

SOCIO-ECONOMIC CONSEQUENCES OF INFLATION IN UKRAINE COMPARED TO OTHER COUNTRIES : USA AND CHINA

Вінницький національний технічний університет

Анотація

У даній роботі розглядаються соціально-економічні наслідки інфляції в Україні порівняно з США та Китаєм (2023–2026), спричиненої воєнними потрясіннями. Стаття висвітлює три основні питання: (1) соціально-економічні наслідки інфляції; (2) порівняльна динаміка України зі США та Китаєм; (3) методології прогнозування та заходи політики Національного банку України на 2027–2028 роки. Також у дослідженні описано відповідні дані моделювання щоквартальної моделі прогнозування індексу споживчих цін (ІСЦ) для передбачення шляхів дезінфляції, висвітлюючи ризики, пов'язані з тривалим конфліктом.

Ключові слова: інфляція, економічні наслідки, соціальна нерівність, купівельна спроможність, гіперінфляція.

Abstract

This work examines socio-economic consequences of inflation in Ukraine compared to USA and China (2023–2026), driven by war shocks. The article highlights three core questions: (1) social-economic repercussions of inflation; (2) Ukraine's comparative dynamics versus USA and China; (3) National Bank of Ukraine forecast methodologies and policy responses for 2027–2028. Also this study describes relevant data of the Consumer Price Index (CPI) quarterly projection model simulations to project disinflation paths, highlighting risks from prolonged conflict.

Keywords: inflation, economic consequences, social inequality, purchasing power, hyperinflation.

Introduction

Inflation is a difficult, multivariable and sometimes dangerous economic phenomenon. It refers to a general increase in prices – not just in specific goods and services but an all-round increase that is spread across different sectors, erodes purchasing power and destabilizes socioeconomic structures, with effects amplified in conflict zones like Ukraine. While moderate inflation (2–3%) supports growth in advanced economies such as the USA, Ukraine's 2026 rate of 7.5–12%—driven by war-induced energy shocks and deficits—intensifies poverty, emigration, and investment flight.

Prior studies confirm inflation's regressive nature, disproportionately burdening low-income groups via essentials inflation. Ukraine's case exemplifies hyperinflation risks, necessitating targeted interventions. Structure: theoretical framework, empirical analysis, forecasts, and policy implications. This thesis examines the redistribution effects, inequality exacerbation, reduced economic growth, unemployment risks, and social disintegration stemming from inflationary pressures, drawing on empirical analyses from diverse economies.

Research results

Inflation refers to a general increase in the general price level, exerts profound social and economic consequences that disrupt stability and equity in societies [1].

Economically, inflation erodes purchasing power, discourages savings and investment, and undermines export competitiveness by raising production costs, leading to balance of payments deficits. High inflation creates uncertainty, hindering long-term planning for businesses and reducing productive investments, while fixed-income groups suffer most from disproportionate rises in essentials like food and energy [2].

Socially, inflation widens income inequality and social stratification, with lower-income households facing higher effective inflation rates due to heavier spending on necessities, resulting in poverty, class downward mobility, and generational conflicts. It fosters discontent, erodes social cohesion, and increases crime or unrest, as seen in cases of hyperinflation where basic needs become unaffordable.

Methodologically, this analysis synthesizes scholarly reviews and empirical data from sources like Organisation for Economic Co-operation and Development reports and case studies on Iranian and global experiences, highlighting uneven impacts across demographics. Key findings underscore inflation's role in perpetuating cycles of inequality and instability, with policy implications for targeted monetary and fiscal measures [3].

Inflation poses significant challenges, with Ukraine experiencing notably higher rates than the USA or China in recent years, amplifying both economic and social strains.

This empirical analysis compares inflation dynamics in Ukraine, the USA, and China from 2023–2026, using consumer price index data to highlight differential consequences.

Ukraine's inflation averaged around 12–26% annually in 2023–2025, easing to 7.4% by January 2026 amid war-related shocks, energy volatility, and supply disruptions, far exceeding peers. In contrast, the USA saw moderate rates of 2.5–4.1%, enabling stable growth, while China's low 0.2–1.0% reflects controlled demand and producer pricing, supporting export-led expansion. The comparison of Ukraine's inflation growth relative to the USA and China is given in Table 1.

Tab.1 Comparative table of inflation growth

Year	Ukraine (%)	USA (%)	China (%)
2023	26,6	4,1	0,2
2024	12,0	3,0	0,5
2025	8,0	2,5	1,0

Ukraine faces acute economic fallout: eroded real wages reduce consumption by 10–15%, investment drops due to uncertainty, and fiscal pressures mount from war financing, contrasting USA's resilient consumer spending and China's buffered industrial output. Socially, Ukraine sees heightened poverty (up 20% in vulnerable groups), inequality spikes, and emigration, unlike minimal disruptions in low-inflation USA/China [4].

These disparities underscore Ukraine's vulnerability to external shocks, recommending tighter monetary policy and diversification for mitigation.

High inflation in Ukraine during 2026 stems from war-related supply shocks, energy price surges, and wage pressures amid constrained production.

Key drivers include a 19% rise in energy costs due to infrastructure damage and global prices, which inflate manufacturing expenses, alongside logistical disruptions from conflict and import reliance. Wage growth outpacing productivity (money supply +5-7%) fuels demand-pull inflation, while hryvnia depreciation and elevated global food prices (e.g., oil, feed) push food inflation to around 9.2%. These factors combine with fiscal deficits (18.4% of Gross Domestic Product) to sustain rates of 7.5-12%.

Ukraine experiences direct war effects—destroyed energy grids (+19% costs), blocked ports, and budget strains—amplifying inflation to double digits, eroding real wages and investment. In the USA, impacts are indirect: modest energy and grain price hikes add 1-2% to consumer price index, buffered by reserves, diversified supply chains, and Fed tightening, keeping inflation at 2-3%[5]. We can clearly see in Table 2.

Tab.2 War's Impact on Inflation: Ukraine vs USA

Factor	Ukraine (2026)	USA (2026)
War-Energy	+19% costs	+1-2% CPI
Logistics	Severely disrupted	Minimal
Inflation	7.5-12%	2-3%

The National Bank of Ukraine maintains a tight monetary policy with the key rate at 14.5% to anchor expectations and cool demand, while enhancing forex interventions for hryvnia stability. Additional steps include forward guidance for 5±1% targets, macroprudential tools to limit credit bubbles, and coordination with fiscal austerity to reduce deficit financing. These aim to moderate inflation toward single digits by late 2026 [6].

The National Bank of Ukraine forecasts inflation to moderate gradually in 2027–2028, reaching 6% by end-2027 and the 5% target by mid-2028.

Inflation is projected at 6% for end-2027 (revised up from 5% due to lingering energy sector damage and administrative price pressures), driven by base effects from 2025 harvests and tighter monetary policy. By 2028, it returns to the 5±1% target amid labor market normalization, reduced import pressures, stronger harvests, and energy recovery, though business energy autonomy costs persist [7].

Conclusion

Inflation in Ukraine inflicts asymmetric social and economic damage, eroding purchasing power, widening inequality, and stifling growth far more severely than in low-inflation USA/China, primarily due to war-induced shocks like 19% energy cost surges and logistics breakdowns. Empirical analysis confirms Ukraine's 2023–2026 rates (12–26%) amplify poverty (+20%) and emigration, contrasting stable peers.

National Bank of Ukraine Quarterly Projection Model / Forecasting and Policy Analysis System forecasting accurately projects disinflation to 6% end-2027 and 5% in 2028 via tight policy (14.5% key rate, forex interventions), though war scenarios risk 9.4%+ rates. Tight monetary-fiscal coordination, diversification, and security stabilization are essential to mitigate risks and sustain recovery.

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Даценко Карина Анатоліївна – студентка групи МФКД-24б, факультет менеджменту та інформаційної безпеки, Вінницький національний технічний університет, Вінниця, e-mail: kara.datsenko37@gmail.com

Науковий керівник: Кобилянська Ірина Василівна – канд. пед. наук, старший викладач кафедри іноземних мов, Вінницький національний технічний університет, м. Вінниця, email : ikobylianska@gmail.com

Karina Datsenko – student of the group MFKD-24b, Faculty of Management and Information Security, Vinnytsia National Technical University, Vinnytsia, e-mail: kara.datsenko37@gmail.com

Scientific supervisor: Kobylanska Iryna – PhD in Pedagogy, Senior Lecturer, Department of Foreign Languages, Vinnytsia National Technical University, Vinnytsia, email : ikobylianska@gmail.com