

Key messages

- ✓ **The NBU continues the cycle of monetary policy easing as inflation is declining towards the target of 5%.**
- ✓ **Inflation will continue to decline gradually. The NBU reiterates its forecast that inflation will decline to 6.3% as of the end of 2019, return to the target range in early 2020, and reach the medium-term target of 5% at the end of 2020.**
- ✓ **The NBU's baseline scenario envisages the key policy rate to decrease further, to 8% over the coming years, provided that inflation steadily declines to the 5% target.**
- ✓ **It should be noted that the forecast imposes no obligations on the NBU, and thus the actual key policy rate may differ from the forecast if macroeconomic conditions change.**

Key macroeconomic indicators

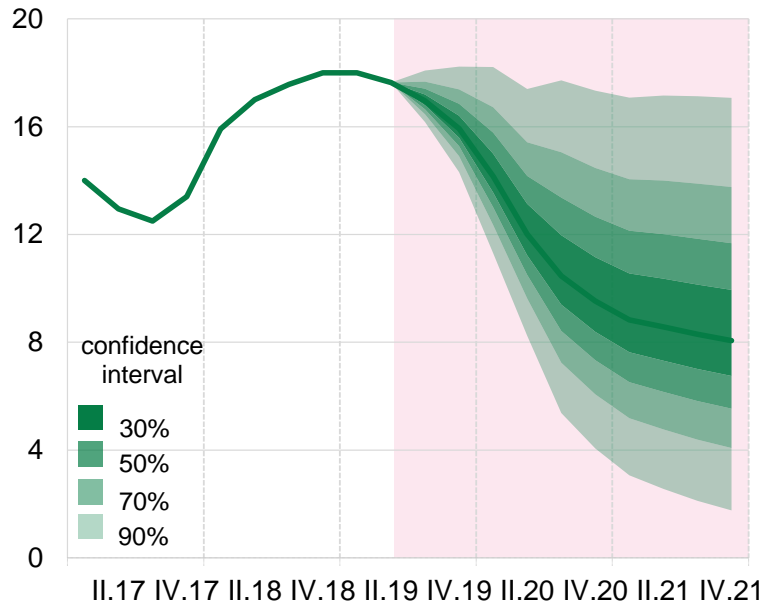
	2018* actual	2019 NBU forecast	2020 NBU forecast	2021 NBU forecast
Real GDP , change, %	3.3	3.0 (2.5)	3.2 (2.9)	3.7 (3.7)
Nominal GDP , UAH bn	3 559	4 003 (3 970)	4 390 (4 342)	4 803 (4 750)
CPI , y-o-y, % (eop)**	9.8	6.3 (6.3)	5.0 (5.0)	5.0 (5.0)
Core CPI , y-o-y, % (eop)**	8.7	5.5 (5.0)	3.8 (3.7)	3.8 (3.7)
Current account balance , USD bn	-4.3 (-4.5)	-3.8 (-4.9)	-4.6 (-5.8)	-6.3 (-6.7)
% <i>GDP</i>	-3.3 (-3.4)	-2.6 (-3.3)	-2.9 (-3.6)	-3.7 (-4.0)
BOP (overall) , USD bn	2.9	0.6 (-0.3)	0.2 (-0.1)	-0.4 (-0.7)
Gross reserves , USD bn	20.8	21.7 (21.2)	22.8 (21.9)	23.0 (21.8)

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

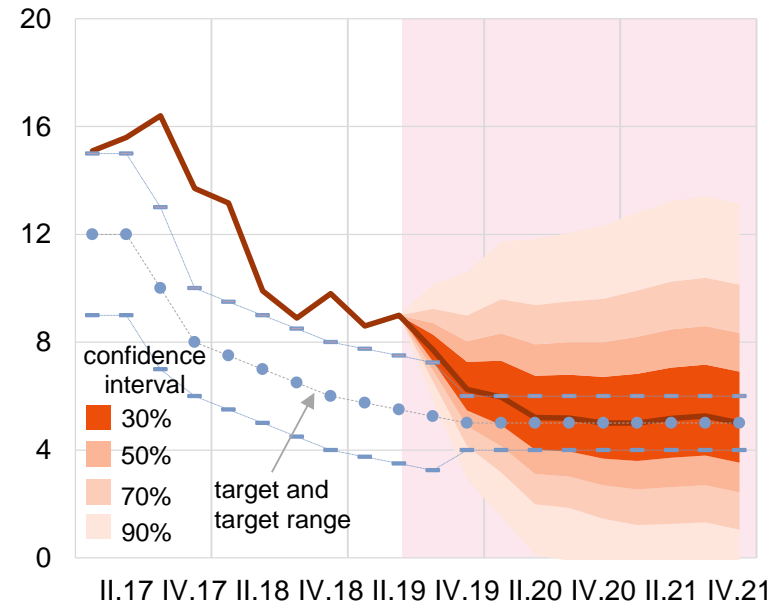
** «eop» – end of period (December to December of previous year)

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.

CPI forecast, annual change, %

