National Bank of Ukraine

Balance of payments in 2021[1,2]
(according to the *Balance of Payments and International investment position* manual, 6th edition)

In 2021 the current account deficit amounted to USD 3.2 billion (1.6% of GDP), in 2020 the current account surplus totaled USD 5.3 billion (3.4% of GDP). Deficit was fueled by substantial paid out dividends (especially at year-end) and reinvested earnings. On current account transactions excluding reinvested earnings, the surplus was USD 1.1 billion, or 0.5% of GDP (USD 4.8 billion, or 3.1% of GDP in 2020). External trade in goods and services deficit equaled USD 2.7 billion comparing to USD 2.4 billion in 2020. Exports and imports of goods and services recovered at a comparable pace – 34.3% та 33.4% respectively (compared to fall by 4.5% and 17.1% in 2020).

Exports of goods increased by 39.8%[3] (in 2020 fell by 2.1%) and amounted to USD 63.1 billion. Exports growth was generated by ***metallurgical exports*** which grew ***1.8 times*** and reached the level of 2013, and ***food exports (by 24.9%)*** driven by bumper grain harvest. Moreover, exports increased owing to growth in following goods categories:

mineral exports (including ore)	– 1.6 times;
chemical exports	– by 37.5%;
timber and wood products	– by 41.7%;
machinery and equipment exports	– by 12.7%;
manufactured products	– by 31.0%.

In geographical context, in nominal values, exports of goods to EU (by USD 8.3 billion, or 1.6 times yoy) and Asian (by USD 4.7 billion, or 25.6%) countries increased the most. EU countries' share in total exports increased to 36.2% (in 2020 – 32.4%), while Asian contribution shrank from 40.5% to 36.4%. Exports to Americas (by USD 1.7 billion, or 2.1 times) and Africa (by USD 1.6 billion, or 38.4%) also saw growth. Americas' share grew from 3.3% to 5.1%, while African countries' share was flat compared to 2020 – 8.9%. Exports to CIS countries rose by USD 1.1 billion, or 20.2%, and its share fell by 1.7 p.p. to 10.7%.

Imports of goods increased by 34.3% (in 2020 fell by 14.0%) and totaled **USD 69.7 billion.** Energy imports rose 1.8 times, due to petroleum products and natural gas in particular. While non-energy imports increased by 26.6%. Imports also grew in such main product categories:

machinery and equipment exports	– by 25.5%;
chemical imports	– by 34.9%;

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[1] Data exclude data for the temporarily occupied territory of Autonomous Republic of Crimea and the city of Sevastopol and temporary occupied zone in Donetsk and Luhansk regions.

[2] As of June 20, 2022, information has been updated in connection with the reporting data revision.

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

metallurgical imports – by 40.3%;

food imports – by 18.6%;

manufactured products – by 22.0%;

timber and wood products – by 10.2%.

In geographical context, in nominal values, imports from EU (by USD 5.2 billion, or 25.1%) and CIS (by USD 4.8 billion, or 1.6 times) countries grew the most. CIS countries share increased from 16.7% to 19.3%, meanwhile EU's contribution shrank to 37.5% from 40.3% in 2020. Imports from Asian countries grew by USD 4.4 billion, or 30.7%, whereas their contribution shrank from 27.6% to 26.9%.

The surplus of trade in services narrowed to USD 4.0 billion (USD 4.4 billion in 2020), as imports of services growth rate (29.2%) outweighed those of exports (18.2%). Two-thirds increase in exports of services was due to exports of computer services, which grew by 38.1%. Moreover, inbound tourism expenditures (2.7 times), other business services exports (by 14.5%, legal and advertising in particular) and manufacturing services on physical inputs owned by others (by 13.6%) also saw growth. Meanwhile, transportation services exports decreased by 6.5%: substantial decline in pipeline services (1.5 times) were partially offset by other modes of transport, air in particular. The main factors of imports' increase were outbound tourism and short-term migrants' expenditures (by 33.3%), imports of transportation services (1.5 times, sea and air in particular) and other business services (by 18.6%, legal and operating lease in particular). Also, charges for the use of intellectual property (1.5 times) and computer services imports (by 24.2%) evidenced an increase.

Primary income balance deficit amounted to USD 5.2 billion (compared to surplus USD 3.5 billion in 2020). In contrast to 2020, profits received by FDI enterprises, contributed to:

record repayments of dividends – USD 9.8 billion (grew 2.7 times compared to 2020);

substantial reinvested earnings – USD 4.3 billion (negative reinvested earnings totaled USD 488 million in 2020).

Whereas, the receipts on "compensation of employees" item grew by 15.8%.

Secondary income balance surplus widened to USD 4.6 billion (in 2020 – USD 4.1 billion).

The value of private remittances in 2021 increased by 17.0% and totaled USD 14.0 billion. With some easing of quarantine restrictions and a moderate economic recovery, informal channels returned to their previous volumes: they grew by 28.7% (compared to reduction by 22.3% in 2020), and its share totaled 42.0% (38.9% in 2020). Official channels showed growth of 9.8% compared to 22.7% in 2020.

The capital account surplus amounted to USD 15 million (in 2020 the deficit totaled USD 3 million).

In 2021 the net borrowing from the rest of the world (the total of current account and capital account) **totaled USD 3.2 billion** (in 2020 the net lending to the rest of the world equaled USD 5.3 billion).

In 2021, **net inflow on the financial account (the net lending) totaled USD 3.7 billion** (compared to net outflow of USD 3.3 billion in 2020) and resulted from both **private (USD 2.5 billion) and public sectors** transactions.

The net inflow to the public sector totaled USD 1.2 billion (in 2020 – USD 0.9 billion) and resulted from these competing factors:

USD 1.5 billion net borrowing on loans from international partners;

USD 213 million net purchase by non-residents on government debt securities;

USD 255 million net repayments on Eurobonds;

USD 50 million net repayments of local government bonds;

USD 170 million Ukraine's GDP-linked securities open market buyback.

In 2021 the net inflow of foreign direct investment amounted to USD 6.9 billion and was generated by:

USD 1.2 billion investment in equity (excluding reinvestment of earnings), and in 2020 – USD 760 million;

USD 4.3 billion reinvestment of earnings (in 2020 negative reinvestment of earnings totaled USD 488 million);

USD 1.8 billion net disbursements of debt instruments, including USD 0.3 billion on loans between fellow enterprises (USD 32 million and USD 53 million respectively in 2020).

The net increase of the banking system's external position on portfolio and other investments totaled USD 809 million (in 2020 – USD 2.0 billion) and resulted from these factors:

USD 364 million increase of net external position on "currency and deposits" item;

USD 550 million net repayment on Eurobonds;

USD 167 million net decrease of external liabilities on loans;

USD 298 million net sale of non-residents' securities by banks.

The net increase of the real sector's external position (excluding foreign direct investment) **amounted to USD 5.4 billion** (in 2020 – USD 2.9 billion). This resulted from these competing factors:

USD 5.1 billion increase of the amount of cash outside banks (in 2020 – USD 4.7 billion);

USD 1.3 billion decrease of net external liabilities on trade credits (in 2020 – USD 2.4 billion);

USD 0.2 billion non-residents' securities net purchase;

USD 0.4 billion net increase of liabilities on loans (in 2020 net decreased by USD 0.3 billion);

USD 1.7 billion net Eurobonds placement, by government enterprises in particular.

The net inflow to **the private sector** (including errors and omissions) totaled **USD 2.5 billion** (in 2020 the net outflow totaled USD 4.2 billion).

In 2021 the surplus of the overall balance of payments amounted to USD 487 million (in 2020 – USD 2.0 billion). The net repayments to IMF totaled USD 685 million.

International reserves added up to **USD 30.9 billion,** enough to cover 4.4 months of imports. Current level of reserves was maintained including due to the receipts of USD 2.7 billion (SDRs 1 928.2 million) within the general allocation from the IMF in Q3 2021.

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