



Національний
банк України

Weekly economic review

29 May 2020



Summary

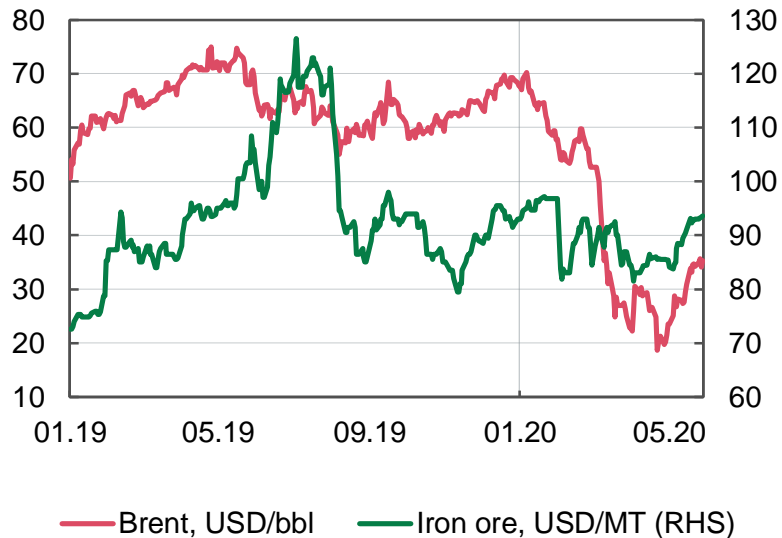
- Global commodity prices rose, including oil and iron ore prices, rose on the back of a gradual recovery in economic activity. Appetite for risky assets increased
- Supply and demand on the FX market were largely balanced. Following a period of appreciation, the adjustment of the hryvnia exchange rate resulted in some depreciation
- Yields on hryvnia domestic government debt securities on the secondary market decreased, almost hitting pre-crisis levels
- Food prices were broadly unchanged during the week. Most specifically, higher prices for flour products and fruits were offset by lower pork, vegetable and chocolate prices
- Prices for automobile gas rose further, as the number of Ukrainians who were driving grew rapidly amid the easing of quarantine restrictions. In addition, prices for fast food catering increased
- A decline in electricity production appears to have bottomed out, although still indicating weak industrial performance. Meanwhile, cafes and restaurants have continued reopening. The number of newly registered individual entrepreneurships has increased, indicating that small businesses and the service sector have started to recover from Covid-19
- Labor supply has returned to the pre-quarantine level, however, demand has been recovering more slowly



Global markets

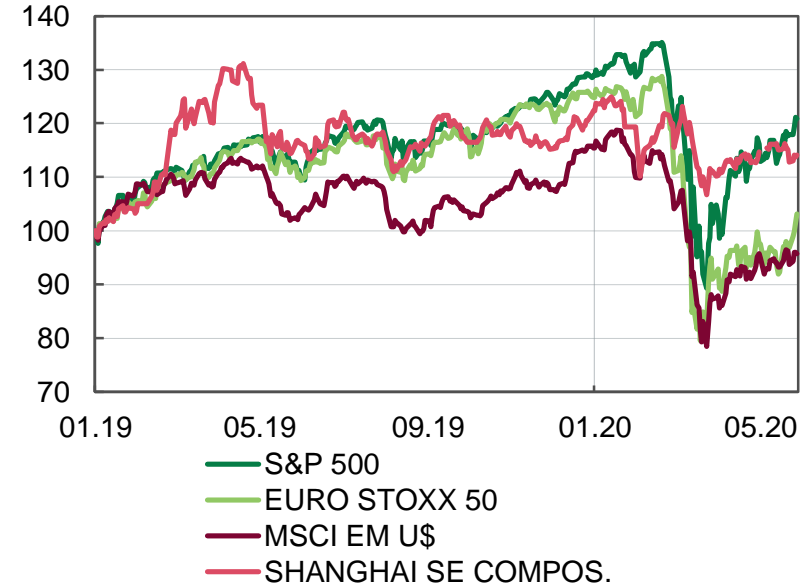
Global commodity and financial markets have responded positively to the easing of quarantine restrictions

World crude oil and iron ore (62%) prices, USD



Source: Refinitiv, Investing, as of 28.05.2020.

Global equity benchmarks, 01 Jan 2019 = 100



Source: Refinitiv, Investing, as of 28.05.2020.

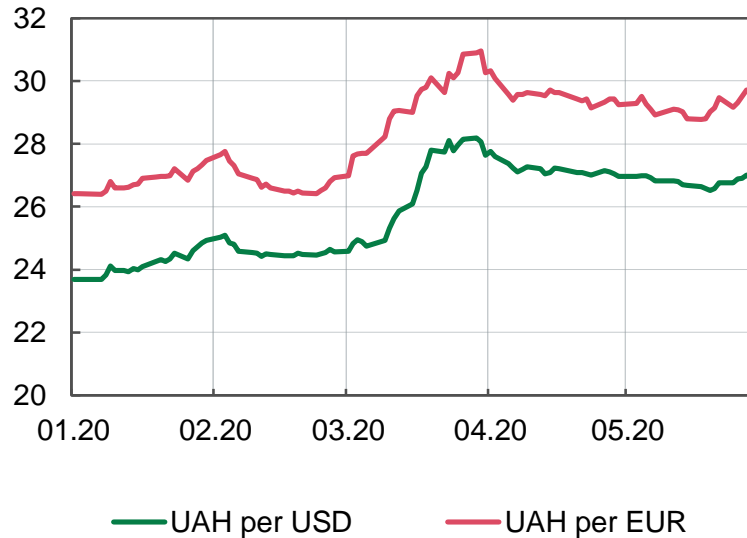
- A gradual recovery in economic activity led to higher prices for commodities, specifically, crude oil and iron ore
- The new OPEC + agreement significantly limiting production volumes boosted oil prices further
- Also, the reduction in iron ore production in Brazil due to quarantine measures created upward pressure on prices of this commodity
- Appetite for risky assets also increased, which led to the strengthening of most EM currencies



Financial market in Ukraine

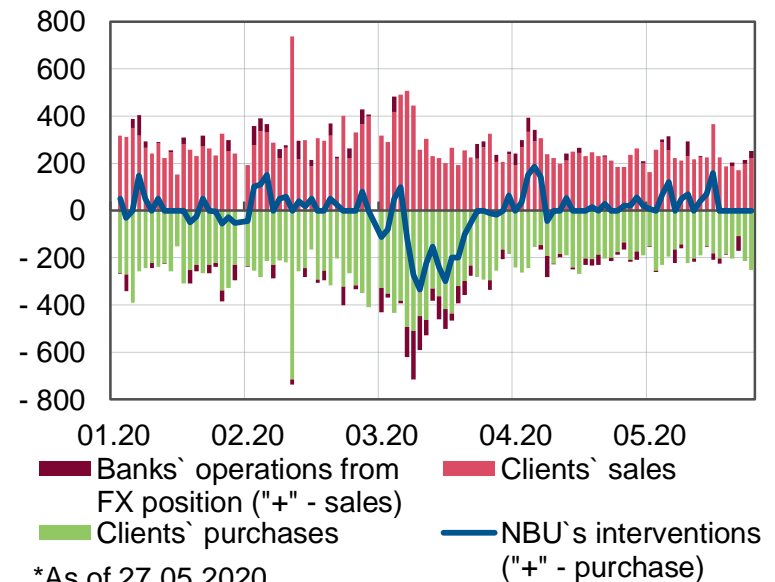
Demand and supply on the FX market were largely balanced

Hryvnia official exchange rates*



* As of 29.05.2020.
 Source: NBU.

FX operations on the interbank market*, USD mn

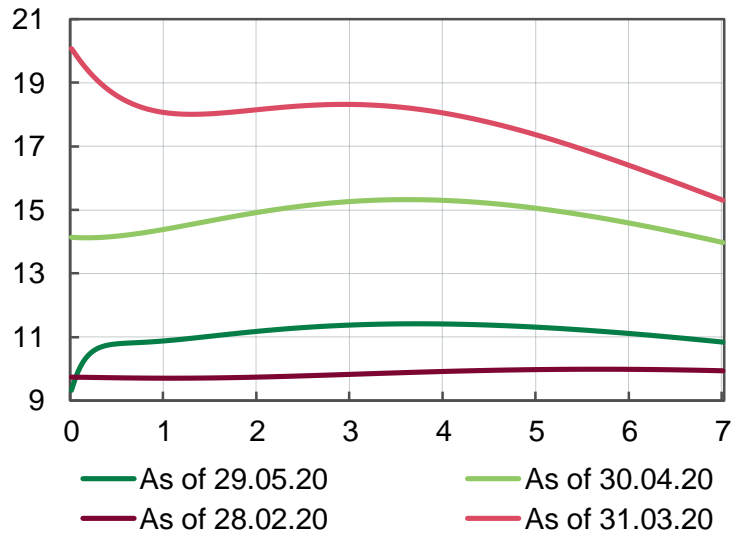


*As of 27.05.2020.
 Source: NBU.

- Consequently, the NBU didn't intervene on the FX market for most of the week
- Following a period of appreciation, the adjustment of hryvnia exchange rate resulted in some depreciation

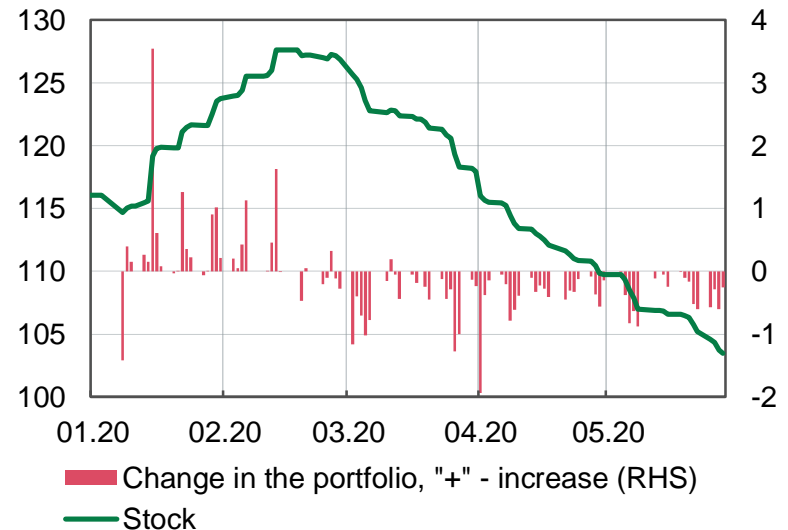
Yields on domestic government debt securities on the secondary market declined almost to pre-crisis level

Zero coupon yield curves for hryvnia government debt securities on the secondary market*, %



* Spot rates with continuously compounded interest plotted using Svensson parametric model.
Source: NBU.

Hryvnia domestic government debt securities in the non-resident portfolio*, UAH bn



* As of 28.05.2020.
Source: NBU.

- A decline in yields was seen across all maturities
- The decline was driven by monetary policy easing alongside the implementation by the NBU of the expanded set of tools to support banking system liquidity
- Non-resident capital outflows from hryvnia domestic government securities have remained moderate

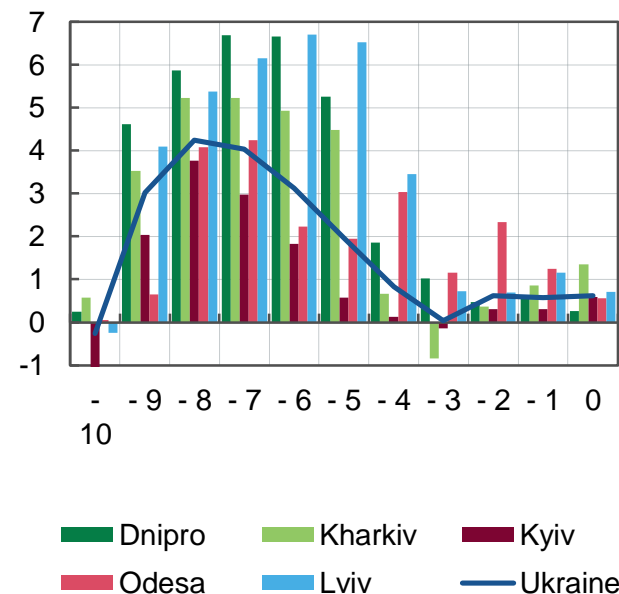


Consumer prices in Ukraine

Food prices barely changed in the past week. Rising prices for flour products and fruits were offset by lower prices for pork, vegetables and chocolate

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	0.0	0.2	0.3	0.0	0.0	0.6	0.6	0.6
Bread	3.4	0.1	-0.1	0.1	0.2	0.1	0.2	0.3	0.4
Pasta	1.0	-0.4	0.2	0.4	0.0	0.1	0.4	0.1	0.5
Flour confectionery	1.8	0.3	0.7	-0.1	0.3	0.1	1.2	0.5	1.1
Flour and cereals	2.0	-0.4	0.0	0.5	0.0	-0.4	-0.2	0.1	0.0
Meat and meat products	10.4	0.0	0.3	-0.1	0.0	-1.1	0.7	0.0	0.5
Beef	0.6	0.1	0.2	0.4	0.1	0.4	0.6	0.8	0.7
Pork	3.5	-0.3	-0.5	0.0	-0.3	-1.5	0.0	-1.0	-0.6
Poultry meat	2.8	-0.4	0.1	-1.0	0.2	-3.8	1.0	-0.5	-1.3
Meat products	3.6	0.4	1.2	0.2	0.1	0.1	1.2	1.4	2.4
Fish and fish products	2.9	0.2	-0.7	1.3	-0.2	2.4	-0.2	0.8	-0.2
Dairy products	5.3	-0.2	0.2	0.1	0.3	0.2	0.7	0.4	0.7
Milk	1.8	-0.7	-0.2	0.7	-0.2	-0.4	0.8	0.7	-0.4
Dairy products	1.4	-0.3	0.3	-1.2	1.4	0.5	1.1	-0.4	0.4
Cheese and cottage cheese	2.2	0.2	0.4	0.4	-0.1	0.7	0.5	0.8	1.7
Eggs	0.7	3.0	0.7	0.2	0.1	18.4	16.6	11.1	4.5
Oil and fats	3.9	0.0	-0.3	-0.1	0.1	-0.1	0.9	0.2	-0.3
Fruits	2.2	2.4	2.2	2.7	0.5	3.1	4.0	7.9	9.2
Vegetables	4.1	-0.6	0.2	-0.4	-0.8	-3.4	-3.3	-3.5	-2.8
Sugar	0.8	-0.2	-0.2	-0.2	0.1	-0.1	-0.4	-0.5	-0.2
Honey	0.3	0.0	-0.1	0.0	0.2	1.7	-0.1	0.0	0.1
Chocolate products	1.3	0.1	-0.1	0.6	-0.4	0.3	0.8	1.1	0.3
Sugar confectionery	0.4	-0.1	0.2	0.9	0.0	-0.6	-0.6	0.2	1.3
Other food	1.0	1.5	0.1	0.9	0.3	2.0	1.6	2.2	1.6
Soft drinks	2.4	-1.0	0.4	0.5	-0.2	0.4	0.7	0.7	0.1
Alcohol	4.9	0.2	0.4	0.0	-0.1	0.3	1.2	1.1	0.7
Tobacco	4.2	0.2	0.3	0.3	0.2	1.7	1.5	1.3	1.2
Household appliances	0.9	2.0	0.0	-0.4	-1.4	-1.2	0.0	-0.3	-0.1
Products for home cleaning	0.9	2.3	1.1	0.8	0.7	4.4	6.0	2.9	2.7
Personal care products	1.3	-0.6	0.8	0.1	0.4	0.4	0.2	-0.3	0.0
Other industrial goods	6.1	0.0	0.2	-1.3	0.2	-0.1	0.3	-1.3	0.1

Food price indices, % mom



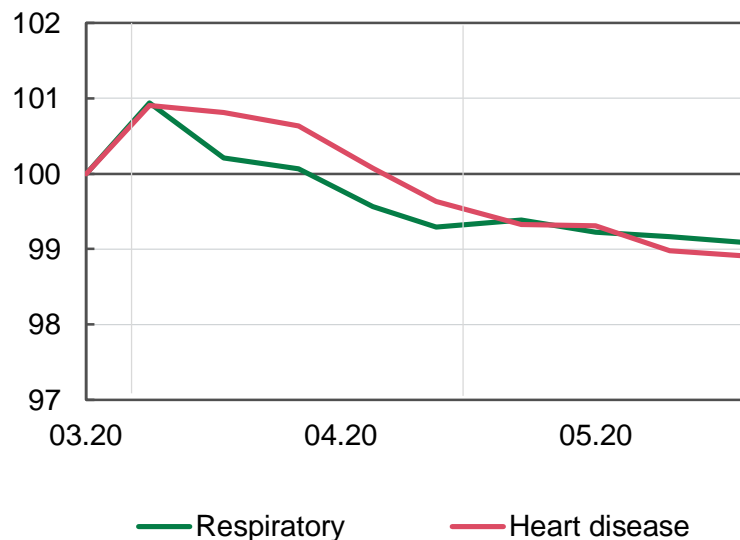
Source: online supermarkets.

* Dynamic weights; Week 0 – from May 22 to May 28, figures 1–9 stand for previous weeks; the same weeks of February - April are used for monthly comparisons.

Source: online supermarkets.

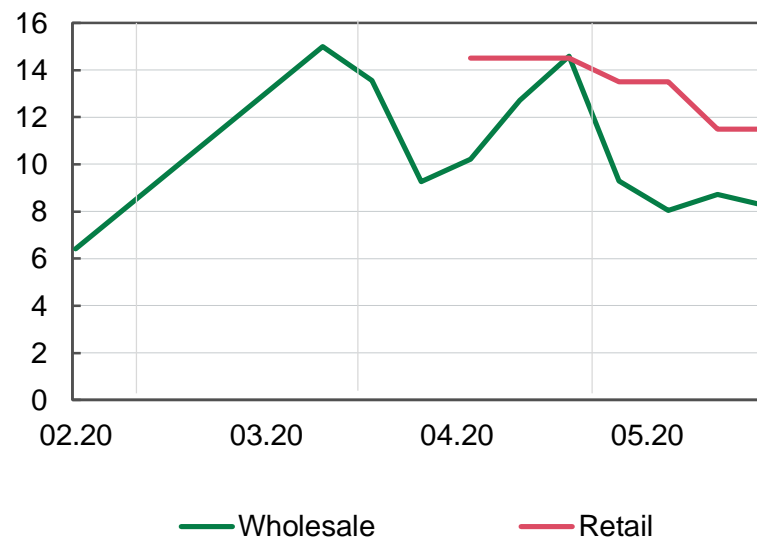
Prices for medicines and some medical goods decreased over the last week

Prices of medicines, 27.03.20 = 100



Source: e-apteka.com.ua.

Prices for medical masks, UAH / piece

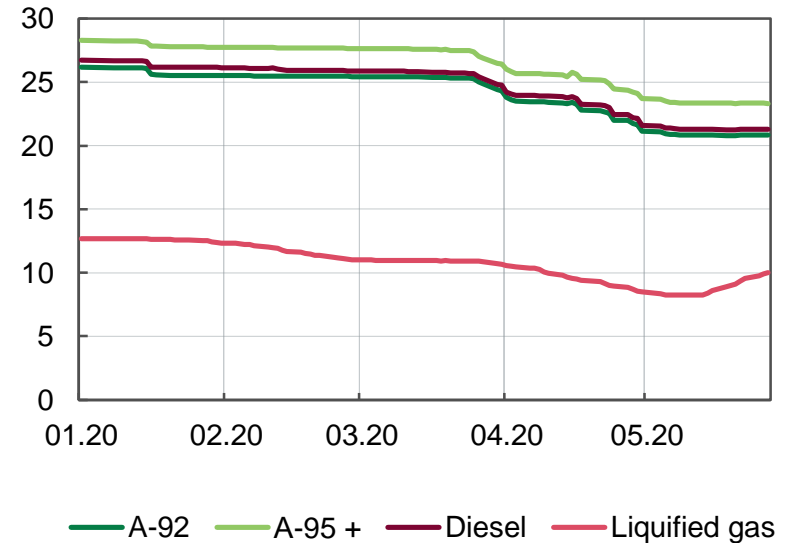
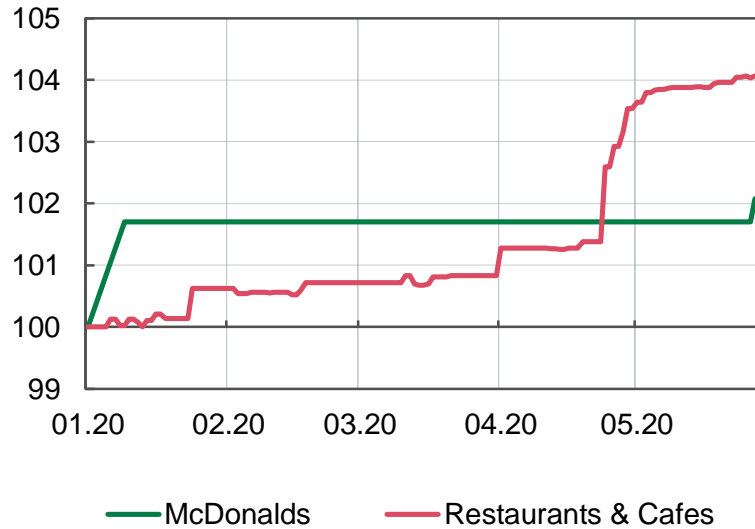


Source: prozorro.org, online supermarkets.

- Drug prices fell further due to market factors, in particular owing to the stable situation on the FX market
- Retail prices for medical masks did not change over the week

Prices for catering delivery barely changed, while prices for fast food rose slightly

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



Source: Glovo.

Source: minfin.com.ua.

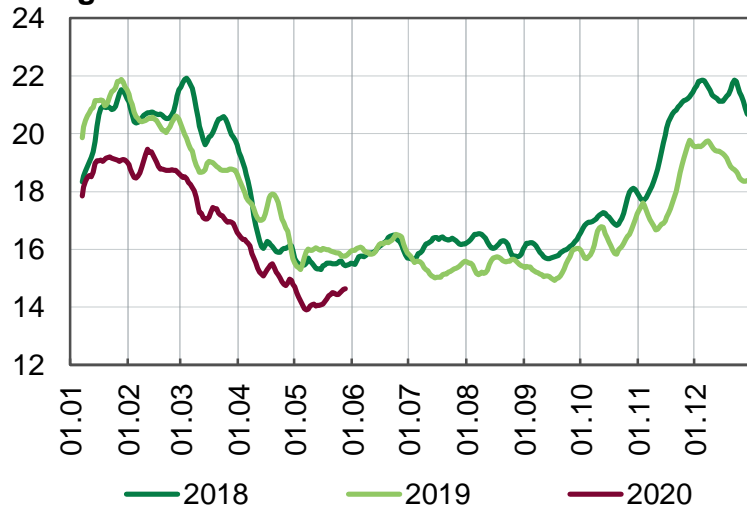
- Prices for catering delivery did not change. Instead, prices for catering from fast food restaurants rose, as the demand for this type of service recovered, production costs increased, and after the compensation for lost income due to the quarantine had been paid out
- Prices for gasoline and diesel fuel were unchanged. Prices for automobile gas were a notable exception, rising again due to stronger demand and declining storage inventories



Economic activity

Economic activity in a number of sectors has been recovering, albeit slowly

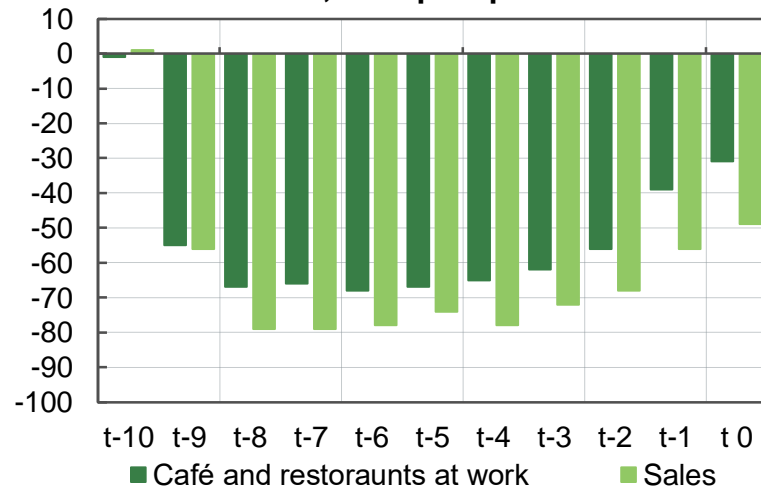
Electricity generation, thousand MW, 7-day moving average



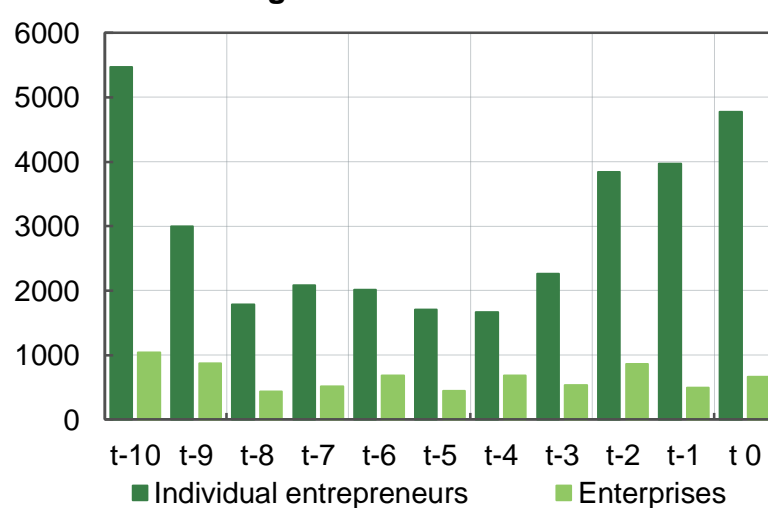
Source: SSSU, SE NPC "Ukrenergo".

- The decline in electricity production appears to have bottomed out (-10.6%* yoy in May, about the same level, as in the previous month), although indicating still poor industrial sector performance
- Cafes and restaurants have been reopening. In addition, the number of newly registered individual entrepreneurs and businesses has been growing, indicating that small businesses and the service sector have started to recover

Changes in the number of café and restaurants at work and their sales, % to pre-quarantine level



New business registrations



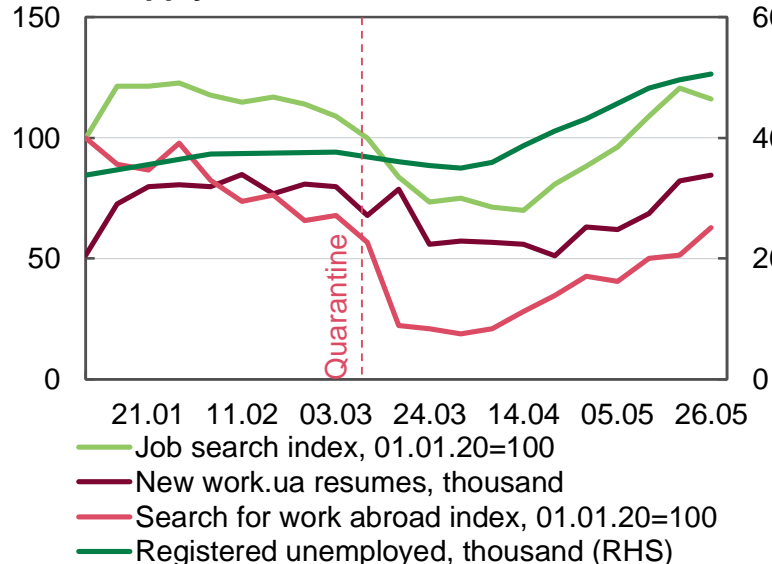
Source: opendatabot.ua, NBU staff estimates.



Labor market

Labor supply has returned to pre-quarantine levels, but demand has been recovering more moderately

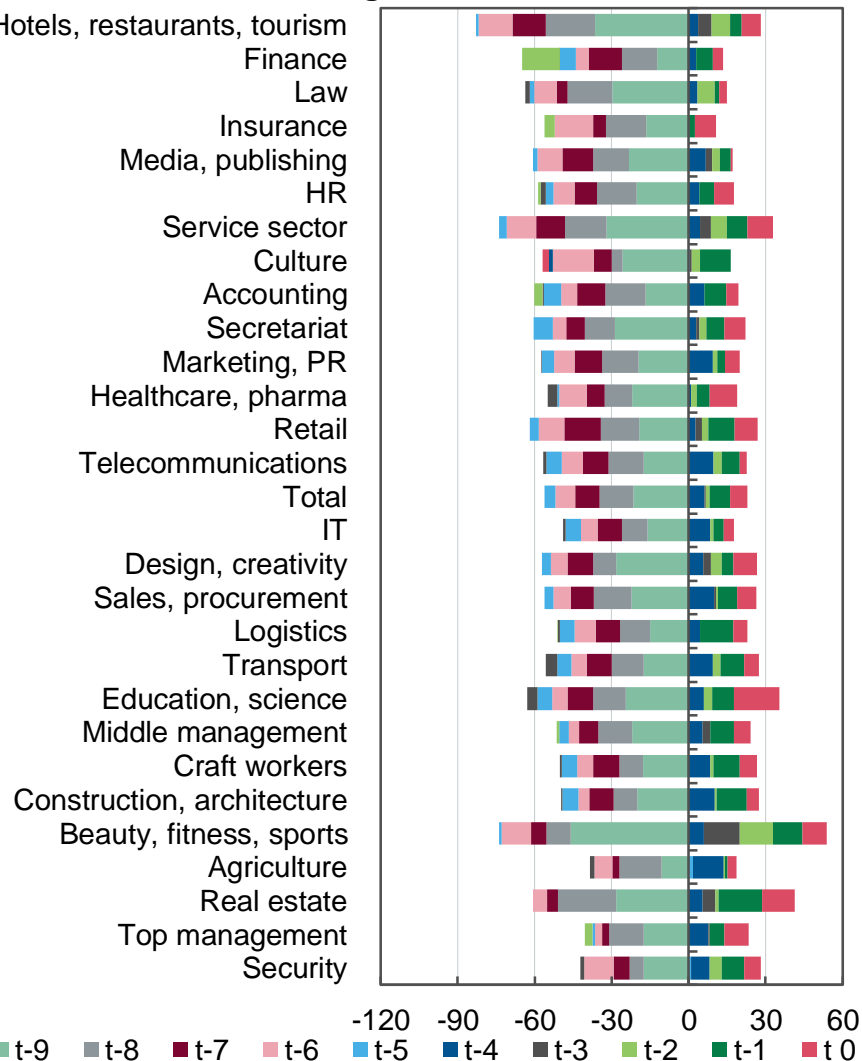
Labor supply



Source: work.ua, Google Trends, SESU, NBU staff estimates.

- Job searches have returned to pre-quarantine levels
- Demand for labor also recovered in all sectors but still remained significantly lower than before quarantine.
- The number of registered unemployed continued to grow, exceeding 500 thousand people

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



* t 0 stands for the week 18.05-24.05, t-1, t-2 etc. stand for previous weeks. t-9 stands for the first week in the quarantine. On week t-4 work.ua offered each employer a free vacancy publication, which somewhat distorts the dynamics. Source: work.ua, NBU staff estimates.

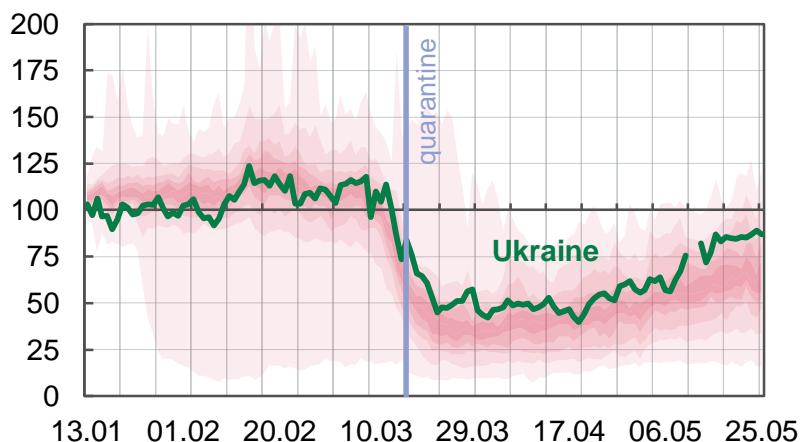


Population mobility

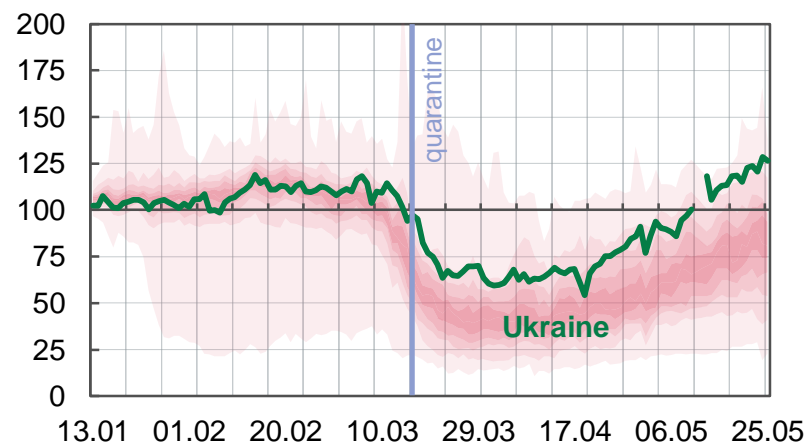
The driving mobility of Ukrainians has continued to rise significantly after the easing of quarantine restrictions

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

walking

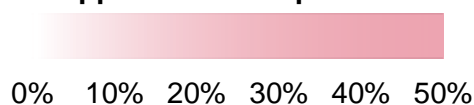


driving



† 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](https://www.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.