NATIONAL BANK OF UKRAINE

Balance of payments in 2017[1]

(according to the *Balance of Payments and International investment position* manual, 6th edition)

In 2017, the current account deficit amounted to USD 3.8 billion (3.5% of GDP[2]) comparing with USD 3.5 billion (3.7% of GDP) in 2016. Exports of goods and services increased by 17.3% yoy (in 2016 exports declined by 3.9% yoy), and imports rose by 18.1% yoy (in 2016 – by 3.9% yoy).

In December 2017, the current account deficit totaled USD 690 million. Exports[3] of goods increased by 7.3% yoy (in November – 17.7% yoy), at the same time, imports of goods rose by 10.7% yoy (in November – by 17.2% yoy).

In 2017, exports of goods rose by 18.8% (in 2016 declined by 5.3%) and totaled USD 39.9 billion. Exports increased in all major product categories:

food exports	– by 16.3% (*in 2016 – by 5.3%*);
metallurgical exports	– by 22.1% (*in 2016 declined by 11.6%*);
mineral exports (including ore)	– by 47.1% (*in 2016 declined by 10.5%*);
machinery and equipment exports	– by 9.8% (*in 2016 declined by 17.8%*);
chemical exports	– by 12.0% (*in 2016 declined by 24.8%*).

In geographical context, in nominal values, exports to the EU countries and Asia increased at most: by USD 3.4 billion, or 31.9% yoy and by USD 1.2 billion, or 10.6% yoy respectively. EU countries' share in total exports rose to 35.4% (compared with 31.9% in 2016), while Asian countries' share declined to 32.5% (compared with 35.0% in 2016). Exports to Russia rose by USD 306 million, or 10.0% yoy, while its share in total exports decreased to 8.5% (in 2016 – 9.1%).

In 2017, imports of goods increased by 21.1% (in 2016 – by 4.2%) and totaled USD 49.0 billion. Energy imports rose 1.5 times, and non-energy imports increased by 14.3% yoy, including:

machinery and equipment imports	– by 30.9% (*in 2016 – by 37.9%*);
chemical imports	– by 15.4% (*in 2016 – by 10.1%*);
metallurgical imports	– by 31.3% (*in 2016 – by 15.6%*);
food imports	– by 10.3% (*in 2016 – by 13.4%*);
manufactured products	– by 8.7% (*in 2016 – by 11.9%*).

In geographical context, in nominal values, imports from the EU countries and Russia increased at most: by USD 3.4 billion, or 22.7% yoy and by USD 2.1 billion, or 40.3% yoy

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[1] Data for 2014 - 2017, exclude data for the temporarily occupied territory of Autonomous Republic of Crimea and the city of Sevastopol.
[2] GDP data preliminary, NBU's estimates.
[3] All indicators' percentage changes are compared with the corresponding period of the previous year, unless otherwise stated.

respectively. EU countries' share in total imports extended from 36.9% to 37.4%, and Russia's share rose from 12.6% to 14.6%. Imports from Asia increased by USD 1.6 billion, or 19.4% yoy, while its share in total imports reduced from 20.3% to 20.1%.

The surplus of trade in services totaled USD 2.3 billion (in 2016 – USD 1.5 billion). The increase in surplus was attributed to a rise in exports of services (by 13.1% yoy to USD 14.1 billion). The increase in exports was mostly due to the growth of transportation services (by 10.5%), computer services (by 25.8%), other business services (by 19.4%) and manufacturing services on physical inputs owned by others (by 24.8%). Imports of services increased only by 7.2% to USD 11.8 billion: the increase in outbound tourism expenditures (by 11.7%) and transportation services (by 18.6%) was partly offset by the fall in the exports of financial (by 23.4%) and government (by 17.9%) services.

Primary income[4] balance deficit declined to **USD 776 million**, compared with USD 931 million in 2016. The increase of the repayments of dividends on foreign direct investments (by 16.3%) was offset by the rise in receipts of compensation of employees (by 22.8%)

Secondary income[5] surplus increased to **USD 3.8 billion**, compared with USD 3.0 billion in 2016, due to the personal transfers' growth.

The capital account was nearly balanced (the deficit was USD 4 million), compared with USD 92 million surplus in 2016.

In 2017, the net borrowing from the rest of the world (the total of current account and capital account) **totaled USD 3.8 billion** (in 2016 – USD 3.4 billion).

In December 2017, the net borrowing from the rest of the world amounted to USD 701 million (in December 2016 – USD 419 million).

The net inflow on the financial account increased to USD 6.4 billion (compared with USD 4.7 billion in 2016). The net inflow to the government sector totaled USD 2.1 billion, that mainly resulted from USD 1.3 billion Eurobonds net placement. However, the main source of the financial account's inflow remained USD 4.3 billion net inflow on the private sectors transactions (including errors and omissions), in 2016 – USD 5.5 billion.

In December 2017, the net inflow on the financial account totaled USD 702 million, in December 2016 – USD 778 million.

The net inflow of foreign direct investment was estimated as USD 2.3 billion (26% of which were debt-to-equity conversion transactions), compared with USD 3.3 billion in 2016 (63% of

[4] The balance of primary income corresponds to the article "income" according to the 5th edition of the "Balance of Payments and International investment position" manual and includes drawings and repayments of wages, interest, dividends and reinvested earnings.

[5] The balance of secondary income corresponds to the article "current transfers" according to the 5th edition of the "Balance of Payments and International investment position" manual.

which were debt-to-equity conversion transactions). The net increase of FDI to the real sector totaled USD 1.7 billion (or 73% of total amount).

In December 2017, the net inflow of foreign direct investment amounted to USD 233 million (in December 2016 – USD 20 million). USD 193million (or 83% of total amount) were directed to the real sector.

The net decrease of the real sector's external position (excluding foreign direct investment) amounted to **USD 3.0 billion** (in 2016 – USD 4.7 billion). The main factors were USD 1.7 billion decrease of the amount of foreign cash outside banks (in 2016 – USD 4.7 billion) and USD 796 million increase of the net external liabilities on trade credits. The liabilities on loans shortened by USD 108 million (in 2016 – by USD 75 million), due to higher net repayments on long-term loans (USD 713 million) than net borrowings on short-term instruments (USD 605 million).

In December 2017, the net decrease of the real sector's external position totaled USD 95 million (in December 2016 – USD 49 million). The increase of the amount of foreign cash outside banks was USD 64 million (in December 2016, the amount of foreign cash outside banks decreased by USD 129 million). The liabilities on loans increased by USD 281 million.

The net increase of the banking system's external position on portfolio and other investments transactions amounted to USD 884 million (in 2016 – USD 1.9 billion). The main factor was the decrease of banking system's external liabilities (by USD 1.4 billion, including USD 1.3 billion interbank loans).

In December 2017, the net decrease of the banking system's external position on portfolio and other investments totaled USD 188 million.

The surplus of the overall balance of payments amounted to USD 2.6 billion (in 2016 – USD 1.3 billion).

The surplus of the overall balance of payments along with USD 107 million net borrowing from IMF **enabled to increase the volume of international reserves up to USD 18.8 billion,** covering 3.6 months of future imports.