



National Bank
of Ukraine

Why does the NBU need FINEX?

Volodymyr Lepushynskyi

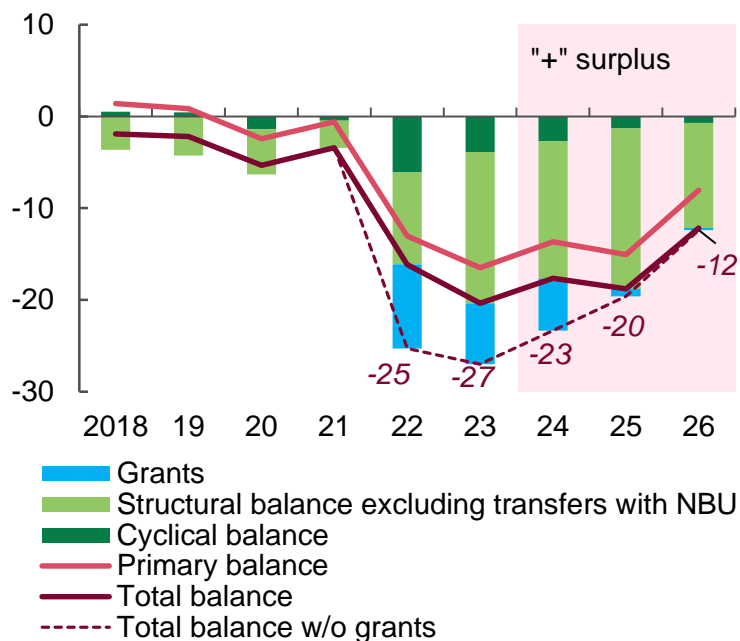
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Analysis Department

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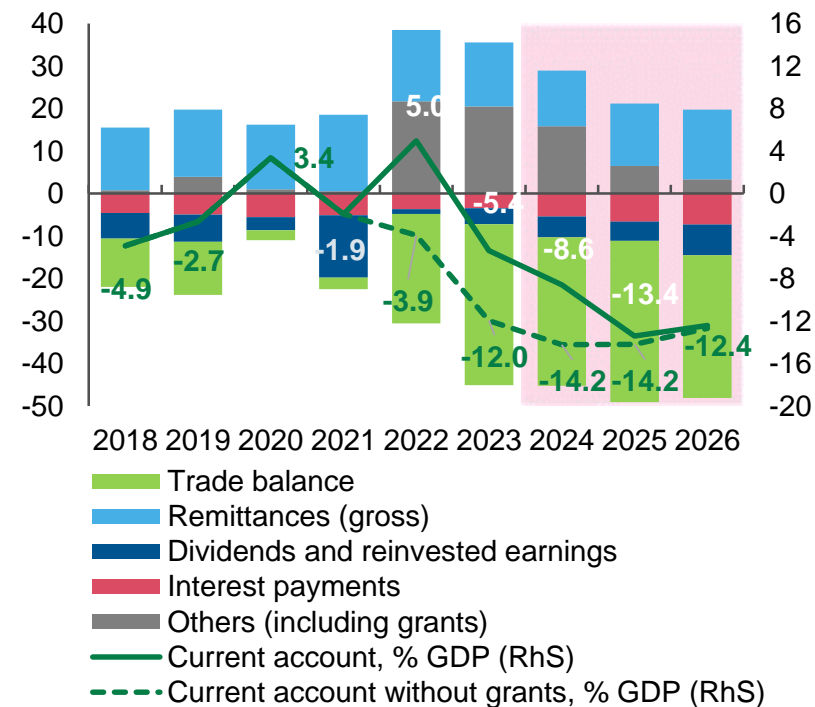
Challenge for MP #1. Twin deficit: large fiscal deficit and current account deficit as a consequence of war

Consolidated budget balance, % of GDP



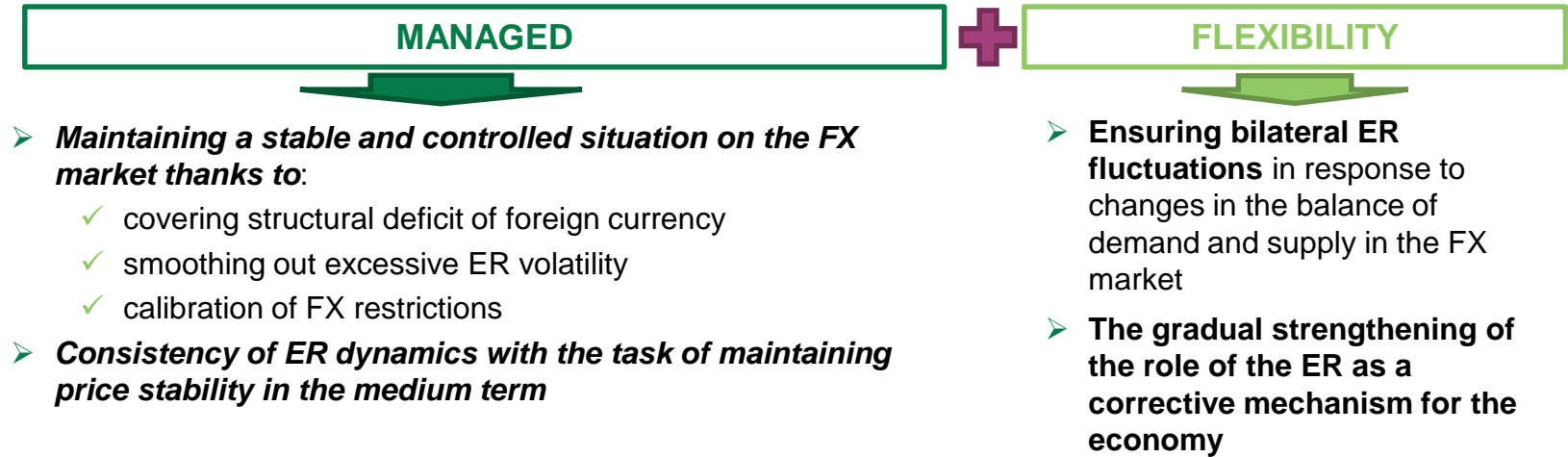
Source: STSU, SSSU, NBU staff estimates.

Current account, bn USD

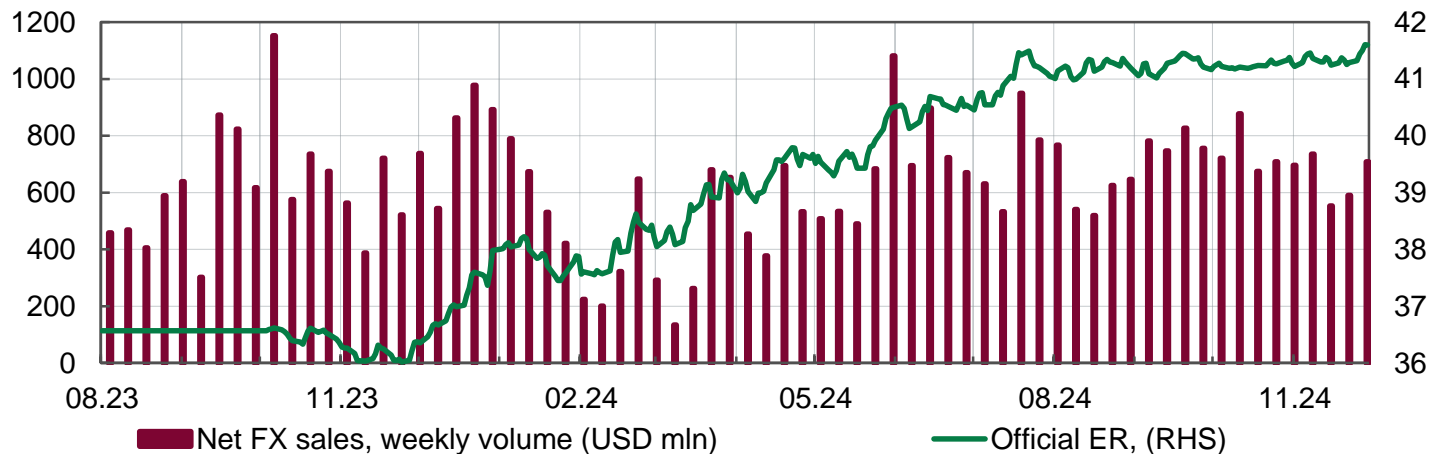


Source: NBU staff estimates.

Challenge for MP #2. The active role of FX interventions in the regime of managed ER flexibility



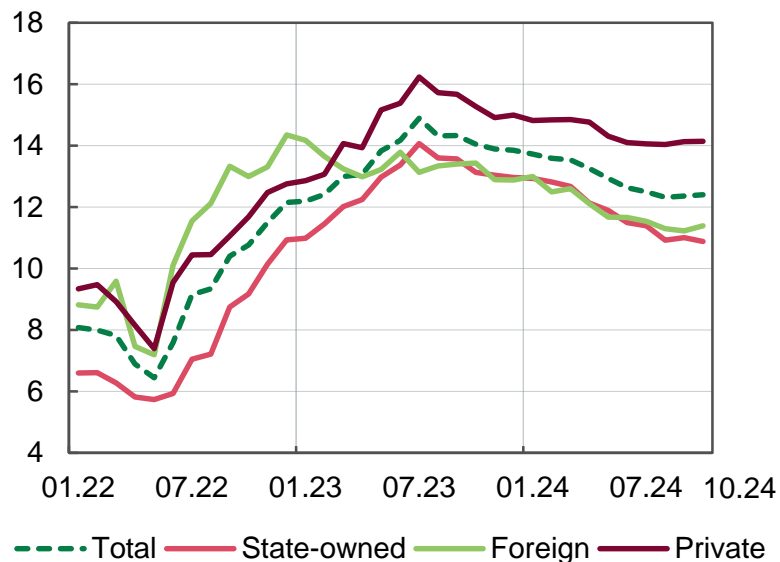
The official exchange rate of the hryvnia to the USD and the net sale of currency* of the NBU



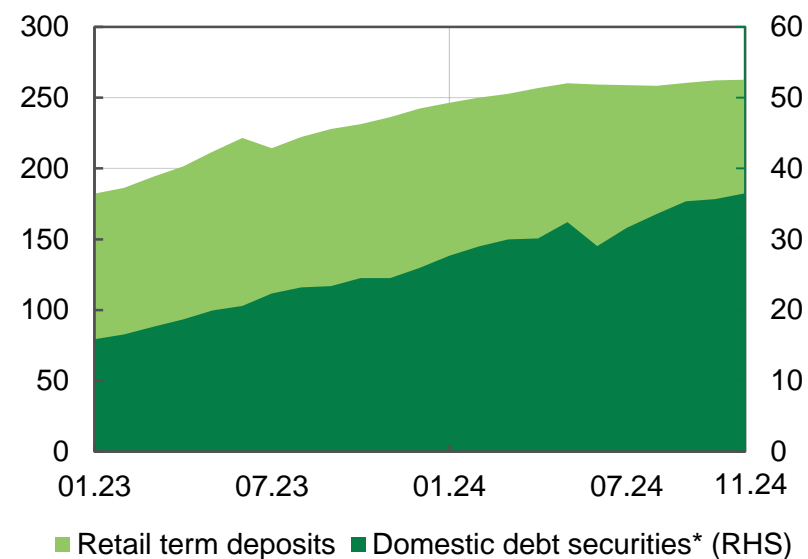
Source: NBU.

Challenge for MP #3. The additional task of MP is keeping the savings in local currency attractive to ease pressure on international reserves

Weighted average interest rates on hryvnia retail term deposits (by bank group), %



Stock of hryvnia domestic debt securities held by individuals and hryvnia retail term deposits, UAH billions



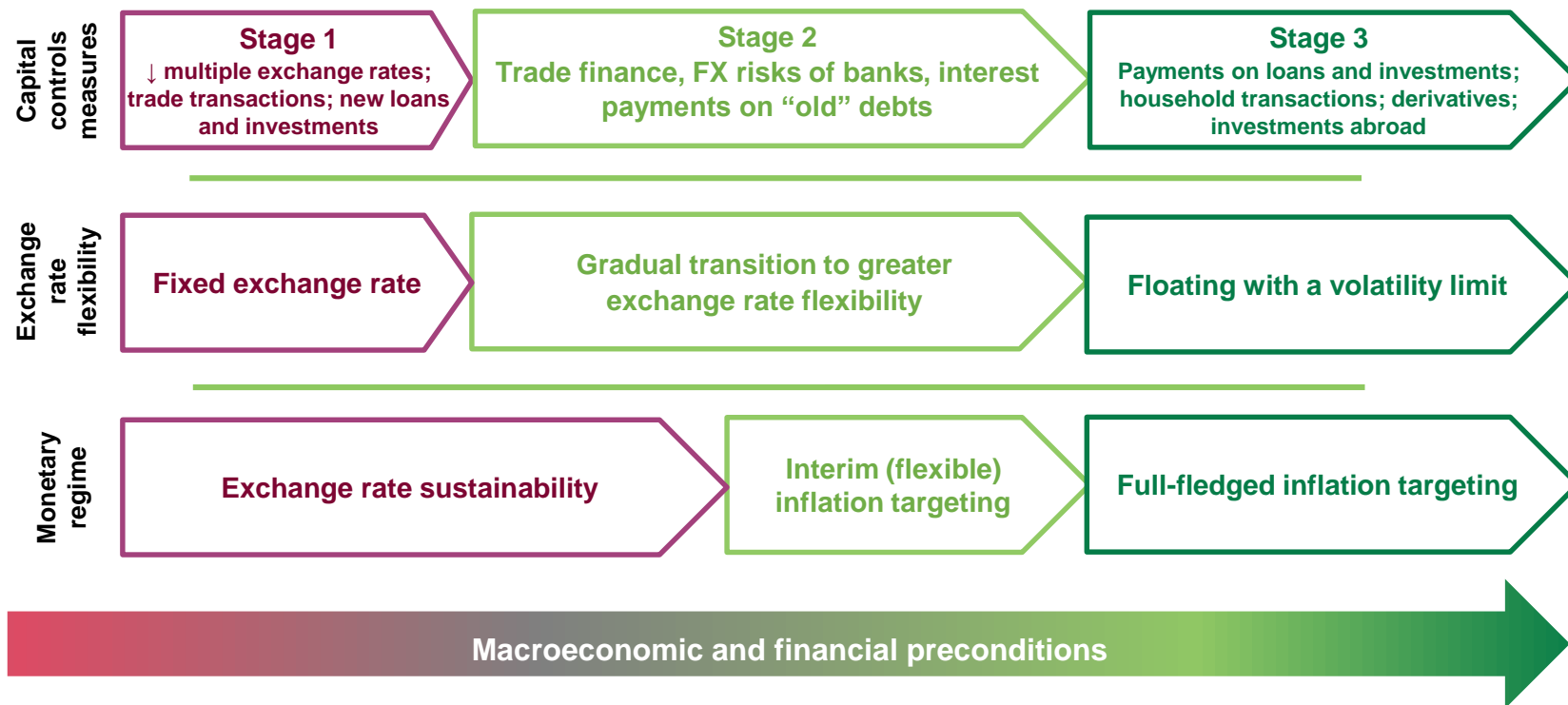
* At outstanding nominal value.

Source: NBU.

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- Monetary transmission channels in Ukraine have significantly weakened due to Russia's full-scale invasion
- The NBU employs key policy rate as a supplementary tool to mitigate pressure on the exchange rate and international reserves

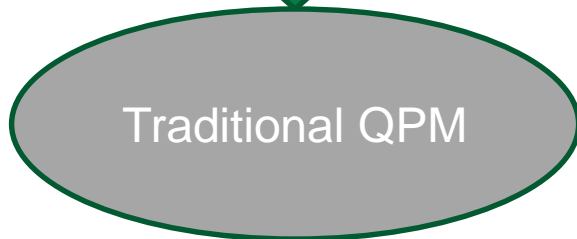
Challenge for MP #4. The evolving of MP and ER regimes as well as the liberalization of capital control measures



**Strategy for easing FX restrictions, transition to greater exchange rate flexibility and return to inflation targeting*

There is a need for more than just QPM as a Workhorse Model. FINEX as the response to challenges in monetary policy

Full-fledged IT
Stable monetary regime
Key policy rate as the main instrument
Floating ER
Free movement of capital



VS

Flexible IT
Evolving monetary regime
Combination of MP instruments – KPR as an additional instrument
Managed ER
Capital Flows Management





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