



**Ukraine – a Budding Destination
for Your SSC/BPO**

February 2019

General Overview

Ukraine continues to be an attractive market for different industries.

Since our previous report, which was released in October 2017, the following major brands entered the Ukrainian market.



37 new retail brands

H&M, IKEA, Under Armour, Zara Home, etc.



>3 new technological services

Apple Pay, Google Pay, Xoom, etc.



>5 new international airlines

Qatar Airways, Ryanair, Brussels Airlines, etc.



2 new international hotel chains

Aloft, Mercure



>60 BPOs

BPOs provide the following services: data entry, customer support, accounting, etc.



>100 R&Ds

TOP-20 IT/R&D companies key facts: >40k IT specialists, clients from Europe, UK, USA from Fortune 500

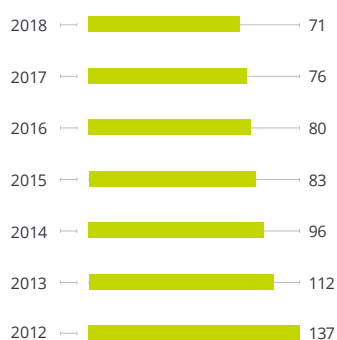
Five shared service centers (SSC), a vast number of BPOs (business process outsourcing) and R&D centers successfully operate and now are expanding operations in Ukraine. Several companies are currently considering Ukraine as a destination for SSC/R&D. We hope to announce new names soon.

Company	Industry	Location in Ukraine	Country of Origin	Services	Approximate Headcount	Foundation Year
AB InBev	Food processing	Kharkiv	Belgium	Logistics, procurement, HR and financial services	600	2009
Gruma EMEA SSC	Food processing	Cherkasy	Mexico	Financial services	n/a	n/a
KOSTAL	Automotive	Pereyaslav-Khmelnytsky	Germany	Financial services, procurement, sales, R&D, and other functions	n/a	2006
NESTLE	Food processing	Lviv	Switzerland	Financial services	1089	2010
PwC Service Delivery Center	Professional services	Lviv	United Kingdom	Audit, tax and advisory services	350 (target)	2018

Source: official companies' websites

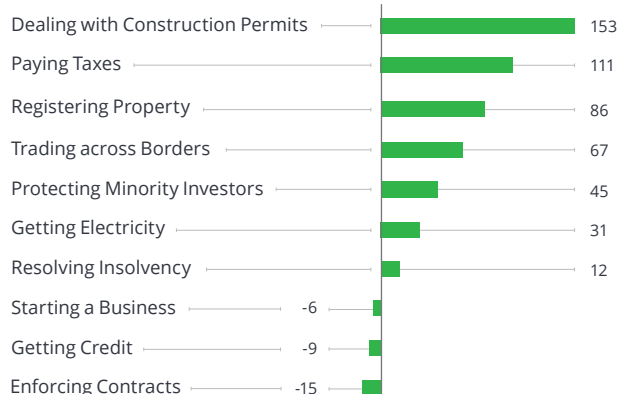
Recent reforms and developments have a favorable impact on Ukraine's business environment. Ukraine is steadily improving its ranking in 'ease of doing business', showing advancement primarily in deregulation and paying taxes.

Ease of Doing Business rank



Source: Doing Business by the World Bank

Change of Doing Business indicators from 2012 to 2018




Proximity to Operations

Ukraine has significantly improved air connectivity with other countries. New airlines and lowcosters entered the Ukrainian market, making logistics easier and more affordable in terms of both intercity and international flight connection.

 20.5 m

Volume of passenger traffic through Ukrainian airports in 2018

 +24.5%

Increase in passenger traffic in 2017/2018

 UTC +3

Summer timezone (March – October)


 UTC +2


Winter timezone (October – March)

Operating international airports



Visa requirements for Ukrainian passport holders

 27 Passport Power Rank (out of 95)

 89 Visa-free (including Schengen area and the CIS countries)

 42 Visa on arrival

 67 Visa required

Visa-free regime

Ukraine's migration policy allows citizens of 69 countries to use a visa-free regime. Visa is not required for a stay of up to 90 days within a 180-day period for EU, UK, USA, UAE, Canada, etc.

Visa is required

Other countries must get the Ukrainian visa to enter the country.

For certain countries a simplified visa application process is available.

E-visa

Since April 2018 foreigners-holders of passports of 44 specified countries* may apply for Ukraine's electronic visa (e-Visa). Single entry tourist or business visa valid for up to 30 days.



Visas upon arrival in airports

Foreigners holding passports of these 31 countries** may apply for their single-entry short-term (C type) 15-day tourist or business visas on arrival at "Boryspil" / "Kyiv (Zhuliany)" / "Odesa" international airports.



* Australia, Indonesia, New Zealand, Saudi Arabia, Mexico, Qatar, etc. Scan QR-code to see the whole list of countries

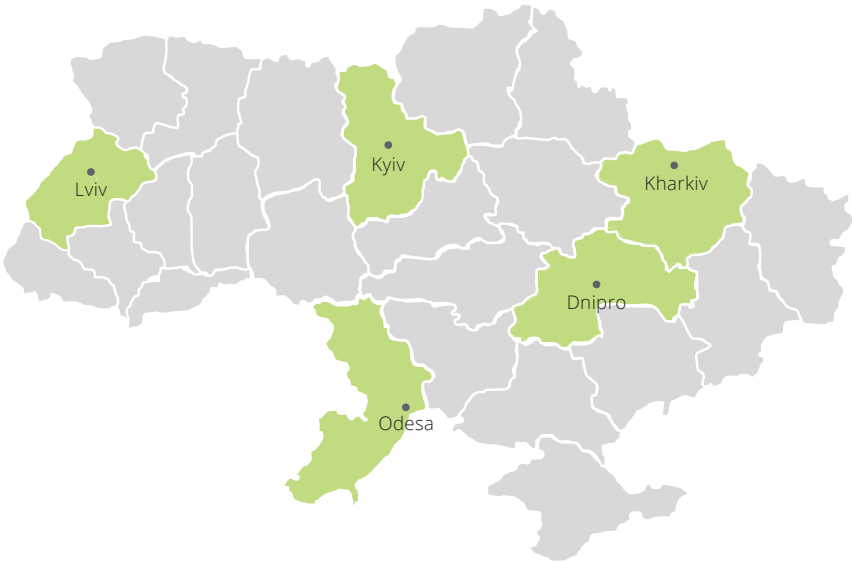
** Australia, India, Malaysia, New Zealand, Singapore, etc. Scan QR-code to see the whole list of countries

Labor Availability

Ukraine is a country with significant high-qualified labor potential. More than 14 million people with advanced education live and work in Ukraine.

Educational Statistics in Ukraine

-  **UAI** (universities, academies, institutes)
289 UAIs in 2017/2018
-  **Students at the UAI**
1.33 mln students in 2017/2018
-  **Graduates from the UAI**
360k graduates in 2017



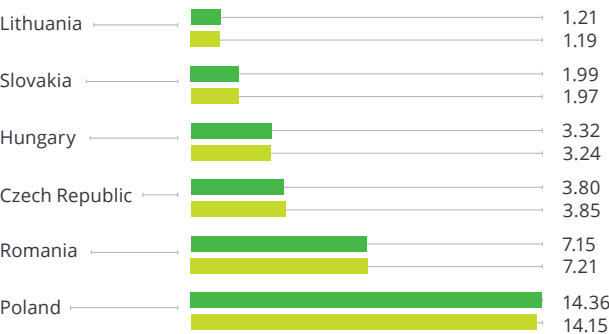
Educational Statistics by selected regions in 2017/2018

Kyiv City	70	352k	95k
Odesa Region	21	93k	28k
Dnipropetrovsk Region	24	94k	26k
Kharkiv Region	35	154k	38k
Lviv Region	22	109k	28k

Number of students by specialty

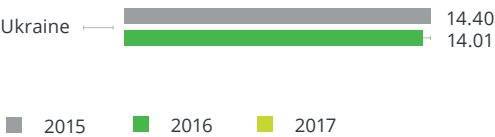
Economics/Finance	247k
Information Technology	82k
Technological	104k

Labor force with advanced education in 2016/2017



 67.44%

Ukraine's labor force with advanced education in 2016*



*Statistics on 2017/2018 is pending

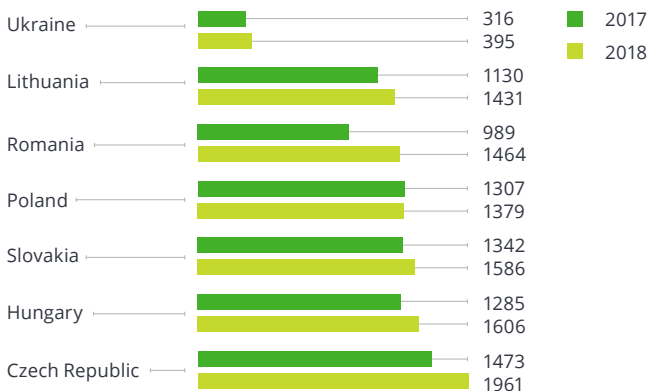
Labor Costs

There is a variety of high-qualified and experienced workers in Ukraine with the reasonable level of remuneration level.

Net salaries for selected professions including knowledge of English provided by Adecco Ukraine


Vacancy		Dnipro	Kharkiv	Kyiv	Lviv	Odesa
Accountant	min	\$290	\$290	\$400	\$320	\$320
	avg	\$325	\$355	\$550	\$385	\$606
	max	\$360	\$420	\$700	\$450	\$892
Call center employee	min	\$230	\$236	\$400	\$283	\$220
	avg	\$330	\$318	\$850	\$588	\$410
	max	\$430	\$400	\$1300	\$892	\$600
Customer relations specialist	min	\$300	\$300	\$450	\$430	\$280
	avg	\$375	\$360	\$825	\$490	\$390
	max	\$450	\$420	\$1200	\$550	\$500
Financial analyst	min	\$210	\$140	\$250	\$140	\$210
	avg	\$420	\$510	\$710	\$470	\$520
	max	\$1070	\$1790	\$1860	\$890	\$1200
Technologist/Design engineer	min	\$250	\$210	\$210	\$290	\$140
	avg	\$410	\$520	\$640	\$540	\$500
	max	\$890	\$1500	\$1500	\$1070	\$1200
IT Administrator	min	\$350	\$550	\$600	\$500	\$500
	avg	\$900	\$1000	\$1000	\$1000	\$1000
	max	\$1500	\$1500	\$1800	\$1400	\$1600
QA	min	\$480	\$480	\$500	\$480	\$440
	avg	\$1100	\$1300	\$1500	\$1350	\$1200
	max	\$2250	\$2850	\$3000	\$2700	\$2600
IT Developer	min	\$500	\$650	\$700	\$600	\$700
	avg	\$1700	\$1750	\$2090	\$2000	\$1800
	max	\$3700	\$4000	\$4000	\$4000	\$4000

Country avg. salary, USD, incl. employer tax



Officially employed

 **22%**
Social security contribution rate*

 **18%**
Personal income tax**

 **1.5%**
Temporary military tax**

Private entrepreneurs (widely used in IT industry)

 **5%**
Income tax

*Social security contribution is payable by employer and private entrepreneurs. The base for social security contribution calculation is capped, thus, it can not exceed ~ \$440per employee per month. Nominal amount (<\$30) per month is paid by every private entrepreneur

** Personal income tax and military tax is payable by employee on PAYE basis

Office Property Market

The office property market in major cities of Ukraine has overcome the crisis due to economic recovery and increased demand for new office space, particularly by IT-sector and BPO companies, resulting in a significant decrease in vacancy. Nevertheless, in view of the improved market dynamics, many developers are now increasingly considering new development projects in major cities of Ukraine.



Basic indicators



Kyiv Q3 2018	1,900,000	20-28	6,9%	2.94
Lviv Q3 2018	235,000	12-19	1,8%	0.76
Kharkiv Q3 2018	312,300	12-18	1%	1.45
Dnipro Q3 2018	268,000	10-14	1%	1.00
Odesa Q3 2018	230,000	14-17	4%	1.01



Total stock (GLA*), m²



Prime rent, \$/sq m/month



Vacancy rate, %



Official population, mln inhabitants

*GLA – Gross Leasable Area

Source: Cushman & Wakefield

Social Progress Index

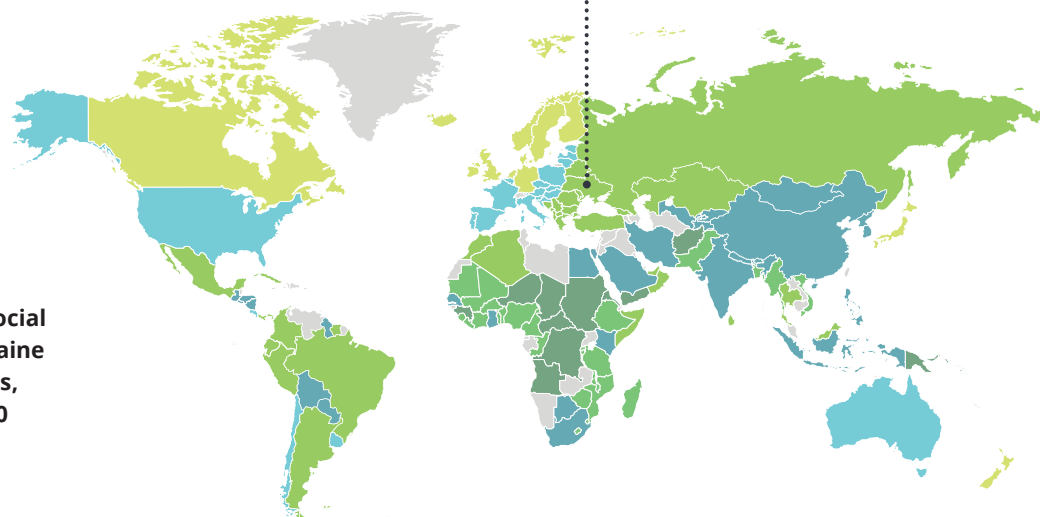
Income Group

- Tier 1 (Very High)
- Tier 2 (High)
- Tier 3 (Upper Middle)
- Tier 4 (Lower Middle)
- Tier 5 (Low)
- Tier 6 (Very Low)
- Incomplete Data

According to Annual Survey «Social Development Index 2018», Ukraine ranks 64th among 146 countries, with an improved score of 69.30 out of 100 (vs. 68.35 in 2017).



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Methodology

In this report, we chose to focus on Ukrainian potential and competitive advantages as a destination for an SSC/BPO.

We highlighted the following factors that play a vital role when considering opening or relocating an SSC/BPO: an overview of air logistics (proximity to operations),

the labor market as compared with other CEE countries, and an office market analysis. We selected five of the largest Ukrainian cities for providing background information.

Category	Overview	Date	Source
Proximity to operations	According to the 2017 Global Shared Service Survey, proximity to operations is considered one of the most important rationales for companies that are contemplating relocating or opening a new SSC/BPO. In this section, we provided information on international air connections with the five largest cities and all cities with operating international airports. Air connectivity was analyzed based on:		
	<ul style="list-style-type: none"> The quantity of operational international airports and the map of flights 	As of February 2019	Official airport websites, State Aviation Administration of Ukraine
	<ul style="list-style-type: none"> Ukraine's migration policy as regards Ukrainian visa requirement for foreign nationals 	As of February 2019	Ministry of Foreign Affairs of Ukraine
	<ul style="list-style-type: none"> The Ukrainian Global Passport Power Rank 	2019	Passport Index
Labor availability	This section contains the educational statistics of Ukraine as part of the labor availability indicator in the country. Therefore, we showed general statistics on students, graduates and universities in Ukraine in 2017/2018, as well as their distribution among the selected cities. We showed the quantity of students studying for four academic degrees (junior specialist, Bachelor's, specialist, and Master's) in four subject areas in 2017/2018.	2018	State Statistics Service of Ukraine
	<ul style="list-style-type: none"> Economics: Accounting, Finance, International Business, Management, Marketing, etc. Law & International Law IT: Information Technologies, Information Security Technical & natural specialties: Natural Sciences, Physics and Mathematics, System Science and Cybernetics, etc. 		
	A comparison of the labor force with advanced education among CEE countries.	2017 vs. 2016 2016 vs. 2015 for Ukraine	The World Bank
Labor costs	In this section, based on the data provided by Adecco Ukraine, we analyzed labor costs in finance and accounting, IT and customer support, showing the minimum, average and maximum salary in the selected cities.	As of November 2018	Adecco Ukraine
	We compared the average Ukrainian salary in USD with the selected countries, including employer tax.	2017 vs. 2018	State Statistics Service of Ukraine, State Statistics Services of selected countries, the World Bank
Office property market	In order to provide complete information about Ukrainian investment potential, based on the data collected by Cushman & Wakefield, we provided an overview of the office property market in major cities of Ukraine. We covered total stock, prime rents and vacancy on the office property market in these cities, as well as official population statistics in millions of inhabitants.	3Q 2018	Aggregated indicators based on the analysis undertaken by Cushman & Wakefield, State Statistics Committee of Ukraine
Social Progress Index	The Social Progress Index is a holistic assessment of the country's social development, regardless of economic factors. The index consists of environmental and social development indicators. Deloitte and the Social Progress Imperative have been working together for the last five years. The results of the assessment illustrate Ukrainian potential: being in the third tier (upper-middle income group), Ukraine's overall social and business performance has been improving from year to year.	2018	Social Progress Index

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