



FINANCIAL SERVICES INDUSTRY WEEKLY

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FOLLOW UP ON THE NEWS

- Reuters: Raiffeisen Bank International (RBI) CEO Johann Strobl said that the bank will continue to consider the sale or spin-off of its Russian business. He said the bank would continue to scale back its operations in Russia while it considered those options but would keep some business there to preserve its banking license.
- The NBU expects clear steps from the RBI Group to leave the Russian Federation. NBU Governor Andriy Pishnyi addressed the RBI Supervisory Board before the General Meeting on March 30 and urged the Group not to delay the decision regarding the bank's exit from Russia. He also drew attention to the unacceptability of Raiffeisen bank's potential exit from the Russian Federation through the exchange of assets with the sanctioned Sberbank in Austria.

MACRO INDICATORS

- State Statistics Service: In 2022, industrial production in Ukraine fell by 36.9%. The worst month was March 2022, when it fell by 53.7% after the Russian invasion. The largest decline was in construction — by 65.1% compared to 2021.
- Independent Association of Banks of Ukraine: In February 2023, the volume of NPLs to individuals, including private entrepreneurs, amounted to UAH 72.8 B or 32.4% of the portfolio of loans to individuals (increase of UAH 28.4 B or by 64% in comparison with February 2022). At the same time, the loan portfolio of individuals is 20% of the total loan portfolio, and the share of NPLs of individuals is 17% of all NPLs.
- MoF: In February, the national debt of Ukraine decreased by > USD 0.5 B. As of February 28, 2023, the state and guaranteed state debt of Ukraine amounted to ~USD 116 B.
- IMF: The baseline scenario of the IMF's EFF 4-year extended financing program for Ukraine foresees a financing deficit of USD 115 B, while the negative scenario is USD 240 B. The basic scenario of the IMF predicts the ending (winding down) of the war in the middle of 2024, and the negative one - by the end of 2025.

TOP EVENTS

- Turkey and the UN officially stated that the 'Grain Initiative' was extended for 120 days, and not for 60, as the Russian Federation claimed.
- Prime Minister Denys Shmyhal: The government and the SPF plan to resume large-scale privatization in 2023 to stimulate investment. Since the beginning of 2023, UAH 667 M of state assets have been privatized,

- PrivatBank: The Supervisory Board of PrivatBank elected Nils Melngailis as its Chairman and independent member of the Supervisory Board.
- On March 27, the NBU revoked the licenses of 8 NBFIs, and excluded 4 NBFIs from the State Register of Financial Institutions.
- Ministry of Finance: Ukraine received a USD 1.3 B grant from the US. The funds were provided through the World Bank's Trust Fund as part of the fourth additional financing for the project "Supporting public expenditures to ensure sustainable public administration in Ukraine." The grant will be used to provide partial reimbursement of budget expenditures, in particular for pensions, social assistance (aid for IDPs), salaries of government employees and employees of educational institutions. Since the beginning of the full-scale invasion of the RF, Ukraine has received USD 15.5 B from the US in grants.



- The Cabinet of Ministers has expanded the 'eRobota' non-refundable grant program in separate areas for veteran-owned businesses. Veterans and their family members will be able to receive grants to start their own business in any field. The highest grant amount is UAH 1 M, which can be received by a soldier, if he was already a registered private entrepreneur for at least 3 years. The main condition is to create at least 4 jobs, of which at least two are intended for veterans or persons with disabilities due to war.

- DGF: As of March 1, 2023, the total volume of deposits of individuals (including individual entrepreneurs) in participating banks of the DGF amounted to UAH 1.05 trillion (up by UAH 14.1 B since the beginning of February).
- Ministry of Community Development, Territories and Infrastructure: Ukraine and Japan have agreed on a grant agreement of USD 400 M, which will be directed to the restoration of critical infrastructure.
- MoF: On March 28, the Ministry of Finance sold UAH 17.4 B worth of government bonds (mostly at 18.98% for 2 years).
- CBC: Canada will provide Ukraine with a CAD 2.4 B (USD 1.8 billion) loan this year to support the budget. The new loan for Ukraine will be channeled through the IMF and aims to help the government of Ukraine cover its budget deficit and pay for social services, including healthcare, for an estimated 5.3 million internally displaced people.
- The DGF has completed the liquidation of the commercial bank AktaBank from Dnipro. Depositors of AktaBank received UAH 565 M in guaranteed compensation payments.
- Forbes: The SPF is preparing for privatization the Demurinsky Mining and Processing Plant, which before its confiscation belonged to the Russian businessman Mikhail Shelkov. The preparation process will take 60-90 days.

TOP TRENDS

- Ekonomichna Pravda: Despite the war, in 2022 the Ukrainian IT industry exported services for a record USD 7.35 B. In fact, this sector of the economy covered half of all exports of services. 2023 may be less successful. In January 2023, the volume of IT exports fell by 30%. International customers do not want to choose Ukraine for new projects due to prevailing security risks. With the decrease in orders, the situation on the labor market for Ukrainian IT specialists has also worsened, and forecasts for 2023 remain disappointing.
- Ministry of Agrarian Policy: In the last eighteen months of electronic land auctions, UAH 1 B was transferred to the state budget. Of these, UAH 248 M came from land leases, and UAH 767 M from the sale of private agricultural land and communal or state land for non-agricultural purposes. 5,500 participants from all over Ukraine took part in Prozorro.Sales auctions (~3,000 successful auctions have been conducted).
- Ekonomichna Pravda: The State Company 'Ukrainian Danube Shipping' is considering the possibility of selling its passenger fleet due to its unprofitability.

CLOSER LOOK

NBU: A New Generation of the Electronic Payment System Has Become Operational in Ukraine

- On April 1, a new generation of the electronic ISO 20022-based NBU payment system (SEP) became operational.
- All banks, the State Treasury, the National Depository of Ukraine, as well as software development companies were involved in the transition to a new generation of SEP.



- Now the payments system works 24/7, providing round-the-clock execution of interbank payment transactions without suspending the system and an instant transition from the current to the next calendar day.

Source: the NBU website.

FSR PROJECT NEWS

- On March 30, 2023, the Draft Law on Investment Accounts prepared by FSR was registered with the Ukrainian Parliament. It calls for introduction of mid-term and long-term investment accounts for individuals, enabling them to invest in capital market instruments on a tax free basis. Individuals can invest up to 300 minimum wages per year (as of March 31, 2023, this amount is approximately USD 56,000).

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