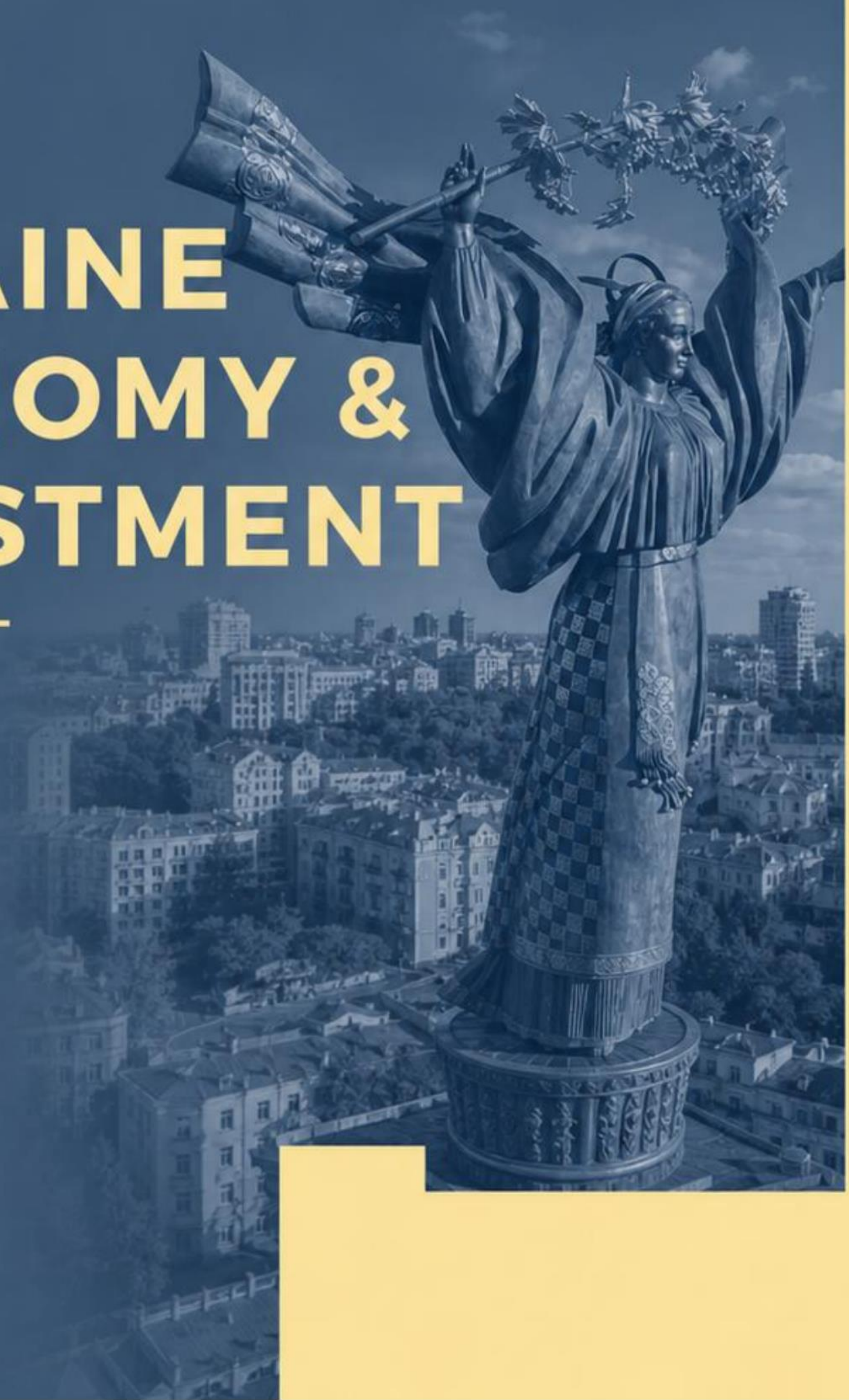
ISD CONSULTING

UKRAINE ECONOMY & INVESTMENT DIGEST

MAY 2026



INSIGHT. STRATEGY. DEVELOPMENT.

Executive summary

May 2026 was marked by a shift from announcements to implementation. During the month, Ukraine ratified the legal framework for the EU's up to EUR 90 billion support loan, prepared the first-reading 2026 budget amendments needed to use major EU financing, advanced public procurement and public investment planning reforms, and continued to expand practical tools for wartime business resilience.

The most important investment signals of the month were linked to budget stability, defence-industrial capacity, energy resilience, war-risk mitigation, recovery project preparation and EU-aligned governance. The EU support loan ratification reduced financing uncertainty for 2026-2027, while the NBU's May-published macroeconomic forecast confirmed that the economy remains under pressure from energy damage and fuel prices, but continues to benefit from external financing, consumer demand, infrastructure reconstruction and defence-related investment.

For businesses and municipalities, May reinforced a practical message: access to recovery finance will increasingly depend on implementation readiness, transparent procurement, credible project documentation, and the ability to manage wartime risks. Instruments and reforms announced in May, including EBRD risk-sharing with partial debt relief, state compensation of war-risk insurance premiums, the new public procurement law, the medium-term public investment plan and the draft new Customs Code, all point in the same direction: more structured, compliance-heavy and project-based recovery financing.

Priority sectors remain energy, transport, municipal infrastructure, defence and dual-use technologies, manufacturing, agriculture and processing, SMEs, industrial parks and public services. The strongest opportunities are likely to be for companies and communities that can combine commercially sound investment proposals with resilience, local production, job creation, EU-aligned compliance and clear alignment with donor and government priorities.

Key figures

EUR 90bn EU support loan framework ratified for 2026-2027	**EUR 45bn** Expected 2026 support under the EU loan package	**EUR 236m** World Bank/Sweden PEACE loan signed
52.1 NBU Business Activity Expectations Index in May	**UAH 6.8m** First state compensation paid for war-risk insurance premiums	

May developments confirm that Ukraine's recovery market is becoming more operational: financing windows are being matched with legal instruments, risk-sharing tools, procurement rules, project pipelines, customs alignment, budget amendments and sector-specific investment platforms.

1. Major agreements and financing signals

EU support loan ratified: May's main macro-financing signal

On 28 May, the Verkhovna Rada ratified the Ukraine Support Loan Agreement and the Memorandum of Understanding with the European Union. This creates the legal framework for Ukraine to receive up to EUR 90 billion in financial support during 2026-2027. The financing is structured around defence-industrial capacity and State Budget support, linking macro-financial stability with defence needs and reform conditionality.

Under the agreement, up to EUR 60 billion is directed toward strengthening Ukraine's defence-industrial capacity, while EUR 30 billion is allocated for State Budget support. For 2026, Ukraine expects up to EUR 28.3 billion for defence capabilities and weapons procurement, and EUR 16.7 billion in budget support, split between macro-financial assistance and the Ukraine Facility.

2026 State Budget amendments: preparing to use EU support

On 28 May, the Verkhovna Rada approved in the first reading Draft Law No. 15224 on amendments to the 2026 State Budget. The amendments are linked to the expected receipt of EUR 45 billion from the EU in 2026, including EUR 13.2 billion for budget support and EUR 31.8 billion for security and defence needs.

The Ministry of Finance reported that the amendments would increase State Budget revenues by UAH 2.291 trillion and reduce the projected deficit from 18.5% of GDP to 12.1% of GDP, while enabling the allocation of substantial EU support to defence and priority budget needs. For investors, this matters because defence, infrastructure and public demand depend on the legal and budgetary ability of the state to deploy committed financing.

World Bank and Sweden: EUR 236 million PEACE loan

On 29 May, the Ministry of Finance and the World Bank signed a EUR 236 million loan agreement under the PEACE in Ukraine project, guaranteed by the Government of Sweden. The financing will be directed to the general fund of the State Budget and used to reimburse key social expenditures. After disbursement, total financing mobilised under PEACE in Ukraine is expected to reach nearly USD 53.5 billion.

This is not a direct investment instrument, but it matters for the business environment. Sustained budget support helps preserve core government functions, social payments and macroeconomic stability, which are preconditions for public investment planning and recovery implementation.

EBRD pilots partial debt relief for war-damaged assets

On 8 May, the EBRD launched an Enterprise Security Enhancement feature with PrivatBank and Raiffeisen Bank Ukraine. The mechanism allows partner banks to provide partial debt relief to eligible borrowers when assets financed under EBRD portfolio risk-sharing facilities suffer direct verified war damage. The donor-funded mechanism is designed to address a practical wartime finance problem: businesses can remain liable for loans even when financed assets are destroyed.

For private investment, this is an important risk-mitigation innovation. It does not replace war-risk insurance, but it can improve the economics of capital expenditure in a context where physical assets remain exposed to attacks and insurance availability is still limited.

For investors, May's financing decisions point to greater predictability of public demand, especially in defence, energy and infrastructure. At the same time, they increase the importance of compliance, procurement transparency, reform delivery and reliable project documentation.

2. Macroeconomic and business environment

NBU forecast: moderate growth, temporarily higher inflation

The NBU's April Inflation Report, published on 7 May, projects inflation at 9.4% at the end of 2026, followed by a decline to 6.5% in 2027 and a return to the 5% target in 2028. The central bank also revised its 2026 real GDP growth forecast down to 1.3%, mainly because of infrastructure damage, wider electricity deficits and higher energy prices. Growth is expected to accelerate to 2.8% in 2027 and 3.7% in 2028, subject to a gradual normalisation of security and energy conditions.

The NBU expects the key policy rate to remain at 15% until Q2 2027. This is intended to support hryvnia savings, reduce pressure on consumer demand and the FX market, and keep inflation expectations under control.

Inflation pressure remains fuel- and cost-driven

Inflation remained one of the main macroeconomic risks monitored in May. The latest official inflation data available during the month showed that annual inflation had accelerated to 8.6% in April 2026, while prices increased by 1.4% month-on-month. The NBU identified fuel prices as the main driver, with fuel inflation reaching 36.1% year-on-year.

The May-published NBU Inflation Report also confirmed that inflationary pressure was expected to remain elevated in 2026 before gradually declining in the following years. Higher fuel prices, electricity costs, logistics expenses, wage growth and exchange-rate sensitivity continued to affect business costs across the economy.

Business sentiment remained cautiously positive

Business sentiment improved in May and remained positive for the third consecutive month. According to the NBU’s survey results for May 2026, the Business Activity Expectations Index increased to 52.1, compared with 51.7 in April and 50.8 in May 2025. Values above 50 indicate positive expectations.

The improvement was supported by a more stable energy situation, continued inflows of international financial assistance, recovering consumer demand, better inflation expectations and seasonal factors. At the same time, businesses continued to report constraints linked to fuel prices, rising costs, exchange-rate fluctuations, inflation expectations and shortage of skilled labour.

The macro picture remains cautious: sentiment is positive, but inflation, energy and fuel costs, labour constraints and the security environment continue to limit investment appetite and implementation capacity.

3. Investment pipeline and project preparation

Medium-term public investment plan for 2027-2029

On 28 May, Ukraine approved the Medium-Term Plan of Priority Public Investments for 2027-2029. According to public reporting, the plan covers 18 priority sectors, 44 subsectors and 67 main areas of public investment. It also defines cross-cutting priorities such as energy efficiency, digitalisation, climate response, gender equality and barrier-free access.

The largest indicative funding envelopes are reported for education and science, transport and postal services, municipal infrastructure and services, healthcare, energy and social sectors. For companies and municipalities, this matters because project preparation will increasingly be assessed against sector ceilings, strategic priorities and public investment management rules.

Energy resilience: modular boiler houses and distributed heat generation

The Government allocated UAH 3 billion from the reserve fund for the purchase and installation of block-modular boiler houses in regions and Kyiv. Public reporting indicates that the funds are intended to support more reliable heat supply ahead of the heating season and accelerate the shift toward distributed thermal generation in response to attacks on energy infrastructure.

This creates a near-term market for suppliers, engineering firms, installation contractors, local utilities and municipalities. It also shows that heating resilience remains closely linked to broader energy security, municipal infrastructure and winter preparedness.

Industrial parks: regional manufacturing and job creation

In May, the Government included the Horokhiv industrial park in Volyn region in the Register of Industrial Parks. Reported plans include almost UAH 1.6 billion of investment and around 690 new jobs in areas such as agro-processing, woodworking and textile manufacturing. Industrial parks remain one of the practical instruments under the Made in Ukraine policy for attracting investment into manufacturing and regional economic development.

For investors, the message is that regional manufacturing projects with land, infrastructure, employment and processing components can fit both national industrial policy and local development priorities.

The investment pipeline is becoming more disciplined. Projects that combine strategic relevance with feasibility studies, financial models, procurement plans, environmental and social documentation, and implementation capacity will be better positioned for funding.

4. Business support, SME finance and risk mitigation

War-risk insurance compensation: first payments made

On 26 May, the Ministry of Economy reported that the first four Ukrainian companies received state compensation for war-risk insurance premiums through the Export Credit Agency. The total compensation was UAH 6.8 million, reducing the average insurance cost for these companies from 4.24% to 1.19%.

The programme has two components: direct compensation for damaged or destroyed property in high-risk/frontline areas, and partial compensation of insurance premiums for businesses across Ukraine. The Ministry reported 106 approved applications under the property-damage component, with UAH 1.8 billion in potential payments if attacks damage these enterprises, and 40 applications under the premium-compensation component, with UAH 4.3 billion of insurance coverage and potential compensation of UAH 59.5 million.

Agriculture finance: matrix of support instruments

In May, the Ministry of Economy presented a financing matrix for agricultural producers, combining state support, grants, concessional loans, donor programmes and compensation mechanisms. Examples include grants of up to UAH 16 million for processing, up to UAH 10 million for orchards, up to UAH 7 million for greenhouses and up to UAH 20 million for vegetable storage facilities, with improved conditions for frontline territories.

Agriculture remains a priority because it links food security, exports, processing, land demining, regional employment and private investment. The financing matrix may help farms and processors navigate a fragmented support landscape.

Business support is moving beyond grants alone. War-risk insurance, partial debt relief, concessional lending, SME platforms and sector-specific support matrices are becoming part of Ukraine's wartime investment infrastructure.

5. Governance and reform developments

New public procurement law: EU alignment and SME access

On 27 May, the Verkhovna Rada approved Draft Law No. 11520 on public procurement. The reform is an important EU integration step and aims to modernise Ukraine’s procurement system in line with European standards. Key changes include clearer rules for dividing large procurements into lots, the possibility of alternative tender proposals, updated framework agreements and dynamic purchasing systems, and clearer regulation of subcontracting.

For recovery projects, the reform is significant because procurement quality will directly affect donor confidence, project implementation speed, competition and access for regional companies. Companies seeking public contracts should monitor secondary legislation and implementation practice closely.

Draft new Customs Code: EU alignment and trade facilitation

On 28 May, the Government approved the draft new Customs Code of Ukraine. The Ministry of Finance described it as a key element in implementing Chapter 29, Customs Union, of Ukraine’s EU accession negotiations. The draft is structured according to the logic of EU customs legislation and includes 781 articles.

For businesses, the customs reform signal is important because reconstruction and industrial recovery will depend heavily on imports of equipment, components, raw materials and technologies. EU-aligned customs rules can reduce uncertainty over time, but companies should expect higher expectations for documentation quality, authorisations, guarantees and compliance.

Energoatom corporate governance reform

On 20 May, the Minister of Economy and the Chair of Energoatom's Supervisory Board met with G7 Ambassadors to discuss corporate governance reform, the work of the Supervisory Board and next steps to renew management. The Supervisory Board launched recruitment for internal audit, compliance, risk management and corporate secretary functions, approved a search for an independent assessment of corporate governance, and supported separating CEO and Chief Nuclear Officer functions.

This matters because Energoatom is strategically important for Ukraine's energy security and for investor confidence in state-owned enterprise governance. It also demonstrates the continued role of G7 partners in monitoring governance reforms in critical infrastructure companies.

Privatisation and capital-market reform signals

In May, EBRD leadership publicly supported Ukraine's privatisation efforts and signalled potential financing for privatisation-related transactions. Reported areas of interest include state-owned banks, port infrastructure concessions, securities-market reform and an integrated stock exchange. These developments remain early-stage but are relevant for strategic investors watching Ukraine's medium-term market opening.

> **Governance reforms are not abstract. Procurement rules, customs alignment, SOE governance, privatisation processes and capital-market reforms will shape whether recovery funding becomes investable projects and whether private investors can enter at scale.**

6. Risks and issues to monitor

Risk / issue	What to monitor	Business implication
External financing implementation	Timing of EU support loan tranches, Ukraine Facility instruments, IMF conditionality and domestic revenue measures.	Budget stability improves, but access to support remains tied to reforms, fiscal discipline and implementation of Ukraine Plan measures.
Fuel, energy and inflation	Fuel inflation, electricity deficits, logistics costs and business cost pass-through.	Margins and project budgets may remain under pressure, especially in trade, transport, construction and manufacturing.
Project readiness	Implementation of the 2027-2029 public investment plan and selection of projects for pipelines.	Feasibility studies, financial models, ESIA, procurement plans and implementation capacity become decisive.
War-risk exposure	Use of insurance compensation, EBRD partial debt relief and other risk-sharing tools.	Investment in physical assets remains difficult without credible risk-mitigation structures.
Labour market constraints	Hiring intentions by sector, shortage of skilled labour, migration and mobilisation effects.	Construction, industry and infrastructure projects may face delays and higher wage costs.
Procurement, customs and compliance	Secondary legislation under the new public procurement law and implementation of the draft Customs Code.	Companies need stronger tender documentation, subcontracting arrangements, customs documentation and compliance systems.

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