

Consumer inflation accelerated to 7.5% yoy in February 2021 (up from 6.1% yoy in January). In monthly terms, the CPI increased by 1.0%. Actual consumer inflation came out higher than in the projected trajectory published in the [January 2021 Inflation Report](#). This was primarily due to the higher-than-expected rise in prices for certain foods and fuels. However, inflation was constrained by the introduction of a price ceiling for natural gas. Underlying inflationary pressures, measured by core inflation, were close to the NBU's projections.

Core Inflation

Core inflation sped up (to 5.6% yoy from 5% yoy in January).

Prices for processed food rose more quickly (by 7.2% yoy). An important factor in accelerating prices in the relevant group of goods was the further pass-through effects of last year's low harvests in Ukraine and globally. In particular, sunflower oil continued to rise sharply in price, as did the products made with it (mayonnaise, margarine, and spreads). Further increases in the cost of ingredients (flour, sunflower oil, and sugar) and energy fueled the rise in prices for bread and flour-based foods. Higher input costs also affected prices for meat products, butter, and cheese. The growth in prices for rice, fish products, dried fruit, and ketchup also accelerated.

The pace of increases in nonfood prices stayed flat (2.6% yoy). On the one hand, the rise in prices for pharmaceuticals and cars slowed, while prices for personal care products, cleaning products, and toys extended their decrease. On the other hand, prices for household appliances, furniture, and jewelry grew more quickly, while prices for home textiles and electronic devices fell more slowly. The decrease in clothing and footwear prices decelerated. This may have reflected the fading impact of the pandemic on these goods, as well as the ongoing pass-through, more protracted for this group, of the hryvnia's weakening in the fall of last year.

The growth in services prices accelerated slightly (to 6.9% yoy). Stronger consumer demand and higher production costs, including wages, spurred the rise in prices for catering, tourism, financial and healthcare services, housing rentals, and driving lessons. At the same time, the rise in prices for cable TV and the internet decelerated.

Changes in Raw Food Prices

Growth in raw food prices accelerated to 9.7% yoy. As production shrank and feed grew more expensive, meat prices increased significantly, especially those for chicken, beef, milk, and eggs. Sugar and flour became more expensive due to high global prices for these products and poorer harvests of sugar beet and wheat. The growth in fruit

prices sped up slightly. Amid a drawdown of stocks, apple prices rose faster, while banana prices returned to growth in the wake of an increase in import prices due to crop failures in major producer countries. In addition, the prices of borscht vegetables fell more slowly as their stocks declined. At the same time, the fall in prices for cucumbers and tomatoes deepened due to an increase in the supply of both imported and [domestic greenhouse produce](#).

Changes in Administered Prices

The increase in administered prices accelerated (to 12.1% yoy). Prices for alcoholic drinks continued to grow, in part due to higher price floors for sparkling wines in late January. Despite a further reduction in prices by natural gas supply companies¹, the growth in natural gas prices accelerated due to the effect of last year's low comparison base. Increases in these prices in previous periods affected the prices of hot water supplies and heating. Preschool education prices also increased more quickly.

Changes in Fuel Prices

Fuel prices returned to growth (up 4.4% yoy after a 4.7% yoy drop in January), driven by rising global oil prices and sustained strong demand from households.

Producer Price Inflation

In February, the growth in producer prices accelerated (to 26.6% yoy), primarily due to a sharp rise in prices for metals-and-mining products, and for energy. The PPI increased by 7.8% over the month.

The increase in prices in the manufacture of metallurgical products and in the extraction of metal ores sped up. This was due to growing demand for steel and thus for inputs for its production as the Ukrainian and global economies recovered.

Prices in coal mining continued to rise amid low stocks and higher [purchase prices](#). As a result, TPPs [ramped up the use of more expensive natural gas](#). Coupled with declining electricity generation at NPPs and cold weather, this [led](#) to

¹ Resolution of the Cabinet of Ministers of Ukraine No. 25 dated 18 January 2021 imposed a price ceiling on natural gas for households of UAH 6.99 per cu. m from 1 February 2021 only for the period of quarantine, but not beyond 31 March 2021. However, a significant number of gas supply companies reduced their prices in January.

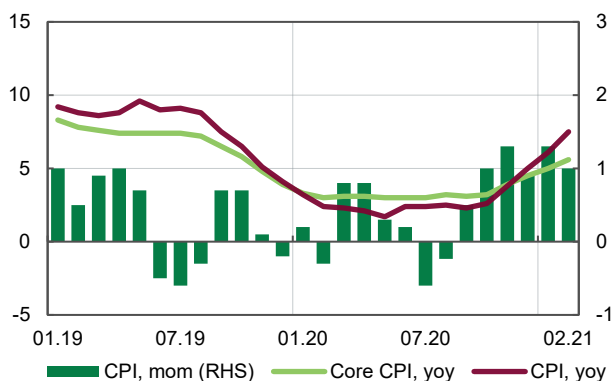
sharp price increases in the supply of electricity, natural gas, steam, and air conditioning.

Driven by rising global oil prices, crude oil and natural gas prices increased. This also affected the subsequent stages of the production process, in particular by making prices rise sharply in the production of coke and petroleum products. The further growth in energy prices and the surge in global fertilizer prices drove prices higher in the chemicals industry.

Price growth in the food industry accelerated. As in previous months, 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 the pass-through of the effects of lower sunflower yields in Ukraine. Prices in the production of sugar continued to increase due to the harvest of sugar beet being lower than last year, and because of [higher global prices](#). Prices in the manufacture of meat products also continued to rise, driven primarily by an increase in the [cost of meat production](#) amid rising grain and edible oil prices.

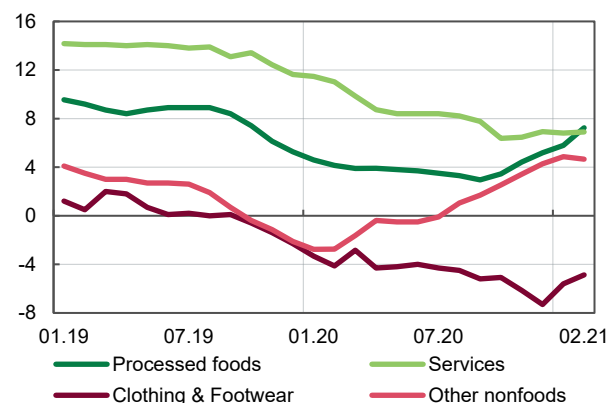
In February 2021, consumer inflation continued to accelerate year-on-year. Some food and fuel prices rose more significantly than expected, generating inflationary pressures. However, inflation was constrained by the introduction of a price ceiling for natural gas.

Figure 1. Consumer price indices, %



Source: SSSU.

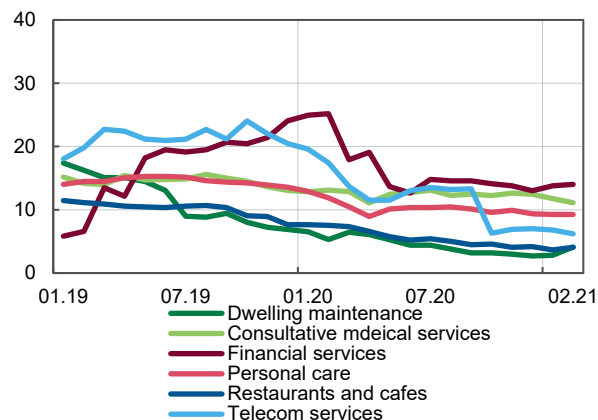
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU staff estimates.

The growth in service prices picked up, driven by stronger consumer demand and higher production costs

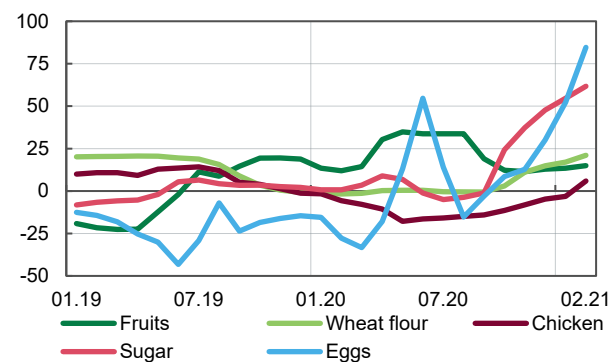
Figure 3. Prices for selected services, % yoy



Source: SSSU, NBU staff estimates.

As expected, the growth in raw food prices accelerated, continuing to reflect higher global prices, rising production costs, and lower supply

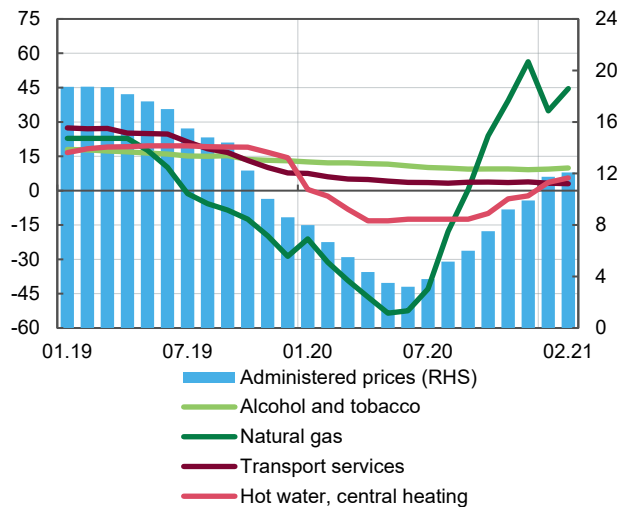
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

The growth in administered prices was spurred by higher prices for alcoholic beverages, and for hot water and heating supplies. The increase in the price of natural gas accelerated, though this was driven only by comparison base effects

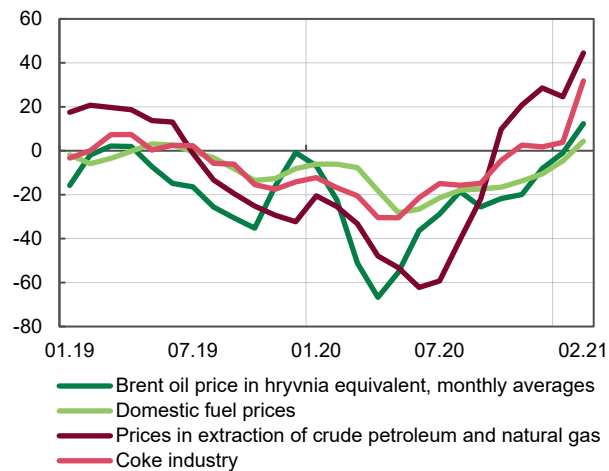
Figure 5. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

Fuel prices returned to growth, fueled by rising global oil prices and sustained strong demand from households

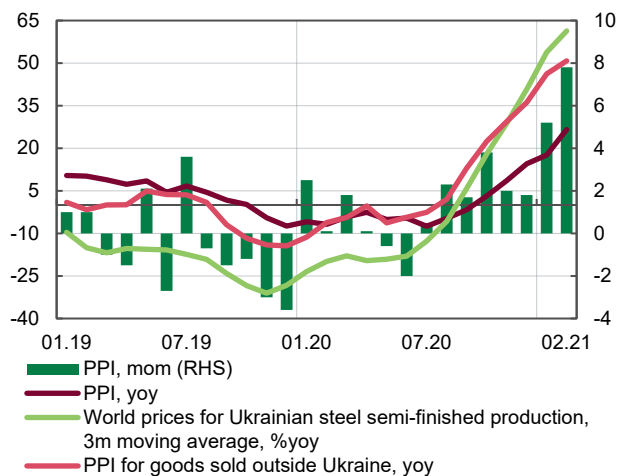
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU staff estimates.

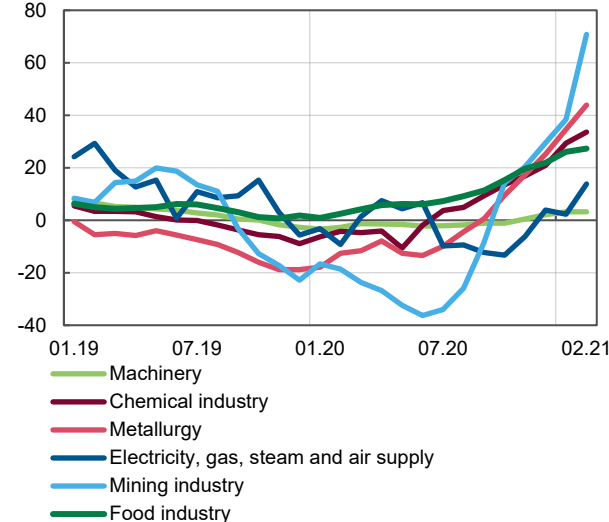
Producer prices continued to rise in February, primarily due to higher prices for energy and electricity, and strong demand for metals-and-mining goods

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 2021, % | | | % yoy | | | % mom Feb 2021 |
|---|-----------------------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| | | 2018 | 2019 | 2020 | 2021 | | |
| | | | | | Dec | Jan | |
| CPI (NBU classification) | | | | | | | |
| Consumer Price Index | 100.0 | 9.8 | 4.1 | 5.0 | 6.1 | 7.6 | 1.0 |
| Core inflation | 59.0 | 8.7 | 3.9 | 4.5 | 5.0 | 5.6 | 0.5 |
| Non-core inflation* | 41.0 | 10.7 | 4.8 | 5.9 | 7.8 | 10.5 | 1.8 |
| Raw foods | 19.0 | 3.3 | 3.9 | 4.1 | 5.5 | 9.7 | 2.8 |
| Administered prices and tariffs | 19.2 | 18.0 | 8.6 | 9.9 | 11.7 | 12.1 | 0.3 |
| Fuels | 2.8 | 9.1 | -8.2 | -10.5 | -4.7 | 4.4 | 7.2 |
| CPI (State Statistics Service of Ukraine classification) | | | | | | | |
| Food and non-alcohol | 43.3 | 17.7 | 7.8 | 4.9 | 5.9 | 7.5 | 1.0 |
| Alcohol, tobacco | 7.9 | 20.7 | 17.9 | 9.2 | 9.4 | 9.9 | 1.3 |
| Clothing and footwear | 5.2 | 0.9 | 2.0 | -7.3 | -5.7 | -4.9 | -3.5 |
| Housing, water, electricity, gas and other fuels incl. | 7.8 | 10.6 | 10.6 | 13.6 | 18.4 | 18.6 | -1.8 |
| Dwelling maintenance | 0.6 | 47.5 | 23.7 | 2.7 | 2.8 | 4.1 | 1.2 |
| Water supply | 0.3 | 20.2 | 19.9 | 18.5 | 31.5 | 14.1 | 0.1 |
| Hot water | 0.2 | 0.9 | 3.2 | -1.5 | -0.6 | 2.6 | 0.0 |
| Natural gas | 2.2 | 1.2 | 22.9 | 56.3 | 34.8 | 44.6 | -6.6 |
| Central heating | 1.3 | 3.8 | 5.2 | -2.4 | 4.0 | 5.8 | 0.6 |
| Electricity | 1.3 | 28.1 | 0.0 | 0.0 | 36.6 | 36.6 | 0.0 |
| Transport | 10.6 | 16.7 | 12.9 | 2.7 | 4.4 | 6.0 | 1.6 |
| Communication | 2.9 | 9.1 | 15.1 | 4.1 | 4.3 | 4.2 | 0.2 |
| Education | 1.4 | 14.9 | 13.4 | 13.9 | 13.7 | 14.0 | 0.6 |

PPI

| | Share in PPI for 2021, %** | | | % yoy | | | % mom Feb 2021 |
|---|----------------------------------|-------------|--------------|-------------|-------------|-------------|----------------------|
| | | 2018 | 2019 | 2020 | 2021 | | |
| | | | | | Dec | Jan | |
| Producer Price Index | 100.0 | 14.2 | -7.4 | 14.5 | 17.6 | 26.6 | 7.8 |
| Mining and quarrying | 14.3 | 14.3 | -22.8 | 29.5 | 38.4 | 70.8 | 21.9 |
| Manufacturing of coal | 2.3 | 5.4 | -23.6 | -7.3 | 1.2 | 11.6 | 6.3 |
| Extraction of crude petroleum and natural gas | 3.4 | 24.9 | -32.3 | 28.6 | 24.6 | 44.5 | 8.9 |
| Mining of metal ores | 7.1 | 8.2 | -21.4 | 44.6 | 64.9 | 124.4 | 40.3 |
| Manufacturing | 64.7 | 7.4 | -5.7 | 15.7 | 19.8 | 23.8 | 4.5 |
| Manufacture of foods, beverages and tobacco products | 23.0 | 7.0 | 1.8 | 21.9 | 26.1 | 27.3 | 2.2 |
| Manufacture of coke, and refined petroleum products | 2.9 | -3.1 | -14.2 | 1.8 | 3.8 | 31.8 | 22.6 |
| Manufacture of chemicals and chemical products | 2.8 | 7.7 | -8.9 | 20.9 | 29.4 | 33.6 | 4.5 |
| Manufacture of basic pharmaceutical products and pharmaceutical preparation | 1.7 | 16.7 | 9.6 | 10.4 | 11.4 | 10.9 | 0.5 |
| Manufacture of rubber and plastics products, and other non-metallic mineral products | 6.3 | 12.6 | 2.6 | 4.1 | 4.7 | 5.4 | 0.5 |
| Manufacture of basic metals and fabricated metal products, except machinery and equipment | 15.0 | 5.6 | -18.8 | 25.2 | 34.6 | 43.9 | 10.9 |
| Manufacture of transport equipment | 2.8 | 17.3 | 1.1 | 1.2 | 1.6 | -0.4 | -0.5 |
| Electricity, gas, steam and air-conditioning supply | 19.6 | 29.8 | -5.6 | 3.9 | 2.3 | 13.8 | 8.8 |

*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 2020.

Terms and abbreviations:

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