

In November 2020, consumer inflation accelerated to 3.8% yoy (up from 2.6% yoy in October) and approached the lower bound of the 5%  $\pm$  1 pp target range. In monthly terms, prices grew by 1.3%. Actual consumer inflation rose above the projected trajectory published in the NBU's October 2020 Inflation Report. The acceleration was driven by the revival of consumer demand, higher energy prices, worse crop yields, the weakening of the hryvnia in previous months, and higher production costs. Meanwhile, changes in consumer behavior, including a fall in consumer demand for clothing and footwear, curbed inflationary pressures somewhat.

### Core Inflation

Core inflation accelerated to 3.9% yoy.

The growth in food prices accelerated (to 4.4% yoy). Rising global prices for edible oils and lower sunflower yields in Ukraine led to a rise in the price of sunflower oil. This also drove up prices for sunflower oil products (mayonnaise, margarine, spreads). Higher prices for raw materials (flour, edible oils, sugar) and energy, as well as the pass-through effects of a weaker hryvnia, accelerated the rise in prices for pasta and flour products. Fish, nonalcoholic beverages, and spices became more expensive, while the fall in prices for dried fruits decelerated due to a weaker hryvnia. Higher production costs also affected prices for meat products, butter, and dairy products. Meantime, ample supplies of imported cheese suppressed the rise in cheese prices (cheese supplies were up 46% yoy by volume).

Nonfood products also rose in price at a higher rate (1.2% yoy). This was due to the weakening of the hryvnia in previous months, worsening depreciation expectations, and strong consumer demand. In particular, home appliances, furniture, and pharmaceutical products became more expensive at a faster pace. In addition, prices for electronic devices fell more slowly. Meanwhile, the decline in clothing and footwear prices deepened (to 6.1% yoy). This can be attributed to changes in households' consumer behavior due to opportunities to [work](#) and study online.

The growth in service prices picked up (to 6.5% yoy). The strengthening of quarantine measures and the introduction of the weekend quarantine had opposing effects on the dynamics of service prices. The decrease in the number of customers amid rising production costs led to a further increase in prices for the services of beauty salons and notaries, and prices for driving lessons. The further spread of COVID-19 spurred the growth in prices for consultative medical services and health insurance. Prices for funeral services grew faster, but this is due to colder weather in November this year than last year. On the other hand, the prohibition on working on weekends suppressed the rise in prices for the services of public catering establishments, hotels, and cinemas, amid weak demand.

### Changes in Raw Food Prices

Raw food prices returned to growth (up 1.0% yoy). Sugar, flour, and cereals became more expensive more quickly, primarily due to last year's poorer yields of sugar beets and cereals. Egg prices also rose, primarily driven by higher production costs, in particular costs on feed, which is rising in price due to poorer yields, and costs on imported raw materials. The rate of fall in prices for greenhouse vegetables, in particular tomatoes, cucumbers, zucchini, and eggplants, decelerated due to lower domestic supply and the arrival of more expensive imported products. Meanwhile, prices for borsch vegetables remained far below last year's levels. Supplies from the new harvest, primarily apples, slowed the growth in fruit prices.

### Changes in Administered Prices

The growth in administered prices accelerated noticeably, to 9.2% yoy. Higher global energy prices were reflected in domestic prices for natural gas. This also slowed the decline in prices for hot water supplies and heating (to 3.6% yoy).

### Changes in Fuel Prices

The growth in fuel prices decelerated (to 13.8% yoy) due to rising global oil prices and elevated demand from households, with the population using their cars actively during the pandemic.

### Producer Price Inflation

In November, producer price growth accelerated rapidly (to 8.6% yoy). This was primarily driven by the growth in prices for products sold outside Ukraine (29.4% yoy). The Producer Price Index (PPI) increased by 2.0% over the month.

As global commodity prices trended up and the hryvnia weakened, prices in the metal ore mining industry continued to rise fast (by 28.6% yoy). Influenced by higher prices for raw materials and rising global steel prices, the growth in prices for domestic metallurgy products accelerated rapidly (to 17.3% yoy).

With rising global oil and natural gas prices, prices in crude oil and natural gas production grew significantly faster (by 20.8% yoy), as did prices further downstream, including those in the production of coke and petroleum products, which returned to growth (2.6% yoy). Further growth in natural gas

prices, sustained high global prices for fertilizers, and strong demand from India for Ukrainian urea spurred price growth in the chemicals industry (to 16.9% yoy).

Prices in the woodworking and printing industries, in the production of rubber and plastic products, and in the manufacture of computers grew at a slightly higher pace, which was probably a result of the weaker hryvnia and robust demand. Coupled with the further spread of COVID-19, these factors sped up the growth in prices for pharmaceutical products (to 11.5% yoy from 8.7% yoy in October).

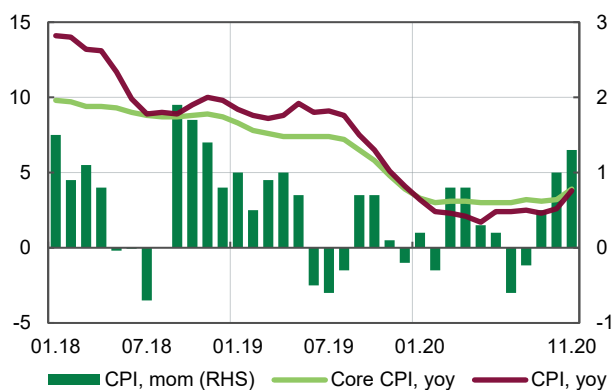
Price growth in the food industry accelerated (to 19.6% yoy). The largest contribution to this acceleration came from price increases in the production of oils and fats. In particular, sunflower oil and meal became more expensive amid sustained growth in sunflower oil prices in the global

commodity markets and a drop in Ukraine's sunflower harvest from last year's levels. Prices in the production of sugar surged due to the harvest and sugar content of sugar beet being lower than last year, and because of higher global prices amid lower supply from the world's largest sugar producers. Prices in the production of meat and bread also increased.

The fall in prices in the supply of electricity, natural gas, steam, and air conditioning slowed (to 6.2% yoy). This was due to the increase in prices for electricity, specifically prices in the day-ahead and intraday market. This increase was driven by stronger demand from [consumers other than households](#) and a decline in the share of NPPs in electricity generation.

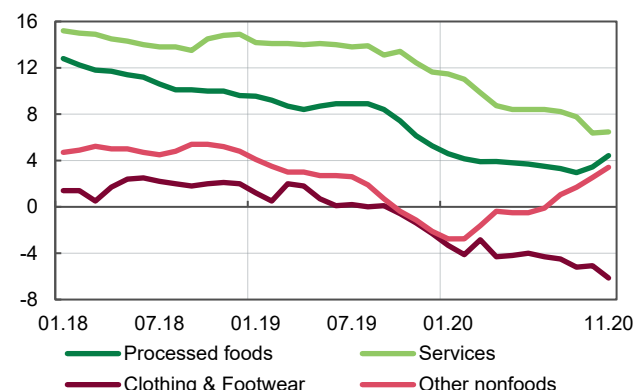
**In November 2020, consumer inflation accelerated in annual terms, approaching the lower bound of the 5% ± 1 pp target range. Inflationary pressures were driven by a recovery in consumption, higher energy prices, worse yields of some crops, the weakening of the hryvnia in previous months, and higher production costs. Core inflation also accelerated.**

Figure 1. Consumer price indices, %



Source: SSSU.

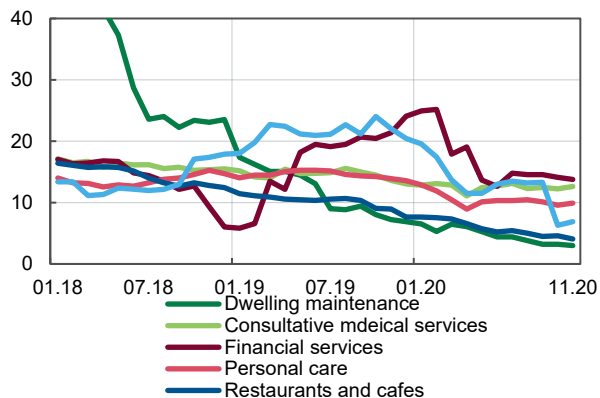
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU staff estimates.

**Services increased in price slightly more quickly as COVID-19 spread further, and production costs rose due to the weekend quarantine**

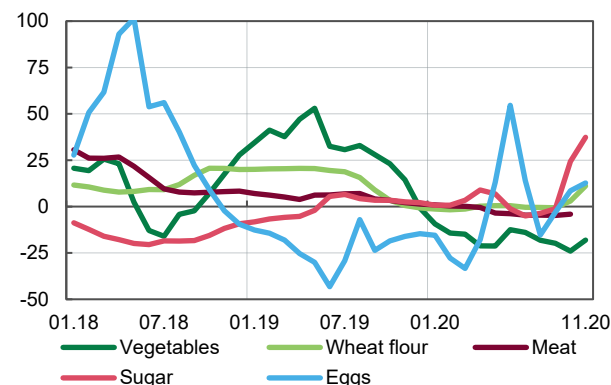
Figure 3. Prices for selected services, % yoy



Source: SSSU, NBU staff estimates.

**Raw food prices returned to growth because of poorer yields of certain crops, rising production costs, and more expensive imports**

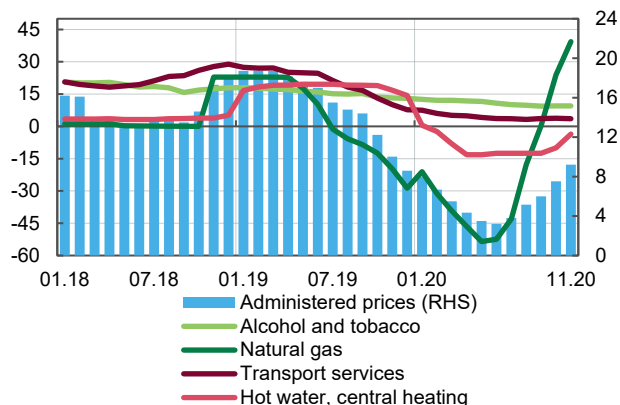
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

The growth in administered prices accelerated significantly due to higher natural gas prices, making hot water and heating more expensive

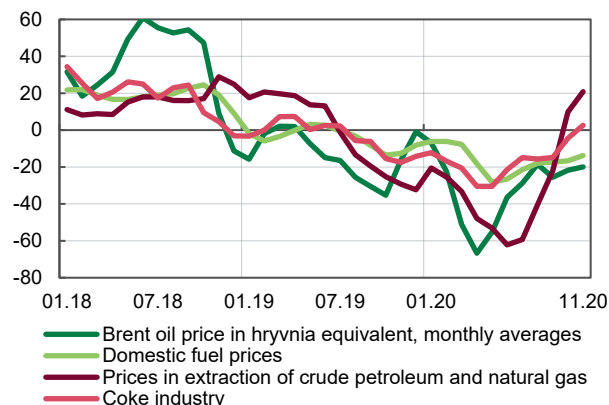
Figure 5. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

The fall in fuel prices continued to slow amid rising global oil prices and strong demand for fuel

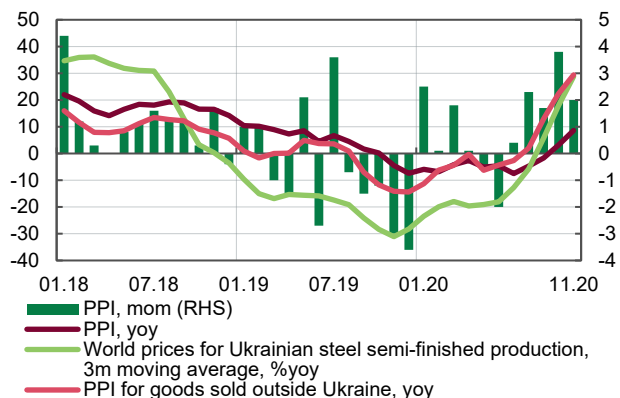
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU staff estimates.

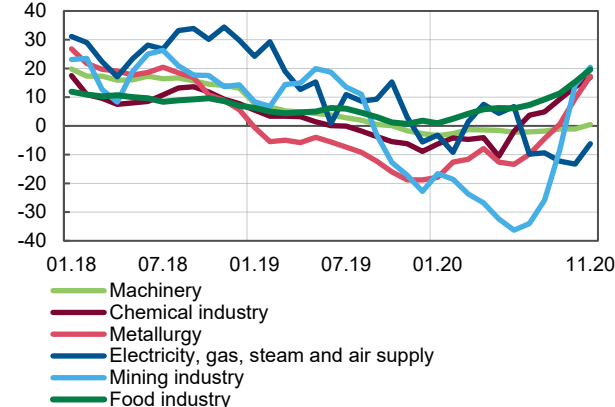
In November, the growth in producer prices accelerated rapidly, primarily due to higher prices for Ukrainian exports (chemicals, metallurgy products, edible oils), as well as rising prices for energy and electricity. In addition, prices in the manufacture of pharmaceutical products increased as the hryvnia weakened and demand strengthened

Figure 7. Producer price index, %



Source: SSSU.

Figure 8. Producer price indices in selected industries, % yoy



Source: SSSU.

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

	Share in CPI for 2020, %			% yoy			% mom Nov 2020
		2018	2019	2020			
				Sep	Oct	Nov	
<b>CPI (NBU classification)</b>							
<b>Consumer Price Index</b>	<b>100.0</b>	<b>9.8</b>	<b>4.1</b>	<b>2.3</b>	<b>2.6</b>	<b>3.8</b>	<b>1.3</b>
<b>Core inflation</b>	<b>59.4</b>	<b>8.7</b>	<b>3.9</b>	<b>3.1</b>	<b>3.2</b>	<b>3.9</b>	<b>0.7</b>
<b>Non-core inflation*</b>	<b>40.6</b>	<b>10.7</b>	<b>4.8</b>	<b>1.1</b>	<b>1.7</b>	<b>3.9</b>	<b>2.3</b>
Raw foods	19.4	3.3	3.9	-1.1	-1.3	1.0	1.6
Administered prices and tariffs	18.0	18.0	8.6	6.0	7.5	9.2	2.8
Fuels	3.2	9.1	-8.2	-17.4	-16.6	-13.6	3.1
<b>CPI (State Statistics Service of Ukraine classification)</b>							
<b>Food and non-alcohol</b>	<b>44.7</b>	<b>17.7</b>	<b>7.8</b>	<b>1.3</b>	<b>1.6</b>	<b>3.2</b>	<b>1.4</b>
<b>Alcohol, tobacco</b>	<b>8.1</b>	<b>20.7</b>	<b>17.9</b>	<b>9.4</b>	<b>9.5</b>	<b>9.5</b>	<b>0.8</b>
<b>Clothing and footwear</b>	<b>5.3</b>	<b>0.9</b>	<b>2.0</b>	<b>-5.2</b>	<b>-5.1</b>	<b>-6.1</b>	<b>-4.4</b>
<b>Housing, water, electricity, gas and other fuels incl.</b>	<b>5.4</b>	<b>10.6</b>	<b>10.6</b>	<b>0.6</b>	<b>5.5</b>	<b>10.8</b>	<b>8.0</b>
Dwelling maintenance	0.3	47.5	23.7	3.2	3.2	3.0	0.0
Water supply	0.2	20.2	19.9	21.9	19.6	18.9	0.0
Hot water	0.2	0.9	3.2	-3.4	-2.9	-2.9	0.3
Natural gas	1.4	1.2	22.9	0.4	24	39.4	26.7
Central heating	1.0	3.8	5.2	-13.7	-10.9	-3.6	8.6
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>-1.0</b>	<b>-0.1</b>	<b>1.1</b>	<b>0.9</b>
<b>Communication</b>	<b>2.9</b>	<b>9.1</b>	<b>15.1</b>	<b>7.7</b>	<b>3.3</b>	<b>3.6</b>	<b>0.1</b>
<b>Education</b>	<b>1.4</b>	<b>14.9</b>	<b>13.4</b>	<b>14.1</b>	<b>13.8</b>	<b>13.9</b>	<b>0.1</b>

## PPI

	Share in PPI for 2020, %**			% yoy			% mom Nov 2020
		2018	2019	2020			
				Sep	Oct	Nov	
<b>Producer Price Index</b>	<b>100.0</b>	<b>14.2</b>	<b>-7.4</b>	<b>-1.7</b>	<b>3.2</b>	<b>8.6</b>	<b>2.0</b>
<b>Mining and quarrying</b>	<b>15.9</b>	<b>14.3</b>	<b>-22.8</b>	<b>-8.4</b>	<b>14.2</b>	<b>20.4</b>	<b>5.3</b>
Manufacturing of coal	3.3	5.4	-23.6	-30.1	-18.9	-8.2	1.2
Extraction of crude petroleum and natural gas	4.8	24.9	-32.3	-22.0	9.8	20.8	18.4
Mining of metal ores	6.3	8.2	-21.4	5.8	28.3	28.6	-2.0
<b>Manufacturing</b>	<b>64.4</b>	<b>7.4</b>	<b>-5.7</b>	<b>4.0</b>	<b>8.4</b>	<b>12.5</b>	<b>2.0</b>
Manufacture of foods, beverages and tobacco products	21.4	7.0	1.8	11.3	15.3	19.6	3.4
Manufacture of coke, and refined petroleum products	2.9	-3.1	-14.2	-14.8	-4.4	2.6	1.9
Manufacture of chemicals and chemical products	2.9	7.7	-8.9	9.3	13.5	16.9	2.0
Manufacture of basic pharmaceutical products and pharmaceutical preparation	1.5	16.7	9.6	9.0	8.7	11.5	2.7
Manufacture of rubber and plastics products, and other non-metallic mineral products	5.7	12.6	2.6	2.3	2.6	3.4	0.3
Manufacture of basic metals and fabricated metal products, except machinery and equipment	15.9	5.6	-18.8	0.6	9.5	17.3	2.4
Manufacture of transport equipment	3.2	17.3	1.1	-0.4	-2.1	-0.6	0.6
<b>Electricity, gas, steam and air-conditioning supply</b>	<b>18.5</b>	<b>29.8</b>	<b>-5.6</b>	<b>-12.3</b>	<b>-13.3</b>	<b>-6.2</b>	<b>0.6</b>

\*The NBU's estimates based on the data provided by the State Statistics Service of Ukraine (SSSU). The sum of CPI components may deviate from the overall CPI due to the use of dynamic weights in line with SSSU methodology, and to the rounding effect.

\*\* The proportion of PPI components is based on the SSSU data on sales volumes of industrial products by sector in 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	RHS	Right-hand scale
NBU	National Bank of Ukraine		
NPP	Nuclear power plant		