

Ukraine: Brief Profile

March 2009

Domestic Economy

- Real GDP growth of Ukraine fell to an estimated 2.1% in 2008 from 7.7% in the previous year, primarily as a result of weak industrial output.
- In absolute terms, GDP was estimated at US\$ 179.5 billion, and GDP per capita was US\$ 3,902.2 in 2008.
- Consumer price inflation averaged 25.2% in 2008, compared to 12.8% recorded in the previous year, mainly on account of higher international food and gas prices.
- Industry dominated the economy, accounting for 41.5% of GDP in 2007 (*as per the latest data available*), followed by Services (35.1%) and agriculture (23.4%) sectors.

Trade and Current Account Balance

- Ukraine's exports amounted to US\$ 62.9 billion in 2008, an increase of 26.3% over the previous year figure of US\$ 49.8 billion, due to robust export performance of metals.
- Non-precious metals were the most important export item in 2006 (*as per the latest data available*), accounting for 42.8% of total exports in 2006. Other major exports in 2006 were machinery and equipment (18.4% of total exports), food beverages and agricultural products (12.3%), fuel and energy including ore (10.1%) and chemicals (8.8%).
- Imports amounted to US\$ 78.4 billion in 2008, an increase of 29.8% over the previous year's figure of US\$ 60.4 billion, primarily due to strong domestic consumption and increases in both oil and gas prices during the first half of 2008.

- The major items of import in 2006 (*as per the latest data available*) included machinery & equipment (30.7% of total imports), fuel & energy incl. ores (29.6%), chemicals (8.7%), metals (7.4%), and food, beverages & agricultural products (7.1%).
- Russia is the major trading partner of Ukraine. In 2006 (*as per the latest data available*), Ukraine exported 22.6% of its total exports to Russia, and imported 31.2% of the total imports.
- Other leading destinations for Ukraine's exports in 2006 (*as per the latest data available*) were Italy (6.5% of the total exports), Turkey (6.2%), Germany (3.4%) and China (1.4%).
- Other important origins of imports in 2006 (*as per the latest data available*) were Germany (9.7% of the total imports), Turkmenistan (7.9%), China (5.2%) and Poland (4.8%).
- Thus, Ukraine's trade deficit increased from US\$ 10.6 billion in 2007 to US\$ 15.5 billion in 2008.
- Due to sharp rise in merchandise trade deficit, Ukraine's current-account deficit increased by 107.5% to US\$ 11 billion in 2008 compared to US\$ 5.3 billion in the previous year.

Foreign Exchange Reserves, Exchange Rate and External Debt

- The total international reserves decreased by 4.3% from US\$ 32.5 billion in 2007 to US\$ 31.1 billion in 2008, representing 4.8 months of import cover.
- External debt stood at US\$ 73.2 billion in 2008, an increase of 6.4% from US\$ 68.8 billion recorded in 2007.
- The hryvnya (HRN) is the currency of Ukraine. Hryvnya depreciated from HRN 5.05: US\$ 1 in 2007 to HRN 5.27: US\$ 1 in 2008.

Country Risk Rating

- *Euromoney*, in its September 2008 risk ratings of 186 countries, placed Ukraine at 81st position, which is a fall of five places over its previous ranking in March 2008. India's ranking was 56.
- According to the *Institutional investor's* ranking of 177 countries in September 2008, Ukraine was at 80th position, which is a fall of one place from its previous ranking in March 2008. India was placed at 54.
- *The Export Credit Guarantee Corporation of India Limited (ECGC)* ranks countries in seven groups (A1, A2, B1, B2, C1, C2 and D), according to increasing order of risk. It placed Ukraine in Group B2 of countries in December 2008.

Bilateral Trade Relations with India

- India's exports to Ukraine increased by 37.8% to US\$ 398.8 mn in 2007-08 compared to US\$ 289.5 mn in 2006-07, on account of substantial increase in exports of machinery instruments and transport equipments.
- Imports from Ukraine decreased by 11.2% to US\$ 885.9 mn in 2007-08, as compared to US\$ 997.9 mn in the previous year, mainly as a result of fall in import of iron and steel, and manufactured fertilisers.
- Thus, India's trade deficit with Ukraine decreased substantially from US\$ 708.5 mn in 2006-07 to US\$ 487.1 mn in 2007-08.
- India's main exports to Ukraine during 2007-08 were pharmaceutical products (US\$ 118.3 mn), machinery and instruments (US\$ 76.1 mn), transport equipment (US\$ 43.7 mn), primary & semi-finished iron & steel (US\$ 24.3 mn), and manufactures of metal (US\$ 14.1 mn).
- India's main imports from Ukraine during 2007-08 were iron and steel (US\$ 297.1 mn), fertilisers manufactured (US\$ 262.9 mn), non-

electrical machinery (US\$ 60.4 mn), wheat (US\$ 50.8 mn) and inorganic chemicals (US\$ 44.2 mn).

Macroeconomic Outlook

- Real GDP of Ukraine is expected to contract by 6% in 2009, due to the impact of global recession, before slowly recovering to 2.0% in 2010, as a result of base-period effects, and as external conditions slowly begin to improve.
- Average annual inflation is expected to remain in double digits, at an average of 16.3% in 2009, and to decline to around 12% in 2010 as the exchange rate stabilises.
- The intensification of the global financial crisis in recent months has led to a sharp drop in steel prices and has reduced sharply Ukraine's access to external borrowing. Against this background, the hryvnya (HRN) is expected to fall to HRN 8.23: US\$ 1 in 2009. However, Exchange rate is expected to appreciate to HRN 7.78: US\$ 1 in 2010.
- Curtailed financing and a sharp drop in domestic demand, as well as a much weaker exchange rate, are expected to lead to a fall in goods imports. As a result, the current-account deficit in 2009 is expected to narrow to 4% of GDP, from an estimated 6% in 2008. The deficit is expected to decline further by 2010.

Ukraine
Economic Structure

Economic Indicators	2004	2005	2006	2007	2008^b
GDP (US\$ billion.)	64.9	86.1	107.8	141.2	179.5
GDP at mkt. prices (HRN billion.)	345	441	544	713	946
Real GDP growth (%)	12.1	3.0	7.4	7.7	2.1
Consumer price inflation (%)	9.0	13.5	9.1	12.8	25.2
Population (mn.)	47.1	46.7	46.5	46.2	46.0
Exports f.o.b. (US\$ billion.)	33.4	35.0	38.9	49.8	62.9
Imports f.o.b. (US\$ billion.)	29.7	36.2	44.1	60.4	78.4
Current account balance (US\$ billion.)	6.9	2.5	-1.6	-5.3	-11.0
Total international reserves (US\$ billion.)	9.7	19.4	22.4	32.5	31.1
Total external debt (US\$ billion.)	30.2	33.3	49.9	68.8	73.2
Avg exchange rate (HRN:US\$) Local currency is the Hryvnya	5.32	5.12	5.05	5.05	5.27

^b Estimates

Source: EIU Country Report