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BALANCE OF PAYMENTS OF UKRAINE IN THE FIRST HALF OF 2003

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BALANCE OF PAYMENTS OF UKRAINE IN THE FIRST HALF OF 2003

In the first half of 2003, the balance of payments current account surplus amounted to USD 1.8 billion (9.2% of GDP) versus USD 1.5 billion (8.3% of GDP) in the respective period of 2002.

In January – June 2003, a **trade balance** surplus totaling USD 1097 million was run against USD 848 million in the corresponding period of 2002. The improvement in the trade balance was associated with 1.6 times increase in the balance of services surplus. At the same time, the balance of goods reduced by 13.6%, amounting to -USD 39 million in the second quarter of 2003.

In the first half of 2003, **exports of goods and services** totaled USD 13.1 billion, having augmented by 23.8% compared with the previous year (in the first half of 2002 they grew by only 2.3%).

Imports of goods and services equaled USD 12 billion, having increased by 23.3% vis-à-vis the first half of 2002 when they slumped by 0.9%.

In comparison with the corresponding period of 2002, **exports of goods** grew by 25.6%, while **imports of goods** did so by 27.2%.

In January – June 2003, the total exports of **products of metallurgical industry** that accounts for the largest share (36%) within exports of Ukrainian products, increased by 14.7% or nearly USD 500 million. In the second quarter, exports of ferrous metals grew by 23.7% versus 39.6% in the first quarter. On the whole, in the first half, exports of ferrous metals in terms of value grew by 31% primarily due to a rise in price and increase in the share of products with a relatively high level of processing. Exports of products made of ferrous metals rose by 69.3%. At the same time, exports of non-ferrous metals and products made of them slackened. As previously, the biggest number of Ukrainian-made pipes was exported to Russia despite an annual exports quote of USD 620,000 tons. Over 6 months of 2003, domestic enterprises took up the quote by 75%, including the quote of delivery of large-diameter pipes – by 100%. Exports of metallurgical products to the CIS multiplied 1.8 times, those to African countries – 1.7 times, whereas exports to America reduced 1.7 times. Asia remained the primary consumer of metallurgical products, accounting for 45.5% of the total exports of these products.

In the first half of 2003, exports of **fuel and energy complex products** augmented 1.7 times or by USD 670 million. Exports of oil refinery products increased 1.3 times chiefly owing to a rise in their prices, amounting to USD 704 million. Over the period under report, there was natural gas exported totaling USD 322 million (USD 52 million in the respective period of 2002) and oil totaling USD 179 million (USD 43 million in 2002).

In the first half of 2003, exports of **agricultural products** grew by 31.9%. 40% slump in exports of grain crops vis-à-vis the corresponding period of 2002 was offset by an increase in exports of vegetable oil (2.3 times), seeds and fruit of oil-bearing crops (4.6 times), sugar and products made of it (2.8 times), milk and dairy products (1.5 times). Russia accounted for one third of the total exports of food products, which in the first half of 2003 multiplied 1.4 times versus the respective period of 2002 primarily due to an increase in deliveries of dairy products, sugar and alcoholic drinks.

In the accounting period, 29.5% augmentation in exports of **products of chemical industry and related industrial branches** was attributable to the favorable situation in foreign markets. The largest increase was seen in exports of organic chemical compounds (1.7 times), fertilizers (1.5 times), inorganic chemistry products (1.3 times). Exports of these products to America grew 8.3 times, to Europe – 1.3 times, whereas those to Asia decreased by 10.6%.

In the first half of 2003, exports of **machine building products** rose by 28%. Exports of locomotives multiplied 2 times (mainly owing to deliveries to Russia), those of aircraft – 2.5 times, and those of electric machinery and equipment – 1.3 times. As previously, the largest volumes of exports of machine building products fell on Russia, the CIS, and Eastern and Central Europe.

Imports of goods grew owing to an increase in imports of fuel and energy complex products (1.25 times or by USD 784 million) and machinery, equipment and modes of transportation (1.4 times or by USD 656 million).

An increase in imports of energy resources was primarily associated with a rise in oil prices. From the year start, the oil imported from Russia went up in price by 40%. In comparison with the respective period of 2002, imports of oil in terms of value rose 1.65 times. At the same time, imports of crude oil increased by 9%, totaling 11 million tons against 10.1 in January – June 2002.

In the first half of 2003, imports of non-energy resources grew by 29.2% vis-à-vis 2.1% in the first half of 2002. The growth primarily resulted from an increase in imports of **machine building products and modes of transportation** from 20.4% in the first half of 2002 to 22.3% in the period under review. Imports of modes of land transportation augmented most of all (1.8 times), including those of motor cars – 1.7 times, and those of their spare parts – 2.5 times. Imports of mechanical and electric machinery and equipment grew almost 1.3 times. More than one half (53%) of imported machine building products and modes of transportation fell on Europe.

Imports of **foodstuffs and raw materials** for their production augmented by 45.1% thanks to a considerable increase in deliveries of raw sugar and grain crops. An expected sugar shortage in the market, need to keep sugar refineries operating in the off-season and growing demand for sugar in other food industry branches necessitated an increase in imports of raw sugar. To that end passed was the Law of Ukraine “On Imports of Raw Cane Sugar in 2003” that introduced preferential terms for imports of sugar from 15 May 2003 to 1 September 2003. According to the Law a tariff quote to the amount of 360 thousand tons was set. In the first half of 2003 alone, 470 thousand tons of sugar totaling USD 97.6 million were imported, which was about 7 times as much as in the respective period of 2002. In the period under review, 600 thousand tons of grain crops amounting to USD 66.4 million were imported compared with 45 thousand tons totaling USD 12.9 million in the first half of 2002.

1.4 times augmentation in imports of **metallurgical products** was chiefly attributable to 1.6 times increase in imports of ferrous metals. At the same time, imports of products made of these metals rose by 33%.

In the period under report, imports of chemical industry and manufactured products grew by 24%.

In January – June 2003 versus the corresponding period of 2002, 1.6 times increase in the **balance of trade** surplus resulted from 16.6% augmentation in exports of services against 3.5% increase in imports. The cost of services rendered to non-residents increased through nearly all the types of services (with the exception of communication services). Exports of transportation services grew fast, viz. services of rail transport rose by 21.5%, those of air and pipeline transport – 1.4 times and by 7.6% respectively. In the accounting period, exports of services

related to tourism, private and business trips grew by 11.5%.

In the period under review, **imports of services** grew owing to an increase in expenditures in the *insurance services* (2.9 times), *royalties and license fees* (3.8 times) and *travel* (by 22.3%) items. At the same time, imports of construction services, research and development as well as communication services reduced 2.4 times, 7.5 times and by 15.6% respectively.

Compared with the respective period of 2002, the deficit in the *income* item decreased by 4.6%, amounting to USD 267 million. In the period under review, according to the schedule of external debt servicing, USD 293 million, including interest on guaranteed and IMF loans amounting to USD 205 million and interest on non-guaranteed loans amounting to USD 88 million, were to be paid. In fact, USD 267 million were paid. The index of accrued interest on the external debt under exports of goods and services went down from 2.6% in the first half of 2002 to 2.2% in the first half of 2003.

In January – June 2003, the **current transfers** totaling USD 985 million (by 11.3% superior to the respective period of 2002) came to Ukraine. The increase was attributed to an augmentation in private transfers and workers' remittance. In the accounting period, the funds to be paid to *Ostarbeiters* equaling USD 122 million were received (versus USD 136 million in the first half of 2002).

In the first half of 2003, the **financial account deficit** (excluding the reserve assets) amounted to USD 0.2 billion which was 3.4 times more than in the corresponding period of the previous year. It increased at the expense of the influx of direct investments (USD 0.7 billion) and of proceeds from 2003 T-bills allocation in external markets (USD 0.8 billion).

In June of the current year, a new issue of 2003 T-bills was successfully presented. After that, 10-year international bonds to the amount of USD 0.8 billion were allocated in the external market.

At the same time, in the period under review, Ukraine paid interest on bonds of the previous issue (2002 T-bills) to the amount of USD 0.3 billion. Ukraine adhered strictly to 2002 T-bills pay schedule which proved the reliability of the Government's performance of its obligations.

In the first half of 2003, Ukrainian companies received USD 63 million from the issue of corporate bonds allocated among foreign investors.

In the first half of 2003, nearly USD 0.8 billion were paid to non-residents for the redeemed domestic

shares, which was 28.8% more than in the corresponding period of the previous year. However, with regard to the fact that in the second quarter, the capital outflow disguised as reverse redemption of Ukrainian enterprises' shares by non-residents dropped 4 times versus the first quarter, we believe that the capital outflow slowed down.

At the end of the first half of 2003 versus the year start, the total **direct investment** in Ukraine (including 2001 privatization) grew by 15.3% and totaled USD 6.7 billion. Out of them, the equity capital and reinvested earnings amounted to USD 6.4 billion, while the credits given to Ukrainian enterprises equaled USD 0.3 billion.

During the first half of 2003, the direct investment in Ukraine in the form of equity capital grew by USD 0.7 billion which was 3 times more versus the corresponding period of the previous year. Such increase resulted from the considerable money receipts i.e. nearly USD 0.5 billion including those from sales of 51% of Ukrtelecom share in UMC totaling USD 172 million to the Russian company "Mobile Telesystems".

During that period, non-residents reinvested earnings to the amount of USD 8 million, while the credits attracted from direct investor increased by USD 34 million.

In the first half of 2003, **the loans** granted by international financial organizations were insignificant (USD 46 million). At the same time, according to the schedule of debt repayment, USD 0.3 billion were to be paid under the guaranteed credits.

In the second quarter of 2003, the debts of Ukraine under the natural gas delivered from Turkmenistan in 1993 – 1994 were rescheduled. The debts to the amount of USD 282 million which had not been paid due to suspension of payments under these debts in January 2000 were restructured.

During the first half of the year, the non-guaranteed long-term credits for the real economy sector totaled nearly USD 0.8 billion which was 10% more than in the corresponding period of the previous year. At the end of the first half of 2003, the private credits totaled USD 2.1 billion (excluding those of direct investor).

In the first half of 2003, the long-term external debt service ratio (as a ratio of expenditures for repayment of the principle amount and interest on external debts to exports of goods and services) made 12% versus 12.3% in the corresponding period of the previous year.

During the accounting period, the amount of short-term credits increased by USD 55 million including that of interbank credits – by USD 14 million. At the same time, the credits attracted to the real sector augmented by USD 41 million.

In the period under review, receivables grew by USD 257 million. At the same time, payables of economic entities to non-residents decreased by USD 322 million. The debts to CIS countries diminished by USD 284 million and those to the rest of the world reduced by USD 38 million due to improvement in settlements of economic entities for imported goods and services. At that, in the period under review, CIS countries owed Ukraine USD 70 million for export deliveries, while the rest of the world owed USD 187 million.

During the first half of 2003, the National Bank of Ukraine continued to carry out interventions in the interbank foreign exchange market and redeemed the over abundant supply of foreign currency. Due to this fact, the reserve assets grew by USD 1.6 billion to USD 6.2 billion and were sufficient to cover the financing of imports of goods and services for almost 3.1 months.

BALANCE OF PAYMENTS OF UKRAINE

USD million

Balance of payments items	I st quarter of 2003			II nd quarter of 2003			I st half of 2003		
	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world
CURRENT ACCOUNT	1082	-935	2017	733	-639	1372	1815	-1574	3389
GOODS AND SERVICES (balance)	724	-960	1684	373	-675	1048	1097	-1635	2732
EXPORTS OF GOODS AND SERVICES	6297	1873	4424	6785	2218	4567	13082	4091	8991
IMPORTS OF GOODS AND SERVICES	-5573	-2833	-2740	-6412	-2893	-3519	-11985	-5726	-6259
GOODS (balance)	324	-1474	1798	-39	-1146	1107	285	-2620	2905
EXPORTS OF GOODS	5094	1201	3893	5533	1570	3963	10627	2771	7856
IMPORTS OF GOODS	-4770	-2675	-2095	-5572	-2716	-2856	-10342	-5391	-4951
including:									
General merchandise	171	-1524	1695	-134	-1207	1073	37	-2731	2768
exports FOB	4593	1104	3489	4987	1448	3539	9580	2552	7028
imports FOB	-4422	-2628	-1794	-5121	-2655	-2466	-9543	-5283	-4260
Goods for processing	149	45	104	80	29	51	229	74	155
credit	472	86	386	495	88	407	967	174	793
debit	-323	-41	-282	-415	-59	-356	-738	-100	-638
Repairs on goods	22	7	15	45	32	13	67	39	28
credit	28	11	17	50	33	17	78	44	34
debit	-6	-4	-2	-5	-1	-4	-11	-5	-6
Goods procured in ports by carriers	-18	-2	-16	-30	0	-30	-48	-2	-46
credit	1	0	1	1	1	0	2	1	1
debit	-19	-2	-17	-31	-1	-30	-50	-3	-47
<i>For reference</i>									
Exports of goods according to State Statistics Committee data	4946	1089	3857	5363	1436	3927	10309	2525	7784
Adjustments	148	112	36	170	134	36	318	246	72
For classification	28	11	17	50	33	17	78	44	34
Repairs on goods	28	11	17	50	33	17	78	44	34
For coverage	120	101	19	120	101	19	240	202	38
Imports of goods according to State Statistics Committee data	-4535	-2576	-1959	-5330	-2617	-2713	-9865	-5193	-4672
Adjustments	-235	-99	-136	-242	-99	-143	-477	-198	-279
For classification	14	1	13	15	4	11	29	5	24
Repairs on goods	-6	-4	-2	-5	-1	-4	-11	-5	-6
Prices adjusted to FOB	20	5	15	20	5	15	40	10	30
For coverage	-249	-100	-149	-257	-103	-154	-506	-203	-303
SERVICES (balance)	400	514	-114	412	471	-59	812	985	-173
EXPORTS OF SERVICES	1203	672	531	1252	648	604	2455	1320	1135
IMPORTS OF SERVICES	-803	-158	-645	-840	-177	-663	-1643	-335	-1308
Transportation	747	485	262	733	445	288	1480	930	550
credit	857	526	331	864	488	376	1721	1014	707
debit	-110	-41	-69	-131	-43	-88	-241	-84	-157
passenger	14	1	13	26	8	18	40	9	31
credit	42	17	25	64	25	39	106	42	64
debit	-28	-16	-12	-38	-17	-21	-66	-33	-33
freight	586	452	134	566	410	156	1152	862	290
credit	608	454	154	592	413	179	1200	867	333
debit	-22	-2	-20	-26	-3	-23	-48	-5	-43
other	147	32	115	141	27	114	288	59	229
credit	207	55	152	208	50	158	415	105	310
debit	-60	-23	-37	-67	-23	-44	-127	-46	-81
Sea transport	93	16	77	94	15	79	187	31	156
credit	120	17	103	125	17	108	245	34	211
debit	-27	-1	-26	-31	-2	-29	-58	-3	-55
passenger	1	0	1	0	0	0	1	0	1
credit	1	0	1	0	0	0	1	0	1
debit	0	0	0	0	0	0	0	0	0

Continued

Balance of payments items	I st quarter of 2003			II nd quarter of 2003			I st half of 2003		
	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world
freight	7	4	3	10	6	4	17	10	7
credit	15	4	11	17	6	11	32	10	22
debit	-8	0	-8	-7	0	-7	-15	0	-15
other	85	12	73	84	9	75	169	21	148
credit	104	13	91	108	11	97	212	24	188
debit	-19	-1	-18	-24	-2	-22	-43	-3	-40
Rail transport	76	14	62	99	20	79	175	34	141
credit	116	47	69	138	52	86	254	99	155
debit	-40	-33	-7	-39	-32	-7	-79	-65	-14
passenger	1	1	0	8	8	0	9	9	0
credit	15	14	1	22	21	1	37	35	2
debit	-14	-13	-1	-14	-13	-1	-28	-26	-2
freight	54	1	53	70	6	64	124	7	117
credit	56	2	54	74	7	67	130	9	121
debit	-2	-1	-1	-4	-1	-3	-6	-2	-4
other	21	12	9	21	6	15	42	18	24
credit	45	31	14	42	24	18	87	55	32
debit	-24	-19	-5	-21	-18	-3	-45	-37	-8
Air transport	44	0	44	47	1	46	91	1	90
credit	72	5	67	90	7	83	162	12	150
debit	-28	-5	-23	-43	-6	-37	-71	-11	-60
passenger	12	0	12	14	0	14	26	0	26
credit	26	3	23	37	4	33	63	7	56
debit	-14	-3	-11	-23	-4	-19	-37	-7	-30
freight	18	0	18	24	0	24	42	0	42
credit	20	0	20	27	0	27	47	0	47
debit	-2	0	-2	-3	0	-3	-5	0	-5
other	14	0	14	9	1	8	23	1	22
credit	26	2	24	26	3	23	52	5	47
debit	-12	-2	-10	-17	-2	-15	-29	-4	-25
Other transport	534	455	79	493	409	84	1027	864	163
credit	549	457	92	511	412	99	1060	869	191
debit	-15	-2	-13	-18	-3	-15	-33	-5	-28
passenger	0	0	0	4	0	4	4	0	4
credit	0	0	0	5	0	5	5	0	5
debit	0	0	0	-1	0	-1	-1	0	-1
freight	507	447	60	462	398	64	969	845	124
credit	517	448	69	474	400	74	991	848	143
<i>including</i>									
Pipeline transport	483	446	37	434	396	38	917	842	75
debit	-10	-1	-9	-12	-2	-10	-22	-3	-19
other	27	8	19	27	11	16	54	19	35
credit	32	9	23	32	12	20	64	21	43
debit	-5	-1	-4	-5	-1	-4	-10	-2	-8
Travel	10	4	6	36	15	21	46	19	27
credit	175	70	105	222	89	133	397	159	238
debit	-165	-66	-99	-186	-74	-112	-351	-140	-211
Communication services	0	3	-3	0	2	-2	0	5	-5
credit	19	12	7	19	11	8	38	23	15
debit	-19	-9	-10	-19	-9	-10	-38	-18	-20
Construction services	-20	2	-22	-18	-1	-17	-38	1	-39
credit	9	5	4	10	4	6	19	9	10
debit	-29	-3	-26	-28	-5	-23	-57	-8	-49
Financial services	-10	0	-10	-12	0	-12	-22	0	-22
credit	5	0	5	3	0	3	8	0	8
debit	-15	0	-15	-15	0	-15	-30	0	-30

Balance of Payments of Ukraine in the first half of 2003

Continued

Balance of payments items	I st quarter of 2003			II nd quarter of 2003			I st half of 2003		
	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world
Insurance services	-90	-15	-75	-120	-15	-105	-210	-30	-180
credit	2	1	1	2	1	1	4	2	2
debit	-92	-16	-76	-122	-16	-106	-214	-32	-182
Computer and information services	-7	-1	-6	-10	-1	-9	-17	-2	-15
credit	4	1	3	4	1	3	8	2	6
debit	-11	-2	-9	-14	-2	-12	-25	-4	-21
Royalties and license fees	-80	-1	-79	-87	-1	-86	-167	-2	-165
credit	2	0	2	3	1	2	5	1	4
debit	-82	-1	-81	-90	-2	-88	-172	-3	-169
Advertising and market research	-36	-3	-33	-19	-2	-17	-55	-5	-50
credit	4	0	4	3	0	3	7	0	7
debit	-40	-3	-37	-22	-2	-20	-62	-5	-57
Research and development	10	7	3	-7	4	-11	3	11	-8
credit	19	10	9	16	9	7	35	19	16
debit	-9	-3	-6	-23	-5	-18	-32	-8	-24
Government services	-59	24	-83	-56	24	-80	-115	48	-163
credit	47	26	21	45	25	20	92	51	41
debit	-106	-2	-104	-101	-1	-100	-207	-3	-204
Other business services	-65	9	-74	-28	1	-29	-93	10	-103
credit	60	21	39	61	19	42	121	40	81
debit	-125	-12	-113	-89	-18	-71	-214	-30	-184
INCOME	-120	-1	-119	-147	-4	-143	-267	-5	-262
credit	49	2	47	55	2	53	104	4	100
debit	-169	-3	-166	-202	-6	-196	-371	-9	-362
Compensation of employees	24	1	23	25	1	24	49	2	47
credit	25	1	24	26	1	25	51	2	49
debit	-1	0	-1	-1	0	-1	-2	0	-2
Investment income	-144	-2	-142	-172	-5	-167	-316	-7	-309
credit	24	1	23	29	1	28	53	2	51
debit	-168	-3	-165	-201	-6	-195	-369	-9	-360
Direct investment									
credit	-13	0	-13	-30	0	-30	-43	0	-43
debit	0	0	0	0	0	0	0	0	0
Income on equity									
credit	-13	0	-13	-30	0	-30	-43	0	-43
debit	-11	0	-11	-26	0	-26	-37	0	-37
credit	0	0	0	0	0	0	0	0	0
debit	-11	0	-11	-26	0	-26	-37	0	-37
Dividends and distributed branch profits									
credit	-5	0	-5	-24	0	-24	-29	0	-29
debit	0	0	0	0	0	0	0	0	0
Reinvested earnings									
credit	-5	0	-5	-24	0	-24	-29	0	-29
debit	-6	0	-6	-2	0	-2	-8	0	-8
Income on debt (interest)									
credit	0	0	0	0	0	0	0	0	0
debit	-6	0	-6	-2	0	-2	-8	0	-8
Portfolio investment									
credit	-2	0	-2	-4	0	-4	-6	0	-6
debit	0	0	0	0	0	0	0	0	0
Income on equity (dividends)									
credit	-64	0	-64	-68	0	-68	-132	0	-132
debit	0	0	0	0	0	0	0	0	0
Income on equity (dividends)									
credit	0	0	0	-2	0	-2	-2	0	-2
debit	0	0	0	0	0	0	0	0	0
Income on equity (dividends)									
credit	0	0	0	0	0	0	0	0	0
debit	0	0	0	-2	0	-2	-2	0	-2

Continued

Balance of payments items	I st quarter of 2003			II nd quarter of 2003			I st half of 2003		
	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world
Other sectors	0	0	0	-2	0	-2	-2	0	-2
credit	0	0	0	0	0	0	0	0	0
debit	0	0	0	-2	0	-2	-2	0	-2
Income on debt	-64	0	-64	-66	0	-66	-130	0	-130
credit	0	0	0	0	0	0	0	0	0
debit	-64	0	-64	-66	0	-66	-130	0	-130
Bonds and notes	-64	0	-64	-66	0	-66	-130	0	-130
credit	0	0	0	0	0	0	0	0	0
debit	-64	0	-64	-66	0	-66	-130	0	-130
General government	-63	0	-63	-57	0	-57	-120	0	-120
credit	0	0	0	0	0	0	0	0	0
debit	-63	0	-63	-57	0	-57	-120	0	-120
Other sectors	-1	0	-1	-9	0	-9	-10	0	-10
credit	0	0	0	0	0	0	0	0	0
debit	-1	0	-1	-9	0	-9	-10	0	-10
Other investment income	-67	-2	-65	-74	-5	-69	-141	-7	-134
credit	24	1	23	29	1	28	53	2	51
debit	-91	-3	-88	-103	-6	-97	-194	-9	-185
Monetary authorities	8	0	8	15	0	15	23	0	23
credit	20	0	20	26	0	26	46	0	46
debit	-12	0	-12	-11	0	-11	-23	0	-23
General government	-35	-3	-32	-27	0	-27	-62	-3	-59
credit	0	0	0	0	0	0	0	0	0
debit	-35	-3	-32	-27	0	-27	-62	-3	-59
Banks	-8	1	-9	-14	-5	-9	-22	-4	-18
credit	4	1	3	3	1	2	7	2	5
debit	-12	0	-12	-17	-6	-11	-29	-6	-23
Other sectors	-32	0	-32	-48	0	-48	-80	0	-80
credit	0	0	0	0	0	0	0	0	0
debit	-32	0	-32	-48	0	-48	-80	0	-80
CURRENT TRANSFERS	478	26	452	507	40	467	985	66	919
credit	489	31	458	526	45	481	1015	76	939
debit	-11	-5	-6	-19	-5	-14	-30	-10	-20
General government	89	0	89	91	0	91	180	0	180
credit	90	0	90	98	0	98	188	0	188
debit	-1	0	-1	-7	0	-7	-8	0	-8
Other sectors	389	26	363	416	40	376	805	66	739
credit	399	31	368	428	45	383	827	76	751
debit	-10	-5	-5	-12	-5	-7	-22	-10	-12
Workers' remittances	42	4	38	48	5	43	90	9	81
credit	42	4	38	48	5	43	90	9	81
debit	0	0	0	0	0	0	0	0	0
Other	347	22	325	368	35	333	715	57	658
credit	357	27	330	380	40	340	737	67	670
debit	-10	-5	-5	-12	-5	-7	-22	-10	-12
<u>CAPITAL AND FINANCIAL ACCOUNT</u>	-1500	-166	-1334	-346	134	-480	-1846	-32	-1814
CAPITAL ACCOUNT	0	-1	1	-13	-1	-12	-13	-2	-11
credit	2	0	2	2	0	2	4	0	4
debit	-2	-1	-1	-15	-1	-14	-17	-2	-15

Balance of Payments of Ukraine in the first half of 2003

Continued

Balance of payments items	I st quarter of 2003			II nd quarter of 2003			I st half of 2003		
	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world
Capital transfers	0	-1	1	-13	-1	-12	-13	-2	-11
credit	2	0	2	2	0	2	4	0	4
debit	-2	-1	-1	-15	-1	-14	-17	-2	-15
Other sectors	0	-1	1	-13	-1	-12	-13	-2	-11
credit	2	0	2	2	0	2	4	0	4
debit	-2	-1	-1	-15	-1	-14	-17	-2	-15
Migrants' transfers	-2	-1	-1	-15	-1	-14	-17	-2	-15
credit	0	0	0	0	0	0	0	0	0
debit	-2	-1	-1	-15	-1	-14	-17	-2	-15
Other	2	0	2	2	0	2	4	0	4
credit	2	0	2	2	0	2	4	0	4
debit	0	0	0	0	0	0	0	0	0
FINANCIAL ACCOUNT	-1500	-165	-1335	-333	135	-468	-1833	-30	-1803
DIRECT INVESTMENT	300	80	220	436	107	329	736	187	549
Abroad	1	0	1	-13	-9	-4	-12	-9	-3
Equity capital	1	0	1	-13	-9	-4	-12	-9	-3
In Ukraine	299	80	219	449	116	333	748	196	552
Equity capital	302	80	222	412	92	320	714	172	542
Other capital	-3	0	-3	37	24	13	34	24	10
PORTFOLIO INVESTMENT	-817	2	-819	688	7	681	-129	9	-138
<u>Foreign securities</u>	0	0	0	5	5	0	5	5	0
Debt securities	0	0	0	5	5	0	5	5	0
Bonds and notes	0	0	0	5	5	0	5	5	0
Banks	0	0	0	5	5	0	5	5	0
Other sectors	0	0	0	0	0	0	0	0	0
<u>Domestic securities</u>	-817	2	-819	683	2	681	-134	4	-138
Equity securities	-628	0	-628	-108	2	-110	-736	2	-738
Other sectors	-628	0	-628	-108	2	-110	-736	2	-738
Debt securities	-189	2	-191	791	0	791	602	2	600
Bonds and notes	-189	2	-191	791	0	791	602	2	600
Monetary authorities	0	0	0	-4	0	-4	-4	0	-4
General government	-257	0	-257	800	0	800	543	0	543
Banks	5	0	5	-5	0	-5	0	0	0
Other sectors	63	2	61	0	0	0	63	2	61
OTHER INVESTMENT	-807	-247	-560	-42	21	-63	-849	-226	-623
<u>Assets</u>	-543	6	-549	-44	-105	61	-587	-99	-488
Trade credits	-19	50	-69	-232	-123	-109	-251	-73	-178
Other sectors	-19	50	-69	-232	-123	-109	-251	-73	-178
Short-term	-19	50	-69	-232	-123	-109	-251	-73	-178
Loans	-58	-12	-46	34	3	31	-24	-9	-15
Banks	-58	-12	-46	34	3	31	-24	-9	-15
Long-term	1	0	1	0	0	0	1	0	1
Short-term	-59	-12	-47	34	3	31	-25	-9	-16
Currency and deposits	-285	-43	-242	74	-6	80	-211	-49	-162
Monetary authorities	-13	0	-13	-1	0	-1	-14	0	-14
Banks	-288	-43	-245	92	-5	97	-196	-48	-148
Other sectors	16	0	16	-17	-1	-16	-1	-1	0
Other assets	-181	11	-192	80	21	59	-101	32	-133
Other sectors	-181	11	-192	80	21	59	-101	32	-133
Short-term	-181	11	-192	80	21	59	-101	32	-133

Concluded

Balance of payments items	I st quarter of 2003			II nd quarter of 2003			I st half of 2003		
	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world	Total	CIS countries	Rest of the world
<i>Liabilities</i>	-264	-253	-11	2	126	-124	-262	-127	-135
<i>Trade credits</i>	-48	-19	-29	151	119	32	103	100	3
Other sectors	-48	-19	-29	151	119	32	103	100	3
Short-term	-48	-19	-29	151	119	32	103	100	3
<i>Loans</i>	32	32	0	178	383	-205	210	415	-205
Monetary authorities	-23	0	-23	-61	0	-61	-84	0	-84
Use of Fund credit and loans	-22	0	-22	-65	0	-65	-87	0	-87
Drawings	0	0	0	0	0	0	0	0	0
Repayments	-22	0	-22	-65	0	-65	-87	0	-87
Other long-term	-1	0	-1	4	0	4	3	0	3
Drawings	2	0	2	4	0	4	6	0	6
Repayments	-3	0	-3	0	0	0	-3	0	-3
General government	-80	-25	-55	221	257	-36	141	232	-91
Long-term	-80	-25	-55	221	257	-36	141	232	-91
Drawings	14	0	14	308	282	26	322	282	40
Rescheduling of existing debt	0	0	0	282	282	0	282	282	0
Other	14	0	14	26	0	26	40	0	40
Repayments	-94	-25	-69	-87	-25	-62	-181	-50	-131
Banks	-73	-29	-44	88	103	-15	15	74	-59
Long-term	-3	0	-3	4	0	4	1	0	1
Drawings	3	0	3	18	0	18	21	0	21
Repayments	-6	0	-6	-14	0	-14	-20	0	-20
Short-term	-70	-29	-41	84	103	-19	14	74	-60
Other sectors	208	86	122	-70	23	-93	138	109	29
Long-term	171	72	99	-74	17	-91	97	89	8
Drawings	449	79	370	338	22	316	787	101	686
Repayments	-278	-7	-271	-412	-5	-407	-690	-12	-678
Short-term	37	14	23	4	6	-2	41	20	21
<i>Currency and deposits</i>	46	14	32	18	10	8	64	24	40
Banks	46	14	32	18	10	8	64	24	40
<i>Other liabilities</i>	-294	-280	-14	-345	-386	41	-639	-666	27
General government	0	0	0	-282	-282	0	-282	-282	0
Short-term	0	0	0	-282	-282	0	-282	-282	0
Total arrears	0	0	0	-282	-282	0	-282	-282	0
Rescheduling of arrears	0	0	0	-282	-282	0	-282	-282	0
Principal	0	0	0	-282	-282	0	-282	-282	0
Other sectors	-294	-280	-14	-63	-104	41	-357	-384	27
Other	-294	-280	-14	-63	-104	41	-357	-384	27
Reserve assets	-176	0	-176	-1415	0	-1415	-1591	0	-1591
Monetary gold	-2	0	-2	1	0	1	-1	0	-1
Special drawing rights	12	0	12	8	0	8	20	0	20
Foreign currency	-186	0	-186	-1424	0	-1424	-1610	0	-1610
Net Errors and Omissions	418	-	-	-387	-	-	31	-	-
BALANCE	0	-	-	0	-	-	0	-	-

DYNAMICS OF THE BALANCE OF PAYMENTS OF UKRAINE

USD million

Balance of Payments items	I st quarter of 2002	II nd quarter of 2002	III rd quarter of 2002	IV th quarter of 2002	I st quarter of 2003	II nd quarter of 2003
<u>CURRENT ACCOUNT</u>	827	626	754	966	1082	733
GOODS AND SERVICES (balance)	517	331	402	607	724	373
EXPORTS OF GOODS AND SERVICES	5054	5511	6060	6726	6297	6785
IMPORTS OF GOODS AND SERVICES	-4537	-5180	-5658	-6119	-5573	-6412
GOODS (balance)	243	87	155	225	324	-39
EXPORTS OF GOODS	4023	4437	4838	5371	5094	5533
IMPORTS OF GOODS	-3780	-4350	-4683	-5146	-4770	-5572
including						
General merchandise	109	-79	-106	61	171	-134
exports FOB	3589	3875	4238	4805	4593	4987
imports FOB	-3480	-3954	-4344	-4744	-4422	-5121
Goods for processing	130	146	248	144	149	80
credit	408	515	557	519	472	495
debit	-278	-369	-309	-375	-323	-415
Repairs on goods	23	43	36	42	22	45
credit	25	46	40	45	28	50
debit	-2	-3	-4	-3	-6	-5
Goods procured in ports by carriers	-19	-23	-23	-22	-18	-30
credit	1	1	3	2	1	1
debit	-20	-24	-26	-24	-19	-31
<i>For reference</i>						
Exports of goods according to State Statistics Committee data	3866	4259	4652	5180	4946	5363
Adjustments	157	178	186	191	148	170
For classification	25	46	40	45	28	50
Repairs on goods	25	46	40	45	28	50
For coverage	132	132	146	146	120	120
Imports of goods according to State Statistics Committee data	-3542	-4105	-4435	-4895	-4535	-5330
Adjustments	-238	-245	-248	-251	-235	-242
For classification	18	17	16	17	14	15
Repairs on goods	-2	-3	-4	-3	-6	-5
Prices adjusted to FOB	20	20	20	20	20	20
For coverage	-256	-262	-264	-268	-249	-257

Continued

Balance of Payments items	I st quarter of 2002	II nd quarter of 2002	III rd quarter of 2002	IV th quarter of 2002	I st quarter of 2003	II nd quarter of 2003
SERVICES (balance)	274	244	247	382	400	412
EXPORTS OF SERVICES	1031	1074	1222	1355	1203	1252
IMPORTS OF SERVICES	-757	-830	-975	-973	-803	-840
Transportation	662	641	727	867	747	733
credit	762	754	866	1002	857	864
debit	-100	-113	-139	-135	-110	-131
passenger	10	17	37	12	14	26
credit	33	50	83	47	42	64
debit	-23	-33	-46	-35	-28	-38
freight	540	500	558	713	586	566
credit	567	522	583	741	608	592
debit	-27	-22	-25	-28	-22	-26
other	112	124	132	142	147	141
credit	162	182	200	214	207	208
debit	-50	-58	-68	-72	-60	-67
Sea transport	75	80	90	85	93	94
credit	110	114	131	125	120	125
debit	-35	-34	-41	-40	-27	-31
passenger	0	0	1	0	1	0
credit	0	0	1	0	1	0
debit	0	0	0	0	0	0
freight	-1	3	6	6	7	10
credit	12	12	19	17	15	17
debit	-13	-9	-13	-11	-8	-7
other	76	77	83	79	85	84
credit	98	102	111	108	104	108
debit	-22	-25	-28	-29	-19	-24
Rail transport	72	84	71	91	76	99
credit	94	115	115	128	116	138
debit	-22	-31	-44	-37	-40	-39
passenger	3	4	15	2	1	8
credit	12	18	40	17	15	22
debit	-9	-14	-25	-15	-14	-14
freight	55	59	42	58	54	70
credit	58	62	45	61	56	74
debit	-3	-3	-3	-3	-2	-4
other	14	21	14	31	21	21
credit	24	35	30	50	45	42
debit	-10	-14	-16	-19	-24	-21

Continued

Balance of Payments items		I st quarter of 2002	II nd quarter of 2002	III rd quarter of 2002	IV th quarter of 2002	I st quarter of 2003	II nd quarter of 2003
Air transport		24	27	41	34	44	47
	credit	51	61	81	72	72	90
	debit	-27	-34	-40	-38	-28	-43
passenger		6	8	17	9	12	14
	credit	20	27	37	29	26	37
	debit	-14	-19	-20	-20	-14	-23
freight		13	12	12	15	18	24
	credit	14	14	13	17	20	27
	debit	-1	-2	-1	-2	-2	-3
other		5	7	12	10	14	9
	credit	17	20	31	26	26	26
	debit	-12	-13	-19	-16	-12	-17
Other transport		491	450	525	657	534	493
	credit	507	464	539	677	549	511
	debit	-16	-14	-14	-20	-15	-18
passenger		1	5	4	1	0	4
	credit	1	5	5	1	0	5
	debit	0	0	-1	0	0	-1
freight		473	426	498	634	507	462
	credit	483	434	506	646	517	474
<i>including</i>							
Pipeline transport		455	397	471	611	483	434
	debit	-10	-8	-8	-12	-10	-12
other		17	19	23	22	27	27
	credit	23	25	28	30	32	32
	debit	-6	-6	-5	-8	-5	-5
Travel		18	51	55	7	10	36
	credit	155	201	223	209	175	222
	debit	-137	-150	-168	-202	-165	-186
Communication services		-5	0	-9	3	0	0
	credit	21	19	24	25	19	19
	debit	-26	-19	-33	-22	-19	-19
Construction services		-55	-65	-34	-33	-20	-18
	credit	6	8	9	6	9	10
	debit	-61	-73	-43	-39	-29	-28
Financial services		-9	-11	-4	-13	-10	-12
	credit	3	3	8	5	5	3
	debit	-12	-14	-12	-18	-15	-15
Insurance services		-33	-38	-55	-68	-90	-120
	credit	1	2	1	2	2	2
	debit	-34	-40	-56	-70	-92	-122
Computer and information services		-11	-13	-9	-32	-7	-10
	credit	2	3	2	3	4	4
	debit	-13	-16	-11	-35	-11	-14
Royalties and license fees		-18	-25	-24	-39	-80	-87
	credit	1	1	1	1	2	3
	debit	-19	-26	-25	-40	-82	-90

Continued

Balance of Payments items		I st quarter of 2002	II nd quarter of 2002	III rd quarter of 2002	IV th quarter of 2002	I st quarter of 2003	II nd quarter of 2003
Advertising and market research		-23	-23	-99	-15	-36	-19
	credit	2	2	3	2	4	3
	debit	-25	-25	-102	-17	-40	-22
Research and development		-109	-109	-126	-99	10	-7
	credit	11	12	10	16	19	16
	debit	-120	-121	-136	-115	-9	-23
Government services		-69	-73	-78	-73	-59	-56
	credit	25	25	24	25	47	45
	debit	-94	-98	-102	-98	-106	-101
Other business services		-74	-91	-97	-123	-65	-28
	credit	42	44	51	59	60	61
	debit	-116	-135	-148	-182	-125	-89
INCOME		-134	-146	-165	-161	-120	-147
	credit	36	35	39	53	49	55
	debit	-170	-181	-204	-214	-169	-202
Compensation of employees		14	15	18	23	24	25
	credit	15	16	19	24	25	26
	debit	-1	-1	-1	-1	-1	-1
Investment income		-148	-161	-183	-184	-144	-172
	credit	21	19	20	29	24	29
	debit	-169	-180	-203	-213	-168	-201
Direct investment		-9	-34	-38	-24	-13	-30
	credit	0	0	0	0	0	0
	debit	-9	-34	-38	-24	-13	-30
Income on equity		-9	-34	-38	-24	-11	-26
	credit	0	0	0	0	0	0
	debit	-9	-34	-38	-24	-11	-26
Dividends and distributed branch profits		-9	-34	-37	-23	-5	-24
	credit	0	0	0	0	0	0
	debit	-9	-34	-37	-23	-5	-24
Reinvested earnings		0	0	-1	-1	-6	-2
	credit	0	0	0	0	0	0
	debit	0	0	-1	-1	-6	-2
Income on debt		0	0	0	0	-2	-4
	credit	0	0	0	0	0	0
	debit	0	0	0	0	-2	-4
Portfolio investment		-58	-57	-54	-65	-64	-68
	credit	1	1	0	1	0	0
	debit	-59	-58	-54	-66	-64	-68
Income on equity		-2	-2	-1	-2	0	-2
	credit	0	0	0	0	0	0
	debit	-2	-2	-1	-2	0	-2
Other sectors		-2	-2	-1	-2	0	-2
	credit	0	0	0	0	0	0
	debit	-2	-2	-1	-2	0	-2

Balance of Payments of Ukraine in the first half of 2003

Continued

Balance of Payments items		I st	II nd	III rd	IV th	I st	II nd
		quarter of 2002	quarter of 2002	quarter of 2002	quarter of 2002	quarter of 2003	quarter of 2003
Income on debt		-56	-55	-53	-63	-64	-66
	credit	1	1	0	1	0	0
	debit	-57	-56	-53	-64	-64	-66
Bonds and notes		-56	-55	-53	-63	-64	-66
	credit	1	1	0	1	0	0
	debit	-57	-56	-53	-64	-64	-66
General government		-57	-56	-53	-62	-63	-57
	credit	0	0	0	0	0	0
	debit	-57	-56	-53	-62	-63	-57
Banks		1	1	0	1	0	0
	credit	1	1	0	1	0	0
	debit	0	0	0	0	0	0
Other sectors		0	0	0	-2	-1	-9
	credit	0	0	0	0	0	0
	debit	0	0	0	-2	-1	-9
Other investment		-81	-70	-91	-95	-67	-74
	credit	20	18	20	28	24	29
	debit	-101	-88	-111	-123	-91	-103
Monetary authorities		3	1	0	10	8	15
	credit	16	14	15	24	20	26
	debit	-13	-13	-15	-14	-12	-11
General government		-47	-24	-41	-47	-35	-27
	credit	0	0	0	0	0	0
	debit	-47	-24	-41	-47	-35	-27
Banks		-5	-13	-10	-20	-8	-14
	credit	4	4	5	4	4	3
	debit	-9	-17	-15	-24	-12	-17
Other sectors		-32	-34	-40	-38	-32	-48
	credit	0	0	0	0	0	0
	debit	-32	-34	-40	-38	-32	-48
CURRENT TRANSFERS		444	441	517	520	478	507
	credit	451	451	528	537	489	526
	debit	-7	-10	-11	-17	-11	-19
General government		90	87	93	92	89	91
	credit	90	90	95	96	90	98
	debit	0	-3	-2	-4	-1	-7
Other sectors		354	354	424	428	389	416
	credit	361	361	433	441	399	428
	debit	-7	-7	-9	-13	-10	-12
Workers' remittances		26	29	36	42	42	48
	credit	26	29	36	42	42	48
	debit	0	0	0	0	0	0
Other		328	325	388	386	347	368
	credit	335	332	397	399	357	380
	debit	-7	-7	-9	-13	-10	-12

Continued

Balance of Payments items	I st quarter of 2002	II nd quarter of 2002	III rd quarter of 2002	IV th quarter of 2002	I st quarter of 2003	II nd quarter of 2003
<u>CAPITAL AND FINANCIAL ACCOUNT</u>	-340	-611	-658	-679	-1500	-346
CAPITAL ACCOUNT	3	2	3	7	0	-13
credit	5	4	7	10	2	2
debit	-2	-2	-4	-3	-2	-15
Capital transfers	3	2	3	2	0	-13
credit	5	4	7	5	2	2
debit	-2	-2	-4	-3	-2	-15
Other sectors	3	2	3	2	0	-13
credit	5	4	7	5	2	2
debit	-2	-2	-4	-3	-2	-15
Migrants' transfers	-2	-2	-4	-3	-2	-15
credit	0	0	0	0	0	0
debit	-2	-2	-4	-3	-2	-15
Other	5	4	7	5	2	2
credit	5	4	7	5	2	2
debit	0	0	0	0	0	0
Acquisition/disposal of nonfinancial assets	0	0	0	5	0	0
credit	0	0	0	5	0	0
debit	0	0	0	0	0	0
FINANCIAL ACCOUNT	-343	-613	-661	-686	-1500	-333
DIRECT INVESTMENT	123	119	156	300	300	436
Abroad	1	3	-1	2	1	-13
Equity capital	1	3	-1	2	1	-13
In Ukraine	122	116	157	298	299	449
Equity capital	122	116	157	298	302	412
Other capital	0	0	0	0	-3	37
PORTFOLIO INVESTMENT	-293	-311	-592	-520	-817	688
<u>Foreign securities</u>	1	0	1	0	0	5
Equity securities	1	0	0	0	0	0
Banks	1	0	0	0	0	0
Debt securities	0	0	1	0	0	5
Bonds and notes	0	0	1	0	0	5
Banks	0	0	0	0	0	5
Other sectors	0	0	1	0	0	0
<u>Domestic securities</u>	-294	-311	-593	-520	-817	683
Equity securities	-194	-310	-483	-971	-628	-108
Other sectors	-194	-310	-483	-971	-628	-108
Debt securities	-100	-1	-110	451	-189	791
Bonds and notes	-100	-1	-110	451	-189	791
Monetary authorities	0	-4	0	-4	0	-4
General government	-110	0	-115	353	-257	800
Banks	0	0	0	0	5	-5
Other sectors	10	3	5	102	63	0

Balance of Payments of Ukraine in the first half of 2003

Continued

Balance of Payments items	Ist quarter of 2002	IInd quarter of 2002	IIIrd quarter of 2002	IVth quarter of 2002	Ist quarter of 2003	IInd quarter of 2003
OTHER INVESTMENT	-169	-285	444	-230	-807	-42
<u>Assets</u>	-162	-516	262	-365	-543	-44
<i>Trade credits</i>	-10	-290	214	-4	-19	-232
Other sectors	-10	-290	214	-4	-19	-232
Short-term	-10	-290	214	-4	-19	-232
<i>Credits</i>	-19	-11	-22	65	-58	34
Banks	-19	-11	-22	65	-58	34
Long-term	-8	7	1	10	1	0
Short-term	-11	-18	-23	55	-59	34
<i>Currency and deposits</i>	38	-52	-56	-67	-285	74
Monetary authorities	-23	4	-19	15	-13	-1
Banks	58	-51	-37	-69	-288	92
Other sectors	3	-5	0	-13	16	-17
<i>Other assets</i>	-171	-163	126	-359	-181	80
Other sectors	-171	-163	126	-359	-181	80
Short-term	-171	-163	126	-359	-181	80
<u>Liabilities</u>	-7	231	182	135	-264	2
<i>Trade credits</i>	-71	5	-88	192	-48	151
Other sectors	-71	5	-88	192	-48	151
Short-term	-71	5	-88	192	-48	151
<i>Credits</i>	-89	298	225	284	32	178
Monetary authorities	-25	-67	-39	-64	-23	-61
Use of Fund credit and loans	-27	-75	-17	-72	-22	-65
Drawings	0	0	0	0	0	0
Repayments	-27	-75	-17	-72	-22	-65
Other long-term	2	8	-22	8	-1	4
Drawings	9	8	2	8	2	4
Repayments	-7	0	-24	0	-3	0
General government	-100	198	-55	-73	-80	221
Long-term	-100	198	-55	-73	-80	221
Drawings	22	19	31	19	14	308
Rescheduling of existing debt*	0	259	19	55	0	282
Other	22	19	31	19	14	26
Repayments	-122	-80	-105	-147	-94	-87
Banks	-17	17	-26	132	-73	88
Long-term	0	0	0	0	-3	4
Drawings	0	0	0	0	3	18
Repayments	0	0	0	0	-6	-14
Short-term	-17	17	-26	132	-70	84
Other sectors	53	150	345	289	208	-70
Long-term	49	75	145	222	171	-74
Drawings	345	386	490	493	449	338
Repayments	-296	-311	-345	-271	-278	-412
Short-term	4	75	200	67	37	4

Concluded

Balance of Payments items	I st quarter of 2002	II nd quarter of 2002	III rd quarter of 2002	IV th quarter of 2002	I st quarter of 2003	II nd quarter of 2003
<i>Currency and deposits</i>	-30	77	40	-117	46	18
Banks	-30	77	40	-117	46	18
<i>Other liabilities</i>	183	-149	5	-224	-294	-345
General government	-1	-243	-7	-105	0	-282
Short-term	-1	-243	-7	-105	0	-282
Total arrears	-6	-228	-27	-74	0	-282
Accumulation of arrears	26	4	7	0	0	0
Principal on long-term debt	24	4	7	0	0	0
Interest	2	0	0	0	0	0
Repayment of arrears	-32	-2	-16	-19	0	0
Interest	-32	-2	-16	-19	0	0
Rescheduling of arrears	0	-230	-18	-55	0	-282
Principal	0	-230	-18	-55	0	-282
Other	5	-15	20	-31	0	0
Other sectors	184	94	12	-119	-294	-63
Other	184	94	12	-119	-294	-63
RESERVE ASSETS	-4	-136	-669	-236	-176	-1415
Monetary gold	5	-1	-2	-1	-2	1
Special drawing rights	40	81	31	81	12	8
Foreign currency	-49	-216	-698	-316	-186	-1424
Net Errors and Omissions	-487	-15	-96	-287	418	-387
BALANCE	0	0	0	0	0	0

*Rescheduling of external debt of Ukraine

– in 2002 to the Paris Club of Creditors

– in 2003 to Turkmenistan

**SHARE OF MAIN TRADING PARTNERS OF UKRAINE
WITHIN TOTAL GOODS TURNOVER
in the first half of 2003**

USD million

Countries	Goods turnover	<i>Share within total goods turnover, percent</i>	Exports	Imports	Balance
Russian Federation	5646	26.9	1847	3799	-1952
Germany	1502	7.2	592	910	-318
Turkmenistan	977	4.7	60	917	-857
Italy	875	4.2	609	266	343
Poland	727	3.5	392	335	57
China	684	3.3	473	211	262
Turkey	500	2.4	372	128	244
Hungary	465	2.2	344	121	223
USA	460	2.2	244	216	28
Great Britain	382	1.8	156	226	-70
Kazakhstan	331	1.6	107	224	-117
Netherlands	317	1.5	190	127	63
Switzerland	302	1.4	228	74	154
France	285	1.4	59	226	-167
Belarus	284	1.4	144	140	4
Romania	243	1.2	223	20	203
Austria	238	1.1	124	114	10
Slovakia	226	1.1	138	88	50
Moldova	217	1.0	192	25	167
Czech Republic	210	1.0	92	118	-26
Republic of Korea	200	1.0	93	107	-14
Cyprus	193	0.9	183	10	173
Japan	186	0.9	44	142	-98
Algeria	165	0.8	163	2	161
Belgium	163	0.8	60	103	-43
Spain	160	0.8	95	65	30

INVESTMENT IN EQUITY CAPITAL AND EARNINGS REINVESTED IN UKRAINE BY
MAIN KINDS OF ECONOMIC ACTIVITIES

Economic activities	As of 1 July 2002		As of 1 July 2003		Growth rates, %
	USD million	share, %	USD million	share, %	
Total*	4991	100.0	6385	100.0	<u>127.9</u>
<i>including:</i>					
Food industry and agricultural products processing	826	16.5	918	14.4	<u>111.1</u>
Wholesale trade and intermediate trade	725	14.5	871	13.6	<u>120.1</u>
Machine building	352	7.1	529	8.3	<u>150.3</u>
Metallurgy and metal working	329	6.6	490	7.7	<u>148.9</u>
Financing activities	377	7.6	442	6.9	<u>117.2</u>
Postal services, communication	113	2.3	305	4.8	<u>2.7 times</u>
Chemical and petrochemical industry	206	4.1	284	4.4	<u>137.9</u>
Real estate activities, leasing, services to le- gal entities	205	4.1	271	4.2	<u>132.2</u>
Extractive industry	147	2.9	218	3.4	<u>148.3</u>
Electricity, gas and water production and distribution	237	4.7	193	3.0	<u>81.4</u>
Construction	121	2.4	191	3.0	<u>157.9</u>
Production of coke, oil refinery products and nuclear fuel	189	3.8	182	2.9	<u>96.3</u>
Other economic activities	1164	23.4	1491	23.4	<u>128.1</u>

*Including privatization and receipts from sales of UMC shares.

**INVESTMENT IN EQUITY CAPITAL AND EARNINGS REINVESTED IN UKRAINE
BY MAIN INVESTORS**

Countries	As of 1 July 2002		As of 1 July 2003		Growth rates, %
	USD million	share, %	USD million	share, %	
Total *	4991	100.0	6385	100.0	<u>127.9</u>
<i>including:</i>					
USA	897	18.0	1021	16.0	<u>113.8</u>
Cyprus	497	10.0	631	9.9	<u>127.0</u>
Great Britain	460	9.2	581	9.1	<u>126.3</u>
Russian Federation	393	7.9	558	8.7	<u>142.0</u>
Virgin Islands (Great Britain)	309	6.2	481	7.5	<u>155.7</u>
Netherlands	388	7.8	411	6.4	<u>105.9</u>
Germany	272	5.4	360	5.6	<u>132.4</u>
Switzerland	199	4.0	300	4.7	<u>150.8</u>
Austria	174	3.5	244	3.8	<u>140.2</u>
Republic of Korea	170	3.4	172	2.7	<u>101.2</u>
Slovakia	140	2.8	136	2.1	<u>97.1</u>
Poland	89	1.8	133	2.1	<u>149.4</u>
Hungary	65	1.3	110	1.7	<u>169.2</u>
Sweden	92	1.8	94	1.5	<u>102.2</u>
Italy	84	1.7	87	1.4	<u>103.6</u>
Liechtenstein	35	0.7	78	1.2	<u>2.2 times</u>
Ireland	76	1.5	76	1.2	<u>100.0</u>
Norway	41	0.8	68	1.1	<u>165.9</u>
Latvia	11	0.2	68	1.1	<u>6.1 times</u>
Canada	55	1.1	66	1.0	<u>120.0</u>
Denmark	25	0.5	49	0.8	<u>196.0</u>
France	34	0.7	49	0.8	<u>144.1</u>
Turkey	37	0.7	41	0.6	<u>110.8</u>
Czech Republic	37	0.7	41	0.6	<u>110.8</u>
Israel	28	0.6	38	0.6	<u>135.7</u>
Spain	31	0.6	34	0.5	<u>109.7</u>
Other countries	352	7.1	458	7.3	<u>130.1</u>

*Including privatization and receipts from sales of UMC shares.

**TRENDS IN DEVELOPMENT OF
FOREIGN TRADE RELATIONS
BETWEEN UKRAINE AND EU
COUNTRIES in the first half of 2003**

Trade in commodities with EU countries grew faster than that with CIS countries. In the first half of 2003, the aggregate goods turnover with EU countries grew by 27.0% (by 32.7% including 10 EU accession countries), whereas it increased by 26.1% with CIS countries.

In the first half of 2003, the turnover of goods between Ukraine and EU countries amounted to USD 4.3 billion, and its share made 20.8% of the total trade operations. The balance of trade deficit totaled USD 333.1 million versus USD 186.0 million in the corresponding period of 2002.

Exports of Ukrainian goods to the EU equaled USD 2.0 billion (USD 3.5 billion including 10 EU accession countries) and augmented by 24.0 and 34.0% respectively compared with the corresponding period of the previous year, whereas those to CIS countries amounted to USD 2.7 billion and went up by 26.6%.

Imports of goods from the EU to Ukraine totaled USD 2.3 billion (USD 3.1 billion including 10 EU accession countries) and rose by 29.7 and 31.2% respectively.

Over the first half of 2003, a balance of trade surplus was formed with Italy (USD 342.7 million), with the Netherlands (USD 63.7 million), with Spain (USD 30.2 million), with Portugal (USD 26.4 million), with Greece (USD 13.3 million), and with Austria (USD 9.8 million). On the contrary, a considerable deficit was formed with Germany (USD – 318.4 million) and with France (USD –166.3 million).

In the first half of 2003, the largest goods turnover between Ukraine and EU countries traditionally fell on Germany (USD 1502.4 million), on Italy (USD 875.3 million), and on Great Britain (USD 382.2 million). These countries were accounted for 60% of the total trade with the European Union.

Within the commodity composition of Ukrainian **exports** to EU countries, a weighty portion fell on fuel and energy complex (29.6% of the total volume) and on ferrous and non-ferrous metals (22.0%). In the first half of 2003, Ukraine chiefly exported natural gas (29% of the total volume), cloths and articles of clothing (17%) and ferrous metals (16%) to Germany, oil products (39%) and ferrous metals (25%) to Italy, and oil products (41%) to Great Britain.

Within the composition of **imports** from the European Union to Ukraine, goods with high value added viz. machinery and equipment (40.3% of the total volume) and products of chemical industry and related industrial branches (22.7%) prevailed. Ukraine imported mainly machinery and equipment, as well as electrical machines (40%) from Italy, machinery and equipment (21%) and modes of land transportation (16%) from Germany, oil products (30%), modes of land transportation (12%) as well as machinery and equipment (11%) from Great Britain.

In the first half of 2003, the total goods turnover between Ukraine and 10 EU accession countries amounted to USD 3.2 billion and grew by 44.9% compared with the corresponding period of the previous year. Among these countries, Poland (USD 727.1 million) and Hungary (USD 465.5 million) were the most weighty trade partners of Ukraine. The balance of goods surplus totaled USD 730.9 million and was achieved at the expense of the surplus formed with almost all the countries excluding Slovenia and Czechia.

The commodity composition of foreign trade of Ukraine with those countries did not differ from that with EU countries. Within the exports, fuel and energy complex products (33.0% of the total volume), and ferrous and nonferrous metals and goods made of them (24.7%) prevailed. Within the imports, machinery and equipment, modes of transportation and devices (29.2%), and products of chemical industry and related industrial branches (26.0%) predominated.

Investment. As of 1 July 2003, the total investment from EU countries amounted to USD 2 billion or 34% of the total foreign investment made into the economy of Ukraine. In comparison with the beginning of 2003, it augmented by USD 202.7 million or by 11%. Great Britain took the first place in the volume of foreign investment that came to Ukraine from EU countries (28.2% of the total volume) followed by the Netherlands (19.9%) and Germany (17.5%). The Netherlands chiefly invested in food industry and agricultural products processing (66%), Great Britain and Germany invested in manufacturing industry (47 and 62% respectively).

Considerable inflows of foreign investment also came from Austria (12% of the total volume), from Sweden (5%), from Italy (4%), and from Ireland (4%).

In the first half of 2003, the technical assistance rendered by EU countries to Ukraine amounted to USD 16 million, USD 5.6 million whereof being

from Great Britain, USD 3.5 million – from Germany, USD 3.3 million – from the Netherlands, USD 3.1 million – from Sweden, and USD 0.4 million – from Denmark.

Over the first half of 2003, Ukraine received humanitarian aid at the amount of USD 13.4 million from EU countries. The largest inpayment came from Germany (USD 8.0 million), and from the Netherlands (USD 1.9 million).

Banking sector.

The banking system of Ukraine maintains direct correspondent relations with 11 EU countries. As of the **1 July 2003**, Ukrainian commercial banks opened 759 correspondent accounts with banks in

EU countries. A significant number of correspondent accounts was opened in Germany (386 accounts), and in Austria (211 accounts). The correspondent accounts were opened chiefly in Euro and in US dollar.

At the same time, 2 EU countries (Germany and Great Britain) opened correspondent accounts with Ukrainian banks.

Correspondent relations between Ukraine and banks of Ireland, Greece, Finland and Portugal are not established. Settlements with these countries are effected through correspondent accounts in other countries.

GOODS TURNOVER
with EU and EU accession countries

Countries	1 st half of 2002		1 st half of 2003		
	USD million	% of total	USD million	% of total	% of 1 st half of 2002
TOTAL	16590.0	100.0	20969.0	100.0	126.4
EU countries and EU accession countries	6095.8	36.7	7563.1	36.1	124.1
<i>including:</i>					
EU countries	3430.2	20.7	4355.4	20.8	127.0
Germany	1069.9	6.4	1502.4	7.2	140.4
Italy	639.7	3.9	875.3	4.2	136.8
Great Britain	361.5	2.2	382.2	1.8	105.7
Netherlands	218.2	1.3	317.1	1.5	145.3
France	214.7	1.3	285.1	1.4	132.8
Austria	200.6	1.2	237.8	1.1	118.6
Belgium	128.8	0.8	163.0	0.8	126.5
Spain	207.3	1.2	159.8	0.8	77.1
Finland	84.1	0.5	109.1	0.5	129.8
Sweden	125.5	0.8	108.6	0.5	86.6
Denmark	62.5	0.4	93.6	0.4	149.7
Greece	53.2	0.3	49.5	0.2	93.2
Portugal	43.6	0.3	41.1	0.2	94.1
Luxembourg	7.3	0.0	19.1	0.1	2.6 times as much
Ireland	13.3	0.1	11.7	0.1	88.3
EU accession countries – total	2665.6	16.1	3207.7	15.3	120.3
Countries joining EU on 1 May 2004 (10 countries)	1601.3	9.7	2319.7	11.1	144.9
Poland	441.9	2.7	727.1	3.5	164.6
Hungary	328.9	2.0	465.5	2.2	141.5
Slovakia	203.2	1.2	225.9	1.1	111.2
Czech Republic	180.2	1.1	209.8	1.0	116.5
Cyprus	73.4	0.4	192.5	0.9	2.6 times as much
Estonia	61.3	0.4	157.3	0.7	2.5 times as much
Lithuania	131.4	0.8	143.1	0.7	108.9
Latvia	145.7	0.9	136.9	0.7	94.0
Slovenia	32.5	0.2	45.5	0.2	140.0
Malta	2.9	0.02	16.1	0.1	5.6 times as much
EU accession countries (3 countries)	1064.3	6.4	888.0	4.2	83.4
Turkey	730.9	4.4	500.2	2.4	68.4
Romania	151.1	0.9	242.2	1.2	160.3
Bulgaria	182.3	1.1	145.6	0.7	79.8

**EXPORTS OF GOODS
to EU and EU accession countries**

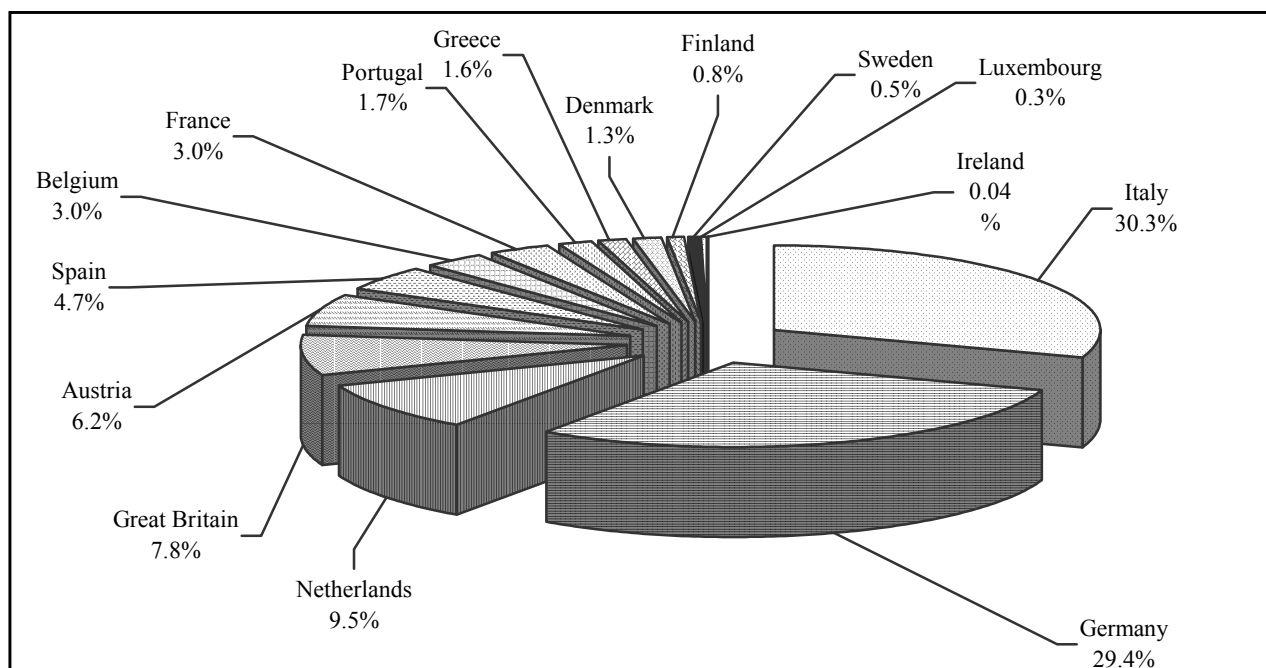
Countries	1 st half of 2002		1 st half of 2003		
	USD million	% of total	USD million	% of total	% of 1 st half of 2002
TOTAL	8460.0	100.0	10627.0	100.0	125.6
EU countries and EU accession countries	3581.4	42.3	4252.2	40.0	118.7
<i>including:</i>					
EU countries	1622.1	19.2	2011.1	18.9	124.0
Italy	427.2	5.0	609.0	5.7	142.6
Germany	346.0	4.1	592.0	5.6	171.1
Netherlands	127.5	1.5	190.4	1.8	149.3
Great Britain	243.2	2.9	155.9	1.5	64.1
Austria	100.3	1.2	123.8	1.2	123.4
Spain	162.5	1.9	95.0	0.9	58.5
Belgium	48.2	0.6	60.4	0.6	125.3
France	48.0	0.6	59.4	0.6	123.7
Portugal	39.9	0.5	33.7	0.3	84.4
Greece	37.5	0.4	31.4	0.3	83.8
Denmark	15.5	0.2	26.3	0.2	169.6
Finland	15.9	0.2	16.2	0.2	102.1
Sweden	7.7	0.1	10.5	0.1	136.4
Luxembourg	1.0	0.01	6.2	0.1	5.9 times as much
Ireland	1.6	0.02	0.8	0.01	53.2
EU accession countries – total	1959.3	23.2	2241.1	21.1	114.4
Countries joining EU on 1 May 2004 (10 countries)	1017.9	12.0	1525.3	14.4	149.9
Poland	208.6	2.5	392.2	3.7	188.0
Hungary	242.8	2.9	344.0	3.2	141.7
Cyprus	67.9	0.8	182.6	1.7	2.7 times as much
Slovakia	145.2	1.7	138.2	1.3	95.1
Estonia	37.8	0.4	130.0	1.2	3.4 times as much
Latvia	132.6	1.6	113.3	1.1	85.4
Lithuania	89.9	1.1	105.2	1.0	117.0
Czech Republic	85.2	1.0	91.8	0.9	107.8
Malta	2.9	0.03	15.9	0.1	5.6 times as much
Slovenia	5.1	0.1	12.1	0.1	2.4 times as much
EU accession countries (3 countries)	941.4	11.1	715.8	6.7	76.0
Turkey	648.8	7.7	372.5	3.5	57.4
Romania	138.0	1.6	222.5	2.1	161.3
Bulgaria	154.6	1.8	120.8	1.1	78.1

IMPORTS OF GOODS
from EU and EU accession countries

Countries	I st half of 2002		I st half of 2003		
	USD million	% of total	USD million	% of total	% of I st half of 2002
TOTAL	8130.0	100.0	10342.0	100.0	127.2
EU countries and EU accession countries	2514.4	30.9	3310.9	32.0	131.7
<i>including:</i>					
EU countries	1808.1	22.2	2344.3	22.7	129.7
Germany	723.9	8.9	910.4	8.8	125.8
Italy	212.5	2.6	266.3	2.6	125.3
Great Britain	118.3	1.5	226.3	2.2	191.3
France	166.7	2.1	225.7	2.2	135.4
Netherlands	90.7	1.1	126.7	1.2	139.7
Austria	100.3	1.2	114.0	1.1	113.7
Belgium	80.6	1.0	102.6	1.0	127.3
Sweden	117.8	1.4	98.1	0.9	83.3
Finland	68.2	0.8	92.9	0.9	136.2
Denmark	47.0	0.6	67.3	0.7	143.1
Spain	44.8	0.6	64.8	0.6	144.7
Greece	15.6	0.2	18.1	0.2	116.0
Luxembourg	6.3	0.1	12.9	0.1	2.1 times as much
Ireland	11.7	0.1	10.9	0.1	93.1
Portugal	3.7	0.05	7.4	0.1	199.2
EU accession countries – total	706.3	8.7	966.6	9.3	136.9
Countries joining EU on 1 May 2004 (10 countries)	583.4	7.2	794.4	7.7	136.2
Poland	233.3	2.9	335.0	3.2	143.6
Hungary	86.0	1.1	121.4	1.2	141.2
Czech Republic	95.0	1.2	118.0	1.1	124.2
Slovakia	58.0	0.7	87.7	0.8	151.3
Lithuania	41.5	0.5	37.9	0.4	91.2
Slovenia	27.4	0.3	33.5	0.3	122.0
Estonia	23.5	0.3	27.2	0.3	115.9
Latvia	13.1	0.2	23.7	0.2	180.4
Cyprus	5.5	0.1	9.9	0.1	179.0
Malta	0.02	0.0	0.2	0.0	8.6 times as much
EU accession countries (3 countries)	122.9	1.5	172.2	1.7	140.1
Turkey	82.1	1.0	127.7	1.2	155.6
Bulgaria	27.7	0.3	24.8	0.2	89.6
Romania	13.1	0.2	19.7	0.2	150.1

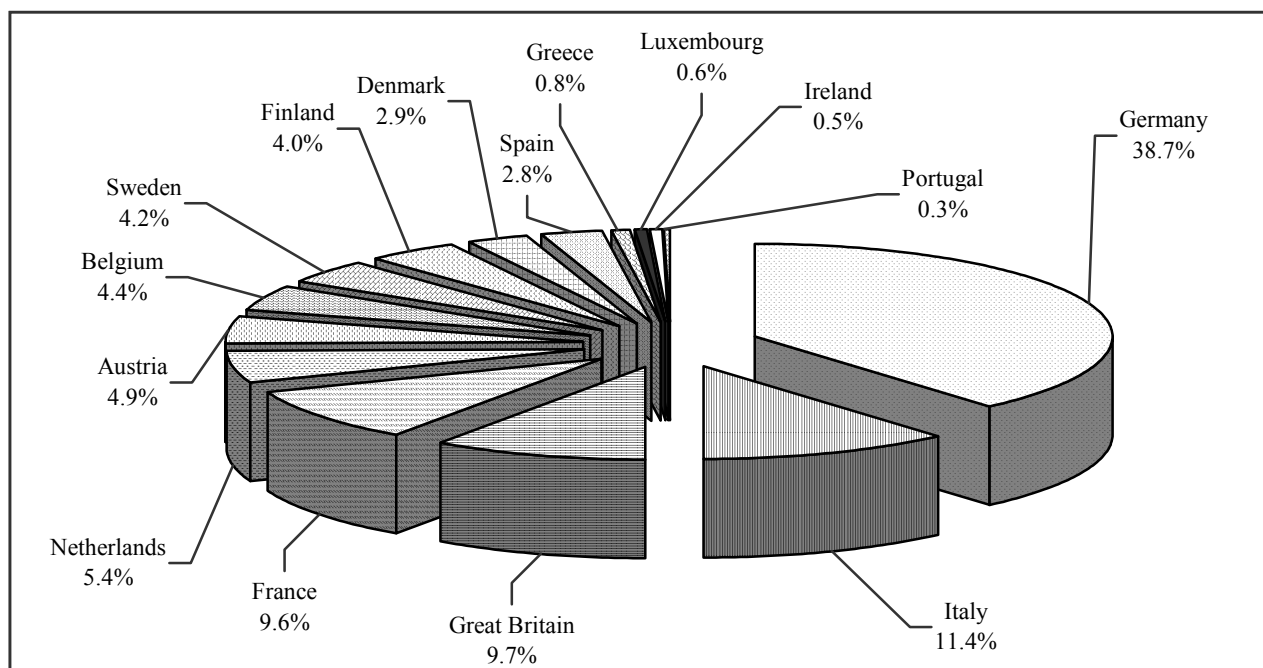
**SHARE OF SOME COUNTRIES WITHIN TOTAL EXPORTS
OF GOODS FROM UKRAINE TO EU
in the first half of 2003**

Countries	Exports of goods, USD million	In % of total
EU countries	2011	100.0
Italy	609	30.3
Germany	592	29.4
Netherlands	190	9.5
Great Britain	156	7.8
Austria	124	6.2
Spain	95	4.7
Belgium	60	3.0
France	59	3.0
Portugal	34	1.7
Greece	31	1.6
Denmark	26	1.3
Finland	16	0.8
Sweden	11	0.5
Luxembourg	6	0.3
Ireland	1	0.04



**SHARE OF SOME COUNTRIES WITHIN TOTAL IMPORTS OF GOODS
FROM EU TO UKRAINE
in the first half of 2003**

Countries	Imports of goods, USD million	In % of total
EU countries	2344	100.0
Germany	910	38.8
Italy	266	11.4
Great Britain	226	9.7
France	226	9.6
Netherlands	127	5.4
Austria	114	4.9
Belgium	103	4.4
Sweden	98	4.2
Finland	93	4.0
Denmark	67	2.9
Spain	65	2.8
Greece	18	0.8
Luxembourg	13	0.6
Ireland	11	0.5
Portugal	7	0.3



COMMENTS ON METHODOLOGY TO THE BALANCE OF PAYMENTS

Generalized evaluation of the economic situation in a country and efficiency of its global economic relations is made on the basis of the balance of payments. The balance of payments is a macroeconomic model that systematically summarizes the economic transactions of an economy with the rest of the world. The objective of this model is to elaborate and introduce a sound exchange and foreign economic policy of a country, to analyze and forecast the situation in trade and financial markets, bilateral and multilateral comparisons and research studies, etc. On the basis of the balance of payments actual data international financial institutions, the IMF in particular, take decisions with respect to granting financial assistance to some countries to stabilize the balance of payments and to overcome its deficit. The development and compilation of the balance of payments are an indispensable condition for all the IMF members and are based on the unified methodology according to the standard component classification and consolidated information structure.

By its compilation the **balance of payments** is defined as a statistical statement that systemizes overall data on the foreign economic transactions, for a specific period of time, made by residents of a country and residents of the rest of the world (non-residents). The major BOP components are grouped under two headings: the current account and the capital and financial account.

The definition of a *resident (non-resident)* in the BOP theory does not differ from that accepted by the System of National Accounts. To be a resident an economic unit must operate in the economic territory of a country for more than 1 year and have a centre of economic interest in that economy. Thus, it must engage and intend to continue engaging (over a lengthy period of time) in economic activities and transactions in the country.

The *economic territory* of a country is defined as a geographic territory administered by a government within which persons, goods and capital circulate freely. The economic territory of a country includes air space, territorial waters, and continental shelf over which a country enjoys exclusive rights,

territorial enclaves located in other countries (the territories of diplomatic representations, military bases etc). Therefore, although territorial enclaves used by foreign governments or international organizations may be physically located within a country's geographical boundaries, such enclaves are not included in the country's economic territory.

The economic territory may not coincide with the politically demarcated boundaries, it rather consists of the territory administered by a country's government.

Data in the balance of payments are presented according to specific accounting rules. Every recorded economic transaction is represented by two entries. One of these entries is designated a credit, while the other is designated a debit. Most entries in the balance of payments refer to transactions in which economic values are provided or received in exchange for other economic values. When economic values (goods, services or financial assets) are donated special types of entries called *transfers* are made in the balance of payments as the required offsets.

The difference between credit and debit entries as a result of time and value discrepancies is called *net errors and omissions* and is given in the respective balance of payments item.

In Ukraine the *responsibility for BOP compilation* was imposed by law on the NBU (Law of Ukraine "On the National Bank of Ukraine", Decree of the Cabinet of Ministers of Ukraine "On the System of Foreign Exchange Regulation and Control" as of 19 February 1993). The joint decree of the NBU and the Cabinet of Ministers of Ukraine # 517 "On Balance of Payments Compilation" established an order of coordinating activities of ministries and departments with respect to the establishment of the BOP information base.

The balance of payments is compiled on the basis of the system of accounting transactions between residents and non-residents under the direction of the NBU supplemented with statistical review data. In January 1993, under the aegis of the State Statistics Committee of Ukraine introduced was an information collection system based on banking activities. According to this system information is given by two categories of respondents: (1) banks that declare transactions with non-residents made monthly on behalf of clients and

on their own (form # 1-ПБ), (2) enterprises and organizations that opened accounts with foreign banks (form # 2-ПБ).

In Ukraine, organized was a closed information collection system. According to this system authorized banks give information about debit and credit turnovers under correspondent accounts with breakdown by operations and about balances on correspondent accounts at the beginning and at the end of an accounting period as well. Forms are given in the original currency under each correspondent account (Nostro and Loro). Transactions are aggregated and coded in accordance with the standard classification given the 5th addition of the IMF Balance of Payments Manual. The NBU converts the received data into US dollar at the average monthly exchange rate.

The State Statistics Committee introduced a quarterly reporting to keep track of the flow of direct investment to Ukraine and abroad as well as of transactions with services. To compile the balance of payments the NBU also uses the official trade statistics of the State Statistics Committee, which is based on customs statistics.

The NBU coordinates the activities of institutions and collects the information necessary for BOP compilation. The NBU is also responsible for BOP compilation, development of the methodological and methodical basis for BOP analysis and forecast and for conduct of respective research.

CURRENT ACCOUNT

The current account comprises all the transactions with real valuables between residents and non-residents as well as donation or acquisition of valuables for current use. The current account is subdivided into 4 major components: goods, services, income and current transfers.

Goods. The main source of the data on external trade in goods is the State Statistics Committee information based on cargo customs declarations and enterprise reports on the goods that shall not be declared at customs (fish caught in the open sea and sold abroad, goods acquired by carriers in ports, etc). To compile the balance of payments these data are adjusted by coverage (informal trade) and for classification (conversion of imports from c.i.f. to f.o.b. and repairs on goods).

Informal trade is the most important component of these additional calculations (2.3% of exports and 5.1% of imports of goods calculated by the State Statistics Committee). It comprises the unorganized retail foreign trade turnover not included in the official statistics. Informal trade volumes are calculated on the basis of a range of expert evaluations.

The State Customs Service of Ukraine provides the NBU with the information about the number of passenger cars imported by natural persons to Ukraine for permanent use and about the amount of taxes charged at customs, including the excise tax and VAT. The total value of the modes of transportation imported by natural persons is calculated on the basis of 20% VAT. The goods imported to Ukraine by natural persons are valued on the basis of the State Customs Service of Ukraine data on the import duty, VAT and excise tax paid by citizens at customs (Decree of the Cabinet of Ministers of Ukraine # 1652 as of 13 December 2001).

Moreover, the State Statistics Committee runs annual spot checks on the value of the imported goods sold in the country's commodity markets. The NBU utilizes the State Statistics Committee analyses to value the volumes of imported goods within the unorganized goods turnover in the domestic market and includes them in the trade balance.

To calculate the volumes of exported goods excluded from the official statistics the data and expert evaluations of the main trading partners are used. For instance, Ukraine has held consultations with Russian and Byelorussian BOP specialists on the calculation methodology and substantiation of informal trade quantitative indicators.

In accordance with the BOP compilation methodology exports and imports of goods are recorded on f.o.b. basis. The f.o.b. valuation of goods includes any costs incurred in transporting the goods to the customs border of the exporting country and in loading the goods on board the carrier at that frontier. According to the methodology of trade balance compilation, which is done by the State Statistics Committee, imports are recorded on c.i.f. basis. In order to make up the BOP *imports of goods* item transportation and insurance costs are deducted from the total imports.

The 4th group of additional calculations is repair on services. According to the BOP compilation

methodology repairs on goods are recorded under travel (part of the current account). The State Statistics Committee records repairs on goods in the foreign trade balance under services.

Exports and imports of goods are recorded when changes of ownership between non-residents and residents or vice versa occur at market prices. In the majority of cases it means that to value these transactions the contract or actual prices at the time of the transaction are used.

Services. The *service* item consists of 3 major components: transportation, travel and other services. The NBU primarily makes up the *service* item on the basis of its data on external trade in services, since for a long time its data have been more comprehensive compared with those of the State Statistics Committee of Ukraine. This statement is particularly true with respect to imports of services.

Transportation services include the carriage of passengers and cargoes as well as other services rendered by sea, air and other modes of transportation. The data source is bank reports (ITRS) and State Statistics Committee quarterly statistic reports on exports and imports of services.

The *travel* item should cover all goods and services acquired by travelers during their visits in host countries if their stay did not exceed one year. The data source is State Statistics Committee quarterly reports submitted by travel agencies and hotels as well as bank reports on purchase/sales of foreign currency and travelers' checks. Besides, the NBU values the earnings and expenditures related to tourism on the basis of the information about the number of natural persons that cross the border of Ukraine and about the minimum amount of foreign currency exempt from customs registration. Introduced was a differentiated approach depending on the trip purpose and the country whose border is crossed (source: State Border Committee Administration). Within the total number estimated was the portion of persons who trade or go abroad privately or within tourist groups.

Other services comprise communication services; construction services; insurance services; financial services; computer and information services; royalties and license fees; other business services; personal, cultural, and recreation services; and government services not included elsewhere.

Income. The *income* item consists of compensation of employees and investment income.

Compensation of employees includes wages, salaries and other compensations earned by individuals for work performed in economies other than those in which they are residents (border workers, seasonal workers, and staff of international organizations, etc).

Investment income covers income derived from direct, portfolio, and other investment as well as from reserve assets payable in the accounting period. Investment income is recorded in accordance with the accrual method.

Current transfers. Transfers are defined as offsetting entries for real sources or financial items provided without quid pro quo by an economy to Ukraine and vice versa. Current transfers increase the income and consumption possibilities of the recipient and reduce the income and consumption possibilities of the donor. This item is made up on the basis of bank reports related to private transfers and money payments made by the state run public authorities according to the information about the technical assistance received provided by the Ministry of Economy and European Integration and according to that about humanitarian aid provided by the State Customs Service.

CAPITAL AND FINANCIAL ACCOUNT

Capital account. The capital account covers all transactions that involve the receipt or payment of capital transfers (debt forgiveness, migrants' transfers etc) and acquisition/disposal of non-produced, nonfinancial assets.

Financial account. The financial account shows transactions with assets and liabilities of residents to non-residents, which are classified by functional type of investment: direct investment, portfolio investment, other investment, and reserve assets.

For all the financial account positions an increase in a country's financial assets and a decrease in liabilities are recorded with a negative arithmetic sign, whereas a decrease in assets and an increase in liabilities are recorded with a positive arithmetic sign.

Direct investment. Direct investment is a category of international investment that reflects the objective of obtaining a lasting interest by a resident entity in one economy in an enterprise resident in another economy. Investment of money is classified as direct investment if it grants 10% of ordinary shares or voting power for an enterprise. The information source for accounting direct investment is State Statistics Committee quarterly reports (forms # 10-3E3 and # 13-3E3) as well as bank reports on funds flow on correspondent accounts and form # 4-ПБ *Report on Interstate Capital Flow in the Form of Direct Investment.*

Portfolio investment. Portfolio investment covers equity securities and debt securities except when they relate to the direct investment or reserve assets components. To calculate the *portfolio investment* item utilized is the information about commercial debts provided by the Ministry of Finance of Ukraine as well as bank reports on funds flow on correspondent accounts and quarterly reports of commercial banks on interstate capital flow in the form of portfolio investment (form # 3 ПБ). The form reflects the capital flow in the form of portfolio investment by kinds of investment in securities and by economic sectors.

Other investment. Other investment is a residual category that includes all financial transactions not covered in direct investment, portfolio investment, or reserve assets. Other investment is classified by assets

and liabilities as well as by four instruments: commercial credits, credits, currency and deposits, and other assets and liabilities.

Long-term loans are recorded on the basis of the data provided by banks and by the Ministry of Finance of Ukraine. Commercial credits involve the change in current debts under the export and import transactions performed by economic entities, which are calculated on the basis of the State Statistics Committee data on payables and receivables. Other short-term liabilities also reflect outstanding debts to non-residents under attracted loans. Other short-term assets are a net increase in the cash foreign currency outside the banking system.

Reserve assets. The balance of payments reflects changes in the monetary gold and foreign exchange reserves administered by the NBU. The changes are calculated as the difference between balances at the beginning and at the end of an accounting period with adjustment to exchange rate difference. The NBU reserve assets do not include the foreign exchange funds deposited with resident banks.

The balance of payments is compiled on the 75th day after the period under review is ended and is published on the NBU web-site at <http://www.bank.gov.ua>

The data of previous periods are updated once a year when compiling the balance of payments for the 4th quarter and the accounting year.

