

# Inflation Report

July 2025

Summary



Despite the full-scale war's challenges, the NBU remains committed to its mandate to ensure price and financial stability – the key to achieving sustainable economic recovery. At the current stage, price stability is being achieved through flexible inflation targeting and is supported by a coordinated combination of interest-rate-policy and exchange-rate-policy instruments, as well as FX restrictions in accordance with the [Monetary Policy Guidelines for the Medium Term](#) and the [Strategy for Easing FX Restrictions, Transitioning to Greater Flexibility of the Exchange Rate, and Returning to Inflation Targeting](#).

Specifically, monetary policy aims to bring inflation, as measured by the year-on-year change in the CPI, to its target of 5% over the relevant policy horizon that does not exceed three years. The flexibility of the current monetary regime allows inflation to deviate from its quantitative target of 5% in certain periods due to domestic and external factors. This approach, on the one hand, helps the Ukrainian economy adapt to shocks and supports its recovery, and, on the other hand, it allows the NBU to maintain control over inflation expectations despite significant uncertainty, including geopolitical uncertainty, due to the rapid political polarization of countries and intensified de-globalization.

The NBU is taking steps to enhance the effectiveness of monetary transmission channels and to continue to revive the key policy rate's role as the main monetary instrument. Changes in the key policy rate and adjustments to the operational framework of interest rate policy reflect significant shifts in the balance of risks, and are primarily aimed at maintaining the sustainability of the FX market, keeping inflation expectations under control, and ensuring price stability.

The managed flexibility regime allows exchange rate to strengthen and weaken, depending on changes in market conditions. To ensure flexibility in both directions, the NBU compensates for the structural FX deficit of the private sector by channeling excess foreign currency from the public sector (received mostly as international aid) into the economy. Coupled with smoothing out excessive exchange rate volatility, this contributes to keeping inflation and exchange-rate expectations in check, maintaining confidence in the hryvnia, and bringing inflation to the target of 5%. Concurrently, exchange rate flexibility makes it possible to strengthen the Ukrainian economy's and the FX market's resilience to domestic and external shocks while reducing the risk of accumulation of external trade imbalances.

Aware of the urgent need to minimize FX market distortions, improve the conditions for doing business in Ukraine and for entry of domestic businesses into new markets, support the economic recovery, and promote new investment inflows into Ukraine, the NBU is gradually easing the FX restrictions as appropriate preconditions are in place.

The NBU plans to apply flexible inflation targeting until the economy's functioning normalizes and inflation targeting is restored to its full format with a floating exchange rate.

The analyses laid out in the current (July 2025) Inflation Report are based on cutoff dates for the data, meaning that the time horizons of the analyses may differ for some indicators. The cutoff date for the data in this report is 23 July 2025 for the majority of indicators. The forecast assumptions were finalized on 18 July 2025. The Inflation Report presents a forecast for the country's economic development in 2025–2027 that was prepared by the Monetary Policy and Economic Analysis Department and approved by the NBU Board at its monetary policy meeting on 24 July 2025<sup>1</sup>.

The NBU Board makes decisions on the key policy rate and other monetary instruments in line with the [schedule published in advance](#). The decisions the NBU Board makes in January, April, July, and October are based on a new macroeconomic forecast. At the remaining four meetings (in March, June, September, and December), the NBU Board makes its decisions based on assessments of risks and uncertainty that take into account the economic developments in Ukraine and abroad since the latest forecast. The decisions are announced at a press briefing held at 2 p.m., after the NBU Board's monetary policy meeting. A press release that reflects the NBU Board's consensus perspective on its decisions is published at the same time. The summary of the discussion at the Monetary Policy Committee is published on the 11th day after the decision is taken. It shows the depersonalized opinions of all MPC members on the optimal monetary policy decisions to be made. It also includes differences of opinion and the reasoning behind them.

Previous issues and presentations of the Inflation Report, the forecast of the main macroeconomic indicators, and data in tables and figures are available [here](#).

<sup>1</sup>NBU Board decision No.255 On Approval of the Inflation Report dated 24 July 2025.

## Summary

The baseline scenario of the NBU's macroeconomic forecast assumes that Ukraine will continue to conduct prudent monetary and fiscal policies aimed at maintaining macrofinancial stability, consistently implement reforms to achieve its European integration aspirations, and thus fulfill its commitments under programs with international partners, which will keep providing sufficient financial support. The NBU assumes gradual normalization of conditions for the economy's functioning over the forecast horizon. This will take the form of the deferred full unblocking of sea ports, the expansion of opportunities for investment and economic activity, and the gradual return of forced migrants. The baseline scenario takes into account the consequences of increased shelling intensity and destruction caused by Russian aggression, as well as higher defense spending in 2025-2026 compared with April estimates.

### As expected, inflation has started to decline, and inflation expectations remain under control

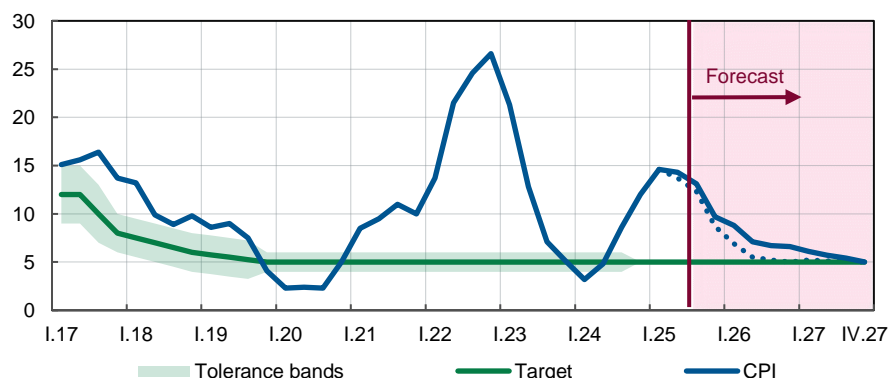
Inflation peaked in May, as expected, and went back to declining in June (14.3% yoy). At the same time, it was higher than forecast – primarily due to the impact of unfavorable weather conditions on supply of food products. On the other hand, core inflation decreased (to 12.1%) somewhat faster than forecast. The still-high underlying price pressure reflected the effects from a rapid rise in food prices and businesses' significant expenses on raw materials and wages. The situation on the FX market was sustainable, in particular thanks to the NBU's previous measures to tighten the interest rate policy. Fluctuations in the UAH/USD exchange rate were moderate, and the weakening of the hryvnia against the euro has had a limited inflationary effect so far.

The dynamics of economic agents' inflation expectations were mixed. Households' expectations deteriorated somewhat. Web search statistics also pointed to a moderate increase in households' attention to the topic of inflation. In contrast, short-term expectations of financial analysts improved, while their medium-term expectations remained stable, demonstrating their confidence in the temporary nature of the current inflation surge. Overall, expectations across all groups of respondents remained controllable and were below the inflation rate.

### Inflation will decline significantly by the end of this year, and it is expected to be brought to the target in 2027

The dynamics of inflation in the coming months will largely depend on the actual impact of weather conditions on the supply and prices of agricultural products. According to the NBU's preliminary estimates, headline inflation may rise slightly in July while core inflation will continue to decline. In the following months, inflation is expected to turn onto the steady decline trajectory.

Figure 1<sup>2</sup>. CPI change (end of period, % yoy) and inflation targets



Source: SSSU, NBU staff estimates.

At the same time, taking into account more significant losses from the war and businesses' expenses continuing to pass through to prices, a worsened harvest forecast, and the effects from the actual depreciation of the hryvnia against the euro,

<sup>2</sup> Unless specified otherwise, a dashed line in the figures indicates the previous forecast.

the NBU has revised the forecast trajectory of inflation, projecting that inflation will decline more slowly. Inflation is expected to decelerate to 9.7% in 2025, 6.6% in 2026, and the 5% target in 2027.

The decline in inflation will be facilitated by monetary policy measures, gradual increases in harvests, moderate external price pressures, and improving labor market conditions against the backdrop of FX market sustainability and sufficiency of international financing.

### **Economic recovery will continue but will be restrained by the consequences of the war and the unfavorable impact of weather conditions and climate change on harvests**

Fiscal stimuli backed by international financing continued to support economic growth in H1. However, the growth was restrained due to more intensive air attacks and further destruction of production facilities, infrastructure, and housing. The same factors stood behind the persistence of negative migration trends, causing labor market conditions to remain tense. In addition, adverse weather delayed the sowing campaign and hampered future harvests, which, coupled with the gradual depletion of inventories from the harvest gathered last year, was a drag on food industry and transportation with a part of their capacities standing idle.

In view of this, the NBU forecasts economic recovery to be slower than last year: real GDP will grow by 2.1% in 2025. Going forward, the pace of recovery will depend on the course of the war. The baseline scenario of the NBU's forecast envisages that the economy will gradually return to normal functioning and the economy will grow by 2%–3% in 2026–2027. At the same time, if the normalization occurs quickly, private investment and consumption will increase significantly, offsetting the effects of the rapid fiscal consolidation, while GDP growth might reach 3%–3.5%.

### **Sufficient external financial assistance will be an important factor in maintaining macrofinancial stability under various scenarios**

Ukraine continues to receive international support. In 2025, Ukraine is expected to receive external financial assistance in the amount of around USD 54 billion, of which over USD 24 billion has already been received. As for the remaining USD 30 billion, the largest inflows are expected under ERA Loans (USD 18 billion until the end of the year) and Ukraine Facility (USD 8 billion). Further financing volumes may vary depending on Ukraine's defense and reconstruction needs. The baseline scenario of the NBU's macroeconomic forecast assumes receiving USD 35 billion in international assistance in 2026 and USD 30 billion in 2027. A third of these funds has already been announced by partners, and talks are underway regarding the rest.

Expected volumes of international support will be sufficient to finance the budget deficit without resorting to monetary financing, and to maintain the appropriate level of international reserves (USD 45 billion in 2026–2027, according to the NBU's forecast). This will help ensure a sustainable situation in the FX market, the controllability of economic agents' expectations, and the gradual decline of inflation.

If security conditions normalize quickly and budget expenditures on defense decrease, Ukraine may need less of official external support to maintain its defense capabilities.

### **To maintain FX market sustainability, keep expectations under control, and bring inflation back to its 5% target over the policy horizon, the NBU has kept the key policy rate at 15.5%**

The NBU's previous measures to tighten monetary policy proved effective: rates on hryvnia term deposits and domestic government debt securities rose, demand for these instruments grew, and households' net purchases of foreign exchange fell significantly. This bolstered the sustainability the FX market and restrained price pressures.

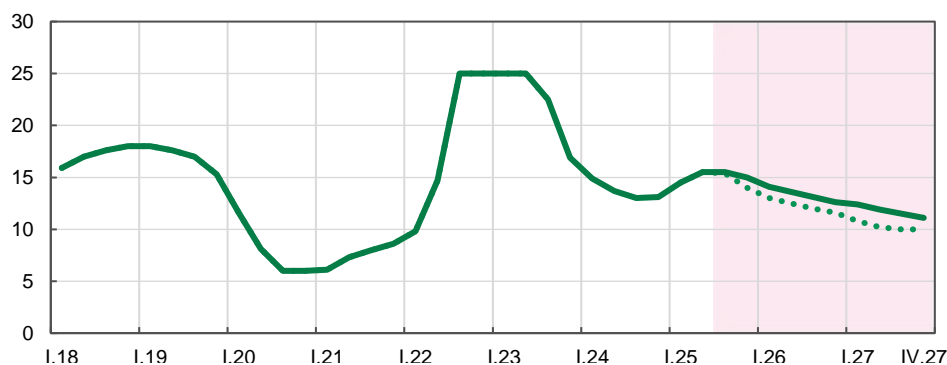
Considering these positive effects, the reversal of the inflation uptrend in June, as well as the controllability of inflation expectations, the NBU sees no need to raise the key policy rate further. However, given the slower-than-expected decline in inflation and the balance of risks to price developments, the NBU currently sees no room for easing its interest rate policy either.

Keeping the key policy rate steady at 15.5% is an important prerequisite for a sustainable slowdown of inflation toward its 5% target. At the same time, this decision will have no impact on lending, considering that the banks are intensely competing for quality borrowers. Lending conditions remain close to pre-COVID-19 levels and are at the peak of their affordability since the onset of the full-scale invasion, with lending developing briskly (net hryvnia loans to businesses have been surging by about 30% yoy in recent months).

**The NBU will stick to a rather tight monetary stance as long as it is needed in order to ensure that inflation is steadily declining toward its 5% target over the policy horizon**

Compared to the April forecast, the NBU's revised forecast already incorporates a longer maintenance of the key policy rate at 15.5% (until Q4 2025) and then a slower pace of cutting it. At the same time, the NBU will take into account changes in the balance of risks and will only switch to an easing cycle of interest rate policy when there is compelling evidence of there being no risks to the sustainable slowdown of inflation to its 5% target within the policy horizon.

**Figure 2. NBU's key policy rate, average, %**



Source: NBU estimates.

**The course of the full-scale war and the lack of international financing are the main risks to economic and inflation developments**

The war is grinding on. The Russian aggression continues to pose the risk of a protracted decline in the country's economic potential, in particular due to the loss of people, territories, and production facilities. The speed of the economy's return to business-as-usual conditions will depend on the nature and duration of hostilities.

The risk of external financing being insufficient also matters, especially if security risks abate slowly. Specifically, part of the needed international assistance for 2026–2027 has yet to be confirmed.

Other risks include:

- the emergence of additional budget needs, mainly those to maintain defense capabilities
- further damage to infrastructure, especially energy infrastructure
- a deepening of adverse migration trends and a widening of labor shortages on the domestic labor market
- a bigger-than-expected negative impact of weather conditions on this year's harvest
- less favorable external conditions amid rising geopolitical uncertainty and de-globalization, as well as heightened volatility in global commodity and financial markets.

Meanwhile, some positive scenarios are also likely to materialize. They are primarily related to increased financial support from partners (including through the use of the principal amount of frozen Russian assets) and the international community's efforts to ensure a just and lasting peace for Ukraine.

## Macroeconomic forecast (July 2025)

Indicators	2025										2026						2027					
	2022	2023	2024	I	II	III	IV	current forecast	forecast 04.2025		I	II	III	IV	current forecast	forecast 04.2025	I	II	III	IV	current forecast	forecast 04.2025
<b>REAL ECONOMY, % yoy, unless otherwise stated</b>																						
Nominal GDP, UAH bn	5239	6628	7659	1923	2011	2429	2551	8915	8915		2184	2258	2688	2805	9935	9890	2401	2476	2940	3053	10870	10860
Real GDP	-28.8	5.5	2.9	0.9	1.1	2.4	3.5	2.1	3.1		2.1	2.6	2.1	2.4	2.3	3.7	2.6	2.7	2.9	3.0	2.8	3.9
GDP Deflator	34.9	19.9	12.3	16.9	14.1	13.4	12.3	14.0	12.9		11.2	9.4	8.4	7.4	8.9	7.0	7.2	6.8	6.3	5.6	6.4	5.7
Consumer prices (period average)	20.2	12.9	6.5	-	-	-	-	13.3	12.7		-	-	-	-	7.6	6.0	-	-	-	-	5.7	5.1
Consumer prices (end of period)	26.6	5.1	12.0	14.6	14.3	13.1	9.7	9.7	8.7		8.8	7.1	6.7	6.6	6.6	5.0	6.1	5.7	5.4	5.0	5.0	5.0
Core inflation (end of period)	22.6	4.9	10.7	12.4	12.1	11.1	9.0	9.0	8.9		7.7	7.4	6.6	6.2	6.2	3.0	5.2	4.5	3.9	3.3	3.3	3.1
Non-core inflation (end of period)	30.6	5.7	13.8	17.3	17.6	15.9	10.9	10.9	8.3		10.4	6.9	6.9	7.1	7.1	7.6	7.2	7.1	7.4	7.3	7.3	7.4
raw foods (end of period)	41.6	2.2	13.2	17.0	28.7	24.7	14.6	14.6	5.6		14.4	4.7	4.9	4.0	4.0	2.9	4.8	4.1	3.7	3.2	3.2	3.0
administered prices (end of period)	15.3	10.7	16.3	19.0	10.9	10.8	8.7	8.7	11.6		7.9	8.9	8.9	9.7	9.7	12.0	9.4	10.0	10.6	10.9	10.9	11.1
Nominal wages (period average)	6.0	17.4	23.2	24.1	22.0	18.2	13.1	19.0	17.0		14.3	13.4	12.8	11.7	13.0	9.4	11.8	9.5	8.8	8.6	9.6	8.8
Real wages (period average)	-11.9	4.1	15.6	9.2	5.9	3.9	2.3	5.2	3.9		4.8	5.3	5.6	4.7	5.1	3.3	5.3	3.4	3.2	3.4	3.8	3.5
Unemployment rate (ILO, period average)	20.6	18.2	13.1	-	-	-	-	11.5	10.9		-	-	-	-	10.2	10.5	-	-	-	-	9.2	10.0
<b>FISCAL SECTOR</b>																						
Consolidated budget balance, UAH bn	-845	-1332	-1352	-	-	-	-	-1498	-1017		-	-	-	-	-1479	-1145	-	-	-	-	-1191	-642
% of GDP	-16.1	-20.1	-17.6	-	-	-	-	-16.8	-11.4		-	-	-	-	-14.9	-11.6	-	-	-	-	-11.0	-5.9
excluding grants from revenues, % of GDP	-25.3	-26.6	-23.8	-	-	-	-	-22.0	-19.2		-	-	-	-	-18.8	-11.8	-	-	-	-	-12.0	-6.9
<b>BALANCE OF PAYMENTS (analytical presentation)</b>																						
Current account balance, USD bn	8.0	-9.6	-15.9	-6.9	-8.0	-11.4	-8.3	-34.6	-17.3		-8.5	-9.7	-9.0	-7.7	-34.9	-31.3	-9.7	-8.9	-10.1	-8.7	-37.3	-27.7
Exports of goods and services, USD bn	57.5	51.3	56.1	13.2	13.4	13.4	16.0	56.0	57.3		15.0	14.1	15.5	17.1	61.7	63.1	15.7	15.5	16.2	18.8	66.1	67.2
Imports of goods and services, USD bn	83.3	89.2	95.5	24.5	26.5	28.9	28.2	108.2	97.8		26.5	27.2	27.5	27.4	108.5	99.9	25.9	25.6	27.4	28.4	107.2	101.4
Remittances in Ukraine, USD bn	12.5	11.3	9.5	2.0	2.1	2.2	2.4	8.9	9.6		1.9	2.2	2.3	2.4	8.8	10.9	2.3	2.4	2.5	2.6	9.8	12.0
Financial account, USD bn	11.1	-18.9	-10.8	-5.5	-10.6	-11.4	-15.6	-43.0	-29.5		-3.5	-5.5	-6.7	-10.1	-25.8	-20.2	-8.6	-9.4	-8.7	-11.3	-38.0	-29.7
BOP overall balance, USD bn	-2.9	9.5	0.0	-1.3	2.6	-0.1	7.3	8.6	12.2		-5.0	-4.2	-2.3	2.4	-9.1	-11.1	-1.1	0.5	-1.3	2.6	0.7	1.9
Gross reserves, USD bn	28.5	40.5	43.8	42.4	45.1	45.6	53.7	53.7	57.6		49.4	44.7	42.8	44.7	44.7	46.8	44.3	44.6	42.9	45.2	45.2	48.6
Months of future imports	3.8	5.1	4.9	4.6	4.9	5.0	5.9	5.9	6.9		5.5	5.0	4.8	5.0	5.0	5.5	4.9	4.9	4.6	4.8	4.8	5.5
As a percentage of the IMF composite criterion	78.6	124.2	121.2	113.4	115.6	112.6	124.1	124.1	136.7		111.7	99.3	92.8	93.6	93.6	102.6	90.1	88.4	83.2	85.2	85.2	100.2
<b>MONETARY ACCOUNTS (cumulative since the beginning of the year)</b>																						
Monetary base, %	19.6	23.3	7.7	-3.9	4.4	6.6	10.9	10.9	9.5		2.3	4.2	6.4	12.9	12.9	13.9	1.6	4.1	6.3	10.4	10.4	10.1
Broad money, %	20.8	23.0	13.4	-1.0	3.2	4.9	11.7	11.7	10.1		0.9	3.2	5.4	10.0	10.0	10.4	1.4	4.2	5.4	8.3	8.3	8.7
Velocity of broad money (end of year)	2.1	2.2	2.2	-	-	-	-	2.3	2.3		-	-	-	-	2.3	2.3	-	-	-	-	2.3	2.4

## Comments on the forecast revision

Indicators	2024	2025	2026	2027	Factors behind the revision
Inflation, %, eop	12.0	9.7 1.0	6.6 1.6	5.0 0.0	Deterioration of the harvest forecast, more significant losses from the war, the pass-through of business costs to prices, and weakening of the hryvnia against the euro
Real GDP growth, %	2.9	2.1 -1.0	2.3 -1.4	2.8 -1.1	Deterioration of security situation, increasing losses from shelling, lower harvests
Nominal GDP, UAH bn	7659	8915 0	9935 45	10870 10	Higher GDP deflator but lower real GDP growth
Consolidated budget balance (excluding grants and ERA financing from revenues), % of GDP	-23.8	-22.0 -2.8	-18.8 -7.0	-12.0 -5.1	Higher needs to support defense capabilities and maintain government incentives for the economy
Current account balance, USD bn	-15.9 -2.2	-34.6 -17.3	-34.9 -3.6	-37.3 -9.6	Lower exports due to reduced harvest and higher imports due to wider budget deficit, abolition of preferential trade regime with the EU, revision of historical data for 2024
Gross international reserves, USD bn	43.8	53.7 -3.9	44.7 -2.1	45.2 -3.4	Higher imports and lower exports, which will be partly offset by higher levels of international aid
Key policy rate (period average), %	13.7	15.1 0.2	13.4 1.1	11.7 1.5	Higher inflationary pressures

The indicator has been revised downwards (pp)

The indicator has been revised upwards (pp)

## Forecast assumptions

Indicators		2022*	2023*	2024*	2025	2026	2027
Official financing	USD bn	32.2	42.9	41.9	53.7	34.9	30.0
Migration (net, excluding russia and belarus)	m		-0.2	-0.5	-0.2	-0.2	0.1
Real GDP of Ukraine's MTPs (UAwGDP)	% yoy	3.7	1.6	2.0	2.2	2.5	2.7
Consumer inflation in Ukraine's MTPs (UAwCPI)	% yoy	13.8	7.6	5.1	3.4	2.5	2.5
World prices:**							
Steel price, Steel Billet Exp FOB Ukraine	USD/t	618.1	539.7	504.1	465.5	490.3	501.1
	% yoy	0.5	-12.7	-6.6	-7.7	5.3	2.2
Iron ore price, China import Iron Ore Fines 62% FE	USD/t	121.4	120.6	109.4	95.8	88.6	87.6
	% yoy	-25.0	-0.7	-9.3	-12.4	-7.5	-1.1
Wheat price, European Soft White Super Delivered Italy	USD/t	353.5	264.1	232.1	231.2	231.1	235.8
	% yoy	26.9	-25.3	-12.1	-0.4	0.0	2.0
Corn price, Yellow #2 Delivery USA Gulf	USD/t	318.4	252.7	190.6	207.8	211.8	213.7
	% yoy	22.7	-20.6	-24.6	9.0	1.9	0.9
Crude oil price, Brent	USD/bbl	99.8	82.6	80.7	69.8	68.2	69.1
	% yoy	41.8	-17.2	-2.3	-13.5	-2.3	1.3
Natural gas price, Netherlands TTF	USD/kcm	1355.9	465.6	393.9	442.9	384.7	367.7
	% yoy	135.9	-65.7	-15.4	12.4	-13.1	-4.4
Volumes of gas transit	bcm	20.6	14.6	15.0	0.0	0.0	0.0
Harvest of grain and leguminous crops	t m	53.9	59.8	56.2	57.9	59.6	60.4
Minimum wage**	UAH	6550	6700	7775	8000	8688	9374

\* Actual data

\*\* Annual average.