

Andriy Pyshnyy: National Bank of Ukraine press briefing - monetary policy decisions

Speech by Mr Andriy Pyshnyy, Governor of the National Bank of Ukraine, at a press briefing on monetary policy decisions, Kyiv, 24 July 2025.

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Dear colleagues,

The Board of the National Bank of Ukraine has decided to keep its key policy rate at 15.5%. This will support the sustainability of the FX market and keep inflation expectations in check, contributing to further easing of the price pressure.

The NBU will stick to a rather tight monetary stance for as long as it is needed in order to ensure that inflation is steadily declining toward its 5% target over the policy horizon.

As expected, inflation has started to decline, and inflation expectations remain under control

Inflation peaked in May, as expected, and went back to declining in June (14.3% year-on-year). At the same time, it was higher than forecast – primarily due to the impact of unfavorable weather conditions on supply of food products.

On the other hand, core inflation decreased (to 12.1%) somewhat faster than forecast. The still-high underlying price pressure reflected the effects from a rapid rise in food prices and businesses' significant expenses on raw materials and wages.

The situation on the FX market was sustainable, in particular thanks to the NBU's previous measures to tighten the interest rate policy. Fluctuations in the UAH/USD exchange rate were moderate, and the weakening of the hryvnia against the euro has had an insignificant inflationary effect so far.

The dynamics of economic agents' inflation expectations were mixed. Households' expectations deteriorated somewhat. Web search statistics also pointed to a moderate increase in households' attention to the topic of inflation.

In contrast, short-term expectations of financial analysts improved, while their medium-term expectations remained stable, demonstrating their confidence in the temporary nature of the current inflation surge. Overall, expectations of all groups of respondents remained controllable and were below the inflation rate.

Inflation will decline significantly by the end of this year, and it is expected to be brought to the target in 2027

The dynamics of inflation in the coming months will largely depend on the actual impact of weather conditions on the supply and prices of agricultural products. According to the

NBU's preliminary estimates, headline inflation may rise slightly in July and core inflation will continue to decline. In the following months, inflation is expected to turn onto the steady decline trajectory.

At the same time, taking into account more significant losses from the war and businesses' expenses continuing to pass through to prices, a worsened harvest forecast, and the effects from the actual easing of the hryvnia against the euro, the NBU has revised the forecast trajectory of inflation, projecting that inflation will decline more slowly. Inflation is expected to decelerate to 9.7% in 2025, 6.6% in 2026, and the 5% target in 2027.

The decline in inflation will be facilitated by monetary policy measures, gradual increases in harvests, moderate external price pressures, and improved labor market conditions against the backdrop of FX market sustainability and sufficiency of international financing.

Economic recovery will continue but will be restrained by the consequences of the war and the unfavorable impact of weather conditions and climate change on harvests

Fiscal stimuli backed by international financing continued to support economic growth in H1. However, the growth was restrained due to more intensive air attacks and further destruction of production facilities, infrastructure, and housing. The same factors stood behind the persistence of negative migration trends, causing labor market conditions to remain tense.

In addition, unfavorable weather delayed the sowing campaign and hampered future harvests, which, coupled with the gradual depletion of inventories from the harvest gathered last year, was a drag on food industry and transportation with a part of their capacities standing idle. In view of this, the NBU forecasts economic recovery to be slower than last year: real GDP will grow by 2.1% in 2025.

Going forward, the pace of recovery will depend on the course of the war. The baseline scenario of the NBU's forecast envisages that the economy will gradually return to normal functioning and the economy will grow by 2%–3% in 2026–2027.

At the same time, if conditions normalize quickly, private investment and consumption will increase significantly, offsetting the effects of the rapid fiscal consolidation, while GDP growth might reach 3%–3.5%.

Sufficient external financial assistance will be an important factor in maintaining macrofinancial stability under various scenarios

Ukraine continues to receive international support. In 2025, Ukraine is expected to receive external financial assistance in the amount of around USD 54 billion, of which the country has already received over USD 24 billion.

As for the remaining USD 30 billion, the largest inflows are expected under ERA Loans (USD 18 billion until the end of the year) and Ukraine Facility (USD 8 billion).

Further financing volumes may vary depending on Ukraine's defense and reconstruction needs. The baseline scenario of the NBU's macroeconomic forecast envisages receiving USD 35 billion in international assistance in 2026 and USD 30 billion in 2027. A third of these funds has already been announced by partners, and talks are underway regarding the rest.

Expected volumes of international support will be sufficient to finance the budget deficit without resorting to monetary financing, and to maintain the appropriate level of international reserves (USD 45 billion in 2026–2027, according to the NBU's forecast). This will help ensure a sustainable situation in the FX market, the controllability of economic agents' expectations, and the gradual decline of inflation.

If security conditions normalize quickly and defense expenditures decrease, Ukraine may need less of official external support to maintain its defense capabilities.

The course of the war and the lack of international financing are the main risks to economic and inflation developments

The war is grinding on and continues to pose the risk of a protracted decline in the country's economic potential, in particular due to the loss of people, territories, and production facilities. The speed of the economy's return to business-as-usual conditions will depend on the nature and duration of hostilities.

The risk of external financing running too low to be sufficient also matters, especially if security risks abate slowly. Specifically, part of the needed international assistance for 2026–2027 has yet to be confirmed.

Other risks include:

- the emergence of additional budget needs, primarily those to maintain defense capabilities
- further damage to infrastructure, especially energy infrastructure
- a deepening of adverse migration trends and a widening of labor shortages on the domestic labor market
- a bigger-than-expected negative impact of weather conditions on this year's harvest
- less favorable external conditions amid rising geopolitical uncertainty and deglobalization, as well as heightened volatility in global commodity and financial markets.

Meanwhile, some positive scenarios are also likely to materialize.

They are primarily related to increased financial support from partners and the international community's efforts to ensure a just and lasting peace for Ukraine.

To maintain FX market sustainability, keep expectations under control, and gradually bring inflation back to its 5% target within the policy horizon, the NBU Board decided to keep the key policy rate at 15.5%

The NBU's previous measures to tighten monetary policy proved effective: rates on hryvnia term deposits and domestic government debt securities rose. After that, demand for these instruments increased, and households' net purchases of foreign exchange fell significantly. This bolstered the sustainability of the FX market and restrained price pressures.

Considering these positive effects, the reversal of the inflation uptrend in June, as well as the controllability of inflation expectations, the NBU sees no need to raise the key policy rate further. However, given the slower-than-expected decline in inflation and the balance of risks to price developments, the NBU currently sees no room for easing its interest rate policy either.

Holding the key policy rate steady at 15.5% is an important prerequisite for a sustainable slowdown of inflation toward its 5% target. At the same time, this decision will have no impact on lending, considering that banks are intensely competing for quality borrowers.

Lending conditions remain close to pre-COVID-19 levels and are at the peak of their affordability since the full-scale invasion, with lending developing briskly (net hryvnia loans to businesses have been surging by about 30% yoy in recent months).

The NBU will stick to a rather tight monetary stance as long as it is needed in order to ensure that inflation is steadily declining toward its 5% target over the policy horizon

Compared to the April forecast, the NBU's revised forecast already incorporates a longer maintenance of the key policy rate at 15.5% (until Q4 2025) and a slower reduction of it.

At the same time, the NBU will take into account changes in the balance of risks and will only switch to an easing cycle of interest rate policy when there is compelling evidence of there being no risks to the sustainable slowdown of inflation to its 5% target within the policy horizon.

Thank you for your attention!