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, 30 July 2026.

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Dear colleagues,

The Board of the National Bank of Ukraine has decided to raise the key policy rate to 15.5% in view of the persistent heightening of underlying inflationary pressures and a more significant acceleration of headline inflation by the end of the year.

The increase in the key policy rate is intended to preserve the attractiveness of hryvnia-denominated assets, maintain the sustainability of the foreign-exchange market, and keep inflation expectations under control, thereby enabling inflation to return to a path of deceleration toward the 5% target as early as 2027.

The NBU stands ready to continue using its monetary policy instruments, including further tightening of its interest rate policy, in order to contain price pressures.

In recent months, headline inflation has slowed under the influence of temporary factors, while underlying inflationary pressures have continued to intensify

In June, consumer inflation has slowed to 7.2%, as expected, primarily owing to an increased supply of raw food products. At the same time, core inflation continued to accelerate (to 8.1% yoy), exceeding the trajectory projected by the NBU. In recent months, the heightening of underlying price pressures has taken on signs of a persistent uptrend because of rising business costs, primarily for logistics, wages, and energy. Inflation expectations generally remained sustainable, although they continued to be elevated.

Inflation will accelerate during H2 2026, but will return to a downward trajectory in 2027, including as a result of the NBU's measures

According to the NBU's estimates, consumer inflation resumed increasing in July, while core inflation continued to accelerate. The forecast envisages further acceleration to 10% and 9.2%, respectively, by the end of 2026. This dynamic will be driven by expanded fiscal stimulus, continued growth in enterprises' labor costs, as well as second-round effects from the increase in fuel prices and the depreciation of the hryvnia in earlier periods.

According to the NBU's forecast, inflation will begin to decline in 2027 (to 6.9%) and will reach the 5% target by the end of 2028. This will be supported by a gradual reduction in the budget deficit, an easing of labor market pressures, an expected increase in harvests, and improvements in the energy sector as security risks diminish. The NBU's monetary policy measures will also have a significant impact.

Expanded fiscal stimulus will support economic growth, although its pace will be restrained by the consequences of intensified russian attacks on infrastructure and business facilities

In Q2, economic growth resumed due to improvements in the energy system and higher government spending amid reduced uncertainty regarding external assistance. By NBU estimates, real GDP was up 0.8% yoy in Q2.

More significant economic growth is being hindered by the consequences of russia's ramped up attacks on logistics infrastructure (including the blockade of ports), the energy sector, and business facilities. At the same time, a more accommodative fiscal policy, tremendous economic momentum generated by the channeling of part of external financing toward the localization of weapons production, and a larger harvest than last year will contribute to a revival in economic activity during H2. As a result, the NBU has revised upward its forecast for real GDP growth in 2026 to 1.8%.

In 2027–2028, economic growth will accelerate to around 3%, driven by increased investment in expanding production capacity, particularly in the defense industrial base, the gradual stabilization of the energy sector, as well as further increases in harvests and the preservation of robust consumer demand.

Expected volumes of external assistance will be sufficient to ensure nonmonetary financing of the budget deficit and maintain sustainability of the FX market

Since June 2026, Ukraine has been receiving disbursements under the Ukraine Support Loan (USL) program. In July the IMF Executive Board approved the first review of the four-year Extended Fund Facility (EFF) program. Taking these and other sources of financing into account, the total amount of direct budget support from international partners in 2026 could reach approximately USD 54 billion. These financing volumes will be sufficient to cover the budget deficit.

In addition, a significant share of the defense-related component of the USL program will be directed toward the localization of weapons production in Ukraine. Whereas in previous years Ukraine received armaments in finished form from its partners, it is now expected to receive substantial financing for domestic production through external assistance. This factor will fundamentally change the paradigm of both economic growth and the functioning of the country's FX market.

Specifically, first, the NBU expects an increase in domestic production, which will have a positive impact on the economy through both direct and second-round effects.

Second, the inflow of part of the foreign exchange into international reserves will increase them to nearly USD 70 billion by the end of the year. This forecast also takes into account increased demand for imported components for weapons production and, accordingly, a widening of structural demand for foreign exchange, which will require stepped-up interventions by the NBU to meet the needs of the economy while simultaneously preserving the sustainability of the FX market. That is, the intermediary role of the NBU in the FX market will grow.

The course of the full-scale war remains the key risk to inflation trends and economic development; however, further developments in the Middle East could also have a significant impact

The war is continuing. russia's aerial attacks on Ukraine are intensifying.

Over the past few months, the focus of the russian attacks has shifted from energy and extraction facilities to business production facilities and logistics infrastructure, particularly maritime infrastructure critical for exports. This is limiting economic activity while simultaneously increasing business costs, which is exacerbating underlying price pressures. The risks of further damage to critical infrastructure and production facilities remain significant.

The following war-related risks are also relevant:

- the emergence of additional budgetary needs to support defense capabilities and reconstruction, with a corresponding expansion of domestic demand, including demand for imports
- elevated wage pressure due to a deepening labor shortage and negative migration trends.

What is more, risks of disruptions to the timing and/or changes in international financing persist.

Over the past few weeks, risks related to the war in the Middle East have also increased. Oil prices have begun to rise again after a period of slight decline. A further escalation of the war in the Middle East could exacerbate the negative consequences for Ukraine's economy. Furthermore, it could worsen the international security situation and, at the same time, bolster russia's ability to continue its full-scale war.

That said, there remains the potential for a more favorable turn of events, linked to increased military and financial support from international partners and the achievement of significant progress in securing a just and lasting peace for Ukraine. A rapid improvement in the security situation will help stabilize the energy sector, reverse negative migration trends, boost domestic and foreign investment, and significantly accelerate economic growth.

To retain the attractiveness of hryvnia assets, maintain FX market sustainability, keep expectations under control, and to gradually bring inflation back to its 5% target over the policy horizon, the NBU Board decided to raise the key policy rate by 0.5 pp, to 15.5%

Over the past few months, public interest in hryvnia assets has remained steady, thanks in part to the timely suspension of the key policy rate cuts in March and the keeping of the key policy rate at 15% in the following months. Ukrainians continued to ramp up their investments in both hryvnia term deposits and in hryvnia domestic government debt securities.

At the same time, the intensification of underlying price pressures, coupled with the rise of a number of inflationary risks, requires additional measures by the NBU to ensure adequate tightness in monetary conditions. Therefore, raising the key policy rate to 15.5% will support the attractiveness of hryvnia assets, help keep inflation expectations under control, and maintain the sustainability of the FX market. This is important for putting inflation back on a trajectory of decline toward the target of 5% over the policy horizon.

The NBU estimates that this step will have no noticeable dampening impact on lending, which has been growing by over 30% per year. Its further development will be supported by competition among banks for high-quality borrowers, the banking system's high level of liquidity, as well as the plans set forth in relevant strategies and memoranda, and incentives under programs that are financed by the government and international partners.

The NBU stands ready to tighten its interest rate policy further, in order to contain price pressures

The NBU's current forecast envisages the possibility of a further increase in the key policy rate and a return to a monetary easing cycle in Q2 2027. At the same time, the NBU will respond flexibly to both inflation trends and changes in the distribution of risks.

In addition, the NBU will start an update of the operational design of its interest rate policy, with the strategic goal of revitalizing the money market and developing reliable market benchmarks for pricing. Ultimately, these changes will strengthen the NBU's ability to fulfill the primary goal of monetary policy – ensuring price stability – by improving the effectiveness of the monetary policy transmission mechanism.

Thank you for your attention!

Glory to Ukraine!