INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING

Monthly Economic Monitoring of Ukraine

No. 246, July 2025

Executive Summary

- According to IER estimates, real GDP grew by 1.6% yoy in the second quarter of 2025. Therefore, real GDP growth rates in 2025 will be closer to 2%.
- In June, electricity exports increased 2.5 times mom – to 237 thousand MWh.
- Gas injection into underground storage facilities amounted to 1.35 bn m³ (+23% month-over-month), reserves reached 8.16 bn m³, the lag behind last year decreased to 18.5%.
- The volume of transportation through the maritime corridor reached 130 m t, of which 81 m t was agricultural products.
- In the first half of the year, transportation of grain by rail declined by 32% yoy to 14.7 m t.
- Grain exports dropped sharply due to depletion of previous years' harvest reserves. At the same time, imports surged.
- The fiscal gap remains uncovered in 2026, while Ukraine is already falling short on its commitments to international partners.
- In June, annual inflation slowed for the first time in 12 months but remained high. It equalled 14.3% yoy.
- At the end of June, NBU international reserves amounted to USD 45.1 bn compared to USD 44.5 bn in May.

Authors: Oleksandra Betliy, Iryna Kosse, Vitaliy Kravchuk

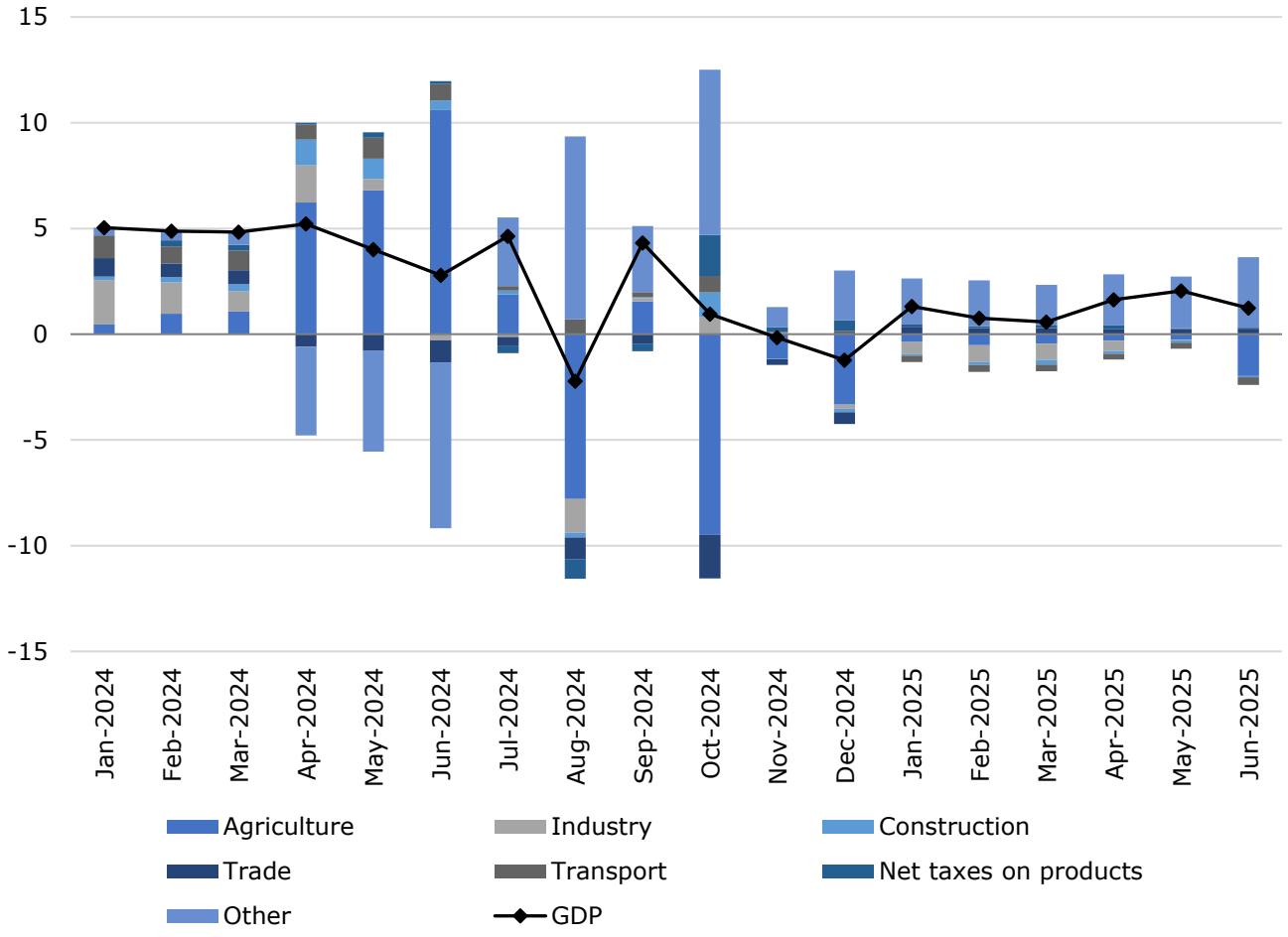
GDP and real sector: Slow real GDP growth in the first half

Q1 2025. According to Ukrstat, real GDP in Q1 2025 grew by 0.9% yoy, which is close to our estimate of 0.7% yoy. On the production side, real gross value added (GVA) fell in many key areas of economic activity. Real GVA declined in agriculture by 4.3% yoy due to falling meat and milk production (Q1 indicators reflect only livestock farming).

Due to occupation by russian army, Ukraine lost several coal mines in the eastern part of the country, while gas extraction was affected by russian drone and missile strikes. As a result, real GVA in extractive industries fell by 15.1% yoy in Q1'2025. Shelling, logistical problems, and labor shortages caused real GVA in manufacturing to fall by 1.5% yoy. Shelling also explains the decline in real GVA in electricity, gas and steam supply by 6.1% yoy. Lower government expenditures on fortifications and reduced residential construction spending led to a decrease in real GVA in construction by 10.2% yoy. Real GVA in transport declined by 10.5% yoy due to the halt of gas transit from russia to the EU, as well as lower grain transportation by "Ukrzaliznytsia". The latter is related to the depletion of grain stocks accumulated back in 2021-2022. Meanwhile, real GVA in trade grew by 3.3% yoy primarily due to increased retail trade against the background of stable household incomes. Economic growth was also supported by government spending on public administration and defense and growth in a number of service sectors.

On the demand side, real final consumption of households grew by 1.6% yoy, as rapid growth in wage income was offset by lower growth in pension and social benefit income in real terms. Savings also increased due to consumption restrictions during wartime. Real consumption of the general government sector increased by 6.6% yoy. Gross fixed capital formation grew by 37.7% yoy, most likely reflecting weapons purchases with budget funds, as well as military aid receipts reflected in the budget through the special fund. At the same time, it appears that, as before, not all of this aid is fully accounted for in import indicators: imports of goods and services grew by 8.7% yoy in real terms. The suspension of gas transit and decline in physical volumes of agricultural exports are among the likely reasons for the fall in exports of goods and services by 17.8% yoy in real terms.

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



Source: IER estimates

We incorporated the Q1 indicators published by the Ukrstat to update our estimate of real GDP growth in Q2, when according to IER estimates real GDP grew by 1.6% yoy. Therefore, real GDP growth rates in 2025 will be closer to 2%, not 3% as expected earlier.

June 2025. According to IER estimates, real GDP in June grew by 1.2% yoy after growth of 1.6% yoy and 2.1% yoy in April and May respectively. The decline in real GVA in agriculture, which in June already reflects crop production, accelerated to 19% yoy, as the harvest of winter crops began later than last year. The pace of decline in real GVA in extractive industries by our estimate slowed to 14% yoy in June, while real GVA in manufacturing grew by 2.2% yoy. Electricity production accelerated growth rates to 11% yoy from a low statistical base last year, when Russian strikes damaged half of Ukrainian electricity generation within a few months. The pace of decline in construction by estimate slowed compared to Q1. Growth rates in trade and decline in transport remained close to Q1 indicators.

Overall, in the first half of the year, real GDP is estimated to have grown by nearly 1.3% yoy. This implies that the IER will revise its real GDP growth forecast for 2025 downward.

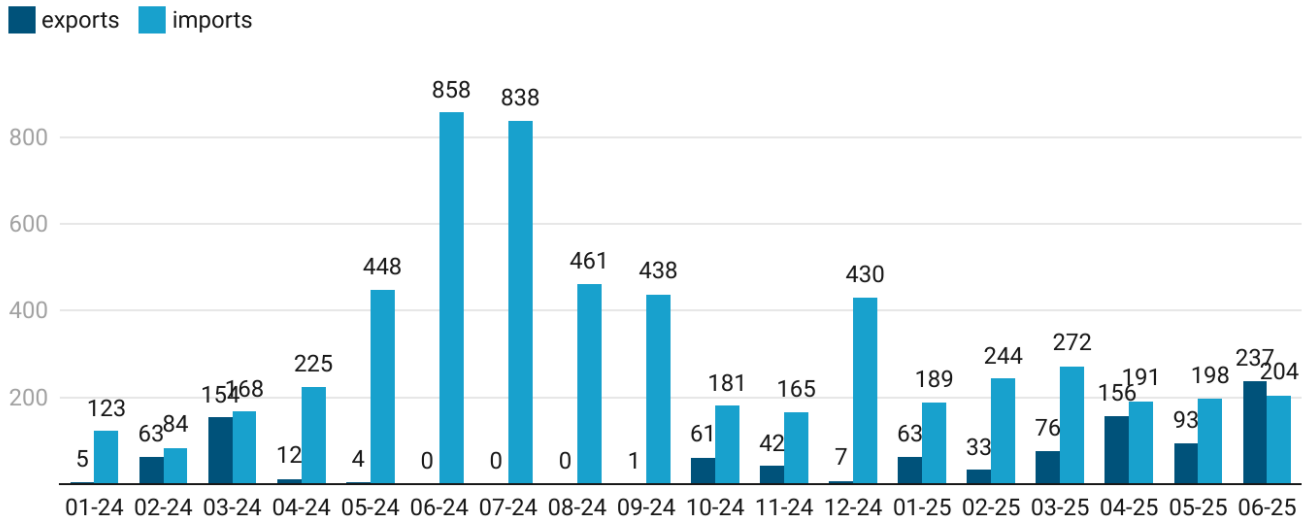
Energy: In June electricity exports exceeded imports

Electricity. In June Ukraine increased electricity exports by 2.5 times mom – to over 237 thousand MWh. Exports to Hungary grew the most – from 34 to 122 thousand MWh. Electricity imports rose by 5% mom – to 203.8 thousand MWh. Supplies increased from Hungary and Slovakia, while other directions (Poland, Romania, Moldova) decreased.

Maximum electricity export capacity from Ukraine and Moldova to EU countries increased to 900 MW from 650 MW. The new limit is valid until August 1, as maximum export capacity will be reviewed monthly going forward.

The government approved the State Target Economic Program for Building Thermal Modernization Support until 2030. The program's goal is to reduce energy consumption in the housing stock by at least 30%. The Program indicates that over 80% of residential buildings in Ukraine lack proper insulation, and the average energy consumption level is 2-3 times higher than in EU countries.

Figure 2: Export and import of electricity 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. Ukraine injected 1.35 bn m³ (bcm) of natural gas into underground gas storage facilities (UGS) during June. Gas injection volumes increased by 1.8 times yoy and by 23% mom. Most of the injected gas was from domestic production resources. This amounts to 810 mn m³ or 60% of all injected gas. Gas production is gradually recovering after massive Russian shelling in February-March. Gas imports in June rose by 8% mom to 540 mn m³. This is the largest monthly import volume in almost two years, since September 2023. Natural gas reserves in Ukrainian UGS at the beginning of July amounted to about 8.16 bcm, which is 18.5% less than last year. As a reminder,

by the start of the next heating season (November 1), Ukraine needs to accumulate at least about 13 bcm of natural gas in storage. According to Energy Minister Herman Halushchenko, the minimum volume of imported gas to be injected into Ukraine's storage facilities before the heating season begins is 4.6 bcm, of which 2.9 bcm of gas has been contracted.

Ukraine's Ministry of Energy selected two new state representatives to the supervisory board of Gas Transmission System Operator of Ukraine LLC, so its composition is now formed. This eliminated the risk of GTSOU losing certification as an independent company, as experts had warned. This is necessary for Ukraine to fulfill its corporate governance reform obligations.

Energy regulators of Greece and Moldova simplified gas transportation to Ukraine. Greece's energy regulator (RAE) lifted restrictions on access to the Greek Virtual Trading Point (VTP) for natural gas exports to Ukraine. This will simplify gas imports from Greece. The National Energy Regulatory Agency of the Republic of Moldova simplified cross-border natural gas exchange. Vestmoldtransgaz will now be able to offer a new capacity product designed for natural gas transportation along the route from connection point "Causeni" (entry to Moldova) to connection point "Hrebeniki" (exit to Ukraine).

Naftogaz won arbitration against PJSC Gazprom. Since May 2022, Gazprom violated its contractual obligations under the "take or pay" principle by stopping payments. In September 2022, Naftogaz initiated arbitration, which Gazprom tried to block through Russian courts. In June 2025, the International Arbitration Tribunal, which considered the case in Switzerland, ordered PJSC Gazprom to pay USD 1.37 bn in favor of Naftogaz.

Coal. Ukrainian Energy Minister Herman Halushchenko reported that as of June 20, Ukraine had 2.6 mn t of coal in storage. According to the accumulation schedule and consumption schedule, Ukraine will be provided with the necessary amount of coal to get through the next heating season.

Transport: 130 mn tons transported via Ukrainian Sea Corridor

Sea transport. As of July 2025, 130 mn t of cargo have been transported via the Ukrainian Sea Corridor, including 81 mn t of agricultural products, or approximately 6 mn t per month. For comparison, in 2021, before the full-scale war began, Ukraine exported 9.75 mn t per month by sea transport. The corridor functions despite regular missile attacks. According to the Ministry of Communities and Territories Development, since the corridor began operating, 423 port infrastructure facilities have been damaged, 32 civilian vessels have been affected, and 115 people have been injured.

In January-June 2025, Ukrainian seaports handled about 40 mn t of cargo for export and import, including 20.3 mn t of grain, 9.3 mn t of iron ore products, and 2.1 mn t of ferrous metals. For comparison, in January-June 2024, 42.5 mn t were transported via the Ukrainian Sea Corridor, representing a 6% yoy decline. During this period, 78 thousand TEU of container cargo was also handled, almost twice as much as in the same period of 2024.

During martial law, the Commander of the Ukrainian Navy prohibited commercial vessels carrying explosive substances from entering Ukraine's territorial waters and ports. The reason cited is preventing a man-made disaster from enemy strikes. AMPU is recommended not to include such vessels in plans for entry to Ukrainian seaports, and those that have arrived should be unloaded in neighboring countries "which the enemy does not strike." The recommendations concern several types of nitrogen fertilizers and other mixtures containing explosive substances. Reception and unloading of such cargo have been suspended in Ukrainian ports, although the Navy and AMPU letters are advisory in nature - the government must make the final decision on banning imports of these goods.

AMPU is implementing the "Logistics Port System (DocPort)" in the ports of Odesa and Pivdennyi. DocPort is the Ukrainian version of the Maritime Single Window, which Ukraine is obligated to implement as a member of the International Maritime Organization. This system should ensure one-time submission of information about vessel calls and automated data exchange between all participants in port logistics. DocPort in Ukraine integrates with the State Customs Service's "Single Window for International Trade" system. Testing of the platform's first stage is currently underway at Pivdennyi port, and the system will eventually be extended to all Ukrainian ports.

Rail transport. According to operational data, 995 thousand t of grain were loaded on Ukraine's railway network during June. In the first half of the year, Ukrzaliznytsia transported 14.7 mn t of

grain cargo, a decline of 32% yoy. In export connections (to ports and western border), the railway transported 13.2 mn t of grain, a decline of 30% yoy.

In Q1 2025, Ukrzaliznytsia's EBITDA reached negative values due to falling freight volumes (-17% yoy) and rapid growth in operating costs. Ukrzaliznytsia engaged a financial advisor and is trying to defer or reduce eurobond payments, although it paid coupon payments on July 9 and 15 for eurobonds maturing in 2026 and 2028 in full. Additionally, Ukrzaliznytsia plans to cut 25% of administrative staff (over 500 positions) by year-end. Ukrzaliznytsia CEO Oleksandr Pertsovskyi stated that the company spends 52% of revenue on employees. Meanwhile, the shortage of conductors, engineers, and repair workers is about 20%.

Under the Connecting Europe Facility (CEF) program, Ukrzaliznytsia will receive EUR 76 mn to modernize the railway line from the Polish border to Lviv (Sknyliv). The European Commission hopes that Ukraine's transition to European standard gauge will facilitate cross-border rail traffic and strengthen regional trade.

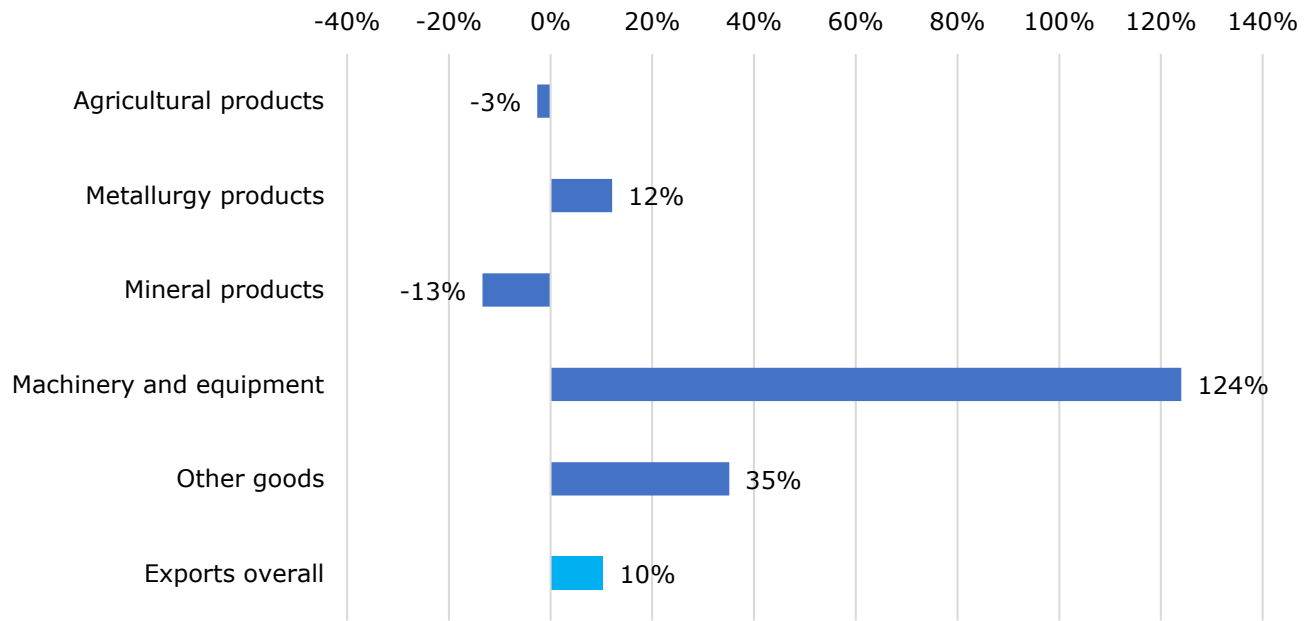
Road transport. During June, significant queues of up to 10 hours for bus routes were observed at the "Shehyni - Medyka" direction. The Ministry of Development cites seasonal increase in passenger flow and checkpoint reconstruction as reasons. To reduce the checkpoint load, starting July 10, only regular bus routes will be able to register in eCherha (eQueue) for departure from Ukraine through "Shehyni - Medyka" (no changes for entry to Ukraine). Accordingly, irregular routes will temporarily be unable to choose this checkpoint for border crossing. The Ministry recommends irregular routes use the "Nyzhankivychi - Malkhovychi" checkpoint, which was opened at the end of 2024.

The "Dyakivtsi - Rakovets" checkpoint in Chernivtsi region on the border with Romania is temporarily becoming accessible for high-capacity buses. By agreement with the Romanian side, this decision will be in effect from July 9 to September 30, considering the significant increase in passenger flow during the summer season

External trade: Imports surged in June

Goods exports in June was the lowest since the beginning of the year due to seasonal decline in agricultural product exports and the expiration of EU trade preferences. However, in annual terms, exports grew by 10% yoy to USD 3.1 bn. Agricultural exports fell by only 3% yoy to USD 1.56 bn due to significantly higher export prices and export diversification. Sunflower oil export volume fell by 29% yoy, and corn exports in tonnes fell by 51% yoy due to depletion of previous years' harvest stocks.

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

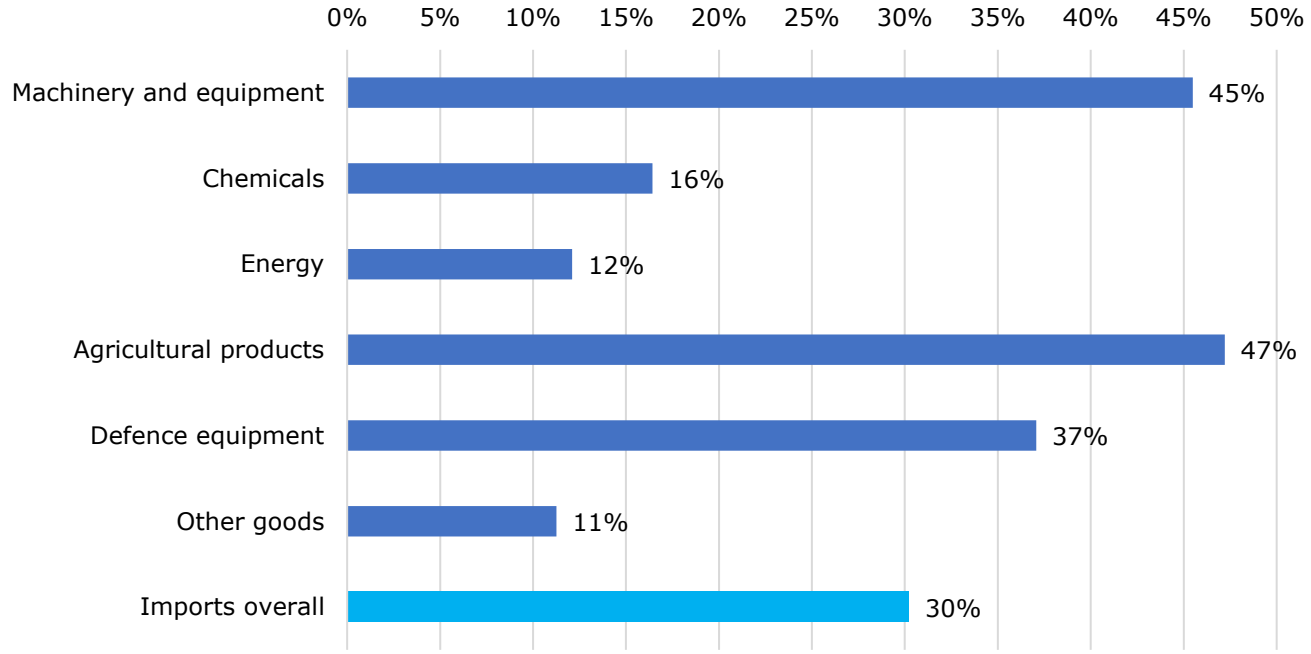


Source: Own calculations based on State Customs Service data

Metallurgical product exports fell slightly compared to May, but grew by 12% yoy to USD 398 m, while machinery exports remained high and significantly larger than last year. Mineral product exports were close to April and May levels but fell by 13% yoy to USD 253 m. This reflected both lower volumes of iron ore exports and unfavorable export prices.

Goods imports in June rose compared to May to USD 7.0 bn and by 30% yoy from a low base. Energy imports grew by only 12% yoy despite resumption of large-scale customs clearance of imported gas and sharp increase in coal imports due to significantly lower import prices for petroleum products. Machinery and equipment imports reached a historical maximum in dollar terms at USD 2.95 bn. It grew by 45% yoy including due to continued large-scale imports of energy equipment, growing imports of automobiles and drones. Imports of other goods also increased noticeably, including food product imports.

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



Source: Own calculations based on State Customs Service data

Fiscal policy: Resources to cover the 2026 gap have not yet been secured

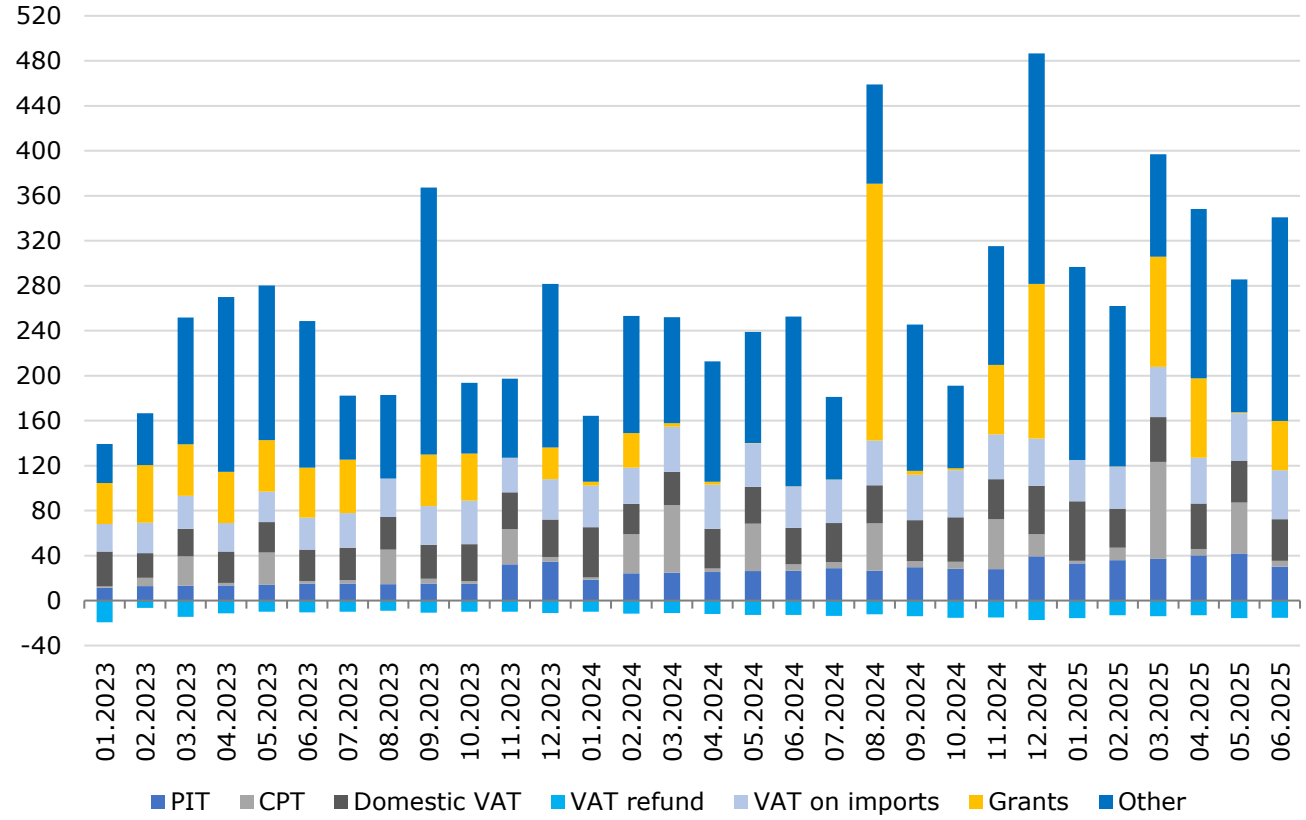
According to preliminary data, State Budget revenues in June amounted to UAH 325 bn, exceeding May's figure (UAH 274 bn) primarily due to a UAH 43.9 bn grant and UAH 49.7 bn in dividends from state enterprises and banks. The grant came from the World Bank account under the ERA mechanism. General fund revenues were UAH 241 bn (UAH 205 bn in May and UAH 275 bn in April). Special fund revenues were formed mainly from military aid and personal income tax (PIT) from military remuneration.

Corporate income tax revenues to the State Budget amounted to UAH 5.2 bn, which is comparable to other months not coinciding with quarterly payment peaks. PIT revenues, including military levy, continue to grow due to the latter's rate increase and average wage growth.

VAT revenue growth rates did not change significantly. Gross domestic VAT revenues grew by 13.1% yoy and amounted to UAH 37.2 bn, while import VAT increased by 9.8% yoy to UAH 42.3 bn. VAT refunds totaled UAH 15.3 bn, slightly less than May's figure but more than the average for the first five months of the year. Unfortunately, import VAT revenues remain below planned levels despite import growth in dollar terms. The likelyhood of meeting the annual plan is extremely low due to the overvalued hryvnia exchange rate embedded in the budget and significant tax exemptions granted on imports. This puts the planned tax revenues for defense financing, currently under parliamentary consideration, at risk.

General fund expenditures amounted to UAH 330 bn, which is 11% below plan. Likely reasons for this are slower procurement, postponed capital repairs, and slower implementation of other programs due to resource shortages.

Figure 5: State Budget revenues, UAH bn



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

In June, domestic financial resources mobilized were again relatively low. Placement of domestic government bonds brought to the budget almost UAH 36 bn (compared to about UAH 43 bn in May). The weighted average yield increased slightly to 16.4%. No foreign currency domestic government bonds were issued this month. Overall, in the six months of 2025, the Government raised less from domestic market than it repaid. The draft law on State Budget amendments plans to increase planned domestic borrowings by UAH 185 bn, which is a fairly realistic plan, especially if the government will place foreign currency-denominated bonds.

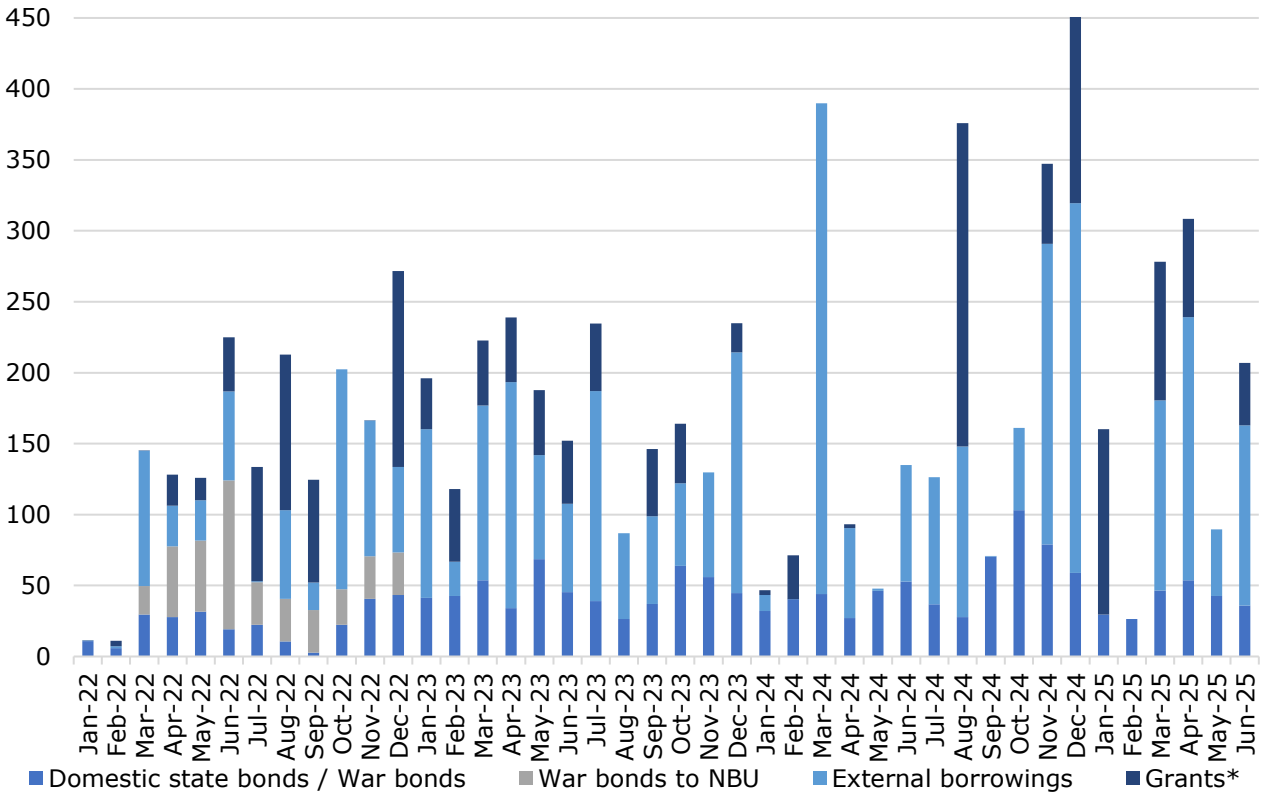
Also in June, Ukraine received UAH 127 bn in external borrowings (equivalent). The EU provided EUR 1 bn under the ERA mechanism. The Ukraine Facility tranche was postponed because Ukraine submitted its Q1 Ukraine Plan indicator performance report later, while awaiting for the fulfillment of additional indicators. Still, two indicators were not met, so Ukraine will receive lower tranche of a loan at EUR 3.3 bn, with another EUR 1.2 bn available later if it fulfills the two missed indicators within a year. Also under the ERA mechanism, Canada provided USD 1.7 bn equivalent (CAD 2.3 bn), and USD 191 m came from the World Bank under the DRIVE project.

In July, Ukraine received USD 500 m from the IMF following the 8th program review. The IMF did not revise its macroeconomic forecast for the next several years. Accordingly, the program still lacks funds to cover the 2026 financing gap, as the current forecast is not realistic. Authorities also began implementing Program structural benchmarks more slowly. Due to these two reasons, there is already a talk of stopping the current IMF Program and negotiating a new Program.

During the Ukraine Recovery Conference – URC 2025 – there were no announcements from international partners about substantially increasing Ukraine support, but rather about continuing current support. However, increased defense financing can be expected through the SAFE (Security Assistance for Europe) mechanism, which we hope can replace defense financing from Ukraine's state budget and free up these revenues to cover civilian expenditures.

Positive news from URC2025: the European Commission announced creation of a European flagship fund for Ukraine's reconstruction with EUR 220 m startup capital and plans to mobilize EUR 500 m by 2026 (energy, infrastructure, digitalization, industry, dual-use goods). Ukraine and the EU are also launching the BraveTech EU initiative (EUR 100 m) for defense startups.

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

In June, the government approved a **medium-term priority public investment plan** (2026–2028) as part of implementing the road map for public investment management system reform. The following key strategic directions were identified:

- energy efficiency – rational use of energy and implementation of modern technologies;
- climate action – adaptation of infrastructure to climate change, environmental protection;
- gender equality – equal opportunities regardless of gender and social status;
- accessibility and inclusion – barrier-free access for persons with disabilities, elderly people and other groups with functional limitations.

The list of priority sectors is extremely broad (virtually all sectors of the economy are represented): transport, municipal infrastructure and services, housing, energy, education and science, healthcare, social sphere, justice, public finance, environment, public services and digitalization, public safety. This is not surprising, since everything needs to be rebuilt now. Therefore, prioritization will actually take place within each of these areas.

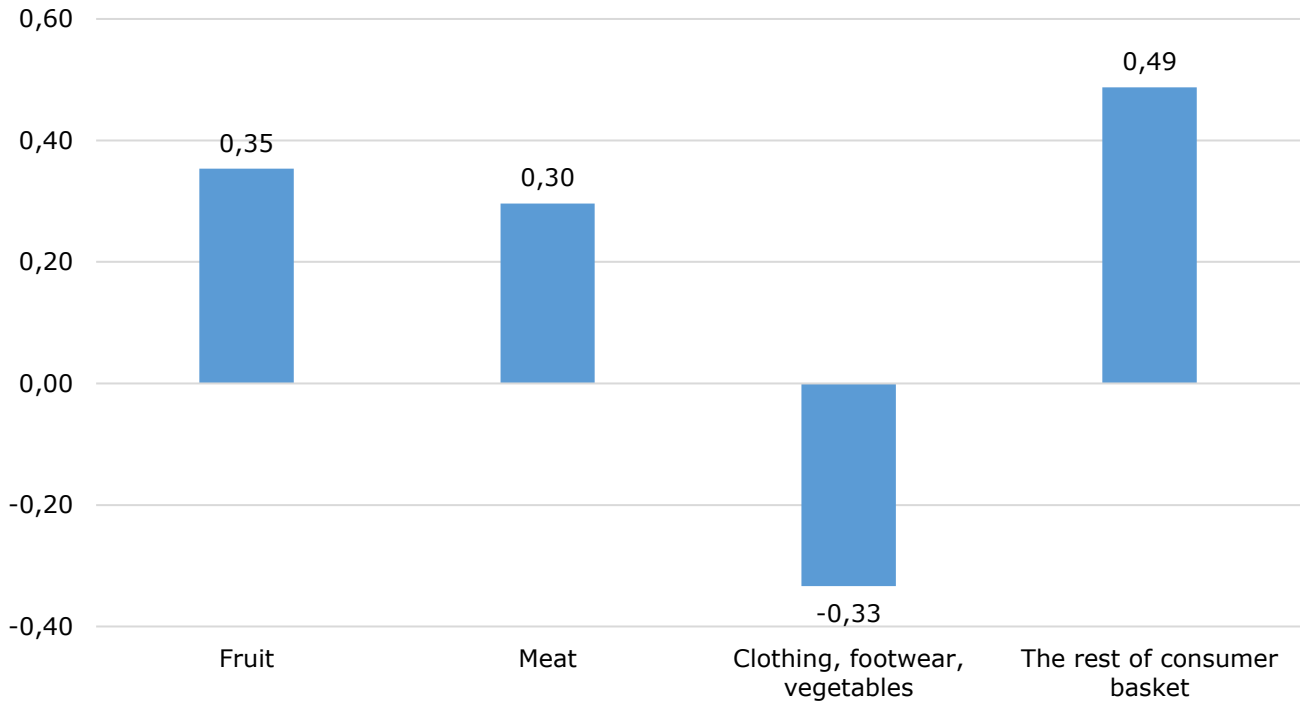
However, there are a number of challenges in implementing this plan. First and foremost, this is limited fiscal space due to high defense spending, as well as dependence on external financing. Also, regions have poor capacity to prepare and implement projects, which includes project preparation and cost-benefit analysis. Given the great diversity of priority sectors, coordination between ministries and different levels of government regarding project financing is extremely important. At the same time, the need for enhanced monitoring and transparency remains high.

Inflation: Consumer inflation slowed to 14.3% yoy

In June, consumer inflation slowed to 14.3% yoy. Annual inflation slowed for the first time in 12 months, but remained high. Due to the Government's decision to keep electricity tariffs unchanged at least until the end of October, the annual change in electricity prices from June 2025

is 0% yoy, since the last tariff increase of 63% occurred in June 2024. The growth rates of prices for other main components of the consumer basket did not change significantly.

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



Source: Own calculations based on State Statistics Service data

Monthly inflation in June slowed to 0.8% mom. In June, for the third month, meat prices (especially poultry) rose noticeably and fruit prices continued to rise sharply, with apple prices setting new records. At the same time, there was a seasonal decline in prices for clothing and footwear and in prices of some vegetables. Prices for the rest of the consumer basket rose by approximately 0.5% mom. This indicates inflationary pressure was close to the NBU target for most of the consumer basket.

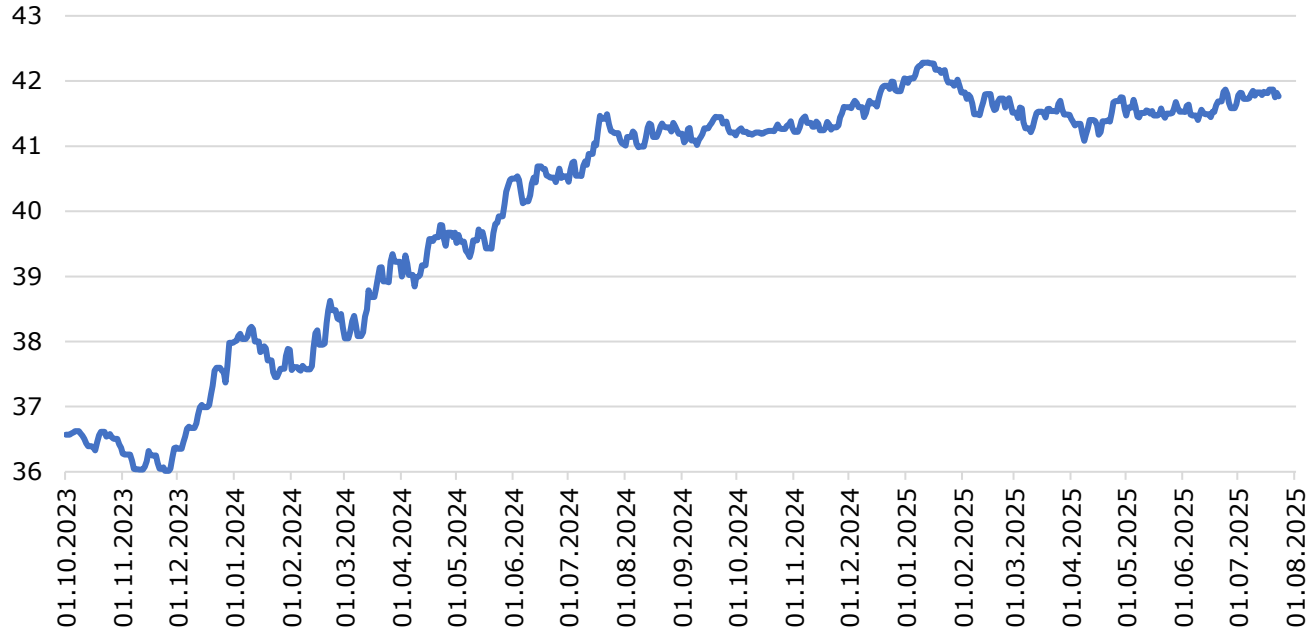
Exchange rate and monetary policy: The hryvnia exchange rate remained stable against the dollar

Exchange rate. The hryvnia remained stable against the US dollar in recent weeks and the exchange rate fluctuated in a fairly narrow range of 41.4-41.9 UAH per dollar. Net demand for cash foreign currency increased somewhat but remained quite low. However, net demand for currency for external trade purposes increased and, as a result, NBU interventions for the four weeks ending July 20 exceeded USD 3.1 bn, which is higher than the average for this year.

At the end of June, NBU international reserves amounted to USD 45.1 bn compared to USD 44.5 bn in May. In June, Ukraine received USD 4.1 bn from donors mainly through the ERA initiative, but USD 950 m was spent on external debt service including payments to the IMF. NBU interventions in June increased to USD 2.96 bn. The volume of reserves was also affected by changes in the asset prices for assets included in the reserves. According to NBU estimates, reserves will cover 5.6 months of future imports of goods and services.

Monetary policy. The July monetary policy meeting took place after the publication of this document. The NBU decision will be based on an updated macro forecast.

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



Note: It should be noted that the exchange rate values in the figure start from UAH 36 per USD.
Source: NBU

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

Disclaimer

This publication was prepared by the Institute for Economic Research and Policy Consulting. Its contents are the sole responsibility of the Institute for Economic Research and Policy Consulting. The MEMU is for informational purposes only. The judgments presented in this publication reflect our point of view at the time of publication and are subject to change without notice. Although we have made the most thorough efforts to prepare the most accurate publication, we do not take any responsibility for possible errors. The IER shall not be liable for any damages or other problems that have arisen, directly or indirectly, due to the use of any of the indicators of this publication. In the case of a citation, a reference to the IER is mandatory.