

Economic Report Ukraine

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Inconsistent growth in the Ukrainian food industry

The mood among food manufacturers is mixed. Production is stabilizing. Companies are investing. But the industry is facing major challenges. The Ukrainian pharmaceutical industry defies the crisis.

Overall economic outlook (as of May 2025)

An insecure energy supply, a shortage of labor and new tariffs are making life difficult for the economy. But reconstruction is keeping the economy on track.

Top topic: Abolition of EU trade facilitations causes uncertainty

Energy supply and labor shortages remain key challenges for the economy. Since June 2025, the situation has been exacerbated by another problem, particularly in the agricultural and food sector: on June 6, 2025, the EU trade concessions for Ukraine expired. The previous customs exemption for Ukrainian goods was terminated and replaced by transitional regulations that apply until a new trade agreement is concluded. Since then, numerous agricultural products, including sugar, grain, poultry and eggs, have once again been subject to customs duties and import quotas.

The Ukrainian government is warning of considerable economic losses. According to estimates by Ukrainian agricultural associations, the country could lose up to 3.3 billion euros a year in foreign currency revenue as a result of the reintroduction of trade restrictions.

Labor shortage worsens

The situation on the Ukrainian labor market remains extremely tense. Since the beginning of the war, the labor force has fallen from 17.4 million in 2021 to around 14 million today. A dramatic decline that is mainly due to refugee movements and mobilization. The war has already left a deep demographic gap: Hundreds of thousands of men have died or been wounded in the war, around one million people are currently doing military service and are only available to the civilian labor market to a limited extent.

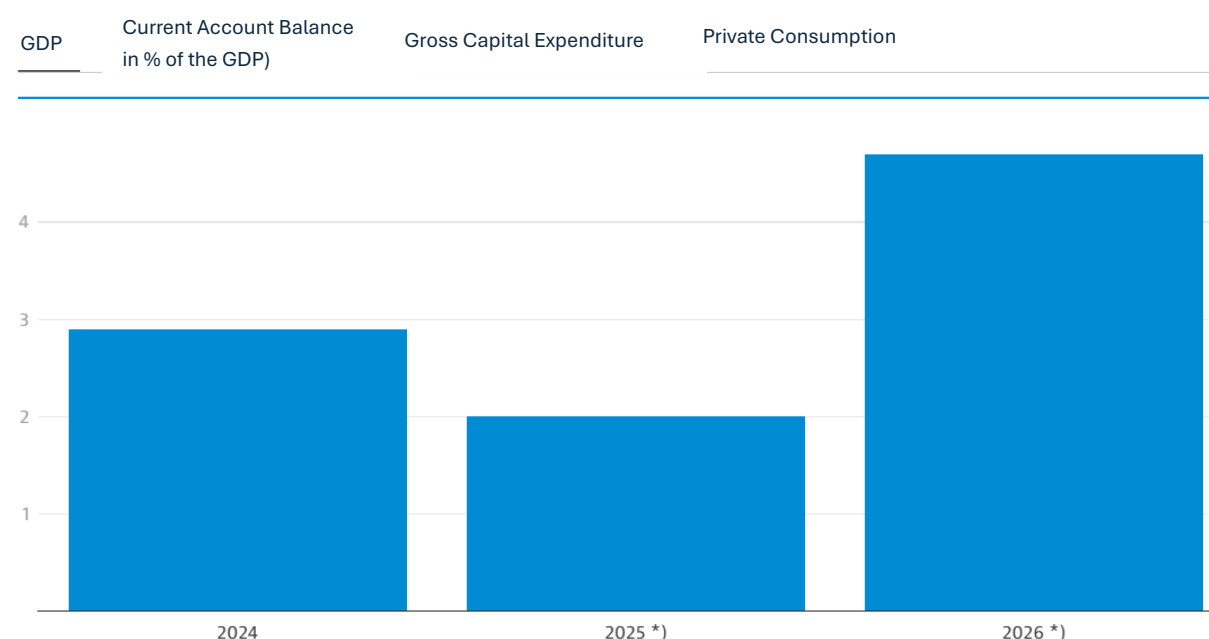
According to estimates by the consultancy firm KPMG, around 100,000 jobs are currently unfilled, particularly in key sectors such as logistics, transportation, IT, construction and agriculture. Nicolai Kiskalt, Head of KPMG Ukraine Gateway, warns that the need for additional skilled workers could rise to up to 4.5 million by 2033.

Economic development: growth will not pick up again until 2026

Despite massive destruction and ongoing challenges, the Ukrainian economy is proving to be remarkably resilient. The growth curve has been pointing steadily upwards since spring 2023. Following the dramatic slump in gross domestic product (GDP) of around 30 percent in the first year of the war in 2022, economic output grew by 5.5 percent in real terms in 2023 and by a further 2.9 percent in 2024.

Nevertheless, the road to full economic recovery remains long: even under optimistic assumptions, real GDP in 2025 is still likely to be around 20 percent below the pre-war level of 2021. A return to pre-war levels is expected in the best-case scenario in 2033.

Economy remains resilient (real year-on-year change in percent)



* Forecast

Source: European Commission (spring forecast) 2025

Weakening economy

Ukraine's economic growth began to slow down in 2024. This was due to increased Russian attacks on critical energy infrastructure, labor shortages and declining exports.

After an increase of 6.8 percent in the 1st quarter of 2024, this was followed by an increase of 4 percent in the 2nd quarter and only 2.2 percent in the 3rd quarter compared to the same quarter of the previous year. In the 4th quarter of 2024, a slight decline was recorded for the first time since the start of the recovery.

Investments could provide new impetus

This trend will continue in 2025. In the 1st quarter, the economy grew by a weak 1.1 percent. For 2025 as a whole, the European Commission expects a real increase in economic output of 2 percent, driven primarily by an increase in investment and private consumption. The increase in investment will be driven by high spending on the expansion and development of the defense industry, as well as ongoing work on the country's recovery.

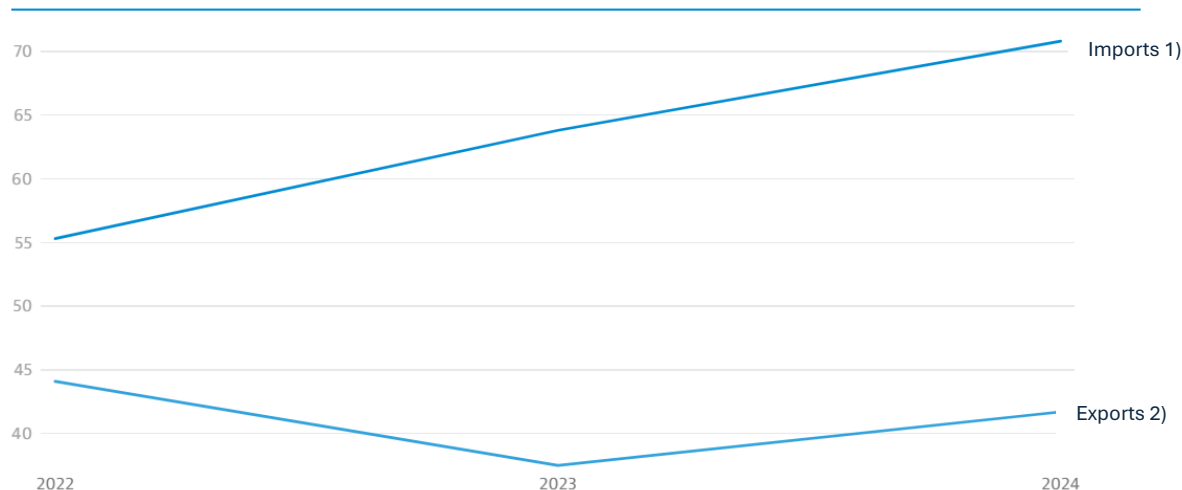
This will also provide growth impetus in 2026. Investments in reconstruction and modernization could gain momentum, provided the security situation allows it and the intensity of hostilities decreases. In addition, there are already signs of increasing investment activity from both private and public actors. A significant proportion of these funds is flowing into the energy sector and related infrastructure projects.

Investments are also being made in other areas, such as agriculture and the food industry, retail and the tourism sector.

German perspective: Reconstruction will offer great opportunities

The Russian war of aggression caused bilateral trade to collapse in 2022. Since then, however, things have picked up again. German goods exports to Ukraine rose by 17% to a record value of 8.2 billion euros in 2024. German imports from Ukraine increased even more strongly. They climbed by 20.7 percent to a record level of around 3.5 billion euros.

Ukrainian exports are recovering (Ukraine's foreign trade, in billions of US dollars)



1) Cost, Insurance, Freight (cif); 2) Free on Board (fob).

Source: Ukrainian Statistical Service (Derzhstat) 2025

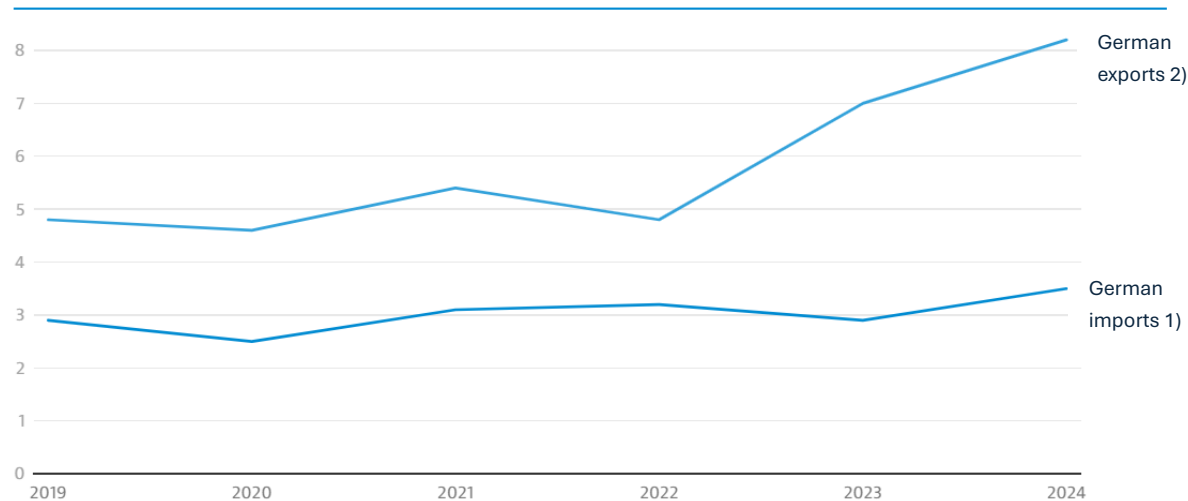
The cost of rebuilding the country is estimated at the equivalent of 458 billion euros. German companies can also benefit from the investments in reconstruction.

Opportunities in many areas for German companies

The energy sector is a priority area. This offers good opportunities for German suppliers of technology, equipment and systems. The development of decentralized energy supply systems offers particular opportunities. Large Ukrainian companies are already investing heavily in energy autonomy. However, companies from industry and the trade sector are also focusing on decentralized energy supply.

The same applies to the building materials sector. The construction industry and the production of building materials offer enormous potential due to the need for reconstruction. Numerous foreign companies, including German companies such as Knauf and Fixit, are already investing in Ukraine and are thus preparing for the future boom in demand. In addition, further business opportunities could arise in the agricultural sector and the processing of agricultural raw materials, as well as in the waste and recycling sector, water supply and wastewater disposal and healthcare.

German exports climb to record level (German imports and exports, in billions of euros)



1) Cost, Insurance, Freight (cif); 2) Free on Board (fob).

Source: Federal Statistical Office (2024)

Market Trends Food Industry

The mood among food manufacturers is mixed. Production is stabilizing. Companies are investing. But the industry is facing major challenges. Ukrainian food and beverage manufacturers were able to increase production and sales in both 2023 and 2024. Following the sharp slump after the start of the war in 2022, company revenue increased by 11 percent in euros in 2023 and by a further 10 percent in 2024 compared to the previous year, according to the statistics office. In 2024 as a whole, turnover reached 17.5 billion euros.

There was strong growth in fruit and vegetable production. Turnover here increased by over 30 percent compared to 2024 and 2023. Growth in the processing of vegetable oils and animal fats and in sugar production even approached the 40 percent mark. Meat processing also saw a strong growth.

Upward trend slowed again in 2025

Since the beginning of 2025, however, this trend has begun to falter again. The first few months of 2025 showed a dramatic turnaround: Production in the food industry fell by 12 percent in the 1st quarter of 2025 compared to the same quarter of the previous year. Positive results in individual sub-segments were unable to compensate for massive declines in other areas. For example, the decline in sugar was 84 percent and 25 percent for vegetable oil and animal fats compared to the same period last year. This was mainly due to the growing shortage of agricultural commodities. On the one hand, this is due to the smaller harvest caused by unfavorable weather conditions and the war-related reduction in arable land - for example due to occupation or mining. On the other hand, domestic processors cannot compete with export customers, which is why the increasing export of agricultural raw materials means that they are not available to Ukrainian processors.

Processors complain about lack of agricultural raw materials

The shortage of raw materials is one of the biggest problems facing the food industry - an issue that companies are increasingly bringing to the attention of the government. Calls to allow imports of cheaper, even genetically modified (rapeseed) agricultural raw materials are growing louder. Export taxes or restrictions on oilseeds (especially rapeseed and soy) are also being discussed. However, this could lead to losses for Ukrainian agricultural companies. Rising energy costs and damaged infrastructure are also a burden.

Exports gain in importance

The industry's primary growth driver is exports. Exports accounted for around 32 percent of the total turnover of food manufacturers in 2024 (2022: 29 percent). Food exports reached a total of around 5.7 billion US dollars in 2024 - 20.8 percent more than in the previous year. Exports of meat and meat products developed particularly dynamically. The export business is particularly lucrative for Ukrainian food companies, although they have to overcome a number of hurdles to exploit the potential. These include logistics, not least because of the enormous increase in transportation costs due to the war and the destruction of infrastructure. In addition, exports - especially to the EU - must meet certification and standards requirements.

Adaptation to EU requirements drives investment

Adapting to EU standards is considered a particularly critical success factor. The dairy industry is considered a pioneer and has been making extensive investments for some time to adapt to quality standards for better integration into EU markets. Accreditation for EU exports (compliance with EU conformity requirements) is an important step in this direction. Individual Ukrainian dairies, such as the goat's milk producer Tetiana (Zinka), are implementing European production standards and are said to have achieved the necessary accreditation.

The EU is one of the most important markets for the Ukrainian agricultural sector and food producers. The temporary lifting of tariffs and quotas after the outbreak of war in 2022 had significantly improved conditions for Ukrainian exports to the EU. However, the preferential trading system ended on June 5, 2025 and will be replaced by the former quota system.

This is forcing Ukraine to realign its export policy. It will be necessary to diversify exports. New markets for Ukrainian agricultural products and foodstuffs are being sought outside the EU, particularly in Africa and Asia. However, the aim is also to move from being a supplier of largely unprocessed agricultural raw materials to becoming an exporter of finished products with higher added value. This will entail considerable investment.

Numerous investment projects

Ukrainian food companies are already investing, continuing existing projects and launching new ones. Modernization, automation and digitalization of production facilities are being carried out. Investments are also being made in the expansion of existing capacities or the construction of new ones. Some projects are financed from own funds. Companies are able to access discounted loans from government funding programs. Some projects are made possible by international financial institutions, for example those of the Kernel Group and Epicentr K from loans from the European Investment Bank (EIB).

Selected investment projects in the Ukrainian food industry in millions of euros

Company	Total investment	Project	Realization period
Nestlé	237.5	Modernization of various plants in Ukraine, in particular in Lviv, Torchyn and Kharkiv	2025
Kernel-Trade	220.8	Vegetable oil pressing plant (Starokostjantyniv, Khmelnytskyi region)	2024
MHP SE	123.3	Expansion into Western Europe: acquisition of the Spanish UVESA Group (poultry and pork plants in Cuéllar, Málaga, Tudela, Rafelbuñol, among others) to strengthen poultry production and EU market access	2024
Astarta	69.9	Soy and rapeseed processing plant (Khmelnytsky)	2026
Nestlé	41.4	New vermicelli factory in Smolygiv, Volyn region (production of instant noodles for export to the EU)	2025
Nestlé	22.5	Modernization of three factories: Lviv (Svitoch brand confectionery), Torchyn (sauces), Kharkiv (Mivina brand instant noodles)	2024
Delta Food	3.5	New oil bottling plant and sauce line	2025
Evrika	k.A.	Modernization of sterilization (new autoclaves, automation) and installation of a 450-kilowatt solar plant at the main site in the Odessa region; production of canned vegetables (including peas, beans, tomatoes, cucumbers, juices)	2024 - 2025
UPG-Invest	k.A.	Expansion of turkey meat production	2024 - 2025

Source: Information provided by the companies, press releases, research by Germany Trade & Invest 2025

Pharmaceutical Industry

Manufacturers of pharmaceuticals and active pharmaceutical ingredients are also expecting good results in 2025. The export business is becoming increasingly important. Investments will continue.

The Ukrainian pharmaceutical industry is experiencing a period of growth. Pharmaceutical manufacturers are benefiting from the recovery of the pharmaceutical market. At the same time, companies are increasingly succeeding in scoring points abroad and expanding their export business. Overall, the positive trend from 2024 will continue in 2025.

Measured in local currency hryvnia (UAH), the Ukrainian pharmaceutical market (pharmacies) grew by 18.7 percent in 2024 compared to the previous year. The sales volume amounted to the equivalent of 3.5 billion euros - 35 percent growth within two years. However, part of the increase in turnover is solely due to higher prices for medicines. Sales volumes have hardly changed in the same period.

Ukrainian manufacturers are nevertheless benefiting from the upward trend on the pharmaceutical market. They clearly dominate the market in terms of sales volume. Their share of the pharmacy market was around 63 percent in 2024. In terms of sales value, however, their share was only around 37 percent. Market observers also expect the pharmaceutical market to grow strongly again in 2025. Local producers will benefit from this.

Rising revenues for Ukrainian pharmaceutical manufacturers

According to the Ukrainian statistics office, the turnover of the Ukrainian pharmaceutical industry increased by almost 120 million euros year-on-year and amounted to over 1.4 billion euros in 2024. Almost all revenue was generated with finished pharmaceutical preparations.

By contrast, Ukrainian manufacturers of active pharmaceutical ingredients and raw materials weakened. Their turnover fell significantly from 51 million to 19 million euros. This is likely due to the loss of special demand in the wake of the Covid pandemic and logistics problems with deliveries to foreign customers. Nevertheless, this sector remains important for the local pharmaceutical industry. Its largest representatives - the biotech companies Enamine from Kyiv and Canadian Life Chemicals with production in Kyiv - are among the world's most important suppliers of chemical building blocks for drug research. Both companies are investing and expanding their research activities in Ukraine.

Farmak has been the undisputed market leader among Ukrainian pharmaceutical manufacturers for twelve years. It benefits from a broad product portfolio, innovative strength, export orientation and continuous investment. Farmak has modernized production facilities, laboratories and warehouses and invests in research and development of new drugs. The next most important manufacturers are Darnytsia, Yuriya-Pharm, Kyiv Vitaminnyi Zavod and Kyivmedpreparat. They focus on different areas such as generics, biotech products and vitamins.

Most important pharmaceutical companies in Ukraine (sales in millions of euros)

Turnover	2023	2024
Farmak	243	235
Farmatsevychna firma "Darnytsia"	175	150
Yuriya-Pharm	121	125
Kyivskiy Vitaminnyi Zavod	108	108
Kyivmedpreparat	66	78
Biopharma Plasma	56	77
Pharma Start	46	51
Borshchahivskiy Khimiko-Farmatsevychnyi Zavod	38	45
Farmatsevychna kompaniya "Zdorovya"	37	44
Halychpharm	32	40

Source: Rankings of the Ukrainian company database top-1000.com.ua, company data, Research by Germany Trade and Invest

Profitability under pressure

Ukrainian pharmaceutical companies will have to overcome a number of challenges on the domestic market in 2025. This is due to government measures to regulate the market in order to improve the availability of required medicines. For example, the government has decreed that prices for important medicines will be reduced and wholesalers' margins will be capped. This is intended to keep medicines affordable for the population. However, this reduces the profit margins and profitability of companies.

To compensate for this, however, the government is also supporting demand on the pharmaceutical market. For example, through the "Dostupni Liky" ("Affordable Medicines") program. Under this programme, subsidized or free medicines are made available to patients with chronic diseases.

At the beginning of 2025, the program comprised a total of 641 drugs, including many generics - a great opportunity for local manufacturers, who supply a large proportion of the low-cost generics. The demand for their products is increasing and they can expand their market share and increase their production, especially for drugs that are on the reimbursement list.

Export markets increasingly important

In addition to the domestic market, foreign business is becoming increasingly important for Ukrainian pharmaceutical manufacturers and the export share is rising. According to the Ukrainian statistics office, the industry's export sales increased by 16 percent within a year and amounted to almost 228 million euros in 2024. Further growth is expected for 2025.

Most major Ukrainian pharmaceutical companies are pursuing expansion plans for their foreign business. Some are taking over or even setting up their own production facilities abroad in order to better serve other foreign markets directly from there. Here too, Farmak is one of the pioneers and occupies a leading position in exports. It exports to more than 60 countries, including 15 EU member states. In 2024, the company built a state-of-the-art production facility for sterile pharmaceuticals in Barcelona.

With the support of the European Bank for Reconstruction and Development (EBRD), Farmak has also expanded into Poland and acquired the pharmaceutical company Symphar there in 2024. The aim is to increase export capacity and expand the company's presence on the European market. The EBRD provided a loan of 22 million euros for the takeover and IT investments.

In order to survive on international markets, especially in the EU, producers must invest in compliance with GMP standards and the corresponding certification. The most important Ukrainian pharmaceutical manufacturers are already doing this. Farmak, Acino, Yuria-Pharm, Darnitsa and Arterium are already modernizing their facilities and implementing the necessary measures for GMP compliance in their plants.

Further information can be found in the following article:

[Nachfrage nach Arzneimitteln in der Ukraine wird wachsen](#)

Ukrainian pharmaceutical sales are rising again. However, the war is restricting growth. Foreign suppliers dominate the market for original products.

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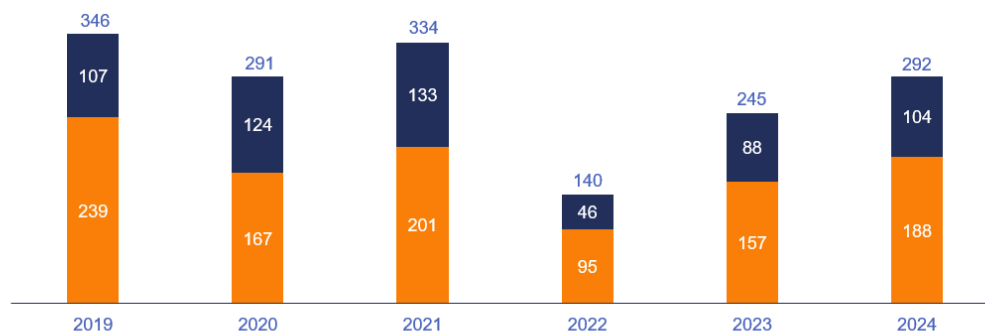
GLOBAL EXPORTS

Food Processing and Packaging Machinery to Ukraine

In million euros

■ Food Processing Machinery ■ Packaging Machinery

2024/2023: +19.3 %



Source: National Statistical Offices, VDMA



Food Processing and Packaging Machinery

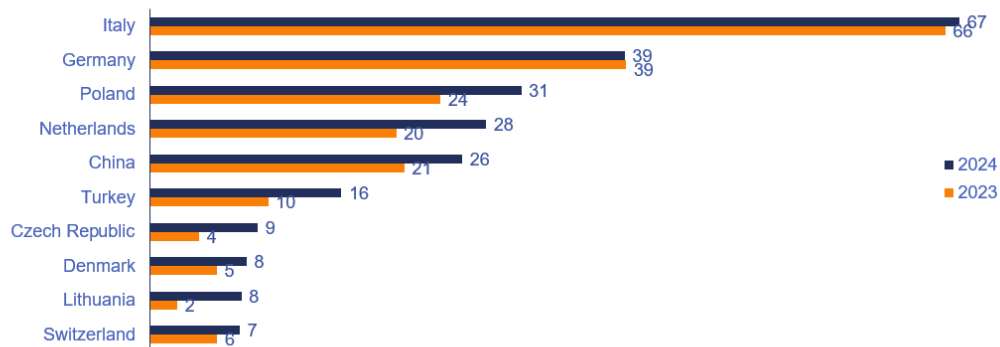
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GLOBAL EXPORTS

Food Processing and Packaging Machinery to Ukraine
TOP 10 Supplier Countries

Export 2024: 292 million euros, +19.3 %

In million euros



Source: National Statistical Offices, VDMA



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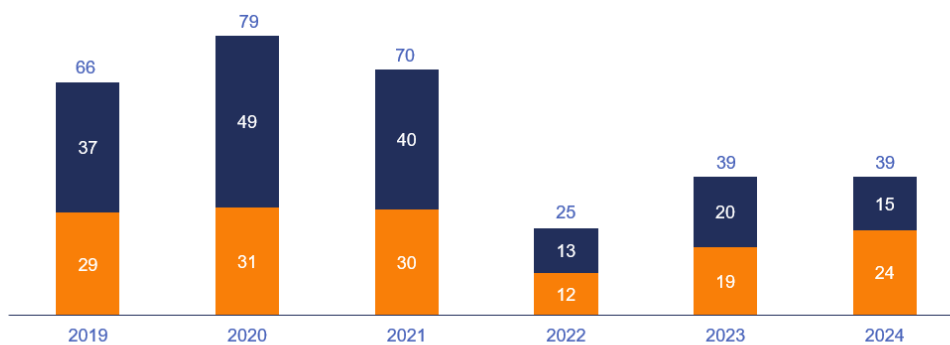
GERMAN EXPORTS

Food Processing and Packaging Machinery to Ukraine

In million euros

■ Food Processing Machinery ■ Packaging Machinery

2024/2023: -0.3 %



Source: National Statistical Offices, VDMA



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GERMAN EXPORTS

Food Processing and Packaging Machinery to Ukraine

Exports 2024: 39 million euros, -0.3 %

in million euros



Source: National Statistical Offices, VDMA



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