

Balance of payments in Q2 2019 **(according to the *Balance of Payments and*** ***International investment position manual, 6th edition*)**

In Q2 2019 the current account deficit amounted to USD 514 million (or 1.5% of GDP¹), while in Q2 2018 the current account was nearly balanced (the deficit totaled USD 12 million). Imports of goods rose faster compared with exports – by 10.7% yoy (in Q2 2018 – by 14.5% yoy) and by 3.9% yoy (in Q2 2018 – by 14.8% yoy) respectively. Compared with the previous quarter of 2019 imports of goods rose by 6.6%, while exports remained nearly unchanged (declined by 0.6%).

Exports of goods totaled USD 11.2 billion. Exports increased in such major product categories:

food exports	– by 15.1%;
mineral exports (including ore)	– by 30.7%;
machinery and equipment exports	– by 7.3%.

At the same time exports declined in such major product categories:

metallurgical exports	– by 14.3%;
chemical exports	– by 13.6%;
timber and wood products	– by 8.8%.

In geographical context, in nominal values, exports to the EU countries increased at most (by USD 419 million, or 11.3% yoy). EU countries' share in total exports rose to 36.8% (in Q2 2018 – 34.4%). Exports to African countries rose by USD 141 million, or by 13.3% yoy, and their share increased to 10.8% (in Q2 2018 – 9.9%). Exports to Russia decreased by USD 133 million, or 16.3% yoy. Russia's share in total exports decreased to 6.1% (in Q2 2018 – 7.6%).

Imports of goods totaled USD 14.4 billion. Energy imports increased by 4.4% yoy, and non-energy imports increased by 12.7% yoy, including:

machinery and equipment imports	– by 17.6%;
chemical imports	– by 10.9%;
food imports	– by 11.1%;
metallurgical imports	– by 12.2%;
manufactured products	– by 18.6%.

In geographical context, in nominal values, imports from EU and Asian countries increased at most – by USD 612 million, or 12.5% yoy and by USD 588 million, or 22.1% yoy respectively. EU countries' share in total imports increased to 38.1% (in Q2 2018 – 37.5%), and Asian countries share in total imports increased to 22.5% (in Q2 2018 – 20.4%). Imports from

¹ GDP data preliminary, NBU's estimates.

Russia grew by USD 125 million (or 6.9% yoy), while Russia's share declined to 13.5% (in Q2 2018 – 14.0%).

The surplus of trade in services amounted to USD 431 million (in Q2 2018 – USD 282 million). Exports of services increased more significantly compared with imports of services – by 10.5% yoy and by 7.2% yoy respectively. Exports of services increased due to the growth in exports of computer services (by 30.8%), transportation services (by 4.9%) and inbound tourism expenditures (by 10.7%). At the same time imports of services rose mainly due to the growth in outbound tourism expenditures (by 6.7%), the rise in charge for the use of intellectual property (1.5 times) and transportation services (6.3%).

Primary income balance surplus increased to **USD 1.5 billion** (compared with USD 1.1 billion in Q2 2018). The surplus grew due to increase in receipts on “compensation of employees” item (by 9.9%) and decrease in repayments of income on investments (by 6.4%).

Secondary income balance surplus totaled USD 800 million compared with USD 903 million in Q2 2018.

In Q2 2019 the net borrowing from the rest of the world (the total of current account and capital account) **totaled USD 507 million** (in Q2 2018 – USD 16 million).

The net inflow on the financial account (the net borrowing) amounted to USD 922 million (compared with USD 595 million in Q2 2018) and was resulted from the government sector transactions (USD 1.6 billion) along with the outflow from the private sector transactions (USD 649 million).

The inflow to the government sector was resulted from non-residents' active participation on the market of domestic government bonds (the net purchase totaled USD 1.4 billion) and the placement of Eurobonds by the Government of Ukraine (USD 1.1 billion). At the same time the repayment on Eurobonds totaled USD 1.0 billion.

In Q2 2019 the net inflow of foreign direct investment was estimated as USD 579 million, 92% of which were directed to the real sector. In Q2 2018 the net inflow totaled USD 645 million, 62% of which were debt-to-equity conversion transactions.

The net increase of the banking system's external position on portfolio and other investments amounted to **USD 1.5 billion** (in Q2 2018 – USD 352 million) and resulted from USD 1.1 billion net increase of external position on “currency and deposits” item and USD 0.4 billion repayment on Eurobonds.

The net decrease of the real sector's external position (excluding foreign direct investment) **amounted to USD 365 million** (in Q2 2018 – USD 675 million), and resulted from several oppositely directed factors:

the increase of the net external liabilities on trade credits by USD 726 million (in Q2 2018 – USD 244 million);

the increase of liabilities on loans by USD 382 million (in Q2 2018 – USD 147 million), mainly due to borrowing on long-term loans (USD 319 million);

the increase of the amount of foreign cash outside banks by USD 730 million (in Q2 2018 the decrease was USD 158 million).

The surplus of the overall balance of payments amounted to USD 415 million (in Q2 2018 – USD 579 million). The repayment of debt to IMF was USD 514 million.

As of the end of Q2 2019, the volume of international reserves totaled USD 20.6 billion, covering 3.2 months of future imports.