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, 29 January 2026.

* * *

Dear colleagues,

The Board of the National Bank of Ukraine has decided to start the cycle of interest rate policy easing, taking into account the steady decline in inflationary pressures and lower risks related to external financing.

The key policy rate cut from 15.5% to 15% aligns with the task to bring inflation to the target of 5% over the policy horizon and will also support the economy. The NBU will continue to respond flexibly to changes in the distribution of risks.

Inflation continued to slow in previous months

In December, both consumer and core inflation slowed to 8% yoy. Such dynamics were driven primarily by the effects of higher harvests, as well as by a certain decline in pressures on the labor market and the maintained sustainability of the FX market.

According to the NBU's estimates, annual growth rates of consumer prices decreased in January as well. At the same time, inflation expectations remained relatively high.

Inflation will be moderate in 2026 and will be close to the 5% target going forward, with the target to be reached in mid-2028

Inflation will keep declining in the coming months, primarily thanks to the continued effects of stronger harvests of 2025.

At the same time, the impact of the massive damage in the energy sector will put pressure on prices through both market and administrative mechanisms. Coupled with low base effects, this will drive a moderate acceleration of inflation in H2. Therefore, as of the end of 2026, inflation will decline moderately, to 7.5%.

In the next years, inflation will steadily slow thanks to a decrease in energy shortages and lower external price pressures, as well as higher harvests and the situation on the labor market improving (as security risks subside). The NBU's monetary policy will contribute to curbing the underlying price pressure.

However, deferred effects of the damage to the energy sector will put the brakes on disinflation. The NBU forecasts inflation to decline to 6% at the end of 2027 and reach the target of 5% in 2028.

The economy continues to grow, but the growth remains moderate due to the effects of the war

The NBU estimates that the economy revived in late 2025 thanks to more active harvesting and an increase in budgetary spending. At the same time, as a result of the disruption of logistics and a larger-than-expected electricity deficit, the NBU somewhat lowered its estimate of real GDP growth for 2025 – to 1.8%.

Stronger harvests and investments in reconstructing infrastructure and in the defense industry will support further economic recovery. That said, the difficult situation in the energy sector will continue to restrain business activity for a long time. In view of this, real GDP will grow moderately in 2026, by 1.8%.

A gradual improvement in the energy sector, further reconstruction of infrastructure, and an increase in private investment will contribute to an acceleration of economic growth to around 3%–4% in 2027–2028.

Expected volumes of external financial assistance will be sufficient to finance the budget deficit without resorting to monetary financing and to maintain adequate international reserves to support the sustainability of the FX market.

At the end of 2025, the EU Council decided to provide Ukraine with EUR 90 billion in financial assistance over 2026–2027. Ukraine will also continue to be supported under the ERA Loans mechanism. The approval is underway for a new IMF program of USD 8.1 billion.

External assistance will enable Ukraine both to finance the still-high budget deficits and to maintain the high level of reserves. The NBU's forecast assumes that international reserves will amount to USD 65 billion as of year-end 2026, and will continue to grow going forward – to USD 71 billion at the end of 2028.

This will enable the NBU to support the sustainability of the FX market and implement FX liberalization measures provided that risks are under control.

The course of the full-scale war continues to be the key risk to inflation dynamics and economic development

The war grinds on. Russian aggression continues to pose threats to price dynamics and economic activity.

Over the past few months, risks associated with damage to energy infrastructure have largely materialized and intensified, increasing pressure on companies' costs and limiting their production capacity.

The following risks are also relevant:

- the emergence of additional budgetary needs to support defense capabilities and reconstruction
- a deepening of adverse migration trends and a widening of labor shortages on the domestic labor market, and
- greater global geopolitical fragmentation, which may also have a negative impact on external support for Ukraine.

Conversely, thanks to recent EU decisions to support Ukraine through 2026–2027, the risk of insufficient external aid has diminished substantially.

Furthermore, the potential for upside scenarios remains, including bolstered military and financial support from partners and substantial progress in securing a just and lasting peace for Ukraine.

A significant area of uncertainty persists regarding the pace of utility tariff adjustments over the forecast horizon, which could trigger a revision of the inflation forecast in either direction.

Lower price pressures, driven by NBU monetary policy measures, coupled with weaker risks of insufficient external financing, create room for a justified reduction in the key policy rate

Keeping the key policy rate unchanged over previous months ensured there was robust demand for hryvnia assets. Real yields on hryvnia instruments remained positive, while household investments in both domestic government debt securities and hryvnia deposits continued to grow.

This appetite for hryvnia assets helped curb households' FX demand compared to last year, easing pressures on the FX market. Despite a modest seasonal depreciation of the hryvnia, market conditions remained generally under control and exchange rate expectations stayed relatively stable.

Taking into account the steady decline in inflation and weaker risks of insufficient external financing, the NBU Board decided to start an interest rate policy easing cycle by cutting the key policy rate by 0.5 pp, to 15%. Other rates will decrease simultaneously.

This decision will facilitate the economy's ongoing adaptation to wartime challenges – specifically by supporting lending, which has grown at a rate of over 30% yoy in recent years.

At the same time, monetary conditions will remain sufficiently tight to maintain FX market sustainability and steer inflation back toward its 5% target over the policy horizon.

The NBU will continue to respond flexibly to changes in the distribution of risks

The baseline scenario of the NBU's January macroeconomic forecast foresees a gradual reduction in the key policy rate over the forecast horizon.

If risks to price dynamics increase, the NBU will refrain from easing its interest rate policy further, and will be ready to take additional measures if required.

At the same time, a weakening of pro-inflationary risks will signal faster cuts in the key policy rate than foreseen by the revised macroeconomic forecast.

Thank you for your attention!

Glory to Ukraine!