

KSE CONFERENCE “INVESTING IN UKRAINE: FROM PROJECTS TO PARTNERSHIPS”

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UKRAINE: THROUGH ADVERSITY TO STABILITY AND GROWTH

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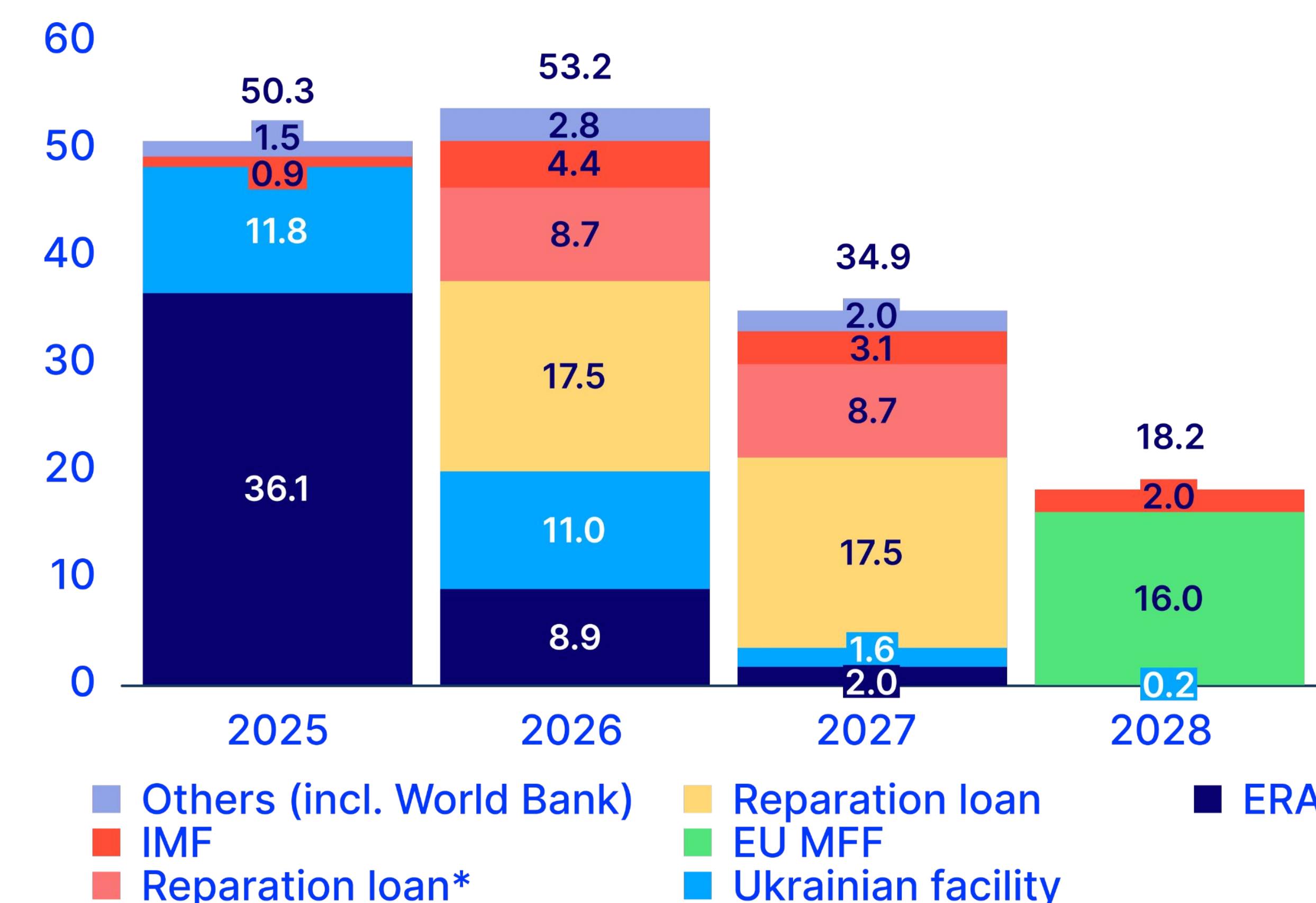
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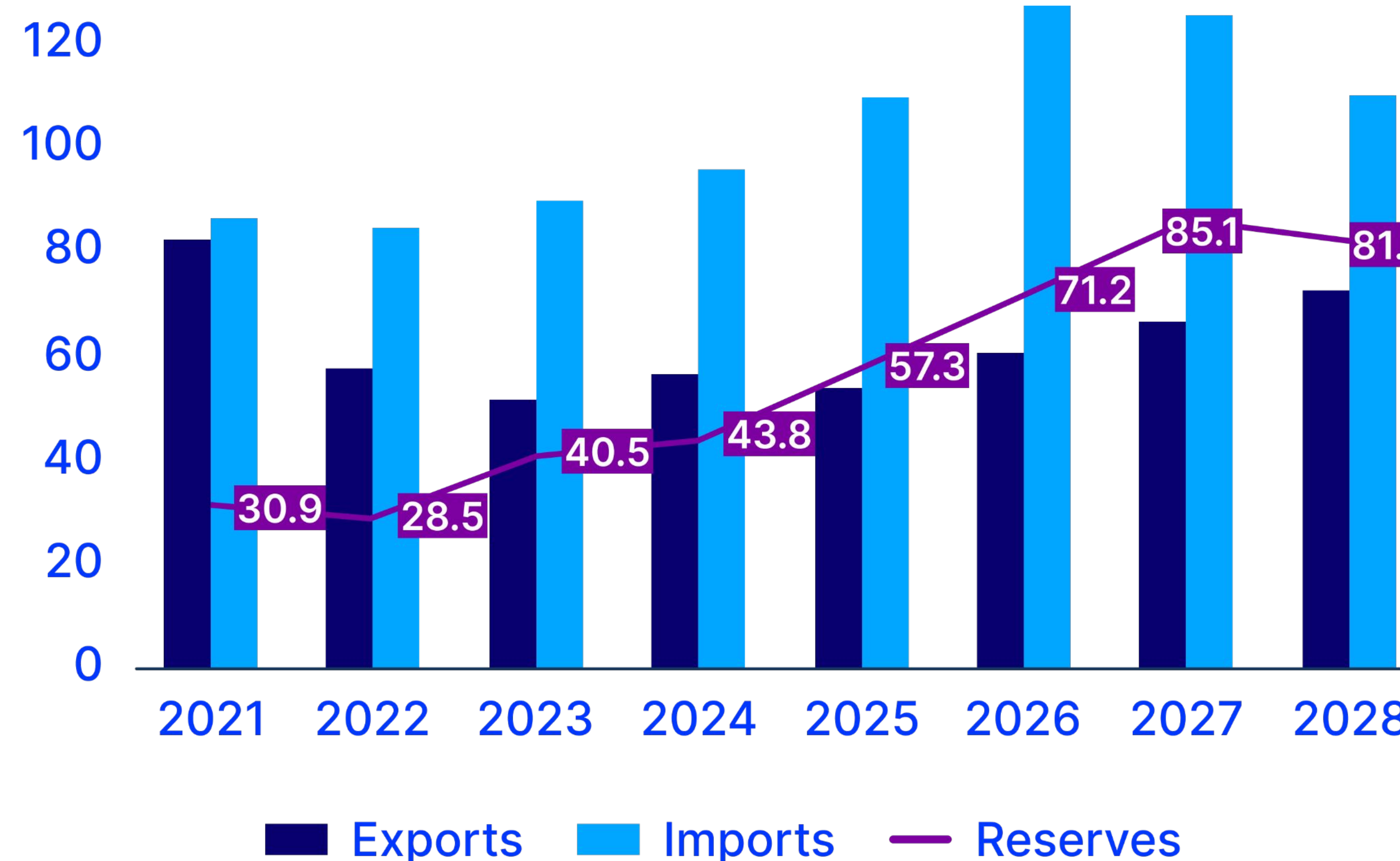
February 2026

UKRAINE'S MACROECONOMIC STABILITY IS AT ITS HIGHEST LEVEL SINCE 2022

External support (grants and loans), USD billion



Trade and reserves, USD billion

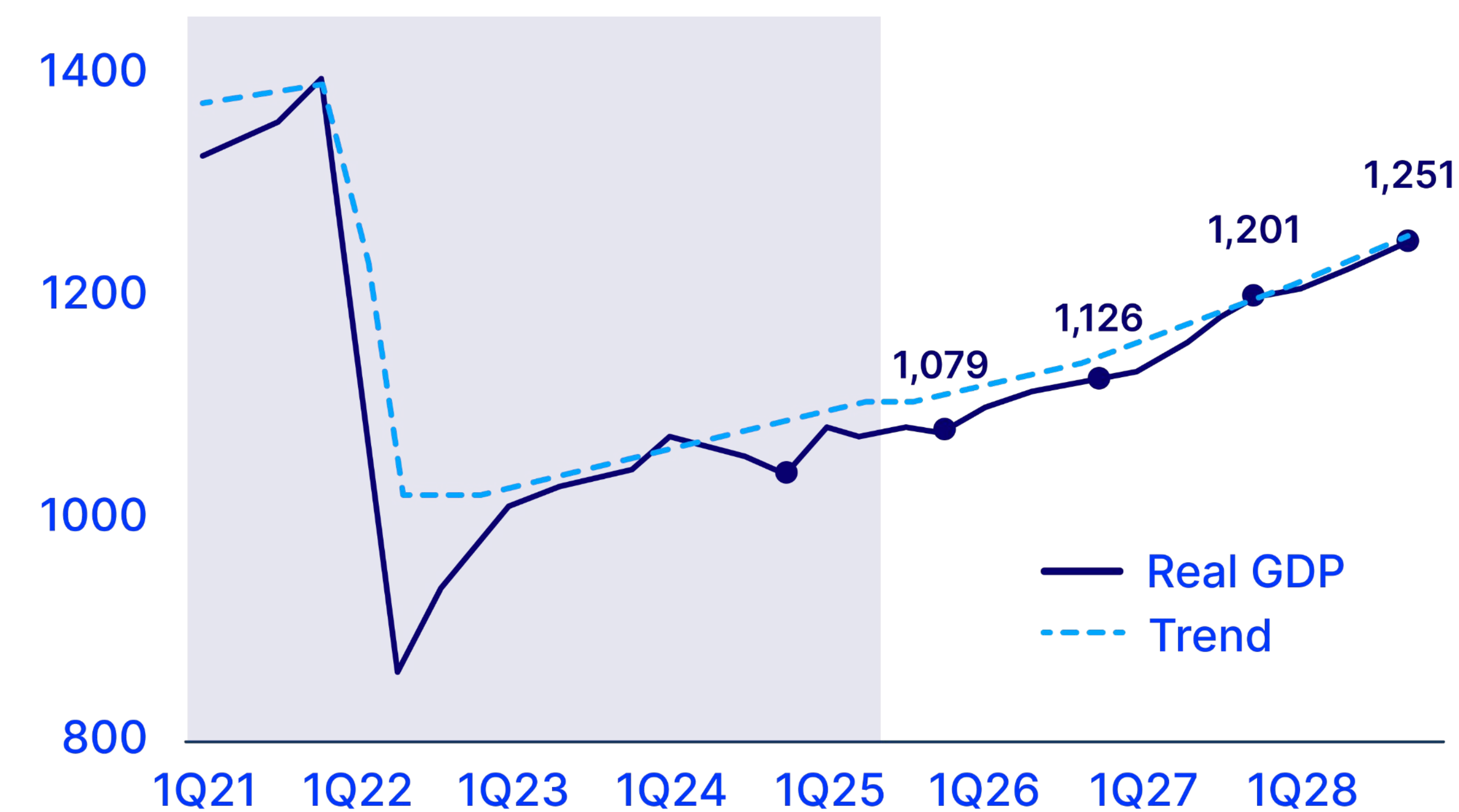


Source: Ministry of Finance, NBU, KSE Institute

- **Near-term funding risks reduced materially**, helped by concessional budget support and program financing from the EU and IMF.
- **Security-driven imports surge**. Military procurement and imports of repair/recovery materials widen trade deficit, but are necessary for recovery and maintenance of defence sector.
- **Gross FX reserves are on an upward trajectory**. This means stronger policy buffers, stronger market confidence and reduced probability of abrupt exchange-rate adjustment or balance-of-payments stress.

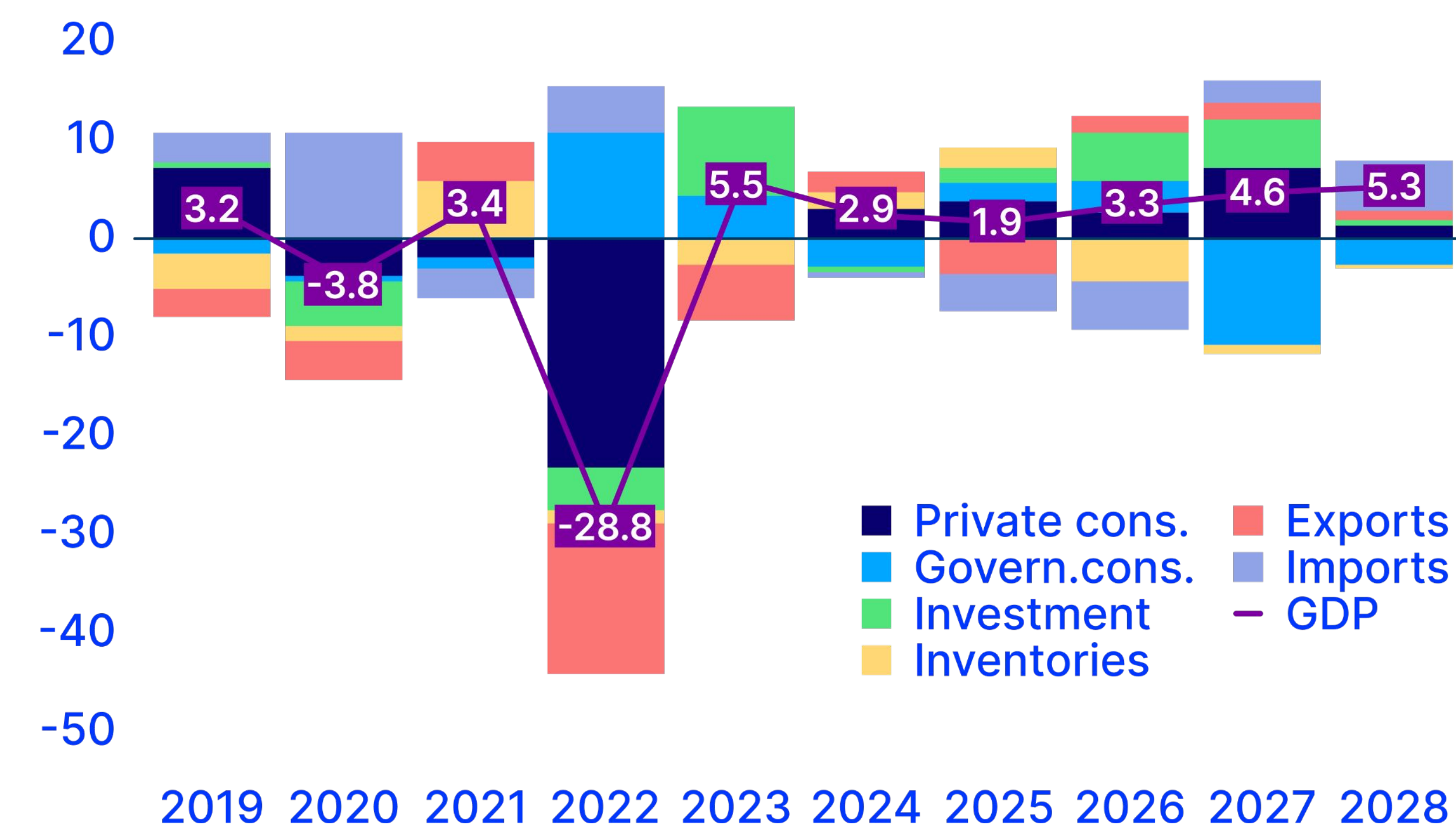
THE ECONOMY MAINTAINS STRONG EXPANSIONARY POTENTIAL

Real GDP and trend, 2021 UAH billion



Source: SSSU, KSE Institute

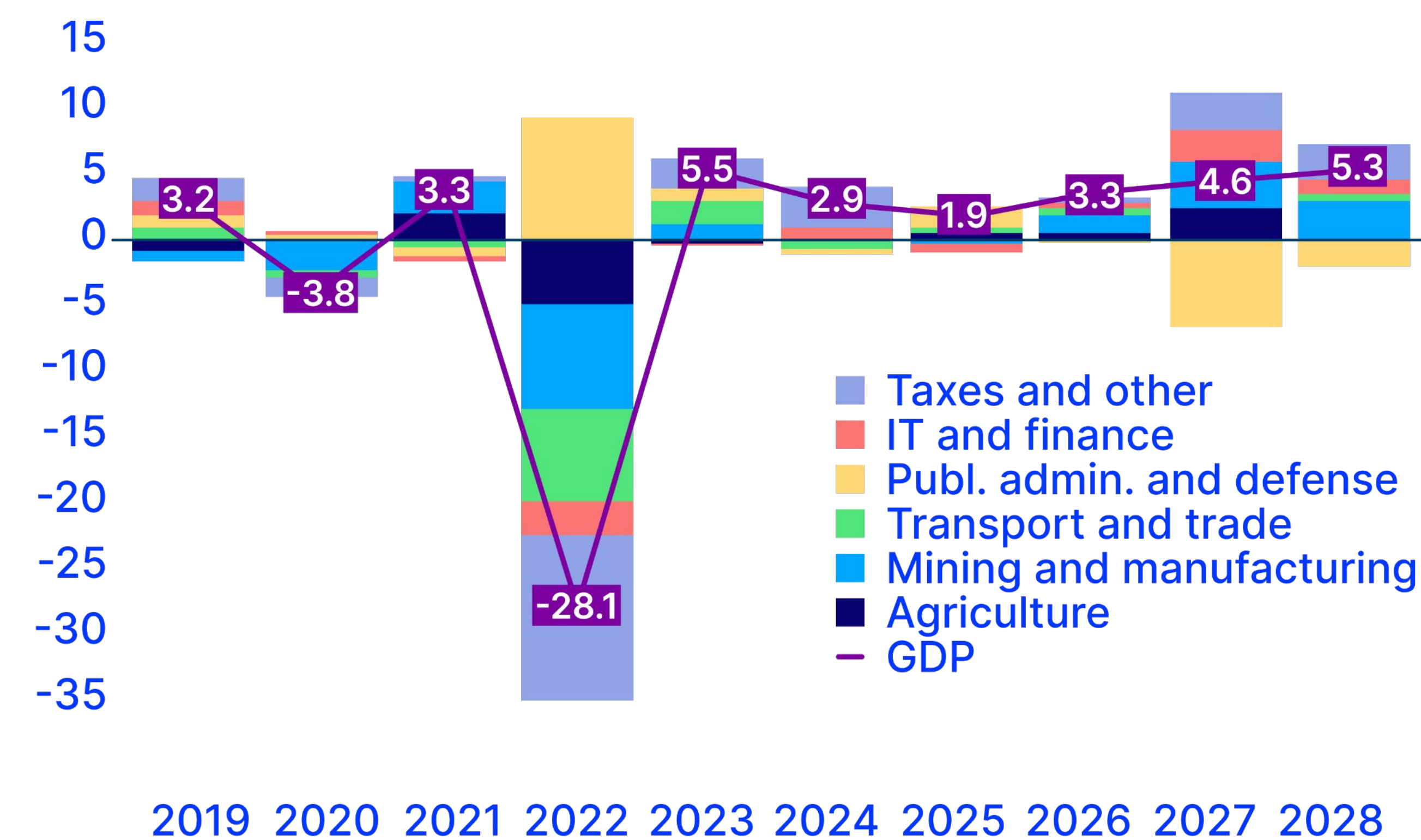
Real GDP growth and contributions, in %/pp



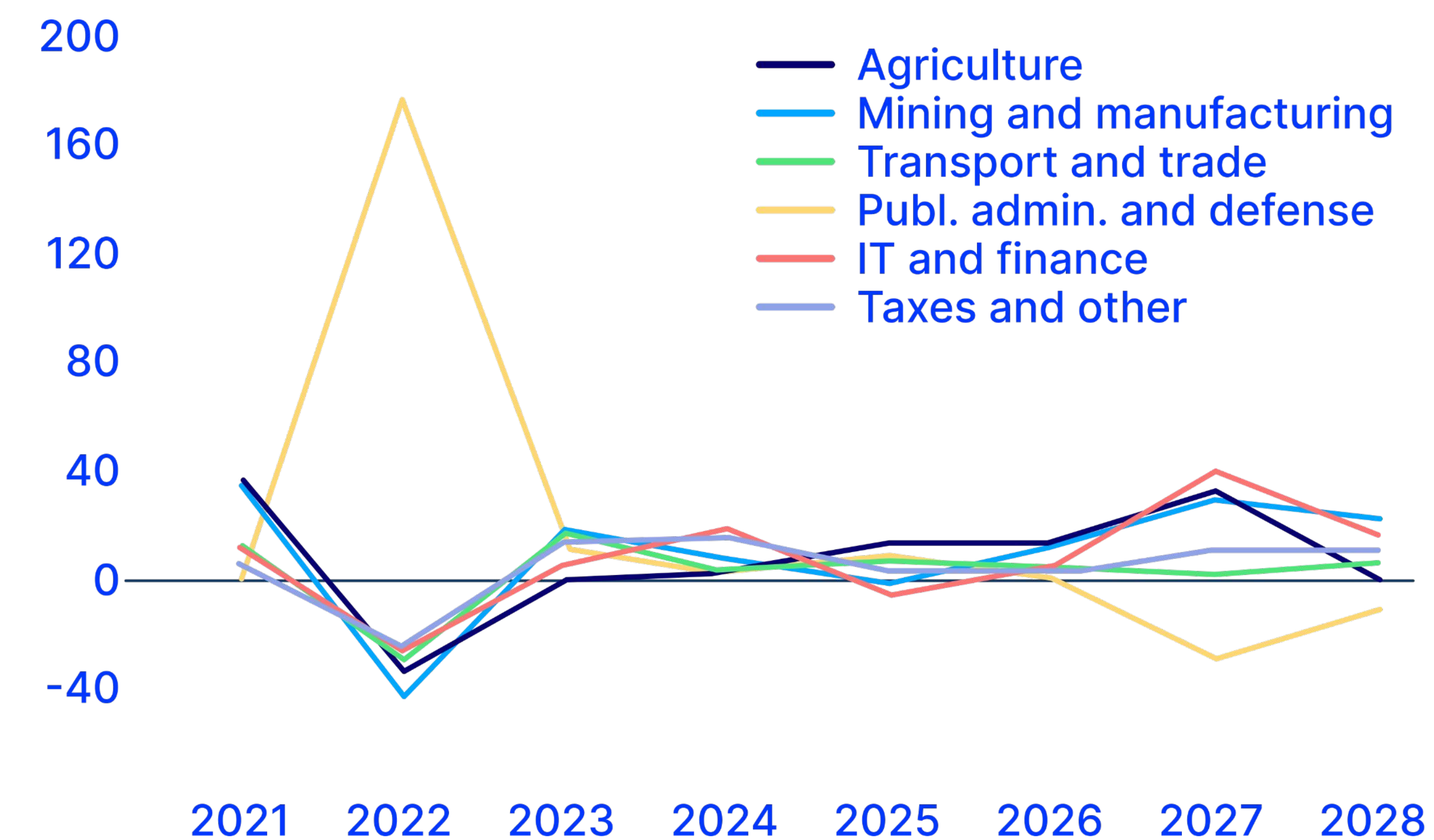
- **Real GDP is accelerating its rebound**, though the output gap persists. We forecast **1.9%** growth in 2025, **3.2%** in 2026, **4.6%** in 2027, and **5.3%** in 2028 YoY as war damages fall and reconstruction momentum begins.
- **Fixed capital formation is set to become the dominant driver of growth in the post-war period.** Private, government consumption and investment all had positive contributions to growth in 2025.
- Renewed attacks on energy infrastructure are the main near-term downside (adaptation limits losses to **~0.1–0.2%** of GDP; prolonged/localized failures could cost **2–3%** of GDP).

SECTORAL REBOUND TO BE DRIVEN BY INDUSTRY, CONSTRUCTION, AND ENERGY MODERNIZATION

Real GDP growth and contributions, %/pp



Real growth of key GDP sectors, % y-o-y

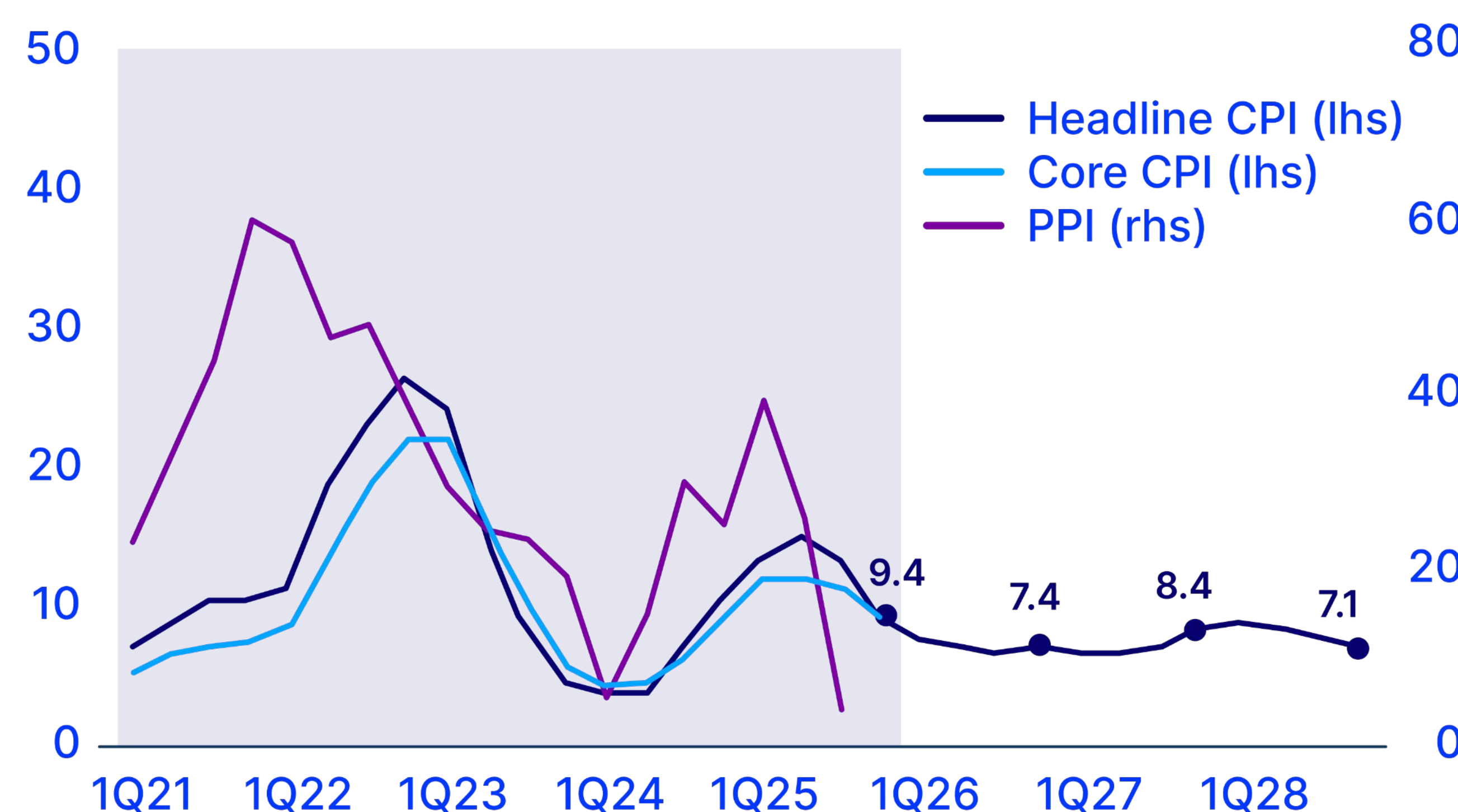


Source: SSSU, KSE Institute

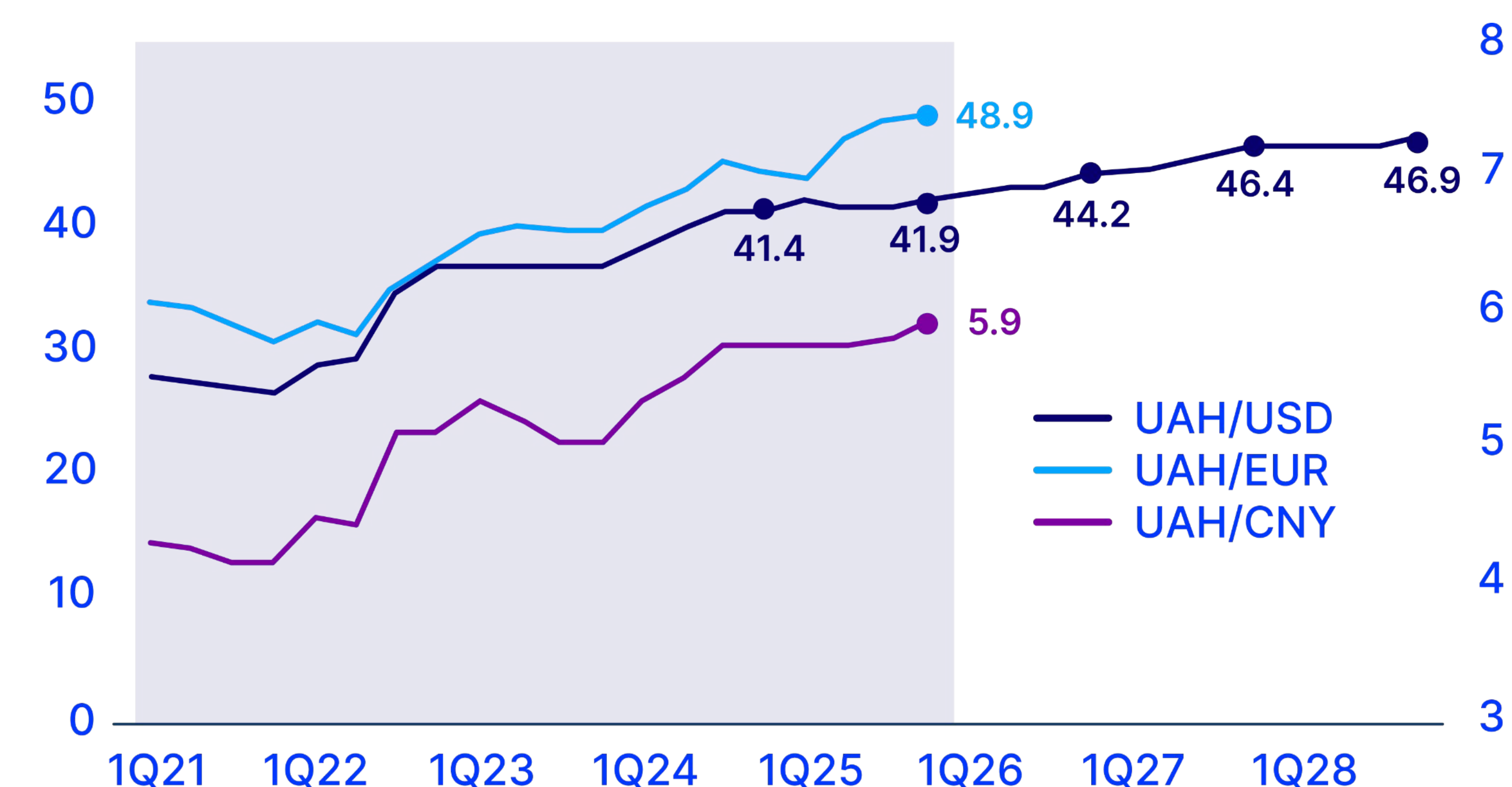
- Recovery will remain uneven across sectors: **industry, construction, and IT will lead growth from 2026-28**. Administration and defence will gradually decrease.
- **Manufacturing and mining will anchor post-war expansion**. Manufacturing to reach ~**12%** of GDP by 2028 - supported by donor funding, defense production & EU integration projects. Mining will add **+1.5pp** to real GDP avg growth in 2027-28.
- Energy, transport, and logistics remain **structural bottlenecks** yet critical for modernization; expansion of nuclear and storage capacity, and EU corridor development will underpin medium-term resilience.

INFLATION EASES, BUT COST-PUSH PRESSURES PERSIST

Headline CPI, core inflation, and PPI, % y-o-y



FX UAH/USD (lhs), UAH/EUR (lhs), UAH/CNY (rhs)

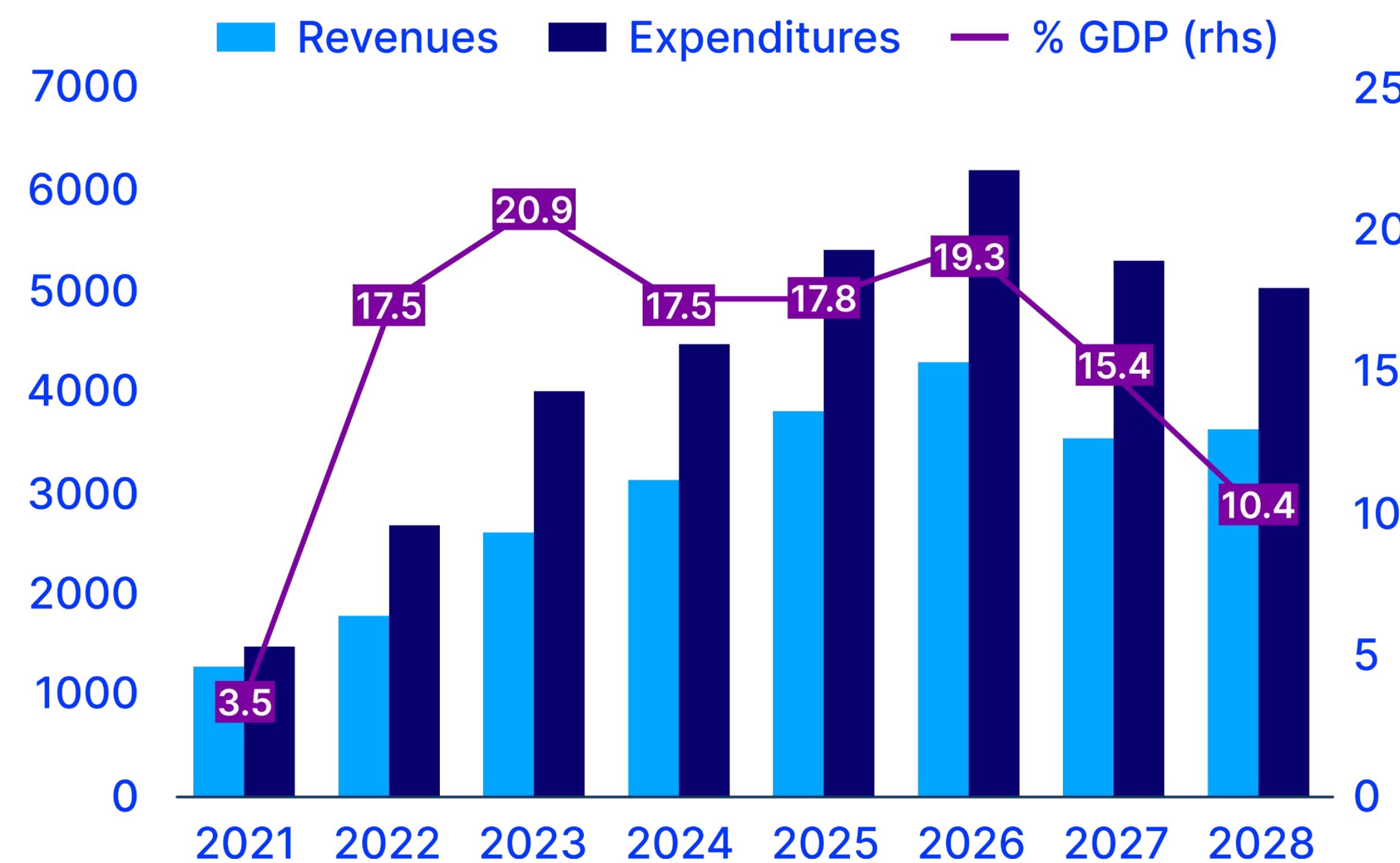


Source: SSSU, KSE Institute

- **Headline inflation slowed to 8%** in Dec 2025 (from peak of **15.9%** in May), driven by cheaper food, stable utility tariffs, and subdued demand; core inflation eased to **~8%**, while PPI rose to 8.4% amid energy and food cost pressures.
- Energy tariffs remain frozen (gas 7.96 UAH/m³, electricity 4.32 UAH/kWh), containing short-term inflation, but deferred price adjustments and excise increases (tobacco +29%, sugary drinks tax) will add pressure in 2026.
- **Exchange rate remains broadly stable** under policy support — **41.5 UAH/USD** in 2025, with gradual depreciation toward **~44** by end-2026, anchored by NBU FX interventions and partner inflows amid a structural trade deficit.

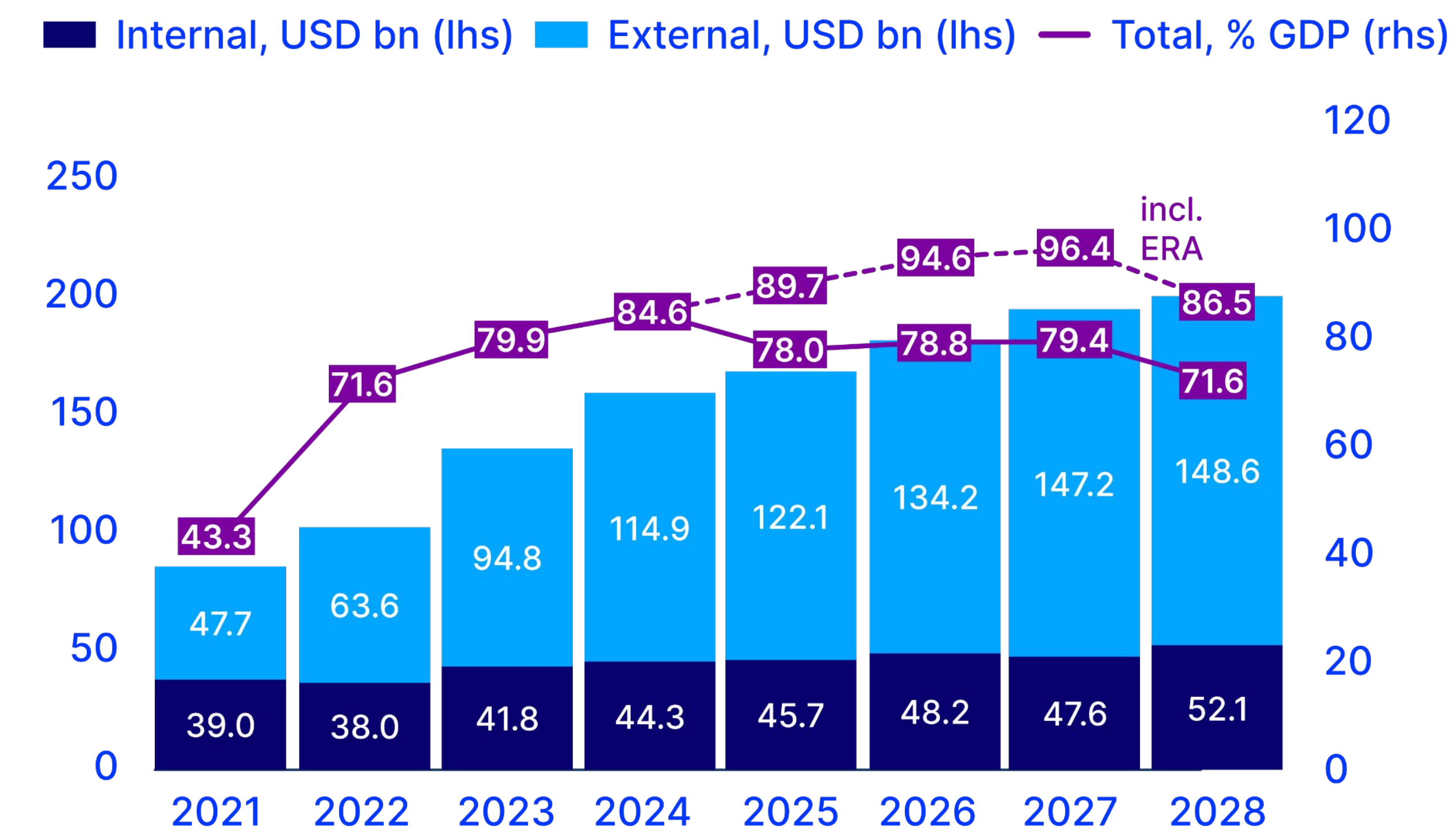
MILITARY SPENDING WIDENS BUDGET DEFICIT, EXPECTED TO STABILIZE IN A POST-WAR PERIOD

Revenues, expenditures (UAH billion) and deficit (% of GDP)



Source: Ministry of Finance, KSE Institute

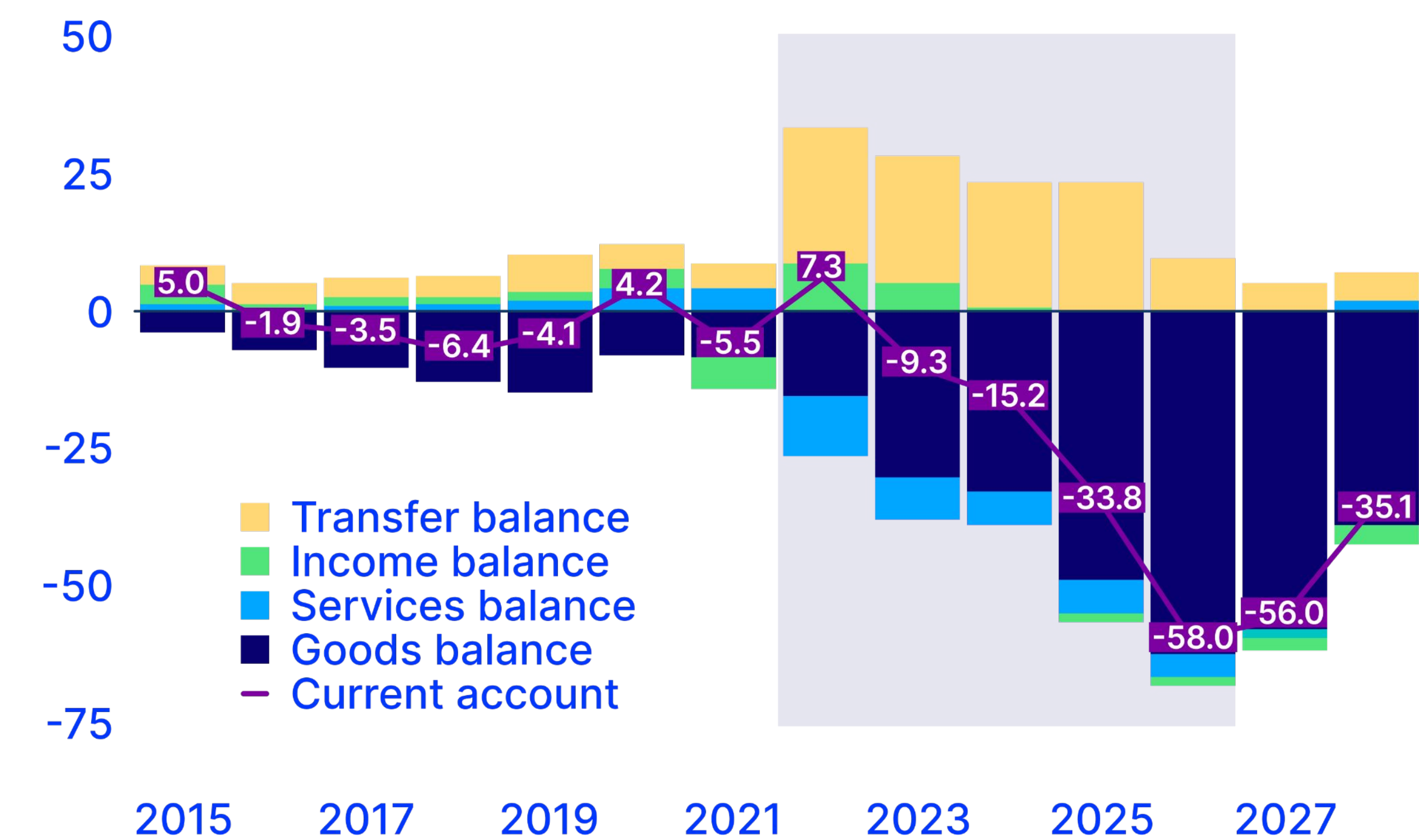
Debt dynamics, baseline scenario



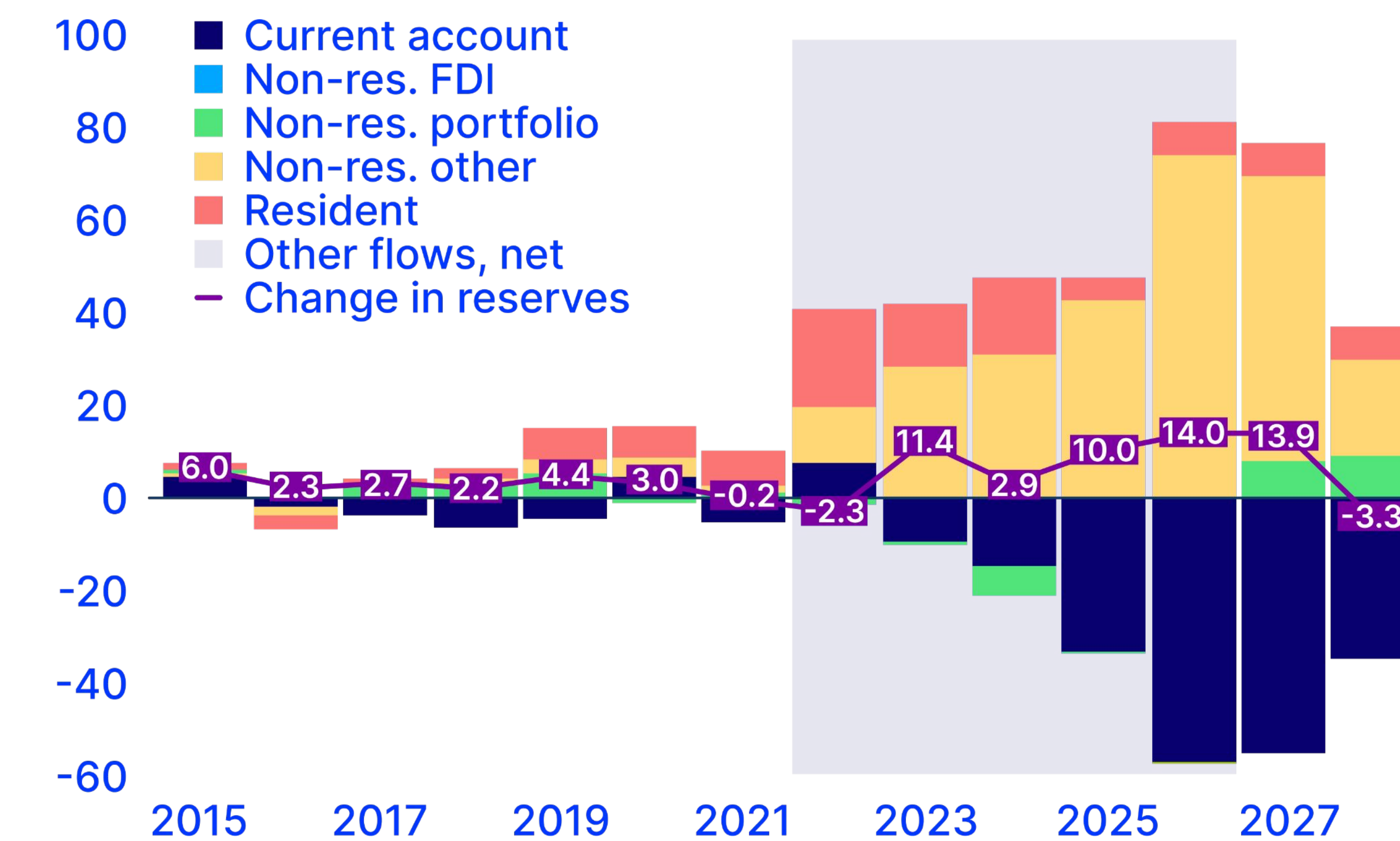
- Revenues in 2026 are projected to increase by **12.3%**, reaching **UAH 4.3 billion**, driven mainly by a **22.6%** increase in tax revenues. In 2027–2028, revenue levels are projected to decline to **UAH 3.6 billion** and **UAH 3.7 billion**.
- Budget expenditures are projected to reach **UAH 6.2 trillion in 2026, up 15% y-o-y**. The increase is primarily driven by persistently high defence and security spending, expected to amount to **UAH 4.5 trillion** (\$102.9 billion) in 2026.
- Following the end of the war, total expenditures are expected to gradually decline to **UAH 5.3 trillion** in 2027 and **UAH 5.1 trillion** in 2028, mainly due to lower defense spending.

SOARING IMPORTS WIDEN THE CAD. OFFICIAL FLOWS BUILD RESERVES

Current account and components, USD billion



Drivers of change in reserves, USD billion



Source: NBU, KSE Institute

- We see defense-related procurement lifting imports to **\$106bn** in 2026–27 with the current-account deficit widening to **\$56–58bn** before narrowing in 2028. Services deficit and falling grants amplify the headline shortfall.
- **EU €90bn package and IMF EFF ~\$8.1bn will be the dominant financing source.**
- Reserves are set to rise from **~\$60bn** (end-2025) to **\$80bn** by end-2028. Reliance on official loan inflows leaves the balance sensitive to disbursement timing and donor predictability.

UKRAINE ECONOMIC FORECAST

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	2021	2022	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, %	3.4	-28.8	5.5	2.9	1.9	3.2	4.6	5.3
Nominal GDP, UAH bn	5,451	5,239	6,628	7,659	8,920	10,035	11,468	13,221
Nominal GDP, \$ bn	200.6	160.5	181.2	190.2	214.0	231.4	252.9	282.7
Budget balance, \$ bn	-71	-28.4	-37.9	-33.4	-38.2	-44.7	-39.0	-29.5
Foreign grants, \$ bn	0.9	17.5	14.1	14.0	14.3	4.7	0.4	0.0
Foreign loans, \$ bn	2.3	16.6	30.7	28.3	42.5	74.8	60.7	18.2
Budget financing gap, \$ bn	1.3	-4.6	-0.5	6.2
Headline inflation, % avg	9.4	20.2	12.8	6.5	12.8	7.4	7.5	8.2
Exchange rate (USD), avg	27.3	32.3	36.6	40.2	41.7	43.3	45.2	46.8
Policy rate, % avg	7.5	18.6	22.4	13.7	15.3	14.1	10.0	8.0
Current account, \$ bn	-5.5	7.3	-9.3	-15.2	-33.8	-58.0	-56.0	-35.1
External financing gap, \$ bn	0.2	2.3	-11.4	-2.9	-10.0	-14.0	-13.9	3.3
Total reserves, \$ bn eop	30.9	28.5	40.5	43.8	57.3	71.2	85.1	81.8
Unemployment rate, & avg	9.9	20.6	18.2	13.1	10.8	9.0	9.9	7.9
Nominal wage, UAH avg	13,992	14,863	17,442	21,492	26,009	30,401	33,746	38,401

Source: KSE Institute Forecast