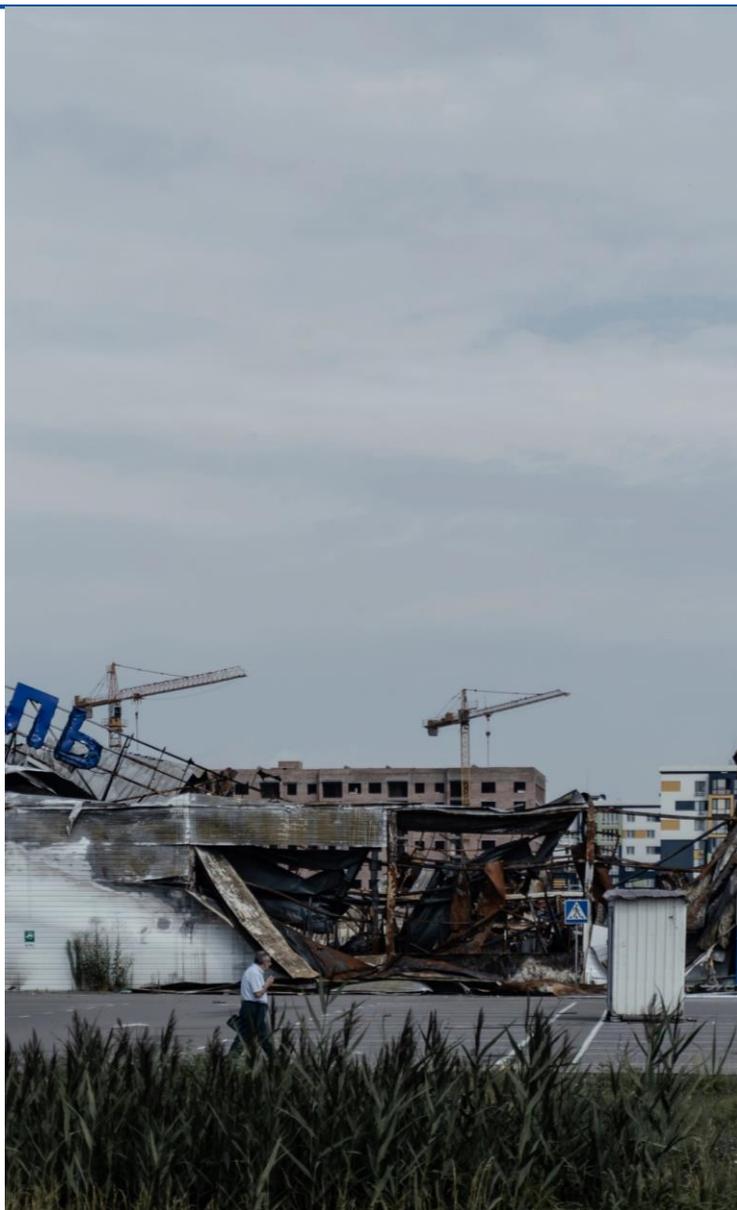




# Ukraine's budget resilience: uncertainty holds

Date: 18/08/2025

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# Economic and war challenges

# Economic and war challenges

## Development remain uncertain

**Economic growth is expected to slow in 2025.** The budget for 2025 included a limited growth rate of +2.7%, but the NBU's April forecast shows growth of +3.1%, although this is still lower than in 2024.

In 2026, the Government is considering **two scenarios**, which is a novelty in budget planning.

The **baseline scenario ('positive')** assumes a **significant improvement in the security situation in 2026**, a gradual reduction in war expenditures, and an economic growth of +4.5% in 2026 with further acceleration.

The **alternative scenario**, on the other hand, **models a 'negative' course of events with a longer phase of active hostilities** and a deteriorating economic situation.

Macroeconomic indicator	2024	2025 forecast (1)	2025 forecast (2)	2026 forecast	
				basic scenario	alternative scenario
Nominal GDP, billion UAH	7659	8466	8915	10444	10309
Nominal GDP, \$ billion	190.5	188.1	-	233.6	↓
Real GDP, % change y-o-y	3.4	2.7	3.1	4.5	2.4
Consumer prices, % change, y-o-y December	12	9.5	8.7	8.6	9.9
Consumer prices, % change annual average	6.5	9.7	12.7	9.7	10.4
Exchange rate, UAH to USD (annual average)	40.2	45.0	-	44.7	↑
Exports of goods and services, \$ billion	56.1	57.2	57.3	66.2	61.4
Imports of goods and services, \$ billion	92	97.9	97.8	100.9	105.8

Sources: 2024 NBU, 2025 forecast (1) – forecast in plan state budget (by Ministry of Economy), 2025 forecast (2) – NBU April Inflation Report, 2026 – forecast by Ministry of Economy.



## Budget 2025: Plan with changes and results of the 6 months

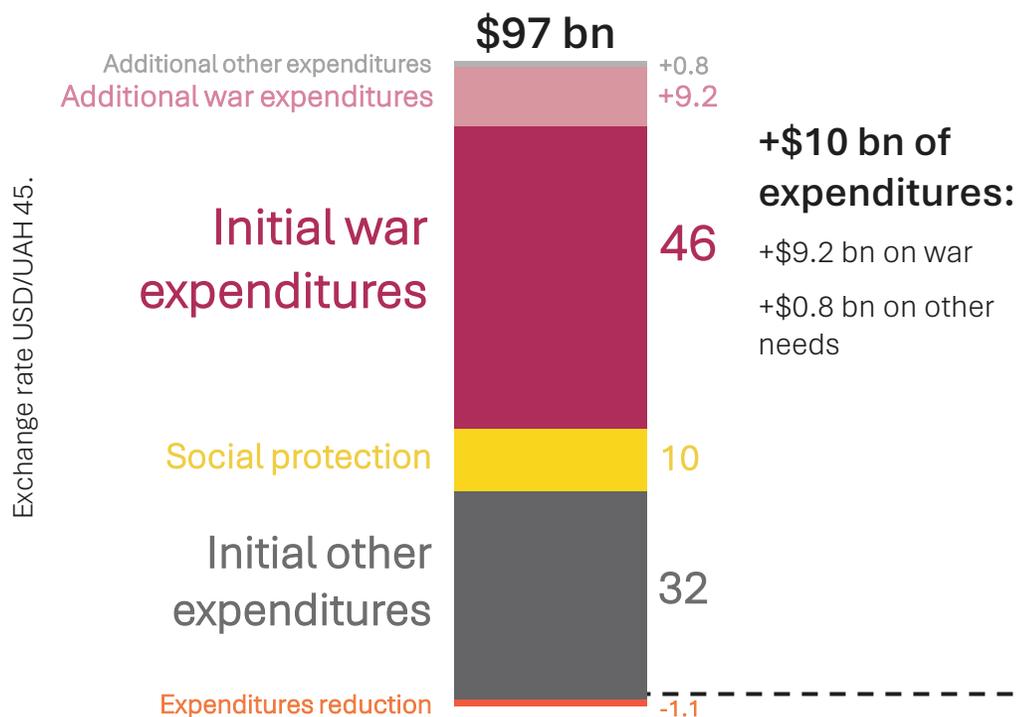
# Budget 2025: changes to the Law of the State Budget

## +\$9.2 bn expenditures on war

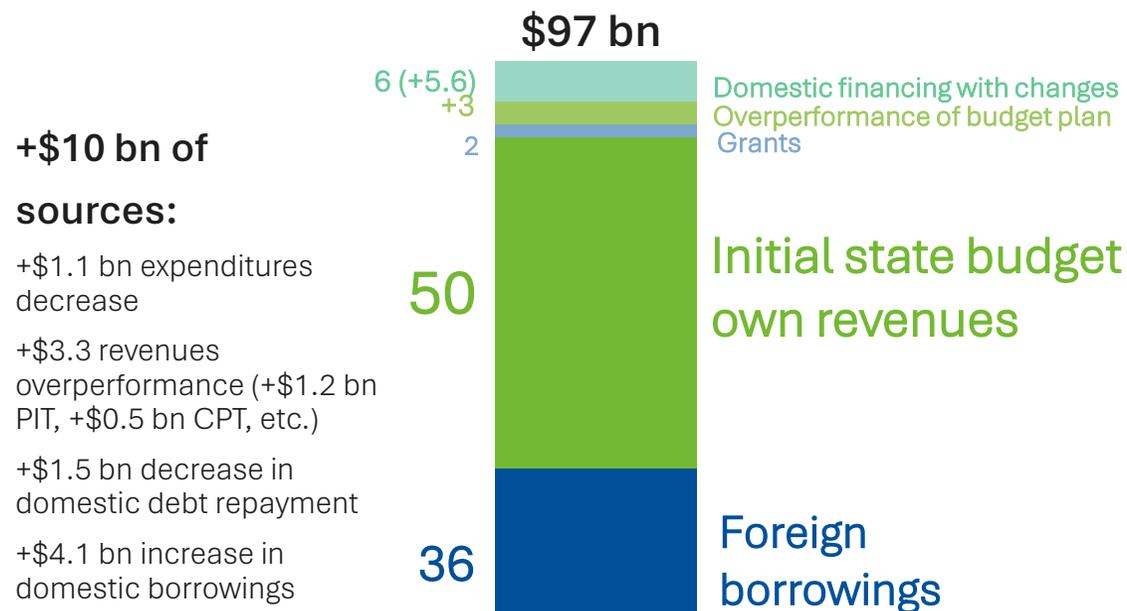
At the end of July, the Parliament accepted changes to the State Budget 2025, adding +\$9.2 bn to the defence and security sector. This is +20% of the defence budget and about 7.5% of total expenditures. Also, it is planned to increase other civilian expenditures by approximately \$0.8 bn.

The deficit is also formally increasing by 15%, but it can remain within the original plan by the end of the year, as loans from the ERA are counted as grants, so they do not increase the public debt and do not go to the deficit.

State budget expenditures with changes, \$bn



Sources of state budget with changes, \$bn



**+\$10 bn of expenditures:**

+ \$9.2 bn on war  
+ \$0.8 bn on other needs

**+\$10 bn of sources:**

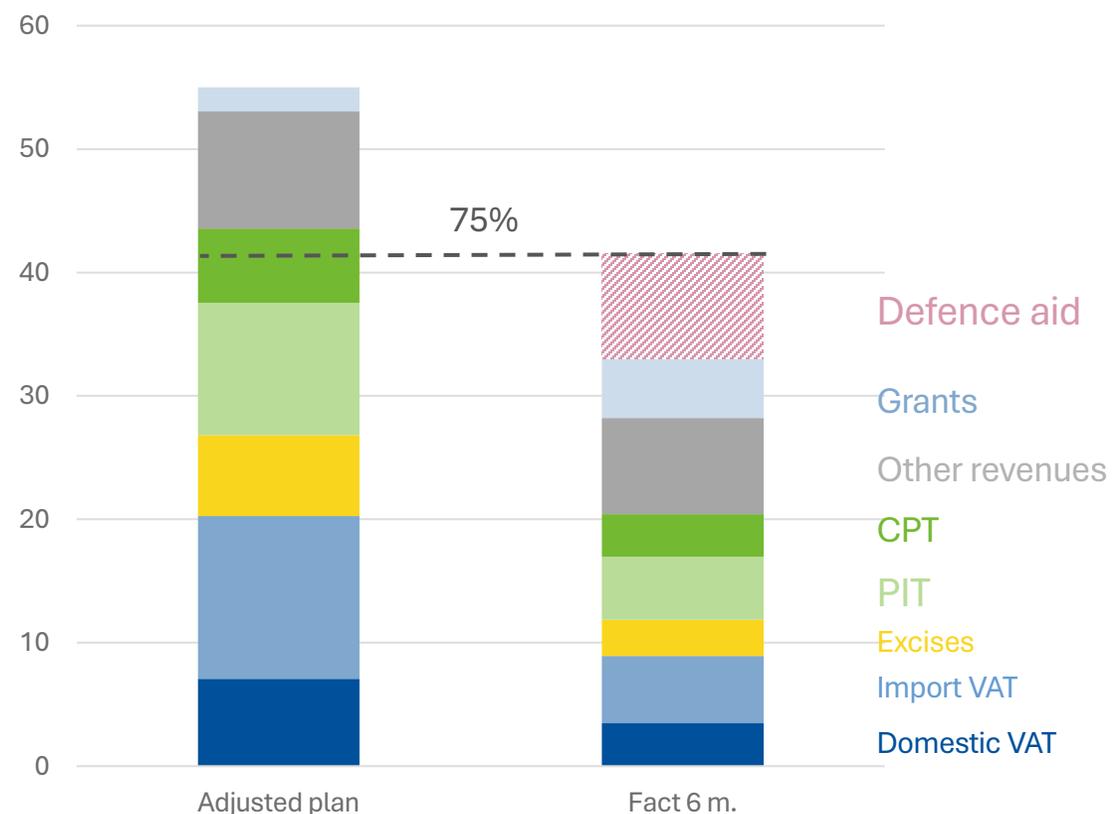
+ \$1.1 bn expenditures decrease  
+ \$3.3 revenues overperformance (+\$1.2 bn PIT, +\$0.5 bn CPT, etc.)  
+ \$1.5 bn decrease in domestic debt repayment  
+ \$4.1 bn increase in domestic borrowings

Source: the Law of State budget, Ministry of Finance

## Revenues are relatively high

### 75% of planned revenues are ensured as for Jan-Jun of 2025

Revenues in adjusted state budget plan and result for 6 months, \$ bn



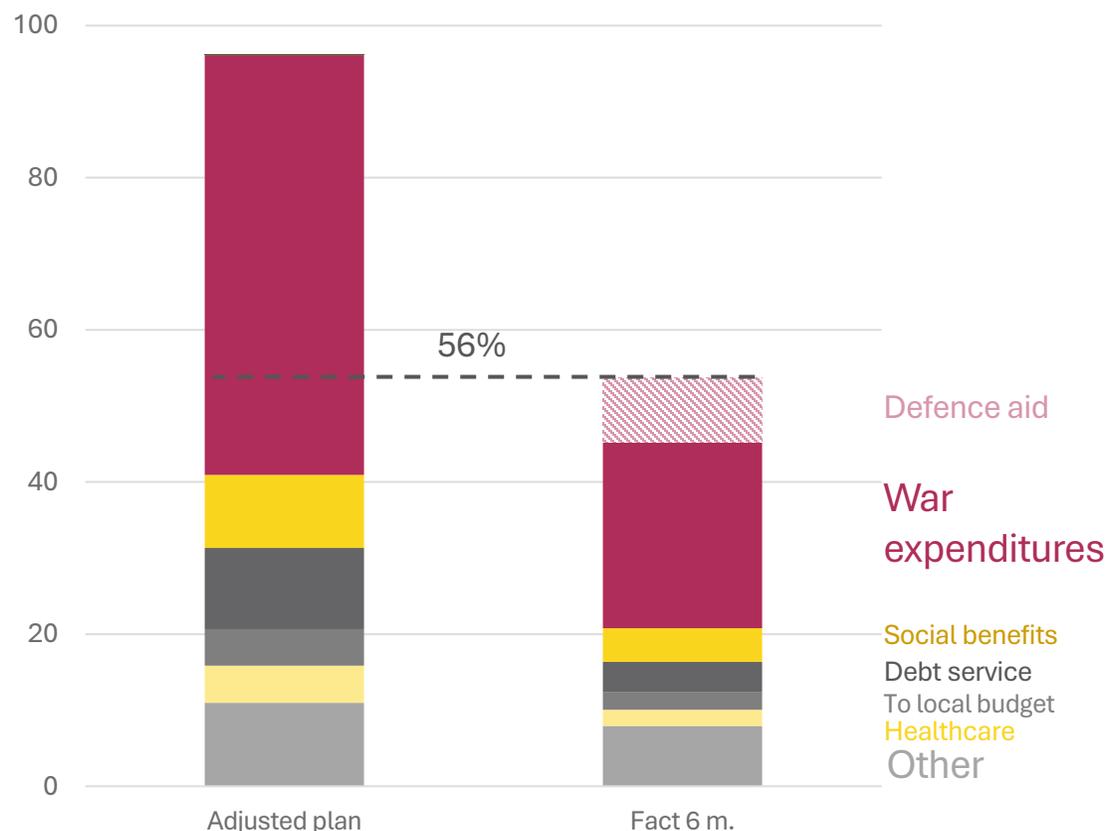
Source: the Law of State budget, Ministry of Finance, CES calculations

- **Total adjusted planned revenues of the state budget – \$55bn**, plan does not include direct aid to budget entities, which are in fact defence aid.
- **As for first half year of 2025, budget received \$41.5 bn** in revenues – it is 75% of the plan or 9 months of revenues. However, it includes \$8.5 bn of defence aid, which is not accounted in the plan of state budget, and \$4.8 bn in grants, which are budgeted very cautiously.
- If we consider only **own revenues of state budget – execution is 54%**, or 6.4 months of revenues (with equal distribution).
- At the same time, we see some revenues **overperforming the special plan for the period (PIT, CPT, NBU revenue, etc)**.
- According to the amendments to the law, a \$3.3 billion revenue surplus is needed to cover additional defence spending. Since part of the additional revenue requirement has already been received, it looks like the **entire requirement will be covered by the end of the year without additional measures**.

# Defence aid is still provided

## The war needs are so far met

Expenditures in adjusted state budget plan and result for 6 months, \$ bn



Source: the Law of State budget, Ministry of Finance, CES calculations

- **Total planned state budget expenditures according to the adjusted Law amounted \$96 bn**, most of which – \$55 bn – are dedicated on war. This is the same amount as total planned state budget revenues.
- **As for first half year of 2025, 56% of expenditures** were incurred (or \$54 bn) of the plan, including defence aid.
- **Jan-Jun war expenditures via own budget revenues amounted \$24 bn**, 44% execution or 5 month of war expenditures according to adjusted plan of budget.
- **International donors cover part of the military needs through in-kind defence aid in the form of weapons and ammunition.** It amounted to \$8.5 bn, which is 43% more than in the same period in 2024. The needs of the army are growing, so international support remains critical to ensuring Ukraine's defence capability.

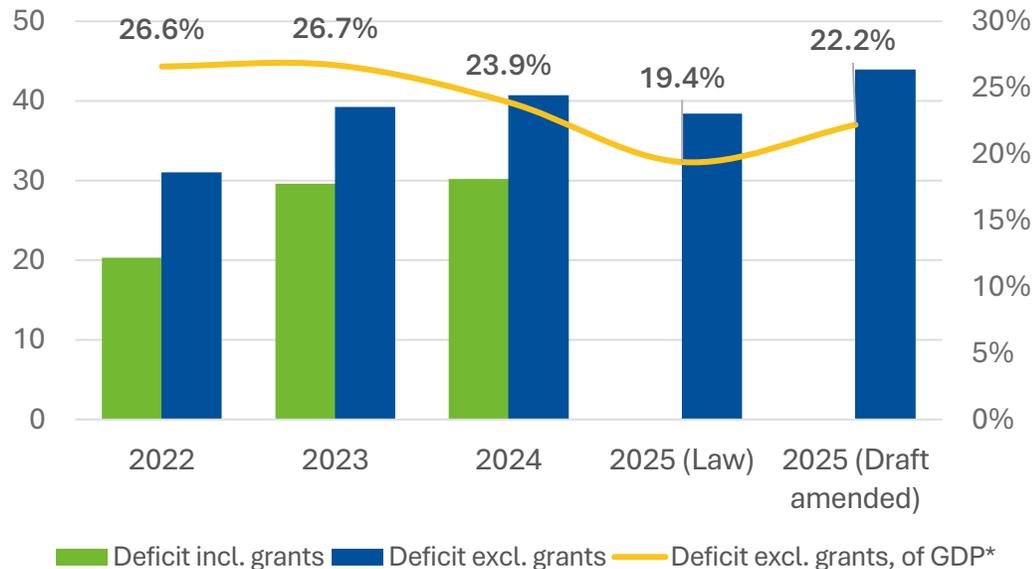
# Financing needs and sources

## Trend of increasing financing needs and decreasing grant support

- **State deficit in 2025 as a share of GDP is planned to be lower than in 2022-2024**, even with the changes to the Law of Budget with increasing expenditures.
- **This outcome is possible with a reasonable fiscal policy and significant support from international donors** by continuing to provide grants and defence aid.

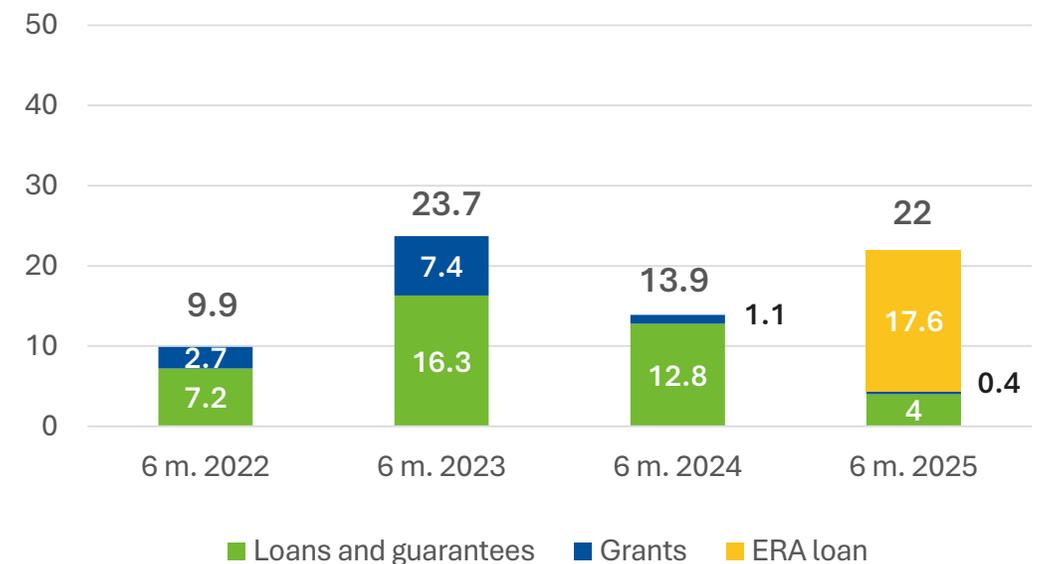
- **Grant-based support from international partners is gradually declining** (excluding conditional financing under the ERA loans), and this downward trend is expected to continue.
- **Decrease was caused by the non-fulfillment of some Ukraine Facility indicators**, the state budget will not receive €1.5 billion in August, of which nearly €0.5 billion would have been grants.

2022-2025 annual state budget deficit, \$ bn and % of GDP



\*The 2025 GDP level is based on the NBU forecast (Inflation report, April 2025)  
Source: OpenBudget, the Law of State budget, NBU, State Statistics Service, CES calculations.

Jan-Jun 2022-2025 external budget financing, \$ bn

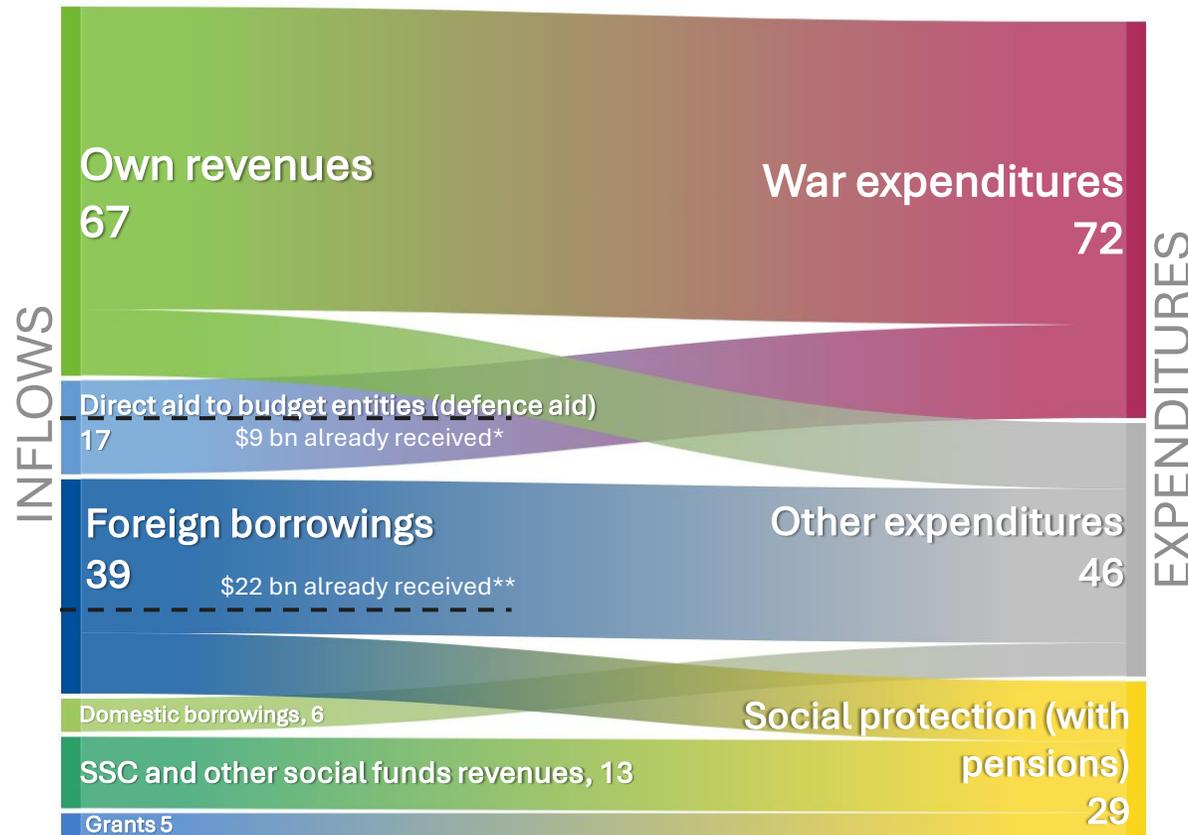


Source: Ministry of Finance, NBU, CES calculations.

# 2025: new challenges

## Distrust of government decisions may exacerbate foreign finance uncertainty

Approximate breakdown of GGS budget in 2025: adjusted budget law with international assistance assumptions, \$ bn



Assumptions of the breakdown:

- Own revenues of budget, war expenditures via own revenues, borrowings and other expenditures are at the planned level (with changes to the Law of budget)
- Social expenditures are increased by the sum of planned revenues (according to the openbudget adjusted plan)
- Direct aid to budget entities (international assistance) at the same level as in 2024 (in % of GDP), which is realistic, as for 6 month budget already received \$9 bn.
- Grants are at lower level, than in 2024, as there is a decreasing trend. The part of it is also already ensured (\$4.8 bn).

The scandalous adoption of the Law №12414, which de facto suspended the work of the main anti-corruption institutions in Ukraine has caused a strong public and international reaction. Although Law №13533, which was quickly adopted after that, restored the independence of anti-corruption bodies, the adoption of such imprudent decisions undermines trust in the Government on the part of both civil society and donors, which may affect further international support.

\*As for 9 m. of 2025. \*\*As for 6 m. of 2025.

Source: the Law of State budget, Ministry of Finance, CES calculations

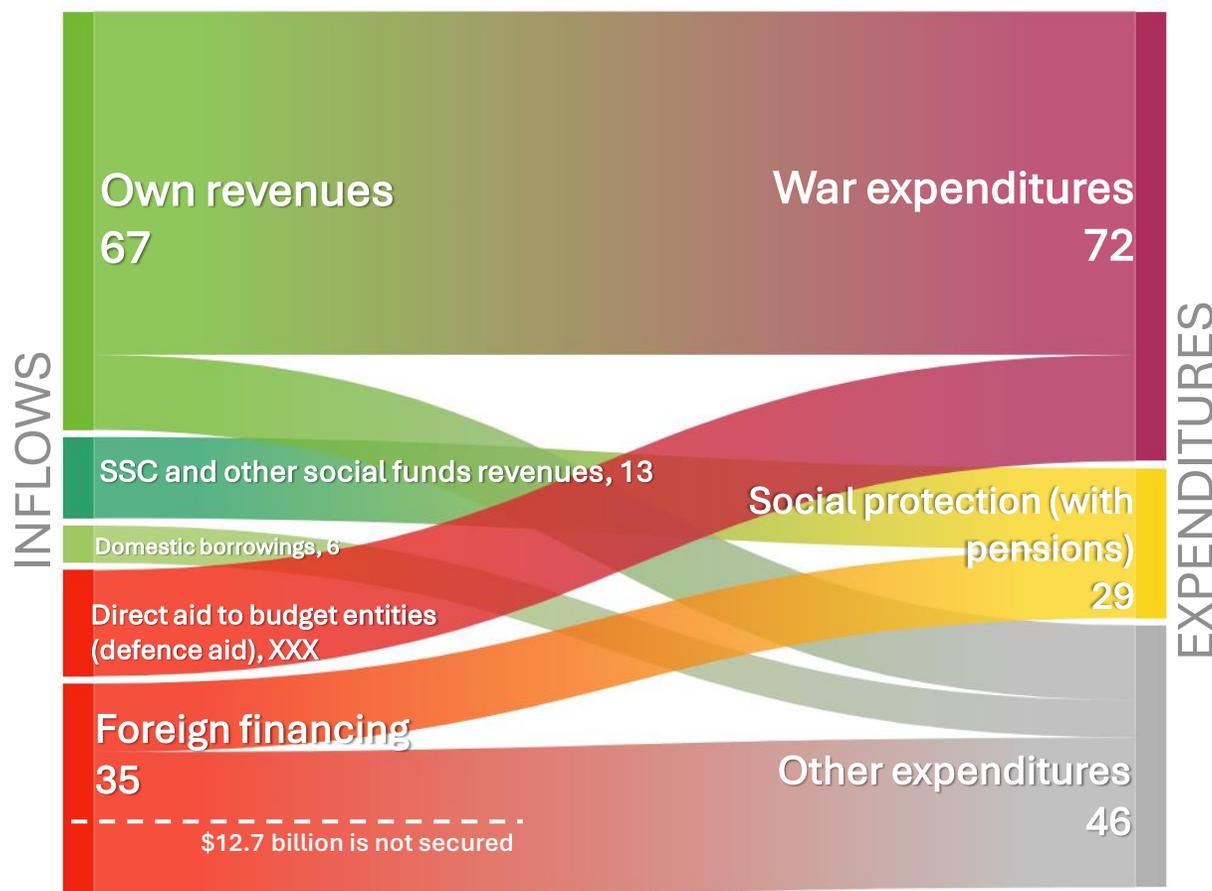


# Budget in 2026

# General Government Sector Budget 2026

## Estimated budget gap of \$26 bn

Approximate breakdown of GGS budget in 2026: based on the budget 2025, \$ bn



Source: the Law of State budget of 2025, NBU, CES calculations.

This is an approximate breakdown of the general government budget based on the 2025 budget with the following assumptions:

- Expenditures, own revenues, fund revenues, and internal financing at 2025 levels;
- External financing - \$35 billion (NBU estimate), of which \$12.7 billion is not yet secured.
- Defence aid – unknown.

**According to this breakdown, there is a \$26 billion gap for 2026.** According to the government's forecasts, this gap is smaller – **\$19 billion**, which is explained by positive expectations for the revenue levels, possibly lower expenditures or international defence aid inflows.

However, with the recent political turmoil, **international support remains highly uncertain.**

Russia has spent on war \$145.9 bn\* in 2024 and planned to increase military expenditures in 2025.

In 2024 Ukraine has spent \$70 bn on war and in 2025 planned war expenditures via own revenues according to the adjusted Law of State budget are at the same level, as in 2024 (in % of GDP).

**For Ukraine to win, we need to allocate to war at least as much as Russia - \$150 bn.**



Thank you!

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