

- In the end of January annual meeting of the World Economic Forum was held in Davos. The President of Ukraine, Viktor Yanukovich, was cold-shouldered during the Forum by the EU leaders due to their concerns about democratic development of the country. Mr. Yanukovich had only few high level meetings at the Forum side-lines, including talks with the EBRD President Thomas Mirow and Polish President Bronislaw Komorowski. Besides, Viktor Yanukovich had an opening discussion with former Polish President Aleksander Kwasniewski at 8th Ukrainian Lunch "Options for the future". Nevertheless, the scarcity of these meetings only emphasized the overall chill in Western attitudes towards Ukrainian political elite. On January 26 the Parliamentary Assembly of the Council of Europe (PACE) adopted a resolution entitled "The functioning of democratic institutions in Ukraine", calling to drop the charges against former Ukraine's government members. It also emphasised the necessity to conduct constitutional reform and further change Ukraine's election law. Also the PACE suggested that given further developments in Ukraine the Monitoring Committee might propose the introduction of sanctions against the country. According to the Ministry of Foreign Affairs of Ukraine this resolution will help to strengthen democracy and Ukraine will fulfil its commitments to the Council of Europe "in the foreseeable future".
- According to preliminary Ukrstat estimates real GDP growth decelerated to 4.6% yoy in the fourth quarter from 6.6% yoy one quarter earlier. Overall, real GDP grew by 5.2% in 2011. Nominal GDP increased by 21.4% to UAH 1314 bn. Real private final consumption was likely the major contributor to real GDP growth throughout entire year.
- Real industrial output fell by 0.5% yoy in December 2011. Industrial output fell due to decline in manufacturing by 1.1% yoy as well as 5.3% yoy fall in electricity production. Most sectors in manufacturing, except for machine building, demonstrated decline in output likely due to weak external demand, which deteriorated by the end of 2011. Overall, industrial output grew by 7.3% in 2011. Export-oriented sectors demonstrated higher recovery. In particular, output in machine-building increased on average by 16.9% due to higher production of all types of products, including production of locomotives. Chemical industry increased its output by 14.4% primarily due to higher demand for fertilisers. As the external demand for steel remained unstable and weak throughout the year, output in metallurgy increased only by 8.5%. Manufacture of coke and refined petroleum products continued to decline primarily due to lower production of petroleum products. In particular, significant part of gasoline consumed in Ukraine was imported tax-free, while domestic refineries still had low labour productivity and uneven quality control.
- In January the State Property Fund of Ukraine (SPFU) signed an agreement for the sale of 45.1% of Zakhidenego shares to the DTEK Holding Ltd. for the bid price of UAH 1.93 bn as the assessment price was declared lower than the bid one (UAH 1.898 bn). Share holdings (40.1%) in another energy distribution company, Donetskoblenenergo, were sold also to the DTEK in the auction of two competitors for UAH 467.6 m. Thus, the privatization receipts in January accounted for near 20% of annual plan. The DTEK owns already three companies from the new privatization wave. The fourth one – Dniproenergo (25% of shares) will be purchased by the DTEK after the independent assessment procedure, presumably for the bid price of UAH 1.2 bn (with UAH

100 tsd price premium). Therefore, the DTEK becomes the owner of majority of energy distributing companies in Ukraine, which might in future contradict the EU legislation as the DTEK is also a major owner of energy generating companies. The President signed the long-expected Law on the State Property Fund. This law is expected to result in higher efficiency and transparency of state property management and privatization.

Ukraine: Economic Indicators 2009 - 2011

		2009	2010	Q1 11	Q2 11	Q3 11	Nov	Dec	Jan
GDP (real)	% yoy	-15.1	4.2	5.3	3.8	6.6			
Industrial production (real)	% yoy cum.	-21.9	11.2	9.7	8.7	8.6	7.8	7.3	
Agricultural prod. (real)	% yoy cum.	0.1	-1.0	5.3	3.2	13.7	16.5	17.5	
CPI	% yoy eop	12.3	9.1	7.7	11.9		5.2	4.6	3.7
Current account	% GDP. cum.	-1.7	-1.7	-3.8	-4.0				
Fiscal balance	% GDP	-2.4	-5.9						
External state debt (total)	% GDP eop	21.5	25.3						
Gross international reserves	USD bn cum.	26.5	34.6	34.6	37.6	35.0	32.4	31.8	31.4
Exchange rate (official)	EUR aop	10.87	10.53	10.85	11.48	11.27	10.84	10.54	10.30

Source: IER.

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