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USAID FINANCIAL SECTOR REFORM ACTIVITY

FINANCIAL SERVICES INDUSTRY WEEKLY

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FOLLOW UP ON THE NEWS

- Reuters: On May 19, the US added 71 companies to a trade blacklist for supporting Russia. 69 Russian companies, 1 from Armenia and 1 from Kyrgyzstan were blacklisted. New export control measures are aimed at oil and gas projects in Russia and Belarus.
- EUObserver: EU countries are preparing to help their companies exit Russia amid increasing risk that they will be taxed to finance the war against Ukraine.
- Kommersant: The Russian division of the global grain trader Viterra will continue its work in the RF under a new name.

MACRO INDICATORS

- Serhii Marchenko, Minister of Finance: A stable macroeconomic situation, an increase in international reserves, and improved inflation expectations give reason to believe that war bond yields have reached their peak (1-year war bonds - 18.5% per annum, 2-year war bonds - 19.69%). Recently, the NBU improved its inflation forecasts from 18.7% to 14.8% at the end of 2023. The MoF does not plan to increase interest rates on war bonds.



- MoF: On May 16, the MoF sold UAH 7 B worth of war bonds (mostly at 19.71% per annum for 2.4 years in UAH and at 3.22% for 1 year in EUR).
- State Statistics Service: In Q1 2023, Ukraine exported goods for USD 10.3 B and imported goods for USD 15.7 B. The largest decrease in exports was reported for ferrous metals (down by 75.3% vs. Q1 2022).

TOP EVENTS

- MoE: Ukraine will be able to receive up to USD 8 B of credit funds from Korea for reconstruction projects. On May 17, the governments of the two countries signed a preliminary agreement on loans from the Economic Development and Cooperation Fund (EDCF), a division of the Export-Import Bank of Korea.
- EBRD: The EBRD is asking its shareholders for additional capital of EUR 3-5 B to support its work in Ukraine, which was intensified after the Russian invasion in February 2022.
- NBU: The National Bank approved the 'Terms of Reference for Assessing the Stability of Banks and the Banking System of Ukraine in 2023.' The approved TOR defines approaches to checking the quality of assets, assessing the value of property received by the bank as collateral, forms of reports and working documents for carrying out such a check and subsequent stages of stability assessment, rules for forming a sample of loans and (if necessary) extrapolation of the results of the assessment of asset quality to loans, which were not included in the sample.
- Interfax-Ukraine: On May 19, Russia agreed to resume (until July 18) inspections of ships bound for two of the three ports covered by the Black Sea Grain Initiative. As of May 19, there are 62 ships in line waiting to be inspected.
- The NBU announced the easing of currency restrictions in the insurance sector and clarification of the procedure for operations related to the payment of interest on war bonds to foreign investors. The changes will take effect on May 22.
- Kernel: On May 15, Kernel Holding (Ukraine's largest agricultural holding company) submitted an application to the Financial Supervision Authority of Poland for permission to delist the company's shares from circulation on the Warsaw Stock Exchange. The company was listed on the WSE in 2007. The decision to delist is primarily related to Russia's invasion of Ukraine, which disrupted Kernel's operations and caused its market value to drop by more than 60%.
- NBU: The National Bank withdrew licenses from 10 NBFIs and excluded 7 NBFIs from the State Register of Financial Institutions.

- Forbes: The Ukrainian logistics company Nova Poshta will open several branches in the Czech Republic in June. Last week, NP opened a branch in Kaunas - this is the second NP branch in Lithuania.



- Liga: On May 15, Ukraine began commercial electricity exports to Poland through a restored transmission line that has not been used since the early 1990s.

TOP TRENDS

- EBRD Report: For Ukraine to recover within five years after the war, its economy would have to grow by 14% per year throughout this period. This would raise average GDP to USD 225 B from about USD 150 B in 2022 at constant prices. The difference between the required level of investment and the available domestic savings will need to be covered by external financing (net capital inflow) in the amount of 20% of GDP or USD 50 B per year.
- Opendatobot: In Q1 2023, the Ukrainian IT sector earned USD 1.68 B in exports. This is less than in 2022, but more than in 2021. The share of IT services in the total export of goods and services reached 12.3%.
- State Customs Service: In 2022, individuals crossing the Ukrainian borders collectively declared and took out of Ukraine the equivalent of USD 379.2 M in cash (v.s USD 175.1 M in 2021 and USD 43.7 M for the period of January 1 to April 17, 2023).
- NBU: The Top 5 most profitable banks in Ukraine over Q1 2023 are PrivatBank (net profit of UAH 16.043 B), Oschadbank (UAH 2.089 B), Raiffeisen Bank (UAH 2.061 B), UkrSibbank (UAH 1.747 B), and PUMB (UAH 1.545 B). According to the NBU, 60 out of 65 banks posted profits of ~UAH 34 B, while 5 banks ended up with losses of UAH 40 M.
- Ministry of Agrarian Policy and Food: In 2023, agricultural production will fall by 10% compared to 2022.
- Ministry of Social Affairs of Estonia: 44% of Ukrainian refugees aged 20-64 were able to get a job in the country. The share of refugees who found work in Estonia is much higher than the average for the EU (30%).
- PrivatBank: The number of active users of the Privat24 App since the beginning of the war has increased by 1.3 million customers (by 11%) to 13.1 million.

CLOSER LOOK

NBU Assessed the Shares of Visa and Mastercard in the Ukrainian Payment Cards Market

- In 2022, the VISA international payment system increased its share in the Ukrainian payment card market to 45.6% from 42.4% in 2021. The share of Mastercard decreased to 53.9% in 2022 from 56.9% in 2021.



- In 2022, the total number of VISA cards increased from 37.8 million to 50 million, while Mastercard increased the number of cards from 50.7 million to 59.2 million.
- In 2022, the share of the National Payment System 'PROSTIR' decreased to 0.5% from 0.7% in 2021.
- In 2022, the total number of payment cards in Ukraine increased by 23.2% from 89.1 million to 109.8 million.
- The leaders in issuing payment cards are PrivatBank (43.8%), Oschadbank (15.4%), and MonoBank (13.2%).

FSR PROJECT NEWS

- More than 119,000 Ukrainians participated in Global Money Week, an international financial literacy campaign held every year during the last two weeks of March. The National Bank of Ukraine with the support of FSR organized Ukraine's program. The participants represented 655 educational institutions and included more than 3,900 teachers. More information is [here](#).

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