

**Spotlight Ukraine: Monthly Economic Monitor March 2010**

- On February 25, Victor Yanukovich officially took up the post of President of Ukraine. In his inauguration speech, newly elected President vowed to implement political and economic reforms to lift the country out of the economic downturn. However, to influence economic policy the pro-presidential Party of Regions needs to form the parliamentary coalition and appoint new Prime Minister. Thus, it needs support from Lytvyn block, and from at least part of the deputies from Our Ukraine – People’s Self Defense bloc. So far, they managed to oust incumbent Prime Minister Yulia Tymoshenko but new coalition was not formed. If efforts to form the parliamentary majority fail, early parliamentary elections may be scheduled escalating political and economic instability in the country.
- According to preliminary estimate of the Derzhkomstat, real GDP contraction in 2009 was 15.0%, signaling about limited improvement of economic activity in the last quarter of the year. On demand side, investments did not show seasonal increase in the last quarter bringing yearly decline of real gross fixed capital accumulation to 48.1%. Household consumption also remained subdued in the fourth quarter likely due to flu scare and limited end-year bonuses bringing real fall in final private consumption from 12.4% yoy over three quarters to 14.1% over the whole year. At the same time, both real exports and imports somewhat improved in the fourth quarter.
- On production side, the worst performing sectors were construction, manufacturing and trade that lost 48.3%, 26.0% and 17.9% of their real gross value added (GVA) respectively. The best performers were agriculture and healthcare with GVA growth at 0.2% and 0.5% in 2009. Nominal GDP is estimated at UAH 912 bn.
- In January 2010, industrial production increased by 11.8% yoy. Chemical and metal production, iron ore mining and machinery showed the best performance in year-on-year terms growing more than 20% yoy reflecting both improved external demand and low statistical base. Meanwhile, food industry and production of construction materials fell by 2.0% yoy and 11.1% yoy, respectively, primarily due to limited domestic demand.

**Ukraine: Economic Indicators 2008 - 2010**

|                              |             | 2008 | 2009  | Q209  | Q309  | Q409  | Dec   | Jan   | Feb   |
|------------------------------|-------------|------|-------|-------|-------|-------|-------|-------|-------|
| GDP (real)                   | % yoy       | 2.1  | -15.0 | -17.8 | -15.9 |       |       |       |       |
| Industrial production (real) | % yoy cum.  | -3.1 | -21.9 | -31.1 | -28.4 | -21.9 | -21.9 | 11.8  |       |
| Agricultural prod. (real)    | % yoy cum.  | 17.5 | 0.1   | 2.6   | 3.3   | 0.1   | 0.1   | 5.4   |       |
| CPI                          | % yoy eop   | 22.3 | 12.3  | 15.0  | 15.0  | 12.3  | 12.3  | 11.1  | 11.5  |
| Current account              | % GDP. cum. | -6.7 | -1.7  | -1.5  | -1.3  |       |       |       |       |
| Fiscal balance               | % GDP       | -1.5 | -2.4  |       |       |       |       |       |       |
| External state debt (total)  | % GDP eop   | 14.9 | 21.5  |       |       |       |       |       |       |
| Gross international reserves | USD bn cum. | 31.5 | 26.5  | 27.3  | 28.2  | 26.5  | 26.5  | 25.3  | 24.1  |
| Exchange rate (official)     | EUR aop     | 7.71 | 11.68 | 10.41 | 11.18 | 11.81 | 11.68 | 11.43 | 10.95 |

Source: IER.

For further information: Institute for Economic Research and Policy Consulting (link: [www.ier.kiev.ua](http://www.ier.kiev.ua)).