

- On December 24, Ukraine's President Victor Yanukovich signed a series of decrees appointing a new Cabinet of Ministers. Besides, there were some structural changes in the Government, which might be a step back in the administration reform that was launched in December 2010. For instance, the Ministry of Emergency was eliminated and the Service for Emergency Situations was established instead. Besides, two new ministries were established. First, State Tax Service and State Customs Service were merged into a new Ministry of Revenues and Duties, headed by loyal to the President former Head of the State Tax Service Oleksandr Klymenko. Second, the State Agency of Ukraine for State Corporate Rights and Property was reorganized into the Ministry of Industrial Policy.
- According to Ukrstat real GDP declined by 1.3% yoy in the third quarter of 2012. Real private final consumption remained the major driving force of economic growth. Gross capital accumulation declined by 2.9% yoy after increase at 16.9% yoy in the second quarter due to completed projects related to the EURO-2012. Lower demand resulted in decline of real exports at 5.8 % yoy. At the same time, imports increased by 5.5% likely due to higher imports of machine building items. On production side, gross value added (GVA) in construction dropped by 15.6% yoy due to statistical base effect and lack of financing. Lower grain harvest resulted in declined of GVA in agriculture by 8.4% yoy. Manufacturing also fell by 6.4% yoy primarily due to lower external demand for Ukrainian products.
- Between January and November, retail trade turnover growth remained at 15.7% yoy likely reflecting strong consumption against the background of increased economic and political uncertainty. Construction contraction deepened to 12.1% yoy due to financial constraints and high statistical base. Economic slowdown and lower transit of Russian gas resulted in decline in freight turnover at 6.9%. Output in agriculture in 2012 declined by 4.5% yoy. In particular, crop production dropped by 8.2% primarily due to lower grain harvest (decline at 28.6%). At the same time, livestock production increased by 3.8%.
- Between January and November growth of central fiscal revenues decelerated to 7.5% yoy. They reached UAH 306 bn accounting only for 80.0% of annual plan. Such low revenues execution is mostly explained by economic slowdown and unrealistic fiscal revenues projections. Revenues from all major sources except for EPT collections were lower than expected. EPT revenues were over executed due to persistent advance tax payments. Non-tax revenues were under-executed as well (by 5.5%) despite higher than planned transfer of profits by the NBU (by 48.3%). Central fiscal expenditures (general fund) were lower than projected by 8.1%. They accounted for 80.4% of annual plan, which is lower than usual for November. In particular, capital expenditures reached only 56.0% of the annual target. At the same time, financing of protected items were partially delayed. Nevertheless, central fiscal deficit continued to grow rapidly to UAH 41.2 bn in eleven months of the year from UAH 33.2 bn between January and October (the annual target was defined at UAH 42.9 bn). According to the preliminary information of the State Treasury central fiscal revenues reached UAH 346.0 bn in 2012, which is by 9.4% lower than the annual target. Evidently, the Government was not able to fully execute the revenues and expenditures plan in 2012.

- Unemployment rate (ILO methodology) in the third quarter somewhat declined to 6.6% of economically active individuals of age between 15 and 70 years old as compared to 6.9% in the same period of 2011. It remained higher than before the crisis as economy did not fully recovered. Unemployment rate remained higher for men than for women and in urban area than in rural. Still relatively high unemployment rate signal about weak labour market. Somewhat higher economic activity rate at times of economic slowdown could also indicate partial formalisation of employment relations.

Ukraine:

Economic Indicators 2009 - 2012

| | | 2009 | 2010 | 2011 | Q2 12 | Q3 12 | Oct | Nov | Dec |
|------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|
| GDP (real) | % yoy | -14.8 | 4.1 | 5.2 | 3.0 | -1.3 | | | |
| Industrial production (real) | % yoy cum. | -21.9 | 11.2 | 7.3 | 0.4 | -1.2 | -1.4 | -1.5 | |
| Agricultural prod. (real) | % yoy cum. | 0.1 | -1.0 | 17.5 | 7.4 | -4.6 | -5.1 | -4.8 | |
| CPI | % yoy eop | 12.3 | 9.1 | 4.6 | -1.2 | 0.0 | 0.0 | -0.2 | -0.2 |
| Current account | % GDP. cum. | -1.7 | -1.7 | -5.6 | | | | | |
| Fiscal balance | % GDP | -2.4 | -6.0 | -1.8 | | | | | |
| External state debt (total) | % GDP eop | 21.5 | 25.6 | 22.8 | | | | | |
| Gross international reserves | USD bn cum. | 26.5 | 36.7 | 31.8 | 29.3 | 29.3 | 26.8 | 25.4 | 24.5 |
| Exchange rate (official) | EUR aop | 10.87 | 10.53 | 11.09 | 10.26 | 9.99 | 10.37 | 10.26 | 10.49 |

Source: IER.

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