

- **The war in Donbas.** The military conflict escalated in late January when combined Russian-separatist forces launched an attack on Avdiivka, the town in Donetsk oblast that lies on the contact line of the fighting on the territory controlled by the Ukrainian government. The conflict caused the loss of lives of Ukrainian servicemen and civilian residents and resulted in a humanitarian crisis in the area. The shelling damaged infrastructure and left local residents without water, heating, and electricity in the below freezing temperatures. Ukrainian President Petro Poroshenko cut short an official visit to Germany because of the escalation. In early February the intensity of the fighting in Avdiivka decreased, and the emergency services were able to restore heating, electricity and water supply.
According to the reports of the National Police in Donetsk oblast, three civilians were killed and nine civilians were wounded in Avdiivka over the period of intense fighting. Overall in January, 20 service members of the Ukrainian Armed Forces were killed in the war and 117 service members were wounded.
In early February, the Ministry of Defense of Ukraine reported that Russian Black Sea Fleet fired shots at Ukrainian An-26 military transport aircraft as it was flying close to the drilling towers in the Black Sea that are located in Ukrainian maritime economic zone and are occupied by Russia. The aircraft was damaged but was able to land safely, and the crew was not harmed.
- **Media.** In January, the new Ukrainian public broadcaster National Public TV and Radio Company of Ukraine (NPTRCU) was legally registered in the framework of the public broadcasting reform launched in 2015. Transforming the state-controlled broadcasters into the public service broadcasting channels is one of Ukraine's obligations to the Council of Europe and is seen as an important milestone in strengthening democracy and media freedom in Ukraine. The European Broadcasting Union called the registration of the NPTRCU a big step forward in the reform of Ukrainian media.
- **The IMF.** The Minister of Finance of Ukraine Oleksandr Danyliuk said that Ukraine agreed with the IMF to postpone the elaboration of a draft law on the land market until May 2017 from March. Land market reform is one of the conditions of the IMF's cooperation with Ukraine. Ukraine expects to receive a tranche of around USD 1 bn IMF loan in February.
- **GDP.** Ukrstat published the flash estimate of real GDP growth in the fourth quarter of 2016 at 4.7% yoy or 1.9% qoq in seasonally adjusted terms. If revisions to GDP estimates for the first three quarters of 2016 prove to be minor GDP growth for the whole of 2016 would be 2.2%, which is higher than previously expected. This may reflect the acceleration of economic activity in most branches of economy in the last quarter of 2016 with particularly fast growth in agriculture and construction. On the demand side, investment and consumer domestic demand likely contributed to higher economic growth.
- **Sectoral trends.** Industrial output growth accelerated to 4.5% yoy in December from 3.7% yoy in November. Late crop harvest supported processing of vegetable oil and sugar and resulted in fast growth of food production (at 22.2% yoy). Low statistical base ensured the increase in production of electricity and gas supply at 10.4% yoy. Weak domestic demand for steel products capped the growth of metallurgy at 0.5% yoy even as steel production increased by 3.1% yoy. Machine building increased output by 2.1% yoy due to higher defense orders and larger demand from railway operator Ukrzaliznytsia.

Overall, industrial output in 2016 increased by 2.4% due to higher manufacturing (by 3.5%) and electricity and gas supply (by 3.8%). At the same time, the war in the East of Ukraine led to slightly lower output in the extractive industry by 0.3%.

An increase in industrial output and external trade resulted in the growth of wholesale turnover in 2016 by 4.9%. Retail trade turnover increased by 4.0% due to larger consumption attributed to higher real disposable income.

Construction grew by 13.1% due to increase in all types of construction. Commercial construction grew by 17.4%, though, from the very low base.

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Ukraine: Economic Indicators 2011 – 2017*

		2012	2013	2014	2015	Q3 16	Oct	Nov	Dec	Jan
GDP (real)	% yoy	0.2	0.0	-6.6	-9.9					
Industrial production (real)	% yoy cum.	-0.7	-4.3	-10.1	-13.0	2.0	1.9	2.1	2.4	
Agricultural prod. (real)	% yoy cum.	-3.9	13.6	2.2	-4.8	0.9	2.8	2.9	6.1	
CPI	% yoy eop	-0.2	0.5	24.9	43.3	7.9	12.4	12.1	12.4	12.6
Current account	% GDP. cum.	-8.2	-9.0	-3.5	-0.2					
Fiscal balance	% GDP	-3.6	-4.4	-4.6	-1.6					
External state debt (total)	% GDP eop	22.1	20.5	38.5	52.7					
Gross international reserves	USD bn eop	31.4	20.4	7.5	13.3	15.6	15.5	15.3	15.5	15.4
Exchange rate (official)	EUR aop	10.27	10.61	15.72	24.23	28.96	28.45	27.78	28.29	28.80

Source: IER.

*Data exclude Crimea. Since 2015 Ukrstat also does not include data for occupied territories in the East of Ukraine.

For further information: Institute for Economic Research and Policy Consulting (link: <http://www.ier.com.ua>).

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