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USAID FINANCIAL SECTOR REFORM ACTIVITY

FINANCIAL SERVICES INDUSTRY WEEKLY

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FOLLOW UP ON THE NEWS

- Der Spiegel: In January 2023, Austrian businessman and member of the supervisory board of Porsche Siegfried Wolf wrote a letter to Russian President Putin offering to produce 'Volga' cars at the Russian Volkswagen plants in Kaluga and Nizhny Novgorod. Wolf, in addition to reviving the 'Volga' cars, proposed to resume the production of 'Skoda' brand cars (owned by Volkswagen) in the second half of 2023.



- TASS: Since the beginning of 2023, Cisco Systems has destroyed USD 23 M worth of its assets in the Russian Federation. Cisco suspended its activities on the territory of Russia back in March 2022. In June, the company announced its official withdrawal from the Russian and Belarusian markets.

MACRO INDICATORS

- NBU: From the beginning of the war to the end of March 2023, the NBU has raised UAH 395 B via war bond auctions.
- Center for Economic Strategies: Real income of Ukrainians fell by 21% from February to December 2022, and the nominal average salary decreased by ~5%. Salaries fell more in the private sector than in the public sector. In addition, the labor market has significantly shrunk.
- WB: In 2023, Ukraine's economy will grow by 0.5% after falling by 29.2% in 2022, and in 2024 it will grow by 3.5% (in January 2023, the World Bank expected faster growth: by 3.3% in 2023 and by 4.1% in 2024).
- NBU: As of April 1, Ukraine's international reserves reached USD 31.88 B. In March 2023, the reserves increased by 10% thanks to receipts from international partners, lower volumes of net sales of foreign currencies by the NBU and relatively moderate Ukraine sovereign debt-related payments in foreign currency.
- NBU: The volume of private fund transfers to Ukraine from abroad in February 2023 amounted to USD 978 M. This is 16.5% less than in February 2022 (USD 1,172 M). The National Bank predicts an increase in remittances from labor migrants to Ukraine in 2023 to USD 16 B.

TOP EVENTS

- NBU: On April 3, 2023, Ukraine received the first tranche of USD 2.7 B under the new IMF Program.
- On April 6, 2023, S&P Global Ratings lowered Ukraine's long-term sovereign credit ratings in foreign currency from "CCC+" to "CCC" with negative forecasts. The rating action follows Ukraine's official announcement that it will restructure its foreign currency external debt to restore public debt sustainability, as part of the recently agreed, four-year, USD 15.6 B Extended Fund Facility arrangement with the IMF.
- NBU: In the week from April 3 to 7, the NBU bought USD 1 M and sold USD 126.34 M on the interbank foreign exchange market. This is the lowest volume of foreign currency sales by the regulator since mid-August 2022.
- OLAF: The European Anti-Fraud Office (OLAF) has signed an agreement on administrative cooperation with the State Audit Service of Ukraine, designed to strengthen the fight against corruption and control over EU funds.
- Ministry of Digital Transformation: Ukrainians can now sign European documents with their Diya-EU signature that complies with the eIDAS Regulation of the EU.
- MoF: For January-March 2023, Ukraine's state budget resulted in a deficit of UAH 220.3 B (USD 6 B).
- State Customs Services: In March 2023, Ukraine exported 7.8 M tons of agricultural products, which is 12% more than in February 2023 and is a record since the beginning of the war. 51% of exports last month were carried out via the "Grain Corridor".



- MoF: On April 4, 2023, the MoF sold UAH 4.554 B worth of war bonds (mostly at 19.6% for 2 years).

TOP TRENDS

- NBU: In 2022, the number of clients in Ukrainian banks increased by 10% to 79 million people (vs 72 M in 2021), while the number of open accounts went up by 12.8% to

160.2 million (142 million in 2021). More than two-thirds of all bank clients are served remotely: 78% of business entities and 68% of individuals (2.4 million and 51.4 million clients, respectively). The total number of accounts that banks serviced remotely in 2022 increased by 18.8% (vs. 2021).

- Denys Shmyhal, Prime Minister: The second sowing during the war is currently taking place across Ukraine. Farmers in all regions have already sown >500,000 hectares. In general, it is expected that Ukrainian farmers will sow >13 million hectares this year.
- Kateryna Rozhkova, First Deputy Head of the NBU: The NBU will start diagnostics of banks in April 2023. Two stages are planned: assessment of the quality of assets and sustainability of business models.



- NBU: In March 2023, 37 participants of the NBF services market were excluded from the registers (from 1,384 to 1,347). In addition, the number of banks decreased from 67 to 65 in March. The regulator decided to revoke the banking license and liquidate JSC 'BANK FORWARD' and JSC 'IBOX BANK'.
- MasterIndex: Currently, 94% of cardholders use digital banking. 75% of them prefer mobile apps. In addition, 51% of surveyed Ukrainians say that in the next 2 years they are ready to fully switch to digital banking, without visiting physical bank branches. Among the additional functionality that users would like to see in digital banking: the ability to issue a payment card online (61%); manage accounts of different banks in one application (52%); purchase cryptocurrency (27%); purchase tickets (27%); and buy securities (21%).
- >1 million people who left at the beginning of the war have already returned to the de-occupied territories of Kherson, Kharkiv, Chernihiv, Sumy, and Kyiv Regions. Almost 14,000 enterprises from these regions have resumed their operations.
- Google: In 2022, despite the war, Ukrainian startups received > USD 6 B in revenue, which is USD 542 M more than in 2021. Their value has tripled since 2020. At the same time, the general situation on the market remains quite unfavorable. >90% of Ukrainian startups say that they need financial support to continue their activities and expand.

CLOSER LOOK

Six Ukrainians Were Included in the New Ranking of Forbes Billionaires

- As in previous years, the highest place in the rating is occupied by the owner of SCM Holding (DTEK, Metinvest, HarvEast) Rinat Akhmetov. He ranked 445th with a fortune of USD 5.7 B (vs. USD 4.2 B in 2022).

- Viktor Pinchuk (Interpipe) with an estimated fortune of USD 2.1 B is in 1434th place (up by USD 0.2 B since 2022).
- On the 2020th place in the rating is Vadym Novinsky (Smart Holding) with a fortune of USD 1.4 B (+ USD 0.1 B since 2022). Novinsky has been under Ukrainian sanctions since January 2023.



- The fortune of Konstantin Zhevago (Ferrexpo), who occupies the 2133rd place, was estimated at USD 1.3 B. On December 27, he was detained at the ski resort of Courchevel in the French Alps at the request of Ukraine in the case of the alleged embezzlement of funds of 'Finance and Credit' Bank, but France refused to extradite him.
- The rating also includes partners in the Privat Group Gennady Bogolyubov (with a fortune of USD 1.1 B in 2022 and 2023) and Ihor Kolomoiskyi (USD 1 B in 2022 and 2023). This year, Kolomoiskyi is listed as a representative of Israel as he was stripped of his Ukrainian citizenship in 2022.

Source: Forbes website

FSR PROJECT NEWS

- FSR is supporting #GoodbyeFraudster, a digital anti-fraud campaign organized by the National Bank of Ukraine. The campaign aims to educate young people on payment security rules. The campaign started on April 3 and will run till May 14, 2023. More information is [here](#).
- On April 6, 2023, FSR held a roundtable on political risk insurance, investment and Ukraine's economic recovery. The event brought together more than 100 participants offline and online, including representatives of the Government of Ukraine, the financial and business community, and international providers of investment guarantees (MIGA and the DFC). The discussion was organized around a [Concept Note](#) researched and prepared by FSR.

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