



INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING



The economic situation in Ukraine: challenges and outlook

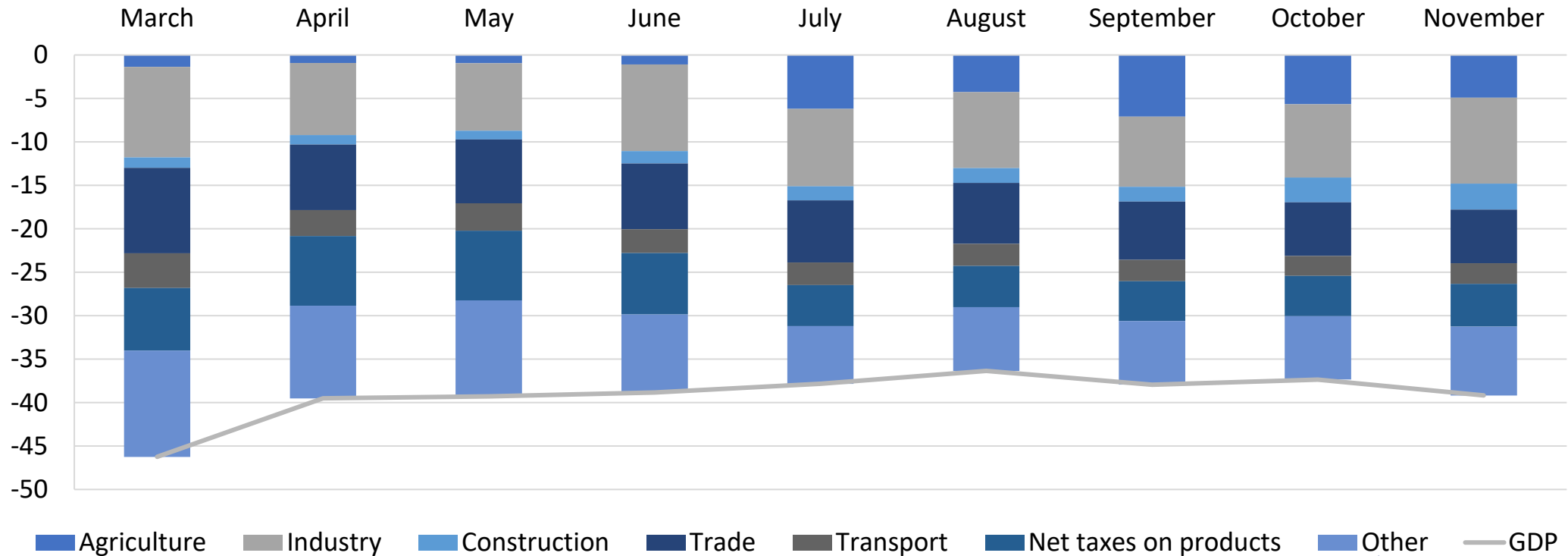
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IER Kyiv

Briefing – 16 December 2022

Real GDP: March-November 2022

Real GDP by components, IER estimates



Economic trends

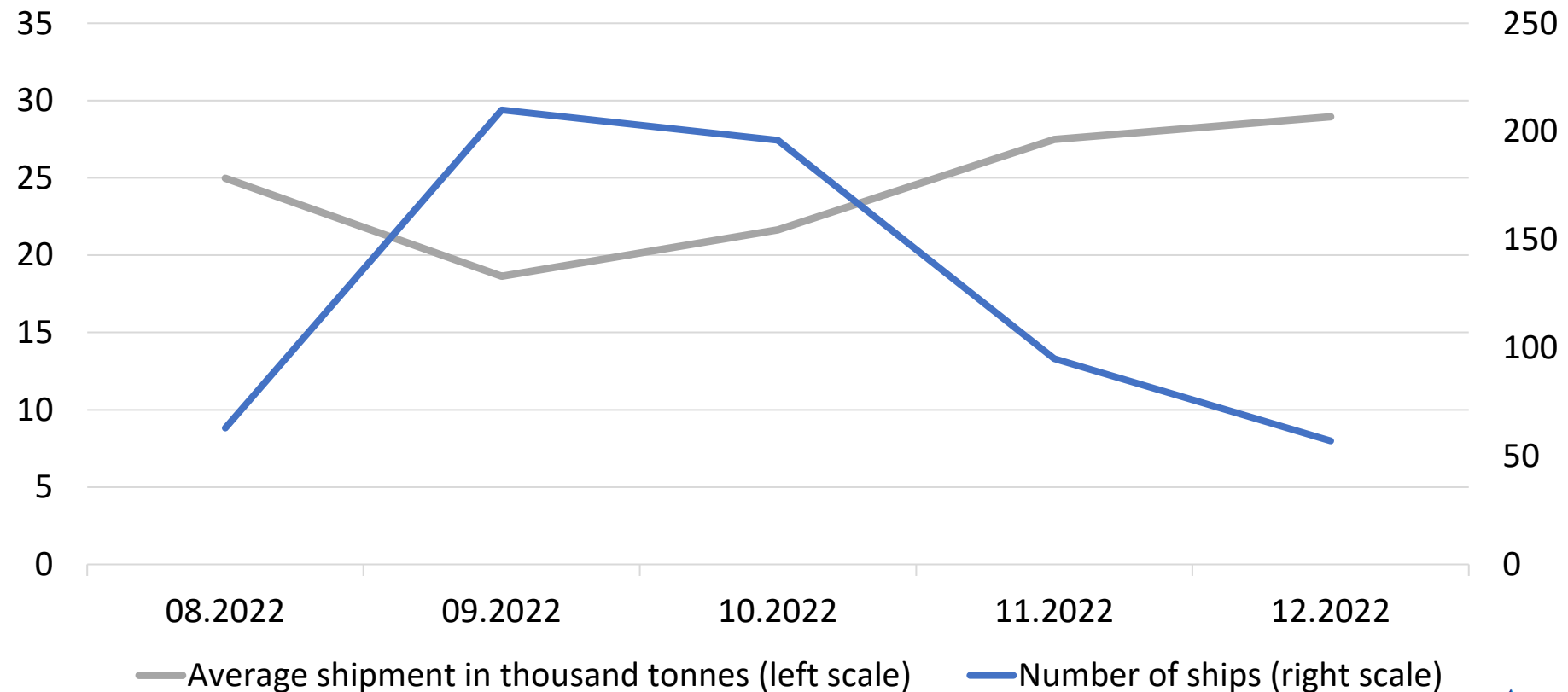
- According to the IER estimate real GDP decline accelerated by about 2 p.p. to 39.2% yoy in November due to Russian missile and drone attacks on Ukrainian energy infrastructure:
 - *The IER estimate for the Q3 is more pessimistic than the flash estimate of the Ukrstat at 30.8% yoy,. The Ukrstat likely includes data from territories, temporary occupied after Feb.24.*
- Agricultural companies improved performance primarily due to the harvest of corn and sugar beets, which was delayed in previous months. Areas under winter crops declined.
- ‘Grain initiative’ was prolonged after a period of uncertainty.
- Livestock companies face increased costs due to the need to invest into energy generators and fuel.
- Manufacturing suffered from electricity outages especially after November 23. Metallurgy was one of the most hit due to an emergency stop in production.
- Electricity production dropped by about 40-45% yoy. The deficit of electricity is at about 20-30%.
- Trade and transport were supported by purchases of goods needed for passing the winter by businesses and households (electricity generators, electro batteries, UPSs, etc.).
- Queues of trucks and railway carriages on borders decreased substantially but remain an obstacle to international trade

External trade

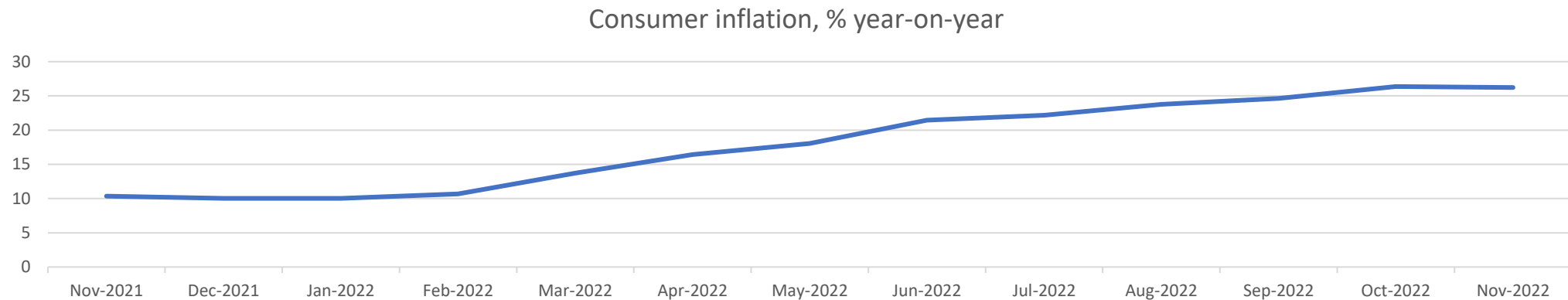


- Vessel departures under Black Sea Grain Initiative slowed to 95 ships carrying 2.8 m tonnes of cargo in November from 196 ships with over 4.2 m tonnes of cargo. Larger ships and alternative routes acted to partially offset slow inspections.
- Customs data show agricultural exports close to October level. This may reflect shipments clearing customs and delayed in ports
- At the same time steel and iron ore exports remained on downward trend. Electricity deficit compounded effect of low export prices and expensive logistics. Improvement in export prices over last weeks may lead to higher exports if electricity supply stabilizes.
- Imports remained broadly stable over last months. Higher imports of generators, fuels and other blackout-related areas more than offset lower demand in other areas in November.

External trade: Black Sea Grain Initiative



Inflation



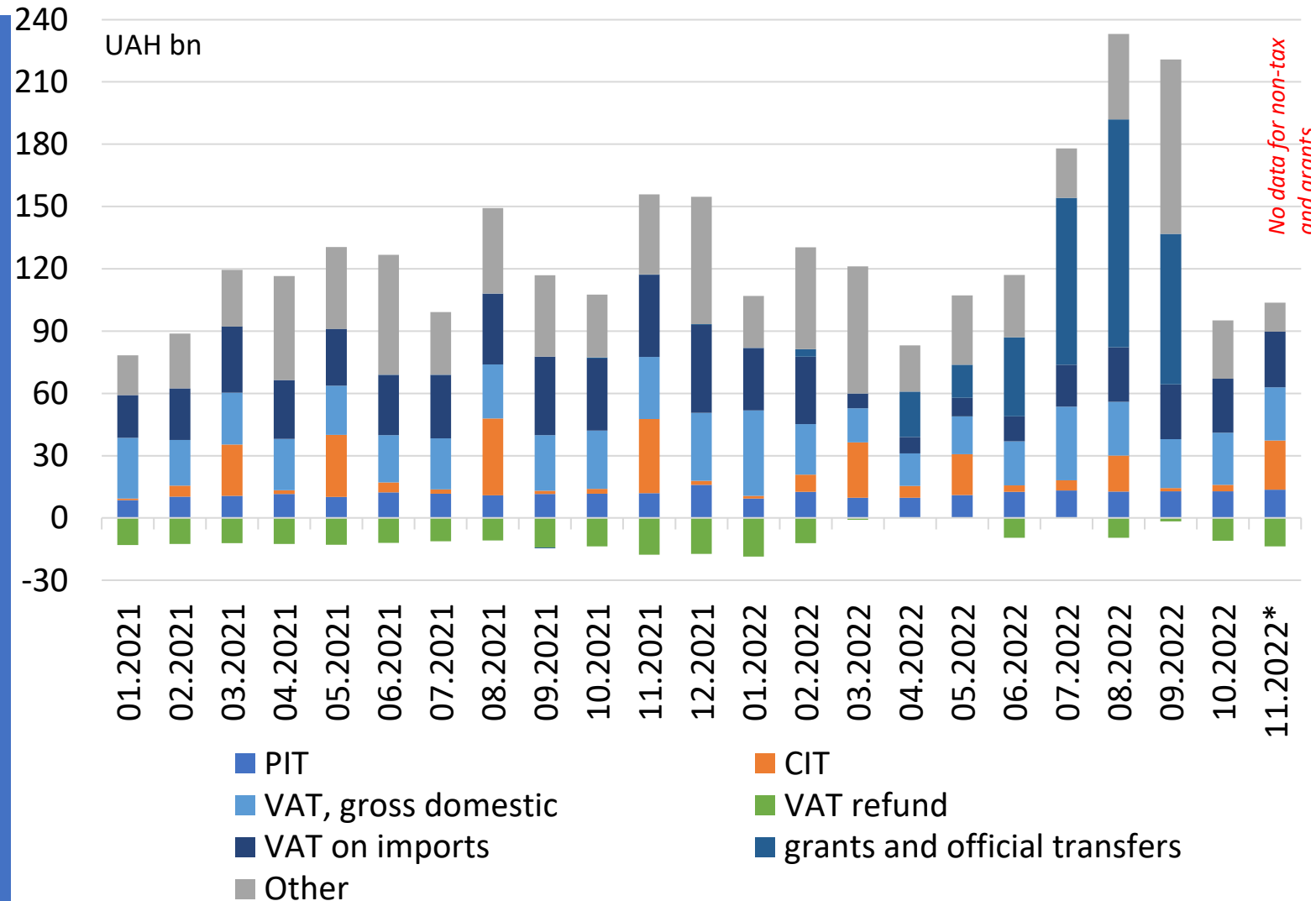
Source: Ukrstat

- Consumer inflation remained at 26% yoy in November as monthly price increase slowed to 0.7% mom or the slowest level since February (shared with July). Food cost growth slowed while effects of hryvnia devaluation in July reduced.
- No discernible effect of electricity deficit caused by russian bombings on prices in November but may be more pronounced in the next months. Fixed electricity, gas and heating prices shielded households from some effects of higher energy costs.

Fiscal indicators

- Tax revenues in November increased as compared to October as this is a CIT payment month
- Gross VAT revenues remained stable, while the Government increased VAT refunds to UAH 13,6 bn
- High risk of under-execution of fiscal expenditures in 2022 as in 11 months they (general fund) were at only 86.8% of the annual plan
- No grants in November, but EUR 2,5 bn from the EU (finally)
- Deficit (general fund) increased to UAH 165 bn in November

Central fiscal revenues

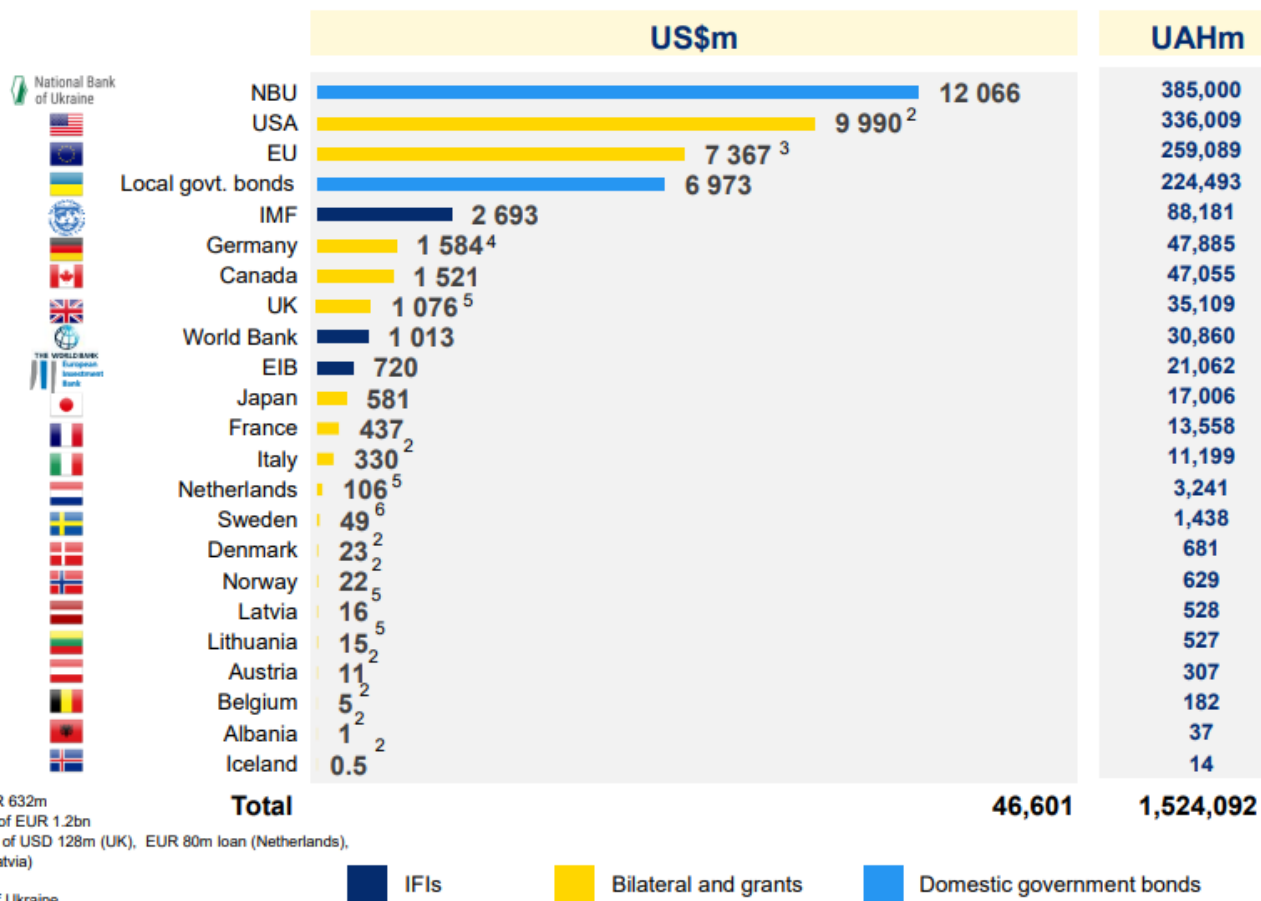


Note: * November data includes only flash data on key tax revenues. Data on grants and non-tax revenues are absent.
Source: MinFin, State Treasury

Financing

- NBU financing at UAH 385 bn – UAH 15 bn left by the end of 2022
- NBU financing is not envisaged for 2023
- War bonds at UAH 224 bn – slight increase in demand due to higher yields
- Decline in planned domestic borrowings in 2023
- External financing at USD 28,6 bn with 43% of grants
- Planned at USD 38 bn for 2023

Received budget financing (general fund) during the wartime split by sources¹



Note 1 As of 14.12.2022

Note 2 Grant

Note 3 Including grant of EUR 632m

Note 4 Grant Including grant of EUR 1.2bn

Note 5 Guarantee, incl. grant of USD 128m (UK), EUR 80m loan (Netherlands).






















Note 6 Guarantee

Source Ministry of Finance of Ukraine

External financing

- The US approved USD 4,5 bn: USD 1,5 bn already disbursed in Dec.
- More financial assistance from the USA is still to be approved
- EU Parliament approved EUR 18 bn MFA+ for 2023
- IMF administered account also for SDRs: but none has provided Ukraine with SDRs through this account
- Risk: slow and irregular financing in 2023 as well

Committed and disbursed budget financing during the wartime¹

	US\$ m	Committed		Disbursed				Share disbursed
		Total	General fund		Budget for reconstruction		Total	
			Loans	Grants	Loans	Grants		
 EU	30,400	6,742	626	-	-	7,367	24%	
 USA	12,990	-	9,990	-	-	9,990	77%	
 IMF	2,710	2,710	-	-	-	2,710	100%	
 EIB	2,320	720	-	1,000	-	1,720	74%	
 Canada	2,021	1,521	-	-	-	1,521	75%	
 World Bank	1,765	1,013	-	-	-	1,013	57%	
 Germany	1,584	324	1,260	-	-	1,584	100%	
 UK	1,576	948	128	-	-	1,076	68%	
 Japan	581	581	-	-	-	581	100%	
 France	437	437	-	-	-	437	100%	
 Italy	330	206	125	-	-	330	100%	
 Netherlands	310	106	-	-	-	106	34%	
 Sweden	49	49	-	-	-	49	100%	
 Denmark	53	-	23	-	-	23	44%	
 Norway	22	-	22	-	-	22	100%	
 Latvia	16	10	5	-	-	16	100%	
 Lithuania	15	10	5	-	-	15	100%	
 Austria	11	-	11	-	-	11	100%	
 Belgium	5	-	5	-	-	5	100%	
 Albania	1	-	1	-	-	1	100%	
 Iceland	0.5	-	0.5	-	-	0.5	100%	
Total	57,197	15,376	12,201	1,000	-	28,578	50%	

Note 1 As of 14.12.2022
Source Ministry of Finance of Ukraine, public information

This is only emergency financing.


About us


RRR4U


Resilience,
Reconstruction &
Relief for Ukraine

Project and Consortium

MEMBERS:  Institute for Economic Research
& Policy Consulting, Kyiv, Ukraine

 Center for Economic
Strategy, Kyiv, Ukraine

 DiXi Group, Kyiv, Ukraine

 Institute of Analysis and
Advocacy, Poltava, Ukraine

WHAT WE DO: promoting just, green and people-
centered economic recovery

HOW WE WORK: policy analysis, advocacy, dialogue
with the academic, private,
non-governmental and public
sector representatives etc.

Principles of reconstruction and recovery by consortium #RRR4U

- 1. Urgency:** economic reconstruction and resilience efforts should begin immediately
- 2. Transparency and accountability:** clear public disclosure, monitoring and accessible grievance mechanisms
- 3. People-oriented approach:** inclusive, participatory, human rights-based and bringing the decision-making as close to affected population as possible
- 4. Prioritizing fulfilment of SDGs:** achieving “build back better” goals
- 5. Perpetrator should pay:** the priority should be reconstruction financed through the assets of the Russian State and the oligarchs
- 6. Consistency with international law** and compatibility with desire to be a member of the EU
- 7. Ensuring long-term economic sustainability:** consistent with a national strategy for sustainable debt, preferencing grants over loans, and striving to protect access to markets and invite foreign direct investment



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