



Confidence rising

An informal poll of 400 attendees of an American Chamber of Commerce in Ukraine meeting Thursday night found that 83% said they plan to expand their company operations in Ukraine this year. Voting electronically and anonymously, 15% said their operations would remain the same, and 2.5% predicted cuts. Asked about last year, 64% of respondents said their company grew, 28% said it stayed the same, and 9% said operations declined.

Agriculture >

Boosted by wheat crops in Canada and Russia, world grain production will set a new record, predicts the UN Food and Agriculture Organization. In this agricultural year, July 2017-June 2018, world production will be 2.64 billion tons, 1.3% more than in 2016. At the same time, grain consumption is to grow by 1.4%. Softening prices, the ratio of stocks to consumption will be 28%, the highest level in 16 years.

With corn export prices half of their 2011 peak, a recent bump in prices is not motivating some of Ukraine's biggest corn growers to expand production, Bloomberg reports. Facing strong competition from Brazil, Ukrainian farmers also are hurt by a 14% harvest drop, caused by poor rains. For the next season, Mriya and Nibulon plan to reduce plantings by at least 17%. For this season, Ukraine's corn exports are down 16%.

Ukraine has adopted about 400 EU agricultural regulations since the free trade agreement provisionally went into effect three years ago. Mykola Tochytskyi, Ukraine's representative to the EU, tells Ukrinform that a major task for coming years is to continue to align Ukraine's sanitary and phytosanitary standards with those of the EU. During the first 11 months of 2017, Ukraine's exports of agricultural products to the EU jumped by 38%, to \$5.2 billion.

Ukraine's food exports to the EU grew by 37% last year, more than twice as fast as the 16.3% global growth of Ukraine's food exports, Olga Trofimtseva, Deputy Minister of Agrarian Policy and Food for European Integration, tells the UBJ. Food sales to the EU amounted to \$5.8 billion last year. In addition to big ticket staples -- cereals - \$ 1.7 billion, cooking oil - \$ 1.4 billion - processed exports experienced high growth. Poultry doubled to \$134 million. Confectionery products almost doubled to \$38 million. Flour products rose by one third to \$96 million. Juices rose by one third to \$71 million. And honey rose by one quarter to \$99 million.

Ukraine should expect a record apple harvest of over half a million tons, Andrew Yarmak, economist for the UN's Food and Agriculture Organization, posts on Facebook. With the 2018-2019 apple harvest expected to grow by 11%, Ukraine will have 130,000 tons available for export. With Russia's market largely closed, major



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markets for Ukraine's apples will be the Middle East and Southeast Asia.

Ukraine produced 1 million tons of eggs last year, placing it on the list of the world's top 10 egg producers. Ukraine ranks 10th, after Turkey and Indonesia.

Due to irregular rains, Ukraine's key sunflower seed crop fell by 10.7% in 2017, while the planted area only fell by only 0.7%, reports the State Statistics Service. Even worse, soybean production fell by 9%, while the planted acreage increased by 6.3%. In contrast, production of rapeseed almost doubled while the planted area increased by 6.3%. Used for canola cooking oil, rapeseed is the most drought resistant of the three oilseeds.

To reverse the decline in the nation's dairy herd, Kyiv is offering in \$90 million in low interest loans this year for construction of dairy farms and a \$50 a head bonus for each milk cow kept by a household for one year. As the rural population ages, elderly villagers are butchering their cows rather than milking them. Prime Minister Groysman vowed Wednesday: "Throughout this year, mass construction of farms, dairy-commodity complexes will begin. We will increase the number of livestock and the volume of products produced."

Kyiv is expanding a program to subsidize purchases of locally made farm machinery. With \$35 million set aside for the program, the government will rebate 25% of the purchase cost this year, up from 20% last year. The localization level of the equipment must be at least 35%. The Ministry of Agrarian Policy and Food estimates this will boost local equipment sales by 20%.

Automotive >

New car sales were up 41% in January, compared to the same month one year ago, to 6,620 according to AUTO-

Consulting. Analysts say jitters over the exchange rate prompted some buyers to speed up purchases. In 2017, sales of new cars were up 24.5% compared to 2016. Analysts predict a repeat of this growth this year.

About 425,400 cars with foreign license plates circulate in Ukraine, the State Fiscal Service reports. This represents about 5% of all cars in the country. It is three times the 138,944 new and used cars sold in the country last year. Almost one quarter of the foreign registered cars are from Poland. Most of the cars have violated their temporary stays as owners duck import taxes and paperwork.

Bavaria, the heart of Germany's car making industry, will open a political representational office in Kyiv this year, a German diplomat says. Two weeks ago, StepanKubiv, Ukraine's minister of Economic Trade and Development, led a business delegation to Bavaria's capital, Munich.

AutoHUB, the new one stop service for importing cars at Odesa seaport, is processing cars at almost four times the rate before the service started, last September. In January, 1,800 cars were processed by AutoHUB, which groups in one building seven government and private agencies, including customs and border guards. Before the center opened, imported cars were processed at the rate of 485 per month.

Banking & Finance >

To get back on track with the IMF, Ukraine must adopt market prices for gas and must create an independent Anti-Corruption Court, GoestaLjungman, the IMF's Resident Representative in Ukraine, told the European Business Association on Thursday. He predicted that Ukraine's economy may grow by 3% to 3.5%, this year, well within the consensus range.

Interest rates may rise again this year if inflation does not come down, say members of the National Bank of Ukraine Monetary Policy Committee. Newly released minutes of the last meeting of the 6-member Committee read: "The majority of the MPC members concurred that the key policy rate might be raised in the near future if there are no strong indications of lowering inflationary pressure." At that meeting, on Jan. 24, the Committee raised Ukraine's prime rate to 16%.

"Ukraine's investment shortage puts rebound at risk," warns an article in the Financial Times from Dnipropetrovsk region. High domestic interest rates and skittish foreign investors are blamed for last year's low GDP growth rate of 2%. Ivan Miklos, an advisor to President Poroshenko and a former Slovak finance minister, says direct investment is only 15% of GDP, far below the 25% needed to get Ukraine growing at 6-7% a year.

Inflation will taper off to single digits by the middle of 2019, Yakiv Smoliy, acting governor of the National Bank of Ukraine, predicted Tuesday in a meeting with Rada MPs, Ukrinform reports. Last year, inflation was 13.7%. After raising Ukraine's prime interest rate two weeks ago, Smoliy lost popularity in parliament. He now is meeting with parliamentary factions to win support in a confirmation vote, expected for the end of this month.

London-based Opal Transfer is launching a new money transfer service between Poland and Ukraine. Using the fintech company's app, users can do same day transfers for \$1.50. Poland's National Bank estimates that in 2016 Ukrainians transferred home 5 billion Polish Zloty, or \$1.5 billion.

Ukraine's Export Credit Agency has been approved by the Cabinet of Ministers with a preliminary budget of \$7 million. Natalia Mykolska predicts the agency will open by the end of the year. In 2016, the Ministry

of Economic Development and Trade estimated that 16.5% of Ukraine's exports would be eligible for support.

The Rada has approved a bill creating a central registry of all borrowers with debts over \$13,500. The central bank will maintain the registry and release information on debtors on the request of banks. Concorde Capital's Alexander Paraschiy writes: "This is an encouraging development for Ukraine and its banking system...a centralized transparent database on the quality of borrowers will reduce the risks and costs of banks related to issuing loans to new clients...all in all, it should contribute to increased lending activity in Ukraine and better economic growth in the mid-term."

The European Bank for Reconstruction and Development is providing \$50 million in guarantees to UkrSibbank for corporate client lending, UkrSibbank reports on its website. The EBRD program is largely aimed at agricultural clients. BNP Paribas S.A, of France. Owns 60% of the bank's charter capital. The EBRD holds 40%.

The EBRD will share risk on loans made by Raiffeisen Bank Aval to SMEs totaling €20 million through 2020. The EBRD will cover up to 65% of risks for individual clients. Volodymyr Lavrenchuk, CEO of Raiffeisen Bank Aval, said: "Last year, we issued loans to more than 1,100 companies, including 300 new clients. The program is an opportunity to double our support for Ukrainian companies in their business development." Raiffeisen Bank International, of Austria, owns 68.28% of Raiffeisen Aval. The EBRD owns 30%.

The European Investment Bank has issued EUR9 million in guarantees to Ukrgasbank to support lending to small and medium-sized enterprises. The money will guarantee up to 70% of a loan. With this multiplier effect, the total volume of the loan project is estimated at EUR77 million. The Finance Ministry owns 95% of

the Ukrgasbank, the fourth largest bank by assets of the nation's 88 banks.

An IMF team will arrive in Kiev on Monday to spend the week consulting with Ukrainian authorities, according to GoestaLjungman, IMF Resident Representative here. Almost three years ago, the IMF approved for Ukraine a four-year Extended Fund Facility worth \$17.5 billion. Since then Ukraine has received almost half -- \$8.4 billion.

Business >

At the American Chamber of Commerce meeting, Prime Minister Groysman urged attendees to look for opportunities among the hundreds of state companies to be privatized this year. He said the government has 35 pro-business "laws in the pipeline," including laws to protect intellectual property and to allow concessions in public service areas. He said: "I believe economic growth of 5 -- or even 7 percent -- is absolutely possible."

A British company, Stopford Projects Limited, is to build an \$85 million waste recycling plant for Dnipro, Ukraine's third largest city with almost 1 million inhabitants. The project is self-financed and will be the property of Stopford for 15 years after completion.

Internet advertising rebounded by 40%, to \$93 million last year, reports the All-Ukrainian Advertising Coalition. While still below the 2013 peak, advertising increased across the board last year. TV up 29%; radio up 20%; and newspapers up 18%. On the Internet, half the spend was for banner advertising.

Ukraine has opened a facility in Bangladesh to maintain, repair and overhaul Russian-made Mi-17 military helicopters for the Bangladesh Air Force. Although the helicopters are made in Kazan, Ukraine has maintained them for

four decades. Bangladesh has 31 Mi-17s and five more on order from Russia. According to UkrOboronProm, the repair facility has been created by two Ukrainian firms, Aviakon and Ukrinmash.

Ukraine's economy grew by 2.1% last year, slightly down from the 2.3% recorded in 2016, the National Bank of Ukraine reports. Growth tailed off in the third and fourth quarters due to irregular rains that depressed harvests, the central bank says. Two weeks ago, the bank raised its forecast for GDP growth this year to 3.4%, from 3.2%. Concorde Capital's Evgeniya Akhtyrko writes: "In 2018, we see GDP growth accelerating to 3.5% yoy fueled by consumption, investments, and a low comparative [level] from industry and farming."

Business complaints to Ukraine's Business Ombudsman Council jumped at the end of last year. In Q4 2017, the Council received 729 complaints - more than the total for the previous three quarters. «Nearly three quarters of the complaints received related to tax issues,» the Council reports, alluding to tax inspections and openings of criminal proceedings. The crescendo of complaints may be partly due to business executives losing patience with tax authorities during the course of the year. In Q4, the Council opened a record 519 investigations. Of the 429 investigations it closed in Q4, almost two thirds ended with positive results for complainants.

Foreigners without residence permits can now register as individual entrepreneurs, a major tax advantage, Olesksiy Honcharuk, head of the Better Regulation Delivery Office, writes on Facebook. UNIAN reports that almost 1.8 million individual entrepreneurs - many of them IT workers -- are registered in Ukraine. Referring to Ukraine's growing IT sector, Honcharuk writes: "The fewer barriers, the more investment.»

Betting on growth of consumer spending, Ukraine's Foxtrot home appliance chain plans to open 10 new stores and to invest \$5 million to renovate its 40 flagship stores, the company reports. With 158 stores in 90 cities across Ukraine, Foxtrot has 7 million Ukrainians – about one quarter of the adult population – enrolled in its 'Fox Club' loyalty program.

Ukraine ranks 39th of 115 countries in a 2017 budget transparency index.

Compared to 2016, Ukraine rose 18 positions in the Open Budget Index compiled by the International Budget Partnership. In the Index, Ukraine is tied with Spain, and eight positions higher than Hungary. Oksana Markarova, First Deputy Finance Minister, told reporters that one positive factor is the new E-Data budget portal. Open around the clock, it gets 20,000 visitors a day.

Google's Ukraine affiliate increased its revenue by 75% in 2017, entering the list of the nation's top 100 taxpayers, Google LLC Director General Dmytro Sholomko, reports to Interfax. Contributing to this growth, Ukraine's mobile Internet has exceeded traditional computer internet, he said. Participating in a European Business Association macroeconomic forecast, he said Ukraine's IT advancement is reflected in decisions by PayPal, Samsung and Waze to open development centers here.

IT service exports increased by 7.6% last year, to \$2.5 billion, according to the National Bank of Ukraine. Offering a different numbers, IT Ukraine Association, an industry group, reports on its website, that Ukraine's exports of IT services grew by 20% in 2017, hitting \$3.6 billion.

Antonov sold \$218 million worth of planes, parts and service last year, 1.6 times more than in 2016. Last year, Ukraine's aircraft manufacturer recorded about \$6.7 million in profit. With 10,000 employees, Antonov pays an average

monthly wage of \$317, the Kyiv-based company reports.

Energy >

Ukraine crude oil output continued its decline, dropping by 4.2% in 2017 to 2.1 million tons, Energy and Coal Industry Ministry reports. In 2016, oil production also dropped, falling by 7.5%.

A 16 MW solar power plant has been commissioned in Vesele, Zaporizhia, about 50 km north of the Black Sea coast. The owner, Solar Park Pidhorodnye, previously built two small solar plants with a total installed capacity of 1.6 MW in nearby Dnipropetrovsk.

About 2,000 households switched to solar power last year, taking advantage of a high 'green' tariff for sale of electricity to the grid. In a tariff guaranteed through 2030, household solar electricity sells for 18 euro cents the kWh. In the last three years, households have invested \$65 million in solar systems, according to the State Agency for Energy Efficiency and Energy Saving.

Naftogaz plans to resume purchases of Russian gas next month, according to Andriy Kobolyev, CEO of Ukraine's state energy company. Ukraine stopped buying gas from Gazprom in Nov. 2015. Six weeks ago, a Stockholm arbitration contract ruled that Naftogaz had to fulfill a purchase contract, but at current European market prices.

Science >

Backed by an R&D facility in Dnipro, Britain's Skyrora plans to launch a suborbital test flight from Scotland before the end of this year. With offices in Edinburgh and Glasgow, Skyrora plans to launch small satellites from Scotland next year. Daniel Smith, Skyrora's business development manager, tells Spacenews:

"As a British company, it's helpful [for us] to have access to Ukrainian knowledge... we outsource some design tasks to a team over there that has a mixture of real launch experience and young dynamic university graduates."

Ukrainian science researchers punched above their weight, winning 5.5% percent of EU grant money spread among 42 countries -- 28 EU member nations and 14 associated nations. Competing for Horizon 2020 grants, 83 Ukrainian organizations -- universities, research institutions and private sector entities -- won EUR 17.2 million, or about EUR 207,600 apiece. In this highly competitive contest, 16% of Ukraine's 505 applicants won grants.

Travel >

Fresh from Doha, Infrastructure Minister Volodymyr Omelyan predicts to the UBJ that Qatar Airways will start flying this year to Lviv. He notes that the airline doubled its flights to Kyiv within weeks of launching service last August. Last year, Lviv's airport passenger flow topped 1 million for the first time in memory. The airport's 3.3 km concrete runway can handle the kind of long range Airbus or Boeing needed for the 5 hour Lviv-Doha flight.

Last weekend, the tourist potential of Ukraine was presented at "The New York Times Travel Show" in New York City. Representative from Kyiv City and the Lviv Tourist Office made the presentation at the show which was held at Manhattan's Jacob Javits Center, and attended by 4,500 travel agents.

This year, 17 cruise ship calls are scheduled for Odesa, a marginal improvement over last year's level of 13 port calls and 3,155 cruise tourists, Odesa seaport's press service tells UNIAN. In 2013, cruise ship visits peaked at 106. After Russia's 2014 annexation of Crimea, sanctions barred cruise ships from visiting

Sevastopol and Yalta. Terrorist violence against tourists in Turkey also made Black Sea Turkish ports unappealing to some Western cruise passengers.

Foreign visitors to Kyiv increased by 25% last year, to 1.6 million, according to Andrei Strannikov, head of the city council budget commission. He based this number on the tourist tax, which amounted to almost \$1 million last year. After last May's Eurovision boost, hotel keepers now look forward to 120,000 foreign visitors for the UEFA Champions League, the football final scheduled for the weekend of May 26 in Kyiv.

Through June, Lviv Airport is increasing by two thirds the number of foreign cities with direct scheduled service, the airport's website reports. In addition to three Italian cities added in December, the airport is adding Barcelona, Batumi, Brno, Dortmund, Gdansk, Katowice, London Luton, and Olsztyn Poland. With these 10 new cities, Lviv will have scheduled flights to 25 foreign destinations, almost all in Europe. Starting March 1, Turkish Airlines will increase its Lviv-Istanbul flight to daily.

Ukrainians have won visa free entry to yet another nation – Antigua and Barbuda in the eastern Caribbean. With direct flights from London, Milan, New York and Miami this island nation of 100,000 inhabitants is diversifying from its historic dependence on American tourists. As signed by the ambassadors of the two nations last week in Washington, the visa free regime allows Ukrainians to stay in Antigua and Barbuda for 90 days in any 180-day period.

Transportation >

Container trains will expand across Ukraine this year, alleviating truck traffic on highways, Yevgen Kravtsov, acting CEO of the Ukrainian Railways, predicts to the UBJ. On Wednesday, Kravtsov inaugurated a new weekly container train between Odesa and Kyiv. Later this year,

he said, container trains will start from Odesa to Dnipro and from Kharkiv to Kyiv. One 56-container train replaces 56 tractor trailer trucks.

Antonov would like to convert its Gostomel airport into a major cargo hub and aircraft service center, Oleksandr Krivokon, Antonov's president, told Liga.net. At present, Gostomel serves both functions, but in lesser capacities. The airport's major attraction is its 3.5 km concrete airstrip and its location -- 36 km northwest of central Kyiv. With about 10% of Ukraine's population, Kyiv is the destination for 40% of international cargo. Prime Minister Groysman proposes turning the airport, a 45-minute drive from central Kyiv, into a center for discount and charter flights.

Starting April 19, Wizz Air's London Luton – Kyiv Zhuliany flight will become daily. Also in the spring, flights from Zhuliany to Wizz Air's Budapest hub will increase from three times a day to nearly four times a day. Wizz Air also is moving up the start of its Lviv-London flights to May. These moves come as Infrastructure Minister Volodymyr Omelyan tells UBJ that he is "99% certain" that Wizz Air's discount rival, Ryanair, will start flying to Ukraine in the first half of this year.

Ukraine International Airlines is to increase its seat capacity by 16% this year according to anna.aero's analysis of schedules published by Ukraine's national flag carrier. Despite the loss of Russia flights in 2015, UIA more than tripled its seats since 2012, to 7.9 million in 2017. Last year, UIA's fastest growing market was Germany, with seats out of Boryspil to four Germany cities up by 47%.

Domestic air traffic increased last year by 17.6% to 930,900 passengers, according to the State Aviation Service. With five airlines serving nine cities, Ukraine has a low level of domestic air traffic given its large size, comparable to France. This year, the Infrastructure

Ministry is taking steps to promote new domestic flights and cheaper tickets.

In a promising economic sign for 2018, cargo handled in January by Ukraine's 13 sea ports was up 11% over the same month last year, according to the Seaports Administration. Last year, cargo handled by the ports increased by only 1%. This January, exports were down 1%, but imports jumped by 70%. Overall, the ports handled 913 ships in January, 47% more than in January 2016.

The European Aviation Safety Agency is to review and, ideally, certify Uzhgorod International Airport, under a \$75,000 contract with the Infrastructure Ministry. Unique among Ukraine's 17 commercial airports, Uzhgorod uses Slovakian airspace for takeoffs and landings. Therefore, it needs EU certification. The airport's sole runway, 2km of asphalt, stops 90 meters short of the international border. In July 2016, Uzhgorod, the nation's westernmost airport, lost its sole scheduled flight, to Kyiv. Instead of a 1h15 min air hop to Kyiv, residents now choose between a 10h30 car drive or a 12h30 train ride to the capital. Lviv airport is a four drive north. Košice Airport, in Slovakia, is 100 km to the west.

To modernize rail infrastructure, Ukraine will invest \$650 million this year, the largest amount in a decade, Infrastructure Minister Volodymyr Omelyan told reporters Tuesday. Of interest to business, the state railroad will buy 30 General Electric locomotives, produce 3,600 freight cars and renovate 10,000 more. For passengers, the state railroad will buy 30 new passenger railcars and modernize 226 more. About half of the money will go to completing the Beskidy tunnel through the Carpathians and to electrifying sections of track, largely feeder lines to Black Sea ports.

Ukravtodor is starting a 5-year road building and renovation program to

connect all 24 regional capitals with 'high quality' roads, Oleksandr Kharchenko, acting deputy head of the state highway authority, told reporters Tuesday. Ukravtodor plans to spend \$643 million to repair and rebuild about 4,500 km of roads this year, more than double the 2,100 km fixed last year. Under a new decentralization system, Ukravtodor is responsible for 50,000 km of roads, and local authorities are responsible another 120,000 km. Local authorities are to receive 35% of revenues going to the Road Fund.

Speeding people and vehicles across southern Ukraine's busiest border crossings with Moldova is the goal of a new, two-year program. Funded by the EU, the project will pay for truck scales, vehicle inspection equipment, computer systems and furniture for the posts which will have both countries' border controls under one roof. Implemented by the UN's International Organization for Migration, the new facilities will control two border crossing points: Kuchurhan-Pervomaisc, 75 km northwest of Odesa; and Reni-Giurgiulesti, two border towns on the east bank of the Danube. EU Ambassador Hugues Mingarelli said Tuesday: «The flow through these two border crossing points reaches over 3 million persons and 800,000 vehicles per year...We are working for simpler and faster border crossing for travelers and goods.»

China Railway International Group officials have discussed subway and bridge projects in Kyiv with Dmytro Davtyan, deputy head of Kyiv City Administration. The City's press office said Wednesday the Chinese "are ready to invest large funds in the projects." Davtyan said: "Most technologies used by Chinese companies are high-tech and use advanced solutions."

