



# Ukraine Investment Brief


1<sup>st</sup> Eastern Partnership Investment Forum:  
10 Years after Prague

10-11 July 2019  
Batumi, Georgia

#strongertogether  
#eapinvest

## GENERAL INFORMATION FOR 2017

 **Population**  
44.223 Millions

 **Land area**  
(n) 603 500 km<sup>2</sup>

 **GDP**  
112 154 Millions current US\$

 **GDP growth**  
2.52 %

## INTERNATIONAL MERCHANDISE TRADE

### Total merchandise trade

(millions of US\$)

	2005	2010	2015	2017
Merchandise exports	34 228	51 478	38 127	43 265
Merchandise imports	36 136	60 911	37 517	49 609
Merchandise trade balance	-1 908	-9 433	610	-6 344

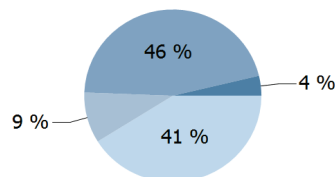
**+19.0 %**

Merchandise exports  
growth rate in 2017

### Export structure by product group in 2017

(as % of total exports)

-  All food items
-  Ores and metals
-  Manufactured goods
-  Other



### Top 5 partners in 2017

(exports, millions of US\$)

European Union	20 049,0
Russian Federation	7 337,1
Turkey	2 682,4
India	2 275,0
China	2 105,7

## INTERNATIONAL TRADE IN SERVICES

### Total trade in services

(millions of US\$)

	2005	2010	2015	2017
Services exports	10 442	18 327	12 442	14 087
Services imports	7 575	12 712	11 349	13 325
Services trade balance	2 867	5 615	1 093	762

### Services exports by main category

(as % of total services)

	2005	2010	2015	2017
Transport	43.7	43.6	42.8	41.7
Travel	29.9	20.7	8.7	9.0
Other services	13.8	26.0	38.3	37.8

## ECONOMIC TRENDS

### Economic indicators

(millions of US\$ unless otherwise specified)

	2005	2010	2015	2017
GDP, current	89 239	136 012	91 031	112 154
GDP per capita, current US\$	1 903	2 970	2 038	2 536
Real GDP growth, y-on-y, %	3.07	0.27	-9.77	2.52
Current account balance, % of GDP	2.84	-2.22	1.78	-2.24
Exchange rate (/US\$)	5.125	7.936	21.845	26.597

**+2.5 %**

Gross domestic product  
growth rate in 2017

## FDI AND EXTERNAL FINANCIAL RESOURCES

### Financial flows

(millions of US\$ unless otherwise specified)

	2005	2010	2015	2017
FDI inflows	7 808.00	6 495.00	2 961.00	2 202.00
FDI outflows	275.00	736.00	-51.00	8.00
Personal remittances, % of GDP	2.70	4.80	6.42	7.22

### Financial flows trends

(millions of US\$)



## TRADE IN GOODS AND SERVICES

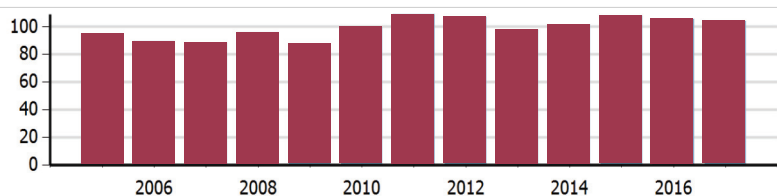
### Trade balance indicators <sup>2</sup>

(as % and index)

	2005	2010	2015	2017
Balance, % of GDP	0.76	-2.93	-2.59	-7.94
Balance, % of imports	1.61	-5.72	-4.70	-14.20
Normalized balance	0.008	-0.029	-0.024	-0.076

### Trade openness <sup>2</sup>

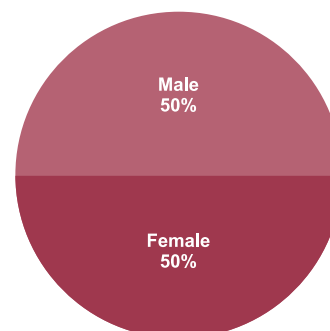
(sum of imports and exports as % of GDP)



## LABOUR FORCE

### Labour force by gender in 2017

(as % of total labour force, all sectors)



## AGRICULTURE

### Sector Highlights

Contribution to GDP: 10.4% (2017)

Exports: \$17.7 billion (44.7% of total exports) (2017)

Output: \$10.7 billion (2017)

Ukraine's agriculture sector is among the three main engines driving the economy, along with services and manufacturing. The country has large untapped potential that can be utilized with the support of foreign direct investment. Of Ukraine's 42.7 million hectares of agricultural land, 32.5 million are arable. The country has fertile farmland and a diverse climate that makes it suitable for growing a wide range of crops.

The largest agriculture subsector is grain production, which accounted for 66 million tons of production in 2016. Ukraine is the world's second-largest grain exporter after the United States, accounting for roughly 11% of total global exports. Other key sectors include fruit and vegetables (33.5 million tons), industrial crops (33.3 million tons) and animal products (13.6 million tons). The largest exports in terms of volume are corn, wheat, soybeans, and sunflower oil (ukraineinvest.com). In 2016, crop production accounted for \$7.2 billion in revenue, compared to \$2.7 billion for animal products.



Currently, agriculture land in Ukraine is leased. Land lease rates are low, with a minimum of 8% of the land's value as calculated by the government. In 2017, the average annual lease rate was \$52 per hectare.

A subsector of interest to investors is AgriTech, which applies innovative technologies to enhance the efficiency of agriculture production. There is still significant need for investment in this field, although there have been recent success stories. AgriTech is being supported by AgroHub, a private initiative that brings together domestic and international agriculture producers, multinational financial institutions, and consultancies (source: National Investment Council).

Ukraine's agriculture sector is buoyed by a growing number of preferential trading agreements with major markets. In 2016, the country's DCFTA with the European Union entered into force, reducing or eliminating customs duties on most product categories.

Moreover, the EU supports Ukraine's agriculture sector through development finance and technical assistance programs, most of which aim at improving infrastructure and connectivity to EU markets.

### Incentives and Enabling Infrastructure

The government has established a system of subsidies to incentivize production for export. Subsidies are not less than 1% of total export revenue. Key targets for subsidies include producers of



animal products, crops, and vineyards, in that order.

### Partnership Opportunities and PPPs

The government is currently soliciting investment in the AgriTech sector, particularly in farm management solutions, precision farming, urban farming, and drone based and remote sensing solutions (source: National Investment Council).

## ENERGY

### Energy Sector Highlights

Energy Sector Contribution to GDP: 2.9% (2017)

Energy Sector Trade: Net imports of 27.7 Mtoe (2017)

Energy Sector output: \$3 billion (66.3 Mtoe) (2017)

Ukraine's demand for energy is expected to double over the next 15 years to accommodate a growing economy. The country has an energy-intensive economy, with a large portion of energy consumption accounted for by the industrial sector (eia.gov). The country is a significant producer of fossil fuels (especially coal) and a major importer of oil and natural gas. Investments in energy efficiency and renewable energy sources are sought to

reduce dependence on fossil fuels. Ukraine is also an important transit country for bringing Eurasia oil and gas supplies to the EU market. Since 2014, the country has re-directed its import flows and now receives more gas imports from EU countries, including in the form of LNG.

Total electricity consumption in 2016 was 144 TWh, with nuclear energy and coal are currently the largest sources of electricity generation. Renewable energy sources account for a small but growing proportion of total output. Accordingly, there is significant opportunity for foreign investors to develop the renewable energy market. The country's oil and gas production is handled primarily by NJSC NaftoGaz, a state-owned company that is the largest enterprise in Ukraine. However, independent oil and gas producers have proliferated in recent years, accounting for 20% of total production in 2016 (eu4energy.iea.org).

Ukraine became a member of the European Energy Community in 2011, undertaking to implement EU regulations on electricity and gas networks, the environment, renewable energy, energy efficiency, oil and energy statistics. Given the country's continued reliance on fossil fuels, substantial investment and technical expertise is needed to comply with EU regulations. In terms of implementing the Energy Community's directives, Ukraine currently ranks highest on energy efficiency, renewable energy, statistics, and environmental protection (energy-community.org).



Ukraine's energy regulators are still in the process of implementing EU regulations on connection fees. Ukraine is also a member of the Eastern Europe Energy Efficiency and Environment Partnership (E5P), an initiative aiming to improve energy efficiency by upgrading municipal infrastructure in heating and electricity (euneighbours.eu).

### Incentives and Enabling Infrastructure

In 2017, the Law of Ukraine on Electricity Market came into force.

The new framework includes provisions to enhance competition and ease entry for foreign investors. Moreover, 2017 also marked the unbundling of Ukraine's oil and gas production and distribution systems, a move intended to allow transparent third-party access to the gas transmission system (ukraineinvest.com).

### Partnership Opportunities and PPPs

The state is soliciting foreign investment in the shale gas and renewable energy sectors. The country has 5-8 trillion cubic meters of shale gas to which foreign investment is needed to extract.

## MANUFACTURING

### Sector Highlights

Contribution to GDP: 12.4% (2017)

Exports: \$20.5 billion (all industrial exports aggregated, 51.7% of total exports, 2017)

Output: \$12.7 billion (2017)

Ukraine's economy is heavily industrialized. Roughly 25% of the workforce is engaged in manufacturing enterprises, most of whom work in heavy industry enterprises. Manufacturing currently accounts for 12.4% of total GDP but more than half of total exports. Ukraine has a strong manufacturing base on which to develop more sophisticated and higher value-added industries. Key subsectors include machine building, automotive (including heavy vehicle manufacturing and the assembly of foreign passenger cars for export markets), aviation, shipbuilding, and light manufacturing (pharmaceuticals, electrical equipment, plastic and rubber, textiles). Ukraine produces roughly 200,000 vehicles per year, largely due to foreign investment in the sector. Specialized automotive manufacturing includes diesel locomotives, tractors, and track vehicles.



Ukraine's aerospace industry is particularly noteworthy, covering the full manufacturing cycle from design to after-sale support. The sector currently has more than 100 active firms, including 8 aerospace manufacturers and 30 companies engaged in aircraft engineering and maintenance ([chamber.ua](http://chamber.ua)). Ukraine is also a center for aerospace research and development (R&D), including operations by Boeing and Firefly Aerospace. Moreover, the country is currently among the ten largest producers of ships in Europe, with much of current shipbuilding conducted by large state-owned enterprises.

### Incentives and Enabling Infrastructure

Foreign investors are entitled to certain privileges and guarantees under the Foreign Investment Law. These include protection against changes in legislation for up to 10 years, guarantee of profit repatriation, and exemptions from import duties, among others.

### Partnership Opportunities and PPPs

The government is currently soliciting public-private partnerships (PPPs) in the aerospace sector ([ukraineinvest.com](http://ukraineinvest.com)).

## INFRASTRUCTURE

### Sector Highlights

Contribution to GDP: 14.7% (transportation, construction, real estate, 2017)

Output: \$15.1 billion

Ukraine's infrastructure sector holds great potential due to the country's geographical position as a railway and shipping hub. Ukraine is a participant in railway, road, and shipping projects under both the EU-led Trans-European Networks-Transport (TEN-T) and the Chinese-led Belt and Road Initiative (BRI). Both initiatives aim to improve connectivity between Europe and Asia through channels traversing the Black Sea region.

Key subsectors include railways, roads, and seaports. Ukraine's rail network is one of the most extensive in Europe with a combined length of over 22,000 km (45% of which is electrified). It is the world's 7th-largest freight transporter. The rail network, which is integrated with networks in neighboring Belarus, Moldova, Poland, Romania, Slovakia, Hungary, and Russia, includes 40 international border crossings and connections to 13 different Black Sea seaports ([ukraineinvest.com](http://ukraineinvest.com)). Ukraine currently has 170,000 kilometers of roads encompassing four international transport corridors. The country has 13 Black Sea seaports providing year-round access to the Mediterranean Sea and Atlantic Ocean.

Ukraine is the site of the largest share of projects supported by the TEN-T framework. Under the TEN-T, the EU is supporting 39



infrastructure projects with a total long-term investment of €4.5 billion (coming from public and private sources). Key projects are aimed at strengthening airports and port infrastructure, including expansions of Boryspil Airport (€300 million) and Chornomorsk Seaport (€328 million) and dredging works at Pivdennyi Seaport ([ec.europa.eu](http://ec.europa.eu)). Ukraine is also in accession talks with the EU regarding the Common Aviation Area. Once the agreement is signed and implemented, membership in the area will increase passenger and freight flows between Ukraine and the EU and create more demand for foreign investment in the sector.

### Partnership Opportunities and PPPs

The government is currently soliciting investments in all 13 of the country's seaports ([investinports.com](http://investinports.com)). Specific opportunities include: construction of a reloading complex and transshipment terminal at Pivdennyi (the country's largest seaport with 42.7 million tons of cargo turnover in 2018) and development of a transshipment complex, production facilities, and an LNG terminal at Reni seaport, among numerous others.

## TRADE REGIMES

Ukraine conducts free trade with the EU within Association Agreement signed in 2014/ DCFTA entered into force in 2016. The EU is Ukraine's largest single trade partner, shared more than 42% from the total trade turnover. Major exports to the EU include agrarian products and PAPs, iron, steel, chemicals, and machinery ([eas.europa.eu](http://eas.europa.eu)).

Free Trade: EU (DCFTA), EFTA countries (Iceland, Liechtenstein, Norway, Switzerland), Canada, Georgia, CIS (except Russia), North Macedonia, Montenegro, and Israel (under ratification process by both sides)

GSP: Japan, United States

## Organizers:



## Sponsors:



## Partners:



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