

Bloomberg – 3th November

1. Ukrainian Central Banker Bemoans Delays in Naming Governor

(Bloomberg) -- Unease is growing inside Ukraine's central bank at how long it's taking President Petro Poroshenko to propose a new governor.

Six months after Valeriya Gontareva stepped down from the top job, her position remains vacant, with Yakiv Smoliy, her first deputy, still in acting charge. While seemingly closing in on a candidate in the summer, Poroshenko hasn't submitted any names to parliament for approval. A spokesman for the president didn't answer calls seeking comment.

The holdup is harmful, according to Dmytro Sologub, one of four other deputy governors. While Volodymyr Lavrenchuk, head of Raiffeisen Bank International AG's local unit, was initially deemed the frontrunner to lead the central bank, it's currently unclear who's under consideration.

"Institutionally, the governor is needed because we're talking about the trust of markets," Sologub, 39, said Wednesday in an interview in his office in Kiev. "And of course, the governor means the trust of international financial organizations."

The bank is key to helping Ukraine maintain aid flows from its \$17.5 billion bailout, court investors as the nation returns to foreign debt markets and battle inflation that's reached its highest in 1 1/2 years. The hryvnia has lost 1.9 percent against the dollar since Gontareva's exit on May 10, while economic growth has slowed and transfers from the International Monetary Fund have been held up as the government fails to stick to its reform timetable.

Despite lacking a permanent leader, monetary-policy makers have defied government calls to lower borrowing costs. Faced with resurgent inflation, the bank unexpectedly lifted its benchmark interest rate last week for the first time since March 2015.

"The market probably didn't expect the rate hike," Sologub said. "People told us that 'we didn't think you'd be able to take such a decision as you're in limbo.'"

As it switches to inflation targeting, the central bank wants to show that its main instrument is the key rate, according to Sologub. The bank focuses on its outlook for the next six to 18 months when setting interest rates, and estimates that inflation slowed last month, he said.

Like under Gontareva, the bank remains a firm backer of reforms championed by the IMF. Current initiatives include accelerating privatization and setting up a court to handle anti-corruption cases, though the latest aid disbursement is being held up with the two sides lacking agreement on issues such as pensions and natural gas prices for households.

The IMF expects Ukraine to stick to a pledge to raise retail gas costs and is still evaluating the pension-reform bill that's been passed, its representative in Kiev, Goesta Ljungman, said Friday. Corruption is curbing foreign investments into Ukraine, he said.

While Sologub sees Ukraine getting two more tranches from its rescue package in 2018, the bank wouldn't hesitate in taking action to stabilize markets and the economy if no more cash arrives from the Washington-based lender. He said the government should consider signing a new IMF deal after the existing one ends in 2019.

"The IMF's program disciplines -- the IMF has the biggest leverage on Ukraine," Sologub said. "From the point of view of progressing with reforms, from the point of view of signals to private investors, it would be too early for Ukraine to stop cooperating."

2. Ukrainian Labor Shortage Is Growing Threat, Central Banker Says

(Bloomberg) -- Ukraine's central bank warned that labor shortages are a growing risk as workers disillusioned with the domestic economy take advantage of opportunities in the European Union.

Already an issue for much of the EU's ex-communist east, Dmytro Sologub, a deputy governor at Ukraine's central bank, said businesses are increasingly complaining of a lack of available staff. In neighboring Poland, employers report that 1.2 million Ukrainians work for them, while Ukrainians comprise almost a fifth of foreign employees legally registered in Slovakia.

The labor market is "one of the main threats and I wish politicians understood that," Sologub this week said in an interview in his office in Kiev. "Ask any company and they'll tell you there's a labor shortage, especially in the western regions."

Ukraine's army is still locked in a three-year conflict with Russian-backed separatists in its east, while the economy is trailing Poland and other eastern European nations such as the Czech Republic. Growth is below the pace required to significantly raise living standards, according to the World Bank. Ukraine's 42 million people were granted visa-free travel to the EU in May. While not permitted to work, they need only a biometric passport to enter the bloc for as long as three months.

Ukrainian real wages jumped an annual 17.3 percent in September, though the growth came largely thanks to a boost in minimum salaries. Average monthly pay was 7,351 hryvnia (\$270).