INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING

Monthly Economic Monitoring of Ukraine

No.257, June 2026

Executive summary

- According to IER estimate, real GDP increased by 0.9% yoy in May 2026.
- In May, Ukraine imported 398 ths. MWh of electricity, 29% less than in April. Electricity exports increased by 2.8 times compared with April, to 94 ths. MWh.
- As of 11 June, Ukraine's underground gas storage facilities held 6.95 bn m^3 of natural gas (+18% mom). Storage facilities were 22.8% full.
- In January–May 2026, Ukraine's seaports handled 35 m tonnes of cargo.
- In May, rail shipments of grain amounted to 3.12 m tonnes, 5.8% more than in April and the highest monthly figure since the beginning of the current year.
- Goods imports increased by 23% in May to USD 8.3 bn amid a slowdown in energy imports.
- The IMF and Ukraine reached a staff-level agreement on the first review of the Extended Fund Facility programme, although Ukraine did not meet all structural benchmarks.
- The Verkhovna Rada of Ukraine ratified the Memorandum on the Ukraine Support Loan. Budget support under this assistance will be provided in line with clearly defined indicators of the amended Ukraine Plan and the indicators set under the Macro-Financial Assistance programme.
- In May, inflation slowed to 8.2% yoy, as growth in prices for fuel and dairy products was restrained by moderate demand, as well as by the high base of May 2025.
- The NBU kept the key policy rate at 15% per annum despite the acceleration of inflation, amid easing tensions in the Persian Gulf and expected inflows of external assistance.

Authors: Oleksandra Betliy, Iryna Kosse, Vitaliy Kravchuk, Anastasia Myropolska

IER. Kyiv @IER_Kyiv

GDP and Real Sector: Real GDP increased by 0.9% yoy in May

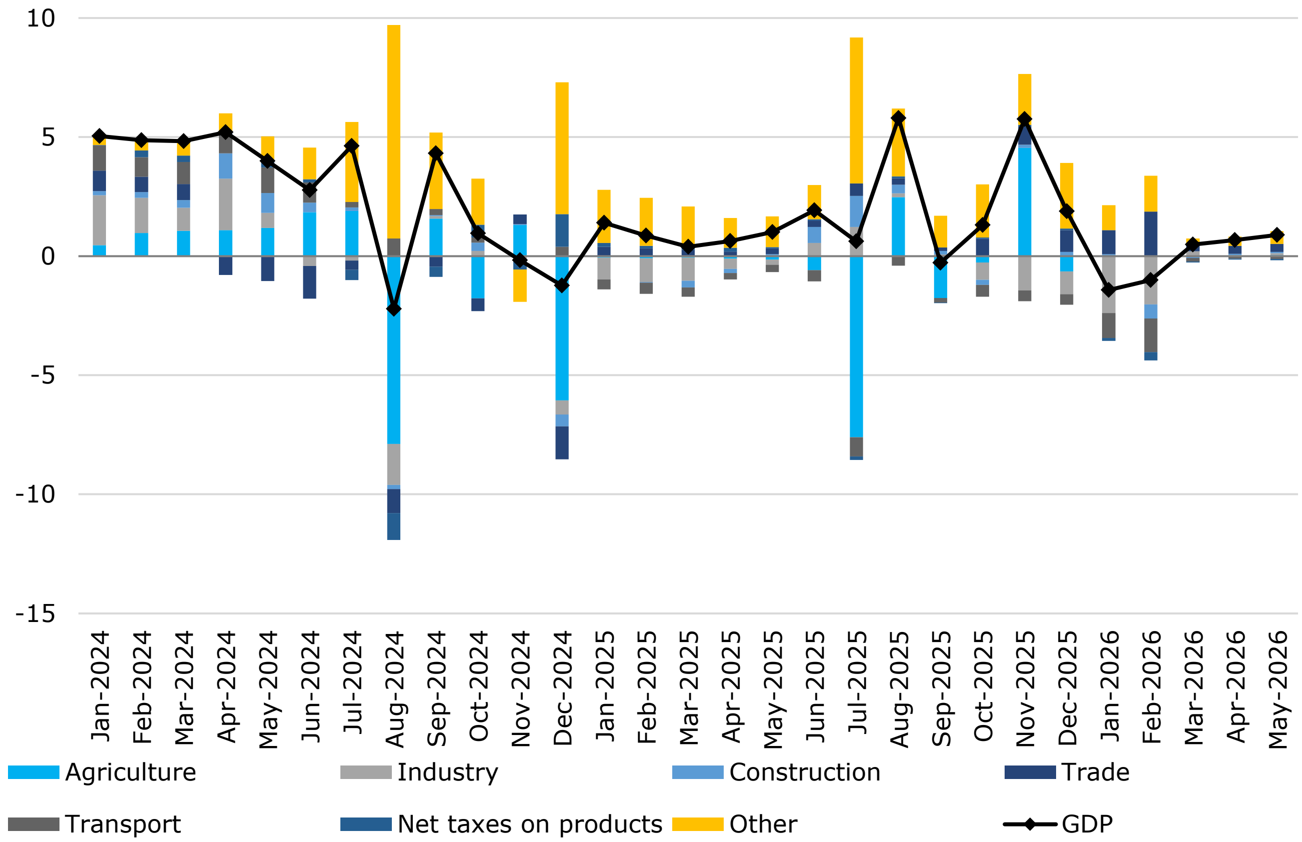
Ukrstat. According to Ukrstat, real GDP declined by 0.6% yoy in Q1 2026. In agriculture, which in the first quarter reflects only livestock, value added remained almost at last year's level (+0.1% yoy). Gross value added (GVA) in the extractive industry increased by 2% yoy due to higher gas extraction. Defence-related machine building was likely the main reason for the 1.9% yoy growth in GVA in manufacturing, despite problems with access to electricity. GVA in the production and distribution of electricity and gas declined by 15.2% yoy. Higher consumption supported a 5.5% yoy increase in trade value added, likely due to higher purchases of household appliances and equipment to mitigate the impact of electricity shortages. Economic activity in transport declined by 9.4% yoy.

In April, output in the extractive industry increased by 8.9% yoy due to higher gas extraction. Growth in the manufacturing production index slowed to 1.1% yoy in April from 6.2% yoy in March. Production in metallurgy and pharmaceuticals declined, while machine building, likely defence-related, increased sharply. The decline in the production and distribution of electricity and gas remained almost unchanged at 10.7% yoy. Growth in retail trade turnover slowed to 7.8% yoy in April from 12.8% yoy in March.

IER estimate. IER estimates that real GDP increased by 0.9% yoy in May, while the growth estimate for April was revised to 0.7% yoy. Better access to electricity supported the development of manufacturing. We estimate growth in real GVA in manufacturing at 2% yoy. At the same time, the extractive industry grew by an estimated 6% yoy, as gas extraction continued to increase despite the destruction of extraction facilities by Russian drones and missiles. Electricity generation and gas distribution declined by an estimated 6.5% yoy.

Growth in real GVA in trade is estimated at 4.8% yoy, reflecting an increase in demand. The decline in real GVA in transport is estimated to have slowed to 4.2% yoy from last year's low base. Construction likely increased by about 5% yoy.

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



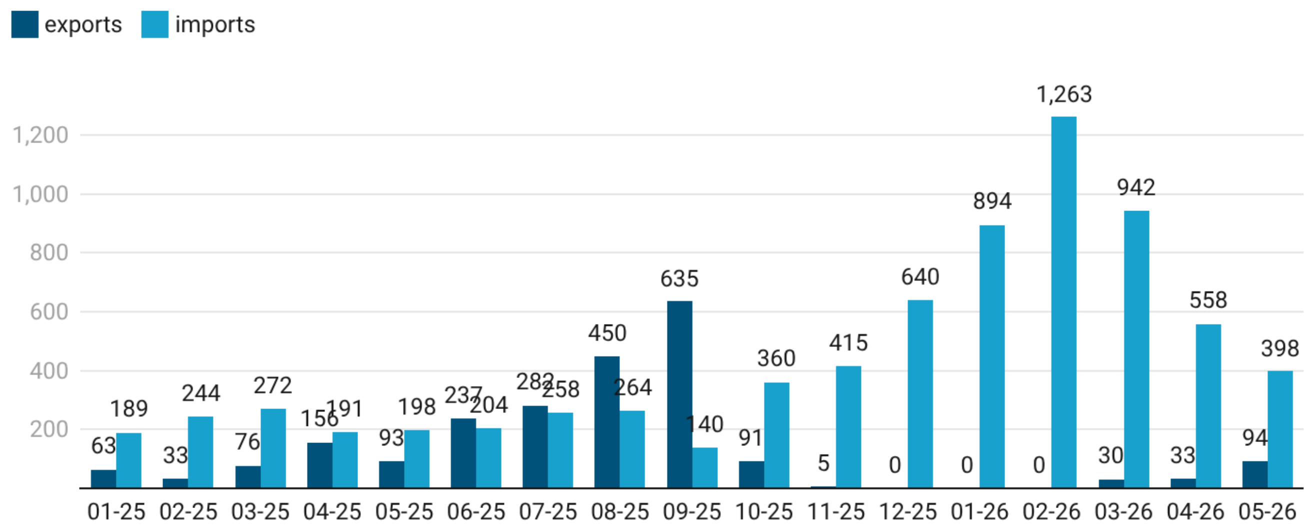
Source: IER estimate

Energy: Electricity transmission tariffs are rising

Electricity. In May, three nuclear power units were undergoing scheduled preventive maintenance, while hydroelectric generation was below expected levels due to low water levels. Electricity output from thermal power plants was also low due to damage from russian attacks. Despite this, no deficit hours were observed in the power system in May, as solar generation and imports offset the decline in output from other generation sources.

In May, Ukraine imported 398 thousand MWh, 29% less than in April. The largest share came from Hungary (52%). Electricity exports increased 2.8-fold from April to 94 thousand MWh. The largest export volumes, as with imports, traditionally come from Hungary, which accounted for 64% of all electricity deliveries abroad in May.

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

From 1 July, the electricity transmission tariff of NPC "Ukrenergo" will increase by 21.62% to UAH 903.53/MWh (excluding VAT). The electricity transmission tariff for "green" electrometallurgy will increase by 42% to UAH 535.97/MWh.

The Cabinet of Ministers has announced a tender for the construction of new distributed generating capacity. This initiative aims to enhance energy security and reduce the power system deficit. All facilities are expected to become operational by the end of 2027. The tender provides for the construction of maneuverable power plants with a total capacity of 1,322 MW across four regional lots: 250 MW in the city of Kyiv and Chernihiv oblast; 872 MW in Sumy, Kharkiv, and Poltava oblasts; 100 MW in Dnipropetrovsk oblast; 100 MW in Odesa oblast. Support will be provided through a market premium mechanism during hours when the electricity price is below the value defined in the tender. Support will be available only during certain peak-load hours of the power system when a capacity deficit is expected.

Gas. Domestic gas production is suffering from russian attacks, but production volumes are nonetheless increasing. As a result, it is sufficient to cover demand during the off-season, with the remainder injected into storage. However, net gas supply volumes from abroad in May remained minimal due to high import costs, unlike last year, when imports were significant (33 m m³ versus 29 m m³ in April).

As of 11 June, 6.95 bn m³ of natural gas (available gas, excluding cushion gas) was stored in Ukraine's underground gas storage facilities, 18% more than on 11 May. The storage facilities are 22.8% full, much higher compared to last year's level (8.2%).

The National Energy Regulatory Agency of Moldova (ANRE) has introduced special conditions for the use of the Trans-Balkan route in the Moldova–Ukraine direction through the "Căușeni" and

"Hrebenyky" interconnection points. Suppliers and traders supplying natural gas via this route will receive a 90% discount on the entry charge for transit to Ukraine through Moldova's gas transmission network. The discount will take effect on 1 October 2026, at the start of the next gas year.

On 26 May, the National Commission for State Regulation of Energy and Public Utilities (NEURC) approved the transition of underground gas storage operator JSC "Ukrtransgaz" to incentive-based RAB regulation. The new European model took effect on 1 June 2026 and will be accompanied by changes in tariffs for the injection, storage, and withdrawal of natural gas.

Transport: Freight transport volumes are recovering

Maritime transport. In May, russia carried out a series of attacks on the port infrastructure of the Odesa region and on civilian vessels heading via the Ukrainian Sea Corridor to the ports of Greater Odesa. Despite the security risks, the operation of the Ukrainian Sea Corridor remains stable. As of 4 June, 200 m t of cargo had been transported through it, of which 117.7 m t were agricultural products. In January–May 2026, Ukraine's seaports had already handled nearly 35 m t of cargo. Grain transport by rail to seaports in May totaled 2.62 m t (+7.2% mom).

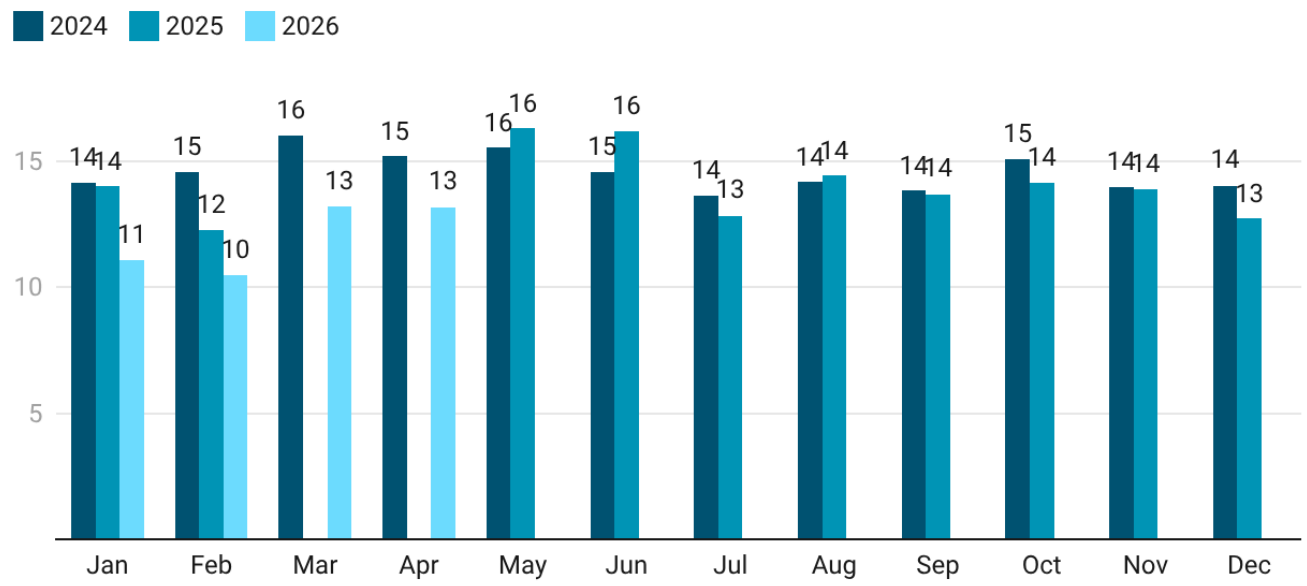
Ukrainian ports continue to increase container traffic: container turnover grew by 37% in January–April, while international container turnover involving SE "Container Terminal Odesa" rose by 21.5% in Q1 2026.

The world's largest container line, Mediterranean Shipping Company (MSC), has acquired a 51% stake in the TIS Container Terminal at the "Pivdennyi" port. This is the first case of a global maritime carrier making a direct entry into the capital of a Ukrainian container terminal. Previously, this terminal stake belonged to one of the world's largest port operators, Dubai Port World. It was bought out in April by TIS Group following the intensification of Dubai Port World's cooperation with russia.

Ukraine has also resumed urea exports by sea to EU countries: in June, 12 thous. t of product were shipped from the "Chornomorsk" port to Italy.

Rail transport. Russia has intensified attacks on railway infrastructure, which are increasingly directed at rolling stock. Strikes on locomotives, railway stations, and suburban trains occurred in Kharkiv, Zaporizhzhia, and Sumy oblasts.

Figure 3: Rail freight transport, million tonnes



Source: State Statistics Service of Ukraine

In April, the railway transported 13.18 m t of cargo (-0.3% mom). In May, the railway transported 3.12 m t of grain, 5.8% more than in April and the highest monthly figure since the beginning of this year. Since the start of 2026, grain transport volumes have exceeded 14.5 m t (+14.1% yoy).

Despite the growth of certain freight transport indicators, the financial condition of "Ukrzaliznytsia" remained difficult. The company ended Q1 2026 with a loss of nearly UAH 7.9 bn, which exceeds the annual loss for all of 2025. Against this backdrop, discussions continued about a possible 37–40% increase in freight tariffs, which business representatives opposed due to the risks of rising logistics costs and a loss of export competitiveness.

Road transport. In April, trucks transported 13.4 m t of cargo (+29% yoy, +10% mom).

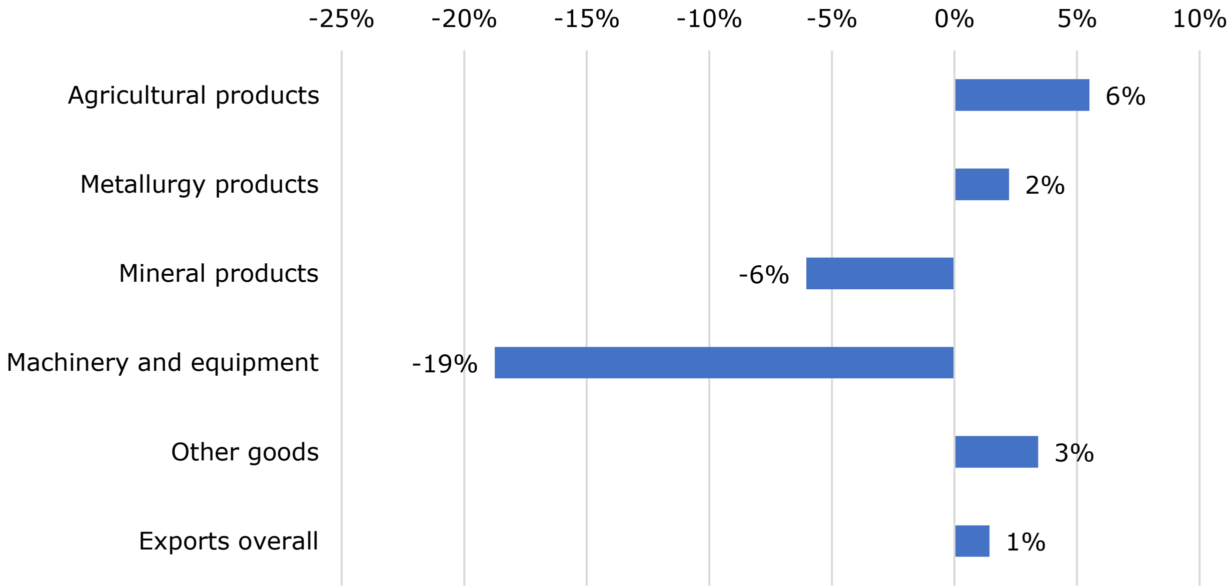
The liberalization of international road transport continues. Ukraine and Bosnia and Herzegovina have agreed to introduce a "transport visa-free" regime from 2027, which will allow bilateral and transit freight transport without permit documents. Ukraine and Turkey have also agreed to increase quotas for international transport permits and have begun work on introducing electronic permits, which should simplify administrative procedures for carriers. In addition, Ukraine has signed the TRACECA agreement on a Single Transit Permit, which provides for the use of a single electronic document for international transport across the countries of the Europe–Caucasus–Asia corridor and is intended to facilitate the simplification of transit procedures.

In the field of bus transport, the rules for organizing international regular routes were updated, in particular, the procedures for route approval and the consideration of carrier applications. New rules for priority border crossing of perishable agricultural products in the "eCherga" system also took effect, which should help reduce the waiting time for priority products at checkpoints and decrease logistics losses for exporters.

External trade: Imports continue growing rapidly

Exports in May 2026 increased by only 1.0% yoy to USD 3.7 bn. Export values in US dollar terms were very close to the levels recorded in April and March. Exports of agricultural products were somewhat lower than in March and April due to the seasonal depletion of stocks, but it increased by 6% yoy in annual terms to USD 2.14 bn. As before, this growth was related to the recovery of grain exports after lower volumes in January and February, when companies faced limited access to electricity and logistical problems. Export volumes of wheat and corn in tonnes increased by 15% and 27% yoy, respectively. Agricultural exports were also supported by high sunflower oil prices and strong exports of rapeseed, rapeseed oil, and meat in May.

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



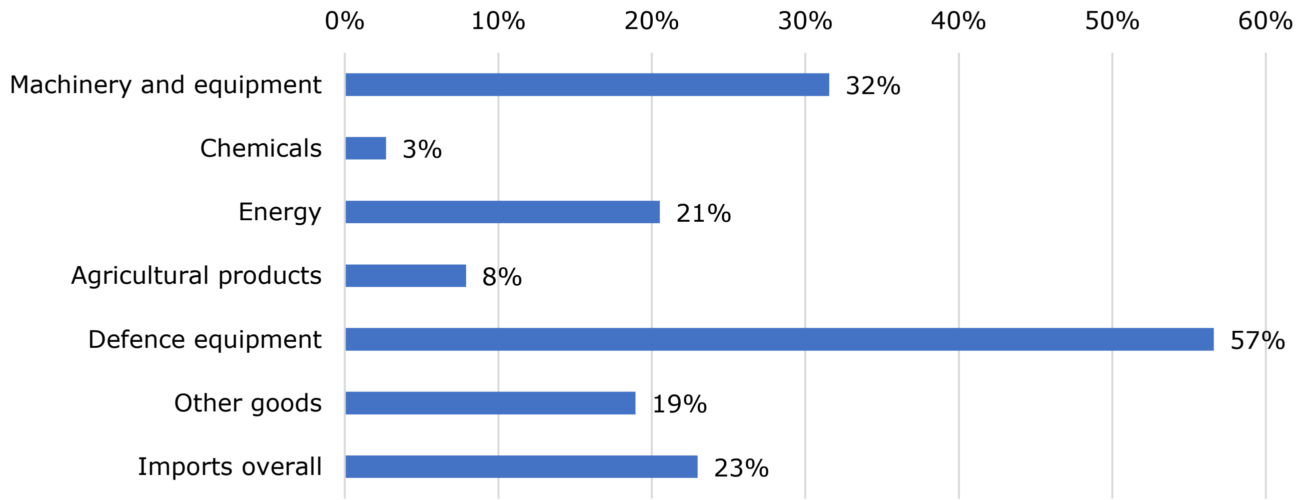
Source: Own calculations according to the State Customs Service

Metallurgical exports increased by 2% yoy to USD 417 m, the highest level this year. Growth continued to be constrained by the introduction of CBAM in the EU. In May, exports of semi-finished steel products increased sharply, while exports of rolled products declined. Exports of machine-building products decreased by 12% yoy from a high comparison base. At the same time, they were among the highest over the past 11 months. Meanwhile, exports of mineral products declined by 8% yoy due to lower iron ore export volumes in tonnes and lower export prices. The decline in ore exports was partly offset by energy exports (oil, gas, and electricity), which may be explained by favourable prices abroad. Exports of other goods increased somewhat.

Goods imports in May increased by 23% yoy to USD 8.3 bn, but was the lowest of the three spring months due to lower imports of chemical products and energy. Energy imports was the lowest over the past six months, but increased by 21% yoy. Imports of petroleum products in tonnes were among the lowest over the past six months amid substantial stocks and high prices, but still increased by 6% yoy. At the same time, import prices reached new record highs and increased by 73% yoy. Growth in energy imports was constrained by low imports of gas, coal, and electricity, although electricity imports increased in annual terms from a low base.

Imports of machine-building products were close to the April level and increased by 32% yoy due to high demand for UAV components and vehicles from the defence and security forces. Imports of energy equipment also remained high. Imports of fibre-optic components and batteries increased significantly yoy, by 3.4 times and 2.05 times, respectively. Car imports recovered after the cancellation of import exemptions for electric vehicles, although they remained lower than last year. Growth in imports of food and chemical products was very moderate in annual terms, while growth in imports of industrial products was more pronounced.

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



Source: Own calculations according to the State Customs Service

Fiscal Policy: New conditions set for receiving EU assistance in 2026

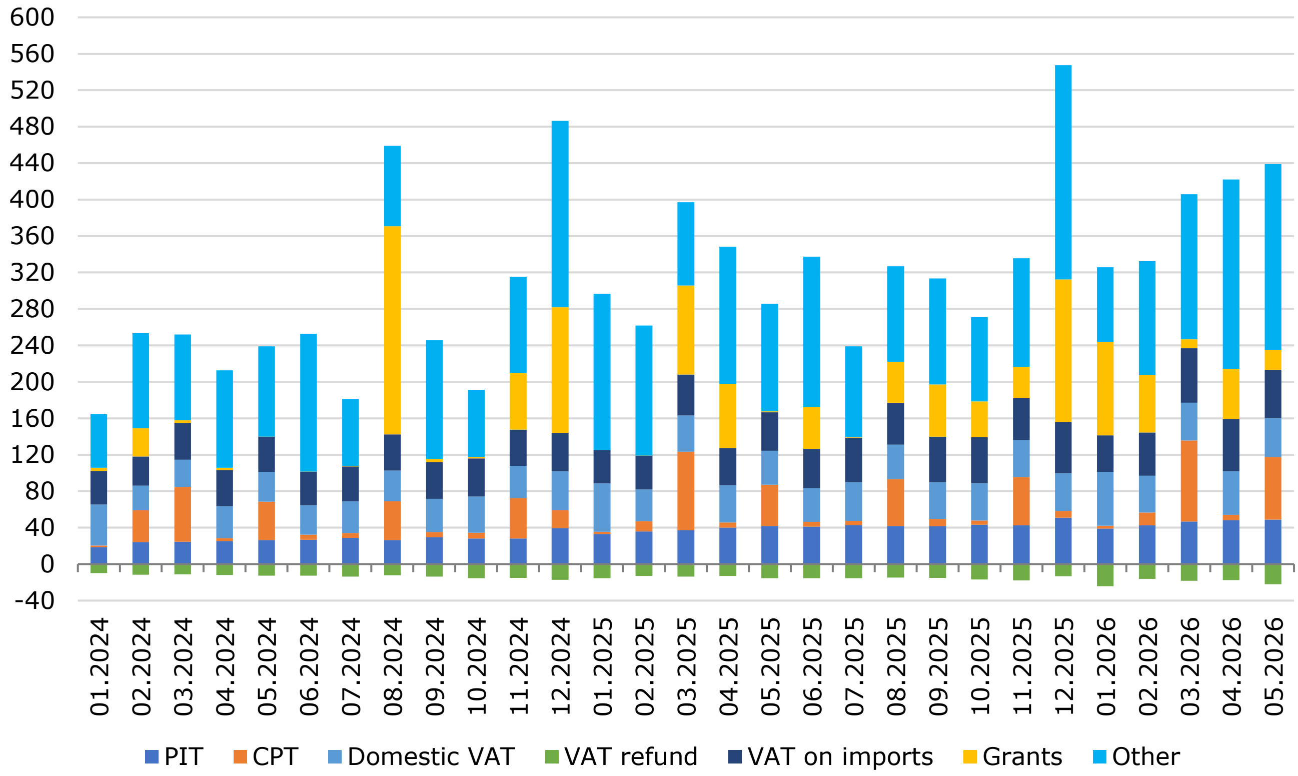
Revenues. According to preliminary data, State Budget revenues in May 2026 increased by 51.8% yoy to UAH 417 bn (UAH 409 bn in April and UAH 393 bn in March), primarily due to higher corporate profit tax revenues, grants, the transfer of NBU profit, and special fund revenues.

General fund revenues of the State Budget amounted to UAH 319 bn and increased by 55.7% yoy. Corporate profit tax revenues reached a record UAH 68.6 bn, which is 51.1% higher than last year. This is likely explained by higher CPT revenues from banks and selected manufacturing sectors. Grants, including the ERA loan, were relatively small at UAH 21.7 bn in equivalent, but still significantly higher than in May 2025, when they amounted to UAH 0.8 bn. The NBU also transferred UAH 73.1 bn of its profit to the State Budget (the same amount was transferred in April), which is UAH 52.8 bn higher.

Net domestic VAT revenues declined to UAH 20.6 bn due to lower gross domestic VAT revenues of UAH 42.6 bn (-11.0% mom, but still +14.7% yoy) and higher VAT refunds of UAH 22 bn (the average for the previous 12 months was UAH 17.7 bn). VAT revenues on imports declined by 7.3% mom, but increased by 25.4% yoy to UAH 57.3 bn, reflecting changes in import volumes.

PIT revenues, including the military levy credited to the State Budget, increased by 21.5% yoy to UAH 48.9 bn due to higher average wages.

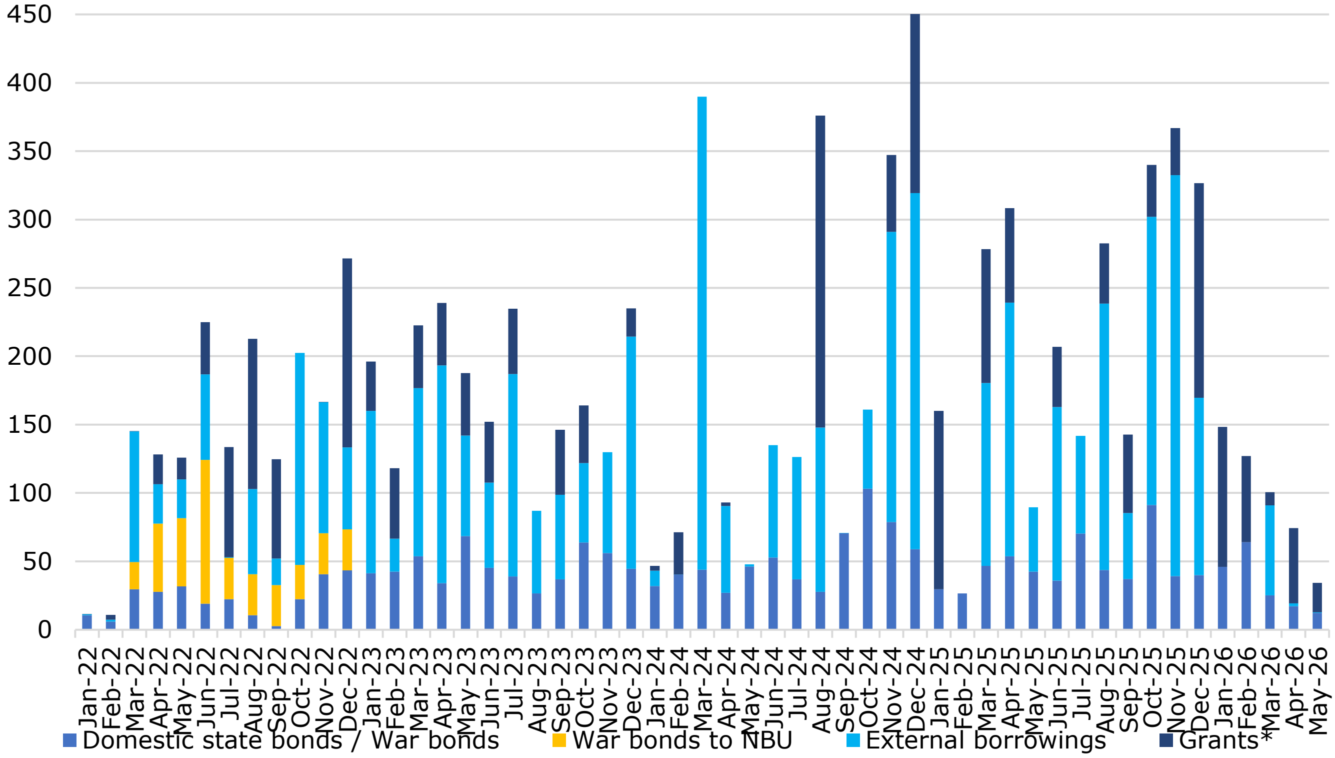
Figure 5: State Budget Revenues, UAH bn



Source: Ministry of Finance

Financing: Budget financing through domestic bonds declined to UAH 12.4 bn in equivalent, including USD 100 m of FX-denominated OVDPs. The weighted average yield on hryvnia-denominated OVDPs somewhat increased to 15.74%, while the yield on US dollar-denominated OVDPs declined to 3.05%.

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

In May, Ukraine received only about USD 6 m in external financing from the IBRD under additional financing to SURGE. At the same time, record-high financing is expected in June, as Ukraine is to receive funds from the EU under the Ukraine Facility mechanism (EUR 2.75 bn), and there is also a high probability of receiving funds under the Ukraine Support Loan (EUR 3.2 bn). Parliament ratified the Memorandum of Understanding with the European Commission on the Ukraine Support Loan in the amount of EUR 90 bn: EUR 30 bn in budget support and EUR 60 bn in military assistance. In 2026, the respective amounts are EUR 16.7 bn and EUR 28.3 bn. The ratified Memorandum sets out the conditions for providing budget support in 2026 under the Macro-Financial Assistance programme, relating to the public financial management system. These include tax changes, including those envisaged under the IMF Programme, as well as changes in internal and external audit.

The CMU also amended the Ukraine Plan for the part of financing to be provided under the Ukraine Support Loan through the Ukraine Facility mechanism. It adds 27 new qualitative and quantitative steps, of which 10 require amendments to primary legislation. The largest block of new commitments concerns the rule of law, anti-corruption, AML/SEPA, corporate governance of state-owned enterprises, energy regulation, and gradual market integration.

IMF. The IMF and Ukraine reached a staff-level agreement on the first review of the Extended Fund Facility (EFF) programme and concluded the 2026 Article IV consultations with Ukraine. Ukraine met all quantitative targets, but only two of the three structural benchmarks, both with a delay. The unmet structural benchmark on taxation is likely to be postponed to a later date, but will also be supported by new commitments.

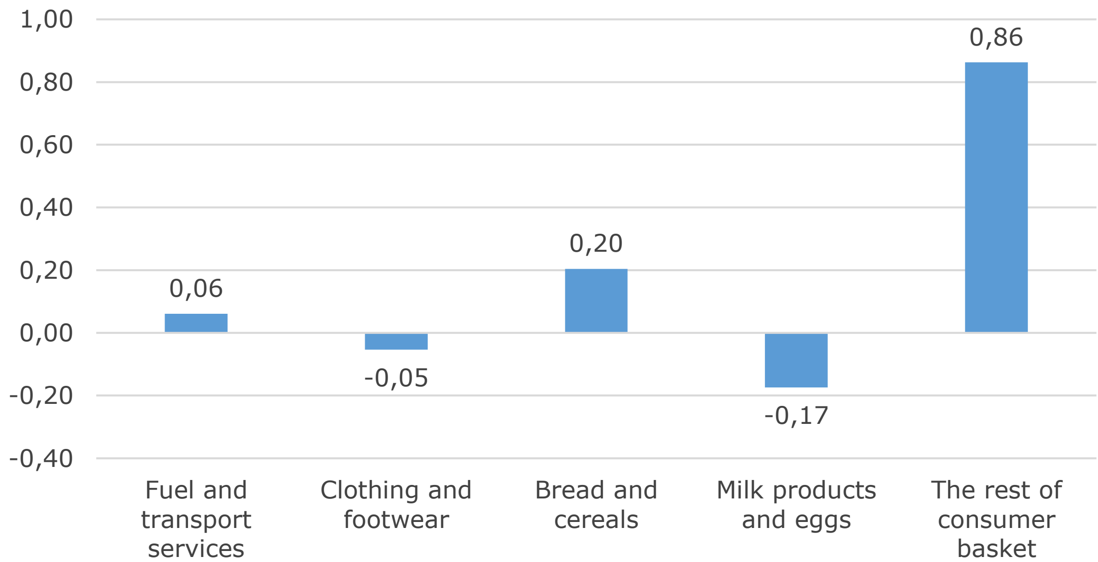
The text of the updated Memorandum is not yet available, as the IMF Executive Board has not yet approved the review. At the same time, the press release clearly states that fiscal policy must be implemented in line with available financing constraints and be consistent with restoring debt sustainability. Further measures are expected: the authorities should avoid expenditure overruns, be ready to mobilise additional domestic revenues, identify possible offsetting savings, and be prepared to increase domestic financing.

On the energy sector, the focus is on a roadmap for the gradual liberalisation of the energy market, which should include social protection mechanisms for vulnerable households. Anti-corruption remains in focus.

Inflation: Consumer inflation slowed to 8.2% yoy in May

Consumer inflation in May slowed to 8.2% yoy from 8.6% yoy in April. This reflected the stabilization of fuel prices in May and the high monthly price growth in May 2025 (particularly due to a significant increase in meat and fruit prices last year).

Figure 8: Contributions to monthly price growth in May 2026, percentage points



Source: *Own calculations based on State Statistics Service data*

The CPI in May rose by only 0.9% mom, the lowest figure in four months. This was driven by fuel price stabilization and a decline in dairy and egg prices (down 3.1% mom). Fuel prices stabilized due to reduced margins at gas station chains amid limited consumer demand, while dairy and egg prices fell due to lower purchasing prices abroad, seasonal productivity growth, and weak domestic demand. Clothing and footwear prices also declined slightly due to seasonal factors.

Excluding one-off and seasonal price fluctuations, inflation further accelerated in response to additional cost pressures, reaching about 1.3% mom. This was the highest figure in over a year and reflected rising prices across a wide range of goods and services due to high transport costs for the third consecutive month, elevated fuel prices for generators, and likely some increase in inflation expectations.

Exchange Rate and Monetary Policy: International reserves declined

***Exchange rate*.** The hryvnia weakened against the US dollar in recent weeks, approaching the psychological threshold of UAH 45 per USD. Meanwhile, the exchange rate against the euro was more stable due to the euro's strengthening against the dollar. The NBU increased interventions to USD 4.1 bn over the four weeks ending June 21, especially in the last two weeks, likely to keep the rate within UAH 45 per USD. This exceeded the 2026 average of USD 3.6 bn. Net demand for foreign currency from bank clients rose amid reduced supply, particularly after the completion of the sowing season. Net demand for cash foreign currency also increased slightly.

By the end of May, international reserves fell to USD 45.7 bn from USD 48.2 bn at the end of April. This reflected continued NBU currency interventions totaling USD 3.1 bn and minimal government foreign currency inflows. Net donor inflows amounted to only USD 106 m after debt repayments, while net inflows from FX government bonds reached just USD 92 m. As a result, reserve coverage of future imports of goods and services, according to NBU estimates, dropped to 4.7 months of imports. However, reserves are expected to rise significantly in June due to external assistance, likely offsetting the decline in April–May.

Figure 9: Official exchange rate of hryvnia vs US dollar (UAH per USD)

Source: NBU

***Monetary policy*.** On June 18, the NBU kept the key policy rate unchanged at 15.0% per annum**.** The regulator noted that inflation exceeded its April forecast due to strong secondary effects from energy prices and persistent high military risks for inflation. Therefore, the NBU signaled a high likelihood of raising the rate at the next monetary policy meeting. However, in June, the decision was made to keep the rate unchanged amid easing tensions in the Persian Gulf and greater clarity regarding Ukraine's external financing.

Contacts:

Institute for Economic Research
and Policy Consulting
st. Reytarska 8/5-A, 01030 Kyiv
Tel. (+38044) 278-6342
E-mail: institute@ier.kyiv.ua
http://www.ier.com.ua

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