

October 31, 2008

Ukraine



Ukrainian currency plunges to historic low

The Ukrainian currency plunged against the dollar as people raced to exchange booths to convert their savings into U.S currency.

Customers lined up to buy the currency at exchange offices across Ukraine, some of which ran out of cash. The country was already short on foreign currency, as demand for steel; its main export commodity plunged. The Ukrainian currency has lost some 20 percent since September.

Panicky Ukrainians withdrew as much as USD 2.7 billion from their bank deposits since the beginning of the month to convert their money into dollars and euros, according to the National Bank Head Volodymyr Stelmakh.

The run on banks was prompted by the global credit crunch, troubles at the country's sixth-largest banks and the fall of the Hryvnia. Ukrainians' memories about losing their savings in the economic chaos of the 1990s contributed to a popular distrust in banks.

Ukraine, hit hard by the global credit crunch, is pinning its hopes on a loan of up to USD14 billion from the International Monetary Fund to shore up the banking system, prop up the Hryvnia and support the country's key steel and chemicals industries at a time when global demand fell.

Experts say the International Monetary Fund loan may help the authorities to stabilize the financial sector.

Kyiv's Central Bank in October spent more than USD 3 billion from National Reserves to

defend its currency, which has slid from a rate of 5 to 6 relative to the US dollar. - *Source: Unian News Agency*

NBU Restricts Early Withdrawal of Bank Deposits

The National Bank of Ukraine has imposed restrictions on early withdrawal of deposits from commercial banks. That was stated in the National Bank of Ukraine's resolution No. 319 of October 11.

In particular, the National Bank of Ukraine ordered commercial banks to fulfill their obligations on all types of agreements involving deposits in all currencies only at the end of the agreements, regardless of the category of deposits; to explain the situation to their clients in order to prevent early withdrawal of deposits, and actively encourage placement of cash in deposit accounts and extension of deposit agreements.

The resolution also states that payments are to be made immediately after deposit agreements expire.

The Chapter 4.4 of the Resolution No. 319 basically bans all advance payments. The commercial banks interpreted it in a way that all payments made in absence of Freight Custom Declaration (FCD) are advance payments. The FCD is issued upon veterinary and customs clearance. This means that payment against an invoice could not be made, even if the container is in the port. In order to exchange the Ukrainian Hryvnias into US Dollars for future payments, the product must be custom cleared with all import duties and VAT paid. For all contracts on CIF basis that means transfer of ownership rights without any payment and in violation of the contract.

Moreover, the National Bank of Ukraine ordered commercial banks to ensure uninterrupted operation of their ATMs and put cash in them in

order to ensure prompt payment of wages, pensions, stipends, and social benefits as well as to dispense cash on payment cards issued by other banks.

The National Bank of Ukraine adopted this resolution because of the need to neutralize the effect of the global financial crisis, ensure stable operation of the banking system, and protect the interests of depositors and other creditors.

The resolution came into effect on October 13.

The resolution will be effective as long as it is necessary to stabilize the situation, according to the Central Bank Governor Volodymyr Stelmakh. - *Source: Ukrainian News Agency Translated by: usapeec.kz*

Yuschenko blames Tymoshenko's Government for destabilization of Ukraine's financial market

Ukrainian President Viktor Yuschenko has accused Yulia Tymoshenko's government of inadequate and timid budget policy, which has resulted in the destabilization of the country's financial market.

"The inadequately timid budget policy of the government is based on inadequate steps from the point of view of the economic situation," Yuschenko told a news conference in Zaporizhia on Wednesday, October 15th.

This budget policy was one of the main factors that destabilized the financial situation in Ukraine, the president added.

The average salary in Ukraine grew 41%, while the real growth of income was 9.6%, in eight months of the year, he said.

The president noted that he has a plan of overcoming the crisis, which he is going to present at a meeting of the National Security and Defense Council on October 17.

In particular, a coordination center on the basis of the government with the participation of members of the National Security and Defense Council, the National Bank and representatives of other banks should be established in order to

stabilize the financial situation, he said. "Problem number one is that the government and financial institutes should speak with one voice," Yuschenko said. - *Source: Interfax*

Meat imports to Ukraine will approximately amount to 430,000 MT in 2008

According to the experts from the Ukrainian Club of Agrarian Business (UCAB), meat imports to Ukraine in 2008 can amount to 430,000 MT, including 30,000 MT of beef, 140,000 MT of pork and 235,000 MT of poultry.

According to the data from the State Customs Service of Ukraine, over the first eight months of 2008, Ukraine imported 305,400 MT of meat, about 10,000 MT of which is beef, 98,000 MT is pork and 163,000 MT is poultry meat.

The experts noted that in connection with the increase of meat imports in the first few days of October, the prices of all kinds of meat on the Ukrainian meat market have fallen by about UAH 0.80-2.00 (USD 0.16-0.40) per kilogram.

"As local producers are not ready for a significant fall in meat prices, active trade was slightly interrupted," said Elizaveta Sviatkivska, the UCAB's meat market expert. - *Source: Meatpoultry.com*

Ukraine's GDP grew 6.9% in January-September

According to the State Statistics Committee of Ukraine for the first nine months of 2008, the country's GDP has increased by 7.1%.

Ukraine's real GDP grew dearer by 6.9% in January-September 2008, compared to the same period of the last year. In September, it expanded 5.5%, compared with a 10.2% increase in August 2008.

Nominal GDP reached about USD 147.4 bln in the first nine months and about USD 17.9 bln in September. The deflator amounted to 133.7% for January-September 2008.

The Committee attributes the rise in GDP to increased added value in agriculture, forestry, transportation and trade. - *Source: Unian*

Moldova



Moldova will join temporary import convention and will become the member of ATA system

European Union is ready to grant free trading mode for Moldova

European Union is ready to grant free trading mode for Moldova and to establish visa-free regime for its citizens in future according to the communication of the European Union devoted to the results of the meeting of the EU Ministers of Foreign Affairs in Luxembourg.

During the meeting the Ministers highly evaluated existing relations between Moldova and EU and declared readiness to start negotiations about signing “new and ambitious agreement” with the country. The document will substitute former “Partnership and Cooperation Agreement” between Moldova and EU and will provide creation of “the wide free trade zone” and visa-free regime to the citizens of Moldova.

It is stressed that the wide free trading zone will be established when Moldova will be ready to full liberalization of trade with European Union and introduction of the visa-free regime is planned in the long-term prospect. - *Source: Infomarket.md*

Moldova will join temporary import convention adopted in Istanbul, on June 26, 1990 and will become the member of ATA system. The corresponding bill was approved by the Government of the country on October 15.

The bill will allow Moldova to become the member of ATA system (abbreviation “A.T.A is combination of abbreviations of the French words “admission temporaire” and English words “temporary admission” / “temporary import”). Due to joining this convention, Customs bodies will recognize Carnets ATA, which are recognized by 63 countries, including European Union.

Carnet ATA is the international customs document issued by the official body, which replaces customs declarations and guarantees, and allows to perform facilitated and accelerated registration of the temporary import of goods in one or more countries for participation in exhibitions and fairs, as well as for exporting commercial samples, professional equipment and some other categories of goods. - *Source: Infomarket.md*