



# UKRAINE

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## New chairman of Ukrainian Parliament: our goal is 5-7% economic growth



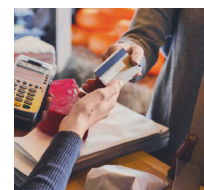
The chairman of the Verkhovna Rada (Ukrainian Parliament) Dmytro Razumkov has stated one of the tasks would be to achieve economic growth in Ukraine at the level of 5-7% next year. "Launching the mechanism of a rapid economic growth. Our goal is the economic growth of 5% to 7% as early as next year. In addition, this should be growth not only on paper, in statistics, but also consistent with what people feel every day in their life," Razumkov said. He also announced the need for deregulation, legalizing capital.

He also announced the task of optimizing the functionality of state bodies, eliminating duplication of their functions.

## HEADLINES



CYPRUS AGAIN LEADER IN FOREIGN DIRECT INVESTMENT TO UKRAINE, FOLLOWED BY THE NETHERLANDS AND RUSSIA



CONSUMER CONFIDENCE IN UKRAINE IMPROVES TO LEVEL OF SUMMER 2013



IBRD TO PROVIDE \$200 MLN TO UKRAINE



NORWAY'S COMPANY STARTS BUILDING SECOND PHASE OF WIND FARM IN UKRAINE



UKRAINE'S BANKS QUADRUPLE NET PROFIT IN JAN-JULY 2019



COMMISSIONING OF HOUSING IN UKRAINE INCREASES BY 50% TO 4.9 MLN SQ METERS

## Ukraine gets new government

The new Ukrainian government includes: Dmytro Kuleba, Deputy Prime Minister for European and Euro-Atlantic integration; Mykhailo Fedorov, Deputy Prime Minister, Digital Transformation Minister; Tymofiy Mylovanov, Minister of Economic Development, Trade, and Agriculture; Oksana Markarova, Minister of Finance; Oleksiy Orzhel, Minister of Energy and Environmental Protection; Vladyslav Krykliy, Minister of Infrastructure; Olena Babak, Minister of Development of Communities and Territories; Hanna Novosad, Minister of Education and Science; Zoriana Skaletska (Chernenko), Minister of Health; Volodymyr Borodiansky, Minister of Youth Policy, Culture and Sports; Yulia Sokolovska, Minister of Social Policy; Arsen Avakov, Interior Minister; Denys Maliuska, Minister of Justice; Oksana Koliada (Havryliuk), Minister for Veterans, Temporarily Occupied Territories, and Internally Displaced Persons; and Dmytro Dubilet, Minister of the Cabinet of Ministers.

Earlier in the day, the parliament appointed Vadym Prystaiko as foreign minister and Andriy Zahorodniuk as defense minister, as recommended by the Ukrainian president.

In the new Ukrainian cabinet unifications have occurred of the Economy Ministry and the Agriculture Ministry, the Energy Ministry and the Ecology Ministry; the Veterans Ministry and the Ministry of Temporary Occupied Territories; and the Culture Ministry and the Youth and Sports Ministry.

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## Ukrainian Prime Minister plans to conduct tax reform in spring to launch it from 2021



The Cabinet of Ministers of Ukraine plans to conduct the “deep” tax reform in spring, which will take effect in 2021, Ukrainian Prime Minister Oleksiy Honcharuk has said.



***“Our tax system is designed so that a good-faith taxpayer loses. If you honestly pay taxes, you are simply forced to optimize on several markets. We are planning a deep reform of the tax system in the spring, because you cannot change the tax system in the second half of the year,” Honcharuk he told reporters.***

Tax reform should come into force on January 1, 2021, Honcharuk said.

“And this autumn, our main task is to clean up the administration of taxes. We have Mr. Verlanov for this. He is a very decent person. I really count on him,” the prime minister said.

Asked about potential changes in taxation for individual entrepreneurs, he said: “I believe that the system needs to be fixed, but to start doing this should not be from the ‘small taxpayers’ for sure.”

According to Honcharuk, the main problem of the simplified taxation system is that it is used for “smuggled money laundering.”

# Cyprus again leader in foreign direct investment to Ukraine, followed by the Netherlands and Russia



Foreign direct investment (FDI) in Ukraine as equity capital as of July 1, 2019, was \$33.724 billion, which was 2.6%, or \$0.84 billion more than in the beginning of the year, the State Statistics Service of Ukraine said. According to the data, the inflow of FDI for the sixth months of 2019 totalled \$1.256 billion, \$728.9 million was written off, other changes of the cost of the corporate capital of nonresidents totalled \$309 million with exchange rate differences of \$520.8 million.



***According to previously published data, first quarterly inflow of FDI in Ukraine grew by \$45.5 million.***

Nonresidents invested \$318.5 million in financial and insurance activities, \$184.9 million and \$176.4 million in extractive and processing industries respectively, \$113.8 million in wholesale and retail trade, \$122.6 million in transactions with property, \$128.4 million in science and technical activities.

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## Consumer confidence in Ukraine improves to level of summer 2013

The Consumer Confidence Index (CCI) in Ukraine equals 88.0 in July, which is 5.5 points higher, than the indicator in June, and the highest figure since August 2013, according to a study of Info Sapiens posted on the website of the company.



***“The Consumer Confidence Index reached the new peak. Indices of Current Personal Financial Standing and Expectations of the Country's Economic Development in one and in five years show the biggest growth in July comparing with June... Trust in the new government promotes the growth of optimistic expectations concerning the economic development in general,” Info Sapiens analysts said.***

Index of the Current Situation (ICS) increased by 5.8 points to the level of 76.9, including Index of Current Personal Financial Standing equaled 70.5, which is 8.1 points higher than the indicator in June.

In July, Index of Economic Expectations (IEE) increased by 5.4 points to the level of 95.4, including Index of Expectations of the Country's Economic Development Over the Next Year increased by 8.3 points and equals 99.6; and Index of Expectations of the Country's Economic Development over the Next 5 Years increased and equals 99.6, which is 7.7 points higher than in June.

The Consumer Confidence in Ukraine survey was conducted by GfK Ukraine since June 2000.

## Real wages in Ukraine 9.5% up in July

Real wages in Ukraine in July 2019 increased by 9.5% year-over-year, while compared with June 2019 increased by 2.4%, the State Statistics Service has reported.

According to the service, the average nominal wage of full-time employees in July 2019 compared with the previous month increased by 1.7%, in annual terms – by 19.6%, reaching UAH 10,971.



**According to the statistics department, the largest increase in the average wage of full-time employees in July 2019, compared with July 2018, was observed in Vinnytsia (24.8%), Mykolaiv (23.7%), Donetsk (23%), Kyiv (22.9%).**

The highest level of wages in July was recorded in Kyiv city – UAH 16,249, and the lowest – in Kherson region (UAH 8,547). Meanwhile, the average wages of the employee in Donetsk region totalled UAH 12,010 and UAH 9,291 in Luhansk region.

In July 2019 compared with the same month of 2018, wages increased the most in agriculture (25%), industry (24.7%), administrative and support services (23.8%), in the field of IT and telecommunications (23.1%).

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## IBRD to provide \$200 mln to Ukraine

The agreement, under which the International Bank for Reconstruction and Development (IBRD) will provide \$200 million for the Program-for-Results on Accelerating Private Investment in Agriculture, was signed by Ukrainian Finance Minister Oksana Markarova and World Bank Country Director for Belarus, Ukraine and Moldova Satu Kahkonen.

The Finance Ministry said on its website that the attraction of the loan would allow creating a public agricultural register and open access to it, conduct stocktaking for state-owned land and place information about it in the public land cadastre, create methods for developing land utilization plans for amalgamated territorial communities and produce topographic maps of Ukraine via satellite mapping.

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## Energy efficiency agency develops concept of “Green” Investment Fund in Ukraine

The State Agency of Ukraine on Energy Efficiency and Energy Saving together with the Nordic Environmental Finance Corporation (NEFCO) and experts from the Finland Ukraine Trust Fund is initiating the development of a concept for a new financial instrument in Ukraine – the Green Investment Fund (GIF UA), head of the agency Serhiy Savchuk has said.



**“Work on the fund will be another priority area of partnership between the Finnish Foreign Ministry, NEFCO and the state energy efficiency agency. Close cooperation between Ukraine and Finland was secured by the signing of a relevant memorandum in 2017,” he said.**

According to Savchuk, the fund will provide co-financing for new “green” energy projects and remove major barriers to the implementation of these projects: a lack of collateral, demand for equity, etc.

“Our goal is to establish in Ukraine a reliable financial instrument for financing projects like Green Investment Group in the UK, DEG in Germany,” the expert said.

# Norway's company starts building second phase of wind farm in Ukraine



Azovpromenergo LLC has started building of the second phase of Zofia wind farm with a 300 MW capacity in Yakymivsky district of Zaporizhia region, an announcement on the Environmental Impact Assessment Register's website says. Within the framework of the project, it is planned to set up nearly 72 wind turbines with a capacity from 4,500 MW and 6,000 MW each. The height of the tower will reach 130 meters, rotor diameter is from 145 meters up to 170 meters depending on producer and a model of equipment. The second phase of the wind farm is to produce about 1.2 million MWh of electric power. Its total capacity is 750 MW.

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## Xinwei Group and Skyrizon from China to provide \$100 mln to Ukraine's state budget

Skyrizon Aircraft, a Chinese private company, and Xinwei Technology Group listed on the Shanghai Stock Exchange under the terms of agreements with Ukroboronprom state concern will provide Ukraine's aircraft manufacturing industry with grant financing in the amount of \$100 million in case of obtaining permission from the Antimonopoly Committee of Ukraine (AMC) to purchase more than 50% of shares in PJSC Motor Sich (Zaporizhia), an informed source in the government has told Interfax-Ukraine.

"The receipt of these funds in the special fund is already provided for in Paragraph 9 of Article 11 of the law on the national budget of Ukraine for 2019: some UAH 2.8 billion at the exchange rate at the time of adoption of the state budget," the source said.

He noted that this condition is one of the key in agreements between the Chinese investors and Ukroboronprom approved by the government together with the transfer to the Ukrainian state corporation of a blocking stake in the amount of more than 25% of the shares for the joint management of Motor Sich.

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## Ukraine imports natural gas worth \$1.1 bln in six months

Ukraine in January-June 2019 imported 4.863 billion cubic meters of natural gas for a total of \$1.060 billion, in particular in June 1.372 billion cubic meters for \$259.638 million.



**Thus, the average price of gas imported by the country in June 2019 amounted to \$189.3 per 1,000 cubic meters, which is 7.8% less than in May 2019 (\$205.3).**

The counterparties for the six months of 2019 were companies from Switzerland with 1.732 billion cubic meters of gas for \$372.82 million, Germany with 1.567 billion cubic meters for \$329.671 million, Hungary with 356.061 million cubic meters for \$72.895 million, the Czech Republic with 246.071 million cubic meters for \$51.799 million, Poland with 292.817 million cubic meters for \$63.78 million, Austria with 224.315 million cubic meters for \$63.597 million, France with 172.724 million cubic meters for \$38.518 million, the UK with 106.64 million cubic meters for \$28.751 million, Luxembourg with 88.627 million cubic meters for \$23.159 million, Slovakia with 57.583 million cubic meters for \$11.23 million, Italy with 16.893 million cubic meters for \$3.487 million, and Bulgaria with 1.4 million cubic meters for \$255,000.

## Ukraine's banks quadruple net profit in Jan-July 2019

Solvent banks in Ukraine in January-July 2019 received UAH 36.7 billion in net profit, which is 3.7 times more than in the same period in 2018, the National Bank of Ukraine (NBU) has said.

According to its data, the income of banks this year increased by 30%, to UAH 141.4 billion, while expenses by 6%, to UAH 104.7 billion.



**Based on the previously released data, in July, the net profit of Ukrainian banks grew by 3.8 times, to UAH 5.69 billion: revenues increased by 23.1%, to UAH 20.34 billion.**

The main factors in the growth of bank profit are the increase in net interest income by 19%, to UAH 46.3 billion, the growth in net commission income by 16%, to UAH 24.7 billion, a positive result from revaluation and from sale and purchase operations (UAH 10.6 billion), a decrease in deductions for reserves to UAH 6.3 billion against UAH 11.6 billion last year.

## Businessman Kolomoisky suggests an offset of Ukraine's and Russia's debts

Lawyers are working on a possibility of waiving Ukraine's debts to the Russian Federation or Russian companies as part of the execution of decisions of international courts in lawsuits won by Ukraine and Ukrainian companies from Russia regarding the loss caused to Ukraine in Crimea, one of the initiators of the litigations and former owner of PrivatBank Ihor Kolomoisky has said.

"Lawyers are working now to ensure that Ukraine's debt, for which Ukraine is suing... there are billions of dollars in obligations to the Russian Federation, or, for example, \$110 million for Tatneft, perhaps after a victory in the courts it will be possible to legally waive them. It is not an easy task, but it is being implemented," he said in an interview with the Censor.net ezine.

According to him, an alternative to such debt repayment is the work of seizing Russian assets abroad.

# Forum “International taxation: Transformation of business” to take place in Kiev on September 20



In 2019 Ukraine is required to implement new international tax rules at the legislative level in accordance with its obligations . How not only to lose from their introduction, but also to win – will be discussed by representatives of the authorities, consultants and business at the National Forum “INTERNATIONAL TAXATION: TRANSFORMATION OF BUSINESS” in Kiev on September 20 .

The new government's strategies and first steps towards changing the rules of international taxation, combined with best-in-class consultancy practices, will be on the focus of the International Forum for International Taxation: BUSINESS TRANSFORMATION 20 September at the Park Inn Hotel in Kiev .

Due to loopholes and inconsistencies in national and international tax law, companies reduce or evade income tax liabilities, which causes Ukraine to lose budget revenues. Ukraine has announced changes to all 77 tax treaties it has signed. Recall that on February 28 this year, the Verkhovna Rada ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) .Thus , the new Parliament will immediately submit bills to counteract the erosion of the tax base and profit under taxation.

2020 or 2021? What and when does the President, the new Verkhovna Rada and the Government implement the world transparencies of business in Ukraine?

What to change this autumn in the legislation of Ukraine with regard to strengthening the control of international transactions?

How to minimize risks in the new conditions?

How to protect business from the pressure of controlling bodies and avoiding penalties?



***CEOs, CFOs, heads of financial and tax services, chief accountants and heads of legal departments of leading Ukrainian and international companies.***

REGISTRATION on the FORUM: (<https://rating.zone/event/20-september-2019/>)

by phone: +380 (44) 394 88 83, +380 (93) 029 84 07 , or e- mail : [info@rating.zone](mailto:info@rating.zone)

The Forum is held with the participation of the Verkhovna Rada Committee on Tax and Customs Policy, the Ministry of Finance of Ukraine and the State Tax Service of Ukraine. Partners of the Forum are: – RoyaltyRang e – Strategic Partner; Audit- Invest is a partner; Forum partners -, ID LEGAL GROUP , UK " Amber ", Law firm EUCON , Law firm "KM Partners" , Integrites , OOO "Borey". Information partners – Interfax-Ukraine – General News Partner; [MaxEvents](#).

Organizers Forum: Journal "Rating. Business in official numbers, Market.Info Agency .

## High-tech industrial equipment to be produced in Bila Tserkva Industrial Park near Kyiv

UNISET LLC has acquired land in Bila Tserkva Industrial Park (a project of UFuture). The company will start constructing its office building as well as its production and warehouse facilities next year, with the first operational phase beginning in 2021.

"UNISET's location is best suited to the industrial park ecosystem, as it will facilitate supply chains and co-operation between residents and bring about the creation of joint projects. This is where the added value of such parks becomes even more visible. We provide comprehensive support to our clients, access to our partners and encourage them to cooperate with each other," Volodymyr Khmurych, director of the Bila Tserkva Industrial Park, said.



***"We've spent two years searching for the land and eventually opted for a partnership with UFuture. The offer we received is the most agreeable option for us, and the land has a convenient location and meets the legal and technical criteria," Yevhen More, director of UNISET, emphasized.***

UNISET is the fourth resident of Bila Tserkva Industrial Park. Plank Electrotechnic, another resident, the first Ukrainian manufacturer of modern electrotechnic systems, is already in operation. Construction of innovative production of composite materials is in process. In 2020, the industrial park will begin erecting a large logistics complex.

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## Ukrainian-Turkish company to develop aerial vehicle Akinci



Ukrspesexport, part of the Ukroboronprom State Concern, and the Turkish company Baykar Defense are developing a next generation unmanned aerial vehicle Akinci.

"The new generation strike UAV Akinci is being developed in accordance with the requirements of armed conflicts of the 21st century and is intended primarily for both Turkish and Ukrainian armed forces. One of its main advantages is the ability to deliver high-precision strikes with the same weapons that are used on conventional airplanes. We are talking about heavy-duty ammunition weighing hundreds of kilograms," Ukroboronprom's press service said.

Akinci refers to the new "heavy" class of drones. It is equipped with two Ukrainian-made engines that provide flight at an altitude of more than 12 km. The drone has a wingspan of 20 meters, is capable of lifting more than 1,000 kg of weapons into the air and being in flight for a day.



## Ukrainian media internet advertising market expands by 82% in H1 2019

The Ukrainian media Internet advertising market expands by 82% in H1 2019, to UAH 1.987 billion, the Ukrainian Internet Association (UIA) has said. The share of direct sales on this market over the period came to 61.41%.

The segments of media Internet advertising are the following: banner advertising with 34% of the market share, in-stream video (pre-roll, mid-roll, post-roll, pause-roll, overlay-advertisement, picture-in-pause) was – 41%, in-page video advertising (content-roll) – 11%, other non-standard solutions (pop-up and pop-up pop-ups, catfish and screen-glide formats, synchronous banners, frontlines, full-screen advertising, sound advertisement in a digital audio stream and other types) – 9% and sponsorship – 5%.

The share of mobile media Internet advertising (targeted at mobile device users) of the total turnover of media Internet advertising was the following: 20.7% for banner advertising, 22% for in-stream video, 0.7% for in-page video (content-roll), 2.5% – for non-standard solutions and 1.1% for sponsorship.

The share of Programmatic (automated advertising) was 34.6% for purchases by agencies and 50.8% for platforms.

The share of social media and instant messengers (FB, Instagram, Twitter, YouTube, Skype, Viber and other applications) was also determined in advertising – 36.64%.

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## Commissioning of housing in Ukraine increases by 50% to 4.9 mln sq meters



Commissioning of housing in Ukraine through January-June 2019 increased by 50.6% compared to 2018, to 4.911 million square meters. According to the report, 2.887 million square meters of housing was commissioned in urban areas in the first six months of 2019, and 2.024 million in rural areas. Some 58% of total volume of housing was commissioned in single-family houses, and 42% in houses with two and more apartments.



**Average area of apartments was 92.2 square meters.**

Some 54.1% of housing was commissioned in Lviv, Ivano-Frankivsk and Odesa regions in the first half of 2019, in particular in Kyiv city – 430,600 square meters.

The largest growth in housing commissioning year-over-year (not taking into account temporary commissioning rules) was seen in Chernivtsi (by 364.6%, to 270,400 square meters), Ternopil (by 273%, to 199,600 square meters) and Ivano-Frankivsk regions (by 272.1%, to 431,600 square meters).

# Danish pig breeding company Goodvalley with assets in Ukraine sees 2.8 times rise in net profit

The Danish pig breeding company Goodvalley (previously Danosha) with assets in Ukraine, Poland and Russia, in April-June 2019 achieved a net profit of DKK95 million that is 2.8 times more than for the same period last year. According to the company's report posted on its website, a revenue in the second quarter of 2019 increased by 2.9%, up to DKK385 million, as a result of a rise of pig sales and an increase in the average price to DKK12.29 per kg (against DKK11.31 per kg in the second quarter of 2018).

EBITDA grew by 1.9 times, to DKK136 million, EBITDA margin to 35.2% from 19.6% in April-June 2018.

The pig breeding segment revenue in Ukraine saw 5.4% rise, up to DKK97 million based on moderately high sales and prices, in Poland it slightly decreased and amounted to DKK240 million, in Russia it grew by 11.6% to DKK48 million.

In addition to pig breeding, the group is engaged in crop production, feed production, biogas and electricity generation in Ukraine.

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## President of Ukraine wants to carry out land reform – World Bank



President of Ukraine Volodymyr Zelensky during a meeting with World Bank President David Malpass has confirmed his intention to carry out land reform, complete the unbundling of Naftogaz, demonopolize the economy and state-owned enterprises, and respect the independence of the National Bank. Malpass wrote on his FT blog following a meeting with Zelensky that at their meeting Zelensky had confirmed several key growth measures that will be mentioned at the meetings with G7: implement the land reform, split ownership of Naftogaz' transit assets, demonopolize the economy and state-owned enterprises, and respect the independence of the central bank.



***According to Malpass, to attract investment in Ukraine, it is necessary to eliminate monopolies in favor of market competition and strengthen the rule of law.***

Capital should be sent to the most productive enterprises but not to influential privileged circles and oligarchs, he said.

Malpass also emphasized the importance of land reform.

The country has the largest stock of agricultural land in Europe, but the yield per hectare is only a small part of the crop in France and Germany.

# Agro-Industrial Group launches new poultry farm in Western Ukraine

The Pan Kurchak agro-industrial group (Lutsk) in July 2019 launched a new poultry farm in Sirnychky (Volyn region), the group said on its website.



***“All three poultry houses have German equipment. A module boiler will be used to heat. Agidel LLC invested over 50 million in construction of the poultry farm to grow parent flock,” the group said.***

The Pan Kurchak agricultural and industrial group was founded in 2001. It is engaged in the cultivation of crops, production and sale of animal feed, breeding broilers and pigs, meat processing.

## Retail trade turnover in Ukraine 10.1% up in Jan-July 2019

Retail trade turnover in Ukraine (legal entities and individual entrepreneurs) in January-July 2019 in comparable prices increased by 10.1% compared with January-July 2018, the State Statistics Service has said.

According to its data, in nominal terms the volume of retail trade for the seven months of this year amounted to UAH 594.314 billion.

In July 2019 compared with the previous month, retail trade turnover rose by 4.8%, in annual terms (July 2019 to July 2018) by 9%.



***The largest growth in retail trade turnover in January-July 2019 compared to the same period in 2018 was recorded in Vinnytsia (18%), Ternopil (17%), Cherkasy (16.2%), Odesa (15%), Kyiv (by 14.5%), Khmelnytsky (by 13.4%).***

According to the statistics agency, the leaders in absolute terms of the volume of retail trade turnover for the seven months of 2019 were Kyiv city (UAH 115.506 billion), Dnipropetrovsk (UAH 47.1 billion), Odesa (UAH 45.353 billion), Kharkiv (UAH 44.846 billion), Kyiv (UAH 44.199 billion), and Lviv (UAH 36.425 billion) regions. In Donetsk region over this period, retail trade turnover rose by 10.3% (up to UAH 19.122 billion), in Luhansk region by 11.3% (up to UAH 5.425 billion).

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