



UKRAINE QUARTERLY REPORT

Q4 2024

The coming months will be challenging, but hope is rising for an opening of the investment environment in late 2025

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Executive Summary

After a difficult winter, a ceasefire and rapid growth in opportunities are increasingly likely later in 2025

A Trump administration in the US is driving mild optimism among investors of a deal to end the fighting and opening of the investment environment by late 2025. However, the coming months will be challenging as Putin is currently intensifying both air and ground assaults in advance of expected negotiations in early 2025. The Ukrainian economy has slowed moderately, as anticipated. Power outages and the tightening labor market create operational issues while driving up inflation quickly, worsened by fast rises in food prices. The overall economy is set to grow at a similar pace in 2025 as in 2024, aided by continued strong incomes and solid Western budget and military funding.

BUSINESS TRENDS

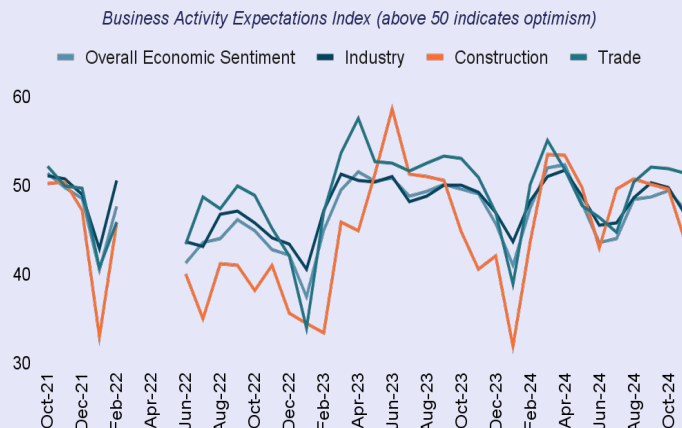
CONSUMERS

Strong income growth will outpace inflation and drive spending again in 2025



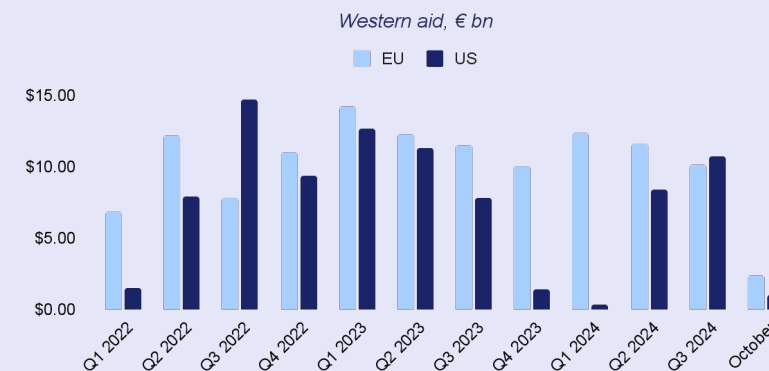
BUSINESSES

Investor sentiment has fallen for the first time since June



GOVERNMENT

Western aid has picked up lately and will likewise be adequate for the 2025 budget



Forecast Summary

Forecasts as of December 20, 2024, subject to monthly revision

	2022	2023	2024f	2025f
GDP, %YOY	-28.2	5.3	4.0	3.9
Inflation, %YOY	20.6	12.9	6.3	10.1
Consumer Spending, %YOY	-16.9	6.1	5.1	5.2
Investment, %YOY	-33.9	52.9	9.0	12.0
USD:UAH (avg)	32.70	36.80	40.20	43.70

Economic Outlook for Ukraine

Growth is moderating as rapid inflation growth weighs on demand

LATEST ECONOMIC TRENDS

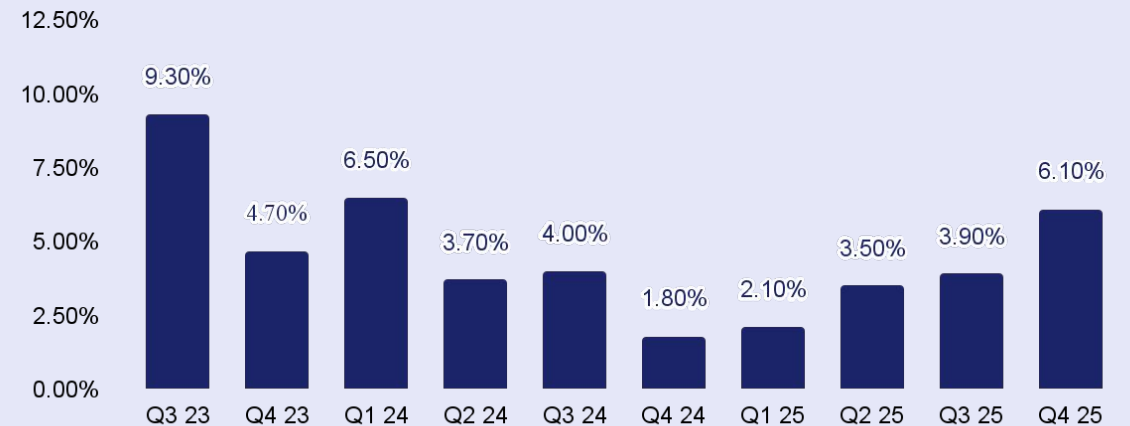
- As expected, GDP has moderated in Q4 on account of power cuts and rising costs. GDP slowed to 1.3% then 0.9% YOY in October and November, respectively (a fall from 3.8% YOY in September). December should see a bit of an uptick thanks to seasonal factors. Business sentiment likewise moderated in this period: in November: the central bank's Business Activity Expectations Index fell after rising each month since June and reaching a peak in October. Consumer spending matched with solid exports and public spending on construction projects has helped sustain the growth. Still, inflation continues to rise beyond expectations (exceeding 11% in November), while heightened hostilities and uncertainty are weighing on investor sentiment this winter.

2025 OUTLOOK FOR UKRAINE

- Businesses should prepare for the rising likelihood of a ceasefire occurring as early as H2 2025. A Trump administration in the US is driving mild optimism among investors of a deal to end the fighting and opening the investment environment by late 2025.
- External financial support looks solid for Ukraine for the entirety of 2025, allaying concerns of shortfalls in funding and the need to cut spending notably. Western military support is adequate for 2025, though will become more problematic deeper into the year unless the Trump administration provides additional support, as expected.
- The economy will continue to struggle through this winter, but then pick up across 2025. Inflation is accelerating and will only moderate by late Q2 2025. The hryvnia will continue to be devalued, though occurring mostly in H2 next year once inflation has moderated. Consumer demand will remain the backbone of growth thanks to solid income growth.
- The major risk to the near term outlook remains Russia's further destruction of energy infrastructure. Meanwhile, the very tight labor market will continue to drive up business costs, worsen staff shortages, and reduce business offerings.

The economy is going through its worst moments currently, and should revive come Q2 2025

GDP %YOY



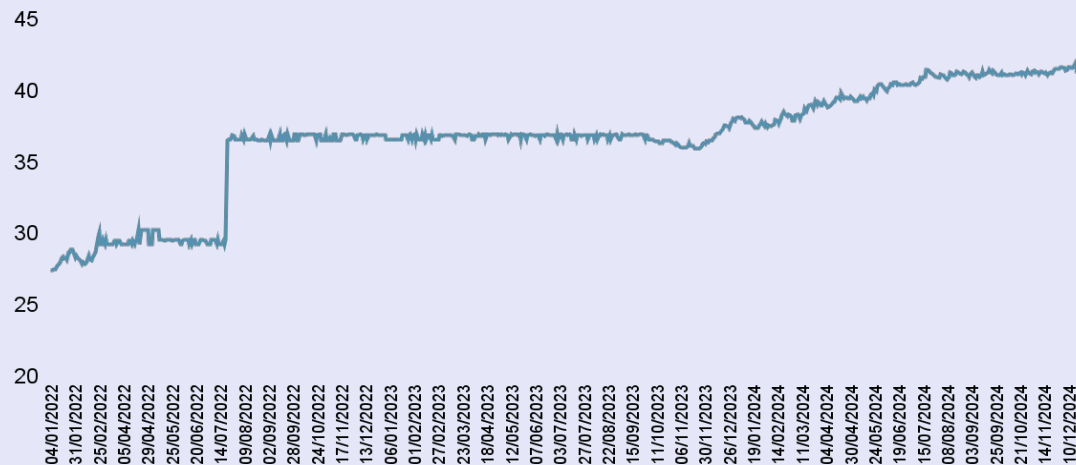
Hryvnia Tracker

The hryvnia will continue to weaken in 2025, though primarily in H2

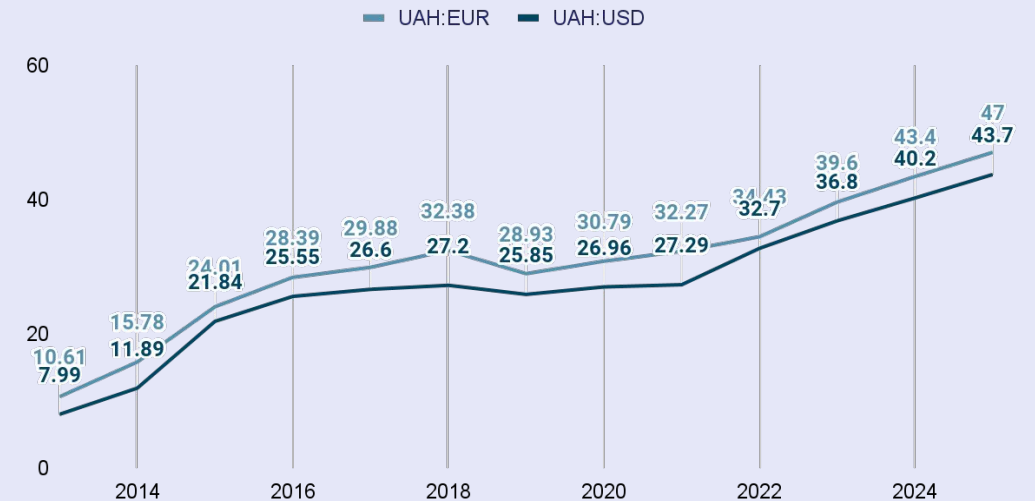
- Following considerable devaluation in H1 2024, the hryvnia has been far more stable as Western support has picked up and looks far more solid going forward. As a result, the central bank has been able to support the currency adequately, protecting the currency from steeper falls. Still, a worsening current account balance from rising imports - and despite improved exports - will sustain pressure on the hryvnia throughout 2025, with devaluation limited by adequate reserves provided by the West.
- Critical to hryvnia stability is continued Western financial support, which allowed reserves to revive to ~\$40 bn in November. Reserves are likely to grow further by year's end once Western outlays arrive, and should remain at a similar level throughout 2025. The central bank is likely to protect the hryvnia in H1 2025 to avoid further fueling higher inflation, and then allow for a gradual, controlled devaluation starting in H2 once inflation is under control. Businesses should factor in their business plans and contracts with suppliers a more stable hryvnia in H1 followed by more weakness in H2.
- Positively, the major risk to the hryvnia's outlook – cuts in Western aid – is no longer a significant concern until late 2025 when additional financing will be needed. Even in the unlikely scenario of a major drop off in US funding, Europe is likely to fill the necessary financing gap.

The central bank will protect the hryvnia less going forward, allowing for further devaluation

USD:UAH



The hryvnia will weaken further next year, though with limited impact on inflation



Operational Environment

Prepare contingency plans for an opening up of the investment environment in late 2025

OPERATIONAL ENVIRONMENT OUTLOOK

Positively, optimism is rising for a possible ceasefire and opening of the investment environment in H2 2025. Still, the operational environment will remain challenging in 2025 and particularly in the coming months. The labor market pressures are likely to only further intensify while more of the energy network has been damaged and will continue to be attacked. Matched with uncertainty related to a Trump presidency and sustained intense attacks along the front, investor sentiment at headquarters is weak, delaying investment. Meanwhile, though trade conditions improved across 2024, a revival of trade tensions at the Polish border is again possible, disrupting logistics in H1 2025.

RISING LIKELIHOOD OF CEASEFIRE IN H2 2025

- A combination of pressures on Moscow from a Trump administration, equipment shortages, extreme manpower losses, and rising financial and economic issues (soon to be worsened by falling oil prices) are likely to lead to a ceasefire in H2 2025, opening up the investment environment.
- Investors increasingly believe in this as well. An American Chamber of Commerce Survey of 230 businesses indicated that ~80% believe the war would end in 2025. Some 63% also believed international flights would resume in 2025. Polling at our UBN Network event in December showed that only 11% of attendees believe Trump would abandon Ukraine, and a third that he would provide overwhelming support for Ukraine to win. *For more on this, see the MAJOR TOPICS section below.*

TALENT MANAGEMENT

- HR issues continue to dominate internal decision-making, as has been the case since the start of the year. Tens of thousands more soldiers are needed and urgently, indicating that this pressure on talent is set to escalate in the near future and across 2025. The vast majority of firms struggle from staff shortages. Work.ua data indicates demand for labor has moderated in Q4, likely for seasonal factors related to the holiday season. Likewise, job-seeking has been mild since September, at only about 70% of 2021 levels. Pressures will build again in Q1 2025 when hiring picks up again as mobilization is also likely to intensify.

ROLLING POWER OUTAGES

- Russia has continued to target energy infrastructure as cold weather has set in, with a few massive air raids involving several hundred missiles and drones in total in November and December. Power outages have increased across the country; however, anecdotal evidence from businesses indicates that the market is adequately supplied with electricity via the main power grid as well as individually procured alternative energy sources. To date, the economic impact of power outages could have been worse, though at least two more months of winter remain and Russia's attacks continue.

POLISH BORDER BLOCKADE

- For a single day in November, Polish farmers again restricted border crossings, similar to the campaign waged from late 2023 through H1 2024. Concerns are rising of another blockade given the politically vulnerable period of the Polish government in advance of May presidential elections.

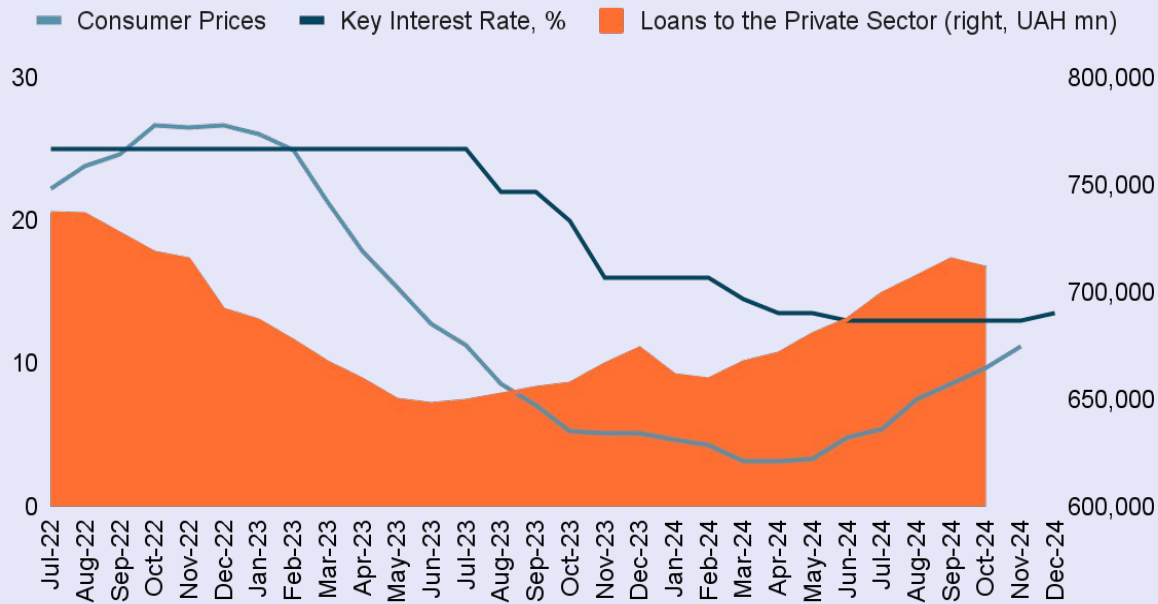
Operational Environment

Prepare contingency plans for an opening up of the investment environment in late 2025

DEMAND AND COST PRESSURES

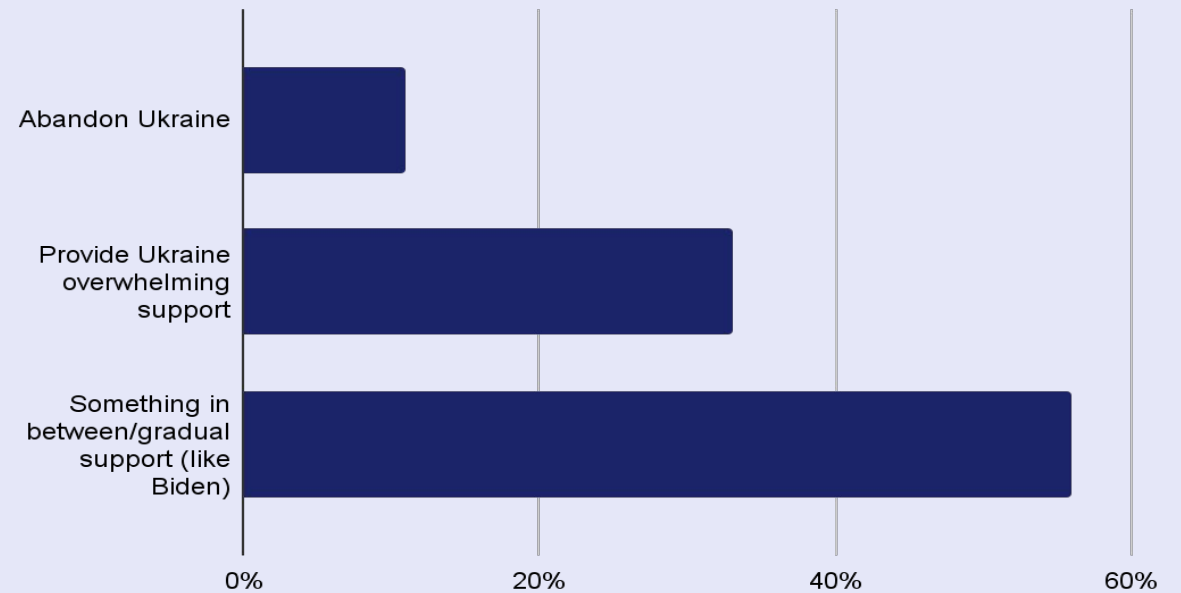
- Rapid rises in inflation is clearly weighing on sentiment and overall demand for B2C and B2B firms. Rolling power outages, higher food prices, higher taxes, and rising labor costs are driving up costs faster than expected and will remain elevated through H1 2025. Margin pressures for businesses are rising, pushing firms to raise prices on their customers more frequently now. Advances in inflation have also driven a small hike in the key interest rate in December (from 13% to 13.5%), which will minimally limit the earlier lending growth.

Lending has picked up, aiding demand, though the end of rate cuts will limit lending in 2025



What will Trump do?

UBN Network Polling, December 2024





DEMAND OUTLOOK

Consumer Demand Outlook

Solid income growth will continue to drive spending in 2025, despite rising inflation

OUTLOOK FOR CONSUMER DEMAND

- Consumer spending remains the primary driver of economic growth, thanks to high wages; however, faster-than-expected price growth is dampening spending. Retail sales remain high, rising by ~13% YOY in Q2, though likely moderating somewhat in recent months given the slowdown in confidence from a revival of power outages and high inflation. Further income growth from the exceedingly tight labor market will continue to sustain the solid spending. B2C firms can plan for further growth in 2025, though the remaining winter months may be challenging.

KEY DRIVERS

Labor Market:

- Job-seeking and job vacancies have moderated lately primarily for seasonal reasons, though vacancies are set to pick up notably in Q1 2025 while job-seeking is not expected to rise. Unemployment, at around 15% currently, is set to decline further next year, further tightening the labor market and sustaining wage growth. While positive to sustain consumer spending, consumer-oriented industries are facing some of the toughest challenges in the war for talent, impacting profitability amid rising labor (and other) costs.

Incomes:

- Real wages rose by ~22% YOY in H1, and assuredly continued to grow solidly since then (data unavailable to date), moderating in H2 only due to the high base of 2023 and higher inflation. After likely averaging ~15% YOY for 2024, real wages will moderate but still grow strongly in 2025, buttressing confidence. A recent EBA survey indicated that nearly 90% of their members are raising salaries next year. Anecdotal evidence suggests the vast majority of Western firms are raising salaries above inflation projections, as they did in 2024 given the war for talent.

Consumer Prices:

- Consumer prices have accelerated rapidly in H2, hitting 11.2% YOY in November. Notably, prices rose by nearly 2% each month compared to the previous month in September, October, and November. Rising food prices, at 14.3% YOY in November, is the main driver of inflation due to a slightly weaker harvest and power outages which impact food processing. Businesses are also increasingly forced to pass on their high producer prices, which have averaged ~29% YOY so far in H2, driving up consumer prices. Higher electricity tariffs from this summer, costs of alternative energy supplies, elevated labor costs, and higher import prices on account of a weaker hryvnia have contributed to the price growth. However, these temporary factors should subside, allowing inflation to moderate by H2 2025.

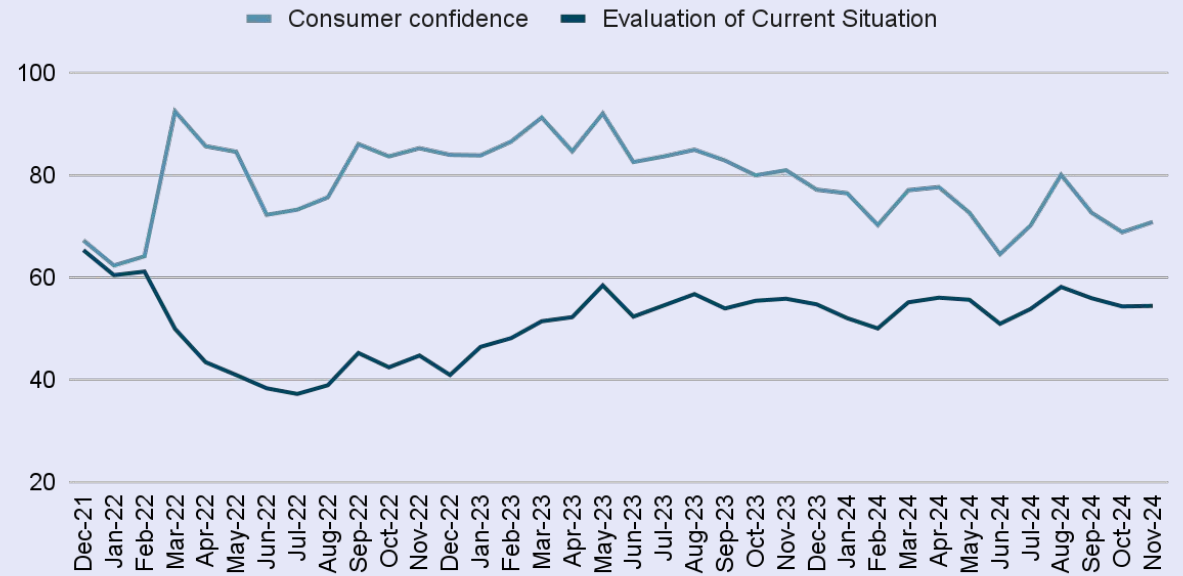
Consumer Demand Outlook

Solid income growth will continue to drive spending in 2025, despite rising inflation

Strong income growth will outpace inflation and drive spending again in 2025



As expected, confidence has moderated amid power outages and rising prices



Business Demand Outlook

Operations and demand will be under pressure in the months ahead

OUTLOOK FOR BUSINESS DEMAND

- The primary issues impacting demand and operations are the revival of power outages in Q4 and talent management, both of which will continue to dominate business planning well into 2025. The prolonged nature of the war and ongoing uncertainty further weigh on sentiment. B2B firms will see demand continue, albeit without a notable uptick until there is greater clarity around a possible ceasefire later in 2025. Costs will likewise weigh on margins despite more firms seeking to pass costs onto customers.

KEY DRIVERS

Recent Performance:

- Business sentiment has moderated as anticipated: in November, the central bank's Business Activity Expectations Index fell to 47.2, after rising each month since June and reaching a high of 49.4 in October. Businesses cited renewed power outages, the heightened hostilities, and elevated energy and labor costs for the drop in moods. Like the previous two months, retailers recorded the highest optimism, with their index above the 50 point threshold indicating an optimistic outlook for demand. All sectors reported intentions again to cut staff.

Segmentation by Sectors:

- Positively, industrial production rose by 8% YOY in H1 2024, after 7% growth in 2023. Food/drink sector continues to drive overall industrial output, rising by 16% YOY. The sector on average since the start of the full-scale invasion has been the most resilient, enjoying both output and investment growth (as is visible on the following page). Coal, plastics/rubber, construction (public projects), textiles, and the agriculture sectors are also relatively more resilient in terms of industrial production and investment on average. In 2024 specifically, production in the chemicals (4%) and pharma (7%) sectors has rebounded relatively well. Metals (30%) have also seen notable output increases this year, albeit from a very low base.

(cont'd) Export-related sectors (e.g. agriculture, raw materials) will remain consistent thanks to improved trade conditions in the Black Sea and the Polish border. The agriculture sector meanwhile moderated this year, about 10% under last year's record levels (mostly due to underperformance of corn). Still, for the main crops of wheat, barley, and oats, output was similar to last year. Moreover, sugar, soybean, and milk surprised to the upside, seeing record levels in terms of output and export even after a very strong year in 2023..

Cost Pressures:

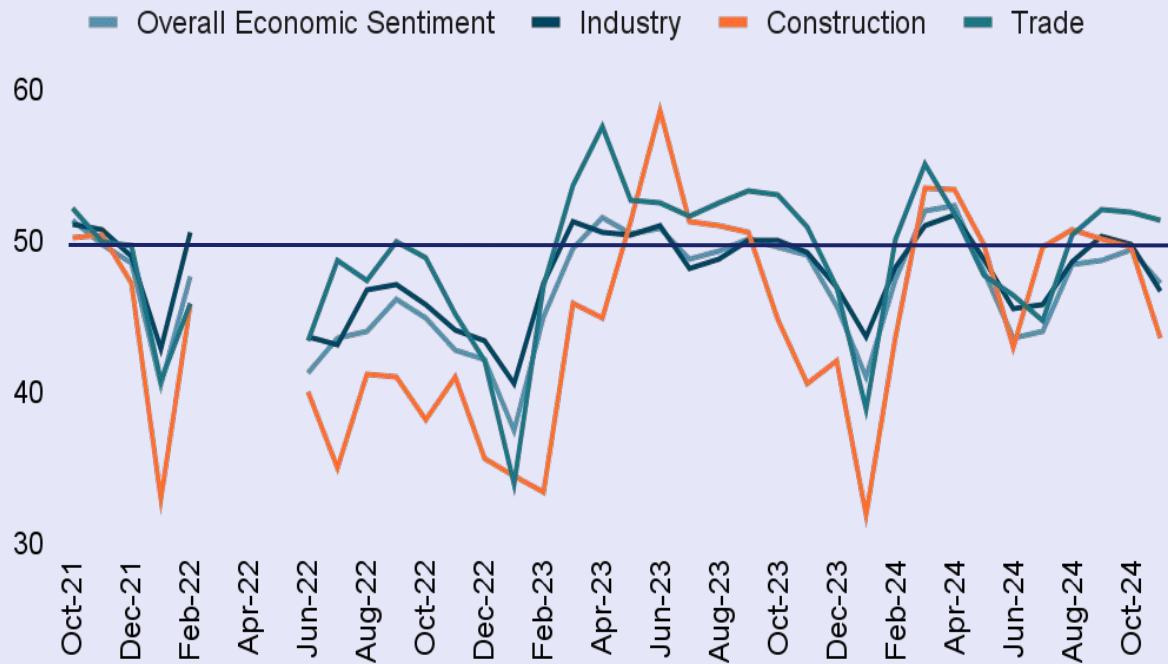
- Businesses are under notable cost and margin pressure, with producer prices averaging ~29% YOY so far in H2. High wages, food prices, import prices from a weaker hryvnia, electricity tariffs, and taxes are raising costs, which are increasingly passed onto customers in recent months (after avoiding this earlier in the year).
- A small hike in the key rate (to 13.5% in December) may restrain some corporate lending through H1 as the central bank is unlikely to cut the rate again for a few quarters at least. Corporate lending had been growing solidly through Q3 and accelerating each month. However, a real interest rate of only about 2% amid elevated inflation currently protects borrowers.

Business Demand Outlook

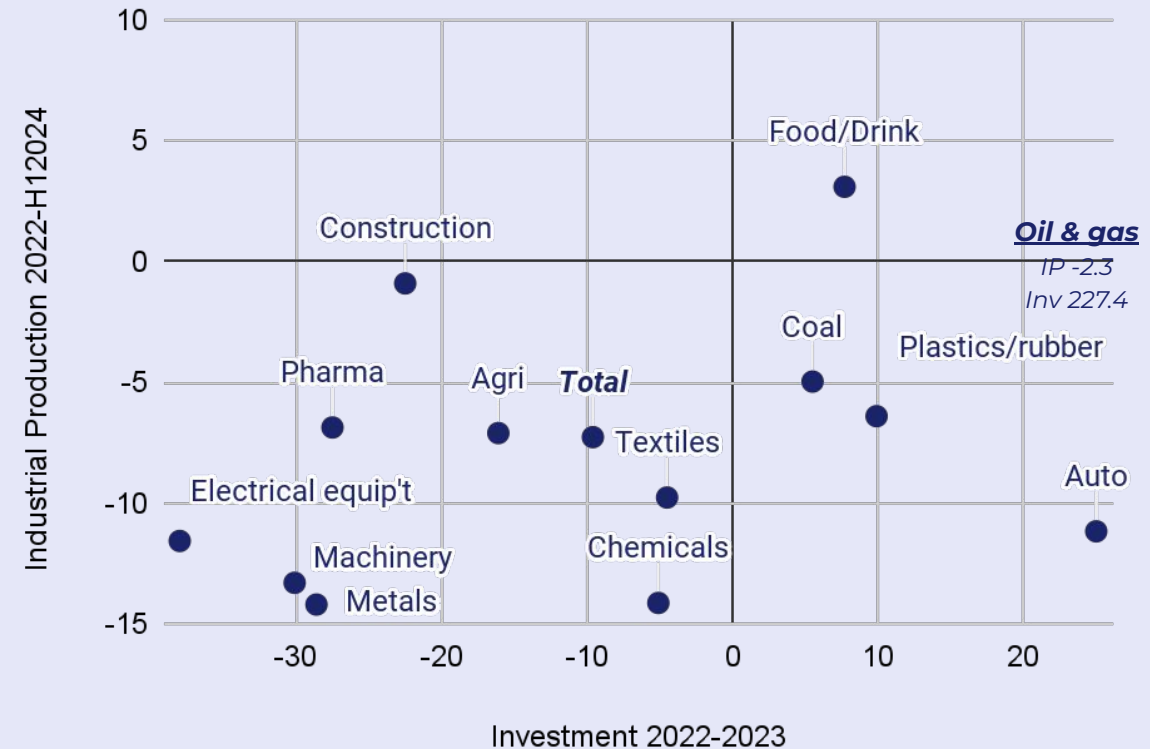
Operations and demand will be under pressure in the months ahead

Investor sentiment has fallen for the first time since June

Business Activity Expectations Index (above 50 indicates optimism)



Consumer-oriented and energy sectors are driving the recovery



Government Demand Outlook

Budget funding looks solid for 2025, and perhaps beyond

OUTLOOK FOR GOVERNMENT REVENUE

- Recent moves by Western partners have notably brightened Ukraine's fiscal outlook for 2025 and even the longer term. In particular, promised rising allocations thanks to the G7's \$50 bn Extraordinary Revenue Acceleration (ERA) facility, on top of other outlays, ensures Ukraine's macroeconomic stability at least through 2025, calming concerns after delayed funding across 2024. Likewise, greater planned domestic revenues next year from higher taxes and stricter tax collection will lower the share of external support to fulfill budget spending plans.
- For 2025, the budget anticipates \$48 bn in revenues, and another \$39 bn in external financing - slightly less than 2024 - to cover spending needs. All financing needs from external and domestic sources for 2025 are now covered. Domestic tax revenues are an increasing share of total spending, planned to exceed 50% in 2025, up from 45% in 2024. Access to the domestic bond market as well ensures adequate revenues throughout the year even in the event of an unplanned hike in defense spending.
- Longer term, we remain optimistic that the West will seize Russia's frozen fx reserves amounting to more than \$300 bn. Europe's rising recognition of its need to potentially provide for Ukraine as well as its own security needs under a Trump presidency will compel the EU to overcome its hesitation and find the necessary legal avenue towards seizing the funds. Assuming this occurs in 2025, Ukraine's budgetary and military needs would be financed for several years beyond 2025.

OUTLOOK FOR GOVERNMENT SPENDING

- Defense and security spending surprisingly remained under control without any notable growth between June and September. This consolidation of defense expenditures helped restrain overall budget expenditures and, matched with rising external support in recent months, protect the budget and keep the deficit under control.
- Budget spending will again be dominated by defense and national security spending in 2025, approaching some 60% of total spending as in 2024. Total spending is roughly stagnating in real terms, though as a percent of GDP is in fact falling from roughly 50% to 45%. With strong revenues thanks to the ERA facility and planned controlled expenditures, the deficit is set to fall in 2025 to 19% of GDP from 24% in 2024.
- For 2025, defense/security spending is rising by more than 2% YOY (UAH 2.22tr, from UAH 2.18tr). Non-defense areas (healthcare, education, social spending, etc.) are seeing consistent outlays in 2025 as in 2024 and will be funded by additional taxation and coming Western aid.
- Even in the event of a ceasefire late in 2025, there will be no major revisions of the budget at the time or for early 2026. Defense spending needs will be elevated for the long-term as a large standing army and high domestic military spending will be required to protect against any future Russian aggression.

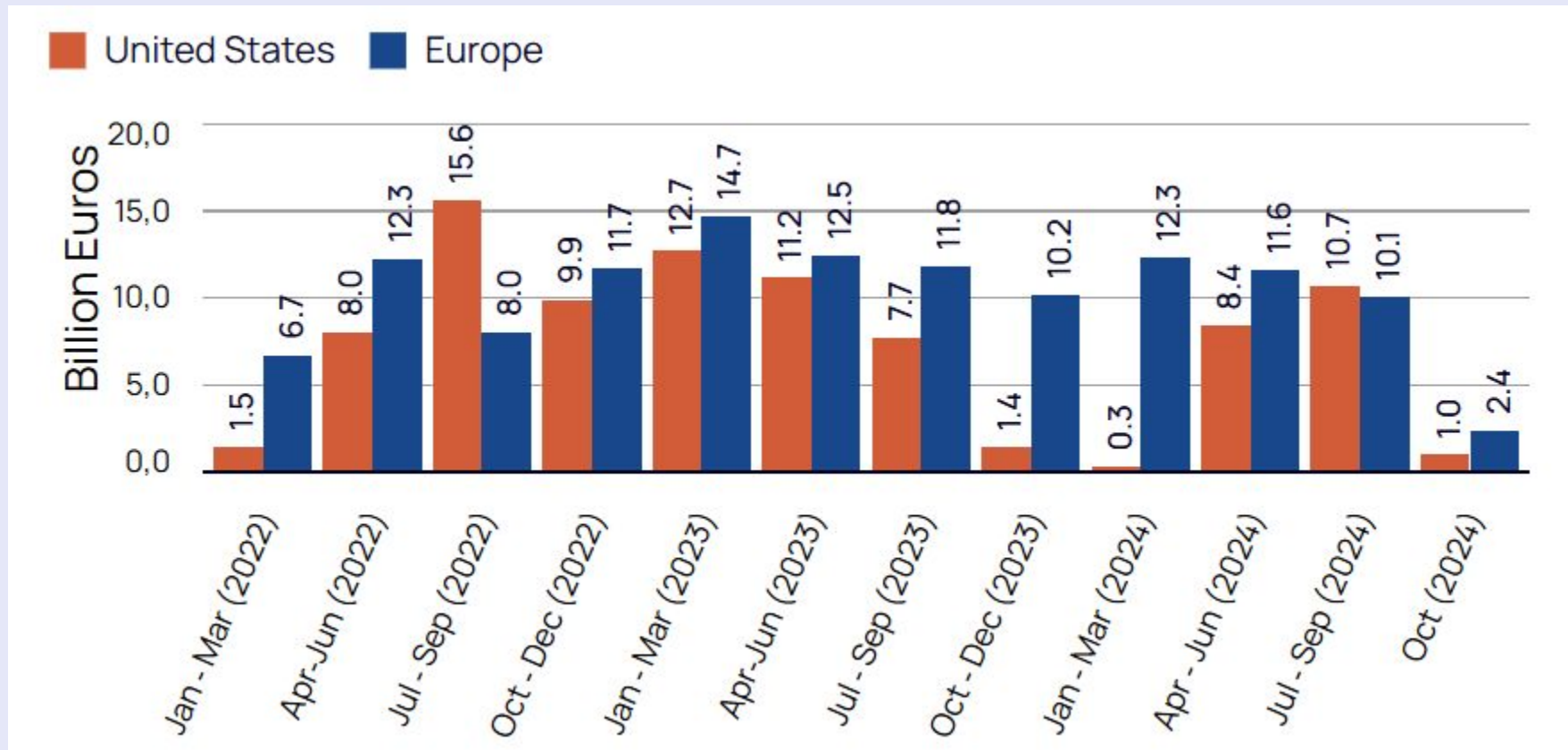
Government Demand Outlook

Budget funding looks solid for 2025, and perhaps beyond

Western aid has picked up lately and will likewise be adequate for the 2025 budget

Western funding, € bn

Kiel Institute for the World Economy





MAJOR TOPICS

Trump Presidency and Ukraine

The early contours of a Trump policy inspire moderate optimism for Ukraine

There exist numerous reasons for optimism from a Trump presidency since his election, despite the worrying pre-election campaign rhetoric:

- **Personnel Appointments** - His nominees for National Security Director (Mike Waltz), Secretary of State (Marco Rubio), US Ambassador to the UN (Elise Stefanik), and Senate Majority Leader (John Thune) have all either supported Ukraine or otherwise opposed aid to Ukraine due to Biden's lack of strategy and/or Europe's inadequate burden sharing (which at times were both true). His Special Envoy to the Russo-Ukrainian War, pro-Ukrainian retired lieutenant general Keith Kellogg, has criticized Biden's "risk-averse pattern" and has crafted a "plan" to end the war "negotiating from a position of strength." Across the board, all candidates support a strong, active US foreign policy without isolationist tendencies.
- **Republicans control the presidency, House, and Senate** - This war is no longer Biden's and Trump and the Republicans will now be accountable for the war. They also have shown a clear understanding that they cannot allow Ukraine to lose. Also, most Republicans, as well as the overall US population, remain supportive of Ukraine and have voted for aid to Ukraine.
- **Plans to raise oil output** - Irrespective of Trump's Ukraine policy, his administration and Congress are determined to boost US oil production, pushing down oil prices. Trump promised to lower inflation, and lowering energy prices is critical to that. The base case scenario is for oil prices to be in the mid-\$60s in 2025, which will cause a financial crisis in Russia as Moscow will be selling oil in the \$50s, well below the \$65 to finance the war.
- **Trump's personality** - Trump's extreme concern with his ego, public perception, and legacy ensures he will not be seen as weak and having lost. Meanwhile, his transactional nature indicates his interest in the business opportunities in Ukraine's resources/reconstruction.

Concerns remain, naturally. Trump's personal antipathy towards Zelenskyi (and admiration for Putin), as well as his own comments and those of his VP Vance and his core supporters are concerning. Likewise, his lack of a principled stance against Putin's dictatorship and his moral ambivalence towards the Kremlin's unprovoked invasion create doubts about supporting Kyiv.



Keith Kellogg - Trump's Special Envoy to the Russia-Ukraine War

- *"We need to achieve peace through strength"*
- *"You have to give more arms to them (Ukrainians) because you can't trust the Russians"*

War Tracker

Dangerous months lie ahead, but optimism is rising for an end to the war in late 2025

- **A highly dangerous geopolitical environment is reaching its apex.** Both the West and Russia are escalating notably to achieve a position of strength ahead of talks. Putin believes he has a few months to set the stage for talks to decide this epochal, civilizational battle that will determine his legacy as a Russian tsar. He is thus unleashing his resources to destroy Ukraine: intensified ground attacks as well as massive air assaults on infrastructure and civilian targets across the country in recent weeks, including the use of an Intermediate Range Ballistic Missile (IRBM). For its part, the US approved sanctions against Gazprombank, one of Russia's few remaining financial lifelines, while also approving long-range strikes into Russian territory and more aid before Biden's term ends. Worries of an isolationist US has inspired several European nations to consider deploying troops to Ukraine to enforce a ceasefire. Brussels also approved plans to redirect billions of euros into defense. Greater interest is also apparent in sanctioning Russia's shadow fleet, taking Russia's fx reserves, and enforcing the oil price cap.
- **The battlefield has only become more challenging the last few months for Ukraine,** with downside scenarios of a collapse on the front increasingly likely in early 2025. While Russia's losses in manpower and equipment have become even more extreme - record daily losses in November and December, including over 2,000 casualties in a single day in late November - the attacks continue with constant small gains in territory. Contrary to expectations, Russia has continued a high pace of attacks this winter even in the face of severe vehicle constraints, sacrificing more men (~45,000 in November) as a result. Meanwhile, Russia has regained more territory in its Kursk region and is preparing an offensive in Zaporizhzhya Oblast.
- **Ukraine is losing the war faster than Russia.** Inadequate manpower at the front and delays in military aid will likely lead to a collapse in Donetsk region around Kurakhove soon, shifting the front some 30 km west of its current position. More air raids and further damage to energy infrastructure is expected as well. Ukraine is likely to hold onto Kursk for some time, though this becomes questionable by the time of talks in February and beyond. A Russian breakthrough on the front early in 2025 is increasingly likely if the manpower issue is not addressed imminently.
- **Zelenskyi voiced willingness to consider a land-for-peace deal,** reflecting the growing sentiment towards seeking talks by the wider population. In a very appealing move to Trump, Zelenskyi said he is open to talks and would be willing to concede the occupied territories. However, his demand for NATO membership in exchange will be problematic for talks.
- **The most likely scenario remains a land-for-peace deal.** However, Trump's determination to end the war raises the prospects of both a Russian Victory and a Russia-NATO Conflict, while lowering the chances of a prolonged Frozen Conflict. Putin will reject any formulation of a deal Trump looks set to offer. Trump's team intends to continue military aid to allow Ukraine to negotiate from a "position of strength", and "arm Ukraine to the teeth" should Moscow violate the deal. Ukraine's accession to NATO is postponed (not cancelled) and European troops will be stationed in Ukraine to enforce the peace. None of this is acceptable to Putin, particularly when he believes he is winning. Trump is then likely to react by providing greater support rather than abandoning Ukraine.

War Tracker

Trump's presidency raises slightly the extreme scenarios while maintaining the base case of a Ukrainian "victory"

Russia-Ukraine War Scenarios through 2025

End point	Scenario 1: Russian 'victory' (Collapse of Western Order)	Scenario 2: Ukraine 'wins', Land-for-Peace Deal	Scenario 3: Frozen conflict, fighting persists at lower level	Scenario 4: Direct Russia-NATO confrontation
Likelihood	20% (was 15%)	50% (was 50%)	15% (was 30%)	15% (was 5%)
Timeline	Early-Mid 2025	Mid-2025 at earliest	Late-2025	Through 2025 and beyond
What it looks like	<ul style="list-style-type: none"> • Trump cuts off US support • Kyiv forced to negotiate a bad peace • Russia seizes more territory; Ukraine turns war into an insurgency 	<ul style="list-style-type: none"> • Russia fails to win the war by early 2025 • Neither side can shift the line of contact decisively • Russia seeks a ceasefire to pause the war • Zelenskyi offers land-for-peace • West provides more aid and security guarantees 	<ul style="list-style-type: none"> • Neither side can strategically shift the war in its favor • Western aid to Ukraine moderates • Kyiv is forced to negotiate, while Moscow declares a "victory" • The two sides get stuck in extended negotiations and fighting persists 	<ul style="list-style-type: none"> • NATO-Russian War instigated by a Russian attack on a NATO country or tactical nuclear strike in Ukraine • The West responds with an overwhelming conventional response • Potential for Russian nuclear retaliation in the West

Russia's 2025 Economic Outlook

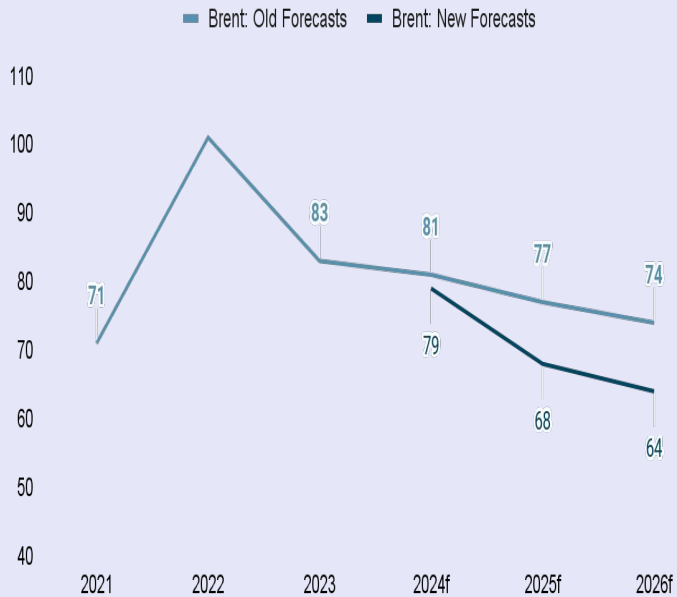
The Kremlin will likely need to pause the war by late 2025 to avoid an economic crisis

- **Pressure on the Russian economy has intensified lately and will worsen notably next year.** To date, GDP has performed well across 2024, though slowing in Q3 to 3.1% YOY, and is expected to average 3.5-4% for 2024. However, the economy has not grown since October 2023, but rather has simply risen in year-on-year terms for most of 2024 (stagnating in month-on-month terms). GDP will struggle to grow at all next year. In the event of a downside of oil prices - e.g. around \$60/bbl, a 30% likelihood - GDP would see a notable contraction amid sharp ruble depreciation, accelerating inflation, and debilitatingly high interest rates.
- **Clear weaknesses have become apparent in recent weeks.** Following US sanctions against Gazprombank, the ruble depreciated sharply from 96 to 114 to the US\$, before stabilizing ~104. More importantly, with China now Russia's largest trade partner, the ruble fell from 13.6 to 15.6 to the yuan, before stabilizing ~14.2. The ruble averaged ~8.5 to the yuan in H2 2022.
- **Meanwhile, oil prices have moderated notably in recent months** and will face further pressure next year amid a supply surplus from weak global demand and strong non-OPEC oil output. Brent crude oil prices are forecast to average \$68/bbl. in 2025, though taking into account far greater US output from a Trump administration and intensified oil-related sanctions, even lower oil prices are possible, putting more pressure on the economy.
- **Financial problems will quickly accrue**, as Russia sells its oil ~\$10 less than the Brent crude price. Russia's budget is based on an oil selling price of \$65, but will be selling oil in the high-\$50s in a base case scenario and low-\$50s in a downside scenario. As long as the war continues, extreme defense spending and imports to sustain defense manufacturing will continue, demanding budgetary cuts to non-defense sectors while sustaining high inflation and interest rates across 2025. Wages - averaging 15-20% in 2024 - will continue to accelerate given the severe shortages of labor resulting from military recruitment, further driving up inflation and interest rates (21% currently, with no expectations of cuts in 2025). Investment is therefore set for a marked slowdown in 2025, particularly amid the coming rise in the corporate tax rate.
- **By the end of H1 2025, the Kremlin will become increasingly interested in establishing a ceasefire/operational pause** because of the rising financial and economic pressures. On the one hand, pressure on the population via the higher cost of living and debt payments from high interest rates create a feedback loop attracting more contract soldiers, allowing Russia to continue the fight. However, over time, macroeconomic stability will be in jeopardy, threatening Moscow's ability to continue to prosecute the war. Elevated interest rates hurt the domestic bond market, creating problems for Moscow to fund a rising budget deficit given the lack of access to international capital markets. Businesses should monitor the ruble and oil prices in 2025 to assess Putin's willingness to consider talks to achieve a pause in fighting.

Russia's 2025 Economic Outlook

The Kremlin will likely need to pause the war by late 2025 to avoid an economic crisis

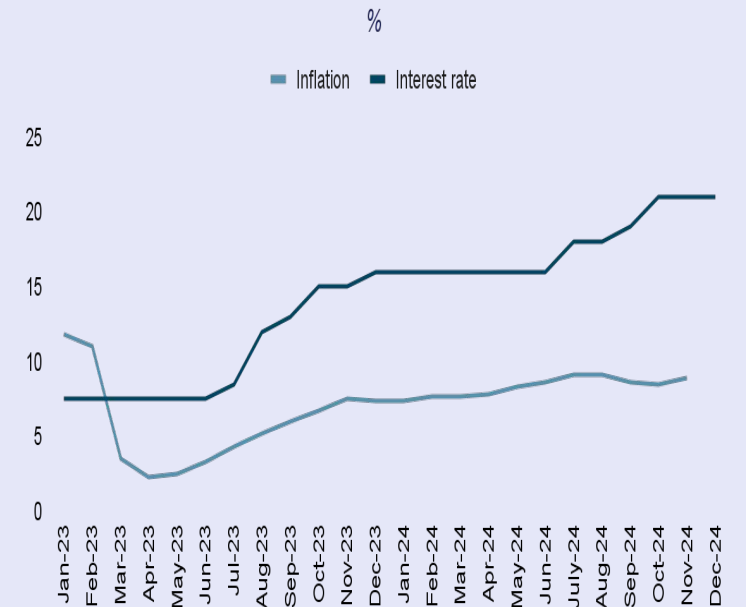
Oil prices have been revised down notably, with risks to the downside for lower prices



...The falling oil prices and further sanctions ensure further ruble weakness across 2025

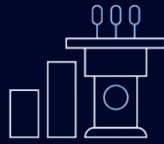


...A weakening ruble ensures high inflation and interest rates across 2025, creating the conditions for a crisis



The UBN Network Membership Offering

UBN Network membership is available to Ukraine Business News readers



4 LIVE EVENTS IN KYIV / YEAR

- Discussions with panelists from different sectors, with 80-100 attendees
- Macroeconomic, political, and business briefing, including best management practices
- Forum for in-person networking and live benchmarking of issues and expectations



RESEARCH REPORTS AND SURVEYS

- 4 Benchmarking Surveys focused on Budgeting, Talent Management, Channel Management, Digitization, etc...
- 4 Quarterly reports on Ukraine's political, economic, and business outlook
- Monthly reports with macroeconomic forecasts for Ukraine, as well as analysis for the broader region and global markets



NETWORK AND INSIGHTS

- Ad hoc webinars and unlimited analyst briefings for your company with our in-house Ukraine expert
- Facilitation of introductions and relationship-building in the Ukraine business community

Please do not hesitate to contact us if you have any questions

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*Sources

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