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Zelensky suggests turning Chornobyl zone into growth point



President of Ukraine Volodymyr Zelensky has proposed turning the Chornobyl zone into one of the points of economic growth in Ukraine.

"Today I've signed a decree that will be the beginning of transformation of the exclusion zone into one of the growth points for new Ukraine," he said at Chornobyl Nuclear Power Plant, where the ceremony of transferring a new safe confinement took place.

HEADLINES



UKRAINE HAS GOOD CHANCES TO GROW AFTER PARLIAMENT ELECTIONS – ANALYSTS BANK OF AMERICA MERRILL LYNCH



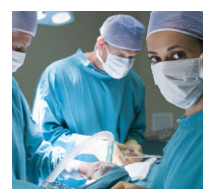
COST OF UKRAINIAN HRYVNIA IS UNDERESTIMATED BY 61% – BIG MAC INDEX



NEW CONFINEMENT HANDED OVER TO CHORNOBYL NUCLEAR POWER PLANT



FARMAK RAISES FIVE-YEAR LOAN FROM EBRD



120 UKRAINIAN CLINICS RECEIVE FOREIGN PATIENTS, BILL FOR TREATMENT IS \$2,000-2,500



ACTIVITY OF CONSTRUCTION ON UKRAINIAN REGIONAL RETAIL REAL ESTATE MARKETS GROWING

Ukraine has good chances to grow after Parliament elections – analysts Bank of America Merrill Lynch



Reaching a majority by the pro-presidential Servant of the People Party in the Verkhovna Rada, Ukraine's parliament, or creation by it of an ideological coalition will let it quickly form a government, negotiate a new program with the International Monetary Fund (IMF) and unlock deep reforms in Ukraine, which will facilitate economic growth. Such a base-case scenario of the possible election results was described by analysts of Bank of America Merrill Lynch (BoAML).

"Key political party programs suggest that the next Rada will be open to deep reforms, which were not feasible previously," they say in an outlook published last week pending the snap parliamentary elections in Ukraine, scheduled for July 21.

Among such reforms, the analysts point to the launch of a land market with the effect of accelerating GDP growth (which is now potentially estimated at 3%) by at least 1 percentage point (pp) and an additional \$1-2 billion in investment annually, as well as switching to exit capital tax, which can add to the growth of another 1 pp. The BoAML believes that an agreement on a new program with the IMF for four years in the amount of \$8-9 billion could be reached in October-November. The lack of a program remains a key risk, but in the face of large external payments in the coming years, it will be difficult for Ukraine to cope with them without cooperating with the Fund, the outlook says. In the case of a successful new program with the IMF by the end of Volodymyr Zelensky's presidential term, Ukraine's international reserves could increase to \$25 billion, the analysts say.

According to them, the growth of Ukraine's economy in 2019 could reach 3.2%, which will allow investors in 2021 to receive the first, albeit small, payments on the so-called GDP warrants (value recovery instruments), and this will become an important trigger for the purchase of such securities. The BoAML estimates their fair value at around 86% of the nominal value based on conservative growth and volatility assumptions, whereas recently they are quoted slightly above 70%.

Ukrainian State Fiscal Service authorizes exporter status to 239 enterprises that supply goods to EU

The State Fiscal Service (SFS) has announced that authorized exporter status has been granted to 239 enterprises that supply goods to the European Union.



"In Ukraine, 239 enterprises that export goods to the EU countries received authorized exporter status as of July 2, 2019," the agency said.

As explained by the SFS, these companies can process goods at customs, using a simplified procedure, that is, without issuing a EUR.1 certificate, they can independently declare the preferential origin of goods in commercial documents. In addition, the SFS noted that a Finance Ministry order amending the procedure for granting and cancelling such status by the customs came into force on June 21 this year.

Real GDP in Ukraine in 2019 to grow by 3.2% – expert

Real GDP in Ukraine in 2019 would grow by 3.2% under the influence of higher internal demand (both consumer and investment) than it had been projected, according to the updated Dragon Capital's forecast. Earlier Dragon Capital assessed growth of the Ukrainian economy this year at 2.5%.

According to the forecast, the external environment in the first half of the year was better for Ukraine than expected, in particular, because of the sharp favorable change in prices for iron ore and gas.

The estimate of the increase in real GDP in 2020 remained the same – 2.8%, since the positive impact of higher demand will be offset by a reduction in the transit of Russian gas, Dragon Capital said in the document. Half a year ago, analysts at Dragon Capital were expecting a 20% drop in transit, but now they predict a 50% fall.

The authors of the report reminded that on January 1, 2020, the 10-year transit contract between Naftogaz Ukrainy and Russia's Gazprom will expire.



In U.S. dollar terms, the nominal GDP forecast for the current year has been improved from \$143 billion to \$150 billion, for 2020 – from \$148 billion to \$161 billion.

Taking into account the unexpectedly strong dynamics of January-May 2019, the analysts at Dragon Capital also significantly improved the forecast for the current account deficit – by 1 percentage point (p.p.), to 2.7% of GDP (\$4 billion), explaining this by slower repatriation of dividends and such an improvement in terms of trade, which compensates for the increase in consumer and investment imports. According to the updated macroeconomic forecast, the current account deficit in 2020 will increase to 3.2% of GDP (\$5.1 billion) due to less favorable terms of trade and reduction in gas transit, which, however, is noticeably better than the previous estimate of 3.9%.

As for inflation, its forecast for this year is worsened from 7.3% to 7.8% compared with 6.3%, so far expected by the National Bank.

Level of shadow economy in Ukraine still decreasing

The level of shadow economy in Ukraine in 2018 decreased by 2 percentage points (p.p.) compared to 2017, to 30% of the volume of official GDP, which is the lowest indicator since 2009, the Ministry of Economic Development and Trade has reported. "All the methods used for assessment of the level of shadow economy showed a decrease compared to 2017," the document says. According to the report, the highest level of shadow economy was traditionally revealed by the method "population expenditures – retail turnover" at 46% of GDP, which is 2 p.p. lower compared to 2017.

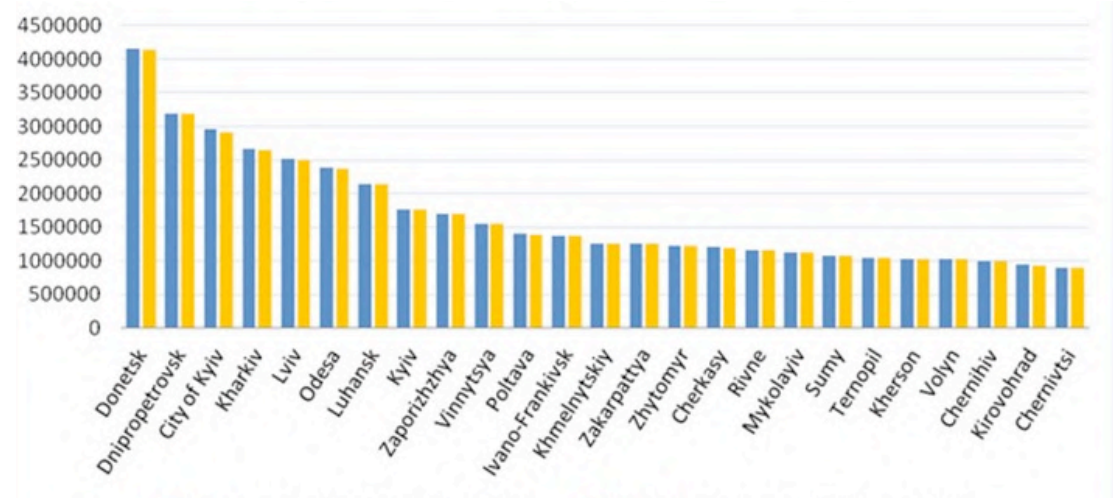


Electric and monetary methods showed a decrease in the level of shadow economy by 1 percentage point each, to 27% and 23% of GDP respectively.

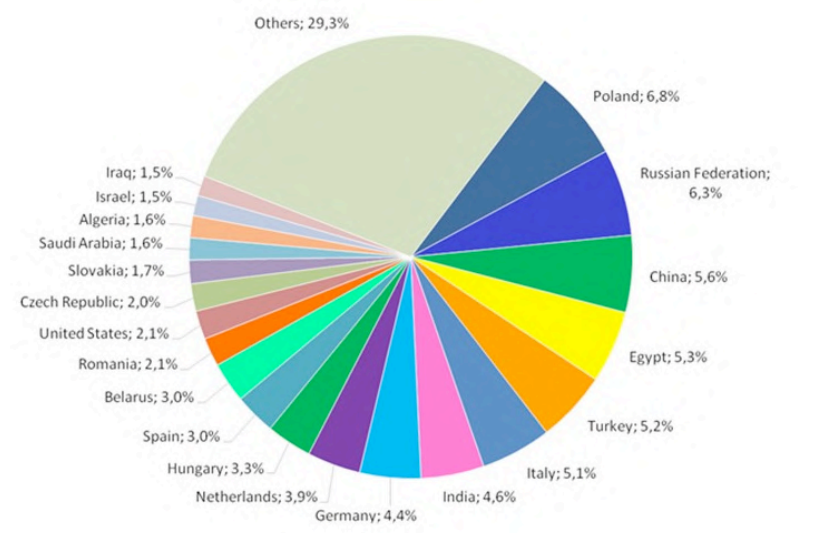
The level of shadow economy according to the method of loss-making enterprises fell to 18% of GDP, which is 4 p.p. less than in the same period of 2017.

In terms of sectors, the highest level of shadow last year was recorded in the sector of financial and insurance activities at 40% of the gross value added of the industry, which, however, 10 percentage points better than the 2017 figure. In the mining industry, according to the ministry's estimates, the level of shadow economy declined by 8 percentage points, in trade by 5 percentage points, and in real estate transactions by 4 percentage points.

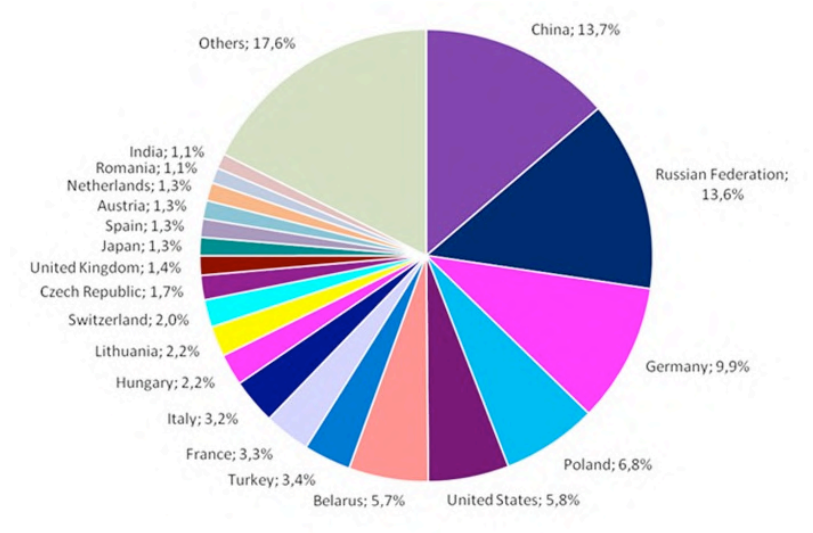
Ukrainian population by regions as of May 1, 2019 (in persons)



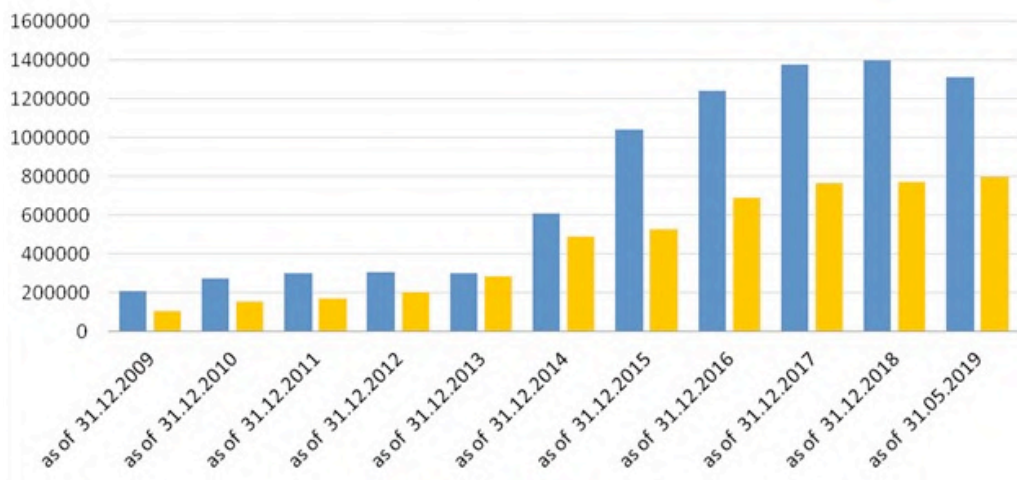
Ukraine's foreign trade in goods (exports), Jan–Apr, 2019



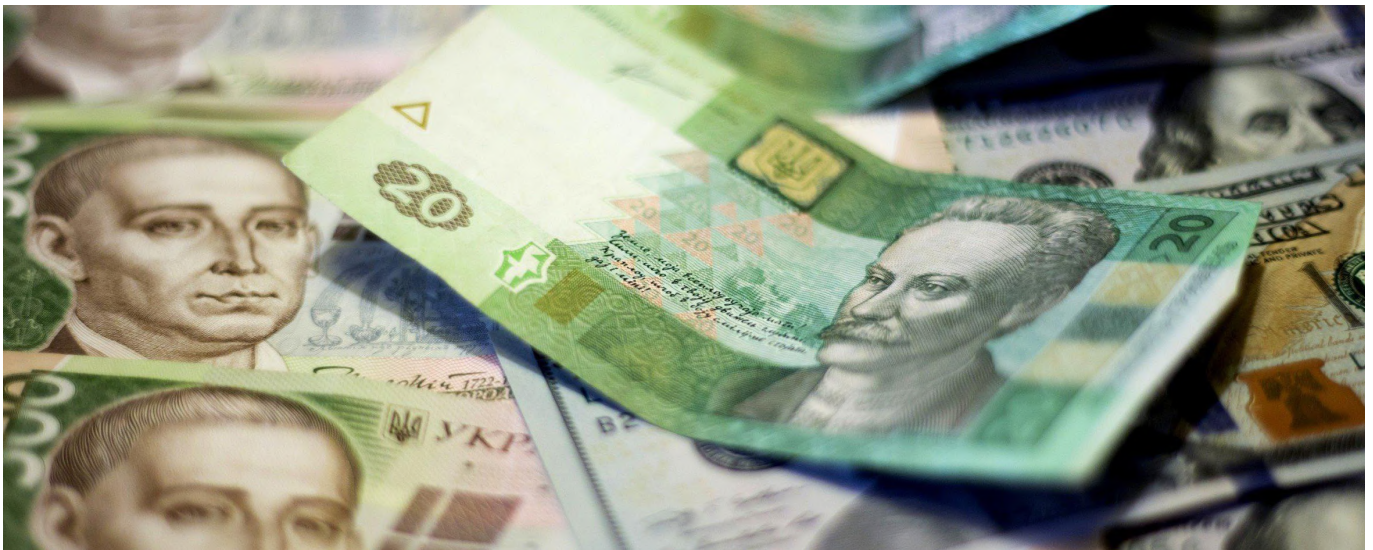
Ukraine's foreign trade in goods (imports), Jan–Apr, 2019



State and state guaranteed debt of Ukraine from 2009 till 2019 (mln UAH)



Cost of Ukrainian hryvnia is underestimated by 61% – Big Mac Index



The Economist has published updated data on the rating of world currencies, the so-called Big Mac Index, according to which the cost of the hryvnia is underestimated by 61.3%, and the real rate according to purchasing power parity should be UAH 9.93 per U.S. dollar, the Ukrainian Dzerkalo Tyzhnia said. Early this year, the Ukrainian currency was underestimated by 65.2% according to the Big Mac Index.

The Big Mac Index is an index created by The Economist based on the theory of purchasing power parity (PPP). Over the long-term, PPP theory states that currency exchange rates should equal the price of a basket of goods and services in different countries.

The official forex rate set for Ukraine's hryvnia on July 12 is UAH 25.8 per U.S. dollar.

International reserves of Ukraine 6.4% up to \$20.639 bln

The international reserves of Ukraine in June 2019, according to preliminary data, increased by 6.4%, to \$20.639 billion in equivalent due to the placement of eurobonds by the government and the purchase of currency by the National Bank of Ukraine (NBU) in the interbank market, the NBU said.

New confinement handed over to Chornobyl nuclear power plant



Chornobyl nuclear power plant has officially received a new safe confinement (NSC) for subsequent commissioning from Novarka.

According to an Interfax-Ukraine correspondent, the handover ceremony took place at Chornobyl nuclear power plant with the participation of Ukrainian President Volodymyr Zelensky on July 10.

Upon completion of the transfer process, the plant will receive a license and proceed to operating the confinement complex and dismantling unstable structures of the Shelter facility.

"To implement this stage, additional financial resources are needed, first of all, from Ukraine," the State Agency of Ukraine on Exclusion Zone Management said.

Earlier on July 10 Senior External Affairs Advisor at the European Bank for Reconstruction and Development (EBRD) Anton Usov wrote on Facebook that "22 years after the Chornobyl Shelter Fund was set up, the new safe confinement has now been launched and handed over to Ukraine."



The international community raised EUR1.5 billion for the project. The EBRD invested over EUR700 million. The confinement will serve at least 100 years and help solve the problem of removing the 'sarcophagus' over reactor No. 4.

The construction of the NSC over the old Shelter began in 2012 following massive preparations on the site. The project was carried out by Novarka Consortium.

Due to the massive size of the NSC it had to be built in two parts, which were erected and successfully joined in 2015. Inside the NSC arc is a crane for removing the existing old Shelter Structure, or 'sarcophagus,' and the remainder of reactor No. 4.

The NSC has a service life of 100 years and cost EUR1.5 billion to build.

Hungary remains leading buyer of Ukrainian electricity

Ukraine in January-June 2019 increased revenue from exports of electricity by 17.9% or \$28.792 million compared with January-June 2018, to \$189.455 million, including \$32.188 million in June alone. Hungary bought electricity worth \$118.05 million, Poland \$40.386 million, Moldova \$23.487 million, other countries \$7.532 million, Ukraine's State Fiscal Service has said.

As reported, Ukraine in 2018 exported electricity worth \$331.942 million. Hungary bought electricity worth \$189.958 million, Poland \$78.763 million, Moldova \$53.144 million, and other countries \$10.078 million. Exports of Ukrainian electricity in monetary terms in 2018 increased by 40.9% compared to 2017.

Ukraine increased electricity exports by 19.3% or 999.4 million kWh in 2018, to 6.166 billion kWh.

According to the forecast, Ukraine in 2019 plans to export 6.42 billion kWh of electricity, and this is slightly more than in 2018 (6.2 billion kWh).

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DTEK Oil&Gas plans to invest UAH 1.2 bln in Zinkivska field (Poltava region)

DTEK Oil&Gas, responsible for oil and gas segment in the DTEK Group, after signing a product sharing agreement (PSA) for the Zinkivska field (Poltava region) will invest UAH 1.2 billion in its exploration and development, the company's press service has reported.

DTEK plans to re-process and re-interpret data from previously conducted seismic surveys and gas-dynamic well surveys, 3D surveys, and drill three cat wells in this area. The planned start of production is the second year since the start of work. As reported, on July 1, the intergovernmental commission on PSA prepared proposals for the winners of nine continental fossil fuel fields put up for competition for the Cabinet of Ministers.

GGF will issue EUR 9 mln to Norwegian Scatec Solar for building solar plant near Kyiv



The Green for Growth Fund (GGF) will provide the Norwegian company Scatec Solar, represented by Scatec Solar ASA, with a loan of EUR 9 million for the construction of a 45 MW solar power plant near Bohuslav (Kyiv region).



This year this is the second major investment by the Norwegian company in the renewable energy fund in Ukraine. The first one was the project of the 250 MW wind farm Syvash (Kherson region).

In general, the fund's investments in Ukraine amount to almost EUR63 million. This project will contribute to the country's strategy to increase the share of renewable energy in its total supply to 25% by 2035, the fund said in a press release.

UDP Renewables plans to build three wind farms in Ukraine (Volyn region)

Volyn West Wind 1, 2, 3 LLC (Volyn region) plans to build two wind farms with a capacity of 63 MW each and a wind farm with a capacity of 72 MW, according to information on the website of the environment assessment register.

Under the project it is planned to install 44 turbines with a capacity of up to 4.5 MW each. The height of the tower will be up to 125 meters. The area required for placing one turbine is 0.35 ha.

In addition, it is planned to build a 110 kV/35 kV substation and a 110 kV/35 kV power line.

The tentative useful life of the wind farms is 20 years.

According to the unified public register of companies, Volyn West Wind 1, 2, 3 LLC belongs to UDP Renewables of Vasyly Khmelnytsky and UDP Renewables Managing Partner Serhiy Yevtushenko.

Farmak raises five-year loan from EBRD

PJSC Farmak pharmaceutical company (Kyiv) has raised a five-year loan from the European Bank for Reconstruction and Development (EBRD) in the amount of EUR 15 million (equivalent of UAH 427.838 million). An Interfax-Ukraine correspondent has reported that the loan agreement was signed between the bank and the pharmaceutical producer.

"The EBRD is our strategic partner, we will continue working with it," Farmak Executive Director Volodymyr Kostiuk said. Volodymyr Kostiuk said that the attracted funds are intended to expand production at the Farmak's facility in Kyiv.



"We want to develop and conquer new markets, but today we do not have enough production capacity, so the expansion of production is very important for us," he said.

Farmak Executive Director Volodymyr Kostiuk said that the company has raised around EUR 72 million from the EBRD since 2006.

The borrowed funds will be sent, in particular, to finance the expansion of production facilities, and the construction of a new laboratory and production complex.

120 Ukrainian clinics receive foreign patients, bill for treatment is \$2,000-2,500



The average bill of a foreign patient who is treated in Ukrainian clinics, is \$2,000-2,500, not taking into account transport and accommodation costs, the Ukrainian Association of Medical Tourism (UAMT) said at a roundtable devoted to medical tourism in Ukraine, the situation with it and its prospects held in Kyiv last week.

According to UAMT, currently in Ukraine, about 120 clinics in different regions of Ukraine receive foreign patients.



According to UAMT Head Violetta Yanyshyevska, the most attractive for foreign patients in Ukraine are plastic surgery, dentistry, sanatorium-resort treatment, reproductive technologies, rehabilitation, treatment of ophthalmologic diseases, heart surgery and cell therapy. She said that the leaders in receiving foreign patients in Ukraine are reproductive clinics.

At the same time, Yanyshyevska said that in matters of medical tourism, "this is not about competition between clinics, but about competition between countries."

Sikorsky Kyiv International Airport sees 16% rise in passenger traffic in Jan-June

The Sikorsky Kyiv International Airport in January-June 2019 serviced 1.332 million passengers, which is 16% more than a year ago. The airport said that the number of passengers serviced on international flights totaled 1.298 million, and on domestic flights – 33,900.

At the same time, the number of serviced flights amounted to 14,271 (arrivals and departures), which is 5.6% more than in January-June 2018, including 11,966 international flights, and 2,305 domestic flights.



The most popular international destinations at the airport in January-June 2019 were Sharm el-Sheikh (Egypt), Warsaw (Poland), Minsk (Belarus), Ankara (Turkey), Vienna (Austria), Berlin (Germany); domestic – Odesa, Zaporizhia and Lviv.

At the same time, in June 2019, the airport serviced 248,500 passengers, which is 14.8% less than in June 2018. The number of passengers serviced on international flights amounted to 241,800, on domestic flights – 6,700 passengers.

EBA agrees with president's position to use electronic timber accounting system nationwide



The European Business Association (EBA) shares the position of the office of the president regarding the introduction of a nationwide system of electronic timber accounting and stresses the need for all timber makers to join this system. "For a more efficient operation of the electronic timber accounting system, it is critically important that all timber makers are connected to it, regardless of the form of subordination," Yevhen Kuzmenko, the manager of EBA committees, told Interfax-



"This system has already been introduced in forestries subordinated to the State Forest Agency. But it does not apply to other forest users, such as state enterprises of the Ministry of Defense, the Ministry of Environment, municipal companies, and others. They, according to various sources, harvest from 17% to 27% of the total volume of timber," the expert said.

Ukraine.

He noted that the system shows all the data from logging to timber sale or accepting for processing: who is involved in timber logging and on the basis of what documents, the characteristics of timber, as well as to whom and at what price it was sold.

Activity of construction on Ukrainian regional retail real estate markets growing



The activity of construction on regional retail real estate markets is growing, and the reconceptualization trend for existing shopping centers would remain, UTG Director Evgenia Loktionova has said. "The construction of retail real estate is growing, and not only in Kyiv. There are all prerequisites for increasing it in the regions, as the concepts of the last five years are moving into an active construction phase, which will significantly influence the existing market. I think active construction will move to regions, and Kyiv will finish the started projects," she said at a press conference.

"Our most "sleeping" regions, where there are not many shopping centers that felt comfortable enough in the absence of competition, will now feel serious pressure. This is Khmelnytsky, where two facilities of 50,000 square meters are being built, Vinnytsia with a facility of more than 50,000 square meters, Dnipro with a facility of more than 100,000 square meters. Thus, all new facilities will be built taking into account the existing current trends and new tenants in the market, respectively, this will allow new shopping centers to be ahead 10 years of the existing centers," Loktionova said.



According to the UTG's information, the average daily attendance of the shopping and entertainment centers is 677 people per 1,000 square meters, which is 4% higher than in the same period in 2018. In terms of saturation with high-quality retail space, Kyiv is ahead of Budapest and Sofia, with an indicator of 527.1 square meters per 1,000 inhabitants.

According to Head of the UTG Strategic Consulting Department Konstantin Oleynik, if these projects are implemented and launched, there is a prospect of a surplus of retail space, which will lead to an increase in vacancy and lower rental rates in obsolete facilities.

"There are large facilities that can significantly affect the distribution of forces in the market. Some of the loudest are the River Mall shopping and entertainment center, Blockbuster Mall shopping and entertainment center, Lukyanivka shopping and entertainment center, and the second stage of the Auchan Rive Gauche shopping and entertainment center.

According to the company, rental rates in U.S. dollars have increased by \$0.9 since the beginning of the year and amounted to \$24-70 per square meter a month. At the same time, fixed rental rates for restaurants and cafes are \$15-30, for large-format clothing stores (600-1,500 square meters) – \$1.5-20, for fashion galleries (100-200 square meters) – up to \$70, for cinemas – \$4-15, for grocery supermarkets – up to \$15.

Ukrainian Kyivstar launches joint project with Viber

The Kyivstar mobile communications operator has allowed paying for a subscription to sticker packs in Viber (part of Rakuten Inc.) via own Smart-Money financial service for prepaid subscribers, the companies have said in a joint press release.

"This is the first experience of the collaboration of the messenger and the mobile payment service, which was implemented in Ukraine," the press service of the mobile operator said.



"Launching a joint project with Viber is an important step for us. We are confident that such a partnership will help develop a culture of payments with mobile money and thus help citizens of Ukraine to strive for a cashless economy," Senior Business Development Manager at Kyivstar Olena Suvorova said.

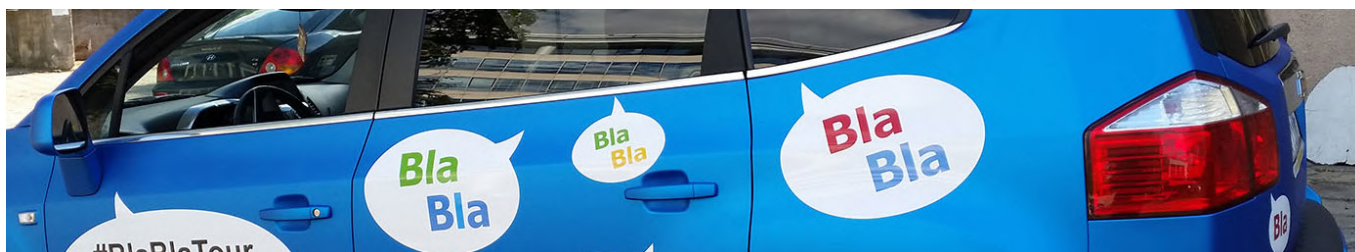
Users of the Smart Money service will be able to subscribe to all stickers in Viber for UAH 20 per month and access immediately to all collections of stickers, which has more than 500 pictures.

Usually, Viber users pay for each sticker pack separately, but one time at a price of UAH 52-54 per one sticker pack.

The service can be used by Kyivstar prepaid subscribers who have installed the Smart Money application, since payments are made from a mobile account.

According to Rakuten Viber, Ukrainians make about 4 million calls to Viber every day and send 11 million messages.

BlaBlaCar names Ukraine among top three countries in terms of service development pace



The BlaBlaCar carpooling service has named Ukraine among top three countries in terms of the service development pace: in January-June 2019, the Ukrainian community of BlaBlaCar passed the five billion mark, the press service of the service has reported. According to the company's information, the service community in the world reached 75 million users in 22 countries (3.4 million on average per country).

The company said that over the past two years, activity on the BlaBlaCar platform in Ukraine has grown by more than 150%, and daily dozens of thousands of people make trips.



"At peak times (Christmas, Easter holidays), over one million free places are published on the platform. Of these, 80% are trips across Ukraine, 20% are international (Poland, Germany, Czech Republic and other countries)," the company's press service reported.

According to the company, the rapid growth of the platform was influenced by the increase in passenger traffic in million-plus cities (Kyiv, Odesa, Dnipro, Kharkiv and Lviv).

U.S. Department of Agriculture reviews forecast for export of Ukrainian wheat to 19 mln tonnes

The U.S. Department of Agriculture (USDA) has reviewed downwards the forecast for export of Ukrainian wheat in 2019/20 agricultural year (July-June) by 0.5 million tonnes, to 19 million tonnes, and harvest – by 1 million tonnes, to 29 million tonnes, according to a July report of the USDA posted on its website. According to the report, compared with the June report, the forecast for the export of barley in 2019/20 agri-year was also lowered to 4.2 million tonnes (by 0.3 million tonnes) due to the deterioration of the forecast for the production of this crop to 8.5 million tonnes (by 0.5 million tons).

At the same time, the forecast for the export of corn has been increased to 28 million tonnes (by 1 million tonnes) with improving the forecast of the corn harvest to 34 million tonnes (by 1 million tonnes).

Thus, in general, the grain harvest forecast for 2019/20 agri-year in Ukraine has been reduced to 72.55 million tonnes (by 0.5 million tonnes compared with the June forecast), exports increased to 51.39 million tonnes (by 0.2 million tonnes).

Ukrainian agri export to EU grows by 31% in Jan-May, 2019

Ukrainian agricultural exports to the European Union (EU) countries in January-May 2019 grew by 30.8% compared with the same period in 2018, to \$2.97 billion, Acting Minister of Agrarian Policy and Food of Ukraine Olha Trofimtseva has said. "Export of Ukrainian products to the EU during the reporting period increased 30.8%, to \$2.967 billion. Import increased 12.1% and amounted to \$1.227 billion," she wrote on her Facebook page.



The share of the Netherlands of goods turnover between Ukraine and the EU countries was 17.6%, Spain's – 13.7%, Poland – 13.1%, Germany – 10.8%, Italy – 10.8%, France – 5.7%, the U.K. – 4.1%, Belgium – 3.2%, Portugal – 2.9%, Hungary – 2.9% and Ireland – 2.7%.

The main products in the structure of exports to the EU are cereal grains – \$1.4 billion, vegetable oils – \$610.5 million, leftovers and waste from the food industry – \$272.8 million, oilseeds – \$177.4 million, meat and edible offal of poultry – nearly \$86 million, fruits, nuts and zest – \$53 million, grain products and cereals – \$36.4 million, honey – \$34.6 million.

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