

UKRAINE NEWSLETTER Q1/Q2

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POLITICAL AND ECONOMIC NEWS

- Ukrainian lawmakers voted on March 31, 2020 to **lift a ban on the sale of farmland** that has stood for nearly two decades, clearing one of the hurdles needed to **unlock an \$8 billion loan package from the International Monetary Fund**. (UNIAN)
- The **Cabinet of Ministers** has approved restrictive measures amid the Covid-19 coronavirus threat to prevent the disease from spreading back in March. After a **three-week lockdown**, the first scheduled stage of **quarantine weakening** is being introduced in Ukraine's capital Kyiv on Tuesday, May 12, the city state administration reports.
- Ukraine's government has **allocated US\$223.7 million** from the Anti-Coronavirus Fund to help people who have lost their jobs amid the quarantine. **Ukrainian President Volodymyr Zelensky** proposes the so-called **payment holidays for small and micro businesses** to mitigate the impact of the coronavirus-related restrictions. (President of Ukraine)
- Ukraine, IMF** discussing new assistance program to deal with COVID-19 impact. Fund spokesman Gerry Rice said the talks on the new EFF worth **\$5.5 billion** are expected to resume once the economy has started recovering from the pandemic. (imf.org)
- The **NBU and EBRD** have agreed to set up a **USD 0.5 billion FX swap facility** to support the real economy and strengthen Ukraine's macro financial stability as the world struggles to combat the economic fallout from the coronavirus pandemic. The minimum amount of one tranche under the **FX swap agreement is USD 25 million**. The NBU and EBRD are expecting to execute the first transaction under the FX swap facility in the next few weeks. (NBU)
- The **World Bank's** Board of Executive Directors approved \$135 million in Additional Financing for the Serving People, Improving Health Project, to scale-up Ukraine's health sector response to the COVID-19 pandemic. The **additional \$135 million** will help Ukraine with important hospital upgrades and reforms. (worldbank.org)
- On May 5, the **Minister of Finance** Sergii Marchenko signed an **international loan agreement with the World Bank** on additional financing of the project "Modernization of the social support system of Ukraine's population". According to the agreement, Ukraine will receive **additional USD 150 million** from the World Bank to strengthen the Ukrainian social welfare system. (Ministry of Finance of Ukraine)
- Fitch Ratings** has revised the **Outlook on Ukraine's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Stable from Positive** and affirmed the IDR at 'B'. Fitch forecasts the economy will contract by 6.5% in 2020, compared with 3.2% growth in 2019, reflecting the COVID-19 pandemic shock to the global economy, however **Fitch Ratings** expects the **economy to recover to 3.5% in 2021**, in line with the medium-term growth view for Ukraine. (fitchratings.com)
- Ukrainian EUR 1bn sovereign bond issuance** in June 2019 is recognized "Best Europe SSA Bonds Deal 2020" by The Banker. BNP Paribas and Goldman Sachs International acted as joint lead managers on the transaction. „Despite the situation on the international markets due to the spread of coronavirus, we will continue prudent public debt policy and building trust among the international capital market participants,“ - commented Yuriy Butsa, Government Commissioner for Public Debt Management. (Ministry of Finance of Ukraine)
- The **National Bank of Ukraine** say the total amount of **electronic money** issued in Ukraine in 2019 **grew by almost 2.5 times**, up to UAH 203 million (US\$8.3 million). Transactions with electronic money in Ukraine over the period under review skyrocketed by more than 2.3 times, to UAH 16.7 billion (US\$680 million). (NBU)

COVID-19 in UKRAINE

Numbers as of May 18, 2020

Ukraine		
Cases 18, 616	Recovered 5,276	Deaths 535
Worldwide		
Cases 4,825,902	Recovered 1,868,532	Deaths 317,101

Source: Ministry of Health of Ukraine

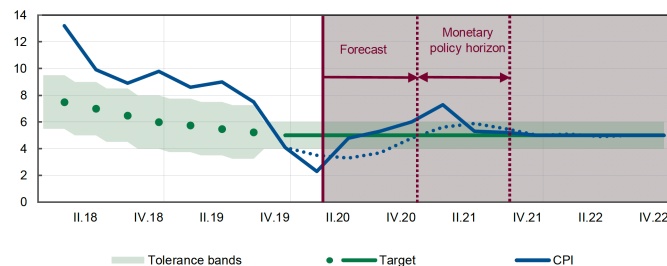
Restrictions in place (covid19.gov.ua)

- air transport
- public transport, intercity transport, metro, but Kyiv is ready to re-launch public transport commencing May 25
- all educational institutions
- public gatherings

Possible UA re-opening

According to the CMU, national quarantine is extended until May 22, 2020. According to the Minister of Foreign Affairs Dmytro Kuleba "We are absolutely liberal in this regard, but we will consider two factors: the first - how partners open the border, and the second - the real situation with the pandemic in Ukraine." At the same time, Mr. Kuleba added that Ukraine had recently opened one more crossing point on the border with Poland - pedestrian crossing point "Shehyni". (ukrinform.net)

CPI and Inflation Targets



Source: National Bank of Ukraine, Inflation Report April 2020

Inflation in 2020 will stay within the 5% ± 1pp target range. Price growth will pick up in the coming months, to end 2020 at 6%, primarily due to the hryvnia's recent depreciation passing through to prices.

NBU projects 5%–6% inflation in 2020–2022 and expects economy to revive after quarantine. Due to quarantine restrictions to combat the pandemic and the global crisis, the Ukrainian economy in 2020 will decline by 5%, but will **return to the growth of about 4%** in the following years. The gradual lifting of quarantine restrictions will lead to a recovery of the Ukrainian economy in Q2 2020. This will be facilitated by loose fiscal and monetary policies, increased government spending on crisis management, as well as the NBU's measures to aid the banking system, will mitigate the economic fallout of the pandemic. (NBU)

STATISTICS AND FIGURES OF INTEREST

- Ukraine entered the TOP 10** in terms of **investment attractiveness of "green energy"**. "Thanks to investments, a proactive stance of businesses, incentives, and harnessing the sector's potential, in **2019 Ukraine ranked 8th** in terms of investment attractiveness of 'green' energy among developing economies. In **2018**, the country ranked a **modest 63rd place**. In 2019, about **EUR 3.7 billion** was invested in a record **4,500 MW** of renewable energy capacity in Ukraine. (ain.ua)
- Ukrainian agribusinesses** continue shipping grain abroad amid quarantine over the COVID-19 coronavirus, having **exported 51.47 million tons of grain** from July 1, 2019, the start of the 2019-2020 marketing year (MY), which was **8.1 million tones up** from the relevant period of MY 2018-2019. (Ukrainian Economic Development, Trade and Agriculture Ministry)
- Ukraine's **tax revenue grows by US\$2.8 bln** in 2019, **17.1% up** from 2018. The number of scheduled and unscheduled audits in 2019 **was reduced by 14%**. (UNIAN)
- According to the 2020 Global Outsourcing 100, a list of the world's best outsourcing service providers. In 2020, the top **100 includes 13 Ukrainian companies and 8 companies with offices in Ukraine**. (ain.ua)