National Bank of Ukraine

# Inflation Report

October 2025

Summary

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

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

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

The managed flexibility regime 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.

# 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.

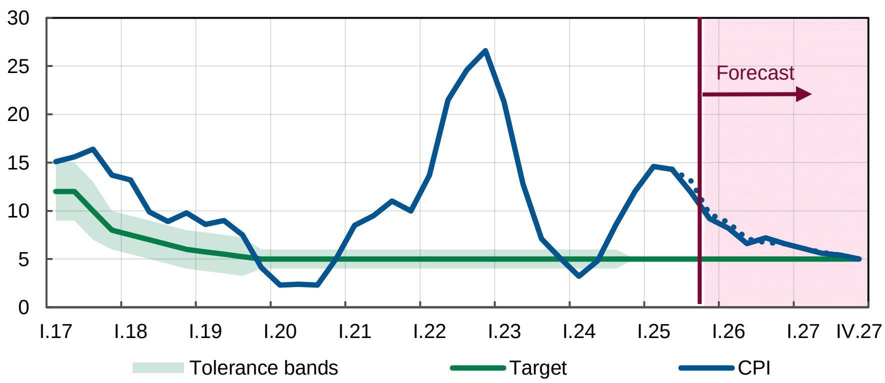
On the other hand, core inflation declined at a slower pace (to 11.0% yoy in September). The underlying price pressure persisted, particularly as businesses continued to incur high costs of labor and energy. As a result, the growth rates of prices for a number of core inflation components either declined 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.

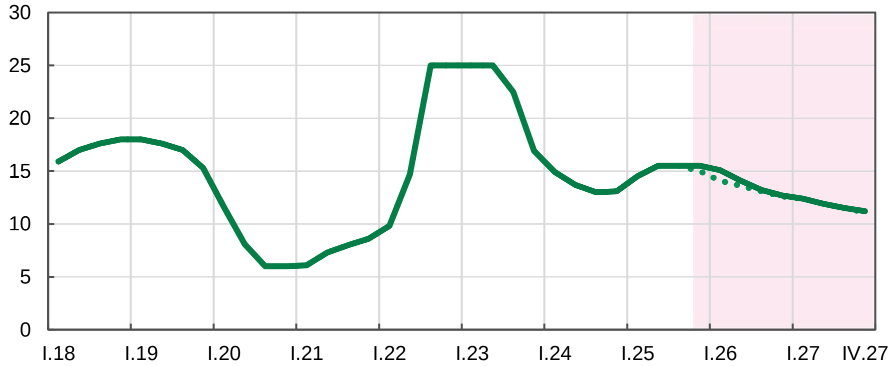
By contrast, corporate and household hryvnia loans kept rising fast: by more than 30% yoy. In addition, surveys show the banks reporting an increase in businesses' demand for loans and an easing in lending standards, both in previous months and for the next quarter.

**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.

# 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 |

## 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)

## 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.*