



DP WORLD

Dubai-based DP World Group makes its first investment in Ukraine providing towing services in Ukraine's busiest sea port



The Business Week is written and produced for UkraineInvest by the Ukraine Business Journal



Dubai-based DP World Group, one of the world's largest port operators, is making its first investment in Ukraine. One of its companies, P & O Maritime, has acquired control over Ukrainian tow company LB Shipping. P&O, which has tugboats and mooring vessels, will provide towing services in Yuzhny, Ukraine's busiest sea port. Yuzhny is undergoing a \$150 million expansion, led by Cargill. Two months ago, when President Poroshenko visited the DP headquarters, CEO Sultan Ahmed bin Sulayem reportedly told him that Ukraine can become a key trade hub between Europe, the Middle East and Asia.

Agriculture >

Egg exports increased 75% last year, to 89,000 tons, according to the State Fiscal Service. In dollar terms, sales were up 51%, to \$69 million. The top three buyers were in the Middle East: United Arab Emirates -- \$42 million; Iraq -- \$12 million; and Qatar -- \$5 million.

With the sugar refining season coming to a close, Ukraine has produced slightly more than 2 million tons of sugar, surpassing last year's level. Of the nation's 46 sugar mills, four are still refining, according to Ukrtsukor, the National Association of Sugar Producers. Due a shortage of state railroad wagons, producers risk losing up to \$70,000 from missed export deadlines, warns RuslanaButylo, head of Ukrtsukor's analytic

department. About one quarter of this year's production is to exported. About 22 percent of overall production comes from Astarta, the nation's largest producer.

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Automotive >

Used car sales nearly tripled last year to 59,026 cars, according to AUTO-Consulting. The top five favorites were: Renault, Volkswagen, Skoda, Opel and Nissan. In the mix of used cars, 'fresh' cars imported from Europe dominated, depressing prices of locally used cars. If light commercial vehicles are added to the mix, sales of used imported vehicles for the first time nearly equaled sales of new imported vehicles.

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Electric car sales more than doubled last year, to 2,697 cars, Ukrautoprom, the industry association reports. Used cars accounted for 85% of sales. Of all imports, the Nissan Leaf was the most popular car, accounting for 82% of total sales. Electric

sales are expected to grow again this year, aided by suspension of import duties, a step designed to cut prices by 20%.

Banking and Finance >

Ukraine's foreign exchange reserves increased by 21% in 2017, to about \$18.8 billion, the National Bank of Ukraine reports. Reserves can now cover 3.6 months of imports. In 2016, foreign exchange reserves increased by 17% to about \$15.5 billion..

Ukraine's central bank will hold its key interest rate at the next policy meeting, on Jan. 25, due to signs of slowing inflation, a Reuters monthly analyst poll showed on Thursday. Seven out of 10 analysts expect rates to stay unchanged, one expected a rate cut. Two forecast a hike to 15.0 or 15.5 percent from the current 14.5 percent. The analysts forecast inflation at 13.7 percent in December and at 8.8 percent by the end of 2018.

Inflation last year was 13.7% -- 10% higher than the 2016 level of 12.4%, the State Statistics Service reports. Some of the fastest growing areas were: house repairs -- 47.5%; fruits -- 34.5%; meat -- 29.4%; vegetables -- 24.7%; and milk -- 23,1%. Bucking the trend, the price of sugar dropped by 7.4%.

Ukraine spends 4% of GDP each year to service its public debt, which amounts to 80% of GDP, PavloKukhta, deputy head of the government's Strategic Group of Advisers, writes on Facebook. He writes that a 40% debt-to-GDP ratio is safe for developing economies. EU accession requirements set a limit of 60% debt-to-GDP.

Assets of 26 bankrupt banks were sold for \$10 million during the first work week of January, reports the Individual Deposits Guarantee Fund.

Czech banker Petr Krumkhanzl was appointed Wednesday chairman of the board of PrivatBank, now state owned. From 2004 to 2011, Krumkhanzl worked for Austria's Raiffeisen Bank, first in Prague, then in Kyiv, as operating director of Raiffeisen Bank Aval. For the last 18 months, he has worked as chief operating officer at Home Credit China.

Ukraine's politically sensitive "borsch index" went up last year at almost triple the 13.7% general rate of inflation. Among the key ingredients for the popular sour soup, meat went up by 36% and vegetables by 37%. The biggest jump was for beets, which give the soup its trademark red tint. Retail beet prices jumped 73%, Alexei Doroshenko, director of the Association of Trade Network Suppliers, writes on his Facebook page.

World Bank economists predict that Ukraine's economy will gradually grow from their estimate of 2% in 2017. Looking ahead, the bank forecasts: 3% for 2018; 3.5% for 2019, and 4% for 2020.

Business >

Foreign investors repatriated \$1.8 billion in dividends last year, according to Oleg Churiy, deputy governor of the National Bank of Ukraine. For two years, until June 2016, repatriation of dividends was frozen. Today the central bank allows repatriation of \$5 million per month. In a radio interview, UNIAN reports, Churiy left the door open to further liberalization this year.

Ukraine's steel production fell 12% to 21.3 million tons in 2017, Ukrainian steel producers' union Ukrmetallurgprom reports. Pig iron output fell by 15% to 20 million tons. Rolled steel production was down 14% to 18.4 million tons.

German companies created 2,000 new jobs in Ukraine last year, Foreign Minister PavloKlimkin said at a joint press

conference in Kyiv last week with visiting German Foreign Minister Sigmar Gabriel. Klimkin estimated that Germany's auto parts industry has created more than 30,000 jobs in Ukraine.

On news of Kyiv dropping a tax investigation, shares of Regal Petroleum spiked Friday, settling Monday to near double last week's levels on the London AIM. Regal reported that tax authorities returned «the vast majority» of documents seized two months ago, and that the company is free to do business. The London-based company announced that it ended 2017 producing 2,800 barrels of oil equivalent per day in Ukraine, 65% higher than at the end of 2016. With the tax threat lifted, Regal is mobilizing 3D equipment at its VAS gas and condensate field, planning to 'spud' a new well next month.

Ukraine is reorienting its vodka exports from Russia to Poland, Latvia and Germany, Pro Consulting says in a new report. Before Russia's 2014 military attack on Ukraine, two thirds of Ukraine's vodka exports went to Russia. Now most go west.

As labor migration to Poland cuts into all industries, Zaporizhstal, Ukraine's fourth largest steelmaker, is investing \$1.2 million this year in improving "the working life" of its 2,000 employees. This will range from renovating worker housing to installing modern showers, toilets, lockers, and ventilation in work areas. With Poland, Czech and Slovakia recruiting workers across Ukraine, employers complain that retaining employees is now a top challenge.

Half of the EU's imported skis and snowboards came from Ukraine in 2016, Eurostat reports. Of 1.5 million imported skis and boards, 731,400 came from Ukraine. China followed with 28% of market share. Ukraine's largest ski producer is Austria's Fischer-Mukachevo, in Zakarpattia. It produces 180 models of cross-country skis and 130 models of

mountain skis. In addition to Fischer, the factory produces for Scott Usa, Stöckli, Tecno Pro, Hagan, Rossignol, Alpina, Splitkein, and Tecno. About 1,500 people work at Fischer-Mukachevo, which is located 45 minutes by truck from Hungarian and Slovakian border crossings.

Finance Minister Oleksandr Danilyuk opened the Ukraine "Expo Zone" at the Consumer Electronics Show in Las Vegas.

On display at the mega event are these Ukrainian start-ups: Senstone -- a pendant that allows you to translate voice notes into text; Kray Protection UAS -- drones for farming; Kwambio -- online platform for 3D printing; MMone Company -- armchair for 360 degree immersion in virtual reality; PassivDom -- autonomous smart house; Agrieye -- technological solution for farmers to increase harvests; LaMetric -- smart desktop clock; Discoperi -- helps drivers to avoid potential accidents; and Univrsee -- platform for publishing, distributing and verifying VR content.

Czech-Ukraine trade was up 28% through October, Ukraine's embassy in Prague reports.

Citing Ukraine's lithium deposits and IT brainpower, Infrastructure Minister Volodymyr Omelyan challenged Ukraine to become a manufacturing center for vehicles of the future: electric cars. Talking on ZIK TV, he said: «We can either become a dump of the world, where we import 10- to 20-year-old cars, or become a center for one of the leading industries in the world.» Chinese, South Korean, and European manufacturers are studying assembly in Ukraine, but no decisions have been made public.

Commodities >

Investment in titanium mining and processing in Zhytomyr is to more than double this year, to \$7 million, this year, according to United Mining-Chemical Company, manager of mines in Irshansk.

Located 150 km west of Kyiv, Irshansk is the core of Ukraine's titanium industry and a major producer of ilmenite, a source of titanium dioxide, which is used in paints, plastics, paper, sunscreens, food and cosmetics.

Revenue earned from Ukraine's exports of ferrous metals, largely steel, rose by 20%, to US\$8.7 billion, according to the State Fiscal Service. This increase came despite a 12% drop in steel production last year.

Ukraine nearly doubled spending for coal imports in 2017, taking half from Russia, the State Fiscal Service reports. Ukraine imported 20 million tons of coal in 2017, a 27% increase over 2016. But the dollar cost ballooned 87% to \$2.7 billion. Import demand surged after the government opted last spring to stop importing coal from secessionist controlled mines in the Donbas.



Energy >

Electricity exports will increase 15-20% in 2018, to about 5.8 billion kWh, forecasts the Ministry of Energy and Coal Industry. All power will go to the EU or to Moldova. No imports are foreseen. As in 2017, about 60% percent of the power will come from Burshtyn power plant, an 'island' disconnected from Ukraine's grid and synchronized with the EU network.

China's TBEA International could start construction this year of Eastern Europe's largest wind farm in Mykolaiv, officials report from the region. Plans call for generating 500 mw of electricity from 100 windmills erected across three villages near the Tylihul River Estuary, about midway between Odesa and Mykolaiv. The project update came from Sergey Tanasov,

Berezanka district head, who met Dec. 28 with Chinese officials of TBEA. A power equipment manufacturer with transmission projects around the world, TBEA is based in Xinjiang, China's westernmost region and the platform for many Chinese projects in Ukraine and the Caucasus.



Azerbaijan accounted for 85% of oil imports to Ukraine last year, followed by Iran -- 8.5%; and Kazakhstan -- 4%. Last March, Ukrtransnafta restored operation of the 400km oil pipeline from Odesa to Kremenchuk, the site of Ukraine's only major refinery. Last year, \$377 million worth of Azeri Light was refined at Kremenchuk. In dollar terms, Ukraine's overall oil imports hit \$442 million last year, 2.5 times over 2016.

Coal production dropped 15% last year, hitting 35 million tons, the Ministry of Energy and Coal Industry reports. Due to the embargo on coal from the secessionist areas, Ukraine more than doubled its spending on coal imports last year, with half of imports coming from Russia

Russia's Rosneft has sold its gas stations in Ukraine to Geneva-based Glusco Energy S.A. Glusco is a subsidiary of Proton Energy Group SA, the largest supplier of Russian liquefied gas to Ukraine.

PGNiG, Poland's state oil and gas company, doubled its gas sales to Ukraine last year, hitting 700 million cubic meters, the company reported. Last fall, Polish Oil and Gas Company, became the 9th largest supplier of gas to Ukraine.

Solar Chernobyl, the first solar plant near the abandoned nuclear plant, is to go on stream within weeks, the German-Ukrainian company tells AFP. With 3,800 photovoltaic panels installed across

1.6 hectares, the \$1.2 million plant will generate 1 mw of power – enough for about 2,000 apartments. But 60 more solar plant proposals from foreign companies – American, Chinese, Danish and French – are being processed by Chernobyl's State Administration zone. Investors come for Ukraine's solar electricity tariff, which «exceeds on average by 50 per cent of that in Europe,» Oleksandr Kharchenko, executive director of the Energy Industry Research Center, tells AFP.

Commissioning of 'green energy' projects this year will increase by 20% Ukraine's total renewable energy installed capacity, Maxim Bilyavsky, energy advisor to the government, predicts to the National Industrial Portal. He said the main driver will be solar power plants.

U.S.-based Western Services Corporation has signed a \$2.3 million contract with Energoatom to supply equipment for simulator training for nuclear power plant operators, the U.S. Commerce Department reports.

Exports >

Cargo turnover in Ukraine's Black Sea ports increased by 1% to 133 million tons in 2017, reports the Sea Ports Administration. The busiest port continues to be Yuzhny, which handled 42 million tons. The next four were: Odesa: 24 million tons; Mykolaiv 23.5 million tons; and Chornomorsk 17.6 million tons. To stimulate traffic, fees at Black Sea ports were cut 20%, effective Jan. 1.

President Putin has extended for another six months Russia's restrictions on the transit of Ukrainian goods to Kazakhstan and Kyrgyzstan. After controls were imposed two years ago, Ukraine's exports to Central Asia and the Caucasus dropped by 35%. To Kazakhstan, Central Asia's biggest market, exports fell by 45.5% Today, most of Ukraine's exports to the Caucasus -- Armenia, Azerbaijan and Georgia – bypass Russia by leaving

Chornomorsk by ferry to Georgia's ports of Batumi and Poti. Ukraine's formal complaint to the World Trade Organization has not brought any remediation.

Ukraine's food exports to the EU last year grew more than as fast as food exports to the rest of the world, Olha Trofimtseva, deputy Agrarian Policy and Food Minister, said on the ministry website. Through November, Ukraine's food sales to the EU jumped by 38%. Ukraine's overall food exports expanded by 19%. Trofimtseva, who is responsible for European Integration, said Europe's top five importers were: Netherlands -- 18.4%; Spain -- 14.4%; Poland -- 13.3%; Italy -- 11.8%; and Germany -- 10.3%. Of the \$5.2 billion in total food exports to the EU, Ukraine's top three items were: grains -- \$1.4 billion; vegetable oils -- \$1.3 billion; and oilseeds -- \$900 million.



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Information >

Funding for the Information Policy Ministry triples this year to \$30 million.

The Ministry produces TV and radio programs for the government, pays for such foreign broadcasting as UATV, and works for "the protection of the national information space."

Titanium ore and concentrate exports increased 26% last year, hitting 583,772 tons, the State Fiscal Service reports. Customs statistics point to the top three buyers: Czech -- 17%; the US -- 15.5%; and Turkey -- 15%. Titanium can be alloyed with iron and among other elements to produce strong, lightweight alloys for aerospace, military, and industrial processes.

Infrastructure >

After repairing 2,100km of roads in 2017, the Infrastructure Ministry plans to double that amount this year. The Minister, Vladimir Omelyan, has set a five-year plan of spending 50 billion hryvnia – about \$1.8 billion -- a year through 2022. This year's funding hits 92% of the goal. Much of the repair work will be paid for by new Road Fund, which started Jan.1. It is largely financed by fuel taxes.

Krukovka Carriages, the nation's largest train car manufacturer, nearly doubled sales last year, hitting \$3.6 billion, according to the company's website. Located in Kremenchuk, Poltava, the company produced over 2,000 freight cars. Production is expected to further increase this year as Ukrzaliznytsia, the state railroad races to improve grain delivery service to the Black Sea ports.

Kyiv Metro reversed passenger declines and provided almost half a billion rides last year, the subway system's press service posted on Facebook. The 3-line system carried 498.4 million passengers, 2.8% more than in 2016. The most heavily used line was the oldest, the east-west Red line. 21.4 million people used Lisova station, the line's east bank terminus. The Blue line came in second. Its most heavily used station was Minska, near the northern end, which carried 17 million. The Green line had the lightest ridership. Last November, two Chinese companies signed contracts to build a fourth arcing line that would connect all three lines, alleviating the flow of many riders to the three transfer stations in the city center.



Extending a popular holiday experiment, Kyiv city now provides password-free wifi to these popular tourist areas in the city center: Andriyivsky Descent, Kontraktova Square, Mykhailivska Street, Sofiivska Square, Poshtova Square and Shevchenko Park.

Privatization >

Two more state companies are being prepared for privatization this year. Kyivpaservice operates six bus stations in Kyiv, and 19 in Kyiv region. MPO Orion is an Odesa machine building company that once was a leading producer of refrigerator compressors. Controlling shares in both companies are to be put for bid by this summer, Vitaly Trubarov, head of the State Property Fund, posted on Facebook.

In February, state company Sumykhimprom will be put up for auction, with the final price expected to be about \$9 million, Vitaly Trubarov, acting head of the State Property Fund, wrote on his Facebook page. Based in Sumy, this chemical company produces titanium dioxide, sulfuric acid, yellow and red iron oxide pigments, and complex mineral fertilizers.

Science >

Science funding will increase by 15% in inflation adjusted terms, to \$218 million. The Education and Science Ministry reports that in 2017 the government funded 1,300 fundamental and applied research projects in Ukrainian universities.

Social >

Poverty in Ukraine fell to 12% of the population last year, Viktoria Zakhozha, deputy director of Kyiv International Institute of Sociology, tells DzerkaloTyzhnia, or Mirror Weekly. Tracking poverty over the last two decades,

she said that in 1998, 52% of poll respondents said they were almost starving. From that low point, poverty eased, hitting 11% in 2008. The global economic crisis pushed it up to 21%. Then, it dropped, hitting 9% in 2013. With Russia's war on Ukraine, it spiked again, plateauing at 17% in 2014-2016.



Standards >

To harmonize 80% of Ukrainian standards with EU standards, the government is to adopt 1,500 international and European standards by 2021, the Economic Development and Trade Ministry says. Since the 2014 Revolution of Dignity, Ukraine has abolished 14,475 obsolete international standards developed before 1992. In 2017, Ukraine adopted 1,353 international and European, adopted, the ministry said.

Travel >

With the exception of the Baltics, Ukraine now has the highest degree of travel freedom of the 15 former Soviet republics, according to an annual global survey of travel freedom, the Henley & Partners Visa Restrictions Index. Countries are ranked according to the total number of countries they can visit visa-free. Ukraine's visa-free deal with the EU allowed it to jump from 58th position to 44th position. Russia lags behind in 48th place.

Kyiv plans to build a 2 km cable car line across the Dnipro River, linking Podol's Poshtova Square with Trukhaniv Island. Construction will be put up for tender, with the final price estimated in the \$21 million range, Oleg Mystyuk, general

director of the KyivInvestment Agency, tells Interfax. Starting near the Blue Line Metro stop at Poshtova, the line crosses the river to the Left Bank, linking to express bus routes to Bereznyaky and Rusanivka, two neighborhoods with limited mass transit to central Kyiv.



Transportation >

Kharkiv, Ukraine's second largest city, gets direct flights to five new European cities this spring. SkyUP will fly to Barcelona, Larnaca, Cyprus and Rimini, Italy. Wizz Air will fly to Dortmund and Katowice, Poland. According to the airport website, passenger traffic in 2017 jumped by 34% to a record 806,200. This is well over the airport's historic peak of 605,000 passengers in 2013. At that time, most flights from Ukraine's easternmost airport went to Russia.

Lviv airport's traffic soared 46.3% in 2017, hitting a record 1,080,000 passengers.

More growth is expected in 2018 as scheduled flights start to eight new cities: Batumi (Yanair); Brno (Blue Air); Olsztyn (LOT Polish); Dortmund, Gdansk, Katowice, and London-Luton (Wizz Air); and Odessa (SkyUP). In addition, SkyUP starts charters in the summer to five cities: Antalya, Barcelona, Rimini, Sharm el-Sheikh, and Tivat, Montenegro. Last month, Italy's Ernest Airlines launched flights between Lviv and Bergamo (Milan), Naples and Venice.

Train passenger traffic from Ukraine to Europe increased five fold in 2017, hitting 205,000 passengers through November, Yevhen Kravtsov, acting chairman of the board of Ukrzaliznytsya reports. Ukraine's state railroad now runs trains to seven EU countries: Hungary, Poland, Slovakia,

Bulgaria, Romania, Austria, and Czech. To extend EU travel opportunities to residents of eastern Ukraine, Kravtsov tweeted that the railroad is opening international ticket desks in six cities in government-controlled Donetsk and Luhansk: Mariupol, Kramatorsk, Slavyansk, Pokrovskaya, Rubezhnoye and Lisichansk.

Infrastructure Minister Volodymyr Omelyan predicts that Europe's largest airline will start flights to Ukraine this year. «Ryanair will be in Ukraine this year," he told Expreso TV. Hinting at an announcement within weeks, he said European discount airlines offer two-way benefits. «Ukrainians are ready to fly," he said. "Moreover, foreigners are ready to fly to Ukraine -- if prices are low, and our country is open, which is essential for the development of business and tourist contacts.»

Kyiv's Zhuliany was Ukraine's fastest growing major airport in 2017 with passenger traffic jumping 64.3%, to 1.8 million. In absolute numbers, Kyiv Boryspil was the national champion with traffic up 17.6% to 10.5 million passengers. As earlier reported, passenger traffic at Lviv was up 46.3% to million. At Kharkiv, traffic was up 34.4% to 806,000. At Zhuliany, flights clearly flew packed. While passenger numbers were up 64.3%, the number of flights was up only 27.3%. With 95% of the traffic international, the top destinations were: Minsk, Dubai, Budapest, Ankara, Antalya, Sharm-el- Sheikh,

Warsaw, and Rome.

Infrastructure Minister Volodymyr Omelyan predicts Ryanair will be flying to Kyiv and Lviv this spring. He told ZIK television: «We are already at the final stage of negotiations with Ryanair, and I hope that its arrival will take place in January and February. There are technical moments that we are closing, but in general everything is fine.» Ryanair's low cost rival, Wizz Air, is advancing by two months two new foreign flights from Lviv. Flights to Dortmund now will start March 26 and flights to London Luton will start May 1.