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Monthly Economic Monitoring of Ukraine

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Executive summary

- According to the preliminary Ukrstat estimate, real GDP declined by 0.7% yoy in Q3 2026.
- According to the IER estimate, the decline in real GDP slowed to 1.7% yoy in October from 2.0% yoy in September.
- In October, Ukraine imported 79.6 ths. MWh of electricity, up 5% from September. At the same time, electricity exports declined by 11% mom to 423.5 ths. MWh.
- On 29 October, Ukraine started the gas withdrawal season from underground gas storage facilities. At the start of the season, gas stocks amounted to 15.97 bcm, the highest level in the last three years.
- In October, rail shipments of grain amounted to 1.6 m tonnes (-37% yoy). In September, railways transported 8.49 m tonnes of cargo (-38% yoy).
- Goods exports declined by 22% yoy in dollar terms in October from a relatively high base.
- Goods imports increased by 18% yoy in October to USD 9.0 bn.
- Ukraine has effectively closed the fiscal gap for financing civilian expenditures in 2026, while the remaining financing gap for civilian expenditures in 2027 amounts to EUR 30 bn.
- The Government prepared an updated macroeconomic forecast, which is to serve as the basis for the 2027 budget parameters. According to the official forecast, real GDP is expected to grow by 0.1% yoy in 2026 and by 0.4% yoy in 2027.
- Consumer inflation accelerated further to 11.0% yoy in October from 10.0% yoy in September.
- The NBU raised the key policy rate by another 0.5 pp to 16.5% p.a.
- NBU international reserves increased to USD 49.1 bn in October despite substantial interventions to support the hryvnia.

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GDP and real sector: Real GDP declined by 0.7% yoy in Q3 2026

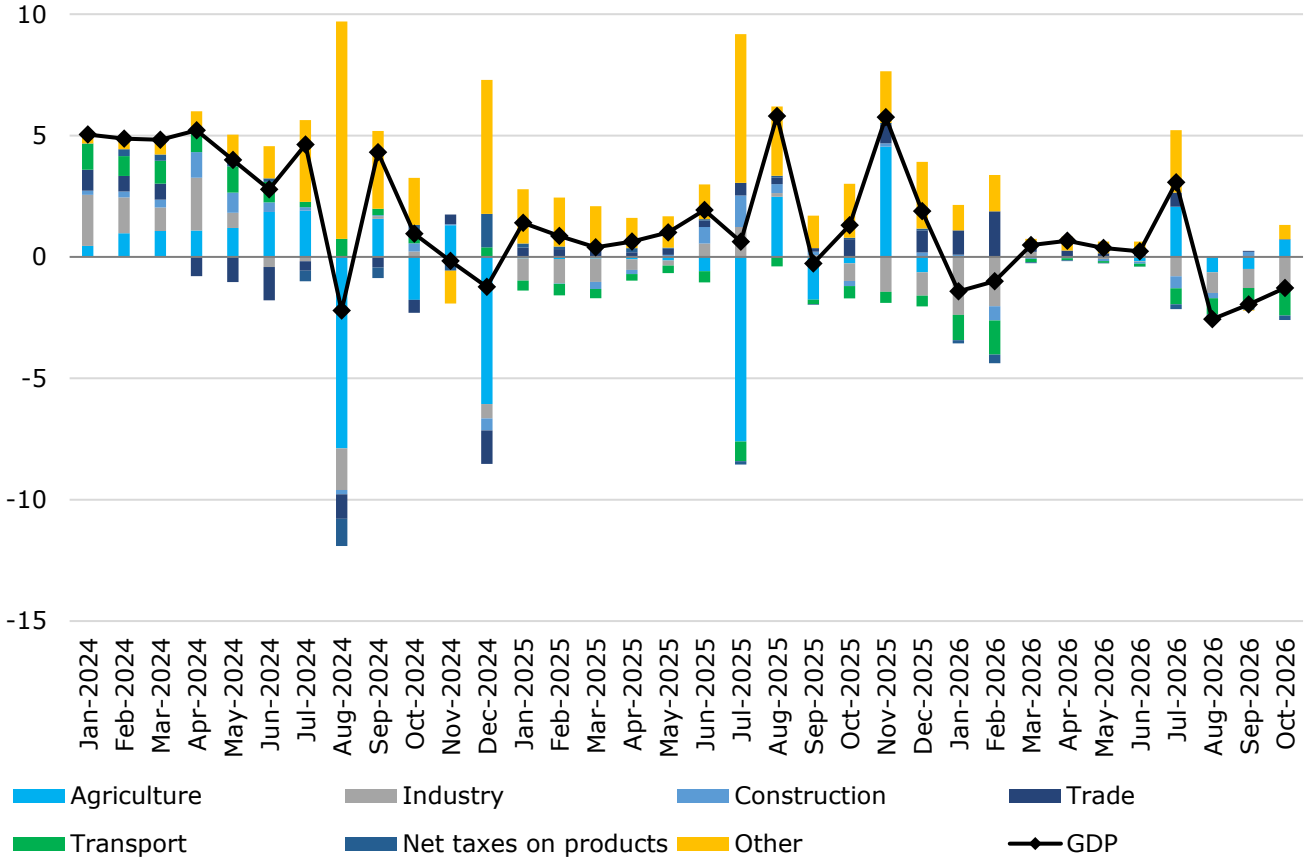
Ukrstat. According to the Ukrstat estimate, real GDP declined by 0.7% yoy in Q3 2026. This is slightly worse than our previous estimate. As usual, Ukrstat publishes its preliminary figure without a sectoral breakdown, but according to our estimates, real GVA declined in industry, transport and construction.

In September, agricultural production declined by 9.1% yoy, reflecting a shift in the harvesting of late crops from October to September last year and, consequently, a high comparison base. The decline in the extractive industry accelerated by 2 pp to 10.8% yoy as iron ore extraction more than halved (-52.4% yoy). This was only partially offset by a 4.0% yoy increase in crude oil and natural gas extraction. Manufacturing declined by 7.9% yoy compared with 3.9% yoy in August. Growth in defence industry production likely partially offset the decline in other industries, particularly metallurgy, where the manufacture of basic metals declined by 57.6% yoy. Electricity and gas production and distribution declined by 12.5% yoy.

Retail trade growth slowed to 2.7% yoy from 7.6% yoy in August, which may reflect both accelerating inflation and slower consumption growth amid deteriorating labour market conditions and increasing uncertainty. In particular, several retail chains and metallurgical enterprises announced hiring freezes and staff reductions.

IER. According to the IER preliminary estimate, real GDP declined for the third consecutive month in October. However, the decline slowed to 1.7% yoy from 2.0% yoy in September. Agriculture returned to growth, estimated at 11% yoy in October. This reflected both a somewhat lower comparison base last year and an increase in the overall harvest.

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



Source: IER estimate

According to our estimate, real GVA in manufacturing declined by 8.5% yoy in October, as growth in defence production only partially offset the decline in other industries. Metallurgical enterprises remained largely non-operational due to intensified russian attacks on their facilities. The resumption of operations was also constrained by lower demand from the EU due to the quotas

introduced in the summer and logistics problems resulting from the closure of Greater Odesa seaports and bottlenecks in rail freight transport.

GVA in the extractive industry is estimated to have declined by 11% yoy due to a sharp drop in iron ore and coal extraction. At the same time, crude oil and natural gas extraction supported the sector. The decline in electricity and gas production and distribution is estimated at around 16% yoy, as russia intensified attacks on electricity generation and transmission facilities.

The trade sector proved more resilient in September than we had previously expected. In October, according to our estimate, real GVA in trade increased by 0.2% yoy. At the same time, real GVA in transport is estimated to have declined by around 24% yoy due to restrictions on seaport operations and problems with railway logistics.

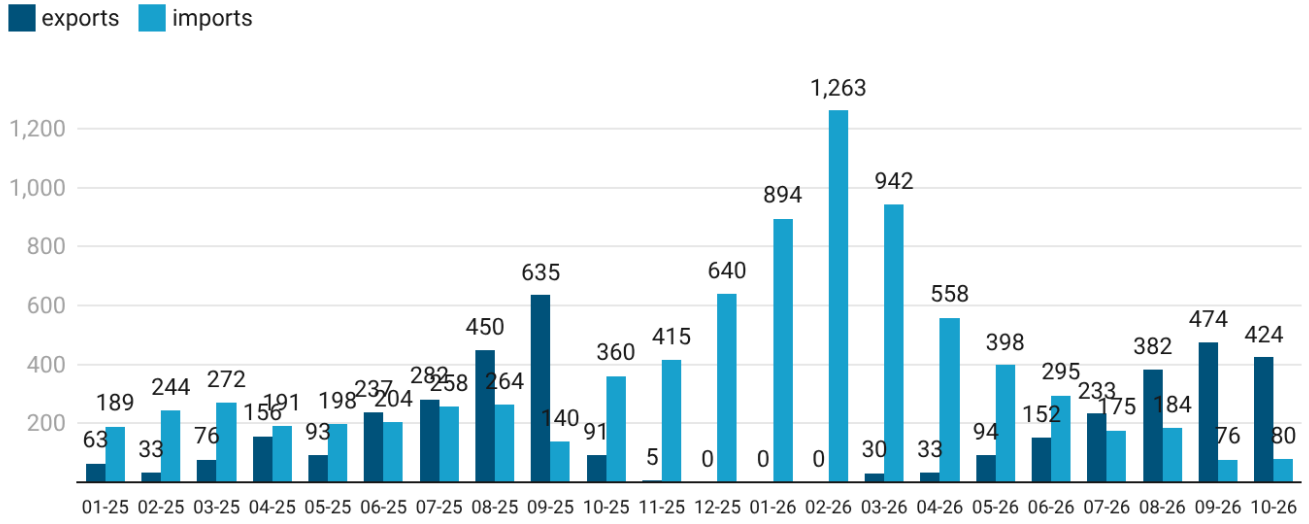
Real GDP declined in the first ten months of 2026 and, according to our estimate, will also contract for the year as a whole. Moreover, second-round effects are intensifying, as the suspension of iron ore extraction and operations at large metallurgical enterprises adversely affects related sectors. In addition, russian attacks are forcing enterprises in other sectors to suspend operations. In particular, in November, Kernel announced the suspension of vegetable oil production following a russian attack. Several industries are scaling down operations or considering suspending production due to their inability to export products. This may further negatively affect household consumption.

Energy: russia targets electricity transmission infrastructure

Electricity. Due to massive russian attacks on Ukraine's energy system in October, some regions faced electricity shortages and supply restrictions. This was primarily caused by bottlenecks in the electricity transmission system targeted by russian drones, whereas previous attacks had focused mainly on generation facilities. As a result, in early November, Ukrainian NPPs were forced to reduce generation after russian attacks because they could not transmit electricity to consumers. According to the Minister of Energy, since September, russia has launched more than 350 attacks on electricity networks, damaging over 800 pieces of equipment at substations and generation facilities. Experts estimate that electricity shortages could reach 4.5–7 GW in winter, depending on weather conditions.

In October, Ukraine imported 79.6 ths. MWh of electricity, up 5% from September. Hungary accounted for the largest share of imports (65%). At the same time, electricity exports declined by 11% mom to 423.5 ths. MWh. Hungary accounted for 50% of total electricity exports.

Figure 2: Electricity exports and imports in 2025–2026, thousand MWh



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

The National Energy and Utilities Regulatory Commission (NEURC) simplified the procedure for obtaining technical specifications for connecting distributed generation facilities and modular boiler houses to gas networks. The procedure can be initiated before land rights are formalized, provided that the necessary approvals are obtained. The rules apply to both gas transmission and distribution systems. Financial incentives were also introduced for consumers to shift electricity consumption from peak hours to periods of lower demand. The mechanism will operate through aggregators that bring consumers together to manage electricity demand.

Ukrenergo completed the restructuring of its 2021 green sustainability Eurobonds. This will save around USD 135 m, which can be used to restore transmission networks and substations and strengthen the energy system. Claims under state-guaranteed bonds were reduced to USD 495 m, with an annual interest rate of 8.6% and maturity in 2041. Non-guaranteed bonds totaling USD 395 m were also issued, with an interest rate of 8.5% and maturity in 2031. Following the restructuring, Fitch Ratings upgraded Ukrenergo's long-term rating from RD (Restricted Default) to CCC.

In the first nine months of 2026, debts owed to Ukrenergo reached UAH 47.3 bn, 12.6% higher than at the end of 2025. Ukrenergo's debts to market participants increased by 60% over the same period to UAH 36.7 bn. To partially address the problem, the Government revised the allocation of revenues received by district heating companies: an additional 5% is allocated to Ukrenergo for debt repayment. The Government is also introducing special accounts for certain protected consumers.

Gas. In October, russia launched massive attacks on Naftogaz gas production facilities in Kharkiv and Poltava oblasts. Since the beginning of the year, russia has attacked Naftogaz Group facilities more than 400 times, twice as often as last year.

On 29 October, Ukraine started the gas withdrawal season from underground gas storage facilities. At the start of the season, gas stocks amounted to 16.0 bcm, the highest level in the last three years. Before the start of the previous withdrawal season, Ukraine had accumulated 13.3 bcm of gas.

In October, private gas producers sold 54.5 mcm of natural gas for export at specialized auctions held by the Ukrainian Energy Exchange (UEEX). The total value of the contracts amounted to EUR 45.6 m.

Transport: Rail freight volumes continue to decline

Maritime transport. Due to systematic attacks, operations at the ports of Greater Odesa remain severely restricted. According to the Ministry of Infrastructure estimate, monthly cargo handling at these ports declined from around 6 m tonnes to 330 ths. tonnes. Since the beginning of the full-scale war, 1,223 port infrastructure facilities and 297 civilian vessels have been damaged or destroyed. Some cargo continues to be redirected to the Danube, although this route also operates under restrictions.

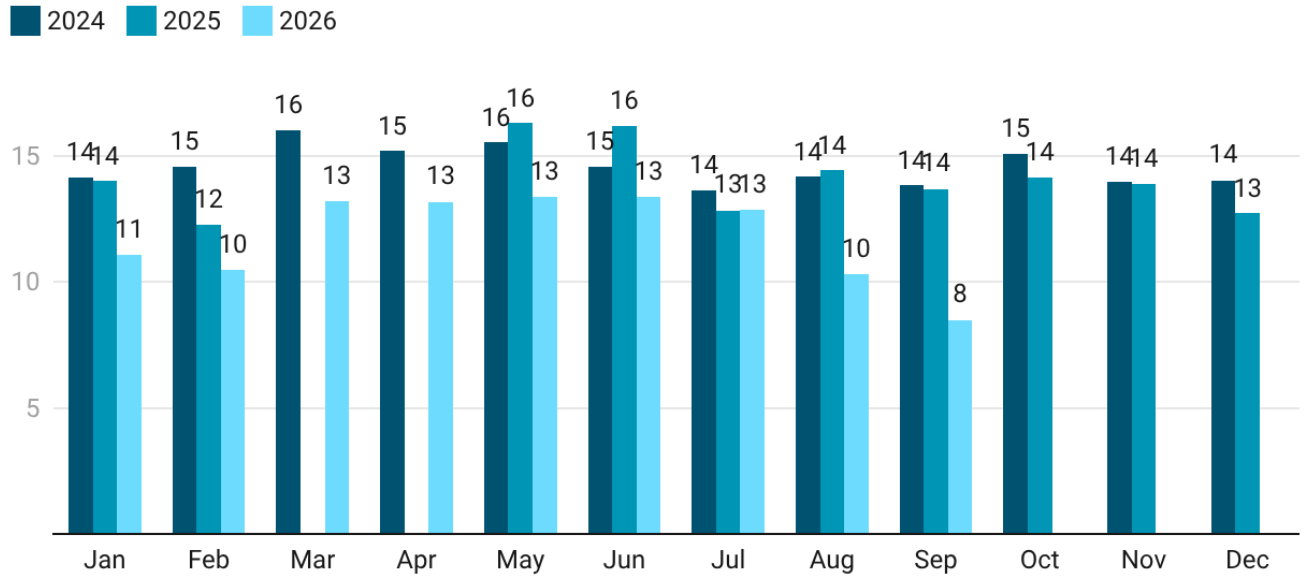
In early November, the Sulina Canal was closed for four days due to adverse weather conditions. Around 90 vessels accumulated at the anchorage, while another 20 were waiting to depart. Security risks have also affected this route: on 14–16 November, drones struck several commercial vessels near Sulina. In response to security risks, on 16 October, Ukraine introduced a mechanism to compensate shipowners for up to 80% of war-related losses not covered by insurance. These shipowners were also granted priority in logistics operations related to vegetable oil exports and fuel imports.

Rail transport. russia continues to deliberately target railway infrastructure, with attacks hitting the railway station in Dnipro and a suburban train in Sumy. Since the beginning of 2026, almost 400 locomotives have been lost due to attacks, while around 15 attacks on rolling stock have been recorded since the beginning of November. To help replenish the fleet, Finland is donating ten diesel locomotives to Ukrzaliznytsia. Assistance is also being provided by Czechia, Slovakia, Lithuania, Estonia and other countries.

In September, railways transported 8.5 m tonnes of cargo (-18% mom; -38% yoy). In October, rail shipments of grain amounted to 1.6 m tonnes (+11.8% mom; -36.7% yoy), of which 1.0 m tonnes were exported (+26.2% mom; -51% yoy). Western border crossings accounted for 83% of grain

exports by rail. The redirection of cargo from maritime routes is putting additional pressure on railway infrastructure and causing congestion. As of October 29, 21.1 ths. freight wagons had accumulated on routes towards western border crossings, extending delivery and rolling stock turnaround times.

Figure 3: Rail freight transport, m tonnes



Source: Ukrstat

Road transport. In September, trucks transported 13.1 m tonnes of cargo, the same volume as in August (-1% yoy).

Growing traffic is increasing pressure on the western border, particularly on the Polish route. Haulers are therefore advised to consider alternative border crossings through Hungary and Romania. On November 5, Ukraine and Slovakia agreed to prepare for the introduction of eCherha on the Slovak side. This should help manage cargo flows more efficiently.

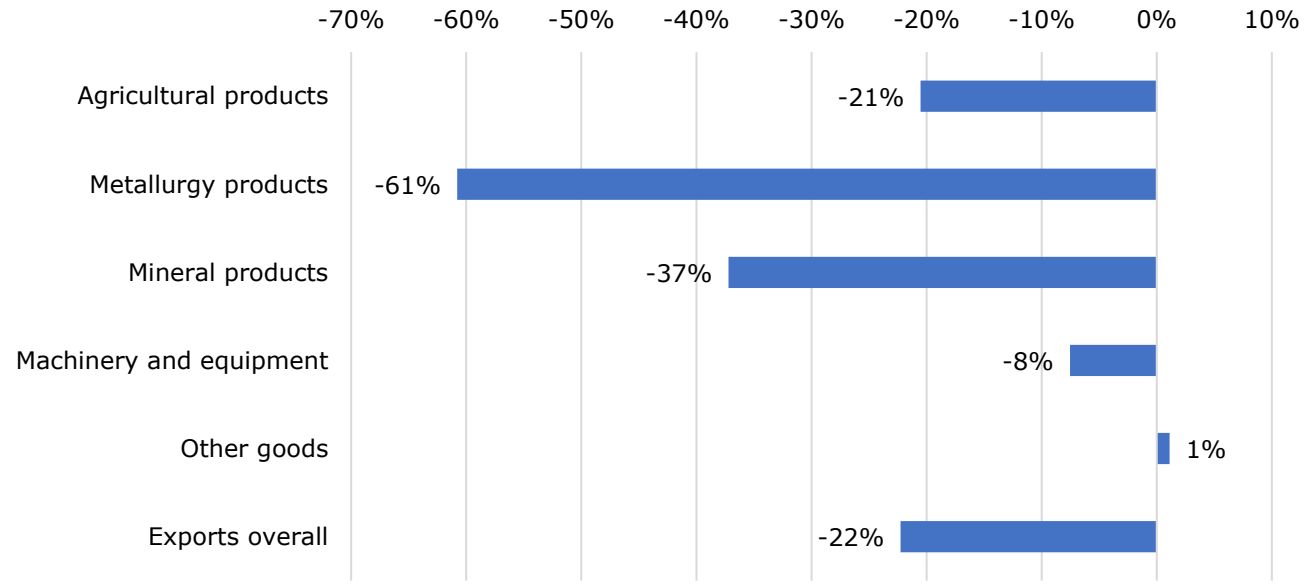
External trade: The impact of logistics constraints persisted

The blockade of seaports continued to constrain exports. Goods exports fell by 22% yoy to USD 2.9 bn from a relatively high base last year and declined slightly compared with September. Agricultural exports increased somewhat compared with September but fell by 21% yoy to USD 1.61 bn. Sunflower oil and other vegetable oils, as well as rapeseed, wheat and maize, dominated agricultural exports. Of these, only rapeseed exports increased compared with last year, from a low base. In physical terms, sunflower oil exports fell by 30% yoy amid a decline in export prices in recent months, wheat exports declined by 33% yoy, and maize exports by 70% yoy. At the same time, exports of more processed agricultural products, which are less vulnerable to logistics constraints, remained close to last year's level.

Metallurgical exports fell by 61% yoy to USD 176 m as a result of russian attacks. Pipes became the largest export item, while exports of rolled steel products virtually ceased. Exports of pig iron and slabs (semi-finished steel products) declined to very low levels. Pipe exports continued, while exports of some other metallurgical products increased. Exports of machine-building products fell by 8% yoy amid a substantial decline in cable exports.

Iron ore exports continued to decline but still reached almost 1 m tonnes. Higher oil prices supported oil exports in dollar terms, while natural gas exports were also recorded. Overall, exports of mineral products fell by 37% yoy. Exports of other goods remained close to last year's level despite some decline in exports of wood and wood products.

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

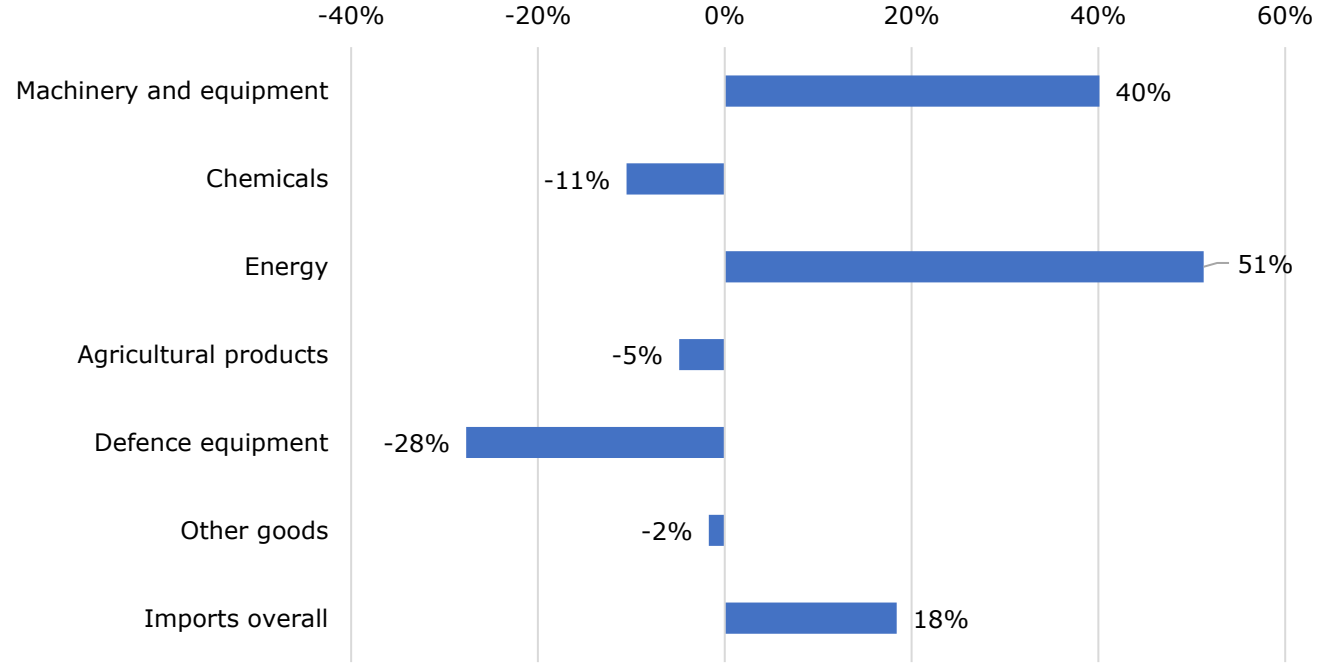


Source: Own calculations according to the State Customs Service

Goods imports increased by 18% yoy in October from an already high base to USD 9.0 bn. As before, high energy prices were one of the main drivers of import growth. The average price per tonne of petroleum products increased by 88% yoy, while import volumes declined by only 7% yoy. As a result, energy imports in dollar terms increased by 51% yoy to USD 1.31 bn. However, an even more important driver of growth was the exceptionally strong demand for imported components and finished products from Ukraine's defence industry and defence forces, as well as demand from Ukrainian consumers for equipment to ensure energy independence. As a result, imports of machine-building products increased by 40% yoy to over USD 4.5 bn. As in August, batteries were the second-largest import item by value after petroleum products (a year ago, petroleum products and cars competed for first place).

At the same time, imports of other products declined somewhat amid logistics difficulties, subdued demand and russian attacks. In particular, fertiliser imports decreased. By contrast, imports of rolled steel products increased, possibly due to lower domestic production.

Figure 5: Dynamics of imports of goods by main groups in September, % yoy



Source: Own calculations according to the State Customs Service

Fiscal policy: Financing improved in 2026, but a large fiscal gap remains for 2027

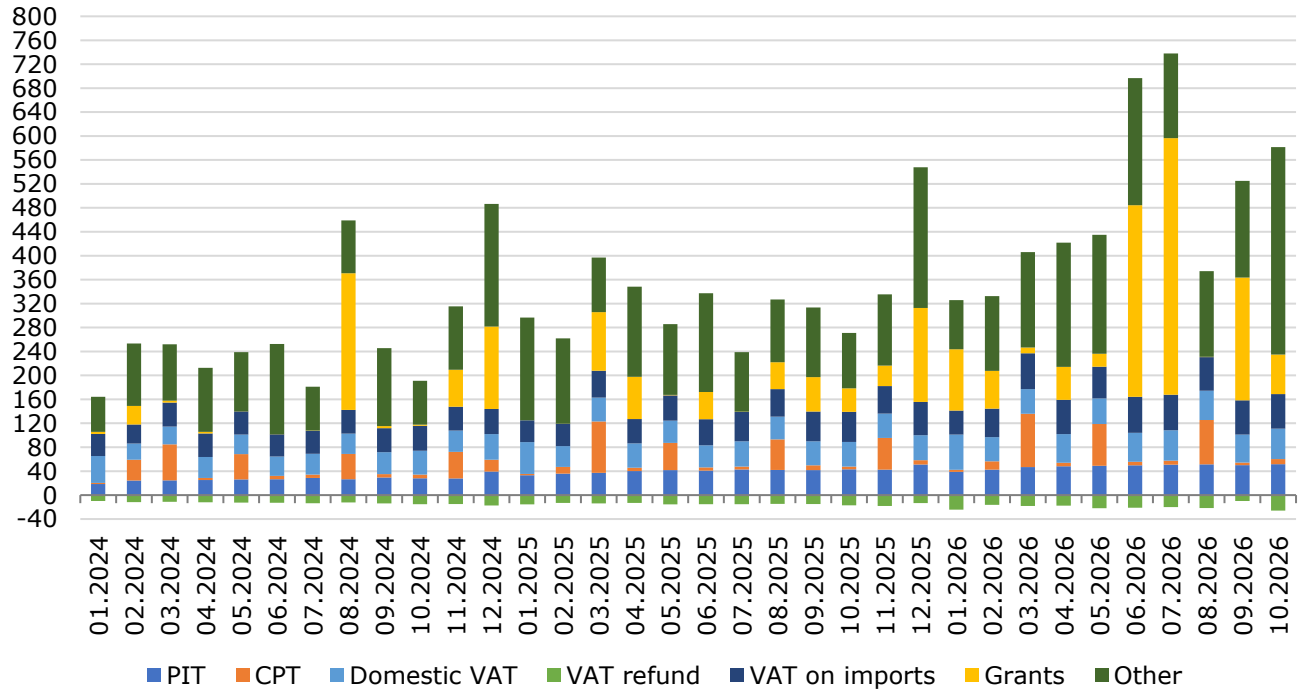
Revenues. According to preliminary data, State Budget revenues amounted to UAH 555 bn in October (twice as high as in October 2025). Revenues were supported by proceeds from the defence component of the Ukraine Support Loan (USL) and a grant under the Ukraine Facility, both recorded as budget revenues. The defence component of the USL is allocated to the special fund of the State Budget. General fund revenues amounted to UAH 222 bn, compared with UAH 196 bn in September.

PIT revenues reached UAH 51.7 bn, 3.1% higher than in September. Thus, the defence sector is likely still supporting the economy as a whole and budget revenues in particular. Alternatively, this could be explained by severance payments to some employees. However, no data are currently available to support these hypotheses. CPT revenues amounted to UAH 8.4 bn, higher than is typical for months without scheduled tax payments. State-owned banks and companies likely made advance CPT payments.

Gross domestic VAT revenues increased to UAH 50.9 bn, likely due to accelerating inflation and higher consumption in nominal terms. At the same time, net revenues declined compared with the previous month as the Government resumed VAT refunds. Refunds surged to UAH 25.9 bn from UAH 9.9 bn in September, compared with an average of UAH 19 bn over the period from September 2025 to August 2026. This somewhat eased the liquidity crisis faced by companies, particularly in the agricultural sector.

VAT revenues on imports amounted to UAH 57.7 bn, remaining close to the September level. However, revenues continued to fall short of the target due to lower-than-expected taxable imports in dollar terms and a stronger hryvnia.

Figure 5: State Budget Revenues, UAH bn



Source: Ministry of Finance

Overall, tax revenues to the general fund of the State Budget were below planned levels. The annual revenue target is unrealistic. It is crucial for the Government to receive the defence component of the Ukraine Support Loan on time to finance defence and security expenditures.

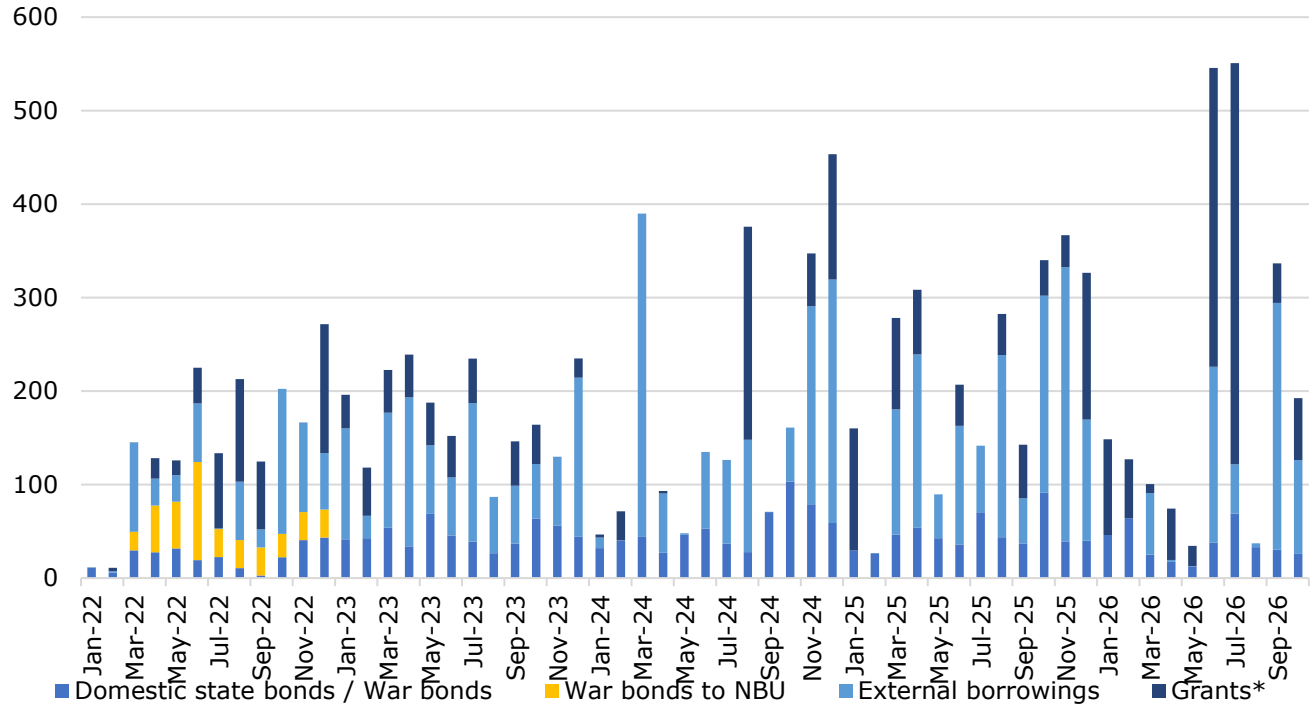
Financing. In October, the Government continued to restrict expenditures from both the State and local budgets due to liquidity constraints. This primarily concerned capital expenditures.

Domestic borrowings amounted to around UAH 26 bn, of which only UAH 14 bn was raised through market placements of domestic government bonds. The remainder was accounted for by switch auctions, effectively refinancing domestic debt.

The Government and the Verkhovna Rada intensified their efforts to fulfil external financing conditionalities. This allowed Ukraine to substantially narrow the fiscal gap for 2026. In particular, in October, Ukraine received EUR 2.9 bn under the Ukraine Facility and USD 404.5 m from Japan and the World Bank under the THRIVE project. On 5 November, Ukraine received EUR 3.7 bn in EU macro-financial assistance under the Ukraine Support Loan. On 16 November, the Council of the EU approved the next loan tranche of EUR 8 bn under the Ukraine Facility based on the fulfilment of Ukraine Plan indicators. The disbursement is expected shortly. This amount is financed through both EU support instruments: the Ukraine Facility, which covers the period 2024–2027, and the Ukraine Support Loan. This time, the EU allocated only partial payments for certain indicators, as they had not been fully fulfilled.

By the end of the year, Ukraine may receive the third loan tranche of EUR 1.45 bn under the macro-financial assistance component of the Ukraine Support Loan. The Government may also submit another report on the fulfilment of Ukraine Plan indicators for Q3 2026 to receive at least part of the tranche by the end of the year. Otherwise, given the revenue shortfall and high expenditure financing needs, the Government will struggle to fully resume financing of all planned expenditures.

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



Note: * grants are part of budget revenues. External assistance from ERA is included in grants if received from the US through the World Bank account, and in loans if received from other partners.
Source: Ministry of Finance

While Ukraine has substantially narrowed the fiscal gap for 2026, a large financing gap remained for 2027 as of mid-November: EUR 30 bn for civilian State Budget expenditures and EUR 40 bn for defence and security financing. On 18 November, the European Commission proposed a solution to cover around two-thirds of this amount, namely EUR 45 bn. Of this amount, EUR 20 bn is proposed to be allocated to budget support. As under the Ukraine Support Loan, these funds will be channelled equally through the Ukraine Facility and macro-financial assistance. The financing will be subject to conditionalities and indicators that Ukraine will need to fulfil to receive the funds. As this year, defence support (EUR 25 bn) will be provided either through the State Budget or through EU procurement of weapons for Ukraine.

Provided that the Council of the EU approves the European Commission's proposal, an additional EUR 25 bn in assistance will still need to be secured from other international partners. Of this amount, EUR 10 bn is needed for budget financing, with several billion euros expected from the World Bank. Ukraine is also negotiating increased financial support with other partners, primarily Norway, Japan, Canada and the United Kingdom.

To ensure resilience and rapid recovery, international partners' efforts to increase and accelerate support through the Ukraine Energy Support Fund are also important. Furthermore, it is essential to launch the Transport Support Fund as soon as possible and ensure faster procedures for providing assistance under this instrument. At the same time, air defence remains the number one priority for Ukraine's resilience.

2027 State Budget. The Verkhovna Rada supported the draft 2027 State Budget by approving the Budget Committee's conclusions, which envisaged, among other things, higher expenditures on military remuneration. At the same time, the deteriorating economic situation requires adjustments to the macroeconomic assumptions underlying the State Budget parameters. According to the Government's revised forecast, real GDP growth was revised down from 1.6% to 0.1% in 2026 and from 1.3% to 0.4% in 2027. According to the official forecast, inflation will accelerate to 10.6% in 2026 before slowing to 8.5% in 2027. Meanwhile, the NBU forecasts real GDP to decline by 0.4% in 2026 but increase by 0.4% next year. Expert forecasts are more pessimistic, projecting a decline in real GDP both this year and next. The key assumptions affecting the forecasts concern the reopening of Odesa seaports, the operations of metallurgical enterprises and the magnitude of the fiscal impulse.

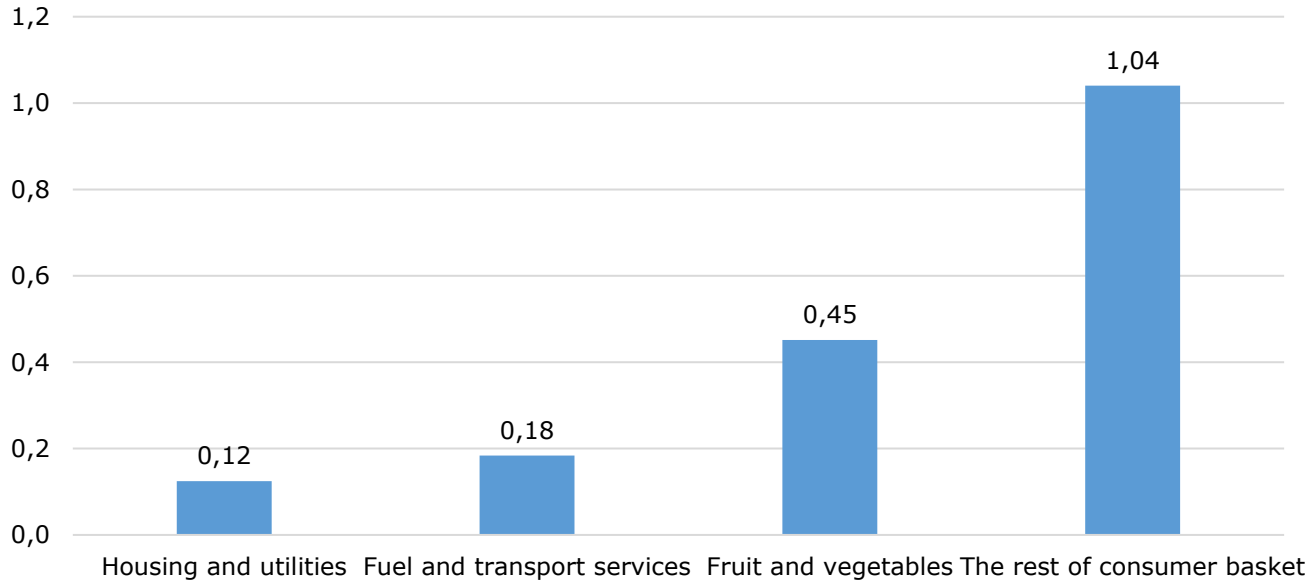
Meanwhile, the IMF's revised forecast envisages a decline in real GDP by 0.5% in 2026 and by 1.0% in 2027. The November IMF mission concluded with an agreement to continue negotiations. The IMF expects a realistic but prudent budget, as well as the fulfilment of several additional structural benchmarks.

Inflation: Consumer inflation accelerated to 11.0% yoy in October

Consumer inflation accelerated further to 11.0% yoy in October from 10.0% yoy in September. Broad-based price increases continued, reflecting supply losses caused by russian attacks on production facilities, rising costs due to attacks on warehouses and other logistics infrastructure, and high fuel costs. Inflation expectations also started to rise, putting additional pressure on price-setting.

The CPI increased by 1.8% mom in October, somewhat below the very high September reading. This primarily reflected broad-based price increases driven by the additional costs mentioned above. Water supply and sewage tariffs continued to be adjusted following the lifting of the moratorium on tariff increases. Overall, these tariffs have more than doubled since May. Vegetable prices also increased following a decline in September, while fuel prices and road transport costs continued to rise.

Figure 8: Contributions to monthly price growth in October 2026, percentage points



Source: *Own calculations based on Ukrstat data*

Monthly inflation, excluding one-off and seasonal price movements, stood at 1.3% mom and remained elevated for several consecutive months. This reflected a greater pass-through of additional costs to consumers compared with the summer.

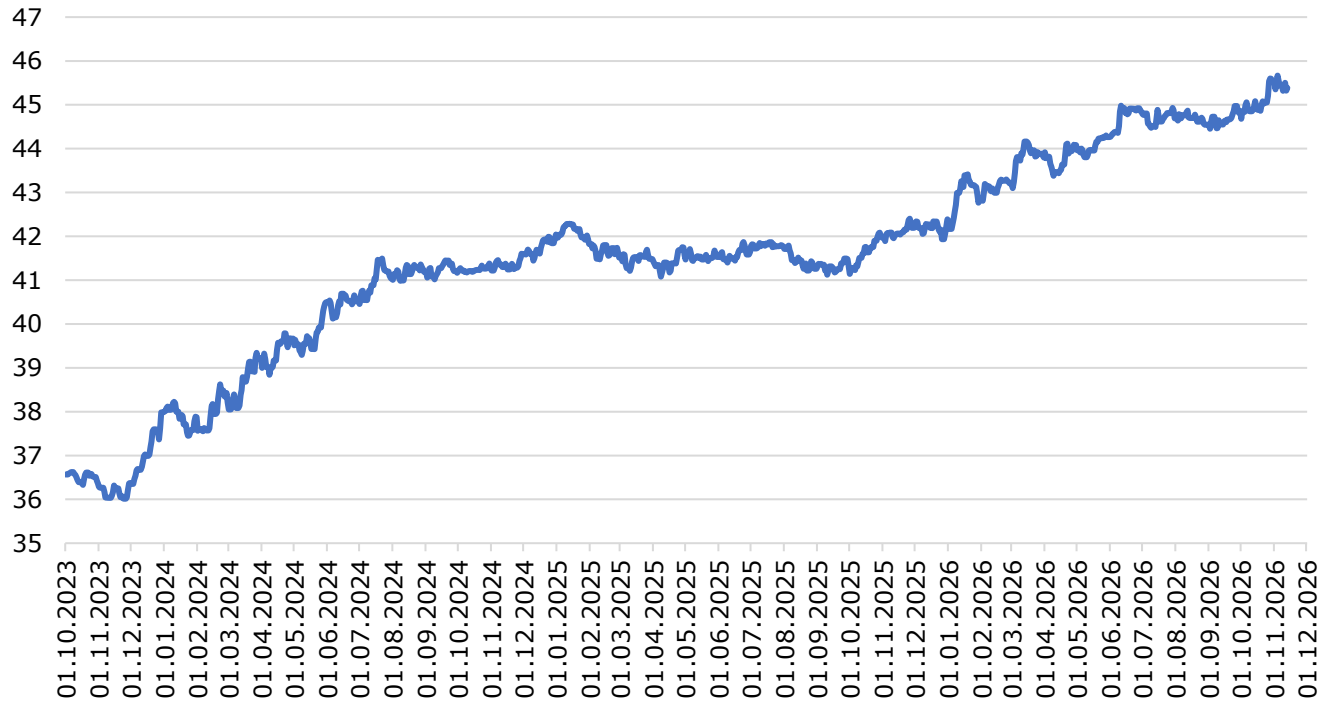
Exchange rate and monetary policy: Hryvnia exchange rate fluctuations remained moderate

Exchange rate. The hryvnia fluctuated against the US dollar, crossing the UAH 45/USD threshold, but has recently strengthened against the dollar and even more noticeably against the euro. Exchange rate fluctuations were contained by substantial NBU interventions, which reached a record USD 6.6 bn over the four weeks ending on 15 November. As in the previous few months, this reflected significant fiscal stimulus to demand and lower export proceeds. Net demand for foreign currency from corporate bank clients continued to grow despite its already high level.

NBU international reserves increased to USD 49.1 bn in October from USD 47.1 bn in September due to higher inflows of donor financing. In October, the Government received USD 8.3 bn in donor financing, including the defence component of the Ukraine Support Loan, which was fully included in reserves as the Government converted these funds into hryvnia. NBU interventions to balance the FX market reached USD 6.05 bn, while Government foreign currency debt service payments amounted to USD 495 m. According to the NBU, reserves are sufficient to cover 4.2 months of imports of goods and services.

Monetary policy. On 28 October, the NBU raised the key policy rate for the third consecutive time, to 16.5% p.a., amid accelerating inflation and persistent inflationary risks. As before, several members of the NBU's Monetary Policy Committee remained cautiously optimistic and opposed the rate increase, citing weakening consumer demand and the largely exhausted inflationary pressure from supply-side factors. However, most Committee members disagreed with this view and supported the key policy rate increase. Committee members expect moderate monetary policy easing in 2027.

Figure 9: Official exchange rate of hryvnia vs US dollar (UAH per USD)



Source: NBU

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