



National Bank
of Ukraine

Weekly economic review

08 May 2020



Summary

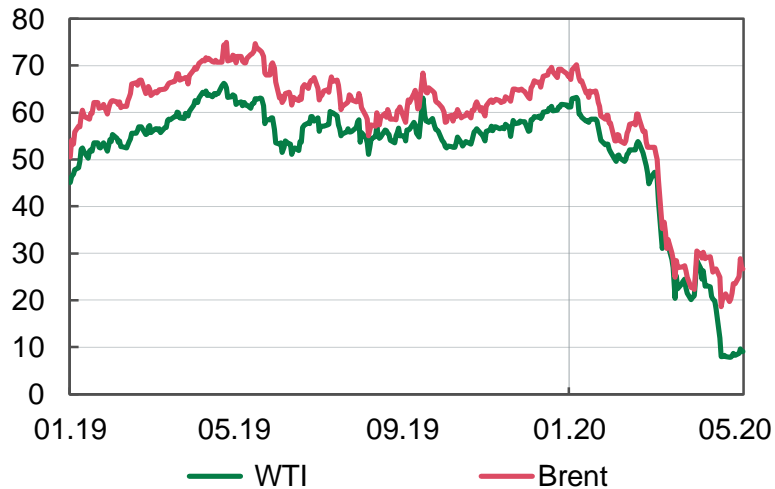
- A gradual lifting of quarantine restrictions in several countries propped up global commodity prices. However, risks of a renewed standoff between China and the US and disappointing macro data in the US prevented prices from rising
- The latter two factors triggered stronger demand for the U.S. Dollar, leading to its appreciation. Trading partners' currencies weakened moderately against the U.S. Dollar, accordingly. Meanwhile, the hryvnia remained stable
- A cut in the NBU key interest rate amid expansion of liquidity support measures by the NBU contributed to lower borrowing costs
- Food prices were almost unchanged last week, possibly because of increased supply as food markets were allowed to work
- On the back of the announced easing of quarantine restrictions, companies slightly improved their turnover/production expectations
- People became more active, including in the labor market, as indicated by the increased number of resumes and a renewed interest in job search abroad
- At the same time, overall economic activity remained weak, as evidenced by plunging demand for electricity and a deeper fall in electricity production, largely negative employment expectations of firms, and a low level of new vacancies



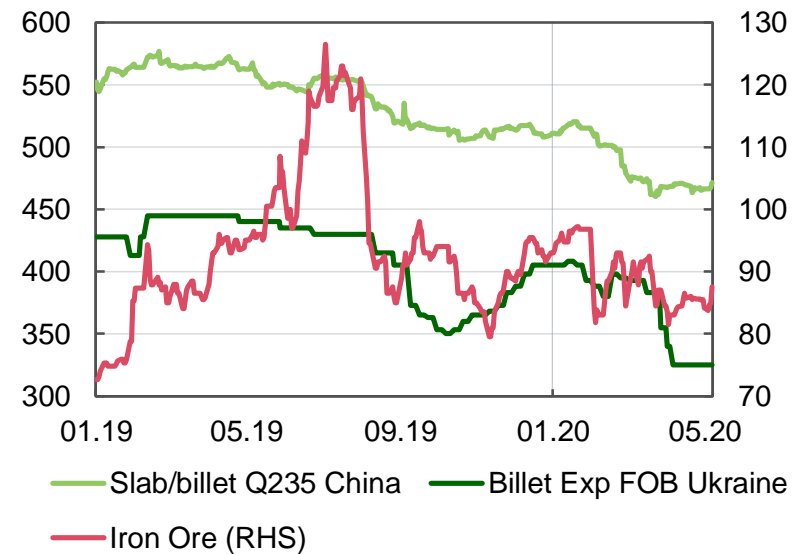
Global commodity markets

Prices stabilized on global commodity markets

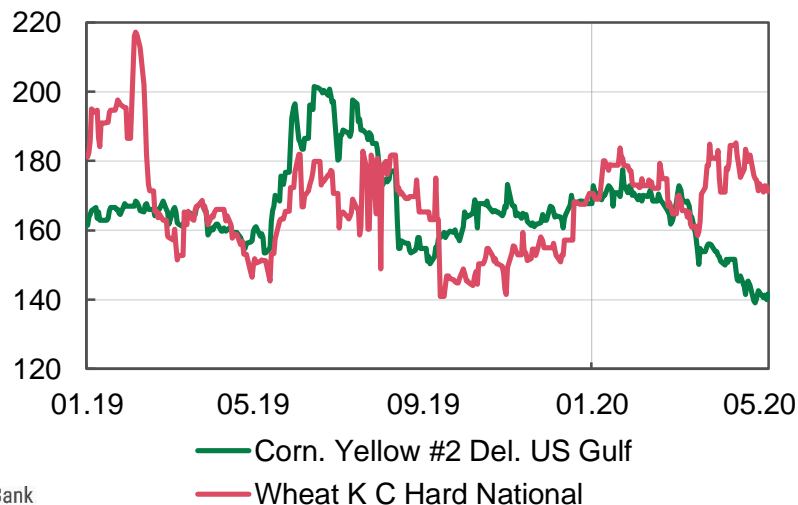
World crude oil prices, USD/bbl



World price of ferrous metals and iron ore (62%), USD/MT



World grain prices, USD/MT



Source: Refinitiv, Investing, NBU staff estimates, as of 07.05.2020.

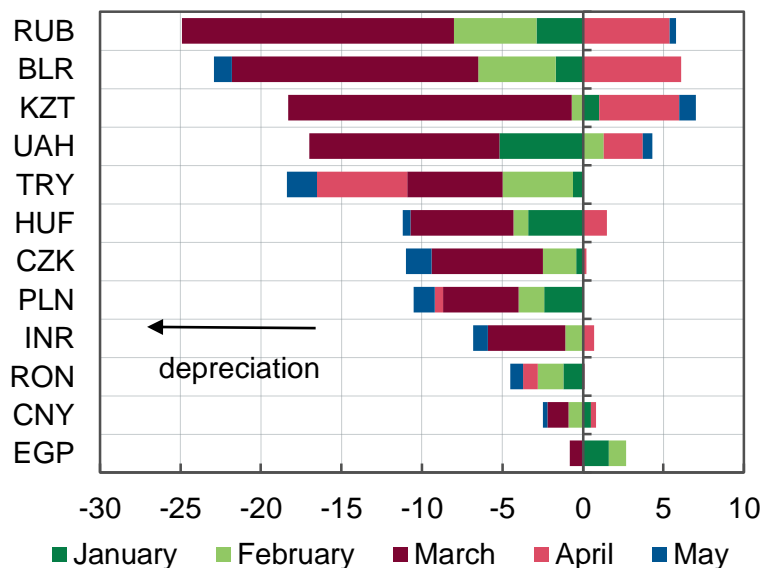
- A gradual removal of quarantine measures in some countries supported commodity prices
- However, due the renewed standoff between the US and China through mutual blame, as well as the release of negative US macroeconomic data, in particular regarding the labor market, most market participants adopted a cautious attitude, keeping prices under pressure



Financial markets

Due to lower risk appetite, accompanied by the US Dollar appreciation, currencies of Ukraine's MTP's countries depreciated

Selected EM currencies vs USD, % change, eop



Source: NBU estimates (preliminary data, as of 07.05.2020).

Hryvnia NEER, 01.01.2020 = 100

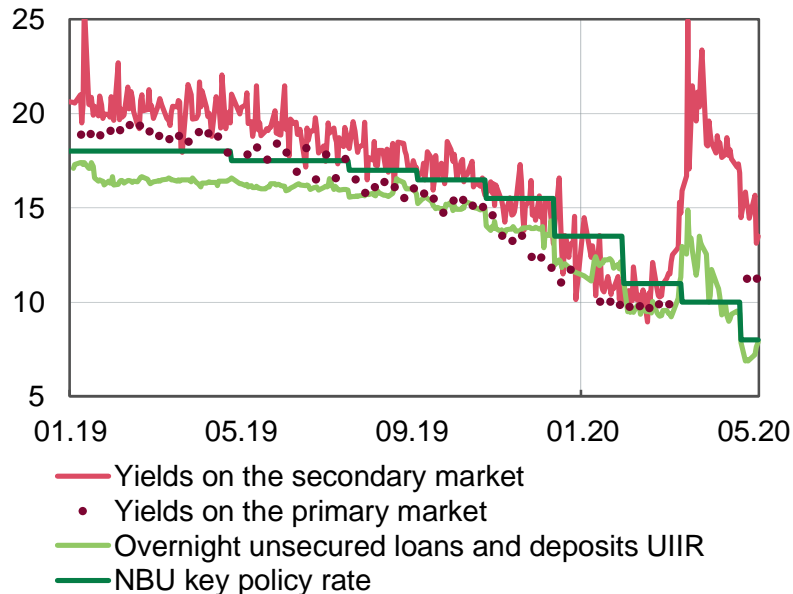


Source: NBU estimates (preliminary data, as of 07.05.2020).

- Hryvnia held relatively stable versus US dollar and appreciated moderately against the basket of currencies of Ukraine's main trading partners' countries (MTP)

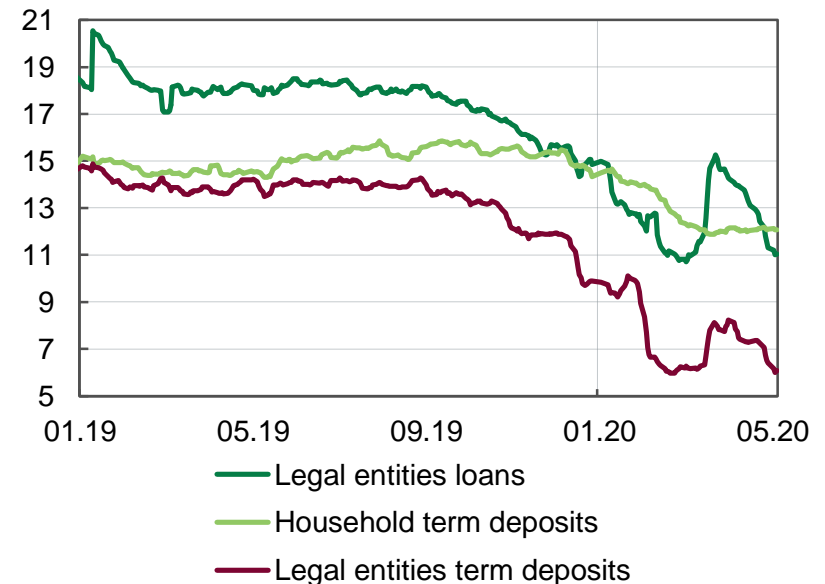
Hryvnia interest rates continued to decline, driven lower, in particular, by the easing of monetary policy by the NBU

NBU key policy rate, interbank interest rate and yields on domestic government debt securities*, %



* As of 06.05.2020.
Source: NBU.

Selected hryvnia rates on bank operations*, %



* 5-day moving average, as of 06.05.2020.
Source: NBU.

- A cut in the NBU key policy rate alongside expanded measures to support banking system liquidity helped bring down interbank interest rates
- Moreover, bank hryvnia interest rates on corporate loans and deposits declined. Average interest rates on individuals` deposits still remained flat due to their usual stickiness
- The issuance of government domestic debt securities has resumed

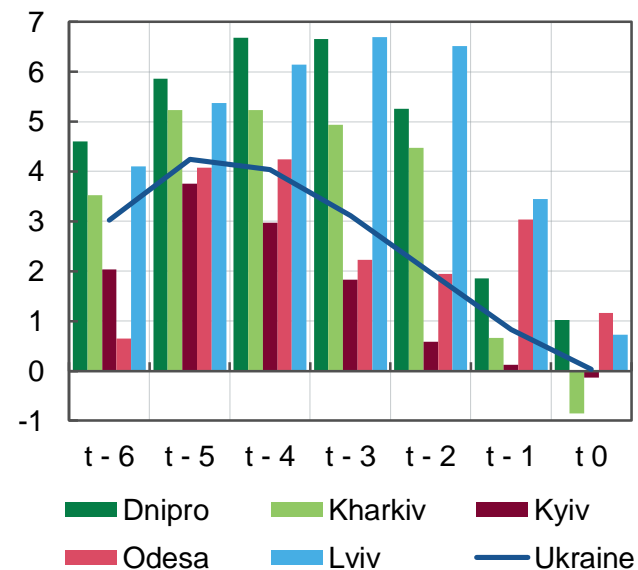


Consumer prices in Ukraine

Food prices were almost stable during last week

Price indices, %	Weights *	w/w				m/m			
		t-3	t-2	t-1	t0	t-3	t-2	t-1	t0
Food and non-alcoholic beverages	43.1	-0.4	0.1	0.2	0.0	3.1	2.0	0.8	0.0
Bread	3.4	-0.5	0.1	-0.2	0.1	2.2	1.9	0.4	0.1
Pasta	1.0	-0.7	0.8	0.2	-0.4	4.4	3.9	2.5	0.1
Flour confectionery	1.9	0.0	-0.1	-0.1	0.3	1.1	0.6	0.4	0.1
Flour and cereals	1.9	-0.4	-0.1	0.6	-0.4	9.0	4.9	1.6	-0.4
Meat and meat products	10.1	-1.3	0.3	0.3	0.0	2.1	1.9	0.1	-1.1
Beef	0.6	0.2	0.1	0.0	0.1	3.2	3.2	1.5	0.4
Pork	3.4	-2.1	0.8	-0.3	-0.3	4.3	3.7	-0.4	-1.5
Poultry meat	2.5	-4.0	-0.9	2.3	-0.4	-0.5	-1.2	-3.1	-3.8
Meat products	3.6	0.6	0.3	-0.3	0.4	2.1	2.2	1.2	0.1
Fish and fish products	2.4	1.1	0.1	1.3	0.2	3.2	2.8	3.1	2.4
Dairy products	5.4	-0.3	0.0	0.6	-0.2	1.1	0.7	1.5	0.2
Milk	1.8	-0.8	-0.2	1.4	-0.7	1.7	0.8	1.5	-0.4
Dairy products	1.4	-0.2	0.0	1.1	-0.3	0.7	0.3	1.2	0.5
Cheese and cottage cheese	2.2	0.1	0.1	-0.4	0.2	1.5	1.2	2.1	0.7
Eggs	0.6	1.3	0.8	6.5	3.0	2.2	5.0	12.5	18.4
Oil and fats	3.9	-1.1	-0.1	1.1	0.0	1.5	0.7	1.7	-0.1
Fruits	2.0	0.2	-0.9	0.1	2.4	11.1	6.1	1.2	3.1
Vegetables	3.9	0.4	0.3	-3.3	-0.6	6.1	1.7	-4.4	-3.4
Sugar	0.8	-0.2	-0.1	0.0	-0.2	1.6	1.9	2.3	-0.1
Honey	0.3	1.7	0.3	0.0	0.0	1.6	2.2	2.9	1.7
Chocolate products	1.3	-0.5	-0.2	0.7	0.1	1.3	0.9	1.3	0.3
Sugar confectionery	0.4	-0.3	0.2	-0.7	-0.1	2.4	2.0	-0.2	-0.6
Other food	1.0	-0.4	-0.1	0.9	1.5	1.1	0.6	0.8	2.0
Soft drinks	2.4	0.1	0.2	0.7	-1.0	1.5	1.4	2.0	0.4
Alcohol	4.9	-0.5	-0.3	0.6	0.2	-0.6	-1.3	-0.6	0.3
Tobacco	4.2	0.5	0.3	0.3	0.2	1.9	1.9	2.5	1.7
Household appliances	0.7	-0.6	0.0	0.0	2.0	2.7	2.4	0.3	-1.2
Products for home cleaning	0.9	1.7	-1.4	1.6	2.3	4.0	0.6	3.3	4.4
Personal care products	1.3	0.5	0.0	-0.3	-0.6	3.5	2.0	3.2	0.4
Other industrial goods	0.8	0.1	0.0	0.0	0.0	1.9	0.8	1.0	-0.1

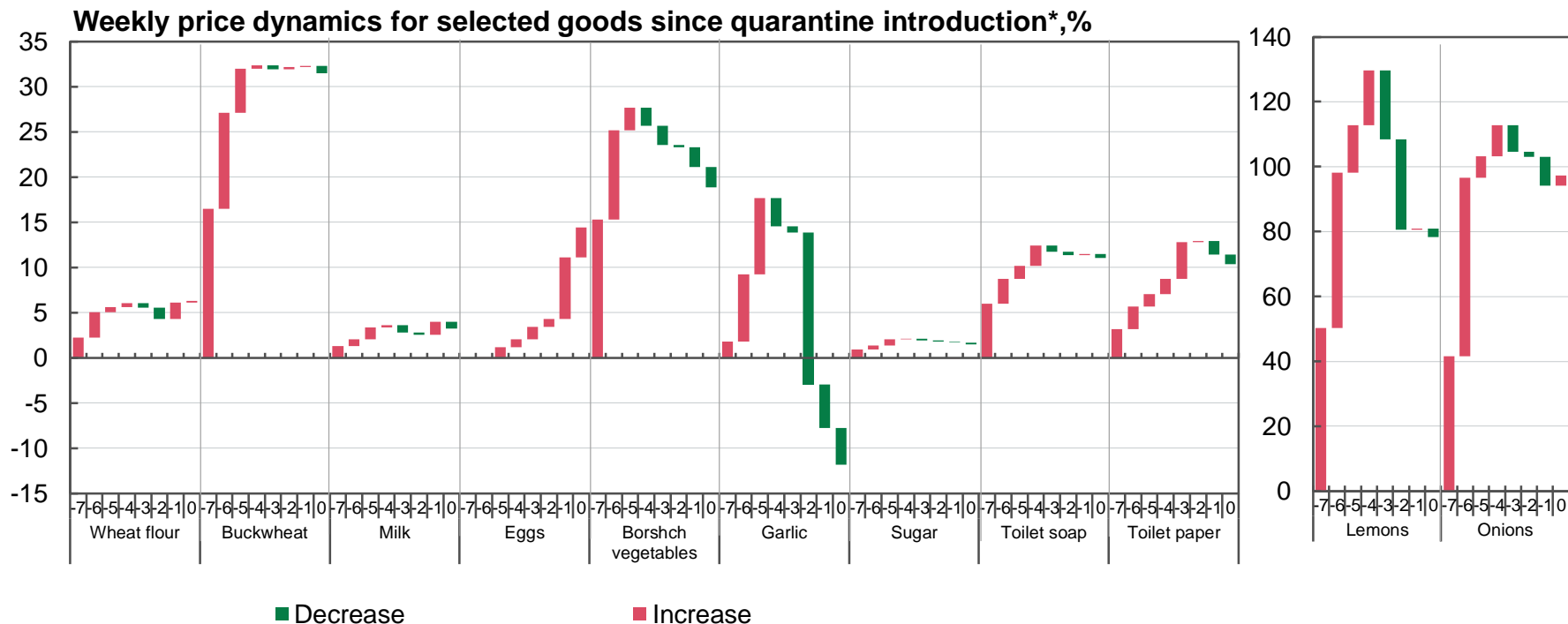
Food price indices, % mom



Source: online supermarkets.

* Dynamic weights, t 0 – from April 30 to May 7, t - 1– from April 24 to April 29, t - 2 – from April 17 to April 23, t - 3 – from April 10 to April 16, t - 4 - from April 3 to April 9, t - 5 from March 27 to April 2, t – 6 from March 20 to March 26; the same weeks of February - April are used for monthly comparisons.
Source: online supermarkets.

Prices for some goods continued to fall on ample supply

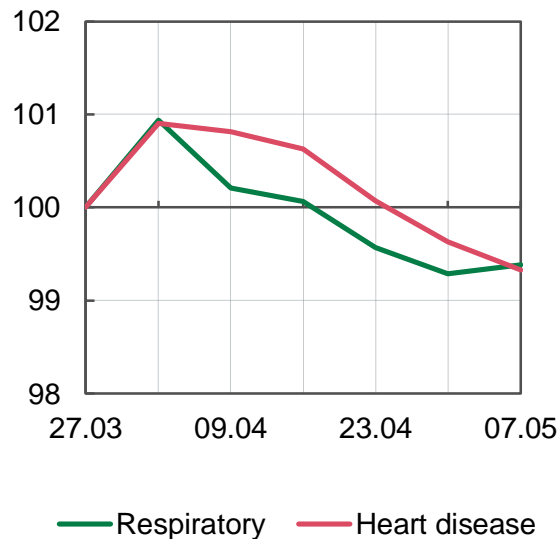


* Week 0 – from April 30 to May 7, -1– from April 24 to April 29, -2 – from April 17 to April 23, -3 – from April 10 to April 16, -4 - from April 3 to April 9, - 5 – from March 27 to April 2, -6 – from March 20 to March 26, -7 – from March 13 to March 19.
Source: online supermarkets, NBU staff estimates.

- Prices for vegetables, used to cook the traditional Ukrainian soup 'borshch', primarily cabbage, potatoes and garlic, extended the decline. In addition, lemons and milk became cheaper. Among other factors, this can be attributed, to the increased supply as food markets were allowed to work
- Instead, egg prices rose on tighter supply amid low profitability of their production

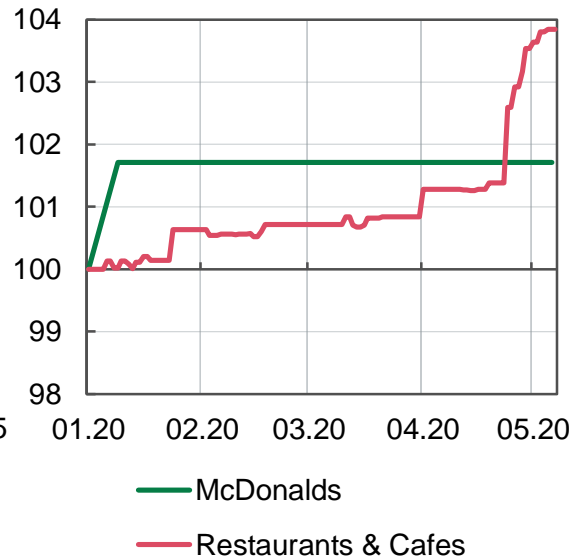
Drug prices and prices for catering delivery were almost unchanged over the week, while fuel prices continued to fall

Prices of medicines, 27.03.20 = 100



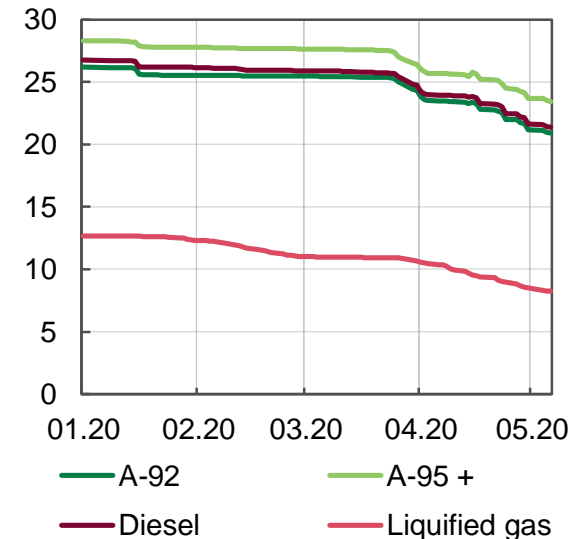
Source: e-apteka.com.ua.

Price indices in public catering delivery, 01.01.20 = 100



Source: Glovo.

Fuel prices, UAH / l



Source: minfin.com.ua.

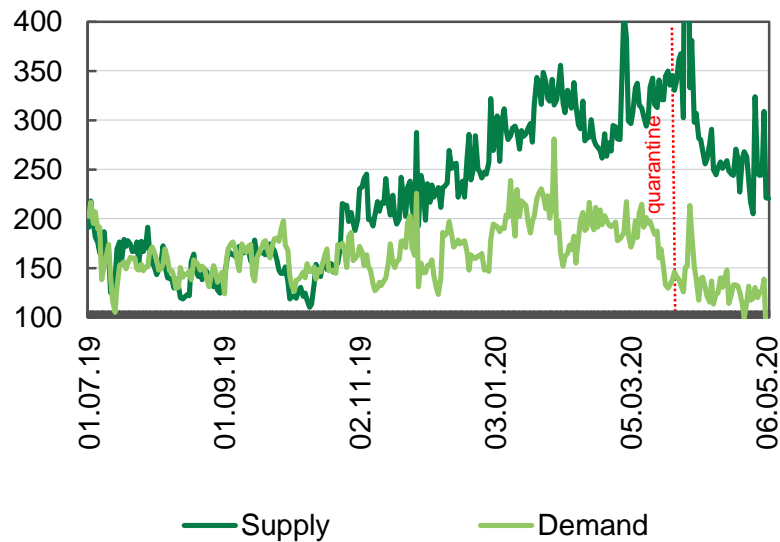
- Drug prices have stabilized
- The growth in the prices for catering delivery slowed, possibly because of the announced easing of quarantine restrictions on the functioning of restaurants and cafes
- Fuel prices continued to fall, dragged down by lower world prices



Economic activity

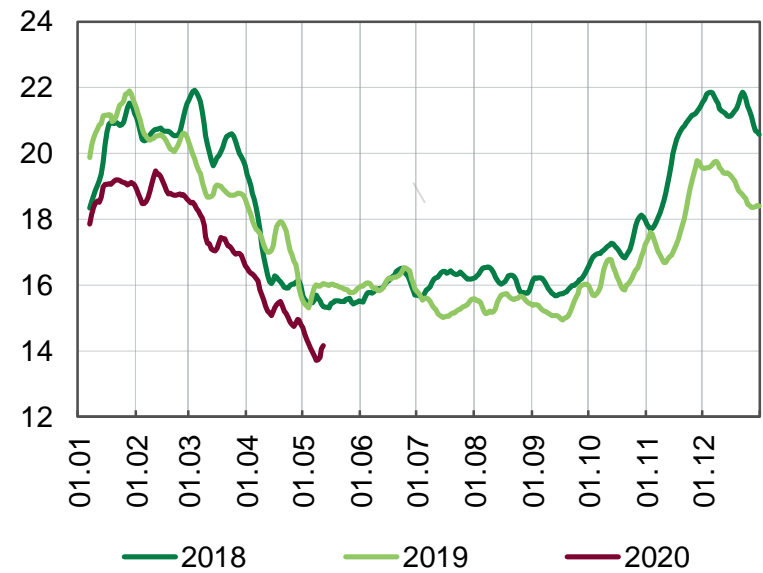
A significant drop in electricity consumption and production indicates an economic downturn...

Electricity supply and demand on day-ahead and intraday markets, thousand MWh



Source: SE "Market Operator".

Electricity generation, thousand MW, 7-day moving average

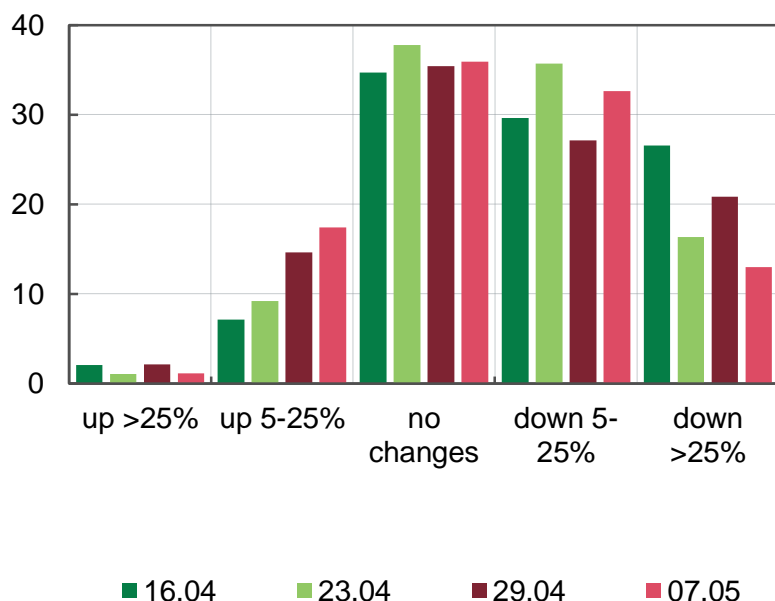


Source: SE NPC Ukrenergo".

- In April, electricity generation fell by 10.6% yoy. At the beginning of May, the decline deepened

...however, companies slightly improved their expectations* on the back of the announced easing of the quarantine restrictions

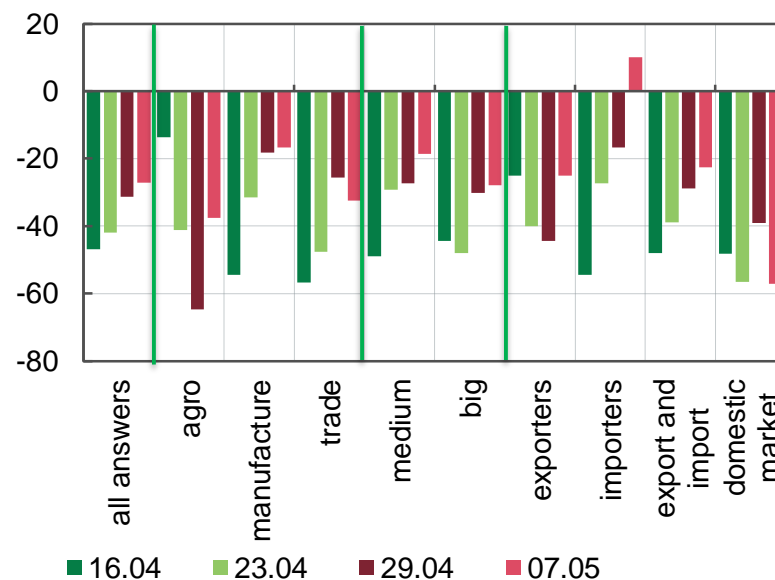
Expectations for turnover/production, % of answers



Source: NBU.

- The share of those who expect mild recovery in turnover/production over the next 4 weeks increased
- Firms of all types of activities have improved expectations, except trade and domestic market firms. Importers even expect growth in turnover/production

Balance of answers** for turnover/production expectations, %



Source: NBU.

* A snap survey of managers of large and medium-size companies, carried out by the NBU during 04-06 May 2020. 98 answers were received: 17% - agriculture; 39% - manufacture; 40% - wholesale and retail trade.

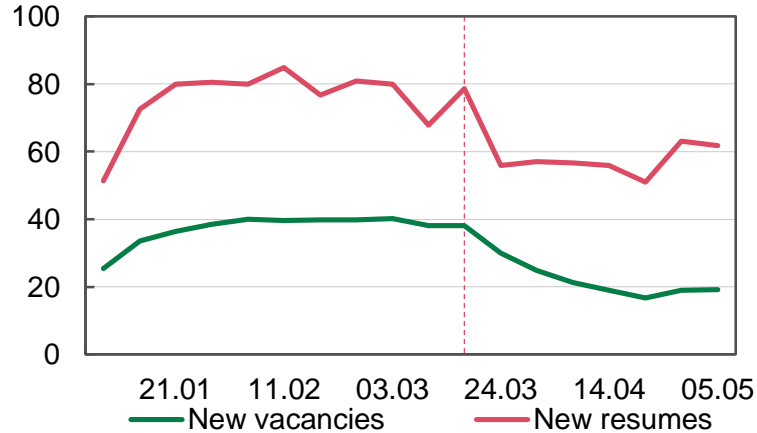
**The difference between positive and negative answers.



Labor market

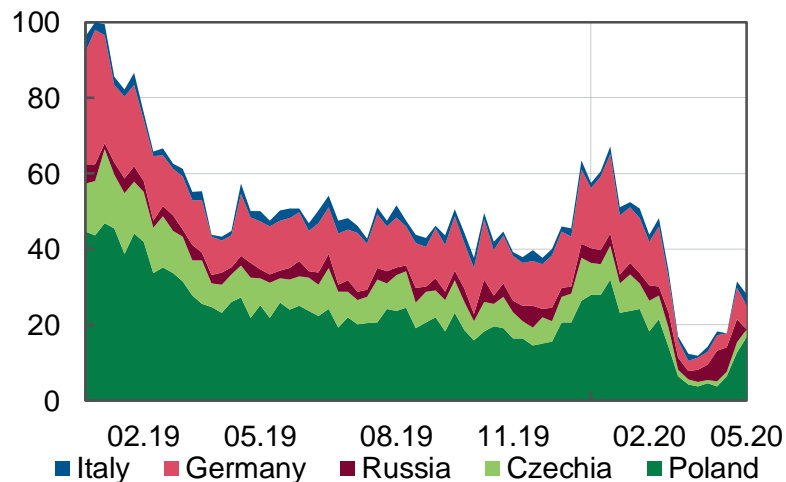
Ukrainians showed more interest in job search, both at home and abroad, on expectations that quarantine measures would be eased

New work.ua resumes and vacancies, thousand



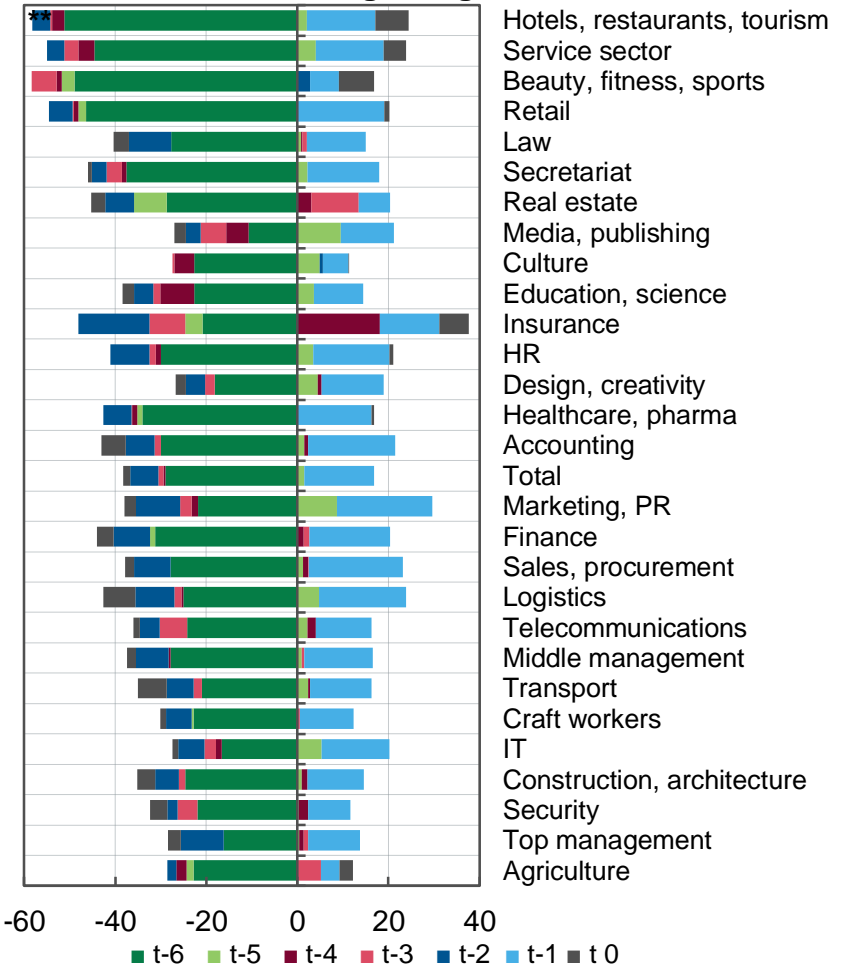
Source: work.ua, NBU staff estimates.

Migration sentiment index*



* Index is based on frequency of queries on work abroad in Russian and Ukrainian from the territory of Ukraine. 100 stands for the last maximum of queries (in January 2019). Source: Google Trends, NBU staff estimates.

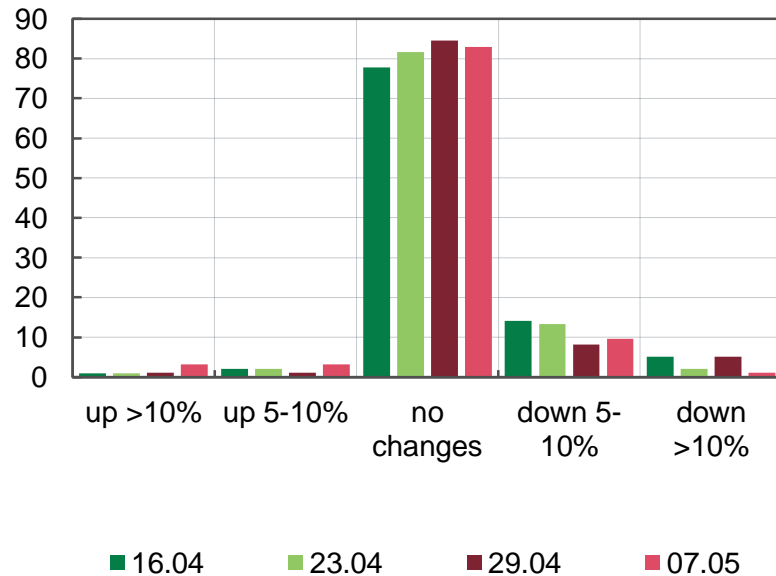
Week-over-week change in new resumes on work.ua by sectors, % from the beginning of the lockdown**



** t 0 stands for the week 27.04-03.05, t-1, t-2 etc. stand for previous weeks. Source: work.ua, NBU staff estimates. .

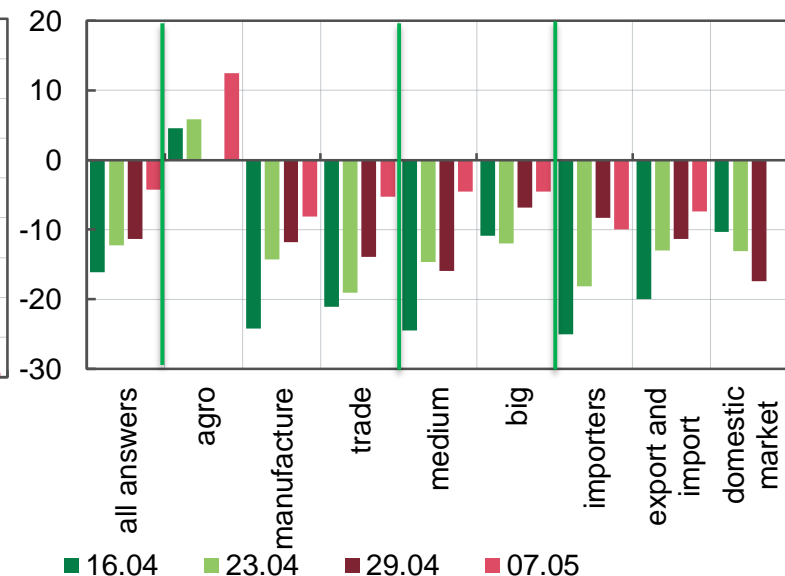
However companies are still restrained in their employment expectations, and the level of new vacancies remained low

Expectations for amount of staff, % of answers



Source: NBU.

Balance of answers* for amount of staff, %



Source: NBU.

- Most of companies reported the number of their employees would not change (83%)
- Over the last week trading and manufacturing firms slightly improved expectations, except for importers, while agriculture companies expect an increase in the number of employees
- Despite these expectations, the number of new vacancies on work.ua remained almost unchanged

* The difference between positive and negative answers

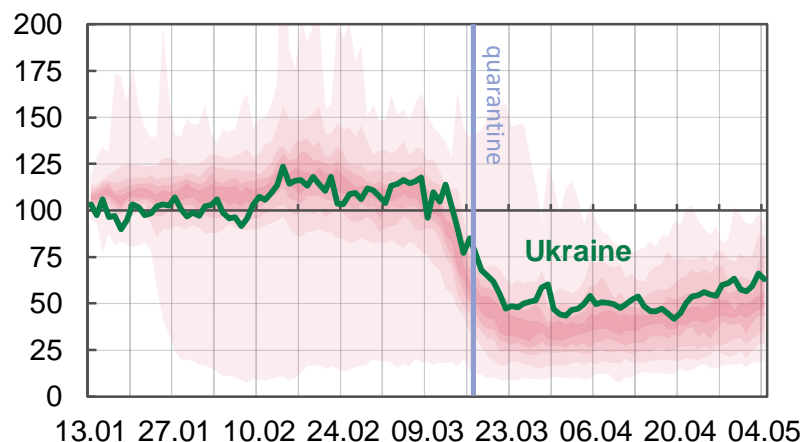


Population mobility

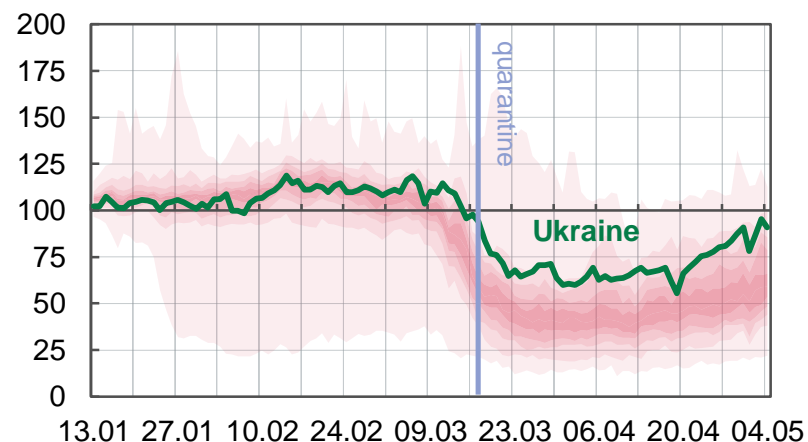
Mobility of Ukrainians continued to increase due to optimistic expectations of a gradual lifting of quarantine restrictions

Mobility trends* in Ukraine and in the world†, 13.01.20 = 100 (sa on weekdays**)

walking

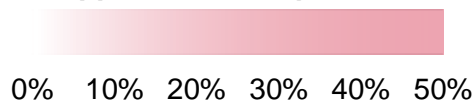


driving



† Data on population mobility in different countries is in the contour graph, where color indicates the percentile to which country value belongs. A total of 63 countries are in the sample.

Upper and lower percentiles



* Change in routing requests on iOS devices since January 13, 2020. According to marketer.ua share of iOS smartphones in Ukraine amounted to 20.7% in 2019, however real usage of Apple Maps could be lower.

** Note by Apple: “Day of week effects are important to normalize as you use this data.”
Source: apple.com, NBU staff estimates.