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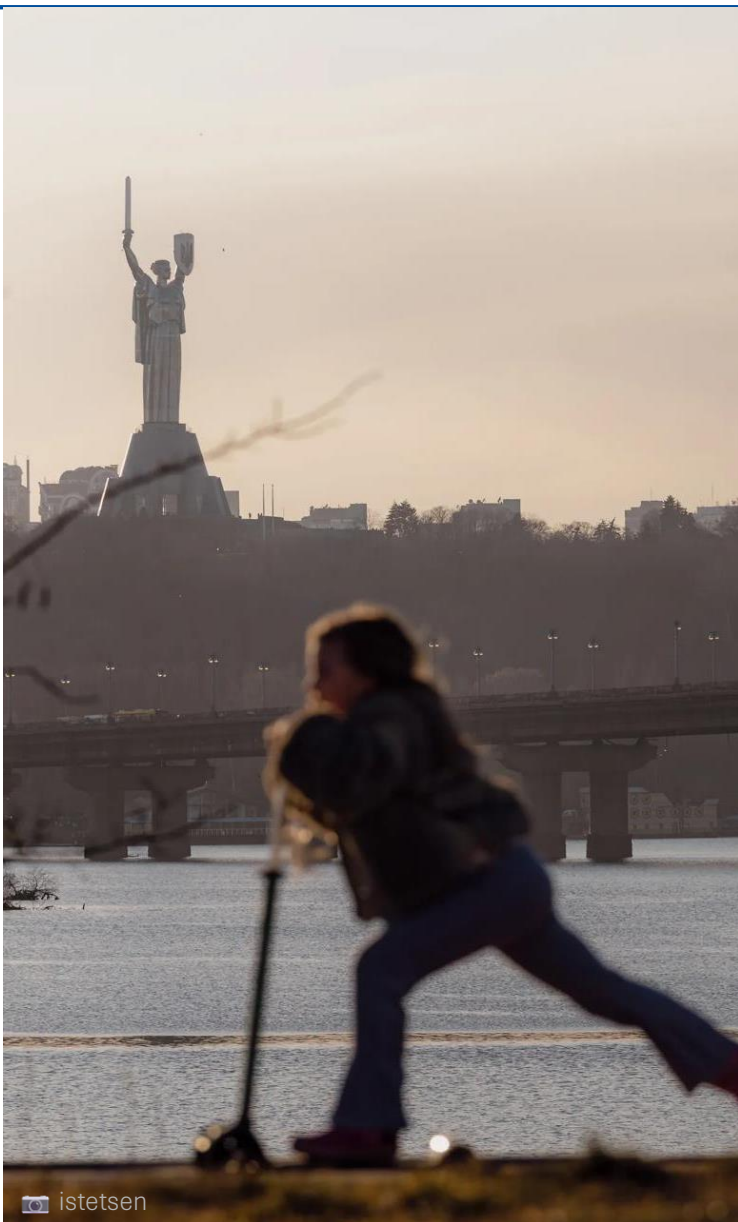
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## April Economic Review

Special topic: How is the fuel crisis affecting the  
Ukrainian economy?

Date: 16 April 2026

Authors: CES Team



# Executive summary

## Executive summary

- **Monetary sector:** Inflation in March 2026 reached 7,9% y-o-y, up from 7,6% in February, and rose by 1,7% m-o-m. Fuel contributed 0.7 pp to the 7.9% inflation rate and was the fastest growing category in March. Key policy rate remains at 15%, contrary to previous projections. High policy rate will continue to keep business lending rates elevated. International reserves remain high but affected by prices of gold. Gold prices fell as safe-haven demand eased amid the Iran war and the stronger US dollar
- **Fiscal sector:** Fuel crisis had a minor impact on revenues in March. However, more than a half of annual increase came from import VAT. Almost the entire reserve fund is already used up in March. 93% of this spending was predictable and belonged in the regular budget. War needs increased in February. Total expenditures increased by 30% m-o-m in February, mainly due to defence spending
- **Sectoral analysis:** Business sentiment and economic activity improved in March amid a stable energy situation. However, electricity supply remained fragile in April amid regulatory decisions. The sowing campaign for summer crops has started in all regions, and the Government has retained support programs for agricultural producers.
- **Special topic:** The Iran war has driven up fuel and gas prices and led to resource supply disruptions. It could lead to a slowdown in economic activity in Ukraine and globally, with lower harvests, restrained industrial production and exports, and intensified inflationary pressures.
- **See our report below for further details.**

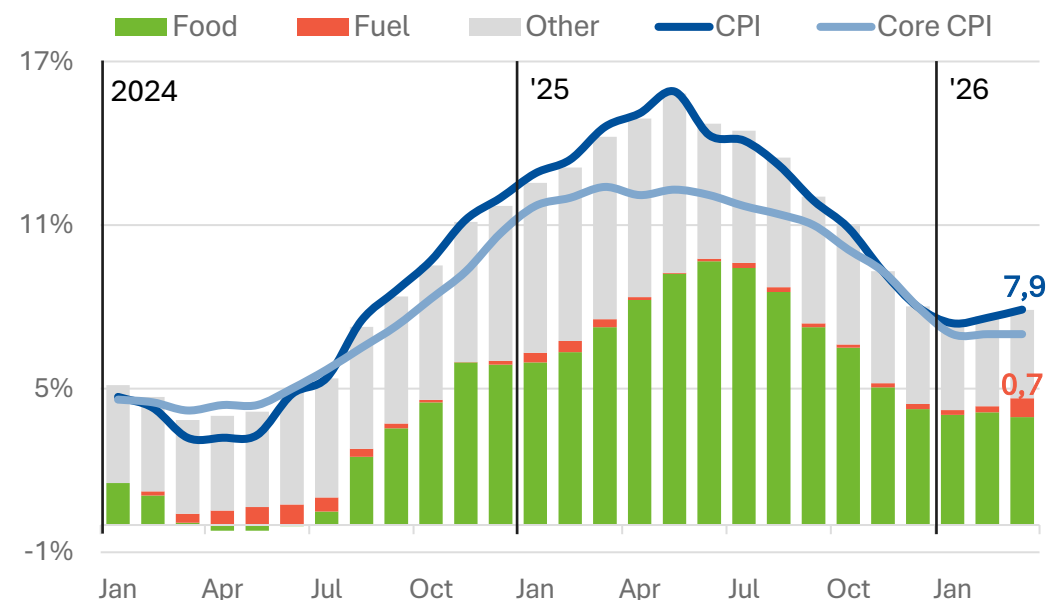


# Monetary sector

# Fuel prices added to inflation in March

Fuel contributed 0.7 pp to the 7.9% inflation rate

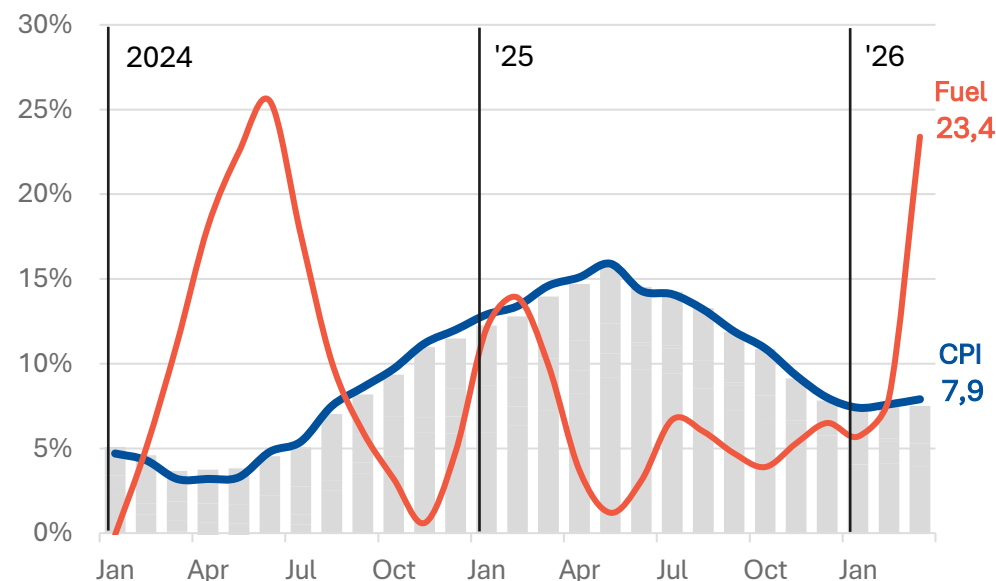
Consumer Price Index (CPI, Inflation) decomposition, y-o-y, %



Sources: State Statistics Service of Ukraine, NBU, CES calculations.  
We use 2024 wages for CPI decomposition.

**Inflation in March 2026 reached 7,9% y-o-y**, up from 7,6% in February, and rose by 1,7% m-o-m.

CPI and its component (Fuel), y-o-y, %



Sources: State Statistics Service of Ukraine, NBU, CES calculations.

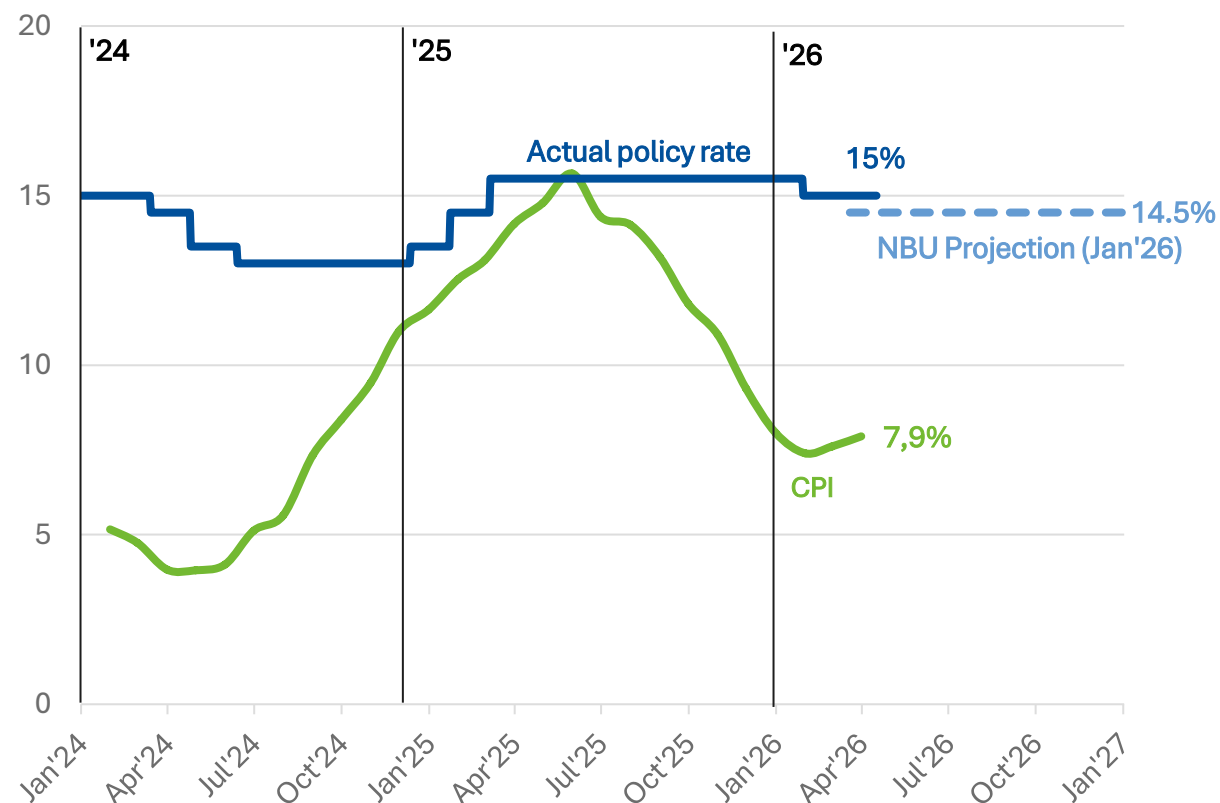
**Fuel prices were the fastest growing category in March** as compared to February, at 13.2% m-o-m.

Fuel prices also rose 15 pp faster than the overall CPI basket y-o-y.

# Key policy rate remains at 15%, contrary to previous projections

High policy rate will continue to keep business lending rates elevated

CPI (Inflation), actual and old projected key policy rate, %



**In March, the NBU kept the policy rate at 15%.**

This deviated from its January 2026 projection, when it expected inflation to ease and planned to hold the rate at 14,5% for the rest of the year, due to inflationary pressure from the war in the Middle East.

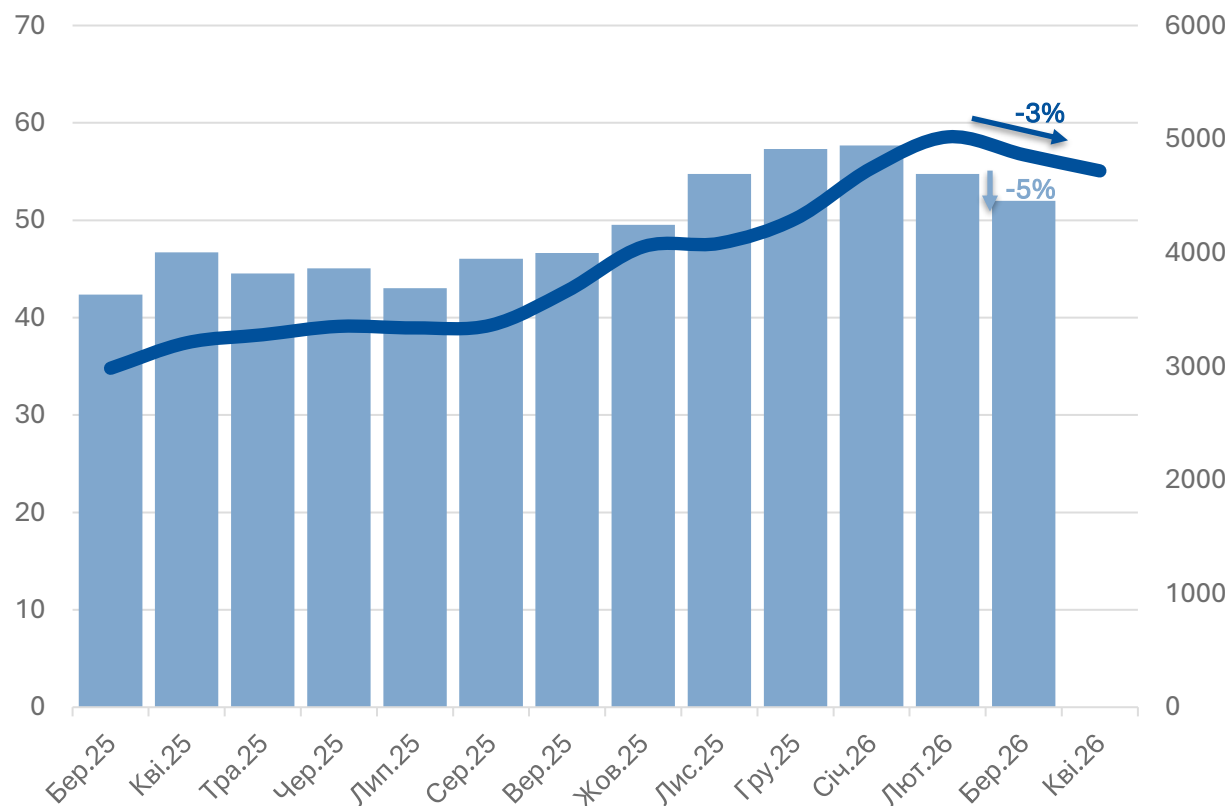
This includes the fuel crisis, but also potential fertiliser price increases, and Russia's increased capacity to enact damage to Ukraine's economy. Other factors that drove the decision included a rise in prices of services and raw materials.

Sources: SSSU, NBU, CES calculations.

# International reserves remain high but affected by prices of gold

Gold prices fell as safe-haven demand eased amid the Iran war and the stronger US dollar

Gross international reserves, \$ bn (left axis)  
and monthly average LBMA gold price, \$ per ounce (right axis)



**International reserves remained at high levels, owing to continuing international support, but have nevertheless somewhat fallen in March.**

**This occurred in part due to a decline in gold prices, by 3% in March and 6% in April as compared to its peak in February.**

**This is significant since gold constitutes 7,7% of Ukraine's international reserves, as of 1 April 2026.**

**The current drop in gold prices likely reflects a correction from previously elevated levels and the current strengthening of the US dollar. Earlier, geopolitical tensions had driven gold prices up through the safe-haven effect.**

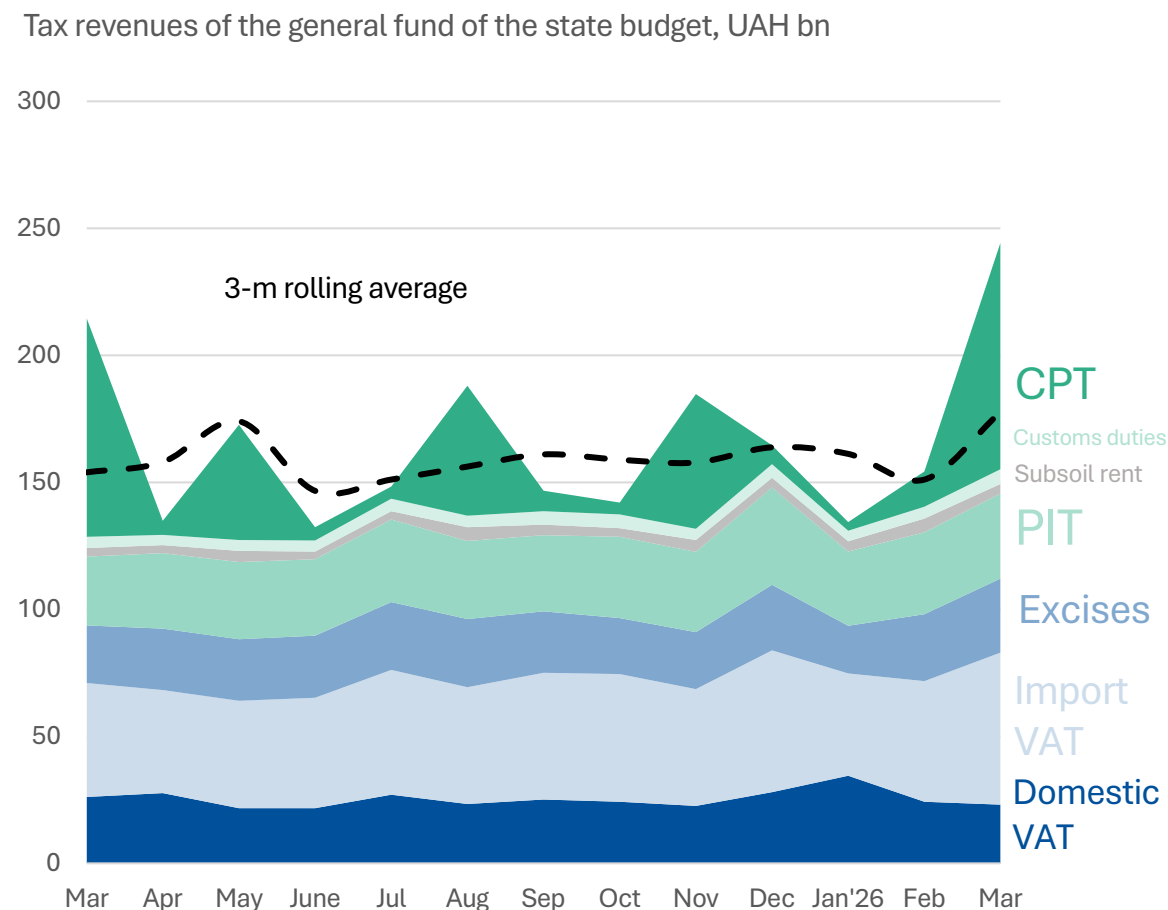
Sources: NBU, Ministry of Finance, CES calculations.



## Fiscal sector

# Fuel crisis had a minor impact on revenues in March

However, more than a half of annual increase came from import VAT



**The fuel crisis have a minor impact on state budget revenues in March;** the greatest impact was on import VAT.

**Total tax revenues amounted to UAH 244 bn,** almost +UAH 30 b y-o-y. Half of this growth came from import VAT.

In March, petroleum products worth UAH 21 bn were imported, +UAH 3.8 bn m-o-m, due to increase in reserves for fuel and higher prices.

By contrast, domestic VAT revenues decreased both m-o-m (-5%) and y-o-y (-11.5%) due to growth in budget refunds and greater import reliance.

**The impact of the fuel crisis on income taxation has been limited so far.** The crisis may affect economic expectations and worsen economic activity, which could impact income tax revenues. In March, however, these revenues increased and exceeded the target:

- CPT increased m-o-m (+541%) due to its seasonality and exceeded the plan (+8%)
- PIT increased both m-o-m (+4%) and y-o-y (+23%) and exceeded the plan (+5%)

Source: Ministry of Finance, CES calculations.

# Almost the entire reserve fund is already used up in March

93% of this spending was predictable and belonged in the regular budget

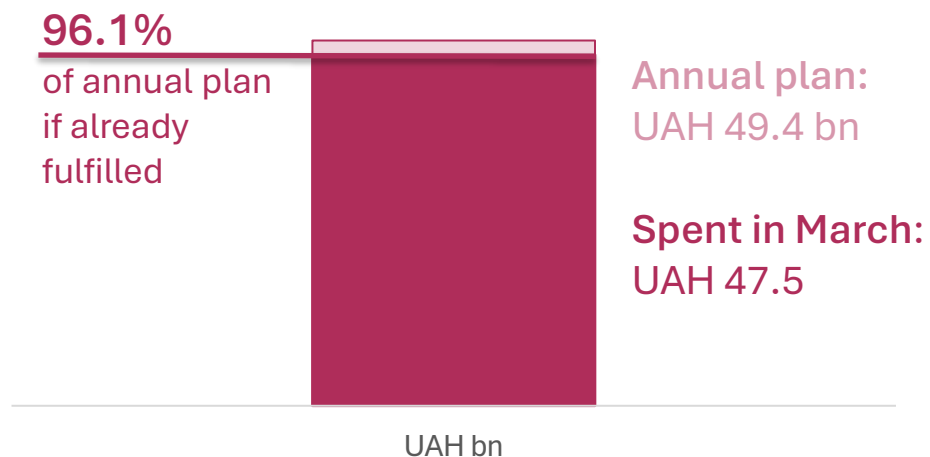
The reserve fund of state budget is intended to cover unexpected expenditures. Such expenditures are urgent and could not be foreseen during the approval of the budget for the following year.

A total of UAH 49.4 bn was reserved in 2026 Budget.

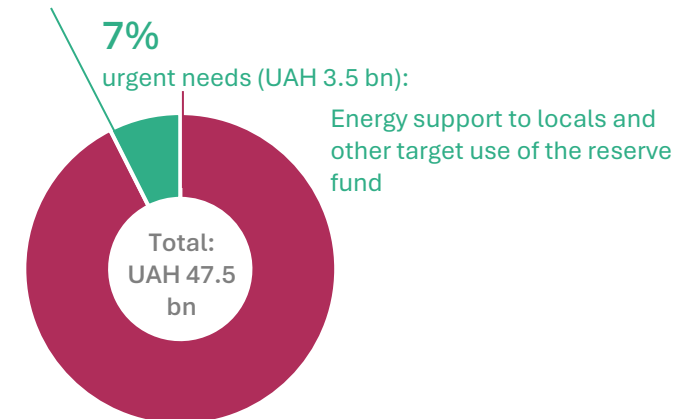
In March, UAH 47.5 bn (96% of the reserve fund) was spent.

Of this, UAH 44 bn (93%) could have been forecast and allocated in the state budget, avoiding the need to use the reserve fund.

Usage of the reserve fund of state budget in March, 2026



Source: State Treasury Service, Ministry of Finance, CES calculations



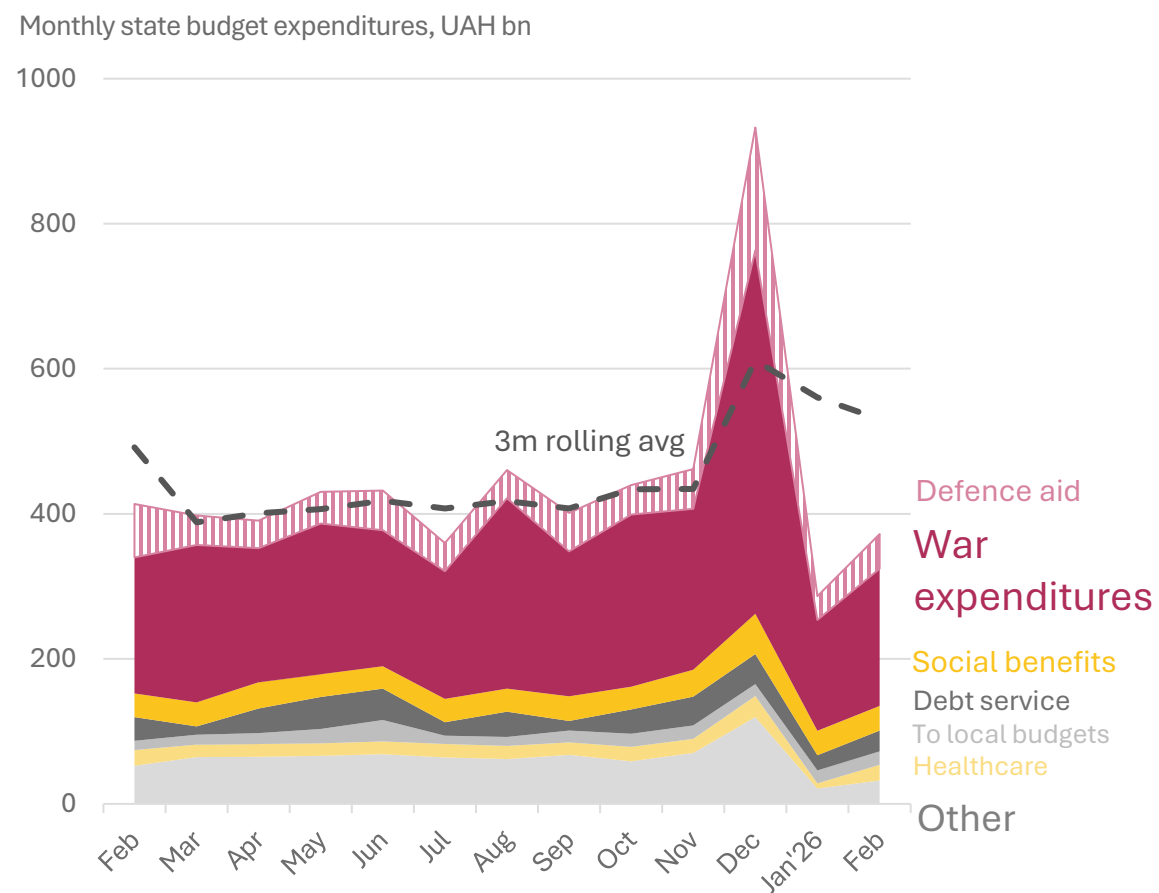
93% could have been forecast (UAH 44 bn):

- Preventive protection for critical infrastructure
- For railways to cover deficit
- Road maintenance
- Cashback

Source: Ministry of Finance, CES calculations

# War needs increased in February

Total expenditures increased by 30% m-o-m in February, mainly due to defence spending



Source: Ministry of Finance, CES calculations

**In February 2026, state budget expenditures totalled UAH 372 bn, +30% m-o-m.**

**War needs remained the main driver:**

- war expenditures via own sources: UAH 189 bn compared UAH 153 bn in January
- defence aid increased 1.5 times m-o-m

**Non-military spending** – uneven monthly growth:

- economic activity: UAH 2.9 bn → UAH 9.6 bn due to funds allocated to National Development Institution (5-7-9%) and road debt repayments
- healthcare: UAH 7.1 bn → UAH 21.8 due to delays till February in contracting healthcare facilities under the state-guaranteed health insurance programme.

**However, total expenditures fell by 10% y-o-y. Both war-related expenditures (–9%) and non-war-related expenditures (–11%) declined.**

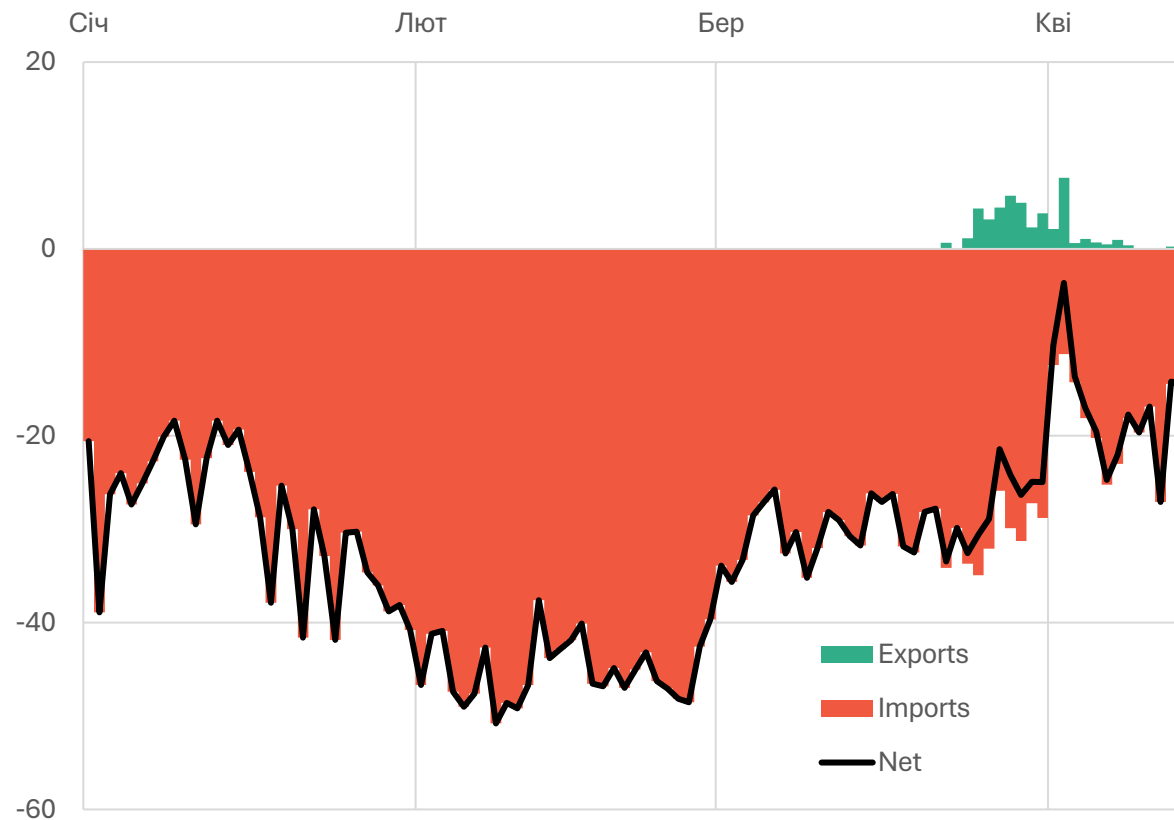


# Sectoral analysis

# The energy situation remained fragile

## Electricity imports fell in March-April

Ukraine commercial electricity EXIM in 2026, GWh



Source: ENTSO-E.

**Energy situation improved in March:** electricity imports declined by 25% m-o-m to 942 GWh, and electricity exports resumed (30 GWh were exported).

**Power outages returned in April** due to cool, cloudy weather (higher demand, lower solar output); lower electricity price caps, which reduced imports amid higher EU prices and, along with the cancellation of PSO for cogeneration, cut generation; and the start of nuclear plant repairs.

According to the Ministry of Energy, Russia damaged 9 GW of energy capacity during the heating season, of which **4 GW had been repaired by April.**

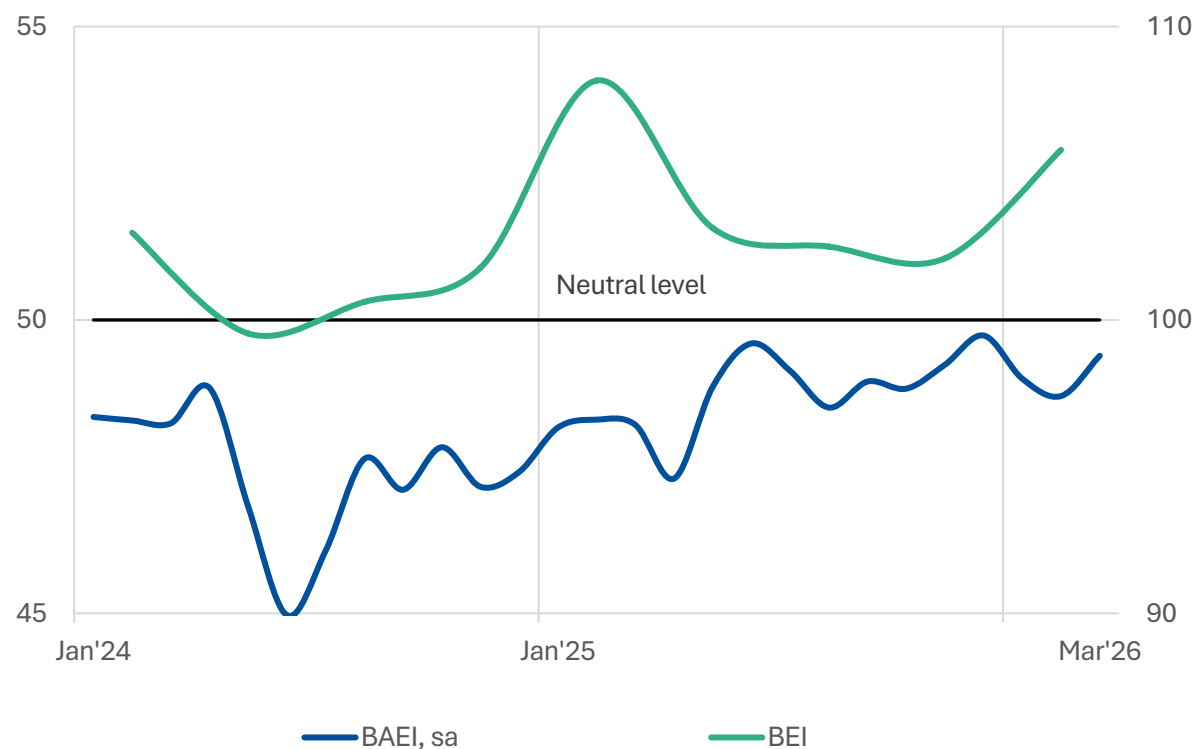
**The heating season ended with 9.5 bn m<sup>3</sup> of gas in storage.** With production of ~17 bn m<sup>3</sup> in 2025, Ukraine needs to import 0,5-1 bn m<sup>3</sup> to reach at least ~13 bn m<sup>3</sup> in storage before November.

**Risks: high external prices and limited resource supply.**

# Businesses confidence improved

A stable energy situation was the main driver behind improved expectations in March

Business confidence indicators



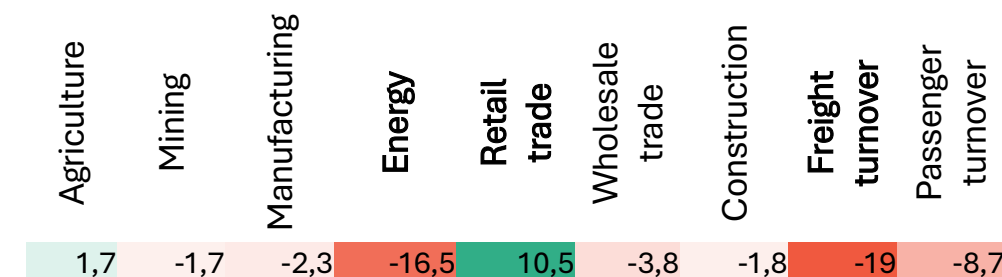
Source: NBU.

**The Business Activity Expectations Index (BAEI) improved in March** in both headline NBU data (52,7 p) and seasonally adjusted.

**Quarterly Business Expectations Index (BEI) rose sharply to 105,8%** due to the improvement of investment and sales expectations.

However, the economic activity was weak at the beginning of the year, and **real GDP fell by 1,2% y-o-y in Jan-Feb 2026**, according to the Ministry of Economy.

Output by economic activity in January–February 2026, % y-o-y

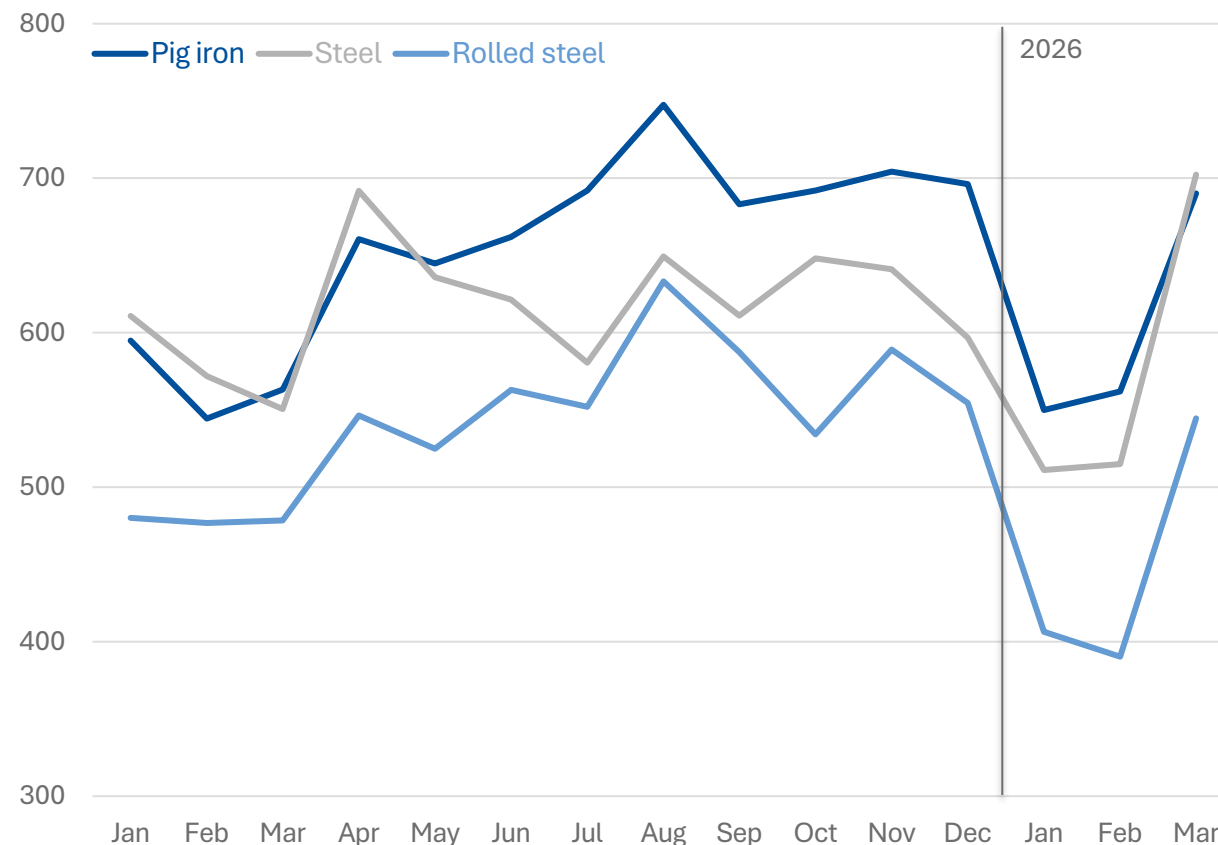


**Risks: economic activity further slows down in 2026 due to high prices and energy shortages.**

# Metallurgical production accelerated in March

## Stable electricity supply helped

Production of major iron & steel products, in thousands metric tonnes



Source: Ukrmetallurgprom.

**In March, metallurgical production grew by 20-40% m-o-m — depending on the product — amid improved energy situation and lower electricity costs.**

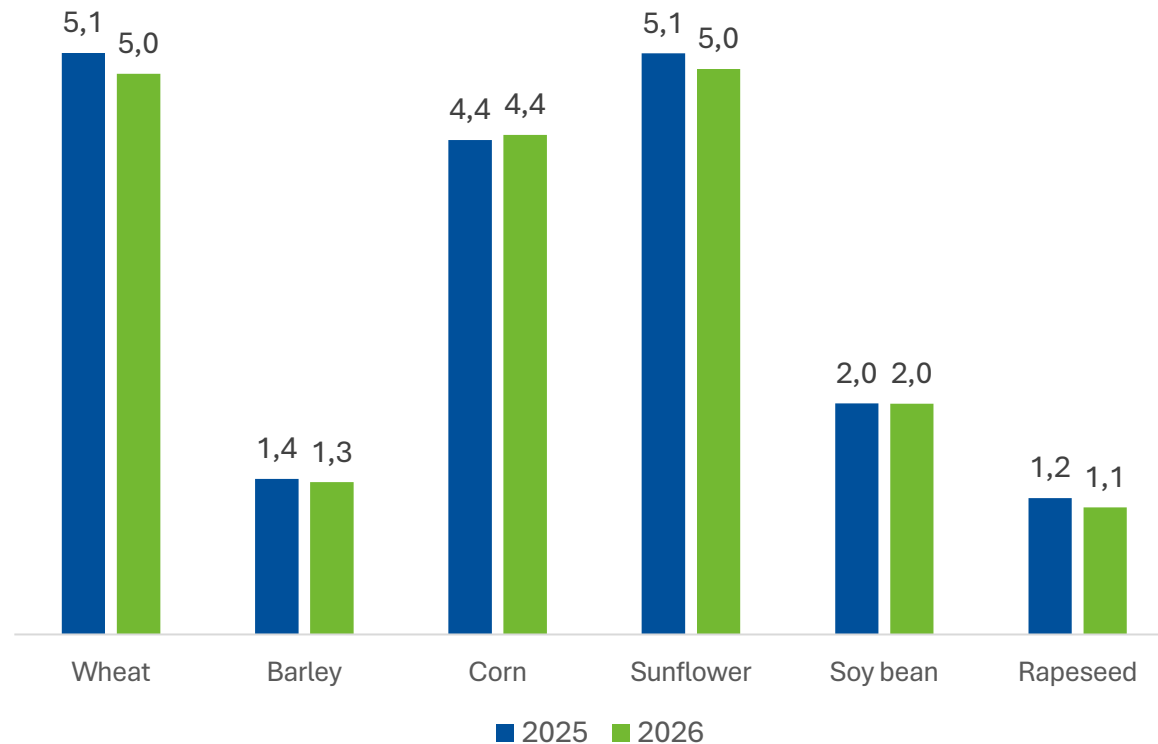
According to metallurgical enterprises, **CBAM measures led to losses of more than 1 mt in steel export orders** and the closure of some production capacity.

**Risks: weak external demand for Ukraine's metallurgical production due to the global economic slowdown.**

# 2026 harvest expectations are uneven

## Planted area is expected to be almost unchanged in 2026 vs 2025

Planted area, million hectar



Sources: SSSU, Ministry of economy estimates.

As of 14 April, **the spring sowing season has begun across all regions** at the same pace as last year, with planted area almost unchanged from 2025. However, rising fuel (diesel up by 30 UAH) and fertiliser prices (up by 30–35%) have increased production costs.

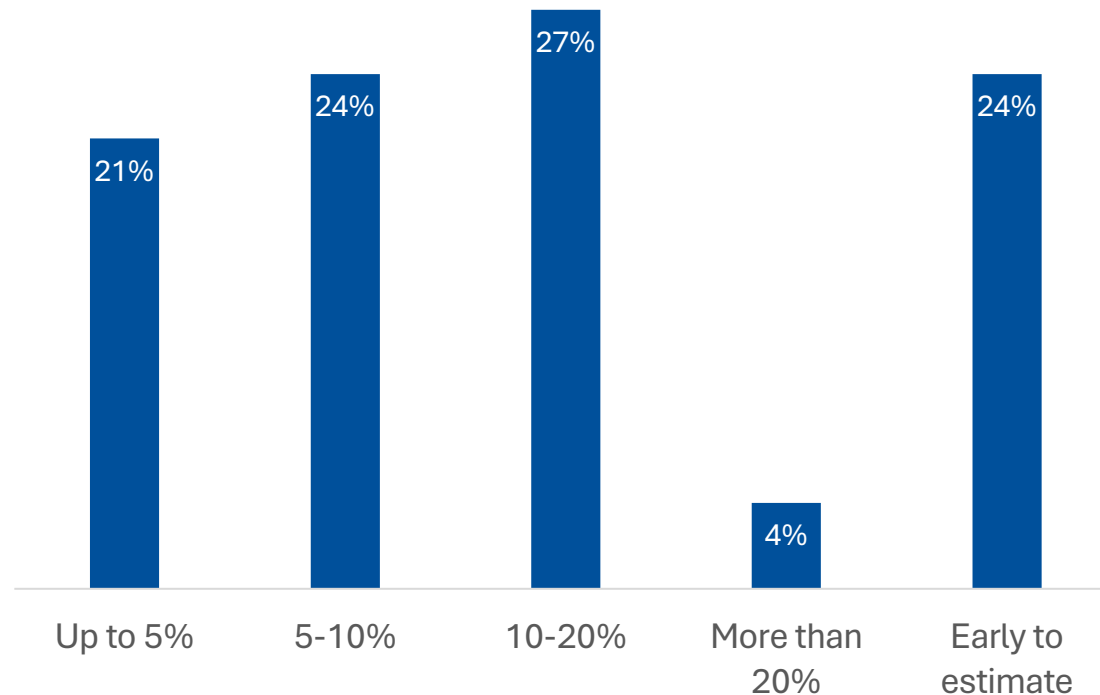
**The government has retained support programs for agricultural producers in 2026:** the “5-7-9%” loan programme; partial reimbursement of agricultural machinery costs; agricultural insurance; guarantees for farmers with additional preferential terms for frontline territories; and demining.

**Risks: fewer fertilisers and plant protection products could be applied, negatively impacting yields and resulting in lower harvests, food processing, and export volumes than in 2025, and driving inflationary pressures.**

# Most companies were affected by rising fuel prices

## 76% of companies reported increased logistics and transportation costs

Costs increases due to changes in the fuel market,  
% of answers



Source: EBA.

**32% of companies reported a significant impact from higher fuel prices**, 34% a moderate impact, 25% a slight impact, and only 9% no impact, according to [the EBA survey](#).

**So far, 53% have not faced disruptions or operational difficulties.** However, 76% report higher logistics and transportation costs, and 20% have already raised prices.

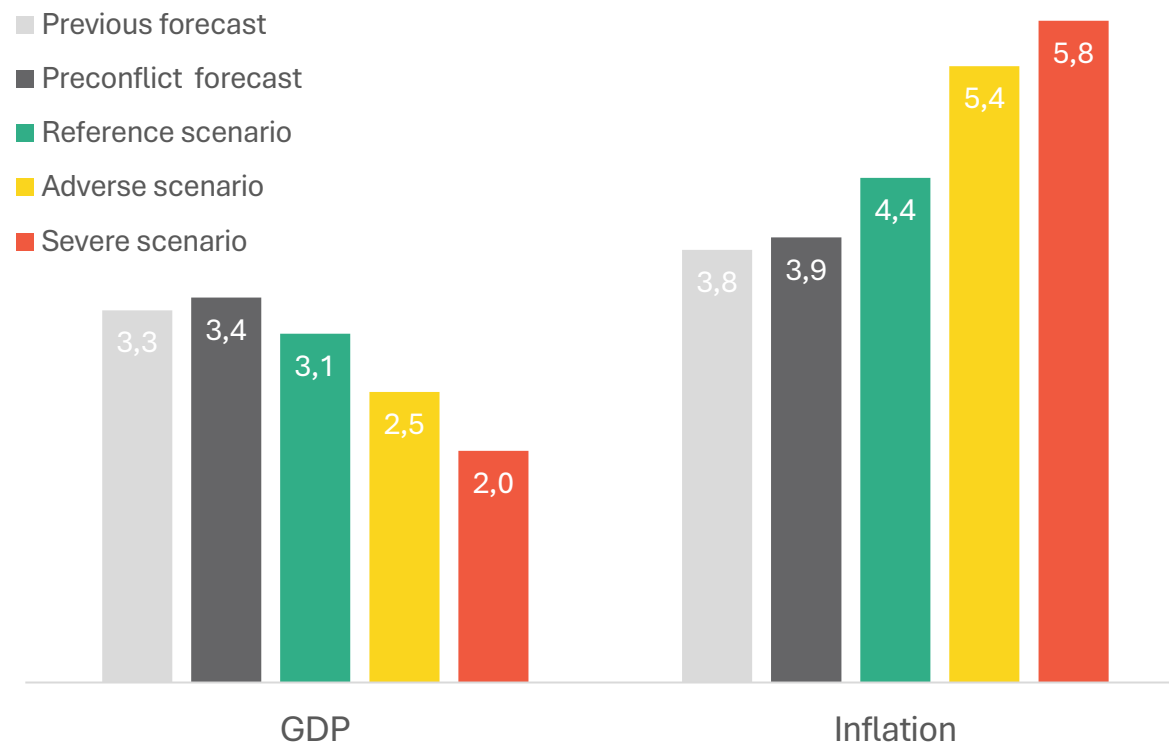
**Uncertainty remains high:** 24% say it is too early to assess the impact, while 48% can maintain current prices for only 1–2 months or less.

**To address the crisis, companies call on the Government to introduce more flexible tax and excise policies**, including temporary measures during price spikes; ensure transparency and predictability in the fuel market; and support critical sectors where fuel accounts for a large share of costs.

# Global energy crisis to cut external demand and raise inflation

## Downside risks dominate

IMF global forecast for 2026 under different scenarios



Source: IMF. The reference scenario with a limited duration of the conflict and the disruptions fading by mid-2026; the adverse scenario with larger and more persistent increases in energy prices; the severe scenario with more damage to energy infrastructure in the conflict region.

**High prices and resource shortages could affect a wide range of industries worldwide that rely on oil and gas as key raw materials** (fertilisers, plastics and synthetic materials; food additives; cosmetics; construction materials; pharmaceutical products, electricity, etc.).

**Emerging markets — including Ukraine — will be hit harder**, according to the IMF, **with GDP growth revised down by 0.3 pp to 3.9% in 2026**, while forecasts for advanced economies remain broadly unchanged. Inflation revisions are also higher in emerging markets.

**To address the crisis, the IMF recommends preserving price and financial stability, safeguarding fiscal sustainability, and implementing structural reforms without further delay.** Central banks must anchor inflation expectations. The IMF also allows targeted assistance for vulnerable groups, alongside fiscal, structural, and industrial policies to remove domestic distortions.

- **Fuel contributed 0.7 pp to the 7.9% inflation rate** and was the fastest growing category in March.
- **The NBU kept the policy rate at 15%** in response to the inflationary pressure.
- Fuel crisis had no substantial impact on state budget revenues in March.
- The Iran war imposed the risks of a slowdown in global growth and rising inflation.
- **High fuel costs, supply shortages and restrained external demand could lead to lower harvests, production and exports in Ukraine, driving price growth.**



Thank you!

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