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Ukraine
Macroeconomic Situation

THE BLEYZER FOUNDATION

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- **In 2Q 2010, real GDP growth accelerated to 6% yoy.**
- **A less benign external environment suppressed the growth in export-oriented industries and sectors in June-July, signaling that the economic recovery has been losing steam.**
- **The revival of domestic consumption kept strengthening during June-July; however, the growth of domestic demand remains constrained due to sluggish credit activity.**
- **Budget revenue collections notably improved during June-July 2010; however, the state budget deficit kept widening due to fast growth in expenditures.**
- **At the beginning of July, the government amended the state budget law with measures to contain the broad budget deficit to 6.5% of GDP in 2010. This secured a positive IMF board decision on a new $15.2 billion loan program to Ukraine.**
- **Resumption of cooperation with the IMF contributed to both easing budget deficit financing concerns and reducing the external vulnerability of the country.**
- **Annual consumer price inflation decelerated to 6.8% yoy in July but returned on an upward trend in August.**
- **During July-August, the NBU twice reduced its discount rate by 1.75 percentage points to 7.75% pa. So far, however, the impact of these moves on credit activity was minimal.**
- **Ukraine's Balance of Payments reported a large surplus in July, although the current account balance switched to a deficit.**

Executive Summary

In 2Q 2010, the Ukrainian economy expanded by about 6% yoy, up from 4.9% yoy the previous quarter, according to a preliminary estimate of State Statistics Committee of Ukraine. Favorable developments in the real sector during the second quarter were the result of a benign external environment, reviving domestic demand and a low statistical base effect. As export prospects for 2H 2010 have worsened due to the downward correction of world commodity prices and the rebound in private consumption remaining subdued due to still sluggish credit activity, the favorable base effect started to ease, and the economic recovery is set to decelerate in 2H 2010. Already in July, the growth in industrial production slipped to 6.4% yoy, driven by poorer performance of export-oriented industries. Real GDP is forecast to grow by about 4% yoy in 2010.

During June-July 2010, revenue collections to the state budget notably strengthened thanks to a continuing recovery in economic activities, enforcement of state budget amendments that increased excises and rent payments, as well as accumulation of new VAT refund arrears. While the unpaid VAT claims accumulated during 2009 were reimbursed by issuing VAT-bonds during August, the government accumulated new arrears, which was the result of its efforts to reform the VAT refund system. The government has been developing an automatic system of VAT refunds. At the same time, prior to the introduction of the new system, VAT reimbursement remained limited. Despite a notable improvement in tax collections, faster growth in budget expenditures resulted in further widening of the state budget deficit. For January-July, the latter stood at UAH 27.7 billion, or about 5% of estimated period GDP.

At the beginning of July, the Ukrainian authorities amended the state budget law to make budget revenues more realistic and reduce expenditures. In addition, the government raised natural gas tariffs to the population and heating companies in August. These measures, necessary to contain a broad fiscal deficit to 6.5% of GDP, showed strong government commitment to follow IMF requirements and secured a positive IMF Executive Board decision on a new $15.2 billion loan to Ukraine. The first tranche of $1.9 billion was disbursed in late-July with about $1 billion directed to cover Ukraine's fiscal deficit financing needs. The resumption of the IMF contributed to both easing concerns over budget financing and reducing external vulnerability of the Ukrainian economy.

During June-July 2010, Ukraine experienced favorable price growth developments with the annual consumer price index falling to 6.8% in July 2010. However, since August inflation pressures have intensified due to utility tariffs growth, a rise in excises, soaring global food prices and robust growth of monetary aggregates. The latter was the result of sizable NBU purchases of foreign currency to prevent sharp Hryvnia appreciation and a return of deposits to the banking system of Ukraine. Despite the improved resource base, commercial banks remained reluctant to resume issuing credit. To stimulate credit activity, the NBU lowered its discount rate three times to 7.75% pa during June-August. However, the role of discount rate remains limited due to high credit risks and the large share of non-performing loans, suggesting the rebound in credit activity will be very gradual.

	2005	2006	2007	2008	2009	2010*
GDP growth, % yoy	2.7	7.3	7.9	2.1	-15.1	4.0
GDP per capita, $	1 830	2 300	3 070	3 870	2 540	3 060
Industrial production, % yoy	3.1	6.2	10.2	-3.1	-21.9	
Retail sales, % yoy	22.4	24.8	28.8	18.6	-16.6	
Budget deficit, % GDP	-1.8	-0.7	-1.5†	-2.1†	-8.5††	-6.5‡
Government external debt, % GDP	13.7	11.0	8.7	9.3	20.5	21.5
Inflation, eop	10.3	11.6	16.6	16.6	12.3	10.0
Gross international reserves, $ billion	19.4	22.4	32.5	31.5	26.5	34.0
Current account balance, % GDP	2.9	-1.5	-3.7	-7.0	-1.7	-0.5
Gross external debt, % GDP	45.9	50.6	56.0	56.4	88.6	78.5
Exchange rate, Hryvnia/US Dollar, eop	5.1	5.1	5.1	7.7	7.99	7.8-8.0

*Projections †Including implicit pension fund deficit ††Including bank recapitalization and Naftogaz capital injection, implicit pension fund deficit and expenditures covered by IMF's special SDR allocation
‡Including Naftogaz, Pension fund deficit (not including bank recapitalization expenditures)
Sources: State Statistics Committee of Ukraine, NBU, Ministry of Finance of Ukraine, 2010 Budget Law, The Bleyzer Foundation

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Economic Growth

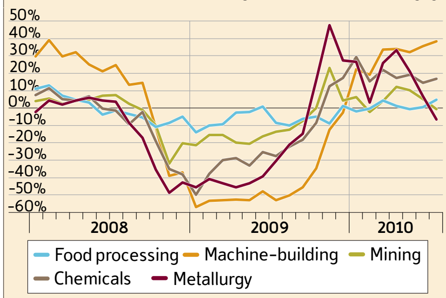
As expected, the Ukrainian economy showed stronger second quarter results, expanding by about 6% yoy, up from 4.9% yoy in 1Q 2010, according to preliminary estimates of the State Statistics Committee of Ukraine. The acceleration occurred thanks to a favorable confluence of a benign external environment, reviving domestic demand and a low statistical base effect. At the same time, continuing deterioration of the global environment since the end of May, still weak domestic demand and an easing statistical base effect signaled that the economy was likely lose steam over the coming months.

Indeed, Ukraine's year-on-year (yoy) industrial production growth slowed to less than 9% in June and slipped further to 6.4% in July. Falling world commodity prices caused metallurgy to scale down output production by 6.5% yoy in July. The contraction was in particular contrast to the previous periods when industry was among the main drivers of total industrial production growth, advancing by about 19% yoy during 1H 2010. Closely linked to developments in metallurgy, coke production went down by 0.5% yoy in June with contraction deepening to 10.5% yoy in July. For the same reason, extraction of iron ores decelerated markedly from more than 29% yoy in May to about 18% yoy in June and less than 3% yoy the following months.

Unfavorable weather conditions affected grain quality and yields of Ukrainian crops. Given the good gravest of the previous year, Ukraine's agricultural output dropped by 0.6% yoy for January-July while it still grew by a decent 3.4% yoy in January-June. In mid-July, the Ministry of Agricultural Policy lowered its crop forecast to about 42 billion tons, down from a previous 45-45.5 million tons. Despite the poorer harvest, it will still be much higher this year than the 15-year average. However, agriculture is expected to report negative growth for the whole year, contributing to real GDP growth moderation in 2H 2010.

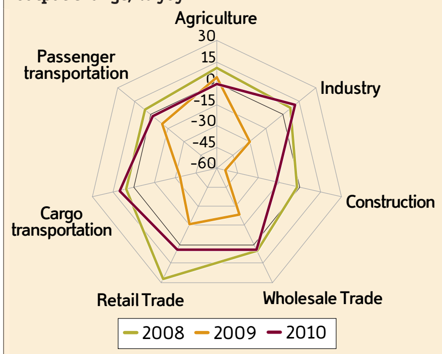
On the upside, Ukraine's machine-building industry continued to perform well in the last few months, benefiting from the fast recovery in Russia as well as improving overall relations between Ukraine and Russia. Output growth in the industry accelerated to 35.4% yoy in June and 38.4% yoy in July. Facing growing world demand for fertilizers, spurred by a deteriorating world crop outlook this year, the growth in the Ukrainian chemical industry returned to an upward path in July. Output in industry grew by almost 17% yoy that month, up from 14.6% yoy in June. The outlook for industry is favorable for 2H 2010 as lower world wheat stock and the forthcoming winter sowing campaign are likely to keep demand for fertilizers high, although an easing low statistical base effect may dampen the industry's growth.

Industrial Production Growth by Selected Branches, % yoy



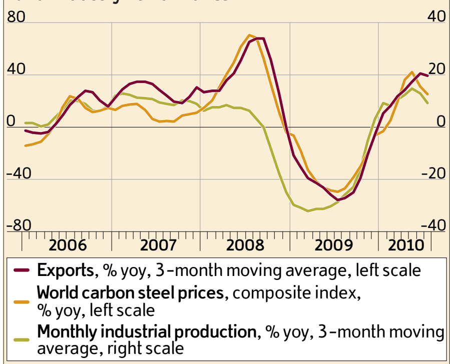
Source: State Statistics Committee of Ukraine, The Bleyzer Foundation

Ukraine's Real Sector Performance over January-May, output change, % yoy



Source: State Statistics Committee of Ukraine, The Bleyzer Foundation

World Steel Price Dynamics and Ukraine's Exports and Industry Performance



Source: State Statistics Committee of Ukraine, MEPS, The Bleyzer Foundation

Real sector data for June and July pointed to further improvements in domestic demand. Indeed, retail sales turnover accelerated to 4% yoy over the first seven months of 2010, up from 2.3% yoy reported for January-June 2010. This trend is also supported by robust growth in the domestic-market-oriented food industry and improvements in passenger transportation services. Food processing was up by almost 5% yoy in July compared to a monthly average of 0.4% yoy achieved during 1H 2010. Cumulative indicator of passenger transportation turnover was still down by -1.5% yoy for January-July 2010. However, in January-June the decline was deeper at 2.3% yoy, suggesting marked improvement in July.

The continuing recovery of domestic demand is likely to partially compensate for less benign external conditions, weaknesses in agriculture and a stronger base in 2H 2010. However, the revival of domestic demand is forecast to be rather gradual due to still subdued bank credit and higher inflation. Hence, we keep our real GDP growth forecast unchanged at 4% yoy in 2010.

Fiscal Policy

Ukraine's State Budget Performance, 2009-2010

	2009*		2010f		3m 2010		6m 2010		7m 2010	
	UAH billion	% yoy	UAH billion	% yoy	UAH billion	% yoy	UAH billion	% yoy	UAH billion	% yoy
Total Revenues	**209.7**	**-9.5**	**266.1**	**26.9**	**51.7**	**0.9**	**112.1**	**10.8**	**136.2**	**17.5**
Tax revenues	148.9	-11.3	201.6	35.4	38.1	7.3	81.6	20.6	96.5	22.9
EPT	32.6	-31.4	40.5	24.2	9.3	27.6	17	19.3	18.7	16.5
VAT	84.6	-8.1	117.7	39.1	21.3	-4.1	46.6	16.3	56.1	20.7
Excises	21.3	67.8	29.7	39.5	5.2	41	12.7	46.5	15.3	46.9
Non-tax revenues	50.7	-4.1	55.4	9.3	11.3	-19.3	26.1	-10.8	34.8	7.8
Total Expenditures **	**242.4**	**0.4**	**323.68**	**9.3**	**57.4**	**12.6**	**139.5**	**26**	**164.9**	**26.7**
Consumer expenditures	232	7.5			56.5	12.3	136.2	25.5	158.7	25.1
Capital expenditures	10.4	-59.3			0.9	41	3.3	52.5	6.1	88.1
Budget deficit†	**35.5**	**3.9%**	**57.8**	**5.3%**	**5.5**	**2.4%*** **	**26.5**	**5.6%*** **	**27.7**	**5%*** **
Deficit financing										
Net domestic borrowing	44.9		49.1		17.2		19.4		46.2	
Net external borrowing	44.8		27.3		-1.4		14.0		18.6	
Privatization receipts	0.8		10		0.1		0.2		0.3	

*Revised data (SDR allocation was excluded from Budget revenues)
**Not including net credit from the budget, ***GDP estimate by The Bleyzer Foundation
†% of GDP for budget deficit
Source: Ministry of Finance, Presidential Administration, 2010 Budget Law, The Bleyzer Foundation

During June-July 2010, revenue collections to the state budget notably strengthened. Thus, revenues to the state budget were up by almost 17% yoy in nominal terms for January-July, up from less than 11% yoy for 1H 2010. The improvement was particularly visible in July, although the government still missed the revenue targets for the period. According to the State Treasury, the state budget revenues collected for January-July 2010 represented only about 50% of the targeted annual amount. Partially, the growth in tax collections was attributed to rebounding economic activity and recovering consumption. Indeed, receipts from corporate profit tax grew by 16.5% yoy for January-July 2010. State coffers received almost 47% yoy higher proceeds from excises for the period. At the same time, one would expect much higher collections from these taxes as since July 1st Ukraine notably raised excise rates on beer, tobacco and gasoline (up by about 23%, 30% and 20% respectively). The reason for marginal improvement in execution of these taxes may lie in a high statistical base effect, as excises were raised several times throughout 2009.

The growth of state budget revenues was mainly the result of higher VAT collections, which reported a 21% yoy increase over the first seven months of 2010, compared to less than 10% yoy over January-May. For the first five months of the year, the government was auditing VAT refund arrears accumulated prior to 2010. Following the audit, the government announced VAT amounts due will be reimbursed via the issuance of 5-year domestic securities yielding 5.5% pa and a 10% principal payment every six months for a total amount of UAH 16.4 billion (about $2.1 billion). The VAT bond issue was also part of the new IMF program agreed to at the end of July. The bonds were issued in four tranches during August. However, repayment of VAT arrears through the issuance of VAT bonds referred only to VAT claims unpaid during 2009 and before. At the same time, with exports recovering at more than 30% yoy for January-July, the government kept accumulating new VAT debt. According to first deputy Head of the Presidential Administration, Ms. Akimova, as of the beginning of September, VAT amounts due stood at UAH 23 billion (about $2.9 billion). New arrears were the result of government efforts to reform the VAT refund system. The opaque and malfunctioning system was planned to be replaced by a new system where VAT will be refunded automatically. However, the process of developing and implementing the new system requires time. While new VAT arrears will exert a toll on exporters and will burden budget execution in future periods, the initiated VAT system reform, if fully implemented, will notably improve doing business in Ukraine.

The increase in non-tax proceeds was another notable improvement on the revenue side of the budget. For January-July 2010, non-tax revenues grew by almost 8% yoy, though they were down by about 11% yoy for 1H 2010. Although the composition of this item was not disclosed, the increase may be attributed to higher rent payments for resource extraction (i.e., crude oil and natural gas, water etc.) and usage of radio frequencies.[1]

Despite improving revenue collections, the state budget deficit widened in June-July as budget expenditures kept growing at a fast pace. Thus, state budget expenditures expanded by a nominal 27% yoy over the first seven months of 2010, as the 2010 state budget law the government envisaged increases the minimum pension and subsistence level, as well as public sector wages. Moreover, as these increases were enforced retroactively since the beginning of the year, June-July acceleration in current expenditures and transfers to the population represented a certain catch-up from under-financing in previous periods. As a result of expenditure growth rates exceeding revenues, the state budget deficit widened to UAH 27.7 billion ($3.5 billion), or about 5% of estimated period GDP. At the same time, the growth of budget expenditures notably decelerated in July 2010 compared to May and June, thanks to additional fiscal adjustment measures.

[1] The increase in respective rent payments and duties was envisaged in the 2010 state budget law, approved in late-April 2010 and was enforced since the beginning of July.

In particular, below-planned budget revenues and acceleration of public expenditures during May-June 2010 questioned the feasibility of the budget deficit target for this year, which was one of the main IMF concerns during negotiations with Ukrainian authorities on a new IMF loan agreement. At the beginning of July, the Ukrainian authorities adjusted both the revenue and expenditure sides of the state budget to comply with the IMF requirements. In particular, the year-end state budget expenditure target was reduced by about 6% while budget revenues were reduced to make them more realistic. These measures are expected to allow the state budget deficit to be contained below 5.5% of GDP. Furthermore, the government has raised natural gas tariffs to the population and heating companies by 50% since August 1st, 2010. The enforcement of these measures will allow the government to reach the year-end general fiscal deficit target of 6.5% of GDP.

The adoption of budget amendments and the rise in natural gas tariffs showed that the government is strongly committed to putting public finances and public debt on a sustainable path, though some of the measures are highly unpopular. This secured approval of a new $15.2 billion IMF loan to Ukraine in late July. Resumed cooperation with the IMF eased concerns over budget deficit financing this year. For January-July 2010, new domestic borrowings were the primary source of budget financing. Domestic public and publicly guaranteed debt grew by about 21% since the beginning of the year to UAH 127 billion (about $16 billion) as of July 2010. Given still high credit risks in the country, short-term domestic T-bills were an attractive instrument for excess liquidity management by commercial banks, crowding out credit activity. In June, the government received a $2 billion loan from a Russian state-run bank to finance the budget deficit. Following the approval of a new IMF loan, the first tranche of about $1.9 billion came in late-July. The IMF agreed for the Ukrainian authorities to use $1 billion of the first tranche to finance the budget deficit with another $1 billion available after the first quarterly review in October. Moreover, the resumption of the IMF loans should unlock Ukraine's access to financing from other IFIs (World Bank, EBRD, etc.), which may amount to $1.6 billion this year. Although this will cause Ukraine's external public and publicly guaranteed debt to further increase, we believe the realization of the IMF program will help keep public debt on a sustainable path.

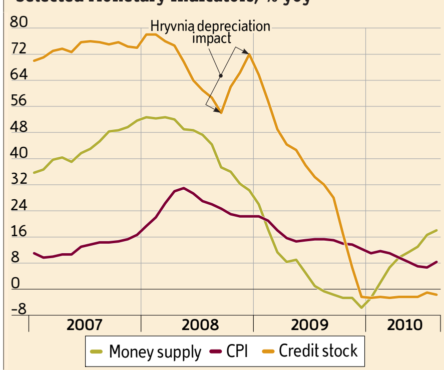
Monetary Policy

During June-July 2010, Ukraine experienced favorable price growth developments with the annual consumer price index falling to 6.8% in July 2010. Thanks to high grain harvests for two years in a row (2008-2009), Ukraine's livestock production demonstrated high growth rates, contributing to deceleration in price growth for a number of food products in 2010. Thus, prices on meat and meat products decelerated from 3.5% yoy in January to less than 1% yoy in June-July, while prices on eggs fell by more than 26% yoy in July compared to more than 40% growth in March-April. The downward trend of world commodity prices, moderate Hryvnia appreciation and slow recovery of private consumption contained the price growth on gasoline and transportation services, clothes and footwear, and home appliances.

World Cereals Prices, Jan 2007 = 100

Source: FAO, The Bleyzer Foundation

Selected Monetary Indicators, % yoy

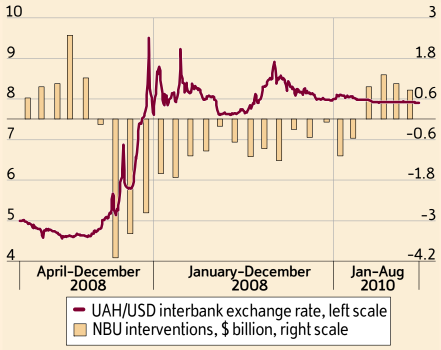


Source: State Statistics Committee of Ukraine, The Bleyzer Foundation

At the same time, during these months local administrations started to raise tariffs for a number of utility services. In particular, since July 1st, tariffs on water supply, sewage, hot water and central heating were raised by 29-41% in Kyiv, the capital and the largest city in Ukraine. Although the opposition declared that the rise in tariffs will be contested in courts, the increase was reflected in official statistics for July. Since August 1st, a 50% increase in natural gas tariffs for the population and heating companies has been enforced. This could lead to further increases in tariffs on hot water and central heating in the coming months. At the same time, global food prices have been soaring since July as droughts and floods in a number of countries negatively affected the global grain harvest this year. Furthermore, strengthening private consumption, a rise in excises, increases in tariffs on public transportation services (i.e., on the Kyiv subway in September) and the resumed upward trend of world commodity prices will keep Ukraine's inflation at double digits. Indeed, these factors already led annual consumer inflation to accelerate to 8.3% in August. However, due to notable progress in disinflation over the first seven months of the year, we downgraded our year-end inflation forecast to 10% in 2010.

Rapid growth of monetary aggregates, although recovering from low 2009 levels, may add to inflationary pressures in the future. In annual terms, the growth of the monetary base and money supply accelerated to 20% and 18% respectively in July this year. NBU interventions on the foreign exchange market were one of the primary reasons of fast growth of the monetary base since March of this year. The improved current account balance, higher-than-expected private foreign debt roll-over and resumed external borrowings by the government underpinned large foreign currency inflows over the period. From March to August 2010, the NBU bought more than $5 billion on the forex market, allowing only minor appreciation of the national currency with respect to the US Dollar (by about 1.2% from January to August). Large NBU interventions were aimed at containing sharp appreciation of the Hryvnia to avoid worsening of export prospects loss of competitiveness.

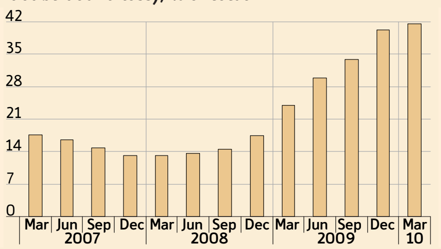
Average UAH/USD Interbank Exchange Rate and NBU Interventions



Source: NBU, Finance.ua, The Bleyzer Foundation

A virtually stable foreign exchange market, recovering economic activity, good progress in disinflation, a more stable political environment, and further progress in strengthening the banking system[2] notably improved consumer sentiment and confidence in banks. As a result, bank deposits grew by 19% yoy in August for 2010, contributing to fast growth of money supply. Despite the improved resource base of commercial banks, credit activity remained sluggish. The stock of bank credit to the economy of Ukraine was almost 2% lower in August 2010 compared to the respective period last year. To stimulate commercial banks' credit activity, the NBU reduced its discount rate three times in three months from 10.25% pa to 7.75% pa as of August 10th. However, the role of the discount rate in promoting private sector credit remains limited due to high non-performing loans (NPLs) and credit risks in the country. Thus, according to NBU estimates, NPLs stood at 42% in March 2010, up from about 40% at the end of 2009. With continuing recapitalization during the second half of 2010 (by private shareholders and state funds), commercial banks are expected to restore their credit activities. However, the rebound is likely to be very gradual, hindering the recovery of domestic demand.

Non-Performing Loans (defined as substandard, doubtful and loss), % of total

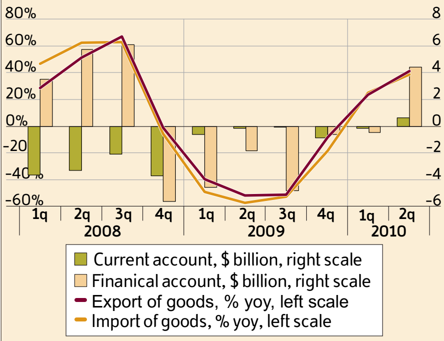


Source: IMF

International Trade and Capital

During June-July, Ukraine's trade balance started to worsen due to a less benign external environment, some loss in competitiveness (due to appreciation of the real effective exchange rate observed this year[3]) as well as accelerating imports. Thus, the growth of commodity exports in US$-terms slowed from almost 40% yoy in May 2010 to less than 31.6% yoy in July. Despite the deceleration, the seven-month growth of exports remained impressive at 32.6% yoy. Since mid-May 2010, world steel prices were on a downward trend; however, they remained much higher than in the respective period last year. As a result, export of metallurgical products, the weightiest commodity group in Ukraine's exports, kept growing, though at a much slower rate (about 36.3% yoy in July compared to almost 80% yoy in May). Although in August world steel prices started to increase again, their outlook remains uncertain for the near future.

Ukraine's Foreign Trade in Goods and Current Account Balance



Source: NBU, State Statistics Committee of Ukraine, The Bleyzer Foundation

Following improved political relations with Russia, the main destination market for export of Ukraine's machinery and transport equipment, export of this commodity group expanded by about 48% yoy on average during June-July, up from about 30% yoy in May. Export of agricultural products continued to lag behind the values of the previous year (down by about 5% yoy in July), which is primarily attributed to the expected lower grain harvest this year. At the same time, in July, exporters faced new customs regulations[4], which virtually blocked export of grains. The introduction of new regulations were explained by the Ukrainian Customs Service as a measure to combat smuggling. At the same time, many believed the government authorities imposed indirect restrictions on grain ex-

[2] Many private commercial banks continued to inject capital during 2010 to address the issue of the high share of non-performing loans as well as to increase bank confidence. In addition, commercial banks completed extensive audits as of April 2010 and developed plans to further raise their capital. According to NBU officials, the stress-tests showed total capital needs for Ukraine's banking system account for about UAH 40 billion, with nationalized banks representing almost half of this amount. Resumed cooperation with the IMF gives reason to expect near-term resolution of Nadra bank, which remains under NBU temporary administration since fall of 2008. While there is still no final decision on how the problem bank will be resolved, recent restructuring of the bank's foreign debts raised the chances that the bank might be recapitalized by the state.

[3] According to NBU estimates, the real effective exchange rate appreciated by about 8% from January to July due to notable progress in disinflation as well as nominal appreciation of the Hryvnia with respect to main world currencies.

[4] The State Customs Service of Ukraine has issued a new regulation requiring each lot of grain to be exported to go through special examination by experts from local institutes of forensic-medical examination and receive a certificate. Neither exporters nor the experts from forensic-medical institutes were prepared for the new procedures.

ports to have more time to obtain better information on the amount and quality of the grain harvest in Ukraine this year. As Ukraine is forecast to have a good harvest this year, soaring world grain prices may partially compensate for Ukraine's weaker steel prospects.

Ukraine's Balance of Payments, selected indicators	7m 2009	7m 2010
Current account, $ billion	-1.1	0.02
Exports of goods, % yoy	-48.6	32.6
Imports of goods, % tot	-53.9	32.4
Capital & financial account (analytical representation), $ billion	-7.1	5.1
Net FDI, $ billion	2.5	2.5
Debt roll-over ratio, %, o/w	79	96
Banking sector	74	86
Corporate sector	99	118

Source: NBU

Similarly, the growth of commodity imports slightly decelerated in July, advancing by 33% yoy that month compared to almost 50% yoy growth a month before. At the same time, unlike the previous five months of the year, the growth of imports during June-July exceeded those of exports. As a result, seven-month commodity imports grew by virtually the same rate as exports - 32.4% yoy. Faster growth of imports resulted in widening of Ukraine's trade deficit in goods and the current account balance switching to a small deficit in July (following surpluses for three months in a row). A worsened outlook for Ukraine's exports and concerns over the pace of the global recovery have led us to change our full-year current account balance forecast from a small surplus to a slight deficit of about 0.5% of GDP in 2010.

Some worsening of the current account balance was more than compensated for by large surplus on the financial account, which stood at almost $1 billion in July 2010, although the data may be revised upwards as it did not reflect the first IMF tranche disbursed in late July. Due to a government loan received in June from Russian state-run VTB bank to finance the budget deficit, higher private sector debt roll-over (estimated at 96% for the period), and significant population demand for foreign currency this year, the surplus in the financial account reached an impressive $5.1 billion for the first seven months of 2010. The resumption of the IMF program, good prospects for financing from other IFIs (WB, EBRD, etc.), improvement of Ukraine's credit ratings and general economic situation give reason to expect the BoP to remain in surplus during 2H 2010.

[5] Unusually hot weather in Russia during July destroyed about one-fifth of the wheat crop in the country, according to expert estimates. As Russia is one of the world's largest exporters of grain and its exports of grain may drop by at least 30% this year, world wheat prices have been soaring. Surging international prices on wheat and other grains have raised concerns domestic prices on bread and bakery products will start growing in Ukraine.

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