



Consumer inflation in March 2021 accelerated to 8.5% yoy, up from 7.5% yoy in February, expectedly breaching the upper bound of its $5\% \pm 1$ pp target range. In monthly terms, the CPI increased by 1.7%. Actual consumer inflation exceeded the forecast published in the [January 2021 Inflation Report](#). Rising prices for certain foods and fuel, as well as robust consumer demand, generated pro-inflationary pressures. On the other hand, inflation was restrained by the cap on natural gas prices.

Core Inflation

Core inflation accelerated to 5.9% yoy (up from 5.6% yoy in February).

Prices for processed food rose more quickly (8.7% yoy), primarily due to higher global prices for some foods. In particular, sunflower oil prices continued to rise. Growth in the cost of inputs (flour, oil, and sugar) and energy supported rises in the prices of mayonnaise, margarine, spread, bread, and flour products. Steady consumer demand and higher production costs impacted the prices of butter, confectionery products, dairy, and meat products. Fish products, dried fruit, and nonalcoholic drinks also became more expensive. Another factor behind the faster growth in processed food prices could potentially be the decrease in the liquidity of processing companies, caused by the introduction on 1 March 2021 of a lower VAT rate for some agricultural inputs.

Nonfood prices grew more slowly (1.8% yoy), reflecting slower growth in prices for pharmaceutical products and a continued decline in the prices of personal care products and detergents. Prices for computer equipment decreased as the effects of last year's hryvnia depreciation waned. In addition, the growth in car prices slowed. At the same time, prices for home appliances, furniture, and jewelry grew more rapidly. The pace of decline in prices for home textiles, dinnerware, and TV sets slowed. This may be explained by higher demand for these goods amid tighter quarantine restrictions. The rate of decline in prices for clothing and footwear remained at the level of the previous month.

The growth in services prices accelerated to 7.3% yoy as consumer demand remained strong, despite the quarantine tightening in some regions, and production costs increased. In particular, prices for the services of restaurants, dry cleaners, beauty salons, and cinemas grew at a faster pace. Prices for the services of driving schools and taxis continued to rise on the back of higher demand, amid the protracted quarantine restrictions and fuel price increases. Moreover, the seasonal decline in prices for funeral services was less pronounced due to the weather being colder than last year. This made funeral services prices grow faster in annual terms.

Changes in Raw Food Prices

The growth in raw food prices accelerated to 11.8% yoy. Prices of meat (especially chicken and beef), milk, and eggs rose significantly as a result of production cuts and an increase in feed prices. Sugar and flour prices grew markedly on high global prices and smaller harvests of sugar beet and wheat. Banana prices also grew more rapidly following a rise in import prices. In addition, the prices of cabbage, beetroot, and carrot grew at a faster pace as inventories decreased. Potato prices declined more slowly. In contrast, onion prices fell more sharply due to ample supply. Garlic and lemons became cheaper against a high comparison base (their prices soared last year in response to panic buying caused by the introduction of the quarantine).

Changes in Administered Prices

The increase in administered prices accelerated (to 13.0% yoy). Although the government has capped natural gas prices for households, their annual growth rates still rose due to the low comparison base. Prices for hot water supplies and heating grew more rapidly for the same reason. Prices for road transportation services increased due to higher production costs (fuel prices and labor costs). The slower growth in tobacco product prices, which was driven by an increase in supply, put a slight brake on administered inflation.

Changes in Fuel Prices

The rise in fuel prices accelerated notably (to 12.2% yoy) due to higher global oil prices and sustained strong demand from households.

Producer Price Inflation

In March, producer prices grew at almost the same rate as in the previous month (26.3% yoy). Lower electricity prices offset growth in the prices of metal and mining products, energy, and food. The Producer Price Index (PPI) increased by 1.6% over the month.

Price growth continued to accelerate in the metals industry and metal ores mining. In particular, demand for steel, and thus for steel production inputs, increased on the back of upward price trends on the global markets and the recovery of the global economy.

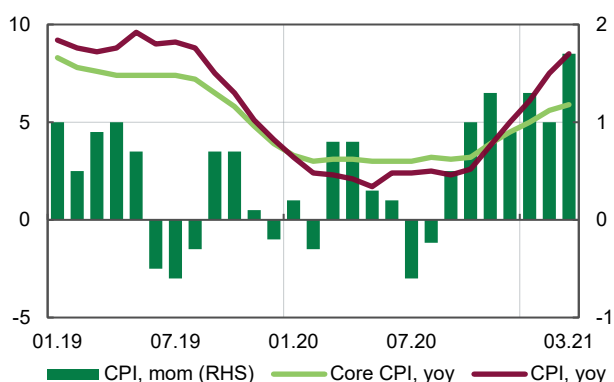
In the production of crude oil and natural gas, prices grew more rapidly following an increase in global oil prices. Prices in the production of coke and petroleum products rose sharply on the back of higher energy prices. Coupled with a steep increase in global prices for fertilizers, this factor pushed up prices for chemicals.

Price growth in the food industry continued to accelerate. This was mainly due to growth in the prices for fats and oils, driven by an increase in export prices for sunflower oil and meal. Prices for dairy and meat products also rose, primarily due to an increase in [inputs prices](#), driven by higher feed prices.

On the other hand, the growth in prices in the supply of electricity, natural gas, steam, and air conditioning slowed sharply. This is mainly explained by the depletion of adverse effects seen in February. Electricity supplies from nuclear power plants increased as scheduled repairs were completed, while warmer weather contributed to lower consumption and greater production of renewable electricity, and larger supply of coal enabled thermal power plants and combined heat and power plants reduce their consumption of natural gas.

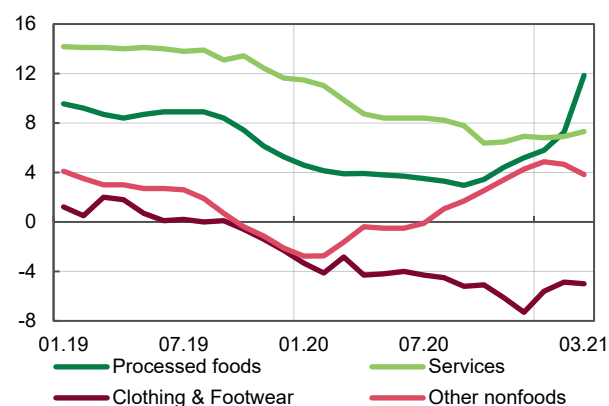
In March 2021, consumer price inflation continued to accelerate in annual terms. Rising prices for certain foods and fuel, as well as robust consumer demand, generated pro-inflationary pressures. Conversely, inflation was restrained by the cap on natural gas prices.

Figure 1. Consumer price indices, %



Source: SSSU.

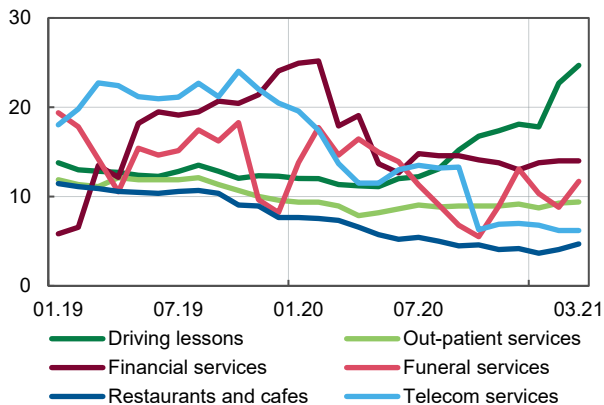
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU staff estimates.

Growth in services prices continued to accelerate as consumer demand remained strong, despite the tightening of quarantine restrictions in some regions and as production costs increased.

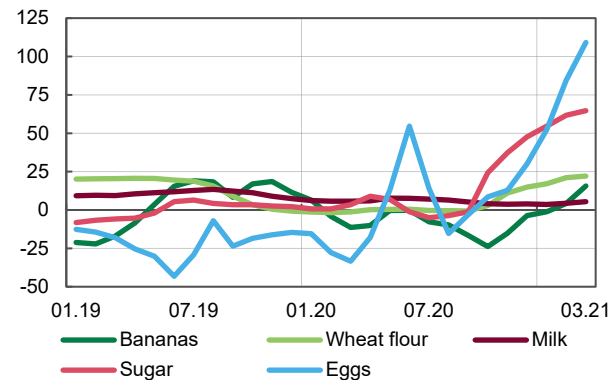
Figure 3. Prices for selected services, % yoy



Source: SSSU, NBU staff estimates.

Raw food prices grew more rapidly, reflecting higher global food prices, greater production costs, and lower inventories.

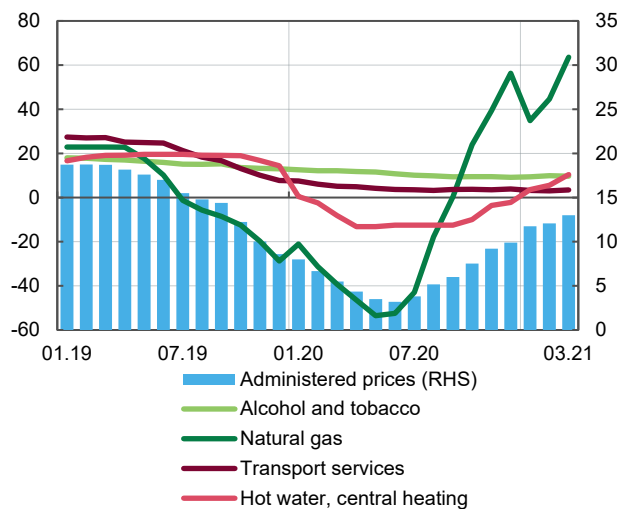
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

The growth in administered prices accelerated as prices for natural gas, hot water supplies, and heating increased against a low comparison base.

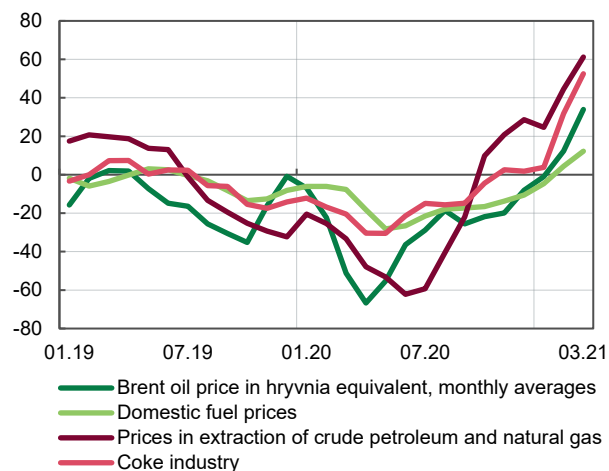
Figure 5. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

The rise in fuel prices accelerated notably due to higher global oil prices and sustained strong demand from households.

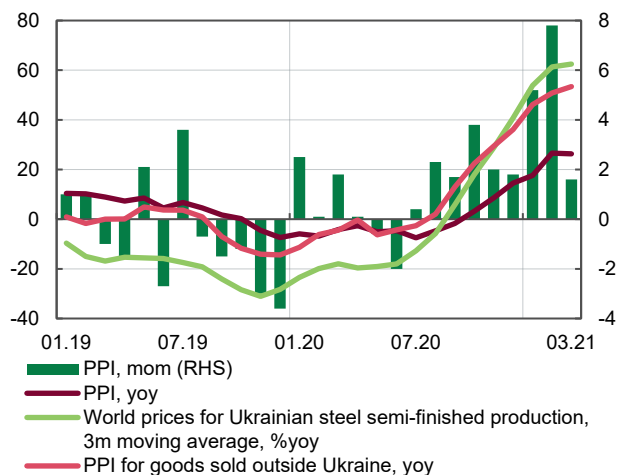
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU staff estimates.

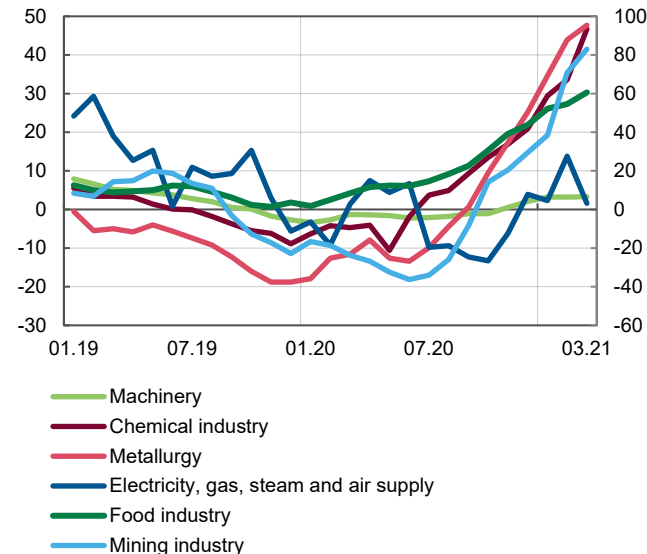
In March, producer prices grew at almost the same rate as in the previous month: lower electricity prices offset growth in the prices of metal and mining products, energy, and food.

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 2019–2021

	Share in CPI for 2021, %		% yoy				% mom Mar 2021
	2019	2020	2021				
			Jan	Feb	Mar		
CPI (NBU classification)							
Consumer Price Index	100.0	4.1	5.0	6.1	7.6	8.5	1.7
Core inflation	59.0	3.9	4.5	5.0	5.6	5.9	1.6
Non-core inflation*	41.0	4.8	5.9	7.8	10.5	12.4	1.8
Raw foods	19.0	3.9	4.1	5.5	9.7	11.8	2.6
Administered prices and tariffs	19.2	8.6	9.9	11.7	12.1	13.0	0.7
Fuels	2.8	-8.2	-10.5	-4.7	4.4	12.5	5.8
CPI (State Statistics Service of Ukraine classification)							
Food and non-alcohol	43.3	7.8	4.9	5.9	8.5	10.4	2.1
Alcohol, tobacco	7.9	17.9	9.2	9.4	9.9	9.7	0.7
Clothing and footwear	5.2	2.0	-7.3	-5.7	-4.9	-5.0	12.7
Housing, water, electricity, gas and other fuels incl.	7.8	10.6	13.6	18.4	18.6	22.0	0.0
Dwelling maintenance	0.6	23.7	2.7	2.8	4.1	4.5	0.8
Water supply	0.3	19.9	18.5	31.5	14.1	11.7	0.0
Hot water	0.2	3.2	-1.5	-0.6	2.6	5.3	0.0
Natural gas	2.2	22.9	56.3	34.8	44.6	63.6	0.0
Central heating	1.3	5.2	-2.4	4.0	5.8	10.6	-1.1
Electricity	1.3	0.0	0.0	36.6	36.6	36.6	0.0
Transport	10.6	12.9	2.7	4.4	6.0	7.2	1.8
Communication	2.9	15.1	4.1	4.3	4.2	3.5	0.0
Education	1.4	13.4	13.9	13.7	14.0	14.1	0.3

PPI

	Share in PPI for 2021, %**		% yoy				% mom Mar 2021
	2019	2020	2021				
			Jan	Feb	Mar		
Producer Price Index	100.0	-7.4	14.5	17.6	26.6	26.3	1.6
Mining and quarrying	14.3	-22.8	29.5	38.4	70.8	83.0	2.3
Manufacturing of coal	2.3	-23.6	-7.3	1.2	11.6	14.6	1.8
Extraction of crude petroleum and natural gas	3.4	-32.3	28.6	24.6	44.5	61.2	-2.0
Mining of metal ores	7.1	-21.4	44.6	64.9	124.4	139.9	5.8
Manufacturing	64.7	-5.7	15.7	19.8	23.8	26.9	3.8
Manufacture of foods, beverages and tobacco products	23.0	1.8	21.9	26.1	27.3	30.3	4.0
Manufacture of coke, and refined petroleum products	2.9	-14.2	1.8	3.8	31.8	52.5	14.2
Manufacture of chemicals and chemical products	2.8	-8.9	20.9	29.4	33.6	46.7	9.9
Manufacture of basic pharmaceutical products and pharmaceutical preparation	1.7	9.6	10.4	11.4	10.9	12.4	1.8
Manufacture of rubber and plastics products, and other non-metallic mineral products	6.3	2.6	4.1	4.7	5.4	5.0	0.9
Manufacture of basic metals and fabricated metal products, except machinery and equipment	15.0	-18.8	25.2	34.6	43.9	47.7	4.6
Manufacture of transport equipment	2.8	1.1	1.2	1.6	-0.4	-0.7	1.1
Electricity, gas, steam and air-conditioning supply	19.6	-5.6	3.9	2.3	13.8	1.6	-5.5

*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	year-on-year
SSSU	State Statistics Service of Ukraine	RHS	right-hand scale
NBU	National Bank of Ukraine		