

Spotlight Ukraine: Monthly Economic Monitor October 2010

- On September 30, 2010, the Constitutional Court of Ukraine declared unconstitutional and invalid amendments introduced into the Constitution in 2004. These amendments, more commonly known as political reform, envisaged establishment a parliamentary-presidential constitutional model providing for the formation of government by a parliamentary coalition and thus curtailed the President's power. The reform was part of a political compromise concluded in the aftermath of the Orange Revolution. The opposition leaders claimed that the Constitutional Court exceeded the bounds of its competence by ordering an automatic return to the previous Constitution. They demand to follow a regular parliamentary procedure of constitutional amending. Despite protests of opposition, on October 7 the Parliament approved the Law on the Cabinet of Ministers (CMU) and changes into other 32 law aligning them with the 1996 Constitution. The new Law on the CMU truncates the responsibilities of the Cabinet, reduces the influence of the Parliament on the Government, and increases the President's authority.
- In early October, the Derzhkomstat released updated GDP estimate for the second quarter of 2010. According to revised data, real GDP increased by 5.9% yoy in the second quarter driven by strong exports and recovery of domestic final consumption. Real exports grew by 14.9% yoy supported by favourable external demand and low statistical base. A 5.1% yoy increase in real households' final consumption was backed by gradual reduction in unemployment and growth of real income. Real gross fixed capital formation decreased by 5.7% yoy thus keeping the negative trend over the second quarter of the year. On production side, the major contributors to real GDP growth were industry, utilities, trade and transport. Contraction in construction at 15.5% yoy continued dragging the recovery down.
- Labour market situation improved due to revived economic activity. The unemployment rate (ILO methodology) declined to 7.9% of economically active population between 15 and 70 years old in the second quarter of 2010 as compared to 8.6% in the same period of 2009. Unemployment rate remained higher for male and in rural areas. Likely unemployment will further decline in the third quarter before seasonal increase in the end of year.

Ukraine: Economic Indicators 2008 - 2010

		2008	2009	Q4 09	Q1 10	Q2 10	Jul	Aug	Sep
GDP (real)	% yoy	2.1	-15.1	-6.8	4.9	5.9			
Industrial production (real)	% yoy cum.	-3.1	-21.9	-21.9	10.8	12.0	11.1	10.9	
Agricultural prod. (real)	% yoy cum.	17.5	0.1	0.1	5.3	3.4	-0.6	-4.1	
CPI	% yoy eop	22.3	12.3	12.3	11.0	6.9	6.8	8.3	10.5
Current account	% GDP. cum.	-7.2	-1.7	-1.5	-0.7	0.4			
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	26.5	25.1	29.5	30.9	32.7	34.7
Exchange rate (official)	EUR aop	7.71	11.68	11.81	11.07	10.10	10.06	10.18	10.29

Source: IER.

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