



## German investment in Ukraine increased by \$213 million through September

**German investment in Ukraine increased by \$213 million through September, Ukraine's Economic Development and Trade Ministry reported Wednesday at the start of the Ukraine-Bavaria Economic Forum. Minister Stepan Kubiv led Ukraine's delegation to Bavaria, a southern German state with an economy larger than 21 EU states. Strong in auto parts for such Bavarian companies as BMW, 61% of Germany's \$1.8 billion investment in Ukraine is for industry. With an eye to future car markets, Kubiv said it is four times more profitable to make electric cars in Ukraine than in Germany. Through September, Germany-Ukraine trade increased by 27% compared to the same period in 2016, hitting \$6.6 billion.**

of Sugar Producers of Ukraine. With the EU market largely blocked by high tariffs and preferences for former colonies, Ukraine's top five markets were: Sri Lanka, Turkey, Azerbaijan, Sudan and Libya.

### Automotive >

**GetmanCar, Ukraine's first car sharing company, now is working in Kyiv,** reports Taras Getmansky, the founder and CEO. The service has 100 cars, largely Skoda Fabia and Daewoo Ravon R2, both compact urban cars. Seeing room for growth, he said: «Kyiv needs about 3 to 4,000 car-sharing cars for the whole city.» Hourly rental rates at UAH59 or \$2. Getmansky says he plans to expand to Ukraine's other major cities.

### Agriculture >

**Halfway through the grain marketing year, grain exports are down 9.5%** compared to the same period last year. Ukraine has exported 22.8 million tons of grain since July, versus 25.2 million over the same period last year, the State Service for Food Protection, reports. However, the overall grain crop was down only 5.6% from 2016, a bumper year. The Agriculture and Food Policy forecasts that exporters will draw down stocks and that by the end of the marketing year, in June, grain exports will be down only 2%, to 41 million tons.

**Sugar exports were up 29% year over year in 2017,** hitting nearly 600,000 tons, reports Ukrtsukor, the National Association

### Banking and Finance >

**President Poroshenko nominated Yakiv Smoliy on Thursday to be the new Governor of the National Bank of Ukraine.** If approved by the Rada, Smoliy, 56, will succeed Valeriya Gontareva who quit nine months ago. Smoliy's tasks, Bloomberg reports, will include restarting IMF aid, taming Ukraine's near 14% annual inflation and defending the bank's independence before presidential and parliamentary elections next year. **Timothy Ash writes from London:** "Positive development. Smoliy has done a good job and is respected by international financial institutions."



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**The World Bank is encouraged by signs from President Poroshenko that a bill to create an anti-corruption court** could be revised after international criticism, Satu Kahkonen, the lender's Ukraine director, tells Reuters. Asked about 2018, she answered: "Looking forward, whether I'm going to be optimistic or pessimistic, will depend very much on what is going to happen with the anti-corruption court and land reform...These are two reforms that actually do matter for investment and for investors to come in and for growth to really take off in Ukraine." As for a market for farm land, she said: "The preparatory work for land reform has quietly moved forward and is very well-advanced."

**This week at Davos, IMF Managing Director Christine Lagarde is** to meet with President Poroshenko to discuss the IMF program for Ukraine, IMF spokesman Gerry Rice says. Yakiv Smoliy, formally nominated on Thursday to serve as National Bank Governor, is to join the talks.

**EBRD's loans to Ukraine projects rebounded by 37% last year, hitting EUR 800 million**, Sevkı Acuner, the bank's Ukraine Director tells Interfax. He said he hopes the new privatization process will boost the bank's portfolio, bringing it back to the levels of 2014 and 2015 when loan totals exceeded EUR 1 billion. He said: "The law on privatization, passed in parliament last week, will allow attracting more large foreign investors."

**From the US, WorldBusiness Capital announced an \$8 million**, 10-year commercial loan to Dnipro's Bank Vostok. Guaranteed by the Overseas Private Investment Corporation, the loan will enable Bank Vostok to expand lending to local small and medium-sized enterprises involved in processing and export of food. From Hartford, Connecticut, Rob Monyak, the American bank's executive vice president, said: "Bank Vostok's client base is concentrated among exporters and suppliers to exporters. In this way, additional funding for Bank Vostok is a

means to reach the enterprises that play a crucial role in generating hard currency and fostering economic growth in Ukraine."

**To slow labor migration**, Ukraine is negotiating with the EU a broad program of loans and grants to small and medium-sized businesses, Foreign Minister Pavel Klimkin told reporters Monday. With labor migration now affecting the entire nation, Klimkin said he is working with European Commission and the European Investment Bank to set up and fund "a broad microcredit and micro-grant program for small and medium-sized businesses in Ukraine. Only such a business will effectively preserve jobs."

**Lending to households and to small and medium-sized enterprises will increase this year**, and to «Credit Conditions Survey,» a regular survey of banks conducted by the National Bank of Ukraine. According to the survey, 72% of banks expect an increase to increase their corporate loan portfolios. On household lending 67% of the polled banks expected increase, the highest percentage since the the survey was started, in 2015.

**Ukraine's total debt to the IMF is \$12.1 billion**, Oleg Churiy said at the same briefing. The National Bank of Ukraine owes the IMF \$ 7.2 billion, and the Ministry of Finance owes the IMF \$ 4.9 billion.

**Oleh Churiy said Monday he does not expect major currency volatility**, but the central bank has sold around \$160 million since the start of 2018 to support the hryvnia, Reuters reports.

**Ukraine could return to international bond markets by June** and raising funds through Eurobond sales will not impair Ukraine's drive to reform, Finance Minister Oleksandr Danylyuk told Reuters in London on Monday. "We have plans for this year and investors are waiting for us," he said, adding it was «a possibility» this could happen before the end of June. Asked about the IMF's criticism of a proposed

anti-corruption court, he said: «I hope we will get a document that will satisfy everyone.»

**Moving to defend the hryvnia, the National Bank of Ukraine sold at auction \$47.3 million on Tuesday at a rate of up to 28.86 UAH for the dollar. Timothy Ash writes:** "NBU stepping up intervention – saying: 'enough is enough', in terms of UAH weakness. Ironically, UAH weakness more likely puts pressure on Poroshenko to do the right thing on the IMF/reform and anti-corruption front."

**Ukrainian-American entrepreneur and engineer Igor Pasternak** is creating an American-Ukrainian Industrial Investment Fund. Pasternak, CEO of Worldwide Aeros Corp, a California airship manufacturer, writes on his Facebook page the fund's priority will be «joint projects and developments in the Ukrainian defense and space sector.»



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**Christine Lagarde, IMF Managing Director, said Ukraine** should take advantage of the "current favorable external environment to accelerate reforms and transition to stronger growth." In a statement after meeting with Ukraine President Poroshenko Wednesday in Davos, she said they discussed "the implementation of measures that will pave the way for the completion of the pending review under the IMF-supported program." Timothy Ash

writes: "Don't see this as a change in the IMF position. Poroshenko still has to deliver Venice Commission compliant law on anti-corruption courts. Key to getting program back on track. Ball in Poroshenko's court."

## Business >

**President Poroshenko says that after the Ukraine-Canada free trade pact** went into effect six months ago, two-way trade jumped by 60%, Ukrinform reports. He was talking Thursday at a joint press conference with Julie Fayette, Governor General of Canada, who is in Ukraine on a two-day visit.

**H & M, the world's second-largest clothing retailer, has started advertising for personnel** in advance of the opening later this year of their first Ukraine store, in Lavinia Mall, on Kyiv's Ring Road, west of Podol. Second only to Spain's Inditex, parent of Zara, H & M is based in Sweden and has about 4,500 stores in 62 countries.

**Propelled by online shopping, Nova Poshta delivered 30% more packages in 2017** than in 2016. Of the 146 million parcels, orders from abroad accounted for 5 million, five times the level of 2016. E-commerce accounted for 33 million parcels, a 30% jump. To handle the volume, the courier service increased its fleet by 31%, to almost 1,500 trucks.

**Reflecting Georgia's importance as a Ukrainian export trade corridor to the Caucasus and Central Asia,** Ukraine's exports to Georgia were six times greater than imports during the first nine months of last year. With Ukrainians trucks often barred from transiting Russia, Ukraine shipped almost \$300 million worth of goods to Georgia, but only imported \$49 million, according to Ukrinform.

**Trade between Germany and rose by 21.5% in 2017,** Ukraine's government reported after Prime Minister Groysman met with executives of leading Germany

companies operating here. "Trade focus shifted towards goods of light industries and food industries," reported the press service of the Cabinet of Ministers.

**Advertising increased by about one third last year, to \$600 million**, according to the All-Ukrainian Advertising Coalition. After last year's rebound, the ad industry is expected to expand this year about half the pace, growing about 17%, to \$700 million. Since 2016, ad spending has been flat for radio and newspapers, has grown by 50% for TV, and has doubled for outdoor and digital.

**Exports to EU pulled up Ukraine's overall exports through November**, according to numbers posted by Natalia Mykolska on her Facebook page. Ukraine's exports to the EU jumped by 30.4%, to \$15.9 billion. Ukraine's overall exports grew at a slower rate, by 20.6%, to \$39.5 billion.

**Exports to the US almost doubled last year**, hitting \$746 million through November. Other export increases were: up 19.5% to Turkey, to \$2.2 billion and up 17.5% to China, to \$2 billion.

**Retail sales increased by 8.8% last year**, according to the State Statistics Service. Last month, sales were up 16.1%, compared to December 2016. For the year, sales growth of 11% or high was recorded in six regions: Zakarpattia, Odesa, Lviv, Cherkasy, Kyiv and Vinnytsia.

**From Singapore, 20 Ukrainian food companies presented their products Monday in the island state**, part of Ukraine's first trade mission to Singapore and neighboring Malaysia. Attending were representatives of 50 Singapore companies, including the major supermarket chains serving this affluent nation of 5.6 million people. Dmytro Senyk, Ukraine's ambassador to Singapore, said bilateral trade has doubled in two years. He said: «The potential is huge, given the unique role of this country as a logistical and commercial hub in Asia as well as

an important member of ASEAN." The Association of Southeast Asian Nations is a common market for 630 million people. Singapore alone has a GDP three times larger than Ukraine's.

**In May, work is to start on a joint Canadian-Ukrainian space port and launch vehicle**, Steve Matier, CEO of Canada's Maritime Launch Services, tells Interfax. After the first launch, tentatively in July, 2020, the center in Nova Scotia aims to launch each year eight Ukrainian rockets made at Dnipro's Pivdenne (Yuzhnoye) Design Bureau. Matier said he has lined up about US\$320 million in launch business from Canadian and international customers. Lindsay Construction, the largest construction firm in Atlantic Canada, will build the spaceport in Canso, an eastern Nova Scotia village overlooking the North Atlantic.

**IT workers will more than double by 2025, to 242,000**, the IT Ukraine Association forecasts. With this expanded workforce, Ukraine's IT exports will also more than double, hitting \$8.4 billion in 2025. Of today's 116,000 IT workers, 72% are men, the average age is 30, and the average salary is \$1,600, high by Ukrainian standards. Of the nation's 16 IT clusters, the top five, ranked by number of workers, are: Kyiv, Dnipro, Lviv and Kharkiv, with Odesa.

**Industrial production in Ukraine was flat last year**, breaking a 2.4% recovery in 2016, the State Statistics Service reports. The 2016 growth ended four years of declines, notably 13% in 2015 and 10.1% in 2014. Last year, the processing industry grew by 4%, but that was offset by a 5.8% fall in mining and a 6.5% fall in gas and electricity. By year's end, industrial production had contracted by 0.1%.

**OLX, Ukraine's top online trading post, reports that the average purchase increased 7%** last year, to 1,300 hryvnia, currently \$45. The site hosted 11.9 million ads last year. The most popular search

queries were: bicycle, sofa, dress, jacket, motorbike, apartment and various bands of mobile phones.

**In March, Azerbaijan Trade House will open in central Kyiv**, Ambassador Khudiyev says. The goal is to promote Azeri investment in Ukraine and bilateral trade. At present, Azerbaijan has a trade surplus with Ukraine, largely due to monthly exports of about 250,000 tons of oil to Ukraine.

**Ukraine's highest average monthly salaries are in Kyiv** – 11,643 hryvnia, or \$400. In a second group, Kyiv region, Dnipropetrovsk, Zaporozhye, Poltava, salaries are \$255. Close behind is a newcomer: Zakarpattia, with \$231. Valery Yaroshenko, head of the State Employment Service, told reporters Wednesday: "The salary level in the Zakarpattia region began to grow because of the desire of employers to retain qualified employees." Zakarpattia borders on four EU states.

**Ukraine has the cheapest Big Mac hamburger of all 42 countries** and the Eurozone surveyed by The Economist. A Big Mac costs the hryvnia equivalent of \$1.64, less than one third of the US price of \$5.28. For a Big Mac in Kyiv to be on a dollar parity with New York, the exchange rate would have to go back four years, to February 2014, when it was 8.9 hryvnia to the dollar. For now, Ukraine's cheap currency boosts tourism and exports.

## Commodities >

**About 2.4 tons of gold are in the Belopotik ore deposit in the Rakhiv district of Zakarpattia**, reports the State Service of Geology and Mineral Resources. Located in the Carpathians, 20 km north of Romania, the deposit should be further studied in order to attract investment. Ukraine's only major gold mine also is in Zakarpattia. Avelana Gold, an American company, has announced a \$100 million plan to develop the Muzhievskoye mine.

## Energy >

**France's Powernext will work with Ukrtransgaz**, the state gas pipeline and storage company, to create spot and futures exchange markets for gas trading in Ukraine, Ukrtransgaz reports. Based in Paris, Powernext is the main trading platform for natural gas in Europe. PEGAS, its pan-European gas trading platform, allows market participants to sell natural gas at 12 hubs in nine countries. Ukrtransgaz, with 12 underground gas storage facilities, the largest in Eastern Europe, wants to create a gas trading and storage hub in Ukraine.

**Ukraine probably has natural gas reserves of 5.5 trillion cubic meters**, enough for almost 200 years of consumption at last year's level of 28.4 billion cubic meters. The estimate comes from a UNIAN interview with Andrei Tolkunov, geology head of Ukrgeofizika, the state geological and mineral exploration company. After years of marginal production growth, the government cut drilling and production royalties in half this month and invited more foreign companies to explore here.

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**Ukraine aims to be self-sufficient in natural gas by 2022**, the government's press service said Monday, citing Prime Minister Groysman. To reach this goal, Ukraine will invest in energy efficiency and in greater production. Last year, Ukraine cut gas consumption by 6.3% compared to 2016, Ukrtransgaz reports.

**Ukraine will import half of its gas this year from Russia's Gazprom** – but at a price 27.4% below the price of fall 2014, Andriy Kobolev, CEO of Naftogaz, said Tuesday on national TV, according to UNIAN. Under the Stockholm Arbitration decision of last month, the price was cut and the

volume that Naftogaz is to buy over the next two years is 10% of earlier contracted volumes. Kobolev said that Russian gas will be cheaper than gas now coming from Europe.

**Naftogaz stands to lose \$7 billion over the next four years if household subsidies are extended**, Kobolyev told Channel 5. A draft resolution has been prepared that could extend the subsidies through April, 2021.

**By Feb. 1, all interested foreign companies are to apply to work as partners with Naftogaz to manage the nation's massive gas transportation system.** The pipelines linking Russia with Europe have an annual revenue of \$ 2-3 billion. Memorandums of intent have been signed by: Snam (Italy), Eustream (Slovakia), Gasunie (Netherlands) and GRTgaz (France). A German group also has expressed interest. A management agreement is to be signed this summer. At this stage, Naftogaz is "excluded" from talks, company CEO Kobolyev told Channel 5.

**Azerbaijan, Ukraine's largest source of imported oil, wants to invest more in energy projects here**, the nation's Ambassador to Ukraine, AzerKhudiyev, tells Ukrinform. SOCAR, the state oil and gas company, has already invested \$300 million in Ukraine, most visibly in gas station. The ambassador said: «In the near future, we expect the visit [to Kyiv] of the management of this oil company to discuss with [Ukraine's] Energy Ministry the prospects for a number of very profitable projects.»

## Privatization >

**The Rada passed a law Thursday designed to speed up privatizations, to cut listing times in half, and to place major sales under English law.** The government hopes to make \$750 million this year, attracting foreign and national investors to the first of 3,000 state companies to be sold. To attract the largest number of bidders, an online auction system will be used. For state companies assessed at

over \$10 million, international advisors may be used. Prime Minister Groysman told the parliament that privatization will unlock value by attracting investment to the money losing companies. He said the law "gives the opportunity to create tens of thousands of jobs in the near future in Ukraine."

**With a new privatization law to go into effect shortly**, the State Property Fund released Tuesday a 23-page list of 400 "small" state-owned properties that will go up for auction this year. "Children's camps, cinemas, offices, dining rooms, shops, garages, common property complexes and even ships," Vitaly Trubarov, acting head of the Fund, wrote on Facebook. "Almost 400 objects that can work and generate income, both to new efficient owners, and to the state in the form of jobs and taxes." The list is in Ukrainian and Russians are not allowed to bid.

## Real Estate >

**Expanding its commercial real estate investments, Dragon Capital** seeks to buy a business center on Kyiv's Velyka Vasilkivska, according to the Antimonopoly Committee of Ukraine. Interfax cites a real estate company that lists the business center for sale at \$27 million. The listing says the 9-story office center has 7,900 square meters of leased space and a parking garage for 54 cars.

**Square meters of housing construction increased by 23% last year**, Henadiy Zubko, Minister of Regional Development, Construction and Utilities Services, told reporters Tuesday. Citing a cut in bureaucratic tape, he said permit refusals were 2%, far below the 50% of a few years ago. He said Ukraine approved 13 new construction standards designed to harmonize with European standards.

## Social >

**The State Statistics Service estimates that Ukraine's population is 42.4 million people**, the same level of 1960. Ukraine's

population peaked in 1993 at 52.2 million. The current estimate is not based on a new national census. It does not include the 2.2 million people living in Crimea. Reporting by Ukrinform did not say how the national estimate accounted for the 1.5 million people displaced by the secessionist war in Donetsk and Lugansk. The population of Kyiv – city plus region – was estimated to be nearly 3 million. Skeptics say that, due to the war, labor migration and low birth rates, Ukraine's real population is in the 35-40 million range.

## Standards >

**After the fireworks of last year's visa-free regime,** "European integration in 2018 will be 'quiet,' barely visible and incomprehensible to the general public, but not less important to the future of the country," Ivanna Klymush-Tsintsadze, deputy prime minister for European and Euro-Atlantic Integration writes in Mirror Weekly. Behind the scenes, government officials should implement the EU Association agreement by "harmonizing legislation in such areas as public procurement, sanitary and phytosanitary measures, financial, postal and courier services, maritime international transportation."

## Telecommunications >

**With today the deadline for bidding on 4G mobile service tenders,** Ukraine's three major companies – Vodaphone, Kyivstar and lifecell – already have submitted bids for six lots of 10MHz each. Minimum bids are \$10 million per frequency. Friday is the deadline for applying for the more technically important 1,800 MHz range.

## Tourism >

**Ukraine is negotiating visa free – or easy visa – regimes with 20 more countries,** Foreign Minister Pavlo Klimkin told reporters Tuesday. Noting that Ukrainians have visa free access to 85 countries,

he said: «We are currently conducting negotiations for either full liberalization or visa facilitation with more than 20 countries. We hope to achieve decisive progress with them over the next two years.»

**Marriott will open its first Aloft brand hotel in Ukraine, in Kyiv, on May 1,** just in time for the May 26 UEFA Champions League Final at the Olimpiyskiy National Sports Complex. With 310 rooms, the new hotel will be located two blocks from the football stadium, at Esplanadna 17, behind Gulliver business center.



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**Ukrainian visa centers open today in 10 new foreign cities,** including three in China, according to the Foreign Ministry. The cities are: Abuja, Beijing, Beirut, Cairo, Delhi, Guangzhou, Luanda, Rabat, Shanghai and Tunisia. In contrast to the current bare walls format, the new centers will offer new services -- making I.D. photographs, translating documents into Ukrainian, copying documents, preparing medical insurance policies, courier services, SMS-alerts, and "servicing in comfortable lounges."

## Transportation >

**Turkish Airlines increased traffic its Ukrainian flights by 18% last year, double the airline's worldwide growth of 9.3%.**

Carrying about 600,000 passengers, the airline made about 50 flights a week from six cities of Ukraine - Kyiv, Odesa, Lviv, Zaporizhzhya, Kherson and Kharkiv. Ukrainian competitors succeeded in forcing Turkish to drop flights from Dnipro in 2014 and Ivano-Frankivsk in 2016. Turkish Airlines also operates three weekly cargo flights from Kyiv.

**Kyiv's Metro subway is holding a tender for a 7km, 3-station extension of the Green Line**, northwest from Syrets station to the Vynohradarneighborhood. Participants should register by Feb. 19 for a tender that will be held March 7. The estimated cost is \$225 million.

**UIA increased its passenger traffic last year by 16.4%**, well below the 27.6% increase in traffic flow recorded last year at all of Ukraine's airports. By far the nation's largest carrier, Ukraine International Airlines carried almost 7 million passengers, or 42 percent of Ukraine's total. UIA's strategy of turning Kyiv's Boryspil into an international hub proved successful as the share of transit passengers on UIA flights hit 54%. With most of UIA flights operating out of Boryspil, 89% percent of UIA passengers went through the airport, the nation's largest.

**Antonov Airlines has opened an office in Houston, Texas**, the company reports. Headquartered at Kyiv's Gostomel airport, Ukraine's cargo airline has 13 Antonov aircraft and specializes in 'outsized' cargo. A few days ago, Elon Musk chartered an AN-124-100 cargo jet to fly a rocket nose cone across the US for his Space X Falcon9 rocket program. Antonov recently also carried Abu Dhabi's Al Yah 3 satellite from Washington to the European space port in French Guiana.