



MINISTRY OF
FINANCE OF
UKRAINE

Macroeconomic outlook



No.6, June 2019



HIGHLIGHTS



- **In April, most real sectors of economy improved their performance.** Between January and April 2019, most sectors grew: construction surged by 28.1% yoy, retail trade increased by 7.9% yoy, passenger turnover and freight turnover increased respectively by 5.1% yoy and 2.8% yoy, while agriculture grew by 2.3% yoy and industry increased by 0.6% yoy.
- External conjuncture was rather favourable for Ukraine's economy as world prices of iron ore increased, while natural gas prices declined from the beginning of the year.
- **Trade tensions of China and the USA result in challenging financing conditions for EM countries.** As a result, national currencies of most EM countries (except for Russian ruble) depreciated with Turkish lira depreciating by more than 8% against USD. However, hryvna remains stable thanks to prudent fiscal and tight monetary policies.
- **Sharp increase in investment demand is typical for the current economic recovery in Ukraine.** Gross fixed capital accumulation in 2018 exceeded by 10% the pre-crisis level of 2013. **Meanwhile, high real interest rate along with stable exchange rate of hryvnia stimulates higher demand of non-residents for domestic government bonds nominated in hryvnia.**
- Fiscal consolidation, tight monetary policy and lower energy prices remain key factors behind deceleration of CPI increase and stability of hryvnia exchange rate.
- Between January and April current account deficit total USD 388 m, which is close to the last year level. **Deceleration of imports growth** is partially attributed to lower energy prices and FX stability.
- On 27 May 2019, Clearstream, the international central securities depository (ICSD) of Deutsche Börse Group, connected the Ukrainian market to its network and made Ukrainian government securities eligible in its system. This facilitates investments of non-residents in domestic government bonds



KEY MACROECONOMIC INDICATORS



KEY MACROECONOMIC INDICATORS FOR UKRAINE IN 2017-2019

Indicator	2017	2018					2019	
		I Q	II Q	III Q	IV Q	Year	I Q	Jan-Apr
Nominal GDP, UAH bn	2983,9	705,0	810,8	994,9	1048,0	3558,7	807,8	X
Real GDP, % yoy	2,5	3,3	3,8	2,8	3,5	3,3	2,5	X
CPI, % yoy in December	113,7	113,7 ¹	111,5 ¹	108,9 ¹	109,7 ¹	109,8	8,9 ¹	8,8
PPI, % yoy in December	116,5	119,2 ¹	116,4 ¹	118,9 ¹	115,8 ¹	114,2	9,8 ¹	7,3
Agricultural production, % yoy	-2,2	-0,5	11,4 ²	4,9 ²	7,8 ²	7,8	3,4	2,3
Retail trade turnover, % yoy	6,5	7,6	6,2 ²	5,5 ²	6,1 ²	6,1	7,4	7,9
Average monthly wage, UAH	7104	7974	8781	9063	9648	8865	10237	10259
Real wage, % yoy in December	19,1	10,9 ³	13,3 ³	14,5 ³	11,7 ³	12,5	10,9	11,2
ILO unemployed, % of economic activity population (15-70 years old)	9,5	9,7	8,3	8,0	9,3	8,8	X	X
Current account balance, USD bn	-2,4	-0,5	-0,01	-2,9	-1,0	-4,5	-0,4	-0,4
Exports of goods and services, % yoy	17,1	8,6	14,8	6,3	7,4	9,7	7,8	6,9
Imports of goods and services, % yoy	19,2	12,6	14,4	17,7	9,2	12,5	7,3	8,3

¹ q/q-4

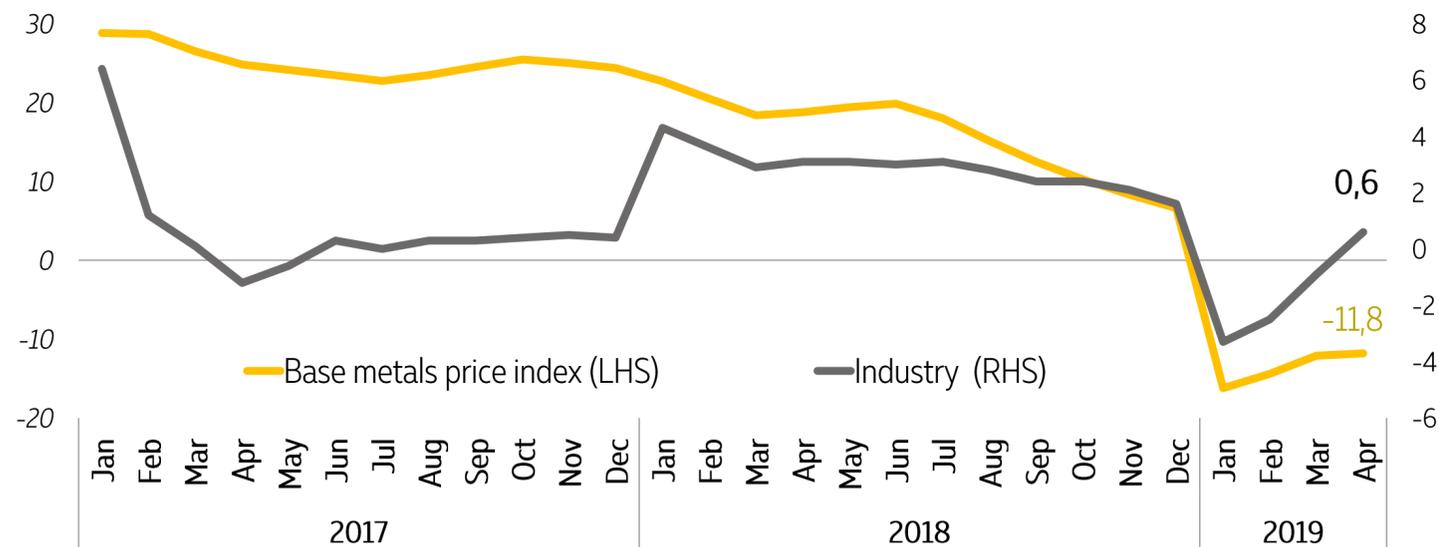
² cumulative data

³ Ministry of Finance assessment on the basis of the quarterly data of the State Statistics Service



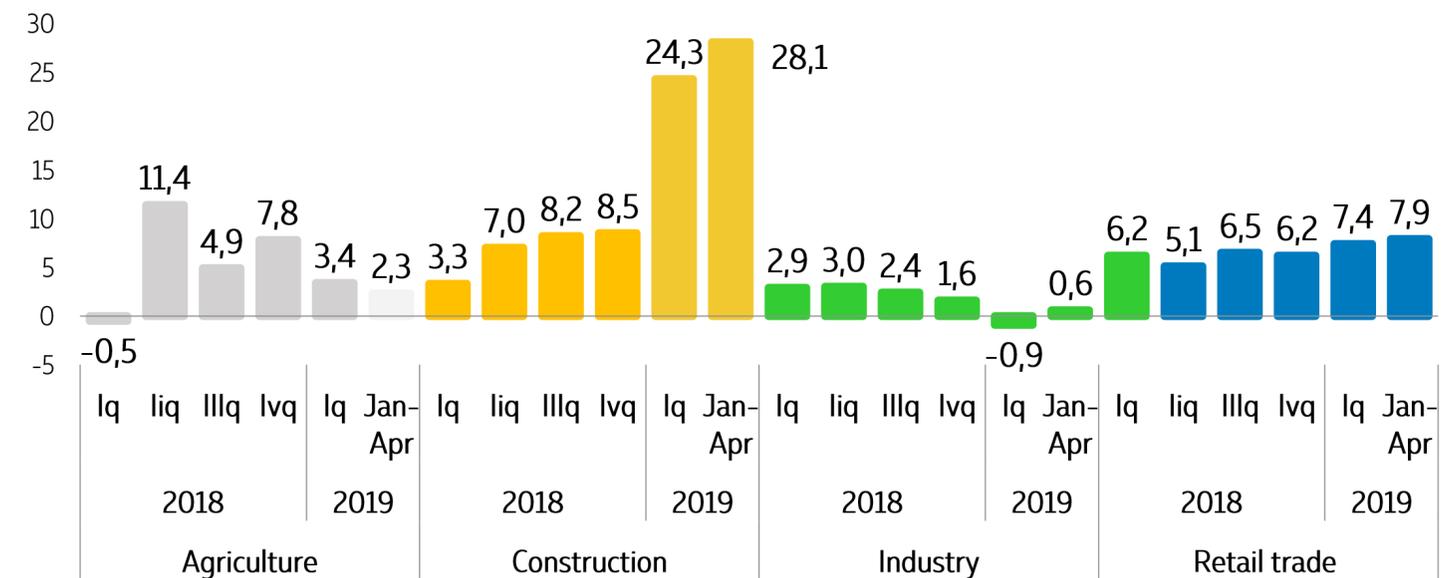
FAVORABLE EXTERNAL CONDITIONS AND HIGHER DOMESTIC DEMAND SUPPORT ECONOMIC GROWTH

Industry growth and base metals price, % yoy, cumulative



Base metal prices are calculated by the World Bank on a monthly basis taking into account prices for key metals (lead, nickel and others) and serve as an indicator for price dynamics on the global metal market
 Source: Ukrstat, World Bank

Agriculture, retail trade, industry and construction % yoy, cumulative



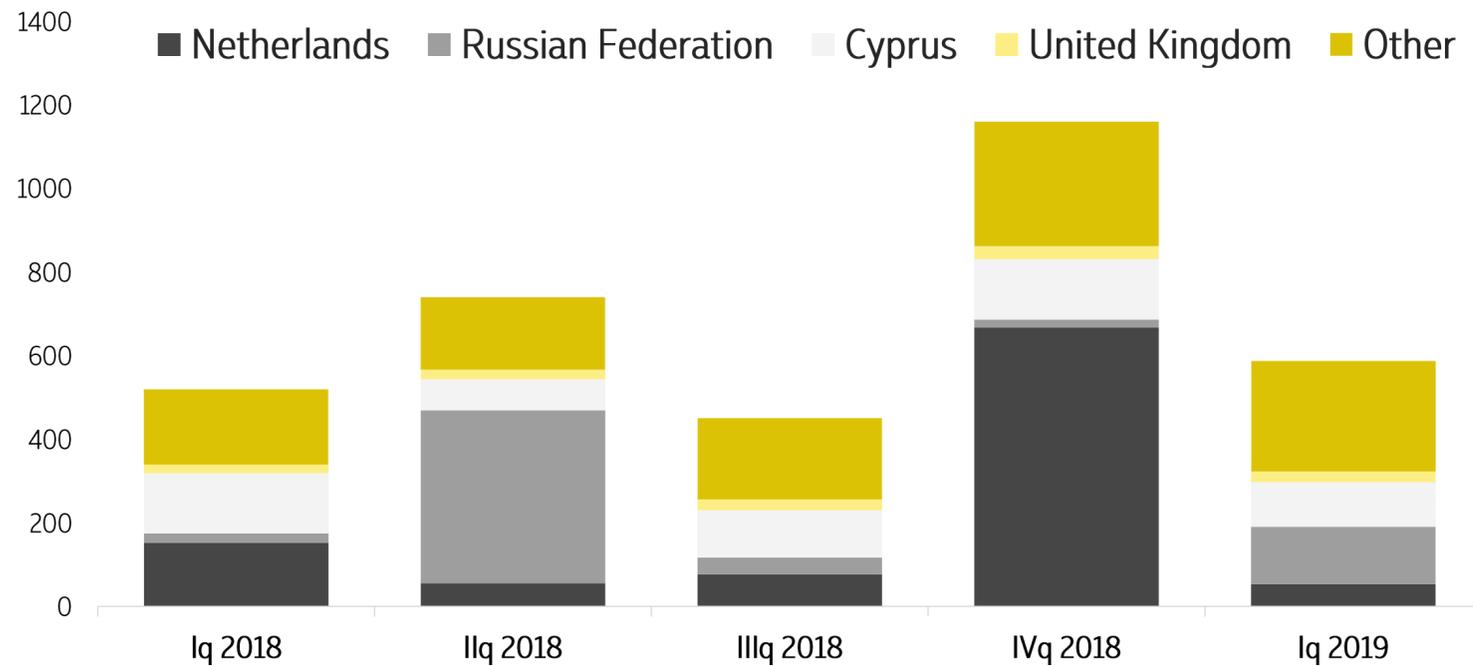
Source: Ukrstat

- In the first four months of 2019, situation at world commodity market was rather favorable for Ukrainian exports. In particular, prices for iron ore were at maximum for last three years, while natural gas prices declined by 45,6% as compared to the beginning of year to the minimum level since 2016.
- In May 2019, prices for wheat and maize grew by 1.5% and 5.9%, respectively, due to unfavorable weather conditions in the USA.
- Economic sectors oriented at domestic consumption mostly grew. In particular, between January and April retail trade turnover grew by 7.9% yoy and passenger turnover increased by 5.1% yoy. Industrial output grew by 0.6% yoy.
- Construction surged by 28.1% yoy due to higher construction of infrastructure commercial construction (by 46.5% yoy and 36.8% yoy, respectively).
- Agriculture increased by 2.3% yoy due to higher sales of livestock (by 5.0% yoy) and larger egg production (by 7.3% yoy).



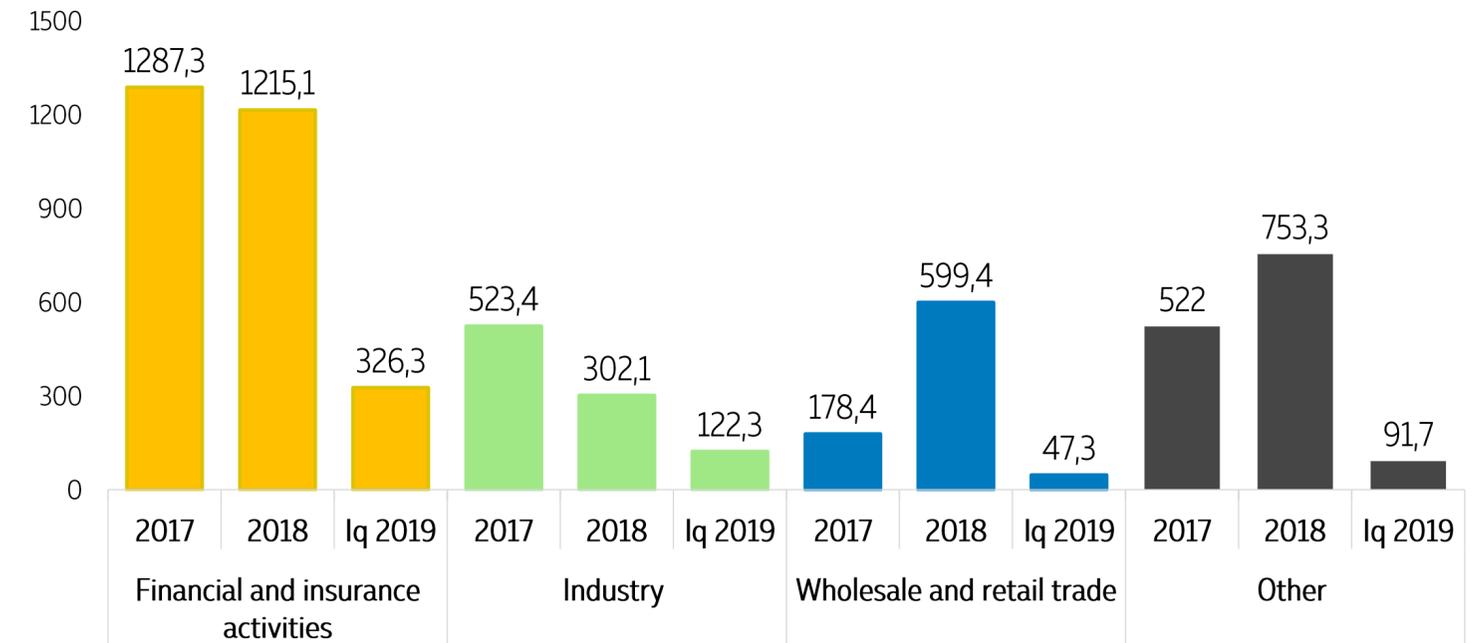
INVESTMENTS INCREASED

FDI inflow to Ukraine by countries, USD m



Source: Ukrstat

FDI inflow by sectors, USD m



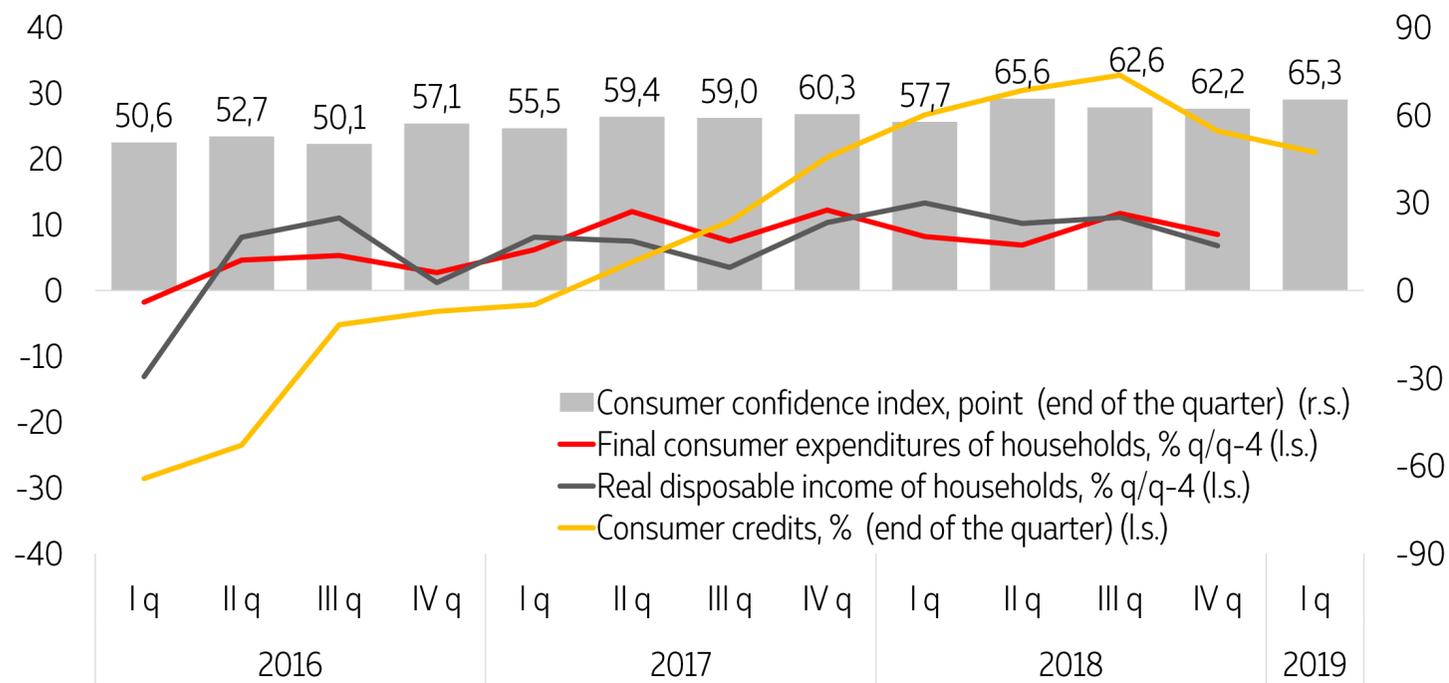
Source: Ukrstat

- In the first quarter of 2019 FDI inflow increased to USD 0.6 bn: 55.5% of this amount was directed to financing and insurance sector.
- According to the Institute of International Finance (IIF), between 2015 and 2018 Ukraine is ranked to be third by the FDI volume among 23 emerging markets. In Ukraine, FDI (including re-investments) in relation to GDP accounted for 2.7% of GDP (the highest level was reported by Brazil (3.4% of GDP) and Columbia (2.9% of GDP)).



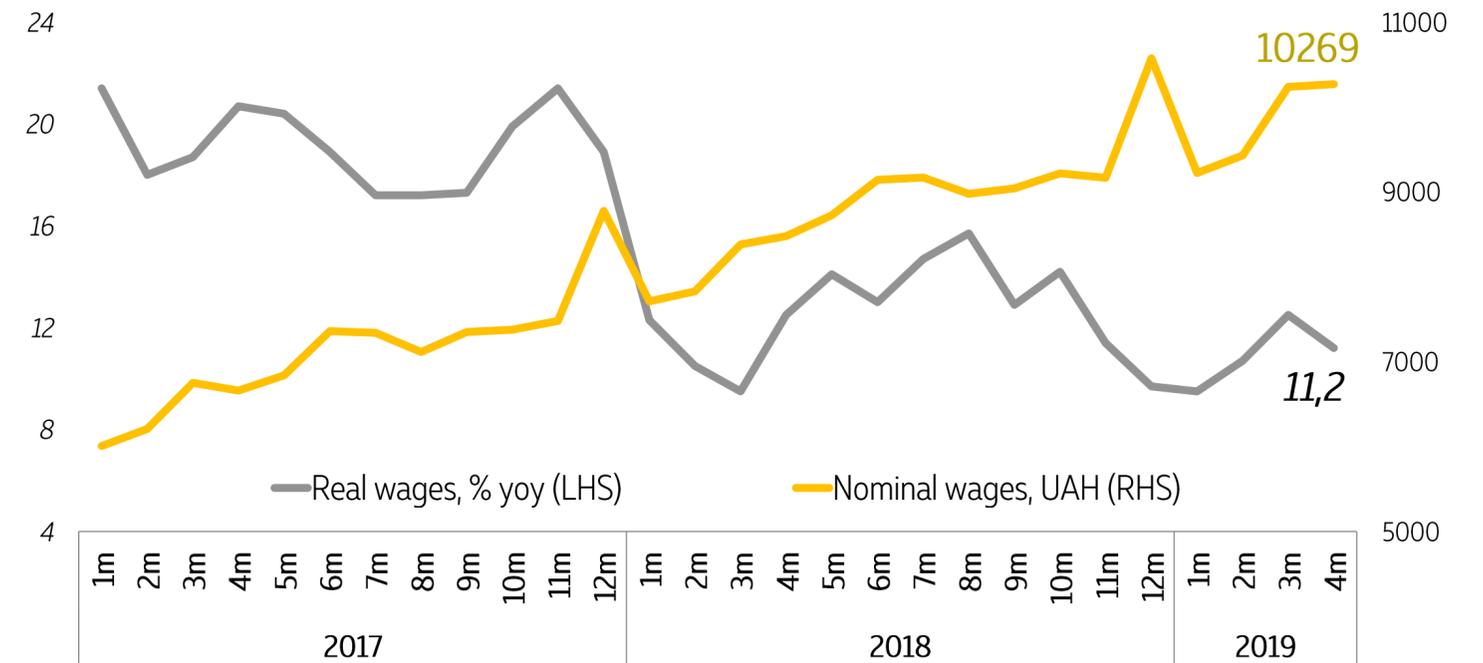
AVERAGE WAGE INCREASES DUE TO LABOR MIGRATION

Determinants of the final consumer expenditures of households



Source: Ukrstat, NBU, Info Sapiens, GFK

Real and nominal wages



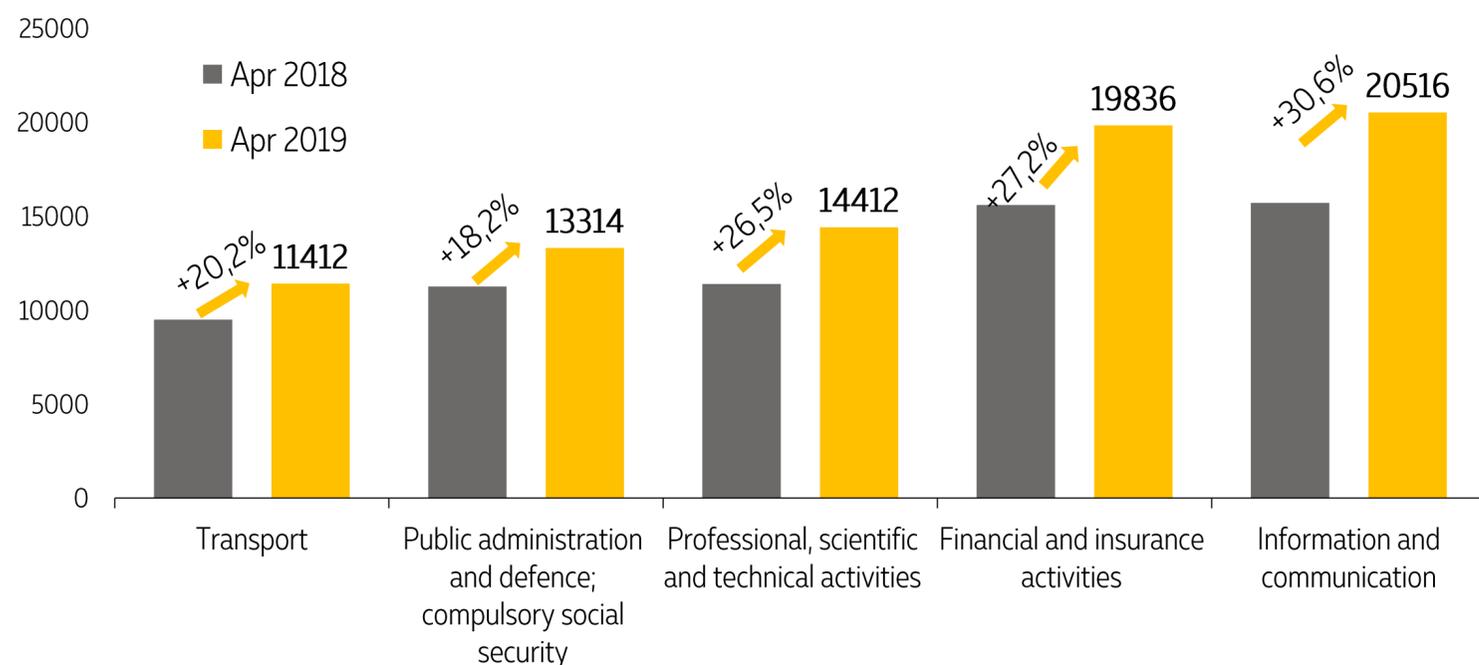
Source: Ukrstat

- Increase in private final consumption was explained by higher disposable income of households, improved consumer confidence, higher remittances against the background of stable FX and decelerated inflation.
- Real average wage increased by 11.2% yoy in April 2019. Key determinants of wage growth were increase in minimum wage (by 12.1%), improved financial situation of companies, and higher competition for labor force due to the labor migration primarily to EU countries.



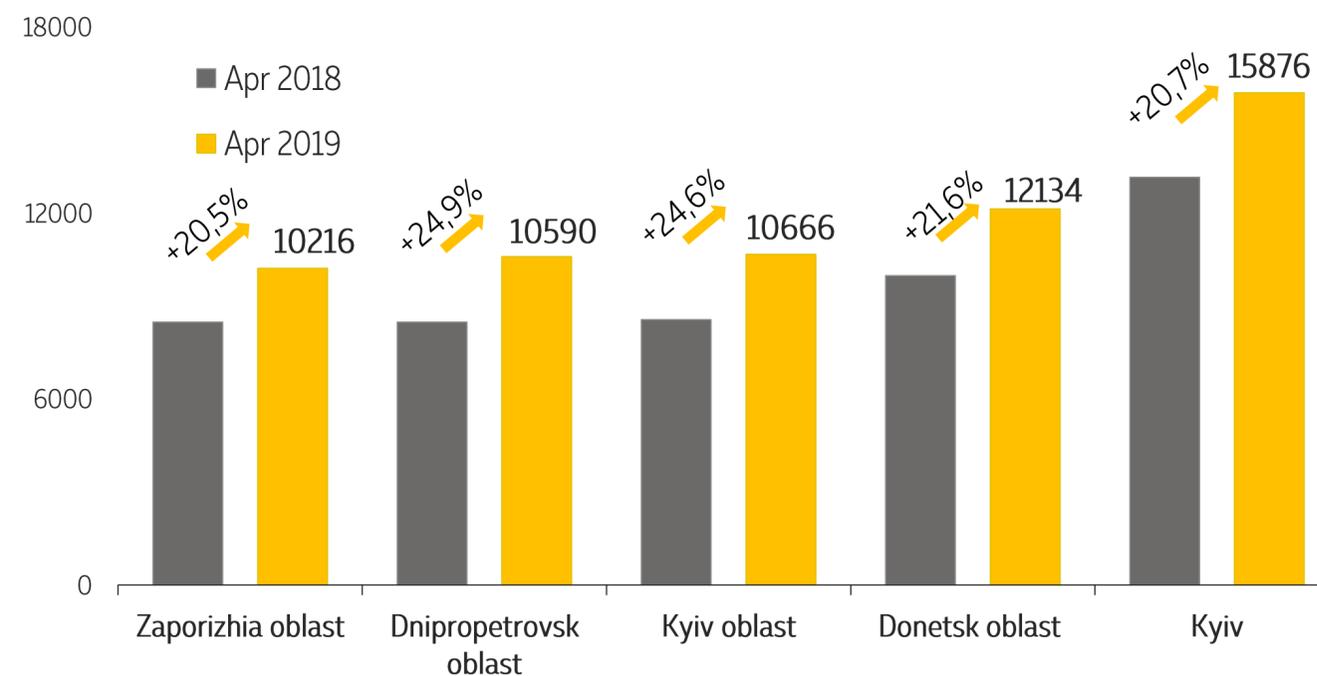
TOP-5 SECTORS AND REGIONS BY SIZE OF WAGE, APRIL 2019

TOP-5 sectors by wages



Source: Ukrstat

TOP-5 regions by wages



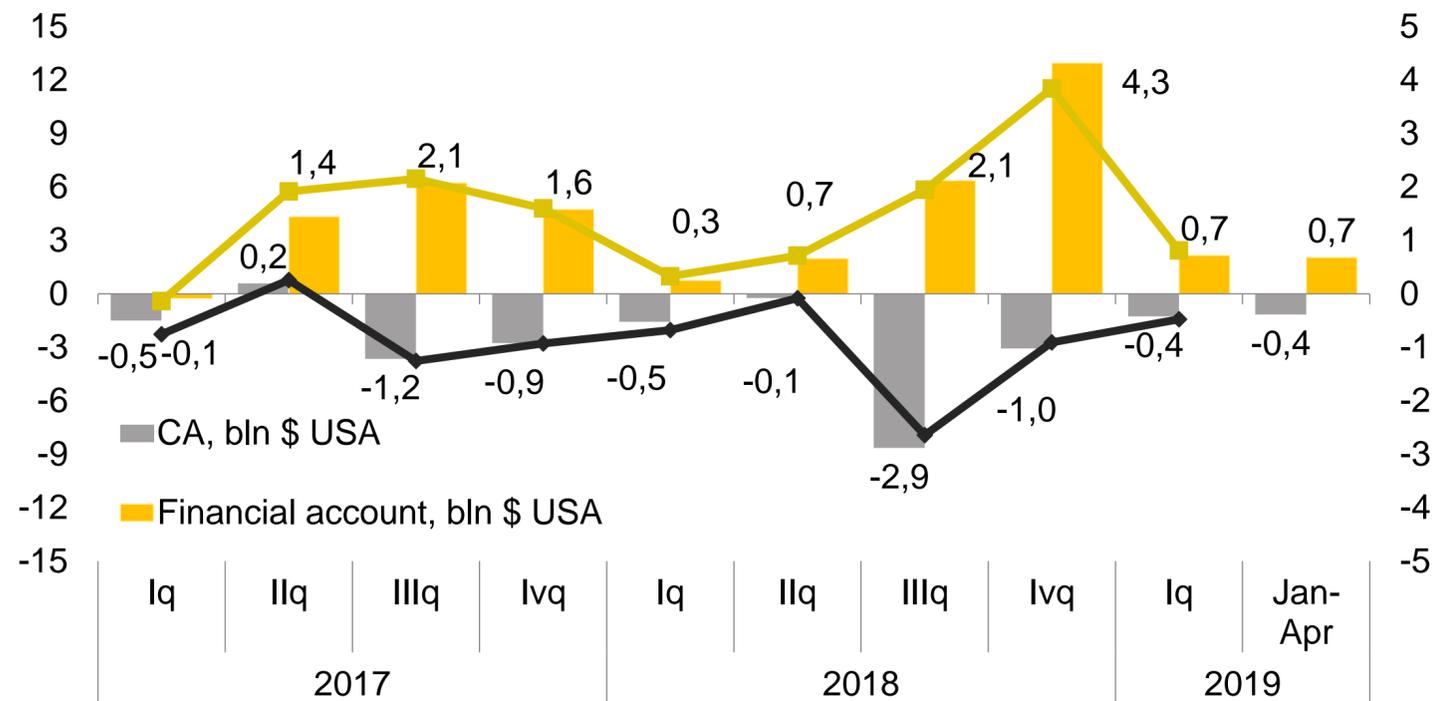
Source: Ukrstat

- In April, the highest wages were paid in IT sector at UAH 20 500 per month. The highest wage growth in sectors with highest wages was recorded also in this sector (at 30.6% yoy).
- The lowest wages among aggregated sectors was reported by *Accommodation and Food Service Activities* (at UAH 6527), which was by 36% lower than average in Ukraine and more than tree times lower than in IT sector.
- Regional discrepancies in wage payments remain high. Between regions, Kyiv City remains at the top by the wage level with average wage in April at UAH 15900. Dnipropetrovskf oblast demonstrated the highest wage growth at 24.9% yoy.
- The lowest wages were reported by Khersonska oblast (UAH 7695).



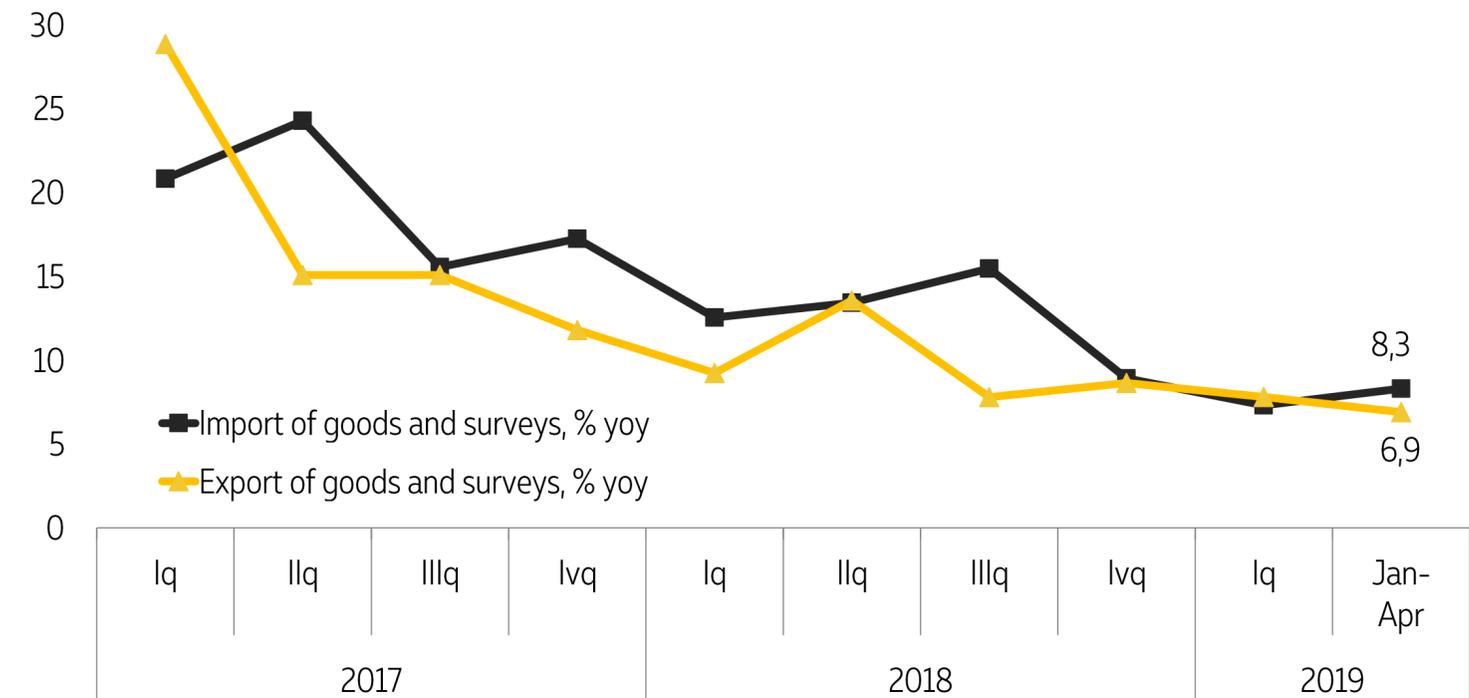
IN JANUARY-APRIL 2019, CURRENT ACCOUNT BALANCE WAS IN DEFICIT

Current and financial accounts



Source: Ukrstat, NBU, MinEc, MinFin

Exports and imports of goods and services



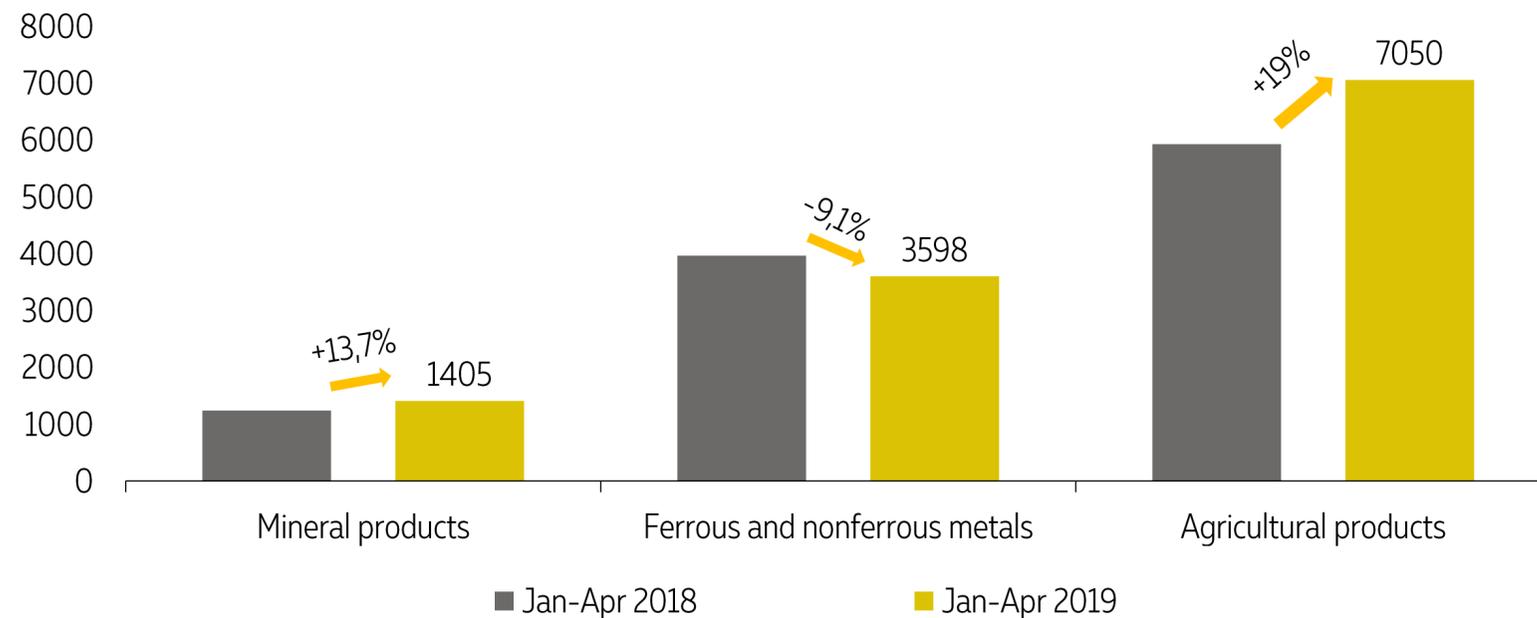
Source: NBU

- In April 2019, current account deficit totaled USD 8 m as compared to a surplus of USD 171 in April 2018.
- Merchandise exports increased by 6.6% yoy due to increase in exports of agricultural and food products by 19% yoy. The latter group accounted for 46.9% of total merchandise exports.
- Merchandise imports in the first four months of the years increased by 8.9% yoy due to higher imports of machinery and transport equipment (that grew by 19.9% yoy).



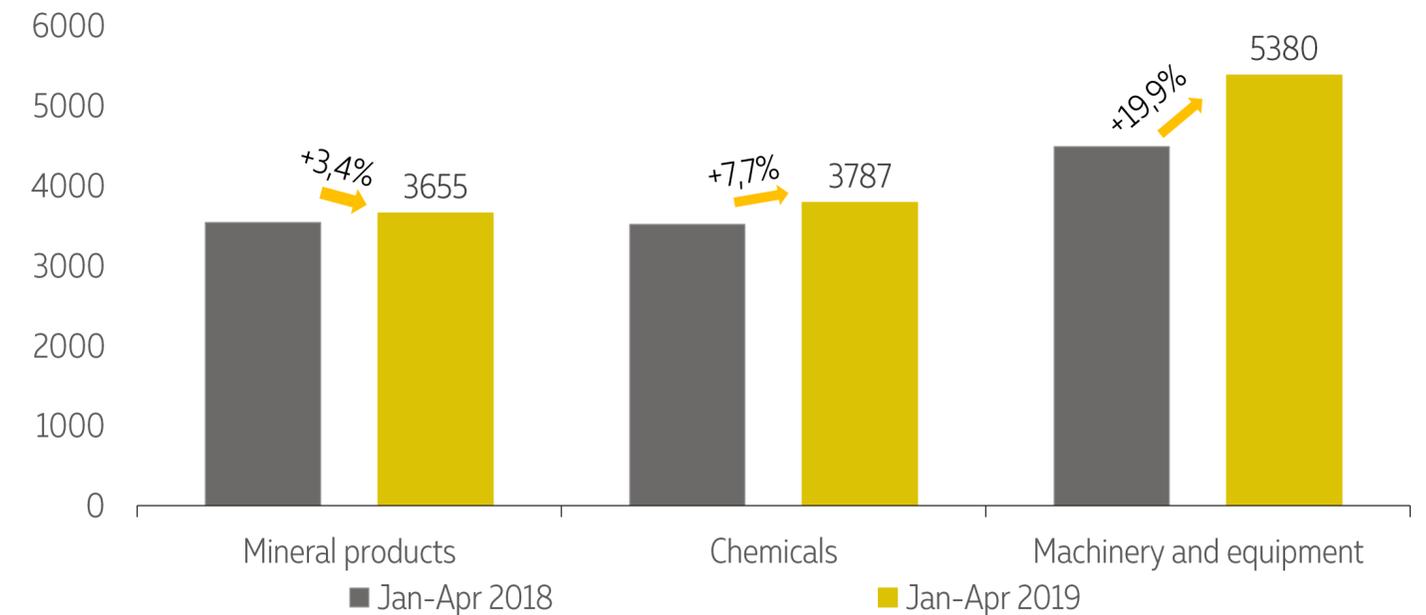
FOOD PRODUCTS REMAIN THE LARGEST GROUP OF EXPORTS

Key exports items
USD m



Source: NBU

Key imports items
USD m



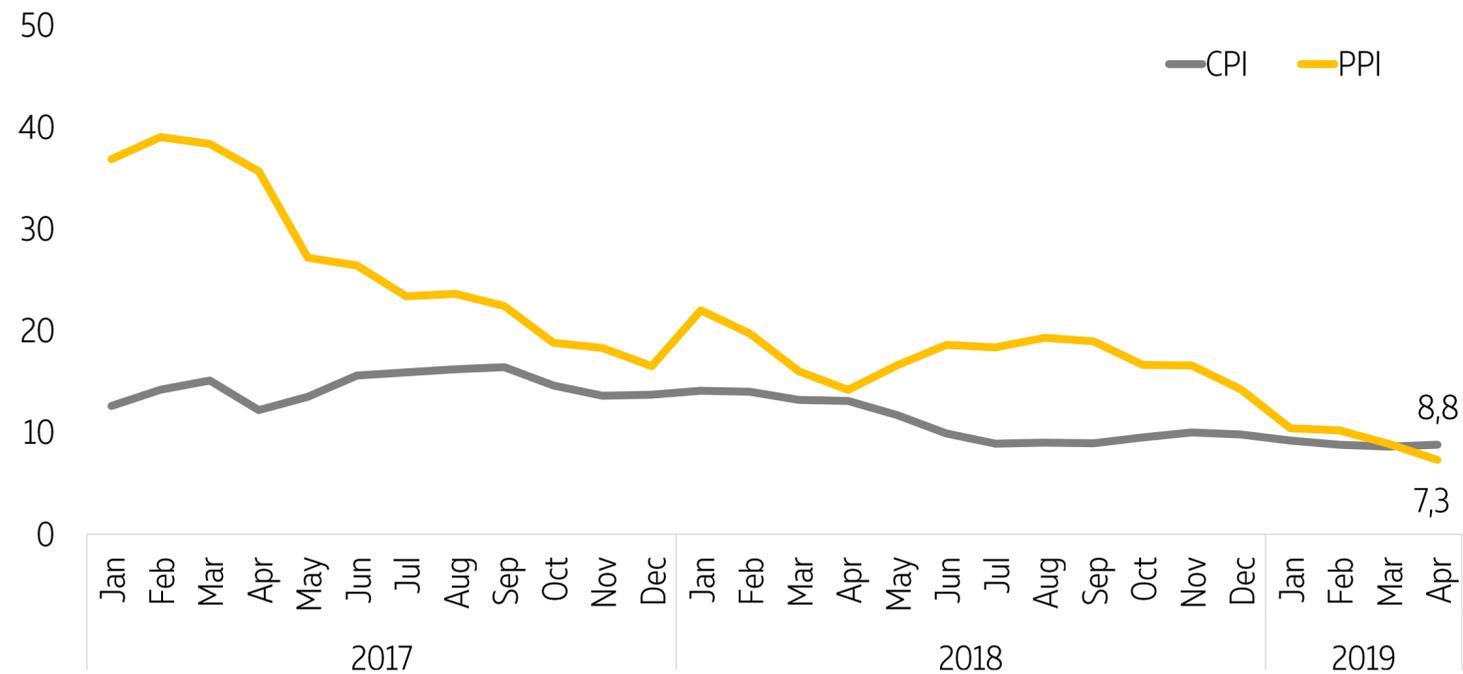
Source: NBU

- Top-3 product groups by export volumes remained unchanged in the first four months of the year. Exports of agricultural and food products totaled USD 7050 m or 46.9% of total exports. The largest growth of exports also was recorded for this product group due to good grain harvest in 2018.
- Top-3 product groups by imports also remained unchanged. Imports of machinery and transport equipment totaled USD 5380 m or 29.7% of total imports. This group also demonstrated the highest growth.



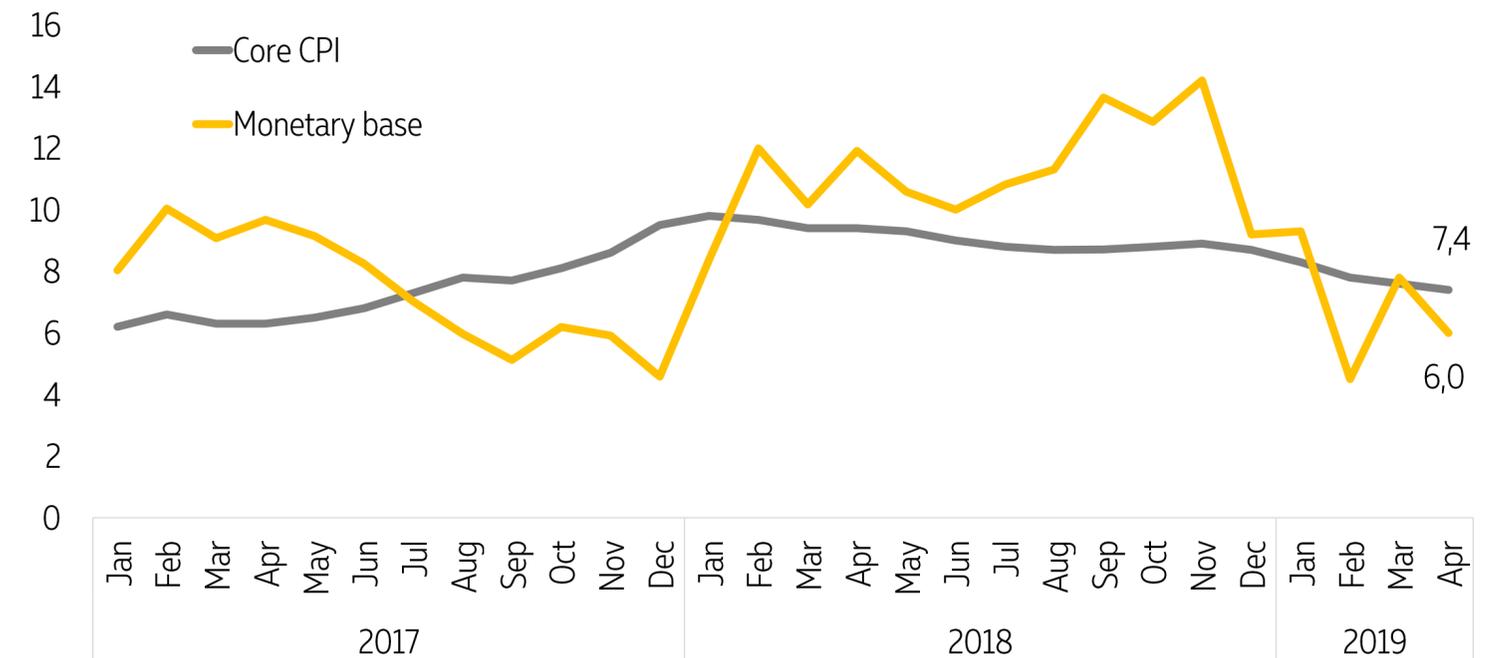
CPI AND CORE CONSUMER INFLATION DECELERATED FURTHER

CPI and PPI, % yoy



Source: Ukrstat

Core consumer inflation and monetary base, % yoy



Source: Ukrstat

Consumer price growth decelerated further against the background of fiscal consolidation and tight monetary policy. Decline in inflation expectation was supported by hryvnia appreciation, which started at the beginning of 2019.

In April 2019, CPI slowed down to 8.8% yoy as compared to 13.1% yoy in April 2018.

Other inflation determinants in the first four months of 2019 were:

- Further increase in labor costs, which impacted inflation from both supply and demand sides;
- Slower growth of food prices (at 7.7% yoy as compared to 17.7% yoy in April 2018).

PPI increased by 7.3% yoy due to increase in tariffs and supply costs of gas and electricity for companies.

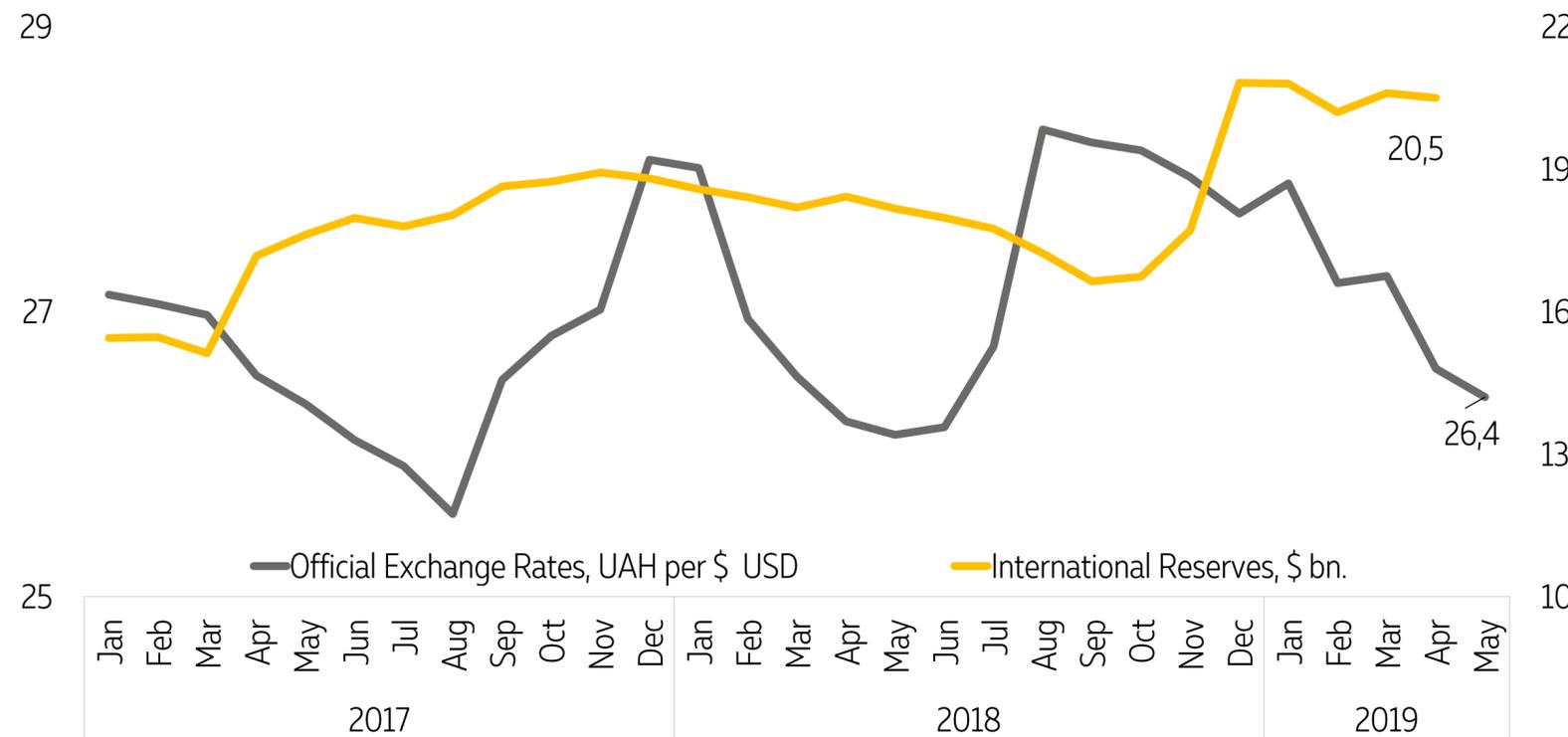
Core consumer inflation slowed down to 7.4% yoy in April 2019 from 9.4% yoy in April 2018.

Monetary base grew by 6.0% yoy this April as compared to 11.9% yoy in April 2018.



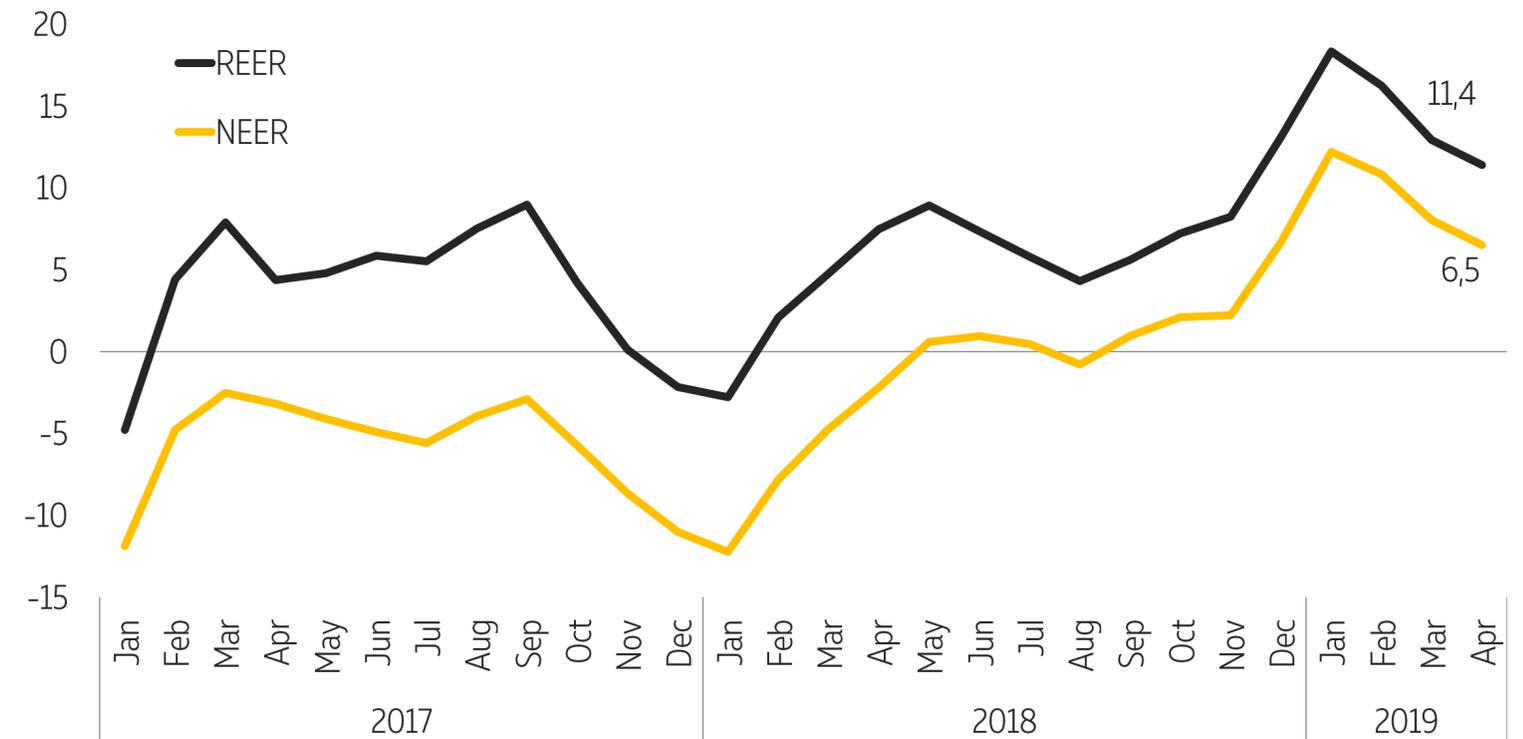
FX MARKET IS STABLE DESPITE IMPACT OF SEASONALITY AND SHOCKS

Exchange rate and international reserves



Source: NBU

Nominal and real effective exchange rate, p.p.



Source: NBU

Key determinants of FX in January-May 2019 included:

- **decline in trade deficit** due to high grain harvest in 2018 and weak increase in imports;
- **high demand from non-residents for domestic government bonds denominated in hryvnia.**

Favorable situation at the FX market resulted in hryvnia appreciation at 5.1% in May as compared to December of 2018. International reserves of the NBU at the end of May totaled USD 19.4 bn, which covered 3.2 months of imports.

Inflation deceleration, hryvnia appreciation in relation to USD, and depreciations of currencies of other key trading partners of Ukraine, real effective and nominal effective exchange rates appreciated further by 6.5% and 11.4%, respectively.



FORECAST



MACROECONOMIC FORECAST FOR 2019-2022 ¹

Indicator	2019 estimates	2020	2021	2022
		I variant	I variant	I variant
Nominal GDP, UAH bn	4035,2	4 551,7	5 069,9	5 617,3
Real GDP, % yoy	2,8	3,3	3,8	4,1
CPI, % yoy	7,4	6,0	5,7	5,3
Unemployment rate (ILO methodology), % of economically active population	8,6	8,1	8,0	7,9
Current account balance, USD m	-12 541	-13 781	-14 920	-16 113
Exports of goods and services, USD m	63 353	68 171	72 849	78 043
% yoy	7,2	7,6	6,9	7,1
Imports of goods and services, USD m	75 894	81 952	87 769	94 156
% yoy	7,9	8,0	7,1	7,3

¹ The official forecast made by the Ministry of Economic Development and Trade and approved by the Cabinet of Ministers of Ukraine on May 15, 2019



ASSUMPTIONS MACROECONOMIC FORECAST FOR 2019-2022

Indicator	2019 estimates	2020 forecast	2021 forecast	2022 forecast
		I variant	I variant	I variant
<i>External condition</i>				
The average annual price for selected commodities:				
Oil Prices Brent, USD per barrel	67,7 [±5]	70,0 [±5]	71,0 [±5]	71,5 [±5]
Natural Gas Import Price, USD/1000m ³	238,6 [±5]	266,1 [±5]	279,0 [±5]	285,7 [±5]
Base Metal Price Index , % yoy	“-“3,5 [±2]	1,8 [±2]	0,8 [±2]	0,8 [±2]
Corn Prices, % yoy	2,2 [±2]	1,8 [±2]	2,3 [±2]	2,3 [±2]
Wheat Price, % yoy	1,0 [±2]	0,9 [±2]	1,4 [±2]	0,9 [±2]
World Output, % yoy	3,3	3,6	3,6	3,6
<i>Domestic condition</i>				
Production of Grain, m t	67,4	69,4	71,4	73,5
Foreign direct investment (net inflows), USD bn	3,0	4-4,5	5-5,5	6-6,5
Fiscal indicators				
Marginal level of central fiscal deficit , % of GDP	2,28	≥2,1	≥2,0	≥ 2,0
Margin external state debt, % of GDP	52	47	44	42
Government spending, % of GDP	33,1	33 [±1]	33 [±1]	33 [±1]

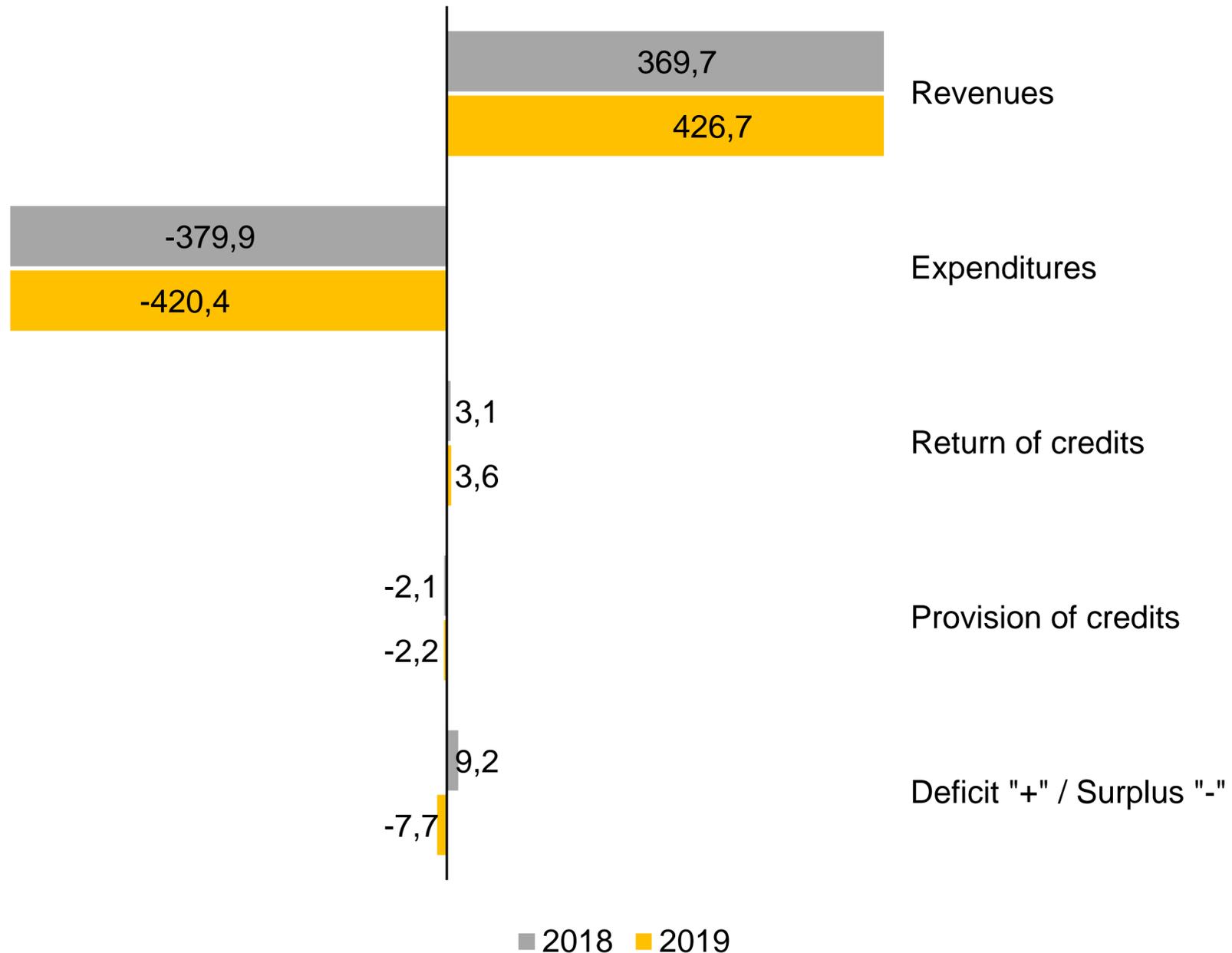


BUDGET

January-May 2019



KEY FISCAL INDICATORS JANUARY-MAY 2019



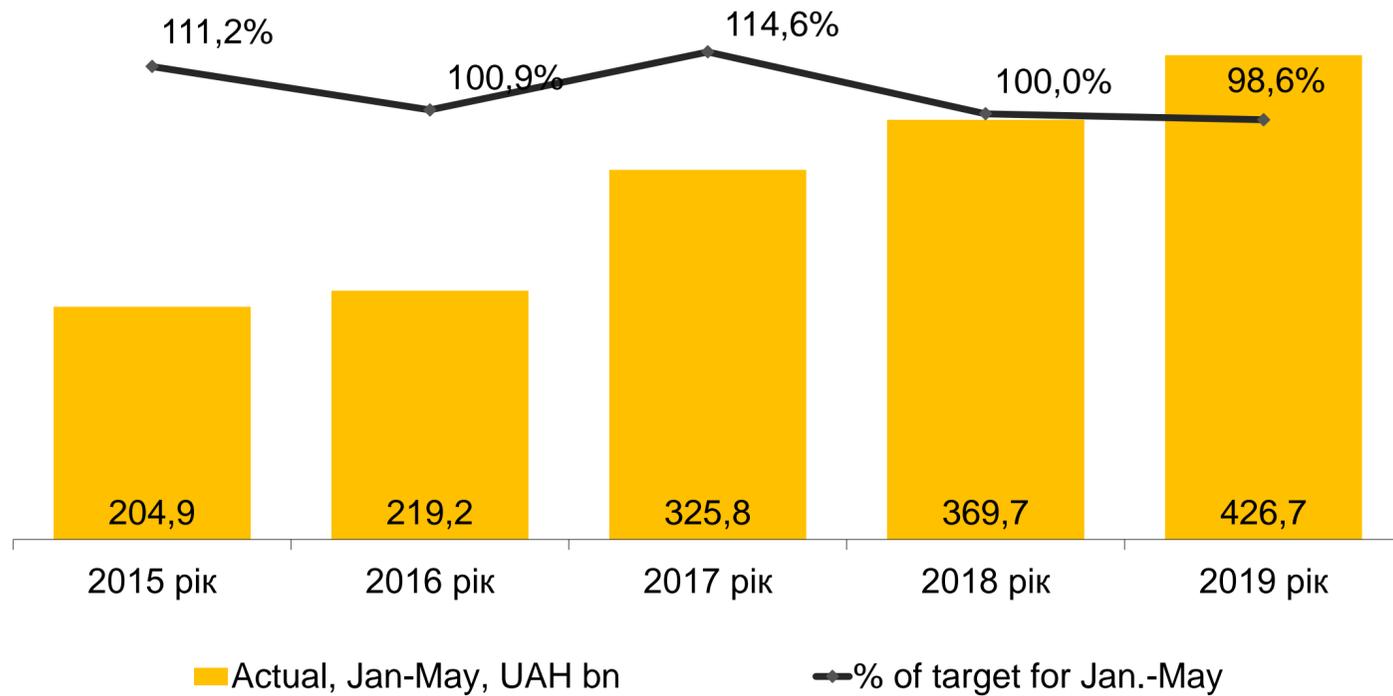
UAH bn

- ✓ State budget revenues between January and May 2019 increased by 15.4% yoy to UAH 426.7 bn. Revenues due to general fund grew by 11.6% yoy to 376.7 bn;
- ✓ State budget revenues were executed at 98.6% of target, e.g. general fund revenues were executed at 97.4% of target;
- ✓ State budget expenditures grew by 10.7% yoy to UAH 420.2 bn. In particular, state budget expenditures of general fund at UAH 381 bn were by 7.6% higher than in the same period of 2018;
- ✓ State budget expenditures of general fund were financed at 91.7%;
- ✓ The most essential expenditures (social spending, expenditures on defense and security, debt servicing) were financed in full according to the plan on the basis of opened payment requests;
- ✓ Temporary fiscal surplus totaled UAH 7.7 bn (the deficit for entire 2019 is planned at UAH 90 bn).



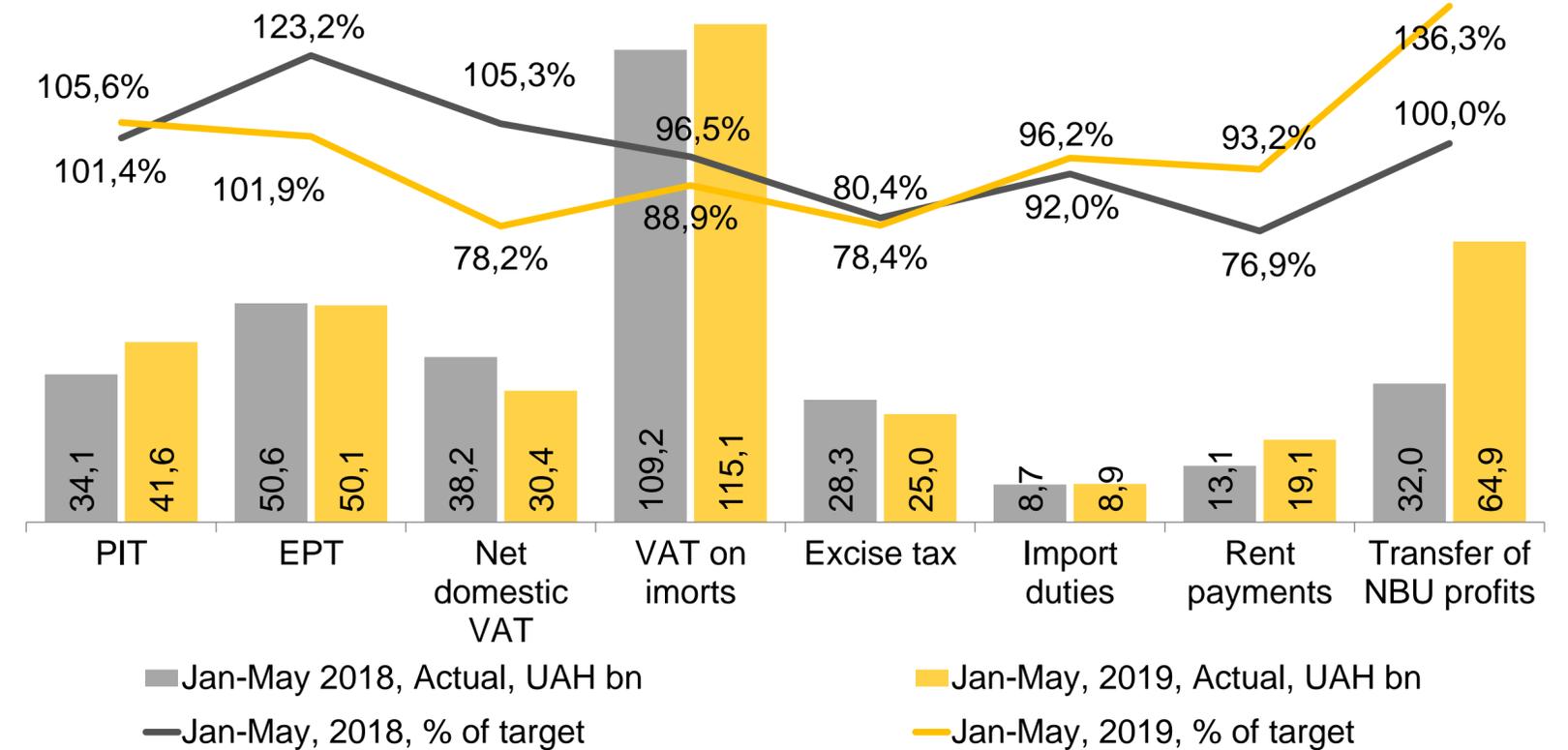
KEY FACTS ABOUT REVENUES

State budget revenues in Jan.-May, 2015–2019



Source: Preliminary data of the State Treasury, from 03.06.2019

Actual and planned revenues of the general fund of the state budget, Jan.-May



Key determinants of fiscal revenues execution in January-May included :

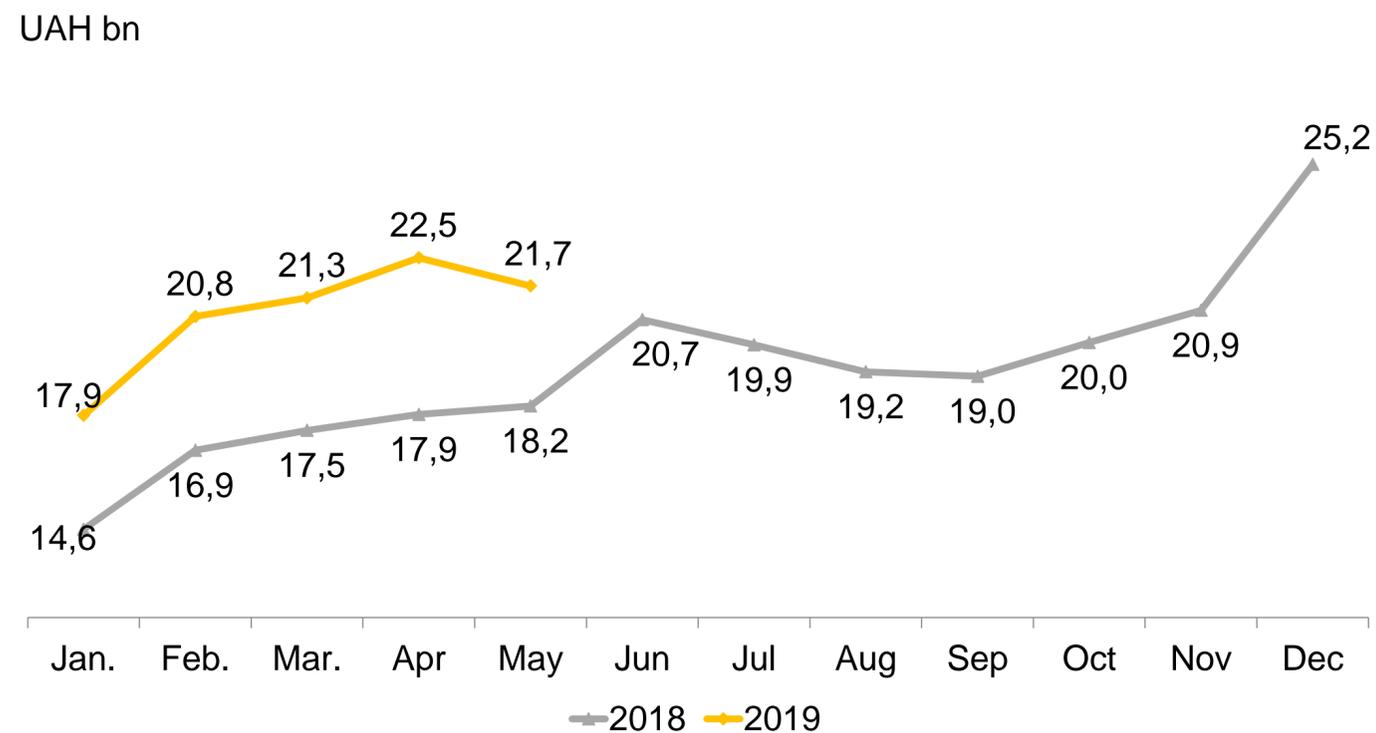
- NBU transfer of profits to the Budget according to the Law on NBU at the amount of UAH 64.9 bn*;
- Average wage growth;
- Stronger hryvnia than assumed in the budget;
- Decline in tobacco production;
- VAT exemptions on imports of solar batteries since Jan.1, 2019;
- Lower than forecasts imports volumes.

* Note: NBU transferred to the budget UAH 64.9 bn of its profit, which is by UAH 17.3 bn more than initial forecast of the NBU provided to the Ministry of Finance while elaborating monthly budget targets for 2019. Full transfer of the NBU profit to the state budget complies with the Budget Code and the Law on the NBU, which define that profit of the NBU, which is to be distributed, should be transferred to the state budget in full amount, envisaged in the financial statement of the NBU, which is confirmed by the external audit and approved by the NBU Council.

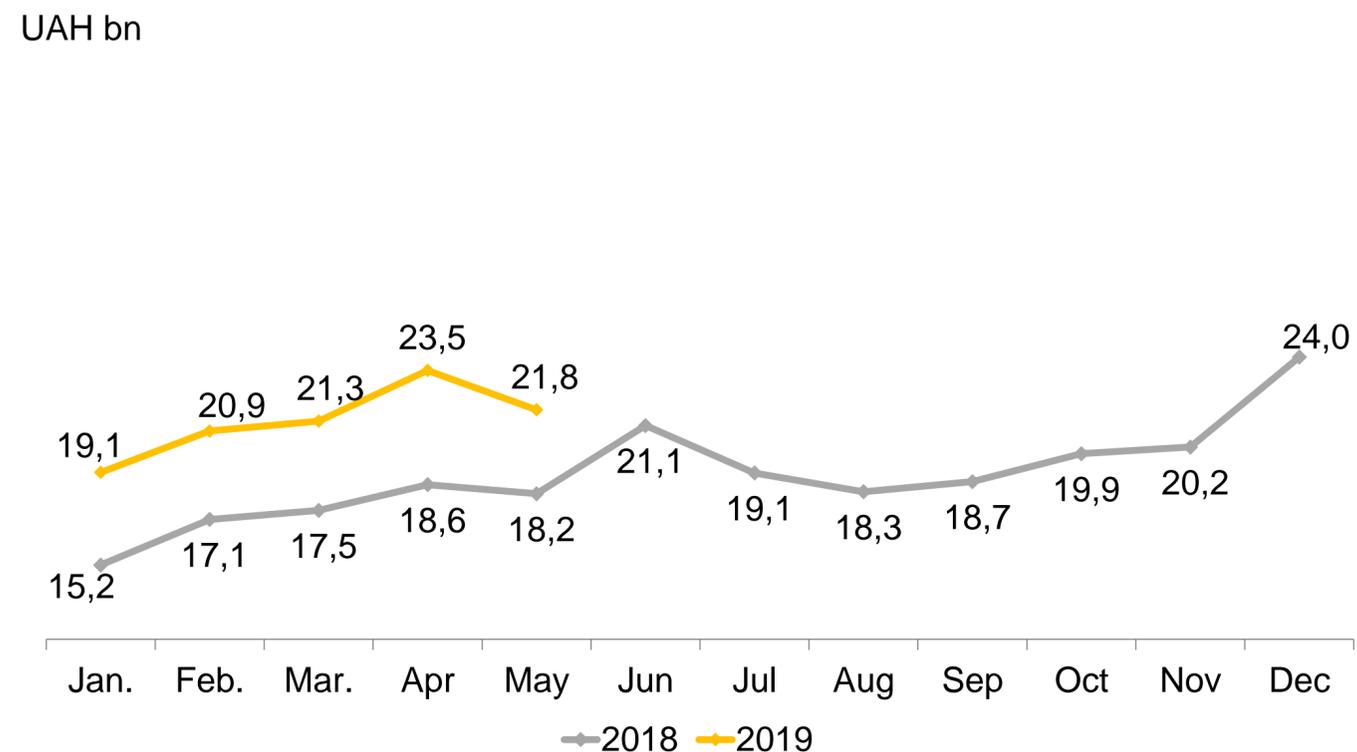


PIT and SINGLE SOCIAL CONTRIBUTION

PIT revenues (consolidated budget)



Revenues from single social contribution (social security)



Source: Preliminary data of the State Treasury

Average wage increase resulted in higher revenues from PIT and single social contribution: :

- PIT revenues to consolidated budget in 5 months of 2019 increased by 22.5% yoy to UAH 104.1 bn.
 - PIT revenues due to general fund of the state budget increased by 21.9% yoy to UAH 41.6 bn. They accounted for 105.6% of the target.
- Revenues from single social contribution for social security increased during this period by 23/1% yoy to UAH 106.6 bn.

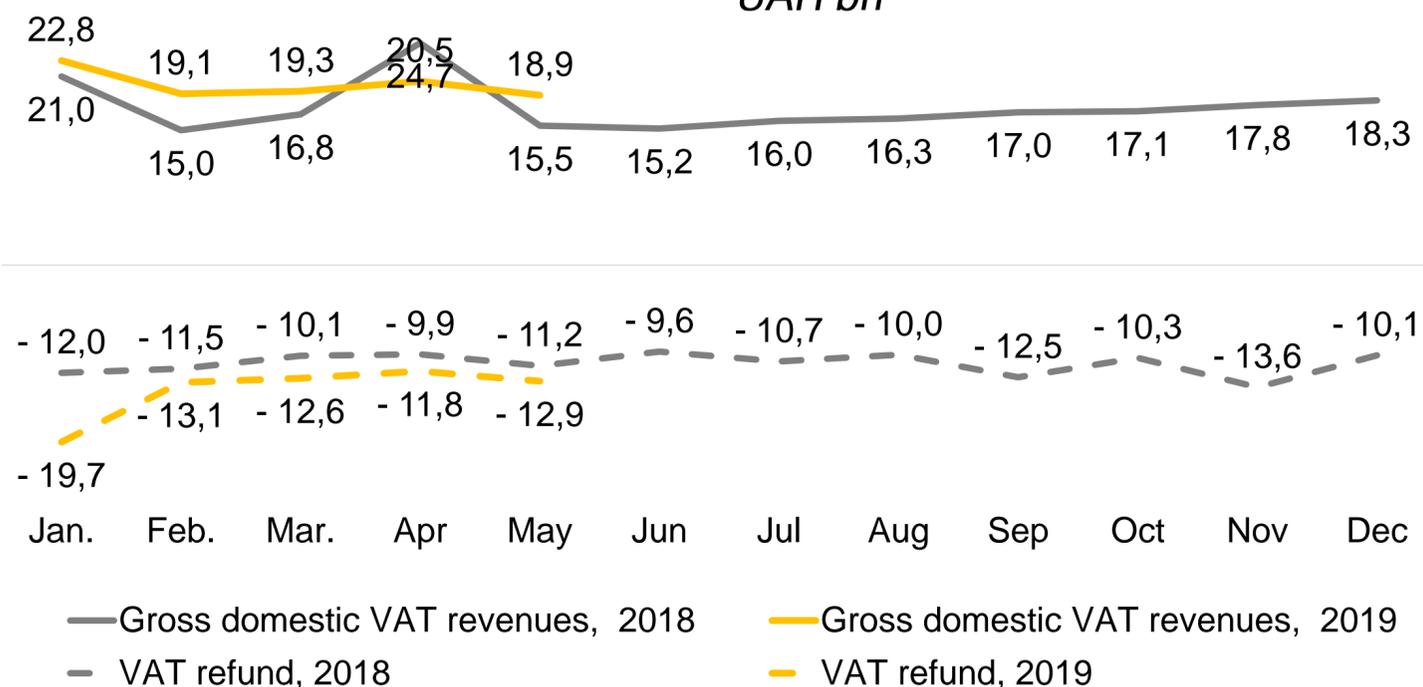
(the revenues from the single social contribution are distributed as follows: pension insurance - 85,6215%, unemployment insurance - 5,0026%, social insurance in case of temporary sickness leave, working accidents, and occupational disease - 9,3759%).



VAT

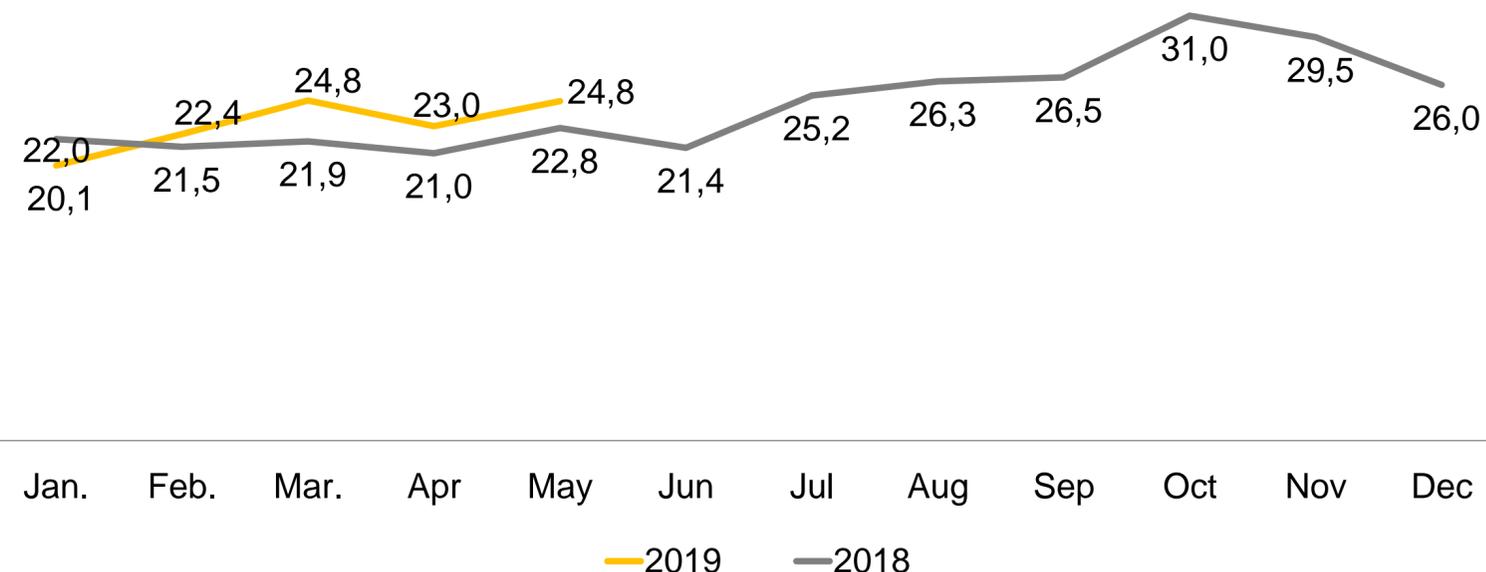
Gross domestic VAT revenues and VAT refund, Jan.-May

UAH bn



VAT revenues from imports, general fund of state budget

UAH bn



Source: Preliminary data of the State Treasury

Net domestic VAT revenues due to general fund of state budget was executed at 78.2% of target as VAT refunds surged during this period.

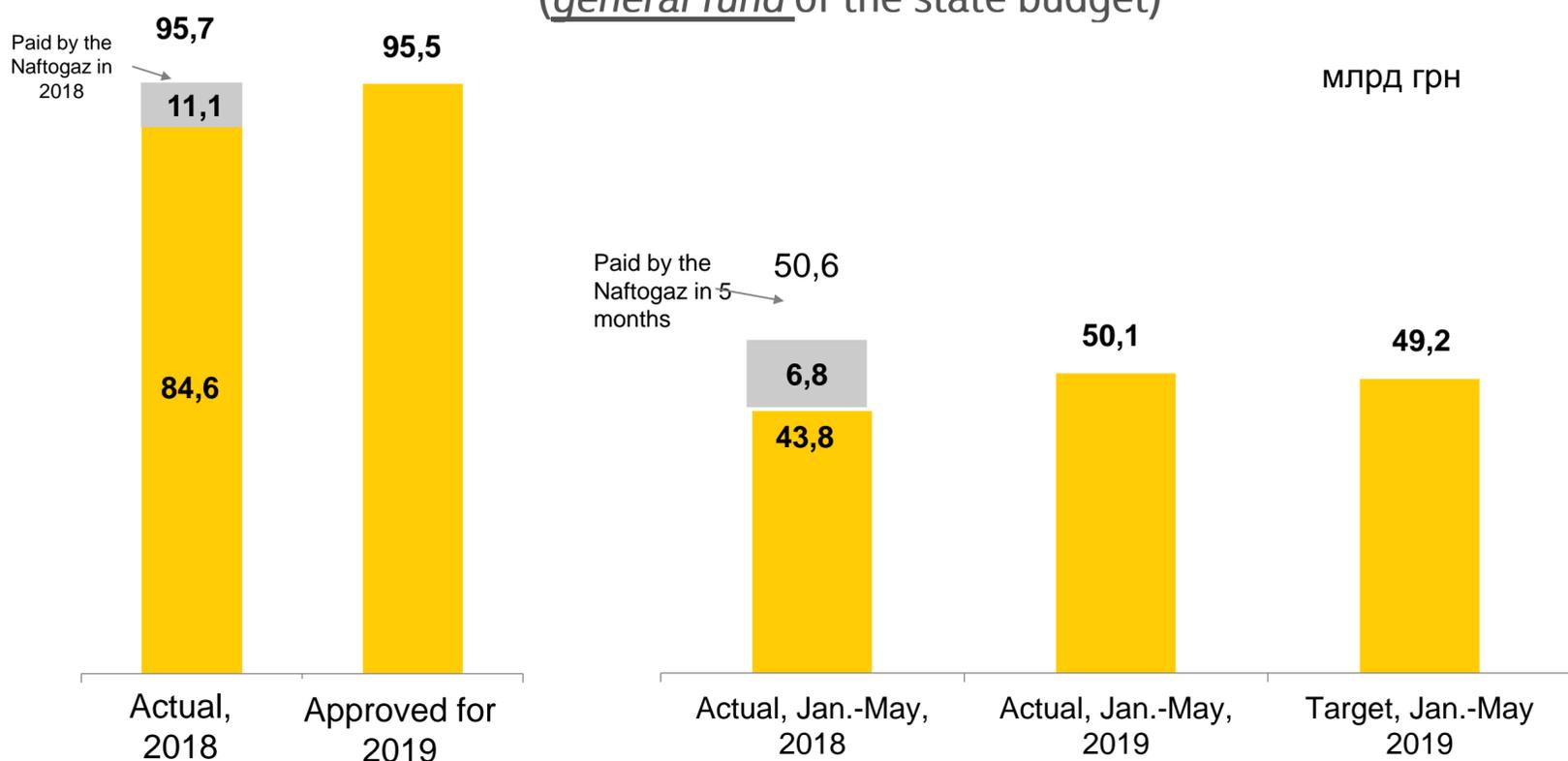
- In May, VAT refund increased by 15.5% yoy, while during 5 months of the year they surged by 28.0% yoy.
- Gross domestic VAT revenues (without VAT refunds) increased by 8.1% yoy in January-May due to increase in consumption (against the background of higher disposable income). At the same time, lower VAT revenues from the payments of the Naftogaz were explained by one-time VAT payment made by the company last year as a result of the decision of the Stockholm Arbitrage.

Revenues from VAT on imports in five months of the year increased by 5.4% yoy. Their execution totaled 88.9% of target due to stronger hryvnia, lower than forecasted imports and introduction of VAT exemption on imported solar batteries starting 2019.

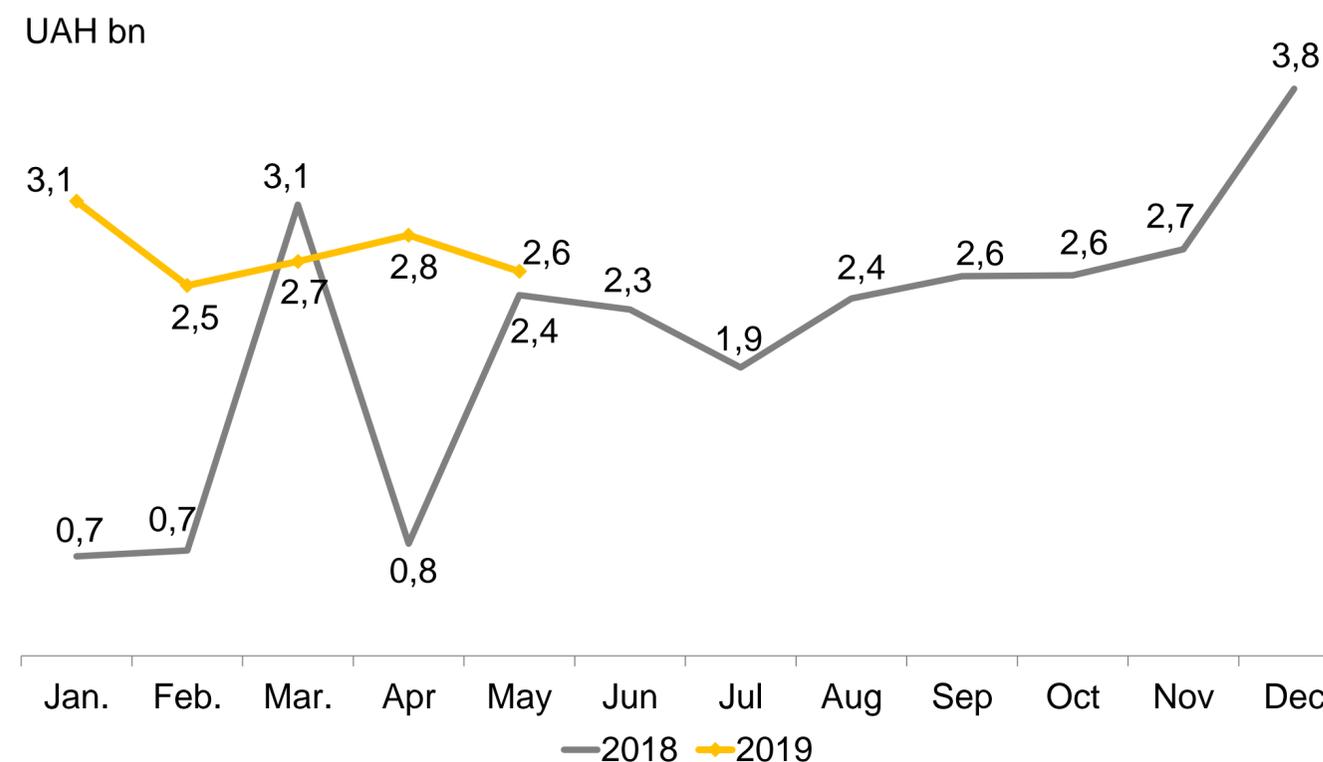


ENTERPRISE PROFIT TAX AND RENT PAYMENTS

Enterprise profit tax revenues
(*general fund* of the state budget)



Revenues from rent payments on gas extraction, state budget



Source: Preliminary data of the State Treasury

EPT revenues due to general fund of the state budget in five months of 2019 accounted for 101.9% of target. They were close to the level of last year due to following reasons:

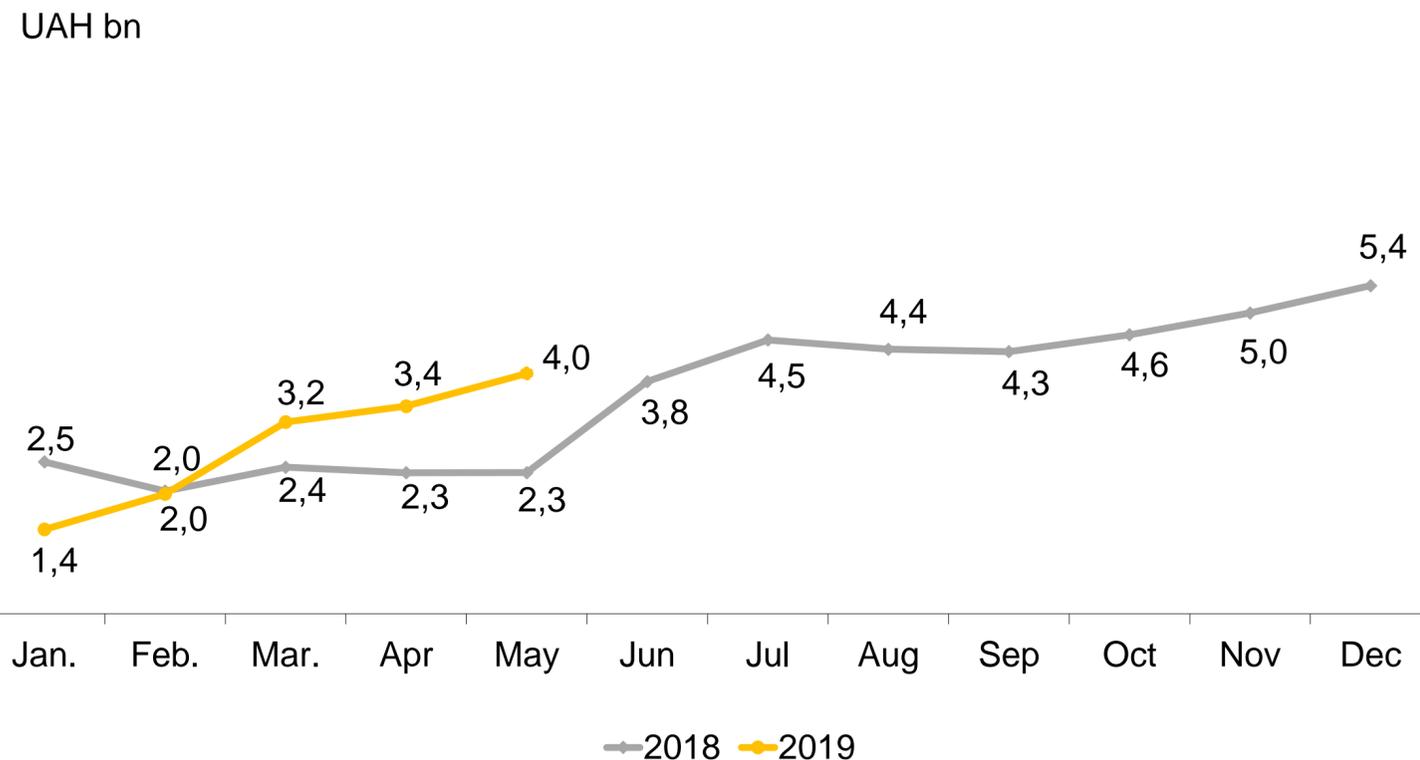
- One-time revenues from EPT paid by the Naftogaz in 2018 following the decision of the Stockholm Arbitrage.
- Decline in profits of some metallurgical companies in the first quarter by 9.4% yoy, e.g. due to decline in world prices for base metals (excluding iron ore).

Collection of rent payments due to general fund of state budget in Jan.-May increased by 46.0% yoy partially due to statistical base effect.

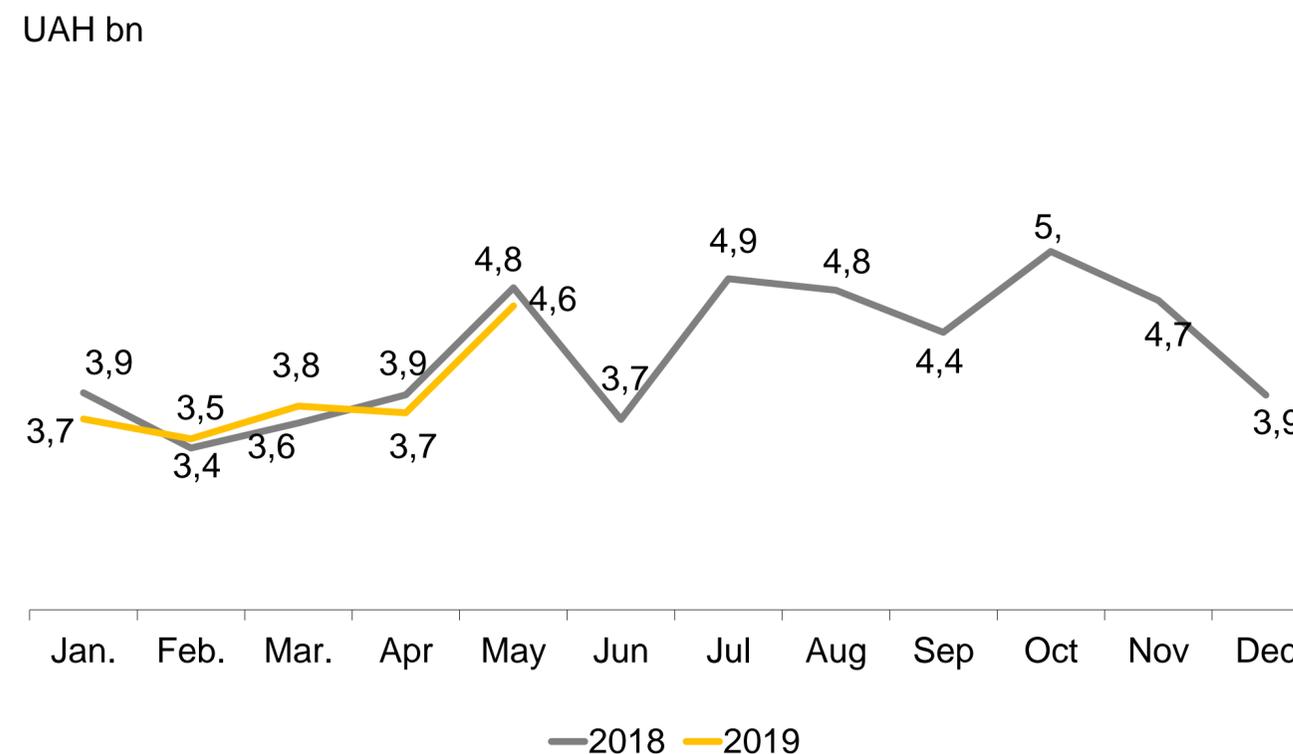


EXCISE TAX

State budget revenues from excise on tobacco products



State budget revenues from excise on fuel to the state budget



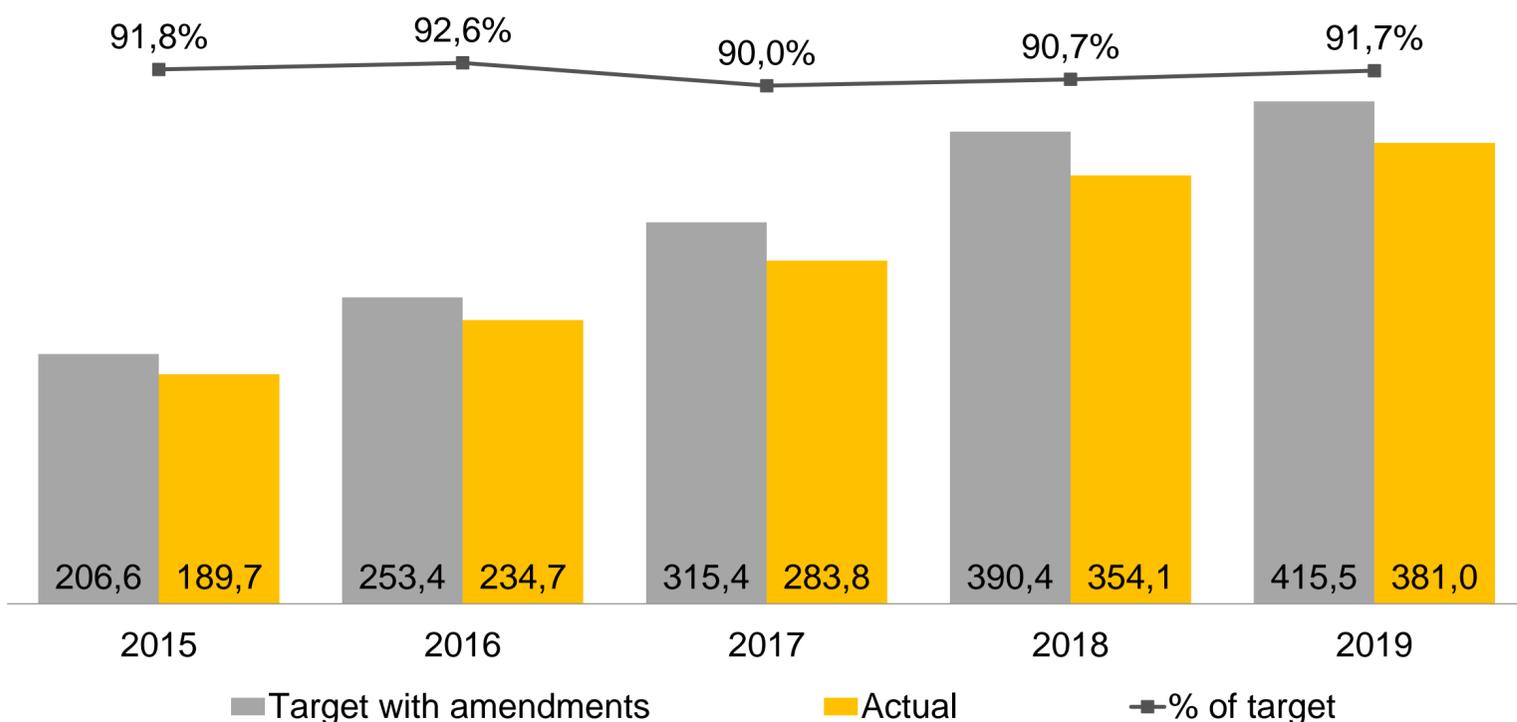
Source: Preliminary data of the State Treasury

- State budget revenues (general fund) from excise on domestically produced goods in Jan.-May increased by 4.8% yoy and accounted for 73.1% of target.
- Excise revenues from tobacco and tobacco products increased by about 20% yoy due to hike in rates. However, they were by 35.4% lower than target due to smaller than expected tobacco and tobacco products. The excise collection was also negatively impacted by the situation, when the wholesale companies filled the domestic market of tobacco products at the expense of the reduction of significant inventories of products in warehouses, the excise on which was paid before the beginning of 2019.
- State budget revenues from excise on fuel were close to last year indicator. Share of excise on imported fuel in five months of the year accounted for 80.3%.



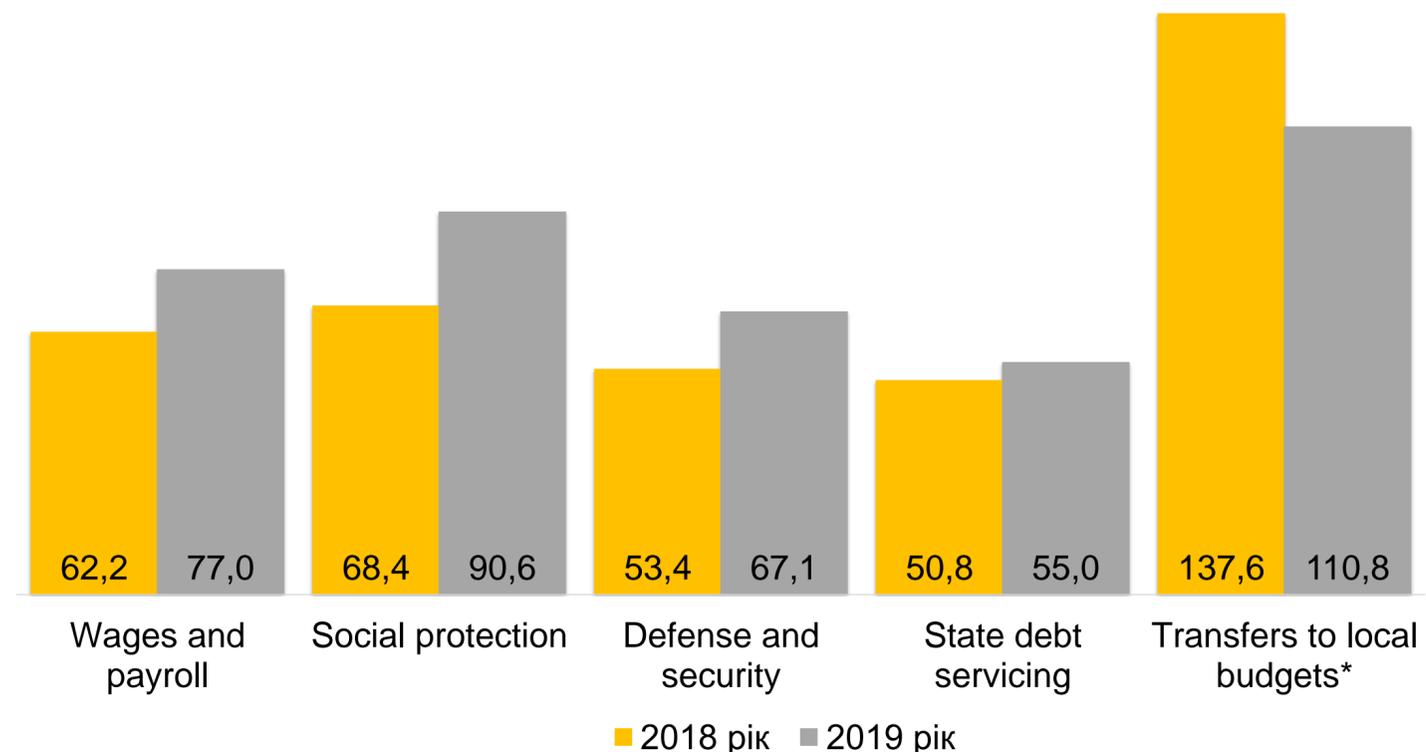
KEY FACTS ABOUT EXPENDITURES

State budget expenditures of general fund in January-May of 2015-2019



Source: Preliminary data of the State Treasury

State budget expenditures of general fund by categories, in January-May 2019



*According to the CMU resolution "On the provision of housing and utility subsidies to population in monetary form" (No.1176 from Dec. 27, 2018), the monetization of subsidies was introduced in January 1, 2019. As a result, budget allocations for this purpose are now conducted through the budget program "Payment of housing and utility subsidies and privileges to population in cash" (instead of transfer to local budgets).

- Central fiscal expenditure in the first four months of the year were financed according to the plan on the basis of opened payment requests. The largest allocations were made for wages and payroll, social protection, defense and security, debt servicing, and transfers to local budgets.
- Key reason for under-execution of expenditures include: lower than planned need in social spending, savings on debt servicing due to stronger hryvnia, delays in the preparation and approval of required documents by key spending units.

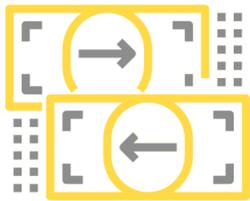


PENSION FUND BUDGET JANUARY-MAY 2019



Total expenditures of the Pension Fund
UAH 181.5 bn

Own revenues
UAH 94.3 bn



Transfer from the State Budget
UAH 87.2 bn

Source: Pension Fund of Ukraine (PFU)

Own revenues of the Pension Fund increased by 22.9% yoy to UAH 94.3 bn due to increase in average wage.

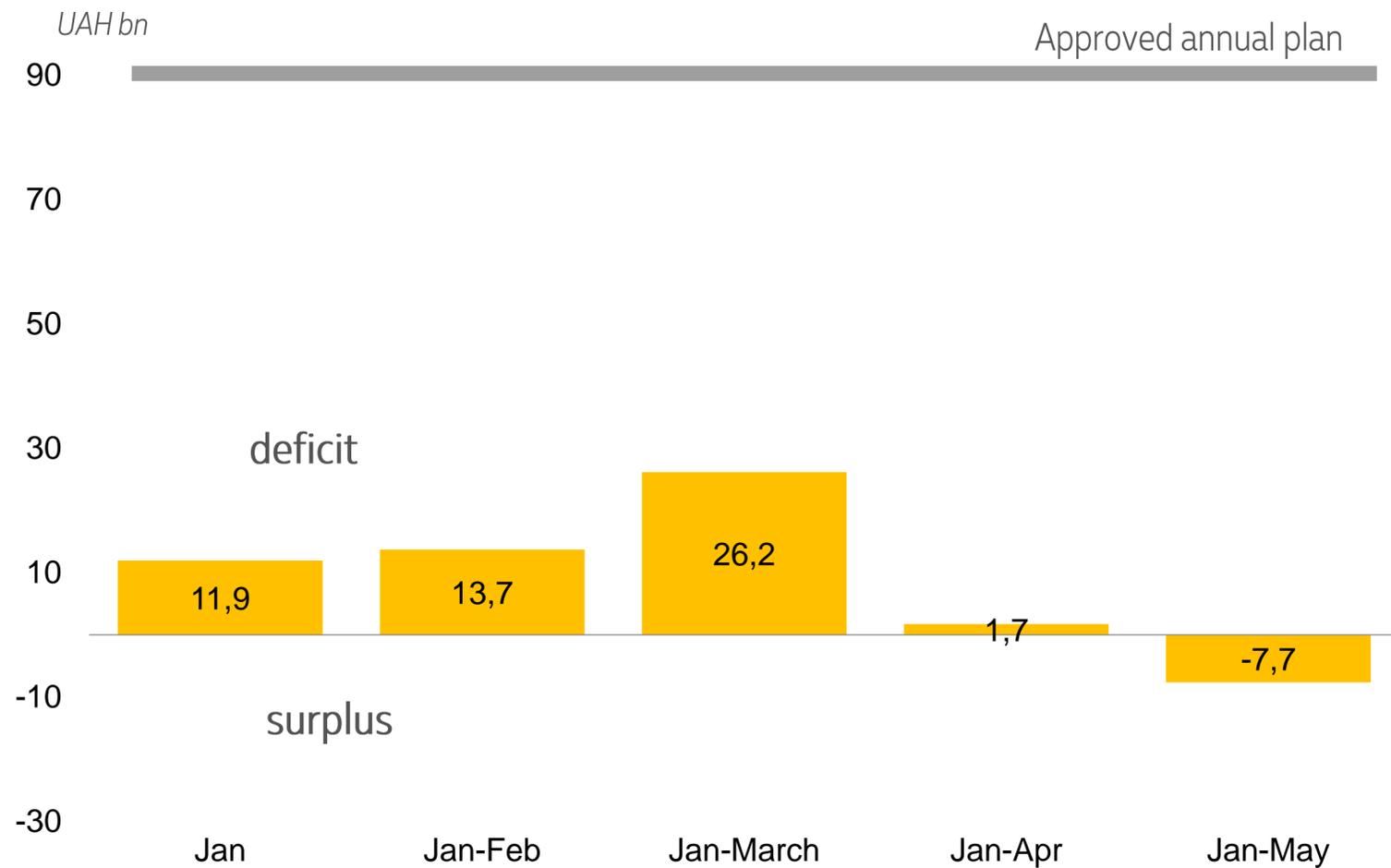
The expenditures of the Pension Fund in the first five months of the year grew by 24.7% yoy to UAH 181.5 bn (without accounting for UAH 9.9 bn of pension payments due to in January 2018, which were financed in December 2017) due to indexation of pensions, financing of one-time payments to poorer pensioners, increase in pensions to retired military staff, as well as payment of cash housing and utility subsidies by the Fund:

- Payments of pension during this period totaled UAH 168.4 bn.
- Spending on cash housing and utility subsidies amounted to UAH 10.2 bn.



KEY FACTS ABOUT FINANCING

State fiscal deficit, Jan.-May, 2019

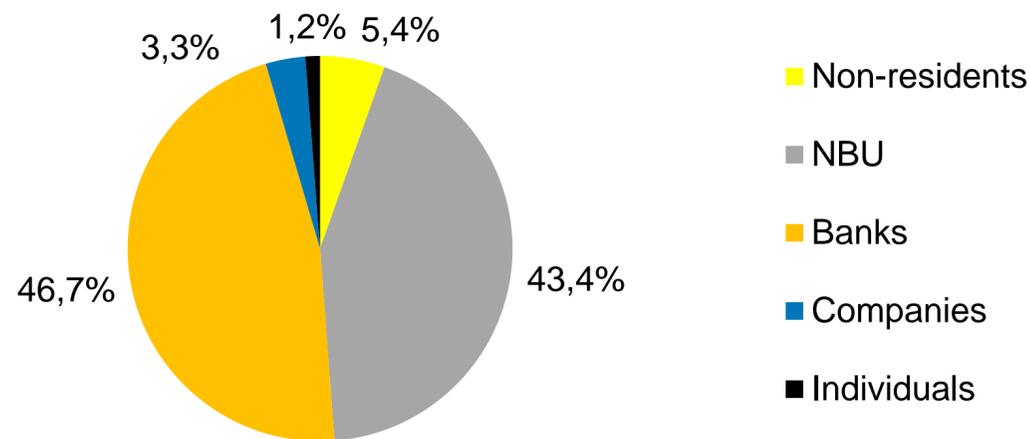


- Temporary state budget surplus equaled UAH 7.7 bn as compared to annual target of deficit at UAH 90 bn.;
- State borrowings for financing general fund of the state budget in five months of the year totaled UAH 182.2 bn, including domestic borrowings at UAH 155.5 bn and external borrowings at UAH 26.6 bn;
- State debt redemption totaled UAH 176.2 bn;
- Early repayment of bills by the Deposits Guaranteed Fund totaled UAH 6.5 bn;
- Privatization receipts totaled to only UAH 216.8 m (1.3% of annual target).
- As of June 3, there were UAH 29.5 bn at the Single Treasury Account. Besides, the Government had UAH 49.7 bn of hryvnia equivalent at FX accounts. This level of liquidity is sufficient to service debt.

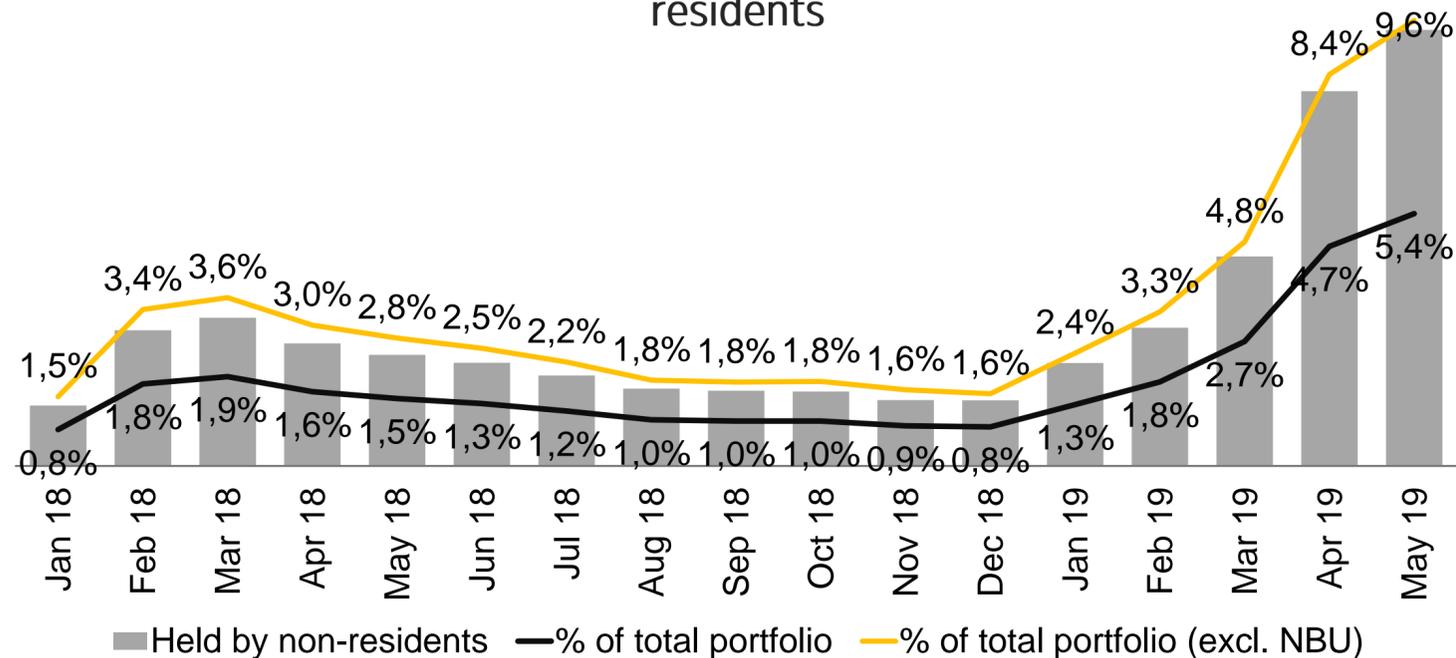


DEMAND OF NON-RESIDENTS ON GOVERNMENT DOMESTIC BONDS INCREASED

Structure of Ukraine's domestic government bonds' holders, as of May 31, 2019



Hryvnia denominated domestic government bonds in portfolio of non-residents



Джерело: НБУ

- In May, NBU kept discount rate at 17.5% (after reduction from 18.0% in April).
- Weighted average yields on issued by the MinFin government domestic bonds somewhat declined in May and continued declining in the beginning of June: :
 - from 18.6% p.a. in April to 17.84% p.a. in May for bonds denominated in UAH
 - from 5.85% p.a. in April to 5.29% p.a. in May for bonds denominated in UAH.
- Portfolio held by non-residents in May increased by 16.3% to UAH 42.2 bn. It comprised 5.4% of total government domestic bonds outstanding.
- On 27 May 2019, Clearstream, the international central securities depository (ICSD) of Deutsche Börse Group, connected the Ukrainian market to its network and made Ukrainian government securities eligible in its system. Citi acts as cash correspondent bank and local operator of Clearstream's account at the National Bank of Ukraine.
- This facilitates investments of non-residents in domestic government bonds. As a result, demand of non-residents for domestic government bonds increases against the background of macroeconomic stability.
- In May, the Government approved Medium term debt management strategy for 2019-2022:
 - Marginal state debt level in relation to GDP is to declined further from 52.3% of GDP in 2018 to 43.0% of GDP in 2022.
 - Fraction of domestic debt is to be increased, long-term concessional lending is to intensify.



LIQUIDITY MANAGEMENT

2018: Changes in liquidity management

- Increase in liquidity management period to 12 months
- Daily and monthly adjustments of expectations on the basis of data from the SFS and the State Treasury

December, 2018

- Avoidance of peak financing of expenditures in December, 2018
- So, the Government is capable to conduct spending policy without negative impact on FX market and inflation

2019

- Quick (operational) response to challenges related to stability of the single treasury account and current liquidity
- As a result, timely substitution of lower than planned privatization receipts and partially of external borrowings by domestic borrowings

Full-scale introduction of Medium-term budget planning

- Complete implementation of the effective and efficient liquidity management
- Increase in the planning horizon and higher predictability of public policy



ANNEX



KEY MACROECONOMIC INDICATORS FOR 2014-2019

Real GDP, % yoy

Year/Quarter	Q1	Q2	Q3	Q4
2014	-1,0	-4,3	-5,3	-14,4
2015	-16,0	-14,5	-7,0	-2,4
2016	0,1	1,7	2,7	4,6
2017	2,8	2,7	2,3	2,2
2018	3,3	3,8	2,8	3,5
2019	2,5			

CPI, % yoy

Year/Month	January	February	March	April	May	June	July	August	September	October	November	December
2014	100,5	101,2	103,4	106,9	110,9	112,0	112,6	114,2	117,5	119,8	121,8	124,9
2015	128,5	134,5	145,8	160,9	158,4	157,5	155,3	152,8	151,9	146,4	146,6	143,3
2016	140,3	132,7	120,9	109,8	107,5	106,9	107,9	108,4	107,9	112,4	112,1	112,4
2017	112,6	114,2	115,1	112,2	113,5	115,6	115,9	116,2	116,4	114,6	113,6	113,7
2018	114,1	114,0	113,2	113,1	111,7	109,9	108,9	109,0	108,9	109,5	110,0	109,8
2019	109,2	108,8	108,6	108,8	109,0							



KEY MACROECONOMIC INDICATORS FOR 2014-2019

PPI, change, yoy %

Year/Month	January	February	March	April	May	June	July	August	September	October	November	December
2014	102,0	103,3	103,9	107,5	108,8	115,9	122,5	124,2	126,9	125,9	132,8	131,8
2015	134,1	141,0	151,7	148,6	142,0	137,9	137,0	133,0	132,5	130,2	125,1	125,4
2016	121,2	117,4	110,5	110,1	116,4	115,7	118,3	118,9	119,6	129,2	132,0	135,7
2017	136,8	138,9	138,3	135,6	127,1	126,3	123,3	123,6	122,4	118,8	118,4	116,5
2018	122,0	119,6	115,9	114,1	116,5	118,4	118,1	119,3	118,9	116,6	116,5	114,2
2019	110,4	110,2	109,8	109,2	109,1							

Exchange rate UAH per \$ USD

Year/Month	January	February	March	April	May	June	July	August	September	October	November	December
2014	8,0	8,7	9,9	11,6	11,6	11,8	11,8	13,0	13,0	12,9	14,7	15,6
2015	15,8	24,5	23,3	22,7	20,9	21,2	21,8	21,6	21,8	21,8	23,3	23,4
2016	24,3	26,4	26,4	25,6	25,2	25,0	24,8	25,1	26,3	25,8	25,7	26,2
2017	27,2	27,0	27,0	26,9	26,4	26,1	26,0	25,6	26,1	26,7	26,7	27,5
2018	28,4	27,2	26,3	26,2	26,2	26,2	26,4	27,5	28,2	28,1	27,9	27,8
2019	27,9	27,2	26,9	26,8	26,4							



KEY MACROECONOMIC INDICATORS FOR 2014-2019

Index of industrial production, yoy %

Year	January	February	March	April	May	June	July	August	September	October	November	December
2014	95,8	96,4	95,6	95,4	96,0	96,0	94,9	93,0	92,0	91,2	90,5	89,9
2015	80,0	79,3	79,5	79,4	79,5	80,0	81,0	82,6	83,9	85,1	86,0	87,0
2016	99,0	103,8	104,5	104,5	103,8	102,6	102,3	102,5	102,5	102,4	102,6	102,8
2017	106,4	101,2	100,1	98,8	99,4	100,3	100,0	100,3	100,3	100,4	100,5	100,4
2018	104,3	103,6	102,9	103,1	103,1	103,0	103,1	102,8	102,4	102,4	102,1	101,6
2019	96,7	97,5	99,1	100,6								

Index of agricultural production, yoy %

Year	January	February	March	April	May	June	July	August	September	October	November	December
2014	105,2	105,9	105,9	105,0	104,7	96,1	103,4	106,3	116,0	107,5	105,0	102,2
2015	97,6	96,4	95,3	95,2	94,6	90,7	96,5	94,2	94,7	95,6	95,3	95,2
2016	97,5	97,9	98,3	98,3	98,7	99,7	100,5	100,1	100,9	102,8	102,9	106,3
2017	97,6	98,3	99,2	99,7	99,1	97,9	98,0	100,4	99,3	97,7	97,2	97,8
2018	101,1	99,7	99,5	99,5	100,2	111,4	99,0	102,0	104,9	109,0	108,2	107,8
2019	103,0	103,2	103,4	102,3	102,0							



KEY MACROECONOMIC INDICATORS

Average monthly real wage, change yoy %

Year	January	February	March	April	May	June	July	August	September	October	November	December
2015	-17,3	-18,2	-24,6	-29,6	-27,6	-26,3	-22,2	-19,2	-18,6	-12,7	-14,0	-9,9
2016	-13,2	-8,3	1,6	7,6	12,2	17,3	14,8	15,4	15,6	6,2	8,4	11,6
2017	21,4	18,0	18,7	20,7	20,4	18,9	17,2	17,2	17,3	19,9	21,4	18,9
2018	12,3	10,5	9,5	12,5	14,1	13,0	14,7	15,7	12,9	14,2	11,4	9,7
2019	9,5	10,7	12,5	11,2								

Index capital investment, yoy %

Year	January -March	January -June	January -September	January -December
2014	85,8	82,5	77,0	75,9
2015	85,2	90,8	94,0	98,3
2016	100,7	109,6	116,4	118,0
2017	121,4	122,5	120,7	122,1
2018	137,4	126,5	119,9	116,4
2019	117,8			



KEY MACROECONOMIC INDICATORS FOR 2014-2019

Index retail trade, change yoy %

Year	January	January - February	January - March	January - April	January - May	January - June	January - July	January - August	January - September	January - October	January - November	January - December
2014	109,0	109,0	106,8	104,7	102,9	100,2	99,0	96,0	93,6	93,2	92,5	91,1
2015	77,4	78,8	76,1	74,7	75,3	75,4	76,4	76,9	77,7	78,3	78,6	79,3
2016	98,6	98,3	99,3	102,5	101,8	102,6	102,4	103,1	104,0	103,0	103,7	104,3
2017	103,1	100,5	106,1	105,8	107,1	108,7	108,0	108,7	108,7	108,2	108,0	106,5
2018	107,5	105,4	106,2	104,4	105,0	105,1	105,2	106,1	106,5	106,3	106,3	106,2
2019	106,3	106,8	107,4	107,9								

Unemployment level, %

Year	January - March	January - June	January - September	January - December
2014	9,0	8,6	8,9	9,3
2015	9,6	9,2	9,0	9,1
2016	9,9	9,4	9,2	9,3
2017	10,1	9,6	9,4	9,5
2018	9,7	8,9	8,6	8,8
2019				



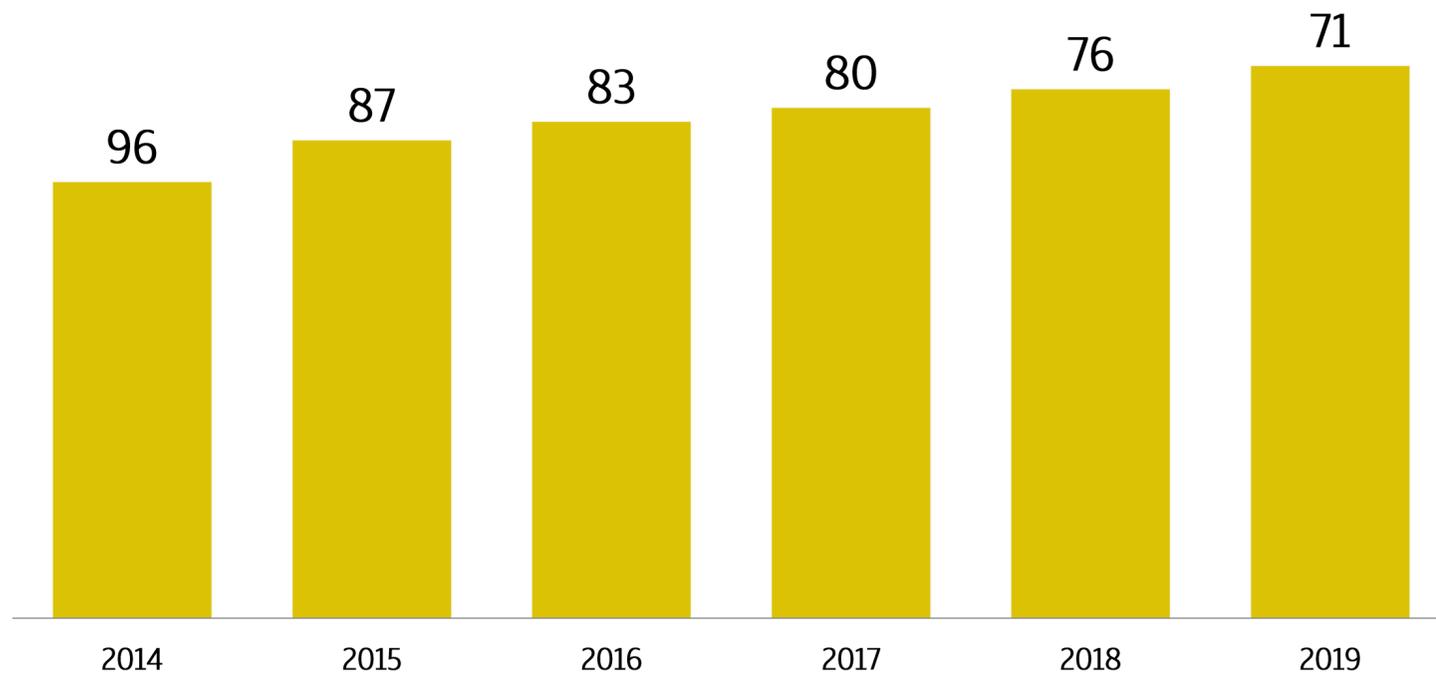
KEY CONSOLIDATED BUDGET INDICATORS IN 2015-2019, UAH m

		Revenues					Expenditures			Deficit "-" / Surplus "+"	Privatization
		Total	Personal income taxes	Corporate profit tax	VAT	Excise duty	Total	Current expenditures	Capital expenditures		
2015	Q1	140264,7	20496,9	16598,9	42987,0	13675,6	126028,3	119472,9	6555,4	13969,7	104,1
	Q2	158398,0	24222,1	7904,1	41685,8	17647,8	159206,3	153436,2	5770,1	-1699,1	12,7
	Q3	169274,5	25396,3	7009,4	45531,9	19265,6	147955,4	136290,6	11664,8	20238,3	10,1
	Q4	184093,7	29867,9	7540,7	48247,7	20206,2	246681,4	223919,2	22762,2	-63407,1	24,6
2016	Q1	163436,5	28740,4	16134,1	53086,2	21148,4	159996,6	155979,5	4017,0	3869,2	24,3
	Q2	176066,0	33872,4	11001,0	61189,4	25042,0	190430,2	181422,1	9008,2	-15148,6	17,7
	Q3	185755,5	35802,7	12902,7	54164,3	27462,2	206256,4	186631,0	19625,4	-20413,3	30,8
	Q4	257601,4	40366,3	20185,4	67066,1	28098,1	279148,8	238669,8	40479,0	-23121,1	116,1
2017	Q1	220492,2	38961,2	14498,0	80151,3	25893,7	216533,1	211208,6	5324,5	4005,3	17,0
	Q2	275479,7	45654,5	20333,6	67920,2	28888,3	227319,2	212890,3	14428,9	48136,4	93,8
	Q3	245199,0	47277,0	18254,0	75863,9	31164,4	255806,0	232636,5	23169,5	-10509,2	3192,0
	Q4	275798,6	53793,4	20311,2	90045,1	35503,0	357314,9	300347,8	56967,1	-83758,2	74,0
2018	Q1	248852,8	48890,9	31737,3	84484,6	26168,7	251947,2	244698,8	7248,4	-2989,9	34,6
	Q2	318546,4	56744,7	25377,0	89816,9	30046,8	305006,8	280077,9	24928,9	13455,9	15,3
	Q3	289767,1	58121,2	24469,2	94196,5	37669,6	284640,3	249882,2	34758,0	4073,4	27,4
	Q4	327111,8	66143,8	24598,8	106010,2	38764,7	408579,3	331343,7	77235,6	-82327,8	191,4
2019	Q1	274771,8	59959,0	31829,1	85415,3	28977,2	284310,5	274349,0	9961,5	-8966,5	184,0
	Apr-May	269551,7					223720,1			44959,4	32,9



DOING BUSINESS UKRAINE

Doing Business Ukraine

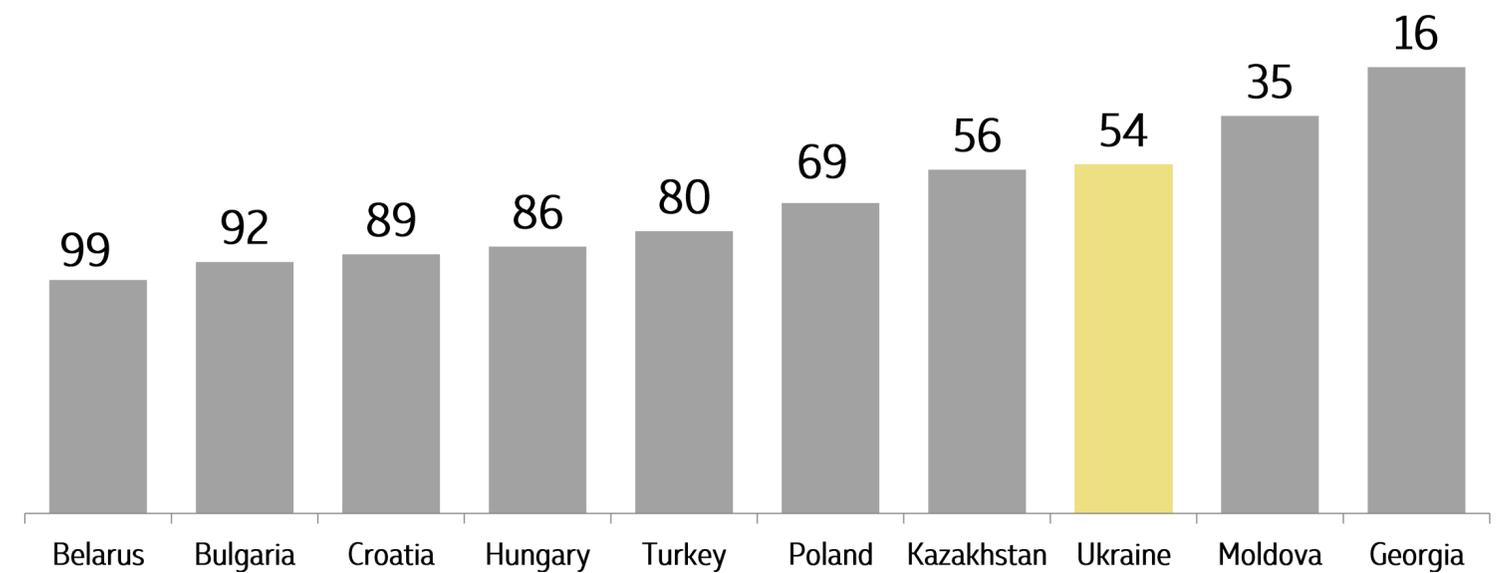


Source: World Bank

Key factors behind improvement of business-climate (Doing Business):

- Deregulation of construction permits;
- Improvement of protection of minority investors;
- Better regulation of external trade;
- Improved enforcing contracts.

Subindex «taxation» in DB2019

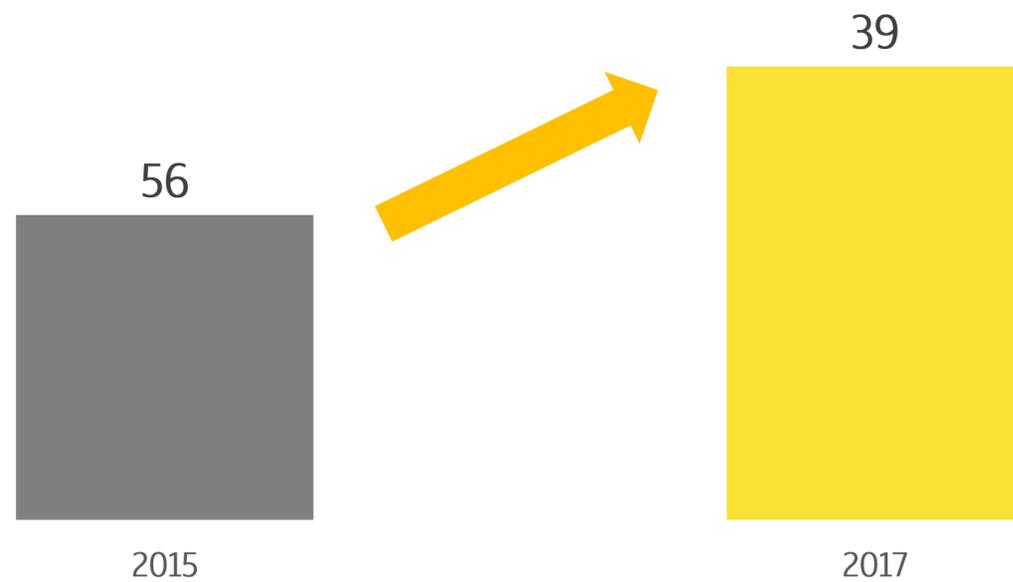


Source: World Bank



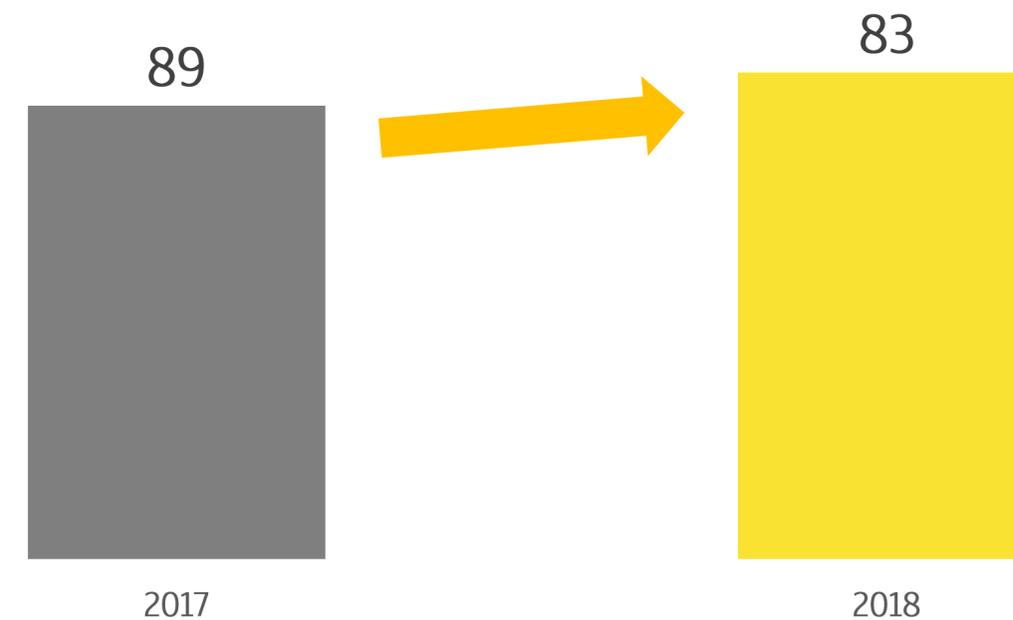
UKRAINE'S RATINGS IMPROVED

Open Budget Index



Source: International Budget Partnership

The Global Competitiveness Index



Source: World Economic Forum

- Increased efficiency and transparency of budget process:
 - Increased transparency due to MoF project «e-Data» attributed to the increased rating in **Open Budget Index** in 2017 by 19 positions to 39th place.
 - In September 2018, the 'Open Budget for citizens' was launched as a second modul of E-data portal (openbudget.gov.ua): data on Central and local budgets, state debt.



SUBSTANTIAL SUPPORT FROM INTERNATIONAL PARTNERS IN 2017-2019



International Monetary Fund

IMF 4-year Extended Fund Facility (EFF) program (2015-2019): c.USD 8.5 bn received (as of October 2018). The EFF program replaced with a new 14-month Stand-By Program

New Stand-By Arrangement (139% of quota) with total program size amounting to the equivalent of c.US\$ 3.9bn approved by the IMF Board of Directors in December 2018 (first tranche of c.US\$ 1.4bn disbursed immediately)



World Bank

USD 750m Policy-Based Guarantee (PBG) to support institutional reforms and sustainable economic growth in Ukraine approved in December 2018

Loan with total size of EUR 349m attracted under the PBG in December, 2018 + EUR 529 m attracted under the PBG in March 2019.

IFC financing and advisory expertise for public and private sectors:

First loan in national currency, financing for Ukrainian PE fund, development of PPP projects at Ukrainian sea ports, loans to support private sector development



EBRD

EBRD: EUR 543 m of project financing to public and private sector in 2018

EIB

Dedicated funding towards renewable energy sector (EUR 250m USELF III launched in June 2018)

EU

EIB: EUR 393 m of loans granted in 2018 with 34% provided to Ukrainian private sector and the rest 66% directed towards transport connectivity and road safety improvement as well as upgrade of energy and road infrastructure

EU: EUR 1 bn macro financial assistance split into 2 tranches (EUR 500m disbursed in December 2018, second tranche expected in 2019)



USA

USA: USD 250 m funding dedicated to security and defense assistance to Ukraine in 2019

USAID

USAID: Financial support to promote economic and social development together with sectoral reforms



**MINISTRY OF FINANCE
OF UKRAINE -
DRIVER OF REFORMS**