INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING

Monthly Economic Monitoring of Ukraine

№258, July 2026

Executive Summary

- Ukraine and the European Union officially opened the first negotiation cluster in June and the sixth cluster in July.
- According to the IER estimate, real GDP increased by 0.8% yoy in June 2026.
- In June, Ukraine imported 295 ths. MWh of electricity, 26% less than in May. Electricity exports increased by 64% mom, to 152 ths. MWh.
- As of 11 July, Ukraine's underground gas storage facilities held 7.69 bn m^3 of natural gas (+11% mom). Storage facilities were 26.5% full.
- In January–June 2026, Ukraine's seaports handled 42.4 m tonnes of cargo.
- In June 2026, rail shipments of grain amounted to 2.82 m tonnes (-9.7% mom). In May, railways transported 13.37 m tonnes of cargo (+1% mom, -12% yoy).
- Goods imports increased by 26% yoy in June to USD 8.8 bn, one of the highest levels this year. Goods exports amounted to USD 3.5 bn.
- Record amounts of external assistance were received in June. This primarily refers to EU assistance under the Ukraine Facility and the Ukraine Support Loan.
- Consumer inflation slowed to 7.2% yoy in June from 8.2% yoy in May.
- In June, international reserves increased from USD 45.7 bn to USD 51.3 bn at the end of the month, reflecting peak donor inflows.

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Ukraine and the EU: Two negotiation clusters opened

In June and July, Ukraine made progress in its EU accession negotiations, although more slowly than expected in early June. In June, at the Second EU-Ukraine Intergovernmental Conference, the first negotiation cluster, "Fundamentals", was opened with the unanimous support of EU Member States. This cluster covers the rule of law, democratic institutions, and fundamental rights. It also includes the chapters on statistics and public administration. Negotiations on this cluster are opened first and closed last.

In July, at the Third EU-Ukraine Intergovernmental Conference, the sixth cluster, "External Relations", was opened. The opening of clusters means a transition to substantive negotiations on the relevant chapters of the EU *acquis*. However, further progress will depend on Ukraine's fulfilment of the benchmarks and on continued political agreement among EU Member States. For now, the other negotiation clusters are expected to be opened by the end of the year.

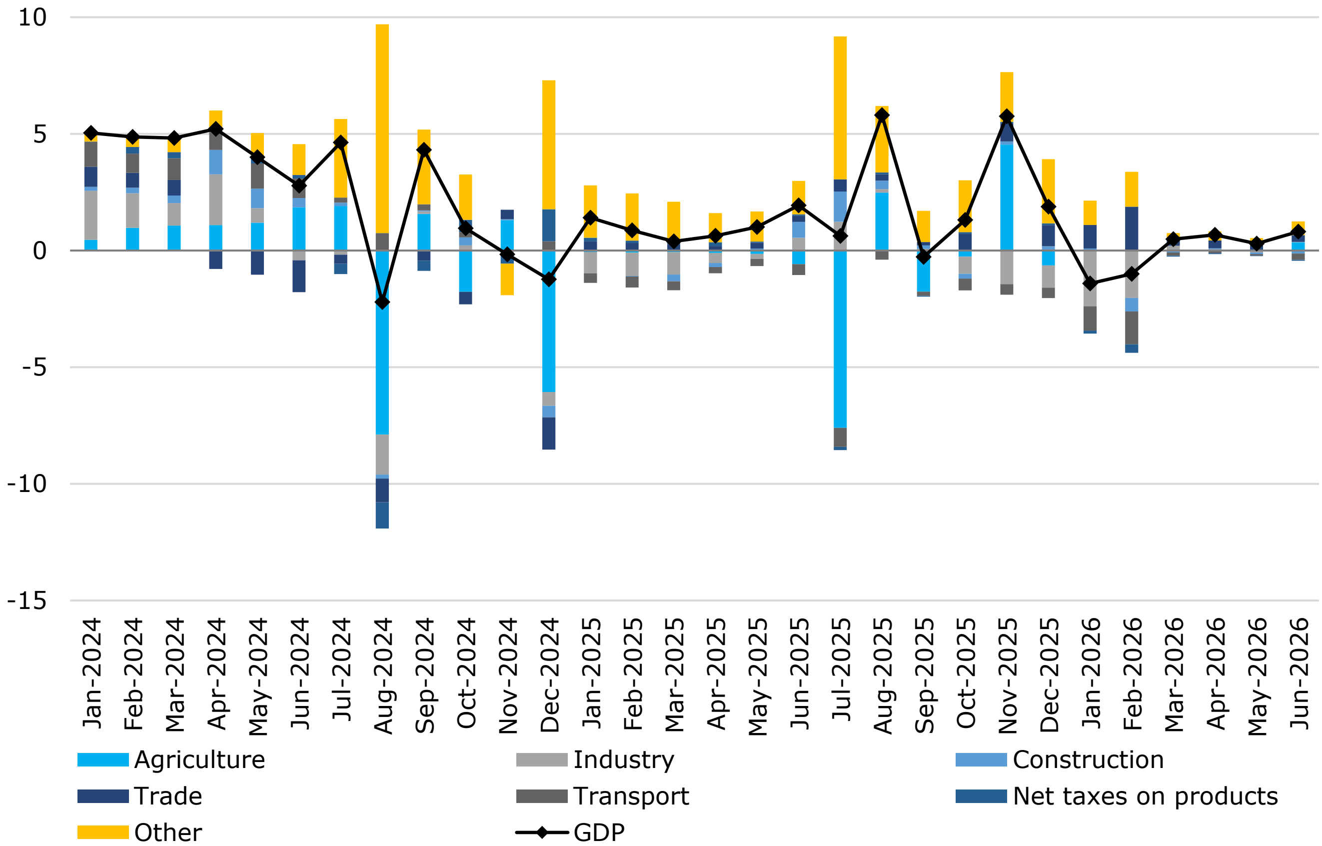
GDP and Real Sector: Real GDP increased by an estimated 0.8% yoy in June

Ukrstat. According to Ukrstat, in May growth in extractive industry output slowed to 2.8% yoy from 6.9% yoy in April. russian attacks on gas extraction and coal mines were the main factors behind this slowdown. Growth in manufacturing output, at 1.8% yoy, was also slower than in previous months, likely due to russian strikes. Machine building, most likely its miltech-related components, demonstrated strong growth. At the same time, growth in food production decelerated, while metallurgical production declined by 3.1% yoy, although the decline was slower than in April.

Growth in retail trade turnover accelerated to 10.9% yoy in May. At the same time, the decline in the production and distribution of electricity and gas remained significant, at 11.5% yoy. Construction declined by 17.8% yoy, while construction of engineering structures fell by 30.4% yoy.

IER estimate. IER revised down its estimate of real GDP growth in May to 0.3% yoy in light of available data. We estimate real GDP growth in June at 0.8% yoy.

Figure 1: Contributions to real GDP, p.p.



Source: IER estimate

Real GVA in agriculture is estimated to have increased by 9% yoy in June. In June, agricultural indicators already include crop production, while in the first five months of the year they covered only livestock production. According to the Ministry of Economy, this year's grain harvest started earlier and increased by around 20%.

We estimate growth in real GVA in manufacturing at 2.3% yoy, supported by better access to electricity. At the same time, extractive industry is estimated to have grown by 4% yoy. Electricity production and gas distribution declined by 7% yoy.

Growth in real GVA in trade is estimated at 5% yoy, reflecting higher consumption. The decline in real GVA in transport is estimated to have slowed to 5% yoy from last year's low base. At the same time, the sector is also suffering from russian attacks on postal terminals.

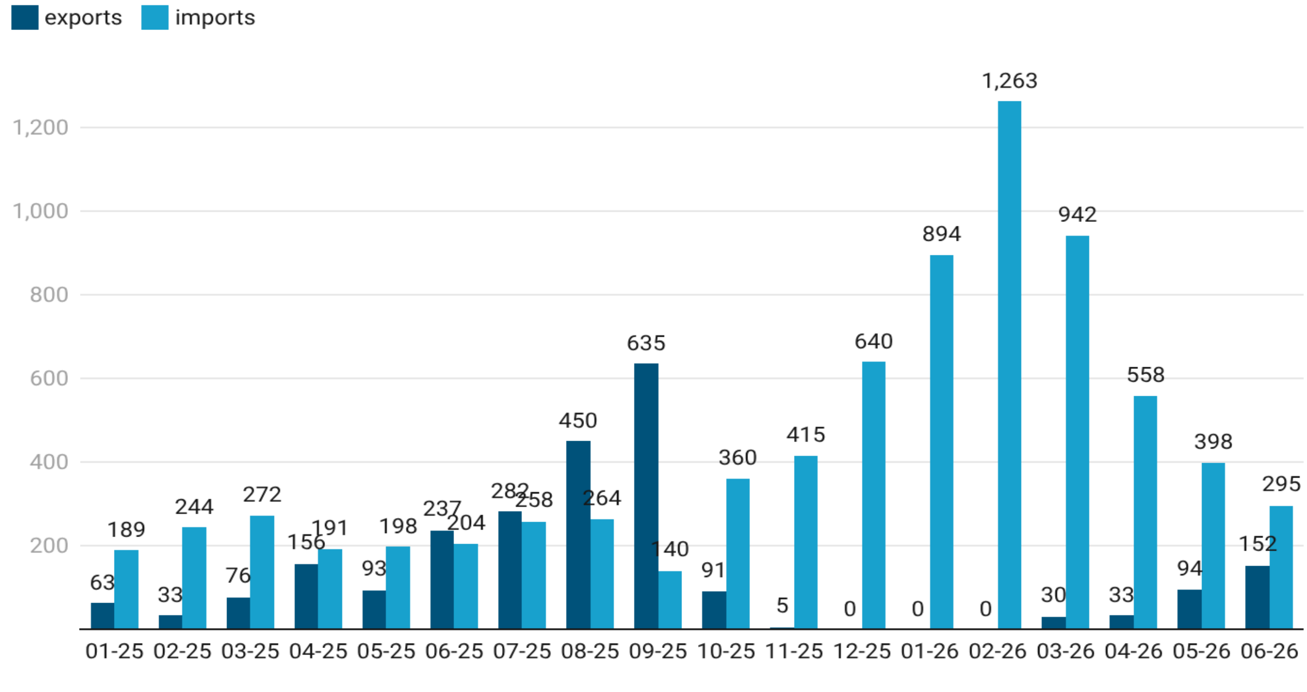
Overall, we estimate real GDP growth in the second quarter at 0.6% yoy. However, this estimate may prove too pessimistic given the potentially larger contribution of the public administration sector, which includes defence.

Energy: The Cabinet of Ministers launches long-term electricity contracts

Electricity. In the second half of June, one nuclear power unit was reconnected to the grid after scheduled preventive maintenance, and as of the end of June, 7 units were operating in the system. Generation at hydro (HPP) and thermal (TPP) plants remained low due to falling reservoir water levels, the repair campaign, and restoration work following damage. A consumption spike at the end of June, driven by heat, high import prices, and a shortage of domestic generation, led to a power system deficit and a temporary return to electricity supply restrictions.

In June, Ukraine imported 295 thousand MWh, 26% less than in May. The largest share comes from Hungary (43%). The use of transmission lines connecting Ukraine and Poland was suspended for maintenance. Electricity exports rose by 64% compared with May, to 152 thousand MWh. The largest export volumes, like imports, traditionally fall on the Hungarian direction, which accounted for 55% of all cross-border electricity supplies in June.

Figure 2: Electricity exports and imports in 2025–2026, thousand MWh



Note: Figures are based on data on commercial electricity flows to/from Ukraine. Customs data may differ from these figures.
Source: ExPro

The European Joint Allocation Office (JAO) platform held the first monthly auctions for allocating cross-border capacity for electricity exports from Ukraine for July 2026. These provide medium-term access to cross-border interconnections on the borders with Hungary, Slovakia, and Romania under common European rules. Market participants allocated the largest volume of export capacity on the Ukraine–Hungary interconnection, at 167 MW.

The Cabinet of Ministers introduced long-term contracts on the electricity market. These will allow commercial consumers to lock in electricity prices for a quarter, half-year, or year in advance. Electricity will be sold through transparent, competitive auctions. Under the pilot launch, 4% of the output of the state producers Energoatom and Ukrhydroenergo will be put up for auction.

The total capacity of distributed gas-generating units commissioned in Ukraine reached 1,806 MW as of 18 June. The largest distributed gas generation capacities were commissioned in Kyiv oblast (212 MW) and in Cherkasy oblast (125 MW). Work continues on installing an additional 249 units, which will increase total capacity by 523 MW. Most facilities are expected to be completed between September and November 2026.

Gas. Ukraine continues to actively accumulate fuel for winter. In June, 24.1 m m^3 of imported gas entered storage under the customs warehouse regime, 32% less than in May.

As of 11 July, Ukraine's underground gas storage held 7.69 bn m^3 (bcm) of natural gas (available gas, excluding cushion gas), 11% more than as of 11 June. Storage is 26.5% full, much higher than the level a year earlier (13%).

Naftogaz of Ukraine reached an agreement in principle with the special committee of holders of two Eurobond series on restructuring liabilities totaling about EUR 1.2 bn. Under the agreements, the maturity of the euro-denominated series will be extended to January 2032, and the dollar series to January 2033.

Transport: Logistics operates under shelling

Maritime transport. Russia is intensifying attacks on maritime logistics. Since the start of the year, more than 1.5 thousand strike UAVs have been launched at Ukrainian ports, and the number of strikes on port infrastructure has increased more than tenfold compared with the same period in 2025. In addition, more than 70 attacks on merchant vessels have been recorded. Despite this, the Ukrainian maritime corridor continues to operate. However, security risks raise the cost of insurance and infrastructure restoration and complicate chartering.

In the first half of 2026, Ukrainian seaports handled 42.4 m t of cargo, exceeding last year's figures. Agricultural products formed the basis of the cargo flow, at 23.6 m t; their volume rose by 20% yoy. In June, ports handled 3.84 m t of grain. In total, since operations began in 2023, 205 m t of cargo have been transported through the Ukrainian maritime corridor.

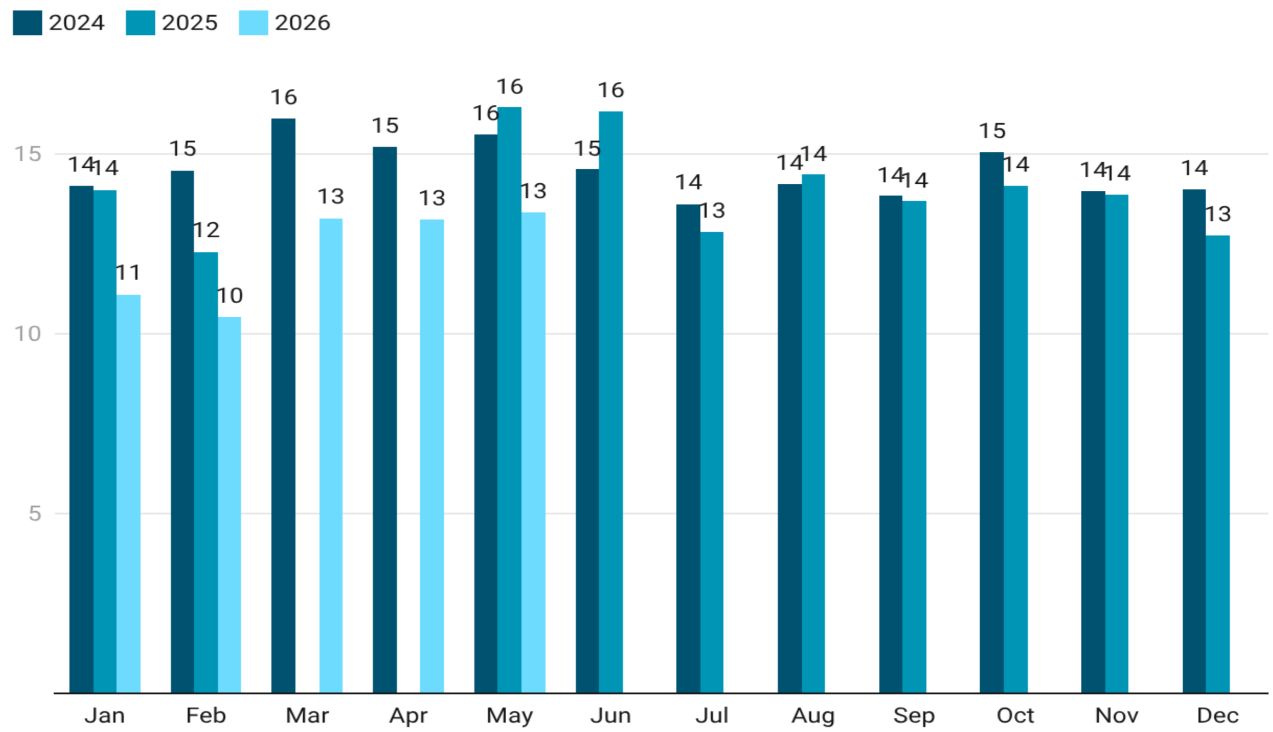
In June, transshipment of iron ore resumed through the port of Pivdennyi. This points to a gradual stabilization of logistics and an expansion of the corridor's export capabilities, from a predominantly grain focus to active transport of industrial products.

Rail transport. Russia continues systematic attacks on railway infrastructure and rolling stock. During the month, locomotives and other facilities in Zaporizhzhia, Sumy, Kharkiv, and Dnipropetrovsk oblasts were targeted in strikes. This caused delays to passenger trains and additional repair costs. According to Ukrzaliznytsia, since the start of the full-scale invasion, the network has suffered more than 5.4 thousand attacks, and the company's losses have exceeded UAH 100 bn.

In May, the railway carried 13.37 m t of cargo (+1% mom, -12% yoy). In June 2026, 2.82 m t of grain were transported by rail (-9.7% mom). At the same time, in January–May, container transport rose to 128.3 thousand TEU (+43% yoy), which indicates a recovery of intermodal logistics. Despite the month-on-month decline in grain exports due to the end of the marketing year, the annual dynamic remains positive compared with June 2025.

From 30 June 2026, a new procedure for technical diagnostics and extension of the service life of freight wagons entered into force, tightening safety requirements for rolling stock.

Figure 3: Rail freight transport, million t



Source: Ukrstat

Road transport. In May, trucks carried 13.8 m t of cargo (+45% yoy, +2% mom).

From 19 June, automatic verification of customs documents (T1, EX1, Carnet TIR, etc.) began operating in the eCherha system. The system independently cross-checks uploaded data against customs registers, thereby speeding up processing and minimizing delays caused by paperwork errors.

The Cabinet of Ministers launched a two-year experiment using three-unit road trains on the Kyiv–Odesa route. Once the route is prepared, they will be able to carry larger cargo volumes per trip to the ports of Greater Odesa. This optimizes logistics costs and improves delivery efficiency.

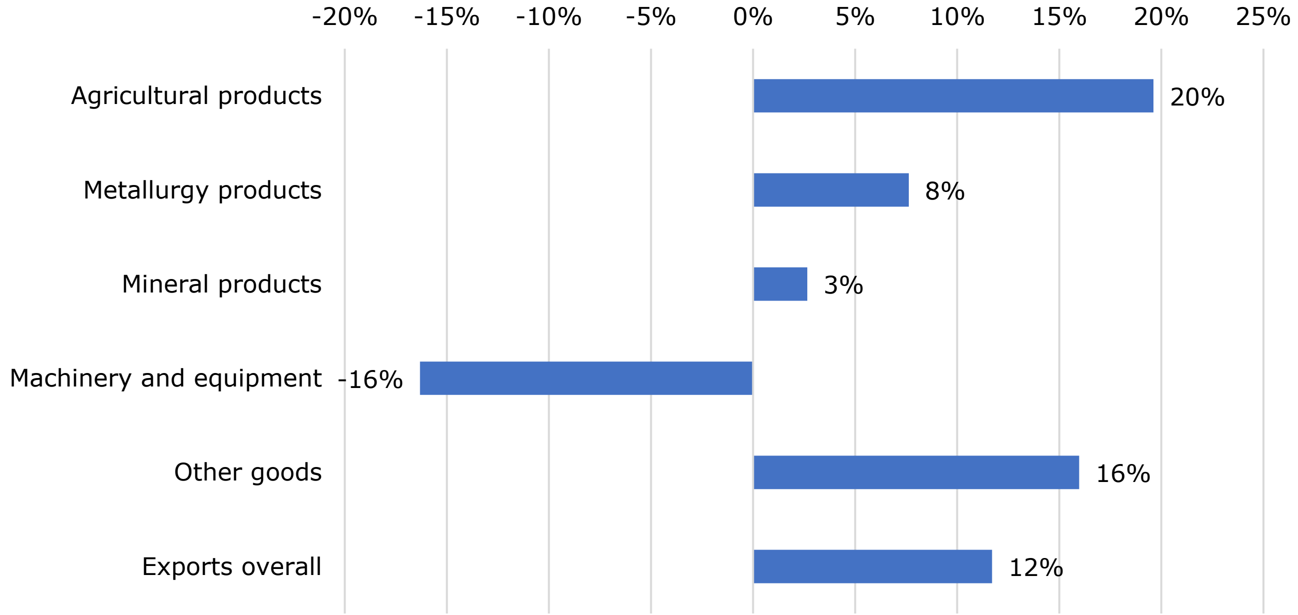
Ukraine signed a "transport visa-free" agreement with Albania, which became the 37th country with which road freight transport has been liberalized. This simplifies exports, expands the geography of routes, and opens carriers' access to the Western Balkans market.

External trade: Goods imports continue to grow rapidly

Goods exports increased by 12.0% yoy in June to USD 3.5 bn. Export volumes in dollar terms were somewhat lower than in May due to the seasonal decline in agricultural exports. However, exports of agricultural products increased by 20% yoy to USD 1.86 bn, as the remaining stocks of last year’s grain harvest available for export were significantly higher than in 2025. Thus, wheat and maize export volumes in tonnes increased by 42% and 89% yoy, respectively. Agricultural exports in dollar terms were also supported by high sunflower oil prices, which offset a 23% yoy decline in export volumes in tonnes.

Metallurgical exports increased by 8% yoy to USD 428 m, one of the highest levels in 12 months. Ukrainian producers have likely gradually adapted to the new rules for exports to the EU. In June, exports of semi-finished steel products increased severalfold from last year’s low base, while pig iron exports grew more moderately, amid lower exports of rolled products. Exports of machine-building products declined by 16% yoy from a high comparison base. Meanwhile, exports of mineral products increased by 3% yoy despite a decline in iron ore exports in tonnes. The decline in ore export volumes was offset by higher iron ore prices and energy exports (oil, gas, electricity and petroleum products), which may be explained by favourable prices abroad. Exports of other goods increased noticeably.

Figure 4: Dynamics of exports of goods by main groups in June, % yoy

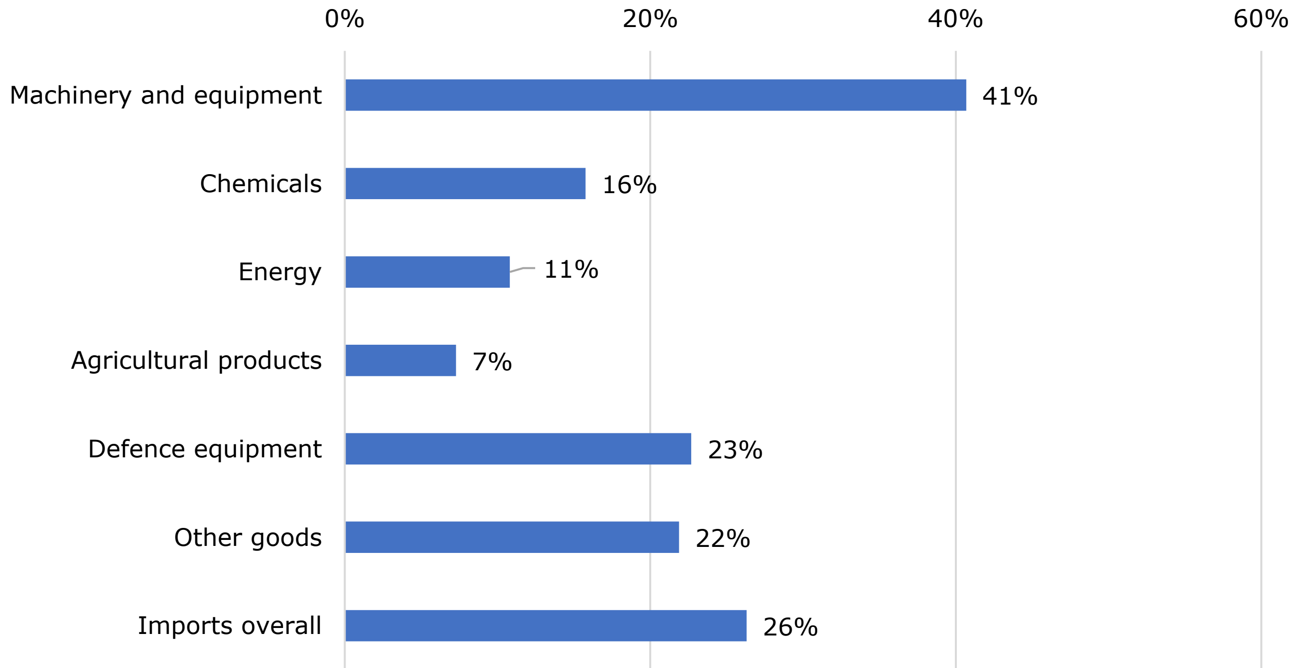


Source: Own calculations according to the State Customs Service

Goods imports increased by 26% yoy in June to USD 8.8 bn, one of the highest levels this year. Energy imports grew by 11% yoy to USD 1.2 bn from a high base. Imports of petroleum products in tonnes were close to last year's level, but the average price per tonne increased by 66% yoy. The increase in fuel prices was offset by the absence of significant gas imports, which took place last year, and by a decline in coal imports, while coke imports rose sharply.

Imports of machine-building products reached new record highs, increasing by 41% yoy to USD 4.3 bn, primarily due to strong demand for components from the defence industry and for finished products from the defence forces. Imports of energy equipment also remained high. Car imports continued to recover after the abolition of import exemptions for electric vehicles, and in tonnes they exceeded last year's level. Imports of chemical products also increased noticeably, partly due to higher imports of medicines, as did imports of industrial goods.

Figure 5: Dynamics of imports of goods by main groups in June, % yoy



Source: Own calculations according to the State Customs Service

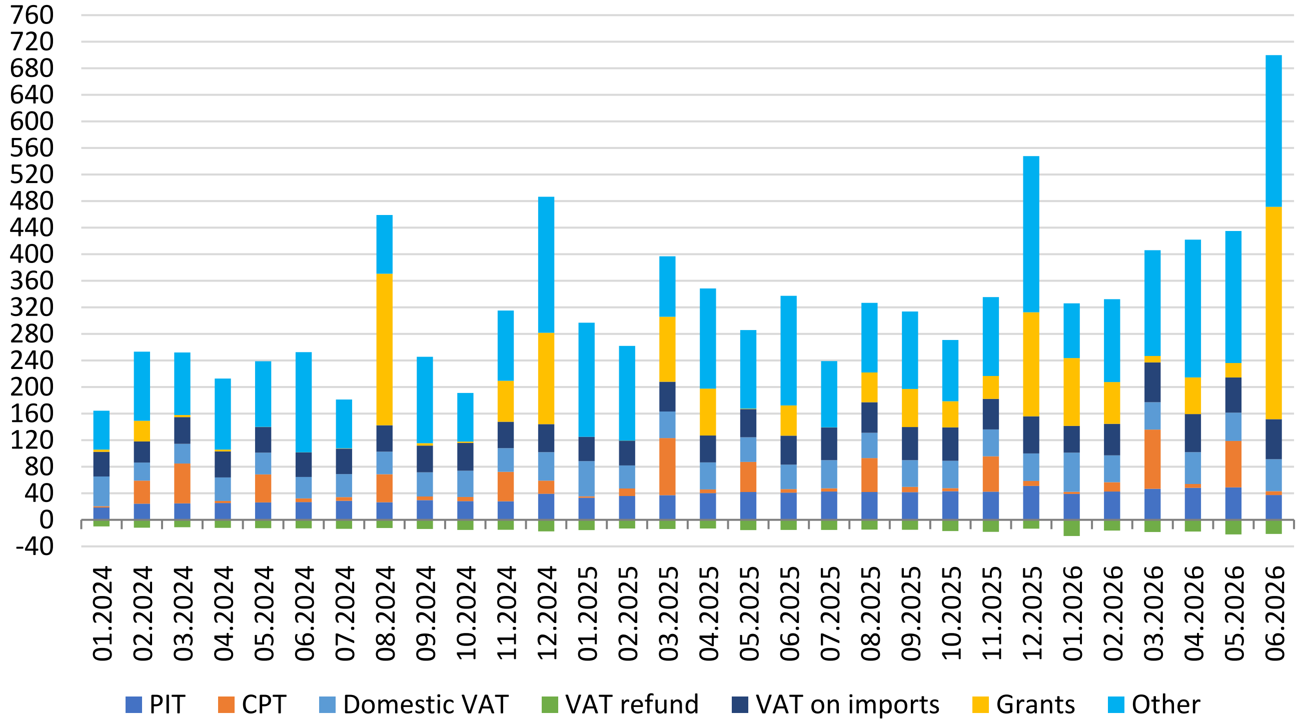
Fiscal policy: Record external aid

Revenues. According to preliminary data, State Budget revenues doubled in June compared with June last year, to UAH 679 bn. At the same time, general fund revenues of the State Budget more than doubled and reached UAH 542 bn. This was due to significant grant inflows equivalent to UAH 320 bn (USD 7.2 bn equivalent), which are recorded as State Budget revenues. This primarily refers to funds from the EU's Ukraine Support Loan under macro-financial assistance and the ERA contribution from the US.

PIT revenues increased rapidly thanks to higher average wages. At the same time, CPT revenues also increased compared with June 2025, although there is no scheduled CPT payment in June.

Net domestic VAT revenues increased to UAH 27.2 bn thanks to higher gross VAT revenues, which rose to UAH 48.4 bn, likely amid strong consumption. VAT refunds remained high at UAH 21.2 bn, above the average for the previous six months. VAT on imports increased by 38.4% yoy, or 5% mom, to UAH 60.2 bn, close to the March'2026 level.

Figure 5: State Budget Revenues, UAH bn



Source: Ministry of Finance

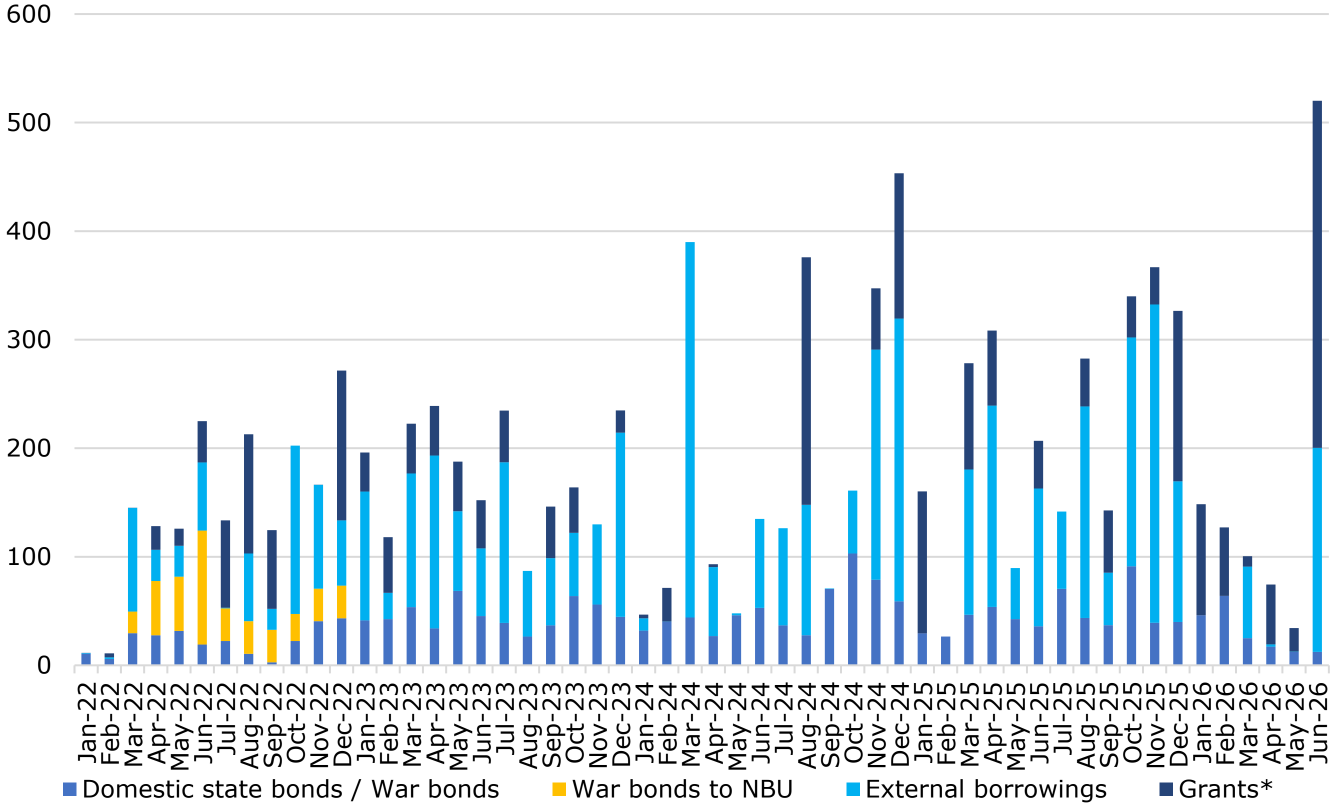
Financing: Domestic bond placements somewhat increased to UAH 38 bn in June, of which UAH 14.5 bn will be transferred to the budget in July. The MinFin also continued switch auctions for domestic bonds, extending maturities and reducing the pressure on short-term debt repayments.

In June, Ukraine received significant external financing. Total borrowings amounted to UAH 188 bn, or USD 4.2 bn equivalent. Of this amount, EUR 2.4 bn was received under the Ukraine Facility based on the results for Q4 2025. However, in practice, Ukraine received this amount not because it had fulfilled all Q4 indicators, but because the European Commission changed the methodology for disbursing funds under this instrument. Ukraine has still not fulfilled 11 indicators of the Ukraine Plan for Q4 2025.

Ukraine also received EUR 3.9 bn under the Ukraine Support Loan for defence spending. These funds are transferred to the special fund of the budget, although it is still unclear how they are reported in the Budget: financing or as grants. In total, Ukraine is expected to receive EUR 5.1 bn from the EU for this purpose.

In June, Ukraine and the World Bank signed an agreement on a Development Policy Operation (DPO) worth USD 3.35 bn. These funds were already received by the budget in July.

Figure 6: Financing and grants received by the state budget, UAH bn

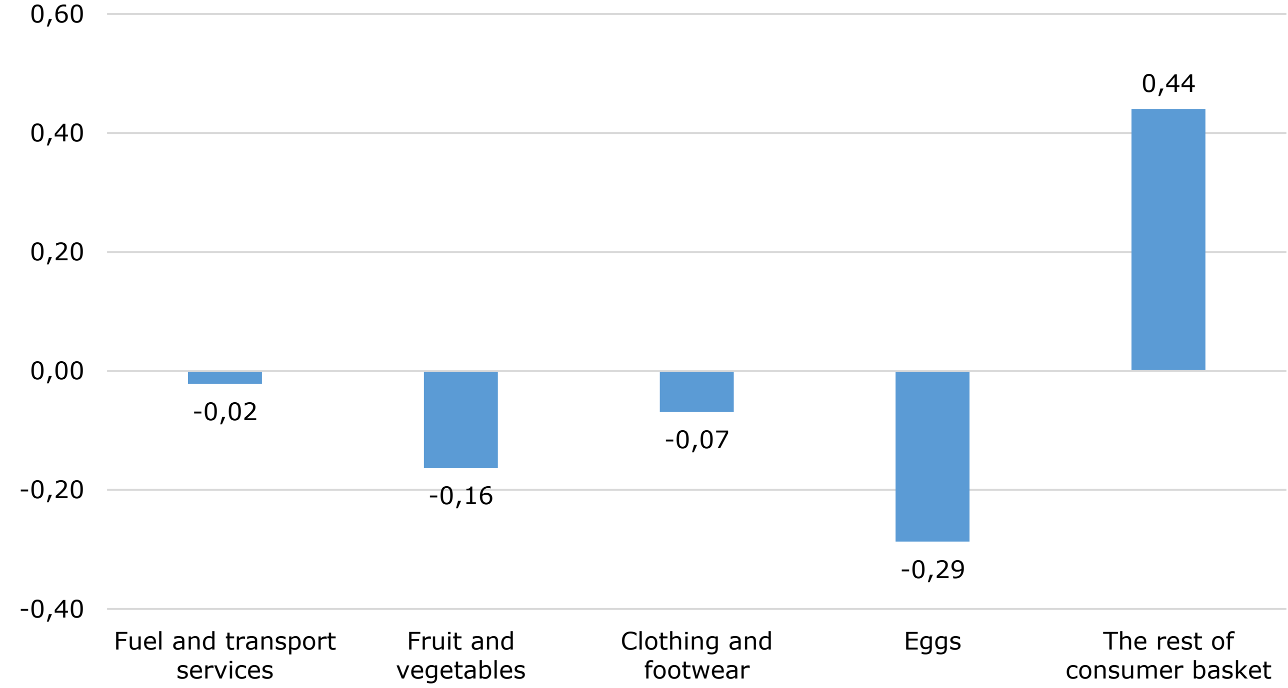


Note: * grants are part of budget revenues. External assistance from ERA is included in grants if received from the US through the World Bank account, and in loans if received from other partners.
Source: Ministry of Finance.

Inflation: Consumer inflation slowed to 7.2% yoy in June.

Consumer inflation slowed to 7.2% yoy in June from 8.2% yoy in May. This reflected the weaker impact of high fuel prices and lower egg and fruit prices in annual terms. However, the secondary effects of the spike in fuel prices continued to have an impact and caused further price increases for some goods and services.

Figure 8: Contributions to the monthly price increase in June, p.p.



Source: Own calculations based on data from the State Statistics Service

The CPI declined by 0.1% mom in June, the first negative June indicator since 2019. This resulted from a certain decline in fuel prices and lower prices for unprocessed food products, such as eggs, which fell sharply by 28% mom, vegetables, and several types of meat. Fuel prices declined slightly amid the stabilisation of the situation in the Persian Gulf, while prices for raw food products fell primarily due to higher supply. Prices for clothing and footwear also declined slightly due to seasonal factors.

Excluding one-off and seasonal price fluctuations, core inflation slowed noticeably to 0.5% mom. Lower tensions in the Middle East, stable fuel prices, and increased supply of a number of food products likely contributed to some decline in inflation expectations and reduced cost pressures.

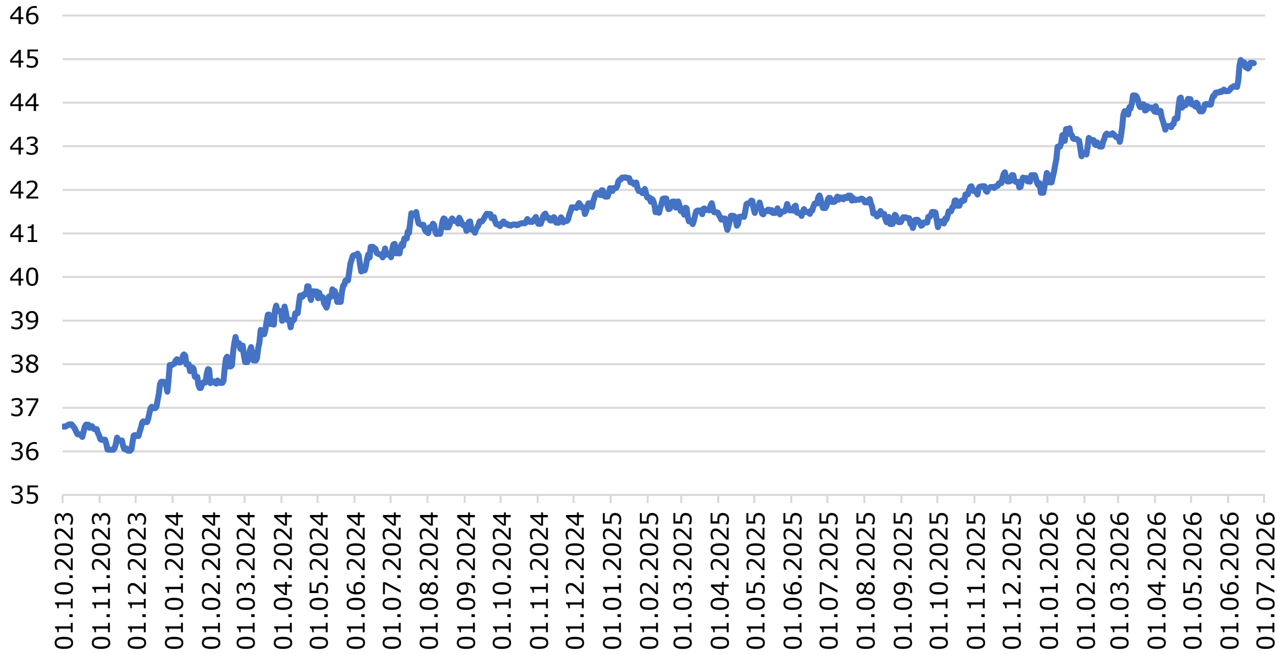
Exchange rate and monetary policy: Hryvnia strengthens due to interventions.

Exchange rate. Hryvnia strengthened against the US dollar and the euro in recent weeks. At the same time, the exchange rate against the euro strengthened due to the euro's appreciation against the dollar. The NBU increased interventions to USD 4.4 bn over the four weeks ending on 18 July. This is above the average since the beginning of 2026 (USD 3.6 bn). Net demand for foreign currency from bank clients increased, possibly amid the inflow of external assistance to the budget and, accordingly, higher fiscal spending. Net demand for cash foreign currency also increased somewhat.

In June, international reserves increased from USD 45.7 bn to USD 51.3 bn at the end of the month. This reflected peak donor inflows of USD 11.3 bn, excluding targeted defence funds, which are not included in reserves due to restrictions on their use. However, NBU FX interventions also increased in June, reaching more than USD 5.1 bn. The Government also spent USD 434 m on external debt service, including to the IMF. According to the NBU estimate, reserve coverage of future imports of goods and services reached 5.2 months of imports.

Monetary policy. As we noted in the previous issue, on 18 June the NBU kept its key policy rate unchanged at 15.0% per annum. The details of the Monetary Policy Committee meeting published since then point to differences in views among meeting participants. As it turned out, some of them supported a moderate increase in the key policy rate amid high inflation risks and inflation readings exceeding previous forecasts. However, even the more optimistic participants did not expect the key policy rate to be cut this year. The restrained June inflation figures published since then may restore the NBU consensus on keeping the key policy rate unchanged in the near term.

Figure 9: Official exchange rate of the hryvnia to the US dollar (UAH per dollar)



Source: NBU

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