





## Third Annual Foreign Investor Survey

September 2018

### Highlights

#### **Obstacles:**

- "Widespread corruption" is the #1 obstacle to foreign investment for the third consecutive year, followed by "lack of trust in judiciary". "Unstable financial system and currency" moved up to #3 from #5 last year.
- The top-3 obstacles are the same across portfolio and direct investors.
- "Military conflict with Russia" moved down to #5 in 2018 from #3 in 2016.

#### **Timing:**

28% think now is the optimal time to invest, 64% prefer to wait until after elections.

#### **Positive factors:**

- Fight against corruption and reset of judiciary would positively affect perceptions by both direct and portfolio investors.
- Direct investors also cited tangible progress in separating politics from business. Portfolio investors would appreciate a quick conclusion of a new IMF program after the elections.

#### **Negative factors:**

- Debt default, crackdown on independent institutions and rejection of democratic values would be the main detrimental factors.
- Direct investors view departure from democratic values and debt default as key negative factors.
  Portfolio investors would negatively react to a debt default and political influence on independent anti-corruption institutions or the NBU.







### 2018 Survey: Key Facts

- Online questionnaire powered by GfK Ukraine
- September 3 September 10, 2018
- 109 responses
- 64% are direct investors
- 68% are currently invested



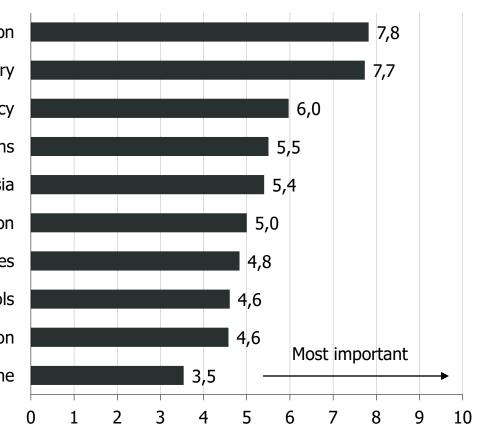




# Q1. Please rank the following obstacles to investment in Ukrainian assets according to your opinion of their importance

#### All respondents

Widespread corruption Lack of trust in judiciary Unstable financial system and currency Markets monopolization & state capture by oligarchs Military conflict with Russia Cumbersome and frequently changing legislation Oppressive law enforcement agencies Restrictive capital and foreign exchange controls Complicated tax administration Intensifying labor migration from Ukraine





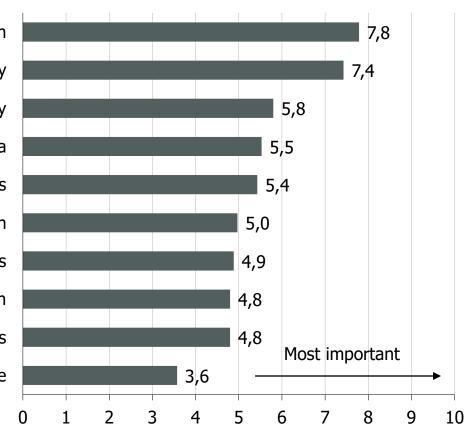




# Q1. Please rank the following obstacles to investment in Ukrainian assets according to your opinion of their importance

#### **Direct investors**

Widespread corruption Lack of trust in judiciary Unstable financial system and currency Military conflict with Russia Markets monopolization & state capture by oligarchs Complicated tax administration Oppressive law enforcement agencies Cumbersome and frequently changing legislation Restrictive capital and foreign exchange controls Intensifying labor migration from Ukraine





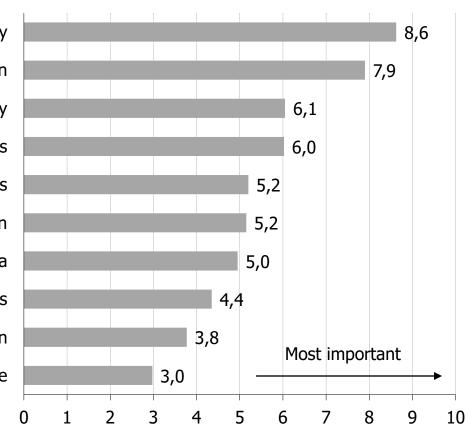




## Q1. Please rank the following obstacles to investment in Ukrainian assets according to your opinion of their importance

#### Portfolio investors

Lack of trust in judiciary Widespread corruption Unstable financial system and currency Markets monopolization & state capture by oligarchs Oppressive law enforcement agencies Cumbersome and frequently changing legislation Military conflict with Russia Restrictive capital and foreign exchange controls Complicated tax administration Intensifying labor migration from Ukraine

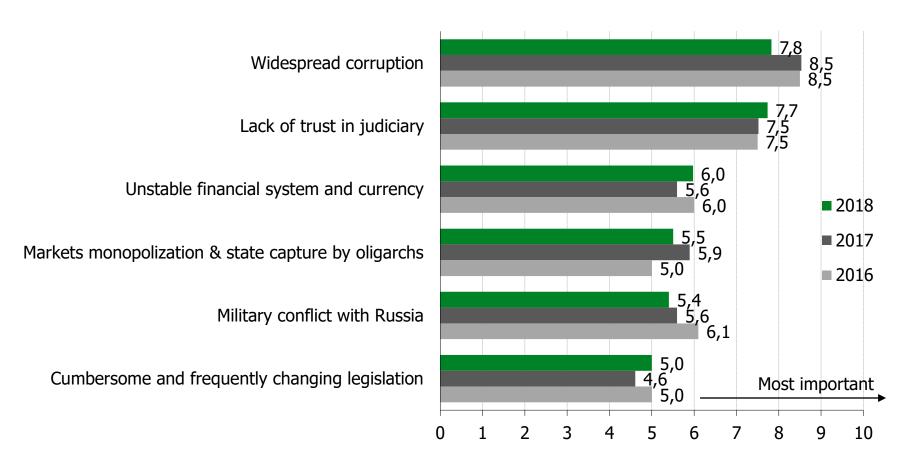








## TOP-5 major obstacles to foreign investment in Ukraine



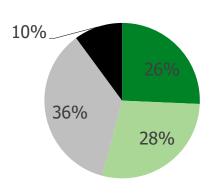






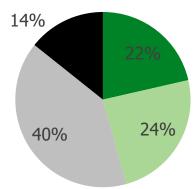
#### Q2. When do you think would be a better time to invest in Ukrainian assets?

#### All respondents

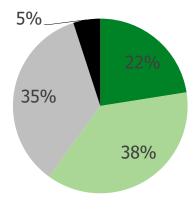


- Now
- After presidential elections in March 2019
- After parliamentary elections in October 2019 and formation of new government
- No compelling investment opportunities in Ukraine in the nearest future

### **Direct investors**



### Portfolio investors









# Q3. Which of the following potential steps by Ukraine's next administration would have the biggest POSITIVE impact on your investment decisions

#### All respondents

Demonstrate effective anticorruption efforts (incl. 7,6 prosecuting high-level officials for corruption) Relaunch judiciary 6,7 Take visible steps to separate politics and business 6,2 interests Reduce political and economic influence of oligarchs 6,1 Eliminate opportunities for raider attacks 5,6 Quickly negotiate a new support program with the 5,1 **IMF** Overhaul of law enforcement bodies 5,0 Cancel the ban on farmland sales 4,6 Launch transparent large-scale privatization 4,1 Most positive Provide tax breaks for new direct investors 3,9 Sources: EBA, Dragon Capital, CES 9 10

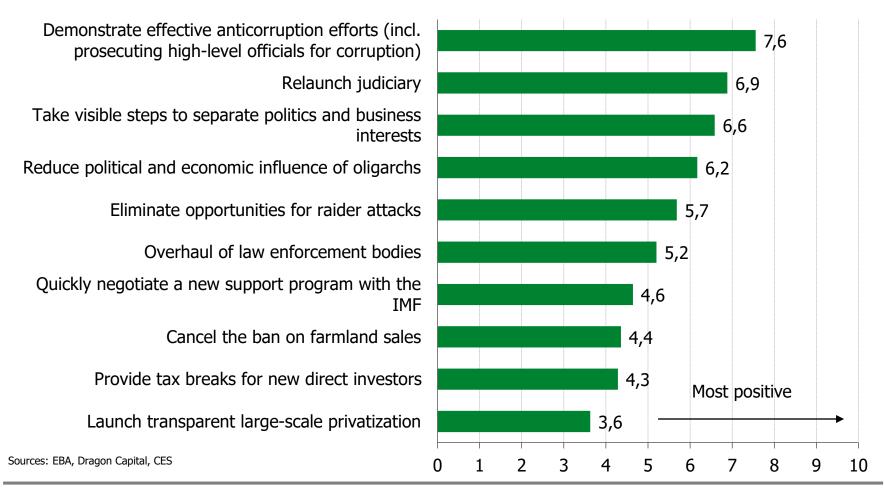






## Q3. Which of the following potential steps by Ukraine's next administration would have the biggest POSITIVE impact on your investment decisions

#### **Direct Investors**









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#### **Portfolio Investors**

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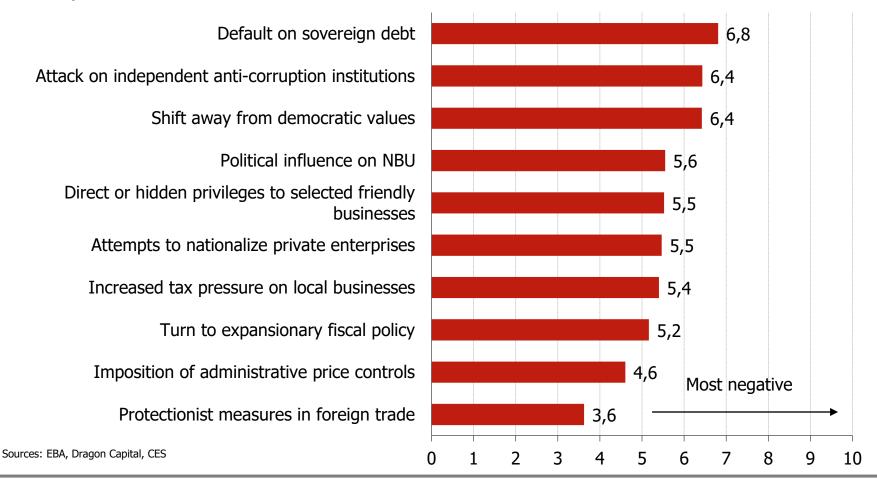






# Q4. Which of the following potential steps by Ukraine's next administration would have the biggest NEGATIVE impact on your investment decisions

#### All respondents



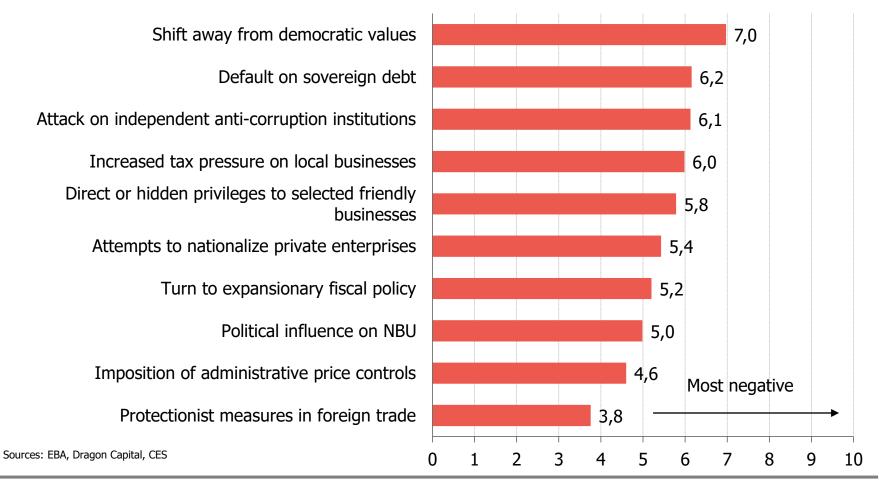






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#### **Direct investors**



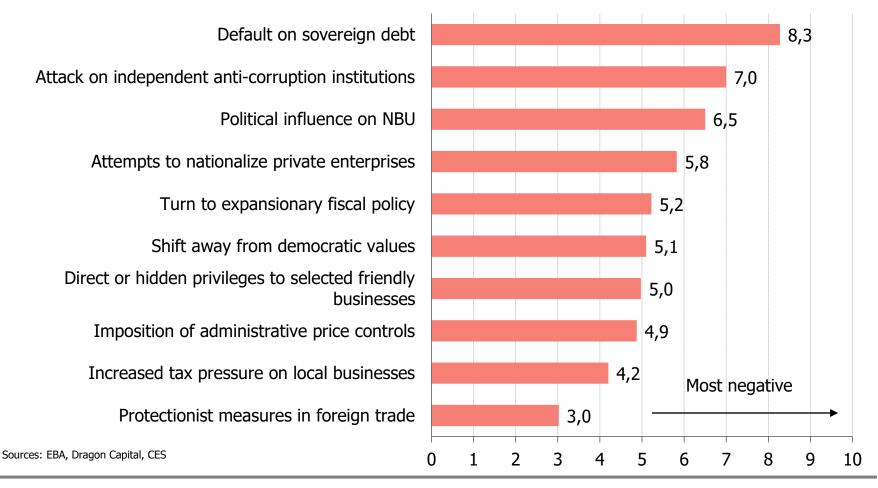






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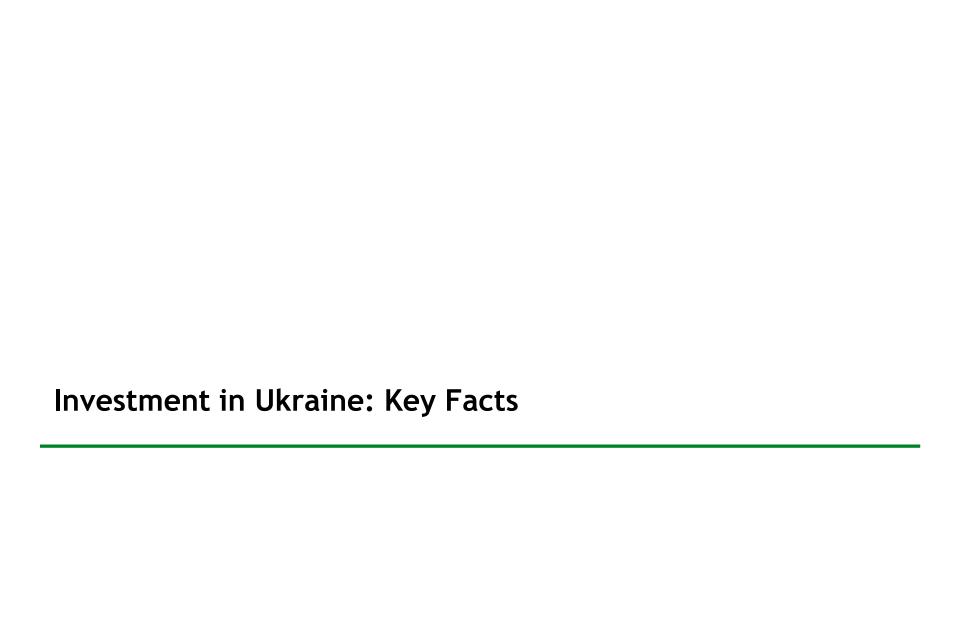
#### Portfolio investors



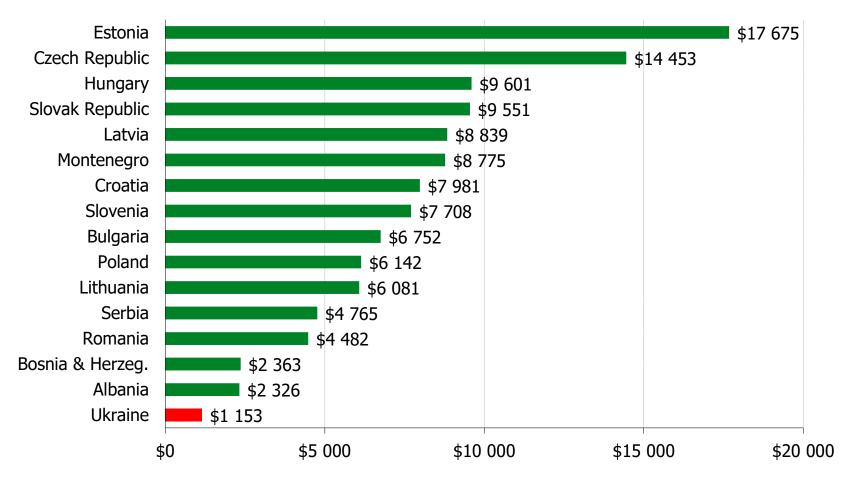








## FDI stock per capita (end-2017)



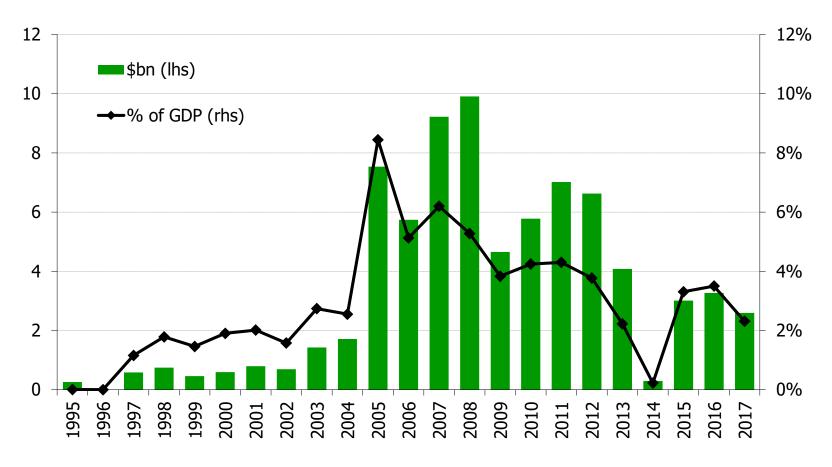
Source: UNCTAD







### Net FDI inflow to Ukraine



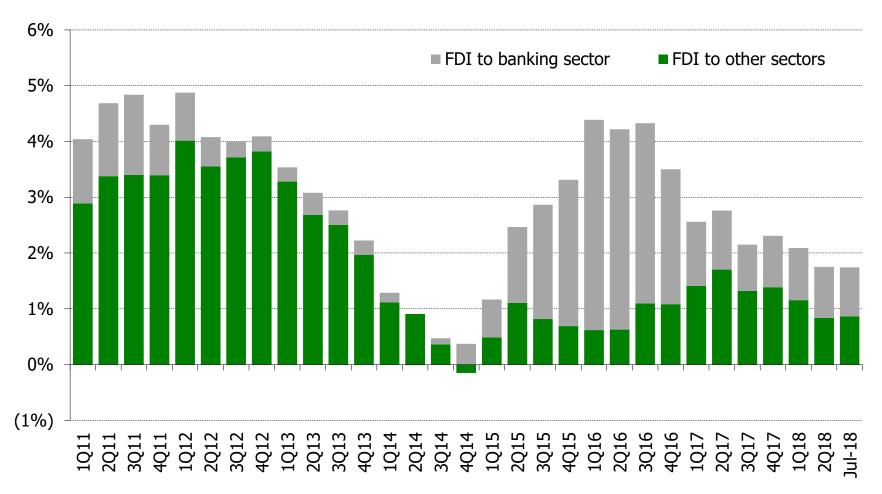
Source: NBU







## Net FDI inflow by sector (12 month trailing, % of GDP)



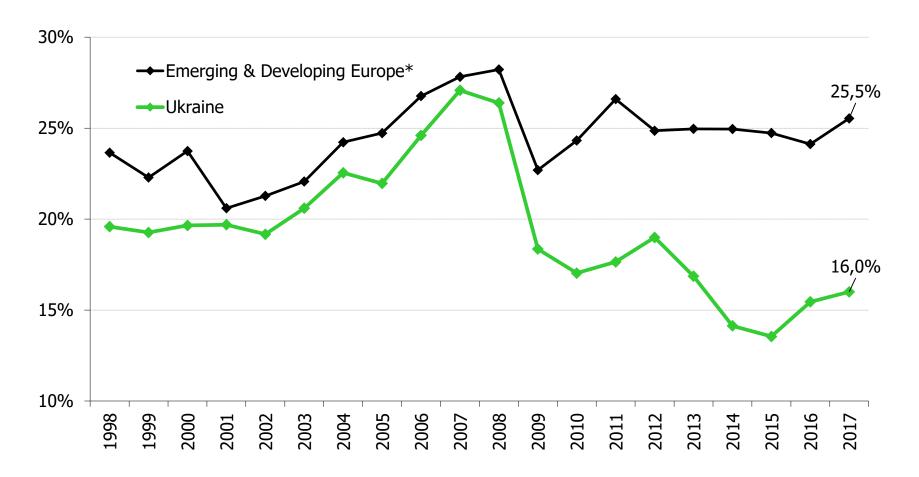
Source: NBU







### Gross fixed capital formation (% of GDP)



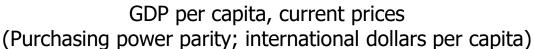
Notes: \*Emerging & Developing Europe includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, FYR Macedonia, Montenegro, Poland, Romania, Serbia and Turkey. Source: IMF

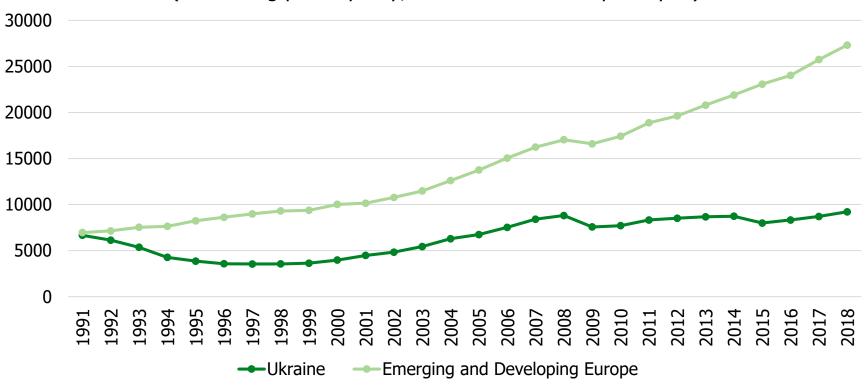






### GDP per capita based on purchasing power parity (PPP)





Notes: \*Emerging & Developing Europe includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, FYR Macedonia, Montenegro, Poland, Romania, Serbia and Turkey. Source: IMF







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