

NBU revises Ukraine CA balance estimate to incorporate banks' reinvested income

Ukraine

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Analyst: "According to our projections, adding reinvested banking sector income should enlarge Ukraine's CA current account deficit by USD 0.7-0.8 bln in 2018."

KYIV, July 17, 2018 - The National Bank Ukraine (NBU) revised Ukraine's CA deficit for 2017 to USD 2.4 bln from USD 2.0 bln as a result of improving the methodology for estimating banking-sector foreign direct investment (FDI) with regard to reinvested income, Concorde Capital informed clients based on an NBU press release on July 13. Meanwhile, the consolidated balance of payments did not change as mirror adjustments were applied to the FDI item of the financial account.

Reinvested income is calculated on the basis of net operating income for the banks with FDI. The income is adjusted according to the share of foreign direct investment in the bank's capital. The result is subtracted from the primary income of the current account, while the same amount is added to the "direct investment" item of the financial account. The adjustments for 2017 and 1H18 amounted to USD 399 mln and USD 308 mln respectively. The NBU, together with Ukraine's State Statistics Service, is also intending to make calculations for non-banking sector reinvested income and to incorporate to the balance of payments in the future. Concorde analyst Evgeniya Akhtyrko added: "The NBU is continuing to improve the methodology for the better estimation of foreign currency flows in the country. Recall, the NBU increased CA balance for 2015-2017 by about USD 2 bln p.a. by improving the methodology for estimating private remittances to Ukraine. In 1Q18, out of 82 Ukrainian banks, 23 had foreign capital. In terms of net assets, the share of banks with foreign capital in Ukraine was 30.4%. According to our projections, adding reinvested banking sector income should enlarge Ukraine's CA current account deficit by USD 0.7-0.8 bln in 2018.

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