

Payments and e-commerce report

# Eastern Europe & the CIS

ppro

## Dear reader,

Welcome to the PPRO regional payments and e-commerce report for Eastern Europe and the CIS (Commonwealth of Independent States).

E-commerce is one of the big business success stories of the last decade. It has created jobs, injected new dynamism into our economies and given people, who wouldn't otherwise have had it, access to goods and services that improve their lives.

At PPRO, we're proud to help make possible the payments revolution that underpins the explosive growth of the e-commerce industry. But we're even prouder to have helped our partners and their merchants grow and succeed in more markets every year.

And that's what this report and its companions are really about. They are tools designed to give you the knowledge you need to open new markets. We hope you find them useful and we wish you every success.

Yours sincerely,

**Simon Black**  
CEO, PPRO

# Eastern Europe: Growth tempered by uncertainty

In all the markets covered here for which statistics are available, e-commerce growth is in double figures.<sup>1</sup> Like their counterparts in most markets, Eastern Europeans and citizens of the former Soviet Union are buying online in increasing numbers — a trend driven by increased convenience, particularly as logistics networks become more efficient and ubiquitous, and home delivery more readily available.

In May last year, the European Commission raised its growth estimate for the Baltic states of Estonia, Latvia and Lithuania. As reasons for optimism, the Commission cited strong investment, growing private consumption and rising exports.<sup>2</sup>

According to forecasts by the IMF, growth in Central Asia is expected to slow down to 3.7% in 2018 before picking up to 3.9% in 2019.<sup>3</sup> Risk factors include high levels of public debt — which will make it hard for states to use public spending to boost growth — and an over-reliance on primary commodities, particularly oil and gas.

Ukraine and Russia are both suffering from the fallout of the conflict between them. In August 2018, the US announced a new tranche of sanctions against

Russia.<sup>4</sup> Despite this, consumer confidence in Russia remained unchanged at -8 points in the first two quarters of 2018, only to fall to -14 in the third quarter.<sup>5</sup> In its latest Russia report, the World Bank predicts “modest growth” in the coming year.<sup>6</sup>

Ukraine is also enjoying a modest recovery, though growth is still hampered by continued unrest and uncertainty arising from the security situation in its Eastern provinces.<sup>7</sup> Despite this, the Emerging Europe Foundation describes Ukraine as Europe’s “next frontier economy”, citing growing investment and the opening of transport links as reasons to be optimistic.<sup>8</sup>

## Commonalities and exceptions

The countries in this group broadly fall into two categories: the former Eastern Bloc and Soviet states of the European heartland, including Russia, and the resource-rich Central Asian “Stans”. The European states have enjoyed modest but stable growth over the last few years and varying levels of political stability. The Stans are less stable and are starting from a lower economic base but have enjoyed far higher growth rates.

All of the markets in this report offer lucrative opportunities for e-commerce investors. Caution and a close eye on political developments are required. But with the right business model and a close knowledge of local market conditions, merchants and PSPs have every reason to be optimistic about investments in these markets.

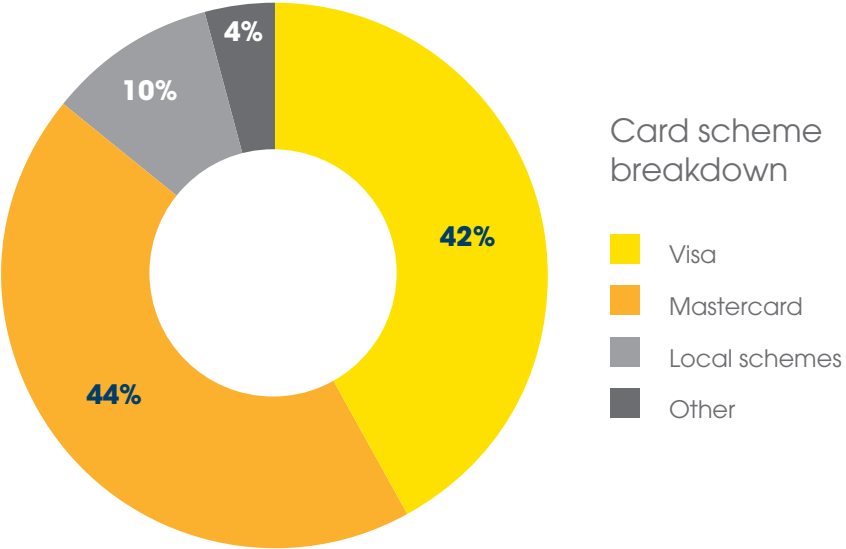
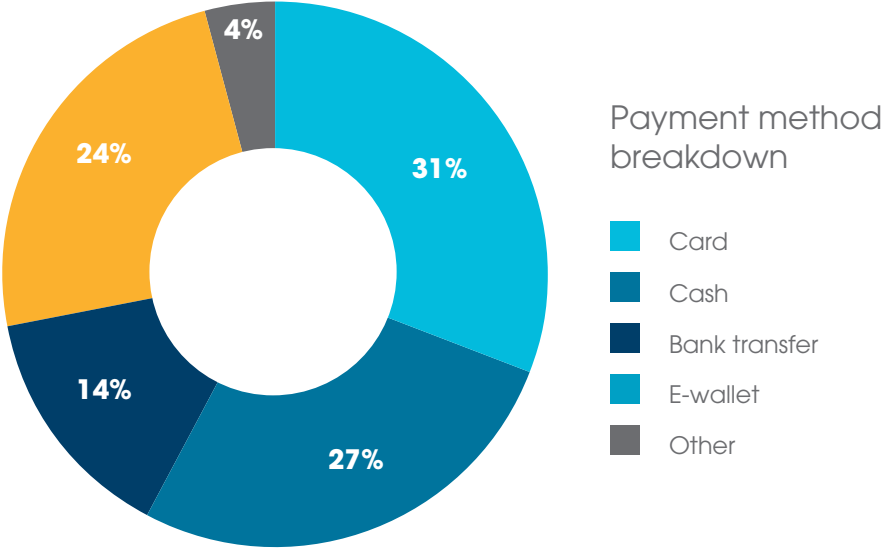
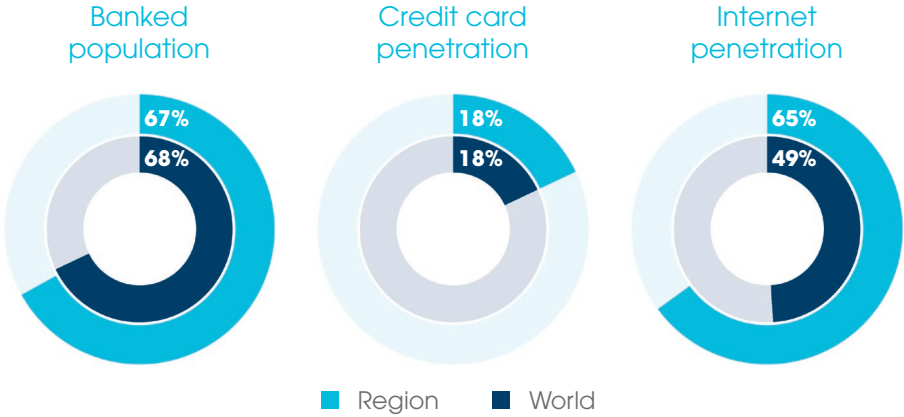
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1. Original PPRO research.  
2. EU commission raises Baltic GDP growth. 3 May 2018, The Baltic Course.  
3. Five Key Questions: The Caucasus and Central Asia Economic Outlook. 14 May 2018, IMF.  
4. Newest US sanctions against Russia hit an economic nerve. 13 August 2018, Susannah George, Sydney Morning Herald.  
5. Russian Federation - Consumer Confidence, Moody’s.  
6. Russia Economic Report. 23 May 2018, Apurva Sanghi, World Bank.  
7. Ukraine’s Economy is Recovering Modestly Despite Significant Headwinds, 4 April 2017, World Bank.  
8. Ukraine: Europe’s next frontier economy. 21 September 2018, Michael Buryk, Emerging Europe.

# Regional payment trends

	Region	World
Population	272.5 million	7,4 billion
Population (15+)	221.1 million	5,5 billion
GDP (millions)	2,269,792	79,211,592
GDP per capita (\$)	10,240.00	10,741.00
B2C e-commerce	39.9 billion	2,932.9 billion
B2C e-commerce growth	19%	15%
Online population	178.4 million	3,6 billion
Smartphone penetration	51%	53%
Average online spend (\$)	705.00	2,335.00
Mobile e-commerce	24%	45%
E-commerce % of total retail	4%	16%

Currencies in this report are always depicted in \$USD



Bulgaria	8
Estonia	10
Latvia	12
Lithuania	14
Romania	16
Russia	18
Ukraine	20






**12%**  
e-commerce growth

## Bulgaria

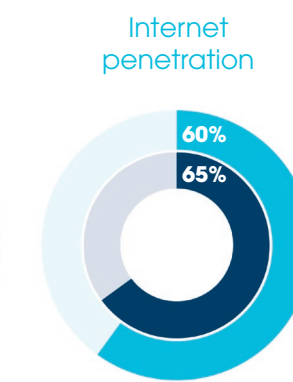
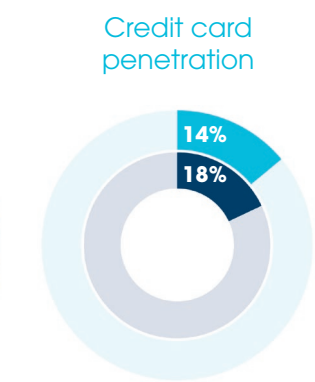
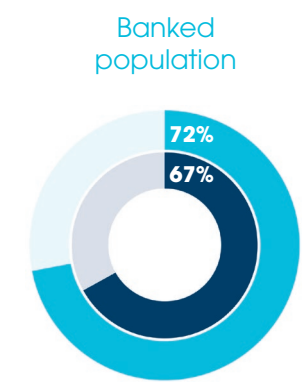
According to a report by the EU Commission, wages in Bulgaria are growing faster than productivity is rising, one of a few countries in which this was the case. Despite this, Bulgaria's per capita gross national income (GNI) is just \$20,329, compared to a \$43,637 average for the Eurozone as a whole. According to the World Bank, the Bulgarian economy was expected to grow by 3.3% in 2018, slowing to 3% in 2019. The country's poverty rate was expected to fall from 7.1% in 2018 to 6.8% in 2019 and 6.4% in 2020. Unemployment fell from 12.9% in 2013 to just 6.2% in 2017. In 2017, household spending grew by 4.8%. According to the Bulgarian National Statistical Institute, consumer spending in the second quarter of 2018 was 11% higher than during the same period in 2017.

  
B2C e-commerce  
**0.6 billion USD**

  
Mobile e-commerce  
**11% of total**

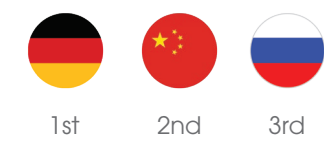
  
Average online spend  
**326 USD**

	Bulgaria	Region	World
Population	7 million	272.5 million	7.4 billion
Population (15+)	6 million	221.1 million	5.5 billion
GDP (millions)	56,832	2,269,792	79,211,592
GDP per capita (\$)	8,032.00	10,240.00	10,741.00
Online population	4.2 million	178.4 million	3.6 billion
Smartphone penetration	53%	51%	53%
E-commerce % of total retail	2%	4%	16%



■ Bulgaria ■ Region

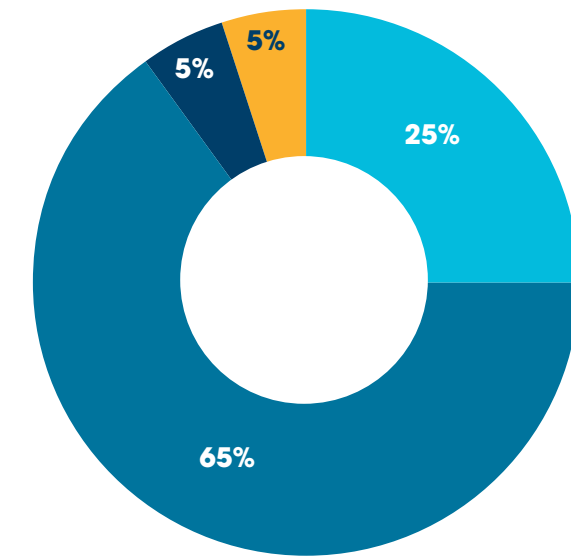
**39%** shop cross-border



Top e-commerce segments

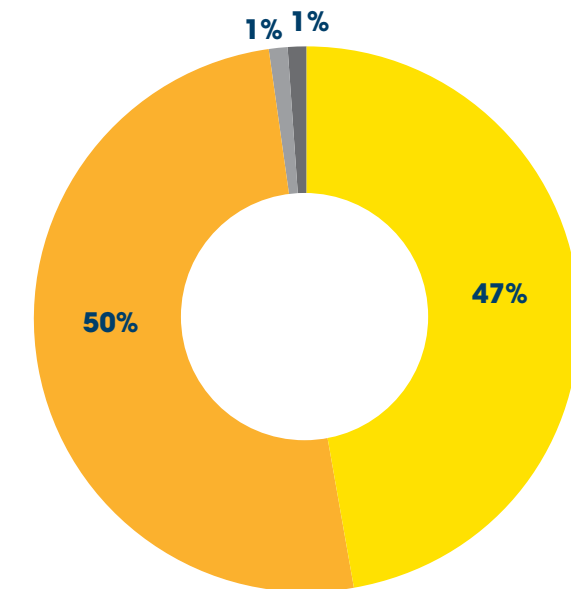
Airlines & Hotels  
Clothing & Footwear  
Media & Entertainment

 EasyPay  ePay.bg  Trustly



Payment method breakdown

■ Card  
■ Cash  
■ Bank transfer  
■ E-wallet



Card scheme breakdown

■ Visa  
■ Mastercard  
■ Local schemes  
■ Other





17%  
e-commerce growth

# Estonia

Estonia has digitised almost every aspect of its own society – Including voting, applying for a driving licence, or filing taxes – it is now attempting to recruit new and entirely virtual Estonians from abroad. The country’s e-residency scheme allows foreign citizens to become virtual residents of Estonia, which in turn allows them to open virtual Estonian companies, able to operate within the single market without actually being based there. Among others, the Estonian government hopes to attract UK entrepreneurs looking for a way to access the single market after Brexit. Today, the Estonian information-technology sector generates 7% of the country’s GDP and employs 4% of its workforce. Growth fell from 7.6% in 2011, hovered between 1% and 2% for most of the time since then, but rebounded to an impressive 4.9% in 2017. The European Commission was predicting 3.7% whole year growth in 2018 falling to 2.8% in 2019.



B2C e-commerce  
**0.3 billion USD**

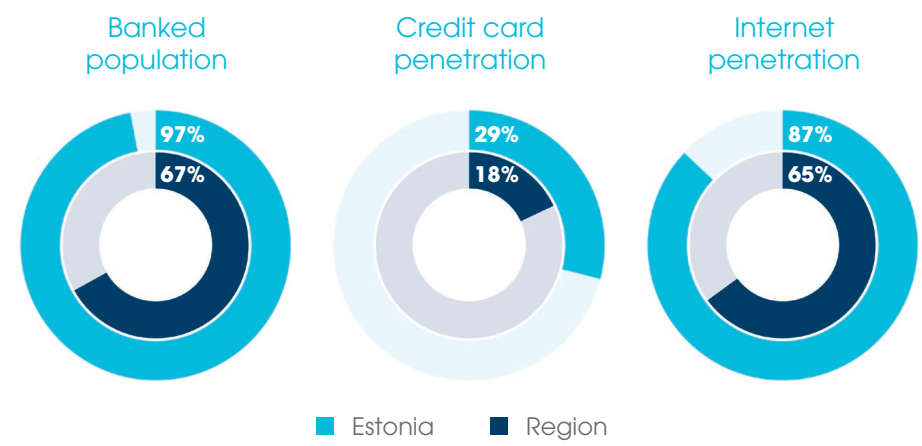


Mobile e-commerce  
**8% of total**



Average online spend  
**358 USD**

	Estonia	Region	World
Population	1.3 million	272.5 million	7.4 billion
Population (15+)	1.1 million	221.1 million	5.5 billion
GDP (millions)	25,921	2,269,792	79,211,592
GDP per capita (\$)	19,705.00	10,240.00	10,741.00
Online population	1.1 million	178.4 million	3.6 billion
Smartphone penetration	63%	51%	53%
E-commerce % of total retail	6%	4%	16%



**62%** shop cross-border



1st



2nd



3rd

Top e-commerce segments

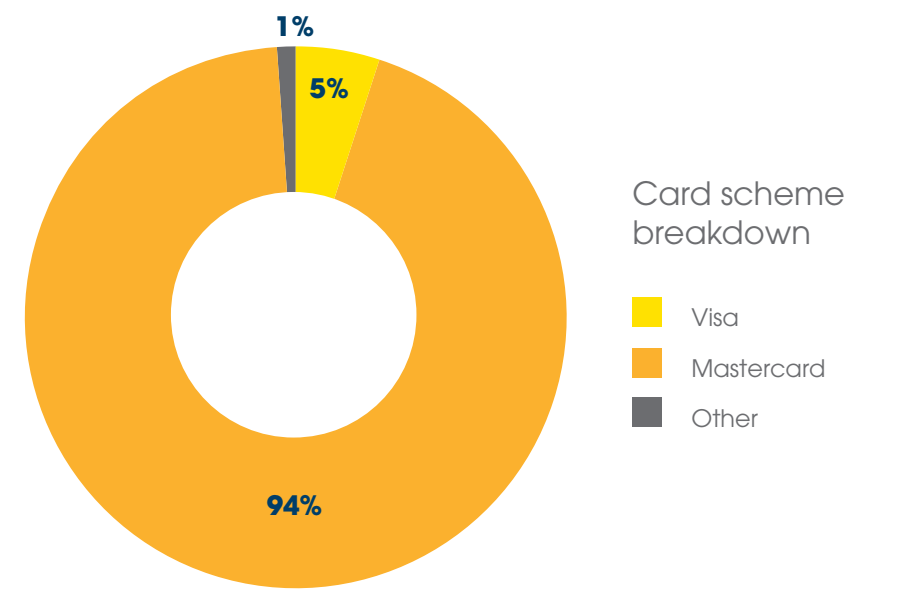
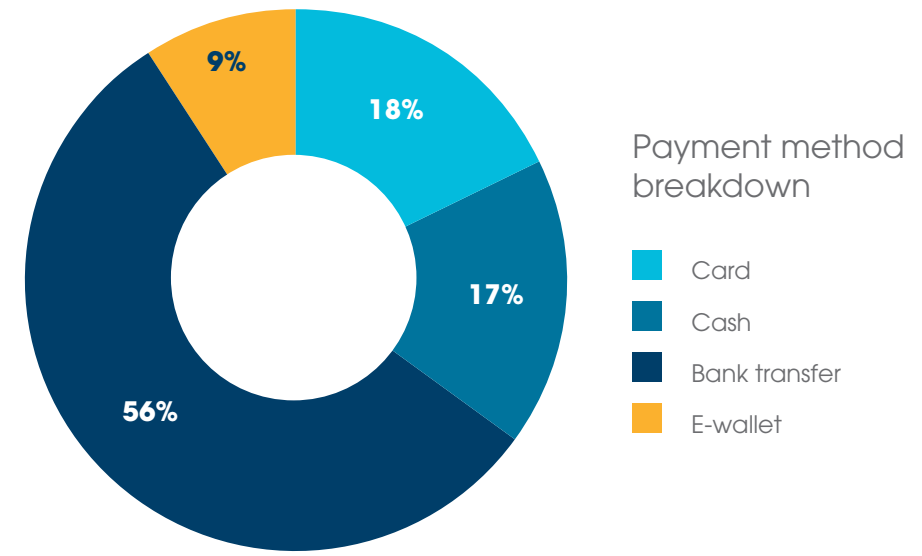
Airlines & Hotels  
Clothing & Footwear  
Electrical Goods

 Entercash

 Estonian Bank Links

 Trustly

 Yandex Money








11%  
e-commerce growth

# Latvia

In January 2017, the Latvian economy grew by an impressive 4.5%. The OCED forecast 4.1% growth in 2018 and 3.6% in 2019. Things went well for the country in 2018, with the economy growing by 5.1% year-on-year in the first quarter. In October 2018, Valdis Dombrovskis – a former vice-president of the EU Commission and himself a Latvian – said that the country’s growth could be higher, if the government accelerated banking reform and investments in productivity. In August 2018, the latest month for which figures were available, retail sales grew by 1.4% year-on-year, down on 4.3% in the previous month. Unemployment is down to 7.7% from 9.4% at the start of 2018. Consumer confidence fell slightly in summer 2018, from -7.2 points in July to to -8.2 in August. Although wages in Latvia are lower than those in neighbouring Estonia, they are still growing fast. In 2017, Latvian wages grew by 8% year-on-year.



B2C e-commerce  
**0.3 billion USD**

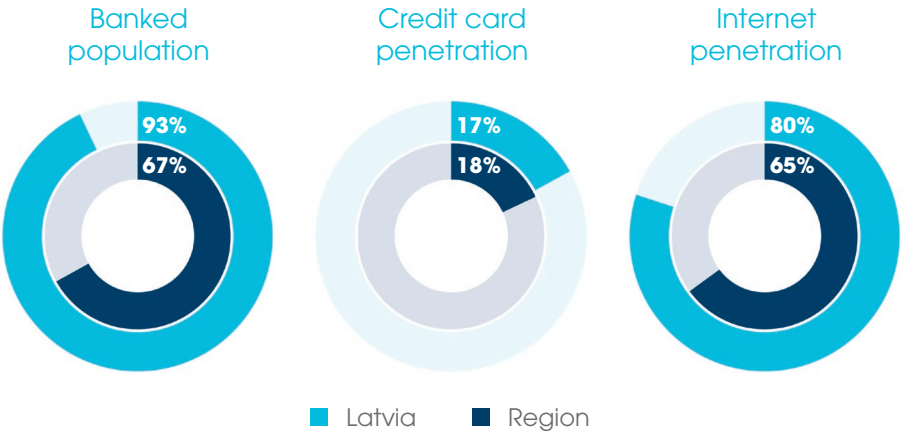


Mobile e-commerce  
**8% of total**



Average online spend  
**406 USD**

	Latvia	Region	World
Population	1.9 million	272.5 million	7.4 billion
Population (15+)	1.6 million	221.1 million	5.5 billion
GDP (millions)	30,264	2,269,792	79,211,592
GDP per capita (\$)	15,594.00	10,240.00	10,741.00
Online population	1.5 million	178.4 million	3.6 billion
Smartphone penetration	47%	51%	53%
E-commerce % of total retail	4%	4%	16%



**67%** shop cross-border

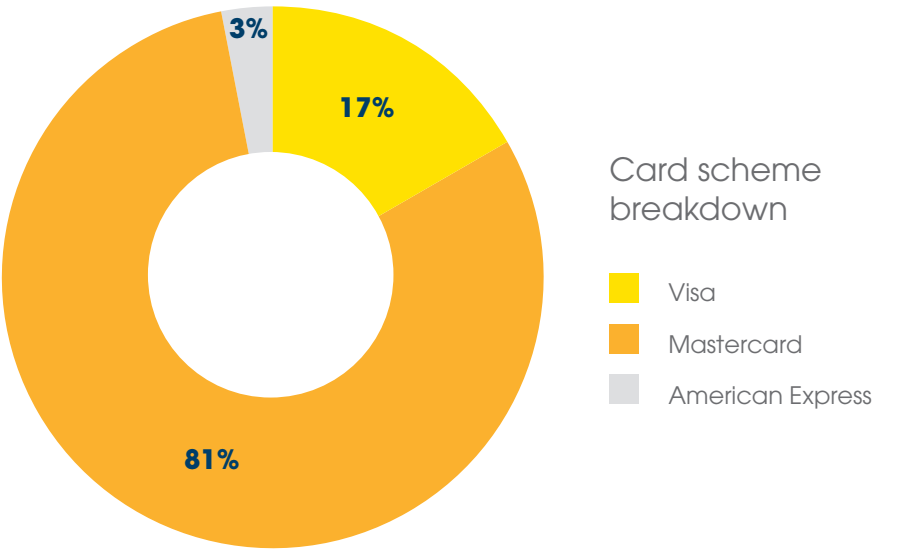
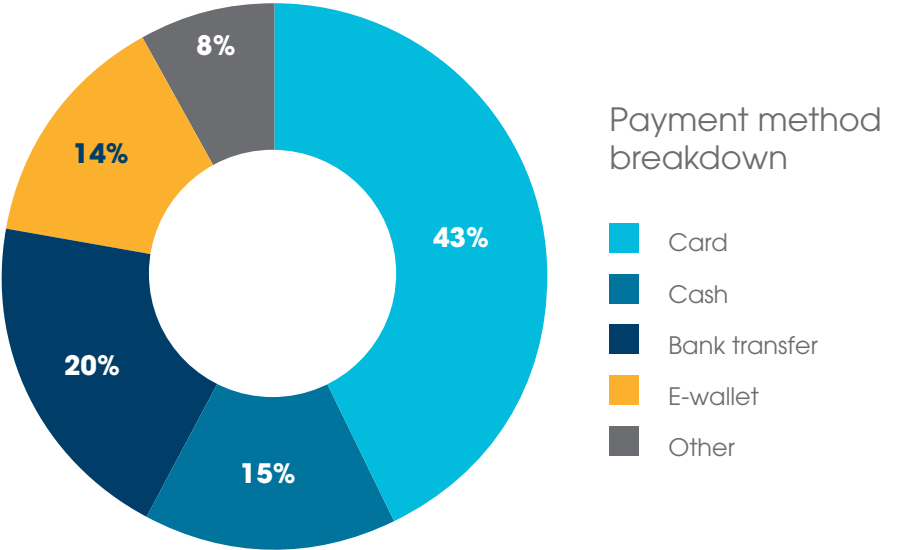


1st 2nd 3rd

Top e-commerce segments

Airlines & Hotels  
Electrical Goods  
Clothing & Footwear

 Latvian Bank Links  Yandex Money Yandex.Money




11%  
e-commerce growth

## Lithuania

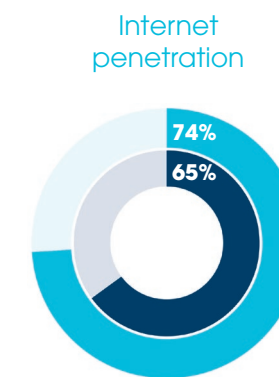
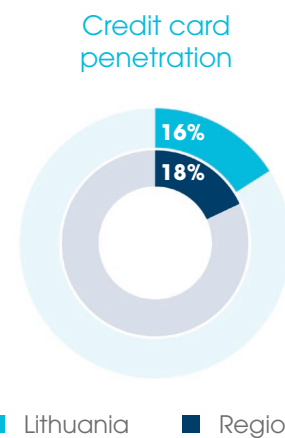
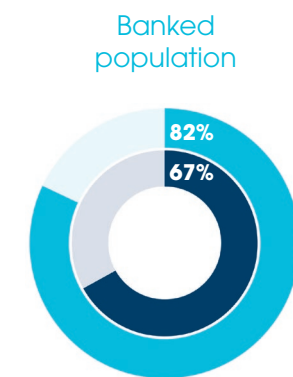
Once part of what was, at the time, Europe's largest state – Polish-Lithuanian Commonwealth – Lithuania is now a small, Baltic republic with a population of just under three million. After the recession of 2009, Lithuania's economy peaked in 2011 with a growth rate of 6%. Since then, growth rates have fluctuated in a band between 2% and just under 4%. In 2016, the growth rate was 2.3%, rising to 4.1% year-on-year in the first quarter of 2017 before settling to 3.9% in the second quarter. By the middle of 2018, retail sales in Lithuania were growing 7.6% year-on-year and consumer confidence rose by 9%. The European Commission's forecast for Lithuania is for the economy to grow by 3.3% in 2018 and 3.2% in 2019. According to the country's national bank, wages are growing by almost 8% year-on-year.

  
B2C e-commerce  
**0.7 billion USD**

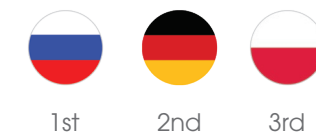
  
Mobile e-commerce  
**10% of total**

  
Average online spend  
**515 USD**

	Lithuania	Region	World
Population	2.8 million	272.5 million	7.4 billion
Population (15+)	2.4 million	221.1 million	5.5 billion
GDP (millions)	47,168	2,269,792	79,211,592
GDP per capita (\$)	16,681.00	10,240.00	10,741.00
Online population	2.1 million	178.4 million	3.6 billion
Smartphone penetration	56%	51%	53%
E-commerce % of total retail	4%	4%	16%



51% shop cross-border



Top e-commerce segments

Airlines & Hotels  
Toys, Hobby & DIY  
Electrical Goods

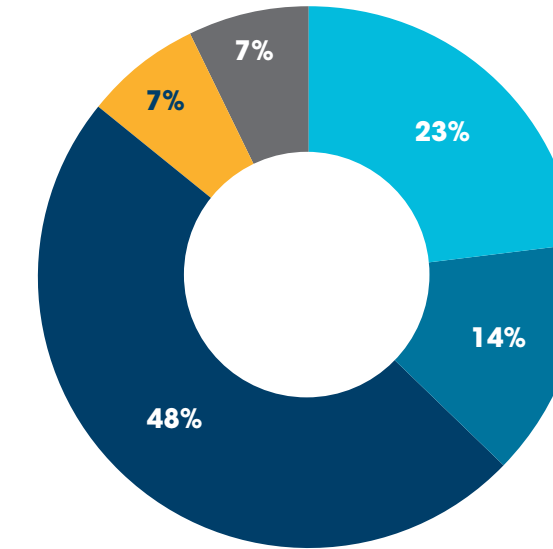
 Entercash

 Lithuanian Bank Links

 MAXIMA

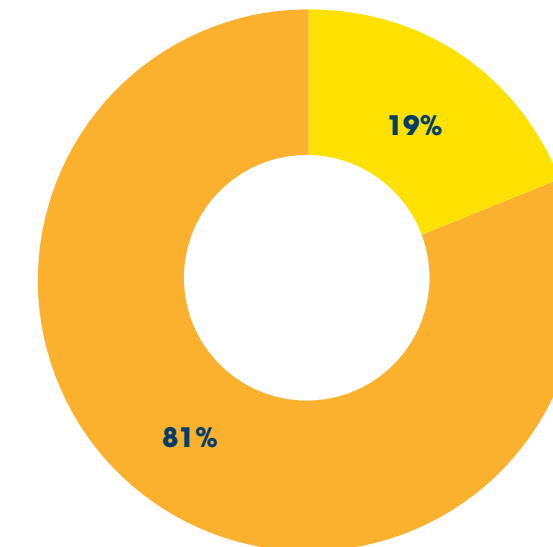
 Perlas Terminals

 Yandex Money Yandex.Money



Payment method breakdown

■ Card  
■ Cash  
■ Bank transfer  
■ E-wallet  
■ Other



Card scheme breakdown

■ Visa  
■ Mastercard





**40%**  
e-commerce growth

# Romania

By the middle of 2018, the country’s GDP was growing at a rate of 4%, compared to 2.2% for the Eurozone. At the end of 2017, Romania cut income tax to just 10%. At the start of 2018, however, the government also implemented a wide-ranging reform of public-sector pay, with some workers seeing their wages cut by up to 40%. Consumer confidence dipped in the first quarter of 2018 only to rebound in September. The Romanian retail sector still includes a large and thriving independent sector (often small market traders), who collectively account for around 45% of retail sales. As disposable income rises, however, this is changing, with more supermarkets and international chains attracted to the country.



B2C e-commerce  
**2.4 billion USD**

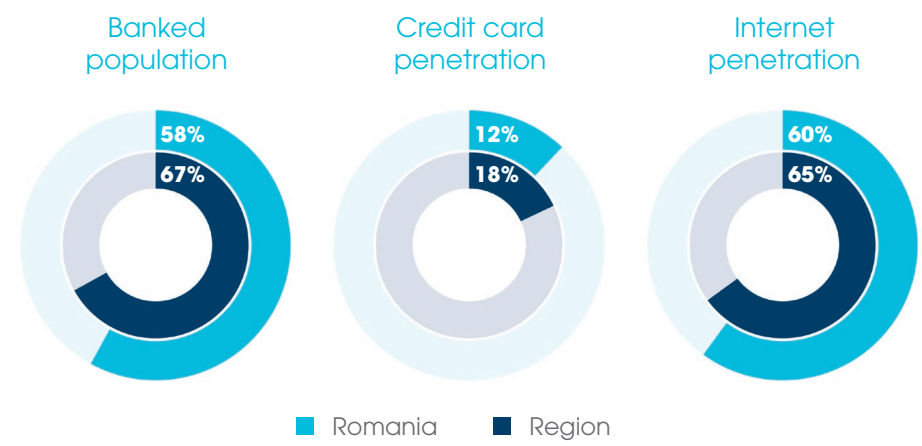


Mobile e-commerce  
**38% of total**




Average online spend  
**769 USD**


	Romania	Region	World
Population	19.6 million	272.5 million	7.4 billion
Population (15+)	16.6 million	221.1 million	5.5 billion
GDP (millions)	211,803	2,269,792	79,211,592
GDP per capita (\$)	10,814.00	10,240.00	10,741.00
Online population	11.6 million	178.4 million	3.6 billion
Smartphone penetration	56%	51%	53%
E-commerce % of total retail	6%	4%	16%




**21%** shop cross-border



1st







2nd

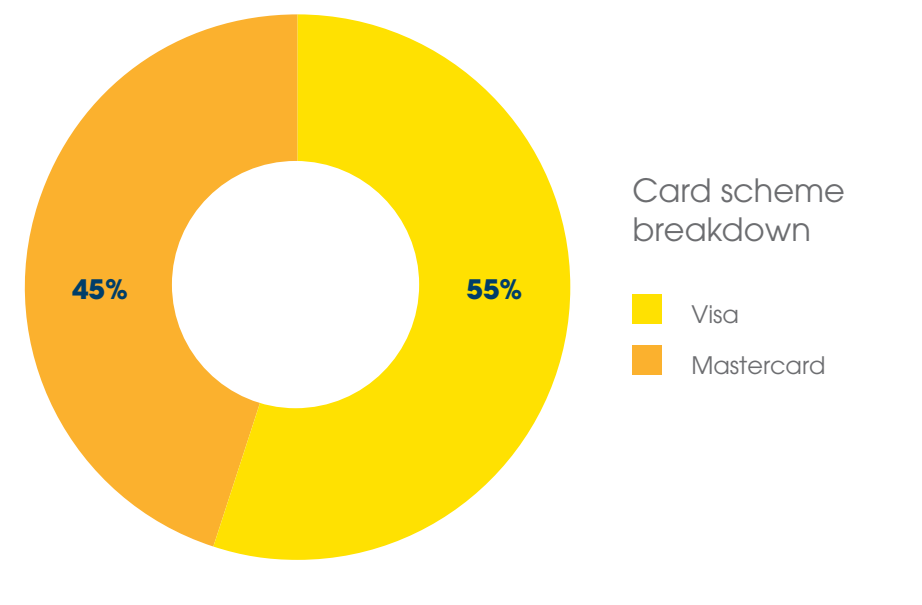
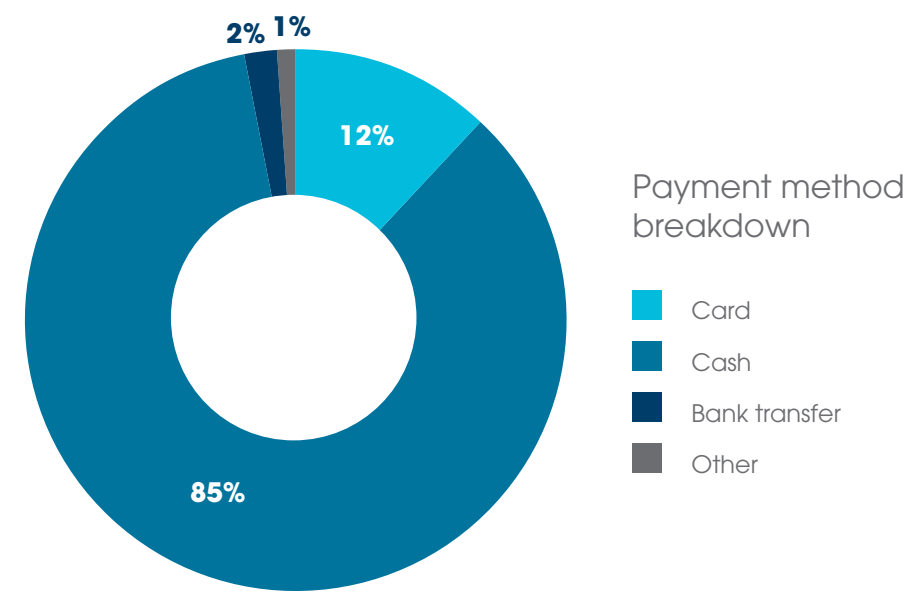


3rd

Top e-commerce segments

Airlines & Hotels  
Electrical Goods  
Clothing & Footwear

 entercash Entercash  Paysafe:cash Paysafe:cash  QIWI QIWI Wallet  ZebraPay



**17%**  
e-commerce growth

## Russia

Russia's GDP grew by 1.8% in the second quarter of 2018. As a category, raw materials made up 36% of exports in 2016, far higher than the average for a developed economy. This leaves Russia exposed to fluctuations in commodity prices. Between February 2013 and February 2016, the IMF's primary index for industrial commodities dropped in value by 40%. During the same period, the price of crude oil dropped from \$108 to \$31. The Russian economy was also hit by US and EU sanctions imposed as a response to the annexation of Crimea. Unsurprisingly, this had a significant impact in the value of Russian exports, which fell from just under \$500 billion in 2014 to just \$281 billion in 2016, rising again to \$353 billion in 2017. From 2017 on, a stabilised and latterly rising oil price has helped nudge the Russian economy back into growth.

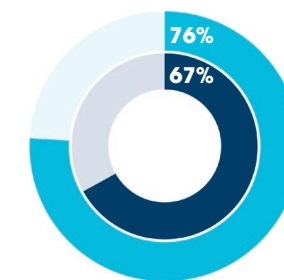
  
B2C e-commerce  
**32.6 billion USD**

  
Mobile e-commerce  
**25% of total**

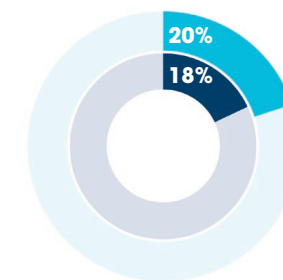
  
Average online spend  
**777 USD**

	Russia	Region	World
Population	144.5 million	272.5 million	7.4 billion
Population (15+)	119.1 million	221.1 million	5.5 billion
GDP (millions)	1,577,524	2,269,792	79,211,592
GDP per capita (\$)	10,743.00	10,240.00	10,741.00
Online population	105.6 million	178.4 million	3.6 billion
Smartphone penetration	61%	51%	53%
E-commerce % of total retail	4%	4%	16%

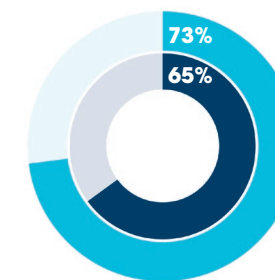
Banked population



Credit card penetration

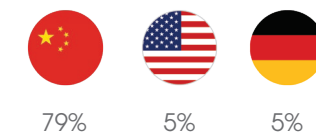


Internet penetration



■ Russia ■ Region

**62%** shop cross-border



Top e-commerce segments

Airlines & Hotels (15%)  
Electrical Goods (14%)  
Clothing & Footwear (14%)

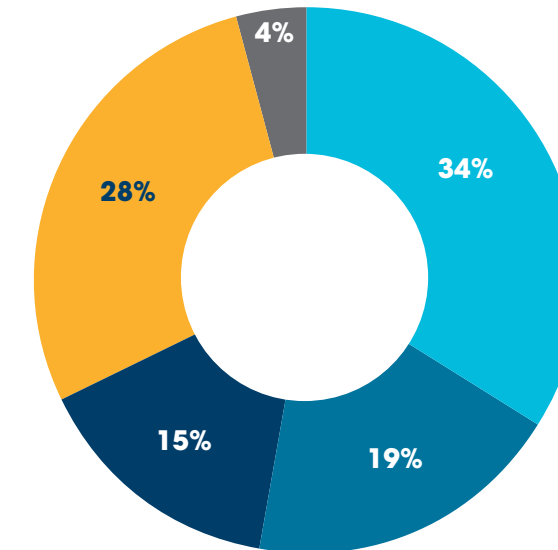
 Moneta.ru

 MIR

 MTS Money Wallet

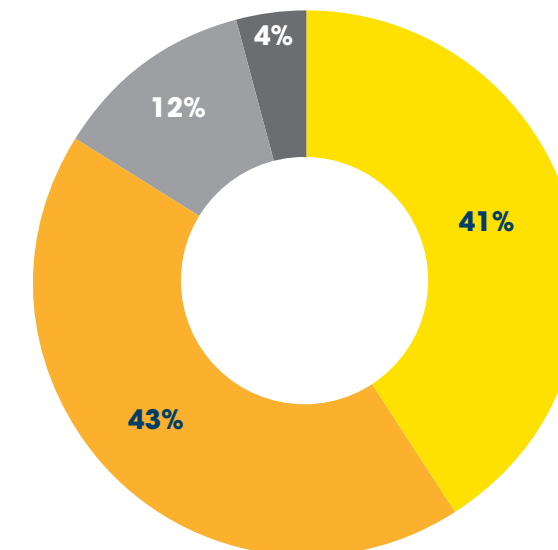
 QIWI Wallet

 Yandex Money



Payment method breakdown

■ Card  
■ Cash  
■ Bank transfer  
■ E-wallet  
■ Other



Card scheme breakdown

■ Visa  
■ Mastercard  
■ Local schemes  
■ Other





**31%**  
e-commerce growth

## Ukraine

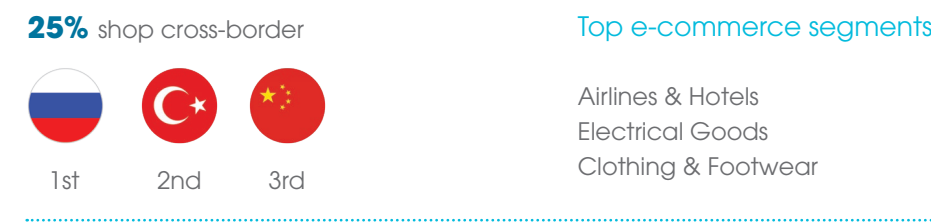
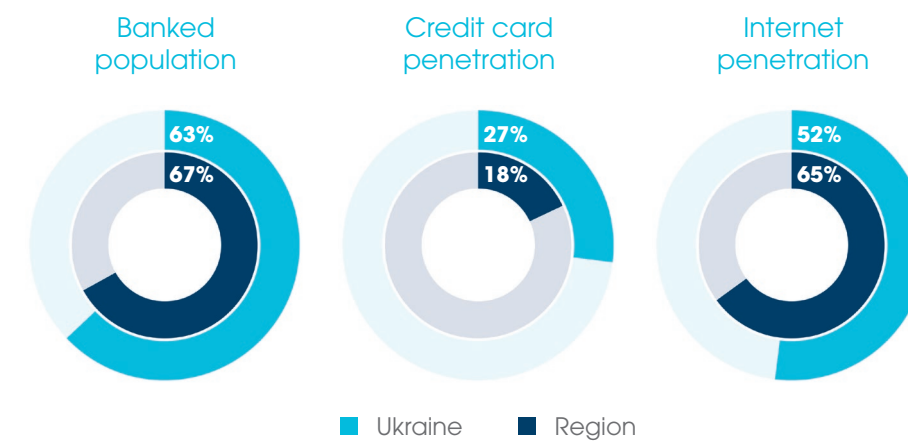
Ukraine's economy has been under pressure for the last four years. In 2011, the country's economy was growing by over 5% a year. By 2015, in the wake of Russia's annexation of the Crimea and the escalating conflict with separatists in the Eastern provinces, the economy was contracting by 9.7% a year. The Ukrainian free-trade agreement with the EU entered into force in January 2016. Since then, the value of Ukrainian exports to the EU has risen from just €12 billion in 2015 to €17 billion in 2017. The economy started to grow again, at a rate of 2.3% a year in 2016, rising to 2.5% in 2017. Inflation is down from 60% in 2015 to a more manageable 8.7%. However, in October 2018 Russian President Putin signed a decree imposing further sanctions on Ukraine. Around 13% of Ukraine's exports go to Russia, so this could have a significant impact.

  
B2C e-commerce  
**2.3 billion USD**

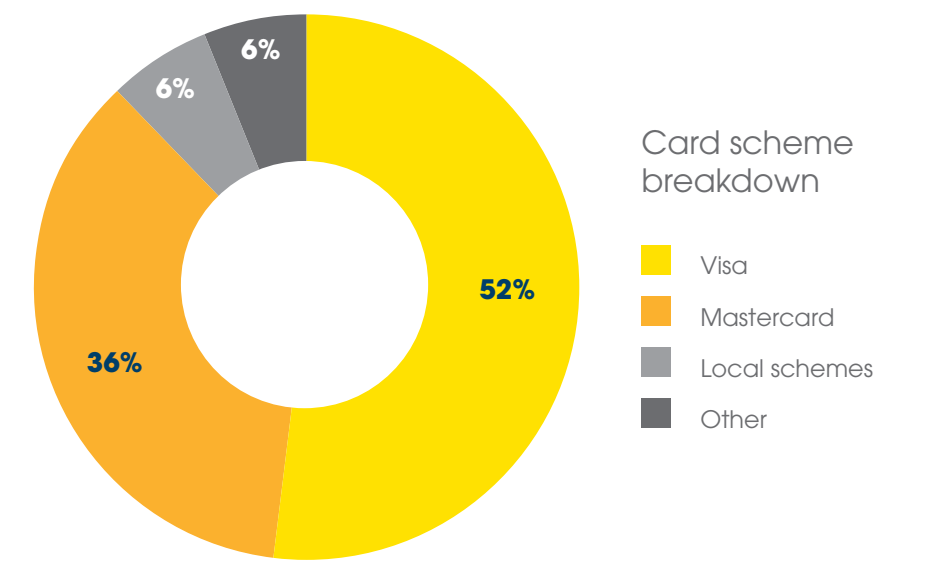
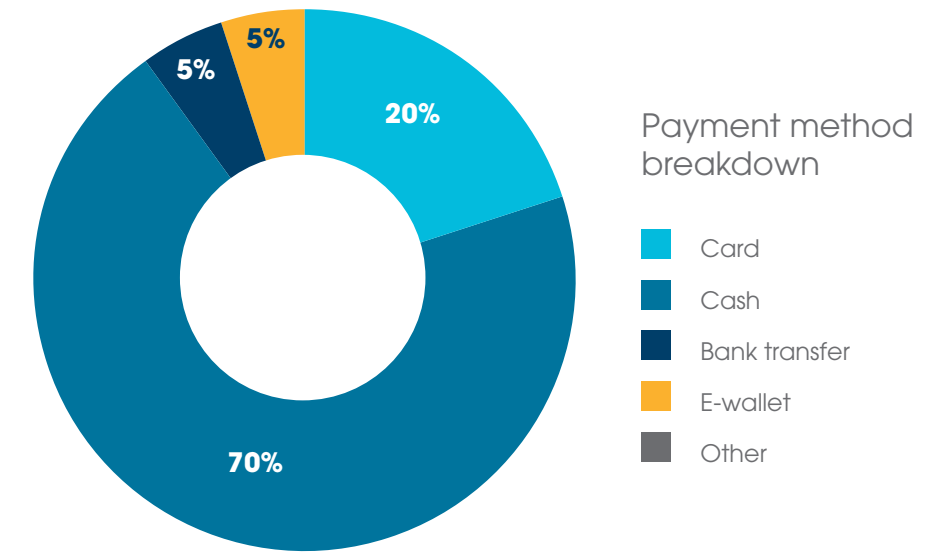
  
Mobile e-commerce  
**9% of total**

  
Average online spend  
**118 USD**

	Ukraine	Region	World
Population	44.8 million	272.5 million	7.4 billion
Population (15+)	37.9 million	221.1 million	5.5 billion
GDP (millions)	112,154	2,269,792	79,211,592
GDP per capita (\$)	2,640.00	10,240.00	10,741.00
Online population	23.5 million	178.4 million	3.6 billion
Smartphone penetration	29%	51%	53%
E-commerce % of total retail	3%	4%	16%



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We help people pay and get paid – everywhere, every time, every way.

PPRO reduces the complexity of international e-commerce payments by acquiring, collecting and processing an extensive range of local payment methods for PSPs and financial institutions under one contract, through one integration and one single settlement.

As a solution provider selling indirectly through industry partners, PPRO specialises in cross-border e-payments. We are working with PSPs and financial institutions, such as acquirers, to help them offer a vast range of local payment options to their merchant customers.

PPRO offers local and international payment methods across more than 175 countries, allowing clients of PSPs and financial institutions to expand their e-commerce reach, arrange hassle-free collection and achieve higher conversion rates.

## The Online Almanac



PPRO's new and improved Online Almanac puts hundreds of hours of research at the tips of your fingers. Visit [www.ppro.com/almanac](http://www.ppro.com/almanac) to enjoy a 30-day trial of market insights and global trends.

## Data Methodology

Edgar, Dunn & Company (EDC) uses a combination of sources and methods to support the PPRO Database. Where possible consistent sources are used for all markets to maintain the highest level of data integrity. EDC data sources can be split into three main areas:

1. Globally recognized, publicly available databases & resources
2. Central banks / national e-commerce associations / national internet associations
3. EDC proprietary data and models

Using a combination of these data sources allows EDC to best build a complete picture of the market.

The e-commerce market and payment methods develop at a fast pace. We therefore prepare and update our regional and country reports frequently. If you are interested in obtaining updated versions, please contact us. We also have comprehensive data on all payment methods worldwide. For global e-commerce and market information that meets your needs, just get in touch with us at PPRO.

PPRO Financial Ltd  
20 Balderton Street  
London  
W1K 6TL  
UK

[relationship@ppro.com](mailto:relationship@ppro.com) | [sales@ppro.com](mailto:sales@ppro.com).

Version 2019.08

Sources:

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