



# Monthly Economic Monitoring of Ukraine

№248, September 2025

## ***Executive Summary***

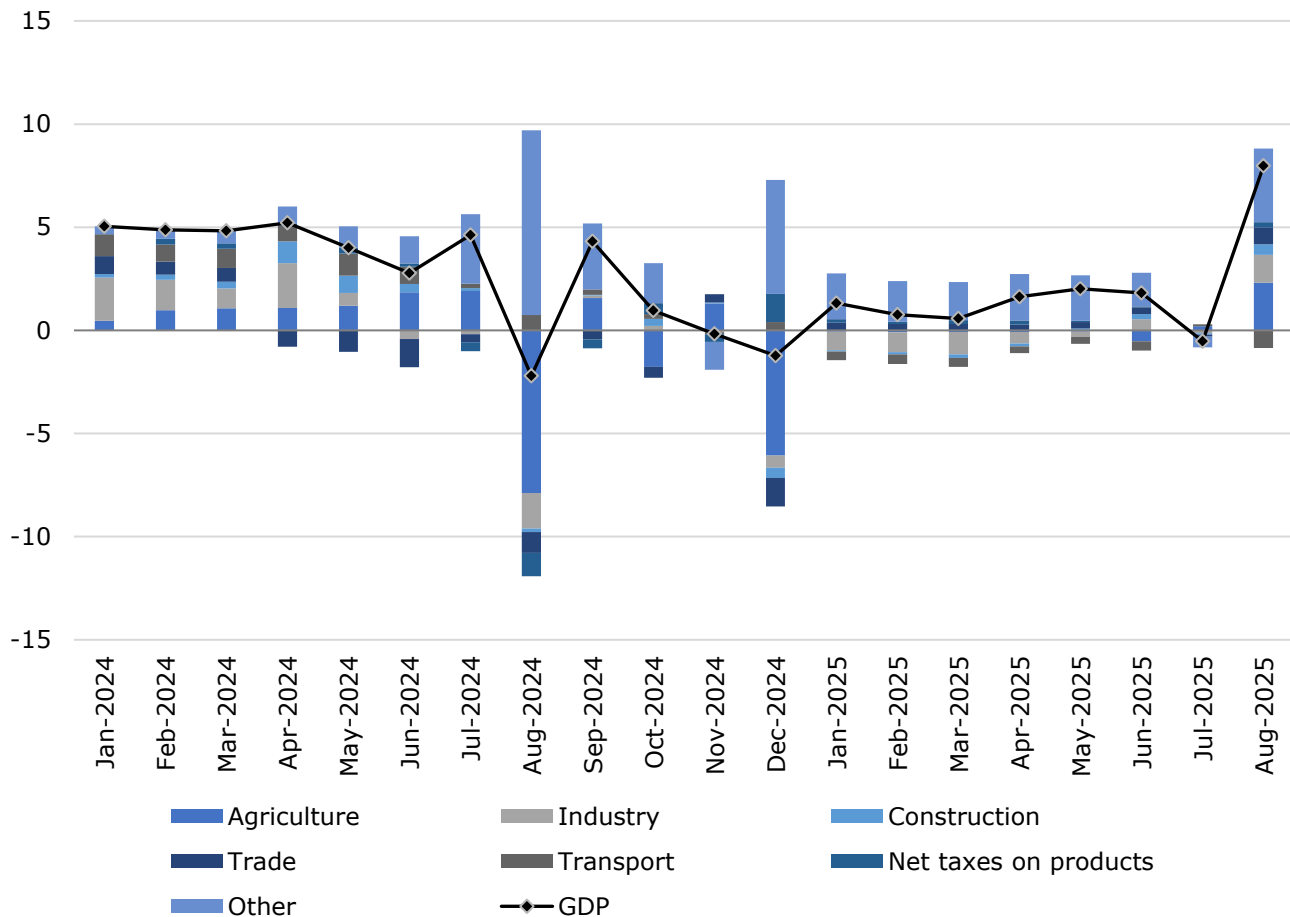
- According to IER estimates, real GDP growth accelerated to 8% yoy in August after a 0.5% yoy decline in July; this is primarily due to differences in agricultural sector dynamics.
- In August, Ukraine increased electricity exports by 60% mom to 450 thousand MWh.
- In August, 1.55 bn m<sup>3</sup> of natural gas was injected into Ukrainian underground gas storage facilities, and 652.6 mn m<sup>3</sup> was imported, which is 21% less compared to July. Reserves amount to 11.2 bn m<sup>3</sup>.
- The ban on seaborne imports of mineral fertilizers has been partially lifted.
- In August, Ukrzaliznytsia transported 2.8 mn t of grain cargo, representing a 2.3-fold increase compared to July and a 6% increase compared to August 2024.
- Exports and especially imports fell in August compared to July.
- The Government submitted the Draft State Budget Law for 2026: risks to revenue performance and financing.
- In August, inflation in annual terms slowed down for the third month in a row to 13.2% yoy,
- The NBU once again kept the key policy rate at 15.5% per annum in September, but does not rule out a rate cut this year.

## GDP and real sector: Agriculture explains dynamics in GDP

**Ukrstat:** According to the Ukrstat, industrial production rose by 2.9% yoy in June after a slight decline in May. The drop in extractive industry narrowed to 5.6% yoy thanks to increased extraction of construction materials, as construction volumes also accelerated - especially in engineering (most likely fortifications). Manufacturing output grew by 5.7% yoy in June versus 0.8% yoy in May due to an improvement in the food industry. Electricity and gas production and supply increased by 7.8% yoy from the low base of June 2024, when Russia massively destroyed power-generation facilities.

The Ukrstat has not yet published real GDP growth for Q2.

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



Source: IER estimates

**IER estimate.** According to IER, real GDP growth accelerated to 8% yoy in August after a 0.5% yoy decline in July (we revised our earlier estimates considering newly available June data from the Ukrstat). The main driver is changed agricultural dynamics due to a later harvest. We estimate that real gross value added (GVA) in agriculture rose 37% yoy in August after a 26% yoy drop in July. Based on preliminary weekly data, the wheat harvest in August was 3.5 times larger than in August 2024, while the barley harvest was roughly twice as large.

We estimate real GVA in manufacturing increased by 6% yoy, supported by steady demand, a rebound in the food industry, and government procurement of defense items and equipment. In contrast, GVA in extractive industry fell by 7% yoy as Ukraine has lost coal mines, though this was partly offset by higher extraction of construction materials. Electricity generation grew by about 10% yoy from last year's low base, when widespread outages hit consumers after Russia destroyed half of electricity generation capacities.

Trade growth held at around 3% yoy in August, underpinned by timely wage and social payments and rising pay amid labor shortages. In contrast, real GVA in transport declined by nearly 10% yoy following the end of gas transit, a temporary suspension of oil transit, and lower rail volumes.

## Energy: Ukraine prepares for winter

**Electricity.** In August, Ukraine increased electricity exports by 60% mom to 450 thousand MWh. Since the integration of Ukraine's energy system into ENTSO-E, this monthly electricity export figure is a record high. The largest shares in the export structure were held by Hungary (38%) and Moldova (29%). Electricity imports in August grew by 2.5% mom to 264 thousand MWh. Hungary continues to hold the largest share in the import structure at almost 41%.

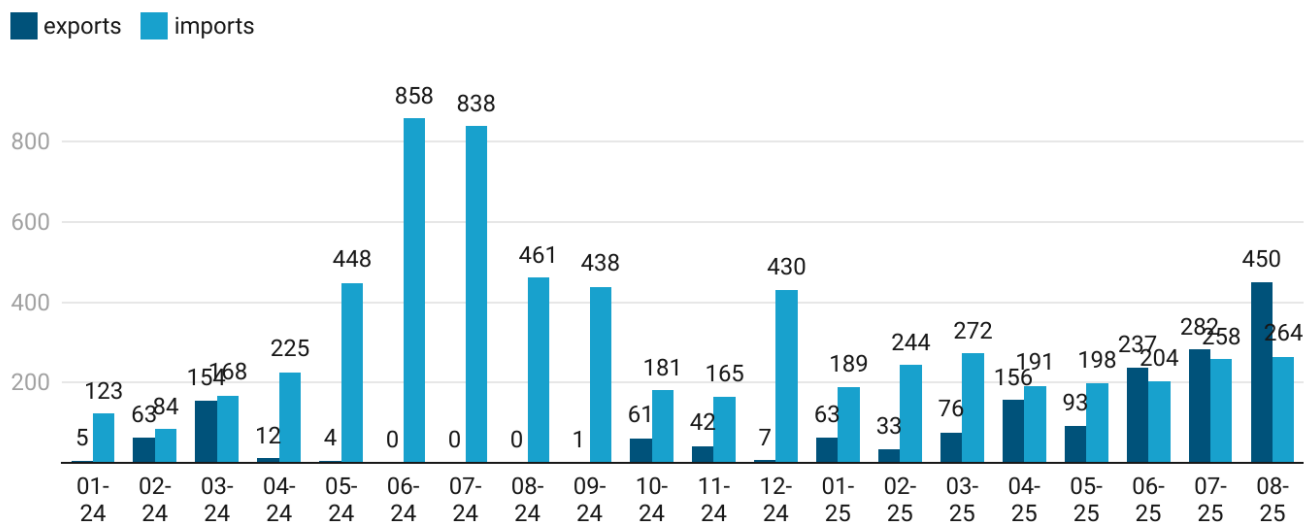
It is expected that seven out of nine Energoatom power units will operate in September, according to the planned maintenance campaign schedule at nuclear power plants. According to [experts](#), gas-fired thermal power plants are operating at 50% equipment capacity to save gas, while other thermal power plants are operating in normal mode.

Ukrenergo has fully completed construction of the first phase of passive protection structures for equipment at its substations and is scheduled to complete the second phase in the first quarter of 2026. Unfortunately, attacks on Ukraine's energy system continue. On the night of August 26-27, Russia attacked energy and gas transportation facilities in six regions of the country (Sumy, Poltava, Donetsk, Chernihiv, Kharkiv, and Zaporizhzhia), on August 31 – energy infrastructure in Odesa and Chernihiv regions, and on September 8 – a thermal power plant in Kyiv region. In Dnipro, after the August 30 attack, rolling blackouts were temporarily implemented.

DTEK Group commissioned 200 MW of energy storage systems (ESS) created in partnership with American company Fluence. Six new facilities of various capacities – from 20 to 50 MW – have already been connected to the energy system in Kyiv and Dnipropetrovsk regions. Total construction investments amounted to EUR 125 mn. KNESS company built over 100 MW of additional ESS capacity.

Since the beginning of the year, Energoatom has paid UAH 102 bn under imposed special obligations (100% of service cost for January-August 2025 and 40% of projected cost for September). Imposed special obligations (PSO) are a state instrument that allows keeping electricity tariffs for the population below market level. According to the financial plan of NAEK Energoatom, the projected cost of PSO services in 2025 amounts to UAH 164 bn. In 2024, Energoatom paid UAH 153 bn for PSO services. Ukrhydroenergo also pays under PSO but has not disclosed data for 2024-2025.

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



Note: Indicators 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) stood at 11.2 bn m<sup>3</sup> (bcm) on September 1. Excluding 4.6 bcm of buffer gas that cannot be withdrawn, 6.6 bcm remains available for consumption. In August, 1.55 bcm of natural gas was injected into Ukrainian UGS facilities, and 652.6 mn m<sup>3</sup> was imported, which is 21% less compared to July. To accumulate the 13.2 bcm of gas estimated necessary for safe winter passage, Ukraine needs to inject another 2 bcm into storage facilities by November 1, which can be achieved by maintaining current levels

of domestic production and imports. By mid-September, gas reserves in UGS already slightly exceeded last year's figures.

Naftogaz of Ukraine began purchasing natural gas using a EUR 500 m credit line from the European Bank for Reconstruction and Development (EBRD). This agreement became the largest that EBRD has ever signed in Ukraine and was provided under European Union guarantees for the first time. Additionally, to prepare for winter, Naftogaz received credits from PrivatBank and Ukgasbank of UAH 4.7 bn each, as well as a grant from the Norwegian government of approximately EUR 85 mn through EBRD.

From September 3, the State Register of Oil and Gas Wells was put into operation, containing information about over 12.5 thousand wells, including active, mothballed, monitoring wells, etc. According to published data, 6,291 wells are currently active.

**Coal.** At the beginning of September, thermal power plant stockyards were filled almost 100% with coal, with reserves amounting to approximately 2 mn t of coal, representing a 2-month supply for winter operations. The key source of coal mining is currently Pavlogradvugillya mines, which are under regular shelling. In case coal mining stops due to Russian shelling, thermal generation is ready to additionally import fuel.

On August 26, due to shelling of mines in Dobropillia community, one worker was killed, and 148 miners were blocked. On September 8, Russia attacked a DTEK enrichment plant in Donetsk region. As a result of the attack, the enterprise building was destroyed and technological equipment was damaged. The plant's operations are completely paralyzed.

**Oil.** In August, gasoline imports decreased by 25% compared to July, to 164 thous. t. The decrease in imports in August was related to the surplus July. At that time, the market was dealing with the consequences of the destructive attack on Ukrtatnafta in mid-June. The largest imports came from Lithuania (47.4 thous. t of fuel) and Poland (34.8 thous. t). Meanwhile, according to customs data, total petroleum product imports in August grew by 7% mom to 701 thous. t. This may reflect high demand from agricultural producers.

On August 18, the Ukrainian government announced a new competition for investors to develop two oil and gas blocks – Svichanska and Mezhyhirska – within Lviv, Ivano-Frankivsk, and Chernivtsi regions under production sharing agreement (PSA) terms. The resource base of the blocks amounts to 55 mn t of hydrocarbons. According to the agreement between the governments of Ukraine and the USA on creating an investment fund, the US partner receives the right to purchase the extracted products (such as oil or gas) with priority under conditions specified in the contract. Applications from investors will be accepted for three months, until mid-November 2025. After that, an interdepartmental commission will determine the winners within a month.

## **Transport: Rail grain transportation resumed**

**Maritime transport.** On August 28, the Naval Forces Command of the Armed Forces of Ukraine, together with Odesa Regional Military Administration, decided to partially lift the ban on seaborne imports of mineral fertilizers. The restrictions will not apply to complex mineral fertilizers (NPK) that are not explosive and have international SDS safety data sheets.

**Rail transport.** In August, Ukrzaliznytsia transported 2.8 mn t of grain cargo, representing a 2.3-fold mom increase and a 6% yoy increase. In export traffic (to ports and western border), the railway transported 2.55 mn t in August, a 70% mom increase but a 3% yoy decline.

On September 5 in Uzhhorod, the opening of the European standard railway track between Chop and Uzhhorod stations took place. The new 22 km section became the first European gauge railway project of such scale in the history of independent Ukraine. The total construction cost was UAH 1.3 bn, half of which was financed by an EU grant under the Connecting Europe Facility (CEF) program, and another 50% by a European Investment Bank loan. From September 12, direct passenger trains from Uzhhorod began running to Bratislava, Vienna, and Budapest.

**Road transport.** The government simplified the procedure for obtaining category CE driving licenses (trucks with trailers), canceling the mandatory requirement to hold category C with truck driving experience of at least one year. The main goal of the changes is to address the personnel shortage of freight transport drivers. Canceling the requirement will allow quick recruitment of new drivers for truck-trailer operations without spending additional time waiting for formal completion of the basic category driving period.

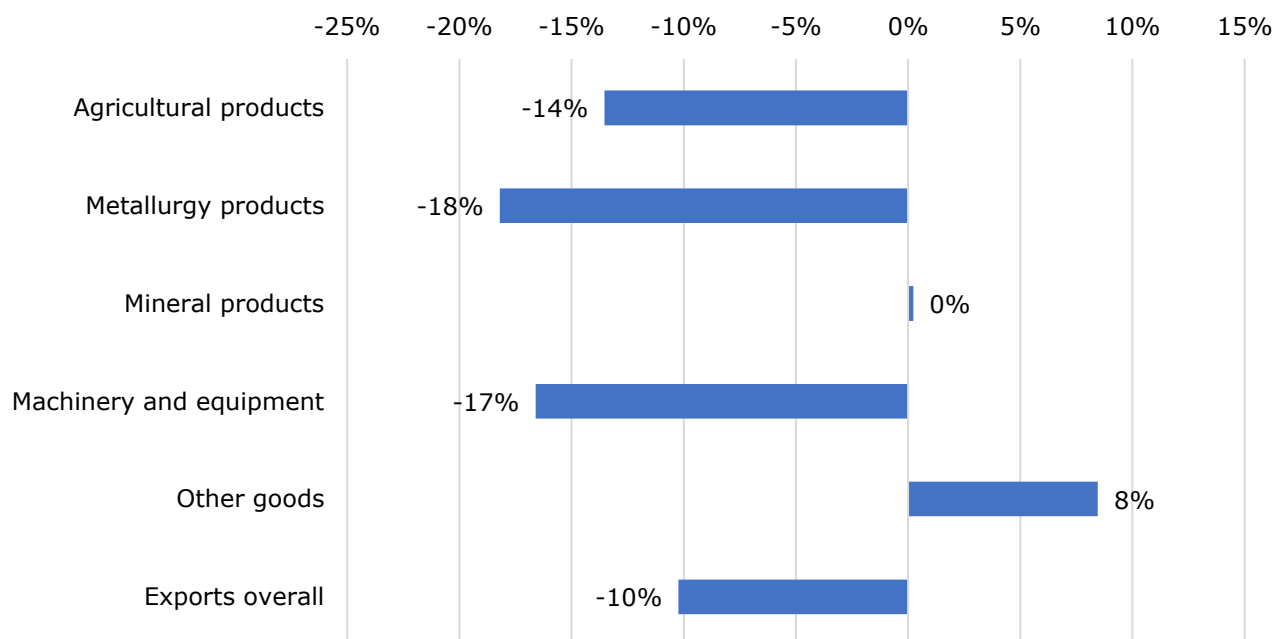
On September 10, the registration process in the eQueue system for truck and bus drivers changed – the requirement to submit an application in the "18-60" module (known as "Shlyakh") was canceled. From now on, the eQueue system will operate as a single window, meaning carriers or drivers will fill in data once when booking a place in the online queue for border crossing. Only drivers entered in the carrier's electronic cabinet in the UKIS "Ukrtransbezpeka" system are allowed to leave Ukraine.

Ukrtransbezpeka opened access to the [Register](#) of Inter-regional Public Bus Routes. The register contains names and numbers of bus routes, schedules, and information about motor carriers. As of early September, the register contained 2,517 inter-regional bus routes.

### External trade: Low exports and more moderate imports

Exports of goods in August fell compared to July, with a decline in exports of all major groups of goods. In annual terms, exports fell by 10% yoy and amounted to almost USD 3.1 bn. Agricultural exports fell by 14% yoy to USD 1.56 bn. due to much lower stocks of late crops compared to the previous year. Higher export prices and the agricultural exports diversification partially compensated for the decline in physical export volumes. For example, the volume of corn exports fell by three times, and the export volume of sunflower oil dropped by a third. Exports of early crops also fell due to lower harvest this year. At the same time, export prices for these products increased by 15-37% yoy.

**Figure 3: Dynamics of exports of goods by main groups in August, % yoy**

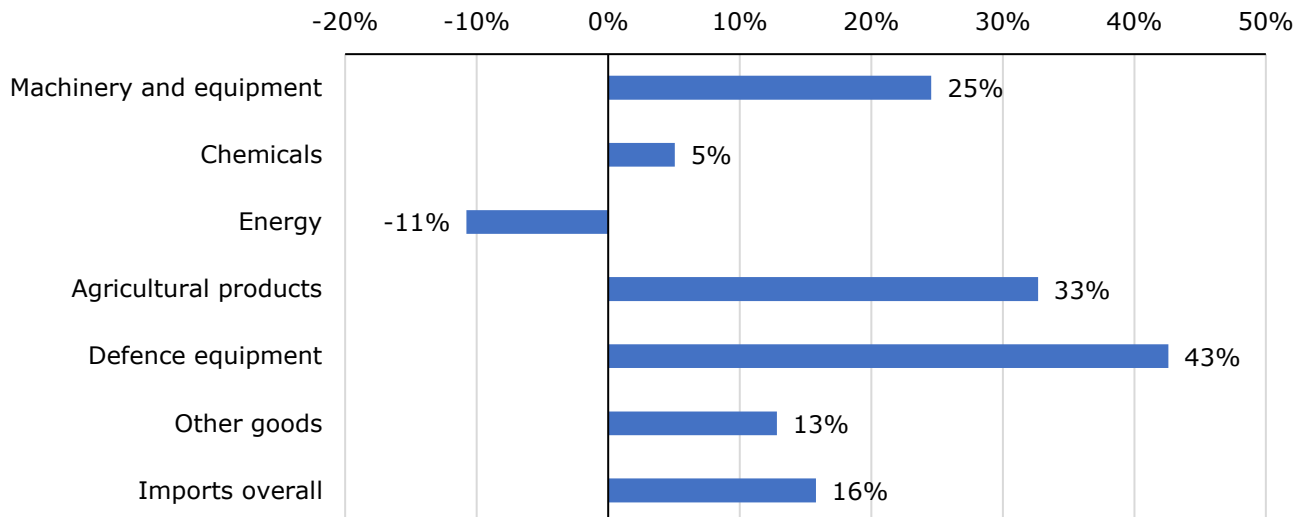


Source: Own calculations according to the State Customs Service

Exports of metallurgical products were the lowest in five months in dollar terms and fell by 18% yoy to USD 380 m compared to the previous year. Exports fell both due to a decrease in steel exports and an increase in the share of cheaper pig iron due to rolled products, semi-finished products and pipes. Exports of engineering products fell by 17% yoy. Wire exports were the lowest this year, the comparison base high. Exports of mineral products remained at the level of the previous year: USD 258 m. The growth in electricity exports offset the drop in iron ore exports.

Imports of goods in August fell compared to July and amounted to USD 6.7 billion, with a decrease in imports for all groups of goods. However, imports increased by 16% yoy compared to last year. Imports of machinery and equipment amounted to USD 2.7 billion and increased by 25% yoy. Imports of passenger cars fell compared to July, but increased by 48% yoy in dollar terms. Imports of energy equipment remained high. Energy imports fell by 11% yoy due to lower prices for petroleum products and lower electricity imports compared to last year's high base. Imported gas customs clearance returned to the level of the previous year. At the same time, coal imports were the highest this year and almost tripled compared to the previous year. Imports of other goods also increased significantly compared to the previous year, including food imports.

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



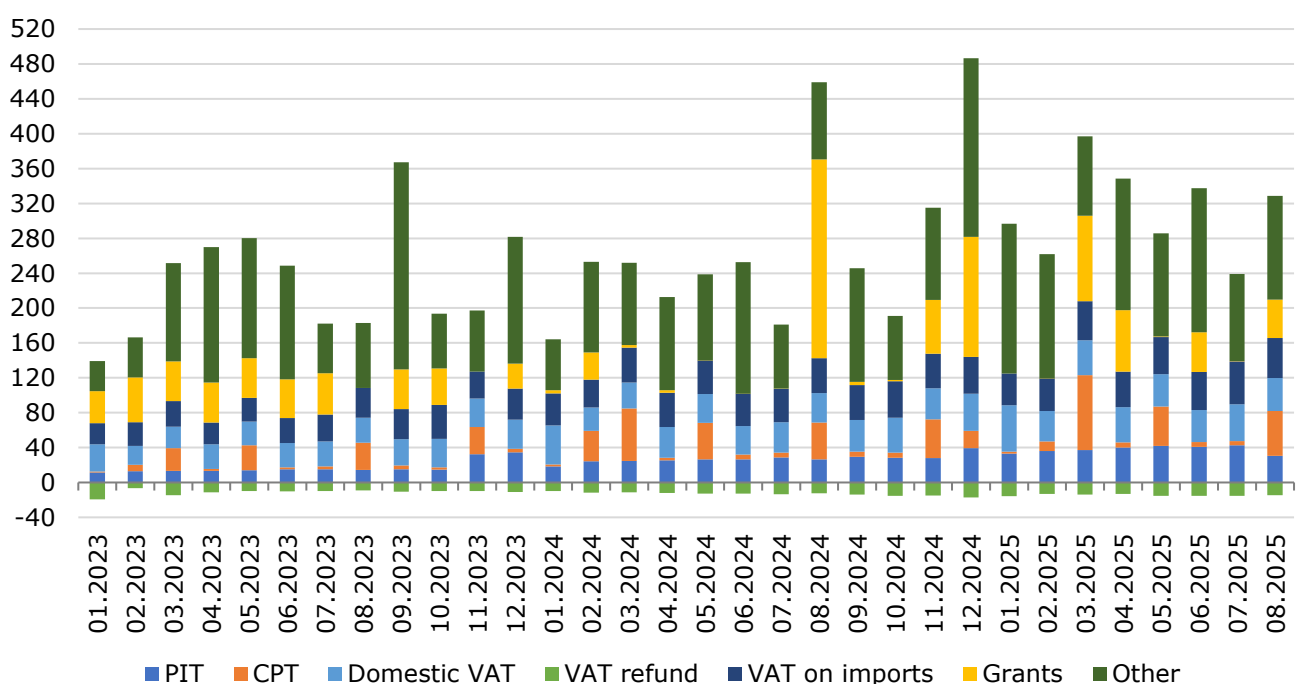
Source: Own calculations according to the State Customs Service

### Fiscal policy: The Government approved the Draft State Budget Law for 2026

**State Budget - 2025.** According to preliminary data, total budget revenues in August amounted to UAH 314 bn (in July they were UAH 227 bn, and in June – UAH 325 bn). Revenues were supported by a grant of UAH 44 bn.

General fund revenues amounted to UAH 243 bn, which is significantly higher than in July. This is primarily due to the schedule of quarterly corporate profit tax (CPT) payments, with CPT receipts totaling UAH 51 bn, up by 21% compared to August 2024. At the same time, general fund revenues were UAH 9.4 bn below the plan, in particular due to lower VAT revenues. Thus, the growth rate of VAT revenues slowed. VAT from domestically produced goods rose by 12.2% yoy to UAH 38 bn, whereas in July these figures were 21.6% yoy and UAH 42 bn, respectively. This may reflect consumption changes. VAT receipts from imports increased by 15.6% yoy to UAH 46 bn (in July growth was 28% yoy and a record UAH 49 bn). The slowdown may be related to a decline in taxable imports. VAT refunds decreased compared to July and amounted to UAH 14.6 bn.

**Figure 5: Central fiscal revenues, UAH bn**



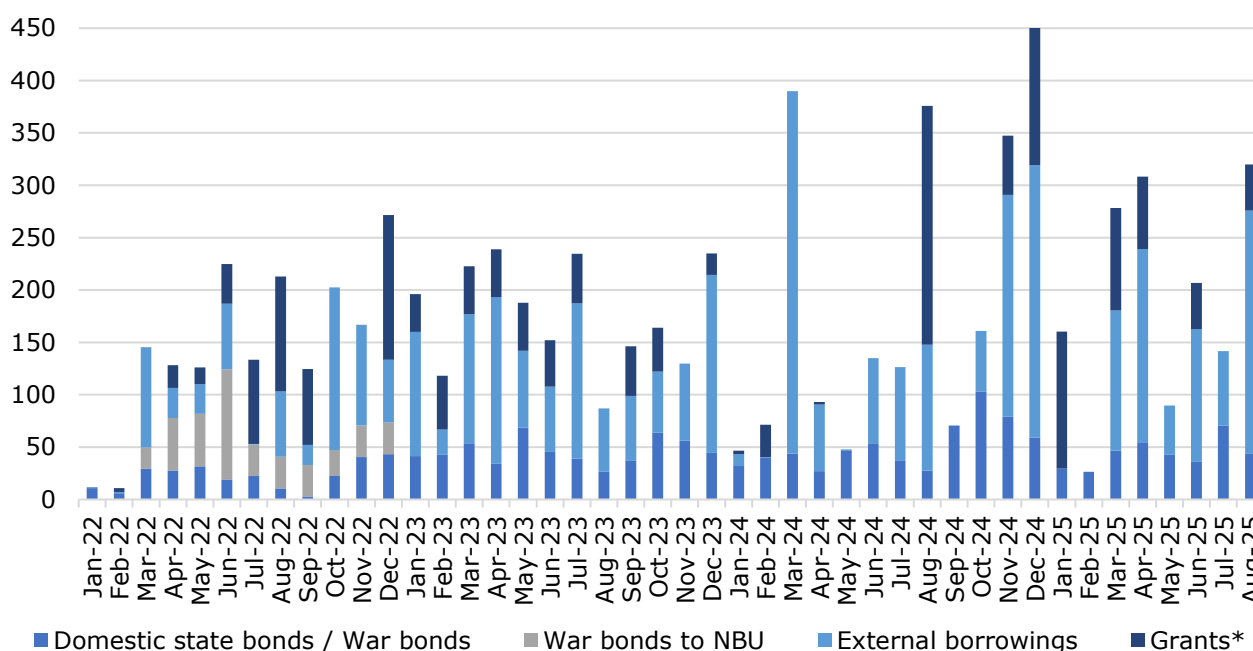
Note: August 2025 – personal income tax due to the State Budget general fund.

Source: Ministry of Finance

General fund expenditures in August amounted to UAH 330 bn and exceeded the plan. Although the government in July approved amendments to the State Budget and increased planned defense and security spending by UAH 400 bn, this will be insufficient to finance these expenditures. This primarily concerns military remuneration, from which appropriations were reallocated to defense procurement amid the absence of the planned volumes of U.S. military assistance. Therefore, further amendments to the State Budget are expected in the coming months. Various estimates point to about UAH 300 bn in financing. At the same time, European Commission President Ursula von der Leyen announced an initiative to direct an additional EUR 6 bn in support to Ukraine under the new Reparation Loan instrument. These funds would be sufficient to finance defense expenditures through the end of the year, provided their use for defense is authorized and the decision is adopted swiftly.

Domestic government bond placements amounted to UAH 43 bn in August (July — UAH 70 bn), although the financing need remains. By year-end, the government needs to accelerate domestic borrowing, as it is expected to finance nearly half of the summer increase in defense and security spending.

**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 August, Ukraine received EUR 3.1 bn from the EU under the Ukraine Facility instead of the planned EUR 4.5 bn, as not all indicators for Q1 2025 were fulfilled. The government submitted the report on Q2 2025 indicators to the European Commission only in September, so the funds will arrive later than planned. The tranche will also be smaller than planned, as not all indicators have been met. In addition, Ukraine received EUR 1.0 bn from the EU under ERA in August.

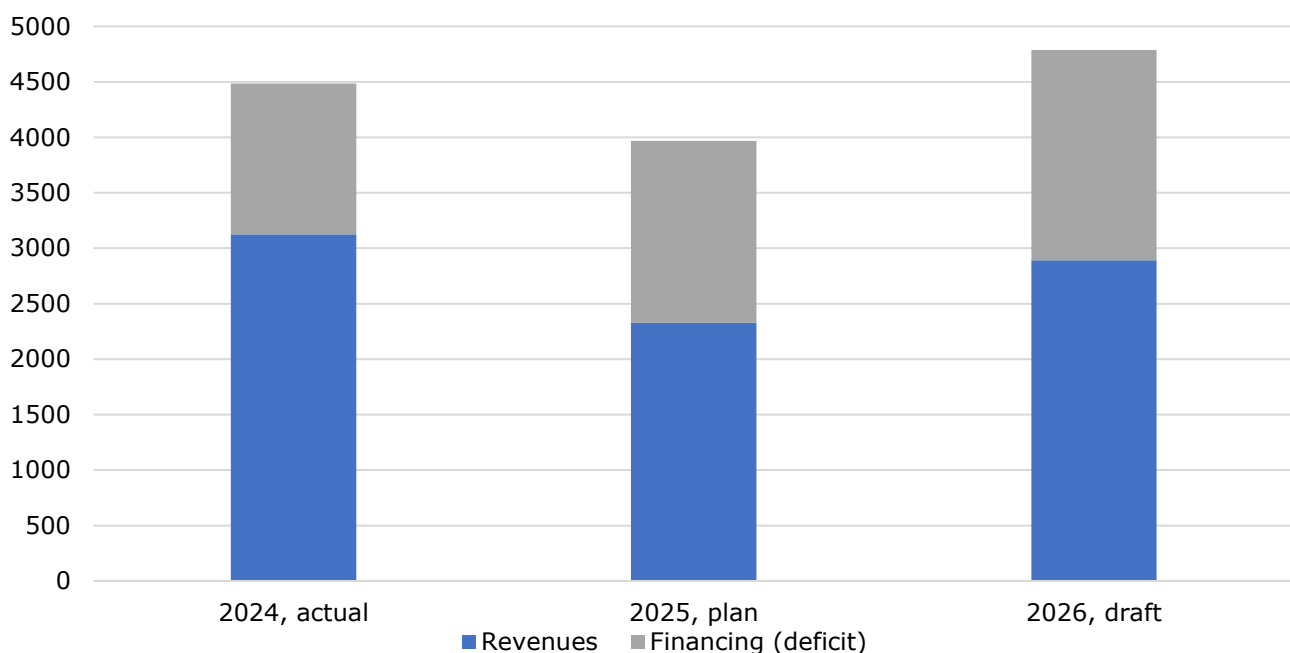
At the beginning of September, an IMF mission worked in Kyiv. Most likely, the main topics of discussion were the Draft State Budget for 2026 and the possibility of concluding a new program to replace the current one. The challenge of financing military expenditures remains, both this year and in the coming years.

**Draft State Budget for 2026.** The government submitted the Draft State Budget Law for 2026 to parliament on time. Budget indicators are based on the macroeconomic forecast (Scenario 2) approved by the government in August. Real GDP, according to the official forecast, will grow by 2.4% in 2026, which is close to IER's forecast of 2.8%. Nominal GDP of UAH 10,309 bn is slightly higher than our estimate. At the same time, there are differences in the inflation forecast: 10.4% on average according to the government's forecast versus 6.7% in our forecast, which results in higher projected revenues from several taxes in the government's plan. According to the

government's forecast, the average wage in 2026 will increase by 16% to UAH 30,032, partly due to an increase in the minimum wage. We expect a larger trade balance deficit.

State budget revenues (excluding intergovernmental transfers) under the draft will amount to UAH 2,870 bn: they will increase by 16.3% and reach 27.8% of GDP (+0.3 p.p. compared to the 2025 plan). No significant tax changes are expected, except for UAH 8.5 bn in revenues planned from the introduction of an excise tax on sugar-containing beverages. At the same time, the government has already included in the budget an additional UAH 14 bn from more effective taxation of income from digital platforms and UAH 26 bn is expected from improved collection of tax arrears. Another UAH 60 bn is planned from better performance of the reformed State Customs Service in reducing tax evasion in customs payments. Thus, the government builds additional revenues from de-shadowing into the budget, an issue repeatedly emphasized by the IMF for years. At the same time, the receipt of these revenues will require changes in administration both at customs and in the tax service.

**Figure 7: Key fiscal indicators in the draft State Budget Law for 2026, UAH bn**



Source: Draft State Budget Law for 2026 (No.14000)

Expenditures and lending will increase by 9.6% compared to the amended 2025 plan (as of early September) to UAH 4,389 bn. Compared to the planned indicators for 2025, the expenditure structure by functional classification changes somewhat. The share of defense and security spending decreases slightly (insignificantly), while spending on education and social assistance rises. Thus, planned expenditures for programs of the Ministry of Defense and the Ministry of Internal Affairs remain unchanged. Considering that this year additional increases in military provision are still required, such stability does not look realistic. Education spending is planned to rise to ensure funding of higher wages in the education sector: real wages there have declined in recent years, while the complexity of work has increased. At the same time, it is not yet clear whether further optimization of schools and accordingly reductions in teachers are planned due to the declining number of children remaining in Ukraine.

In social policy, all existing initiatives continue to be financed, but to a somewhat greater extent. Part of the increase will be related to a higher subsistence minimum: the general indicator will rise by 9.9% to UAH 3,209. The minimum wage will increase from UAH 8,000 to UAH 8,647. These changes will also lead to an increase in the minimum pension. Overall, the transfer to the Pension Fund will grow by 5.2% to UAH 294 bn to cover pension payments as well as housing subsidies. The government will also continue active business support programs. The national cashback scheme will continue to be financed from unemployment social insurance funds.

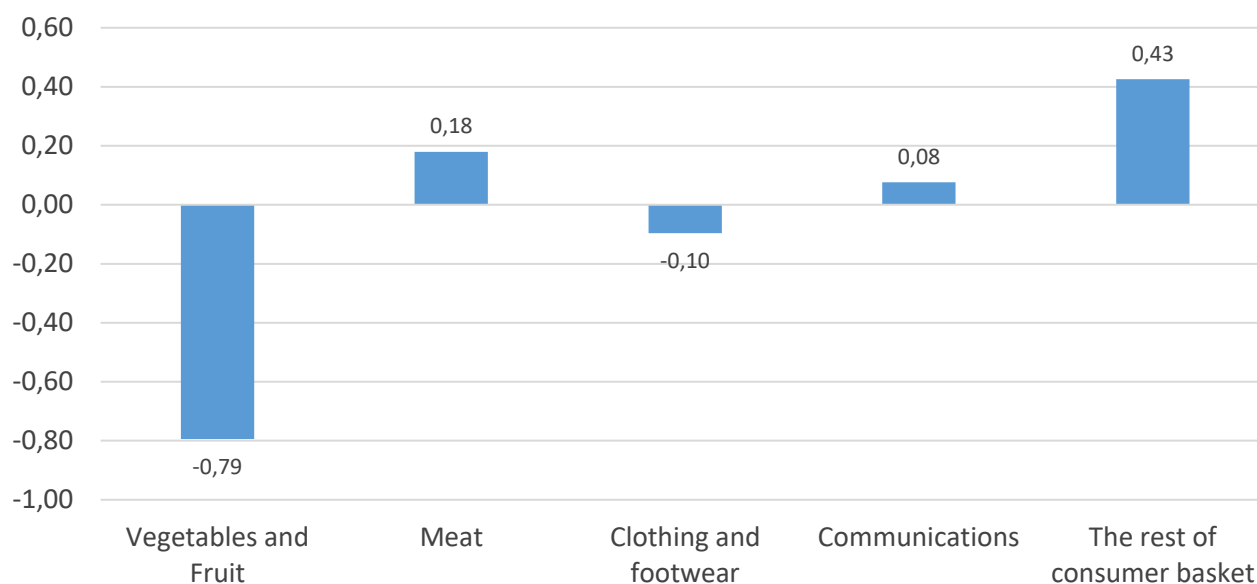
Financing of the budget deficit will amount to UAH 1,896 bn (by 15.6% higher than the 2025 plan), which totals 18.4% of GDP. External borrowing will reach UAH 2,124 bn and will be the main source

of deficit financing. Domestic government bonds placement is expected at UAH 420 bn, but redemptions will exceed new issuance and net inflows from domestic borrowing will be negative at UAH 105 bn. This indicates that if additional defense expenditures are required, as has already been the case in recent years, domestic bond issuance may increase. At the same time, the biggest risk now remains external financing, as confirmed financing for 2026 under various programs is estimated to be about EUR 17 bn below the government's need. This gap could be covered through the European Commission's reparation loan initiative, which is now being actively discussed.

### **Inflation: Consumer inflation slowed to 13.2% yoy**

In August, consumer inflation slowed for the third month in a row to 13.2% yoy from a high of 15.9% yoy in May. Price growth for most components of the consumer basket also slowed. However fixed electricity tariffs from June 2024 and a good vegetable harvest contributed the biggest to the slowdown in annual inflation. We observed 3% yoy drop in vegetable prices in August versus a 36% yoy increase in May. Still, prices for most goods and services in the consumer basket remained significantly higher than a year ago. As before, this reflected rising costs for producers and trade enterprises, higher export prices, and low harvests of several crops last year and this year. For some goods, such as clothing, shoes, household items, and appliances, high competition held back prices.

**Figure 8: Contributions to the monthly price increase in August, p.p.**



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

The consumer price index fell by 0.2% mom in August after falling by 0.2% mom in July. This is a common occurrence in these months due to the sharp drop in the prices of vegetables of the new crop, although this did not happen last year due to a poor harvest. In line with seasonal trends, in addition to vegetables, fruits, clothes and shoes fell in price in August. In August, meat prices continued to rise amid a decline in production and export growth. Mobile operators also increased tariffs by 5% mom, this was the first significant increase since January. Prices for the rest (about 77%) of the consumer basket increased by approximately 0.5-0.6% mom. This indicates moderate inflationary pressures for most of the consumer basket.

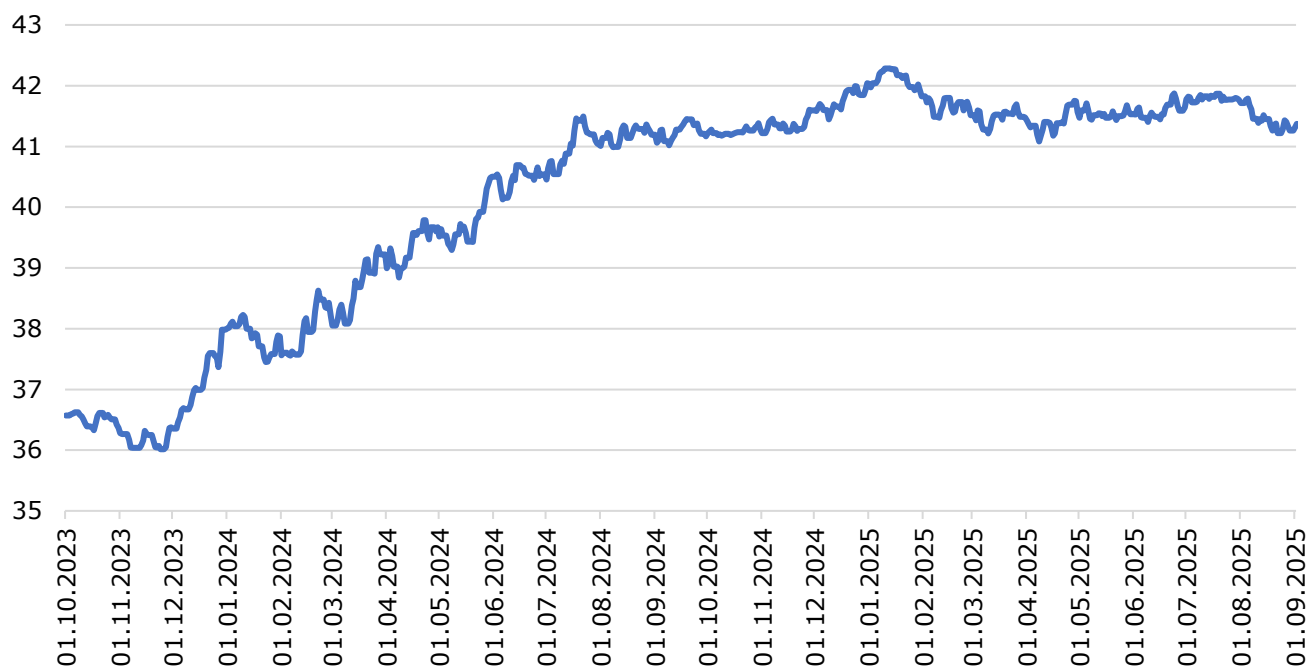
### **Exchange rate and monetary policy: The hryvnia remained stable against the dollar**

**Exchange rate.** The hryvnia has remained stable against the US dollar and since February the exchange rate has remained in the range of UAH 41-42 per dollar. Net demand for cash foreign currency has slightly increased, although it remained quite moderate. However, the net demand for the currency of legal entities has decreased in recent weeks and, as a result, the NBU's interventions for the four weeks ending September 10 amounted to only USD 2.1 bn which is significantly lower than the average since the beginning of this year (USD 2.7 bn)

At the end of August, the NBU's international reserves increased to USD 46.0 bn compared to USD 43.0 bn in July and USD 45.1 bn in June. In two months, Ukraine received USD 7.5 bn from donors, mainly from the EU. At the same time, the Government spent more than USD 1 bn. for net repayment of foreign currency government bonds and payments on external debt, including obligations to the IMF. NBU interventions in August decreased to USD 2.7 bn from USD 3.5 bn in July. According to the NBU, reserves cover 5 months of future imports.

**Monetary policy.** At the monetary policy meeting in September, the NBU once again kept the key policy rate unchanged at 15.5% as expected. At the same time, the NBU cautiously signalled that a rate cut could occur as early as this year, as envisaged in the inflation report, against the backdrop of another slowdown in inflation in August. However, the NBU continued to note high inflation risks against the background of continued russian aggression, which limits the growth of production in Ukraine and increases budget expenditures.

**Figure 9: Official exchange rate of the hryvnia to the US dollar (UAH per USD)**



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

Source: NBU

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