

Ukraine: Macroeconomic policy challenges during a full-scale war

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Deputy Governor

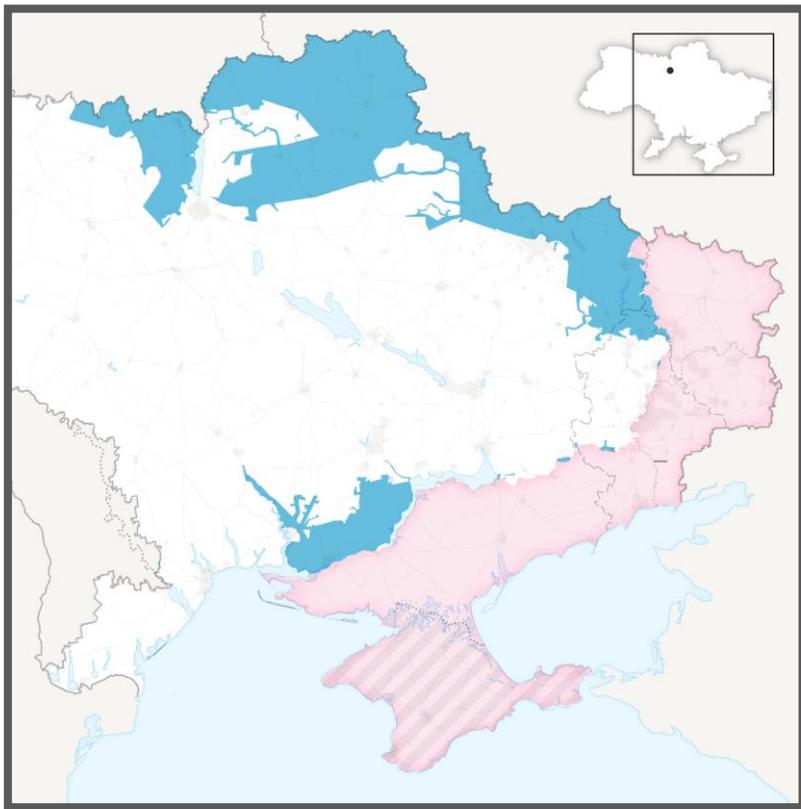
9th ECB conference on Central, Eastern and South-Eastern European (CESEE) countries

Frankfurt am Main, Germany

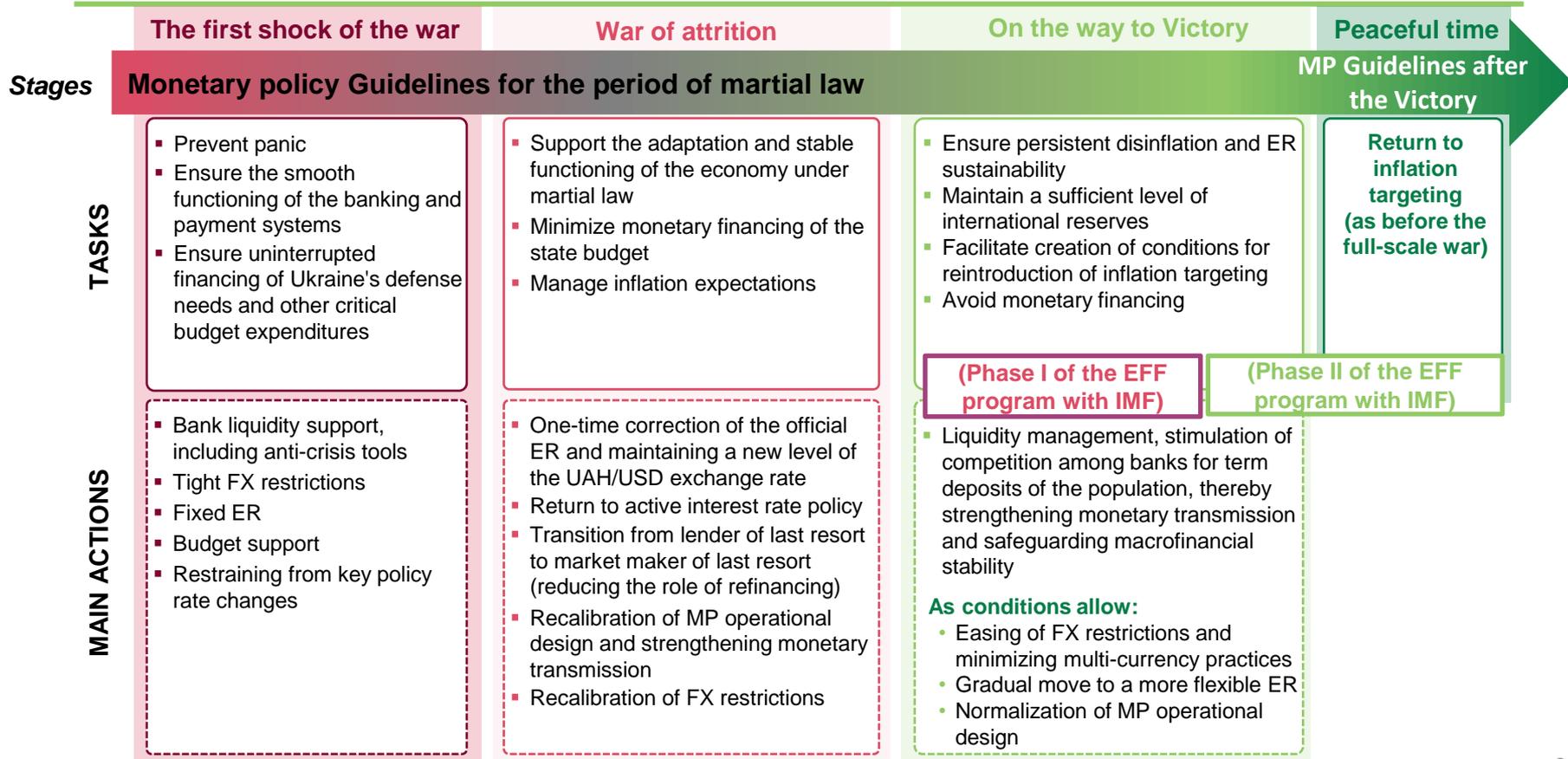
July 17, 2023



Policymaking under shelling, risk of occupation and blackouts

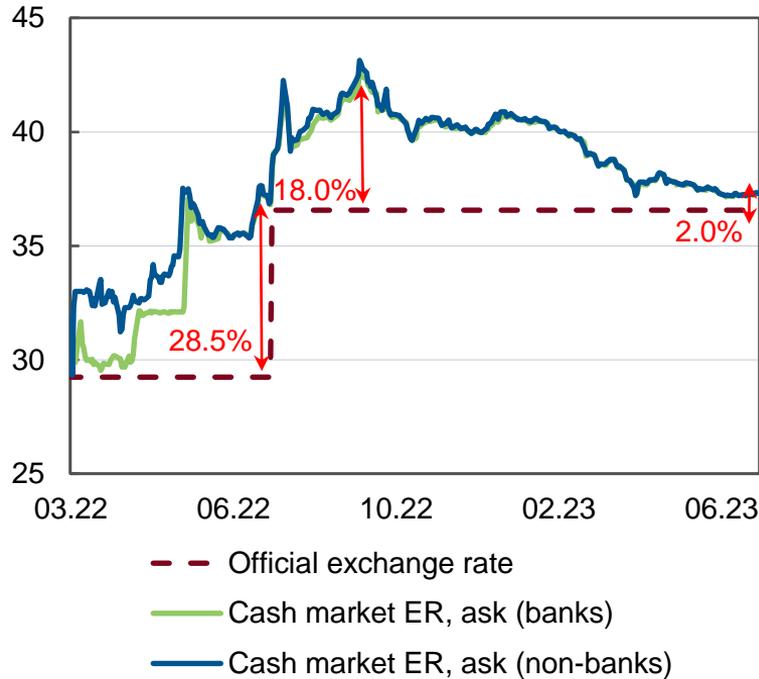


Ever-changing environment required continuous fine-tuning of conventional policy toolkit and usage of unorthodox measures



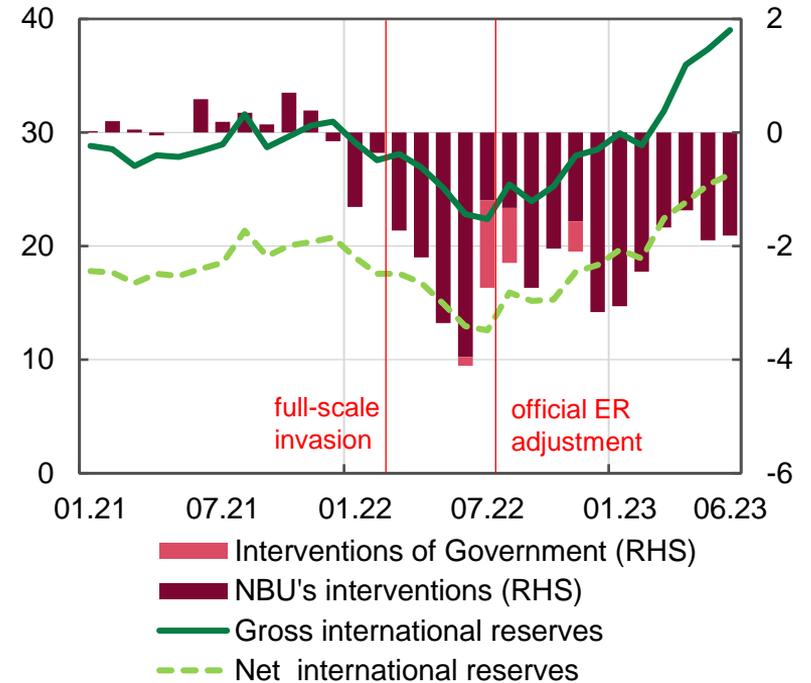
NBU measures and international aid allowed to stabilize FX market and accumulate record international reserves

Exchange rates, UAH per USD



Source: NBU, open sources.

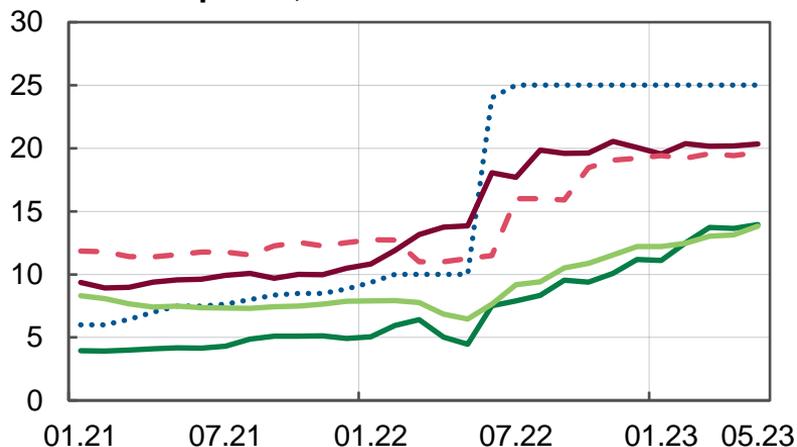
FX reserves and NBU net FX purchases, USD bn



Source: NBU.

Attractiveness of UAH assets has been ensured by key policy rate hike, changes in MP operational design and revival of RR tool

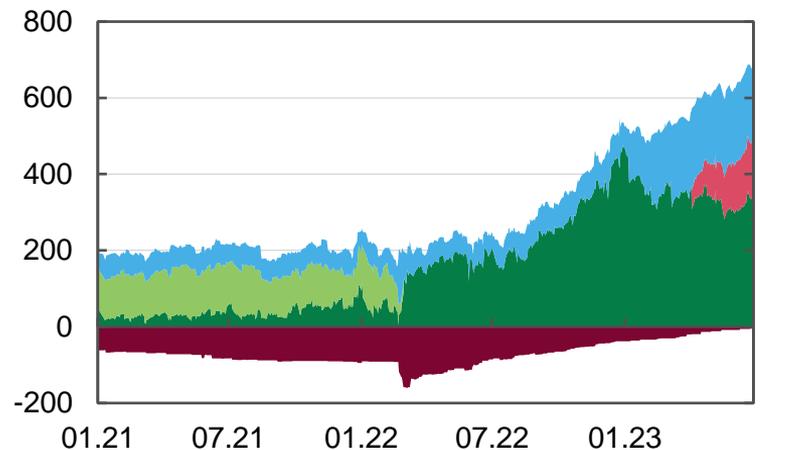
Weighted average interest rates on new hryvnia loans and deposits, %



- Key policy rate
- Term deposits of non-financial corporations
- Term deposits of households
- Loans to non-financial corporations
- - - Yield on g-bonds on the primary market (> 1 year, average)

Source: NBU.

Indicators of banking sector liquidity*, UAH bn



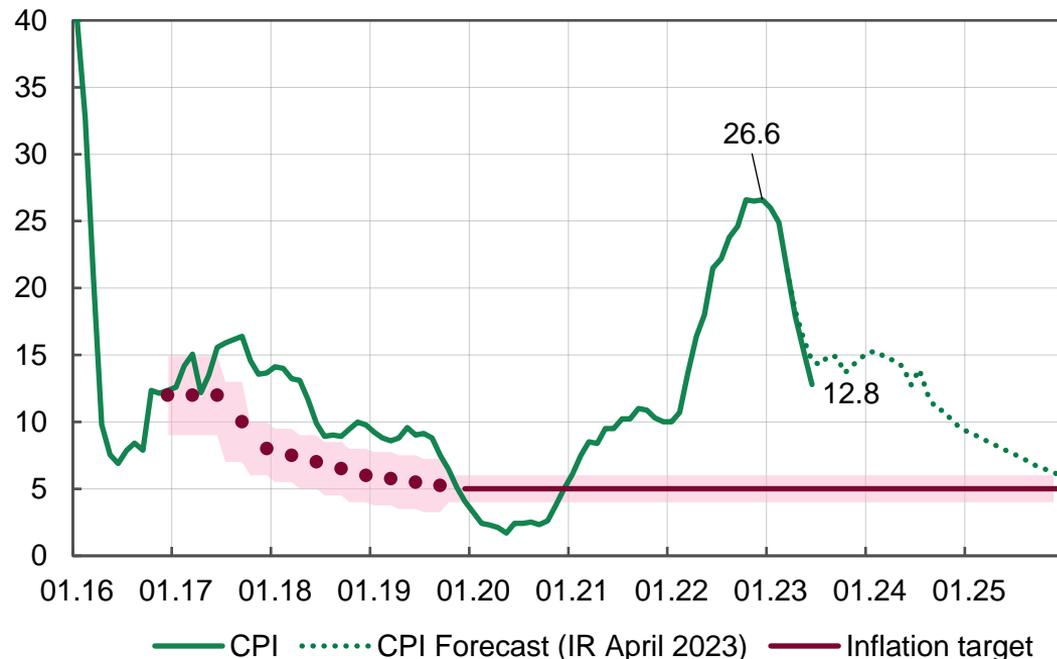
- Overnight CDs
- 14-days CDs
- Three-month CDs
- Correspondent accounts
- Loans except overnight

* Loans excluding ones to insolvent banks and banks undergoing liquidation.

Source: NBU.

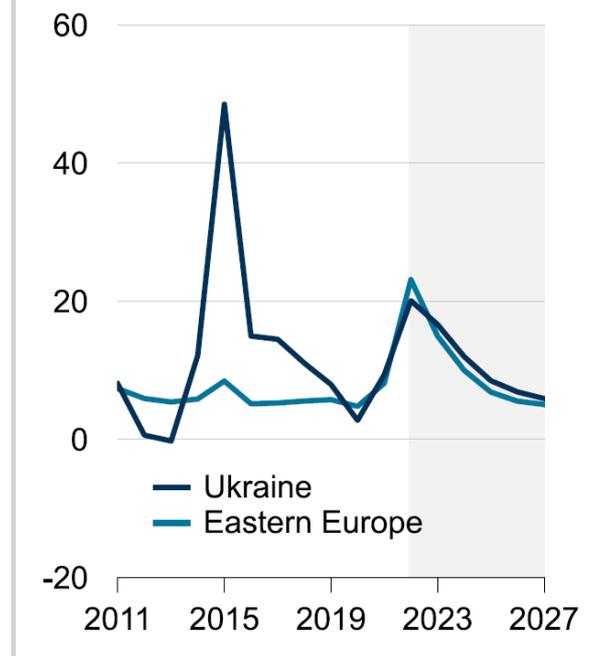
Disinflation trend continues, although risks are still present. Price stability remains the primary objective of the NBU

Inflation and inflation target, % yoy



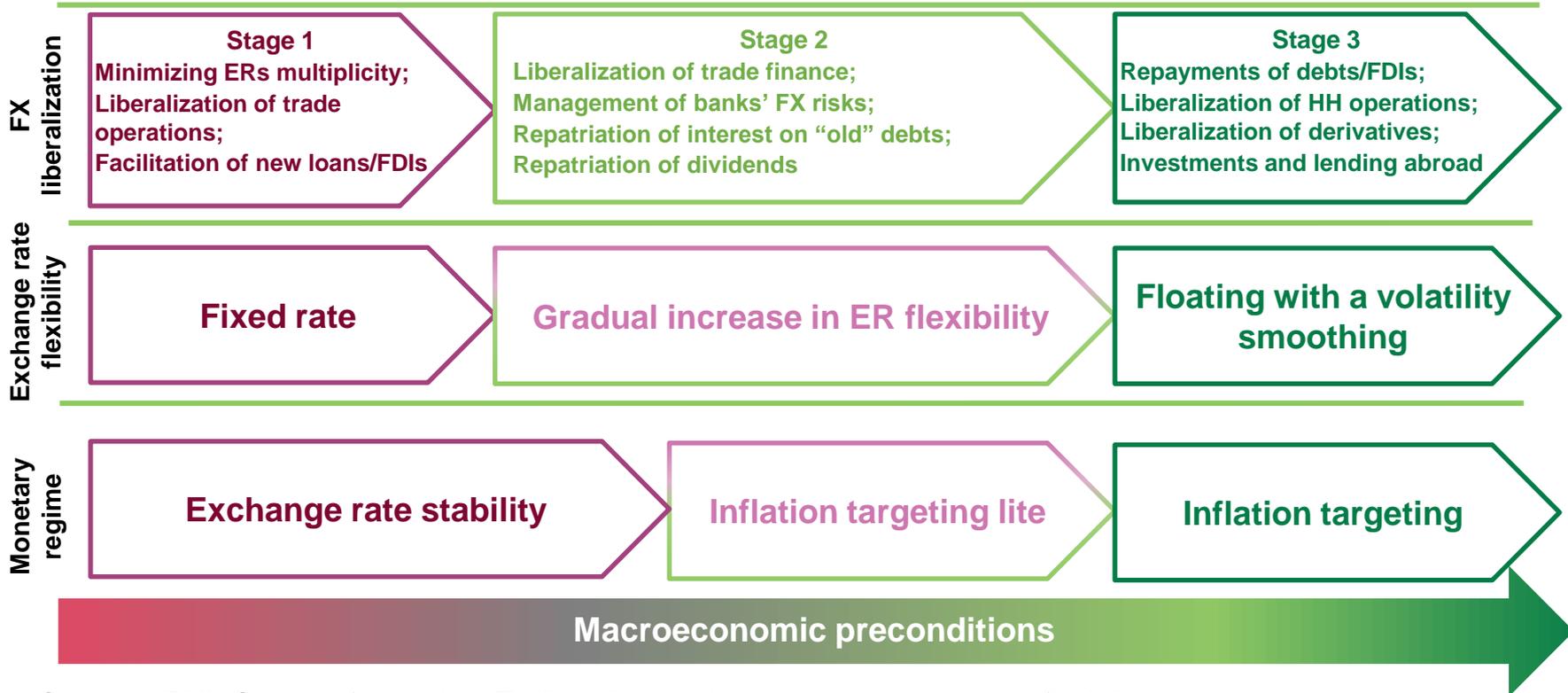
Source: SSSU, NBU Inflation Report (April 2023).

18 | Inflation | 2011-2027 | in %



Source: Focus Economics consensus (July 2023).

In the process of monetary policy normalization all elements are interconnected



Source: NBU's Strategy for gradual FX liberalization, increase in exchange rate flexibility and return to inflation targeting regime (June 2023)

Conclusions

- Despite full-scale invasion and continuous terrorist attacks of russia, the Ukrainian financial system and the NBU are well functioning and supporting war efforts
- NBU's policy priorities remain the same: ensuring price and financial stability
- To achieve its goals, the NBU employs a mix of traditional tools (ER-peg and capital controls) and unconventional ones (e.g. specific MP operational design)
- NBU's timely appropriate measures and strong support from partners allowed to quickly restore macroeconomic stability after initial shock. Later on the joint efforts helped stabilize the FX market, establish a disinflationary trend, restore faith in hryvnia and increase international reserves to record levels
- NBU is carefully embarking on the path of gradual “normalization” of monetary policy. The process is conditions-based and is moving forward according to the Strategy, developed with the IMF
- Ukrainian authorities are committed to continue prudent and balanced policies, but international support remains crucial for both economic and military success
- **Keep calm and stay with Ukraine!**



National Bank of Ukraine

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