INSTITUTE
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AND POLICY CONSULTING

Monthly Economic Monitoring of Ukraine

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Summary

- According to the Ukrstat, real GDP in Q2 2025 grew by 0.7% yoy (yoy).
- According to IER estimate, real GDP growth slowed to 1.2% yoy in September. Real GDP in Q3 2025 is estimated to have grown by 2.6% yoy.
- Massive russian shelling of the power system in early October led to the introduction of hourly outage schedules in the Chernihiv region and emergency outages throughout Ukraine.
- In September, Ukraine increased electricity exports by 41% mom to 635 thousand MWh.
- Russia's massive shelling of Kharkiv and Poltava regions on October 3 knocked out about 60% of the country's gas production.
- In September, Ukrzaliznytsia transported 2.2 m tons of grain cargo, a decrease of 21% mom and 19% yoy.
- Ukraine and the EU extended the Agreement on the Liberalization of Road Freight Transportation until March 31, 2027.
- Imports approached their July high in September, while exports were held back by lower harvests and export duties.
- The financial needs for 2026 remain high.
- In September, annual inflation slowed down again to 11.9% yoy, thanks, among other things, to cheap vegetables.
- The NBU unanimously kept the discount rate at 15.5% per annum in September, and most participants in the monetary policy meeting expect a rate cut this year.

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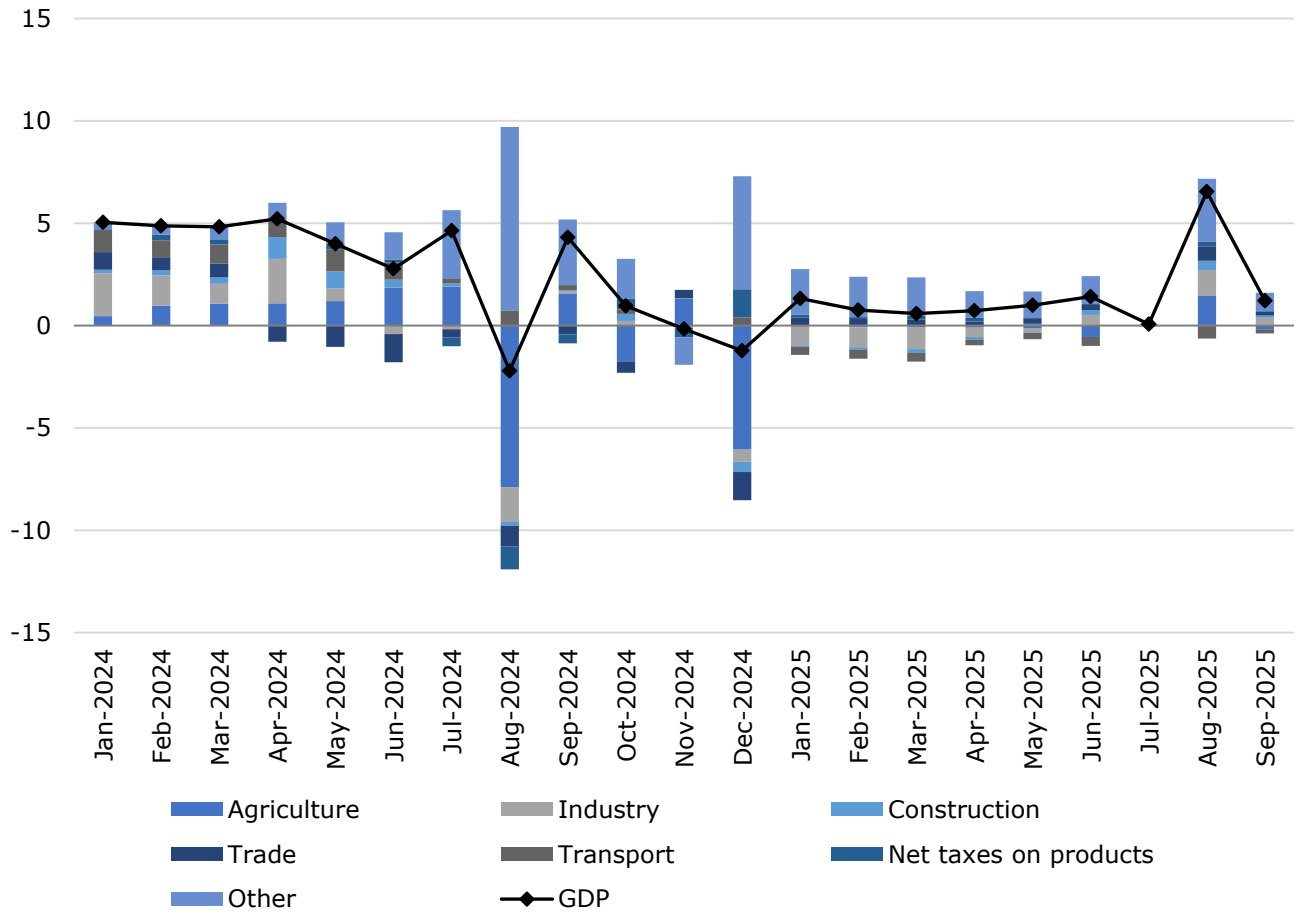
GDP and real sector: GDP grew by 0.7% yoy in Q2 2025

Ukrstat data: According to the Ukrstat, real GDP in Q2 2025 grew by 0.7% yoy. On demand side, final private consumption grew by 9% yoy in real terms. This is likely due to stable payment of salaries and social benefits, as well as better consumer sentiment. At the same time, government consumption decreased by 0.5% yoy in real terms, probably due to the lack of an increase in military remuneration and a moderate increase in other wages and purchases of goods and services from budget funds due to budget constraints. Gross fixed capital accumulation decreased by 2.5% yoy, most likely due to lower military aid and expenditures on the purchase of weapons at the expense of the state. Exports of goods and services fell by 15.7% yoy due to the suspension of gas transit, as well as the absence of grain that was harvested in 2021-2023 and whose stocks were exhausted earlier in 2024. At the same time, imports of goods and services increased by 4.5% yoy, primarily due to higher imports of mechanical engineering products (in particular, defense), energy, and other groups of goods.

On the production side, real gross value added (GVA) in agriculture fell by 23.4% yoy due to a later start of the harvest. The loss of mines and damage to gas extraction led to a 10.4% yoy drop in real GVA in the extractive industry. Electricity and gas supply increased by 5.1% yoy due to a statistical base effect: in 2024, Ukraine lost half of its thermal electricity generation during this period. Trade grew by 4.7% yoy due to growth in retail trade, while wholesale trade growth remained insignificant. Real GVA in transport fell by 6.4% yoy mainly due to lower exports.

The Ukrstat also published industry data for July 2025. The extractive industry grew by 1.9% yoy, as the growth in iron ore, oil, and construction materials production offset the decline in coal production. At the same time, the manufacturing production decreased by 1.1% yoy. The pace of food production decline slowed due to the gradual recovery of sunflower oil production (after a decline due to a shortage of sunflower). At the same time, production in metallurgy and mechanical engineering decreased slightly. This can be explained by shelling and complicated logistics. At the same time, electricity production grew by 6.4% yoy from a low statistical base last year, when Ukraine had constant planned power outages.

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



Source: IER estimate

IER estimate . According to IER estimate, real GDP growth slowed from 6.5% yoy in August (we revised the estimate based on new data) to 1.2% yoy in September. The changes are mainly due to monthly volatility in agricultural output. Real GVA in agriculture is estimated to have decreased by 12% yoy based on the MinEconomy's harvest data. On average, real GVA in agriculture is estimated to have decreased by about 8% yoy in Q3 2025. Real GDP in Q3 2025 is estimated to have grown by 2.6% yoy.

Real GVA in manufacturing is estimated to have grown by 4.3% yoy in September. However, there is a risk of a worsening situation in October due to power outages resulting from russian strikes on energy infrastructure. Therefore, real GVA in electricity generation is likely to decline in October after an estimated 9% yoy growth in September.

Real GVA in the extractive industry is estimated to have declined by only 1.6% yoy in September. The decline is likely to be deeper in October as the russians have damaged a significant portion of gas production.

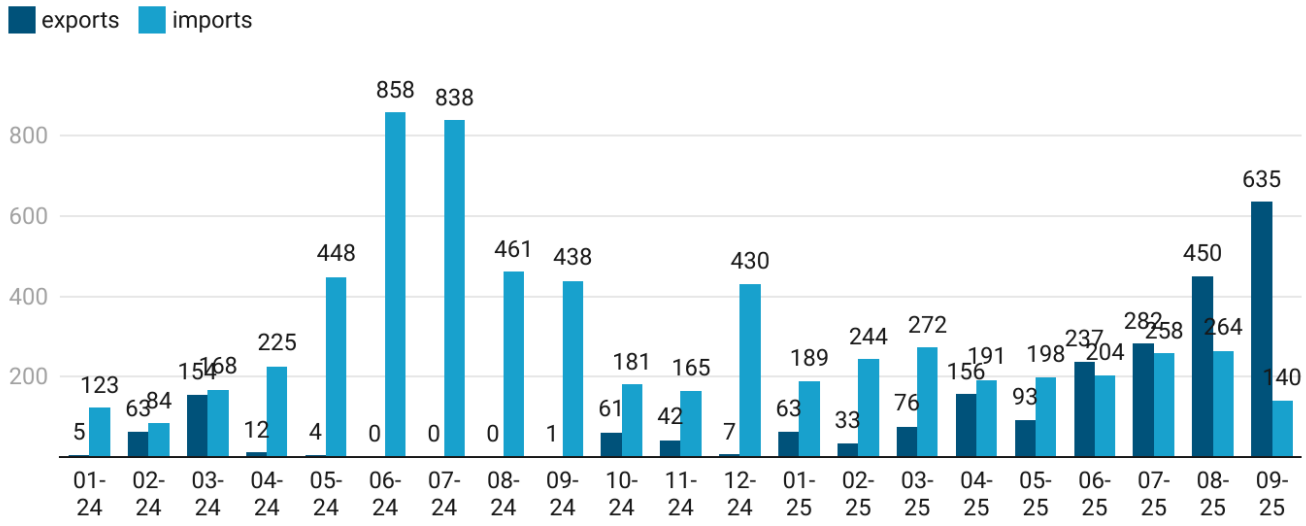
Trade growth is estimated to have remained at around 3% yoy in September. However, we may be rather pessimistic on this estimate given the higher trade growth reported by the Ukrstat for Q2 2025. Real GVA in transport fell by about 9% yoy in September, while in October the indicator is likely to deteriorate further.

Energy: Ukraine lost 60% of gas production

Electricity. After intense shelling in early October and damage to several thermal power plants, DTEK Ukrenergo was forced to introduce hourly power outage schedules for the Chernihiv region. In addition, emergency power outages were applied in Kharkiv, Sumy, Poltava, Donetsk, Dnipropetrovsk, Zaporizhia (for industrial consumers), Cherkasy, Kirovohrad, Odesa, Kyiv regions and in Kyiv. In the Donetsk region, the attacks caused a blackout, which led to the deployment of invincibility centers in the region. Russia also damaged the power supply of the Zaporizhia NPP - the station was disconnected from the Ukrainian power grid for more than two weeks, from September 23 to October 9. The Chernobyl NPP was also temporarily blacked out in early October.

In September, Ukraine increased electricity exports by 41% mom to 635 thousand MWh. This is the second consecutive month of record electricity exports. The largest amount of electricity was exported to Hungary, 40% of all volumes. Electricity imports in September decreased by 47% mom to 140 thousand MWh. Hungary continues to occupy the largest share in the import structure - 58%.

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

Starting October 1, Ukrainians living in areas of active or possible hostilities will receive additional funds to pay for electricity. The funds are automatically accrued along with subsidies and benefits

and are calculated at the rate of 100 kWh (432 UAH) per person (but not more than 300 kWh or 1,296 UAH per family).

The government has approved the State Target Program for Energy Modernization of Heat Supply Enterprises until 2030. The program provides for incentives for district heating enterprises to apply energy-efficient measures. Within five years, it is planned to introduce 100% commercial metering of heat energy in 15 thousand buildings, modernize 35 thousand heat inputs through the installation of individual heat points, and reconstruct 2.5 thousand km of heat networks. Financing from the state budget is expected after the end of martial law in Ukraine, and before that, the program's measures will be financed with the help of international donors, local budgets, and other sources.

Gas. Russia's massive shelling of Kharkiv and Poltava regions on October 3 knocked out about 60% of the country's gas production. Later in October, russia damaged gas infrastructure in the Odesa region. Bloomberg reported that Ukraine will have to buy about 4.4 bn cubic meters (bcm) of gas worth EUR 1.9 bn by the end of March.

For the next heating season, Naftogaz has already purchased 3.67 bcm of gas and planned to continue purchasing gas until the end of the year. However, due to the russian attacks, the planned gas purchases will increase by 30%, according to the Ministry of Energy.

Transport: Transport visa-free regime with the EU extended until 2027

Sea transport. Since the beginning of the "Ukrainian Corridor" (August 2023), the ports of Greater Odesa have handled over 146.5 m tons of cargo. Compared to July, when the latest data was published, transshipment volumes increased by 16.5 m tons of cargo, which is 5.5 m tons per month. For comparison, in 2021, before the start of the full-scale war, Ukraine exported 9.75 m tons per month by sea. The corridor operates in very difficult conditions. Since the beginning of the full-scale aggression, more than 500 port infrastructure facilities, 116 civilian vessels, 157 civilians have been damaged or destroyed, and 161 facilities have been damaged directly on the territory of the Odesa Sea Port.

In the first 8 months of 2025, Ukrainian seaports processed 134,191 TEU (20-foot equivalent units) (+3.3% yoy), the highest figure since the start of the full-scale war. Exports amounted to 66,892 TEU, imports – 63,042 TEU, transit – 4,257 TEU. For comparison, in 2021, Ukrainian ports processed over 1 m TEU. The resumption of container traffic, although still significantly lower than the pre-war level, strengthens the role of ports in foreign trade.

Railway transport. In early October, the russian federation launched massive UAV strikes on railway power substations, attempts to damage locomotives were also recorded - not only depots and stations, as before. At the time of the attack, more than 20 trains were stopped in safe zones, there were no casualties. Due to the increased vulnerability of rolling stock, the protection of the locomotive fleet and reservation of routes is becoming a priority.

In September 2025, 1.8 m tons of grain cargo were transported by rail in the export direction, which is 29.1% less than in August. The total volume of grain (all directions) was about 2.2 m tons, which is 21.3% lower than in August and 19.2% lower than in September 2024.

Road transport. The Agreement on the Liberalization of Road Freight Transport with the EU has been extended until March 31, 2027. Before that, the Agreement was in force until December 31, 2025. To further extend the agreement in 2027, Ukraine has committed to bringing its legislation on freight transport closer to EU rules. In particular, this concerns strengthening technical requirements and control over international road carriers: mandatory installation of smart tachographs with recording of the route, driving time and rest; control of drivers' work and rest regimes at the border and selectively on the road; integration with the European IMI monitoring system for real-time data exchange; introduction of verification of the business reputation of carriers and requirements for transport managers.

Also, as part of the commitments made during the extension of the Agreement on the Liberalization of Road Freight Transport, the transition to digital international ECMT permits with real-time verification will begin on November 1, 2025, to harmonize with European standards. Instead of paper documents, a fully digital system for submitting and verifying permits in real time is being introduced, which allows all operations to be carried out completely remotely. A short-term period of technical adaptation of carriers is expected.

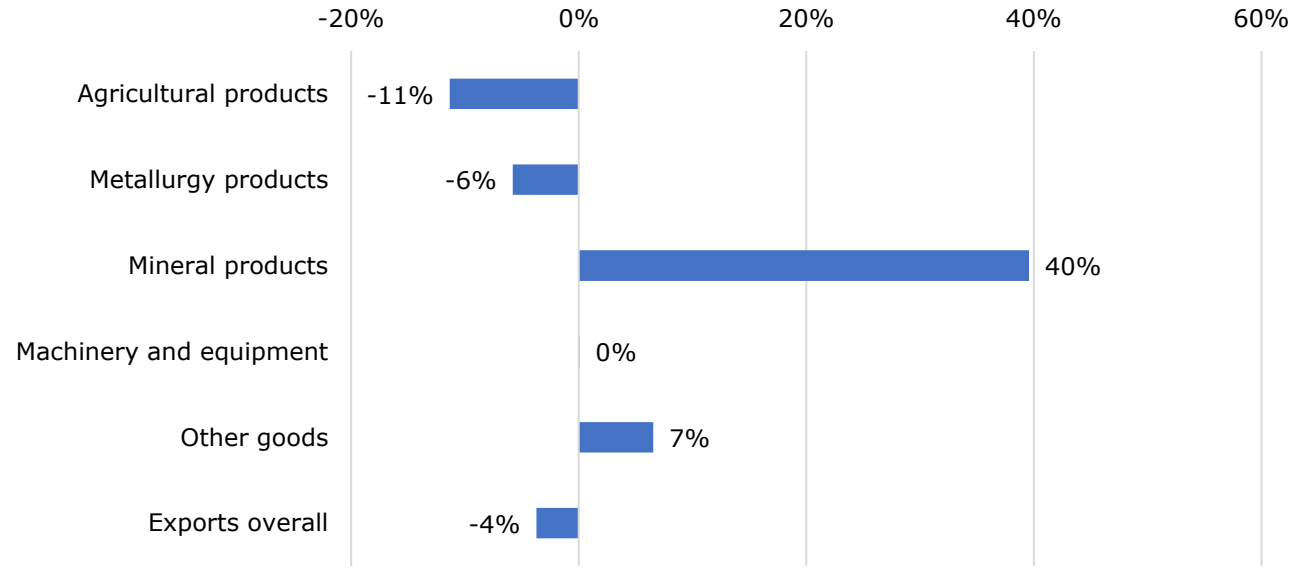
On October 12, the EU launched the Entry / Exit system System (EES) to track border crossings by foreigners, including Ukrainians. In Poland, the system was launched at only two checkpoints – Przemyśl (railway) and Medyka-Szegyny (car/pedestrian). On the first day, a sharp increase in queues was recorded, delays in train departures of up to 191 minutes, and at the Medyka-Szegyny checkpoint, the wait was over 10–16 hours. In the coming months, the system is expected to be gradually expanded to other checkpoints to stabilize flows.

In early October, road surface repair work began at the entrance and exit from Ukraine through the Rava-Ruska checkpoint, as well as at the Krakovets checkpoint. Both directions are key for freight transportation to Poland. Work on Rava-Ruska is scheduled for the end of October, and on Krakovets - until the end of November. Local delays are observed during peak hours, and carriers are recommended to plan alternative routes.

External trade: Moderate exports and high imports

Exports of goods in September increased slightly compared to August, with higher exports of all major commodity groups except agricultural goods. In annual terms, exports fell by 4% yoy to almost USD 3.2 bn. Exports of agricultural products fell by 11 % yoy to USD 1.32 bn. This reflected the absence of previous years' harvest stocks, unlike in 2024, lower oilseed and corn harvest rates, and slightly lower yields. Exports were also 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. However, as a result, exports of soybeans, rapeseed, and their processed products decreased slightly. Higher export prices and increased exports of other types of agricultural products other than grains, oilseeds, and their processed products, as in previous months, partially offset the decrease in physical export volumes.

Figure 3: Exports of goods by main groups in September, % yoy

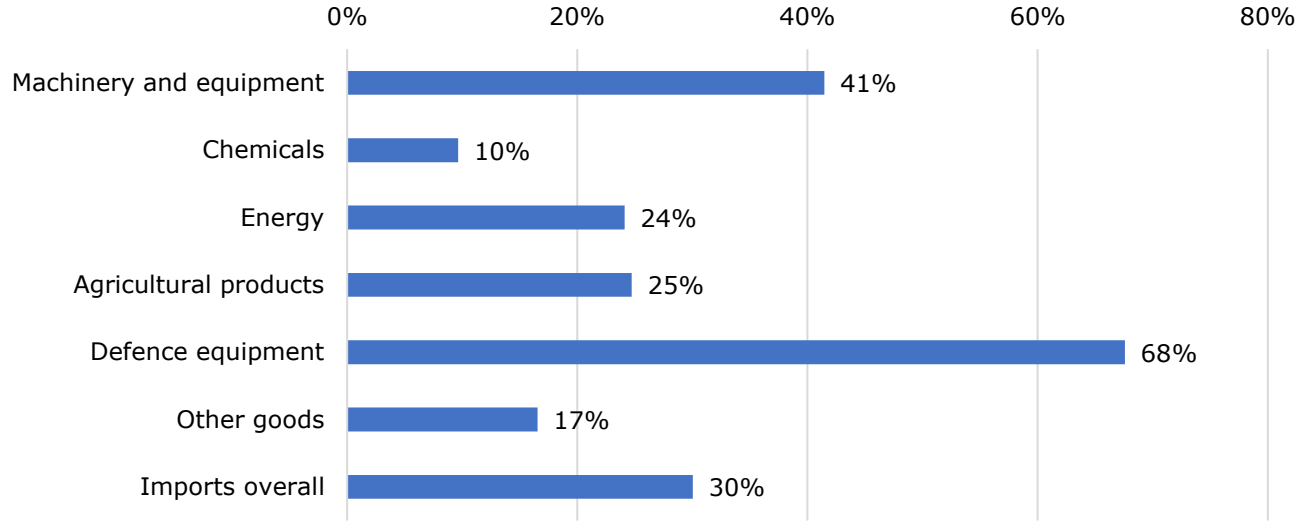


Source: Own calculations based on data from the State Customs Service

Exports of metallurgical products approached this year's peak, but fell 6% yoy from a high base last year to USD 422 m. The decline in exports reflected lower export prices amid global overproduction and a trade war between major producers. This was partially offset by an increase in physical export volumes in some items. Exports of machinery remained at the same level as last year. Wire exports recovered after a decline in August. Exports of mineral products grew 40% yoy from a low base to USD 272 m. Iron ore exports fell from previous months but it was higher than the low base of the previous year. Electricity exports were also the highest this year.

Imports of goods in September approached the July peak of USD 7.6 bn, up 30% yoy. Imports of machinery and equipment set new records, reaching nearly USD 3.2 bn, up 40% yoy. Imports of automobiles remained significantly higher than last year. Imports of energy equipment, defense equipment, and consumer goods continued to grow. Imports of energy carriers grew 24% yoy, driven by a significant increase in imports of petroleum products and a sharp increase in coal imports and gas clearance. Imports were held back by lower import prices than last year and lower imports of electricity. Imports of other goods also grew significantly, including imports of fertilizers.

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

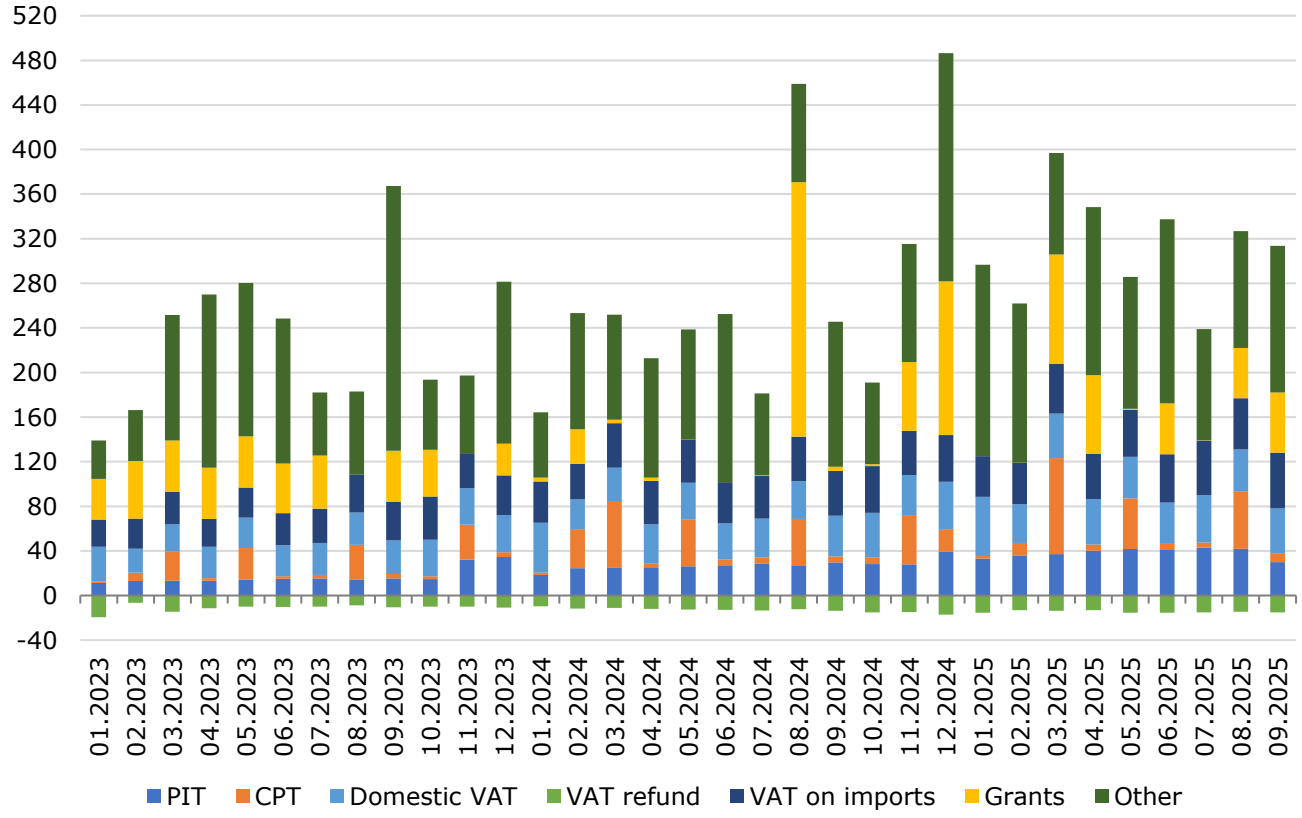


Source: Own calculations based on data from the State Customs Service

Fiscal Policy: Financing Needs for 2026 Remain High

According to preliminary data, the State Budget revenues in September amounted to UAH 298.5 bn against UAH 314 bn in August (for comparison: in July — UAH 227 bn, in June — UAH 325 bn, in May — UAH 274 bn). At the same time, the general fund revenues were at the level of UAH 208 bn, which is lower than the August figure of UAH 243 bn. The lack of quarterly payment of corporate profit tax (CPT) in September was compensated by a grant of UAH 53.9 bn (ERA) . At the same time, as for monthly revenues from CPT (outside the quarterly payment schedule) the revenues were high in the amount of UAH 8.1 bn, which may indicate higher advance tax payments. At the same time, this may slightly reduce revenues from the quarterly payment in November.

Figure 5: State Budget Revenues, UAH bn



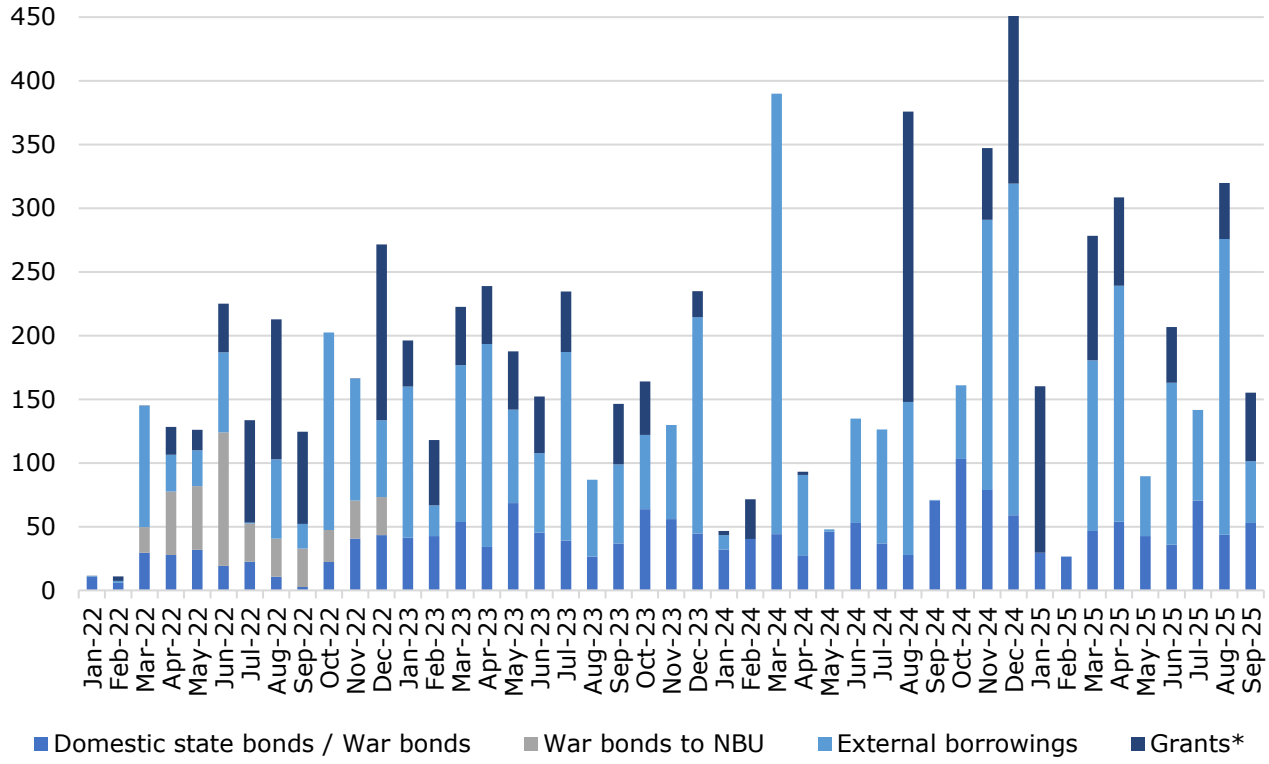
Note: September 2025 –personal income tax to the general fund of the State Budget.
Source: Ministry of Finance

Personal income tax revenues continued to grow significantly due to wage growth in the economy and an increase in the military levy rate to 5%. At the same time, for the first time since the beginning of the war, the plan for revenues from personal income tax revenue was under-executed. In particular, the monthly plans were revised due to an increase in the annual plan for revenues from this tax as part of the approved amendments to the State Budget. This reflected an over-execution of the previous plan, rather than changes to the legislation. Therefore, there is a risk that the updated plan may turn out to be too optimistic.

Growth in gross domestic VAT revenues further slowed to 9.9% yoy, but remained relatively high at UAH 40 bn. VAT refunds remained fairly stable at UAH 15 bn. VAT revenues from imports grew by 24.1% yoy to a record UAH 49.9 bn, but the plan was never met primarily due to a significantly lower hryvnia-dollar exchange rate than assumed.

The general fund expenditures of the state budget in the amount of UAH 320 bn were close to the previous ones. They continue to include military aid, which is reported in the special fund of the state budget. At the same time, as we expected, the government submitted to the parliament a new draft law on amendments to the State Budget to finance additional defense expenditures (UAH 325 bn), primarily military remuneration. The relevant expenditures are planned to be financed mainly by the ERA loan in the equivalent of EUR 6 bn: for this, the government held negotiations with the EU to obtain permission to allocate the corresponding amount for military needs - previously, financial support from the EU went to non-military needs.

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



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

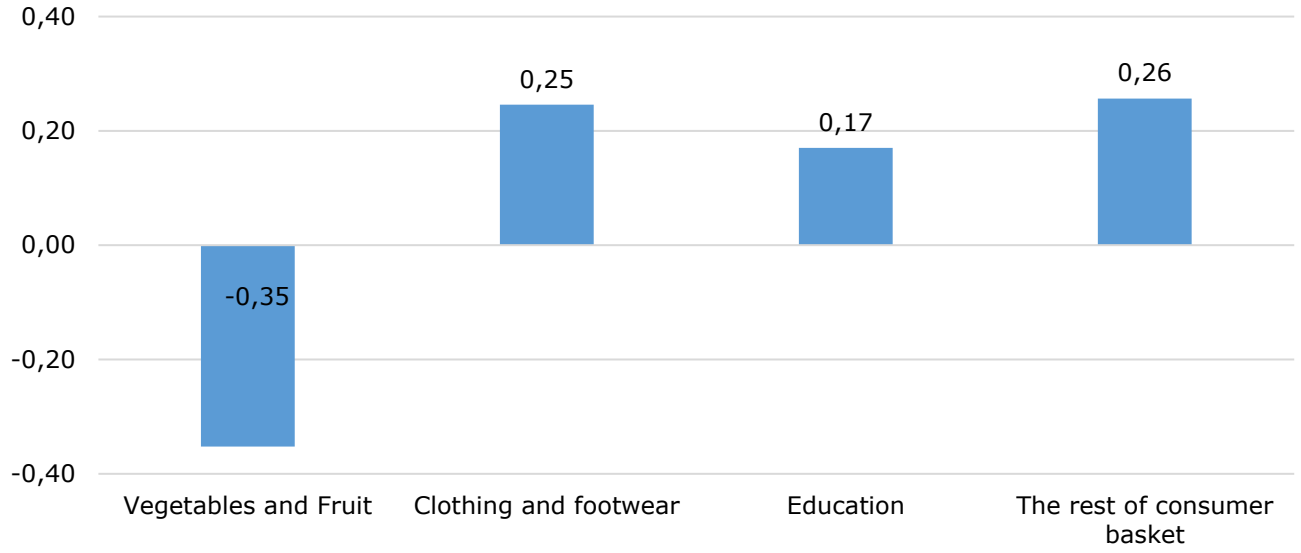
In September, Ukraine received EUR 1 bn loan from the EU under ERA mechanism. The placement of government bonds increased slightly to UAH 53 bn, but auctions for the placement of UAH 14.5 bn of them were held on the last day of the month with payment on October 1.

The budget process for 2026 is underway. Members of the Parliament submitted 3,339 amendments to the draft State Budget for the next year, most of which require additional funding. At the same time, the fiscal gap in 2026 and the need for financing are already high and have not yet been covered by the promised funding. At the same time, the buffer at the expense of the ERA will be smaller due to the use of a large part of the funds already in 2025. That is why the EU initiative on the Ukraine Reparations Loan, which will actually be provided from the funds of frozen russian assets, is extremely important for Ukraine. This will allow financing priority expenditures next year.

Inflation: Consumer inflation slowed to 11.9 % yoy

In September, consumer inflation slowed down again to 11.9% yoy from a peak of 15.9% yoy in May. The growth of prices for most components of the consumer basket also slowed down, although a significant contribution was made by unchanged electricity tariffs from June 2024 and a drop in vegetable prices by 16% yoy due to a good harvest this year. High competition also held back prices for household goods, appliances and cars. However, rising costs supported price growth for a significant part of the consumer basket.

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



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

The consumer price index in September increased by only 0.3% yoy after a seasonal decline in July and September. Seasonal increases in prices for education, clothing and footwear compensated for a further decrease in prices for vegetables and fruits. Prices for the rest of the consumer basket increased by approximately 0.3% yoy. This indicates rather moderate inflationary pressures for most of the consumer basket.

Exchange rate and monetary policy: The hryvnia exchange rate remained stable against the dollar

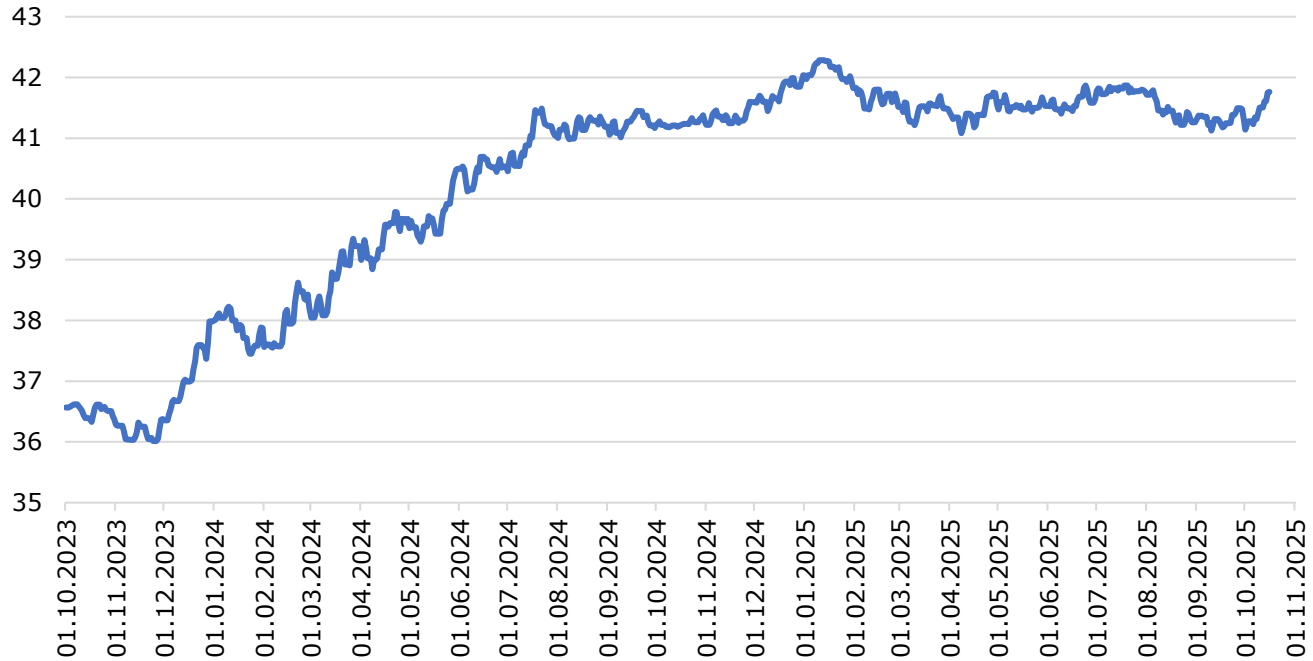
Exchange rate. The hryvnia remained stable against the US dollar in September and has been in the range of UAH 41-42 per dollar since February. Net demand for cash foreign currency continued to gradually increase. Net demand for foreign currency by legal entities remained stable with both demand and supply of currency increasing. NBU interventions for the four weeks ending October 12 amounted to USD 2.3 bn, which is below the average since the beginning of this year (USD 2.7 bn).

At the end of September, the NBU's international reserves increased to USD 46.5 bn compared to USD 46.0 bn in August. The increase was due to the rise in the price of reserve assets due to lower interest rates in the US. Aid received from donors amounted to USD 2.6 bn, while the NBU's intervention costs reached USD 2.3 bn, and the government spent USD 520 m on external debt service, IMF payments, and net payments on foreign currency government bonds. The NBU estimates that reserves cover 5.1 months of future imports, compared to 5.5 months at the beginning of the year, despite an increase of USD 2.7 bn, reflecting an increase in forecasted imports.

Monetary policy. As we wrote last month, at the monetary policy meeting in September, the NBU expectedly kept the discount rate unchanged at 15.5 %. The minutes of the meeting showed that the decision was supported unanimously and confirmed that the majority of the meeting participants view the dynamics of inflation with cautious optimism and expect the discount rate to decrease in accordance with the forecast in the July inflation report (14.5% per annum by the end of the year and 12.5% by the end of 2026). However, some participants instead emphasized high inflation risks

against the background of continued Russian aggression, which limits production growth in Ukraine and increases budget spending.

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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