

Ukraine NEWS

● Munk, Andersen & Feilberg



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Munk, Andersen & Feilberg's opinion

Ukraine - the attractive possibility

Currently all companies are focused at cost cutting in order to improve cash flow and earnings; however this is only a temporary solution.

If the company isn't competitive, it is typically not because it is a poor performer, but rather because it produces in a high price geographic region.

Pressure on cost reductions will raise in due course of the crisis and stabilise on a new lower level dictated by the lower cost structure in other geographic regions.

Ukraine will due to its proximity to the EU play a key role as the host region with attractive cost structures for both labour and raw materials as well as a well educated population.

Companies will reshape and develop into a global delivery model being competitive in the longer perspective.

If you want to learn more about this structural development please contact Morten Munk: mm@mafcon.com

Business news

27.02.2009 Merkel: Ukraine prospects depend on German relations with Russia

Ukraine's long-term prospects depend on the development of Germany's partnership and strategic relations with Russia, German Chancellor Angela Merkel was quoted as telling foreign journalists in Berlin.

Merkel said that owing to its geographical position, Ukraine is obliged to stay between the European Union and Russia in all senses of the phrase Deutsche Welle reported.

<http://ukrainianjournal.com>

27.02.2009 Kyiv ranks 13th in the rating of cities with the most expensive office real estate

The Cushman&Wakefield consulting agency published an annual rating of cities with the highest rent price for office premises.

The Ukrainian capital rose by three positions over a year and ranked the 13th in the rating with a rent price per one square meter at EUR 686 a year. At the same time, despite a sharp collapse of prices on the real estate market in late 2008, by results of the year the office rent in Kyiv rose in price by 14 percent. Analysts give a simple explanation to it: a price jump in H1 was so serious that even the autumn-winter collapse was not able "to eat it up".

<http://www.nrcu.gov.ua>

02.03.2009 Antimonopoly Committee of Ukraine says gasoline prices are overestimated in Ukraine

As was voiced by acting Chairman of the Antimonopoly Committee of Ukraine (AMCU) Oleksandr Melnychenko at a press conference, gasoline prices are overestimated in Ukraine by UAH 0.4-1/liter.

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He noted that such are data of studying regional markets of combustive-lubricating materials carried out on the Prime Minister's instruction. "Today, prices should drop unambiguously since they are overestimated", Melnychenko said. He also reminded that presently, the AMCU carries out investigation regarding leading producers.

<http://www.nrcu.gov.ua>

03.03.2009 Ukrainian leaders write to IMF asking for money, explaining moves

Ukrainian leaders on Tuesday sent a letter to the International Monetary Fund asking for loans and explaining the measures the government will take to ease the effects of the economic crisis.

The letter is the result of three days of meetings involving President Viktor Yushchenko, Prime Minister Yulia Tymoshenko, the governor of the National Bank of Ukraine, the speaker of Parliament and opposition leaders.

"The signing and sending of the letter puts Ukraine on the finish line for receiving the second installment from the IMF," Iryna Vannikova, the spokeswoman for President Viktor Yushchenko, said.

<http://ukrainianjournal.com>

03.03.2009 Ukraine wants Netherlands to participate in preparations for EURO 2012

Ukraine wants that Kingdom of the Netherlands participate in the preparations for the European Football Championship 2012, reads a statement made by the press service to First Vice Prime Minister Oleksandr Turchynov.

On Tuesday, Turchynov had a meeting with Dutch Minister for Foreign Trade Frank Heemskerck.

The parties paid much attention to the question of involving Dutch businesspeople in the preparations for the EURO 2012.

Heemskerck expressed confidence in that that Ukraine's gradual approaching to creation of a free trade zone with the European Union enlarges opportunities for bilateral cooperation.

"This will allow expand cooperation and progressively build up volumes of investment cooperation despite the global crisis outbreak," the minister thinks.

<http://www.kyivpost.com>

03.03.2009 UEFA monitoring economic crisis' impact on Ukraine

UEFA is monitoring the impact of the global financial crisis on Ukraine's and Poland's preparations to co-host the 2012 European Championship.

"Naturally, you should have fears when you're faced with such a global financial downturn," UEFA general secretary David Taylor told.

"I think it's no secret that Ukraine has the more immediate difficulties given its IMF loan and looking at balancing its government budgets and these are things that are clearly of concern to us."

Ukraine received a \$16.5 billion loan from the International Monetary Fund to help combat the crisis. The IMF expects Ukraine's economy to contract by at least 6 percent this year, and the national currency has lost about 43 percent since September.

<http://www.iht.com>

04.03.2009 Deutsche Bank launches registration of its subsidiary in Ukraine

Deutsche Bank has launched the registration of its subsidiary in Ukraine, reported by the Kommersant-Ukraine daily newspaper.

Director of Deutsche Bank's Office in Ukraine Kostiantyn Seriohin said that the subsidiary would be involved only in corporate business.

<http://www.nrcu.gov.ua>

04.03.2009 Rada overrides farmland sale ban veto

The Ukrainian parliament has overridden President Viktor Yushchenko's veto on prolongation of the moratorium on the sale of farmland until 1.01.2010. The head of state proposed withdrawal from the bill on amendments to some laws on prevention of negative aftermath of the global financial crisis on the development of the agro-industrial complex a provision on extension of the ban on the sale of farmland until January 1, 2010, as in Ukraine the moratorium is effective until legal regulation of land market, i.e. until adoption of laws on the market of land and the state land cadastre. In February, Viktor Yushchenko vetoed the said law, passed with regard for some of his remarks, which particularly prolonged the farmland sale ban until 2010.

<http://www.nrcu.gov.ua>

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11.03.2009 Economist warns of foreign takeover of agricultural land market

Ukraine could become a victim of appropriation on the land market if foreign states gain control over large land plots, according to Valeriy Heyets, a fellow of the Ukrainian National Academy of Sciences and the director of the Academy's Institute for Economics and Forecasting.

He said that the present economic crisis has made many international players exit the financial sector and invest funds into the development of agricultural activities to provide their populations with foodstuffs.

<http://ukrainianjournal.com>

11.03.2009 Ukrainian banks prolong 50% of credits requiring postponement to farmer, says ministry

Ukrainian banks as of March 10 prolonged credits worth UAH 2 billion to farmers, which is 50% of total credits requiring postponement.

"Half of credits that required prolongation, have been prolonged," Agriculture Minister Yuriy Melnyk said at a press conference in Kyiv on Tuesday.

He said that banks prolonged credits to over 1,000 farmers.

In addition, the minister said that commercial banks over the two months of 2009 issued new credits worth almost UAH 500 million to farmers.

"Around 250 farms raised new credits worth around UAH 500 million," he said.

<http://www.interfax.com.ua>

11.03.2009 Steel production in Ukraine could fall 19.1%, says deputy minister

Steel production in Ukraine could fall 19.1% in 2009, to 30 million tons from 37.1 million tons in 2008, Deputy Industrial Policy Minister Serhiy Hryshchenko said Tuesday.

The country's steel output could even fall below 30 million tons due to weak demand, Hryshchenko said at a press club meeting at Interfax offices on the situation in Ukraine's mining and metals sector. "Everything is determined by orders," he said.

<http://ukrainianjournal.com>

12.03.2009 Ukraine needs UAH 50bn credits

According to various estimates, Ukraine today needs credit funds to the tune of approximately UAH 50 billion (USD 1 - UAH 7.7), Verkhovna Rada Speaker

Volodymyr Lytvyn told a press conference in Simferopol (Crimea, South Ukraine).

Commenting on Prime Minister Yulia Tymoshenko's official request for a USD 5 billion loan from Russia, Lytvyn said that we should not be afraid of "the talks about any political agreements. I am sure there is nothing bad, moreover, we should thank," he noted. The Speaker also said that if Ukraine and Russia manage to agree on the credit, it is necessary to clearly discuss the term it is extended on and a percentage rate. Russia's Deputy Premier, Finance Minister Alexey Kudrin confirmed that Ukraine had officially asked for Russia's USD 5 billion loan.

<http://www.nrcu.gov.ua>

13.03.2009 Oranta cuts premium collection by 20% in January and February

Kyiv-based national joint-stock insurance company Oranta in January and February 2009 collected UAH 125 million in insurance premiums, which is 20% less year-over-year, its board chairperson, Elena Bolotova, said at a press conference on Thursday.

She said that the largest fall was seen in collection of KASKO (voluntary car insurance) premiums- 22-25%, collection of premiums on vehicle owner civil liability to third parties, also known as OSAGO - 18%, personal insurance - 15% and property insurance - 5%.

Bolotova said this could mean the company falls short of its UAH 1.35 billion insurance premium collection target planned for 2009.

<http://www.interfax.com.ua>

13.03.2009 DTEK forecasts fall in electricity consumption in Ukraine in 2009 by 12-13%

Donetsk-based Donbas Fuel-Energy Company (DTEK) forecasts that electricity consumption in Ukraine in 2009 would fall by 12-13%.

An Interfax-Ukraine correspondent has reported, DTEK M&A director, Vitaliy Butenko, gave this forecast at the Ukrainian Investment Summit held in London and organized by Adam Smith International Institute.

He said that the fall in electricity consumption in the country is an optimistic scenario.

Butenko also said that the privatization in the energy sector has become a hostage of the political situation in Ukraine.

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Other news

27.02.2009 Ukrainian rocket puts US satellite into orbit

A Zenit-3SLB carrier rocket was successfully launched from the Baikonur space center under the Land Launch program.

The launch was effected by the Space International Services company comprising Ukraine's Yuzhnoye and machine-building plant Yuzhmash, Russia's Energia rocket and space technology company and Lavochkin scientific production association, and others. Zenit-3SLB was designed by Yuzhnoye (Dnipropetrovsk, East Ukraine). It took to the geostationary orbit US communications satellite Telstar 11N weighting 4,010 kilograms.

<http://www.nrcu.gov.ua>

03.03.2009 Yushchenko rules out non-parity selection of Ukrainian, Polish towns in Euro-2012

Kyiv will not allow a non-parity selection of Ukrainian and Polish towns in holding the matches of the final part of the Euro-2012 football championship, President Viktor Yushchenko said.

"Ukraine will not allow a non-parity selection of Ukrainian and Polish towns. For us it is a matter of principle... this parity must be adhered to until the final point," Yushchenko said at a meeting of the Euro-2012 coordination council on Monday.

By May 8 four Ukrainian towns will meet all the criteria of the Euro-2012, he said.

According to the president, the discussion that towns could be selected on a non-parity basis should be stopped both in Ukraine and internationally.

"We have everything needed to ensure normal preparations," he added.

<http://www.kyivpost.com>

03.03.2009 Railway tickets to up from March 9 in Ukraine

The cost of travel at a distance of 500 km in a reserved -seat carriage will be UAH 1,72 and in compartment carriages - UAH 4,25 higher. From June 1, 2009 railway passengers should expect another increase of tariffs, reserved-seat ticket will cost 4,7 % more, tickets in compartment carriages are to cost 7,4% higher.

<http://www.nrcu.gov.ua>

11.03.2009 NATO mission in Kyiv to discuss prospects for cooperation with Ukraine

A NATO mission headed by Brigadier General Pavel Adam, the deputy head the alliance's Cooperation and Regional Security Division, has arrived in Ukraine for talks with Ukraine's military, according to the press service of Ukraine's Defense Ministry.

In particular, the NATO mission and the Ukrainian delegation will discuss renewing the concept of Ukraine-NATO military cooperation, military aspects of the Ukraine-NATO annual national program, and the condition and prospects for the development of a working plan of the Ukraine-NATO military committee for 2010-2011.

During his visit, Adam will meet with Deputy Chief of the General Staff of the Ukrainian Armed Forces Ihor Kniaz. Staff talks between the missions of the Ukrainian armed forces and NATO are also planned.

<http://www.kyivpost.com/>

Financial highlights

Exchange rates

1 USD = 7.7000 UAH

1 EURO = 9.8421 UAH

UAH interest rates

Bid - 30.67%

Ask - 50.83%

GPD growth rates

01.01.2009 - 2.1 %

Unemployment level

01.06.2008 - 6.8 %

Inflation rate

01.03.2009 - 4.4%

Prepared with assistance of OTP Bank

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