



National Bank
of Ukraine

Macroeconomic and Monetary Review

March 2025

Monetary Policy and Economic Analysis
Department



Summary

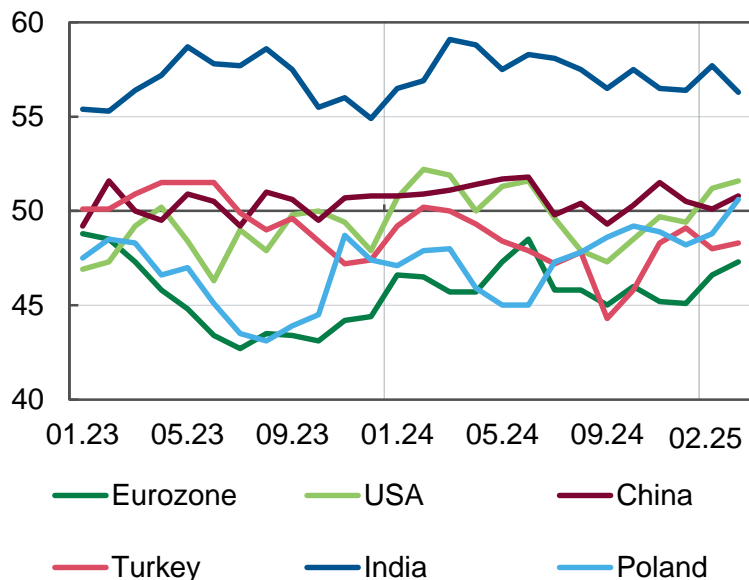
- **Economic growth in Ukraine's MTPs remains fragile, and inflationary pressures remain elevated.** Global energy prices are quite volatile and global prices for commodities prevailing in Ukraine's exports grew under pressure from temporary supply constraints. Both the leading and EM CBs are leaning towards a cautious approach to further monetary policy easing
- **In January 2025, both headline inflation and core inflation accelerated** (to 12.9% yoy and 11.7% yoy, respectively, from 12.0% yoy and 11.3% yoy in December). These trends reflected the impact of both temporary factors, such as a limited supply of food products due to last year's lower harvest, and fundamental factors, such as further increases in production costs, including for labor. According to the NBU's estimates, inflation continued to increase in February
- **In February, power outages for businesses resumed** (due to the cold weather and new infrastructure damage), **which likely affected economic activity.** Agricultural raw material shortages restrained the food industry and exports. At the same time, recovery continued in metallurgy, certain sectors of mining, and engineering. Consumer demand remained resilient
- **The labor market continued to recover.** The number of resumes and job openings grew yoy. However, staff shortages persisted, which drove further wage increases. The number of migrants grew and their adaptation abroad improved
- **In January-February, state budget expenditures were significantly higher than last year, while tax revenues improved.** Budget needs were financed primarily by previously accumulated funds
- **In January, the merchandise trade deficit decreased to the average levels of 2024,** due to seasonal reductions in purchases of machinery, chemicals, and food products. Meanwhile, the NBU's interventions remained quite high, largely due to significant demand for FX cash. Thanks to the receipt of the first tranche from the EU under the ERA initiative, **reserves slightly decreased** to USD 43 bn by the end of January
- **Net demand for FX declined in February.** This was driven by a relatively stable exports, improved exchange rate expectations of households, and the NBU's measures to tighten interest rate policy and maintain FX market sustainability
- **In early March, the NBU raised its key policy rate to 15.5%.** The decision will help maintain the sustainability of the FX market and keep inflation expectations under control



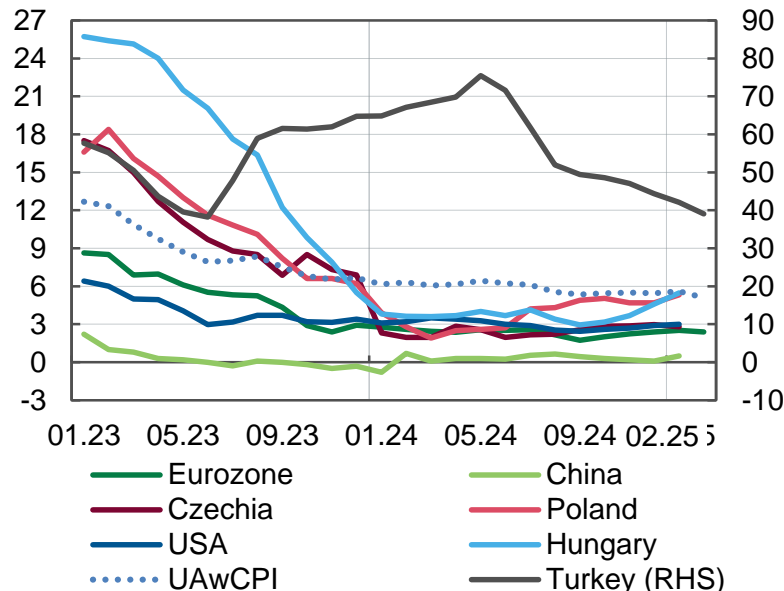
External Environment

Economic growth in Ukraine's MTPs remains fragile, and inflationary pressures remain elevated

Manufacturing PMIs of selected countries



CPIs in selected countries and Weighted average of Ukraine's MTP countries' CPI (UAWCPI), % yoy



Source: S&P Global.

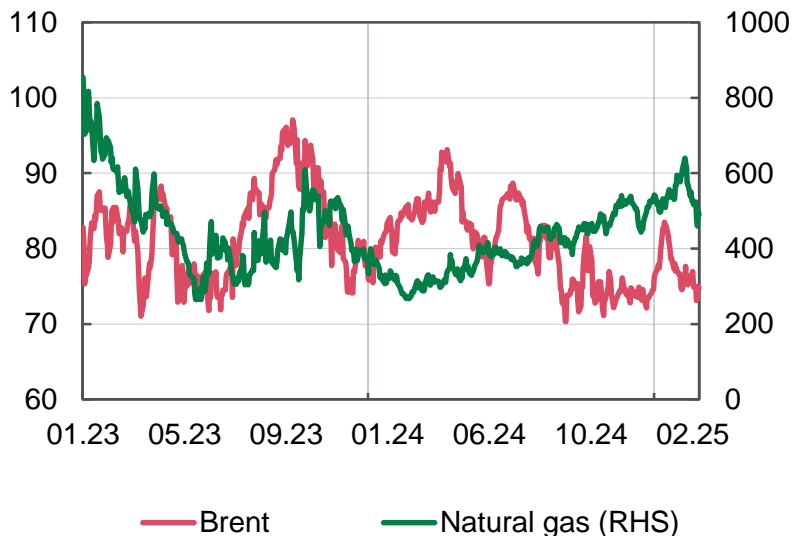
Source: national statistical offices, NBU staff estimates.

- Leading indicators indicate asynchronous growth in the economies of the Ukraine's MTP countries
- Global supply chains are operating at full capacity, with the exception of Europe, which remains relatively weak. Production in Asia is growing thanks to large exporters led by South Korea, China and India. Despite considerable uncertainty about the future actions of the US administration, producers are not stockpiling as usual
- Instead, US economic growth is slowing as the service sector cools despite a recovery in manufacturing, while prices are rising

Inflationary pressures from Ukraine's main trading partners (UAWCPI) are expected to remain high

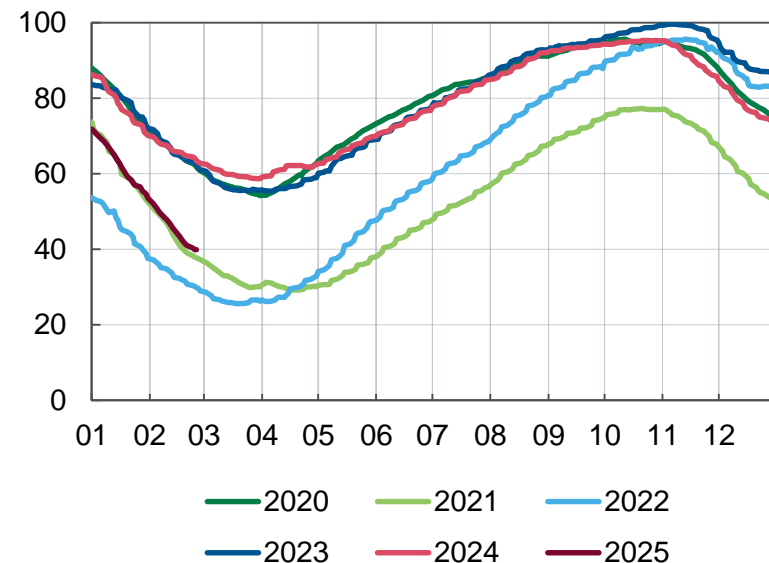
Global energy prices, despite high volatility, have resumed their decline due to the risk of excess supply

World Brent oil prices (USD/bbl) and Dutch TTF natural gas prices (USD/kcm)



Source: LSEG.

Filling level of gas storage facilities in the EU in the corresponding year, %

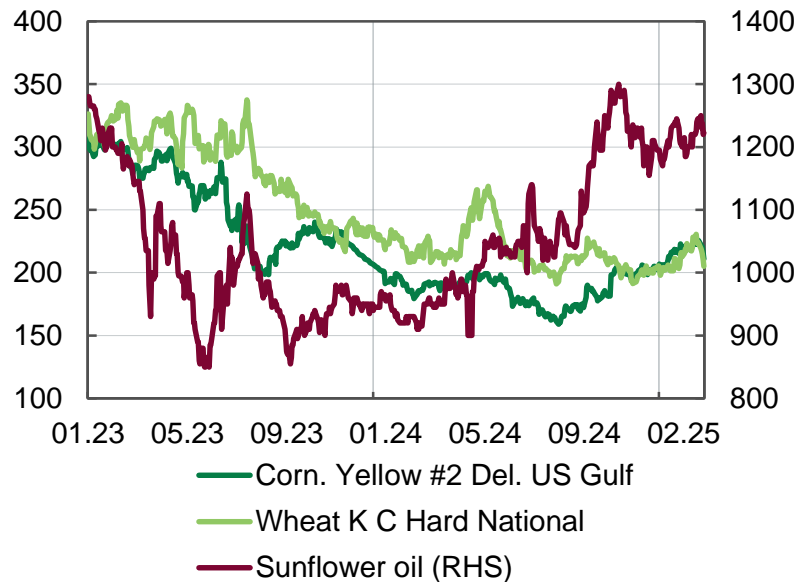


Source: LSEG.

- Oil prices are significantly volatile with downward pressure. New US sanctions on Iranian oil exports, risks of escalation in the Middle East and current OPEC+ restrictions put upward pressure on prices. However, weak Chinese demand, rising supply from Brazil and Kazakhstan, rising US inventories, the growing risks of the reactivation of Russian supply, the confirmation of US tariffs on oil imports from Canada and Mexico starting March 4, put downward pressure on oil prices
- Gas prices in Europe gradually increased under pressure from limited supply from Norway, the absence of pipeline Russian gas transit through Ukraine and reduced wind power, which led to a significant withdrawal of gas from storage facilities to meet demand during the cold snap. However, the accelerated increase in LNG imports from the United States in the face of lower demand from Asian countries has led to a decline in prices over the past two weeks

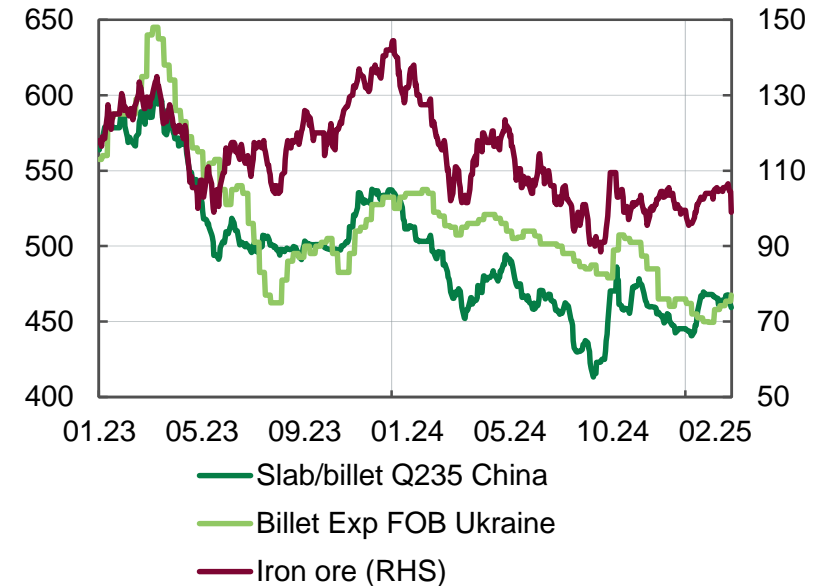
Global prices for commodities prevailing in Ukraine's exports grew under pressure from temporary supply constraints

Global steel and iron ore prices, USD/MT



Source: LSEG, Delphica.

Global grain and sunflower oil prices, USD/MT

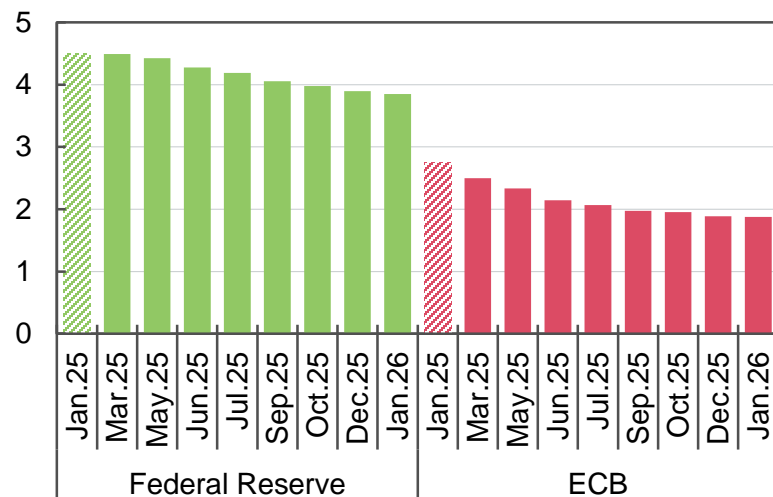


Source: LSEG.

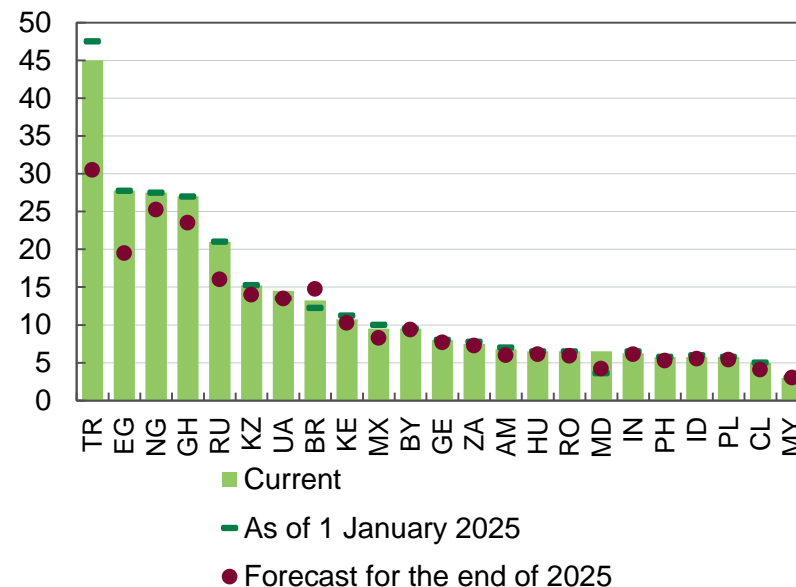
- Steel and iron ore prices rose due to the need to replenish inventories ahead of the spring pickup in the construction industry, and in anticipation of additional economic stimulus from China. However, the US imposition of 25% duties on aluminum and steel imports increased uncertainty about countermeasures
- Grain prices rose amid: steady consumption in the face of rather low current stocks and under the influence of negative forecasts for winter crops in the largest exporting countries. Still, the expected additional imposition of US import duties on third countries and, accordingly, countermeasures led to a decline in prices at the end of the month
- Sunflower oil rose in price under the pressure of low stocks of sunflower and the deterioration of the USDA's forecast for global oilseed production. However, the expectation of a record soybean crop in Brazil and a good harvest in the United States amid declining Chinese demand kept prices from rising more

Both AE and EM CBs are leaning towards a cautious approach to further monetary policy easing

Market expectations (according to OIS) of key policy rates* on the respective meeting dates, %



Key policy rates in selected EM countries, %



* For the Fed – upper limit of the target range, for the ECB – deposit rate. Jan.2025 – actual data. Current expectations as of 28.02.2025, previous expectations as of 15.01.2024.

Source: Bloomberg, official web pages of Fed and ECB.

Source: official web-pages of central banks, Focus Economics, Oxford Economics, as of 28.02.2025.

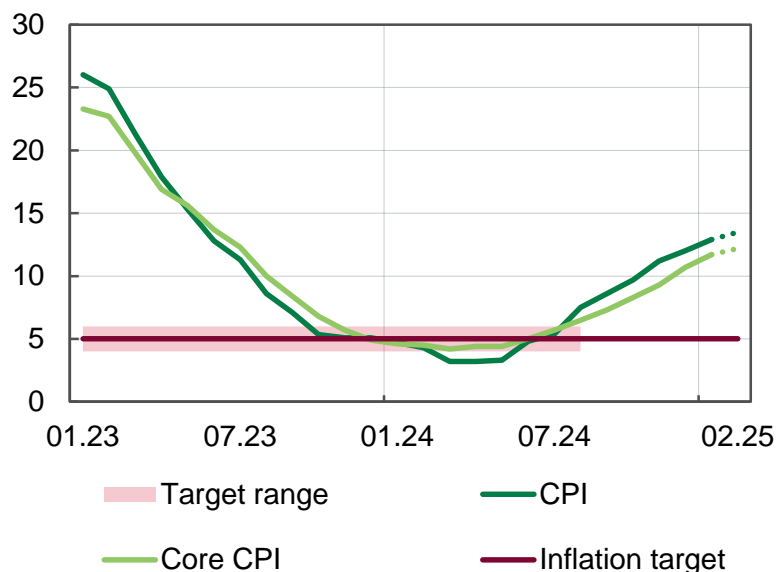
- The Fed has left the federal funds target rate range unchanged (4.25-4.5%), signaled a possible pause in the future. The ECB, as expected, has cut rates (deposit rate – to 2.75%), considers that further rate cuts are likely and a focus on stimulating economic growth is appropriate. Financial markets expect the ECB to cut rates by 75 bp, and the Fed – by 50 bp by January 2026
- EM CBs are cautious about their next steps amid uncertainty over new US economic policies and their potential consequences. The Czech CB has continued easing after a pause in December, while the CB of India, as expected, has cut rate for the first time in almost five years to stimulate the economy, amid slowing inflation. The CB of Turkey has cut rate for the second time, while the CBs of Brazil and Moldova continued to raise rates



Ukraine: Inflation

In January 2025, inflation continued to accelerate

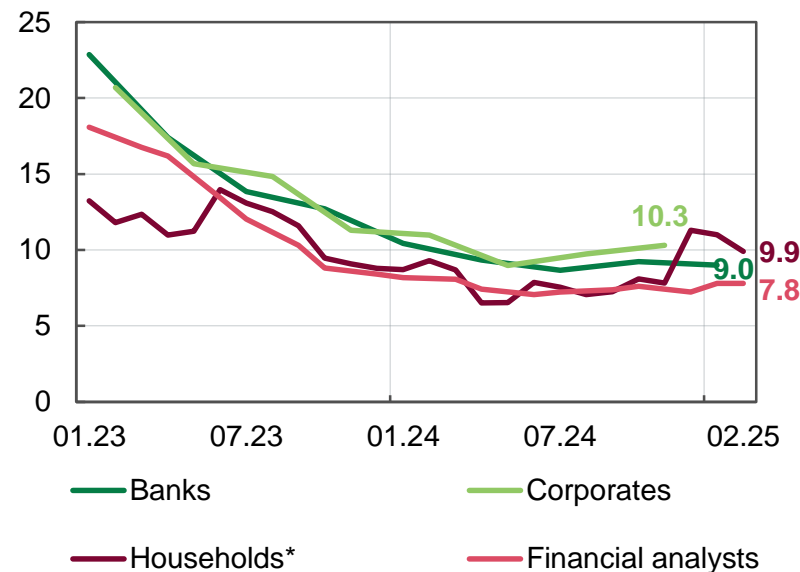
Inflation* and inflation target, % yoy



* Data for February reflects nowcast. The target range remained in effect until August 2024 inclusive.

Source: SSSU, NBU staff estimates.

Inflation expectations for the next 12 months, %



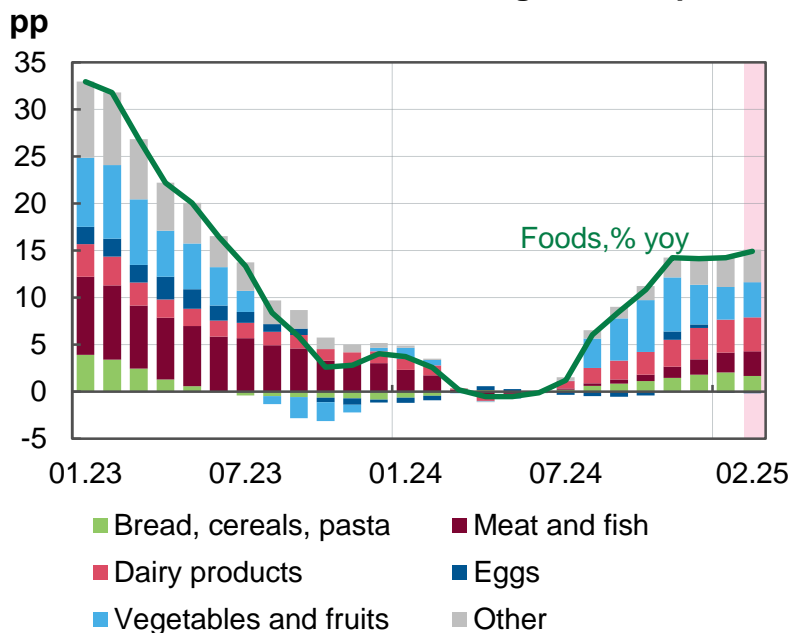
* In March 2022, the survey method was changed from face-to-face to telephone interviews.

Source: NBU, Info Sapiens.

- In January, consumer inflation accelerated to 12.9% yoy, slightly exceeding the trajectory of the NBU's [January forecast](#). The main factors behind the acceleration were higher fuel prices amid hikes in excise taxes and increased prices for raw materials, services, administered inflation, and processed food due to high production and operating costs
- The acceleration in core inflation (to 11.7% yoy) was driven by a wide range of its components and was, as before, due to pressure from production costs. Inflation expectations of economic agents moved multidirectional but remained relatively stable overall. According to the NBU's estimates, inflation continued to increase in February

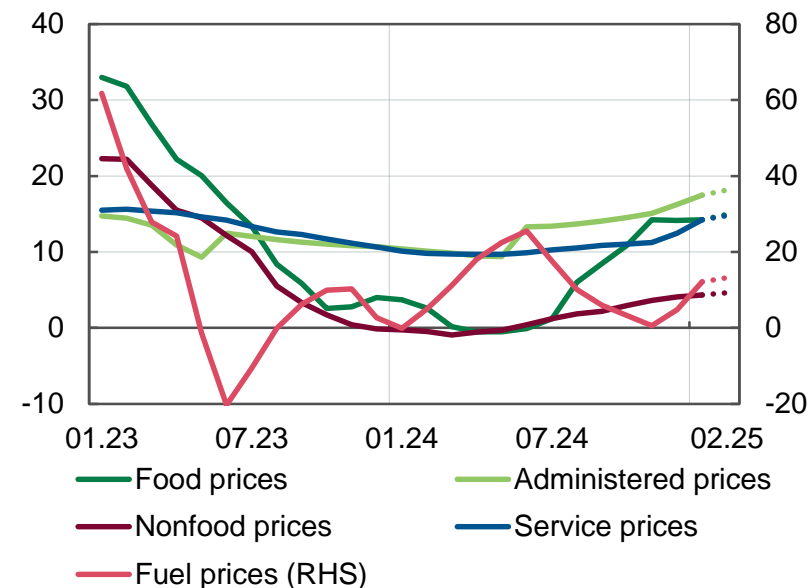
Growth in raw food prices decelerated, while underlying inflationary pressures intensified

Contributions to the annual change in food prices*, pp



* Data for February reflects nowcast.
Source: SSSU, NBU staff estimates.

Selected CPI components*, % yoy



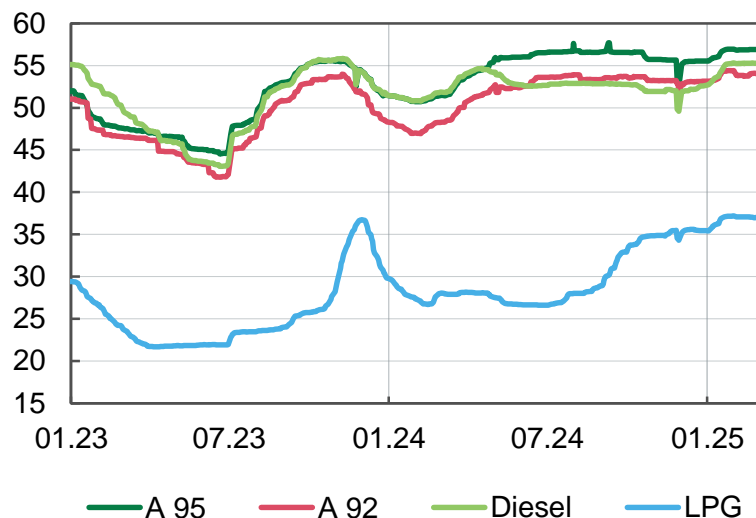
* Data for February reflects nowcast.
Source: SSSU, NBU staff estimates.

- The year-on-year growth in raw food prices slowed for the second straight month, as the supply of eggs, milk, vegetables, and fruits expanded due to record-warm January weather and increased imports. At the same time, the growth in prices for processed foods accelerated due to further increases in production costs for raw materials, electricity, labor, and logistics
- The persistence of the underlying inflationary pressures was evidenced by the acceleration of growth in non-food prices, while the increase in the cost of services was partly due to the revision of tariffs by some mobile network operators, the updating of the list of paid medical services in state and municipal institutions, and changes in approaches to calculating the cost of CTP policies

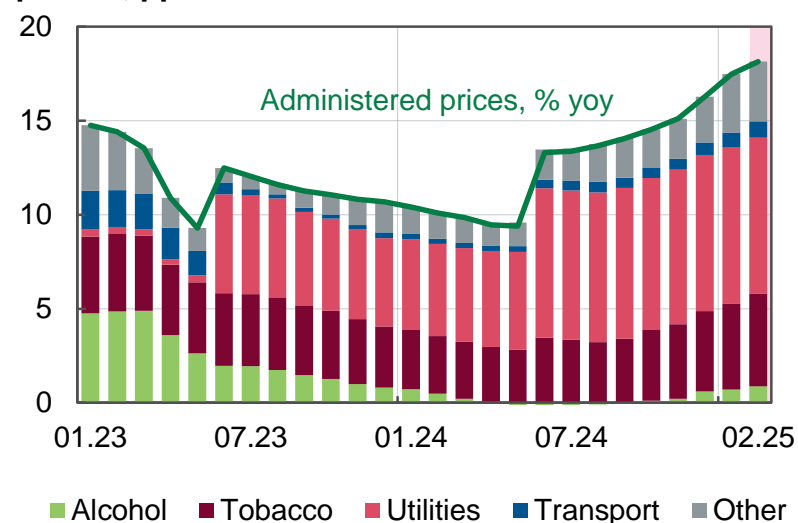
Meanwhile, prices for clothing and footwear remained lower than last year

In January, fuel price growth and administered inflation accelerated

Fuel prices, UAH / L



Contributions to the annual change in administered prices*, pp



Source: minfin.com.ua.

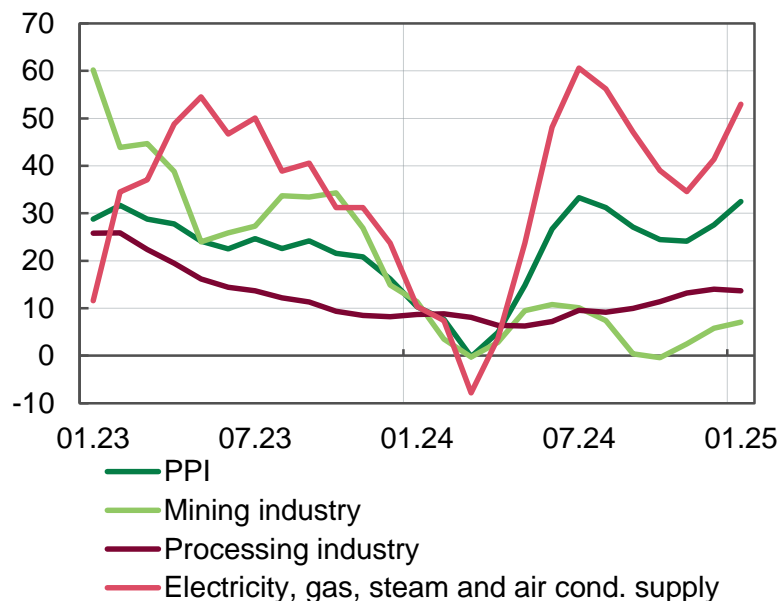
* Data for February reflects nowcast.

Source: SSSU, NBU staff estimates.

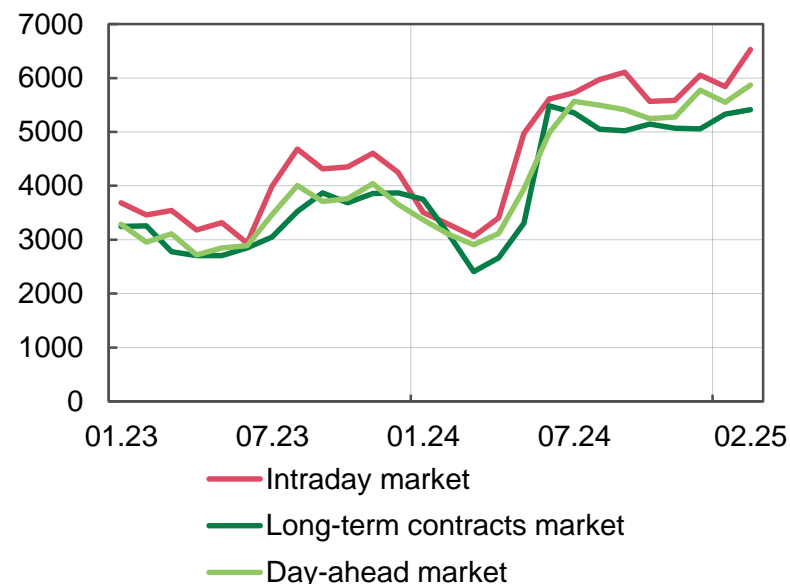
- Fuel price growth accelerated due to higher raw material costs, excise tax hikes, and logistical hurdles caused by storms in the Black Sea at the beginning of the year. At the same time, fuel price increases were restrained by competition between gas station chains amid low demand and [optimized logistics of imported supplies](#)
- Prices of excisable goods grew faster due to further adjustments in alcohol prices, while tobacco products became more expensive due to the anticipated increase in excise taxes. The cost of local phone services, pharmaceuticals, and medical goods and equipment also increased. As before, administered inflation was restrained by the moratorium on raising tariffs for certain utility services for households

The growth in producer prices also accelerated in January

PPI and its components, % yoy



Electricity prices for non-household consumers, UAH/MWh



Source: SSSU.

Source: Ukrainian Energy Exchange, Market operator.

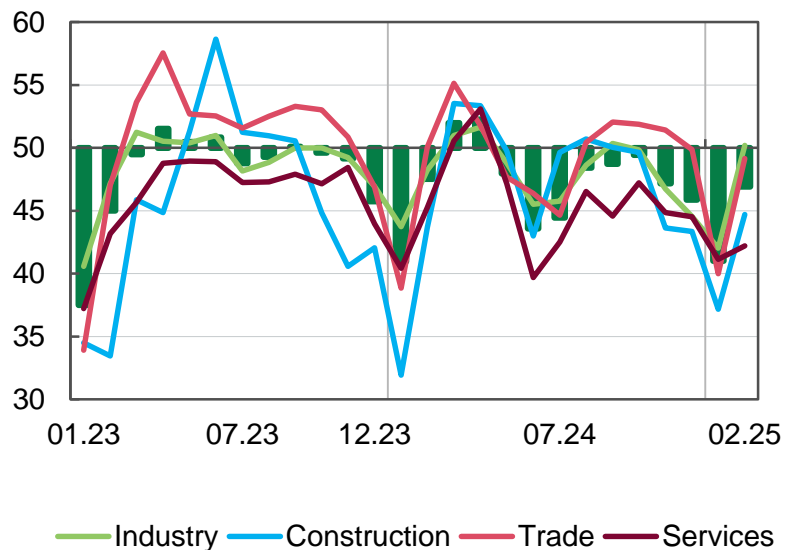
- The growth in producer prices accelerated (to 32.5% yoy), primarily due to higher price growth in the sector of electricity, gas, and steam supply (53.0% yoy). The increase in the cost of electricity for non-household consumers was probably also influenced by [the revision of the cost of electricity transmission services by NPC Ukrenergo](#)
- At the beginning of the year, global commodity markets showed [significant fluctuations](#), amplified by internal factors, primarily higher energy and logistics costs, and a shortage of personnel, leading to an acceleration of price growth in the mining industry. On the other hand, price growth in food processing slowed slightly, likely due to [easing pressures from external prices for meat products](#) and [exports of Ukrainian dairy products, primarily from stocks](#), which restrained domestic prices



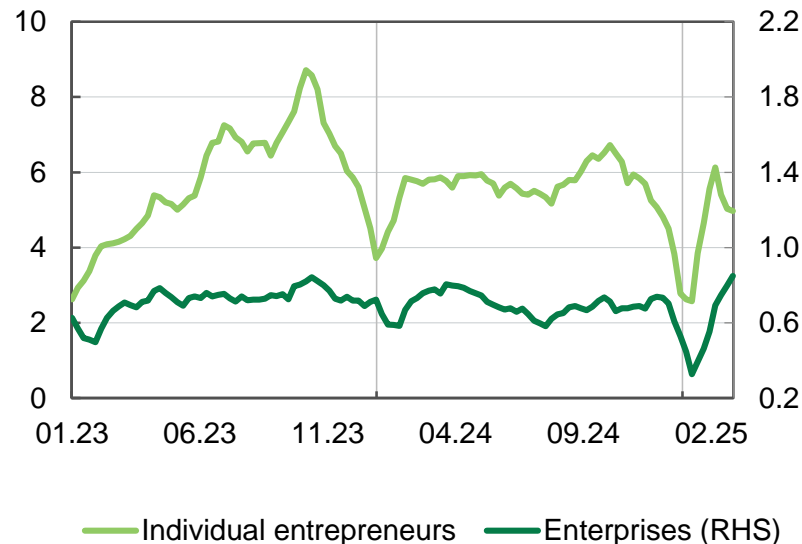
Ukraine: Economic activity

In February, business expectations improved

NBU's business activity outlook index (BAOI), p



New registration of enterprises and individual entrepreneurs (4-week moving average), thousands



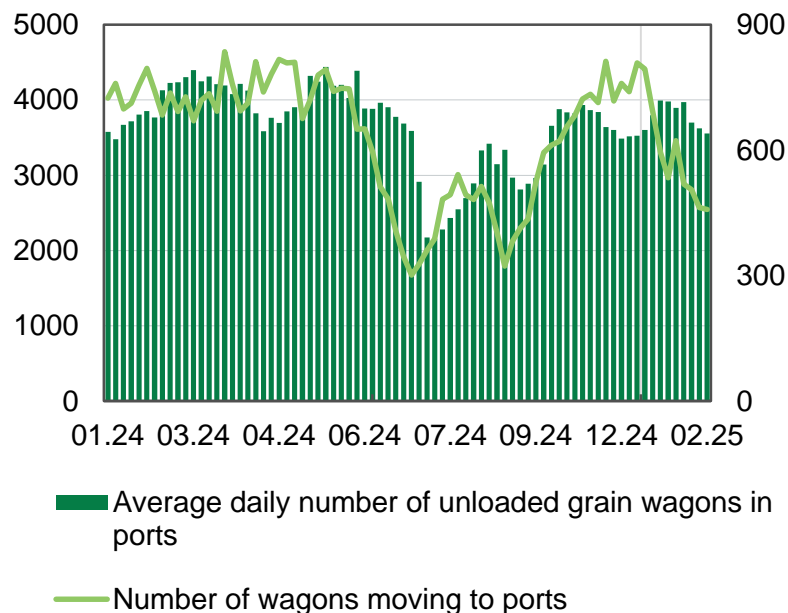
A level above 50 indicates mainly positive expectations.
 Survey was not conducted from March to May 2022.
 Source: NBU.

Source: opendatabot.ua.

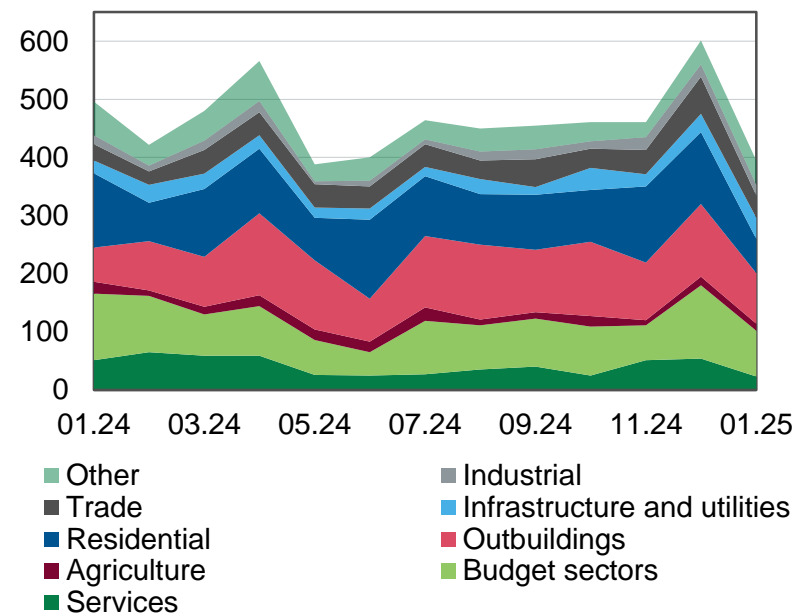
- Business expectations improved in February after a seasonal decline in January. However, the BAOI did not improve as much as last year due to a worse energy situation
- In particular, power outages for business resumed in February due to increased consumption amid cold weather. Losses of gas infrastructure and a shortage of agricultural raw materials for processing also restrained economic activity
- At the same time, growth in metallurgical production and certain sectors of mining and engineering continued. Consumer demand remained resilient

The lack of agricultural raw inputs restrained food processing and freight transportation. Construction has also weakened

Railway transportation of grain cargoes to sea ports, units



Number of buildings put into operation, units



Source: Rail.insider, UZ.

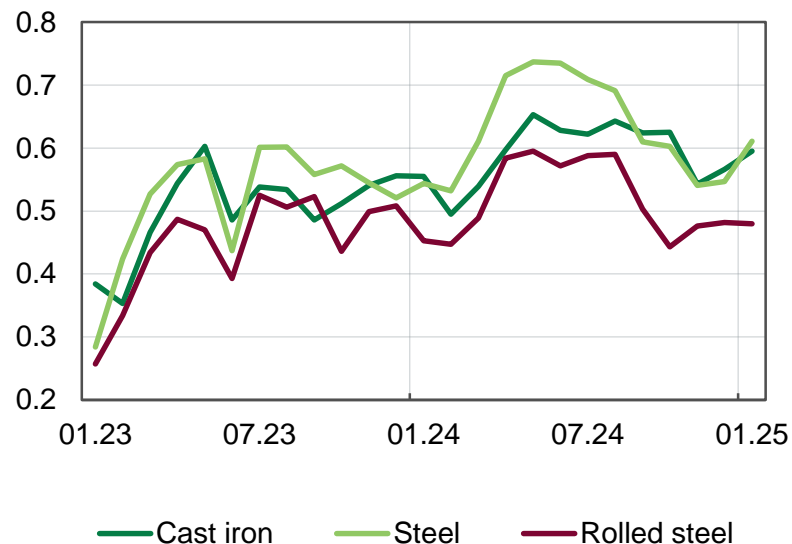
Source: Construction activity registry.

- Due to the shortage of raw materials in February, a number of oil extraction plants [remained closed or underloaded](#); a seasonal slowdown was observed in dairy and [meat processing](#)
- The depletion of agricultural raw material stocks also led to a [decrease in agricultural product exports](#), which restrained transportation
- Construction activity also weakened, primarily housing construction; at the same time, construction of warehouses and industrial buildings, infrastructure and commercial real estate for trade continued to grow, primarily in the western regions

Russian shelling led to losses in gas infrastructure (according to expert estimates, [up to 40% of production capacity was affected](#)), as a result, gas production decreased

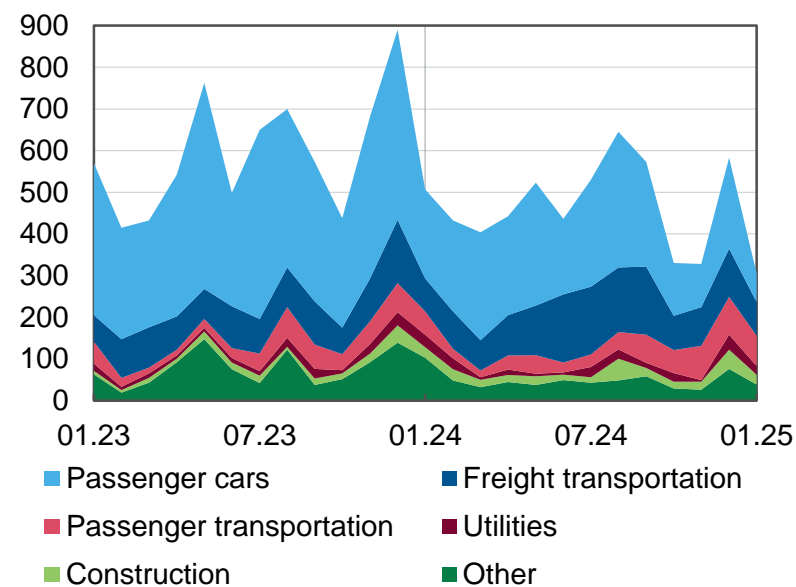
At the same time, metallurgy, certain sectors of the mining industry, and engineering were growing

Production of steel, cast iron and rolled steel, million tons



Source: Ukrmetallurgprom.

Registration of vehicles manufactured in Ukraine by field of use, units

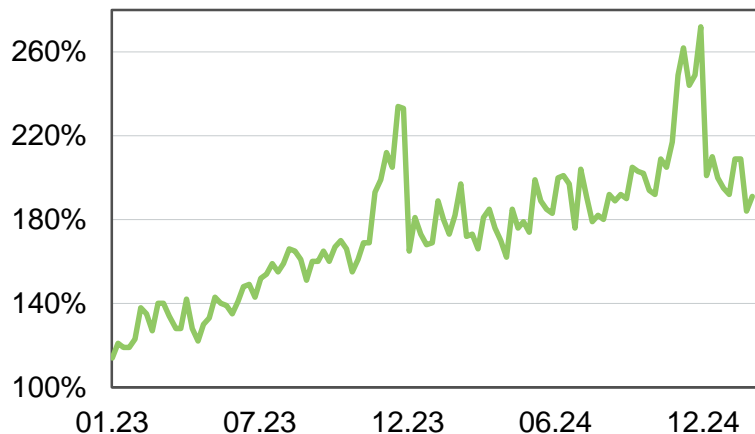


Source: Ministry of Internal Affairs.

- Metallurgical production revived in January against the backdrop of a [significant increase in domestic consumption](#) and fairly stable [exports](#), which supported further [growth in production](#) and [expansion of production facilities in February](#). At the same time, in order to fulfill export orders, individual [mining and quarrying plants](#), [coal](#) and [iron ore mines](#) also increased production in February, and enterprises in the industry continued to [invest in energy independence](#)
- In January, the production of passenger cars decreased significantly. However, in February, the production of [passenger wagons for UZ](#) and [tank wagons for the needs of the fuel market](#) increased

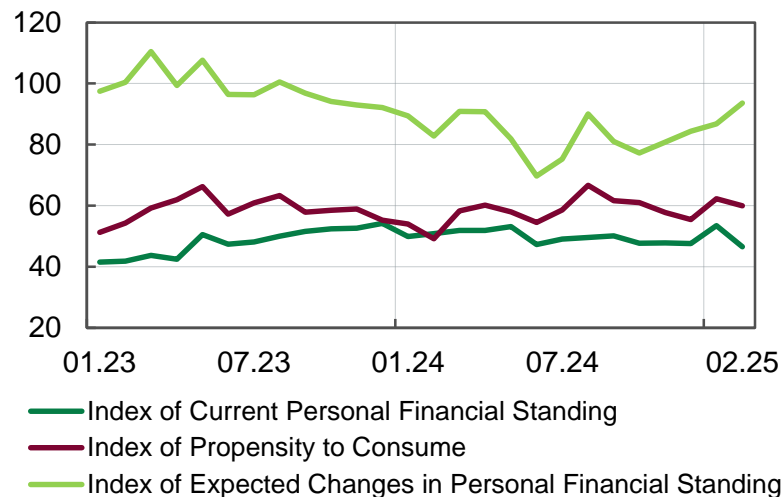
Consumer demand remained resilient

The number of online purchases of goods, % to pre-war level



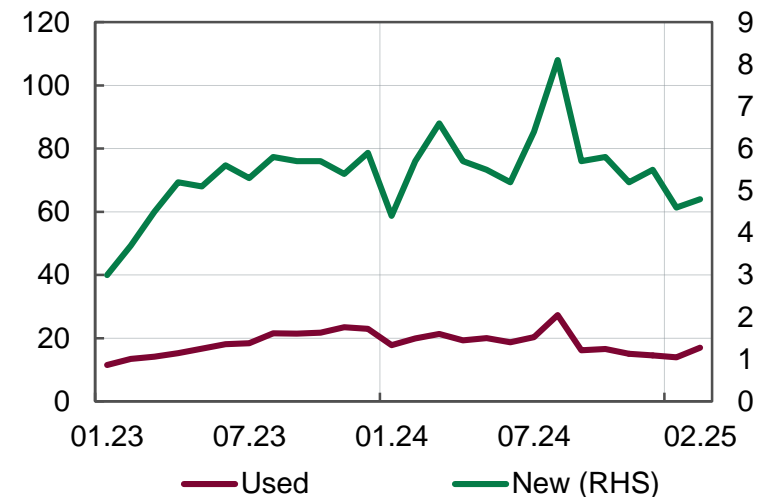
Source: Opendatabot (Khoroshop service).

Components of the consumer sentiment index, p



In March 2023, the survey method was changed from face-to-face to telephone interviews. Source: Info Sapiens.

The first registration of passenger cars, thousand units



Source: Ukravtoprom.

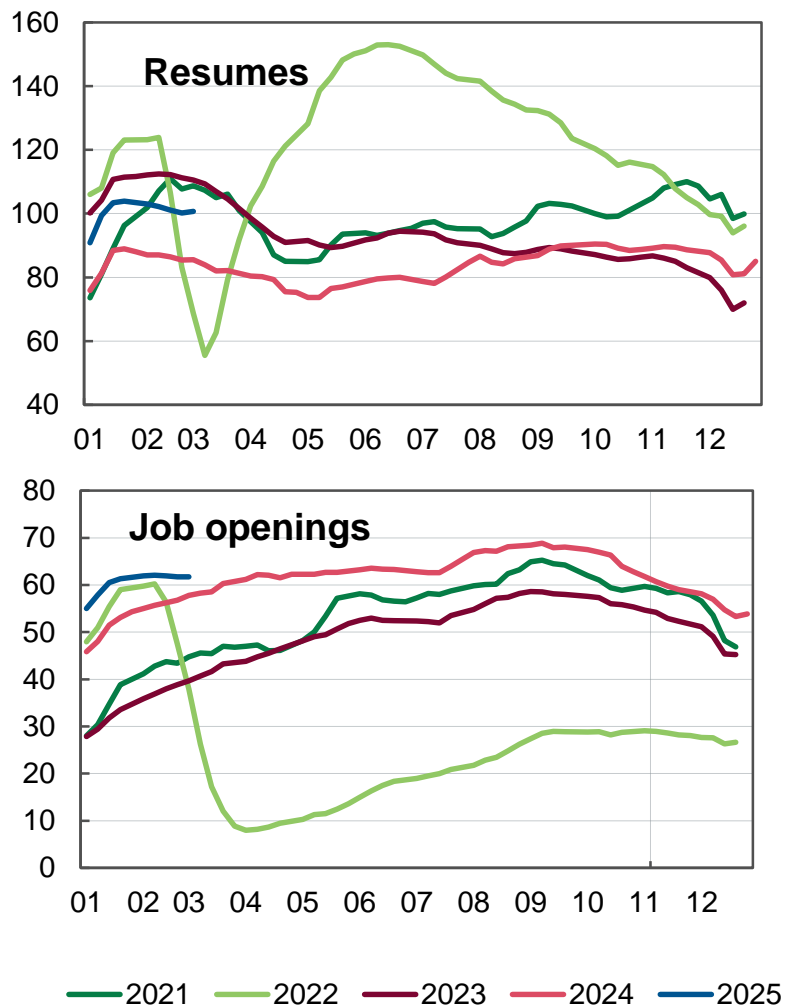
- Trade growth slowed somewhat due to seasonal factors; however, the industry continued to grow yoy, particularly amid steady growth in the online segment
- The resilience of consumer demand was also evidenced by fairly high consumer sentiment, despite a slight weakening in February
- New car sales in February grew by 5.3% mom, albeit fell by 15% yoy



Ukraine: Labor market

The number of job openings and resumes continued to grow, but the labor market remained tight, impeding business operations

Labor market indicators, four-week rolling average, thousands



Source: work.ua, NBU staff calculations.

Index of problems in finding employees, %



Source: IER.

- The labor market continues to recover: in February 2025, the number of both new job openings and resumes increased. Moreover, the number of new job openings outpaced the levels of 2021 and early 2022
- However, according to the IER surveys, the shortage of workers in January remained significant

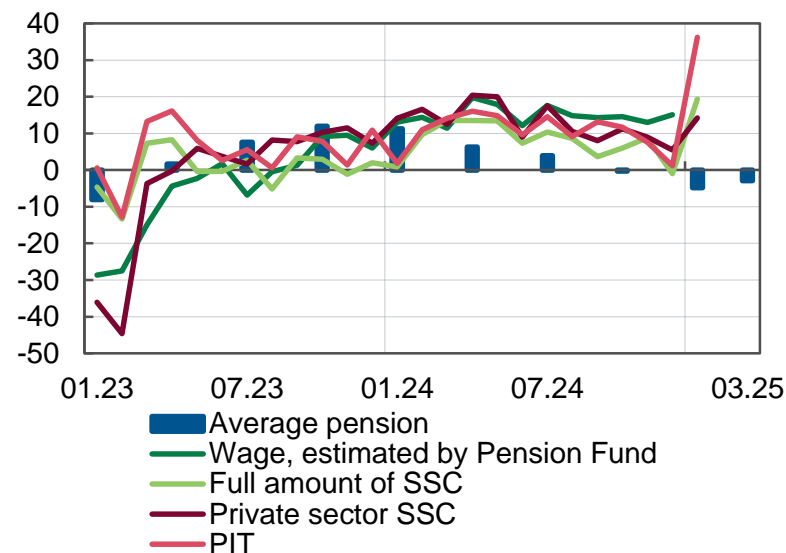
Nominal wage growth accelerated, while real wages continued to grow rapidly

Nominal and real wages, % yoy



Source: SSSU.

Indirect indicators for estimating real household income*, % yoy



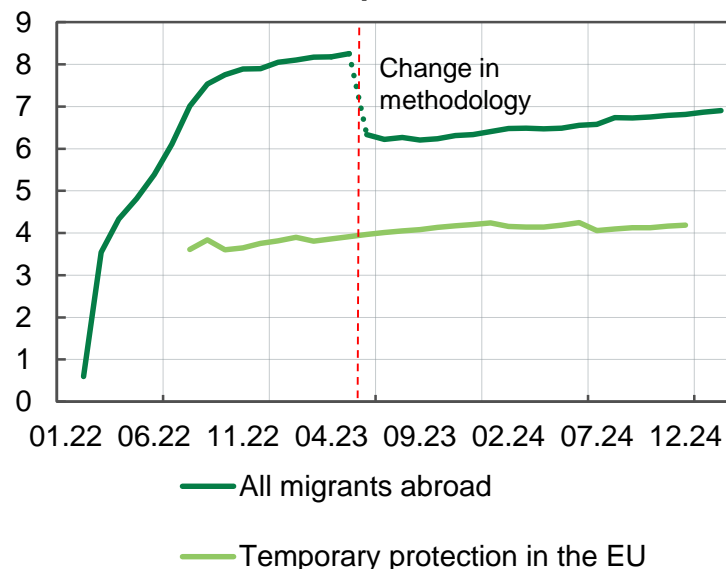
* Deflated by CPI. The private sector SSC is calculated as the difference between total SSC and SSC on wages from the consolidated budget.

Source: PFU, STSU, SSSU, NBU staff calculations.

- According to the SSSU, nominal wages grew by 23.1% yoy in 2024, while real wages grew by 15.6% yoy. Real wages grew the fastest in IT sector (25.4% yoy) and agriculture (20.7% yoy), while the slowest growth pace was in healthcare (2.9% yoy).
- According to indirect indicators, high wage growth rates continued in early 2025. The household incomes related to budget financing, including payments to the military and social benefits, are also growing. In addition, pensions were increased by 11.5% from 1 March 2025

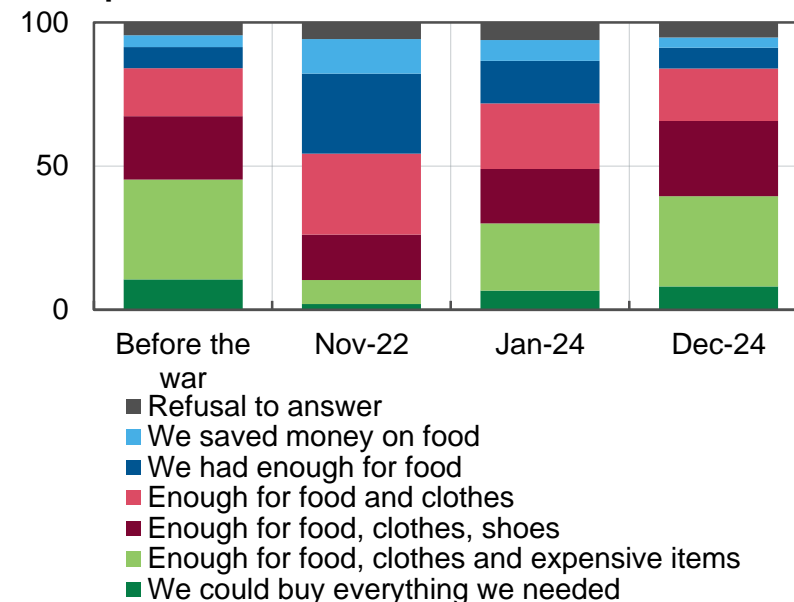
In 2025, migration continued, while adaptation of migrants abroad improved

Number of migrants since the beginning of the full-scale invasion, million persons



Source: UNHCR, Eurostat.

Your economic standing before the war and now, % of responses



Source: CES.

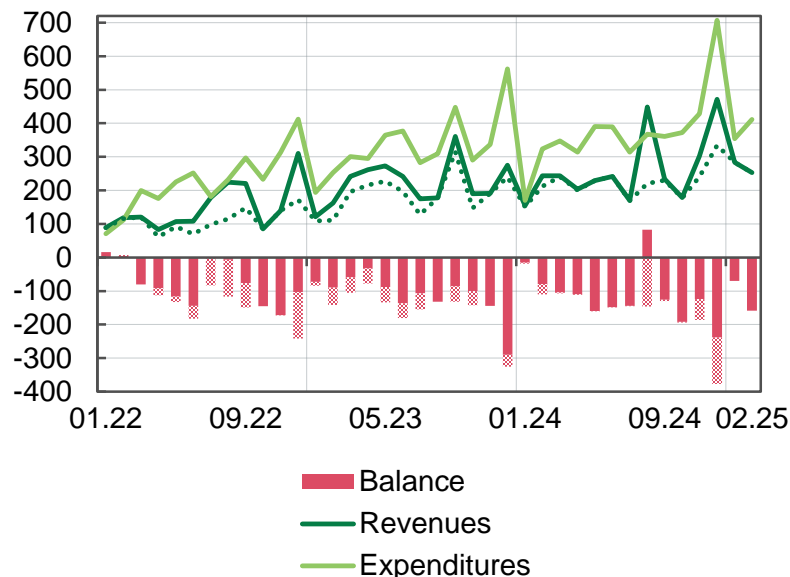
- According to the UNHCR, the number of migrants outside Ukraine exceeded 6.9 million as of 17 February 2025. The main recipient countries of new migrants are still Poland, the Czech Republic, and Germany
- According to the [CES survey](#), adaptation of migrants abroad continues: migrants' living standards have already approached the level they used to have before 2022, and the employment rate has reached 56% of respondents. As a result, the share of those who plan to return to Ukraine has decreased to 43% (from 73% in November 2022). The main conditions for returning to Ukraine are improved security and higher living standards



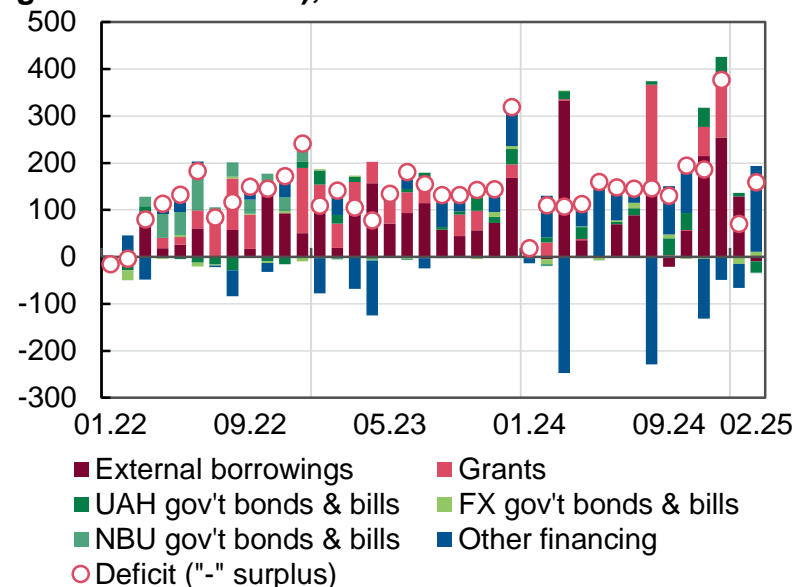
Ukraine: Fiscal sector

At the beginning of the year, deficit was financed primarily by previously accumulated funds

Main state budget indicators* (monthly), UAH billions



Financing of the state budget deficit ** (excluding grants in revenues), UAH billions

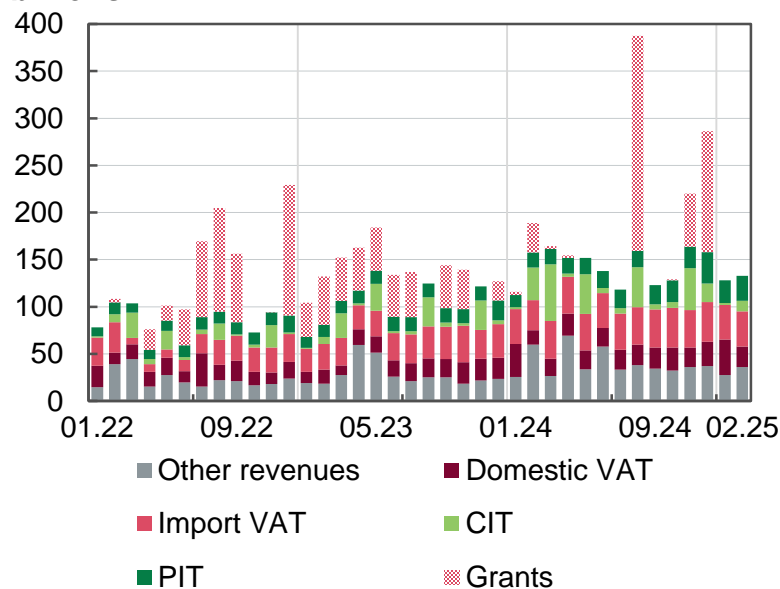


* Dotted lines and patterned fillings show relevant indicators excluding grants. Balance includes net lending. ** Debt transactions are net borrowings. Other financing represents active operations (in particular, includes the change in volumes of gov't funds) and privatization proceeds. February – preliminary and high-frequency data from the MFU website and NBU staff calculations based on the MFU's data; the data will be refined. Source: STSU, MFU, NBU staff calculations

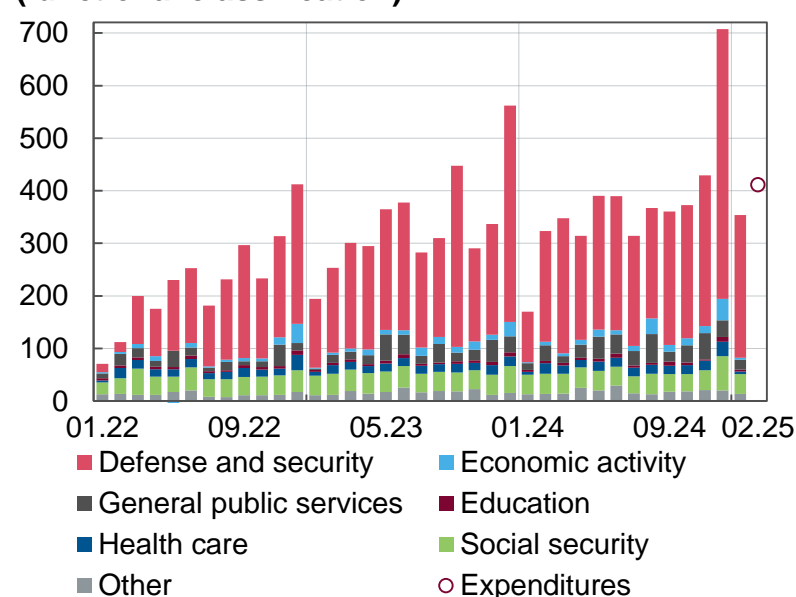
- In January-February, the state budget was fulfilled with a rather large deficit
- The deficit was financed by the liquidity buffer created at the end of 2024 and the tranche from the EU under the ERA program (EUR 3 billion) received in January 2025. The FX funds were also maintained to finance budget needs in March
- Meanwhile, activity in the domestic debt market decreased noticeably, especially in February (the rollover in all currencies was 71%), given the existing liquidity buffer

Expenditures were significantly higher than last year, while tax revenues were the main source of budget revenues

Revenues of the state budget general fund, UAH billions



Expenditures of the state budget, UAH billions (functional classification)



February – preliminary and high-frequency data from the MFU website and NBU staff calculations based on the MFU's website data; the data will be refined. Source: STSU, MFU, NBU staff calculations.

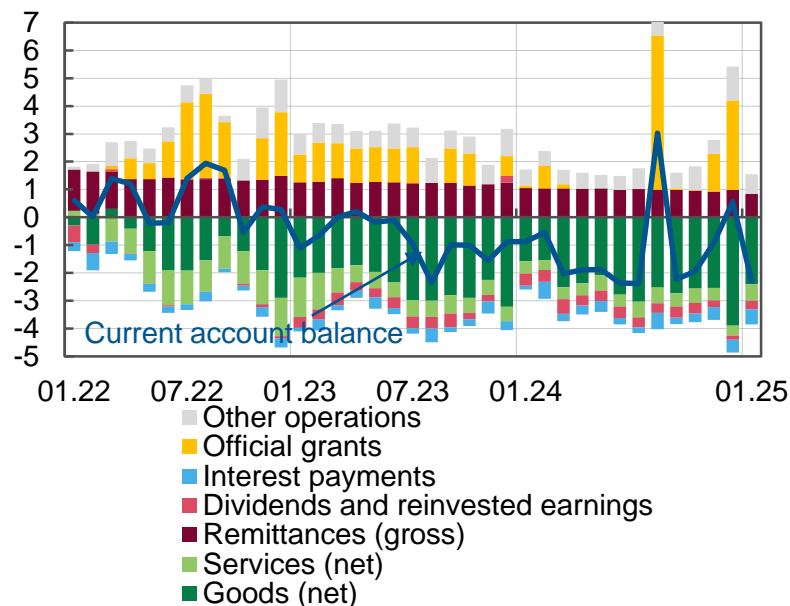
- Tax revenues improved, in particular under the influence of tax rate increases in 2024 and better tax administration, as well as growth in wages. In February, general fund revenues (excluding grants) decreased yoy, which is related to the domestic resources accumulation at the beginning of last year (in particular, some SOEs making certain mandatory payments ahead of schedule)
- In January-February, state budget expenditures were higher than last year (at the beginning of the last year, they were limited due to uncertainty regarding international assistance). Defense and social programs remain key directions of expenditures. Thus, in January, defense spending was more than 3.5 times higher yoy



Ukraine: Balance of Payments

After a significant widening in December, the merchandise trade deficit narrowed in January to the average levels of 2024

Current account balance, USD billions



Source: NBU.

Merchandise trade balance, USD billions

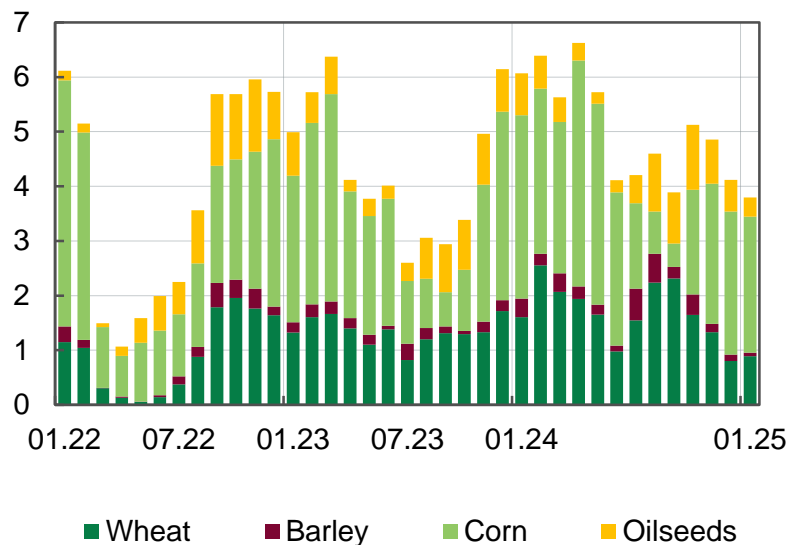


Source: NBU.

- The merchandise trade deficit in January decreased primarily due to the seasonal reduction in imports of machinery, chemical products, and certain foods
- Meanwhile, since January, the exports of services under the gas transit stopped, which, along with the seasonal decline in IT service exports, led to a widening of the services trade deficit
- In addition, due to the absence of grant inflows, the surplus in the secondary income account significantly narrowed
- As a result, the current account returned to a deficit

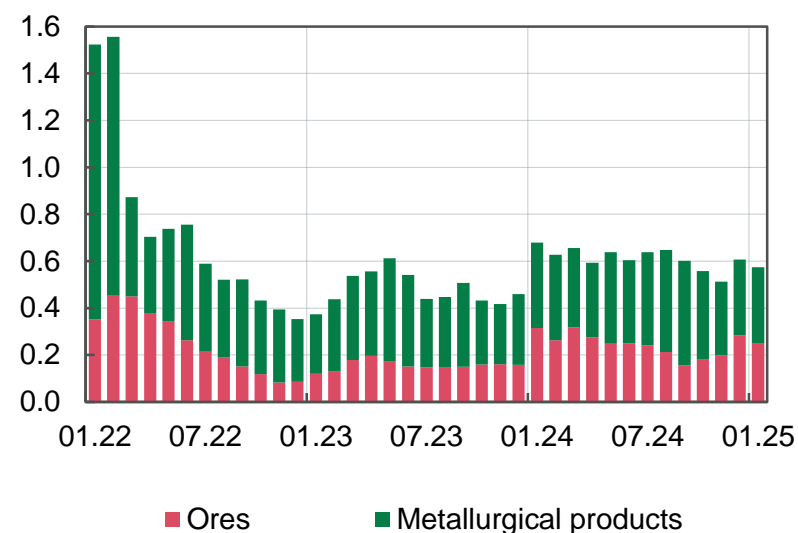
The export of goods decreased slightly due to the reduction in agricultural stocks and the increased uncertainty in global markets

Exports of agricultural products, million tons



Source: SCSU.

Exports of metallurgical products and ores, USD billions

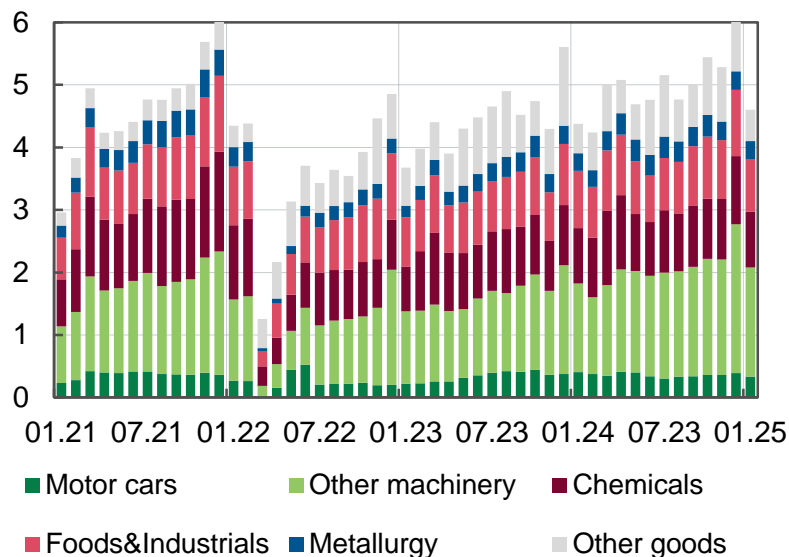


Source: NBU.

- The reduction in stocks of key agricultural crops, the shortage of raw materials for the sunflower oil industry, and increased competition in the sugar market led to a decline in food product exports
- Amid low demand from the EU and increased uncertainty in global commodity markets, the volume of exports of ores and metals also slightly decreased

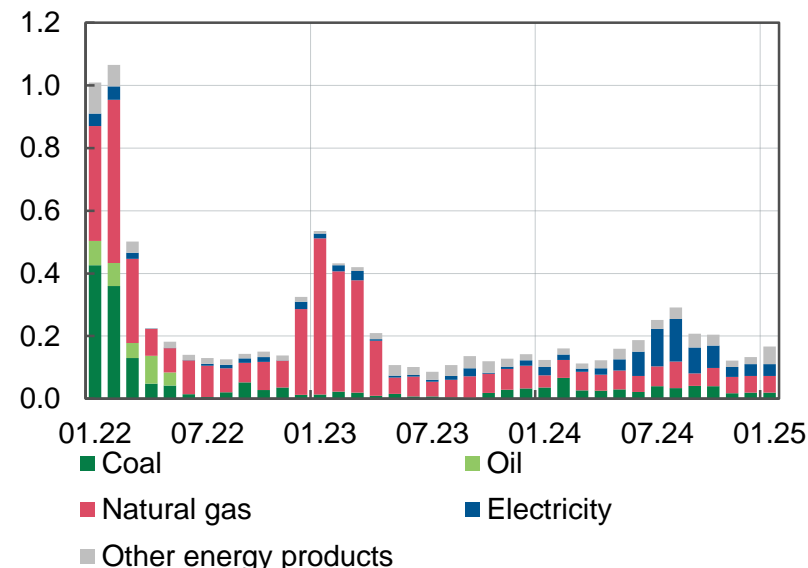
The import of goods decreased more significantly than exports, primarily due to seasonal factors

Non-energy imports, USD billions



Source: NBU.

Imports of certain energy resources, USD billions

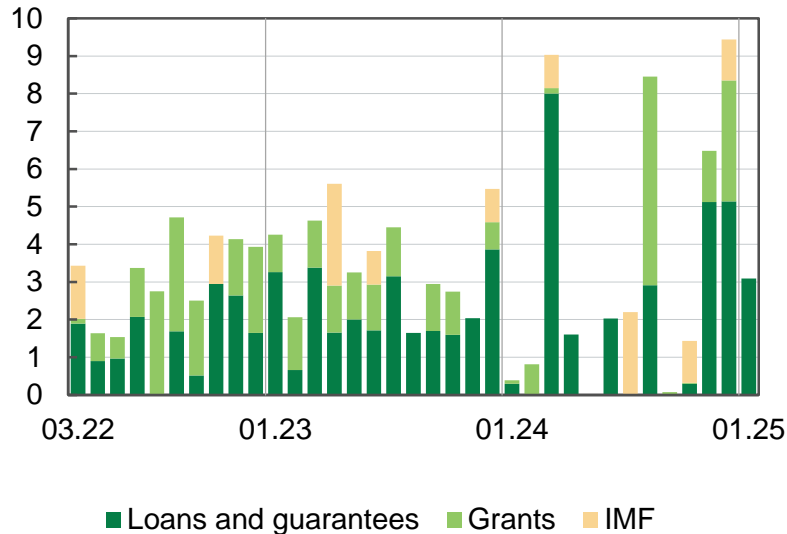


Source: NBU.

- Purchases of machinery products decreased due to the lower budget expenditures, which is usual for January, affecting the import of freight and certain equipment. Additionally, the introduction of the Euro-6 environmental standard for the first registration of vehicles also had an impact
- The seasonal reduction in demand for citrus fruits, fish, and alcoholic beverages, along with the introduction of the [rule requiring a license for retail/wholesale trade in alcoholic drinks and tobacco to import these goods](#), led to a decline in food product imports
- At the same time, amid low gas reserves, replenishment of coal stocks, and still unstable operation of the energy system, the import of energy resources increased

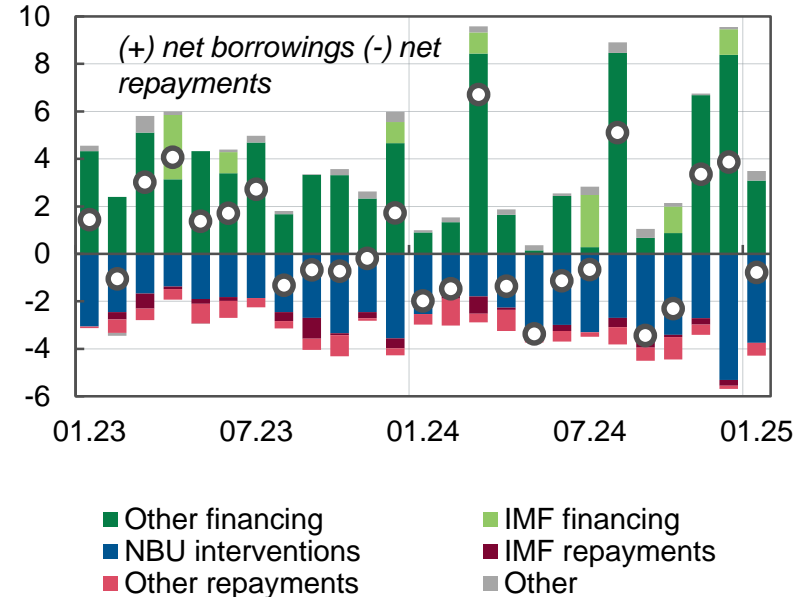
International financial aid covered the structural currency deficit, and reserves decreased slightly

International financial assistance since the beginning of the full-scale war, USD billions



Source: NBU, MFU, open sources data.

Change in gross international reserves, USD billions



Source: NBU.

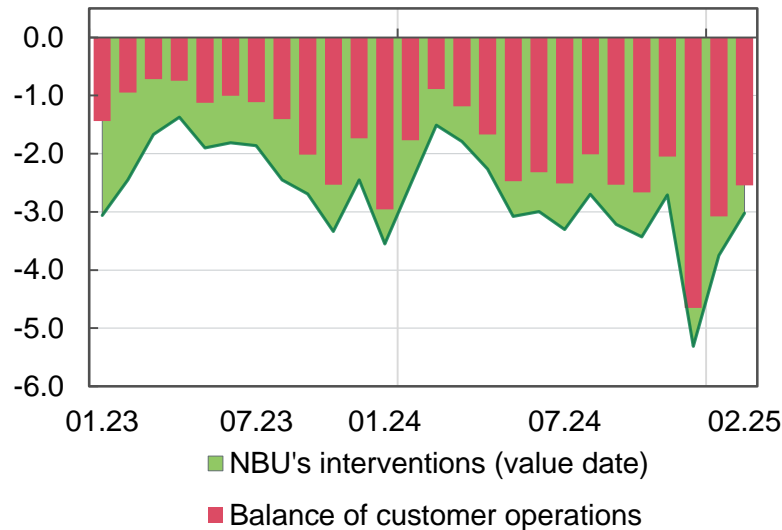
- In January, the demand for FX cash slightly increased due to the deteriorated ER expectations and an acceleration in inflation. Coupled with the trade deficit, this continued to cause the significant NBU's interventions
- Such interventions were almost fully offset by the inflow of international financial aid: Ukraine received the first €3 billion from the EU under the ERA initiative
- As a result, in January, the reserves decreased slightly and amounted to USD 43 bn as of the end of the month



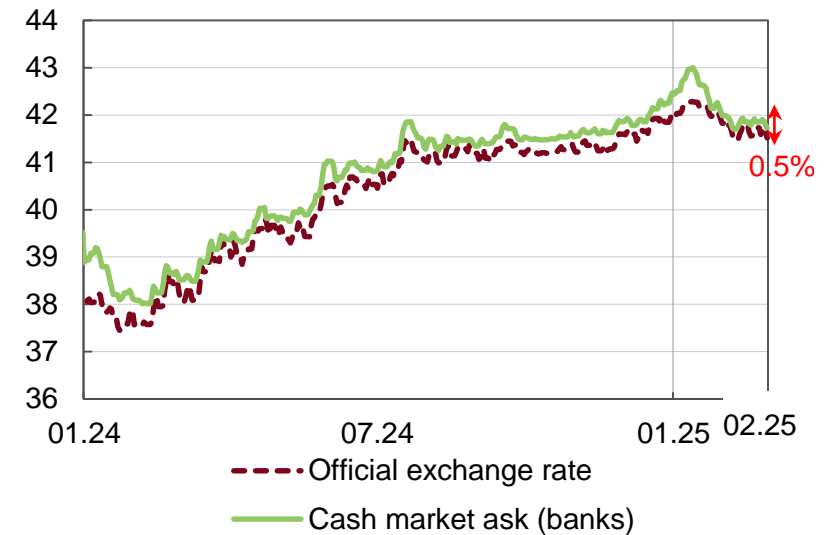
Ukraine: Monetary sector

The amount of NBU's FX sales decreased in February due to a decline in net demand

Bank clients' FX transactions* and NBU FX interventions, USD billions



Hryvnia exchange rates, UAH per USD



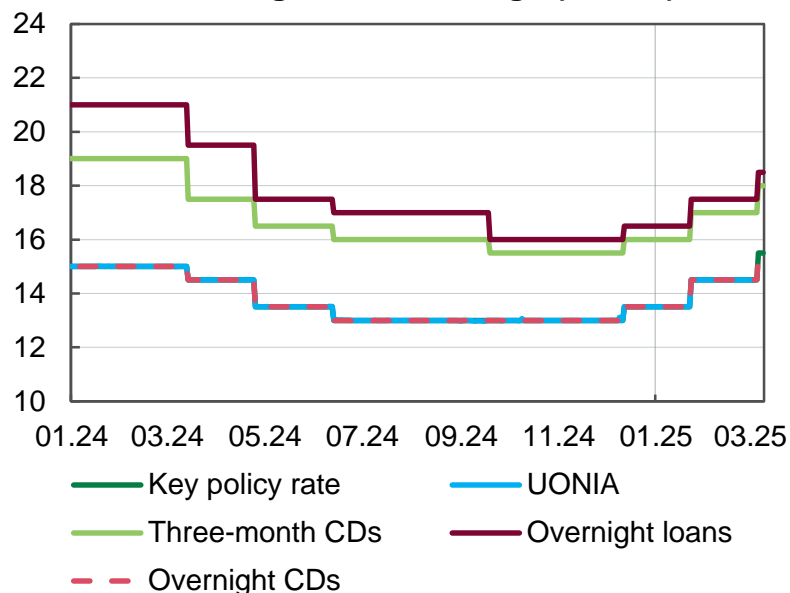
* Net sale and purchase of noncash and cash foreign currency by bank clients (Tod, Tom, Spot). Source: NBU.

Source: NBU.

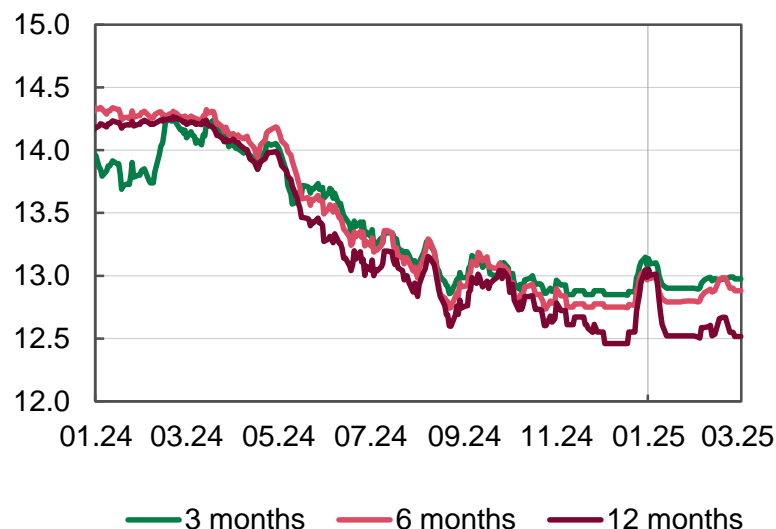
- Net demand for foreign currency declined from January in both the non-cash and cash segments of the FX market. This was driven by relatively stable exports and improved exchange rate expectations of households amid the NBU's measures to tighten interest rate policy and maintain FX market sustainability
- As a result, the NBU's FX sales decreased and amounted to USD 3.1 billion in February
- The official hryvnia exchange rate appreciated against the dollar and the euro in February, and the spread between the cash and official exchange rates did not exceed 0.7%

The NBU's monetary policy tightening measures halted the downward trend in hryvnia market rates...

Interest rates on NBU open market operations and Ukrainian OverNight Index Average (UONIA), %



Ukrainian Index of Retail Deposit rates*, %



* 5-day moving average.

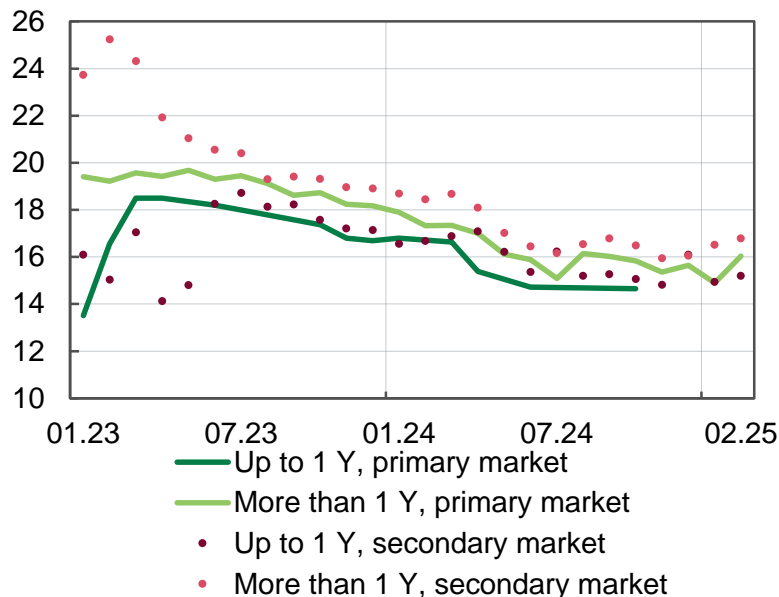
Source: Thomson Reuters.

Source: NBU.

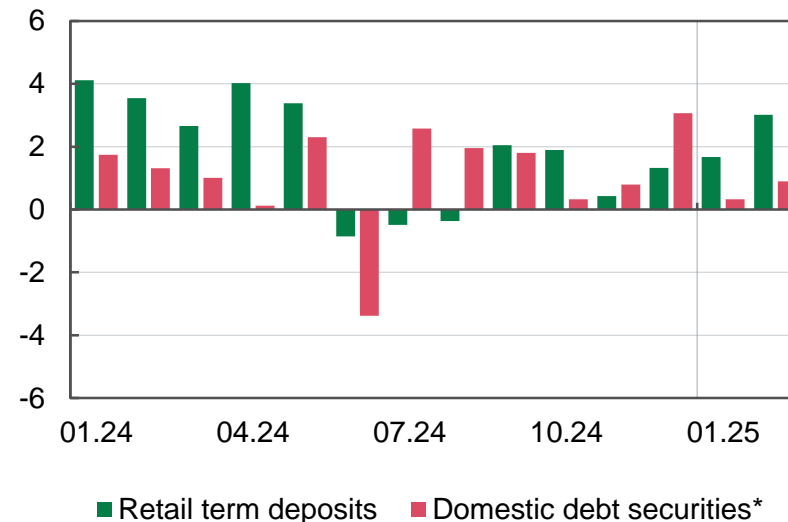
- Since December, the NBU has raised the key policy rate three times (by a total of 2.5 pp) to 15.5% in March. This, together with the continued sustainability in the FX market, helps to maintain demand for hryvnia assets, thus limiting pressure on prices
- In addition, to make hryvnia savings more attractive, the NBU amended the parameters of the operational framework of its interest rate policy. More specifically, from 4 April 2025:
 - the spread between the key policy rate and the interest rate on three-month certificates of deposit will be increased by 1 pp;
 - the spread between the key policy rate and the interest rate on overnight loans will also be raised by 1 pp;
 - the NBU will provide greater opportunities for banks to place funds in three-month CDs, depending on how well over the last 12 months they expanded their portfolios of hryvnia retail deposits with a maturity of more than three months (the multiplier will increase from 3 to 3.5)

...and also contributed to further growth in term deposits and investments in government debt securities

Yields on hryvnia domestic debt securities, % per annum



Changes in the stock of selected hryvnia instruments held by individuals, UAH billions



Source: NBU staff calculations.

* At outstanding nominal value.

Source: NBU.

- In January-February, the inflow of household term deposits accelerated, albeit was lower than in the same period last year
- Relatively high nominal yields and tax exemptions support real yields on hryvnia domestic government debt securities at a relatively attractive level, fueling households' interest in this instrument. Thus, despite significant redemptions, positive growth in domestic government debt securities in the portfolio of individuals continued in January and February