

# Latest developments in Ukraine

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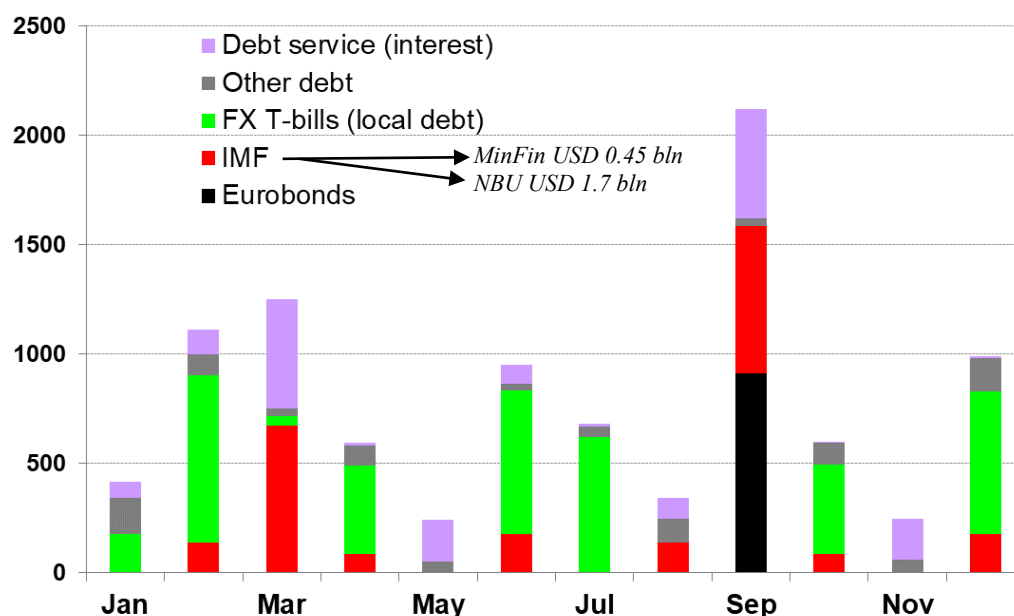


Last week, the Ukrainian FX market was trading in a wide USD/UAH 27.83-28.13 range, with the hryvnia gaining another 0.3% vs. the US dollar over the week. The NBU purchased a net of USD 203 mln that week.

The start of this week saw increased volatility amid another wave of “imminent invasion freak-out.” On Monday, the market jumped to USD/UAH 28.80, with the NBU selling almost USD 0.4 bln to curb devaluation. Today, the hryvnia appreciated sharply, with the NBU now buying, eventually stopping the market around USD/UAH 28.20.

**Ukraine secures official financing for 2022 external debt repayment needs.** The State Secretary of the USA announced that Ukraine will be provided with a sovereign loan guarantee of up to USD 1 bln. On the same day, the European Parliament approved emergency macrofinancial assistance (MFA, long-term loan) package of EUR 1.2 bln. These two credit lines should allow to refinance all external debt payments in the State Budget for 2022.

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



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

**Households spend some of cash accumulated at the end of 2021, not to be taken for mass withdrawals.** In January, UAH deposits of households in Ukrainian banks decreased UAH 17.9 bln (3.9% MoM). While on the first glance that might look as some dismay among individual depositors, an important reservation should be applied to this data. All this decrease was associated with on-call deposits, while term deposits remained intact. There was a great cash injection in December – in part, fiscally

generated – that echoed as increased household spending in January. Holdings on household FX accounts continued to shrink (by USD 335 mln, or 3.5% MoM) as interest rates there are no match to inflation, while purchases of foreign currency amid “invasion hysteria” were not pervasive.

At the same time, banks continued extending UAH lending in January. Portfolio of hryvnia loans to corporate clients increased UAH 3 bln (0.6% MoM), while that to retail clients expanded by UAH 6.5 bln (2.9% MoM). Overall, loan portfolio growth has continued accelerating, while deposit growth has slowed down further. This double-edged trend drains some of banking sector excess liquidity, but the latter still remains very ample.

**Gas tariffs for households to be subsidized by higher rents.** The government submitted a draft law (№ 7038-1) that proposes a dramatic increase in resource rent taxation for natural gas drilling. As soon as in March 2022, current flat rent rates should be replaced by a wide price-dependent tax plan, where current rates (usually, 14% or 29%, depending on deposit depth) should be preserved only for cases when natural gas price is below USD 200 per 1,000 cubic meters, while the maximum rate of 74% is proposed for cases when natural gas price is over USD 1,000 per 1,000 cubic meters. The draft law also contains a proposal to cut VAT rate for local airline services to 7%.

*Next update on Ukraine will be distributed on 14-16 March, after a vacation break.*

### Recent sovereign debt operations and upcoming payments schedule

	New debt	Payments	
		Amortization	Interest
08 February	UAH 1,801 mln + USD 12.1 mln	—	—
09 February	—	—	UAH 448 mln
15 February	UAH 69 mln	—	—
16 February		—	UAH 930 mln
17 February		EUR 349 mln	EUR 4.4 mln
22 February	<i>placement:</i> <i>UAH 3M, 12M, 18M, 2Y, 3Y, 4Y</i> <i>EUR 6M</i>	—	—
23 February		UAH 17,980 mln	UAH 2,517 mln
25 February		—	UAH 877 mln
01 March	<i>placement:</i> <i>UAH 6M, 12M, 18M, 2Y, 3Y, 4Y</i> <i>USD 2Y</i>	—	USD 293 mln
02 March		—	UAH 3,379 mln
04 March		—	UAH 135 mln
09 March		UAH 17,778 mln	UAH 1,749 mln
10 March		EUR 36.3 mln	EUR 0.3 mln
11 March		SDR 296 mln*	
15 March	<i>placement:</i> <i>UAH 3M, 12M, 18M, 2Y, 3Y, 4Y</i>	—	USD 94.3 mln
16 March		SDR 59.7 mln**	UAH 272 mln
18 March		SDR 125 mln**	—

\* paid to the IMF in this proportion: 54% by MinFin and 46% by the NBU

\*\* paid to the IMF by the NBU

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

### Prices for key commodities, % change

	over the week	YtD	YoY
Steel	3	13	27
Iron ore	4	34	-6
Corn	1	3	9
Wheat	-1	-5	10
Sunflower oil	1	4	8
Crude oil	2	22	49
Thermal coal	4	38	181
Natural gas	-7	-3	301
Bottom line: change in terms of trade	POSITIVE	POSITIVE	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	5,201	5,824
GDP, USD bln	155.0	154.7	190.6	206.1
GDP, % real change	3.2	-4.0	3.3	3.4
Industrial output, % real change	-0.5	-4.5	1.1	2.5
CPI, % average annual change	7.9	2.7	9.4	8.5
CPI, % change Dec/Dec	4.1	5.0	10.0	7.5
Average wage, USD	406	430	514	566
Average wage, % real change	9.8	7.4	10.5	5.3
Consolidated Budget balance, % of GDP	-2.1	-5.4	-3.6	-3.5
Public debt (incl. guarantees), % of GDP	50.2	60.9	51.4	52.6
Net FDI inflow, USD bln	5.2	-0.1	6.0	4.0
Current account balance, % of GDP	-2.7	3.4	-1.1	-3.4
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	10.0

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

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