



In April 2021, consumer inflation declined in annual terms to 8.4%, down from 8.5% in March, while still remaining above the upper bound of the $5\% \pm 1$ pp target range. Consumer inflation came out lower than in the projected trajectory published in the [April 2021 Inflation Report](#). This was primarily due to slower growth in raw food prices. On the other hand, the underlying inflationary pressure, as expressed by core inflation, rose on the back of sustained demand and higher production costs.

Core Inflation

Core inflation accelerated to 6.3% yoy, from 5.9% yoy in March.

The growth rates of processed food prices increased sharply (to 10.0% yoy), supported by higher global food prices. An increase in the cost of inputs (flour, vegetable oil, and sugar), coupled with higher energy costs, pushed up prices of mayonnaise, margarine, spreads, bread, and flour-based products. The growth was also supported by robust consumer demand, which was primarily reflected in higher prices for butter, cheese, confectionery products, and nonalcoholic drinks.

Services prices also grew more rapidly (7.8% yoy). Impacted by sustained demand and higher production costs, prices for the services of restaurants and beauty salons, repair services, housing rentals, and medical services grew at a faster pace. Prices for taxi services, car maintenance, and driving courses continued to rise due to increased demand and higher fuel prices.

On the other hand, the growth in nonfood prices slowed (to 1.0% yoy). This was driven by the end of the effects of last year's depreciation of the hryvnia, the tightening of quarantine restrictions in most regions, and an increase in imports. In particular, price growth slowed for pharmaceutical products, cars, and home appliances. In addition, the prices of personal care products, toys, household goods, computers, and clothes and footwear remained below last year's levels.

Changes in Raw Food Prices

The growth rates of raw food prices decreased, to 7.6% yoy. In particular, the fall deepened in the prices of borshch vegetables, especially potato and onion prices, due to large inventories from last year's harvest. Prices of citrus fruit continued to decline in annual terms thanks to lower global prices. The growth in milk prices decelerated as competition increased from foreign producers. In addition, buckwheat and egg prices rose more slowly against a high comparison base. On the other hand, chicken meat prices grew on the back of higher costs and decreased output. Sugar and flour prices continued to go up due to high global prices and poorer harvests of sugar beet and wheat.

Changes in Administered Prices

The growth in administered prices accelerated to 14.4% yoy. The cap on natural gas prices for households ended in April, but suppliers raised their prices only slightly (by 2.3% mom). However, due to the low comparison base, this caused a sharp increase in the annual growth rates of natural gas prices (to 89.9% yoy, up from 63.6% in March). The low comparison base also led to faster increases in prices for hot water supplies and heating. Prices of road and rail transportation also rose on the back of higher fuel prices and labor costs and the tightening of quarantine. At the same time, the growth in tobacco product prices slowed due to an increase in supply.

Changes in Fuel Prices

The growth in fuel prices continued to accelerate, to 24.3% yoy. The rise in fuel prices was due to higher global oil prices and sustained strong demand from households.

Producer Price Inflation

In April, the rates of growth in producer prices increased slightly (27.8% yoy), driven primarily by higher global prices for energy and metal ores. In monthly terms, the Producer Price Index (PPI) rose by 1.2%. A faster recovery of the global economy and the tightening of environmental requirements in Europe and China pushed up global steel and iron ore prices. As a result, in Ukraine prices continued to increase in metal ore mining, and the prices of metal products continued to rise rapidly.

In the production of crude oil and natural gas, prices grew sharply as global oil and gas prices continued to increase. This caused a steep rise in prices in the production of coke and petroleum products. Coupled with still-high global prices for fertilizers, this factor spurred price growth in the chemicals industry.

Machinery products also became more expensive under the pressure of production costs and stronger demand amid economic recovery.

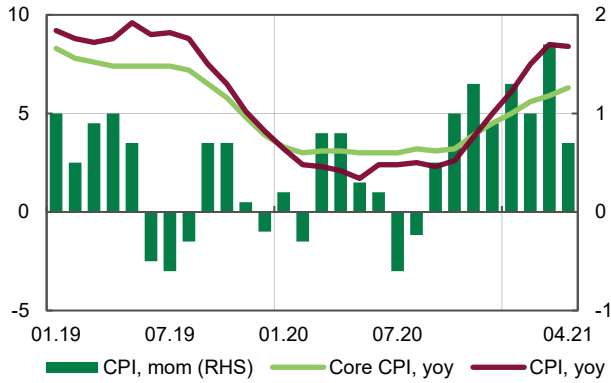
Price growth in the food industry slowed somewhat. This was driven mainly by slower growth in sugar prices due to larger imported supply in previous months and the high comparison base stemming from the panic buying in the previous year. In the meantime, prices rose in the

production of meat products, primarily on the back of higher production costs and stronger demand during the weeks before the holidays. Meat prices also rose due to [outbreaks of African swine fever](#).

Prices in the supply of electricity, natural gas, steam, and air conditioning decreased in annual terms. This can be explained by further increases in the supply of cheaper electricity generated at nuclear power plants.

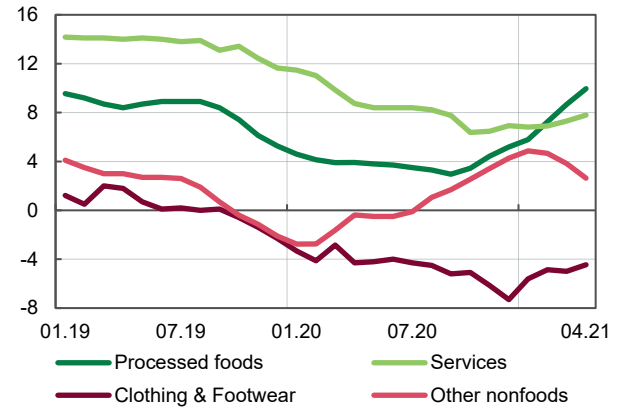
In April 2021, consumer inflation decelerated in annual terms, driven by slower growth in raw food prices. On the other hand, the underlying inflationary pressure, as expressed by core inflation, rose on the back of sustained demand and higher production costs

Figure 1. Consumer price indices, %



Source: SSSU.

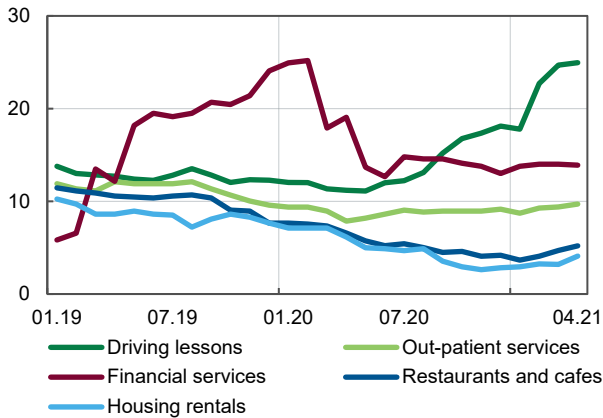
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU staff estimates.

Services prices continued to grow owing to robust consumer demand, as well as higher production costs and fuel prices

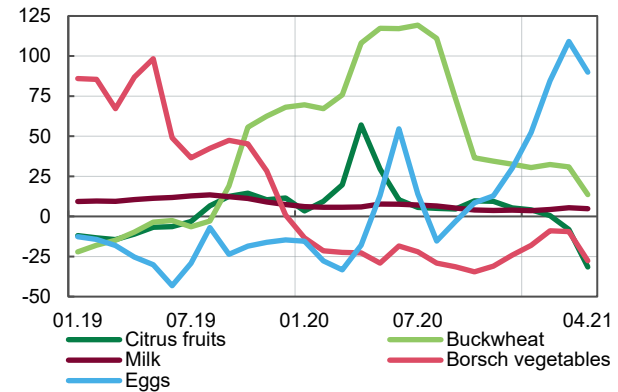
Figure 3. Prices for selected services, % yoy



Source: SSSU, NBU staff estimates.

Growth in raw food prices slowed on the back of large inventories of vegetables harvested last year, lower global prices of citrus fruit, and the comparison base effect for buckwheat and eggs

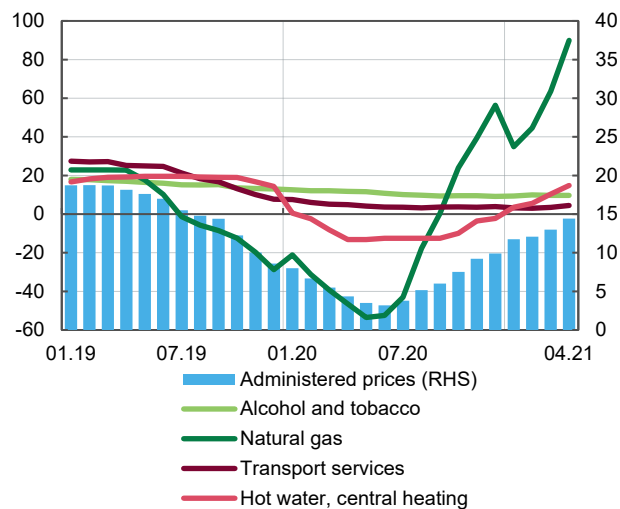
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

The growth rates of administered prices rose sharply, primary driven by low comparison base effects for natural gas, hot water, and heating supplies

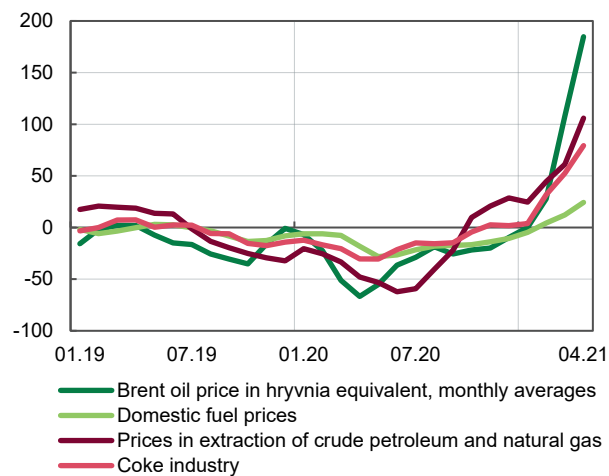
Figure 5. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

The rise in fuel prices continued to accelerate due to higher global oil prices and sustained strong demand from households

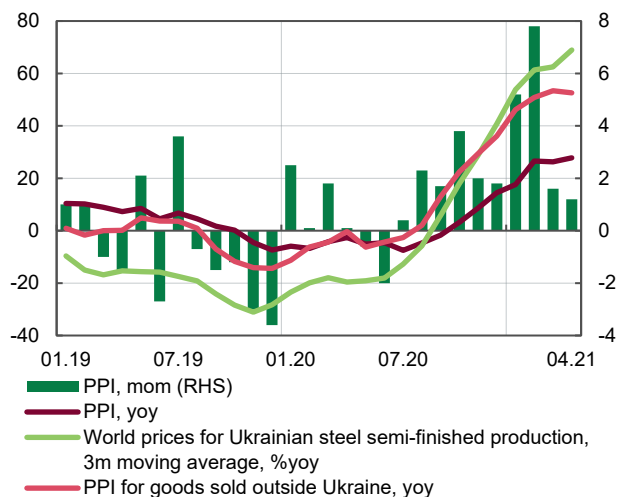
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU staff estimates.

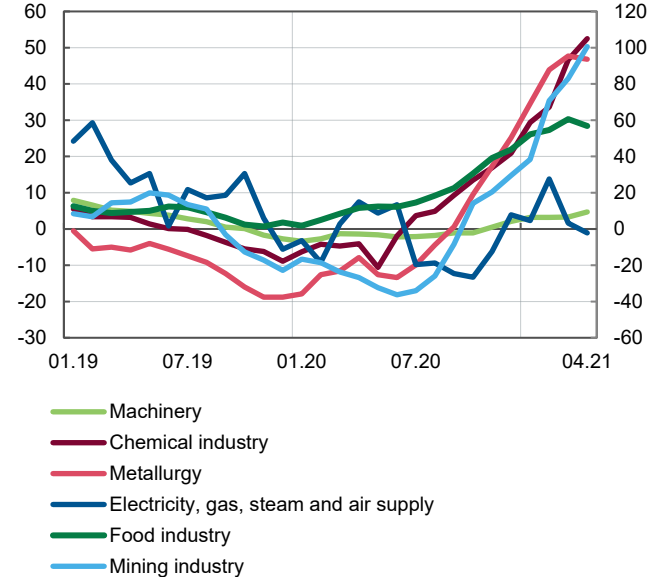
Producer prices grew more rapidly in April, driven mainly by iron ore and energy prices increasing under the influence of global price trends

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 Apr 2021
		2019	2020	2021				
				Feb	Mar	Apr		
CPI (NBU classification)								
Consumer Price Index	100.0	4.1	5.0	7.6	8.5	8.4	0.7	
Core inflation	59.0	3.9	4.5	5.6	5.9	6.3	0.7	
Non-core inflation*	41.0	4.8	5.9	10.5	12.4	11.7	0.7	
Raw foods	19.0	3.9	4.1	9.7	11.8	7.6	0.5	
Administered prices and tariffs	19.2	8.6	9.9	12.1	13.0	14.4	0.9	
Fuels	2.8	-8.2	-10.5	4.4	12.5	24.7	0.8	
CPI (State Statistics Service of Ukraine classification)								
Food and non-alcohol	43.3	7.8	4.9	8.5	10.4	9.4	1.2	
Alcohol, tobacco	7.9	17.9	9.2	9.9	9.7	9.7	0.9	
Clothing and footwear	5.2	2.0	-7.3	-4.9	-5.0	-4.6	0.9	
Housing, water, electricity, gas and other fuels incl.	7.8	10.6	13.6	18.6	22.0	26.5	0.4	
Dwelling maintenance	0.6	23.7	2.7	4.1	4.5	2.4	0.0	
Water supply	0.3	19.9	18.5	14.1	11.7	11.5	0.0	
Hot water	0.2	3.2	-1.5	2.6	5.3	8.3	-1.7	
Natural gas	2.2	22.9	56.3	44.6	63.6	89.9	2.3	
Central heating	1.3	5.2	-2.4	5.8	10.6	15.2	0.0	
Electricity	1.3	0.0	0.0	36.6	36.6	36.6	0.0	
Transport	10.6	12.9	2.7	6.0	7.2	9.2	0.6	
Communication	2.9	15.1	4.1	4.2	3.5	3.7	0.1	
Education	1.4	13.4	13.9	14.0	14.1	14.5	0.3	

PPI

	Share in PPI for 2021, %**	% yoy						% mom Apr 2021
		2019	2020	2021				
				Feb	Mar	Apr		
Producer Price Index	100.0	-7.4	14.5	26.6	26.3	27.8	1.2	
Mining and quarrying	14.3	-22.8	29.5	70.8	83.0	100.6	3.8	
Manufacturing of coal	2.3	-23.6	-7.3	11.6	14.6	14.3	-0.3	
Extraction of crude petroleum and natural gas	3.4	-32.3	28.6	44.5	61.2	105.9	-1.9	
Mining of metal ores	7.1	-21.4	44.6	124.4	139.9	151.2	9.8	
Manufacturing	64.7	-5.7	15.7	23.8	26.9	28.0	2.1	
Manufacture of foods, beverages and tobacco products	23.0	1.8	21.9	27.3	30.3	28.4	0.6	
Manufacture of coke, and refined petroleum products	2.9	-14.2	1.8	31.8	52.5	79.3	4.3	
Manufacture of chemicals and chemical products	2.8	-8.9	20.9	33.6	46.7	52.5	4.1	
Manufacture of basic pharmaceutical products and pharmaceutical preparation	1.7	9.6	10.4	10.9	12.4	12.2	0.4	
Manufacture of rubber and plastics products, and other non-metallic mineral products	6.3	2.6	4.1	5.4	5.0	6.1	1.6	
Manufacture of basic metals and fabricated metal products, except machinery and equipment	15.0	-18.8	25.2	43.9	47.7	46.8	3.8	
Manufacture of transport equipment	2.8	1.1	1.2	-0.4	-0.7	0.0	0.2	
Electricity, gas, steam and air-conditioning supply	19.6	-5.6	3.9	13.8	1.6	-1.1	-2.8	

*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	NBU	National Bank of Ukraine
PPI	Producer price index	mom	month-on-month
SSSU	State Statistics Service	yoy	year-on-year
		RHS	right-hand scale