

Monetary Policy during Crises: The Case of Ukraine

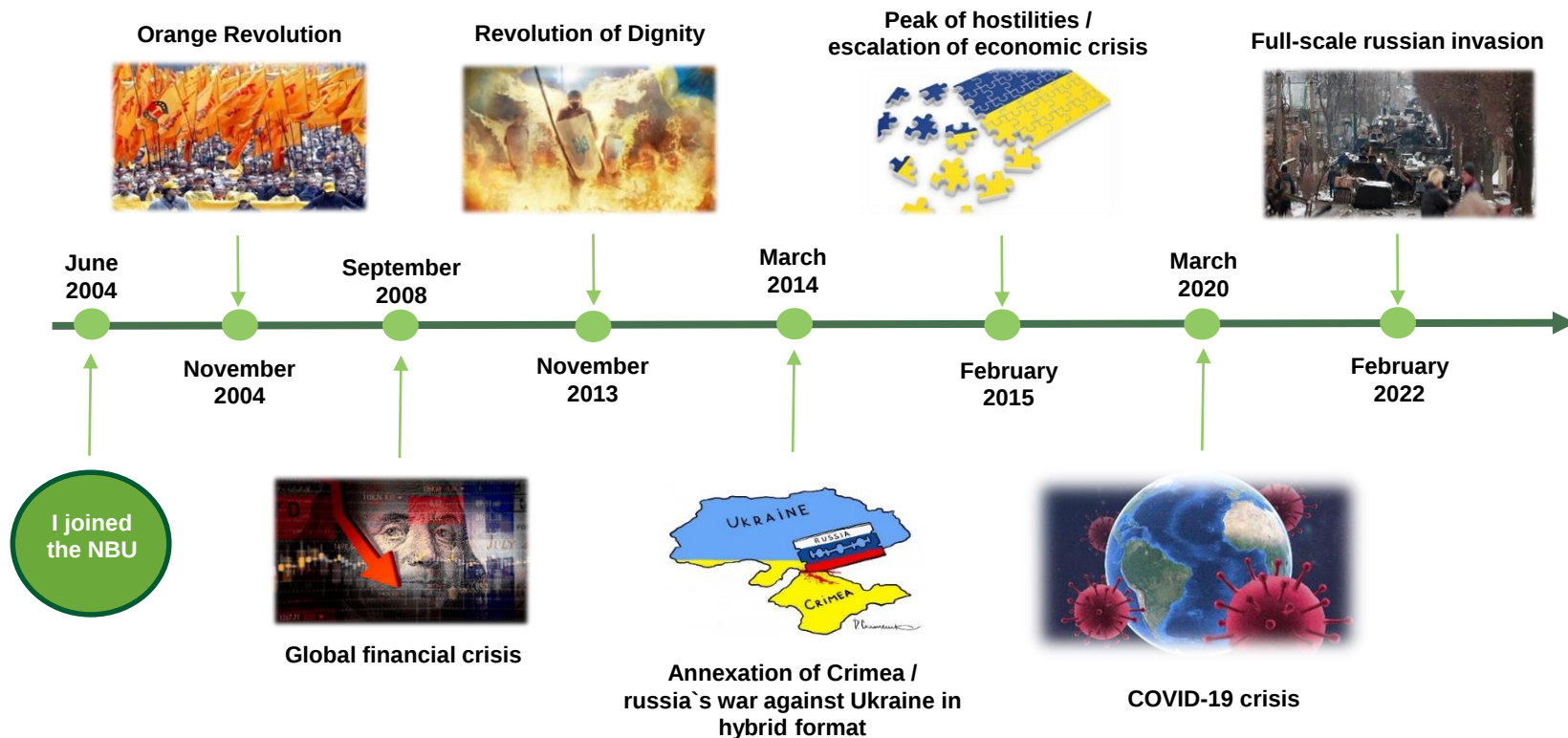
Sergiy Nikolaychuk

First Deputy Governor, NBU

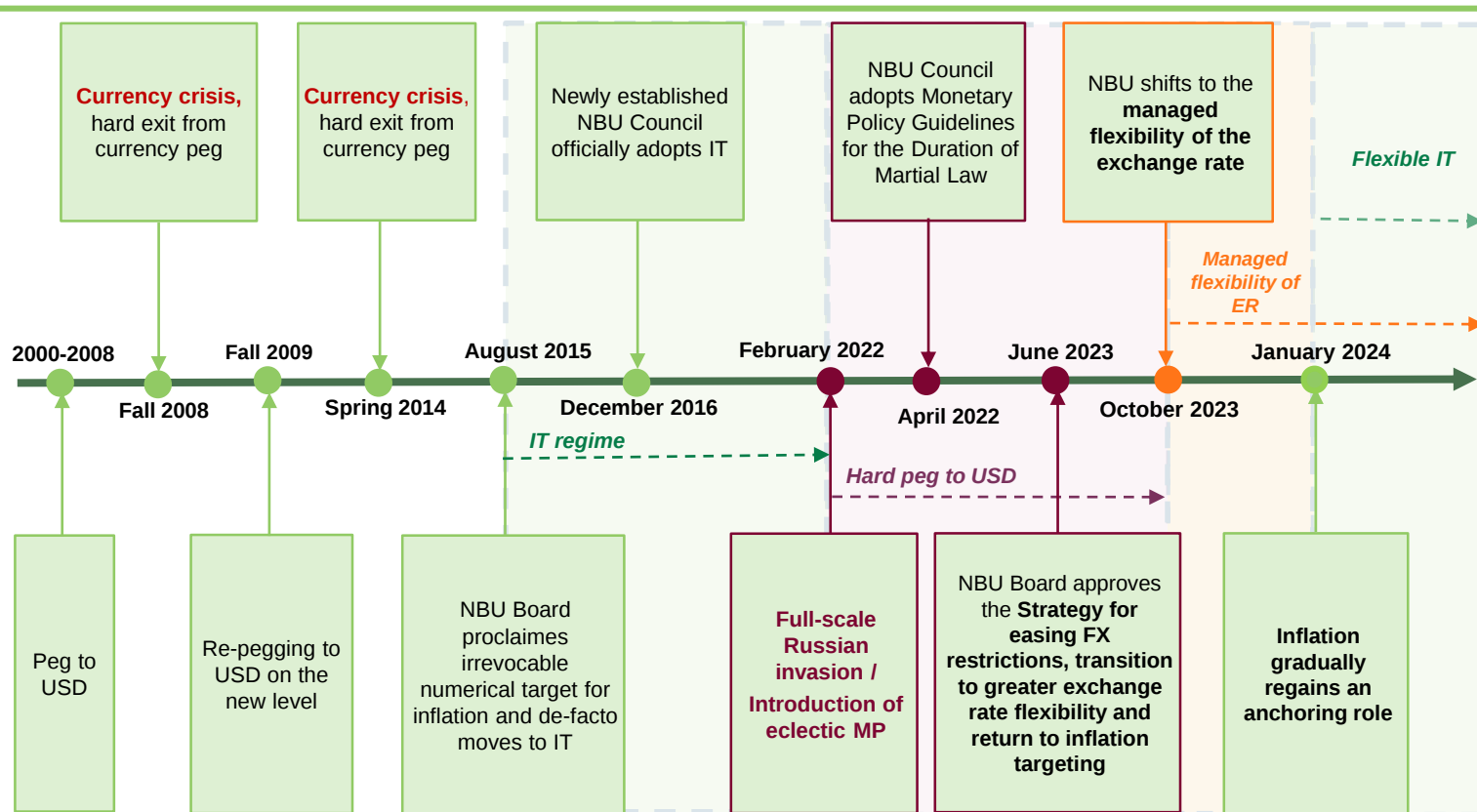
Lecture for the Crisis and Resilience course,
Joint Vienna Institute
25 November, 2025



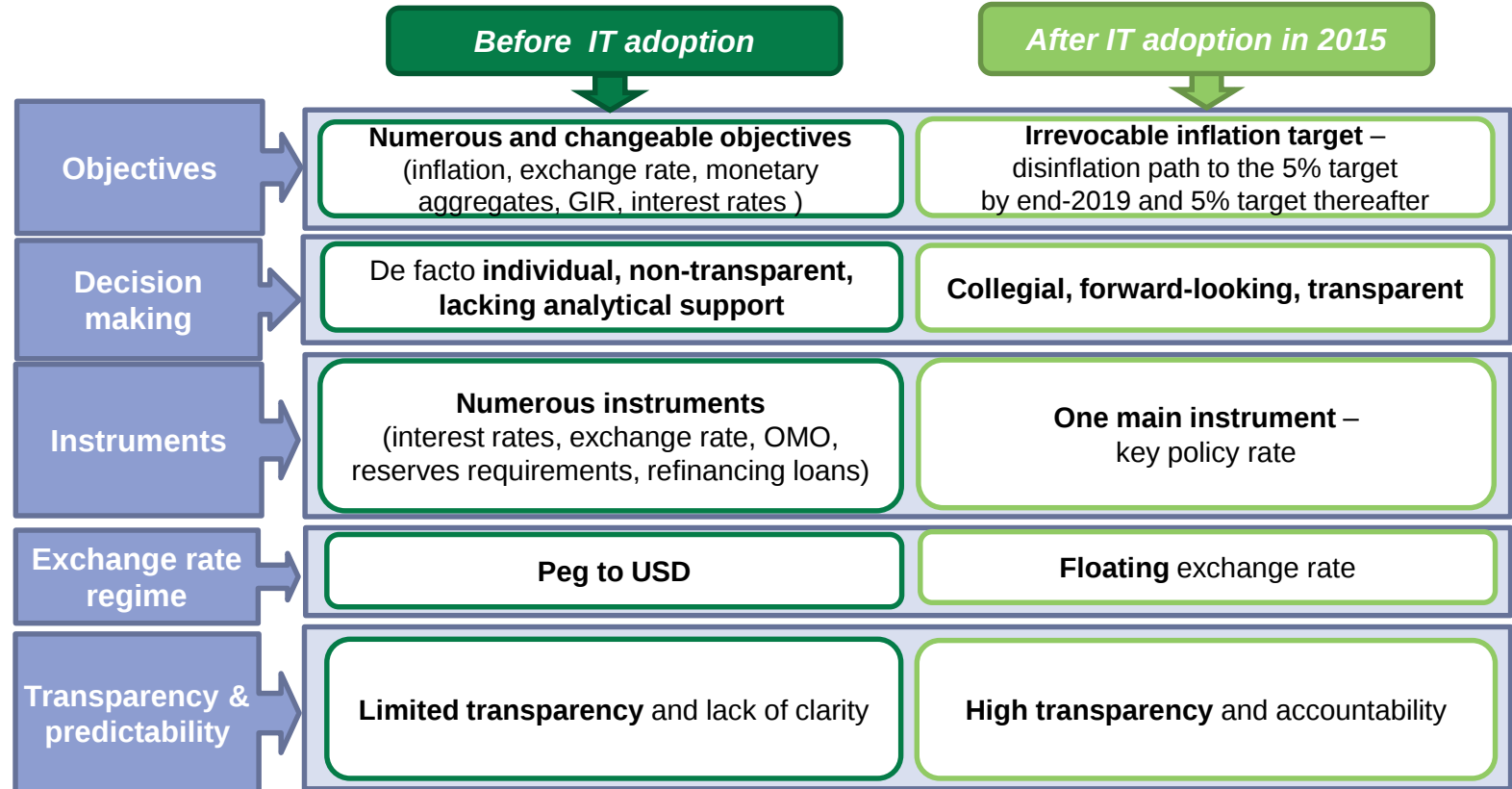
Over the past 20 years, Ukraine's economic environment for monetary policy has never been calm and has remained extremely challenging



Through turbulence: Evolution of monetary regimes in Ukraine

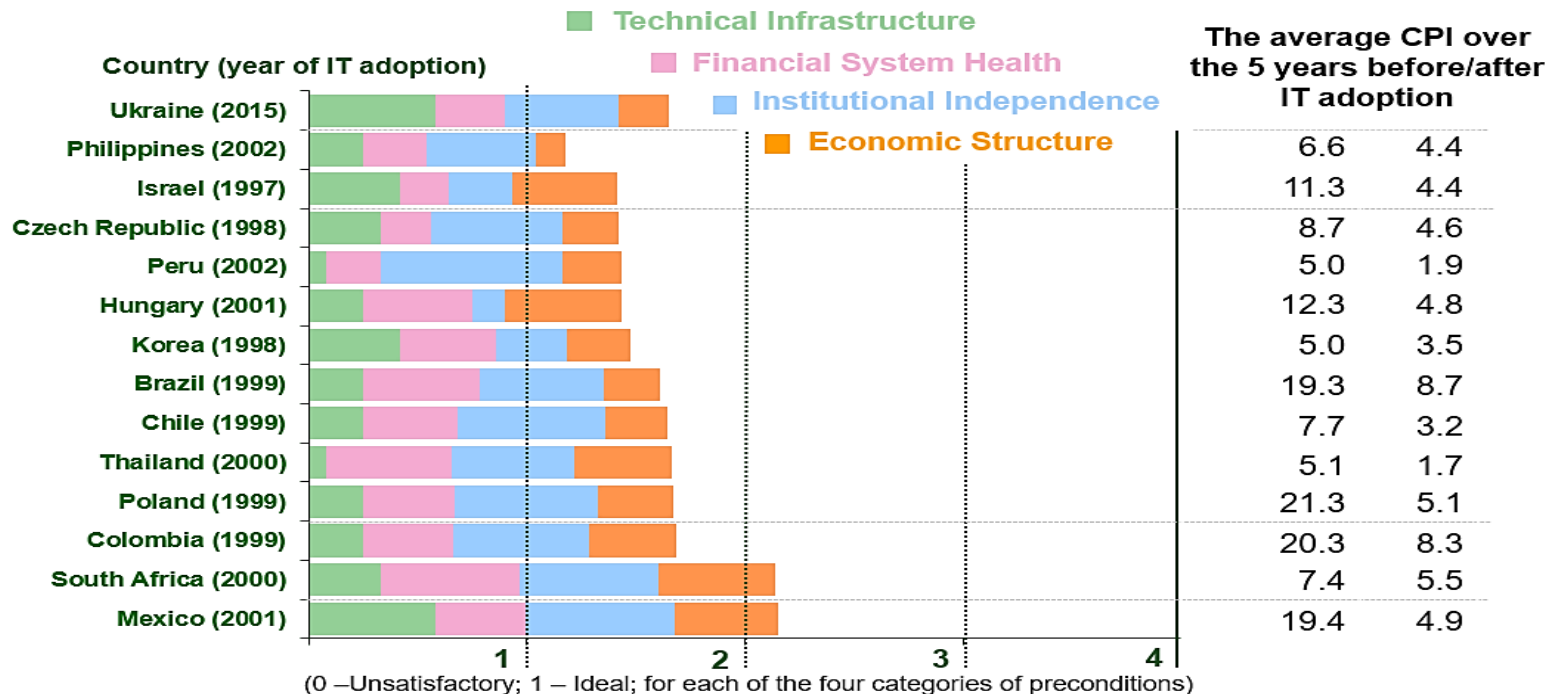


In 2015, the transition to inflation targeting marked a deliberate break from Ukraine's previous monetary policy frameworks



How well was Ukraine prepared compared with other IT adopters?

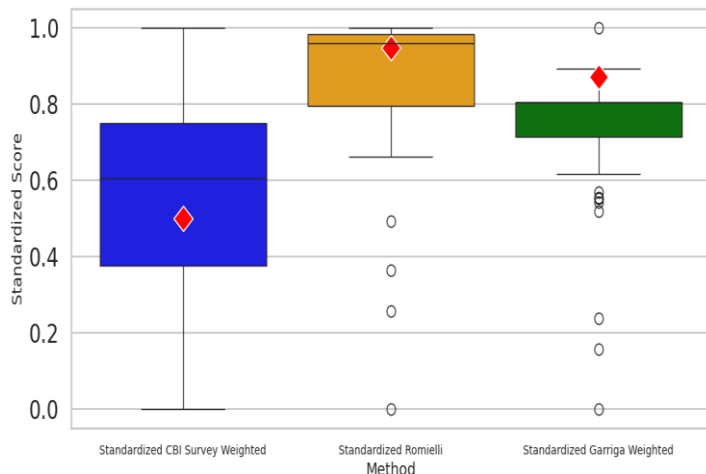
Comparative Country Analysis of IT Preconditions at Time of Adoption



Source: World Economic Outlook, September 2005: Chapter 4. Does Inflation Targeting Work in Emerging Markets?; NBU staff estimates.

The introduction of inflation targeting became a catalyst for profound institutional changes

Ukraine CBI index among other countries in Europe



Notes:

Provided by Ashraf Khan (IMF) based on [Adrian, Khan, and Menand \(2024\)](#)

The assessment does not account for the temporary relaxation of monetary financing restrictions introduced in 2022 due to the full-scale war in Ukraine

Significant amendments to the NBU Law for strengthening the NBU's institutional, functional, personal and financial independence in 2015 and 2021

2015:

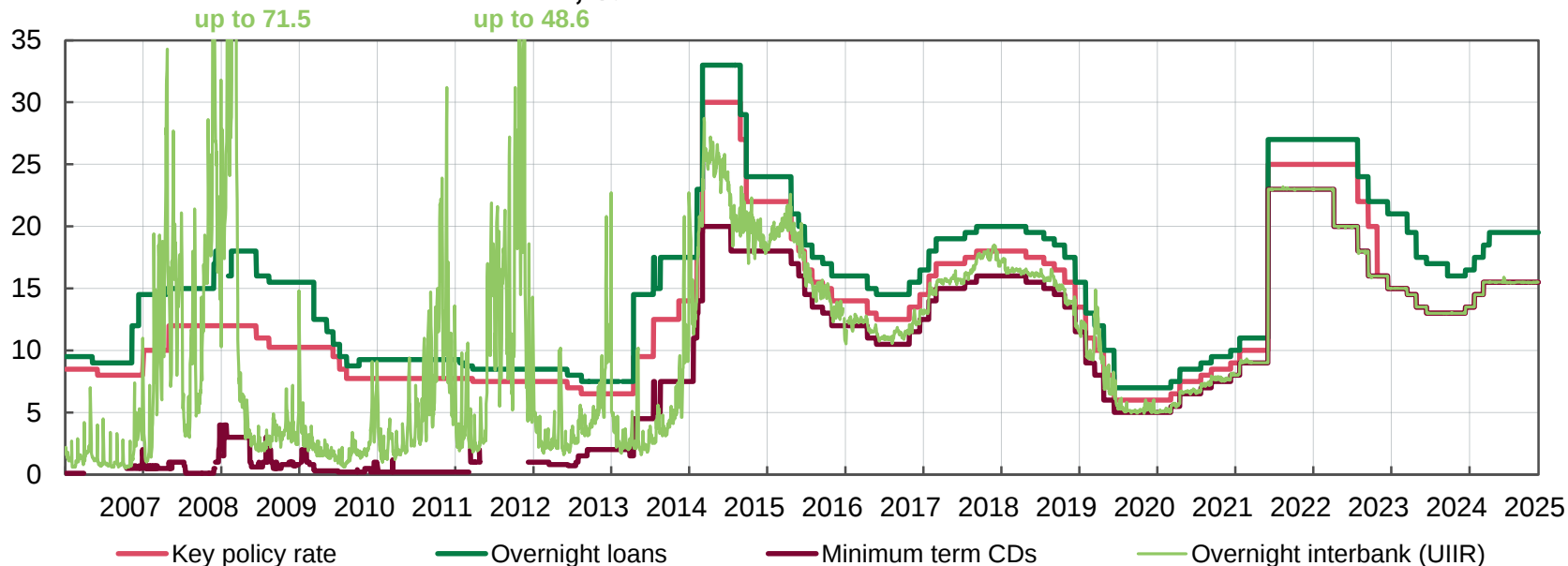
- Transformed the NBU Board into a collegial body
- Introduced a staggered appointment schedule for NBU Council members and Deputy Governors to ensure continuity in their work
- Enhanced the decision-making process
- Assigned the NBU Council the function of overseeing the internal control system of the NBU
- Strengthened the internal audit function of the NBU
- Increased the number of NBU Council meetings to ten per year and introduced remuneration for Council members, funded by the NBU
- Revised the procedure for allocating the NBU's profits prior to their transfer to the State Budget

2021:

- Expanded the list of qualification requirements, introduced restrictions and transformed dismissal grounds for the NBU Governor, Deputy Governors and Council members
- Established the obligation for NBU Board members, staff, and Council members to safeguard the NBU's interests
- Granted the right (instead of obligation) for mutual consultations between the NBU and the Government
- Repealed Article 52 on NBU's support of the Government's economic policy

Instruments and operational framework under inflation targeting

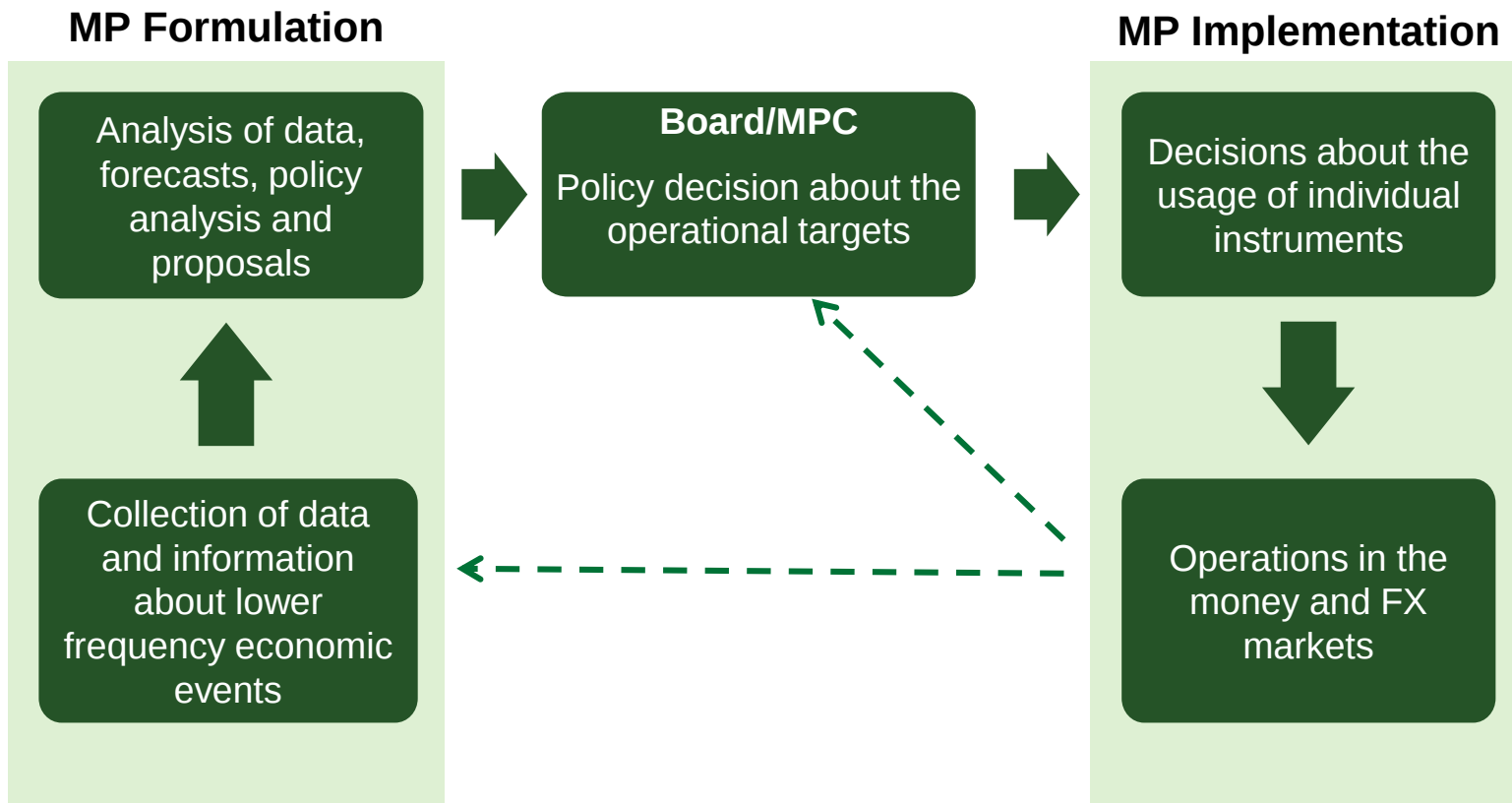
NBU's interest rates and UIIR/UONIA, %



Source: NBU.

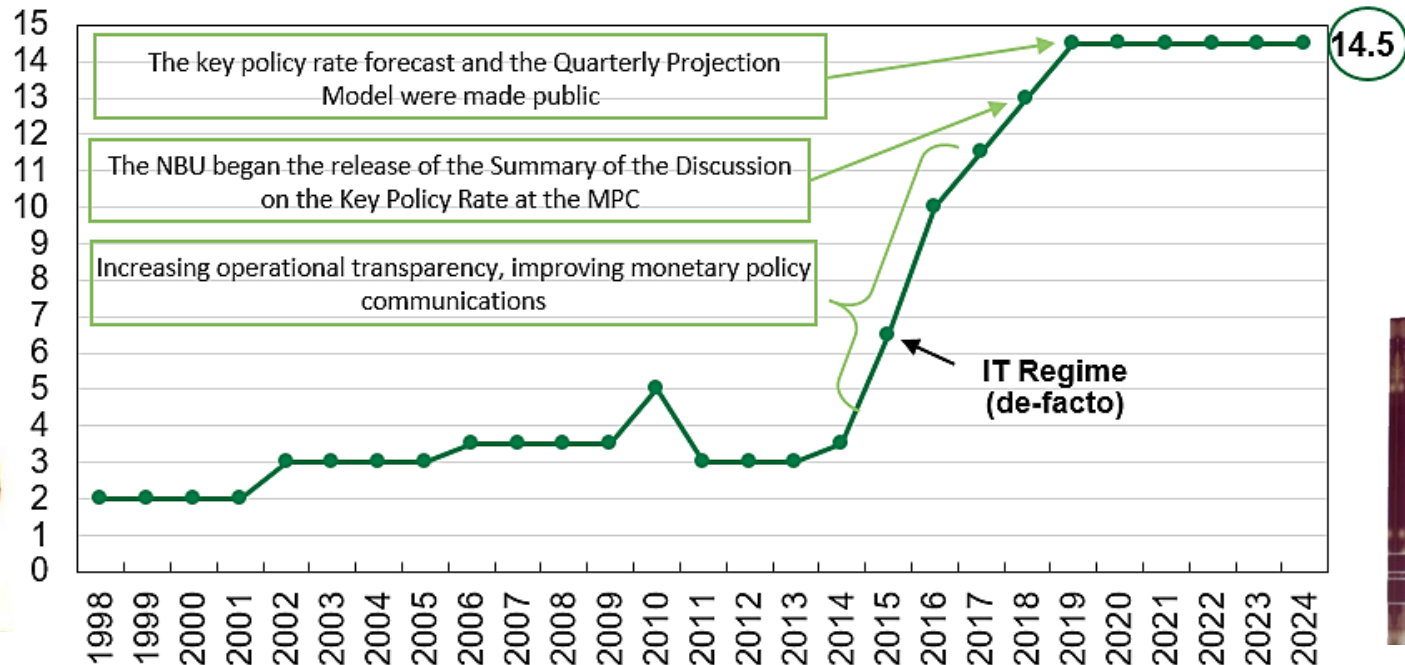
- Early 2016: the role of the key policy rate as the main policy instrument was reinforced, and the interest rate corridor was narrowed to improve the transmission of policy signals to money market rates

Proactive monetary policy decision making based on macroeconomic forecast



Communication became a strategic pillar of the IT framework

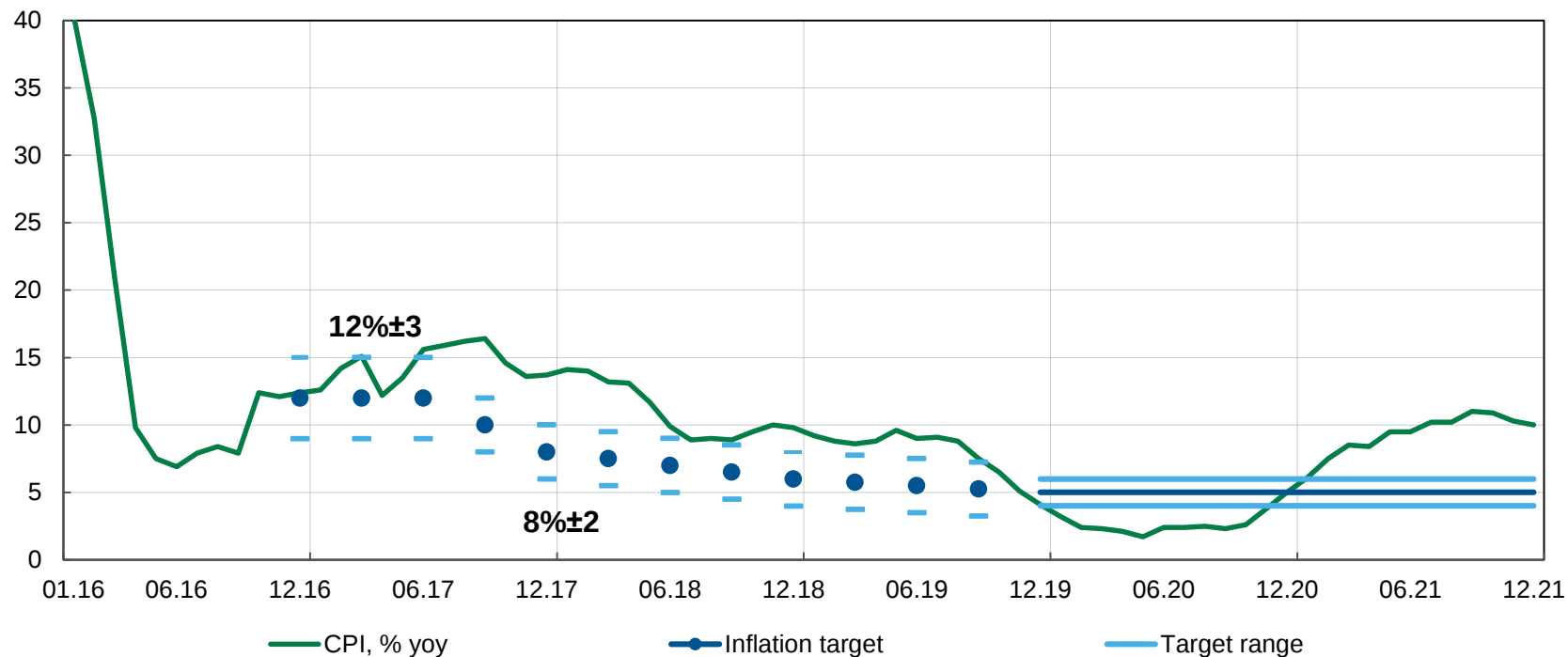
Monetary Policy Transparency Index



Source: NBU staff estimates based on the methodology by [Dincer, Eichengreen and Geraats \(2022\)](#).

First tangible evidence that IT works

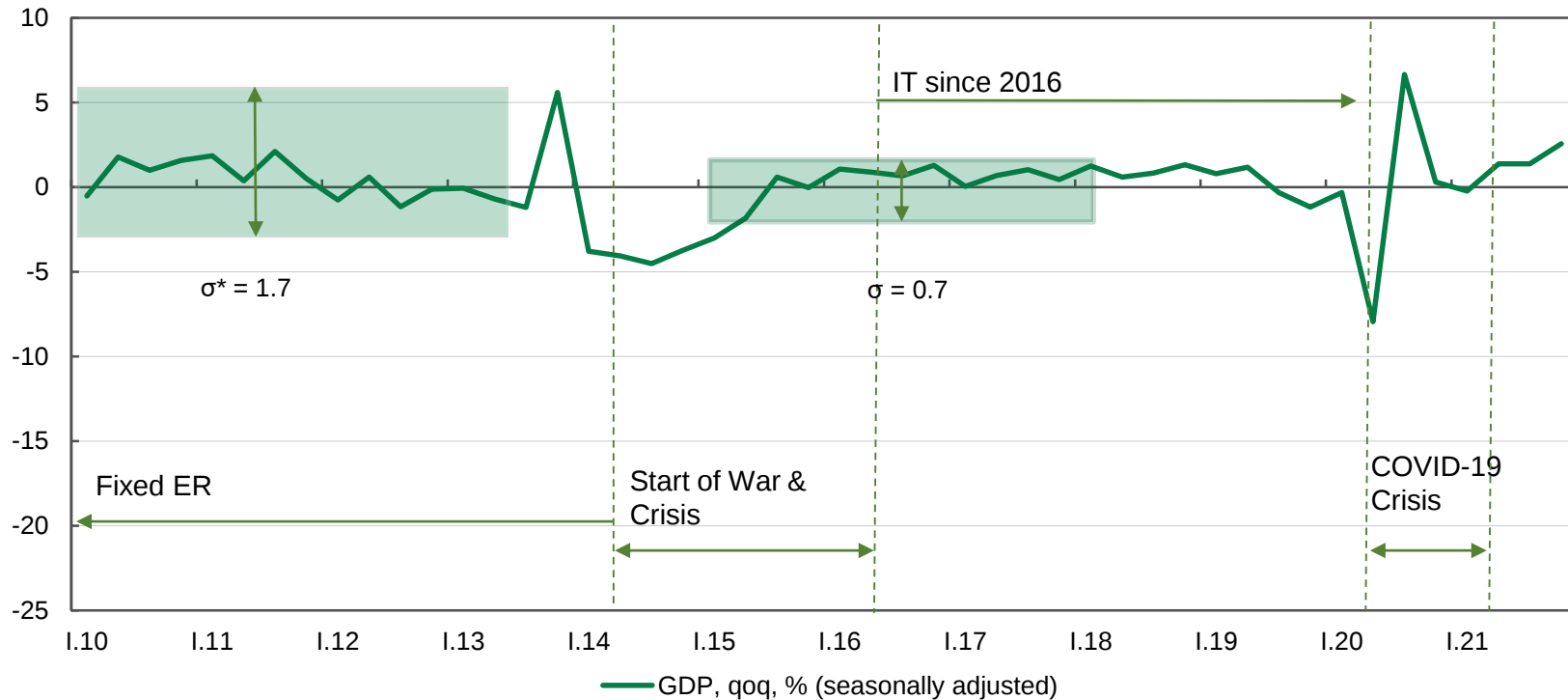
Inflation and Inflation Targets, %



Source: SSSU, NBU staff estimates.

Significant reduction in GDP growth volatility

Real GDP, qoq, % (seasonally adjusted)

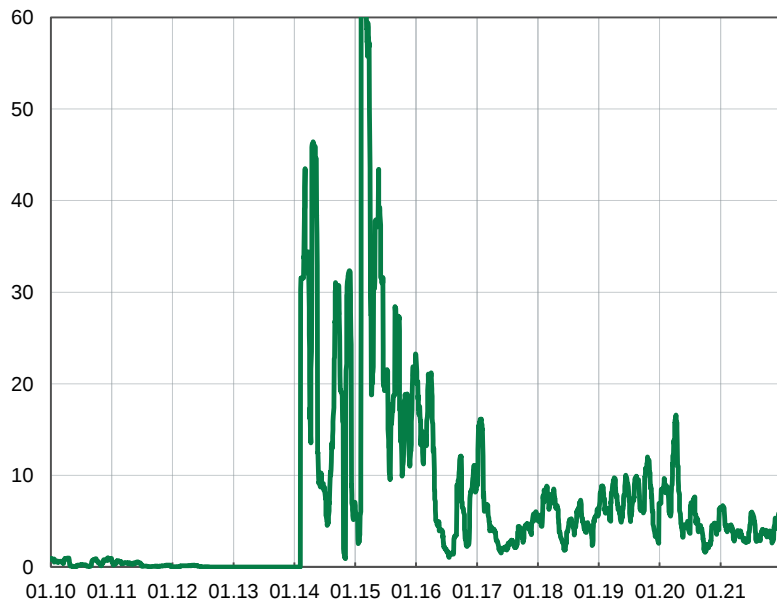


* σ - standard deviation

Source: SSSU, NBU staff estimates.

Adaptation to ER flexibility and improved external position

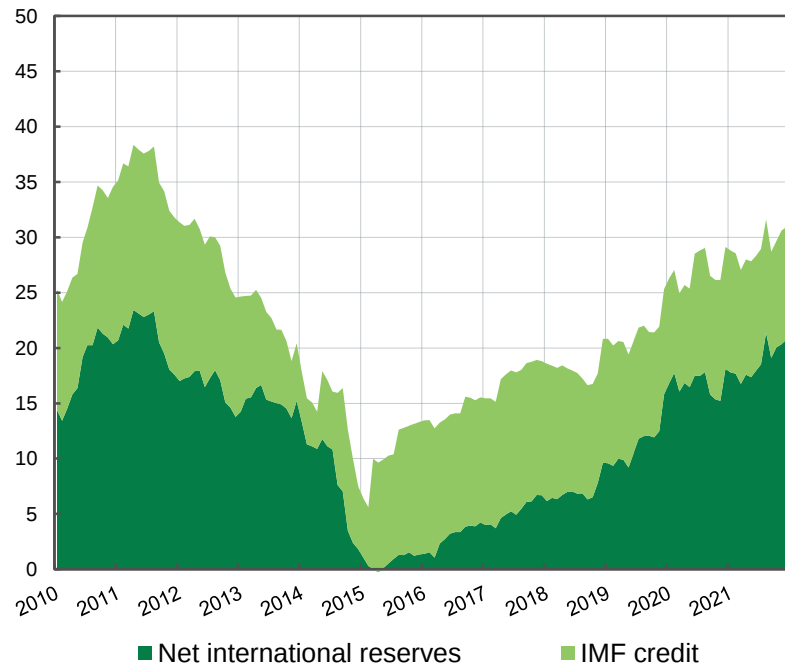
Monthly Exchange Rate UAH/USD Volatility*



* Standard deviation of the daily ER change over a rolling month (quarter), annualized

Source: NBU staff estimates.

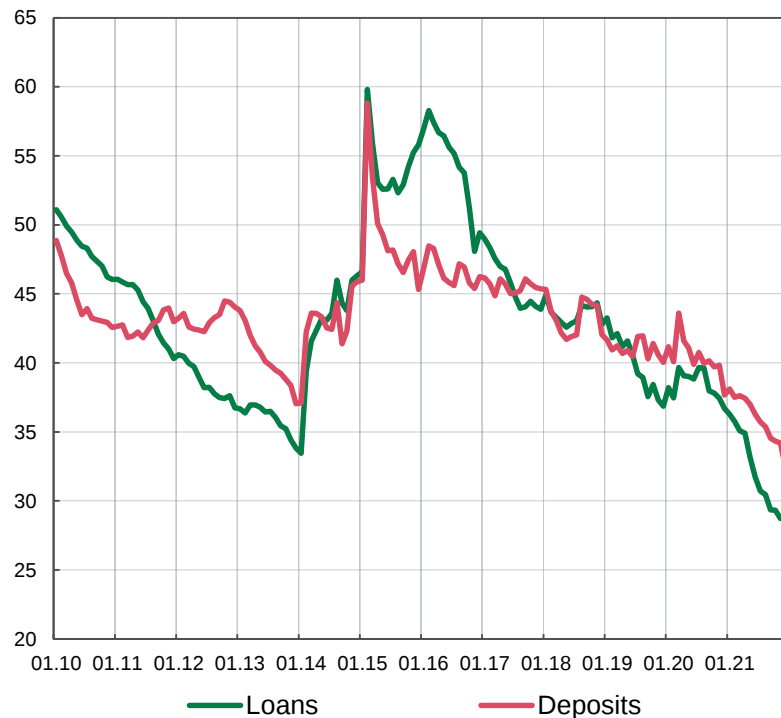
International reserves, USD billions



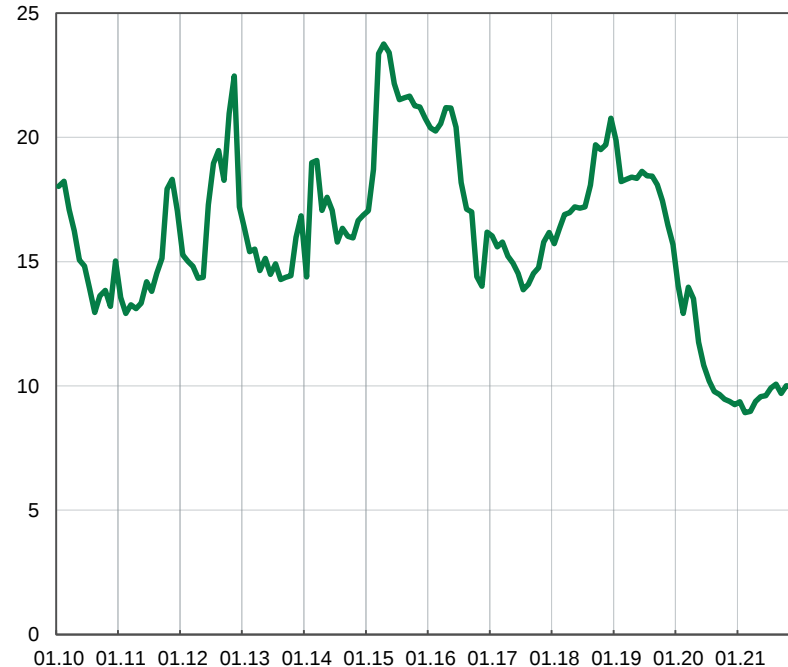
Source: NBU staff estimates.

Dedollarization of loans and deposits and lower lending rates

Share of Foreign Currency Loans and Deposits, %



Interest Rates on UAH Loans to Non-financial Corporations, %



Monetary policy under full-scale war: An unprecedented challenge

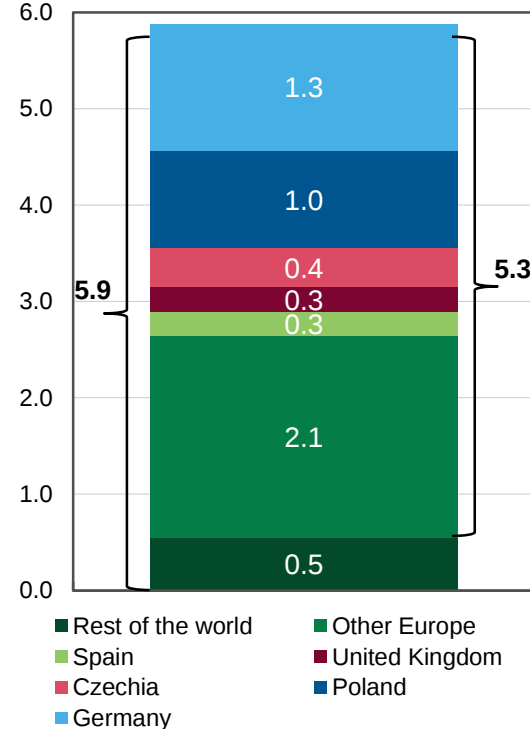
Territories with active hostilities /under occupation
March 2022



Source: NBU.

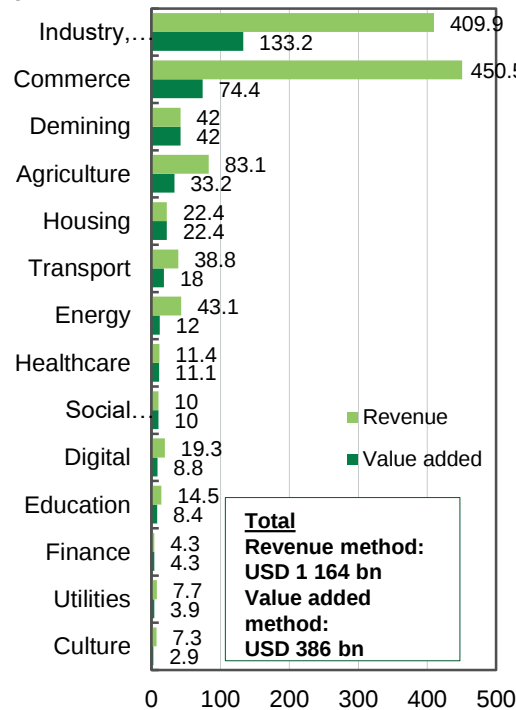
Losses of human and physical capital during a full-scale war are enormous and continue to grow

Number of Ukrainian migrants in different countries, million persons, latest reported as of November 14, 2025



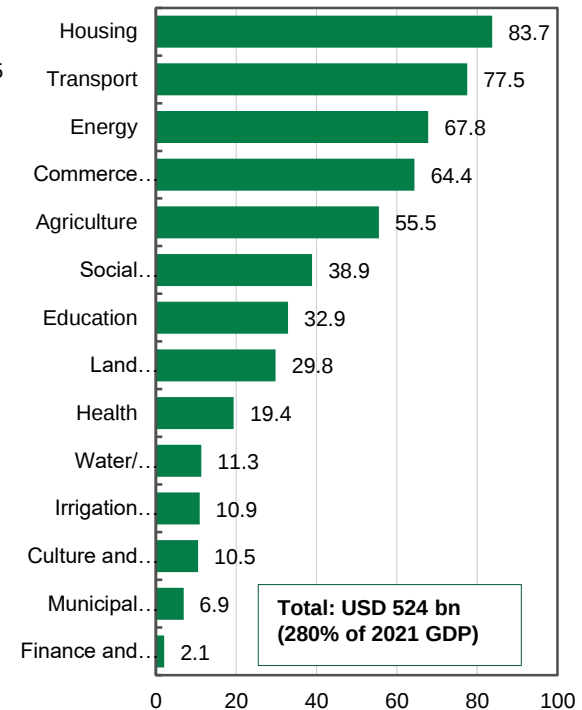
Source: UNHCR.

Estimation of losses by sector since February 2022 (USD bn), latest update available as of September, 2024



Source: Kyiv School of Economics.

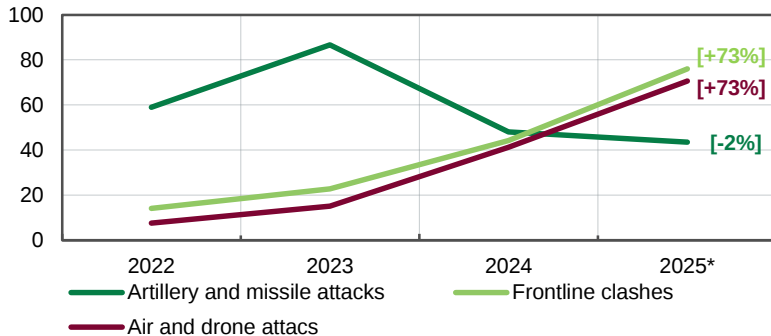
Estimated recovery and reconstruction needs (USD bn), latest update available as of December, 2024



Source: World Bank Rapid Damage and Need Assessment.

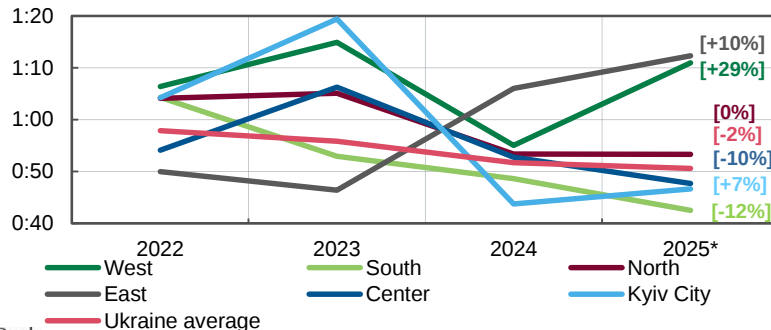
Security risks are rising amid russia's escalation along the frontline and intensified strikes on energy infrastructure

Average daily number of shelling and combat clashes on the front line



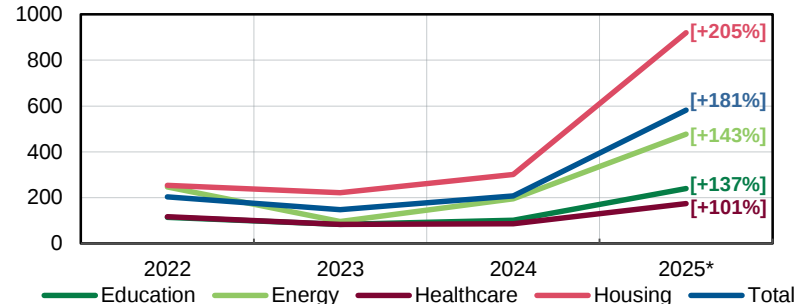
*2025 - average for January-mid of November. In square brackets is the change in 2025 compared to 2024. Source: ACLED, NBU staff estimates.

Average duration of air alarms per day, hours



* 2025 - average for January-mid of November. In square brackets is the change in 2025 compared to 2024. Source: e-Alarm, NBU staff estimates.

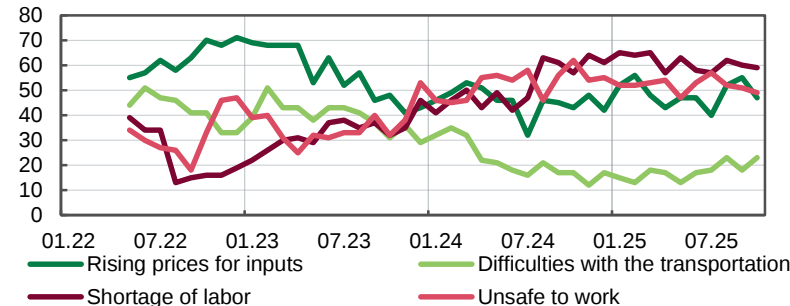
New damage to housing and infrastructure due to russian shelling, average index value (02.2022 = 100)



*2022 - average for February-December, 2025 - average for January-mid of November. In square brackets is the change in 2025 compared to 2024.

Source: ACLED, NBU staff estimates.

Main obstacles to doing business in wartime, % of responses



*In square brackets is the change in the value for 2 months of Q3 compared to the average value of Q2 2025. Source: IER.

The factual invasion was a shock, but we had prepared the action plan in advance

The bombardment of Ukraine started at 4am

➤ At the begging of business day, **before 10am**, the NBU published **the list of measures it introduced to sustain financial stability**

How Ukraine's Banking System and FX Market Will Work from 24 February 2022 Under Martial Law Throughout Ukraine

🕒 24 Feb 2022 9:52

The National Bank of Ukraine has passed a Resolution outlining how Ukrainian banks will operate now that martial law has been imposed throughout the country. Martial law is a special regime under which:

- Banks ensure the uninterrupted operation of their branches unless doing so puts at risk the lives and health of the public.
- Banks continue to operate subject to the restrictions stipulated by this Resolution.
- Banks provide uninterrupted access to safe deposit boxes.
- It is ensured that all cashless payments go through without limitation.
- ATM cash replenishment is carried out without restrictions.
- The NBU provides unlimited cash support.
- The NBU grants unlimited unsecured refinancing loans to banks, with up to one-year maturity and an option to extend the loan by another year, so that banks can maintain their liquidity.
- Payments to and by the Ukrainian government are made without restrictions, in accordance with legislation governing this special period.

The Resolution also imposes temporary restrictions, effective 24 February 2022. Those include measures that:

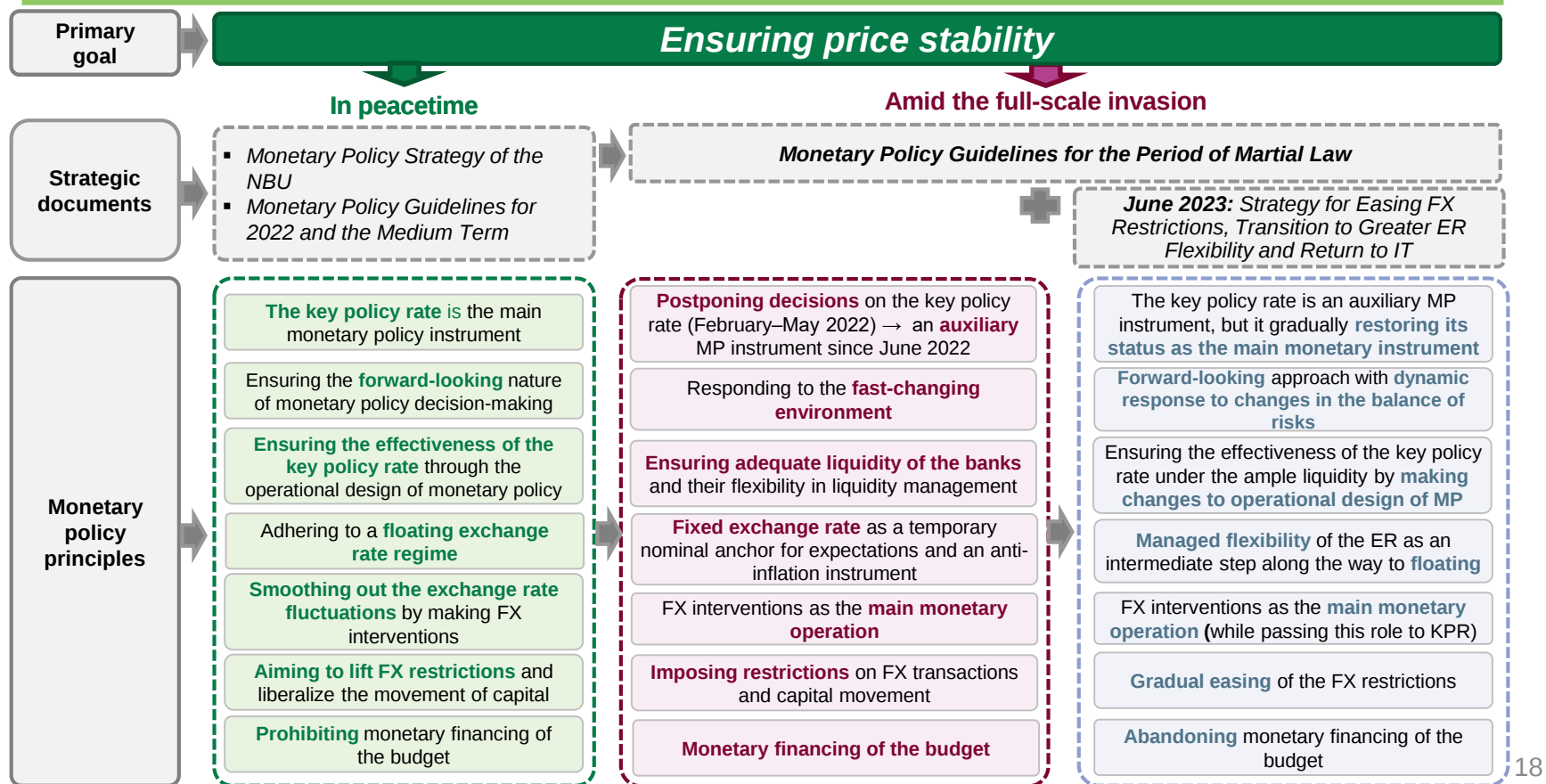
- suspend the operation of Ukraine's FX market, except for FX sales by customers
- fix the official exchange rate for 24 February 2022
- limit cash withdrawals from client accounts to UAH 100,000 per day (excluding salaries and social benefits), except for businesses and institutions that ensure the implementation of the government's mobilization plans (objectives) and entities that have the NBU's special permission to operate without paying commissions
- prohibit the release of cash from client accounts in foreign currency, except for businesses and institutions that ensure the implementation of the government's mobilization plans (objectives) and entities that have the NBU's special permission

....

➤ These measures aim to ensure the reliable and stable operation of Ukraine's financial system and facilitate the fullest support for activity of the Armed Forces of Ukraine, as well as the smooth operation of critical infrastructure.

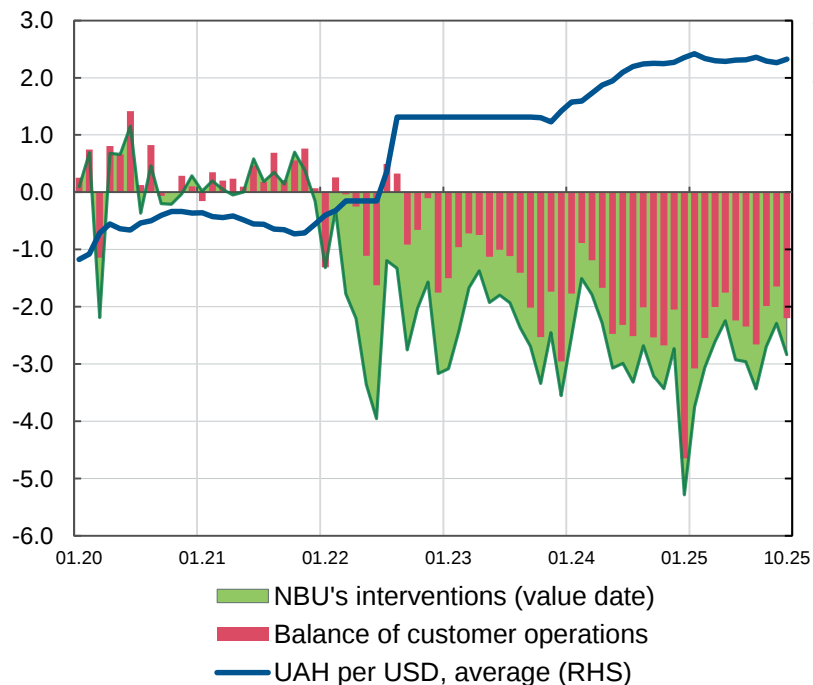


Amid the full-scale invasion, NBU had to fundamentally change the way how it conducts the monetary policy

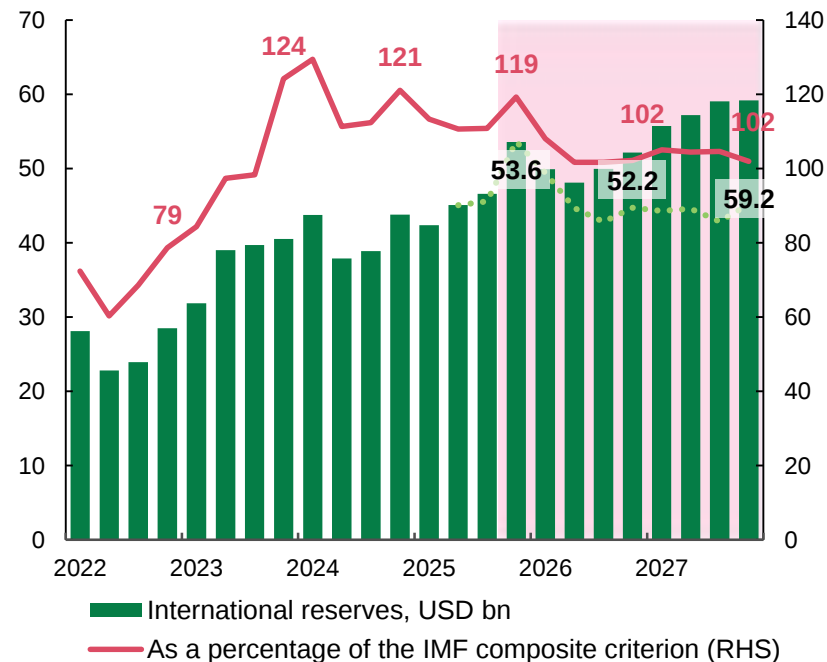


A 180-degree turn in 2022: NBU fixed the hryvnia ER, introduced extensive currency restrictions, and imposed capital controls

Bank clients' FX transactions and NBU's FX interventions (USD billions), UAH/USD ER (avg.)



Gross international reserves, USD bn

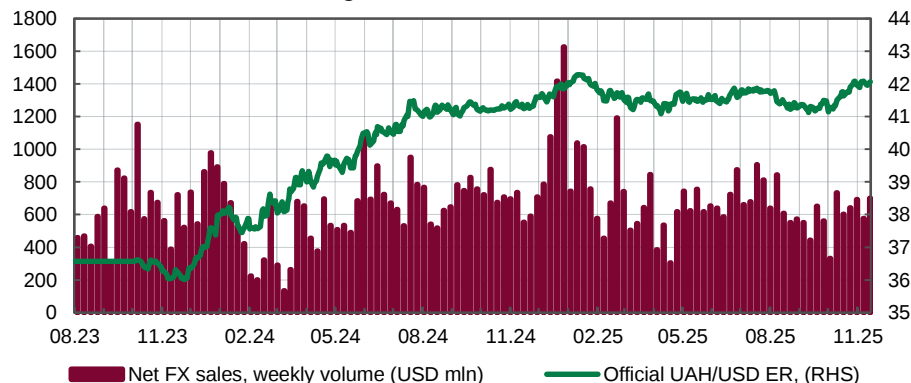


In 2023, NBU switched to managed flexibility of the ER for ↑ adaptability of the economy while maintaining control over expectations

MANAGED

- **Maintaining a stable and controlled situation on the FX market thanks to:**
 - ✓ covering structural deficit of foreign currency
 - ✓ smoothing out excessive ER volatility
 - ✓ minimizing the practice of multiple ERs
 - ✓ interest rate policy measures (in particular, maintaining a sufficient real yield of hryvnia instruments)
 - ✓ calibration of FX restrictions
- **Consistency of ER dynamics with the task of maintaining price stability in the medium term**

The official UAH/USD exchange rate and the NBU's net FX sales*



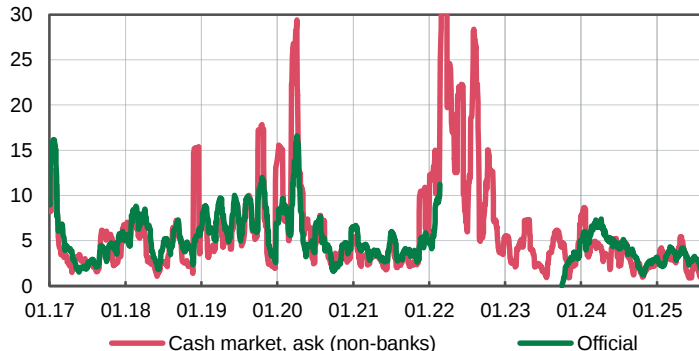
* Deal date. Cut-off date - 14.11.25.

Source: NBU.

FLEXIBILITY

- **Ensuring bilateral ER fluctuations in response to changes in the balance of demand and supply in the FX market**
- **The gradual strengthening of the role of the ER as a corrective mechanism for the economy**

Monthly volatility* of the UAH/USD

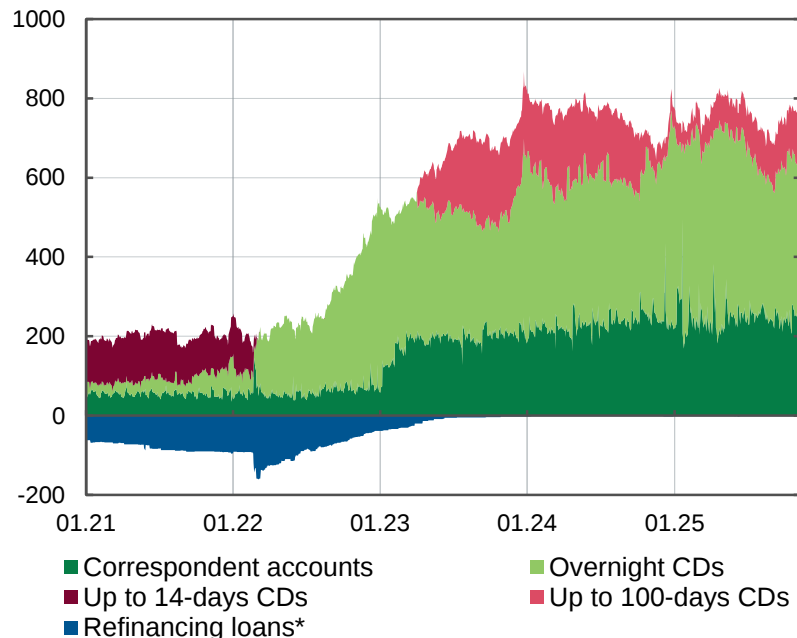


*Annualized standard deviation of the daily ER change during a rolling month.

Source: NBU staff estimations.

In 2022-2023, liquidity surplus in the banking sector grew significantly on the back of large government spending

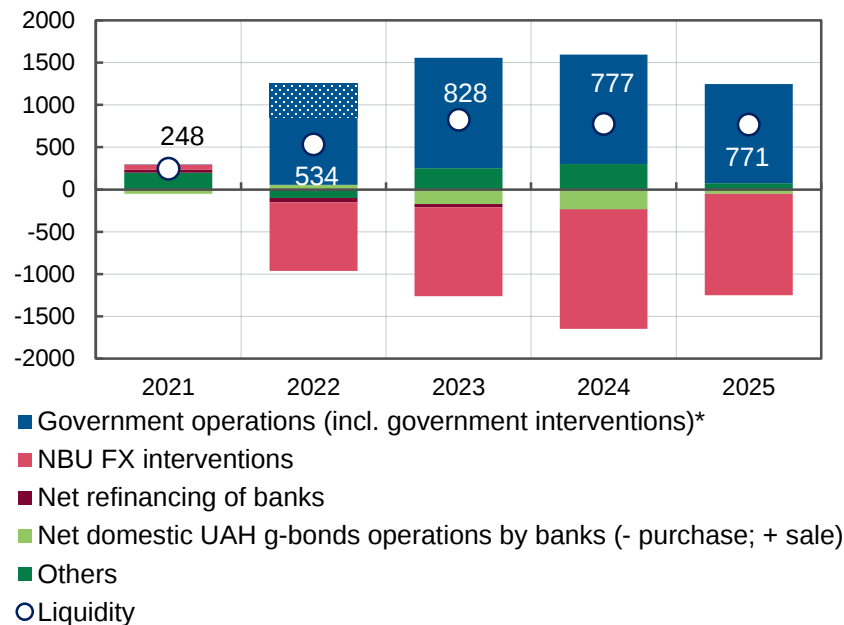
Selected indicators of liquidity of the banking system, UAH bn



* Loans excluding insolvent banks and banks in liquidation. As of 18.11.2025.

Source: NBU.

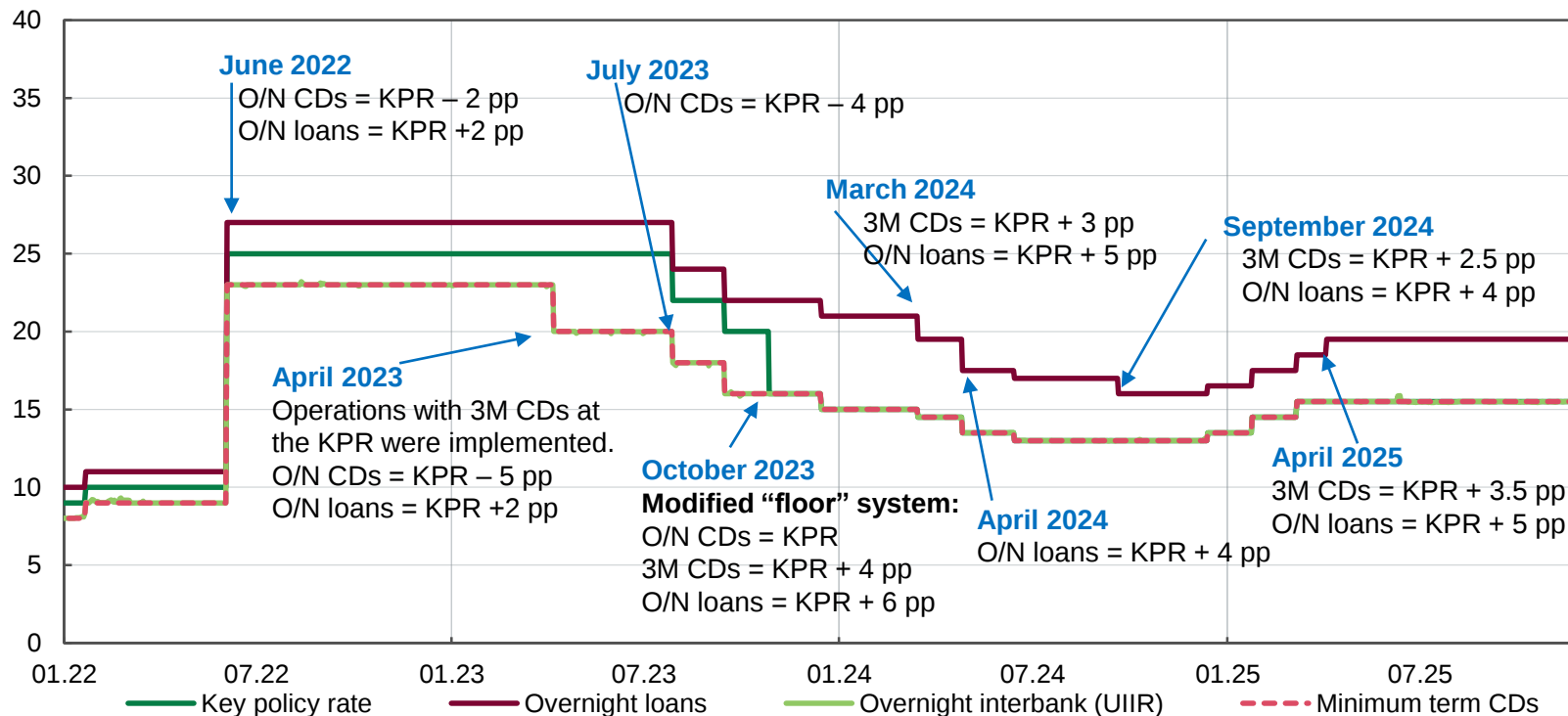
Principal factors for changes in banking system's liquidity, UAH bn



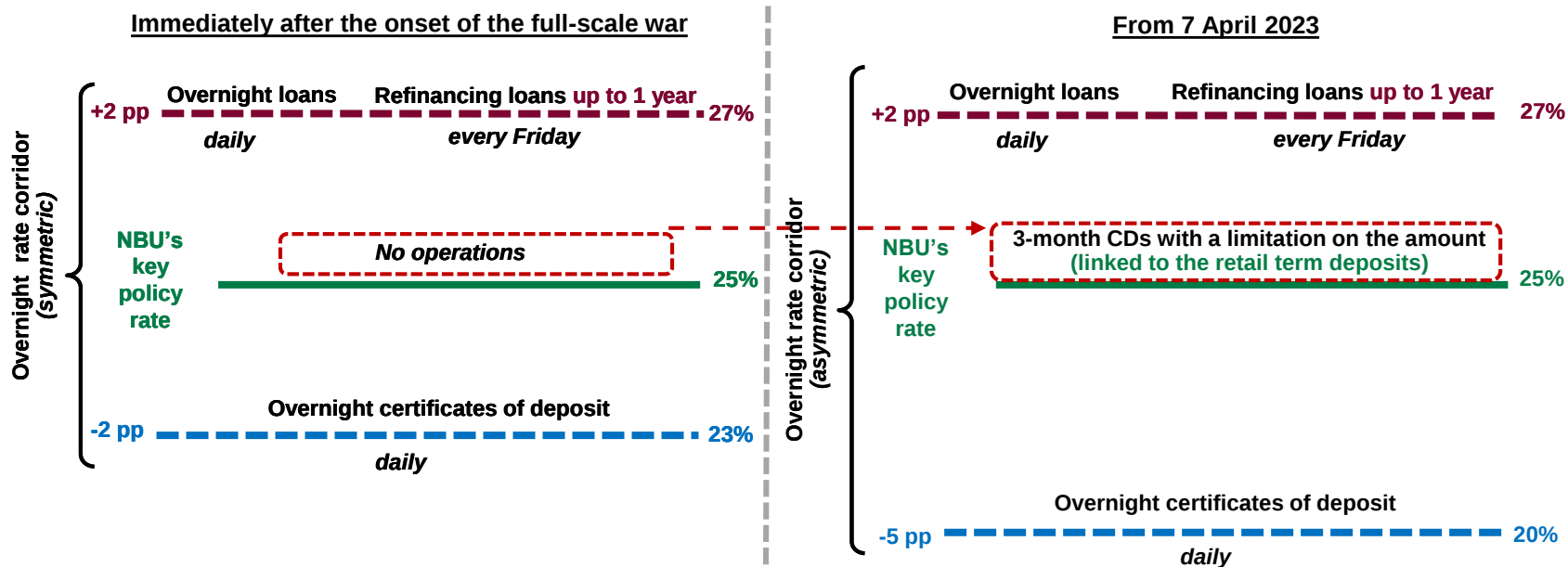
* Including NBU's purchase of bonds. 2025 – 10 months
Source: NBU.

NBU's adjustments to the operational framework of interest rate policy reflect shifts in the balance of risks and in the economic environment

NBU Policy Rates, %



NBU introduced a unique operational design of the interest rate policy, which boosted the accumulation of retail term deposits by banks



- **Standing facilities:** overnight certificates of deposit (key policy rate **-2 pp**) and overnight loans (key policy rate **+2 pp**), **daily**
- **Tenders to support liquidity for up to 1 year** (key policy rate **+2 pp**), **weekly**, secured by a collateral pool, or a bank may receive blank refinancing loans

- **Standing facilities:** overnight certificates of deposit (key policy rate **-5 pp**) and overnight loans (key policy rate **+2 pp**), **daily**
- **Tenders to support liquidity for up to 1 year** (key policy rate **+2 pp**), **weekly**, secured by a collateral pool
- **A possibility for banks to invest in long-term (3-month) CDs** at the key policy rate, provided that banks raise retail term deposits

The capacity to buy 3M CDs was linked to banks' success in raising retail term deposits in local currency

$$\begin{array}{lcl}
 \text{Maximum volume of purchase of 3M CDs by a bank} & = & \underbrace{K \times Dep}_{\substack{\text{Coefficient} \quad \text{Stock of hryvnia retail deposits with initial maturity} \\ \text{≥ 93 days as of the date, 3 business days prior to the purchase of 3M CDs}}} + \underbrace{M \times (Dep - Dep_0)}_{\substack{\text{Multiplier} \quad \text{Growth in hryvnia retail deposits with initial maturity} \\ \text{≥ 93 days}}} \\
 & & \text{Multiplied growth of hryvnia retail term deposits > 3M CDs}
 \end{array}$$

K and **M** are set by the NBU Board

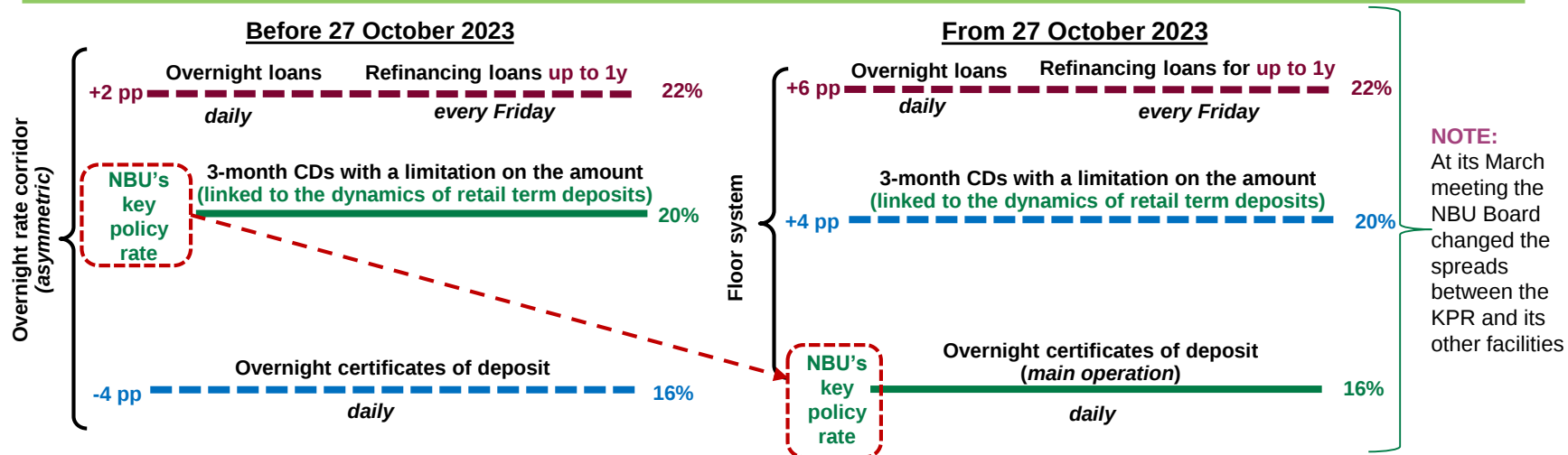
	K	M
2023		
07 Apr	70%	3
18 Sep	35%	3
01 Dec	0%	3
2025		
04 Apr	0%	3,5

until April 2024: growth compared to as of 4 April 2023

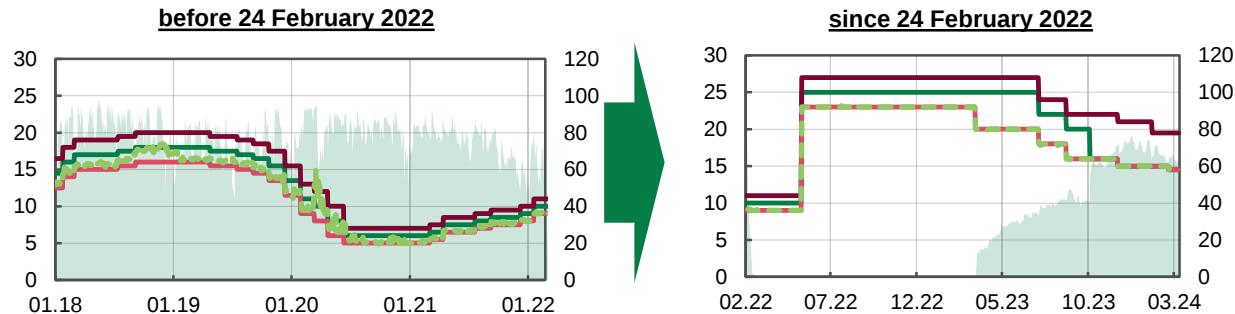
from April 2024: growth during the last 12 months

- Until October 2023, tenders for placement of 3M CDs were held every Friday, and then once every two weeks. Since start of this instrument 83 tenders were held, in which more than UAH 1 440 billion was absorbed

In October 2023, NBU officially moved to the floor system of operational design to adapt it to liquidity surplus and other conditions



NBU's interest rate corridor, UONIA, and the share of transactions made at the key policy rate, %



NBU resumed the use of reserve requirement tool to improve transmission amid record high liquidity and support the budget

Required reserve ratios

Date	Demand deposits				Term deposits							
	LCU		FCU		LCU				FCU			
	Indivi- duals	Legal entities	Indivi- duals	Legal entities	≤ 92 days		> 93 days		≤ 92 days		> 93 days	
					Indivi- duals	Legal entities	Indivi- duals	Legal entities	Indivi- duals	Legal entities	Indivi- duals	Legal entities
from 10/3/2020	0%		10%		0%				10%			
from 11/1/2023	↑ 5%		↑ 15%		0%				10%			
from 11/2/2023	↑ 10%		↑20%		0%				10%			
from 11/3/2023	↑ 20%	10%	↑ 30%	20%	0%				10%			
from 11/5/2023	20%	10%	30%	20%	↑ 20%	0%	0%		↑ 30%	10%	10%	
from 11/9/2023	20%	10%	30%	20%	20%	↑ 10%	0%	↑ 10%	30%	↑ 20%	10%	↑ 20%
from 11/10/2024	↑25%	↑15%	↑35%	↑25%	↑25%	↑15%	0%	↑15%	↑ 35%	↑ 25%	↑ 15%	↑ 25%

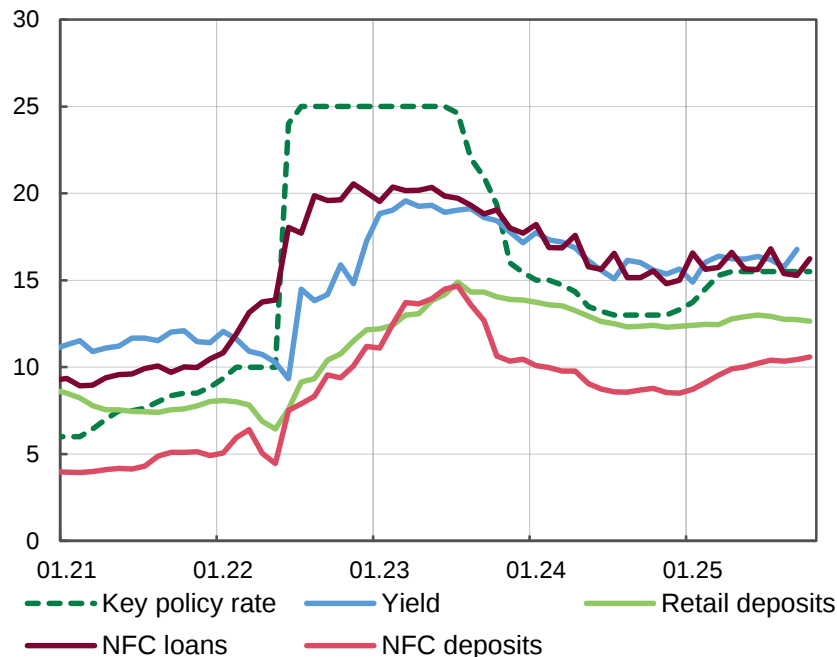
The share of RR the banks can meet using benchmark domestic g-bonds

Date	Share
from 11/1/2023	50%
from 11/10/2024	60%

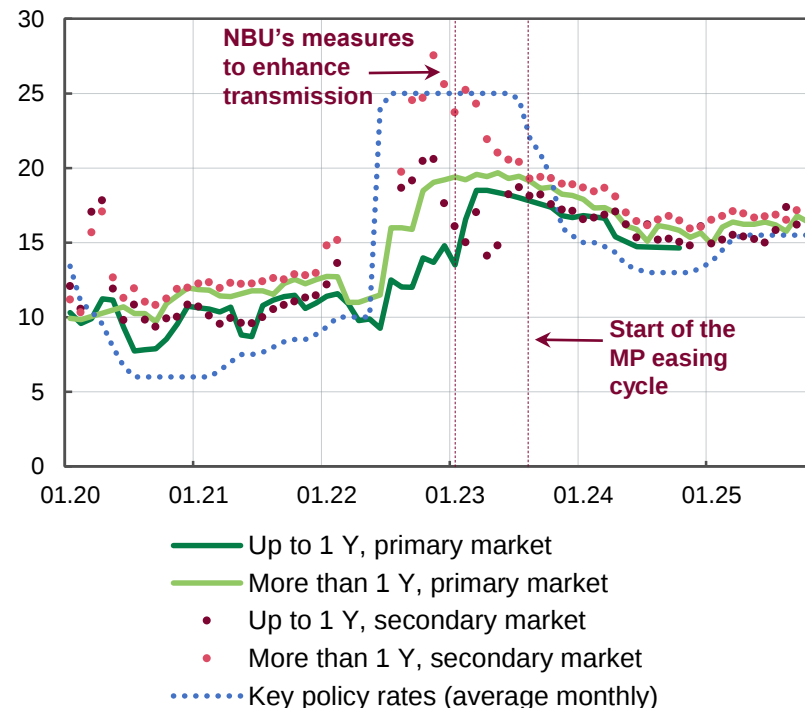
- Along with the first RRR hike, the NBU allowed banks to use benchmark domestic g-bonds to meet up to 50% of their total reserve requirements (RR), which boosted activity in the market for government bonds
- From 11 October 2024, the NBU simultaneously raised RRR by 5 pp (excluding RR for term hryvnia HH deposits) and increased to 60% the share of RR the banks can meet using benchmark domestic g-bonds. The combination of these measures increased the flexibility of banks in managing their liquidity and stimulated additional demand for domestic g-bonds
- At the Ministry of Finance's request, the list of benchmark domestic g-bonds was expanded and updated several times

NBU's policy mix boosted interest rates on hryvnia term deposits and G-bonds ...

IRs on loans and term deposits, the primary market yields on UAH domestic government debt securities, %



The yields on UAH domestic government debt securities, %

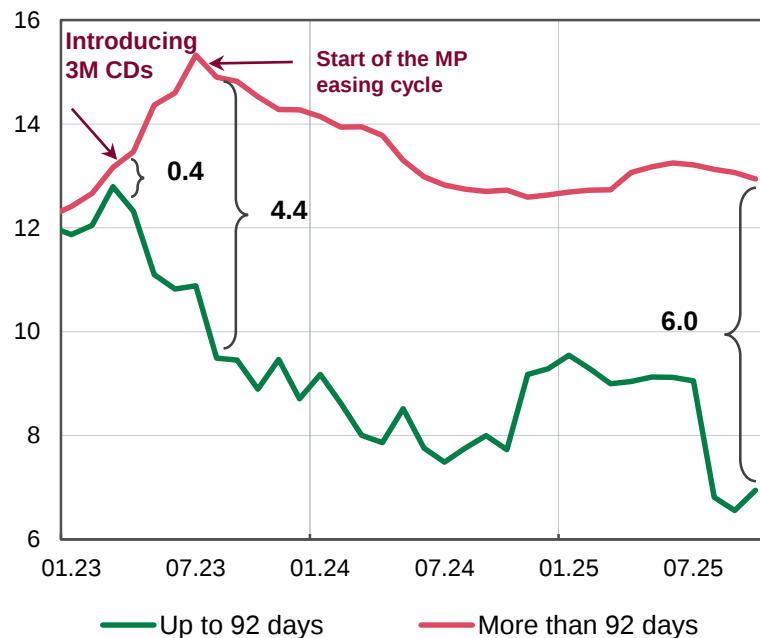


Source: NBU.

Source: NBU staff estimates.

... raised the attractiveness of term hryvnia instruments ...

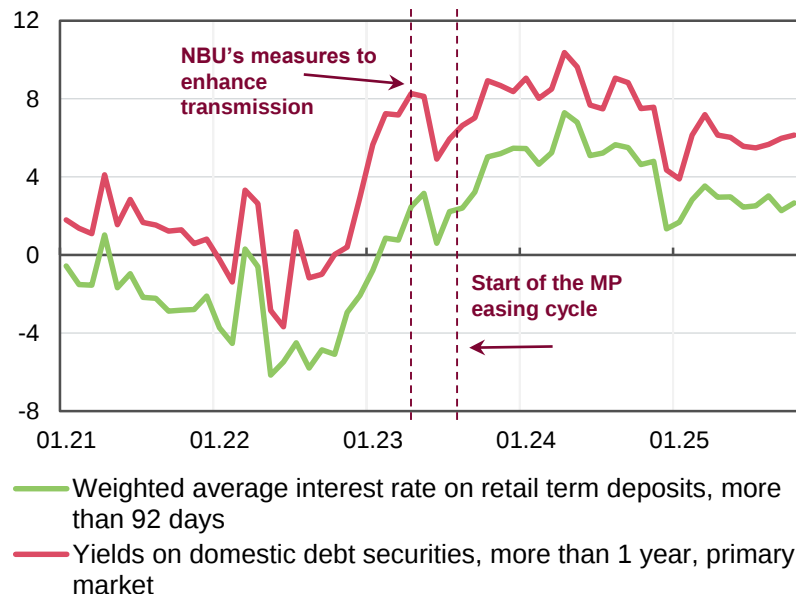
Weighted average interest rates on hryvnia retail term deposits, %



Source: NBU.

- Even after the NBU shifted to a cycle of interest rate policy easing in July 2023, operations with **3M CDs help to restrain the reduction in interest rates on hryvnia retail term deposits**

Real interest rates* on hryvnia domestic debt securities and retail term deposits, %

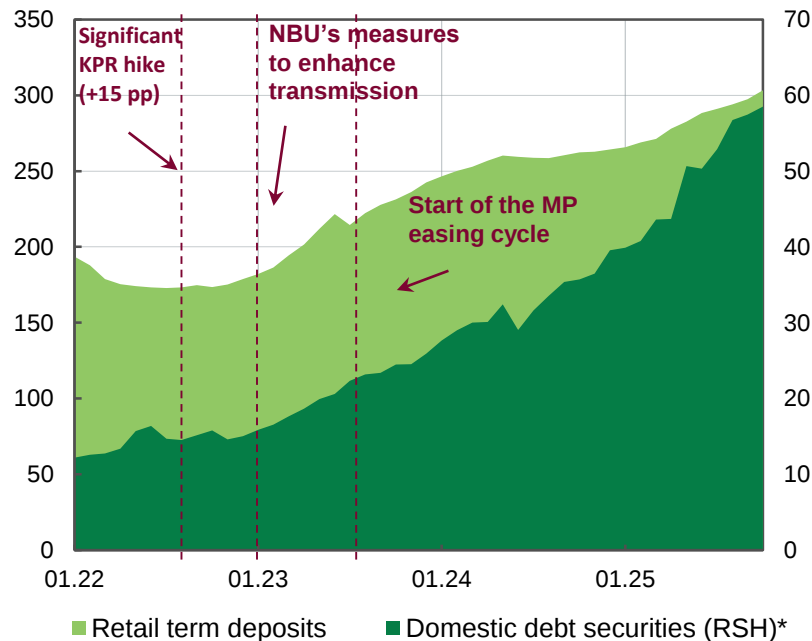


* Deflated by households' 12m-ahead inflation expectations.

Source: NBU staff estimates.

... and fueled term savings in hryvnia financial instruments

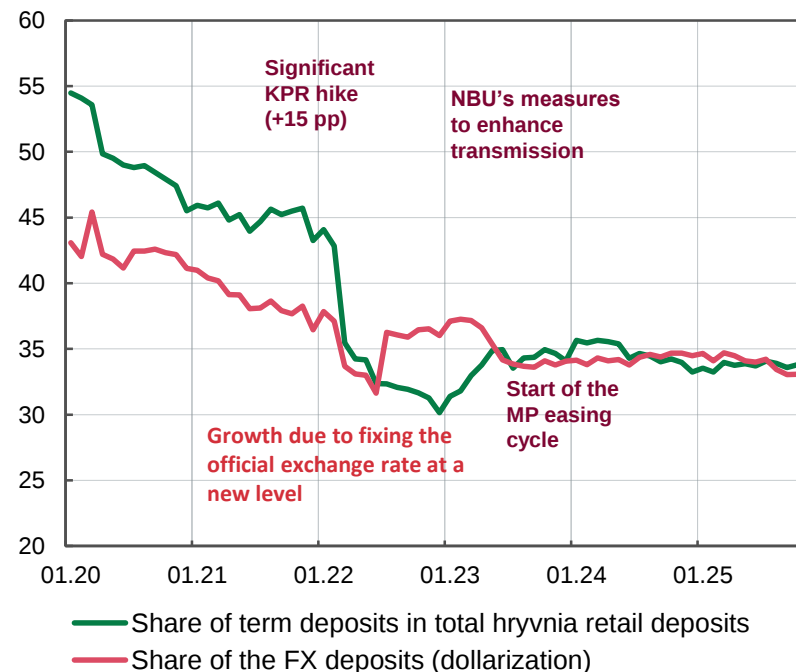
Stock of hryvnia domestic debt securities held by individuals and hryvnia retail term deposits, UAH bn



* At outstanding nominal value.

Source: NBU.

Shares of selected types of retail deposits, %

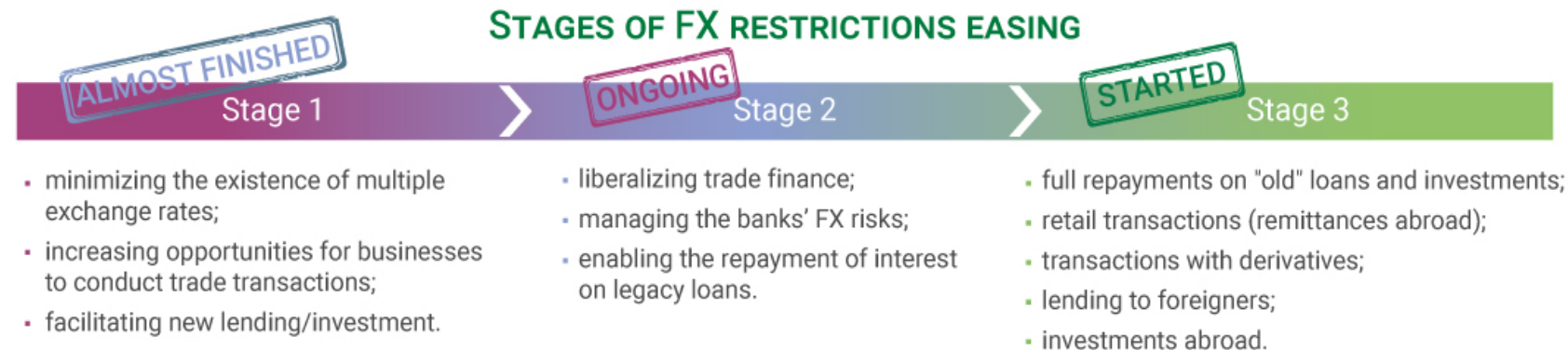


Source: NBU.

Amid the onset of the war, NBU's FX restrictions helped to stabilize the market and prevent the unproductive capital outflow

	Feb-24	March	Apr	May	Jun	Jul	Aug	Sep	Oct
Individuals	FX cash withdrawals from FX accounts	✗ Full ban	UAH 30K / day → UAH 100K / day						
	FX cash withdrawals abroad from UAH accounts	✓ No limit	cap → UAH 100K / month	→ UAH 50K / month		→ UAH 12.5K / week			
	FX payments from UAH card accounts	✓ No limit				cap → UAH 100K / month			
	P2P card transfers	✓ No limit	cap → UAH 100K / month			→ UAH 30K / month			✗ Full ban
	FX cash purchases from banks	✗ Full ban	cap → FX cash purchased by banks ER – official + 10%	ER - no restrictions		+ 50% of noncash FX purchased from individuals		+ 100% of noncash FX purchased from individuals	cap → UAH 100K+3-months depositing → deposit to hedge ER risk for HH / unlimited amount
	Online FX purchases	✗ Full ban				cap → UAH 50K / month + depositing it for 3 months			
	ER for card payments	cap → official +1%	→ official +10%	→ no restrictions					
	SWIFT payments abroad	✗ Full ban							
Corporates	Imports payments	list of critical imports:	goods ~65% services 0%	← allowed →	~90% ~30%	→ 100% (no restrictions) → ~50%			
	Deadline for settlement of export-import transactions	365 days	→ 90 days		→ 120 days	→ 180 days			
	Repayments of debts abroad	✗ Full ban						transferring foreign currency to pay % is allowed	
	Transfer of FX funds to accounts of foreign units (there are certain requirements)	✗ Full ban						allowed for available FX currency; to sustain the operation of units; ¼ of the amount transferred in 2021	
Banks	FX open position				15% → 5%				
	Repayments of loans to nonresidents			early repayments are prohibited					

Roadmap for gradual easing/lifting of temporary FX restrictions (June 2023)

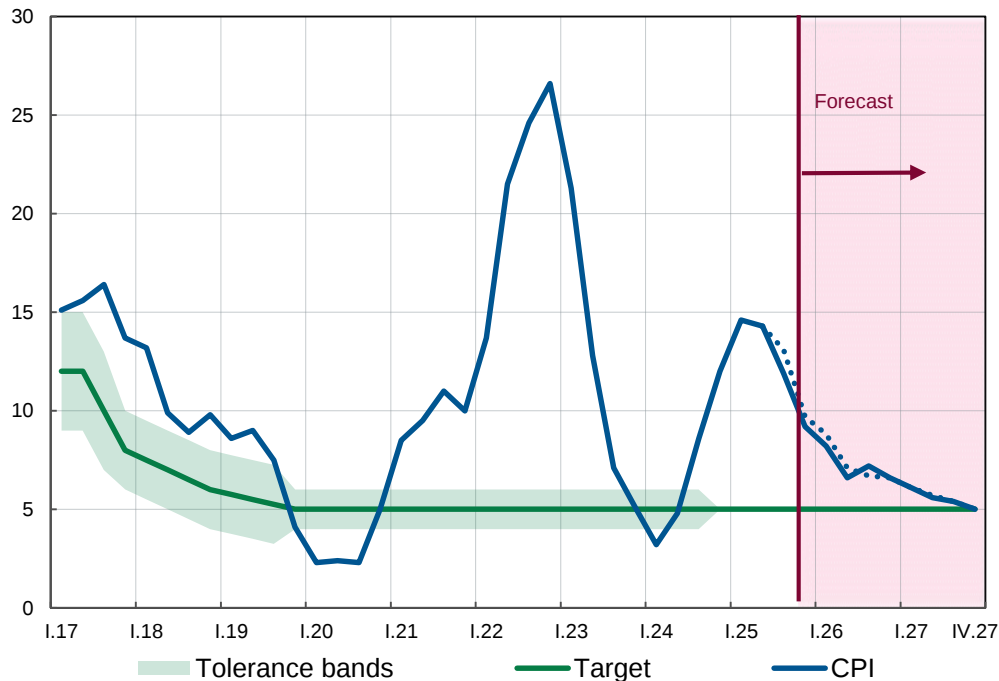


Macroeconomic and financial preconditions

- The NBU intends to continue the cautious implementation of the Roadmap as appropriate preconditions are formed. The goal is to completely lift FX restrictions introduced under martial law and return to the implementation of the Roadmap for transitioning to a regime of the free capital movement, which the NBU was following before the full-scale invasion
- In May 2025, the NBU launched a stimulating FX liberalization whereby measures that relax FX restrictions come with built-in incentives to attract investment

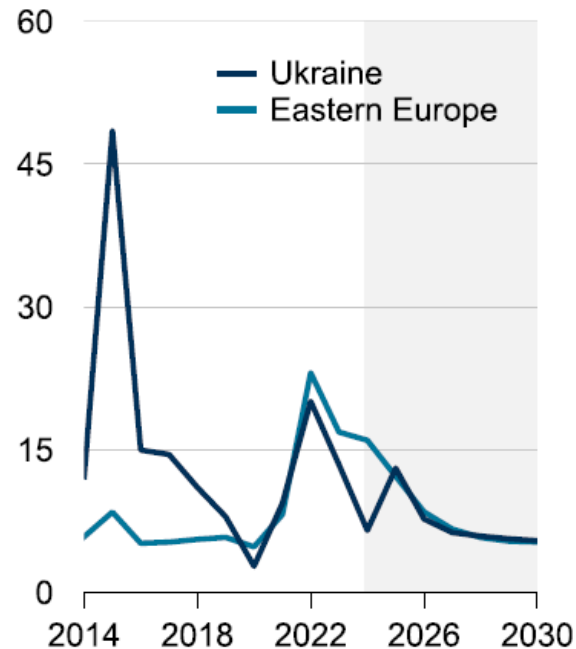
Despite the war, NBU keeps delivering on its objective of price stability

CPI growth and Inflation Targets, %



Source: Inflation Report (October 2025).

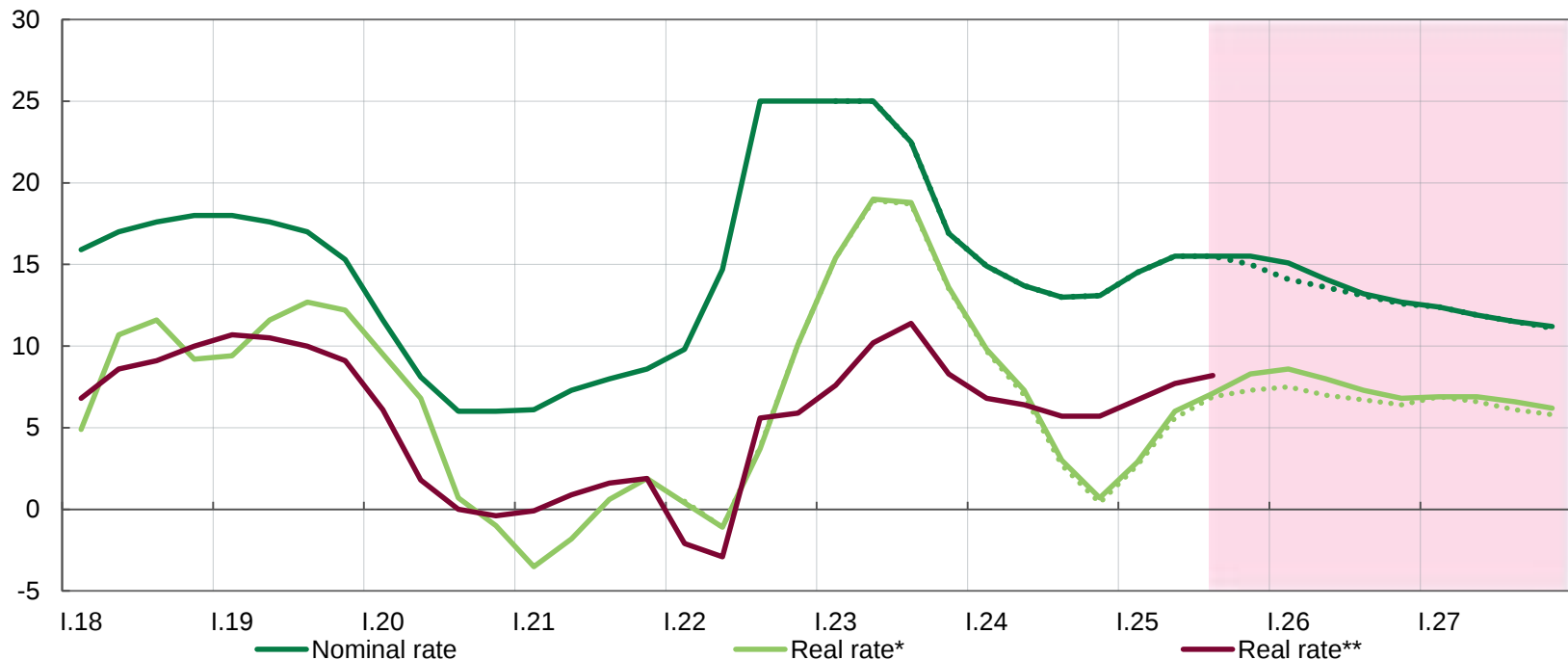
Inflation in Ukraine and Eastern Europe, %



Source: Focus Economics (November 2025).

NBU will continue to keep monetary conditions tight to bring it toward the 5% target

Real Key Policy Rate (with Forecast), %



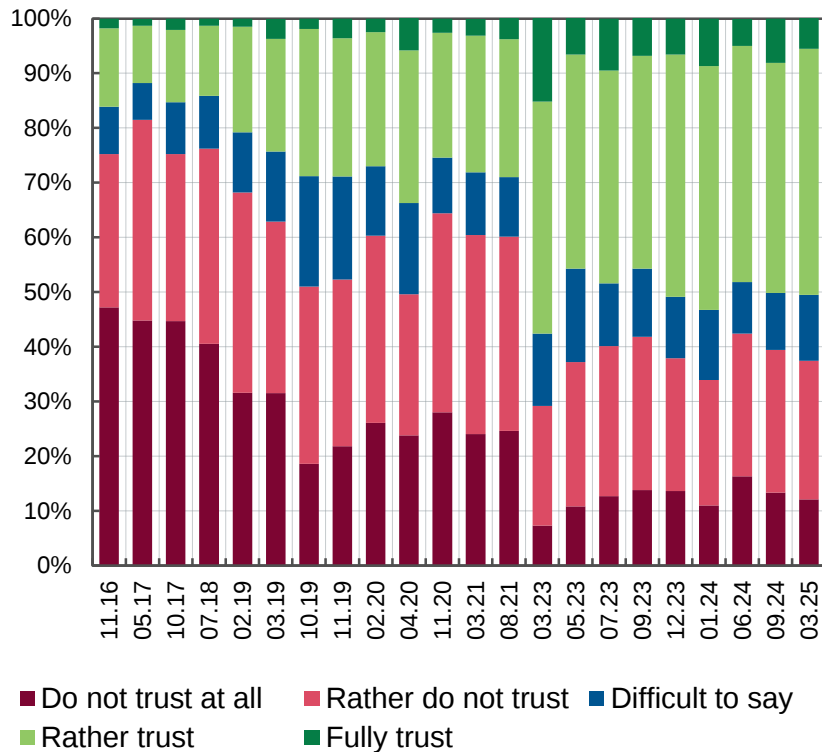
*Deflated by model expectations (QPM+).

**Deflated by the expectations of financial analysts.

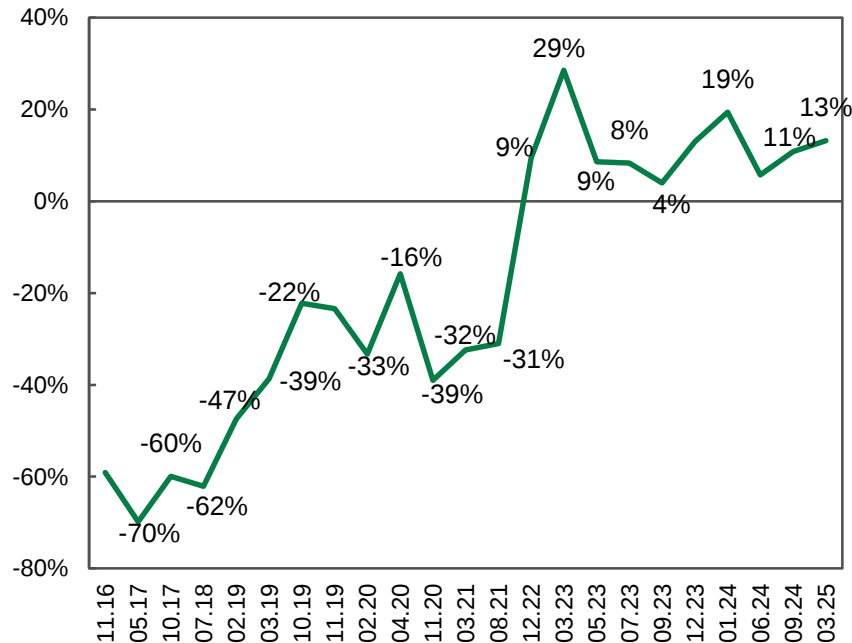
Source: Inflation Report (October 2025).

Public trust is a foundation for Ukraine's shift from a 'Survival strategy' to a 'Recovery strategy'

The Level of Public Confidence in the NBU



Trust-mistrust balance*, %



*Difference between share of those who trust the NBU and share of those who don't trust it

Credibility in wartime: The central bank's strategic resource (1)

✓ Principles of crisis communications for a CB: Stay transparent and honest

Example: 2022 monetary financing of the state budget

- The NBU decided to provide monetary financing to the Government. We realized all the risks related to the fiscal financing. That is why **we had completely avoided such types of policies before the war**
- However, to ensure that Ukraine can firmly repel Russia's large-scale armed aggression, in 2022 the NBU supported Ukraine's state budget. This has also ensured the uninterrupted funding of the public finance system
- The NBU **has only provided limited amounts of funds**, so that the government can meet its critical expenditures. In so doing, the NBU has maintained **full transparency** by making every transaction public
- In case monetary financing becomes needed once again, **the NBU will follow the same principles when communicating on its scope, role and possible effects**

The NBU will use monetary financing to meet only critical expenditures of the government. The central bank will seek to abandon this instrument as soon as possible.



NBU Purchases Higher Volumes of War Bonds in Ukraine in April, Calls for Ramping Up Market Borrowings



NBU Urgently Transfers Almost UAH 19 Billion to State Budget of Ukraine

Credibility in wartime: The central bank's strategic resource (2)

- ✓ **Principles of crisis communications for a CB: Stay committed**
 - As early as **April 2022** the **NBU Council** approved the **updated Monetary Policy Guidelines**
 - They incorporated the changes to the approaches towards NBU's monetary policy in wartime...
 - ... but also included **important commitments for the future**. In particular:
 - *NBU committed to resume the pursuit of its inflation targeting regime with a floating exchange rate as the Ukrainian economy and financial system return to their normal mode of operation (the Strategy for gradual policy normalization adopted in June 2023)*
 - *The NBU will strive to completely abandon the financing of the state budget deficit as soon as it can (stopped after 2022)*



NBU Commits to Return to Inflation Targeting with Floating Exchange Rate – Monetary Policy Guidelines

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Credibility in wartime: The central bank's strategic resource (3)

- ✓ **Principles of crisis communications for a CB: Get the feedback from banking and private sector and react to it**

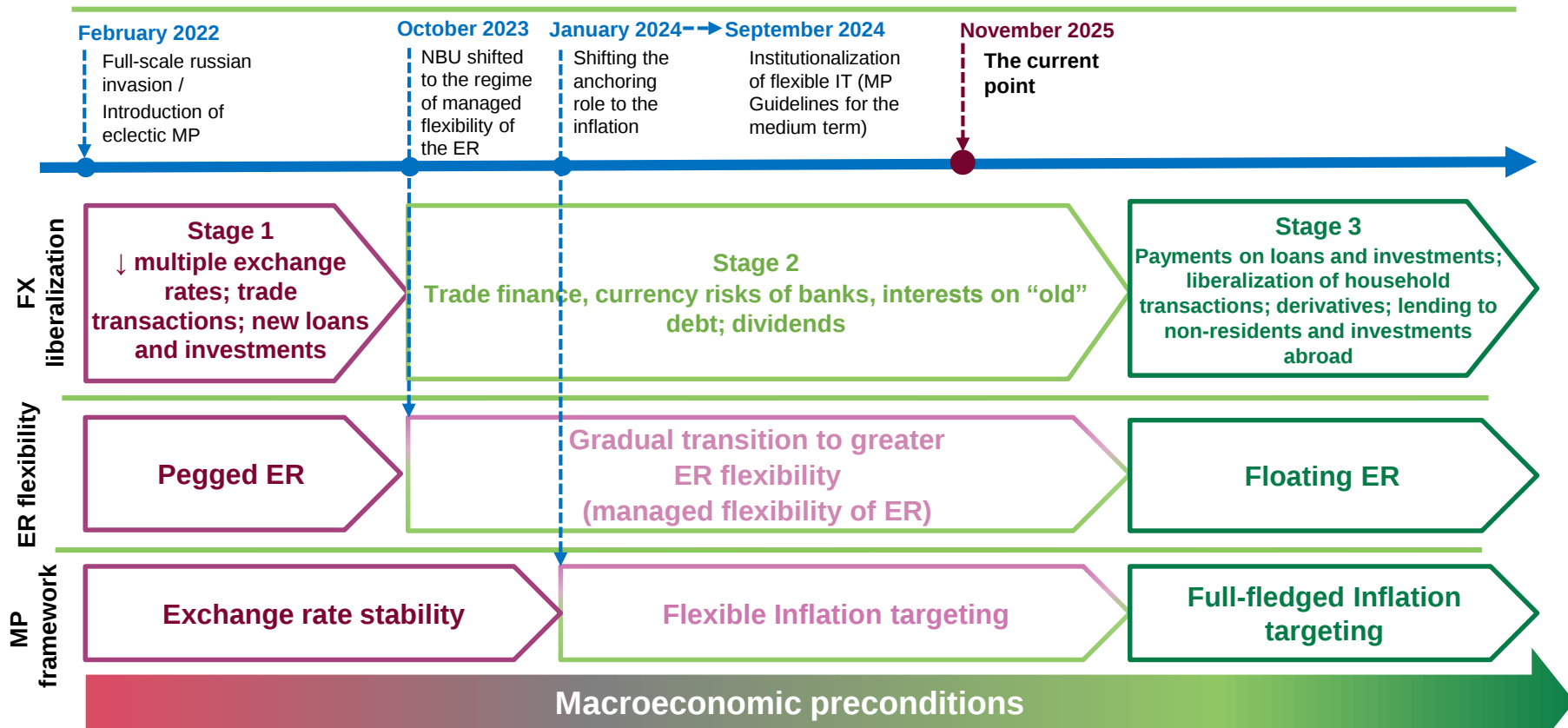
The NBU enhanced its internal communication (special chat for B-1) to resolve the complains and quickly reacted to requests and notifications about the problems



Solutions are communicated via all the channels to the public

- 1 Official website of the NBU**
(chapters «Official announcements», «Monetary Policy», «Economic Situation and Outlook Explained» etc.)
- 2 Social media**
Follow us on:
      
Contact us in messengers:
  
- 3 Press conferences**
+ other communication events, campaigns among targeted groups
- 4 Financial literacy projects**

NBU plans to return gradually to a full-fledged IT with floating exchange rate as proper preconditions are in place



Conclusions

- Over the past 20 years, Ukraine's economic environment has hardly been calm
- Since transition to inflation targeting in 2015, the NBU's monetary policy has been transformed, matured and gained adaptability, effectiveness and high credibility
- Despite Russia's full-scale invasion and continuous terrorist attacks, the Ukrainian financial system and the NBU continue to operate effectively and support the country's defense needs
- The NBU's commitment to its objectives of ensuring price and financial stability has paid off
- The 5% inflation target has served as a reliable nominal anchor through some of the most severe and prolonged shocks in modern economic history
- The ultimate test of a monetary policy framework is not the absence of deviations from the target, but the central bank's ability to respond appropriately to shocks
- Looking ahead, the key challenge will be to preserve credibility and effectiveness in an environment of persistent uncertainty
- As before, the NBU will make everything possible to provide price stability, adapting its policy frameworks to new realities. In an age of turbulence, a strong and credible commitment to our inflation target is more important than ever



National Bank of Ukraine

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