

# Latest developments in Ukraine

Oleksiy Blinov, Head of Research

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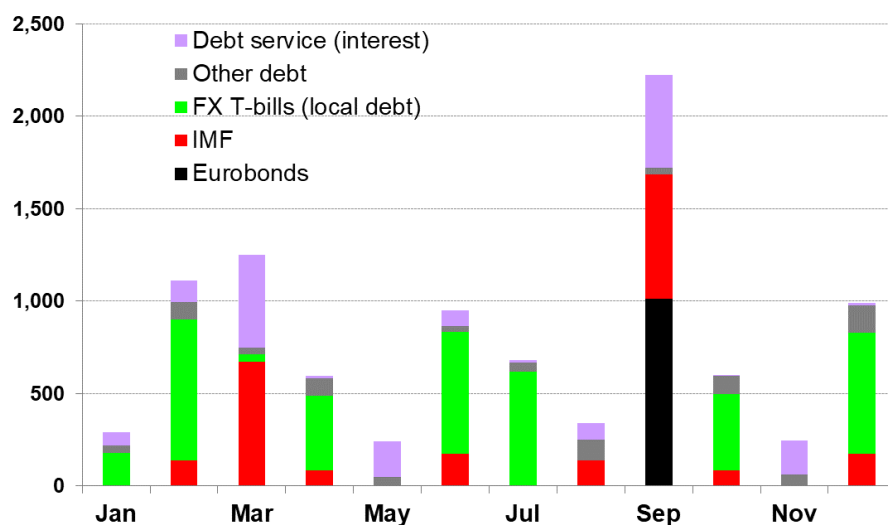
Last week, the Ukrainian FX market was trading in the USD/UAH 28.00-28.55 range, with the hryvnia losing another 1.1% to the US dollar over the week. The NBU sold a net of USD 301 mln that week (that included minor purchases of USD 20 mln).

Today, pressure on the hryvnia continued, forcing the NBU to proceed with FX sales and propelling the exchange trade to USD/UAH 28.60 by the end of trading session.

**EU announces new MFA loan for Ukraine.** Today, the President of the European Commission announced that the EU would propose a new financial assistance package for Ukraine. This should include an “emergency” macro-financial assistance program of EUR 1.2 bln. Usually, such loans are structured in 2 equal installments, with interest rates below 1% per annum and extensive maturity of some 15 years. Also, the President of the Commission announced “a longer-term MFA program to support modernization efforts” and “to leverage over EUR 6 bln in investments.”

This fiscal financing would be rather instrumental to roll over FX debt in 2022. At this moment, the Ministry of Finance has USD 1.2 bln on its FX account.

## FX public debt payment schedule in 2022, USD mln



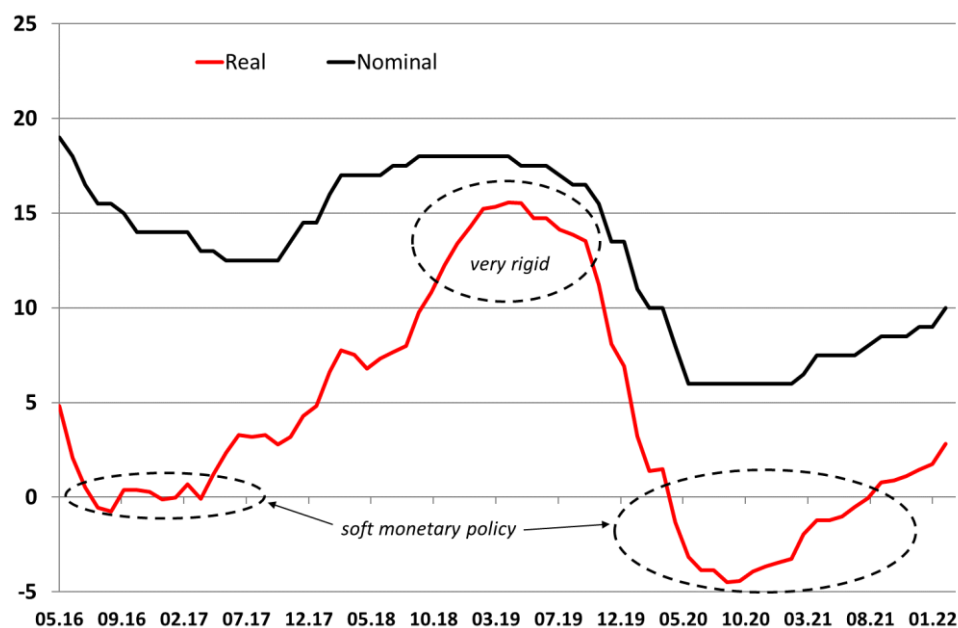
Sources: Ministry of Finance, IMF, Alfa-Bank Ukraine

**Amid increased market pressure, NBU becomes even more hawkish.** The National Bank of Ukraine hiked its prime rate by 100 bps to 10% per annum. On top of that, the central bank increased reserve requirement ratios (RRR) for on-call deposits by 2 p.p. (from 0% to 2% for UAH and from 10% to 12% for FX on-call deposits).

Obviously, hawks within the NBU gained ground as market pressures built up. The NBU accompanied its decision with the interest rate forecast that penciled another hike to 11% per annum this spring. We are not sure this one would be needed, but probabilities are predisposed north for the next couple of months.

According to our estimates, the rate has entered its neutral area. While inflationary risks are tilted to the upside, further hikes might be excessive. Much will be determined by circumstances in March when the next rate review is scheduled.

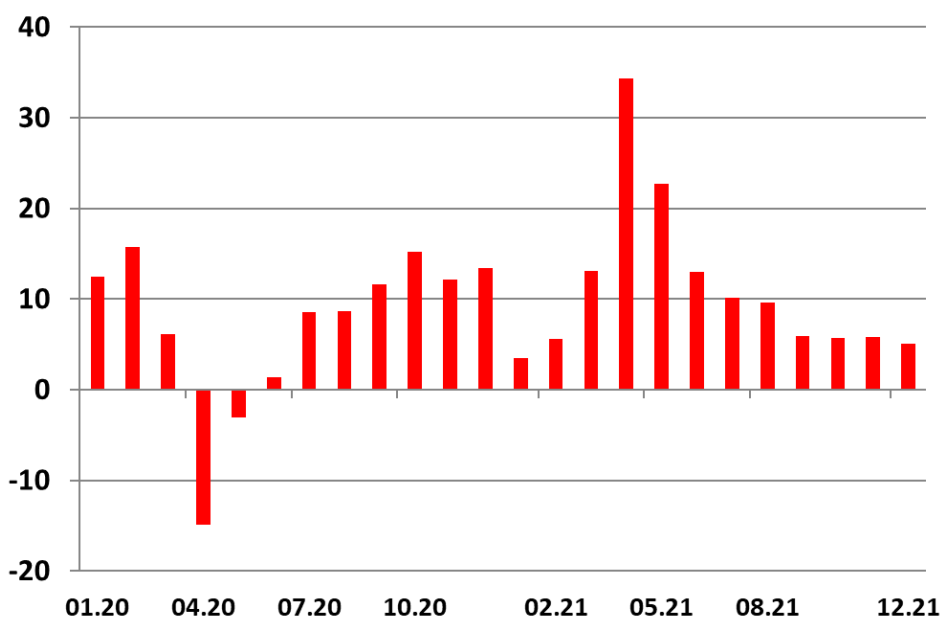
***NBU prime rate, % per annum***



Sources: NBU, State Statistics Service, Alfa-Bank Ukraine

**Retail sales up 10.7% in 2021.** Retail trade turnover growth amounted to 5.1% y-o-y in December. In 2021, retail trade turnover grew 10.7%. Among regions with relatively high sales volumes, the strongest growth was registered for Poltava (+15.1%) and Lviv (+17.3%). In contrast, Kharkiv region had the slowest growth rate in retail sales, just at 2.5%. In Kyiv, sales grew somewhat lower than national average, by 8.1%.

***Retail trade turnover in 2020-2021, % real change YoY***



Sources: State Statistics Service, Alfa-Bank Ukraine

**Recent sovereign debt operations and upcoming payments schedule**

	New debt	Payments	
		Amortization	Interest
18 January	UAH 117 mln + USD 143 mln	—	—
19 January	—	UAH 2,500 mln*	UAH 1,407 mln
25 January	<i>placement: UAH 3M, 12M, 18M, 2Y</i>	—	—
26 January		—	UAH 642 mln
27 January		—	EUR 54.7 mln
01 February	<i>placement: UAH 6M, 12M, 18M, 2Y, 3Y, 4Y USD 12M</i>	—	USD 33.7 mln
02 February		UAH 11,504 mln	UAH 1,980 mln
03 February		USD 368 mln	USD 13 mln
04 February		SDR 98.5 mln**	SDR 43.2 mln

\* *paid to the NBU*

\*\* *paid to the IMF by the NBU (repayment of EFF 2015)*

*Sources: Ministry of Finance, Alfa-Bank Ukraine*

**Prices for key commodities, % change**

	over the week	YtD	YoY
Steel	2	5	9
Iron ore	3	15	-24
Corn	0	0	4
Wheat	0	-1	9
Sunflower oil	3	3	10
Crude oil	2	13	57
Thermal coal	5	18	140
Natural gas	-7	2	246
Bottom line: change in terms of trade	POSITIVE	NEUTRAL	NEGATIVE

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

### ***Ukraine: key macroeconomic indicators***

	<b>2019</b>	<b>2020</b>	<b>2021e</b>	<b>2022f</b>
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	2.5
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	-4.0	-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	9.6

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

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