



Key Policy Rate

11% per annum from 31.01.2020

Key messages

✓ The NBU continues to ease its monetary policy with the aim of maintaining inflation at the target level of 5% and supporting steady economic growth.

✓ Throughout most of 2020, inflation will be below the 5 ± 1 pp target range, but it will return to the target range at the end of the year. Driven by the monetary policy easing, inflation in 2021–2022 will remain within the medium-term target of $5 \pm 1\%$ pp.

✓ This monetary policy easing will help revive lending to the real sector and speed up economic growth to around 3,5-4% in the following years.

✓ In light of the more rapid improvement in Ukraine's macroeconomic conditions, the NBU expects to cut the key policy rate to 7% by the end of 2020.

Key macroeconomic indicators*

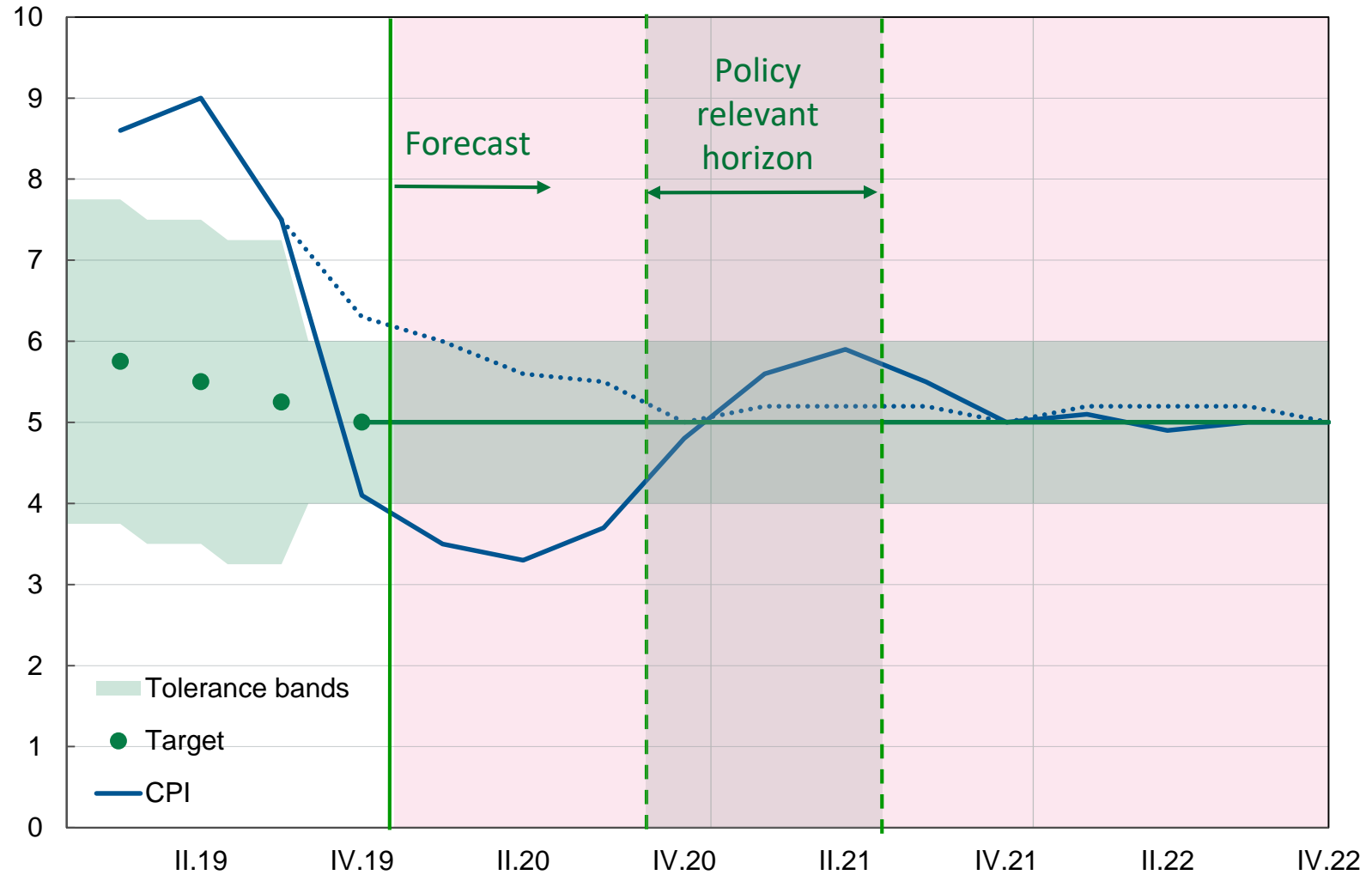
	2019	2020 NBU forecast	2021 NBU forecast	2022 NBU forecast
Real GDP , change, %	3.3 (3.5)	3.5 (3.5)	4.0 (4.0)	4.0
Nominal GDP , UAH bn	3 975 (4 020)	4 290 (4 420)	4 682 (4 850)	5113
CPI , y-o-y, % (eop)**	4.1 (6.3)	4.8 (5.0)	5.0 (5.0)	5.0
Core CPI , y-o-y, % (eop)**	3.9 (5.3)	3.5 (3.7)	3.8 (3.8)	3.8
Current account balance , USD bn	-1.1 (-4.0***) (-4.5)	-5.7 (-5.7)	-7.9 (-7.5)	-8.0
<i>% GDP</i>	-0.7 (-2.6***) (-2.9)	-3.2 (-3.3)	-4.1 (-4.0)	-4.0
BOP (overall) , USD bn	6.0 (3.1***) (2.6)	3.2 (0.6)	1.6 (-1.1)	0.4
Gross reserves , USD bn	25.3 (23.0)	29.3 (24.0)	31.6 (23.1)	32.3

* in brackets – previous NBU forecast (Inflation report, July 2019)

** «eop» – end of period (December to December of previous year)

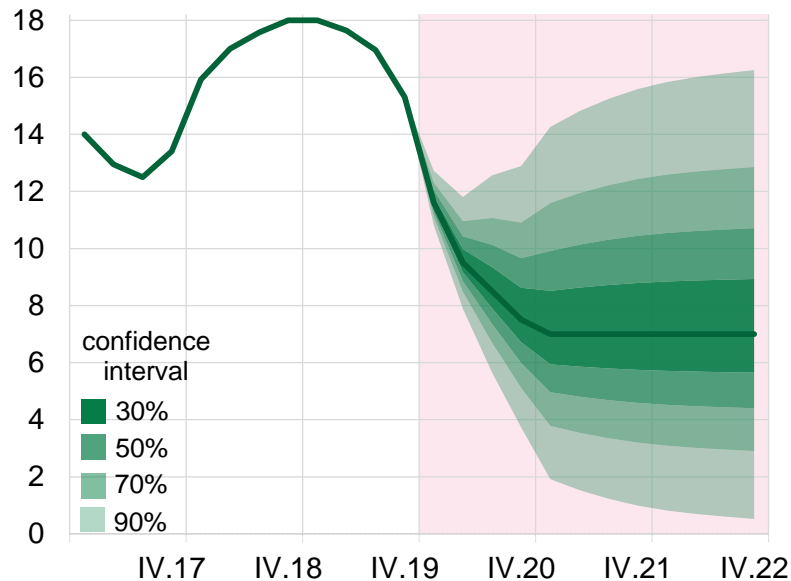
*** without “Gazprom” payment

CPI forecast, annual change, %

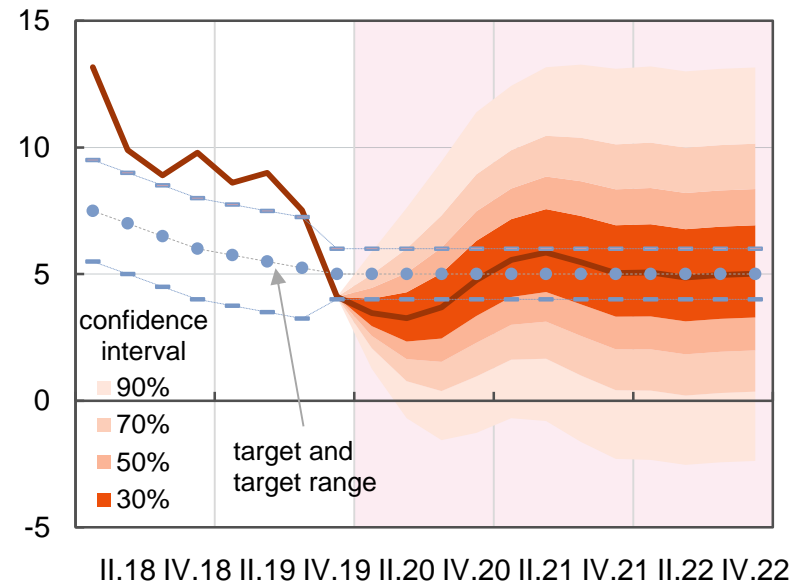


Key rate and inflation forecast

Key rate, %



CPI, annual change, %



The forecast is given in a fan chart. This chart type is used to illustrate uncertainty with regard to predicted future values. For instance, the probability that the indicator will be in the range of the darkest shaded area in the chart (around the central line) is 30%. The same applies to other chart areas, implying the 90% probability that the indicator will be in the range of the lightest shaded area.