



## Market Update 8 (December 2015 – January 2016)

# UKRAINE

## Macro-Economic overview

### Summary:

- During the 4<sup>th</sup> quarter of 2015 the Ukrainian economy showed signs of stabilization. Donetsk and Luhansk oblasts are however negatively impacting faster economic recovery.
- Prices increased by 80% from the start of the conflict. Food prices at national level continued their upward trend in 2016 with highest rates in the first part of the year since 2000.
- In Donbass region, from the start of the conflict, the share of population with lower income than the state subsistence level increased significantly. Finding new jobs has become very challenging especially for women aged over 40. Income levels have significantly decreased in NGCA as well.
- Prices in NGCA remained stable over the reporting period but still around 17% higher than the national levels.
- Fuel prices have stabilized in NGCA reaching lower levels than national ones due mainly to a significant Russian supply.

As shown in **Graph 1**, after a rapid rise of prices in the first half of 2015, starting from May, increases of prices slowed down. In December 2015, the Consumer Price Index (CPI) slowed to 0.7% m/m and reached 43.3% y/y. Generally prices for the last 2 years increased by almost 80%.

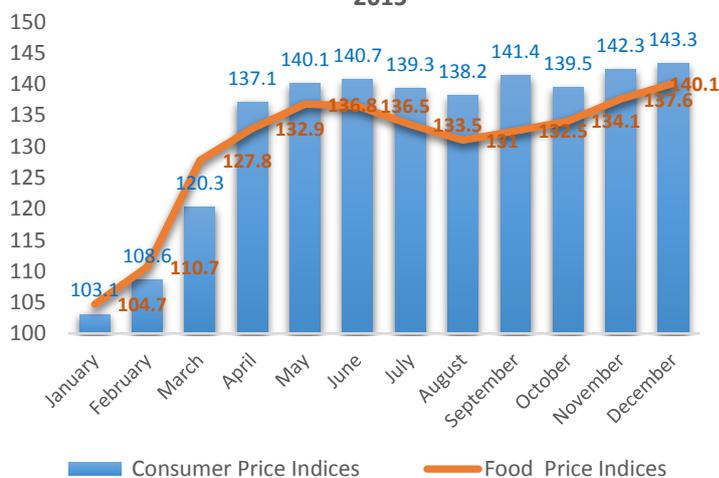
Increased volatility in the currency exchange market in the past few months had a slight impact on the change in prices of goods and services because the influence of other factors (decline in global oil prices, the seasonal increase in offers of certain goods, etc.). However, in January 2016 the CPI went up by 0.9% and Food Price Index increased by 2.3%. Taking into consideration the current trends, WFP predicts further food price increases in the range of 1-2% per month until the next summer.

High inflation rate affected the value of real wages. Index of real wages in January - December 2015 compared to the corresponding period of 2014 amounted to 79.8%.

Based on the 2015 results GDP declined by 10.4% compared to the previous forecast of 11.6% (September 2015). [According to the Ministry of Economic Development of Ukraine](#), more than 40% negative contribution to GDP growth is associated with the situation in Donetsk and Luhansk oblasts<sup>1</sup>. As a result, negative dynamics were observed in all macroeconomic indicators. Industrial production declined in 2015 by 13.4% compared to 2014. The volume of retail trade turnover in 2015 in Ukraine also reduced by 20.7%. Retail trade and industrial outputs registered reductions for a second year in a row. Agricultural production in 2015 declined as well with 4.8% mainly due to less harvest of grains. The main two reasons are unfavourable weather conditions namely, less rainfall during autumn 2015 period. A second reason is the record high production in 2014 as a comparable base to 2015 production levels.

The worst economic performance in 2015 was observed in the eastern regions affected by the conflict. In Donetsk industrial production decreased by 34.7%, retail trade turnover by 66.9% and agricultural production by 34.7%. In Luhansk, the economic situation deteriorated even more significantly. Industrial production fell down by 66%, retail trade turnover reduced by 71.5% and agricultural production dropped by 19.6%.

Graph 1: Consumer Price and Food Price Indices in 2015



<sup>1</sup> Report on the progress and results of the Program of Cabinet of Ministry of Ukraine in 2015

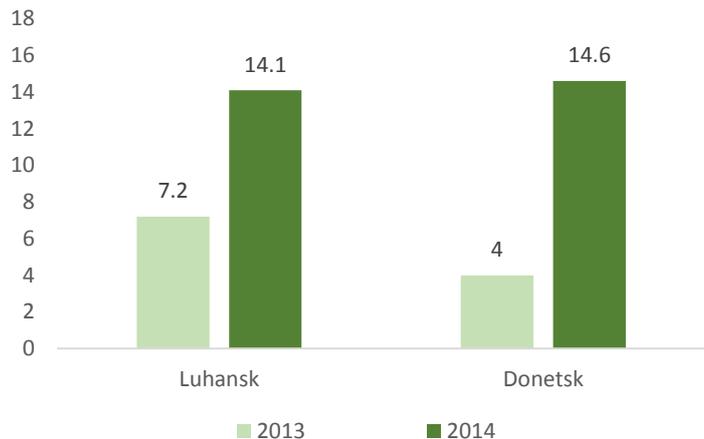
## Income levels and poverty rates in East Ukraine

The actual [subsistence level of living](#) is used to monitor the dynamics of level of life and poverty in Ukraine<sup>2</sup>.

As shown in **Graph 2**, the share of the total population with total income lower than the state subsistence level in Luhansk oblast doubled to 14.1% in 2014 compared to 2013. In Donetsk, the proportion of the same income group has tripled in the same period.

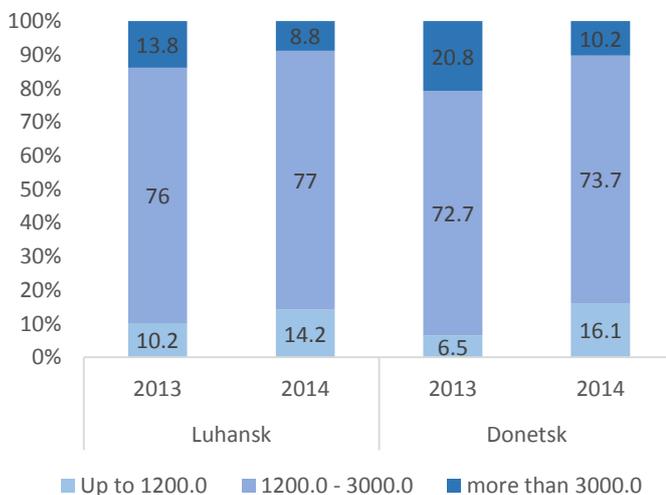
The [Ministry of Social Policy of Ukraine](#) reported that the actual monthly subsistence level in December 2015 for able-bodied persons is 2,594 UAH (1,480 UAH in December 2014). Thus, the results of 2015 can be expected to further expand the group of people with lower than the state subsistence level.

Graph 2: Percentage of the total population with total income lower than the state subsistence level



Proportions of population in terms of income have changed soon after the start of the conflict. The share of people with low income (up to 1,200 UAH) has increased. On the other hand, share of people with relatively high income (more than 3,000 UAH) decreased in 2014 compare to 2013 (**Graph 3**). Inflation as mentioned above is another aggravating factor affecting people across all income levels.

Graph 3: Distribution of Population (%) in terms of average total income equivalent per month, UAH



Reduced household income is primarily due to loss of jobs in the region. Information coming from WFP Third Party Monitoring, the Kiev International Institute of Sociology focus group discussions show that many people have lost their jobs and finding new opportunities is very challenging even with the help of the official Job Centers. Job profiles affected by unemployment include mainly low-qualification and poorly paid ones. It is particularly difficult to find a job for women and people over 40. Furthermore, age discrimination was mentioned as a major challenge among people participating in the focus group discussions. Another challenge particularly mentioned among female respondents was that there have been cases when they have been denied jobs, when the employers found they had children.

Focus group discussions reveal also that reduced number of jobs greatly increased competition in all settlements in the Donbas region. In the opinion of women and men respondents, this allows employers to reduce the amount of wages and do not improve working conditions.

All respondents see high prices as the main problem in terms of food access and that the volume of trade in the markets has decreased. Some stores have reduced working hours especially in smaller settlements.

For all respondents the main expenditure categories before the conflict had been food, utility payments, clothing, expenditures on children, health care and leisure. Focus group discussions in December 2015 revealed a shift in expenditure patterns. Share of expenditure increased for most respondents mainly for food and utilities (particularly for IDPs).

<sup>2</sup>Subsistence level is a standard of living barely adequate to support life.

In NGCA respondents of focus group discussions agreed that return of people previously displaced has increased. According to respondents' estimates, the current population living in their settlements are around 80-90% comparing to the pre-war. However, some of the residents that had returned are beginning to think about leaving again if they will not find a job soon. Prior to the beginning of the conflict the main livelihood groups in all surveyed settlements were miners, factory workers and public sector employees. An average salary of a miner was 5,000–7,000 UAH and, in the public sector, 1,500–3,000UAH. According to the respondents, the current average for all salaries does not exceed – 1,000-2,000 UAH.

[Donetsk NGCA Labor Centre](#) reported<sup>3</sup> the average salary of vacancies offered at the end of the 2015 to be 4,300 RUB (around 1,600 UAH). In 2015 the Donetsk NGCA Labor Center claims to have assisted employment of 32.9 thousand of people (including 18 thousand temporary employed). The DPR Labor Center also reports on 52.6 thousand applications received in 2015.

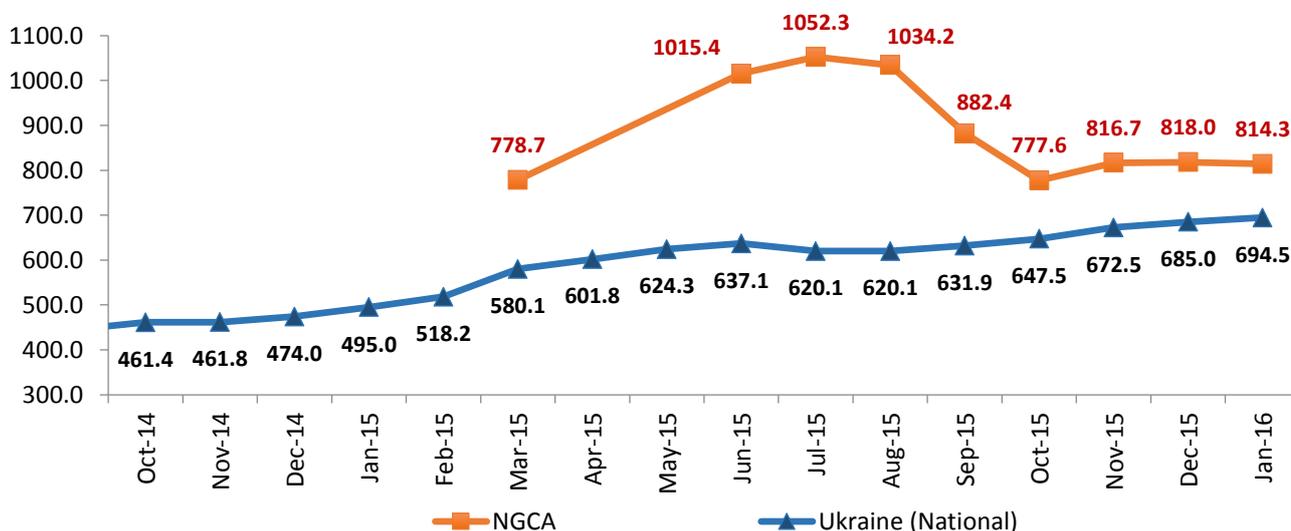


Photo: WFP Food Price Monitoring in Eastern Ukraine

## Food Basket Price Trend

**Graph 4** below indicates further increasing value of food basket in Ukraine. The value of food basket at national level continued its increase at a pace of 1-2% per month, reaching 694.5 UAH in January 2016. On the other hand, the value of food basket in NGCA has remained stable for the last three months, but still 17% higher compared to the National level.

**Graph 4: Comparison of Food Basket (full) cost (NGCA compared to National Average), UAH**

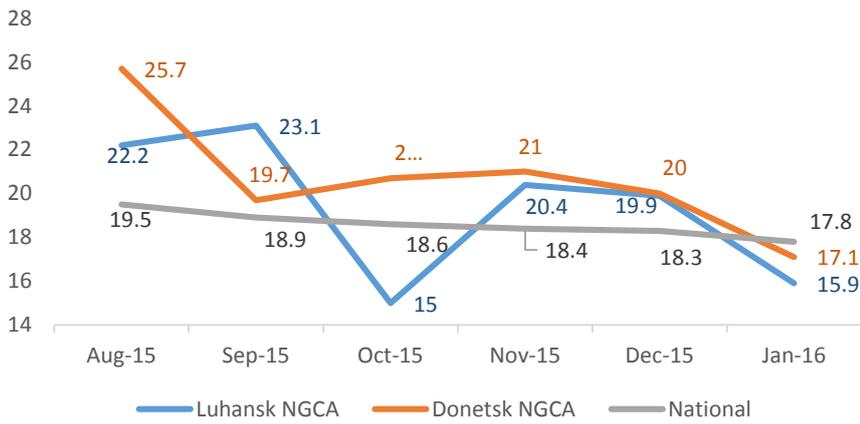


The national food basket value grew during the last two months primarily due to slightly increasing prices for almost all main commodities especially wheat flour (7%), eggs (10%) and milk products (7 - 8%).

Besides general difference of value of food basket in GCA and NGCA, there are significant controversies in price comparison of single commodities. In GCA fresh produce commodities appear cheaper compared to much higher levels of prices in NGCA including milk, meat products, rice, potato and sugar. On the other hand, in NGCA main staple foods and cereals such as bread and flour, pasta and vegetables appear to be cheaper compared to national levels.

<sup>3</sup> Donetsk NGCA Labour Centre report for 2015

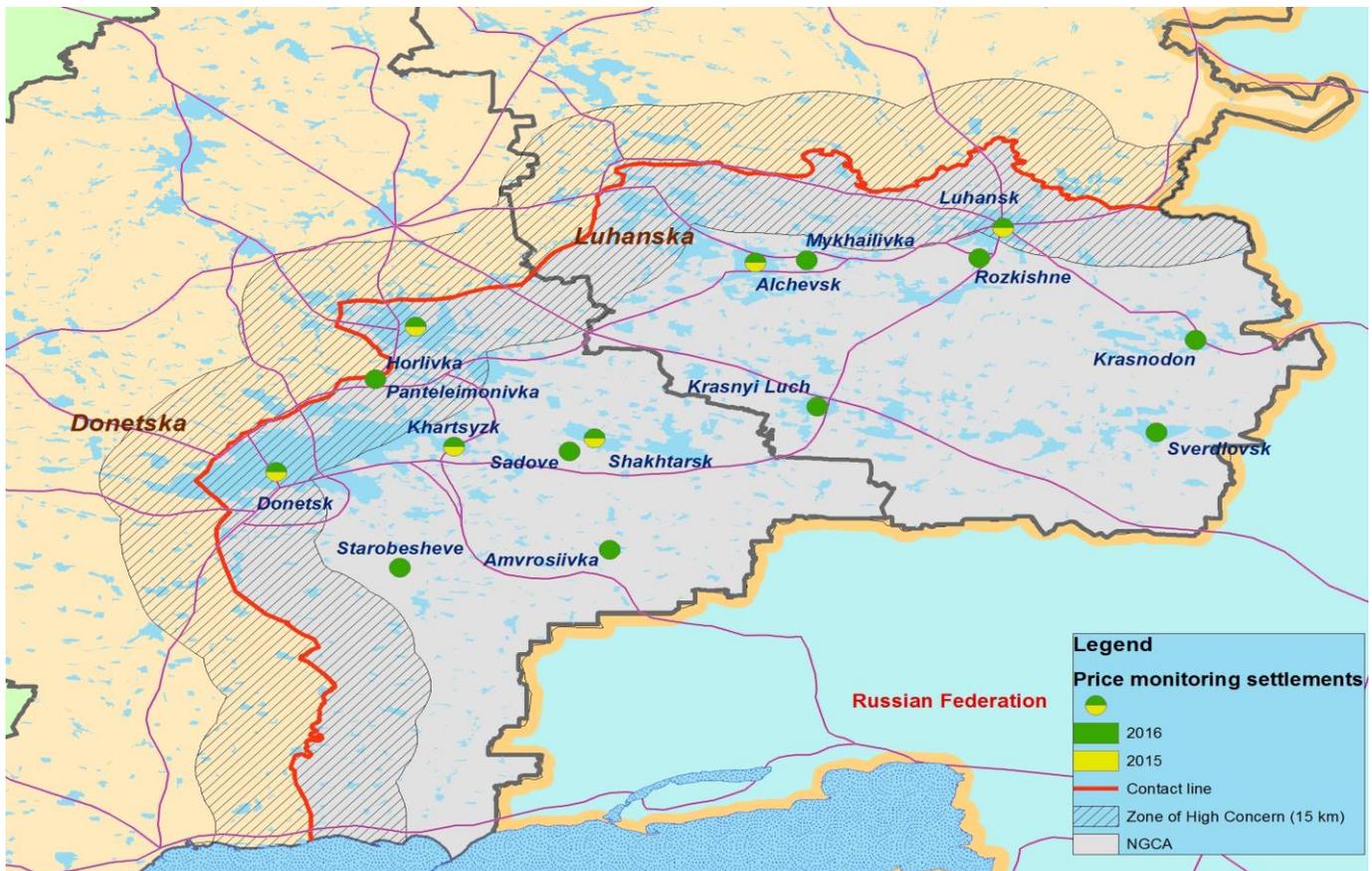
Graph 6: Fuel average price, UAH



It seems that fuel supply to NGCA has been stabilizing in the last three months. Fuel supply completely depends on Russian deliveries. Prices fell down more than 20% for the last two months and reached lowest level for the last year. In January 2016 average price for fuel went below Ukraine national levels. However, prices in the NGCA are around 20-25% higher compared to neighbouring regions of Russia. Gasoline brand "95" costs [13-14 UAH in Rostov oblast](#)<sup>4</sup> of Russia compare to 16-17 UAH in NGCA.

## Recommendations

- Additional data collection and analysis could be conducted on social benefits and access to financial services among households in NGCA. WFP will be looking forward to collaborate with other partners in this regard.
- It is recommended to further discuss how to adjust and link to market trends, the cash based transfer value. Differences at geo graphical areas could also be considered.
- Markets have been stabilizing in NGCA especially in the latest part of 2015. This trends continues in the beginning of 2016. More market based interventions could be explored in the near future.
- WFP will aim at extending its monitoring coverage of markets in NGCA. The following map represents the market locations proposed to be covered during 2016.



<sup>4</sup> Fuel price monitoring service in Russia as of 1 of February 2016



## Market Update - Reporting Month - Jan-16

Oblast	Commodity	Price Data		Change From		Direction of Change		Oblast	Price Data		Change From		Direction of Change		Oblast	Price Data		Change From		Direction of Change	
		Current Month (Jan-16)	Previous Month (Dec-15)	Previous Month	Ref. Period (Jan-15)	From Prev. Month (+/-5%)	From Ref. Period (+/-15%)		Current Month (Jan-16)	Previous Month (Dec-15)	Previous Month	Ref. Period (Jan-15)	From Prev. Month (+/-5%)	From Ref. Period (+/-15%)		Current Month (Jan-16)	Previous Month (Dec-15)	Previous Month	Ref. Period (Jan-15)	From Prev. Month (+/-5%)	From Ref. Period (+/-15%)
Dnipropetrovsk (GCA)	Rice (Kg)	15.5	15.5	100%	91%	▲	▲	Donetska (GCA)	19.4	19.0	102%	112%	▲	▲	Donetska (NGCA)	22.7	23.5	97%	#N/A	▲	▲
	Wheat bread (Loaf)	11.3	11.5	98%	145%	▲	▲		10.4	10.8	96%	135%	▲	▲		9.2	9.3	99%	#N/A	▲	▲
	Rye bread (Loaf)	9.4	9.2	102%	146%	▲	▲		14.2	14.2	100%	149%	▲	▲		11.1	11.2	99%	#N/A	▲	▲
	Wheat flour (Kg)	8.7	8.6	101%	147%	▲	▲		9.0	8.9	100%	129%	▲	▲		6.6	6.8	98%	#N/A	▲	▲
	Pasta (Kg)	9.2	9.2	100%	135%	▲	▲		10.4	9.8	106%	124%	▲	▲		9.4	10.6	89%	#N/A	▲	▲
	Buckwheat grits (Kg)	24.1	24.2	100%	137%	▲	▲		25.6	25.9	99%	138%	▲	▲		24.6	25.5	96%	#N/A	▲	▲
	Potato (Kg)	6.6	6.3	105%	167%	▲	▲		7.5	7.1	105%	147%	▲	▲		8.0	6.6	120%	#N/A	▲	▲
	Beef (Kg)	92.7	92.4	100%	117%	▲	▲		69.6	74.5	94%	119%	▲	▲		129.9	131.8	99%	#N/A	▲	▲
	Pork (Kg)	75.8	76.1	100%	119%	▲	▲		68.8	71.2	97%	118%	▲	▲		108.4	113.1	96%	#N/A	▲	▲
	Poultry (Kg)	38.7	38.6	100%	133%	▲	▲		40.2	39.2	103%	123%	▲	▲		50.1	52.9	95%	#N/A	▲	▲
	Boiled sausages (Kg)	58.2	57.7	101%	130%	▲	▲		55.9	53.8	104%	132%	▲	▲		61.2	56.8	108%	#N/A	▲	▲
	Eggs (10 Pieces)	21.9	22.9	95%	153%	▲	▲		24.4	24.8	98%	161%	▲	▲		22.5	23.3	97%	#N/A	▲	▲
	Milk (Litre)	12.2	12.1	101%	130%	▲	▲		13.9	13.4	104%	141%	▲	▲		15.5	16.1	96%	#N/A	▲	▲
	Sour cream (Litre)	29.3	29.8	98%	123%	▲	▲		32.5	31.4	103%	126%	▲	▲		45.8	49.4	93%	#N/A	▲	▲
	Curd (Kg)	67.2	61.3	110%	127%	▲	▲		74.6	74.9	100%	157%	▲	▲		98.5	103.6	95%	#N/A	▲	▲
	Butter (Kg)	99.3	95.0	105%	138%	▲	▲		109.2	105.9	103%	133%	▲	▲		95.6	97.2	98%	#N/A	▲	▲
	Sunflower oil (Litre)	30.0	28.7	104%	158%	▲	▲		31.3	30.6	102%	155%	▲	▲		32.0	32.2	99%	#N/A	▲	▲
	Pork fat (Kg)	52.1	52.4	100%	142%	▲	▲		50.3	50.8	99%	132%	▲	▲		93.6	104.5	90%	#N/A	▲	▲
	Cabbage (Kg)	12.0	10.2	117%	275%	▲	▲		12.1	11.0	110%	224%	▲	▲		8.8	8.3	107%	#N/A	▲	▲
	Carrot (Kg)	11.3	9.8	115%	317%	▲	▲		12.4	12.3	101%	291%	▲	▲		9.3	8.8	106%	#N/A	▲	▲
Beetroot (Kg)	8.2	7.2	113%	222%	▲	▲	9.6	8.8	109%	206%	▲	▲	9.0	9.1	99%	#N/A	▲	▲			
Onion (Kg)	9.9	9.8	102%	278%	▲	▲	10.4	11.4	91%	235%	▲	▲	8.0	7.9	101%	#N/A	▲	▲			
Sugar (Kg)	15.0	15.2	99%	177%	▲	▲	15.5	15.5	100%	161%	▲	▲	19.6	19.5	100%	#N/A	▲	▲			
Kharkivka (GCA)	Rice (Kg)	16.2	16.5	98%	97%	▲	▲	Luhanska (GCA)	18.2	18.2	100%	106%	▲	▲	Luhanska (NGCA)	24.6	24.6	100%	#N/A	▲	▲
	Wheat bread (Loaf)	8.2	8.2	100%	126%	▲	▲		11.4	11.4	100%	154%	▲	▲		5.8	6.1	95%	#N/A	▲	▲
	Rye bread (Loaf)	7.9	7.9	100%	133%	▲	▲		10.6	10.6	100%	153%	▲	▲		6.0	6.1	97%	#N/A	▲	▲
	Wheat flour (Kg)	8.1	8.0	100%	136%	▲	▲		8.2	8.2	100%	127%	▲	▲		5.7	6.2	93%	#N/A	▲	▲
	Pasta (Kg)	10.3	10.3	100%	136%	▲	▲		9.3	9.3	101%	121%	▲	▲		9.5	9.8	97%	#N/A	▲	▲
	Buckwheat grits (Kg)	25.2	25.1	100%	141%	▲	▲		26.9	27.9	96%	140%	▲	▲		25.4	26.8	95%	#N/A	▲	▲
	Potato (Kg)	6.0	5.7	106%	173%	▲	▲		6.8	6.4	107%	186%	▲	▲		7.0	7.2	97%	#N/A	▲	▲
	Beef (Kg)	83.6	83.8	100%	117%	▲	▲		74.5	75.8	98%	111%	▲	▲		111.1	107.5	103%	#N/A	▲	▲
	Pork (Kg)	68.8	68.1	101%	118%	▲	▲		61.4	62.5	98%	111%	▲	▲		93.0	93.0	100%	#N/A	▲	▲
	Poultry (Kg)	36.4	36.2	100%	125%	▲	▲		34.8	32.8	106%	116%	▲	▲		46.6	48.2	97%	#N/A	▲	▲
	Boiled sausages (Kg)	57.6	57.2	101%	140%	▲	▲		47.1	47.0	100%	124%	▲	▲		46.8	49.3	95%	#N/A	▲	▲
	Eggs (10 Pieces)	22.5	23.3	97%	159%	▲	▲		22.4	23.6	95%	164%	▲	▲		24.1	22.4	108%	#N/A	▲	▲
	Milk (Litre)	11.5	11.2	102%	132%	▲	▲		9.2	9.2	100%	105%	▲	▲		14.6	14.0	104%	#N/A	▲	▲
	Sour cream (Litre)	26.8	26.4	101%	120%	▲	▲		29.3	29.0	101%	117%	▲	▲		39.6	43.8	90%	#N/A	▲	▲
	Curd (Kg)	69.4	68.2	102%	125%	▲	▲		71.2	67.0	106%	123%	▲	▲		43.8	45.8	96%	#N/A	▲	▲
	Butter (Kg)	95.0	89.9	106%	137%	▲	▲		96.5	89.4	108%	136%	▲	▲		84.8	89.4	95%	#N/A	▲	▲
	Sunflower oil (Litre)	29.1	28.4	102%	147%	▲	▲		28.2	27.5	102%	145%	▲	▲		30.8	32.2	96%	#N/A	▲	▲
	Pork fat (Kg)	49.3	51.4	96%	126%	▲	▲		43.0	43.7	98%	125%	▲	▲		72.6	64.7	112%	#N/A	▲	▲
	Cabbage (Kg)	10.8	10.0	108%	245%	▲	▲		12.2	10.3	119%	281%	▲	▲		9.2	8.3	110%	#N/A	▲	▲
	Carrot (Kg)	10.8	9.8	111%	326%	▲	▲		12.3	11.2	110%	337%	▲	▲		10.3	10.6	97%	#N/A	▲	▲
Beetroot (Kg)	7.7	7.1	109%	217%	▲	▲	8.8	8.2	108%	220%	▲	▲	7.4	8.9	83%	#N/A	▲	▲			
Onion (Kg)	9.7	9.9	98%	282%	▲	▲	11.2	11.0	102%	307%	▲	▲	7.7	8.0	97%	#N/A	▲	▲			
Sugar (Kg)	15.4	15.4	100%	175%	▲	▲	15.5	15.6	100%	167%	▲	▲	18.5	18.5	100%	#N/A	▲	▲			
Zaportzhia (GCA)	Rice (Kg)	16.5	16.7	99%	92%	▲	▲	National	16.9	17.1	99%	97%	▲	▲	NGCA	23.4	23.9	98%	#N/A	▲	▲
	Wheat bread (Loaf)	9.3	9.2	102%	148%	▲	▲		10.3	10.3	100%	146%	▲	▲		8.1	8.2	98%	#N/A	▲	▲
	Rye bread (Loaf)	9.0	8.9	100%	144%	▲	▲		9.9	9.9	100%	146%	▲	▲		9.4	9.5	98%	#N/A	▲	▲
	Wheat flour (Kg)	8.0	7.9	101%	134%	▲	▲		8.7	8.6	100%	137%	▲	▲		6.3	6.6	96%	#N/A	▲	▲
	Pasta (Kg)	10.1	10.0	101%	131%	▲	▲		9.9	9.7	102%	132%	▲	▲		9.4	10.3	92%	#N/A	▲	▲
	Buckwheat grits (Kg)	24.3	25.1	97%	133%	▲	▲		25.1	25.2	99%	140%	▲	▲		24.9	26.0	96%	#N/A	▲	▲
	Potato (Kg)	6.1	6.0	102%	161%	▲	▲		6.3	6.0	105%	171%	▲	▲		7.7	6.8	112%	#N/A	▲	▲
	Beef (Kg)	80.2	79.5	101%	115%	▲	▲		83.4	83.9	99%	117%	▲	▲		125.7	126.4	99%	#N/A	▲	▲
	Pork (Kg)	71.2	72.6	98%	121%	▲	▲		68.4	69.0	99%	116%	▲	▲		101.9	105.2	97%	#N/A	▲	▲
	Poultry (Kg)	38.5	37.8	102%	128%	▲	▲		38.9	38.3	102%	128%	▲	▲		48.6	50.8	96%	#N/A	▲	▲
	Boiled sausages (Kg)	52.9	54.0	98%	128%	▲	▲		55.7	55.6	100%	130%	▲	▲		56.2	54.2	104%	#N/A	▲	▲
	Eggs (10 Pieces)	22.0	23.3	95%	151%	▲	▲		22.9	23.6	97%	158%	▲	▲		23.1	23.0	100%	#N/A	▲	▲
	Milk (Litre)	12.3	11.8	104%	130%	▲	▲		12.0	11.8	102%	133%	▲	▲		15.2	15.4	99%	#N/A	▲	▲
	Sour cream (Litre)	30.8	30.3	102%	151%	▲	▲		30.3	29.6	102%	131%	▲	▲		43.6	47.5	92%	#N/A	▲	▲
	Curd (Kg)	66.7	65.5	102%	129%	▲	▲		68.2	67.1	102%	126%	▲	▲		87.0	88.1	99%	#N/A	▲	▲
	Butter (Kg)	103.5	100.9	103%	145%	▲	▲		100.1	96.1	104%	138%	▲	▲		91.9	94.5	97%	#N/A	▲	▲
	Sunflower oil (Litre)	29.1	28.6	102%	155%	▲	▲		30.0	29.3	102%	155%	▲	▲		31.6	32.2	98%	#N/A	▲	▲
	Pork fat (Kg)	38.8	38.8	100%	133%	▲	▲		44.8	45.4	99%	130%	▲	▲		83.1	89.6	93%	#N/A	▲	▲
	Cabbage (Kg)	11.4	9.9	115%	277%	▲	▲		11.6	10.1	114%	285%	▲	▲		8.9	8.3	108%	#N/A	▲	▲
	Carrot (Kg)	10.4	9.6	108%	316%	▲	▲		11.2	10.3	109%	319%	▲	▲		9.6	9.4	103%	#N/A	▲	▲
Beetroot (Kg)	8.4	7.5	111%	250%	▲	▲	8.3	7.6	110%	231%	▲	▲	8.5	9.0	94%	#N/A	▲	▲			
Onion (Kg)	9.7	9.4	103%	295%	▲	▲	10.0	10.0	99%	272%	▲	▲	7.9	7.9	100%	#N/A	▲	▲			
Sugar (Kg)	15.3	15.1	101%	176%	▲	▲	15.1	15.1	100%	173%	▲	▲	19.2	19.2	100%	#					