

NEW EUROPE ECONOMICS & STRATEGY

September 09, 2011

FOCUS NOTES: UKRAINE

Written By:

Dr. Stella Kanellopoulou:
Research Economist
skanellopoulou@eurobank.gr

Ukrainian official real GDP growth forecast ranging between 5.0% yoy and 6.5% yoy in 2012

- Ukrainian economy grew by 4.4% yoy in H1-11; in Q2-11 real GDP growth slowed to 3.8% yoy after having grown by 5.3% yoy in Q1-11
- Ukrainian government keeps 5.0-6.5% yoy GDP forecast in 2012

DISCLAIMER

This report has been issued by EFG Eurobank Ergasias S.A. (Eurobank EFG), and may not be reproduced or publicized in any manner. The information contained and the opinions expressed herein are for informative purposes only and they do not constitute a solicitation to buy or sell any securities or effect any other investment. EFG Eurobank Ergasias S.A. (Eurobank EFG), as well as its directors, officers and employees may perform for their own account, for clients or third party persons, investments concurrent or opposed to the opinions expressed in the report. This report is based on information obtained from sources believed to be reliable and all due diligence has been taken for its process. However, the data have not been verified by EFG Eurobank Ergasias S.A. (Eurobank EFG), and no warranty expressed or implicit is made as to their accuracy, completeness, or timeliness. All opinions and estimates are valid as of the date of the report and remain subject to change without notice. Investment decisions must be made upon investor's individual judgement and based on own information and evaluation of undertaken risk. The investments mentioned or suggested in the report may not be suitable for certain investors depending on their investment objectives and financial condition. The aforesaid brief statements do not describe comprehensively the risks and other significant aspects relating to an investment choice. EFG Eurobank Ergasias S.A. (Eurobank EFG), as well as its directors, officers and employees accept no liability for any loss or damage, direct or indirect, that may occur from the use of this report.

Ukrainian economy grew by 4.4% yoy in the first semester of 2011. In Q2-11 real GDP growth stood at 3.8% yoy down from 5.3% yoy recorded in Q1-11; reflecting that the economy continues to expand but at a slower pace. The second quarter's slowdown was expected on unfavourable base effects given the 5.5% yoy GDP growth in Q2-10. (Table 1)

However, downside risks to growth come from weaker global growth prospects including weaker steel prices. Even though the Q2-11 GDP breakdown has not been released yet, the second quarter's deceleration most likely was due to base effects coupled with weaker external demand while household demand probably continued to grow strongly (suggested by the double digit figures of retail sales). All in all, we anticipate 4.5% yoy GDP growth in 2011 and 4.6% yoy in 2012.

Table 1
Ukrainian real GDP growth, % yoy,
rebounds from the steep 2009 slowdown

	Q1	Q2	Q3	Q4
2008	8.5	6.2	4.3	-7.8
2009	-19.6	-17.3	-15.7	-6.7
2010	4.8	5.5	3.6	3.3
2011	5.3	3.8	n/a	n/a

Source: National Statistics, Eurobank Research

First quarter's data shows that the economic expansion is broad-based with agriculture, utilities and construction all growing solidly. There was an upsurge in house building which pushed construction growth to 7.8% in Q1-11 from negative territory until the end of 2010.

Moreover, Ukrainian government official forecasts regarding GDP growth continue to range between 5.0-6.5% yoy in 2012 and 4.7% yoy in 2011 with domestic demand being the main driver. Private consumption is recovering, supported by real disposable income growth (it grew by 8.7% in Q1-11) and investments are alleviating on the back of EURO 2012 (European Football Championships) ongoing preparations.

Research Team

Editor, Professor Gikas Hardouvelis

Chief Economist & Director of Research Eurobank EFG Group

Financial Markets Research Division

Platon Monokroussos, *Head of Financial Markets Research Division*

Paraskevi Petropoulou, *G10 Markets Analyst*

Galatia Phoka, *Emerging Markets Analyst*

Sales Team

Nikos Laios, *Head of Sales*

Vassilis Gioulbaxiotis, *Head of International Sales*

Yiannis Seimenis, Ioannis Maggel, *Corporate Sales*

Stogioglou Achilles, *Private Banking Sales*

Alexandra Papathanasiou, *Institutional Sales*

Economic Research & Forecasting Division

Dimitris Malliaropoulos, *Economic Research Advisor*

Tasos Anastasatos, *Senior Economist*

Ioannis Gkionis, *Research Economist*

Vasilis Zarkos, *Economic Analyst*

Stella Kanellopoulou, *Research Economist*

Olga Kosma, *Economic Analyst*

Maria Prandeka, *Economic Analyst*

Theodosios Sampaniotis, *Senior Economic Analyst*

Theodoros Stamatou, *Research Economist*

Eurobank EFG, 20 Amalias Av & 5 Souri Str, 10557 Athens, tel: +30.210.333.7365, fax: +30.210.333.7687, contact email: Research@eurobank.gr

Eurobank EFG Economic Research

More research editions available at <http://www.eurobank.gr/research>

- **New Europe:** Economics & Strategy Monthly edition on the economies and the markets of New Europe
- **Economy & Markets:** Monthly economic research edition
- **Global Economic & Market Outlook:** Quarterly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

