ISD CONSULTING



UKRAINE ECONOMY & INVESTMENT DIGEST

JULY–AUGUST 2026

INSIGHT. STRATEGY. DEVELOPMENT.

Executive summary

In July–August 2026, Ukraine retained international financial support and macroeconomic stability, but the operating environment deteriorated as inflationary pressures, fiscal demands, and attacks on commercial and logistics infrastructure increased. The summer therefore produced a mixed picture: international partners continued to provide financing and new investment channels, while businesses faced higher financing costs, weaker confidence and growing security-related disruption.

The International Monetary Fund completed the first review of Ukraine's 48-month Extended Fund Facility arrangement on 20 July, enabling an immediate disbursement of approximately USD 690 million and bringing total disbursements under the programme to about USD 2.2 billion. The IMF assessed programme performance as broadly satisfactory, but highlighted delays in structural reforms, a missed end-June target for net international reserves and exceptionally high risks. It projected real GDP growth of only 1.0–1.6% in 2026 and identified revenue mobilisation, governance, state-owned enterprise reform, public investment management and the business environment as priorities for the next phase.

Domestic monetary conditions tightened during the summer. The National Bank of Ukraine raised the key policy rate from 15% to 15.5% at the end of July as inflation and external risks increased. International reserves declined from USD 51.2 billion at end-July to USD 48.7 billion at end-August, although they remained sufficient to support exchange-rate stability and external payments. Business sentiment also weakened: the Business Activity Expectations Index moved from 50.1 in July to 48.3 in August, returning below the neutral level as security risks, higher costs and weaker expectations affected company assessments.

For investors and development partners, the central message from the summer is that access to finance remains available, but project selection and implementation are becoming more demanding. Energy resilience, distributed generation, municipal infrastructure, defence and dual-use manufacturing, logistics and recovery-related construction continue to offer the clearest investment channels. At the same time, successful projects will require stronger preparation, realistic security and supply-chain assumptions, transparent procurement, credible co-financing and alignment with EU and IMF reform conditions.

Key figures

USD 690m IMF disbursement following the first EFF review	**15.5%** NBU key policy rate from 31 July
USD 51.2bn International reserves at end-July	**USD 48.7bn** International reserves at end-August
50.1 Business expectations index in July	**48.3** Business expectations index in August

1. Macroeconomic and financing environment

IMF completes the first review of the new EFF programme

On 20 July, the IMF Executive Board completed the first review of Ukraine's 48-month Extended Fund Facility arrangement and concluded the 2026 Article IV consultation. Completion of the review released SDR 503 million, approximately USD 690 million, and brought cumulative disbursements under the arrangement to about USD 2.2 billion. All end-March quantitative performance criteria were met, but implementation of several structural benchmarks was delayed and the end-June target for net international reserves was missed.

The IMF's updated assessment emphasised that macroeconomic stability had been preserved through prudent policies and extensive external support, but that the outlook had weakened because of intensified attacks on critical infrastructure and a more difficult external environment. Real GDP growth was projected at 1.0–1.6% in 2026, while public debt was projected at 111.8% of GDP. The Fund called for stronger domestic revenue mobilisation, better expenditure efficiency, continued exchange-rate flexibility and accelerated reforms to governance, state-owned enterprises, public investment management and financial-sector supervision.

Why it matters: *the review preserved access to IMF financing and supported confidence among other donors, but it also made clear that future disbursements will depend on reform execution. For businesses, the immediate implication is continued macroeconomic support alongside a tight tax, monetary and compliance environment.*

NBU raises the policy rate as inflation risks increase

At its 30 July monetary policy meeting, the NBU raised the key policy rate from 15% to 15.5%, effective 31 July. The decision reversed the limited easing initiated in January and reflected renewed inflationary pressure, higher energy and fuel costs, continued labour shortages and heightened external and security risks. The NBU's policy-rate archive shows that the 15.5% rate remained in effect throughout August.

Consumer prices increased by 0.3% month-on-month in July and by 0.1% in August, bringing cumulative inflation since the beginning of the year to 6.1%. The headline monthly readings remained moderate, but the NBU focused on underlying pressure from energy disruptions, wage growth, import costs and exchange-rate expectations. These risks subsequently led to a further rate increase in September, confirming that the summer decision marked the beginning of a tighter monetary-policy phase rather than a temporary adjustment.

For companies, the higher policy rate implies more expensive hryvnia financing and a continued premium on concessional credit, risk-sharing instruments and blended-finance structures. Investment projects entering the autumn season should therefore test debt-service capacity against higher interest rates and potentially weaker demand.

Reserves remain substantial but decline through August

Ukraine's international reserves stood at USD 51.2 billion as of 1 August and declined to USD 48.7 billion by the end of August. The NBU attributed monthly movements to government debt servicing and foreign-exchange operations, offset in part by inflows from international partners. Although the decline is material, the reserve position remained significantly stronger than in earlier years of the full-scale war and continued to provide an important buffer for exchange-rate management and external payments.

On 10 August, the NBU also introduced another package easing selected foreign-exchange restrictions, with a primary focus on household transactions. The gradual relaxation of controls is relevant to investor confidence, but the NBU continues to follow a cautious and sequenced approach because of the scale of wartime fiscal needs and the importance of maintaining reserve adequacy.

Business confidence moves below the neutral level

The Business Activity Expectations Index remained marginally positive at 50.1 in July, compared with 50.4 in June, supported by international financial assistance, resilient consumer demand, infrastructure spending and relatively stable energy conditions. In August, however, the index fell to 48.3. The decline returned the indicator below the neutral level of 50 and reflected more cautious assessments across sectors as attacks intensified and cost and security risks increased.

The change between July and August is important for interpreting the new business season. Companies entered the summer with cautiously positive expectations, but by its end the balance had shifted toward contraction. This suggests that autumn investment and procurement decisions are likely to be more selective, with greater attention to cash flow, energy autonomy, logistics redundancy and contract security.

2. Recovery investment and project implementation

From recovery commitments to implementation capacity

The principal recovery-finance story of July and August was not the announcement of another major conference package, but the challenge of converting the instruments launched in June into implementable operations. The European Flagship Fund, the Ukraine Transport Support Fund, the Energy Platform and World Bank-backed development policy financing established a larger and more structured financing architecture. During the summer, attention shifted to the quality of project pipelines, the capacity of Ukrainian institutions to implement investments and the ability of financial intermediaries to absorb guarantees and blended finance.

The Ukraine Investment Framework remains the EU's central mechanism for mobilising recovery investment. It provides guarantees, grants, technical assistance and financial instruments through institutions including the EIB, EBRD, IFC and European development banks. Its priority sectors include energy, SME finance, human capital, transport, agri-food, digital transformation, the green transition and strategic industries, including dual-use goods. By 2026, the EU reported that EUR 8.5 billion in guarantees and blended-finance grants had been allocated under the framework, intended to mobilise EUR 25.7 billion in investment.

Project readiness: funding availability does not remove the need for bankable project documentation. Public and private sponsors entering the autumn pipeline should have realistic capital and operating costs, procurement plans, environmental and social documentation, implementation arrangements, demand assumptions and a clearly identified financing structure.

Municipal recovery and emergency repair capacity

In July, the government launched a pilot project to establish national recovery teams for emergency repairs and post-strike restoration of heat, water and wastewater facilities and damaged residential buildings. The temporary units are expected to include at least 300 personnel drawn from Ukrzaliznytsia and other organisations with relevant expertise and to remain on round-the-clock standby. The measure recognises that the speed of restoration depends not only on equipment and financing, but also on deployable technical capacity.

The government also increased transfers to local budgets under the Ukraine Recovery Programme by UAH 1 billion and expanded support for distributed-generation projects by UAH 319 million. For municipalities and utilities, these measures create additional implementation opportunities, but also require prioritised project lists, rapid procurement, technical supervision and coordination between local authorities, utilities and central institutions.

Odesa Port Plant privatisation moves forward

The government approved the conditions for selling a 99.6% stake in Odesa Port Plant through an electronic auction with a starting price of UAH 4.3 billion. The proposed purchaser would be required to preserve the company's principal activities, invest at least UAH 500 million in capital expenditure and settle outstanding trade, wage and tax liabilities.

The transaction will be an important test of demand for large Ukrainian industrial assets under wartime conditions. Its structure also illustrates the issues that investors will face in similar opportunities: legacy debt, capital expenditure requirements, energy and logistics exposure, security risk and the need to assess whether an asset can operate competitively within evolving EU standards and regional supply chains.

3. Energy resilience and preparation for winter

Electricity-market measures and higher transmission costs

July electricity demand was reduced by relatively mild temperatures, while strong solar generation contributed to lower prices on the day-ahead market. Three special auctions offered 3.5% of the planned output of Energoatom and Ukrhydroenergo under bilateral contracts covering periods from August 2026 to June 2027. These auctions were intended to provide businesses with additional contracting options and improve predictability over the heating season.

At the same time, network costs increased. From 1 August, the NEURC raised Ukrenergo's electricity transmission tariff to UAH 928.45/MWh, excluding VAT, an increase of 25%. The preferential transmission tariff for green-steel producers rose by 49% to UAH 563.26/MWh. The government maintained the regulated household electricity tariff of UAH 4.32/kWh until 31 October, but the higher transmission charge directly affects industrial users and will feed into business operating-cost calculations.

Gas prices and winter security

The price of August gas traded on the Ukrainian Energy Exchange increased during July to UAH 21,182 per 1,000 cubic metres, excluding VAT, while the border-adjusted TTF price rose by approximately one quarter during the month amid concerns over global LNG supply. Naftogaz's tariff for non-household consumers with valid supply contracts increased to UAH 26,502 per 1,000 cubic metres from 1 August, including VAT.

Ukraine entered the autumn preparation period with a target of accumulating 14.6 billion cubic metres of gas for the 2026/2027 heating season, compared with a critical minimum of 13.2 billion cubic metres identified by the government. The combination of global gas-price volatility, attacks

on infrastructure and the need to finance imports means that winter readiness remains both a physical-security and a financing issue.

> ***Why it matters:*** *energy resilience will be one of the main determinants of business performance in the fourth quarter. Companies and municipalities should prioritise backup supply, distributed generation, storage, physical protection and realistic fuel assumptions in operating budgets and investment plans.*

4. Business investment and sector developments

Defence and dual-use investment remains a major growth channel

On 24 August, the European Commission approved a further EUR 6.1 billion in financial support for Ukraine to procure air-defence systems, missiles, ammunition and radar equipment. The new package followed EUR 16 billion in previously approved procurement plans, of which EUR 8.35 billion had already been disbursed at the time of the announcement.

Private investment activity is increasingly reflecting this policy direction. KPMG's review of Ukrainian merger and acquisition activity in the first half of 2026 identified a stronger defence-technology pipeline, including four disclosed transactions above USD 5 million compared with one in the first half of 2025. The largest disclosed example was a USD 10.4 million investment by Axon Enterprise in Ukrainian drone and mission-control company Buntar Aerospace.

The opportunity extends beyond weapons production to electronics, sensors, cybersecurity, autonomous systems, communications, manufacturing equipment and specialised services. Investors will nevertheless need to manage export controls, security requirements, intellectual-property arrangements and the boundary between civilian, dual-use and defence applications.

Attacks on logistics become a direct business risk

Late August brought a significant escalation in attacks on civilian commercial and logistics infrastructure. Strikes damaged or destroyed warehouses, supermarket distribution facilities, Nova Poshta sorting centres, retail property and railway operations. Ukraine's agriculture minister estimated that approximately 90% of food logistics operated by retail chains had been destroyed, while stressing that the disruption would not result in a national food shortage.

For businesses, the attacks change the assumptions underlying warehousing, inventory and distribution. Concentrated logistics hubs provide efficiency in normal conditions but create high single-site exposure during the war. Companies entering the autumn season may need to decentralise inventories, establish alternative transport routes, strengthen data and communications redundancy, revise insurance arrangements and include restoration and replacement costs in their financing plans.

SME and commercial-finance conditions

The summer confirmed a continuing split between strategic sectors supported by guarantees or concessional capital and the wider commercial market operating under high interest rates. EU and IFI programmes continue to expand risk-sharing, SME lending and investment support, but access depends on bank eligibility, financial transparency and the purpose of the investment. Businesses with energy-efficiency, resilience, export, digitalisation or veteran-employment components remain better placed to access supported finance than companies seeking general working capital without an investment or impact rationale.

The NBU's August easing of selected foreign-exchange controls is a positive incremental signal, but businesses should continue to plan around restrictions on cross-border payments and dividend or debt-service transactions. Financing strategies should distinguish between domestic working-capital needs, equipment imports, foreign-currency debt and equity investment rather than assuming a single instrument can cover all requirements.

5. Governance and reform developments

IMF conditionality shifts attention to implementation

The July IMF review confirmed broad compliance with quantitative targets but also documented slower progress on structural reforms. The Fund called for corrective action and revised timetables covering fiscal, governance, anti-corruption, energy and financial-sector reforms. Its Article IV conclusions placed particular emphasis on reducing informality, tackling tax evasion and avoidance, strengthening the rule of law, improving the investment climate and maintaining the independence of the NBU and anti-corruption institutions.

This creates a more demanding environment for government and business. Revenue-mobilisation measures may increase reporting and tax-enforcement pressure, while governance and procurement reforms will raise the documentation required for public and donor-financed projects. At the same time, credible reform implementation is essential to preserve external financing and reduce the risk premium attached to private investment.

Public investment and procurement enter the delivery phase

The public procurement law signed in June and the continuing reform of public investment management place greater emphasis on transparent project selection, competition and lifecycle affordability. During the summer, the relevance of these reforms became more practical as recovery funds moved toward implementation and municipalities prepared projects for the heating season and 2027 budget cycle.

For suppliers and consultants, opportunities are likely to increase through EU-aligned tenders, including contracts divided into smaller lots. However, companies should expect higher requirements for beneficial-ownership disclosure, technical qualifications, environmental and social compliance, cost justification and contract-performance evidence. Early monitoring of procurement plans and dialogue with implementing agencies will be more valuable than reacting only after tenders are published.

The autumn business season

The July–August period leaves Ukraine entering autumn with a functioning but increasingly constrained economy. International financing continues to stabilise the state and support strategic investment, while the recovery architecture offers substantial opportunities in energy, municipal services, transport, defence, manufacturing and SME finance. Yet security risks are spreading from critical infrastructure to the commercial systems that keep the economy operating, particularly logistics, retail distribution and industrial facilities.

The strongest projects for the remainder of 2026 will therefore combine commercial viability with resilience. They will show how the investment can operate during outages and attacks, how inputs and products can move through alternative routes, how costs respond to higher interest and energy prices and how the project meets donor, procurement and EU-alignment requirements. For both public and private sponsors, implementation readiness is becoming the principal competitive advantage.

6. Risks and issues to monitor

Risk / issue	What to monitor	Business implication
Winter energy security	Gas accumulation, attacks on electricity and gas assets, transmission tariffs and distributed-generation deployment.	Outages and higher network or fuel costs may affect production, municipal services and project cash flow.
Monetary tightening	NBU rate decisions, inflation expectations, exchange-rate movements and the pace of FX liberalisation.	Borrowing costs and foreign-currency planning may remain difficult through the fourth quarter.
External financing	Implementation of IMF benchmarks and the timing of EU and other partner disbursements.	Delays could affect exchange-rate stability, public procurement and confidence in the 2027 financing envelope.
Logistics disruption	Damage to warehouses, postal hubs, ports, railways and retail distribution infrastructure.	Companies may need decentralised inventory, alternative routes and additional working capital.
Recovery implementation	Conversion of URC commitments and UIF instruments into bankable operations and tenders.	Project-preparation quality will determine which municipalities and businesses can access available finance.
Reform delivery	Tax, governance, SOE, procurement and public-investment benchmarks under IMF and EU programmes.	Slippage could slow disbursements; implementation will raise compliance expectations for contractors and investors.
Labour and skills	Mobilisation, migration, wage growth and availability of technical and construction personnel.	Labour shortages may delay infrastructure and industrial projects and increase operating costs.

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