

Weekly Insight

C/A deficit surges on lack of grants

Key messages of the today's comments

Ukrainian bond market

MoF continues to push rollover lower

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Foreign exchange market

September interventions at all-time high

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Economics

C/A deficit surges on lack of grants

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MONDAY, 5 OCTOBER 2026

Banks' reserves market (2 October 2026)

	Last	Weekly chg (%)	YoY chg (%)
NBU rate (%) ¹	16.00	+0bp	+50bp
ON rate (%)	15.98	+0bp	+50bp
Reserves (UAHm) ²	239,693	-3.5	-3.4
CDs (UAHm) ³	666,022	+7.9	+36.5

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) (2 October 2026)

	Last	Weekly chg (%)	YoY chg (%)
NBU	655,757	+0.0	-2.3
Banks	918,046	-1.0	+2.8
Residents	234,669	+1.1	+28.3
Individuals	168,113	+0.9	+65.5
Foreigners	17,543	-1.2	-2.5
Total	1,994,437	-0.2	+6.9

Source: NBU, ICU.

FX market indicators (2 October 2026)

	Last	Weekly chg (%)	YoY chg (%)
USD/UAH	44.9873	+0.7	+9.5
EUR/USD	1.1255	-1.2	-3.9
DXY	101.932	+1.0	+4.2

Source: Bloomberg, ICU.

Market gov't bond quotes (5 October 2026)

Maturity	Bid (%)	Ask (%)
6 months	15.50	14.50
12 months	16.50	15.50
2 years	17.00	16.00
3 years	17.50	16.50
6 months (\$)	3.50	2.00
1.5 years (\$)	4.00	2.50

Source: ICU.

Ukrainian bond market

MoF continues to push rollover lower

Borrowings in September were again below redemptions. Thus, the overall rollover ratio for 9M26 decreased by another 3pp compared with 8M26.

In September, the Ministry of Finance once again issued and redeemed only UAH-denominated bonds, leaving the rollover in US dollars and euros unchanged vs 7M26 at 70% and 124%.

Last month, the ministry issued UAH21.5bn of reserve bonds (including UAH11.5bn via an exchange auction for reserve securities maturing in October) and redeemed UAH16.8bn of reserve bonds (including UAH10.9bn via the exchange). The MoF also issued UAH6bn of military bills and UAH2.6bn of regular securities, while redeeming UAH20.5bn of military bonds. In total, borrowings in September amounted to UAH30bn vs redemptions of UAH37.3bn.

Thus, the rollover rate for UAH debt in September was 81%. This implies the 9M26 rollover was down to 108% (vs 112% for 8M26), and the overall domestic debt rollover across all currencies decreased to 106% for 9M26 (vs 109% for 8M26). For 4Q26, the MoF needs to repay over UAH88bn in bond principal, whereas the budget plan leaves only UAH58bn to be borrowed in the domestic bond market. However, if necessary, the ministry could refinance the entire repayment amount.

ICU view: The Ministry of Finance continued to insist on keeping UAH bond yields unchanged and rejected all bids that would have required higher cut-off rates. Consequently, borrowing volumes in September declined compared with August, even though the ministry held one extra auction. The pace of borrowings aligns well with the current budget plan, which envisages net debt repayments (rollover rate of less than 100%) for the full year. Therefore, we do not anticipate any immediate changes to the Ministry of Finance's yield policy, particularly if the domestic borrowing plan for 2026 remains unchanged. However, should budget constraints get tougher, the government may reconsider the plan to the domestic borrowings in 4Q26.

Table 1. Monthly and YTD domestic debt rollover rates in 2026

	UAH		USD		EUR		All currencies	
	Monthly	YTD	Monthly	YTD	Monthly	YTD	Monthly	YTD
January	150%	150%	-	-	-	-	150%	150%
February	178%	162%	44%	44%	-	100%	134%	141%
March	119%	152%	-	56%	-	100%*	129%	139%
April	41%	132%	52%	55%	106%	154%	60%	119%
May	37%	111%	-	70%	-	154%	51%	107%
June	89%	106%	-	70%	-	260%	110%	108%
July	243%	118%	-	70%	54%	124%	147%	113%
August	80%	112%	-	70%	-	124%	80%	109%
September	81%	108%	-	70%	-	124%	81%	106%

Note: "-" means there were no borrowings and/or redemptions during a specific month, only YTD figures were calculated in such cases.

Source: MFU, ICU.

Foreign exchange market

September interventions at all-time high

In September, NBU interventions continued to rise, reaching a new all-time high. This was driven by growing demand for foreign currency from both corporations and individuals.

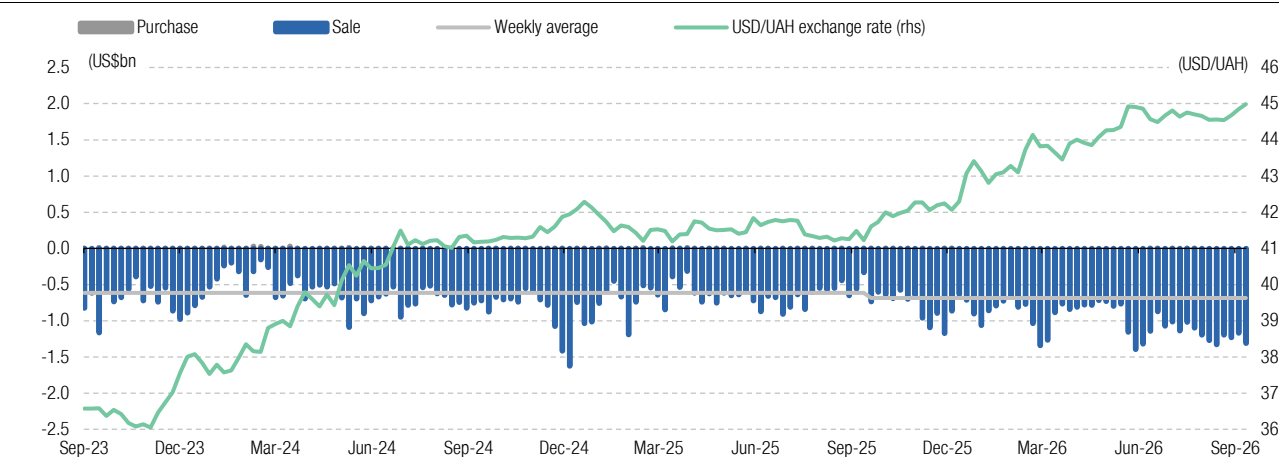
September interventions of US\$5.5bn were the highest on record and exceeded previous highs of December 2024 (US\$5.3bn) and June 2026 (US\$5.1bn). This upsurge was driven by a rise in FX purchases by both legal entities and households to US\$4.9bn—also a record high. In September, net hard currency purchases by corporate clients totalled nearly US\$4bn, while net purchases in the retail segment were US\$921m, US\$100m below the March peak.

Despite surging interventions, the NBU continued to keep the USD/UAH official exchange rate below UAH45/US\$. The official exchange rate fluctuated between UAH44.30/US\$ and UAH44.97/US\$ in September. By the end of the month, the hryvnia had weakened by only 0.4% to UAH44.68/US\$, bringing the YTD weakening to 5.5%.

ICU view: In September, the National Bank proved it is determined to keep the hryvnia exchange rate flexible, but the range of fluctuations was effectively contained to 1%, which is still material by the recent standards. A weekly foreign currency deficit exceeding US\$1bn has become the new normal, driven by a decline in agricultural exports and rising imports of components for domestic weapons' production. The NBU had to step up market interventions this summer after the first tranches of the USL program arrived—specifically to manage the reallocation of hard currency to weapons' producers. Consequently, the increase in weapons purchases will necessitate further increases in NBU interventions. At the same time, we anticipate that in 4Q26, the NBU will avoid a sharp hryvnia devaluation, but will gradually steer the exchange rate toward UAH45.8/US\$.

Chart 1. 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 surges on lack of grants

Ukraine's current account deficit surged to \$4.8bn in August as the ample trade deficit was not offset with budgetary grants. The 12-month C/A deficit stood at \$23.5bn, close to 10% of 2026 GDP.

The deficit of trade of goods remained the key drag on the current account as export of goods tanked 19% YoY in Aug (+1% in 8M26) due to logistical bottlenecks following Russia's terrorist attacks. Import of goods continued to grow rapidly driven by energy materials and components for weapons' production. Yet, unlike in June and July, the inflow of budgetary grants (primarily via the USL facility from the EU) was far from sufficient to offset the gap of external trade.

The financial account improved strongly in August at \$1.7bn and that came on the back of a military component of USL that was transferred to Ukraine by the EU, but did not directly flow to the NBU reserves as this money has restricted use.

The combined balance of the current account and financial account was negative in August at \$3.1bn, implying the NBU had to burn reserves to close the gap. The central bank gross reserves were down 5% MoM to \$48.7bn.

ICU view: Recent BoP data confirm the Ukrainian economy remains critically dependent on the foreign financial aid. The shortfall of external accounts (net of foreign aid) keeps widening, posing significant risks to macroeconomic stability. We remain of the view that foreign financial aid will remain sufficient to cover the external gap at least until end-1H27, but Ukraine badly needs to secure additional sources of funding to keep the risks under control during the war time.

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

C/A deficit spikes on lack of budgetary grants

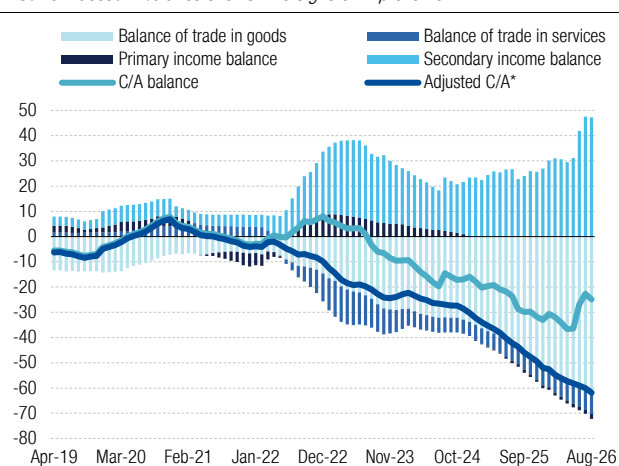
	8M26	8M25
Current account	-14,999	-20,287
Trade in goods	-41,568	-27,815
Trade in services	-5,562	-5,811
Primary income	-1,659	-850
incl. migrant income	3,432	4,461
Secondary income	33,790	14,189
incl. transfers to gov't	26,967	9,690
Financial account*	-5,315	-21,994
Foreign direct investment	408	406
Change in trade credits	-4,246	-2,788
Change in cash out of banks	4,891	5,524
Net loans to government	-5,157	-22,573
Other	-1,211	-2,563

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

Source: NBU, ICU.

Chart 2. Current account, 12-month trailing, \$bn

Current account balance shows little signs of improvement



* adjusted for official grants to the government

Source: NBU, ICU.



11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kyiv, 01030 Ukraine
Phone/Fax +38 044 3777040

WEB www.icu.ua



RESEARCH

Alexander Martynenko

Head of corporate research
alexander.martynenko@icu.ua

Mykhaylo Demkiv

Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Taras Kotovych

Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Dmitriy Dyachenko

Financial analyst
dmitriy.dyachenko@icu.ua

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