

# Inflation Report

January 2026

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](#).

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 restoring the key policy rate's role as the main monetary instrument. Changes in the key policy rate and adjustments to the operational framework of interest rate policy reflect significant shifts in the balance of risks, and are primarily aimed at maintaining the sustainability of the FX market, keeping inflation expectations under control, and ensuring price stability.

The managed flexibility regime allows 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 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 (January 2026) 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 28 January 2026. The assumptions underlying the forecast were made the same day. The Inflation Report presents a forecast for the country's economic development in 2026–2028, which was prepared by the Monetary Policy and Economic Analysis Department and approved by the NBU Board at its monetary policy meeting on 30 January 2026<sup>1</sup>.

The NBU Board makes decisions on the key policy rate and other monetary instruments in line with the [schedule published in advance](#). The decisions the NBU Board makes in January, April, July, and October are based on a new macroeconomic forecast. At the remaining four meetings (in March, June, September, and December), the NBU Board makes its decisions based on assessments of risks and uncertainty that take into account the economic developments in Ukraine and abroad since the latest forecast. The decisions are announced at a press briefing held at 2 p.m., following 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](#).

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<sup>1</sup>NBU Board Decision No. 29 *On Approval of the Inflation Report* dated 30 January 2026.

## 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 expanded opportunities for investment and economic activity, and the gradual return of forced migrants. The baseline scenario accounts for the current consequences of air attacks and destruction, but the risks of their aggravation remain high.

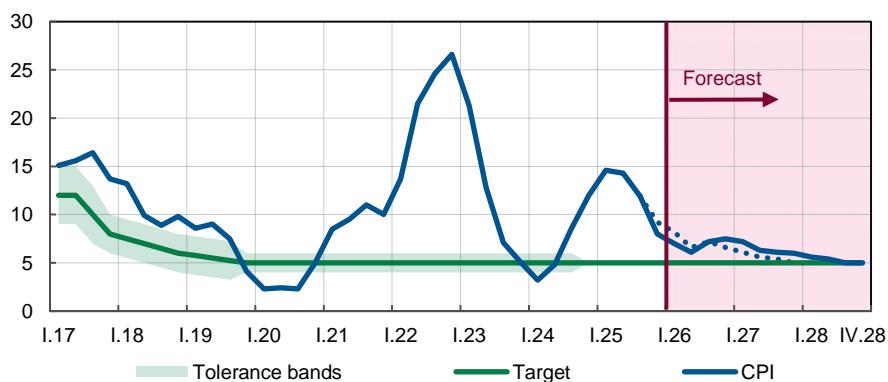
### Inflation continued to decline in recent months

In December, both consumer and core inflation slowed to 8% yoy. Such dynamics were driven primarily by the effects of higher harvests, as well as by a certain decline in pressures on the labor market and the maintained sustainability of the FX market. According to the NBU's estimates, annual growth rates of consumer prices decreased in January as well. At the same time, inflation expectations remained relatively high.

### Inflation will be moderate in 2026 and will be close to the 5% target going forward, with the target to be reached in mid-2028

Inflation will keep declining in the coming months, primarily thanks to the continued effects of stronger harvests of 2025. At the same time, the impact of the massive damage in the energy sector will put pressure on prices through both market and administrative mechanisms. Coupled with low base effects, this will drive a moderate acceleration of inflation in H2. Therefore, as of the end of 2026, inflation will decline moderately, to 7.5%.

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



Source: SSSU, NBU estimates.

In the next years, inflation will slow steadily due to a decrease in energy shortages and lower external price pressures, as well as higher harvests and the situation on the labor market improving as security risks subside. The NBU's monetary policy will contribute to curbing the underlying price pressure. However, deferred effects of the damage to the energy sector will restrain disinflation. The NBU forecasts inflation to decline to 6% at the end of 2027 and reach the target of 5% in 2028.

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

The NBU estimates that the economy revived in late 2025 thanks to more active harvesting, including in view of the harvesting campaign shifting to Q4, as well as due to an increase in budgetary spending. At the same time, as a result of the disruption of logistics and a larger-than-expected electricity deficit, in the past months the NBU somewhat lowered its estimate of real GDP growth for 2025 – to 1.8%.

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

Stronger harvests and investments in infrastructure reconstruction and in the defense industry will support further economic recovery. That said, the difficult situation in the energy sector will continue to restrain business activity for a long time. In view of this, real GDP will grow moderately in 2026, by 1.8%.

A gradual improvement in the energy sector, further reconstruction of infrastructure, and an increase in private investment will contribute to an acceleration of economic growth to around 3%–4% in 2027–2028.

**Expected volumes of external financial assistance will be sufficient to finance the budget deficit without resorting to monetary financing and to maintain adequate international reserves to support the sustainability of the FX market**

At the end of 2025, the EU Council decided to provide Ukraine with EUR 90 billion in financial assistance over 2026–2027 (USL, Ukraine Support Loan). Ukraine will also continue to receive support under the current mechanism ERA Loans. The approval is underway for a new IMF program of USD 8.1 billion.

External assistance will enable Ukraine both to finance the still-high budget deficits caused by the war and to maintain the high level of reserves. The NBU's forecast assumes that international reserves will amount to USD 65 billion as of year-end 2026, and will continue to grow going forward – to USD 71 billion at the end of 2028. This will enable the NBU to support the sustainability of the FX market and implement FX liberalization measures provided that risks are under control..

**A decline in price pressures, supported by the NBU's monetary policy measures, coupled with weaker risks of insufficient external financing, created room for starting a cycle of interest rate policy easing**

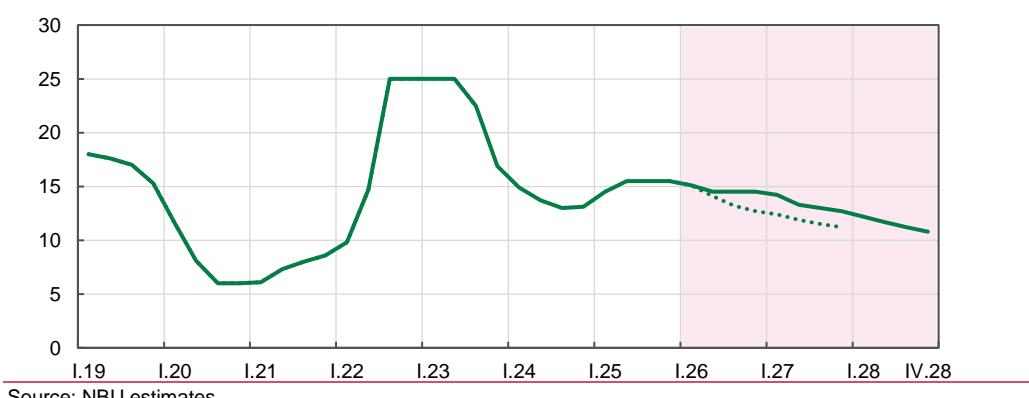
Keeping the key policy rate unchanged over previous months ensured there was robust demand for hryvnia assets. Real yields on hryvnia instruments remained positive, while household investments in both domestic government debt securities and hryvnia deposits continued to grow.

This appetite for hryvnia assets helped curb households' FX demand compared to last year, easing pressures on the FX market. Despite a modest seasonal depreciation of the hryvnia, market conditions remained generally under control and exchange rate expectations stayed relatively stable.

Taking into account the steady decline in inflation and weaker risks of insufficient external financing, in January the NBU started an interest rate policy easing cycle by cutting the key policy rate by 0.5 pp, to 15%.

This decision will facilitate the economy's ongoing adaptation to wartime challenges – specifically by supporting lending, which has grown at a rate of over 30% yoy in recent years. At the same time, monetary conditions will remain sufficiently tight to maintain FX market sustainability and steer inflation back toward its 5% target over the policy horizon.

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



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**The forecast envisages a gradual reduction in the key policy rate over the forecast horizon. At the same time, the NBU will continue to respond flexibly to changes in the distribution of risks**

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The baseline scenario of the NBU's January macroeconomic forecast foresees a gradual reduction in the key policy rate over the forecast horizon. That said, if risks to price dynamics increase, the NBU will refrain from further easing its interest rate policy, and will be ready to take additional measures if required. At the same time, a weakening of pro-inflationary risks will signal faster cuts in the key policy rate than foreseen by the revised macroeconomic forecast.

**The course of the full-scale war continues to be the key risk to inflation dynamics and economic development**

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The war is grinding on. Russian aggression continues to pose threats to price dynamics and economic activity. Over the past few months, risks associated with damage to energy infrastructure have largely materialized and intensified, increasing pressure on companies' costs and limiting their production capacity.

The following risks are also relevant:

- the emergence of additional budgetary spending on defense capabilities and reconstruction
- a deepening of adverse migration trends and a widening of labor shortages on the domestic labor market, and
- greater global geopolitical fragmentation, which may also have a negative impact on external aid for Ukraine.

Conversely, owing to recent EU decisions to support Ukraine through 2026–2027, the risk of insufficient external aid has diminished substantially.

Furthermore, the potential for upside scenarios remains, including bolstered military and financial support from partners and substantial progress in securing a just and lasting peace for Ukraine.

An area of uncertainty persists regarding the pace of utility tariff adjustments over the forecast horizon, which could trigger a revision of the inflation forecast in either direction.

## Macroeconomic forecast (January 2026)

| Indicators  | 2023        | 2024        | 2025  |       |       |       | 2026             |                  |       |       | 2027  |       |                  |                  | 2028  |       |       |            |                  |
|---|-------------|-------------|-------|-------|-------|-------|------------------|------------------|-------|-------|-------|-------|------------------|------------------|-------|-------|-------|------------|------------------|
|   |             |             | I     | II    | III   | IV    | current forecast | forecast 10.2025 | I     | II    | III   | IV    | current forecast | forecast 10.2025 | I     | II    | III   | IV         | current forecast |
| <b>REAL ECONOMY, % yoy, unless otherwise stated</b>                   |             |             |       |       |       |       |                  |                  |       |       |       |       |                  |                  |       |       |       |            |                  |
| Nominal GDP, UAH bn   | 6628        | 7662        | 1923  | 2021  | 2428  | 2533  | 8905             | 8915             | 2206  | 2298  | 2704  | 2773  | 9980             | 9935             | 2418  | 2521  | 2990  | 3066       | 10995            |
| Real GDP  | 5.5         | 3.2         | 0.9   | 0.7   | 2.1   | 3.0   | 1.8              | 1.9              | 2.4   | 2.5   | 1.6   | 1.0   | 1.8              | 2.0              | 1.6   | 2.2   | 3.1   | 3.9        | 2.8              |
| GDP Deflator  | 19.9        | 12.0        | 16.9  | 15.2  | 13.7  | 11.9  | 14.2             | 14.2             | 12.0  | 10.9  | 9.7   | 8.4   | 10.1             | 9.3              | 7.9   | 7.3   | 7.2   | 6.4        | 6.1              |
| Consumer prices (period average)                                      | 12.9        | 6.5         | -     | -     | -     | -     | 12.7             | 12.9             | -     | -     | -     | -     | 6.9              | 7.3              | -     | -     | -     | 6.5        | 5.7              |
| <b>Consumer prices (end of period)</b>                                | <b>5.1</b>  | <b>12.0</b> | 14.6  | 14.3  | 11.9  | 8.0   | <b>8.0</b>       | 9.2              | 7.0   | 6.1   | 7.2   | 7.5   | <b>7.5</b>       | 6.6              | 7.2   | 6.3   | 6.1   | <b>6.0</b> | <b>5.0</b>       |
| Core inflation (end of period)  | 4.9         | 10.7        | 12.4  | 12.1  | 11.0  | 8.0   | 8.0              | 9.1              | 6.6   | 6.4   | 5.8   | 6.0   | 6.0              | 5.8              | 5.1   | 4.3   | 3.5   | 3.3        | 3.2              |
| Non-core inflation (end of period)                                    | 5.7         | 13.8        | 17.3  | 17.6  | 13.2  | 8.5   | <b>8.5</b>       | 9.4              | 8.1   | 6.0   | 9.1   | 9.6   | 9.6              | 7.6              | 9.8   | 8.7   | 9.2   | 9.2        | 7.3              |
| raw foods (end of period)   | 2.2         | 13.2        | 17.0  | 28.7  | 18.1  | 7.4   | 7.4              | 11.0             | 8.1   | 0.4   | 5.6   | 6.3   | 6.3              | 5.0              | 6.2   | 3.3   | 3.6   | 3.2        | 3.2              |
| administered prices (end of period)                                   | 10.7        | 16.3        | 19.0  | 10.9  | 10.7  | 9.7   | 9.7              | 8.7              | 8.4   | 10.9  | 12.5  | 12.8  | 12.8             | 9.7              | 13.3  | 13.7  | 14.0  | 14.3       | 10.9             |
| Nominal wages (period average)  | 17.4        | 23.2        | 25.0  | 21.7  | 20.0  | 17.3  | 20.8             | 19.8             | 17.2  | 16.6  | 14.3  | 12.5  | 15.0             | 13.4             | 13.5  | 13.2  | 13.4  | 12.5       | 13.1             |
| Real wages (period average)   | 4.1         | 15.6        | 10.0  | 5.8   | 6.2   | 7.4   | 7.3              | 6.2              | 9.2   | 9.6   | 7.2   | 4.8   | 7.6              | 5.6              | 5.8   | 6.2   | 6.8   | 6.1        | 6.2              |
| Unemployment rate (ILO, period average)                               | 18.2        | 13.1        | -     | -     | -     | -     | 11.3             | 11.3             | -     | -     | -     | -     | 10.2             | 10.2             | -     | -     | -     | 9.3        | 9.2              |
| <b>CONSOLIDATED BUDGET, excluding grants from revenues</b>            |             |             |       |       |       |       |                  |                  |       |       |       |       |                  |                  |       |       |       |            |                  |
| Balance, UAH bn   | -1765       | -1827       | -     | -     | -     | -     | -2209            | -2260            | -     | -     | -     | -     | -1921            | -1921            | -     | -     | -     | -1499      | -1499            |
| Balance, % of GDP   | -26.6       | -23.8       | -     | -     | -     | -     | -24.8            | -25.3            | -     | -     | -     | -     | -19.3            | -19.3            | -     | -     | -     | -13.6      | -13.8            |
| <b>BALANCE OF PAYMENTS (analytical presentation)</b>                  |             |             |       |       |       |       |                  |                  |       |       |       |       |                  |                  |       |       |       |            |                  |
| Current account balance, USD bn                                       | -9.3        | -15.2       | -7.0  | -8.4  | -9.7  | -6.8  | -31.9            | -36.6            | -8.8  | -6.9  | -10.2 | -11.4 | -37.2            | -35.3            | -9.5  | -10.4 | -11.2 | -10.4      | -41.6            |
| Exports of goods and services, USD bn                                 | 51.6        | 56.6        | 13.2  | 13.4  | 13.0  | 14.7  | 54.3             | 56.1             | 14.3  | 15.6  | 16.2  | 17.5  | 63.6             | 63.0             | 16.1  | 15.8  | 16.2  | 19.1       | 67.3             |
| Imports of goods and services, USD bn                                 | 89.3        | 95.4        | 24.6  | 26.6  | 28.2  | 31.7  | 111.0            | 111.9            | 30.4  | 27.4  | 28.9  | 31.2  | 117.8            | 116.1            | 26.3  | 27.0  | 28.0  | 30.1       | 111.5            |
| Remittances in Ukraine, USD bn  | 11.3        | 9.4         | 1.9   | 2.0   | 2.1   | 2.1   | 8.0              | 8.5              | 1.9   | 2.2   | 2.3   | 2.4   | 8.8              | 8.8              | 2.3   | 2.4   | 2.5   | 2.6        | 9.8              |
| Financial account, USD bn   | -18.6       | -10.1       | -5.6  | -10.9 | -10.7 | -17.2 | -44.4            | -44.2            | -10.2 | -14.3 | -10.2 | -8.5  | -43.2            | -33.6            | -11.9 | -11.5 | -12.4 | -13.3      | -49.0            |
| <b>BOP overall balance, USD bn</b>                                    | <b>9.5</b>  | <b>0.0</b>  | -1.3  | 2.6   | 1.0   | 10.5  | <b>12.8</b>      | 7.8              | 1.4   | 7.4   | 0.0   | -2.8  | <b>6.0</b>       | -1.7             | 2.3   | 1.1   | 1.2   | 2.8        | <b>7.4</b>       |
| <b>Gross reserves, USD bn</b>   | <b>40.5</b> | <b>43.8</b> | 42.4  | 45.1  | 46.6  | 57.3  | <b>57.3</b>      | 53.6             | 59.7  | 67.3  | 67.4  | 65.0  | <b>65.0</b>      | 52.2             | 67.0  | 68.7  | 69.5  | 72.9       | <b>72.9</b>      |
| Months of future imports  | 5.1         | 4.7         | 4.4   | 4.6   | 4.7   | 5.8   | 5.8              | 5.5              | 6.3   | 7.1   | 7.2   | 7.0   | 7.0              | 5.7              | 7.2   | 7.3   | 7.3   | 7.6        | 6.1              |
| As a percentage of the IMF composite criterion                        | 124.1       | 121.1       | 113.3 | 111.5 | 110.6 | 126.7 | 126.7            | 119.3            | 127.1 | 136.6 | 132.3 | 123.6 | 123.6            | 102.2            | 123.2 | 122.1 | 119.7 | 121.2      | 121.2            |
| <b>MONETARY ACCOUNTS (cumulative since the beginning of the year)</b> |             |             |       |       |       |       |                  |                  |       |       |       |       |                  |                  |       |       |       |            |                  |
| Monetary base, %  | 23.3        | 7.7         | -3.9  | 4.4   | 7.0   | 11.6  | <b>11.6</b>      | 12.1             | 4.3   | 7.1   | 9.2   | 15.3  | <b>15.3</b>      | 12.4             | 2.4   | 4.4   | 5.7   | 10.6       | 9.1              |
| Broad money, %  | 23.0        | 13.4        | -1.0  | 3.0   | 4.9   | 15.3  | <b>15.3</b>      | 12.2             | 0.5   | 3.1   | 5.2   | 11.9  | <b>11.9</b>      | 9.7              | 0.2   | 2.2   | 4.3   | 8.2        | 7.9              |
| Velocity of broad money (end of year)                                 | 2.2         | 2.2         | -     | -     | -     | -     | <b>2.2</b>       | 2.3              | -     | -     | -     | -     | <b>2.2</b>       | 2.3              | -     | -     | -     | <b>2.3</b> | 2.3              |

## Comments on the forecast revision

| Indicators   | 2025         | 2026          | 2027          | 2028  | Factors behind the revision   |
|--|--------------|---------------|---------------|-------|---|
| Inflation, %, eop  | 8.0<br>-1.2  | 7.5<br>0.9    | 6.0<br>1.0    | 5.0   | Higher yields in 2025; impact of large-scale energy disruptions on prices through market and administrative mechanisms in 2026-2027         |
| Real GDP growth, %   | 1.8<br>-0.1  | 1.8<br>-0.2   | 2.8<br>0.0    | 3.7   | New infrastructure destruction and a higher electricity deficit   |
| Nominal GDP, UAH bn  | 8905<br>-10  | 9980<br>45    | 10995<br>125  | 12060 | Slower real GDP growth, but a higher GDP deflator due to higher inflation   |
| Consolidated budget balance (excluding grants and ERA financing from revenues), % of GDP | -24.8<br>0.5 | -19.3<br>0.0  | -13.6<br>0.2  | -9.3  | Incorporation of actual 2025 data and the effects of nominal GDP revisions over the forecast period   |
| Current account balance, USD bn  | -31.9<br>4.7 | -37.2<br>-1.9 | -41.6<br>-3.2 | -29.1 | Expansion of international programs financing weapons production in 2025. Higher imports due to destruction, primarily in the energy sector |
| Gross international reserves, USD bn   | 57.3<br>3.7  | 65.0<br>12.9  | 72.9<br>13.7  | 70.6  | Higher levels of international aid  |
| Key policy rate (period average), %  | 15.3<br>0.0  | 14.6<br>0.8   | 13.3<br>1.5   | 11.5  | A more gradual decline in inflation over the forecast horizon and, accordingly, higher risks to inflation expectations                      |

 The indicator has been revised downwards (pp)

 The indicator has been revised upwards (pp)

## Forecast assumptions

| Indicators   |         | 2023* | 2024* | 2025* | 2026  | 2027  | 2028  |
|--|---------|-------|-------|-------|-------|-------|-------|
| Official financing                                     | USD bn  | 42,9  | 41,9  | 52,4  | 51,4  | 42,7  | 21,6  |
| Migration (net, excluding russia and belarus)          | m       | -0,2  | -0,5  | -0,3  | -0,2  | 0,1   | 0,5   |
| Real GDP of Ukraine's MTPs (UAwGDP)                    | % yoy   | 1,6   | 2,0   | 2,4   | 2,4   | 2,6   | 2,6   |
| Consumer inflation in Ukraine's MTPs (UAwCPI)          | % yoy   | 7,6   | 5,1   | 3,9   | 2,9   | 2,5   | 2,2   |
| World prices:**  |         |       |       |       |       |       |       |
| Steel price, Steel Billet Exp FOB Ukraine              | USD/t   | 539,7 | 504,1 | 464,7 | 489,2 | 510,4 | 518,0 |
|  | % yoy   | -12,7 | -6,6  | -7,8  | 5,3   | 4,3   | 1,5   |
| Iron ore price, China import Iron Ore Fines 62% FE     | USD/t   | 120,6 | 109,4 | 100,2 | 97,2  | 89,4  | 87,6  |
|  | % yoy   | -0,7  | -9,3  | -8,4  | -3,0  | -8,0  | -2,0  |
| Wheat price, Soft Delivered Dunkirk Position 1, France | USD/t   | 264,1 | 232,1 | 227,7 | 225,0 | 231,1 | 235,8 |
|  | % yoy   | -25,3 | -12,1 | -1,9  | -1,2  | 2,7   | 2,0   |
| Corn price, Yellow #2 Delivery USA Gulf                | USD/t   | 252,7 | 190,6 | 203,2 | 210,9 | 211,8 | 213,7 |
|  | % yoy   | -20,6 | -24,6 | 6,6   | 3,8   | 0,4   | 0,9   |
| Crude oil price, Brent                                 | USD/bbl | 82,6  | 80,7  | 69,0  | 63,5  | 65,8  | 68,1  |
|  | % yoy   | -17,2 | -2,3  | -14,5 | -8,0  | 3,6   | 3,5   |
| Natural gas price, Netherlands TTF                     | USD/kcm | 465,6 | 393,9 | 430,5 | 372,2 | 336,5 | 367,7 |
|  | % yoy   | -65,7 | -15,4 | 9,3   | -13,5 | -9,6  | 9,3   |
| US dollar exchange rate against the euro               | USD/EUR | 1,08  | 1,08  | 1,13  | 1,18  | 1,18  | 1,19  |
| Harvest of grain and leguminous crops                  | t m     | 59,8  | 56,2  | 63,5  | 62,9  | 63,5  | 65,0  |
| Minimum wage**   | UAH     | 6700  | 7775  | 8000  | 8647  | 9374  | 9997  |

\* Actual data.

\*\* Annual average.