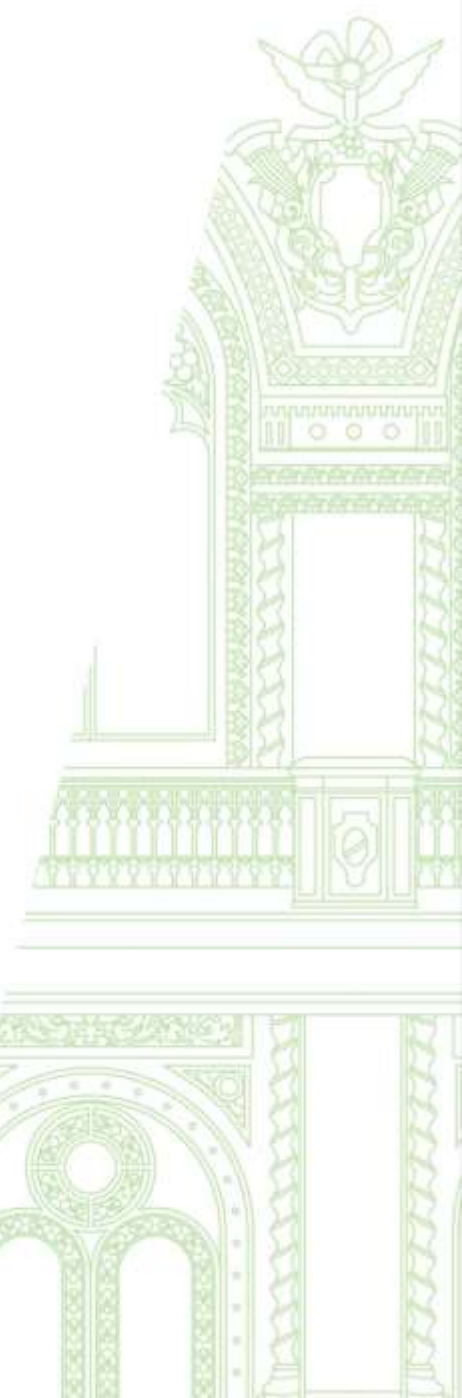




National Bank  
of Ukraine

## Weekly economic review

*30 April 2020*



# Summary

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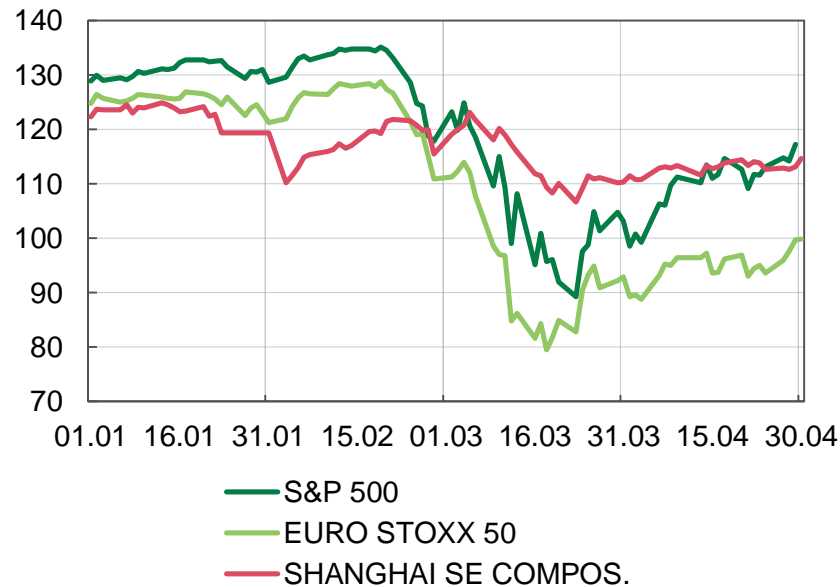
- Optimism on expectations of a gradual lifting of quarantine restrictions beginning May supported investors' interest in risky assets. Trading partners' currencies fluctuated in a narrow band, same as the hryvnia
- Interest rates on the interbank market and yields on hryvnia domestic government securities have been gradually declining
- Food prices stayed almost flat over last week. Borshch vegetables and garlic fell in price further. Instead, egg prices rose on tighter supply
- Catering delivery prices rose as well amid strong demand and rising costs
- Firms improved their turnover/production expectations following announcements on the possible lifting of the lockdown in the nearest weeks. Among these were manufacturing and trading companies and importers
- In March, growth in nominal wages slowed in most sectors due to the lockdown. At the same time, employment expectations improved somewhat. According to the comments, the end of the lockdown will help the economy stabilize
- Population mobility picked up after the phased-in lifting of the lockdown had been announced, suggesting the rebound of economic activity after the lockdown is likely to be fast



# **Financial markets**

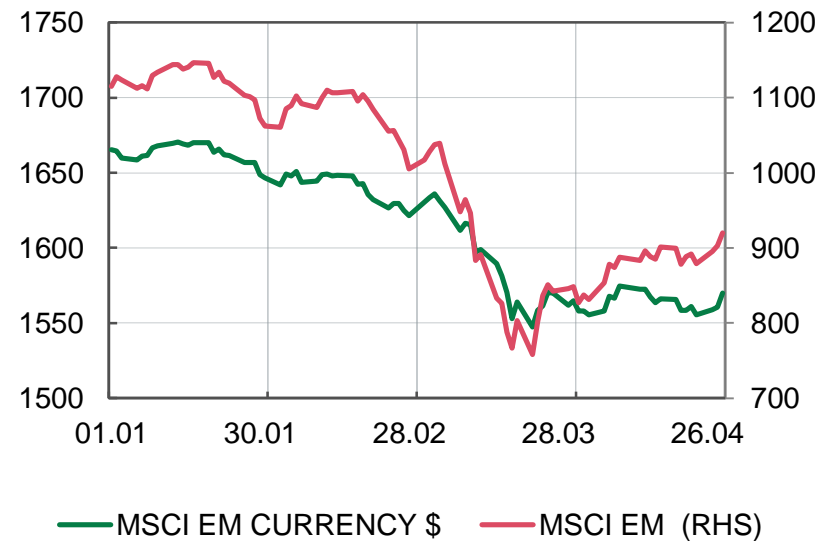
# Optimism on expectations of a gradual lifting of quarantine restrictions beginning May supported interest in risky assets

Global equity benchmarks in 2020, 01 Jan 2019 = 100



Source: Refinitiv, Investing, as of 30.04.2020 - real-time data.

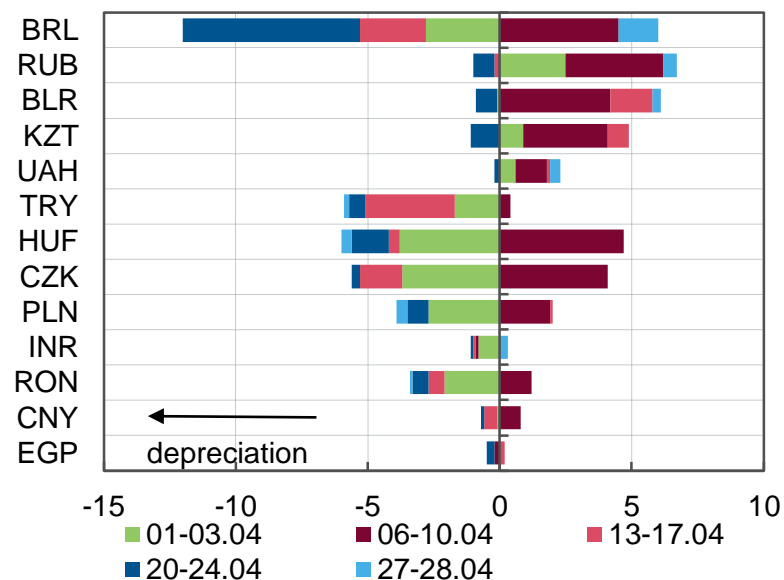
MSCI EM and MSCI EM CURRENCY to USD



Source: Refinitiv, Investing, as of 29.04.2020.

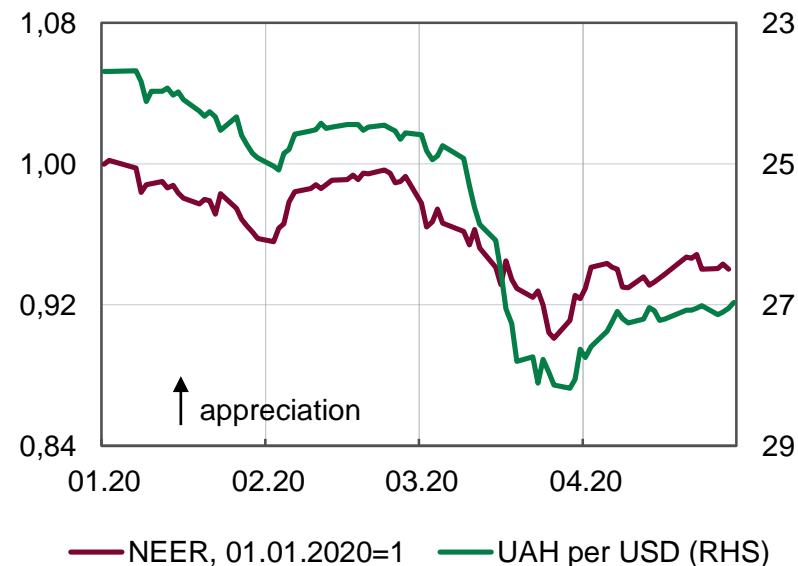
# Currencies of countries – main trading partners of Ukraine fluctuated within a narrow range, same as Ukrainian hryvnia

Selected EM currencies vs USD, % change, eop



Source: NBU estimates (preliminary data).

NEER index and official UAH/USD exchange rate

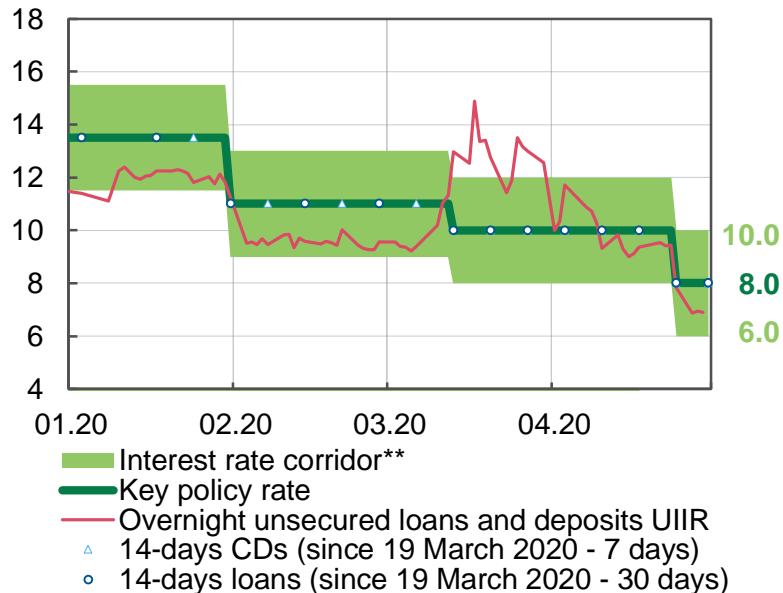


\* NEER as of 29.04.20, exchange rate as of 30.04.20.  
Source: NBU estimates (preliminary data).

- Expectations of a gradual lockdown lifting supported emerging market currencies
- Volatility of hryvnia remained low as well

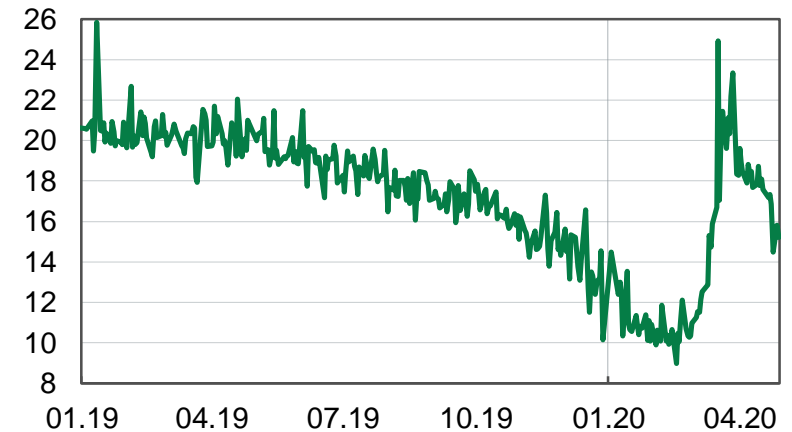
# Interest rates on the interbank market and yields on hryvnia domestic government securities have been declining gradually

NBU policy rates and UIIR\*, %



\* As of 30.04.2020. \*\* Upper bound – interest rate on overnight loans of the NBU, lower bound – overnight CDs of the NBU.  
Source: NBU.

Yields on hryvnia domestic government debt securities, %



\* As of 28.04.2020  
Source: NBU.

- The cut of the NBU's key policy rate contributed to a reduction in interest rates on the interbank market
- Ukraine's financial market has gradually steadied with yields of hryvnia government securities declining



# **Consumer prices in Ukraine**

# Food prices stayed almost flat over the last week

Price indices, %	Weights *	w/w				m/m			
		t - 3	t - 2	t - 1	t 0	t - 3	t - 2	t - 1	t 0
<b>Food and non-alcoholic beverages</b>	<b>43.1</b>	<b>0.0</b>	<b>-0.4</b>	<b>0.1</b>	<b>0.2</b>	<b>4.0</b>	<b>3.1</b>	<b>2.0</b>	<b>0.8</b>
Bread	3.4	-0.1	-0.5	0.1	-0.2	2.9	2.2	1.9	0.4
Pasta	1.0	0.9	-0.7	0.8	0.2	3.6	4.4	3.9	2.5
Flour confectionery	1.9	0.2	0.0	-0.1	-0.1	1.4	1.1	0.6	0.4
Flour and cereals	1.9	0.3	-0.4	-0.1	0.6	10.0	9.0	4.9	1.6
Meat and meat products	10.1	0.1	-1.3	0.3	0.3	4.4	2.1	1.9	0.1
Beef	0.6	0.0	0.2	0.1	0.0	4.7	3.2	3.2	1.5
Pork	3.4	0.0	-2.1	0.8	-0.3	8.2	4.3	3.7	-0.4
Poultry meat	2.5	0.4	-4.0	-0.9	2.3	2.3	-0.5	-1.2	-3.1
Meat products	3.6	-0.1	0.6	0.3	-0.3	2.6	2.1	2.2	1.2
Fish and fish products	2.4	0.7	1.1	0.1	1.3	3.5	3.2	2.8	3.1
Dairy products	5.4	0.4	-0.3	0.0	0.6	1.9	1.1	0.7	1.5
Milk	1.8	0.3	-0.8	-0.2	1.4	2.9	1.7	0.8	1.5
Dairy products	1.4	-0.3	-0.2	0.0	1.1	1.2	0.7	0.3	1.2
Cheese and cottage cheese	2.2	1.0	0.1	0.1	-0.4	1.8	1.5	1.2	2.1
Eggs	0.6	0.9	1.3	0.8	6.5	2.3	2.2	5.0	12.5
Oil and fats	3.9	0.5	-1.1	-0.1	1.1	2.7	1.5	0.7	1.7
Fruits	2.0	0.3	0.2	-0.9	0.1	11.9	11.1	6.1	1.2
Vegetables	3.9	-2.5	0.4	0.3	-3.3	6.0	6.1	1.7	-4.4
Sugar	0.8	0.1	-0.2	-0.1	0.0	3.5	1.6	1.9	2.3
Honey	0.3	0.1	1.7	0.3	0.0	1.2	1.6	2.2	2.9
Chocolate products	1.3	0.3	-0.5	-0.2	0.7	2.8	1.3	0.9	1.3
Sugar confectionery	0.4	0.0	-0.3	0.2	-0.7	2.6	2.4	2.0	-0.2
Other food	1.0	0.0	-0.4	-0.1	0.9	1.8	1.1	0.6	0.8
Soft drinks	2.4	0.3	0.1	0.2	0.7	2.0	1.5	1.4	2.0
<b>Alcohol</b>	<b>4.9</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.3</b>	<b>0.6</b>	<b>0.4</b>	<b>-0.6</b>	<b>-1.3</b>	<b>-0.6</b>
<b>Tobacco</b>	<b>4.2</b>	<b>0.3</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>3.5</b>	<b>1.9</b>	<b>1.9</b>	<b>2.5</b>
<b>Household appliances</b>	<b>0.7</b>	<b>0.0</b>	<b>-0.6</b>	<b>0.0</b>	<b>0.0</b>	<b>3.3</b>	<b>2.7</b>	<b>2.4</b>	<b>0.3</b>
<b>Products and services for daily home maintenance</b>	<b>0.9</b>	<b>1.6</b>	<b>1.7</b>	<b>-1.4</b>	<b>1.6</b>	<b>7.5</b>	<b>4.0</b>	<b>0.6</b>	<b>3.3</b>
<b>Personal care products</b>	<b>1.3</b>	<b>1.6</b>	<b>0.5</b>	<b>0.0</b>	<b>-0.3</b>	<b>5.7</b>	<b>3.5</b>	<b>2.0</b>	<b>3.2</b>
<b>Other industrial goods</b>	<b>0.8</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>2.3</b>	<b>1.9</b>	<b>0.8</b>	<b>1.0</b>

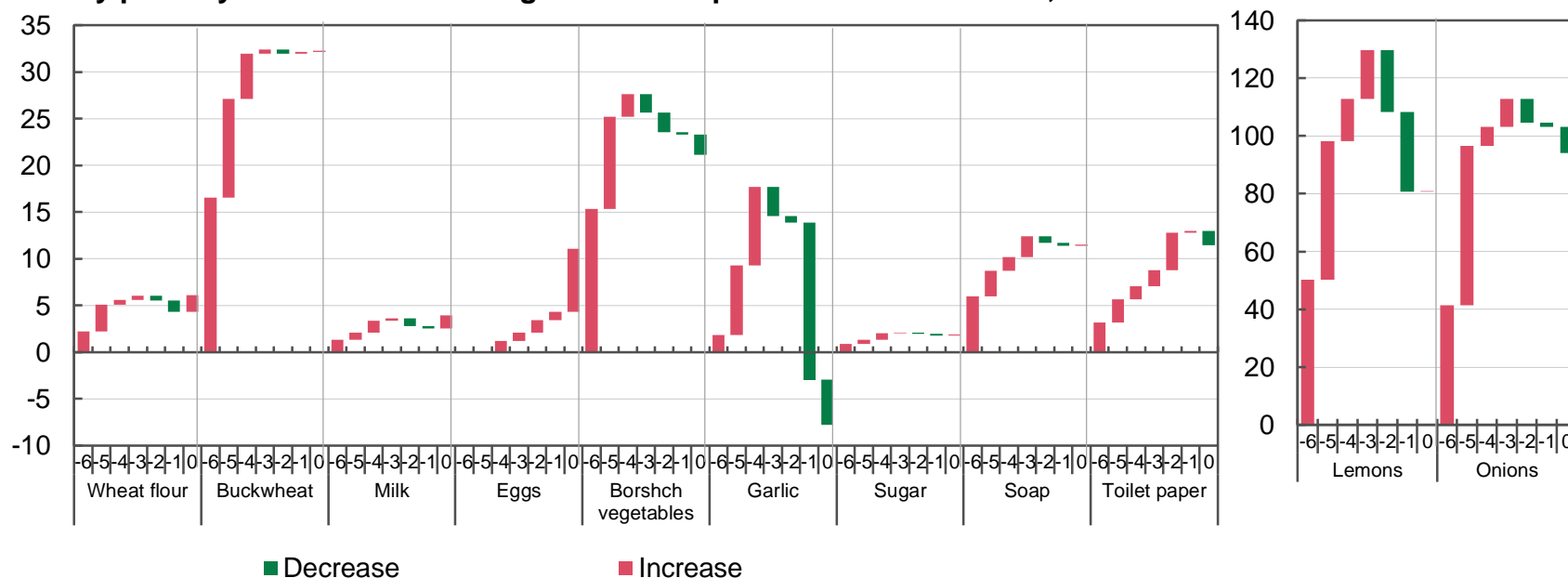
\* Dynamic weights, t 0 – from April 24 to April 29, t - 1 – from April 17 to April 23, t - 2 – from April 10 to April 16, t - 3 - from April 3 to April 9, t - 4 from March 27 to April 2 t – 5 from March 20 to March 26; the same weeks of February / March are used for monthly comparisons.

Source: online supermarkets.



# As supply outweighed demand, prices for some goods fell, vegetables and toilet paper among them

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.

- Prices for vegetables, used to cook traditional Ukrainian soup 'borshch' extended the decline amid ample supply, although they typically rise in April. Prices for garlic decreased further, and lemon prices were unchanged from the previous week
- Toilet paper also became cheaper as demand subsided amid sufficient supply
- Instead, egg and milk prices rose significantly due to tighter supply

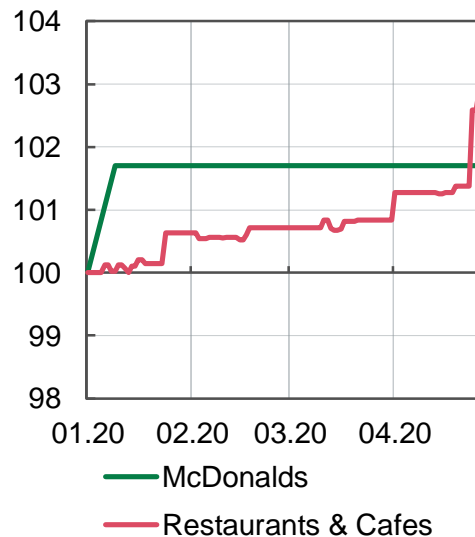
# Prices for drugs and fuels gradually declined. Instead, prices for catering delivery increased rapidly

Change in the prices of medicines compared to previous week, %



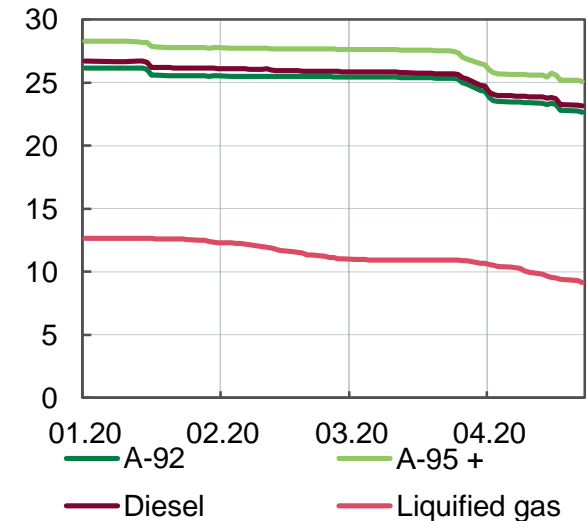
Source: e-apteka.com.ua.

Price indices in public catering delivery, 01.01.20 = 100



Source: Glovo.

Fuel prices, UAH / l



Source: minfin.com.ua.

- Drug prices have been declining over the last four weeks, which may be explained by the pass-through from the hryvnia strengthening
- Catering delivery prices increased, possibly reflecting stronger demand and pressure from production costs. In particular, delivery geography is increasing, resulting in increased distance and higher delivery cost included in the price
- Fuel prices continued to fall, driven by lower world prices

# Economic activity: business survey\*

Question:

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

97 answers:

18% - agriculture

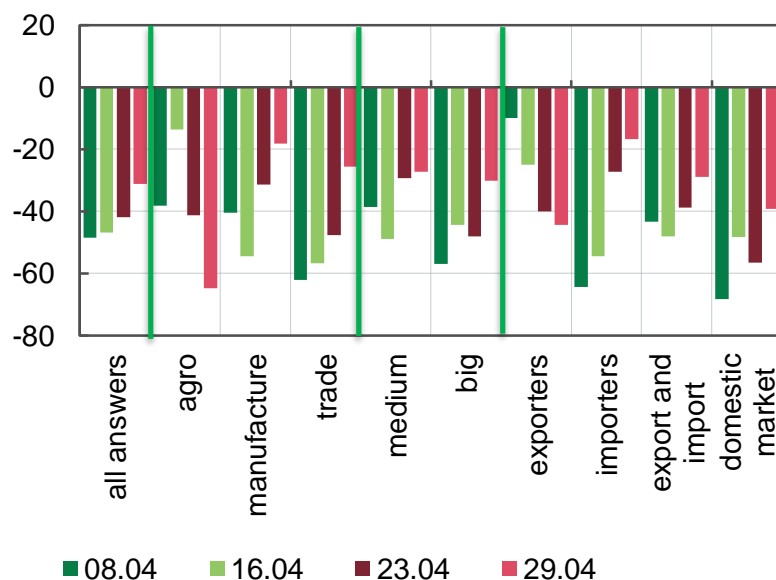
35% - manufacturing

44% - wholesale and retail trade

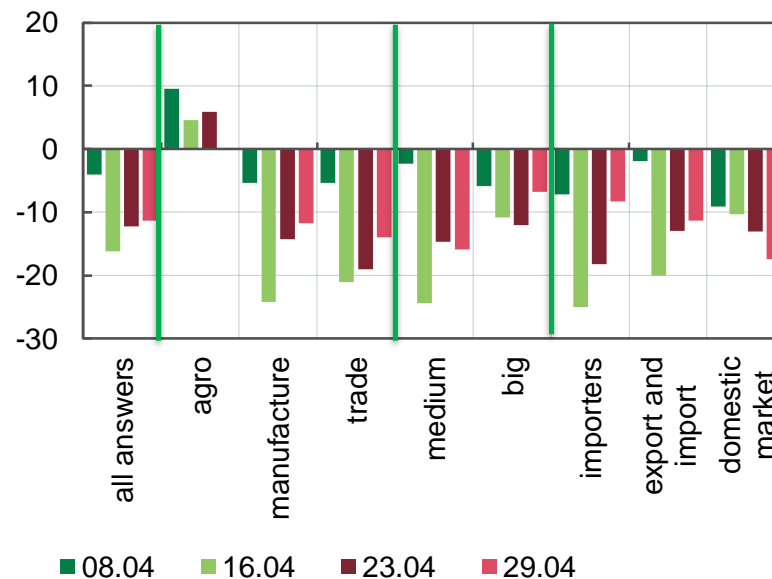
\* A snap survey of managers of large and medium-size companies, carried out by the NBU during 27-29 April 2020

# Companies improved their expectations amid announcements of the possible lifting of the lockdown in the nearest weeks

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



Balance of answers\* for amount of staff, %



Source: NBU.

Source: NBU.

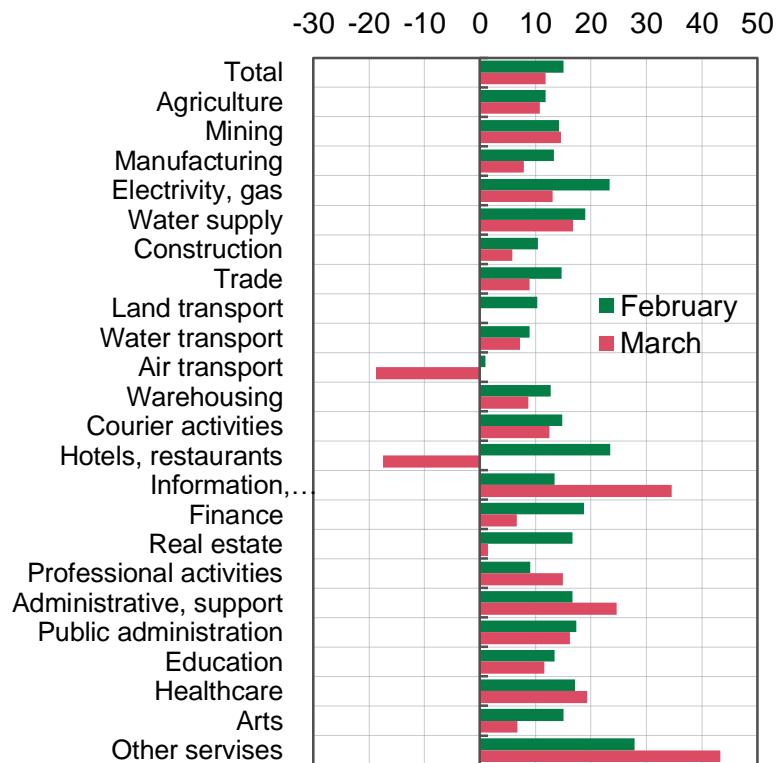
- Turnover/production expectations as well as employment expectations improved
- The share of those who expect noticeable growth in production (> 25%) increased
- Manufacturing and trading firms and importers improved their expectations
- Most companies reported that the number of their employees would not change (85%). However, domestic market firms remained pessimistic about their numbers



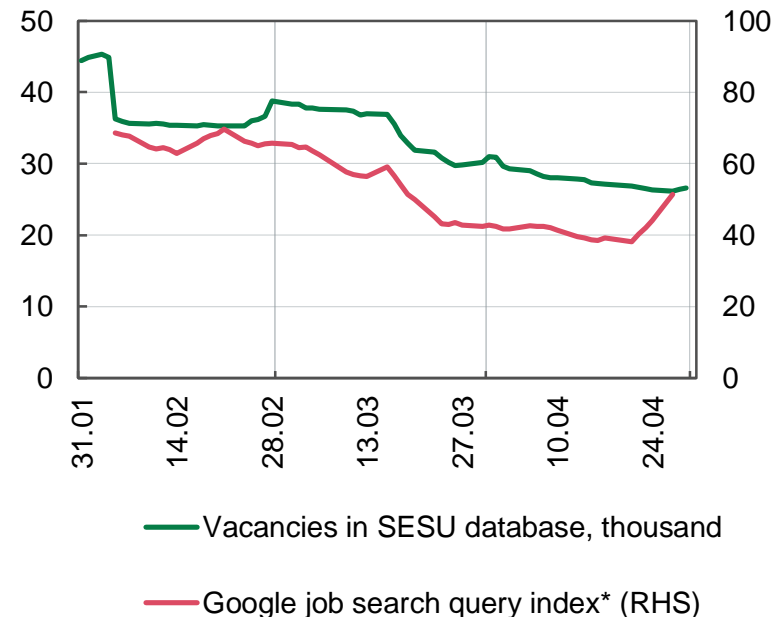
# Labor Market

# Growth in nominal wages slowed in most sectors in March due to quarantine measures

Nominal wage by sector, % yoy



Vacancies in SESU database and job search queries



\* Average index for search query "work" in Russian and Ukrainian in Google, 7-day moving average.  
Source: SSSU, SESU, Google Trends, NBU staffestimates.

- Wages in hotels&restaurants and in air transport, which were hardest-hit by the lockdown, saw a decrease in nominal wages
- Instead, wage growth accelerated in telecommunication and services which experienced increased demand amid quarantine
- The number of available vacancies in the SESU database remained low. Job search increased somewhat over the last week, possibly due to the announced easing of quarantine restrictions



# Population mobility

# Mobility of Ukrainians intensified recently, suggesting the rebound of economic activity after the lockdown is likely to be fast

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

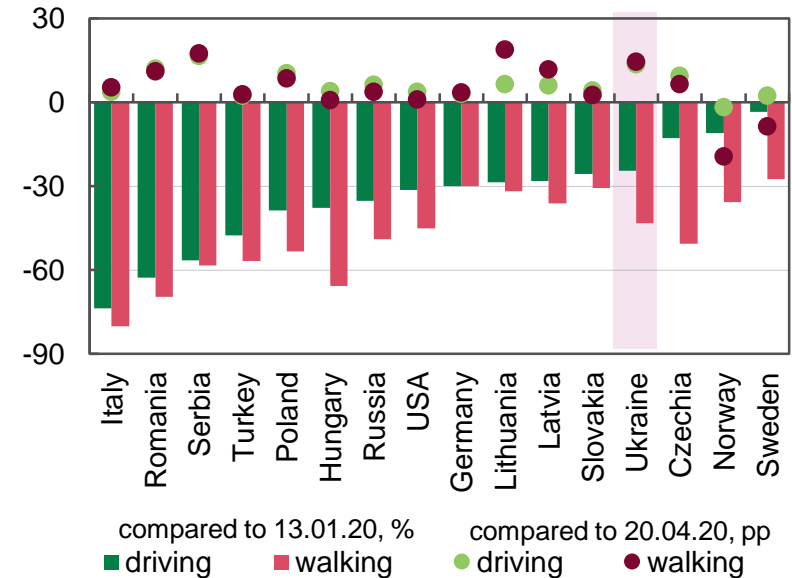


\* Change in routing requests on iOS devices since January 13, 2020. According to [marketer.ua](http://marketer.ua) share of iOS smartphones in Ukraine amounted to 20.7% in 2019, however real usage of Apple Maps could be lower.

\*\* 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)



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

Source: apple.com.

- The increased mobility in Ukraine and in other countries may be explained by optimistic expectations of a gradual lifting of quarantine restrictions