National Bank of Ukraine

Inflation Report

October 2025

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 envisages allows the 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 analysis in the current Inflation Report (October 2025) is based on the data available at the date of its preparation. Thus, the time horizon of the analysis may vary for some indicators. For the majority of indicators, the cut-off date for the data in this report is 22 October 2025. The assumptions underlying the forecast were finalized the same day. 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 23 October 2025[1].

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.

[1]NBU Board Decision No.384 *On Approval of the Inflation Report* dated 23 October 2025.

Contents

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 that conditions in which the economy operates will gradually normalize over the forecast horizon. This will take the form of 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 the increased intensity of air attacks and the destruction caused by russian aggression, as well as an increase in defense spending in 2025 compared to previous estimates.

Inflation is declining, but the underlying price pressure persists, while there are no signs of a steady improvement in expectations

Consumer inflation slowed to 11.9% yoy in September. According to the NBU's estimates, this downtrend continued in October. Although the growth in consumer prices decelerated faster than projected in the NBU's July Inflation Report, this was primarily driven by an increase in the supply of vegetables due to the harvest being larger than last year.

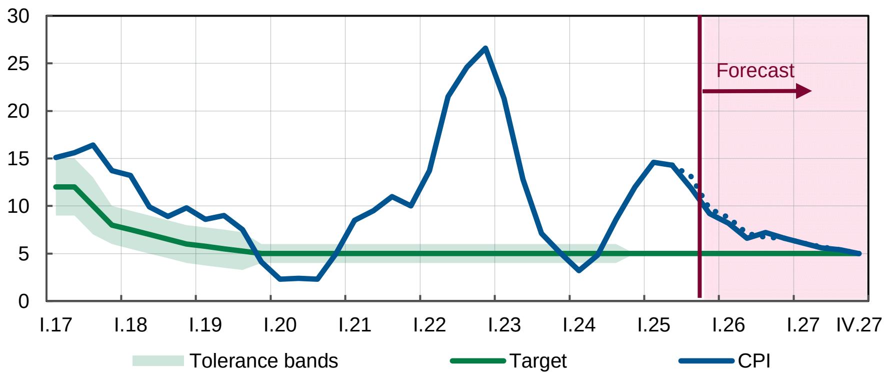
On the other hand, core inflation declined at a slower pace (to 11.0% yoy in September). The underlying price pressure persisted, particularly as businesses continued to incur high costs of labor and energy. As a result, the growth rates of prices for a number of core inflation components either declined slowly (processed foods) or did not decline at all (services).

Inflation expectations of the majority of respondent groups did not improve in the past quarter (except for the expectations of the banks). Although the expectations of financial analysts were relatively close to the NBU's forecasts, the expectations of other polled groups remained high. Households' attention to the topic of inflation rose, as seen from the web search statistics.

The NBU's monetary policy is aimed at bringing inflation down to the 5% target over the policy horizon

The slowdown in inflation will be facilitated by the pass-through to consumer prices from the effects of this year's harvests of vegetables and grains, further increases in harvests, which are assumed by the NBU's forecast, and by monetary policy measures aimed at supporting interest in hryvnia assets and the sustainability of the FX market. Labor market mismatches are also expected to partially decrease over the forecast horizon, contributing to slower growth in real wages and thus easing the pressure on the costs incurred by businesses.

Figure 1[2].CPI change (end of period, % yoy) and inflation targets



Source: SSSU, NBU estimates.

2 Unless indicated otherwise, a dashed line in the figures denotes the previous forecast.

At the same time, disinflation will be restrained by businesses' additional expenses on ensuring uninterrupted operation amid energy shortages and by the rapid growth in administered prices. The NBU forecasts inflation to decline to 9.2% in 2025, to 6.6% in 2026, and reach the target of 5% at the end of 2027.

The economy continues to grow, but the pace of its growth will remain moderate due to the effects of the war

As per the NBU's estimates, economic growth picked up in Q3 2025 thanks to the intensification of early crop harvesting, sustained consumer demand, and an improved situation in the energy sector, which lasted through the end of September. The expected increase in budgetary stimuli at the end of the year will support further recovery. However, energy shortages caused by the recent destruction of infrastructure and natural gas production facilities, coupled with labor shortages, will significantly hamper businesses activity. In view of the above, the NBU has revised downward its economic growth forecast for 2025, to 1.9%.

In the following years, economic growth is expected to accelerate moderately on the back of larger harvests and increased investments in reconstruction projects and the defense sector. Investment activity will also be positively impacted by Ukraine's further progress on the path of European integration and the economy's gradual return to normal functioning conditions, which will be reflected, among other things, in the stabilization of the energy sector and the reversal of the negative migration trend. Considering the said factors, the NBU forecasts Ukraine's real GDP to grow by 2% in 2026 and 2.8% in 2027.

Volumes of international assistance remain sufficient for non-monetary financing of the budget deficit and for maintaining an adequate level of international reserves

Ukraine continues to receive international support. In August–October, Ukraine obtained about USD 13 billion in external financing. By the end of 2025, another USD 15 billion is expected to arrive.

The NBU's updated forecast assumes that stable and sufficient international financing will be maintained in the coming years, mainly due to reparation loans based on frozen russian assets. This will allow for the continued financing of the budget deficit without resorting to monetary financing. It will also be possible to keep international reserves at a sound level, sufficient to support the sustainability of the FX market.

The current level of monetary conditions is sufficient to maintain demand for hryvnia assets and is not creating impediments to lending development

Since the previous meeting, rates on term hryvnia deposits and domestic government debt securities have remained relatively unchanged, while household inflation expectations have marginally worsened, in particular on the back of the deteriorating security situation. As a result, hryvnia term deposits continued to grow in volume, if at a slower clip.

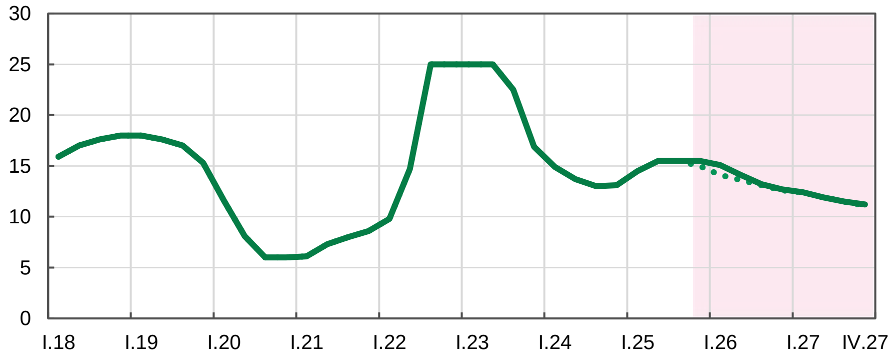
By contrast, corporate and household hryvnia loans kept rising fast: by more than 30% yoy. In addition, surveys show the banks reporting an increase in businesses' demand for loans and an easing in lending standards, both in previous months and for the next quarter.

Going forward, the NBU will maintain relatively tight monetary conditions to safeguard the sustainability of the FX market and the attractiveness of hryvnia savings, while also ensuring a steady decline of inflation to its 5% target over the policy horizon

Given the amplification of pro-inflationary risks, keeping the key policy rate at its current level (15.5%) is appropriate under the current circumstances. This will help support demand for hryvnia savings instruments, keep inflation expectations under control, and safeguard the sustainability of the FX market, which is important for achieving price stability.

The NBU’s baseline scenario for the October macroeconomic forecast assumes that key policy rate cuts will begin in Q1 2026. Should risks to price dynamics materialize and/or intensify, particularly if there are more significant underlying inflationary pressures, the NBU will be ready to postpone the key policy rate cuts. At the same time, a weakening of pro-inflationary risks will signal a move towards an interest rate easing cycle.

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 grinds on. The past few months have seen an increase in the intensity of air attacks on, and the destruction of, energy infrastructure, logistics, and production facilities. This has already been reflected in the revision of forecast indicators and has increased the risks of higher price pressures and a further decline in economic potential.

Other war-related risks have also increased, including:

- the emergence of additional budgetary spending on defense capabilities and reconstruction
- insufficient and/or irregular external financing in the coming years,
- a deepening of adverse migration trends and a widening of labor shortages on the domestic labor market mainly due to persisting high security risks.

Furthermore, there are risks that external conditions will be less favorable and/or that volatility in the global commodity and financial markets will be heightened, because of intensifying geopolitical uncertainty and deglobalization.

Meanwhile, some positive scenarios are also likely to materialize. These are primarily related to increased military and financial support from partners and the international community’s efforts to ensure a just and lasting peace for Ukraine.

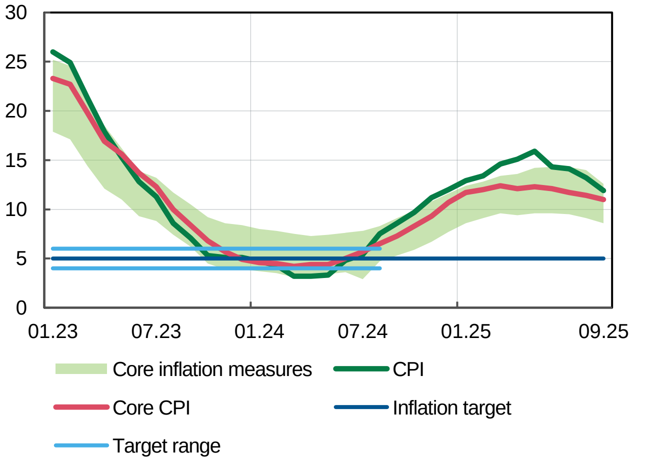
Part 1. Inflation Developments

- Consumer inflation has been declining in recent months. The growth in consumer prices decelerated faster than projected in the NBU's July Inflation Report – this was primarily driven by an increase in the supply of vegetables due to the harvest being larger than last year. On the other hand, underlying price pressures persisted, particularly as businesses continued to incur high costs for labor and energy.
- Inflation will continue to decline (to 9.2% in 2025 and 6.6% in 2026) and will reach the 5% target at the end of 2027. The slowdown in inflation will be facilitated by the pass-through to consumer prices from the effects of this year's harvests of vegetables and grains, further increases in harvests, which are assumed by the NBU's forecast, and by monetary policy measures aimed at supporting interest in hryvnia assets and the sustainability of the FX market.

Headline inflation declined primarily due to the arrival of new harvests

Consumer inflation declined in June–September (to 11.9% yoy), and preliminary estimates suggest that this trend continued in October. The growth in consumer prices decelerated faster than projected in the NBU's July forecast. This deviation was primarily driven by an increase in the supply of vegetables due to the harvest being larger than last year. In annual terms, prices declined for all borshch vegetables, peppers, cucumbers, and tomatoes.

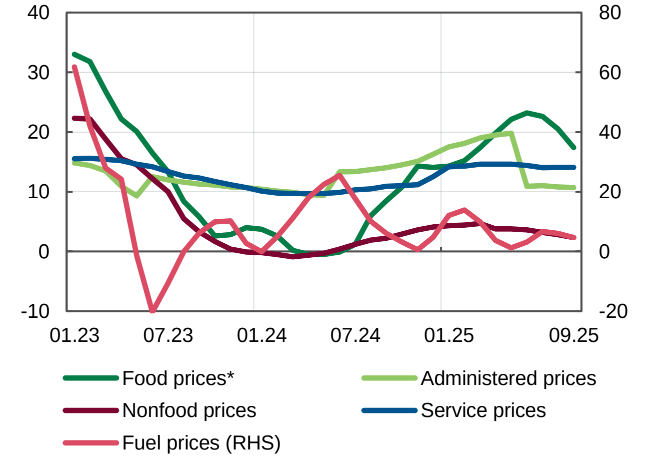
Figure 1.1. Consumer inflation and underlying inflation trends*, % yoy



* Read more in the January 2017 Inflation Report (pages 20–21). The target range remained in effect until August 2024 inclusive.

Source: SSSU, NBU staff estimates.

Figure 1.2. Selected CPI components, % yoy



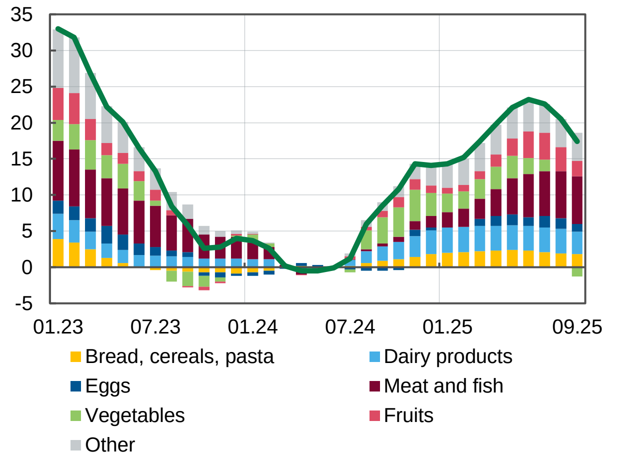
* Also includes products with administratively regulated prices.

Source: SSSU, NBU staff estimates.

The decline in prices for certain vegetables is explained by an increase in the supply of medium and low-quality products. Due to prolonged periods of rain during the harvesting period, the quality of vegetables deteriorated significantly, rendering some products unsuitable for long-term storage. In an effort to sell these products as quickly as possible, farmers lowered prices (for example, onion prices in September were the lowest since the start of 2022). On the other hand, producers of high-quality products kept them in storage in anticipation of higher prices.

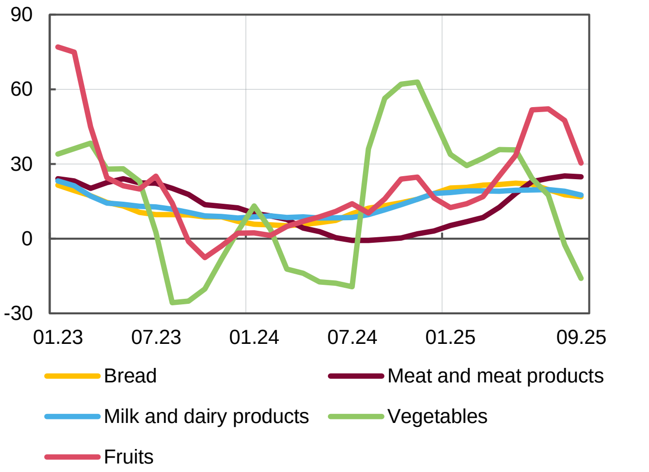
The growth in fruit prices slowed significantly (to 30.4% yoy in September, compared to 51.7% yoy in June). However, prices for apples, berries, and stone fruits remained high due to the loss of the lion's share of the harvest. In addition, opportunities to import certain fruits at low prices, particularly apples, were limited due to low external supply.

Figure 1.3. Contributions to the annual change in food prices, pp



Source: SSSU, NBU staff estimates.

Figure 1.4. Prices for selected food product groups, % yoy



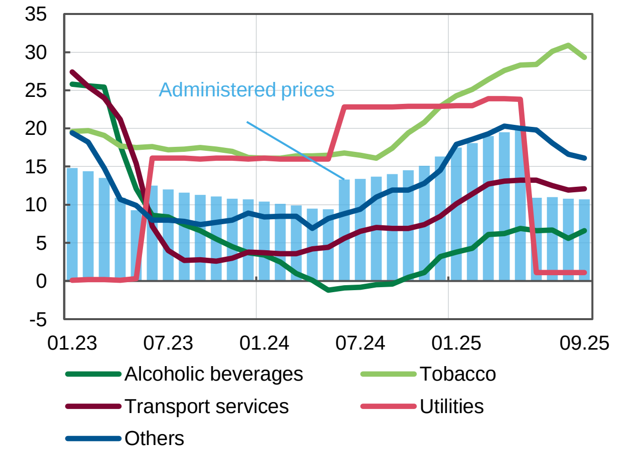
Source: SSSU, NBU staff estimates.

At the same time, amid low domestic supply and falling external prices, imports of meat and dairy products increased substantially (read more in the box *Ukraine and the EU: Food Price Convergence* in the July 2025 Inflation Report, page 23). Under the influence of domestic market saturation, the growth of milk prices began to slow, partly due to a decline in demand from processing enterprises. However, the rate of increase in pork and beef prices continued to accelerate under the influence of lower livestock numbers and higher production costs.

Administered inflation was held back by the moratorium on increases in utility tariffs, but remained high due to rising prices for tobacco products

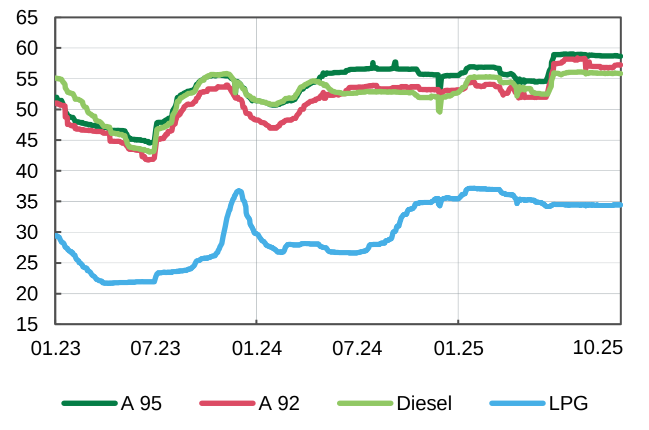
The moratorium on price increases for natural gas, heating, and hot water supplies continued to restrain the growth in administered prices. However, administered inflation remained in double-digit territory due to the rapid growth in tobacco product prices. Such dynamics was driven, among other things, by tighter measures to combat the shadow-market supply[3] and tax changes for manufacturers and importers of tobacco products[4].

Figure 1.5. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

Figure 1.6. Fuel prices, UAH per liter*



* As of 23 October 2025.

Source: minfin.com.ua.

[3] In particular, the mechanism for administering the excise tax has been improved: electronic excise stamps were introduced in test mode starting in March 2025 (they will become mandatory in 2026).

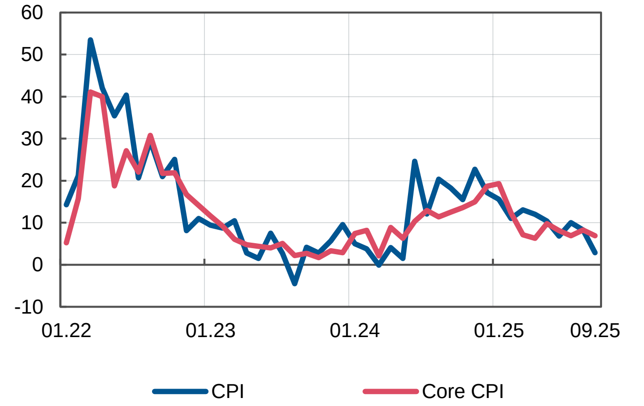
[4] The increase in the excise tax on tobacco products (and the conversion of the tax to euros) came into effect in March 2025. In addition, from 1 April to 31 December 2025, cigarette manufacturers and importers will apply a 1.1 multiplier to calculate their minimum excise tax liability. This requirement is due to the fact that in 2024, the share of total excise tax liabilities in the weighted average retail price of cigarettes was less than the required level of 60%.

In addition, petrol and diesel fuel prices rose in Q3, in particular due to higher excise tax payments resulting from the strengthening of the euro. Another reason was the increase in markups by filling station chains.

At the same time, underlying price pressures persisted, and there were no signs of any steady improvement in expectations

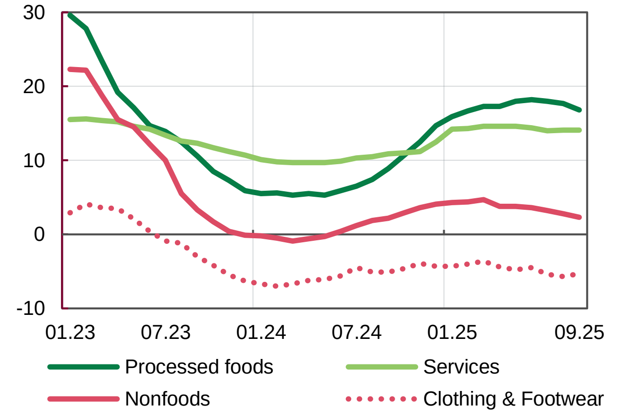
Unlike the trajectory of headline inflation, the decline in core inflation was moderate (to 11.0% yoy in September, compared to 12.1% yoy in June) and close to the NBU's July forecast. The persistence of underlying price pressures was also confirmed by the dynamics of the annualized seasonally adjusted monthly growth rates of the core CPI. These declined at the start of the year, but have fluctuated between 6% and 10% since April, mainly due to businesses' persistently high production costs for labor and energy. As a result, the growth rates of prices for a number of core inflation components either declined slowly (processed foods) or did not decline at all (services).

Figure 1.7. Annualized* changes in headline and core inflation indices, %



*Annualized monthly change, seasonally adjusted.
Source: SSSU, NBU staff estimates.

Figure 1.8. Selected components of the core CPI, % yoy



Source: SSSU, NBU staff estimates.

The decline in inflation of processed food products was primarily influenced by second-round effects from cheaper raw food products. For example, the growth in prices for bread and bakery products slowed due to a certain stabilization of flour prices. Growth rates of prices for sunflower oil (due to the arrival of a new sunflower harvest) and non-alcoholic beverages (due to lower sugar prices) also decreased.

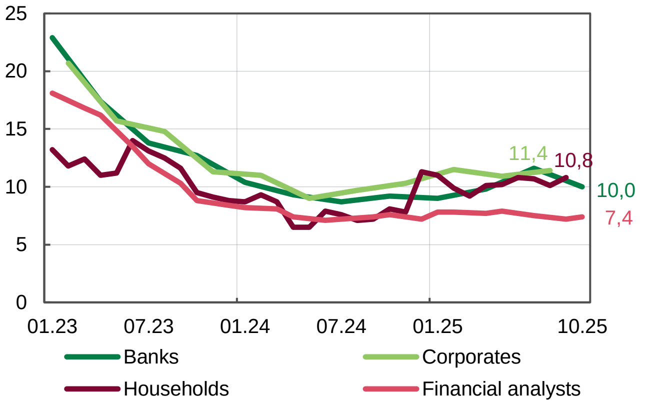
Prices for services remained persistently high (14.1% yoy in September) in recent months due to significant pressure on businesses' costs from the labor market. The shortage of workers, caused by the consequences of the war, stimulated a further increase in wages.

The growth in prices of non-food products continued to slow, which was facilitated by the low volatility of the hryvnia exchange rate against the U.S. dollar. As before, clothing and footwear continued to decrease in price, and this trend deepened further in Q3.

The share of components covered by growth above the attention threshold (10%[5]) declined slightly, but remained significant at 56%. This, combined with the deterioration of the security situation, probably affected inflation expectations, which did not improve for most groups of respondents during the last quarter (with the exception of the banks). Although the expectations of financial analysts were close to the NBU's forecasts, the expectations of other polled groups stayed elevated. Households' attention to the topic of inflation remained high, as seen from web search statistics.

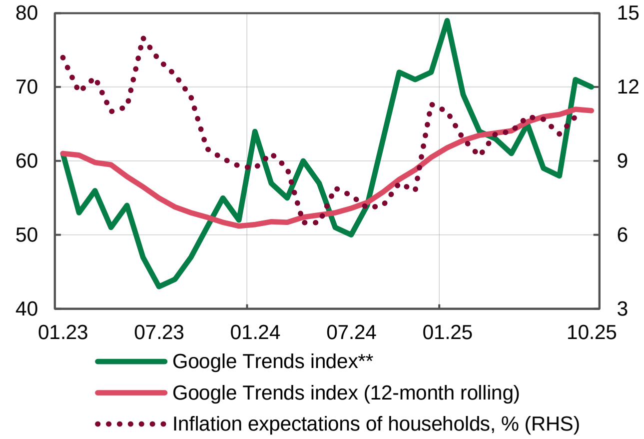
[5] Read more in the box *In Search of Optimal Flexibility: What Is an Acceptable Deviation of Inflation from the Target?* of the October 2024 Inflation Report , page 14.

Figure 1.9. **12-month-ahead inflation expectations, %**



Source: NBU, Info Sapiens.

Figure 1.10. **Normalized indices of interest in the Inflation topic and households' inflation expectations***



* 12-month-ahead inflation expectations of households.

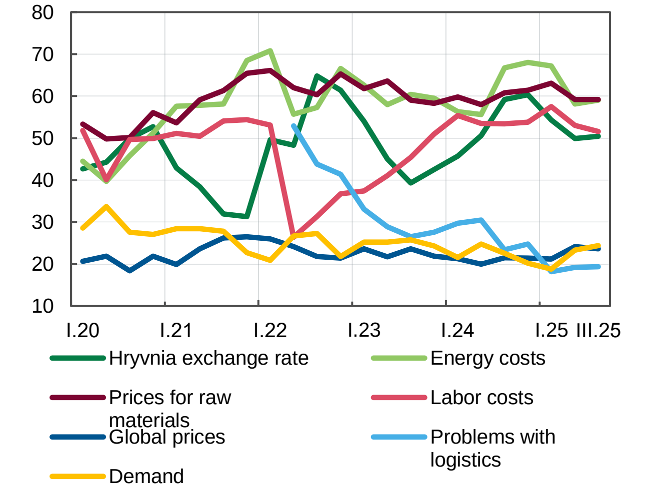
** Google Trends index as of 23 October 2025.

Source: Info Sapiens, Google Trends, NBU staff estimates.

The pass-through to inflation of the effects of the hryvnia's weakening against the euro in previous periods was in line with the NBU's expectations. On the one hand, the hryvnia's depreciation pushed up core inflation components moderately, adding persistence to the underlying pressure. On the other hand, it significantly affected the prices of excisable products (tobacco, fuel) and imported electricity.

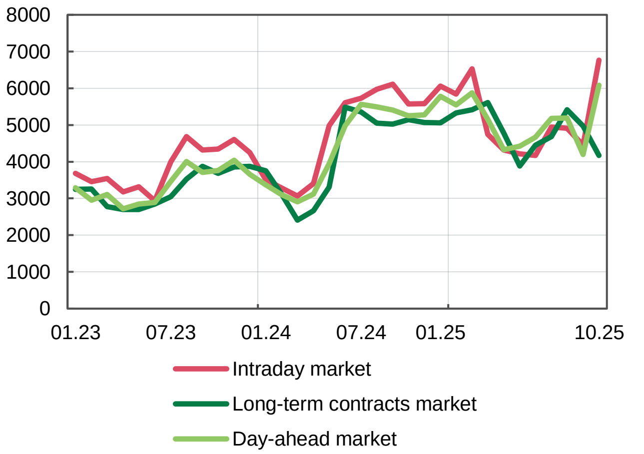
However, prices in the "supply of electricity, natural gas, and steam" sector in Q3 were mostly lower than last year due to a better situation in the energy sector. In October, due to the energy deficit caused by air strikes, prices in certain wholesale electricity markets increased markedly. In Q3, prices also rose in crude oil and natural gas extraction against the backdrop of attacks on gas production infrastructure. This will have second-round effects on inflation for energy-intensive consumer goods and services.

Figure 1.11. **Major factors affecting businesses' expectations of price changes for their goods and services, % of respondents**



Source: NBU.

Figure 1.12. **Electricity prices for non-household consumers, UAH/MWh***



* As of 23 October 2025.

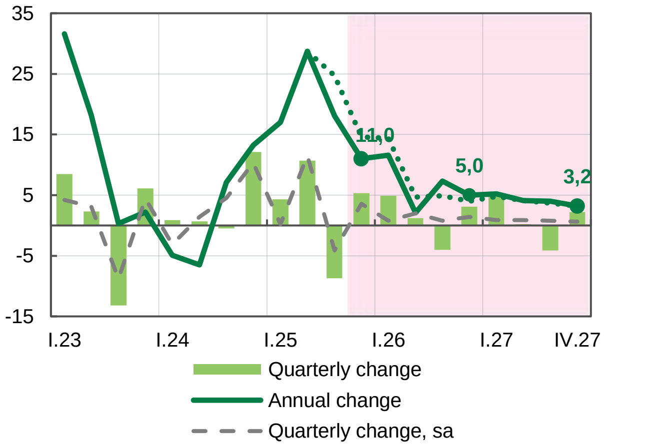
Source: Ukrainian Energy Exchange, Market operator.

Inflation will continue to gradually slow, but at a moderate pace – it is expected to be brought down to the 5% target at the end of 2027

The slowdown in inflation in the coming months will be primarily ensured by an ample supply of food. In particular, estimates were improved for 2025 for the harvests of potatoes and other vegetables. As a result, over the next three quarters, vegetable prices will be lower than last year.

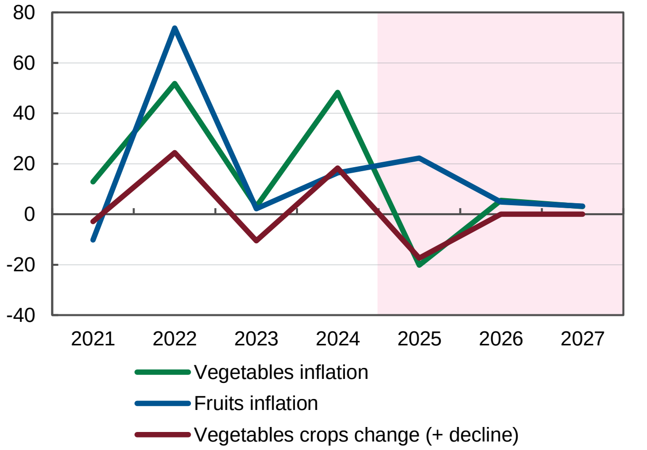
A higher grain harvest than a year ago will restrain further increases in prices for flour and processed foods. Thus, the decline in inflation of feed crops will gradually lead to slower growth in meat prices, supporting a significant slowdown in raw food inflation, which will reach its maximum effect in mid-2026.

Figure 1.13. Raw food inflation at the end of period, %



Source: SSSU, NBU staff estimates.

Figure 1.14. Individual components of food inflation and harvest, change at the end of period, % yoy



Source: SSSU, NBU staff estimates.

Certain external factors will also have a mixed impact on further dynamics of food prices. Specifically, a disinflationary effect is expected from the bumper crops of potatoes in the EU and the decline in prices in this region to historical lows. At the same time, the situation with apples may be the opposite. According to some estimates, the apple harvest in the EU this season is expected to be close to last year's weak harvest and approximately 7.5% lower than the average for the last three years. Under the aforementioned conditions, the further downward correction of apple prices in Ukraine will be limited, so their prices will remain relatively high.

An inflationary impact is expected from the new, expanded quotas under the trade regime with the EU, which will come into effect on 29 October. Such quotas will likely stimulate more active exports of products such as eggs and skimmed milk powder, which will limit the supply of these goods on the domestic market.

Conversely, the new trade agreement between the United States and the EU, which allows for duty-free imports of large volumes of U.S. dairy products into Europe, may worsen competitive conditions in the EU market for Ukrainian producers. Potential tougher competition in the EU market and increased imports of cheese to Ukraine will lead to the formation of a surplus of dairy raw materials in the domestic market and will create downward pressure on prices.

At the same time, the decline in inflation in the coming months will be restrained by the materialization of lagged effects of the pass-through to the prices of certain non-food products from the actual weakening of the hryvnia exchange rate against the euro.

Additional inflationary pressure in the coming months will also stem from wider electricity shortages or potential power supply interruptions due to attacks on the energy system, which may negatively affect technological processes at enterprises, leading to a decrease in production and an increase in costs, and which will accordingly create additional inflationary pressure.

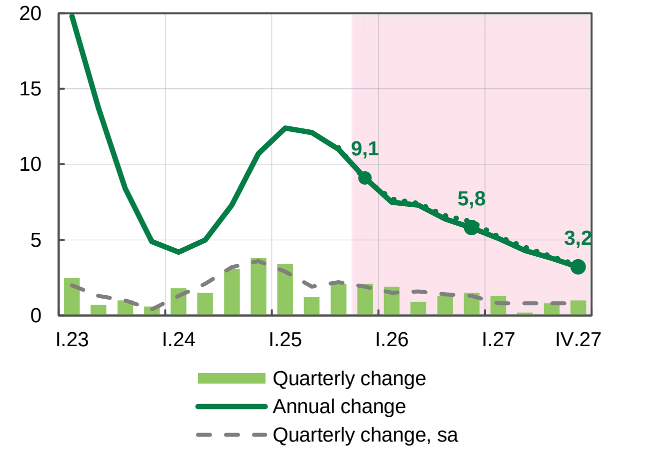
Overall inflationary pressure will continue to decline. Consumer inflation will drop to 9.2% at the end of 2025 as a result of the further slowdown in inflation of raw food products and core inflation.

In 2026–2027, the volumes of the grain and legume harvests will rise due to the expansion of corn and other grain crop plantings in regions less affected by climate change. The harvests of fruits and berries are also expected to grow over the forecast horizon, provided there are no weather shocks. Accordingly, food inflation will slow to around 3% by the end of the forecast period.

Underlying inflationary pressures will decline gradually. Businesses' high production costs, associated with the rising cost of raw materials (including those imported from the euro area) and labor costs against the backdrop of a labor shortage, will keep core inflation elevated for an extended period. Due to the persistence of imbalances in the labor market, services inflation will grow the most among all core inflation components. As economic conditions normalize, the influence of these factors will gradually wane.

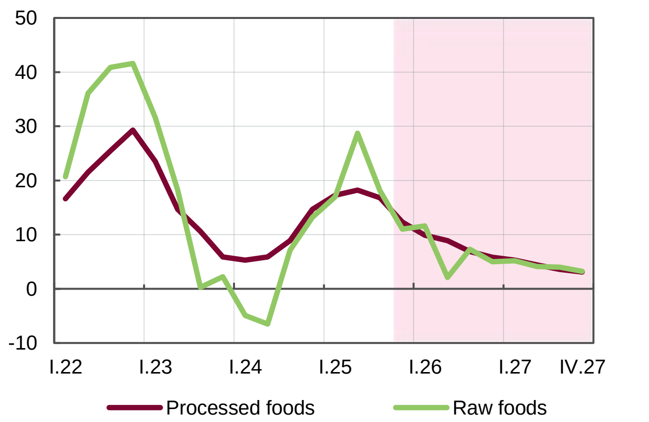
Monetary policy measures, for their part, will continue to restrain underlying inflationary pressures to bring headline inflation down to the target. Monetary policy will maintain a positive real interest rate gap and help preserve the attractiveness of hryvnia assets, which will limit pressure on the FX market, thereby contributing to a decline in imported inflation. Additionally, second-round effects from the subsiding of raw food inflation will help reduce the rate of price growth for processed foods. However, second-round inflationary effects on core inflation from high food inflation will persist in 2026, which will restrain the speed of its slowdown. GDP growth will be rather moderate and close to the equilibrium level, not generating any inflationary pressure. As a result, core inflation is expected to gradually decline to around 6% in 2026, and around 3% by the end of the forecast period.

Figure 1.15. Core inflation at the end of period, %



Source: SSSU, NBU staff estimates.

Figure 1.16. Food inflation components at the end of period, % yoy



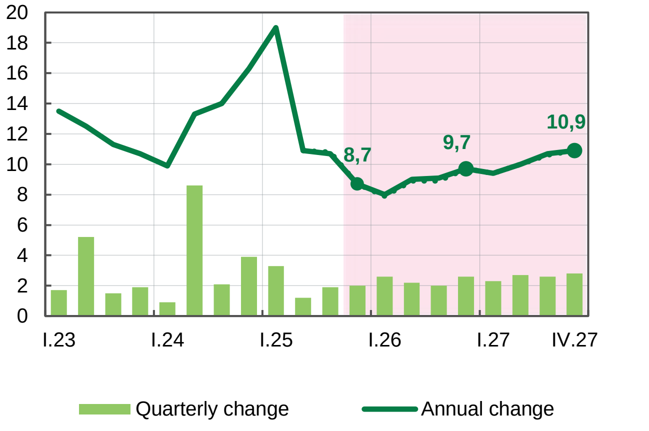
Source: SSSU, NBU staff estimates.

The maintenance of relatively tight monetary conditions will be necessary to offset the effects of faster growth in administered prices.

Specifically, a further increase in the excise burden on tobacco products is expected in order to fulfill European integration commitments. The forecast also assumes that, as the economic situation normalizes, tariffs for certain utility services will start to be gradually brought to market-based levels. At the same time, another technical assumption of the forecast is a partial increase in electricity prices for households in 2026 in view of the high needs for the restoration of energy infrastructure.

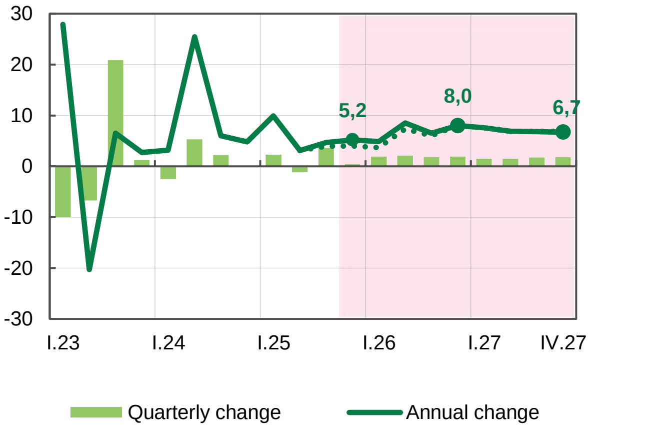
The planned increase in the excise burden on fuel will spur fuel price growth in the coming years. At the same time, prices are expected to remain relatively stable until the end of the current year.

Figure 1.17. Administered price inflation at the end of period, %



Source: SSSU, NBU staff estimates.

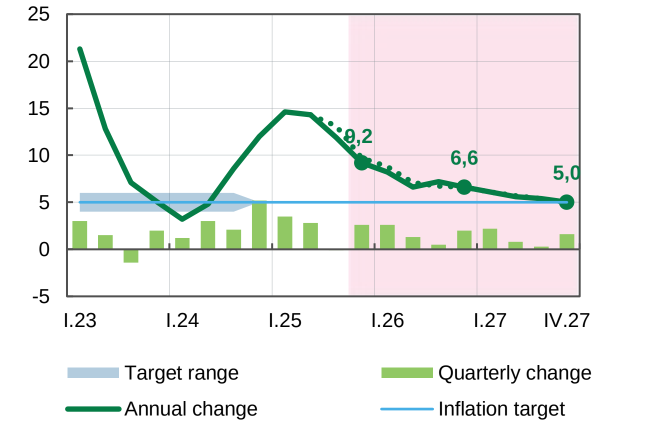
Figure 1.18. Fuel price at the end of period, %



Source: SSSU, NBU staff estimates.

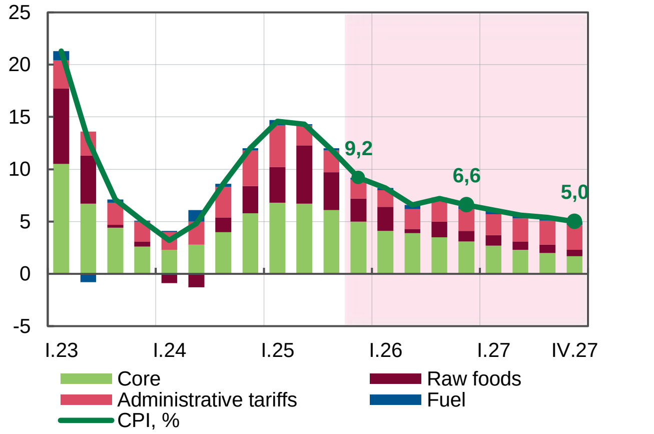
As a result of the effect of all these factors, inflation will slow to 6.6% in 2026 and reach the target of 5.0% at the end of 2027.

Figure 1.19. CPI at the end of period, %



Source: SSSU, NBU staff estimates.

Figure 1.20. Contributions to annual CPI growth by main components at the end of period, pp



Source: SSSU, NBU staff estimates.

Box 1. Regional Specifics of Inflation in Ukraine

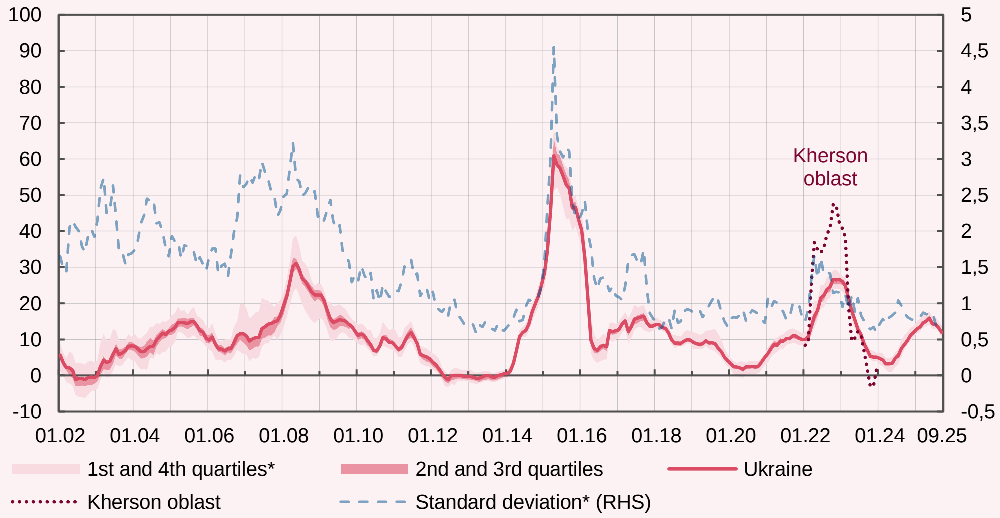
The inflation indicators traditionally used by the NBU and the government to formulate their policies are the result of averaging the rather variable inflation across different regions. Additional factors in such variation, related to the war, have emerged in recent years. The difference in inflation is particularly noticeable at the level of individual goods and, above all, services, the prices of which are mostly determined by local conditions due to the limited possibilities for their redistribution between regions. Analyzing price dynamics by region is an important aspect in obtaining a deeper understanding of macroeconomic processes in the country.

International experience shows that regional differences in inflation can significantly impact macroeconomic processes. In countries with pronounced regional heterogeneity, such gaps are often linked to logistical barriers, market segmentation, and differences in consumption structure (IMF, 2022; Engel & Rogers, 1996). In the Ukrainian context, these effects may currently be additionally amplified by the consequences of the war, namely by infrastructure destruction, internal and external migration, etc. As a result, the regional structure of inflation can become even more heterogeneous during certain periods, especially in the services segment, which is sensitive to local conditions. This confirms the advisability of monitoring price trends in individual regions of the country to achieve the timely detection of potential factors influencing the overall inflation rate.

Statistical data show that the geographic variation of inflation in Ukraine has been quite volatile. Until the early 2010s, the difference between the minimum and maximum could be up to around 14 pp. That is, while inflation might be 6% in one region, it could be 20% in another. Since the early 2010s, and especially after the transition to the inflation targeting regime, when inflation became lower and more stable, a noticeable decrease in such high variation was observed: in about 80% of observations, the spread was already in the range of 3 pp to 7 pp.

The reasons for inflation becoming more even across regions are both economic (increased integration of domestic markets with the spread of e-commerce, the development of transport infrastructure, etc.) and methodological changes (improvement of statistical methodology and regional price data collection). This was also facilitated by the NBU's monetary policy, given the strengthening of its transmission to the economy, including due to the growing role of the NBU in shaping the expectations of various groups of respondents since the transition to the inflation targeting regime.

Figure 1. Consumer inflation and its variation across regions, %

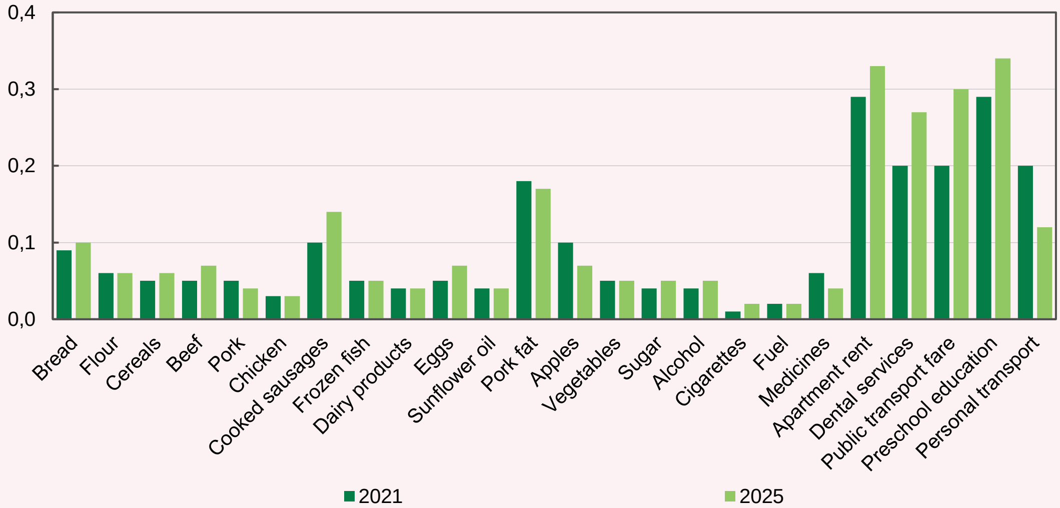


Source: SSSU, NBU staff estimates.

* From March 2022 to December 2023 – Kherson oblast shown separately.

However, since the start of the full-scale war, the regional variation of inflation has sharply increased. The different intensity of air attacks and damage across regions, and migration (both internal and external) have altered the geographic distribution of consumer demand, capital, and resources. Logistical accessibility in the frontline regions has worsened. Different consumer preferences have formed among people depending on their place of residence. Furthermore, the uneven duration and scale of electricity supply stabilization outages in the regions have led to significant disparities in businesses' energy supply costs. As a result, the geographic unevenness of prices has increased compared to 2021.

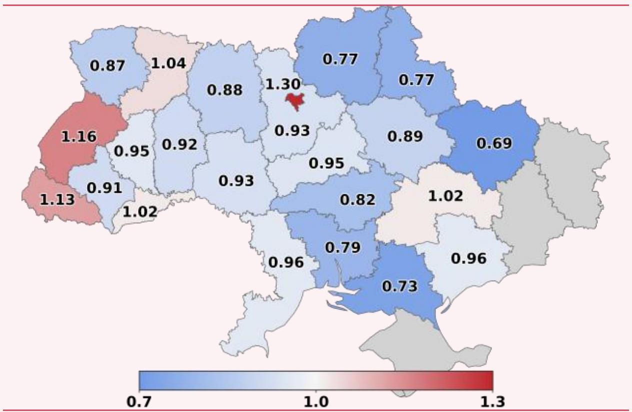
Figure 2. Price variation (standard deviation) for selected goods



Source: SSSU, NBU staff estimates.

In 2025[6], regional differences in service prices became even more pronounced; in some regions they could differ almost twofold. As before, this is explained by the low mobility of service providers and consumers between regions.

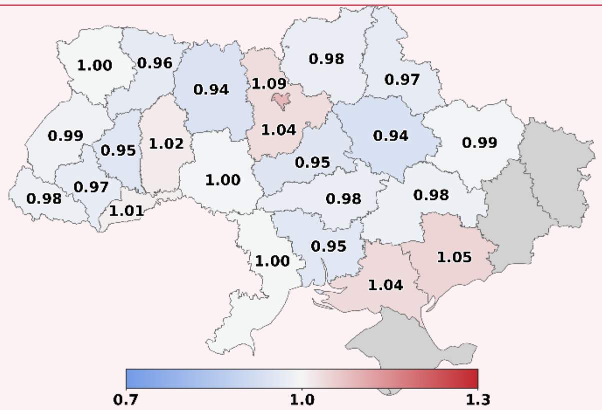
Figure 3. Regional price differences for selected services in 2025*



Source: SSSU, NBU staff estimates.

* Ratio of service prices in a region to the national average over a rolling year (Oct 2024–Sep 2025). Calculated using a limited set of services categories for which the State Statistics Service of Ukraine publishes average consumer prices.

Figure 4. Regional price differences for selected food products in 2025*



Source: SSSU, NBU staff estimates.

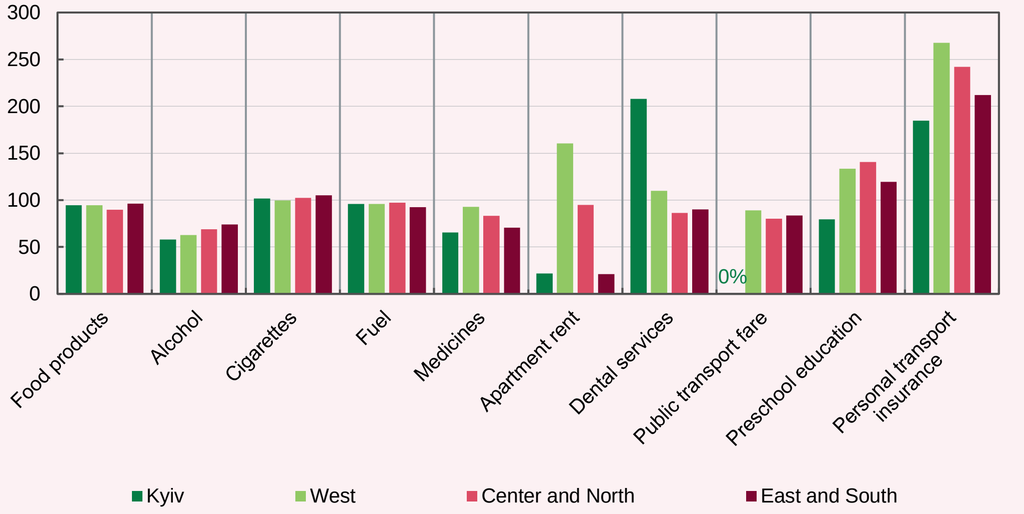
* Ratio of food product prices in a region to the national average over a rolling year (Oct 2024–Sep 2025). Calculated using a limited set of food product categories for which the State Statistics Service of Ukraine publishes average consumer prices.

The main factor that caused the significant variance of service prices was apartment rent. In the western regions, where a significant number of internally displaced persons settled, rental prices grew substantially. In 2025, the most expensive apartment rentals are in Zakarpattia, Lviv, and Rivne oblasts, followed by Kyiv. At the same time, in Kharkiv and Odesa oblasts, rental prices even decreased compared to 2021.

[6]Data for 2025: October 2024 – September 2025.

Fares for public transport have also grown unevenly. Through expenditures from municipal budgets, the fares in certain regions were administratively kept below an economically justified level. Specifically, over the last four years, public transport fares remained unchanged in Kyiv city, Kyiv oblast, and Kharkiv oblast. Conversely, they almost doubled in the rest of Ukraine's regions.

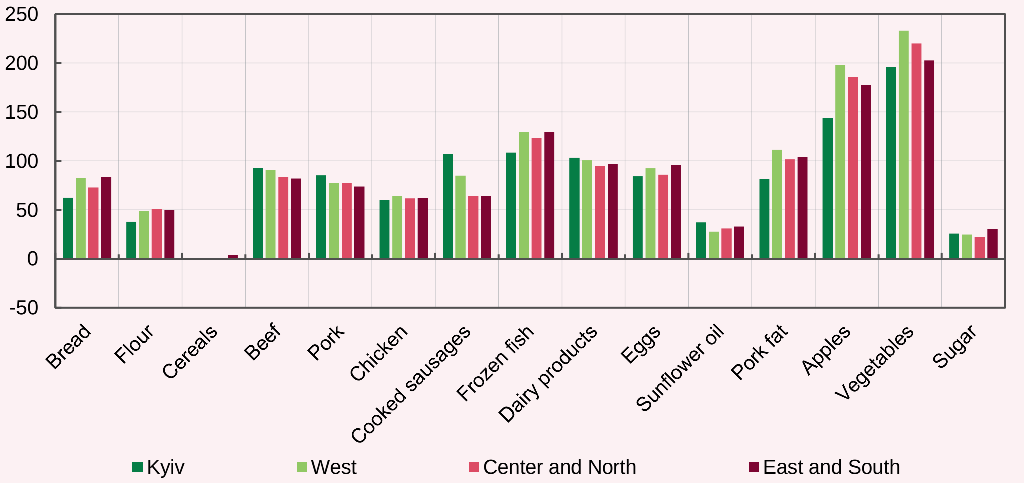
Figure 5. Change in prices of selected goods and service groups in 2025 compared with 2021, %



Source: SSSU, NBU staff estimates.

The rates of price growth for food products were more uniform across regions, and the spread of food prices was significantly smaller (about 16%). The lowest food prices were seen in Poltava oblast, while they were the highest in Kyiv. In 2025, a relatively high level of food prices was also recorded in Zaporizhzhia and Kherson oblasts, due to complicated logistics and business conditions in these frontline regions.

Figure 6. Change in prices of selected food product groups in 2025 compared with 2021, %



Source: SSSU, NBU staff estimates.

The growth in the variation of inflation across different regions indicates the advisability of monitoring price trends in individual regions of the country. This approach will allow for the timely detection of potential unevenness and the consideration of this data in macroeconomic analysis, which will increase the validity and quality of monetary policy decisions.

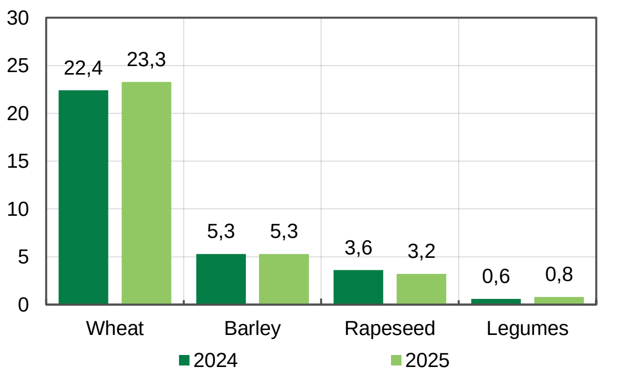
Part 2. Economic Developments

- As per the NBU's estimates, economic activity picked up in Q3 2025 thanks to the intensification of early crop harvesting, sustained consumer demand, and an improved situation in the energy sector, which lasted through the end of September. The expected increase in budgetary stimuli at the end of the year will support further recovery. However, the recent destruction of infrastructure and natural gas production facilities, coupled with labor shortages, will significantly restrict businesses activity. In view of the above, the NBU has revised downward its economic growth forecast for 2025, to 1.9%.
- In the upcoming years, economic growth is expected to accelerate moderately on the back of larger harvests and increased investments in reconstruction projects and the defense sector (2.0% in 2026 and 2.8% in 2027). Investment activity will also be positively impacted by Ukraine's further progress on the path to European integration and the economy's gradual return to normal functioning conditions.
- Real GDP will remain close to its potential level, while its growth will be constrained by wartime challenges: losses of production capacity and mismatches in the labor market.

The economy continues to grow, but the growth remains moderate due to the effects of the war

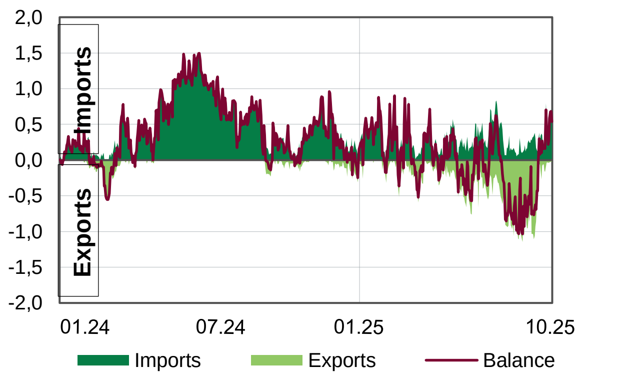
According to the NBU's estimates, the pace of economic growth accelerated in Q3 (to 2.1%), mainly due to a pickup in agriculture, where the decline slowed. Due to the slow pace of early crop harvesting, some of the agricultural sector's added value was carried over from Q2 to Q3. As of the start of October, the volumes of the harvests of early crops slightly exceeded the levels of 2024[7].

Figure 2.1. Harvest volumes of early crops*, million tons



* Data for 2025 are as of 1 October. Data for 2024 are final data based on harvesting results.
Source: SSSU.

Figure 2.2. Imports and exports of electricity, GW



Source: ENTSO-E.

The arrival of raw inputs from the new harvest had second-round effects on other sectors. Growth resumed in manufacturing, and the decline in the transportation sector slowed due to more active exports.

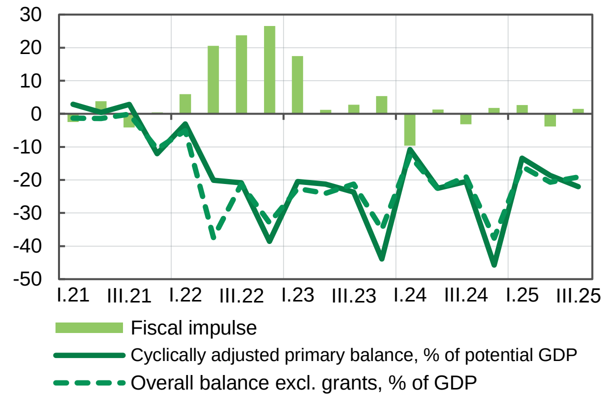
The significantly better situation in the energy sector compared to last year, which lasted until the early Q4, also had a notable positive impact on the dynamics of economic activity. This was facilitated by both the repair of thermal generation facilities and favorable weather in the summer. As a result, electricity generation significantly

[7]According to the SSSU, as of October 1, 2025, the harvest volumes of early crops (wheat, barley, rapeseed, and legumes) reached 32.6 million tons, compared to 31.9 million tons as of the end of the 2024 harvesting campaign (+2.1%). This year's growth was primarily driven by higher wheat (+3.9%) and legume (+35%) yields, while barley harvests were practically the same as last year's level (-0.6%), and rapeseed harvests were 10.7% lower than in 2024.

increased in Q3, making it possible to export large volumes of electricity, which were twice as large as imports. Unlike in the same period of 2024, no electricity cut-offs were applied to households or enterprises, which helped improve the operating conditions for businesses, especially in energy-intensive industries[8].

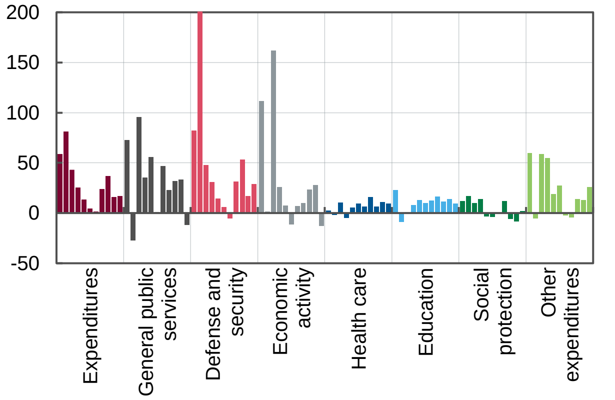
Fiscal stimuli also supported economic growth, with the fiscal impulse returning to positive territory. The cyclically adjusted primary balance of the budget expanded compared to the corresponding quarter of 2024. The consolidated budget deficit in nominal terms also widened[9] on the back of increased defense expenditures (approximately 33% yoy[10] in Q3). Social and humanitarian expenditures (specifically on social programs and salaries in the budget sector[11]) also remained substantial, which helped maintain robust consumer demand[12].

Figure 2.3. General government fiscal balance*



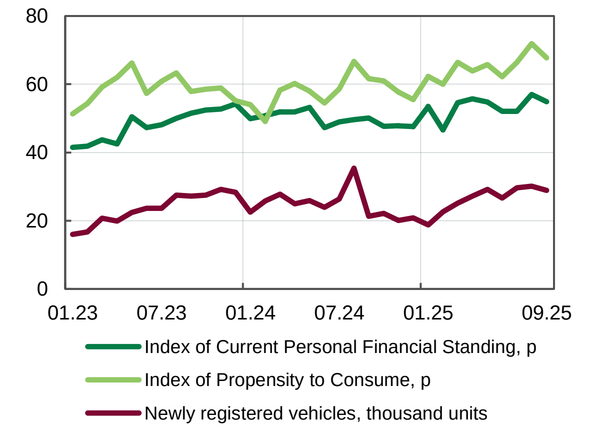
* The overall balance is the consolidated budget balance, taking into account loans to the PFU from the STA. The cyclically adjusted primary fiscal balance (CAPB) is the difference between seasonally adjusted revenues, in the structure of which tax revenues are adjusted for cyclical changes in GDP, and seasonally adjusted primary expenditures. Additionally, one-off proceeds are subtracted from revenues. A negative value indicates expansionary fiscal policy. For fiscal impulse, a positive value is stimulus policy. The 2025 GDP figure is the NBU's estimate.
Source: STSU, SSSU, NBU staff estimates.

Figure 2.4. Consolidated budget expenditures in 2023–2025, quarterly % yoy (functional classification)



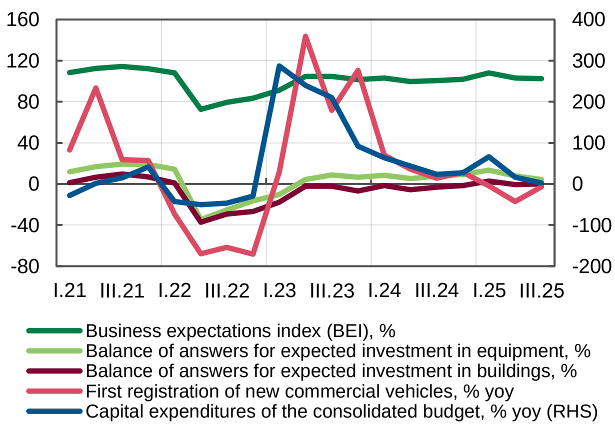
Source: STSU, NBU staff estimates.

Figure 2.5. Selected indicators of consumer demand



Source: Info Sapiens, Ministry of Internal Affairs.

Figure 2.6. Selected indicators of investment demand



Source: SSSU, STSU, NBU, Ukravtoprom, NBU staff estimates.

[8]According to Ukrmetalurgprom, in Q3 2025, the production of the main types of metallurgical products grew on average by 2.8% yoy, whereas in Q2 it decreased by 4.5% yoy.

[9]In Q3 2025, the consolidated budget deficit was UAH 462 billion, compared to UAH 399 billion in the corresponding quarter of 2024.Consolidated budget expenditures grew by 16.9% in Q3 (by 1.3% yoy in Q3 2024 and by about 15.7% yoy in Q2 2025).

[10]Defense spending in Q2 2025 increased by 14.5% yoy, while in Q3 2024 it decreased by 9.3% yoy.

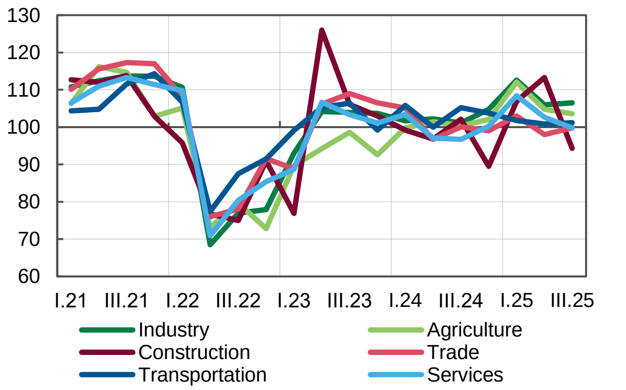
[11]Consolidated budget expenditures on salaries in Q3 increased by 9.9% yoy.

[12]This was also evidenced by the sustained growth of retail trade in Q3 (averaging 5.8% yoy). At the same time, the shift of seasonal consumer activity to August–September due to the cool weather in the first half of the summer also supported the service sectors in Q3.

The main factor holding back economic growth was the deterioration of the security situation. Thus, in Q3, the amount of artillery shelling increased (by almost 20% yoy), although in H1 it was significantly lower than last year. The number of clashes on the front line rose by almost 70%, while air and drone attacks increased by 43% compared to Q3 2024. In January–September 2025, 2.7 times more residential and infrastructure facilities were damaged as a result of attacks compared to last year. In September alone, the number of newly damaged facilities reached a peak of 630. This was 42% more than in August, almost three times more than in September last year, and more than five times more than in December last year[13].

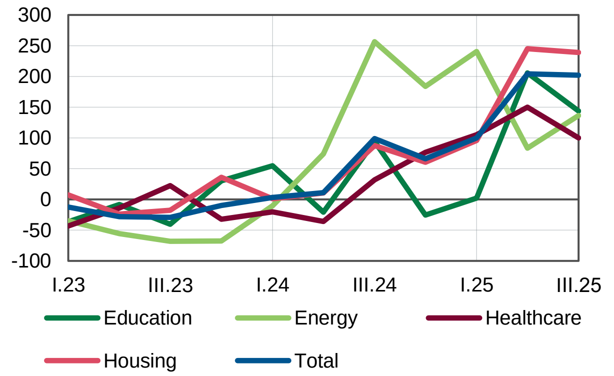
At the start of the year, attacks on natural gas production facilities intensified, which led to a reduction in gas supplies. This mainly impacted the chemical and food industries. At the end of September and in October, air attacks on energy infrastructure intensified as the enemy attempted to disrupt preparations for the heating season[14]. In Q3, the number of attacks on logistics and railway infrastructure, as well as on production facilities, increased[15]. This deterioration in the security situation was reflected in the business expectations of enterprises in Q3, which worsened significantly in the construction and service sectors, while remaining restrained in other sectors[16].

Figure 2.7. Business Outlook Index by type of activity, %



Source: NBU.

Figure 2.8. New damage to housing and infrastructure due to russian air attacks, % yoy



Source: ACLED, NBU staff estimates.

Net exports also generated a negative contribution to GDP growth in Q3. Imports, primarily of machinery products, continued to grow due to the need to increase defense capabilities and restore infrastructure. At the same time, as per the NBU's estimates, exports of goods and services decreased in Q3. Grain and sunflower oil supplies decreased due to low stocks. The introduction of 10% export duty on rapeseed and soybeans was also a temporary obstacle, which reduced their shipments. However, this was partially offset by increased rapeseed oil supplies. Exports of services also decreased, reflecting the cessation of natural gas transit from russia since the start of the year.

The difficult security situation also continued to exert significant pressure on the labor market, limiting business activity and maintaining the high growth of wage rates in the private sector. Although the labor supply grew faster than demand[17], in the first nine

[13]According to monitoring data from ACLED (Armed Conflict Location & Event Data).

[14]According to ACLED, in Q3 2025, the growth in the numbers of artillery and missile attacks accelerated both year-on-year (+19% yoy) and compared to Q2 2025 (+11% qoq). The amount of newly inflicted damage to housing rose by 239% yoy, and by 38% qoq. There was also a sharp increase in the amount of fresh damage to energy infrastructure (+137% yoy and +45% qoq) and healthcare facilities (+100% yoy and +45% qoq).

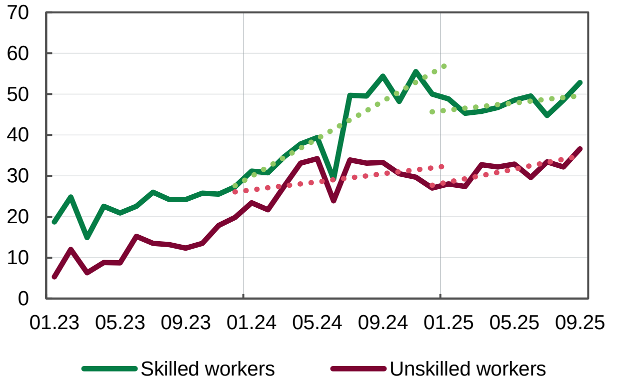
[15]According to IER surveys on the most important problems faced by businesses, in July–August 2025, the share of enterprises reporting unsafe working conditions increased by an average of 3.9% compared to the average value for April–May.

[16]According to NBU surveys, the business outlook index (BOI) in Q3 2025 was 102.5%, which was slightly lower than the previous quarter's level (103.1%), but it remained positive – and higher compared to the same period last year (100.6%). The business activity expectations index (BAEI) in Q3 dropped slightly on average compared to Q2 (to 49.2 points, from 50.1 points, respectively) and turned negative, although it remained significantly higher than the level of Q3 2024 (47.2 points).

[17]The growth in the average number of new job offers in Q3 2025 slowed to 5% yoy (13% yoy in Q1 2025 and 5% yoy in Q2 2025). Conversely, the growth in the average number of new resumes accelerated to 31% yoy in Q3 (19% yoy in Q1 and 28% yoy in Q2).

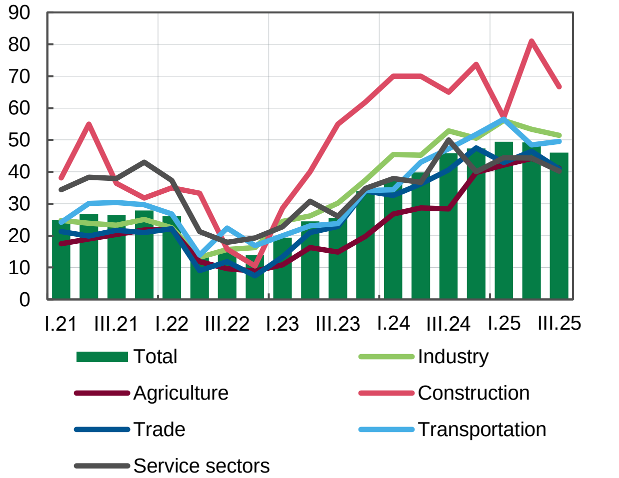
months of 2025 the shortage of workers persisted. According to the IER survey, finding workers in 2025 remains a significant problem for businesses. However, whereas recruitment of qualified workers tended to become more difficult last year, this year the situation stabilized, although it remained tense. In Q3, most of the enterprises surveyed by the NBU (in all economic activities except construction) only slightly improved their expectations for the number of employees compared to the previous quarter[18]. At the same time, their expectations increased for expenses on the compensation of employees[19].

Figure 2.9. Indices of difficulty in finding skilled and unskilled workers, pp



Source: IER, NBU staff estimates.
The dotted line – the linear trend for the corresponding year.

Figure 2.10. Lack of employees as a factor limiting the ability to increase output, % of responses



Source: NBU.

The worsening of the security situation had only a minor impact on migration processes. Thus, in the first nine months of 2025, the number of migrants continued to grow, although at a much slower pace than last year (by about 166,000 compared to 390,000 in January–September 2024), which was in line with the July forecast. According to the UNHCR, as of 3 October 2025, 5.8 million people were outside Ukraine. The granting of permission to men aged 18 to 22[20] to cross the border has not yet had a noticeable impact on the labor market. In general, according to the Institute for Demography, there are around 840,000 men aged 18−22 in Ukraine, but most of them are students. About 300,000 men of this group are employed in the labor market (i.e., about 2% of the total labor force). At the same time, according to surveys of enterprises, about half of employers felt the impact of young men leaving the country, but were already replacing this group with other categories of employees.

Fiscal stimuli will gradually decrease, while larger harvests, increased private investment, and the recovery of the economies in Ukraine's main trading partners (MTPs) will be the main factors accelerating the country's economic growth.

Fiscal stimuli will provide the foundations for further economic growth, but these will decrease as security conditions normalize. The NBU maintains its assumption regarding the budget deficit being at the level of 19% of GDP in 2026 given the still-high security risks, but has revised it upward to 14% of GDP for 2027, taking into account the country's growing reconstruction needs. Despite this reduction, the budget deficit will remain sizeable due to the need to ensure defense capabilities (including the development of the defense industry), infrastructure reconstruction, and meeting the state's social obligations. This will support both consumer and investment demand.

[18] According to the survey, in Q3, the overall indicator remained unchanged compared to Q2 2025: the share of respondents who expected a decrease in the number of employees in the next 12 months was 4.4 pp higher than the share of those who expected an increase. However, the unchanged indicator was caused by a significant deterioration (from +9.5% in Q2 to (-23.8%) in Q3) in construction, which is the type of economic activity with the highest indicator volatility. Excluding construction, the indicator increased from (-4.9%) in Q2 2025 and (-10.6%) in Q3 2024 to (-3.8%) in Q3 2025.

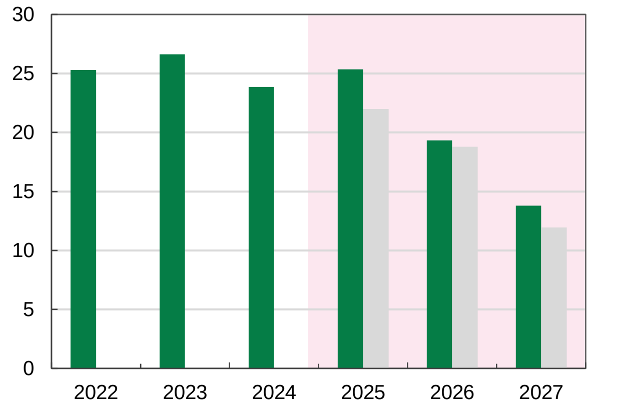
[19] Overall, the balance of responses across the economy increased to 55.7% in Q3 2025, compared to 49.8% in Q2 2025 and 52.9% in Q3 2024. Expectations increased compared to Q2 across all economic activities, except for the mining industry (where there was a decrease of 0.9 pp).

[20] Resolution of the Cabinet of Ministers of Ukraine No. 1031 dated 26 August 2025

Maintaining wide budget deficits will, as before, be possible primarily thanks to substantial international financial assistance (read more in the section *Monetary Conditions and Financial Markets* on page 24).

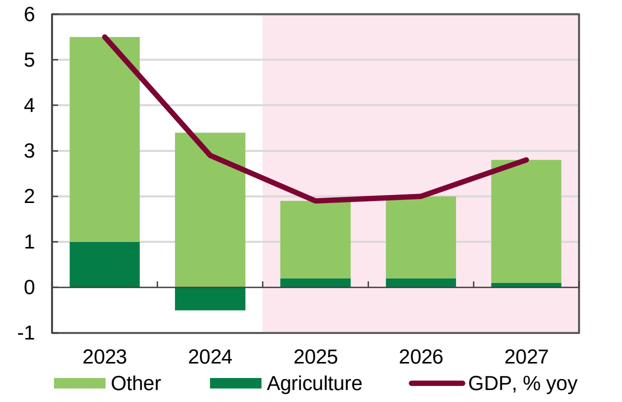
Meanwhile, fiscal stimuli will gradually be replaced by those coming from the private sector. Private sector investments will be directed toward the reconstruction of damaged facilities, as well as new projects, including ones in the defense industry. The implementation of structural reforms within the framework of Ukraine's euro-integration course will serve as an additional stimulus for increasing productivity and boosting investment, including foreign investment. The revival of business activity will create additional demand for labor, which will support further growth in real wages (4%–5% annually). Investment will increase as a share of GDP. However, consumer demand will remain the biggest driver of economic growth.

Figure 2.11. Consolidated budget deficit excluding grants, % of GDP



Gray bars are the previous forecast.
Source: STSU, SSSU, NBU staff estimates.

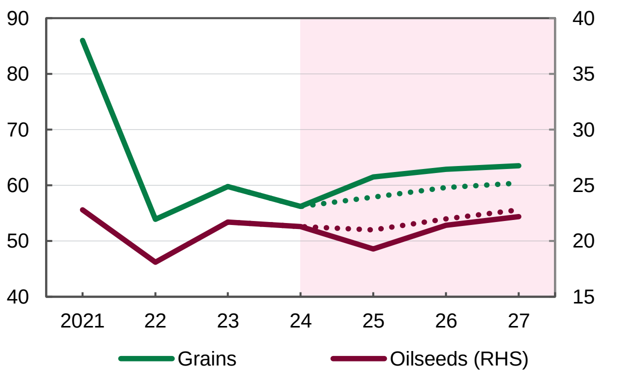
Figure 2.12. Contribution of agriculture to real GDP growth, pp



Source: SSSU, NBU staff estimates.

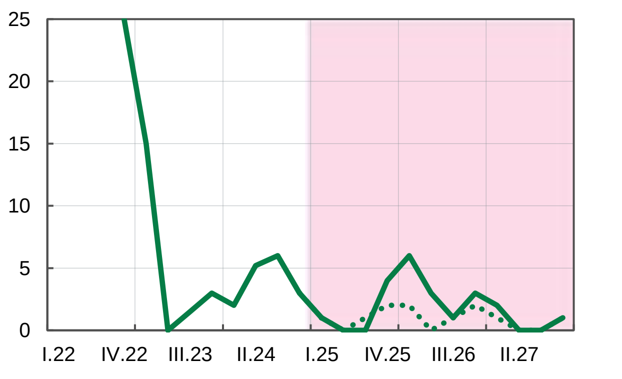
Further growth in harvests will support economic growth. Despite changeable weather conditions, this year's harvests will be higher than last year, and will continue to grow. The estimate for the harvest of grain and leguminous crop harvest in 2025 was increased to 61.5 million tons, while the estimate for oilseed crops was reduced to 19.3 million tons (they were 57.9 million tons and 21.0 million tons respectively in the July forecast).

Figure 2.13. Harvest of grains and oilseeds, million tons



Source: SSSU, NBU staff estimates.

Figure 2.14. Electricity deficit, %



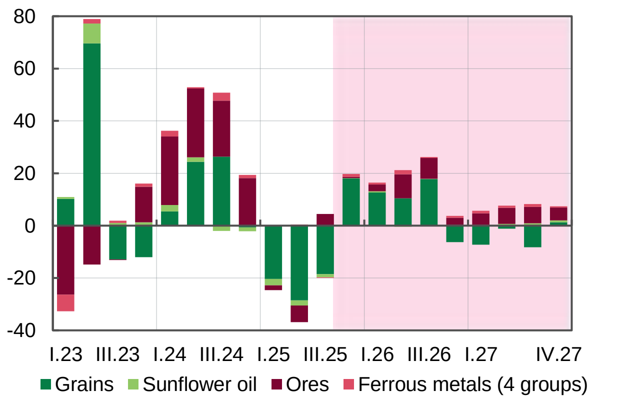
Source: NBU staff estimates.

The NBU assumes that in 2026–2027, the volumes of the grain and legume harvests will rise thanks to a further increase in the agricultural sector's productivity and the expansion of planted areas of corn and other grain crops in regions less impacted by climate change. However, the harvest of oilseed crops, plantings of which are concentrated in the southern regions, will be lower due to the negative impact of climate change, exacerbated by the long-term consequences of the destruction of the Kakhovka

Hydro-Power Plant on the region's irrigation systems. The impact of the security situation in the southern frontline regions will also persist, which worsens conditions for conducting the sowing campaign for the 2026 harvest and slows the pace of demining the land. As a result, the forecasts for 2026 and 2027 have been changed: the grain harvest has been revised upward, to 62.9 million tons and 63.5 million tons, respectively (they were 59.6 million tons and 60.4 million tons, respectively, in the July forecast), while the oilseed harvest has been revised downward to 21.4 million tons and 22.2 million tons, respectively (22.0 million tons and 22.8 million tons, respectively, in the July Inflation Report). Nevertheless, the NBU expects the animal farming sector to continue making a negative contribution to the agricultural sector's added value due to a further reduction in livestock numbers (except in poultry farming).

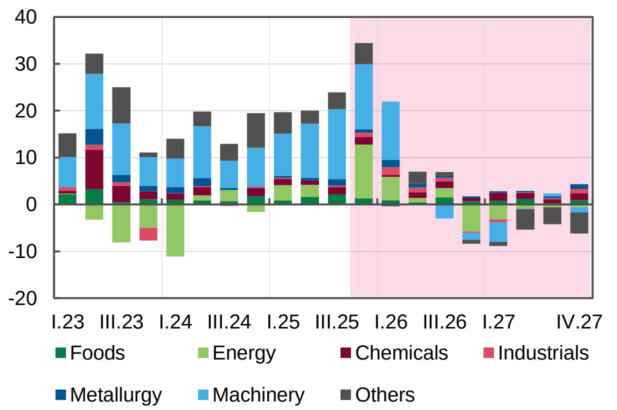
External demand for Ukrainian products will grow thanks to the further revival of the economies of Ukraine's MTPs in 2026–2027, following their adaptation to new trade and political conditions. The revival of global trade, despite the increase in its fragmentation, will strengthen ties between third countries, including with Ukraine (read more in the section *External Assumptions* on page 37). All of this will contribute to a gradual increase in exports of goods and services. Imports will also grow next year (in particular, due to high reconstruction and defense needs, and, accordingly, significant purchases of machinery, chemicals, and metallurgy products), but at a slower pace. A decline in imports is expected in 2027 due to fiscal consolidation and a lower need for energy commodities. As a result, the net contribution of exports to the change in GDP will turn positive over the forecast horizon, starting in 2026.

Figure 2.15. Contributions of selected commodities to the annual change in exports volumes, pp



Source: SCSU, NBU staff estimates.

Figure 2.16. Contributions to the annual change in imports, pp



Source: SCSU, NBU staff estimates.

At the same time, economic activity will be constrained by a larger electricity deficit and labor shortages

Considering the consequences of recent attacks on energy infrastructure, the electricity deficit will likely be wider than previously expected. The NBU's previous macroeconomic forecast was based on assumptions of a minor electricity deficit of about 1% at the end of 2025. The average annual deficit in 2026 was also expected to be close to 1%. However, the sharp intensification of russia's air attacks on energy infrastructure and extraction facilities at the end of Q3 significantly raised the risks of a larger electricity deficit and the need for additional electricity and natural gas imports for the successful passage of the heating season. The NBU expects that in Q4 2025 and Q1 2026 the economy will function under conditions of a broader electricity deficit of 4%–6%. The estimate of electricity shortages for 2026 has been raised to 3% on average for the year. This will have a negative impact on economic activity. According to the NBU's estimates, such a widening of the electricity deficit will slow GDP growth by approximately 0.1 pp in 2025, and by 0.2 pp in 2026.

Estimates for natural gas import needs have also been revised. Gas imports are expected to be 6 billion cubic meters (bcm) in 2025, 5 bcm in 2026, and 3 bcm in 2027.

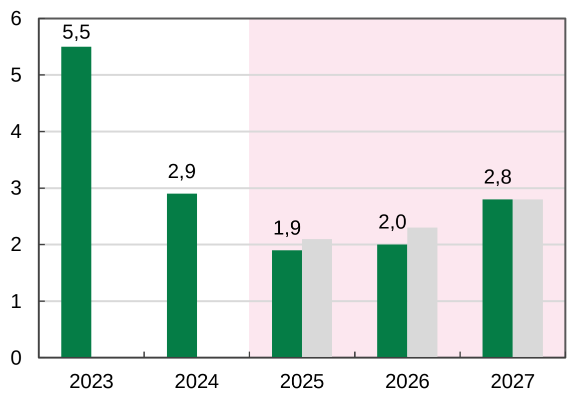
This will increase expenditures by more than USD 3 billion in 2025, plus an additional USD 3 billion in 2026–2027.

Labor market mismatches will also have a long-term impact on economic growth. The shortage of workers is likely to persist due to the slow return of migrants, who are increasingly adapting to living abroad. An additional factor may be the intensification of labor migration. Currently, the net outflow of the population is expected to continue in 2025–2026 (about 0.2 million people annually), with the net return of migrants only beginning in 2027, though quite slowly (about 0.1 million people). Accordingly, high labor demand will persist. On the one hand, this will contribute to both a further fall in unemployment (to about 9% at the end of the forecast period) and the growth in real wages. On the other hand, it will limit businesses' ability to increase production. Labor market mismatches are expected to partially decrease over the forecast horizon, contributing to slower growth in real wages and thus easing the pressure on the costs incurred by businesses.

As a result, GDP growth in 2025 will slow to 1.9% and will remain modest thereafter, ranging between 2% and 3% in 2026–2027

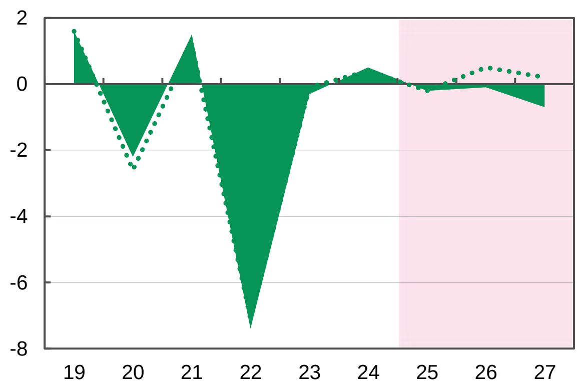
The NBU has revised its GDP growth forecast for 2025 downward (by 0.2 pp, to 1.9%) due to the destruction of infrastructure and gas extraction facilities as well as worse-than-expected Q2 results. The impact of these factors will only partially be offset by the effects of high budget expenditures.

Figure 2.17. Real GDP, % yoy



Gray bars are the previous forecast.
Source: SSSU, NBU staff estimates.

Figure 2.18. Output gap, % of potential GDP



Source: SSSU, NBU staff estimates.

In 2026, real GDP growth will remain restrained (2%) because of the security situation and the electricity deficit. Going forward, economic growth is expected to accelerate moderately (to 2.8% in 2027) on the back of larger harvests and increased investments in reconstruction projects and the defense industry. Investment activity will also be positively impacted by Ukraine's further progress on the path of European integration and the economy's gradual return to normal functioning conditions, which will be reflected, among other things, in the stabilization of the energy sector and the reversal of the negative migration trend.

Real GDP will remain close to its potential level throughout most of the forecast horizon, not generating any material inflationary pressures. The GDP gap in 2026–2027 will remain insignificant under the influence of mixed factors. On the one hand, the gradual decrease in the budget deficit will lead to a weakening of fiscal stimuli. On the other hand, the underestimated real effective exchange rate (REER) will continue to support economic activity.

The potential for economic growth will gradually increase, but will be constrained for a long time by the loss of production capacity and the difficult situation in the labor market.

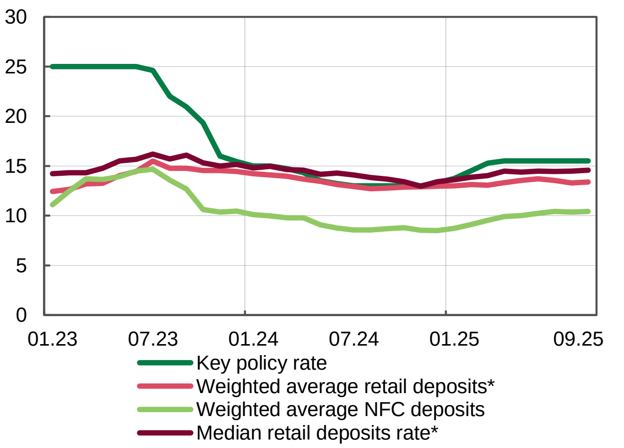
Part 3. Monetary Conditions and Financial Markets

- NBU monetary policy measures propped up the demand for hryvnia assets, which helped reduce pressure on the exchange rate and international reserves, and thus on prices. Despite the decline in inflation in recent months, inflation expectations remain high, and inflationary risks have slightly intensified. In view of this, the NBU maintained its key policy rate at 15.5% in October 2025.
- The current forecast suggests that key policy rate cuts will begin in Q1 2026, and that the rate will reach 11% by the end of 2027. Real interest rates will continue to remain relatively high given the need to curb significant underlying inflationary pressures.
- In the coming years, sufficient international financing inflows are expected to be maintained. This will allow for the continued non-monetary financing of the budget deficit and maintaining international reserves at an adequate level, sufficient to support the sustainability of the FX market.

Monetary conditions continued to ensure the attractiveness of hryvnia assets, although the momentum has weakened. At the same time, they did not impede the development of lending

Despite the decline in inflation in recent months, inflation expectations have remained high, and inflationary risks, particularly those related to rising energy shortages and budgetary needs, have intensified. Instead of the expected improvement, inflation expectations across various groups of respondents demonstrate diverse dynamics and generally remain high, raising risks of reductions in the real yields of hryvnia instruments. Under these circumstances, the NBU is maintaining relatively tight monetary conditions to preserve the attractiveness of hryvnia assets, the sustainability of the FX market, and the sustained downward trend of inflation toward the 5% target over the policy horizon. To this end, the NBU kept the key policy rate at 15.5% in September and October 2025.

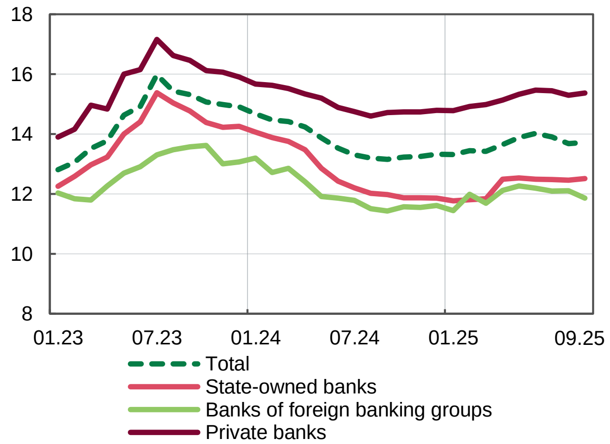
Figure 3.1. Rates on term hryvnia deposits and average monthly key policy rate, %



* According to the new calculation approach.

Source: NBU.

Figure 3.2. Weighted average interest rates on hryvnia retail deposits* with a term of over 3 months (by bank group), %



* According to the new calculation approach.

Source: NBU staff estimates.

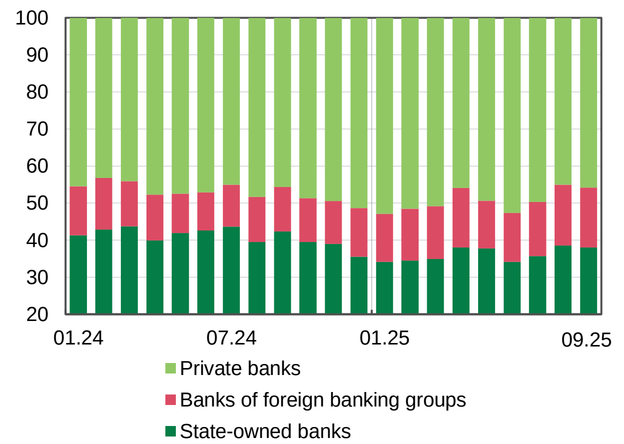
There have been no significant changes in the cost of term deposits in recent months. The minor fluctuations seen in weighted average interest rates on retail term deposits were primarily driven by structural changes in deposit attraction by maturity and bank groups. The median interest rate offered by banks on retail term deposits[21] has hovered at around 14.4%–14.6% since April of the current year. At the same time, a decrease in

[21] Approaches to calculating the volumes of attracted retail term deposits, and accordingly their cost, have been changed. The text and charts provide the cost only of those deposits that the banks account as "retail term deposits" (account groups 263).

the share of term deposits attracted by the group of privately owned banks, which usually offer higher rates, led to a decline in the overall weighted average interest rate.

The sustained slowdown in inflation and expectations of a key policy rate cut, amid a significant liquidity surplus, provided the preconditions for some banks to consider lowering their interest rate levels. The NBU's postponement of monetary policy easing aims to curb the decline in hryvnia instrument yields. This, combined with further inflation deceleration and an improvement in inflation expectations, will contribute to the growth of real interest rates.

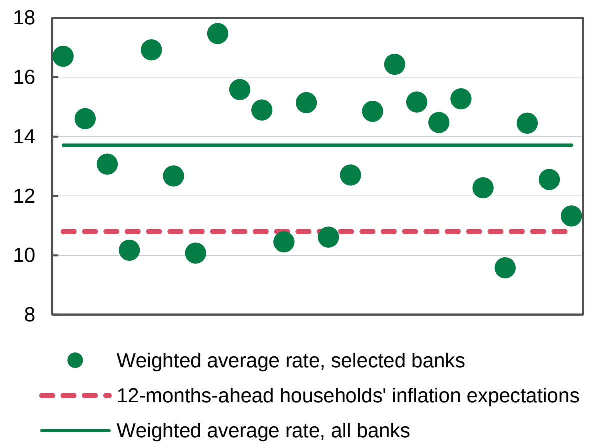
Figure 3.3. Share of the group of banks in attracting (turnover) of hryvnia retail deposits* with a term of over 3 months, %



* According to the new calculation approach.

Source: NBU.

Figure 3.4. Weighted average rates of selected banks on hryvnia retail deposits* with term of over 3 months (September 2025), %

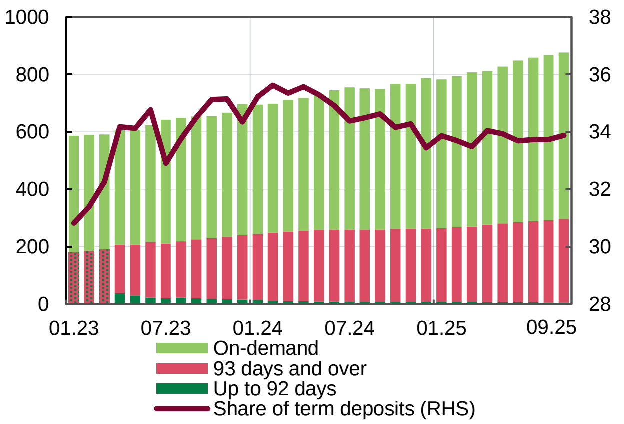


* According to the new calculation approach.

Source: NBU staff estimates.

Current yields on hryvnia instruments, coupled with stable exchange rate expectations, supported households' demand for hryvnia assets. In Q3, hryvnia retail term deposits grew steadily (by approximately UAH 3 billion monthly). Although the growth rate was lower than in the previous quarter (partially due to seasonal factors), it significantly exceeded the figures for the corresponding period last year. Specifically, hryvnia retail deposits with maturities of over three months increased by 3.4% qoq, or UAH 9.6 billion, compared to a 0.7% qoq increase, or UAH 1.8 billion, in Q3 2024. According to a bank survey, a record share of banks expects a further inflow of funds from both retail and businesses in Q4. At the same time, the share of term deposits in the retail hryvnia deposit portfolio remains almost unchanged, while demand for FX cash increased in Q3 2025.

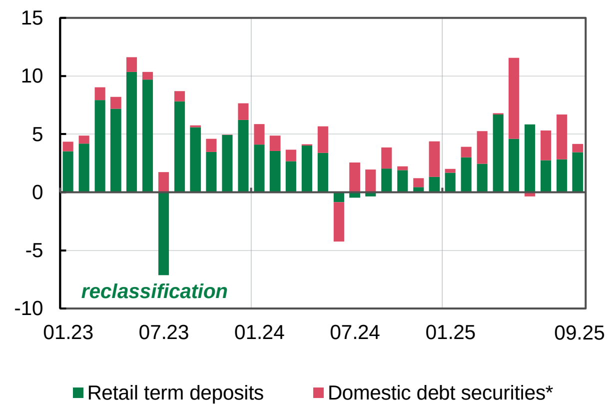
Figure 3.5. Monthly average* stocks of hryvnia retail deposits, UAH billion, and share of term deposits in the portfolio, %



* Calendar days.

Source: NBU.

Figure 3.6. Changes in the stock of hryvnia domestic debt securities held by individuals and hryvnia retail term deposits, UAH billions



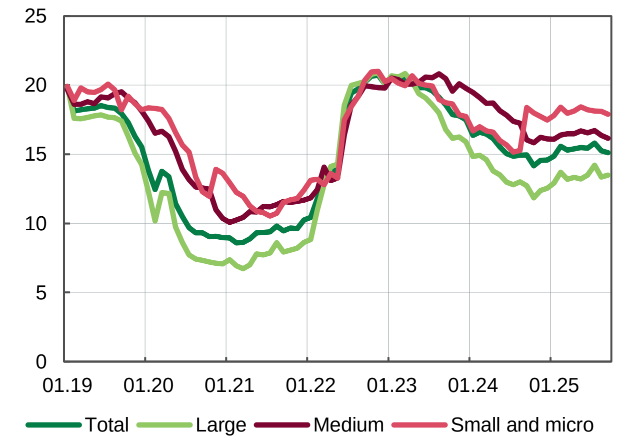
* At outstanding nominal value.

Source: NBU.

Thanks to attractive real yields, the portfolio of hryvnia domestic government debt securities held by individuals continued to grow. Over the first nine months of 2025, it increased by almost UAH 18 billion, or 45%, compared to UAH 13.6 billion (52%) for the entire previous year. However, the growth rate of domestic government debt securities held by individuals slowed down in September–October. This was due to both significant volumes of redemptions and the deterioration of inflation expectations.

At the same time, the NBU's interest rate policy did not have a significant restraining effect on lending. Interest rates on new corporate loans remained at their pre-COVID levels. Demand from businesses was consistently high for both short- and long-term loans intended to finance capital investments. One positive trend is the reduced role of subsidized lending under the Affordable Loans 5-7-9% program (the share of such loans dropped to below 30%), primarily due to the availability of competitive lending conditions outside of it. In Q3, the banks eased lending standards for businesses. This occurred not by lowering solvency requirements for borrowers, but mainly by extending loan terms. As a result, net hryvnia corporate loans continued to increase at high rates: by 7.9% qoq or by 30.8% yoy. Furthermore, as part of the implementation of the memorandum on the readiness to finance the restoration of energy infrastructure, the banks actively financed relevant projects: the development of 1.1 GW of energy generation has already been funded.

Figure 3.7. Weighted average interest rates on new* hryvnia loans of NFCs (by size of enterprises), %



* Excluding transactions under additional agreements where there was a change in the loan principal and/or interest rate, as well as prolongation.

Source: NBU.

Figure 3.8. Net hryvnia loans, 12.2018 = 100

Source: NBU.

Lending to households also grew at stable rates: net retail loans increased by 8.5% qoq or by 32.9% yoy. Despite this growth, the banks consider household debt burden to be low. As usual, the bulk of the portfolio consisted of unsecured loans. At the same time, car loans increased, partly due to the expected end of the preferential customs clearance period for electric vehicles at the end of the year. The share of mortgage loans remained stable, with the state program eOselia continuing to dominate the market.

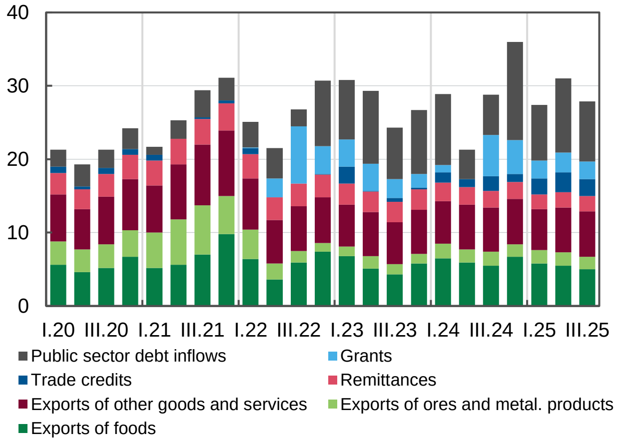
The banks are optimistic about the development of lending and plan to continue expanding their loan portfolios and easing lending standards due to intensifying competition. At the same time, thanks to a balanced approach to risk management, the notable recovery in lending is not leading to the accumulation of imbalances. The share of non-performing loans has currently fallen to 25%, which is a historical minimum since the banking crisis of 2014–2015.

The significant FX deficit, primarily caused by wartime needs, was financed mainly by international aid, both in the form of concessional loans and through inflows as part of international cooperation on weapons production

In Q3 2025, the trade deficit in goods grew to USD 13.6 billion, compared to USD 11.7 billion in Q2 2025. Specifically, exports of agricultural goods dropped due to the depletion of last year's crop stocks, including those for sunflower oil production, as well as because of the slow harvest start in the current MY. In contrast, imports of goods increased noticeably, primarily driven by the further ramp-up of machinery supplies, largely for investment purposes, which is mainly a result of the country's high need for restoration and defense.

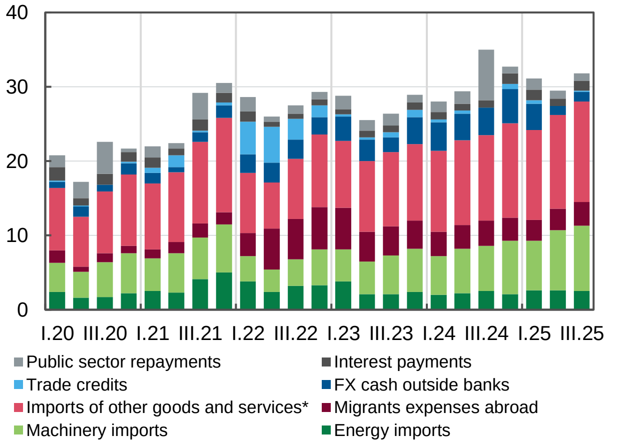
Imports of energy equipment rose by USD 230 million compared to Q2, while imports of electronic equipment, used partly in weapons production, rose by USD 650 million. Temporary factors also had some impact: imports of motor cars increased significantly starting in May. Energy imports also grew, generating the lion's share of the increase in imports of intermediate consumption goods. For example, amid russia's intensified missile and drone attacks on energy infrastructure, state-owned companies actively replenished their natural gas stocks, using both their own funds and funding from international financial institutions. Gas imports to Ukraine reached a nearly two-year high in July. Metallurgical imports also grew at a high pace, driven by the need to restore both transport and energy infrastructure. In contrast, the growth of consumer imports remained low, and its share is gradually declining. The deficit in the trade in services underwent minor changes: the seasonal increase in imports of travel services was almost entirely offset by larger exports of business services, particularly trade-related business services.

Figure 3.9. Key components of FX inflows to Ukraine, USD billions



Source: NBU.

Figure 3.10. Key components of FX outflows, USD billions



* Excluding humanitarian aid.

Source: NBU.

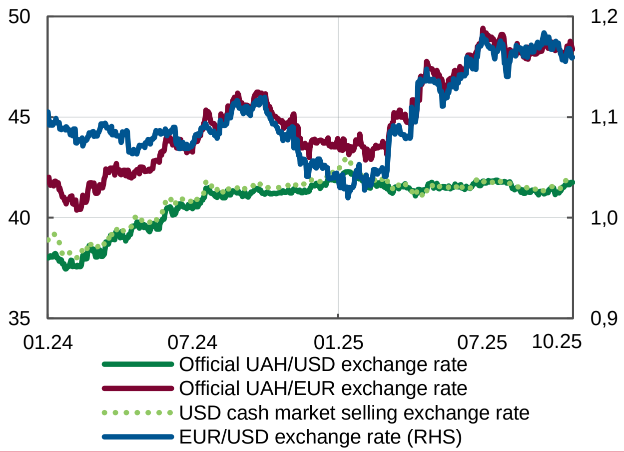
In addition, demand for FX cash also saw a slight increase. In Q3 2025 there was a moderate recovery in net U.S. dollar demand, rising to USD 0.4 billion (compared to USD 0.1 billion in Q2). However, it remained significantly lower than in Q3 2024 (USD 2.0 billion). Net demand for cash euros was almost unchanged, compared to both the previous quarter (EUR 0.6 billion) and the corresponding quarter of 2024 (EUR 0.7 billion). Despite this, and the substantial widening of the trade deficit in goods and services, net FX outflows from the private sector did not increase as noticeably in Q3. This was due, in particular, to the inflow of funds from international partners as part of cooperation on the localization of weapons production in Ukraine. Additionally, the improvement in the repatriation of export earnings played a role, thanks to the introduction of a special export regime at the end of 2024.

As a result, the NBU's net FX sales increased, but only slightly, by USD 0.3 billion to USD 8.4 billion in Q3. At the same time, foreign aid inflows from international partners exceeded the interventions, amounting to USD 10.2 billion. Thanks to this, gross international reserves grew by USD 1.6 billion in Q3, reaching USD 46.6 billion as of the end of September.

The average share of transactions without the NBU in the total volume of interbank transactions was 58%. This is 4 pp higher than in Q2 2025 and 14 pp higher than in Q3 2024, as well as being nearly twice the level seen at the time of the introduction of managed exchange rate flexibility (29% in October 2023). This dynamic indicates a gradual increase in the FX market's capacity for self-balancing.

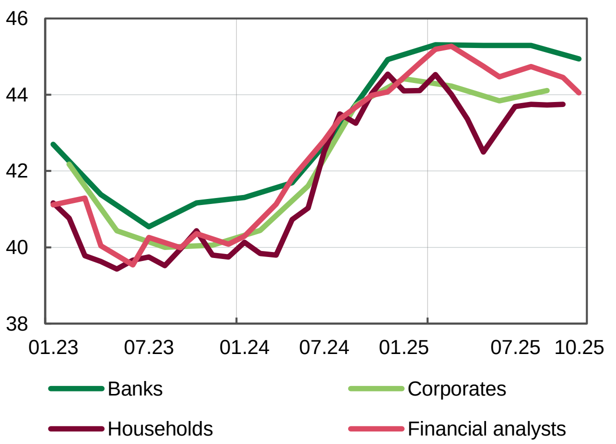
Fluctuations in the hryvnia against the U.S. dollar exchange rate were moderate and two-way in Q3 2025, reflecting market conditions, and exchange rate expectations were quite stable. More specifically, on the back of increased net FX demand in July 2025, the average hryvnia against the U.S. dollar exchange rate weakened. However, starting in August, the balance of supply and demand improved, primarily in the non-cash segment, leading to a moderate strengthening of the hryvnia against the U.S. dollar exchange rate in August and September. As a result, the average hryvnia against the U.S. dollar exchange rate was almost unchanged in Q3. The spread between the cash U.S. dollar selling rate and the official exchange rate was negative in some periods and averaged 0.1% for the quarter. Meanwhile, due to the strengthening of the euro in the global financial markets, the hryvnia against the euro exchange rate weakened (by 3.1% qoq), although its volatility was significantly lower than in Q2. The strengthening of the euro was the main factor behind the weakening of the hryvnia's NEER (by 1.8% qoq) in Q3. The hryvnia's REER weakened slightly more (by 2.1% qoq) due to disinflationary processes in Ukraine, while prices continued to rise in the euro area and inflation even accelerated in Turkey.

Figure 3.11. Hryvnia to USD and EUR exchange rates, and EUR to USD



Source: NBU, ECB.

Figure 3.12. 12-month-ahead exchange rate expectations, UAH per USD



Source: NBU, Info Sapiens.

Thanks to the sustainability of the FX market and the formation of necessary preconditions, the NBU continued to move forward with its FX liberalization roadmap. In August, some FX restrictions were eased, including: permitting the repatriation of dividends for the period starting from 1 January 2023; expanding opportunities for hedging FX risks and the list of operations permitted within the investment limit; and introducing incentives for businesses that financially support Ukraine's Armed Forces through transfers to a special NBU account. Additionally, in September, the NBU updated a number of existing FX restrictions. This easing had no significant impact on the exchange rate or international reserves: businesses continued to carry out about a third of transactions using their own FX. Additional demand remained as forecast, and was mainly for FX required to repatriate dividends for 2023. As a result, transfers related to businesses' operations permitted under FX liberalization increased slightly in Q3 2025.

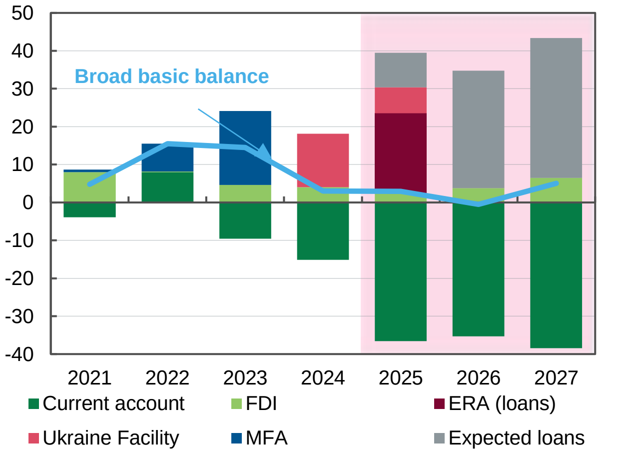
Inflows of international financial assistance will continue to exceed the private sector's FX deficit, which will gradually narrow. As a result, gross international reserves will remain at an adequate level, sufficient to maintain the sustainability of the FX market

International support for Ukraine is being sustained. Over USD 13 billion in external financing was received between August and October. An additional nearly USD 15 billion is expected to be received by the end of the year.

The NBU's updated forecast assumes that stable and sufficient international financing will continue in the coming years, primarily through reparation loans based on immobilized russian assets. Thus, in 2025, international financial support totaling USD 51.5 billion is expected. Regarding other sources, the largest inflows are projected under the ERA Loans programs (a portion of which will be directed toward defense needs) and the Ukraine Facility. Ukraine is expected to receive over USD 45 billion of international support in 2026 and USD 39 billion in 2027.

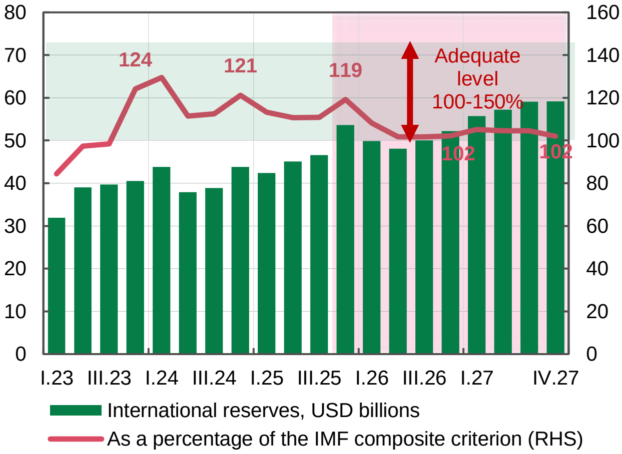
Financing from international partners will be provided on concessional terms, and the programs will be designed for the medium term. This adds confidence that the economy's external position will remain balanced, and the current account deficit will continue to be financed by reliable sources (read more in Box *Current Account Balance in 2025: Why the NBU Is not Afraid of Deficit* on page 33). The conditions for the further receipt of funds pledged by partners to Ukraine are the implementation of European integration reforms and effective cooperation with the IMF. Ukraine, as before, is working on both directions.

Figure 3.13. Broad basic balance, USD billions



Source: NBU staff estimates.

Figure 3.14. Gross international reserves



Source: NBU staff estimates.

Thanks to this, the NBU will continue to compensate for the structural FX deficit in the private sector, channeling funds received from international partners into the economy. This will help maintain FX market sustainability, keep exchange rate and inflation expectations under control, and consequently, curb price pressures. At the same time, international reserves will be maintained at an adequate level. Reserves are expected to grow to USD 54 billion by the end of the current year, which will exceed the minimum level of IMF's composite metric by 19%.

The FX deficit in the private sector will remain significant next year, but will continue to shrink due to the narrowing of the trade deficit in goods and services, as well as an increased inflow of capital into the private sector. The supply of FX in the private sector will gradually increase. Specifically, larger harvests amid steady external demand will boost export earnings for the agricultural sector, while the revival of global economic activity will help increase export earnings for the metallurgical complex and earnings from IT services exports. Furthermore, the growth of weapons production as part of international projects and the permission to export these weapons will contribute to increased FX earnings from machinery exports.

In contrast, the growth in demand for FX from importers will slow next year, and will decrease in 2027. Machinery imports will continue to grow in 2026, driven by the need for infrastructure restoration and the capacity utilization of the national defense sector through international financing programs. Starting in 2027, machinery imports are expected to decline due to the reduction of budget incentives, which will be partially offset by rising private demand for further restoration and the scaling up of domestic production. Energy imports will remain at this year's level in 2026, but will decrease in 2027 thanks to the restoration of gas infrastructure and electricity distribution capacity. At the same time, imports of services will decline due to the further loss of residency status by Ukrainian migrants.

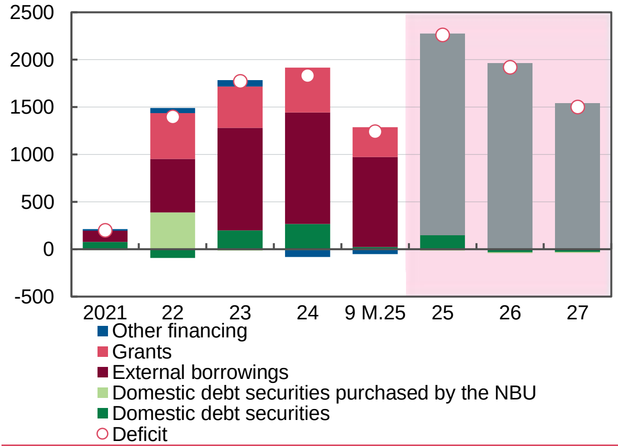
Thanks to the normalization of economic conditions, a noticeable increase in the inflow of investment and debt capital into the private sector is expected starting in 2027. More active seasonal labor migration will push up inflows of remittances, and a stable FX market will rein in the demand for FX cash.

International aid and domestic borrowing will be sufficient for the non-monetary financing of the budget deficit

International financial assistance remained the main source for financing budget needs and the accumulation of the government's FX liquidity in Q3 2025. What is more, there remained great interest in both segments (hryvnia and FX) of the domestic debt market.

Placements of hryvnia domestic government debt securities in Q3 remained at the level of the previous quarter – UAH 116 billion[22], while the rollover rate increased to 227%. Placements of FX-denominated domestic government debt securities increased substantially, with the rollover rate rising to 93%. This improved the overall rollover rate for domestic government debt securities in all currencies to 112% for the first nine months of the current year. A significant factor in the rather substantial domestic borrowing was the need for additional funds to finance the defense and security sector after amendments were made to the state budget.

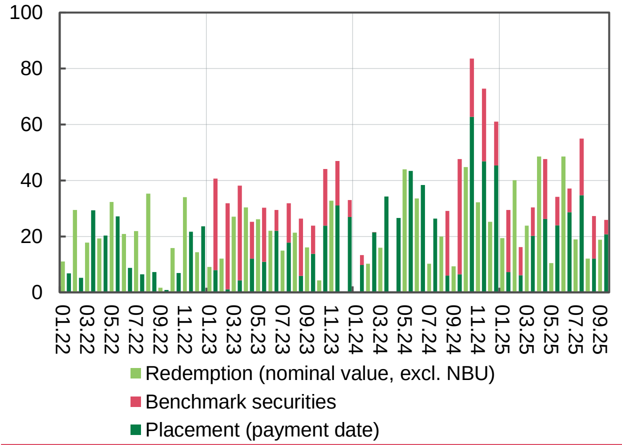
Figure 3.15 Financing* of the state budget deficit (excluding grants in revenues), UAH billions



* Net borrowing. Hryvnia-denominated borrowings include domestic debt securities issued to increase the authorized capital of banks, the Deposit Guarantee Fund (DGF), and other state-owned enterprises. Deficit in 2025–2027 reflects the NBU's forecast. The grey color denotes external borrowings, grant funds, and other financing, in particular, the use of relatively large cash balances on gov`t accounts at the end of the previous period.

Source: STSU, NBU staff estimates.

Figure 3.16. Primary placement* and redemption of hryvnia domestic government debt securities, UAH billions



* According to the results of auctions for the placement of domestic debt securities before reflecting the price effects due to the additional placement of securities. Excluding hryvnia domestic debt securities issued in 2022 and 2024 for recapitalization of Ukrfinzhytlo and purchase of war bonds by the NBU.

Source: NBU staff estimates.

The robust demand for government securities, especially hryvnia ones, was primarily supported by their attractive market yields on the back of unchanged NBU interest rate policy parameters and a sustainable FX market.

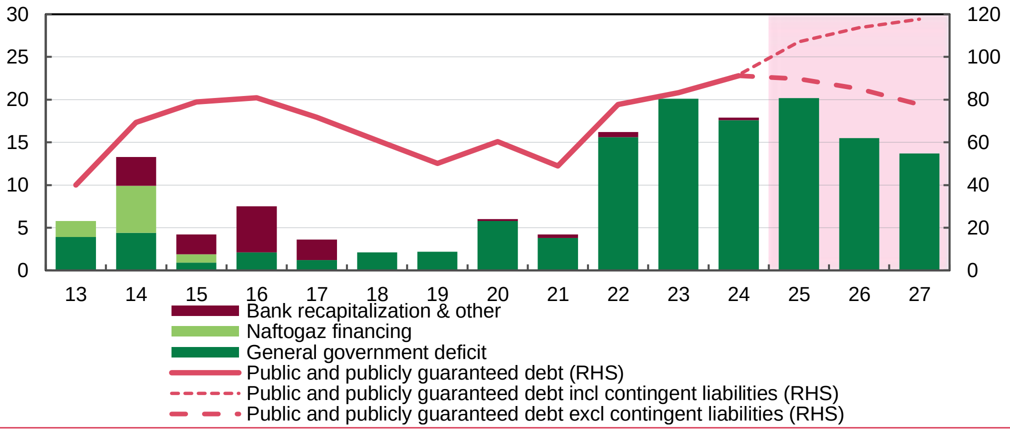
[22] According to the auction date.

Considering the strong needs of the defense sector and the necessity for economic recovery, budget deficits will remain significant and decrease slowly (read more in the Section *Economic Developments* on page 17). Accordingly, international assistance will remain a substantial source of budget deficit financing. Placements on the domestic debt market will be more restrained than foreseen in the July macroeconomic forecast, particularly due to the government's aim to economize on debt servicing.

In view of the large deficits, the public and publicly guaranteed debt is expected to exceed 100% of GDP over the forecast horizon. At the same time, a significant part of the new debt will be considered contingent liabilities, as it will be generated through loans based on the immobilized russian assets.

The public and publicly guaranteed debt, excluding contingent liabilities, will fall to around 80% of GDP due to the further increase in the share of financing from reparation loans. The concessional terms of loans from international partners, along with moderate domestic borrowing, will reduce pressure on debt servicing.

Figure 3.17. Broad public sector deficit, public and publicly guaranteed debt, % of GDP

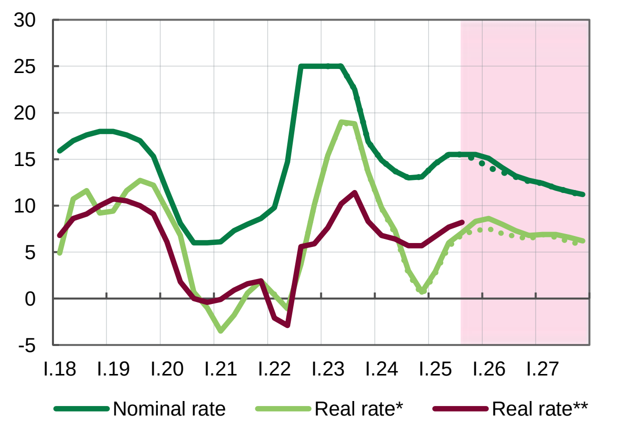


Source: MFU, STSU, IMF, SSSU, NBU staff estimates.

The NBU will maintain monetary conditions reasonably tight to safeguard the sustainability of the FX market, maintain the attractiveness of hryvnia-denominated savings, and ensure the sustained decline of inflation toward its 5% target over the policy horizon

Given the persistence of high inflation expectations and the intensification of inflationary risks, the key policy rate cuts have been postponed until Q1 2026. Subsequently, consistent with the previous forecast, it is expected that the rate will be gradually lowered to 11% by the end of 2027.

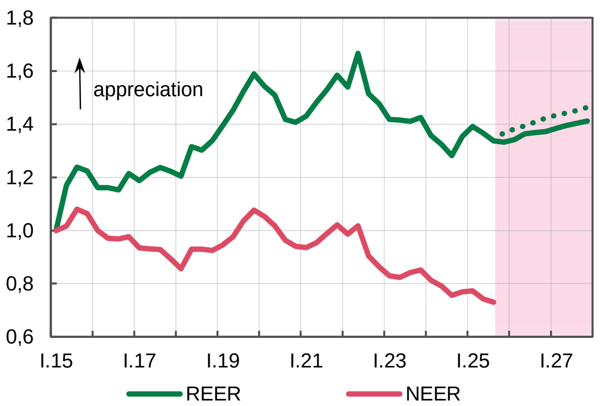
Figure 3.18. Key policy rate, %



* Deflated by model expectations (QPM+). ** Deflated by the expectations of financial analysts.

Source: NBU staff estimates.

Figure 3.19. REER and NEER indices, Q1 2015 = 1



Source: IMF, national statistical offices, NBU staff estimates.

Maintaining the interest rate at the current level until the end of the year will support demand for hryvnia instruments and restrain the still-high underlying inflationary pressures. At the same time, the hryvnia's REER will remain stronger than it was in Q3 2024. Meanwhile, over the forecast horizon, the dynamics of the hryvnia's REER will contribute to the easing of inflationary pressures.

Under these conditions, and provided that risks to price dynamics ease, a transition to a monetary policy easing cycle is expected in Q1 2026. This will lead to a gradual decrease in the average real interest rate: from 8.3% in Q4 2025 to 6.2% at the end of 2027. Such levels will contribute to the sustained reduction of inflation toward its 5% target over the policy horizon.

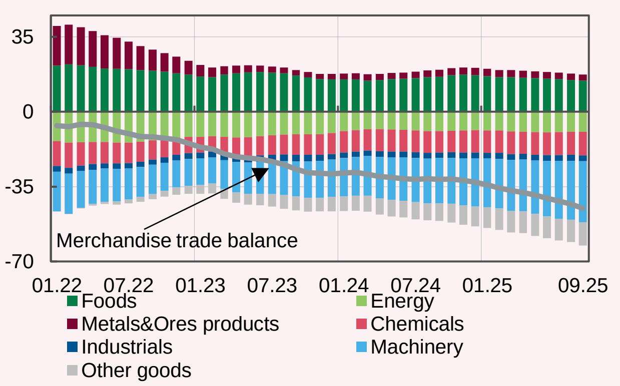
Box 2. Current Account Balance in 2025: Why NBU Is not Afraid of Deficit

In 2025, the trade deficit continued to widen significantly, but this widening is caused not by soaring consumer demand, but primarily by high expenditures on defense and reconstruction. Moreover, this deficit has a fundamental source of financing in the form of funds from international partners, which are provided on concessional terms. Essentially, these funds are investments in shared European security, which most accurately describes the nature of the support Ukraine is getting. The approach to assessing external sustainability that accounts for these funds indicates that, despite the current account being formally in deficit, the country's financial and external sustainability remains high. The successful implementation of European integration reforms and cooperation with international partners ensure continued financing.

The current account deficit of Ukraine's balance of payments continued to widen in 2025, which was a direct consequence of the needs for defense and recovery. Thus, in January–September 2025, the current account deficit reached USD 24.9 billion. This was primarily driven by the rising deficit of the trade in goods, resulting from a significant increase in imports. **However, unlike in periods of relative peacetime, this growth is primarily of an investment nature, particularly related to strategic investments in security and restoration.** Specifically, among imports of goods, machinery imports grew the most (by 36% in January–September 2025 compared to the corresponding period last year), which accounted for 12 pp of the overall growth in goods imports. Furthermore, imports of other goods, which include both humanitarian and military aid, also increased. The growth in imports of these groups of goods is directly linked to the country's defense and recovery needs. More specifically, machinery imports, including imports of energy equipment, were largely driven by the needs of the defense sector, the production capacity of which has significantly risen in recent years. This led to a 39% yoy increase in imports of investment goods in January–August.

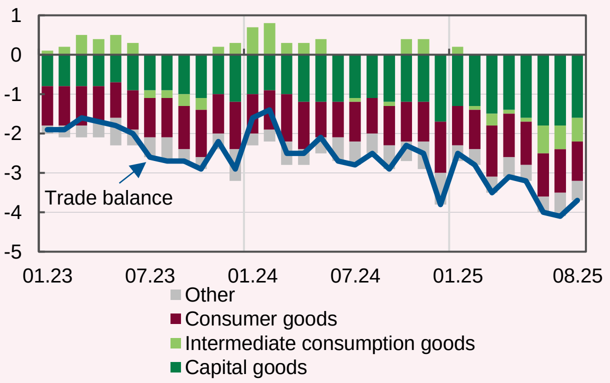
Imports of intermediate consumption goods also grew (by 16% yoy in January–August), specifically energy imports, which were driven by the intensified attacks on energy infrastructure, and imports of various types of equipment likely needed for weapons production. Products used for defense and reconstruction are also being financed by international partners as part of weapons production localization projects in Ukraine.

Figure 1. Merchandise trade balance, USD billions, 12-m rolling



Source: NBU.

Figure 2. Merchandise trade balance by BEC, USD billions

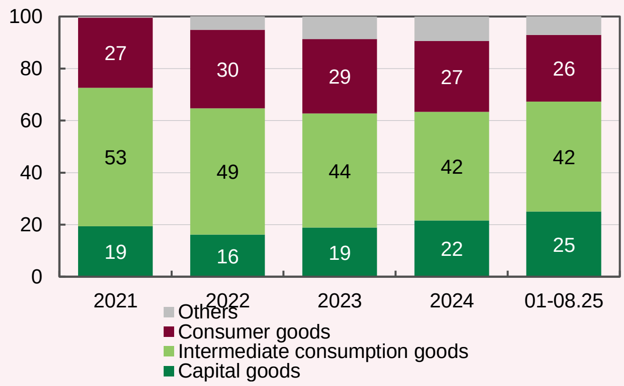


Source: NBU.

Figure 3. Goods imports by BEC, % yoy

Source: NBU.

Figure 4. Imports structure by BEC, %



Source: NBU.

In contrast, consumer imports are not growing as strongly (8% yoy in January–August 2025), and their share of total imports is even shrinking. Moreover, even this moderate increase in consumer imports is largely caused by temporary factors, such as the rise in fruit and vegetable imports due to poor harvests last year. **Therefore, the widening trade deficit is related neither to a consumer boom nor to the low competitiveness of domestic goods.**

The widening current account deficit, which under normal circumstances could cause significant risks to the balance of payments, is currently manageable thanks to official financing, which has remained stable and substantial since the start of the full-scale war. These inflows, mostly provided in the form of grants or concessional long-term loans, play a crucial role in maintaining the country's macro-financial stability. **Essentially, these funds are investments in shared European security. This interpretation most accurately describes the nature of the support Ukraine is receiving. It also aligns with the growing recognition of Ukraine's strategic role as a key part of the EU's defense readiness**; therefore, Europe's defense interests must be aimed at further strengthening Ukraine's defense capabilities. Given the pledged long-term security guarantees for Ukraine, projected multi-year financing, and military supplies, the NBU expects that these flows will remain stable in the near future. Standard models for assessing current account sustainability fail to account for the specific nature of Ukraine's financial account capital inflows, which lies in the fact that these flows are either provided on concessional terms or create only contingent liabilities, as payments for them will be made from external sources.

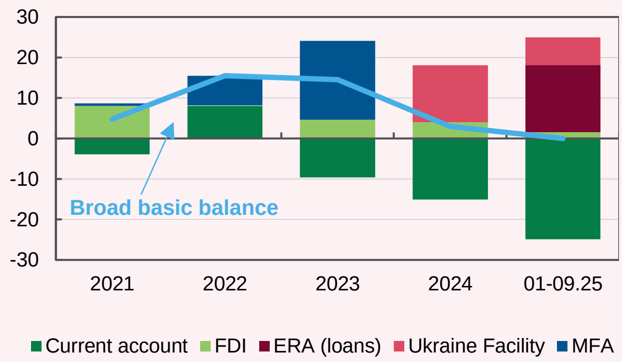
During the full-scale war, the effectiveness of macroeconomic policy tools for balancing the BOP current account has significantly decreased. At present, the large current account deficit results from the needs for supporting defense capabilities and reconstruction, as well as from structural changes in the economy caused by the war. The significant excess of national investments over savings (which is reflective of a current account deficit) is justified under wartime conditions given the strategic nature of these investments, while savings are small due to the economy's needs. A substantial correction of this gap, particularly through fiscal consolidation measures, would undermine the country's defense capabilities. At the same time, possible options could include reducing non-priority expenditures and introducing taxation on areas non-critical during wartime without there being significant negative consequences for the economy. Specifically, it is worth focusing on targeted measures to restrict imports: taxes on parcels valued up to EUR 150 and other non-priority imports, such as electric vehicles, luxury goods, and so on.

Measures to increase savings will also have a limited impact. Structural problems in the labor market caused by the war (including those caused by migration processes) are pushing up real wages. A greater equilibrium on the labor market will require that these wages grow further, albeit at lower rates.

The possibility for reducing the current account deficit through exchange rate mechanisms is also limited, as exports are dominated by goods and services that are medium- to low-elastic to exchange rate changes. Imports, meanwhile, have become more inelastic due to strong demand from the defense sector and the need for the import substitution of Ukrainian goods.

Under the regime of managed exchange rate flexibility adhered to by the NBU, exchange rate movements reflect market trends. The NBU does not spend international reserves on artificially maintaining the exchange rate at a given level, but mainly redirects the predominant portion of foreign assistance – which the government sells directly to the NBU off-market – into the FX market (thereby absorbing the hryvnias that flowed into the market from the government). Therefore, the NBU's current FX interventions are, to a large extent, purely technical operations driven by the specifics of wartime market functioning, rather being an indicator of the use of interventions for monetary policy purposes. The fact that reserves remain at a high level (USD 46.6 billion as of early October) shows that FX supply and demand are balanced.

Figure 5. Broad basic balance, USD billions



Source: NBU, MFU, open sources data.

A relevant approach to assessing external economic sustainability is to analyze the broad basic balance (BBB), based on indicators from both the current and financial accounts of the balance of payments. The BBB excludes financial flows that cannot be considered a stable source of deficit financing, such as short-term and speculative flows. Instead, it focuses only on stable sources of capital inflows, analyzes the financing of the current account deficit through sustainable financial inflows, and is used to assess a country's external sustainability and the long-term prospects of its balance of payments. This approach provides a more accurate picture of a country's external sustainability. Typically, it is calculated as the sum of the current account and foreign direct investment, which are considered the most sustainable sources for financing the current account deficit.

At the same time, during the full-scale invasion, international financial assistance programs, provided mainly on a concessional basis, have gained fundamental importance for Ukraine. A significant portion of the funds provided to Ukraine does not require servicing or repayment from Ukrainian sources. Therefore, these inflows are essentially close to foreign direct investment, grants, or exports of security services. Specifically, macro-financial assistance from the EU is a stable source of FX inflows because it is provided on concessional terms, with most interest costs covered by EU member states. The ERA Loans for Ukraine initiative is classified as a contingent liability covered by the profits from immobilized russian sovereign assets. This mechanism fundamentally differs from traditional commercial loans. Therefore, when analyzing Ukraine's external position, these flows should be taken into account as sustainable sources of financing.

Since the start of the war, the BBB has consistently remained in positive territory, indicating that the current account deficit was entirely financed by reliable sources.

Therefore, the widening of the deficit in 2025 is accompanied by an increase in the available sources for its financing.

The widening of the current account deficit in Ukraine primarily reflects priorities and strategic investments in security and reconstruction. Thanks to international support, these investments ensure the fundamental stability of the financial system and support the country's defense capabilities. The implementation of European integration reforms and effective cooperation with international partners are important conditions for the continued arrival of funds required to finance the current account deficit.

Part 4. External Assumptions

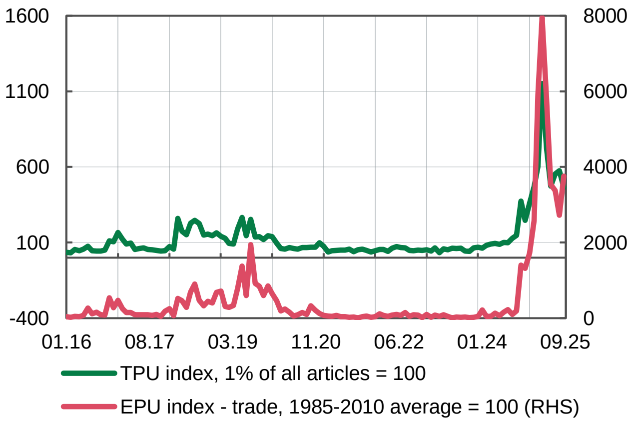
- Economic growth in Ukraine's main trading partners (MTPs) remained unstable, primarily due to trade disputes. As these countries adjust to the new trade and political conditions, growth will gradually accelerate. This will be facilitated by stable private consumption, the easing of financial conditions, and increased government spending, especially on infrastructure and defense.
- External inflationary pressures will remain elevated until mid-2026 due to the pass-through effects on consumers of higher import tariffs, labor market mismatches, and the depreciation of the U.S. dollar.
- Conditions in the global commodity markets will slowly improve for Ukraine due to stronger demand for grains and oilseeds amidst stabile energy prices

Growth in Ukraine's MTPs will gradually accelerate as they adjust to the new geoeconomic conditions

Growth in Ukraine's MTPs was uneven in Q3 2025: the services sector remained the driver, while manufacturing grew at a slow pace. Growth was the strongest in technology and financial services, but a notable improvement was also evident in the production of consumer goods and services. In the technology sector, demand for both tech equipment and software and related services has soared in recent months, notably including larger investments in artificial intelligence. At the same time, a similar revival was not seen in other sectors with high capital expenditures, particularly in the production of machinery and equipment, as well as construction materials.

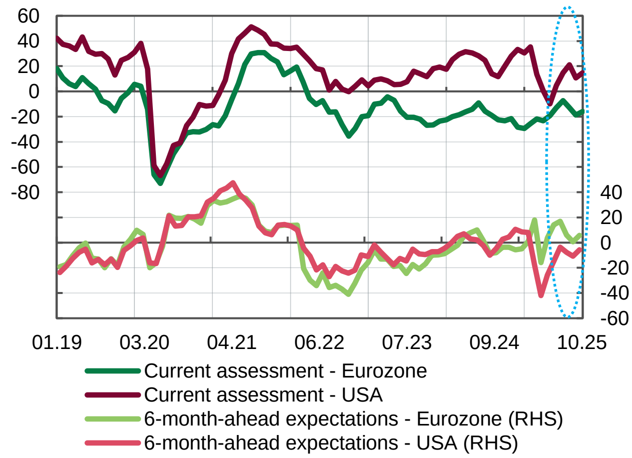
Business sentiment has improved but remained significantly below its long-term level, generally reflecting concerns about the impact of changes in U.S. policy, particularly tariffs. Although uncertainty regarding trade policy has slightly subsided after agreements between the United States and the EU and with a number of other countries were signed, these agreements establish higher tariffs on a wide range of goods, which hampers investment activity. For example, the effective tariff rate for the Eurozone is 13.1%, compared to the 10.2% expected in June, which will constrain economic activity and trade.

Figure 4.1. Trade policy uncertainty indices (based on textual analysis of news)



Source: Matteo Iacoviello webpage, EPU webpage.

Figure 4.2. Sentix investor sentiment indices for Eurozone and USA, balance, %



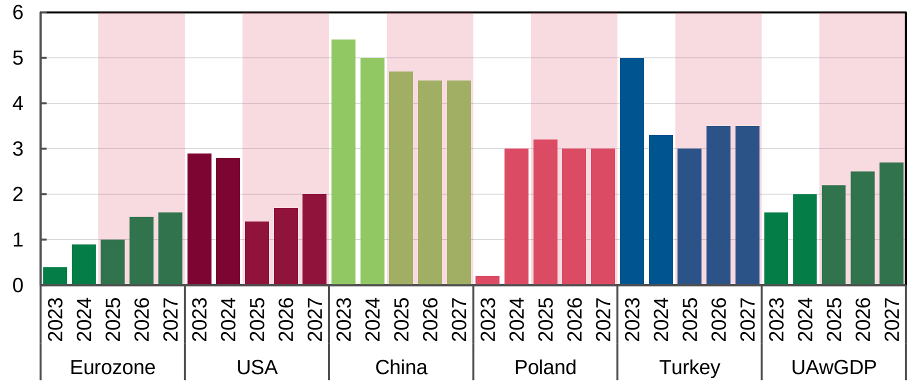
Source: Bloomberg.

It is expected that in 2026–2027, economic growth in Ukraine's MTPs will accelerate due to their gradual adjustment to the new trade and political conditions. The revival of global trade, coupled with paused fragmentation, will bolster ties between third countries, including Ukraine. Relatively resilient private consumption, the easing of financial conditions, and increased government spending, particularly on defense, will be significant factors supporting growth. However, economic recovery trends will remain uneven across countries.

The recovery of the Eurozone economy has been uneven: there has been stable growth in the services sector versus slow growth in industry, primarily due to higher losses in export sales and accumulated stocks. Growth accelerated in Germany thanks to the improved production of machinery and equipment, but the decline deepened in France due to greater political uncertainty.

Higher tariffs amidst still-significant uncertainty, the strengthening of the euro, and stronger global competition are negatively impacting the short-term prospects of the euro area economy, especially those for the manufacturing sector. Heightened trade tensions will also dampen consumption as households reduce their overall spending and forgo goods from the United States. At the same time, expectations for the upcoming periods, based on the sentix[23] index, have improved. Growth in the services sector is expected to remain stable, and the labor market will be resilient despite some weakening. Consumption and investment will be fueled by favorable financing conditions thanks to recent monetary policy decisions. The adaptation of exporters to the new trade conditions, together with government spending on infrastructure and defense, will also contribute to the continued economic growth in the Eurozone.

Figure 4.3. **Real GDP of selected countries and weighted average of annual GDP growth in Ukraine's MTP countries (UAwGDP), % yoy**



Source: National statistical offices, NBU staff estimates.

Growth in the economies of the CEE countries that are Ukraine's main trading partners was also uneven. The economies of the Czech Republic and Poland demonstrated a sufficient level of resilience: consumer demand remained robust, corporate sentiment improved, and the financial markets calmed following the de-escalation of trade tensions between the United States and the EU. In contrast, the economies of Romania and Hungary grew slowly due to fiscal consolidation measures and the limited availability of EU funds for Hungary. Economic growth in CEE countries is expected to accelerate in the coming years. Consumption will grow due to rising real wages amid slowing inflation and still-strong labor markets. Improving business sentiment will contribute to a gradual decrease in the savings rate and a rise in investment activity, supported by the utilization of EU funds under the 2021–2027 financial programs. External trade will revive, mainly with euro area countries, as they adjust to the new trade environment.

Economic activity in the United States slowed in Q3, both in the industrial and the services sectors. The reasons included rising costs due to higher import tariffs, weakening demand resulting from a certain cooling of the labor market, and stronger competition. Low sales led to the largest build up of finished goods inventories in the history of manufacturing PMI data collection. Net immigration to the United States, a vital factor in workforce growth, declined sharply. At the same time, business confidence improved, partly reflecting hopes for support from potential Fed funds interest rate cuts. The tax legislation bills passed and signed into law in July 2025 are expected to significantly boost demand in the coming years. Furthermore, despite the cooling labor market, tech and related sectors will help bolster labor productivity.

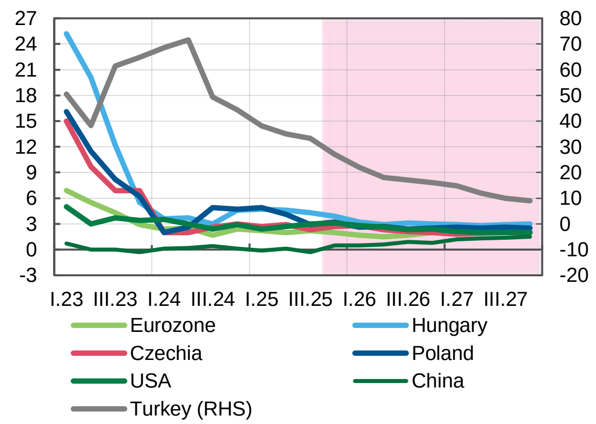
[23] These indices are among the first to reflect investor reactions (compared, for example, to the ZEW or Ifo Business Climate indices) to various events, and effectively demonstrate general assessments of the business environment. The sentix index can be used not only for forecasting economic growth in a region or country but also for analyzing sentiment in financial markets.

China's economy continues to grow at a fast pace, thanks to loose fiscal and monetary policies and diversified export markets. Specifically, exports to the United States slumped by 27% yoy in September, while exports to the EU, South and Eastern Asia and Africa rose by 14% yoy, 15.6% yoy, and 56.4% yoy respectively. However, this growth remains fragile due to heightened trade tensions with the United States, a weak labor market, the prolonged downturn in the real estate sector, slower lending growth caused by depressed domestic demand, and deflationary pressures from excess production capacity. It is expected that enhanced measures to boost consumption and innovation (the country is prioritizing high-tech production in an effort to modernize vast industrial facilities) will offset negative factors, and help maintain long-term growth at an annual rate of 4.5%.

External inflationary pressures will remain elevated until mid-2026 due to the pass-through to consumers of costs from rising import tariffs, labor markets mismatches, and the current depreciation of the U.S. dollar

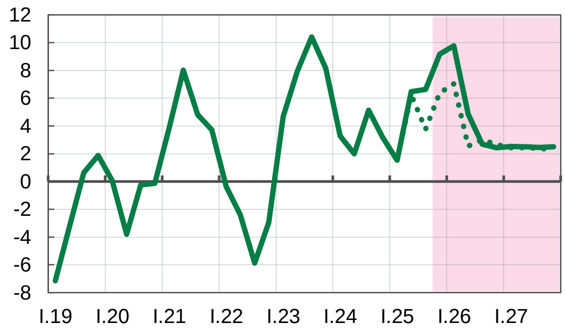
In Q3, the pace of easing inflationary pressures from Ukraine's MTPs slowed. Despite lower energy prices, continued rises in wages, primarily in the services sector, constrained the downward inflation trend. External inflationary pressures on the Ukrainian market are expected to remain elevated until mid-2026 due to the effects of the pass-through of costs from rising import tariffs to consumers, labor market mismatches, and the current depreciation of the U.S. dollar in the global financial markets. Subsequently, the gradual cooling of the labor market amid an adjustment to the new trade conditions will help return inflation to central bank targets. Meanwhile, inflation in Turkey will remain elevated due to domestic imbalances, while in China it will be ultra-low because of the slowing pace of economic growth.

Figure 4.4. Consumer inflation in selected countries – Ukraine's MTPs (eop), % yoy



Source: National statistical agencies, NBU staff estimates.

Figure 4.5. MTP inflation rate in dollar terms, % yoy



Source: NBU staff estimates.

In the United States, inflation slowed but remained above the target. The pass-through effects of tariffs and the weak dollar on prices have not yet been fully realized. Despite the slowdown in core services inflation, its level is still high. In contrast, in September, prices for goods and services grew at the slowest pace since April. The reason is that an increasing number of companies are reducing the pass-through of their costs onto customers by cutting their own margins. What is more, the need to sell off a record build-up of inventories in manufacturing will help lower inflation in the coming months. Short-term inflation expectations have declined, and most indicators of long-term inflation expectations are largely stable. Inflation in the United States is expected to exceed 3% by the end of 2025, reaching its target only in mid-2027.

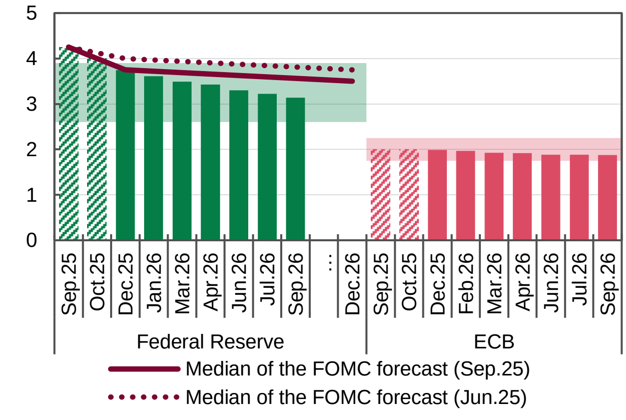
Accordingly, risks to the Fed's policy have shifted from inflation toward employment due to the cooling labor market. To balance these risks, the Fed predictably lowered the target range for its interest rate by 25 bp in September for the first time since December 2024. The reduction continued in October with another 25 bp cut, bringing the rate to 3.75%–4.0%, and thus moving it closer to the neutral level. Uncertainty regarding the rate trajectory remains heightened given the growing divergence of views among the

FOMC members, although the median of their forecasts suggested two more rate cuts by the end of the year. At the same time, the reviewed Statement on Longer-Run Goals and Monetary Policy Strategy clarifies that in periods when fulfilling both mandates may conflict, the Committee will consider the degree of deviation from its goals and the potentially different time horizons over which employment and inflation will return to their target levels. The financial markets expect one more rate cut by the end of 2025, with further easing in the following year.

Headline and core inflation in the euro area remain close to the medium-term target of 2%. Pressures from rising wages persist, but the strengthening euro, cheaper energy, and lower prices from Chinese exports are supporting the disinflationary trend. Long-term inflation expectations remain anchored. Wage growth pressures are expected to ease by the end of 2025 and stabilize in H1 2026. However, the introduction of the new EU Emissions Trading System (ETS 2) starting in 2027 will push up energy prices temporarily. As a result, inflation will fall below its target in 2026, returning to it in 2027.

Accordingly, the ECB predictably left rates unchanged in September and October (deposit rate at 2%). It was noted that short-term deviations of inflation below its target do not require any monetary policy response if inflation is expected to stabilize at its target level later on. Furthermore, a further reduction in rates could even threaten this stabilization. Currently, the risks to inflation are considered "quite balanced", and the policy easing cycle is close to ending or is already finished. Financial market participants do not anticipate any rate changes until the end of the year, and the probability of a rate cut by July 2026 stands at 48%.

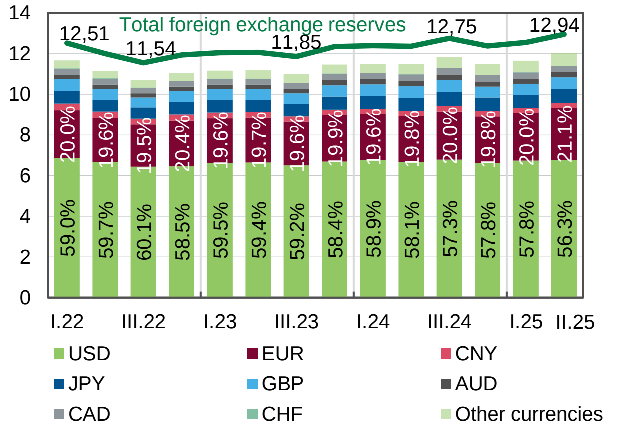
Figure 4.6. Market expectations (according to OIS) of key policy rates* on the respective meeting dates, %



* For the Fed – upper limit of the target range, for the ECB – deposit rate. Ranges of the Fed long-term rate and the ECB neutral rate are in transparent. As of 24.10.2025.

Source: Bloomberg, official web pages of the Federal Reserve and the ECB.

Figure 4.7. Composition of global official foreign exchange reserves by currency, trillions of U.S. dollars and shares, %



* Total foreign exchange reserves according to IFS data. Reserves by currency are allocated reserves as reported by countries in COFER. The difference between total and allocated reserves constitutes the unallocated reserves, which include reserves of countries reporting data for the IMF's IFS but not to COFER.

Source: IMF.

The U.S. dollar exchange rate against a basket of major currencies was volatile throughout the quarter but trended toward further depreciation, primarily against the euro (reaching the 1.17 level). The weakening of the dollar was driven by market reactions to the United States' continued move toward protectionism, pressure on the Fed regarding the speed of monetary easing, and the deepening of internal fiscal imbalances. Consequently, countries are gradually diversifying their international reserves, reducing the dollar's share and paying more attention to the euro.

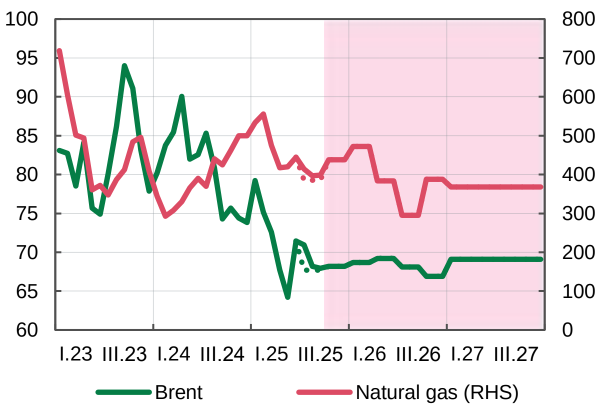
In the context of the further narrowing of the interest rate spread between the Fed and the ECB and the improved prospects for the Eurozone economy, the depreciation of the U.S. dollar against the euro will slow down. However, the unpredictability of the United States' trade and geopolitical stance will shift capital flows to other regions, particularly Europe. As a result, the dollar/euro exchange rate will have a sideways trend.

Conditions in the global commodity markets for Ukraine will slowly improve thanks to stronger demand for grains and oilseeds amidst stabilizing energy prices

Given the uncertain nature of U.S. trade policy, the global commodity markets remained volatile, which resulted in the build-up of stocks and a drop in the prices of most commodities. Accordingly, global trade growth remained depressed, with nearly half of the growth generated by AI-related trade. AI is expected to continue to drive global trade. An improvement in the macroeconomic situation in Ukraine's MTPs will contribute to increased trade between regions. The negative impact on trade from rising tariff rates and the general uncertainty of trade policy will fade away.

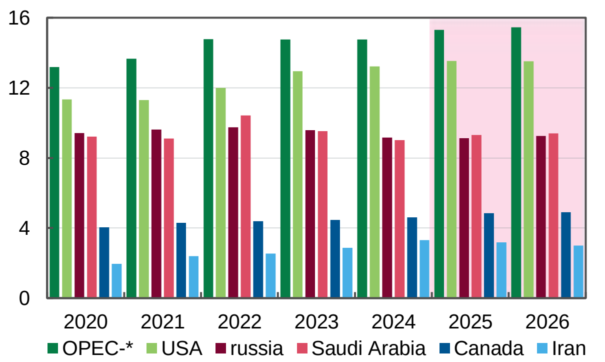
Global oil prices will have a sideways trend but will remain highly volatile due to the market's sensitivity to geopolitical factors. The supply of oil is expected to be maintained by ramped-up production from both OPEC+ countries and those outside the group, primarily the United States, Canada, Brazil, and Guyana. Furthermore, despite sanctions, the supply of oil from Iran and Venezuela will continue. However, the build-up of inventories and the rising demand resulting from increased consumption from the United States, European countries, and South and Eastern Asia will eventually bring the oil market into equilibrium.

Figure 4.8. World crude oil prices (USD/bbl) and Dutch TTF natural gas prices (USD/kcm)



Source: World Bank, LSEG, NBU staff estimates.

Figure 4.9. Crude oil production, million barrels per day



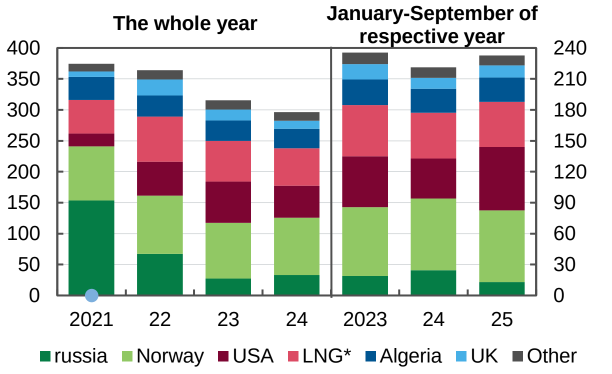
* OPEC excluding Saudi Arabia and Iran.

Source: U.S. Energy Information Administration, Canadian Centre for Energy Information; 2025 and 2026 – NBU staff estimates.

Natural gas prices in the European market will move sideways. The expected reduction in gas consumption due to the relative weakness of the EU economy and falling demand from China (as a result of relatively favorable weather conditions this year) will be fully offset by the necessity of replenishing European gas storage facilities and increased imports by Ukraine. Overall, global demand growth is expected to slow to 1.3% yoy (down from 2.8% in 2024). At the same time, the increase in LNG supply (by 5.5% yoy), primarily thanks to the deployment of large new projects in the United States, will partially compensate for the decline in russian gas supplies. In 2026, global LNG supply growth will accelerate to 7%, allowing for an additional increase in consumption of 2% yoy thanks to recovering demand from Asian countries. However, the demand for gas in Europe will weaken in 2026 amid increasing production of renewable energy sources (which currently account for about 47% of energy generation). Despite this, gas prices will remain relatively high due to pressures from U.S. gas prices, considering that their share in European LNG imports is about 60%.

Global wheat prices will fluctuate in a sideways trend. World production in the 2025/26 MY is expected to be record-high thanks to larger harvests in Australia, the EU, russia, Canada, and Ukraine, which will put downward pressure on prices. However, global consumption will also grow, mainly as a result of increased use as feed and the replenishment of stocks in a number of countries (including the EU, Australia, Canada, russia, and Ukraine). Therefore, despite stepped-up production, exports from russia (which accounted for almost a quarter of the market in recent years) is expected to shrink. This will prevent prices from declining, considering the relatively low stocks at the beginning of the current MY and the almost unchanged expectations for these stocks at the end of the next MY (0.6% yoy).

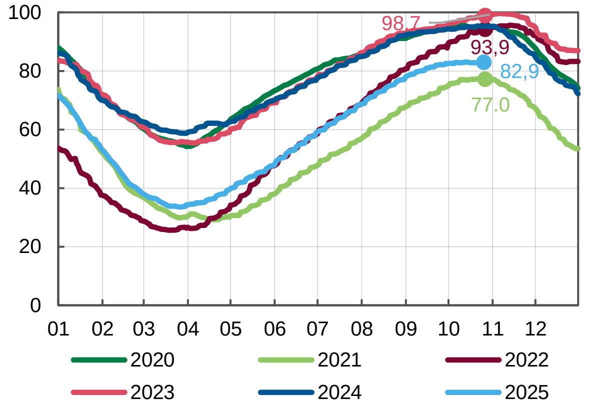
Figure 4.10. **Natural gas imports to the EU by origin, bcm**



* LNG – less the USA. russia, Norway, Algeria – pipelines.

Source: Bruegel.

Figure 4.11. **Filling level of gas storage facilities in the EU in the corresponding year, %**

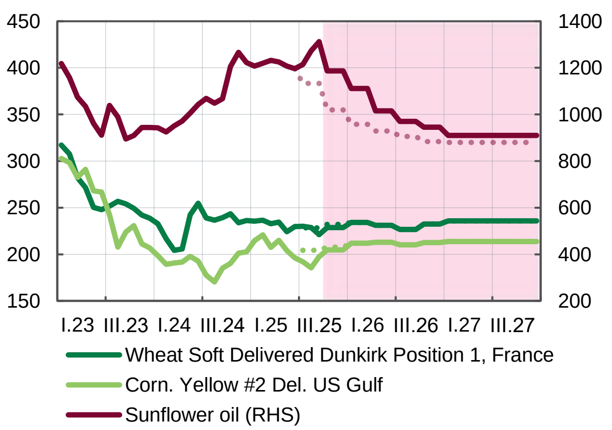


Source: LSEG, as of 24.10.2025.

After a short-term rise due to low stocks (which fell by 9.9% yoy at the beginning of the current MY, global corn prices will continue to fluctuate sideways. On one hand, a substantial increase in global production is expected in the MY 2025/26: poorer harvests in the EU, Serbia, and russia will be more than offset by production in Canada, India, and the United States. On the other hand, global consumption will also rise, driven by livestock farming, particularly in China, and bioethanol production, especially in Brazil, which will balance the market.

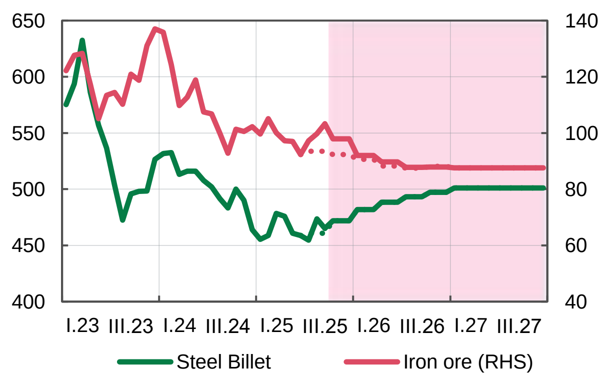
Growing concerns regarding sunflower production in the MY 2025/26 (Ukraine and EU countries account for about 40% of global sunflower production) will keep prices at relatively high levels, despite a slight decline. EU countries are expected to see their worst sunflower harvest in a decade due to a hot and dry summer that hampered crop development. In contrast, global production of vegetable oils is generally expected to be record-high in the MY 2025/26 (USDA). Record-high soybean harvests in the United States and Brazil will help offset the sunflower shortage, tilting prices downward. An additional factor will be the expected increase in palm oil production. Only the rising demand for soybean oil from bioethanol producers will prevent prices from falling further.

Figure 4.12. **World prices for selected grains and sunflower oil, USD/MT**



Source: World Bank, LSEG, NBU staff estimates.

Figure 4.13. **World steel and iron ore prices*, USD/MT**



* Steel Billet Exp FOB Ukraine and China import Iron Ore Fines 62% FE spot (CFR Tianjin port).

Source: World Bank, LSEG, NBU staff estimates.

Iron ore prices will gradually decline under pressure from a surplus, although they will remain relatively high amid decarbonization policies. Further upturns in supply are expected from both the largest producers – Australia and Brazil – and the smaller ones – India and China. In contrast, demand for high-quality ore, used in low-carbon steel production, will increasingly grow. Specifically, consumption from China is expected to rise following the approval of a new work plan for the steel industry for 2025–2026, which aims for 4% average annual rate of growth for value-added and low-emission products. Steel prices will continue to fluctuate sideways after a short-term recovery. Despite the current drop in steel consumption in Europe, the situation will improve slightly thanks to government support. In 2026, steel consumption will recover (+3.1% yoy) amid the expected revival in the industrial sector and the easing of trade tensions. The introduction of the CBAM (Carbon Border Adjustment Mechanism) from the beginning of 2026 will intensify pressure on prices due to increased costs for production decarbonization. At the same time, considering the high share of imports in steel consumption (despite a decrease to 22% in Q2, down from 25% in Q1 and 27% in 2024), competition in the European market will persist.

Despite the general improvement in conditions in the global commodity markets, pressure on inflation in Ukraine from the commodity markets will be elevated due to the relatively high prices for natural gas, specific grains (corn), and sunflower oil.

Part 5. Risks to the Forecast

- The war is grinding on. The past few months have seen an increase in the intensity of air attacks on, and the destruction of energy infrastructure, logistics, and production facilities. This has already been reflected in a revision of forecast indicators and has increased the risks of higher price pressures and a further decline in economic potential.
- Other war-related risks have also risen, including: the emergence of additional budgetary expenditures for maintaining defense capabilities and carrying out reconstruction work, the insufficiency and/or irregularity of external financing in the coming years, as well as a deepening of adverse migration trends and a widening of labor shortages on the domestic labor market, mainly because of the persisting high security risks.
- Meanwhile, the potential for several positive scenarios to materialize still exists. These are primarily related to increased military and financial support from partners and the international community's efforts to ensure a just and lasting peace for Ukraine.

The NBU reiterates its assumption of a gradual return of the economy to normal functioning conditions over the forecast horizon. At the same time, the main risks to the forecast stem from the course of the full-scale war

A prolonged war of high intensity would worsen the Ukrainian economy's prospects for recovery, harm business and consumer sentiment, and more significantly aggravate demographic problems and labor market conditions, while the pressure on public finances would also remain strong. This would cause a worsening of inflation expectations, although inflation would be restrained by subdued demand and by keeping tariffs for certain utility services unchanged. In contrast, an upside risk is also being considered, associated with the international community's efforts to secure a just and lasting peace for Ukraine. The economy's faster return to normal functioning conditions would be reflected in the stabilization of the energy sector and the reversal of the negative migration trend.

The risks that defense capabilities and reconstruction might require additional budgetary spending remain high. The expected budget deficit might thus increase

The NBU has revised upward its budget deficit forecast over the forecast horizon due to the higher needs in the defense sector and infrastructure reconstruction. However, the risk remains high that additional needs might arise due to the more intense nature of hostilities and the destruction of infrastructure, production facilities, and housing. At the same time, the potential for optimizing other budgetary expenditures will remain limited. It is expected that the government will finance the wider deficits by attracting additional amounts of external assistance or through borrowing on the domestic market, and will not resort to monetary financing.

International support for Ukraine will remain significant. The updated macroeconomic forecast takes into account the European Commission's plans to provide Ukraine with a reparations loan using immobilized russian assets

In its new defense readiness roadmap, the European Union has identified Ukraine as a key element of its defense readiness. The document stipulates that support for Ukraine should be long-term and include legal guarantees, multi-year funding, military supplies, and the integration of its defense industry into the European one. It is expected that next year a reparations loan will be implemented, the funds from which will be directed toward defense and reconstruction or toward social spending, depending on the needs. The loan will be provided using funds derived from immobilized russian assets, under the guarantees of the EU member states. Ukraine will only be obliged to repay it if it receives reparations from russia. The proceeds from the reparations loan will exceed and replace the funds from the ERA Loans program. However, the practical implementation of such a mechanism requires multiple decisions to be made at the political and technical levels.

The probability of increased military and financial support from partners under other programs supporting Ukraine also remains.

At the same time, risks of irregular or insufficient inflows of funds persist. A shortfall in a portion of the planned external support would necessitate the additional mobilization of budget revenues, a reduction in expenditures, or an increase in market borrowing. If these measures prove insufficient, it may be necessary to resort to monetary financing. This would have a negative impact on inflation expectations and would require the NBU to tighten its interest rate policy.

russia's air attacks exacerbate the risks of a further deterioration in the energy sector

The sharp intensification of russia's air attacks on Ukrainian energy infrastructure and natural gas extraction facilities at the end of Q3 significantly widened the electricity deficit and increased the need for additional natural gas imports for a successful passage of the heating season. If the attacks intensify further, this risk would have an additional direct negative impact on GDP growth due to a reduction in energy production and an indirect impact due to restrictions on energy supplies, primarily for businesses. The need to set up backup sources of energy, power outages or natural gas shortages, as well as increased energy imports, would put pressure on businesses' production costs. On the other hand, the rapid restoration of natural gas production capacities, power generation facilities, and infrastructure, as well as the further development of the renewable energy sector, are possible, and would help mitigate the negative impact on both economic activity and inflation from the air attacks.

Security risks and the adaptation of forced migrants in their current places of stay are the main factors that will determine the scale and direction of migration in the forecast period

Air attacks on infrastructure also raise the risks of higher migration and a lower supply of labor. One element of uncertainty for forecasting migration flows is the degree to which Ukrainians are adapting to living abroad (employment, availability of housing, language skills, etc.). Currently, most EU countries have programs to facilitate the adaptation of Ukrainian migrants. At the same time, such programs may be canceled in the near future. In particular, from 1 November 2025, Switzerland will change its approach to granting refugee status and will not grant this status to Ukrainian migrants from the western regions of Ukraine. Similar decisions taken by other European countries may reduce the number of Ukrainians leaving Ukraine, and encourage those already abroad to return. A decline in the migration outflow would contribute to an increase in the supply of labor and domestic demand in Ukraine.

Fluctuations in the supply of food caused by abrupt changes in weather conditions might significantly affect the inflation trajectory due to the large weight of the food component in the CPI

Variations in crop yields remain a significant risk to the forecast. As before, additional factors that may affect agricultural production include increased losses in the agricultural sector due to the further deterioration of the security situation or the expansion of the combat zone. A decrease in the supply of agricultural raw materials on the market would have a significant inflationary effect. It would also hamper cargo transportation, processing, and exports.

At the same time, further investment in adaptive technologies, the use of modern fertilizers, and the expansion of irrigation systems would contribute to increased agricultural productivity in the medium term. This, in turn, would ensure growth in export potential, contribute to price stabilization in the domestic market, and have a positive impact on the pace of economic growth.

The timing and parameters of the revision of utility tariffs and some administered prices are subject to uncertainty and thus pose a risk to the inflation forecast

The NBU assumes that the current tariffs for electricity, gas, heating, and hot water supply will not be revised until the end of the heating season 2025–2026. However, due to the difficult situation in the energy sector, it is assumed that some of these tariffs will be gradually brought to economically justified levels starting from H2 2026. Thus, uncertainty over the scale and timing of energy tariff adjustments poses a risk to the inflation forecast. In particular, a further postponement of decisions to increase the tariffs would lead to lower inflation, but would cause the accumulation of quasi-fiscal imbalances and worsen the financial standing of energy companies. At the same time, against the backdrop of the need to restore damaged capacity, the risks of instability in the energy market would increase. The sector's investment potential would deteriorate, and price surges would only be postponed. A sufficiently rapid and significant increase in energy prices could eliminate imbalances in the energy sector, but would raise inflationary pressures in the respective period, and would require household subsidies to be increased.

In addition, the forecast for administered inflation takes into account the decisions taken to gradually increase excise tax rates on tobacco products until 2028. Therefore, administered inflation may deviate from the forecast if these rates change significantly.

The risk of less favorable external conditions and/or increased volatility in global commodity and financial markets remains relevant against the backdrop of heightened geopolitical uncertainty and deglobalization

The baseline scenario of the forecast is based on the gradual adaptation of both the economies of Ukraine's MTPs and the economy of Ukraine to new geoeconomic conditions, and the absence of unexpected changes in trade policy. Although uncertainty regarding the latter has somewhat decreased with the conclusion of agreements between the United States and a number of third countries, there are still risks to the implementation and revision of these agreements. Moreover, the most significant risk to the deterioration of external conditions is, first and foremost, the intensification of trade and political confrontation between the United States and China. As a result, global trade could decline markedly, supply chains could be disrupted, and investment sentiment could worsen. Despite the negative impact on the economies of the opponents themselves, the consequences of this confrontation would also spread to the economies of other countries, including the euro area, which is deeply integrated into the global trading system and might face a sharp decrease in export demand. Other export-dependent European countries, in particular CEE economies specializing in raw materials and manufacturing, would also face the same risks. Consequently, their recovery would slow, which might limit external demand for Ukrainian products.

The impact of such a scenario on energy prices would be multi-directional. Crude oil prices would decline due to weaker global demand. However, natural gas prices on the European market would remain relatively high because of the displacement of significantly cheaper russian gas from the market, and the increased share of LNG imports, which is much more expensive. The consequences for Ukrainian exports would also be mixed. For example, the displacement of China from the ferrous metals market may lead to a gradual increase in prices and demand for Ukrainian steel and pig iron. Conversely, grain prices may fall substantially, pushed down by excess supply from the United States formed as U.S. grain is displaced from the China market.

However, thanks to competitive advantages in traditional export categories, particularly food products, Ukraine would gain preconditions for expanding its presence in the markets of the EU and China. Thus, increasing export volumes might partially offset the expected decline in prices.

A significant incentive for recovery could come from large-scale projects to rebuild Ukraine, especially in combination with accelerated European integration

One of the upside risks to this macroeconomic forecast is a significant acceleration of European integration processes and relevant reforms that improve the country's investment attractiveness. Under this scenario, the growth of household income would also accelerate. This would spur underlying inflationary pressures, but they would be offset by the appreciation effects from the influx of foreign capital.

The course of the full-scale war remains the main risk to inflation dynamics and economic development

Table 5.1. Probability that main risks will materialize

Degree of impact on the baseline scenario	Low <15%	Medium 15%–25%	High 25%–50%
Weak		Unforeseen adjustments to administratively regulated prices	
Moderate	Acceleration of EU integration and reconstruction	Deepening of adverse trends in migration and widening of labor shortages Weather-related supply shocks	Emergence of additional budgetary needs Geo-economic uncertainty and economic slowdown in Ukraine's MTPs
Strong	Rapid end to active hostilities		Escalation of hostilities, further destruction of production facilities and logistics, including in the energy sector Change in the amounts of international assistance

Table 1. Macroeconomic forecast (October 2025)

Indicators	2022	2023	2024	2025						2026						2027					
				I	II	III	IV	current forecast	forecast 07.2025	I	II	III	IV	current forecast	forecast 07.2025	I	II	III	IV	current forecast	forecast 07.2025
REAL ECONOMY, % yoy, unless otherwise stated																					
Nominal GDP, UAH bn	**5239**	**6628**	**7659**	1923	2021	2414	2556	**8915**	**8915**	2213	2289	2657	2776	**9935**	**9935**	2405	2498	2914	3053	**10870**	**10870**
Real GDP	**-28.8**	**5.5**	**2.9**	0.9	0.7	2.1	3.4	**1.9**	**2.1**	3.1	3.1	1.4	0.8	**2.0**	**2.3**	1.4	2.2	3.1	4.1	**2.8**	**2.8**
GDP Deflator	34.9	19.9	12.3	16.9	15.2	13.0	12.7	14.2	14.0	11.6	9.8	8.6	7.7	9.3	8.9	7.2	6.8	6.3	5.6	6.4	6.4
Consumer prices (period average)	20.2	12.9	6.5	-	-	-	-	12.9	13.3	-	-	-	-	7.3	7.6	-	-	-	-	5.7	5.7
Consumer prices (end of period)	**26.6**	**5.1**	**12.0**	14.6	14.3	11.9	9.2	**9.2**	**9.7**	8.2	6.6	7.2	6.6	**6.6**	**6.6**	6.1	5.6	5.4	5.0	**5.0**	**5.0**
Core inflation (end of period)	22.6	4.9	10.7	12.4	12.1	11.0	9.1	9.1	9.0	7.5	7.3	6.4	5.8	5.8	6.2	5.1	4.3	3.8	3.2	3.2	3.3
Non-core inflation (end of period)	30.6	5.7	13.8	17.3	17.6	13.2	9.4	9.4	10.9	9.3	5.8	8.2	7.6	7.6	7.1	7.4	7.2	7.6	7.3	7.3	7.3
raw foods (end of period)	41.6	2.2	13.2	17.0	28.7	18.1	11.0	11.0	14.6	11.6	2.1	7.3	5.0	5.0	4.0	5.2	4.1	4.0	3.2	3.2	3.2
administered prices (end of period)	15.3	10.7	16.3	19.0	10.9	10.7	8.7	8.7	8.7	8.0	9.0	9.1	9.7	9.7	9.7	9.4	10.0	10.7	10.9	10.9	10.9
Nominal wages (period average)	6.0	17.4	23.2	24.1	21.7	19.4	15.1	19.8	19.0	16.0	14.6	12.4	11.1	13.4	13.0	11.3	10.4	10.3	9.6	10.3	9.6
Real wages (period average)	-11.9	4.1	15.6	9.2	5.7	5.6	4.8	6.2	5.2	6.9	6.8	5.0	3.8	5.6	5.1	4.6	4.4	4.6	4.2	4.4	3.8
Unemployment rate (ILO, period average)	20.6	18.2	13.1	-	-	-	-	11.3	11.5	-	-	-	-	10.2	10.2	-	-	-	-	9.2	9.2
CONSOLIDATED BUDGET, excluding grants from revenues																					
Balance, UAH bn	-1325	-1765	-1827	-	-	-	-	-2260	-1960	-	-	-	-	-1921	-1865	-	-	-	-	-1499	-1299
Balance, % of GDP	**-25.3**	**-26.6**	**-23.8**	-	-	-	-	**-25.3**	**-22.0**	-	-	-	-	**-19.3**	**-18.8**	-	-	-	-	**-13.8**	**-12.0**
BALANCE OF PAYMENTS (analytical presentation)																					
Current account balance, USD bn	8.0	-9.6	-15.1	-6.9	-8.2	-9.8	-11.6	-36.6	-34.6	-9.0	-8.5	-9.0	-8.9	-35.3	-34.9	-9.4	-9.1	-10.2	-9.7	-38.4	-37.3
Exports of goods and services, USD bn	57.5	51.3	56.6	13.2	13.4	13.0	16.5	56.1	56.0	15.5	14.5	15.6	17.4	63.0	61.7	16.1	16.0	16.6	19.2	67.9	66.1
Imports of goods and services, USD bn	83.3	89.2	95.3	24.6	26.6	28.3	32.5	111.9	108.2	28.6	27.8	29.1	30.6	116.1	108.5	26.7	26.4	27.9	29.8	110.7	107.2
Remittances in Ukraine, USD bn	12.5	11.3	9.5	2.0	2.1	2.1	2.2	8.5	8.9	1.9	2.2	2.3	2.4	8.8	8.8	2.3	2.4	2.5	2.6	9.8	9.8
Financial account, USD bn	11.1	-18.9	-10.0	-5.5	-10.7	-10.8	-17.1	-44.2	-43.0	-4.5	-7.2	-10.3	-11.6	-33.6	-25.8	-12.3	-10.5	-12.1	-9.7	-44.6	-38.0
BOP overall balance, USD bn	**-2.9**	**9.5**	**0.0**	-1.3	2.6	1.0	5.5	**7.8**	**8.6**	-4.4	-1.3	1.3	2.7	**-1.7**	**-9.1**	2.8	1.4	1.9	0.1	**6.2**	**0.7**
Gross reserves, USD bn	**28.5**	**40.5**	**43.8**	42.4	45.1	46.6	53.6	**53.6**	**53.7**	49.9	48.1	50.0	52.2	**52.2**	**44.7**	55.7	57.2	59.1	59.2	**59.2**	**45.2**
Months of future imports	3.8	5.1	4.7	4.4	4.6	4.7	5.5	5.5	5.9	5.2	5.1	5.4	5.7	5.7	5.0	6.0	6.1	6.2	6.1	6.1	4.8
As a percentage of the IMF composite criterion	78.6	124.2	121.1	113.3	110.7	110.8	119.3	119.3	124.1	108.1	101.7	101.7	102.2	102.2	93.6	105.1	104.5	104.6	102.0	102.0	85.2
MONETARY ACCOUNTS (cumulative since the beginning of the year)																					
Monetary base, %	**19.6**	**23.3**	**7.7**	-3.9	4.4	7.0	12.1	**12.1**	10.9	2.3	3.8	6.0	12.4	**12.4**	12.9	0.9	3.3	5.0	9.1	**9.1**	10.4
Broad money, %	**20.8**	**23.0**	**13.4**	-1.0	3.0	5.0	12.2	**12.2**	11.7	0.6	3.1	5.0	9.7	**9.7**	10.0	1.0	3.9	5.0	7.9	**7.9**	8.3
Velocity of broad money (end of year)	**2.1**	**2.2**	**2.2**	-	-	-	-	**2.3**	2.3	-	-	-	-	**2.3**	2.3	-	-	-	-	**2.3**	2.3

Table 2. Comments on the forecast revision

Indicators	2024	2025	2026	2027	Factors behind the revision
Inflation, %, eop	**12.0**	**9.2**	**6.6**	**5.0**	Higher yields in 2025, particularly for vegetables
		-0.5	0.0	0.0	
Real GDP growth, %	**2.9**	**1.9**	**2.0**	**2.8**	Worse Q2 actual data and new disruptions in the energy sector, but higher budget expenditures and better harvests
		-0.2	-0.3	0.0	
Nominal GDP, UAH bn	**7659**	**8915**	**9935**	**10870**	Impact of offsetting factors: slower real GDP growth, but higher GDP deflator due to expected higher electricity prices for businesses
		0	0	0	
Consolidated budget balance (excluding grants and ERA financing from revenues), % of GDP	**-23.8**	**-25.3**	**-19.3**	**-13.8**	Higher needs to support defense capabilities and maintain government incentives for the economy
		-3.3	-0.5	-1.8	
Current account balance, USD bn	**-15.1**	**-36.6**	**-35.3**	**-38.4**	Higher imports due to wider budget deficit, as well as additional purchases of gas and electricity
	0.8	-2.0	-0.4	-1.1	
Gross international reserves, USD bn	**43.8**	**53.6**	**52.2**	**59.2**	Higher levels of international aid
		-0.1	7.5	14.0	
Key policy rate (period average), %	**13.7**	**15.3**	**13.8**	**11.8**	Increasing inflationary risks due to the growing energy deficit and budget needs
		0.2	0.4	0.0	

The indicator has been revised downwards (pp)

The indicator has been revised upwards (pp)

Table 3. Forecast assumptions

Indicators		2022*	2023*	2024*	2025	2026	2027
Official financing	USD bn	32.2	42.9	41.9	51.5	45.5	39.1
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	3.8	2.8	2.5
World prices:**							
Steel price, Steel Billet Exp FOB Ukraine	USD/t	618.1	539.7	504.1	466.4	490.3	501.1
	% yoy	0.5	-12.7	-6.6	-7.5	5.1	2.2
Iron ore price, China import Iron Ore Fines 62% FE	USD/t	121.4	120.6	109.4	98.8	89.4	87.6
	% yoy	-24.9	-0.7	-9.3	-9.7	-9.5	-2.0
Wheat price, European Soft White Super Delivered Italy	USD/t	353.5	264.1	232.1	229.9	231.1	235.8
	% yoy	26.9	-25.3	-12.1	-0.9	0.5	2.0
Corn price, Yellow #2 Delivery USA Gulf	USD/t	318.4	252.7	190.6	203.9	211.8	213.7
	% yoy	22.7	-20.6	-24.6	7.0	3.9	0.9
Crude oil price, Brent	USD/bbl	99.8	82.6	80.7	70.2	68.2	69.1
	% yoy	41.8	-17.2	-2.3	-13.0	-2.8	1.3
Natural gas price, Netherlands TTF	USD/kcm	1355.9	465.6	393.9	447.5	384.7	367.7
	% yoy	135.9	-65.7	-15.4	13.6	-14.0	-4.4
US dollar exchange rate against the euro	USD/EUR	1.05	1.08	1.08	1.13	1.18	1.18
Harvest of grain and leguminous crops	t m	53.9	59.8	56.2	61.5	62.9	63.5
Minimum wage**	UAH	6550	6700	7775	8000	8647	9374

** Actual data*

*** Annual average.*

Terms and Abbreviations

BOI	Business Outlook Index
CB	Central bank
CEE	Central and Eastern Europe Cabinet
CMU	of Ministers of Ukraine
CPI	Consumer Price Index
ECB	European Central Bank
EM	Emerging markets
ERA	Extraordinary Revenue Acceleration
EU	European Union
Fed	U.S. Federal Reserve System
FEU	Federation of Employers of Ukraine
FTA	Free trade agreement
GDP	Gross domestic product
IER	Institute for Economic Research
IT	Information technologies
MPC	Monetary Policy Committee
QPM	Quarterly Projection Model
IMF	International Monetary Fund
ILO	International Labor Organization
LNG	Liquefied natural gas
MY	Marketing year
MFU	Ministry of Finance of Ukraine
MTP	Main trading partner
NBU	National Bank of Ukraine.
NEER	Nominal effective exchange rate
NFC	Non-financial corporations
OPEC	Organization of the Petroleum Exporting Countries
PBC	People’s Bank of China
PFU	Pension Fund of Ukraine
PMI	Purchasing Managers’ Index
REER	Real effective exchange rate
russia	russian federation
SCSU	State Customs Service of Ukraine
SESU	State Employment Service of Ukraine
SSSU	State Statistics Service of Ukraine
STSU	State Treasury Service of Ukraine
T-bills&bonds	Domestic government debt securities
UAwCPI	Weighted average of the CPI in Ukraine’s MTP countries
UAwGDP	Weighted average of economic growth in Ukraine’s MTP countries
UIIR	Ukrainian Index of Interbank Rates
UN	United Nations Organization
U.S.	United States of America
VAT	Value-added tax

bbl	barrel
bn	bilion
bp	basis point
eoy	end of year
m	million
mom	in monthly terms; month-on-month change
p	point
pp	percentage point
qoq	in quarterly terms; quarter-on-quarter change
rhs	right-hand scale
sa	seasonally adjusted
UAH	Ukrainian hryvnia
USD	U.S. dollar
yoy	in annual terms; year-on-year change