

**Spotlight Ukraine: Monthly Economic Monitor May 2011**

- On April 12 Russian Prime Minister Vladimir Putin visited Kyiv to discuss with President Victor Yanukovich and Prime Minister Mykola Azarov the possible participation of Ukraine in the Customs Union of Russia, Belarus and Kazakhstan (CURBK). Russia increased pressure on Ukraine to join CURBK as talks with the EU on deep and comprehensive FTA progressed and now may finish by the end of this year. Despite Russian arguments in support of the CURBK Ukrainian side emphasized the incompatibility of FTA with the EU with membership in the CU with Russia, Belarus and Kazakhstan. Instead, Ukraine suggested special cooperation with CURBK in '3+1' format. The Ukrainian side is ready to work out an agreement on free trade area between Ukraine and the Customs Union (3+1), which would lead to bilateral abolition or gradual reduction of customs tariffs. Besides, cooperation with the CURBK may be further enhanced through the sectoral agreements in the key areas of mutual interest.
- In March industrial production growth decelerated to 8.0% yoy. Steel production growth decelerated to 5.7% yoy due to steel accumulated during previous months. Refineries output declined by 21.5% yoy in part due to government regulation of gasoline prices. Machine building and chemistry preserved high output growth of that increased by 22.8% yoy and 12.2% yoy, correspondingly, due to high external demand. During the first quarter of 2011 construction volumes grew by 6.8% yoy in part due to low statistical base of the previous year. Retail trade turnover increased by 13.5% yoy as consumer demand continued to increase.
- The Cabinet of Ministers approved the list of 4 energy generating and 7 distribution companies for privatization. The size of shareholdings varies from 25 to 50%. Most likely the shareholdings will be acquired by current players of the energy market and will not interest foreign investors. The State Property Fund (SPFU) has not decided yet on timing and mode of privatization of energy companies. On April 18 the SPFU approved the privatization plan of 144 enterprises. The majority of them are planned to be sold via competition and at the auction, the rest will be offered at the stock exchange. Some of the object has not changed since last year list.

**Ukraine: Economic Indicators 2008 - 2011**

		2008	2009	2010	Q3 10	Q4 10	Feb	March	April
GDP (real)	% yoy	2.1	-15.1	4.2	3.6	3.3			
Industrial production (real)	% yoy cum.	-3.1	-21.9	11.2	10.8	11.0	10.5	9.7	
Agricultural prod. (real)	% yoy cum.	17.5	0.1	-1.0	-1.3	-1.0	5.0	5.3	
CPI	% yoy eop	22.3	12.3	9.1	10.5	9.1	7.2	7.7	9.4
Current account	% GDP. cum.	-7.2	-1.7	-1.7	-0.5	-2.1			
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	34.7	34.6	36.7	36.4	38.4
Exchange rate (official)	EUR aop	7.71	10.87	10.53	10.18	10.79	10.84	11.09	11.49

Source: IER.

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