

## Balance of payments in Q3 2024

(preliminary data<sup>1,2</sup> according to the Balance of Payments and International investment position manual, 6th edition)

The current account deficit totaled USD 1.6 billion, or 3.1% of GDP<sup>3</sup> in Q3 2024 (USD 4.3 billion, or 8.8% of GDP in Q3 2023). The deficit was reduced due to a faster recovery in of goods exports than imports and an increase in grants from international partners. At the same time, the primary income surplus narrowed due to a reduction in compensation of employees' receipts.

On current account deficit excluding reinvested earnings and grants from international partners was USD 6.9 billion, or 13.6% of GDP (USD 5.6 billion, or 11.5% of GDP in Q3 2023).

External trade in goods and services deficit equaled USD 9.9 billion in Q3 2024 comparing to USD 10.6 billion in Q3 2023.

Merchandise exports<sup>4</sup> and imports increased by 23.5% and 7.7% respectively. Compared to the previous quarter, exports of goods decreased by 4.0%, while their imports increased by 4.0%.

Exports of goods totaled USD 9.2 billion in Q3 2024. Two-thirds of its growth was provided by an increase in **food exports**: by 26.7% (down by 7.4% compared to Q2 2024), primarily due to an increase in exports of *grains* (1.7 times) and *oilseeds* (1.6 times). At the same time, *oil* exports decreased (by 17.7%). Exports also increased in the following commodity groups:

metallurgical exports	– by 35.1% (+20.2% compared to Q2 2024);
mineral exports	– by 21.7% (-21.1% compared to Q2 2024);
<i>(inc. due to ores)</i>	– by 36.6% (-21.0% compared to Q2 2024);
chemicals	– by 26.7% ( -1.7% compared to Q2 2024);
manufactured goods	– by 6.5% ( -0.7% compared to Q2 2024).
machinery and equipment	– by 1.2% (+5.5% compared to Q2 2024);
timber and wood products	– by 0.5% ( -2.2% compared to Q2 2024).

*In terms of geography, in Q3 2024, exports increased to all major regions of the world, with the largest growth in Asia (by USD 902 million, or 1.8 times, the share increased from 16.2% to 23.0%). In addition, exports grew to Africa (by USD 343 million, or 2.2 times, the share increased from 3.8% to 6.8%) and EU (by USD 300 million, or 5.8%, the share decreased*

<sup>1</sup> According to the Law of Ukraine from March 3<sup>rd</sup> 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 Q3 2024 was made on the basis of available information and will be clarified upon receipt of additional data.

<sup>2</sup> Data exclude the temporarily occupied by the Russian Federation territories of Ukraine.

<sup>3</sup> The calculations used preliminary GDP data according to the NBU's estimates.

<sup>4</sup> All percentage changes are given in comparison with the indicators of the corresponding period of the previous year, unless otherwise indicated.

from 69.8% to 59.8%). Exports grew to Americas (by USD 89 million, or 1.6 times, the share grew from 2.1% to 2.7%) and CIS countries (by 84 million, or 20.8%, share decreased by 0.2 p.p. to 5.3%).

**Merchandise imports equaled USD 17.4 billion.** Its increase was due to the growth of both components. Energy imports grew by 19.0% (up 12.4% compared to Q2 2024), primarily due to electricity and coal imports (while imports of petroleum products decreased). Non-energy imports increased by 6.1% (2.8% compared to Q2 2024), in particular by group:

machinery and equipment	– by 18.1% (+1.3% compared to Q2 2024);
food imports	– by 7.1% (-6.0% compared to Q2 2024);
metallurgical imports	– by 6.9% (-3.8% compared to Q2 2024);
timber and wood products	– by 3.9% (-6.3% compared to Q2 2024).

Meanwhile imports decreased in:

manufactured products	– by 3.4% (+18.7% compared to Q2 2024);
chemicals	– by 0.8% (-2.0% compared to Q2 2024).

In Q3 2024, imports from Asia (by USD 802 million, or by 14.8%, its share increased from 33.5% to 35.7%) and EU (by 625 million, or by 8.3%, share grew from 46.8% to 47.0%) grew the most. In addition, imports increased from Americas (by 84 million, or by 8.2%, share rose by 0.1 p.p. to 6.4%) and Africa (by 61 million, or by 33.7%, share grew from 1.1% to 1.4%). At the same time, imports from the CIS countries decreased (by USD 52 million, or by 22.2%, the share fell from 1.4% to 1.0%).

**The deficit in trade in services narrowed to USD 1.6 billion** (compared USD 1.8 billion in Q3 2023) due to both an increase in exports of services (by 4.3%) and a decrease in their imports (by 0.7%). Exports increased due to transportation services (by 10.9%, primarily due to air and sea transport), other business services (by 16.4%, due to technical and professional services) and inbound tourism expenditures (by 18.3%). At the same time, exports of government services declined by 14.6%. Exports of computer services also declined for the ninth consecutive quarter, by 4.6%. The decline in imports of services due to lower outbound tourists' and short-term migrants' expenditures<sup>5</sup> (by 5.5%, to USD 3.7 billion) and government services (by 40.6%) was only partially offset by an increase in imports of transportation services (by 13.6%, due to sea and air transport), other business services (1.9 times, due to advertising and technical services), computer services (26.6%), charges for the use of intellectual property (35.8%) and maintenance & repair services (36.1%).

**Primary income balance surplus** narrowed to **USD 0.2 billion** (USD 0.9 billion in Q3 2023). This decline was primarily due to a 27.3% decrease on compensation of employees' receipts. On the other hand, the repayments of investment income decreased by 2.7%. Dividend payments increased to USD 0.8 billion (USD 84 million in Q3 2023). At the same time, the amount of reinvested earnings decreased to USD 0.3 billion (USD 1.3 billion in Q3 2023).

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<sup>5</sup> 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.

**Secondary income balance surplus** widened to **USD 8.1 billion** (USD 5.4 billion in Q3 2023) due to increase of grants<sup>6</sup> from international partners to USD 5.6 billion (USD 2.6 billion in Q3 2023). At the same time, the amount of technical and humanitarian assistance provided slightly decreased (USD 0.9 billion compared to USD 1.5 billion in Q3 2023).

**The amount of inward private remittances** totaled USD 2.4 billion<sup>7</sup>, decreased by 16.1% compared to Q3 2023. The flow of remittances through formal channels decreased by 10.9% due to a decline in both the amount of salaries received by Ukrainians from abroad (by 19.9%) and other private transfers (by 1.8%). Remittances through informal channels decreased by 21.9%.

**Net borrowing from the rest of the world** (the total of current account and capital account balance) **totaled USD 1.5 billion in Q3 2024** (USD 4.3 billion in Q3 2023).

**The financial account saw inflows of USD 0.7 billion in Q3 2024:** (USD 6.0 billion in Q3 2023): inflows to the public sector were partially offset by outflows from the private sector.

**Public sector net inflows totaled USD 2.2 billion** (USD 6.4 billion in Q3 2023) and was driven by net disbursements from international partners of USD 2.8 billion (USD 6.4 billion in Q3 2023). These inflows were partially offset by repayments to non-residents on government debt securities (USD 0.1 billion), repayments on Eurobonds (USD 0.2 billion), and repayments on government derivatives (USD 0.2 billion).

**The net inflows of foreign direct investments stood at USD 170 million** (USD 1.6 billion in Q3 2023) generated by:

reinvestment of earnings USD 0.3 billion (USD 1.3 billion in Q3 2023);

inflows in equity (excluding reinvestment of earnings) by USD 188 million (USD 269 million in Q3 2023);

debt instruments net repayments USD 120 million, of which USD 55 million were net disbursements between fellow enterprises (in Q3 2023 net disbursements were USD 104 million, of which between fellow enterprises USD 60 million).

**The net decrease of the banking system's external position on portfolio and other investments accounted for USD 126 million** (USD 199 million in Q3 2023) and was due to competing factors:

USD 703 million decrease of net external position on "currency and deposits" (USD 545 million in Q3 2023);

USD 46 million net repayments on Eurobonds (USD 51 million in Q3 2023);

USD 502 million net purchase of non-resident securities (USD 675 million in Q3 2023).

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<sup>6</sup> The grant assistance received in Q3 2024 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.

<sup>7</sup> 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 real sector external position net increase (excluding foreign direct investment)** totaled **USD 2.2 billion** (USD 1.7 billion to Q3 2023) and was shaped by the following competing factors:

USD 3.9 billion net increase in foreign cash outside banks (USD 2.0 billion in Q3 2023);

USD 0.2 billion net repayments on Eurobonds;

USD 1.9 billion net decrease of net external position on trade credit (USD 0.2 billion Q3 2023).

Net **private sector outflows (including errors and omissions)** amounted to **USD 1.5 billion** (USD 0.4 billion in Q3 2023).

**The overall balance of payments evidenced a deficit of USD 0.8 billion in Q3 2024** (a surplus of USD 1.7 billion in Q3 2023). The disbursements from the IMF amounted to USD 1.3 billion (net repayments totaled USD 1.0 billion in Q3 2023).

**The international reserves as of the end of Q3 2024 stood at USD 38.9 billion**, enough to cover 4.9 months of future imports.