

Balance of payments in Q4 2023

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

The current account deficit totaled USD 3.1 billion, or 5.9% of GDP in Q4 2023 (surplus was USD 0.1 billion, or 0.2% of GDP in Q4 2022). The deficit was primarily due to a reduction in grants received from international partners. The deficit of goods and services was flat compared to last year: lower outbound tourists' and short-term migrants' expenditures offset a decline in exports of goods.

On current account deficit excluding reinvested earnings and grants from international partners was USD 5.1 billion, or 9.5% of GDP (USD 4.0 billion, or 8.7% of GDP in Q4 2022).

External trade in goods and services deficit equaled USD 9.9 billion in Q4 2023 comparing to USD 9.8 billion in Q4 2022.

Merchandise exports³ decreased by 17.1% (increased by 17.5% compared to Q3 2023), while **imports** increased by 2.9% (by 5.5% compared to Q3 2023).

Exports of goods totaled USD 8.7 billion in Q4 2023. Almost the entire decline was due to a 21.7% drop in **food exports** (*grew by 33.9% in Q3 2023*). Grain exports decreased the most, by 37.8% compared to Q4 2022, when the "grain corridor" was in operation (increased 1.7 times due to the expansion of alternative supply routes compared to Q3 2023). Exports of oilseeds, oils and fats also decreased by 21.8% (grew by 20.3% in Q3). At the same time, exports of food products increased by 32.6% (increased 1.5 times compared to Q3 due to sugars). Exports also declined in some major product groups, including:

timber and wood products	– by 23.1% (- 21.7% compared to Q3 2023);
metallurgical exports	– by 7.0% (-12.2% compared to Q3 2023);
chemicals	– by 13.0% (+6.7% compared to Q3 2023);
machinery and equipment	– by 2.9% (flat compared to Q3 2023).

At the same time, exports grew in:

mineral exports	– by 5.0% (+ 2.1% compared to Q3 2023);
manufactured goods	– by 1.6% (-7.2% compared to Q3 2023).

In Q4 2023, in nominal terms, exports to EU countries (by USD 1.1 billion, or by 17.0%, its share was almost flat – 63.9%) and Asia (by USD 633 million, or by 25.2%, its share fell from 23.9% to 21.5%) fell the most. Exports from Americas (by USD 41 million, or by 18.4%, share was flat and totaled 2.1%) and CIS countries (by USD 28 million, or by 6.2%; share

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 Q4 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.

grew from 4.3% to 4.8%) also evidenced a decline. Meanwhile, exports to African countries increased by USD 68 million, or by 17.0%, its share grew from 3.8% to 5.4%.

Merchandise imports equaled USD 17.0 billion. *Energy imports fell by 25.7% yoy (grew by 14.8% compared to Q3 2023) due to lower purchases of petroleum products and natural gas due to imbalances elimination in the energy sector. Non-energy imports increased by 9.9% (by 4.1% compared to Q3), including by group:*

machinery and equipment	– by 21.0 % (+12.2% compared to Q3 2023);
chemicals	– by 11.5% (-7.0 % compared to Q3 2023);
metallurgical imports	– by 27.0% (+1.1% compared to Q3 2023);
food imports	– by 10.1% (+21.4% compared to Q3 2023).

Meanwhile, imports decreased in:

manufactured products	– by 36.4% (-18.8% compared to Q3 2023);
timber and wood products	– by 8.0% (-6.2% compared to Q3 2023).

In Q4 2023, imports from EU countries (by USD 488 million, or by 6.4%, share rose from 46.4% to 48.0%) and Americas (by USD 358 million, or 1.5 times, while share in total imports grew from 4.1% to 6.1%) grew the most. Also, imports grew from Asian countries (by USD 131 million, or by 2.4%, share decreased slightly by 0.2 p.p. to 33.3%) and African countries (by USD 12 million, or by 7.7%, share grew from 0.9% to 1.0%). Meanwhile, imports from CIS countries fell by USD 109 million, or by 30.9%, its share fell from 2.1% to 1.4%.

The deficit in trade in services narrowed to USD 1.6 billion (compared USD 3.8 billion in Q4 2022) due to a significant decline in imports of services (by 26.1%), while exports of services were almost flat compared to previous year (grew by 1.2%). Services imports fell mainly due to outbound tourists' and short-term migrants' expenditures⁴ (by 33.0% to USD 3.8 billion) and government services (by 49.7%) decrease. Whilst, imports of transportation services (by 15.9% primarily due to sea and rail transport and postal and courier services) and other business services (by 29.3%, mainly due to advertising and marketing services), telecom and computer services (by 21.1%) and maintenance & repair services (3.9 times) saw an increase. Exports increased due to other business services (by 25.0% namely technical and professional services), government (by 37.8%) and financial (1.5 times) services and inbound tourism expenditures (by 6.0%). Meanwhile, exports of transportation services (by 2.9% due to road transport services fall), manufacturing services on physical inputs owned by others (by 7.2%) and telecom & computer services (by 8.7%) evidenced a decline.

Primary income balance surplus narrowed to USD 2.0 billion (USD 2.2 billion in Q4 2022) mainly owing to fall in receipts on compensation of employees by 16.7%. Repayments of investment income decreased by 11.6% (negative reinvested earnings⁵ equaled USD 194 million; reinvested earnings totaled USD 12 million in Q4 2022).

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 balance of payments for Q4 2023 includes reinvested earnings of the banking sector only.

Secondary income balance surplus narrowed to **USD 4.8 billion** (USD 7.7 billion in Q4 last year) due to lower volumes of grants⁶ from international partners – USD 1.9 billion, compared to USD 4.1 billion in Q4 2022.

The amount of inward private remittances totaled USD 2.9 billion⁷, decreased by 6.9% compared to Q4 2022. Official channels' flow decreased by 6.3%: other private remittances declined by 11.6% while Salaries received by Ukrainians from abroad was flat compared to last year (grew by 0.3%). The flow through informal channels decreased by 7.7%.

Net borrowing from the rest of the world (the total of current account and capital account balance) **totaled USD 3.1 billion in Q4 2023** (net lending totaled USD 0.2 billion in Q4 2022).

The financial account saw inflows of USD 3.0 billion in Q4 2023: significant inflows to the public sector was partially offset by an outflow from the private sector (financial account net inflows were USD 2.8 billion in Q4 2022).

Public sector net inflows totaled USD 7.3 billion (USD 6.7 billion last year) and were driven by loans net disbursements from international partners for USD 7.4 billion. At the same time, net repayments on government debt securities amounted to USD 69 million (USD 269 million in Q4 2022).

The net inflows of foreign direct investments stood at USD 116 million (USD 172 million in Q4 2022) generated by:

inflows in equity (excluding reinvestment of earnings) by USD 200 million (in Q4 2022 – USD 277 million);

debt instruments net disbursements totaled USD 107 million, of which between fellow enterprises USD 10 million (net repayments were USD 68 million, of which between fellow enterprises USD 129 million in Q4 2022).

Whilst, banking sector's negative reinvestment of earnings⁸ totaled USD 194 million (reinvestment of earnings were USD 12 million in Q4 2022).

The net increase of the banking system's external position on portfolio and other investments accounted for USD 400 million (USD 870 million in Q4 2022) primarily due to USD 603 million net purchase of non-resident securities (USD 367 million in Q4 2022).

The real sector external position net increase (excluding foreign direct investment) totaled USD 4.3 billion (USD 2.8 billion in Q4 2022) driven by these factors:

USD 3.7 billion increase of the amount of foreign cash outside banks (by USD 2.3 billion in Q4 2022);

⁶ The grant assistance received in Q4 2023 will be used to reimburse state budget expenditures to ensure payments to first responders, IDPs, pension payments, and remuneration of healthcare providers providing services under the medical guarantees program.

⁷ 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.

⁸The balance of payments for Q4 2023 includes reinvestment earnings of the banking sector only.

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USD 741 million increase of net external liabilities on trade credit (USD 1.5 billion in Q4 2022).

Net **private sector outflows (including errors and omissions)** amounted to **USD 4.3 billion** (USD 3.9 billion in Q4 2022).

The overall balance of payments ran a slight deficit of USD 25 million in Q4 2023 (surplus was USD 3.0 billion in Q4 2022). The net disbursement from the IMF **under Rapid Financing Instrument RFI** equaled **USD 386 million**.

The international reserves as of the end of Q4 2023 stood at USD 40.5 billion, enough to cover 5.4 months of future imports.

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