National Bank of Ukraine

Balance of payments in Q1 2022

(preliminary data[1,2] according to the Balance of Payments and International investment position manual, 6th edition)

The current account surplus stood at USD 2.3 billion, or 6.1 of GDP[3] in Q1 2022. (deficit totaled USD 0.5 billion, or 1.3% of GDP in Q1 2021). Significant surplus was fueled by substantial reduction in payments on investment income, narrowing the trade deficit due to lower imports of goods compared to their exports and the growth of secondary income through humanitarian aid[4]. On current account transactions excluding reinvested earnings surplus was USD 2.7 billion, or 7.2% of GDP (compared to USD 1.3 billion, or 3.6% of GDP in Q1 2021).

External trade in goods and services deficit equaled USD 0.6 billion (1.5% of GDP) in Q1 2022 comparing to USD 0.8 billion or 2.2% of GDP in Q1 2021.

Exports of goods[5] grew by 3.0%, while **imports of goods** decreased by 2.9%. russia's full-scale invasion of Ukraine led to a sharp decline in foreign trade in goods: in March, exports of goods fell by 52.5% and imports by 65.9%. Merchandise exports and imports declined by 30.7% and 36.2% respectively compared to Q4 2021.

Merchandise exports totaled USD 12.9 billion. Exports have increased in:

food exports (including grains)	– by 24.9%;
timber and wood products	– by 7.7%.

Meanwhile, exports fell in all other main goods categories:

mineral exports (including ore)	– by 21.5%;
metallurgical exports	– by 10.6%;
machinery and equipment exports	– by 20.9%;
manufactured goods	– by 10.9%;
chemicals	– by 2.7%.

In Q1 2022, in nominal terms, exports to EU countries (by USD 1.1 billion, or by 25.8%) grew the most along with its share from 35.6% to 43.5%. Exports African countries (by USD 301 million, or by 30.5%) also saw growth as well as the contribution to total exports from 7.9% to 10.0%. Meanwhile, exports to Asian (by USD 381 million, or 8.1%, share fell from

[1] According to the Law of Ukraine from March 3rd 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 Q1 2022 was made on the basis of available information and will be clarified upon receipt of additional data.

[2] The Autonomous Republic of Crimea and the city of Sevastopol, and temporarily occupied territories in the Donetsk and Luhansk regions are excluded from the data for 2020 and 2021.

[3] The calculations used preliminary GDP data according to the NBU's estimates

[4] The assessment of the amount of humanitarian aid in the balance of payments is based upon the United Nations Financial Monitoring Service for Humanitarian Aid (FTS) data, estimates will be reviewed upon receipt of additional data.

[5] All percentage changes are given in comparison with the indicators of the corresponding period of the previous year, unless otherwise indicated.

37.6% to 33.6%), CIS countries (by USD 381 million, or 28.9%, share from 10.6% to 7.3% and Americas (by USD 228 million, or 33.3%, share from 5.5% to 3.6%) have significantly reduced.

Merchandise imports equaled USD 13.8 billion. Energy imports grew 1.5 times owing to petroleum products and natural gas; non-energy imports decreased by 14.1%. Also, imports fell in all non-energy categories:

machinery and equipment imports	– by 24.1 %;
food imports	– by 21.9%;
chemicals	– by 9.3%;
manufactured products	– by 23.6%;
metallurgical imports	– by 9.1%;
timber and wood products	– by 9.6%;

Imports from EU (by USD 834 million, or by 15.1%) and Asian countries (by USD 491million, or by 12.7%) declined the most. Their shares also shrank – from 38.7% to 33.8% and from 27.1% to 24.4% respectively. Meanwhile, imports from CIS countries evidenced an increase by USD 559 million, or 22.7% along with the rise of its share from 17.3% to 21.8% in Q1 2022.

The surplus of trade in services narrowed to USD 438 million (USD 970 million in Q1 2021), as imports of services growth rate (38.4%) outweighed those of exports (15.0%). The "travel" item imports increased 2.1 times resulted from expenses of Ukrainians[6], who travelled abroad due to the war. Imports of transportation services was flat compared to Q1 2021. Meanwhile, imports of telecommunication and computer services (by 23.4%), charges for the use of intellectual property (by 29.5%) and financial services (by 19.7%) evidenced a decline. Exports of services growth was fueled by computer services (by 38.4%) increase. Moreover, inbound tourism expenditures (by 45.5%) and exports of other business services (by 13.5%, technical and trade-related in particular) evidenced growth. Whilst, exports of transportation services (by 14.5%) saw a decline generated by pipeline (by 19.6%) and air transport (by 21.7%), while sea transportation services export grew by 27.8%.

Primary income balance surplus equaled USD 0.9 billion (compared to deficit USD 0.8 billion in Q1 2021) owing to substantial decline in repayments of dividends (2.3 times) and reinvested earnings[7] (USD 0.4 billion compared to USD 1.8 billion in Q1 2021). While receipts on compensation of employees decreased by 8.0%.

Secondary income balance surplus widened to USD 1.9 billion (compared to **USD 1.1 billion** in Q1 last year) due to the receipt of humanitarian aid[8] in March 2022, provided to Ukraine since the beginning of the war.

[6] 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.

[7] Data on reinvested earnings of enterprises for Q1 2022 are calculated on the basis of financial statements of enterprises that provided reporting, and will be updated after receiving full information after the cessation / termination of martial law.

[8] The assessment of the amount of humanitarian aid in the balance of payments is based upon the United Nations Financial Monitoring Service for Humanitarian Aid (FTS) data, information on aid in monetary form is provided according to the 1PX file.

The amount of inward private remittances totaled USD 3.1 billion[9], decreased by 9.1% compared to Q1 2021. War in Ukraine has caused remittances decline received through official channels by 6.7%: salaries received by Ukrainians from abroad decreased by 16.9%, while other private remittances received through official channels grew by 4.1%. In turn, the flow through informal channels decreased by 12.0%.

Net lending to the rest of the world (the total of current account and capital account balance) **in Q1 2022 totaled USD 2.3 billion** (net borrowing in Q1 2021 equaled USD 485 million).

The financial account net outflows increased in Q1 2022 to USD 5.6 billion (USD 0.5 billion in Q1 2021). **Private sector** net outflows **(USD 6.6 billion)** were only partially offset by public sector inflows.

Public sector net inflows totaled USD 0.9 billion (USD 0.2 billion last year) fueled by disbursements on loans from international partners by USD 1.8 billion. These inflows were partially offset by:

net repayments of government debt securities (USD 654 million);

Eurobonds repayments (USD 129 million);

Ukraine's GDP-linked securities open market buyback (USD 47 million).

The net outflows of foreign direct investments stood at USD 0.4 billion (USD 1.5 billion in Q1 2021) generated by:

debt instruments net repayments (USD 0.7 billion, USD 0.3 billion in Q1 2021) (including debt net repayments between fellow enterprises USD 30 million, while in Q1 2021 net disbursements totaled USD 1 million);

assets increase by USD 0.2 billion (the same in Q1 2021) mainly due to trade credit to direct investor.

Meanwhile, inflows in equity (excluding reinvestment of earnings[10]) added up to USD 113 million (USD 237 million in Q1 last year), reinvestment of earnings totaled USD 0.4 billion (USD 1.8 billion in Q1 2021).

The net decrease of the banking system's external position on portfolio and other investments accounted for USD 0.7 billion (net increase equaled USD 0.7 billion in Q1 2021) owing mainly to decrease of net external position on "currency and deposits" item by 0.9 billion. On the other hand, net repayments on securities totaled USD 122 million, while decrease of net external position on loans was USD 25 million.

The real sector external position net increase (excluding foreign direct investment) totaled **USD 6.6 billion** (USD 1.7 billion in Q1 2021) driven by these factors:

[9] 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.

[10] Data on reinvestment of earnings of enterprises for Q1 2022 are calculated on the basis of financial statements of enterprises that provided reporting, and will be updated after receiving full information after the cessation / termination of martial law.

USD 2.6 billion increase of the amount of foreign cash outside banks[11] (by USD 1.4 billion in Q1 2021);

USD 3.8 billion increase of net external position on trade credit (decrease totaled USD 0.2 billion in Q1 2021);

USD 71 million non-residents' securities net purchase;

USD 44 million Eurobonds repayments.

Meanwhile, net increase of loans external liabilities totaled USD 126 million (net decrease added up to USD 211 million in Q1 2021).

The overall balance of payments ran a deficit of USD 3.3 billion (USD 1.0 billion in Q1 2021). Disbursement from the IMF **under Rapid Financing Instrument RFI** equaled **SDRs 1006 million (USD 1410 million),** repayments to the Fund added up to USD 0.8 billion. **The international reserves as of the end of Q1 2022 stood at USD 28.1 billion,** enough to cover 4.0 months of imports.

[11] In March 2022 the increase in amount of foreign cash was due to the receipt of significant amounts of cash on transactions with cards abroad, which, according to estimates, were only partially used to cover the current expenses of Ukrainians abroad.