

Overview of the 2026 Budget

Prepared:

Oleksandra Myronenko, CES Economist
Bohdan Slutskyi, CES Economist
Yelezar Levchenko, CES Junior Economist

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SUMMARY

2026 Budget – This is the fourth fiscal plan formed under wartime conditions. The government is trying to adapt to uncertainty in its budgetary policy – the budget is based on a pessimistic scenario from the budget declaration, assuming that hostilities will continue throughout the next year. This aligns with a conservative approach: if the situation improves, public finances will be in a better state.

The 2026 budget allocates expenditures for the war, approximately comparable to previous years – UAH 2.5 trillion or \$55.7 billion. This is a significant amount for Ukraine – 24.7% of GDP – but still insufficient to stop the aggressor, who spends about \$140 billion¹ annually on the war. Moreover, this is less than planned for 2025. Therefore, it is likely that this amount will need to be revised upwards during the year.

Other areas of state policy – debt servicing, social protection, education, and other sectors – are allocated UAH 2.2 trillion or \$48 billion. Together with military expenditures, this amounts to UAH 4.8 trillion or \$104 billion. Meanwhile, the planned own revenues for the budget is only UAH 2.9 trillion or \$62.8 billion. Thus, the deficit will reach UAH 1.9 trillion, or \$41.5 billion, or 18.4% of GDP. This is lower than the deficit planned in the July adjustments for this year – 21.1% of GDP. However, the initial 2025 budget plan also projected a smaller deficit of 18.3% of GDP. Therefore, revising the budget during the year seems even more realistic.

In fact, Ukraine's own revenues will be enough to finance only defense and security expenditures with some margin, while the rest of the needs will be covered by international aid. Unfortunately, in recent months, the aid has no longer come in the form of grants (free and non-repayable), but mostly as loans. This increases the debt burden, and in the future, these funds will have to be repaid. The state and state-guaranteed debt is forecast to exceed annual GDP in 2026, reaching 106% of GDP. In 2026, the government plans to attract \$45.5 billion in external financing. Part of this sum has already been confirmed, but \$18.1 billion still needs to be secured.

¹ <https://www.politico.eu/article/russian-defense-spending-overtakes-europe-study-finds/>

MACROECONOMIC INDICATORS

The state budget of Ukraine for 2026 is based on assumptions and forecasts from an alternative (more pessimistic) scenario of the Budget Declaration for 2026-2028. The forecast assumes that hostilities will continue until the end of the year, with expected weakening of production activity, disruptions in supply chains, and increased logistics and security costs for businesses.

Real GDP is expected to grow by 2.4%, with the risk of uneven recovery across sectors and regions. Meanwhile, nominal GDP is forecast to exceed UAH 10 trillion or \$225.6 billion in 2026 (it is expected that the \$200 billion GDP mark will be crossed already in 2025). This is below the median forecast of non-government economists, who predict real GDP growth of 2.95% in 2026². At the same time, the government forecast is close to the National Bank of Ukraine's (NBU) forecast – 2.3% growth.³

Military risks and economic shocks will continue to put inflationary pressure on the economy. Inflation is projected to reach 9.9% by the end of 2026. This is significantly more pessimistic than the NBU's forecast (6.6%) and the median forecast of non-government economists (7.1%), and it is higher than the target value of 5%. This level of inflation is accounted for in the forecast due to reduced economic stability, possible supply disruptions, rising production and logistics costs, as well as depreciation.

There are continued risks for exports. These are particularly noticeable in the supply of metallurgical products, agricultural goods, and other items traditionally with high shares in external markets, such as chemical products, machinery, and timber. Import of critical goods, particularly energy resources and components, will remain significant, putting pressure on the trade balance and the exchange rate of the hryvnia. Therefore, the budget assumes a 5% depreciation of the hryvnia, with an expected exchange rate of 45.7 UAH/\$ in 2026.

² [What awaits the Ukrainian economy in 2025 and further? \(Ukrainian\)](#)

³ [July 2025 NBU Inflation Report \(Ukrainian\)](#)

Table 1. Macroeconomic development indicators for 2022-2026.

Indicator	2022	2023	2024	2025	2026
Nominal GDP, UAH billion	5239	6628	7659	8967	10 309
Nominal GDP, \$ billion	162.0	178.8	190.5	211.5	225.6
GPD, % of real change	-28.8	5.3	2.9	2.7	2.4
CPI, % in January-to-January change	26.6	5.1	12.0	9.5	9.9
CPI, % in average annual change	20.2	12.9	6.5	12.2	10.4
Official exchange rate, \$, period average	32.3	36.6	40.2	42.4	45.7
Unemployment level, % annual average (ILO methodology)	20.6	18.2	13.1	12.7	12.6
Goods and services exports, \$ billion	57.5	51.3	56.1	58.0	61.4
Goods and services imports, \$ billion	83.3	89.2	95.5	98.3	105.8

Sources: NBU, State statistic service, the Draft State Budget for 2026, CES calculations.

The indicators for 2025 are the expected ones from the Ministry of Economy based on the Cabinet of Ministers Resolution No. 946 dated August 6, 2025. The indicators for 2026 are from the Draft State Budget for 2026.

Unlike 2025, when social standards were frozen, the Budget Declaration for 2026-2028 includes plans for their gradual increase. This will be the first increase since April 1, 2024, and the second during the martial law period. The minimum wage and the living wage have been raised by 8.6% in nominal terms, which is lower than the expected inflation for 2026 as forecasted by the government. Additionally, social standards in 2026 will be 19.7% lower in real terms compared to the level of 2021.

Table 2. Real changes in minimum wage.

Indicator	2021	2022	2023	2024	2025	2026
Nominal minimum wage, annual average, UAH	6042	6550	6700	7775	8000	8688
Minimum wage in constant prices of 2021, annual average, UAH	6042	5449	4937	5379	4933	4853
Real minimum wage change, %		-9.8	-9.4	9.0	-8.3	-1.6

Sources: NBU, CMU, the Draft State Budget for 2026, CES calculations.

The indicators in real terms are deflated based on the annual average change in the Consumer Price Index (CPI).

After a sharp rise in unemployment at the beginning of the full-scale invasion and a gradual slowdown in 2023 and 2024, the average rate is expected to be close to its 2024 value, around 13%. This is somewhat more pessimistic than the median non-governmental forecast, which predicts a gradual reduction in unemployment to 9.5%.

The structural challenges causing labor market issues are mainly related to the war: millions of people were forced to leave their homes and relocate either within Ukraine or abroad, and mobilization took place. As a result, businesses are experiencing a reduction/shortage of labor. Additionally, the irrelevant/insufficient qualifications of job applicants (skills mismatch) contribute to higher unemployment and, at the same time, unmet staffing needs for employers. Meanwhile, Russia's attacks on civilian infrastructure across Ukraine's frontline continue to lead to further outflows of the workforce from dangerous regions.

REVENUES

In 2026, it is projected that revenues from the general and special funds combined (excluding reverse subsidies⁴) will amount to **UAH 2870 billion (\$62.8 billion)**, which is 16% higher than the 2025 figure⁵. This growth exceeds the forecasted average inflation rate (10.4%) as it is driven not only by the overall increase in price levels in the economy. At the same time, the revenues dynamics generally align with the projected growth of nominal GDP (15%), demonstrating a close relationship between budget indicators and macroeconomic benchmarks.

The main source **of revenues comes from domestic revenues**, amounting to **UAH 2826 billion (\$61.8 billion), or 27.4% of GDP**. Of this, tax revenues are UAH 2468 billion (\$54 billion), which accounts for 23.9% of GDP – the highest level in the last decade.

The revenues growth in 2026 is primarily driven by the value-added tax (+UAH 165 billion), personal income tax (+UAH 94 billion), the National Bank's profit share (+UAH 62 billion), additional revenues from the State Customs Service (+UAH 60 billion), excise duties (+UAH 33 billion), taxes on international trade (+12 UAH billion), and corporate income tax (+UAH 12 billion).

⁴ The revenue indicator is traditionally presented without considering the reverse subsidy, as it does not generate additional resources for the public finance sector. It is merely a tool for interbudgetary equalization: financially stronger communities transfer funds to the state budget, from which they are directed to support less affluent areas. In analytical calculations, the reverse subsidy is not taken into account to avoid distorting the understanding of the actual fiscal base volume.

⁵ As of the amendments on 20.08.2025.

The only reduction in the state budget concerns grant assistance from foreign partners, with planned revenues reduced by UAH 45 billion. However, this does not mean a decrease in support: the actual volume of assistance will depend on actual receipts and the financial instrument agreed upon to cover the current deficit. Specifically, the EU is considering the possibility of introducing a "reparations loan"⁶ for Ukraine, which would be funded from frozen Russian assets.

Among the sources of revenues growth, **two aspects** are the most controversial.

The first is related to the "other taxes and duties" line, where an increase from UAH

4 to 64 billion (+60 UAH billion) is expected due to the State Customs Service. For the first time, the budget has applied this approach: if customs collects more than planned (import VAT, customs duties, excise taxes), the excess will automatically be directed to a special fund for defense financing and will be shown as a separate line under "other taxes and duties." This is not about new sources but rather a special procedure for accounting for over-plan amounts. The mechanism only applies to customs – such practice does not exist for the tax service. The government is trying to show the expected effect of the reform in this way.

At the same time, various factors are uncertain regarding the "over-performance": part of it may be a result of better administration, but a significant portion is due to macroeconomic changes, such as the exchange rate, inflation, or the structure and volume of imports, which makes the chosen method ambiguous.

Under the IMF program, Ukraine was supposed to select a permanent head of the State Customs Service through a transparent competition by June 2025. However, this did not happen: the competition was announced only in August, and the government requested an extension of the deadline until December. In the memorandum with the IMF, the authorities also committed to defining key performance indicators for the future head and filling vacancies at regional customs offices. However, as of September 2025, these steps have not been completed. Moreover, this year, customs has not met its own collection targets, so the UAH 60 billion planned in the budget likely reflects an optimistic assumption rather than a guaranteed resource.

The second issue concerns international trade. Of the projected UAH 12 billion in the budget, a larger portion— UAH 9 billion—is expected to come from the introduction of an export duty on soybeans and rapeseed or colza seeds at a rate of 10% of the customs value. These funds are planned to be directed to the special fund of the state budget to support the processing of agricultural products. In practice, this means that some producers will be forced to pay customs duties to finance other participants in the industry, and the mechanism for implementing the duty has created a number of problems. Export shipments have stopped, vessels are idling in ports, and the procedure for exemption from the duty on "locally grown products" is not functioning. As a result, daily losses for agricultural producers and exporters are increasing, the state is losing foreign currency revenues, the accumulation of vessels in ports is creating security risks, and trust among international partners is declining.

Leading business associations, including the European Business Association⁷ and the American Chamber of Commerce⁸, have opposed this decision. They emphasize that the duties contradict Ukraine's obligations under the Association Agreement with the EU, block exports, and undermine investment stability. Therefore, the expected UAH 9 billion appears to be a highly uncertain source and may be revised or canceled in future decisions.

⁶ [EU executive floats idea of reparations loan for Ukraine, based on frozen Russian assets.](#)

⁷ [European Business Association.](#)

⁸ [American Chamber of Commerce.](#)

Table 3. State budget revenues structure in 2024-2026.

Indicator	2024 (fact)		2025 (agreed plan)		2026 (project)		Change
	UAH Billion	% of GDP	UAH Billion	% of GDP	UAH Billion	% of GDP	2025-2026
Official Transfers	27	0.3%	15	0.2%	21	0.2%	35%
Own Revenues of the state budget of which:	1942	25.4%	2379	26.5%	2826	27.4%	19%
Import VAT	466	6.1%	594	6.6%	684	6.6%	15%
Domestic VAT	268	3.5%	318	3.5%	393	3.8%	24%
Personal Income Tax (PIT) and Military Levy (ML)	326	4.3%	482	5.4%	576	5.6%	19%
Corporate Income Tax	271	3.5%	279	3.1%	291	2.8%	4%
Import excise tax	105	1.4%	161	1.8%	167	1.6%	4%
Domestic excise tax	105	1.4%	135	1.5%	162	1.6%	20%
NBU Funds	39	0.5%	84	0.9%	146	1.4%	74%
Dividends and Profits of SOEs*	71	0.9%	65	0.7%	70	0.7%	8%
Rent Payments	52	0.7%	58	0.6%	60	0.6%	3%
Customs Duties	48	0.6%	60	0.7%	72	0.7%	20%
Real ORBE**	98	1.3%	57	0.6%	63	0.6%	11%
Other Own Revenues	92	1.2%	86	1.0%	143	1.4%	65%
Aid, of which	1154	15.1%	88	1.0%	43	0.4%	-51%
Aid to budget entities***	680	8.9%	-	-	-	-	-
Grants to the Budget****	474	6.2%	88	1.0%	43	0.4%	-51%
Total	3096	40.4%	2467	27.5%	2870	27.8%	16%

Notes:

*Dividends and Profits of State-Owned Enterprises (SOEs) and Municipal Enterprises (MEs)

**Real own revenues of budgetary entities (ORBE) – this is the sum of revenues under the item "Income from services provided by budget institutions" plus the amount of real own revenues under the item "Other sources of own revenues of budget institutions," estimated through the typical level of revenues of budget institutions before the full-scale war (on average 0.58% of GDP in 2018-2021).

*** Aid to budget entities– this refers to the actual amount of defense expenditures financed through other sources of own revenues of budget institutions and the calculated portion of other NBU sources for humanitarian needs.

****During planning, almost all grant revenues are reflected as financing sources. Only after actual receipt are they accounted for as excess revenue, which subsequently reduces the planned deficit.

Source: CES calculations, Law on the State Budget for 2025, the Draft State Budget for 2026, OpenBudget.

The largest contribution to the growth of inflow comes from the value-added tax (VAT). The total VAT revenues are projected to amount to **UAH 1077 billion**, compared to UAH 911 billion in 2025 (**+UAH 166 billion**).

- Import VAT is expected to total UAH 684 billion, compared to UAH 594 billion in 2025 (+UAH 90 billion). This growth is based on expectations of an increase in physical import volumes, a rise in average customs value due to inflationary processes in partner countries, and currency depreciation.
- Domestic VAT, accounting for budget refunds, is projected at UAH 393 billion, compared to UAH 318 billion in 2025 (+UAH 75 billion). The forecast relies on the growth of domestic demand, which is partly driven by an increase in average wages. As a result, consumer spending is expected to rise, expanding the base for VAT calculation. Additionally, potential effects from improvements in tax administration are anticipated, including better registration of tax invoices, enhanced work on tax arrears, and tighter control over tax avoidance schemes. Implementing these measures will require the proper institutional capacity of tax authorities and stable technical infrastructure.

The **personal income tax** is expected to increase from UAH 482 billion to **UAH 576 billion** (+UAH 94 billion), influenced by several factors.

The primary factor is the increase in the average wage, which, according to the macroeconomic forecast, is expected to grow by 16% in 2026. However, no increase in the number of officially employed workers is anticipated, as their number is assumed to remain at the 2025 level (5.9 million⁹).

Other factors include the return to the state budget of 4% of PIT, which was allocated to local budgets in 2025 (+UAH 15 billion), as well as the effect of implementing automatic international exchange of information on income earned through digital platforms. Together with the military levy, this results in an additional UAH 14 billion in revenue.

Excise revenues are expected to increase from UAH 295.4 billion to **UAH 329 billion** (**+UAH 33 billion**).

- Domestic excise goods produced in Ukraine are expected to generate UAH 162 billion, compared to UAH 135 billion in 2025 (+UAH 27 billion). This increase is explained by the higher rates on fuel and tobacco products, as well as the new introduction of an excise tax on sweetened and flavored beverages.
- Import excise duties are expected to reach UAH 167 billion, compared to UAH 161 billion in 2025 (+UAH 7 billion). The growth is driven by higher imports of fuel and automobiles, partially offset by lower tobacco imports. The increase in revenues from this group will depend on demand elasticity, control over the illegal segment, and administrative discipline.

The corporate income tax in 2026 is expected to increase from UAH 279 billion to **UAH 291 billion** (**+UAH 12 billion**). This moderate growth is driven by the reduction of the tax rate on bank profits, which is currently set at 25% (after a temporary increase to 50% in previous years). At the same time, the forecast reflects the gradual recovery of profitability in certain sectors, as well as a reduction in tax exemptions related to corporate income tax.

⁹ The Ministry of Finance, in calculating for 2026, used the expected average number of full-time employees at the 2025 level, based on estimates from the State Statistics Service and the Ministry of Economy.

EXPENDITURES

For 2026, it is planned to spend **UAH 4751 billion** from the state budget, which is **46% of GDP or \$104 billion**. This represents a 10% increase in expenditures compared to the planned budget for this year according to the July amendments. This is a nominal increase, and if we account for devaluation, the dollar increase in total expenditures will be only 1.6%.

More than half of all expenditures will go towards **supporting the war needs¹⁰ – UAH 2544 billion** according to the CES calculations. According to the plan, they are expected to constitute 24.7% of GDP, which is lower than the current 2025 plan ¹¹and lower than the actual value in 2024, which was 36% of GDP. This somewhat contradicts the assumption in the forecast that the war will continue throughout 2026. Therefore, it is likely that the amount will be adjusted either before the second reading or during the year, as has traditionally happened in 2023-2025.

However, it is important to understand that some of the war-related needs are covered by international aid in kind (such as weapons, ammunition), which is accounted for in the budget when it arrives through "Other sources of own revenues of budgetary entities." It will be reflected in the budget as the aid is actually received¹². Thus, the total actual war-related spending will be visible in the budget execution results for 2026.

In dollar terms, internal **spending on the war** will amount to **\$56 billion** (up from \$44 billion in 2022, with a 5% decrease in dollar terms compared to 2025). However, this is still significantly less than the estimates from the Stockholm International Peace Research Institute, which suggests Russia spends \$140 billion¹³ on the war.

¹⁰ We calculate the "war needs" as the expenditures for defense and security needs specifically aimed at supporting the war effort. Regarding the national security sector, in the budget it is accounted for under the functional classification "Justice and other civilian public order expenditures", but not all funds in this category are directed toward the war— a large portion is spent on civil needs. Therefore, we differentiate the budget programs for public order into purely civilian (such as courts, anti-corruption efforts, etc.), defense (e.g., the National Guard), and dual-use expenditures, which have significantly increased since the beginning of the full-scale invasion (such as the Ministry of Internal Affairs).

Additionally, when accounting for the needs of the war, we include the consequences of the full-scale invasion— the needs for reconstruction and humanitarian aid, the development of the defense industry, support for veterans, and other programs, which are recorded in the budget under the functions of economic activity and social protection.

¹¹ Which, however, is most likely to be adjusted by an additional UAH 300 billion and will reach 31% of GDP.

¹² For example, in 2024, defense assistance amounted to UAH 654 billion. There is a negative trend here – in 2024, we received 7.9% nominally less than in 2023. However, in the first 6 months of 2025, Ukraine received UAH 384 billion in defense assistance, and if such volumes continue to flow in until the end of the year, the total assistance will be at the level of 2024.

¹³ [New arms industry data, Russia's new military budget, Environment of Peace receives award, nuclear deterrence in Europe and more.](#)

Table 4. Structure of state budget expenditures for 2024-2026.

Indicator	2024 (actual)		2025 (agreed plan)		2026 (project)		Change
	Billio n	% of GDP	UAH Billion	% of GDP	UAH Billion	% of GDP	2025- 2026
War expenditures*	2752	35.9%	2476	27.6%	2544	24.7%	3%
Debt servicing	307	4.0%	436	4.9%	513	5.0%	18%
Social protection*	455	5.9%	431	4.8%	470	4.6%	9%
Justice and other civilian public order expenditures*	308	4.0%	289	3.2%	317	3.1%	10%
Education**	178	2.3%	205	2.3%	265	2.6%	30%
Economic activity*	110	1.4%	95	1.1%	131	1.3%	38%
Inter-budget transfer**	75	1.0%	89	1.0%	110	1.1%	23%
Other expenditures	100	1.3%	99	1.1%	147	1.4%	48%
Total expenditures	4487	58.6%	4338	48.4%	4751	46.1%	10%

Notes:

* War expenditures are calculated as the sum of expenditures on the defense sector and the estimated portion of war-related expenses accounted for under expenditures for public order, economic activity, and social protection according to the functional classification of state budget expenditures.

** Education expenditures include all educational subsidies to local budgets, which, accordingly, are not accounted for under interbudgetary transfers..

Source: CES calculations, Law on the State Budget for 2025, the Draft State Budget for 2026, OpenBudget.

The second largest category of state budget expenditures after war-related expenses is **debt servicing**, for which UAH 513 billion (\$11.2 billion) or 30% of non-military state budget expenditures are planned in 2026. This is 18% higher than the amount planned for this year and 67% higher than actual expenditures in 2024. Interest payments will rise due to an increase in national debt, which will reach 106% of GDP by the end of 2026. This means that the issue of debt burden is gradually becoming more relevant, and in the coming years, we should expect proposals and solutions from international partners to reduce interest and debt burden.

The third largest category of state budget expenditures is **social protection**. The state budget does not account for all social expenditures in Ukraine, as the Pension Fund and the Unemployment Fund are also responsible for them. This category is planned to increase after two years of cuts, with UAH 470 billion allocated, which is 9% more than the planned amount for 2025. This is nominal growth, as it does not cover inflation. In terms of GDP, this indicator decreases – by 4.6% of GDP in 2026, compared to 4.8% in 2025 and 5.9% in 2024.

In 2026, significant increases in **education** expenditures are planned – UAH 265 billion (including educational subsidies), which is 30% nominally higher than this year. The relative share of these expenditures is also growing – 2.6% of GDP in 2026 compared to 2.3% in 2025 and 2024. A new

program is planned for 2026 to increase salaries for school workers by 50%, amounting to UAH 53.8 billion. The expansion of the school meal reform is also planned, ensuring that all schoolchildren receive meals, for which UAH 14.4 billion will be allocated to local budgets.

Economic activity has also increased in share, with UAH 131 billion allocated, which is 38% higher than what is planned for this year. UAH 1.37 billion is allocated for grants for starting or developing businesses, and UAH 18 billion for the Entrepreneurship Development Fund, the same amount as in 2025.

Next year, the support for agricultural producers is expected to grow from UAH 1.2 billion this year to UAH 9.5 billion in 2026. This aid will be paid from revenues generated by export duties on soybeans and rapeseed. The implementation of public investment projects by the Ministry for Communities and Territories Development of Ukraine is also planned, with an amount of UAH 13.7 billion, which was not included in the 2025 budget. The budget for the restoration of critical logistics infrastructure and network connectivity under the RELINC program has been increased from UAH 3.4 billion in 2025 to UAH 6.2 billion in 2026.

Additionally, the 2026 budget includes expenditures for implementing the mining agreement (the Agreement between the Government of Ukraine and the Government of the United States on the establishment of the American-Ukrainian Investment Fund for Reconstruction), with an allocation of UAH 1.9 billion.

DEFICIT AND DEBT SERVICING

Next year, once again, the government will be able to cover only the war-related expenditures with its own resources— all non-military expenditures will be financed from external sources. The state budget deficit is expected to reach **UAH 1896 billion (\$41.5 billion), or 18.4% of GDP**. Taking into account debt repayments, the total financing need will amount to UAH 2544 billion (\$55.7 billion), with UAH 2125 billion or approximately \$46.5 billion of this sum expected to come from external sources. Part of these funds has already been secured; however, according to the Minister of Finance¹⁴, an additional \$18.1 billion still needs to be found.

Domestic borrowing possibilities are almost exhausted—banks already hold more than a quarter of their assets in domestic government bonds (OVDP), totaling UAH 893 billion ¹⁵(\$21 billion), and these are the most costly borrowings for the government. As a result, the balance of domestic borrowings is planned to be negative: the government plans to raise UAH 420 billion from the domestic market, while it needs to repay UAH 524 billion. For 2026, funding for the state budget is also planned through frozen Russian assets (under the ERA program), amounting to \$12.3 billion.

Meanwhile, the EU is preparing a "reparations loan" plan for Ukraine, backed by frozen Russian assets. The plan foresees issuing zero-coupon bonds with guarantees from all member states or, in the absence of consensus, through a "coalition of the willing." The return of funds to Ukraine will occur only after receiving reparations from Russia.

Each year, the external debt increases. The government expects that by the end of 2026, the total state and state-guaranteed debt will amount to **UAH 11 trillion, or 106% of GDP**.

¹⁴ <https://weukraine.tv/top/ministr-finansiv-vidverto-pro-bjudzhet-2026-dirku-u-18-mlrd-i-dopomohu-partneriv-intervju-serhija-marchenka/>.

¹⁵ As of 22.09.2025.