Balance of payments in Q1 2023
(preliminary data\(^1\)\(^2\) according to the Balance of Payments and International investment position manual, 6th edition)

The current account deficit totaled USD 1.8 billion, or 6.0% of GDP in Q1 2023 (surplus was USD 2.0 billion, or 5.3% of GDP in Q1 2022). The CA deficit was mainly driven by significant deficit of trade in goods and services widening due to a decrease in exports, an increase in imports of goods, as well as substantial expenses by Ukrainian citizens residing abroad. The deficit was partially offset by grants received from international partners.

On current account deficit excluding reinvested earnings and grants from international partners was USD 4.3 billion, or 14.4% of GDP (surplus accounted for USD 2.3 billion, or 6.0% of GDP in Q1 2022).

External trade in goods and services deficit equaled USD 9.3 billion in Q1 2023 comparing to USD 1.5 billion in Q1 2022.

Merchandise exports\(^3\) decreased by both yoy by 23.2% and compared to previous quarter by 6.5%. Imports of goods declined by 4.6% compared to Q4 2022, although grew by 14.5% yoy.

Exports of goods totaled USD 9.8 billion in Q1 2023. Metallurgical exports declined the most by 66.0% (grew by 2.6% compared to Q4 2022), mineral exports – by 65.7% (by 1.7% compared to Q4 2022). At the same time, food exports grew by 4.5% (decreased by 9.2% compared Q4 2022) mainly due to oilseeds exports substantial growth (3.1 times, while due to the depletion of stocks, it decreased by 43.6% compared to the previous quarter). Although oil exports (by 11.6%, the same compared to Q4 2022) and grains exports (by 3.6%, grew by 6.7% compared to previous quarter) evidenced a decline. Exports fell for all other main commodity groups, including:

- chemicals – by 35.7% (- 15.5% compared to Q4 2022);
- machinery and equipment exports – by 16.7% (+2.7% compared to Q4 2022);
- timber and wood products – by 18.2% (-0.5% compared to Q4 2022);
- manufactured goods – by 16.9% (+16.9% compared to Q4 2022).

In Q1 2022, in nominal terms, exports to Asian countries (by USD 1.5 billion, or by 35.7%, its share shrank from 33.3% to 27.9%) and African countries (by USD 0.9 billion, or by 71.9%, its share fell from 10.0% to 3.7%) fell the most. Also exports to CIS countries (by USD 551 million, or by 59.4% along with the share from 7.3% to 3.8%) and Americas (by USD 215 million, or by 50.3%, its share fell from 3.3% to 2.2%) saw a decline. Meanwhile,

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1 According to the Law of Ukraine from March 3\(^{rd}\) 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 Q1 2023 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 All percentage changes are given in comparison with the indicators of the corresponding period of the previous year, unless otherwise indicated.

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Exports to EU countries rose by USD 382 million, or by 6.8%, the share of these countries in the total exports increased significantly – from 43.6% to 60.7%.

**Merchandise imports equaled USD 15.7 billion.** Energy imports was almost flat compared to Q1 2022 growing by only 0.4%, while increasing by 16.0% compared to the previous quarter due to purchases of natural gas for the heating season. Non-energy imports increased by 19.8% (down by 9.6% compared to previous quarter), including by group:

- machinery and equipment – by 26.0 % (-11.2% compared to Q4 2022);
- food imports – by 20.7% (+3.3% compared to Q4 2022);
- manufactured products – by 18.8% (-39.0% compared to Q4 2022);
- chemicals – by 2.8% (+15.6 % compared to Q4 2022).

Meanwhile, imports declined, particularly of:

- timber and wood products – by 14.0% (-14.0% compared to Q4 2022);
- metallurgical imports – by 1.9% (-9.7% compared to Q4 2022).

In Q1 2023, imports from the EU (by USD 2.8 billion, or by 61.0%, share rose from 33.5% to 47.1%) and Asian countries (by USD 1.5 billion, or by 45.1%, share in total imports grew from 24.0% to 30.5%) increased the most. Meanwhile, imports from CIS countries fell substantially – by USD 2.7 billion, or by 89.7%, its share fell from 22.0% to 2.0%.

**The deficit in trade in services widened to USD 3.4 billion** (compared USD 0.5 billion in Q1 2022) as exports of services declined by 8.9%, while those of imports increased 1.5 times. Services imports was fueled by expenses\(^4\) of Ukrainians went abroad due to the war that increased 1.8 times to USD 5.6 billion. Imports of transportation services (by 11.6% due to road transport), financial (by 33.1%), telecommunications and computer services (1.5 times) saw an increase. Decrease in exports of computer services (by 16.2%), manufacturing services on physical inputs owned by others (by 37.7%) and other business services (by 7.4%) were the key factors causing exports of services decline. At the same time, exports of transportation services increased (by 11.7%, primarily due to road transport, while exports of all other transportation services declined).

**Primary income balance surplus** was almost flat compared to Q1 2022 and totaled USD 1.2 billion: fall in receipts on compensation of employees by 10.1% was offset by repayments of investment income decline by 13.2%. Reinvested earnings\(^5\) equaled USD 1.1 billion (compared to USD 0.4 billion in Q1 2022). At the same time, dividends paid (by USD 0.3 billion) and income on portfolio investment (by USD 0.7 billion) decreased.

**Secondary income balance surplus** totaled USD 6.3 billion (USD 2.3 billion in Q1 last

\(^4\) 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.

\(^5\) The data on reinvested earnings of enterprises for Q1 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 amount of inward private remittances totaled USD 2.9 billion, decreased by 12.8% compared to Q1 2022. War in Ukraine has caused remittances received through official channels decline by 17.9%: salaries received by Ukrainians from abroad decreased by 11.4%, while other private remittances received through official channels fell by 22.7%. Whilst, the flow through informal channels decreased only by 6.1%.

Net borrowing from the rest of the world (the total of current account and capital account balance) totaled USD 1.7 billion in Q1 2023 (net lending totaled USD 2.1 billion in Q1 2022).

The financial account saw inflows of USD 5.6 billion in Q1 2023 (net outflows accounted for USD 5.4 billion in Q1 2022). The large public sector inflows were only partially offset by the private sector outflows.

Public sector net inflows totaled USD 7.1 billion (USD 0.9 billion last year) and were driven by USD 7.1 billion loans net disbursements from international partners. At the same time, net receipts on government securities amounted to USD 44 million (net repayments equaled USD 783 million in Q1 2022).

The net inflows of foreign direct investments stood at USD 1.1 billion (outflows were USD 0.6 billion in Q1 2022) generated by:

reinvestment of earnings by USD 1.1 billion (USD 375 million in Q1 2022);

inflows in equity (excluding reinvestment of earnings) by USD 128 million (in Q1 2022 – USD 110 million);

debt instruments net disbursements totaled USD 69 million, of which between fellow enterprises USD 37 million (net repayments were USD 855 million, of which between fellow enterprises USD 30 million in Q1 2022).

Meanwhile, net increase in assets totaled USD 169 million, of which trade credit to direct investor equaled USD 127 million (USD 207 million in Q1 2022, of which trade credit to direct investor equaled USD 166 million).

The net increase of the banking system’s external position on portfolio and other investments accounted for USD 1.9 billion (net decrease equaled USD 0.8 billion in Q1 2022) owing to:

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6 The grants received in Q1 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).

7 The assessment of the amount of humanitarian aid in the balance of payments is based upon the United Nations Financial Monitoring Service for Humanitarian Aid (FTS) data, information on aid in monetary form is provided according to the 1PX file.

8 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.

9The data on reinvestment of earnings of enterprises for Q1 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.

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USD 1.3 million increase of net external position on “currency and deposits” item;
USD 334 million net purchase of non-resident securities;
USD 96 million net repayments on debt securities;
USD 53 million net repayments on loans.

The real sector external position net increase (excluding foreign direct investment) totaled **USD 1.4 billion** (USD 6.4 billion in Q1 2022) driven by these competing factors:

USD 3.1 billion increase of the amount of foreign cash outside banks (by USD 2.5 billion in Q1 2022);
USD 1.9 billion increase of net external liabilities on trade credit.

The overall balance of payments ran a substantial surplus of **USD 3.9 billion** in Q1 2023 (deficit totaled USD 3.3 billion in Q1 2022). Repayments to the IMF added up to USD 773 million.

The international reserves as of the end of Q1 2023 stood at **USD 31.9 billion**, enough to cover 4.2 months of imports.