



Focus
Ukraine

Markets
Government bonds,
FX market, and macro

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Weekly Insight

C/A deficit record high in July

Key messages of the today's comments

Ukrainian bond market

MoF improves rollover further

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No light in the tunnel of peace negotiations

Holders of Ukrainian Eurobonds still hope that diplomatic efforts will end the war in Ukraine, but such hopes are clearly fading.

Foreign exchange market

NBU keeps hryvnia strong

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Economics

C/A deficit record high in July

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MONDAY, 1 SEPTEMBER 2025

Banks' reserves market (29 August 2025)

	Last	Weekly chg (%)	YoY chg (%)
NBU rate (%) ¹	15.50	+0bp	+250bp
ON rate (%)	15.50	-1bp	+250bp
Reserves (UAHm) ²	235,681	-3.0	-1.9
CDs (UAHm) ³	466,889	+2.0	-9.3

Notes: [1] NBU's key policy rate; [2] stock of banks' reserves held at NBU; [3] stock of NBU's certificates of deposit.

Source: NBU, Bloomberg, ICU.

Breakdown of govt bond holders (UAHm) (29 August 2025)

	Last	Weekly chg (%)	YoY chg (%)
NBU	671,022	+0.0	-1.0
Banks	889,571	+0.4	+21.3
Residents	197,336	+0.3	+14.4
Individuals	101,474	+3.2	+50.5
Foreigners	18,930	-1.2	-31.2
Total	1,878,807	+0.4	+11.9

Source: NBU, ICU.

FX market indicators (29 August 2025)

	Last	Weekly chg (%)	YoY chg (%)
USD/UAH	41.3350	+0.0	+0.5
EUR/USD	1.1686	-0.3	+5.5
DXY	97.771	+0.1	-3.5

Source: Bloomberg, ICU.

Market gov't bond quotes (1 September 2025)

Maturity	Bid (%)	Ask(%)
6 months	14.25	13.00
12 months	17.50	16.00
2 years	18.50	17.50
3 years	18.75	18.00
12 months (\$)	5.00	4.50
2 years (\$)	N/A	N/A

Source: ICU.

Ukrainian bond market

MoF improves rollover further

In August, the Ministry of Finance increased borrowings in foreign currency while maintaining a high level of UAH debt refinancing.

Last month, the MoF borrowed UAH26.4bn and redeemed UAH12.1bn worth of bonds. Also, the MoF borrowed US\$390m, significantly above repayments in USD for the month. There were no repayments or borrowings in euros last month.

The rollover ratio of UAH debt in August was 218%, pushing the 8M25 number to 112%. For US dollars, the ratio was 139% in August and 76% for 8M25. In euros, rollover remained unchanged from the previous month at 84%.

Table 1. Monthly and YTD rollover rates in 2025

	UAH		USD		EUR		All currencies	
	Month	YTD	Month	YTD	Month	YTD	Month	YTD
January	140%	140%	-	-100%*	-	-	79%	79%
February	39%	71%	-	71%*	-	-	64%	71%
March	125%	86%	63%	67%	59%	59%	91%	79%
April	76%	82%	68%	67%	-	59%	75%	78%
May	256%	97%	-	67%	128%	82%	211%	90%
June	74%	91%	-	67%	-	82%	74%	87%
July	261%	107%	53%	63%	89%	84%	237%	102%
August	218%	112%	139%	76%	-	84%	180%	102%

* only redemptions were registered in January and only borrowings reported in February

Source: MFU, ICU.

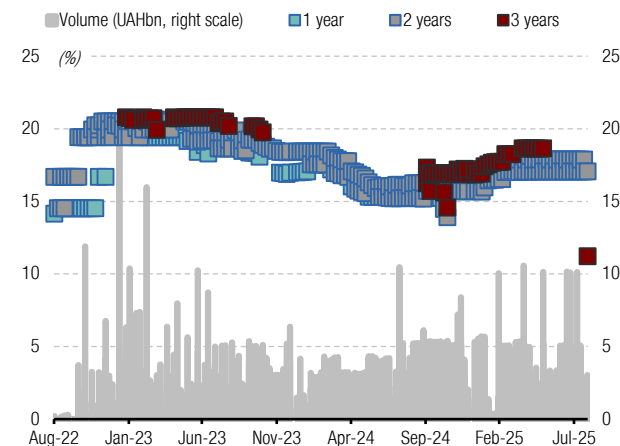
The MoF raised net UAH8bn (US\$200m) in all currencies YTD. To follow the budget plan, in September-December, the Ministry will need to borrow almost a net UAH259bn (US\$6.2bn), implying gross borrowings of UAH409bn (almost US\$10bn). Therefore, the MoF average gross borrowings need to top UAH100bn per month, which is a challenging target.

In September, the MoF will redeem UAH18.8bn scheduled for the next week and US\$350m at the end of the month. The Ministry plans to offer UAH bonds every week, a bond in euros next week, and will add USD-denominated paper to the list in the last two weeks of September.

ICU view: The MoF stepped up the placement of FX bonds and UAH reserve paper in August, but the total volume of borrowings still fell below July's volume. With the current pace of borrowings, the ministry is unlikely to meet the annual debt raising target. MoF is likely waiting for signals from the NBU about the path of the key policy rate in 4Q25, perhaps hoping that a strong indication of possible rate cuts in 4Q will encourage banks to step up investments in anticipation of lower yields. However, that may not be enough to increase borrowings significantly. Therefore, the NBU may need to step in again with administrative measures like increasing mandatory reserve requirements for banks and/or the limits to which bonds can be used to meet the reserve requirements.

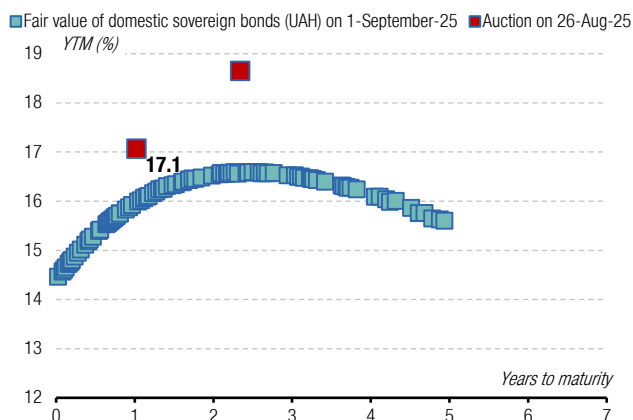
Chart 1. Local-currency bonds

Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)



Source: MFU, ICU.

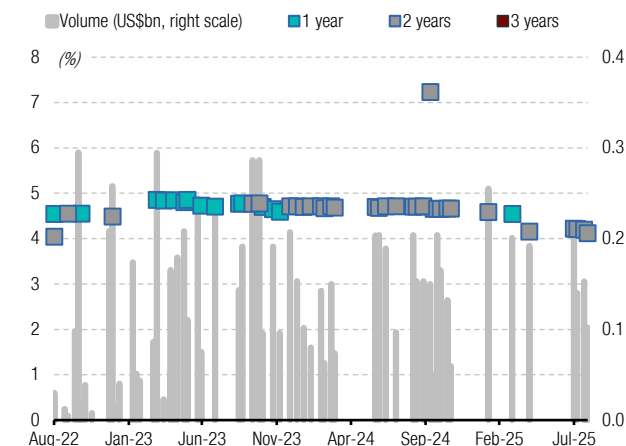
YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions



Source: NBU, MFU, ICU.

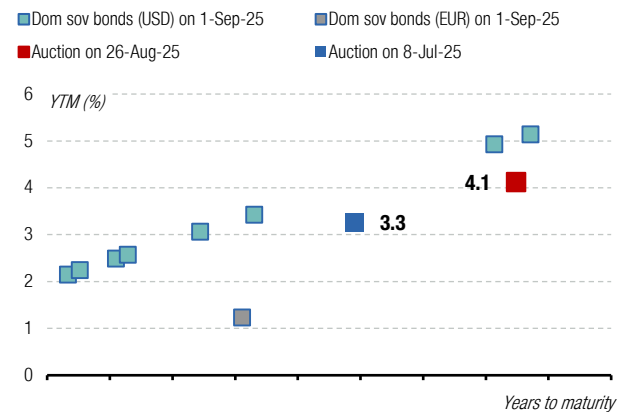
Chart 2. FX-denominated bonds

Three-year history of domestic government bond placements at primary market: proceeds (in billions) and yields-to-maturity (%)



Source: MFU, ICU.

YTM of domestic government bonds as calculated by NBU versus placements via primary market auctions



Source: NBU, MFU, ICU.

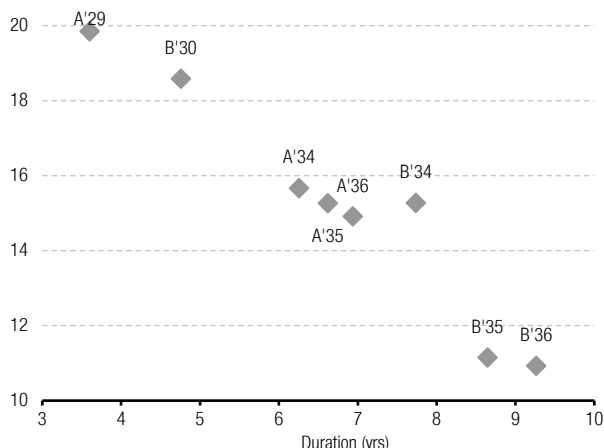
No light in the tunnel of peace negotiations

Holders of Ukrainian Eurobonds still hope that diplomatic efforts will end the war in Ukraine, but such hopes are clearly fading.

The Ukrainian Eurobond rally in early August followed the announcement of a meeting of the US president with Putin. The optimism was premature. A subsequent meeting of the presidents of Ukraine and the United States also yielded no material results and later it became clear that Russia was in no hurry to move on to peace talks. The massive shelling of Ukrainian civilian infrastructure continues, a clear signal a peace deal is not a near-term prospect.

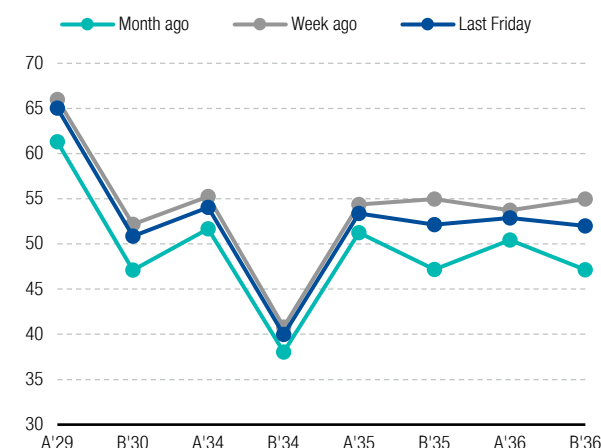
Against this background, Ukrainian Eurobond prices continued to decline, although they remain slightly above the pre-Alaska-meeting level. Over the past week, Eurobond prices slid by almost 3% and more than 5% post-Alaska with step-up bonds B maturing 2035-36 losing almost 9%.

ICU view: We do not expect a significant breakthrough in peace negotiations any time soon, although diplomatic steps to end the war will continue.

Chart 3. Ukrainian Eurobond YTM and prices*Eurobonds yield map*

Note: The nominal value of Series B bonds due in 2035 and 2036 may increase in 2030

Source: Bloomberg, ICU.

Prices of Eurobonds as of last Friday, a week and a month ago

Source: Bloomberg, ICU.

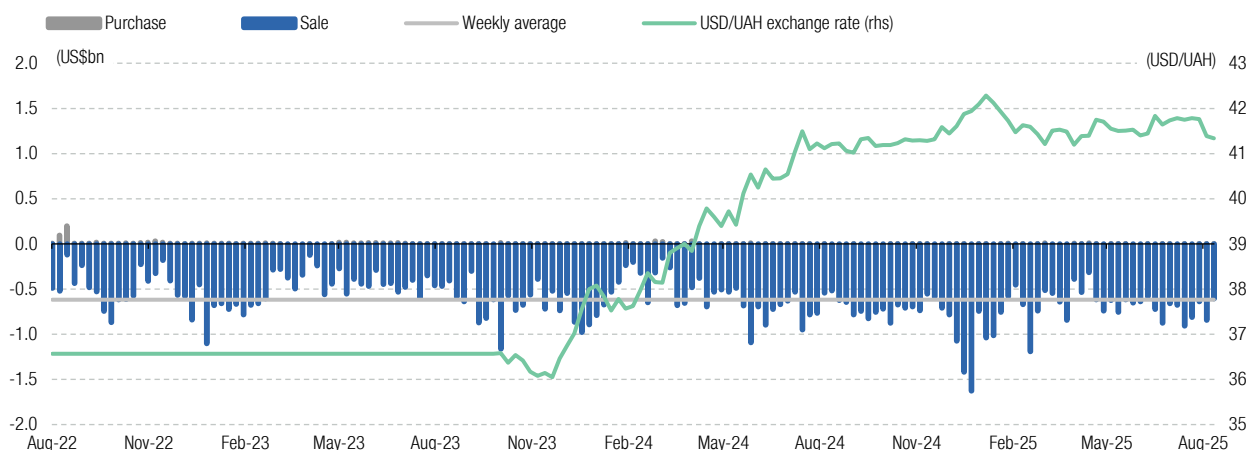
Foreign exchange market

NBU keeps hryvnia strong

The National Bank has maintained the hryvnia exchange rate close to UAH41.3/US\$ for the second week in a row as its interventions remained below the weekly average of the full-scale war period.

The FX deficit narrowed slightly last week to the lowest amount since the end of April. The NBU sold US\$573m from reserves during the week, only 4% more WoW.

ICU view: *The situation on the FX market remains broadly favourable as the NBU remains quite comfortable with the current size of interventions. The NBU may keep the hryvnia exchange rate below UAH41.5/US\$ for some time, while gradually broadening the hryvnia fluctuation range.*

Chart 4. FX market indicators, 3-year history*Ukraine hryvnia UAH exchange rate per US dollar at the interbank market and NBU interventions (weekly data and weekly average starting from 24-Feb-2022)*

Source: NBU, Bloomberg, ICU.

Economics

C/A deficit record high in July

Monthly current account (C/A) deficit exceeded US\$4.1bn in July, the level seen first time ever.

The surging trade-in-goods deficit (US\$4.4bn in July and US\$42bn over 12-month period) was the key culprit behind the record high C/A gap. Export of goods remain suppressed with only marginal 3% growth YoY in July while imports surged 20% with significant growth seen across the board. The deficit of trade in services brought no surprises while primary income ended negative at US\$0.2bn on an uptick in interest payments to non-residents. With no significant transfers to the government sector, the secondary income account surplus was below monthly average of the past year.

The financial account was in a surplus of US\$1.7bn in July primarily supported by concessional loans to the government of US\$1.2bn. As the financial account surplus significantly fell short of the C/A gap, the NBU reserves were down 4.5% in July to US\$43.0bn.

ICU view: *Even though the C/A deficit continues to hover around all-time highs and somewhat above our projections, we think it poses very limited risks over the horizon of 12-18 months. The scheduled inflows of foreign financial aid from Ukraine's allies are sufficient to offset the C/A gap in both 2025 and 2026 without letting NBU reserves to slip below US\$40bn. This implies the NBU will have the resources to keep the hryvnia relatively stable through end-2026. Yet, the prospects beyond 2026 clearly depend on whether the financial aid package for Ukraine will be enhanced following the launch of a new IMF program.*

Table 2. Key balance of payment components, \$m

C/A deficit hits new record in July

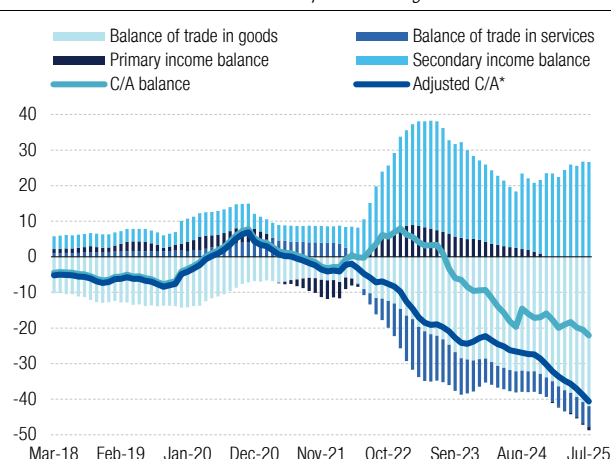
	July 2025	June 2025	July 2024
Current account	-4,113	-3,145	-2,544
Trade in goods	-4,480	-4,412	-3,318
Trade in services	-552	-684	-558
Primary income	-168	-49	240
incl. migrant income	576	560	651
Secondary income	1,087	2,000	1,092
incl. transfers to gov't	418	1,317	230
Financial account*	-1,698	-3,926	429
Foreign direct investment	-156	-134	-170
Change in trade credits	-988	-1,287	-682
Change in cash out of banks	432	461	1,368
Net loans to government	-1,151	-2,960	37
Other	165	-6	-124

* negative numbers in financial account indicate increase in liabilities (cash inflow)

Source: NBU, ICU.

Chart 5. Current account, 12-month trailing, \$bn

12-month current account balance keep deteriorating



* adjusted for official grants to the government

Source: NBU, ICU.

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