

## Balance of payments in February 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 111 million** (compared to USD 671 million in February 2023). The CA deficit narrowed primarily due to trade in goods and services deficit narrowing, including both a decrease in imports of goods and a decrease in the expenditures of Ukrainian citizens abroad. At the same time, the secondary income surplus narrowed owing to lower level of grants from international partners. On current account transactions, excluding reinvested earnings and grants from international partners, deficit was USD 0.8 billion (USD 1.7 billion in February 2023).

*For two months 2024 current account deficit totaled USD 0.6 billion (USD 1.8 billion in January-February 2023). On current account transactions excluding reinvested earnings and grants from international partners deficit was USD 1.3 billion (USD 3.5 billion for two months 2023).*

**Exports of goods<sup>3</sup> grew by 5.3%** (by 13.1% in January 2024), while those of **imports decreased by 6.8%** (by 1.7% in January 2024). Merchandise exports decreased by 1.1% and imports by 4.9% compared to previous month.

**Merchandise exports totaled USD 3.3 billion.** Exports grew the most in these goods categories:

mineral exports (inc. ore )	– 1.8 times (-11.9% compared to January);
metallurgical exports	– by 16.7% (-0.9% compared to January).

**Food exports** was flat compared to previous year – growing by only 1.4% (-1.6% compared to January). Growth in *exports of food processing products* (by 25.4%), *oils and fats, and oilseeds* (by 10.3%) was almost completely offset by a decline in *grain exports* (by 11.4%).

On the other hand, exports declined in the following goods categories:

machinery and equipment exports	– by 20.8% (+2.1% compared to January);
timber and wood products	– by 13.5% (+1.4% compared to January);
chemicals	– by 7.4% (+21.2% compared to January).

*In February 2024, in nominal terms, all of the growth in merchandise exports was driven by exports to African countries– by USD 231 million, or 3.7 times, its share grew from 2.7% in February 2023 to 9.5%. Exports to Americas (by USD 37 million, or 1.5 times along with the share from 2.2% to 3.2%) and CIS countries (by USD 9 million, or by 6.6%, share was flat*

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<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 February 2024 was made on the basis of available information and will be revised upon receipt of additional data.

<sup>2</sup>All balance of payments data are presented excluding the territory of Ukraine temporarily occupied by the Russian Federation.

<sup>3</sup> All percentage changes are given in comparison with the indicators of the corresponding period of the previous year, unless otherwise indicated.

– 4.3%) also saw growth. At the same time, exports to the EU countries (by USD 230 million, or by 11.9%; its share decreased from 60.9% to 51.0%) and to Asian countries (by USD 22 million, or by 2.4%, the share decreased from 28.5% to 26.4%) evidenced a decline.

**Merchandise imports equaled USD 4.8 billion.** Energy imports decreased by 41.3% (grew by 20.5% compared to January), while non-energy imports increased by 3.6% (fell by 8.2% compared by January), more specifically:

machinery and equipment imports	– by 12.7 % (-13.6% compared to January);
metallurgical imports	– by 19.4% (-5.4% compared to January).

Exports of these commodity groups remained almost flat compared to February last year:

chemicals	-0.3% (+7.4% compared to January);
food imports	+0.3% (-10.8% compared to January);
timber and wood products	+0.8% (-24.4% compared to January).

Exports of manufactured products decreased by 3.7% (-13.1% compared to January).

*In February 2024, imports from EU countries (by USD 204 million, or by 8.2%) fell the most, and contribution to total imports decreased from 48.2% to 47.5%. Also imports from CIS countries (USD 35 million, or by 37.6%,j its share fell from 1.8% to 1.2%) evidenced a decline. Meanwhile, imports from Asian countries (by USD 153 million, or by 10.2%, contribution to total imports increased from 29.3% to 34.6%) and African countries (by USD 21 million, or 1.5 times, its share grew from 0.9% to 1.4%) saw growth.*

**The deficit of trade in services narrowed to USD 0.4 billion** (USD 1.3 billion in February 2023) due to both a significant reduction in imports of services (by 31.5%) and an increase in their exports (by 5.8%). Services imports fell primarily owing to outbound tourism and short-term migrants' expenditures<sup>4</sup> (by 39.1% to USD 1.2 billion), financial (by 62.1%), transportation (4.7%) and repair & maintenance services (by 63.2%) drop. Meanwhile, imports of computer services (by 29.2%) and other business services (by 16.3%, primarily due to 3.3 times advertising services growth) saw an increase. The main drivers of service exports growth were an increase in transportation services (by 20.4%), other business services (by 16.6%, primarily due to technical services by 27.2%), inbound tourism expenditures (by 33.3%) and repair & maintenance services (by 2.5 times). On the other hand, exports of computer and telecommunication services (by 4.3%), manufacturing services on physical inputs owned by others (by 16.7%) and government services (by 36.2%) decreased.

**Primary income balance surplus narrowed to USD 207 million** (USD 317 million in February 2023) owing to receipts on compensation of employees decrease by 18.8%.

**Secondary income balance surplus narrowed to USD 1.5 billion** compared to USD 2.3 billion in February 2023 due to a reduction in grants from international partners.

**The amount of inward personal remittances** decreased by 5.4% and totaled

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<sup>4</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.

**USD 0.9 billion**<sup>5</sup>. Salaries received by Ukrainians from abroad declined by 11.8%, in turn other remittances received through official channels decreased by 22.7%. In general, by 4.8% less remittances were sent through official channels than in February 2023, while the flow through informal channels fell by 14.5% compared to February last year.

*In January-February this year remittances decreased by 3.3%: net compensation of employees decreased by 16.2%, while personal transfers increased by 29.0%.*

**Net borrowing from the rest of the world** (the total of current account and capital account balance) **totaled USD 110 million** (USD 645 million in February 2023).

*For January-February 2024 net borrowing from the rest of the world totaled USD 547 million, USD 1.7 billion for the relevant period last year.*

**The financial account net outflows totaled USD 1.2 billion** (USD 77 million in February 2023) and was mainly generated by **private sector** outflows.

*In January-February 2024 the financial account net outflows were USD 2.6 billion, the net inflows totaled 2.2 billion for relevant period last year.*

**Public sector net outflows totaled USD 152 million** (net inflows were USD 353 million in February 2023) due to loans net repayments.

**The net inflows of foreign direct investments stood at USD 147 million** (USD 387 million in February 2023), including:

USD 72 million banking sector reinvestment of earnings<sup>6</sup>;

USD 35 million net inflows in equity, excluding reinvestment of earnings (USD 98 million in February 2023);

USD 40 million debt instruments net disbursements, of which between fellow enterprises – USD 18 million (in February 2023 net disbursements were USD 5 million, of which net repayments between fellow enterprises – USD 4 million).

*For two months of 2024, the net inflows of foreign direct investment is estimated at USD 315 million (including reinvestment of the banking sector's earnings of USD 164 million). For two months of 2023, the net outflows amounted to USD 757 million (including reinvestment of earnings of USD 696 million). Net inflows in equity (excluding reinvestment of earnings) amounted to USD 61 million (for two months of 2023 – USD 108 million). Net debt instruments disbursements amounted to USD 90 million (for two months of 2023 – USD 49 million).*

**The banking system's external position on portfolio and other investments remained virtually unchanged: it decreased only by USD 19 million.**

**The real sector external position net increase** (excluding foreign direct investment) totaled **USD 1.3 billion** driven by these competing factors:

USD 1.4 billion increase of the amount of foreign cash outside banks (by USD 1.1 billion

<sup>5</sup>The total amount of remittances will be adjusted on the basis of mirror statistics by partner countries, released after the dissemination of balance of payments data.

<sup>6</sup>The balance of payments for January-February 2024 includes reinvestment of earnings of the banking sector only.

in February 2023);

USD 110 million net decrease on loans external liabilities;

USD 202 million net decrease on trade credit external position.

*For January-February 2024 net increase of the amount of foreign cash outside banks equaled USD 3.1 billion (USD 2.1 billion for relevant period last year).*

**The net private sector's outflows** (including errors and omissions) in February **totaled USD 1.1 billion** (USD 0.4 billion in February 2023).

**The overall balance of payments deficit equaled USD 1.3 billion** (USD 0.7 billion in February 2023). The net repayments to the IMF totaled USD 131 million.

**The international reserves amounted to USD 37.1 billion as of late February**, enough to cover 4.9 months of future imports.