

## Balance of payments in Q3 2023

(preliminary data<sup>1,2</sup> according to the Balance of Payments and  
International investment position manual, 6th edition)

**The current account deficit totaled USD 4.4 billion, or 9.2% of GDP<sup>3</sup> in Q3 2023** (surplus was USD 5.0 billion, or 12.2% of GDP in Q3 2022). The deficit was fueled by merchandise trade deficit widening (exports of goods declined while imports recovered) and due to lower than last year volumes of grants from international partners.

On current account deficit excluding reinvested earnings and grants from international partners was USD 5.7 billion, or 11.9% of GDP (USD 2.9 billion, or 7.0% of GDP in Q3 2022).

**External trade in goods and services deficit equaled USD 10.6 billion in Q3 2023** comparing to USD 7.6 billion in Q3 2022.

**Merchandise exports<sup>4</sup>** decreased by 24.1% (by 14.9% compared to Q2 2023), while **imports** increased by 16.3% (by 9.7% compared to Q2 2023).

**Exports of goods totaled USD 7.4 billion** in Q3 2023. Exports fell primarily due to **food exports**: the termination of the grain agreement and restrictions on food exports to some countries has led to their exports fall **by 27.0%** (*-14.3% compared to Q2 2023*). In particular, grain exports decreased by 42.6% (*by 48.5% in Q2 2023*), and oilseeds by 46.2% (*by Q2 2023, they increased 2.4 times due to supplies of rapeseed*). In addition, exports declined for almost all other main commodity groups, including:

mineral exports	– by 42.7% ( <i>- 20.5% compared to Q2 2023</i> );
metallurgical exports	– by 12.3% ( <i>- 20.3% compared to Q2 2023</i> );
timber and wood products	– by 19.8% ( <i>- 13.2% compared to Q2 2023</i> );
chemicals	– by 21.0% ( <i>- 8.7% compared to Q2 2023</i> );
machinery and equipment	– by 6.5% ( <i>- 14.7% compared to Q2 2023</i> ).

At the same time, exports of manufactured goods grew by 9.4% (flat compared to II'2023).

*In Q3 2023, in nominal terms, exports fell to all regions of the world, primarily to EU countries (by USD 1.4 billion, or by 21.6%, its share grew from 67.6% to 69.8%) and Asia (by USD 693 million, or by 36.7%, its share fell from 19.5% to 16.2%). Exports from Americas (by USD 156 million, or by 49.6%, share fell from 3.2% to 2.2%) and CIS countries (by USD 87 million, or by 17.8%; share grew from 5.0% to 5.5%) also evidenced a decline.*

**Merchandise imports equaled USD 16.1 billion. Energy imports** fell by 34.8% yoy (grew

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<sup>1</sup> According to the Law of Ukraine from March 3<sup>rd</sup> 2022 № 2115-IX "On subjects of reporting protection interests and other documents during martial law or state of war", part of the data necessary for the balance of payments compilation is not collected. The assessment of the balance of payments for Q3 2023 was made on the basis of available information and will be clarified upon receipt of additional data.

<sup>2</sup> Data exclude the temporarily occupied by the Russian Federation territories of Ukraine.

<sup>3</sup> The calculations used preliminary GDP data according to the NBU's estimates

<sup>4</sup> All percentage changes are given in comparison with the indicators of the corresponding period of the previous year, unless otherwise indicated.

by 2.3% compared to Q2 2023) due to lower purchases of oil products. *Non-energy imports* increased by 31.8% (by 10.9% compared to previous quarter), including by group:

machinery and equipment	– by 41.9 % (+17.8% compared to Q2 2023);
chemicals	– by 19.6% (+ 8.4 % compared to Q2 2023);
metallurgical imports	– by 30.7% (+18.8% compared to Q2 2023);
manufactured products	– by 10.6% (+28.7% compared to Q2 2023);
food imports	– by 4.5% (-6.2% compared to Q2 2023);
timber and wood products	– by 4.0% (+7.9% compared to Q2 2023).

*In Q3 2023, imports from Asian countries (by USD 1.2 billion, or by 29.8%, share rose from 30.1% to 33.6%) and the EU (by USD 667 million, or by 9.7%, while share in total imports fell from 49.7% to 46.9%) and Americas (by 288 million, or by 39.2%, share grew from 5.3% to 6.3%) increased the most. Meanwhile, imports from CIS countries fell by USD 181 million, or by 43.1%, its share fell from 3.0% to 1.5%.*

**The deficit in trade in services narrowed to USD 1.8 billion** (compared USD 3.5 billion in Q3 2022) as exports of services grew by 3.8%, while those of imports decreased by 20.2%. Exports increased mainly due to inbound tourism expenditures by 20.5%, financial services (by 1.9 times), other business services (by 22.0%) and government services (by 1.8 times). Meanwhile, exports of transportation services (by 2.5% due to road transport services fall) and computer services (by 5.5%) declined. Services imports fell mainly due to outbound tourism and short-term migrants' expenditures<sup>5</sup> (by 25.4% to USD 4.0 billion), financial (by 31.1%) and government services (by 43.7%) decrease. Whilst, imports of transportation services (by 15.9% primarily due to rail transport and postal and courier services) and other business services (by 1.5 times) saw an increase.

**Primary income balance surplus** narrowed to **USD 0.9 billion** (USD 2.7 billion in Q3 2022) owing to both fall in receipts on compensation of employees by 12.1% and repayments of investment income increase by 4.0 times, including due to reinvested earnings<sup>6</sup> equaled USD 1.3 billion (compared to negative USD 140 million in Q3 2022).

**Secondary income balance surplus** narrowed to **USD 5.3 billion** (USD 10.0 billion in Q3 last year) due to lower volumes of grants<sup>7</sup> from international partners – USD 2.6 billion, compared to USD 7.8 billion in Q3 2022.

**The amount of inward private remittances** totaled USD 2.8 billion<sup>8</sup>, decreased by 7.5% compared to Q3 2022. Official channels' flow decreased by 12.2%: other private remittances

<sup>5</sup> The estimation of Ukrainians' expenses abroad is based upon the data on payments by cards abroad, UN data and the State Border Guard Service of Ukraine on the number of citizens who went abroad due to the war.

<sup>6</sup> The data on reinvested earnings of enterprises for Q3 2023 are calculated based on the financial statements of the reporting companies and will be updated after receiving complete information after the termination/liquidation of martial law.

<sup>7</sup> The grants received in Q3 2023 were used to cover pension payments and certain state social assistance programs, such as housing and utility bills, support for low-income families, children with disabilities and children disabled since childhood, IDPs, as well as medical services under the medical guarantees program, as well as child benefits for single mothers, maternity benefits, salaries for employees of higher education institutions, and payments to employees of the first response services (SES).

<sup>8</sup> The total amount of remittances will be adjusted on the basis of mirror statistics by partner countries, released after the dissemination of balance of payments data.

declined by 17.7% while salaries received by Ukrainians from abroad decreased by 5.8%. The flow through informal channels decreased by 1.7%.

**Net borrowing from the rest of the world** (the total of current account and capital account balance) **totaled USD 4.4 billion in Q3 2023** (net lending totaled USD 5.1 billion in Q3 2022).

**The financial account saw inflows of USD 6.1 billion in Q3 2023** and was fully generated by the public sector inflows (financial account net outflows were USD 2.9 billion in Q3 2022).

**Public sector net inflows totaled USD 6.4 billion** (USD 1.8 billion last year) and were driven by loans net disbursements from international partners for the corresponding amount. At the same time, net repayments on government debt securities amounted to USD 66 million (USD 71 million in Q3 2022).

**The net inflows of foreign direct investments stood at USD 1.6 billion** (USD 332 million in Q3 2022) generated by:

reinvestment of earnings<sup>9</sup> by USD 1.3 billion (negative reinvested earnings were USD 140 million in Q3 2022);

inflows in equity (excluding reinvestment of earnings) by USD 269 million (in Q3 2022 – USD 46 million);

debt instruments net disbursements totaled USD 104 million, of which between fellow enterprises USD 60 million (USD 280 million, of which between fellow enterprises USD 9 million in Q3 2022).

**The net increase of the banking system's external position on portfolio and other investments accounted for USD 178 million** (USD 446 million in Q3 2022) primarily due to these competing factors:

USD 675 million net purchase of non-resident securities (USD 104 million in Q3 2022);

USD 51 million Eurobond repayments;

USD 566 million decrease of net external position on "currency and deposits" (net increase was USD 211 million in Q3 2022).

**The real sector external position net increase (excluding foreign direct investment) totaled USD 1.9 billion** (USD 5.0 billion in Q3 2022) driven by these factors:

USD 2.0 billion increase of the amount of foreign cash outside banks (by USD 2.6 billion in Q3 2022);

USD 228 million increase of net external liabilities on trade credit;

USD 301 million net increase of loans external liabilities.

**Net private sector outflows (including errors and omissions) amounted to USD 271 million** (USD 4.7 million in Q3 2022).

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<sup>9</sup>The data on reinvestment of earnings of enterprises for Q3 2023 are calculated based on the financial statements of the reporting companies and will be updated after receiving complete information after the termination/liquidation of martial law.

**The overall balance of payments ran a surplus of USD 1.7 billion in Q3 2023** (USD 2.2 billion in Q3 2022). Repayments to the IMF added up to USD 1.0 billion (USD 0.8 billion in Q3 2022).

**The international reserves as of the end of Q3 2023 stood at USD 39.7 billion**, enough to cover 5.3 months of future imports.