Visnyk

National Bank
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Concluding Remarks at the Workshop on Monetary Policy in Emerging Markets

Occasional Paper

2025/08

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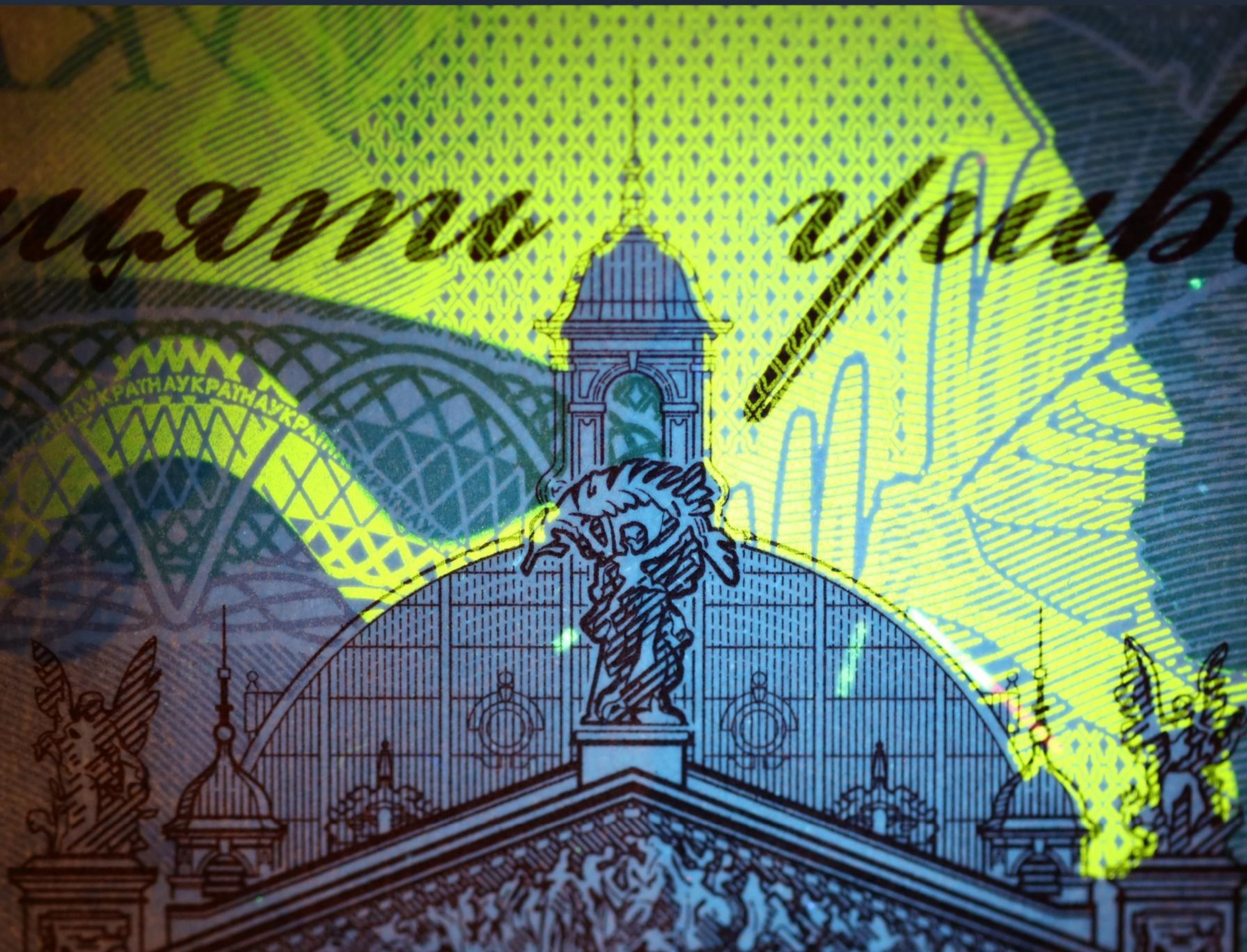

Visnyk of the National Bank of Ukraine
Research Paper Series
ISSN 2414-987X

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Available at https://doi.org/10.26531/vnbu2025.op08.

CONCLUDING REMARKS AT THE WORKSHOP ON MONETARY POLICY IN EMERGING MARKETS

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Concluding remarks by Serhiy Nikolaichuk, First Deputy Governor of the National Bank of Ukraine, at the online workshop *Monetary Policy in Emerging Markets: Evolution of Inflation Targeting*, organized by the National Bank of Ukraine, Kyiv, 27 November 2025.

Dear colleagues, distinguished speakers, and participants,

As we conclude today's workshop *Monetary Policy in Emerging Markets: Evolution of Inflation Targeting*[1], I would like to extend my deepest gratitude to all of you for your invaluable contributions throughout this intensive and inspiring day.

Once again, we have underscored that the world is confronted with an increasingly diverse set of risks – risks whose likelihood continues to rise globally.

However, today also brought positive signals: both the central banking and academic communities are actively seeking ways to mitigate these risks and to provide effective responses to shocks.

I am confident that this workshop has helped crystallize our reflections on building resilient policy frameworks, navigating monetary policy under pressure, and charting the path ahead under conditions of elevated uncertainty.

Indeed, uncertainty is the word increasingly mentioned in central bank reports, government publications, international discussions, and the speeches of global leaders.

And Ukraine, perhaps more than most countries, has learned to operate and adapt to conditions of profound and persistent uncertainty. Over the past two decades, our economic environment has been shaped by revolutions, a "triple" crisis, the beginning of war in 2014 and the annexation of Crimea, the COVID-19 shock, and of course russia's full-scale invasion.

It is therefore symbolic that today the NBU has become a key platform for exchanging ideas, sharing experience, and developing effective responses to shocks and disruptions.

This year's workshop is devoted to the evolution of inflation targeting – an especially meaningful theme, as the NBU marks the 10th anniversary of adopting the inflation-targeting regime, one of the most important and successful reforms in Ukraine since the Revolution of Dignity. Over the past decade, this framework has proven effective in navigating a number of extraordinary shocks—from domestic and global crises to the unprecedented challenge of a full-scale war.

Let me revisit some of the key milestones along this path. When the NBU committed to inflation targeting in 2015, it was driven by two key motivations: the urgent need to respond to a domestic crisis and the strategic aspiration to align monetary policy with modern international standards.

The move came on the heels of a perfect storm, and adopting inflation targeting in such conditions was a bold and forward-looking decision. And what ultimately proved decisive was the political will to embrace modern approaches, recognizing that inflation targeting was the only viable path.

This decision became a catalyst for far-reaching institutional, operational, analytical, and communicational reforms, which allowed us to change completely how monetary policy has been conducted in Ukraine, gain the credibility, and train us for the challenges of full-scale war.

Today's discussions raised an important question about the core nature of the inflation targeting regime – what it really means in practice.

I fully share the view expressed today that the essence of inflation targeting lies in transparency and commitment. It is about setting a clear nominal anchor that helps firmly anchor expectations. Our own experience confirms that this clarity played a

[1] https://events.bank.gov.ua/MPEM2025/

crucial role in bringing inflation under control during repeated shocks.

This issue got the special attention in the Keynote Address the Governor of the Riksbank, Erik Thedéen, *Inflation Targeting in Sweden: Lessons and Challenges*.[2] This is precisely the kind of experience-sharing and dialogue that central banks need now more than ever. Let me also take this opportunity to thank Sveriges Riksbank for its longstanding and fruitful cooperation with the National Bank of Ukraine.

Meanwhile, in conditions of elevated uncertainty, central banks have to be flexible and agile.

In his opening remarks, NBU Governor Andriy Pyshnyy noted: *"Our experience clearly demonstrates that monetary paradigms are shaped by challenges, and that crisis conditions often become catalysts for their evolution… In times of heightened uncertainty, it is essential to strike the right balance: between restraint and responsiveness, between credibility and flexibility, and between economic logic and the realities of wartime and a complex geopolitical environment."*[3]

And as Boris Hofmann highlighted, flexibility is essential, but central banks must avoid overusing it and inadvertently tolerating persistent deviations from target—especially upward ones.

Ukraine is now facing an unprecedented shock, and we have had to react swiftly – finding the right balance between clear rules and necessary flexibility, and responding in a way that does not undermine macroeconomic stability. We continue to adhere to the principle that inflation targeting remains the only viable monetary policy framework in the current environment. Our policy has therefore adapted, but it has not deviated from its core principles.

I am confident that the experience of the NBU will eventually appear in macroeconomics textbooks, as it represents a real-world example of monetary policy responding to an extraordinary shock.

Turning to the global trends that have emerged from today's discussions, I would highlight several points:

- First, geopolitical tensions remain elevated. It is impossible to know when geopolitical risks will peak – wars, sanctions, and trade conflicts continue to intensify. All of this has complicated inflation control not only in Ukraine but worldwide. These geopolitical risks bring higher uncertainty, inefficient resource allocation, greater financial instability, and rising government spending and debt.

- Second, russia's full-scale war against Ukraine has significantly amplified supply-side shocks. As Martin Sandbu noted, the global economy is now facing a far greater number of supply shocks than previously expected—and this has become a central challenge for central banks. In this context, central banks must clearly understand both the scope and the limits of flexibility in their actions. As Matthieu Chavaz emphasized in his research, emerging market economies tend to have more flexible numerical targets but stricter target horizons—underscoring the importance of finding the right policy balance without overburdening the economy.

- Third, central bank independence remains fundamental to fulfilling the mandate of price stability. As Erik Thedéen rightly noted, independence cannot be taken for granted – it must be continuously earned. Independence, credibility, and well-anchored expectations are closely linked. This is why improving communication policy is essential: publishing alternative scenarios, engaging with different audiences, and openly discussing risks. In other words, adhering to the principle: "Do what you say, and say what you do."

- Fourth, maintaining financial stability amid heightened uncertainty remains crucial. A robust macroprudential framework is a key line of defense—one that helps contain systemic risks, strengthen the resilience of the financial sector, and support monetary policy in navigating volatility.

- Fifth, the growing demand for higher public spending increases the risk of fiscal dominance, which could become a significant challenge to central bank independence—or at least to the effective functioning of independent inflation targeting.

These internal and external factors form an increasingly complex environment in which central banks must make decisions. And here I fully agree

[2] https://www.riksbank.se/en-gb/press-and-published/speeches-and-presentations/2025/thedeen-inflation-targeting--an-important-contribution-to-economic-stability/
[3] https://doi.org/10.26531/vnbu2025.op07

with Erik Thedéen: *“Monetary policy can never run on autopilot, nor on AI. Central banks must make a number of choices and dare to change their mind when conditions change.”*

And to be agile, indeed, central banks need such discussions as we had today: to find effective mechanisms, improve our monetary frameworks, and strengthen the resilience of the inflation-targeting regime in a world of heightened uncertainty.

The NBU remains deeply committed to strengthening research and promoting constructive dialogue on these essential issues.

Thank you once again for your active engagement and thoughtful contributions.

We look forward to continuing our productive exchanges and to gaining new insights at our future events.