



November Economic Review

Special topic: How this year's harvest will affect Ukraine's economy?

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Authors: CES Team



Executive summary

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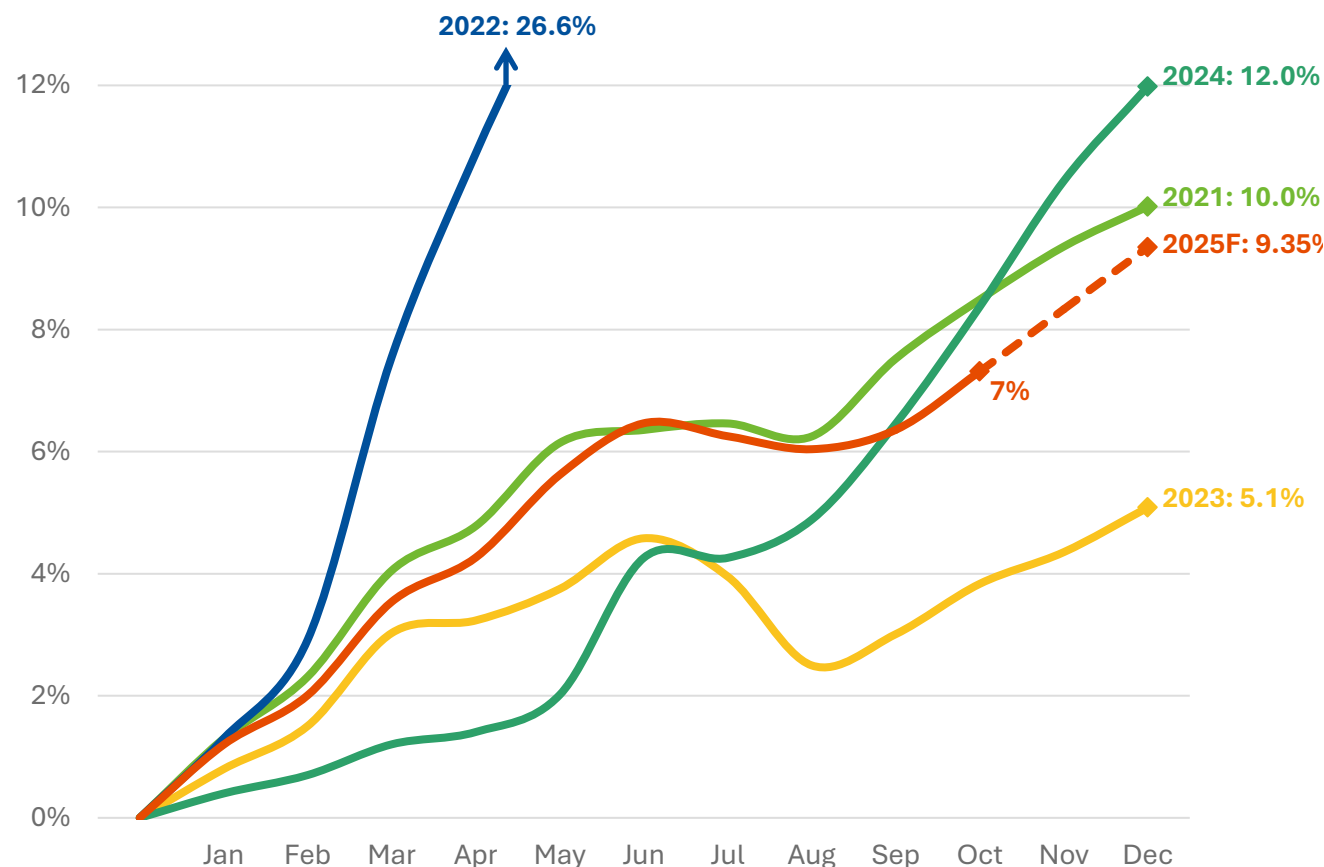
- **Monetary sector:** Inflation fell to 10.9%, driven by disinflationary trend. Food inflation eases, vegetable prices deflate. At the same time, fundamental price pressures persist, inflation expectations above 10%. NBU by its October decision decided to delay the interest rate cut cycle in face of pro-inflation risks and uncertainty related to energy and budget deficits.
- **International trade:** Trade deficit grows, driven by increased good imports (+31.8% y-o-y in September) and decreased services imports (-5% y-o-y). Goods imports grow due to persistent demand for war-related equipment and energy. Exports remain fragile, under war-related pressure.
- **Sectoral analysis:** The energy situation deteriorated further and led to essential electricity import in October-November. However, business and consumer expectation slightly improved in October amid steady consumer demand and
- **Fiscal sector:** Revenues in October are the lowest in four months. The state budget received UAH 142 bn of taxes, 3% less than in September. Expenses decreased by 13% in September mostly due to decrease in war expenditures.
- **Special topic:** This year's harvest is expected to be good, with grains and legumes production estimated at around 60 mt. However, the agricultural sector has faced several challenges in recent years: losses and destruction during the full-scale war as well as reduced yields due to droughts. Ukraine's accession to the EU will require significant effort to align with European standards and rules. However, it will also open up free access to the large EU market and funds.
- **See our report below for further details.**



Monetary sector

Inflation on track to hit projections

CPI inflation, from the start of the year, %



Sources: NBU, CES calculations.

Note: 2025 end-of-year forecast is the median forecast of non-governmental analysts (Jul'25).

In October 2025, inflation slowed down to 10.9% y-o-y (+0.9% m-o-m). Prices are up 7% since the start of the year, on trajectory to hit close to analysts' expectations.

Vegetable price decrease has deepened further (-16% in Sep to -21.5% y-o-y in Oct). The growth in fruit prices has slowed significantly (30.4% in Sep to 22.1% in Oct).

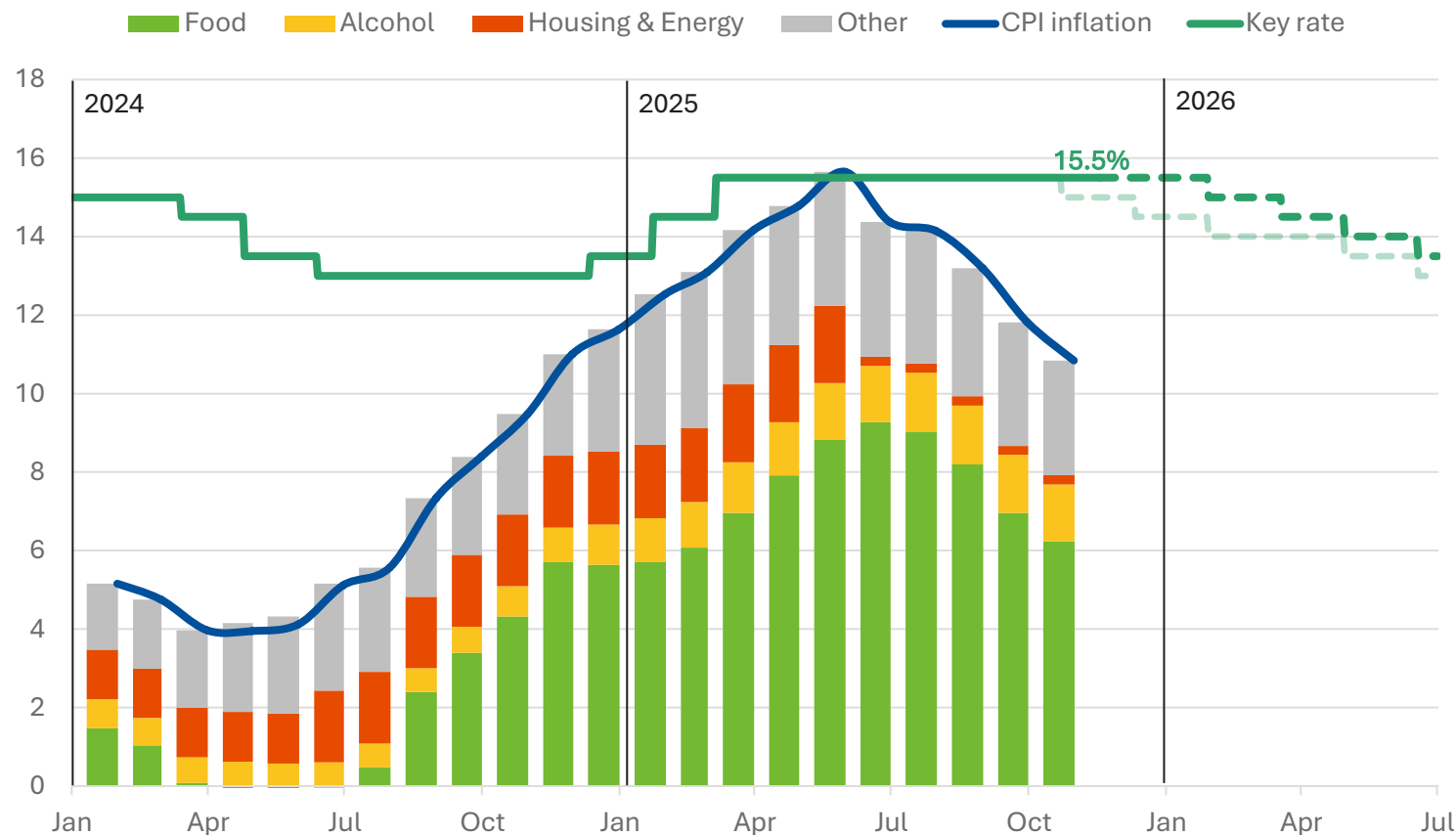
Core inflation reached 10.2% (from 11.0% in September), continuing an easing of fundamental disinflation trend.

The m-o-m inflation seasonally accelerates in end-year period which poses an upward pressure on inflation expectations.

Expectations have been consistently above 10%-mark for seven consecutive months.

Steady disinflation continues, but pressure is still high

Decomposed CPI inflation (year-over-year); Key policy rate, %



While disinflation is on track, headline inflation remains above the psychologically important 10% threshold. Several risks have materialised recently, including energy and fiscal pressures and cost-push shocks for businesses.

Food prices remain the main contributor to overall inflation and are particularly burdensome for hand-to-mouth households (majority of households).

At its October meeting, the **NBU kept the key policy rate unchanged at 15.5% and revised its expected policy rate path upward**, acknowledging persistent inflationary pressures.

The decision passed with a narrow 6–4 vote, signalling **increased debate within the Monetary Committee** on the future pace of easing.

Sources: NBU, Ukrstat, CES calculations.

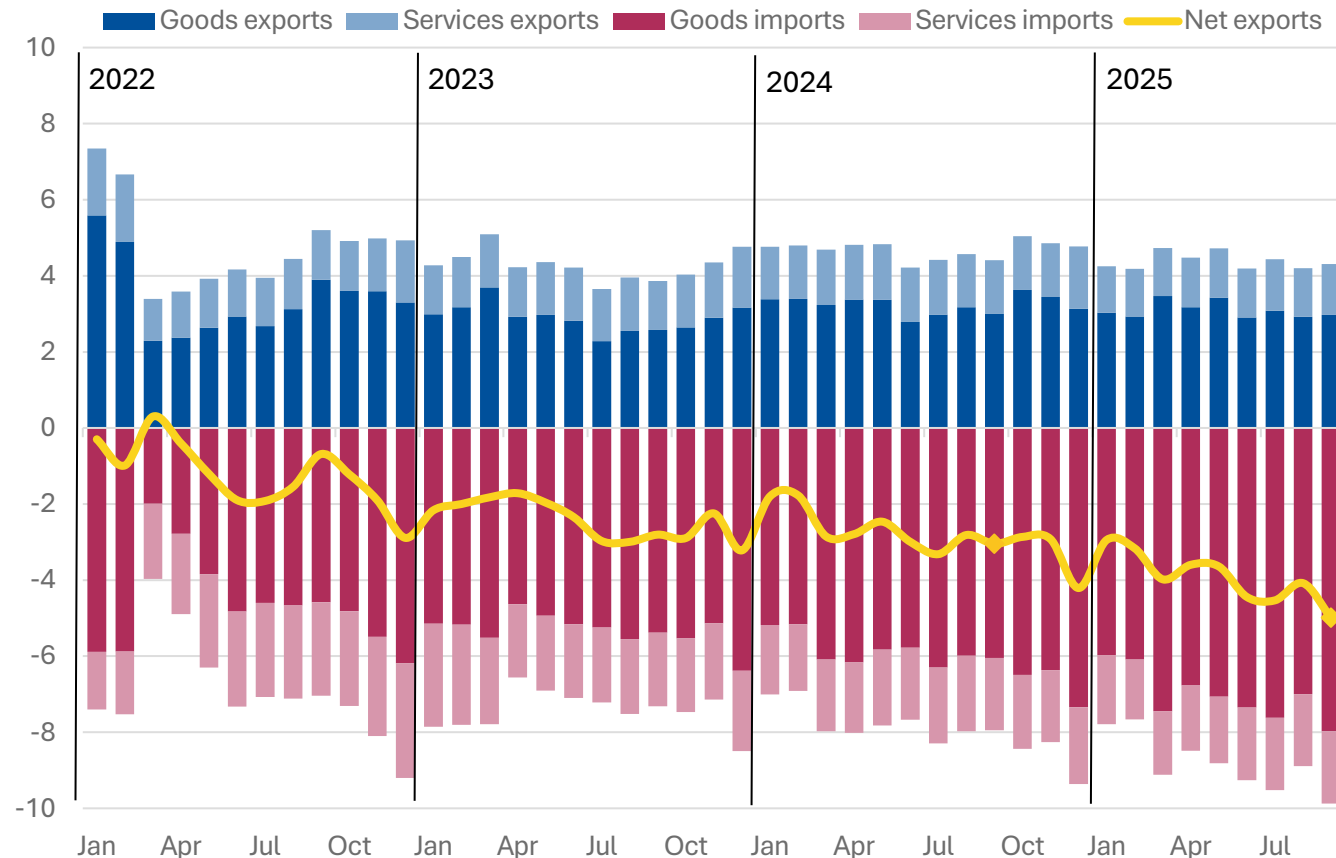
Note: dashed green lines are expected NBU key policy rate trajectories in July and October 2025.



International Trade

Driven by war, trade deficit grows

Trade balance decomposition, bn USD



Source: NBU.

Note: data for July, August, and September 2025 are preliminary.

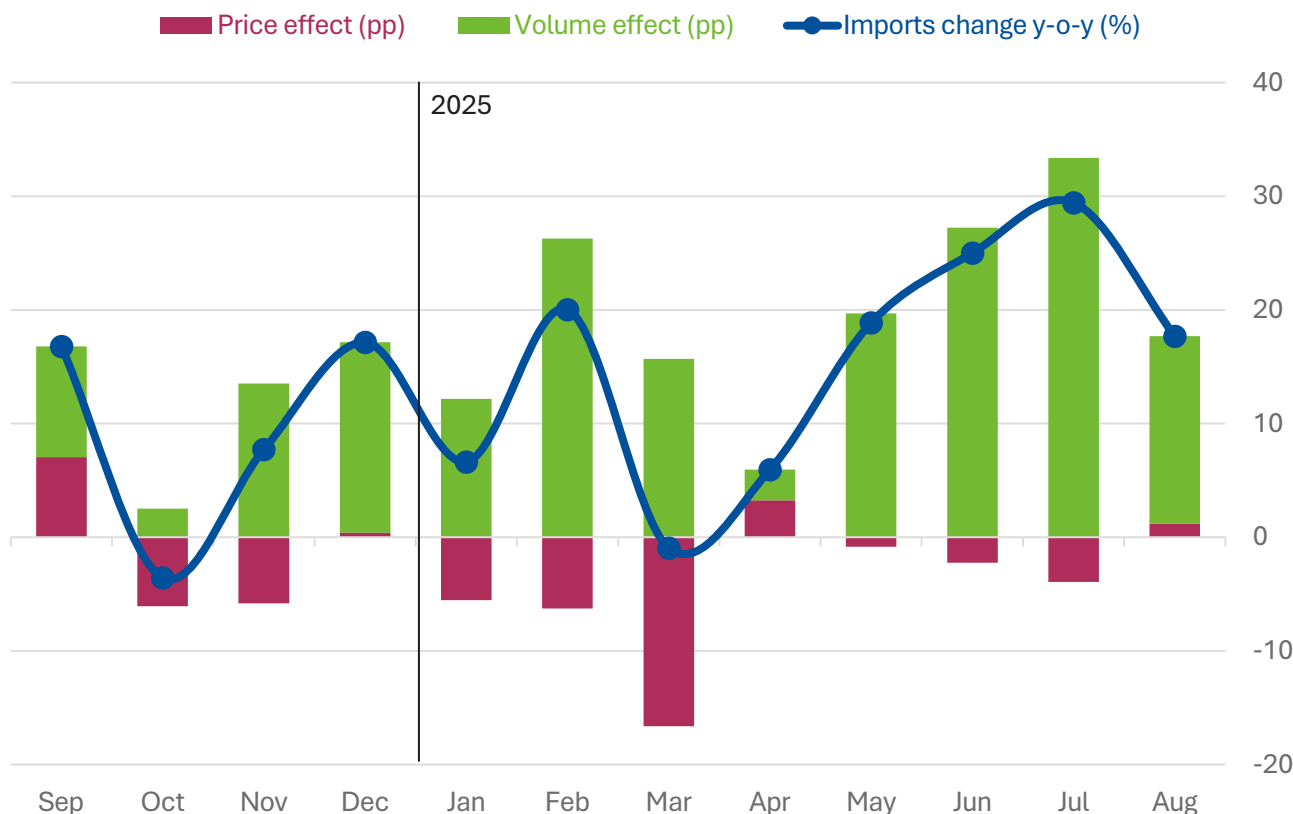
In September 2025, trade deficit increased by 64% y-o-y (+22.4% m-o-m). Two main factors are increase in goods imports and decrease in services exports.

Goods imports are up by 31.8% y-o-y. The increase is mainly driven by capital investments related to recovery, energy infrastructure and war-related equipment.

Services exports are down 5% y-o-y. The change is largely explained by decrease in exports of transportation and trade-related services.

Goods imports are driven by strong domestic demand

% change in goods imports, year-over-year



Sources: ITC TradeMap, CES calculations.

Note: decomposition based on HS2 goods categories.

Changes in trade flows are often measured as year-on-year changes in US-dollar values. But nominal trade growth reflects two forces:

- 1) changes in quantities traded, and
- 2) changes in the prices of traded goods.

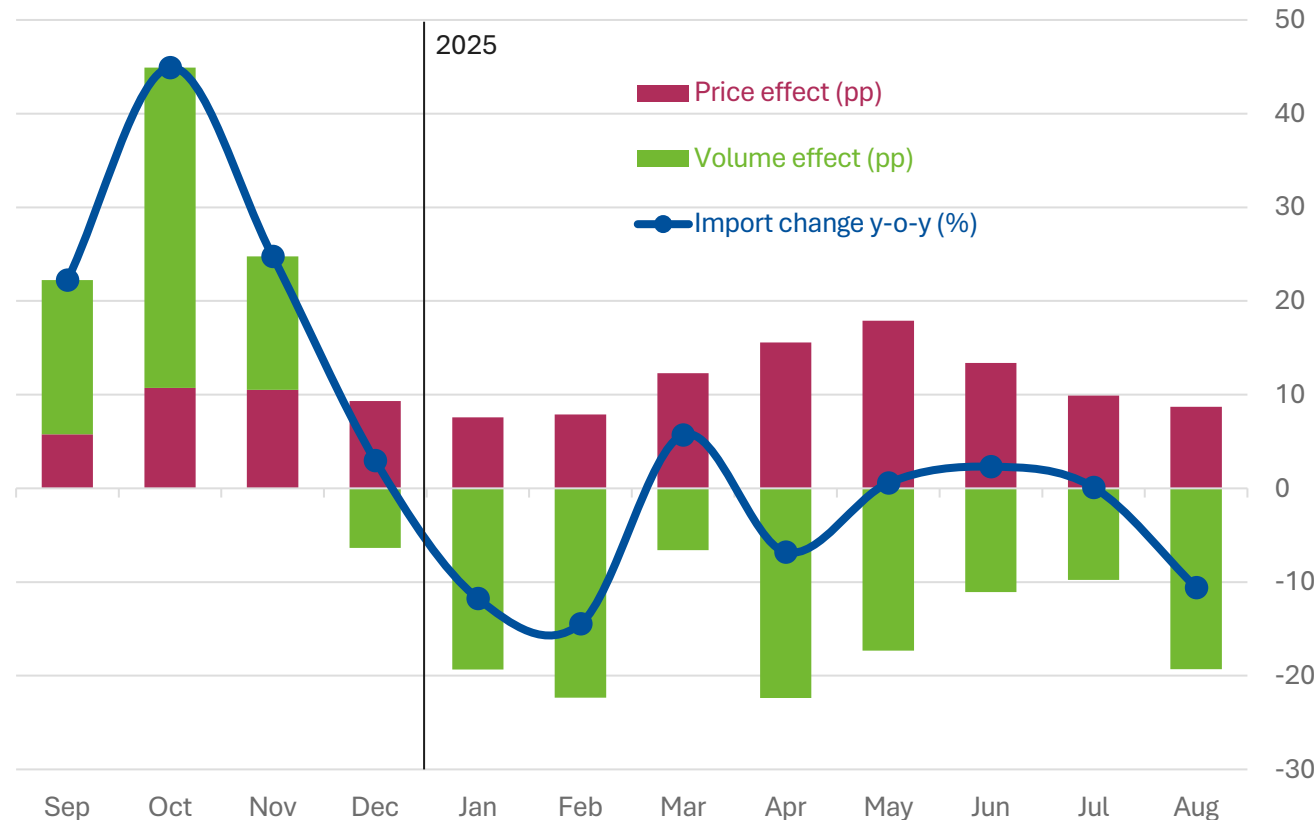
Using monthly data on international goods trade, we decompose nominal growth into volume and price contributions. The decomposition is done with a chain-linked Fisher-ideal index.

The import grew by 20-30% y-o-y in the recent months. The imports growth is **almost entirely volume-driven**, reflecting growing military and reconstruction demand.

The price component is generally slightly negative, reflecting easing global prices for imported goods.

Exports remain fragile

% change in goods exports, year-over-year



Sources: ITC TradeMap, CES calculations.

Note: decomposition based on HS2 goods categories.

- Goods exports remain weak, down 3.7% in the 9 months of 2025 (over the same period in 2024).
- The contraction is mainly volume-driven, reflecting damaged production capacity, logistics constraints, and damages in infrastructure.
- The price effects remain positive, partially offsetting the lower export quantities.
- Exports recovery remains fragile, under pressure of war-related destruction, infrastructure damage, and overreliance on commodities demand.

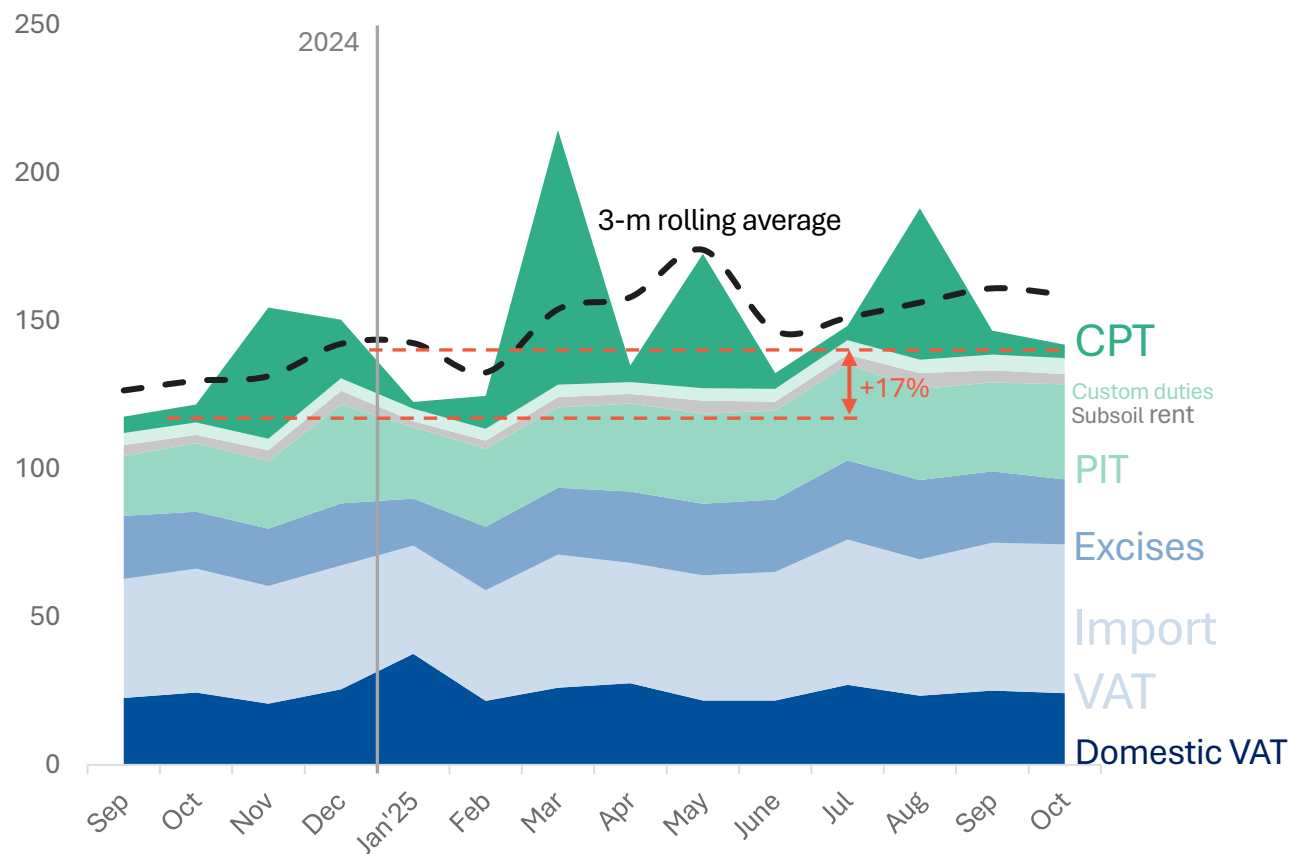


Fiscal sector

Revenues in October are the lowest in four months

The state budget received UAH 142 bn of taxes, 3% less than in September

General fund of state budget tax revenues, UAH bn



General fund tax revenues reached UAH 142 bn in October 2025 (-3% m-o-m; +17% y-o-y).

CPT brought UAH 4.6 bn (-43% m-o-m; -25% y-o-y) due to seasonality yet [exceeded the plan](#) by 24%.

PIT rose to UAH 32 bn (+7% m-o-m; +38% y-o-y), matching the updated annual plan.

Domestic VAT fell 4% m-o-m and 1% y-o-y, mainly because reimbursements increased (+13% m-o-m; +11% y-o-y).

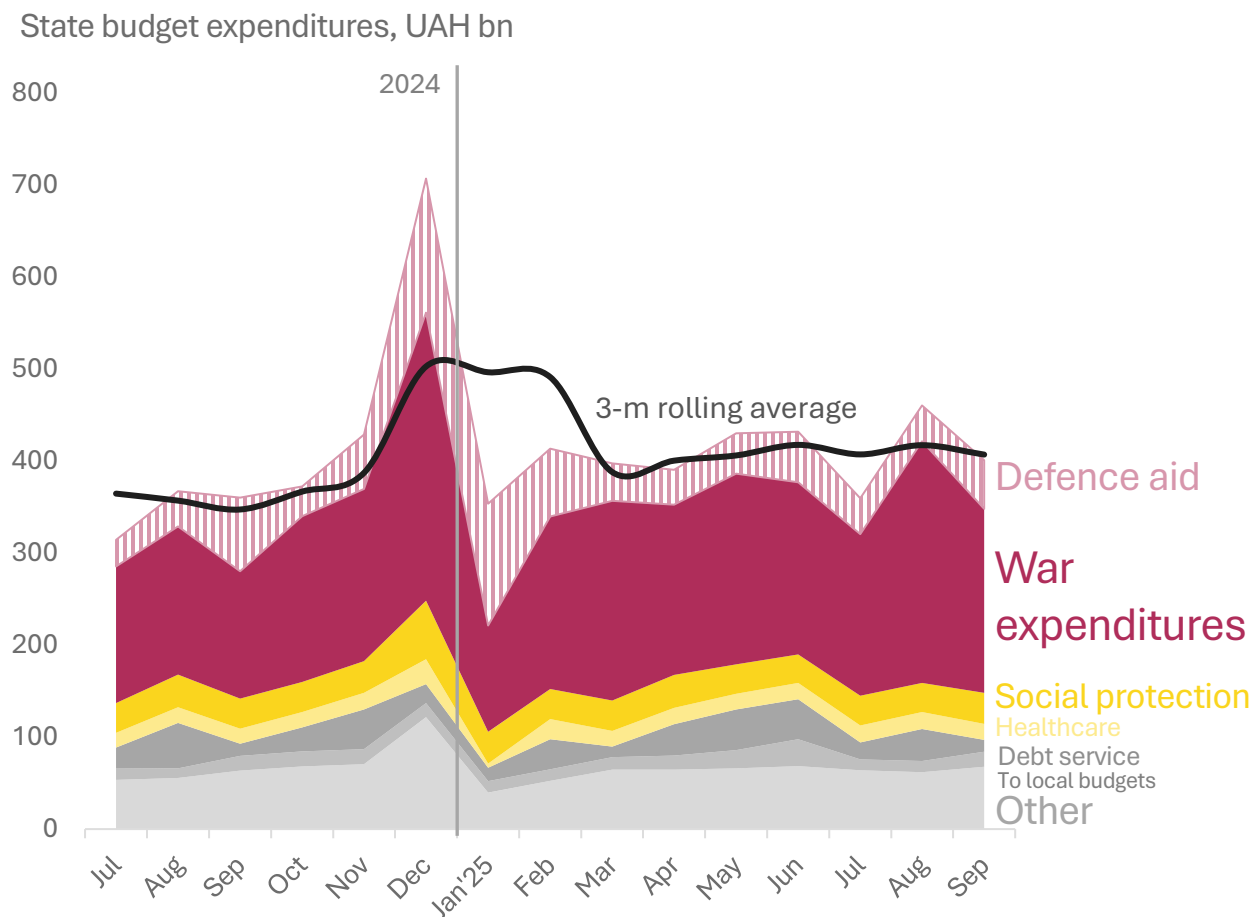
Import VAT stayed at UAH 50 bn, unchanged from September but below expectations due to weaker imports.

Excise revenues reached UAH 22 bn (-9% m-o-m; +15% y-o-y), broadly on plan.

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

Expenses decreased by 13% in September

Mostly due to decrease in war expenditures



Source: Ministry of Finance, CES calculations.

Total expenditures fell to UAH 401 bn in September 2025 (-13% m-o-m; about -UAH 60 bn).

War spending dropped 24% m-o-m to UAH 200 bn after August's peak of UAH 263 bn linked to weapon procurement, but remained +45% y-o-y.

Defence aid rose to UAH 53 bn (+36% m-o-m), partly offsetting lower procurements.

Social security spending was broadly stable (+7% m-o-m; +3% y-o-y).

Education spending increased 34% due to higher funding for universities.

Most other expenditures declined, except civil public-order spending.

This matches the shift toward prioritising defence, with an extra UAH 325 bn added to this year's security budget.

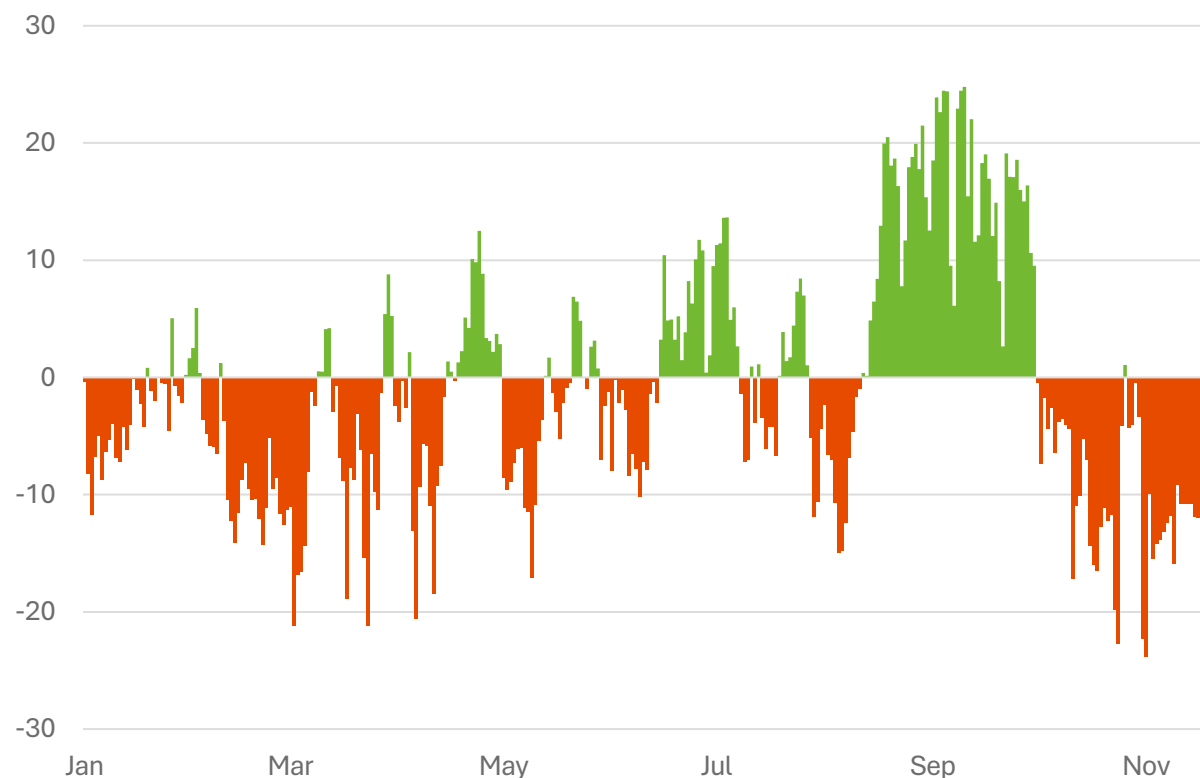


Sectoral analysis

Power outages continued nationwide amid increasing destruction

Ukraine hasn't been exporting electricity since 11 November

Ukraine net electricity commercial exports in 2025, GWh



Source: ENTSO-E.

Electricity imports to Ukraine in October 2025 increased 2,5 times m-o-m to 354 GWh while electricity exports dropped by 85% m-o-m to 90 GWh.

The maximum capacity available for electricity import to Ukraine from EU will be up to 2,3 GW in December 2025 (from 2,1 GWh), according to the Ukrenergo.

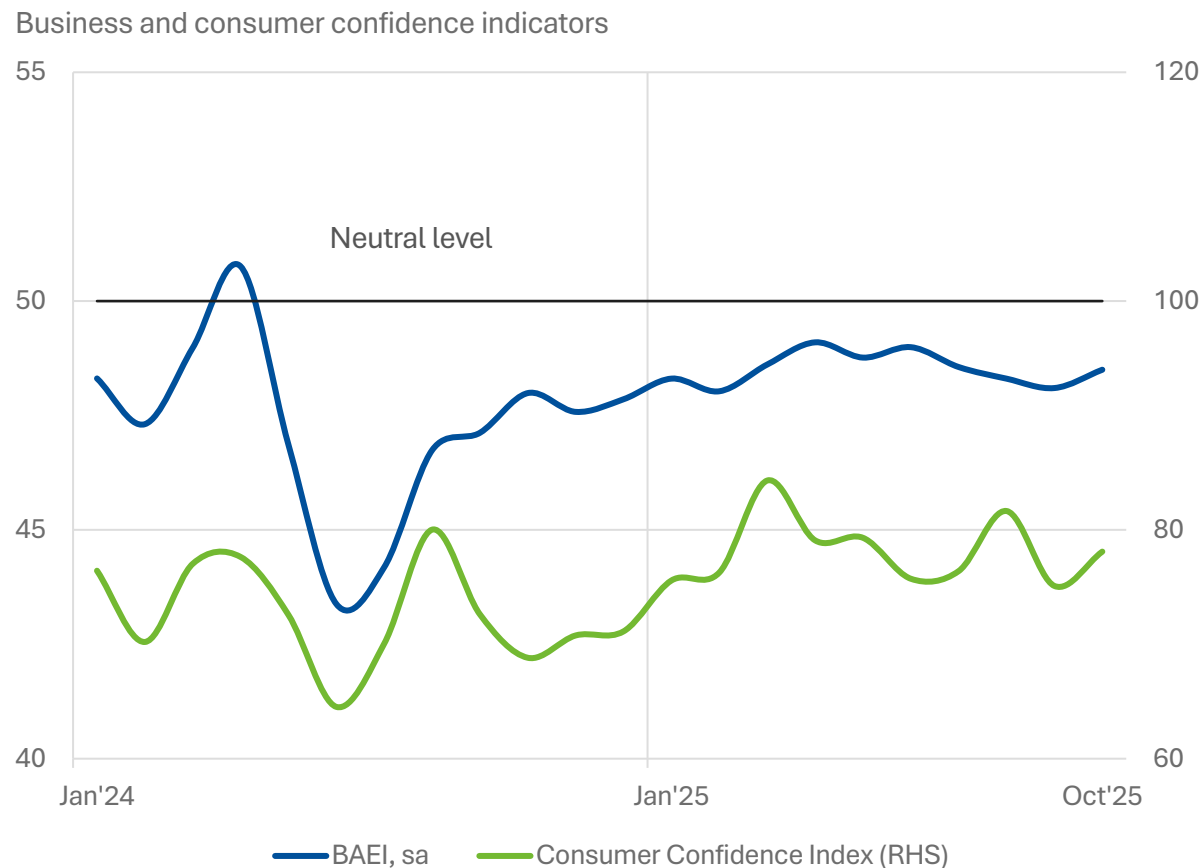
Ukrainian banks financed restoration of 1.2 GW of energy generation capacities and 434 MW of energy storage and heat generation projects in 21 oblasts between June 1, 2024, and November 1, 2025, according to the NBU.

Ukraine are still working on protecting energy facilities. 74 of the 119 key transformeri have second-level protection and 45 are being built, according to the Accounting Chamber.

The NEURC has approved increase electricity transmission tariff for 2026 by 14,6% to UAH 786.74/MWh.

Power outages have not yet affected economic expectations

Business and consumer confidence slightly improved



Source: NBU, InfoSapiens, CES calculations.

Business and consumer expectations slightly improved in October 2025.

The Consumer Confidence Index grew to 78.1 points (75.1 points in September). The sa BAEI slightly rose to 48.5 points (48.1 points in September). However, both indexes remained in a negative territory.

Production of all major types of metal products declined in October compared to August peak.

However, metallurgical output exceeded previous year level: in October 2025, 692 thousand tonnes of pig iron were produced (+11% y-o-y), 648 thousand tonnes of steel (+7% y-o-y), and 534 thousand tonnes of rolled products (+21% y-o-y).

Output in main activities in September 2025, % y-o-y

Agriculture	Industry	Mining	Manufacturing	Energy	Retail trade	Wholesale trade	Freight turnover	Passenger turnover
-23,6	0	0,4	-1,3	6,1	7,1	2,6	-6,3	6,1

Source: State Statistics Service of Ukraine.



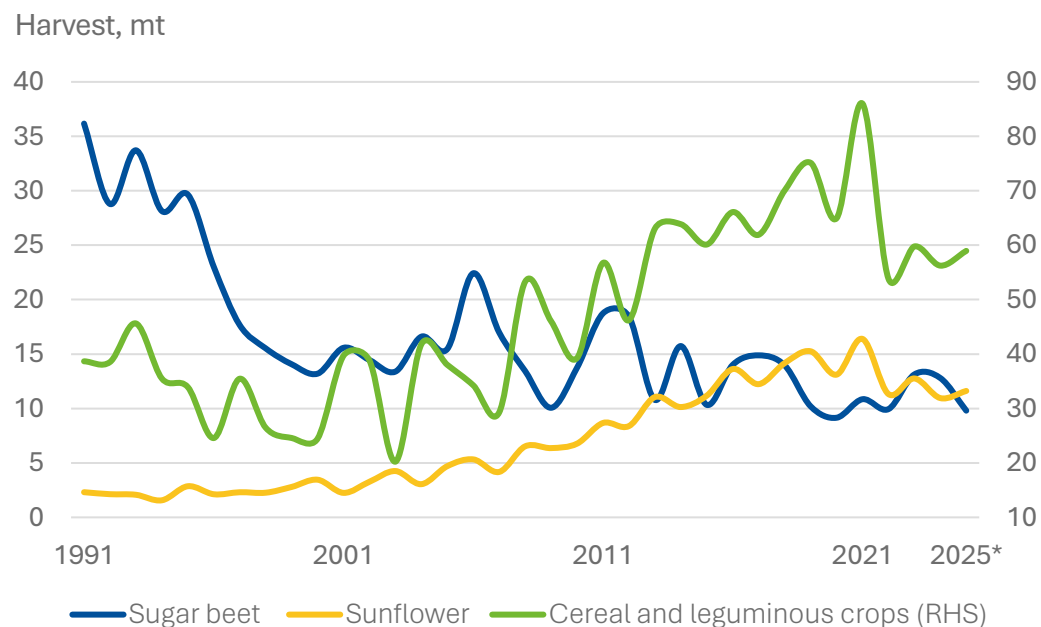
Special topic:
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affect Ukraine's economy?

The first challenge: full-scale war losses

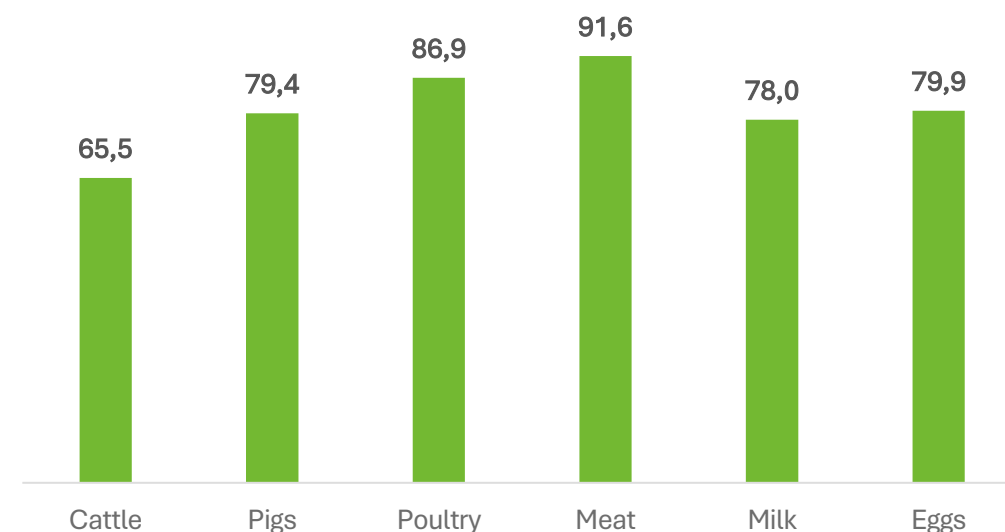
According to the RDNA 4, damages to the agriculture reached \$11 bn, and restoration will cost \$55 bn

From 2022 to 2025, the harvest of grain and oil crops reached only 70% of the 2021 peak and livestock production fall by 20% in 2025 compared to 2021, on average, driven by the occupation, destruction of farms and infrastructure, theft of equipment and mining of agricultural land.

However, **the role of agriculture and the food processing industry in the economy remained essential**, accounting for almost 10% of GDP and ~60% of exports in 2024. Agriculture will make a minor positive contribution to GDP in 2025 due to good harvest.



Number of animals and animal production in Jan-Sept 2025 compare to Jan-Sept 2021, %



*MoE estimates. Source: State Statistics Service of Ukraine.

Source: State Statistics Service of Ukraine, CES calculations.

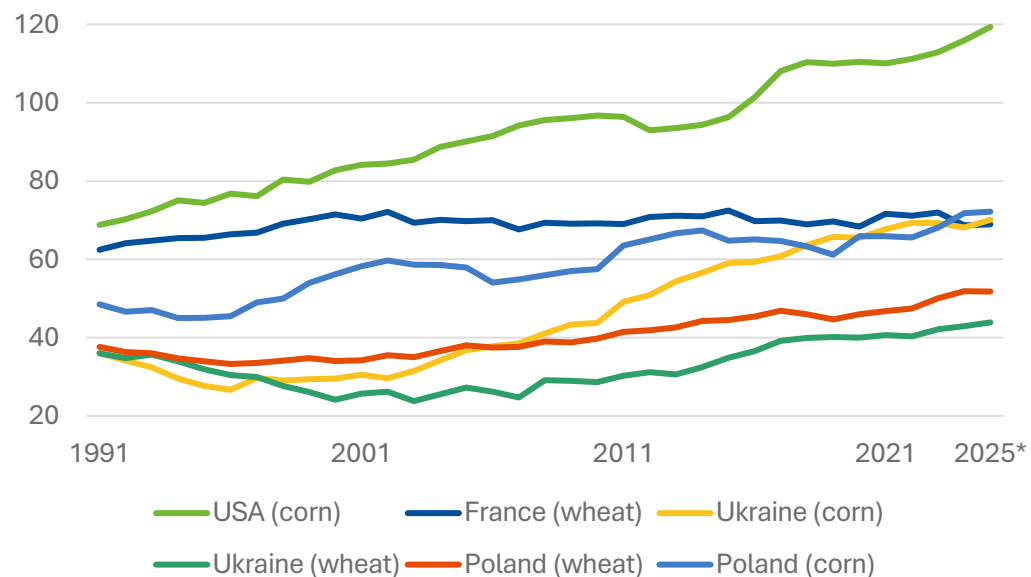
The second challenge: climate changes

Agriculture productivity grew in latest decade, but droughts shifted production to West and North

Since 90-s, yields of wheat and corn grew in many countries, but Ukraine's results were more impressive: for example, peak yields of corn in 2021 more than doubled compared to 1987.

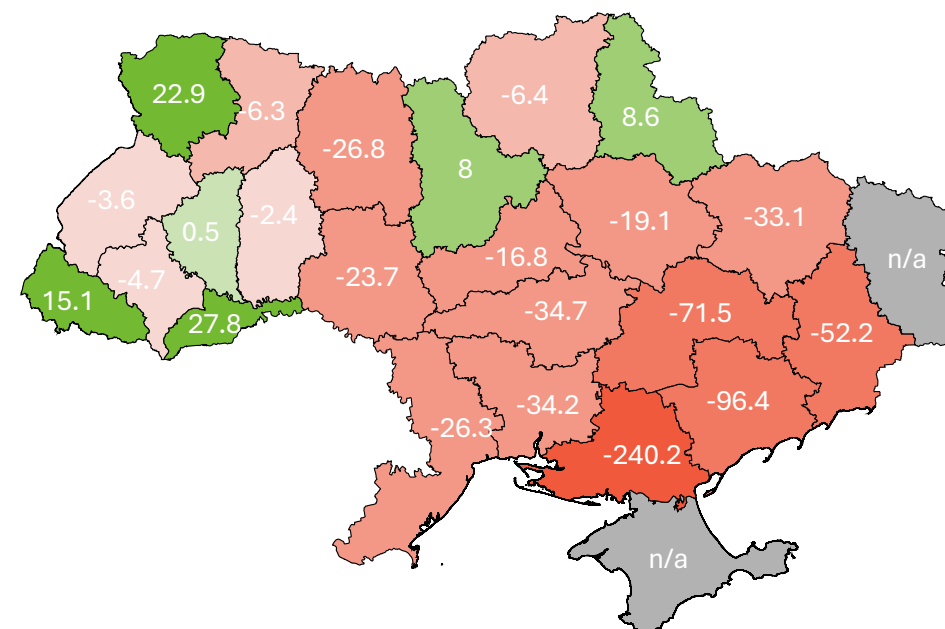
Climate changes, destruction of Kakhovka dam led to a droughts in 2024-2025, especially in South and East. As a result, yields fall essentially and main crops production shifted to north and west parts of the country.

Yields of wheat and corn, 5-year moving average, centner per ha



*MoE estimates. Source: State Statistics Service of Ukraine, FAO, USDA.

Grain and legumes yields (2025 compared to 2021) by oblast, %



Source: State Statistics Service of Ukraine, MoE, CES calculations.

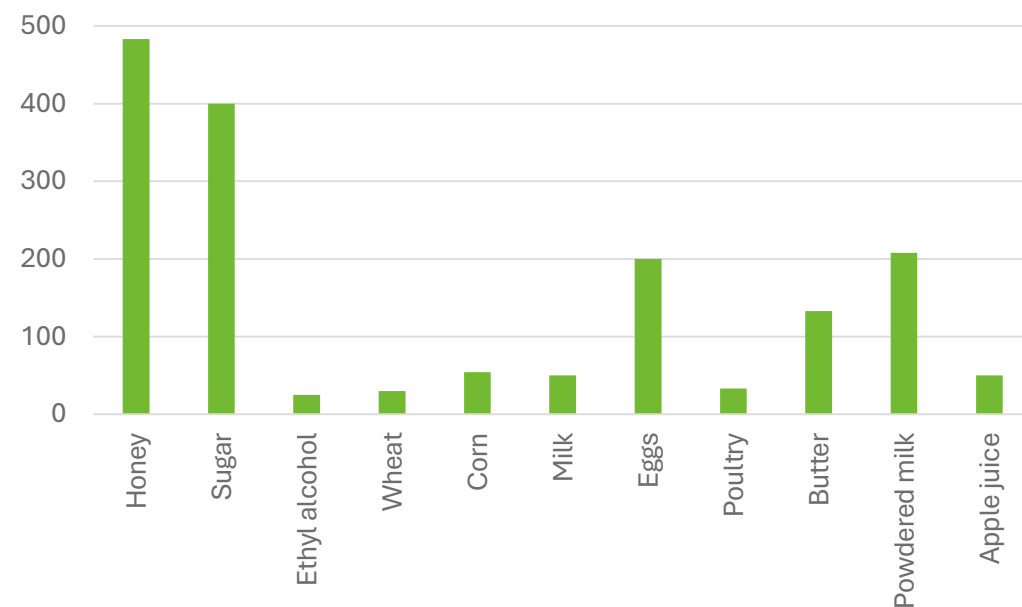
The third challenge: Ukraine's accession to the EU

A number of challenges for the Ukrainian agricultural sector supplements with significant benefits

Challenges: the need to adapt to EU standards, modernize technologies and infrastructure, implement common policies and regulations, high competition in the common market, etc.

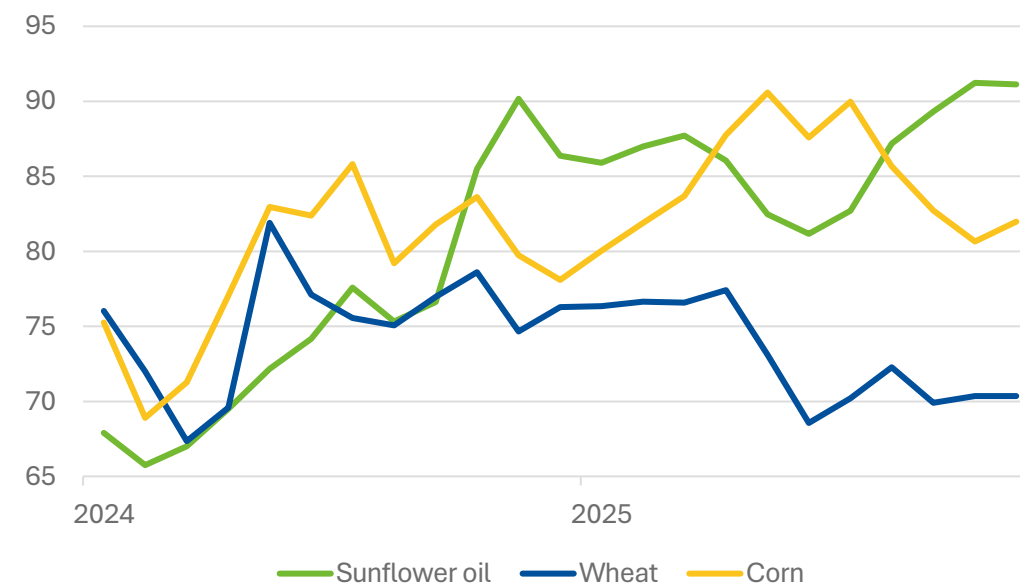
Benefits: access to a larger market, FDI and cohesion funds financing, improved product quality and competitiveness, introduction of high standards in production and management and further growth of productivity.

Quotas for exports to the EU in 2025 compared to 2021, %



Source: New DCFTA agreement.

Prices for Ukraine's major agricultural commodities in foreign markets on FOB terms, monthly average, \$



Source: APK-Inform.



Thank you!