

In April 2019, annual consumer price inflation was 8.8% (up from 8.6% in March). In monthly terms, prices grew by 1.0%. Actual inflation came in just above the projection the NBU published in its [April 2019 Inflation Report](#). This was due to the effect of temporary factors, including disruptions to the supply of oil products from Belarus, the restrictions on exports of energy products to Ukraine announced by Russia, and speculative demand for certain raw food products due to their limited supply. By contrast, core inflation continued to decline, among other things due to the NBU's tight monetary policy. Annual producer price inflation was the lowest in five years thanks to a decline in natural gas and electricity prices.

Core Inflation

Core inflation slowed to 7.4% yoy in April, down from 7.6% yoy in March. In monthly terms, the core CPI increased by 0.4%.

The pace of growth in the prices of processed foods decelerated (to 8.4% yoy). Amid an increase in supply and a further drop in global prices, the growth in prices for meat products continued to slow in April (to 7.9% yoy). Prices for sunflower oil almost reached last year's levels thanks to the bumper harvest of sunflower seeds and the reduction of global oilseed prices. The increase in the cost of bread also slowed (to 19.3% yoy) because of an easing of pressure from production costs and expectations of a good wheat harvest this year. At the same time, the growth in prices for dairy products accelerated somewhat (to 8.9% yoy), driven by rising global prices and a reduction in the number of cows.

The prices of services grew less rapidly as well (14.0% yoy). In April, the pace of growth in the prices of financial, legal and funeral services declined, as did the growth in prices for mobile phone services and health resorts. At the same time, prices for most other services rose at a steady pace.

The prices of nonfood products grew at the same rate as in the previous month (2.7% yoy). In particular, the growth in the prices of clothing and footwear remained slow (1.8% yoy). Prices for household appliances and pharmaceutical products grew more slowly (3.9% yoy and 5.8% yoy, respectively), while prices for audio-visual devices and computer equipment declined from last year (by 5.7% yoy).

Changes in Raw Food Prices

The growth in raw food prices accelerated to 5.1% yoy. In particular, the growth in prices for borschch vegetables accelerated again (to 86.9% yoy) after slowing in March, primarily driven by the prices of onions and white cabbage. This was due to speculative demand driven by the scarce supply of these products in the countries that import them and in Ukraine, as a result of both last year's poor harvest and relatively unfavorable weather conditions in April this year. In

addition, milk prices grew faster (10.5% yoy). Raw food price inflation was curbed somewhat by a decline in fruit prices (by 22.5% yoy). Egg prices also continued to decline (by 25.3% yoy) due to a solid increase in poultry production.

Changes in Administered Prices

The growth in administered prices decelerated as expected (to 18.2% yoy). The slight acceleration in the increase in prices for alcoholic beverages (to 10.0% yoy) and passenger rail fares (to 29.1% yoy) was offset by a slowdown in the growth in tobacco product prices (to 23.2% yoy), public transport fares (to 41.1% yoy), and charges for cold water supplies and sewage collection (to 21.5% yoy and 24.2% yoy, respectively).

Changes in Fuel Prices

Fuel prices remained lower than last year (down 0.2% yoy). At the same time, their decline slowed significantly, due to the rise in global oil prices and the emergence of the previously mentioned difficulties with energy imports from Belarus and Russia.

Producer Price Inflation

The producer price index continued to grow slower, by 7.3% yoy in April 2019 (down from 8.9% yoy in March). As a result, producer price inflation was the lowest in five years. In monthly terms, producer prices dropped by 1.6%.

The decline in annual producer price inflation was largely driven by a sharp decrease in price inflation for the supply of electricity, gas, steam, and air conditioning (to 12.7% yoy). Global natural gas prices continued to fall in April, which enabled further cuts of gas tariffs for industrial consumers by Naftogaz of Ukraine NJSC. This factor also contributed to the drop in the price of electricity generated by thermal power plants. In addition, prices on the Wholesale Electricity Market declined due to the larger share of cheaper nuclear power in total output. April also saw a continued dip in prices for electricity generated from renewable sources, a result of the hryvnia's appreciation against the euro (the tariff is set once a quarter and is pegged to the euro) and rapid growth in the

capacity of new facilities (the green tariff being lower for newer facilities than for those put into operation before 2017).

Price developments in other industries mostly reflected the corresponding global trends. Prices for crude oil and natural gas grew more slowly (18.7% yoy) on the back of lower global gas prices. This, together with relatively stable global fertilizer prices, resulted in a slight deceleration of price growth in the chemical industry (to 3.2% yoy).

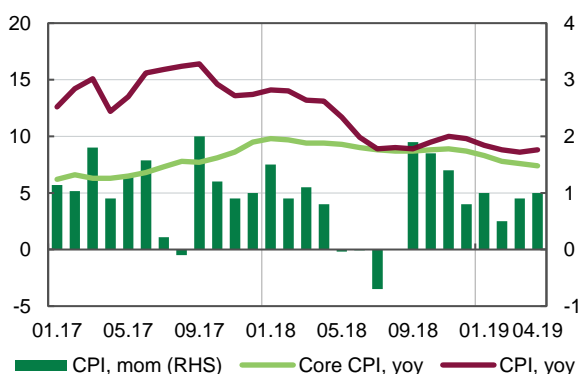
The continued year-on-year decline in prices for metal products (by 5.8%) reflected global trends for steel prices. In contrast, lower global supply and higher demand from

Ukrainian companies supported faster price growth in metal ore mining (11.6% yoy).

The growth in the prices of foods, beverages, and tobacco products accelerated somewhat, to 4.7% yoy. Growth in prices for meat products resumed in April (by 3.2% yoy), driven by a temporary pickup in demand for raw meat in late April, on the eve of the Easter holidays that were longer than usual this year. Growth in beverage prices accelerated as well (to 14.5% yoy). At the same time, prices grew slower for dairy products (10.5% yoy) and baked goods (14.1% yoy).

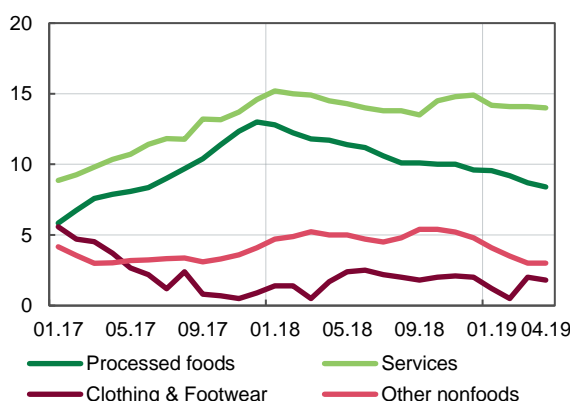
Consumer price inflation accelerated somewhat in April 2019, driven by temporary factors. At the same time, core inflation declined, among other things due to the NBU's tight monetary policy

Chart 1. Consumer Price Indices, %



Source: SSSU.

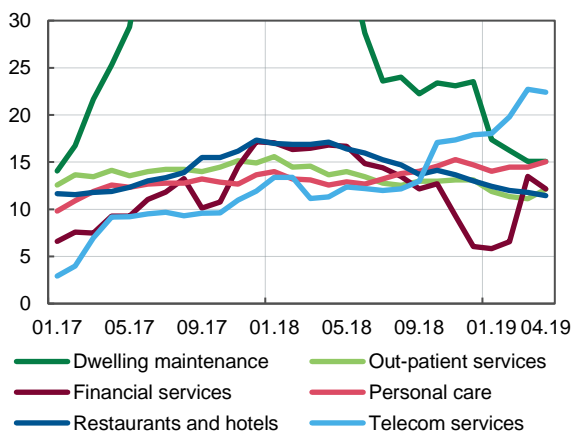
Chart 2. Main Core CPI Components, % yoy



Source: SSSU, NBU staff estimates.

Services prices grew slightly slower, although their growth rates still remained high due to production costs

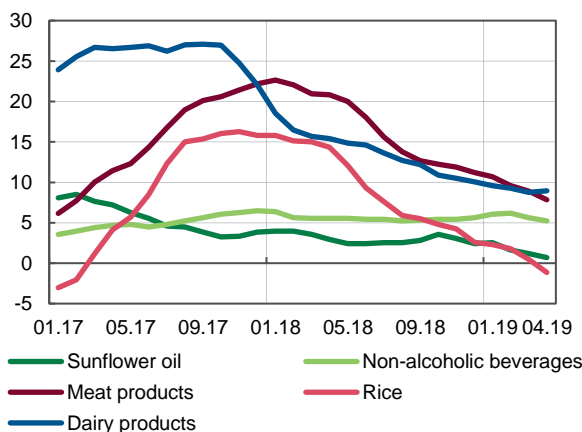
Chart 3. Selected Market Services, % yoy



Source: SSSU, NBU staff estimates.

Price growth for processed foods decelerated, thanks to a more ample supply of raw products and global price trends

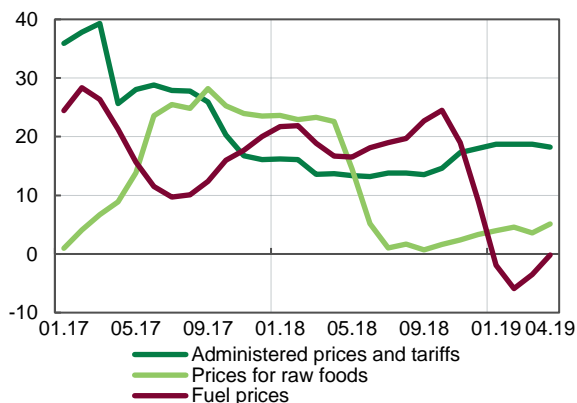
Chart 4. Prices for Processed Food, % yoy



Source: SSSU.

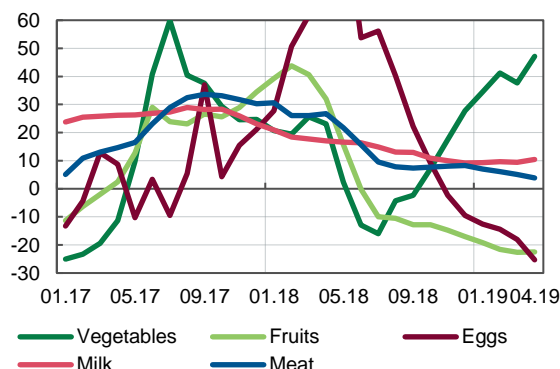
Non-core inflation increased in April on the back of temporary factors related to oil import disruptions and panic buying caused by the scarce supply of some vegetables

Chart 5. Main Components of Non-Core CPI, % yoy



Source: SSSU.

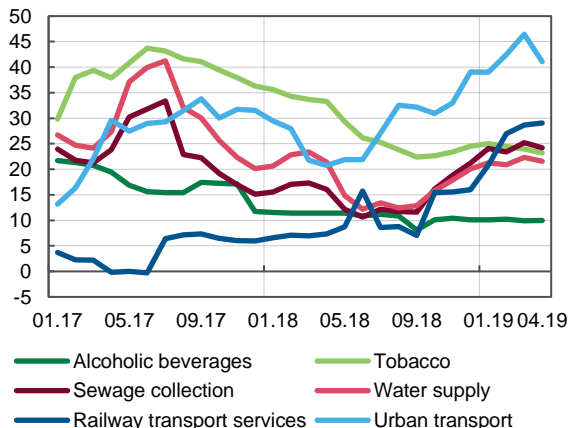
Chart 6. Prices for Selected Raw Food, % yoy



Source: SSSU.

Administered prices grew at a slower pace thanks to a decelerated growth in prices for tobacco products, urban transport fares, water supply, and sewage collection

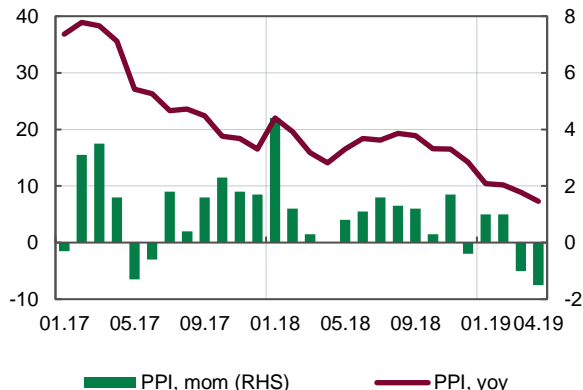
Chart 7. Administered Prices and Utility Tariffs, % yoy



Source: SSSU.

In April, producer price inflation continued to decline, primarily driven by lower energy prices, the prices of natural gas and electricity, in particular

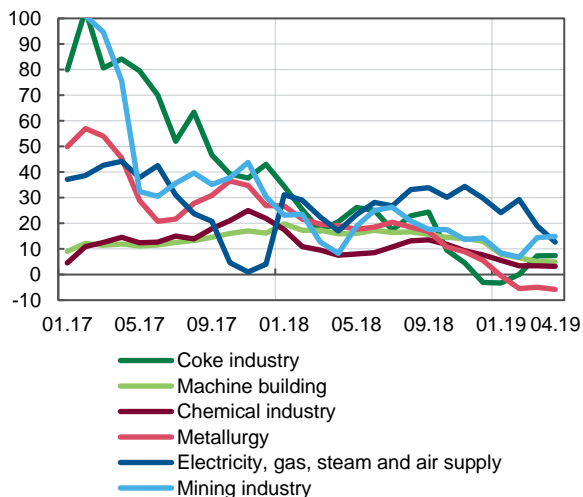
Chart 8. Producer Price Index, %



Source: SSSU.

Growth rates of prices in the main manufacturing sectors remained moderate, influenced by the corresponding trends on the global markets

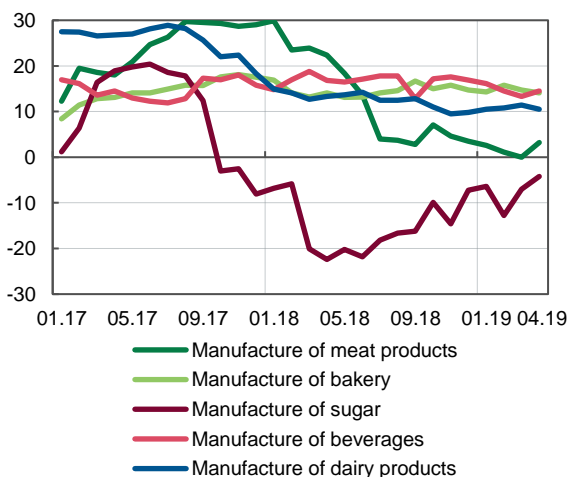
Chart 9. Producer Price Indexes in Selected Industries, % yoy



Source: SSSU.

On the other hand, food prices accelerated, especially prices for meat products and beverages

Chart 10. Prices in the Food Industry Subsectors, % yoy



Source: SSSU.

CPI and PPI Growth by Components in 2017–2019

	Share in CPI for 2019, %	% yoy						%mom Apr 2019
		2017	2018	Feb	2019 Mar	Apr		
CPI (NBU classification)								
Consumer Price Index	100.0	13.7	9.8	8.8	8.6	8.8	1.0	
Core inflation	59.3	9.5	8.7	7.8	7.6	7.4	0.4	
Non-core inflation*	40.7	19.4	10.7	10.2	10.0	10.8	1.8	
Raw foods	20.0	23.5	3.3	4.6	3.6	5.1	2.6	
Administered prices and tariffs	16.8	16.1	18.0	18.7	18.7	18.2	0.8	
Fuels	3.9	20.0	9.1	-5.9	-3.5	-0.2	2.7	

CPI (State Statistics Service of Ukraine classification)

Food and non-alcohol	45.4	17.7	7.8	7.8	7.0	7.4	1.4
Alcohol, tobacco	8.3	20.7	17.9	17.8	17.3	17.0	1.2
Clothing and footwear	5.3	0.9	2.0	0.5	2.0	1.8	1.9
Housing, water, electricity, gas and other fuels incl.	4.9	10.6	10.6	13.2	13.2	13.2	0.2
Dwelling maintenance	0.2	47.5	23.7	16.3	15.2	15.2	0.4
Water supply	0.1	20.2	19.9	20.8	22.2	21.5	0.7
Hot water	0.2	0.9	3.2	14.0	15.1	15.2	0.1
Natural gas	1.2	1.2	22.9	22.9	22.9	22.9	0.0
Central heating	0.8	3.8	5.2	18.4	19.2	19.5	0.3
Electricity	0.9	28.1	0.0	0.0	0.0	0.0	0.0
Transport	11.4	16.7	12.9	6.0	7.3	8.1	1.0
Communication	3.1	9.1	15.1	15.7	17.5	17.3	1.1
Education	1.3	14.9	13.4	13.4	13.3	13.3	0.0

PPI

	Share in PPI for 2019, %**	% yoy						%mom Apr 2019
		2017	2018	Feb	2019 Mar	Apr		
Producer Price Index	100.0	16.5	14.2	10.2	8.9	7.3	-1.5	
Mining and quarrying	15.2	30.4	14.3	6.8	14.4	14.3	-1.4	
Manufacturing of coal	2.9	47.8	5.4	11.3	11.1	12.3	-0.1	
Extraction of crude petroleum and natural gas	5.3	16.1	24.9	20.7	19.7	18.7	-1.6	
Mining of metal ores	5.8	29.3	8.2	-7.6	10.0	11.6	-2.3	
Manufacturing	65.3	18.5	7.4	4.6	2.8	2.6	0.5	
Manufacture of foods, beverages and tobacco products	20.2	12.5	7.0	5.0	4.4	4.7	0.6	
Manufacture of coke, and refined petroleum products	3.9	43.0	-3.1	0.0	7.3	7.4	1.4	
Manufacture of chemicals and chemical products	2.7	21.9	7.7	3.4	3.4	3.2	-0.5	
Manufacture of basic pharmaceutical products and pharmaceutical preparation	1.4	11.0	16.7	15.8	15.2	15.1	0.6	
Manufacture of rubber and plastics products, and other non-metallic mineral products	5.2	12.5	12.6	10.6	9.5	9.9	1.5	
Manufacture of basic metals and fabricated metal products, except machinery and equipment	18.5	26.9	5.6	-5.5	-5.0	-5.8	0.2	
Manufacture of transport equipment	2.9	17.9	17.3	11.5	9.2	8.5	0.1	
Electricity, gas, steam and air-conditioning supply	18.5	4.0	29.8	29.3	19.0	12.7	-5.7	

* Revised NBU staff estimates based on the State Statistics Service of Ukraine data. The sum of contributions of CPI components may deviate from the total CPI due to the use of dynamic weights according to the methodology of the SSSU and rounding.

** The shares of PPI components are NBU staff estimates based on the SSSU data on volume of industrial production by type of activity for 2018.

Terms and abbreviations:

CPI	consumer price index	yoy	in annual terms; year-on-year
PPI	producer price index		change
SSSU	State Statistics Service of Ukraine	mom	in monthly terms; month-on-month
			change
		RHS	right-hand scale