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INFLATION TARGETING AS A MECHANISM FOR ENSURING PRICE STABILITY IN UKRAINE

This study aims to evaluate the operational viability of the inflation targeting regime as a mechanism for preserving price stability in Ukraine under the conditions of a full-scale war, characterized by disrupted production networks, energy shortages, and severe fiscal strain. The research employs systemic analysis, structural diagnostics, comparative benchmarking, causal inference, and inductive generalization. It is demonstrated that the National Bank of Ukraine, despite a broken monetary transmission channel and deteriorating statistical reliability in occupied and frontline areas, sustained its adherence to the inflation targeting framework through a set of adaptive measures: aggressive policy rate hikes, the introduction of capital outflow restrictions, active foreign exchange market interventions, and intensified forward guidance. The findings reveal that the traditional distinction between demand-driven and cost-driven inflation becomes largely inoperative under wartime supply-side shocks, while fiscal dominance risks arising from defence spending create fundamental tensions with conventional disinflation strategies. It is established that the effectiveness of anti-inflationary policy during armed conflict depends less on the precise calibration of the interest rate and more on three enabling factors: close monetary-fiscal coordination, structural reforms in the energy sector, and the timely availability of international financial assistance. Four specific adaptations that preserved the functionality of the targeting regime are identified: extending the horizon for returning to the official target, increasing the frequency of forecast revisions, using explicit forward guidance to anchor volatile expectations, and phasing out emergency measures as stabilization progresses. Future evolution of the monetary framework will require addressing three interrelated challenges: managing demand-side inflationary pressures from post-war reconstruction, unwinding capital controls without triggering exchange rate instability, and restoring a fully flexible exchange rate regime. It is concluded that Ukraine's wartime experience confirms that

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inflation targeting remains operable under armed conflict provided that classical rules undergo transformation into a flexible, adaptive, yet reputationally accountable policy framework in which temporary target deviations do not undermine confidence in the nominal anchor.

Keywords: inflation targeting, price stability, National Bank of Ukraine, monetary policy instruments, wartime inflation, central bank adaptation, supply shocks, disinflation.