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Monthly Economic Monitoring of Ukraine

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Executive Summary

- According to the Ukrstat, real GDP grew by 3.0% yoy in Q4 2025, implying real GDP growth of around 1.8% for the year as a whole. This is close to our estimates.
- According to the IER estimate, real GDP declined by 1.4% yoy in January 2026 due to Russian strikes on the energy sector.
- On January 31, an accident on the lines connecting the power systems of Ukraine and Moldova caused cascading outages in the electricity networks of both Ukraine and Moldova.
- In January, Ukraine reached a record monthly volume of electricity imports of 894.5 thous. MWh (+40% mom). There were no electricity exports.
- As of February 14, 5.28 bn m³ of natural gas (available gas excluding technical gas) was stored in Ukraine's underground gas storage facilities, which is 22% less mom.
- Since its launch in 2023, Ukraine's sea corridor has transported 173 m t of cargo, including over 103 m t of grain.
- In January, the railway transported 2.37 m t of grain toward ports and western border crossing points (+9% mom and -17% yoy).
- Exports were close to last year's level, while imports increased markedly.
- Grants supported State budget revenues in January.
- Ukraine's performance on the indicators under Ukraine Plan deteriorated, negatively affecting inflows of funds from the EU.
- In January, inflation slowed to 7.4% yoy, continuing the downward trend that started in June 2025.
- For the first time since March 2025, the National Bank of Ukraine (NBU) changed its policy rate, lowering it by 0.5 pp to 15% per annum.

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GDP and Real Sector: GDP is estimated to decline by 1.4% yoy in January

Ukrstat: According to the Ukrstat, real GDP in Q4 2025 increased by 3.0% yoy, which is close to the IER estimate of 3.3% yoy. Thus, real GDP grew by around 1.8% in 2025. On the demand side, growth was supported by higher private consumption driven by rising incomes, while higher government consumption and stronger investment compared to 2024 were primarily linked to increased needs of the defence sector. Real net exports made a negative contribution to growth, as real imports expanded rapidly. At the same time, logistical bottlenecks, limited access to electricity, and shelling of enterprises negatively affected exports.

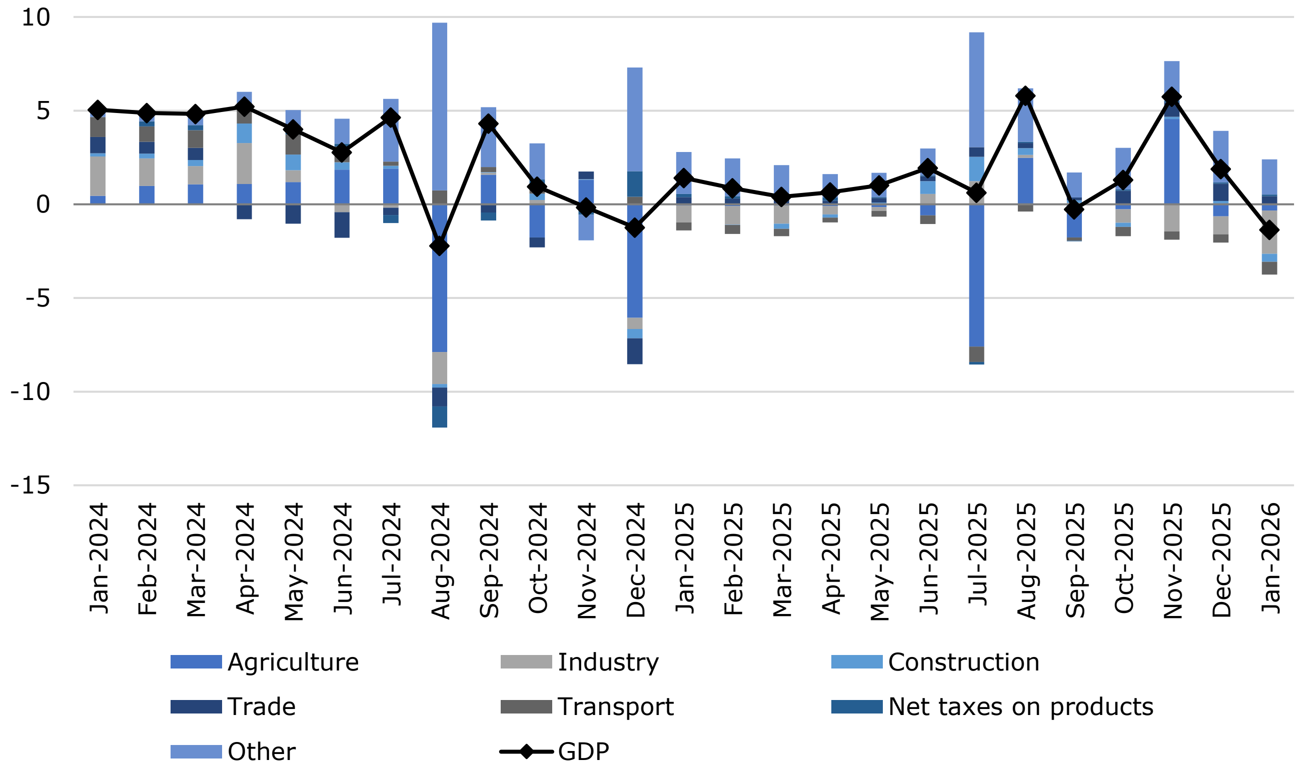
In 2025, industrial production decreased by 2.4%. In particular, extractive industries fell by 10.6% yoy due to the impact of the war. Coal extraction declined by 31%, primarily because several mines were lost as they ended up in territories temporarily occupied by Russia. Lower oil and gas extraction was caused by strikes and destruction from Russian drones and missiles.

Manufacturing increased by 0.9% yoy despite ongoing destruction, limited access to electricity, especially toward the end of the year, and difficulties in finding qualified labour. Metallurgy grew by 6.4% supported by both external and domestic demand. Growth in machinery and equipment manufacturing was 1.3%, though different subsectors showed divergent dynamics. The strongest gains were, unsurprisingly, in sectors directly linked to, or adjacent to, defence and security. Food production declined by 4% yoy, primarily due to a notable drop in the production of sunflower oil and sugar. Output of tobacco products also fell.

Electricity and gas supply decreased by 2.2% yoy. Electricity generation increased during the first three quarters, partly due to renewable and distributed generation and the restoration of capacity damaged by Russia; however, it declined in Q4 as a result of renewed strikes.

IER estimate: Economic conditions deteriorated in January 2026 due to Russian attacks on thermal generation, as well as on electricity generation and transmission lines. Several cities were hit the hardest, including Kyiv: many households and businesses remained without access to electricity and heating. Micro and small businesses were affected more than large companies. According to our estimates, real GDP in January declined by 1.4% yoy (the estimate may be revised upward if actual data show that the economy proved more resilient to the energy deficit).

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



Source: IER estimate

We estimate that real GVA in extractive industries declined by around 17% yoy in January due to lower gas and coal output: gas production fell due to Russian attacks, while coal output also decreased due to the temporary occupation of mines. The production and distribution of electricity and gas is estimated to have declined by 16% yoy in January amid extensive damage to energy infrastructure. Real GVA in manufacturing decreased by 4.2% yoy due to severe problems with access to electricity.

Construction fell mainly because the weather was significantly colder than last year, which prevented construction works. Real GVA in agriculture also declined somewhat: the January figure reflects only developments in livestock. Real GVA in transport continued to decrease (by an estimated 10.8% yoy), in particular due to shelling.

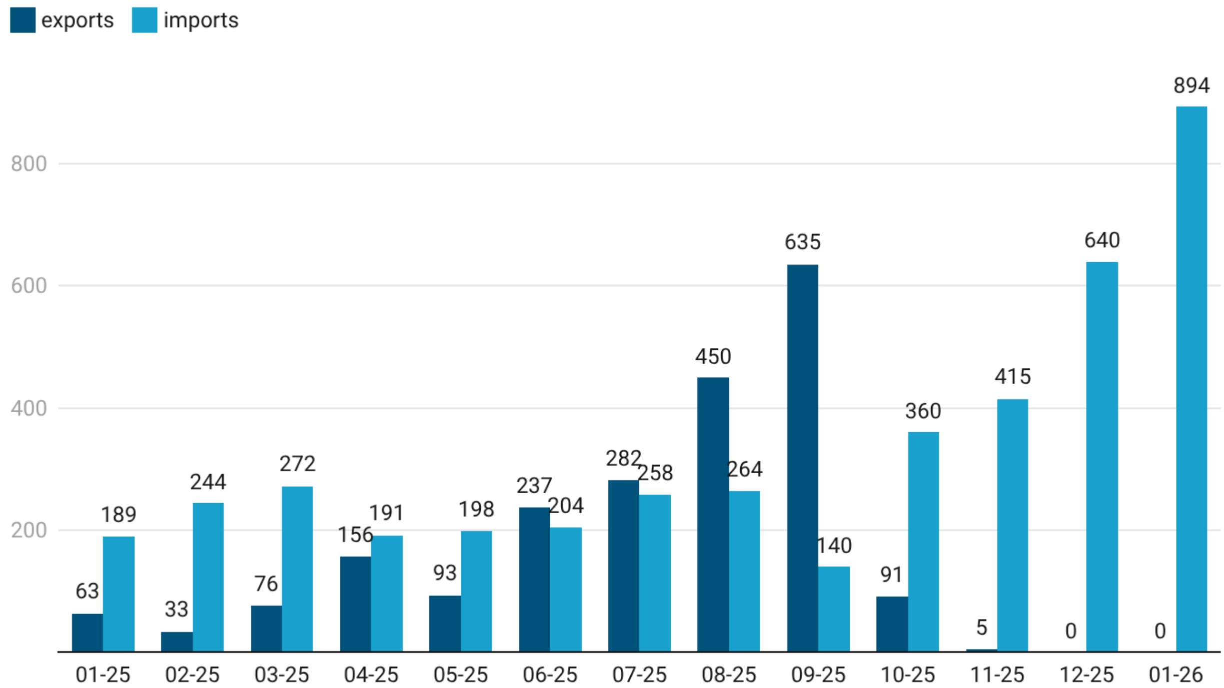
At the same time, real GVA in trade is estimated to have grown by 2.9% yoy. This was partly driven by higher household purchases of electrical equipment, including batteries, generators, etc.

Energy: Reduced capacity of nuclear power units

***Electricity*.** The Russian army continued attacking Ukraine's energy and district heating infrastructure. The largest attacks targeted major cities (Kyiv, Odesa, Dnipro) when temperatures fell to -10…-20°C. These attacks caused prolonged interruptions in heat and electricity supply for the civilian population, raising the risk of a humanitarian crisis.

From October 2025 to January 2026, around 8.5 GW of generation capacity was damaged (as of early February, more than 1 GW of cogeneration capacity had already been connected). On February 7, Ukrenergo reduced the output of eight nuclear power units after a Russian attack and shut down one unit for repairs due to equipment problems caused by voltage fluctuations. The President announced the introduction of a state of emergency in the energy sector. According to the President, peak electricity demand in Ukraine in the absence of outages may be around 18 GW, while the power system's available capacity is 11 GW. In 2025, nuclear power plants provided more than 50% of electricity generation in Ukraine, while renewables accounted for around 10%.

Figure 2: Electricity Exports and Imports in 2025-2026, thousand MWh



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

On January 31, an accident due to technological reasons occurred on the lines between the power systems of Ukraine and Moldova, leading to a voltage drop and the simultaneous disconnection of the 400 kV line between Romania's and Moldova's power systems and the 750 kV line between western and central parts of Ukraine. This triggered cascading outages in Ukraine's power grid and the activation of automatic protection systems at substations. As a result, nuclear power plant units were unloaded (output was reduced).

In January 2026, Ukraine reached a record monthly electricity import volume of 894.5 thous. MWh (+40% mom), while there were no electricity exports. Hungary continued to account for the largest share of imports (45%). The government instructed state-owned companies, primarily Ukrzaliznytsia and Naftogaz, to import electricity during the 2025–2026 heating season in volumes of at least 50% of their total consumption. Ukrzaliznytsia started importing electricity for its own needs on January 20. The company's planned spending on electricity in 2026 is approximately UAH 20 bn per year. The higher cost of imported electricity significantly increased Ukrzaliznytsia's expenses, as electricity is one of the largest cost items in the company's cost structure.

The regulator, the National Energy and Utilities Regulatory Commission (NERC), temporarily raised price caps in the electricity market to stimulate growth in electricity imports and improve the supply situation after Russian attacks. This step immediately led to higher market electricity prices.

Gas. Russia's attacks on Naftogaz gas facilities in Poltava and Sumy oblasts continued.

As of February 14, 5.28 bn m³ of natural gas (available gas excluding technical gas) was stored in Ukraine's underground gas storage facilities. This is 22% less than on January 14 and twice as much as on February 14, 2025. Storage facilities were filled to 17.5%, which is higher than on February 14, 2025 (8.4%) and almost equal to the 2023 level (18.2%).

Poland's gas TSO Gaz-System and the Gas Transmission System Operator of Ukraine agreed on a phased increase in import capacity for gas flows from Poland to Ukraine starting in early February 2026. By the end of April, capacity in this direction will rise from 15.3 m m³ to 18.4 m m³ per day. In 2025, 2.1 bn m³ of gas was supplied via Poland – over 30% of total imports – including about 600 m m³ of US liquefied natural gas (LNG).

Ukraine received its first LNG cargo from the US in 2026, amounting to nearly 100 m m³. Overall, Ukraine plans to import up to 1 bn m³ of US LNG in 2026. The next cargoes are expected already in February–March.

Transport: Sea ports cargo transportation increased

Maritime transport. In the second half of January, new strikes hit port infrastructure in Odesa oblast, including in Chornomorsk, damaging berthing facilities and a civilian vessel. In 2025, the intensity of attacks on ports increased sharply: 96 attacks were recorded (vs 36 in 2024), with 325 infrastructure facilities and 39 vessels damaged. The attacks did not halt port operations, but they raise insurance costs and reduce the regularity of exports.

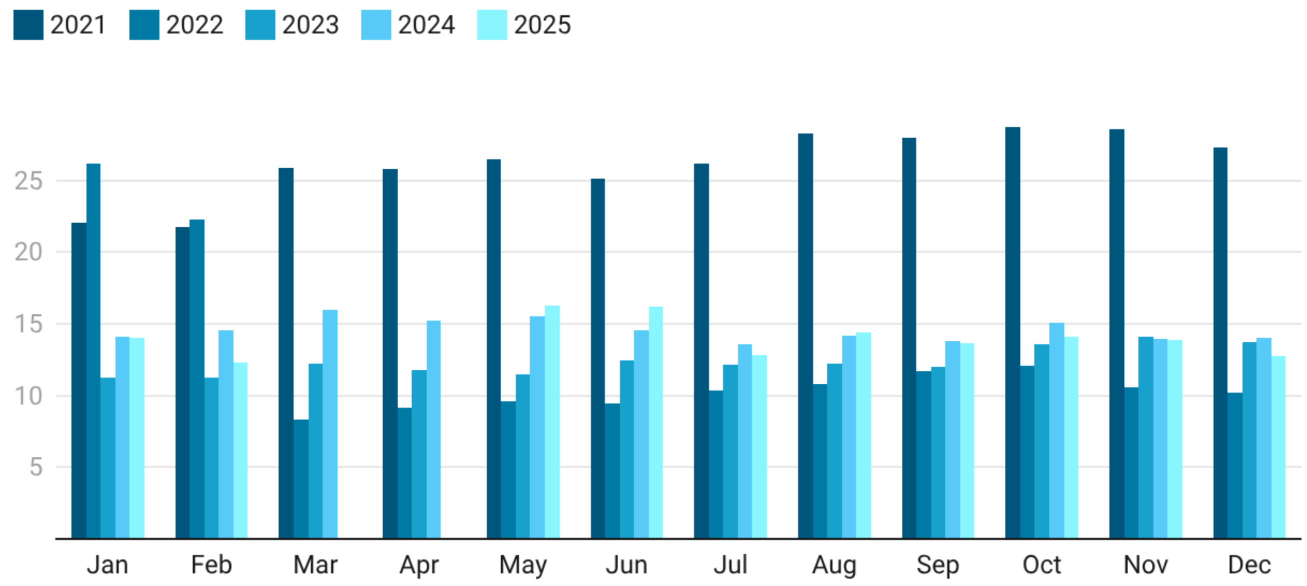
Nevertheless, the ports of Greater Odesa reached pre-war transshipment capacity in January 2026. Thanks to new air defence systems and vessel insurance, cargo flows increased by 15% compared to December 2025. In January, vessel calls to the ports of Greater Odesa were 9% higher than a year earlier. The terminals of Pivdennyi and Chornomorsk have been operating most steadily. A total of 173 m t of cargo has been transported via the Ukrainian maritime corridor, including over 103 m t of grain.

Railway transport. Late January and early February were marked by a series of UAV attacks on railway infrastructure (Konotop, Synelnykove, Sumy, as well as Zaporizhzhia and Chernihiv oblasts). Tracks, depots, locomotives, and the power grid were damaged. Despite this, there was no systemic disruption of transport operations, and the infrastructure is being restored promptly.

In January 2026, railway exports of grain stabilised after the December decline: 2.37 m t were transported (+9% mom and -17% yoy). In 2025, the railway transported 161 m t of cargo (-7.8% yoy).

Ukrzaliznytsia proposes introducing dynamic pricing in the premium segment, with fares depending on the season, day of the week, purchase date, and train occupancy. In particular, UZ plans to raise fares for SV-class coaches on international trains by around 20%. The draft changes are currently under public consultation.

Figure 3: Railway Freight Transport, m tons



Source: Ukrstat

Road transport. In January 2026, road logistics ended with lower volumes: over 29 days, around 190 thous. t of agricultural products were exported, which is 36.5% less than in December 2025.

As of January 21, the functionality of the "eCherha" system for buses on short routes (up to 400 km) was updated: carriers can book as many queue slots as the route allows border crossings.

Ukraine is transitioning to European rules on drivers' working time and rest periods. For international trucks registered after June 30, 2026, smart tachographs will be mandatory. The rules enter into force on July 26, 2026, strengthening control and safety and supporting Ukraine's obligations on the path to EU accession.

External trade: Record imports and fairly strong exports

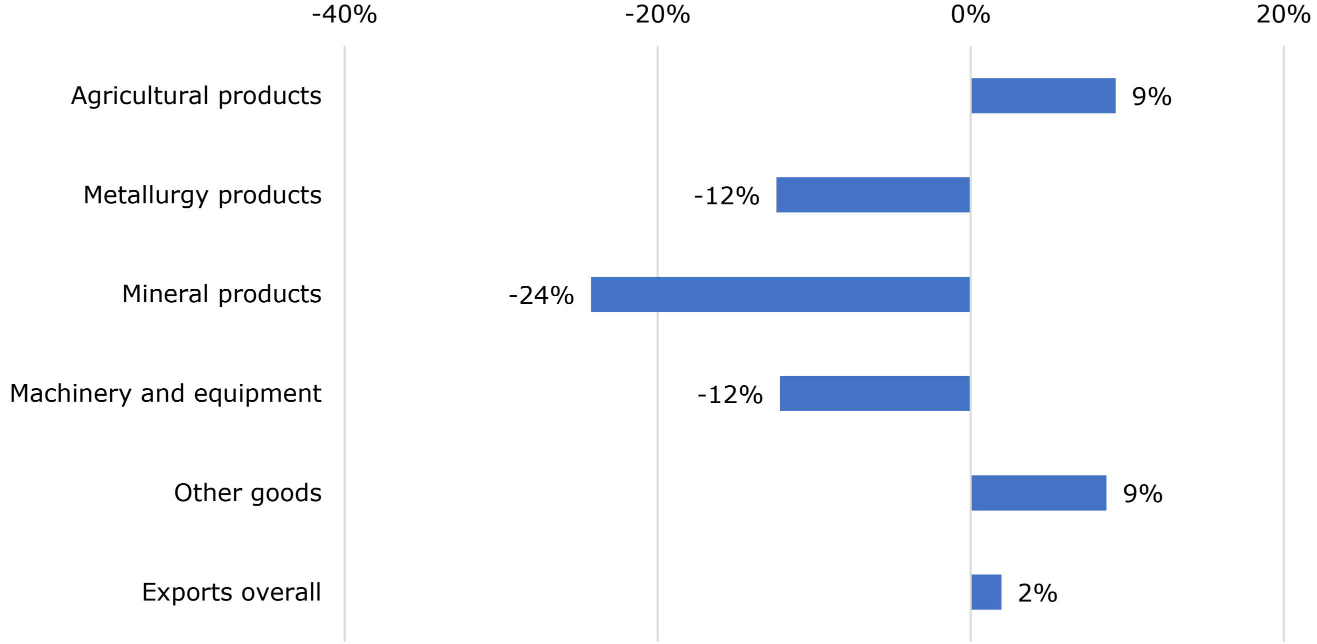
Exports of goods in January were traditionally lower than in December, but increased by 2% yoy to over USD 3.2 bn. In January, exports of agricultural products rose by 9% yoy to USD 2.02 bn. The year-on-year increase primarily reflected higher export volumes of vegetable oil and higher export prices for it. Overall, exports of vegetable oil (sunflower, soybean, and rapeseed) grew by 27% yoy in value terms (USD) and by 13% yoy in tonnes. Corn exports also increased thanks to the accumulation of stocks, while wheat exports declined. Export prices for meat fell noticeably compared to previous months, in line with the decline in global prices, but remained higher than a year earlier; export volumes also increased.

Exports of metallurgical products fell to USD 287 m in January, the lowest level in two years. This partly reflected the seasonal January decline in exports, but exports also declined by 12% yoy in annual terms. Exports of rolled steel products and semi-finished steel were higher than a year earlier, while exports of pipes and pig iron collapsed. Metallurgical exports may also have been affected by the introduction of an additional EU import tax under CBAM as of January 1.

Exports of machinery products were close to the low level recorded in December, but declined by 12% yoy, likely due to continued disruptions in electricity supply. At the same time, wire production recovered somewhat and exceeded the levels of December and January 2025, while output of other products – such as coffee machines – declined.

Exports of mineral products fell by 24% yoy due to a sharp drop in iron ore exports (2.1 m tonnes in January 2026 vs 3.1 m tonnes in January 2025). Higher costs driven by Russian attacks and rising labour costs, and persistently low export prices, constrained the competitiveness of iron ore in external markets. However, crude oil exports continued, whereas there were none in January last year. Exports of other goods decreased compared to December due to the seasonal decline in exports of timber and wood products, but it increased by 9% yoy.

Figure 4: Exports of goods by main groups in January, % yoy

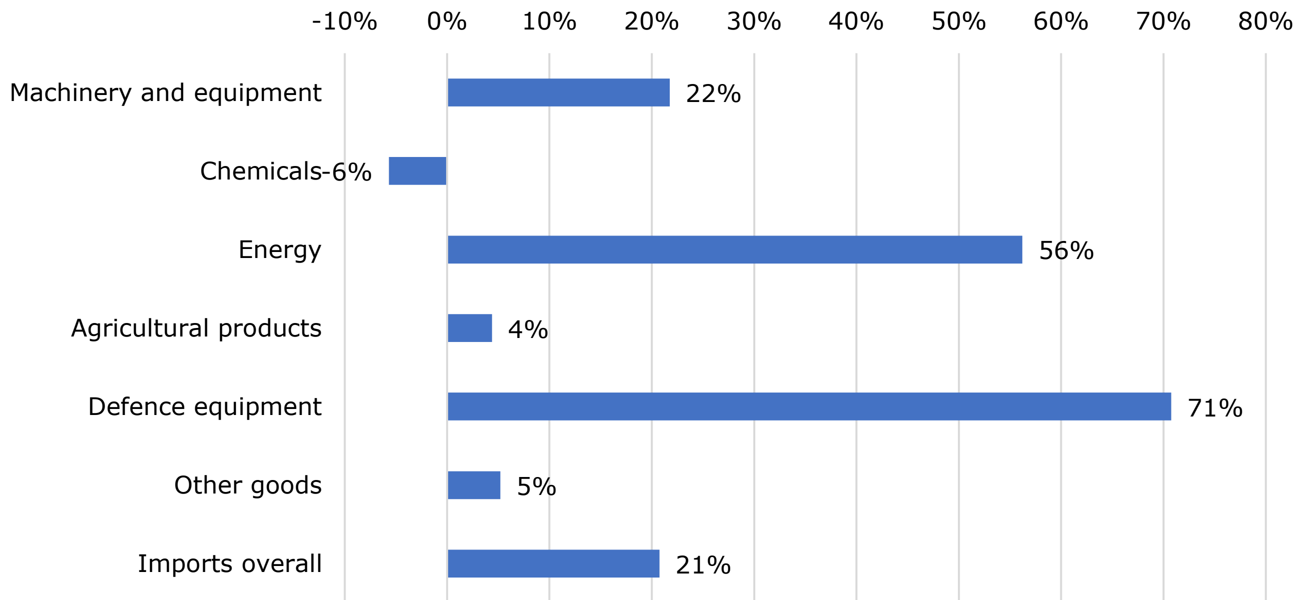


Source: Own calculations according to the State Customs Service

Imports of goods in January returned to a more sustainable level after the December record: USD 6.7 bn in January vs USD 9.4 bn in December. Still, in year-on-year terms, imports increased by 21% yoy. Imports of machinery and equipment rose by 22% yoy in response to continued strong demand from the defence forces and the defence industry, as well as high imports of energy equipment. For example, in value terms (USD), imports of batteries increased by 75% yoy, drones by 57% yoy, and imports of drone components under HS code 8525 rose more than fourfold. At the same time, car imports fell sharply (by 30% yoy) due to the expiration of preferential treatment for electric vehicle imports.

Imports of energy products increased by 56% yoy due to strong demand for petroleum products for electricity generation needs. Volumes of petroleum product imports remained at the December level despite higher excise rates as of January 1. Compared to the previous year, customs clearance of gas increased sharply, as did imports of coal and electricity. Imports of other goods were close to last year's level.

Figure 5: Imports of goods by main groups in January, % yoy



Source: Own calculations according to the State Customs Service

Fiscal policy: More confidence in financing for 2026

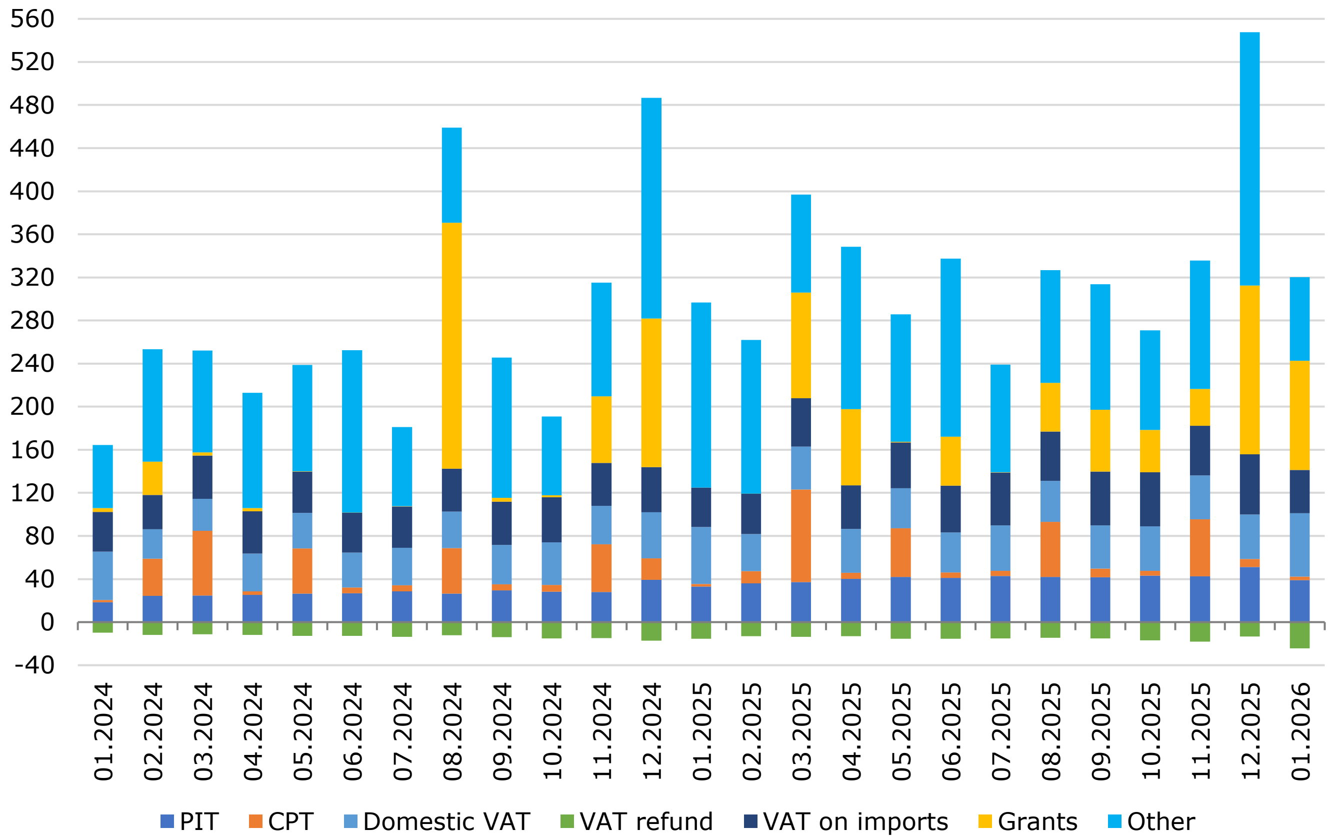
Budget 2026. According to preliminary data, State Budget revenues in January 2026 amounted to UAH 296 bn, of which UAH 101.4 bn came in the form of grants under the ERA mechanism. Overall, as of end-January, Ukraine had already received USD 41.3 bn under the ERA loan mechanism out of the expected USD 50 bn. Revenues were only 4.5% higher than in January 2025, when there were no grants, but there were high inflows to the special fund, likely related to military assistance.

Personal income tax (PIT) revenues increased by 17.4% yoy to UAH 38.9 bn from an already high base, when these revenues were also boosted by a higher military levy. At the same time, corporate profit tax (CPT) revenues of UAH 3.3 bn were higher than in January 2025 but were likely below expectations. This may have resulted from the difficult situation in January, when companies had to spend resources to improve access to electricity – either via imports or the use of generators as well as other means.

Net domestic VAT revenues of UAH 34.6 bn were 7.8% lower than a year earlier. This was primarily due to a sharp increase in VAT refunds, which rose to UAH 24.3 bn compared to UAH 13.4 bn in December and an average monthly level of UAH 15 bn in 2025. This provided companies with more available funds to finance resilience and adaptation measures.

VAT revenues on imports amounted to UAH 40.2 bn, the lowest level since March 2025. This reflected significant volumes of import exemptions and the seasonal decline in imports: taxable imports totalled USD 4.4 bn in January compared to total imports of USD 6.7 bn and the 2025 monthly average of taxable imports of USD 5.4 bn.

Figure 5: State Budget Revenues, UAH bn



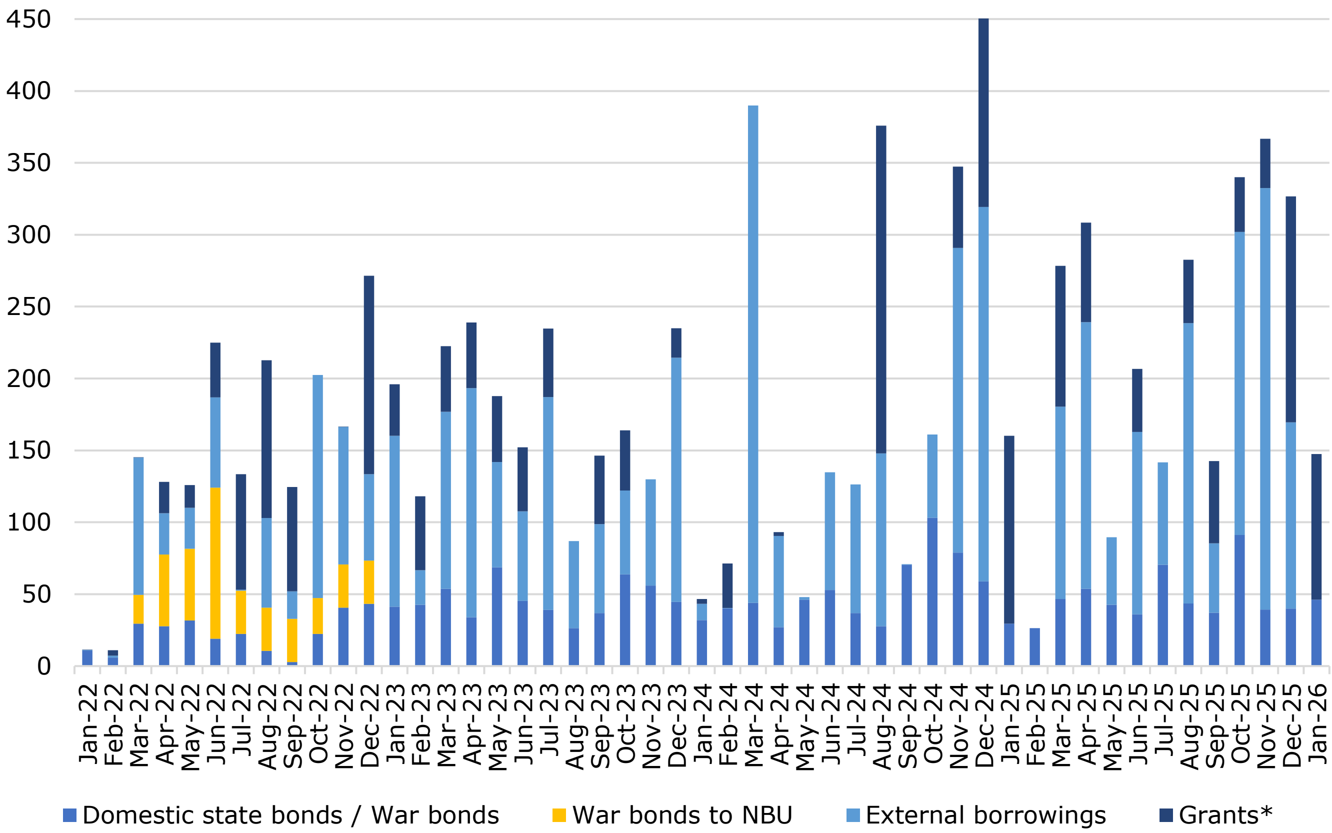
Source: Ministry of Finance

Domestic government bond (OVDP) placements amounted to UAH 46.1 bn, with a weighted average yield of 16.47%. As of end-January 2026, the total outstanding stock of OVDPs stood at UAH 1.9 trillion: commercial banks held 47.66%, while the NBU held 33.37%.

The Ministry of Finance continues operations aimed at reducing the budget burden from debt payments. In January, the Ministry of Finance held a switch auction to replace bonds maturing in February 2026 with bonds maturing in September 2029, amounting to UAH 17.4 bn. A second similar auction took place in early February for OVDPs worth UAH 10 bn: bonds maturing in March 2026 were exchanged for securities maturing in March 2029.

Unfortunately, Ukraine is facing difficulties in adopting laws under the Ukraine Plan in a timely manner, which reduces the amount of EU support under the Ukraine Facility. As much as EUR 5.1 bn is already at risk. In particular, numerous draft laws are currently under parliamentary consideration that should have entered into force in Q4 2025 or were expected to take effect in Q1 2026, but the chances of this are low. This situation complicates negotiations on a new EU support instrument – the Ukraine Support Loan – amounting to EUR 90 bn, of which EUR 30 bn is expected to be provided as budget support through macro-financial assistance mechanisms and the Ukraine Facility, both of which require defining conditions and indicators for disbursements. The remaining EUR 60 bn of the Loan is intended for military needs, but there is still no clarity on the support mechanisms. The European Parliament and the EU Council have already agreed on a package of legislative proposals on additional financing for Ukraine, and the completion of internal procedures and entry into force is expected in the coming weeks. So far, there is no information on the indicators and conditions for providing budget support.

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



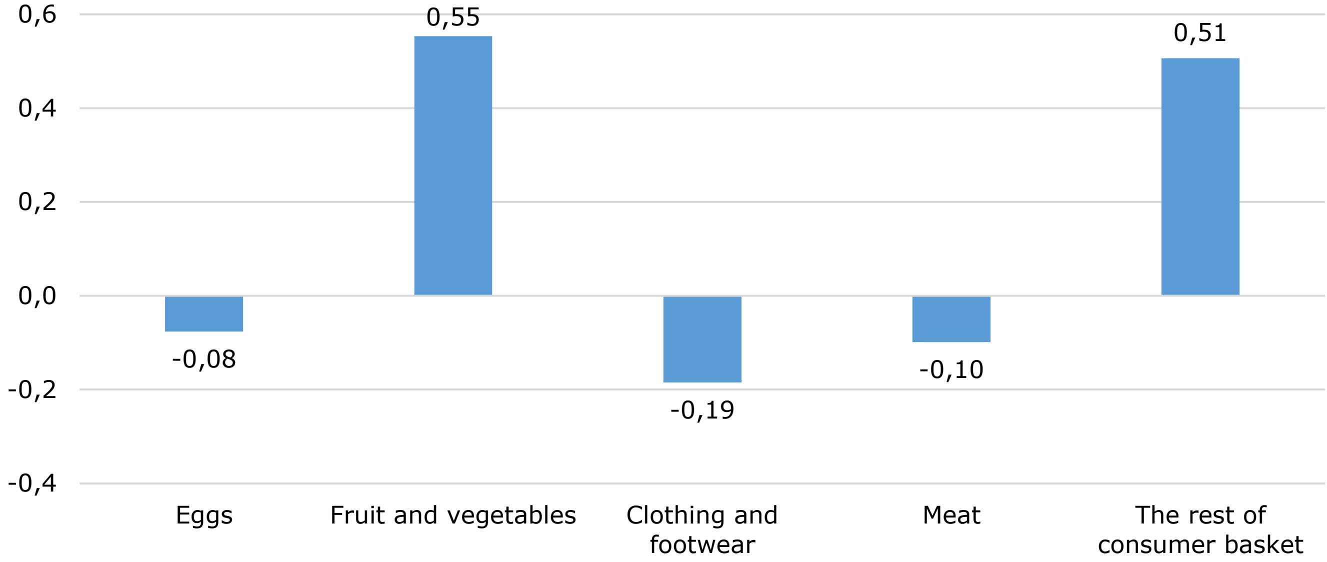
Note: * grants are part of budget revenues. External assistance from ERA is included in grants if received from the US through the World Bank account, and in loans if received from other partners.
Source: Ministry of Finance

IMF programme. Although it had been expected that the IMF programme's prior actions would be implemented in January – submission of the draft law on VAT for taxpayers under the simplified regime, adoption of taxation of digital platforms, and taxation of parcels – none of these steps took place. This was a result of criticism of these measures by many MPs. It is expected that all these measures will instead become structural benchmarks under the IMF programme, with the decision likely to be taken by the IMF Executive Board in late February 2026.

Inflation: Consumer inflation slowed to 7.4% yoy in January

In January, consumer inflation declined further to 7.4% yoy. Thus, the year-on-year disinflation trend that started in June 2025 continued into the new year. As before, this reflected a better 2025 harvest compared to the previous year, stable or declining global prices for various food products, and lower crude oil prices. Also as before, consumer demand remained moderate, while competition in non-food goods was strong. At the same time, labour shortages persist, and Russian attacks have intensified the electricity deficit and, consequently, increased costs for producers and retail businesses.

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



Source: Own calculations based on Ukrstat data

The consumer price index (CPI) increased by 0.7% mom in January. This was somewhat faster than in previous months, but for the seventh month in a row monthly price growth remained below 1%. Seasonal increases in prices for vegetables and fruit – reflecting limited storage capacity for these products – were partly offset by a seasonal decline in prices for clothing and footwear. In addition, lower global prices for milk and meat led to a decline in consumer prices for meat and eggs and contained price growth for milk and dairy products despite the seasonal drop in output.

After adjusting for seasonal factors and the impact of global prices, monthly inflation was 0.5–0.6% mom. This is higher than the 0.2–0.3% mom observed in previous months and likely reflects the pass-through of additional costs into consumer prices.

Exchange rate and monetary policy: NBU cut the policy rate to 15% per annum

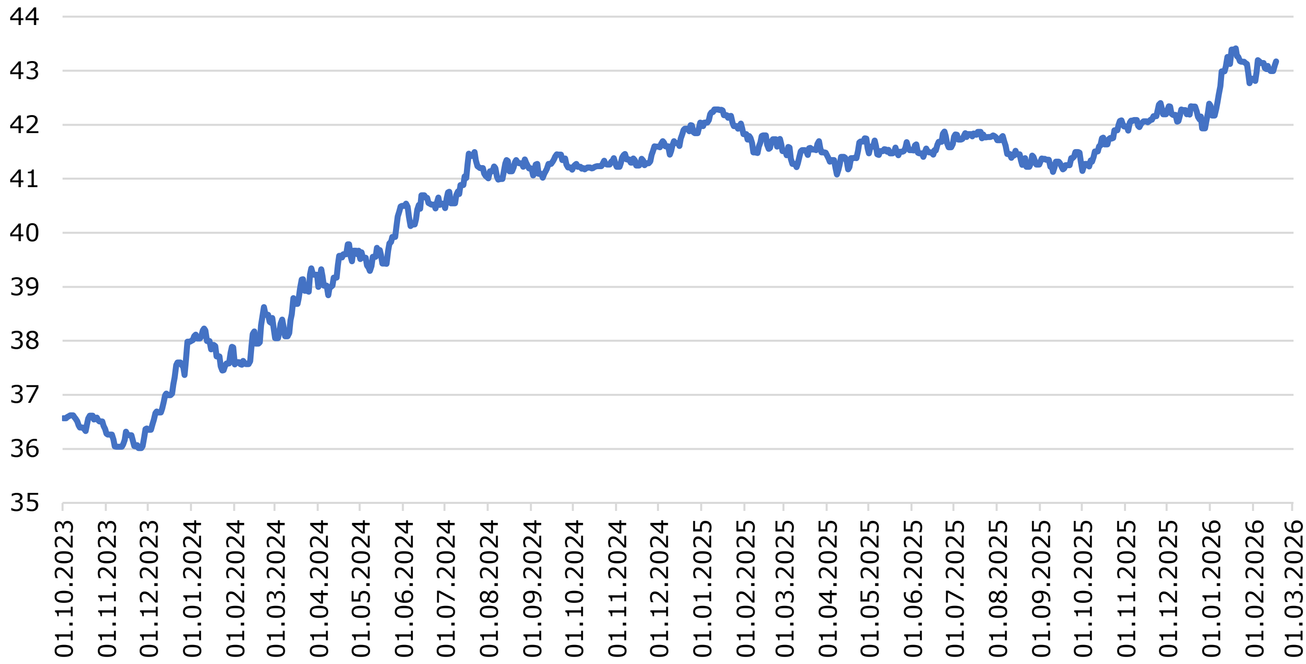
Monetary policy. At its monetary policy meeting in January, the NBU reduced the key policy rate to 15% per annum after keeping it at 15.5% per annum since March 2025. The decision to cut the rate was almost unanimous, although two committee members argued for a more decisive cut to 14.5% per annum. The modest reduction, on the one hand, confirms the disinflation trend and greater certainty regarding external financing this year. On the other hand, in its Inflation Report the NBU slightly lowered its GDP growth forecast for this year (to 1.8% from 2.0%) and slightly raised its inflation forecast (from 6.6% to 7.5% yoy in December), primarily reflecting the impact of Russian attacks on the energy sector. Accordingly, most meeting participants now expect only a minimal further adjustment of the policy rate later this year (to 14.5% per annum).

Exchange rate. Over recent weeks, the hryvnia–US dollar exchange rate stabilised around UAH 43 per USD. However, the further weakening of the US dollar against the euro also led to hryvnia depreciation against the euro. NBU FX interventions over the four weeks ending February 15 totalled USD 3.4 bn, above the 2025 average (USD 2.8 bn). Net demand for non-cash foreign currency from bank clients remained quite high reflecting relatively low supply while net demand for cash foreign currency was also high. This demand was met through NBU interventions.

The NBU’s international reserves continued to increase in January and reached USD 57.7 bn at end-month, up from USD 57.3 bn at the beginning of January. This primarily reflected a revaluation of reserve assets upward by USD 1.5 bn due to the depreciation of the US dollar against other currencies (assets in euros and other currencies within the reserves reached USD 18.7 bn) and higher securities prices. Inflows of USD 3.1 bn via World Bank accounts in January were offset by

USD 482 m spent on net redemption of FX-denominated domestic government bonds and on external public debt service, as well as USD 3.7 bn used by the NBU for FX market interventions.

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



Note: The exchange rate values in the figure start from UAH 35 per USD.
Source: NBU

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