National Bank
of Ukraine

Inflation Report
(October 2025)

4 Nov 2025

Key takeaways

- In recent months, **consumer inflation has been declining.** The growth in consumer prices decelerated faster than projected, this was primarily driven by an increase in the supply of vegetables due to the harvest being larger than last year
- **However the underlying price pressure persisted**, particularly due to the continued high costs for businesses related to labor and energy. Inflation expectations show no signs of sustained improvement
- **Inflation will continue to decline** (to 9.2% in 2025 and 6.6% in 2026) and reach the target of 5% by 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
- **Economic growth picked up in Q3 2025** (NBU's estimates) 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. **In the coming years, a moderate acceleration of GDP growth (2-3%)** is expected due to increased harvests and increased investment in reconstruction projects and the defense sector, and a gradual return of the economy to normal operating conditions
- **The NBU will maintain relatively tight monetary conditions** to preserve the stability of the foreign exchange market and the attractiveness of savings in hryvnia and ensure a steady decline in inflation towards the target

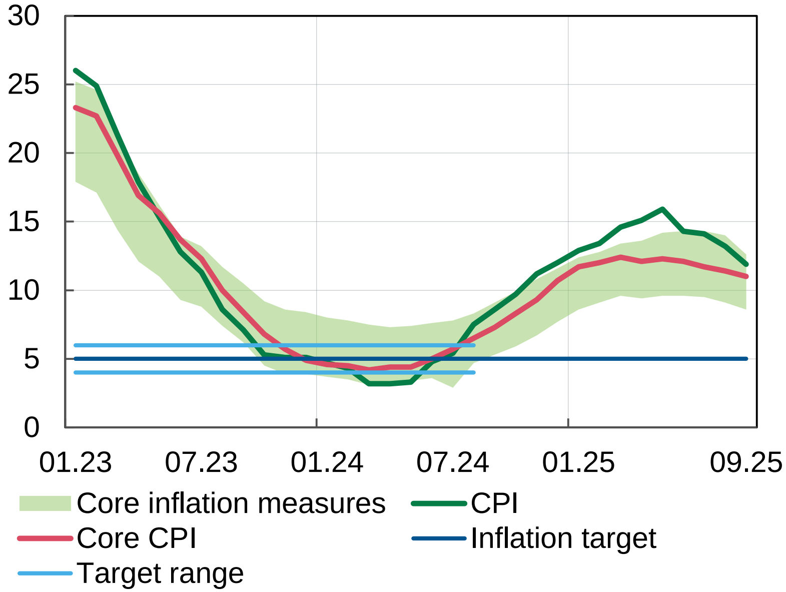
Macroeconomic forecast*

Forecast	2024**	2025	2026	2027
Real GDP, change, %	**2.9**	**1.9** (2.1)	**2.0** (2.3)	**2.8** (2.8)
CPI, % yoy (eop)	**12.0**	**9.2** (9.7)	**6.6** (6.6)	**5.0** (5.0)
Current account balance, USD bn	**-15.1** (-15.9)	**-36.6** (-34.6)	**-35.3** (-34.9)	**-38.4** (-37.3)
International reserves, USD bn	**43.8**	**53.6** (53.7)	**52.2** (44.7)	**59.2** (45.2)
Consolidated budget deficit, % GDP ***	**23.8**	**25.3** (22.0)	**19.3** (18.8)	**13.8** (12.0)
Assumptions	**2024****	**2025**	**2026**	**2027**
Official financing, USD bn	**41.9**	**51.5** (53.7)	**45.5** (34.9)	**39.1** (30.0)
Harvest of cereals and legumes, million tons	**56.2**	**61.5** (57.9)	**62.9** (59.6)	**63.5** (60.4)
Migration (net), million persons	**-0.5**	**-0.2** (-0.2)	**-0.2** (-0.2)	**0.1** (0.1)
Real GDP of Ukraine's MTPs, %	**2.0**	**2.2** (2.2)	**2.5** (2.5)	**2.7** (2.7)
CPI of Ukraine's MTPs, %	**5.1**	**3.8** (3.4)	**2.8** (2.5)	**2.5** (2.5)

* in brackets – previous forecast (Inflation report, July 2025), decrease/increase marked by color
** actual
*** excluding grants

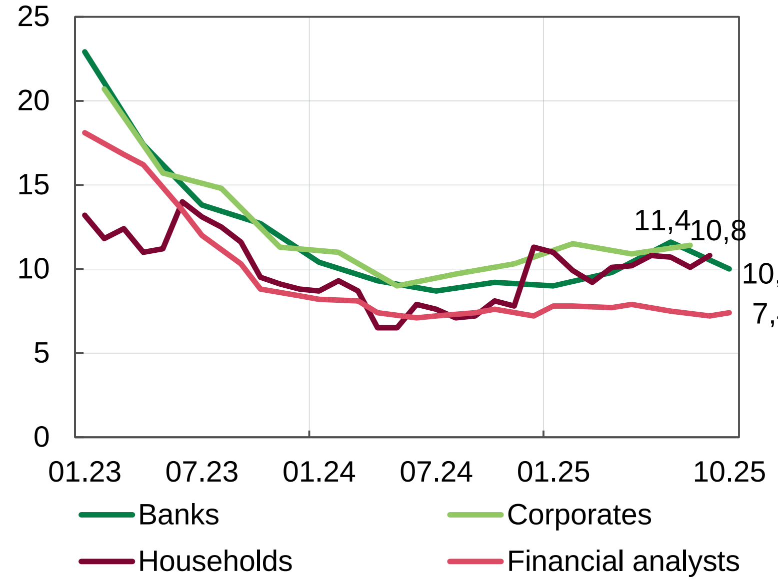
Inflation was reduced primarily due to the arrival of new crops

Consumer inflation and underlying inflation trends, % yoy



Source: SSSU, NBU staff estimates.

12-month-ahead inflation expectations, %

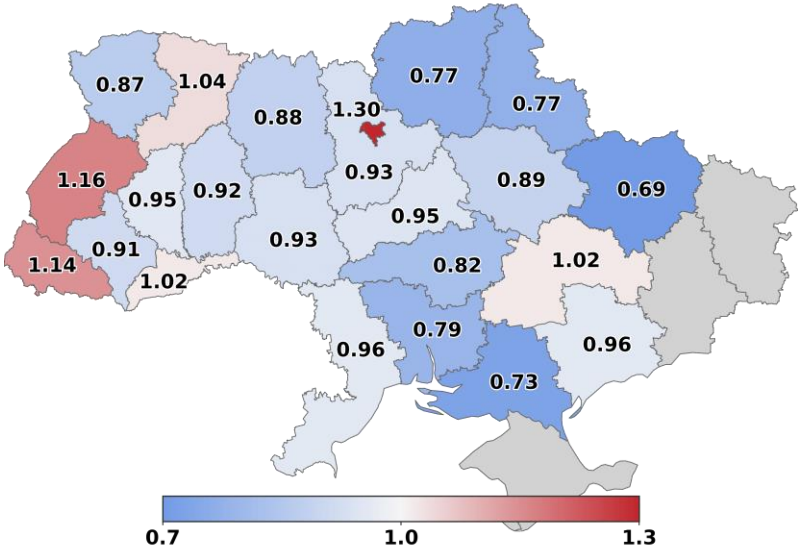


Source: NBU, Info Sapiens.

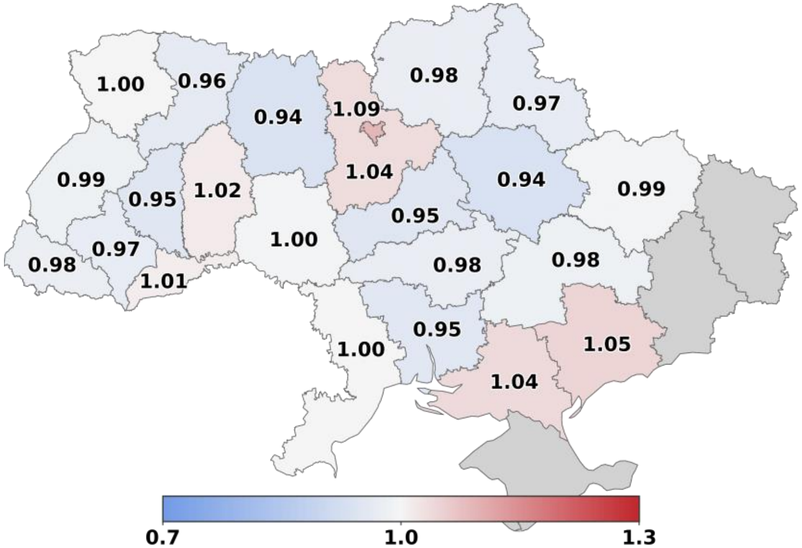
- In recent months, **consumer inflation has been declining** (to 11.9% y/y)
- **The growth in consumer prices decelerated faster than projected** in the NBU's July Inflation Report, this was primarily driven by an increase in the supply of vegetables due to the harvest being larger than last year
- **However the underlying price pressure persisted**, particularly due to the continued high costs for businesses related to labor and energy. Inflation expectations showed no signs of sustained improvement

Box. Regional specifics of inflation in Ukraine. Regional variation in inflation has increased since the start of the full-scale war

Regional price differences for selected services in 2025*



Regional price differences for selected food products in 2025

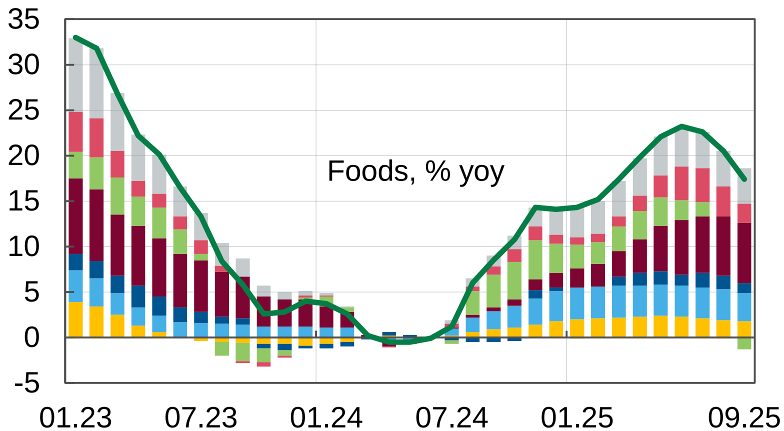


* Ratios of service and food prices in a region to the national average over a rolling year (Oct 2024–Sep 2025). Calculated using a limited set of services categories and products for which the State Statistics Service publishes average consumer prices.
Source: SSSU, NBU staff estimates.

- **Variation in inflation has increased** due to changes in the geographical distribution of consumer demand, capital and resources; deterioration in logistical accessibility in frontline regions; different consumer preferences depending on the place of residence
- **The unevenness of prices for services have increased** due to the low mobility of service providers and consumers between regions. The dispersion of service prices is primarily due to apartment rents, which have risen significantly in the western regions, where a large number of internally displaced persons have settled. In contrast, regional disparities in food prices were significantly smaller

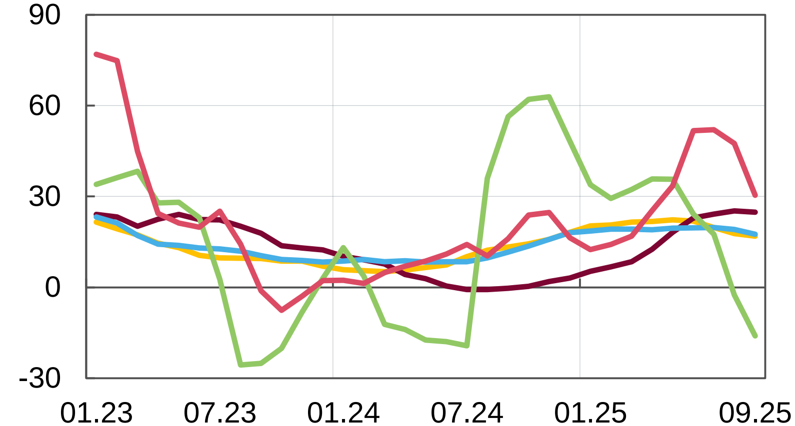
The arrival of new, higher-than-last-year harvests on the markets has reversed food inflation

Contributions to the annual change in food prices, pp



Source: SSSU, NBU staff estimates.

Prices for selected food product groups, % yoy

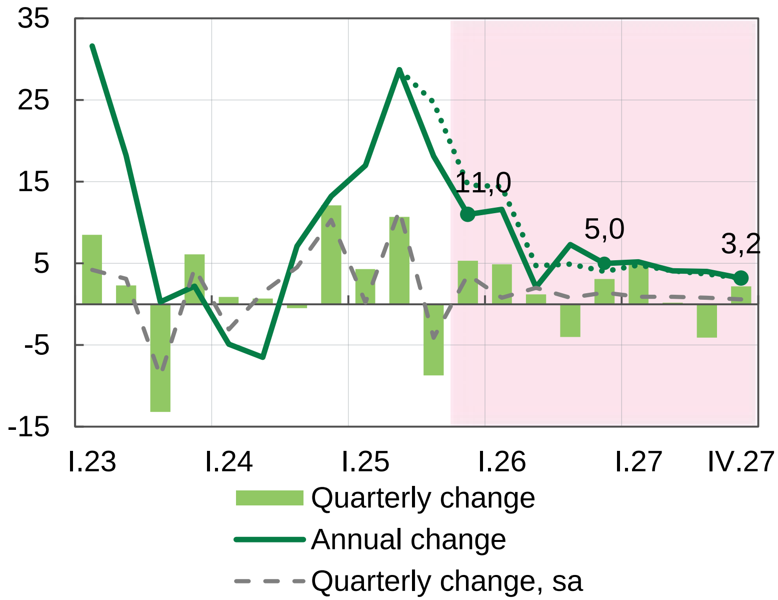


Source: SSSU, NBU staff estimates.

- **The decrease in prices for individual vegetables is primarily due to an increase in the supply** of medium and low-quality products
- **The growth in prices for fruits slowed down significantly**. However, prices for apples, berries and stone fruits remained high due to the loss of the significant share of the harvest due to frosts in the spring
- **The growth rate of meat prices continued to accelerate** under the influence of a reduction in livestock and an increase in the cost of livestock farming

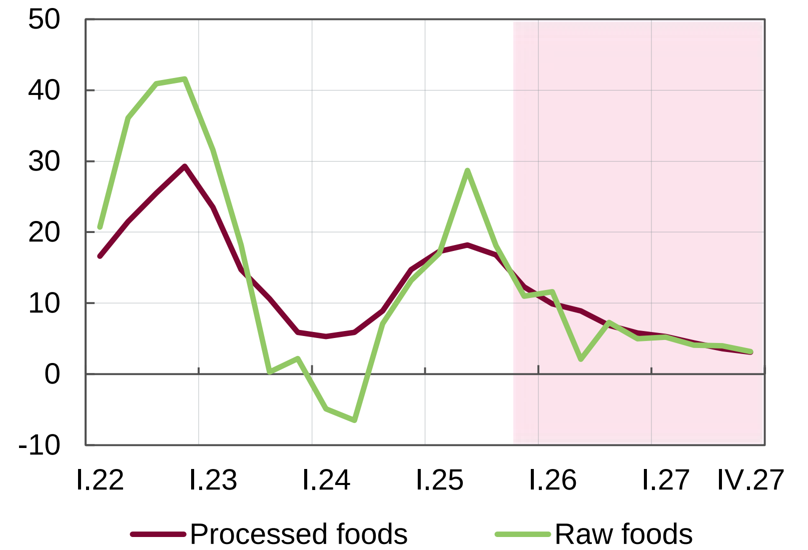
Expected crop growth in 2026-2027, in the absence of weather shocks, will slow food inflation

Raw food inflation at the end of period, % yoy



Source: SSSU, NBU staff estimates.

Food inflation components at the end of period, % yoy

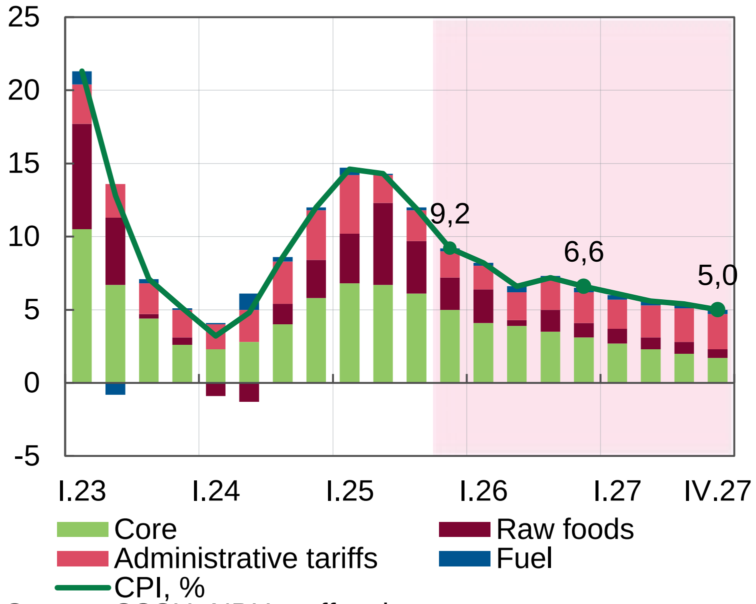


Source: SSSU, NBU staff estimates.

- **A higher-than-last-year grain harvest will restrain further increases in flour and processed goods prices.** Therefore, a decline in feed inflation will gradually lead to a slowdown in meat price growth, supporting a significant slowdown in raw food inflation, which will reach its maximum effect in mid-2026
- **The secondary effects of the subsiding inflation of raw products** will contribute to a decrease in the rate of price growth for highly processed products

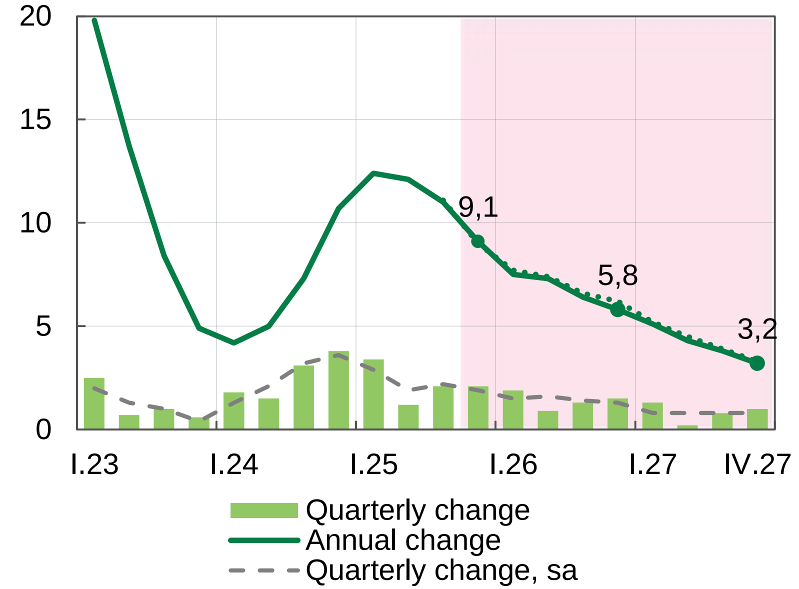
The decline in inflationary pressures will continue, in particular due to a further slowdown in food and core inflation

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



Source: SSSU, NBU staff estimates.

Core CPI, % yoy

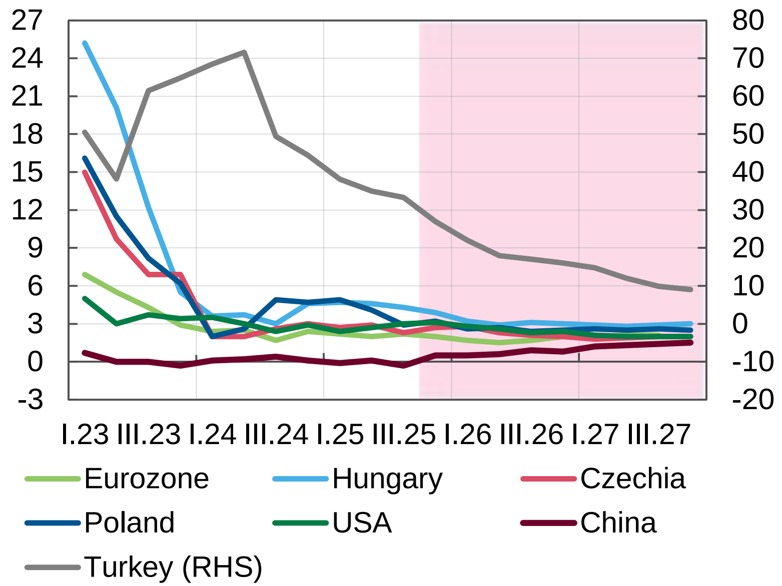


Source: SSSU, NBU staff estimates.

- **Fundamental inflationary pressures will gradually decline**. High production costs of enterprises, associated with rising raw material and labor costs, will keep core inflation at a high level
- **In 2026, pro-inflationary second-round effects from high food inflation will still persist**, which will restrain disinflation
- **Higher yields and NBU policy measures** aimed at maintaining interest in hryvnia assets and stability of the foreign exchange market **will contribute to disinflation**

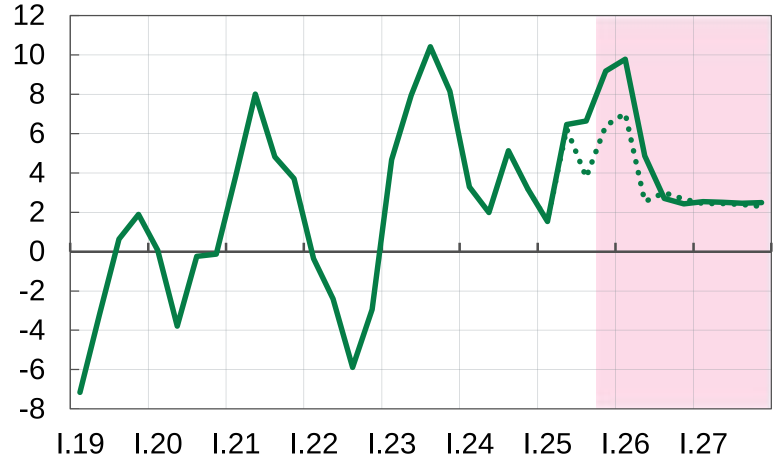
External inflationary pressure, despite easing, will remain elevated until mid-2026

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



Source: National statistical offices, NBU staff estimates.

MTP inflation rate in dollar terms, % yoy

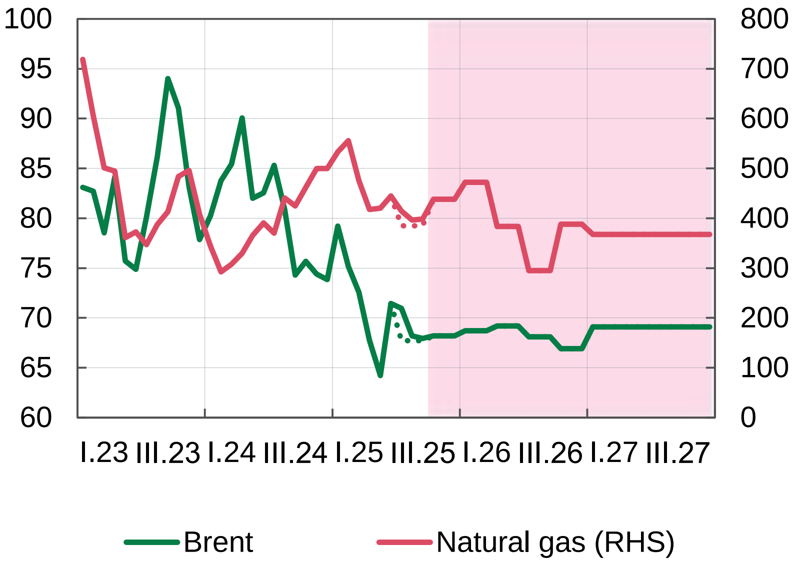


Source: NBU staff estimates.

- **Reasons:** cost-transfer effects on consumers from rising import tariffs, imbalances in labor markets, current devaluation of the US dollar in global financial markets
- **In the future, the gradual cooling of the labor market against the background of adaptation to new trade conditions will contribute to the return of inflation to the targets of the central banks.** At the same time, inflation in Turkey will remain elevated due to internal imbalances, and in China – will remain ultra-low due to slowing GDP growth

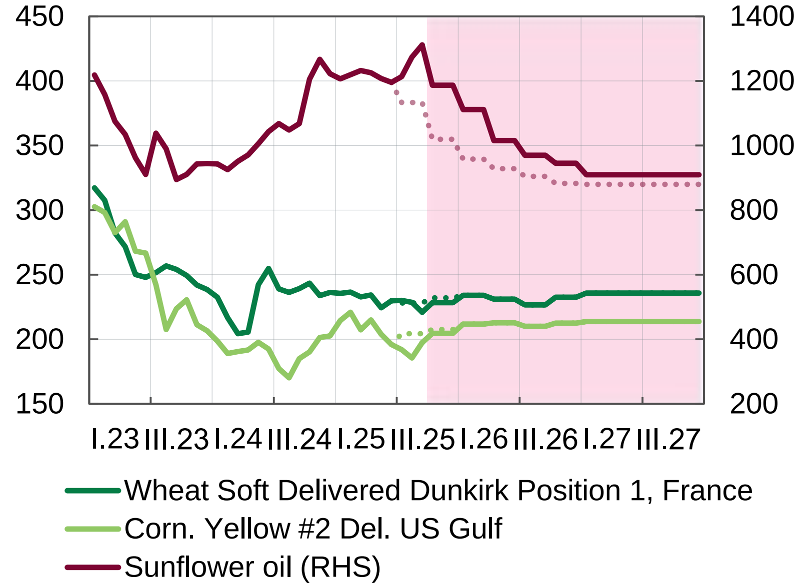
Global commodity market conditions will slowly improve for Ukraine

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



Source: World Bank, LSEG, NBU staff estimates.

World prices for selected grains and sunflower oil, USD/MT

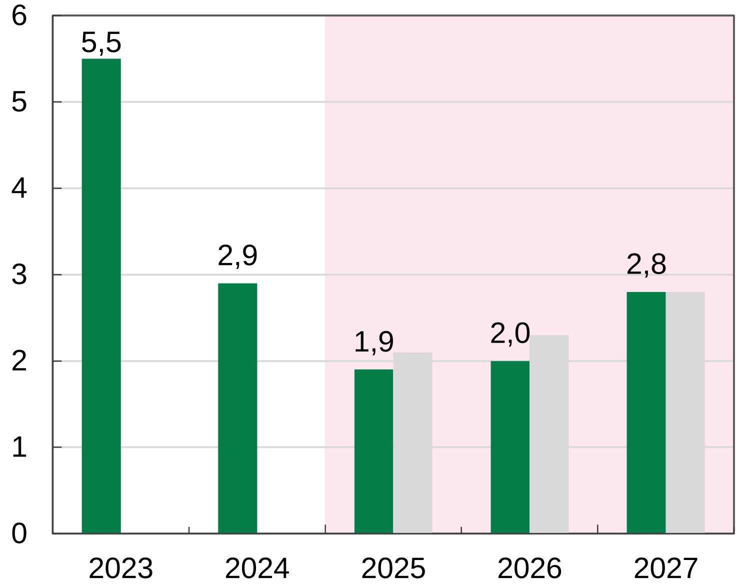


Source: World Bank, LSEG, NBU staff estimates.

- **The expected improvement of the economic situation in the MTP countries** due to adaptation to new trade and political conditions will contribute to the growth of trade between regions. The negative effects on trade from the increase in tariff rates and general uncertainty will slowly decrease
- Despite the general improvement in the situation on world commodity markets, **the pressure on inflation in Ukraine from commodity markets will be increased** due to relatively high prices for natural gas, selected grain and sunflower oil

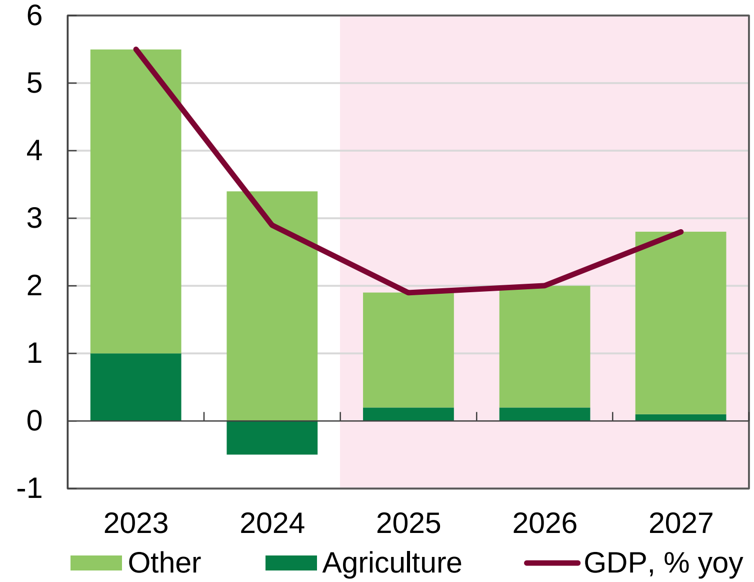
Economic growth will continue, but its pace will remain subdued due to the effects of the war

Real GDP, %



gray bars – previous forecast
Source: SSSU, NBU staff estimates.

Contribution of agriculture to real GDP growth, pp

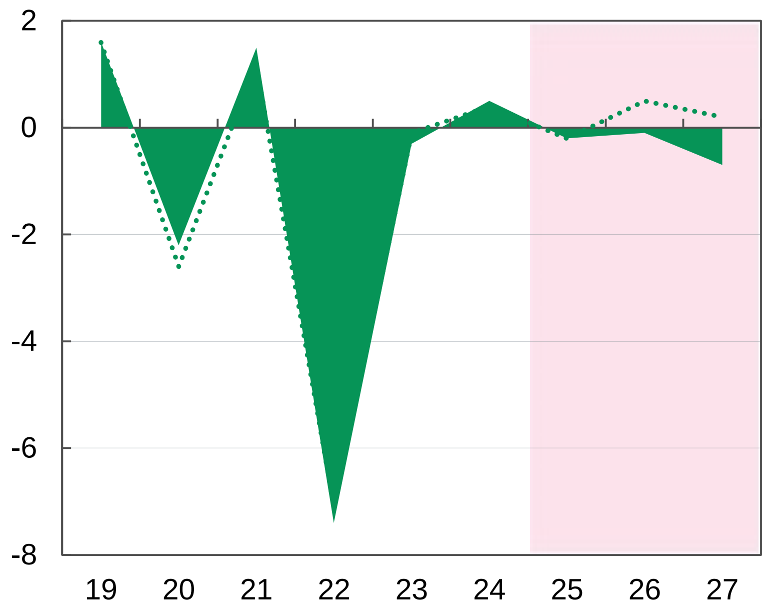


Source: SSSU, NBU staff estimates.

- According to the NBU, **the pace of economic growth accelerated in Q3**
- **A moderate acceleration of economic growth (2–3%) is expected in the coming years** due to increased harvests and increased investments in reconstruction projects and the defense complex. Further European integration and the **gradual return of the economy to normal operating conditions** will have a positive impact (the situation in the energy sector will stabilize and migration dynamics will improve)

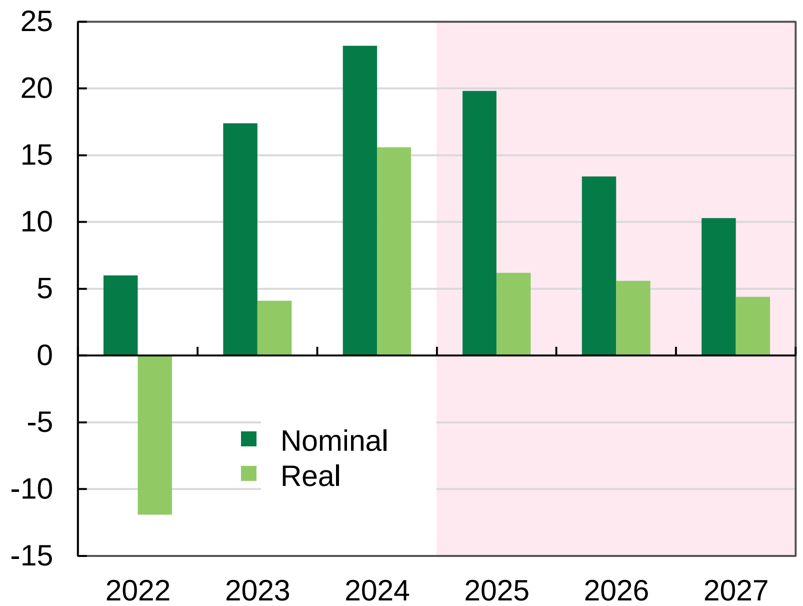
Real GDP will remain close to potential level, without generating material inflationary pressure

Output gap, % of potential GDP



Source: SSSU, NBU staff estimates.

Wages, annual change %

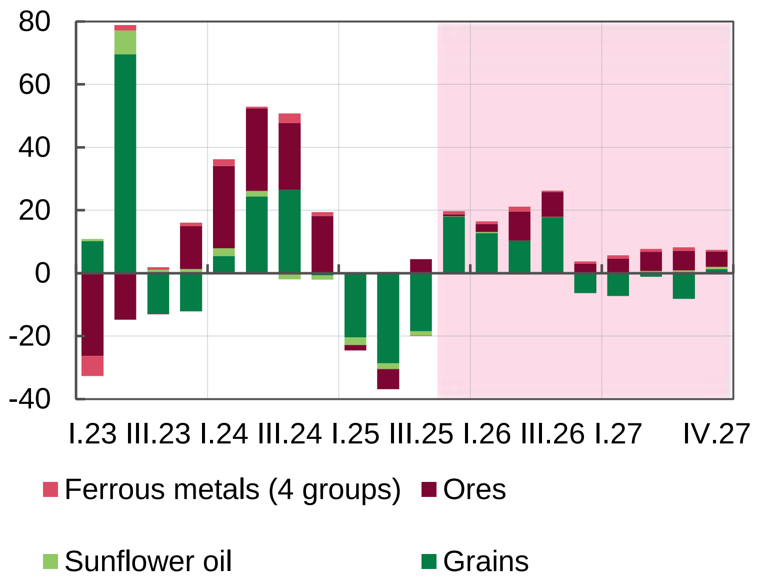


Source: SSSU, NBU staff estimates.

- **Structural problems in the labor market** caused by the war (including through migration processes) lead to an increase in real wages
- **Unemployment will decrease, and real wages will continue to grow** due to high demand for labor
- **At the same time, a gradual reduction in imbalances in the labor market is expected,** which will affect the slowdown in the growth rate of real wages and, accordingly, the easing of pressure on business costs

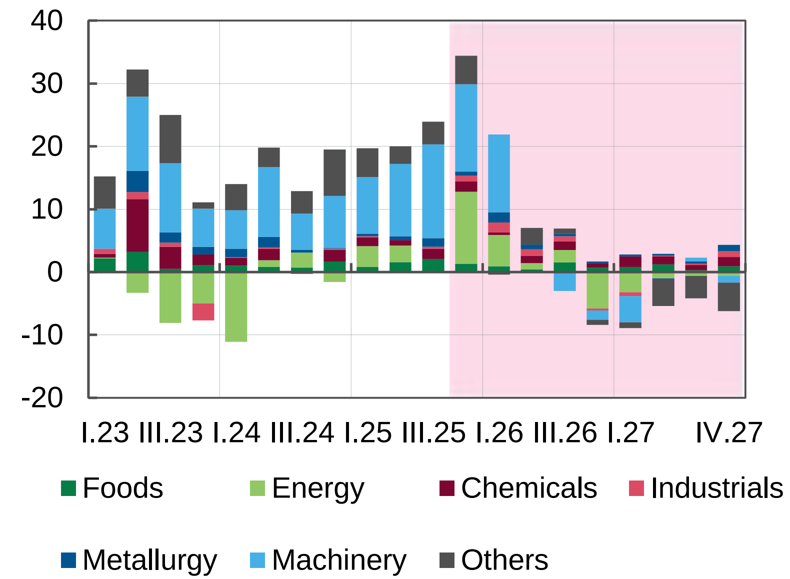
From 2026, a positive contribution of net exports to GDP change will be formed (assuming a reduction in the budget deficit)

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



Source: SCSU, NBU staff estimates.

Contributions to the annual change in imports, pp

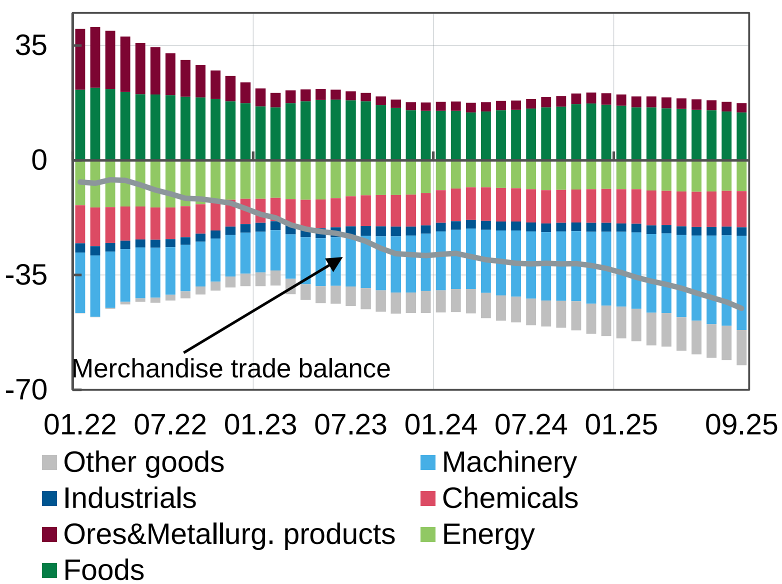


Source: SCSU, NBU staff estimates.

- **Imports are expected to rise next year** due to high demand for reconstruction and the strengthening of defense capabilities, resulting in significant purchases of machinery, chemical products, and metallurgy. **A decline is expected in 2027** due to fiscal consolidation and decreased demand for energy goods
- Further increases in crop yields and the economic recovery of Ukraine's MTP countries will contribute to **the growth of exports of goods and services in 2026-2027**

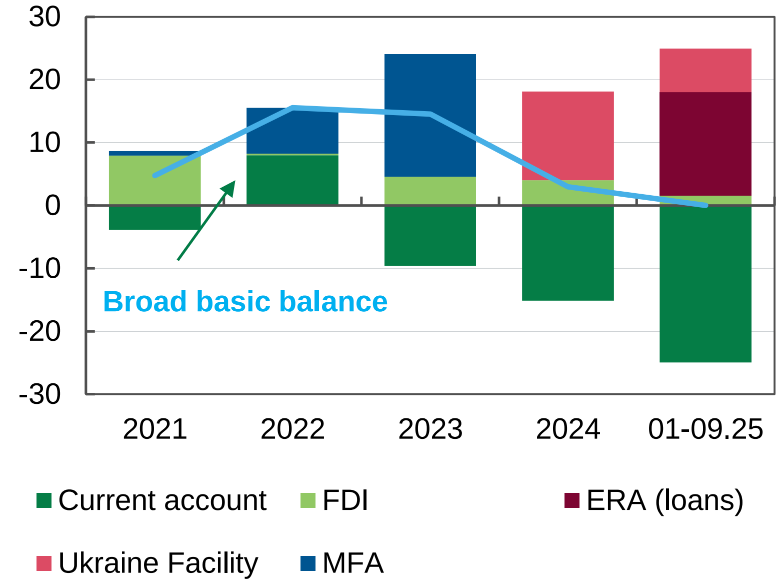
Box. The current account balance in 2025: why the NBU is not afraid of a deficit

Merchandise trade balance, USD billions



Source: NBU.

Broad basic balance, USD billions

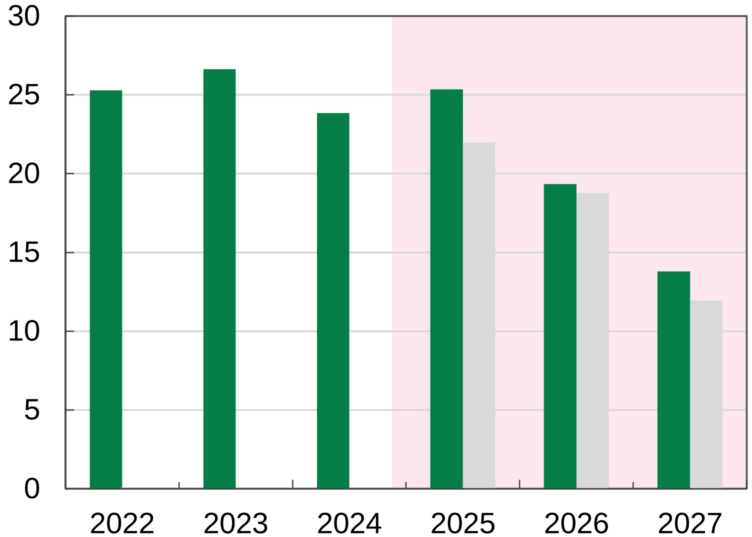


Source: NBU.

- **The widening CA deficit** is a direct consequence of high defense and reconstruction expenditures, not the result of uncontrolled growth in consumer demand
- **The deficit is fully covered by reliable, concessional funding sources** from international partners, which are essentially investments in shared European security, accurately reflecting the nature of the support Ukraine receives
- **The broad basic balance indicator has remained positive since the start of the war**, confirming that the country's financial and external stability remains high

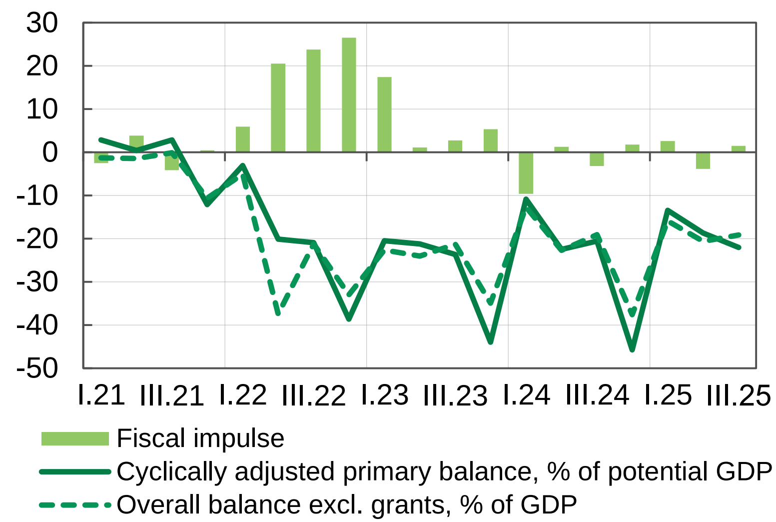
Fiscal stimulus to the economy will slowly decrease and be replaced by private ones

Consolidated budget deficit, excluding grants from revenues, % of GDP



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

General government fiscal balance*

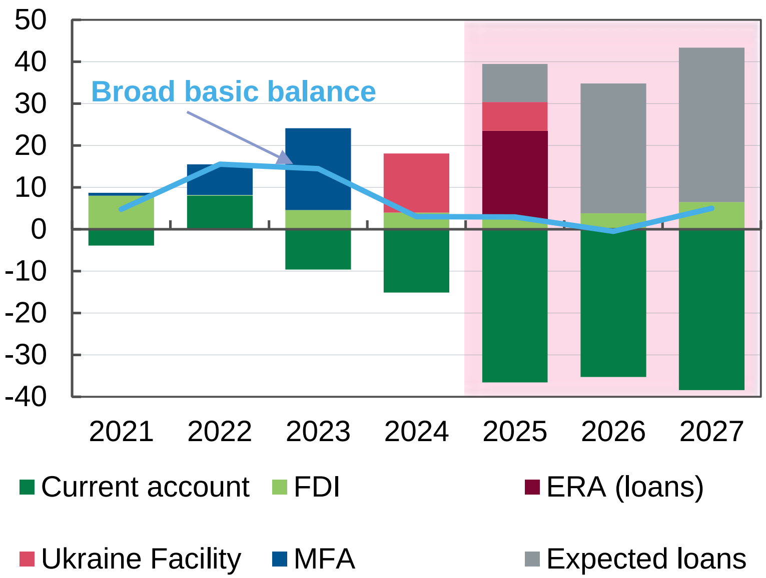


* Overall balance is the consolidated budget balance, taking into account loans to the PFU from the STA. A negative value indicates expansionary fiscal policy.
Source: STSU, SSSU, NBU staff estimates.

- **Fiscal stimulus will provide the foundation for further GDP growth**, but will decrease as security conditions normalize
- **Despite the reduction, the budget deficit will remain significant** due to the need to ensure defense capabilities, restore infrastructure, and meet the state's social obligations. This will be possible primarily through **substantial international financial support.**

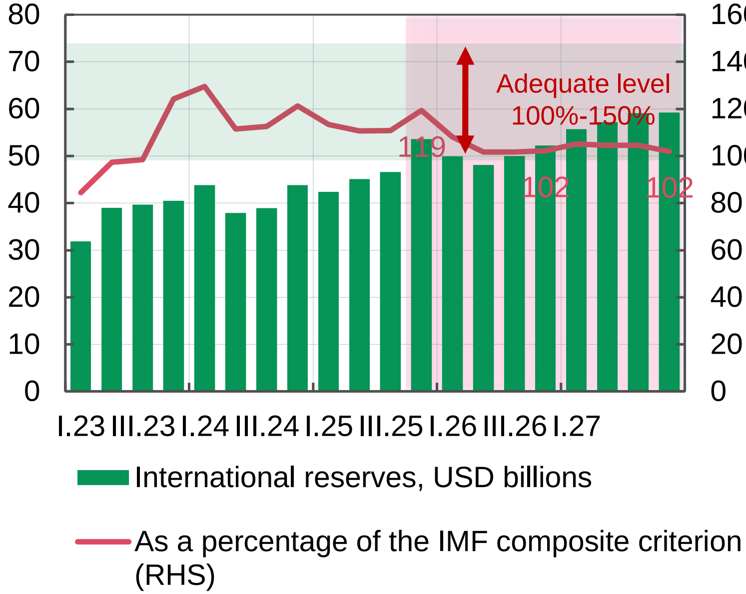
CA deficit will be financed from reliable sources, and international reserves will be maintained at an adequate level

Broad basic balance, USD billions



Source: NBU staff estimates.

Gross international reserves, USD billions

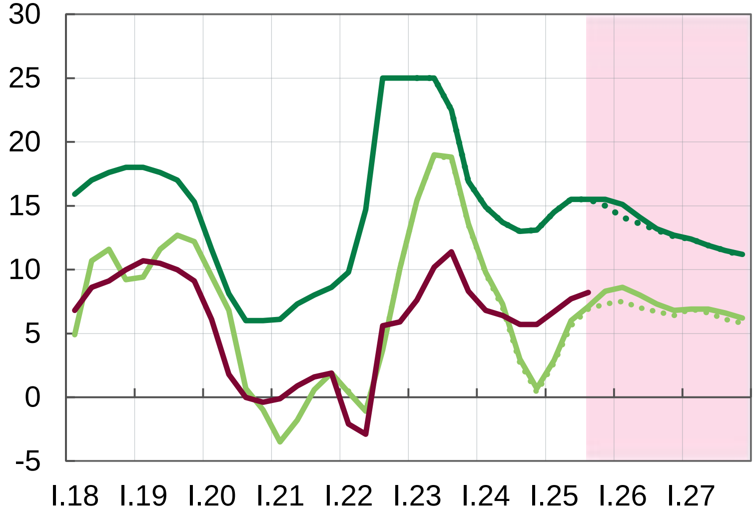


Source: NBU staff estimates.

- **In the coming years, stable and sufficient international financing is expected to be maintained**, primarily through reparations loans based on frozen russian assets
- **NBU will compensate for the structural FX deficit in the private sector** by directing funds received from international partners into the economy. This will help sustain the stability of the FX market while ensuring reserves are maintained at an adequate level

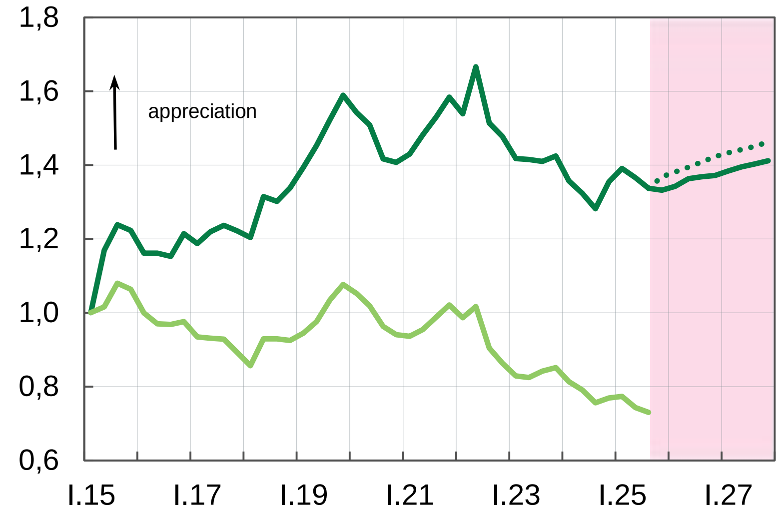
The real interest rate will remain relatively high due to the need to contain inflationary pressures

Key policy rate, average, %



* Deflated by model expectations (QPM+).
** Deflated by the expectations of financial analysts.
Source: NBU staff estimates.

REER and NEER indices, Q1 2015 = 1



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

- **The NBU will maintain appropriate tightness of monetary conditions** to ensure the stability of the foreign exchange market and the attractiveness of savings in hryvnia and ensure a steady decline in inflation to the 5% target over the policy horizon
- **A reduction in the policy rate is forecast from Q1 2026** given the persistence of high inflation expectations and increased pro-inflationary risks
- The REER will remain stronger than in Q3 2024. In the future, **the dynamics of the REER will contribute to the weakening of inflationary pressure**

Risks

Probability of Risk Occurrence

Degree of impact on the baseline scenario	Low <15%	Average 15%–25%	High 25%–50%
Weak		Unforeseen adjustments to administratively regulated prices	
Moderate	Accelerating European Integration Processes and reconstruction	Strengthening negative migration trends and widening labor shortages Weather-related supply shocks	Additional budgetary needs
Strong	A faster end to active hostilities		Escalation of hostilities, further destruction of production facilities and logistics, including in the energy sector Change in the volume of international aid