



Національний
банк України

Weekly economic review

15 May 2020



Summary

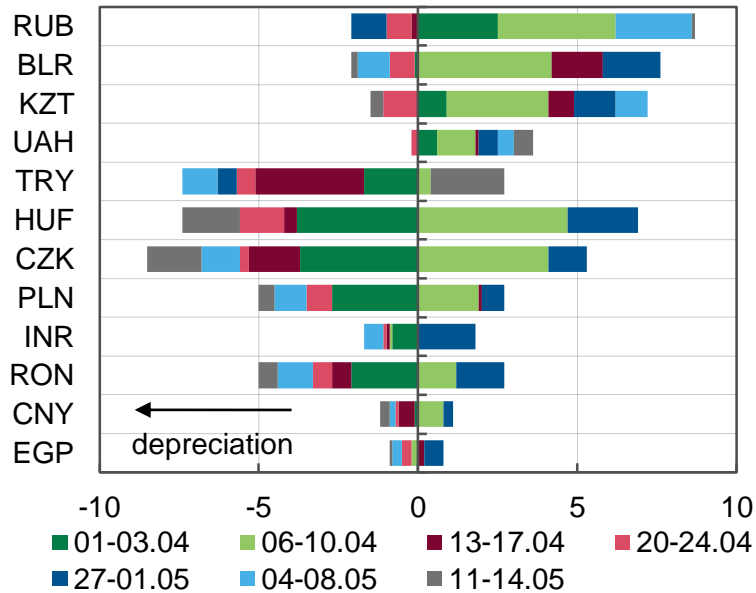
- Financial markets became less bullish, weighed down by the risks of the U.S. - China standoff, expectations of disappointing US labor market data and new coronavirus outbreaks in China, South Korea and Germany after the easing of quarantine
- The US dollar strengthened against the basket of major currencies, boosted by these factors and against a background of the statement from the Fed's chairman showing a reluctance to bring interest rates into negative territory. As a result, emerging market currencies weakened
- Meanwhile, supply dominated on the FX market of Ukraine, enabling the NBU to purchase FX
- The hryvnia borrowing costs declined, reflecting monetary policy easing and increased liquidity in the banking system
- During the past week, food prices edged up slightly, primarily due to higher meat and egg prices
- The easing of quarantine restrictions had the opposite effects on service prices – catering delivery prices held flat, while taxi fares rose considerably, despite low fuel prices
- A deeper plunge in electricity production in early May was indicative of a severe downturn in industry and other economic sectors. Meanwhile, in anticipation of the first stage of lockdown easing, job search activities and the search for workers picked up, while population mobility approached pre-quarantine levels



Financial markets

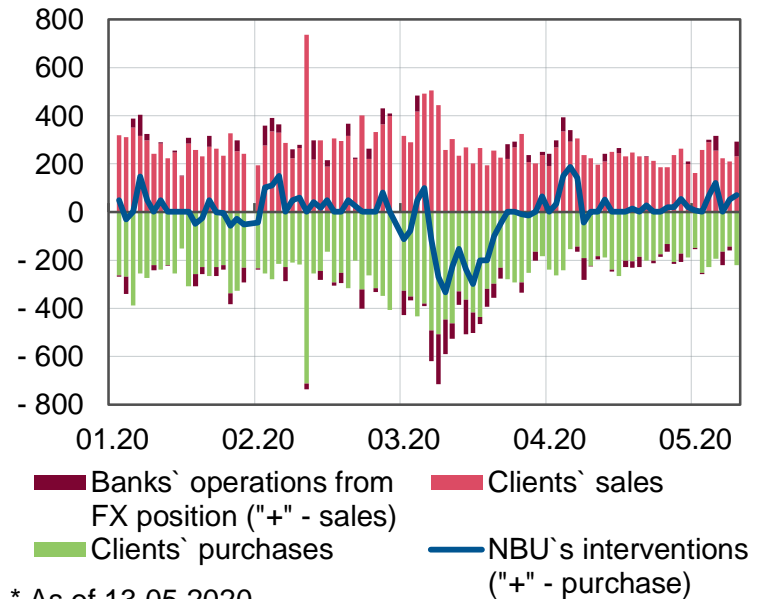
Currencies of countries – Ukraine's main trading partners depreciated as demand for risky assets remained weak

Selected EM currencies vs USD, % change, eop



Source: NBU estimates (preliminary data).

FX operations in the interbank market*, USD mn

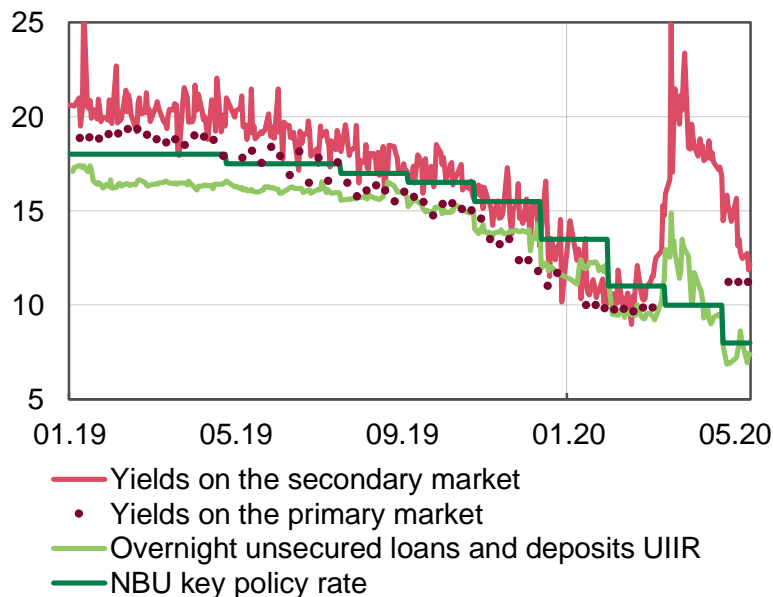


* As of 13.05.2020.
Source: NBU.

- Optimism in financial markets softened amid risks of the U.S. – China tensions, expectations of disappointing U.S. labor market data, and new coronavirus cases reported in China, South Korea, and Germany after quarantine measures had been partially lifted
- These factors combined, against a background of the statement from the chairman of the Federal Reserve expressing the opposition to negative interest rates, supported the US Dollar relative to a basket of currencies. As a result, emerging market currencies depreciated
- A surfeit of FX supply remained prevalent in the FX market, enabling the NBU to purchase FX

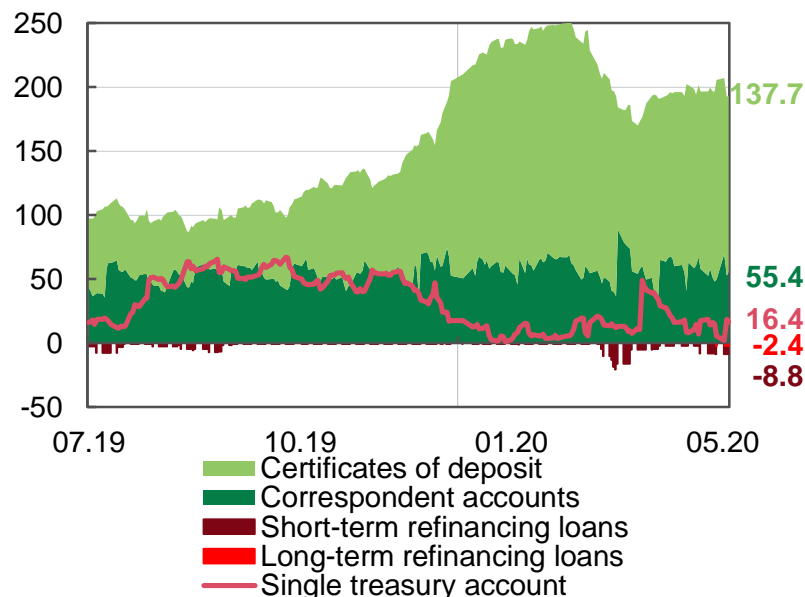
Borrowing costs have been declining owing to monetary policy easing and ample liquidity of the banking system

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



* As of 14.05.2020.
Source: NBU.

Banking system liquidity, select indicators*, UAH bn



* As of 14.05.2020.
Source: NBU.

- Liquidity of the banking system (measured as a sum of correspondent accounts and certificates of deposits) exceeded UAH 200 bn during most of the current week
- Liquidity expansion was driven mainly by FX purchases by the NBU and government operations
- Refinancing loans, including long-term, didn't have any significant effect on the liquidity of the banking system



Consumer prices in Ukraine

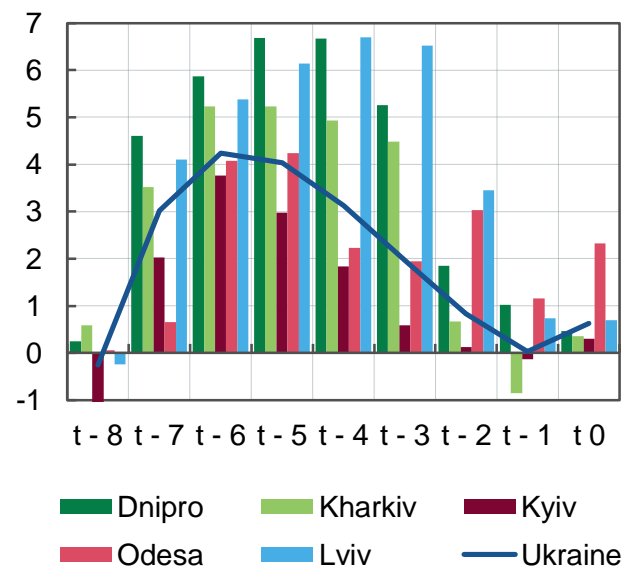
Food prices edged up slightly in the past week. Meat products and eggs became more expensive

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	44.5	0.1	0.2	0.0	0.2	2.0	0.8	0.0	0.6
Bread	3.4	0.1	-0.2	0.1	-0.1	1.9	0.4	0.1	0.2
Pasta	1.0	0.8	0.2	-0.4	0.2	3.9	2.5	0.1	0.4
Flour confectionery	1.8	-0.1	-0.1	0.3	0.7	0.6	0.4	0.1	1.2
Flour and cereals	2.0	-0.1	0.6	-0.4	0.0	4.9	1.6	-0.4	-0.2
Meat and meat products	10.4	0.3	0.3	0.0	0.3	1.9	0.1	-1.1	0.7
Beef	0.6	0.1	0.0	0.1	0.2	3.2	1.5	0.4	0.6
Pork	3.5	0.8	-0.3	-0.3	-0.5	3.7	-0.4	-1.5	0.0
Poultry meat	2.8	-0.9	2.3	-0.4	0.1	-1.2	-3.1	-3.8	1.0
Meat products	3.6	0.3	-0.3	0.4	1.2	2.2	1.2	0.1	1.2
Fish and fish products	2.9	0.1	1.3	0.2	-0.7	2.8	3.1	2.4	-0.2
Dairy products	5.3	0.0	0.6	-0.2	0.2	0.7	1.5	0.2	0.7
Milk	1.8	-0.2	1.4	-0.7	-0.2	0.8	1.5	-0.4	0.8
Dairy products	1.4	0.0	1.1	-0.3	0.3	0.3	1.2	0.5	1.1
Cheese and cottage cheese	2.2	0.1	-0.4	0.2	0.4	1.2	2.1	0.7	0.5
Eggs	0.7	0.8	6.5	3.0	0.7	5.0	12.5	18.4	16.6
Oil and fats	3.9	-0.1	1.1	0.0	-0.3	0.7	1.7	-0.1	0.9
Fruits	2.2	-0.9	0.1	2.4	2.2	6.1	1.2	3.1	4.0
Vegetables	4.1	0.3	-3.3	-0.6	0.2	1.7	-4.4	-3.4	-3.3
Sugar	0.8	-0.1	0.0	-0.2	-0.2	1.9	2.3	-0.1	-0.4
Honey	0.3	0.3	0.0	0.0	-0.1	2.2	2.9	1.7	-0.1
Chocolate products	1.3	-0.2	0.7	0.1	-0.1	0.9	1.3	0.3	0.8
Sugar confectionery	0.4	0.2	-0.7	-0.1	0.2	2.0	-0.2	-0.6	-0.6
Other food	1.0	-0.1	0.9	1.5	0.1	0.6	0.8	2.0	1.6
Soft drinks	2.4	0.2	0.7	-1.0	0.4	1.4	2.0	0.4	0.7
Alcohol	4.9	-0.3	0.6	0.2	0.4	-1.3	-0.6	0.3	1.2
Tobacco	4.2	0.3	0.3	0.2	0.3	1.9	2.5	1.7	1.5
Household appliances	0.9	0.0	0.0	2.0	0.0	2.4	0.3	-1.2	0.0
Products for home cleaning	0.9	-1.4	1.6	2.3	1.1	0.6	3.3	4.4	6.0
Personal care products	1.3	0.0	-0.3	-0.6	0.8	2.0	3.2	0.4	0.2
Other industrial goods	6.1	0.0	0.0	0.0	0.2	0.8	1.0	-0.1	0.3

* Dynamic weights; t 0 – from May 8 to May 14, t-1, t-2 etc. stand for previous weeks; the same weeks of February - April are used for monthly comparisons.

Source: online supermarkets.

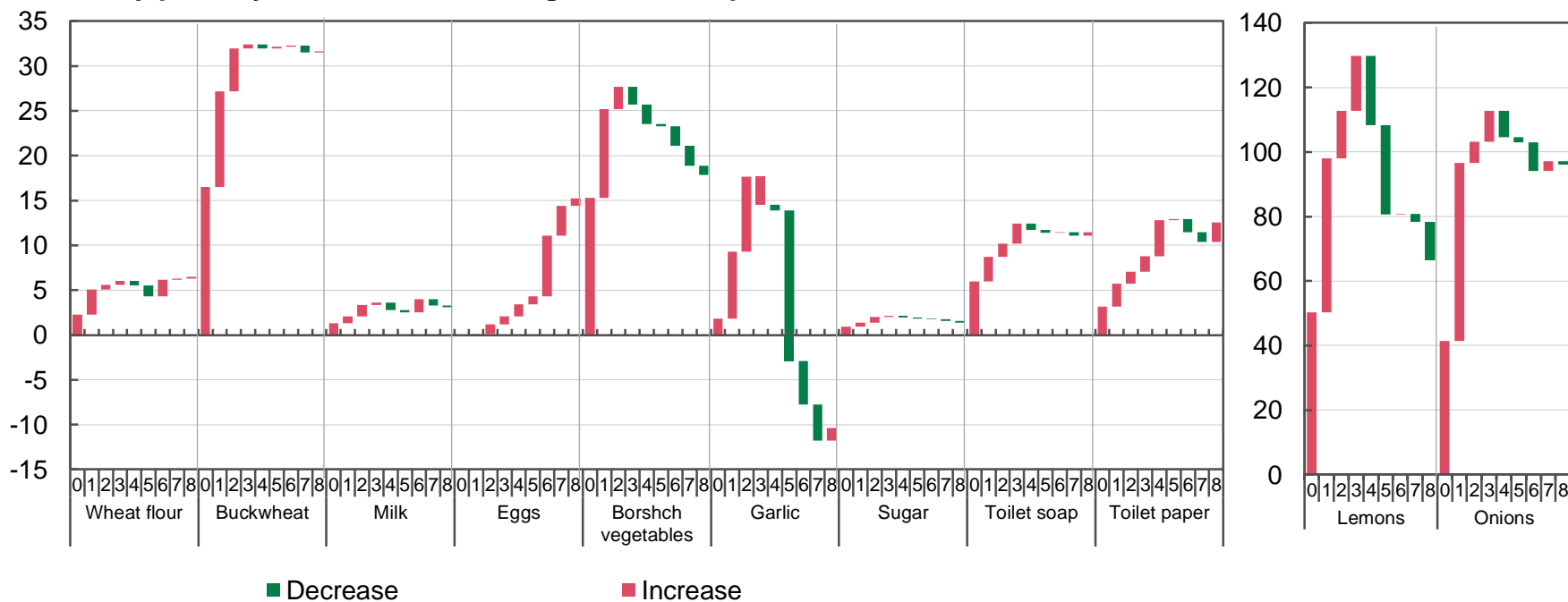
Food price indices, % mom



Source: online supermarkets.

However, the changes in prices for most goods were minor, while prices for most vegetables continued to decline

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



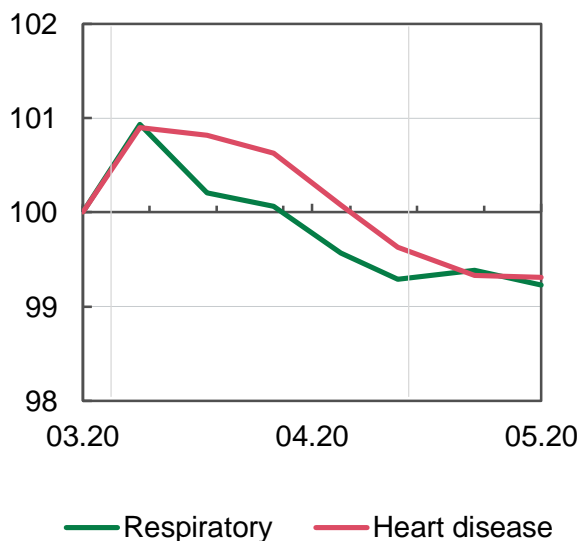
* 0 stands for the week from March 13 to March 19, figures 1–8 stand for following weeks.

Source: online supermarkets, NBU staff estimates.

- The main factor behind the growth in food prices was rising egg prices, possibly due to a tighter supply amid low profitability of their production
- Instead, prices for vegetables, used to cook the traditional Ukrainian soup 'borshch', primarily cabbage, potatoes, beetroots and onions, extended the decline. Lemons became cheaper as well
- Personal care products and cleaning products continued to be in high demand, which supported the price rise

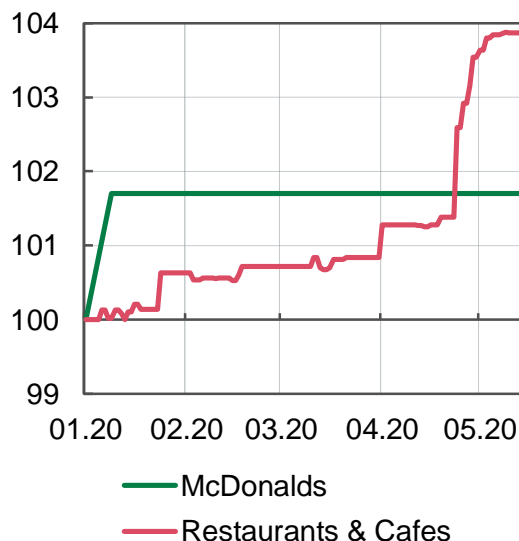
Drug prices, fuel prices and prices for catering delivery were almost unchanged over the week

Prices of medicines, 27.03.20 = 100



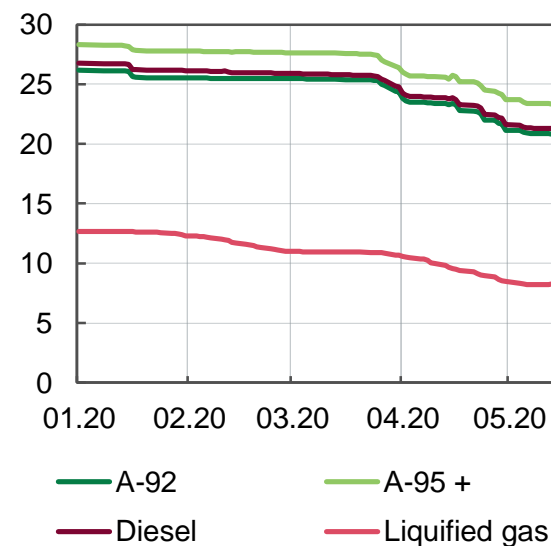
Source: e-apteka.com.ua.

Price indices in public catering delivery, 01.01.20 = 100



Source: Glovo.

Fuel prices, UAH / l



Source: minfin.com.ua.

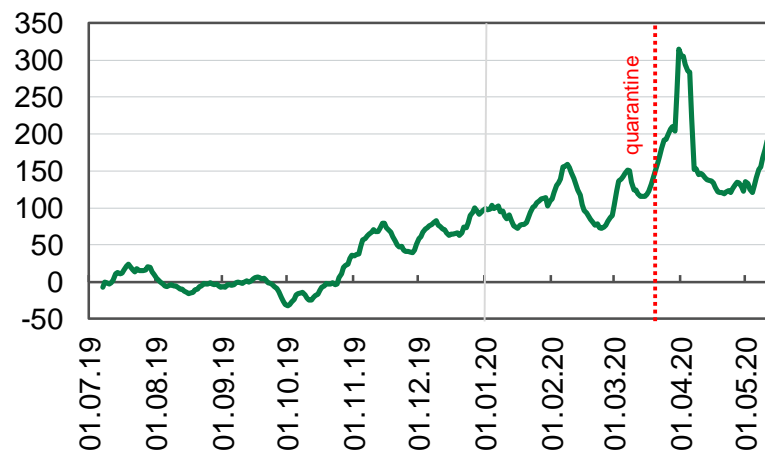
- Drug prices were unchanged for the second week in a row
- The growth in the prices for catering delivery slowed, possibly because of the easing of quarantine restrictions on the functioning of restaurants and cafes
- Despite low fuel prices, according to [unofficial data, the cost of taxi fares](#) increased significantly over the past week due to the easing of quarantine, which were not applied to the public transport



Economic activity

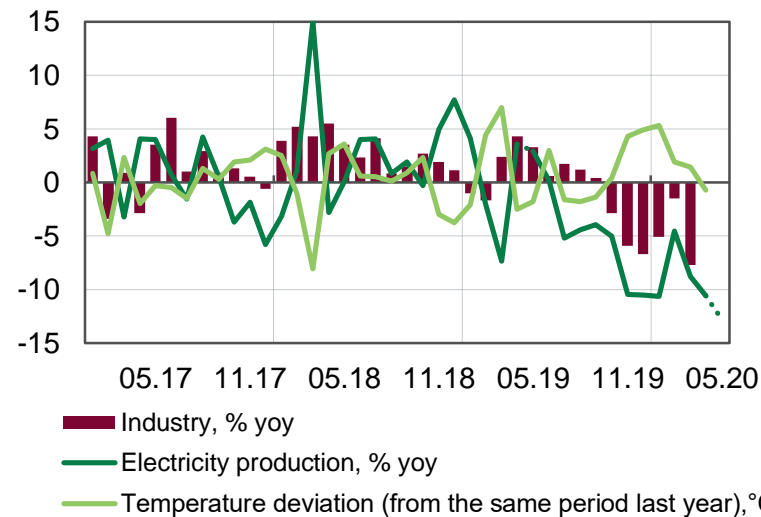
At the beginning of May, a plunge in electricity production deepened indicating a severe economic downturn

Electricity supply and demand mismatches on day-ahead and intraday markets, thousand MWh, 7-day moving average



Source: SE "Market Operator".

Industrial sector output, electricity production*, and the change in temperature



* Dotted line reflects the NBU staff estimates according to the SE NPC "Ukrenergo" daily data (data for 12 days in May were extrapolated to a full month).

Source: SSSU, SE NPC "Ukrenergo", CGO.

- Electricity supply and demand mismatches deepened during the first decade of May
- Given a minor impact of weather on electricity production* (since the weather conditions were similar to last year's), this might indicate that the industrial sector would continue to decline in May 2020, as would other sectors

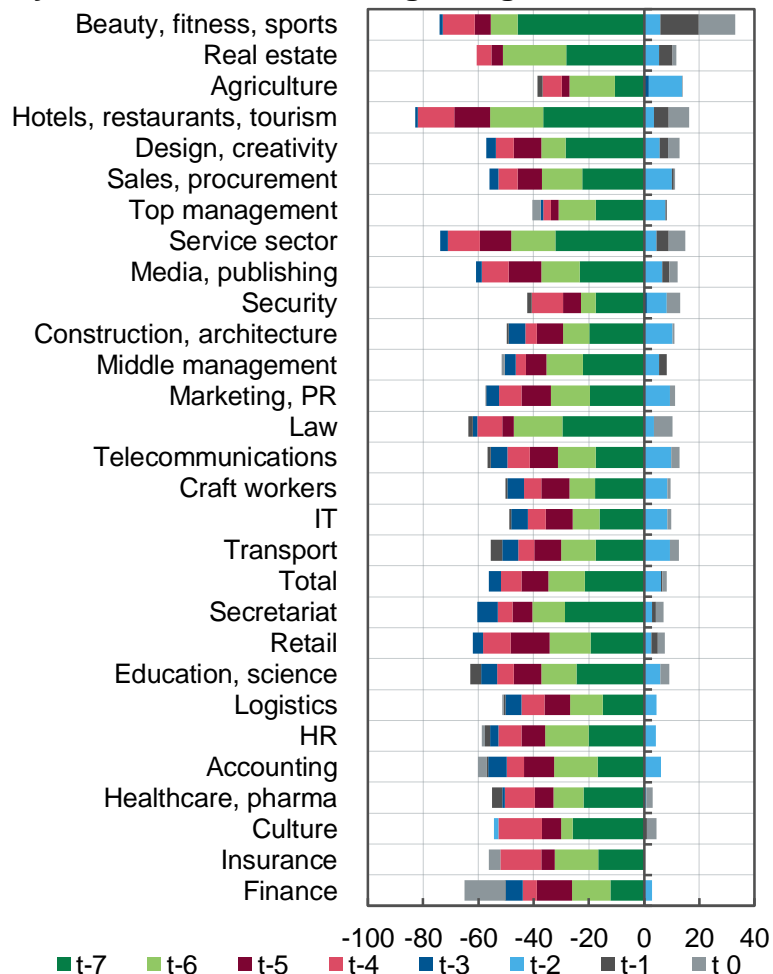
* According to the NBU staff estimates, there is an inverse relationship between the change in temperature and the annual growth rate of electricity production (estimated correlation coefficient is equal to -0.74)



Labor market

In anticipation of the first stage of lockdown easing, the search for workers and jobs picked up

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



New work.ua resumes and vacancies, thousand



Source: work.ua, NBU staff estimates.

- In anticipation of the easing of quarantine restrictions, beauty salons, restaurants, shops, and culture and services sectors are gradually resuming the search for workers
- However, overall the number of new vacancies was below the pre-crisis level in all sectors
- Job search also resumed, as evidenced by the growing number of resumes

* t 0 stands for the week 04.05-10.05, t-1, t-2 etc. stand for previous weeks. On week t-2 work.ua offered each employer a free vacancy publication, which somewhat distorts the dynamics. Source: work.ua, NBU staff estimates.

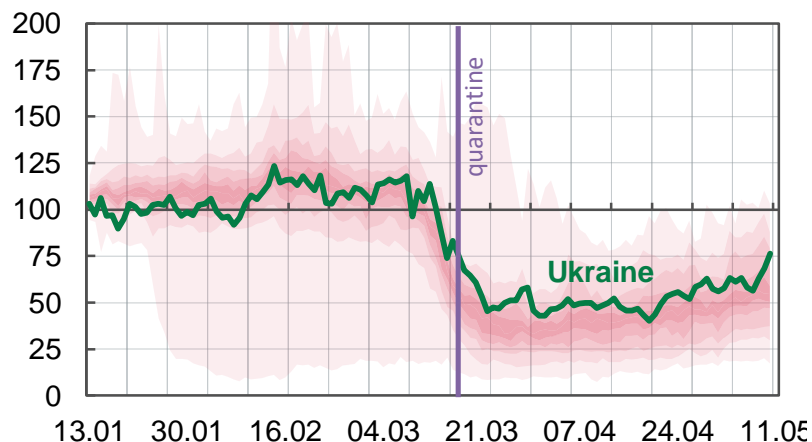


Population mobility

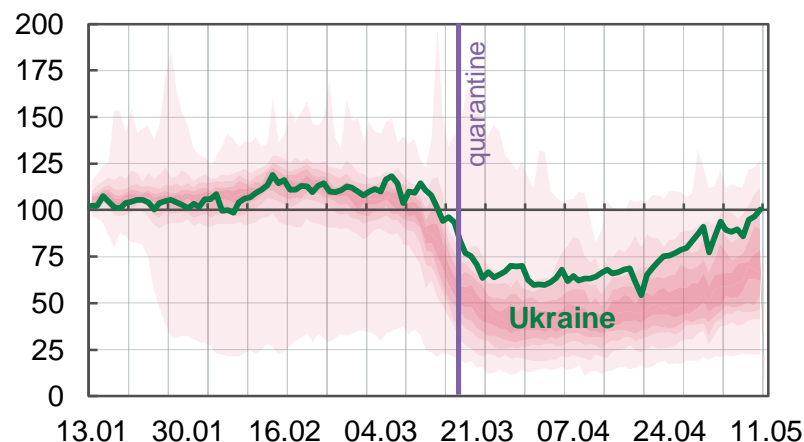
The mobility of Ukrainians approached pre-quarantine levels

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

walking

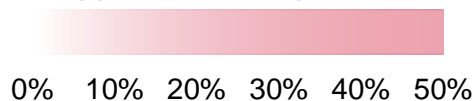


driving



† 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.