Alona Lebedieva: The Ukrainian Economy on the Verge of Stagflation


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KYIV, UKRAINE, August 18, 2025 /EINPresswire.com/ -- The Ukrainian economy has reached the limits of its growth: according to estimates, in the first half of 2025 GDP grew by only 1.3%, while in July a decline of 1% was already recorded. For comparison: in 2024 growth stood at 2.9%. This indicates that the main driver of recent years—the fiscal impulse, fueled by international assistance—has practically been exhausted.

Thanks to the fiscal impulse, Ukraine experienced a recovery after the 29% GDP collapse in 2022. But this stimulus can no longer provide faster growth. Since August–September 2023, GDP has plateaued at 75–77% of its pre-war level and has remained there. The fiscal impulse is still in effect, but it is sufficient only to ensure anemic growth, which may soon turn into a decline.

“Ukraine has no new growth drivers: investments are not coming due to war risks, the labor shortage is worsening. And the latest external developments—from Alaska to the upcoming negotiations in Washington—confirm a simple truth: a strong national economy is the foundation of our security. Without it, neither defense nor social stability is possible,” says Alona Lebedieva, owner of the Ukrainian multi-profile industrial-investment group Aurum Group.

The greatest concern arises from foreign trade in goods. In January–July, exports fell by 3.5% to $23.3 billion, while imports grew by 14.8% to $45.9 billion (compared to the same period last year). This left a negative trade balance of $22.6 billion—a huge imbalance that weighs on the hryvnia, inflation, and GDP. Exports “slumped” mainly due to declines in agricultural and mineral shipments, while imports rose due to energy, chemical products, machinery, and even foodstuffs. An additional increase in imports came from the urgent need to purchase large volumes of gas after miscalculations in forming reserves for the past heating season.

“The budget situation is predictably strained due to the growing need to finance defense. In seven months, general fund revenues amounted to UAH 1.5 trillion, while expenditures reached

UAH 2.17 trillion. The deficit is UAH 670 billion ($16.1 billion at the average January–July official exchange rate). Almost half of expenditures are covered by external financing. Since the beginning of the year, Ukraine has received $23.7 billion. In total, since the start of the war, the country has received $136 billion in aid, but it is impossible to rely on this resource indefinitely," emphasizes Alona Lebedieva.

Inflation remains high—14.1% year-on-year in July. Although there was a temporary decline in monthly prices compared to June, high inflation is expected to persist through the end of the year due to gradual hryvnia depreciation (imports will become more expensive) and rising excise taxes. The National Bank's high key rate (15.5%) only partially restrains inflationary pressure, since the main cause of inflation is the rising costs faced by producers.

Lebedieva is convinced that the outlook is clear: Ukraine risks falling into the trap of stagflation—a combination of economic stagnation and high inflation. The situation is further complicated by external factors: the winding down of U.S. military aid will force Ukraine to increase arms purchases at its own expense; the expiration of EU trade preferences will cost the economy up to $1 billion in 2025; and a weaker harvest will limit agricultural exports.

In these conditions, there is only one recipe: support for the national producer must become the key strategy. Domestic production is the path to import substitution, export growth, enterprise workload, job creation, and tax revenues. Without this, Ukraine will continue to balance between external loans and trade deficits, losing development momentum and economic resilience.

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