



## April Economic Review

Special topic: Does Ukraine have enough gas? Financing the upcoming heating season

Date: 17 April 2025

Authors: CES Team

Special topic: Oleksandr Kharchenko



# EXECUTIVE SUMMARY

# EXECUTIVE SUMMARY

- **Macroeconomic trends:** GDP grew by just 2.9% in 2024 — below all forecasts. Economic recovery continues, but momentum is fading. Business and consumer expectations remain positive. Ukrainians maintain optimism despite challenging geopolitical developments.
- **Monetary, FX, and banking sectors:** Inflation hits 14.6%, Key policy rate steady at 15.5%. Reserves up, hryvnia strengthens on lower demand. Hryvnia lending and deposit grow amid FX weakness.
- **Fiscal sector:** Historically high March revenues due to CPT from banks: The state budget received UAH 214 bn of taxes, adding 38% y-o-y. January expenditures are twice as high as last year as defense aid drives spending increase.
- **Sectoral analysis:** Cold spring leaves Ukraine reliant on electricity imports with fragile energy armistice at risk of breaking down. Daily metallurgy output falls in March. There are no preconditions for a repeat of last year's positive trend in Q2. The end of the Autonomous Trade Measures (ATM) by the EU in June as a major challenge for agri. In March, monthly exports of grains and oilseeds around 4 mt for the fourth consecutive month.
- **Special topic:** From self-sufficiency to heavy import dependence: Moscow regime terroristic attacks wreck Ukraine's domestic gas production capacity. Gas reserves at historic lows post-winter. Import reliance grows amid record-high infrastructure losses. Ukraine can import enough — if politics cooperates. A guaranteed capacity to receive gas from the EU is much higher than ~4.5 bcm needed. Up to \$3.5 bn needed for winter energy security: imports, infrastructure restoration, and production ramp-up require urgent funding.

**See our report below for further details.**

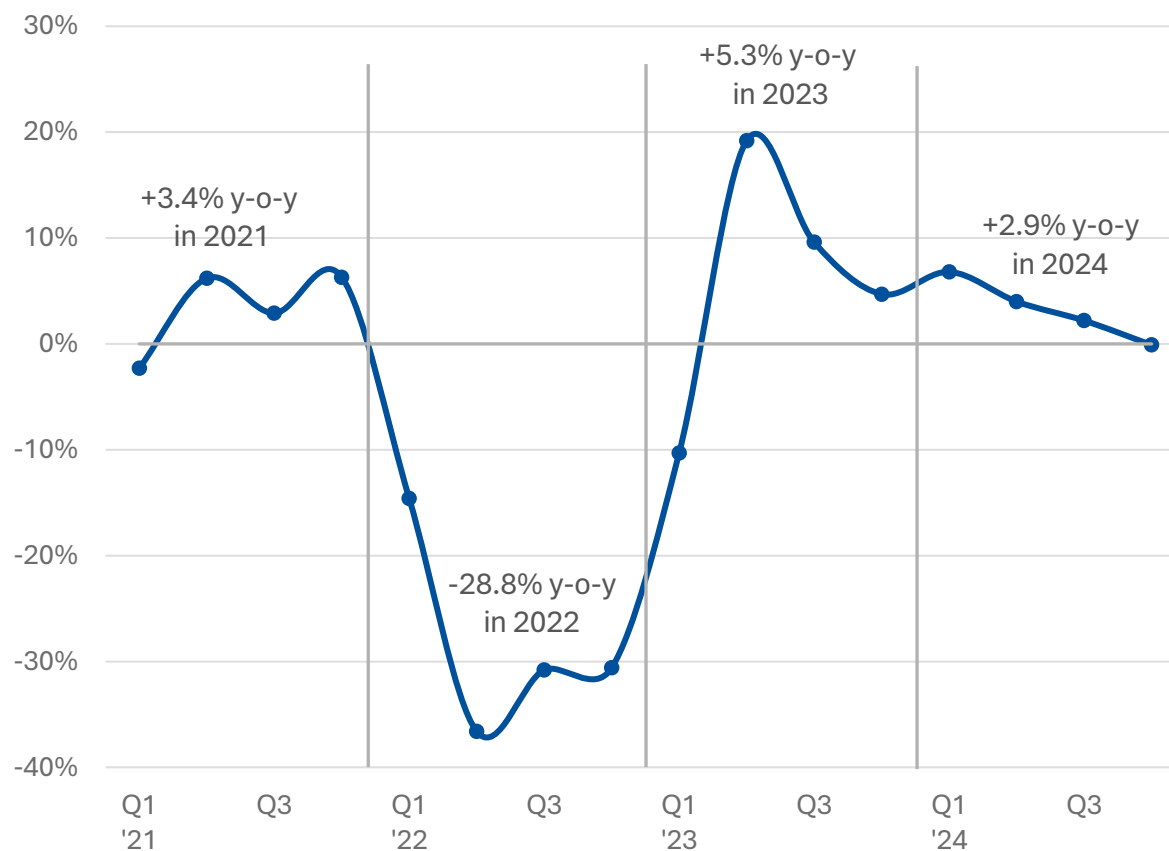


# MACROECONOMIC TRENDS

# GDP GREW BY JUST 2.9% IN 2024 — BELOW ALL FORECASTS

## Economic recovery continues, but momentum is fading

GDP growth (y-o-y) per quarter, %



Source: State Statistics Service of Ukraine

**In Q4 2024, real GDP declined by 0.1% y-o-y**, mainly due to a sharp drop in agricultural output following a poor harvest.

**Excluding agriculture, GDP growth accelerated to 3.3% y-o-y in Q4 2024**, according to Dragon Capital estimates.

**For the full year, real GDP grew by just 2.9%, falling short of official forecasts** from the Ministry of Economy (3.6%), the NBU (3.4%), and the IMF (3.5%).

**The pace of recovery was further hampered by Russian attacks on energy infrastructure**, which drove up energy costs.

According to Ukrainian officials, **domestic military production accounted for around one-third of GDP growth in 2024**.

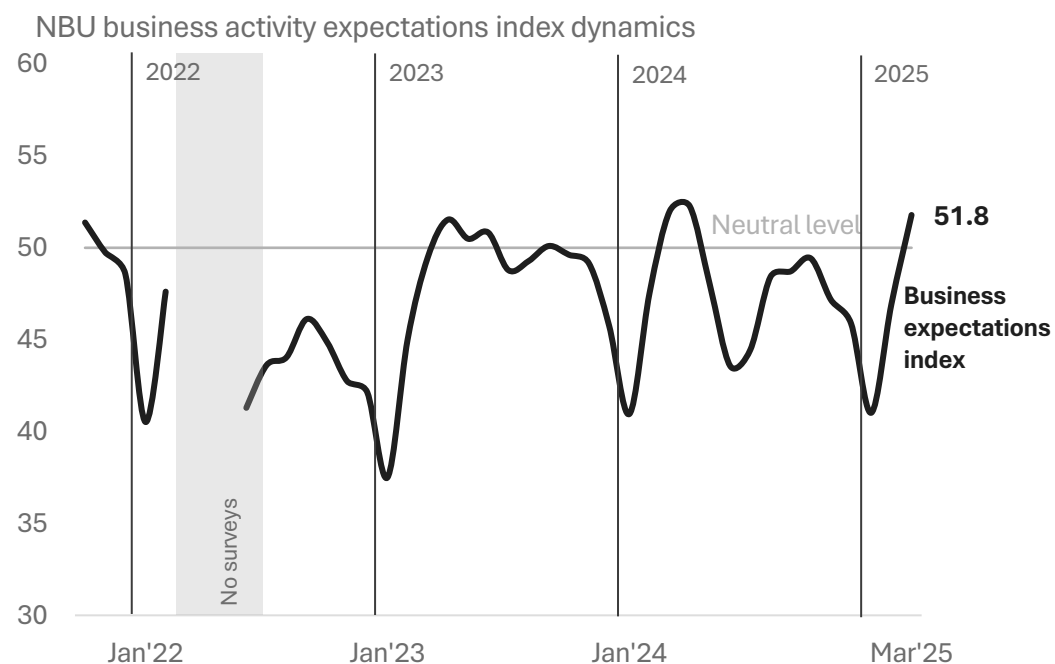
**Future growth will strongly depend on the security situation**, particularly the presence or absence of ceasefires.

# BUSINESS AND CONSUMER EXPECTATIONS IMPROVE

## Ukrainians maintain optimism despite challenging geopolitical developments

In March, the Business Activity Expectations Index rose to **51.8** — its first time above the neutral mark in 11 months — signalling growing business optimism. Confidence improved in trade, industry, and construction, while the services sector lagged due to labour shortages and rising costs.

Ukrainians' outlook turned positive again for the first time since summer 2023. While consumer expectations are subjective, they remain a valuable indicator of sentiment. The Current Situation Index — which, alongside expectations, forms the Consumer Confidence Index — has also been steadily improving.



Source: NBU

Consumers' economic expectations index by Info Sapiens

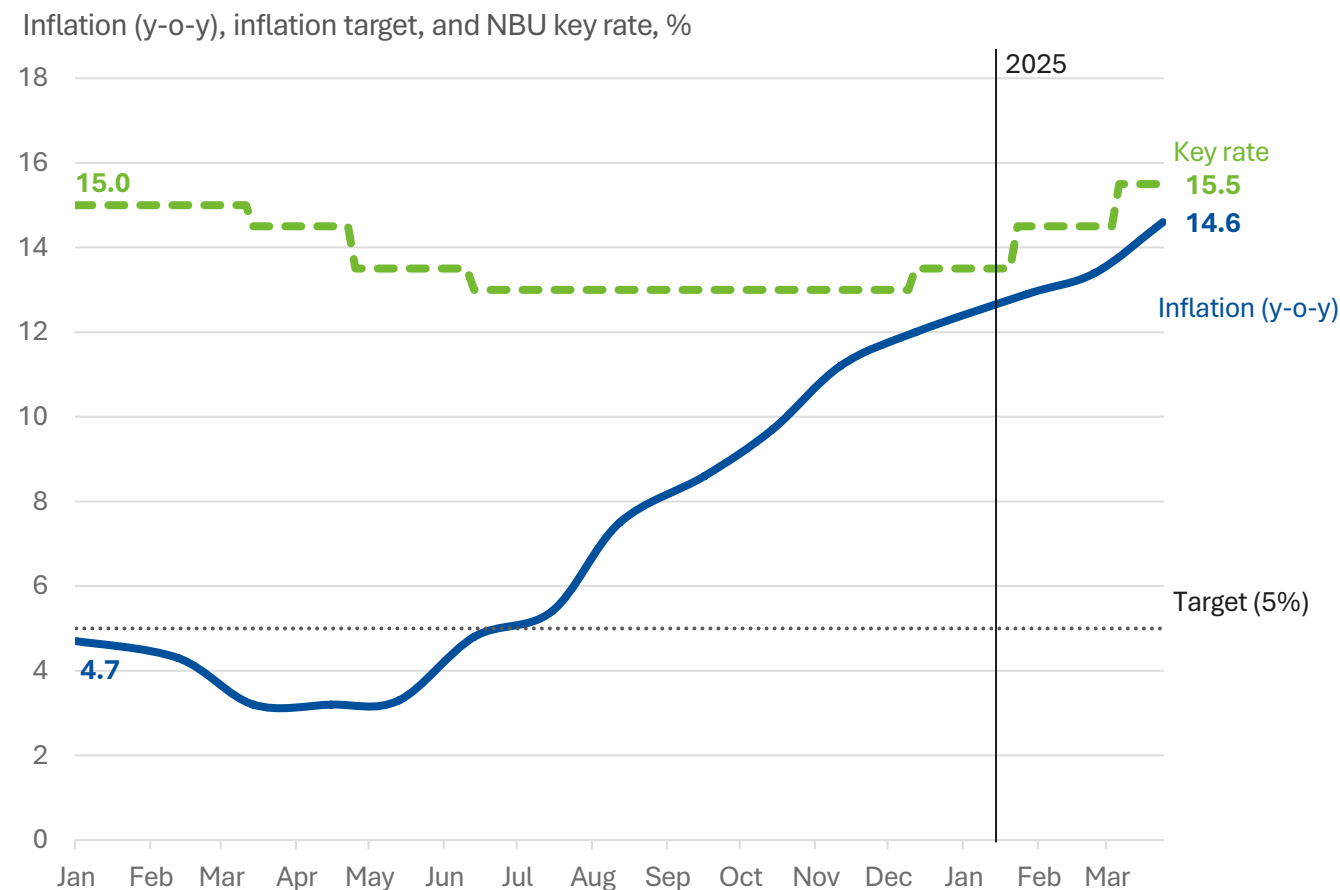


Source: Info Sapiens



# MONETARY, FX, AND BANKING SECTORS

# INFLATION HITS 14.6%, KEY POLICY RATE STEADY AT 15.5%



Sources: NBU and State Statistics Service

**The key policy rate stayed at 15.5%** to support hryvnia savings, ensure FX market stability, and anchor inflation expectations, with the goal of bringing inflation back to the 5% target.

**The full-scale invasion remains the main inflation risk.** Geopolitical uncertainty fuels war-related pressures such as higher defence spending, **energy infrastructure damage**, rising costs, migration issues, and labour shortages.

**In March 2025, inflation rose further to 14.6% y-o-y** (1.5% m-o-m), driven by higher prices for raw and processed food amid last year’s poor harvests, elevated business costs, particularly labour and energy expenses, and as well as continued strong consumer demand.

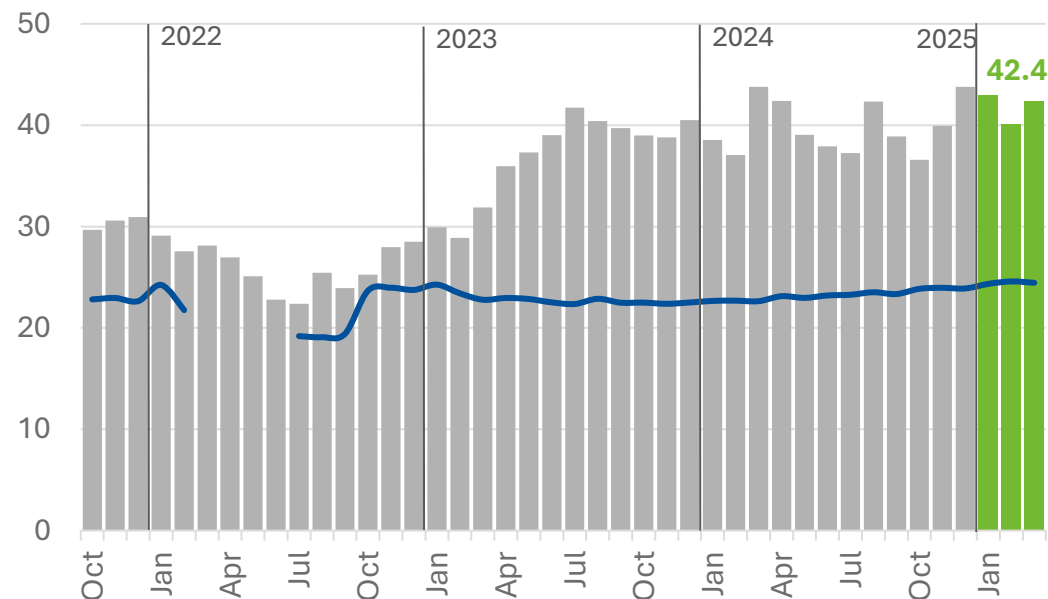
In March, **the steepest price hikes were seen in eggs** (+18.8% m-o-m), **footwear** (+13.8%), and **clothing** (+13.0%).

# RESERVES UP, HRYVNIA STRENGTHENS ON LOWER DEMAND

In March 2025, Ukraine’s international reserves rose by 5.6% to \$42.4 bn, enough to cover 5.2 months of imports — well above the minimum threshold of 3 months. This growth was driven by substantial inflows from international partners (\$6 m) and a decline in net FX sales by the NBU (\$2.7 m).

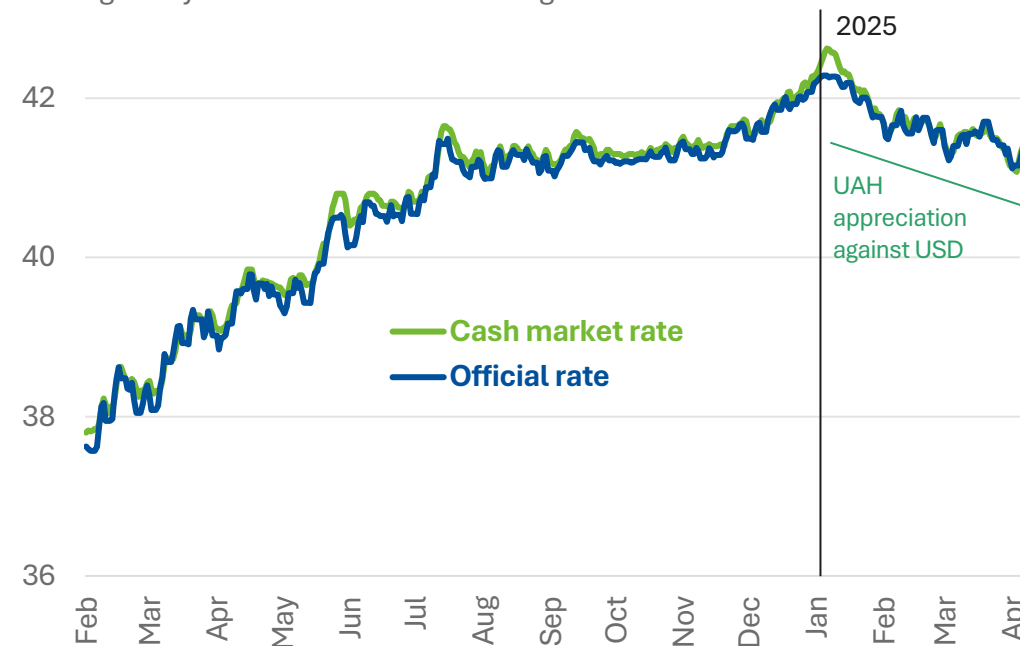
Net FX demand continued to decline in March as business supply increased, supported by steady exports and FX sales for tax payments. At the same time, household demand eased amid improved exchange rate expectations. As a result, the hryvnia strengthened, keeping the cash-official rate spread at 0.1%.

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

Average daily official and market exchange rates UAH/USD

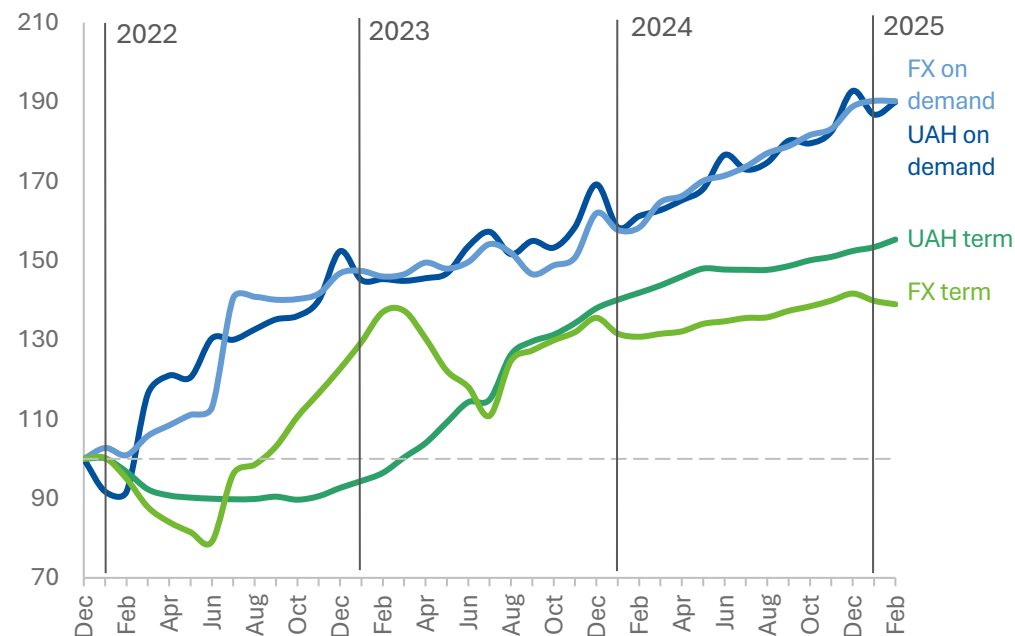


Source: NBU and minfin.com.ua

# UAH LENDING AND DEPOSIT GROWTH AMID FX WEAKNESS

In February 2025, household deposits kept rising across most categories. FX and UAH on-demand deposits both neared 190% of their December 2021 levels, showing strong demand for liquidity. UAH term deposits grew moderately, while FX term deposits slightly declined, reflecting caution toward long-term FX savings.

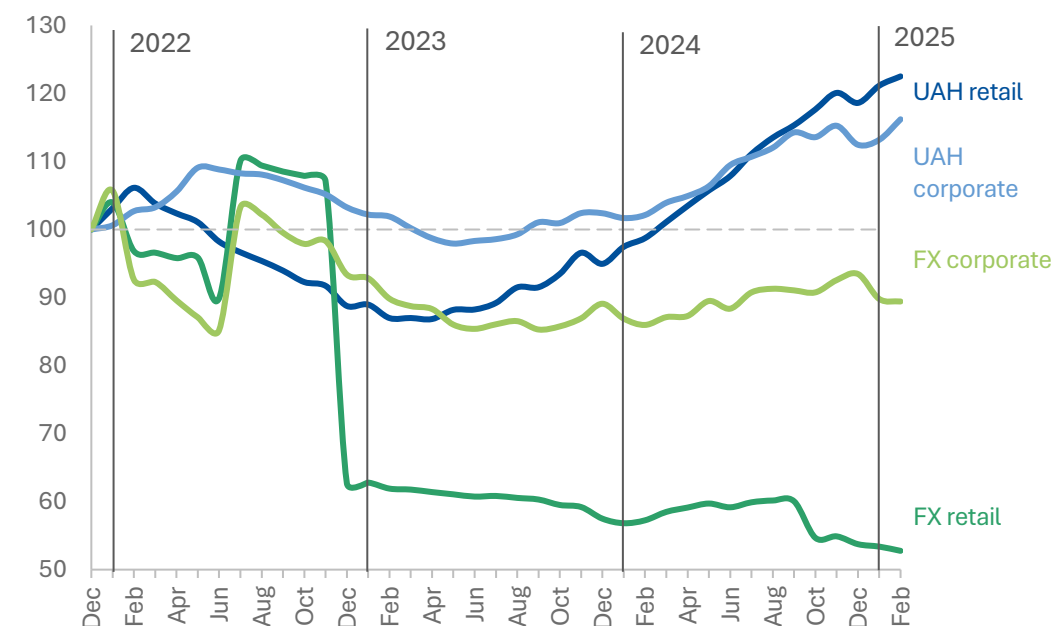
Household deposits by currency and maturity, index, December 2021 = 100



Source: NBU

In February 2025, UAH retail and corporate loans continued to grow, both surpassing pre-war levels, with retail loans leading the increase. FX corporate loans remained broadly unchanged, while FX retail loans dropped further, reflecting weak demand and tight lending standards. This underscores a steady rebound in UAH lending.

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



Source: NBU

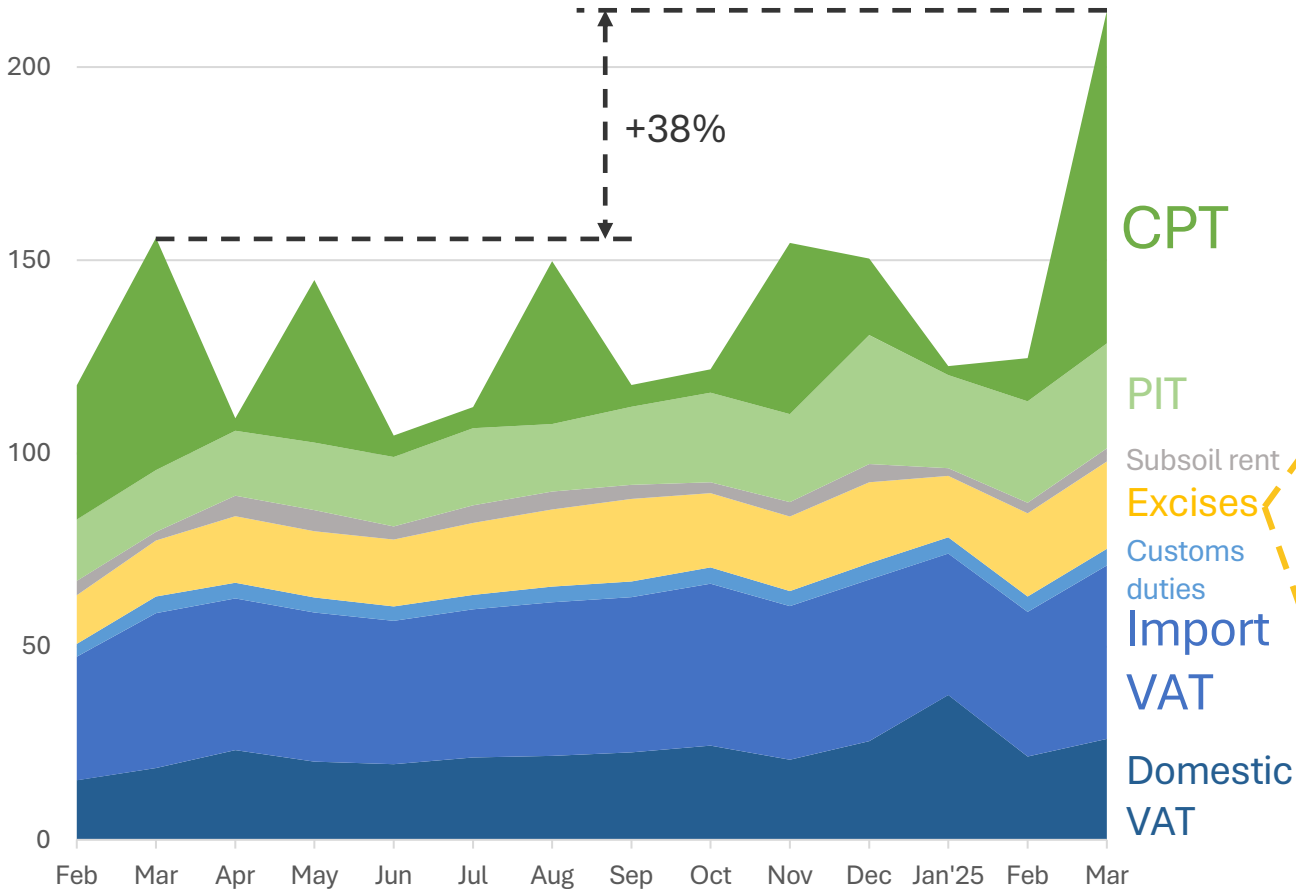


# FISCAL SECTOR

# HISTORICALLY HIGH MARCH REVENUES DUE TO CPT FROM BANKS

The state budget received UAH 214 bn of taxes, adding 38% y-o-y

General fund of state budget tax revenues, UAH bn

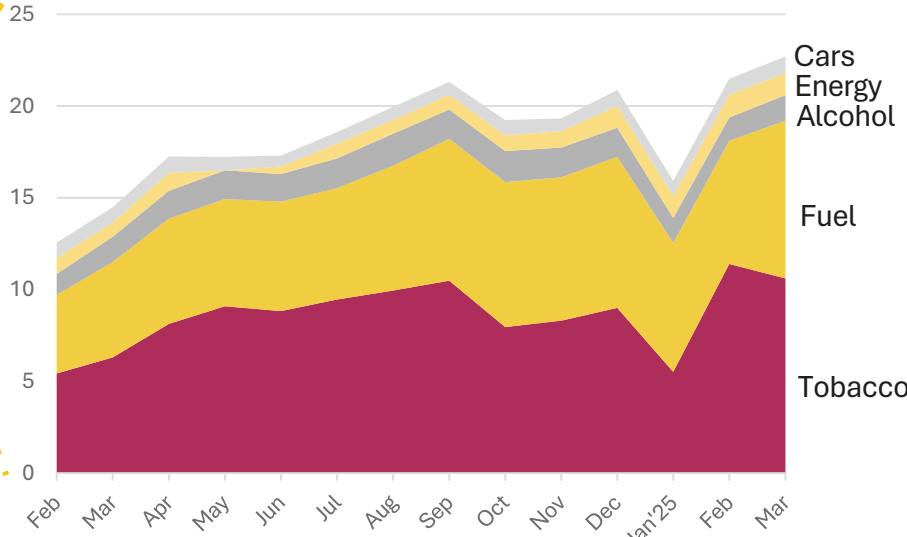


**Corporate profit tax (CPT)** contributed 40% of March tax revenues (86 bn, of which banks – 42.2, SOEs – 5.5, gambling – 2.2 bn)

**Domestic VAT** kept 40% y-o-y growth for the second month in a row, with strong gross revenues and moderate refunds.

**Excise taxes** grew 56% y-o-y, +91% in last 12m to prev. The tobacco excise rise finally signed by the President.

Excise revenues, UAH bn

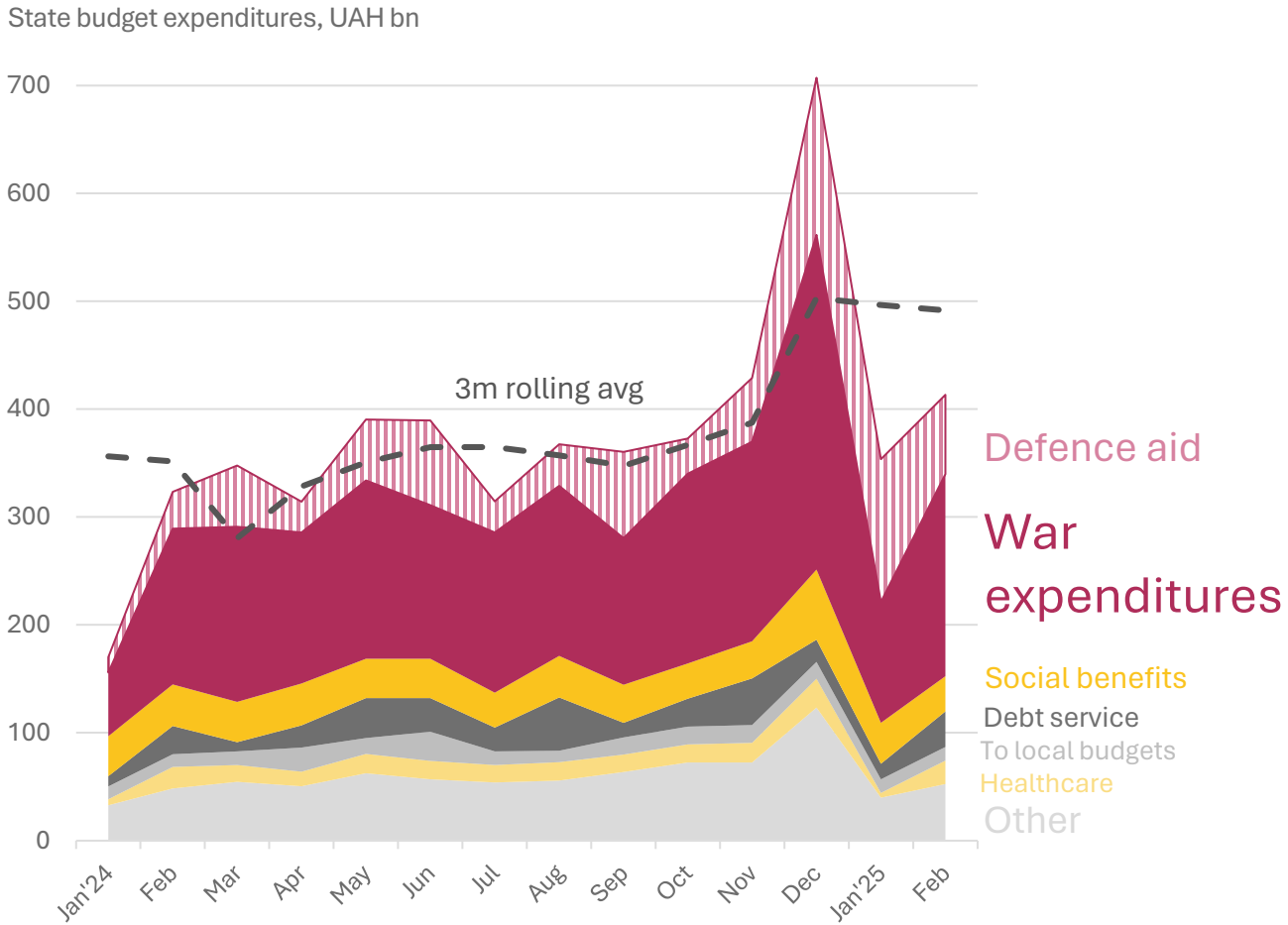


Source: Ministry of Finance. Note: based on the Treasury’s preliminary budget data released by the MoF

Source: OpenBudget, CES calculations

# JANUARY EXPENDITURES ARE TWICE AS HIGH AS LAST YEAR

## Defense aid drives spending increase



In January 2025, total state budget expenditures reached UAH 354 bn — more than double the amount recorded in the same period of 2024, which stood at UAH 170 bn.

The largest increase was in defence aid, which rose to UAH 132 bn in January 2025, up from just UAH 14 bn in the same period of 2024. War-related expenditures funded from the state’s own resources also grew significantly — by 90% in nominal terms — from UAH 59 bn in 2024 to UAH 112 bn in 2025.

Debt servicing rose by 52% in January, while other expenditures remained largely unchanged.

In February, total expenditures were 28% higher than in February 2024. The largest increase again occurred in defence aid, which more than doubled in nominal terms (+116%). In contrast, social spending was 15% lower than during the same period last year.

Source: OpenBudget, CES calculations.

# SECTORAL ANALYSIS

# COLD SPRING LEAVES UKRAINE RELIANT ON ELECTRICITY IMPORTS

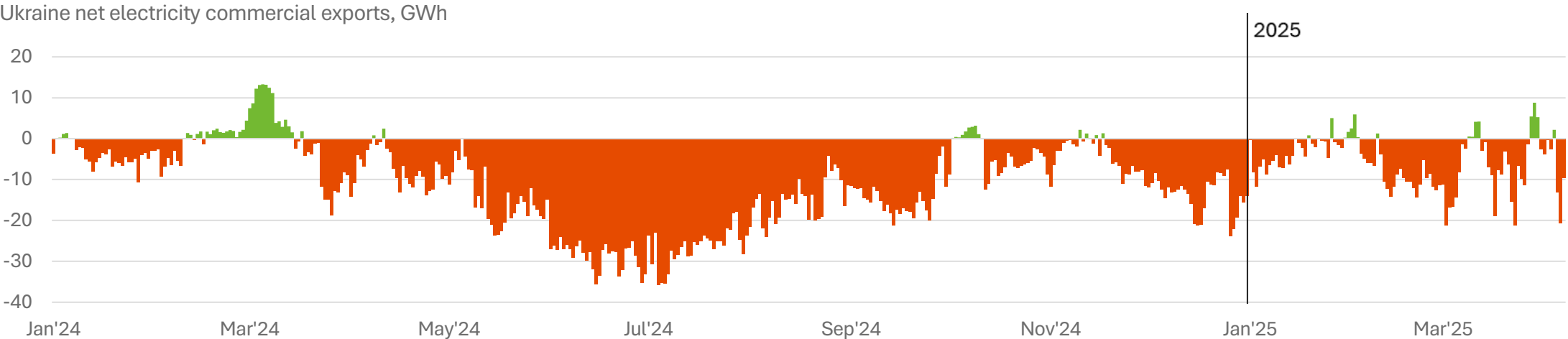
## Fragile energy armistice at risk of breaking down

**Net electricity imports in March decreased by 9% to 195 GWh.** Due to weather variability this spring, the pace of foreign electricity trade is disrupted. On 2 and 23 March, daily net imports exceeded 21 GWh, while on warm days Ukraine returned to electricity exports. On 29 March, daily net exports amounted to 8.8 GWh, the highest daily figure for the last year.

At the beginning of April, **Ukraine experienced frosts** that were atypical for this period, resulting in net electricity imports of 48 GWh in the first week alone. Subsequent warming reduced the deficit in the grid and the need for imports.

On 7 March, **Russia launched a combined attack** on Ukraine's electricity and gas infrastructure. Naftogaz of Ukraine and DTEK reported damage to their facilities.

In the second half of March, a **temporary suspension of attacks on energy facilities** was announced, but the parties disagree on the specific details and dates of such agreements. Ukrainian authorities report 30+ violations since March 25.



Source: ENTSO-E

# DAILY METALLURGY OUTPUT FALLS IN MARCH

There are no preconditions for a repeat of last year's positive trend in Q2



Source: Ukrmetallurgprom

**The US tariff war** has had limited impact on Ukrainian metals & mining sector, which has been subject to a 25% duty rate since March.

The **contribution of the mining and metals sector**, including supply chains, to **Ukraine's GDP** increased to 7.2% in 2024 after 5.7% in 2023. However, this positive trend has very little chance of continuing.

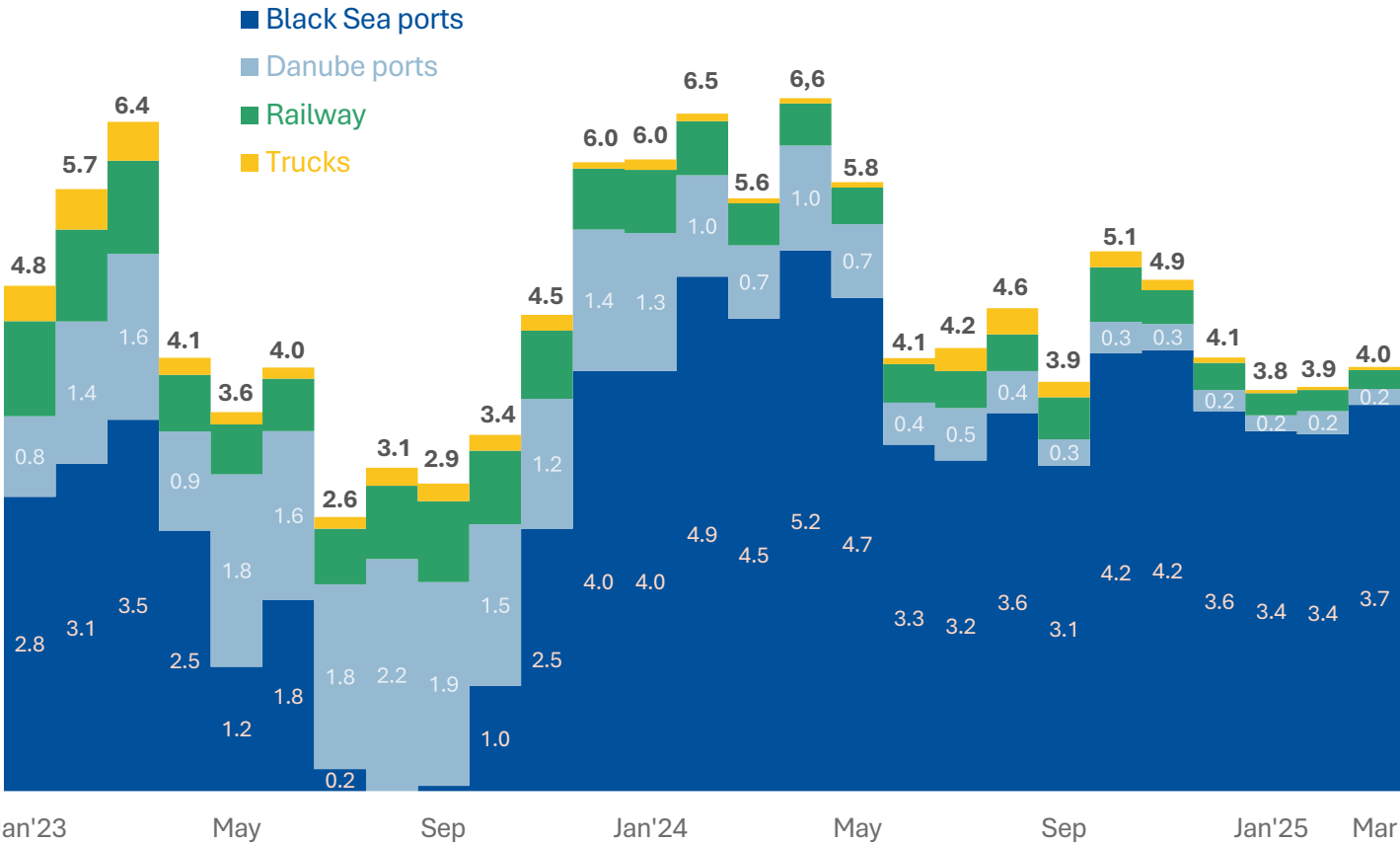
In March, Ukraine's pig iron production increased by 3% m-o-m to 563 kt, steel production fell by 4% to 550.5 kt, and rolled products production increased by 2% to 487 kt. Given that there were 3 more working days in March than in February, we note **a drop in average daily output for all major products**.

**Global iron ore prices fall under \$100/t in April.** Prices for most metallurgical products are also experiencing negative dynamics.

# THE END OF THE ATM IN JUNE AS A MAJOR CHALLENGE FOR AGRI

## Monthly exports of grains and oilseeds around 4 mt for the fourth consecutive month

Exports of grain and oilseeds by transport and total, mt



Source: Dragon Capital estimate

The European Union does not plan to extend the Autonomous Trade Measures (ATM) granted to Ukraine after Russia's full-scale invasion for the period until 5 June 2025. Ukrainian government announced talks with the EU on amending the Association Agreement to allow Ukrainian products to continue to enter the European market.

The result of the Ukrainian delegation's talks in Brussels in early April was that there would be no return to pre-war trade terms, but a compromise that will be agreed shortly.

Grain and oilseed exports in March grew by 5% m-o-m to reach 4 mt for the first time in 2025. Total agricultural exports in March totaled 5.4 mt and \$2.1 bn in value, 58% of total exports. Corn (\$514 m) and sunflower oil (\$503 m) accounted for a half of agricultural exports.



# UKRAINE'S GAS SITUATION:

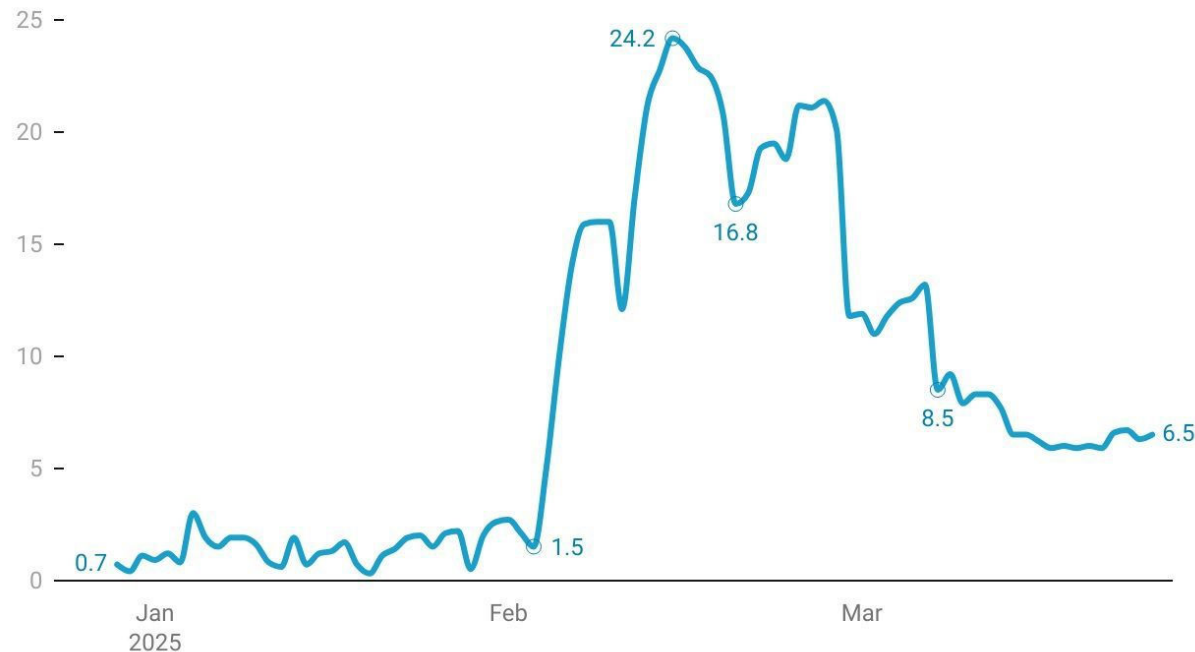
Navigating infrastructure losses, import dependence & energy security challenge

Special topic by Oleksandr Kharchenko,  
EIRCenter Managing Director

# FROM SELF-SUFFICIENCY TO HEAVY IMPORT DEPENDENCE

## Moscow regime terroristic attacks wreck domestic gas production capacity

### Gas imports to Ukraine in 2025, mcm/day



Created with Datawrapper

- **Up to 40% of domestic gas production capacity was disrupted in early 2025.**
- 40-50 % of damaged equipment is available for fast-track restoration.
- Due to specialized equipment and logistics, another part of capacity restoration may take 6–18 months.
- **Ukraine must import at least 4–4.5 bcm of gas.**
- Cost estimated at \$2–2.5 bn amid volatile markets.

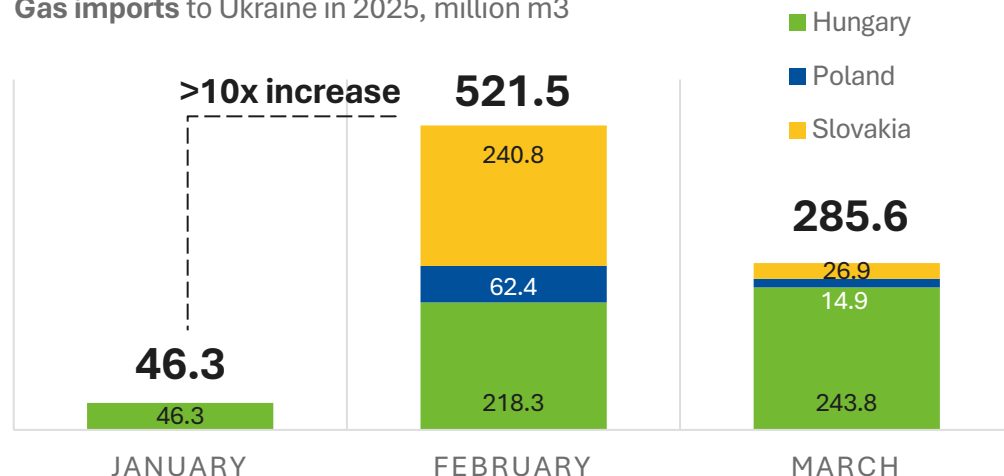
# GAS RESERVES AT HISTORIC LOWS POST-WINTER

## Import reliance grows amid record-high infrastructure losses

- Only 5.65 bcm in storage by April 4.
- Reserve levels are 30% lower than average, less than needed for a cold start.
- February 2025 saw a 10x increase in imports compared to January.
- Import fell in March due to warming, but demand is set to rise again by Oct.

- The most damage was in eastern Ukraine, affecting “UkrGasVydobuvannia.”
- Daily production is down to 37–42 mcm from 55 mcm pre-war.

Gas imports to Ukraine in 2025, million m3



## Gas volume in Ukrainian storages at the end of the heating season

Year	Volume (bcm) *
2022	7.7
2023	9.0
2024	8.0
2025	5.65

\*Official figures unavailable. Based on historical data and industry reports

# UKRAINE CAN IMPORT ENOUGH — IF POLITICS COOPERATES

A guaranteed capacity to receive gas from the EU is much higher than ~4.5 bcm needed

Border Point	Guaranteed Capacity (mcm/day)	Interruptible Capacity (mcm/day)
Budince (SK)	42	–
VIP-PL-UA (PL)	5.15	7.75
VIP Bereg (HU)	9.76	82.54
Isaccea-Orlovka (RO)	11.5	–

\*Reverse flow from Uzhhorod – Veľké Kapušany (SK) is currently unavailable due to the absence of transit.

## External factors do not limit commercial capabilities to buy and pump gas

### Risks:

- 💰 Price volatility.
- 🌐 European market pressure.
- 🛑 Geopolitical chokepoints.

### Mitigation:

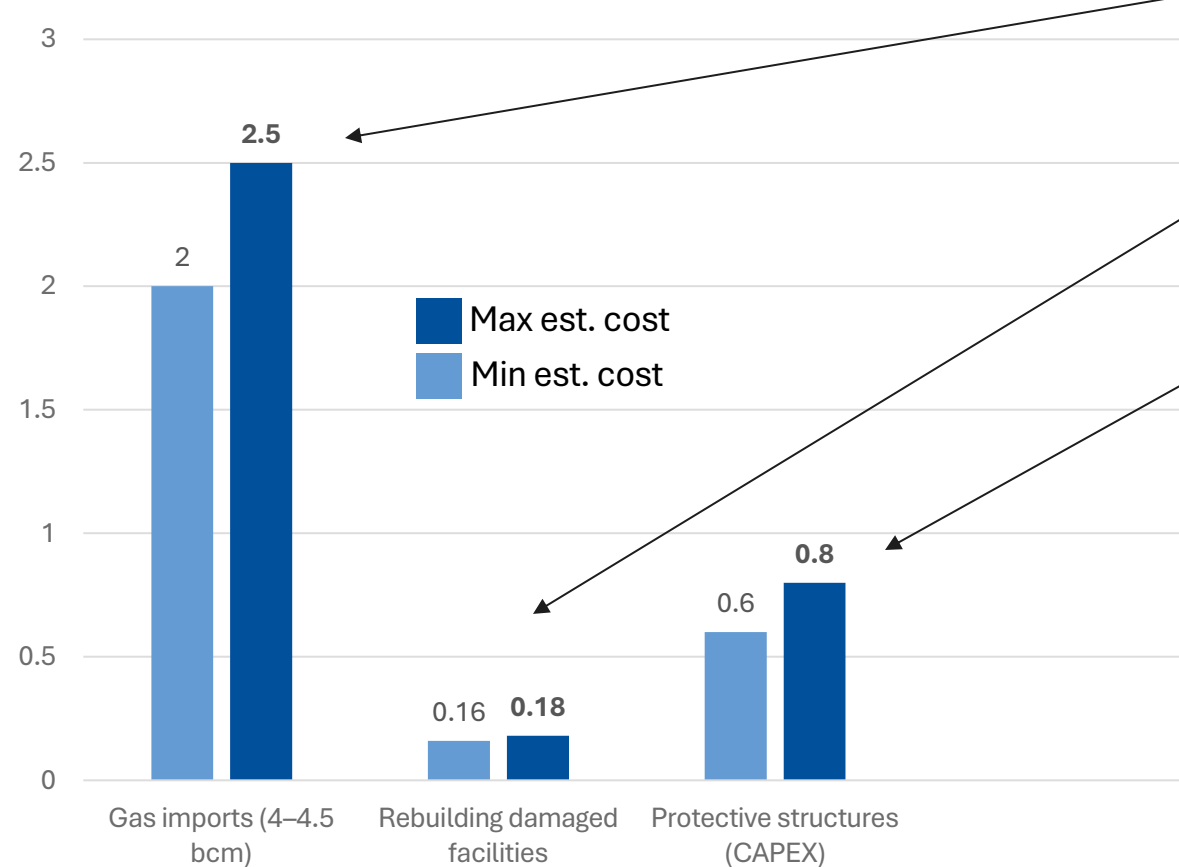
- Diversify sources (LNG, pipe, hub purchases).
- Contract during price dips.
- Engage allies to protect access.

**The first deal: Naftogaz signed a contract with Orlen (pilot project) to buy 100 mcm via LNG through Klaipeda (Lithuania).**

# UP TO \$3.5 BN NEEDED FOR WINTER ENERGY SECURITY

## Imports, infrastructure restoration, and production ramp-up require urgent funding

Naftogaz Group money needs 2025-26 heating season preparation, \$ bn



**Gas import will be the biggest cost driver.** Ukraine must secure 4–4.5 bcm amid volatile EU prices, requiring up to \$2.5 billion.

**Infrastructure recovery needs fast investment.** Rebuilding war-damaged production assets requires \$160–180 million.

**Protective shelters are critical and capital-intensive.** These will cost \$600–800 million and need external funding.

**The inefficient trading strategy of Naftogaz can push prices in EU gas markets up** and increase import funding needs.

**Public Service Obligations (PSO): Naftogaz's revenues fluctuate based on compensation received.** Delays in PSO compensation affect liquidity and can create significant problems in attracting funding.

Source: EIRCenter

22



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.*