



**FINANCIAL SERVICES INDUSTRY WEEKLY**

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**FOLLOW UP ON THE NEWS**

- Austria Presse Agentur: President Volodymyr Zelenskyi signed a decree implementing the decision of the National Security Council introducing sanctions against legal entities and individuals that the Russian Federation uses to transport military equipment and soldiers by rail. 185 companies and individuals fell under the restrictions, including Raiffeisen Leasing LLC, which is a 100% subsidiary of Raiffeisenbank Russia.
- In general, Raiffeisen Bank Russia provided 54% of the total net profit of Raiffeisen Bank International for 2022 and became the most profitable business of the Austrian financial group.
- Following the meeting with Austrian President Alexander Van der Bellen in Kyiv on February 1, 2023, President Volodymyr Zelensky called on Austrian businesses to abandon their cooperation with Russia and work in Ukraine instead.

**MACRO INDICATORS**

- MoF: Ukraine needs about USD 3 B of financing from foreign partners every month.
- MoF: Preliminary agreements with Western partners for 2023 provide for Ukraine to receive USD 18 B in grants, EUR 18 B of loans from the EU, and USD 2 B from the World Bank. In 2022, Ukraine received USD 31.1 B of external financing, including USD 14.3 B in the form of grants.
- NBU: Ukraine has attracted UAH 306 B from the sale of military bonds between March 2022 and February 1, 2023 (UAH 203.7 B, USD 1.97 B, and >EUR 1 B).
- NBU: The average unemployment rate in 2022 is estimated at 25–26% (3.2 million people).

**TOP EVENTS**

- On February 1, 2023, the Cabinet of Ministers dismissed the management of the Customs Service of Ukraine.



- Ministry of Economy: The interdepartmental working group on instruments of state regulation of economic activity recommended

to the Cabinet of Ministers to cancel almost 50% of instruments of state regulation (permits, licenses, declarations of approval, etc.) in the areas regulated by the Ministry of Economy.

- The US (Ministry of Defense, the US State Department, and Office of Inspector General) and Ukraine discussed mechanisms and procedures for transparency and accountability of the use of funds and assistance that Ukraine receives for recovery and post-war reconstruction. Ukraine proposed creating a joint mechanism for auditing United States reconstruction aid with the U.S. Government Accountability Office (U.S. GAO). Several weeks ago, the Cabinet of Ministers adopted a decision on the creation of the State Agency for Reconstruction and Development of the Infrastructure of Ukraine.
- OschadBank: In 2022 OschadBank (7 million customers) made UAH 690 M in net profit. Compared to 2021, its operating revenue increased by UAH 1.6 B and amounted to UAH 21.7 B, while interest revenue increased by UAH 1.1 B (to UAH 22.4 B). OschadBank added reserves of UAH 12.1 B, which is 4.3 times more than in 2021. Moreover, in 2022, OschadBank joined the DGF and paid UAH 777 M in deposit guarantee contributions.
- Bloomberg: The EU will announce an additional aid package of EUR 400 M to Ukraine to support the reform process. The bloc will also propose to extend the suspension of all tariffs and trade protection measures on Ukrainian imports.
- Denis Shmyhal, Prime Minister of Ukraine: According to the results of the joint meeting of the Ukrainian Government and the European Commission in Kyiv on February 2, 2023, an agreement was signed on Ukraine's participation in the EU Program called 'Single Market'. The budget of the program is EUR 4.2 B, and one of its main components is the development of business competitiveness.
- On Tuesday, January 31, the Ministry of Finance auctioned off >UAH 10.6 B worth of sovereign bonds (mostly for 2.3 years at 19.71%).
- MoE: The EU accounts for >55% of mutual trade with Ukraine. Before the war, the EU's share in Ukraine's international trade was 41%. >10,000 Ukrainian companies exported their products to the EU. Abolition of all customs duties, the conclusion of an agreement on the abolition of transportation permits, joining the common transit system - all this helped Ukraine to soften the shock of the war and further connect the Ukrainian economy with the EU. Ukraine gets 90% of its fuel and 70% of its medical supplies from the EU.
- The British government is close to handing over GBP 2.3 B from the sale of Chelsea FC by the Russian oligarch Roman Abramovich to a fund for Ukraine, but must get the final approval from the EU.

- Denis Shmyhal, Prime Minister of Ukraine: Ukraine's losses from the aggression of the Russian Federation could reach EUR 750 B.

## TOP TRENDS

- Ukraine has met 4 out of the 5 structural targets set in the IMF monitoring program, which Ukraine undertook to fulfill by the end of January 2023. The MoF expects that Ukraine will receive financing under the new IMF program in Q2 2023.
- MoE: The new Army Procurement Procedure will be launched in the spring. The MoE proposes to purchase products not for a year, but for a quarter and to ensure public control over prices.
- NBU: The index of business activity expectations was 37.5 points in January 2023, down from 42.1 in December 2022. The shortage of electricity, the destruction of enterprises and infrastructure, disruption of logistics, the reduction of the supply of goods and services, the increase in production costs, as well as the low solvency of the population continue to affect the economic activity of enterprises and their expectations.
- Naftogaz: The Government of Norway will finance the purchase of imported gas for Ukraine in the amount of up to EUR 188.8 M via an EBRD grant.
- Denmark has decided to join the "Grain from Ukraine" initiative, the purpose of which is to send ships with grain to the poorest countries in Africa.
- PrivatBank: In 2022, 4.5 million Ukrainians made more than 28 million international money transfers from abroad through the services of PrivatBank. The total amount of transfers for 2022 increased by 7% to USD 9.3 B in comparison with 2021. During the war, international transfers in Ukraine have become increasingly digital. In 2022, almost 97% of PrivatBank's clients received transfers exclusively to cards through Privat24 and other digital channels - ATMs, self-service terminals, and the contact center. The top "donor countries" in terms of remittances in 2022 included the United States (USD 1.1 B), Great Britain (USD 885 M), Israel (USD 775 M), Lithuania (USD 489 M), Germany (USD 420 M) and Italy (USD 418 M).
- 784 loans have already been issued under the eOselya affordable mortgage program at a preferential rate of 3% for a total amount of over UAH 1 B.
- The Security Service of Ukraine exposed large-scale embezzlement schemes of UAH 40 B by the former management of PJSC "Ukrnafta" and PJSC "Ukratnafta".
- The Government of Japan will allocate USD 170 M to Ukraine for reconstruction of critical infrastructure.
- Ukrainian Trade Guild: Attendance in Kyiv's shopping centers decreased from 506 people per 1,000 sq m at the beginning of 2022 to 362 people at the beginning of 2023.

## CLOSER LOOK

### EBA Survey: 80% of businesses experienced a reduction in income, 89% felt the impact of Russian attacks

- According to the 2022 EBA Survey, 83% of companies reported a drop in revenue in USD (29% of businesses reported a 20% revenue drop, while 54% noted that their revenues fell by >21%).
- 6% of respondents reported no changes, and 11%, increased their revenues in 2022.

- Compared to October 2022, the number of companies that felt the impact of missile attacks on their activities almost doubled - from 47% to 89%. The Russian shelling led to interruption of work processes, reduction in the number of productive hours, difficulties in planning, accumulation of employee fatigue, increase in costs due to the use of generators, etc.
- Businesses continue to face challenges caused by power outages, problems with communication and the Internet, problems with exemption from active service and traveling abroad.
- 46% of companies face severe operational constraints on a daily basis.
- 44% of companies had to limit the geography of their operations, 23% have closed some of their offices/departments, and 14% have transferred their activities online.



- However, the number of companies that pay employees wages in full is growing - currently 89% of them, of which 25% do so with advance or additional payments (in October, there were 79% of such companies). In 2023, 8% of companies will reduce wages, 2% will be forced to send employees on unpaid leave, and another 5% will resort to layoffs.
- The financial stability of companies is improving: 27% of companies have financial reserves for half a year, 23% for a year, and 36% for a year or more.

Source: EBA

## FSR PROJECT NEWS

- FSR facilitated data protection training for IT security staff of the Deposit Guarantee Fund. The new competencies will help the DGF create a backup cloud data center, ensure sustainable operations of the Fund, and provide information security or more than 23 million depositors.

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