National Bank of Ukraine

Balance of payments in Q2 2024

(preliminary data[1,2] according to the Balance of Payments and International investment position manual, 6th edition)

The current account deficit totaled USD 6.1 billion, or 14.3% of GDP[3] in Q2 2024 (USD 0.1 billion, or 0.2% of GDP in Q2 2023). The deficit widened due to a faster recovery in imports of goods than in exports, a narrowing of the primary income surplus, and a reduction in grant from international partners.

On current account deficit excluding reinvested earnings and grants from international partners was USD 5.2 billion, or 12.2% of GDP (USD 2.8 billion, or 7.0% of GDP in Q2 2023).

External trade in goods and services deficit equaled USD 8.6 billion in Q2 2024 comparing to USD 7.7 billion in Q2 2023.

Merchandise exports[4] and **imports** increased by 8.9% and 13.4% respectively. Compared to the previous quarter, exports of goods decreased by 5.1%, while their imports decreased by 6.8%.

Exports of goods totaled USD 9.5 billion in Q2 2024. Its growth was entirely driven by ***food exports***, which increased by 16.4% (down 9.0% compared to Q1 2024), primarily due to an increase in *grains* exports (by 20.1%), as well as exports of *food processing products* (by 22.9%), *oils* (by 10.6%), *meat* (by 9.1%), and *milk* (by 27.0%). Exports also increased in the following product groups:

mineral exports	– by 22.4% (*-12.7% compared to Q1 2024*);
(inc. due to ores)	– 1.5 times (*-13.8% compared to Q1 2024*);
chemicals	– by 17.0% *(+27.7% compared to Q1 2024);*
manufactured goods	– by 5.7% *(+8.0% compared to Q1 2024).*

At the same time, exports declined in:

metallurgical exports	– by 10.6% (*-0.5% compared to Q1 2024*);
machinery and equipment	– by 17.5% *(+4.0% compared to Q1 2024);*
timber and wood products	– by 11.2% (*+19.6% compared to Q1 2024*).

In terms of geography, in Q2 2024, exports increased to all major regions of the world, with the largest growth in Asia (by USD 291 million, or 13.1%, the share increased from 25.5% to 26.5%) and Africa (by USD 215 million, or 37.7%, the share increased from 6.5% to 8.3%). In addition, exports grew to EU (by USD 149 million, or 2.9%, the share decreased from

[1] According to the Law of Ukraine from March 3rd 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 Q2 2024 was made on the basis of available information and will be clarified upon receipt of additional data.

[2] Data exclude the temporarily occupied by the Russian Federation territories of Ukraine.

[3] The calculations used preliminary GDP data according to the NBU's estimates.

[4] All percentage changes are given in comparison with the indicators of the corresponding period of the previous year, unless otherwise indicated.

59.6% to 56.3%), to Americas (by USD 83 million, or 1.5 times, the share grew from 2.0% to 2.7%) and CIS countries (by 47 million, or 12.3%, share grew by 0.1 p.p. to 4.5%).

Merchandise imports equaled USD 16.7 billion. The increase was driven mainly by a 14.2% rise in *non-energy imports* (up 6.3% compared to Q1 2024), in particular by group:

machinery and equipment	– by 37.1% (+*15.0% compared to Q1 2024*);
chemicals	– by 9.3% (*-2.8% compared to Q1 2024);*
metallurgical imports	– by 31.9% (+*18.1% compared to Q1 2024*);
food imports	– by 6.8% (*-8.3% compared to Q1 2024*);
timber and wood products	– by 19.6% (+8.3*% compared to Q1 2024*);
manufactured products	– by 4.5% (+*1.7% compared to Q1 2024*).

In turn, energy imports grew by 8.2% (up 10.5% compared to Q1 2024), driven by imports of petroleum products and electricity (while natural gas imports declined).

In Q2 2024, imports from EU (by USD 1.1 billion, or by 15.2%, its share increased from 47.7% to 48.5%) and Asia (by 0.9 billion, or by 18.0%, share grew from 32.7% to 34.1%) grew the most. In addition, imports increased from Americas (by 298 million, or by 36.9%, share rose from 5.5% to 6.6%) and Africa (by 102 million, or 1.6 times, share grew from 1.1% to 1.6%). At the same time, imports from the CIS countries decreased (by USD 104 million, or by 33.1%, the share fell from 2.1% to 1.3%).

The deficit in trade in services narrowed to USD 1.4 billion (compared USD 1.7 billion in Q2 2023) due to both an increase in exports of services (by 5.6%) and a decrease in their imports (by 1.2%). Exports increased due to transport services (by 15.0%, due to almost all types of transport), other business services (by 13.3%, due to technical services), inbound tourism expenditures (by 17.3%) and government services (by 28.4%). At the same time, exports of telecommunications and computer services declined (by 4.6%) for the eighth consecutive quarter. Decrease in imports of services due to lower outbound tourists' and short-term migrants' expenditures[5] (by 9.5% to USD 3.6 billion) and government services (by 47.5%) was only partially offset by increase in transport services (by 22. 4%, due to sea and air transport), other business services (2.3 times, due to professional and technical services), telecommunication and computer services (36.0%), charges for the use of intellectual property (1.8 times) and financial services (37.1%).

Primary income balance surplus narrowed to **USD 0.3 billion** (USD 1.2 billion in Q2 2023). This decline was due, on the one hand, to a 27.1% decrease on compensation of employees' receipts. On the other hand, the repayments of investment income increased by 9.6%, including due to dividend payments. Reinvested earnings amounted to USD 0.9 billion (USD 1.0 billion in Q2 2023).

Secondary income balance surplus narrowed to **USD 2.2 billion** (USD 6.5 billion in Q2 last year) due to the lack of grants[6] from international partners (USD 3.7 billion Q2 2023) as well as a decrease in the volume of technical and humanitarian assistance provided

[5] 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.

(USD 0.8 billion compared to USD 1.3 billion in Q2 2023).

The amount of inward private remittances totaled USD 2.4 billion[7], decreased by 14.2% compared to Q2 2023. The flow of remittances through formal channels decreased by 7.7%: a 19.6% decline in the volume of salaries received by Ukrainians from abroad was partially offset by a 5.2% increase in other private remittances. Remittances through informal channels decreased by 21.5%.

Net borrowing from the rest of the world (the total of current account and capital account balance) **totaled USD 6.0 billion in Q2 2024** (USD 39 million in Q2 2023).

The financial account saw inflows of USD 0.4 billion in Q2 2024: inflows to the public sector were almost offset by outflows from the private sector (financial account net inflows were USD 3.9 billion in Q2 2023).

Public sector net inflows totaled USD 2.7 billion (USD 5.2 billion last year) and were driven by net disbursements of loans from international partners for USD 2.9 billion. At the same time, repayments government debt securities amounted to USD 0.2 billion.

The net inflows of foreign direct investments stood at USD 1.1 billion (USD 1.3 billion in Q2 2023) generated by:

reinvestment of earnings USD 0.9 billion (USD 1.0 billion in Q2 2023);

inflows in equity (excluding reinvestment of earnings) by USD 129 million (USD 54 million in Q2 2023);

debt instruments net disbursements USD 116 million, of which between fellow enterprises USD 47 million (USD 241 million, of which between fellow enterprises USD 86 million in Q2 2023).

The net increase of the banking system's external position on portfolio and other investments accounted for USD 620 million (USD 280 million in Q2 2023) fueled by these factors:

USD 405 million increase of net external position on "currency and deposits" (net decrease totaled USD 165 million in Q2 2023);

USD 139 million net purchase of non-resident securities (USD 381 million in Q2 2023);

USD 58 million net repayments on loans external liabilities (USD 77 million in Q2 2023).

The real sector external position net increase (excluding foreign direct investment) totaled **USD 3.0 billion** (flat compared to Q2 2023). An increase in foreign cash outside banks by USD 3.8 billion (USD 2.9 billion in Q2 2023) was partially offset by a net decrease of net external position on trade credit by USD 0.6 billion (net increase totaled USD 0.1 billion in Q2 2023).

Net **private sector outflows (including errors and omissions)** amounted to **USD 2.3 billion** (USD 1.3 billion in Q2 2023).

[7] The total amount of remittances will be adjusted based on mirror statistics by partner countries, released after the dissemination of balance of payments data.

The overall balance of payments evidenced a deficit of USD 5.7 billion in Q2 2024 (USD 3.9 billion in Q2 2023). The repayments to the IMF amounted to USD 329 million.

The international reserves as of the end of Q2 2024 stood at USD 37.9 billion, enough to cover 4.8 months of future imports.