



Kyiv, 25 September 2014

UKRAINE – IMPACT ON ATM AND RESTRICTIONS FROM RUSSIA ON EXPORTS

Ukraine statistics services have just released monthly data up to June 2014, which makes it possible to draw a preliminary assessment of the Autonomous Trade Measures (ATM) based on the first two full months where these measures have been in place¹. In parallel, this note assesses also the impact of the Russian retaliatory measures on Ukrainian exports in 2014. Main conclusions are as follow:

- Although the causality is difficult to isolate, there is a strong correlation between the introduction of the ATM end of April 2014 and the positive evolution of exports (+25.0%) from Ukraine to the EU in May and June 2014, compared to the same period in 2014;
- Sectors which benefit the most in relative terms are agricultural goods;
- No clear pattern emerges in terms of country destination;
- In parallel, exports to Russia decreased by 24.5% over the first 6 months of 2014;
- Over May and June 2014, it should be noted that in value, the increased with the EU almost exactly compensated the losses on the Russian side, as the increase of exports to the EU market, of 587 m\$, almost offset the decrease to the Russian market of 592 m\$.

	January- April 2013	May- June 2013	H1 2013	January- April 2014	May- June 2014	H1 2014	Monthly increase after ATM (May- June 2014 / May-June 2013)	Impact of the Russian retaliatory measures
Russia	5002	2561	7562	3737	1969	5706	-23.1%	-24.5%
Belarus	695	310	1005	498	304	802	-1.9%	-20.2%
Kazakhstan	757	346	1103	310	214	524	-38.2%	-52.5%
EU	5960	2348	8308	6522	2935	9457	25.0%	13.8%

¹ ATM were effective on 23 April 2014

I. Impact of ATM

Methodology: we compare here y-o-y data, i.e. May and June 2014 compared to May and June 2013. Alternatively, we could have compared monthly data m-o-m, i.e. comparing May 2014 with April 2014, or average monthly exports for May and June 2014 compared to average monthly exports for the January-April 2014 period. However, due to significant seasonal variations, the first approach was preferred. Also, we excluded HS89 from the data set for reasons linked to consistency of the data for this specific code.

a. *General results*

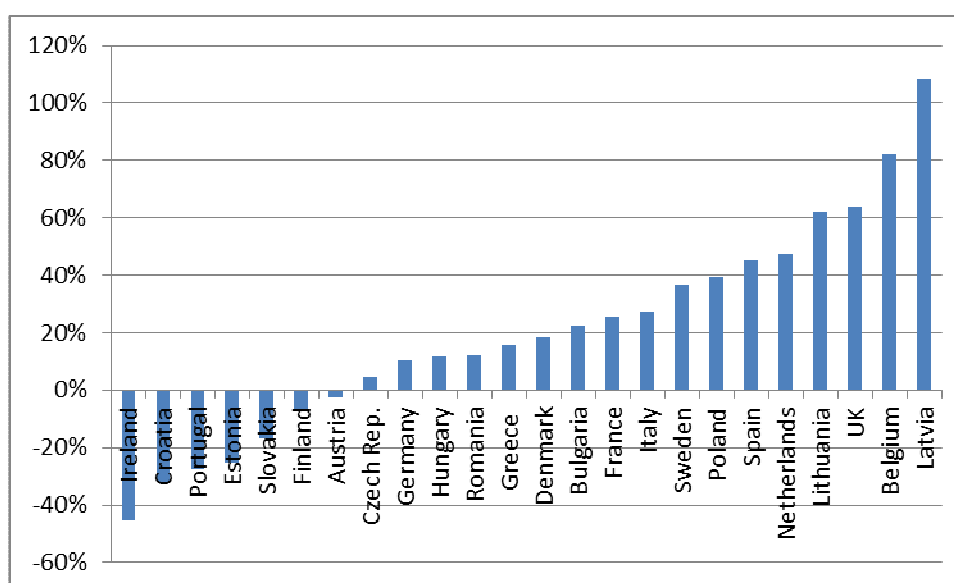
It is difficult to isolate the “ATM factor” in this figure, and three other parameters may also have played a substantial role:

- The depreciation of the currency
- The spill over effect of the Russian retaliatory measures
- The recovery in Europe

With this reservation, it appears that over the May-June period, exports to the EU increased by 25.0% (figures in thousands dollars):

b. *Geographic comparison*

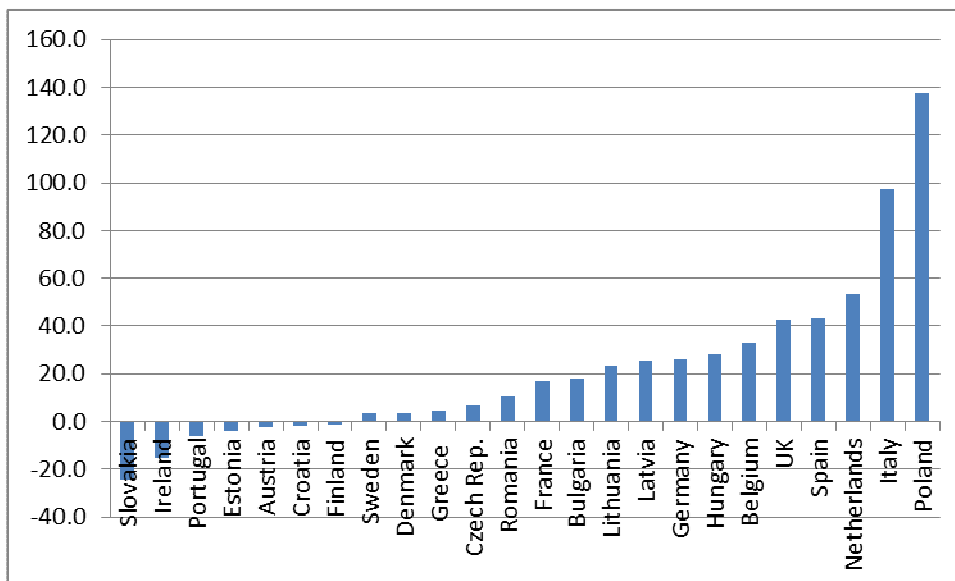
Methodology: we exclude member states that represent less than 1 m€ exports monthly, i.e. Slovenia, Malta and Luxemburg; as well as Cyprus as the data set for Cyprus does appear fully reliable



Increase in exports from Ukraine to EU Member States (% , May-June 2014 vs. May-June 2013)

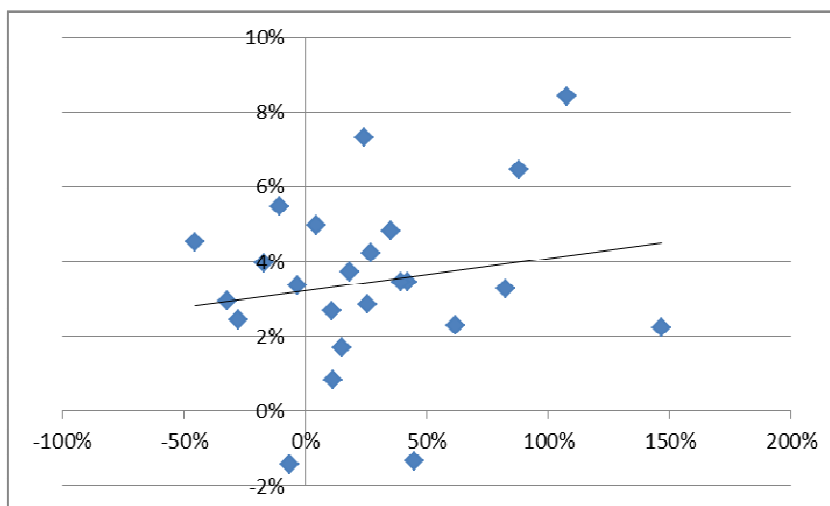
No clear pattern emerge: there is no apparent correlation between proximity and trade growth, and it appears very difficult to identify country groups. For instance, among Baltic States, exports to Lithuania and Latvia increase substantially, whereas they decrease for Estonia. Among Ukraine’s neighbours, exports to Romania and Poland increase also quickly, but they decrease for Slovakia and increase only marginally for Hungary.

In terms of value, the picture is significantly different, and logically reflects main existing export markets for Ukraine:



Increase in exports from Ukraine to EU Member States (m\$, May-June 2014 vs. May-June 2013)

We then assess the relation between the increase in exports to specific EU Member States and the increase in imports for each of these markets, in order to assess the extent to which the rise in exports simply reflects higher demand rather than a new tariff regime. The correlation is limited, suggesting an endogenous effect from ATMs:

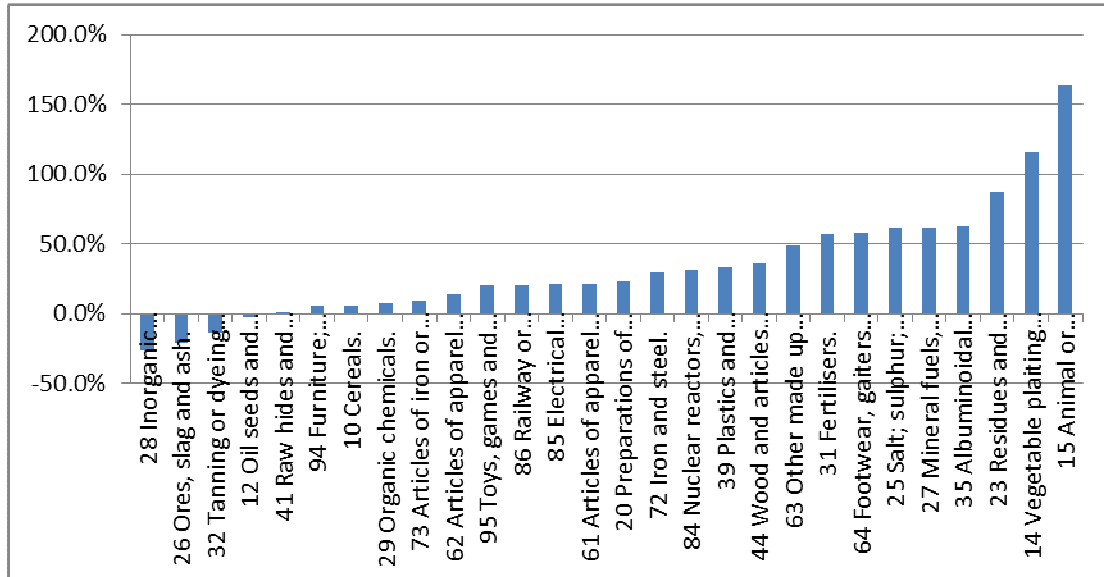


Graph: Comparison between the increase in exports (horizontal axis, %, May-June 2014 vs. May-June 2013) and imports increase (vertical axis, %, 2014 expected vs. 2013, Eurostat)

c. Product by product comparison

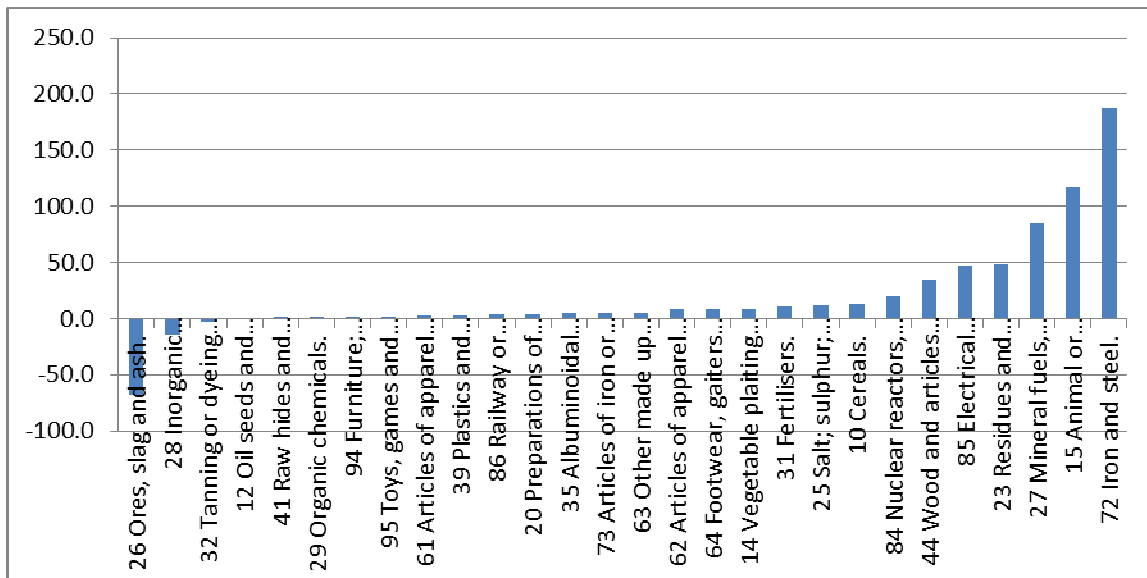
Methodology: we exclude products which represent less than 5 m€ of exports monthly

In terms of increase in relative terms, agricultural or transformed agricultural products are those which benefit the most:



Graph: increase in exports from Ukraine to the EU by product category (% , May-June 2014 vs. May-June 2013)

In terms of value contribution, the picture is more balance between agriculture, machinery and raw materials:

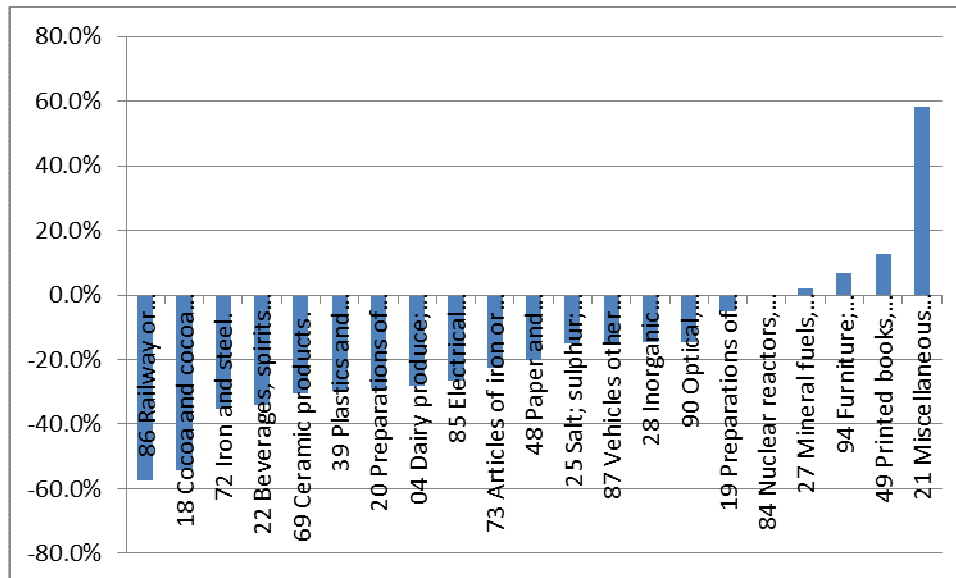


Graph: increase in exports from Ukraine to the EU by product category (m\$, May-June 2014 vs. May-June 2013)

II. Impact of retaliatory measures from Russia

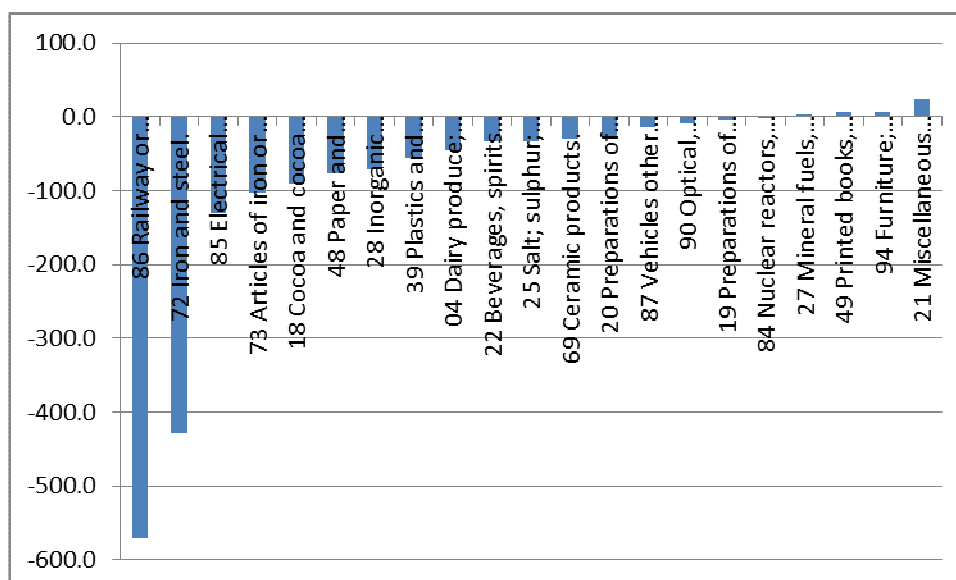
Methodology: retaliatory measures from Russia started over the summer 2013, and progressively increased. In order to capture the full impact of the measures, we compare the first six months of 2014 with the first six months of 2013. We also distinguish between Russia and the whole Customs Union (i.e. Russia plus Belarus and Kazakhstan).

a. *Product-by-product comparison*



Graph: increase in exports from Ukraine to Russia by product category (% , January-June 2014 vs. January-June 2013)

b. *Value*



Graph: increase in exports from Ukraine to Russia by product category (m\$, January-June 2014 vs. January-June 2013)

III. Compensation

Although both issues are not directly linked (ATM vs. retaliation from Russia), a question which is very often asked relates to the possibility that the opening of the EU market could compensate for the losses faced on the Russian market.

If we compare only the period used to measure the effect of the ATM (May-June 2014), the answer is actually positive:

- In May-June 2013, Ukraine's exports to Russia amounted to 2.6bn\$ compared to 2.3 bn\$ to the EU
- In May-June 2014, Ukraine's exports to Russia decreased to 2.0bn\$ compared to an increase to 2.9 bn\$ to the EU
- The increase of exports to the EU market, of 587 m\$ almost offset the decrease to the Russian market of 592 m\$