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Executive Summary

- According to the IER, real GDP growth slowed to 0.6% yoy in October due to russian shelling of critical infrastructure, primarily energy.
- Nuclear power plants are forced to reduce electricity production after attacks on energy facilities.
- In October, electricity exports fell by 85% mom to 90.8 thousand MWh, while imports increased 2.5 times compared to September to 360 thousand MWh.
- As a result of the corruption scandal at Energoatom, the government submitted to the Verkhovna Rada a resolution to dismiss Energy Minister Svitlana Hrynchuk and Justice Minister Herman Halushchenko.
- 155 m t of cargo passed through the Ukrainian Sea Corridor, of which about 90 m t were grain.
- In October, Ukrzaliznytsia transported 2.26 m t of grain cargo, which is 31% less than in October 2024.
- Imports remained high. At the same time, exports also increased slightly.
- Higher defense spending in 2025 will be financed by EU funds provided under the ERA instrument.
- In October, annual inflation slowed down (for the fifth consecutive month) to 10.9% yoy.
- The NBU Monetary Policy Committee maintained the key rate at 15.5% per annum in October, but with a minimal majority.

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GDP and Real Sector: GDP Grew by 0.6% yoy in October 2025

According to the Ukrstat, in September the extractive industry grew by 0.4% yoy in real terms, which is associated with higher iron ore and coal production compared to previous months and a decrease in the statistical impact of the loss of coal mines in Donetsk oblast last year. At the same time, the output of the manufacturing industry decreased by 1.3% yoy, primarily due to lower production of sunflower oil and tobacco products. Demand for metallurgical and mechanical engineering products contributed to growth in manufacturing. Against the background of favorable weather and the absence of significant damage in the energy sector, electricity production increased by 6.1% yoy in September. Overall, the performance in industrial sectors was slightly worse than our previous estimate. Therefore, we have worsened the estimate of real GDP growth in September from 1.2% yoy to 0.9% yoy.

According to the IER, real GDP growth slowed to 0.6% yoy in October, primarily due to the negative impact of russian missile and drone attacks on energy and rail infrastructure. At the same time, defense spending supported GDP growth.

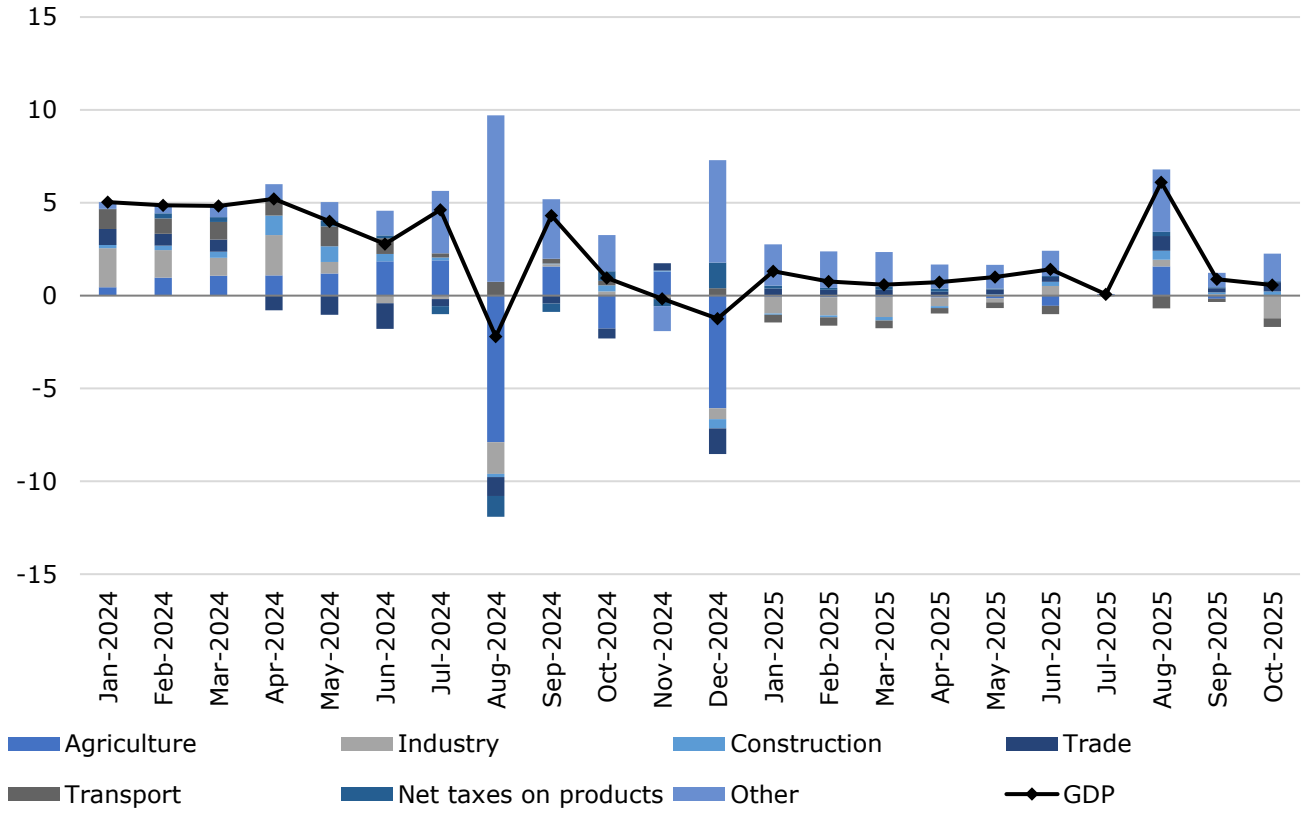
Real GDP in agriculture was estimated to be close to last year's, thanks to higher harvest of sunflower and some vegetable. At the same time, the corn harvest was also lower. Livestock production continued to decline somewhat.

Real GVA in the manufacturing industry is estimated to have declined by 1.1% yoy. This was due to the destruction of energy and other critical infrastructure by the russians. Previously, independent power generation capacities created by enterprises supported the sector. At the same time, businesses still faced deficits due to damage to transmission networks in some regions.

Real GDP in the extractive industry is estimated to have fallen by 12% yoy, also due to shelling. Thus, natural gas production has been significantly affected. As a result, its imports, which are mainly financed by international aid, are increasing. Overall, electricity production is estimated to have fallen by 13% yoy.

Trade growth is estimated to have remained at around 3.5% yoy in October. Meanwhile, the contraction in real GVA in transport is estimated to have deepened to 10% yoy in October due to damage to rail infrastructure. Grain transport through seaports declined compared to the previous year.

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



Source: IER estimate

Energy: Massive Attack on the Energy System and Corruption at Energoatom

Electricity. Intensive shelling of Ukraine's power system and hourly power outages continue. Up to 10 substations of 750/330 kV were damaged, which led to restrictions on the supply of electricity to nuclear power plants and significantly affected nuclear safety in Europe. Khmelnytskyi and Rivne nuclear power plants were forced to reduce electricity production after an attack on energy facilities by the russian federation. Distributed generation was also hit (the target was a 3.5 MW biomass plant owned by Clear Energy), as well as hydropower generation (Kremenchuk HPP was attacked). According to the government's assessment, the power system lost at least 1 GW of generation due to the attacks on November 7-10. Centrenergo reported that russian missiles destroyed the Zmiivska and Trypilska TPPs.

Ukraine has agreed with ENTSO-E to increase in December 2025 the maximum capacity of international interconnections for electricity imports from 2.1 GW to 2.3 GW.

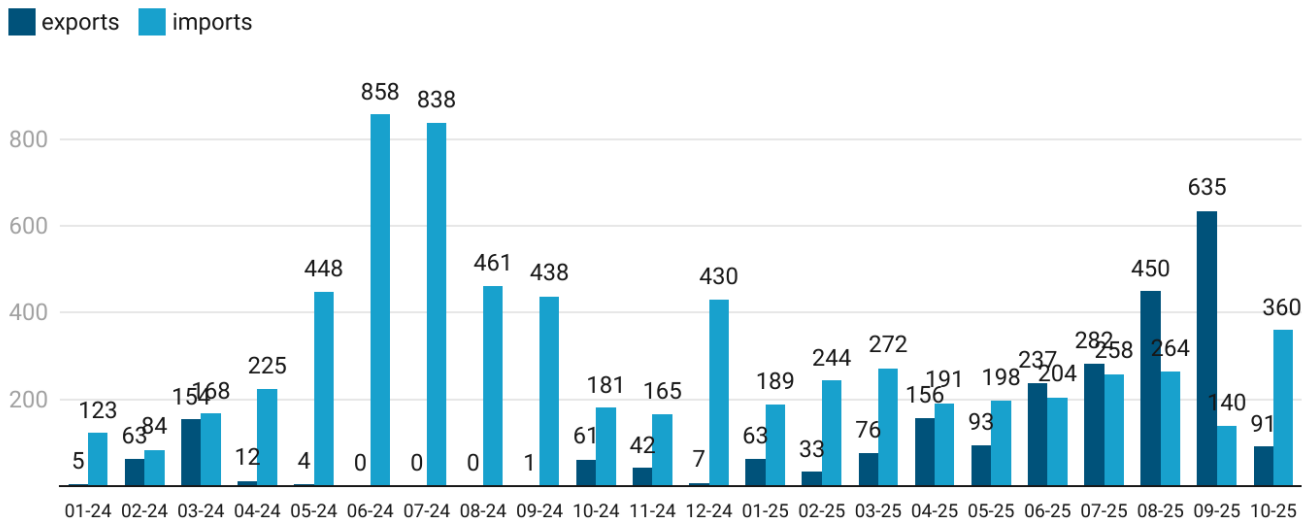
In October, commercial electricity export flows fell by 85% mom to 90.8 thousand MWh due to increased shelling of energy infrastructure. Commercial electricity import flows in October increased 2.5 times compared to September to 360 thousand MWh. Hungary continues to hold the largest share in the import structure - 51%. At the end of October, Ukraine resumed cross-border trade with Slovakia after an almost two-month break due to repairs on the line Velke Kapushany - Mukachevo.

The National Commission for State Regulation of Energy and Utilities (NERC) approved Ukrenergo's tariff for electricity transmission in 2026 at UAH 786.74/MWh, which is 14.6% higher than the current one in 2025. The ferroalloy and metallurgical industries opposed the tariff increase.

On November 10, NABU announced a special operation to expose corruption in the energy sector. The investigation established that the members of the criminal organization had built a large-scale scheme to influence strategic state-sector enterprises, in particular, NNEGC Energoatom. On November 12, the government decided to remove Herman Galushchenko from the duties of Minister of Justice. In addition, the Cabinet of Ministers prematurely terminated the powers of the current Supervisory Board of Energoatom. The State Audit Service was instructed to immediately begin a comprehensive audit of Energoatom, including all procurement. The Verkhovna Rada will consider a resolution on the dismissal of Energy Minister Svitlana Hrynchuk and Justice Minister Herman Galushchenko on Tuesday, November 18.

The Ministry of Digital Transformation of Ukraine is launching the "Communication Generator" project, aimed at supporting mobile communications during power outages. Businesses and responsible citizens are urged to provide paid power to operators' base stations with their generators.

Figure 2: Electricity export and import in 2024-2025, thousand MWh



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

Gas. On the night of November 7-8, Russia massively shelled Naftogaz's gas infrastructure with missiles and drones. This is the ninth targeted attack on gas infrastructure since the beginning of October. Damage was recorded at Ukrgazvydobuvannya, Ukrnafta, and Smart Energy.

Coal. Of the 145 mines that produced 83.6 m t of coal in 2014, only 14 remain in Ukraine today, with a planned production of about 15 m t in 2025. In 2024, the mines in Selidove and Pokrovsk were effectively lost due to the russian offensive, so the preservation of working mines becomes an issue of energy security. Today, the basis of industrial production is held by the mines of DTEK Pavlogradvugillya and several mines of the state-owned Lvivvugillya. Against this background, every blow by the russian federation to the industry is also about the people underground. On November 6, eight coal mines in the Dnipropetrovsk region were knocked out of power due to shelling, at that moment 2,595 miners were underground. On November 5, five airstrikes using guided bombs damaged coal facilities in the Donetsk region, and on October 25, the russians attacked a DTEK mine in the Dnipropetrovsk region. Enrichment plants are also being attacked, including the Almazna mine in Dobropillya in the Donetsk region. Attacks on enrichment plants are hitting the industry's very ability to supply the country with coal, because without enrichment, Ukrainian coal is virtually impossible to use in energy and industry.

Transport: Social Trips from Ukrzaliznytsia

Maritime transport. In late October, russia launched a missile strike on Danube ports, including Izmail, causing explosions and damage to port warehouses. The attacks were repeated in early November, with the Romanian Defense Ministry reporting a large number of explosions in the Izmail port area.

Since August 2023, 155 m t of cargo have passed through the Ukrainian Sea Corridor, of which about 90 m t are grain, over 6,000 vessels. Compared to the beginning of October, when the latest data were published, the volume of transshipment per month amounted to 8.5 m t of cargo. For comparison, in July-September the average monthly transshipment was 5.5 m t. The main growth factors: the restoration of port logistics after summer repairs, an increase in the number of vessels and the frequency of flights, as well as an increase in the throughput capacity of the ports of Greater Odesa due to the modernization of transshipment equipment and optimization of traffic schedules.

Railway transport. In October and November, russian attacks on railway infrastructure intensified. At the end of October, a passenger depot and train station in Sumy were damaged during a massive attack - explosions destroyed ticket offices and part of the railway equipment, which caused delays in routes. On November 11, a UZ depot was damaged in the Odesa region. The enemy also destroyed a locomotive depot in the Lubny district of the Poltava region and attacked the Zaporizhzhia- Kamenske railway station in the Dnipropetrovsk region.

In October, Ukrzaliznytsia transported 2.26 m t of grain cargo (+10% mom and -31% yoy). In export traffic (to ports and the western border), 1.87 m t were transported by rail, of which 92% were sent to ports and 8% to western border crossings; this is 17% more mom, but 24% less yoy.

The President of Ukraine announced the implementation of the "3000 km" program, which will allow passengers to travel free of charge within the territory of Ukraine for a distance of up to 3000 km to support population mobility. According to the explanation from "Ukrzaliznytsia", "kilometers" for trips can be used twice a year in the periods January-February and October-November. "Ukrzaliznytsia" explains that the company accumulates funding for the program, in particular, due to the introduction of dynamic pricing for 1st class and SV tickets.

At the same time, the company is in a difficult financial situation. According to UZ estimates, in 2025 the company will receive a profit from freight transportation of UAH 3.2 bn (-84% yoy) and a loss from passenger transportation of UAH 18.6 bn (+3% yoy), which will give a total loss in 2025 of UAH 15.4 bn. To cover the shortfall of funds, UZ proposes to increase freight transportation tariffs by 27% from December 1, 2025, and by another 11% from January 1, 2026. The total growth will exceed 40%. The increase is explained by the need to maintain infrastructure, renew rolling stock and compensate for the increase in transportation costs. Given the difficult financial situation of the company, the Government already in October allocated UAH 8 bn from the state budget reserve fund to ensure stable operation of railway transport under martial law. In fact, it may be a gradual transition to PSO rules for Ukrzaliznytsia.

Road transport. On November 10, the work of automobile checkpoints was temporarily suspended due to a failure in the customs service database. The failure was caused by a power outage after

enemy shelling of energy facilities. During this period, no vehicles were allowed through Ukrainian checkpoints, which caused local queues at the entrances. The system was restored the same day, but the incident highlighted the vulnerability of the customs IT infrastructure and dependence on electricity supply.

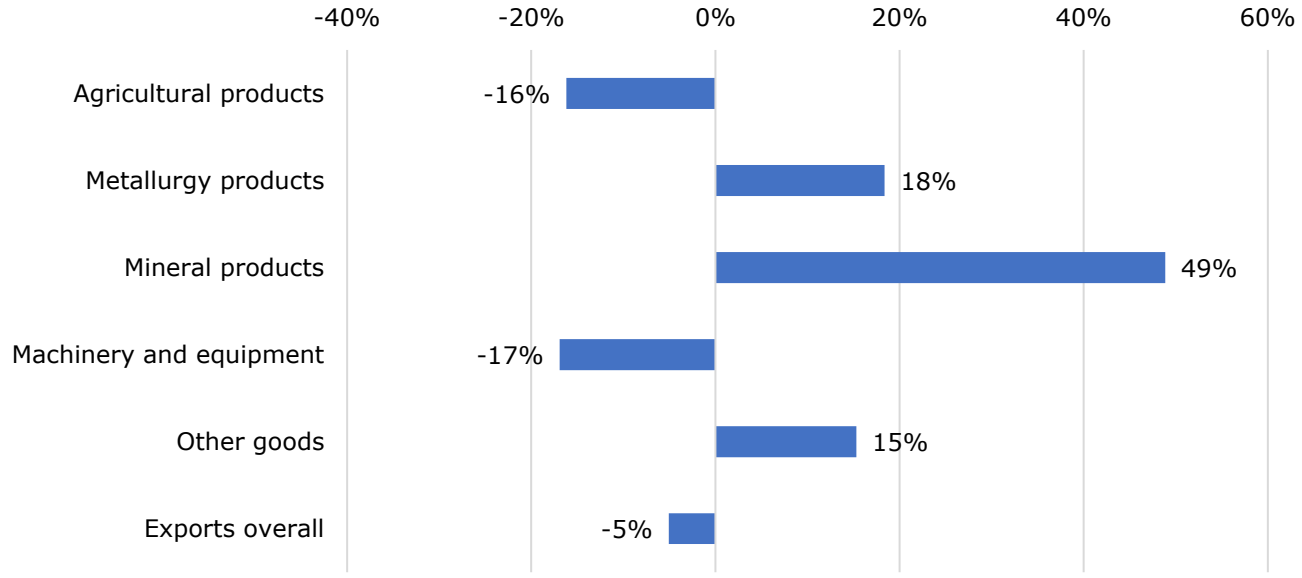
All checkpoints in the Lviv region are connected to the European EES system. The system slows down traffic through primary biometric registration. Additionally, road surface repair work is ongoing on the Rava-Ruska and Krakovets directions, which temporarily reduces the throughput capacity of the Polish direction.

Ukraine and Norway have extended the "transport visa-free regime" until the end of 2027. This decision allows Ukrainian carriers to continue to carry out cargo transportation to Norway without the need to obtain special permits for trucks of Euro-5 standard and above.

External trade: Improved exports and continuing high imports

Exports of goods in October wa the highest in four months and rose significantly compared to September to USD 3.7 bn. However, in annual terms, exports fell by 5% yoy compared to a high base last year. Exports of agricultural products rose to USD 2.0 bn and was the highest since the abolition of EU trade preferences in early June but fell 16% yoy. This reflected a slower harvest of late crops and the absence of stocks of previous years' harvests, unlike 2024. Exports also continue to be affected by export duties on soybeans and rapeseed, which led to a sharp drop in exports of these products and an increase in exports of soybean and rapeseed oil. As a result, exports of soybeans, rapeseed and their processed products decreased significantly, which also reflects the absence of stocks from previous years. Higher export prices and increased exports of other agricultural products other than grains, oilseeds and their processed products, as in previous months, partially offset the decline in physical export volumes. However, the increase i prices compared to the previous year has become less noticeable, although vegetable oil prices continue to show the largest growth (25-35% yoy)

Figure 3: Dynamics of exports of goods by main groups in October, % yoy



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

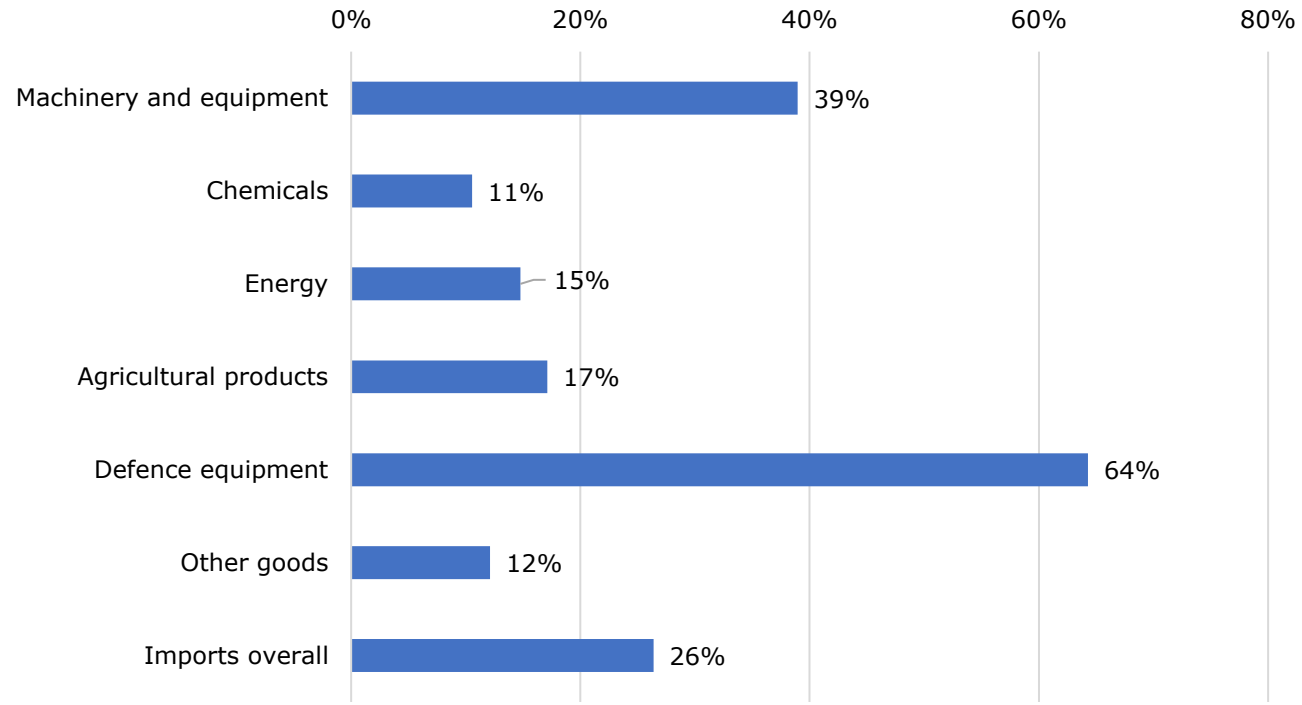
Exports of metallurgical products in October were the highest since the beginning of 2024 and increased by 18% yoy to USD 448 m reflecting growth in metallurgical production. Pig iron supplies grew probably to related enterprises abroad. Export prices for several main metallurgical items were lower than last year. Exports of mechanical engineering products were close to September, but 17% lower than last year's high base. At the same time, exports of automotive wires were close to last year's, but exports of several other items, including coffee makers, sharply decreased. Exports of mineral products increased by 49% yoy from a low base to USD 272 m. This reflected better export prices for ore. Also, electricity exports, according to customs data, were the largest this year, which does not correspond to data on commercial electricity flows to other countries according to

the ENTSO-E transparency platform. Crude oil exports also began in October. Exports of other goods, in particular wood and wood products, increased.

Imports of goods in October were close to the September level and amounted to USD 7.6 bn, up 30% year-on-year. Imports of machinery and equipment once again set new records and exceeded USD 3.2 bn, and increased by 39% year-on-year. Imports of cars set new records due to the impending end of the tax exemption for electric vehicles and the continued defense needs. Imports of energy equipment, defense equipment, in particular drones and their components, continued to grow.

Energy imports increased by 15% yoy due to a significant increase in imports of petroleum products probably due to fuel needs for generators, and a sharp increase in coal imports. At the same time, customs clearance of imported gas was minimal, and electricity imports were significantly lower than last year. Imports of other goods also increased significantly compared to the previous year, including imports of fertilizers and plant protection products.

Figure 4: Dynamics of imports of goods by main groups in October, % yoy



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

Fiscal policy: Part of the ERA tranche from the EU will be directed to defense financing

Budget-2025: According to preliminary data, the State Budget revenues in October 2025 amounted to UAH 258 bn, which is lower than monthly indicators for May-June and August-September. This is primarily due to the differences in categories such as grants due to their volatility, and corporate profit tax (CPT) revenues due to the payment calendar, rather than due to deterioration in tax payment.

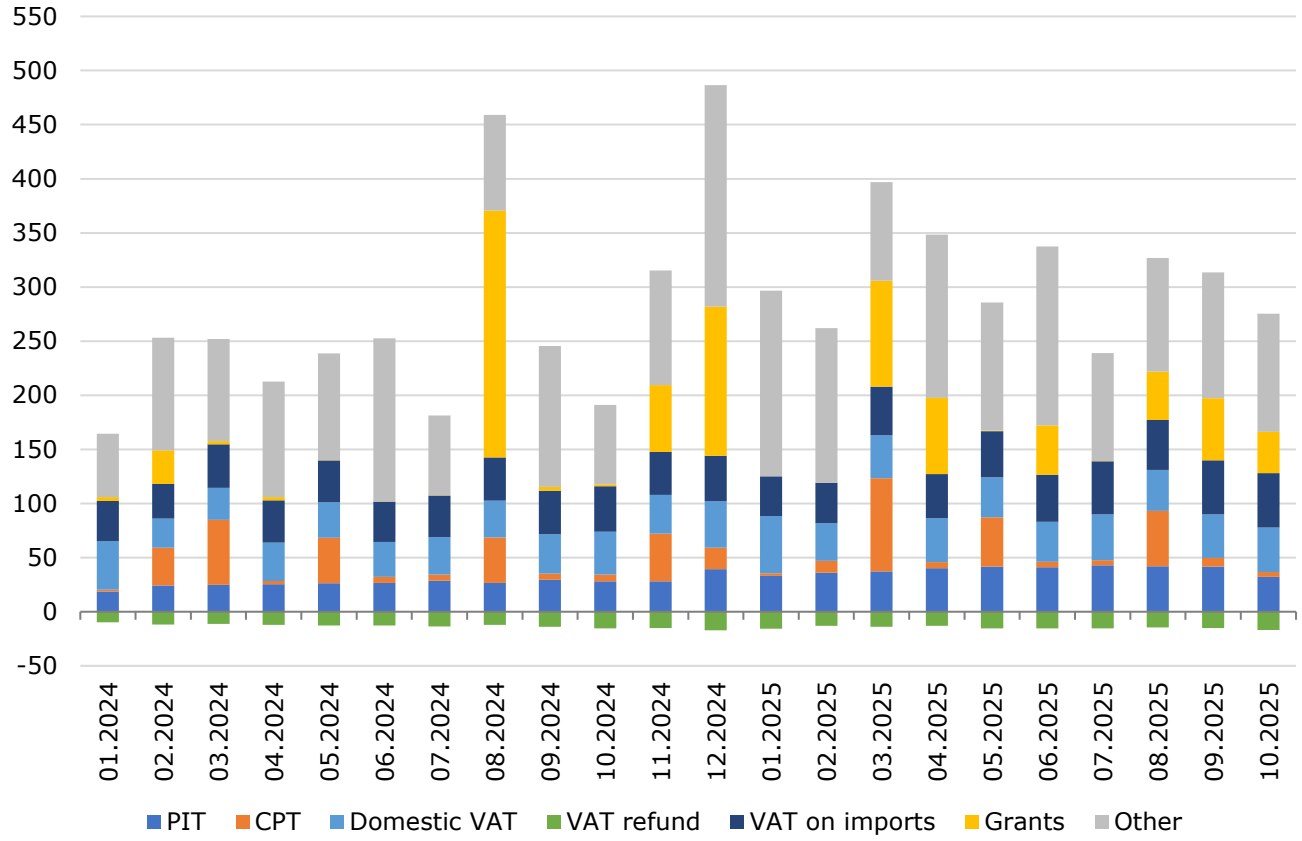
The revenues due to general fund of the State Budget amounted to UAH 186 bn, while in September they amounted to UAH 208 bn, which is primarily due to a smaller grant: UAH 38 bn through the World Bank's PEACE instrument compared to UAH 53.9 bn in September. Revenues from the CPT were also lower: UAH 4.6 bn compared to UAH 8.1 bn in September (September and October are not peak months for this tax, which is paid quarterly).

Personal income tax (PIT) revenues to the general fund of State Budget continued to grow significantly due to the high rate of wage increases and amounted to UAH 32.1 bn. Wages are growing rapidly due to pressure on the labor market caused by labor shortage. But another reason may be the increase in wages due to the possibility to reserve workers, which can mean both a real increase in wages and a certain de-shadowing of wage payments.

Gross domestic VAT revenues reached a new nominal record of UAH 41.2 bn in October, but their growth rate slowed to 3.8% yoy. At the same time, growth in exports explains the increase in VAT refunds by UAH 2 bn to UAH 17 bn.

VAT revenues from imports increased by 20% yoy to a record UAH 50 bn, but remained below plan. The reasons may be both lower-than-planned taxable imports and a stronger hryvnia against the US dollar compared to the budgeted figures.

Figure 5: State Budget Revenues, UAH bn



Note: September 2025 – PIT due to general fund of State Budget.
Source: Ministry of Finance

State Budget expenditures (general fund) increased to UAH 340 bn in October, but remained below the revised plan. Thus, in October, the Verkhovna Rada adopted the new amendments to the State Budget for 2025, which were developed and submitted by the government. UAH 326 bn was added for defense, which will be financed primarily by the EUR 6 bn provided by the EU to Ukraine under the ERA instrument.

In total, for 10 months of 2025, State Budget expenditures (general fund) amounted to UAH 3.2 trillion, of which UAH 2.0 trillion, or 63%, were expenditures on defense and security.

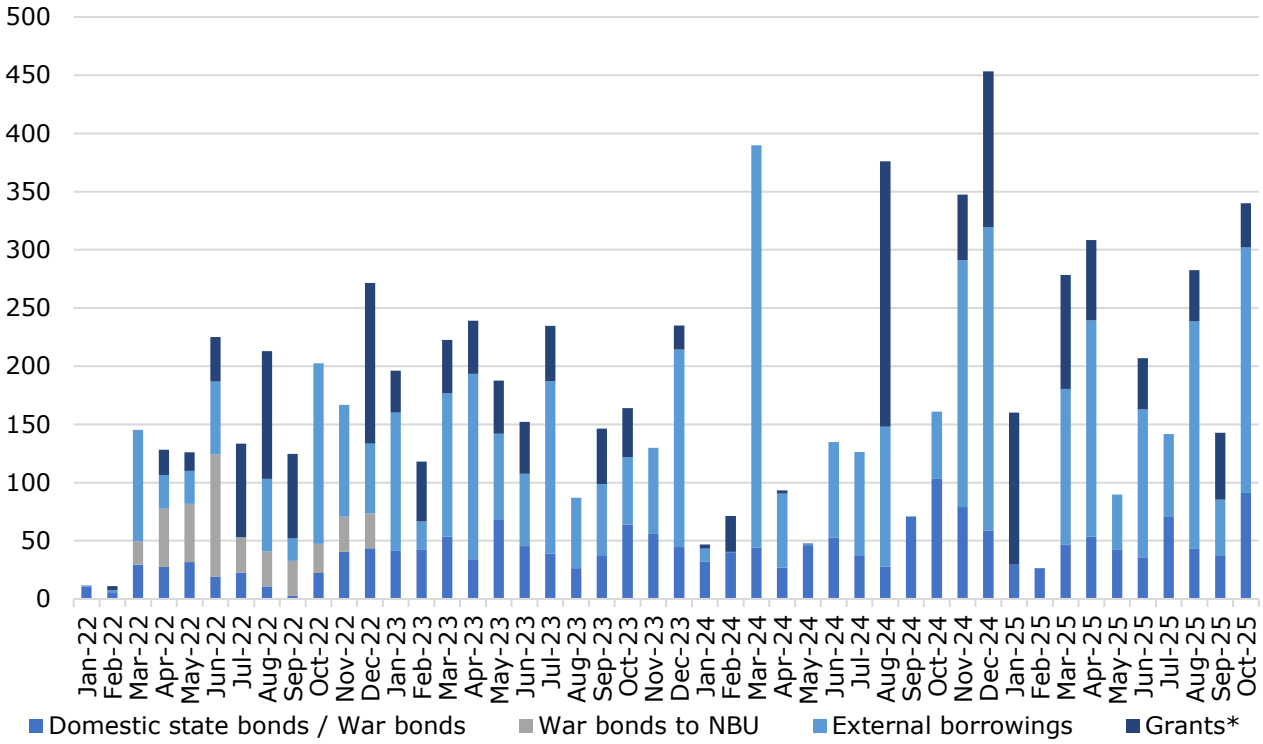
Funds raised from the placement of government bonds amounted to UAH 91 bn in October. But UAH 14.5 bn from this amount were proceeds from the placement that took place on September 30. Yields remain close to previous levels of about 16.5%.

External borrowing in October amounted to about EUR 4.3 bn, of which EUR 4 bn came from the EU within the framework of the ERA from the EU. At the same time, the EU for the first time allowed to spend part of these funds on defense spending. This is actually the first time that the EU allows to direct its budget support to finance defense and security. Already in November, such a decision extends to EUR 6 bn under the ERA.

Unfortunately, Ukraine is still not meeting the indicators of the Ukraine Plan, the implementation of which is required to receive EU funding under Ukraine Facility. According to the RRR4U consortium, four indicators worth EUR 1.5 bn were not met in the third quarter, in addition to those that were not met earlier. The government and parliament have accelerated the implementation of the

indicators somewhat in the last few weeks, but it is highly unlikely that both the debts and the indicators of the current quarter will be met in the fourth quarter.

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

Budget-2026: The government submitted to the parliament the draft State Budget for 2026 prepared for the second reading. The changes in the indicators are insignificant. Thus, revenues increase by UAH 27.8 bn to UAH 2,854 bn, primarily due to higher revenues from the CPT as it is planned to preserve the rate of this tax at 50% for banks. Expenditures will increase by UAH 33.6 bn to UAH 4,837 bn: money is allocated primarily to the reserve fund (UAH 20 bn) to respond to extraordinary challenges, primarily related to the consequences of the war. The State Budget deficit, as previously planned, will remain at 18.4% of GDP.

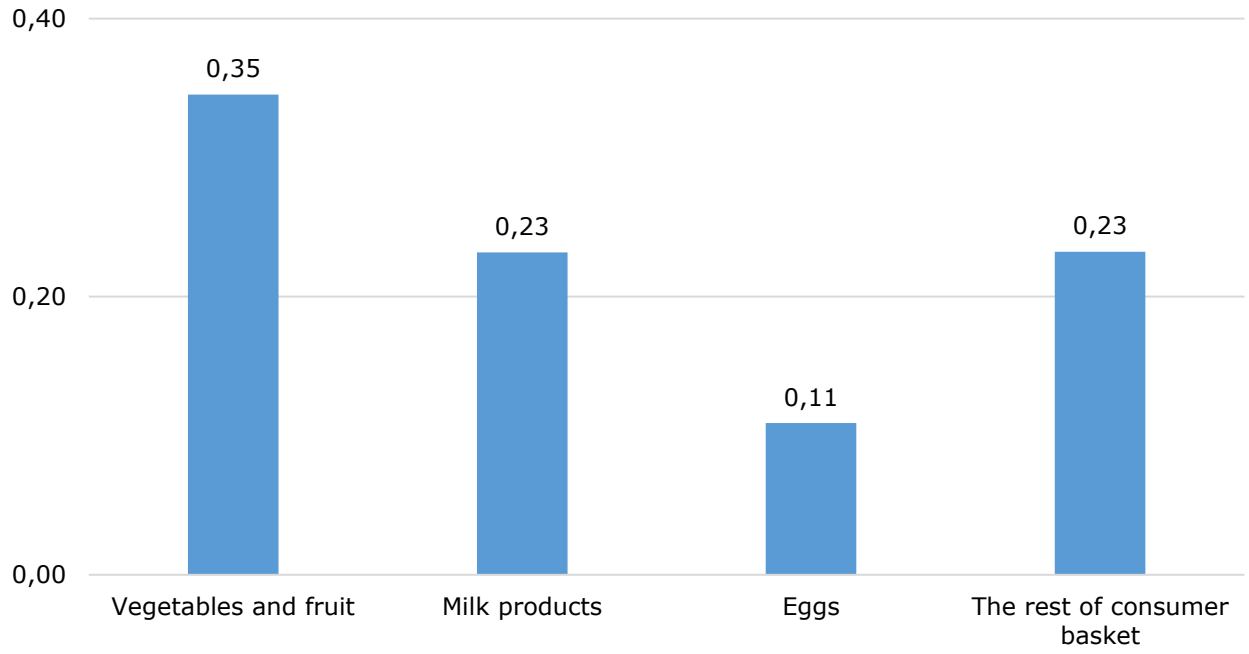
The deficit will be financed from external sources, but the unmet financing need is at least EUR 20 bn (provided that in-kind military aid is provided). At the same time, according to the Head of the Budget Committee of the Verkhovna Rada, Roksolana Pidlasa, the budget provides for the receipt of military aid in kind in the amount of USD 60 bn.

At the same time, discussions on the new IMF Program are still ongoing. One of the possible goals of the program could be de-shadowing. At the same time, the macro-financial framework of the Program requires greater certainty regarding financing. So far, the Ukraine Reparation Loan from the EU is under discussion. Unfortunately, there are risks of delay, as the decision is currently blocked by Belgium (sovereign russian assets are placed in the private Belgian agency Euroclear). Belgium needs clear sustainable strong guarantees from EU member states and other countries, which are currently absent.

Inflation: Consumer inflation slowed to 10.9% yoy

In October, consumer inflation slowed for the fifth consecutive month to 10.9% yoy. As before, price growth was uneven: less elastic demand and high costs supported rapid price increases for food, restaurants, healthcare (including medicines), and communications. At the same time, higher competition, a reduced role of intermediaries, price sensitivity of demand, and a stable hryvnia exchange rate constrained prices for a wide range of non-food goods. Government regulation limited the growth of prices for utilities and rail transportation.

Figure 7: Contributions to monthly price growth in October, pp .



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

The consumer price index rose by 0.9% mom in October, the highest since May. Rising prices for dairy products, eggs and vegetables were the main factors driving up monthly inflation. This reflected both seasonal factors and limited vegetable storage capacity as well as a decline in livestock production amid rising exports. For example, exports of eggs with shells alone accounted for 20% of production in September (and even a higher share of industrial egg production, as household exports seem unlikely). Prices for the rest of the consumer basket rose by around 0.3% mom , the same as in September, indicating moderate inflationary pressures in recent months.

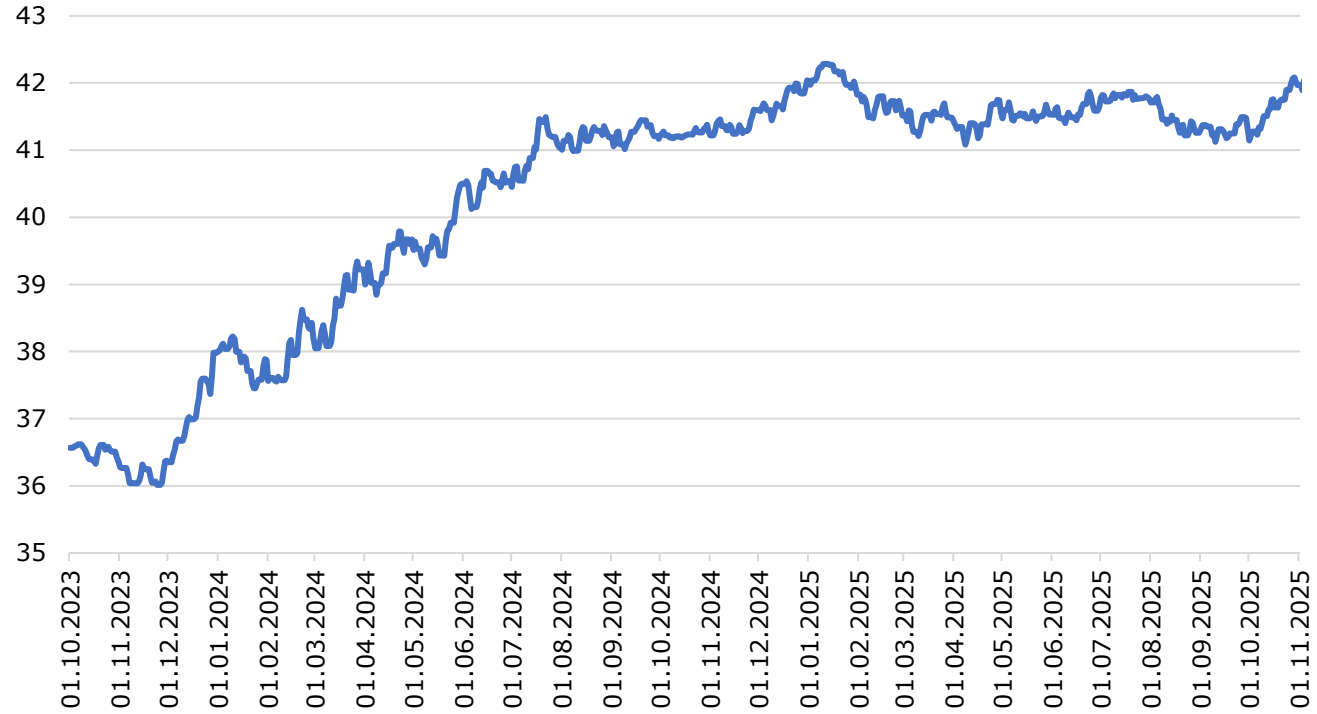
Exchange rate and monetary policy: Policy rate kept at 15.5% with split decision

Monetary policy. At its monetary policy meeting in October, the NBU kept the rate at 15.5 % per annum. All members of the Monetary Policy Committee agreed that the decline in inflation is accompanied by high inflationary risks such as continued Russian aggression and attacks on energy infrastructure, which limit production growth in Ukraine and increase budget and enterprise costs . But participants were divided in their assessments of how to balance these factors in the short term. Some supported keeping the rate unchanged, while others advocated lowering the rate to 15% per annum. However, all participants in the meeting agreed that the potential for a rate cut by the end of 2026 is still limited to 2-3 percentage points.

Exchange rate. The hryvnia weakened against the US dollar in October and early November from UAH 41 to UAH 42 per dollar. Net demand for cash foreign currency continued to grow. Net demand for legal entities' currency increased somewhat with both demand and supply of the currency growing. At the same time, the dollar weakened against the euro, which kept the euro-hryvnia exchange rate relatively stable. NBU interventions for the four weeks ending November 9 amounted to USD 2.5 bn, which is close to the average since the beginning of this year (USD 2.6 bn).

At the end of October, the NBU's international reserves increased to USD 49.5 bn, compared to USD 46.5 bn in September. Aid received from donors during October, primarily from the EU, reached USD 5.9 bn, and the NBU's intervention expenditures increased to USD 2.8 bn. Also in October, the Government raised $139 million from foreign currency government bonds in net form and spent USD 327 m on external debt servicing, including IMF payments. The NBU estimates that the reserves cover 5.1 months of future imports, reflecting an increase in the NBU's import forecast.

Figure 8: Official exchange rate of the hryvnia to the US dollar (UAH per US dollar)



Note: Note that the exchange rate values in the figure start at 36 UAH per US dollar.
Source: NBU

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