

Spotlight Ukraine: Monthly Economic Monitor June 2011

- On May 11 the Verkhovna Rada of Ukraine held Parliamentary hearings “On the Status and Prospects of Economic Relations with the EU (FTA) and the Customs Union”. As a result, on May 19 the Verkhovna Rada of Ukraine approved a Resolution on recommendations of the parliamentary hearings. The Parliament concluded that Ukraine would receive the highest potential benefits from a combination of Association Agreement with the EU, including the Free Trade Area combined with and mutually beneficial economic relations with the CIS countries, including the Customs Union, under WTO principles and conditions.
- According to preliminary Derzhkomstat estimate real GDP grew by 5.2% yoy in the first quarter of 2011. On demand side increase of investments in fixed capital by 12.0% yoy and high consumer demand contributed to the growth. On production side growth was widely based but probably with largest contributions from industry and trade.
- In April industrial production growth continued to decelerate and reached 4.9% yoy only due to high statistic base and unfavourable external conditions. Output in steel industry grew by modest 3.1% yoy, in machine building by 13.6% yoy and in chemical industry by 13.9% yoy. Production of distilled alcohol, tobacco and oil products production declined by 21.3% yoy and 14.4% respectively due to increased excise rates while output of oil products fell by 31.8% yoy as tax- and duty-free imports schemes continued to work.
- On May 13, the Verkhovna Rada of Ukraine approved main guidelines of budgetary policy in 2012. The Resolution approved key macroeconomic indicators for next year. Real GDP growth is projected at 6.5%, while inflation rate is expected at 7.9%. The central fiscal deficit is to be reduced to 2.5% of GDP in 2012 from 3.1% of GDP this year. The Government also plans to decrease the level of the GDP redistribution through the consolidated budget to 28.7% and to spend at least 5% of GDP on investment. The overall state debt should not exceed 30% of GDP, while the state guarantees will be limited to 1% of GDP.

Ukraine: Economic Indicators 2008 - 2011

		2008	2009	2010	Q4 10	Q1 11	March	April	May
GDP (real)	% yoy	2.1	-15.1	4.2	3.3				
Industrial production (real)	% yoy cum.	-3.1	-21.9	11.2	11.0	9.7	9.7	8.5	
Agricultural prod. (real)	% yoy cum.	17.5	0.1	-1.0	-1.0	5.3	5.3	4.0	3.5
CPI	% yoy eop	22.3	12.3	9.1	9.1	7.7	7.7	9.4	11.0
Current account	% GDP. cum.	-7.2	-1.7	-1.7	-2.0				
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	34.6	36.4	38.4	37.9
Exchange rate (official)	EUR aop	7.71	10.87	10.53	10.79	10.85	11.10	11.49	11.48

Source: IER.

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