National Bank of Ukraine

Balance of payments in August 2021

(according[1] to the Balance of Payments and International investment position manual, 6th edition)

The current account turned into surplus of USD 205 million in August (in August last year USD 607 million). On current account transactions excluding reinvested earnings surplus totaled USD 768 million compared to USD 655 million in August last year.

In January-August 2021, current account deficit totaled USD 0.8 billion (compared to surplus of USD 4.7 billion in January-July 2020). Current account surplus excluding reinvested earnings amounted to USD 3.8 billion (USD 4.0 billion for January-August 2020).

Exports of goods grew 1.5 times[2] (same in July) while **imports rose 1.4 times** (by 35.9% in July). Merchandise exports increased by 13.2% whilst those of imports increased by 2.5% comparing to previous month.

Merchandise exports totaled USD 5.9 billion due to increase in all the following main goods categories:

metallurgical exports	– 2.1 times *(2.2 times in July);*
food exports	– by 26.2% *(by 16.9% in July);*
mineral exports (including ore)	– 2.2 times *(2.4 times in July);*
chemicals	– twofold *(by 19.1% in July);*
timber and wood products	– 1.5 times *(1.6 times in July);*
manufactured goods	– by 32.1% *(by 27.2% in July).*

Meanwhile, machinery and equipment exports decreased by 5.6% (rose by 12.3% in July).

In January-August 2021, in nominal terms, exports to EU (by USD 5.1 billion, or 1.6 times) and Asian (by USD 2.7 billion, or 23.8%) countries grew the most. EU countries' share grew from 31.8% in January-August 2020 to 36.7%, while Asian countries contribution declined from 40.0% to 36.4%. Exports to Americas also saw growth by USD 1.2 billion, or 2.3 times along with the rise of its share in total exports from 3.2% to 5.4%. Exports to Russia rose by USD 358 million or by 24.8%, while its contribution to total exports fell from 5.1% to 4.7%.

Merchandise imports equaled USD 6.0 billion. Energy imports showed 2.3 times (1.9 times in July) growth due to petroleum products and natural gas imports. Non-energy imports grew by 27.1% (same in July), particularly:

chemicals	– 1.5 times *(by 34.1% in July);*
machinery and equipment imports	– by 14.4% *(by 27.0% in July);*
metallurgical imports	– 1.6 times *(1.4 times in July);*

[1] The Autonomous Republic of Crimea and the city of Sevastopol, and temporarily occupied territories in the Donetsk and Luhansk regions are excluded from the data for 2020 and 2021

[2] All percentage changes are given in comparison with the indicators of the corresponding period of the previous year, unless otherwise indicated

food products – by 24.9% *(by 15.4% in July);*

manufactured goods – by 20.2% *(by 23.3% in July);*

timber and wood products – by 21.4% *(by 17.4% in July).*

In January-August 2021, imports from both EU and Asian countries demonstrated the most significant growth – by USD 3.3 billion, or 25.5% and by USD 2.5 billion, or 28.8% respectively. EU countries share in total imports dropped from 40.3% to 39.0% in January-August 2021, while Asian countries contribution remained almost flat and totaled 27.1%. Moreover, imports from Russia saw growth by USD 471 million, or 16.6%, while its share in total imports decreased from 8.9% to 8.0%. In turn, imports from other CIS countries grew by USD 1.5 billion (or 1.6 times) together with contribution from 8.1% to 9.9%.

The surplus of trade in services totaled USD 234 million (USD 352 million in August last year). Imports of services growth rate (1.4 times) outweighed those of exports (by 22.6%). Outbound tourism and short-term migrants' expenditures increase (1.6 times) remained the key factor fueling imports of services growth. Moreover, imports of transport services (1.5 times, sea and air transport in particular), financial services (by 36.2%) and imports of other business services (by 33.3%) also saw growth. Exports of services growth was still mainly generated by computer services increase (by 40.4%). Moreover, manufacturing services on physical inputs owned by others (1.6 times), other business services exports (by 24.6%) and inbound tourism expenditures (2.4 times) evidenced an increase.

Primary income balance deficit accounted for USD 260 million (comparing to surplus of USD 357 million in August 2020) as repayments of investment income growth (2.4 times) outweighed receipts on compensation of employees increase (by 24.8%).

Net lending to the rest of the world (the total of current account and capital account balance) **in August totaled USD 202 million** (USD 607 million in August last year).

In January-August 2021, net borrowing from the rest of the world amounted to USD 0.8 billion (net lending was USD 4.7 billion for relevant period last year).

The financial account net outflows totaled only USD 76 million (compared to outflows of USD 254 million in August 2020): public sector net outflows were compensated by private sector net inflows.

In January-August 2021, financial account net inflows equaled USD 1.7 billion. Financial account net outflows stood at USD 3.3 billion for relevant period last year.

Public sector net outflows totaled USD 384 million (USD 255 million in August 2020) due to:

USD 293 million net repayments of government debt securities to non-residents;

USD 77 million net repayments on loans from international partners.

The net inflows of foreign direct investments stood at USD 747 million (net outflows were USD 54 million in August 2020) including due to reinvestment of earnings – USD 563 million, while they were USD 48 million in August 2020. Inflows in equity (excluding reinvestment of earnings) added up to USD 93 million (outflows totaled USD 113 million in August 2020). Intercompany lending net disbursements totaled USD 99 million (USD 56 million in August 2020).

In January-August 2021 FDI net inflows added up to USD 4.2 billion including due to reinvestment of earnings of USD 4.6 billion. For relevant period last year, net outflows stood at USD 303 million (including negative reinvestment of earnings of USD 707 million). Investment in equity (excluding reinvestment of earnings) equaled USD 660 million compared to USD 406 million in January-August 2020. Intercompany lending net repayments equaled USD 491 million, while net disbursements totaled USD 224 million for January-August 2020.

The net decrease of the banking system's external position on portfolio and other investments accounted for USD 193 million owing to these competing factors:

USD 225 million net decrease of external position on "currency and deposits" item;

USD 20 million net increase on external position on loans;

USD 11 million repayments on subordinated bonds.

The real sector external position net increase (excluding foreign direct investment) totaled **USD 960 million** due to these competing factors:

USD 332 million decrease in net trade credit external liabilities;

USD 725 million increase in the volume of foreign cash outside banks (by USD 314 million in August 2020);

USD 127 million increase in loans external liabilities.

In January-August 2021 volume of foreign cash outside banks increased by USD 2.7 billion, by USD 2.8 billion for relevant period 2020.

The net inflows to private sector (including errors and omissions) totaled **USD 308 million** in August (compared to USD 1 million in August 2020).

The overall balance of payments surplus stood at USD 126 million (USD 353 million in August 2020). Repayments to IMF totaled USD 141 million.

International reserves accounted for USD 31.6 billion as of the 1st of September, enough to cover 4.4 months of future imports. Reserves growth was mainly fueled by receipts of USD 2.7 billion (SDRs 1928.2 million) within the general allocation from the IMF.