Ukraine

OUTLOOK 2026

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Executive summary

Ukraine's economy remained under severe stress in 2025, with real GDP growth estimated between 1.6% and 2.5%, sustained only by public spending and a temporary construction surge. However, energy shortages, declining industrial output, and escalating trade deficits—especially with the EU, reaching a record $39.9bn—underscore the country's growing economic fragility.

Grain exports and industrial capacity continued to shrink due to ongoing war damage and territorial losses. Inflation eased from 15.9% to 11.9% by September but remains elevated. The fiscal position remains precarious, with an estimated UAH600bn lost annually to the shadow economy and a budget deficit of €45–50bn, fully reliant on foreign aid.

Ukraine's battlefield situation deteriorated sharply in late 2025. Russian forces captured more territory than at any point since 2022, with 701 km² seized in November alone, bringing the total occupied area to 19.3% of Ukraine's territory. Western support has weakened, particularly from the United States, which provided no financial or military assistance in 2025. The EU is now Ukraine's sole backer, though internal opposition is mounting as key funding proposals, including the €210bn Reparation Loan, failed to pass.

The EU has pledged €90bn in new aid but is struggling to meet Ukraine's growing arms needs. Proposed defence funding packages have been blocked by member states amid rising public fatigue and the ascent of right-wing, anti-aid parties. These parties, now led by Hungary, Slovakia, and Czechia, have formed a growing bloc in the European Parliament aiming to curtail support.

Ukraine's internal cohesion is fraying. Desertion in the armed forces surged, with over 115,000 AWOL cases pending by year-end, and nationalist strongholds such as Lviv reporting the highest levels of draft evasion. President Volodymyr Zelenskiy's popularity has declined sharply following a $100mn Energoatom corruption scandal implicating his inner circle, including close associate Timur Mindich.

Zelenskiy's perceived rollback of anti-corruption reforms in July triggered protests and EU backlash, leading to a downgrade in Ukraine's EU accession progress. General Valerii Zaluzhnyi now leads in presidential polling, as pressure grows for elections under the Trump administration's proposed 27-point peace plan.

Without a ceasefire or new inflows of foreign capital, Ukraine's economic and political outlook remains highly uncertain going into 2026.

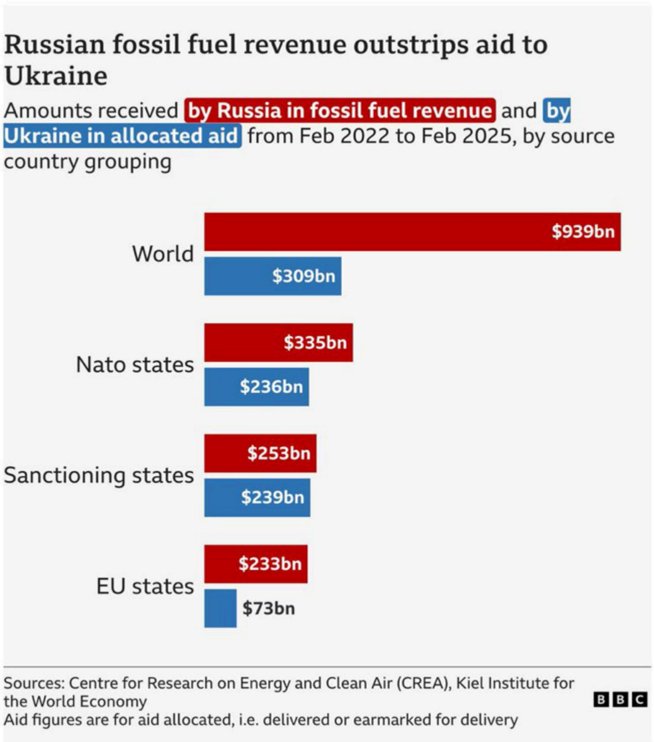
1.0 Politics

The war went badly for Ukraine in 2025. In November, Russia captured its largest amount of Ukrainian territory in an entire year and the most territory since the outbreak of hostilities four years ago.

ISW analysts reported that, despite heavy losses in personnel, Russia seized 701 square kilometres – the highest monthly total in 2025 since the war began. Russia fully or partially controls 19.3% of Ukrainian territory, which includes both currently occupied areas and regions claimed by Russia. Before the full-scale invasion in February 2022, Russia controlled around 7% of Ukraine, including Crimea and parts of the east. Overall, in 2025 Russia took close to 5,400 square kilometres of Ukrainian land, nearly 2,000 more than during 2024.

Western financial support for Ukraine in 2025 was woefully insufficient. At the same time Europe is effectively sending more money to Russia than it is to Ukraine, by dint of the continued import of fuel and raw materials.

After the full-scale invasion, European countries and Europe supported Ukraine to the tune of €187bn. Over the same period, Europe imported Russian oil and gas worth €201bn. If you add other imports, the total amount is €311bn, meaning there is have negative support for Ukraine of €124bn more money sent to Russia than to Ukraine.



The US used to account for 40% of Ukraine's funding but the Trump administration sent no money at all to Ukraine in 2025 as the EU takes over the entire burden. The IMF estimates that Ukraine will need a total of $136bn to fund a continuation of the war in 2026-2027 that the EU intends to fund with the EUCO loan, plus adding the missing €46bn from other G7 partners. Ukraine is running a deficit of between €45bn-€50bn a year that is entirely dependent on foreign loans and grants.

Ukraine is not only dependent on the European Union for financial support, but also increasingly reliant on it for arms supplies, a dependence that Europe is struggling to meet. The EU's ReArm programme launched in March 2025 is going slowly and efforts to scale up military assistance have exposed deep political and financial limits within the bloc. Despite increasing defence spending, Europe failed to offset the end of US military aid to Ukraine in 2025.

Ukraine fatigue is building and opposition to a continuation of the war is growing in Central Europe in particular. A proposed €40bn arms fund by EU foreign policy chief Kaja Kallas in 2025 was rejected out of hand by key member states, including Italy, France, Spain and Portugal, and even Kallas' reduced €5bn package for ammunition failed to pass was voted down. The grand plan for a €210bn Reparation Loan also failed in December, largely due to objections from Belgium and Italy.

Traditionally, Hungary and Slovakia has led the pro-Russia camp in Europe, but this group is expanding thanks to widening concerns over budget deficits and domestic economic slowdown across Europe that is fuelling the rise of right-wing parties everywhere.

These parties—leading in polls in France, the UK and Germany—increasingly campaign on ending EU funding for Ukraine, which they criticise as an open-ended and costly war with unclear objectives. Hungary, Slovakia has now been joined by Czechia, after Andrej Babis was appointed Prime Minister. In general the Orban led right-leaning Patriots of Europe have garnered more support in the European Parliament to become the third largest fraction that includes two prime ministers. This group is actively working to end EU support for Ukraine.

The desertion rate from the AFU is ballooning. As of December 2025 there were over 115,000 court cases outstanding for solders AWOL. The true number of deserters is believed to be about twice as high. Ironically the rates are highest in the west of the country, furthest from the frontline and home to the most fervent nationalists. Lviv boasts the highest number of draft dodgers in the whole of Ukraine, by far. “The hotbed of Ukrainian nationalism”.

Distribution of desertions (% of regional population)

Zelenskiy's star is waning, both at home and abroad. The $100mn Energoatom corruption scandal metastasized and caught up two minister as well as the éminence grise of Ukrainian politics, head of Ukraine's presidential office, Andriy Yermak, and continues to spread. Zelenskiy himself has not officially been accused, but the central character behind the kickback scheme, Timur Mindich, is a close personal friend and former business partner.

The scandal hurt Zelenskiy in the polls and former commander-in-chief General Valerii Zaluzhnyi is now in first place as possible presidential elections loom as part of Trump's 27-point peace plan (27PPP).

His controversial moves, including an attempt to gut Ukraine's anti-corruption reforms on July 22 have eroded his reformist Churchillian war leader image. His summer attempt to place Ukraine's anti-corruption bodies under presidential control via Law 21414 triggered the first anti-government protests since the war began and a backlash from the EU, forcing a swift reversal. Yet pressure on National Anti-Corruption Bureau of Ukraine (NABU) and Specialized Anti-Corruption Prosecutor's Office (SAPO) has continued, with reports of harassment and interference by the Ukrainian Security Service (SBU), which remains under the president's direct control.

Mindich, a co-founder of Zelenskiy's pre-war media production company Kvartal 95, fled the country just before a raid. Mindich has been sanctioned by Zelenskiy, but only for three years and no arrest warrant has been issued. Mindich is reportedly hiding out in Israel, which does not extradite its citizens.

The whole affair has eroded public trust at a time when Zelenskiy needs both public support and serious commitments from international allies as he attempts to negotiate a peace deal with the Kremlin.

The scandal has materially impacted Ukraine's standing with the EU and will affect Ukraine's EU accession bid. The EU's latest accession progress report downgraded Ukraine's reform performance from an A to a B, citing stalled progress on anti-corruption and judicial reforms.

If Ukraine's military position deteriorates further, a domestic political crisis could emerge—potentially triggering early elections and even a change in leadership. Meanwhile, Zelenskiy faces mounting pressure from far-right nationalist forces, including the Azov group, which continues to play a prominent military and political role. One of the domestic dangers a weakened Zelenskiy faces is if he concedes land to Russia he will face a potentially violent backlash from the far-right fractions.

Ukraine's neighbours face the largest economic losses from Russia's war. EU countries bordering the conflict zone lose approximately a percentage point of their GDP growth each year as a result of Russia's full-scale war against Ukraine, the European Commission's autumn macro forecast reports. Over the first two years of the war (2022-2023), border states' total GDP losses reached 1.8%.

Analysts say the "cost of proximity" to the war zone is about 2% of GDP for every 1,000 kilometres from the conflict epicenter, with countries having the highest border density suffering the largest losses. The negative impact of proximity to the war is seen across all major growth components: private consumption, investment, exports, and imports, which grew more slowly than expected.

According to the EC, in the first two years of the war, economic activity declined while inflation, especially in energy prices, rose. Countries closer to the fighting zone experienced energy price increases of 2-3%, higher than those in more distant EU nations. Additionally, in these countries, government bond yields rose more sharply, and trade conditions deteriorated.

Looking at data for 2024, the negative impact of geographical proximity has decreased slightly – by 0.1-0.2% each year – indicating a gradual adaptation by these economies to the external shock, partly through stabilization of the energy market, changes in trade channels, and other macro-financial factors.

2.0 Macro Economy

Main macroeconomic forecasts

Institution	Year	Real GDP growth	Inflation (CPI)	Budget deficit (% of GDP)
IMF	2025	2.0%	12.6%	19%
IMF	2026	4.5%	7.6%	15%
IMF	2027	5.0%	5.5%	10%
EBRD	2025	2.5%	–	–
EBRD	2026	5.0%	-	-
NBU	2025	1.9%	9.2%	25%
NBU	2026	2.0%	6.6%	19%
NBU	2027	2.8%	5.0%	14%
World Bank	2025	3.0%	10%	20%
World Bank	2026	4.2%	8%	15%
World Bank	2027	4.5%	6%	12%
Expert consensus	2025	2.3%	9.0%	19%
Source: bne IntelliNews				

Ukraine's economy remained fragile in 2025, with real GDP growth estimated at between 1.6% and 2.5% depending on the source.

The third quarter provided a temporary lift, with year-on-year growth rising to 2.1%, driven by strong public sector spending, a 31.5% surge in construction, and modest rebounds in retail, energy and education. However, the broader economic environment was weighed down by sustained Russian attacks on critical infrastructure, energy shortages, and growing import dependence.

Falling trade turnover and a ballooning trade deficit with the EU which is up to $40bn is also becoming a problem, made worse by the end of the exemptions from EU import duties in July. Exports fell by 4.7% over the year to $39.4bn, while imports surged by 19% to $79.5bn, pushing the trade deficit to a record $39.9bn.

Industrial capacity continued to decline, particularly in steel and mining, after further territorial losses and the destruction of key assets in Donbas. The rate that SMEs are closing due to economic also tripled in 2025. Grain exports, once Ukraine's principal foreign exchange earner, were severely constrained by war damage, mined farmland, and a ban on transit restrictions through Poland. Inflation remained elevated, although it declined from 15.9% in May to 11.9% by September, and is expected to ease to 6% by end-2026. Public finances remain under severe pressure, with the shadow economy costing the state an estimated UAH600bn annually.

Looking to 2026, growth forecasts diverge as everything depends on the war trajectory. Most Ukrainian and EU institutions expect modest growth in line with 2025 levels, while the IMF and EBRD forecast stronger recovery of 4.5–5% if hostilities ease and reconstruction accelerates. However, without a durable ceasefire or significant foreign capital inflows, Ukraine's macroeconomic outlook remains tightly bound to war developments and external financing. During the European Council (EUCO) summit on December 18 the vote on the Reparation Loan failed and the EU voted to raise €90bn for Ukraine by collective borrowing separately that will be enough to fund the continuation of the war for another two years.

• 2.1 GDP

Since the start of the full-scale invasion in February 2022, Ukraine's economy has endured a severe contraction followed by a fragile and uneven recovery.

In 2022, real GDP collapsed by over 29%, reflecting the devastation of infrastructure, disruption of trade, mass displacement, and widespread damage to industry and agriculture. The economy partially rebounded in 2023, growing by 5.5%, as international aid, reconstruction efforts, and wartime adaptation measures helped stabilise core sectors. Growth slowed in 2024 to around 2.9%, and remained sluggish in 2025, with full-year forecasts ranging from 1.6% to 2.5%, depending on the source.

While sectors like construction and public administration showed strength in 2025, renewed Russian attacks on energy infrastructure, rising imports, and fiscal constraints have weighed heavily. Looking ahead, economic prospects hinge largely on the security situation, with more optimistic growth of 4–5% in 2026 only likely if sustained peace or a ceasefire allows for large-scale reconstruction.

Ukraine's growth picked up in the third quarter of 2025. Real GDP grew by 2.1% in the third quarter of 2025 compared to the same period in 2024, representing an increase from 0.8% in the second quarter and 0.9% in the first quarter of the same year.

The sectors leading this growth include construction, which increased by 31.5%, public administration at 15.1%, electricity, gas, steam, and air conditioning supply at 6.7%, wholesale and retail trade along with motor vehicle repair at 2.6%, and education at 2.2%. These industries were the main factors driving the quarter's positive dynamics. When analyzing Ukraine's GDP through the final use (or expenditure) method – which shows how economic resources are allocated among consumption, investment, or government services – the primary contributors to GDP growth in the third quarter of 2025 were general government spending at 12.2% and fixed capital investment at 11.5%. Additionally, final household consumption expenditure increased by 6.7%.

Looking ahead to 2026, forecasting institutions are more divided. The National Bank of Ukraine (NBU) and the European Commission do not expect an acceleration in growth next year, but instead see growth holding at its 2025 pace.

The 2026 forecasts of international institutions are more upbeat. The IMF's World Economic Outlook update in October sees Ukraine GDP growing by 4.5 % next year. In its forecast released in September, the European Bank for Reconstruction and Development (EBRD) estimated that growth would accelerate next year to 5 % if the fighting ends and reconstruction efforts get under way. In December the European Commission worsened its forecast for Ukraine's GDP growth to 1.6% in 2025, to 1.5% in 2026.

The most prominent investment firm in Ukraine, Dragon Capital lowered its forecast for 2025 from 2% to 1.7% and for 2026 from 1.5% to 1%, citing renewed Russian attacks on energy infrastructure. Dragon Capital maintained its previous estimate of 5% y/y growth in 2026 if a sustainable ceasefire is reached.

Pre-war, services made up over half of GDP, led by wholesale and retail trade, transport and logistics, and the fast-growing IT sector, which contributed about 4% of GDP by 2021.

- Industry was heavily driven by metallurgy, machinery, and chemical production, much of it export-oriented.
- Agriculture remained vital, accounting for around 10–12% of GDP but nearly 40% of exports, thanks to grain, sunflower oil, and livestock products.
- Construction and real estate were smaller but rising sectors before the war.

The destruction of the war has seriously denigrated Ukraine’s industrial capacity. The Donbas region previously accounted for a quarter of the country’s GDP and much of the heavy industry has been destroyed in the war.

Large metallurgical complexes such as Azovstal in Mariupol have been destroyed and will cost billions to rebuild. The lost of Pokrovsk to Russia will also stymie the metallurgical industry in the rest of the country.

The Pokrovske (or Pokrovska) coking-coal mine near Pokrovsk in the Donbas produced the only source of high-grade metallurgical coal, known as coking coal or hard coal, which is essential for steelmaking. Unlike thermal coal, which is used for power generation, coking coal has unique properties that allow it to form coke — a porous, carbon-rich material used in blast furnaces to smelt iron ore into steel.

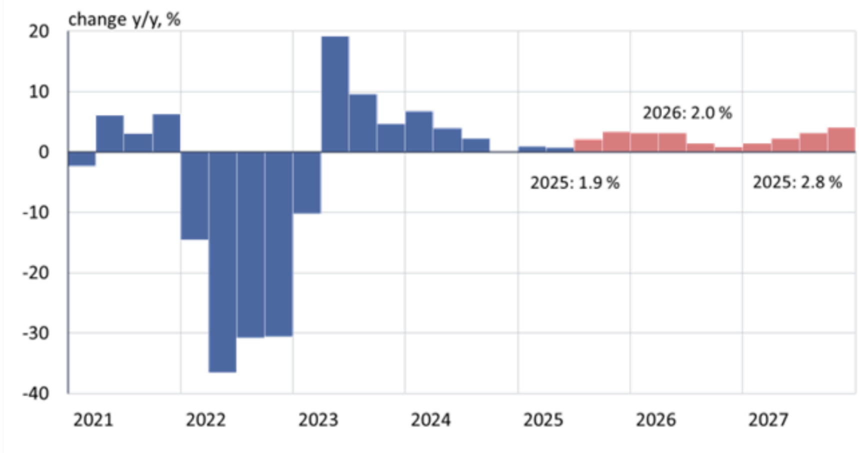
Agriculture has also been badly affected. Previously, Ukraine vied with Russia for the title of “world’s biggest grain exporter" but not only has production collapsed as a result to the war, but a unilateral ban on grain transits via Poland has seriously reduced Ukraine’s ability to export - its main source of foreign exchange earnings.

In addition, many of the wheat fields in the eastern part of the country have been mined and will take years to clear.

The shadow economy has cost Ukraine's budget and losses have risen from UAH375bn ($9.87bn) to over UAH600bn ($15.8bn). Last year, these losses increased to between UAH375–603bn ($9.87–$15.87bn) annually, compared to UAH353.5–568bn ($9.30–$14.95bn) in 2023.

The largest tax evasion schemes include illegal employment and wage losses, estimated at UAH140–280bn ($3.68–$7.37bn) per year; and smuggling and grey imports—losses of UAH120–185bn ($3.16–$4.87bn) per year. Meanwhile, losses from these activities continue to grow.

Ukraine's GDP growth was quite modest in the first half of 2025



Note: 3Q25-4Q27 projections based on NBU forecast.
Sources: Ukrstat, National Bank of Ukraine.

• 2.2 Industrial Production & PMI

Ukraine's economy is now running on defence. While total industrial output rose 14% in nominal terms this year, almost ALL real growth comes from the defence sector. Production of weapons, drones, optics and gear has surged 2.5×, reaching ~$9.7bn in Jan–Sep alone. This is a sharp contrast to civilian industries hit by blackouts, high energy costs and damaged infrastructure.

This imbalance widens Ukraine's budget gap. With civilian output and tax revenues falling, the state faces growing pressure to finance record-high defence needs and emergency energy repairs. This is a serious risk for fiscal stability heading into 2026. However, in the quieter parts of the country, some normalcy is returning.

The percentage of entrepreneurs in Ukraine who see the business climate as unfavorable is decreasing in November 2025, with more than 70% of companies planning to invest in the country in 2026. The number of business leaders perceiving the investment climate in Ukraine as unfavorable is gradually decreasing – from 84% in 2023 and 79% in 2024 to 71% in 2025, according to a survey by the EBA. Among these, 14% consider it extremely unfavorable, down from 20% in 2024.

In 2026, 29% of surveyed company leaders expect the investment climate to improve, 44% believe there will be no significant change, and 27% anticipate deterioration. Despite the ongoing war, 72% of surveyed companies will continue investing in the Ukrainian market. In 2024, 70% of existing member companies were ready to invest, and in 2023, 57% planned to do so.

Additionally, the share of top managers who see benefits for new investors entering Ukraine has risen from 17% last year to 29% now.

Only 6% of domestic industrial enterprises were operating at full capacity as 2025 came to an end. According to a survey by the Institute of Economic Research, with 465 industrial enterprises participating, for the first time since June 2024 the share of companies operating at full capacity has halved – dropping from 13% to 6%. They have likely moved into the group operating at 75-99%, which increased from 52% to 59%.

Export-dependent sectors such as metallurgy and woodworking remain particularly vulnerable to logistics and security risks. In contrast, industries focused on the domestic market, especially the food industry, are more resilient.

The share of companies unable to predict their activities for 2 years rose to 43% in October from 31.4% in July. At the same time, the proportion of companies with orders for 12 months or more increased from 7% to 10%. However, in October, power outages affected 19% of enterprises, compared to just 4% in September, marking the highest level since the start of the year. On average, businesses lost 5% of their operational hours. Still, labour shortages remain the largest obstacle for businesses, reported by 59% of respondents, down slightly from 60% in September.

Industrial Production Growth (%)	
Year	
2021	1.1
2022	–22.7
2023	6.8
2024	3.6
Mid-2025 (to June)	2.9
Source: State Statistics Service of Ukraine; Ministry of Economy of Ukraine; bne IntelliNews reporting.	

Doing well were:

> **metal ore mining** segment recorded a strong uptick in 2024 (growth ~23% y/y) and likewise for **metallurgy/finished steel products** (≈19% y/y) in that period.
>
> **food industry** (≈+6.2% y/y) and production of **building materials** (+4.2% y/y) in the 2024 context.

These stronger sectors tend to be export-oriented or linked to reconstruction / defence demand, which offers resilience in the war environment.

Doing poorly were:

> **extractive industry and quarrying** segment has seen double-digit declines in 2025 (e.g., ~-11.1% in Jan–Jul 2025).

Broader processing industry is almost flat (-0.1% y/y for Jan–Jul 2025) in Ukraine.

• 2.3 Inflation

Inflation decreased at the end of 2025, falling to 11.9% in September from 15.9% in May, according to Dragon Capital. Analysts expect underlying inflationary pressures to rise in early 2026 due to higher energy costs and increased government spending, but they anticipate inflation easing again in 2026. Consumer inflation is forecast to decline from 9.3% this year to 6% by the end of 2026.

Food and agricultural products have been the main drivers of price growth in 2025, with inflation peaking at about 15.9% in May due to a smaller 2024 harvest and seasonal weather pressures. The broader economy remains exposed to the pass-through of higher raw material, energy, and transport costs into consumer prices.

However, there are **signs that some of these pressures are easing**. The fall in annual inflation from its mid-year in 2025 highs suggests that earlier shocks are gradually fading. Monthly price growth turned negative in July and August 2025, indicating that better harvests and stabilising supply chains helped to cool prices. According to the National Bank of Ukraine, inflation expectations have begun to improve as war-related cost shocks work their way out of the system.

For the first time in a year, inflation in Ukraine has fallen below 10%, December 10 as the consumer price index has declined for six consecutive months. This marks the first time since October 2024 that annual inflation has returned to single digits.

Core inflation – which excludes short-term, seasonal, or government-controlled price changes – reached 0.3% for November and 9.3% for the year.

Eggs saw the largest price increase in December (+12.6%), followed by vegetables, fish, oil, pasta, milk, butter, and bread. On the other hand, prices fell for fruit, pork, sugar, poultry, and rice. Clothing and footwear also became 2.3% cheaper. Utility tariffs remained generally stable except for a rise in garbage collection fees.

One particularly notable change was the surge in price for one of Ukraine's most popular foods: lard (*salo*). Over the past year, its price has increased by more than 26%. In October, the average price per kilogram of lard went up by 6.6% from September, reaching UAH206.81. As of December, basic lard costs between UAH150-200 per kilogram in stores, while premium varieties sell for UAH600-700 per kg.

Ukraine CPI MoM 2025	
Month	**CPI MoM**
January	N/A
February	0.81
March	1.5
April	0.69
May	1.31

June	0.79
July	–0.19
August	–0.21
September	0.31
October	0.4–0.5
November	-
December	-
Source: State Statistics Service of Ukraine; Ministry of Economy of Ukraine; bne IntelliNews reporting.	

Outlook for 2026

Inflation is expected to continue easing through 2026, provided that food, energy, and logistics pressures moderate and macroeconomic policy remains stable.

According to the NBU's forecast, inflation in Ukraine next year will not exceed 7% and will continue to move toward 5%. In 2024 annual consumer price inflation fell to 6.5% y/y.

A reasonable baseline projection places inflation between 6% and 8% for the year, assuming no renewed escalation in the conflict or major supply disruptions. Upside risks remain, particularly from potential spikes in energy or utility costs, a weakening of supply chains, currency depreciation, or another poor harvest. If conditions are favourable, inflation could fall further, reaching around 5% to 6% by the end of 2026, edging closer to the central bank's long-term target range.

• 2.4 Monetary Policy

Ukraine's National Bank (NBU) held its key policy rate steady at 15.5% at its last meeting in December 2025, in a widely expected move as inflationary pressures remain elevated and geopolitical risks persist.

The central bank cited ongoing uncertainty around energy infrastructure attacks, external financing flows, and domestic fiscal dynamics as key reasons to maintain a cautious monetary stance. While inflation has eased from its mid-year highs, the NBU signaled it would need to see more consistent signs of price stability and macroeconomic resilience before considering any rate cuts in 2026. The decision reflects a balancing act between supporting fragile economic growth and guarding against inflation and currency depreciation risks.

NBU experts expect the discount rate to be between 12.5% and 13.5% by the end of 2026. The National Bank might ease monetary policy in January, as inflation is projected to remain below 10% by the end of the year. As NBU Chairman Andriy Pyshny stated: "The monetary policy easing cycle is planned by the National Bank for January, if the baseline scenario is maintained."

In 2025, the National Bank of Ukraine (NBU) maintained the key policy rate at

15.5 % for several months, signalling a deliberately tight stance. FocusEconomics+1 The central bank emphasises that this high rate is necessary to anchor inflation expectations, maintain the stability of the hryvnia, and support the broader monetary-framework under war-time stresses. Central Banking+1 Although inflation has begun to moderate, the NBU has made clear that it will only consider rate cuts once inflation is sustainably moving toward its target and external and internal risks—especially those tied to the war and energy infrastructure—are more contained. FocusEconomics+1

Looking ahead to 2026, the NBU expects to initiate the easing of monetary policy in early 2026, pending favourable inflation dynamics and stability in the external financing and reserve position.

The overarching aim is to return inflation toward the **5 % target** while preserving macro-financial stability in a high-risk environment.

• 2.5 FX

One condition of the new IMF program is that the NBU must increase exchange rate flexibility. The IMF states that the key requirement for receiving funds and stabilizing the Ukrainian economy is the NBU's ability to make the exchange rate more flexible. The Fund highlights that the NBU should move away from a rigid exchange rate system and allow the hryvnia to adjust more in line with market conditions.

Recent exchange-rate dynamics

The hryvnia has held up reasonably well in 2025 despite war-time stress, thanks to policy support and external financing. But the risk landscape remains tilted toward depreciation rather than appreciation. The managed foreign-exchange regime of the National Bank of Ukraine (NBU) has worked well.

For 2026, a modest depreciation is the most likely path, unless a positive reconstruction/peace-outcome materialises.

- At end-2024 the rate was about **UAH 42.06 per dollar**, compared to UAH 38.02 in 2023.
- In 2025 the average exchange rate stood at roughly **UAH 41.6 per dollar**.
- The high-point in 2025 was about **UAH 42.4 per dollar** (January 13, 2025) and the low-point around **UAH 41.05 per dollar** (April 7, 2025).
- As of September 23, 2025 the official rate was UAH 41.3811/dollar.

Overall, despite the war-time environment and external pressures, the hryvnia did not suffered large abrupt depreciations in 2025, which indicates that the NBU’s interventions, capital-controls and other policy tools have provided considerable FX-stability.

Key drivers of this stability and risk factors include:

- Stability from external financing: broad access to international support and foreign reserves enables the central bank to defend the exchange rate.
- Manageable inflation and tight monetary policy: although inflation remains elevated, the ongoing policy response gives credibility to the local currency.
- War-related FX risk remains: heavy missile/drone attacks on energy/industry, potential wider escalation, and disruptions to export earnings or capital inflows all pose devaluation risk.
- Absent large new shocks, the managed-float regime acts to smooth volatility rather than allow free-floating large swings.

Outlook for the UAH in 2026

Looking ahead, the exchange-rate outlook will hinge on three broad scenarios:

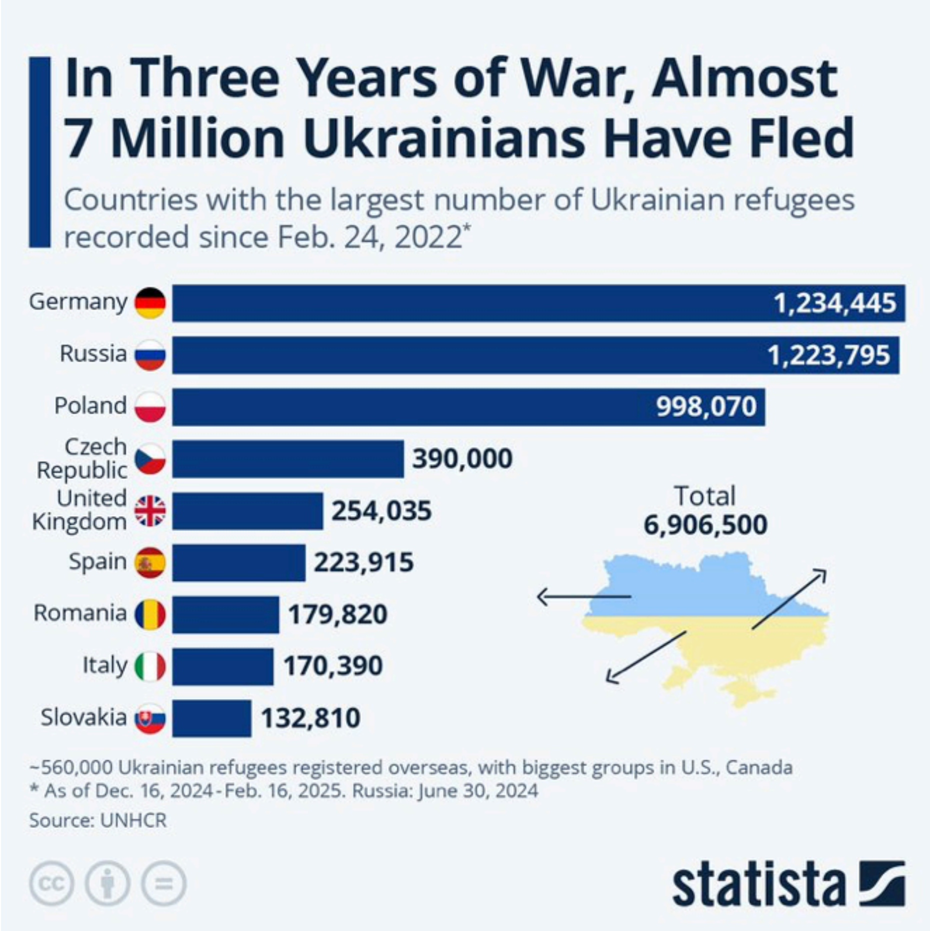
- **Baseline scenario**: If the war remains contained, external financing continues, inflation gradually eases and domestic macro-policy remains credible, the UAH might experience modest depreciation. For example, the dollar/UAH rate could drift from ~UAH 41.5-42 in late 2025 to perhaps **UAH 42.5-44 per dollar** by end-2026.
- **Upside risk of large depreciation**: Should there be a major new shock (e.g., a fresh escalation of war, loss of key export revenues, or severe energy/infrastructure damage), the UAH could devalue significantly—say into the **UAH 45-50 per dollar** range or worse.
- **Favourable outcome**: If reconstruction accelerates, exports rebound strongly, inflation drops below target and external assistance remains high, the UAH might remain stable or even slightly appreciate in real terms (though nominal depreciation is still likely). In such a case the dollar/UAH might well stay in the **UAH 41-43** band.

• 2.6 Income & Labour

Refugees: since the start of the war just under seven million Ukrainians have fled the country. The first wave went to Russia and Poland, but in the last three years more than a million have settled in Germany. About two thirds say they are never going home.

78% of Ukrainian refugees in Poland are employed — joining 92% of pre-war Ukrainian immigrants already working there. In Lithuania, about 72% have jobs, and in Germany over one-third of Ukrainians with protection status are already in the labor market.

From IT and logistics to construction and services, Ukrainians are paying taxes, filling critical labor shortages, and boosting productivity. Their growing incomes, rising language skills, and long-term stay plans show they are active contributors to EU Economy.



Labour shortage: The number of refugees means there is a labour shortage at home. Due to the ongoing personnel shortage, Ukrainian employers have made preparations to hire up to 450,000 foreigners annually.

The International Labor Organization estimates that Ukraine will face a shortage of 8.7 to 8.8mn workers over the next decade. These projections consider the country's recovery following the war, but the worker shortage is already evident, and replacing them without foreigners seems impossible.

Oleg Penzyn, head of the Economic Discussion Club, mentioned that a woodworking company in Transcarpathia recently brought in 150 workers from Bangladesh. Several construction companies have also reported hiring recruiters to find workers from India, Pakistan, and Bangladesh. However, as experts pointed out, foreign workers are not inexpensive: UAH32,000 ($755) monthly, including all associated costs.

In Ukraine, the number of job seekers is growing three times faster than the number of vacancies. Ukraine now faces $89.7mn in unpaid wages. This is a harsh indicator of war-time Ukraine Economy surviving on Donornomics rather than a long-term strategy.

Salary arrears are rising. Nearly half of salary arrears come from manufacturing ($46.1M) — once a core engine of growth. Professional & technical jobs owe another $20.3M, and transport/logistics — vital during wartime — owe $9.8M.

Ukraine refugees are not going home after the war that will lead to a continuation of the chronic shortage of labour in post-war Ukraine. 78% of Ukrainian refugees in Poland are employed — joining 92% of pre-war Ukrainian immigrants already working there. In Lithuania, about 72% have jobs, and in Germany over one-third of Ukrainians with protection status are already in the labor market.

From IT and logistics to construction and services, Ukrainians are paying taxes, filling critical labor shortages, and boosting productivity in Poland that wants to hang onto this labour pool. Their growing incomes, rising language skills, and long-term stay plans show they are active contributors to EU economy.

Back in Ukraine the labour market is marked by colossal imbalances. The number of job seekers is growing three times faster than the number of vacancies. The number of job seekers was growing three times faster than available vacancies at the end of 2025.

The imbalance highlights a deteriorating employment situation as economic growth falters and the war continues to disrupt key industries. The State Employment Center noted that while the number of registered vacancies fell by 20% in 2025 compared to the previous year, the number of job seekers surged by 60%. Sectors like manufacturing, construction, and logistics — once reliable employment anchors — are seeing fewer openings, while displaced workers and demobilized soldiers are adding to the competition for limited positions.

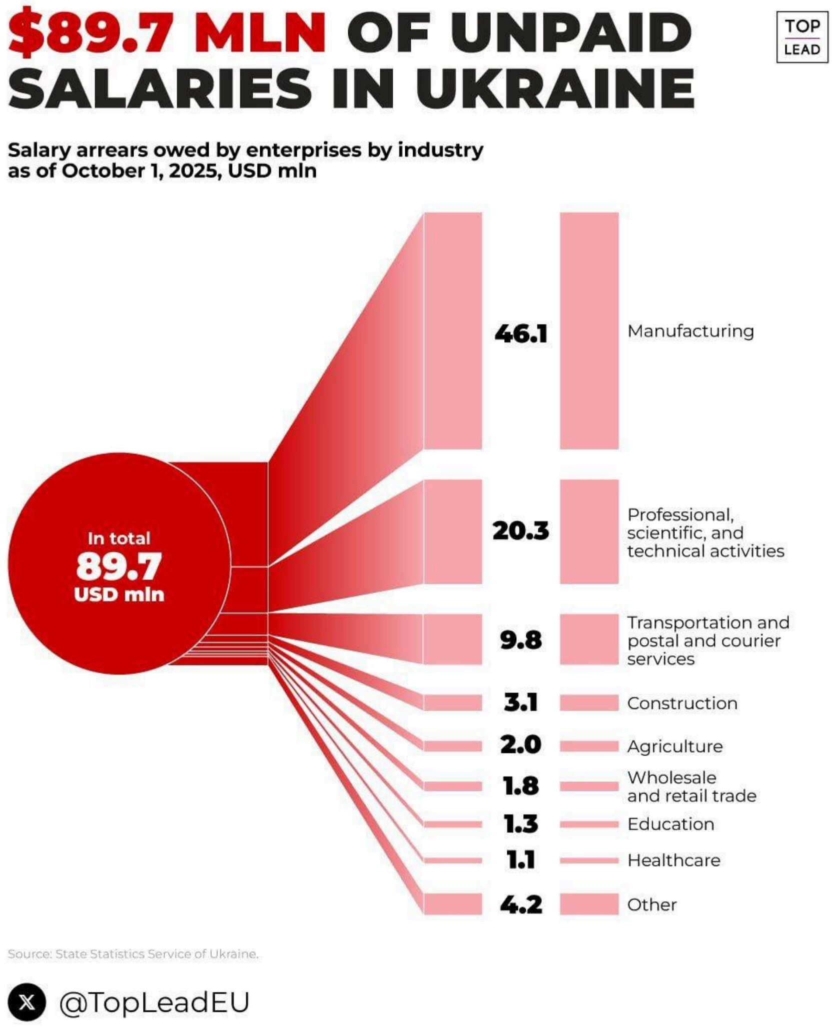
This contrasts sharply with Russia where the number of vacancies outnumbers the number of jobseekers, The growing disparity poses risks to social stability in Ukraine and underscores the urgent need for targeted labor market policies and job creation efforts in 2026.

Labour shortages are made worse by one of the worst demographic crises in the world. Ukraine's population - 42mn before the full-scale invasion in February 2022 - has already shrunk to below 36mn, including several million in areas captured by Russia, according to the demography institute at Ukraine's National Academy of Sciences. It estimates that figure will drop to 25mn by 2051.

The country has both the highest death rates and lowest birth rates in the world, according to 2024 estimates in the CIA World Factbook: for every birth there are around three deaths. According to government estimates, Ukraine's average male life expectancy dropped from 65.2 years before the war to 57.3 years in 2024. For women, the figure fell from 74.4 to 70.9.

The Centre for Economic Strategy, a Ukrainian think-tank, said in March that about 5.2mn Ukrainians who had left since the invasion remained overseas, in a host of mainly European countries including Russia, Germany and Poland.

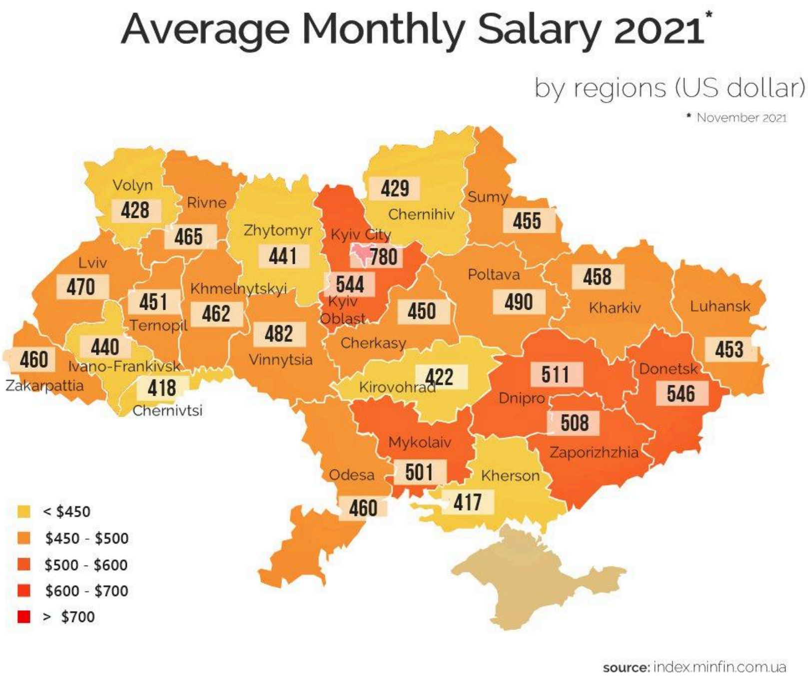
Ukraine will need millions of people to rebuild its shattered economy, experts and politicians say, and to be able to defend itself in a post-war future should Moscow attack again, as many Ukrainians fear it will.



Nominal wages in Ukraine have been rising amid war-time labour pressures and staff shortages. According to an OECD survey in November, average nominal wages grew by **19.0% year-on-year in Q1 2025**, while real wage growth over the same period was about **5.2%**, after adjusting for inflation.

In the first year of the war, real wages had declined down by around 11% in 2022 as inflation surged, but nominal incomes remained broadly stable.

In 2023 and 2024 as the economy stabilised following the initial invasion shock, slower inflation combined with faster nominal wage growth led to real wage increases of roughly +4% and +14% respectively, based on OECD estimates.



However, the rise in incomes has been uneven. According to a recent update by the World Bank in November 2025, households in the bottom 20% of the income distribution saw both nominal and real wage incomes fall in 2025, while those in the top 20% saw increases. The Gini coefficient—measuring inequality—rose from 0.41 in 2023 to about 0.44 in 2024, and to 0.50 in 2025, according to the World Bank.

Key factors affecting income trends include: labour shortages in certain sectors (such as construction, IT, defence-related production) pushing up wages there; conversely, other sectors (especially those hit by infrastructure damage or relocation) have seen depressed demand and incomes. Also, many households (especially displaced persons, veterans, persons with disabilities) remain marginalised, restricting their labour income growth.

Looking ahead to 2026, nominal wages are likely to continue increasing, but real wage growth may moderate. With inflation projected to ease gradually, real wages may grow by perhaps **4%-6%** in 2026 if the labour market remains tight and reconstruction drives demand for labour.

However, structural labour-supply constraints, regional labour-market mismatches, and heavy dependence on war-time and reconstruction spending mean the upside is limited and the risk of stagnation for lower-income groups remains.

The labour market is affected by the soaring rate of desertion from the armed forces. AWOL soldiers go into hiding and are unavailable for work. The army is facing a chronic manpower shortage and the government has introduced an aggressive mandatory conscription policy for all males of military age (25-60 years).

Draft dodging and desertion are rife. According to various estimates between 100,000 and 250,000 men of military age have deserted and an unknown number are avoiding the draft. As these men need to stay off the radar they are mostly working in the informal economy, which has swelled to at least a quarter of GDP and is pumping up the shadow economy.

The formal unemployment rate is thus little more than a guide but according to a study by the Kyiv School of Economics, the rate dropped from about 21.1% in 2022 to approximately 11.5% in early 2025. Another source tracking the economy puts the unemployment rate in September 2025 at 11.4%, with a proxy estimate of 13% in October, according to the Centre for Economic Statistics.

Nevertheless, employment is rising in sectors such as public administration and defence (+27% in 2Q25) while declining in mining and manufacturing, according to KSE. Vulnerable groups such as internally displaced persons (IDPs), persons with disabilities and veterans remain under-employed.

Unemployment is expected to fall further, potentially stabilising at below **10%** by end-2026, assuming reconstruction progresses and labour demand rises, but of course, everything depends on the course of the war.

However, persistent regional and skill mismatches, and the legacy of war-driven labour disruptions, mean the labour market will remain structurally weaker than pre-war levels.

• 2.7 Reconstruction & Investment

Ukraine and international partners have launched a new evaluation of damage and recovery requirements in Ukraine November 24. The Cabinet of Ministers, the World Bank Group, the European Commission, and the UN are working together on the Fifth Rapid Assessment of Damage and Recovery Needs in Ukraine (RDNA5). This assessment is essential for understanding the scope of damage and directing international funding for recovery efforts. The report will cover the impacts of Russian aggression from February 24, 2022, to December 31, 2025.

With over $116B in losses, Ukraine proposes creating a fund to restore frontline cities and communities. According to an RDNA4 report, by the end of 2024, direct damage in the Kharkiv, Donetsk, Luhansk, Zaporizhzhia, and Kherson regions exceeded $116B. These regions, along with Mykolaiv, Sumy, Chernihiv, Dnipropetrovsk, and Odesa, are currently operating in a heightened security risk environment. Recently, the president signed into law a bill establishing the National Development Institution (NDI), which aims to provide frontline regions with greater access to financial tools. "The Association of Frontline Cities and Communities welcomes this decision and proposes to allocate a specific focus area within the NDI's work—namely, to create a Fund for the Restoration of Frontline Cities and Communities," the statement says. The primary goal of this newly established fund is to consolidate all essential financial tools – such as insurance, lending, grants, compensation, and investment mechanisms – into one center. This will enable the compensation of losses, coverage of insurance premiums, funding of critical development projects, and support for entrepreneurs without waiting for changes in nationwide procedures.

A rapid damage and needs assessment, prepared by the Ukrainian government with the World Bank, UN and European Commission, estimates immediate recovery and reconstruction needs to be approximately $524 billion over the next decade – roughly 2.8 times Ukraine's 2024 GDP.

Ukraine has allocated $20bn for construction procurement November 14; however, reconstruction efforts continue to fall significantly short of addressing the extent of destruction. Analysts reported that over three years of full-scale war, Ukraine has invested approximately $20bn in construction procurement initiatives. To date, 46% of medical facilities and 28% of schools damaged by Russian aggression have been restored, while compensation exceeding $1bn has been disbursed for destroyed housing.

During 2023-2024, annual construction procurement reached approximately UAH300bn ($7.5bn), encompassing both reconstruction projects and broader infrastructure tenders.

Major procurements have included road repairs across various regions, enhancements to water supply systems in Kryvyi Rih, Marganets, and Mykolaiv, the restoration of educational and healthcare institutions, and measures to protect energy infrastructure.

Nonetheless, the pace of reconstruction remains insufficient, primarily due to limited funding.

By the end of 2024, total damage to housing and infrastructure is estimated at $80bn, with overall reconstruction needs reaching $190bn. Progress is further impeded by low competition in procurement processes and bureaucratic obstacles. The Kyiv city and region, along with the Vinnytsia, Dnipropetrovsk, Kharkiv, and Odesa regions, have currently received the largest construction procurement volumes.

Most of the cost of rebuilding Ukraine's economy will fall on Russia. The World Bank estimates the cost of the damage done in the war is $528bn and clearly hundreds of billions of dollars are needed to rebuild Ukraine.

However, as Russia continues to occupy some 20% of Ukraine's territory and the regions where most of the damage was done, analysts estimate that if the Kremlin keeps these territories it will be left with a $300bn or more bill to rebuild the destroyed cities. The damage to the rest of the country, still under Kyiv's control, is less intense and will be easier to carry out and finance - on the order of $200bn.

Ignoring possible private investment, the leading International Financial Institutions have already earmarked some $75bn to support Ukraine's reconstruction, which is enough to make a big dent in the sums needed. On top of that development banks like the EBRD and EIB will be able to mobilise billions of euros for investment and reconstruction projects in partnership with the private sector.

At issue is if enough can be raised and spent to start a virtuous circle of investment-growth-profit or not. If yes then the economy could put in a post-war recovery boom; if not Ukraine could become a failed state.

Power One, part of Dragon Capital, has signed a €22.3mn loan with the EBRD to develop a 68 MW decentralized power generation system in Transcarpathia. This project will also receive a €3mn grant from the EBRD Crisis Response Special Fund, supported by Norway. The project represents Ukraine's first major energy complex that integrates gas-fired plants (36.8 MW) with energy storage (31.5 MW) into a unified system. The facilities will be spread across multiple sites, each with up to 10 MW capacity, helping minimize risks to the national energy grid.

Ukraine will develop its first toll highway through a public-private partnership. The Ukrainian government is evaluating the construction of its first toll highway, which would run from Kovel (Volyn) to the Yagodyn-Dorohusk checkpoint on the Ukrainian-Polish border, according to Deputy Minister of Development Serhiy Derkach.

This initiative marks the initial instance in which the state is considering full cooperation with private partners – not merely for road repairs, but for comprehensive reconstruction and expansion to four lanes. Deputy Minister Derkach highlighted that Poland is simultaneously constructing a connecting highway, suggesting potential extension to Kovel where a significant number of railway and road junctions exist. He indicated that this project could serve as a valuable model for future infrastructure development. Several possible routes linking Kovel to the border are currently under consideration. The maintenance of this highway will be managed by private companies participating under concession agreements. The selection of the route towards the Yagodyn-Dorohusk checkpoint is based on its substantial traffic volume, intended to support the financial feasibility of the proposed concession model.

In the temporarily occupied territories of the Donetsk and Luhansk regions, over 3,000 enterprises have completely shut down. The occupiers are heavily closing local mines and factories, which once formed the backbone of the region's economy. Production equipment is being exported to Russia or transferred to Russian companies. According to intelligence estimates, the economy of the occupied area has been practically destroyed: industry is not being rebuilt, there is no investment, and all resources are being diverted to Russia's military needs. Only about 30% of the local population has employment in the region.

Within the UIF, funds have been allocated for 11 new projects in housing and infrastructure; €6.2bn of the program's funds have already been distributed. Following the results of a regular meeting of the Ukraine Investment Framework (UIF) Steering Board, the launch of a new package of public investment programs, including 11 projects, was approved. The total UIF resources amount to €9.4bn, with €6.2bn already distributed to support projects.

- The EIB Social Housing project (Tranche I) involves the construction of housing for 1,500 internally displaced families as part of efforts to create affordable social housing.

- The EIB Water Supply and Sanitation project includes a €50mn grant, €13mn in technical assistance (agreed to by the UIF), and a €100mn EIB loan backed by a UIF guarantee, which the Verkhovna Rada has already ratified. The project aims to modernize water supply systems, treatment and pumping stations, and reconstruct sewage networks.

- The World Bank and EBRD Rehabilitation of Key Logistics Infrastructure and Network Connections (RELINC) project seeks to restore key railways, roads, and ports on the Danube, as well as upgrade border crossing points. The project covers all of Ukraine and will improve transport connectivity and the resilience of infrastructure to climate change.

The Governing Council also approved funding for the modernization of hospitals in six cities, technical assistance for the development of public investment projects (PREPARE), and the procurement of natural gas.

• 2.8 Sentiment

December's expanding Energoatom corruption scandal has hurt Ukrainian President Volodymyr Zelenskiy's popularity and if elections were held this weekend he would lose in the second round, according to a Socis poll.

A majority of Ukrainians believe Zelenskiy should face either criminal prosecution or political sanctions in connection with alleged corruption where his close friend and former business partner Timur Mindich ran a $100mn kickback scheme.

As part of the ongoing peace talks to end the war in Ukraine, both the Trump administration and the Kremlin are insisting that Zelenskiy organise fresh presidential elections as soon as possible after a ceasefire is called. Zelenskiy has said that he is willing to do so and in sign of how far the talks have progressed last week the Rada submitted a bill to organise elections while martial law is still in effect – something that is otherwise banned by Ukraine's constitution.

In the nationwide survey, 30% of respondents said Zelenskiy should be tried in court for corruption, while an additional 28.4% supported imposing political bans that would prevent him from running in future elections. Taken together, the findings indicate a clear majority in favour of holding the president accountable.

The results reflect growing public dissatisfaction amid the Mindich corruption scandal, which has implicated figures close to the president. Two ministers have already resigned and the head of Ukraine's presidential office, Andriy Yermak, was forced to quit. According to the poll, 39% of Ukrainians believe Zelenskiy was directly involved in the scandal, while 29.3% believe he at least had knowledge of it.

Zelenskiy's approval ratings were already under pressure after he tried to gut Ukraine's anti-corruption reforms on July 22 by forcing through Law 21414 on July 22 that would have put the main organs – National Anti-Corruption Bureau of Ukraine (NABU) and Specialized Anti-Corruption Prosecutor's Office (SAPO) – under his personal control just as both bodies were zeroing in on corruption investigations in the president's inner circle that led to Mindich fleeing the country.

If presidential elections were held today, Zelenskiy and Ukraine's former top general Valerii Zaluzhnyi, now the ambassador to the UK, would each receive roughly 30% of the vote in a first-round contest. However, Zelenskiy would be defeated in any likely runoff scenario.

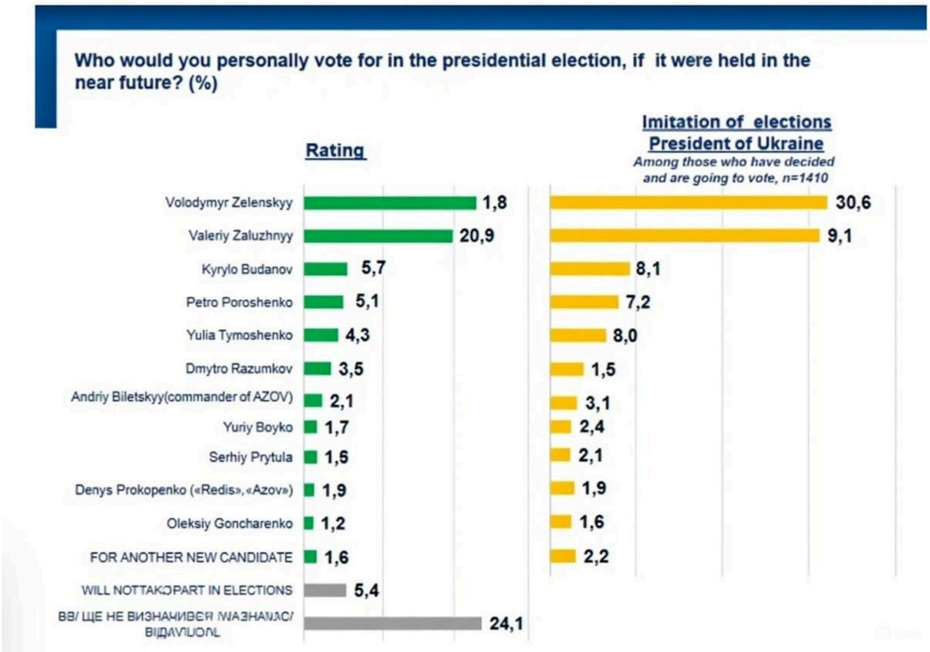
In a hypothetical second round, Zaluzhnyi would defeat Zelenskiy by a wide margin: 64.2% to 35.8%, according to the poll.

Against another prominent military figure, Kyrylo Budanov, the head of Ukraine's military intelligence, Zelenskiy would also lose, by 56.2% to 43.8%.

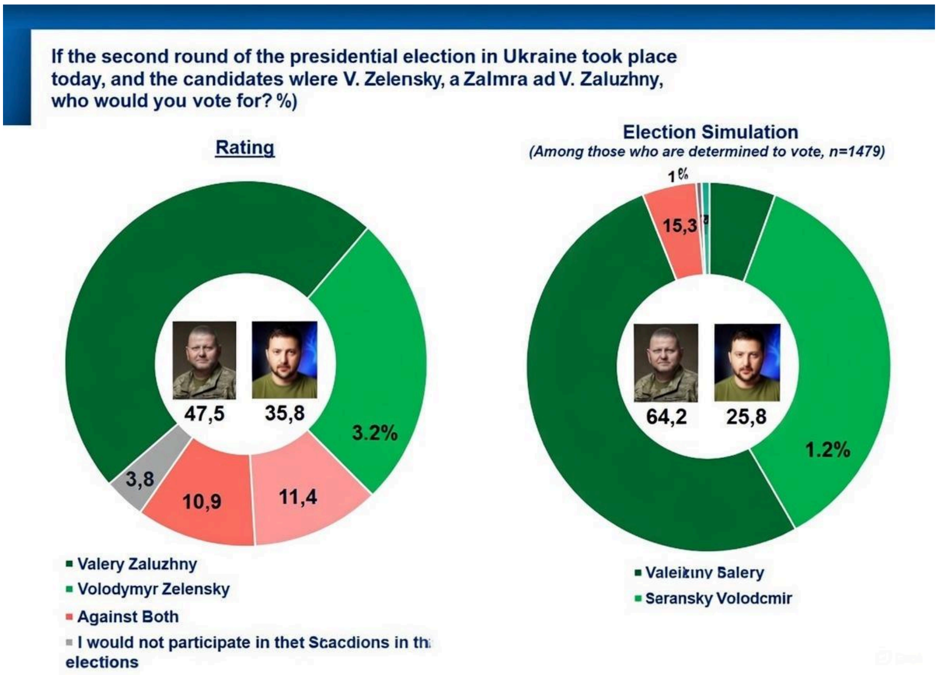
Zelenskiy appointed Budanov head of the presidential administration at the end of 2025 in a move to shore up his control, head off a presidential bid and balance against Zaluzhnyi's rising popularity.

Budanov has overseen many military operations personally and recently launched a successful counter attack in the battle for Pokrovsk, a key logistical hub that supplies the Armed Forces of Ukraine (AFU) defences for the entire frontline in eastern Ukraine. He has seen his popularity rise and is now one of the two top contenders to take over from Zelenskiy as president.

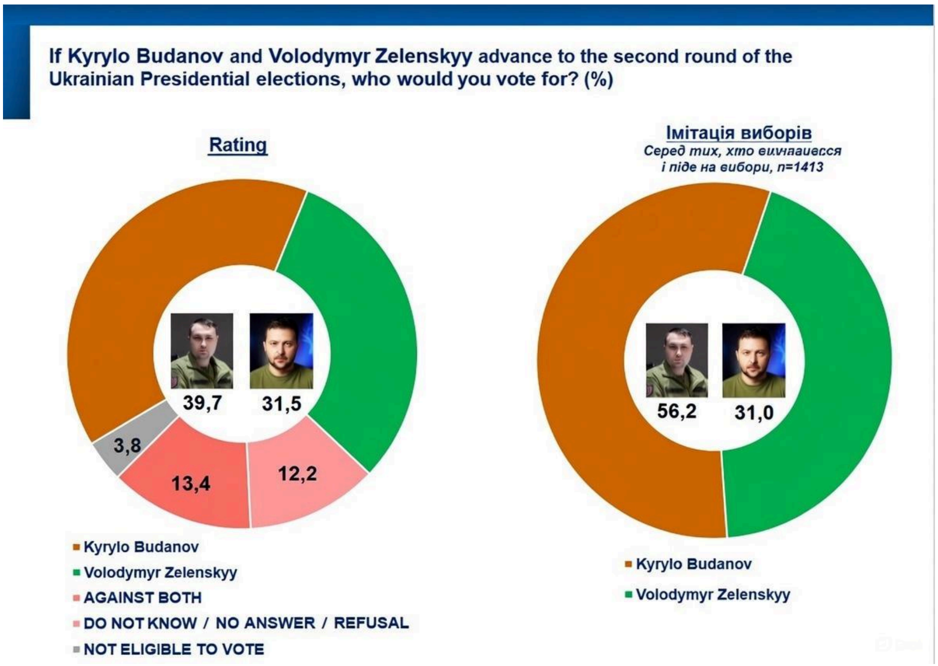
The Socis poll highlights the sharp political risks facing the president as the country navigates prolonged wartime governance, Western expectations for reform, and intensifying internal political rivalry.

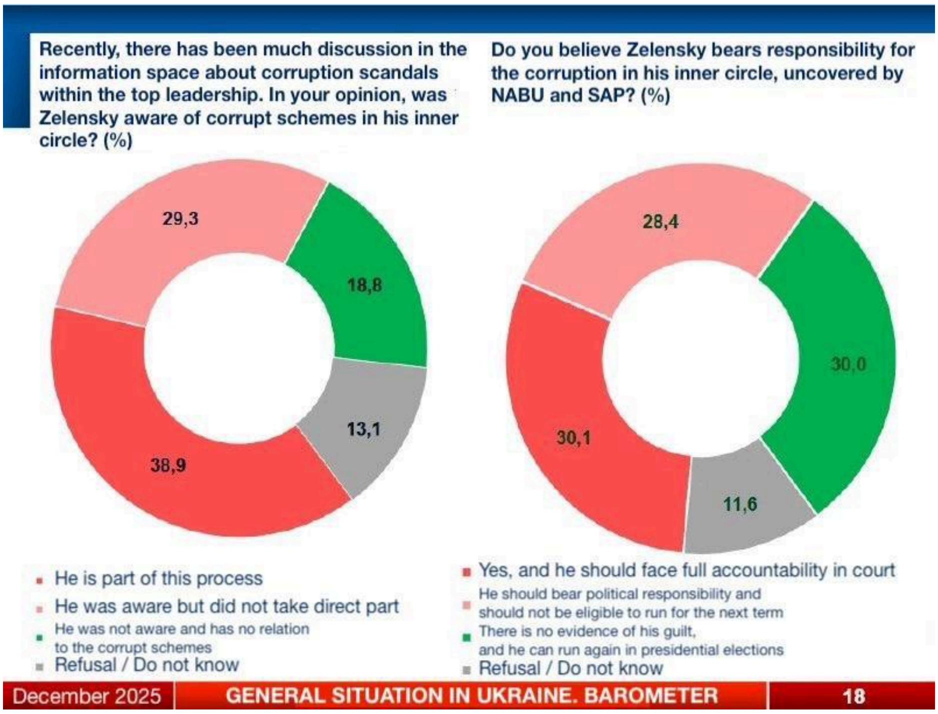


Who would you personally vote for in the presidential election, if it were held in the near future? (%)
Rating
Imitation of elections President of Ukraine
Among those who have decided and are going to vote, n=1410
Volodymyr Zelenskyy 1,8 30,6
Valeriy Zaluzhnyy 20,9 9,1
Kyrylo Budanov 5,7 8,1
Petro Poroshenko 5,1 7,2
Yulia Tymoshenko 4,3 8,0
Dmytro Razumkov 3,5 1,5
Andriy Biletskyy(commander of AZOV) 2,1 3,1
Yuriy Boyko 1,7 2,4
Serhiy Prytula 1,6 2,1
Denys Prokopenko («Redis», «Azov») 1,9 1,9
Oleksiy Goncharenko 1,2 1,6
FOR ANOTHER NEW CANDIDATE 1,6 2,2
WILL NOT TAKE PART IN ELECTIONS 5,4
24,1



If the second round of the presidential election in Ukraine took place today, and the candidates wlere V. Zelensky, a Zalmra ad V. Zaluzhny, who would you vote for? %)
Rating
47,5
35,8
3.2%
3,8
10,9
11,4
Valery Zaluzhny
Volodymyr Zelensky
Against Both
I would not participate in thet Scacdions in th elections
Election Simulation
(Among those who are determined to vote, n=1479)
15,3
64,2
25,8
1.2%





3.0 External Environment

Imports are now nearly twice the level of exports. Ukraine's trade deficit widened sharply in 2025, reaching a record $42.1bn, up from $33bn in 2024, as imports rose to $81.4bn and exports fell to $39.4bn.

The gap is being driven by rising consumer demand, a surge in military and civilian imports, and a sharp decline in domestic production due to war-related damage and energy shortages.

Grain exports dropped nearly 50% year-on-year to 37.35mn tonnes, with further pressure from the expiry of EU duty-free access in June, projected to cost up to $253mn in lost revenue. Industrial output continues to decline, while retail sales rose 10.1% y/y in October, reflecting rising import dependency.

The Kyiv School of Economics warns that Ukraine’s current account deficit, combined with a shrinking donor pipeline, could reduce foreign reserves from $46.5bn to $12.4bn by 2028.

• 3.1 Trade dynamics

In 11 months of 2025, Ukraine's trade turnover reached $112.2bn, with imports totaling $75.4bn and exports totaling $36.8bn. Ukraine's top import countries were China, Poland, and Germany. Its main export destinations were Poland, Turkey, and Germany. The most exported goods from Ukraine included food, metals and metal products, machinery, equipment, and transport.

Ukraine is experiencing increased import activity driven by rising consumer demand alongside declining domestic production. Analysts report that Ukraine continues to increase its foreign goods purchases, a trend expected to intensify in the near future. This latest development represents a potential risk to the national economy.

The primary factor behind this surge in imports is a robust recovery in retail trade, with October's retail sales registering a 10.1% year-over-year increase – well above September's 7.1% growth. Concurrently, Ukrainian citizens' bank balances rose by 14.4% over the past year, and September wages grew by 2.9%.

In contrast, local industry faces significant challenges in meeting consumer demand due to energy shortages and damage resulting from Russian attacks. After remaining stable in September, industrial output declined by 4.6% in October. Furthermore, experts note that Western goods, particularly in the consumer sector, are often more affordable and higher quality than domestic products. Authorities caution that the simultaneous rise in imports and decline in local production increases Ukraine's dependence on external financial support.

What are Ukraine's trade dynamics for farm goods during the war? Ukrainian port infrastructure, essential for exporting agricultural goods, continues to face attack from Russian forces. As a result, export volumes have declined compared to 2024 and 2023, particularly for major crops such as corn and wheat.

In the first year of the full-scale invasion (March to December 2022), Ukraine exported 38.93mn tonnes of grain, along with 3.26mn tonnes of sunflower oil and other products. Initially, railways handled most grain exports during the first two months of the conflict, but by May seaports began to surpass rail as the primary export route.

Since June 2022, Ukraine has steadily increased its grain exports through seaports, with September, October, and December each seeing exports exceeding 5mn tonnes.

In 2023, Ukraine boosted its grain exports to 61.78mn tonnes and shipped 5.59mn tonnes of sunflower oil.

The country's agricultural exports peaked in 2024, reaching 70.1mn tonnes, including 28.84mn tonnes of corn, 19.87mn tonnes of wheat, and 5.84mn tonnes of sunflower oil.

However, from January to October 2025 exports dropped significantly to just 37.35mn tonnes of grain – almost half the volume from the previous year and similar to figures from March 2022 to January 2023. Corn accounted for 13.53mn tonnes, wheat for 11.76mn tonnes, and sunflower oil exports totalled 3.5mn tonnes. The highest monthly export volume via seaport this year was in March, at 4.2mn tonnes.

Ukraine's exports by sector in 2021	
	Share of total exports (approx.)
Agricultural products (grains, oilseeds, sunflower oil, foodstuffs)	41–43%
Metals and metal products (steel, iron, pig iron, semi-finished goods)	27–29%
Machinery, electrical and transport equipment	11–13%
Chemicals (fertilisers, ammonia, plastics)	5–6%
Mineral products (coal, ores, non-ferrous metals)	5–6%
Textiles, wood, other goods	3–4%
Source: Ukrstat	

Ukraine has seen sizable swings in its trade flows amid the war, but it has fallen to a deep deficit , especially with the EU and **the trade deficit doubled in 2025 to $42bn as exports fall and imports** balloon.

The balance of payments deficit is starting to turn into a serious problem that could undermine the country's macroeconomic stability by the end of 2025, according to the Kyiv School of Economics (KSE) in its October Macroeconomic handbook.

"The deficit is now projected to reach $42bn in 2025 and is expected to remain seriously elevated over 2026-28. Closing the deficit will be quite challenging as imports are now effectively twice the size of exports, which means that the latter must grow at twice the rate of the former just to maintain the gap in absolute terms."

Over the first eight months of 2025, goods exports declined by 4% y/y, driven by weaker shipments of agricultural products and minerals, though exports of metals and machinery increased. Total exports are now projected at $39.4bn for 2025, a slight revision from the previous forecast of $40.2bn.

However, imports are surging and have doubled the trade deficit from the previous $20bn trade deficit. The ballooning trade imbalance comes on top of a widening budget deficit and a looming funding shortfall of at least $8bn-$19bn that has led some analysts to ask if Ukraine is able to avoid a macroeconomic collapse.

Between January and August 2025, imports grew almost 20% y/y, prompting KSE to revise its full-year forecast upward from $75bn to $81.4bn. This includes broad-based increases in machinery, transport equipment, chemicals, and minerals. A key driver is the import of weaponry and military-related technology, according to KSE.

Civilian demand is also rising, including a sharp increase in electric vehicle purchases, ahead of the expiration of key tax benefits at year-end.

"Imports will continue to grow at a fast pace for the remainder of the war and beyond," the KSE stated. "Post-war economic recovery will only accelerate this trend."

As a result, Ukraine's trade deficit is expected to widen from $33bn in 2024 to $42.1bn in 2025, with no immediate prospects for narrowing.

Ukraine's exports forecast (2025)
· July forecast: $40.2bn
· Revised forecast: $39.4bn

Ukraine's imports forecast (2025)
· July forecast: $75.0bn
· Revised forecast: $81.4bn

Ukraine's trade deficit
· 2024: $33.0bn
· 2025: $42.1bn
Source: KSE

The services balance, meanwhile, offers a more encouraging outlook. The KSE projects a gradual improvement, moving from a deficit of $5.6bn in 2024 to a surplus of $2bn by 2028, reflecting a long-delayed return of Ukrainian refugees, which is not expected to begin in earnest until the war ends. While services imports, particularly related to travel, remain high, exports are set to grow by 24.2% by 2028, boosted by IT and business services.

“Significant improvements will not materialise until the end of the war,” the KSE noted. “But the medium-term outlook for services is one of recovery and growth.”

Services balance trajectory

- 2024: -$5.6bn
- 2025: -$5.3bn
- 2026: -$3.0bn
- 2027: marginal deficit
- 2028: +$2.0bn surplus

Source: KSE

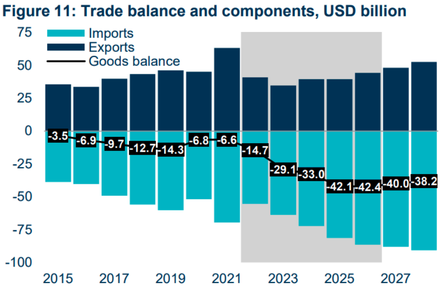
With imports now twice the level of exports, and with donor funding becoming more limited and more conditional, the report concludes that Ukraine’s external position is entering a “structurally fragile” state—a situation likely to persist even in peacetime unless export capacity recovers and domestic production can offset the need for high-cost imports.

KSE warns that funding the deficit is going to bleed the country’s hard currency reserves and could ultimately undermine the value of the hryvna.

The NBU's gross reserves increased by 1.1% in September to $46.5bn thanks to fresh international financial assistance, but KSE says the trade deficit could see those shrink to as little as $12bn in the next two years unless exports can be boosted.

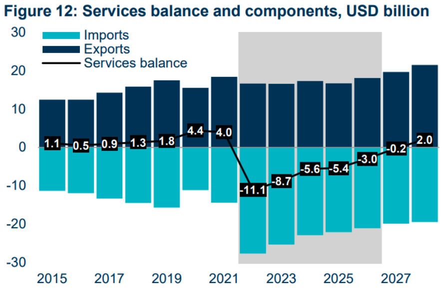
“Together with the war’s impact on capital flows and a projected sharp drop in committed foreign support, the trade deficit will dramatically reduce reserves to $12.4bn at the end of 2028.

Figure 11: Trade balance and components, USD billion



Source: NBU, KSE Institute

Figure 12: Services balance and components, USD billion



Source: NBU, KSE Institute

Ukraine stands to lose $1.14bn in annual exports to the EU in 2025 following the end of its entirely duty-free regime, the overall hit could shrink to $253mn as exporters pivot to new markets.

The main reason for the reduction is the sharp expected decline in wheat exports to the EU. According to calculations, supplies will fall by $894mn annually, accounting for four-fifths of the total reduction in exports to the EU.

Three years ago, the EU opened the tariff-free doors for Ukraine's exports. The European Union cancelled tariff rate quotas (TRQs) for 36 product groups from Ukraine, mainly agricultural products – the tool of TRQs means tariffs are reimposed only when Ukraine's export volumes exceed a certain level. The Autonomous Trade Measures (ATM) expired on June 5, 2025. The EU reinstated the TRQs in response to demands from Poland, Romania, and Hungary.

Ukraine wrecked the Polish grain market in 2023 by flooding the market with cheap low-quality grain and corn, leading Warsaw to unilaterally ban the import or transit of grain, cutting Kyiv off from its biggest foreign exchange earner. Poland has not reopened its borders since.

Moving forward, under a new deal announced in October, trade between Ukraine and the EU will be regulated once again by the Deep and Comprehensive Free Trade Area (DCFTA), the key part of the Association Agreement, signed in 2014 and came into effect in 2017.

The European Union and Ukraine concluded negotiations on an updated trade agreement on June 30. The European Commission outlined three key pillars within the negotiations with Ukraine: a level-playing field, a robust safeguard clause, and enhanced trade flows.

This agreement – announced by Ukraine's Deputy Prime Minister for European and Euro-Atlantic Integration, Taras Kachka, on October 14 in his Facebook post – removed part of the tariffs and expanded export quotas for agricultural products entering the EU market.

The National Bank of Ukraine (NBU) first estimated that removing the EU trade preferences would cost Ukraine $700mn in revenue by the end of 2025.

But the updated figures from independent researchers seem to be much more optimistic, reaching merely $253mn, researchers Veronika Movchan from the Institute for Economic Research and Policy Consulting (IER) and Dr. Ricardo Giucci from the German Economic Team estimated in October.

• 3.2 Current Account dynamics

The current account is also under pressure, due in part to a steep drop in foreign grants after the US backed away from supporting the war. Under the Biden administration the US accounted for about 40% of Ukraine's funding, but since taking office this year US President Donald Trump has sent Ukraine no money. The EU is now entirely responsible for funding Ukraine's military and government's needs.

Secondary income inflows, primarily from international donors, reached $17.5bn in 2022 and remained around $14bn in 2023–2024. However, that figure is expected to fall to $7.4bn this year, and further to just $1–2bn in 2026–2027, as assistance shifts from grants to loans under mechanisms such as the EU's Ukraine Facility and US aid ends.

"This shift is immaterial for overall financing needs," the KSE noted, "but it moves support from the current account to the financial account, with consequences for external balances."

Foreign grants (secondary income)

- 2022: $17.5bn
- 2023–24: ~$14bn
- 2025: $7.4bn
- 2026–27: $1–2bn

Current account deficit

- 2024: $15.1bn
- 2025: $33.6bn
- 2026: $39.2bn

Source: KSE

• 3.3 New EU trade rules

Under the Deep and Comprehensive Free Trade Agreement signed pre-war Ukraine was given limited duty-free access to the EU markets. However, those restrictions and quotas were abolished after the war broke out, throwing the EU markets open to Ukraine creating an important source of revenues.

That exemption expired in JUne 2025 and the restrictions were reimposed. Since then the EU has been negotiating a new and more lenient trade deal to provide Ukraine with an important source of secondary income. The new deal is not as generous as the exemptions – things like corn, grain and honey are still restricted – but it is a vast improvement on the original DCFTA deal.

On October 29, the updated trade agreement between Ukraine and the EU entered into force. The new deal agreed in October harmonizes Ukrainian and European production standards, contributing to Ukraine's gradual integration into the EU single market.

Out of 36 quotas, four tariff quotas have been completely abolished, and another 26 expanded – the most significant increases are for honey, sugar, barley groats, and bran. Under the new agreement Ukraine could potentially expand duty-free exports by $630mn annually, or 35% compared to previous conditions. And save up to $165mn in import duties.

These Ukrainian product quotas increased the most compared to 2021:

- Honey – from 6,000 to 35,000 tonnes
- Sugar – from 20,000 to 100,000 tonnes
- Skimmed milk powder – from 5,000 to 15,400 tonnes
- Eggs – from 6,000 to 18,000 tonnes

• Poultry meat – from 90,000 to 120,000 tonnes

Ukraine will also increase quotas for European goods, for pork (from 20,000 to 45,000 tonnes), poultry meat (from 20,000 to 120,000 tonnes) and sugar (from 40,000 to 100,000 tonnes). The next quota review will take place in 2028.

The estimated annual reduction in exports to the EU of $1.14 billion could also be partially compensated by the reorientation of $891mn worth of exports to other destinations, according to German estimates.

• 3.4 Export products

Corn remains Ukraine's top agricultural export by volume, though down about 4 Mt from 2021.

Wheat and barley both declined amid production losses and logistical barriers.

Metals output is still less than half pre-war levels, and **ammonia exports** are zero.

The **trade mix** remains dominated by bulk commodities, leaving the balance of payments vulnerable to price and transport shocks.

Agriculture & grain

Agriculture is a headline export sector for Ukraine. Recent reports indicate that agricultural goods made up around 60% of Ukraine's exports (in a recent year, $41.6bn total) with the EU purchasing around $15bn of those.

In the grain sector specifically: Ukraine exported 32.4mn metric tons in the 2024/25 season (July–June) according to one association.

But the sector is under enormous war-related strain: the Kyiv School of Economics estimates indirect losses in the farm sector of about $83bn by end-2025, of which ~$46.5bn was due to reduced crop production (e.g., harvest dropping from 107 m tons in 2021 to ~77 m tons in 2024).

Export-logistics constraints (port blockades, mine risks, inland transport) and shifting trade conditions (e.g., potential expiration of EU preferential access) add further headwinds.

The recent introduction of a minimum export-price mechanism for key agricultural goods including grain (effective December 2024) signals the government is trying to protect producers from price-dumping but trade associations warn this could hamper export contracts.

Thus, while agriculture remains a core strength, its export performance is highly contingent on war-time logistics, weather/harvest outcomes and trade-partner regimes (e.g., EU quotas).

Metals & non-ferrous/ferrous

Ukraine has long been a major exporter of ferrous and non-ferrous metals and mineral-products. The OECD shows mineral products and metals as major categories in export flows.

However, war damage to heavy-industry plants, transport and export infrastructure has undercut capacity and raised costs. Meanwhile, global steel demand fluctuations and freight/insurance cost hikes depress margins.

Despite headwinds, metallurgy remains one of the few export sectors with capacity to be revived quickly (if infrastructure is restored) because Ukraine still has domestic raw-material endowments (iron ore, steel-making coal) and an export-oriented industrial base.

Chemicals

Chemicals are another important export line (fertilisers, ammonia, plastics). The OECD data highlight chemicals as a distinct export category in Ukraine's trade flows.

The sector is sensitive to global energy and feedstock prices (gas, naphtha etc.), meaning that disruptions in Ukraine or supply-chain bottlenecks in Europe have knock-on effects.

Given Ukraine's heavy damage to domestic energy infrastructure, chemical-export competitiveness is under threat unless imports of feedstocks and reliable power are restored.

Gas

While Ukraine historically has been a transit country for natural-gas flows and an exporter of some gas, its role in gas exports is far smaller than its import exposure. The external-trade/BoP sources emphasise that imported energy (including natural gas) remains a significant component of Ukraine's import bill.

Thus for the purposes of export-driven trade surplus, gas is less of a "driver" and more of a risk (higher import cost, infrastructure damage) for the trade balance.

Main export products 2021 vs 2024

Category / product	2021 exports (Mt)	2024 exports (Mt)	Notes
Wheat	18.6	16.0	Slight drop due to smaller harvest and shipping constraints; partial recovery via Black Sea and Danube routes
Corn (maize)	21.8	18.0	Still the largest single export crop; volumes roughly 15% lower y/y due to logistics and energy costs
Barley	5.7	2.9	Sharp decline; acreage reduced and export corridors limited
Total cereals (3 grains)	46.1	36.9	Overall cereals exports down around 20% from pre-war levels
Iron ore	44.4	33-34	Recovery continues but below 2021 due to weak steel demand and rail bottlenecks

Steel – flat products	3.9	1.6	Output loss from Mariupol plants; limited recovery in central Ukraine mills
Steel – long products	2.1	0.6	Output about one-third of pre-war; mainly for domestic use and nearby export
Pig iron	3.2	1.4	Partial rebound in 2024; remains well below pre-war
Ammonia (chemical)	0.13	0	Exports stopped since 2022 after Togliatti–Odesa pipeline shutdown
Gas (natural gas)	41.6 bcm transit net importer	0	No meaningful exports; still a major energy-import cost

4.0 Budget & Debt

SInce taking office in January 2025, Trump has sent no money to Ukraine and forced Europe to take over, paying for any weapons that the US send to Ukraine.

This has put enormous strain on Ukraine's budget as under the Biden administration, the US was responsible for some 40% of Ukraine's funding, not including the military supplies, much of which was granted as grants (that don't have to be repaid) whereas the EU has supplied weapons on the basis of long-term loans.

On November 10, Trump formally announced that there would be no more funding.

Cost of the war and reconstruction:

Estimates vary widely, but Tim Ash, of Blue Stone, estimates the cost of the war at $100bn a year – half for funds to run the government and half for military supplies.

As *bne IntelliNews* reported, with swelling budget deficits and debt servicing costs of their own, Europe doesn't have the money to support Ukraine, hence the talk of seizing the CBR's frozen $300bn as the only pool of money available. As year came to en end no decision on the so called Reparations Loans had been made.

Due to th e lack of funds, some analysts estimate that Bankova will run out of money to continue the fight by as soon as February 2026, although the EU is likely to cobble some more money – possibly using a collective debt instrument

– from somewhere to keep Ukraine in the game as long as it can.

The cost of reconstruction is estimated to be $526bn by the World Bank - an equally unaffordable amount. However, banks interviewed by *bne IntelliNews* point out that most of the worst destruction has been in the eastern part of the country that remains under Russian occupation. Should there be a ceasefire and the frontline frozen along existing lines then the larger part of the reconstruction will fall to the Russian budget in a rough $300bn/$200bn split.

Given that the IFIs have allocated some $75bn to Ukraine over the next five years, according to PIIE, and that once access to the international capital markets reopens Ukraine could borrow some $30bn then half the money to rebuild could become available.

Because of lingering war risks, the private sector is not expected to move quickly, but if enough money is invested then a post-war recovery boom could get underway as Ukraine, unlike most of its FSU peers, still has most of its fast catch-up growth ahead of it.

This boom will be constrained by disastrous demographics, due to the millions of refugees in Europe and the very low birth rates. If a recovery fails to take off there is the danger that the youth of the country will simply choose to leave to find work elsewhere once restrictions on exiting the country are lifted following the war that will make the demographic crisis worse.

However, there are likely to be selected success stories in some of the more obvious sectors like retail, real estate and agriculture. Ukraine’s oligarchs may also invest heavily into the country's utilities and metallurgical sector, where they dominate and have access to funds.

Trump’s minerals deal is unlikely to attract much funding as none of the deposits mentioned in the deal have been developed and massive, decade-long investment is needed to get them off the ground.

• 4.1 Federal budget

Ukrainian President Volodymyr Zelenskyy signed the 2026 budget law, which includes a record deficit in December.

According to the law, Ukraine's budget revenues will amount to UAH 2.9 trillion ($68bn) in 2026, while expenditures will reach UAH 4.97 trillion ($117.5bn). This means the budget deficit will amount to UAH 2 trillion ($47bn), or approximately 18.4% of the country's GDP.

To finance the purchase of American weapons, Ukraine needs $15bn annually. As President Zelenskiy told reporters, the PURL program, which Nato countries use to finance the purchase of American weapons for Ukraine, requires $15bn each year. "We still lack about $800mn for this year," he said. Zelenskiy noted that PURL is effective, primarily providing Ukraine with air defence systems.

Ukraine will be forced to cut public spending as early as April in the absence of new foreign aid: the country will face a budget deficit of €71.7bn.

Rada adopted 2026 state budget on December 3.

"Defense and security — the state allocates all of its revenues to the Defense Forces for financial support of the military and their families, strengthening air defense, and developing and producing Ukrainian weapons, including drones. Next year, we will spend UAH 2.8 trillion on the army, accounting for nearly 60% of total expenditures," Prime Minister Yulia Svyrydenko wrote on her Telegram channel.

A total of **UAH273.9bn ($7.21bn)** — up by **UAH75bn ($1.97bn)** compared to 2025 — has been allocated for education, including **UAH195.3bn ($5.14bn)** specifically for salaries of teaching, scientific, and pedagogical staff. This reflects a **30% increase in educator pay**, effective from January 1, 2026. Additionally, the government is developing a new remuneration system for educators, set to take effect in September 2026.

“Healthcare receives **UAH258.6bn ($6.81bn)** — an increase of **UAH38.8bn ($1.02bn)**. Priorities include salary increases for primary and emergency care doctors, free medicines, and preventive health checks for citizens aged 40 and above,” the prime minister added.

Regarding support for internally displaced persons (IDPs), Svyrydenko stated that **UAH72.6bn ($1.91bn)** has been allocated for 2026.

An additional **UAH18.9bn ($0.50bn)** has been earmarked for veterans' policy, an increase of **UAH6.3bn ($0.17bn)** compared to last year, and **UAH468.5bn ($12.33bn)** has been allocated for social support — up by **UAH47.6bn ($1.25bn)** from 2025.

“Support for entrepreneurs. Within the framework of the *Made in Ukraine* policy, we plan to continue programmes that support businesses and domestic producers. The state budget allocates funds for Affordable Loans 5-7-9%, industrial parks, partial compensation for Ukrainian-made machinery and equipment, grants, and housing through the *eOselia* programme,” said Svyrydenko.

According to her, **UAH293bn ($7.71bn)** is planned to support regions, including those on the front line.

“These funds will cover teachers’ salaries, support local budgets, finance school meals for grades 1–11, and fund education, social protection, healthcare, and compensation for tariff differences,” the prime minister added.

According to *Interfax-Ukraine*, 193 MPs from the Servant of the People faction, one from Holos, 16 from Platform for Life and Peace, 11 from the Restoration of Ukraine group, 11 from For the Future, and 16 from Dovira supported the budget.

Not a single MP from the European Solidarity or Batkivshchyna factions voted in favour.

Ukraine has increased defence spending to nearly 70% of the budget. November 28 According to the Accounting Chamber, Ukraine's government expenditures from January to September this year totalled UAH3.6 trillion, which is a 22.2% increase from the same period last year. As a result, the share of defence spending rose to 69.4% of total budget expenditures, amounting to UAH2.5 trillion.

How much cash does Ukraine need to fight Russia and survive as a functioning state? The basic figure that the Verkhovna Rada, Ukraine's parliament, approved for defense and security this year was UAH2.2 trillion hryvnias, or $54bn – equivalent to approximately 26% of Ukraine's GDP. But that sum eats up more than half of Ukraine's depleted tax take, so Kyiv needs to find additional money to fund everything else from healthcare, pensions and education to government salaries.

Ukraine's 40% budget deficit has to be covered in one of three ways – from direct donations from allied countries, from internationally backed debt and, potentially, from Russian state funds currently held in G7 countries.

That's not even counting military expenses directly shouldered by Ukraine's backers – most expensively the vital air defenses such as Patriot batteries which cost $1bn dollars each and fire missiles costing around $4mn a shot. With Russian missile and drone attacks now regularly topping 600 projectiles a night, it's a small wonder that Reuters has estimated the real cost of the war to be up to $150mn a day.

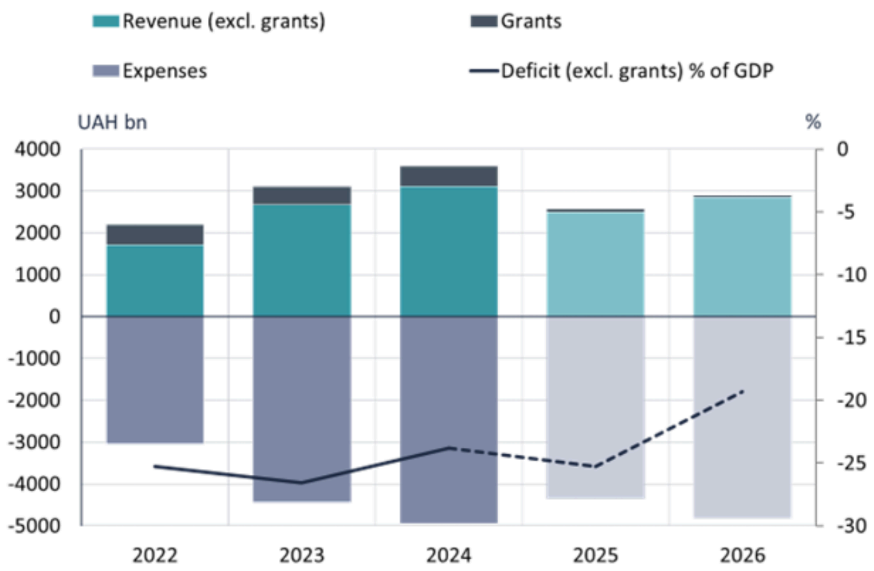
In 2025 the government was short some $8bn-$19bn (depending on military spending) and was facing a shortfall of at least $65bn in 2026, according to the IMF.

Ukraine has generated over UAH187mn ($4.92mn) from the privatisation of state-owned assets. By year-end, the government anticipates the sale of both the 115-year-old Budfarfor plant and the Kalush Pipe Plant.

The State Property Fund of Ukraine (SPFU) conducted five successful auctions between December 1 and 5, yielding UAH187.42mn ($4.93mn) in revenue. The Lviv Distillery achieved the highest sale price, closing at UAH176.79mn ($4.65mn).

In December, the SPFU is set to conduct 30 online privatisation auctions, featuring assets such as the Slavutsk Factory, Budfarfor in the Khmelnytsky region, and various non-residential properties across several regions. The third auction for the historic Slavutsk plant is scheduled for December 10, with a starting price of UAH207.6mn ($5.46mn). The complex comprises 38 real estate units with a combined area exceeding 80,000 square metres and is known for its production of porcelain sanitary ceramics since its founding in 1909. Additionally, on December 23, the state will offer the Kalush Pipe Plant for UAH136.5mn ($3.59mn, exclusive of VAT) and Trade House Eurotrubplast for UAH54.2mn ($1.43mn). The plant specialises in the production of plastic pipes and profiles, with an annual production capacity exceeding 25,000 tonnes.

Ukraine's budget deficit is expected to increase this year



Sources: CEIC, Ukraine's finance ministry, National Bank of Ukraine.

• 4.2 Funding mechanisms

- **Reparations Loan:**

The EU and IFIs will fund Ukraine for the next two years. The arduous 15-hour negotiations at the European Council (EUCO) summit on December 18 the vote on the Reparation Loan failed and the EU voted to raise €90bn ($105bn) for Ukraine by collective borrowing separately in 2026-2027 through borrowing by member states, secured by the EU common budget.

The Czech Republic, Hungary, and Slovakia will not participate in this financing.

The decision to freeze Russian assets no longer requires reconfirmation every six months.

EU decision-making bodies will continue to work on acceptable mechanisms for a reparations loan using Russian assets.

Ukraine will not have to repay the loan until Russia pays for the damage. Until then, Russian assets will remain frozen, and the EU reserves the right to use them to repay the loan.

Belgian Prime Minister Bart de Wever's insistence on full, indefinite EU guarantees for Russian assets has remained unshaken. Meanwhile, the debt option was most persistently promoted by Italy and, surprisingly, France.

The Trump administration also lobbied hard against the scheme as it wants access to Russia's frozen money to fund a $100bn Ukraine reconstruction fund and a $200bn US-Russia investment fund. The White House reportedly put extreme pressure on Meloni.

Hungarian Prime Minister Viktor Orbán, incidentally, indirectly confirmed that the threats had worked: the EU, according to him, had calculated that the assets of private European companies in Russia exceed Russia's frozen reserves in the EU.

The amount raised is less than the IMF estimates is needed over the period of $136bn. The missing amount will be raised by the other non-European G7 members.

The debt carries interest payments that will be borne by EU taxpayers of some €3bn a year. The bonds will never mature unless Russia is defeated militarily and forced to pay reparations – which is highly unlikely.

The EU money staves off a potential macroeconomic collapse for Ukraine in the first quarter of 2026.

Adding in the other commitments from government and IFIs then the total available for the next two years is $135bn so that the budget plan until 2027 should be fully covered.

- **2026–2027 cash-flow:**

According to the Kiel Institute, a Germany-based think tank that tracks international support for Ukraine, the US has spent a total of $130.6bn between January 24 2022 and June 30 2025 and Europe $165.7bn.

NBU head Andriy Pyshny says that according to the baseline scenario for 2026, Ukraine anticipates receiving more than $45bn in international financial aid in 2026. "As of now, we have already received $162bn – this is for 2022-2024 in total," the NBU chairman said.

In 2027, Ukraine expects to receive around $39bn. Meanwhile, the Ministry of Finance estimates Ukraine's unmet external financing needs for 2026-2027 at approximately $61bn, with around $45bn already secured. At the same time, Hungary continues to urge the EU to halt financial support for Ukraine amid the corruption scandal.

The G7's Extraordinary Revenue Acceleration (ERA) worth $50bn granted in 2024 is not yet exhausted. The money is a loan raised by issuing collective debt and can in theory be topped up.

The Ukraine Facility is an EU-backed fund of another €50bn approved in 2024 and is not yet exhausted. It is funded from the EU budget but it is unlikely to be topped up as the financial burden on the EU increases.

The IMF and Ukraine reached a staff-level agreement on a new 48-month $8.1bn Extended Fund Facility (EFF) on November 26 that runs until 2028.

The **World Bank** oversees 22 projects in Ukraine, 13 of which commenced after the full-scale invasion began. In 2025 $633mn is expected to be distributed to these projects.

2026–2027 cash-flow table (expected disbursements)

Source	**Instrument**	**Budget support?**	**2026–27 expected disbursement**
European Union (new loan)	Macro-financial loan	Yes	€90bn
European Union (Ukraine Facility)	Grants + loans	Yes	€20bn
IMF	EFF + new programme	Yes	$10–12bn
World Bank (PEACE etc.)	Donor-backed budget support	Yes	$18bn
G7 (ERA residual)	Asset-backed loans	Yes (limited)	$5bn
United States (bilateral, outside ERA)	Budget support	Yes	$5bn
EBRD	Projects / guarantees	No (mostly)	€4–5bn
EIB	Projects	No	€2–3bn
IFC	Private-sector finance	No	$1–2bn

Source: bne IntelliNews

Funding programmes since 2022, provisions for the 2026–27 programme

Provider	**Formal programme/vehicle**	**What it is**	**Funds provided since 2022**	**Notes for 2026–27**
EU (new)	€90bn loan for 2026–27	Macro-financial loan via EU borrowing	€90bn (for 2026–27)	Covers ~two-thirds of 2026–27 need; leaves ~€45bn gap
EU (existing)	Ukraine Facility (2024–27)	Grants + loans tied to reforms/investments	Up to €50bn	Remaining envelope can still disburse in 2026–27 subject to conditionality

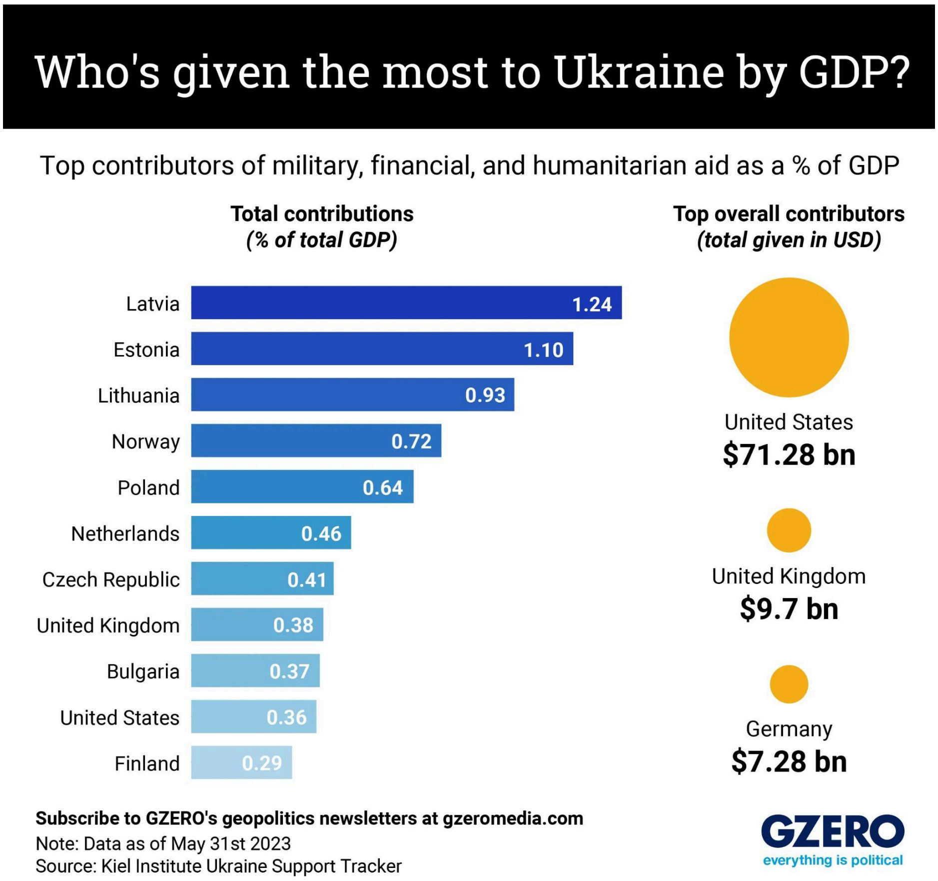
IMF	EFF (+ new ~$8.1bn plan pending)	Balance-of-payments support with policy conditionality	SDR 11.6bn (~$15.5bn) total access (EFF)	preliminary agreement on ~$8.1bn plan pending Board approval
World Bank	PEACE + WBG mobilisation	Budget support & trustee mechanisms	$82bn mobilised/ >$41bn PEACE disbursed	Key channel for donor budget support and ERA administration
G7 (ERA loans)	$50bn ERA	Loans serviced by proceeds on immobilised Russian assets	$50bn initiated	Medium-term financing pillar; reduces immediate donor budget-grant needs
EBRD	Project/guarantee programme	Infrastructure, firms, banking sector	€7.6bn deployed since 2022	Likely continues; not pure budget support but real economy funding
EIB	Project lending/guarantees	Energy, transport, municipal support	€3.6bn since 2022	Continues with new packages; again mostly project finance
IFC	Private-sector financing	Firms, trade finance, mobilisation	$2.7bn since invasion	Helps keep private sector functioning, investment mobilisation
US (budget support)	Mostly via PEACE/other channels	Direct budget support	$45bn since 2022	Future levels are political; also US is $20bn of ERA. No support fro 2026-2027 is expected.
Canada	Bilateral + mechanisms	Budget/financial assistance	$12.3bn since 2022	Partly via multilateral channels; also involved in ERA (varies by structure)
UK	Bilateral + guarantees	Military + non-military + export finance cover	Up to £21.8bn committed	Mix of instruments; some fiscal guarantees can be “reprofiled”

Japan	Bilateral + IFI channels	Loans/grants	$4.2bn since 2022 (as of 2023)	Japan support continues, but this specific "since 2022 total" is time-stamped
source: bne IntelliNews				

- **Nordic funding:**

Most of the European support for Ukraine has come from the top right hand corner of the EU, the countries that are closest to Russia. Denmark, for example, has contributed over €10bn to Ukraine since the start of Russia's full-scale invasion in 2022, equal to nearly 3% of its gross domestic product. Spain, on the other hand, has given €1.48bn, or less than 0.2% of its GDP, according to the Kiel Institute, a think tank that tracks contributions.

"The fact that the Nordic countries, with less than 30mn people, we provide for one-third of the military support that the Nato countries, with almost 1bn people, provide this year ... This is not sustainable. It's not reasonable in any way. And it says a lot about what the Nordics do — but it says even more about what the others don't do," Maria Malmer Stenergard Sweden's foreign minister warned.



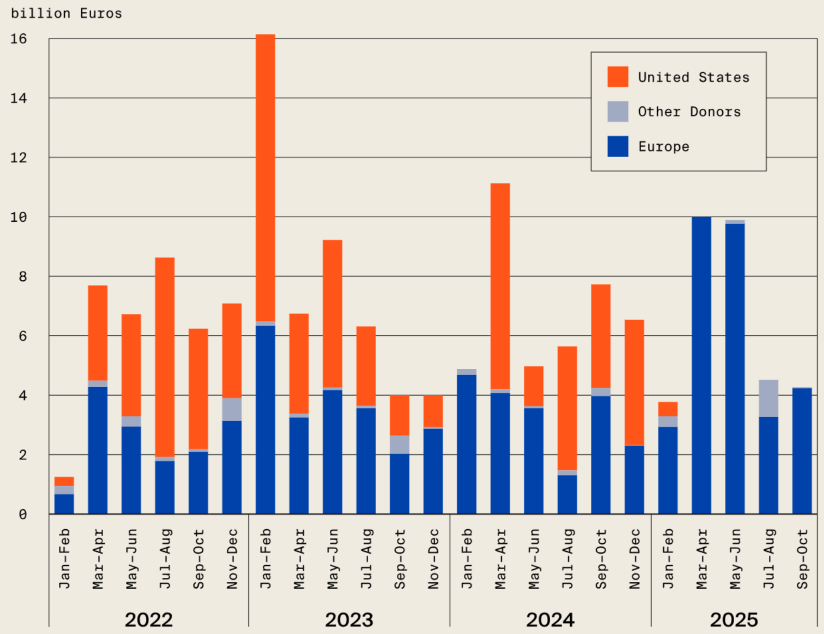
Although Europe's overall military support is slowing down, developments varied significantly across the major economies. France, Germany, and the United Kingdom increased their military allocations sharply compared to 2022–2024: Germany nearly tripled its average monthly allocations, while France and the UK each more than doubled theirs. Even so, measured relative to their 2021 GDP, all three remained well below the leading Nordic donors Denmark, Finland, Norway, and Sweden. To reach Nordic levels, Europe's largest economies would need to scale up their contributions substantially.

The contrast with Italy and Spain was even stronger: neither increased its military allocations in 2025. Italy reduced its already low allocation levels by 15 percent compared to 2022–2024, and Spain recorded no new military aid in 2025. This limited engagement significantly weakened Europe's overall response.

"The higher allocations from France, Germany, and the UK are significant," says Taro Nishikawa, project lead of the Ukraine Support Tracker. "But even these three still trail the Nordic countries in relative terms. Meanwhile, the decline of support from Spain and Italy is a notable setback, reinforcing the importance of more balanced burden-sharing across Europe."

Military Aid Allocations by Donors

2022–October 2025, billion Euros

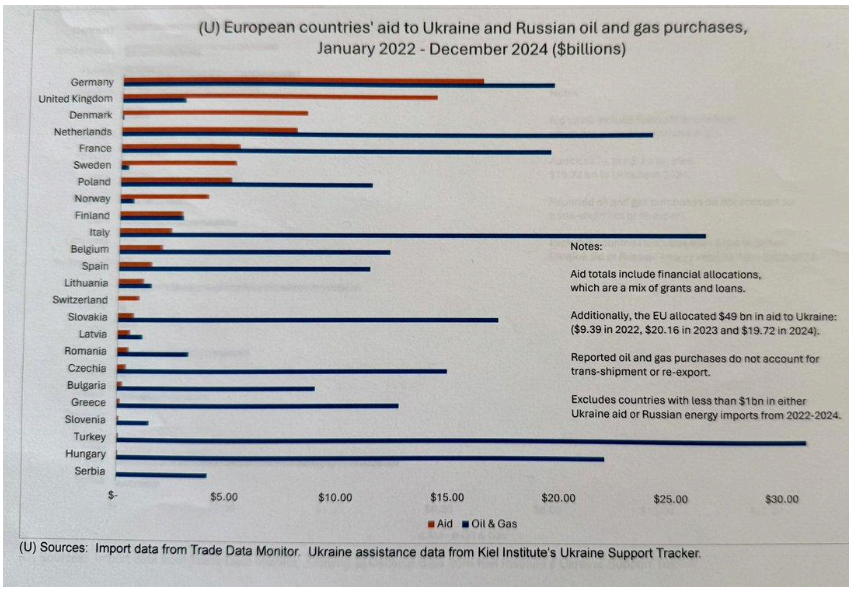


Note: "Europe" includes EU member states and institutions, Norway, the UK, Iceland, and Switzerland. "Other Donors" include Australia, Canada, Japan, New Zealand, South Korea, Türkiye, China, Taiwan, and India.

Source: Trebesch et al. (2025) Ukraine Support Tracker

KIEL Institut

kielinstitut.de/ukrainetracker



- **Private sector funding:**

Official creditors – including holders of Kyiv's government debt – have agreed to pause Ukraine's debt service until the end of March 2027 pending restructuring.

Currently there is very little private sector money being invested into Ukraine. The two leading investment funds, Dragon Capital and Horizon Capital, have attracted some international funds and making some investments into things like real estate and retail, but the scale is still small.

A biggest effort was made by Blackrock and JPMorgan that proposed a $400bn reconstruction fund in June 2023, but as the war dragged on the idea was quietly shelved. However, as part of the Trump administration's peace talk efforts in December 2025 the idea has been revived and a $800bn number was bandied about.

The difficulty for this type of investment is that as long as Damoclesian threat of a second invasion by Russia hangs over Ukraine, private sector investors are unlikely to invest into Ukraine. Consequently real and believable security guarantees are an essential part of the peace process as they could reduce the political risk significantly and create an investment climate that foreign capital will be prepared to tolerate.

A ceasefire following the collapse of the Armed Forces of Ukraine (AFU) or the government, secured by a Russian military victory, creates an intolerable investment climate for foreign capital.

Nevertheless, potentially Ukraine remains one of the most attractive investment stories in the entire Former Soviet Union (FSU) as it has made extremely little progress in the last three decades and has all its catch-up growth the other countries have enjoyed ahead of it.

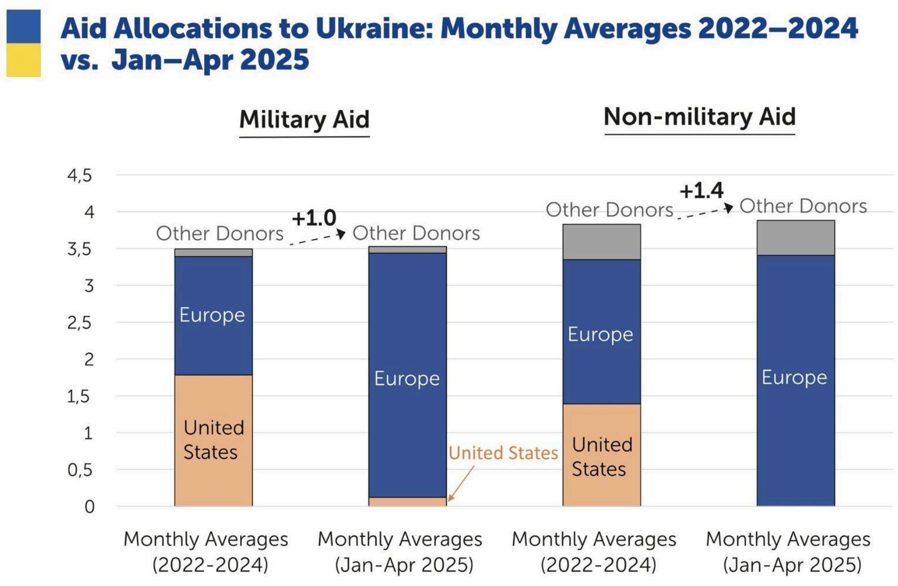
The MoE has clarified that the scope of the IMF program extends beyond $8bn to approximately $200bn in reparations credits. On December 1, Economy Minister Oleksiy Sobolev said that the government is cooperating with state-owned banks, including Privatbank, Oschadbank, and Ukreximbank, to broaden access to financing for businesses.

A key priority includes transitioning the Ukrainian capital out of the "gray zone" of the shadow economy and introducing tax-based compensation for capital expenditures, which he described as the most pragmatic approach. Legalizing assets, Sobolev remarked, would enable businesses to leverage them as collateral.

"The IMF program does not concern $8bn; it encompasses $200bn in reparations credit. Demonstrating tangible political progress toward establishing a level playing field is imperative," the minister concluded.

- **US funding disappears**

US President Donald Trump halted all financial support after taking office. Under the Biden administration, the US accounted for about 40% of Ukraine's funding. Since January 2025 the US has sent no money to Ukraine, with the EU taking over the entire burden.



- **EU's Ukraine Facility**

The **EU's Ukraine Facility**, launched in **2024**, is a €50bn support programme aimed at financing Ukraine's recovery, reconstruction, and path toward EU accession. The package includes **€33bn in loans** and **€17bn in grants**, disbursed over **2024–2027**, and replaces earlier emergency instruments such as the Macro-Financial Assistance+ programme. The funds are tied to a reform-oriented **Ukraine Plan**, which sets out investment and policy priorities aligned with EU standards.

Disbursements are conditional on progress with judicial reform, anti-corruption efforts, and governance improvements, with oversight by the European Commission and independent EU institutions. The facility is also designed to stabilise Ukraine's economy during wartime and to attract private and donor co-financing. Politically, it signals the EU's long-term commitment to Ukraine's integration and post-war reconstruction.

- **ERA**

In October 2024, the G7/EU came up with a scheme known as the **Extraordinary Revenue Acceleration (ERA)** loans mechanism, which created a $50 billion loan backed by the interest payments from Russian capital without touching the capital itself.

- **IMF's EEF**

Another source of funding is the negotiations with the **International Monetary Fund**, from which Ukraine is hoping to secure a four-year $8bn extension of its existing $11 billion credit facility. But disbursement is contingent on whether the EU agrees to use the Kremlin's frozen cash. Ukraine has no real plan to repay the IMF except out of the SPV – effectively, one loan paying for another.

- **Income from Russia**

And bizarrely, **Russia** has been one of Ukraine's biggest funders of the war. For the first three years of the war Ukraine continued to quietly move Gazprom gas across its land and into the EU via a network of pipelines to Slovakia. As late as last year, Kyiv was using the $900 million annual transit fees paid by Moscow (via a Swiss subsidiary) to help fund its war effort. Some of Gazprom's gas was even re-imported into western Ukraine's Lviv and Ivano-Frankivsk provinces having looped through Slovakia. Under pressure from Brussels, Ukraine shut down most Russian gas transit at the start of this year, and is now moving to close down the Druzhba oil pipeline too.

• 4.3 Debt & Gross International Reserves

Ukraine's public debt rose by $2.98bn in October, driven by funding from international partners. As of October 31, Ukraine's total public and state-guaranteed debt reached $197.2bn. The increase during the month was driven by a rise in external public debt. In October, Ukraine also received a €4bn EU loan through the G7 ERA initiative, which will be repaid using proceeds from frozen Russian assets.

Global debt hits $111 trillion, with Ukraine among the top twenty countries with the highest debt levels. According to an IMF report, global public debt reached a critical $111 trillion in 2025, accounting for 94.7% of the world's total GDP.

The debt burden has worsened, with 23 countries now owing more than their entire annual economic output, with their debt exceeding 100% of their GDP. Two of these countries owe twice what they can produce in a year. Japan leads the list with a debt-to-GDP ratio of 230%, followed by war-torn Sudan at 222%, and Singapore at 176%.

In Europe, Greece faces the toughest challenge at 147% of GDP, nearly twice the regional average, with Italy close behind at 137%. The United States is 11th in the world, with a debt at 125% of GDP.

Ukraine ranks 16th, with public debt at 109% of GDP. While this places Ukraine alongside developed economies like Canada (114%) and Belgium (108%), the key difference is that Ukraine's debt is heavily influenced by the war.

Ukraine has recommenced negotiations regarding the restructuring of its debt linked to GDP warrants November 27. A consortium of investors holding these instruments, led by hedge funds, entered into non-disclosure agreements this week to participate in "limited" negotiations. These discussions involve the exchange of confidential information and temporary restrictions on the sale of the securities, given the sensitivity of the topics being addressed. Notable holders of the warrants include Aurelius Capital Management LP and VR Capital Group.

Ukraine's GDP warrants were trading above $0.91 per $1, having risen approximately 20% since the beginning of the year. From October 16 to November 5, a second round of negotiations was conducted with members of a special committee representing institutional investors who collectively own approximately 35% of Ukraine's GDP warrants. However, mutually acceptable terms for restructuring have yet to be reached. The Ministry of Finance remains committed to finalizing the debt restructuring by the end of the year. It is noteworthy that these GDP warrants – with a nominal value of $2.6bn –

were issued as part of a 2015 debt restructuring agreement, which included a 20% write-down of Ukraine's external debt. Payments on the warrants are contingent upon the country's GDP growth from 2019 to 2038, and in two specified calendar years between 2021 and 2040.

5.0 Real Economy

In 2025, over 11,000 companies closed in Ukraine — almost three times more than the year before. An estimated 60,000 to 120,000 jobs were affected, €0.5–1bn in annual tax revenues were at risk, and up to 0.6% of GDP in unrealized value was lost. Wartime business closures reflect restructuring, displacement, tax pressure, and the exit of short-lived firms. IT and security sectors are the fastest to close, while education and healthcare remain resilient.

• 5.1 Agriculture

Ukraine accounts for nearly 50% of the world's sunflower oil market and 12% of the corn market. Prime Minister Yulia Svyrydenko stated that, despite the war, Ukraine remains a key player in the global food market.

This season, the country will supply 46% of worldwide sunflower oil exports and over 12% of global corn exports. Svyrydenko added that immediately after the full-scale invasion began, Ukraine launched the Grain from Ukraine humanitarian initiative, which fed millions in Africa and the Middle East. She emphasized that since the war began, Ukraine has exported over 66mn tonnes of food to Asia, Africa, and the Middle East.

The Ministry of Economy reported that in the current marketing year, Ukraine has already exported 5.8mn tonnes of wheat. Ukraine is also among the top six global exporters of chicken.

This year's corn harvest could be the largest in the last four years with 31 to 31.5mn tonnes, roughly 50% of all grain crops. The forecast from the United States Department of Agriculture ($A) even reaches 32mn tonnes. It is expected that Ukraine's corn exports will total about 24.5mn tonnes.

The agricultural sector provides 50% of Ukraine’s foreign exchange earnings. Every fifth Ukrainian works in agriculture, the industry accounts for about 17% of Ukraine’s GDP, and nearly 50% of foreign exchange earnings come from exports.

In 2025, the most profitable crop was sunflower. Under favorable weather conditions and proper technological support, its profitability can reach $985 per hectare. Wheat is second in profitability, followed by corn, soybeans, and rapeseed.

However, Ukrainian corn exports in October decreased by 51% compared to the same period last season. The total export volume was 941,000 tons. The slowdown is due to delayed harvesting caused by adverse weather. Still, predictions indicate Ukraine will export 24.5 million tons of corn this season, a 22% increase from the previous one.

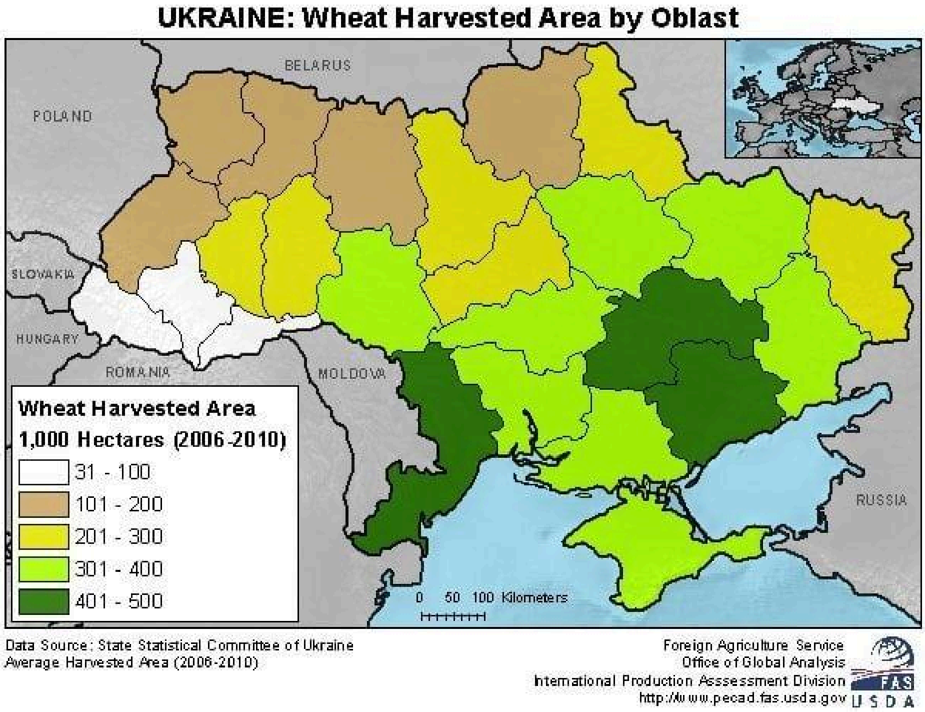
Conversely, poultry meat exports from January to October decreased by 0.8%, totaling 368,700 tons, but revenue increased by 15%, reaching $911.7mn. Egg export revenue soared by 170% to $159mn. Additionally, over ten months Ukraine exported 111,110 tons of dairy products, a 9% increase, worth $347.87mn, up 39%.

In **November**, **Ukrainian mine action operators cleared 3,798 hectares of agricultural land** under the state programme that provides compensation for demining expenses, at a total cost of UAH191.5mn ($5.04mn). According to the Ministry of Economy, the average cost per hectare demined in November was UAH50,400 ($1,200).

Since the introduction of the state compensation initiative, 107 contracts have been executed to clear a total of 17,860 hectares, with an aggregate expenditure of UAH1.05bn ($27.63mn).

Recently, demining operator Humanitarian Safety returned more than 3,300 hectares to productive use after a year-long process in the Barvinkivska community in the Kharkiv region. This will allow the local agricultural enterprise to resume crop cultivation next season. Building on this, ADP-Agro has submitted an application for further demining services.

Following a record-breaking tender, approximately 8,000 hectares in the region will be cleared at a total cost of UAH588.3mn ($15.48mn). The work has been divided into 10 lots, covering 1,283 cadastral plots across three communities in the Izyum district: Oskilska, Barvinkivska, and Balakliiska. The average demining cost per hectare for this project is estimated at UAH73,600 ($1,937).



The agricultural sector remains a vital component of Ukraine's economy, accounting for some 10% of GDP but 40% of exports by value, although it has been heavily impacted by the war and difficult relations with the other EU members.

The Ministry of Economy has released estimates for this marketing year's harvest. Deputy Minister of Economy Taras Vysotsky forecasts that grain production will reach approximately 59mn tonnes, up from 56mn tonnes last year.

The harvest of wheat and barley was complete for the marketing year of 2024/2025, with yields close to last year's totals, with 22-22.5mn tonnes of wheat and 5.3mn tonnes of barley, which is sufficient to meet domestic requirements.

Vysotsky indicated that corn is expected to be the largest grain crop by volume and will exceed last year's harvest by 3mn tonnes, reaching over 27mn tonnes.

However, oilseed production is projected to decline compared to last year. Most sunflower and soybean crops have been harvested, and the rapeseed harvest is also finished. The rapeseed yield stands at 3.3mn tonnes, down from 3.7mn tonnes last year. Sunflower production is estimated at a consistent 11.5–12mn tonnes. Soybean output is expected to decrease to 5–5.5mn tonnes from 7.2mn tonnes last year.

According to Vysotsky, Ukraine is not expected to experience a vegetable shortage this year, as the large harvest has led to lower prices than in the previous year.

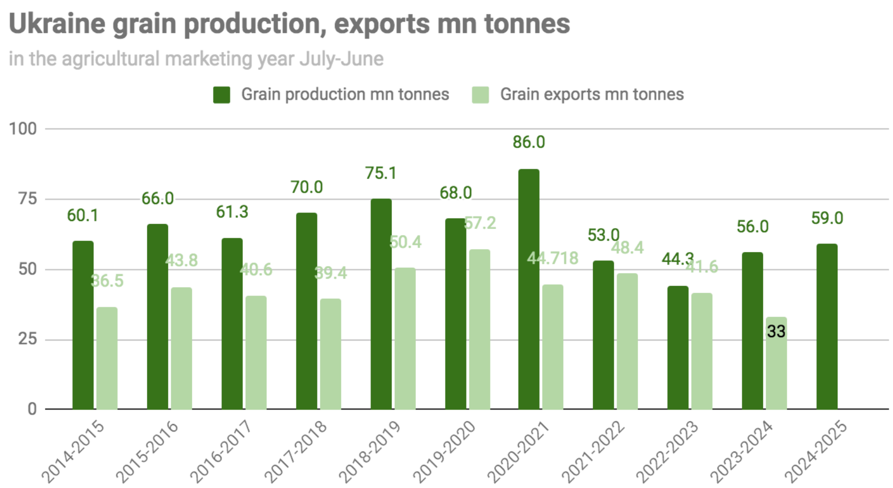
Agriculture Outlook 2026

For the medium term, Ukraine's agriculture sector exhibits both significant upside potential and major risk factors. According to modelling in the

2024-2033 outlook, if war-related constraints ease, production of cereals and oilseeds could recover substantially.

- With improved logistics (ports, river, rail), increased access to inputs (fertilisers, machinery) and harvest area restoration, Ukraine could reclaim significant export volumes and boost value.
- Crop mix is likely to shift: more oilseeds (soybeans, rapeseed) are expected, as they may offer better margins under current conditions. Kyiv School of Economics
- Risks remain high: continued war damage, land mine contamination, labour shortages, disrupted transport, and unpredictable weather/irrigation – all could hinder production or exports.
- On exports: while value may recover to or near pre-war levels (given favourable commodity prices), volumes may lag owing to area and yield losses.
- The sector's global competitiveness remains strong (fertile soils, lower input costs) but will depend on stability and investment.

If war disruptions moderate and policy/investment conditions improve, a plausible scenario is a gradual rebound in Ukrainian agricultural production and exports over 2025-27, though full recovery to pre-2022 levels is unlikely in the very near term.



War problems

Grain production has been hit by multiple problems. The war is taking place in east Ukraine where much of the best agricultural land is which has reduced production. At the same time the Russian forces have widely minded fields to prevent the Armed Forces of Ukraine (AFU) bringing up supplies and reinforcements.

The weather has also worked against farmers with harvests hit by droughts in 2024 and 2025 that is related to global warming heat waves that have struck

Europe and also reduced Russian crops.

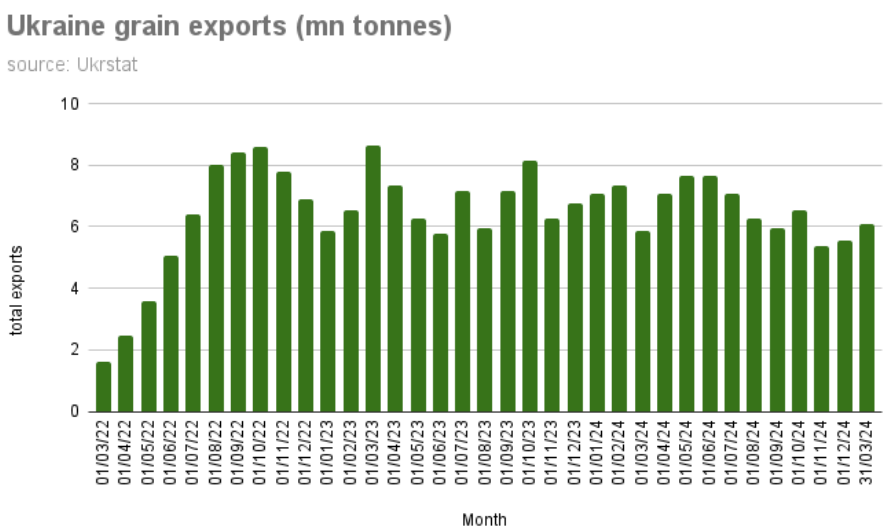
The four-month Russian naval blockage of Ukraine's ports in early 2022 reduced exports; before the war, about 90% of Ukraine's grain exports used those maritime routes.

The Black Sea Grain initiative agreed with Russia in July 2022 unblocked some of the sea bourn exports, but the deal collapsed a year later. During the initiative, over 33mn tonnes of grain and other food products were exported from Ukraine via the Black Sea ports under the corridor arrangements

However, in the last two years Ukraine has managed to push Russia's Black Sea fleet out of its home in the Crimea that has reopened sea channels to some extent via so-called solidarity lanes leading to a revival of sea bourn grain exports via Poland, Romania, Hungary, etc., and developed Danube river export routes.

The company Nibulon, for example, built a river terminal in Izmail on the Danube and in early 2023 reported that 64 % of its grain exports for that quarter were through its river terminal rather than Black Sea maritime routes.

Since March 2024, Ukraine's military successes in the Black Sea region have reopened viable maritime export routes, helping grain shipments recover toward pre-war levels from key ports such as Odesa, which remain under bombardment.



And grain exports (mostly corn) to the EU were halted after Poland unilaterally banned Ukrainian transhipments after traders dumped cheap low quality Ukrainian grain on the local market, collapsing the prices in an election year. Technically the EU has the mandate to decide on trade, making Poland's decision, which is still in effect, illegal. Negotiations are ongoing on restarting Ukraine's grain exports to Europe and Brussels is talking about taking legal action against Warsaw over the dispute.

Grain production

In 2021 agriculture accounted for approximately **10.9% of GDP** and nearly

14.7% of employment.
Since the full-scale invasion, the sector has suffered large direct and indirect losses: for example, the combined grain and oilseed harvest dropped from around **107mn tonnes in 2021** to about **77mn tonnes in 2024**.

Ukraine used to vie with Russia for the title of world's largest grain exporter, but has lost that claim since the war started, with Russia leaping ahead from around 134mn tonnes pre-war to a record 156mn tonnes in 2023, partly as it started including the harvest from occupied territories in Ukraine into its overall count.

Key pressures have included:

- A sharp drop in harvested area: for wheat, maize and barley the harvested areas for 2023/24 are estimated to be down by ~32%, ~27% and ~37% respectively compared to 2021/22.
- Damage to infrastructure (machinery, storage, logistics) and elevated production costs. According to a 2024 outlook, direct damages to agriculture by February 2024 amounted to some $10.3bn, according to KSE.
- Disruptions to export logistics (port blockades, mined fields, transport delays) that have weighed on export flows, particularly cereals and oilseeds, according to Eurostat.
- Despite the disruption, export volumes and values have shown resilience: by January 2025 some reports indicate that agricultural exports had returned to close to pre-war levels in value though not necessarily in volume.
  Also, structural shifts are emerging: the area under oilseeds (soybeans, rapeseed) is forecast to increase as farmers adjust crop mix in the war-winter context. Kyiv School of Economics

In summary: the sector is under strain, output in many crops is down, but the export orientation, fertile land base and global demand for Ukrainian crops continue to underpin resilience.

• 5.2 Construction & Real Estate

In Ukraine, the volume of new housing construction increased by nearly 50% over the first three quarters of 2025 as the rebuild slowly gets underway.

Residential: steady commissioning, with western and central regions leading; prices likely to rise modestly above inflation where supply is tight, according to local brokerages.

Commercial: office stabilisation in prime Kyiv assets; limited speculative starts; industrial/logistics to benefit most from re-shored supply chains and reconstruction logistics.

What's driving the cycle

- Public & donor-funded works (roads, bridges, grids, social infrastructure) underpin engineering output.
- Housing demand from displaced households and preferential mortgages/compensation support residential.
- Power-system attacks and insurance/security premia restrain private investment; materials/logistics costs remain elevated.

Outlook for 2026

- Baseline forecasts point to continued expansion as financing pipelines and reconstruction programmes scale up, depending on the course of the war. Industry trackers project construction growth of roughly 9–11% in 2026 after a strong 2025 (variously estimated at 16–22%).
- Upside depends on security and funding disbursement;
- Downside risks come from renewed energy shocks and labour/material bottlenecks.

Commercial real estate prices in Western Ukraine have increased significantly, rising by 30%. According to market participants, the average cost of commercial properties in Transcarpathia has grown by 3% over the past year, now averaging $135,000. This makes it the most expensive region for commercial real estate in Western Ukraine. Key factors contributing to this trend include consistent demand from local enterprises, proximity to international borders, and a substantial influx of firms relocating from Eastern Ukraine due to the war.

In Ivano-Frankivsk, entry-level commercial spaces without renovations start at $400 per square metre, while fully equipped units command approximately $1,800 per square metre. Central city or newly constructed properties begin at $1,500 per square metre, with premium spaces starting at $1,800. Over the past year, prices in these areas have risen by 20%. In Uzhhorod, unrenovated spaces start at $1,500 per square metre, while renovated central locations fetch upwards of $2,000 per square metre – a 30% year-over-year increase. High commercial property values are also reported in the Ivano-Frankivsk region ($100,000), Lviv region ($98,000), and Rivne region ($85,000). Conversely, the Ternopil region ($58,000) and Chernivtsi region ($69,000) have the lowest average prices in Western Ukraine.

Ukraine's residential construction sector is showing signs of a strong rebound in 2025, with new housing permits surging amid rising demand and investor interest concentrated in western and suburban regions.

According to government data, the total area of residential buildings approved for construction between January and September rose by 48.4% year-on-year, reaching 4.39mn square metres. The volume of new apartment building construction climbed even higher, up 51.1% to 4.23mn square metres, while the number of new apartments declared at the start of construction rose by

54.1% to 47,600 units.

The Kyiv region led the recovery, accounting for more than 2.3mn square metres of new housing and 21,200 apartments, marking a 142% increase compared to the same period in 2024. Strong performance was also recorded in western regions including Lviv (816,500 square metres; 10,900 apartments; +63.6%), Ivano-Frankivsk (344,200 square metres; 5,500 apartments; +8.2%), Zakarpattia (368,700 square metres; 4,700 apartments; +26.1%), and Volyn (176,300 square metres; 4,000 apartments; +25.3%).

Kyiv also recorded steady growth. From January to September, Kyiv city saw 449,600 square metres of new housing started, or 5,200 apartments, representing a 36% increase compared to the same period last year.

The increase in residential development comes amid broader efforts to stimulate economic recovery and support internal migration patterns caused by the war. Suburban and western regions, viewed as relatively safer and more stable, continue to attract both private investment and relocated populations.

Developers have focused on medium-density, multi-family housing, with a preference for projects in proximity to regional transport corridors and areas that have absorbed large numbers of internally displaced persons. The shift in demographic demand has also accelerated urban sprawl around Kyiv and western urban centres.

But construction volumes remain well below pre-war levels, but the sustained upward trend in permits suggests renewed confidence in the sector, particularly in areas less affected by military activity.

Construction activity output collapsed in 2022, then rebounded from a low base and the last year has seen a modestly robust growth as reconstruction slowly gets underway in the more peaceful parts of the country. Prime locations, such as Kyiv, have also seen investment where post-war upside remains very large.

> Local analysts say a 65% y/y fall in completed works in 2022 was followed by 22–25% y/y growth in 2023 as emergency repairs and early reconstruction kicked in.
>
> Momentum continued through 2024–25. In 1H24 completed works rose +37.1% y/y (engineering structures the main driver), and for all-2024 growth was +15.5% y/y to UAH204.7bn.
>
> In Jan–Jul 2025 output was +16.1% y/y (UAH117.7bn), and Jan–Sep 2025 shows +15.5% y/y; non-residential led (+34.2% y/y), with residential +11% y/y and engineering +7.5% y/y.

Ukraine’s retail sector showed renewed signs of confidence in October as the opening of new commercial spaces helped lift sentiment despite persistent economic and security pressures from the ongoing war, reported Ukraine Business News.

The Retail West Business Index (RWBI) rose by 0.2 points from September to

27.8 in October 2025. Although still below the post-invasion peak of 30.4 points recorded a year earlier, the uptick signals gradual improvement in the outlook among retailers, supported by continued modernisation and expansion across the sector.

Amongst the new projects was International supermarket chain SPAR also rolled out a new-format Eurospar store in Lutsk, offering an expanded product range across 1,314 square metres. Domestic retailer Silpo opened a new outlet in Chernihiv and completed renovations at a store in Vasylkiv in the Kyiv region.

Damage remains the overarching constraint. KSE estimates $170bn infrastructure damage as of November 2024 (housing, transport and energy hit hardest), while broader recovery needs are assessed at $500bn–$524bn over the next decade, according to KSE.

The caveat with the KSE estimate of the physical damage caused is that it applies to the whole country, and the most sever damage was concentrated in the Russian occupied zones. If Russia hangs on to those regions (approximately 20% of Ukraine’s territory) then the Kremlin, not Bankova, will be responsible for the cost of reconstruction, or about a third of the total bill, according to rough estimates, or some $57bn – a far more manageable sum. The Kremlin will have to rebuild entire cities; Bankova will have to fix bombed buildings.

Materials supply has stabilised but below pre-war scale. Cement output fell from 11mn tonnes in 2021 to 5.4mn tonnes in the first year of the war, then recovered to 7.4mn tonnes in 2023 and 7.97mn tonnes in 2024; producers see 8mn tonnes as a practical ceiling while the war continues.

A five-story shopping mall is scheduled to open in Lviv in the west of the country, and industry analysts anticipate significant growth opportunities within the commercial real estate sector. Construction of Infiniti Plaza, a five-story shopping and entertainment center, is set to commence next year, with an opening targeted for the first half of 2028. The initial three floors will accommodate established retail brands, dining establishments, a cinema, and a children’s activity center. The fourth and fifth floors are designated for educational facilities, a media library, and co-working areas. Additionally, the project incorporates a two-level underground car park providing 340 spaces. Despite ongoing conflict in Ukraine, experts report that the commercial real estate market is gradually showing signs of recovery. Rental and vacancy rates in 2025 are forecasted to be comparable to those of 2024. While the market has not yet returned to pre-war levels, some Ukrainian shopping centers have achieved performance metrics comparable to 2021 and even 2019. This year, Ukraine is set to open 11 new shopping centers, aligning with 2014 figures. Should development continue at the current rate, the market may reach 2008-2009 levels by 2026-2027

• 5.3 Retail

Retail trade increased by 6% during the first nine months of 2025 as the sector slowly starts to recover.

According to the State Statistics Service, retail trade turnover in Ukraine rose by 6% from January to September 2025 compared to the same period in 2024. In nominal terms, the retail trade turnover reached UAH1.892 trillion.

In the first half of 2025, Ukraine's retail turnover reached about UAH936.6bn ($22.6bn), a nominal increase of 17% compared with the same period in 2024. But adjusted for inflation—which averaged about 14.3% during that period—real growth amounted to only about 2.7%, indicating that most of the increase reflected price effects rather than higher volumes.

Like with the other sectors, the stabilisation of the economy after nearly four years of war, has lead to a gradual recovery as life, at least in some parts of the country, slowly returns to something that looks like normality. According to Trading Economics, retail sales growth has averaged around 5% y/y over the longer term but surged at intervals since 2023 as displaced populations and returning migrants lifted consumption in safer parts of the country.

The retail property market has held up comparatively well in western and central Ukraine. In Kyiv, vacancy rates in prime shopping centres stabilised at around 11–12% in the first half of 2025, and rents in top-tier locations were broadly unchanged. At the same time, online and e-commerce channels expanded rapidly as retailers adopted omni-channel strategies to offset disruptions to physical stores and to maintain access to customers during periods of heightened insecurity. Leading logistics firms like Nova Poshta, the leading package delivery firm, have seen their business rapidly expand as they continue to service even the besieged towns in the east like Kharkiv.

Essential-goods trade remains the backbone of the sector. Sales of food, pharmaceuticals and other daily necessities have proved resilient, as households prioritise core spending even under wartime conditions.

Internal migration from eastern and southern conflict zones to safer western and central oblasts has created new local economy consumer bases, driving local retail expansion. Many chains have adapted by investing in digital platforms, delivery networks and smaller hybrid outlets to maintain sales despite intermittent blackouts and logistical hurdles, as well as missile strikes on large format retail outlets – part of Russia's terrorist tactics.

But major constraints persist. High inflation and living-cost pressures continue to erode real household purchasing power, limiting discretionary spending. Logistical disruptions, power outages and security risks such as drone and missile strikes raise operating costs for distribution and insurance. Retail infrastructure in frontline or heavily damaged areas remains in ruins, forcing many national chains to shutter outlets or relocate westward.

Investment remains muted: developers focus mainly on refurbishments or small-scale projects in relatively safe areas, while large new retail developments are on hold.

Top retailers in Ukraine

According to *Forbes Ukraine*, the total revenue of the **21 largest retailers in Ukraine for the first half of 2025 reached UAH423.2bn ($11.14bn).**

ATB – **Discount supermarket chain**
Revenue: **UAH117.2bn ($3.08bn)**
Ukraine's largest low-cost grocery retailer, operating a dense national network with rapid expansion.

Fozzy Group – **Multiformat food retail group**
Revenue: **UAH80.7bn ($2.12bn)**
Operator of **Silpo**, **Fora**, and other formats; combines retail, logistics, and food production.

Epicentr – **DIY and home goods hypermarket chain**
Revenue: **UAH38.9bn ($1.02bn)**
Leading home improvement and household goods retailer with large-format stores across the country.

Aurora – **Discount beauty, household, and general goods chain**
Revenue: **UAH21.7bn ($571mn)**
Fast-growing retailer offering low-cost consumer goods, hygiene products, and small household items.

Rozetka – **E-commerce and electronics retailer**
Revenue: **UAH21.2bn ($558mn)**
Ukraine's largest online marketplace, focused on electronics, household goods, and general merchandise.

Novus – **Premium supermarket chain**
Revenue: **UAH16.3bn ($429mn)**
Offers high-quality grocery and imported products in urban supermarkets and convenience formats.

Comfy – **Consumer electronics and home appliance retailer**
Revenue: **UAH15.8bn ($416mn)**
Specialises in electronics, gadgets, and appliances, operating both online and physical stores.

Metro Ukraine – **Wholesale cash-and-carry chain**
Revenue: **UAH15.5bn ($408mn)**
Supplies businesses and individuals through warehouse-style stores; formerly part of Metro AG (Germany).

Eva – **Cosmetics and personal care chain**
Revenue: **UAH14.8bn ($389mn)**
Nationwide retailer focused on beauty, hygiene, and health products, targeting mostly female consumers.

Retail Group – **Grocery and hypermarket operator**
Revenue: **UAH11.9bn ($313mn)**
Owns formats such as **Velyka Kyshenia** and **VK Express**, focusing on food retail and neighbourhood stores.

The retail sentiment index demonstrated renewed growth in October, driven by the opening of new retail spaces and stores across Ukraine. In October 2025, the RWBI index increased by 0.2 points over September, reaching 27.8 points. For comparison, one year prior the RWBI recorded a peak of 30.4 points, the highest value since the onset of Russia's full-scale invasion of Ukraine. Despite ongoing challenges, Ukraine's retail sector continues to modernize and expand. Notably, the Retail Park Mukachevo shopping complex commenced operations in Mukachevo (Transcarpathia), featuring retailers such as Sinsay, LC Waikiki, COMFY, and others. The first development phase covers more than 8,600 square metres, while the second phase – planned for next year –will comprise over 15,500 square metres. Additionally, international grocery chain SPAR launched its first new-format Eurospar supermarket in Lutsk, offering a broader product selection within its 1,314-square-metre space. As well, retailer Silpo inaugurated a new store in Chernihiv and completed renovations at another location in Vasylkiv (Kyiv region). Meanwhile, INTERTOP Ukraine opened two outlets in Kyiv: a clothing store in the Karavan Outlet shopping mall and a Skechers store in the Pyramid shopping mall.

Outlook for 2026

Assuming the war remains relatively contained (no major fresh escalation in central regions) and macro-conditions gradually improve, analysts expect further modest growth in 2026:

- Retail turnover in nominal terms could grow by 10–12%, driven by essential goods, gradual return of some consumer confidence and continued internal migration/relocation demand.
- However, real growth (after inflation) may remain modest—perhaps 3–5%—because inflation risk remains, household incomes are still recovering, and discretionary spending will lag.
- Retail real-estate: vacancy rates in prime locations should continue to improve slowly, especially in western/central Ukraine. Rents may inch up in those corridors. But large speculative retail developments will likely remain limited until security and investment climate stabilise.
- If reconstruction funding ramps up significantly, and consumer confidence returns, we could see stronger growth (real turnover 6–7%) and more retail openings.
- Key risk: renewed attacks, power infrastructure failures, or macro-shock could drag retail into contraction again.

The expansion of shopping and entertainment centers across Ukraine's regions is facilitating market entry for new brands. In 2025, there has been increased activity among retailers in select cities, particularly those located far from active conflict zones.

Notably, UTG introduced two major developments: The Pokrovsky Shopping Center in Izmail and the Trade Mall in Uzhhorod, both of which launched with zero vacancy – a rare accomplishment in wartime conditions.

These initiatives have supported the introduction of new brands into the Ukrainian market, even as elevated risks persist and most foreign entities have suspended investment. For instance, GrushesvSky Shopping Center in Uzhhorod commenced operations in August 2025 and attained an occupancy rate of 98% within a few months, drawing between 2,000 and 2,500 visitors daily.

Despite overarching challenges such as logistical disruptions and frequent closures due to air raids (with shopping malls non-operational for over 15% of November – the highest rate since the start of the full-scale war), regional retail has demonstrated notable resilience.

The inauguration of new shopping centers stabilizes regional markets and encourages the establishment of emerging brands, which are increasingly entering Ukraine through its regions rather than in the capital. Industry experts anticipate that this trend will play a pivotal role in the recovery and modernization of Ukrainian retail in the post-war period.

• 5.4 TMT

The second-best month of the year: In October, the volume of IT exports increased by 1.6%. According to the NBU, Ukrainian IT companies exported services worth $566mn in October. As a result, IT export volume increased by 1.6% compared to September and by 6.4% compared to October 2024. Overall, during the first 10 months of the year, IT companies generated total export revenue of $5.4mn, 2.2% higher than the same period last year.

Before the 2022 invasion, the TMT sector — led by IT services — was one of Ukraine's fastest-growing industries, contributing around 4.5% of GDP and employing over 360,000 professionals. Exports of IT services reached US $7.3bn in 2021, up from US $5bn in 2020, according to the IT Ukraine Association and NBU data. Ukraine had already emerged as one of Europe's leading outsourcing tech hubs.

The war stopped further development, although many Ukrainian technicians continue to rely on international work to support themselves and it remains an important source of foreign exchange earnings.

The telecom industry lost roughly $2.3bn in physical assets between 2022 and 2024. Networks in frontline oblasts (Kharkiv, Kherson, Donetsk, Zapariszhzhia) were severely damaged, though operators have restored coverage to about

85% of pre-war capacity.

Ukraine's TMT sector remains one of the economy's most dynamic and export-oriented pillars despite the war. IT services continue to generate billions in foreign exchange earnings, telecom networks have shown exceptional resilience under fire, and digital innovation policies such as Diia City keep the ecosystem internationally competitive. The recovery of media and domestic digital advertising will lag, but overall, the sector is poised to lead Ukraine's post-war technological and economic reconstruction.

Kyivstar, the largest operator, reported UAH40.6bn ($980mn) in revenue for 2024, a modest +3% y/y rise in nominal terms. Data usage grew over 20%, reflecting Ukraine's increasing dependence on mobile internet for work, news, and education. Fibre rollout continues in western oblasts, and 5G testing has resumed under donor-funded pilot projects, but the development of the sector, both in terms of infrastructure and of business, is basically on pause until the end of the war.

The sector has shown remarkable resilience. In 2023, IT exports totalled US $6.7bn, only a modest decline from the pre-war peak. The first half of 2025 brought partial stabilisation, with ICT exports of US $3.4bn, slightly ahead of the same period in 2024, according to the NBU's balance-of-payments data.

The telecommunications segment, led by Kyivstar, Vodafone Ukraine, and lifecell, has faced heavy infrastructure damage but remains operational. Mobile penetration remains near 135% of the population (multiple SIM cards), and internet coverage is recovering fast, aided by Starlink satellite networks provided by Elon Musk and rapid fibre repair efforts.

The media sector has suffered more severely. Bankova moved early in the war to shut down all Russia-linked media outlets to some criticism. Separately, Russia-only language media have been forced to publish in Ukrainian too, as part of anti-Russian language laws, which has driven up costs for those media. Bankova retains tight control over the media's message and war reporting that has led to criticism of Zelenskiy's increasingly authoritarian tendencies.

Advertising revenues fell by an estimated 60% in 2022 and remain around 30–35% below pre-war levels, as the retail sector has reoriented towards the sale of essentials and the level of disposable income has fallen. Major broadcasters operate under emergency schedules, with state and donor support keeping news and public-information outlets afloat. Online news outlets and especially military bloggers, supporting both sides, remain a major source of information for the population on the progress of the war.

Drivers of resilience and growth

- **Strong export orientation:** Around 80% of IT revenues come from overseas clients, insulating the sector from domestic shocks. The largest markets are the US (40%), UK (12%), and EU (25%).
- **Rapid adaptation:** Companies relocated teams westward (Lviv, Ivano-Frankivsk, Uzhhorod) or abroad, maintaining continuity through remote work and cloud infrastructure.
- **Government policy:** The "Diia City" legal framework, launched in

2022, provides a special tax regime (5% personal income tax for IT professionals, reduced payroll taxes) to sustain competitiveness.

- **Digital infrastructure resilience:** Massive deployment of Starlink terminals and emergency mobile networks kept communications running, especially for the military that remain heavily dependent on the system, even during power cuts and missile attacks.

Constraints / risks

- **Labour shortages:** Around 15–20% of IT professionals relocated abroad, as they had a portable job. Mobilization rules restrict travel for men under 60, limiting project staffing.
- **Currency and fiscal pressures:** With IT exports taxed in UAH but earnings received in foreign currency, volatility in the hryvnia (around UAH41.5 / dollar) squeezes margins.
- **Investment drought:** Venture and private-equity inflows dropped sharply after 2022, with total tech start-up investment falling from $780mn in 2021 to under $150mn in 2024.
- **Cybersecurity and energy threats:** Repeated cyberattacks on state and telecom systems, plus physical damage to data centres and switching infrastructure, remain chronic risks.

Outlook for 2026

If security conditions remain stable and energy supplies improve, the TMT sector is well-positioned for growth:

- IT exports are expected to rebound to $7–7.5bn, approaching or surpassing pre-war highs, driven by demand for software outsourcing, cybersecurity, and AI/fintech services.
- Telecoms revenue could grow by 5–7% y/y, reflecting network upgrades, digital-services expansion, and reconstruction-related demand for connectivity.
- Media and advertising may recover slowly (5–10% annual growth) as consumer spending and marketing budgets rebound.
- Employment in ICT may stabilise at about 350,000–370,000 professionals, with new talent emerging from domestic retraining and remote-work hubs.

But the risks remain high. Russia’s strategy of targeting both power sector generation capacity and distribution since the summer of 2025 have left large parts of the country in the dark and destroyed about half its generation capacity. Renewed attacks on power or fibre networks, policy changes affecting mobilization exemptions for IT workers, and capital-flow restrictions could all constrain growth.

Investment support

The government and international partners are trying to support the sector with grants and funds. The Ukrainian Startup Fund (USF) has invested $2mn in 57 Ukrainian civil startups over two years.

Launched in 2019 under the Ministry of Digital Affairs, the USF shifted its focus to military projects after Russia's full-scale invasion in 2022, practically halting its financial support for civilian initiatives. Before that, it was one of Ukraine's most active angel investors, having invested $8.2mn in 352 teams, mainly through the $25,000-$50,000 program funded by the state.

Ukrainian military tech is attracting increasing attention, especially for AI-enhanced drones, which are being actively tested on the battlefield and proving to be world class. In November the government started to prepare to allow military exports, focusing on drones, but not only. The value of Ukraine's military exports are somewhere between $20bn and $60bn, according to various estimates. However, the defence sector is suffering from an acute lack of investment. Drone production could more than double if the market is opened to foreign investment.

Since renewing its grant program for civil startups, the USF has financed 57 teams with $2mn in grants, and 90% of the startups remain active. Notably, USF supported startups through a joint program with the Ukraine-Moldova American Enterprise Fund (UMAEF). Overall, the fund received 560 applications from startups across 19 industries, with 10% of the applicants receiving grants of $25,000-$50,000. Most of the startups that received grants have attracted external investment. By July 2025, USF grant winners had secured an additional $50mn in external funding. Following the grants, 29 teams advanced to a higher developmental stage, increasing their employee count by 35%. The combined annual revenue of 44 startups rose by 112% to $2.33mn.

• 5.5 Manufacturing

In 2025, Ukraine's manufacturing sector continued to face significant challenges amid the ongoing war, disrupted logistics, energy shortages, and damage to industrial infrastructure.

Industrial production as a whole remained under pressure, with manufacturing output showing only marginal gains compared to 2024. In the first half of 2025, industrial production grew by 2.9% year-on-year, but this figure masked deep sectoral divergences. Critical sub-sectors such as metallurgy and machinery — traditionally export-driven and centered in the heavily damaged Donbas region — remained weak or in decline, with key facilities like Azovstal still out of commission and supply chains fragmented.

Energy supply disruptions, particularly following intensified Russian attacks on power infrastructure in early 2025, further constrained industrial output. Ukrainian manufacturers also continued to grapple with inflationary input costs, workforce shortages due to mobilization, and limited access to affordable credit.

Despite these headwinds, some light industry segments — including food processing, textiles, and consumer goods — showed modest recovery, driven by domestic demand and partial import substitution. Enterprises that relocated westward or modernized post-2022 fared better, particularly in regions less affected by the war.

Looking ahead to 2026, prospects for manufacturing remain heavily contingent on the trajectory of the war and the pace of reconstruction. If a ceasefire or de-escalation materializes, sectors such as construction materials, basic metals, and machinery could benefit from a surge in rebuilding demand. That said, without major foreign investment and restored infrastructure, a broad-based industrial recovery remains unlikely.

Policy-wise, Kyiv is prioritizing support for industrial modernization and relocation, with plans to expand preferential tax regimes and access to financing in less-affected regions. However, financing remains constrained, and many manufacturers remain dependent on donor-funded programs or state guarantees.

• 5.6 Banking sector

Ukraine's banking sector remained highly profitable in 2025, driven by strong demand for corporate loans and continued gains from government bond holdings.

According to the National Bank of Ukraine (NBU), sector profits reached **UAH122.5bn ($3.2bn)** over the first 10 months of 2025, surpassing the **UAH128.7bn ($3.4bn)** full-year total for 2024 and far exceeding **UAH119.5bn ($3.1bn)** recorded in 2023.

A significant share of these earnings came from **interest income on domestic government bonds**, as the state continues to tap the banking system's liquidity to finance its wartime budget. Investments into domestic treasury bills (OVDPs) issued by the Ministry of Finance yield around 14-18%.

In response, the government has again introduced a **50% windfall tax on bank profits** at the end of 2025, mirroring the one-off levy applied in 2024.

Despite the additional tax burden, commercial lending continued to accelerate. From January to early November, the **corporate loan portfolio** at Ukrainian banks expanded by **UAH154bn ($4.05bn)**—more than double the growth seen across the entire 2024 calendar year. The NBU expects total lending growth to reach **200%** of the 2024 level by the end of the year.

As of October, the total bank loan portfolio had increased by **18.4%** to **UAH1.35tn ($35.5bn)**, with loans issued to businesses rising **17.8%** to

UAH1tn ($26.3bn).

Corporate loans now account for **nearly 74%** of all bank lending. Net business loans reached 8.4% of GDP.

Household loans account for 3.2% of GDP. All banks expanded their portfolios, with the most dynamic growth among state-owned banks. The fastest growth occurred in long-term loans for capital investments, as the share of long-term loans surpassed 25% for the first time.

Demand is mainly driven by market loans – without support from state programs. The share of subsidized loans in the hryvnia portfolio of businesses decreased to 27.4%.

Meanwhile, state support aided the issuance of UAH5B in loans to defence-industrial enterprises. The population's debt portfolio is primarily composed of unsecured loans, but the share of mortgages also rose, reaching 13.4%. Market rates on hryvnia loans to businesses dropped from the July peak of 16% to 15.3% in September. **I**

In the third quarter of 2025, banks increased hryvnia loans for the third consecutive year, accounting for the main driver of the sector's asset growth. It is noted that the penetration of loans into GDP is steadily rising after a pause caused by the full-scale war:

Bank executives and analysts cite several factors behind the rise in business credit: strong capitalisation levels, the relocation of firms from conflict-affected areas to more secure regions, export growth into EU markets, continued government support programmes, and increased investment in military and dual-use technologies.

Bank liquidity also remains high. **Consumer deposits** reached **UAH2.9 trillion ($76.3bn)** as of October 1, marking a new record. However, the NBU has cautioned that available liquidity for investment is narrowing, with much of the sector's surplus already absorbed by the domestic bond market.

Looking ahead, the central bank forecasts **20–25% growth** in corporate lending for the full year, reaching **UAH1.06tn ($27.9bn)**. Still, the combination of increased taxation and rising fiscal demands may slow credit expansion in 2026.

Ukraine's financial sector faces emerging risks of potential deterioration over the next six months. According to the NBU, recent assessments by senior executives from leading banks and non-bank institutions indicate a slight decline in their evaluation of the financial sector's current condition, returning to levels observed in 2024.

Most respondents perceive little significant change within the past half-year and expect stability in the near term. Nonetheless, the proportion of those anticipating a downturn has more than doubled, rising from 15% in May to 32% by November 2025.

Respondents generally rate the financial sector's risk level as moderately high, with its capacity to absorb major shocks described as medium or high. Notably, none currently rate resilience as "very high," and for the first time since 2022, some managers have assessed it as "very low."

The ongoing war remains the predominant systemic threat, while concerns about rising corruption have moved firmly into second place. Issues related to law enforcement agencies and the judicial system now rank third among perceived risks.

Looking ahead to 2026, profitability is expected to moderate slightly as interest margins narrow and the cost of funding rises. The outlook depends heavily on macroeconomic stability, reconstruction financing, and regulatory adjustments tied to Ukraine's EU accession path. Still, the sector is forecast to remain in the black, with analysts expecting continued support from the central bank and gradual growth in private lending activity.

• 5.7 Automotive

Ukraine's car market is experiencing a sharp rebound, driven by a surge in demand for hybrid and electric vehicles and the rapid rise of Chinese carmakers, *Ukrainska Pravda* reported on October 28.

In October 2025 alone, Ukrainians purchased **7,800 new cars**, the highest monthly figure in over a year — up **33%** from October 2024 and **14%** from September. The Chinese brand **BYD** led the market with **1,199 units sold**, a **552% year-on-year increase**, followed by **Toyota** with **978 units (+44%)** and **Volkswagen** with **856 units (+136%)**.

Hybrid cars saw particularly strong growth. Over **3,000 hybrid passenger vehicles** were added to the national fleet in October, marking a **57% increase** compared to the same month last year. While **53%** of those were new cars, this share declined from **63%** a year earlier. **Toyota, Nissan, and Ford** remained the most popular hybrid brands among Ukrainian buyers.

Electric vehicle (EV) imports have also surged. Between January and August 2025, Ukraine imported **61,700 electric passenger vehicles**, up **52%** from the same period in 2024. Of those, **14,100 were new (26%)** and **47,600 were used (62%)**. The **total customs value** of new EVs reached **$363.5mn**, while used EVs totalled **$906.3mn**.

The EV market is also seeing a clear shift in sourcing. **China accounted for 92% of new EV imports**, followed by **Japan (3%)** and **Germany (2%)**. In contrast, the **US led the used EV market with 40% of imports**, followed by

South Korea (16%) and **Germany (15%)**.

In September, **electric vehicles made up 33% of all new cars sold**, more than doubling from **15.3%** in the same month last year. In response to growing demand, the Ukrainian government is developing a **Concept for the Development of Charging Station Infrastructure**, aiming to ensure safe and accessible EV charging nationwide. As of July, **470 charging stations** were operational along national highways, but the need for expansion remains pressing, particularly along international routes and within municipalities.

Ukraine's total **passenger car imports reached $4.17bn** from January to September, a **27.4%** year-on-year increase. In **September alone, $582mn worth of cars** were imported — up **70%** from the same month in 2024. **Germany, the US, and China** remain the country's leading suppliers, with imports from Germany up **50.5%**, the US **18.4%**, and China **12.4%.**

"Record Sales in 13 Months: Chinese Cars Continue to Lead the Ukrainian New Car Market," the report said, reflecting China's growing dominance in both traditional and electric segments.

• 5.8 Metals & Mining

Ukraine can fully meet its uranium needs through its own production. The Safonivske, Sadovoe, and Severynske deposits can provide up to 1,340 tonnes of uranium annually, the BGV Group of companies reported. "This volume fully covers the needs of Ukraine's nuclear power, helps to avoid reliance on imports, which currently costs the state hundreds of millions of dollars each year, and also localizes added value," the company emphasizes.

The Ministry of Economy has addressed Ukraine's prospects within the global lithium market. Deputy Minister of Economy Yegor Perelygin announced that the application period for Ukraine's inaugural Lithium Production Sharing Agreement at the Dobra site will close on December 12. This development represents a notable advancement in establishing a domestic critical minerals industry. In recent years, lithium has evolved from a niche commodity to a core component in energy infrastructure. Global demand is expected to increase from 205,000 tonnes in 2024 to over 928,000 tonnes by 2040, driven largely by the expansion of electric vehicles and energy storage systems. Presently, approximately 66% of the world's lithium processing capacity and more than 70% of battery manufacturing are concentrated in China, underscoring the importance of supply diversification for international buyers. Ukraine is well positioned not only to enter the lithium market but also to set an example of effective market integration. Financing options such as the US-Ukrainian Reconstruction Investment Fund are available for lithium mining and processing initiatives. By maximizing its natural resources, technological expertise, investment influx, and expedited project execution, Ukraine can enhance its competitiveness in this sector.

Ukrainian metallurgists anticipate increased steel production in 2026, despite existing scrap shortages. Leading metallurgical companies, Interpipe and Metinvest, have announced intentions to expand steel output in 2026. Specifically, Interpipe plans to resume operations at its Interpipe Steel facility by late December, with expectations of increasing production volumes in the following year. Concurrently, Metinvest forecasts a production boost of 300,000–500,000 tonnes by 2026. Nevertheless, both companies acknowledge an ongoing shortage of scrap metal in the domestic market—a critical input for fulfilling these production targets. Data indicates that between January and October 2025, scrap metal procurement in Ukraine totalled 1.7mn tonnes, a 16% year-over-year increase. During the same period, metallurgical enterprises consumed nearly 1.3mn tonnes of scrap metal. Scrap exports over the first 10 months totalled 345,200 tonnes, an approximate 50% increase compared to the previous year. Meanwhile, steel production declined by 5%, totaling 6.1mn tonnes. To support the national metallurgical sector, the government is considering measures to restrict scrap metal exports from Ukraine.

• 5.9 Other Corporate & Sectors

The Ukrainian defence industry has grown to $35bn in 2025 from $1bn at the start of the war. The number of arm manufacturing facilities has reached 900, most of which are private. Additionally, a strong innovation ecosystem has developed around the defence industry, with over 2,000 teams working on modern technologies, components, and solutions for the front. Ukraine has notably increased its production of ammunition and missile systems.

Ukraine has developed a mixed model of defence production, in which the government and private sector collaborate competitively. At the start of the full-scale war, the Ukrainian defence industry supplied only 10% of the front-line needs, prompting a major transformation. Demand increased dramatically, requiring the army to adopt entirely new solutions, including drones, secure communications, combat control systems, and electronic warfare equipment.

The model now includes state-owned enterprises, which, despite losing some capacity, remain the cornerstone of heavy-weapon and strategic-component production, with long production timelines.

Meanwhile, the private sector has made an unprecedented technological leap, becoming the main driver of rapid innovation. Ukraine's critical reliance on international supplies has led the country to quickly align its standards with allies, establish transparent supply coordination procedures, and integrate its manufacturers into global planning and logistics systems. Simultaneously, the government introduced regulatory and tax incentives in order to boost production.

As a result, Ukraine has formed one of Europe's most dynamic defence and technology ecosystems, comprising about 900 enterprises. By 2026, the defence industry's capacity could grow to $60bn. However, President Zelenskiy noted that Ukraine currently cannot produce missiles for Western air defence systems, including NASAMS, IRIS-T, or Patriot, on its own because it lacks the necessary licenses.

6.0 Energy & Power

Ukraine's energy sector remained under extreme pressure in 2025 as relentless Russian attacks continued to target critical infrastructure, particularly electricity generation and gas production facilities.

Despite modest economic growth, the energy crisis has acted as a drag on recovery and placed severe strain on government finances, industrial output, and household stability. The destruction of major thermal and hydropower plants, along with damaged transmission systems, has forced Ukraine to rely heavily on emergency imports, rationing, and volatile price adjustments.

The oil and gas sector suffered from both supply-side shocks and long-term structural issues, including underinvestment and wartime access challenges. Meanwhile, electricity blackouts and scheduled outages were a recurring theme throughout the year, even in major cities. On the positive side, Ukraine's renewable energy capacity showed resilience, with modest progress on decentralised solar and wind systems—especially in the west of the country—though large-scale growth remains constrained by grid fragility and lack of financing.

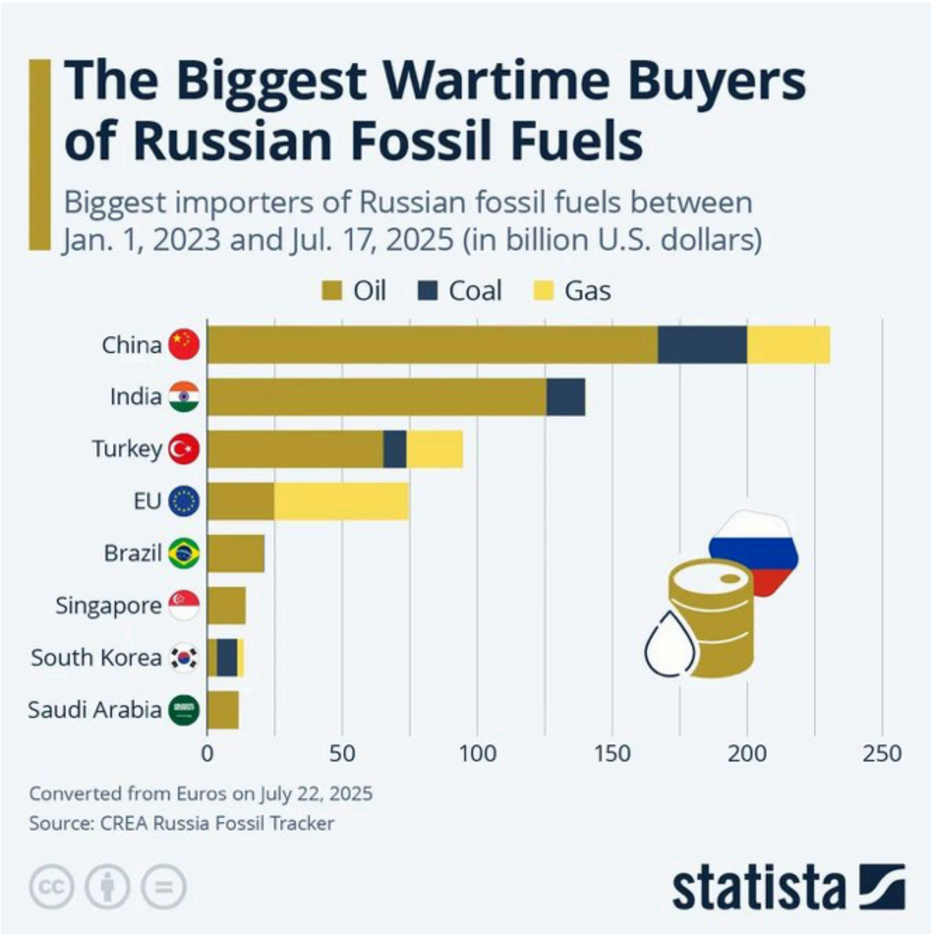
Looking ahead to 2026, the energy outlook remains highly uncertain. Much will depend on the intensity of further Russian attacks, Western donor support for critical infrastructure repair, and the pace of implementation of energy market reforms. While Ukraine has made gains in energy decentralisation and efficiency, the country's energy security remains fragile. A stable ceasefire or peace agreement would unlock reconstruction financing and fast-track the modernisation of Ukraine's battered energy systems, but in the absence of this, rolling outages and supply disruptions are likely to persist well into 2026,

• 6.1 Oil production & transport

Ukraine's domestic oil sector remains marginal and heavily import-dependent. In 2025, the country struggled to maintain fuel supplies amid wartime disruptions and logistical constraints. Russian drone strikes continued to target oil storage facilities and refineries, further weakening local processing capacity. The Kremenchuk oil refinery—Ukraine's largest—was repeatedly hit and operated well below capacity or not at all for much of the year.

Fuel imports, largely from Poland, Romania, and Hungary, covered shortfalls, but the rising cost of logistics and insurance, combined with currency volatility, pushed fuel prices higher. The government has sought to build emergency reserves and diversify supply routes, including via the Black Sea and through Moldova, though security risks persist.

Looking ahead to 2026, fuel availability will continue to depend on military dynamics and the protection of supply corridors. Refinery repair plans remain on hold, pending a clearer security outlook. Policymakers are focused on import logistics resilience, fuel storage upgrades, and reducing illicit market activity, which spiked during 2025.



• 6.2 Gas production & transport

Ukraine's gas sector saw a sharp contraction in domestic production in 2025 due to targeted strikes on production facilities and compressor stations, particularly in Kharkiv and Poltava regions. Naftogaz reported output losses of up to 25% in some quarters. Despite this, Ukraine managed to maintain winter supply levels through EU pipeline reversals and storage drawdowns, as well as emergency gas purchases from Slovakia and Poland.

The EU remains Ukraine's critical partner in gas logistics, with reverse flow infrastructure proving essential. However, with high prices and growing demand across Europe, securing affordable long-term contracts has been difficult. Domestic gas tariffs were kept below cost-recovery levels, placing added pressure on the national budget and Naftogaz's balance sheet.

Ukraine's natural gas imports soared nearly 800% in 2025, reaching 6.47bn cubic metres, their highest level since 2020, as sustained Russian strikes on domestic gas infrastructure sharply reduced output and pushed Kyiv to source fuel from abroad.

The steep rise — up from just 724mn cubic metres in 2024 — reflects both an urgent need to secure winter supplies and the growing pressure on Ukraine's energy sector amid continued attacks on critical facilities.

"This dramatic increase in imports is the result of multiple factors, including a 40–60% decline in domestic production following large-scale Russian missile and drone strikes, especially in February and October," UBN reported, citing industry data. Additional drivers included low storage levels at the start of the year and rising domestic prices, which in the second half of 2025 exceeded those in the EU.

According to market data, Naftogaz of Ukraine, the state energy firm, accounted for the lion's share of the country's purchases, importing over 5.5bn cubic metres throughout the year.

Imports fluctuated month-to-month, peaking in July at 833mn cubic metres as the country began building reserves ahead of the heating season. February also saw elevated imports of 512mn cubic metres, coinciding with one of the largest Russian strikes on upstream infrastructure since the start of the full-scale invasion.

Ukraine's main sources of gas were Hungary (45.5%), Poland (32.5%), and Slovakia (20.5%), with a smaller but growing amount — 97mn cubic metres — delivered via the Trans-Balkan pipeline, a route that bypasses Russia and brings gas from southeast Europe. Though modest in scale, usage of the Trans-Balkan corridor is expected to expand as Kyiv looks to diversify supply channels and reduce dependence on central European transit points.

Looking to 2026, the government aims to stabilise domestic production and attract investment into shallow gas fields in western Ukraine, considered safer from military strikes. There is also a push to expand underground gas storage for both domestic and regional use, potentially offering a future revenue stream post-war.

Ukraine and Romania will receive US gas via Greece starting in 2026.

Atlantic See LNG Trade SA, a company recently formed by Greece's Depa Commercial and AKTOR Group, is searching for additional liquefied natural gas (LNG) suppliers from the US after signing an agreement with Venture Global Inc. in November to import fuel to Greece for export to Ukraine and Romania. The deal with Venture Global is for 2030-2050 but supplies to Ukraine and Romania are expected to begin as early as 2026. As a result, at least two, and possibly three, suppliers are needed to meet demands between 2026-2030. This search for new agreements occurs amid Greece's ambition to become a regional gas hub and Europe's efforts to eliminate gas imports from Russia. Meanwhile, Ukraine is working to ensure its energy security for the winter after Russian air strikes have destroyed more than half of its domestic gas production. Atlantic noted that to guarantee LNG transit to Ukraine, Romania, and Moldova, Greece will require a second floating storage and regasification unit by 2030. In the short term, the company plans to charter vessels to transport American LNG and is also considering building its own fleet for long-term supply.

For most of the three years of war Ukraine continued to transit Russian gas to the EU earning some €900mn a year in transit fees. The EU insisted this transit business be shut down at the start of 2025 leaving Ukraine dependent on liquefied natural gas (LNG) imported from halfway across the world – and which costs up to three times as much as piped Russian gas.

In November, under the auspices of Europe's Partnership for Transatlantic Energy Cooperation, Ukraine's Naftogaz signed agreements on the supply of at least 300 million cubic meters of American LNG with the Polish company ORLEN. Such western-provided supplies will, Kyiv hopes, be enough to keep heating and electricity going over the coming winter. But there's no way Ukraine's heavy industries can return to their prewar competitiveness with energy costs tripled.

• 6.3 Electricity production

Ukraine's power grid suffered its most severe damage since the start of the full-scale war in 2022. By mid-2025, more than 50% of generation capacity had been impacted by Russian missile and drone attacks, including both thermal and hydroelectric plants.

Before the full-scale invasion, Ukraine's available dispatchable power-generation capacity was about 38 GW, according to the International Energy Agency (IEA). Losses from occupation, destruction or damage up to spring 2024 reduced this to about 12 GW, or two thirds (64%).

Reports suggest that Ukraine has lost between 19 GW and 26 GW of dispatchable capacity from the pre-war level. The remaining capacity of around 12 GW is highly stressed and vulnerable to further attacks.

The bulk of intact capacity is in nuclear and remaining hydro/renewables; large thermal coal/gas plants have been for the most part heavily damaged or destroyed.

The five functioning nuclear plans, including ZNPP, the largest in Europe, remain intact and should be able to be put back online relatively quickly.

The rebuild of the utilities will likely be led by the leading oligarch controlled energy companies.

The destruction of major facilities such as the DniproHES hydropower station led to extended power outages nationwide. Blackouts became routine in Kyiv and across the regions, especially during winter and early spring.

In October and part of November, Russia attacked Ukraine's energy sector with over 150 missiles and 2,000 drones. Electricity generation, transmission, and distribution facilities, as well as gas infrastructure, were targeted. Ukrenergo noted that, while practicing "scorched earth" tactics on the front, the enemy also used them in attacks on the Ukrainian energy system.

Data from the Institute for Economic Research indicate that in November 2025, power outages emerged as a significant concern for 43% of industrial enterprises in Ukraine – up from 19% in October – amid intensified strikes on critical infrastructure.

To manage supply, Ukrenergo introduced rolling outages and imported emergency electricity from EU neighbours such as Romania, Slovakia, and Poland. However, reliance on imports strained foreign exchange reserves and highlighted the grid’s vulnerability. Despite these setbacks, critical infrastructure — including hospitals and military installations — was prioritised for supply and in some cases protected by anti-drone systems.

Ukraine commissioned over two GW of new energy capacity in 2025. By 2025, the country is expected to have constructed and brought online more than 1,000 MW of solar power, approximately 500 MW of gas generation, and around 500 MW of energy storage capacity.

Significant efforts have been undertaken throughout the year to enhance the energy supply's reliability and safeguard the energy system against hostile actions, according to Andriy Gerus, Chairman of the Energy Committee. He also stated that a considerable portion of infrastructure that has been damaged by Russia's large-scale attacks has been successfully restored.

A key area of focus is reinforcing Ukrenergo substations, which transmit substantial electricity from power plants to consumption centres; currently, roughly 70 substations operated by Ukrenergo are protected by concrete structures. The substations operated by Energoatom, the nuclear utility, have not been protected.

Ukraine commissioned 762 megawatts of new distributed gas-fired generation capacity in 2025, as authorities and businesses accelerated efforts to decentralise the country’s energy system following sustained Russian attacks on centralised infrastructure.

The Ministry of Energy described the rollout as a key element of Ukraine’s wartime strategy to build a more resilient and flexible power grid. “Developing a decentralised energy system is a top priority for Ukraine during wartime,” the ministry said in a statement. The push includes small-scale gas-fired plants, renewable energy installations, and energy storage systems.

Distributed generation — power produced close to the point of consumption — has gained strategic importance since Russia began targeting major power plants and substations across Ukraine. In 2023 and 2024, waves of drone and missile strikes caused widespread electricity outages, prompting the government to invest in smaller, more dispersed sources of generation that are harder to destroy and easier to restore.

Most of the newly built facilities in 2025 came from public utilities, private companies and state-owned enterprises, often backed by international donors and implemented under Ukraine's Energy Support Fund, a multilateral initiative aimed at safeguarding and modernising the country's power infrastructure.

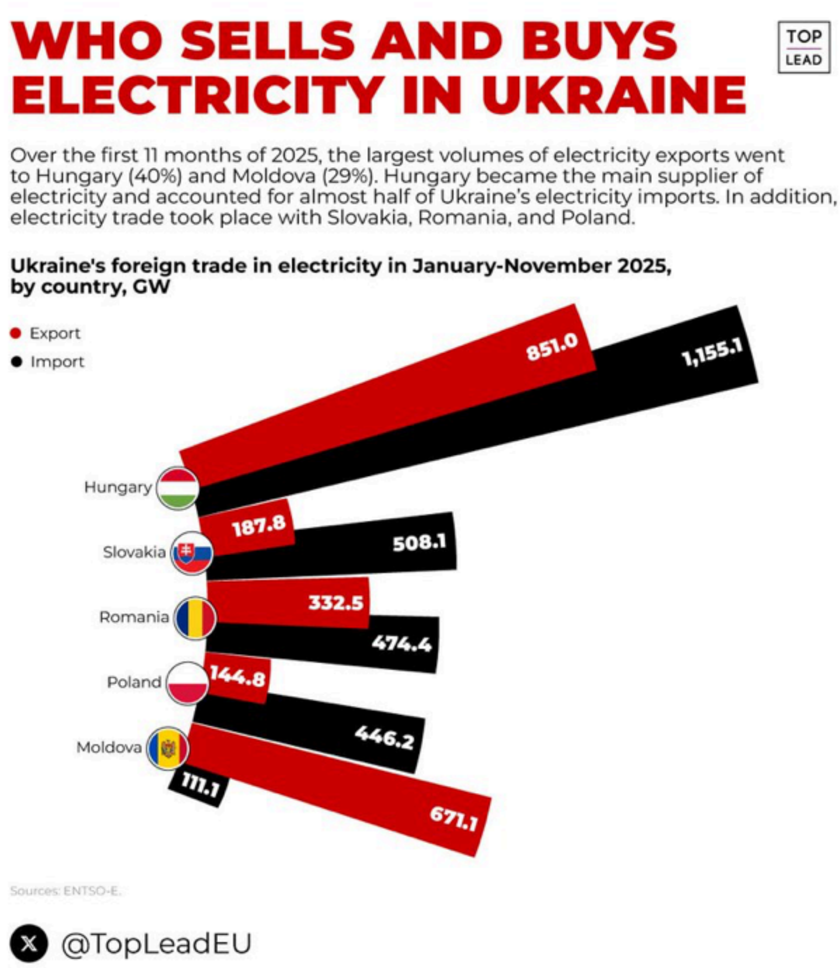
According to the ministry, households were the largest contributors by number of installations, commissioning solar power systems ranging from 5 to 30 kilowatts. These were developed under either Ukraine's green tariff model — a legacy feed-in tariff scheme — or the more recent active consumer model, which encourages self-generation and grid feedback with the support of state-backed interest-free loans.

Larger-scale projects implemented by businesses, municipalities and state agencies focused on solar plants and gas-fired cogeneration units, typically ranging from 100 kilowatts to 2 megawatts. These installations are primarily intended to serve on-site consumption needs and reduce reliance on the national grid.

The decentralised approach is part of a broader energy resilience strategy that includes imports, repair of damaged infrastructure, and an expansion of cross-border electricity trade with the EU. But distributed generation is increasingly seen as a core solution to Ukraine's energy security risks, especially with winter demand peaks and the threat of further Russian strikes.

Ukraine's 90 ultra-high voltage 750kV substations are especially vulnerable. They provide power to entire cities and regions as well as facilitate the transmission of power all over the country. So far Russia has avoided targeting them as if destroyed they could relatively easily black out the entire country. However, that policy seems to be changing as the 750kV substation in Sumy was destroyed in October and that in Odesa was destroyed in December, blacking out both cities. These substations are not easy to repair as sourcing spare parts is a problem.

Looking ahead to 2026, restoring core generation capacity remains the top priority. Western donors have pledged funding and technical support, but large-scale reconstruction depends on improved security. In the meantime, decentralisation, including the rollout of local microgrids and diesel generators, is being accelerated to provide redundancy in vulnerable regions.



Europe's largest nuclear plant — Zaporizhzhia NPP. Before the invasion, the six-reactor plant generated up to 6 GW and supplied roughly 20% of Ukraine's electricity. Since 2022, it has produced none — operating in cold shutdown under Russian occupation and dependent on vulnerable external power lines.

IEA warns that the plant will require a defined special status and a formal Russia–Ukraine cooperation framework to restart safely. A US draft plan outlines an IAEA-supervised relaunch with electricity output divided equally. But until hostilities cease, the risk of a nuclear incident remains.

Ukraine was a net exporter of energy before the war and by lucky chance it was hooked up to the European grid the very day before the war started.

Nuclear power was the single largest source, supplying about 55 % of electricity pre-war.
Thermal generation (coal + gas) together accounted for around 32 % (≈ 23 % coal + ≈ 9 % gas).
Hydropower and other renewables combined provided around ≈ 13 % of generation.
Renewables (solar + wind + bio) were still modest but growing.

However, Russia destroyed almost all its thermal and hydro generating capacity in sustained missile attacks starting 2023 much of which is beyond repair.

The need to rebuild will also probably push the sector towards accelerating its investment into green energy, where Ukraine was already ahead pre-war thanks to very onerous green energy tariffs introduced by the Poroshenko administration. Green energy generating capacity has become the cheapest source of energy for any developing market and the fall in the cost of Chinese batteries has also make it a practical solution.

Green energy already accounted for about a quarter of Ukraine's energy profile that is likely to increase in not only solar and wind, but also biomass where Ukraine was already making progress both pre-war and during the war.

Generation type **Estimated share of capacity lost / out of action**

Thermal (coal/gas) 70-80% of its pre-war capacity.

Hydro (large hydropower) Significant losses combined with thermal; around 9 GW lost between March–May 2024 (thermal + hydro).

Nuclear power Much less affected; nuclear generation largely intact (apart from plants under occupation) and therefore losses are much lower.

Overall generation Around two-thirds of Ukraine's dispatchable capacity has been damaged, destroyed, or occupied as of spring 2024.

Ukraine – Installed Power Generation Capacity (as of late 2025)

Energy Source	Installed Capacity (GW)	Share of Total (%)	Notes
Nuclear	13.8 GW	28%	4 NPPs, 15 units. Largest contributor to baseload; all state-owned.
Thermal (coal + gas)	22–23 GW	45%	Severely damaged in war; many plants offline or operating below capacity.
Coal-fired	18 GW		Many plants in occupied or frontline areas.
Gas-fired/CHP	4–5 GW		Used for flexible and reserve capacity.
Hydropower	6.2 GW	12–13%	Mostly large HPPs on Dnipro River (e.g., DniproHES, Kremenchuk).
Renewables (total)	9.2 GW	18–19%	Share of actual generation lower due to intermittency and grid limits.
Solar PV	6.5 GW		Large portion in southern and occupied regions; production disrupted.
Wind	1.7 GW		Mostly in southern oblasts; some sites inaccessible.
Biomass/Biogas	1.0 GW		Small but growing segment, mostly near agro-industrial centres.

Other (incl. small hydro)	0.3 GW	<1%	Includes small HPPs, industrial cogeneration.
source: Ukrstat			

• 6.4 Renewables

Despite the ongoing war, Ukraine's renewable energy sector has made notable progress in 2025, underpinned by strong government support, modest infrastructure expansion, and a commitment to aligning with EU energy standards.

Renewables have played a growing role in maintaining national energy resilience, especially in decentralised and off-grid regions hit hard by Russian attacks on thermal and nuclear infrastructure.

In 2025, the state-owned *Guaranteed Buyer* disbursed a record **UAH50.73 billion (approx. $1.3bn)** to renewable energy producers. Of this amount, **UAH43.49bn** was paid for electricity generated in 2025, with the remainder allocated to clear arrears from 2024 (**UAH4.82bn**), 2023 (**UAH1.55bn**), and 2022 (**UAH0.87bn**). Settlement rates reached **93.2%** for 2025 contracts, suggesting an improvement in payment reliability, critical for investor confidence. In total, **6.22 million MWh** of green electricity were procured during the year.

Solar remained the dominant technology in Ukraine's renewable mix, accounting for 93.14% of all RES electricity purchased. Wind contributed 2.73%, bioenergy 2.4%, and small hydropower 1.72%. Although large-scale solar farms remain vulnerable to Russian strikes, particularly in the east and south, distributed generation has grown significantly. Rooftop solar installations in private households and small businesses expanded, often supported by donor grants or resilience-focused recovery programmes.

The wind sector showed a clear acceleration in 2025, adding 324 MW of new capacity, according to the Ukrainian Wind Energy Association (UWEA). This marks a major jump compared to the 248 MW added during 2023–2024 combined. The increase comes despite supply chain and logistics challenges and is concentrated in the relatively secure western and central regions.

Bioenergy is also gaining momentum, with new **biomethane production capacity** scheduled to come online in 2026. According to the Bioenergy Association of Ukraine, several plants under construction will collectively produce up to 20 million cubic meters annually. While Ukraine only recently began biomethane exports to the EU, progress is hampered by complex cross-border regulatory procedures and the absence of a "green premium" to support the sector's competitiveness. Producers currently earn €750–800 per 1,000 cubic meters, below the EU market price of €900, while production costs remain around €650. Nevertheless, Ukraine has developed the necessary legal and regulatory framework to align with EU gas quality and tracking standards, laying the groundwork for potential scale-up.

In 2025, Ukraine approved key legislation aligning its renewable energy laws with EU directives under Chapter 15 (Energy) of the accession roadmap. This includes provisions on guarantees of origin, green auctions, and grid access. The legislation also fulfils obligations under the Energy Community Treaty, bolstering Ukraine's credibility as a future clean energy partner for Europe.

Looking ahead to 2026, growth in rooftop solar and biomethane is expected to continue, especially in regions shielded from active conflict. Wind power is likely to expand further if grid reliability improves and financing becomes more accessible. However, without peace or a major de-escalation, Ukraine's capacity to attract large-scale international investment into its renewable sector will remain constrained. Still, the sector remains a strategic pillar for reconstruction, green export potential, and EU integration.

7.0 Markets Outlook

• 7.1 Equity Capital Markets

Ukraine's stock market showed cautious signs of recovery in 2025, though overall activity remained constrained by war-related risks, low investor confidence, and limited market depth.

The PFTS Index, Ukraine's main benchmark, rose by 7.3% year-on-year, ending December at 540 points, driven largely by gains in select energy, utility, and agriculture-linked stocks.

The average daily trading turnover on the PFTS and Ukrainian Exchange (UX) combined reached just UAH38–45mn ($1–1.2mn), up modestly from 2024 levels but still far below pre-2022 volumes. Most trading was concentrated in a handful of blue-chip stocks such as Centrenergo, Ukrnafta, Motor Sich (suspended since 2022), and Ukrtelecom.

According to the Ukrainian Securities and Stock Market Commission, foreign investor participation remained negligible, with over 85% of turnover driven by domestic institutional investors, primarily local investment funds and pension schemes. Retail activity was limited, while banks and state-owned institutions continued to dominate passive holdings.

No major IPOs took place in 2025, although two small privatisation-linked placements were conducted on local exchanges, involving minority stakes in regional utility firms. The government had initially targeted partial listings of state enterprises under its broader privatisation and capital market development plan, but these were postponed amid market volatility and macroeconomic uncertainty.

The outlook for 2026 remains mixed. The National Securities and Stock Market Commission expects turnover to rise marginally if macroeconomic stability is maintained and war-related risks recede. However, structural issues—including weak corporate governance, a lack of market makers, and restricted capital mobility—continue to weigh on growth prospects.

Ukrainian companies of interest have mostly listed in Poland which offers a bigger and deeper investment pool. The Warsaw Stock Exchange (WSE) has access to foreign capital and maintains investor engagement. The WSE remains the primary platform for Ukrainian equities, hosting some of the country's most recognisable corporate names.

As of end-2025, four Ukrainian companies remain actively traded on the WSE: Kernel Holding, Astarta, Ovostar Union, and IMC (Industrial Milk Company). All operate in the agriculture or agri-processing sectors, which continue to serve as Ukraine's most export-oriented and resilient industries despite the war. These companies offer foreign investors exposure to Ukraine's farmland assets, grain exports, and food production value chains.

Kernel, Ukraine's largest agro-industrial holding, saw its share price rise by nearly 18% over the year, supported by a rebound in grain exports through the Black Sea and relatively strong financials.

Astarta, a major sugar and crop producer, gained over 10%, while **Ovostar Union**, focused on egg production, also posted moderate gains, benefiting from record-high export revenues in the poultry segment.

Despite some positive performance, trading volumes remain modest. Warsaw-based brokers report that liquidity in Ukrainian stocks remains below pre-2022 levels, with activity driven mostly by institutional investors and specialised funds with a high risk appetite.

Ukrainian companies on the WSE are subject to EU-level disclosure and governance standards, which has helped preserve investor confidence. However, capital-raising activity has been limited. No secondary offerings or new listings were recorded in 2025, as companies focused on operational stability and debt management rather than equity financing.

Looking ahead to 2026, further recovery in WSE-listed Ukrainian equities will depend on global grain market conditions, wartime logistics, and broader geopolitical developments.

Market participants note that any credible move toward a ceasefire or formal security guarantees could trigger a revaluation of Ukrainian stocks listed abroad, well ahead of any recovery on domestic exchanges.

• 7.3 Debt Capital Markets

In December, Ukraine secured near-unanimous support from bondholders to retire its GDP-linked warrants in a long-anticipated debt swap, converting the high-risk instruments into eurobonds as part of broader efforts to stabilise public finances and meet IMF debt targets.

According to a statement by the Ukrainian Stock Exchange, **holders of 99.06% of the GDP-linked warrants**—originally issued in the wake of the 2015 debt restructuring and totalling **$2.635bn**—backed the government's proposal to exchange them for a new class of sovereign bonds.

"This transaction will strengthen the government's further steps to enhance macroeconomic stability and public debt sustainability," Ukraine's Ministry of Finance said in a statement. "It will make it possible to avoid significant payments during the post-war reconstruction period and to preserve the resources needed to finance the country's defence amid the full-scale invasion by Russia."

Under the terms of the exchange, nearly the entire outstanding amount of GDP-linked securities will be converted into new **Class C eurobonds maturing in 2032**, with a **conversion ratio of 1.34**, resulting in approximately **$3.497bn** in new bonds. A smaller portion—about **$16.91mn**—will be converted into **Class B eurobonds** maturing in **2030** and **2034**, originally issued as part of Ukraine's sovereign debt restructuring in 2023.

The newly issued Class C bonds will carry an interest rate of **4% per annum until February 1, 2027**, rising to **5.5%** through August 1, 2029, and **7.25%** thereafter until maturity. The principal will be repaid in stages, with **45% due in 2030 and 2031**, and the remaining **10% in 2032**. Ukraine will also pay up to **7% in cash consideration**, with the **Cabinet of Ministers capping the exchange fee at $52.7mn** and total consent and outcome fees at **$129.56mn**.

As part of the operation, Ukraine will **cancel $604.26mn** worth of GDP-linked warrants held by the state and **include $43.84mn** of warrants held by the **National Bank of Ukraine** in the exchange. The move will fully eliminate the instrument from circulation.

Originally issued as part of a restructuring agreement with private creditors, the GDP-linked warrants were designed to offer upside exposure tied to Ukraine's future economic growth. But their uncapped payment formula became a growing fiscal threat. The instruments triggered payments if **real GDP growth exceeded 3%**, with **15% of growth between 3–4%** and **40% of growth above 4%** payable to bondholders annually from 2025 onward.

According to Ministry of Finance projections, the warrants could have cost Ukraine between **$6bn and $20bn** in payouts through 2041, depending on post-war growth rates. "This restructuring will allow Ukraine to save billions of dollars in potential payments during the post-war recovery period," Finance Minister Serhiy Marchenko said. "We are removing from circulation a toxic instrument that posed a serious fiscal risk to Ukraine and could have jeopardised our recovery and reconstruction."

Ukraine's GDP shrank by **30% in 2022** following Russia's full-scale invasion but rebounded **5.3% in 2023**, triggering a **$643mn payment obligation** under the GDP warrants, despite the absence of substantial macroeconomic improvement. That obligation has now been extinguished through the restructuring.

The debt exchange supports Ukraine's commitments under its **IMF Extended Fund Facility**, which includes targets for debt sustainability and restructuring. "Completing the agreement will help Ukraine achieve the debt targets set out in the IMF programme and will meet the expectations of bilateral partners – the Group of Creditors of Ukraine," Marchenko added.

With creditor approval secured on December 1, the transaction will now proceed to final settlement, which government officials say will be completed **by year-end**.

"This restructuring ensures predictability and reduces long-term volatility in public finances," said **Yuriy Butsa**, Ukraine's Government Commissioner for Public Debt Management.