

As expected, consumer inflation in January 2021 accelerated (to 6.1% yoy, up from 5.0% yoy in December 2020), breaching the upper bound of its 5% ± 1 pp target range. In monthly terms, the CPI increased by 1.3%. Actual consumer inflation came out slightly lower than in the projected trajectory published in the [January 2021 Inflation Report](#). Rising prices for certain foods, fuel, and tobacco products, as well as further growth in consumer demand, generated pro-inflationary pressures. However, inflation was restrained by lower prices for natural gas. As anticipated, the January lockdown had little effect on price dynamics.

Core Inflation

Core inflation accelerated (to 5% yoy, up from 4.5% yoy in December 2020).

Prices for processed food rose more quickly (by 5.8% yoy). As in previous months, sunflower oil prices rose sharply due to lower sunflower yields and higher global prices for oilseeds. This affected the prices of products made with sunflower oil (mayonnaise, spreads). More expensive inputs and energy spurred the growth in prices for flour and pasta. Rising input prices also affected the prices of meat products. The weakening of the hryvnia in previous months and stronger demand from consumers accelerated the rise in prices for cheese, rice, and fish products.

Prices for nonfood products also grew at a higher rate (2.6% yoy). This was also because consumer demand strengthened and prices reflected the previous months' depreciation of the hryvnia. Specifically, the growth in the prices of household appliances, pharmaceuticals, and cars continued to accelerate in January, while the decline in the prices of electronic devices slowed somewhat. As expected, prices for clothing and footwear fell more slowly. This may have been due to a smaller impact from winter sales on prices in January, as the start of these sales was rescheduled to December due to the January lockdown.

The growth in services prices remained practically unchanged, at 6.8% yoy. On the one hand, price increases for travel services, housing rentals, and car maintenance accelerated amid rising consumer demand and production costs. On the other hand, the growth in prices for healthcare and dental services, cinema tickets, sports facility services, restaurant meals, hotel accommodation, and dry cleaner¹.

Changes in Fuel Prices

The fall in fuel prices decelerated (to 4.7% yoy) due to rising global oil prices and sustained strong demand from households.

Producer Price Inflation

In January, the growth in producer prices continued to

services decelerated. This was due to a decrease in visits to these establishments during the January lockdown.

Changes in Raw Food Prices

As anticipated, the growth in raw food prices sped up (to 5.5% yoy). In particular, the slump in production, coupled with higher production costs, led to a significant rise in prices for eggs and slowed the decline in prices for chicken meat. Sugar and flour became more expensive due to high global prices and poorer harvests of sugar beet and wheat. The rise in fruit prices accelerated somewhat, driven primarily by higher prices for oranges, apples, and kiwis. With vegetable inventories shrinking, prices for vegetables used in cooking borsch fell more slowly, but remained lower than last year. Meanwhile, cucumbers and tomatoes continued to fall in price as Turkey ramped up shipments of these vegetables at prices below last year's levels. The latter may also be related to Russia's restrictions on imports of fruit and vegetables from certain Turkish provinces due to [coronavirus outbreaks there](#).

Changes in Administered Prices

The increase in administered prices accelerated (to 11.7% yoy). A planned hike in excise taxes made tobacco products more expensive. Prices for alcoholic drinks returned to growth, in part due to higher price floors for sparkling wines. As expected, electricity became more expensive after the preferential electricity price for households was canceled. Ukrtelecom also increased its prices for local and long-distance communication services. The growth in natural gas prices in previous periods affected the prices of hot water supplies and heating. At the same time, the growth in natural gas prices slowed slightly as natural gas suppliers lowered their January prices

accelerate (to 17.6% yoy). This was primarily driven by the further growth in prices for products sold outside Ukraine (which accelerated to 46.2% yoy). The PPI increased by 5.2% over the month.

Amid high global prices, prices in the mining of metal ores rose sharply. Driven by higher prices for raw materials and

¹ Resolution of the Cabinet of Ministers of Ukraine No. 25 dated 18 January 2021 imposes a price ceiling on natural gas for households of UAH 6.99 per cu. m only from 1 February 2021 for the period of quarantine, but not beyond 31 March 2021. However, [more than 20 gas supply companies in February reduced their prices for January](#), according to Interfax.

rising global steel prices, the increase in prices in the manufacture of metallurgy products accelerated.

Also, for the first time since June 2019, prices in the coal mining industry rose amid coal shortages. Coupled with higher global oil prices, this led to higher prices in the production of coke and petroleum products.

The rapid growth in energy prices and global fertilizer prices led to a sharp increase in prices in the chemicals industry.

The growth in prices in machinery production and in the manufacture of rubber and plastic products continued to accelerate, with prices probably reflecting the effects of the hryvnia's weakening in previous months.

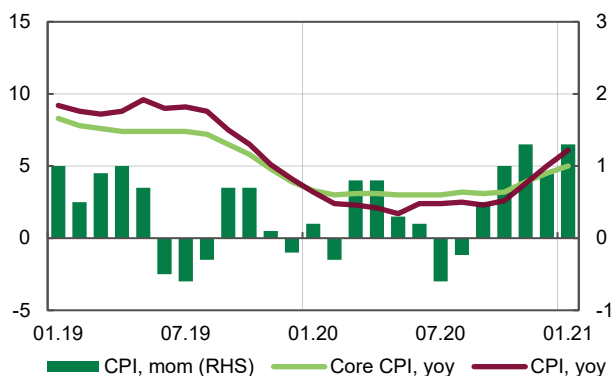
Price growth in the food industry continued to accelerate. The largest contribution to this growth came from the increase in

prices in the edible oils and fats industry, in particular due to the long-term increase in export prices for sunflower oil and meal, and lower sunflower yields in Ukraine. As in the previous month, prices in the production of sugar increased due to the harvest of sugar beet being lower than last year, and because of [higher global prices](#). Prices in the manufacture of meat also continued to increase as [feed prices grew](#).

The growth in prices in the supply of electricity, natural gas, steam, and air conditioning slowed. This was likely due to a weakening of demand for electricity from consumers other than households in January as the quarantine tightened. This offset the pressure on coal prices against the backdrop of colder weather compared to last year.

In January 2021, consumer inflation accelerated in annual terms, breaching the upper bound of its 5% ± 1 pp target range. Rising prices for certain foods, fuel, and tobacco products, as well as further growth in consumer demand, generated pro-inflationary pressures. Core inflation also accelerated.

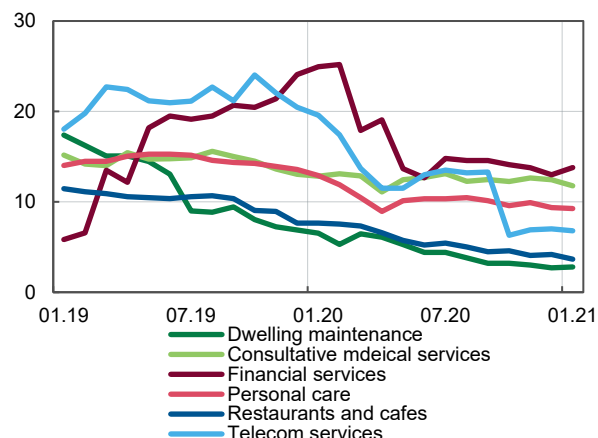
Figure 1. Consumer price indices, %



Source: SSSU.

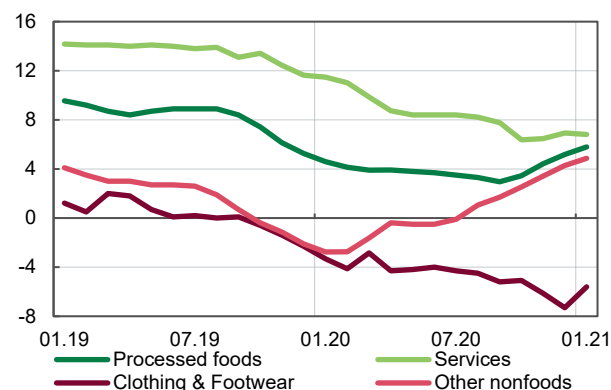
The growth in services prices remained practically unchanged. Stronger consumer demand and increased production costs offset the decrease in visits to some service providers amid the January lockdown

Figure 3. Prices for some market services, % yoy



Source: SSSU.

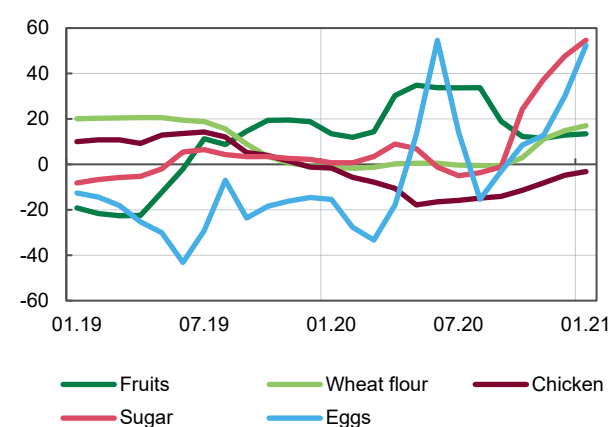
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

As expected, the growth in raw food prices accelerated, continuing to reflect poorer yields of certain crops, rising production costs, and lower supply

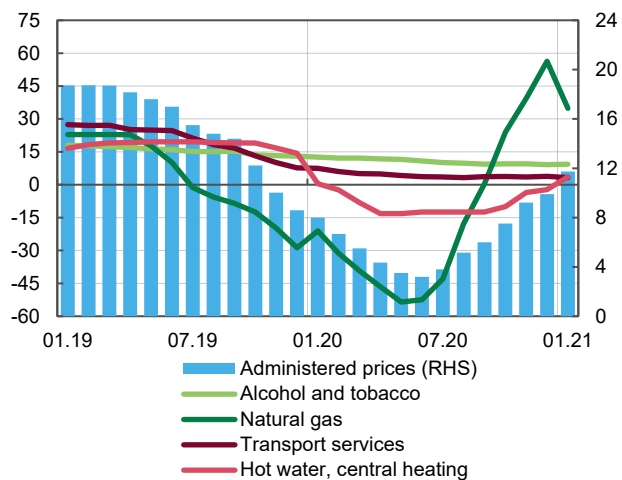
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

The growth of administered prices continued to accelerate due to the planned increase in excise taxes on tobacco, and rising electricity prices

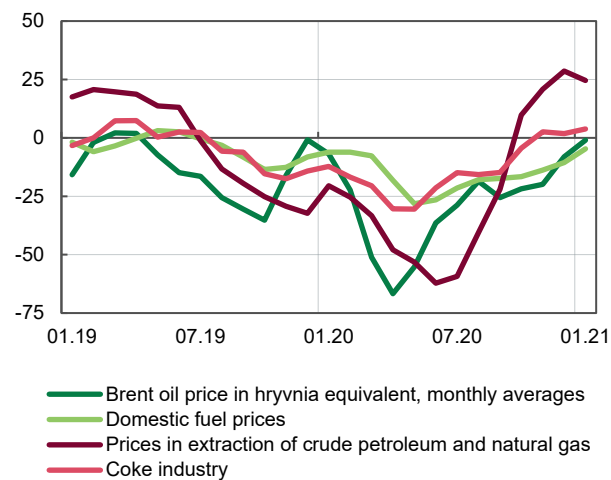
Figure 5. Components of administered prices, % yoy



Source: SSSU.

The fall in fuel prices continued to slow in annual terms. This was due to higher global oil prices and sustained robust demand from households

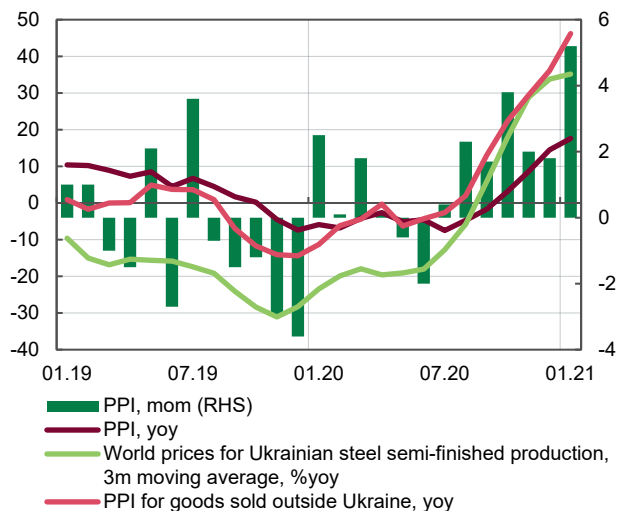
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU estimates.

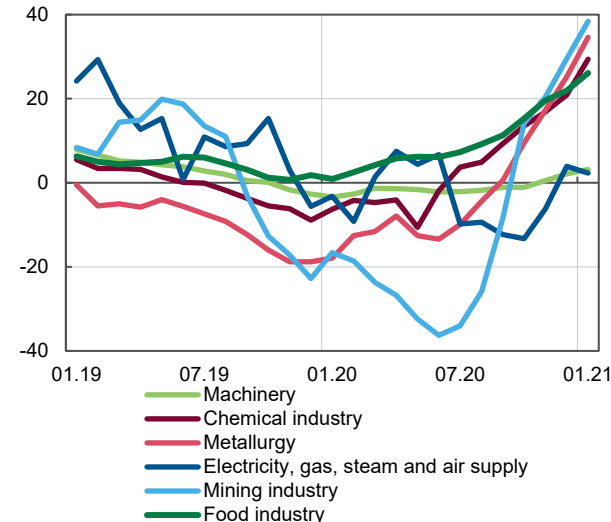
In January, producer prices continued to grow, driven primarily by higher prices for Ukrainian exports (chemicals, metallurgy products, edible oils and fats)

Figure 7. Producer price index, %



Source: SSSU, Refinitiv Datastream.

Figure 8. Prices in some industrial sectors, % yoy



Source: SSSU.

CPI and PPI Growth by Components in 2018–2020

	Share in CPI for 2020, %	2018	2019	% yoy			% mom Jan 2021
				2020		2021	
				Nov	Dec	Jan	
CPI (NBU classification)							
Consumer Price Index	100.0	9.8	4.1	3.8	5.0	6.1	1.3
Core inflation	59.4	8.7	3.9	3.9	4.5	5.0	0.3
Non-core inflation*	40.6	10.7	4.8	3.9	5.9	7.8	2.7
Raw foods	19.4	3.3	3.9	1.0	4.1	5.5	2.5
Administered prices and tariffs	18.0	18.0	8.6	9.2	9.9	11.7	3.0
Fuels	3.2	9.1	-8.2	-13.8	-10.5	-4.7	2.3
CPI (State Statistics Service of Ukraine classification)							
Food and non-alcohol	44.7	17.7	7.8	3.2	4.9	5.9	1.4
Alcohol, tobacco	8.1	20.7	17.9	9.5	9.2	9.4	1.0
Clothing and footwear	5.3	0.9	2.0	-6.1	-7.3	-5.7	-4.0
Housing, water, electricity, gas and other fuels incl.	5.4	10.6	10.6	10.8	13.6	18.4	6.0
Dwelling maintenance	0.3	47.5	23.7	3.0	2.7	2.8	0.5
Water supply	0.2	20.2	19.9	18.9	18.5	31.5	10.9
Hot water	0.2	0.9	3.2	-2.9	-1.5	-0.6	0.9
Natural gas	1.4	1.2	22.9	39.4	56.3	34.8	-4.5
Central heating	1.0	3.8	5.2	-3.6	-2.4	4.0	3.4
Electricity	1.0	28.1	0.0	0.0	0.0	36.6	36.6
Transport	11.2	16.7	12.9	1.1	2.7	4.4	1.0
Communication	2.9	9.1	15.1	3.6	4.1	4.3	1.0
Education	1.4	14.9	13.4	13.9	13.9	13.7	1.2

PPI

	Share in PPI for 2020, %**	2018	2019	% yoy			% mom Jan 2021
				2020		2021	
				Nov	Dec	Jan	
Producer Price Index	100.0	14.2	-7.4	8.6	14.5	17.6	5.2
Mining and quarrying	15.9	14.3	-22.8	20.4	29.5	38.4	12.4
Manufacturing of coal	3.3	5.4	-23.6	-8.2	-7.3	1.2	3.3
Extraction of crude petroleum and natural gas	4.8	24.9	-32.3	20.8	28.6	24.6	11.4
Mining of metal ores	6.3	8.2	-21.4	28.6	44.6	64.9	18.4
Manufacturing	64.4	7.4	-5.7	12.5	15.7	19.8	3.3
Manufacture of foods, beverages and tobacco products	21.4	7.0	1.8	19.6	21.9	26.1	2.8
Manufacture of coke, and refined petroleum products	2.9	-3.1	-14.2	2.6	1.8	3.8	2.4
Manufacture of chemicals and chemical products	2.9	7.7	-8.9	16.9	20.9	29.4	9.6
Manufacture of basic pharmaceutical products and pharmaceutical preparation	1.5	16.7	9.6	11.5	10.4	11.4	2.3
Manufacture of rubber and plastics products, and other non-metallic mineral products	5.7	12.6	2.6	3.4	4.1	4.7	0.6
Manufacture of basic metals and fabricated metal products, except machinery and equipment	15.9	5.6	-18.8	17.3	25.2	34.6	6.4
Manufacture of transport equipment	3.2	17.3	1.1	-0.6	1.2	1.6	1.7
Electricity, gas, steam and air-conditioning supply	18.5	29.8	-5.6	-6.2	3.9	2.3	6.4

*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		