

Ukraine NEWS

Munk, Andersen & Feilberg



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Ukraine is the 152nd WTO member

Ukraine has taken an important step towards further economic integration into the world market.

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Taking stock of corruption

One business myth associated with Ukraine is that corruption is rampant. We checked up on it.

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Tourism industry on the rise

The atmosphere, the scenery and the upcoming EURO 2012 event are attracting more and more tourists to Ukraine. Attractive hotels stand ready to welcome them.

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Ukraine takes on the financial crisis

Ukraine is taking a hit from the financial crisis. We give you the highlights.

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Ukraine and Lviv will cut your costs

The financial crisis will increase the interest for cost-minimizing potential for both plain and brain sourcing to Ukraine. Lviv Oblast is the perfect target.

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Highlights of the real estate market

All sectors are affected by the recent turn of the world economy, but the retail sector and EURO 2012 will continue to act as drivers of the real estate market.

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Untapped potential remains

There is a huge potential for companies to put resources into much wiser and better use.

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Ukraine has always been "Borderland"

From a historical perspective, professor Bent Jensen, challenges some of the illusions following the so-called "Orange Revolution" in 2005.

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All this and much more
in this edition of Ukraine News



The low cost comeback

BY MORTEN MUNK
MANAGING DIRECTOR,
MAFCON

Just a few months ago, it seemed that Ukraine was no longer a target for low-cost production. But now the financial crisis has turned the tables.

By 2007, several years of dynamic growth had brought the level of unemployment in Ukraine down to about 6 %. The concurrent labour shortage and the rising wages were issues that caused many companies to shy away from low-cost production in the country. Basically, it seemed that plain sourcing to Ukraine had come to an end.

The crisis strikes Ukraine. Now however, the situation has changed completely. The financial crisis has caused stocks to drop, the banks

to dry up and brought the construction sector to a halt. The decreasing demand for raw materials, such as steel, makes prices plummet, and since Ukraine's industry sector relies heavily on production of raw materials; overall spending in the country is now decreasing. In a few months time, these factors will have lowered the pressure on salaries and other production costs significantly.

- and Western Europe

The companies in the West are also taking a hit from the crisis. The main mechanism will be the same as in Ukraine: a drop in demand and in prices that will force companies to spend less if they want to stay in the market. Cutting back on costs will become the paramount target.

An obvious way to cut back on costs is to pay lower wages. The scope for wage reductions

in Western Europe, however, is very small, so the pro-active companies will soon consider sourcing to cheaper locations.

Moving part of the production to low cost countries like Ukraine will be a very attractive option. The efficiency and the quality here are the same as in Western Europe, but the average salary for a blue-collar worker is significantly lower. The general rule of thumb is that even though your company will incur additional logistic/transport, and perhaps some extra management costs, the total production costs in Ukraine are only 1/3 of production costs in Western Europe because of the lower salaries.

With the financial crisis suddenly kicking in, it will continue to be so. Ukraine will regain its position

as an attractive low cost manufacturing hub – it will be an excellent target for plain sourcing as well as a perfect target for brain sourcing. The country boasts the world's fourth-highest number of IT-programmers - with an additional 7,000 new graduates each year.

Just like China

With low costs and a well-educated work force, Ukraine will be just like China - but only two hours away. For many companies, the relocation to Ukraine will develop from simple labour procurement to actual business units. Then these business units will develop networks with other companies, and in particular with universities and scientific institutions. As the third and final step their business gravity point will shift from EU to Ukraine.