

Weekly economic review

22 May 2020



Summary

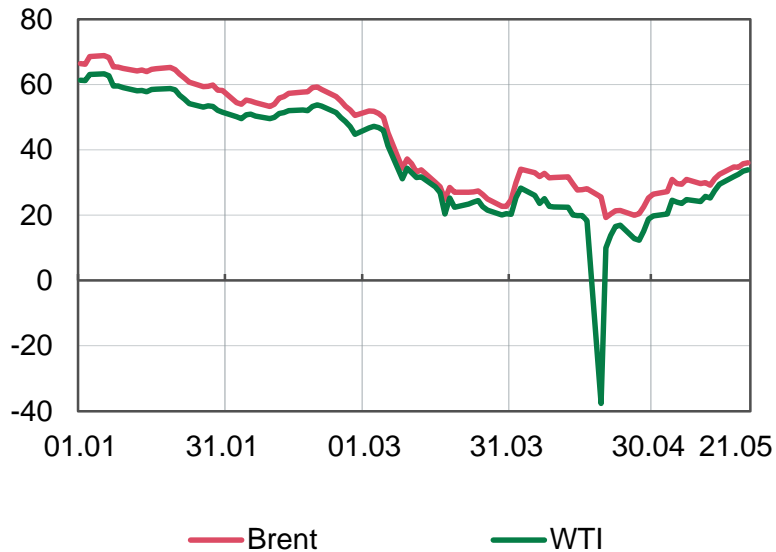
- Global market conditions have been improving with investors beginning to show renewed appetite for risk assets after quarantine restrictions were lifted in several countries
- Cash outside banks has been rising in Ukraine as well as in other countries since the lockdown commenced. Demand for cash has been increasing amid uncertainty related to the coronavirus' spread and the quarantine measures
- Food prices edged up slightly in the last week. Specifically, tighter supply led to higher prices of fruits, beef and some cereals
- Prices for foods which are subject to government monitoring showed only minor changes, moving in different directions
- The easing of quarantine restrictions diversely affected other prices. Prices for automobile gas rose amid increased population mobility
- In a sign of tentative economic recovery amid the easing of quarantine restrictions, electricity demand and production increased in the second ten days of May, as did the number vacancies across all sectors
- The number of people who were driving grew faster in Ukraine than in other countries, most likely, due to public transport restrictions in force



Global markets

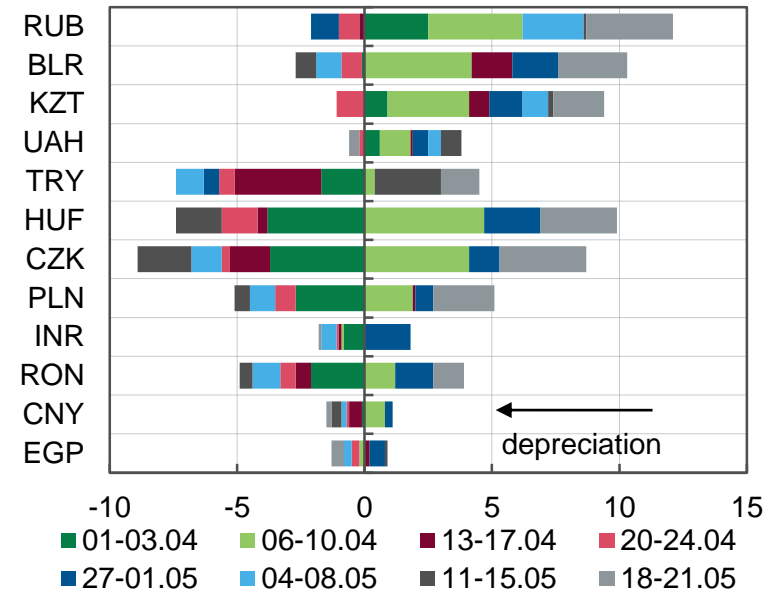
Global market conditions have been improving, with investors' risk appetite gradually returning

Brent and WTI Futures in 2020, USD/bbl



Source: Refinitiv, Investing, as of 21.05.2020

Selected EM currencies vs USD, % change, eop



Source: NBU estimates (preliminary data).

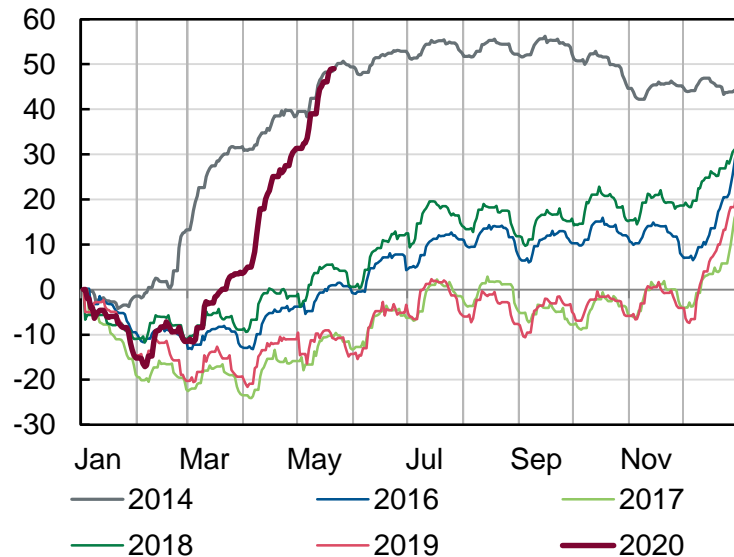
- Oil prices rose by 10-14% since the beginning of the week, as several countries gradually lifted quarantine restrictions
- Although the risks of weak economic recovery and escalating tensions between the U.S. and China are still in place, news on positive early-stage clinical trials of one of coronavirus vaccines fueled investor optimism
- The prospective creation of the EU recovery fund (worth EUR 500 billion) supported currencies of CEE countries while higher oil prices boosted currencies of energy-exporting countries



Cash outside banks

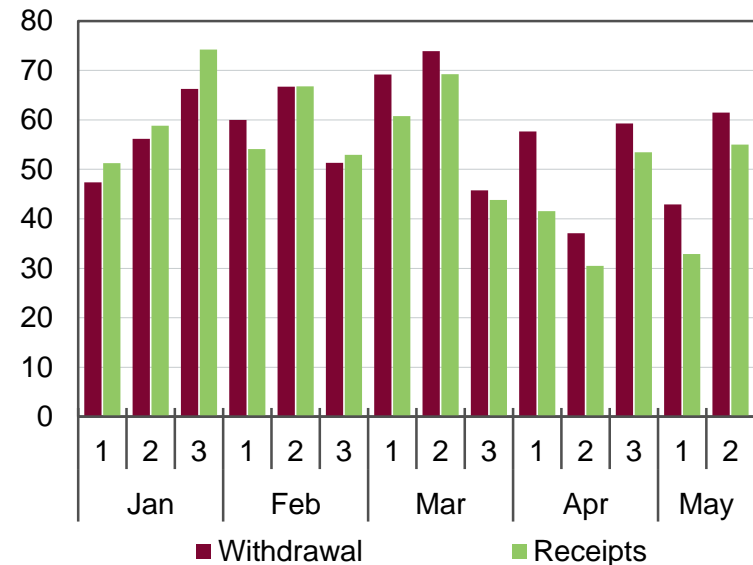
Cash demand has been increasing since the beginning of the lockdown

Cash outside banks, UAH bn ytd change



Source: NBU.

Cash turnover through banks in 2020 by ten-day intervals, UAH bn

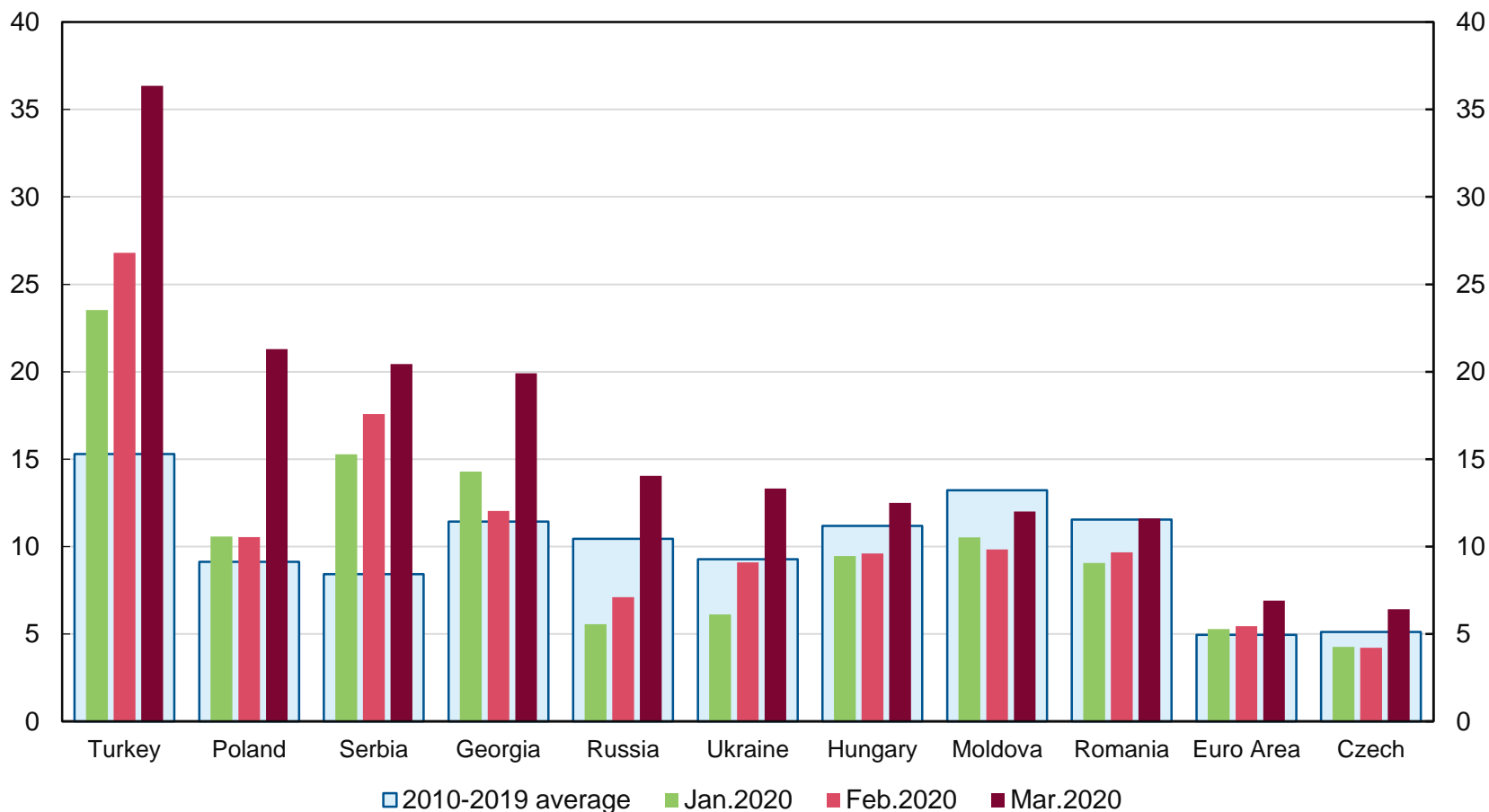


Source: NBU.

- Cash withdrawal from banks remains relatively high due to heightened demand for liquid funds on the back of elevated uncertainty over the COVID-19 outbreak and the introduction of lockdown
- Cash stays longer in circulation – its inflows into banks have dropped since end-March, possibly due to precautionary motives (propensity to hoard)

Elevated demand for cash due to the COVID-19 outbreak is typical for other countries as well

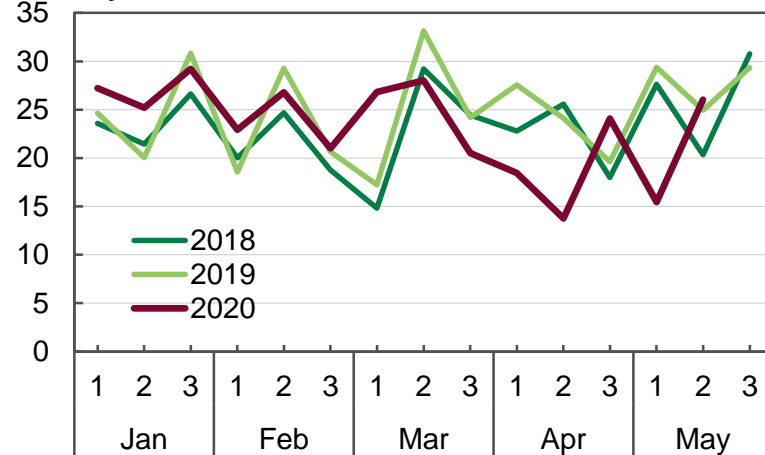
Cash outside banks, % yoy



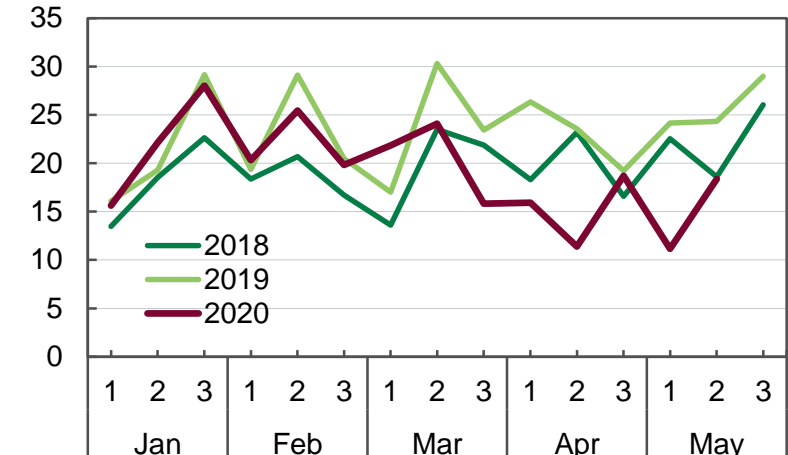
Source: IMF IFS database.

A sharp drop in cash and non-cash payments reflects economic slowdown and declining incomes

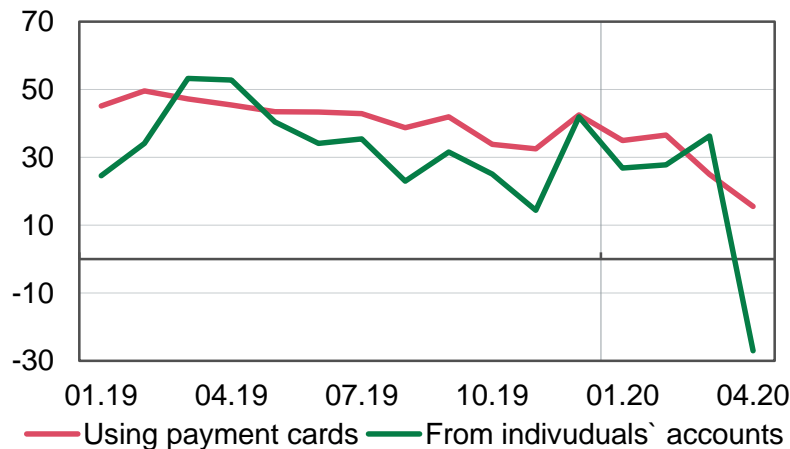
Cash receipts from trading of goods and services by ten-day intervals, UAH bn



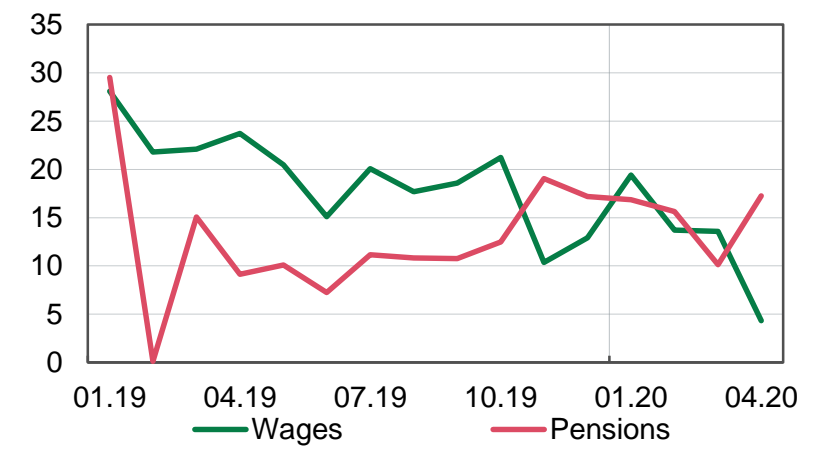
Cash receipts with use of payment cards by ten-day intervals, UAH bn



Non-cash payments, % yoy



Non-cash receipts into individuals accounts, % yoy



- Cash receipts from trade and using payment cards have declined by 28% yoy during the lockdown

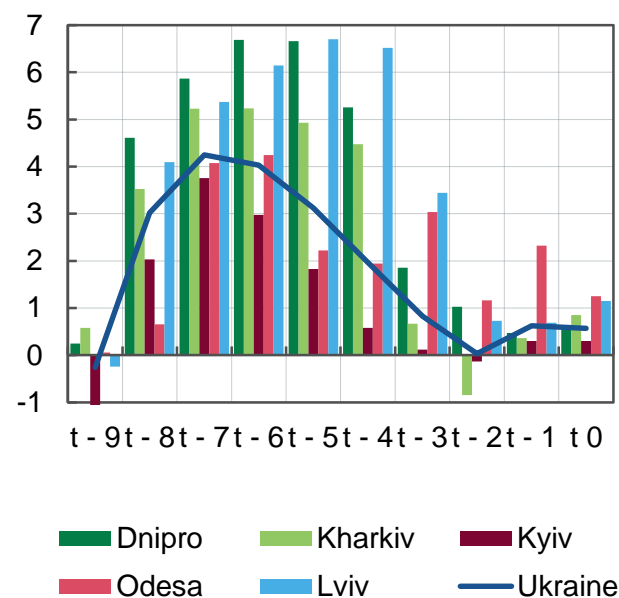


Consumer prices in Ukraine

Food prices rose only slightly in the last week. Cereals, beef and fruits became somewhat 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	0.2	0.0	0.2	0.3	0.8	0.0	0.6	0.6
Bread	3.4	-0.2	0.1	-0.1	0.1	0.4	0.1	0.2	0.3
Pasta	1.0	0.2	-0.4	0.2	0.4	2.5	0.1	0.4	0.1
Flour confectionery	1.8	-0.1	0.3	0.7	-0.1	0.4	0.1	1.2	0.5
Flour and cereals	2.0	0.6	-0.4	0.0	0.5	1.6	-0.4	-0.2	0.1
Meat and meat products	10.4	0.3	0.0	0.3	-0.1	0.1	-1.1	0.7	0.0
Beef	0.6	0.0	0.1	0.2	0.4	1.5	0.4	0.6	0.8
Pork	3.5	-0.3	-0.3	-0.5	0.0	-0.4	-1.5	0.0	-1.0
Poultry meat	2.8	2.3	-0.4	0.1	-1.0	-3.1	-3.8	1.0	-0.5
Meat products	3.6	-0.3	0.4	1.2	0.2	1.2	0.1	1.2	1.4
Fish and fish products	2.9	1.3	0.2	-0.7	1.3	3.1	2.4	-0.2	0.8
Dairy products	5.3	0.6	-0.2	0.2	0.1	1.5	0.2	0.7	0.4
Milk	1.8	1.4	-0.7	-0.2	0.7	1.5	-0.4	0.8	0.7
Dairy products	1.4	1.1	-0.3	0.3	-1.2	1.2	0.5	1.1	-0.4
Cheese and cottage cheese	2.2	-0.4	0.2	0.4	0.4	2.1	0.7	0.5	0.8
Eggs	0.7	6.5	3.0	0.7	0.2	12.5	18.4	16.6	11.1
Oil and fats	3.9	1.1	0.0	-0.3	-0.1	1.7	-0.1	0.9	0.2
Fruits	2.2	0.1	2.4	2.2	2.7	1.2	3.1	4.0	7.9
Vegetables	4.1	-3.3	-0.6	0.2	-0.4	-4.4	-3.4	-3.3	-3.5
Sugar	0.8	0.0	-0.2	-0.2	-0.2	2.3	-0.1	-0.4	-0.5
Honey	0.3	0.0	0.0	-0.1	0.0	2.9	1.7	-0.1	0.0
Chocolate products	1.3	0.7	0.1	-0.1	0.6	1.3	0.3	0.8	1.1
Sugar confectionery	0.4	-0.7	-0.1	0.2	0.9	-0.2	-0.6	-0.6	0.2
Other food	1.0	0.9	1.5	0.1	0.9	0.8	2.0	1.6	2.2
Soft drinks	2.4	0.7	-1.0	0.4	0.5	2.0	0.4	0.7	0.7
Alcohol	4.9	0.6	0.2	0.4	0.0	-0.6	0.3	1.2	1.1
Tobacco	4.2	0.3	0.2	0.3	0.3	2.5	1.7	1.5	1.3
Household appliances	0.9	0.0	2.0	0.0	-0.4	0.3	-1.2	0.0	-0.3
Products for home cleaning	0.9	1.6	2.3	1.1	0.8	3.3	4.4	6.0	2.9
Personal care products	1.3	-0.3	-0.6	0.8	0.1	3.2	0.4	0.2	-0.3
Other industrial goods	6.1	0.0	0.0	0.2	-1.3	1.0	-0.1	0.3	-1.3

Food price indices, % mom



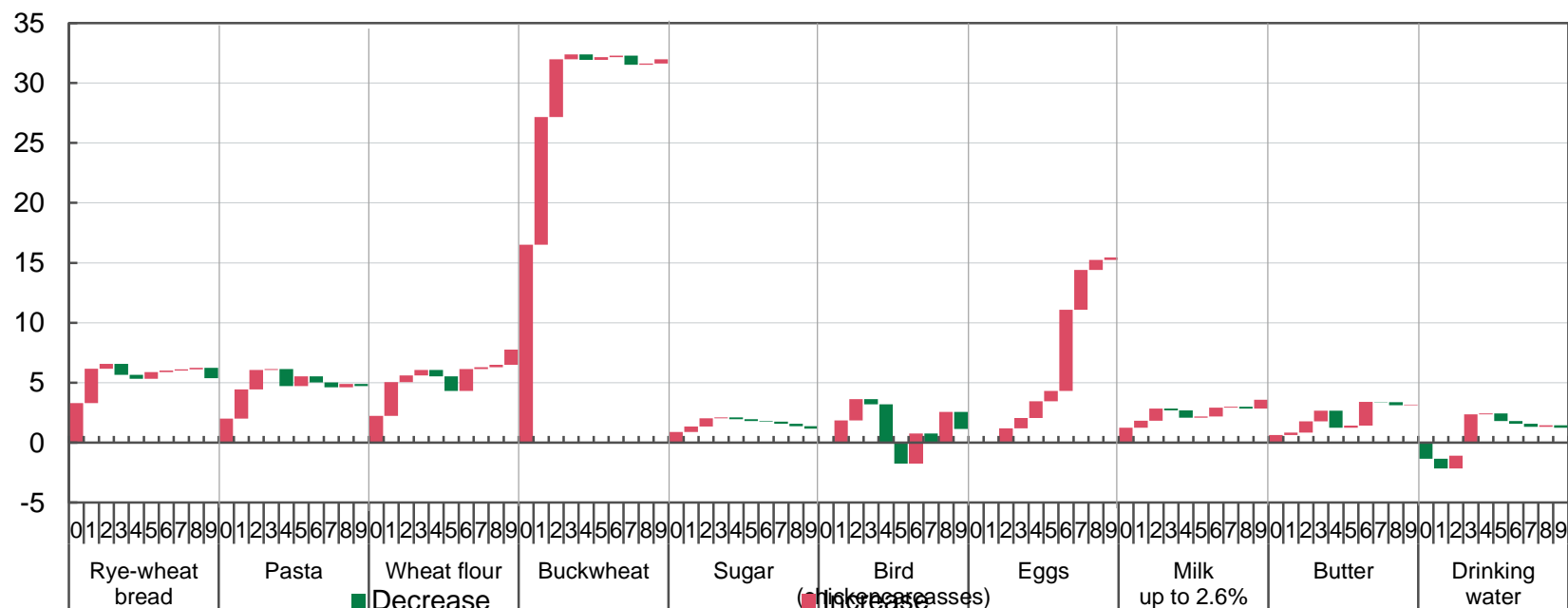
Source: online supermarkets.

* Dynamic weights; t 0 – from May 15 to May 21, t-1, t-2 etc. stand for previous weeks; the same weeks of February - April are used for monthly comparisons.

Source: online supermarkets.

Changes in food prices subject to government monitoring were insignificant and mixed

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

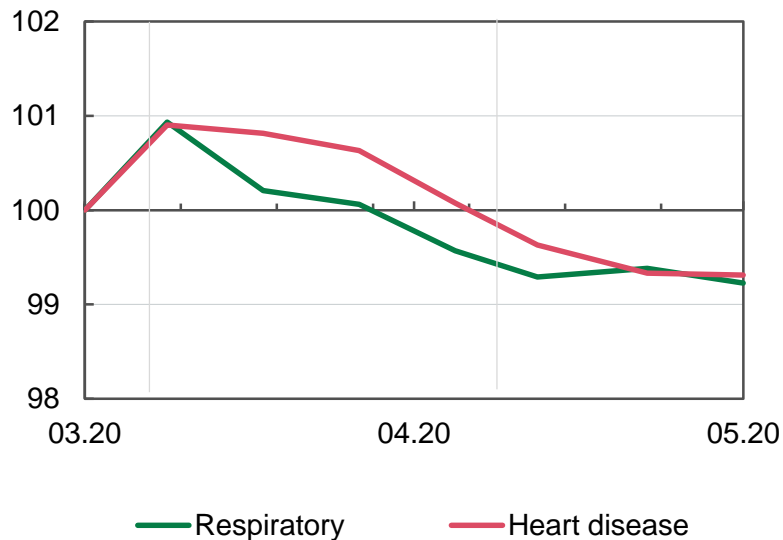


* 0 stands for the week from March 13 to March 19, figures 1–9 stand for following weeks.
Source: online supermarkets, NBU staff estimates.

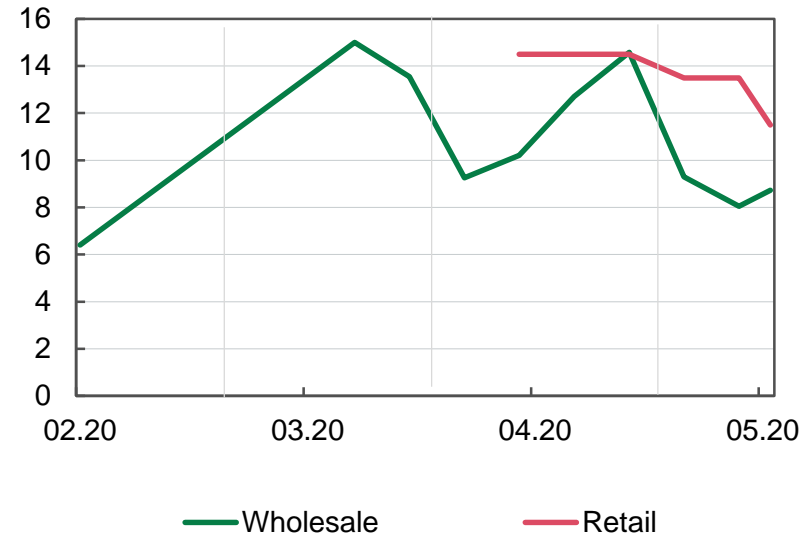
- On May 18, the [Resolution of the Cabinet of Ministers of Ukraine](#) on state regulation of prices came into force, which obliges retailers to declare in advance the growth of retail prices for a certain list of food and medical products
- According to data from online supermarkets for April-May, the change in prices for most of these goods barely exceeded 3% per week, while prices for some of them even fell

Drug prices dropped moderately, while wholesale prices for some medical goods increased somewhat

Prices of medicines, 27.03.20 = 100



Prices for medical masks, UAH / piece



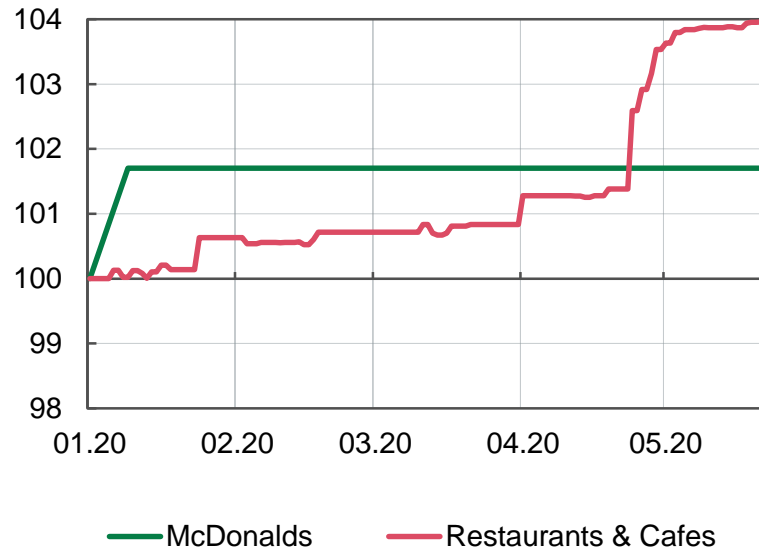
Source: e-apteka.com.ua.

Source: prozorro.org, online supermarkets.

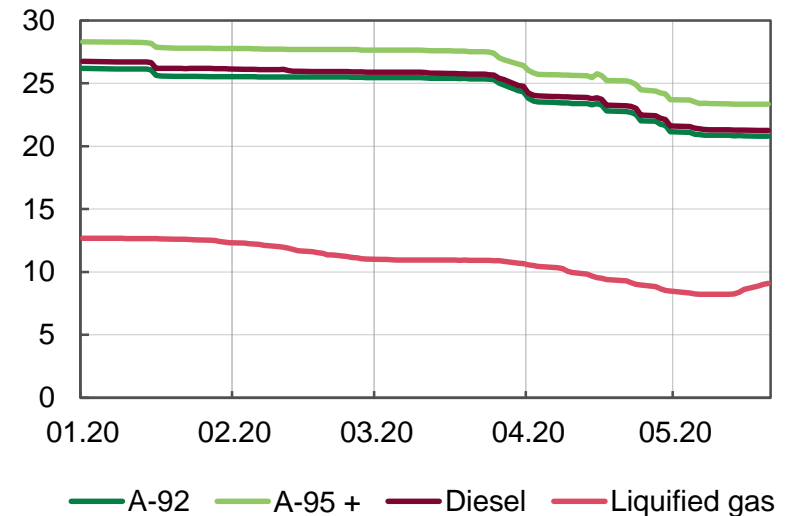
- Drug prices fell due to market factors, in particular owing to the stable situation on the FX market
- Retail prices for medical masks also decreased on more ample supply

Prices for catering delivery and most types of fuel were almost unchanged over the week

Price indices in public catering delivery, 01.01.20 = 100 Fuel prices, UAH / l



Source: Glovo.



Source: minfin.com.ua.

- Prices for catering delivery barely changed, in part due to slightly lower demand for this type of service and higher supply due to the easing of quarantine restrictions
- Prices for gasoline and diesel fuel were unchanged. However, prices for automobile gas were rising due to stronger demand, as the number of people who were driving increased



Economic activity

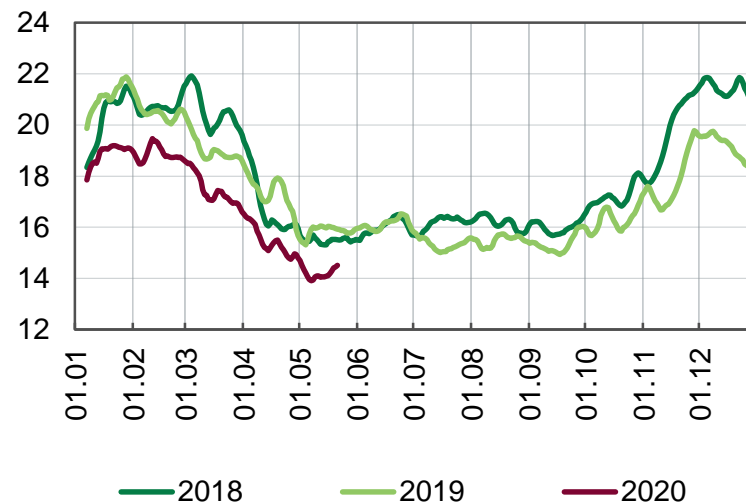
Increased electricity consumption and production during the second decade of May indicate a tentative economic recovery

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



Source: SE "Market Operator".

Electricity generation, thousand MW, 7-day moving average



Source: SSSU, SE NPC "Ukrenergo".

- Second decade of May saw the increase in electricity demand and production, indicative of a tentative economic recovery amid a loosening of quarantine restrictions
- However, compared to last year, a decline electricity production has continued to deepen (to 11.4%*)

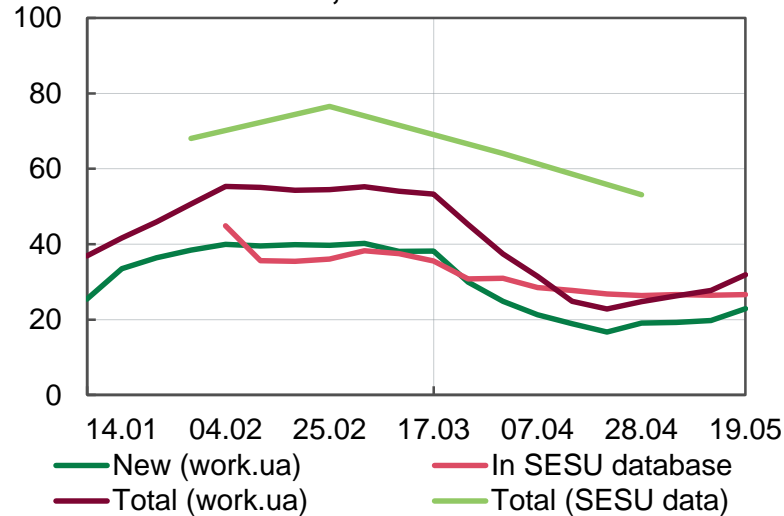
* The NBU staff estimates according to the SE NPC "Ukrenergo" daily data (data for 20 days in May were extrapolated to a full month)



Labor market

Labor demand revived in all sectors

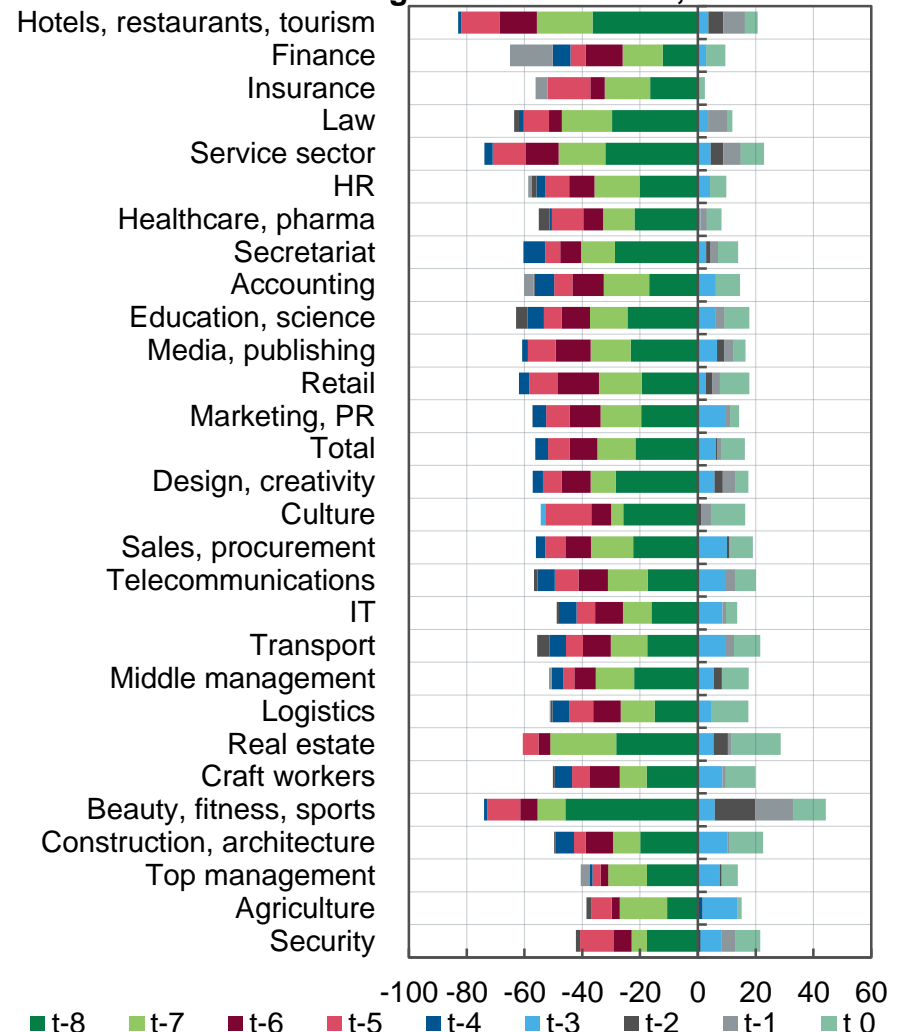
Vacancies in Ukraine, thousand



Source: SESU, work.ua.

- The number of vacancies has been growing, although still below the pre-crisis level
- The recovery took place not only in sectors where restrictions had already been eased (beauty and sports, retail, services), but also in other sectors
- This indicates an improvement in economic expectations of enterprises and a fairly rapid economic recovery

Week-over-week change in new resumes, %*



* t 0 stands for the week 11.05-17.05, t-1, t-2 etc. stand for previous weeks. t-8 stands for the first week in the quarantine.

On week t-3 work.ua offered each employer a free vacancy publication, which somewhat distorts the dynamics.

Source: work.ua, NBU staff estimates.

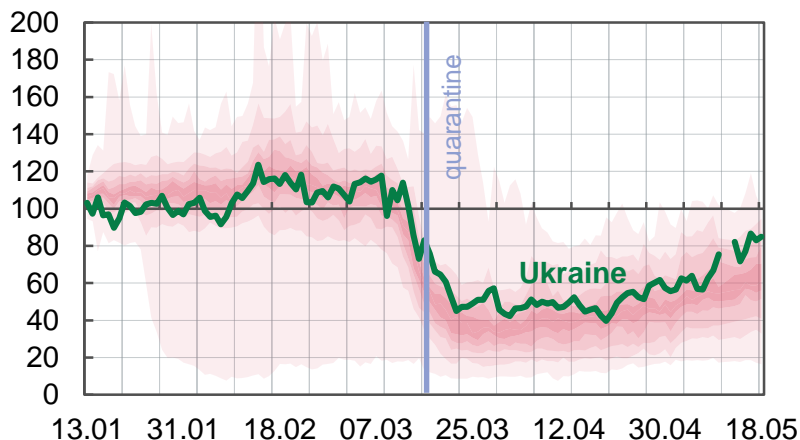


Population mobility

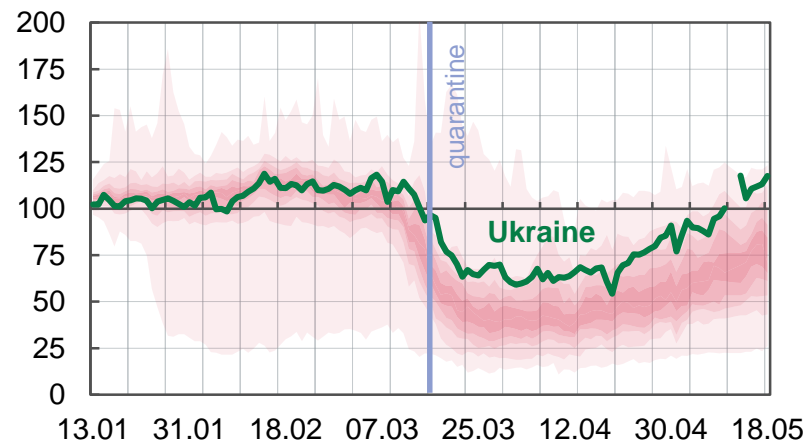
The mobility of Ukrainians rose significantly as people increased car travel after the easing of quarantine restrictions

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

walking

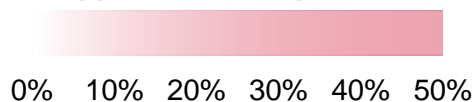


driving



† 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. Data for May 11-12 are not available. 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.

- The number of people who were driving grew faster in Ukraine than in other countries, most likely, due to public transport restrictions in force