



Національний
банк України

Weekly review

5 June 2020



Summary

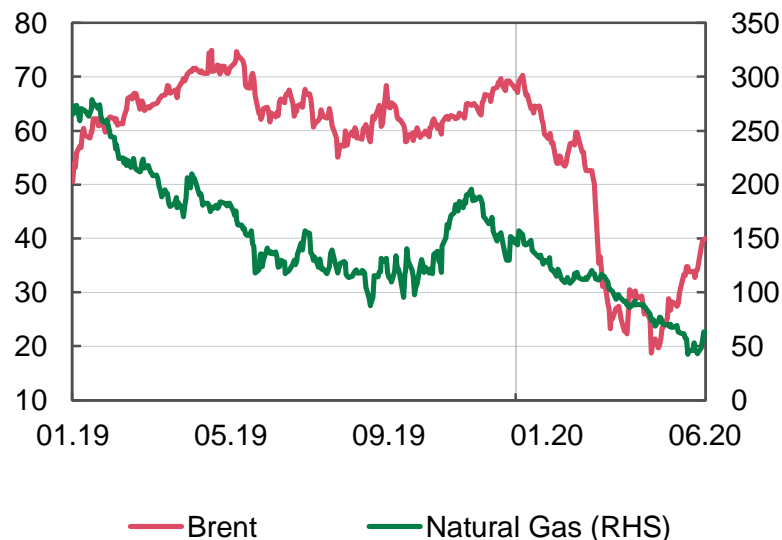
- Commodity prices staged a recovery as the global economy picked up after relaxing quarantine restrictions
- Favorable leading economic indicators in several countries and expectations of fresh monetary and fiscal stimulus lifted investor appetite for risky assets, with most emerging market currencies strengthening
- The FX market of Ukraine has remained calm as balanced demand and supply kept hryvnia volatility subdued
- Non-resident capital outflows from hryvnia domestic government securities have been moderating. Meanwhile, yields on hryvnia domestic government securities on the secondary market hit almost pre-crisis levels
- Food prices barely changed on average over the week. Prices for fruits and vegetables have been decreasing, offsetting somewhat higher prices for poultry meat, milk and confectionery products
- Both the service sector and industry have shown a gradual recovery in economic activity. Demand for labor and population mobility rose further, reflecting the easing of quarantine restrictions



Global markets

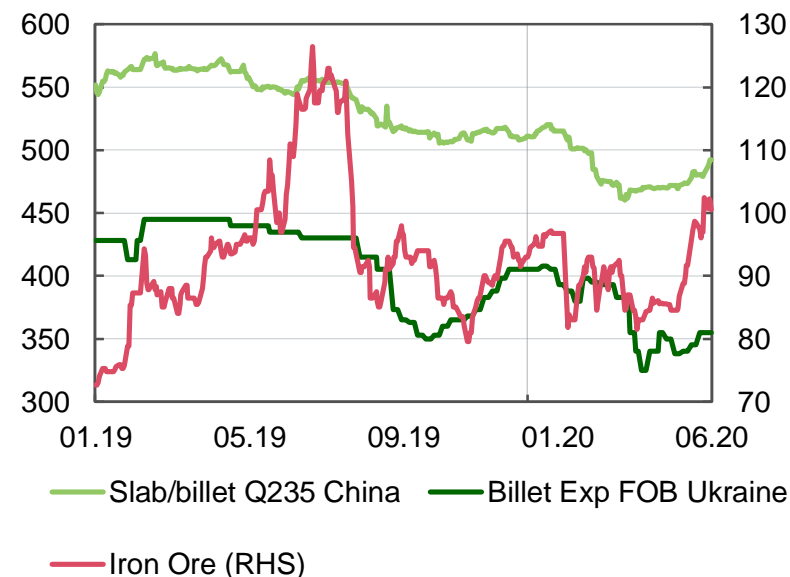
The revival of the global economy amid a gradual lifting of quarantine restrictions supported global commodity prices

World crude oil prices (USD/bbl) and German Hub natural gas prices (USD/kcm)



Source: Refinitiv, Investing, as of 04.06.2020.

World price of ferrous metals and iron ore (62%), USD/MT

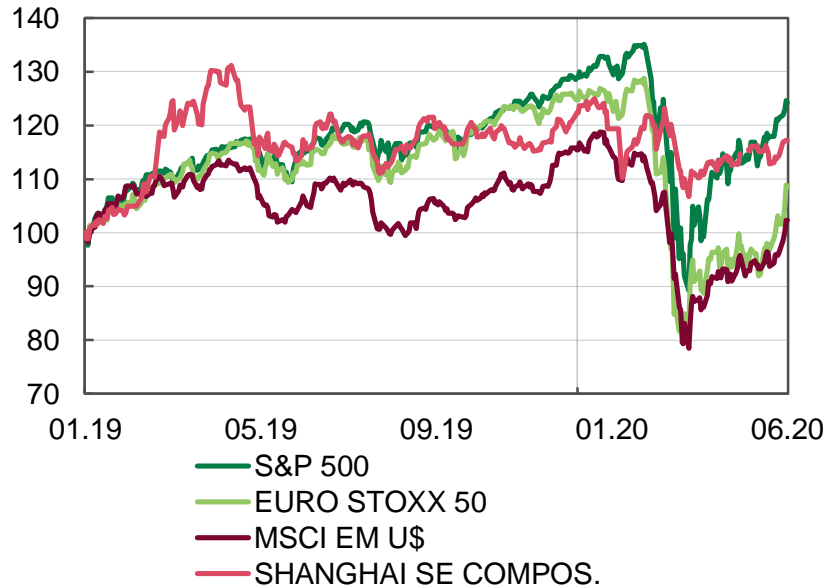


Source: Refinitiv, Investing, as of 04.06.2020.

- Oil prices increased further, as oil demand rose gradually (with demand in China almost reaching the pre-crisis levels, according to Bloomberg estimates) and supply restrictions were imposed under the OPEC + agreement
- Anti-crisis programs unveiled by governments in a number of countries, in particular China and the EU, in order to support the economy have contributed to increased demand for steel and iron ore, accordingly. Additionally, the increase in iron ore prices was due to scarce supplies from Brazil, as quarantine measures were still in force

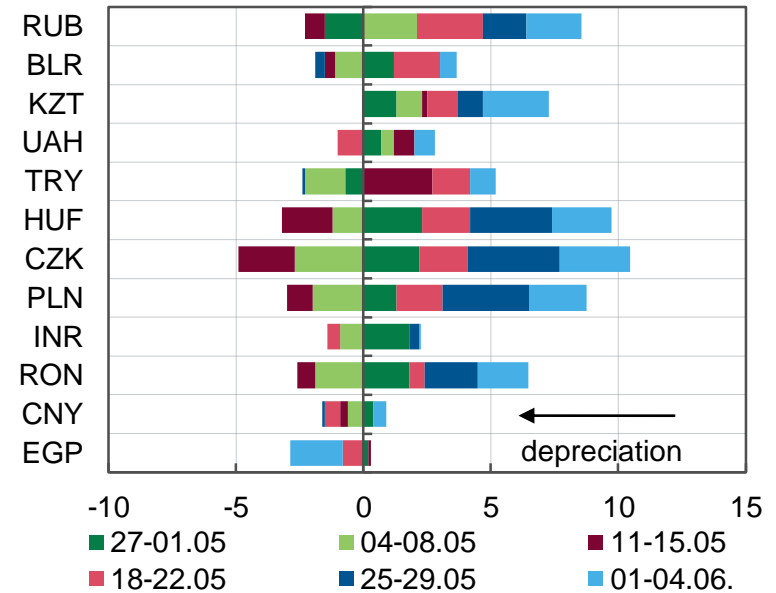
Encouraging leading indicators and expectations of fresh stimulus whetted investors' appetite for risky assets

Global equity benchmarks, 01 Jan 2019 = 100



Source: Refinitiv, Investing, as of 04.06.2020.

Selected EM currencies vs USD, % change, eop



Source: NBU estimates (preliminary data).

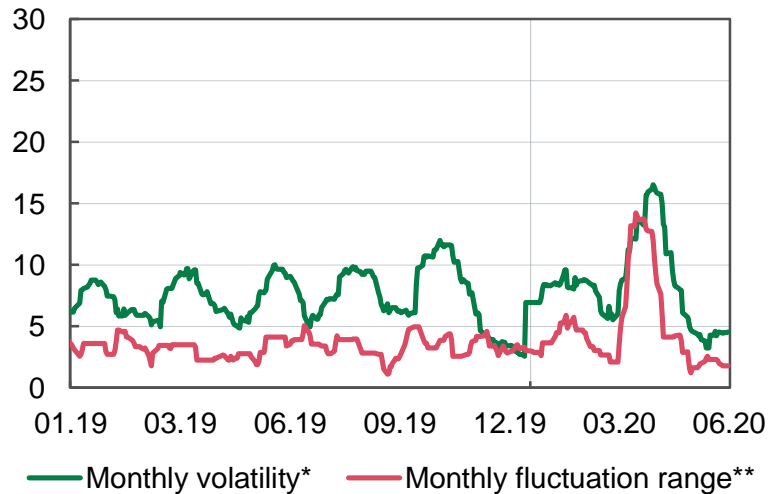
- Expectations of economic recovery in the U.S. and Europe have been improving amid a slowdown in unemployment rate, better-than-expected leading indicators of selected countries (manufacturing PMIs in the U.S., eurozone, China)
- Financial markets grew amid prospects for fresh fiscal and monetary stimulus. In particular, Germany agreed on a second package of fiscal measures worth EUR 130 billion (almost 4% of GDP), and a EUR 500 billion expansion in the repurchase of ECB securities is on the way
- As a result, most emerging market currencies strengthened against the US dollar



Financial market in Ukraine

Balanced demand and supply on the FX market kept hryvnia exchange rate volatility subdued

Hryvnia to US dollar exchange rate volatility



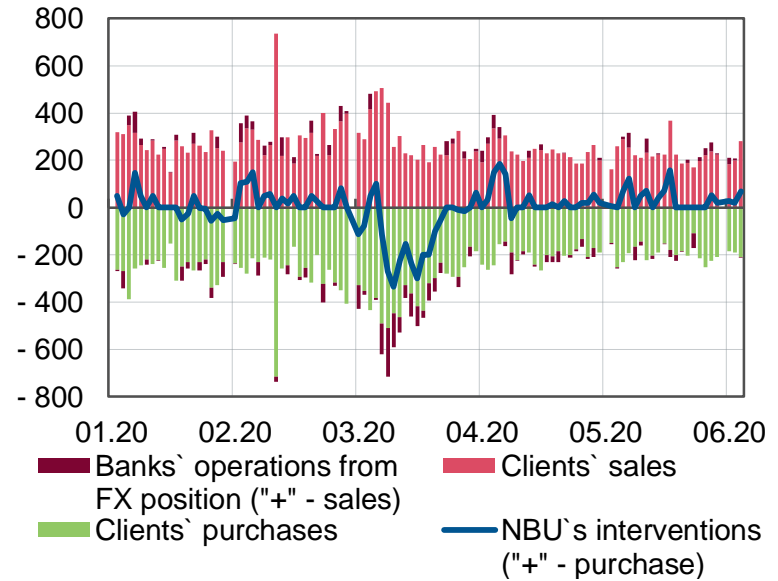
As of 05.06.2020.

* Annualized standard deviation of daily rate changes over moving month..

** Difference between maximum and minimum rates over moving month divided by average rate.

Source: NBU staff estimates.

FX operations on the interbank market*, USD mn

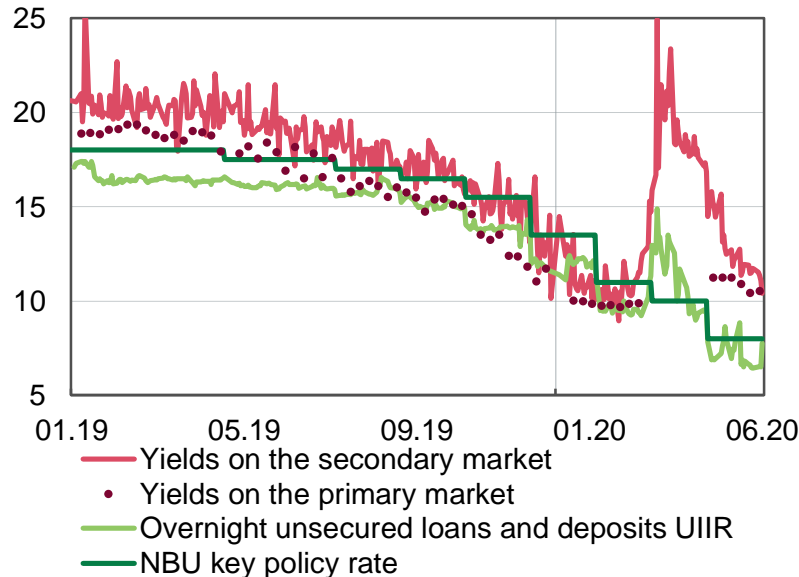


* As of 03.06.2020.

Source: NBU.

Yields on hryvnia government debt securities declined to almost pre-crisis levels

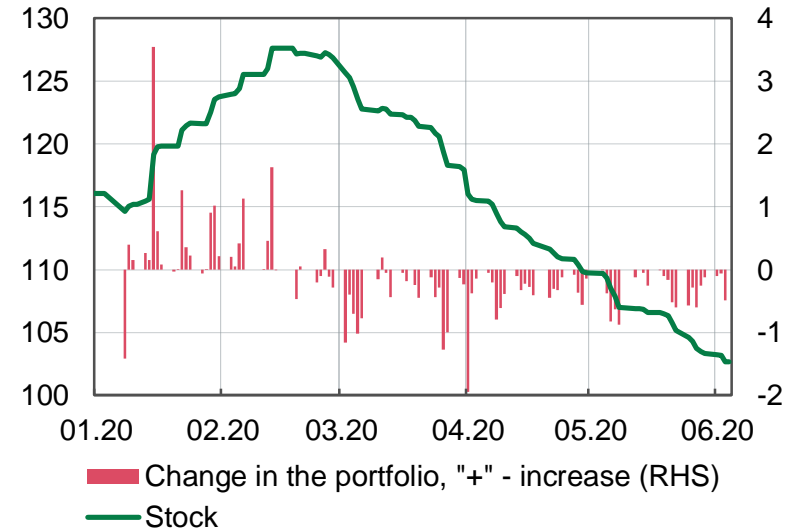
NBU key policy rate, interbank interest rate and yields on domestic government debt securities*, %



* As of 04.06.2020.

Source: NBU.

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



* As of 04.06.2020.

Source: NBU.

- Monetary policy easing contributed to the decline in yields
- Non-resident capital outflows from hryvnia domestic government securities have been moderating

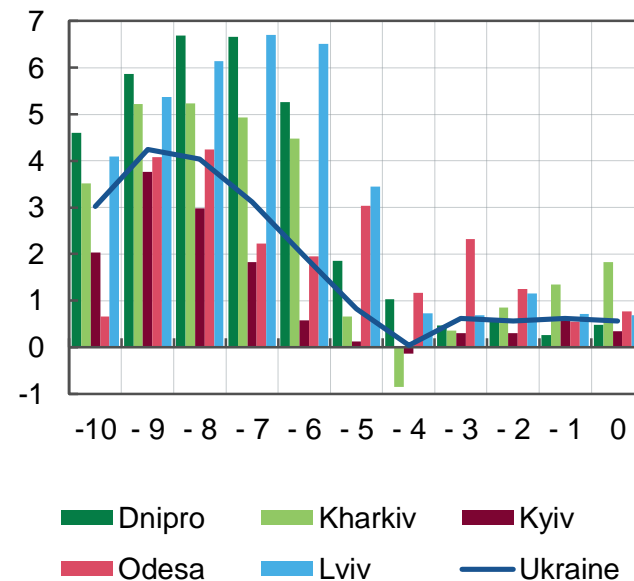


Consumer prices in Ukraine

Food prices barely changed with cheaper vegetables and fruits offsetting higher prices of poultry meat, milk and confectionery

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	0.3	0.0	0.0	0.6	0.6	0.6	0.6
Bread	3.4	-0.1	0.1	0.2	0.2	0.2	0.3	0.4	0.3
Pasta	1.0	0.2	0.4	0.0	-0.1	0.4	0.1	0.5	0.6
Flour confectionery	1.8	0.7	-0.1	0.3	0.4	1.2	0.5	1.1	0.8
Flour and cereals	2.0	0.0	0.5	0.0	-0.2	-0.2	0.1	0.0	0.3
Meat and meat products	10.4	0.3	-0.1	0.0	0.5	0.7	0.0	0.5	0.5
Beef	0.6	0.2	0.4	0.1	0.1	0.6	0.8	0.7	0.8
Pork	3.5	-0.5	0.0	-0.3	-0.2	0.0	-1.0	-0.6	-0.8
Poultry meat	2.8	0.1	-1.0	0.2	1.8	1.0	-0.5	-1.3	0.6
Meat products	3.6	1.2	0.2	0.1	0.4	1.2	1.4	2.4	1.6
Fish and fish products	2.9	-0.7	1.3	-0.2	0.4	-0.2	0.8	-0.2	0.6
Dairy products	5.3	0.2	0.1	0.3	0.3	0.7	0.4	0.7	0.8
Milk	1.8	-0.2	0.7	-0.2	0.4	0.8	0.7	-0.4	0.5
Dairy products	1.4	0.3	-1.2	1.4	0.6	1.1	-0.4	0.4	0.9
Cheese and cottage cheese	2.2	0.4	0.4	-0.1	-0.1	0.5	0.8	1.7	0.8
Eggs	0.7	0.7	0.2	0.1	-0.2	16.6	11.1	4.5	1.1
Oil and fats	3.9	-0.3	-0.1	0.1	0.3	0.9	0.2	-0.3	0.0
Fruits	2.2	2.2	2.7	0.5	-1.1	4.0	7.9	9.2	4.1
Vegetables	4.1	0.2	-0.4	-0.8	-3.2	-3.3	-3.5	-2.8	-3.6
Sugar	0.8	-0.2	-0.2	0.1	-0.1	-0.4	-0.5	-0.2	-0.3
Honey	0.3	-0.1	0.0	0.2	0.1	-0.1	0.0	0.1	0.3
Chocolate products	1.3	-0.1	0.6	-0.4	-0.2	0.8	1.1	0.3	0.0
Sugar confectionery	0.4	0.2	0.9	0.0	0.7	-0.6	0.2	1.3	2.2
Other food	1.0	0.1	0.9	0.3	-0.1	1.6	2.2	1.6	1.1
Soft drinks	2.4	0.4	0.5	-0.2	2.5	0.7	0.7	0.1	3.1
Alcohol	4.9	0.4	0.0	-0.1	0.4	1.2	1.1	0.7	0.7
Tobacco	4.2	0.3	0.3	0.2	0.2	1.5	1.3	1.2	1.2
Household appliances	0.9	0.0	-0.4	-1.4	0.1	0.0	-0.3	-0.1	-2.1
Products for home cleaning	0.9	1.1	0.8	0.7	2.5	6.0	2.9	2.7	0.2
Personal care products	1.3	0.8	0.1	0.4	1.1	0.2	-0.3	0.0	1.5
Other industrial goods	6.1	0.2	-1.3	0.2	0.6	0.3	-1.3	0.1	0.9

Food price indices, % mom



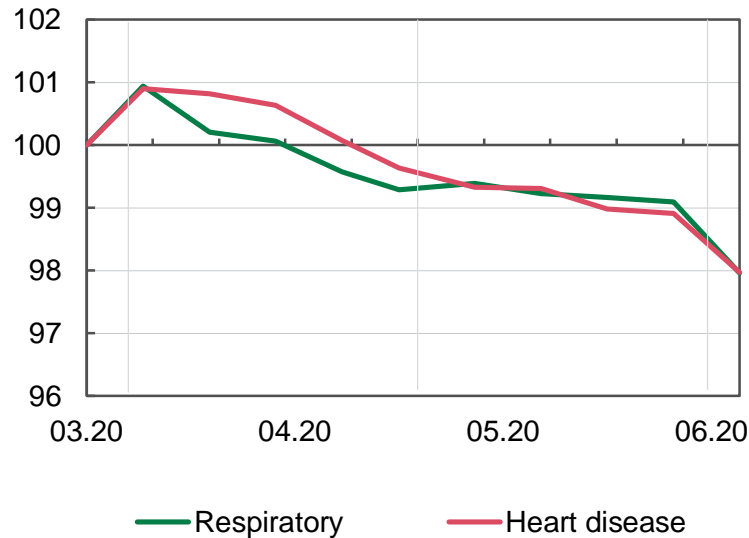
Source: online supermarkets.

* Dynamic weights; Week 0 – from May 29 to June 4, figures 1–10 stand for previous weeks; the same weeks of February - April are used for monthly comparisons.

Source: online supermarkets.

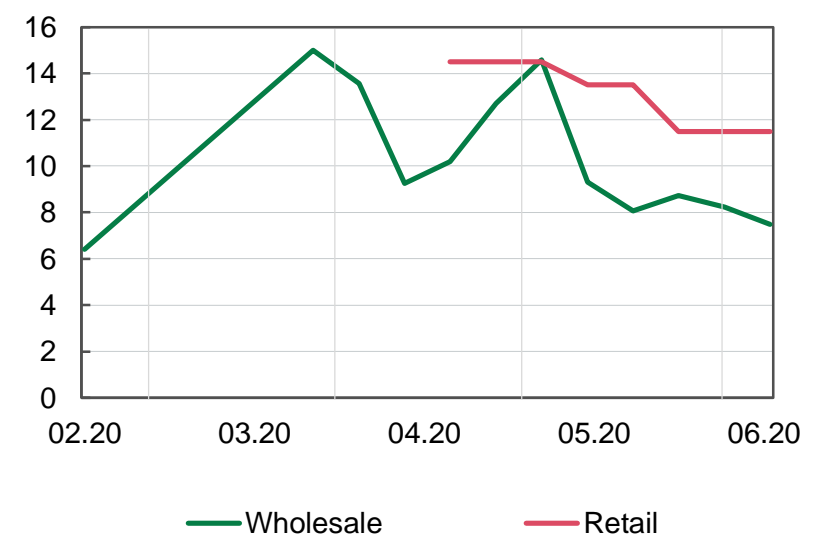
Prices for medicines and some medical products continued to fall

Prices of medicines, 27.03.20 = 100



Source: e-apteka.com.ua.

Prices for medical masks, UAH / piece

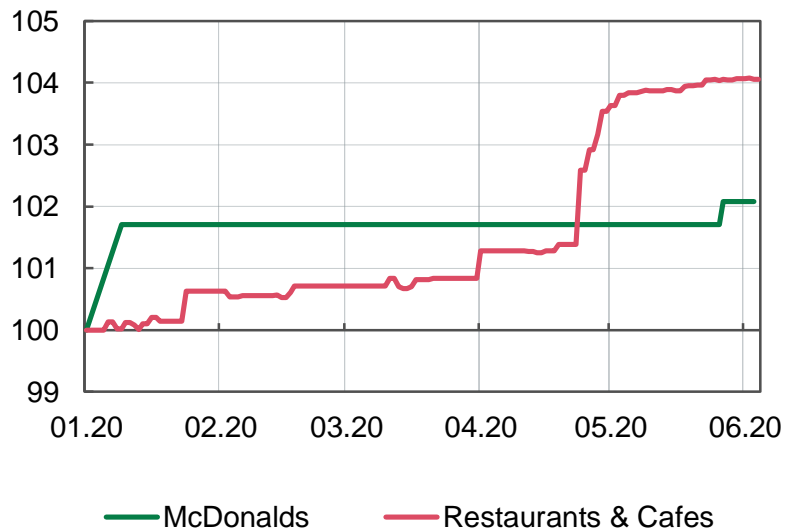


Source: prozorro.org, online supermarkets.

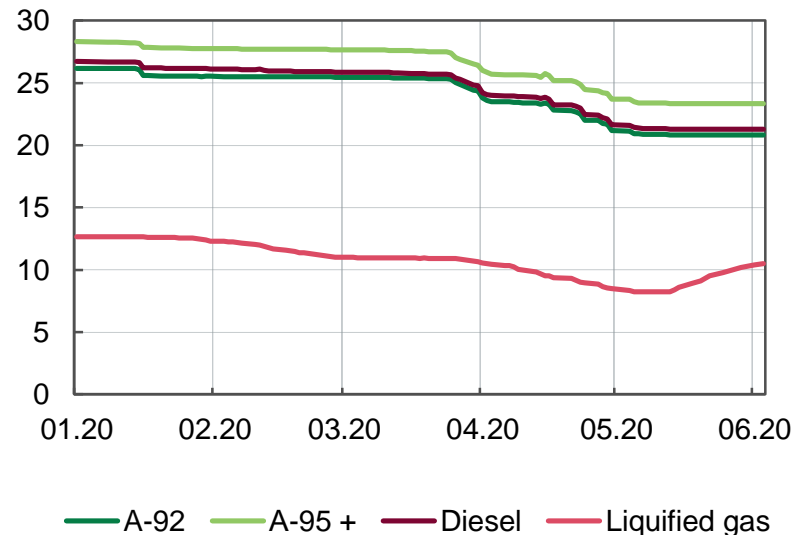
- Drug prices fell further due to market factors, in particular owing to the stable situation on the FX market, as well as a seasonal decline in demand
- Retail prices for medical masks did not change over the week. At the same time, wholesale prices continued to decline

Prices for catering delivery barely changed. Fuel prices were also stable

Price indices in public catering delivery,
01.01.20 = 100



Fuel prices, UAH / l



Source: Glovo.

Source: minfin.com.ua.

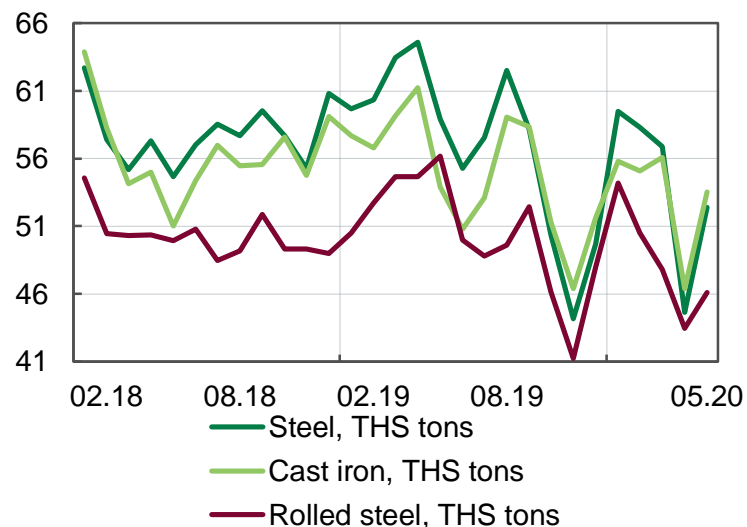
- Prices for catering delivery did not change, possibly, due to the reopening of restaurants and cafes and, consequently, the increased competition on this market
- Prices for gasoline and diesel fuel were unchanged. However, prices for automobile gas were rising again due to stronger demand



Economic activity

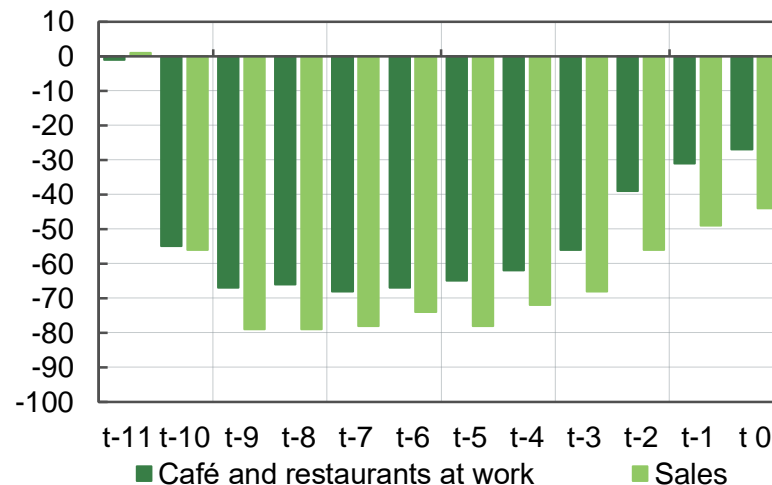
Service and industrial sectors have been showing a gradual recovery

Average daily production of steel, cast iron and rolled steel*

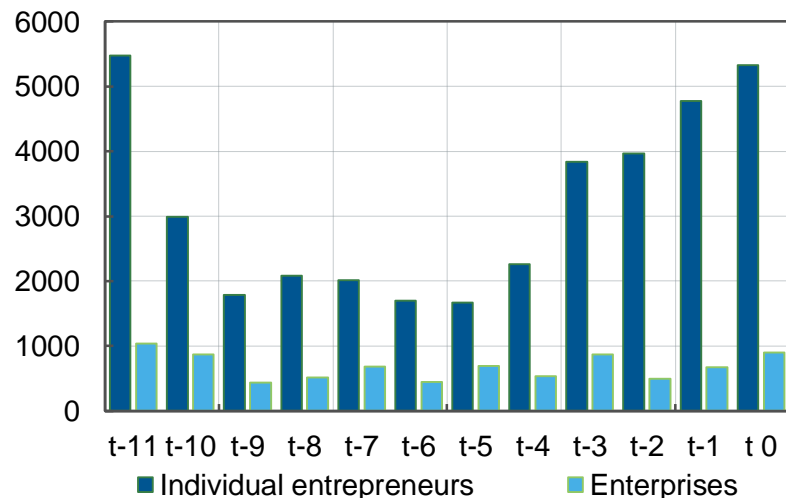


* May 2020 – NBU staff calculations based on the monthly production volume.
Source: Ukrmetalurgprom.

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



New business registrations



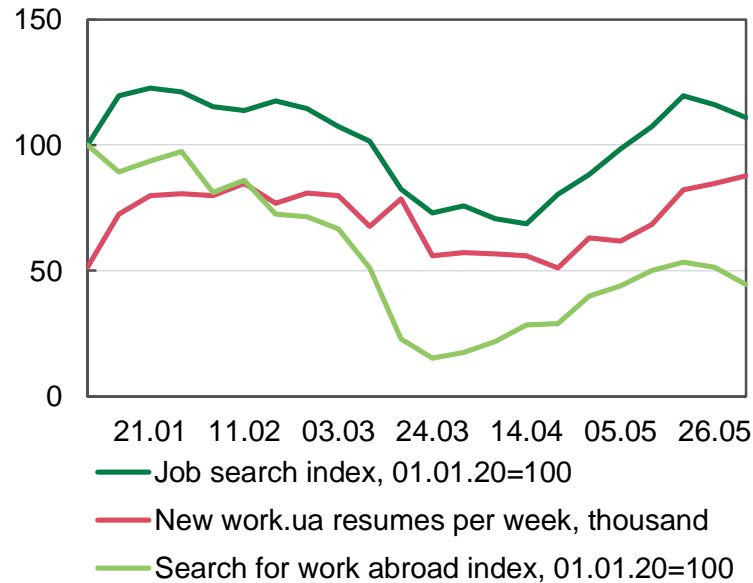
Source: opendatobot.ua, NBU staff estimates.



Labor market

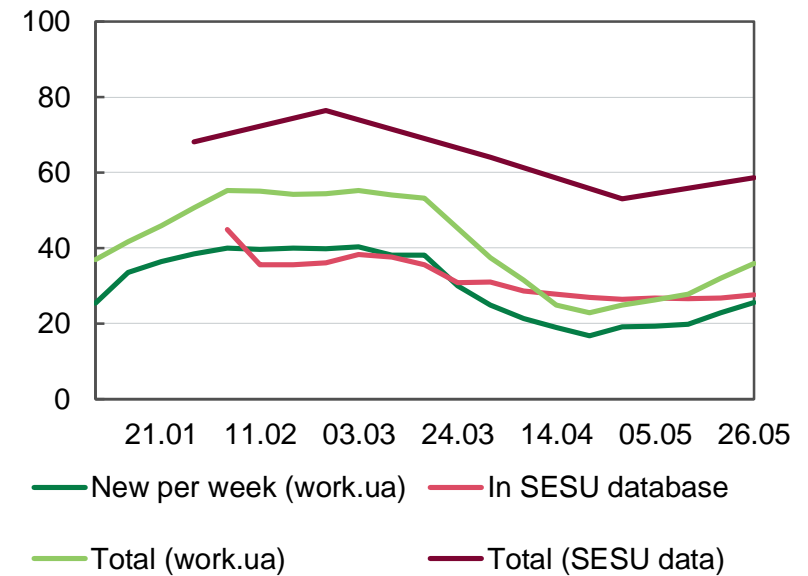
Both labor supply and demand have been reviving

Labor supply



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

Labor demand: number of vacancies, thousand



Source: SESU, work.ua.

- The number of vacancies increased further due to the relaxation of quarantine restrictions, in particular the reopening of restaurants and transport
- Job search activities also increased

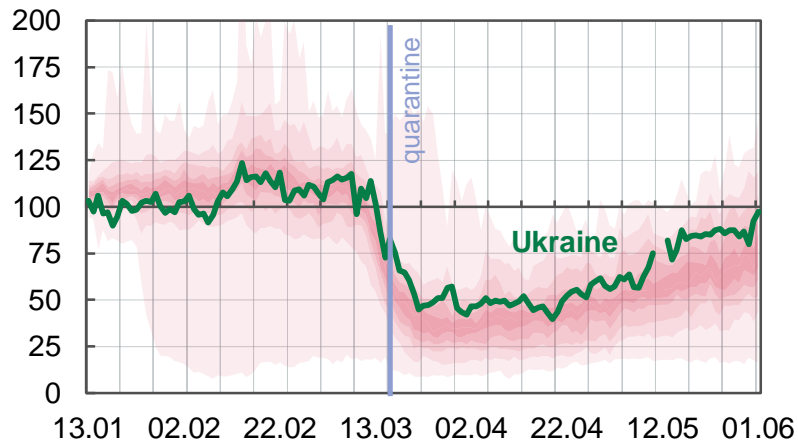


Population mobility

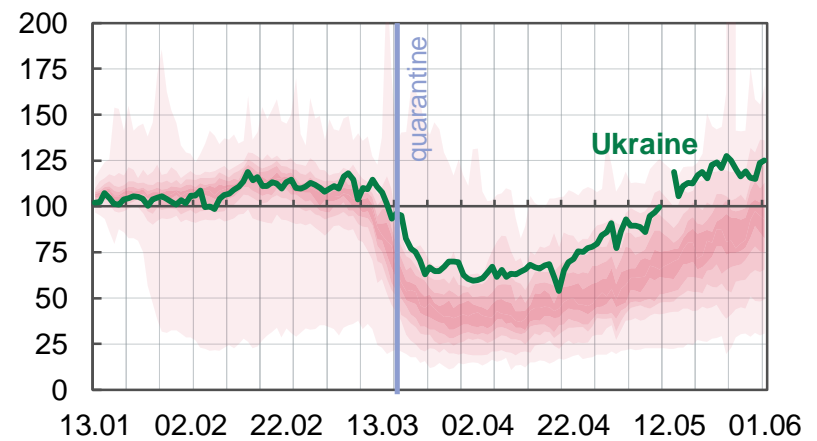
Overall, mobility of Ukrainians accelerated in late May

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

walking

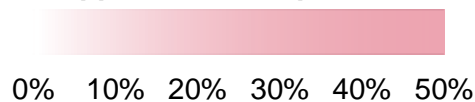


driving



† 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.

- Population mobility, especially walking, increased significantly in late May
- This can be attributed to a further easing of restrictions, in particular on the operation of shopping malls