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FOREX CLUB in Ukraine

Ukraine: perspectives of the development

CONSENSUS FORECAST

**Issue 32,
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UKRAINE: PERSPECTIVES OF THE DEVELOPMENT (CONSENSUS FORECAST) is a publication by the Ministry of Economic Development and Trade of Ukraine (MEDT) prepared by the Department of macroeconomic forecasting with support of the United Nations Development Programme (UNDP) in the framework of the Acceleration of the Millennium Development Goals – Ukraine Project (AMDGP). It will be useful to the government officials, experts of central and local executive authorities, academia, representatives of public organizations, and everyone interested in the matters of the country's socioeconomic development and macroeconomic forecasting.

The publication contains materials presented during the seminar on macroeconomic forecasting held on 5 April 2013.

Seminars on forecasting aim to improve the quality of macroeconomic forecasts by means of expert discussions (of forecasts, current economic tendencies, results of research), achieving the consensus concerning the prospective vision of further ways of the country's development, and exchange information among major forecasting organizations (governmental institutions, international financial organizations, scientific research institutes, analytical centres, nongovernmental organizations, etc.).

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Reference to sources of materials is mandatory

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Consensus Forecast is an "averaged" value of the most important forecast economic development indicators of Ukraine calculated on the basis of expert estimates provided by participants of the Consensus Forecast survey. The consensus forecast for 2012-2013 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, GI "Institute of Economics and Forecasting of the National Academy of Sciences of Ukraine", Economic Research Institute, Institute of Economic Research and Policy Consulting, National Institute for Strategic Studies, Institute of Evolutionary Economics, G. M. Dobrov Center for Studying R&D Potential and Science History, Federation of employers of Ukraine, Taras Shevchenko National University of Kyiv, International Centre for Policy Studies, CASE Ukraine, Raiffeisen Bank Aval, UkrSibbank, OTP Bank, The Bleyzer Foundation, Dragon Capital and FOREX CLUB.

The Consensus Forecast is based on the consultations and discussions with the experts. We would like to highlight that all the forecast indicators presented by the participants of the seminar are only independent expert estimates and not official forecasts of the relevant institutions.

We express deep gratitude to all the experts who participated in the Consensus Forecast initiative.

Table 1

MAIN MACROECONOMIC INDICATORS FOR 2007-2012

Indicator	2007	2008	2009	2010	2011	2012
Real sector, UAH mln						
Nominal GDP	720 731	948 056	913 345	1 082 569	1 302 079	1 408 889
Consumption	558 581	758 902	772 826	914 230	1 113 008	1 269 601
Investments	203 318	264 883	155 815	199 918	270 019	2570335
Net export of goods and non-factorial services	-41 168	-75 729	-15 296	-31 579	-80 948	-118 047
<i>Index, year to year</i>						
Actual GDP	107,9	102,3	85,2	104,1	105,2	100,2
Consumption	113,6	110,1	87,8	106,4	111,1	109,6
Gross accumulation of the fixed capital	123,9	98,8	49,5	103,9	107,1	100,9
Exports of goods and services	103,3	105,7	78,0	103,9	104,3	92,3
Imports of goods and services	121,5	117,0	61,1	111,3	117,7	101,9
Inflation, index						
Consumer price index (annual average)	112,8	125,2	115,9	109,4	108,0	100,6
Dec. versus Dec. of the previous year	116,6	122,3	112,3	109,1	104,6	99,8
Producer price index (annual average)	119,5	135,5	106,5	120,9	119,0	103,7
Dec. versus Dec. of the previous year	123,3	123,0	114,3	118,7	114,2	100,3
External sector, USD mln						
Current account	-5 272	-12 763	-1 732	-3 018	-10 245	-14 761
Exports of goods and services	64 001	85 612	54 253	69 255	88 844	89 768
Imports of goods and services	72 153	99 962	56 206	73 239	99 001	-104 540
Foreign direct investments	9 218	9 903	4 654	5 759	7 015	6 627
External sector, USD mln						
Current account	-3,7	-7,1	-1,5	-2,2	-6,3	-8,4
Exports of goods and services	44,8	47,6	46,3	50,8	54,5	50,9
Imports of goods and services	50,6	55,6	47,9	53,7	60,8	59,3
Foreign direct investments	6,5	5,5	4,0	4,2	4,3	3,8
External sector, % year to year (nominal)						
Exports of goods and services	127,4	133,8	63,4	127,7	128,3	101
Imports of goods and services	135,4	138,5	56,2	130,3	135,2	105,6
Rate of exchange, UAH/USD						
Average	5,05	5,27	7,79	7,94	7,97	7,99
End of period	5,05	7,70	7,99	7,96	7,99	7,99
Consolidated budget, UAH mln						
All revenues	219 939	297 845	272 967	314 506	398 554	445 525
All expenditures (including lending)	227 610	312 028	310 225	379 191	421 612	492 454
Total balance	-7 671	-14 183	-37 258	-64 685	-23 058	-46 929
Privatisation	2 459	482	808	1 093	11 480	6 763
Consolidated budget, % of GDP						
All revenues	30,5	31,4	29,9	29,1	30,6	31,6
All expenditures (including lending)	31,6	32,9	34,0	35,0	32,3	35,0
Total balance	-1,1	-1,5	-4,1	-5,9	-1,8	-3,3
Privatisation	0,3	0,05	0,1	0,1	0,9	0,5
Money and credit						
Base money (as of the end of period), UAH mln	141 901	186 671	194 965	225 692	239 885	255 283
Dec. versus Dec. of the previous year, %	46,0	31,6	4,4	15,8	6,3	6,4
Money Supply (M3) (as of the end of period), UAH mln	396 156	515 727	487 298	597 872	685 515	773 199
Dec. versus Dec. of the previous year, %	51,7	30,2	-5,5	22,7	14,7	12,8
Monthly average wage of workers, UAH	1 351	1 806	1 906	2 239	2 633	3 025
Nominal adjusted to the CPI, % to previous year	115,0	106,8	91,0	109,7	108,9	114,4

Table 2

DYNAMICS OF THE CONSENSUS FORECAST FOR 2011
(March 2010 – November 2011)

Indicator	2011 report	March 2010	Deviation (March 2010 / Report 2011)	March 2011	Deviation (March 2011 / Report 2011)	November 2011	Deviation (November 2011 / Report 2011)
Real sector, UAH mln							
Nominal GDP	1 302 079	1 244 736	-4,4%	1 268 997	-2,5%	1 294 550	-0,6%
Consumption	1 113 008	1 004 024	-9,8%	1 050 248	-5,6%	1 085 719	-2,5%
Investments	270 019	254 540	-5,7%	257 366	-4,7%	262 502	-2,8%
Net export of goods and non-factorial services	-80 948	-16 431	+64 517	-36 431	+44 517	-55 688	+25 260
<i>Index, year to year</i>							
Actual GDP	105,2	104,7	-0,5 p.p.	104,6	-0,6 p.p.	104,7	-0,5 p.p.
Consumption	111,1	104,5	-6,6 p.p.	104,3	-6,8 p.p.	107,1	-4,0 p.p.
Investments	107,1	109,3	+2,2 p.p.	111,3	4,2 p.p.	110,8	+3,7 p.p.
Inflation, index							
Consumer price index (annual average)	108,0	110,6	+2,6 p.p.	110,3	+2,3 p.p.	109,2	+1,2 p.p.
Dec. versus Dec. of the previous year	104,6	110,1	+5,5 p.p.	111,1	+6,5 p.p.	109,0	+4,4 p.p.
Producer price index (annual average)	119,0	111,5	-7,5 p.p.	116,3	-2,7 p.p.	118,5	-0,5 p.p.
Dec. versus Dec. of the previous year	114,2	111,1	-3,1 p.p.	116,5	+2,3 p.p.	119,6	+5,4 p.p.
External sector, USD mln							
Current account	-10 245	-999	+9246	-3 650	+6595	-6 305	+3940
Exports of goods and services	88 844	68 924	-22,4%	80 627	-9,2%	86 038	-3,2%
Imports of goods and services	99 001	70 942	-28,3%	85 178	-14,0%	93 112	-5,9%
Foreign direct investments	7 015	6 628	+16 873	6 348	+16 593	5 908	+16 153
External sector, % of GDP							
Current account	-6,3	-0,7	+5,6%	-2,3	-7,9%	-3,9	+4,0
Exports of goods and services	54,5	45,4	-9,1%	50,5	-4,0%	53,0	-1,5%
Exports of goods and services	60,8	46,8	-14,0%	53,4	-7,4%	57,4	-3,4%
Foreign direct investments	4,3	4,4	+0,1%	4,0	-0,3%	3,6	-0,7%
External sector, % year to year (nominal)							
Exports of goods and services	128,3	111,9	-16,4 p.p.	117,8	-10,5 p.p.	126,4	-1,9 p.p.
Exports of goods and services	135,2	112,4	-22,8 p.p.	117,9	-17,3 p.p.	129,4	-5,8 p.p.
Rate of exchange, UAH/USD							
Average	7,97	8,20	+2,9%	7,95	-0,3%	7,98	+0,1%
End of period	7,99	8,23	+3,0%	8,00	+0,1%	8,06	+0,9%
Consolidated budget, UAH mln							
All revenues	398 554	377 835	-5,2%	372 637	-6,5%	393 352	-1,3%
All expenditures (including lending)	421 612	413 808	-1,8%	419 387	-0,5%	427 358	+1,4%
Total balance	-23 058	-35 973	-12 915	-46 750	-23 692	-34 006	-10 948
Privatisation	11 480	4 648	-6 832	10 683	-797	10 396	-1 084
Consolidated budget, % of GDP							
All revenues	30,6	30,4	-0,2 p.p.	29,4	-1,2 p.p.	30,4	-0,2 p.p.
All expenditures (including lending)	32,3	33,2	+0,9 p.p.	33,0	+0,7 p.p.	33,0	+0,7 p.p.
Total balance	-1,8	-2,9	-1,1 p.p.	-3,7	-1,9 p.p.	-2,6	-0,8 p.p.
Privatisation	0,9	0,4	-0,5 p.p.	0,8	-0,1 p.p.	0,8	-0,1 p.p.
Money and credit							
Base money (as of the end of period), UAH mln	239 885	225 126	-6,2%	258 721	+7,9%	253 519	+5,7%
Dec. versus Dec. of the previous year, %	6,3	14,6	+8,3 p.p.	14,3	+8,0 p.p.	11,4	+5,1 p.p.
Money Supply (M3) (as of the end of period), UAH mln	685 515	575 552	-16,0%	706 572	+3,1%	699 363	+2,0%
Dec. versus Dec. of the previous year, %	14,7	17,0	+2,3 p.p.	18,5	+3,8 p.p.	16,8	+2,1 p.p.
Monthly average wage of workers, UAH	2 633	2 248	-14,6%	2 523	-4,2%	2 651	+0,7%

Table 2

DYNAMICS OF THE CONSENSUS FORECAST FOR 2012
(March 2011 – November 2012)

Indicator	2012 report	March 2012	Deviation (March 2011 / Report 2012)	April 2012	Deviation (April 2012 / Report 2012)	November 2012	Deviation (November 2012 / Report 2012)
Real sector, UAH mln							
Nominal GDP	1 408 889	1 490 776	+5,8%	1 479 807	+5,0%	1 422 682	+1,0%
Consumption	1 269 601	1 223 531	-3,6%	1 233 219	-2,9%	1 232 248	-2,9%
Investments	257 335	325 159	+26,4%	329 075	+27,9%	276 889	+7,6%
Net export of goods and non-factorial services	-118 047	-42 886	+75 161	-82 551	+35 496	-101 689	+16 358
<i>Index, year to year</i>							
Actual GDP	100,2	105,1	+4,9 p.p.	103,2	+3,0 p.p.	101,0	+0,8 p.p.
Consumption	109,6	105,1	-4,5 p.p.	104,6	-5,0 p.p.	106,6	-3,0 p.p.
Investments	100,9	110,2	+9,3 p.p.	104,2	+3,3 p.p.	95,7	-5,2 p.p.
Inflation, index							
Consumer price index (annual average)	100,6	109,6	+9,0 p.p.	105,3	+4,7 p.p.	102,3	+1,7 p.p.
Dec. versus Dec. of the previous year	99,8	109,2	+9,4 p.p.	108,0	+8,2 p.p.	103,6	+3,8 p.p.
Producer price index (annual average)	103,7	113,2	+9,5 p.p.	108,6	+4,9 p.p.	105,8	+2,1 p.p.
Dec. versus Dec. of the previous year	100,3	112,7	+12,4 p.p.	110,5	+10,2 p.p.	106,1	+5,8 p.p.
External sector, USD mln							
Current account	-14 761	-4 354	+10407	-9657	+5 104	-12 085	2 676
Exports of goods and services	89 768	90 980	+1,4%	105 003	+17,0%	90 353	+0,7%
Imports of goods and services	-104 540	-96 386	-7,8%	-115 011	+10,0%	-103 775	-0,7%
Foreign direct investments	6 627	6 510	-117	6 070	-557	5 993	-634
External sector, % of GDP							
Current account	-8,4	-2,3	+6,1 p.p.	-5,3	+3,1 p.p.	-6,9	+1,5 p.p.
Exports of goods and services	50,9	48,8	-2,1 p.p.	52,2	+1,3 p.p.	51,5	+0,6 p.p.
Imports of goods and services	59,3	51,7	-7,6 p.p.	57,7	-1,6 p.p.	-58,9	-118,2 p.p.
Foreign direct investments	3,8	1,9	-1,9 p.p.	3,3	-0,5 p.p.	3,4	-0,4 p.p.
External sector, % year to year (nominal)							
Exports of goods and services	101	112,8	+11,8 p.p.	110,1	+9,1 p.p.	102,2	+1,2 p.p.
Imports of goods and services	105,6	113,0	+7,4 p.p.	110,5	+4,9 p.p.	105,3	-0,3 p.p.
Rate of exchange, UAH/USD							
Average	7,99	8,03	+0,5%	8,10	+1,4%	8,08	+1,1%
End of period	7,99	8,04	+0,6%	8,34	+4,4%	8,41	+5,3%
Consolidated budget, UAH mln							
All revenues	445 525	434 066	-2,6%	439 922	-1,3%	439 075	-1,4%
All expenditures (including lending)	492 454	470 510	-4,5%	470 237	-4,5%	474 645	-3,6%
Total balance	-46 929	-36 444	-22,3%	-30 315	-35,4%	-35 570	-24,2%
Privatisation	6 763	7 392	+9,3%	9 500	+40,5%	8 274	+22,3%
Consolidated budget, % of GDP							
All revenues	31,6	29,0	-2,6 p.p.	29,7	-2,6 p.p.	30,9	-0,7 p.p.
All expenditures (including lending)	35,0	31,5	-3,5 p.p.	31,8	-3,5 p.p.	33,4	-1,6 p.p.
Total balance	-3,3	-2,4	+0,9 p.p.	-2,0	+0,9 p.p.	-2,5	+0,8 p.p.
Privatisation	0,5	0,5	0	0,6	0	0,6	+0,1 p.p.
Money and credit							
Base money (as of the end of period), UAH mln	255 283	292 104	+14,4%	266 850	+4,5%	264 521	+3,6%
Dec. versus Dec. of the previous year, %	6,4	14,1	+7,7 p.p.	11,2	+4,8 p.p.	10,3	+3,9 p.p.
Money Supply (M3) (as of the end of period), UAH mln	773 199	837 415	+8,3%	748 349	-3,2%	758 169	-1,9%
Dec. versus Dec. of the previous year, %	12,8	18,4	5,6 p.p.	9,2	-3,6 p.p.	10,6	-2,2 p.p.
Monthly average wage of workers, UAH	3 025	2 853	-5,7	3 386	+11,9%	3 040	+0,5%

SHORT OVERVIEW OF CONSENSUS ASSUMPTIONS

Consensus assumptions of macroeconomic forecast

The main consensus assumptions of the participants of the seminar are shown in Table 4.

Table 4

	2013				2014:
	April 2012	August 2012	November 2012	April 2013	April 2013
GDP, % real change:					
World	4,1	3,4	3,2	3,1	3,7
Russian Federation	4,1	3,7	3,6	3,5	3,8
USA	2,7	2,0	1,9	1,9	2,7
China			8,2	8,1	8,3
Euro area/EU	1,7	0,9	0,5	-0,1	1,1
Consumer Price Index, %, Dec to Dec:					
World	103,1	103,2	103,8	103,8	104,1
Russian Federation	107,3	106,4	106,3	106,7	106,3
USA	102,1	101,9	102,1	102,0	102,1
China			103,0	103,7	104,3
Euro area/EU	101,9	101,8	102,0	102,1	102,1
Exchange rate, ruble/USD	29,8	31,7	32,0	31,1	32,4
Exchange rate, euro/USD	x	1,3	1,28	1,3	1,3
Natural gas price, USD per 1 thousand cubic meters	292,9	436	425,5	425,2	419,3
Oil price, USD/barrel (annual average)	103,2	106,5	102,4	106,8	109,5
Change in tariffs (Dec to Dec), %:					
Natural gas	x	37	29,0	25,0	13,8
Electricity	x	31,9	19,0	18,5	11,9
Water supply (utilities)	x	14	18,3	18,6	13,3
Drainage system (utilities)	x	13	18,2	18,7	11,4
Maintenance of buildings and structures and surrounding areas (rent)	x	15	16,2	16,8	11,3
Heating	x	32,5	25,0	22,0	16,3
Passengers, baggage and freight turnover by rail	x	20,5	14,3	15,7	13,3
Public telecommunications services connection	x	15	15	11,9	10,0
Other assumptions					
NBU discount rate, %, as of the period end	7,8	7,3	7,4	7,6	7,3
Minimum wage, UAH (annual average)	1073,7	1213,0	1195,2	1178	1361,5
Budget revenue from privatization, million UAH	7263,5	9487,5	9637,5	8800	9950
Gross grain yield, million tons	44,7	48,4	47,0	49,1	46,7

FORECAST OF MACROECONOMIC INDICATORS FOR 2012-2013

We call your attention to the fourth version of the Consensus Forecast of the main macro-indicators of Ukraine's economic and social development for 2013 and the first version of the Consensus Forecast of the main macro-indicators of Ukraine's economic and social development for 2014, calculated on the basis of materials provided by the attendees of the seminar (Tables. 8-10).

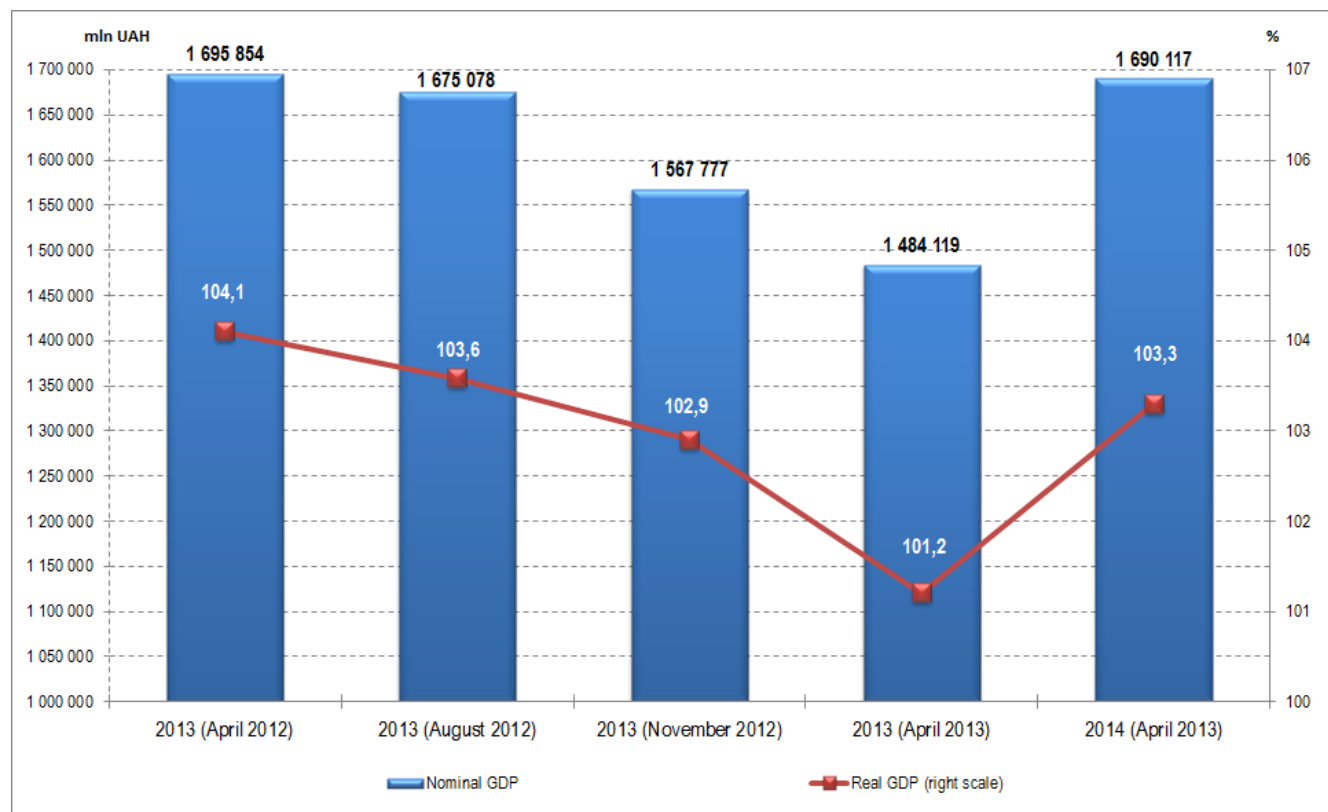


Figure 1. Consensus forecast of nominal and real GDP in 2013-2014

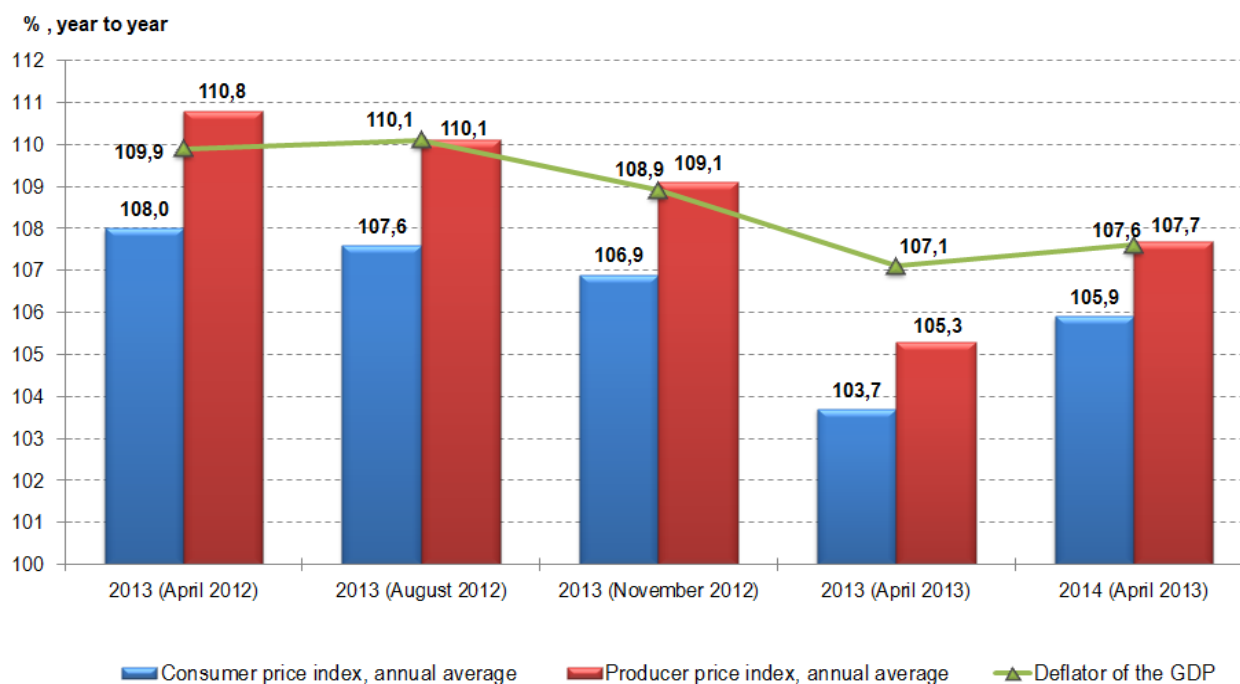


Figure 2. Consensus forecast of price indices for 2013-2014

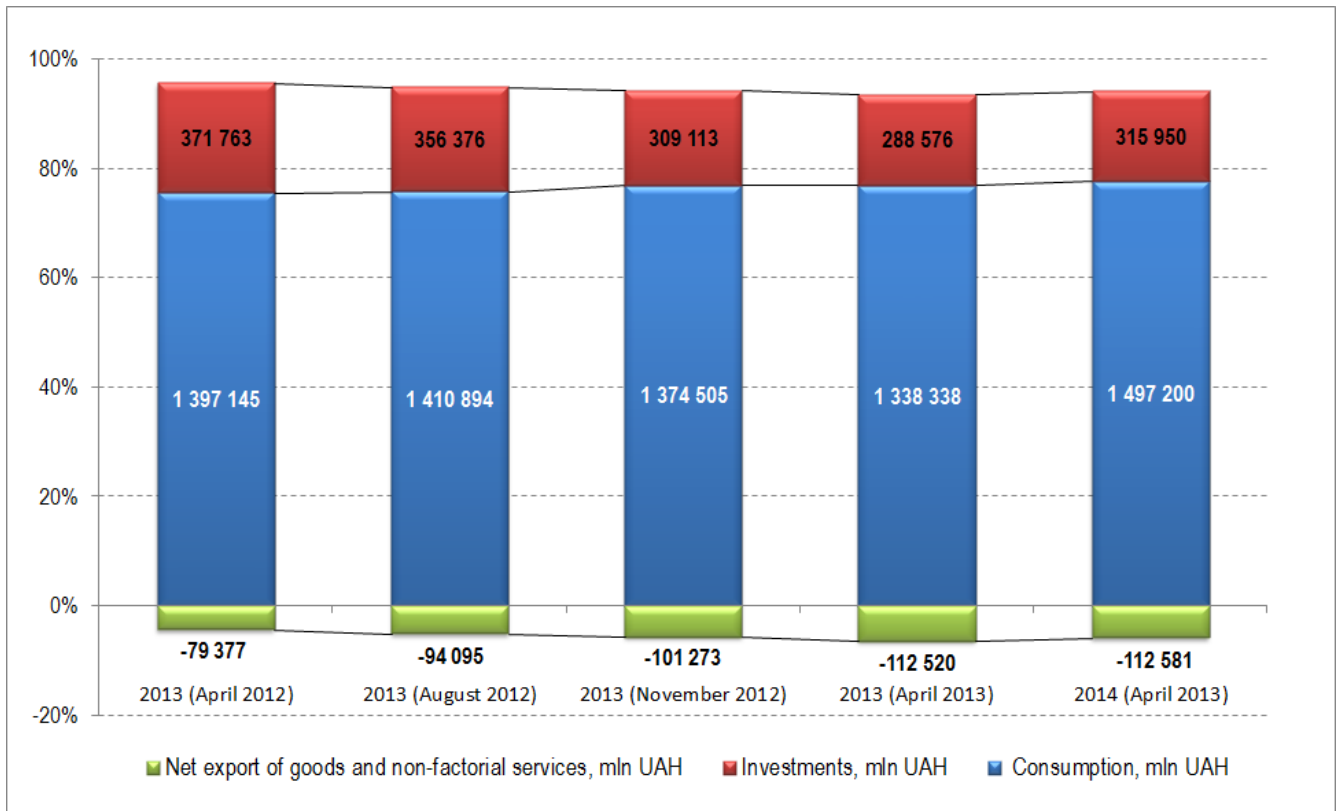


Figure 3. Consensus forecast of main GDP components by end use category in 2013-2014

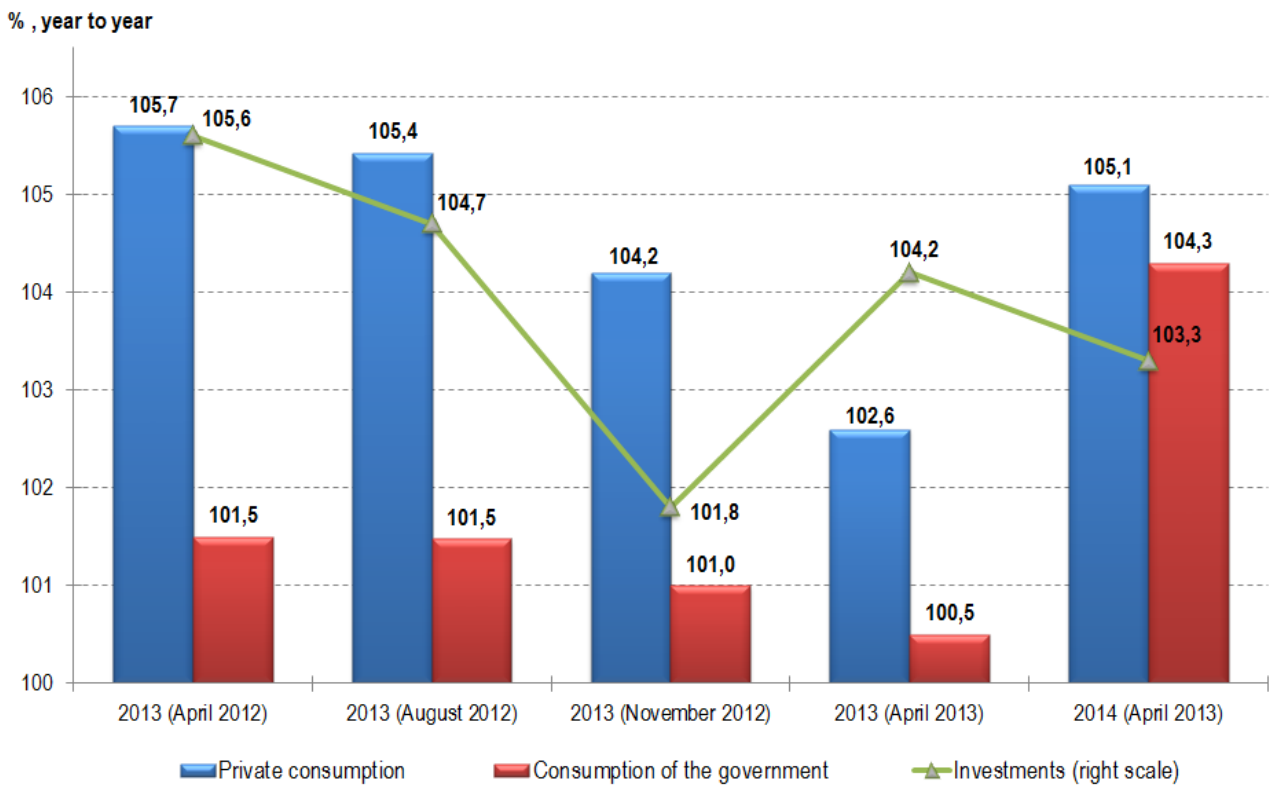


Figure 4. Consensus forecast of private and government consumption and investments in 2013-2014

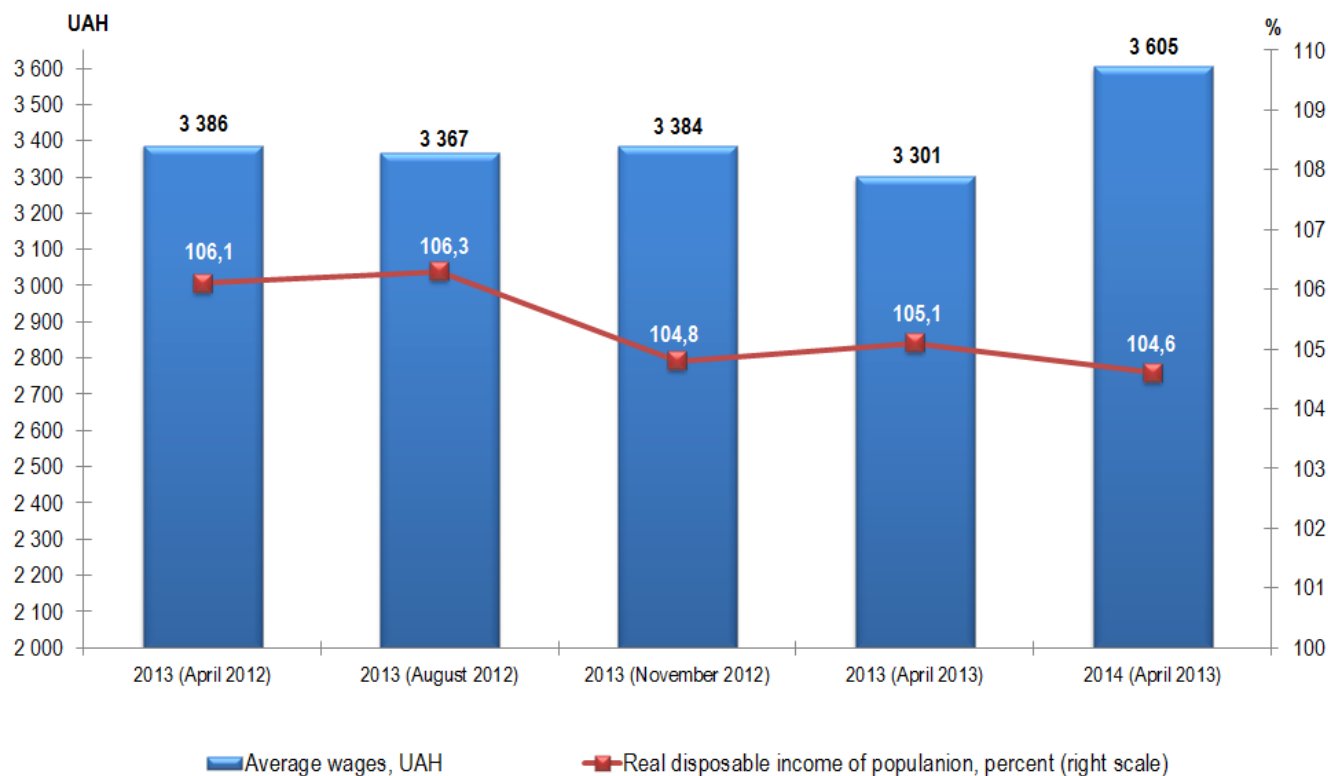


Figure 5. Consensus forecast of average wage and people's real disposable income in 2013-2014

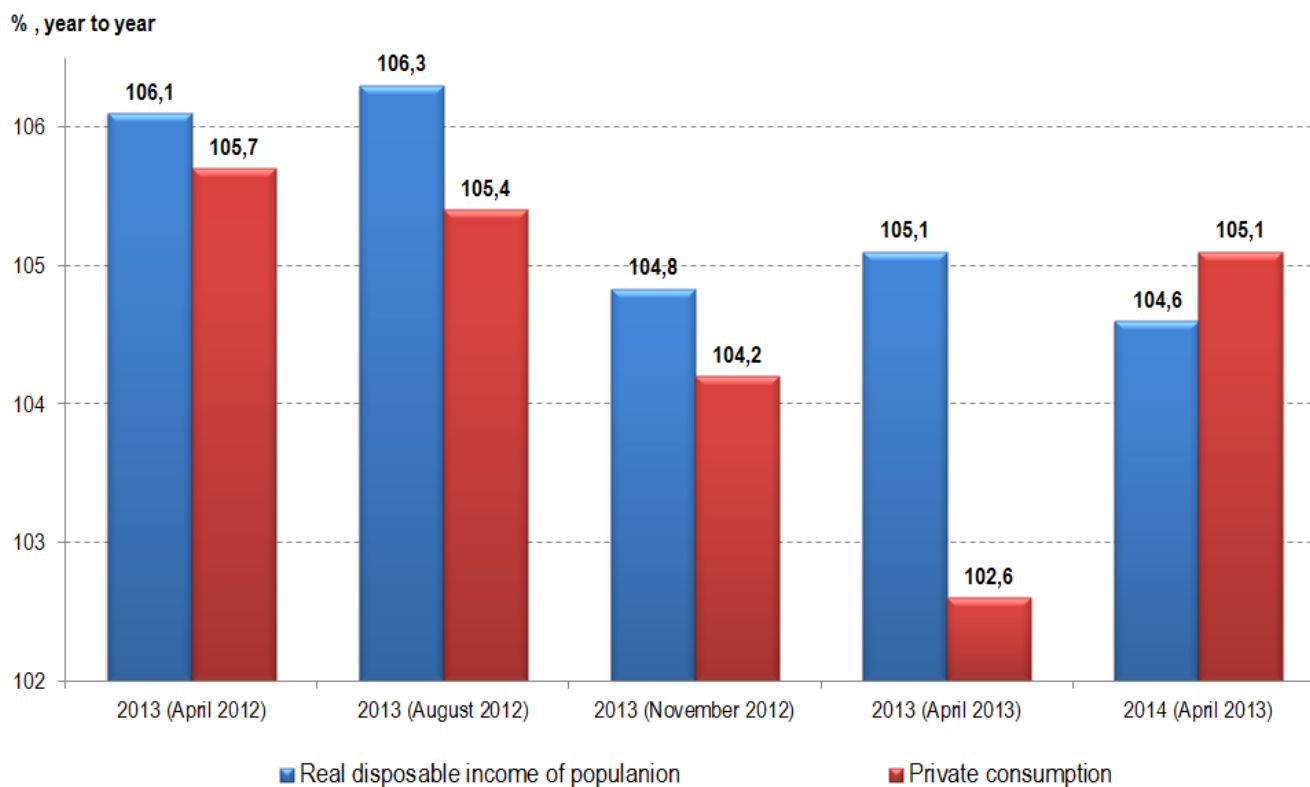


Figure 6. Consensus forecast of growth in people's real disposable income and private consumption in 2013-2014

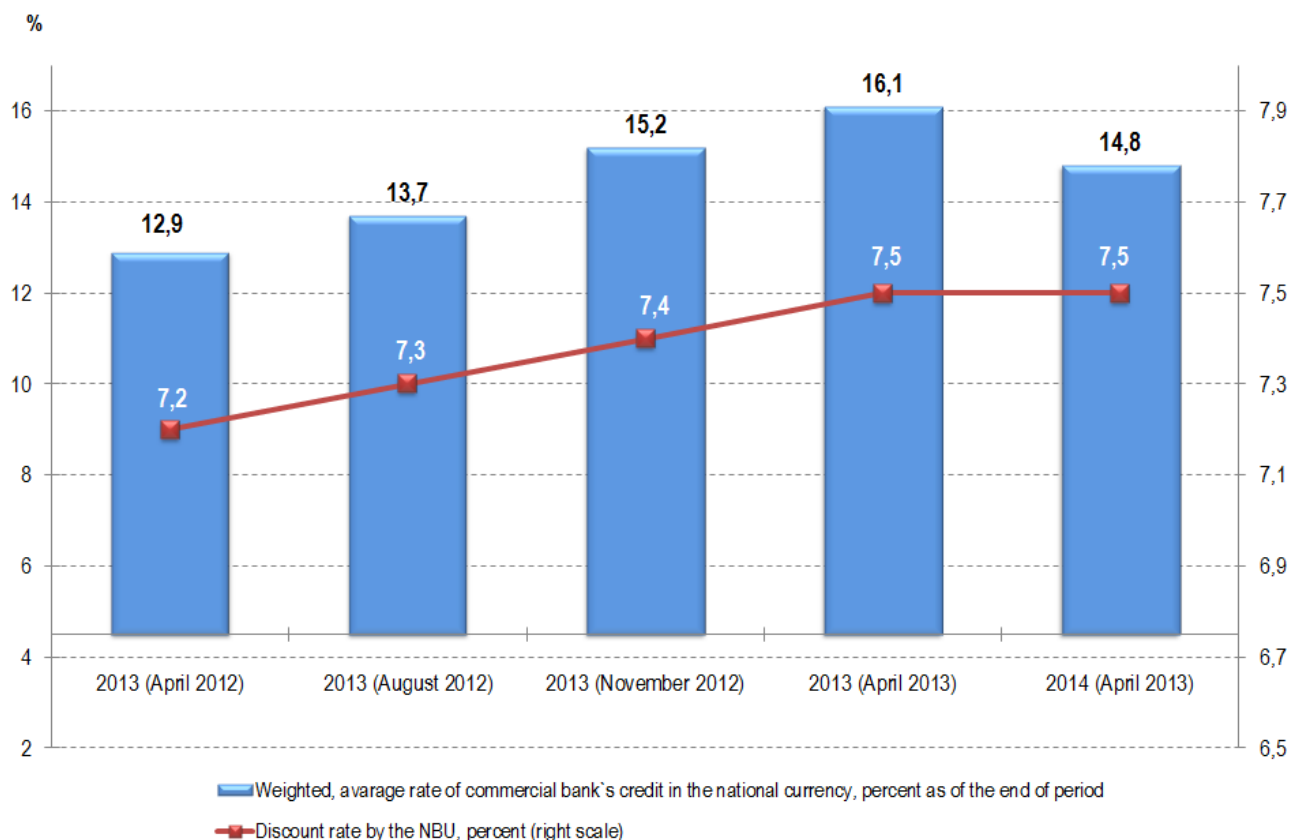


Figure 7. Consensus forecast of banking indicators for 2013-2014

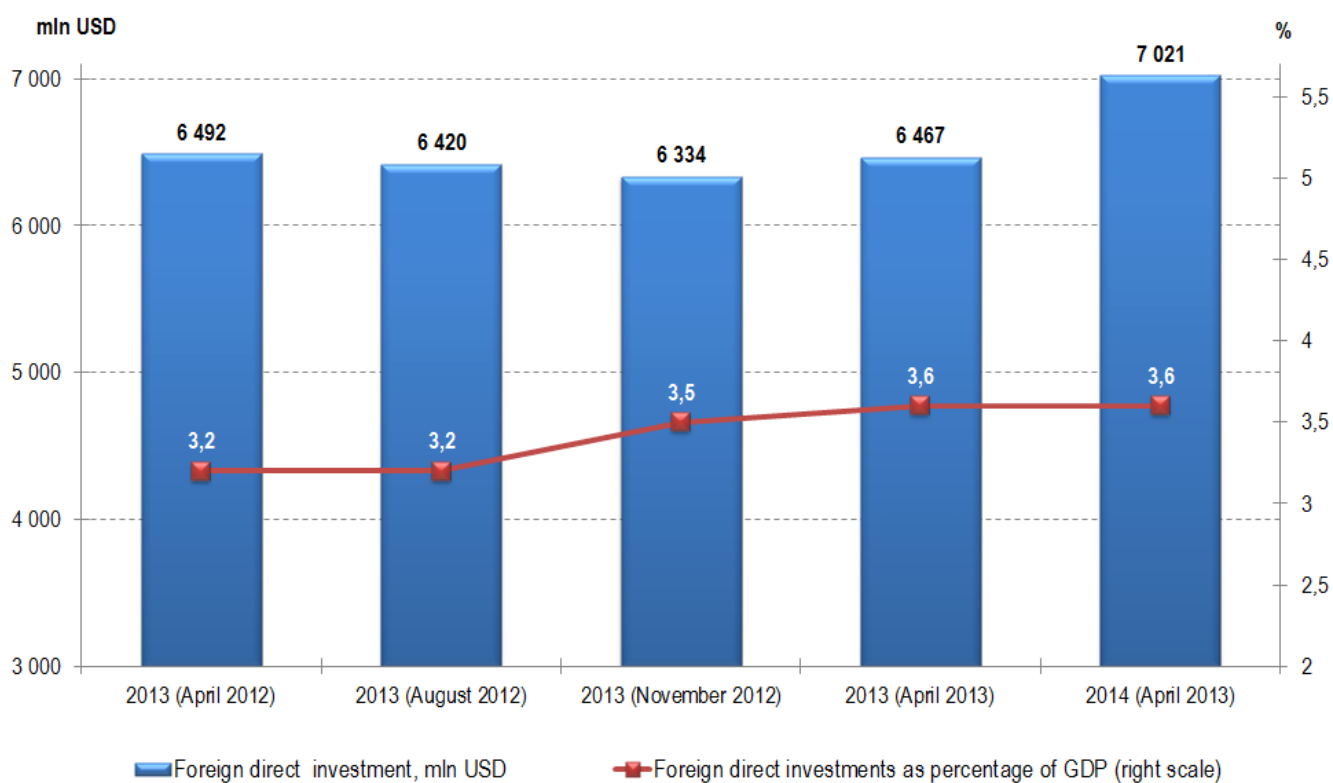


Figure 8. Consensus forecast of net influx of foreign direct investments in 2013-2014

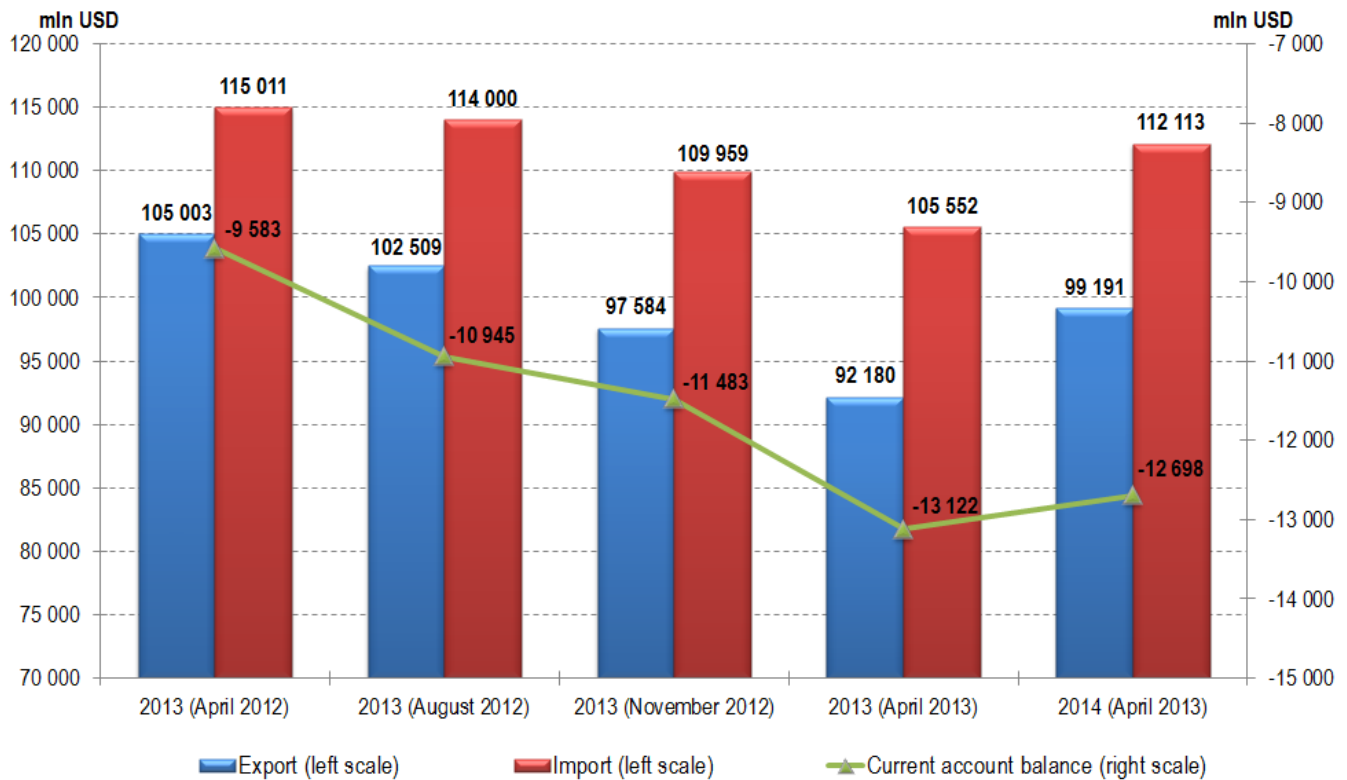


Figure 9. Consensus forecast of volume of exports and imports of goods and services and average value of the negative current account balance in 2013-2014

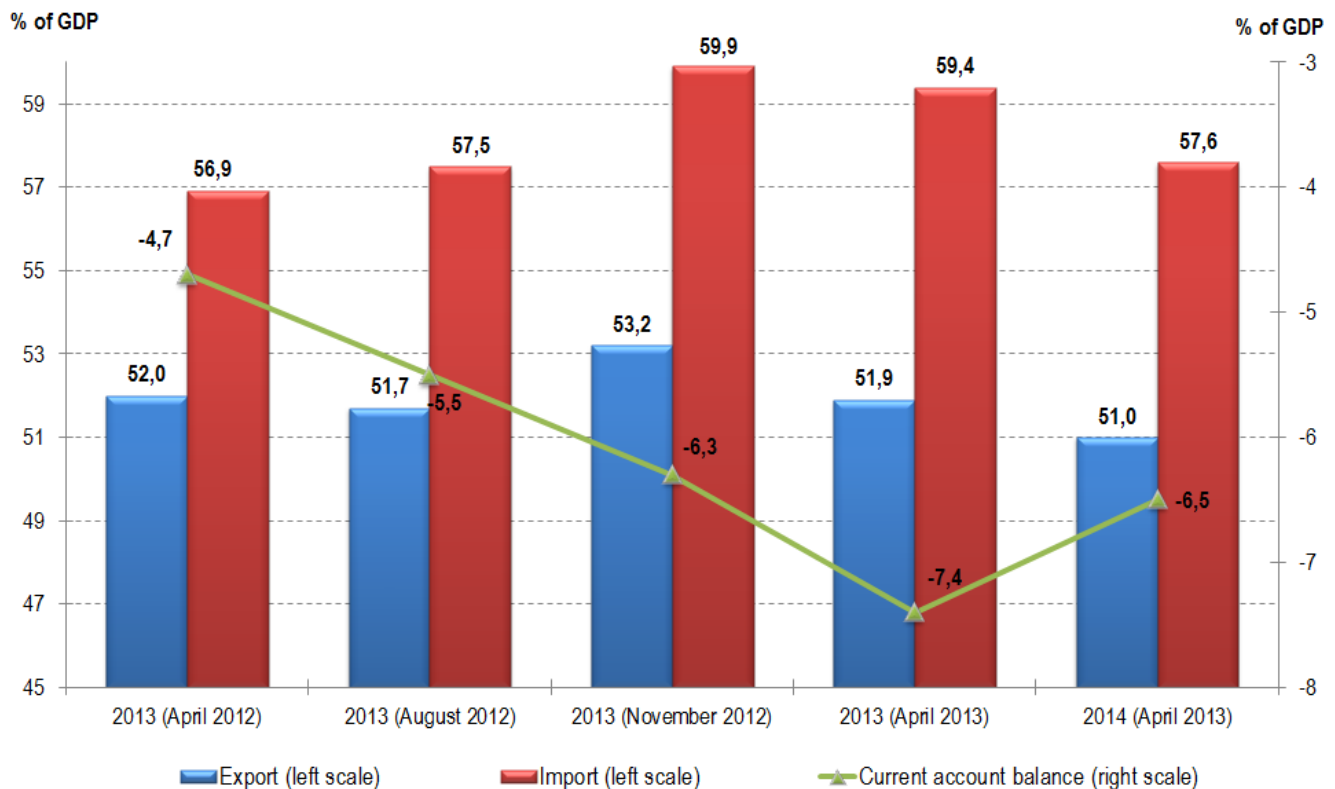


Figure 10. Consensus forecast of percentage of exports and imports of goods and services in the GDP structure and of the average value of negative current account balance in GDP in 2013-2014

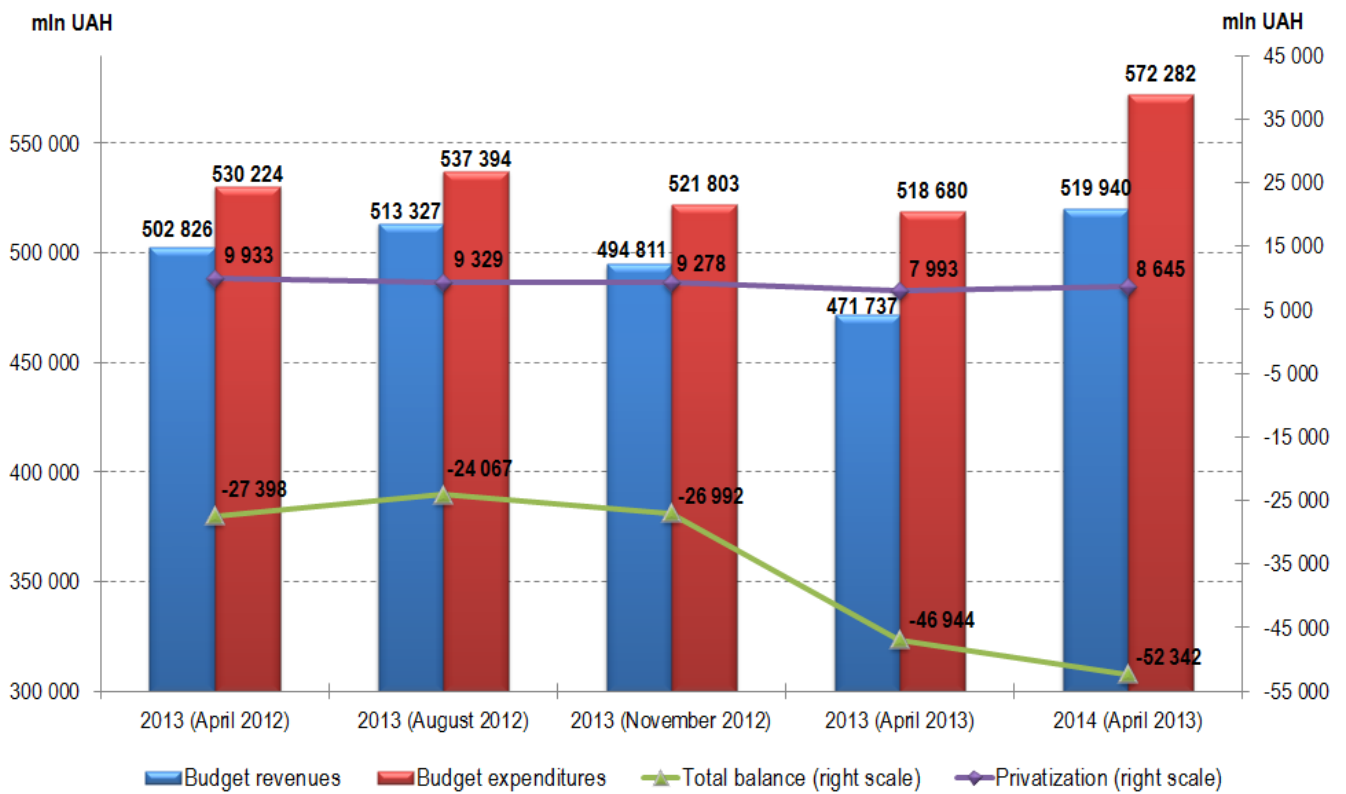


Figure 11. Consensus forecast of budgetary indicators in 2013-2014

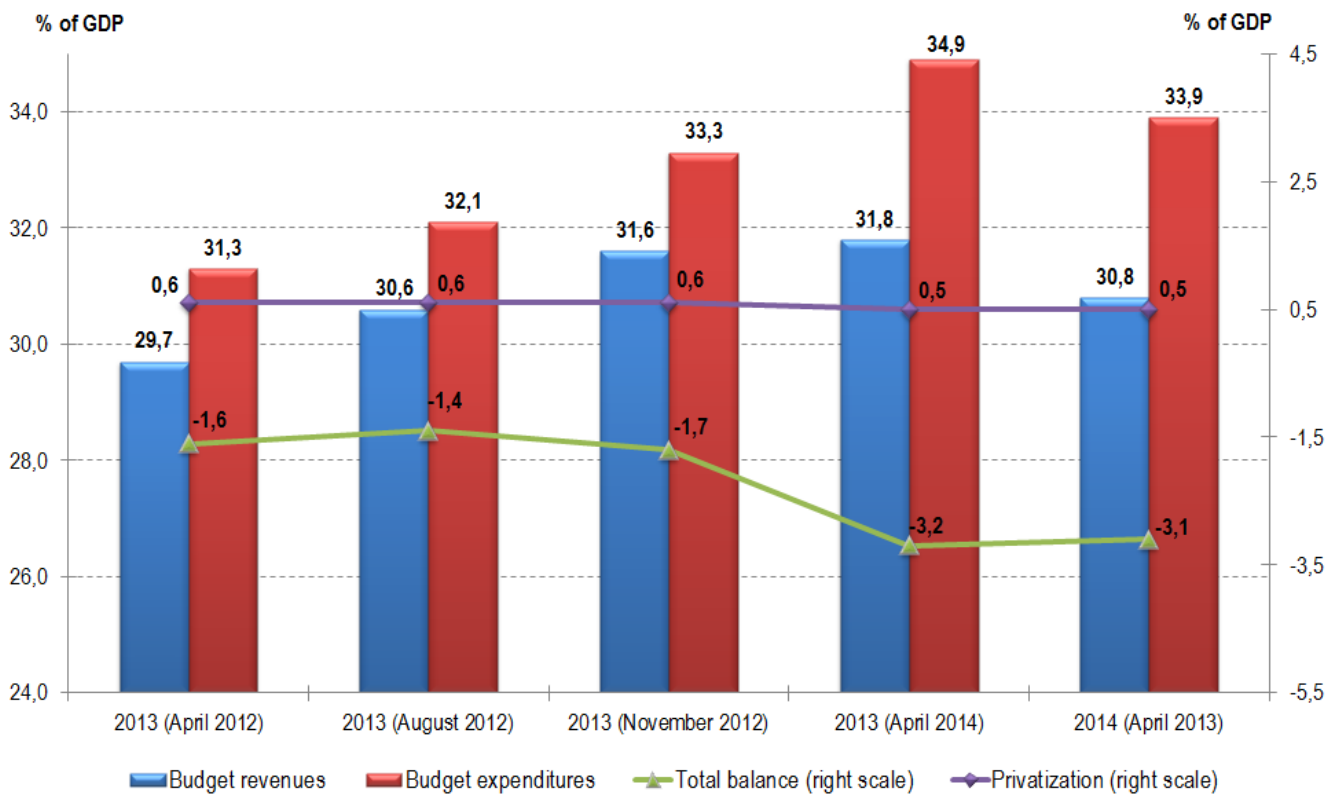


Figure 12. Consensus forecast of budgetary indicators as percentage of GDP in 2013-2014

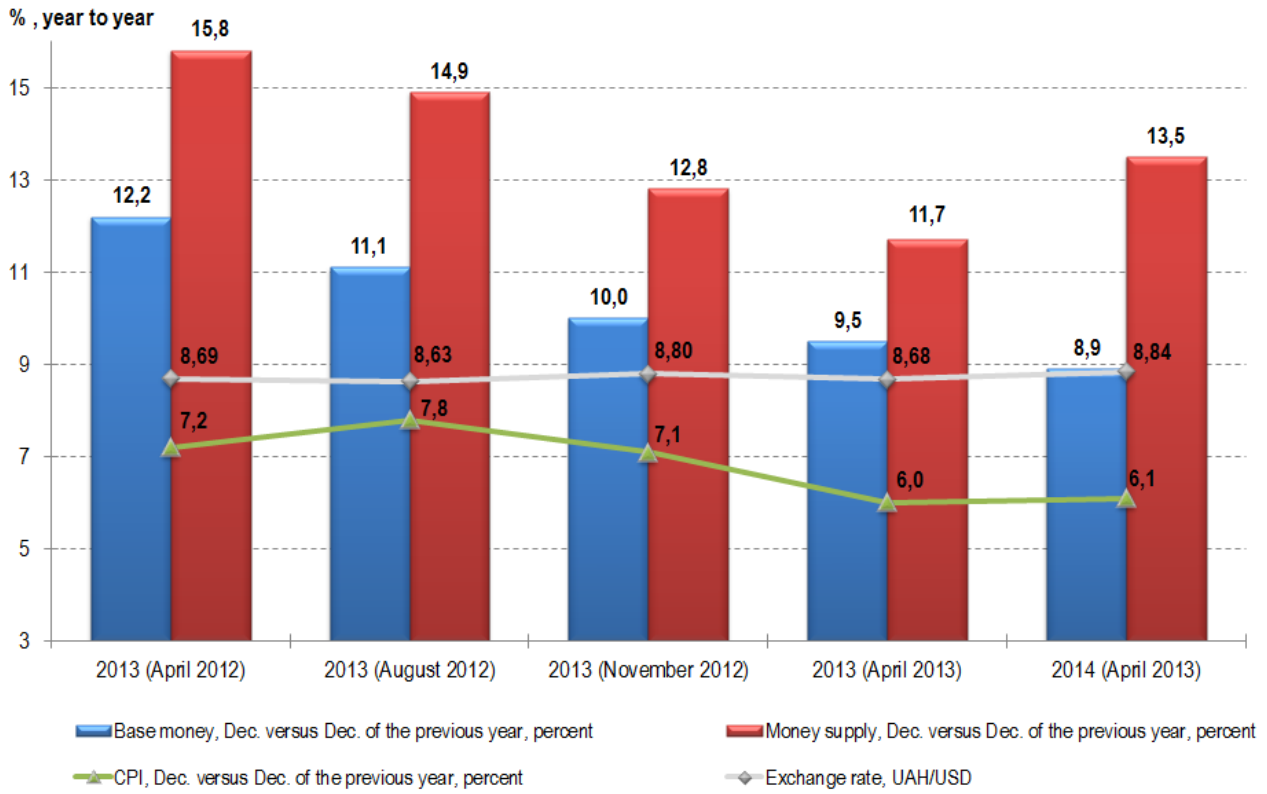


Figure 13. Consensus forecast of the monetary market indicators in 2013-2014

FORECAST OF MACROECONOMIC INDICATORS FOR 2015-2016 (AVERAGED)

A forecast of basic macroeconomic indicators for the period from 2015 through 2016 has been presented for the third time (Table 11).

In the medium term forecasting of macroeconomic indicators the experts have no common vision for the country development. Thus, significant differences in the forecast there are both in indicators and their components.

Consensus estimates for economic growth in Ukraine on average in the years 2015-2016 is 4.1%. But the difference between the minimum and maximum value quite significant - 2.7 percentage points (range from 2.8% to 5.5%)

Basically, it is assumed that the main lever of economic growth will be expanding private consumption: the average value of real growth in private consumption 5.7%. But this component variation is even more significant - 11.5 percentage points (from 1% to 12.5%).

According to experts rather modestly increase general government spending (consensus estimate of real growth in public consumption is 3.6%). But this component specialists follow a more or less unified point of view - a variation ranging from 2% to 6.4%).

Much of the uncertainty in the predictions is observed and the investment component - average rate of real investment demand is 0.6%, but the variation reaches 10.6 percentage points (from "minus" 2.3% to "plus" 8.3%). This indicates a different vision for the country in terms of modernization, improving scientific and technological potential and strengthen competitiveness.

For the price situation, the expert opinion here differs significantly. In general, experts predict maintenance of relatively low inflation in the medium term: the average forecast consumer price index and producer price index (annual average) of 105.2% and 107.2%. But the difference between the minimum and maximum predicted values is also significant - 7.8 percentage points (variation of the consumer price index from 100.4% to 108.2%) and 16 percentage points (variation of the index of producer prices from 100.7% to 116.7%), respectively.

No consensus can be seen in medium-term forecast estimates of foreign trade development. In particular, current account balance estimates vary between minus 2.8% to minus 6.7% of GDP. The averaged value of goods and services export growth is 7.7% (3.3-11.6% variation), that for import being also 5.8% (7.6-9.9% variation).

However, the parameters of the exchange rate policy relatively similar. Forecasts for average annual exchange rate of hryvnia to US dollar for 2015-2016 vary within 8.4-9.2 UAH/USD (averaged value being UAH/USD 8.8).

A less common position of experts in the public sector: the forecasters believe that budget spending will be greater than revenue in the medium term (averaged value of budget deficit is expected to be 2.4% of GDP for 2015-2016, maximal value being minus 3% of GDP).

Risks for 2013-2014

We offer you a consensus assessment of risks for 2013-2014.

The experts assessed the risks by 2 criteria: probability of realisation of a specific risk and impact of the risk on the economy of Ukraine.

The realisation of risks and their impact on the Ukrainian economy have been assessed according to the following scale:

Probability of occurrence realization estimates	Estimates of the occurrence impact on the economy of Ukraine
considerable probability (50-60%%) of risk display – 4; medium probability (30-49%%) of risk display – 3; moderate probability (10-29%%) of risk display – 2; small probability (under 10%) of risk display – 1; the risk is not probable – 0.	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 occurrence probability estimates and occurrence impact on the economy of Ukraine weighed by the number of respondents.

Risks for 2013 were estimated for the fourth time whereas risks for 2014 were estimated for the first time. The highest possible consensus estimate of foreign and domestic risks has the integral estimate 16.

It is foreign risks that have appeared among leading ones in 2013: *failure to obtain planned financing from the IMF, deficit of external funding and shrinkage of possibilities of access to the international capital markets and curtailing of investment plans by foreign companies or postponement of their realization terms for future period (integral estimate 10), deterioration of external economic conjuncture: recurrent landslide of prices at the world raw materials markets (integral estimate 9).*

At the same time, despite the Ukrainian economy's significant dependence on external factors, the latter's impact on the domestic market situation, increased expert opinions on the validity of internal risks.

The highest integral estimate (12) among domestic risks of 2013 year has been given to: *remaining low credit activity of commercial banks*. Rather high position has been occupied by risks associated with *significant growth in the state budget deficit and cash gaps of the Pension Fund, other state social insurance funds and Naftohaz Ukrainy NJSC and strengthening of devaluation tendencies at the monetary market (integral estimate is 10)*. At the same time, high integral estimate was given to: *large-scale capital outflow caused by lack of stability at foreign financial and raw material markets and instability in Ukraine, substantial increase of natural gas prices for municipal heat and power engineering enterprises, substantial increase of natural gas tariffs for the population, expansion of the real economy's insolvency (integral estimate 9).*

Among foreign risks for 2014, as for 2013, high integral estimate belongs to the risk of *failure to obtain planned financing from the IMF (estimate 10 for 2013 and for 2014) and curtailing of investment plans by foreign companies or postponement of their realization terms for future period (estimate 10 for 2013 and 9 for 2014)*. At the same time, expert's estimate of the risk of *curtailing of investment plans by foreign companies or postponement of their realization terms for future period and deterioration of external economic conjuncture: recurrent landslide of prices at the world raw materials markets* decreased as of 2013 from 10 to 8 and 9 to 8 accordingly. At the same, for the year 2014 increased the integral estimate of the risk of *retention of the tendency of accelerated prices increase at the world energy markets* from 7 in 2013 to 8 (in 2012 November's issue the integral estimate was also increasing).

The risk of *remaining low credit activity of commercial banks* has the greatest integral estimate among domestic risks for 2014 (integral estimate 11). Besides, the forecasters have high estimates (integral estimate 10) of such risks as *strengthening of devaluation tendencies at the monetary market, carrying out considerable emission to finance the budget deficit (estimate 9)*.

So, among estimated domestic risks for 2014, risks in banking and budgetary sectors remain the most likely and influential.

Table 5

Integral estimates of Foreign risks for 2013-2014 (as of April 2013)

<u>Foreign risks</u>	2013			2014		
	Integral estimate	Probability estimates of occurrence realization	Estimates of the occurrence impact on the economy of Ukraine	Integral estimate	Probability estimates of occurrence realization	Estimates of the occurrence impact on the economy of Ukraine
Failure to obtain planned financing from the IMF	10	4	3	10	3	3
Deficit of external funding and shrinkage of possibilities of access to the international capital markets	10	3	3	8	2	3
Curtailing of investment plans by foreign companies or postponement of their realization terms for future period	10	3	3	9	3	3
Deterioration of external economic conjuncture: recurrent landslide of prices at the world raw materials markets	9	3	4	8	2	4
Increasing the debt crisis in euro area	8	3	3	6	2	3
Retention of the tendency of accelerated prices increase at the world energy markets	7	2	4	8	2	4
Slow growth of the USA economy	7	3	3	6	2	3
Euro devaluation and decrease of demand in the European Union	6	2	3	6	2	3
Strengthening of the military conflict in the Middle East	6	2	3	6	2	3
The probability of the countries leaving euro area	4	2	3	4	2	3

Table 6

Integral estimates of Domestic risks for 2013-2014 (as of April 2013)

<u>Domestic risks</u>	2013			2014		
	Integral estimate	Probability estimates of occurrence realization	Estimates of the occurrence impact on Ukraine's economy	Integral estimate	Probability estimates of occurrence realization	Estimates of the occurrence impact on Ukraine's economy
Remaining low credit activity of commercial banks	12	4	3	11	3	3

<u>Domestic risks</u>	2013			2014		
	Integral estimate	Probability estimates of occurrence realization	Estimates of the occurrence impact on Ukraine's economy	Integral estimate	Probability estimates of occurrence realization	Estimates of the occurrence impact on Ukraine's economy
Significant growth in the state budget deficit and cash gaps of the Pension Fund, other state social insurance funds and Naftohaz Ukrainy NJSC	10	3	3	9	3	3
Strengthening of devaluation tendencies at the monetary market	10	3	3	10	3	3
Large-scale capital outflow caused by lack of stability at foreign financial and raw material markets	9	3	3	7	2	3
Substantial increase of natural gas prices for municipal heat and power engineering enterprises	9	3	3	7	2	3
Substantial increase of natural gas tariffs for the population	9	3	3	6	2	3
Expansion of the real economy's insolvency	9	3	3	8	2	3
Delay in increase of tariffs for natural gas and public utilities	7	2	3	8	3	3
Carrying out considerable emission to finance the budget deficit	7	2	3	9	3	3
Risks of «a new wave» of destabilization in the banking sector	7	2	3	7	2	3
Deterioration of the labour market situation: reduction of the quantity of the employed and increase in the quantity of the unemployed	7	3	3	5	2	3
Accumulation of VAT refund debt	7	3	3	7	3	3
Increase of debt on payment for housing and public utilities	6	3	2	6	3	2
Growth of wage arrears	6	2	2	5	2	2
Substantial increase of natural gas tariffs for industry	5	2	3	6	2	3
Failure to conduct privatization of large entities	5	2	2	5	2	2
Accumulation of the population's negative inflation expectations	5	2	3	7	2	3
Increase of revaluation tendencies at the monetary market	3	1	3	4	2	3

Table 7

Risks in April 2012 – April 2013 poxy	Integral estimates of risks				
	2013				2014
	April 2012	August 2012	November 2012	April 2013	April 2013
Foreign risks					
Failure to obtain planned financing from the IMF	x	8	8	10	10
Curtailing of investment plans by foreign companies or postponement of their realization terms for a future period	7	8	8	10	9
Deterioration of foreign economic conjuncture: recurrent landslide of prices at the world raw material markets	9	10	10	9	8
Deficit of foreign funding and shrinkage of possibilities of access to the international capital markets	9	11	10	10	8
Retention of the tendency of accelerated prices increase at the world energy markets	8	9	8	7	8
Increasing the debt crisis in euro area	9	8	10	8	6
Strengthening of the military conflict in the Middle East	9	8	8	6	6
Slow growth of the USA economy	6	8	8	7	6
Euro devaluation and decrease of demand in the European Union	7	8	7	6	6
The probability of the countries leaving euro area	x	6	4	4	4
Domestic risks					
Remaining low credit activity of commercial banks	11	10	11	12	11
Strengthening of devaluation tendencies at the monetary market	12	11	13	10	10
Significant growth in the state budget deficit and cash gaps of the Pension Fund, other state social insurance funds and Naftohaz Ukrainy NJSC	8	9	13	10	9
Carrying out considerable emission to finance the budget deficit	7	7	7	7	9
Delay in increase of tariffs for natural gas and public utilities	4	5	6	7	8
Expansion of the real economy's insolvency	6	8	8	9	8
Risks of «a new wave» of destabilization in the banking sector	7	10	9	7	7
Accumulation of the population's negative inflation expectations	7	8	9	5	7
Substantial increase of natural gas prices for municipal heat and power engineering enterprises	10	9	10	9	7
Large-scale capital outflow caused by lack of stability at foreign financial and raw material markets	9	8	9	9	7
Accumulation of VAT refund debt	6	6	9	7	7
Substantial increase of natural gas tariffs for industry	8	9	9	5	6
Growth of debt for utility services	5	7	7	6	6
Substantial increase of natural gas tariffs for the population	11	10	11	9	6
Deterioration of the labour market situation: reduction of the quantity of the employed and increase in the quantity of the unemployed	5	6	8	7	5
Failure to conduct privatization of large entities	5	4	6	5	5
Growth of wage arrears	5	6	5	6	5
Increase of revaluation tendencies at the monetary market	1	2	2	3	4

Table 8

**Consensus forecasts for 2013-2014
(as of April 2013)**

Indicator	2013	2014	2013		2014	
	Average		MIN	MAX	MIN	MAX
Real sector	UAH million					
Nominal GDP	1 484 119	1 690 117	1 326 552	1 569 657	1 461 993	1 800 039
Consumption	1 338 338	1 497 200	1 140 835	1 404 179	1 286 553	1 755 781
Private	1 043 739	1 165 809	874 198	1 122 656	973 687	1 393 477
Government	294 657	336 931	266 637	313 931	301 508	374 000
Gross investments	288 576	315 950	257 260	332 897	266 700	395 542
Gross accumulation of the fixed capital	288 847	319 236	251 145	328 208	269 740	390 220
Private	259 420	283 892	231 279	288 823	217 540	343 394
Government	41 169	50 833	28 976	52 478	32 221	60 571
Net export of goods and non-factorial services	-112 520	-112 581	-139 223	-62 787	-151 142	-69 198
Gross national savings	179 916	201 091	-58 290	310 025	-67 450	361 272
	Index, year to year					
Real GDP	101,2	103,3	94,6	103,0	101,3	104,6
Consumption	102,1	105,1	100,2	103,7	100,3	112,8
Private	102,6	105,1	100,0	108,2	100,3	111,4
Government	100,5	104,3	97,9	109,6	99,8	125,0
Gross accumulation of the fixed capital	104,2	103,3	94,5	126,3	90,2	114,5
Exports of goods and services	100,8	103,3	94,1	107,0	95,4	110,0
Import of goods and services	102,4	104,2	97,2	108,5	98,3	109,3
Inflation	index					
Deflator of the GDP (annual average)	107,1	107,6	102,3	114,0	100,0	114,0
Consumer price index (annual average)	103,7	105,9	100,3	106,5	100,4	110,0
Dec. versus Dec. of the previous year	106,0	106,1	103,3	108,7	103,5	109,3
Producer price index (annual average)	105,3	107,7	99,4	113,2	100,8	115,1
Dec. versus Dec. of the previous year	106,6	108,0	104,0	110,8	104,0	114,8
External sector	USD million					
Current account	-13 122	-12 698	-16 075	-5 580	-17 377	-6 700
Exports of goods and services	92 180	99 191	87 872	97 600	81 374	109 700
Import of goods and services	-105 552	-112 113	-111 000	-98 297	-122 900	-92 213
Revenue balance	-3 005	-3 280	-3 415	-2 250	-4 000	-1 700
Official transfers (net value)	3 256	3 503	2 700	4 000	2 800	4 200
Capital account balance	11 223	13 297	1 610	16 748	12 812	18 725
Foreign direct investments	6 467	7 021	4 900	8 500	6 887	9 000
External sector	as percentage of the GDP					
Current account	-7,4	-6,5	-9,0	-2,9	-9,4	-3,5
Exports of goods and services	51,9	51,7	47,3	54,5	47,1	58,4
Import of goods and services	-59,4	-57,6	-61,9	-53,8	-65,5	56,9

Indicator	2013	2014	2013		2014	
	Average		MIN	MAX	MIN	MAX
Revenue balance	-1,7	-1,7	-2,0	-1,2	-2,1	-1,0
Official transfers (net value)	1,8	1,8	1,5	2,1	1,5	2,2
Capital account balance	6,3	6,8	0,9	9,3	3,3	9,4
Foreign direct investments	3,6	3,6	2,6	4,6	2,0	4,5
External sector	as percent, year to year (nominal)					
Exports of goods and services	102,8	107,6	95,2	109,1	95,9	115,6
Import of goods and services	101,4	106,2	94,7	106,9	93,8	113,4
Exchange rate, UAH / USD						
Average rate	8,36	8,69	8,10	8,60	8,30	9,20
End of period	8,68	8,84	8,33	9,00	8,40	9,40
Consolidated budget	UAH million					
All revenues	471 737	519 940	457 940	493 000	466 000	551 000
All expenditures	518 680	572 282	500 126	545 000	550 000	609 000
Total balance	-46 944	-52 342	-61 922	-23 443	-84 000	-26 000
Privatisation	7 933	8 645	6 000	10 200	5 000	15 870
Consolidated budget	% of GDP					
All revenues	31,8	30,8	29,8	31,5	28,5	32,0
All expenditures	34,9	33,9	32,0	34,9	31,7	36,3
Total balance	-3,2	-3,1	-4,0	-1,5	-5,5	-1,5
Privatisation	0,5	0,5	0,4	0,7	0,3	0,9
Money and credit						
Base money (as of the end of period), UAH mln	279 567	304 539	270 600	320 000	286 200	345 000
Dec. versus Dec. of the previous year, %	9,5	8,9	6,0	11,5	6,0	13,5
Money supply (M3) (as of the end of period), UAH mln	863 778	980 018	713 676	889 100	890 168	1 049 300
Dec. versus Dec. of the previous year, %	11,7	13,5	5,7	111,0	8,0	19,0
Weighted annual average rate on commercial banks' credits in the national currency, %, as of the end of period	16,1	14,8	14,0	20,0	13,0	19,0
Gross NBU international reserve, USD mln	23 052	23 959	20 538	26 000	19 821	30 000
Social indicators						
Population, million persons	45,4	54,3	45,2	45,6	45,0	99,8
changes in % versus previous year	99,7	99,7	99,5	99,8	99,1	99,9
Monthly average wage of workers, UAH	3 301	3 605	3 200	3 403	3 270	4 000
Disposable income of population, UAH bln	1 248	1 340	1 098	1 260	1 111	1 809
Disposable income of population, changes in % versus previous year	5,1	4,6	-0,4	6,2	-1,8	11,0

Table 9

**Dynamics Of The Consensus Forecast For 2013
(April 2012 – April 2013)**

Indicator	April 2012	August 2012	Deviation (April 2012/ August 2012)	November 2012	Deviation (August 2012/ November 2012)	April 2013	Deviation (November 2012 /April 2013)
Real sector, UAH mln							
Nominal GDP	1 695 854	1 675 078	-1,2%	1 567 777	-6,4%	1 484 119	-5,3%
Consumption	1 397 145	1 410 894	+1,0%	1 374 505	-2,6%	1 338 338	-2,6%
Investments	371 763	356 376	-4,1%	309 113	-13,3%	288 576	-6,6%
Net export of goods and non-factorial services	-79 377	-94 095	-14 718	-101 273	-7178%	-112 520	-11247
Gross national savings	285 480	285 523	+0,02%	237 144	-16,9%	179 916	-24,1%
<i>Indexc, year to year</i>							
Real GDP	104,1	103,6	-0,5 p.p.	102,9	-0,7 p.p.	101,2	-1,7 p.p.
Consumption	104,7	104,2	-0,5 p.p.	103,5	-0,7 p.p.	102,1	-1,4 p.p.
Gross accumulation of the fixed capital	105,6	104,7	-0,9 p.p.	101,8	-2,9 p.p.	104,2	+2,4 p.p.
Exports of goods and services	104,6	104,8	+0,2 p.p.	101,8	-3 p.p.	100,8	-1,0 p.p.
Import of goods and services	105,7	106,1	+0,4 p.p.	103,3	-2,8 p.p.	102,4	-0,9 p.p.
Inflation, index							
Consumer price index (annual average)	108,0	107,6	-0,4 p.p.	106,9	-0,7 p.p.	103,7	-3,2 p.p.
Dec. versus Dec. of the previous year	107,2	107,8	+0,6 p.p.	107,1	-0,7 p.p.	106,0	-1,1 p.p.
Producer price index (annual average)	110,8	110,1	-0,7 p.p.	109,1	-1,0 p.p.	105,3	-3,8 p.p.
Dec. versus Dec. of the previous year	109,7	109,3	-0,4 p.p.	108,4	-0,9 p.p.	106,6	-1,8 p.p.
External sector, USD million							
Current account	-9 583	-10 945	-1 362	-11 483	-538,0	-13 122	-1 639
Exports of goods and services	105 003	102 509	-2,4%	97 584	-4,8%	92 180	-5,5%
Import of goods and services	-115 011	-114 000	-0,9%	-109 959	-3,5%	-105 552	-4,0%
Foreign direct investments	6 492	6 420	-1,1%	6 334	-1,3%	6 467	2,1%
External sector, % of GDP							
Current account	-4,7	-5,5	-0,8 p.p.	-6,3	-0,8 p.p.	-7,4	-1,1 p.p.
Exports of goods and services	52,0	51,7	-0,3 p.p.	53,2	+1,5 p.p.	51,9	-1,3 p.p.
Import of goods and services	-56,9	-57,5	-0,6 p.p.	-59,9	-2,4 p.p.	-59,4	+0,5 p.p.
Foreign direct investments	3,2	3,2	0	3,5	0,3 p.p.	3,6	+0,1 p.p.
External sector, % year to year (nominal)							
Exports of goods and services	110,9	109,9	-1 p.p.	107,5	-2,4 p.p.	104,2	-3,3 p.p.
Import of goods and services	109,9	109,5	-0,4 p.p.	106,0	-3,5 p.p.	102,6	-3,4 p.p.
Exchange rate, UAH / USD							
Average rate	8,4	8,45	+0,6%	8,55	+1,18%	8,36	-2,2%
End of period	8,7	8,63	-0,8%	8,81	+2,09%	8,68	-1,5%
Consolidated budget, UAH mln							
All revenues	502 826	513 327	+2,1%	494 811	-3,6%	471 737	-4,7%
All expenditures	530 224	537 394	+1,4%	521 803	-2,9%	518 680	-0,6%
Total balance	-27 398	-24 067	+3 331	-26 992	-2925	-46 944	-19 952
Privatisation	9 933	9 329	-6,1%	9 278	-0,6%	7 933	-14,5%
Consolidated budget, % of GDP							
All revenues	29,7	30,6	+0,9 p.p.	31,6	1,0 p.p.	31,8	0,2 p.p.
All expenditures	31,3	32,1	+0,8 p.p.	33,3	1,2 p.p.	34,9	1,6 p.p.
Total balance	-1,6	-1,4	+0,2	-1,7	-0,3 p.p.	-3,2	-1,5 p.p.
Privatisation	0,6	0,6	0	0,6	0	0,5	-0,1 p.p.
Money and credit							
Base money (as of the end of period), UAH mln .	299 306	297 655	-0,6%	291 024	-2,23%	279 567	-3,9%
Dec. versus Dec. of the previous year, %	12,2	11,1	-1,1 p.p.	10,0	-1,10 p.p.	9,5	-0,5 p.p.
Money supply (M3) (as of the end of period), UAH mln	866 515	867 594	0,1%	855 289	-1,4%	863 778	1,0%
Dec. versus Dec. of the previous year, %	15,8	14,9	-0,9 p.p.	12,8	-2,1 p.p.	11,7	-1,1 p.p.
Monthly average wage of workers, UAH	3 386	3 367	-0,6%	3 384	0,5%	3 301	-2,5%

**Deviation of consensus forecasts for 2013 and 2014
(as of April 2013)**

Indicator	Consensus forecast for 2013 as of April 2013	Consensus forecast for 2014 as of April 2013	Deviation (2014 / 2013)
Real sector, UAH mln			
Nominal GDP	1 484 119	1 690 117	+13,9%
Consumption	1 338 338	1 497 200	+11,9%
Investments	288 576	315 950	+9,5%
Net export of goods and non-factorial services	-112 520	-112 581	-61
Gross national savings	179 916	201 091	+11,8%
<i>Indexc, year to year</i>			
Real GDP	101,2	103,3	+2,1 p.p.
Consumption	102,1	105,1	+3,0 p.p.
Gross accumulation of the fixed capital	104,2	103,3	-0,9 p.p.
Exports of goods and services	100,8	103,3	+2,5 p.p.
Import of goods and services	102,4	104,2	+1,8 p.p.
Inflation, index			
Consumer price index (annual average)	103,7	105,9	+2,2 p.p.
Dec. versus Dec. of the previous year	106,0	106,1	+0,1 p.p.
Producer price index (annual average)	105,3	107,7	+2,4 p.p.
Dec. versus Dec. of the previous year	106,6	108,0	+1,4 p.p.
External sector, USD million			
Current account	-13 122	-12 698	+424
Exports of goods and services	92 180	99 191	+7,6%
Import of goods and services	-105 552	-112 113	+6,2%
Foreign direct investments	-3 005	-3 280	+9,2%
External sector, % of GDP			
Current account	-7,4	-6,5	+0,9 p.p.
Exports of goods and services	51,9	51,7	-0,2 p.p.
Import of goods and services	-59,4	-57,6	+1,8 p.p.
Foreign direct investments	-1,7	-1,7	0
External sector, % year to year (nominal)			
Exports of goods and services	102,8	107,6	+4,8 p.p.
Import of goods and services	101,4	106,2	+4,8 p.p.
Exchange rate, UAH / USD			
Average rate	8,36	8,69	+3,9%
End of period	8,68	8,84	+1,8%
Consolidated budget, UAH mln			
All revenues	471 737	519 940	+10,2%
All expenditures	518 680	572 282	+10,33%
Total balance	-46 944	-52 342	-5398
Privatisation	7 933	8 645	+9,0;
Consolidated budget, % of GDP			
All revenues	31,8	30,8	-1,0 p.p.
All expenditures	34,9	33,9	-1,0 p.p.
Total balance	-3,2	-3,1	+0,1 p.p.
Privatisation	0,5	0,5	0
Money and credit			
Base money (as of the end of period), UAH mln .	279 567	304 539	+8,9%
Dec. versus Dec. of the previous year, %	9,5	8,9	-0,6 p.p.
Money supply (M3) (as of the end of period), UAH mln	863 778	980 018	+13,5%
Dec. versus Dec. of the previous year, %	11,7	13,5	+1,8 p.p.
Average wage of workers, UAH	3 301	3 605	+9,2%

**Consensus forecasts for 2015-2016
(as of April 2013)**

Indicator	2015-2016		
	Average	MIN	MAX
Real sector			
Nominal GDP, UAH mln	1 966 086	1 491 233	2 276 963
Actual GDP, index, year to year	104,1	102,8	105,5
Inflation			
Consumer price index (annual average)	105,2	100,4	108,2
Producer price index (annual average)	107,2	100,7	116,7
External sector		USD mln	
Current account	-11 421	-17 303	-4 578
Exports of goods and services	106 911	108 800	115 047
Imports of goods and services	-118 649	-126 500	-118 985
Foreign direct investments	8 014	5 000	10 000
External sector		% of GDP	
Current account	-5,1	-6,7	-2,8
Exports of goods and services	47,8	42,0	52,0
Imports of goods and services	-53,0	-56,3	53,5
Foreign direct investments	3,6	2,0	4,3
External sector		% year to year (nominal)	
Exports of goods and services	107,7	96,7	111,6
Imports of goods and services	105,8	92,4	109,9
Rate of exchange, UAH/USD			
Average	8,8	8,4	9,2
End of period	8,9	8,3	9,5
Consolidated budget		% of GDP	
All revenues	31,7	29,3	32,7
All expenditures	34,1	32,2	35,4
Total balance	-2,4	-3,0	-1,2
Privatisation	x	x	x
Money and credit			
Base money (as of the end of period), UAH mln	336 981	321 665	364 900
Dec. versus Dec. of the previous year, %	9,1	6,0	16,5
Money Supply (M3) (as of the end of period), UAH mln	1 161 011	1 026 600	1 259 100
Dec. versus Dec. of the previous year, %	14,9	10,0	21,5
NBU gross international reserves, USD mln	27 245	24 500	35 000
Social indicators			
Population, million persons	44,9	44,5	45,4
Monthly average wage of workers, UAH	4 077	3 500	5 025

Methodological explanations to Tables 2, 3, 8, 9, 10 and 11:

The aggregated nominal values were calculated as a simple averaged value of the sum of the relevant indicators presented by all the forecasting organizations that participated in the Consensus Forecast survey.

In order to equalize the averaged (consensus) figures of the aggregated nominal values with the sum of their components, the averaged values of structural indicators (such as, for example, consumption and investments) were calculated indirectly with the help of parts of these components in the aggregated value. For example, if an average weight of consumption in GDP is known, then a nominal value of consumption is equal to the sum of this weight and the value of the averaged consensus GDP calculated as a simple average.

Indexes were calculated as a simple average of the sum of the relevant indicators presented by all the organizations.

The average values of the indicators being forecasted as percentage of GDP (particularly, indicators of the external sector and budget) were calculated as a ratio of the averaged nominal value of the indicator to the relevant average GDP value. The indicators forecasted in US dollars were calculated as a percentage of GDP on the base of averaged annual exchange rate.

Growth rates of the monetary aggregates within the forecast for 2013 (as of April 2013) were calculated as the ratio of the simple averaged nominal value from individual forecasted indicators presented by the participants to the actual value of the relevant indicator for 2012, and for 2014 – as the ratio of the simple averaged nominal value from individual forecasted indicators presented by the participants to the relevant forecasted indicator for 2013 year.

Average values of the current account balance were calculated as the sum of average values of the items of the account. Average values of budget deficit / surplus were calculated as a difference between the average values of revenues and expenditures.

During preparation of the consensus forecast, the organizations attending the seminar provided the following materials:

- forecast assumptions regarding an economic policy to be pursued in 2013-2014, and some quantitative exogenous parameters of development (presented in Table 4);
- forecast of the main macroeconomic indicators for 2013 and 2014;
- additional text explanations given by some organizations regarding forecast assumptions;
- expert assessment of risks for 2013-2014 (presented in Table 5, 6 and 7).