



In May 2021, consumer inflation increased to 9.5% yoy (from 8.4% in April) and, as expected, breached the upper bound of its $5\% \pm 1$ pp target range. In monthly terms, prices grew by 1.3%. Consumer inflation turned out to be higher than in the projected trajectory published in the [April 2021 Inflation Report](#). This was primarily due to increases in the highly volatile components of the consumer basket, in particular significant rises in the prices for natural gas and sunflower oil.

Core Inflation

Core inflation accelerated to 6.9% yoy in May (up from 6.3% yoy in April).

Price increases for processed food products sped up (to 11.2% yoy), driven primarily by sustained growth in global prices for certain foods. Specifically, prices for sunflower oil and related products (mayonnaise, margarine, spreads) grew faster. The rising costs of raw materials and energy pushed up the prices of bread, pasta, confectioneries, and meat products. The increase in core inflation was also fueled by sustained consumer demand.

The growth in the prices of services continued to accelerate (to 8.0% yoy). Prices grew more quickly for public catering services, culture and recreation services, housing rentals, housing maintenance and repair services, and foreign language lessons. Prices for driving lessons and car maintenance services continued to rise in response to strong demand, while taxi fares increased due to fuel price increases. In contrast, the growth in the prices of personal care, financial, tourism, and funeral services decelerated. The deceleration for some of these services can be explained by the high comparison base, due to significant price increases last year after the lockdown was eased, while the slower growth in tourism service prices is attributable to cheaper all-inclusive tours to Turkey this year.

Spurred by sustained demand from households, the growth in nonfood prices accelerated (to 1.4% yoy). Pharmaceuticals, furniture, and household appliances increased in price at a higher pace, while the decline in prices for clothing, footwear, personal care products, and computer equipment slowed.

Changes in Raw Food Prices

The growth in raw food prices continued to slow (to 7.1% yoy). Potatoes became cheaper, while onion prices remained at half the levels of a year ago, thanks to significant stocks being left over from last year's harvest and a larger supply (both imported and Ukrainian). The latter factor also contributed to a drop in tomato and cucumber prices in year-on-year terms. The decline in citrus fruit prices also deepened due to import prices, which were lower in annual terms. The increase in prices for apples and eggs slowed as the effects of the low comparison base faded. Egg prices also decreased

in monthly terms, which may have been due to the seasonal expansion of supply.

At the same time, the rise in the prices of some raw foods accelerated. Specifically, meat prices were up significantly, due to costlier feed. Milk prices were driven up by lower production, coupled with rising global prices. Sugar prices also increased due to high global prices and last year's poorer sugar beet harvests.

Changes in Administered Prices

The growth in administered prices accelerated (to 17.3% yoy). Natural gas prices for households surged (by 161.6% yoy) in the wake of rising global prices and because of a low base of comparison. The growth in prices for transport services also picked up, primarily due to higher fuel costs and wages. At the same time, with electronic cigarettes gaining popularity, the rise in tobacco prices decelerated.

Changes in Fuel Prices

Fuel price growth accelerated (to 37.4% yoy), driven by rising global oil prices and sustained robust demand from the population.

Producer Price Inflation

In May, producer price growth accelerated sharply (to 33.1% yoy) amid a further increase in the global prices for energy and for mining and metals products. The PPI increased by 3.6% mom.

Global prices for iron ore and steel continued to rise, primarily due to the rapid recovery of the global economy and strong demand for high-quality ore in conditions of tighter emission controls (Europe, China). This spurred price growth in Ukraine in metal ore mining and in the manufacture of metallurgy products.

World oil and natural gas prices rose, causing a price surge in domestically produced crude oil and natural gas. This led to significant price increases in the manufacture of coke and petroleum products, and marginal price rises in the production of rubber and plastic products. The high cost of natural gas, coupled with rising global fertilizer prices, fueled a more rapid rise in prices for chemical products.

Prices in the manufacture of pharmaceutical products also increased under pressure from higher input costs. The same

factor, underpinned by the strengthening of demand due to economic recovery, led to higher prices for machinery products.

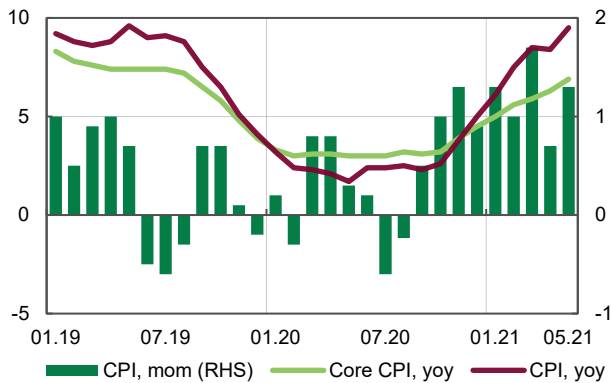
Prices in the food industry continued to grow. The slowdown in price increases in sugar production after [raw cane sugar imports began](#) in May did not offset the impact of high sunflower oil prices. Prices in the manufacture of meat products continued to rise, driven primarily by higher input

costs, although the [effects](#) of changes in taxation are also likely to have made a contribution.

Prices for the supply of electricity, natural gas, steam, and air conditioning also returned to growth. This may have been due to the growth in electricity consumption by producers (especially in metallurgy) due to the increase in output, and by households because of colder weather compared to last year.

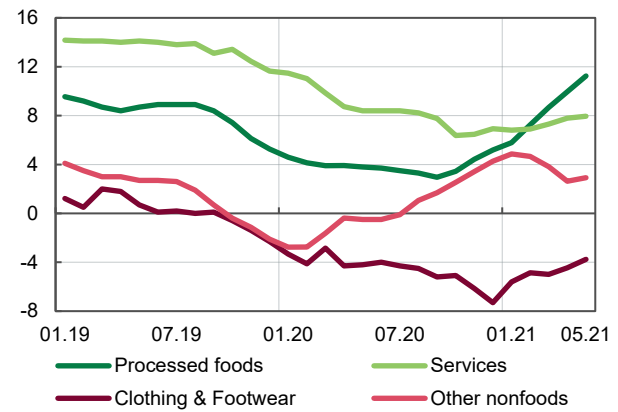
In May 2021, consumer inflation accelerated in annual terms. This was primarily due to growth in prices for the highly volatile components of the consumer basket, in particular the significant rises in prices for natural gas and sunflower oil. The core inflation index also increased

Figure 1. Consumer price indices, %



Source: SSSU.

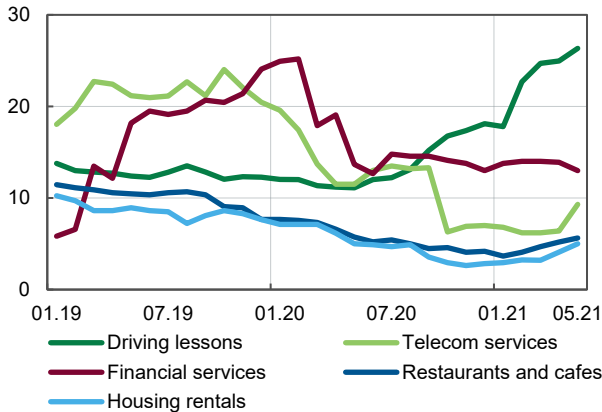
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU staff estimates.

Price increases for services accelerated due to robust demand and stronger upward pressure from production costs

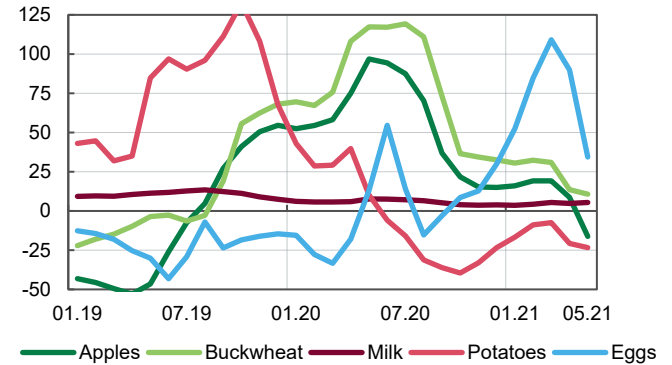
Figure 3. Prices for selected services, % yoy



Source: SSSU, NBU staff estimates.

The growth in raw food prices continued to slow due to ample stocks of vegetables being left over from last year, as well as due to the fading of the comparison base effect for eggs and apples

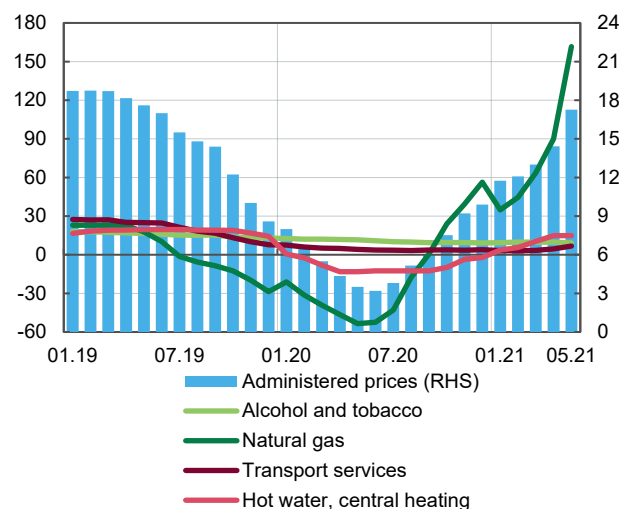
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

Administered prices continued to surge due to higher natural gas prices, which increased because of the low base of comparison and high global prices

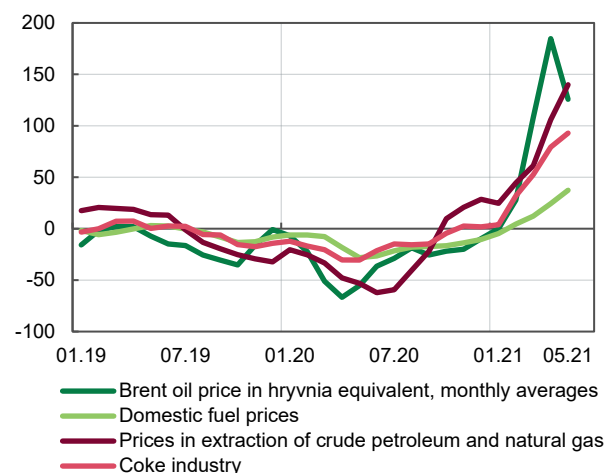
Figure 5. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

Strong demand from the public and rising world oil prices further accelerated the growth in fuel prices

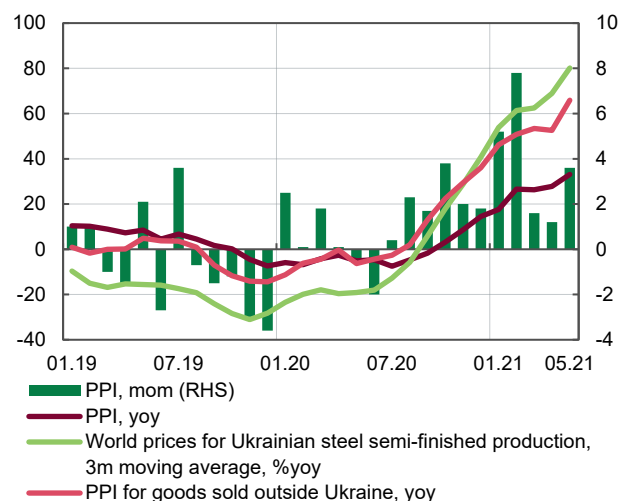
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU staff estimates.

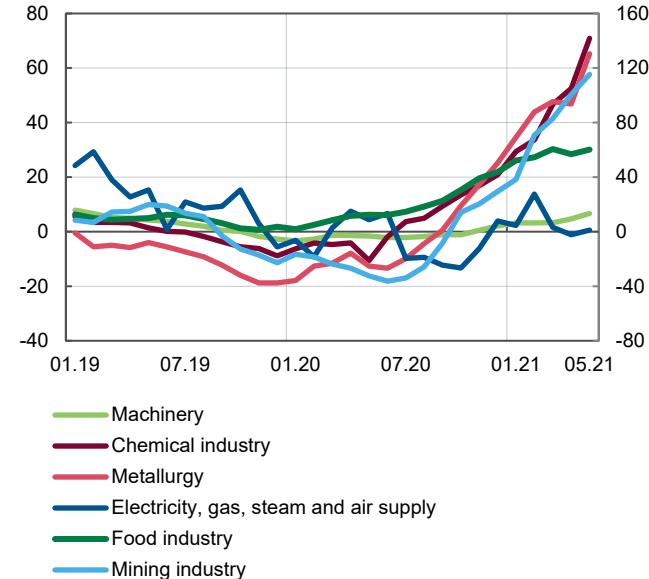
The growth in producer prices continued to speed up in May, primarily because of higher prices for energy and for metal ore and mining products, which were influenced by corresponding global price trends

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 May 2021
		2019	2020	2021			
				Mar	Apr	May	
CPI (NBU classification)							
Consumer Price Index	100.0	4.1	5.0	8.5	8.4	9.5	1.3
Core inflation	59.0	3.9	4.5	5.9	6.3	6.9	0.7
Non-core inflation*	41.0	4.8	5.9	12.4	11.7	13.3	2.1
Raw foods	19.0	3.9	4.1	11.8	7.6	7.1	2.0
Administered prices and tariffs	19.2	8.6	9.9	13.0	14.4	17.3	2.2
Fuels	2.8	-8.2	-10.5	12.5	24.7	37.9	1.0
CPI (State Statistics Service of Ukraine classification)							
Food and non-alcohol	43.3	7.8	4.9	10.4	9.4	9.9	1.7
Alcohol, tobacco	7.9	17.9	9.2	9.7	9.7	9.3	0.7
Clothing and footwear	5.2	2.0	-7.3	-5.0	-4.6	-3.8	-0.6
Housing, water, electricity, gas and other fuels incl.	7.8	10.6	13.6	22.0	26.5	35.3	3.9
Dwelling maintenance	0.6	23.7	2.7	4.5	2.4	2.6	0.1
Water supply	0.3	19.9	18.5	11.7	11.5	11.0	0.0
Hot water	0.2	3.2	-1.5	5.3	8.3	7.9	0.0
Natural gas	2.2	22.9	56.3	63.6	89.9	161.6	14.6
Central heating	1.3	5.2	-2.4	10.6	15.2	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	7.2	9.2	12.2	0.7
Communication	2.9	15.1	4.1	3.5	3.7	6.0	2.2
Education	1.4	13.4	13.9	14.1	14.5	14.7	0.2

PPI

	Share in PPI for 2021, %**			% yoy			% mom May 2021
		2019	2020	2021			
				Mar	Apr	May	
Producer Price Index	100.0	-7.4	14.5	26.3	27.8	33.1	3.6
Mining and quarrying	14.3	-22.8	29.5	83.0	100.6	115.3	2.4
Manufacturing of coal	2.3	-23.6	-7.3	14.6	14.3	10.3	-1.9
Extraction of crude petroleum and natural gas	3.4	-32.3	28.6	61.2	105.9	139.9	3.8
Mining of metal ores	7.1	-21.4	44.6	139.9	151.2	168.8	3.3
Manufacturing	64.7	-5.7	15.7	26.9	28.0	34.1	3.6
Manufacture of foods, beverages and tobacco products	23.0	1.8	21.9	30.3	28.4	30.1	2.1
Manufacture of coke, and refined petroleum products	2.9	-14.2	1.8	52.5	79.3	92.9	3.9
Manufacture of chemicals and chemical products	2.8	-8.9	20.9	46.7	52.5	70.9	3.0
Manufacture of basic pharmaceutical products and pharmaceutical preparation	1.7	9.6	10.4	12.4	12.2	14.6	2.4
Manufacture of rubber and plastics products, and other non-metallic mineral products	6.3	2.6	4.1	5.0	6.1	8.5	2.0
Manufacture of basic metals and fabricated metal products, except machinery and equipment	15.0	-18.8	25.2	47.7	46.8	65.2	8.0
Manufacture of transport equipment	2.8	1.1	1.2	-0.7	0.0	3.0	2.2
Electricity, gas, steam and air-conditioning supply	19.6	-5.6	3.9	1.6	-1.1	0.6	4.2

*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 of	yoy	year-on-year
RHS	right-hand scale		