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UKRAINIAN MARKET FLASH

Politics/Economics

NBU LIFTS BAN ON PURCHASE OF FOREIGN CURRENCY TO PAY FOR IMPORTS OF GOODS AND SERVICES WITHOUT COMING IN UKRAINE

The National Bank of Ukraine lifts ban, introduced by Resolution No.413 of December 4, 2008, on purchase of foreign currency to pay for imports of goods and services without their coming in Ukraine, reads the NBU Resolution No.269 dated May 6.

"The executive board of the National Bank orders: sub-clause 6.1, clause 6, Resolution No.413 of December 4, 2008, shall be deemed to have lost force," reads the document.

Sub-clause 6.1 imposed temporary prohibition on purchase, exchange of foreign currency to pay for imports of goods and services without their coming in the territory of Ukraine.

Resolution No.269 took effect on the moment of its signing (May 6).

STATE STATISTICS COMMITTEE, ECONOMY MINISTRY NOT TO PUBLISH DATA ON GDP IN MAY

The Ukrainian State Statistics Committee will publish its first data on the pace of GDP in 2009 at the end of June – on the 90th day of the report period – for Q1, 2009.

In early April Natalia Vlasenko, the deputy head of the Ukrainian State Statistics Committee, told the press that the Statistics Committee will officially publish the GDP figure for Q1, 2009 on May 13 or May 15.

Economy Minister Bohdan Danylyshyn told the press that the GDP figure for Q1, 2009 would be made public on May 15 to May 20.

However, on May 20, Danylyshyn said that he cannot make public information on GDP, as the State Statistics Committee did not submit the data. He did not comment the situation.

SITUATION WITH UKRAINE'S BALANCE OF PAYMENTS IMPROVING, SAYS NBU

The situation with Ukraine's balance of payments is improving in the light of a higher pace of fall in imports against exports, according to Valeriy Lytvitsky, the head of the group of advisors to the governor of the National Bank of Ukraine (NBU).

He said that the pace of the fall in imports could slow in the light of the strengthening of the hryvnia. A possible rise in the economic activity could promote the expansion of demand for imports.

Commenting on the financial account, Lytvitsky said that the situation is improving under the impact of opening windows of external borrowing in the light of a fall in demand for cash foreign currency from the public.

He also said that he does not believe that the recent strengthening of the hryvnia against the dollar is exaggerated, as it is seen after a long devaluation period.

NBU: SUPPLY OF CASH FOREIGN CURRENCY RISES SINCE EARLY MAY

The National Bank of Ukraine has said that since the beginning of May, the supply of cash foreign currency has risen, the NBU said.

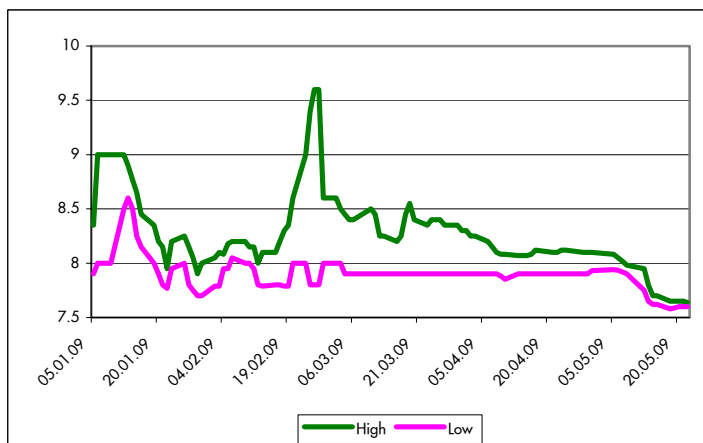
In particular, the NBU said that during the first six working days of May, the supply of the cash foreign currency exceeded the demand by USD 90.5 million, when it exceeded the demand by USD 24.6 million during the same period in 2008.

As earlier reported, in April, the demand for cash foreign currency exceeded the supply by USD 165.8 million.

Official NBU FX Rates		
	25.05.2009	weekly change
USD/UAH	7.616	-0.08%
EUR/UAH	10.641	3.28%
RUR/UAH	0.244	2.74%

22.05.2009			
Term	KIEIBID/OR (UAH)	LIBOR (USD)	EURIBOR (EUR)
o/n	0.33 / 1.88	0.22625	1.082
1wk	1.37 / 3.82	0.28188	0.906
2wk	3.68 / 9.53	0.29688	0.899
1m	6.42 / 12.11	0.31313	0.906
2m/3m/3m	9.37 / 12.62	0.66000	1.259
3m/6m/6m	10.58 / 14.7	1.20125	1.457
12m		1.53125	1.622

FX rate USD/UAH (interbank rates)



FX rate EUR/UAH (interbank rates)



Economics

FALL IN PRODUCTION INDEX FOR BASIC SECTORS SLIGHTLY SLOWS, SAYS NBU

The fall in the production index for the basic sectors of the economy slightly slowed in April, according to a posting on the Web site of the National Bank of Ukraine (NBU).

"The fall in the production index for basic sectors fell for the third month in a row slightly [minus 32% in January in annual terms, minus 29.9% in February, minus 28.8% in March and minus 28.5% in April]. As a result, the fall in the production index for basic sectors in January to April was 29.7% year-over-year".

The department said that a slight fall in external demand, the fall in domestic demand driven by the slow in the growth of public incomes, the difficulties in gaining access to funds and a rise in the debt burden of companies are the key reason for the plunge in economic activity in Ukraine.

FOREIGN TRADE BALANCE IN SERVICES TOTALS USD 1 BILLION IN Q1

Exports of services from Ukraine exceeded imports by USD 1,022.4 million in January-March, the State Statistics Committee has informed. According to the data of the committee, in January-March 2009, exports of services totaled USD 2.1 bln, a decrease by 20.3% compared to January-March 2008. Imports of services totaled USD 1.05 bln, a decrease by 23% compared with January-March 2008.

The decrease in exports of services occurred first of all because of a fall in exports of pipeline transportation services - by 43.8% to USD 408.3 million, transport services - by 38% to USD 1,381.5 million, and various business, professional and technical services - by 25.3% to USD 277.1 million.

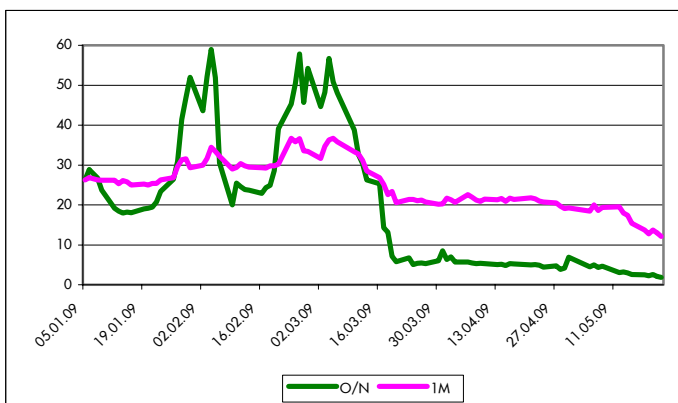
Imports of services decreased due to a fall in imports of air transport services - by 43% to USD 62.8 million, services in the spheres of culture and recreation- by 53.5% to USD 25.8 million, computer services - by 56% to USD 34.0 million, as well as financial services - by 14.2% to USD 257.3 million.

OFFICIAL UNEMPLOYMENT RATE DOWN BY 0.2 PERCENTAGE POINT TO 2.9% IN APRIL

In April, the official unemployment rate fell by 0.2 percentage point to 2.9%, the State Statistics Committee has announced.

The State Statistics Committee said that the State Employment Service registered 809,000 unemployed people as of May 1.

UAH interest rates (KIEIBOR- ask rates)



SHARE OF BAD CREDITS CLIMBS TO 4.29% BY MAY, SAYS NBU

The share of bad credits in the total amount of loans extended by Ukrainian banks in April 2009 grew by 0.61 percentage points, to 4.29% by May 1, 2009, the National Bank of Ukraine has reported.

The amount of bad credits in monetary terms in April grew by 16%, or UAH 4.428 billion, to UAH 32.437 billion, the NBU said. Since the beginning of the year, bad debts have grown by 80%, or UAH 14.422 billion.

Outlook

FX MARKET

Last week, USD/UAH stabilized at 7.61/7.63. This level is comfortable for everybody at the moment. It does not create any pressure on the domestic FOREX market.

On Monday, the pace of the hryvnia appreciation slowed down, and the local currency gained only 2-3 kopecks and stabilized at 7.58-7.63. After the depreciation of the dollar at the domestic FOREX market, market participants began increasing demand for the dollar. Taking into account that the supply of the dollars was also at a normal level, the hryvnia lost only 2-3 kopecks by Thursday, having reached 7.61/7.64. On Friday, the rate remained at the same level, which stimulated discussions that the current rate is the rate of equilibrium. The National bank sells mainly Swiss Franks and Euros at the special auctions.

We reckon the current USD/UAH rate may remain at this level over the summer. The NBU will try to keep the balance on the market to save international reserves.

Over the week, the official USD/UAH rate was decreased by 0.08% and reached 7.616. The official UAH/EUR rate was increased by 3.28% as the reaction on a sharp appreciation of the Euro against the dollar on the international FOREX market.

MONEY MARKET

Last week, interbank interest rates continued decreasing, supported by high balances of the correspondent accounts of the banking system.

Overnight KIEIBOR decreased to 1.88%, while 1-month KIEIBOR decreased from 13.75% on Monday to 12.11% on Friday.

The balances of the correspondent accounts remained above UAH 19 bln. last week with a decrease to UAH 18.3 bln. on Friday. Taking into account that the level of mandatory reserves is UAH 11.9 bln., free liquidity of the banking system was fluctuating in UAH 6.4-7.9 bln. range last week. In general, this level of the liquidity is enough to support normal functioning of the banking system.

The National Bank continued controlling liquidity of the banking system last week by mobilizing extra liquidity from the market. Over Monday-Thursday, the volume of the refinancing loans was only UAH 45.2 mln., while the level of mobilization was at UAH 471 mln. level.

Economic information

	01.01.08	01.01.09	01.05.09
Discount rate of NBU	10.0%	12.0%	12.0%
Gross monetary reserves of NBU in millions USD	32 462	31 540	24 495
Monetary base in billion UAH	141.9	186.7	180.2
Monetary supply M0 in billion UAH	111.1	154.8	150.7
Amounts at correspondent accounts in billion UAH	19.05	18.6	17.5
Inflation (from the beginning of the year)	16.6%	22.3%	6.9%
GDP growth	7.3%	2.1%	

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