

Latest developments in Ukraine



Oleksiy Blinov, Head of Research

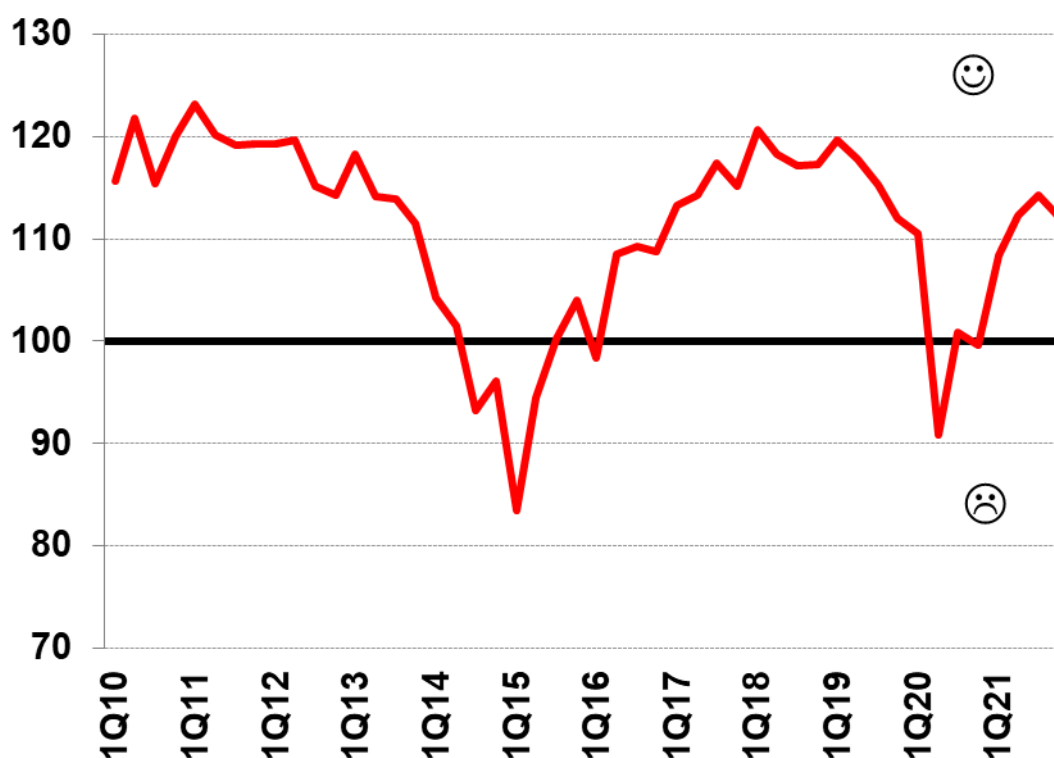
18 January 2022

Last week, the Ukrainian FX market was trading in the USD/UAH 27.44-28.02 range, with the hryvnia retreating another 1.8% vs. the greenback over the week. The NBU sold another USD 331 mln that week.

This week, the hryvnia continued heading south, with trading reaching USD/UAH 28.5 today before stepping back to USD/UAH 28.4 by the end of the trading session. The central bank has continued substantial FX sales.

Business sentiment started to deteriorate already at the end of 2021. According to the latest quarterly business sentiment survey by the National Bank of Ukraine (companies polled in November), there has been a slight deterioration in business sentiment then, much earlier before current worries emerged. The aggregate Business Confidence Index (BCI) lost 2.2 points, slipping to 112.1 (readings over 100 points to prevailing positive expectations).

Business Confidence Index in 2010-2021



Sources: National Bank of Ukraine, Alfa-Bank Ukraine

The balance of answers on expected output growth has cooled off significantly, but still remained in the upbeat area. Moreover, slightly more companies referred to increased spare capacities, which is another omen of a degrading economic cycle. All five BCI components remained in the positive area, but there was some worsening in assessment of financials, output expansion and investment.

It is quite likely that business confidence would suffer significantly in the first quarter for 2022 from increased market volatility and national security worries. However, that might eclipse an underlying slowdown trend in the economy.

Agricultural output grows 14.4% in 2021. In particular, crop output increased 20%. Organized agricultural companies saw their crops increasing 24%, while households enjoyed only a 11% increase (these two groups differ much with regard to crop structure). At the same time, output in animal husbandry decreased 4.4%. That includes a 2.4% decrease among agricultural companies.

Recent sovereign debt operations and upcoming payments schedule

	New debt	Payments	
		Amortization	Interest
11 January	UAH 3,750 mln	—	—
12 January	—	—	UAH 224 mln*
13 January	—	USD 177 mln	USD 9.6 mln
18 January	UAH 117 mln + USD 143 mln	—	—
19 January		UAH 2,500 mln*	UAH 1,407 mln
25 January	<i>placement:</i> <i>UAH 3M, 12M, 18M, 2Y, 3Y, 4Y</i>	—	—
26 January		—	UAH 642 mln
27 January		—	EUR 54.7 mln

* paid to the NBU

Sources: Ministry of Finance, Alfa-Bank Ukraine

Prices for key commodities, % change

	over the week	YtD	YoY
Steel	2	2	2
Iron ore	0	12	-26
Corn	-1	0	6
Wheat	-1	-1	13
Sunflower oil	-1	0	8
Crude oil	5	10	52
Thermal coal	10	12	120
Natural gas	0	9	295
Bottom line: change in terms of trade	NEGATIVE	NEGATIVE	NEGATIVE

Sources: Bloomberg, APK-Inform, UkrPromZovnishExpertiza, Alfa-Bank Ukraine

Ukraine: key macroeconomic indicators

	2019	2020	2021e	2022f
GDP, UAH bln	3,977	4,192	5,185	5,807
GDP, USD bln	155.0	154.7	190.0	205.6
GDP, % real change	3.2	-4.0	3.0	3.4
Industrial output, % real change	-0.5	-4.5	1.2	3.0
CPI, % average annual change	7.9	2.7	9.4	8.4
CPI, % change Dec/Dec	4.1	5.0	10.0	7.5
Average wage, USD	406	430	513	565
Average wage, % real change	9.8	7.4	10.2	5.3
Consolidated Budget balance, % of GDP	-2.1	-5.4	-3.3	-3.5
Public debt (incl. guarantees), % of GDP	50.2	60.9	51.3	52.5
Net FDI inflow, USD bln	5.2	-0.1	6.0	4.0
Current account balance, % of GDP	-2.7	3.4	-1.2	-4.0
FX reserves, USD bln at year-end	25.3	29.1	30.9	29.0
USD/UAH rate, annual average	25.85	26.96	27.29	28.25
NBU key policy rate, % (annual average)	17.0	7.9	7.5	9.5

Sources: State Statistics Service, National Bank of Ukraine, Ministry of Finance, forecast by Alfa-Bank Ukraine

This report was prepared and issued by Alfa-Bank. Any information in this report is based on data obtained from public sources considered to be reliable, but no representations or guarantees are made by Alfa-Bank with regard to the accuracy, completeness or fairness and such information has not been independently audited and verified. The opinions and estimates contained herein constitute our best judgment as of the date of this report, and are subject to change without notice. This report is for information purposes only; it is not intended to be and should not be construed as a business offer or solicitation. Alfa-Bank, all its offices, employees of shareholders disclaim all responsibility or liability whatsoever for any expense, loss or damages incurred directly or indirectly out of, or in any way connected with, the use of all or any part of this report.