National Bank of Ukraine

Balance of payments in March 2024

(preliminary data[1,2] according to the Balance of Payments and International investment position manual, 6th edition)

The current account deficit totaled USD 1.6 billion (compared to surplus of USD 14 million in March 2023). The CA deficit generated primarily due to lower level of grants from international partners. In addition, trade in goods deficit saw widening, including both a decrease in exports and increase in imports. On current account transactions, excluding reinvested earnings and grants from international partners, deficit was USD 1.7 billion (USD 0.8 billion in March 2023).

For Q1 2024 current account deficit totaled USD 2.2 billion (USD 1.8 billion in Q1 2023). On current account transactions excluding reinvested earnings and grants from international partners deficit was USD 3.0 billion (USD 4.3 billion for Q1 2023).

Exports of goods[3] decreased by 13.6% (grew by 6.9% in February 2024), while those of **imports increased by 3.8%** (fell by 6.6% in February 2024). Merchandise exports decreased by 6.0% and imports grew by 18.5% compared to previous month.

Merchandise exports totaled USD 3.2 billion. Almost the entire decline was due to a drop in ***food exports*** (by 18.6%), namely *grain exports* (by 30.0%). Exports of *oilseeds* (by 31.7%) and *oils and fats* (by 8.9%) also declined. At the same time, exports of *food processing products* increased (by 6.3%). In addition, exports declined in the following product groups:

machinery and equipment exports	– by 30.9% *(-16.7% compared to February);*
timber and wood products	– by 30.7% *(+1.0% compared to February);*
metallurgical exports	– by 6.7% *(-8.3% compared to February);*
manufactured goods	– by 22.2% *(+7.2% compared to February);*
chemicals	– by 8.6% *(+16.0% compared to February).*

On the other hand, exports of mineral products (due to ores) increased 1.6 times *(+15.0% compared to February).*

In March 2024, in nominal terms, the entire decline in merchandise exports was driven by exports to EU countries fall – by USD 684 million, or by 30.5%, its share fell from 60.6% in March 2023 to 48.8%. Exports to Asian countries (by USD 16 million, or by 1.6%; the share grew from 27.0% to 30.8%) also saw a decline. At the same time, exports to the African countries (by USD 88 million, or 1.5 times; its share increased from 4.5% to 7.9%) and to

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[1]According to the Law of Ukraine from March 3rd 2022 № 2115-IX "On subjects of reporting protection interests and other documents during martial law or state of war", part of the data necessary for the balance of payments compilation is not collected. The assessment of the balance of payments for March 2024 was made on the basis of available information and will be revised upon receipt of additional data.

[2]All balance of payments data are presented excluding the territory of Ukraine temporarily occupied by the Russian Federation.

[3] All percentage changes are given in comparison with the indicators of the corresponding period of the previous year, unless otherwise indicated.

CIS countries (by USD 11 million, or by 8.3%, the share increased from 3.6% to 4.5%) evidenced an increase.

Merchandise imports equaled USD 5.7 billion. The increase in non-energy imports in March (by 13.3%, by 20.7% compared to February) was only partially offset by a decline in energy imports (by 33.8%, up by 5.3% compared to February). The growth was driven by:

machinery and equipment imports	– by 17.5 % *(+8.8% compared to February);*
metallurgical imports	– by 21.5% *(+12.5% compared to February);*
food imports	– by 4.2% *(+18.6% compared to February);*
chemicals	– by 2.1% *(+23.3% compared to February);*
manufactured products	– by 6.3% *(+20.2% compared to February).*

Imports of timber and wood products was flat compared to March 2023 *(+8.4% compared to February).*

In March 2024, imports from EU countries (by USD 249 million, or by 9.2%; its share increased from 49.2% to 51.8%) and Asian countries (by 209 million, or by 13.0%; the share grew from 29.3% to 31.9%) increased the most. Also imports from African countries evidenced an increase (USD 50 million, or twofold, its share grew from 0.9% to 1.8%). Meanwhile, imports from CIS countries saw a decline (by USD 52 million, or by 44.1%, contribution to total imports decreased from 2.1% to 1.2%).

The deficit of trade in services narrowed to USD 0.5 billion (USD 0.9 billion in March 2023) due to both a reduction in imports of services (by 13.3%) and an increase in their exports (by 3.9%). Services imports fell primarily owing to outbound tourism and short-term migrants' expenditures[4] (by 17.2% to USD 1.3 billion), financial (by 32.8%), computer and telecommunication services (by 19.6%) and other business services (by 18.8%, due to advertising services growth). Meanwhile, imports of transport services (by 9.8%) grew due to sea, air and rail transportation services increase. The main drivers of service exports growth were an increase in transportation services (by 8.9%), other business services (by 11.7%, primarily due to technical services by 8.8%) and inbound tourism expenditures (by 29.0%). On the other hand, exports of computer and telecommunication services and manufacturing services on physical inputs owned by others decreased by 6.3% and 11.3% respectively.

Primary income balance surplus was flat to March 2023 and totaled USD 0.5 billion. A 24.6% decline in 'compensation of employees' item receipts was offset by a 38.6% decline in investment income repayments.

Secondary income balance surplus narrowed to USD 0.9 billion compared to USD 2.2 billion in March 2023 due to a reduction in grants from international partners (USD 0.2 billion compared to USD 1.3 billion in March 2023).

The amount of inward personal remittances decreased by 16.5% and totaled

[4]The estimation of Ukrainians' expenses abroad is based upon the data on payments by cards abroad, UN data and the State Border Guard Service of Ukraine on the number of citizens who went abroad due to the war.

USD 0.9 billion[5]. Salaries received by Ukrainians from abroad declined by 22.3%, in turn other remittances received through official channels decreased by 12.0%. In general, by 16.9% less remittances were sent through official channels than in March 2023, while the flow through informal channels fell by 16.0% compared to March last year.

In Q1 this year remittances decreased by 8.7%: net compensation of employees decreased by 20.3%, while personal transfers increased by 19.2%.

Net borrowing from the rest of the world (the total of current account and capital account balance) **totaled USD 1.6 billion** (net lending was USD 26 million in March 2023).

For Q1 2024 net borrowing from the rest of the world totaled USD 2.1 billion, USD 1.7 billion for the relevant period last year.

The financial account net inflows totaled USD 7.9 billion (USD 3.4 billion in March 2023) and was generated by **public sector** inflows.

In Q1 2024 the financial account net inflows were USD 5.3 billion, the net inflows totaled USD 5.6 billion for relevant period last year.

Public sector net inflows totaled USD 7.9 billion (net inflows were USD 3.3 billion in March 2023) due to loans disbursement from international partners for the corresponding amount.

The net inflows of foreign direct investments stood at USD 258 million (USD 388 million in March 2023), including:

USD 69 million net inflows in equity, excluding reinvestment of earnings (USD 20 million in March 2023);

USD 79 million banking sector reinvestment of earnings[6] (USD 94 million banking sector reinvestment of earnings and USD 325 million other sectors reinvestment of earnings);

USD 109 million debt instruments net disbursements, of which between fellow enterprises – USD 23 million (in March 2023 – USD 22 million, of which between fellow enterprises – USD 16 million).

For Q1 of 2024, the net inflows of foreign direct investment is estimated at USD 572 million (including banking sector's reinvestment of the earnings of USD 243 million). For Q1 2023, the net inflows amounted to USD 1.1 billion (including reinvestment of earnings of USD 1.1 billion). Net inflows in equity (excluding reinvestment of earnings) amounted to USD 130 million (for Q1 2023 – USD 128 million). Net debt instruments disbursements amounted to USD 198 million (for Q1 2023 – USD 71 million).

The banking system's external position net increase on portfolio and other investments totaled USD 288 million and was driven by both external position net increase in 'currency and deposits' item by USD 142 million and net purchase of non-resident securities by banks by 124 million.

[5]The total amount of remittances will be adjusted on the basis of mirror statistics by partner countries, released after the dissemination of balance of payments data.

[6]The balance of payments for January-March 2024 includes reinvestment of earnings of the banking sector only.

The real sector external position net increase (excluding foreign direct investment) totaled **USD 207 million** driven by these competing factors:

USD 1.1 billion increase of the amount of foreign cash outside banks (by USD 1.2 billion in March 2023);

USD 210 million net decrease on loans external liabilities;

USD 1.0 billion net decrease on trade credit external position.

For Q1 2024 net increase of the amount of foreign cash outside banks equaled USD 4.1 billion (USD 3.3 billion for relevant period last year).

The net private sector's external position remained virtually flat – **inflows** totaled **USD 46 million** (USD 30 million in March 2023).

The balance of payments in March showed substantial surplus of USD 6.4 billion (USD 3.4 billion in March 2023). The net disbursements from the IMF equaled to USD 157 million (repayments to the IMF in March 2023 totaled USD 639 million).

The international reserves amounted to USD 43.8 billion as of late March, enough to cover 5.7 months of future imports.