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# UKRAINE ECONOMY & INVESTMENT DIGEST



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# Executive summary

Ukraine's growth outlook weakened in September. The EBRD reduced its 2026 GDP forecast to 1.5%, from 2.2% in June, as attacks disrupted production and export routes. The NBU raised its policy rate to 16% after August inflation reached 8.1%. Slower activity and rising costs leave less room for firms to finance investment from retained earnings.

External funding remained the principal fiscal constraint. On 29 September, the Ministry of Finance reported USD 52.6 billion in external financing needs for 2027, with USD 32.6 billion still unsecured. The EU Council approved a further payment of nearly EUR 3 billion. Funding delays had already led to the deferral of around UAH 39 billion in capital expenditure to December.

Business financing expanded through several channels. EBRD agreements with four banks comprised EUR 40 million equivalent in local currency loans and EUR 100 million in portfolio risk sharing commitments. Subsidised lending under the 5-7-9% programme reached UAH 121.2 billion in 2026 by 21 September. A separate EUR 30 million EU grant supported municipal heating investment.

The draft 2027 budget proposes UAH 116 billion for public investment, with roughly two thirds financed by international institutions and foreign governments. Transport and municipal infrastructure together account for 59% of this envelope. The immediate investment constraint is therefore the continuity of financing alongside the restoration of production and logistics capacity.

## Key figures

| | |
|---|---|
| 16%<br>NBU policy rate after September increase | 1.5%<br>EBRD 2026 GDP growth forecast |
| Nearly EUR 3bn<br>EU Facility payment approved | USD 32.6bn<br>2027 external funding still unsecured |
| UAH 116bn<br>Public investment proposed for 2027 | 48.2<br>September business expectations index |

# 1. EU accession and financing signals

## Council approves a further Ukraine Facility payment

On 24 September, the Council of the EU approved the eighth regular payment under the Ukraine Facility, amounting to nearly EUR 3 billion. Almost EUR 800 million of the approved amount is financed through the Ukraine Support Loan. The decision followed completion of ten target steps under the Ukraine Plan. Ukraine had completed 84 of the 95 steps due by that date.

The Council also amended the Ukraine Plan to include Norway's voluntary contribution of NOK 1 billion, approximately EUR 92 million, in non-repayable support. Norway became the first non-EU country to contribute to the Facility's Pillar I.

The Council's figures imply that 11 due steps remained outstanding, or about 12% of the total. Completion of these measures matters for the schedule of subsequent payments. The nearly EUR 800 million financed through the Ukraine Support Loan forms part of the approved payment and should not be added to it as separate funding.

## IMF discussions focus on financing needs and the 2027 budget

The Government met with an IMF mission on 2 September to discuss financing needs for 2026 and 2027, preparation of the draft 2027 budget and potential funding sources. The Government's account of the meeting reported discussions in progress, without announcing completion of a programme review or approval of a tranche.

At the 29 September donor meeting, the Ministry of Finance reported USD 36 billion of external budget receipts during 2026 to that date. These included USD 20.2 billion through the Ukraine Facility and Ukraine Support Loan, USD 10.5 billion through the G7 ERA mechanism and USD 2.2 billion from the IMF. For 2027, roughly USD 20 billion had identified or expected sources, leaving 62% of the USD 52.6 billion requirement unsecured. This gap concerns next year's funding and is not a measure of the current cash balance.

## Government submits the draft 2027 budget

The draft submitted on 15 September proposes UAH 7.272 trillion of expenditure and UAH 5.648 trillion of revenue. Spending rises by 13.5% against the amended 2026 plan, compared with revenue growth of 8.7%. Defence and security spending of UAH 4.885 trillion accounts for approximately 67% of proposed expenditure. The spending profile leaves civilian investment heavily dependent on partner financing.

The UAH 96 billion economy and business support category includes UAH 45 billion for eOselia housing, UAH 29 billion for the National Development Institution's lending and guarantees, UAH 10.1 billion for the Innovation Development Fund and UAH 9.4 billion for active business programmes. Housing represents nearly half of the headline amount, so the total overstates the funding directly available to enterprises. These are proposed appropriations for 2027.

> *The composition of the draft budget limits the funding directly available to enterprises, while the large unsecured external requirement creates uncertainty over civilian spending. For suppliers and investors, confirmation of funding sources and payment schedules will matter more than the headline increase in planned expenditure.*

# 2. Macroeconomic and business environment

## EBRD reduces the growth forecast

The EBRD's outlook published on 24 September forecasts GDP growth of 1.5% in 2026 and 2.5% in 2027, down from 2.2% and 4.0% in June. Output was broadly flat in the first half of 2026. The 2027 projection assumes restoration of the main export route, making the recovery sensitive to maritime access and the security situation.

## NBU raises the policy rate to 16 percent

The NBU raised the key policy rate by 0.5 percentage points to 16% in September. Consumer inflation increased to 8.1% year on year in August, slightly above the path projected in July. The Governor's briefing attributed price pressures to higher fuel prices, infrastructure damage and rising production, logistics and labour costs.

The increase partly reverses earlier monetary easing as fuel, logistics and wages raise supply costs. Higher rates can support demand for hryvnia assets while increasing the hurdle for investment financed at market rates. Eligible firms may face less pressure through subsidised lending.

For scale, full pass-through of the 0.5 percentage point increase to a UAH 100 million floating rate loan would add UAH 0.5 million in annual interest. Actual pricing will vary; exchange rate movements and delays can add further costs for equipment importers.

## September business sentiment remains below neutral

The September Business Activity Expectations Index was 48.2, against 48.3 in August and 50.4 a year earlier. Industry improved to 51.0 from 47.3, but construction fell to 48.8 from 50.7, trade to 45.9 from 47.5 and services to 47.3 from 49.5. The survey therefore shows a recovery in industrial sentiment alongside deterioration in the other three sectors. A reading below 50 indicates negative assessments overall.

The fall in construction was associated with suspended public funding for roads and infrastructure, seasonality and rising costs. Trade respondents expected lower margins, while service firms reported weaker new orders. These results indicate pressure on payment capacity and cash generation outside industry. The index is a survey of firms' assessments, so its movements should not be interpreted as changes of the same magnitude in output.

## Infrastructure damage increases trade and logistics costs

In an 8 September account, the NBU Deputy Governor reported July goods exports of about USD 2.9 billion and imports of USD 8.8 billion, implying a monthly goods trade gap of roughly USD 5.9 billion. Rail grain shipments fell by around 35% in August to 1.3 million tonnes. NBU foreign exchange sales were about USD 4.8 billion in each of July and August. These earlier monthly observations show the pressures entering September.

Lower export throughput delays conversion of inventories into cash while repairs increase demand for imported equipment. Agricultural firms may consequently need more credit to carry stocks even when harvest volumes are strong. The EBRD expects grain and oilseed exports to fall by 50-60% in the second half of 2026 under renewed port disruption; this is a forecast, with substantial exposure to changes in shipping access.

> *Export disruption weakens cash generation as rising costs increase financing needs. The industrial survey improvement has yet to extend to construction, trade and services. Investment plans therefore face different demand and liquidity conditions across sectors, despite access to additional credit programmes.*

# 3. Investment pipeline and project preparation

## Draft budget proposes UAH 116 billion for public investment

The draft 2027 budget allocates UAH 116 billion to public investment projects and programmes. International financial institutions and foreign governments would provide UAH 76.4 billion, approximately 66%, with UAH 39.6 billion from the general fund and other special fund receipts. Transport receives UAH 34.4 billion and municipal infrastructure and services UAH 33.5 billion. Together these sectors account for UAH 67.9 billion, or 59% of the proposed total.

The draft also provides UAH 60 billion for regional and city resilience plans. This is a separate reported budget category; it is not added here to the UAH 116 billion public investment envelope. The proposed partial restoration of the Road Fund totals UAH 52.8 billion, including UAH 10.1 billion for debt obligations. Its headline allocation therefore includes financing costs as well as road works.

The execution risk is already visible. On 25 September, the Ministry of Finance reported that around UAH 39 billion in capital expenditure accumulated during January-September had been moved to December because of delayed external receipts. Concentrating payments at year end can compress procurement and construction schedules and increase contractors' interim funding needs. The deferral changes the timing of expenditure even where the underlying programmes continue.

## EU grant supplements EIB district heating loans

On 3 September, the EIB announced a EUR 30 million EU grant for district heating in frontline communities, supplementing EUR 200 million in bank financing signed in 2025. The grant is equivalent to 15% of that loan envelope. Grant agreements were signed with Ukrgasbank and Oschadbank, with Ukreximbank expected to follow.

Eligible uses include network repairs, decentralised heat generation, heat pumps and thermal storage. For municipal utilities, grant support reduces the debt needed for repairs, but repayment still depends on tariffs, collections and operating costs. The ratio of grant to the overall facility does not establish the subsidy available to an individual project.

> *The proposed pipeline is concentrated in transport and municipal services and relies heavily on external financing. The deferral of capital expenditure shows how funding interruptions can delay delivery even when projects retain budget allocations. Payment continuity will be central to converting the pipeline into completed infrastructure.*

# 4. Business support, SME finance and sector developments

## Subsidised business lending remains active

The Ministry of Finance reported that 521 loans totalling UAH 1.8 billion were issued in the week preceding its 21 September update under the Affordable Loans at 5-7-9% programme. Cumulative lending from the start of 2026 to that date reached UAH 121.2 billion across 27,543 loans.

Across lending issued during martial law, the Ministry classified UAH 75.9 billion as investment finance, UAH 91.53 billion as working capital and UAH 87.10 billion as agricultural processing finance, out of UAH 493.7 billion overall. The explicit investment category represents about 15% of that total. Other categories may also fund capital spending, so this share cannot be used as a complete measure of investment lending. The breakdown shows why total programme lending alone gives an incomplete picture of new productive capacity.

## EBRD signs agreements with four partner banks

The EBRD announced four signed bank agreements during September: EUR 30 million equivalent in local currency financing for ProCredit, a EUR 10 million local currency tranche for Bank Lviv, and EUR 50 million in portfolio risk sharing for each of Oschadbank and Raiffeisen Bank Ukraine. The EUR 140 million combines loans and risk sharing commitments. Oschadbank's tranche supports decentralised generation, storage and energy efficiency. Raiffeisen's supports business working capital and investment, with partial debt relief for war damage to financed assets. Local currency loans reduce mismatches for firms earning hryvnia revenues. Risk sharing supports banks' lending capacity but leaves borrowers responsible for repayment.

## Proposed business support requires attention to its composition

Within the draft business support category, UAH 29 billion for the National Development Institution is UAH 11 billion above the amended 2026 plan. It finances lending support and guarantees, so the budget appropriation should not be treated as the volume of loans that banks will issue. The Government also proposed war risk insurance funding, with access and coverage to be determined through the relevant legislative and programme decisions.

> *The financing instruments address distinct constraints: local currency loans reduce currency mismatches, risk sharing supports bank lending capacity and interest subsidies lower debt service. Their effect on productive investment will depend on how much reaches capital projects, alongside borrowers' working capital and repair needs.*

# 5. Regulatory and institutional developments

## Public procurement rules strengthen localisation checks

Resolution No. 1181, adopted on 28 September and effective from 29 September, amended wartime public procurement rules. For goods subject to localisation requirements, documentation provided during contract execution must confirm that the equipment delivered matches the information submitted with the bid. The amendments also specify grounds for rejecting non-compliant supplier proposals. Procurements started before the effective date continue under the previous rules.

For infrastructure procurement, these changes make equipment specifications, manufacturer identification and supporting documentation more consequential. Where localisation requirements apply, discrepancies between the proposed and delivered equipment can create compliance risks. Contracting authorities and suppliers will need to account for these requirements when selecting equipment and preparing procurement documents.

## Government adopts the 2027 to 2029 debt management strategy

On 10 September, the Government announced approval of its medium-term debt management strategy for 2027-2029. Its priorities include long-term concessional borrowing, a larger grant share in official support, development of the domestic capital market and management of borrowing costs and refinancing, interest rate and currency risks.

The strategy addresses the terms and structure of financing as well as its availability. Longer maturities and concessional rates can reduce near-term debt service, while grants limit the accumulation of new liabilities. The strategy sets policy priorities; its effect will depend on the financing agreements secured and the composition of subsequent borrowing.

> *Procurement changes increase the importance of equipment traceability and documentation, while the debt strategy seeks to contain the cost and risk of public financing. For investment delivery, the practical tests are compliant contracting and the financing terms secured under the strategy.*

## 6. Risks and issues to monitor

The main near term risks are identifiable in the September data: an unsecured 2027 financing requirement, deferred capital expenditure, restricted export capacity and rising costs. The table links these pressures to indicators that can be tracked over the next quarter.

| Risk or issue | What to monitor | Business implication |
|---|---|---|
| External financing | Confirmation of the USD 32.6bn 2027 gap | Unconfirmed funding can limit civilian expenditure and public investment. |
| Capital spending | Release of UAH 39bn deferred to December | Late payments increase contractor liquidity needs and compress delivery schedules. |
| Inflation and credit | Inflation after August's 8.1%; lending rates after the move to 16% | Higher input and interest costs weaken margins and debt service capacity. |
| Export logistics | Port access and grain shipments after August's 35% rail decline | Slower sales increase stocks, storage costs and working capital needs. |
| 2027 investment budget | Final allocation and funding of the UAH 116bn envelope | Proposed projects remain exposed to changes in funding and procurement timing. |
| Bank financing | Deployment of local currency loans and risk sharing agreements | Signed bank facilities need to translate into lending to final borrowers. |
| Sector demand | Trade 45.9, services 47.3 and construction 48.8 in September | Weak orders and margin pressure constrain investment financed from earnings. |

### Near term investment outlook

*The evidence supports a selective investment outlook. Transport and municipal services dominate the proposed public pipeline, while bank instruments support SME lending and decentralised energy. Export businesses face a particular liquidity constraint as shipping disruptions slow inventory sales. For public infrastructure, the decisive near term development will be the release of deferred payments and confirmation of 2027 financing. A larger announced pipeline will have limited effect on activity if procurement and payment schedules remain compressed.*

# Sources

This digest covers September 2026 developments and September survey results published in early October. Earlier monthly data are identified by their reference period. Sources are listed below; calculated shares and economic interpretation are by ISD Consulting. Sources were consulted on 9 October 2026.

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