



National Bank  
of Ukraine

## Weekly economic review

*24 April 2020*



# Summary

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- The key event of the week was a plunge in oil prices to record lows. This reflected a contraction in global demand amid substantial inventories and still significant production volumes
- Due to weak demand, other global commodity prices were on the downtrend too. Financial markets responded negatively, with currencies of Ukraine's trading partners depreciating against the US Dollar
- Meanwhile, the hryvnia volatility and the overall public interest in the exchange rate of the hryvnia returned to the pre-crisis levels
- Stronger demand due to the Easter holidays had little upward impact on prices, although holding back the declines during the previous week
- Meanwhile, prices for lemons, garlic and borshch vegetables extended their fall. Prices for toilet paper remained almost flat for the first time since the quarantine was imposed
- Falling demand for electricity and a decline in its production indicate shrinking economic activity
- As the duration of the quarantine increases, companies retained negative expectations for their turnover and production volumes. Over the last week, expectations of agricultural companies deteriorated somewhat, possibly reflecting drawdown in domestic inventories and droughty weather. Expectations of importers and trade companies have marginally improved

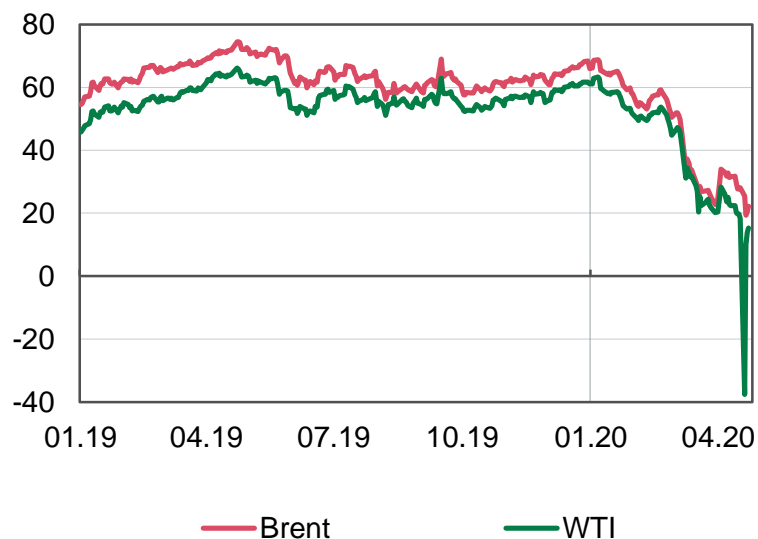
Labor market showed tentative signs of stabilization, although at a low level



**External environment**

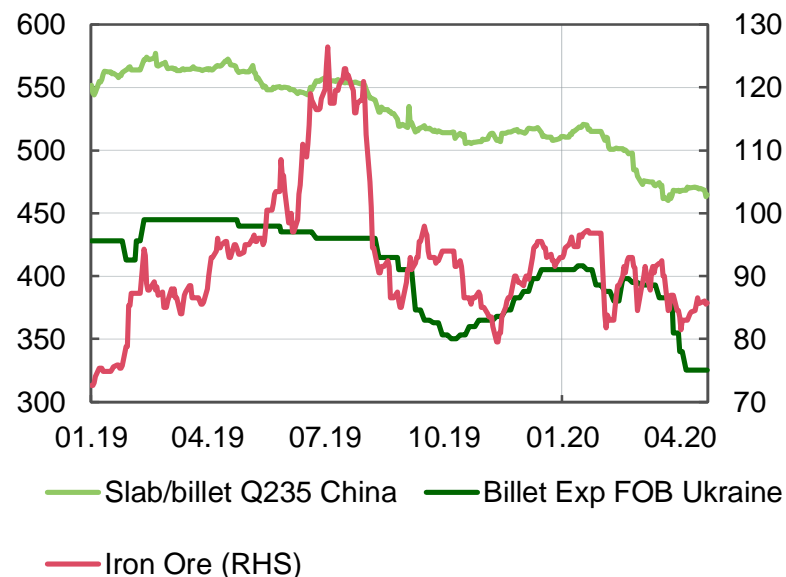
# Weak demand was the key determinant of low global commodity prices

World crude oil futures, month, USD/bbl



Source: ICE, NYMEX, as of 23.04.2020.

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

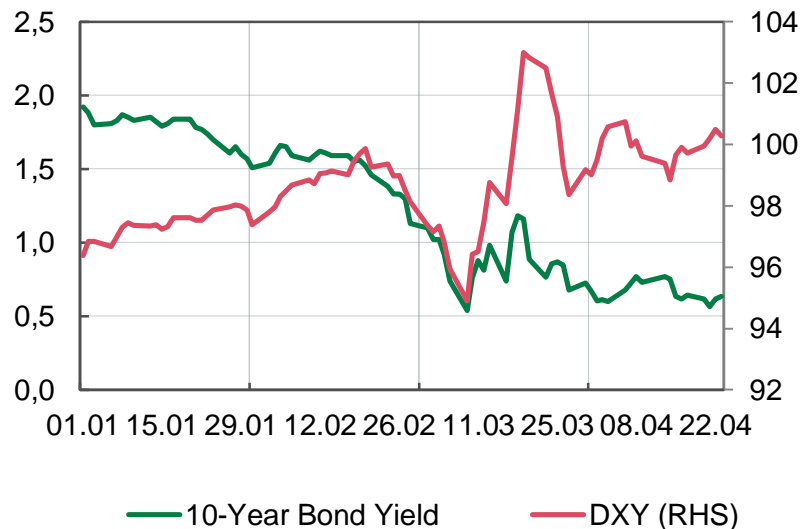


Source: Refinitiv, Investing.

- The collapse in world oil prices reflected contracting demand amid substantial inventories and further significant oil production in the U.S.
- Recovering activity in China held back a decline in steel prices, although the latter was still substantial
- Iron ore prices remain relatively high amid limited supply from Australia and Brazil due to adverse weather conditions

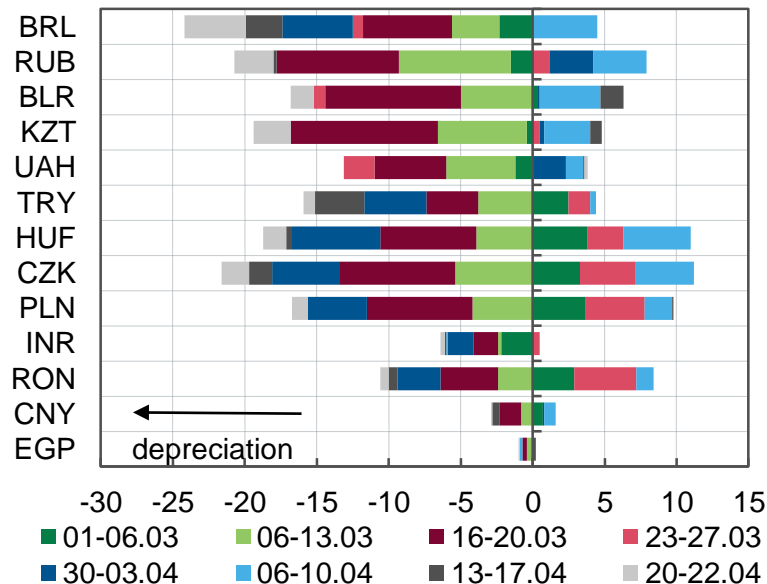
# The panic in the global oil market spurred demand for safe-haven assets

United States 10-Year Bond Yield and US Dollar Index (DXY)



Джерело: Refinitiv, Investing.

Selected EM currencies vs USD, % change, eop



Source: NBU estimates (preliminary data).

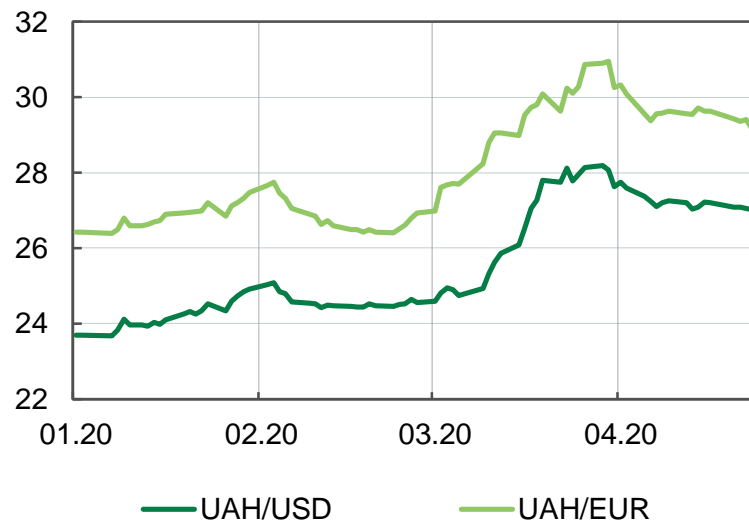
- Currencies of the oil exporters were hit by a plunge in oil prices
- A rise in risk aversion weighed on other currencies of Ukraine's main trading partners



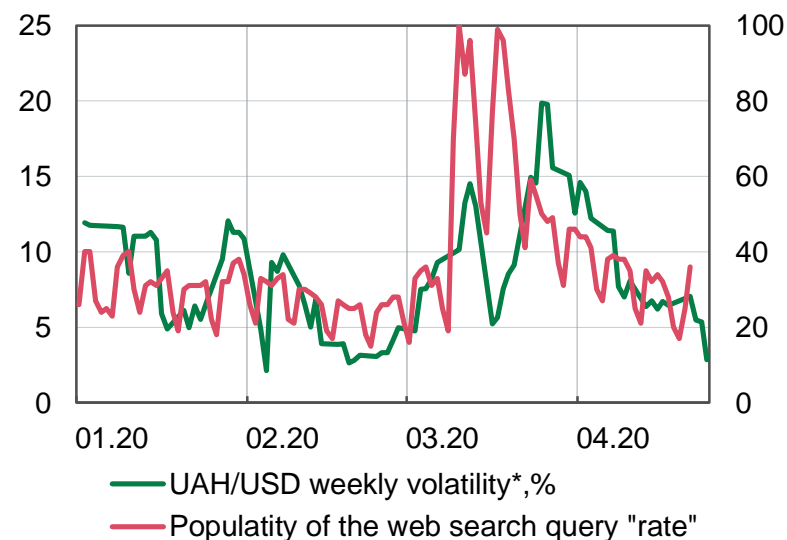
# Exchange rates

# Meanwhile, the hryvnia volatility and the overall public interest in the exchange rate of the hryvnia returned to the pre-crisis levels

Official hryvnia exchange rate, as of 24.04.2020



Exchange rate volatility and popularity of web search query "exchange rate" (in Ukrainian), as of 24.04.2020



Source: NBU.

\* Annualized standard deviation of daily UAH/USD exchange rate change.

Source: NBU's estimates, Google Trends.



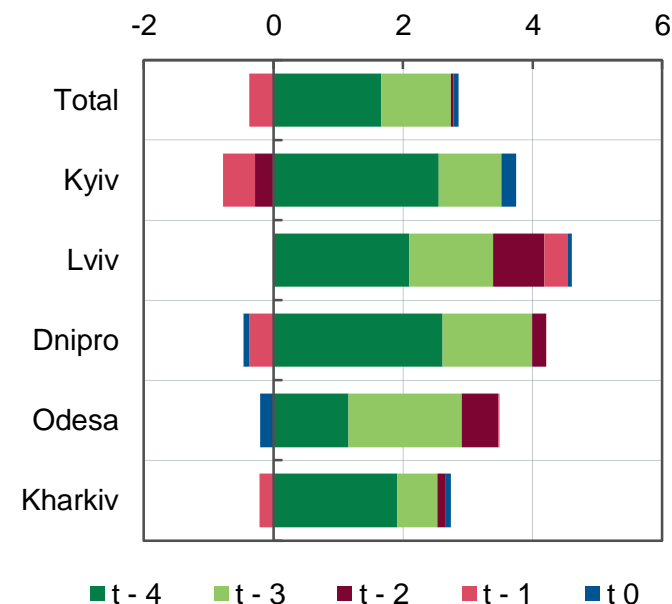
# **Consumer prices in Ukraine**



# Easter holidays had little upward effect on food prices - they remained almost unchanged over the week

Price indices, %	Weights *	w/w				m/m			
		t-3	t-2	t-1	t0	t-3	t-2	t-1	t0
<b>Food and non-alcoholic beverages</b>	<b>43.1</b>	<b>1.1</b>	<b>0.0</b>	<b>-0.4</b>	<b>0.1</b>	<b>4.2</b>	<b>4.0</b>	<b>3.1</b>	<b>2.0</b>
Bread	3.4	0.7	-0.1	-0.5	0.1	2.7	2.9	2.2	1.9
Pasta	1.0	1.4	0.9	-0.7	0.8	3.9	3.6	4.4	3.9
Flour confectionery	1.9	0.6	0.2	0.0	-0.1	1.9	1.4	1.1	0.6
Flour and cereals	1.9	2.8	0.3	-0.4	-0.1	12.1	10.0	9.0	4.9
Meat and meat products	10.1	1.3	0.1	-1.3	0.3	4.4	4.4	2.1	1.9
Beef	0.6	0.9	0.0	0.2	0.1	4.2	4.7	3.2	3.2
Pork	3.4	2.1	0.0	-2.1	0.8	6.8	8.2	4.3	3.7
Poultry meat	2.5	0.5	0.4	-4.0	-0.9	2.1	2.3	-0.5	-1.2
Meat products	3.6	1.2	-0.1	0.6	0.3	3.2	2.6	2.1	2.2
Fish and fish products	2.4	1.2	0.7	1.1	0.1	3.2	3.5	3.2	2.8
Dairy products	5.4	1.1	0.4	-0.3	0.0	2.0	1.9	1.1	0.7
Milk	1.8	1.3	0.3	-0.8	-0.2	2.7	2.9	1.7	0.8
Dairy products	1.4	0.7	-0.3	-0.2	0.0	1.9	1.2	0.7	0.3
Cheese and cottage cheese	2.2	1.2	1.0	0.1	0.1	1.5	1.8	1.5	1.2
Eggs	0.6	1.1	0.9	1.3	0.8	-0.3	2.3	2.2	5.0
Oil and fats	3.9	1.5	0.5	-1.1	-0.1	2.5	2.7	1.5	0.7
Fruits	2.0	1.4	0.3	0.2	-0.9	12.0	11.9	11.1	6.1
Vegetables	3.9	0.1	-2.5	0.4	0.3	7.4	6.0	6.1	1.7
Sugar	0.8	0.7	0.1	-0.2	-0.1	4.1	3.5	1.6	1.9
Honey	0.3	0.7	0.1	1.7	0.3	2.2	1.2	1.6	2.2
Chocolate products	1.3	1.0	0.3	-0.5	-0.2	3.7	2.8	1.3	0.9
Sugar confectionery	0.4	0.6	0.0	-0.3	0.2	2.8	2.6	2.4	2.0
Other food	1.0	0.9	0.0	-0.4	-0.1	2.5	1.8	1.1	0.6
Soft drinks	2.4	0.9	0.3	0.1	0.2	2.6	2.0	1.5	1.4
<b>Alcohol</b>	<b>4.9</b>	<b>0.3</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.3</b>	<b>1.4</b>	<b>0.4</b>	<b>-0.6</b>	<b>-1.3</b>
<b>Tobacco</b>	<b>4.2</b>	<b>1.1</b>	<b>0.3</b>	<b>0.5</b>	<b>0.3</b>	<b>3.0</b>	<b>3.5</b>	<b>1.9</b>	<b>1.9</b>
<b>Household appliances</b>	<b>0.7</b>	<b>1.0</b>	<b>0.0</b>	<b>-0.6</b>	<b>0.0</b>	<b>4.0</b>	<b>3.3</b>	<b>2.7</b>	<b>2.4</b>
<b>Products and services for daily home maintenance</b>	<b>0.9</b>	<b>2.0</b>	<b>1.6</b>	<b>1.7</b>	<b>-1.4</b>	<b>9.1</b>	<b>7.5</b>	<b>4.0</b>	<b>0.6</b>
<b>Personal care products</b>	<b>1.3</b>	<b>1.5</b>	<b>1.6</b>	<b>0.5</b>	<b>0.0</b>	<b>5.2</b>	<b>5.7</b>	<b>3.5</b>	<b>2.0</b>
<b>Other industrial goods</b>	<b>0.8</b>	<b>0.9</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>2.9</b>	<b>2.3</b>	<b>1.9</b>	<b>0.8</b>

Price changes in different cities, %

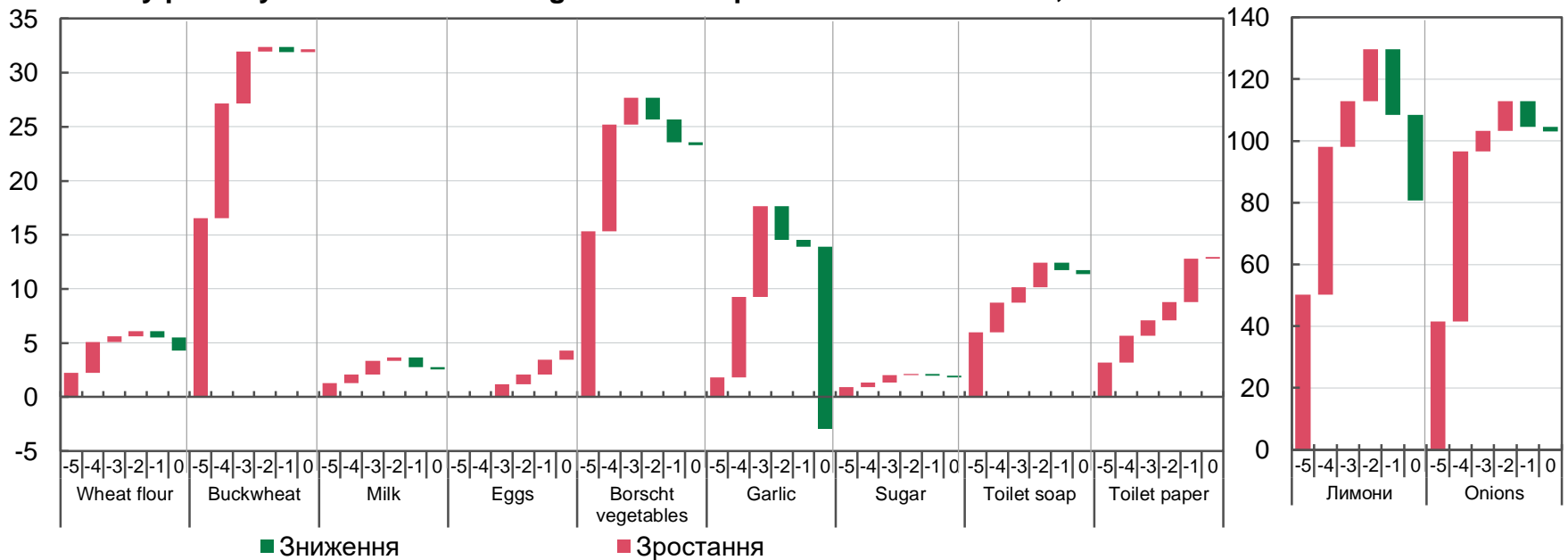


Source: online supermarkets.

\* Dynamic weights, t0 – from April 17 to April 23, t-1 – from April 10 to April 16, t-2 - from April 3 to April 9, t-3 from March 27 to April 2 the same weeks of February / March are used for monthly comparisons

# Yet, stronger demand during the Easter holidays prevented prices from further decrease, in contrast to the previous week

Weekly price dynamics for selected goods since quarantine introduction\*, %



\* Week 0 – from April 17 to April 23, -1 – from April 10 to April 16, -2 - from April 3 to April 9, -3 – from March 27 to April 2, -4 – from March 20 to March 26, -5 – from March 13 to March 19.

Source: online supermarkets, NBU staff estimates.

- The weak impact of the Easter holidays was also evidenced by the moderate growth in prices for eggs
- Prices for vegetables, used to cook traditional Ukrainian soup 'borshch', have declined for the third week in a row, although they typically rise in April
- Prices for lemons and garlic declined further
- For the first time since the quarantine was imposed, prices for toilet paper stayed almost flat

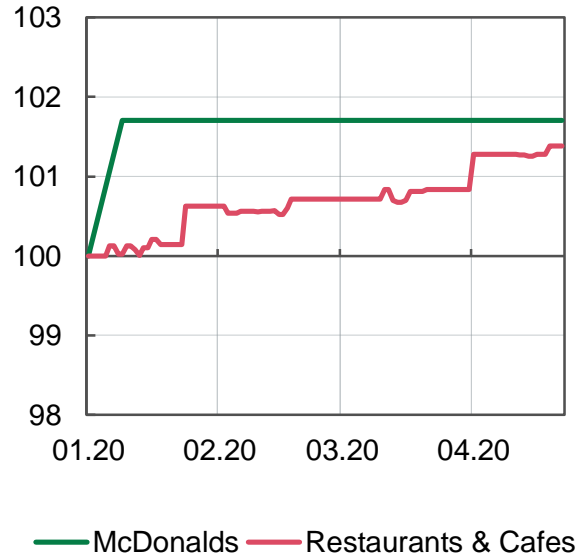
# Prices for drugs and fuels also gradually declined. Instead, prices for catering delivery increased slightly

Change in the prices of medicines, %



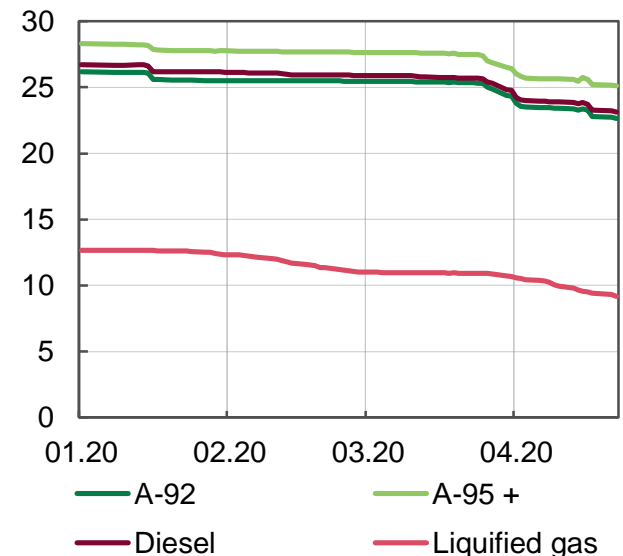
Source: e-apteka.com.ua.

Price indices in public catering establishments, 01.01.20 = 100



Source: Glovo.

Fuel prices, UAH / l



Source: minfin.com.ua.

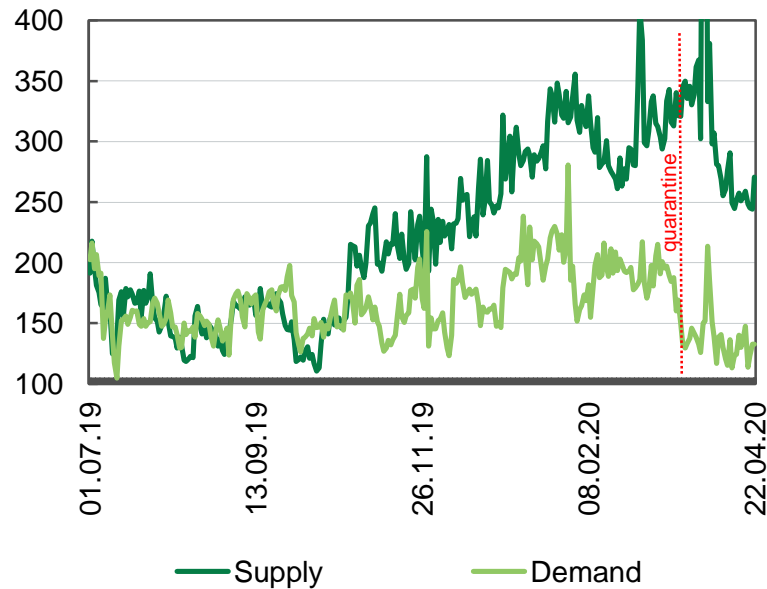
- Drug prices have been declining over the last three weeks, which may be explained by the hryvnia strengthening
- The cost of catering delivery grew slightly, which may reflect a slight increase in demand due to the Easter holidays
- Fuel prices continued to fall, weighed down by low world prices



# **Leading economic indicators**

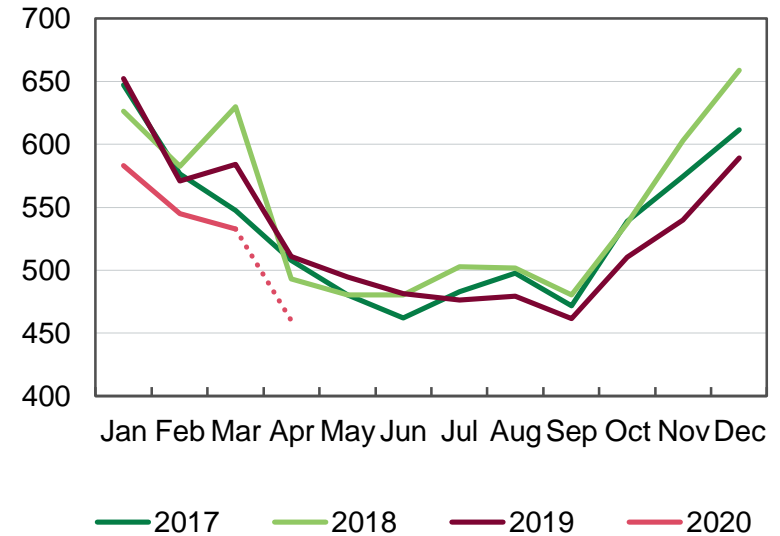
# Falling demand for electricity and a decline in its production indicate shrinking economic activity

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



Source: SE "Market Operator".

Electricity generation, thousand MW



\* Dashed line represents NBU estimates based on the daily data of SE NPC Ukrenergo (22 days of April were extrapolated for the whole month).

Source: SE NPC Ukrenergo.

# Economic activity: business survey\*

Question:

"In your opinion, how your activity will change over the next four weeks compared to previous four weeks"

98 answers:

17% - agriculture

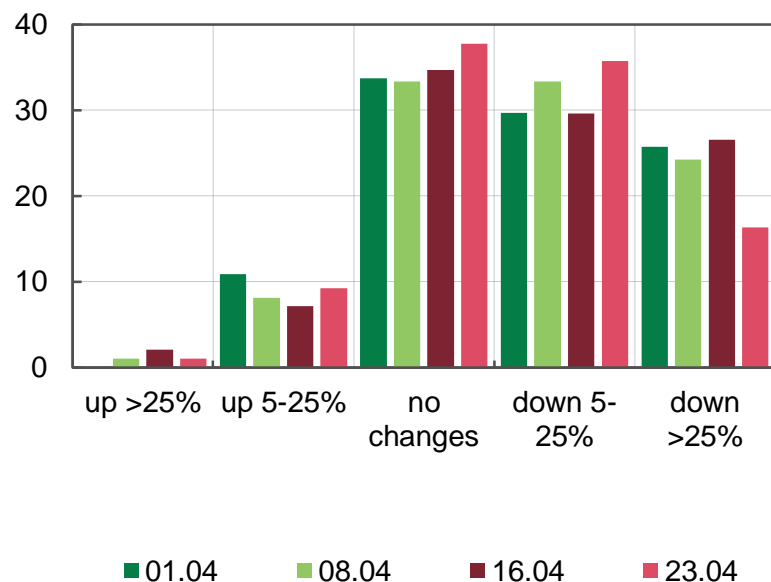
36% - manufacture

43% - wholesale and retail trade

\* A snap survey of managers of large and medium-size companies, carried out by the NBU during 21-22 April 2020

# Companies continue to expect lower turnover or production volumes

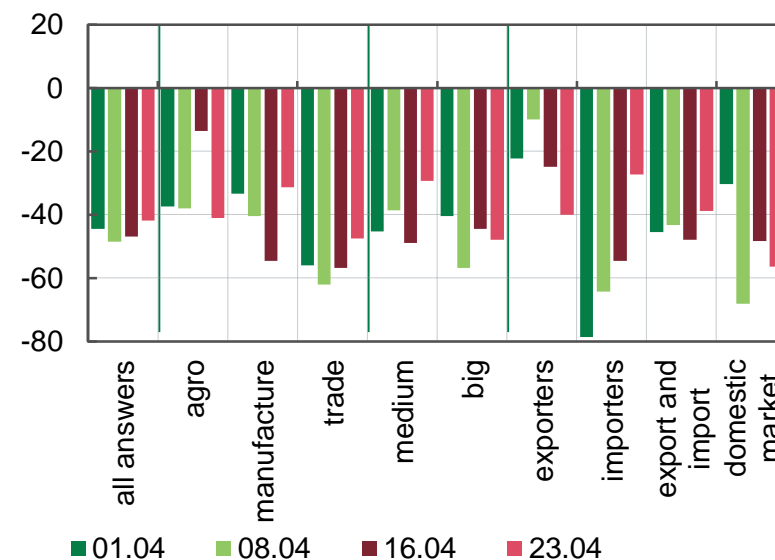
Expectations for turnover/production, % of answers



Source: NBU.

- Expectations slightly improved over the last week, reflecting an increased share of those expecting unchanged production volumes or their modest growth
- Companies in the manufacturing and trade sectors, as well as importers, improved their expectations
- Meanwhile, the expectations of the agricultural companies and exporters worsened, possibly explained by inventory drawdown and droughty weather conditions for the former and unfavorable external environment for the latter

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

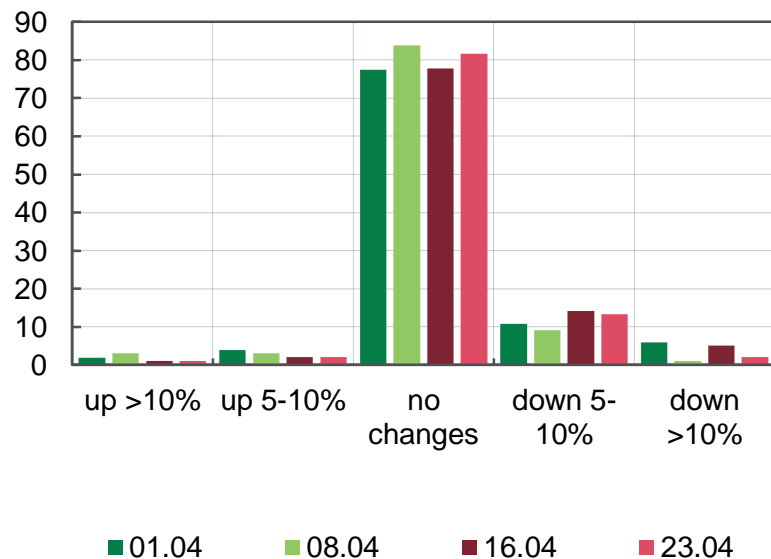


Source: NBU.



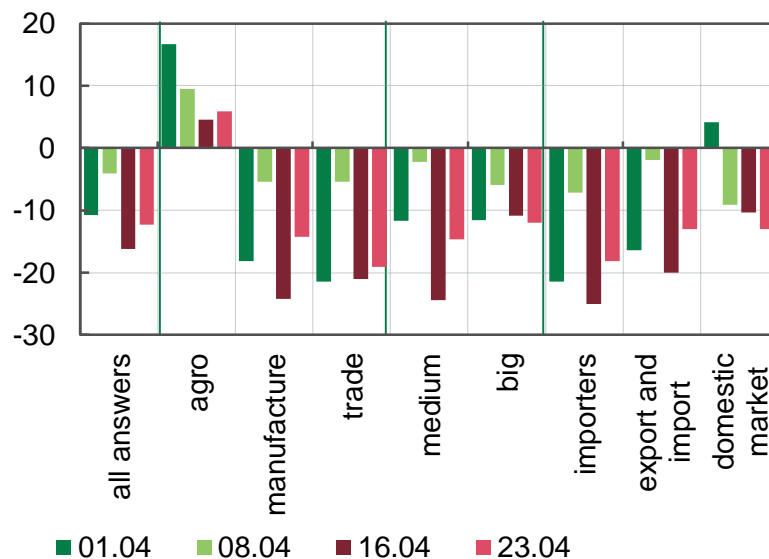
# As the the quarantine was prolonged, employment expectations of the companies remain negative

Expectations for amount of staff, % of answers



Source: NBU.

Balance of answers\* for amount of staff, %



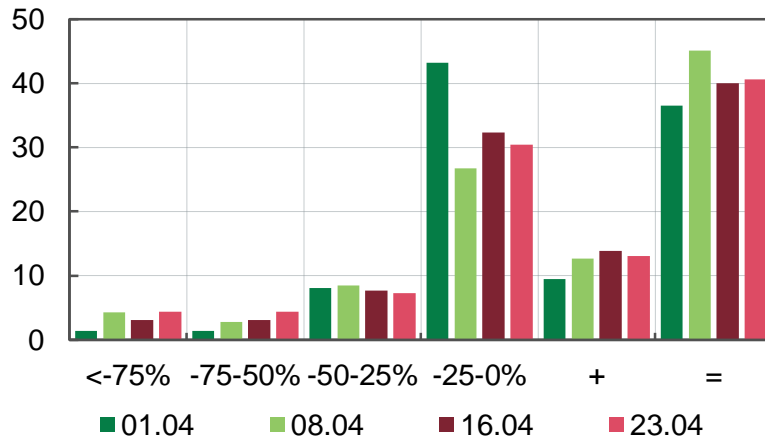
Source: NBU.

- Despite the increased number of enterprises (to 82%), who reported no expected changes in staff numbers, enterprises commented that they had to send some of their employees on unpaid leave
- Expectations of companies in all sectors improved, apart from those operating domestically. This is mostly in line with expectations of the enterprises regarding the sales volumes

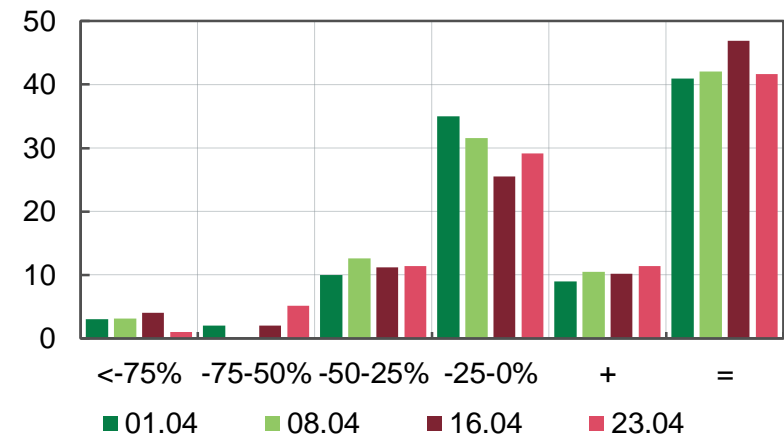


# Most enterprises do not face problems with stocks; however, the stock expectations of agro companies have worsened

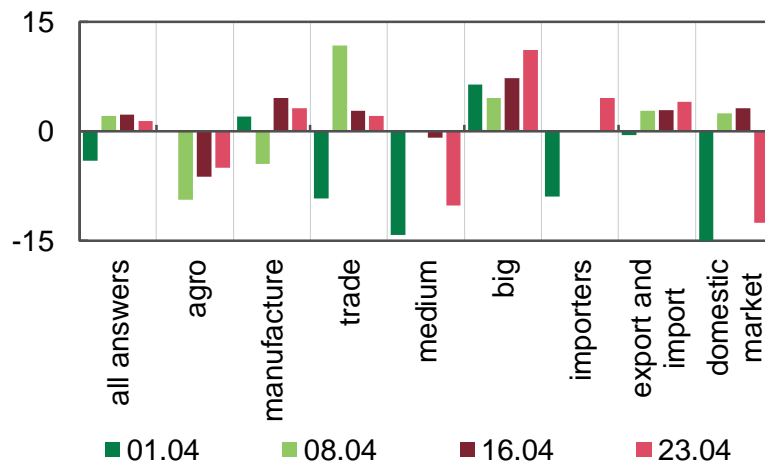
Expectations for a change in stocks of imported goods, % of answers



Expectations for a change in stocks of domestic goods, % of answers



Balance of answers for a change in stocks of imported goods, %



Balance of answers for a change in stocks of domestic goods, %

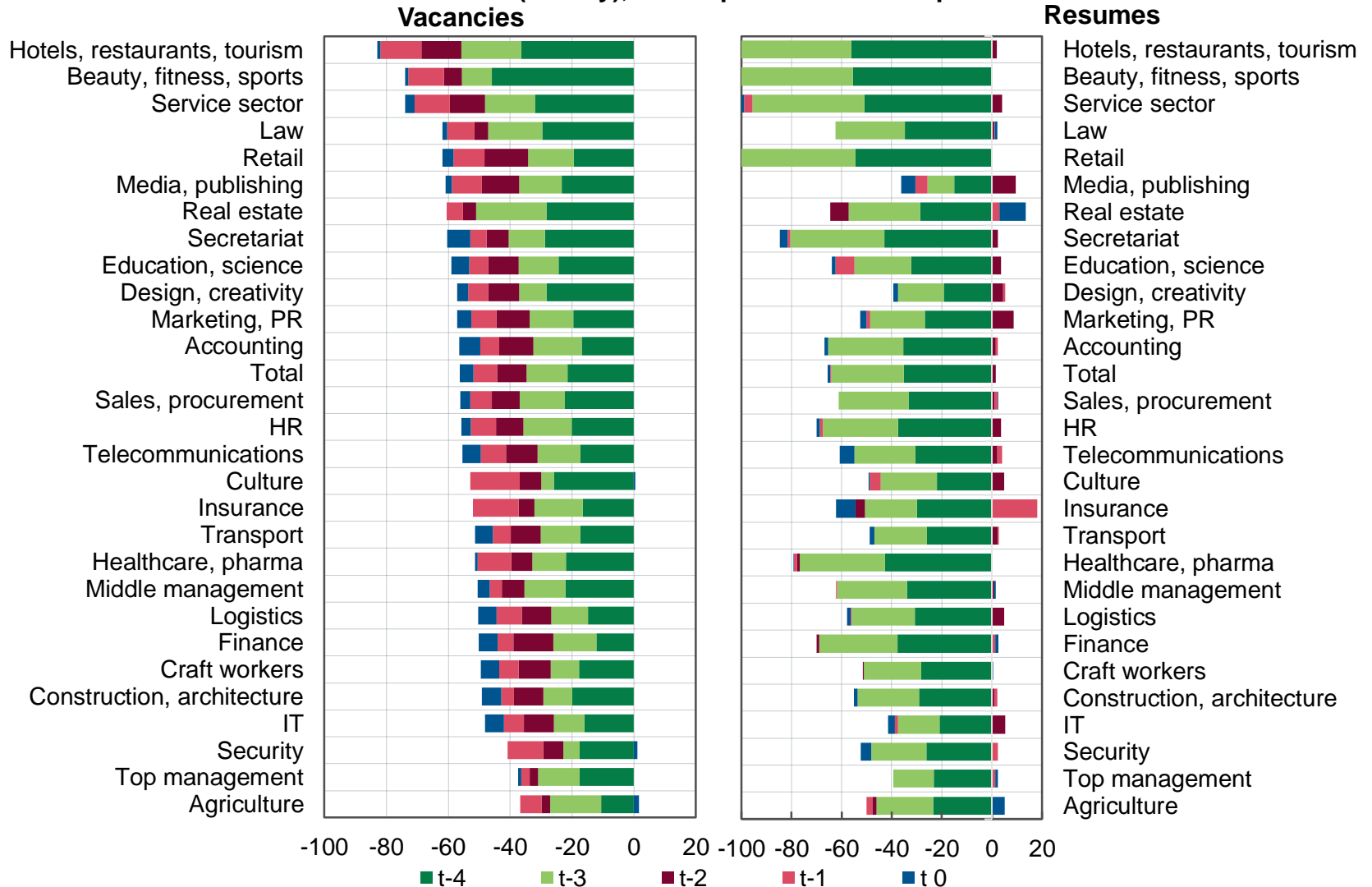




# Labor Market

# After a sharp decrease in the number of vacancies and resumes in the first weeks of quarantine, they stabilized at low levels

New work.ua vacancies and resumes (weekly), % compared to start of quarantine\*



\* t 0 stands for the current week, t-1, t-2, etc. stand for the previous weeks.

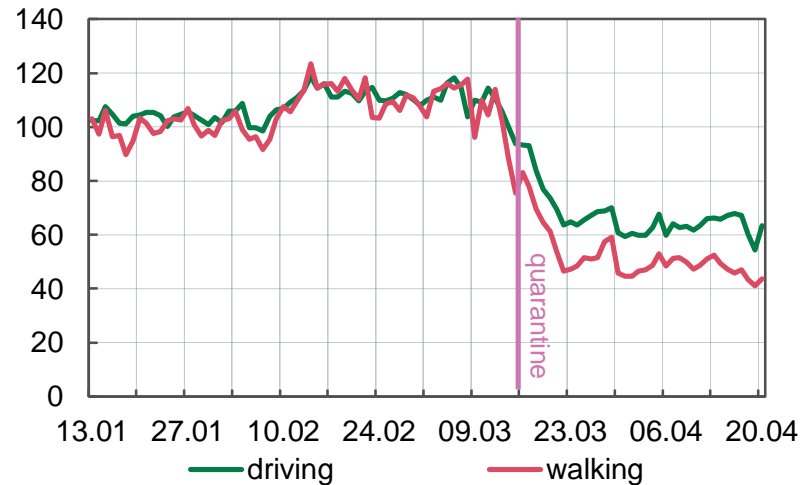
Source: work.ua, NBU staff estimates.



# Population mobility

# Ukrainians significantly reduced their mobility due to quarantine

Mobility trends in Ukraine\*, 13.01.20 = 100 (sa on weekdays\*\*)

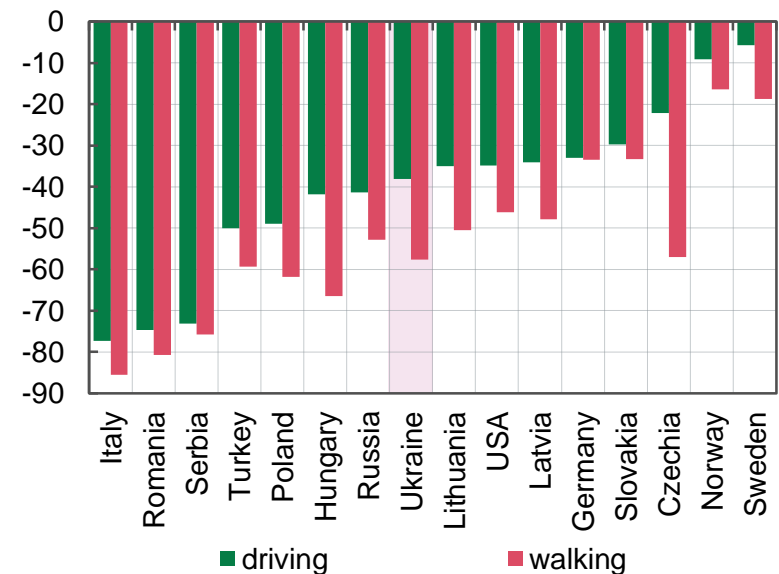


\* Change in routing requests on iOS devices since January 13, 2020. According to [marketer.ua](http://marketer.ua) share of iOS smartphones in Ukraine amounted to 20.7% in 2019, however real usage of Apple Maps could be lower.

\*\* Note by Apple: “Day of week effects are important to normalize as you use this data.”

Source: apple.com, NBU staff estimates.

Change in mobility habits\* (20.04.20 compared to 13.01.20), %



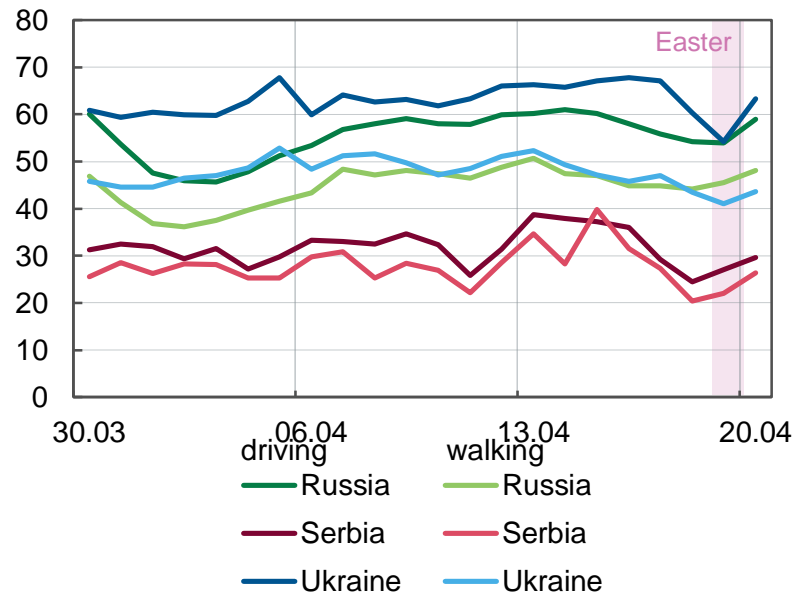
\* Note by Apple: “In many countries/regions and cities, the relative volume has increased since January 13th, consistent with normal, seasonal usage of Apple Maps.”

Source: apple.com.

- Population mobility decreased by about half since the quarantine measures were introduced, which may indicate a weakening of economic activity
- This decrease is close to the average compared to other countries – more significant than in the U.S. and the Baltic countries, but less substantial than in neighboring Romania and Poland

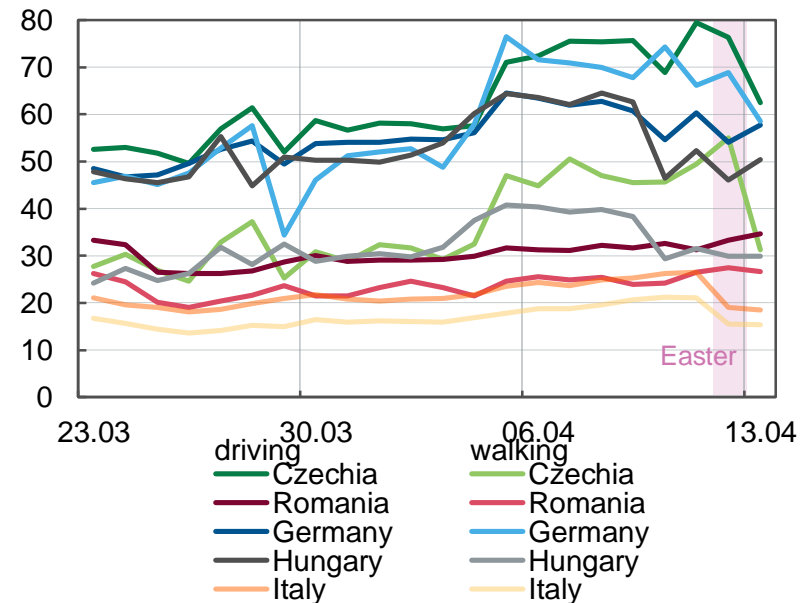
# Ukrainians reacted rather responsibly to quarantine during the Easter holidays

Mobility trends in countries celebrating Easter on the Julian calendar, 13.01.20 = 100 (sa on weekdays\*)



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

Mobility trends in countries celebrating Easter on the Gregorian calendar, 13.01.20 = 100 (sa on weekdays\*)



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