INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING

Monthly Economic Monitoring of Ukraine

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Executive Summary

- According to the Ukrstat, industrial performance in January was worse than our estimates.
- According to the IER, real GDP grew by only 0.8% yoy in Q1'2025.
- Four nuclear power units are under maintenance.
- In April, electricity imports decreased by 30% mom to 191 thous. MWh. Electricity exports almost doubled to 157 thous. MWh.
- In January-April 2025, more than 28 m t of cargo, including more than 15 m t of grain, were transported through the ports.
- Exports of goods fell by 2% yoy in April, while imports increased by 7% yoy.
- In April, the budget situation was favorable and Ukraine received the expected funds from international partners. At the same time, the risks of receiving the next tranche within the Ukraine Facility have increased.
- In April, inflation slowed to 0.7% mom, the lowest since last summer
- The hryvnia remained stable against the dollar against the backdrop of lower demand for cash currency.

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GDP and the real sector: Slow real GDP growth in 2025

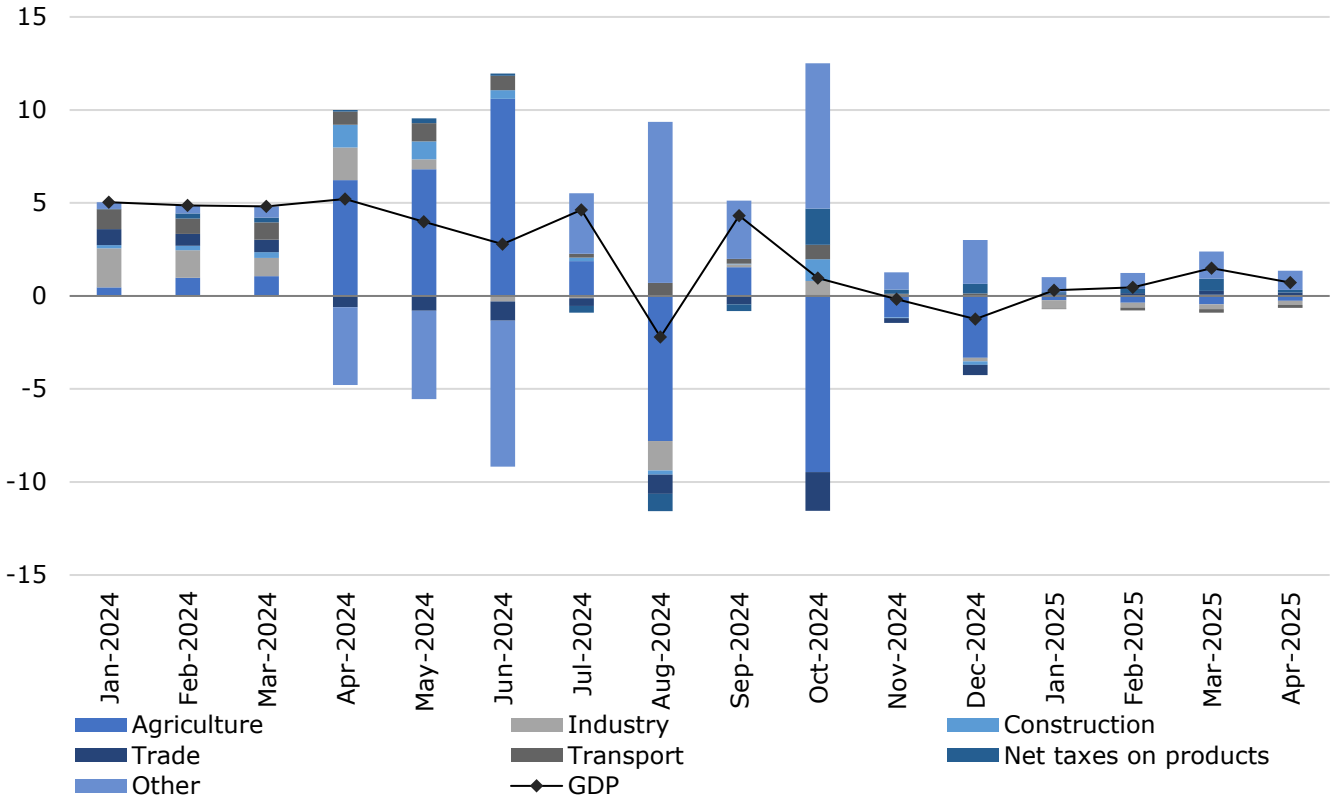
In April, the Ukrstat published data on industrial performance for January. Unfortunately, the actual figures turned out to be slightly worse than our earlier estimates. According to the Ukrstat, output in the extractive industry declined by 0.8% yoy, while manufacturing contracted by 4.8% yoy, whereas we had expected figures close to those of the previous year. Moreover, the decline in electricity production was deeper than our estimate and amounted to 11% yoy. As a result, we revised our real GDP growth estimates for January–March 2025 and incorporated the new information into our projections for April 2025. We also now have more detailed data on the financial results of large companies for 2024, which we take into account in our real GDP growth assessments.

According to our estimate, real GDP grew by 0.8% yoy in the first quarter of 2025. Our estimate for real GDP growth in April is 0.7% yoy. We estimate that in April the contraction in the extractive industry deepened to nearly 10% yoy due to russian attacks on specific facilities, including gas extraction sites, and due to price and demand challenges faced by iron ore producers. The loss of mines in Selydove and Pokrovsk also contributed to the decline.

We estimate that the drop in real gross value added (GVA) in electricity production slowed to 5.8% yoy in April, down from over 8% yoy in March. This was driven by a decrease in russian attacks on power grids.

Gross GVA in manufacturing, according to our estimates, increased by 3.3% yoy in April compared to 2% yoy in March. This growth was supported by stronger consumer demand and defence procurement. According to the monthly business survey conducted by the IER, labour shortages remain the biggest obstacle for business operations. This is prompting companies to raise wages.

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



Source: IER estimates

According to our estimates, real gross value added (GVA) in agriculture declined by nearly 3% yoy, which is close to the drop observed in previous months. This continues to reflect only the performance of the livestock sector. Due to weather conditions, there are expectations that the decline may deepen in the coming months, as this year's harvest of berries and fruits is likely to be worse than last year's high yields.

We estimate that real GVA in trade continued to grow by around 2% yoy. Retail trade keeps expanding, while wholesale trade likely declined slightly due to an increase in direct sales and a slowdown in exports.

The situation in the transport sector was rather unfavorable. We estimate that real GVA in the sector fell by nearly 6% yoy.

For now, we are maintaining our real GDP growth forecast for 2025 at 2.9%.

Energy: A third of nuclear power units are under repair

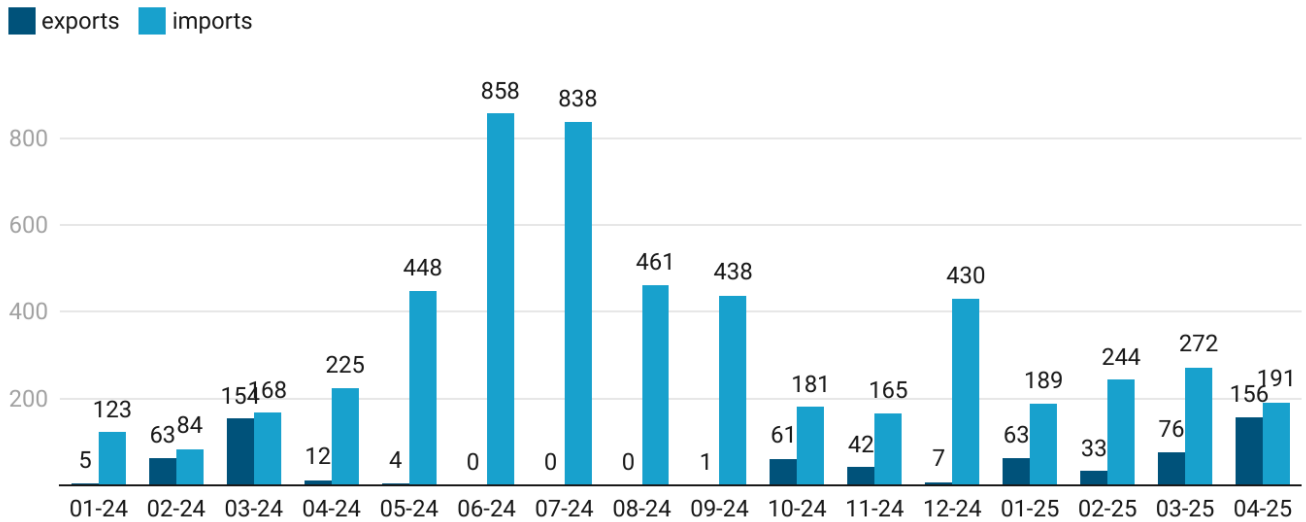
Electricity. In April, the third power unit of the nuclear power plant was repaired, in May – the fourth, and only five out of nine available power units at Ukrainian nuclear power plants are currently operating in the system. Maintenance and loading of fresh fuel are carried out at the Khmelnytskyi, Rivne and South Ukrainian NPPs. Energoatom plans to complete repairs at all nine nuclear power units by the end of August.

In April, electricity imports decreased by 30% mom to 191 thous. MWh. Most electricity was supplied from Hungary (44%), Slovakia (18%) and Poland (18%). Electricity exports in April continued to grow and almost doubled compared to March, to 157 thous. MWh.

From May 1, the maximum capacity of electricity exports from Ukraine and Moldova to the EU countries has been increased from 550 to 650 MW. The Ministry of Energy expects about 1 GW of new generation to be commissioned in 2025, of which 170 MW is already operating in the power system.

Ukrenergo has reached a preliminary agreement with a group of investors that control 45% of green sustainability bonds. The bonds are guaranteed by the state, have a total amount of USD 825 m, coupon 6.875% per annum and were supposed to be repaid in 2028. The agreed debt management plan provides for the possibility of selling their bonds at auction with a marginal value of each bond at 65.125% of the face value or exchanging them for new bonds of the company not guaranteed by the state with an extended maturity (December 2031) and an increased annual interest rate (8.5% per annum). For the successful implementation of the plan, the support of 66% of investors is required. The implementation of this plan is planned to be completed in early July 2025. Ukrenergo received a loan of USD 825 m in 2021, but in November last year, payments on bonds were temporarily suspended.

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. On April 17, Ukraine began pumping gas into underground gas storage facilities and pumped 258 m m^3 of gas by the end of April. Compared to April last year, the volume of gas injection decreased by 44%, which is associated with the later start of the pumping season. As of the beginning of May, 5.7 bn m^3 (bcm) of natural gas was stored in Ukrainian underground storage facilities (including technical gas unavailable for download), the repositories are 18.4% full. Compared to last year, the volume of gas in storage decreased by 33% or 2.86 bcm.

Last year, at the beginning of the gas withdrawal season from underground storage facilities (November 1), 12.92 bcm of gas was stored in Ukrainian storage facilities. To achieve this level of

storage filling, during May-October, it is necessary to pump 7.2 bcm of gas into underground storage facilities. Part of this volume will be covered by domestic production, and the rest of the gas must be imported. According to exPro, the required volumes of imports by the beginning of November range from 3 to 5 bcm.

Oil. From May 1, gasolines which are sold at gas stations, have an octane rating of less than 98 and are not supplied by the Armed Forces of Ukraine, must contain at least 5% bioethanol. This concerns gasoline brands A-92 and A-95. For non-compliance with the requirements, a fine of UAH 21.2 is established for each liter without bioethanol. Since most of the gasoline is imported from the EU, where the standard fuel is 10% and less often 5% bioethanol, this requirement is probably already met in practice.

Transport: Ukrzaliznytsia restored IT systems after a cyberattack

Sea transport. The Ukrainian Sea Corridor made it possible to export more than 120 m t of cargo, of which 76 m t are agricultural products. In January-April 2025, more than 28 m t of cargo, including more than 15 m t of grain, were transported through the ports.

One of the 54 berths of the commercial seaport of Odesa was significantly damaged during a russian missile attack on March 11, 2025. According to the USPA's tender announcement, the work on replacing damaged structural elements, restoring infrastructure and fully functioning of the berth is estimated at UAH 3.85 m.

Rail transport. After a large-scale cyberattack on March 23, 2025, which paralyzed the key IT systems of JSC Ukrzaliznytsia, the company carried out a phased resumption of operations in a short time. Already on March 27, backup ticketing services were launched, and temporary downtime was introduced for some employees. During April, UZ gradually returned to work both passenger and cargo online services, including the UZ ASC, planning, document management and electronic signature systems. The recovery was completed on May 8, when the company announced a return to the full-fledged organization of cargo transportation and financial settlements in a normal mode. The whole process lasted almost seven weeks.

Road transport. On May 12, from 16:00, the international automobile checkpoint "Dorogusk-Yagodyn" was blocked for passage by a protest action of Polish carriers. They limited the movement of trucks to one per hour in the direction of exit and entry into Ukraine. During the 12-hour night shift at the customs post "Yagodyn", 205 heavy trucks were cleared for entry and only eight for exit from Ukraine. Full movement of trucks through the checkpoint resumed on May 13 at 11 p.m. after the relevant court decision.

The Ministry of Communities and Territories Development by Order No. 532 approved the mechanism for the use of smart tachographs – devices that automatically monitor and remotely transmit the driver's time and speed. The new procedure will come into force on May 27 and will make it possible to service or receive cards for smart tachographs in Ukraine, apply online, sets the procedure for maintenance and installation of devices. The requirement to install smart tachographs on new trucks and buses is valid in European Union from June 15, 2019. From 2023, there is also a gradual transition for used vehicles crossing EU borders. In January, Ukraine and the EU agreed on the use of smart tachographs in the "transport visa-free regime" and the European Commission undertook to provide the necessary keys for the operation of smart tachographs in Ukraine.

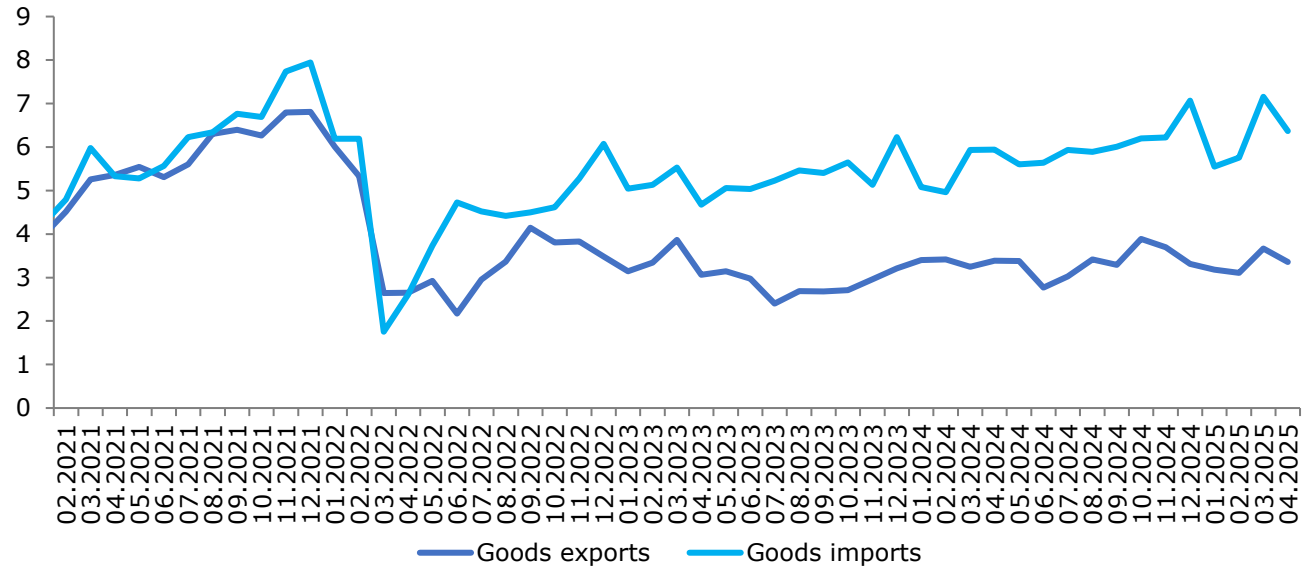
In 2025, the State Agency for Infrastructure Restoration and Development plans to repair 135 artificial structures (bridges, tunnels, overpasses) on roads of national importance; work has already begun at 33 objects. Particular attention is focused on repairs in the frontline regions. In particular, work continues in Kirovohrad, Chernihiv, Zaporizhzhia and Mykolaiv regions.

External trade: Depleted stocks limited exports

Exports of goods in April fell compared to March and decreased by 2% yoy to USD 3.36 bn. This decline is primarily caused by lower crop stocks. Agricultural exports fell by 15% yoy to USD 1.87 bn. and returned to the level of January-February. Wheat and corn exports volume fell by more than 60% yoy, although higher export prices restrained the decline in dollar terms. At the same time, sunflower oil was the largest component of agricultural exports: oil exports were the highest in dollar terms and one of the highest in terms of volume since May 2024. Significant exports of soybeans, poultry meat and soybean oil were also maintained.

Exports of metallurgical products in April amounted to USD 397 m and increased by 25% yoy, although it was slightly lower than in March. In April, pig iron exports returned to the usual level and, accordingly, exports of semi-finished steel products increased. Exports of mineral products decreased by 20% yoy and compared to March to USD 257 mi. In April, the export price of iron ore was lower than in previous months, which restrained exports from higher-cost producers. Exports of engineering products amounted to USD 321 m and increased by 89% yoy from a low base. As before, the main drivers of growth in this group were the export of wires and cables, as well as electric heating devices. Exports of other goods (mainly industrial products) were one of the highest since the beginning of the full-scale war, including due to the growth of exports of wood products.

Figure 3: Trade in goods of Ukraine, USD bn



Source: State Customs Service of Ukraine

Imports of goods in April decreased compared to March from a record USD 7.15 bn to USD 6.37 bn but increased by 7% year-on-year. Energy imports have returned to more usual levels after peaking in March, and farmers' demand for sowing goods has also declined compared to March. Imports of machinery and equipment were lower than in March but increased by 11% yoy to USD 2.35 bn. Imports of energy equipment continued to decline in April compared to previous months but remained much higher than in April 2024 (USD 249 m versus USD 112 m). Imports of smartphones and transmitters have also increased.

Energy imports in April increased by 13% yoy to USD 763 m due to a sharp increase in imports of gas, coal and electricity. The volume of gas imports increased by 2.6 times compared to the previous year, and coal imports by 2.2 times, although gas customs clearance was much lower than in March. Gas demand remained high, but lower than in March, due to the end of the heating season during April. At the same time, import prices for petroleum products decreased significantly year-on-year.

Imports of chemical products fell by 13% yoy, including imports of medicines, crop protection products, and fertilizers. The drop in imports of fertilizers and crop protection products reflects earlier purchases of goods for the sowing season this year. Food imports increased by 7% yoy, while imports of other industrial goods fell by 6% yoy.

Fiscal policy: The fiscal situation is so favorable in 2025

According to preliminary data from the Ministry of Finance, total state budget revenues in April amounted to UAH 336 bn (compared to UAH 389 bn in March). They increased by 65% yoy due to higher profit transfers from the NBU and international grants, which are accounted for under the general fund of the state budget. In April, general fund revenues reached UAH 275 bn (as compared to UAH 321 bn in March).

Following the audit of its 2024 financial statements, the NBU transferred UAH 84.2 bn of profits to the budget, of which UAH 63.9 bn was transferred in April (the remainder in May). The full profit transferred exceeded the amount planned in the annual budget by UAH 21.3 bn. Also in April, UAH

69.2 bn (in equivalent) in international grants was received to the state budget. Of this, EUR 400 m was provided by the EU under Ukraine Facility, while the remainder came from the World Bank.

Personal income tax (PIT) revenues increased by 59% yoy in April, driven by the higher military levy rate and rising minimum and average wages. Employers continue to significantly raise wages due to increasing competition for labour.

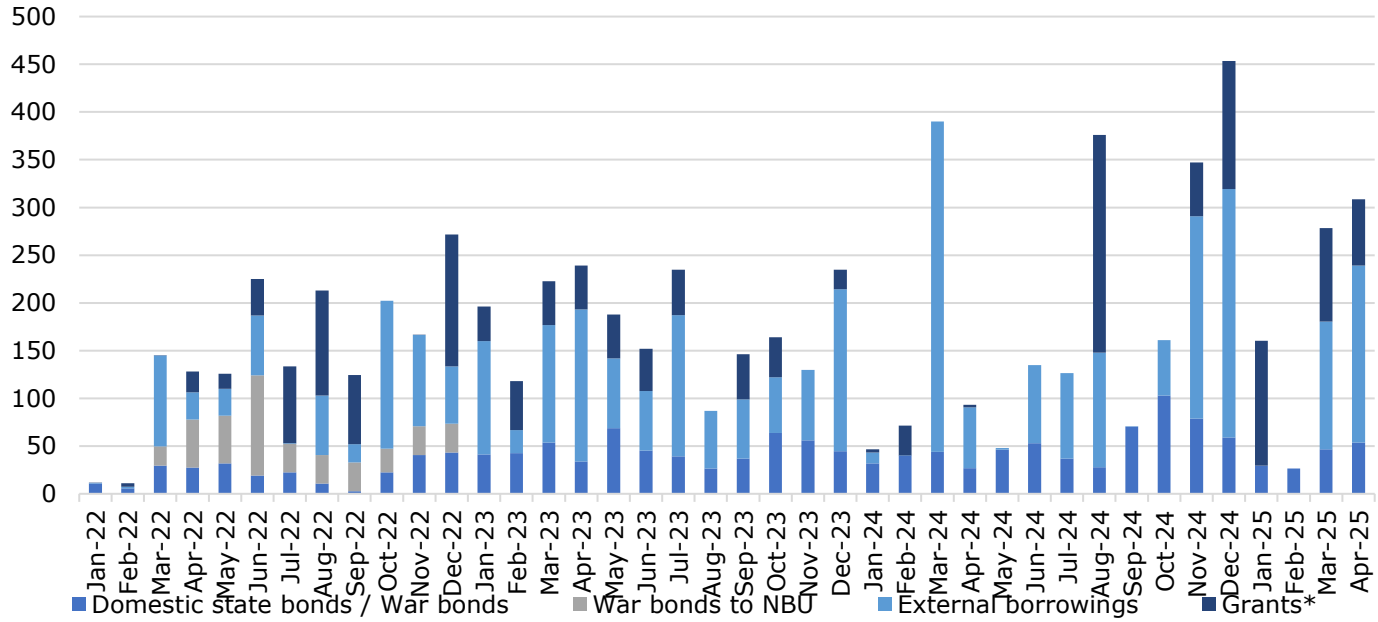
The growth rate of gross domestic VAT revenues slowed to 15.3% yoy, likely reflecting somewhat slower consumption growth amid high uncertainty. Meanwhile, VAT refunds increased by just 8.4% yoy, amounting to UAH 13 bn, the lowest level since August 2024.

VAT on imports rose by only 3.4% yoy to UAH 40.6 bn (as compared to UAH 44.9 bn in March). This was below the planned target, likely due to lower than expected volumes of taxable imports in hryvnia terms. As a result, the revenue plan administered by the State Customs Service was under-executed by 8.0% (by UAH 4.6 bn) in April. Under-execution of such revenues in Q1'2025 reached UAH 6.2 bn.

At the same time, the tax revenue plan administered by the State Tax Service was over-executed by 14.3% (UAH 10.4 bn) in April. Overall, over-execution of these revenues in Q1'2025 reached UAH 46.4 bn.

In April, domestic government bond placements totalled UAH 53.8 bn (UAH 46.6 bn in March), of which 15% were FX bonds. Overall, in the first four months of 2025, proceeds from domestic bonds were lower than expenditures on interest and principal repayment.

Figure 4: Funding and grants to 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"
Financing under ERA is allocated to grants if received from the USA through the World Bank, and to loans if received from other partners.
Source: Ministry of Finance

Ukraine received loans under the ERA and Ukraine Facility instruments totalling UAH 185 bn in equivalent. In particular, loans from the EU amounted to EUR 3.1 bn under Ukraine Facility and EUR 1.0 bn under ERA. The World Bank provided USD 50 m under the THRIVE program (health sector transformation).

However, the next EU loan under Ukraine Facility is now expected later than previously anticipated (initially planned for June). Ukraine failed to meet four indicators under the Ukraine Facility for Q1 on time, which poses the risk not only of delayed disbursement, but also of reduced financing under this instrument. Draft law No. 8222 on civil service pay reform has not yet been signed by the President, which prevents the new rules from entering into force and delays the government's adoption of secondary legislation. Draft law No. 12374-d, which provides for the reform of the Asset Recovery and Management Agency (ARMA), was not adopted in the second reading within the

required timeframe. The reform of local state administrations has not been implemented due to a change in approach: a new draft law No. 13150 was registered, but there is a risk that it will not be adopted. The expansion of the High Anti-Corruption Court did not take place as the judicial selection process failed. The High Council of Justice prepared draft law No. 13114 to amend the competition rules, but a new competition has not yet been announced.

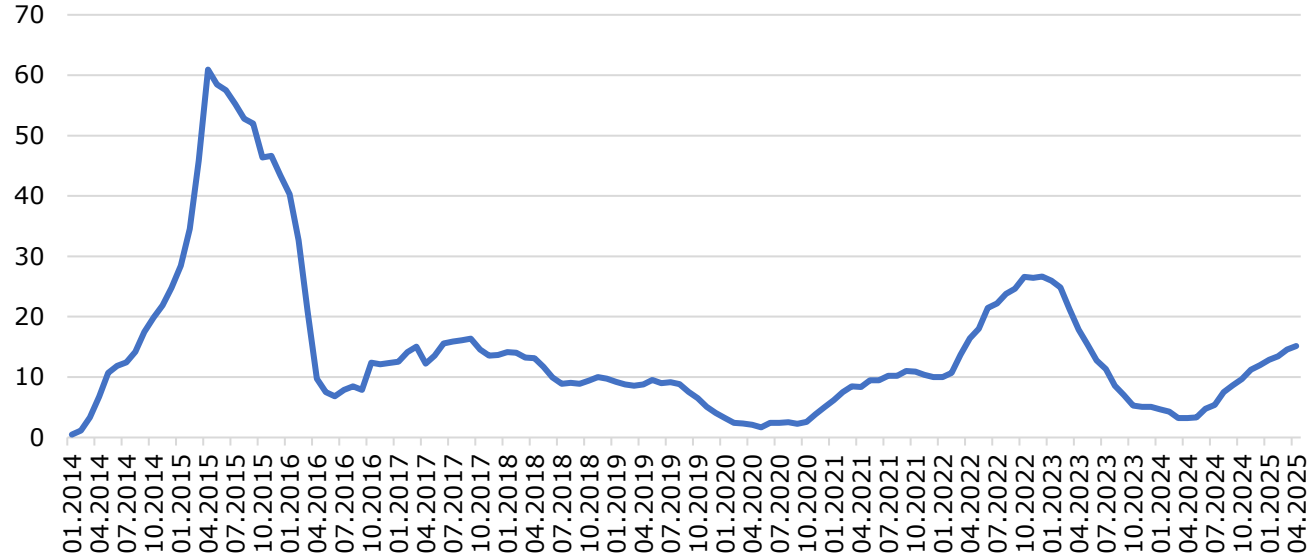
As the European Commission approved the methodology for partial disbursements — assigning a value to each indicator — failure to meet specific indicators reduces the amount Ukraine may receive. Thus, instead of the planned EUR 4.5 bn, Ukraine may receive only about EUR 2.5 bn unless it promptly fulfils the delayed indicators.

Therefore, the government has not yet submitted the Q1 report to the European Commission, hoping to meet at least several more indicators in the near term. In general, if the EU deems the indicators unfulfilled, Ukraine will have 12 months to implement them; otherwise, the corresponding amount will be lost and written off from the total allocation under the Ukraine Facility.

Inflation: Consumer inflation reached 15.1% yoy in annual terms

In April, consumer inflation reached 15.1% yoy compared to 14.6% yoy in March. Inflation was still kept high by rising labor costs, higher costs for uninterrupted energy supply, a low harvest last year, and the convergence of domestic prices for several agricultural products with global prices (due to lower logistics costs for exports). However, there are now signs that inflation may soon pass the maximum and begin to decline in the coming months.

Figure 5: Consumer price inflation, % yoy



Source: State Statistics Service

Monthly inflation in April was 0.7% mom, which was the lowest figure since last summer. In addition, temporary factors contributed to the growth of the consumer price index in April. Meat prices increased by an average of 4% mom (pork prices increased by 10% mom) against the backdrop of rising exports, higher global prices and seasonal growth in domestic demand. Also, due to low harvest stocks, apples and vegetables of the "borscht set" rose in price last year.

At the same time, fuel prices decreased slightly against the background of lower oil prices, and prices for "miscellaneous goods and services" (including personal care goods and household services) decreased seasonally. Excluding the above-mentioned components of the consumer basket, monthly inflation was about 0.3% mom.

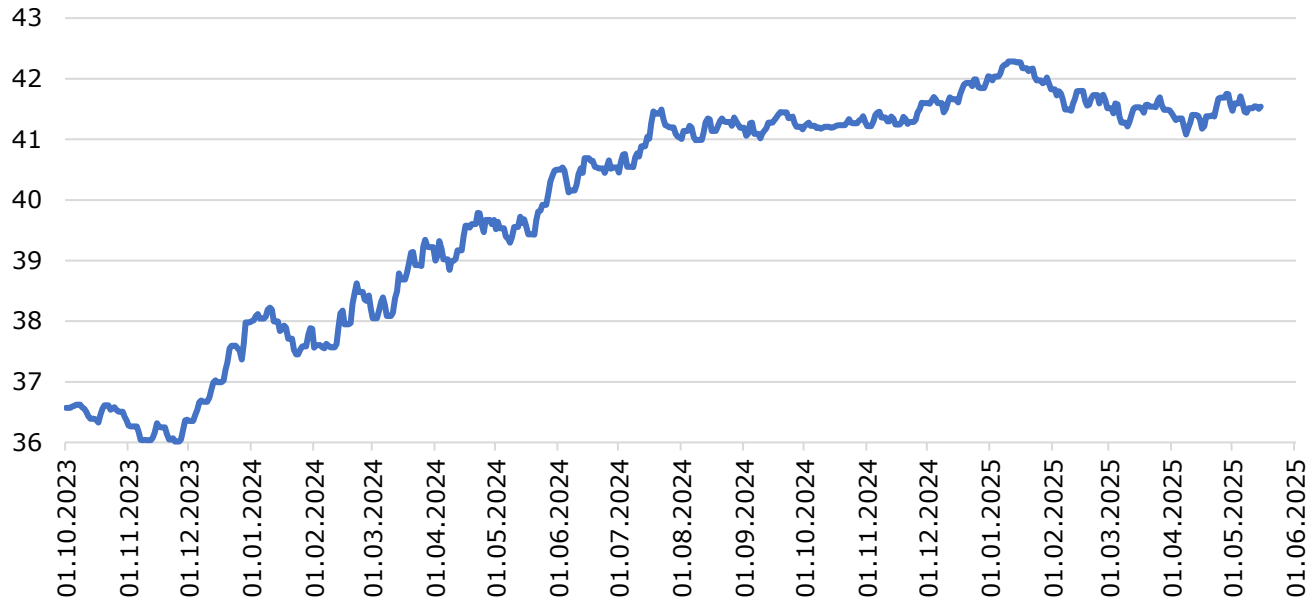
Exchange rate and monetary policy: The hryvnia exchange rate is stable, and reserves are growing

Exchange rate. The hryvnia has remained generally stable against the US dollar in recent weeks and the exchange rate fluctuated between 41.2-41.7 UAH per dollar. A long period without a significant depreciation of the hryvnia contributed to a decrease in demand for cash foreign

currency. In recent weeks, demand has been close to supply. A decrease in imports in April also contributed to a decrease in demand for non-cash foreign currency. NBU interventions over 4 weeks ending on May 18 amounted to approximately USD 2.7 billion.

In April, the NBU's international reserves increased to USD 46.7 billion. from USD 42.7 bn in March. This reflects the simultaneous receipt of funds from donors totaling USD 6.2 bn including equivalent of USD 4.9 bn from the EU under Ukraine Facility and ERA. As before, funds from the UK under the ERA for the purchase of weapons are not included in the reserves due to their restricted purpose. At the same time, the government spent USD 301 m on servicing external debt and spent USD 103 m net for the repayment of foreign currency domestic government bonds and interest on them. In April, the NBU spent USD 2.2 bn on interventions.

Figure 6: 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. USA.
Source: NBU

Monetary policy. The minutes of the April monetary policy meeting indicate that the decision to keep the key policy rate was unanimous. The participants of the discussion noted both signs of a decrease in inflationary pressures in the monthly inflation indicators, as well as the persistence of high inflation and high risks to inflation. We also can agree with the view of one of the participants that high policy rate is also necessary to conserve international reserves under high risks to external funding in 2026-2027.

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