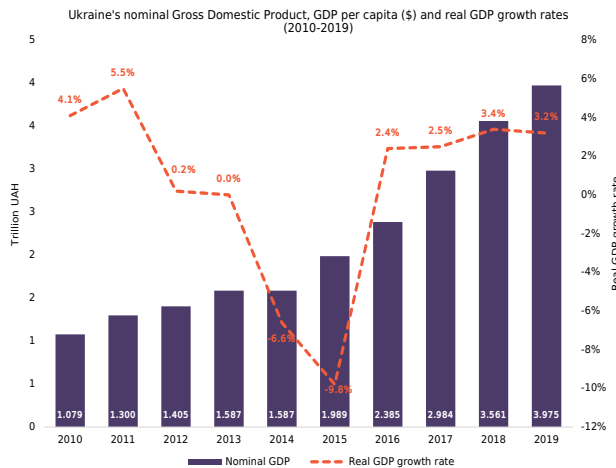


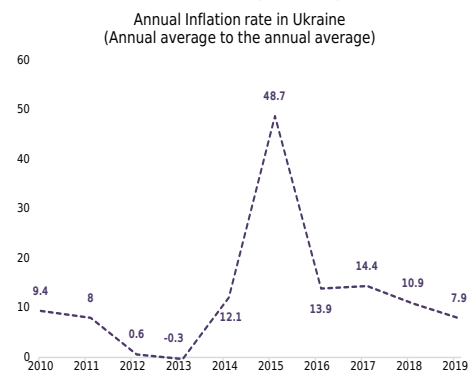
In the very first edition of PMC Research Center Ukraine's Economic Outlook and Indicators, we present an overview and analysis of the dynamics of Ukraine's main economic indicators over the last decade, such as GDP, inflation, exchange rates, foreign trade, FDI, and remittances.



Source: State Statistical Service of Ukraine

Meanwhile, "Public administration" and "Agriculture" experienced the biggest increases in their respective contributions to GDP from 2010 to 2019, increasing by 2.6 percentage points (from 5.2% to 7.8%) and 2.1 percentage points (from 8.4% to 10.5%), respectively.

"Financial activities" and "Manufacturing" saw the biggest declines in their contributions to Ukraine's GDP from 2010 to 2019, decreasing by 3.1 percentage points (from 6.4% to 3.3%) and 2.4 percentage points (from 15% to 12.6%), respectively.



Source: National Bank of Ukraine

At the same time, prices for "Communication" and "Clothing and footwear" products have risen only by 61% and 60%, respectively.

According to World Bank data, in 2019, compared to 2010, among the countries of Eastern Europe¹, Ukraine recorded the second-highest increase in prices (182%), behind only Belarus (408%). Meanwhile, the lowest price increases over the same period were observed in Poland (14.1%) and Bulgaria (14.4%).

Ukrainian Hryvnia's Exchange Rate

The Real Effective Exchange Rate (REER) of the Ukrainian Hryvnia, which measures the price of Ukrainian goods against the goods of its main trade partners², was relatively stable over the reporting period with minor ups and downs in the period prior to 2014-2015. However, in that two year-period (2014-2015), the REER depreciated by more than 40% from its peak in 2014. While the REER was stable over the period of 2016-2018, it started an upward trend in 2018, appreciating by 42% in 2019. This means that Ukrainian goods became more expensive compared to foreign goods and if this trend continues, it could prove damaging for the competitiveness of Ukraine's exports.

Looking at bilateral exchange rates, the Hryvnia has depreciated significantly against all major trading partner currencies over the past decade, except for the Turkish Lira and the Belarusian Ruble, both of which underwent their own episodes of heavy depreciation over the reporting period.

The Hryvnia's depreciation was most pronounced against the US Dollar, dropping by 69% when comparing annual average values of currencies in 2019 with those of 2010. Meanwhile, the Hryvnia depreciated against the Euro by 64% and against the Polish Zloty by 61% over the same period. Finally, its depreciation against the Russian ruble was also significant, with a depreciation of 34% over the decade covered.

In 2018 and 2019, this trend of depreciation began to reverse slightly, as the Hryvnia appreciated in value against each of its major trading partner currencies.

Gross Domestic Product

Over the course of the past decade, Ukraine's real Gross Domestic Product (GDP) increased by an average of 0.5% annually.

In 2012 and 2013, real GDP growth was stagnant, while in 2014 and 2015 the country went into a recession, before recovering in 2016 since which GDP growth has ranged between 2.4% and 3.4%.

There have been no significant changes in the structure of Ukraine's GDP in the last 10 years albeit there are some minor differences worth noting when comparing the GDP structure of 2010 and 2019.

"Wholesale and retail" and "Manufacturing" were the country's top two sectors in 2019, and this was also the case in 2010.

Structure of Gross Domestic Product by sectors

2010	2019
Wholesale and retail 16.2%	Wholesale and retail 15.3%
Manufacturing 15%	Manufacturing 12.6%
Transportation 8.7%	Agriculture 10.5%
Agriculture 8.4%	Transportation 7.9%
Mining 6.6%	Public administration 7.8%
Financial activities 6.4%	Real estate 7.2%
Real Estate 6.0%	Mining 6.5%
Education 5.6%	Education 5.2%
Public Administration 5.2%	Financial Activities 3.3%
Other service activities 21.8%	Other service activities 23.8%

Source: State Statistical Service of Ukraine

Inflation

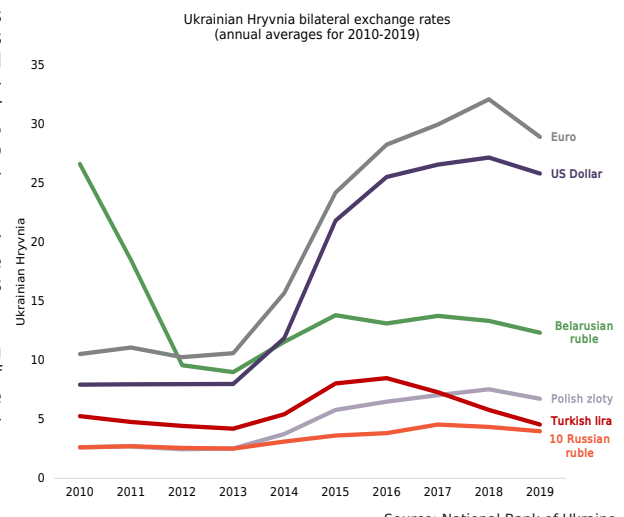
Over the course of the last ten years, inflation in Ukraine averaged 12.6% with a pronounced spike in annual inflation by 48.7% in 2015.

In 2013, the Ukrainian economy encountered deflation of 0.3%, the only episode of annual deflation recorded during the given period. Since 2018, inflation has been steadily decreasing, dropping down to an average rate of 7.9% in 2019. Notably, in 2015, the National Bank of Ukraine set a medium-term inflation target of 5%, with gradual targets set for each year (12% by 2016; 8% by 2017; 6% by 2018; and 5% by 2019).

In 2019, compared to average annual rate of inflation in 2010, prices increased by 182% overall, with the biggest rise being recorded in "Housing, water, electricity, gas and other fuels" (497%).

Price changes by Different Groups	
Average annual 2019 compared to average annual 2010	
Groups	Inflation
Food and non-alcoholic beverages	146%
Alcoholic beverages, tobacco	309%
Clothing and footwear	60%
Housing, water, electricity, gas and other fuels	497%
Furnishings, household equipment and routine maintenance of the house	109%
Health	150%
Transport	224%
Communication	61%
Recreation and culture	107%
Education	144%
Restaurants and hotels	151%
Miscellaneous goods and services	145%
Overall Inflation	182%

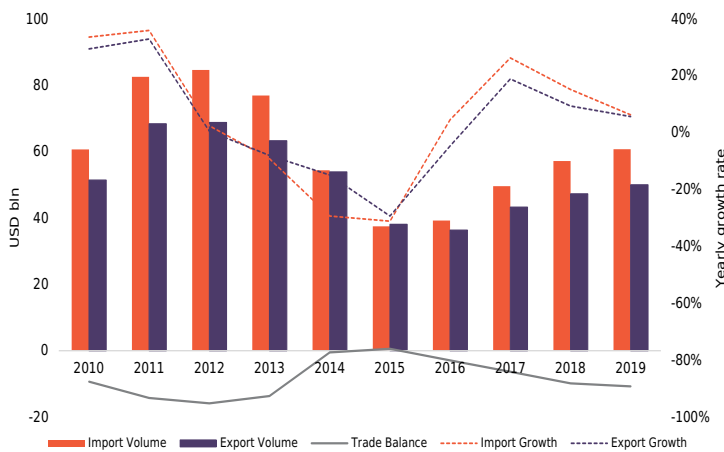
Source: National Bank of Ukraine



Source: National Bank of Ukraine

Foreign Trade

Dynamics of Foreign Trade, 2010-2019



Source: State Statistical Service of Ukraine

At the same time, the composition of Ukraine's imports remained unchanged. In 2010, Ukraine imported "Mineral products" (35%), "Machines, equipment and mechanisms, electric and technical equipment" (13%), and "Products of chemical and allied industries" (11%). In 2019, the corresponding figures were 30%, 31%, and 17% of total imports, respectively. As for Ukraine's top import partner countries, in 2010 its three main partners were the Russian Federation (37%), China (8%), and Germany (8%). By 2019, Ukraine had reduced its imports from Russia significantly, although it still remained the second-highest exporter to Ukraine (11%). At the same time, the proportions of Ukraine's imports from China and Germany rose to 15% and 10%, respectively.

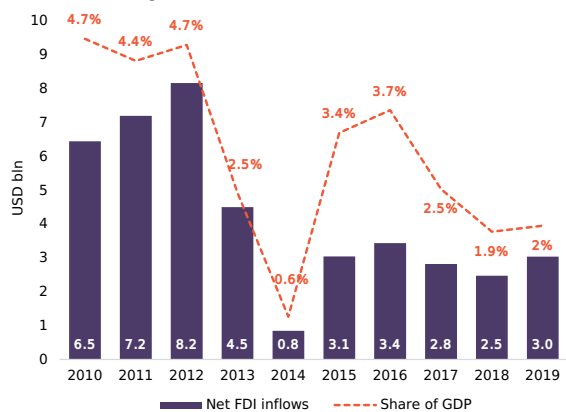
The amount of imports to Ukraine during the period of 2010-2019 fluctuated, with a low of USD 37,516 mln in 2015 and a high of USD 84,658 mln in 2012, while for exports the low for this period was USD 36,361 mln in 2016 while the high was USD 68,809 mln in 2012. Over the ten-year period covered, the year 2015 was the only one in which Ukraine reported a positive trade balance.

The growth dynamics of both imports and exports have been similar over the past decade, with a negative trend for both from 2011 to 2015, before a steady increase between 2017 and 2019, on average by 16% for imports and 11% for exports, respectively.

Since 2010, the composition of exported goods has changed. In 2010, "Base metals and preparations thereof," "Mineral products," and "Machines, equipment and mechanisms, electric and technical equipment" together amounted to 59% of total exports. Meanwhile, in 2019, the three major commodity groups were "Plant products," "Animal or plant fats and oils," and "Base metals and preparations thereof", contributing to 72% of exported goods together. The main destinations for Ukrainian exports in 2010 were the Russian Federation (26%), Turkey (6%), and Italy (5%). However, in 2019, the major importers of Ukrainian goods were China (7%), Poland (7%), and the Russian Federation (6%).

Foreign Direct Investment

Foreign Direct Investments in Ukraine, 2010-2019



Source: World Bank Database

In 2010, "Financial and insurance activities" attracted the second-highest share of FDI (25%), but this dropped to 11% by 2019. On the other hand, "Wholesale and retail trade; repair of vehicles and motorcycles" drew 10% of total FDI in 2010, and then rose to 14% by 2019, which made it the second-most invested-in sector in Ukraine.

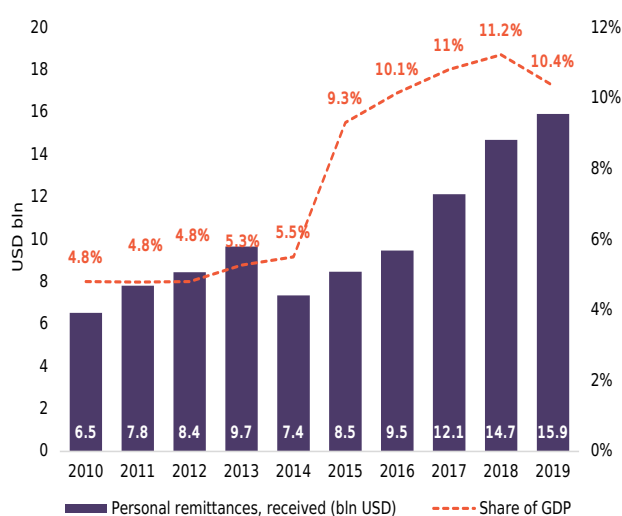
Remittances

The dynamics of personal remittances over the decade covered can be grouped into two 5-year sub-periods over the past decade. In the first sub-period (2010-2014), the average sub share of remittance inflows as a contribution to GDP amounted to 5%, while in the second sub-period (2015-2019) it averaged 10.4%, representing more than a two-fold increase. There was a significant shift in 2015, from 5.5% to 9.3%, largely explainable by the shrinking of its GDP (expressed in USD) due to recession. However, the share of remittances did not return to old value afterwards, and in fact, continued growing, reaching a peak of 11.2% of GDP in 2018. This significant growth is mostly attributable to higher migration flows towards the EU, specifically Poland³. According to the World Bank Database, Ukraine was ranked 62nd in the world in terms of remittances as a share of GDP in 2010, but climbed to 28th by 2019.

In terms of growth of remittance inflows, the figures grew in every year except one over the past decade, with the only exception being 2014 in which there was a drop of 24%. If this outlier is ignored, the average yearly growth rate for remittance inflows amounted to 15%, while if the 2014 figure is taken into account, the average yearly growth rate equals 11%.

Top 5 sender countries in 2019 were Poland, Russia, Czech Republic, the US, and the UK, while in 2015⁴ the top 5 were Russia, Poland, the US, Italy, and Czech Republic. The main change of note over this period was the increased share from Poland (from 19% of total remittances in 2015, to 31% in 2019), which can be explained by increased migration to Poland³, as well as the decrease in the share of remittances from Russia (from 26% to 11%).

Personal remittances in Ukraine, 2010-2019



Source: World Bank Database

Other Basic Economic Indicators	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP Per Capita (USD)	2965.1	3569.8	3855.4	4029.7	3104.6	2124.7	2187.7	2640.7	3096.8	3659
Unemployment Rate (%)	8.1	7.9	7.5	7.2	9.3	9.1	9.4	9.5	8.8	8.2
Tax revenues (bln UAH)	234.4	334.7	360.6	354.0	367.5	507.6	650.8	828.2	986.3	1070.3
Government Debt (bln USD)	25	25.9	27.3	29.9	32.9	36	36.5	38.9	40.1	44.5

¹ Based on the classification of the United Nations, countries in the region include: Bulgaria, Belarus, Czech Republic, Hungary, Moldova; Poland; Romania; Russia; Slovak Republic and Ukraine.

² The main trade partners used for calculating the REER include: Azerbaijan, Belarus, Kazakhstan, Moldova, Russian Federation, Austria, Belgium, Bulgaria, Great Britain, Greece, Denmark, Estonia, Ireland, Spain, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Germany, Poland, Portugal, Romania, Slovakia, Slovenia, Hungary, Finland, France, Czech Republic, Switzerland, Sweden, Georgia, India, China, Korean Republic, Turkey, Japan, USA, Egypt.

³ <https://vo.ukraine.org/en/no-end-in-sight-labour-migration-from-ukraine-to-the-eu-may-slow-down-but-will-probably-continue/>

⁴ Detailed data by country are not available for prior period.