

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, 19 March 2026.

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Dear colleagues,

The Board of the National Bank of Ukraine has decided to keep its key policy rate at 15% per annum. The NBU has postponed the further easing of its interest rate policy in view of the risks of an increase in inflationary pressures and a deterioration in inflation expectations.

This decision will support the attractiveness of hryvnia instruments, the sustainability of the FX market, and the controllability of expectations in order to ensure moderate inflation this year and bring it to its 5% target over the policy horizon.

If risks to price dynamics persist, the NBU will refrain from easing its interest rate policy further. It also stands ready to raise the key policy rate and take additional measures if the risks increase.

At the start of the year, inflation remained close to the NBU's forecast, but households' inflation expectations worsened

After a long period of decreases, headline inflation accelerated slightly in February, to 7.6% yoy. At the same time, core inflation stood at 7%.

Prices for fuel, services, and raw foods grew somewhat faster than expected, whereas processed food prices rose more slowly. As a result, headline inflation only slightly exceeded the NBU's forecast trajectory, and core inflation was fully in line with the forecast.

In the meantime, households' inflation expectations deteriorated significantly – probably, on the back of the difficult situation in the energy sector at the start of the year and concurrent increases in the prices of some everyday consumer goods. Expectations of other groups of respondents were relatively stable.

Further inflation trajectory may be higher than forecast, particularly as a result of an increase in energy prices due to the war in the Middle East

The situation in the Ukrainian energy sector improved in the past weeks, which should dampen the price pressure. For its part, the NBU will maintain appropriate monetary conditions so as to preserve the attractiveness of hryvnia instruments and ensure the sustainability of the FX market. This, among other things, should contribute to calming down inflation expectations.

However, the war in the Middle East has led to a surge in prices of petroleum products and natural gas, which is already affecting domestic prices in Ukraine. As a result, the inflation trajectory in the coming months is highly likely to be somewhat above the NBU's January forecast. At the same time, further development of the situation is uncertain.

External assistance enables Ukraine to finance the budget deficit and keep international reserves high, which is important for maintaining FX market sustainability

Ukraine has received USD 5.5 billion in official financing since the start of the year. These inflows allowed the government to finance all critical budget expenditures and retain the financial cushion for covering future budgetary needs.

The international reserves remained high and were close to USD 55 billion as of the end of February. Such level of reserves ensures the NBU's high capacity to maintain the sustainability of the FX market.

In the past weeks, the U.S. dollar strengthened against the majority of currencies, including the hryvnia – primarily due to the increase in geopolitical uncertainty, which caused turbulence on global financial and commodity markets. At the same time, the exchange rate of the hryvnia against the euro and many other currencies of Ukraine's main trading partners changed only slightly.

While the consequences of russian aggression remain the primary challenge for inflation dynamics and economic development, geopolitical risks have also intensified significantly over the past month

The war is continuing. russian aggression remains the main ongoing risk, threatening price dynamics and economic activity.

At the same time, risks stemming from escalating global geopolitical confrontations have increased in recent months. If the war in the Middle East is prolonged, global energy prices will most likely deviate significantly from the NBU's forecast trajectory. On the one hand, this would further push up inflationary pressure in Ukraine; on the other, it would bolster russia's capacity to sustain its full-scale war.

Other inflationary risks are also important. These include:

- irregular and/or reduced international financing
- the emergence of additional budgetary needs to support defense capabilities and reconstruction
- further escalation and the prolongation of external conflicts, which could, in particular, negatively impact support for Ukraine.

However, given the stronger engagement of the European community in Ukrainian affairs, the possibility of positive scenarios also remains. These are linked, specifically, to enhanced military and financial assistance from partners and achieving significant progress toward a just and lasting peace for Ukraine.

To safeguard the sustainability of the FX market and to keep inflation expectations and processes in check, the NBU has left its key policy rate unchanged, at 15%

Despite some decline in market rates following the NBU's interest rate policy easing in January, hryvnia instruments remained attractive. Retail term deposits with banks and households' holdings of domestic government debt securities continued to grow.

However, given increasing external risks, households' worsening inflation expectations, and rising volatility on the FX market, the NBU believes it expedient to refrain at this time from cutting its key policy rate further, despite the cut being envisaged in the January forecast.

Leaving the key policy rate unchanged will sustain interest in hryvnia assets, helping to ensure FX market sustainability and keeping inflation under control amid rising economic and geopolitical uncertainty. At the same time, this will not hinder the further development of lending, which is growing at an annual rate exceeding 30%.

The NBU will continue to respond flexibly to both actual trends and shifts in the distribution of risks for price dynamics, the FX market, and inflation expectations

If significant inflationary risks persists, the NBU will refrain from interest rate policy easing. Conversely, if these risks intensify further, the NBU will stand ready to raise its key policy rate and take additional measures to maintain price stability.

Thank you for your attention!

Glory to Ukraine!