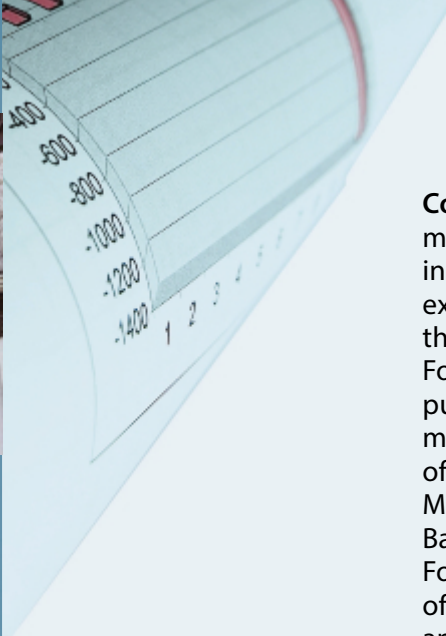


May 2015

MINISTRY OF ECONOMIC  
DEVELOPMENT AND TRADE  
OF UKRAINE

# Ukraine: PERSPECTIVES OF DEVELOPMENT

CONSENSUS FORECAST  
PRESENTATION GRAPHICS



**Consensus Forecast** is an 'averaged' value of the most important forecast economic development indicators for Ukraine calculated on the basis of expert estimates provided by participants in the Consensus Forecast survey. The Consensus Forecast for 2015–2016 presented in the publication has been calculated on the basis of materials provided by the experts of the Ministry of Economic Development and Trade of Ukraine, Ministry of Finance of Ukraine, The National Bank of Ukraine, "Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine", Ptoukha Institute for Demography and Social Studies of the National Academy of Sciences of Ukraine, Scientific and Research Economic Institute (SREI), Institute for Economic Research and Policy Consulting, Institute of Evolutionary Economics, Taras Shevchenko National University of Kyiv, International Centre for Policy Studies, Dragon Capital, CASE Ukraine, Forex Club in Ukraine, The Bleyzer Foundation, AYA Capital, Agency of Industrial Marketing and the European Economic Chamber of Trade, Commerce and Industry in Ukraine (EEIG).

**UKRAINE: PERSPECTIVES OF DEVELOPMENT – 38 CONSENSUS FORECAST** – contains materials from the seminar on macroeconomic forecasting held in May 2015. Consensus Forecast content is an 'averaged' value of forecast of the major macroeconomic indicators for Ukraine calculated on the basis of expert estimates provided by participants in the Consensus Forecast survey. Leading experts are invited to express their opinion on evaluation of current economic situation, forecast of future trends and strategic vision of socio-economic development. Consensus Forecast publication serves as a user-friendly and practical tool, which is aimed at increasing the quality of macroeconomic forecasting and marshalling more active expert debates on macroeconomic stability. Consensus Forecast seminars promote knowledge sharing and information exchange among major forecasting organizations (governmental institutions, international financial organizations, scientific research institutes, analytical centres, non-governmental organizations etc). In general Consensus Forecast initiative is aimed at supporting the managerial decision-making process with unbiased, independent and realistic estimates of macroeconomic indicators based on analyses of world economic growth tendencies, internal drivers of national economic growth and their impact on living standards.



# MAIN MACROECONOMIC INDICATORS FOR 2010–2014<sup>1</sup>

INDICATOR	YEAR				
	2010	2011	2012	2013	2014
<b>National Accounts, UAH bln</b>					
Nominal GDP	1 079.3	1 300.0	1 404.7	1 465.2	1 566.7
Consumption	897.6	1 094.2	1 221.2	1 329.6	1 409.8
Gross capital formation	225.3	291.7	305.0	270.9	221.0
Net exports of goods and non-factorial services	-43.5	-85.9	-121.5	-135.3	-64.0
<b>Index, year to year (% , annual change)</b>					
Real GDP	104.1	105.5	100.2	100	93.2
Consumption	106.3	111.3	107.4	105.2	92.6
Gross fixed capital formation	103.2	108.5	105	91.6	77.0
Exports of goods and services	104.1	102.7	94.4	91.9	85.5
Imports of goods and services	114.4	115.4	103.8	96.5	77.9
<b>Output of particular economic sectors, % , year to year</b>					
Agriculture	98.6	120.2	96.1	113.6	102.8
Industrial production	112.0 <sup>2</sup>	108.0	99.3	95.7	89.9
<b>Inflation, index (% , annual change)</b>					
Consumer price index (annual average)	109.4	108.0	100.6	99.7	112.1
Dec. versus Dec. of the previous year	109.1	104.6	99.8	100.5	124.9
Producer price index (annual average)	120.9	119.0	103.7	99.9	117.1
Dec. versus Dec. of the previous year	118.7	114.2	100.3	101.8	131.8

INDICATOR	YEAR				
	2010	2011	2012	2013	2014
<b>External sector, US\$ bln</b>					
Current account	-4.8	-11.3	-15.6	-18.3	-5.3
Exports of goods and services	64.0	81.3	83.9	78.7	65.3
Imports of goods and services	-69.5	-92.1	-99.1	-95.7	-70.7
Financial account	-9.7	-8.7	-11.4	-20.3	8.4
Foreign direct investments	-5.6	-6.6	-6.9	-3.9	-0.3
NBU International Reserve, US\$ bln (as of the end of period)	34.6	31.8	24.5	20.4	7.5
<b>Exchange rate, UAH/US\$</b>					
Average	7.94	7.97	7.99	7.99	11.9
End of period	7.96	7.99	7.99	7.99	15.8
<b>Public finances, UAH bln</b>					
Revenue of the Consolidated Budget	314.5	398.6	445.5	442.8	456.1
Expenditure of the Consolidated Budget	379.1	421.6	492.5	505.8	523.1
Total balance of the Consolidated Budget	-64.6	-23.1	-46.9	-63.6	-72.0
Public debt and government-backed debt of Ukraine	432.3	473.2	515.5	584.8	1 100.8
<b>Social indicators</b>					
Unemployment rate (ILO methodology) aged 15–70, percent of the economically active population in respective age group	8.2	8.0	7.6	7.3	9.3
Averaged wage of workers, UAH	2250	2648	3041	3282	3480

<sup>1</sup> Indicators including the temporarily occupied territory of the Autonomous Republic of Crimea and the city of Sevastopol.

<sup>2</sup> Indicators excluding the temporarily occupied territory of the Autonomous Republic of Crimea and the city of Sevastopol.

# CONSENSUS FORECASTS FOR 2015–2016

(AS OF MAY 2015)

INDICATOR	YEAR					
	2015	2016	2014		2015	
	Average		MIN	MAX	MIN	MAX
<b>National accounts</b>	UAH billion					
Nominal GDP	1 955.8	2 282.1	1 691.0	2 153.4	1 867.6	2 795.5
Consumption	1 732.8	1 990.4	1 498.0	1 945.9	1 587.4	2 513.1
Private	1 372.0	1 582.3	1 154.0	1 515.7	1 198.5	1 929.8
Government	358.4	404.8	292.1	439.7	259.9	583.3
Gross capital formation	274.9	317.3	221.0	364.7	239.0	383.3
Gross fixed capital formation	257.4	301.4	219.0	301.5	260.0	380.5
Net exports of goods and non-factorial services	-51.4	-24.6	-18.4	-108.0	40.0	-77.1
<b>National accounts</b>	index, year to year (% annual change)					
Real GDP	91.7	100.7	87.7	94.5	97.0	103.0
Consumption	89.1	100.2	76.5	100.0	95.7	103.4
Private	85.5	100.7	67.7	92.5	95.2	105.8
Government	92.9	98.1	77.3	103.0	83.9	103.2
Gross fixed capital formation	78.8	103.3	66.5	89.5	94.2	115.0
Exports of goods and services	81.6	102.7	71.0	94.8	92.4	108.0
Import of goods and services	77.5	101.6	68.0	92.1	94.4	108.3

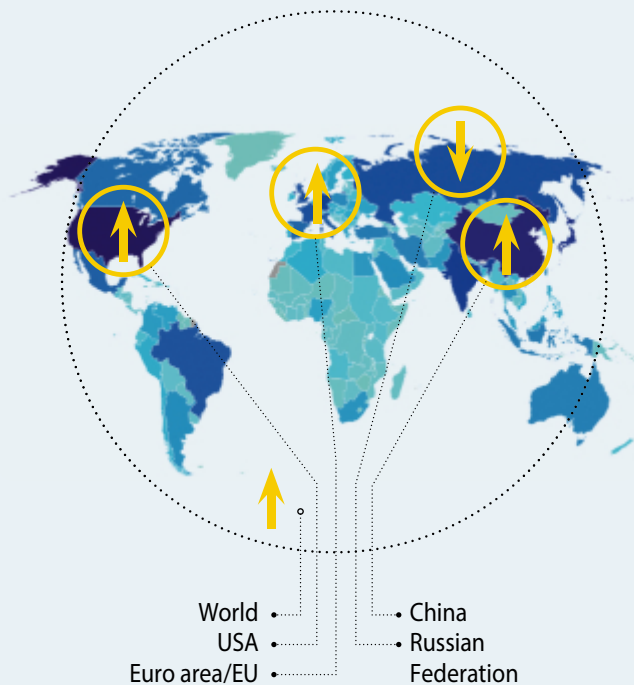
INDICATOR	YEAR					
	2015	2016	2014		2015	
	Average		MIN	MAX	MIN	MAX
<b>Output of particular economic sectors</b>	%, year to year					
Agriculture	97.0	101.1	89.0	104.7	94.0	105.0
Industrial production	87.8	101.9	80.4	94.3	94.0	114.3
<b>Inflation</b>	index (%)					
Deflator of the GDP (annual average)	136.1	115.8	115.0	154.7	109.0	130.0
Consumer price index (annual average)	144.8	117.2	123.0	158.8	111.0	128.0
Dec. versus Dec. of the previous year	148.4	114.8	139.7	167.8	108.0	131.4
Producer price index (annual average)	139.6	115.6	131.0	150.5	107.5	132.0
Dec. versus Dec. of the previous year	136.2	114.0	124.0	158.9	106.0	130.0
<b>External sector</b>	US\$ billion					
Current account	-2.0	-1.2	-0.3	-3.7	0.3	-3.8
Exports of goods and services	51.9	53.3	42.9	68.7	43.2	61.8
Imports of goods and services	-54.0	-54.5	-45.1	-70.8	-47.0	-60.3
Financial account	1.0	2.6	12.2	-7.0	8.5	-1.9
Foreign direct investments	1.2	2.5	0.5	2.3	0.7	3.6
NBU International Reserve, US\$ mln (as of the end of period)	11.8	15.4	5.0	18.2	6.0	25.4

INDICATOR	YEAR					
	2015	2016	2014		2015	
	Average		MIN	MAX	MIN	MAX
<b>External sector</b>	percentage of GDP					
Current account	-2.4	-1.3	-0.3	-5.2	0.3	-5.4
Exports of goods and services	62.7	59.3	52.4	83.1	47.1	81.3
Imports of goods and services	-65.2	-60.6	-55.5	-85.6	-50.0	-82.9
Financial account	1.3	3.3	12.7	-8.8	8.5	-1.7
Foreign direct investments	1.4	2.8	0.5	2.5	1.0	5.1
NBU International Reserve, US\$ bln (as of the end of period)	14.2	17.1	6.6	19.2	6.6	27.0
<b>External sector</b>	%, year to year (nominal)					
Exports of goods and services	79.4	104.1	65.7	105.2	88.2	116.2
Import of goods and services	82.6	101.9	69.1	108.4	85.2	109.4
<b>Exchange rate</b>	UAH / USD					
Average rate	23.65	25.37	22.00	26.00	22.25	29.00
End of period	24.97	25.62	21.65	29.00	22.50	32.00
<b>Public finances</b>	UAH billion					
Revenue of the Consolidated Budget	559.3	639.7	476.0	635.3	521.8	840.9
Expenditure of the Consolidated Budget	623.7	697.4	523.0	747.2	567.0	918.5
Total balance of the Consolidated Budget	-64.4	-57.6	-8.5	-112.0	-11.4	-122.3



INDICATOR	YEAR					
	2015	2016	2014		2015	
	Average		MIN	MAX	MIN	MAX
The balance of the general government (including the Pension Fund of Ukraine)	-111.3	-102.9	-78.9	-157.1	-82.2	-164.8
The balance of «Naftogaz» Ukraine (IMF methodology)	-63.0	-33.2	-58.0	-68.3	-5.0	-68.9
Public debt and government-backed debt of Ukraine	1 619.0	1 793.1	1 325.9	1 789.0	1 146.0	2 585.9
<b>Public finances</b>	percentage of GDP					
Revenue of the Consolidated Budget	28.6	28.0	24.9	32.5	23.9	32.1
Expenditure of the Consolidated Budget	31.9	30.6	26.2	36.5	26.7	33.8
Total balance of the Consolidated Budget	-3.3	-2.5	-0.4	-5.2	-0.4	-4.5
The balance of the general government (including the Pension Fund of Ukraine)	-5.7	-4.5	-3.9	-9.3	-3.5	-8.8
The balance of «Naftogaz» Ukraine (IMF methodology)	-3.2	-1.5	-2.9	-3.6	-0.2	-3.4
Public debt and government-backed debt of Ukraine	82.8	78.6	65.0	92.1	61.4	92.5
<b>Social indicators</b>						
Unemployment rate (ILO methodology) aged 15–70, percent of the economically active population in respective age group	10.5	9.4	8.0	13.0	6.0	13.0
Averaged wage of workers, UAH	3 781	4 277	3 150	4 686	3 497	6 004

# CONSENSUS ASSUMPTIONS OF MACROECONOMIC FORECAST



- ✓ among external assumptions most significant changes have occurred in estimates of development of Russian Federation which became negative from positive ones and also expectations of oil prices on the world market decrease significantly;
- ✓ among internal assumptions among experts most reviewed assumptions about price parameters: cost of gas for the population was increased in times, as well as discount rate of the NBU. Also notable is the reviewing of incomes, minimum wage and budget revenues from privatization were reduced.

INDICATOR	2015	2016
<b>GDP, % real change:</b>		
Russian Federation	-3.4	-1.0
USA	3.0	2.9
China	6.3	6.5
Euro area/EU	1.4	1.6

INDICATOR	YEAR				
	2015				2016
	May 2014	September 2014	December 2014	May 2015	May 2015
<b>GDP, % real change:</b>					
Russian Federation	1.6	1.1	-0.6	-3.4	-1.0
USA	2.9	3.0	3.0	3.0	2.9
China	7.1	7.2	7.2	6.3	6.5
Euro area/EU	1.7	1.5	1.3	1.4	1.6
<b>Prices of Brent crude oil, US\$/barrel (annual average)</b>	103.7	112.0	71.1	61.5	70.5
<b>Price of steel, % to previous year (annual average)</b>	-	-	-	17.2	23.5
<b>Exchange rate, euro/US\$ (annual average)</b>	1.4	1.3	1.2	1.1	1.1
<b>Price of natural gas, US\$ per 1000m3 (annual average)</b>	384.1	372.3	339.6	279.9	287.0
<b>Changes in tariffs on municipal services (December to December), which is base for calculating consumer price index,%, in particular:</b>					
natural gas	40.0	41.1	52.5	362.4	16.4
hot water, heating	37.9	38.9	50.0	69.1	36.4
electricity	25.0	24.3	21.4	45.4	38.4
<b>Minimum wage, UAH (annual average)</b>	1 358.1	1 325.1	1 312.8	1 242.6	1 425.9
<b>Gross grain yield, million tons</b>	55.4	60.0	60.7	56.9	58.1
<b>Discount rate, %, end of period</b>	9.9	11.4	13.2	25.6	21.3
<b>Average weighted average annual rate on credits of commercial banks in national currency, %</b>	-	-	-	29.8	25.0
<b>Net use of IMF resources by the National Bank of Ukraine and the government of Ukraine, US\$ bln</b>	7.9	5.4	9.6	10.0	6.8
<b>Budget revenue from privatization, UAH mln</b>	6 192.6	5 609.1	5 569.9	4 083.3	2 800.0

# DOMESTIC AND FOREIGN RISKS FOR 2015–2016: INTEGRAL ESTIMATES (AS OF MAY 2015)

We offer you a consensus assessment of risks for 2015–2016. The experts assessed risks against two criteria – the probability of the occurrence of a specific risk and the impact of the risk on the economy of Ukraine – using the following scale:

## ESTIMATES OF PROBABILITY OF OCCURRENCE

Considerable probability (50–60%) of risk	4
Medium probability (30–49%) of risk	3
Moderate probability (10–29%) of risk	2
Small probability (under 10%) of risk	1
The risk is not probable	0

## ESTIMATES OF IMPACT ON THE ECONOMY

Significant impact	4
Moderate impact	3
Small impact	2
Insignificant impact	1
No impact	0

Based on the materials provided, an integral estimate of risks was calculated as a sum of the estimates of the probability of the occurrence and the impact on the economy of Ukraine, weighed by the number of respondents.



Risks for 2015 were estimated for the fourth time, whereas risks for 2016 were estimated for the first time. The highest possible consensus estimate for foreign and domestic risks has a value of 16.

Given negative trends in development of the national economy in current year and uncertainty of future international cooperation, results of polls showed multidirectional dynamics in expert's estimations of domestic and foreign risks.

Among domestic risks in 2015, experts gave a high integral estimate (from 9 to 13) for most risks / phenomenon (66.7% of the total amount).

The highest integral estimate (13) has:

- ✓ expansion of the insolvency of the real economy;
- ✓ accumulation of the population's negative inflation expectations.

Also high estimate (12) experts gave to risks / phenomena which are directly related to remaining low credit activity of commercial banks.

According to complex conditions and threats of the domestic economy due to expert's estimations

high place (integral estimate 11) was occupied by following risks / phenomenon:

- ✓ worsening shortages of energy resources in the country (including coal);
- ✓ strengthening of devaluation tendencies on the monetary market.

Besides, experts gave a high estimate risks / phenomena about considerable emission to finance the budget deficit (integral estimate 9). The leading foreign risks in 2015 are considered to be those which are directly related to military confrontation in the eastern part of Ukraine (integral estimate 12):

- ✓ escalation of Ukrainian–Russian conflict;
- ✓ massive outflow of capital from Ukraine due to the political instability.

Experts gave high estimates to the following risks / phenomena:

- ✓ curtailment of investment plans by foreign companies or postponement for the immediate future due to the macroeconomic uncertainty (integral estimate 11);
- ✓ failure to obtain planned financing from the IMF (integral estimate 10);

- ✓ slow recovery of the global economy and proceeding minor amount of donor's support (integral estimate 9).

As about realization of domestic risks and phenomena for 2016, so it should be noted decreasing integral estimates for all risks / phenomena comparing to estimates for 2015.

So, the highest integral estimate was given to expansion of the insolvency of the real economy (integral estimate 10 comparing 13 for 2015) and remaining low credit activity of commercial banks (integral estimate 10 comparing 12 accordingly).

At the same time high integral estimates have such risks / phenomena (estimate 9 for 2016):

- ✓ accumulation of the population's negative inflation expectations;
- ✓ worsening shortages of energy resources in the country (including coal);
- ✓ strengthening of devaluation tendencies on the monetary market;
- ✓ significant growth in the state budget deficit and cash shortfalls for the Pension Fund,

other state social insurance funds and Naftohaz Ukrainy NJSC;

- ✓ considerable emission to finance the budget deficit;
- ✓ low crop yields.

Among foreign risks / phenomena for 2016 highest integral estimate (12) has deficit of external funding and limited opportunities to access international capital markets. At the same time high estimate was given to escalation of Ukrainian-Russian conflict (integral estimate 11).

Integral estimate 9 has the following groups of risks / phenomena:

- ✓ curtailment of investment plans by foreign companies or postponement for the immediate future due to the macroeconomic uncertainty (integral estimate 11 for 2015);
- ✓ failure to obtain planned financing from the IMF (integral estimate 10 accordingly);
- ✓ slow recovery of the global economy and remaining low prices on world raw markets (integral estimate 9 accordingly);
- ✓ proceeding minor amount of donor's support (integral estimate 9 accordingly).

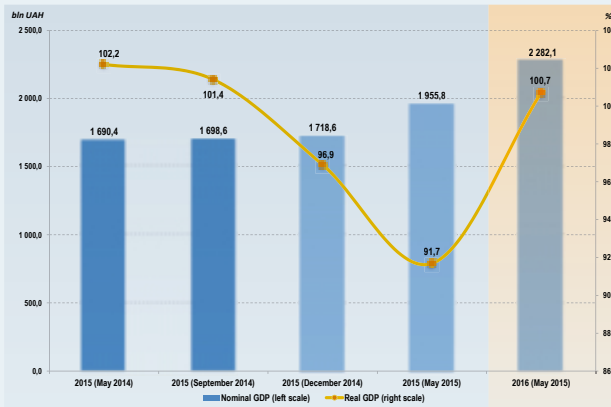
DOMESTIC RISKS / PHENOMENON	2015			2016		
	Integral estimate	Estimates of probability of occurrence	Estimates of impact on the economy of Ukraine	Integral estimate	Estimates of probability of occurrence	Estimates of impact on the economy of Ukraine
Expansion of the insolvency of the real economy	13	4	3	10	3	3
Accumulation of the population's negative inflation expectations	13	4	3	9	3	3
Remaining low credit activity of commercial banks	12	4	3	10	3	3
Worsening shortages of energy resources in the country (including coal)	11	3	4	9	3	3
Strengthening of devaluation tendencies on the monetary market	11	3	4	9	3	4
Considerable emission to finance the budget deficit	9	3	3	9	3	3
Significant growth in the state budget deficit and cash shortfalls for the Pension Fund, other state social insurance funds and Naftohaz Ukrainy NJSC	8	2	4	9	3	3
Low crop yields	8	2	3	9	3	3
Defaulting on the country's obligations	8	3	3	7	2	3
Substantial increase in natural gas tariffs for the population	x	x	x	8	2	3
Substantial increase in natural gas tariffs for industry	x	x	x	7	2	3

FOREIGN RISK / PHENOMENON	2015			2016		
	Integral estimate	Estimates of probability of occurrence	Estimates of impact on the economy of Ukraine	Integral estimate	Estimates of probability of occurrence	Estimates of impact on the economy of Ukraine
Deficit of external funding and limited opportunities to access international capital markets	12	3	4	12	3	4
Escalation of Ukrainian–Russian conflict	12	3	4	11	3	4
Curtailement of investment plans by foreign companies or postponement for the immediate future due to the macroeconomic uncertainty	11	4	3	9	3	3
Failure to obtain planned financing from the IMF	10	3	4	9	2	4
Slow recovery of the global economy and remaining low prices on world raw markets	9	3	3	9	3	3
Proceeding minor amount of donor's support	9	3	3	9	3	3
Implementation of an Association Agreement between Ukraine and the European Union	7	3	3	8	3	3
Further introduction of other countries' trade restrictions allowed by the WTO that adversely affect Ukrainian exports	6	2	3	5	2	2
Significant devaluation of the Euro / Dollar	4	2	2	3	2	2
Action of import restrictions by Ukraine for improving balance of payments	x	x	x	6	2	2

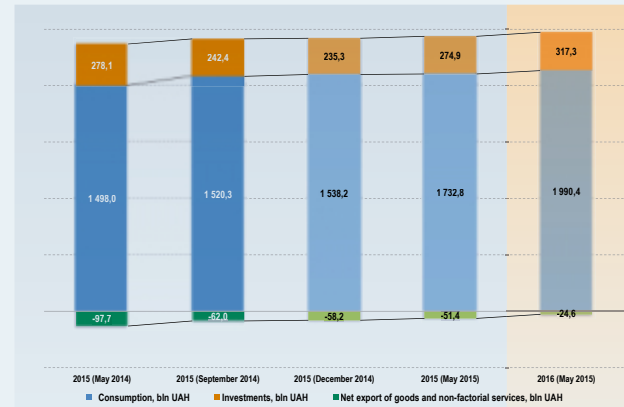


# FORECAST OF MACROECONOMIC INDICATORS FOR 2015–2016

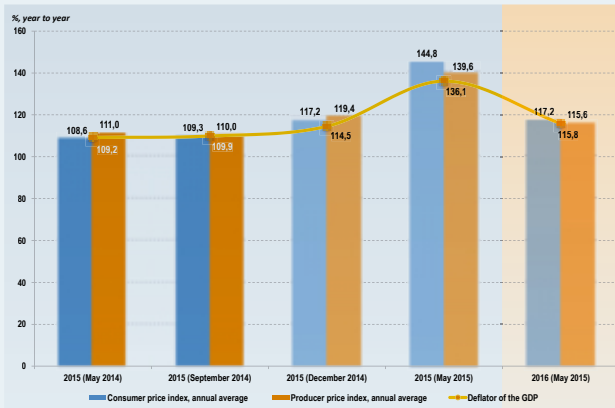
Considering that according to the Action Plan to improve the Strategy of State Statistics Development till 2017, in 2014 year was held a transition to calculations of statistic information based on methodological changes provided by updated international standards in the area of national accounts System of National Accounts 2008 (SNA 2008) with use of a new version of Classification of Types of Economic Activity 2010 (NACE 2010), since December 2014 are based on “Methodological positions of the updated version of System of National accounts 2008” (Order of the State Statistics Service of Ukraine 17.12.2013 # 398). Therefore, there is incorrect comparing with previous projections.



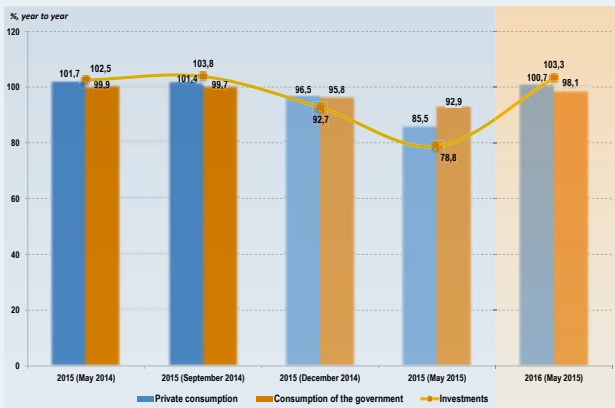
Consensus forecast of nominal and real GDP in 2015–2016



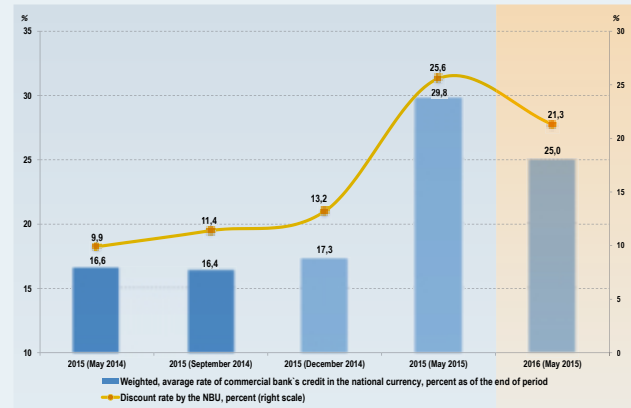
Consensus forecast of main GDP components by final consumption expenditure category in 2015



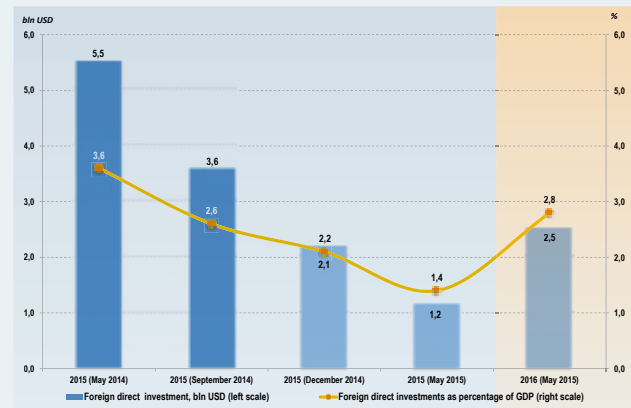
Consensus forecast of price indices for 2015–2016



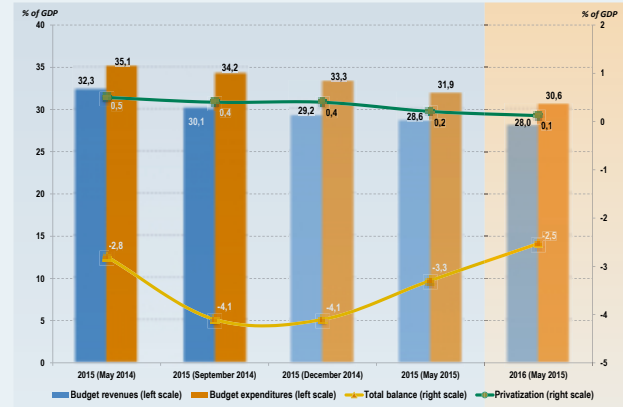
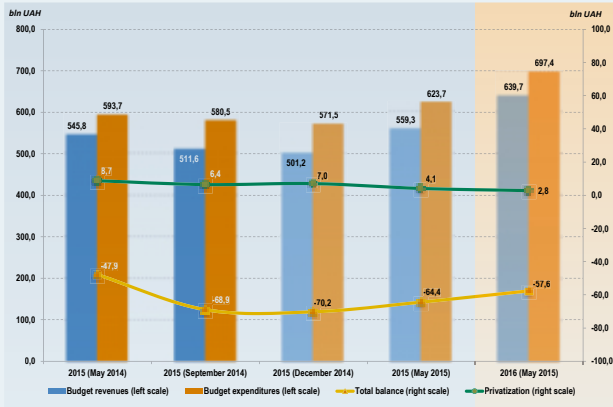
Consensus forecast of private and government consumption and gross fixed capital formation in 2015



Consensus forecast of indicators of banking area in 2015–2016

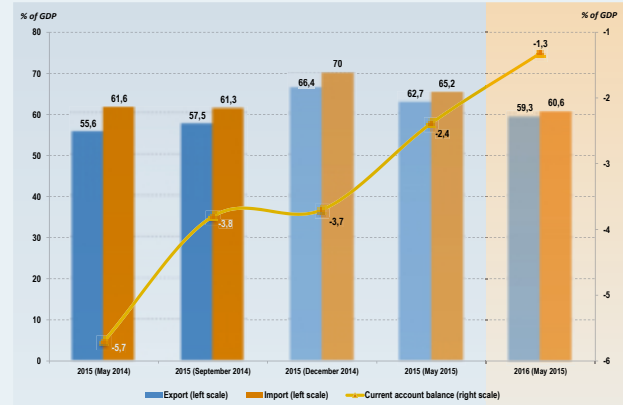
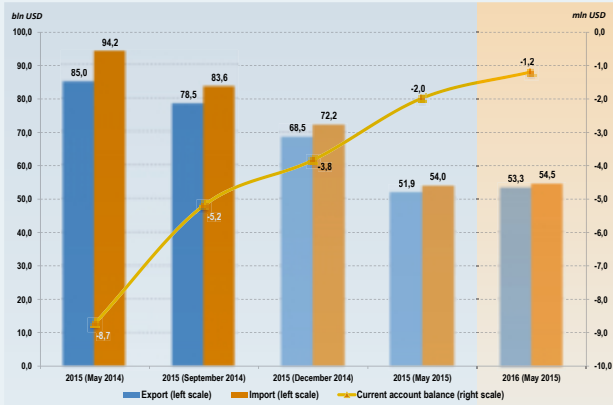


Consensus forecast of net inflow of foreign direct investments in 2015–2016



Consensus forecast of budgetary indicators in 2015–2016

Consensus forecast of budgetary indicators as percentage of GDP in 2015–2016



Consensus forecast of volume of exports and imports of goods and services and average value of negative current account balance in 2015–2016

Consensus forecast of percentage of exports and imports of goods and services in GDP structure and average value of negative current account balance in GDP in 2015–2016

**UKRAINE: PERSPECTIVES OF DEVELOPMENT (CONSENSUS FORECAST)** is a publication prepared by the Department of Economic Strategy and Macroeconomic Forecasting of the Ministry of Economic Development and Trade of Ukraine (MEDT) with the support of the United Nations Development Programme (UNDP) in Ukraine in the framework of Project 'Acceleration of Millennium Development Goals Progress in Ukraine' (AMDGP). It will be useful for government officials, experts of central and local executive, scientists, academia, representatives of public organizations and everyone who interested in country's economic and social development and macroeconomic forecasting. This publication is prepared by the Ministry of Economic Development and Trade of Ukraine and contains material which were presented by leading experts (organizations) that operate in the field of macroeconomic analysis and forecasting.



UNDP is the United Nations' global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. We are on the ground in 177 countries and territories, working with governments and people on their own solutions to global and national development challenges. As they develop local capacity, they draw on the people of UNDP and our wide range of partners to bring about results. In Ukraine, three development focus areas define the structure of UNDP's assistance activities: democratic governance and local development; poverty reduction and the MDGs; and energy and the environment. In each of these thematic areas, UNDP tries to ensure a balance between policy and advocacy work, capacity-building activities and pilot projects. UNDP established its presence in Ukraine in 1993.

Reference to sources of materials is mandatory  
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# Ukraine: PERSPECTIVES OF DEVELOPMENT

CONSENSUS FORECAST  
PRESENTATION GRAPHICS

May 2015

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