



Economic Review in December

Special topic: Ukraine's economy in 2024

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY: UKRAINIAN ECONOMY IN 2024

- **Macroeconomic trends:** Economic recovery has slowed down with GDP growth of around 4% y-o-y expected for 2024. In 2024, business expectations peaked at their highest level since the start of the full-scale war but remained negative for most of the year.
- **Monetary, FX, and Banking sector:** inflation rose steadily as rates followed policy trend. Hryvnia depreciated amid rising FX demand. Still, international reserves increased to \$43.8 bn. In 2024, there were steady deposit growth, increased government borrowing, and lending growth driven by economic recovery.
- **Sectoral analysis:** Ukraine lost 10 GW of electricity generating capacity due to the Russian attacks in 2024. Nevertheless, huge imports, quick repairs and outage schedules helped the energy system to survive. Steel production grew 22% in 2024 but is expected to fall in 2025 — lower global prices and coking coal shortage are the main challenges. Agricultural exports went up 20% in 2024 with maritime logistics ensuring stable exports of wheat and corn all year long. Export of goods reached \$41.7 bn in 2024, and services exports in 11m grew 4% y-o-y to reach \$15.6 bn.
- **Fiscal sector:** 2024 ends with strong budget revenues and tax revenues significantly outpace inflation. Ukraine received \$41.6 bn of foreign budgetary financing in 2024, which covered 75% of additional needs.

See our report below for further details.



MACROECONOMIC TRENDS

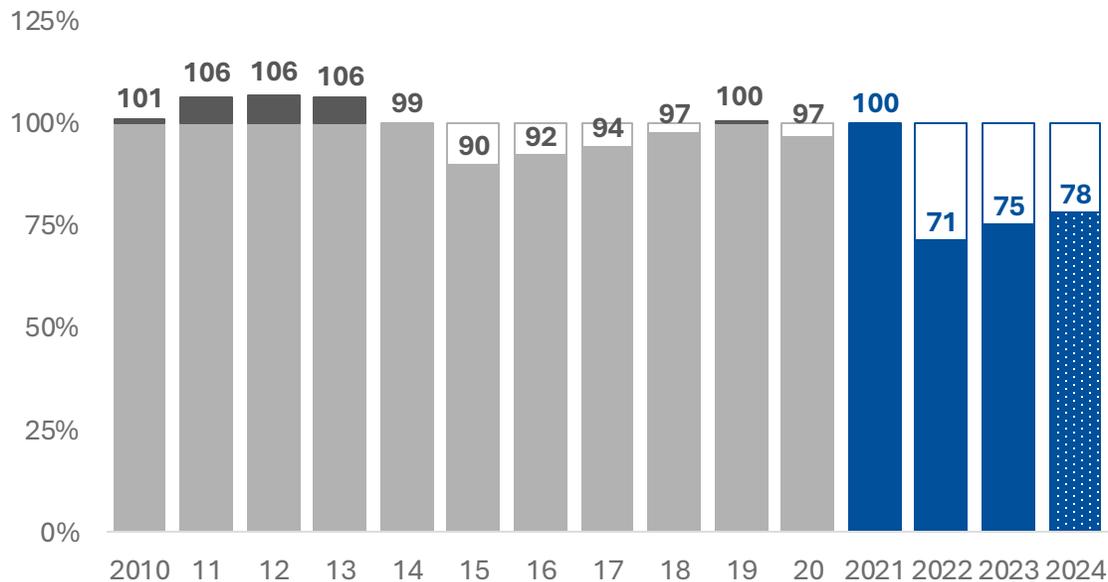
ECONOMIC RECOVERY HAS SLOWED DOWN

GDP growth of around 4% y-o-y is expected for 2024

GDP is still more than 20% lower than in 2021. After falling by 28.8% y-o-y in 2022, the economy recovered by 5.3% in 2023 and 4% in 2024. Better logistics and the development of the defence industry had a positive impact on the recovery.

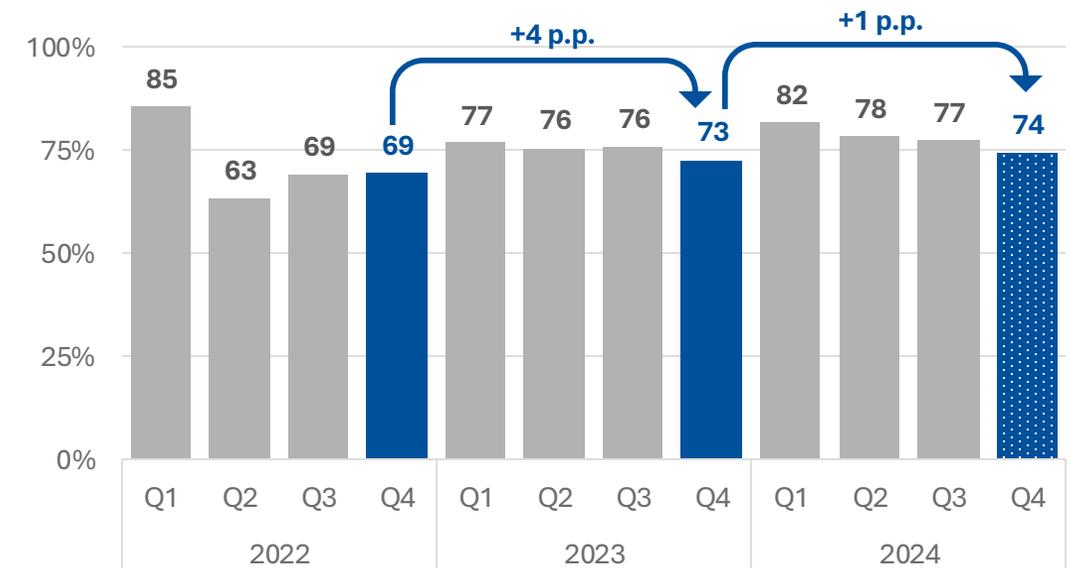
The economic recovery is gradually slowing down. In 2023, each quarter's growth relative to 2021 was higher than last year. The economic recovery was slower, among other things, as the effect of the low comparison base passed, and high fiscal deficits became the norm.

Real GDP, % of 2021



Sources: State Statistics Service; Q4 2024 – NBU forecast

Real GDP, % of the corresponding quarter of 2021



Sources: State Statistics Service; Q4 2024 – NBU forecast

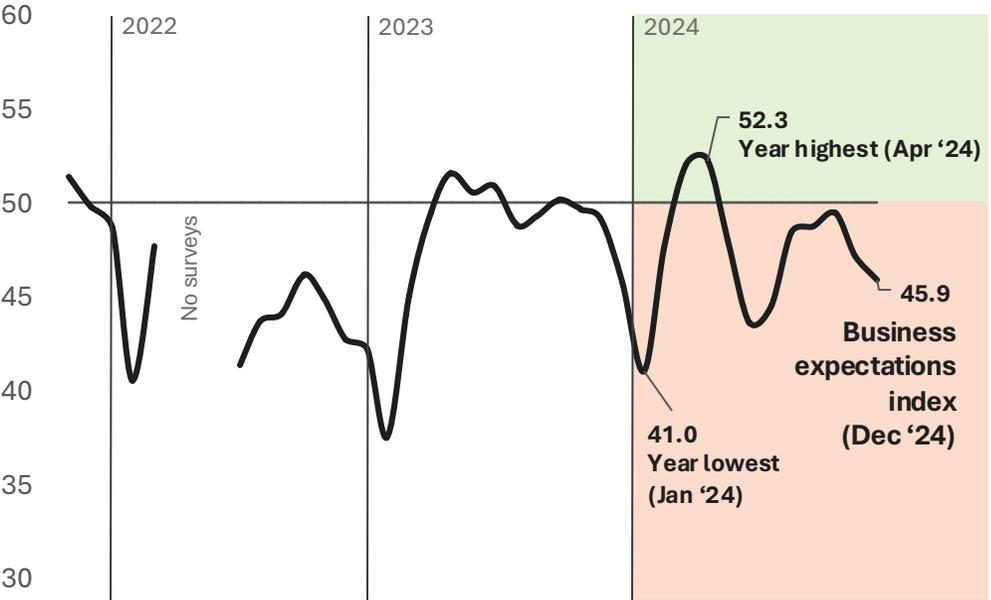
YEAR OF EMOTIONAL SWINGS

Businesses entered 2025 with negative expectations

In 2024, business expectations peaked at their highest level since the start of the full-scale war but remained **negative for most of the year**. This expectations index, calculated by the NBU, reflects businesses' perspectives on the economy's future trajectory.

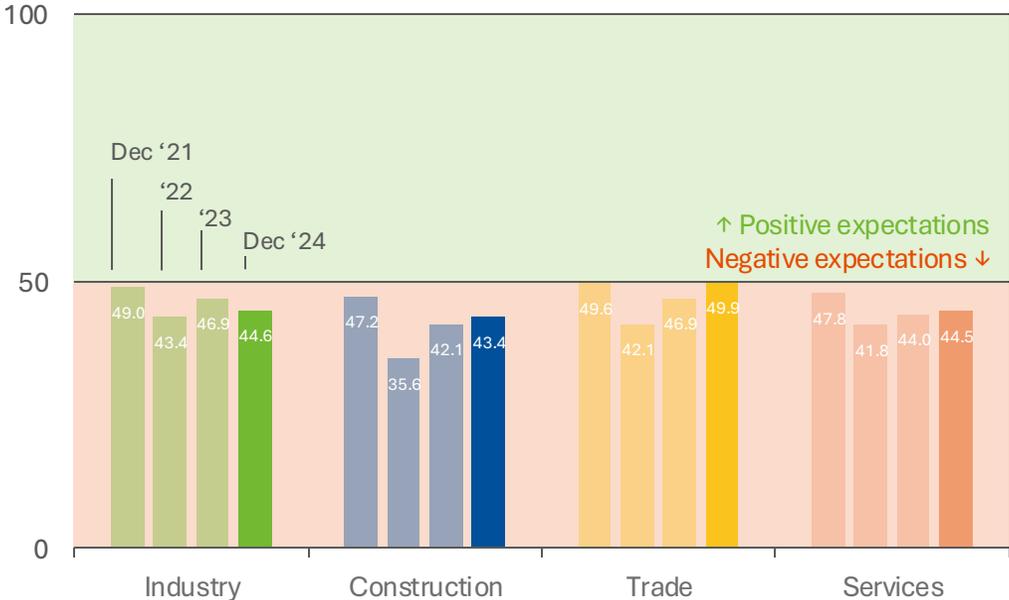
In December 2024, business expectations remained **negative but were mostly better than in the same month of previous years**. Businesses from all sectors continue to adapt to the war's challenges, including staff shortages, an energy crisis, and security issues.

NBU business activity expectations index dynamics



Source: NBU

NBU business activity expectations index by sector in December 2021 – '24



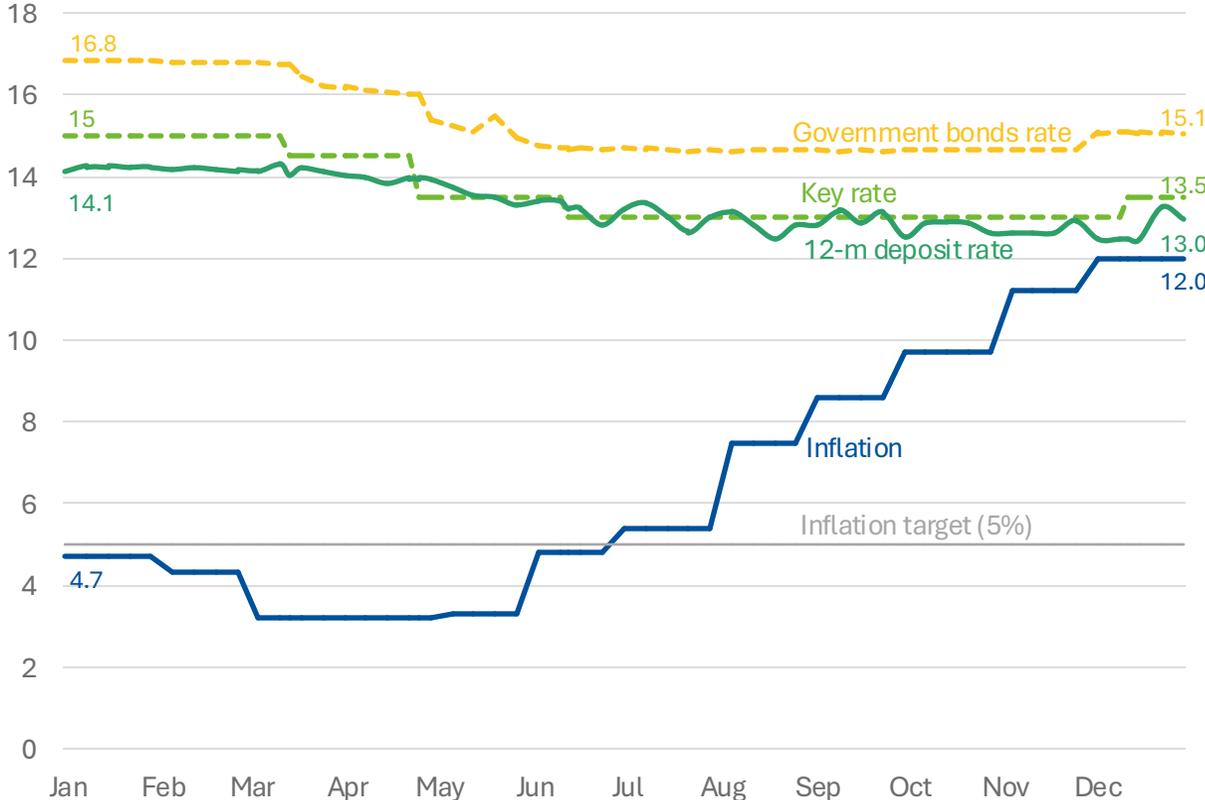
Source: NBU



MONETARY, FX, AND BANKING SECTORS

INFLATION ROSE STEADILY AS RATES FOLLOWED POLICY TREND

2024: Inflation (y-o-y), NBU key rate, rate on hryvnia retail deposits (12-month), and weighted average level of yield on 1-year hryvnia government bonds, %



Sources: NBU, State Statistics Service, UIRD

The NBU adjusted its key rate in response to inflationary pressures. Starting 2024 at 15%, the NBU gradually lowered it to 13% by June. The rate remained unchanged until mid-December, when it was increased to 13.5% due to rising inflation.

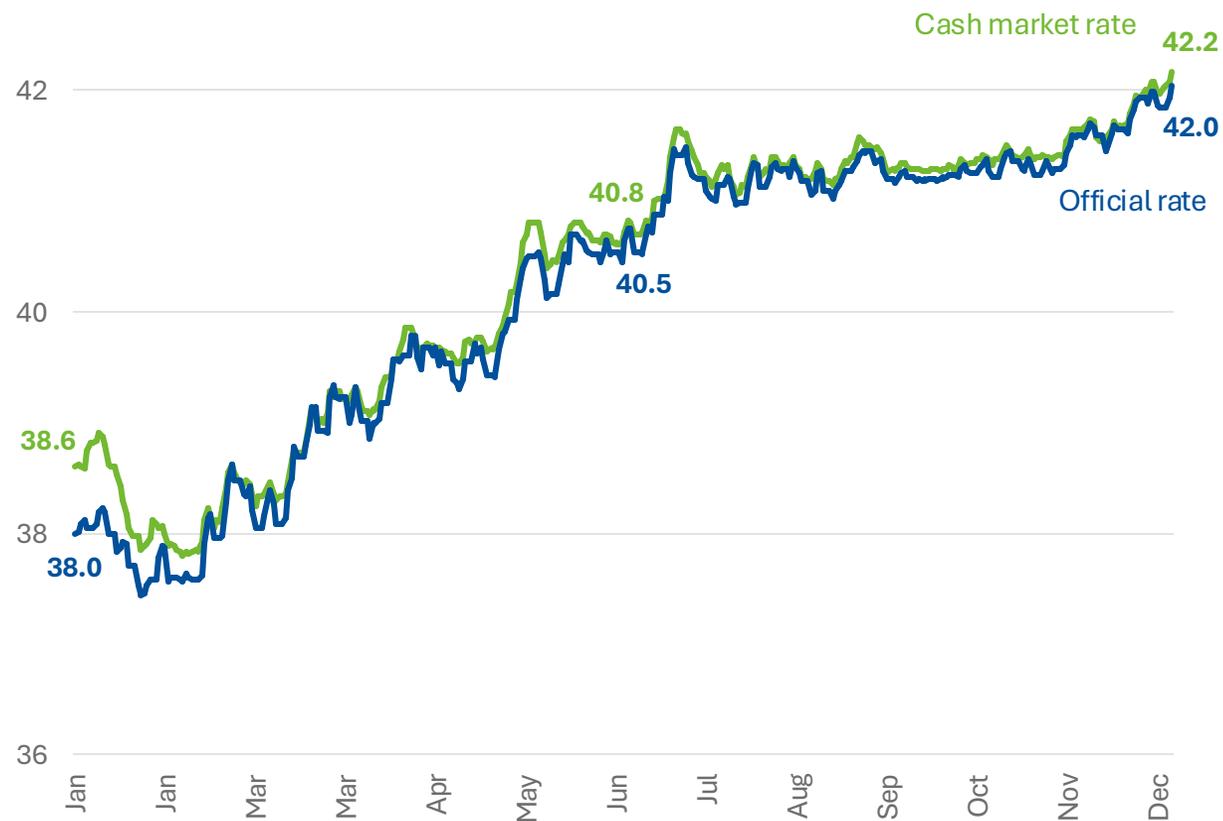
Inflation showed an accelerating trend in the second part of the year. It remained below the 5% target in early 2024 but steadily rose to 12% y-o-y by December.

Market rates aligned with the monetary policy adjustments. Other rates followed the key policy rate and stayed stable in the latter half of 2024.

Investments in bonds and deposits provided positive real returns. By December 2024, 1-year government bonds and hryvnia deposits yielded rates above projected 2025 inflation.

MANAGED DEPRECIATION OF HRYVNIA AMID RISING FX DEMAND

Average daily official and market exchange rates in 2024, UAH/\$



Sources: NBU (official rate), index.minfin.com.ua (cash market rate)

In 2024, the hryvnia gradually depreciated due to higher foreign exchange demand. The NBU maintained its policy of managed flexibility, so the exchange rate was influenced by both FX interventions and market forces. The gap between cash and official rates remained around 1%, indicating market stability.

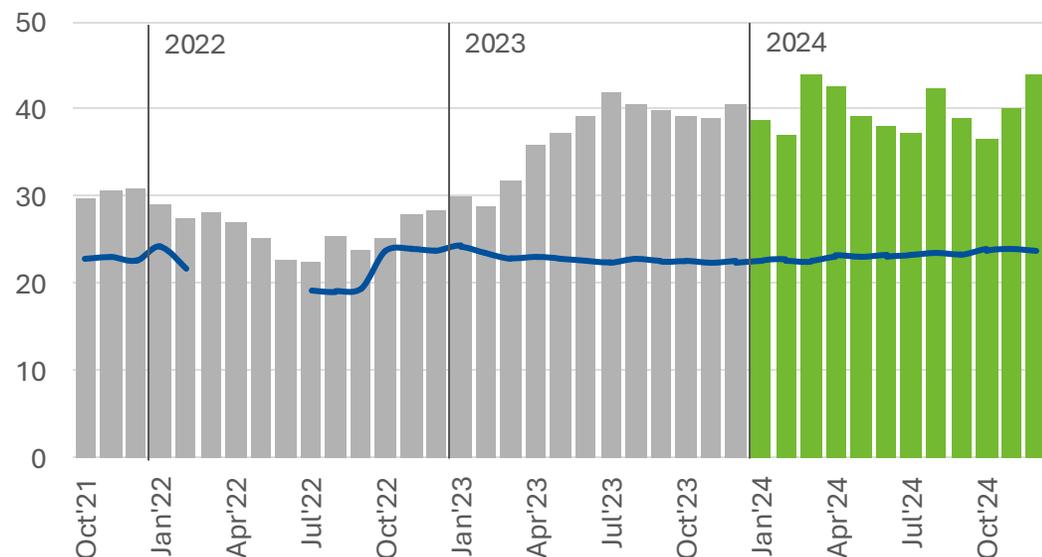
The NBU plays a central role in stabilising the FX market. It balances supply and demand for cash and non-cash currency, with non-cash transactions accounting for 59% of sales and 87% of purchases. The monthly deficit for FX currency remained at around \$2.5 bn in 2024.

INTERNATIONAL RESERVES INCREASED TO \$43.8 BN

In 2024, international reserves rose 8% to \$43.8 bn, covering 5.5 months of imports — well above the minimum required 3 months. This growth was driven by \$42 bn in international aid and \$3.5 bn from FX domestic government debt securities which compensated for debt servicing, NBU FX interventions, and reserve accumulation.

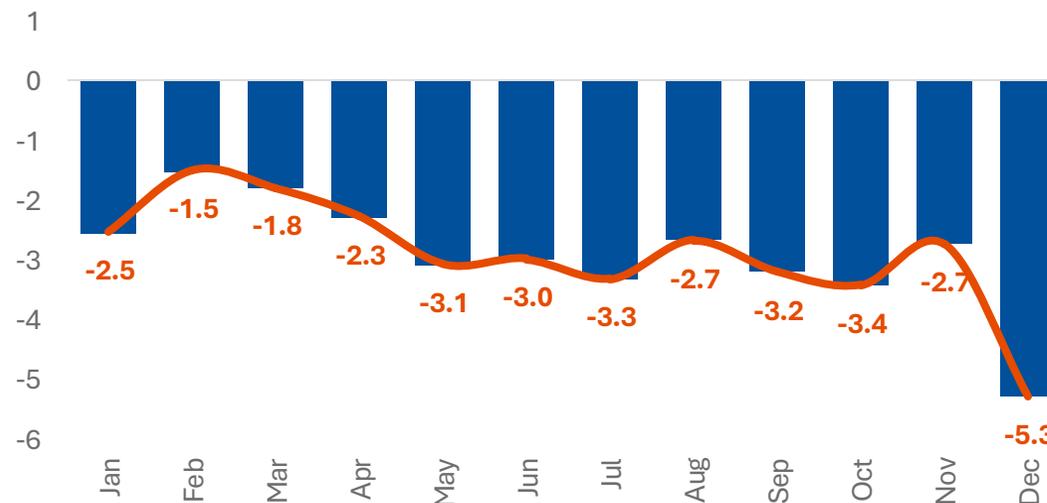
In December, the NBU took action to stabilise the FX market by increasing net FX sales. Increased year-end demand led the NBU to record \$5.3 bn in FX sales, with total net sales in 2024 reaching \$34.8 bn, the highest in 12 years and above the 2022-2023 level.

Gross international reserves and their amount needed to cover three months of future imports, \$ bn



Source: NBU. No future imports data for March-June 2022

NBU foreign exchange interventions in 2024, \$ bn

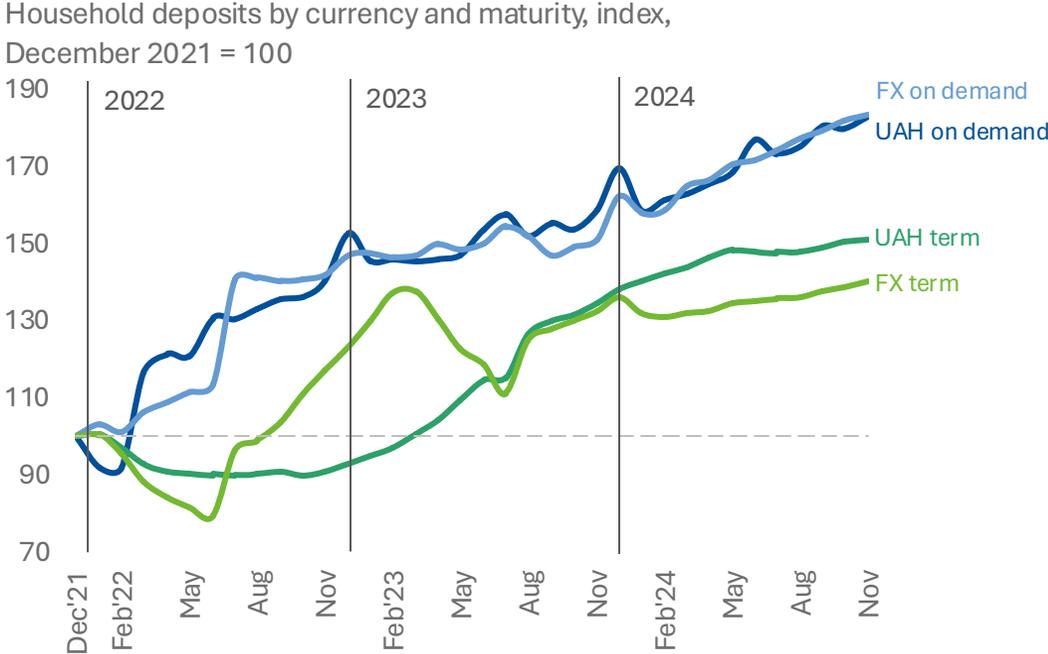


Source: NBU

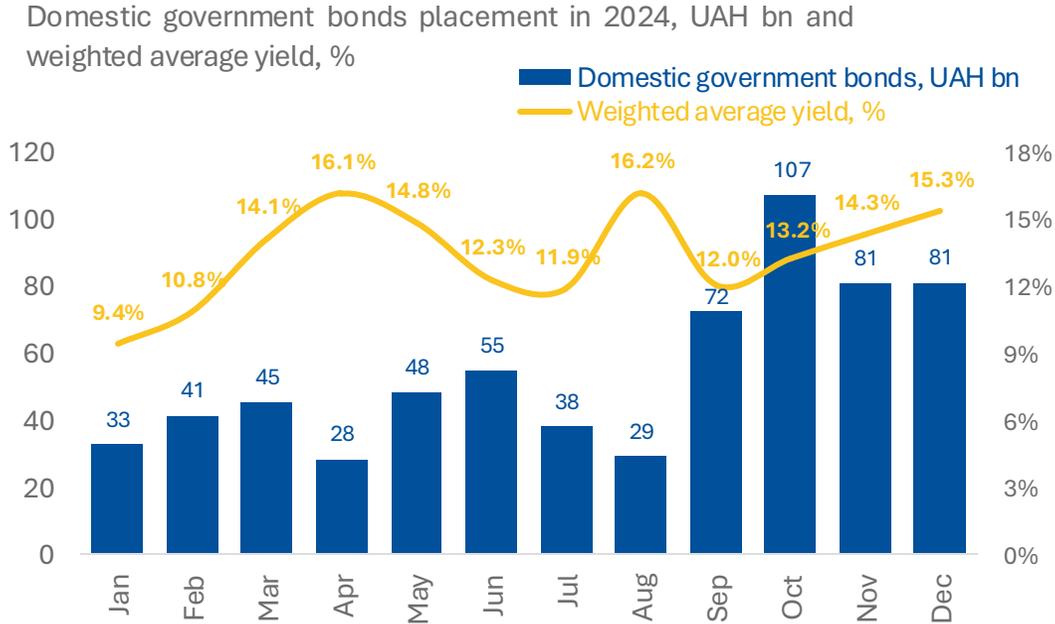
STEADY DEPOSIT GROWTH AND INCREASED GOV. BORROWING

In 2024, household deposits in Ukraine showed steady growth. Hryvnia deposits increased due to higher disposable income and attractive interest rates, while FX deposits rose in dollar terms, supported by moderate depreciation of hryvnia.

In 2024, Ukraine’s government borrowed nearly UAH 659 bn via domestic bonds and T-bills. It is close to 2022 levels (UAH 698 bn) but higher than 2023 (UAH 549 bn). Lower key policy rates reduced borrowing costs, with banks holding 48% (+6 b.p.) of bonds.



Source: NBU

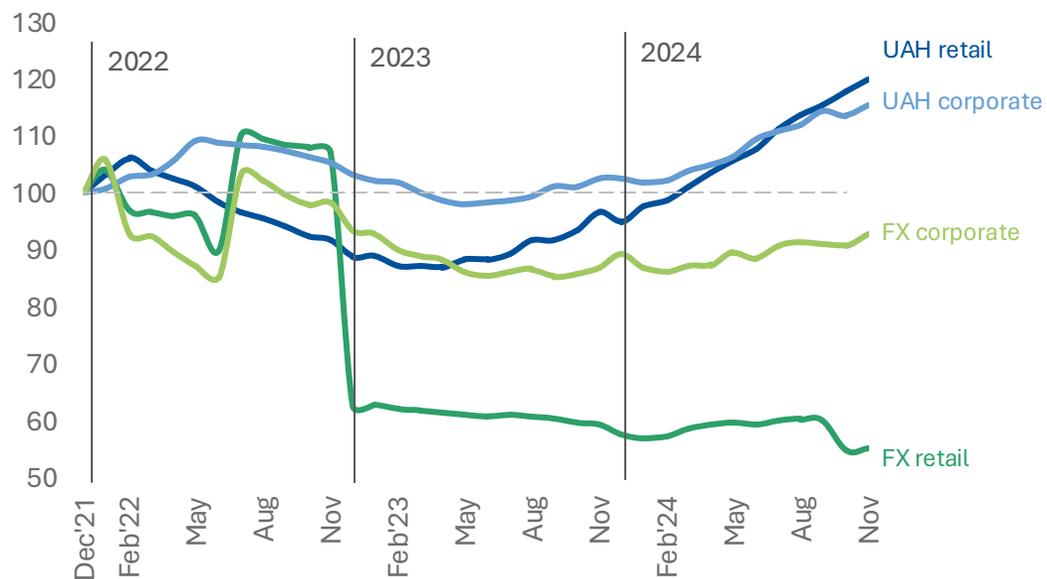


Source: NBU

LENDING GROWTH DRIVEN BY ECONOMIC RECOVERY

In 2024, lending grew along with economic recovery and resilient businesses and households. The rise in corporate loans was driven by increased financing demand from trade, agriculture, and food sectors. The net hryvnia portfolio of corporate loans grew by more than 20% over the year, and that of retail loans by more than 30%.

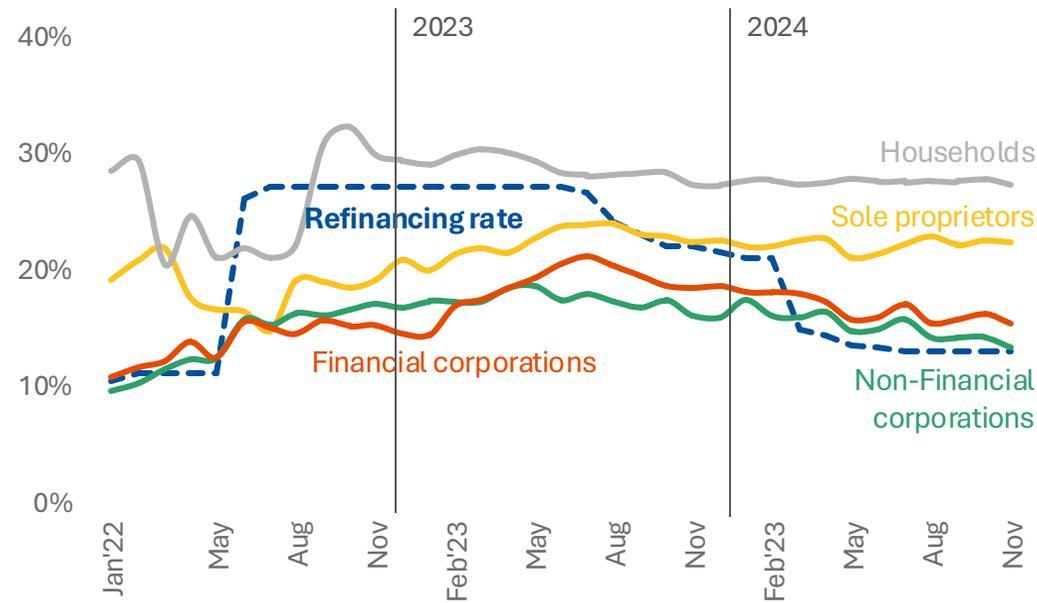
Loans to residents by currency and sector, index, December 2021 = 100



Source: NBU

Lending rates — especially for financial and non-financial corporations — reflected the impact of monetary policy changes in 2024. The lending rates for households and sole proprietors remained quite at the same level due to the prevalence of unsecured and high-risk loans.

Weighted average lending rates, %



Source: NBU



SECTORAL ANALYSIS

UKRAINE LOST 10 GW OF GENERATING CAPACITY IN 2024

Huge imports, quick repairs and outage schedules helped the energy system to survive

Net electricity imports in December increased 3.5 times to 426 GWh. This is a result of commercial imports of 433 GWh and commercial exports of 7 GWh.

Total net imports of electricity in 2024 exceeded 4 TWh, ten times higher than in 2023. Commercial imports reached 4.4 TWh last year (\$670 mln), while commercial exports was 12.7 times less – 348 GWh (\$81 mln).

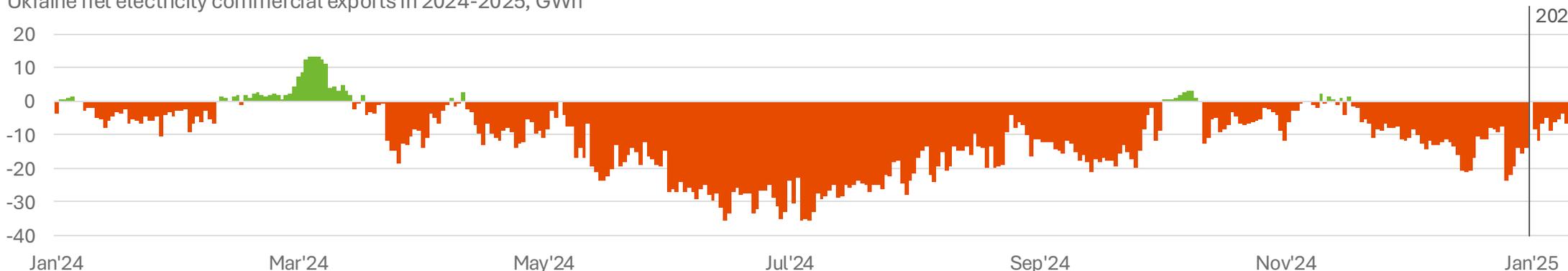
Scheduled electricity supply restrictions for residential and commercial consumers continued in Ukraine in accordance with the approved schedules till 30 December 2024.

In 2024, Russia carried out 13 massive attacks on Ukraine's energy system. This led to the loss of 10 GW of generating capacity, according to the Ministry of Energy.

In 2024 the Distributed Generation Development Strategy until 2035 was approved, hundreds of megawatts of **new capacities were launched.** This compensates just few percents of destroyed capacities.

36 countries donated aid for the stable operation of the energy system. Donors pledged over €1 bn to the Energy Support Fund for Ukraine.

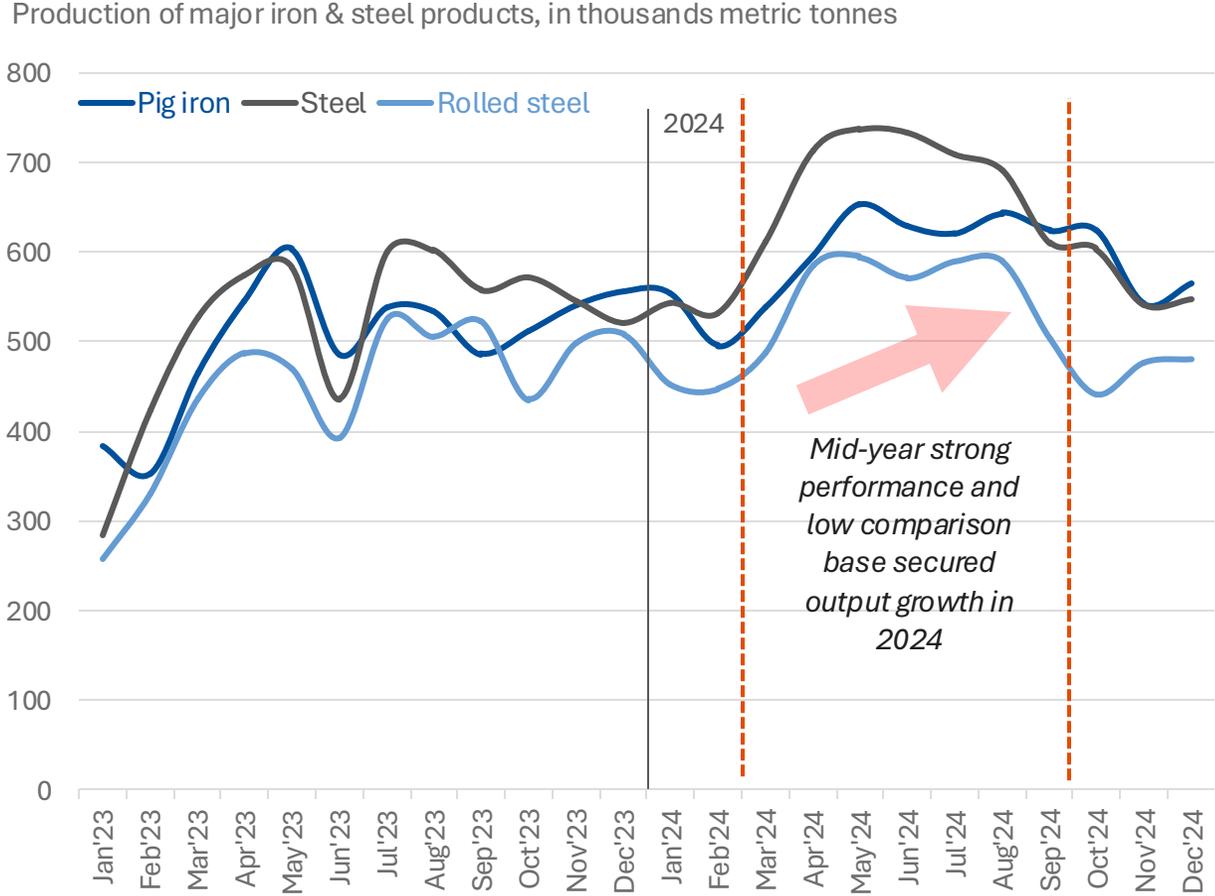
Ukraine net electricity commercial exports in 2024-2025, GWh



Source: ENTSO-E

STEEL PRODUCTION GREW 22% IN 2024, EXPECTED TO FALL IN 2025

Lower global prices and coking coal shortage are the main challenges



Source: Ukrmetallurgprom

In 2024, Ukraine produced 7.09 mt of pig iron (+18% y-o-y), 7.58 mt of steel (+22%) and 6.22 mt of rolled products (+16%). The increase was thanks to the successful performance of the first half of the year.

In December, Ukraine increased its monthly iron ore exports to a record level since the full-scale invasion — to 3.45 mt, up 2.15 times y-o-y. In 2024, iron ore exports amounted to 33.7 mt for a total of \$2.8 bn.

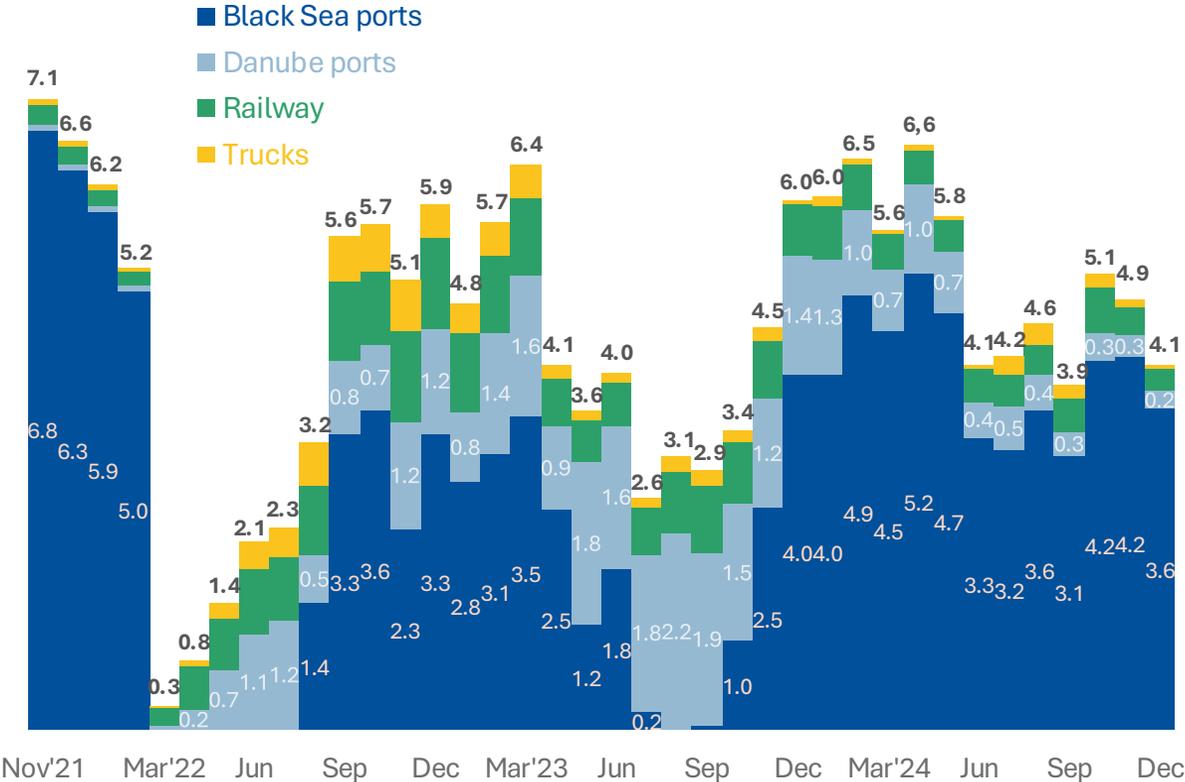
Metinvest announced the suspension of operations at Pokrovsk Coal Group due to the approaching frontline, electricity shortages, and the deteriorating security situation. The company plans to cover the shortage of coal needed for steelmaking from its own mines in the US.

The key market risks for 2025 are the continuation of hostilities, lower prices on global markets, tighter EU protective quotas, and the need to import coking coal. Ukraine steel production in 2025 is expected to fall 9% to 6.8 mt.

AGRICULTURAL EXPORTS UP 20% IN 2024

Maritime logistics ensured stable exports of wheat and corn all year long

Exports of grain and oilseeds by transport and total, mt



Grain and oilseeds exports grew 20% in 2024 to reach 61.5 mt despite the decline in December to 4.1 mt.

Key export goods in 2024 were corn (29.6 mt, \$5.1 bn) and wheat (20.7 mt, \$3.7 bn). These two goods combined account for 21% of total Ukraine’s exports in 2024.

In 2024, the main export route was the Black Sea ports, which operated steadily throughout the year and accounted for 79% of agricultural exports. The share of the Danube ports was 11%, railroad transportation - 8%, and road freight - 2%.

Key agricultural laws adopted in 2024: On unclaimed land shares (Nº11150), On state land lease (Nº3272-IX), On the state agrarian register (#11063-d).

Source: Dragon Capital estimate

EXPORT OF GOODS REACHED \$41.7 BN IN 2024

Agri exports accounted for half of total amount, ores and metals - for another 17%

Top 15 export goods in 2024

■ Agri ■ Iron&Steel ■ Food ■ Machinery ■ Wood ■ Other



In 2024, goods exports grew by 15% to \$41.7 bn.

Agricultural products accounted for \$20.9 bn — 50% of total exports. The mining and metallurgical complex accounted for \$6.9 bn (17%) of export earnings, the food industry for \$3.7 bn (9%), and machine building for \$3.6 bn (9%).

Sugar exports in 2024 reached 750 kt (\$420 m). This is the highest figure since 1997, when the statistics began to be compiled.

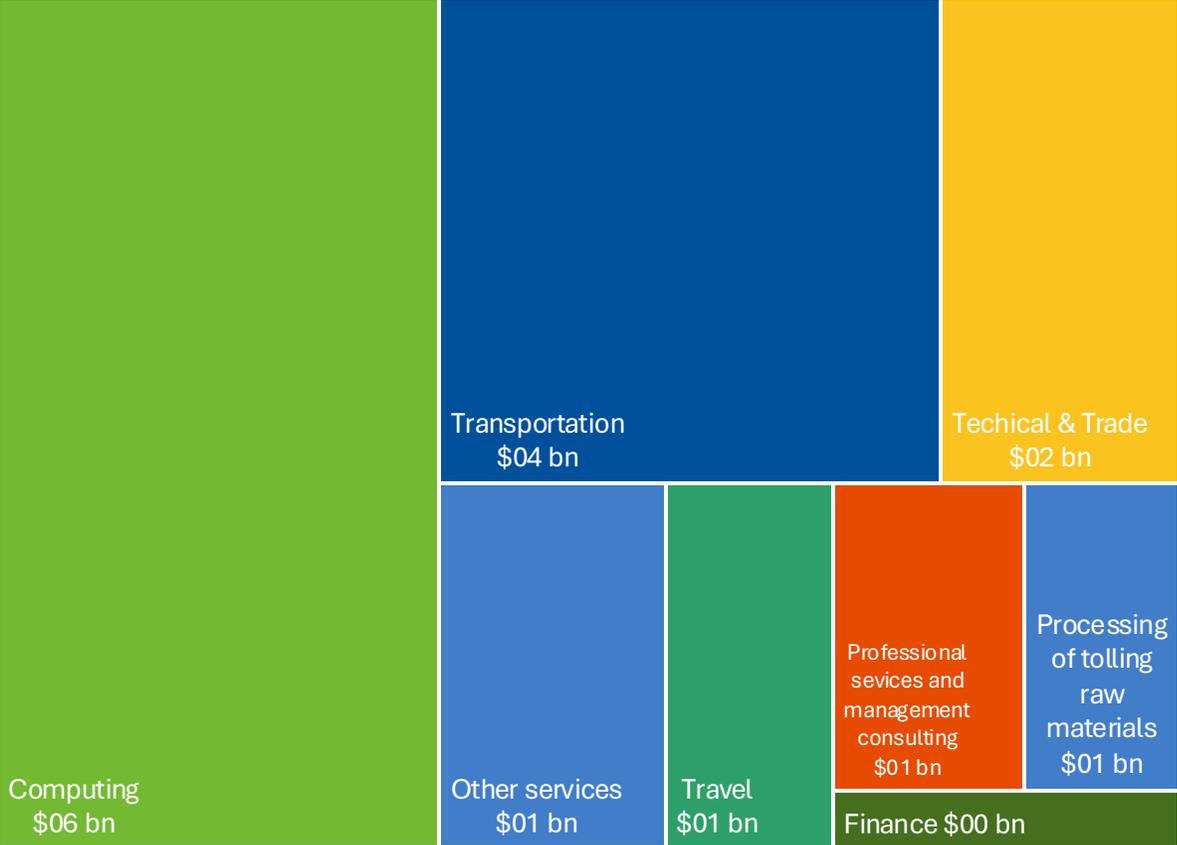
Total imports in 2024 added 11% reaching \$70.7 bn. Main imported goods last year were oil and oil products – \$6.8 bn (10%), passenger cars – \$4.4 bn (6%), pharmaceuticals – \$2.0 bn (3%), mobile phones – \$1.3 bn (2%), fertilizers – 1.2 bn (2%) and drones – 1.1 bn (2%).

Sources: State Customs Service, CES calculations

SERVICES EXPORTS IN 11M GREW 4% Y-O-Y TO REACH \$15.6 BN

Computing and transportation became key export sectors in 2024

Services exports in 11m 2024, \$ bn



Exports of services in January-November 2024 amounted to \$15.6 bn (+4% y-o-y).

Exports of computer services decreased by 5% to \$5.8 bn and expected to update a three-year minimum.

Transportation services increased by 9% to \$3.8 bn. Of this amount, freight transportation accounted for \$2.4 bn and pipeline transportation for \$1.2 bn.

On January 1, the **agreement for the transportation of Russian gas through Ukraine expired**. This will affect the transportation services exports in 2025.

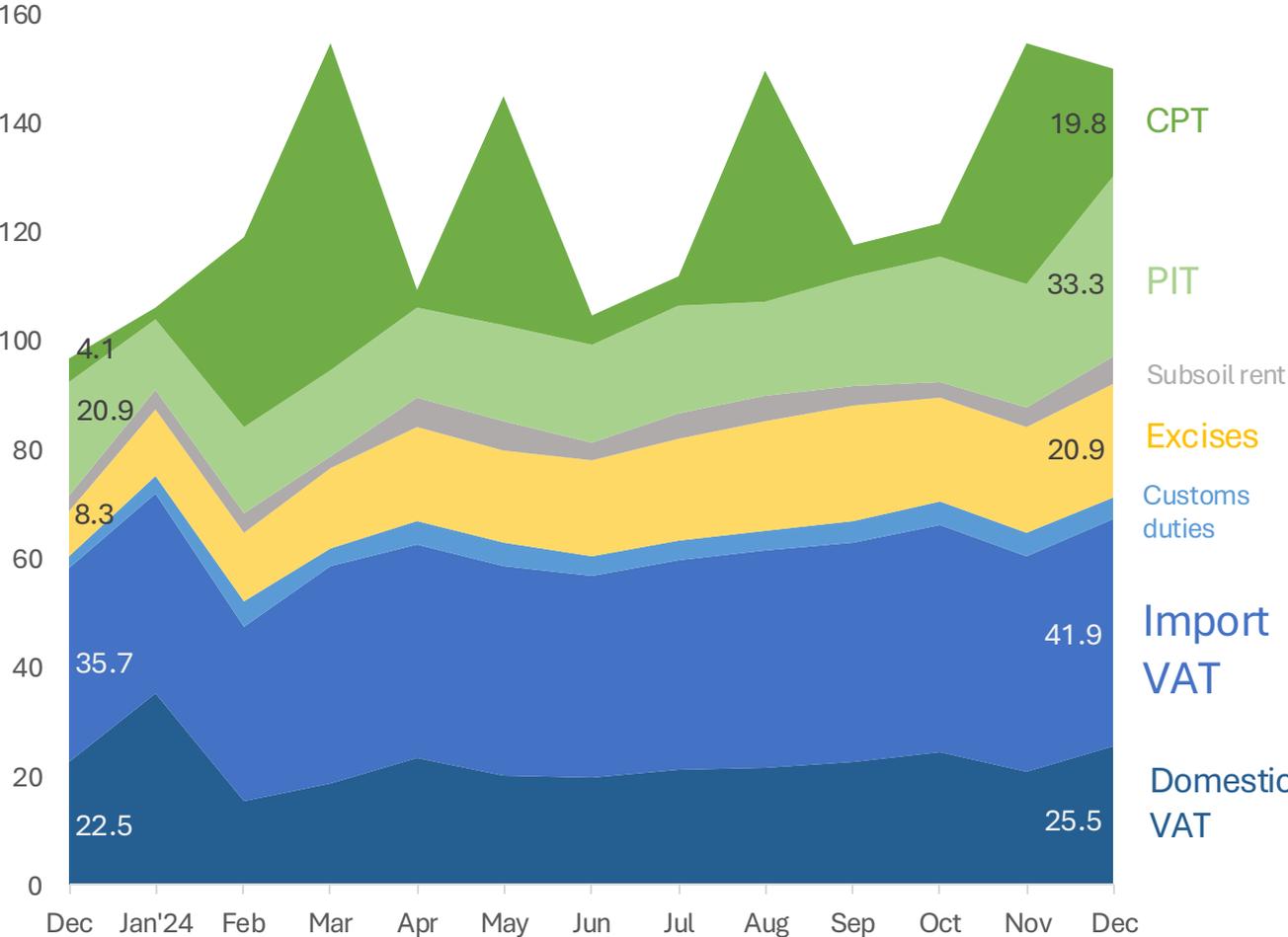
Source: NBU



FISCAL SECTOR

2024 ENDS WITH STRONG BUDGET REVENUES

Tax revenues significantly outpace CPI



December tax revenues for the state budget reached UAH 158.2 bn, up 54% y-o-y, driven by significantly higher revenues from corporate profit tax (CPT) (+383%), excise taxes (+152%), and personal income tax (PIT) (+59%).

Tax revenues for 2024 (UAH 1,647 bn) increased by 37% y-o-y, with all taxes outpacing inflation. The main contributors to this growth in absolute terms were CPT (+UAH 127 bn), excise taxes (+UAH 106 bn), and VAT on imports (+UAH 100 bn).

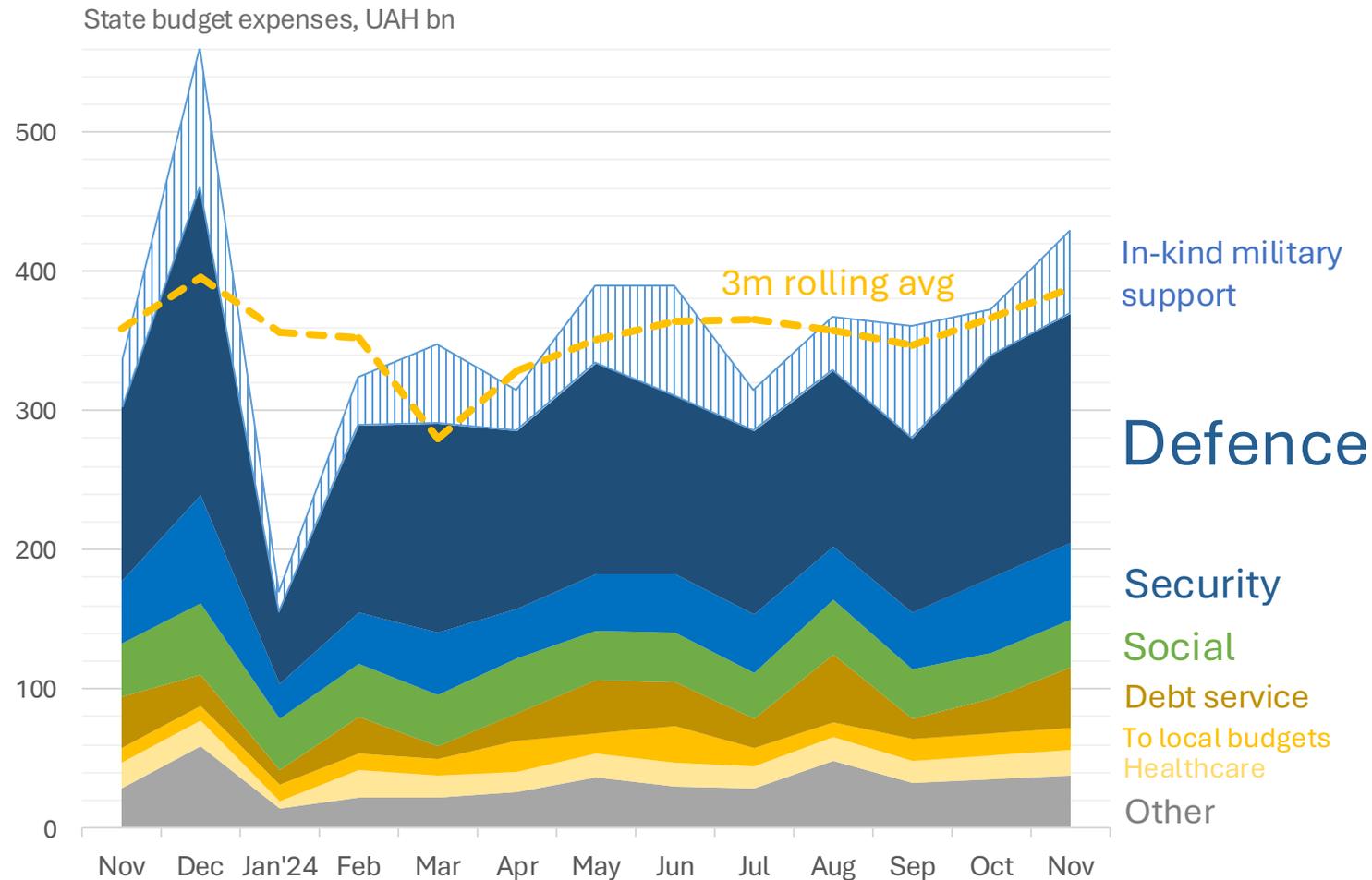
Significant growth in VAT refunds continued in December, reaching a record-high UAH 17.3 bn. However, the annual ratio of VAT refunds to domestic VAT revenue remained at a moderate 37%.

The law on increasing tobacco excise taxes (registration №11090) is still pending the President’s signature, resulting in an estimated loss of ~UAH 800 million in excise revenues each month.

Source: Ministry of Finance. Note: based on the Treasury’s preliminary budget data released by the MoF

DEFENCE AND SECURITY GROW FOR A SECOND MONTH

Defence and security expenses exceed 58% of the state spending



State budget expenses, excluding in-kind military support, reached UAH 3.271 bn for 11m 2024, adding 15% y-o-y.

Defence and security expenses reached UAH 1.908 bn for 11m 2024, with November expenses of almost UAH 220 bn – the highest monthly spending in 2024.

Debt service expenses in September were at UAH 43 bn, adding to UAH 287 bn for 11m of 2024, or 8.8% of all budget spending (excl. military support).

Source: Ministry of Finance. Note: only November figures were released as of the presentation date

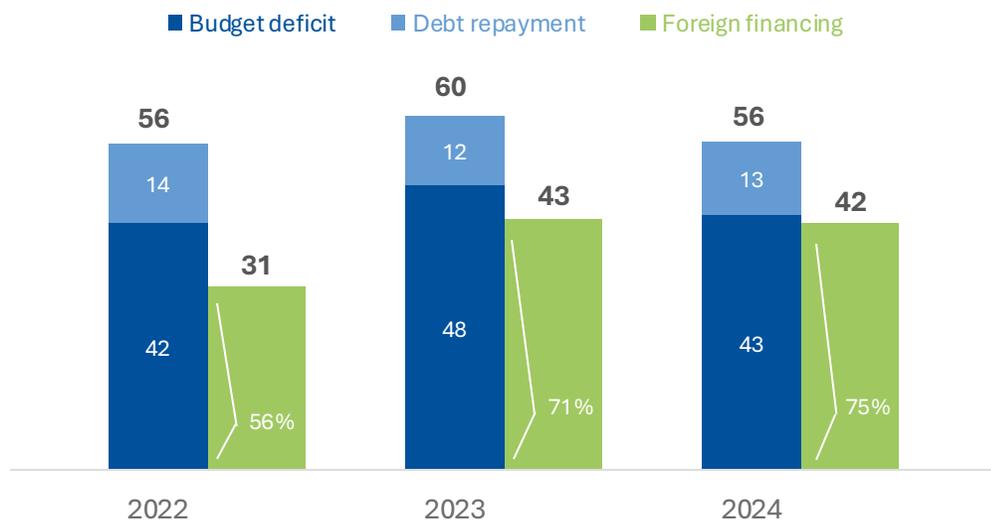
FOREIGN ASSISTANCE COVERED 75% OF NEEDS

Ukraine received \$41.6 bn of foreign budgetary financing in 2024

Ukraine went through 2024 with expected, adequate levels of foreign financing. The country entered 2025 in a better position than in the previous year thanks to the efforts of international partners to use the proceeds of frozen Russian assets.

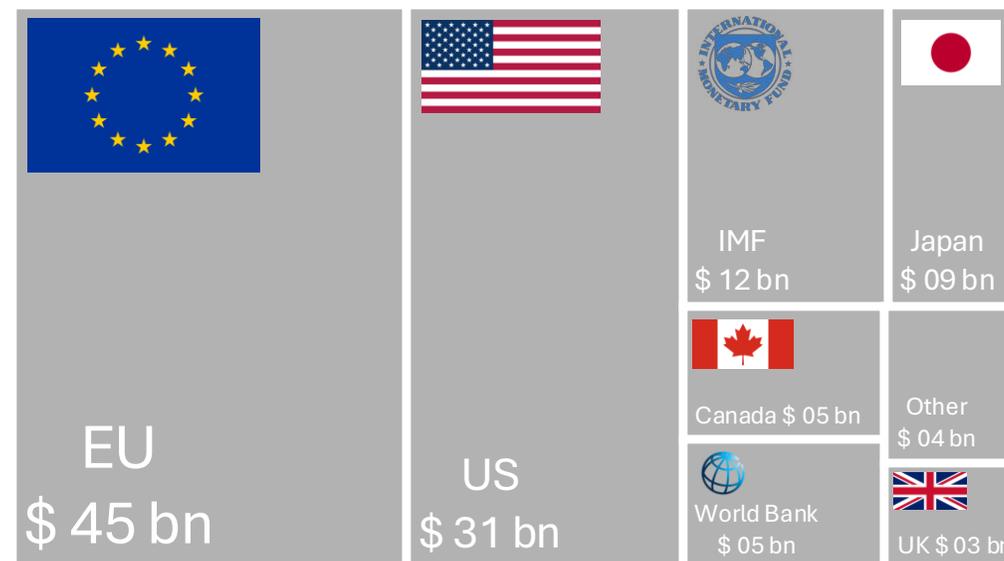
The EU remains the main provider of aid to the Ukrainian budget. While the US is still the main provider of military aid, Europe's greater involvement in budgetary support means greater budget stability for Ukraine in the face of the Trump administration.

State budget financial needs coverage by foreign financing, \$ bn



Source: Ministry of Finance, NBU, CES calculations

Foreign budgetary financing in 2022-2024 by source, \$ bn



Source: Ministry of Finance



German
Economic
Team

THANK YOU.

This text reflects the opinion of the authors and does not necessarily represent the views of the German Economic Team.