Andriy Pyshnyy: Speech - Workshop on monetary policy in emerging markets

Speech by Mr Andriy Pyshnyy, Governor of the National Bank of Ukraine, at the NBU-EABCN Workshop on Monetary Policy in Emerging Markets, Kyiv, 27 November 2025.

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Dear colleagues,

I am delighted to welcome you to the NBU's Monetary Policy in Emerging Markets workshop.

This year's workshop focuses on inflation targeting, a monetary regime that has stood the test of time and extreme conditions.

This year marks 35 years since inflation targeting was introduced. We are honored to have Sveriges Riksbank Governor Erik Thedéen as keynote speaker. Sweden was one of the first countries ever to use inflation targeting and remains one of its most consistent followers.

The NBU is a relatively young inflation targeter: we have recently celebrated our first decade operating in this mode. However, the experience we have accumulated over the years is unique. Even on a global scale.

It is in the wartime context that our monetary policy has gone through key stages in its transformation as hostilities went from hybrid war to all-out war in 2022.

Ukraine has been shaping its policy principles while at the same time fighting back against hybrid attacks, information pressure, and external shocks. Our inflation-targeting regime has evolved into both a developmental tool and a pillar of stability in uncertain times. Since the invasion, we have found ourselves rerunning the test of the regime's resilience and flexibility under crisis conditions.

Our experience shows convincingly that the monetary paradigm is shaped by challenges and that emergency conditions often accelerate its evolution.

Today I wish to share our perspective on how inflation targeting in Ukraine has progressed and to outline the key directions for its further development.

Stage one: making a strategic choice

The NBU introduced inflation targeting in 2015. Inflation was running above 50%, and key reforms were just kicking off. These transformations were taking place in a time of crisis that was aggravated by russia's hybrid war against Ukraine and the annexation of territory.

It was a time when many – both inside and outside the country – were saying the NBU was unprepared to launch such a framework... "Not while the war is raging," they said. "More thorough preparations need to be made first." There was enough doubt.

But doubt always accompanies a strategic choice.

Poland adopted inflation targeting in the early 2000s in an environment plagued by high inflation, low confidence, and profound shifts in the labor market and productivity. The Czech Republic made this choice in the late 1990s, while still uncertain that in its small open economy a floating exchange rate could be a safeguard against, not a source of, crises. Sweden introduced inflation targeting after the financial crunch of the early 1990s, when confidence in central banks was at an all-time low.

None of these countries waited for ideal conditions to set in.

Nor did Ukraine.

The NBU moved ahead with its strategic decision in exigent circumstances, and it was the right move to make. Inflation targeting became an important element of stabilization in times of turbulence, a tool that significantly fortified the resilience of our country's economy and financial system ahead of the full-scale invasion.

Stage two: winning trust

After the first years of stabilization, inflation targeting began to produce tangible results. Inflation was declining, inflation expectations grew more sustainable, and monetary policy more predictable.

During that period, the NBU was often described as "too tight" and nothing short of "inflation nutter." But that was precisely the course of action that trust – our most valuable asset – called for.

Other countries had gone through similar stages.

The U.S. experienced a period dominated by inflation hawks in the 1980s and 1990s. Although the cost of tight monetary policy was high, failure to pursue it would have led to lack of stability in the 2000s.

The Czech Republic, Poland, and Sweden have all taken an almost textbook-perfect approach to inflation targeting for many years, enabling them to eventually curb inflation. To borrow an insight made by IMF European Department Director Alfred Kammer and his colleagues about the fight against inflation: "In the fight against inflation, policymakers should show perseverance, avoid premature celebrations, demonstrate policy credibility and consistency, and keep an eye on the medium-term." In each of these countries, perseverance and consistency were a necessary bridge to building up confidence.

But trust is not a constant. It must be defended on an ongoing basis. This is what we do, even in the face of a full-scale war.

Stage three: challenge to the foundational framework

Russia's invasion of Ukraine has created a monetary situation that is unprecedented anywhere in the world. We have found ourselves amid a "perfect storm," in which any textbook, any model, or any historical analogy could not provide a ready-made solution.

In the first hours of the war, the NBU fixed the exchange rate and introduced tight FX restrictions in order to restrain panic and protect the financial system. Those measures worked – not only thanks to the NBU's professional actions, but also thanks to trust built over the years of inflation targeting.

Without this trust, the fixed exchange rate would have become a trap. With this trust, it has become a stabilizer.

Indeed, during this period, we had to sacrifice the formal adherence to the inflation targeting regime. But without this, the first shock of the war would have had catastrophic consequences for the economy, which already suffered a devastating blow.

However, we have never sacrificed our principles. Our goal – to maintain price stability – has become one of the elements of supporting the defense capability of our country. We have also added an important message to our Strategy, stating that the central bank's mandate must be implemented under any circumstances.

Stage four: a test of flexibility

Anti-crisis measures taken at the start of the invasion can be compared to applying a medical tourniquet. Today, the majority of Ukrainians know how to apply it. In an instant – it saves lives. But risks are also huge if it is not removed in time.

When I took charge of the NBU in October 2022, I faced the task to professionally remove this tourniquet. It was done gradually, step by step, after a thorough preparation and making sure proper preconditions had been met.

We introduced a set of measures to restore monetary transmission. We established cooperation with the government, resuming the operation of the internal debt market.

We stepped up cooperation with partners. We decided not to resort to monetary financing. We published strategic documents, in which we clearly described our logic for restoring the elements of normality.

Already in 2023, we managed to switch from the fixed exchange rate to the regime of managed exchange rate flexibility and to start the FX liberalization. In 2024, we introduced flexible inflation targeting.

What were we told as we were preparing these changes? The same things we were told back in 2015: "it's not the right time," "it's different this time," "no one has ever done that during a war"...

But the strategic choice has already been made. The NBU faced a different question: how we should adapt the policy to retain trust and ensure macrofinancial stability.

Today greater flexibility is becoming a trend for central banks. The geopolitical uncertainty after 2022 has triggered the implementation of comprehensive, integrated approaches to policy – using a combination of interest rates, FX interventions, and capital flow restrictions.

However, flexibility does not mean weakness. Flexibility means maturity.

We have not abandoned the philosophy of inflation targeting. On the contrary, we have reached the level at which principles are combined with adaptability.

Stage five: normality

The war is grinding on. Although we are restoring elements of normality, a full return to classical inflation targeting is still ahead.

According to our Strategy and the Monetary Policy Guidelines, the return to classical inflation targeting with a floating exchange will be preceded by the normalization of the functioning of the Ukrainian economy across a wide range of indicators.

We will remain firm in our principles and flexible in tactics. We will avoid responding to short-term shocks to support the economy – provided that expectations are stable. At the same time, we will respond decisively if the attainment of the inflation target is at stake.

When proper preconditions are met, we will gradually return to normality. But it will be a completely different classical inflation targeting.

It will include the experience of wartime.

It will integrate the experience of flexibility.

And it will be based on our experience of sometimes taking very difficult decisions that do not always align with the model but save the stability.

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Our experience of inflation targeting is a decade that proves that monetary policy can withstand even when other frameworks collapse.

I am sure that the next decade will become a period of recovery, development, European integration, and the deepening of trust. It will be possible thanks to our army, our partners, and our devotion.

I hope that this workshop will become a platform for an honest and profound discussion. I wish that our today's discussions bring not only powerful analytical arguments, but also new ideas and practical solutions to shape the policy in the future. Indeed, in times of high uncertainty, it is important to find a right balance: between restraint and reactivity, between trust and flexibility, between economic logic and the reality of wartime and a complex geopolitical environment. We want to hear different opinions, ask difficult questions, and find meaningful answers together.

Thank you for your participation, for supporting Ukraine, and for your efforts to develop the global monetary thought.