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Monthly Economic Monitoring of Ukraine

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Executive summary

- According to the IER estimate, real GDP fell by 2.4% yoy in September, compared with a 1.9% yoy decline in August.
- In September, Ukraine imported 76.1 ths. MWh of electricity, 59% less than in August. Electricity exports increased by 24% compared with August to 473.7 ths. MWh.
- As of 15 October, natural gas stocks reached 16 bcm. Underground gas storage facilities were 37% full.
- The Cabinet of Ministers partially allowed exports of Ukrainian natural gas.
- In September, rail shipments of grain amounted to 1.42 m tonnes (-36% yoy). In August, railways transported 10.32 m tonnes of cargo (-29% yoy).
- Goods exports fell by 6% yoy in dollar terms in September, recovering somewhat from the sharp decline in August due to a change in the export structure.
- Goods imports increased by 18% yoy in September from an already high base to USD 8.9 bn, the highest level this year.
- Economic difficulties caused by russian attacks are negatively affecting budget revenues.
- Delays in fulfilling commitments to the EU are slowing loan disbursements under the Ukraine Support Loan and Ukraine Facility. As a result, the Government suspended capital expenditures.
- Consumer inflation accelerated sharply to 10.0% yoy in September from 8.1% yoy in August.
- The NBU raised the key policy rate by another 0.5 pp to 16% p.a.
- NBU international reserves declined to USD 47.1 bn in September amid substantial interventions to support the hryvnia.

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GDP and real sector: Real GDP continues to decline

Ukrstat. According to Ukrstat, the extractive industry declined by 8.8% year-on-year (yoy) in August as iron ore extraction halved due to logistics problems caused by the closure of seaports for exports. Steel production also halved due to russian attacks, as Zaporizhstal was already not operating in August, while several other enterprises were unable to operate at full capacity. As a result, manufacturing declined by 3.9% yoy, although growth in defence industry production prevented a sharper contraction. Electricity and gas production and distribution declined by 10.8% yoy, similar to previous months.

Agricultural production declined by 16.7% yoy in August, although operational statistics indicated an increase in the grain harvest. This reflected lower harvests of other crops and discrepancies between Ukrstat and operational data, with the former showing a decline in wheat and maize harvesting. The decline in construction slowed to 4.7% yoy in August from around 26% yoy in July due to a statistical base effect. Growth in retail trade slowed somewhat to 7.6% yoy because of russian attacks.

IER revised down its estimate of real GDP for August to account for the decline in agricultural production. We now estimate that real GDP declined by 2.4% yoy in September and by 1.9% yoy in August.

According to our estimates, real gross value added (GVA) in agriculture declined by around 12% yoy in August and by 5.6% yoy in September. The sector is also facing significant challenges due to limited export opportunities, as the ports of Greater Odesa remain blocked, while the redirection of shipments to Danube ports and land routes is constrained, particularly by problems at Ukrzaliznytsia. In particular, russia is destroying an increasing number of locomotives, limiting the company's operational flexibility. As this year's grain harvest is even slightly higher than last year's, companies are once again starting to store grain in silo bags and mobile grain storage facilities, an area in which the EU has provided support. Therefore, with exports constrained, inventories will make a positive contribution to real GDP growth. However, continued uncertainty and logistics difficulties are undermining companies' financial capacity to finance sowing, resulting in a reduction in planted areas. If the situation does not improve by spring, agricultural performance in 2027 could be significantly worse than this year.

Real GVA in manufacturing is estimated to have declined by 7.0% yoy in September due to a sharp drop in metallurgical production, as major steel producers suspended operations following damage caused by russian drones and ballistic missiles. At the same time, defence industry production continued to support manufacturing, although the sector still lacks long-term, stable contracts and faces export restrictions. Overall, the shutdown of metallurgical enterprises and changes in the operating models of large retail companies are expected to reduce employment and the wage bill. Finding new jobs will take time for laid-off workers and may sometimes require retraining, upskilling or relocation. The labour market currently faces skills mismatches as well as regional imbalances between labour demand and supply.

According to IER estimates, real GVA in the extractive industry declined by 12.3% yoy due to a sharp drop in iron ore extraction. At the same time, domestic natural gas extraction supported the sector. The decline in electricity production and gas distribution is estimated at around 11% yoy, although the situation in the sector deteriorated further in October.

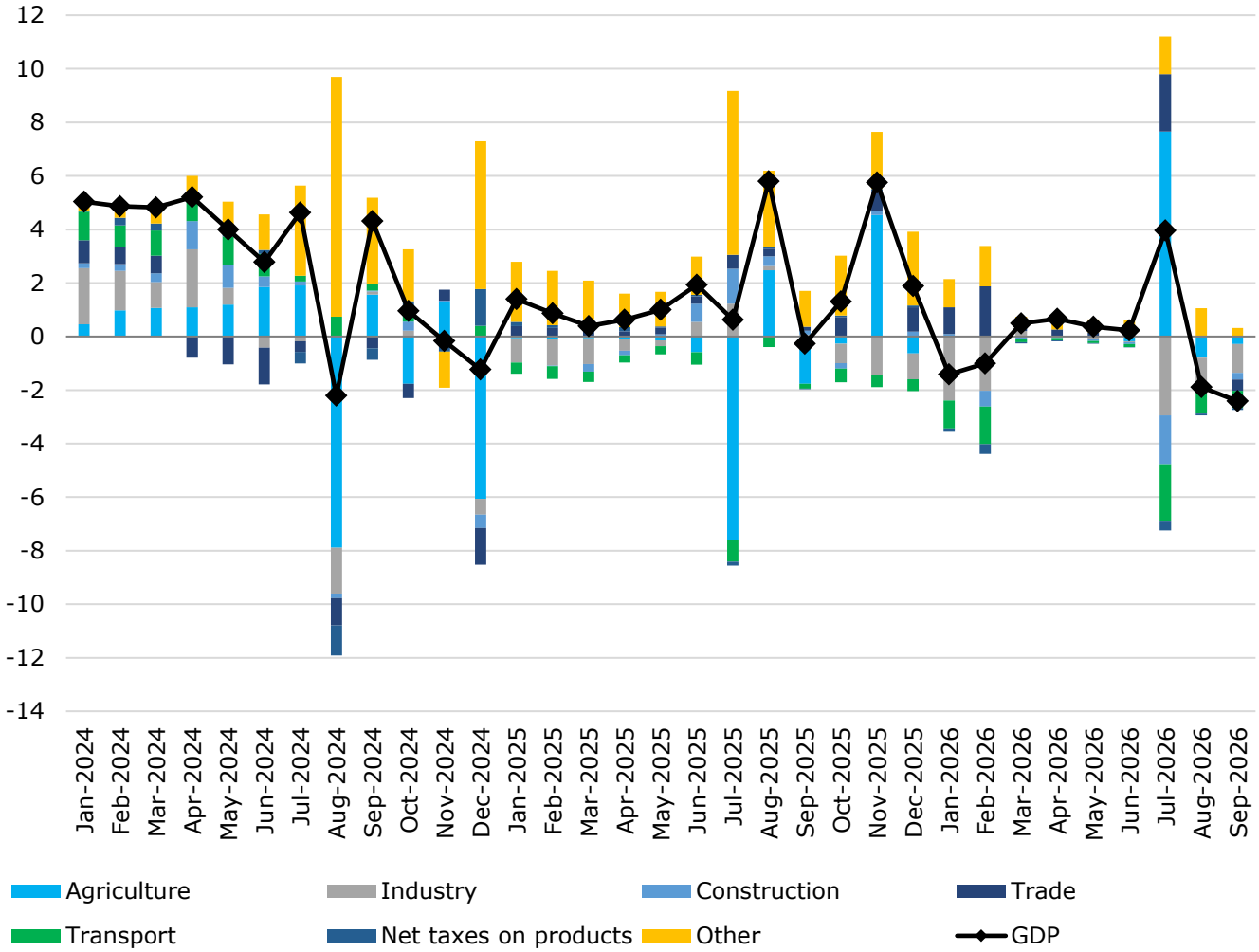
Lower exports and the destruction of warehouses belonging to many trading companies are estimated to have resulted in a 5.5% yoy decline in GVA in trade (wholesale and retail). At the same time, companies are developing new approaches to trade that rely less on warehouses and involve a higher share of direct sales.

The decline in real GVA in transport is estimated to have accelerated to 20% yoy due to restrictions on seaport operations and problems with railway logistics. Road freight companies face a shortage of drivers and therefore cannot absorb all the additional demand. Moreover, road freight transport is significantly more expensive than maritime transport.

Amid high uncertainty, IER may revise its estimates. Nevertheless, current estimates indicate that real GDP declined in the first nine months of the year. Given that the situation has already

deteriorated further in October and the statistical base is higher, real GDP is likely to contract by around 0.5% in 2026.

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



Source: IER estimate

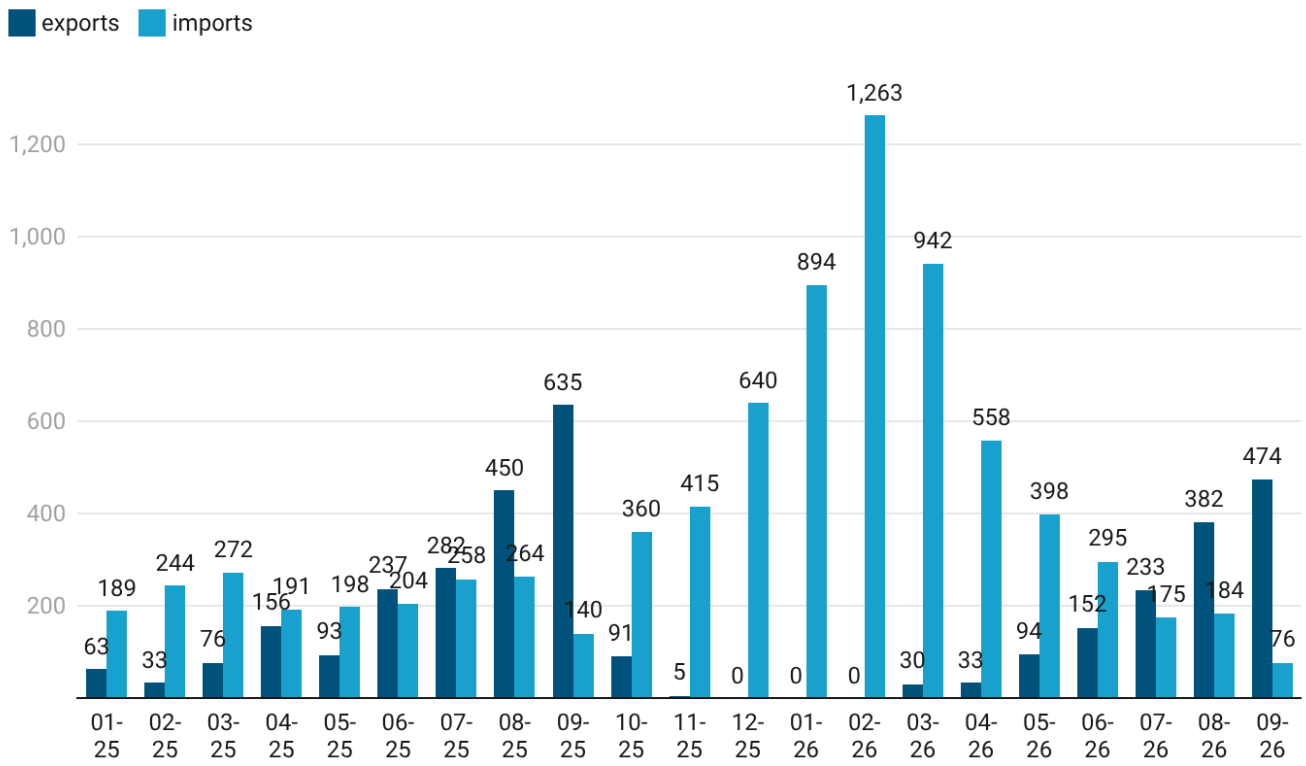
Energy: Government allowed gas exports

Electricity. Relatively warm weather in September helped reduce electricity demand and avoid shortages. Demand also declined due to lower electricity consumption by metallurgical enterprises, which significantly reduced production following russian attacks and difficulties exporting their products via the Black Sea. Two nuclear power units remained under maintenance in preparation for winter.

The period of relative stability ended on 30 September, when russian forces launched the first large-scale attack on electricity generation and transmission infrastructure since the end of the previous autumn-winter season. In response, electricity consumption restrictions were introduced.

In September, Ukraine imported 76.1 ths. MWh of electricity, 59% less than in August. Hungary accounted for the largest share of imports (51%). At the same time, electricity exports increased by 24% compared with August to 473.7 ths. MWh. Hungary accounted for 49% 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

At the end of September, Ukraine held auctions to allocate support quotas for new wind (700 MW) and solar (100 MW) power plants. Demand exceeded supply, pushing bids down. Solar power plants were required to have energy storage systems with a capacity of at least 80% of generation capacity and storage of at least 2 kWh per kW of installed capacity. A total of 24 companies submitted 26 bids for almost 386 MW of solar capacity, 3.86 times the available quota. Bids ranged from 22.5% to 50.25% of the ceiling price of 12 euro cents per kWh. In the wind power auction, nine companies submitted 93 bids totalling 1,218.1 MW. With a ceiling price of 8 euro cents per kWh excluding VAT, bids ranged from 2.98 to 7.59 euro cents.

Gas. As of mid-October, Ukraine's underground gas storage facilities held 16 bcm of natural gas, including technical gas. These were the highest pre-winter gas stocks in six years, exceeding the Government's baseline target of 14.6 bcm for gas injection by November. Reserves increased amid lower gas consumption this year, largely because russian strikes on industrial infrastructure had already forced some factories to close. russia attacked Naftogaz assets more than 400 times this year, twice as often as in 2025.

Naftogaz estimates that gas consumption will decline to around 20 bcm in 2026 from 21 bcm in 2025.

On 7 October, the Cabinet of Ministers partially allowed exports of Ukrainian natural gas due to a surplus in the commercial market. Gas producers will be able to export up to 15% of the gas extracted in the previous month. The mechanism will operate from 1 March to 30 November of the respective year. It does not apply to gas extracted under production-sharing agreements or to companies subject to special obligations under Cabinet of Ministers Resolution No. 222 (Ukrgasvydobuvannya, Ukrnafta and Chornomornaftogaz). Therefore, it applies to private gas producers. Exports of domestically produced gas were banned following russia's full-scale invasion in 2022. In August, private companies extracted more than 370 mcm of gas.

Gas storage facilities were 37% full, significantly above last year's level of 28%. Ukraine substantially reduced gas imports from Europe. In April–September 2026, physical gas inflows into

Ukraine's gas transmission system amounted to only 0.23 bcm, compared with 3.57 bcm in the corresponding period of 2025.

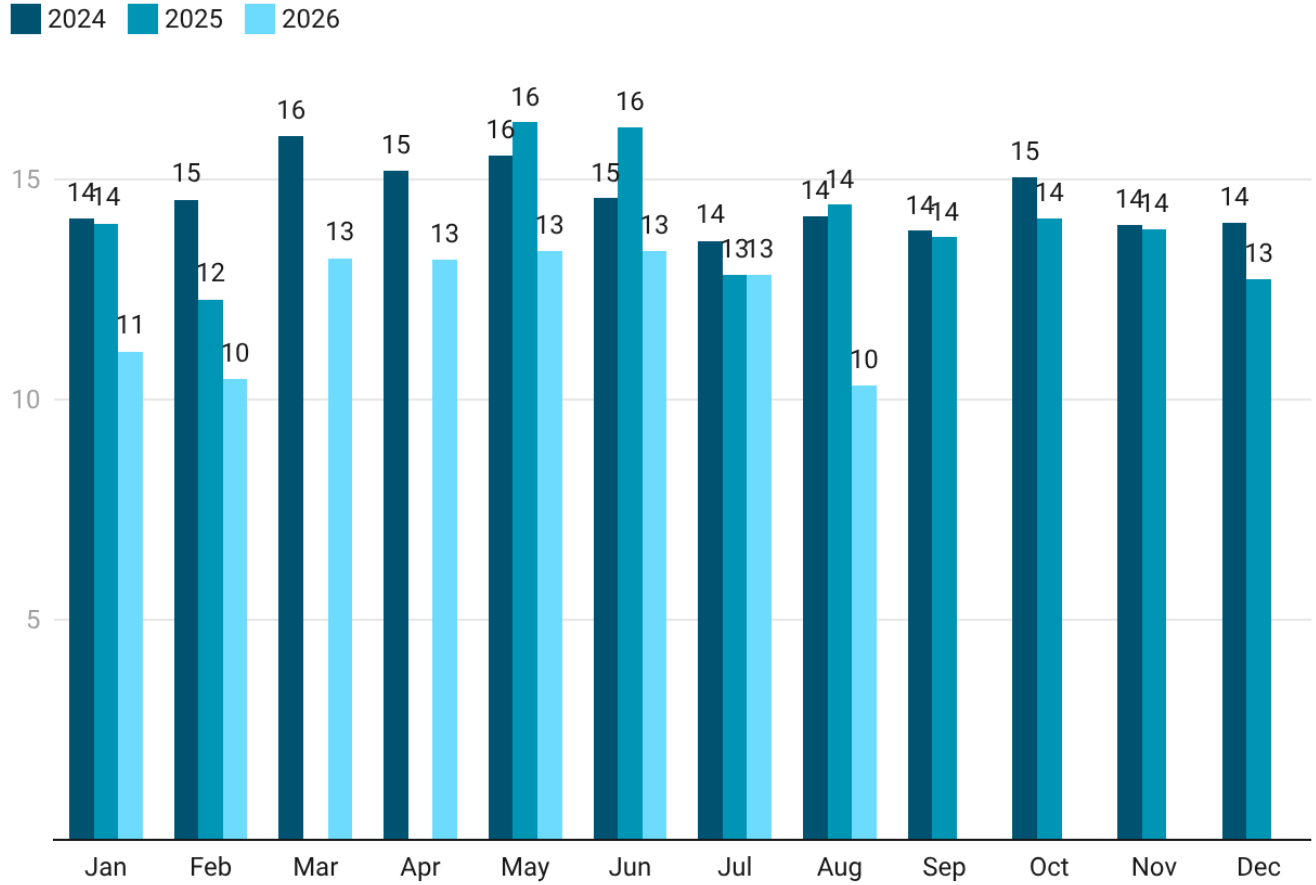
Transport: Decline in rail freight

Maritime transport. Operations at the ports of Greater Odesa remained severely restricted in September–October due to high security risks and fewer vessel calls. On 17 September, a russian drone attacked a civilian vessel heading to a Ukrainian port. Such attacks keep insurance and freight costs high and discourage shipowners from returning to Black Sea ports.

The main cargo flows continued to shift towards the Danube. In September, around 1.20 m tonnes of agricultural products were transported towards Danube ports and through the Orlivka ferry crossing (+60.1% mom). The sharp increase in traffic caused congestion in the Sulina Canal, with waiting times exceeding two weeks. Freight rates from Danube ports rose to around USD 100 per tonne, compared with USD 30 per tonne in July. To reduce queues, Romania and Ukraine changed the procedures so that vessel clearance could take place at the Black Sea anchorage before entering the Sulina Canal. This increases throughput capacity, but the Danube still cannot fully replace the deep-water ports of Greater Odesa.

Rail transport. Security pressures intensified. On 16 September, the Kyiv–Mykolaiv train was attacked, while on 14 October railway facilities were simultaneously targeted in five oblasts — Kharkiv, Kyiv, Vinnytsia, Khmelnytskyi and Ternopil — damaging depots, stations, repair facilities and rolling stock.

Figure 3: Rail freight transport, m tonnes



Source: Ukrstat

In August, railways transported 10.32 m tonnes of cargo (-29% yoy). In September, rail shipments of grain amounted to 1.42 m tonnes (+9.8% mom; -35.8% yoy). Shipments to Danube ports totalled 149.9 ths. tonnes (-44% mom), while deliveries to the ports of Greater Odesa amounted to only 33.7 ths. tonnes. The decline in shipments towards the Danube was partly related to damage to the Bilhorod-Dnistrovskyi bridge, which restricted freight access to the ports. Land border crossings accounted for 94% of export shipments.

The EBRD approved the reallocation of EUR 130 m to support the stable operation of Ukrzaliznytsia.

Road transport. In August, trucks transported 13.1 m tonnes of cargo (+23% yoy, -4% mom).

Security risks are also affecting cross-border road logistics. On 5 October, the Palanka–Mayaky–Udobne crossing point temporarily suspended operations following a russian attack, with traffic redirected through Starokozache–Tudora. This creates additional delays and increases pressure on alternative border crossings.

On 20 September, Ukraine and Romania signed a memorandum on the development of border infrastructure. It envisages modernisation of road border crossings and access roads, improved railway connections, simplified border procedures, and expanded transshipment of Ukrainian cargo through Romanian ports. On 8 October, Ukraine and Romania opened the new Bila Tserkva–Sighetu Marmației border crossing. It currently serves passenger cars, but once construction is completed, it is expected to accommodate trucks without weight restrictions, increasing the capacity of the Romanian route.

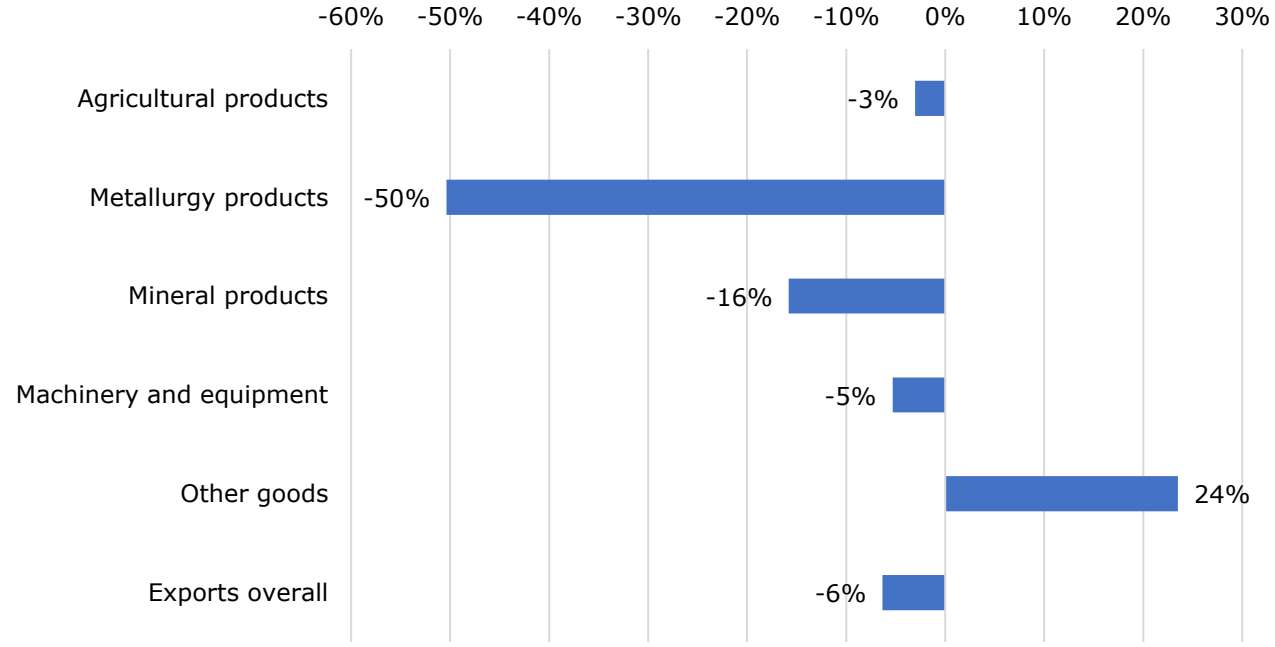
External trade: Adaptation to changing logistics conditions

The blockade of seaports continued to constrain physical export volumes. Although export volumes increased slightly from 5.0 m tonnes in August to 5.4 m tonnes in September, they remained significantly below the average for the first half of the year (8.5 m tonnes). However, changes in the export structure allowed a stronger recovery in dollar terms: goods exports increased by 16% mom to almost USD 3.0 bn and declined by only 6% yoy, albeit from an already relatively low base. Lower exports of relatively low-value iron ore in September were offset by exports of higher-value products.

Agricultural exports declined by only 3% yoy to USD 1.57 bn, while their structure shifted towards products with a higher value per tonne. In physical terms, wheat exports fell by 48% yoy and barley exports by 72% yoy, while exports of the main types of vegetable oil increased by 4%, although their composition shifted towards rapeseed oil. Exports of rapeseed and maize increased from a low base last year.

Metallurgical exports remained half of last year's level, declining by 50% yoy to USD 209 m as a result of russian attacks. Pig iron and slab (semi-finished steel product) exports recovered somewhat compared with August but remained several times lower than last year, while exports of rolled steel products collapsed. Pipe exports continued, while exports of some other metallurgical products increased. Exports of machine-building products declined by 5% yoy but were almost unchanged compared with July.

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



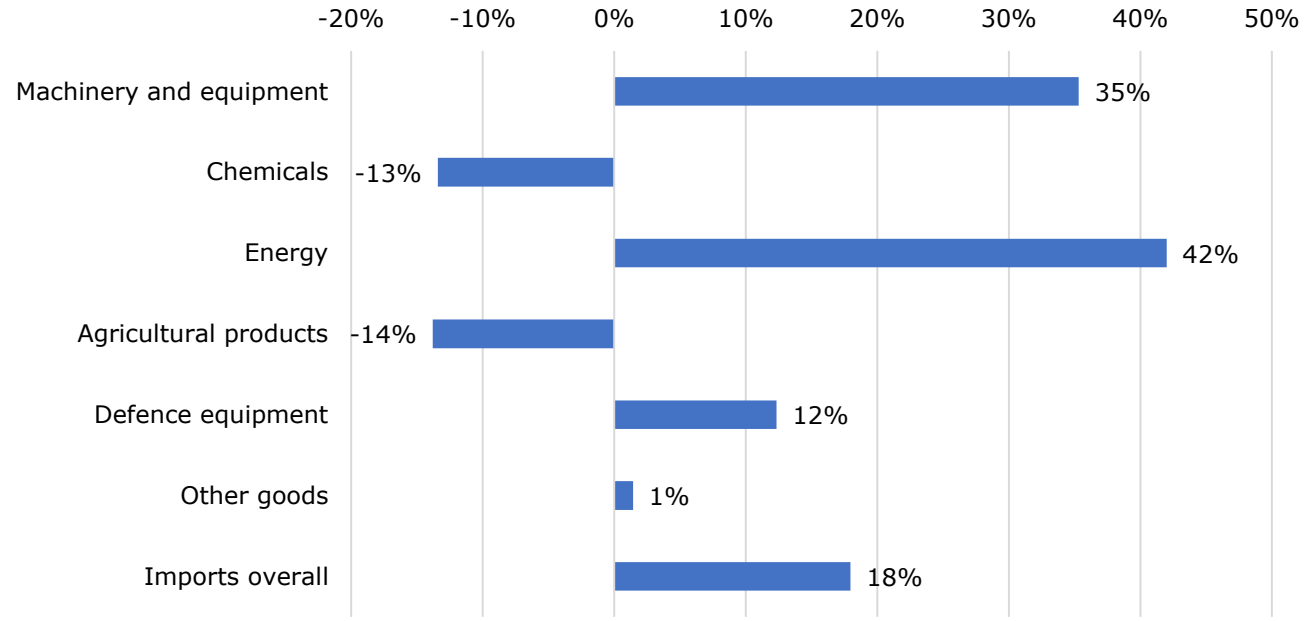
Source: Own calculations according to the State Customs Service

Iron ore exports collapsed to 1.2 m tonnes, compared with 1.9 m tonnes in August and 2.2 m tonnes in May. Thanks to exports of oil and other energy products, which were almost absent last year, the overall decline in exports of mineral products was limited to 15% yoy. Exports of other goods increased, primarily due to growth in exports not allocated by commodity.

Goods imports increased by 18% yoy in September from an already high base to USD 8.9 bn, the highest level this year. This partly reflected almost unchanged import volumes of petroleum products despite a sharp increase in prices. As a result, energy imports in dollar terms rose by 42% yoy to USD 1.27 bn. However, an even more important driver of import growth was very strong demand for imported components from Ukraine's defence industry and for energy independence equipment from Ukrainian consumers. As a result, imports of machine-building products increased by 35% yoy from an already relatively high base to almost USD 4.5 bn. As in August, batteries were the second-largest import category by value after petroleum products (a year ago, petroleum products and cars competed for first place).

Imports of other products declined somewhat. Imports of medicines fell due to attacks on distributors' warehouses. Fertiliser imports also declined. 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: Economic downturn negatively affects budget revenues

Revenues. State Budget revenues amounted to UAH 518 bn in September (1.7 times higher than in September 2025). They were supported by proceeds from the defence component of the EU's Ukraine Support Loan (equivalent to UAH 229 bn), which were allocated to the special fund of the budget. At the same time, general fund revenues declined by 6.5% yoy to UAH 196 bn.

Corporate profit tax (CPT) revenues amounted to UAH 4.3 bn (-47% yoy), reflecting financial difficulties in many sectors of the economy. September is not a regular CPT payment period, and these revenues represent advance payments for the third quarter. However, the amount was lower than in previous months without scheduled tax payments. For example, CPT revenues in June and July amounted to UAH 5.8 bn and UAH 6.8 bn, respectively.

PIT revenues (including the military levy) amounted to UAH 50.1 bn (+20.3% yoy), lower than in July and August. They are likely to decline further from this level, given the expected reduction in employment and wage cuts in sectors most affected by russian attacks.

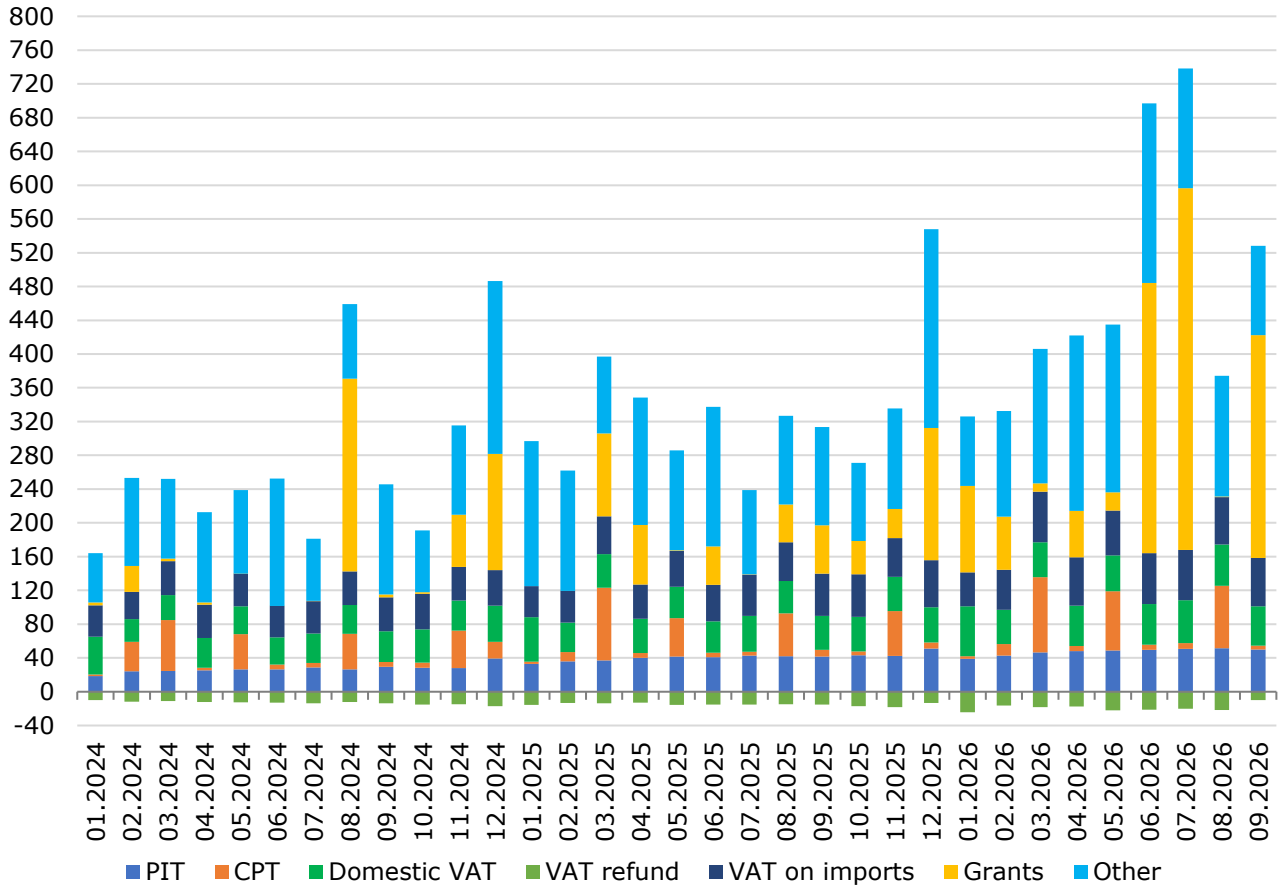
Gross domestic VAT revenues continued to decline compared with previous months, reaching UAH 46.8 bn (+16.6% yoy) amid slower consumption growth. At the same time, liquidity constraints

resulted in lower VAT refunds of UAH 9.9 bn, compared with an average of UAH 19 bn over the previous 12 months. As a result, export-oriented sectors, including agriculture, are facing even greater liquidity problems.

VAT revenues on imports amounted to UAH 57.2 bn (+14.6% yoy), higher than in August but lower than in June and July. The share of imports exempt from taxation, particularly defence-related imports, remains substantial.

Overall, according to preliminary data, tax revenues to the general fund of the State Budget were below planned levels. According to Ukrainian Prime Minister Serhii Koretskyi, revenue losses resulting from russian attacks on logistics, trade and metallurgical enterprises could reach around UAH 70 bn by the end of the year.

Figure 5: State Budget Revenues, UAH bn



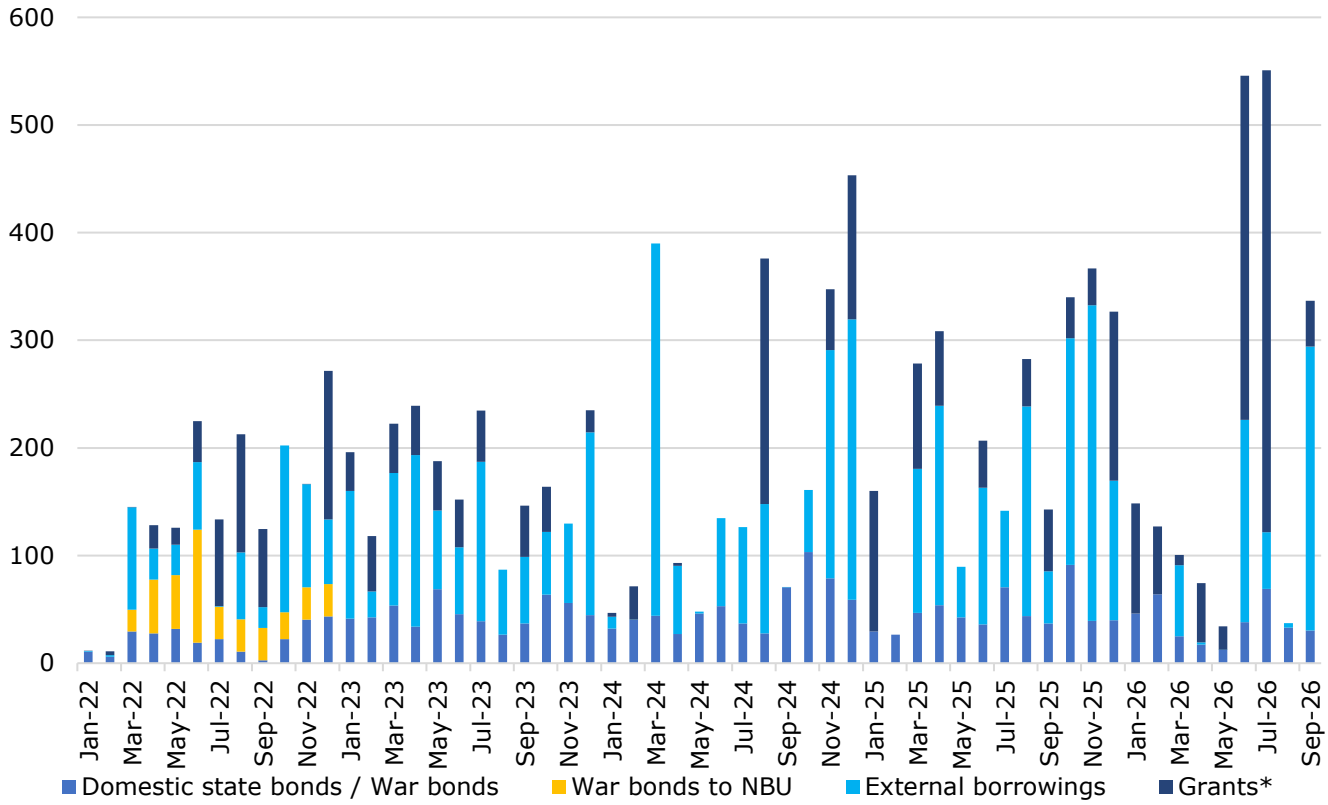
Source: Ministry of Finance

Financing. According to preliminary data, expenditures declined in September and were below plan. General fund expenditures amounted to UAH 300 bn, compared with an average of UAH 370 bn in January–August 2026. However, this does not yet indicate the execution of total expenditures, as the Government also financed defence spending from the special fund of the State Budget, using the EU's Ukraine Support Loan. At the same time, due to liquidity constraints, the Government suspended capital expenditures and subsequently prioritised the financing of other expenditures at both national and local levels. As a result, all construction and repair projects are at risk of suspension, undermining preparations for winter.

In September, the MinFin placed only UAH 18.8 bn in domestic government bonds. A switch auction was also held for UAH 11.5 bn. As a result, through these auctions, the Government has exchanged around UAH 100 bn in domestic bonds since the beginning of the year, extending their maturities and thereby reducing pressure on the budget.

In September, Ukraine received external financing equivalent to UAH 42 bn under various IBRD programmes. At the same time, the EU did not provide financing under macro-financial assistance or the Ukraine Facility in September, as the Government submitted its report on the implementation of Ukraine Plan indicators with a significant delay. However, in early October, Ukraine finally received a tranche of EUR 2.9 bn under the Ukraine Facility, as the European Commission recognised Ukraine's fulfilment of several commitments, including some scheduled for future periods.

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

Fiscal gap. By mid-November, Parliament needs to adopt around 35 laws, while the Government must approve around 30 decisions to secure financing from the EU under the Ukraine Support Loan and Ukraine Facility, as well as from the IMF and the World Bank. Completing such a large number of tasks within the deadline appears unrealistic, even taking into account the progress made during the week of 12–16 October. In particular, several draft laws have so far been adopted only in the first reading.

Fulfilling all commitments could potentially unlock around EUR 18 bn in financing. These funds are already envisaged in the budget to finance civilian expenditures. However, even this would not cover the entire fiscal gap in 2026, which stems from higher-than-planned defence spending and lower-than-planned revenues. Additional financing and expenditure savings are needed. Overall, even excluding defence needs, the fiscal gap for 2027 amounts to around EUR 30 bn.

Importantly, defence financing needs are difficult to estimate accurately: the more assistance Ukraine receives, the better the situation on the frontline. At the same time, frontloading expenditures from the end of the year has resulted in the annual allocation for military personnel remuneration already being exhausted. Therefore, the Government needs to reallocate funds from other budget items to finance military remuneration.

Defence assistance can be provided both in kind and through financial support. These forms of assistance can partly substitute for each other. However, procurement of domestically produced defence equipment offers additional benefits, as it supports the Ukrainian economy and generates

higher tax revenues. The Government is currently negotiating to receive part of the defence financing under the Ukraine Support Loan allocated for 2027 already in 2026. This would also allow Ukraine to procure weapons and ammunition for the first months of 2027.

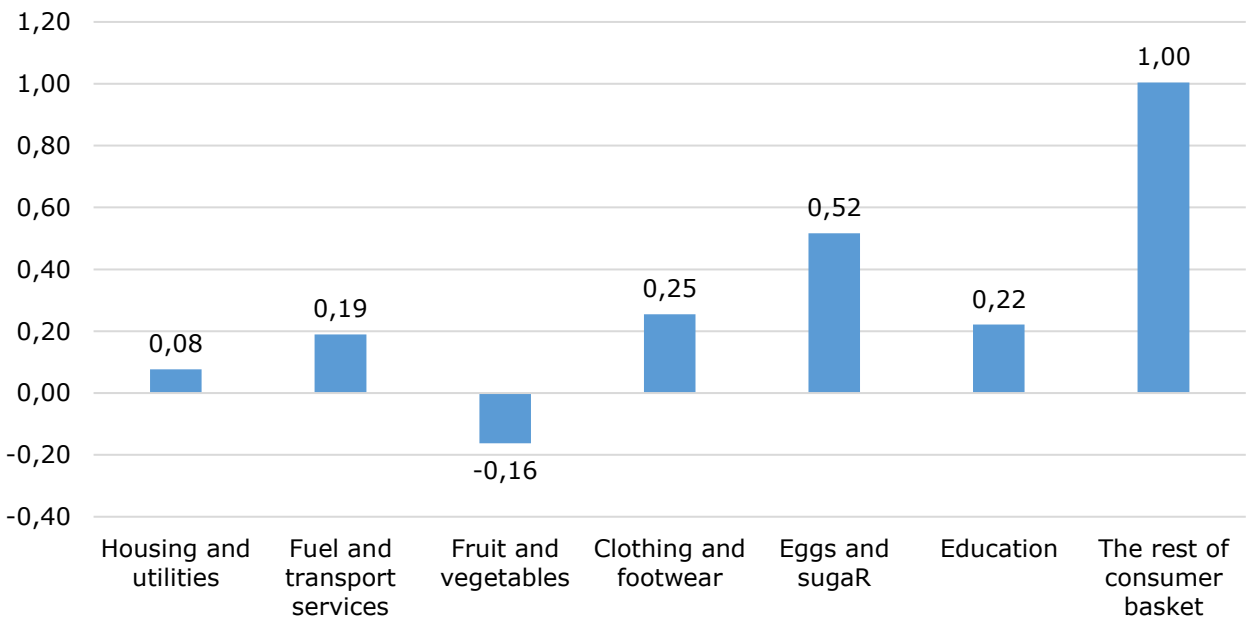
Inflation: Consumer inflation accelerated to 10.0% yoy in September

Consumer inflation accelerated sharply to 10.0% yoy in September from 8.1% yoy in August. This primarily reflected broad-based increases in consumer prices due to losses caused by russian attacks on warehouses and other logistics infrastructure, as well as high fuel costs. Higher prices for certain food products also played a role.

The CPI increased by 2.1% mom in September, the highest monthly increase since June 2024. Both seasonal and short-term factors, as well as broader price pressures resulting from higher costs, contributed to this increase. Egg prices rose sharply by 44% mom due to higher costs and a seasonal decline in production. Clothing and footwear prices also increased seasonally, while educational institutions revised their fees at the start of the new academic year. Fuel prices, transport service costs and water supply tariffs continued to rise.

Monthly inflation, excluding one-off and seasonal price movements, reached 1.4% mom. This acceleration followed several months during which producers and retailers had raised prices only moderately despite substantial increases in costs, reflecting relatively weak demand. However, their ability to absorb higher costs without passing them on to consumers appears to have been exhausted in September.

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



Source: *Own calculations based on Ukrstat data*

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

Exchange rate. The hryvnia weakened slightly against the US dollar, crossing the UAH 45/USD threshold, but strengthened against the euro, while the dollar exchange rate remained below UAH 45/USD. Exchange rate fluctuations were contained by substantial NBU interventions, which reached almost USD 5.0 bn over the four weeks ending on 18 October. 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 remained high.

NBU international reserves declined to USD 47.1 bn in September amid substantial interventions to support the hryvnia. The Government attracted USD 0.9 bn through the World Bank and converted USD 3.81 bn from the defence tranche of the Ukraine Support Loan into hryvnia, allowing these

funds to be included in international reserves. At the same time, Government external debt service payments amounted to USD 442 m, while NBU interventions to balance the FX market reached USD 5.45 bn. According to the NBU, reserves were sufficient to cover 4.0 months of imports of goods and services.

Monetary policy. The minutes of the Monetary Policy Committee meeting, at which the NBU decided on 16 September to raise the key policy rate to 16%, indicate that most Committee members cited high fiscal pressures and rising costs as reasons for the decision. Overall, the decision was expected amid persistently high inflationary pressure, uncertainty over external financing, and the projected key policy rate trajectory in the July Inflation Report. Moreover, the NBU's comments on the decision suggest that a further rate increase is fairly likely if inflation continues to accelerate or external financing disruptions persist. However, the NBU also mentioned the possibility of a rate cut if consumer demand weakens due to russian attacks.

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



Source: NBU

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