

Spotlight Ukraine: Monthly Economic Monitor July 2010

- On July 3, the Government of Ukraine reached preliminary agreement with the IMF on an economic policy program that can be supported by two and a half year stand-by arrangement for SDR 10 bn (USD 14.9 bn). The agreement is subject to approval by IMF Management and the Executive Board approximately in late July. The Government will have to contain the consolidated budget deficit to 5.5% of GDP in 2010 and 3.5% in 2011.
- According to the new estimate of Derzhkomstat GDP increased by 4.9% yoy in the first quarter of 2010. On the demand side, economic growth was driven by real exports growth by 7.0% yoy and smaller decrease in inventories than in the first quarter of 2009. Real final consumption of households remained close to 2009 levels growing by only 0.5% yoy constrained by limited incomes and high saving. Gross fixed capital formation decreased by 2.2% yoy hit even from low base of 2009. Though, investment in machinery and equipment increased by 7.8% yoy. Investment was probably constrained by election season and uncertain prospects of economic recovery.
- On production side, real GDP growth was mostly explained by higher real gross value added (GVA) in industry. Industry was supported by increased external demand. GVA in agriculture, transport and trade also grew. At the same time, real GVA in construction decreased by 19.2% yoy reflecting lack of solvent demand and funding constraints.
- In May, industrial production grew by 12.7% yoy somewhat decelerating from the previous month. The major constraint for industrial growth was the metallurgy that suffers from uncertain external demand the second month in a row. Output in metallurgy decelerated its growth to 21.2% yoy, while coke and refinery products output fell down by 11.4% yoy. Chemistry and machinery output increase by 24.5% yoy and 32.2% yoy due to statistical base effect despite weak external demand.

Ukraine: Economic Indicators 2008 - 2010

		2008	2009	Q3 09	Q4 09	Q1 10	Apr	May	Jun
GDP (real)	% yoy	2.1	-15.1	-16.0	-6.8	4.8			
Industrial production (real)	% yoy cum.	-3.1	-21.9	-28.4	-21.9	10.8	12.6	12.6	
Agricultural prod. (real)	% yoy cum.	17.5	0.1	3.3	0.1	5.3	4.9	4.5	
CPI	% yoy eop	22.3	12.3	15.0	12.3	11.0	9.7	8.5	6.9
Current account	% GDP. cum.	-6.7	-1.7	-1.3	-1.5	-0.7			
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	28.2	26.5	25.1	26.4	26.7	29.5
Exchange rate (official)	EUR aop	7.71	11.68	11.18	11.81	11.07	10.63	10.00	9.67

Source: IER.

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