



FINANCIAL SERVICES INDUSTRY WEEKLY

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FOLLOW UP ON THE NEWS

- Reuters: Raiffeisen Bank International said on Friday that its profit in Russia more than tripled in Q1 2023 (to EUR 301 M compared to EUR 96 M in Q1 2022), partly due to higher interest income. The European Central Bank has pressed RBI to unwind its highly profitable Russian business.
- KSE Institute: In the second half of April, >20 companies left Russia, including KFC (fast food restaurant chain), Mercedes-Benz (car manufacturer), and Electronic Arts (American video game development corporation).
- The National Agency for Corruption Prevention included the Hungarian OTP Bank in the list of international war sponsors. OTP is among the 50 largest banks in Russia. According to the OTP Group's reporting for 2021, the net profit of the Russian bank was 37.6 B forints, or 7.6% of the Group's total profit.

MACRO INDICATORS

- NBU: In April, reserves increased by 13% to USD 35.9 B mostly thanks to Ukraine's international partners. During the week of May 1-5, the NBU sold USD 274.7 M and bought USD 15.78 M on the interbank foreign exchange market.
- WB: The poverty rate in Ukraine increased from 5.5% to 24.2% in 2022 with 7.1 million people below the poverty line. In Ukraine, food, fuel and services have become more expensive - some of them by 50%. Given that unemployment was unofficially at 36% and inflation reached 26.6% at the end of 2022, more and more Ukrainians may find themselves below the poverty line in the future.



- MoF: In March 2023, the volume of the state and state-guaranteed debt of Ukraine increased by USD 3.92 B.
- NBU: Solvent banks in Q1 2023 received UAH 34 B in net profit vs. UAH 152 M loss in Q1 2022.
- NBU: Given the significant military spending, the budget deficit will expand to >26% of GDP in 2023. It is expected that

international financial assistance will remain the main source of financing the significant budget deficit this year.

- The National Bank expects that the average nominal salary in Ukraine in 2023 will increase by 21.9%, and the real (inflation adjusted) salary will rise by 3.7%.

TOP EVENTS

- On May 6, 2023, President Zelenskyi met with the management of BlackRock to discuss the details of the creation of an investment fund for economic recovery with public and private capital. Following the meeting, the MoE signed an agreement with BlackRock Financial Market Advisory to provide support services to the Development Fund of Ukraine once established.



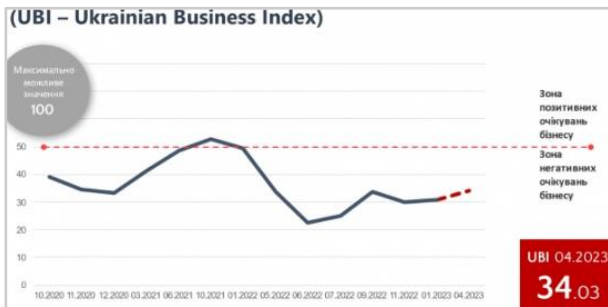
- MoF: On May 2, 2023, the MoF sold UAH 12 B worth of war bonds (mostly for 2 years at 19.69% and for 2.8 years at 19.75%). The Government has raised almost UAH 429 B from the sale of war bonds since the beginning of the war.
- NBU: The NBU proposes a draft law to lower microloan rates by establishing a cap of 0.8% per day (vs the average interest of 2.5% per day today). Setting maximum interest rates on micro loans is a well-established practice of regulators in EU countries and in the UK.

TOP TRENDS

- NBU: As of April 1, 2023, the share of non-performing loans (NPLs) in the banking sector was 38.8% (up by 0.7% in comparison with 38.1% on January 1). The volume of NPLs increased by UAH 2 B to UAH 434 B during the quarter. The total volume of loans in Q1 decreased by UAH 14.5 B (or by 1%) to UAH 1.119 trillion. Before Russia's invasion of Ukraine, the share of NPLs in Ukrainian banks kept going down (from 55% in 2018 to 27% as of March 1, 2022), while the loan portfolio was growing.
- NBU: The volume of losses of banks, merchants, and customers from payment card fraud for 2022 amounted to

>UAH 481 M. This is 46% more than in the pre-war year 2021. In 2022, an average illegal transaction was ~UAH 2,200.

- Iryna Vereshchuk, Minister for Reintegration of Temporarily Occupied Territories: This year, the state will finance professional retraining for >10,000 IDPs.
- Survey of the Initiative to Restore the Economy, Develop Entrepreneurship and Exports of Ukraine: The Ukrainian Business Index remains at a low level of 34.0 (out of 100). The main factors that prevent business recovery are: insufficient number of paying customers (49.7% respondents), unpredictability of the situation in Ukraine and in the domestic market (46.1%), unpredictable actions of the state that can negatively impact business (34%), lack of sufficient capital (32.4%), obstacles from regulatory and/or fiscal authorities (26.1%), high taxes (23.2%), unavailability of credit funds, in particular 5-7-9 programs, etc. (23.0 %).



- UNITED24: In one year, UNITED24 Fundraising Platform has collected >USD 325 M in contributions that came from international companies, Ukrainian businesses, charitable organizations, world celebrities and donors from 110 countries.
- Association of Automobile Manufacturers 'Ukravtoprom': In April, Ukrainians purchased 5,160 new passenger cars, which is 4.3 times more than in 2022, although if compared to 2021, the demand dropped by 49%.

CLOSER LOOK

Ekonomichna Pravda: How the Land Market Recovers from the War

- Less than a year before the beginning of the war - in July 2021 - Ukraine opened the agricultural land market. A moratorium on the purchase and sale of arable land had been in effect in the country since 2001.



- In 7 months of operation, the sale of land exceeded UAH 5 B and continued to grow every month.
- In the first two months of the war, access to the land ownership database was restricted. In May 2022, the Government allowed the State Land Registry to operate under martial law, and the market began to revive.
- However, it is currently far from the pre-war volumes. In 2021, the monthly number of transactions was ~10,000, but in 2022 the figures fell by ~50%.
- In many regions, land is traded at the minimum allowed price.
- The war caused uncertainty about land valuations, which forced investors to take a wait-and-see attitude and led to a decrease in market volumes.
- Buyers prefer smaller plots than before the war. Until February 24, 2022, the average size of the deal was 2.5 hectares, after that - 2 hectares.
- The average land price has changed significantly in several regions. Land price increased by 100% in Zhytomyr Region, by 40% in Vinnytsia Region, and by 15% in Poltava Region.

FSR PROJECT NEWS

- FSR continues airing a series of video interviews on investment and risk-sharing by representatives of the government and the financial and business communities of Ukraine. The interview with the Sergiy Tsivkach, CEO of UkraineInvest, is available [here](#). A video with FSR DCOP Yulia Vitka speaking about the actions required to attract private investors in Ukraine is [here](#).

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