

- On June 14, the Freedom House presented in Kyiv report on the state of democracy in Ukraine which was released in April. The organization pointed out its concerns with the recent developments inside the country. In particular, the authors drew attention a growing pressure on news media, prosecution of opposition figures for political motives, the Verkhovna Rada's increasing inability to hold the executive branch to account, and local elections in October 2010. Report also criticized education policy as sowing unnecessary and dangerous divisions within Ukraine. Besides, the report recommends to international community to increase its attention to Ukraine's internal processes and its engagement in the country's democratic development. Ukraine's official reaction on the report was quite ambiguous. President Viktor Yanukovich said the Ukrainian government would take the justified criticisms into account, but also noted that it has to deal with a number of challenges which may require harsh solutions.
- The Derzhkomstat revised its estimate of real GDP growth in the first quarter of 2011 upwards to 5.3% yoy. On demand side, household consumption increased by 12.7% yoy supported by growing household incomes and lower debt burden. However it was offset by the negative contribution of net exports as real imports grew by at 39.3% yoy while real exports grew by 19.0% yoy. Derzhkomstat reported that real gross fixed capital accumulation growth slowed to 4.5% yoy due to flaws in statistical methodology that overstated statistical base. On production side, real GDP growth was mainly attributed to good performance of industry, trade, and transport. Manufacturing industry gross value added (GVA) grew by 12.9% yoy supported by external demand while trade and transport GVA increased by 9.7% yoy and 4.4% yoy responding to international trade flows and domestic demand.
- In June, CPI growth continued to accelerate and reached highest level since December 2009 to 11.9% yoy in part due to low statistical base. Lower than usual seasonal declines in food prices and continued growth in gasoline prices also contributed to higher inflation. Core inflation also increased to 8.3% yoy.
- On June 14, the Verkhovna Rada of Ukraine approved amendments to the State Budget Law for 2011 after a revision of macroeconomic indicators for the current year. The central fiscal expenditures were raised by UAH 12.0 bn to UAH 337.6 bn. More than half of the additional funds were directed to the sector support of state enterprises, administrative and regional needs. In particular, Kyiv state administration received transfer at UAH 1.6 bn, likely, to pay off its debts to 'Kyivenergo'. About 20% of the additional funds (near UAH 2.3 bn) were earmarked to increase wages for public sector employees (including teachers, health care personnel and social workers). The increase in expenditures will be covered by higher than previously planned VAT and EPT receipts (by 11.1% and 4.4%, respectively), which is quite realistic. As a result, the central fiscal revenues increased by 4.9% (or UAH 14.1 bn) to UAH 299.1 bn. At the same time, the central fiscal deficit was reduced by UAH 3.5 bn to UAH 35.3 bn to comply with the provisions of Memorandum on cooperation between Ukraine and the IMF.

Ukraine:**Economic Indicators 2008 - 2011**

		2008	2009	2010	Q1 11	Q2 11	April	May	June
GDP (real)	% yoy	2.1	-15.1	4.2	5.3				
Industrial production (real)	% yoy cum.	-3.1	-21.9	11.2	9.7		8.5	8.5	
Agricultural prod. (real)	% yoy cum.	17.5	0.1	-1.0	5.3		4.0	3.5	
CPI	% yoy eop	22.3	12.3	9.1	7.7	11.9	9.4	11.0	11.9
Current account	% GDP. cum.	-7.2	-1.7	-1.7					
Fiscal balance	% GDP	-1.5	-2.4	-5.9					
External state debt (total)	% GDP eop	15.0	21.5	25.3					
Gross international reserves	USD bn cum.	31.5	26.5	34.6	34.6	37.6	38.4	37.9	37.6
Exchange rate (official)	EUR aop	7.71	10.87	10.53	10.85	11.48	11.49	11.48	11.47

Source: IER.

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