



The Local Economist - Ukraine Country Office

Monthly economic bulletin
Research, Assessment, and Monitoring
September, 2023

ram.wfp.ukraine@wfp.org

Food Prices	UAH	change
Buckwheat	45.61	-52%
Meat	168.61	18%
Rice	53.50	-5%
Bread	37.76	8%
Pasta	30.89	-5%
Veg. Oil	64.78	-7%

*UAH per 1 kg or L, August 2023 prices, year-on-year

Exchange Rate	Sep22	Oct23
NBU	36.6	36.6
Banks	40.8	37.9
Market Rate	40.9	38.1

*USDUAH, October 6, 2022/23

Exchange Rate

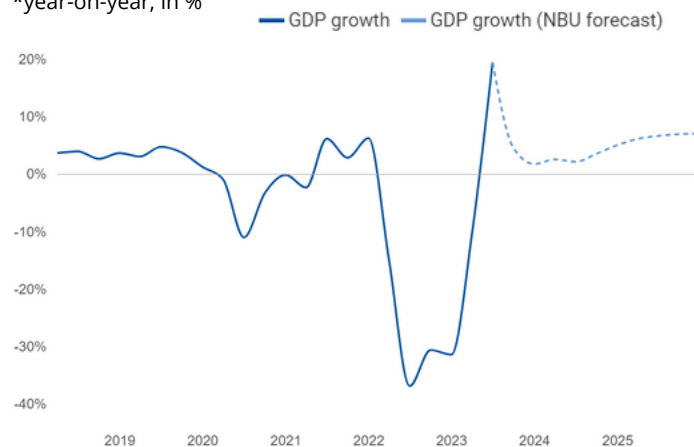
On 2nd of October, the NBU has announced the return to controlled floating of the hryvnia exchange rate against the dollar, effective as of 3rd of October. This was done due to steady progress in reducing inflation, the accumulation of a significant level of international reserves, and the increase in the attractiveness of hryvnia deposits.

The NBU stated that the plan is to spend approximately the same funds to maintain the stability of the exchange rate as before and keep the daily fluctuations of the exchange rate small. The goal is to restore the operation of the interbank foreign exchange market and accustom businesses to daily changes in the exchange rate.

Gross Domestic Product (GDP)

In its new inflation report for July 2023, the National Bank of Ukraine (NBU) predicted real GDP growth of 2.9% by the end of 2023. According to the State Statistics Service, in the 2nd quarter of 2023, GDP actually grew by 19.5% yoy.

*year-on-year, in %



Graph: CES Ukraine War Economy Tracker

Employment

In 2021 official unemployment in Ukraine was 10.3%. While no updated official data exists, according to phone interviews made by research agency Info Sapiens, the unemployment rate reached 15.1% in August 2023.

Unemployment, Ukraine

*% of work force



Data is collected by phone interviews with calls on cell numbers

Harvest

As of the end of September, Ukrainian farmers had harvested 30.5 million tons of grains and 11.2 million tons of oilseeds. Wheat harvest is 22.2 million tons (up from 20.7 in 2022) from 4.69 million hectares with a yield averaging 4.73 t/ha. On the 2nd of October, the Ministry of Agrarian Policy and Food of Ukraine updated the forecast for 2023. Weather factors remain favorable and allow to increase in the production forecast to 79.1 million tonnes by the end of the year. In particular, this year, Ukrainian farmers are expected to harvest about 57.5 million tonnes of grain and 21.6 million tonnes of oilseeds. A good yield of early grains and the lack of active exports have already filled part of the granaries. A critical issue is the 2023 wheat quality. The drain on farmers' funds resulted in a serious dent in the portion of wheat that is suitable for milling and food staples. As of September 12, only about 25% of harvested wheat meets the food grade quality standard (Grades 1-3, graph below).

Quality of wheat - distribution by grade

	2019	2020	2021	2022	2023
Grade 1	6.7%	10.1%	3.0%	1.0%	0.0%
Grade 2	27.3%	23.4%	19.2%	10.6%	5.7%
Grade 3	26.1%	24.2%	20.4%	24.3%	19.5%
Grade 4	35.4%	30.3%	38.3%	36.9%	41.3%
Not Standard	4.5%	12.0%	19.1%	27.2%	35.5%

Despite the financial situation and shelling, the Ukrainian oilseed market is experiencing record levels of processing and exports, with a significant increase in the

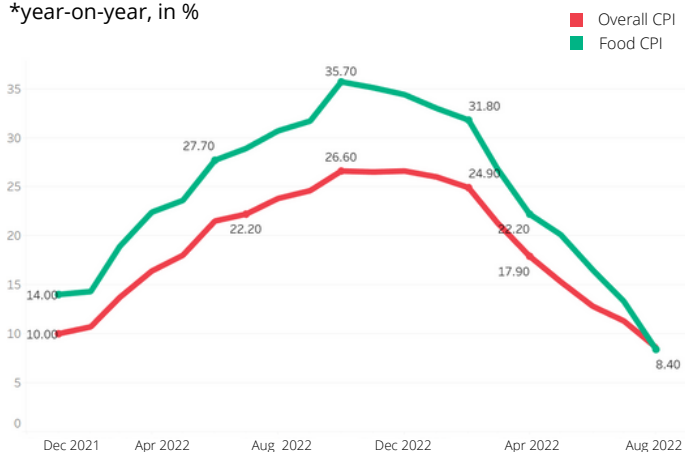
export of Ukrainian sunflower oil. However, the industry faces new logistical constraints and shrinking margins for producers and processors due to higher costs and falling prices. Despite these challenges, Ukraine's oilseed processing capacity is growing as the industry remains focused on adding value to oilseed production through processing.

Inflation

In August 2023, the increase in consumer prices slowed down to 8.6% yoy, which is the lowest rate in more than two years. In monthly terms, prices went down by 3.7%. Food price growth has slowed down to 8.4 % yoy. One of the reasons is the seasonal decrease in vegetables prices. However, this year this drop in vegetables was unusually large - 37.6% (compared to July). This is likely due to a good vegetable harvest. Also, the limited vegetable storage capacity still does not allow vegetable producers to regulate the supply of the product in case of a large harvest. Apart from changes in fuel and vegetable prices, consumer prices were on average close to July levels: seasonal declines in prices for clothing, footwear, fruit, and dairy products offset increases in prices for other goods, including meat and meat products.

Consumer Price Index, Ukraine

*year-on-year, in %



Market Assessment

In August, using the Market Functionality Index (MFI), four remote assessments were conducted by WFP in areas affected by the Kakhovka Dam destruction.

The assessed markets are **Snihurivka** and **Bereznehuvate** in Mykolaiivska oblast, **Beryslav** and **Novovoronsovka** in Khersonska oblast. All markets appear to be well-functioning. The markets there were afflicted by the Kakhovka Dam destruction, but not destroyed. The consequences in the form of water price fluctuations and a limited assortment of cereals remain an issue.

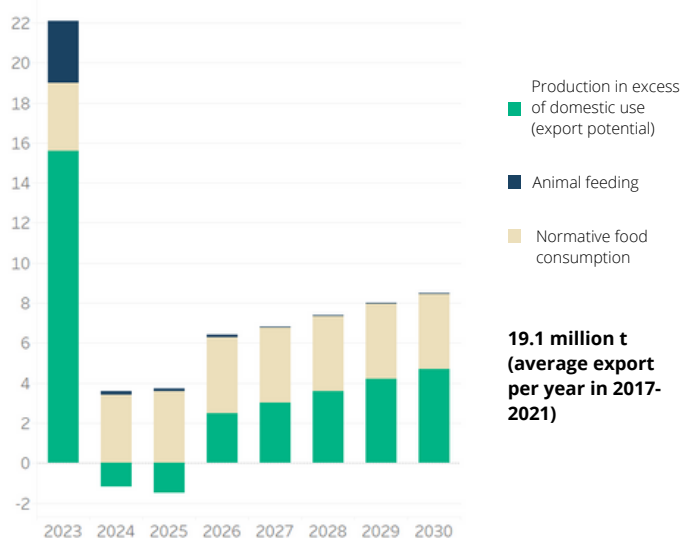
Ukraine Food Balances

To examine the potential longer-term consequences of Black Sea grain initiative abandonment and infrastructure destruction on food balances in Ukraine, WFP and the Kyiv School of Economics collaborated on an analysis to examine various production and consumption scenarios over eight year horizon. Scenarios take into account different degrees of export access as well as different sizes of infrastructure attacks, to understand the dynamic effects the war may have on domestic production and food availability.

Under the most pessimistic scenarios - meaning full blockade of ports, medium or large-scale attacks on infrastructure and assuming the war will end in 2025 - production of wheat may fall to the level below minimal local demand for one or two years (Graph below). However, the presence of a large storage capacity for wheat could compensate for this gap.

Supply and Demand Analysis: Wheat Worst-case scenario

*in million tons



Production of no other grains is likely to fall below minimal local demand. The production level of some grains that are not exported (such as buckwheat) is likely to match the local demand through the market self-regulation mechanisms. Many key Ukrainian food products, such as potatoes, sugar, milk and dairy, meat, and poultry are fairly unsusceptible to shocks from export blockages and attacks on the infrastructure included in this scenario analysis. This does not, however, mean that these products could not be harmed by other adverse events, as evidenced by for instance the impact of the Kakhovka dam destruction.

Full report can be found [HERE](#).