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UKRAINE'S BUDGET RESILIENCE OVER THREE YEARS: ROLE OF INTERNATIONAL SUPPORT

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MACROECONOMIC INDICATORS

MACROECONOMIC INDICATORS

The economic growth did not meet expectations

Budget Planning Assumptions: The 2022 budget did not anticipate a full-scale invasion, so defence and security spending became the major expenditure and took all of state own revenues.

In 2023, planning improved, with expectations of continued external aid and less monetary financing.

The 2024 budget assumed reduced security risks mid-year, expecting recovery, lower war spending, and higher revenues.

The plan for budget 2025 considers war risks ongoing till the end of the year.

Economic Growth: Real GDP dropped by 28.8% in 2022 due to war-related destruction and migration. It grew by 5.3% in 2023, aided by external support, but recovery remained partial.

In 2024, growth slowed to 3.4%, hindered by labor shortages, weak demand, and poor harvests.

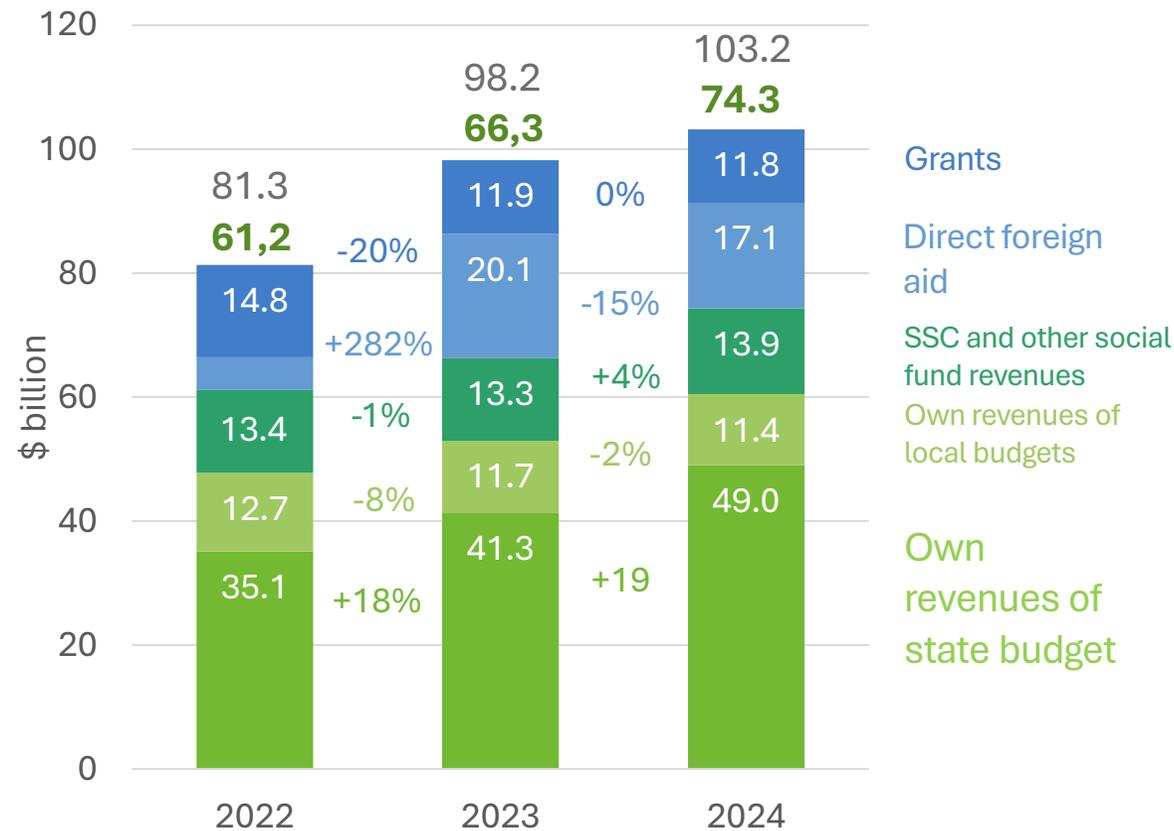
Macroeconomic indicators	2022	2023	2024	2025 forecast
Nominal GDP, billion UAH	5239	6628	7720	8466
Nominal GDP, \$ billion	162.0	181.2	192.3	188.1
Real GDP, % change y-o-y	-28.8	5.5	3.4	2.7
Consumer prices, % change, y-o-y December	26.6	5.1	12.0	9.5
Consumer prices, % change annual average	20.2	12.9	6.5	9.7
Exchange rate, UAH to USD (annual average)	32.3	36.6	40.2	45.0
Nominal wages, % change, annual average	6.0	17.4	22.0	-
Real wages, % change, annual average	-11.4	3.7	14.4	8.1
Exports of goods and services, \$ billion	57.5	51.3	56.1	57.2
Imports of goods and services, \$ billion	83.3	89.2	91.8	97.9

REVENUES



REVENUES

Own revenues are not enough



Sources: OpenBudget, CES calculations

- **Total revenues** in 2022-2024 averaged 52.7% of GDP. In 2023, the share of revenues as a percentage of GDP increased compared to 2022, and in 2024 it fell again.
- Since the beginning of the war, international aid to the budget has increased significantly. Therefore, starting in 2022, **own revenues** account for a decreasing share of total revenues. On average, over the past three years, own revenues accounted for 71.6% of total budget revenues.
- **International aid** in the budget consists of grants and direct assistance to the own revenues of budget entities (OBRE). The largest amount in nominal and relative terms was received in 2023.
- Own revenues has grown by **23%** in 2024, while support has fallen by **1%** in nominal terms.

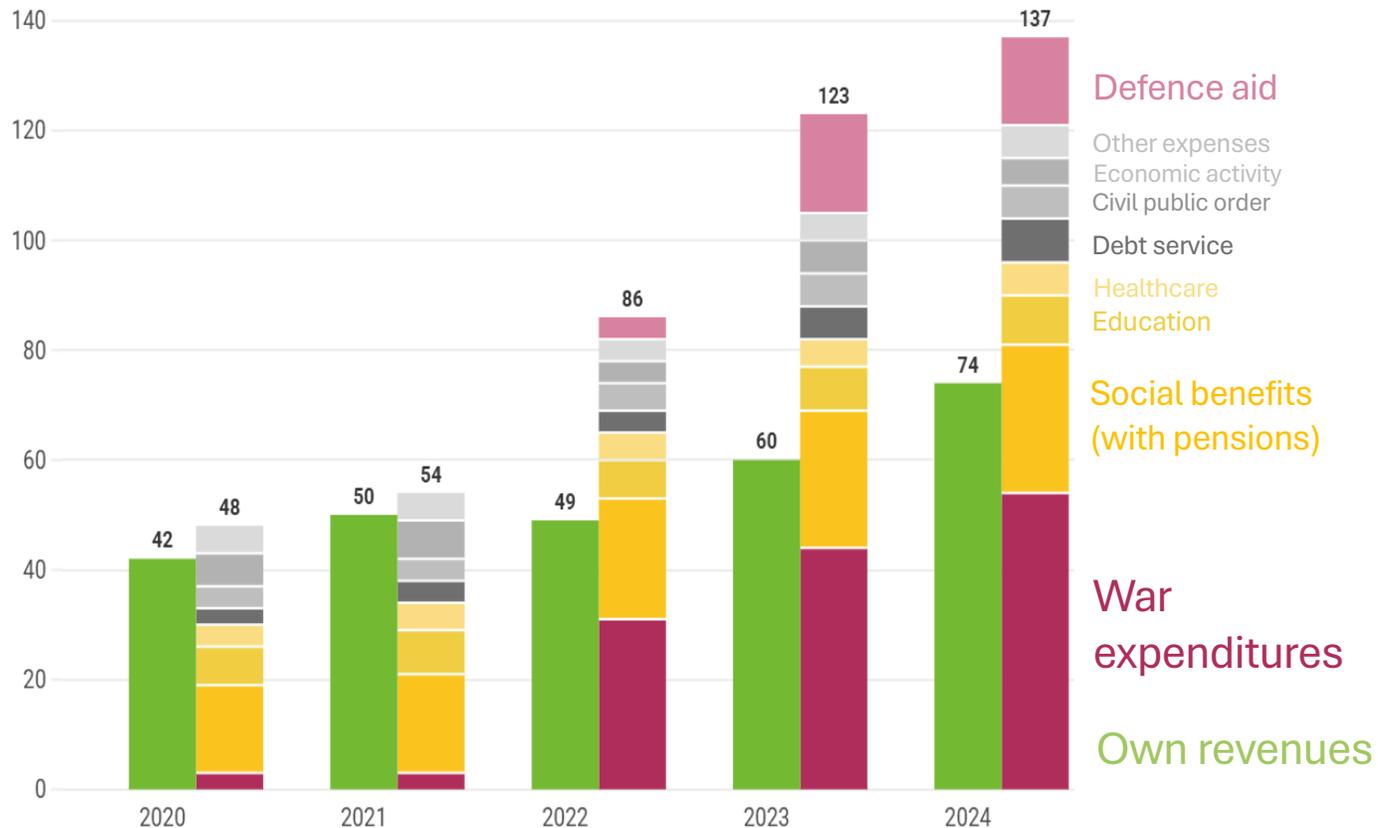


EXPENDITURES

EXPENDITURES

War needs as a top priority

The structure of general government budget expenditures over the past 5 years,
\$ bn



Sources: OpenBudget, CES calculations

- **Total expenditures** averaged 71% of GDP in 2022-2023. The largest amount in relative terms was spent in 2023 - 74% of GDP.
- The main area of expenses is **war expenditures**, which includes not only defense expenditures, but also security, some social and economic expenditures.
- Own revenues used for the **war needs**: in 2022, almost 24% of GDP, in 2023 - 27% of GDP, and in 2024 - 28% of GDP. The war expenditures were also covered by defence aid - 7% of GDP on average over the three years.
- **Social and other expenditures** were practically frozen at pre-war levels. On average, 15% (\$27 bn) of GDP was spent on social benefits and pensions in 2022-2024, the same as in 2020.



DEFICIT AND FINANCING

DEFICIT

Real deficit is much bigger than official

- The **official state budget deficit** reached 18% of GDP in 2024. This is almost 1.9% higher in nominal terms than the deficit was in 2023. However, adjusted for inflation, the deficit has even slightly decreased.
- The **adjusted deficit** includes the official deficit as well as support in the form of grants and direct aid, which are de facto deficit financing. It was **32.5%** of GDP, which is 5.3 pp. less than in 2023.

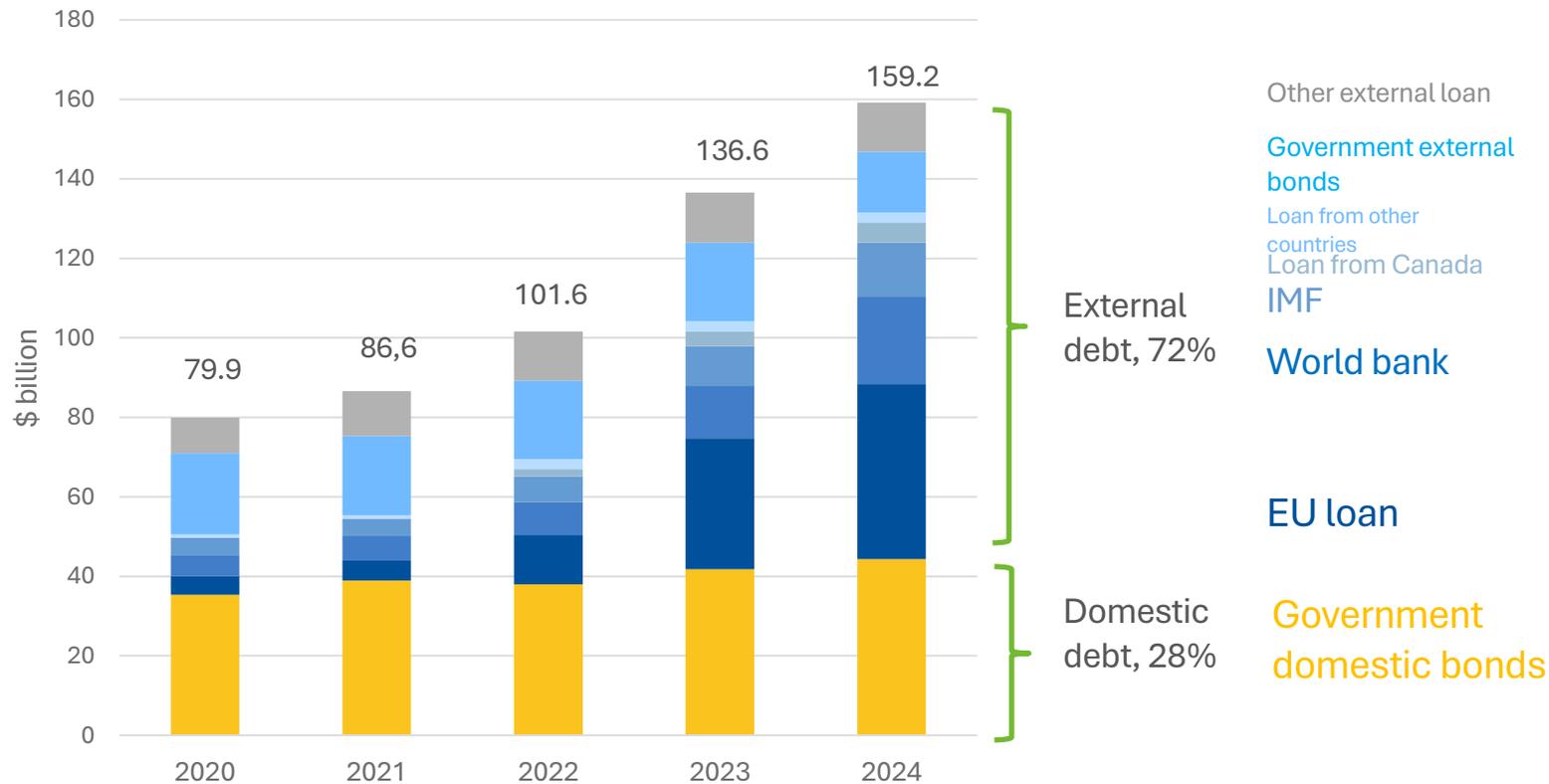
Funding needs			Funding sources		
	\$ billion	% GDP		\$ billion	% GDP
A. . Official state budget deficit	33.8	17,6%			
B. Grants in revenues	11.8	6,1%	A. Grants	11.8	6,1%
C. Direct aid in ORBE	16.9	8,8%	B. Direct aid in ORBE	16.9	8,8%
D. Adjusted implied budget deficit, including grants and aid (D=A+B+C)	62.6	32,5%			
E. External debt repayment	18.1	9,4%	C. External borrowing	47.3	24,6%
			+ Adjustments for external liabilities	-0.5	-0,3%
F. Domestic debt repayment	9.5	5,0%	D. Domestic borrowing	15.9	8,3%
			E. Privatization	0.2	0,1%
			F. Financing of active operations	-1.5	-0,8%
G. Total funding needs (G=D+E+F)	90.2	46,9%	G Total funding sources (G=A+B+C+D+E+F)	90.2	46,9%

Sources: OpenBudget, CES calculations

DEBT

Public and publicly guaranteed debt amounted \$166.1 billion

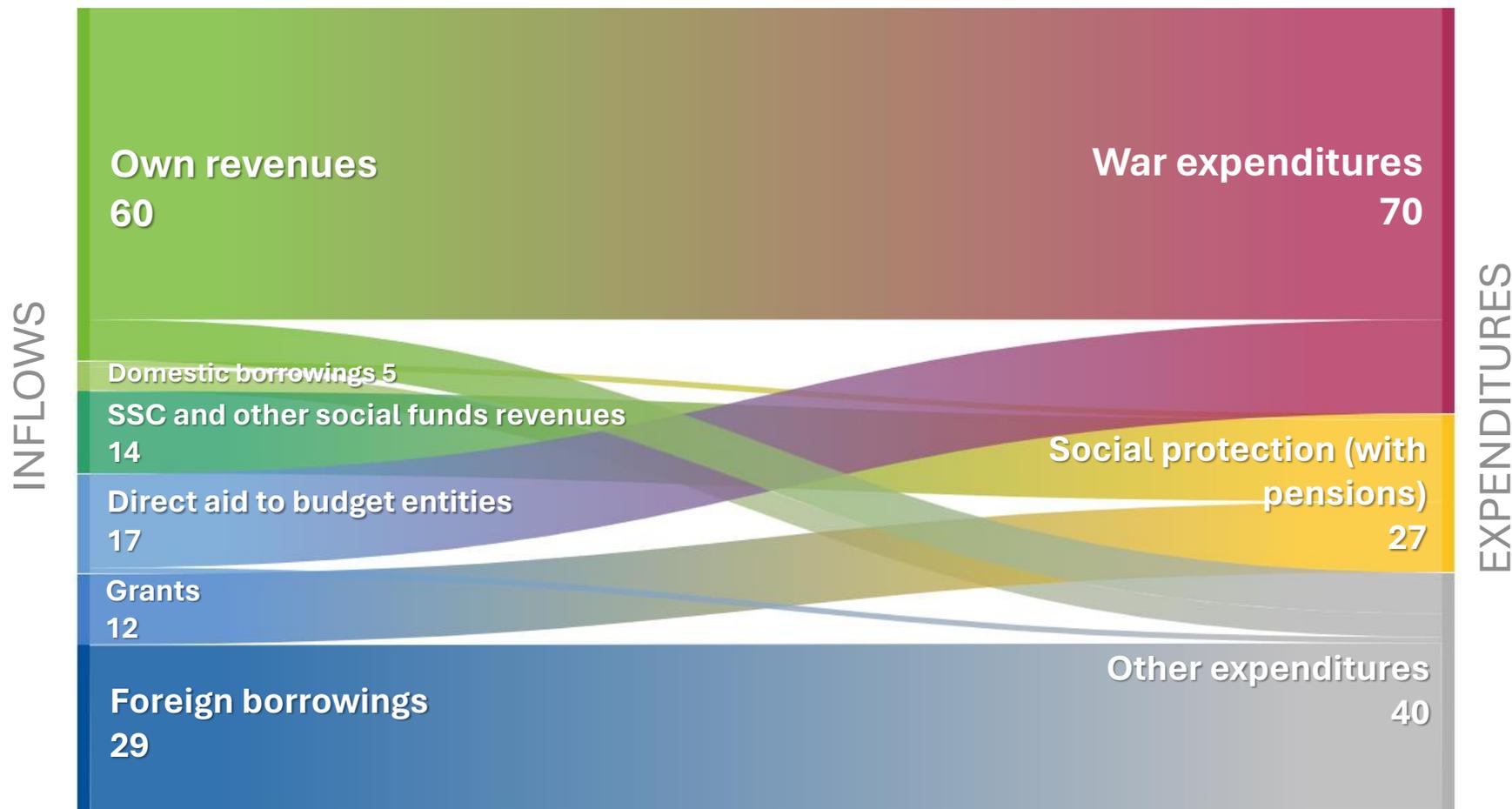
The structure of Ukraine's public debt in \$ billion



In 2024, the amount of **public and publicly guaranteed debt** increased to UAH 6.98 trillion, **\$166.1 billion**, or 90.4% of GDP. In 2023 it was 84% and in 2022 – 78%.

MOST OF THE OWN REVENUES – ON WAR

Approximate breakdown of the GGS budget flows in 2024, \$ billion



In 2024, fiscal policy **adapted to the military conditions** and remained largely unchanged from 2023 at the budget level, with **over half (51%)** of the budget allocated **to defense and security**. Social spending accounted for nearly 20%, while debt servicing took 5.6%, leaving limited funds for other needs.

*On average exchange rate UAH 40.15/\$1.

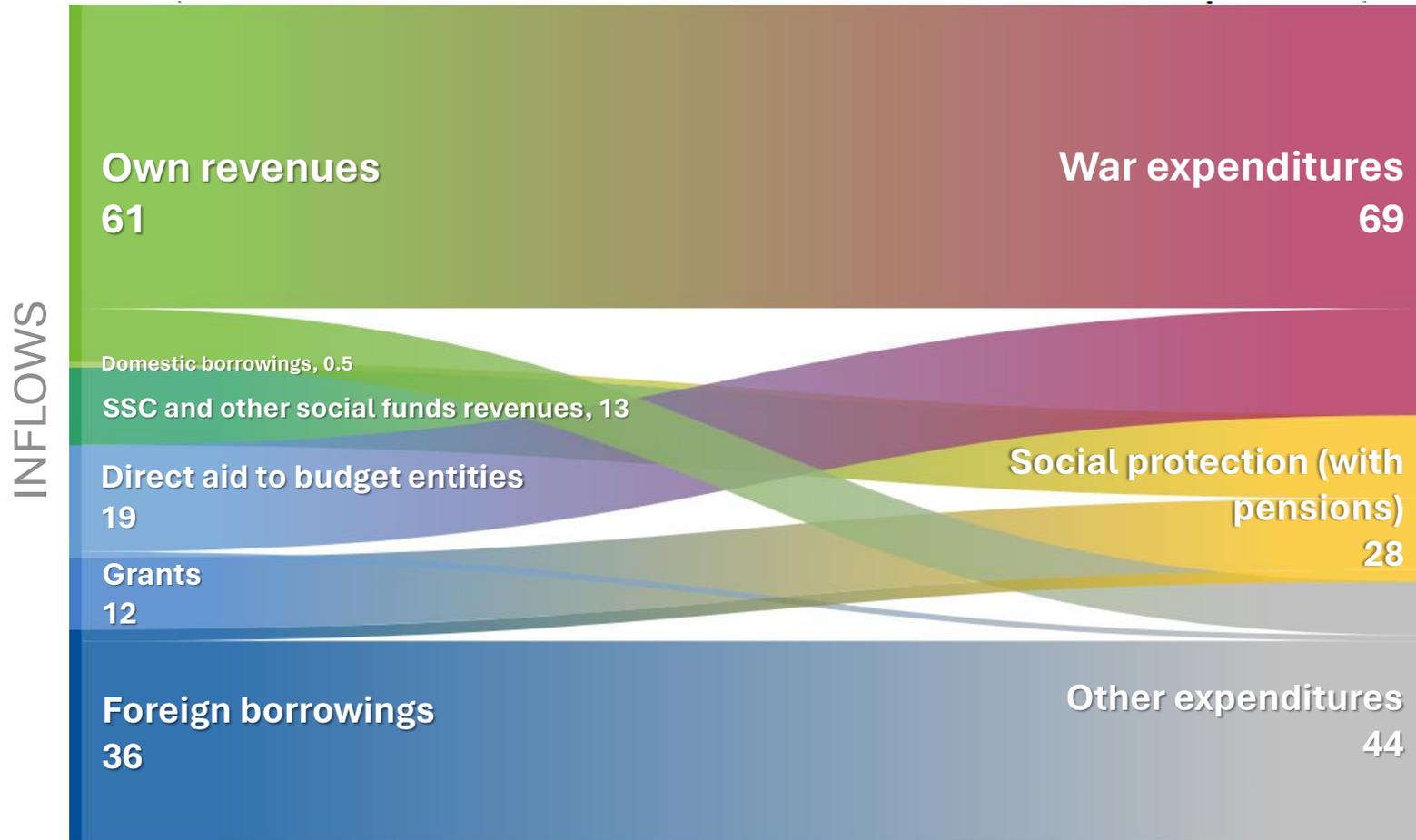
Sources: OpenBudget, Ministry of Finance, CES calculations

BUDGET IN 2025



BUDGET 2025: POSITIVE SCENARIO

Approximate breakdown of the GGS budget flows in 2025: positive scenario, \$ billion



Assumptions:

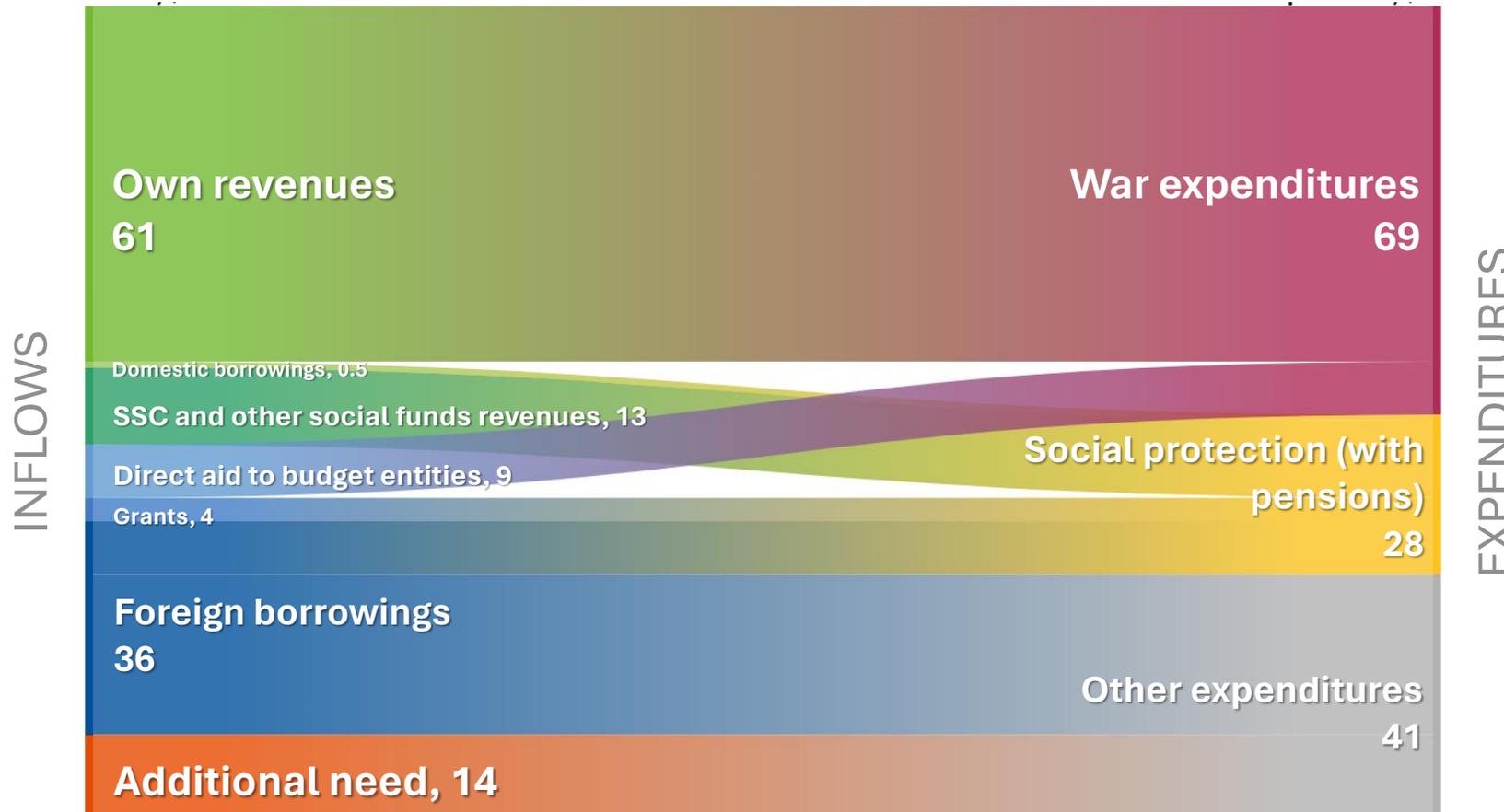
- Own revenues and borrowings are at the planned level;
- Expenditures in 2025 will be at the average level as for 2023-2024;
- Grants in 2025 will be at the average level as for 2023-2025;
- USA keeps giving financial and military aid;
- As in positive scenario we might have surplus of sources, we increased other expenditures by this amount.

*On average exchange rate UAH 45/\$1.

Sources: CES calculations, OpenBudget, Ministry of Finance

BUDGET 2025: NEGATIVE SCENARIO

Budget of general government sector in 2025, negative scenario, \$ billion



Assumptions:

- Own revenues and borrowings are at the planned level;
- Expenditures in 2025 will be at the average level as for 2023-2024;
- USA stops any bilateral support, including direct military, humanitarian aid, grants;
- Despite USA stopped military support, the expenditures on war remain the same as it would be with US military support.

*On average exchange rate UAH 45/\$1.

Sources: CES calculations, OpenBudget, Ministry of Finance