

In April 2020 consumer inflation declined in annual terms to 2.1%, down from 2.3% in March. In monthly terms prices grew by 0.8%. As expected, consumer inflation remained below the 5% ± 1 pp target range. However, it was lower than predicted by the projected trajectory published in the April 2020 Inflation Report. Price growth was restrained by lower prices for energy (both oil and natural gas), declining demand for certain goods and services, and a significant supply of vegetables. In addition, certain services were banned during the quarantine, making their prices unobservable, so these prices remained at the previous month's levels. These factors outweighed the price impacts of the weakening of the hryvnia in March and speculative demand for some goods, which continued into the first half of April amid quarantine restrictions.

### Core Inflation

Core inflation remained at 3.1% yoy, the level of the previous month. Nonfood prices continued to fall, though at a slightly slower pace (by 1.3% yoy). In particular, the growth in prices for pharmaceuticals and certain personal care products accelerated as demand increased. Cars and household appliances remained cheaper than last year, although the difference in prices narrowed due to the weakening of the hryvnia. Meanwhile, clothing and footwear continued to fall in price (by 4.3% yoy), driven by weaker demand and limited supply. Weak demand also further pushed down prices of electronic devices.

The growth in prices for processed foods held steady, at 3.9% yoy. On the one hand, the growth in prices for meat and certain dairy products accelerated due to a surge in consumer demand, restrictions on the operation of food markets during quarantine, and the weak performance of livestock farming. The growth in prices for pasta and some cereals also sped up. On the other hand, prices for confectionery products, sauces, juices, and canned vegetables rose at a slower pace, while olive oil and coffee continued to fall in price due to weakening demand for nonstaple foods.

The growth in services prices continued to decelerate (to 8.7% yoy). Specifically, services prices in sectors that were forced to suspend their operation during the lockdown (catering, recreation, sports, personal care) were not available in April, so in most cases they remained at March levels. In other services, the price growth for medical, insurance, and dry cleaning services, as well as housing rents, decelerated as demand waned.

### Changes in Raw Food Prices

Raw food prices returned to growth (0.8% yoy). In a surge of price growth that was driven by panic buying, buckwheat prices continued to soar in the first half of April (by 108.2% yoy), as did garlic prices (up 91.5% yoy) and lemon prices (up 101.7% yoy). The growth in prices for beef, pork, and milk accelerated due to logistical problems and the poor performance of livestock farming. The fall in egg prices also

decelerated as production and profitability declined. Vegetable prices continued to decrease (by 21.1% yoy). In particular, cabbage, beetroot, and carrots were much cheaper than last year.

### Changes in Administered Prices

The growth in administered prices slowed to 4.3% yoy. Natural gas prices for households, which plunged after the drop in global and domestic natural gas prices was factored into the new tariffs, were the strongest contributor to the slowdown in the growth of administered prices. Cheaper natural gas was also instrumental in reducing the cost of heating and hot water supplies. Prices for alcoholic beverages rose more modestly. Due to the effective suspension of suburban and intercity bus services, fares for these buses did not change. The rise in prices for tobacco products accelerated in March as production dropped and the hryvnia weakened.

### Changes in Fuel Prices

Fuel prices continued to fall (shedding 18.2% yoy) as global oil prices tumbled in recent months.

### Producer Price Inflation

The fall in prices for industrial products decelerated in April (to 2.6% yoy). The PPI increased during the month by 0.1%.

In metallurgy, the price difference in April this year compared to the same month last year narrowed (to 7.9%). Primarily, the fall in prices for products sold outside Ukraine slowed (to 5.5% yoy) due to an increase in exports of more expensive products, including pipes, and the weakening of the hryvnia. The decline in prices in metal ore mining also decelerated (to 11.4% yoy), reflecting the growth in external prices in recent months.

Prices in the manufacture of textiles, computers, and food products rose slightly faster (by 5.8% yoy). The growth in producer prices for sugar and bread accelerated somewhat (to 8.5% yoy and 5.3% yoy, respectively), driven by strong domestic demand amid quarantine measures. Prices in the manufacture of dairy products grew faster (by 8.9% yoy), including due to logistical problems. At the same time,

selling prices in the manufacture of meat edged lower (by 1.4% yoy), among other things due to a high base of comparison. In addition, producers probably held back price increases to partially offset the growth in logistical costs in final consumer prices, to support sales.

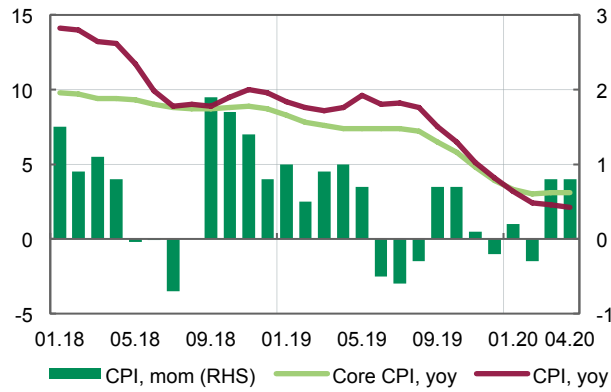
Natural gas prices for producers were little changed in April. However, the decline in producer prices for natural gas as a commodity decelerated to 26%–32% yoy (from 43%–46% in March) as the effect of last year’s comparison base faded. As global energy prices plunged, the fall in prices in the extraction of hydrocarbons in Ukraine also deepened (to 47.9% yoy), and the decline in prices in the mining of coal

remained almost unchanged from March (34.4% yoy). All of this also affected adjacent stages in the production process: the decline in prices in the manufacture of coke and petroleum products deepened (to 30.4% yoy); prices in the manufacture of chemical products continued to fall (by 4.1% yoy); while price growth in the manufacture of rubber and plastic products slowed (to 0.7% yoy).

Electricity prices also decreased (by 9.5% mom) in April, primarily due to a significant weakening of demand as economic activity cooled. As a result, electricity prices continued to be 23.6% lower than in July 2019, when the new market for electricity went into operation.

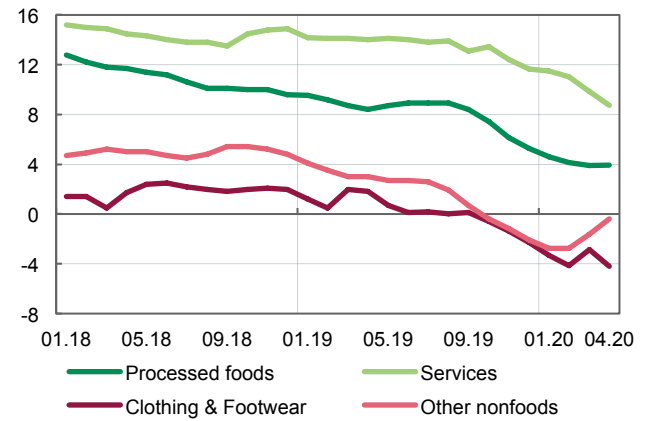
**As expected, consumer inflation in April 2020 slowed, and came in below the 5% ± 1 pp target range. This was driven by the continued plunge in energy prices, weak consumer demand, and a greater supply of raw food products. These factors outweighed the impact of the hryvnia’s weakening in March and speculative demand for some goods amid quarantine restrictions**

Figure 1. Consumer price indices, %



Source: SSSU.

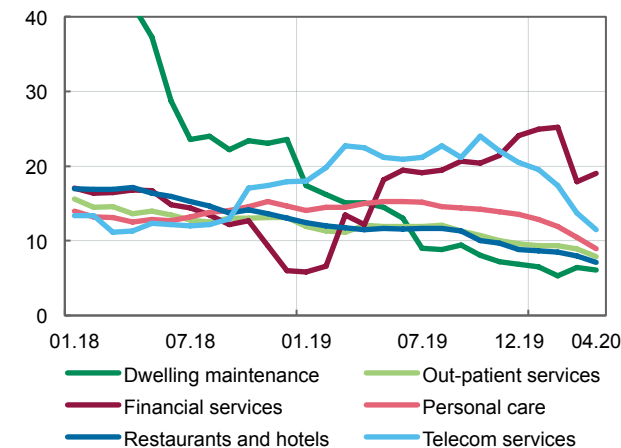
Figure 2. Main core CPI components, % yoy



Source: SSSU, NBU staff estimates.

**The growth in service prices decelerated. Certain services were banned during the quarantine, making their prices unobservable, so these prices remained at March levels**

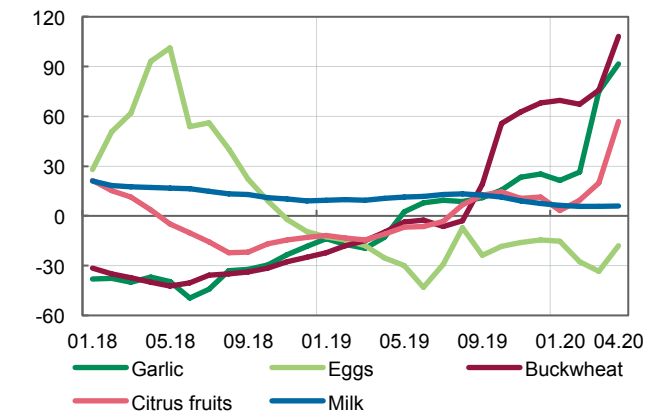
Figure 3. Prices for selected services, % yoy



Source: SSSU, NBU staff estimates.

**Raw foods grew more expensive amid panic buying in the first half of April, logistical problems, and the weaker performance of livestock farming...**

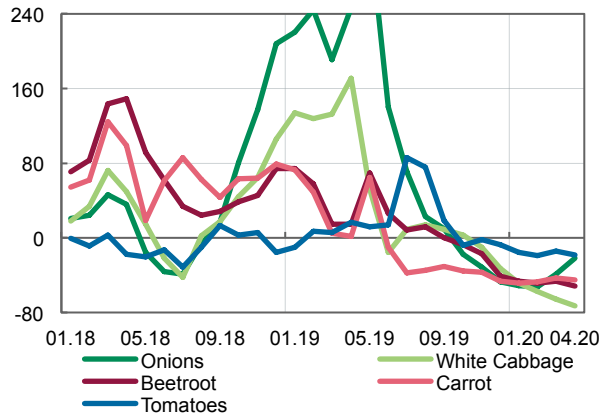
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

...while the growth in raw food prices prevented vegetable prices from falling further

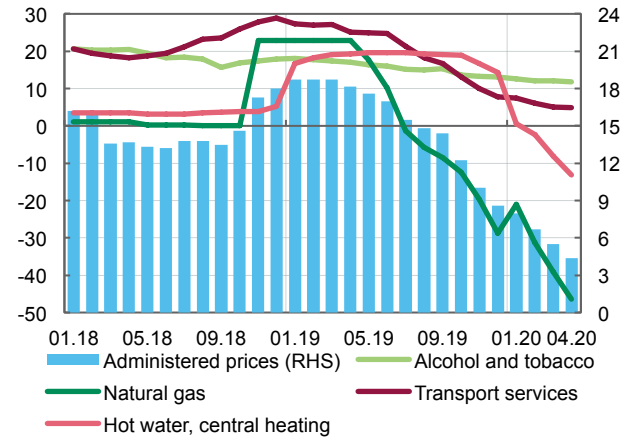
Figure 5. Prices for selected vegetables, % yoy



Source: SSSU.

The rise in administered prices decelerated due to a deeper fall in natural gas prices, which also affected prices for hot water supplies and heating

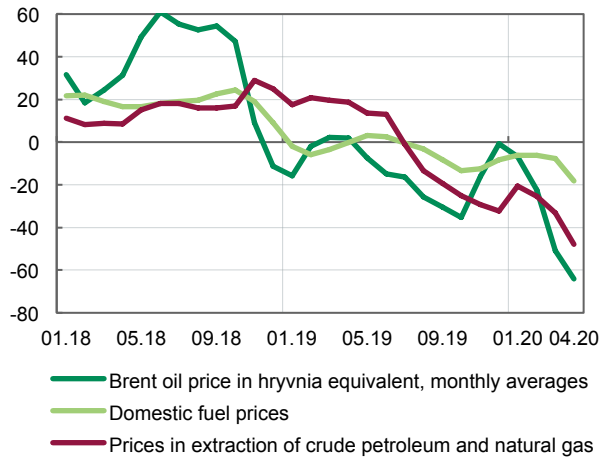
Figure 6. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

Fuel prices extended their fall, reflecting the plunge in global oil prices in recent months

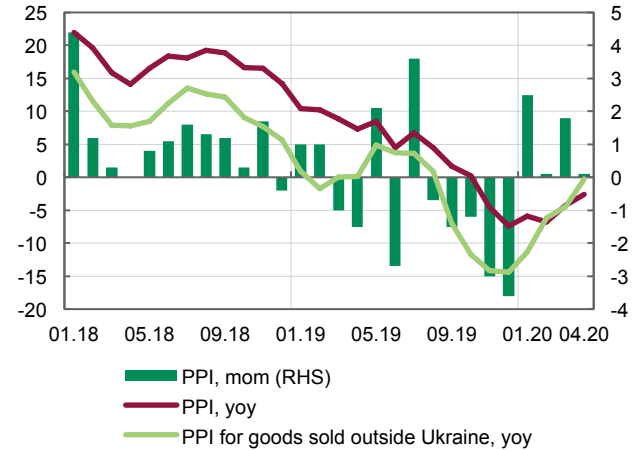
Figure 7. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU staff estimates.

The decline in producer prices in April 2020 slowed due to lower price pressures from exported goods...

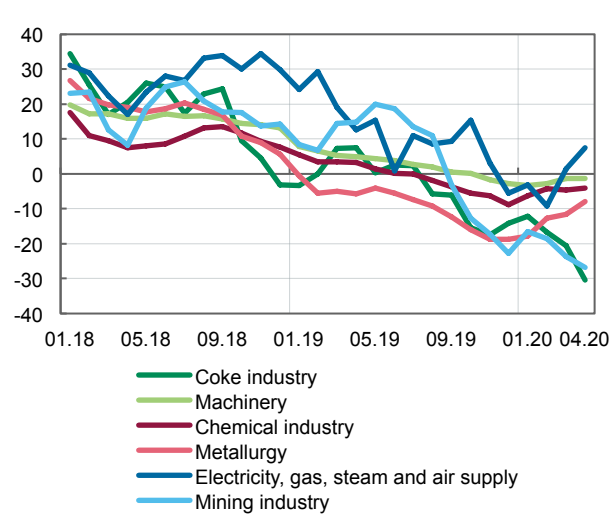
Figure 8. Producer price index, %



Source: SSSU.

...and faster price growth in the supply of electricity and natural gas amid fading comparison-base effects

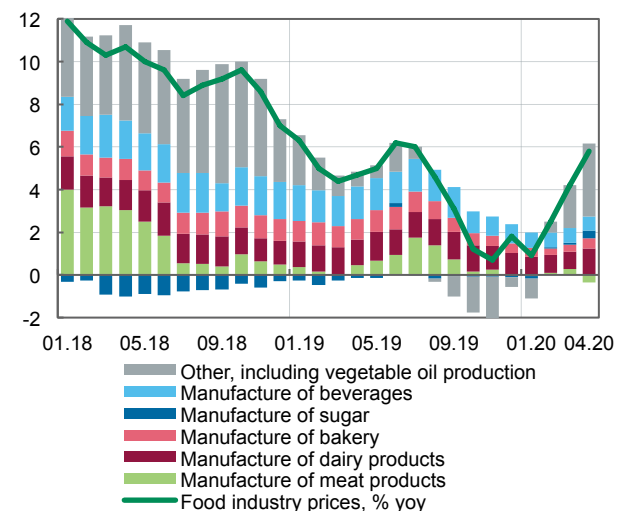
Figure 9. Producer price indices in selected industries, % yoy



Source: SSSU.

Price growth in the food industry accelerated due to panic buying of certain goods, and logistical challenges

Figure 10. Main components of annual changes in prices in the manufacture of food, beverages and tobacco, pp



Source: SSSU, NBU staff estimates.

## CPI and PPI Growth by Components in 2018–2020

	Share in CPI for 2020, %	% yoy					%mom April 2020
		2018	2019	2020			
				Feb	Mar	Apr	
<b>CPI (NBU classification)</b>							
<b>Consumer Price Index</b>	<b>100.0</b>	<b>9.8</b>	<b>4.1</b>	<b>2.4</b>	<b>2.3</b>	<b>2.1</b>	<b>0.8</b>
<b>Core inflation</b>	<b>59.4</b>	<b>8.7</b>	<b>3.9</b>	<b>3.0</b>	<b>3.1</b>	<b>3.1</b>	<b>0.4</b>
<b>Non-core inflation*</b>	<b>40.6</b>	<b>10.7</b>	<b>4.8</b>	<b>1.9</b>	<b>1.5</b>	<b>1.0</b>	<b>1.4</b>
Raw foods	19.4	3.3	3.9	-1.3	-1.0	0.8	4.5
Administered prices and tariffs	18.0	18.0	8.6	6.7	5.5	4.3	-0.3
Fuels	3.2	9.1	-8.2	6.1	-7.7	-18.2	-9.0

## CPI (State Statistics Service of Ukraine classification)

<b>Food and non-alcohol</b>	<b>44.7</b>	<b>17.7</b>	<b>7.8</b>	<b>3.1</b>	<b>1.8</b>	<b>2.5</b>	<b>2.1</b>
<b>Alcohol, tobacco</b>	<b>8.1</b>	<b>20.7</b>	<b>17.9</b>	<b>12.6</b>	<b>12.1</b>	<b>11.8</b>	<b>0.9</b>
<b>Clothing and footwear</b>	<b>5.3</b>	<b>0.9</b>	<b>2.0</b>	<b>-3.3</b>	<b>-2.8</b>	<b>-4.3</b>	<b>0.4</b>
<b>Housing, water, electricity, gas and other fuels incl.</b>	<b>5.4</b>	<b>10.6</b>	<b>10.6</b>	<b>-2.8</b>	<b>-8.1</b>	<b>-11.3</b>	<b>-3.2</b>
Dwelling maintenance	0.3	47.5	23.7	6.6	3.4	6.0	0.0
Water supply	0.2	20.2	19.9	11.1	26.2	25.6	0.2
Hot water	0.2	0.9	3.2	2.6	-5.0	-7.8	-2.8
Natural gas	1.4	1.2	22.9	-21.1	-39.2	-46.5	-11.9
Central heating	1.0	3.8	5.2	0.3	-8.4	-13.7	-5.6
Electricity	1.0	28.1	0.0	0.0	0.0	0.0	0.0
<b>Transport</b>	<b>11.2</b>	<b>16.7</b>	<b>12.9</b>	<b>-1.4</b>	<b>-1.0</b>	<b>-3.3</b>	<b>-1.3</b>
<b>Communication</b>	<b>2.9</b>	<b>9.1</b>	<b>15.1</b>	<b>9.9</b>	<b>6.9</b>	<b>5.8</b>	<b>0.0</b>
<b>Education</b>	<b>1.4</b>	<b>14.9</b>	<b>13.4</b>	<b>13.5</b>	<b>13.5</b>	<b>13.5</b>	<b>0.0</b>

## PPI

	Share in PPI for 2020, %**	% yoy					%mom April 2020
		2018	2019	2020			
				Feb	Mar	Apr	
<b>Producer Price Index</b>	<b>100.0</b>	<b>14.2</b>	<b>-7.4</b>	<b>-6.8</b>	<b>-4.2</b>	<b>-2.6</b>	<b>0.1</b>
<b>Mining and quarrying</b>	<b>15.9</b>	<b>14.3</b>	<b>-22.8</b>	<b>-18.6</b>	<b>-23.7</b>	<b>-26.8</b>	<b>-5.4</b>
Manufacturing of coal	3.3	5.4	-23.6	-34.1	-34.5	-34.4	0.0
Extraction of crude petroleum and natural gas	4.8	24.9	-32.3	-25.4	-33.3	-47.9	-23.2
Mining of metal ores	6.3	8.2	-21.4	-11.3	-17.5	-11.4	4.9
<b>Manufacturing</b>	<b>64.4</b>	<b>7.4</b>	<b>-5.7</b>	<b>-3.8</b>	<b>-3.0</b>	<b>-2.4</b>	<b>1.2</b>
Manufacture of foods, beverages and tobacco products	21.4	7.0	1.8	2.5	4.2	5.8	2.1
Manufacture of coke, and refined petroleum products	2.9	-3.1	-14.2	-16.8	-20.5	-30.4	-11.3
Manufacture of chemicals and chemical products	2.9	7.7	-8.9	-4.2	-4.7	-4.1	0.1
Manufacture of basic pharmaceutical products and pharmaceutical preparation	1.5	16.7	9.6	9.7	9.1	9.0	0.5
Manufacture of rubber and plastics products, and other non-metallic mineral products	5.7	12.6	2.6	1.0	1.6	0.7	0.6
Manufacture of basic metals and fabricated metal products, except machinery and equipment	15.9	5.6	-18.8	-12.6	-11.6	-7.9	4.4
Manufacture of transport equipment	3.2	17.3	1.1	2.7	4.6	4.0	-0.5
<b>Electricity, gas, steam and air-conditioning supply</b>	<b>18.5</b>	<b>29.8</b>	<b>-5.6</b>	<b>-9.2</b>	<b>1.4</b>	<b>7.5</b>	<b>0.0</b>

\* 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 2019.

## Terms and abbreviations:

CPI	Consumer Price Index	mom	month-on-month
PPI	producer price index	yoy	year-on-year
SSSU	State Statistics Service of Ukraine	RHS	right-hand scale
NBU	National Bank of Ukraine		