INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING

# Monthly Economic Monitoring of Ukraine

No. 247, August 2025

***Executive Summary***

- IER estimates real GDP growth at 1.7% yoy in Q2 2025.
- In July, electricity exports grew by 16% mom – to 282 thousand MWh.
- Gas injection into UGS facilities was 1.69 bcm (+25% mom), reserves exceeded 10 bcm.
- On August 6, navigation through the Bystre channel resumed.
- In July, Ukrzaliznytsia transported 1,241 thousand tons of grain cargo, which is half of what was transported in July 2024.
- Imports approached a record high in July amid an increase in imports of cars, energy equipment, gas and imports for defense.
- Delay in the disbursement of EU funds and a possible new IMF program are among the new challenges in international cooperation.
- In July, year-on-year inflation slowed to 14.1% yoy, and monthly inflation was negative for the first time in two years.
- The NBU kept the key policy rate at 15.5% per annum, but worsened its forecasts for inflation and economic growth.

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## GDP and real sector: GDP Decline in July

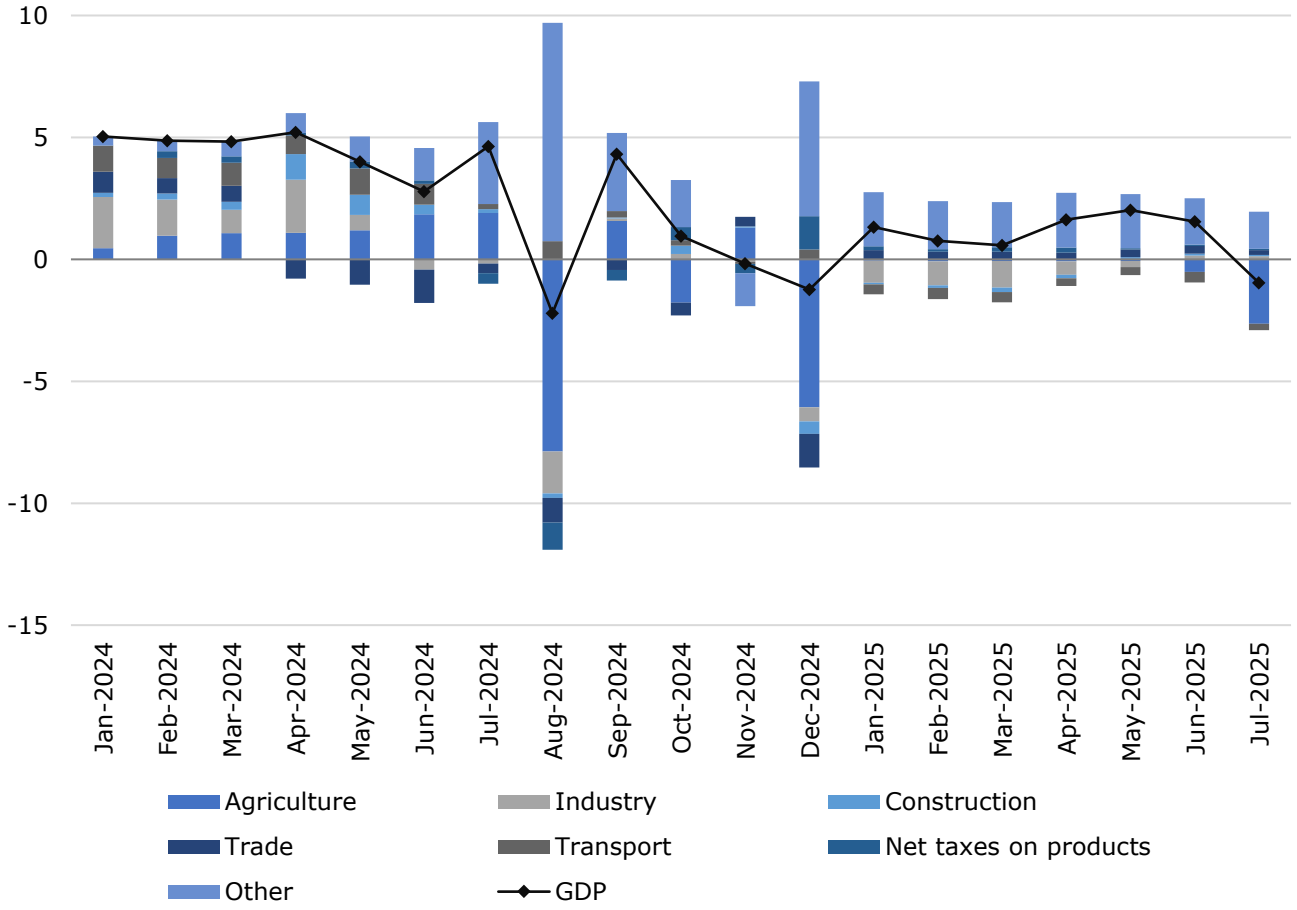
**Ukrstat data:** According to the Ukrstat, industrial production decreased by 1.6% yoy in May after a 6.4% yoy decline in April. The drop in extractive industries slowed from 17.5% yoy to 7.8% yoy, as crude oil and gas extraction somewhat recovered after earlier shelling. At the same time, coal mining continued to fall due to the temporary occupation of several mines in the second half of 2024. In contrast, the extraction of construction materials increased in May thanks to the growth in construction.

Manufacturing grew by 0.8% yoy after a 4.5% yoy drop in April. Due to a shortage of sunflower seeds, oil production continued to fall. Clothing and footwear production increased, likely driven by higher military demand. Metallurgy continued to grow thanks to strong demand and the ability to export products both by rail and sea. Machinery production remained at last year's level, although the output of military equipment likely increased.

Electricity generation and the supply of gas and steam were almost at last year's level.

Overall, IER estimates real GDP growth at 1.7% yoy in Q2 2025 (after the Ukrstat's preliminary estimate of 0.9% yoy growth in Q1 2025).

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




*Source: IER estimates*

**IER estimates:** According to IER estimates, real gross value added (GVA) in agriculture in July fell by 26% yoy, reflecting a decline in harvest volumes and yields compared with July 2024.

We estimate that real GVA growth in manufacturing accelerated to 1.4% yoy in July from a revised 1.0% yoy in June. Manufacturing was supported by stronger domestic demand and defense orders.

Real GVA in mining fell by 10% yoy due to losses in the coal industry, while gas production improved thanks to restoration efforts. The extraction of construction materials also continued to recover.

Trade growth rates remained close to the June level - estimated at 2.6% yoy in July.

Real GVA in transport declined by almost 9% yoy in July due to a drop in rail freight volumes and the absence of Russian gas transit to the EU. "Ukrzaliznytsia" transported less grain, as inventories accumulated in 2021–2022 were depleted.

Overall, according to IER estimates, real GDP fell by 1% yoy in July after growing by 1.5% yoy in June. Therefore, based on current GDP growth estimates, IER and GET have downgraded their 2025 forecast to 2.0% yoy, while expecting growth of 2.8% in 2026.

## Energy: Natural gas reserves lowest in 12 years

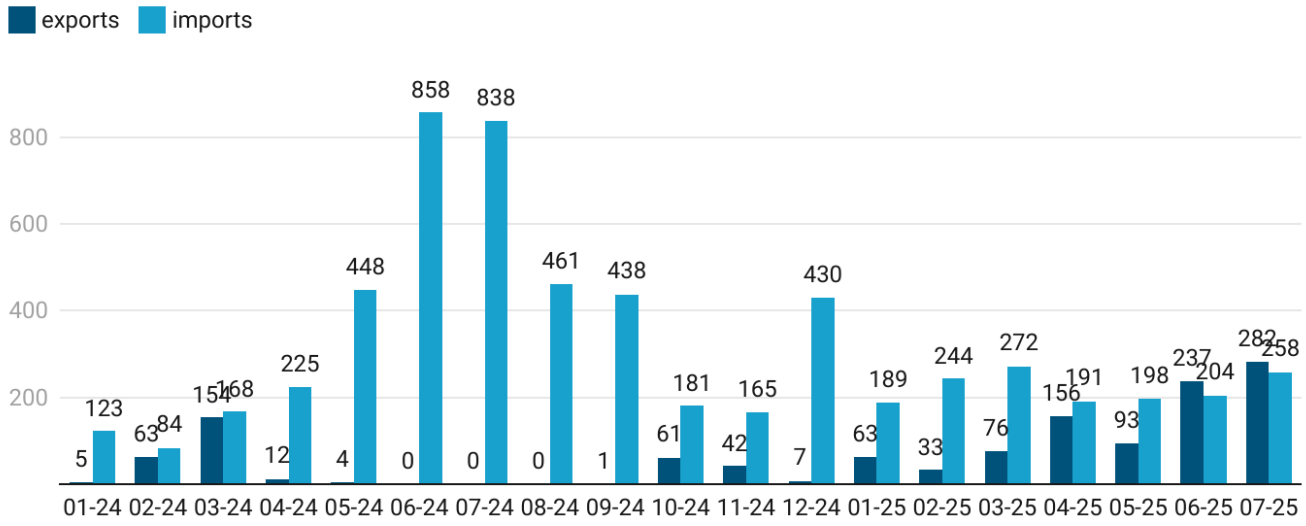
***Electricity.*** In July, Ukraine increased electricity exports by 16% mom to 282.2 thousand MWh. Over 115 thousand MWh of electricity was exported to Moldova in July, representing 41% of the total volume. Electricity imports in July grew by 24.7% mom to 257.7 thousand MWh. Hungary continues to hold the largest share in the import structure at almost 41%.

It is expected that an average of 6.5 out of nine Energoatom power units will operate in August, according to the planned maintenance campaign at nuclear power plants. Three power units are planned to be brought back from maintenance during August, while two will be shut down for repairs. The appearance of an additional 1 GW of capacity relative to July's production mode is expected from August 12 to 16. According to experts, gas-fired thermal power plants are operating with minimal equipment to save gas.

NERC approved the rules for monthly allocation of cross-border interconnections with Slovakia, Hungary, and Romania. The transmission system operators of Ukraine, Slovakia, Hungary, and Romania agreed to implement medium-term (monthly) joint coordinated allocation of cross-border network capacity at Ukrainian borders based on the Joint Allocation Office (JAO) electronic auction platform. This opens access to electricity trading with Slovakia, Hungary, and Romania under new, more favorable conditions for Ukraine. Long-term auctions for cross-border interconnection capacity allocation are expected to be announced in December.

Ukraine launched a digital Registry of Renewable Energy Objects (RES Registry), created for NERC on the Diia.Engine platform. This is a digital database of companies and their facilities that produce electricity from renewable sources: solar, wind, biomass, etc. The RES Registry contains complete information about company licenses and their power plants, and also includes active consumers - enterprises that have their own generation and partially or fully supply themselves with electricity from alternative sources. This is the foundation for issuing "guarantees of origin" - documents that confirm electricity is produced from clean sources and can be sold as "green." The digital registry is part of implementing European requirements in the energy sector.

***Figure 2: Electricity exports and imports in 2024-2025, thousand MWh***




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

***Gas.*** Natural gas reserves in Ukrainian underground gas storage facilities (UGS) exceeded 10 bn m³ (bcm) on August 5, with storage facilities 32.3% full. These are the lowest gas reserves in the last 12 years. In July, 1.69 bcm of natural gas was injected into Ukrainian UGS facilities, 1.9 times more than the previous year. Higher volumes of gas injection into underground storage are primarily related to active natural gas imports. Thus, in July, import volumes (referring to gas supplies to Ukrainian storage facilities mainly under customs warehouse regime without customs clearance) grew to 833 m m³, the highest level in almost two years. To accumulate 13.2 bcm of gas in storage by November 1, Ukraine needs to inject approximately 3.2 bcm in August-October.

The most gas in July was imported from Hungary – 300 m m³ or 36% of all imports. Natural gas also came from Slovakia (32.2%), Poland (31.2%), and the Trans-Balkan direction (0.6%). Most of the gas from the Trans-Balkan direction came from Greece via the new joint capacity booking route (Route 1), which was used by private companies.

On the night of July 22, Russia again massively attacked Naftogaz's gas infrastructure, causing destruction. Russia has already carried out more than 10 massive attacks on Ukraine's gas facilities, damaging up to 40% of the infrastructure. Naftogaz reported that due to Russian attacks on gas infrastructure and, as a consequence, reduced production, Ukraine will significantly increase gas imports in 2025. However, the pace of gas injection into storage after the Russian attack has practically not changed, and commercial gas flows to Ukraine in the first decade of August even fell somewhat compared to the July average. Additionally, Russian drones destroyed the "Zhuravlyna" gas facility near the village of Mar'ine (Kharkiv region) of the company "ESKO-PIVNICH". The company is part of DILORETIO HOLDINGS and provides over 20% of gas production in Ukraine.

On July 28, Naftogaz signed its first agreement to purchase Azerbaijani gas with "SOCAR Group" company – "SOCAR Energy Ukraine". Also, for the first time, a test gas delivery is being carried out via the Trans-Balkan corridor along the route Bulgaria – Romania – Ukrainian border. And on August 6, Russia struck the Orlivka gas distribution station, through which American LNG and Azerbaijani gas supplies pass. The compressor station is part of the route connecting Greek LNG terminals with Ukrainian gas storage facilities. Azerbaijani President Ilham Aliyev stated on August 10 that Russia is deliberately attacking the country's energy facilities located on Ukrainian territory.

***Coal.*** In July, DTEK Energo miners launched two new coal faces. In total, since the beginning of the year, the company has put nine such faces into operation, which is less than last year. For comparison, in January-April 2024, DTEK put eight new faces into operation, and planned to introduce 25 for the entire 2024. Since the beginning of 2025, DTEK has invested over UAH 2.9 bn in mine development. This money is spent on equipment, capital works, mine transport, and maintaining production capacity.

***Oil.*** On the night of August 8, Russia deliberately attacked an Azerbaijani SOCAR oil depot in the Odesa region. This is already the second attack on Azerbaijani infrastructure in recent days - on August 6, the gas network was attacked.

## Transport: Railway freight fell by a third

***Sea transport.*** In the first half (January-June) of 2025, Ukraine's seaports handled containers totaling 96,298 TEU. Of these: exports - 48,716 TEU, imports - 44,495 TEU, transit - 3,087 TEU. In 2024, container throughput at Ukraine's seaports was approximately 130,000 TEU. In July, the port of Chornomorsk received a liner container ship for the first time since the beginning of the war, meaning regular route ship calls have resumed. On July 16, Chornomorsk Maritime Trading Port set a record for handling loaded containers in a single ship call - 470 containers.

Navigation through the Bystre channel was temporarily closed from July 23 to August 6 after an explosion of a dredger near Vylkove, during which three people died. During this period, ships were forced to use the Sulina channel. Facing higher costs for passage through Sulina, many shipowners increased freight rates for transportation from the Danube. Since August 6, passage through the Bystre channel has been permitted for ships with a draft of up to 4.5 meters.

***Rail transport.*** According to operational data, in July Ukrzaliznytsia transported 1,241 thousand tons of grain cargo, which is half of what was transported in July 2024. In export traffic (to ports and western border), Ukrzaliznytsia transported 1.1 mn t of grain in July and 14.3 mn t in January-July, with a 32% yoy decline over 7 months.

In the first half of 2025, Ukrzaliznytsia transported 79.6 mn t of cargo, a decline of 11.8% yoy. Coal and grain transportation volumes fell the most. Meanwhile, cement and construction materials transportation volumes grew slightly. Exports decreased by 13.5% yoy, domestic transportation decreased by 11.7% yoy, imports increased by 5.4% yoy.

***Road transport.*** Heavy vehicles are temporarily allowed, until September 10, 2025, to travel on highways in Mykolaiv and Odesa regions during curfew hours amid prolonged hot weather, except in cases of real threat to human life and safety, or to public or state interests. To carry out round-the-clock (nighttime) cargo transportation through Odesa region territory, it is necessary to obtain the appropriate permit in advance.

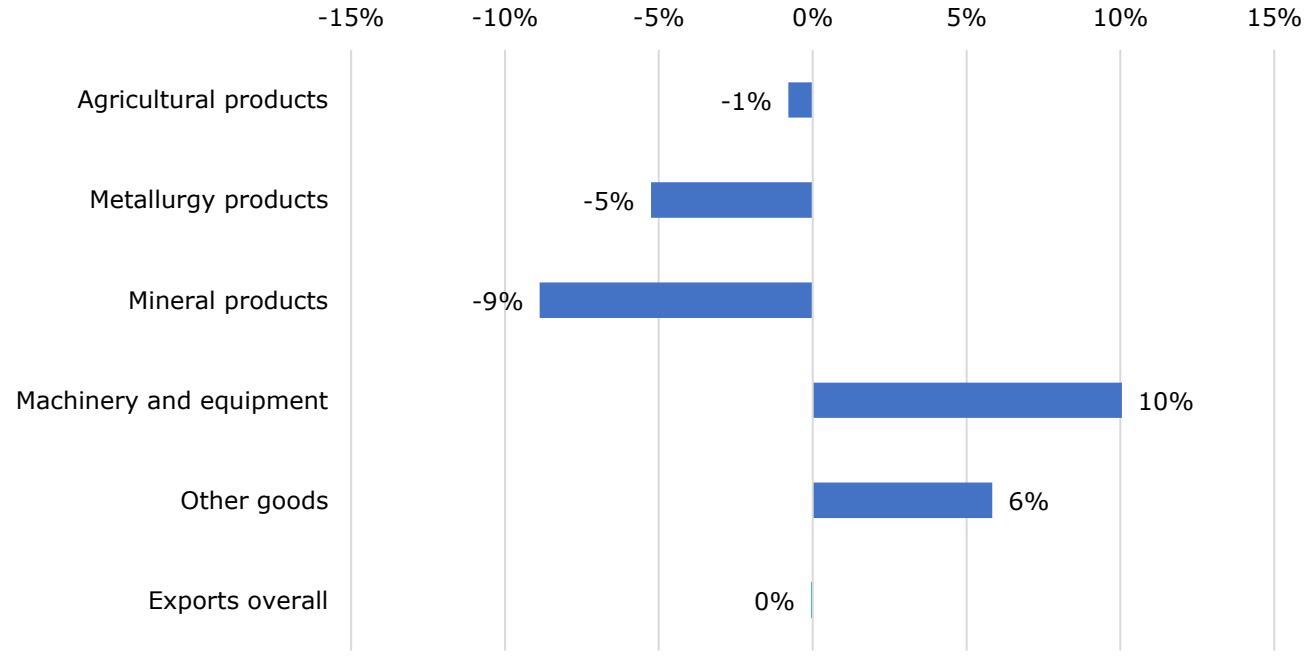
The Ministry of Development updated the rules for using the eCherha (eQueue) system for trucks. Priority arrival at checkpoints was given to trucks carrying perishable goods, those transporting goods from enterprises with "Authorized Economic Operator" (AEO) status, or those having a transit declaration (T1) or TIR carnet. The ratio of priority cargo to other types of cargo will be calculated according to the approved rule, namely – 1 AEO/T1/TIR truck with perishable cargo : 1 truck with perishable cargo : 1 AEO/T1/TIR truck : 5 trucks without priority. Also provided is out-of-turn arrival at checkpoints for vehicles of Ukraine's Security and Defense Forces traveling on official business. Additionally, the number of queue extensions and cancellations is limited: the queue extension function can be used once every two months (60 days) for each carrier's cargo vehicle. Entry to the checkpoint can be postponed once for 4, 6, 8, or 10 hours.

Ukraine and Moldova agreed to extend the Agreement on liberalization of freight transportation between the countries until the end of 2027. Thanks to the extension of transportation liberalization, Ukrainian and Moldovan carriers can continue to perform bilateral and transit transportation by road without special permits.

## External trade: Sharp increase in imports in July

Exports of goods in July increased slightly compared to June due to the export of agricultural products from the new crop. However, in annual terms, exports remained at the level of the previous year and amounted to almost USD 3.3 bn. USA. Agricultural exports fell by only 1% yoy to USD 1.56 bn due to higher export prices and expansion of the export nomenclature. For example, the physical export volumes of wheat fell by 53% yoy, rapeseed by 49% yoy and corn by 60% yoy due to the depletion of harvest stocks of previous years and a lower harvest this year, but sunflower oil exports unexpectedly increased by 6% yoy. At the same time, export prices for these products increased by 15-35% yoy.

***Figure 3: Change in merchandise exports by main groups in July, % yoy***

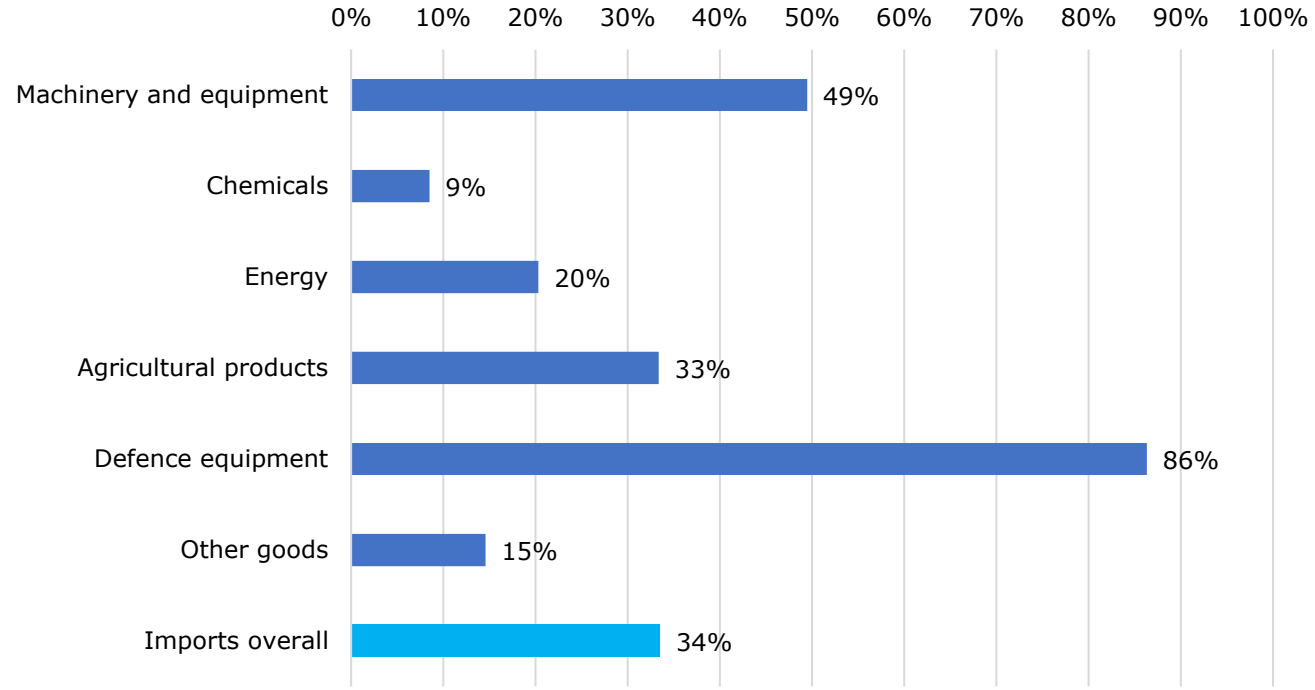



*Source: Own calculations based on Ukrstat data*

Exports of metallurgical products fell slightly again in July compared to previous months, in particular since exports of semi-finished steel products increased at the expense to more processed products. Compared to the previous year, metallurgical exports fell by 5% yoy to USD 380 m. The growth rate of exports of machinery slowed down to 10% yoy due to a high base of comparison. Exports of mineral products increased slightly compared to previous months, but fell by 9% yoy to USD 253 m. Iron ore exports volume increased, but export prices were significantly lower than a year ago.

Imports of goods in July approached the all-time high of December 2021 (USD 7.69 bn) and amounted to USD 7.63 bn. Imports of machinery and equipment updated the historical maximum in dollar terms and amounted to USD 3.11 bn. It increased by 49% yoy, including due to the persistence of large-scale imports of energy equipment, growth in imports of cars and equipment. In particular, imports of passenger cars increased by 99% in dollar terms. Energy imports increased by 20% yoy due to a sharp increase in customs clearance of imported gas and coal. This more than offset lower import prices for petroleum products and lower electricity imports. Imports of other goods also increased significantly, including food imports.

***Figure 4: Change in goods imports by main groups in July, % yoy***




*Source: Own calculations based on Ukrstat data*

## Fiscal policy: Delay in EU Tranche and Possible New IMF Program

According to preliminary data, State Budget revenues in July amounted to UAH 227 bn, significantly lower than in previous months (UAH 274 bn in May and UAH 325 bn in June). While special fund revenues - primarily reflecting in-kind military aid - remained unchanged, general fund revenues fell to UAH 163 bn (UAH 241 bn in June and UAH 205 bn in May).

Preliminary data indicate that Ukraine did not receive any grants in July that are recorded as budget revenues, whereas such grants were received in previous months. However, separate reports suggest that a grant from the World Bank was provided. Therefore, we are awaiting updated budget execution figures.

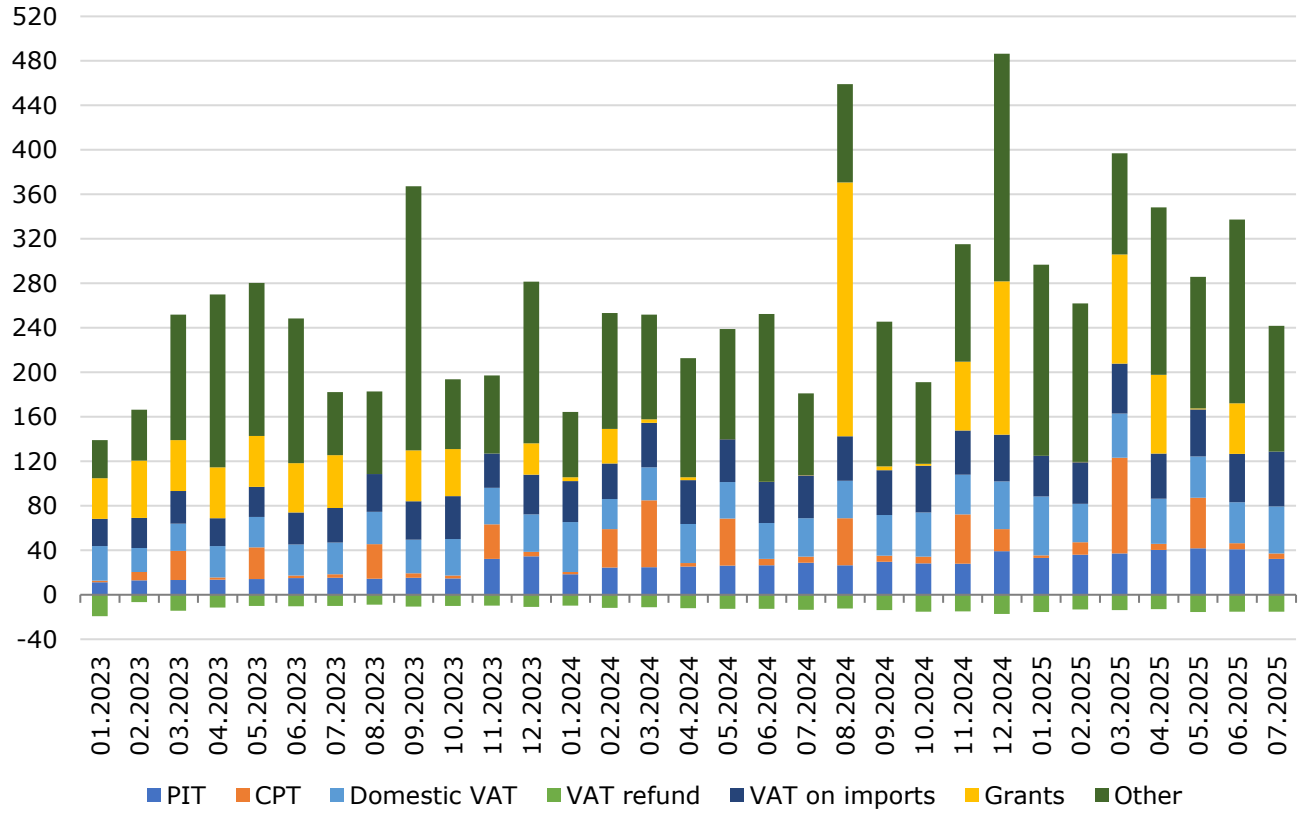
Corporate profit tax revenues amounted to UAH 4.8 bn, slightly lower than in June. Quarterly tax payments are due in August and are expected to be somewhat higher than the May figure. Personal income tax revenues continued to grow rapidly due to higher wages and the increase in the military levy rate.

VAT revenues grew markedly in July. Gross domestic VAT revenues rose by 21.6% yoy to UAH 42.3 bn, driven by increased consumption in June. VAT refunds remained at UAH 15.3 bn. Import VAT

revenues surged by 28% yoy to a record UAH 49 bn, reflecting higher imports (in UAH equivalent) and possibly improved tax collection efficiency.

Financing in July was lower than expected as the tranche from the EU under Ukraine Facility did not arrive. This was partly due to the adoption of a law curtailing the independence of two key anti-corruption bodies - NABU and SAPO. However, within a week, at the President's initiative, an opposite law was passed under pressure from street protests in Ukraine and negative reactions from international partners. The funds are now expected in August. Importantly, Ukraine will in any case receive a smaller-than-planned tranche - EUR 3.1 bn instead of EUR 4.5 bn - because it failed to meet three indicators before submitting the June report (two of these indicators are still unmet). For Q2 results, four indicators were not fulfilled, and therefore the government has not yet submitted the report to the European Commission. As a result, the third tranche this year will also be delayed. For now, the situation is partly offset by receipts from the EU under the ERA, which amounted to EUR 1.0 bn in July.

***Figure 5: State Budget revenues, UAH bn***




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

To adjust the timeline for meeting the indicators of Ukraine Plan - conditions for receiving EU funding under Ukraine Facility - the government initiated a revision of certain indicators and postponed the deadlines for some of them. A considerable number of indicators were rescheduled. The draft law on railway transport will essentially be split into two with different implementation periods: one covering railway traffic safety, and the other concerning the unbundling of the company. These proposals still need approval from the European Commission and the EU Council, which can be expected to act swiftly, as the changes were pre-agreed with the European Commission.

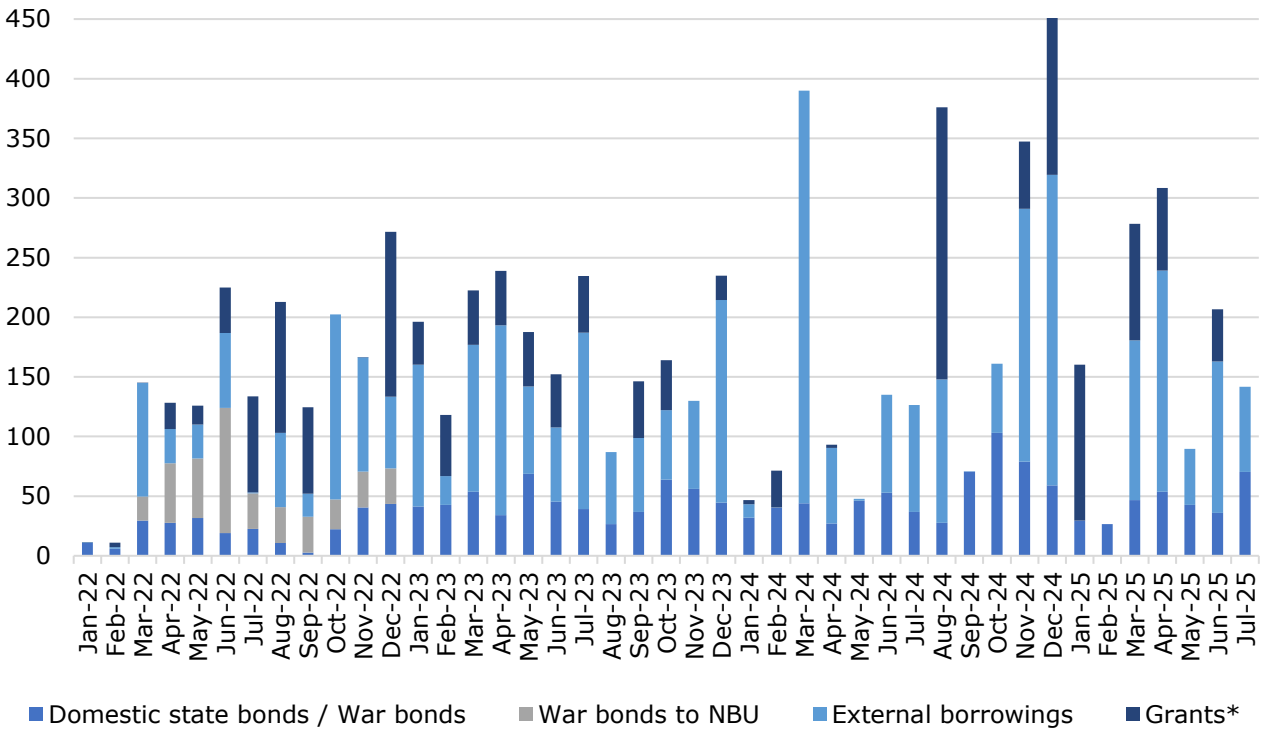
In July, the government also received USD 0.5 bn from the IMF following the eighth review of the Program, during which four new benchmarks were added. One benchmark relates to steps for implementing the public investment management reform, while the other three focus on reforming the financial market to attract private capital. Deadlines for four benchmarks were extended. The ninth and tenth program reviews were merged; therefore, the next review will take place in December 2025. This timing is important, as the IMF typically waits for the submission and adoption of the draft State Budget for the following year before concluding a program review, which coincides with the budget process. The international financing and macroeconomic forecast in the program

currently appear unrealistic, given the substantial need to finance the defense budget, which remains high amid the ongoing war. This is prompting the government and the IMF to start discussions on a possible new program.

Meanwhile, parliament amended the State Budget Law for 2025, increasing defense and security spending by UAH 412 bn. Of this, UAH 65 bn will come from savings on public debt servicing, and UAH 11 bn from cuts to other expenditures. Above-plan revenues from PIT and CPT are expected by the government to bring in UAH 147.5 bn, but unrealistically high targets remain for several other taxes, including import VAT. Additional net domestic government bond (OVDP) issuance is planned at UAH 184.9 bn.

After relatively moderate domestic borrowing in previous months, OVDP issuance rose in July to UAH 70 bn, likely linked to the Ministry of Finance's need to secure additional funding.

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

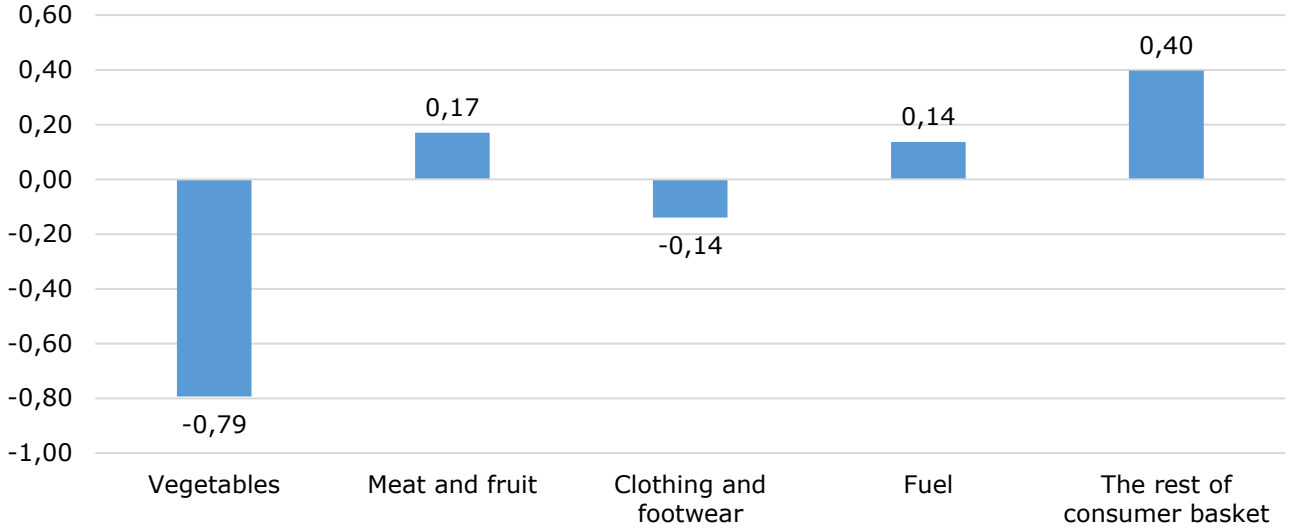



Note: * grants are part of budget revenues, which are accounted for under code 42000000 "Official transfers from the EU, foreign governments, international organizations, donor institutions"
External assistance from ERA is included in grants if it comes from the USA through the World Bank account, and in loans if it comes from other partners.
*Source: Ministry of Finance*

## Inflation: Consumer inflation slowed to 14.1% yoy

In July, consumer inflation slowed slightly to 14.1% yoy after a more pronounced slowdown in June. However, inflation remained high in annual terms and price growth for most goods and services in the consumer basket continued to exceed 10% due to rising costs for manufacturers and trade enterprises, higher export prices and low harvests. Exceptions included prices regulated by the government as well as clothing, footwear, household items and appliances, for which high competition with limited demand contained prices.

***Figure 7: Contributions to monthly price growth in July, p.p.***




*Source: Own calculations based on Ukrstat data*

The consumer price index fell by 0.2% yoy in July, the lowest value in the last two years. However, in normal years, monthly inflation is often negative in July and August due to the collapse in the price of vegetables of the new crop, as happened this year. In July, meat and fruit prices continued to rise, but at a much slower pace, than in the previous three months. Also, against the background of seasonal growth in demand, fuel prices increased. At the same time, there was a seasonal decrease in prices for clothing and footwear. Prices for the rest (about 75%) of the consumer basket increased by approximately 0.5% yoy. This indicates moderate inflationary pressures for much of the consumer basket.

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

***Exchange rate.*** The hryvnia remained stable against the US dollar and since the beginning of May the exchange rate has fluctuated in a rather narrow range of 41.4-41.9 UAH per USD. Net demand for cash foreign currency decreased slightly and remained quite moderate. However, the net demand for foreign currency for external trade increased and, as a result, the interventions of the NBU for the four weeks ended August 10, reached USD 3.2 bn, which is significantly higher than the average this year.

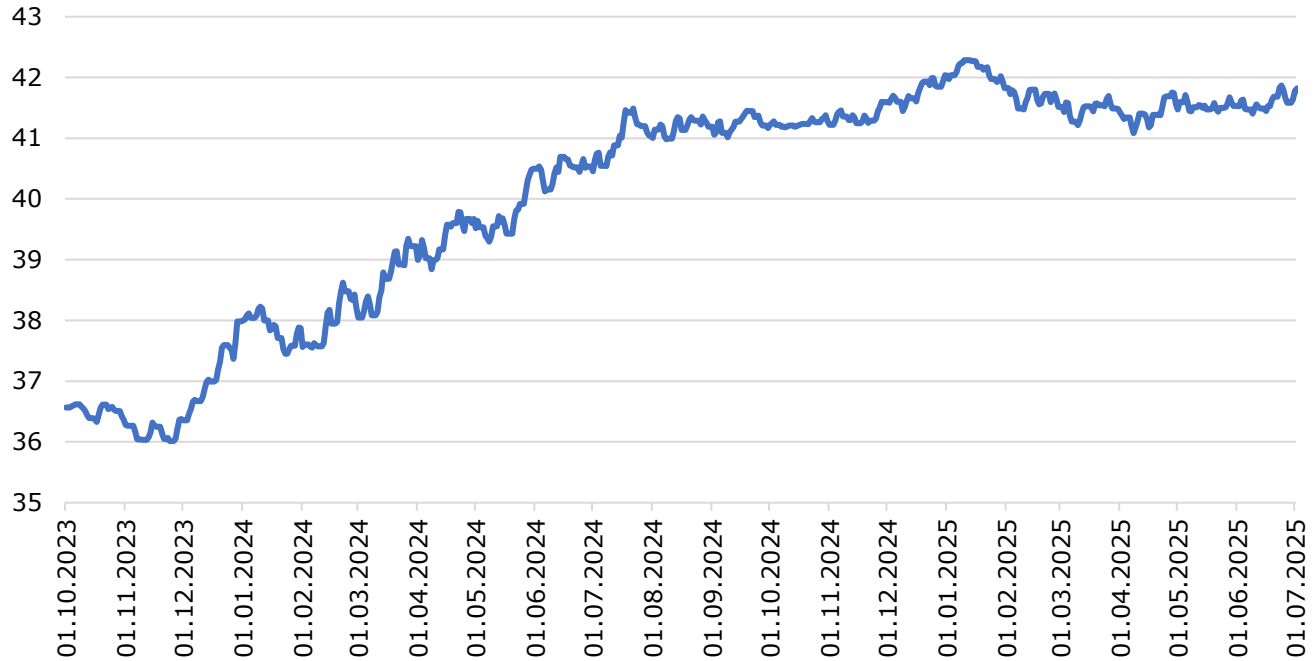
At the end of July, the NBU's international reserves decreased to USD 43.0 bn compared to USD 45.1 bn in June. In July, Ukraine received only EUR 1 bn from the EU under the ERA initiative and another tranche from the IMF for a total of USD 1.7 bn. At the same time, the Government spent USD 382 m on net repayment of foreign currency government bonds and payments on external debt. The NBU's interventions in July increased to USD 3.46 bn. The volume of reserves was also affected by changes in the value of the assets they consist of. According to the NBU's estimates, the reserves cover 4.7 months of future imports. This estimate decreased against the background of an increase in forecast imports.

***Monetary policy.*** At the monetary policy meeting, the NBU expectedly and again unanimously kept the key policy rate unchanged at 15.5% and did not change its plans to keep the rate at this level until inflation declines steadily. However, the participants of the meeting noted high inflation risks and the fact that inflation may remain high longer than previously expected. In particular, the low harvest this year and the weakening of the hryvnia against the euro were mentioned. The NBU expects the policy rate to remain at this level longer than previously forecasted and did not rule out a rate hike if the increase in inflation risks outweighs the risks of a rate hike for economic growth, which is already quite weak this year.

The NBU lowered its GDP growth forecast to 2.1% this year and 2.3% next year from 3.1% and 3.7%. The updated forecast is close to the latest estimates of the IER and reflects weak growth in the first half of 2025 and limited potential for faster growth in the context of Russian aggression and the difficult geopolitical situation. The inflation forecast was raised to 9.7% yoy in December

2025 and 6.6% yoy in December 2026. It is also close to the IER estimates and reflects the high inflation risks we noted above.

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




*Note: Note that the exchange rate values in the figure start from 36 UAH per USD.*
*Source: NBU*

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