



National Bank  
of Ukraine

# Monthly Macroeconomic and Monetary Review

September 2024

Monetary Policy and Economic Analysis  
Department



# Summary

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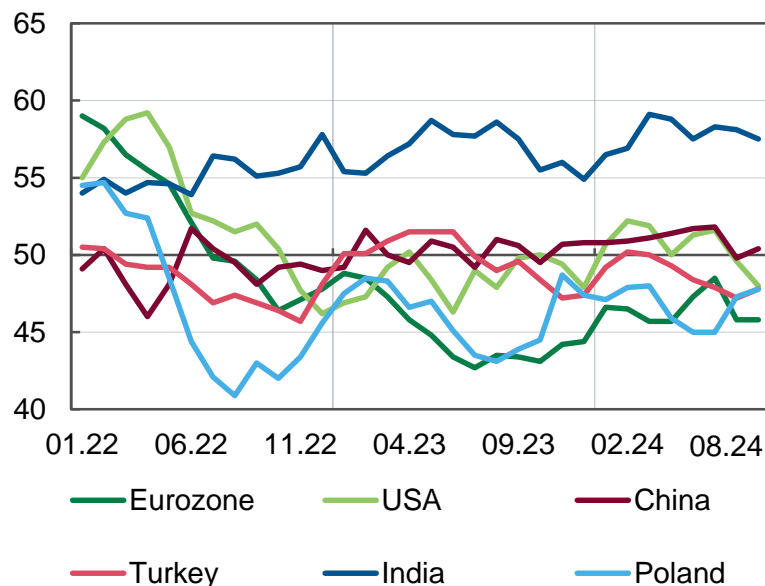
- **Economic growth of Ukraine's MTPs was fragile, inflationary pressures eased.** Global oil prices fluctuated within a relatively narrow range, while natural gas prices grew. At the same time, prices for commodities prevailing in Ukraine's exports continued to decline driven by high supply. Expectations for rate cuts by major CBs grew, while most EM CBs paused monetary policy easing
- **In July, consumer inflation in Ukraine expectedly accelerated,** to 5.4% yoy from 4.8% yoy in June. Price pressures are growing due to higher business costs for supply of electricity, storage, and labor, as well as to the hryvnia's depreciation in previous periods. However, inflation expectations remain fairly stable. According to the NBU's estimates, consumer inflation continued to accelerate in August
- In August, the **stabilization of the energy system led to improved business expectations and consumer sentiment**, as well as a revival in economic activity in a number of sectors, in particular industry and construction. The harvesting of early crops is almost complete, but the heat has a negative effect on the yields of late crops and livestock. In addition, due to the off-season in the transportation of agricultural products, growth in the transport sector has slowed down
- Easing of energy shortages in August have supported **further growth in demand for workers** as well as **higher employment**. At the same time, labor supply remains tight – thus the **shortage of workers is growing, putting upward pressure on wages**
- **In August, the state budget deficit (excluding grants in revenues) remained close to the levels of previous months.** It was financed primarily by increased international aid. At the same time, domestic borrowing will continue to be an important source of covering budget needs
- Despite the increase in agricultural exports, **the current account deficit widened in July** due to electricity shortages, seasonal demand from farmers, and an increase in Ukrainians' vacations abroad. At the same time, thanks to the receipt of the IMF tranche, reserves only declined slightly and stood at USD 37.2 bn at the end of July. **In August, reserves resumed growth amid significant inflows of international financial aid**
- **The situation in the FX market was under control.** The volume of the NBU's FX interventions decreased as demand for foreign currency from bank customers weakened. Despite the nominal reduction in deposit rates, **the yields on hryvnia instruments, net of expected inflation, remained positive.** As interest rates continue to decrease, the volume of loans to businesses and households is growing rapidly



# External Environment

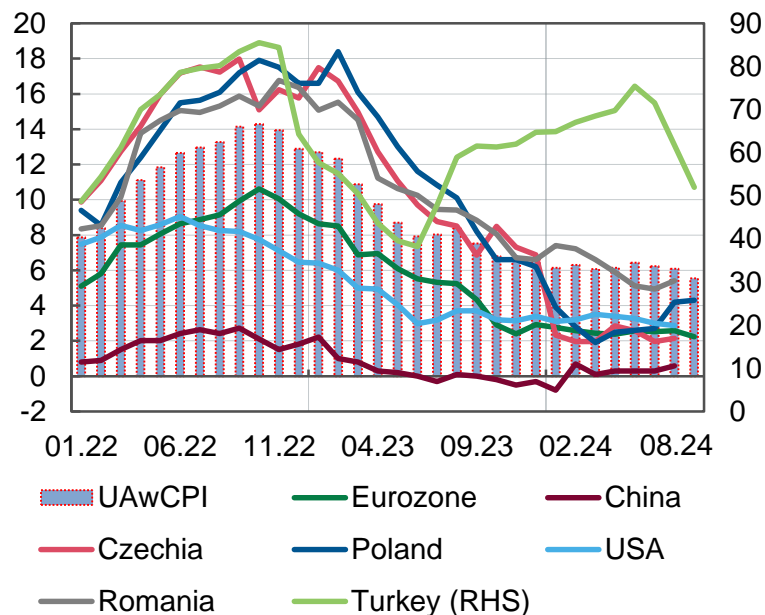
# Economic growth of Ukraine's MTPs was fragile, and inflationary pressures eased

## Manufacturing PMI of selected countries



Source: S&P Global.

## CPIs in selected countries and Weighted Average of Ukraine's MTP countries' CPI (UAwCPI), % yoy

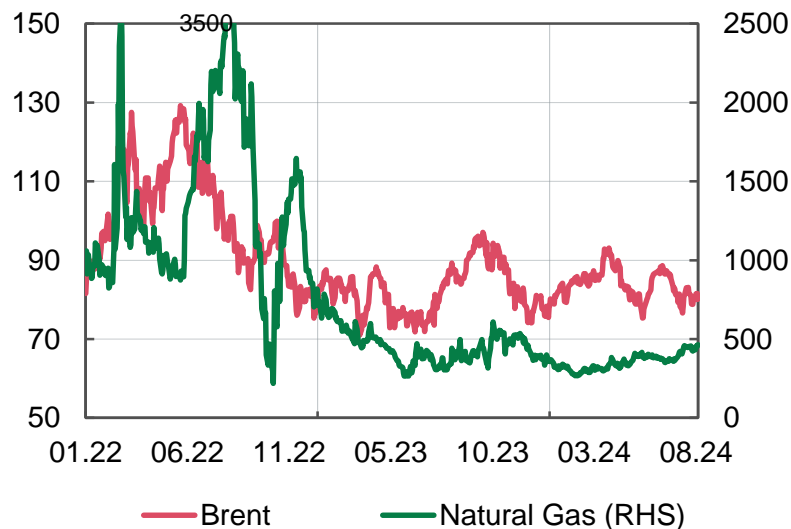


Source: national statistical offices, NBU staff estimates.

- Leading indicators showed signs of **slowing growth in Ukraine's MTPs** due to a moderate decline in new orders – primarily export orders – a drop in employment, and a deterioration in business optimism, largely due to geopolitical uncertainty
- However, the indicators signaled the lowest level of raw material shortages since early 2020, which was reflected in reduced production costs
- **Inflationary pressures from Ukraine's MTP countries (UAwCPI) eased**, primarily due to a slowdown in inflation in Turkey

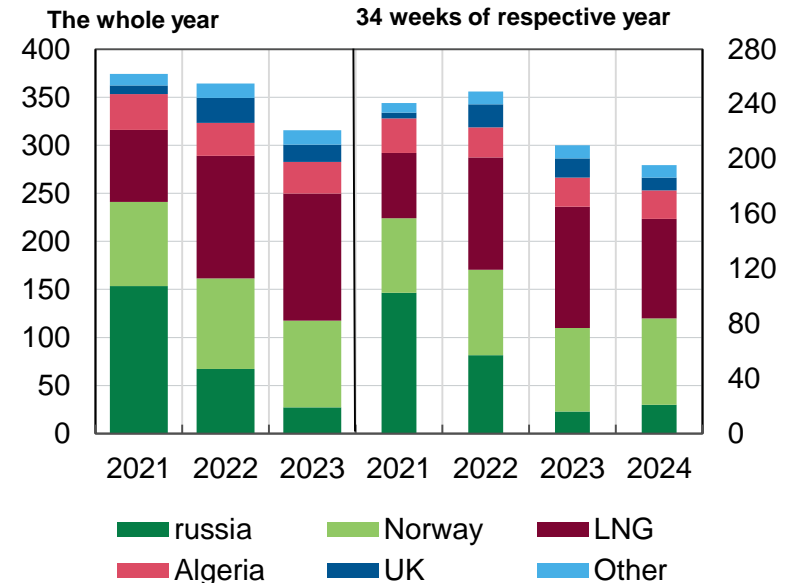
# Global oil prices fluctuated within a relatively narrow range, while natural gas prices grew

World Brent oil prices (USD/bbl) and Netherlands TTF natural gas prices (USD/kcm)



Source: Refinitiv.

Natural gas imports to the EU by origin, bcm

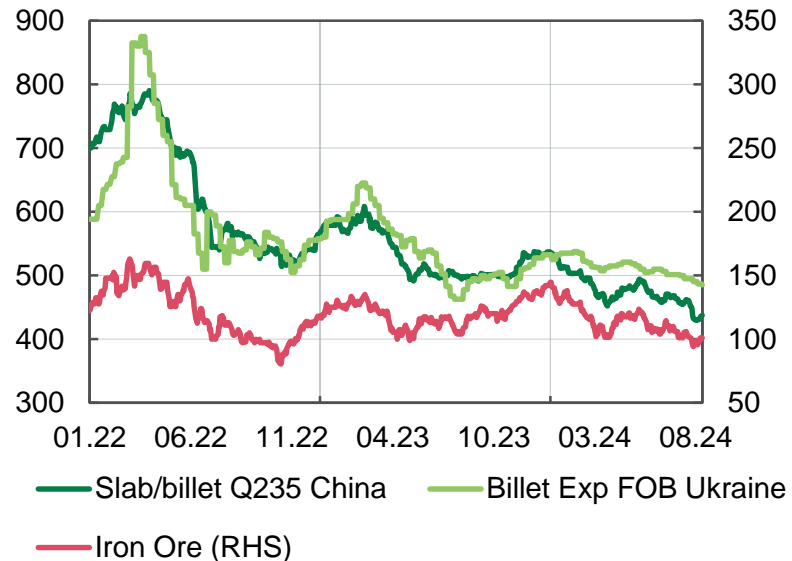


Source: Bruegel (Russia, Norway, Algeria – pipelines).

- Global oil prices** hovered around USD 80 per barrel. Concerns about rising geopolitical tensions in the Middle East coupled with the continuation of OPEC+ restrictions put upward pressure on prices. At the same time, signs of weakening demand from China and the US amid steady production in non-OPEC+ countries, especially the US, kept prices from rising
- Gas prices in Europe** grew under the influence of escalating geopolitical conflicts amid strong demand from Asian countries and a reduction in Norwegian supplies due to maintenance work. At the same time, a fairly high level of gas stocks in Europe (91.6% of storage capacity) and relatively weak demand kept prices from rising more rapidly

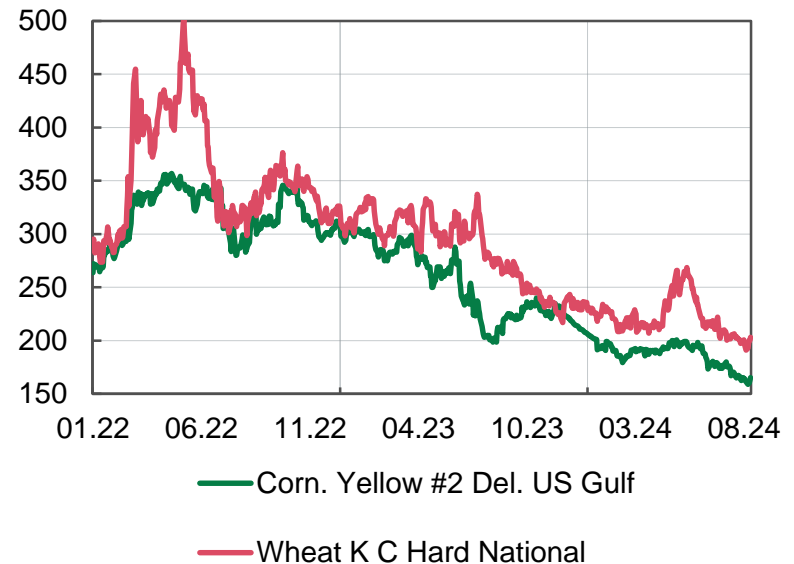
# Global prices for commodities prevailing in Ukraine's exports continued to decline amid high supply

Global steel and iron ore prices, USD/MT



Source: Refinitiv, Delphica.

Global grain prices, USD/MT



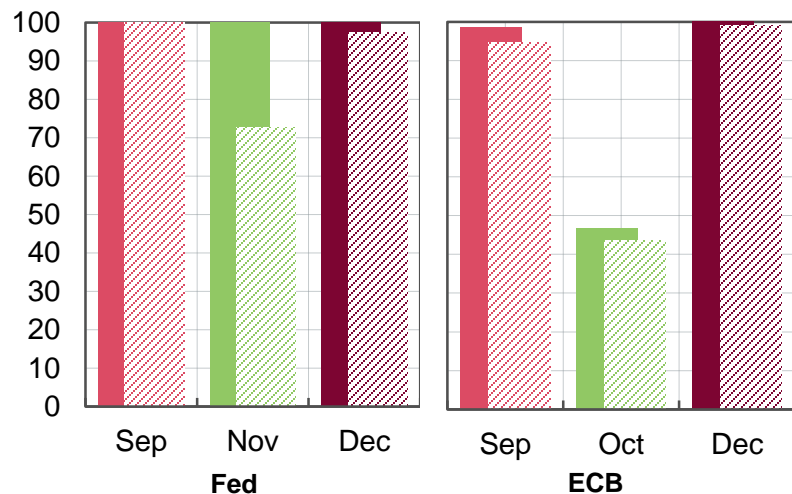
Source: Refinitiv.

- **Steel and iron ore prices** further decreased. This was caused by steady production volumes, primarily in China, in a highly competitive environment amid falling construction demand in most regions of the world due to tighter credit conditions
- **Wheat and corn prices** also declined. Active supply of cheap grain from the Black Sea region (in particular, due to the ban on imports by Turkey, Kazakhstan, and Pakistan) amid high supply from Latin America and the United States more than met global demand (despite poor harvests in the EU)



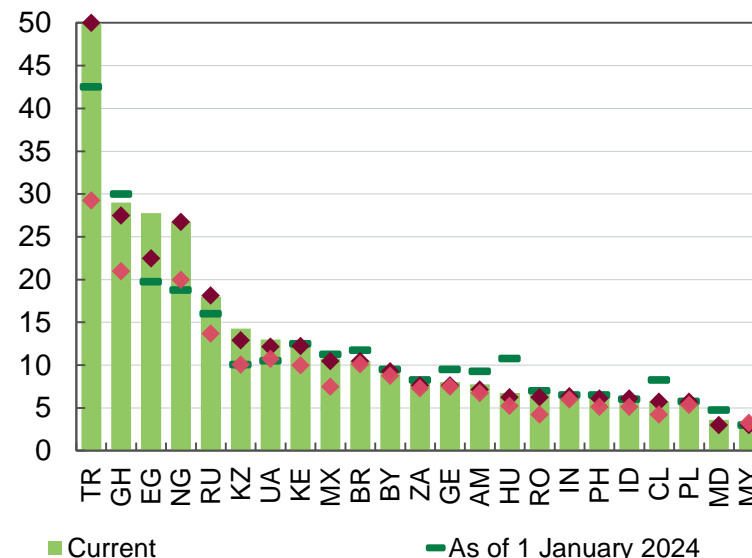
# Expectations for rate cuts by major CBs continued rising, meanwhile EM CBs, after some easing, take on a wait-and-see stance

**OIS\* market expectations for the Fed and ECB rate cuts at respective meetings in 2024, % of probability**



\* Pricing derived from overnight index swaps linked to the meeting dates. Bars with the solid fill denote bets as of the end of August, while those with the pattern fill are as of late July. Source: Bloomberg World Interest Rate Probability.

**Key policy rates in selected EM countries, %**



Source: official web pages of central banks, Focus Economics, Oxford Economics, as of 30.08.2024.

- **Major CBs** are poised for a gradual easing of monetary policy as inflationary pressures subside. **The Fed** signaled “the time has come for policy to adjust” amid signs of a cooling labor market, moderate inflation, and improved consumer sentiment. **The ECB** appears divided over its stance: some members discuss the possibility of a September rate cut given inflation is at a three-year low, while others want to see more data first and caution against easing too rapidly
- Financial markets expect rates to be cut in September by both the Fed and the ECB, with total cuts of around 96 bp and 63 bp, respectively, priced in by the end of 2024
- Meanwhile, **EM CBs** took on a predominantly wait-and-see approach in order to analyze already implemented monetary policy easing

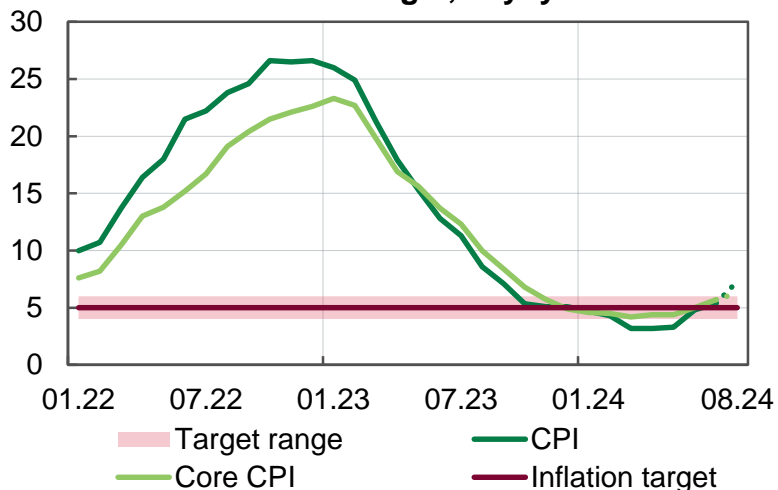


# Ukraine: Inflation



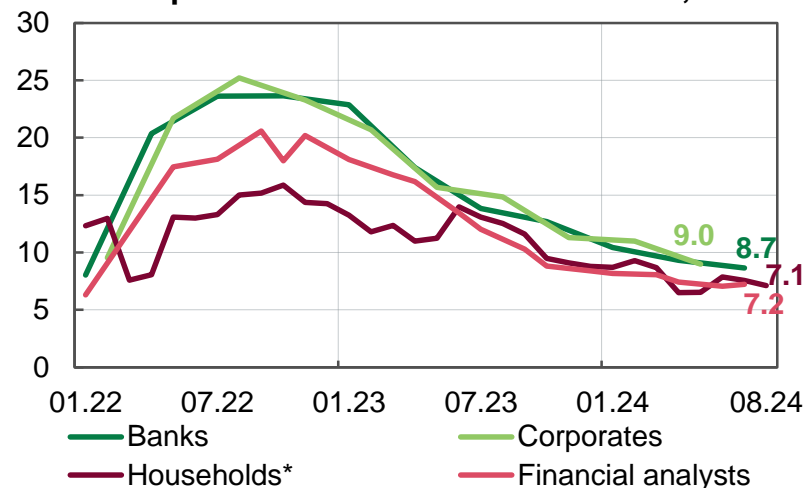
# Consumer inflation in July expectedly accelerated

**Inflation\* and inflation target, % yoy**



\* Data for August reflects nowcast.  
Source: SSSU, NBU staff estimates.

**Inflation expectations for the next 12 months, %**

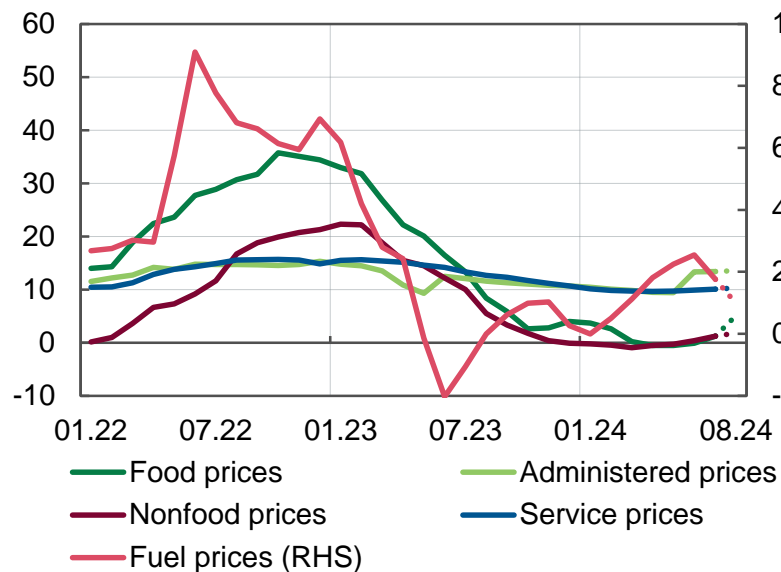


\* In March 2023, the survey method was changed from face-to-face to telephone interviews.  
Source: NBU, Info Sapiens.

- The actual consumer inflation in July accelerated as expected, but remained slightly below the trajectory of the NBU's forecast published in the [July 2024 Inflation Report](#). A weaker than anticipated impact of the hot weather on raw food prices was the primary reason for this deviation
- Underlying inflationary pressures also increased as expected in July. Core inflation accelerated to 5.7% yoy, from 5.0% yoy in June. These dynamics were slightly ahead of the trajectory in the NBU's July forecast, which was driven primarily by a faster rise in the prices of processed foods. Inflationary pressures were amplified by the pass-through effects of the hryvnia depreciation. At the same time, inflation expectations remained rather stable
- According to the NBU's estimates, consumer inflation accelerated further in August

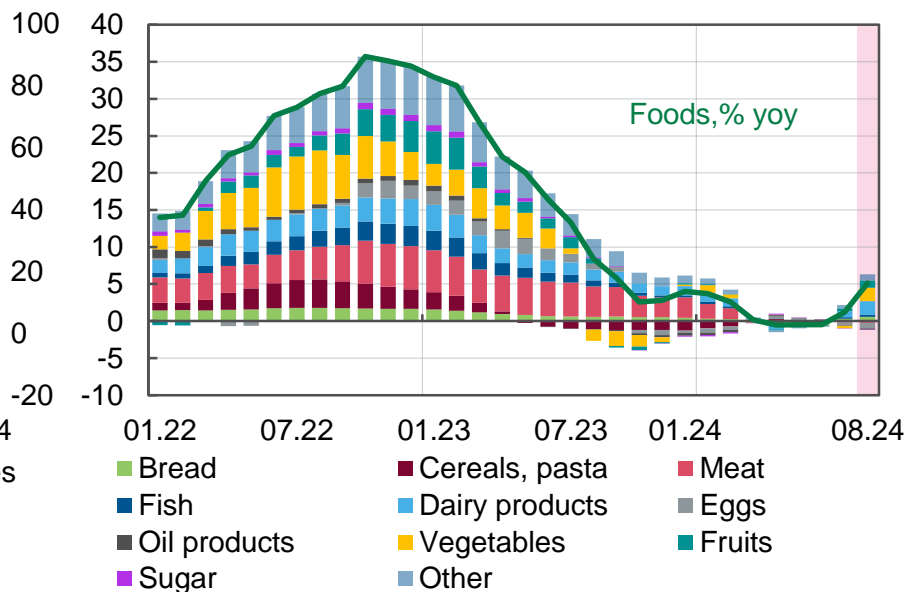
# The growth in food prices resumed, while nonfood price growth accelerated

Selected CPI components\*, % yoy



\* Data for August reflects nowcast.  
Source: SSSU, NBU staff estimates.

Contributions to the annual change in food prices\*, pp

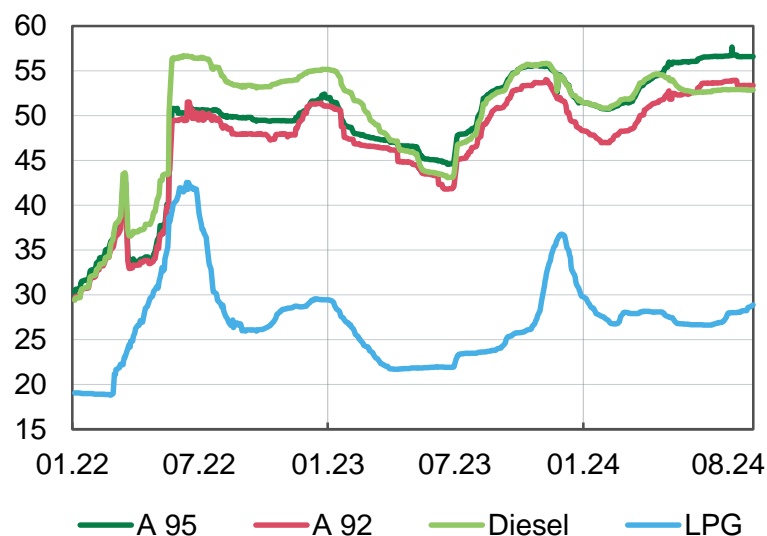


\* Data for August reflects nowcast.  
Source: SSSU, NBU staff estimates.

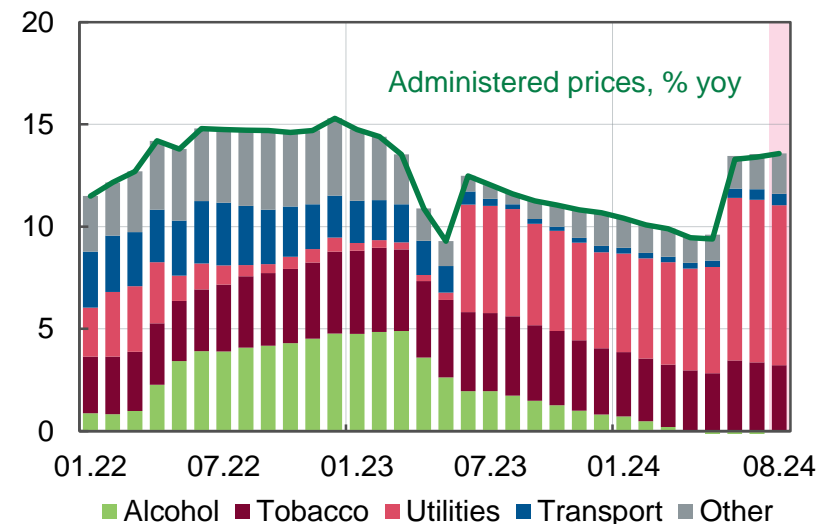
- Food and non-alcoholic beverage prices resumed their growth in July primarily due to a faster rise in processed food prices. The latter was caused by higher energy, storage, and labor costs
- The decline in raw food prices also slowed as expected, given the gradual waning of the temporary factors, primarily the reduction in stocks of previous large harvests, more difficult than last year weather conditions, and rising energy prices amid electricity shortages. At the same time, despite the hot weather, egg prices continued to fall and the second-round effects of weaker pressure on feed costs kept driving down the prices of pork and chicken
- The growth in prices for most non-food products accelerated, largely driven by the exchange rate factor. Clothing and footwear prices fell more slowly. Services also grew in price faster, likely under pressure from business costs for labor and energy

# Administered inflation accelerated slightly, while fuel price growth slowed down

Fuel prices, UAH / L



Contributions to the annual change in administered prices, pp



Source: minfin.com.ua.

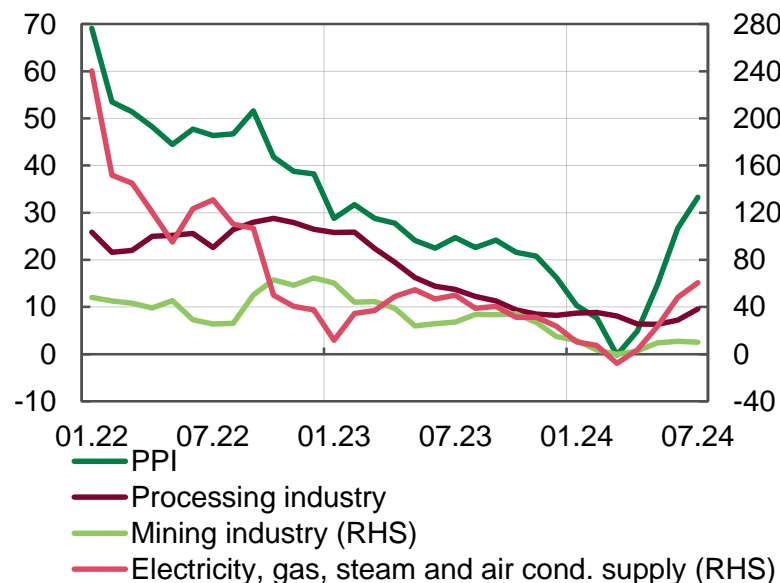
\* Data for August reflects nowcast.

Source: SSSU, NBU staff estimates.

- Fuel price growth slowed in July. These dynamics reflected base effects, namely fuel tax rates returning to pre-war levels in July 2023, as well as sufficient stocks, and [lower demand from the agricultural sector](#). At the same time, fuel prices were affected by the pass-through effects of the exchange rate depreciation and rising commodity prices on global markets
- Prices for alcoholic beverages declined more slowly. In addition, the growth in prices for pharmaceuticals, healthcare products and equipment accelerated, likely due to the exchange rate factor. The rise in the price of tobacco products slowed, although prices continued to grow at a fairly high pace, partly due to the measures to combat shadow market supply
- Meanwhile, the moratorium on raising some utility prices for households continued to restrain the increase in administered prices

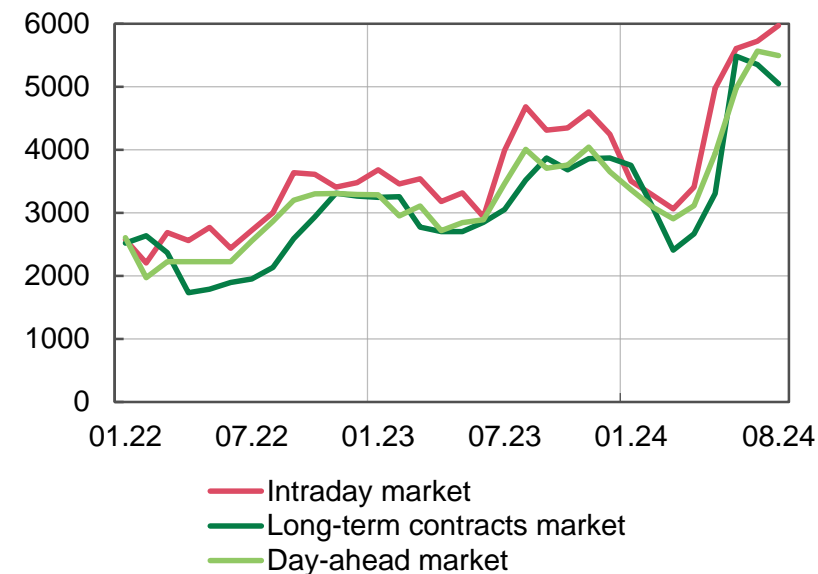
# Growth in producer prices continued to accelerate in July, primarily driven by energy prices

PPI and its components, % yoy



Source: SSSU.

Electricity prices for non-household consumers, UAH/MWh



Source: Ukrainian Energy Exchange, Market operator.

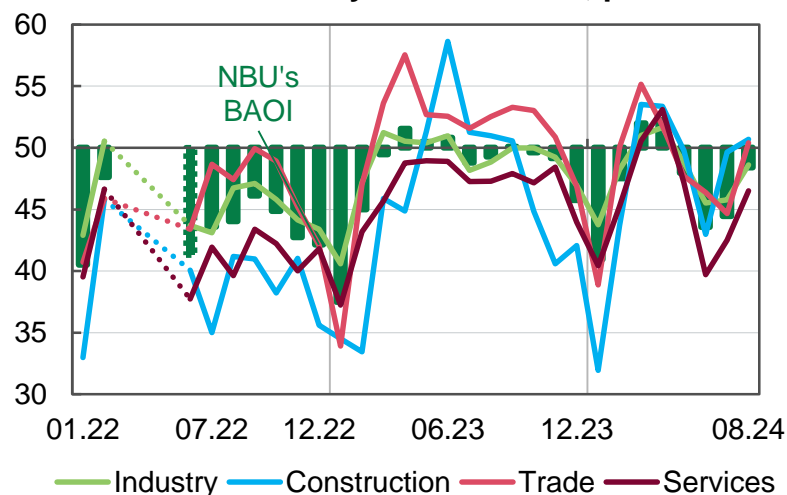
- PPI continued to increase rapidly (to 33.3% yoy in July compared to 26.7% yoy in June), primarily due to higher prices in the energy sector. The latter was driven by a shortage of electricity caused by the loss of some generating capacities, imports of electricity at higher prices, and higher costs of alternative energy sources. In August, the situation improved somewhat thanks to earlier launch of nuclear power plants after repairs and lower consumption amid lower temperatures
- Price growth in food processing also accelerated, in particular for bread [due to higher raw materials and production costs](#), and for meat and meat products [due to higher purchase prices](#)
- At the same time, price growth in the mining industry, primarily for iron ores, slowed somewhat due to adverse price developments in global markets [amid new evidence of weak industrial activity in China](#), deterioration in Ukraine's energy system, labor shortages, and logistics problems



# **Ukraine:** Economic activity

# In August, the stabilization of the energy situation led to improved expectations and a revival in economic activity

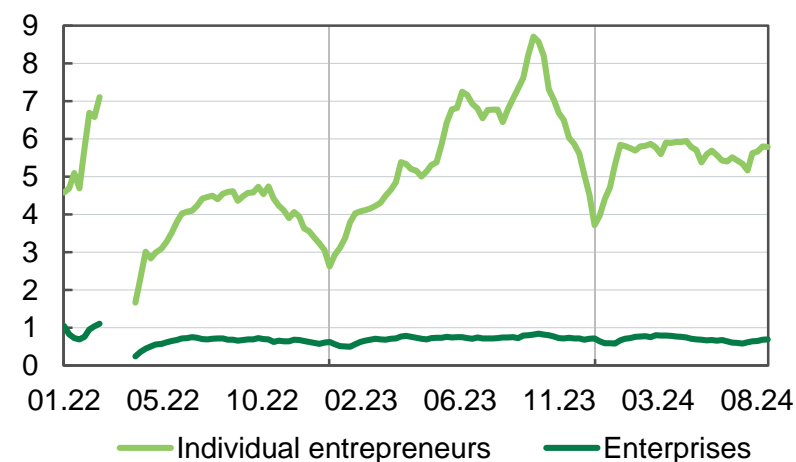
NBU's business activity outlook index, p



A level above 50 indicates mainly positive expectations. Survey was not conducted from March to May 2022. Source: NBU.

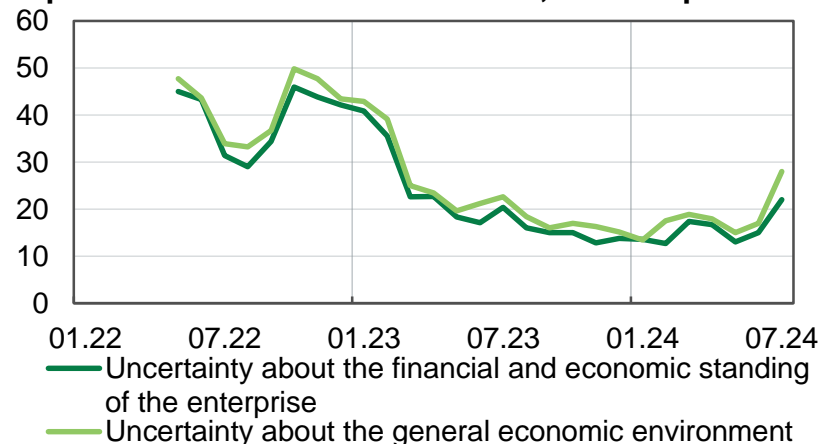
- In August, the energy situation stabilized, in particular due to the [completion of the repairs of the NPP power units](#) and the normalization of temperatures after the record heat in July. As a result, business expectations improved and economic activity rebounded
- However, the uncertainty regarding the further developments, in particular in energy, remains significant, which holds back further revival of economic activity in a number of industries

New business registrations (4-week moving average), thousands



Source: opendatabot.ua.

Businesses that could not give an answer regarding expectations for the next 6 months, % of responses



Source: IER survey.



# Consumer demand continued to grow amid improved consumer sentiment

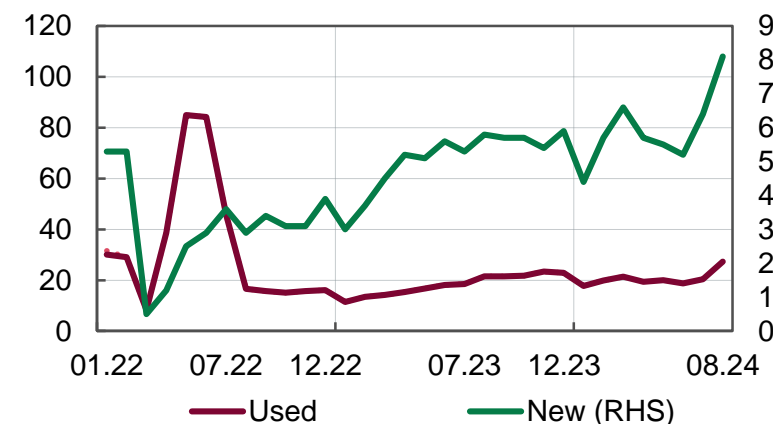
The number of online purchases of goods, % to pre-war level



Source: Opendatabot (Khoroshop service).

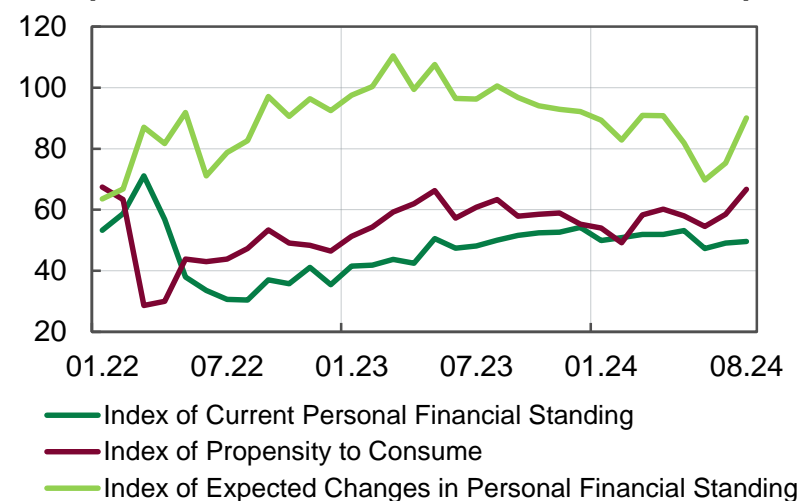
- In August, trade was supported by [preparations for the school season](#). At the same time, as the energy sector stabilized, the demand for [autonomous power units](#) dropped
- Trade enterprises continued to [adapt to long-term power outages](#). A number of large retail chains [began to import electricity](#), most grocery chains [did not reduce the range of products](#); at the same time, the [costs of small retail business](#) increased by 10%-30% due to the use of generators
- [New car sales](#) increased by 34.7% mom and 34.6% yoy (to a record high level since December 2021) in anticipation of tax changes

The first registration of passenger cars, thousand units



Source: Ukravtoprom.

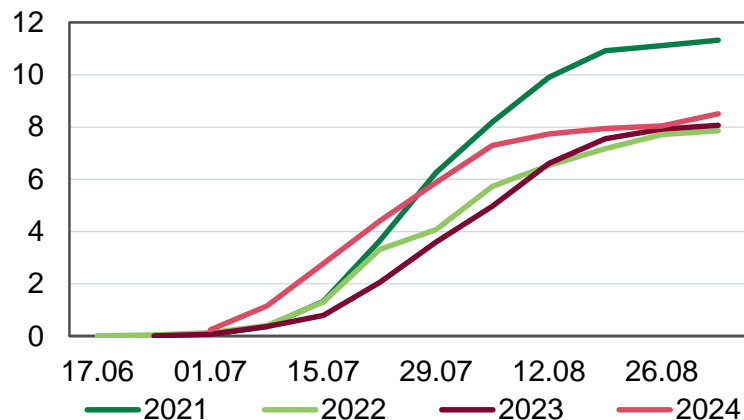
Components of the consumer sentiment index, p



In March 2023, the survey method was changed from face-to-face to telephone interviews. Source: Infosapiens.

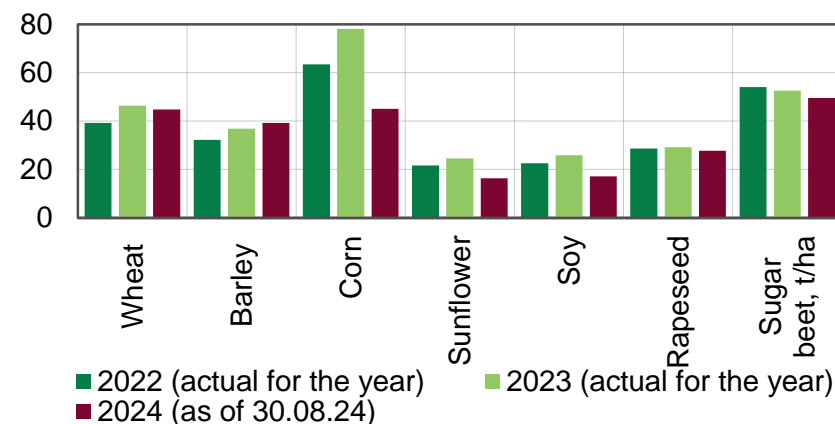
# Harvesting of early crops is almost over. The July heat worsened the conditions for late crops and animal husbandry

Harvested areas of the main agricultural crops, million hectares



Джерело: МінАПК.

Productivity of the main agricultural crops, centner/ha

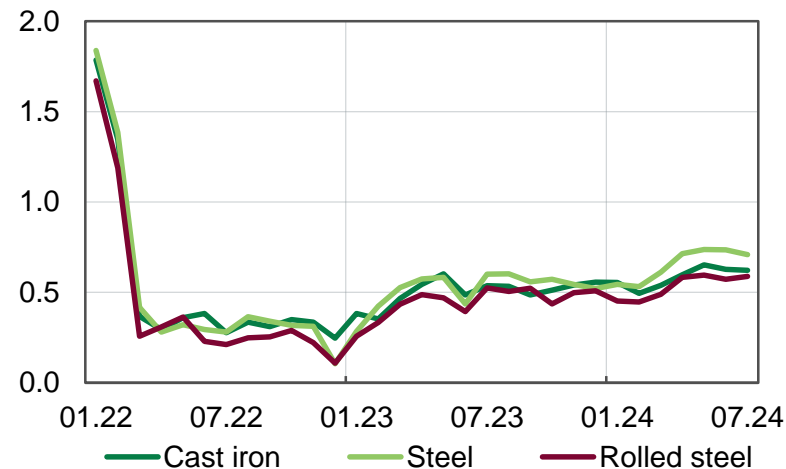


Source: SSSU, MinAgro.

- As of the end of August, the harvest of early crops was almost complete and the harvesting of late crops began. The latter is progressing at a faster pace than last year: 28.7 million tons of grain and leguminous crops were harvested, including 21.8 million tons of wheat, 5.5 million tons of barley, as well as 3.4 million tons of rapeseed. However, [the impact of the heat](#) on the yield of late crops has been largely negative. The weather factor also caused a decline in the supply of a number of vegetables ([cabbage](#), [potatoes](#), [cucumbers](#)), [apples](#) and [berries](#) decreased; although the harvest of some crops ([onions](#), [watermelons](#)) significantly exceeded last year's due to faster ripening
- As of early August, the [cattle herd continued to decrease](#) due to the rise in production costs. [Milk](#) and [meat](#) production decreased due to the heat, power outages, and outbreaks of ASF in a number of regions, which also restrained [meat](#) and [dairy processing](#). By contrast, chicken production revived thanks to the access to [new markets](#)
- The shortage of raw materials held back the [flour milling and baking industries](#), as well as the [processing of sunflower](#) and [soybeans](#). A number of enterprises continued their repair and preventive works and moved the active period to September. The [sugar-making season](#) has begun, but most factories have postponed processing due to the drought, which holds back the harvesting of sugar beets

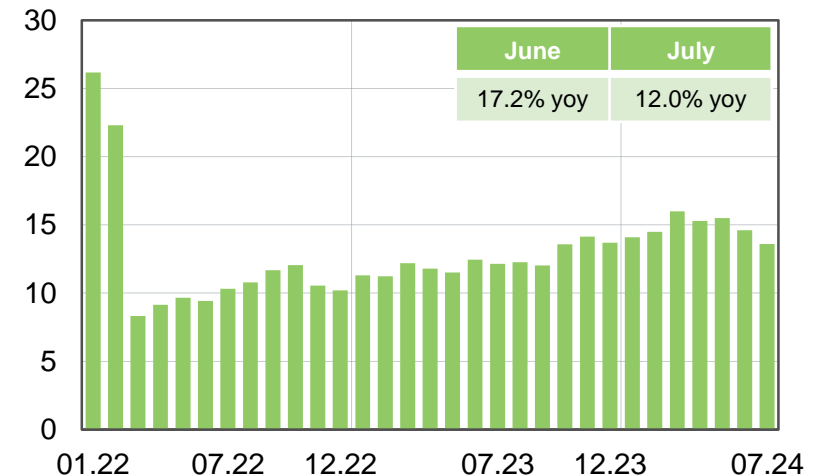
# The transportation industry experienced a seasonal slowdown amid a pause in harvesting

Production of steel, cast iron and rolled steel, million tons



Source: Ukrmetalurgprom.

Rail freight transportation, million tons



Source: SSSU, Rail.insider, UZ.

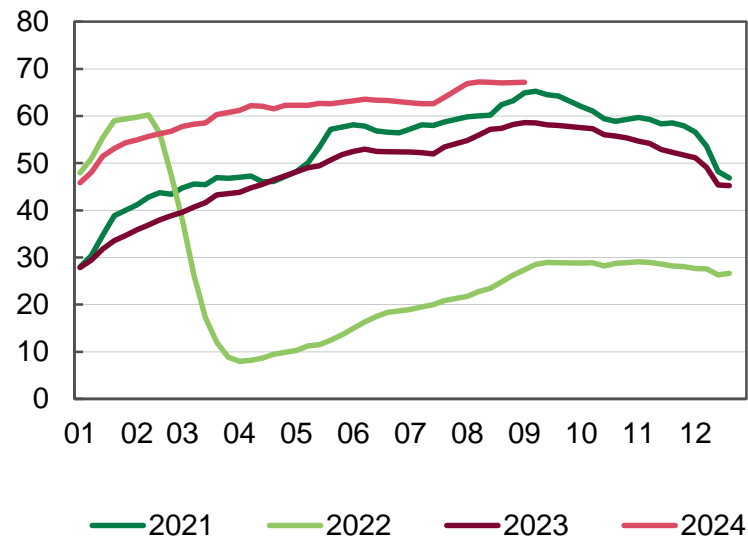
- Seasonal growth in demand for fertilizers supported the [loading of production facilities](#) by chemical industry enterprises. Despite the shortage of electricity, the [loading of metallurgical enterprises](#) remains higher than last year
- The load capacity of [coal mining enterprises](#) continued to increase, as well as gas production due to the [launch of new wells](#) and the [recovery of production](#) at the Sakhalin deposit
- [The production of special equipment](#) for mines and [railway wagons](#) for the needs of agriculture supported engineering
- Construction picked up in August amid the development of [agricultural infrastructure](#) and [commercial real estate](#) in the western and central regions
- Amid a pause in harvesting in August, [sea transportation decreased by 2.7% mom](#), but more than doubled in annual terms due to the suspension of the grain corridor last year. At the same time, [railway transportation of agricultural goods](#) increased by 25% mom and by 80% yoy, while automobile transportation for export purposes remained [at the level of last month](#)



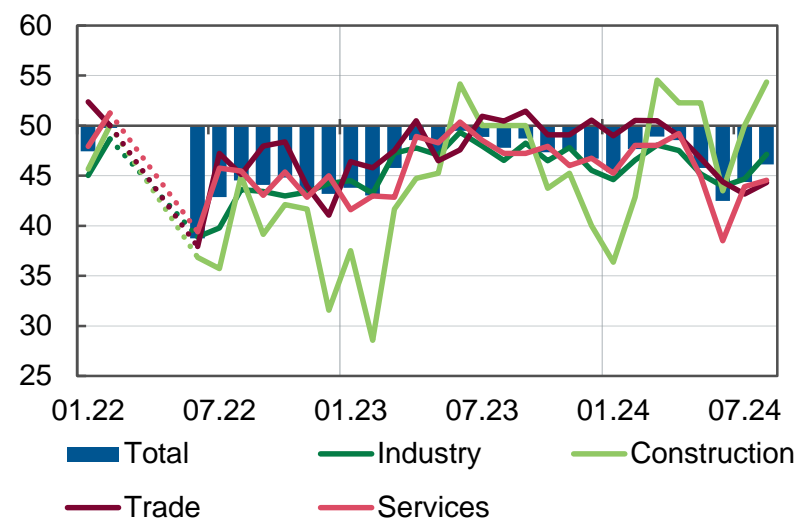
# **Ukraine:** Labor market

# The improved energy situation led to an increase in labor demand and the number of employed persons...

**New job openings, four-week rolling average, thousands**



**Diffusion indices of changes in the number of employees, p**



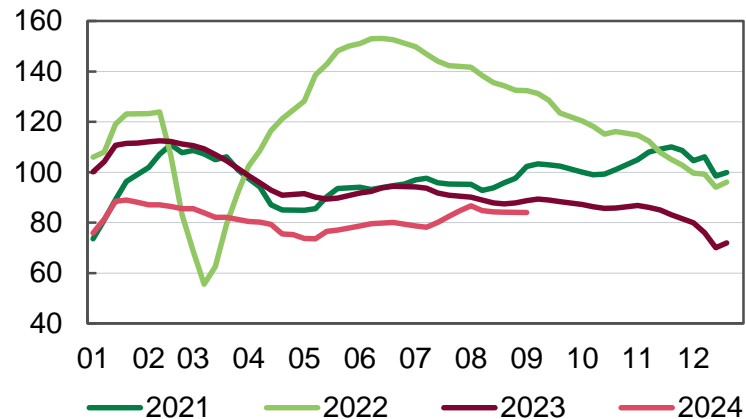
A level above 50 points indicates a predominance of positive assessments regarding changes in the number of employees over negative ones. The survey was not conducted from March to May 2022. Source: NBU.

Source: work.ua, NBU staff calculations.

- The recovery in economic activity in August led to a further increase in the number of job openings. Over the month the largest growth in the number of job openings was observed in safety and security sector (up 4.6 times yoy), telecommunications (45% yoy), and healthcare (34% yoy).
- According to [business survey](#), after the shock caused by power supply problems in the previous months waned, the number of employees actually increased in August

# ...at the same time, the supply of labor remained tight due to the war consequences

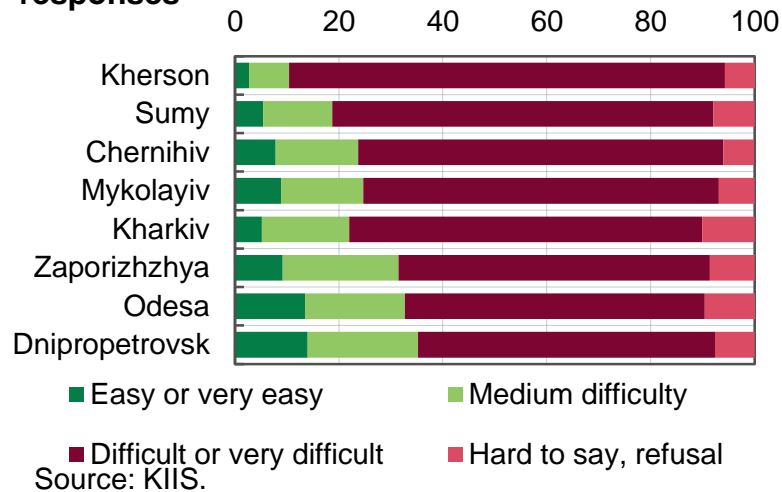
Number of new resumes, four-week rolling average, thousands



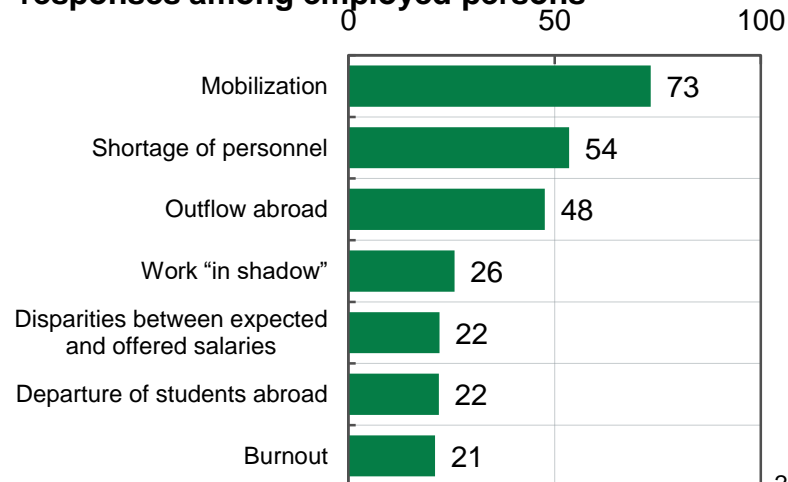
Source: work.ua, NBU staff calculations.

- According to [KIIS](#) survey, residents of the frontline regions report significant difficulties in finding a job, which, along with the limited access to professional development training, keeps them from looking for work (only 13% of respondents in the frontline regions are unemployed and looking for a job, and another 7% are planning to start their own business)
- According to a survey by the [Razumkov Center](#), 73% of employees consider mobilization a problem for the labor market. According to the [EBA](#) survey of SMEs, 64% of businesses named mobilization as the factor having the greatest adverse impact on business

How difficult is it to find a job in your region?, % of responses



The main problems in the labor market, % of responses among employed persons

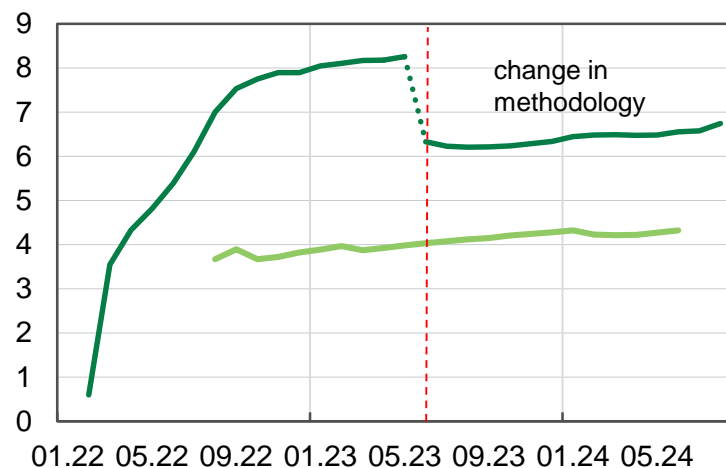


Source: Razumkov Center.



# The difficult energy situation in July led to an increase in migration abroad

Number of migrants since the beginning of the full-scale invasion, million persons

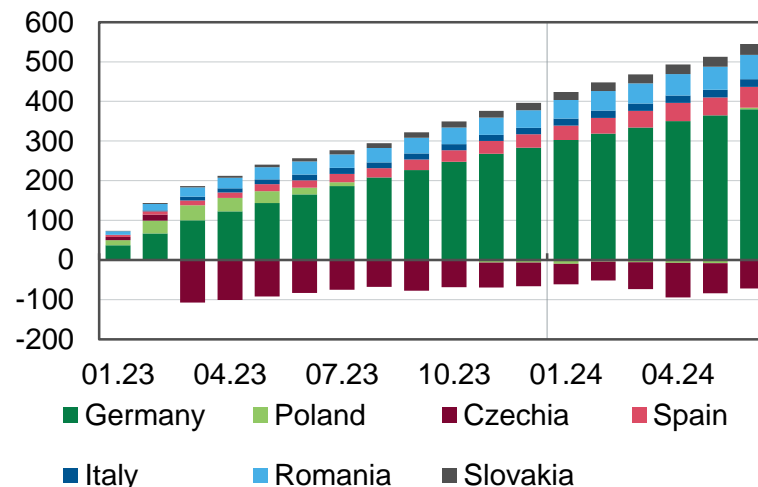


— All migrants abroad — Temporary protection in the EU

Source: UNHCR, Eurostat.

- According to UNHCR estimates, as of 19 August 2024, the number of Ukrainian migrants worldwide reached 6.7 million (up by almost 400 thousand since the beginning of the year). The largest number of Ukrainian migrants is in Germany (1.1 million), Poland (976 thousand) and the Czech Republic (361 thousand)
- Countries receiving Ukrainian migrants are [gradually tightening the conditions](#) of their stay:
  - [Poland](#) is creating conditions for the transition from current temporary protection to temporary residence, and since July 2024, a one-time allowance of 300 zlotys for accommodation and 40 zlotys for accommodation and meals in private houses has been canceled for most of the Ukrainians;
  - in the [Czech Republic](#), a restriction was introduced on staying in state humanitarian housing that allows a stay for no more than 150 days, after which standard rental conditions apply

Cumulative change in the number of migrants in selected EU countries compared to December 2022, thousand persons

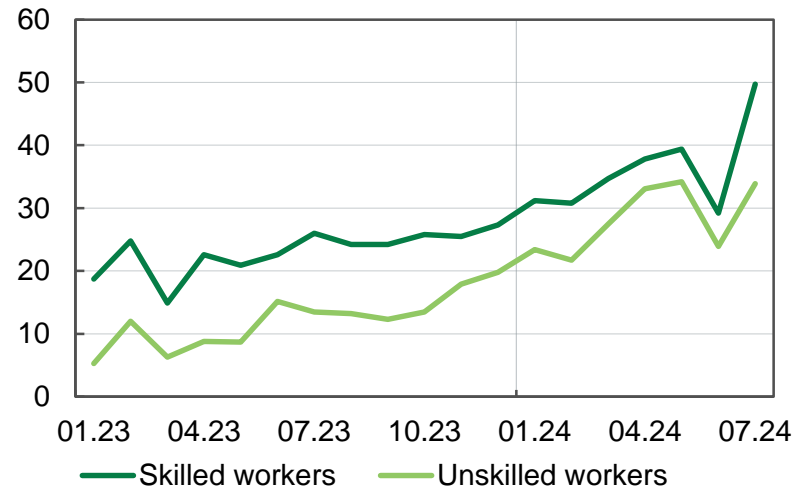


There was no data available for May 2024 for Spain, thus the figures for April 2024 were used.

Source: Eurostat.

# As a result, the shortage of workers has worsened, which is driving wages up further

Index for difficulty of finding new employees\*

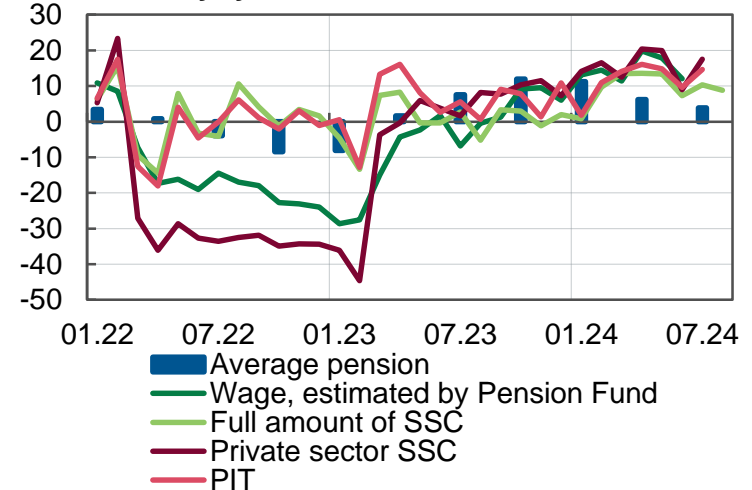


\* Difference between the shares of answers: “finding employees has become more difficult” and “finding employees has become easier”.

Source: IER.

- The shortage of labor, especially skilled labor, remains significant. After a slight decrease, which was likely caused by lower demand due to business operation disruptions caused by power outages, the shortage of skilled workers reached a new record high, according to the [IER](#) survey. According to the [Razumkov Center](#) survey, 60% of employed (employers, employees, working co-owners of enterprises, and the self-employed) reported a shortage of personnel at their company
- The pressure from the shortage of workers led to a further increase in real wages

Indirect indicators for estimating real household income\*, % yoy



\* Deflated by CPI. \*\* The private sector SSC is calculated as the difference between total SSC and SSC on wages from the consolidated budget.

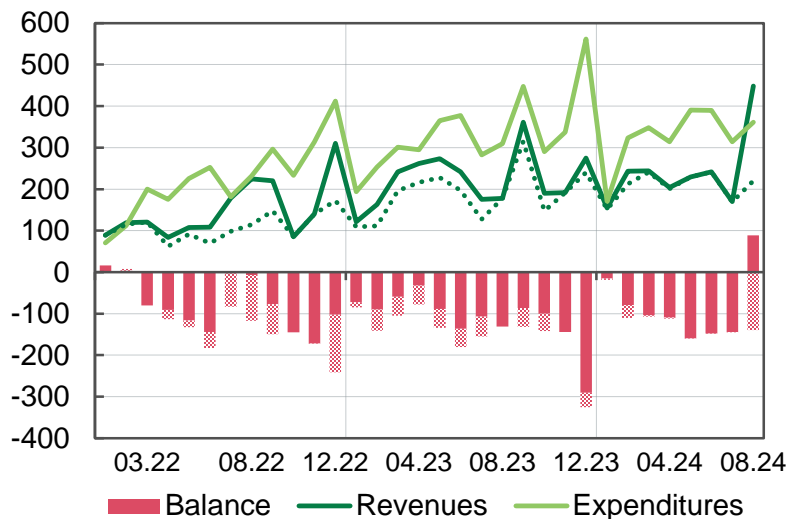
Source: Pension Fund of Ukraine, STSU, SSSU, NBU staff calculations.



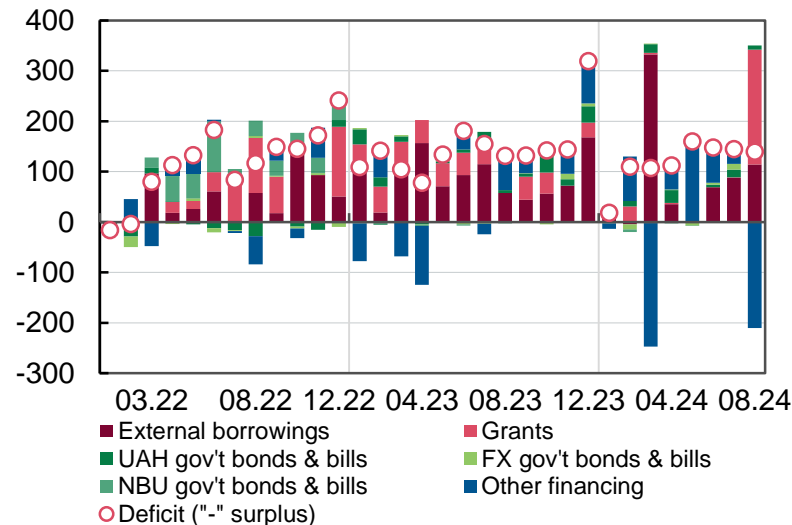
# **Ukraine:** Fiscal sector

# The state budget deficit (excluding grants in revenues) remained wide in August

Main state budget indicators\* (monthly), UAH billions



Financing\*\* of the state budget deficit (excluding grants in revenues), UAH billions



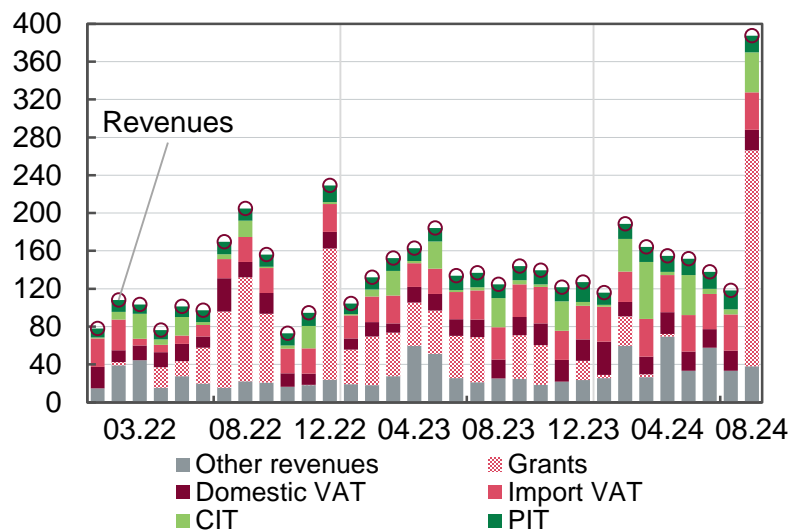
\* Dotted and patterned fillings show relevant indicators excluding grants. Balance includes net lending. \*\* Debt transactions are net borrowings. Other financing represents active operations (in particular, includes the change in volumes of gov't funds) and privatization proceeds.

August – preliminary and high-frequency data from the MFU website and NBU calculations based on these data (the data will be refined). Source: Treasury, MFU, NBU staff calculations.

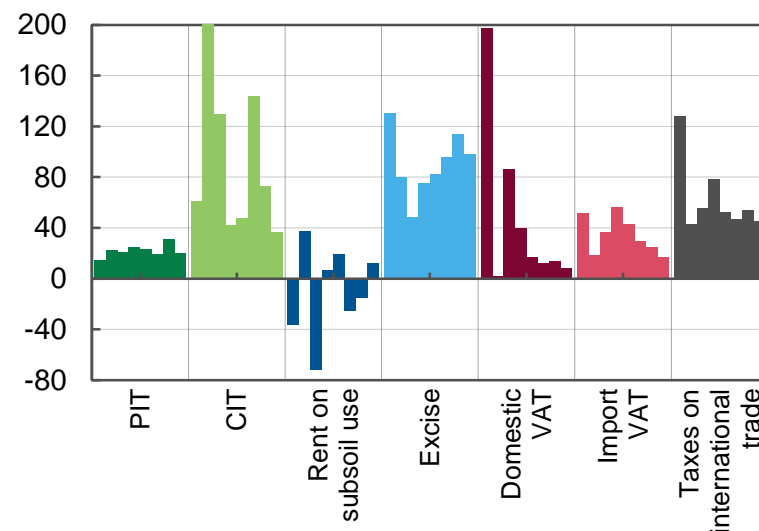
- The state budget deficit (excluding grants in revenues) remained wide and close to the levels of previous months
- In August, budget needs were financed primarily by significant international aid (USD 8.4 bn, of which USD 5.5 bn were granted). These substantial inflows of assistance also allowed to create a liquidity buffer to cover budget needs in the following months
- Domestic borrowings in national currency in July-August were somewhat smaller compared to previous months (probably the latter is related to the receipt of significant international aid). At the same time, they remained an important source of financing budget needs, and the total rollover of domestic government bonds in eight months equaled [146%](#)

# Tax revenues continued to grow, although in August a significant part of revenues was provided by grants

Revenues\* of the state budget's general fund, UAH billions



Growth in tax revenues of the state budget's general fund in 2024, monthly\*, % yoy

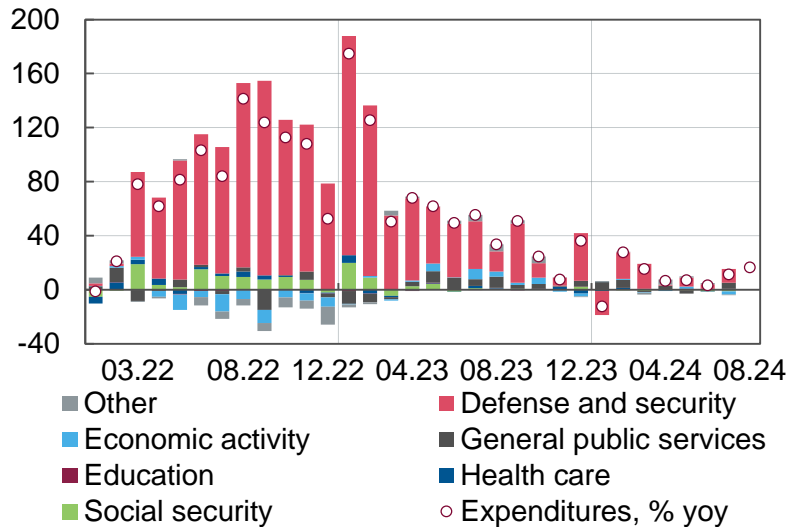


\* August – preliminary data from the MFU website (the data will be refined) and NBU calculations based on the MFU's data.  
Source: Treasury, MFU, NBU staff calculations.

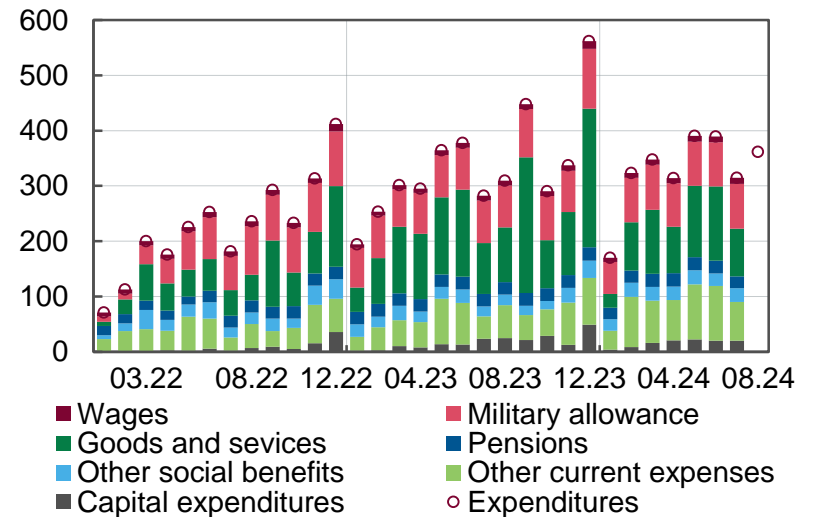
- The general fund tax revenues continued to grow at a high rate, although in August they slowed down somewhat, particularly under the influence of the weakening of economic activity due to the electricity shortages in the previous months. Meanwhile, the growth in tax revenues and them being above planned levels were attributed to the high financial results of certain industries, in particular banks (taking into account the higher rate of the CIT for banks), and the effects of the economy's nominal growth
- At the same time, in August, grant funds were a significant source of revenue, and they accounted for more than half of the state budget revenues

# In August, growth in expenditures accelerated somewhat

**Contributions to annual changes in expenditures of the state budget\*, pp (functional classification)**



**Expenditures of the state budget, UAH billions (economic classification)**



\* August – preliminary data from the MFU website, the data will be refined. NBU calculations based on the MFU’s data.  
Source: Treasury, MFU, NBU staff calculations.

- In August, expenditures were high and increased by about 17% yoy. However, overall expenditure growth in annual terms remained moderate despite a sizable amount of international aid. This made it possible to accumulate quite significant funds for future periods
- Defense and security, as well as social care, traditionally remained the priority spending areas. At the same time, the expenditure increase could have been caused by an increase in capital expenditures, which in particular was related to the elimination of the consequences of destruction

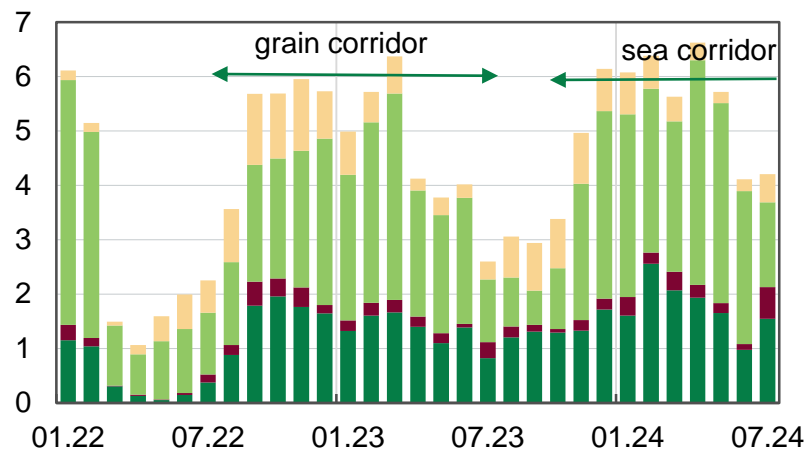




# **Ukraine:** Balance of Payments

# In July, goods exports increased in line with expectations as the shipments of agricultural products from the new crop began

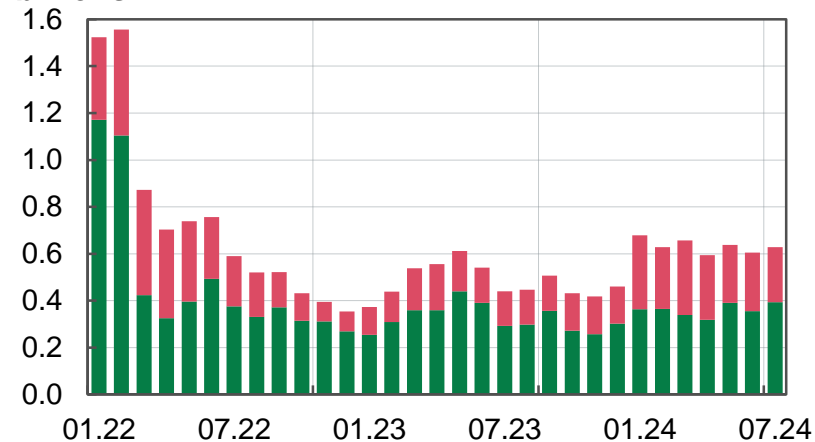
Exports of agricultural products, million tons



■ Wheat ■ Barley ■ Corn ■ Oilseeds

Source: SCSU.

Exports of metallurgical products and ores, USD billions



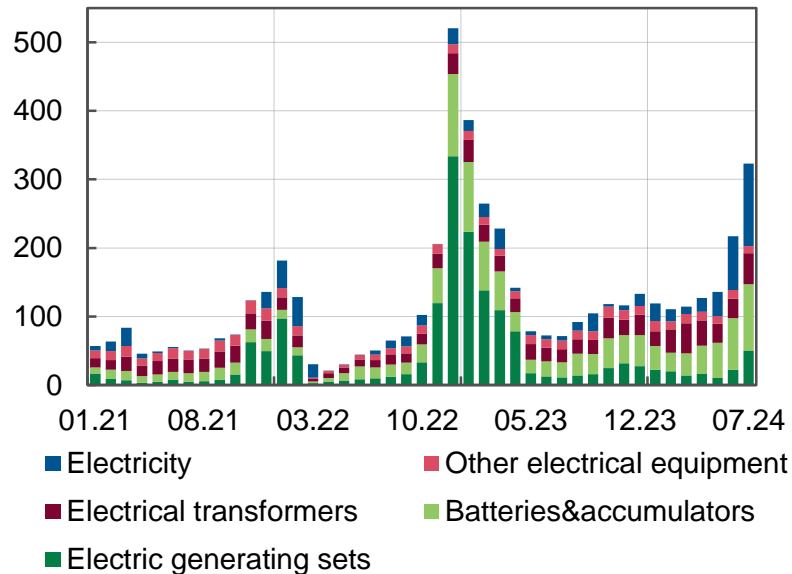
■ Metallurgical products ■ Ores

Source: NBU staff calculations.

- With the full-fledged functioning of the sea corridor, farmers were able to start shipping the new crop in the required volumes. As a result, exports of wheat, barley, and oilseeds grew, while corn exports dropped due to the depletion of remaining stocks
- Additionally, supplies of metallurgical products increased. Specifically, exports of semi-finished products to Egypt rose, likely due to limited supplies from russia caused by the blocking of bank payments

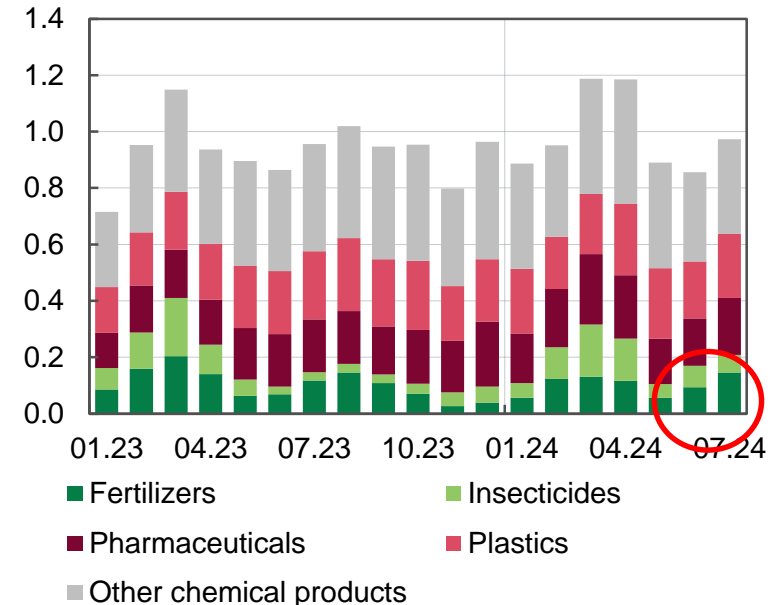
# However, imports rose more significantly due to the electricity shortages and demand from farmers, resulting in a widened trade deficit in goods...

Imports of energy equipment and electricity, USD millions



Source: SCSU.

Imports of chemical products, USD billions

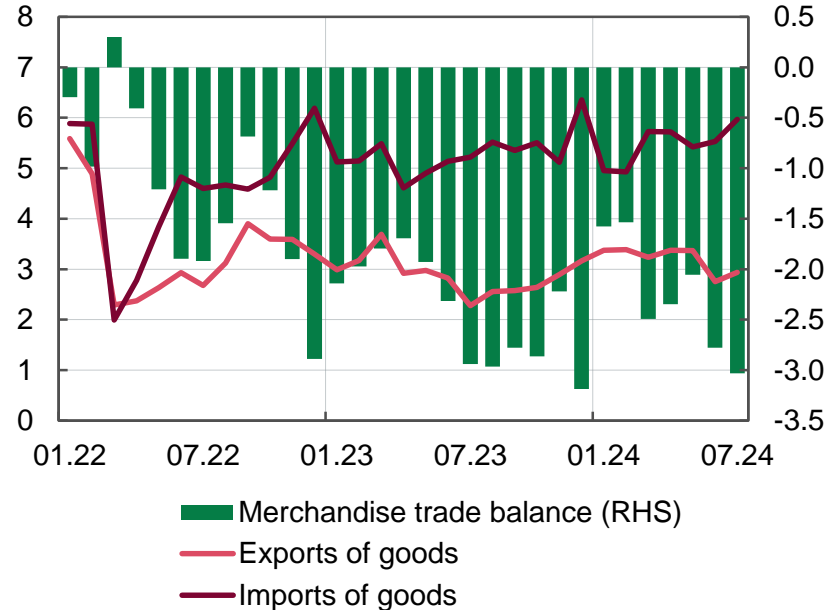


Source: NBU.

- Regular shelling of the energy system by Russia, repairs at nuclear power plants, and increased consumption due to the heat led to a significant electricity shortage in July. This, in turn, resulted in increased imports of both electricity and emergency power supply equipment
- Ahead of the autumn sowing season, farmers increased their purchases of seeds and fertilizers. Additionally, a [rise in morbidity among the population](#) caused a boost in imports of pharmaceutical products

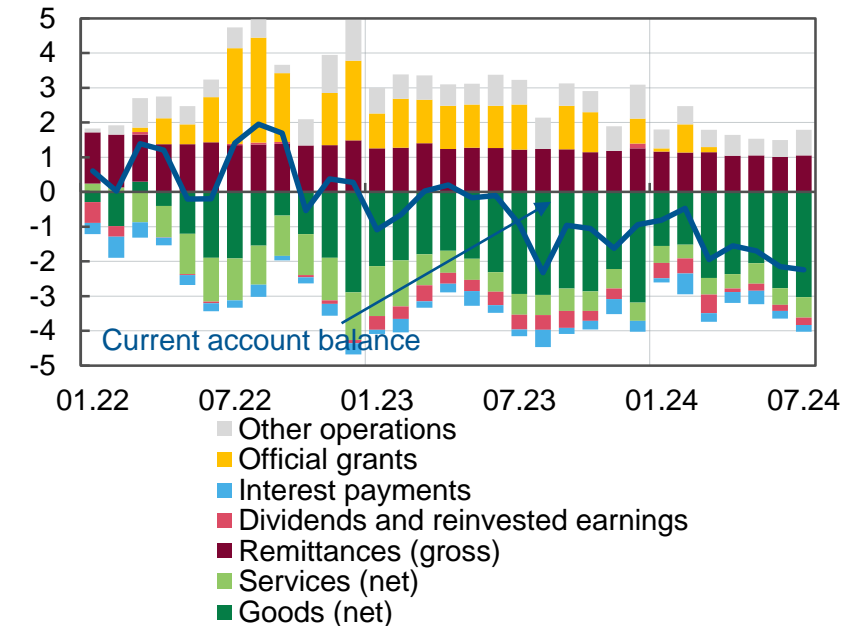
## ... which, combined with increased imports under the *Travel* item, led to a widening of the current account deficit

Merchandise trade balance, USD billions



Source: NBU.

Current account balance, USD billions

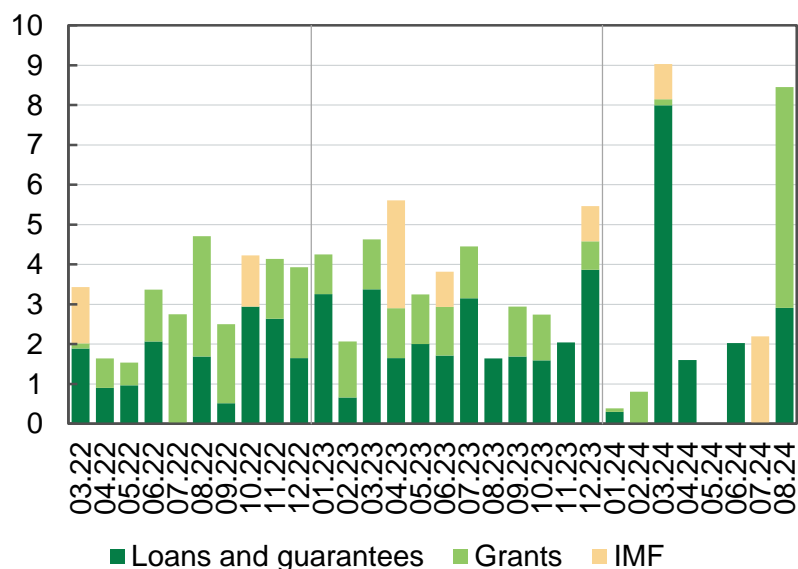


Source: NBU staff calculations.

- With imports growing by more compared to exports, the trade deficit in goods widened to USD 3 bn
- Additionally, the increase in summer travel by Ukrainians abroad led to a rise in imports of travel services
- The expansion of the trade deficit was somewhat offset by higher receipts from secondary income due to humanitarian aid, thus the current account deficit widened less significantly

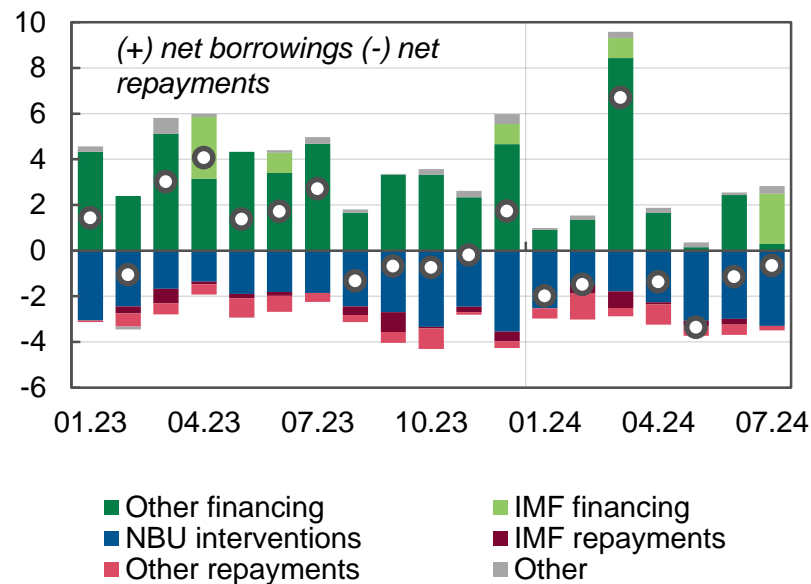
# The gap of balance of payments was partly offset by the IMF tranche, which kept reserves at a comfortable level

International financial assistance since the beginning of the full-scale war, USD billions



Source: NBU, MFU, open sources data.

Change in international reserves, USD billions



Source: NBU.

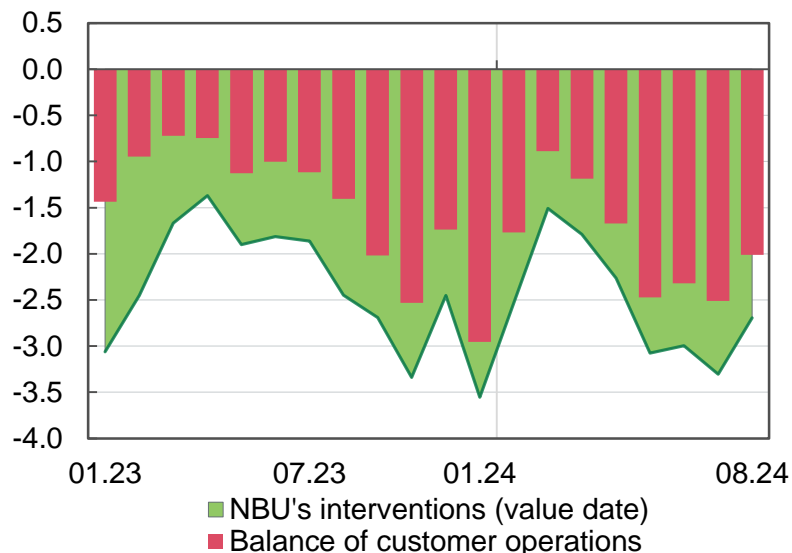
- In July, Ukraine received the fifth tranche under the EFF program with the IMF, worth USD 2.2 bn. This helped partially finance the balance of payments deficit in the absence of other international financial aid
- As a result, international reserves decreased only slightly in July, totaling USD 37.2 bn by the end of the month, which covers 4.8 months of future imports
- In August, Ukraine received substantial international financial aid (USD 8.4 bn in loans and grants), enabling a resumption of growth in international reserves



# **Ukraine: Monetary sector**

# The situation in the FX market was under control in August, with moderate exchange rate fluctuations

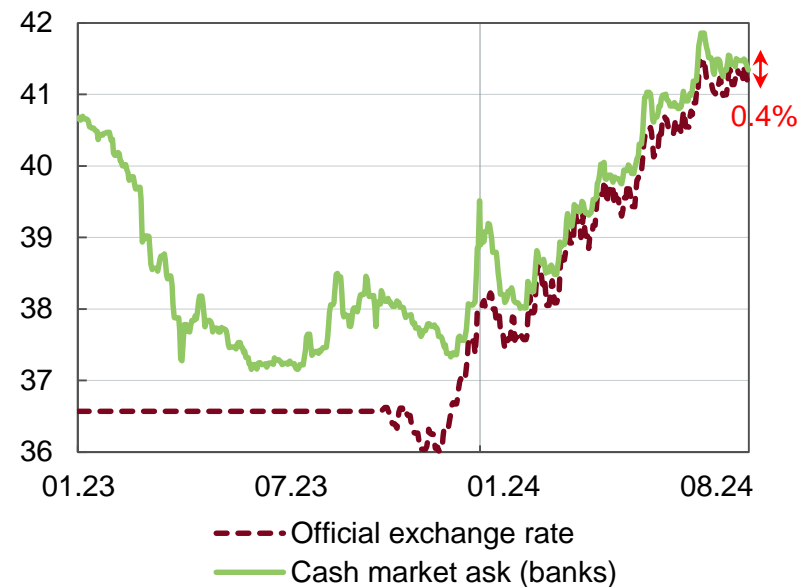
Bank clients' FX transactions\* and NBU FX interventions, USD billions



\* Net sale and purchase of noncash and cash foreign currency by bank clients (Tod, Tom, Spot).

Source: NBU.

Hryvnia exchange rates, UAH per USD



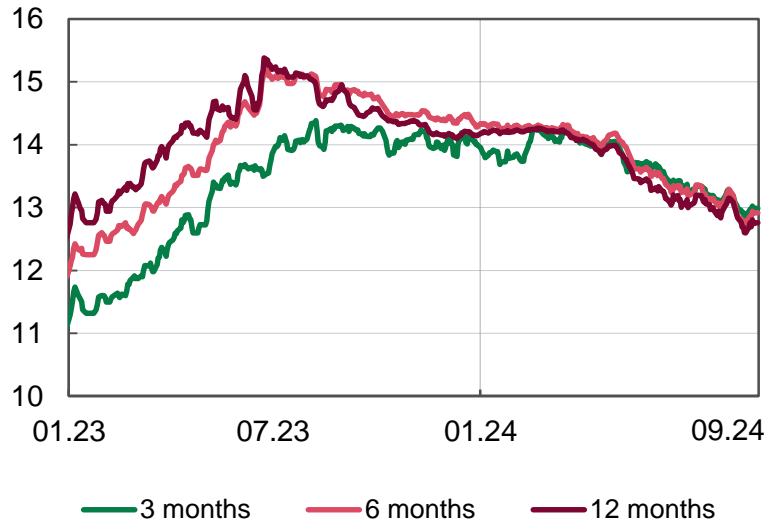
Source: NBU.

- The balance in the FX market improved somewhat in August due to the unchanged volume of foreign currency supply with a simultaneous decrease in demand both in the interbank and cash segments
- Progress in receiving the international financial aid contributed to maintaining a sustainable situation and improving exchange rate expectations
- The hryvnia exchange rate fluctuated in both directions under the influence of market conditions, having slightly depreciated over the month. The spread between the cash and official exchange rates did not exceed 1%, decreasing to 0.4% by the end of August. Thanks to the better balance in the market in August, the net FX sale by the NBU decreased to USD 2.7 billion



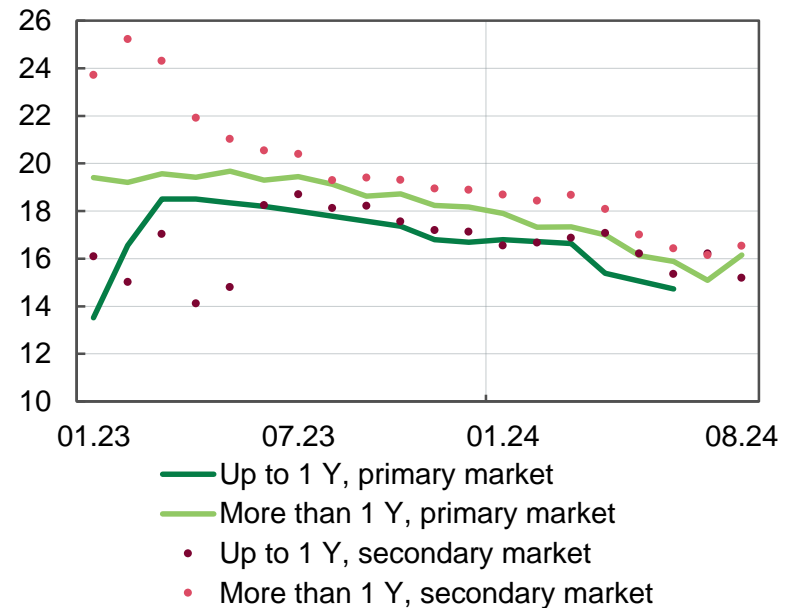
# The yields on hryvnia instruments remain positive in real terms

Ukrainian Index of Retail Deposit rates\*, %



\* 5-day moving-average.  
Source: Thomson Reuters.

Yields on hryvnia domestic debt securities, % per annum

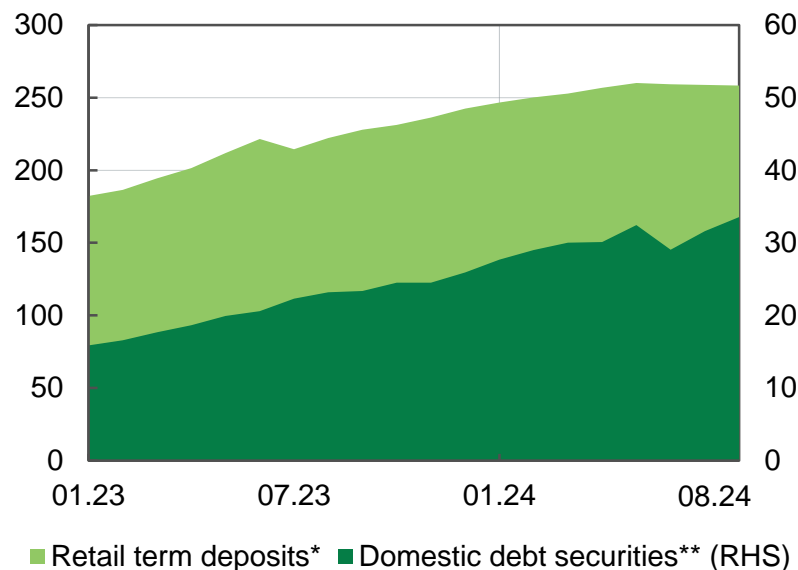


Source: NBU staff calculations.

- The nominal hryvnia interest rates continue to decline due to the effects of the NBU's previous steps to ease interest rate policy. The rise in the weighted average yields of domestic debt securities in August was driven by active investment in new securities with longer maturities, which traditionally have higher yields
- Meanwhile, the yields on hryvnia instruments exceed both the inflation rate projected by the NBU and the level of households' inflation expectations, which protects households' hryvnia savings from inflation

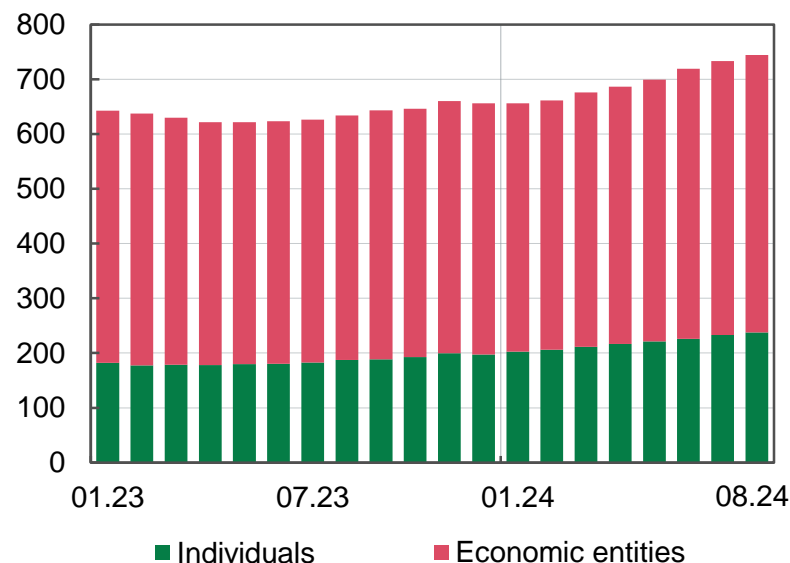
# Bank lending picked up amid lower interest rates. The portfolio of hryvnia debt securities held by individuals resumed growth

Stock of hryvnia domestic debt securities held by individuals and hryvnia retail term deposits, UAH billions



\* Preliminary data.  
 \*\* At outstanding nominal value.  
 Source: NBU.

Hryvnia loans\*, UAH billions



\* Preliminary data.  
 Source: NBU.

- As interest rates continue to decline, corporate and household loans are growing rapidly. Meanwhile, the weight share of unsubsidized loans increased, as most corporate loans were granted beyond the government support programs
- The portfolio of hryvnia domestic debt securities held by individuals has resumed growth since July, thanks to the rollover of June redemptions
- The growth in household term deposits in hryvnia has stopped since June, which may reflect the deterioration of exchange rate expectations in previous months and increased household spending on energy equipment