INSTITUTE
FOR ECONOMIC RESEARCH
AND POLICY CONSULTING

Monthly Economic Monitoring of Ukraine

No.256, May 2026

Summary

- According to Ukrstat, real GDP declined by 0.5% yoy in Q1 2026.
- According to the IER estimate, real GDP increased by 1.0% yoy in April.
- In April, Ukraine imported 558.3 thousand MWh of electricity, which is 40% less than in March. Electricity exports amounted to 33.3 thousand MWh.
- As of May 11, 5.89 bn m³ (bcm) of natural gas was stored in Ukraine's underground gas storage facilities (available gas, excluding technical gas), which is 12% more than on April 12.
- In April, Ukraine's seaports handled 8.2 m t of cargo (+36% yoy).
- In April, 2.95 m t of grain were transported by rail, which is only 1.1% less than in March and the highest figure since November 2024.
- Imports of goods increased by 42% in April to USD 8.8 bn due to higher imports across all major categories of goods.
- The EU approved a new support programme for Ukraine in the amount of EUR 90 bn –Ukraine Support Loan.
- The Government approved amendments to the 2026 State Budget to increase financing for the defence and security sector, as well as Resilience Plans.
- In March, inflation accelerated to 8.6% yoy, primarily due to a sharp increase in fuel prices as a result of the war in the Middle East.
- The NBU kept the key policy rate at 15% per annum amid high uncertainty.

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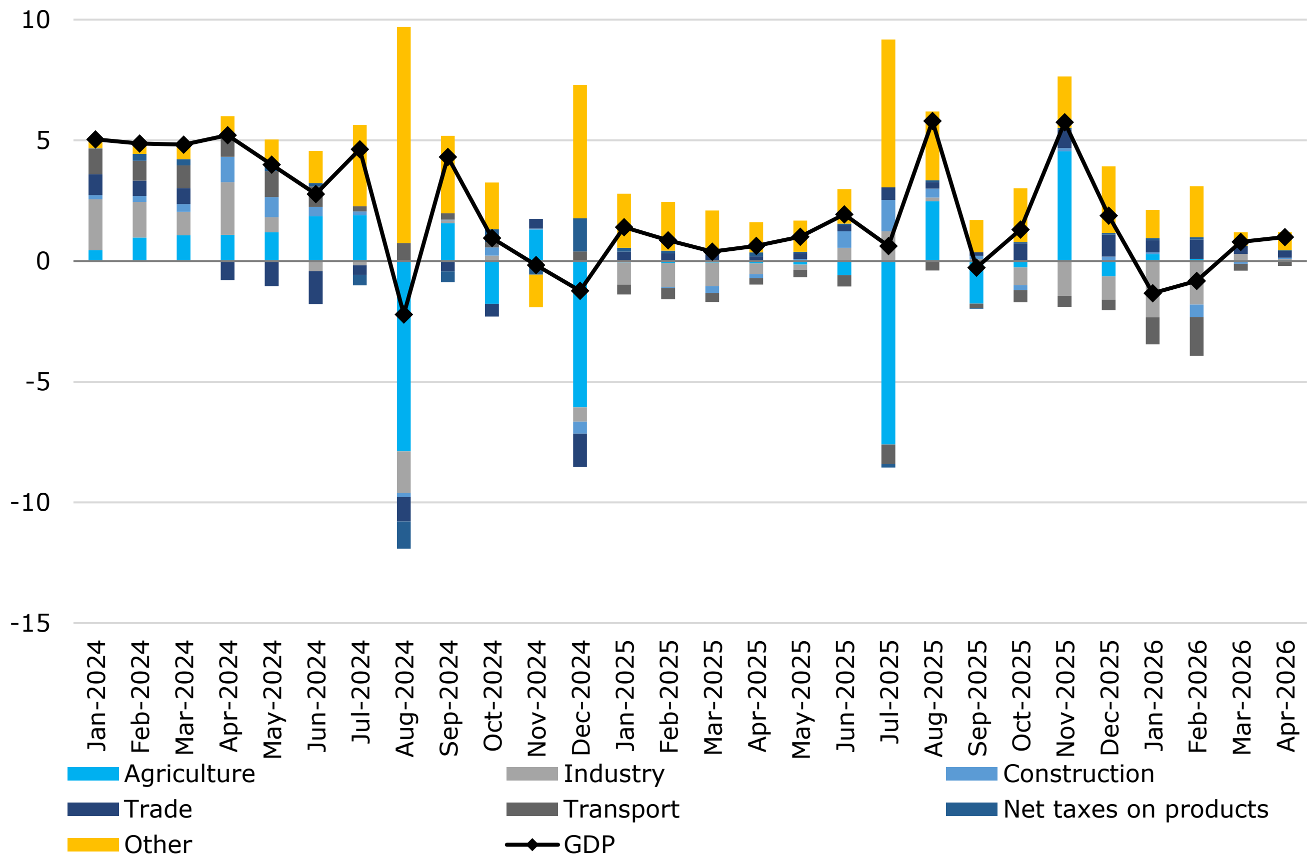
GDP and real sector: Real GDP declined by 0.5% yoy in Q1 2026

Ukrstat. According to Ukrstat, in March extractive industry accelerated its growth to 10.8% yoy. Extraction of gas and oil continued to grow by more than 20% yoy, while extraction of iron ore declined by 11.4% yoy (by 26% yoy in March). More stable access to electricity supported manufacturing growth of 6.2% yoy in March. In particular, the chemical industry grew by 4.7% yoy, while metallurgy grew by 20% yoy. Machine-building output declined, although subsectors likely related to the defence sector significantly increased production. The production and distribution of electricity and gas declined by 11.8% yoy (compared to a decline of 21.2% yoy in February). Retail turnover accelerated its growth.

According to Ukrstat preliminary estimate, real GDP declined by 0.5% yoy in Q1 2026 (our estimate was a decline of 0.6% yoy).

IER estimate. According to the IER estimate, real GDP increased by 1.0% yoy in April (the estimate for March growth was revised to 0.8% yoy). Lower electricity and gas consumption due to an earlier end of the heating season, as well as partially repaired generation and electricity transmission capacities, ensured largely uninterrupted electricity supply despite fewer sunny days than in March. At the same time, the war in the Middle East led to higher fuel prices, which increased business costs.

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



Source: IER estimate

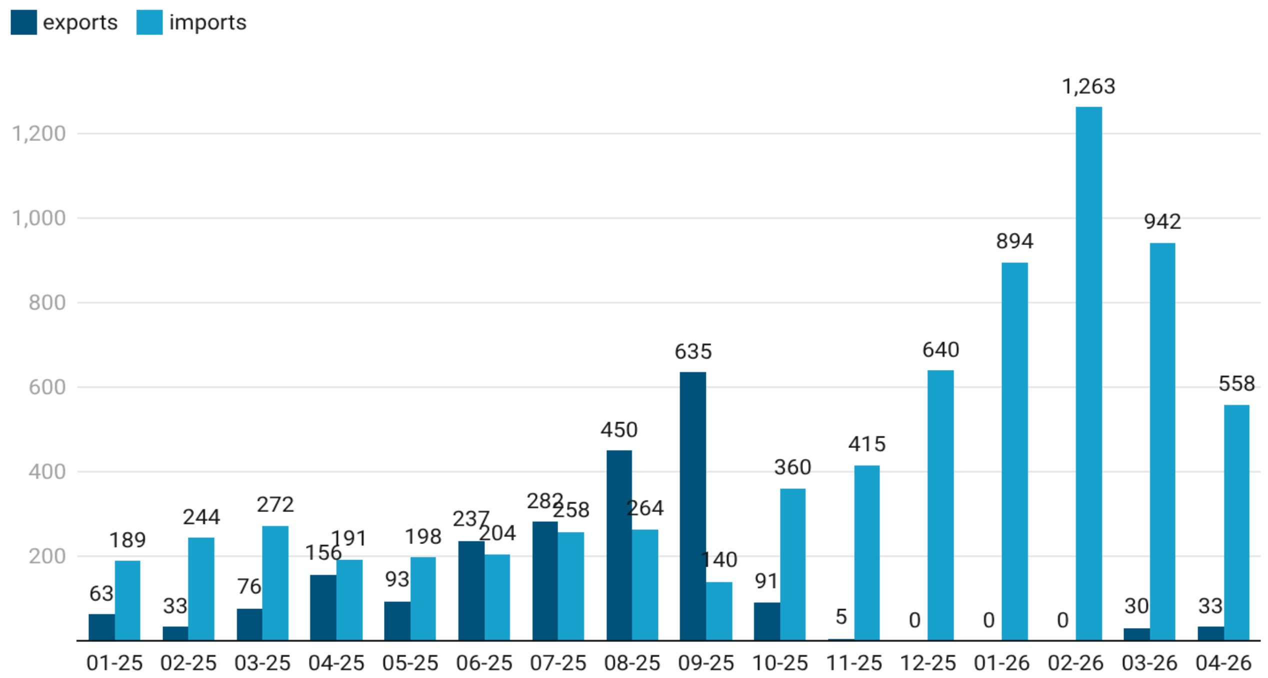
In April, access to electricity improved somewhat due to the partial restoration of generation as a result of repair works. At the same time, the situation in the sector remained challenging. According to our estimate, electricity generation and gas distribution declined by 7% yoy. Real GVA in the extractive industry increased by only 1% yoy from a low base due to disruptions in gas and iron ore extraction as a result of russian shelling. Real GVA in manufacturing, according to our estimate, grew by 4% yoy, with the slowdown related to a decline in output in metallurgy. We estimate growth in real GVA in trade at 4% yoy, reflecting rising demand and positive business sentiment. Real GVA in transport is estimated to decline by about 7% yoy due to higher fuel costs, lower volumes of iron ore and oil transport, and continued russian attacks. Construction likely recorded a small increase.

Energy: Imports of Electricity and Gas Decreased

Electricity. russia continues its attacks on energy infrastructure across the country. Unexpectedly cold weather in early April, combined with poorly thought-out regulations, led to a reduction in external electricity supplies and a generation deficit during certain hours of the day during the first ten days of April. On March 31, the NERC (National Energy and Utilities Regulatory Commission) resolution on the temporary increase of price caps in certain segments of the electricity market expired, lowering price ceilings and reducing electricity imports. The generation deficit was further aggravated by the shutdown of two nuclear power units for maintenance. In addition, the government canceled the PSO (Public Service Obligation) mechanism for electricity producers using natural gas. So, gas-fired power plants became unprofitable for most of the day, which led to their shutdown. On working days during the first ten days of April, Ukrenergo imposed consumption restrictions on industrial consumers in all regions. At the same time, it was possible to partially restore the destroyed power generation capacities, which improved the situation on the electricity market.

In April, Ukraine imported 558.3 thousand MWh, which is 40% less than in March. The largest share comes from Hungary (55%). Electricity exports remained almost unchanged – 33.3 thousand MWh compared to 30.2 thousand MWh in March.

Figure 2: Exports and imports of electricity in 2025–2026, thousand MWh



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

Ukrenergo's debt to participants of the balancing market reached a record UAH 30.9 bn. Since the beginning of 2026, Ukrenergo's debt has grown by 40%. At the same time, the debt of balancing market participants to Ukrenergo amounts to UAH 46.3 bn. The main reason for the growth in debt is the ban on disconnecting electricity supply to certain consumers due to debt, primarily by state-owned enterprises and utility companies.

The Law on the implementation of European legislation on the integration of energy markets (Draft Law 12087-d) entered into force. The law provides for the unification of market segments with European trading zones, the introduction of the European risk preparedness model in the electricity sector, and the establishment of capacity provision mechanisms. The unification of markets will enable automatic capacity allocation at cross-border interconnections.

Gas. russian attacks on Naftogaz's gas facilities in Poltava and Sumy regions continued. Due to temporary production losses and cold weather in part of April, Naftogaz injected less gas than it would have otherwise, and may be forced to import additional volumes of gas before the start of the heating season. Net commercial gas supplies from abroad in April decreased to 29 m cubic meters, down from 789 m cubic meters in March, due to high natural gas prices in Europe.

As of May 11, 5.89 bn m³ (bcm) of natural gas was stored in Ukraine's underground gas storage facilities (available gas, excluding technical gas), which is 12% more than on April 12. The storage facilities are 19.2% full, which is higher than on the corresponding dates in 2023–2025.

The Cabinet of Ministers of Ukraine approved the Biomethane Production Development Program for the period up to 2035. According to the program, Ukraine's goal is to achieve 1 bcm of biomethane production per year by 2030, increasing to 2.1 bcm by 2035.

Oil. Ukraine completed repairs to a section of the Druzhba oil pipeline damaged by a russian strike. On the morning of April 22, the pipeline began to be filled with oil from the Belarusian side. The transit of russian oil through the Ukrainian section of the Druzhba pipeline has been resumed.

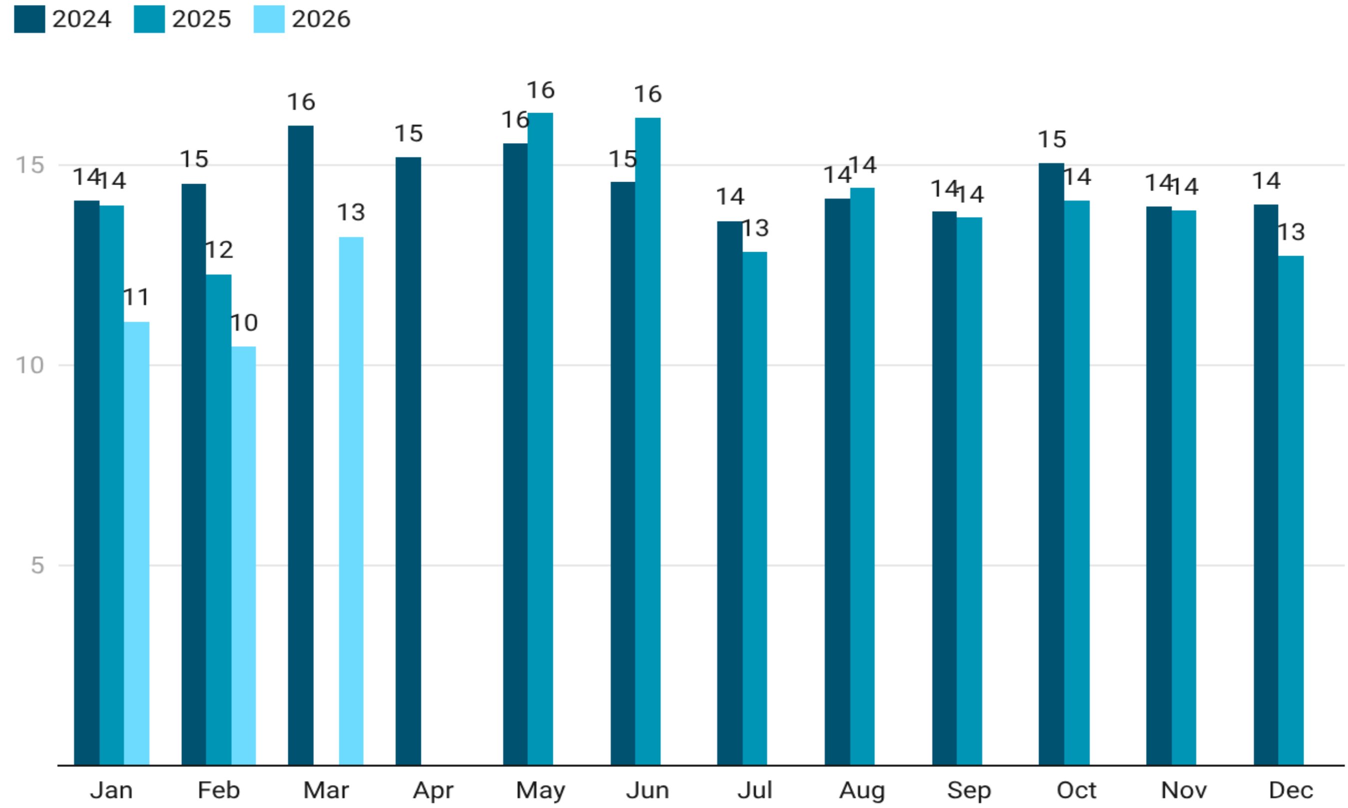
Transport: Cargo Transportation Volumes Are Recovering

Maritime Transport. Intensive attacks on the port infrastructure of Greater Odesa and the Danube region continue. Since the beginning of 2026, 193 port infrastructure facilities and 25 civilian vessels have been damaged, which has sustained high insurance and operating costs for exporters.

Despite security risks, the Ukrainian Sea Corridor remains stable. As of May, more than 7,400 vessels have passed through it, transporting about 192 m t of cargo, of which more than 116 m t were agricultural products. In Q1 2026, Ukrainian ports handled more than 21 m t of cargo, fulfilling 98% of the transshipment plan; the container segment grew by 43% yoy. In April, Ukraine's seaports handled 8.2 m t of cargo (+36% yoy). Grain shipments to seaports in April totaled 2.37 m t (-0.2% mom).

Rail Transport. Attacks on railway infrastructure and rolling stock continue in Kharkiv, Dnipropetrovsk, Zaporizhzhia, Poltava, and Mykolaiv regions. Locomotives, wagons, depots, stations, and power supply systems have sustained damage, which has periodically affected traffic schedules and increased the load on the reserve fleet. In response, Ukrzaliznytsia continued to expand the network of modular shelters at stations and frontline stops.

Figure 3: Railway cargo transportation, million tonnes



Source: State Statistics Service of Ukraine

In March, the railway transported 13.2 m t of cargo (+26% mom). In April, 2.95 m t of grain were transported by rail, which is only 1.1% less than in March and the highest figure since November 2024. Since the beginning of 2026, grain transportation volumes have exceeded 11.4 m t (+13.1% yoy).

In the passenger segment, Ukrzaliznytsia received the first new passenger carriages produced by KVBZ (Kryukov Railway Car Building Works) as part of the rolling stock renewal program. Also, starting on April 25, the company introduced flexible ticket pricing based on seasonality, demand, and train occupancy, which should allow for more efficient load management on popular routes.

Road Transport. In April, the volume of road exports of agricultural products through border crossing points amounted to 285.3 thous. t (-14.4% mom) after a record March. In March, trucks transported 12.2 m t of cargo (+18% yoy).

In May, the government continued to simplify regulations governing international transportation. For the ECMT system (the international system of permits for cargo transportation between European and Asian countries), technical inspection and truck certification were combined into a single procedure. Technical inspections and certificate issuance can now be carried out by all accredited entities, not just the state enterprise, which should strengthen market competition and reduce carriers' costs.

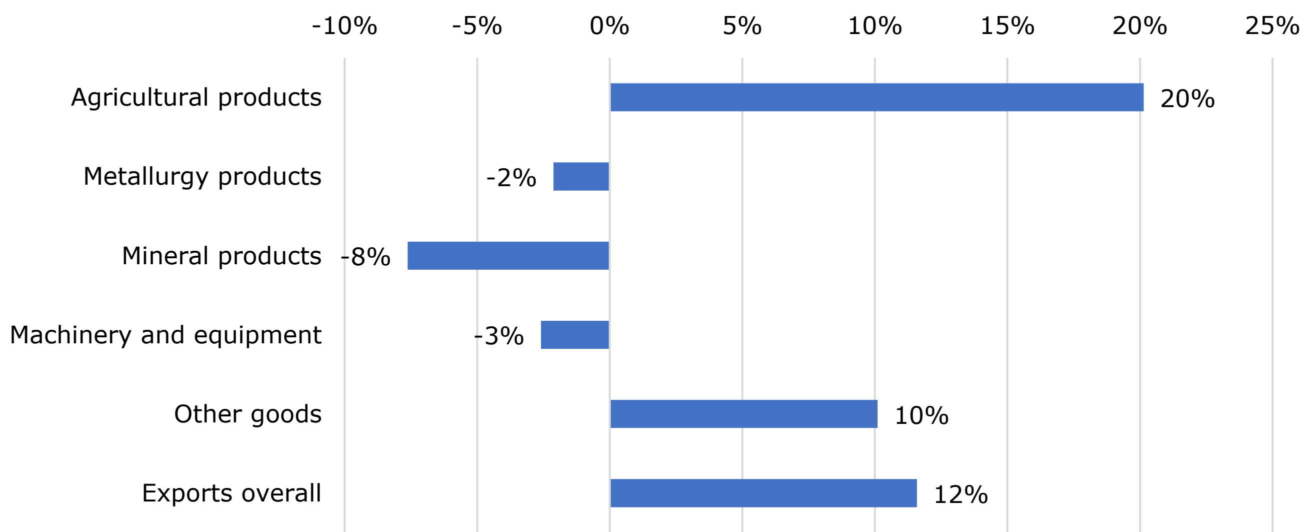
The Verkhovna Rada ratified the agreement on international road transport with Morocco. The agreement will allow Ukrainian carriers to operate direct and transit routes without using intermediaries through third countries, thereby expanding the geography of transportation and reducing logistics costs for businesses.

In the sphere of interregional bus transportation, the transition of permits to electronic format has begun: carriers can already replace paper documents with electronic ones and work with them online.

External trade: Imports surged in April

Exports in April 2026 increased by 12.0% yoy to USD 3.7 bn. This was primarily driven by rapid growth in exports of agricultural products (by 20% yoy), which is likely related to the rebound in exports after some postponement of grain exports (wheat and corn) in January and February, when companies faced limited access to electricity and logistical problems. Agricultural exports were also supported by high prices for sunflower oil. At the same time, exports of mineral products decreased by 8% yoy due to an 18% yoy decline in iron ore exports in tonnes.

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



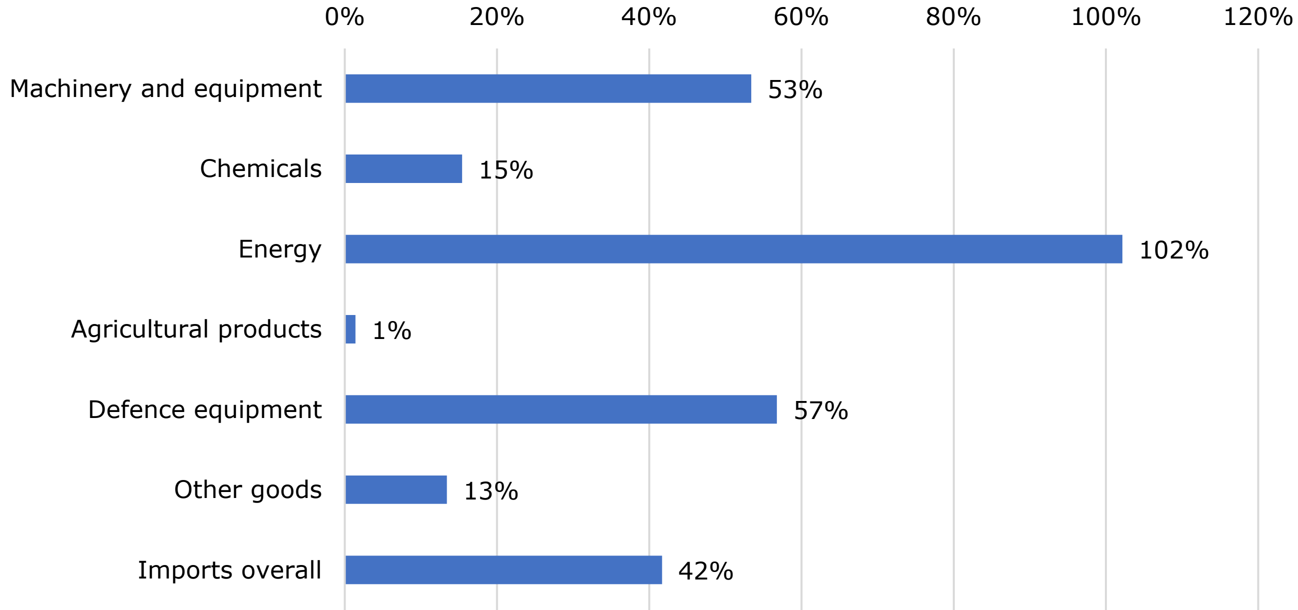
Source: Own calculations according to the State Customs Service

Metallurgical exports declined by 2% yoy, which may partly be related to the introduction of CBAM in the EU. At the same time, the decline in nominal terms could have been deeper had prices for a number of product items not increased. For example, exports of steel pipes and profiles fell in real terms by almost 40% yoy, while the average price increased by about 30% yoy. Meanwhile, exports of pig iron increased by 51% yoy in tonnes from a low base. Exports of rolled products also increased (both in nominal terms and in volume).

Exports of machinery products also declined yoy due to a high base of comparison. At the same time, they were the highest in the last 10 months.

Imports of goods in April increased by 42% to USD 8.8 bn due to growth in imports across all major categories of goods. Imports of energy products more than doubled due to larger volumes and a higher value of fuel imports, although volumes of petroleum product imports declined somewhat compared to March amid record import prices. Imports of gas and electricity were also high compared to a low base. Imports of machinery products continued to grow (up by 53%) due to high demand for UAV components and vehicles from the defence and security forces. Imports of energy equipment remained high. For example, imports of batteries increased by 4.3 times (somewhat slower than in March). Imports of passenger cars decreased somewhat, which may be related to the removal of import exemptions for cars, although the pace of decline remained modest.

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



Source: Own calculations according to the State Customs Service

Fiscal Policy: 2026 State Budget Amendments are expected

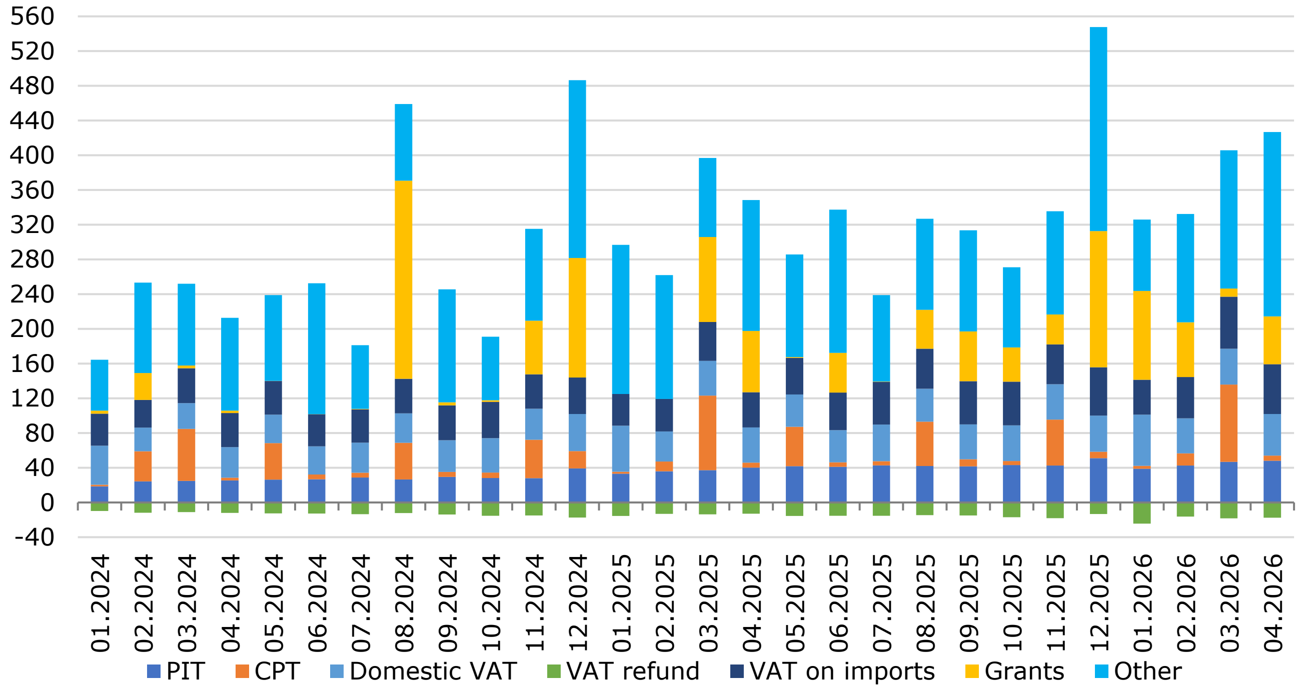
Revenues. According to preliminary data, State Budget revenues in April 2026 increased by 20.3% yoy to UAH 409 bn (UAH 393 bn in March), primarily due to higher special fund revenues. Special fund revenues are primarily related to military assistance.

General fund revenues of the State Budget amounted to UAH 303 bn and increased by 10.1% yoy, or by 13.3% mom. Grants under the ERA amounted to UAH 55.1 bn in equivalent (UAH 70.6 bn in April 2025 and UAH 9.5 bn in March 2026). In addition, in April the NBU transferred UAH 73 bn in profit to the State Budget, while in total UAH 146 bn in profit is expected to be transferred this year based on the audit results.

Corporate profit tax receipts reached UAH 5.9 bn and were 5.6% higher than last year. PIT revenues, including the military levy credited to the State Budget, increased by 19.5% yoy. Net domestic VAT revenues increased to UAH 30 bn, as gross domestic VAT revenues rose by 18.0% yoy to UAH 47.9 bn due to stronger demand. At the same time, VAT refunds increased by 27.9% yoy to UAH 17.6 bn, which is below the average for Q1. VAT on imports declined slightly to UAH 57.3 bn (still +41% yoy) from the March record of UAH 59.9 bn (+33.5% yoy) due to higher fuel imports in March (in nominal terms).

According to the Ministry of Finance, tax revenues in April were over-executed: revenues administered by the State Tax Service were 4.2% above plan (UAH 3.8 bn), while those administered by the State Customs Service were 1% above plan (UAH 0.8 bn).

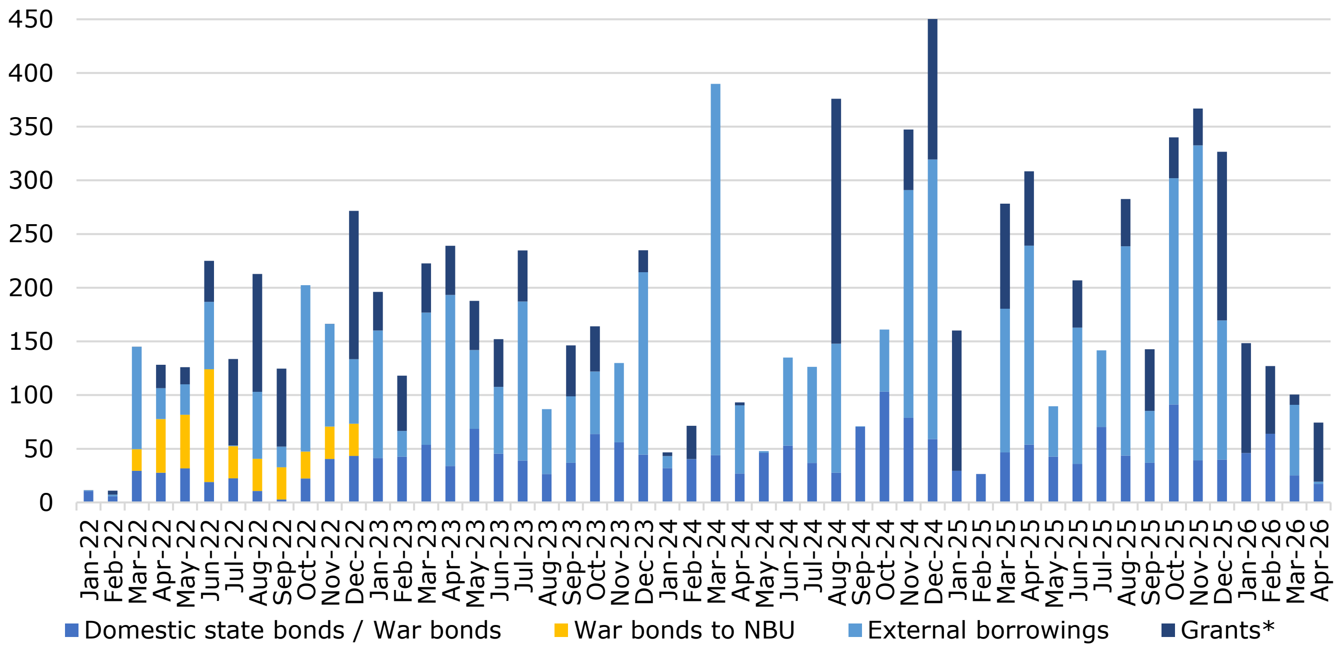
Figure 5: State Budget Revenues, UAH bn



Source: Ministry of Finance

Financing. In April, government domestic bonds (OVDP) placements amounted to only UAH 17.3 bn in equivalent, which is significantly less than earlier. At the same time, this was driven by the issuance of FX-denominated OVDPs: USD 100 m and EUR 201 m, which is slightly less than what the government spent on servicing and redeeming FX-denominated OVDPs. This strategy is likely explained by the Ministry of Finance's approach to reducing the cost of debt. Yields on hryvnia-denominated securities were 15.67% per annum, on USD-denominated securities – 3.23%, and on EUR-denominated securities – 3.13%. As the government expects to receive an EU loan with an effectively zero interest rate due to the interest subsidy, this approach is understandable. The government also conducted another switch auction in the amount of UAH 5.7 bn to extend debt maturities.

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

External borrowing amounted to only about USD 45 m, received under various programmes through the World Bank.

Amendments to the State Budget. The Government initiated amendments to the 2026 State Budget primarily to finance defence and security, as the spending allocations for these purposes in the approved State Budget for this year were lower than last year's. The amendments became possible following the EU decision to provide Ukraine with support in the form of the Ukraine Support Loan in the amount of EUR 90 bn for 2026-2027. Of this amount, EUR 30 bn will be channelled as budget financing through the macro-financial assistance and Ukraine Facility mechanisms, and therefore conditionalities and indicators for providing such support will be defined. EUR 60 bn will be provided as support for defence and security: the exact mechanism has not yet been finally determined, but most likely the funds will not enter Ukraine's budget and the assistance will be provided in kind. In 2026, budget support will amount to EUR 16.7 bn (EUR 8.35 bn under each mechanism), while military support will amount to EUR 28.3 bn. The assistance will be provided on the basis of a Financing Strategy developed by Ukraine and approved by the European Commission.

The amendments to the State Budget proposed by the Government envisage that EUR 13.2 bn (in equivalent) will be allocated to social and humanitarian purposes, and EUR 31.8 bn to defence and security. This indicates that the European Commission agreed to the use of part of the budget support under the Ukraine Support Loan to pay for military remuneration, as was already the case at the end of 2025.

Thus, as presented by the Ministry of Finance, additional funds will be directed primarily to increasing defence and security spending by UAH 1,560 bn (to UAH 4,367 bn). This includes:

- UAH 174.3 bn for military remuneration (UAH 1,454 bn in total),
- UAH 1,371 bn for weapons and military equipment, including procurement and repairs (UAH 2,297 bn in total), which will be mostly or fully financed through the special fund of the State Budget, and
- UAH 14.6 bn for the defence and security reserve (UAH 213.6 bn in total).

In addition, UAH 40 bn will be allocated to a new budget programme for Comprehensive Resilience Plans of regions and selected cities for the winter season 2026/27. This includes the protection of critical infrastructure, decentralised heat generation, cogeneration units, and backup power sources for district heating and water supply facilities. This is only part of the required funding, but it provides a starting point for financing the implementation of the Resilience Plans.

An additional UAH 40 bn will be added to the Reserve Fund (bringing its total financing to UAH 89 bn) to cover urgent and unforeseen needs under martial law.

Ukraine Plan. In April, the Government finally submitted the Ukraine Plan implementation report. The European Commission approved it and decided to disburse a tranche of EUR 2.75 bn to Ukraine. This is effectively equivalent to the tranche planned for Q4 2025 and became possible after the European Commission changed the methodology for disbursing tranches under Ukraine Facility. Under the revised methodology, four indicators with deadlines in 2026 have been taken into account during the review. In April, Ukraine also completed three additional 2025 indicators beyond those met earlier. At the same time, Ukraine has still not completed one indicator for Q1 2025 and one for Q2 2025, nine indicators for Q4 2025, and six indicators for Q1 2026. The first parliamentary week of May brought no progress on meeting Ukraine Plan indicators.

Other commitments. Ukraine has still not met the tax-related structural benchmark that is required for the IMF programme review. The IMF mission is expected to come to Kyiv for the review in late May. To date, the laws on taxing income earned via digital platforms and on taxing all parcels have not been adopted. The draft law on VAT for the simplified tax regime has not been submitted to Parliament, and the implementation of this component of the structural benchmark is therefore likely to be postponed. Ukraine has also adopted only one of the four draft laws required to unlock the World Bank loan.

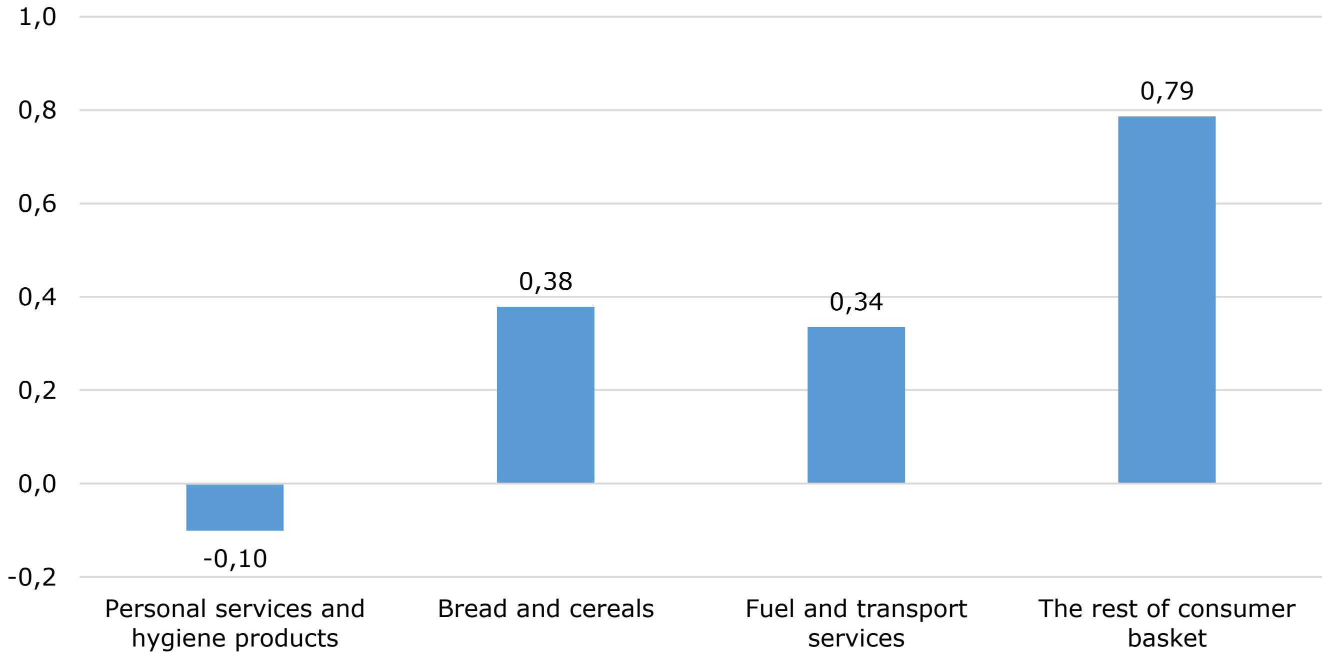
Inflation: Consumer Inflation Continued to Accelerate to 8.6% yoy in April

Consumer inflation in April accelerated to 8.6% yoy from 7.9% yoy in March. As in March, both a sharp increase in fuel costs and the resulting rise in transport costs added to inflation directly and triggered price increases across a large share of the consumer basket. So far, price increases for some goods and services have remained contained, while other items have proved more sensitive to rising costs.

The CPI increased by 1.4% mom in April, which was slightly lower than in March due to more favourable seasonal price patterns. As global oil prices rose because of the war in the Middle East, fuel prices increased by 8% mom and prices for transport services by 6% mom, together directly adding more than 0.3 pp to monthly inflation. A sharp increase in buckwheat prices due to low stocks, along with higher bread prices, added a further 0.4 p.p. to consumer inflation. A seasonal decline in prices for personal services helped to contain the monthly increase to some extent.

Excluding one-off and seasonal price movements, inflation accelerated in response to additional cost pressures and reached around 0.9-1.0% mom. This reflected price increases across a broader range of goods and services, as high fuel prices persisted for the second month in a row.

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



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

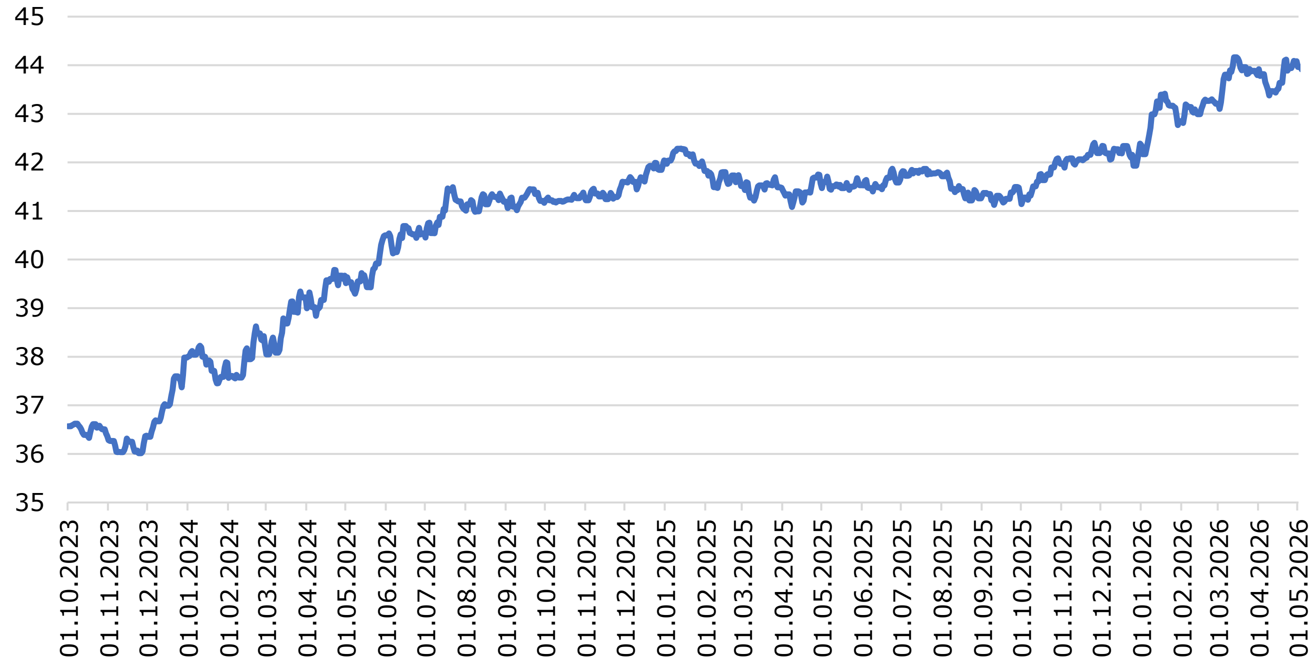
Exchange rate And Monetary Policy: International Reserves Declined

Exchange rate. Hryvnia exchange rate remained fairly stable against US dollar and euro over recent weeks and was close to UAH 44 per USD. The NBU reduced interventions to USD 3.2 bn over the four weeks ending on 10 April, which is below the 2026 average (USD 3.5 bn). Net demand for foreign currency from bank clients gradually decreased due to slightly lower import demand in recent weeks. Lower expectations of hryvnia depreciation helped reduce net demand for cash foreign currency.

By the end of April, international reserves declined by 7.3% to USD 48.2 bn due to NBU FX interventions amounting to USD 3.6 bn, as well as sovereign debt payments amid an almost complete absence of inflows of international assistance. Net redemptions of FX-denominated OVDPs amounted to USD 94 m, while external debt service costs totalled USD 538 m, of which USD 250 m related to debt to the World Bank and the EU.

Monetary policy. At its meeting on 29 April, the NBU Monetary Policy Committee unanimously kept the key policy rate at 15.0% per annum. Policymakers agreed that the current supply-side cost shock makes a rate cut unlikely this year. At the same time, the energy shock is expected to be temporary, so a rate increase may be premature. This decision is also consistent with IMF advice to central banks not to rush to respond to higher oil and gas prices resulting from the war in the Middle East.

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



Source: NBU

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