



Macroeconomic and Monetary Review

July 2025



Summary

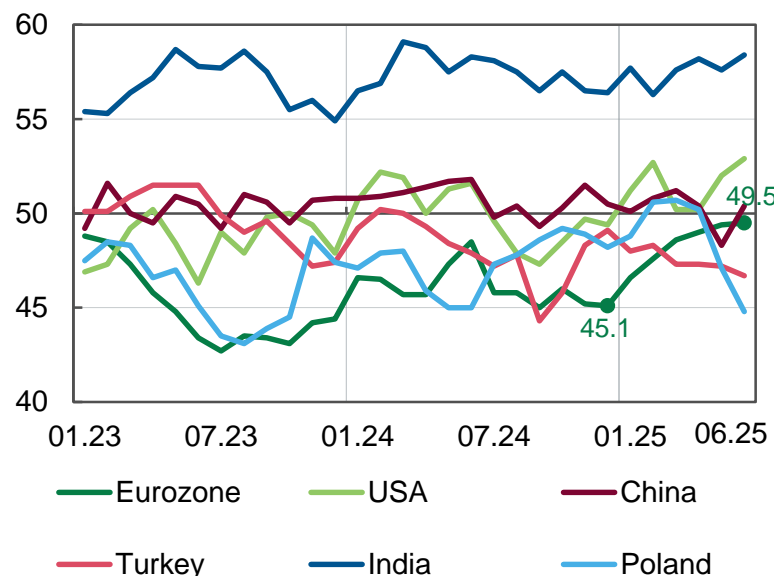
- **Economic growth in Ukraine's MTPs remained fragile, with inflation above the central banks' targets.** Leading central banks and those in EMs were cautious in making monetary policy decisions amid uncertainty. Global energy prices remained highly volatile as tensions in the Middle East grew
- According to the NBU estimates, **inflation peaked in May (15.9% yoy) and returned to decline in June**, primarily owing to the high last year's comparison base of administratively regulated prices. At the same time, the decline in inflation was likely slower than anticipated in the NBU's April forecast due to continued high growth in food prices
- **Business expectations and economic activity indicators showed mixed dynamics in June.** Activity in a number of industrial sectors slowed down amid facilities' renovations, deteriorating foreign price conditions and Russian shelling. The transportation sector contracted due to the depletion of last year's agricultural stocks and slow harvests. At the same time, the needs of the security and defense sector supported the revival in construction, while trade and consumer demand continued to grow steadily
- **The labor market continues to expand**, with the number of resumes growing faster than the number of job offers. This makes it easier to find employees, although the labor shortage remains significant and is driving further wage increases.
- In May, **the external trade deficit remained almost at April's level.** At the same time, the amount of international financial assistance decreased noticeably, leading to a reduction in reserves. However, thanks to significant inflows from international partners in June, reserves resumed growth
- **The state budget deficit narrowed somewhat in June.** Budgetary needs were financed by international aid. At the same time, in June, the domestic debt market activity weakened and the rollover of domestic government debt securities in all currencies was 93% in H1 2025
- **The NBU's previous monetary policy tightening measures and keeping the key policy rate at 15.5% in June supported interest in hryvnia term instruments.** The latter was an important factor in maintaining a sustainable situation in the FX market: net FX demand remained restrained, and exchange rate fluctuations were moderate



External Environment

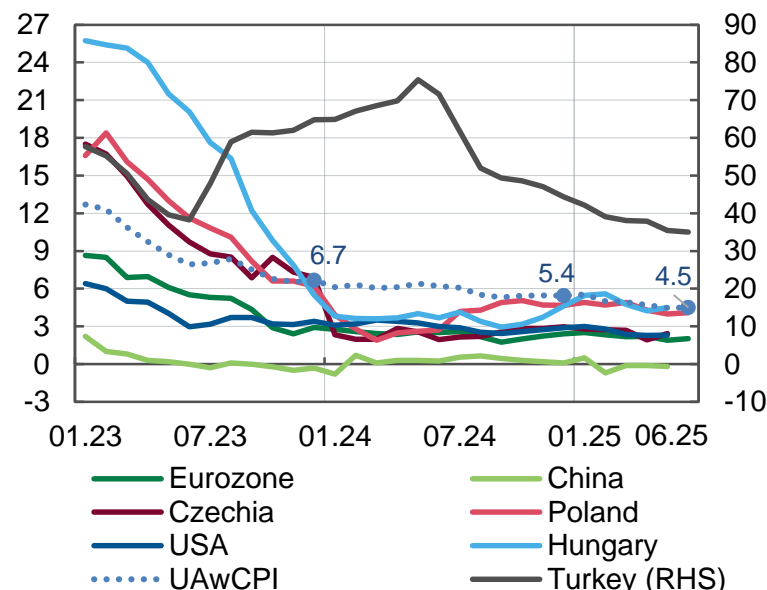
Economic growth in Ukraine's MTPs remained fragile, with inflation above the central banks' targets

Manufacturing PMIs of selected countries



Source: S&P Global.

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

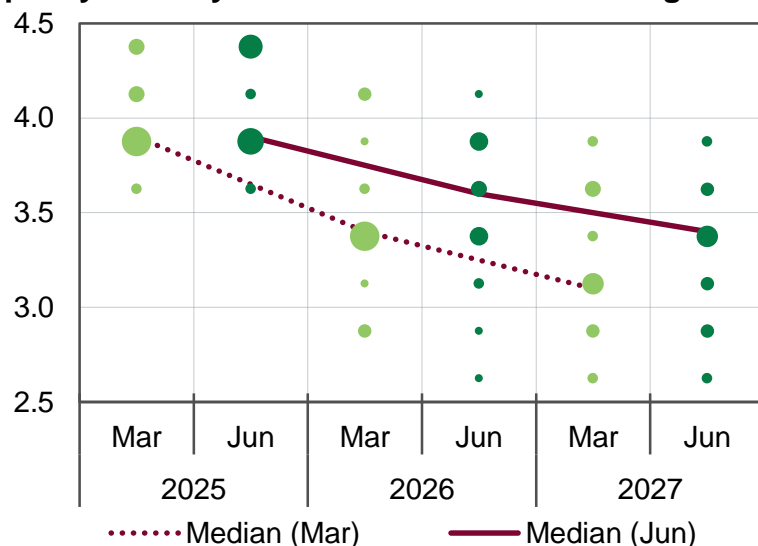


Source: national statistical offices, NBU staff estimates.

- According to leading indicators, the economies of some of Ukraine's MTPs are picking up due to the stabilization of new order intake and shorter delivery times. Growth asynchrony persists: the situation in China, India, and the Eurozone has improved, but deteriorated in Poland and Turkey
- Inventories are declining, and business optimism remains moderate, restraining production potential. Reasons: still high uncertainty in the international trade environment and geopolitical instability, particularly in the Middle East
- Inflationary pressures from Ukraine's MTP countries (UAWCPI) stabilized: high prices in the services sector and those for foods were offset by lower energy prices. At the same time, inflation in most of the MTPs remains higher than the CBs' target levels

Both major CBs and EM CBs were more cautious in making monetary policy decisions amid ongoing uncertainty

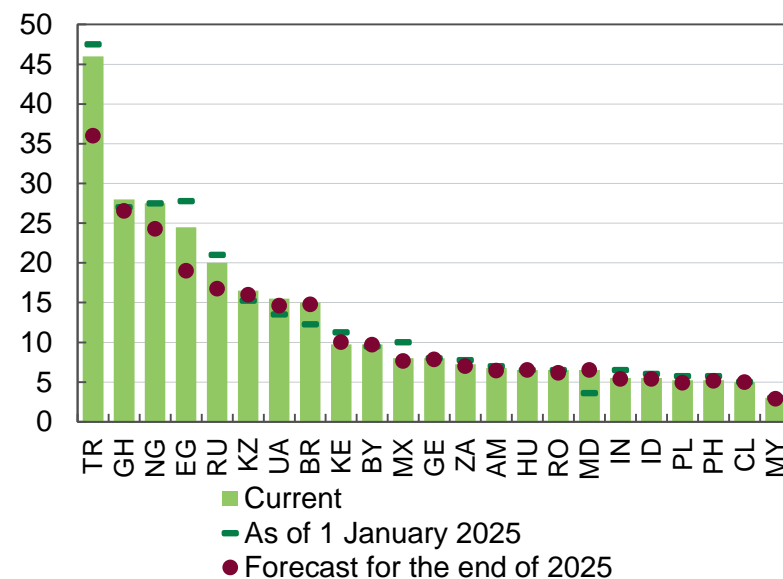
Number of FOMC members expecting the respective policy rate at year-end based on the meeting results*



* The size of the circle is determined by the number of participants supporting the respective rate level.

Source: Fed (as of March and June 2025).

Key policy rates in selected EM countries, %



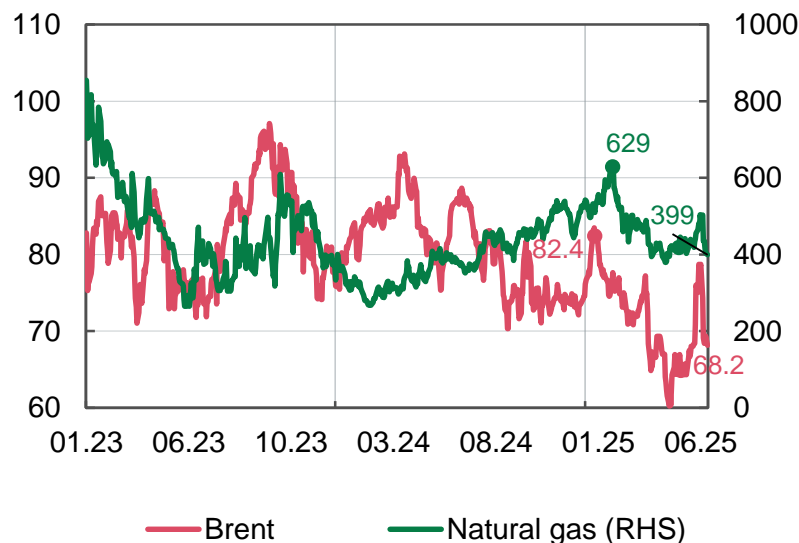
Source: official web pages of central banks, Focus Economics, Oxford Economics, as of 30.06.2025.

- The Fed once again maintained its target rate range at 4.25%-4.5% and will assess new data throughout the summer. Uncertainty about its next moves has increased, with a growing number of FOMC members forecasting unchanged rates in 2025. The ECB continued its policy easing cycle by cutting rates by 25 bp (deposit rate – to 2%) and now approaches the end of this cycle. Financial markets expect one more rate cut by year-end from the ECB and roughly two cuts (by over 50 bp) from the Fed
- The U.S. dollar continued to depreciate against the euro (by almost 3.5% in June – to 1.17 USD/EUR) driven by both cyclical (expected narrowing of differences in key policy rates and growth rates) and structural factors (declining confidence in the dollar)

CBs of EM countries continued to temperately calibrate their monetary policies, either tightening to curb inflation (Brazil) or easing to support economic growth (India, Mexico, Kenya, South Africa)

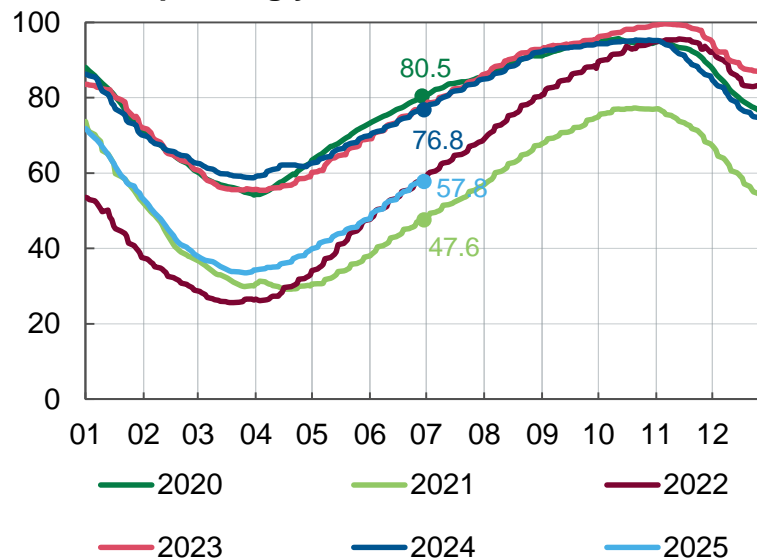
Global energy prices remained highly volatile as tensions in the Middle East intensified

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, %

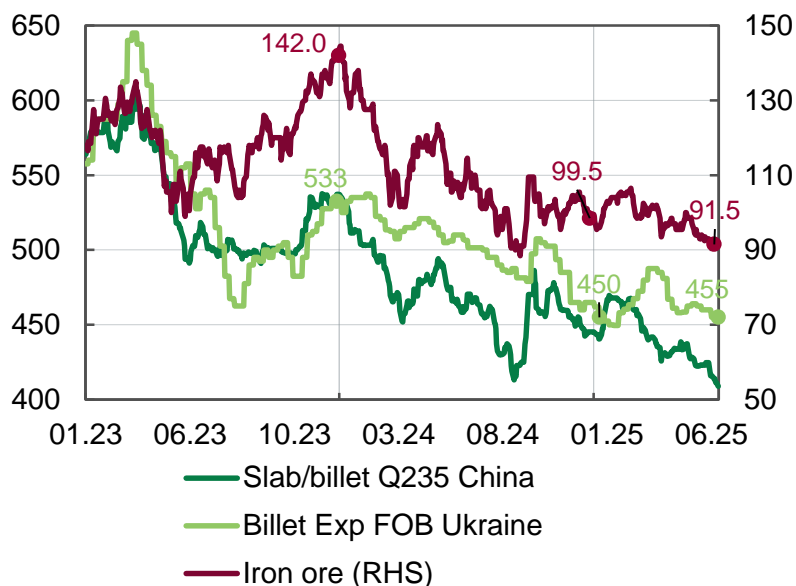


Source: LSEG, as of 30.06.2025.

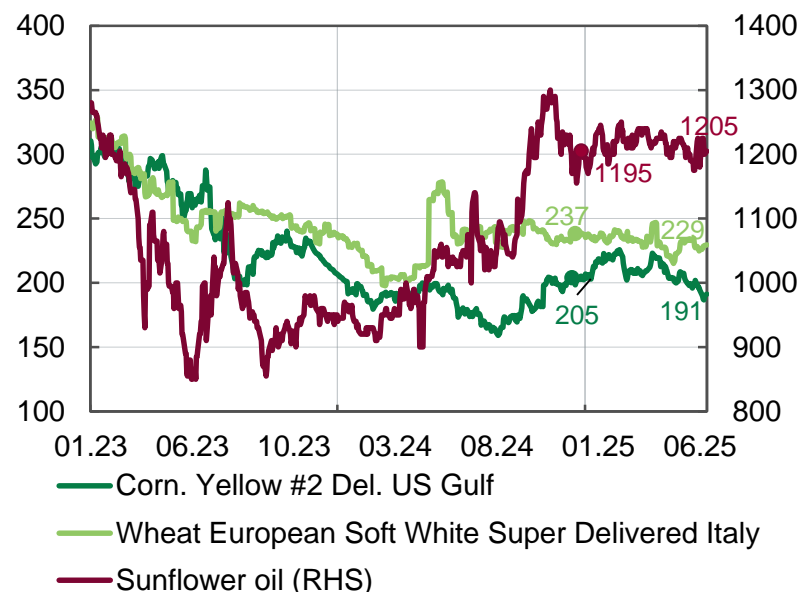
- The escalation of military confrontation in the Middle East has increased the risks of limiting global energy supply, given Iran's significant share in oil and gas production and possible problems with energy supply routes. As a result, energy prices rose sharply. However, after supply risks eased, prices adjusted downwards
- Oil prices were also supported by optimism amid trade talks between the United States and China. Meanwhile, the accelerated increase in OPEC+ production amid still high trade uncertainty between the U.S. and third countries put downward pressure on prices
- Active gas injection into EU and Ukrainian storage facilities put upward pressure on gas prices in Europe. At the same time, the establishment of flexible storage fill targets amid steady gas supplies from Norway and the resumption of supplies through the TurkStream after maintenance kept prices from rising significantly

Under the influence of specific factors, prices for export goods mostly declined

Global steel and iron ore prices, USD/MT



Global grain and sunflower oil prices, USD/MT



Source: LSEG, Delphica.

Source: LSEG.

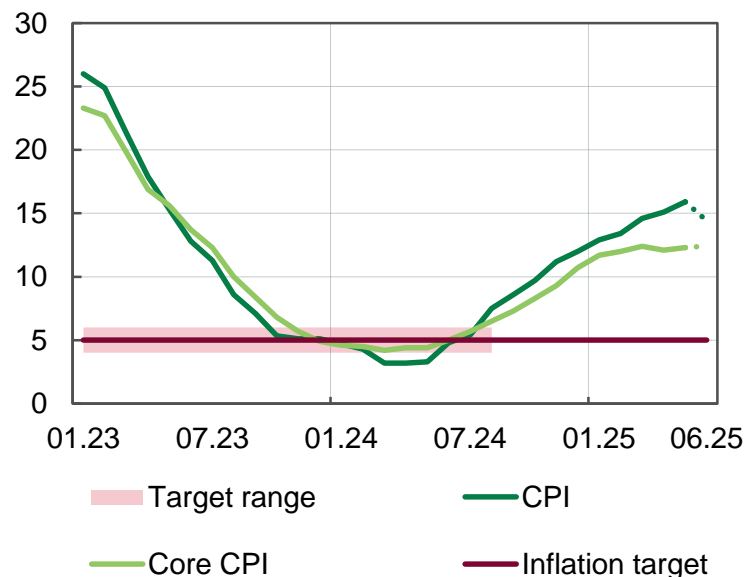
- Steel and iron ore prices declined due to weaker demand in certain regions, in particular in the EU due to the holiday season and in China and the SEA countries due to the rainy season. At the same time, the global supply of both iron ore and steel remained relatively stable
- The wheat market was balanced due to improved USDA and IGC estimates of expected harvests in the largest exporting countries in MY 2025/2026, which will be enough to meet increased demand amid drought in major importing countries (Morocco, Egypt, Syria, Mexico). Corn fell in price under the pressure of the current active harvesting of high yields in Latin America
- Sunflower oil prices moved in a sideways trend: limited supply of sunflower due to low current stocks was offset by significant volumes of soybeans and expectations of good harvests in MY 2025/2026. Significant fluctuations in bioethanol prices added to volatility in the edible oils market



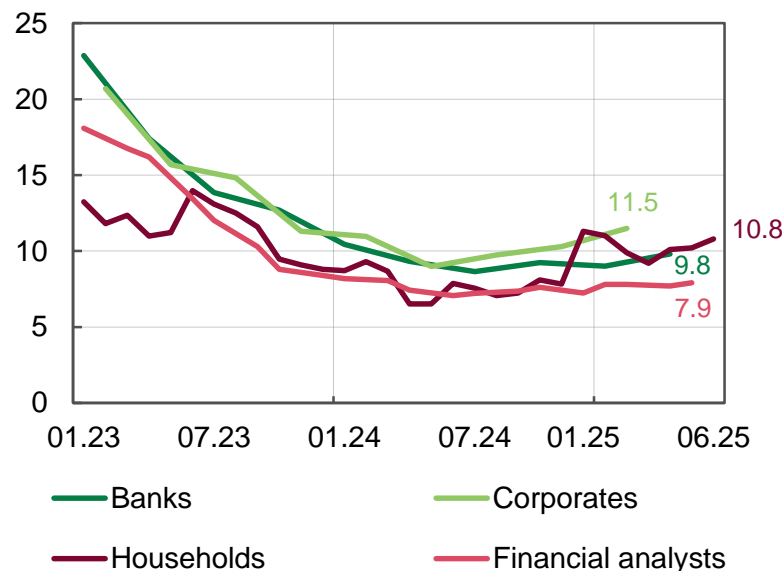
Ukraine: Inflation

In May, inflation reached this year's peak and, according to the NBU's estimates, returned to a decline in June

Inflation* and inflation target, % yoy



Inflation expectations for the next 12 months, %



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

Source: SSSU, NBU staff estimates.

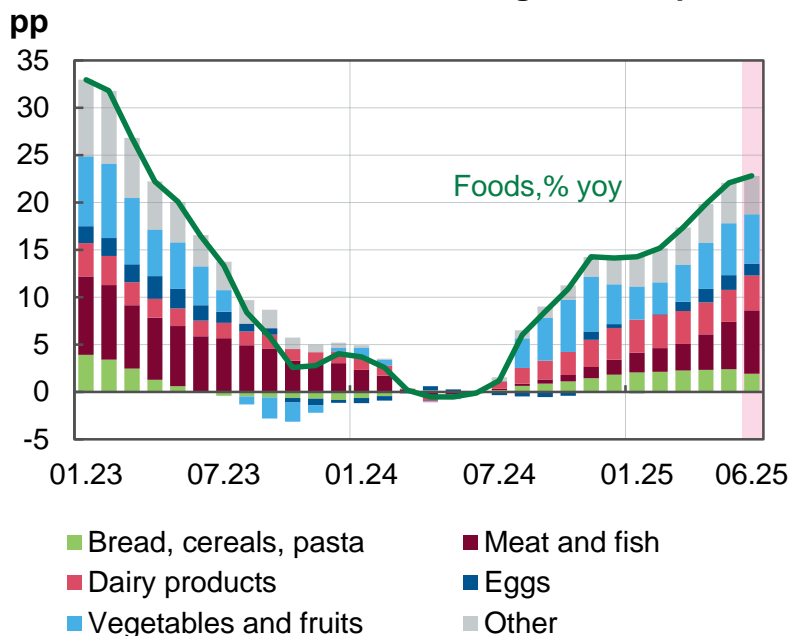
Source: NBU, Info Sapiens.

- In May, consumer inflation accelerated (to 15.9% yoy), exceeding the NBU's [forecast](#) due to a higher-than-expected rise in raw food prices
- At the same time, core inflation (12.3%) was lower than forecast. Underlying inflationary pressures were contained by the NBU's previous monetary policy tightening measures, as well as by the stable situation with electricity supplies
- According to the NBU's estimates, headline inflation slowed in June due to a decline in administered inflation

Inflation expectations slightly deteriorated, but were significantly lower than the current inflation rate

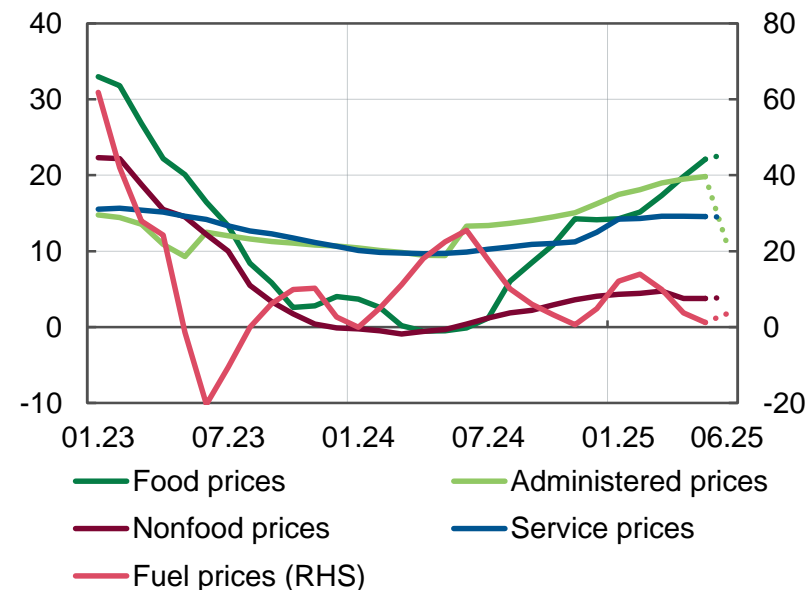
The growth in raw food prices continues, putting further pressure on processed food prices

Contributions to the annual change in food prices*, pp



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

Selected CPI components*, % yoy

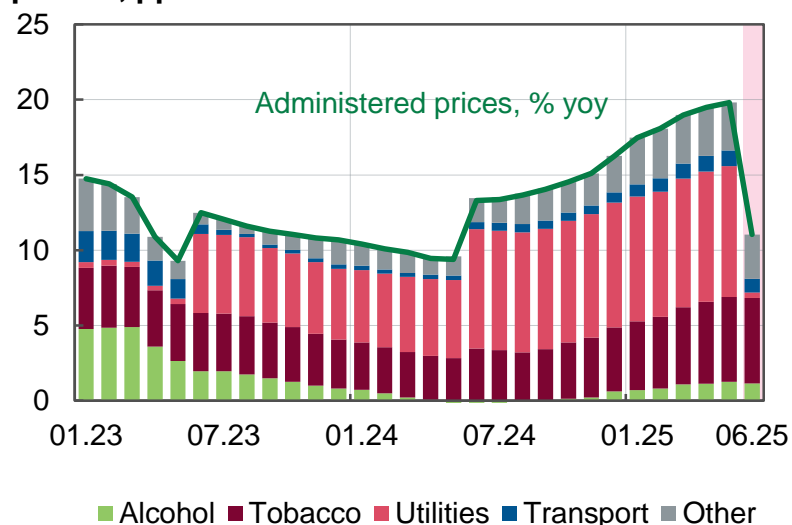


* Data for June reflects nowcast.
Source: SSSU, NBU staff estimates.

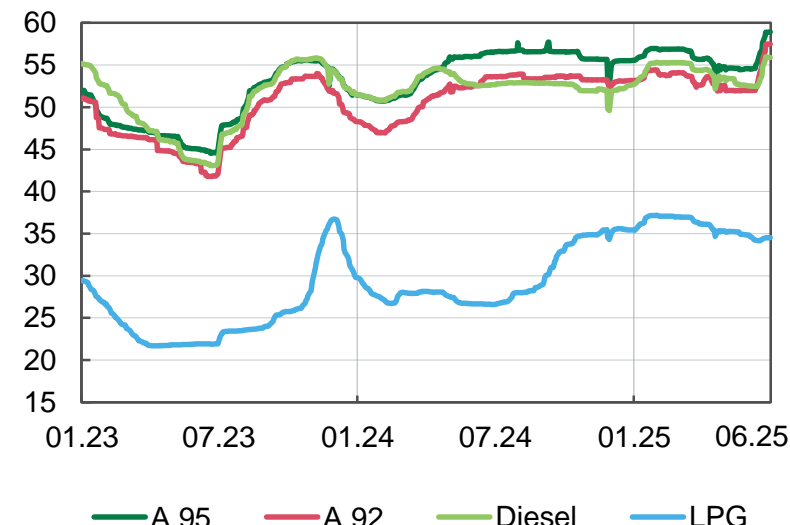
- The growth in prices for raw foods accelerated in May (to 26.4% yoy), primarily due to higher prices for livestock products (milk, [meat](#), and eggs) amid rising costs, a decline in livestock population, and active exports of [certain products](#). Prices for certain vegetables, [apples](#), stone fruits, and berries grew at a high rate mainly due to the impact of adverse weather conditions on their supply. Processed food prices also continued to rise
- According to the NBU's estimates, food prices continued to rise in June
- Significant underlying inflationary pressures persisted, with inflation in services remaining high amid further wage growth and robust consumer demand. Non-food prices continued to rise at a moderate pace

Administered inflation accelerated in May but slowed significantly in June owing to the comparison base effect

Contributions to the annual change in administered prices*, pp



Fuel prices, UAH / L



* Data for June reflects nowcast.

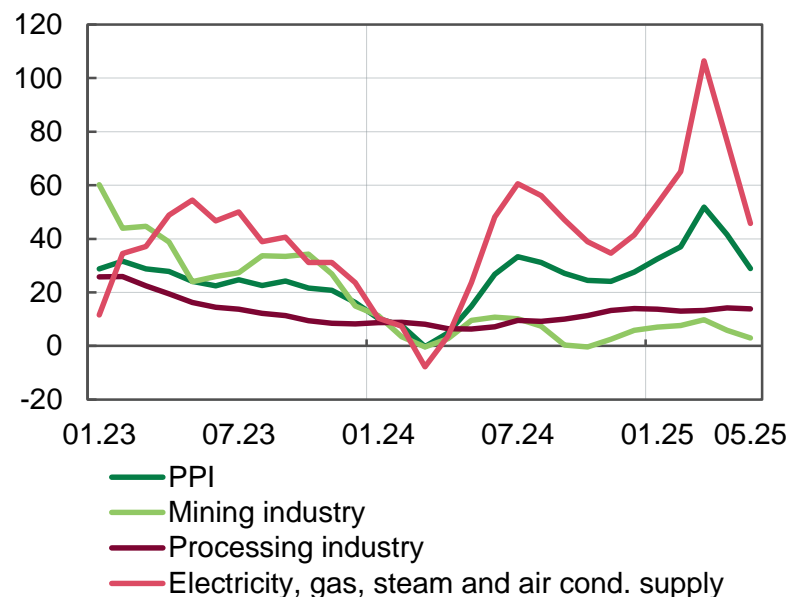
Source: SSSU, NBU staff estimates.

Source: minfin.com.ua.

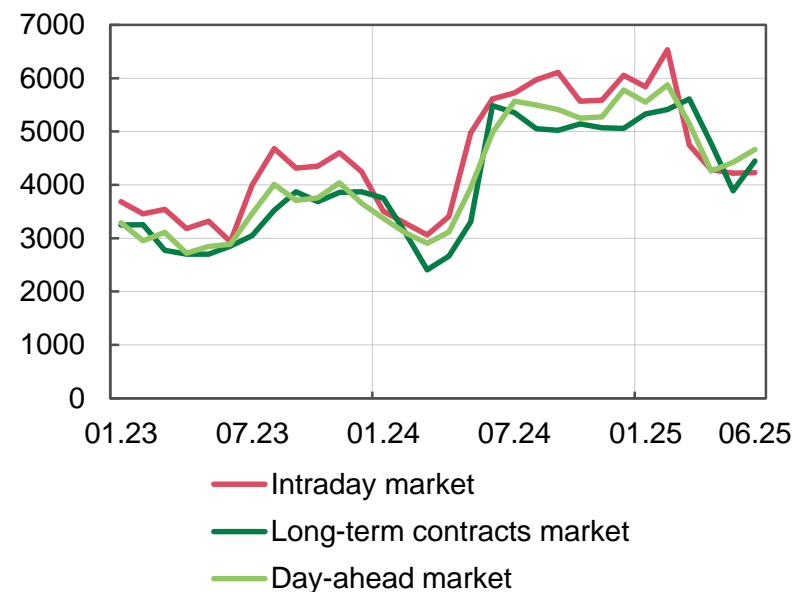
- Administered inflation accelerated to 19.8% yoy in May, primarily due to higher prices for alcoholic beverages and tobacco products, in particular, amid further increases in production costs, stricter measures to combat shadow supply, and tax changes for tobacco producers and importers
- According to the NBU's estimates, administered inflation slowed significantly in June owing to the comparison base effect (a one-time increase in electricity tariffs in June 2024)
- Fuel price growth remained subdued (at 1.2% yoy in May), although according to NBU estimates, it accelerated in June due to higher prices for gasoline and diesel amid rising oil prices in global markets

The growth in producer prices continued to decelerate in May amid stable situation in the energy sector in recent months

PPI and its components, % yoy



Electricity prices for non-household consumers, UAH/MWh



Source: SSSU.

Source: Ukrainian Energy Exchange, Market operator.

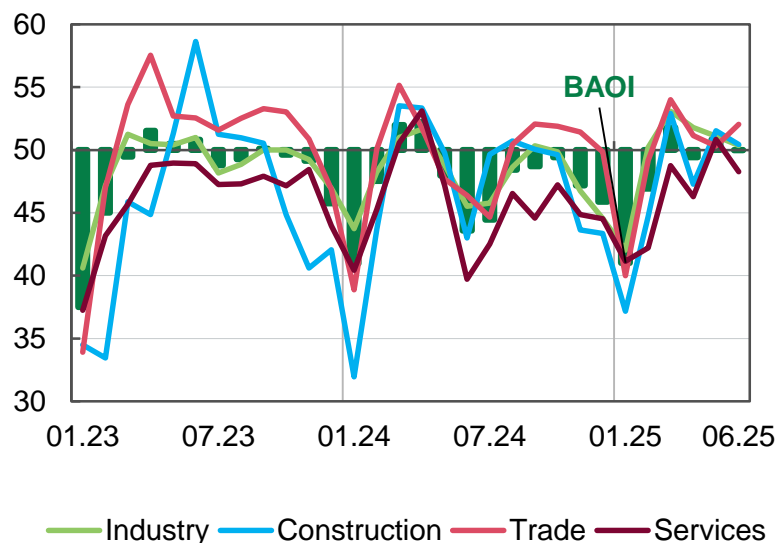
- The growth in producer prices slowed in May (to 28.9% yoy), primarily due to a further decline in price growth in the electricity, gas, and steam supply industry (to 45.7% yoy). The latter was facilitated by the comparison base effect (last year prices were growing rapidly due to a significant energy shortage), the continued stable situation in the energy sector, and moderate pressure on the EU wholesale markets from which electricity is imported to Ukraine
- Stable situation in the electricity sector contributed to a significant slowdown in price growth in the mining industry, given its high energy intensity. At the same time, price growth in the processing industry continued at a relatively stable pace and was supported by internal factors (shortage of personnel and higher raw material costs)



Ukraine: Economic activity

Business expectations of enterprises and indicators of economic activity had mixed dynamics

NBU's business activity outlook index, p

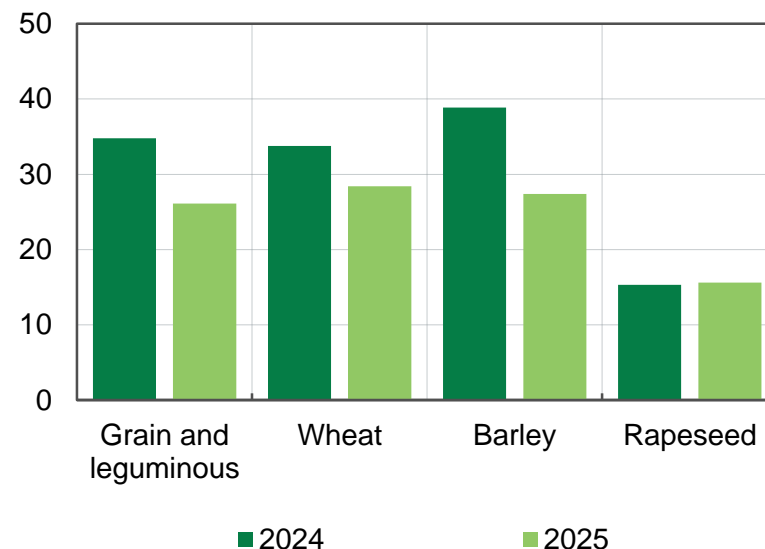


A level above 50 indicates mainly positive expectations.

Survey was not conducted from March to May 2022.

Source: NBU.

Yield of main agricultural crops (as of 04.07.25), centner/ha

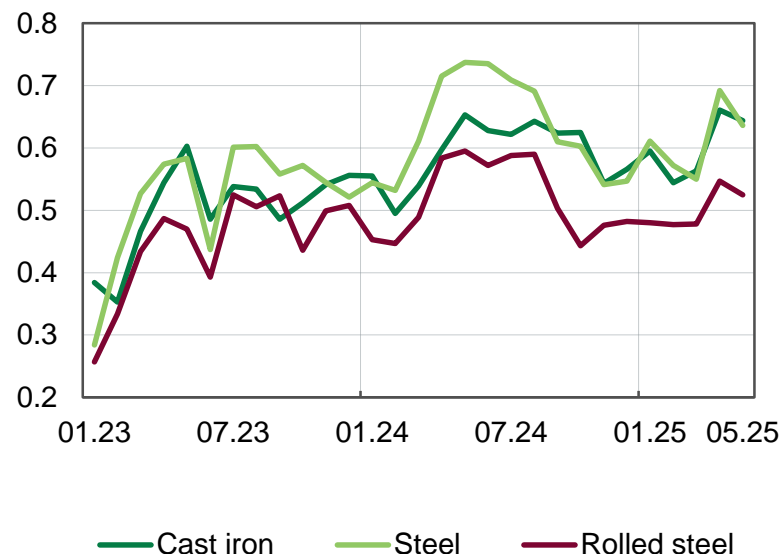


Source: MinAgro.

- Business expectations of enterprises had mixed dynamics in May-June: the recovery in trade continued, while indicators for manufacturing, construction and transportation weakened
- The harvest of early crops began at a similar time compared to last year, but is progressing more slowly due to [cold and changeable weather](#) and [uneven ripening of crops](#) in a number of regions (as of July 4, the harvested areas were 66% lower than last year), and the yield was also lower compared to last year, but the indicators can change significantly during the harvest. The [supply of vegetables is growing seasonally](#), but for a number of crops it remains significantly lower than last year

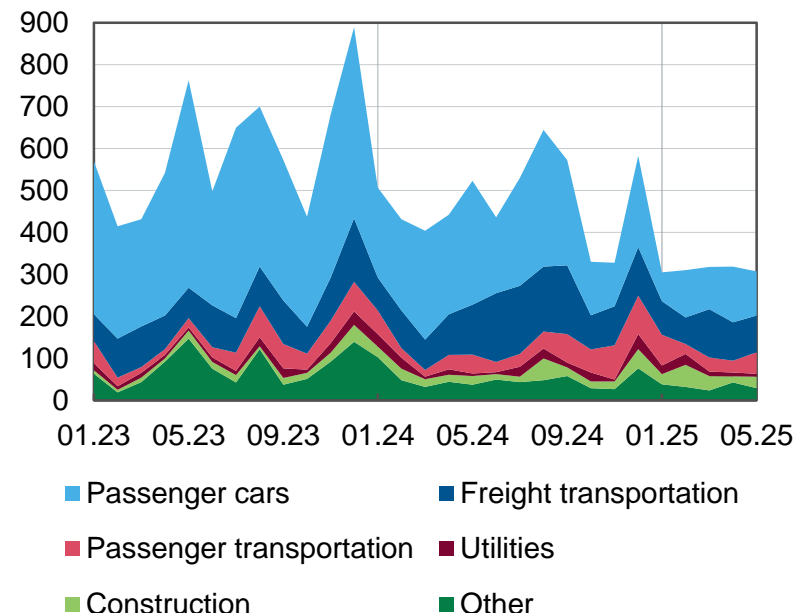
Facilities' repairs, worsening global price conditions, and russian shelling held back manufacturing

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



Source: Ukrmetallurgprom.

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

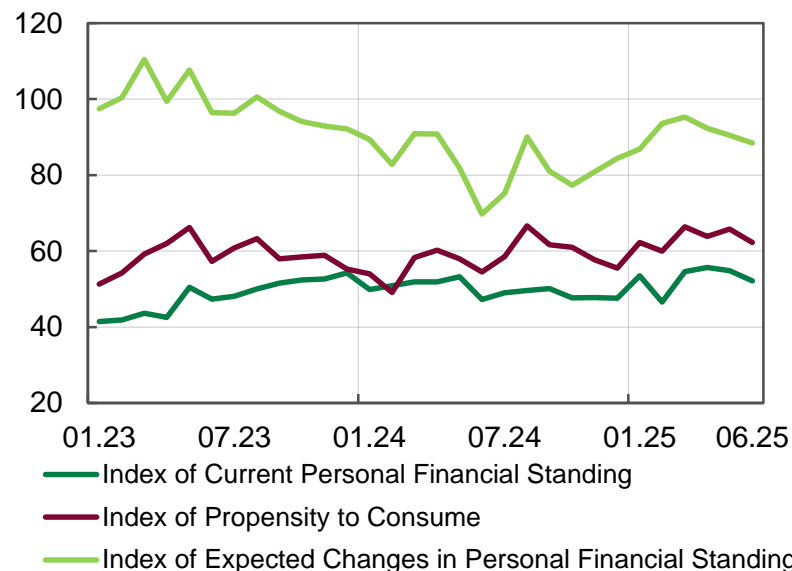


Source: Ministry of Internal Affairs.

- Metallurgical production weakened in May amid [repairs at key facilities](#) at some enterprises; the industry was also held back by a [worsening shortage of personnel](#). At the same time, production is expected to recover in June as [facilities return to operation](#) and increased [supplies of pipe products](#) to foreign markets
- [Declining external demand](#) and [worsening foreign price conditions](#) in June held back the iron ore industry, while [rising gas prices](#) and [russian shelling](#) held back the chemical industry. At the same time, [gas production continued to recover](#); [exploration investments](#) are growing
- Investments by railway companies in [updating their rolling stock](#), as well as by farmers in [storage and processing facilities](#) for agricultural products, supported engineering

Some trade and demand indicators weakened slightly compared to May, but growth continues in annual terms

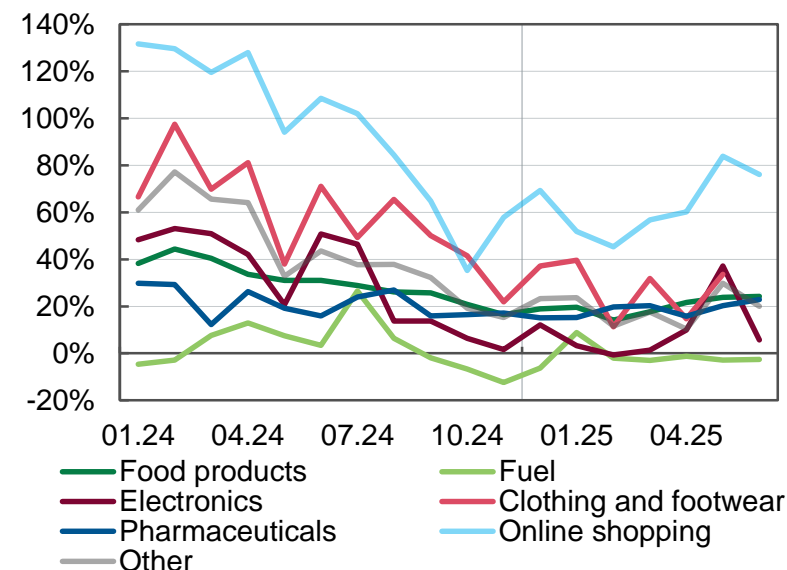
Components of the consumer sentiment index, p



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

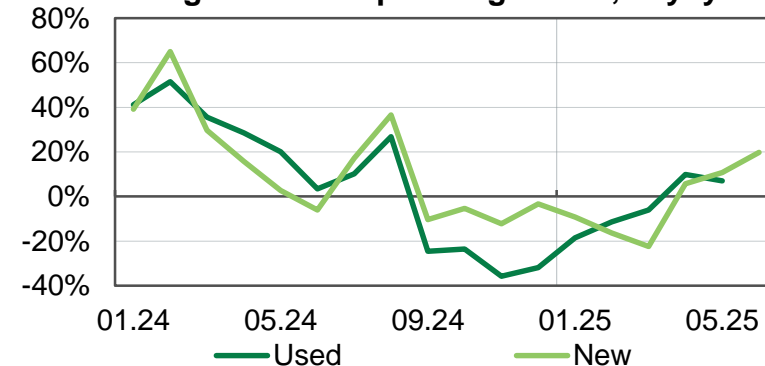
- Due to the cold weather, the [indicators of the restaurant business decreased slightly](#)
- The duration of air raids during shopping mall hours in May [reached its lowest level since November 2023](#) and continued to decline in June, in particular due to the shift of shelling to nighttime
- New car sales returned to growth in May-June, driven primarily by electric vehicles due to the expected cancellation of benefits (+54% yoy in May)

Payment terminal transaction volumes by retail sector, % yoy (monthly average)



Deflated by inflation indices by type of goods
Source: State Tax Service, NBU staff estimates.

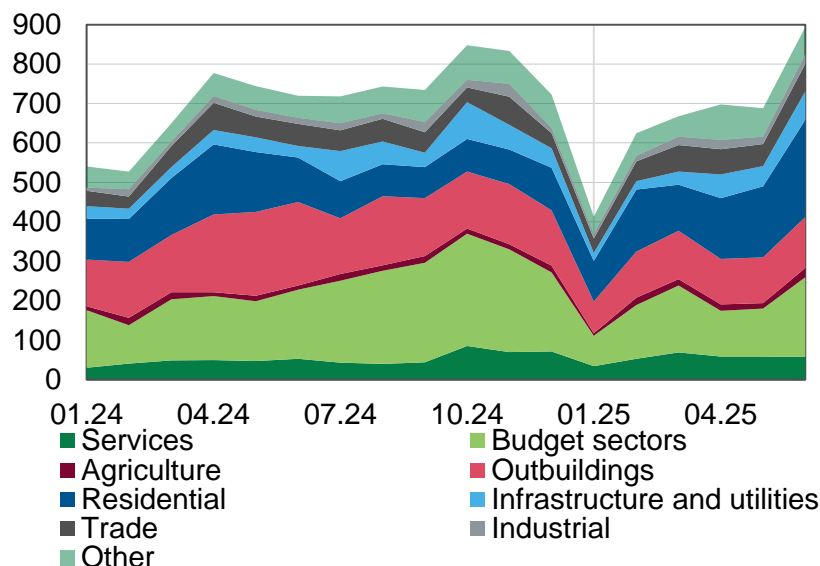
The first registration of passenger cars, % yoy



Data for June 2025 are preliminary
Source: Ministry of Internal Affairs.

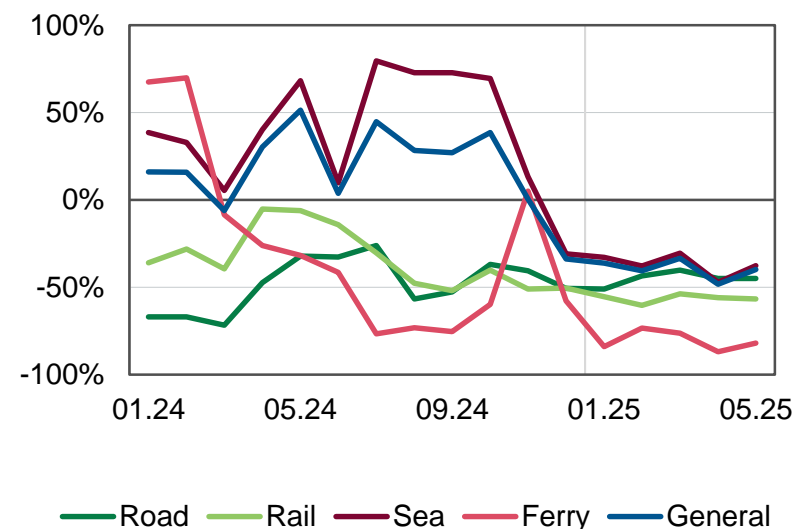
Shelter construction and defense needs supported the construction industry, while transportation continued to decline

Number of buildings at the start of construction, units*



*Buildings constructed by legal entities and individual entrepreneurs - a forward-looking indicator of activity in the industry; Source: Construction activity registry.

Volumes of agricultural products transportation for export by type of transport, % yoy



Source: UGA.

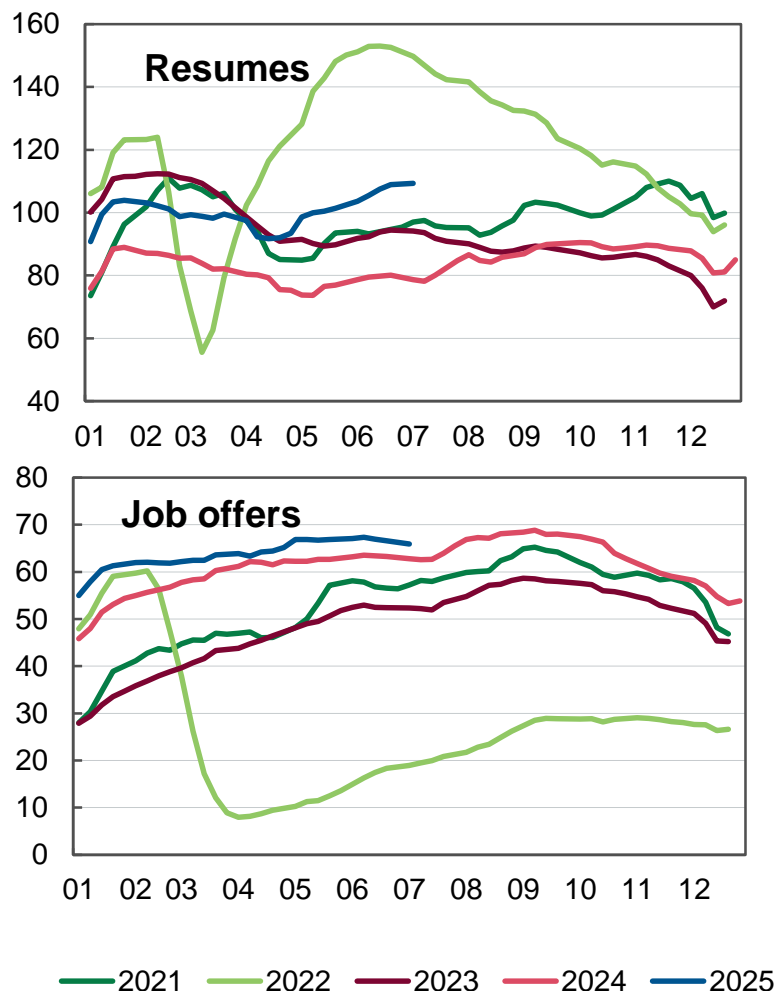
- New construction picked up in June (+24.2% yoy), driven by shelters, defense buildings and housing; however, the number of buildings put into operation increased by only 3.0% yoy
- Agricultural cargo exports by all modes of transport fell in May (by 40% yoy) and continued to decline in June (by 9.8% in 15 days of June compared to the same period in May). In June, [the average daily grain load on the railway network](#) fell by more than 50%, as grain stocks are almost exhausted and the arrival of the new crop is negatively affected by weather conditions; [road transportation](#) and [transshipment at ports](#) also decreased
- Oil processing [remains weak](#), with some plants halted for re-equipment; renewed EU trade restrictions and a [surplus of finished products](#) have held back dairy processing; at the same time, meat production has picked up amid the [launch of new plants](#)



Ukraine: Labor market

In June, labor supply growth accelerated...

Labor market indicators, four-week rolling average, thousands



Source: work.ua, NBU staff calculations.

Professions with the highest number of job openings and resumes, number of ads

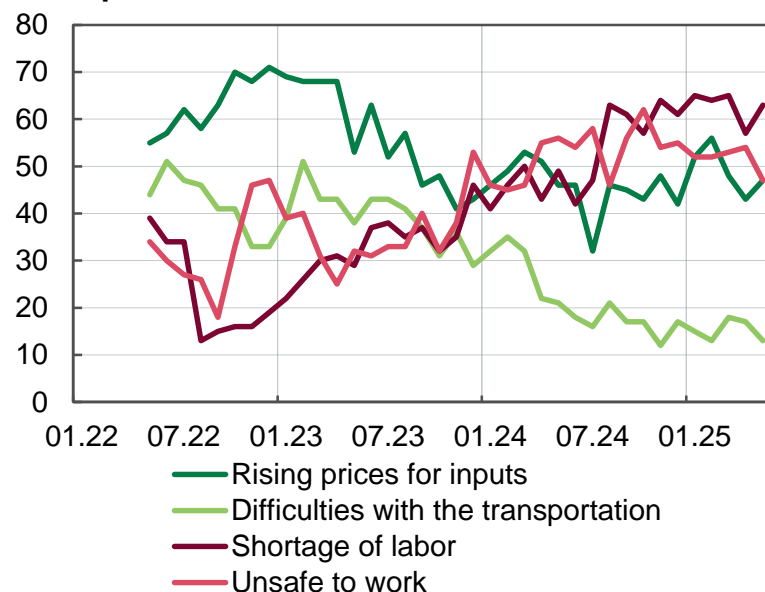


Source: work.ua, NBU staff calculations.

- The growth in the number of resumes in June outpaced the growth in the number of job offers (on average, resumes increased by 33% y/y, while job offers increased by 6% y/y), indicating an expansion of labor supply
- Significant sectoral imbalances remain: the number of resumes in retail and telecom grew the most in June (82% y/y each), while the growth in the number of vacancies in these sectors lagged significantly behind. The number of vacancies in the defense and security sector grew the most (61% y/y)

...but the labor shortage is still a big challenge for companies

Main obstacles to doing business during wartime, % of responses



Source: IER.

Index of problems in finding employees, % balance of responses

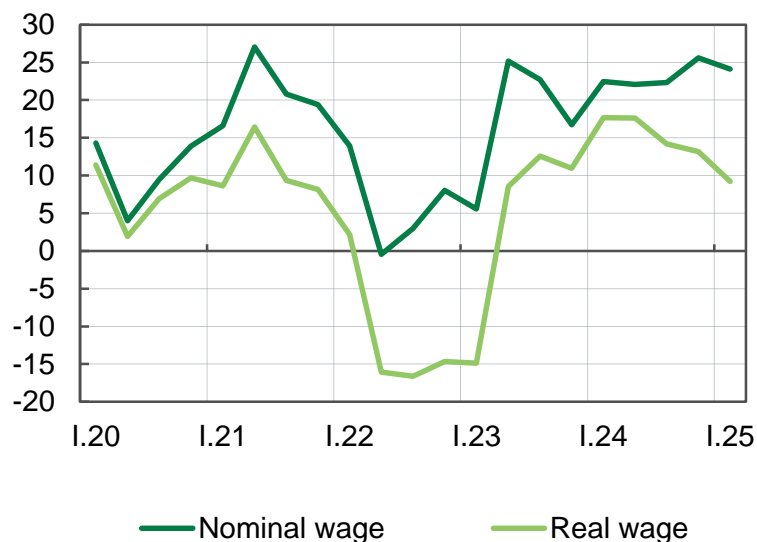


Source: IER.

- According to an IER survey, labor shortages remain the biggest obstacle to doing business. However, thanks to the expansion of the labor supply, the search for qualified workers has become somewhat easier in 2025: while the average index level was 51% in the fourth quarter of 2024, it fell to 47% in the first five months of 2025
- Against the backdrop of labor shortages, the share of job offers available for students and pensioners has increased compared to the start of the year

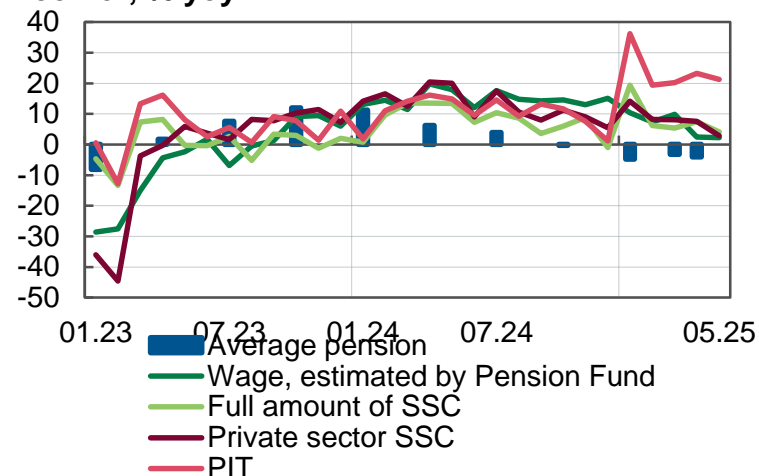
Due to a shortage of workers, nominal wages continue to grow at a rapid pace

Change in nominal and real wages, % yoy



Source: SSSU, NBU staff calculations.

Indirect indicators for estimating real household income*, % yoy



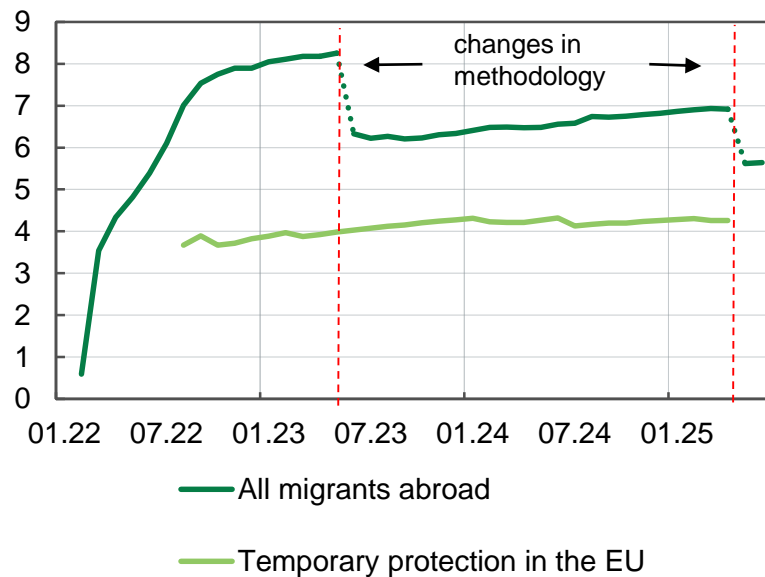
* Deflated by CPI. The private sector SSC is calculated as the difference between total SSC and SSC on wages from the consolidated budget.

Source: Pension Fund of Ukraine, STSU, SSSU, NBU staff calculations.

- The shortage of labor continues to drive rapid growth in nominal wages, exceeding 20% yoy in 2025
- However, due to increased inflationary pressure, real wage growth slowed down, with real wages rising by 9.2% yoy in Q1 2025. According to high-frequency indicators, their growth continued to decelerate in Q2

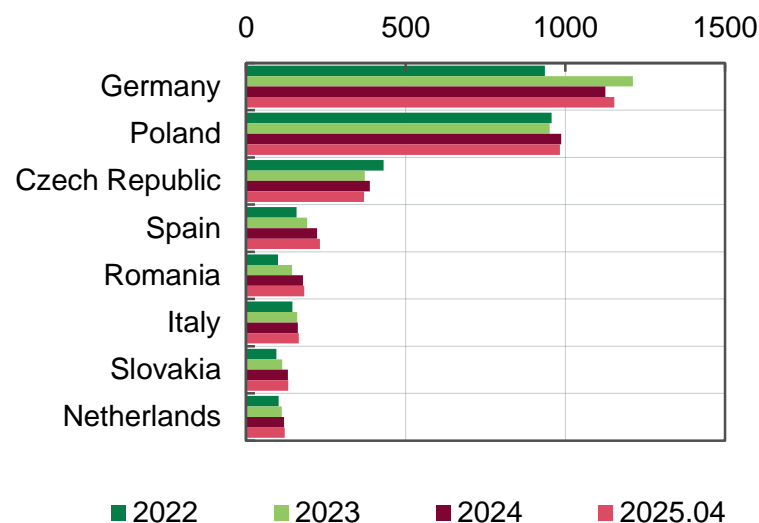
The number of Ukrainian migrants abroad remains high

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



Source: UNHCR, Eurostat.

Number of Ukrainians who received temporary protection in the EU, thousand persons



Source: Eurostat.

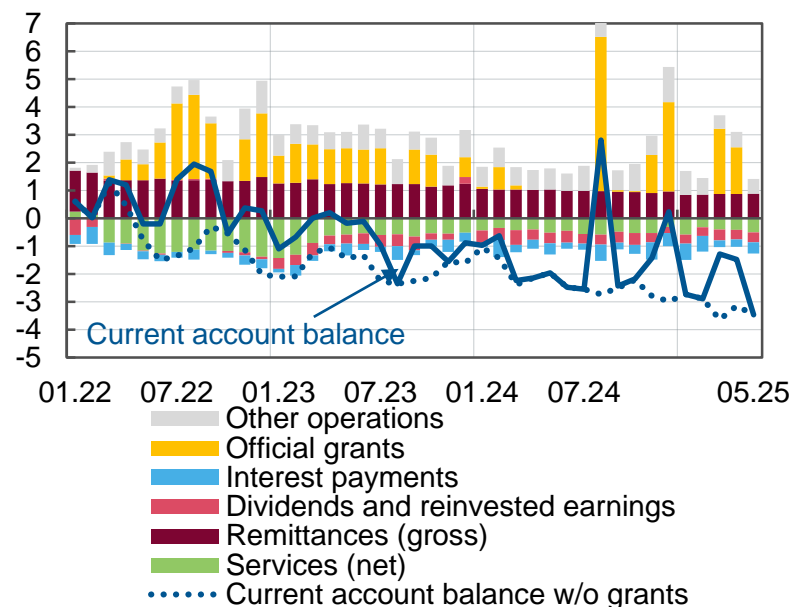
- According to the UNHCR, the number of migrants was 5.6 million as of 1 July 2025. In May 2025, the UNHCR revised its methodology for the second time, excluding data on 1.2 million Ukrainians residing in the Russian Federation (in particular, because the data had not been updated since June 2023), which led to a significant decrease in the overall figure. Germany, Poland, and the Czech Republic remain the countries with the largest number of migrants from Ukraine
- According to IOM estimates, the number of people who returned to their previous place of residence in March 2025 was 4.1 million, with Kyiv accounting for the largest share (23%). The vast majority of those who returned were formerly IDPs (74%). Among those who returned from abroad, the largest numbers came from Poland (36%) and Germany (16%)



Ukraine: Balance of Payments

CA deficit net of grants in May was largely consistent with April's level

Current account balance, USD billions



Source: NBU.

Merchandise trade balance, USD billions

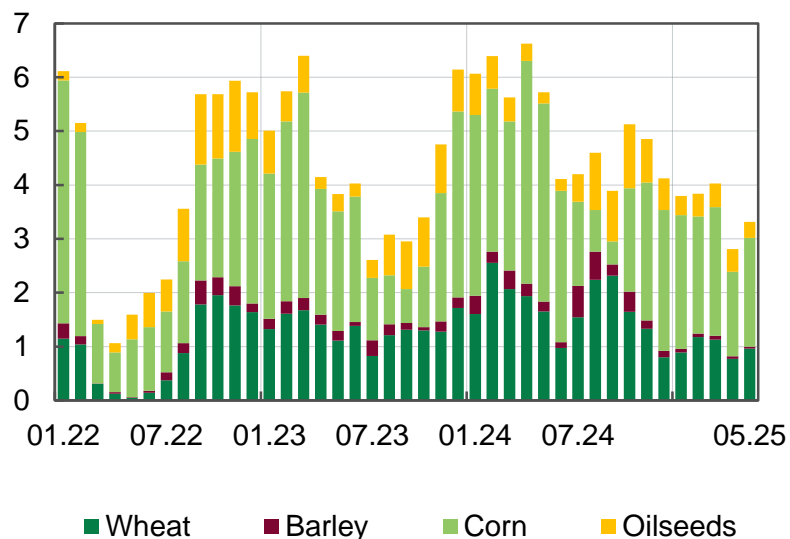


Source: NBU.

- In May, the deficit in goods trade remained almost unchanged: higher purchases of gas and machinery products offset a certain increase in grain exports
- A temporary pause in receiving grants from international partners led to a significant narrowing of the secondary income account surplus
- This led to a widening of the CA deficit to USD 3.5 billion (USD 1.5 billion in April), while net of grants, it increased marginally (from USD 3.1 billion in April)

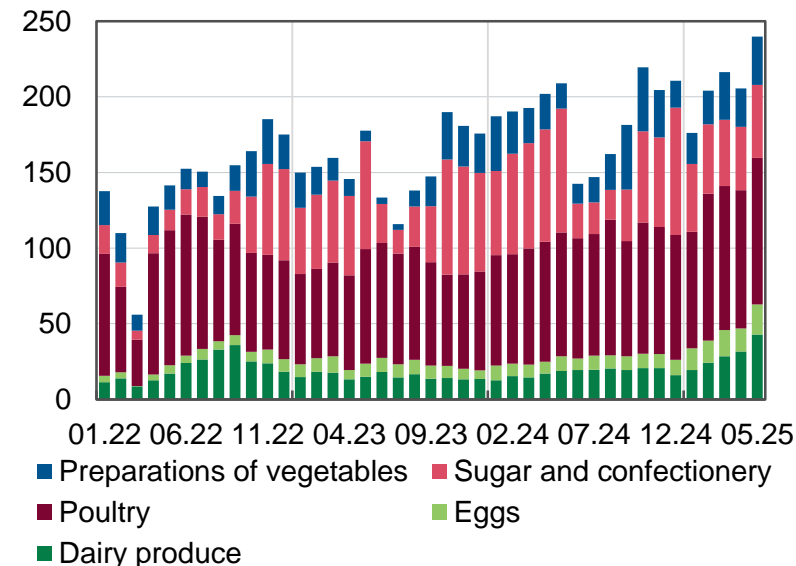
Exports of goods increased mainly due to temporary factors

Exports of agricultural products, million tons



Source: SCSU.

Exports of certain food products, USD millions

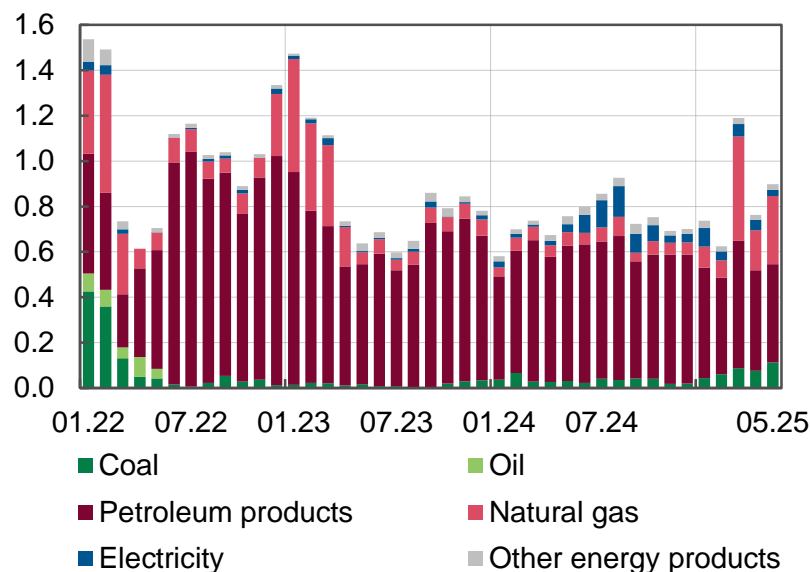


Source: SCSU.

- Grain exports increased primarily due to the allocation of a [new quota by Turkey for duty-free import of 1 million tons of corn](#)
- In addition, on the eve of changes in the trade regime with the EU, deliveries of certain food products intensified, namely dairy products, poultry, sugar, confectionery, etc.
- Exports of mining and metallurgical products remained at a low level due to weak external demand

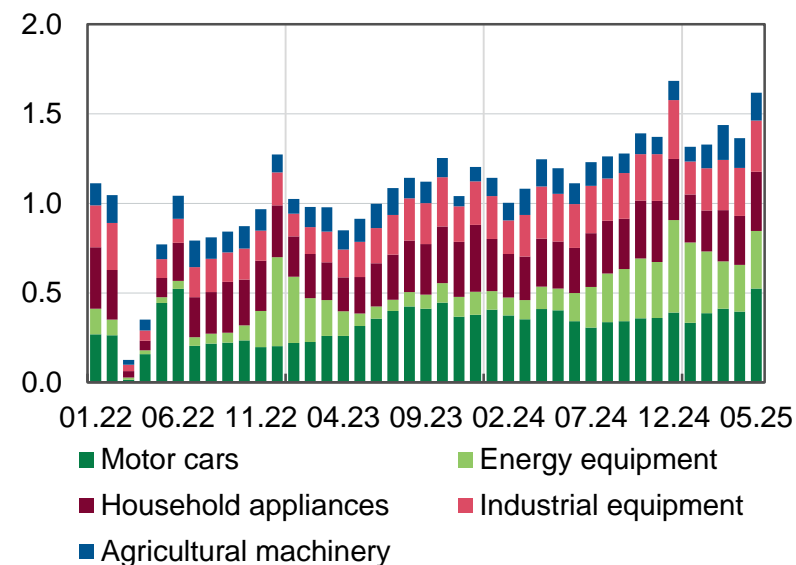
Imports of goods increased due to a ramp-up in purchases of gas and certain machinery products

Energy imports, USD billions



Source: NBU.

Imports of certain machinery products, USD billions

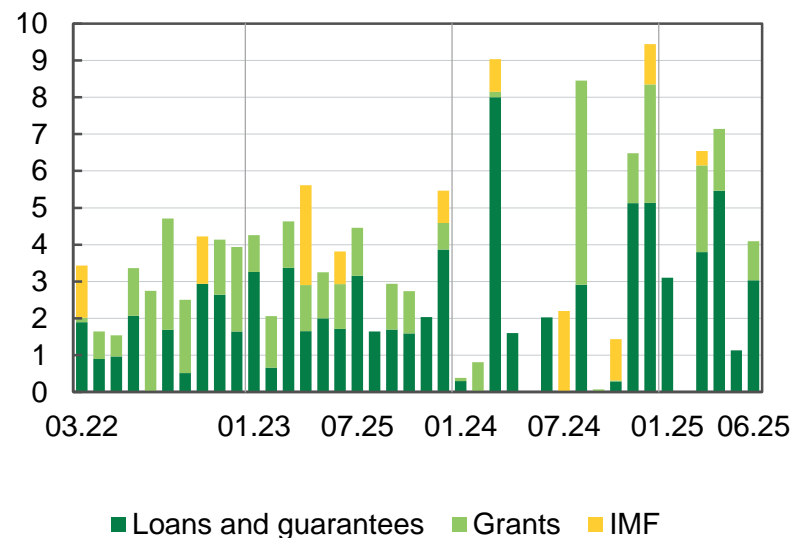


Source: NBU.

- In May, the volume of customs clearance of gas from underground storage facilities increased due to the difficult situation in the energy system
- In anticipation of the abolition of preferential customs clearance for electric vehicles from 1 January 2026, their import significantly increased, particularly from China and the USA. Amid intensified shelling by Russia, purchases of energy equipment also continued to increase
- In contrast, influenced by a seasonal reduction in demand from agrarians, purchases of certain chemical products (plant protection products and fertilizers) and food products (seed material) decreased

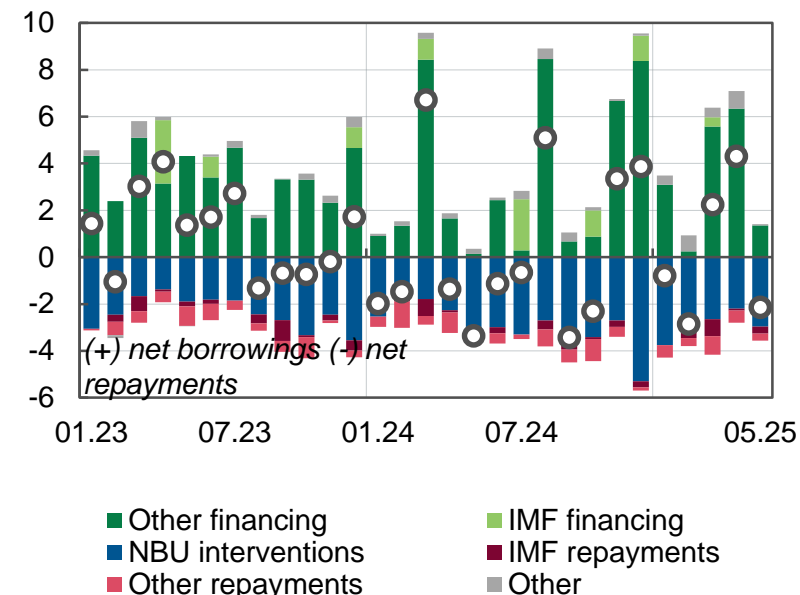
Lower volume of international financial aid led to a reduction in reserves, but they grew in June

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.

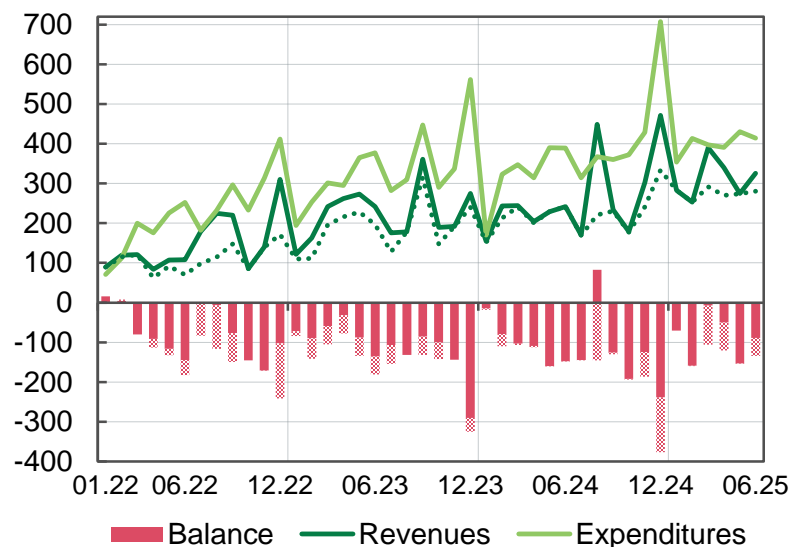
- In May, the volume of international financing significantly decreased, and NBU FX interventions slightly increased
- As a result, reserves declined to USD 44.5 billion as of the end of May
- In June, significant volumes of international financial assistance resumed, resulting in growth in reserves



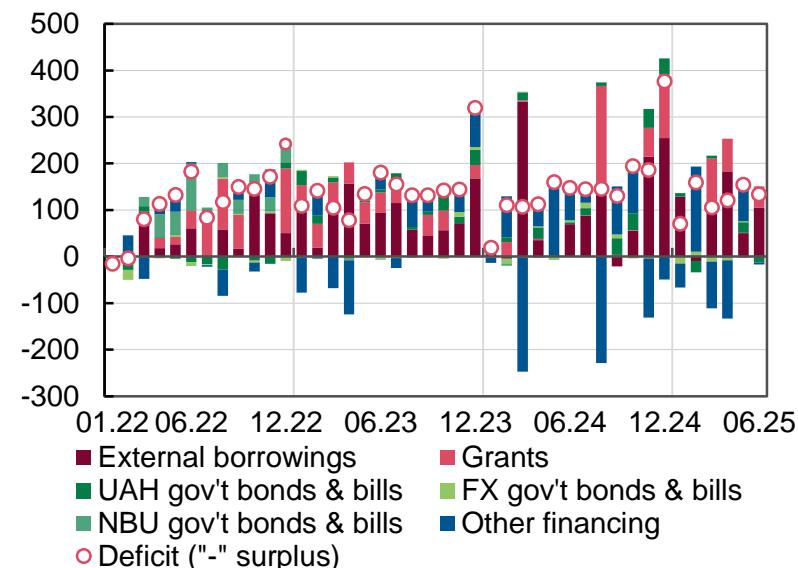
Ukraine: Fiscal sector

The state budget deficit narrowed slightly, but remained significant

Main state budget indicators* (monthly), UAH billions



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

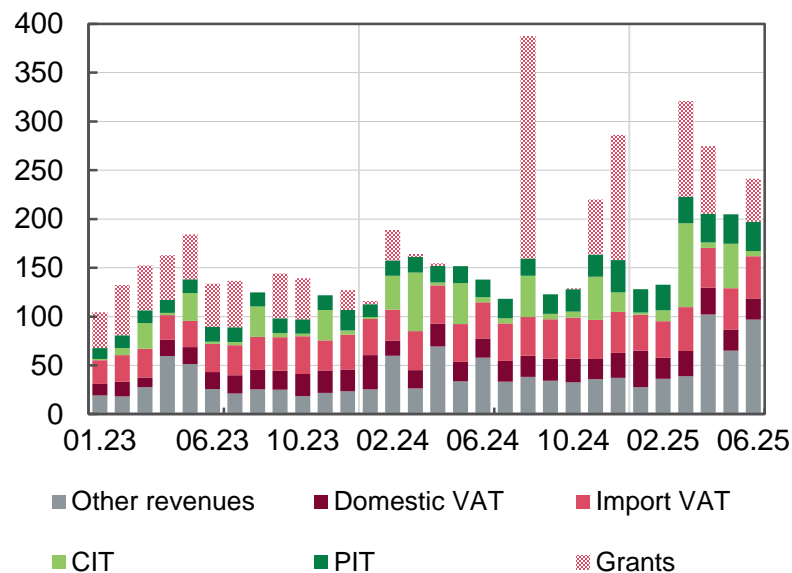


* Dotted lines and patterned fillings show relevant indicators excluding grants. Balance includes net lending. ** Debt transactions are net borrowings. Other financing represents active operations (in particular, includes the change in volumes of gov't funds) and privatization proceeds. June – preliminary 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

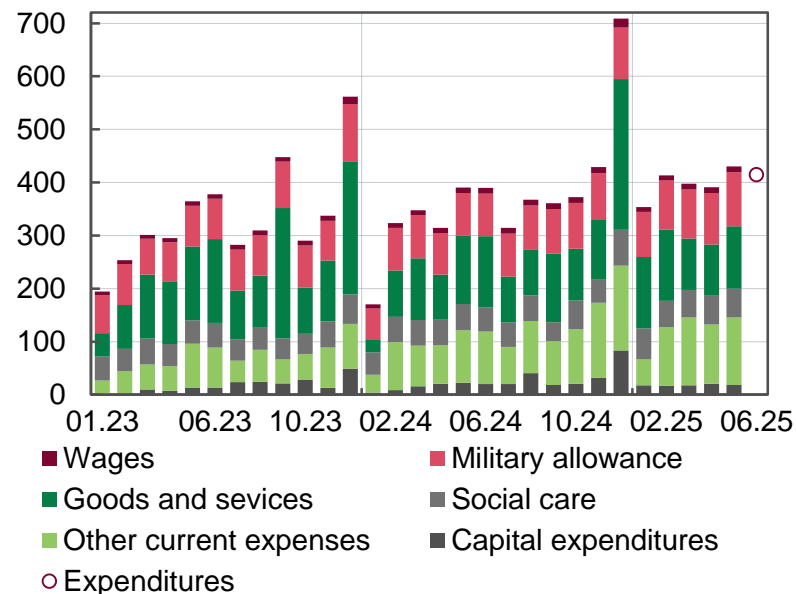
- In June, the state budget deficit (excluding grants in revenues) decreased slightly influenced by both somewhat more restrained expenditures and better revenues compared to the previous month. However, in the first half of the year, the deficit volume was significantly larger than last year
- The budget needs were financed by international aid (in particular, in June, about \$4.1 billion was received). However, the government's FX liquidity remains high, which ensures the financing of expenses in the following months
- In June, the domestic debt market demonstrated moderate activity (the rollover of hryvnia government debt securities was only 77%). In general in H1, the rollover of government debt securities in all currencies equaled 93%

Revenues continued to grow year-on-year, and expenditures increased moderately

Revenues* of the state budget, UAH billions



Expenditures* of the state budget, UAH billions (economic classification)



* June – 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.

- Revenues (excluding grants) in June increased by 16% yoy and in the first half of the year – by almost 30% yoy. Wage increases, exchange rate effects, fairly high imports, as well as revisions of certain tax rates contributed to the key taxes hikes. Dividend transfers from SOEs were also higher in June (last year, some SOEs made dividend payments ahead of schedule)
- Expenditure growth continued to slow down in June (to 6.5% yoy), but in the first half of the year its pace remained high, at 24% yoy (compared to 8.5% yoy last year). The defense sector (in particular, high spending on military allowance and material and technical assistance), social programs, and infrastructure repairs continue to be the priority expenditure directions



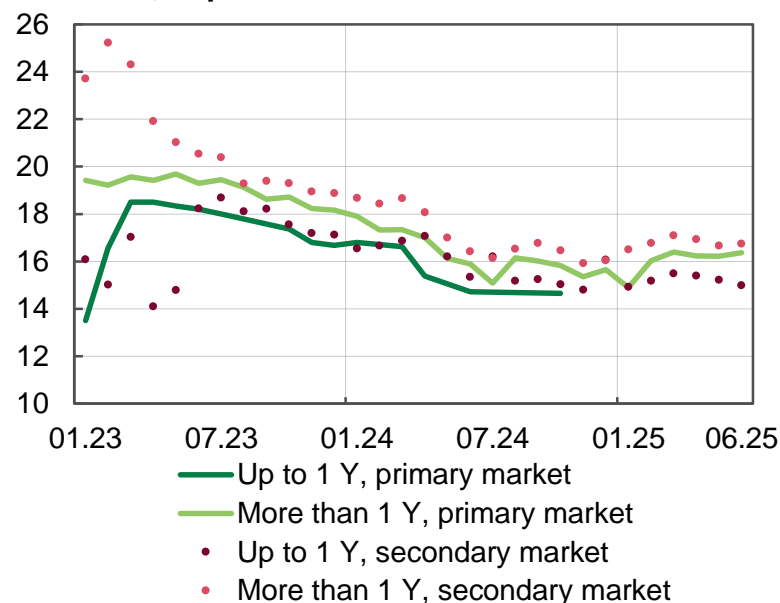
Ukraine: Monetary sector

Maintaining the key policy rate unchanged (at 15.5%) supported relatively high market rates in hryvnia

Ukrainian Index of Retail Deposit rates*, %



Yields on hryvnia domestic government debt securities, % per annum



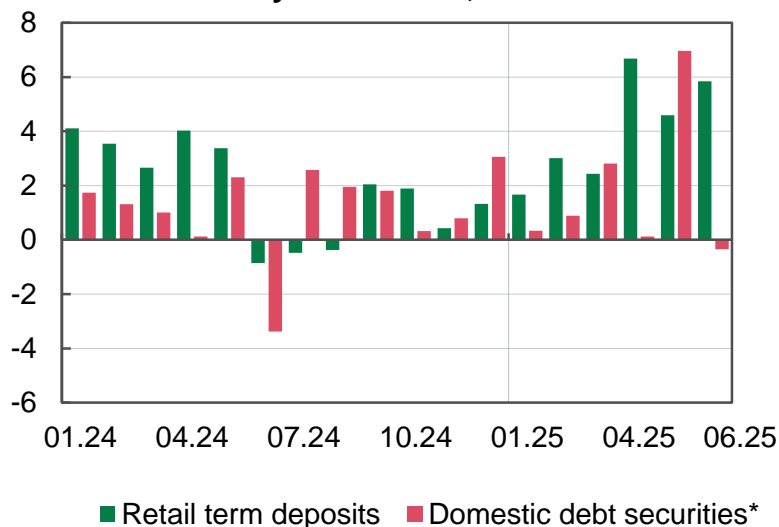
* 5-day moving average.
Source: Thomson Reuters.

Source: NBU staff estimates.

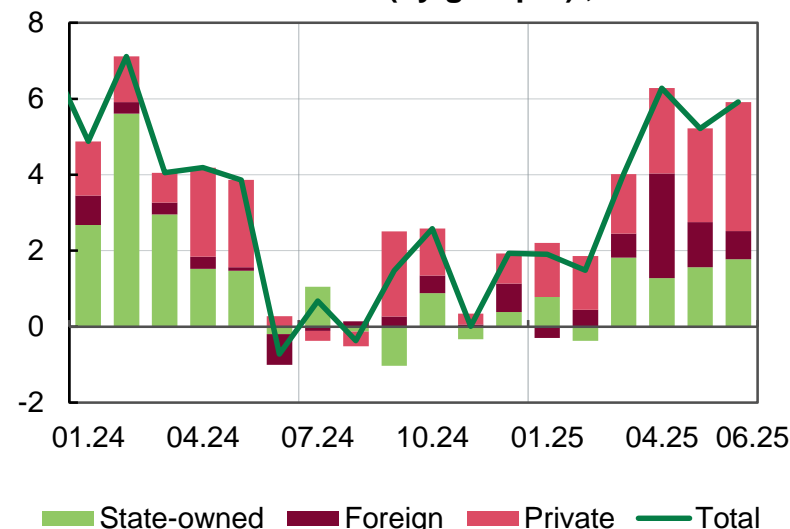
- The effects of previous steps to tighten monetary policy and the prolonged maintenance of a sufficiently high key policy rate contributed to the increase in hryvnia deposit yields
- Hryvnia domestic debt securities continued to provide reliable protection against the effects of inflation. In particular, the primary placement of securities with a maturity over one year had a yield of about 16.4%, which exceeds the 12-month ahead inflation expectations of all groups of respondents

Current yields on hryvnia instruments support demand for them from individuals

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



Changes in the stock of hryvnia retail deposits with a term of over 3 months (by groups*) , UAH billions



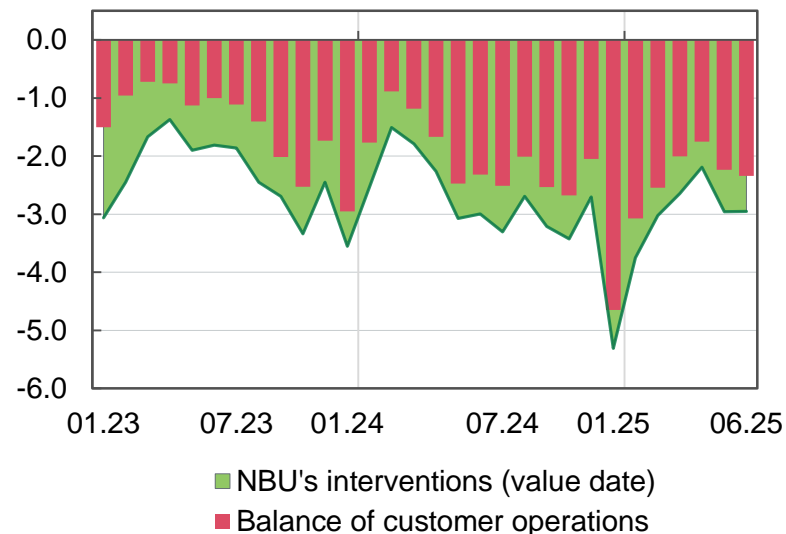
* At outstanding nominal value.
Source: NBU.

* Bank groups as of 01.06.2025.
Source: NBU.

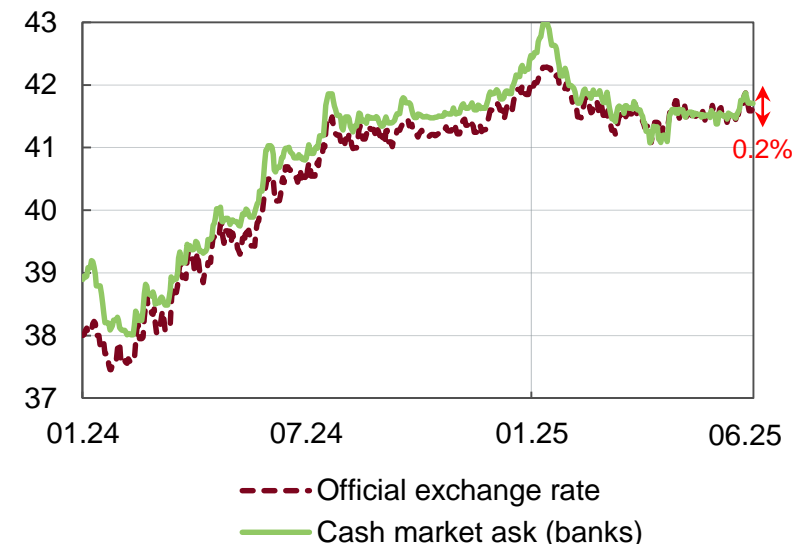
- In June, demand for hryvnia term deposits remained high. Thus, hryvnia retail deposits with a term of over three months increased by almost UAH 6 billion. Higher interest rates enabled private banks to actively raise funds, with smaller banks in this group also joining the competition
- The decline in the portfolio of hryvnia domestic government debt securities held by individuals was driven by significant redemptions, mostly in the third decade of the month
- The sustained attractiveness of hryvnia instruments for savings restrains FX demand and, consequently, eases pressure on the hryvnia exchange rate

In June, net FX demand remained close to the level of the previous month, and exchange rate fluctuations were moderate

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.

- In June, net FX demand remained almost unchanged. This was driven by continued interest in hryvnia deposits and some uncertainty regarding the U.S. dollar's status as the world's reserve currency
- Exchange rate fluctuations were moderate and two-way: the average official hryvnia exchange rate weakened slightly (by 0.1%), while the spread with the cash rate did not exceed 0.3%. Meanwhile, the average exchange rate against the euro continued to weaken (by 2.1%), driven by the dynamics of the EUR/USD currency pair