



National Bank
of Ukraine

Macroeconomic and Monetary Review

April 2025

Monetary Policy and Economic Analysis
Department



Summary

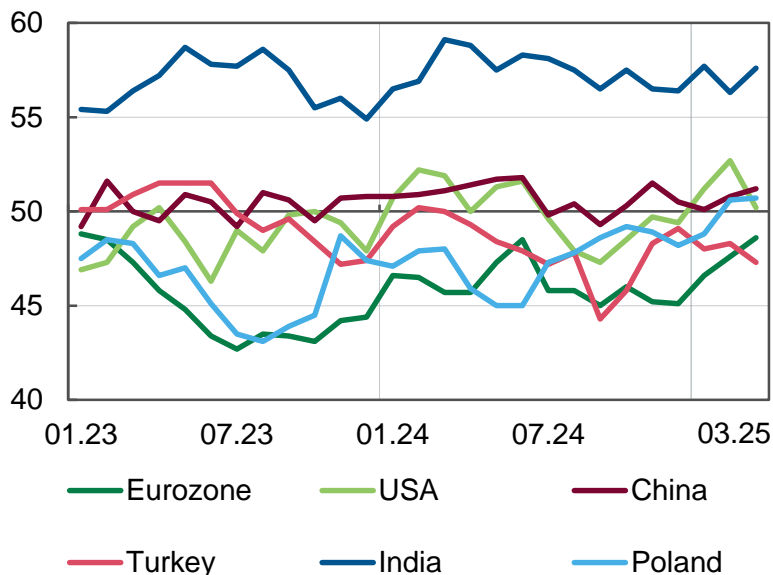
- **Economic growth in Ukraine's MTPs has revived (with the exception of the U.S.), and inflationary pressures remain elevated.** Due to geopolitical and trade uncertainty, there is significant volatility in world oil prices, while gas prices have stabilized at an elevated level. Against the backdrop of growing uncertainty, the leading CBs and central banks of EM countries are cautious about easing monetary policy
- **In February 2025, both headline inflation and core inflation continued to accelerate as expected** (to 13.4% yoy and 12.0% yoy, respectively, from 12.9% yoy and 11.7% yoy in January). 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 amid further increases in business costs, including those of labor and energy, as well as continued strong consumer demand. According to the NBU's estimates, inflation kept rising in March
- **Business expectations and economic activity improved in March.** A stable energy situation, preparations for spring sowing, and significant defense needs contributed to a revival in industry, while rising temperatures and improving consumer sentiment supported a recovery in construction and trade
- **The labor market continued to recover in March**, with the number of both new job openings and resumes increasing year-on-year. Increased labor supply made it easier to find employees, although labor shortages remain the major problem for businesses and are driving further wage increases
- **The state budget deficit (excluding grants in revenues) decreased in March**, but remained significant. It was financed by international aid. At the same time, in March, the domestic debt market activity revived somewhat
- **In February**, amid seasonal demand from agrarians, imports of goods continued to increase, which was the main reason for **the slight expansion of the current account deficit**. At the same time, the NBU's interventions decreased somewhat owing to a decline in the population's net demand for FX cash. Due to a pause in the inflow of international financial assistance, **gross reserves decreased in February, but they resumed growth in March**
- **Net demand for FX continued to decline in March** due to an increase in its supply from businesses. This was facilitated by relatively stable exports and FX sales for annual and quarterly tax payments. Moreover, net FX cash demand from households also decreased amid improving exchange rate expectations
- **In early March, the NBU raised the key policy rate to 15.5% and adjusted the operational framework parameters of its interest rate policy.** These decisions supported demand for hryvnia instruments for savings and contributed to maintaining the sustainability of the FX market and keeping inflation expectations in check



External Environment

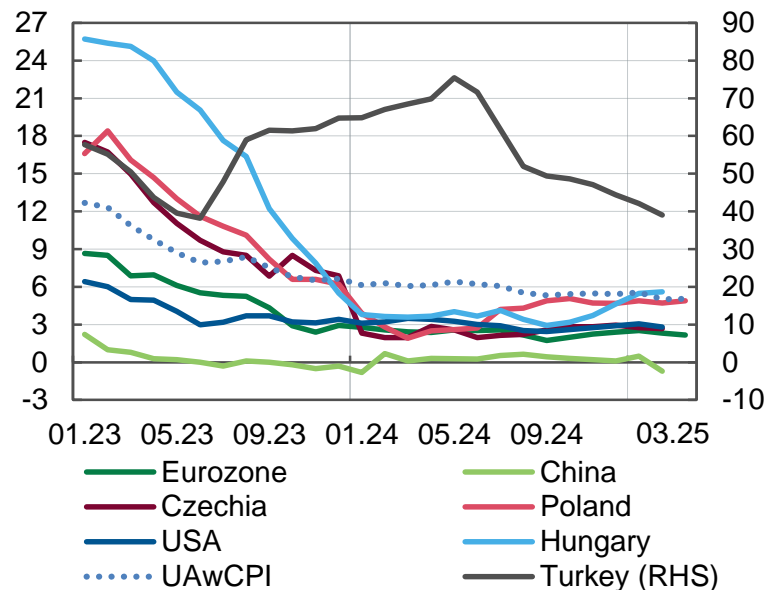
Economic growth in Ukraine's MTPs has revived (with the exception of the U.S.), and inflationary pressures remain elevated

Manufacturing PMIs of selected countries



Source: S&P Global.

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

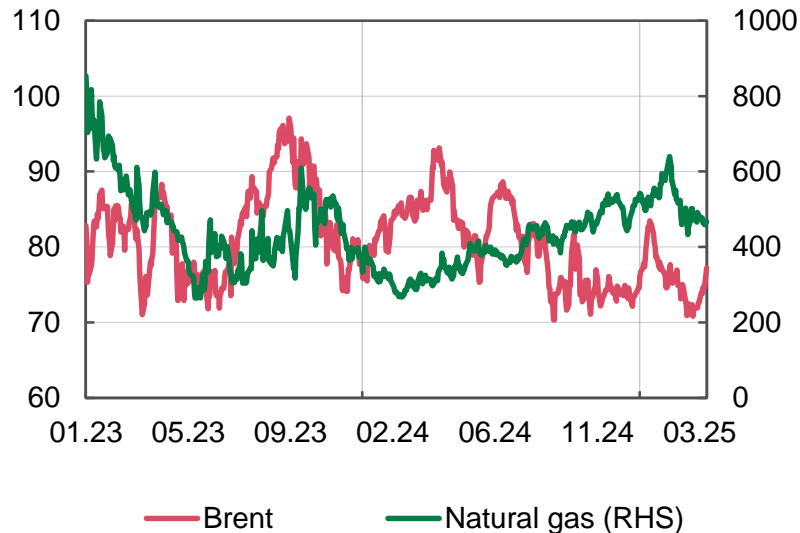


Source: national statistical offices, NBU staff estimates.

- Leading indicators point to a gradual synchronization of economic growth in Ukraine's MTPs due to the increase in production of consumer goods and intermediate consumption goods, especially in the Eurozone. The exception is the United States, where growth in industry has stalled due to higher production costs and the uncertainty over subsequent government actions
- Meanwhile, business expectations in the MTP countries have worsened as a result of growing concerns about the geopolitical situation and possible disruption to global trade flows. This was reflected in the weakening build-up of new export orders and lower employment
- Inflationary pressure from Ukraine's main trading partners (UAWCPI) stabilized at an elevated level due to still high prices for services despite the decline in energy prices

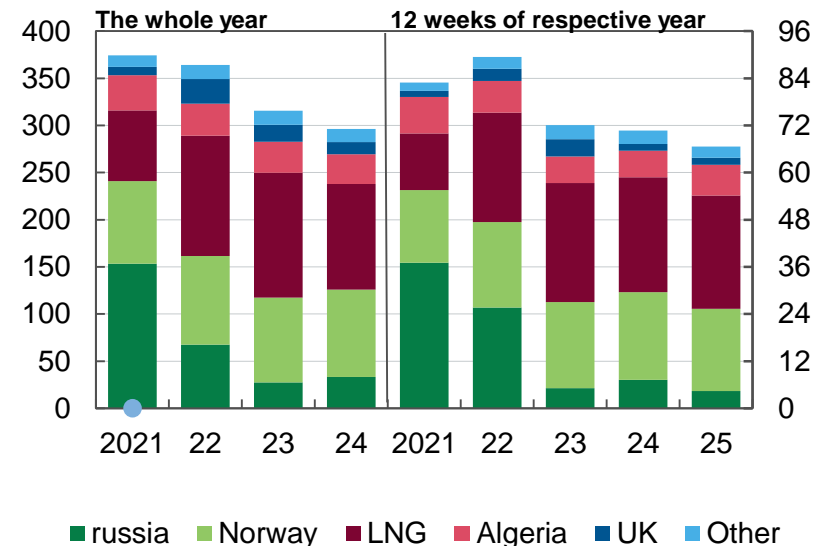
Due to geopolitical and trade uncertainty, there is significant volatility in world oil prices

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



Source: LSEG.

Natural gas imports to the EU by origin, bcm



Source: Bruegel (russia, Norway, Algeria – pipelines).

- In mid-March, oil prices reached their lowest level in six months, after which they adjusted upwards. Concerns about the impact of US import tariffs on global economic growth and fuel demand amid stable production volumes in the United States have led to a significant reduction in oil prices. However, since mid-March, oil has become more expensive due to tougher sanctions against Iran, restrictions on Venezuelan oil exports, and optimistic leading indicators for China
- Natural gas prices in Europe stabilized at an elevated level. Stable volumes of LNG imports, weakening demand from Asian countries, and softer weather conditions pushed the prices down. At the same time, the low filling levels of storage facilities in the EU (26 bcm less gas compared to last year as of the end of March, according to the European gas hub data) due to increased consumption (by 10% p/p during the heating season) kept prices from falling significantly

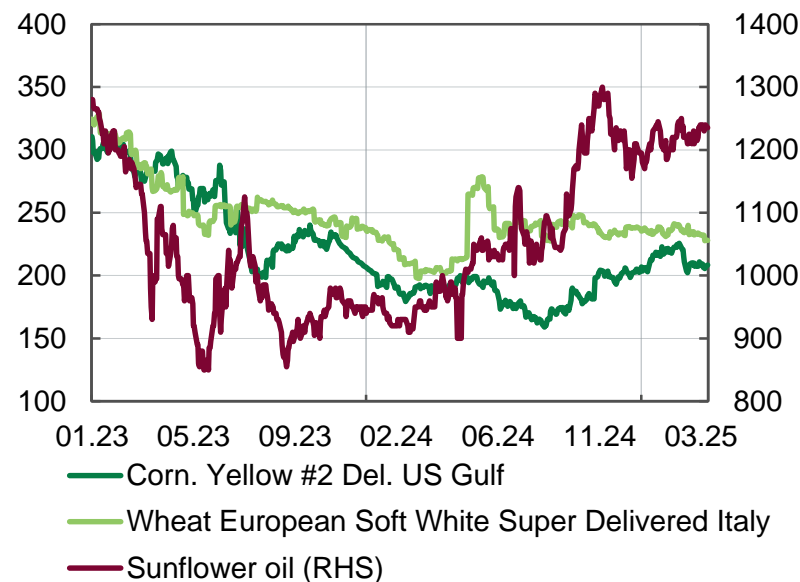
Global prices for commodities prevailing in Ukraine's exports moved in different directions, influenced by specific factors

Global steel and iron ore prices, USD/MT



Source: LSEG, Delphica.

Global grain and sunflower oil prices, USD/MT

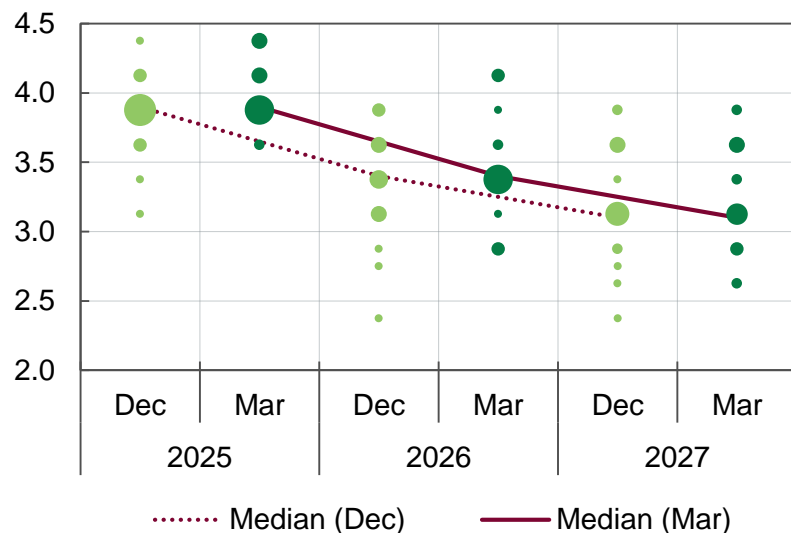


Source: LSEG.

- Steel prices in the European market grew due to the intensified spring demand against the backdrop of the anti-dumping and sanctions policy against some countries, in particular China, Russia, and Iran. Meanwhile, prices in the Chinese market declined in the face of the current oversupply. Robust global steel production supported ore prices despite the supply build-up
- Prices for cereals, including wheat and corn, have stabilized due to improved weather conditions in major exporters, namely in Latin America and the United States. However, low current stocks worldwide amid stable demand kept prices from declining
- Prices for sunflower oil remained high, primarily due to low exports by Ukraine in the current MY due to the deterioration of the crop. High prices for other vegetable oils were an additional factor, in particular palm oil – due to limited production in Malaysia, and soybean oil – due to the off-season period in Brazil

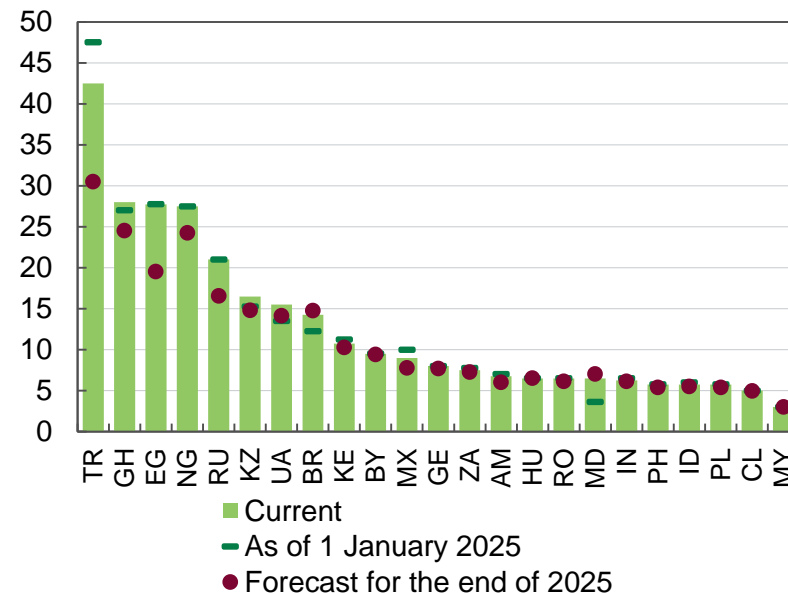
Amid growing uncertainty, both major and EM CBs are cautious about monetary policy easing

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 (according to the meetings in December 2024 and March 2025).

Key policy rates in selected EM countries, %



Source: official web pages of central banks, Focus Economics, Oxford Economics, as of 31.03.2025.

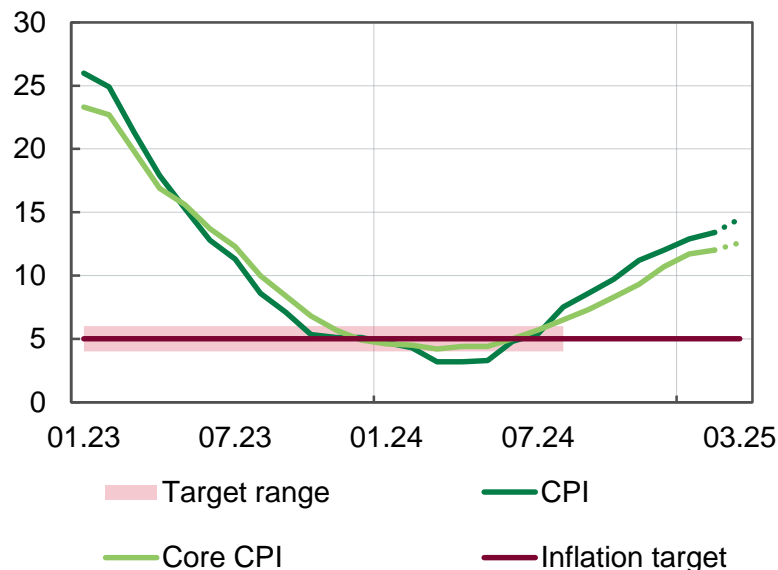
- Leading CBs emphasize high uncertainty due to the US trade policy. The Fed, as expected, has left the federal funds target rate range unchanged (4.25%-4.5%), and signaled a possible pause. The ECB has cut rates (deposit rate – to 2.5%), and the following decisions will be data-driven. Financial markets expect the ECB to cut its rates by 50 bp and the Fed by 75 bp by March 2026
- Most EM CBs took a wait-and-see approach in March. The CB of Philippines is likely to resume its rate-cutting cycle in April, while the CB of Poland may delay cuts until late 2025 or early 2026. The CB of Brazil expects further rate hikes at a slower pace. The CB of Turkey, after its third consecutive rate cut, tightened monetary conditions at an unscheduled meeting despite maintaining its key rate amid political unrest



Ukraine: Inflation

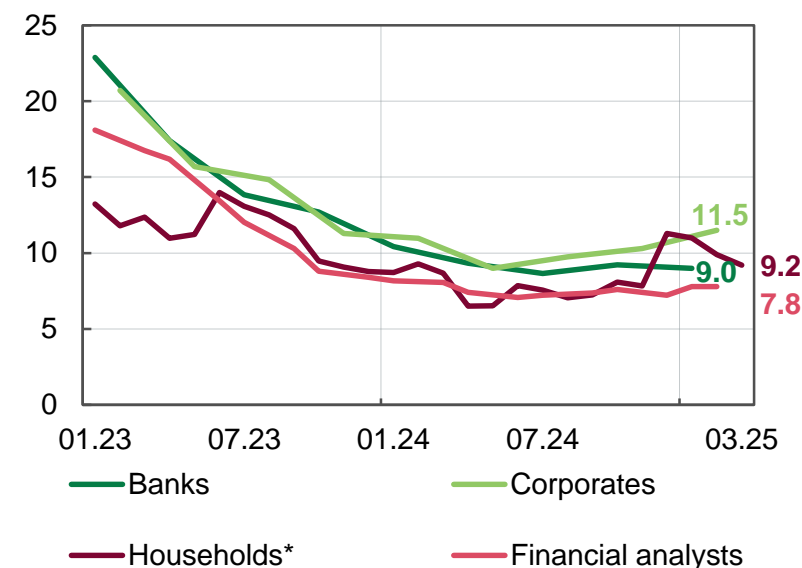
In February 2025, inflation continued to accelerate as expected

Inflation* and inflation target, % yoy



* Data for March reflects nowcast. The target range remained in effect until August 2024 inclusive.
Source: SSSU, NBU staff estimates.

Inflation expectations for the next 12 months, %

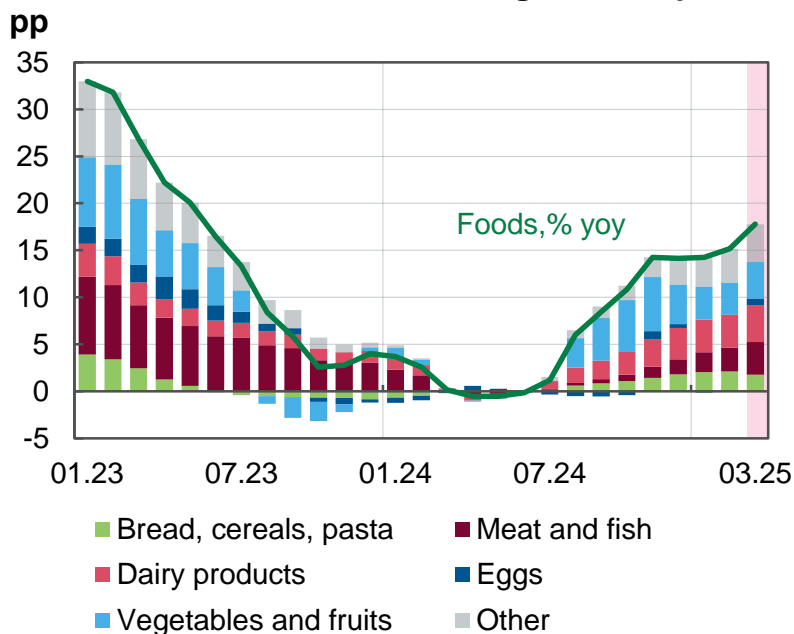


* In March 2022, the survey method was changed from face-to-face to telephone interviews.
Source: NBU, Info Sapiens.

- In February, consumer inflation rose to 13.4% yoy, as expected, and was close to the trajectory of the NBU's [January forecast](#). The main factors behind the acceleration were higher prices for raw and processed foods due to last year's lower harvests and high production costs of businesses
- Core inflation also accelerated (to 12.0% yoy) due to further growth in business costs, including those of labor and energy, as well as continued strong consumer demand. Inflation expectations of economic agents moved multidirectional but remained relatively stable overall
- According to the NBU's estimates, inflation continued to increase in March

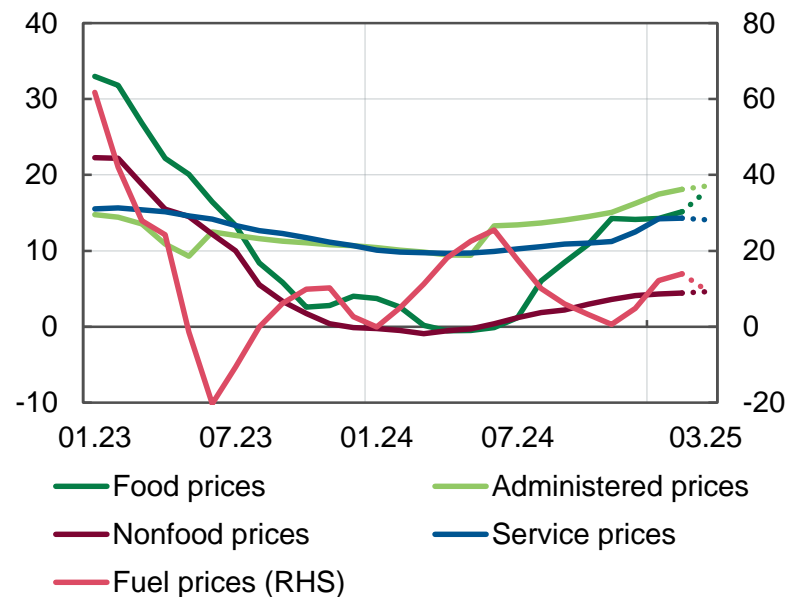
Growth in raw food prices accelerated and underlying inflationary pressures persisted

Contributions to the annual change in food prices*, pp



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

Selected CPI components*, % yoy

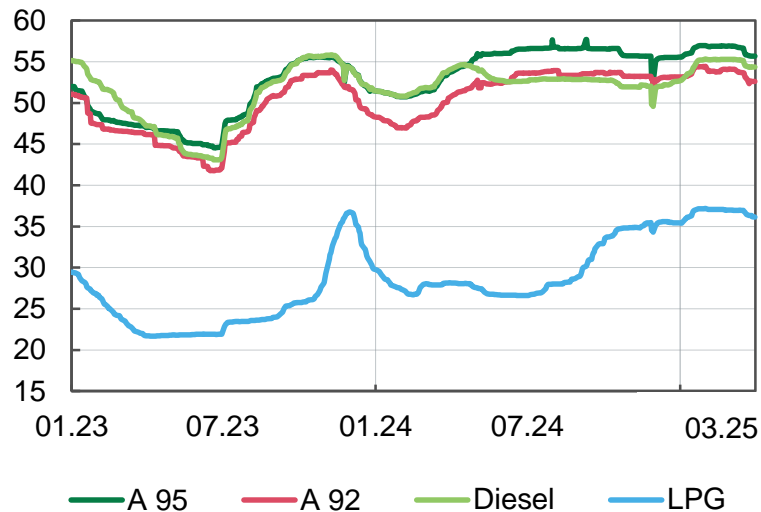


* Data for March reflects nowcast.
Source: SSSU, NBU staff estimates.

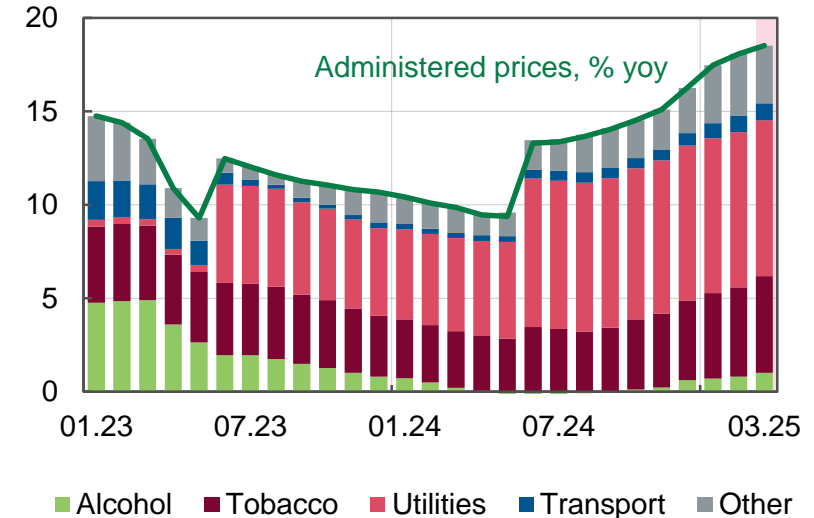
- The year-on-year growth in raw food prices accelerated, driven by the lingering effects of last year's lower harvests and the convergence of internal prices with those of trading partner countries amid robust exports. Processed food prices also continued to rise due to further increases in the costs of raw materials, electricity, labor, and logistics
- The persistence of the underlying inflationary pressures was reflected in the acceleration of growth in prices for non-food goods and services. In particular, the rise in prices for health care, transportation, communications, and recreation and culture accelerated. Meanwhile, personal care services, insurance and financial services grew in price more slowly. At the same time, prices for clothing and footwear remained lower than last year

In February, fuel price growth and administered inflation accelerated

Fuel prices, UAH / L



Contributions to the annual change in administered prices*, pp



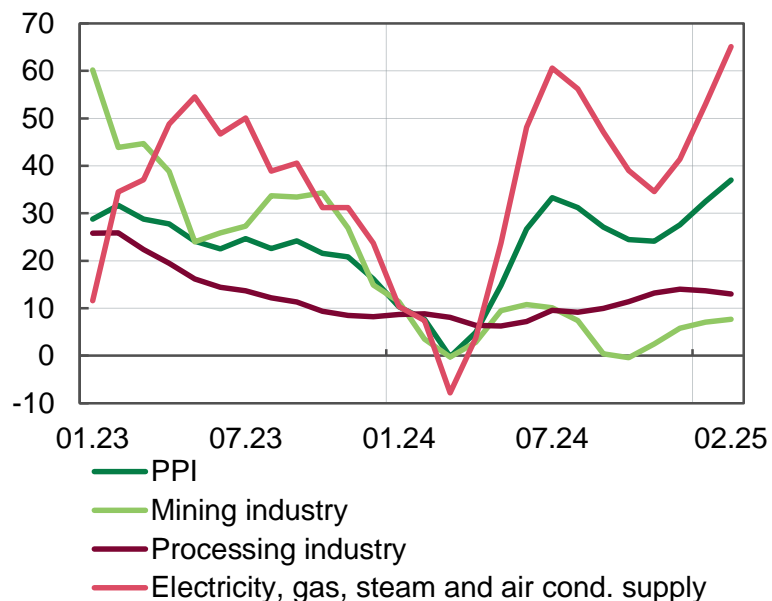
Source: minfin.com.ua.

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

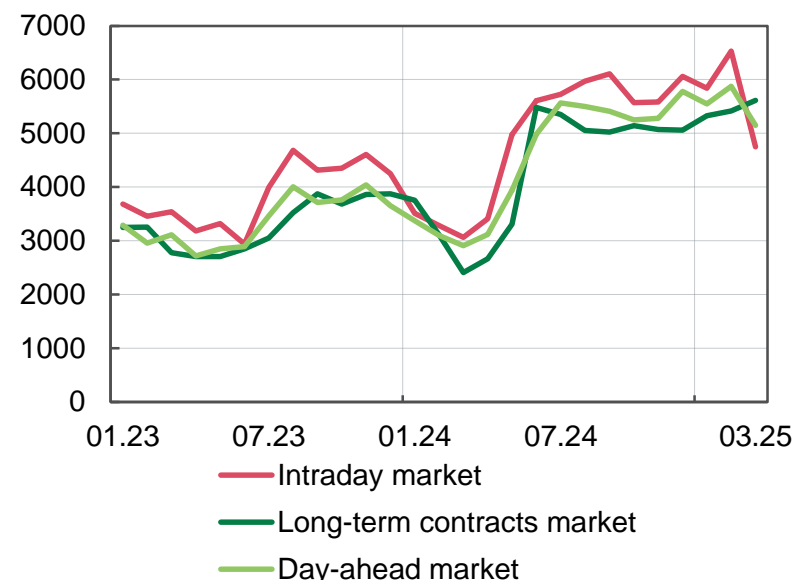
- In February, fuel price growth accelerated, primarily due to a rapid increase in the cost of LPG. At the same time, the surplus supply of petrol, competition between gas station chains, and optimization of the logistics of imported supplies restrained fuel price increases
- Prices of excisable goods grew faster in February due to further increases in production costs, as well as price adjustments in response to the strengthening of measures to combat shadow market supply and the likely impact of the expected test launch of the E-excise tax. Pressure from production costs drove up prices for pharmaceuticals and medical supplies and equipment. 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 February

PPI and its components, % yoy



Electricity prices for non-household consumers, UAH/MWh



Source: SSSU.

Source: Ukrainian Energy Exchange, Market operator.

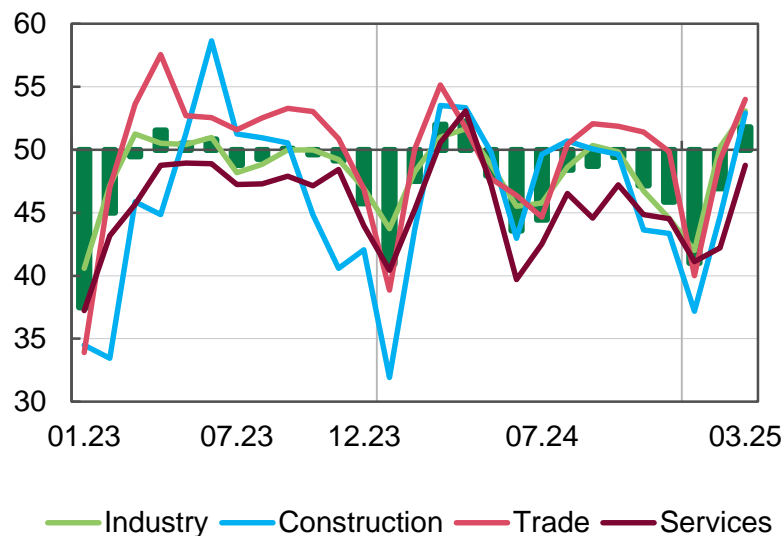
- The growth in producer prices accelerated (to 37.0% yoy), primarily due to higher price growth in the sector of electricity, gas, and steam supply (65.1% yoy), reflecting the impact of [the revision of the cost of electricity transmission services by NPC Ukrenergo](#) and [higher gas transportation tariffs](#), which is likely to result in further growth in consumer prices through second-round effects
- Significant fluctuations in global commodity markets, which were reinforced by internal factors (shortage of personnel, increased energy and logistics costs) led to an acceleration in price growth in the mining industry. Meanwhile, the growth of prices in food processing slowed slightly due to [an easing of pressure from external prices for poultry and pork](#) and [lower purchase prices for raw milk](#)



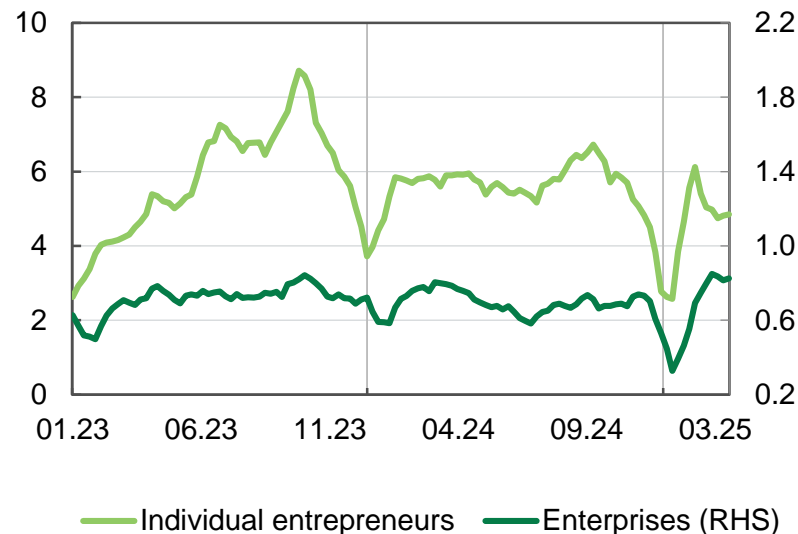
Ukraine: Economic activity

Business expectations continued to improve in March, with economic activity picking up in a number of sectors

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



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



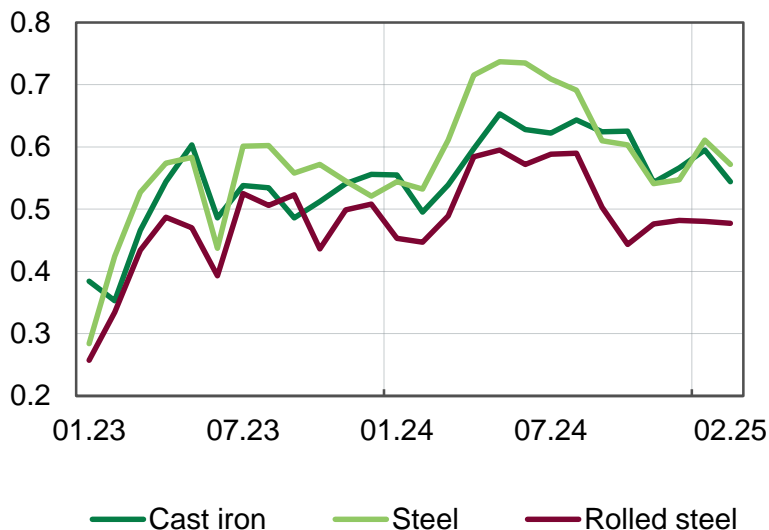
A level above 50 indicates mainly positive expectations.
 Survey was not conducted from March to May 2022.
 Source: NBU.

Source: opendatabot.ua.

- In March, economic activity picked up and business expectations improved in most sectors. Positive business expectations exceeded negative ones for the first time in 11 months
- The energy situation was mostly stable; spring sowing preparations and defense needs contributed to a revival of industry in March
- Meanwhile, warmer weather and improving consumer sentiment supported a revival of construction and trade

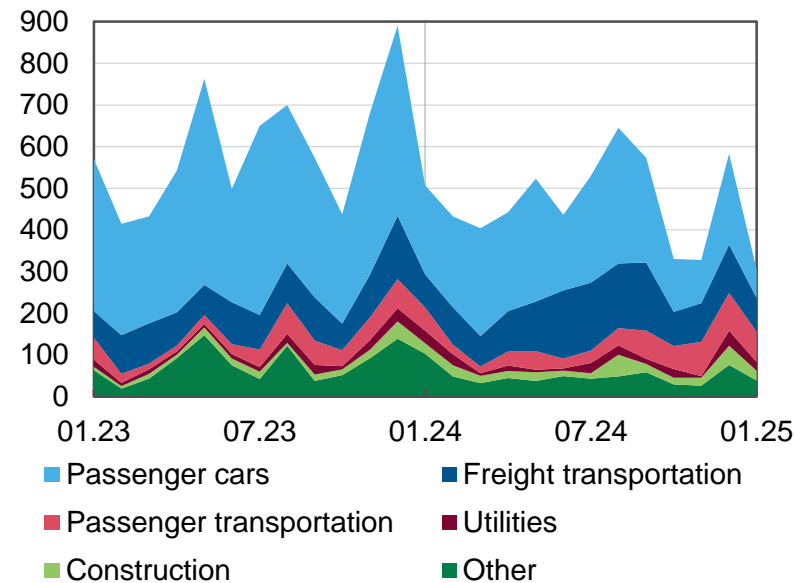
Improved energy conditions, significant defense needs, and preparations for the sowing contributed to the revival of industry

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



Source: Ukrmetallurgprom.

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

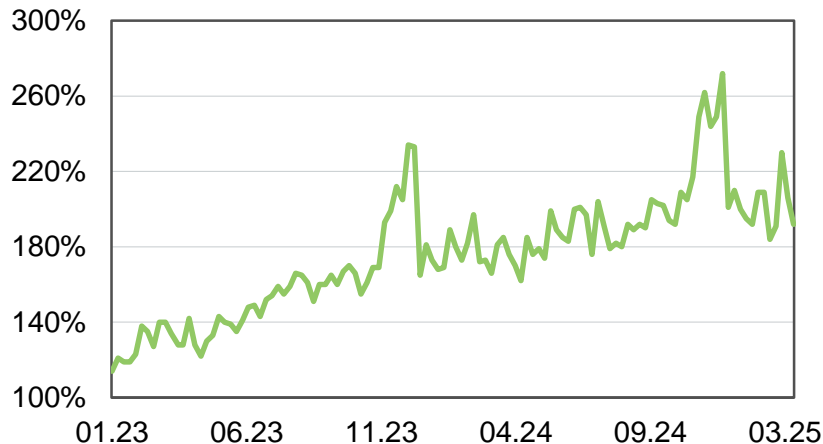


Source: Ministry of Internal Affairs.

- Metal production declined in February compared to January, but continued to grow year-on-year; [production of weapons](#), [defense structures](#), and [infrastructure reconstruction](#) supported metallurgical facilities' utilization
- Individual [iron ore mines increased their production capacity](#), while the growth of the mining industry was held back by losses of gas infrastructure due to russian shelling
- Key players in the chemical industry [resumed fertilizer production](#) amid an improved energy situation and preparations for spring sowing
- Increased production of [weapons](#), [wagons](#), and [mining equipment](#) supported the revival of engineering

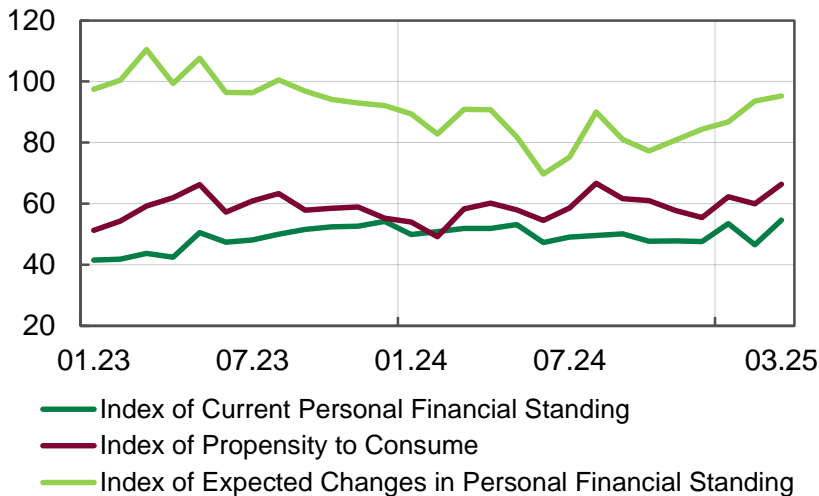
Trade also picked up against the backdrop of improved consumer sentiment

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



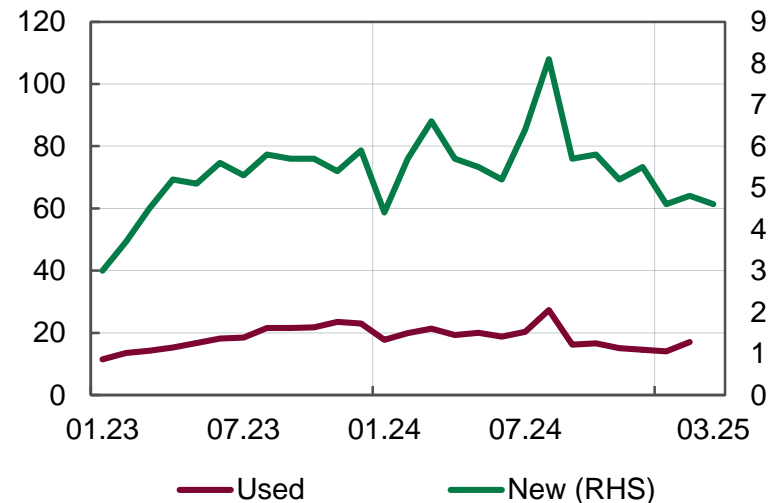
Source: Opendatabot (Khoroshop service).

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

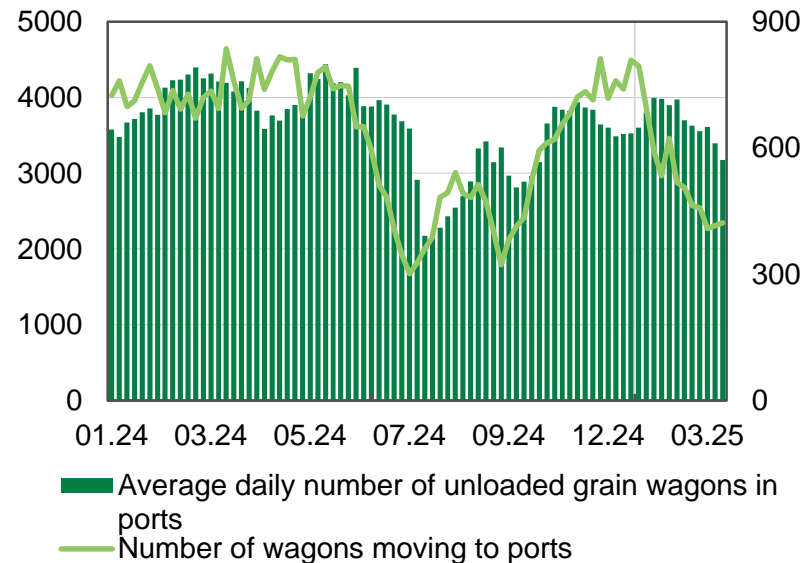


Source: Ukravtoprom.

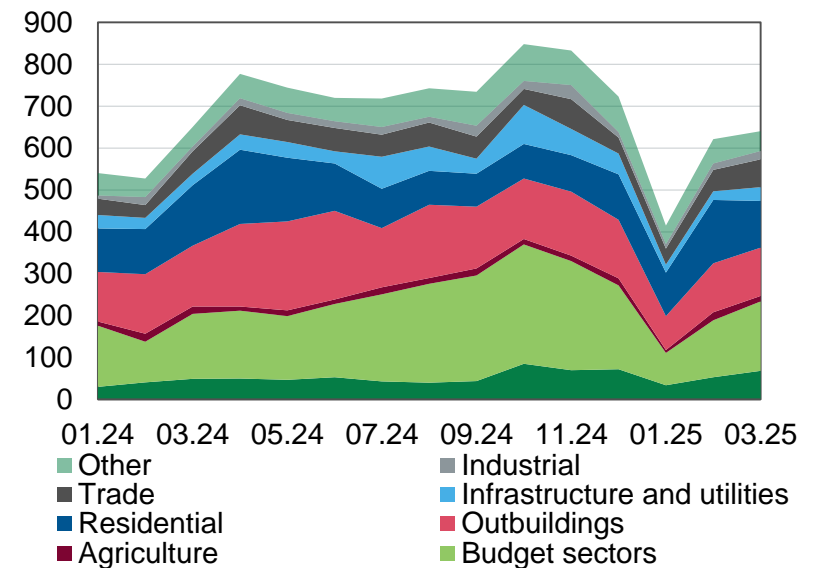
- Retail sales rebounded in March after a [slowdown in February](#), with a number of chains [opening new stores](#)
- Online sales also continued to grow year-on-year
- Consumer sentiment improved as well
- [New car sales](#) were previously estimated to have fallen 3.3% mom and 27% yoy in March

Construction picked up in March, but shortages of agricultural raw materials continued to hamper food processing and freight

Railway transportation of grain cargoes to sea ports, units



Number of buildings at the start of construction, units*



*Buildings constructed by legal entities and individual entrepreneurs

Source: Construction activity registry.

Source: Rail.insider, UZ.

- In March, the shortage of raw materials and the [decline in production profitability](#) continued to [restrain oil processing](#), although in general food processing remained attractive for new [investments](#)
- Meat processing continued to experience a seasonal [recovery](#) amid preparations for the spring holidays; [dairy processing revived](#) due to a surplus of raw milk on the market
- In March, [road transportation activity picked up](#) and grain cargo transfers increased on the western border; at the same time, [sea](#) and [rail transportation](#) to ports continued to decline due to low stocks of agricultural raw materials

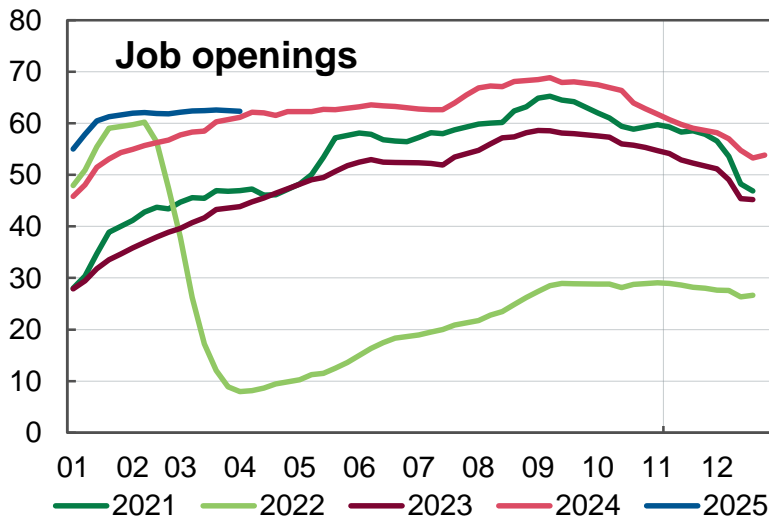
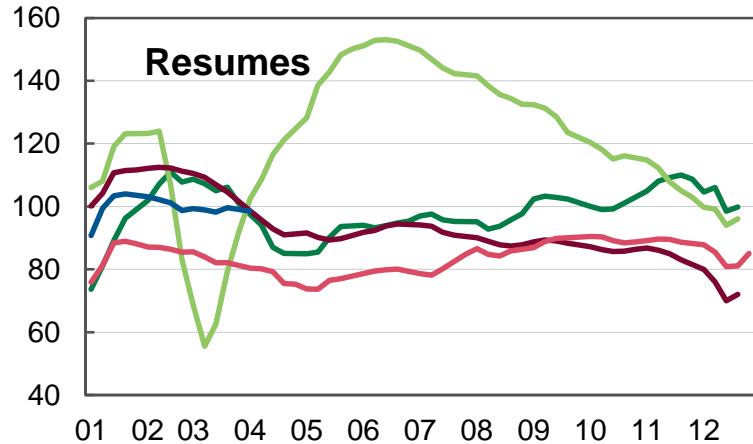
Warmer weather, as well as the reconstruction of [logistics](#), [trade](#), and [agricultural infrastructure](#), contributed to the revival of construction in March



Ukraine: Labor market

The number of job openings and resumes kept growing...

Labor market indicators, four-week rolling average, thousands



Index of problems in finding employees, %



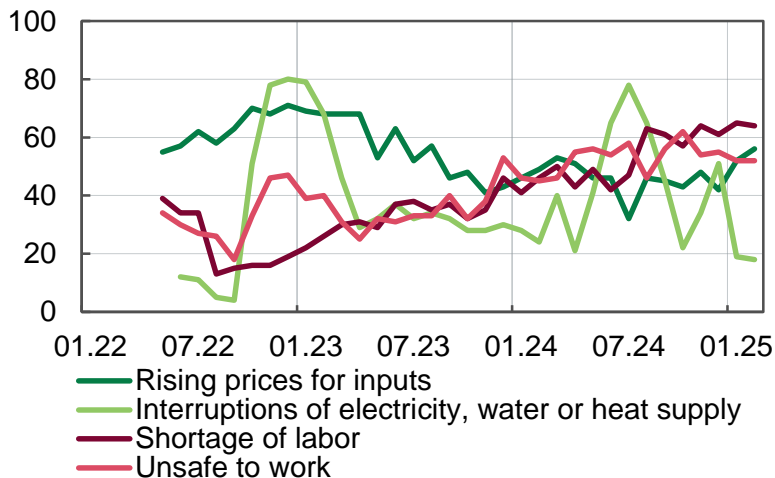
Source: IER.

- The labor market continued to recover in March, with the number of new job openings and resumes growing year-on-year; the number of resumes in Q1 2025 was consistently higher than in the previous year
- Increased labor supply made it easier to find employees

Source: work.ua, NBU staff calculations.

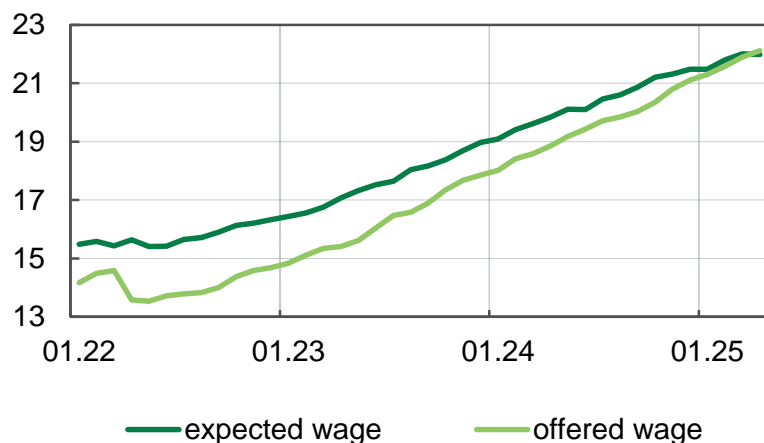
...however, the shortage of labor remains the biggest business problem, driving wage growth

Main obstacles to doing business in wartime, % of responses



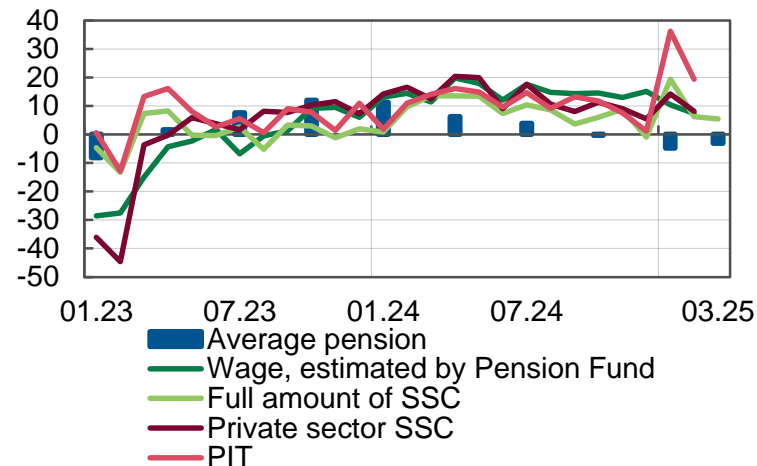
Source: IER.

Expected and offered wages, UAH thousands



Source: work.ua.

Indirect indicators for estimating real household income*, % yoy



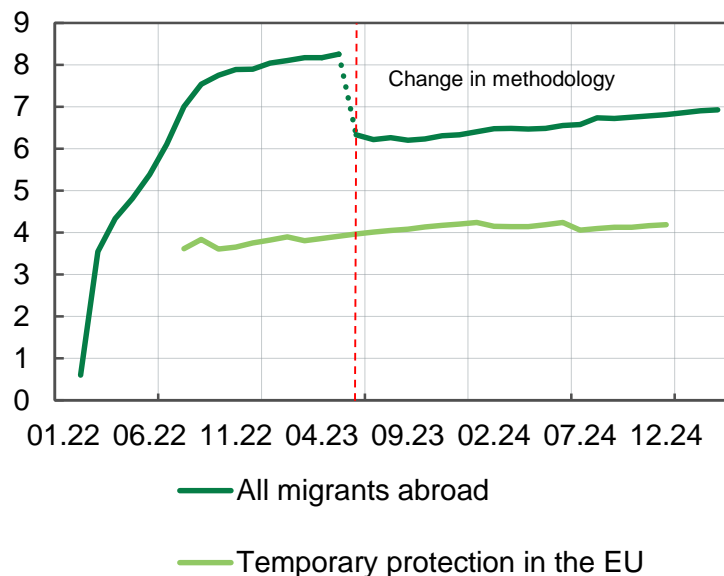
* Deflated by CPI. The private sector SSC is calculated as the difference between total SSC and SSC on wages from the consolidated budget.

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

- The shortage of workers continues to keep wage growth high. However, the offered and expected wages became almost equal, which also indicates a gradual easing of the search for employees
- Revenues of households related to budget financing, including payments to the military and social benefits, are also growing. For example, pensions were increased by 11.5% on 1 March 2025

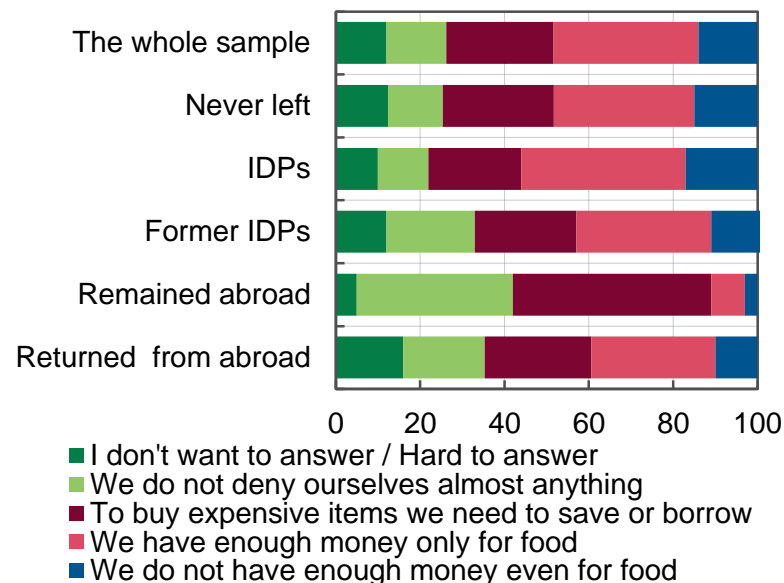
The number of Ukrainian migrants abroad increased

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



Source: UNHCR, Eurostat.

Your economic standing, % of responses



Source: CES.

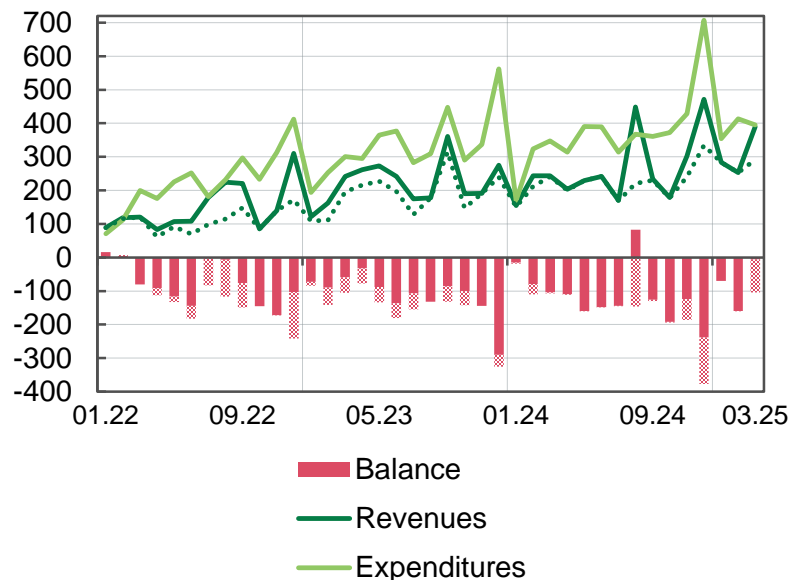
- According to the UNHCR, the number of migrants outside Ukraine has exceeded 6.9 million, as of 20 March 2025
- According to IOM, as of December 2024, there were 3.7 million IDPs and 4.2 million people who have returned to their usual place of residence in Ukraine. The largest number of IDPs is in Dnipropetrovsk (14%) and Kharkiv (12%) oblasts. As before, according to the [CES survey of women conducted in January 2025](#), IDPs have significantly lower incomes than other surveyed groups and have problems finding employment. At the same time, according to [the KIIS survey](#), IDPs are adapting to their new places of residence, with 56% of IDPs having jobs compared to 37% at the end of 2022.



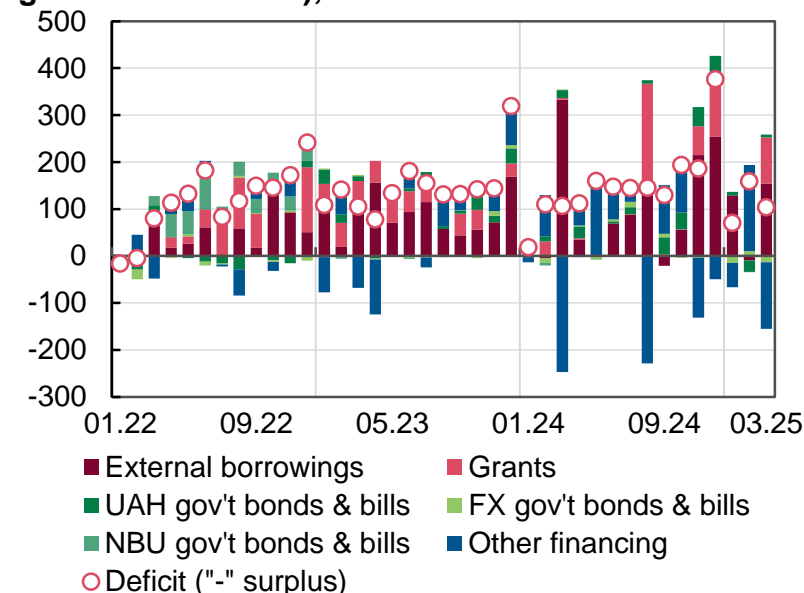
Ukraine: Fiscal sector

The state budget deficit (excluding grants in revenues) decreased in March, but remained significant

Main state budget indicators* (monthly), UAH billions



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

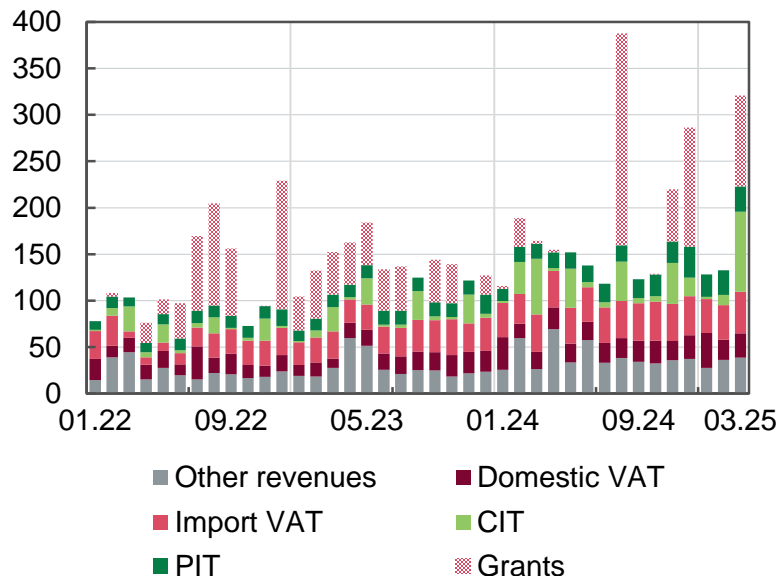


* Dotted lines and patterned fillings show relevant indicators excluding grants. Balance includes net lending. ** Debt transactions are net borrowings. Other financing represents active operations (in particular, includes the change in volumes of gov't funds) and privatization proceeds. March – preliminary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

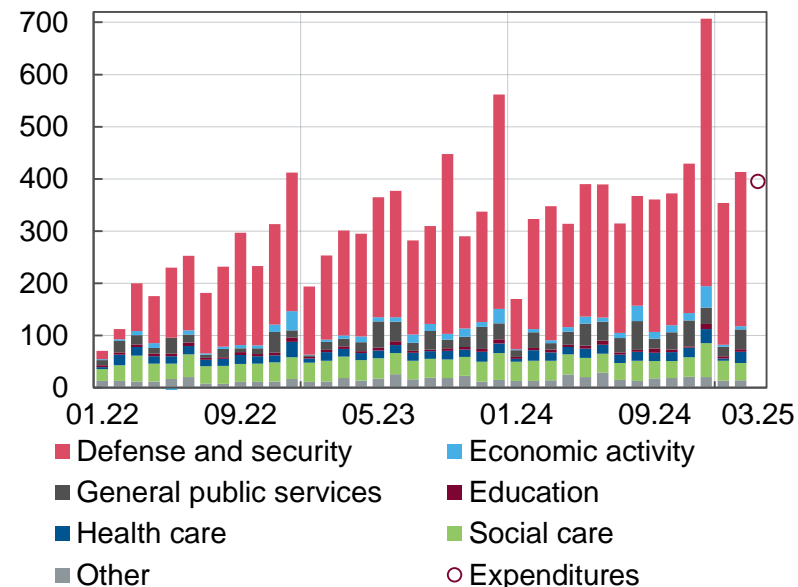
- In March, the narrowing of the deficit (excluding grants in revenues) was caused by both more restrained expenditures and higher revenues. However, in January-March, the deficit was larger than last year, given the sufficient funds to finance it
- Thus, considerable financial support from international partners made it possible to finance the deficit in March and increase the FX funds for the future
- Meanwhile, activity in the domestic debt market revived in March due to the increase in the yields of hryvnia-denominated government bonds. However, in January-March, the rollover in all currencies was about 80%

Tax revenues continued to grow, and expenditures increased moderately

Revenues* of the state budget general fund, UAH billions



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



March – 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.

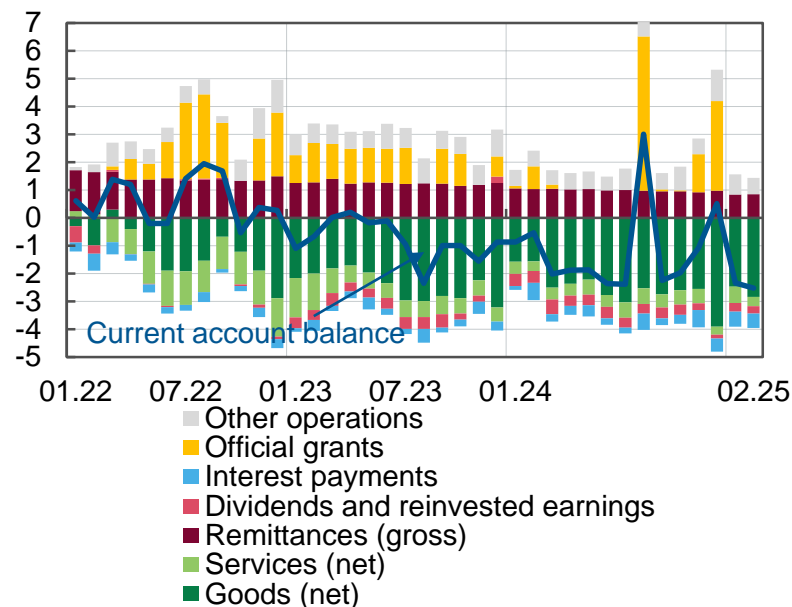
- General fund revenues (excluding grants) resumed growth in March (by over 38% yoy), in particular due to tax revenues. The growth in key taxes proceeds was facilitated by an increase in a number of tax rates and better tax administration, as well as improved financial results of certain sectors, in particular banks. At the same time, grants were also a significant revenue source, providing more than a third of general fund revenues
- In March, the slowdown in the growth rate of expenditures continued (to about 14% yoy). At the beginning of the year, they were primarily directed to financing the needs of ensuring defense capabilities and reconstruction, as well as social programs



Ukraine: Balance of Payments

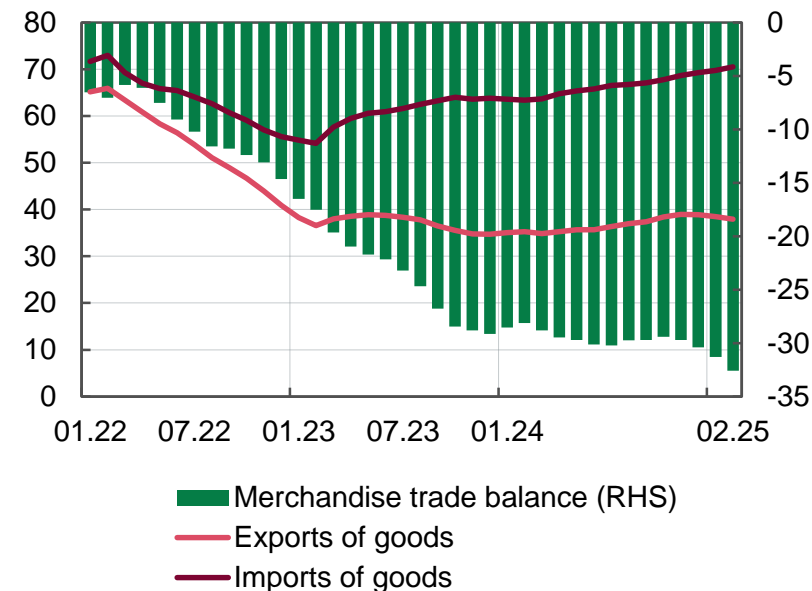
The current account deficit expanded slightly due to seasonal increase in imports

Current account balance, USD billions



Source: NBU.

Merchandise trade balance, 12-m rolling, USD billions

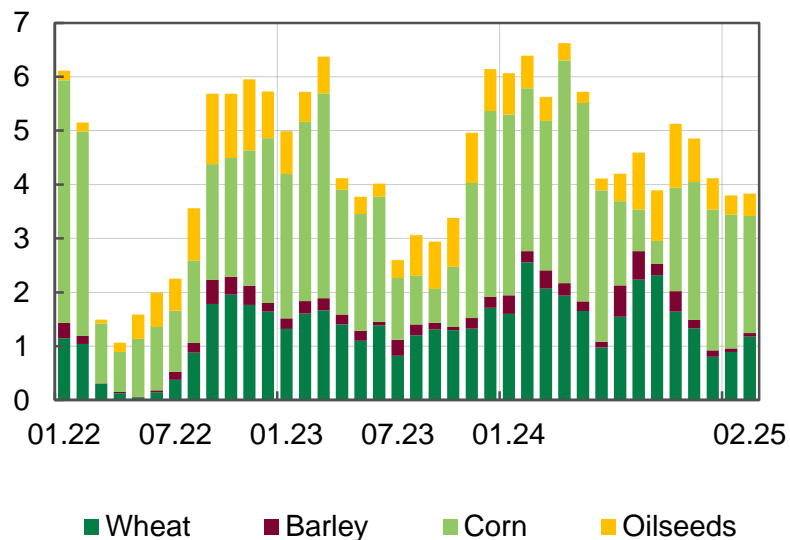


Source: NBU.

- In February, services trade deficit significantly decreased due to lower expenses of Ukrainian migrants abroad, which was driven by both their continued loss of residency status and a lower number of calendar days
- However, this was offset by the widening trade deficit in goods. Specifically, goods exports declined due to weak external demand for metallurgical products, while imports increased as agrarians ramped up purchases of products to prepare for the new season
- As a result, the current account deficit expanded slightly

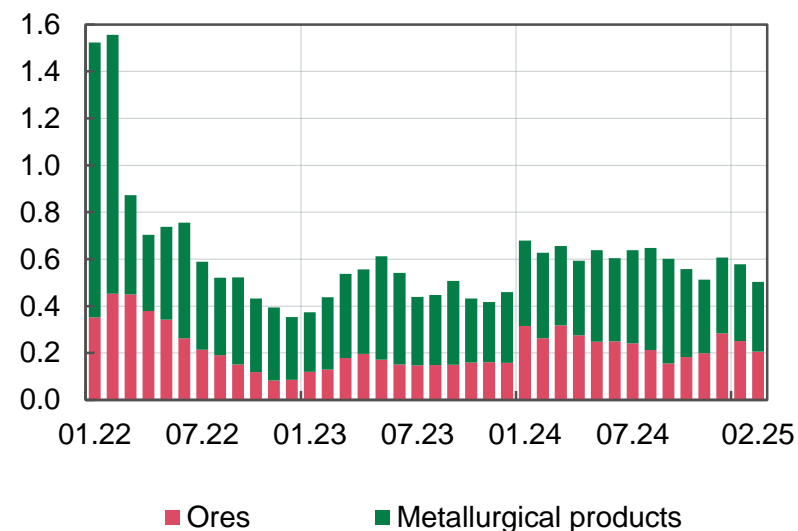
Goods exports declined due to growing uncertainty in global commodity markets

Exports of agricultural products, million tons



Source: SCSU.

Exports of metallurgical products and ores, USD billions

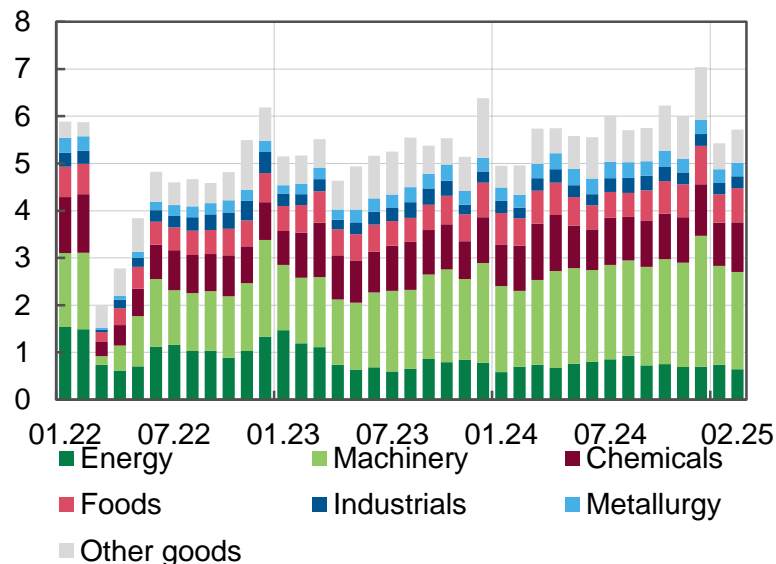


Source: NBU.

- In February, the decline in iron ore exports continued amid turbulence in the global markets, primarily affecting shipments to China and certain EU countries
- Additionally, the US reduced purchases of pig iron from all countries, as a result its exports from Ukraine temporarily decreased
- Meanwhile, agricultural exports remained at January's level: a drop in corn shipments to Turkey due to its increased [import duties](#) was offset by higher wheat exports, driven by Russia's [introduction of export quotas](#)

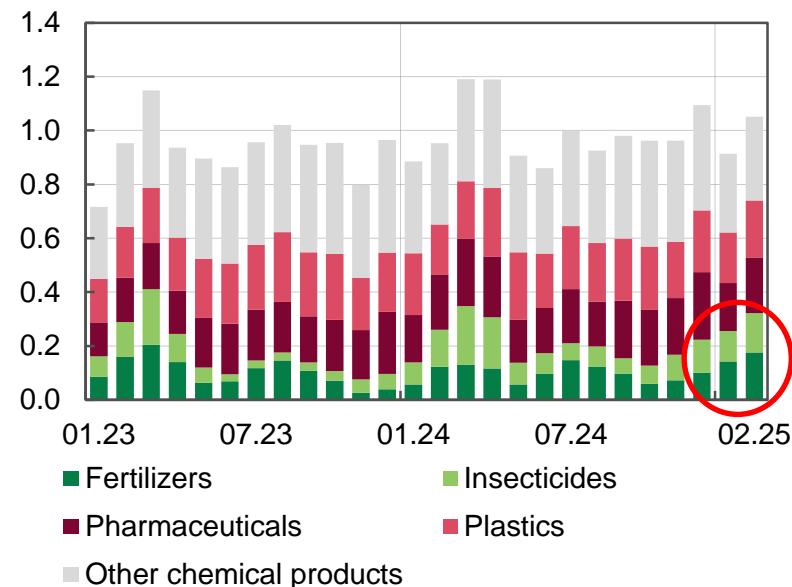
Goods imports increased primarily due to seasonal growth in demand from agrarians

Imports of goods, USD billions



Source: NBU.

Imports of chemical products, USD billions

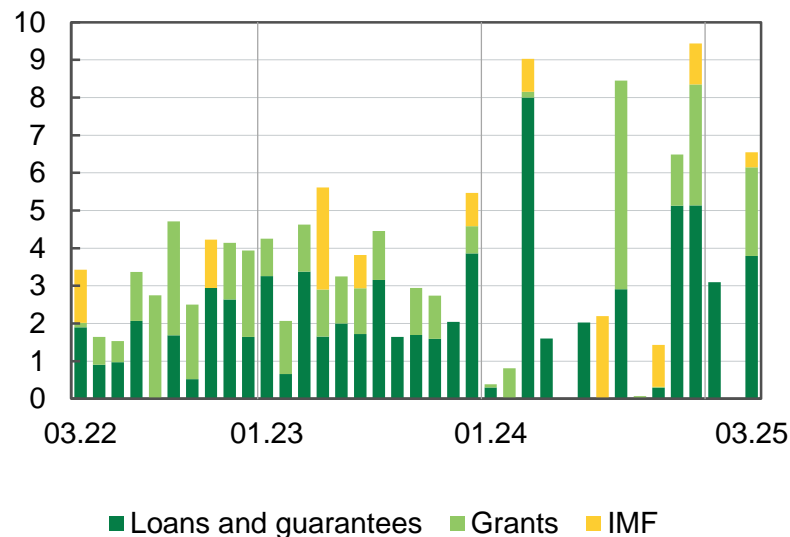


Source: NBU.

- Ahead of the sowing campaign, agrarians increased their purchases of fertilizers, insecticides, and seed materials, which was reflected in the imports of chemical products and foods
- By contrast, imports of machinery declined, primarily due to lower purchases of energy equipment
- Energy imports also decreased. High domestic stocks led to lower purchases of oil products, while high prices in Europe resulted in reduced electricity imports. Additionally, gas imports were lower – despite significant volumes being moved to the customs territory, only a portion was cleared and thus recorded as imports

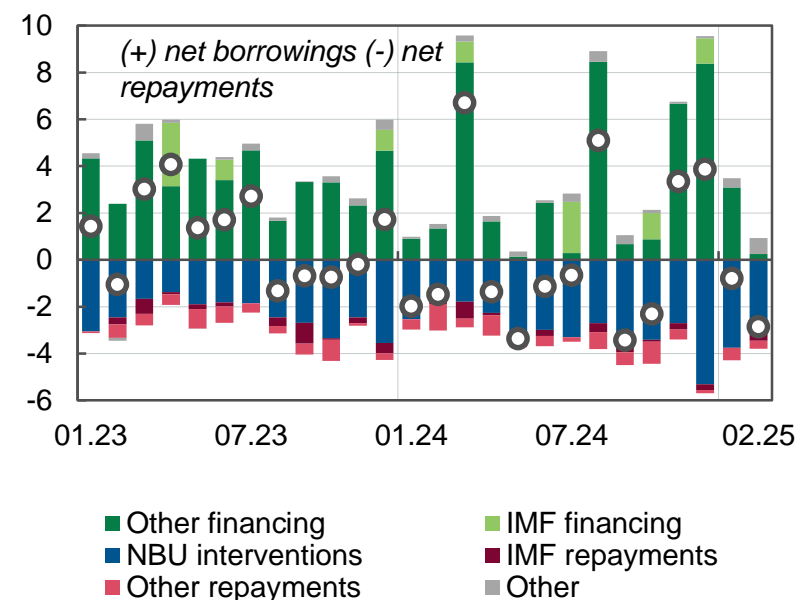
Due to a pause in international financial aid inflows, reserves declined albeit remaining at high levels

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.

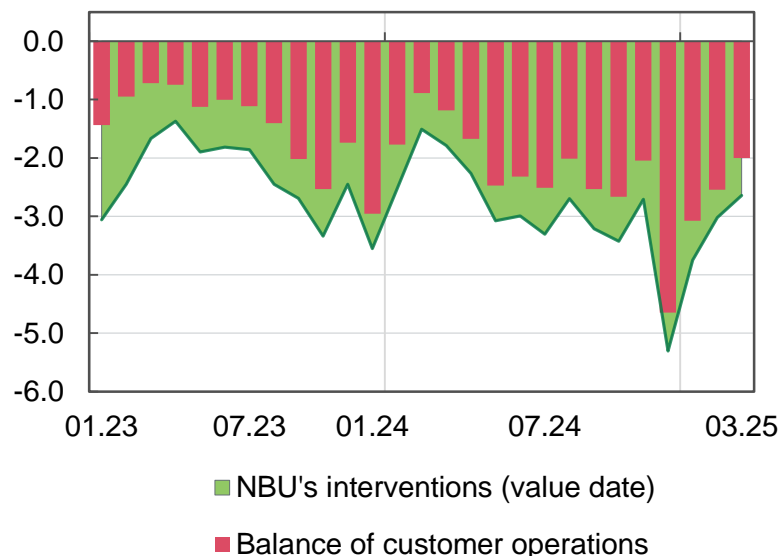
- In February, the NBU' interventions declined slightly: the widening of the current account deficit was fully offset by a decline in demand for FX cash, driven by improved exchange rate expectations
- At the same time, as expected, there were no inflows of international financial aid
- As a result, reserves declined but remained high – USD 40.1 billion as of the end of February. In March, the NBU's interventions continued to decline, and along with the IMF tranche and funds under the ERA mechanism, this contributed to the build-up of reserves



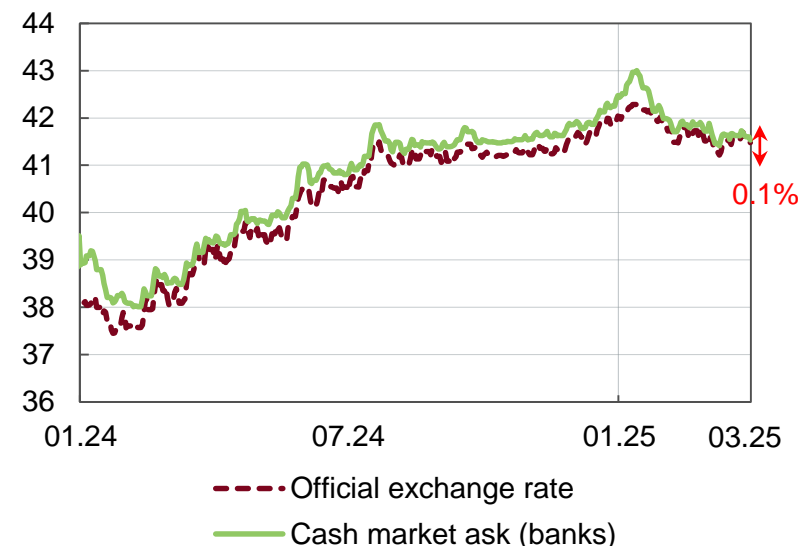
Ukraine: Monetary sector

In March, the volume of NBU's FX interventions declined amid an increase in the FX supply from businesses

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



Hryvnia exchange rates, UAH per USD



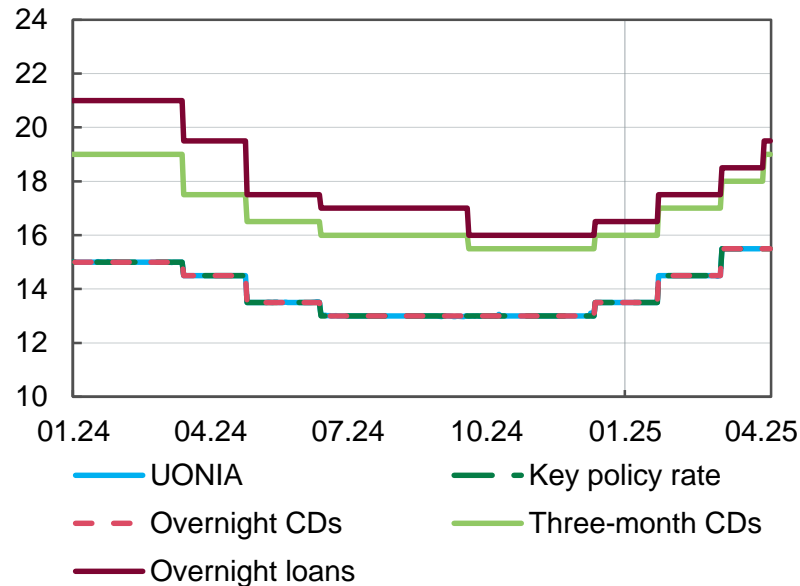
* Net sale and purchase of noncash and cash foreign currency by bank clients (Tod, Tom, Spot). Source: NBU.

Source: NBU.

- The increase in the FX supply in March was facilitated by relatively stable exports and FX sales for annual and quarterly tax payments
- Net cash FX demand from the households decreased amid improving exchange rate expectations
- As a result, the NBU's net FX sales decreased to USD 2.6 billion
- In March, the average official hryvnia exchange rate appreciated, and the spread with the cash rate did not exceed 1.1%. Meanwhile, the hryvnia exchange rate against the euro, which had been strengthening for a long period, moderately depreciated under the influence of the dynamics of the EUR/USD currency pair

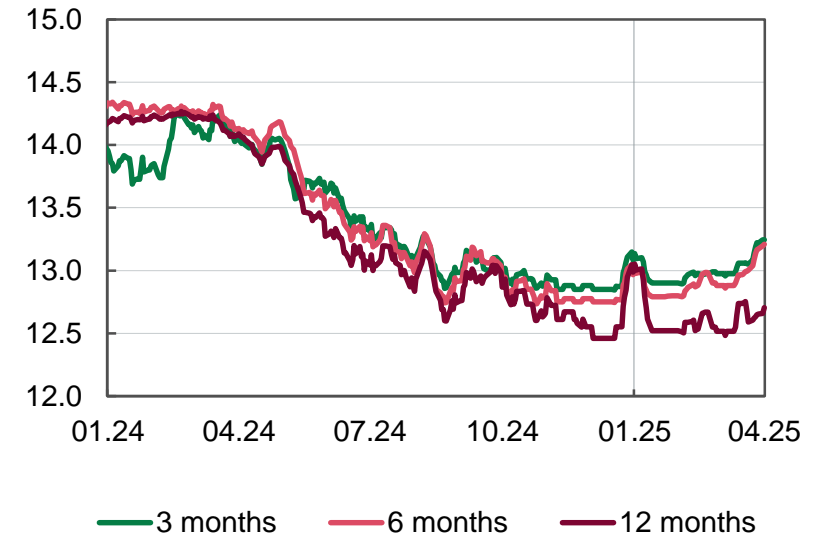
The hike of the key policy rate and changes to the operational framework parameters contributed to the growth of hryvnia rates...

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



Source: NBU.

Ukrainian Index of Retail Deposit rates*, %



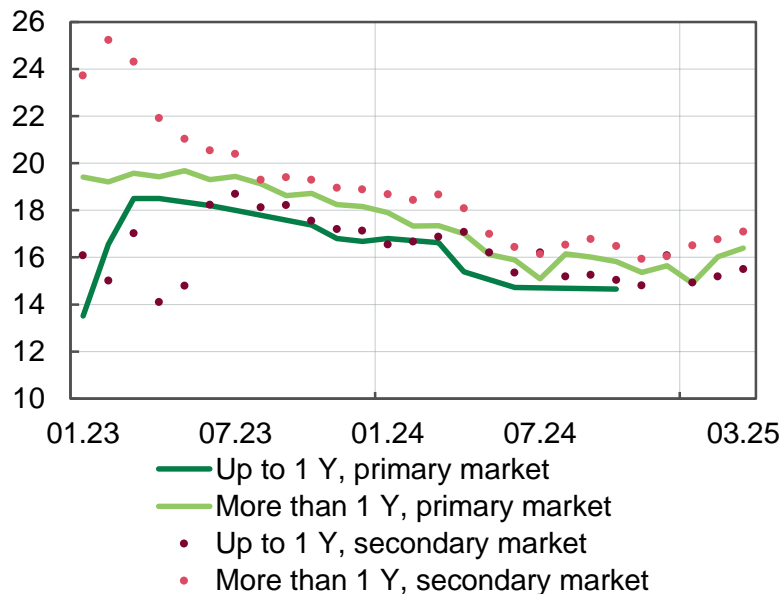
* 5-day moving average.

Source: Thomson Reuters.

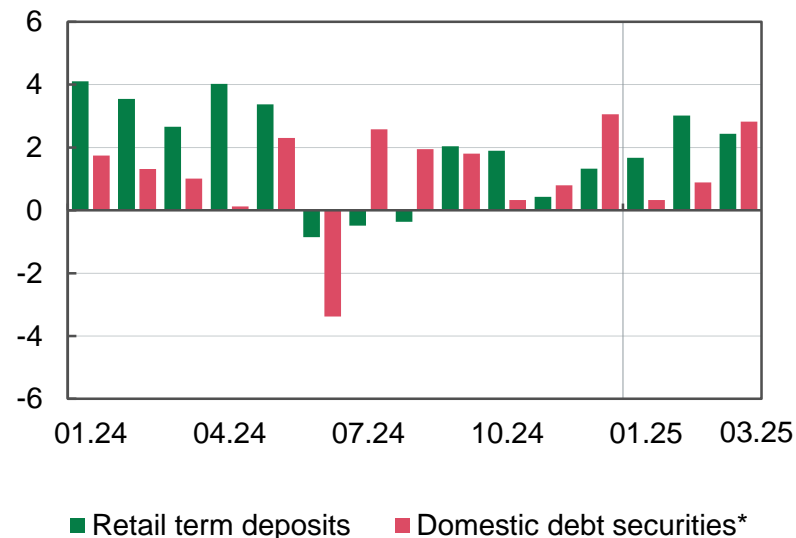
- In March, the NBU continued its monetary policy tightening cycle by raising its key policy rate by 1 pp to 15.5%. The decision was aimed at maintaining the attractiveness of hryvnia savings, preserving the sustainability of the FX market, and keeping inflation expectations in check, which will help return inflation to a steady downward trend toward the 5% target
- The announced changes to the parameters of the operational framework of the interest rate policy strengthened market incentives for banks to attract hryvnia retail term deposits. This contributed to an increase in interest rates on hryvnia term deposits and, accordingly, to a stronger protection of households' hryvnia savings from being eroded away by inflation

...as well as to the further increase in term deposits and holdings 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.

- The rise in nominal yields amid a gradual improvement in households' inflation expectations led to increased interest in hryvnia term instruments
- In March, net aggregate demand for hryvnia term deposits and holdings in domestic government debt securities of households was the highest over the past 10 months, amounting to UAH 5.3 billion