities throughout the year, according to the commitments to the IMF.

Inflation, y-o-y



Source: State Statistics Committee

Current inflation acceleration apparently became one of the reasons of increased USD demand on the cash market and decelerating retail deposit inflow during the fall (see below in BoP and banking system sections). Hence, preservation of inflation around 10% might occasionally provoke demand spikes on the local forex market and adversely affect deposit inflow in 2011 as well.

Inflation in the high single-digits also sets a floor on UAH interest rates and keeps the UAH exchange rate more vulnerable should the global economic and financial situation deteriorate abruptly. It may also induce the central bank to continue sterilizing excessive liquidity from banks, effectively discouraging them from more active lending.

Fiscal deficit to decrease, but slowly

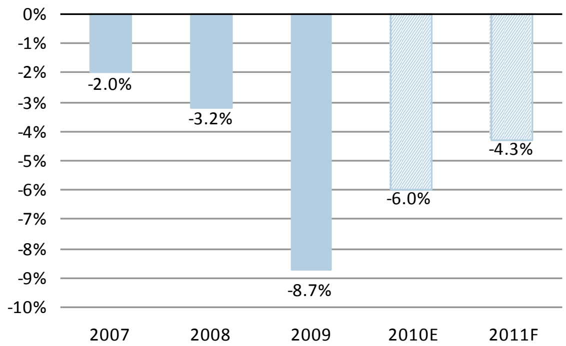
Fiscal deficit is to shrink to 4%-4.5% of GDP in 2011, from 6% in 2010. **We expect public debt at 43%-44% of GDP as of end-2011 vs. 41% in 2010E.** To finance its 2011 needs of USD 13 bln, the government is to issue up to USD 2.5-3 bln in Eurobonds, prolong its USD 2 bln VTB loan, on top of about USD 2 bln in privatization revenues and taping the local UAH debt market.

Budget execution: IMF targets should be met

Over 10M10, the consolidated budget's cash deficit was UAH 35 bln (USD 4.4 bln) or 3.3% of GDP 2010F. For full year 2010, we see the fiscal deficit reaching about 6% of GDP (UAH 63 bln or USD 7.9 bln) together with Naftogaz' gap (vs. 8.7% in 2009), in line with IMF targets. For 2011, we see a deficit within 4%-5%.

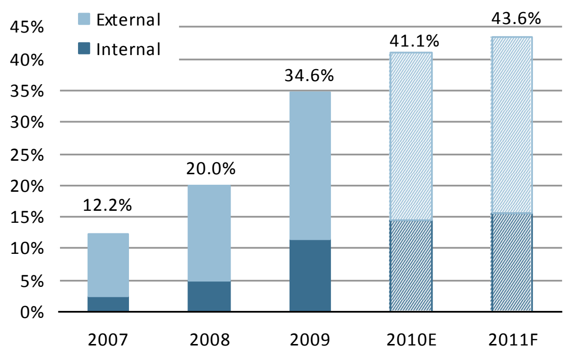
Real economic recovery, together with excise rate increases, administrative measures (e.g. 50% retail gas tariff hike) and attempts to keep public sector expenses in check should contribute to a reducing deficit in 2011. Importantly, the fiscal consolidation is to be prompted and controlled by the IMF.

Consolidated fiscal deficit, % of GDP (Including Naftogaz gap)



Source: IMF, Finance Ministry, Concorde Capital estimates

Public debt (direct and guaranteed), % of GDP



Source: Finance Ministry, Concorde Capital estimates

Tax collection was up 21.2% y-o-y in 10M10 thanks mainly to a 27% y-o-y increase in VAT inflow, which accounted for about a third of all consolidated budget revenues (VAT on imported goods was up 12% y-o-y while VAT cash reimbursement to exporters was down 41%). The economic recovery contributed to a 13% y-o-y increase in individual income tax and corporate profit tax collection in 10M10 (about 27% of all revenues), while higher excise rates drove corresponding revenues up some 35% y-o-y.

On the revenues side, **growth in social outlays decelerated to 38.4% y-o-y** in 10M10 (vs. a +54% y-o-y in 1H10 spike after approval of the 2010 budget in April). On the other end, **capital expenses started picking up** (mainly due to infrastructure projects related to Euro 2012), rising 12.4% y-o-y in 10M10 (vs. -37.4% y-o-y in 1H10). **Debt service costs should double** this year and reach UAH 14-15 bln or about 1.4% of GDP.

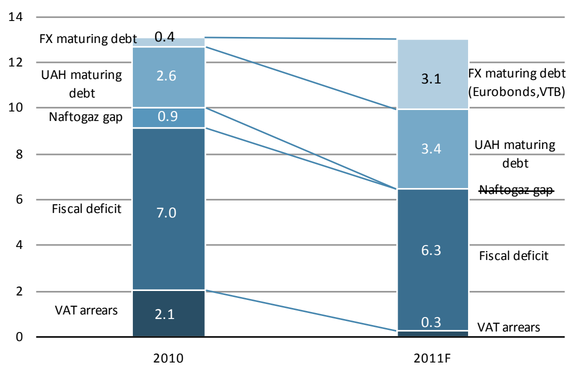
More than 60% of the deficit is financed through external USD debt (incl. IMF loans), while a recovery in liquidity in the domestic banking sector allowed the government to tap the local UAH debt market for net UAH 18 bln over 2010. Privatization revenues are expected to be around UAH 1 bln in 2010 (well below planned UAH 6.5 bln), while for 2011 we expect it could bring in as much as UAH 15-20 bln (incl. UAH 11 bln from Ukrtelecom and the rest from electricity generators and distributors).

Fiscal gap 2011 to shrink to 4.5% of GDP

The 2011 state budget draft implies a deficit of UAH 38.8 bln (USD 4.9 bln) or 3% of 2011 GDP as projected by the government, down from 6% of GDP in 2010E (incl. Naftogaz). The International Monetary Fund expects the government to keep its fiscal gap next year within 3.5% of GDP.

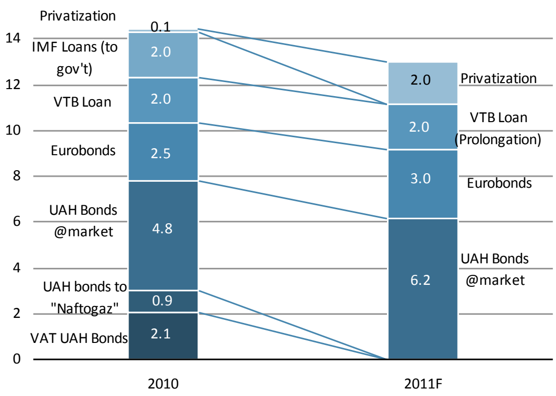
The Finance Ministry plans to cover the deficit with UAH 10 bln from privatization, UAH 11 bln from net domestic UAH borrowings and the rest (UAH 17 bln or USD 2.1 bln net) from external borrowings. On top of that, the government will need to refinance UAH 48.2 bln (USD 6 bln) in debt maturing in 2011.

Government's financing needs, USD bln



Source: Finance Ministry, Concorde Capital estimates

Government's financing sources, USD bln

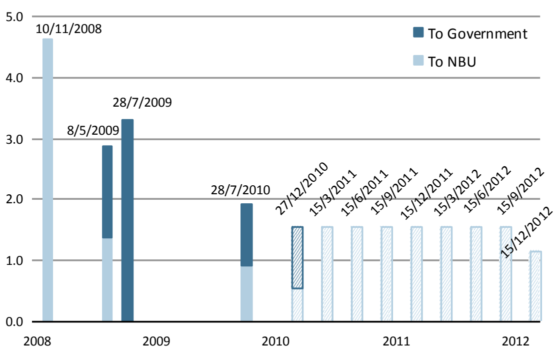


Source: Finance Ministry, Concorde Capital estimates

The government is counting on increasing total consolidated budget revenues 13% y-o-y to UAH 360 bln (28.7% of 2011 GDP, projected by the government), including tax revenue growth by 27% y-o-y in 2011, which we deem too aggressive. **We estimate the actual total fiscal deficit could reach as much as UAH 50-55 bln (4.0%-4.5% of GDP).**

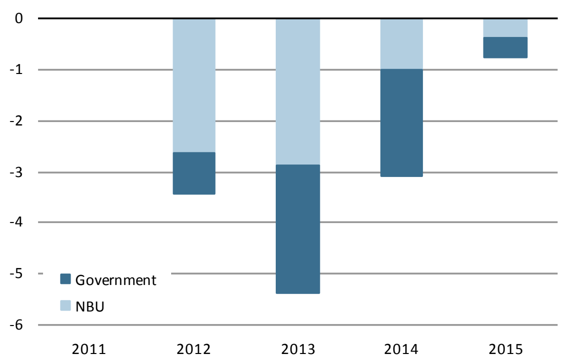
Our expected 4.0%-4.5% deficit in 2011 is above the IMF's target of 3.5%. However, we do not believe this discrepancy will be a significant impediment to IMF cooperation especially if the government meets the targets in 2010 and sticks to its previous commitments to increase utility tariffs for households (incl. for gas) in 2011 and to proceed with pension reform (incl. increase in pension age).

IMF tranche disbursement since 2008, USD bln



Source: IMF

IMF debt maturity profile, USD bln*



** Repayment of existing drawings, disregarding future disbursement of USD 1.5 bln at end-2010 and beyond*
Source: IMF, Finance Ministry, Concorde Capital estimates

We also think adherence to a reform agenda might allow the government to receive resources from the IMF directly to its accounts. Currently the entire USD 11.7 bln scheduled to be disbursed in 2011-2012 is to be channeled to the central bank's coffers (in 2010, USD 2 bln of USD 3.5 bln in IMF loan tranches are to be directed to the government). Being a direct recipient of the IMF funds would ease government financing needs in 2011 (reducing the need for fresh UAH debt issuance) and, especially, in 2012, when IMF debt starts to mature (USD 0.8 bln in 2012, USD 2.5 bln in 2013 and USD 2.1 bln).

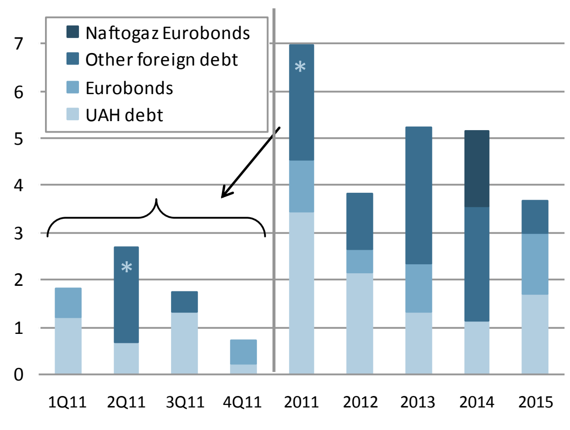
In 2010 the government infused UAH 7.4 bln (0.7% of GDP) into **Naftogaz'** equity to cover the difference between imported gas prices and tariffs charged to local customers (the infusion was made through the issuance of UAH bonds, which were then swapped into cash with state-owned banks). For 2011, it is planed to fully eliminate the need for government support after another 50% increase in gas tariffs, and utility prices hikes for households. Naftogaz has also received USD 1.5 bln from Russia's Gazprom in December as prepayment for future gas transportation services to Europe. In return, Gazprom will pay for about 84% of gas actually transited gas through Ukraine over the next five years.

Public debt to be manageable 41% of GDP at yearend

As of end-October, Ukraine's total public debt (direct and guaranteed) was UAH 405 bln (USD 51 bln) and by end-2010 we expect it to reach UAH 430 bln (+35% over 2010) or approximately 41% of GDP 2010F (35% as of end-2009).

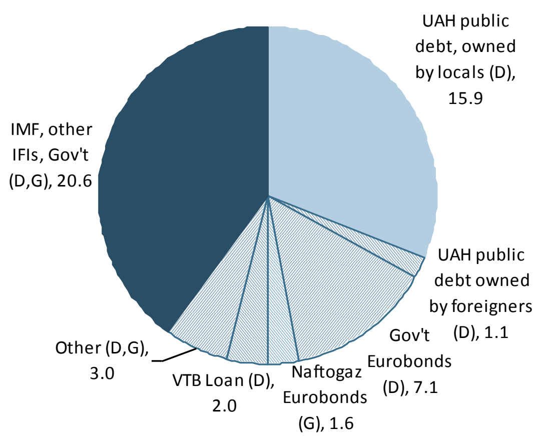
We expect total public debt to rise 16%-22% over 2011 and be approximately 43%-44% of GDP as of yearend. We base our expectations of a drop from 2010's growth (+35%) on a reduction in the relative size of the fiscal deficit (from 6.5% of GDP in 2010 to 4%-4.5% in 2011), reduction in Naftogaz' deficit to zero (from close to 1% of GDP in 2010) and a substantial increase in privatization revenues (up ~15x from 2010).

Public debt maturity profile in 2011-2015, USD bln



** VTB USD 2 bln loan, expected to be prolonged in 2011 with final maturity in June 2012*
Source: Finance Ministry, IMF, Concorde Capital estimates

Public debt holder structure as of end-October*, numbers in USD bln



** D – Direct debt, G – Guaranteed debt. Shaded areas – potential difficult to refinance/roll over under adverse market conditions*
Source: Finance Ministry, Concorde Capital estimates

However, total government financing needs still remain significant, about USD 13 bln, in 2011, almost unchanged from 2010: the fiscal deficit should be about USD 6.5 bln (vs. USD 10 bln in 2010, incl. VAT debt securitization and Naftogaz' gap) and debt redemptions another USD 6.5 bln (USD 3 bln in 2010). As privatization is expected to bring in around USD 2-2.5 bln, we expect the government in 2011:

- to tap the Eurobond market (USD 2.5-3 bln placement, pay off USD 0.6 bln in March, USD 0.5 bln in December)
- to prolong its USD 2 bln VTB Bank loan twice: in June and December (with final maturity falling on June 2012)
- to negotiate for part of IMF tranches scheduled for 2011 (total USD 6 bln) to be funneled directly toward fiscal deficit financing (see Fiscal gap 2011 to shrink to 4.5% of GDP above)
- to tap the UAH debt market for UAH 37-53 bln (USD 4.7-6.7 bln) (in 2010 the government managed to attract UAH 38 bln at open primary auctions)

In 2011, the government will have to repay UAH 27 bln (USD 3.4 bln) in UAH debt and USD 3 bln in foreign debt (incl. USD 0.6 bln of Eurobonds in March and USD 2 bln of VTB loan, which might be prolonged – see above). The **government forecasts debt service costs in 2011 to go up some 60% y-o-y, to UAH 23 bln (USD 2.9 bln) or 1.9% of GDP**, 7.1% of fiscal revenues. We expect the government to be able and willing to service and repay all its debts in the years to come following its efforts to reduce the fiscal gap in the mid-term and under improving economic conditions.

Importantly, no more than 25% (UAH 2.4 bln) of the total UAH debt to be repaid in 1Q10 (UAH 9.6 bln) is held by foreign investors. The rest is owned by locals, mainly banks, with which it will be much easier to roll over the debt (due to preferable treatment of Ukrainian public debt on their balance sheets). In total, only 1/3 of total public debt is held by foreign private investors and could, potentially, be harder to refinance under adverse market conditions (shaded areas on “Public debt holders structure as of end-October” chart above) versus that held by local banks, IFIs (IMF, WB, etc.) and other governments.

UAH forex risk should continue to be low

Although the **CA deficit will expand to 2%-2.5% of GDP in 2011, vs. 1.3% in 2010E**, net foreign investment inflow (+7% of GDP in 2011F) should cover that gap. Coupled with IMF support, this will ensure further FX reserve accumulation of by the central bank (USD 33.5 bln as of end-November). We expect the NBU to be able and willing to **keep the USD/UAH rate broadly stable** with the chances of "managed" depreciation (within 5%) to support exports slightly above those of UAH appreciation.

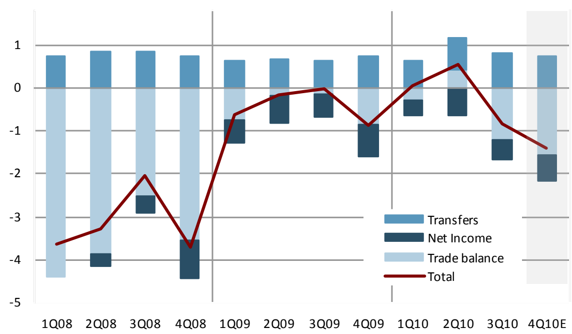
BoP CA deficit keeps expanding, NBU manages USD/UAH

As the balance of payments current account (CA) deficit has been expanding in 2H10, net foreign investment inflow (mainly FDI and government debt instruments) covered that gap. Coupled with continuous IMF support, this ensured further accumulation of FX reserves by the central bank (USD 33.5 bln as of end-November). Hence, we do not see greater UAH devaluation risks stemming from the expanding CA deficit in the nearest term and expect the NBU to be able and willing to keep the USD/UAH rate broadly stable.

The CA deficit reached USD 0.8 bln in 3Q10 and could amount to USD 1.5-1.8 bln in 4Q10 (after a USD 0.6 bln surplus in 1H10), bringing the total 2010 deficit to USD 1.7-2.0 bln (approximately 1.3% of GDP vs. 1.5% in 2009). The recent deficit widening was driven by a recovery in domestic demand (both consumer and investment) and industrial production, which boosted import volumes (average nominal monthly volumes of machinery and oil/gas imports rose 37% and 25% in July-October vs. 2Q respectively). At the same time, average monthly metallurgy export volumes dived 12.2% in July-October vs. those in 2Q.

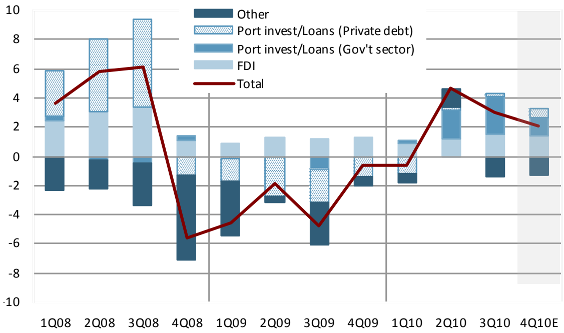
The widening of the CA deficit is also affected by real UAH appreciation (by 5.8% over 11M10 vs. 0.3% in 2009 and depreciation by 14.8% in 2008, measure via UAH REER dynamics), which erodes the price competitiveness of Ukrainian goods on international markets. Under still high domestic inflation and presumably stable nominal ER, real UAH appreciation could extend into 2011, facilitating further expansion in the CA deficit to 2%-2.5% of GDP.

Current account, USD bln



Source: NBU, Concorde Capita; estimates

Financial account, USD bln



Source: NBU, Concorde Capita; estimates

The financial account (FA), in turn, saw a surplus of USD 3.1 bln in 3Q10, down 34% from USD 4.7 bln in 2Q10. For full year 2010, we expect the financial account surplus to reach as much as USD 8.8 bln or approximately 6.6% of GDP (vs. 10.2% deficit in 2009).

The major driver of FA surplus narrowing was net outflows through the cash market. In 3Q10, this amounted to USD 2.3 bln vs. a net inflow of USD 0.4 bln in 2Q10, reflecting both household demand (on the back of intensified depreciation expectations) and increased shadow economy transactions. We expect this item to keep dragging down the financial account in the months ahead.

Simultaneously, FDI equaled USD 1.5 bln in 3Q10, 24% above 2Q10. Since the beginning of the year, FDI into Ukraine was USD 4.1 bln (10M10), with the banking sector accounting for about one-third of this.

Portfolio investment inflow (including loans) equaled USD 2.3 bln in 3Q10, up 7.4% from 2Q10. The major part of this inflow in both 2Q and 3Q came to the government (USD 2 bln loan from Russia's VTB in June, USD 2 bln 5Y Eurobond placement in September). At the same time, inflow into real sector private companies (mostly to large, well-known companies such as Metinvest, DTEK, MHP) was compensated by foreign investment outflow from the banking sector. On the back of limitations on FX lending and local banks' increased risk aversion, banks' total net foreign assets shrank by USD 4.6 bln or by 24% over 10M10.

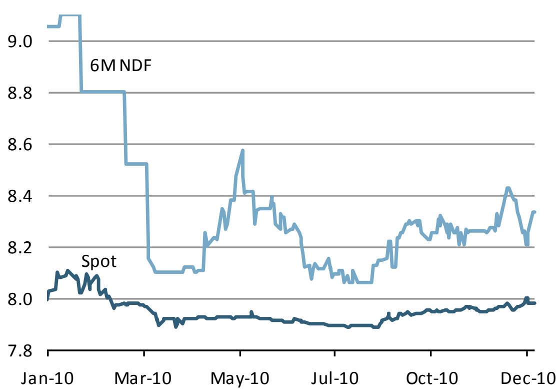
On the back of stable economic development, continuous IMF support and the approach of Euro-2012, we expect the financial account surplus could breach the USD 10 bln level next year and be close to 7% of GDP 2011F.

The fact that Ukraine actually avoided an excess of hot money inflow into the private sector has so far mitigated the problem of a widening CA deficit. Low net foreign portfolio investment inflow into the private sector also means an availability of potentially interesting investment opportunities at attractive prices in 2011-2012, especially providing interest rates in developed markets stay at current low levels.

USD/UAH: meager devaluation pressure contained by NBU

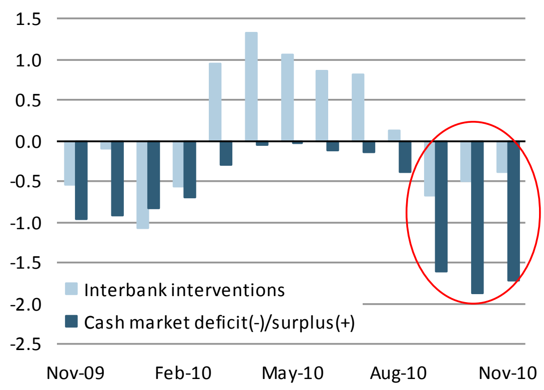
Since August, the Ukrainian hryvnya has lost around 1.2% against the US dollar, and is currently at the same level as at end-2009. To keep the hryvnya from even more depreciation in the fall, the NBU spent its reserves on interventions. Their volumes though have been decreasing to USD 383 mln in November from USD 669 mln in September (total for September-November was USD 1.5 bln).

USD/UAH exchange rates in 2010, daily



Source: UkrDealing, Bloomberg

Central bank net interventions on interbank forex, cash forex market deficit/surplus (USD bln)



Source: NBU

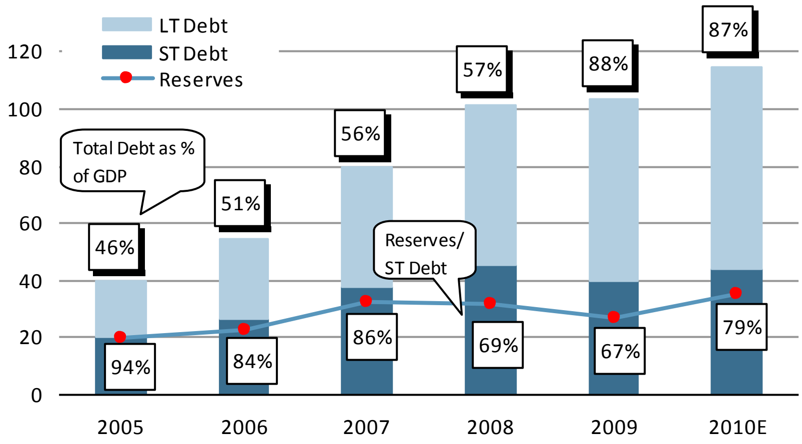
For 2011, we expect the USD/UAH exchange rate to stay broadly stable with the chances of contained depreciation (within 5%) being slightly above those for UAH appreciation. With a slowly widening CA deficit and possible temporal delays in investment inflow, the central bank might opt to let the UAH depreciate somewhat at some point to stimulate exports. The chances of such a decision would be lower if inflation will be above 10%.

External debt as % of GDP decreases in 2010

Ukraine's total external debt reached USD 111.6 bln as of end-3Q10 or 84.5% of GDP 2010F, increasing 8% YTD. The major bulk of debt accumulation came through the public sector (+27.5% YTD): from IMF loans to the NBU and the government as well as the USD 2 bln VTB loan, and USD 2.5 bln Eurobond placement.

Corporate external debt, in turn, rose by a marginal 1.7% YTD as accumulation of debt by real segment private borrowers (+9.7% or +USD 4.2 bln YTD) was to a large part offset by outflow through the banking sector (-9.5% or -USD 2.9 bln YTD).

Total external debt, central bank reserves, USD bln



Source: NBU, Concorde Capital estimates

By end-2010, total external debt could reach as much as USD 115 bln or 86%-87% of GDP 2010F (down from 88.1% as of end-2009). The increase is to be primarily driven by the next USD 1.5 bln tranche from the IMF expected by yearend as well as the USD 500 mln sovereign Eurobond placement, and USD 568 mln Eurobond placement by the National Agency for Ukraine's Preparation for Euro-2012 in November (fully guaranteed by the government).

Short-term (ST) external debt (with maturity within the next 12M) amounted to USD 43.7 bln as of end-3Q10 (+10.2% or +USD 4 bln YTD). Central bank reserves of USD 33.5 bln as of end-November imply ST debt coverage of 76.6% (vs. 67% as of end-2009). Half of this year's ST debt increase came from the VTB 2 bln loan originally provided for 6M with the possibility of three 6M prolongations (the government already prolonged the loan once in December and we expect it to do so twice more in June and December 2011).

Financial system to expand in 2011

We expect looser monetary conditions in 2011 with money supply growth of about 20% (unchanged from 2010) and similar banking asset expansion (vs. +10% in 2010). However, the central bank might try to sterilize excessive banking liquidity occasionally to confront still high inflation and the prevalence of FX demand over supply on the local forex market.

Monetary tightening of end-2010 is temporal

Since the beginning of fall, monetary conditions in Ukraine have tightened as the NBU tried to contain devaluation pressure on the UAH and tame accelerating inflation, while the government effectively financed Naftogaz' UAH 7.4 bln gap from local banks' liquidity.

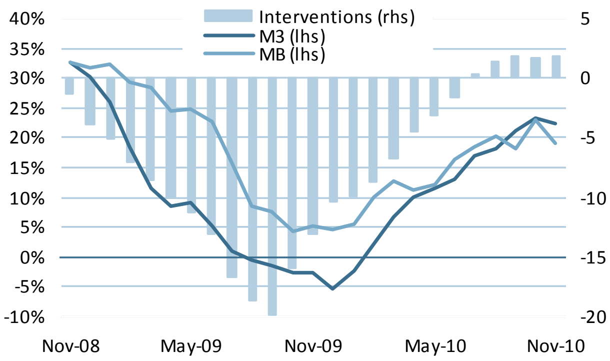
Monetary base change and its sources, %, p.p.

	2008	2009	10M09	10M10
Reserve money	**31.6%**	**4.4%**	**-3.3%**	**13.7%**
Net foreign assets*	-19.5	-26.9	-30.4	28.7
Claims on banks	41.8	14.1	14.2	-5.3
Net claims on gov't	12.0	24.0	20.4	-3.3
Claims on others*	-2.8	-6.8	-7.5	-6.5

**Data adjusted for assets revaluation due to UAH depreciation*
1. Net foreign claims change mainly through the NBU interventions in the domestic FX market
2. Claims on banks changes arise through refinancing of banks by the NBU
3. Changes in Net claims on gov't result from the NBU operations with gov't UAH bonds and changes in balance of gov't account at the NBU

Source: NBU, Concorde Capital estimates

Monetary aggregates (y-o-y change, %), NBU buying(+)/selling(-) foreign exchange in the interbank market, 12 trailing (USD bln)



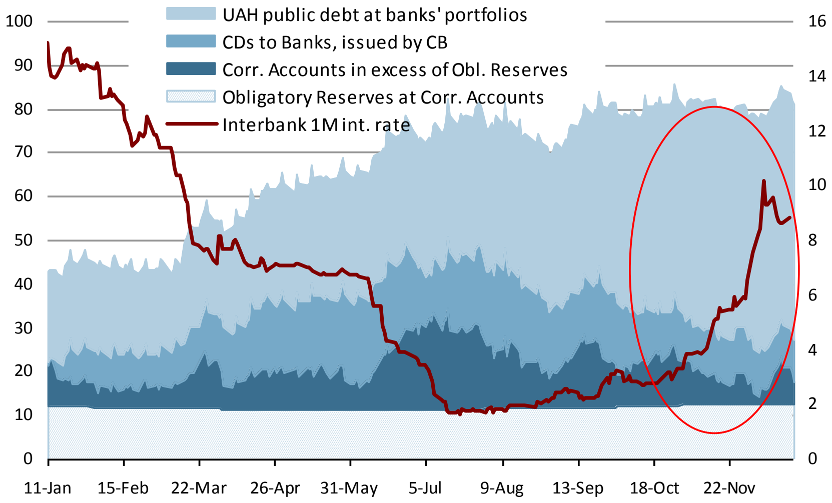
Source: NBU

Subsequently, monetary base growth ceased to accelerate and has fluctuated around 20% y-o-y (after acceleration +5% y-o-y in January to +20% y-o-y in August), while interbank interest rates have shot up in November-December (O/N and 1M rates breached 3.5% and 8% levels, respectively, both for the first time since March).

- Since September, the NBU started selling foreign currency from its reserves (USD 1.5 bln in September-November) to support the UAH, thus, withdrawing UAH from the system.
- To further ease devaluation pressure on the UAH and tame inflation expectations, the NBU kept its grip tight on banks, keeping outstanding CDs for UAH 9-10 bln and facilitating banks' repayment of refinancing resources provided in 2008-2009 (repaid UAH 4.5 bln or 5.6% of the total outstanding amount over August-October).
- The government infused UAH 7.4 bln into Naftogaz' equity through the issuance of UAH bonds in November, which were subsequently swapped by Naftogaz into UAH with state-owned banks (Oshchadbank and Ukreximbank).

By end-2010 and beginning-2011, there may be a liquidity infusion into the system through seasonally high budget outlays and a widening deficit, financed by external borrowings (Eurobonds, IMF loans) and coupled with the still expected privatization of Ukrtelecom for UAH 12 bln (USD 1.5 bln).

Banks' liquid assets (UAH bln, *lhs*) vs. Interbank 1M interest rate (%, *rhs*)



Source: NBU, Bloomberg, Concorde Capital estimates

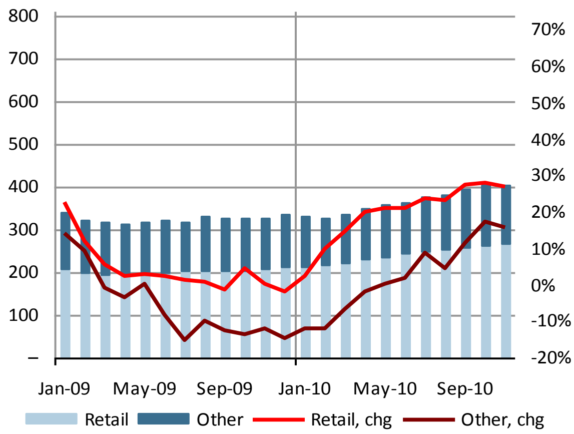
Following fiscal gap financing through external debt and currency inflow through the financial account, the NBU will continue infusing UAH into the system to guard against appreciation. We see money supply growth of close to 20% in 2011, effectively implying a loose monetary policy. However, the NBU might try to sterilize excessive banking liquidity occasionally, confronting still high inflation (9.2% y-o-y in November) and temporal prevalence of FX demand over supply on the local forex market.

Bank assets to expand in 2011

Over recent months, excessive liquidity in the banking system (correspondent accounts at the NBU in excess of obligatory reserves) has reduced significantly to below UAH 4 bln from above UAH 10-15 bln in summer and even October 2010. This was due to both stricter NBU monetary policy (see Monetary tightening of end-2010 is temporal above) and more proactive investing by banks into government debt and corporate loans.

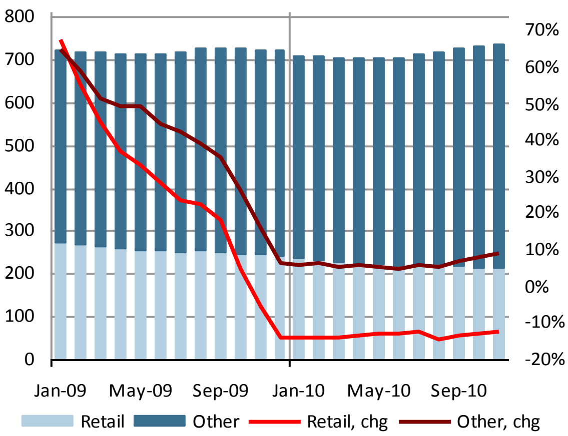
Since the issuance of VAT Bonds at the end of August, banks have spent their spare cash to expand their UAH public debt portfolios (by more than UAH 20 bln since August). They have also finally started expanding their loan portfolios (by UAH 32 bln or 4.6% since end-June). So far, though, the latter is driven exclusively by corporate loans, while retail loan portfolios have continued declining (down 3% since end-June).

Banks' deposits (UAH bln, *lhs*), their y-o-y change (%, *rhs*)



Source: NBU

Banks' loans (UAH bln, *lhs*), their y-o-y change (%, *rhs*)



Source: NBU

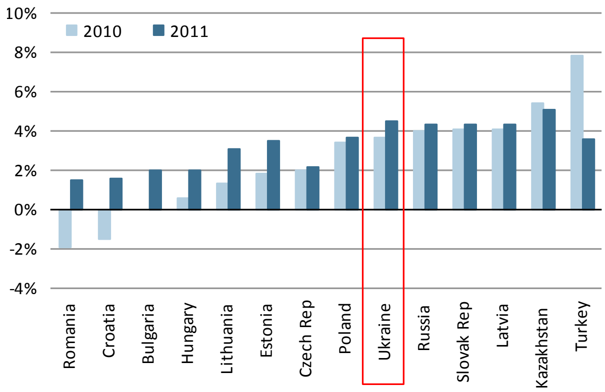
At the same time, retail deposits have continued to flow into the system, although at lower rates: the average monthly increase in October-November equaled 1.1% vs. avg. 2.4% in 3Q10 and avg. 3.1% in 2Q10. This happened on the back of accelerating inflation and increased foreign exchange demand on the cash forex (see above). Importantly, though, the share of deposits with a maturity of more than one year continued to rise: almost 30% as of end-October (vs. the trough of 24% at end-2009).

We expect the deposit inflow into the system to persist in 2011. However, whether this will transform into more active lending will depend on the central bank's monetary policy (subject to forex and inflationary constraints) and if it allows FX lending. Our base-case scenario suggests gross banks assets increase by around 15%-20% vs. close to +10% in 2010.

Banks' lending to the private sector will also depend on the ability of the government to finance its fiscal debt via external borrowings and privatization rather than through UAH debt issuance.

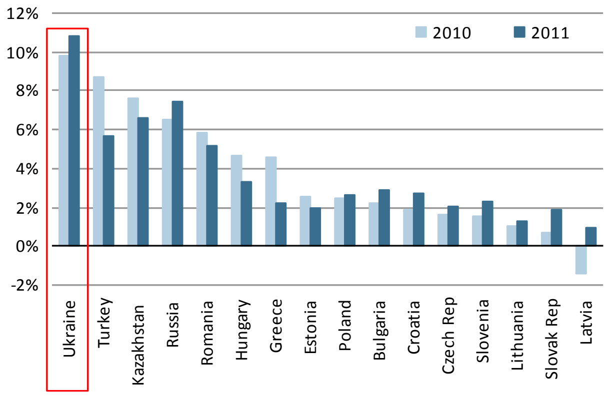
International comparison

GDP growth rates in 2010F, 2011F



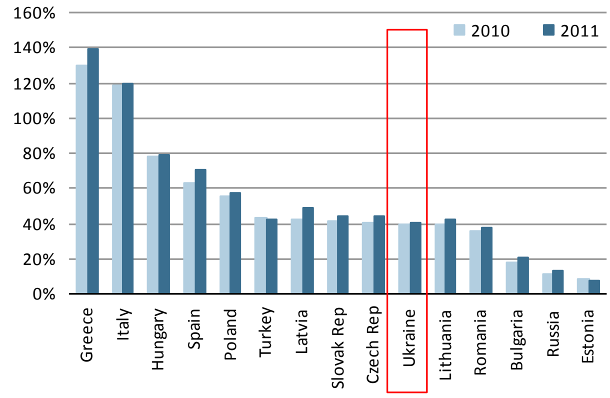
Source: IMF

Inflation in 2010F, 2011F (consumer prices, period average)



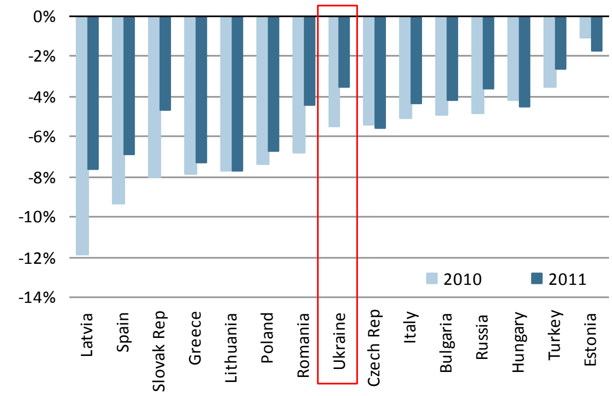
Source: IMF

Public debt in 2010F, 2011F, % of GDP



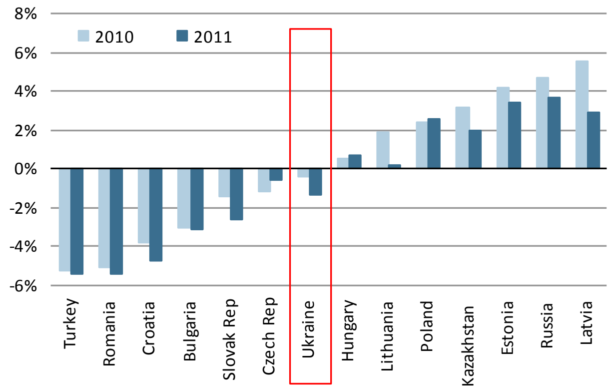
Source: IMF

Fiscal deficit in 2010F, 2011F, % of GDP



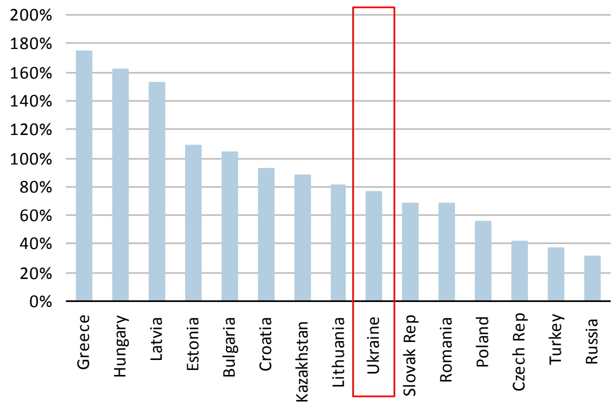
Source: IMF

Current account in 2010F, 2011F, % of GDP



Source: IMF

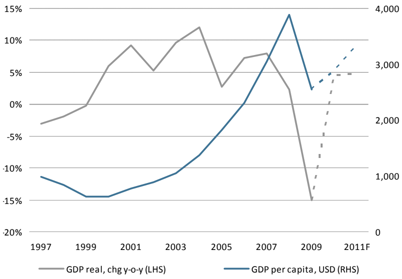
Gross external debt as of end-2Q2010, % of GDP



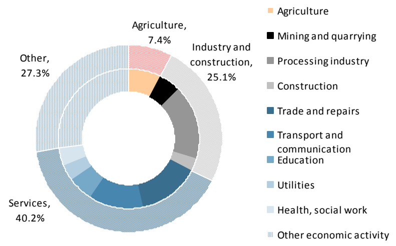
Source: IMF

Macro monitor

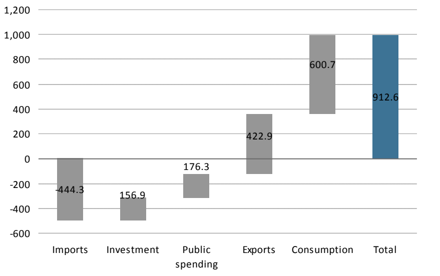
GDP growth and GDP per capita



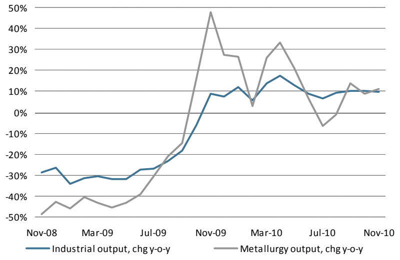
GDP by sector in 2009



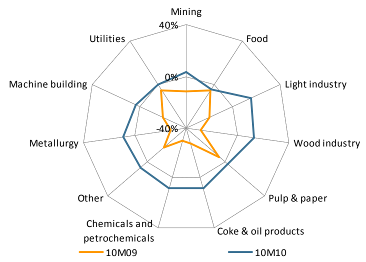
GDP by expenditures in 2009, UAH bln



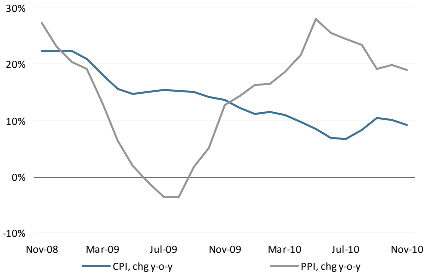
Manufacturing indicators



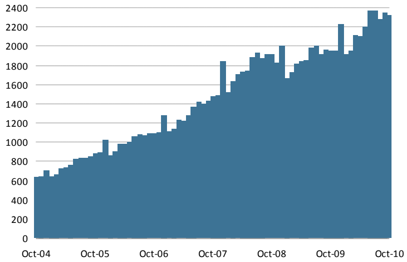
Industrial output growth by sector, chg y-o-y



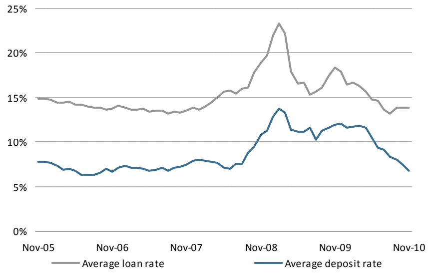
Inflation



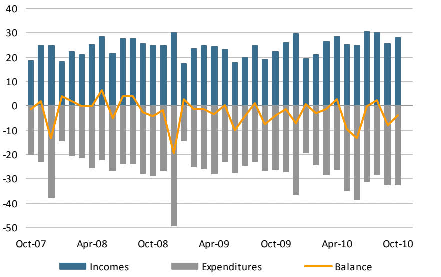
Average monthly salary, UAH



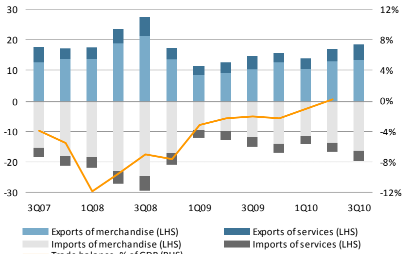
Interest rates



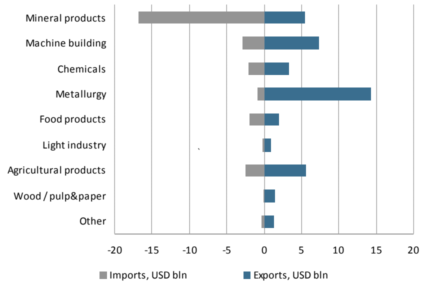
Consolidated budget execution, UAH bln



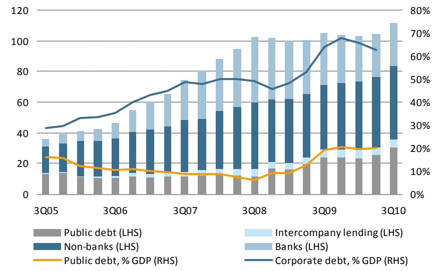
External trade, USD bln



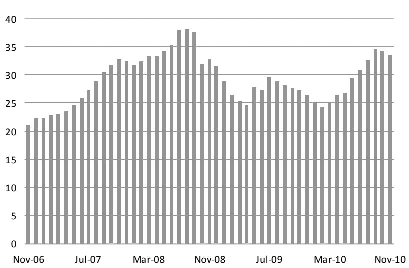
External trade in merchandise, 10M10



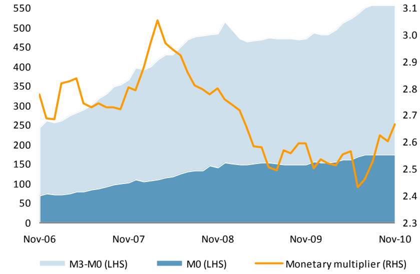
External debt, USD bln



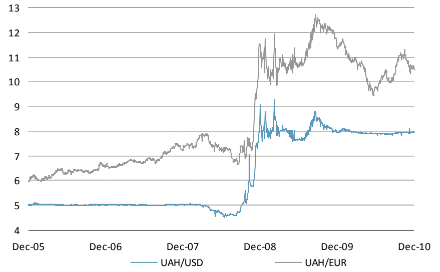
NBU reserves, USD bln



Money supply structure, UAH bln



UAH exchange rates



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

Ukrainian macro indicators yearly

	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011F
Business cycle indicators										
Real GDP, % chg yoy	5.2	9.6	12.1	2.7	7.3	7.9	2.3	-15.1	4.5	4.7
Nominal GDP, UAH bln	226	267	345	441	544	721	948	915	1051	1211
Nominal GDP, USD bln	42.4	50.1	65.0	86.1	107.8	142.7	179.9	117.4	132.3	151.4
GDP per capita, UAH	4685	5591	7273	9372	11630	15372	20495	19901	22981	26574
GDP per capita, USD	880	1048	1371	1829	2303	3044	3890	2555	2891	3322
Consumption, % chg yoy	9.5	11.5	13.1	20.6	15.9	17.1	11.8	-14.1	3.5	6.5
Investment, % chg yoy	-1.5	24.3	5.5	14.0	18.5	22.1	5.1	-52.9	7.0	11.0
Industrial output, % chg yoy	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-21.9	9.9	7.3
CPI (eop), % chg yoy	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3	9.5	10.0
PPI (eop), % chg yoy	5.7	11.1	24.1	9.5	14.1	23.3	23.0	14.4	18.0	15.0
External indicators										
Current account balance, USD bln	3.2	2.9	6.9	2.5	-1.6	-5.9	-12.5	-1.8	-1.7	-3.2
Current account balance, % GDP	7.5	5.8	10.6	2.9	-1.5	-4.1	-7.0	-1.5	-1.3	-2.1
Trade balance, USD bln	1.9	1.3	5.0	0.7	-3.1	-7.9	-13.7	-2.0	-2.7	-3.8
Trade balance, % GDP	4.4	2.6	7.7	0.8	-2.8	-5.5	-7.6	-1.7	-2.0	-2.5
Exports, USD bln	23.4	29.0	41.3	44.4	50.2	64.0	85.7	54.1	68.5	80.8
Exports, % chg yoy	10.7	24.0	42.6	7.5	13.2	27.4	34.0	-36.9	26.6	18.0
Imports, USD bln	21.5	27.7	36.3	43.7	53.3	71.9	99.4	56.1	71.2	84.6
Imports, % chg yoy	5.0	28.7	31.3	20.4	22.0	34.8	38.3	-43.5	26.8	18.9
Capital account balance, USD bln	-1.2	0.1	-4.3	8.0	4.1	15.1	9.5	-11.9	8.7	10.6
Capital account balance, % GDP	-2.9	0.2	-6.7	9.3	3.8	10.6	5.3	-10.2	6.6	7.0
FDI net, USD bln	0.7	1.4	1.7	7.5	5.7	9.2	9.9	4.5	5.0	7.0
NBU reserves (eop), USD bln	4.4	5.1	9.5	19.4	22.3	32.5	31.5	26.5	35.0	43.4
Debt indicators										
Public debt, USD bln	13.8	14.5	16.0	15.5	15.9	17.6	24.6	39.7	54.3	65.9
Public debt, % GDP	32.5	29.0	24.7	18.0	14.8	12.3	13.7	34.8	41.1	43.6
Corporate external debt, USD bln	n/a	13.0	17.8	25.5	42.7	67.6	85.0	79.4	81.5	84.0
Corporate external debt, % GDP	n/a	25.9	27.3	29.6	39.6	47.4	47.2	67.6	61.6	55.5
Gross external debt, USD bln	n/a	23.8	30.6	38.9	54.5	80.0	101.7	103.4	114.7	122.8
Gross external debt, % GDP	n/a	47.5	47.1	45.2	50.6	56.0	56.5	88.1	86.7	81.1
Monetary indicators										
Monetary base, UAH bln	30.7	40.1	53.8	82.8	97.2	141.9	186.7	195.0	225.8	267.5
Monetary base, % chg yoy	33.6	30.5	34.1	53.9	17.5	46.0	31.6	4.4	15.8	18.5
Money supply (M3), UAH bln	64.9	95.0	125.8	194.1	261.1	396.2	514.7	487.3	584.7	698.3
Money supply, % chg yoy	41.8	46.5	32.4	54.3	34.5	51.7	29.9	-5.3	20.0	19.4
Monetary multiplier (eop MB/M3)	2.1	2.4	2.3	2.3	2.7	2.8	2.8	2.5	2.6	2.6
Monetization (avg M3/GDP), %	24.9	30.3	32.0	36.7	42.3	46.4	46.0	55.0	51.0	53.0
Exchange rate										
Interbank UAH/USD (avg)	5.33	5.33	5.32	5.10	5.04	5.03	5.30	8.11	7.95	8.00
State budget										
Revenues, UAH bln	n/a	55.1	70.3	105.2	133.5	165.9	231.7	210.3	257.5	302.7
Expenses, UAH bln	n/a	55.8	79.5	112.8	137.1	174.2	241.5	242.4	306.7	351.2
Balance, % GDP	n/a	-0.4	-3.0	-1.8	-0.7	-1.4	-1.3	-3.5	-4.7	-4.0
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	8.8	7.5	7.0
Average monthly salary, UAH	376	463	591	806	1,043	1,351	1,806	1,909	2,216	2,633
Real disposable income, % chg yoy	18.0	5.8	16.8	20.1	16.1	12.8	10.3	-9.5	4.0	8.0

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

Ukrainian macro indicators quarterly

	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10
Business cycle indicators													
Real GDP, % yoy	6.2	7.4	6.5	6.5	6.9	-8.0	-20.3	-17.8	-15.9	-7.0	4.9	5.9	3.5
Nominal GDP, UAH bln	197.4	212.8	186.6	232.5	285.4	269.7	183.2	207.1	250.6	273.8	218.1	262.4	n/a
Nominal GDP, USD bln	39.1	42.1	37.0	46.8	58.9	43.4	23.8	27.1	32.1	34.3	27.2	33.1	n/a
GDP per capita, UAH	13,958	15,132	16,306	17,860	19,785	21,042	20,995	20,475	19,750	19,868	20,636	21,844	n/a
GDP per capita, USD	2,764	3,032	3,229	3,554	3,986	4,019	3,739	3,316	2,739	2,545	2,621	2,754	n/a
Consumption, chg yoy	13.6	19.0	22.0	13.3	14.1	1.6	-11.6	-11.6	-12.5	-12.3	0.5	5.1	n/a
Investment, chg yoy	19.1	25.1	13.9	31.0	12.9	-24.8	-72.4	-68.5	-46.9	-5.6	32.0	51.1	n/a
Industrial output, chg yoy	10.7	10.2	7.8	7.5	5.1	-3.1	-31.9	-31.1	-28.4	-21.9	10.8	12.0	10.8
CPI (eop), chg yoy	14.4	16.6	26.2	29.3	24.6	22.3	18.1	15.0	15.0	12.3	11.0	6.9	10.5
PPI (eop), chg yoy	20.4	21.0	26.9	40.3	45.3	29.3	13.0	-0.9	1.7	14.4	18.7	25.6	19.2
External sector													
Current account balance, USD bln	-0.5	-3.5	-3.6	-3.0	-1.6	-3.7	-0.6	-0.4	-0.4	-1.1	0.0	0.5	-0.8
Current account balance, % GDP	-2.5	-4.1	-9.7	-7.9	-5.8	-6.7	-2.6	-2.0	-1.7	-2.1	0.0	0.9	n/a
Trade balance, USD bln	-1.0	-4.1	-4.4	-3.6	-2.1	-3.6	-0.8	-0.4	-0.5	-1.1	-0.3	0.4	-1.2
Trade balance, % GDP	-3.9	-5.5	-11.9	-9.6	-7.1	-7.6	-3.2	-2.3	-2.0	-2.3	-1.1	0.2	n/a
Exports, USD bln	17.5	17.3	17.5	23.6	27.4	17.3	11.3	12.5	14.7	15.8	14.0	17.0	18.4
Exports, chg yoy	22.4	30.0	31.0	49.3	56.1	-0.1	-35.6	-47.1	-46.3	-9.0	23.8	36.2	25.3
Imports, USD bln	18.5	21.4	21.9	27.2	29.4	20.9	12.0	12.9	15.2	16.8	14.3	16.6	19.6
Imports, chg yoy	30.9	42.6	46.0	60.1	58.9	-2.3	-45.1	-52.6	-48.5	-19.5	18.5	28.6	29.3
Capital account balance, USD bln	4.2	5.2	3.5	5.7	6.1	-5.8	-4.6	-1.9	-4.9	-0.7	-0.7	4.6	2.9
Capital account balance, % GDP	10.4	10.7	9.5	11.0	10.8	5.3	-19.3	-12.7	-13.6	-10.2	-2.5	6.5	n/a
FDI net, USD bln	3.9	1.6	2.4	3.1	3.3	1.1	0.8	1.3	1.2	1.3	0.9	1.2	1.5
NBU reserves (eop), USD bln	30.6	32.5	33.2	35.4	37.5	31.5	25.4	27.3	28.1	26.5	25.1	29.5	34.7
NBU reserves, % of ST ext. debt	83.4	86.1	77.9	75.8	73.3	69.3	57.7	64.1	68.9	66.9	60.6	66.4	79.4
Debt indicators													
Public debt, USD bln	16.3	17.6	17.8	17.7	17.1	24.6	24.3	28.7	34.9	39.7	41.3	43.1	51.1
Public debt, % of GDP	12.6	12.4	11.8	10.7	9.2	13.2	14.0	18.7	27.6	33.9	34.2	34.0	n/a
Corporate external debt, USD bln	62.8	67.6	75.1	82.5	90.8	85.0	83.4	81.4	80.7	79.4	79.3	79.4	81.0
Corporate external debt, % of GDP	48.7	47.9	50.0	50.0	49.1	45.7	48.2	53.2	63.9	67.7	65.7	62.7	n/a
Gross external debt, USD bln	74.2	80.0	88.1	94.9	102.4	101.7	99.5	100.7	104.8	103.4	102.9	104.6	111.6
Gross external debt, % of GDP	57.6	56.6	58.7	57.5	55.4	54.6	57.6	65.8	83.0	88.3	85.3	82.6	n/a
Monetary indicators													
Monetary base, UAH bln	127.7	141.9	136.4	154.2	170.8	186.7	174.8	188.7	183.6	195.0	196.6	219.5	216.7
Money supply (M3), UAH bln	348.2	396.2	416.2	450.6	477.7	514.7	463.7	472.7	469.5	487.3	494.2	533.5	568.8
Money supply, chg yoy	48.3	51.7	52.8	48.7	37.2	29.9	11.4	4.9	-1.7	-5.3	6.6	12.9	21.2
Monetary multiplier (MB/M3)	2.7	2.8	3.1	2.9	2.8	2.8	2.7	2.5	2.6	2.5	2.5	2.4	2.6
Monetization (avg M3/GDP), %	44.8	46.4	44.1	45.9	45.5	46.0	46.8	47.2	47.1	55.0	45.3	47.1	48.8
Exchange rate													
Interbank UAH/USD (eop)	5.03	5.05	5.00	4.57	5.08	7.50	8.25	7.72	8.27	7.98	7.92	7.91	7.94
Interbank UAH/USD (avg)	5.01	5.05	5.04	4.85	4.71	6.58	8.26	7.82	8.21	8.11	8.01	7.92	7.91
State budget													
Revenues, UAH bln	113.7	165.9	46.7	104.8	169.1	231.7	51.3	101.1	148.9	209.7	51.7	112.1	179.1
Expenses, UAH bln	116.1	174.2	45.5	102.9	165.1	241.5	51.0	110.7	170.9	242.7	57.4	139.5	215.2
Balance, % GDP	-0.6	-1.4	0.6	0.4	0.4	-1.3	-0.3	-2.7	-3.7	-3.9	-2.5	-5.5	n/a
Social indicators													
Population, mln (eop)	46.4	46.4	46.3	46.2	46.2	46.1	46.1	46.0	46.0	46.0	45.9	45.9	45.8
Unemployment (ILO methodology), %	5.4	6.9	7.1	5.4	5.5	7.5	9.5	8.6	7.8	9.4	9.0	7.9	n/a
Average monthly salary, UAH	1,415	1,603	1,619	1,787	1,906	1,914	1,735	1,892	1,964	2,046	1,993	2,227	2,332

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

Ukrainian macro indicators monthly

	2009			2010										
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Business cycle indicators														
Industrial output, chg yoy	-6.2	8.6	7.4	11.8	5.6	13.8	17.4	12.7	8.9	6.4	9.2	10.2	10.2	9.9
Metallurgy	16.2	47.6	27.3	26.6	3.0	25.8	33.4	21.2	6.7	-6.5	-1.1	14.0	8.9	10.9
Machine building	-34.5	-12.6	-2.5	22.3	19.2	33.6	33.9	32.2	35.4	38.4	42.1	34.5	32.0	39.2
Food processing	-5.0	-8.8	1.4	-2.0	-0.4	4.2	1.2	-0.8	0.4	4.8	8.7	4.7	-1.4	7.9
Chemicals	-8.7	12.4	17.4	29.5	15.4	21.8	17.3	19.2	14.6	16.9	18.0	20.8	21.8	17.4
Retail sales, chg yoy (cumulative)	-16.3	-16.5	-16.6	-4.8	-4.7	-2.6	-2.1	1.1	2.5	3.9	4.6	5.1	5.9	6.8
Construction works, chg yoy	-51.5	-49.7	-48.2	-24.1	-20.9	-21.4	-21.2	-20.0	-19.3	-16.7	-14.0	-12.6	-9.0	-8.2
CPI, chg yoy	14.1	13.6	12.3	11.1	11.5	11.0	9.7	8.5	6.9	6.8	8.3	10.5	10.1	9.2
CPI, chg mom	0.9	1.1	0.9	1.8	1.9	0.9	-0.3	-0.6	-0.4	-0.2	1.2	2.9	0.5	0.3
PPI, chg yoy	5.1	12.8	14.4	16.3	16.5	18.7	21.7	28.0	25.6	24.5	23.4	19.2	19.8	18.9
PPI, chg mom	1.9	0.4	1.0	1.9	1.9	3.0	3.0	4.4	-0.5	-0.2	0.9	0.1	2.4	-0.3
External sector indicators														
Merchandise exports, USD bln	4.2	4.0	4.1	3.0	3.4	3.9	4.2	4.2	4.3	4.2	4.3	4.7	4.7	n/a
Merchandise exports, chg yoy	-28.8	9.1	3.6	23.5	25.7	22.9	36.6	43.5	45.9	31.9	32.6	25.1	13.8	n/a
Merchandise imports, USD bln	4.3	4.5	5.0	3.3	3.7	4.7	4.6	4.4	4.7	5.2	5.4	5.4	6.2	n/a
Merchandise imports, chg yoy	-43.3	-14.3	5.0	62.9	-1.9	20.4	29.4	38.2	48.2	32.8	41.9	34.1	42.4	n/a
Merchandise trade balance, USD bln	-0.2	-0.6	-0.9	-0.3	-0.3	-0.8	-0.4	-0.2	-0.4	-0.9	-1.2	-0.8	-1.4	n/a
NBU reserves, USD bln	27.7	27.3	26.5	25.3	24.1	25.1	26.4	26.7	29.5	30.9	32.7	34.7	34.3	33.5
Monetary indicators														
Monetary base, UAH bln	180.5	181.4	195.0	189.4	190.7	196.6	200.1	203.2	219.5	223.8	220.4	216.7	221.6	215.7
Monetary base, chg yoy	4.1	5.0	4.4	5.2	10.0	12.5	11.1	11.9	16.3	18.3	20.2	18.0	22.8	18.9
Monetary base, chg mom	-1.7	0.5	7.5	-2.8	0.7	3.1	1.8	1.6	8.0	2.0	-1.5	-1.7	2.2	-2.7
Money supply (M3), UAH bln	468.2	470.4	487.3	480.2	480.4	494.2	510.8	521.5	533.5	550.9	556.5	568.8	576.0	574.7
Money supply (M3), chg yoy	-2.7	-2.8	-5.3	-2.5	2.0	6.6	9.8	11.4	12.9	16.8	18.1	21.2	23.0	22.2
Money supply (M3), chg mom	-0.3	0.5	3.6	-1.5	0.0	2.9	3.4	2.1	2.3	3.3	1.0	2.2	1.3	-0.2
Monetary multiplier (MB/M3)	2.6	2.6	2.5	2.5	2.5	2.5	2.6	2.6	2.4	2.5	2.5	2.6	2.6	2.7
Monetization (M3/GDP), %	47.0	47.1	55.0	44.0	44.7	45.3	46.1	46.6	47.1	47.9	48.2	48.8	49.1	49.0
Banking system														
Net assets, UAH bln	875.9	885.0	890.7	870.9	869.0	882.3	888.4	890.7	889.2	906.8	902.0	921.0	931.0	944.6
Net assets, chg yoy	10.6	3.7	-3.9	-3.9	-1.9	0.5	1.7	3.2	2.4	4.3	2.4	3.1	6.3	6.7
Loans (hryvnya), UAH bln	346.3	346.9	355.5	346.7	350.2	352.2	356.1	359.4	362.6	368.0	374.7	383.5	388.5	395.7
Loans (foreign currency), UAH bln	381.3	375.8	367.8	362.3	358.1	350.9	348.5	343.7	340.9	343.9	341.8	345.1	344.7	340.0
Deposits (hryvnya), UAH bln	163.2	164.9	173.1	169.3	170.9	180.6	190.8	199.8	206.9	212.5	217.8	226.1	230.3	230.5
Deposits (foreign currency), UAH bln	162.8	163.7	161.9	161.9	156.2	156.9	161.1	160.6	159.2	166.4	165.9	171.4	173.9	173.7
Exchange rate														
Interbank UAH/USD (eop)	8.09	8.00	7.98	8.02	7.97	7.92	7.92	7.93	7.91	7.89	7.89	7.94	7.95	7.97
Interbank UAH/USD (avg)	8.25	8.12	7.98	8.07	8.02	7.95	7.92	7.92	7.92	7.90	7.89	7.93	7.95	7.96
State budget														
Revenues, UAH bln	166.0	186.6	209.7	15.1	30.9	51.7	74.3	93.8	112.1	136.2	159.9	179.1	200.9	n/a
Expenses, UAH bln	191.8	214.3	242.7	16.8	35.8	57.4	78.8	109.9	139.5	164.9	189.1	215.2	240.7	n/a
Social indicators														
Population, mln (eop)	46.0	46.0	46.0	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.8	45.8	45.8	n/a
Average monthly salary, UAH	1,950	1,955	2,233	1,916	1,955	2,109	2,107	2,201	2,373	2,367	2,280	2,349	2,322	n/a

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

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