

In June 2021, consumer inflation was flat from the previous month in annual terms, at 9.5%. In monthly terms, prices grew by 0.2%. Although consumer inflation turned out to be higher than the forecast published in [the April 2021 Inflation Report](#), the deviation decreased. Slower growth in raw food prices offset the effect of the continued increase in natural gas prices and persistently high sunflower oil prices, and that of stronger underlying inflationary pressures.

Core Inflation

Core inflation accelerated to 7.3% yoy in June, up from 6.9% yoy in May.

Prices for processed foods grew further (by 12.1% yoy), driven by high global food prices and robust consumer demand. Sunflower oil prices rose at a faster pace, as did those of the products made with it (mayonnaise, margarine, and spreads) amid persistently high global prices for sunflower oil. Higher production costs resulting from increased raw material and energy prices pushed up the prices of pasta and confectionary products, as well as those of meat and dairy products.

The growth in services prices also sped up, to 8.1% yoy. The services of cafes and restaurants, cultural establishments, recreational facilities, personal vehicle insurance, cable TV, Internet and taxis became more expensive on the back of stable consumer demand and higher production costs. In contrast, the growth in prices for personal care services decelerated amid eased quarantine restrictions. The prices of tourist services also grew more slowly, due to, among other things, the suspension of passenger air travel between Russia and Turkey.

Growth in nonfood prices accelerated slightly (to 1.6% yoy), fueled by sustained robust consumer demand and the pass-through effects of the weaker exchange rate in previous periods. Prices for pharmaceuticals, furniture and household appliances grew more rapidly. Prices for personal care products and electronics returned to growth. Prices for clothing and footwear continued to decline at the previous month's rate. In contrast, the growth in car prices slowed somewhat, which could be attributed to the greater dependence of these prices on the exchange rate.

Changes in Raw Food Prices

The growth in raw food prices decelerated further, to 5.1% yoy.

Prices for berries increased at a slower pace through an increase in their supply on the Ukrainian market. The larger supply of imported and domestic early vegetables drove their prices down. Egg prices grew more slowly and apple prices continued to fall thanks to the waning effect of the low comparison base.

Meanwhile, milk prices grew more rapidly, driven by higher production costs (such as an increase in feed prices), and declining output. Domestic sugar prices continued to rise on the back of high global sugar prices and the poorer harvest of sugar beet.

Changes in Administered Prices

Administered prices grew further, to 18.0% yoy.

Natural gas prices for households continued to rise at a fast pace in annual terms (to 175.3%), mainly due to the low comparison base. At the same time, prices grew only slightly month-on-month, thanks to the introduction of annual contracts with fixed prices for households.

Higher production costs, in particular higher fuel prices and labor costs, pushed up the prices of transportation services. More specifically, June saw a rise in public transportation fares in several oblast centers. The prices of alcoholic beverages also rose more quickly, driven mainly by higher beer prices.

Changes in Fuel Prices

The growth in fuel prices slowed, to 34.7% yoy. This was mainly due to comparison base effects. Prices administered through setting a cap on the trade margins for A-95 petrol and diesel fuel also played a small role.

Producer Price Inflation

Producer prices continued to surge in June (to 39.1% yoy), propelled largely by continued growth in global energy prices. The PPI increased by 2.4% over the month.

Global iron ore prices increased further, mainly on the back of a rapid decline in ore stocks in China's ports, resulting from record high steel production and a decrease in the supply of ore by several large ore producers (such as Rio Tinto and Vale). As a result, domestic metal ore prices grew at a faster pace. Prices in the metals industry and mechanical engineering also grew more rapidly because of production cost effects.

Global oil and gas prices soared, causing a spike in crude oil and gas prices (from 139.9% yoy in May to 236.6% yoy in June). This also caused a further increase in the prices of rubber and plastic products. Conversely, the growth in the prices of chemicals and coke and petroleum products

decelerated, due to the gradual waning of comparison base effects.

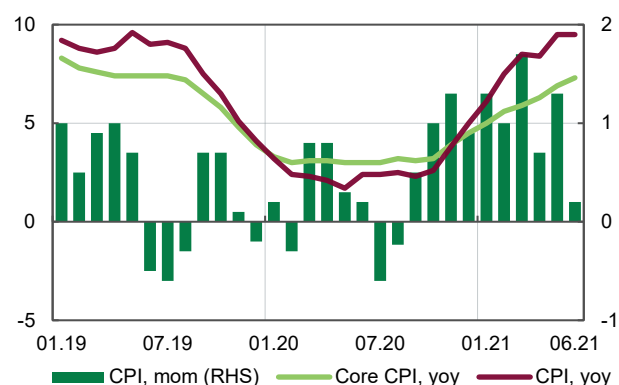
Higher global timber prices pushed up prices for timber products and paper, as well as prices in the printing industry.

Food prices were flat from the previous month, largely due to some decreases in global sunflower oil prices and, consequently, a fall in prices for products in which sunflower oil is an important ingredient. Meanwhile, prices for other food products were on the rise, driven by higher production costs.

Prices surged for the supply of electricity, natural gas, steam, and air conditioning, mainly on the back of a low comparison base stemming from last year's low prices for energy and electricity. The industrial sector (especially the metals industry and mechanical engineering) continued to consume more electricity due to higher output. Transportation companies also consumed more electricity amid eased quarantine restrictions. The higher ceiling on electricity prices on the [energy markets](#) introduced by the NCSREPU also contributed to the growth in electricity prices.

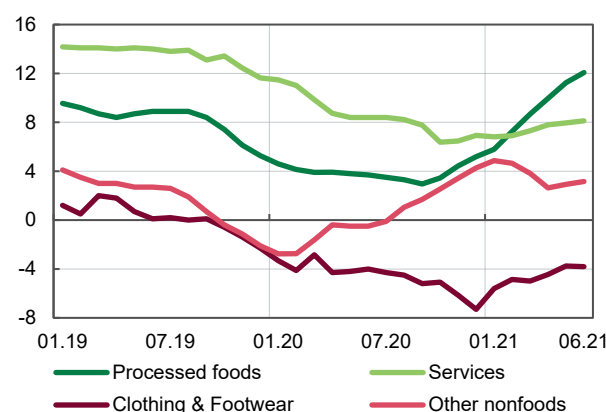
In June 2021, consumer inflation was flat from the previous month in annual terms, at 9.5%. Slower growth in raw food prices offset the effect of the continued increase in natural gas prices and persistently high sunflower oil prices. The core inflation index increased at a faster pace

Figure 1. Consumer price indices, %



Source: SSSU.

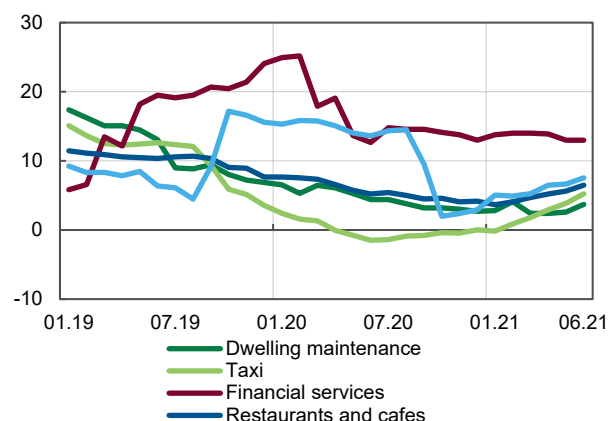
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU staff estimates.

The growth in services prices sped up further, fueled by sustained strong consumer demand and higher production costs

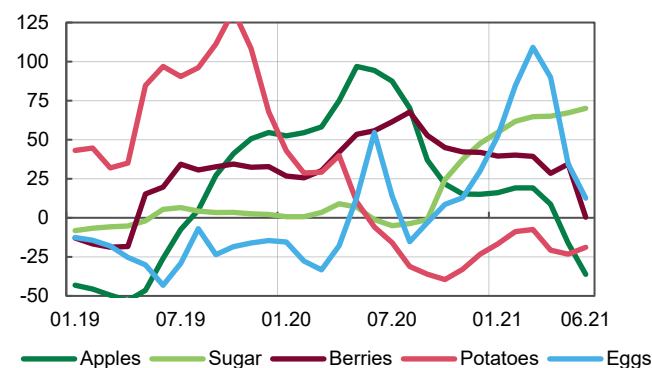
Figure 3. Prices for selected services, % yoy



Source: SSSU, NBU staff estimates.

Raw food prices continued to grow at a slower pace on the back of a larger supply and the fading effect of the low comparison base stemming from egg and apple prices

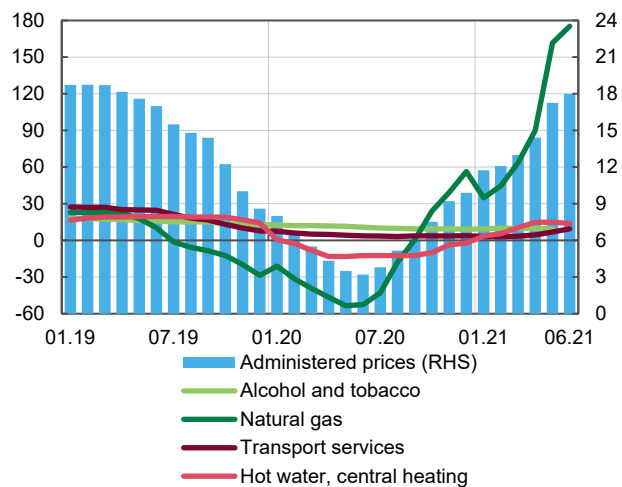
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

Administered prices increased further, driven by higher natural gas prices and more expensive transportation services

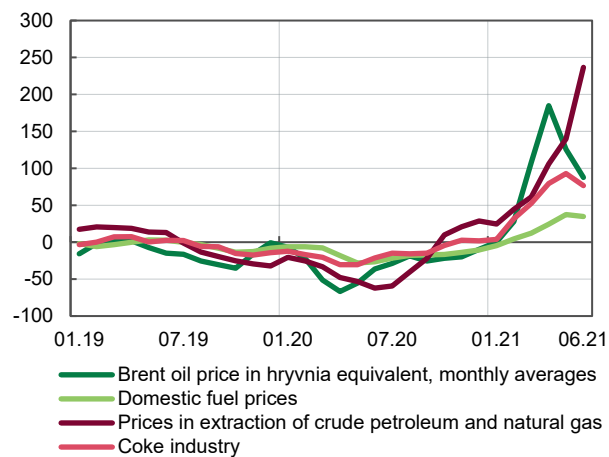
Figure 5. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

The growth in fuel prices decelerated, largely due to comparison base effects, with the effect of the fuel price controls imposed by the government being insignificant

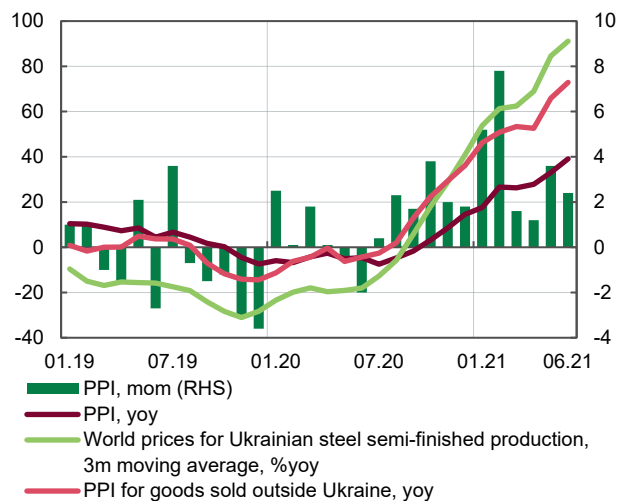
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU staff estimates.

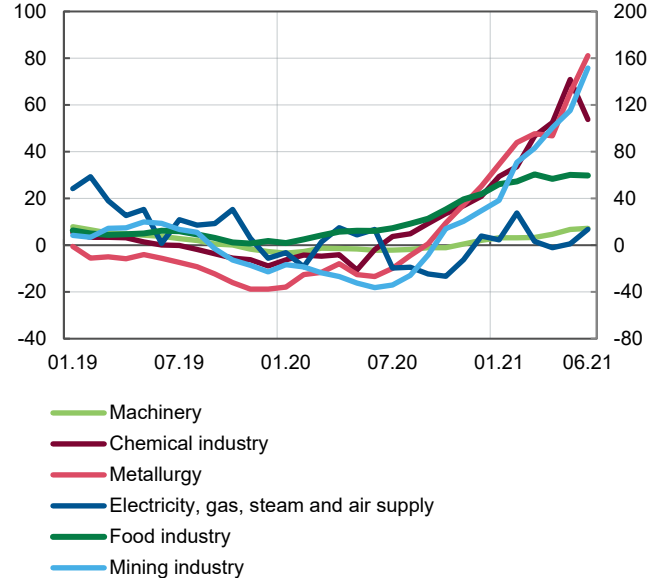
Prices in the industrial sector grew further in June, propelled by higher prices for energy, and for mining and smelting companies' products, under the influence of global price trends

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 June 2021
		2019	2020	2021			
				Apr	May	June	
CPI (NBU classification)							
Consumer Price Index	100.0	4.1	5.0	8.4	9.5	9.5	0.2
Core inflation	59.0	3.9	4.5	6.3	6.9	7.3	0.4
Non-core inflation*	41.0	4.8	5.9	11.7	13.3	12.6	-0.1
Raw foods	19.0	3.9	4.1	7.6	7.1	5.1	-1.5
Administered prices and tariffs	19.2	8.6	9.9	14.4	17.3	18.0	1.1
Fuels	2.8	-8.2	-10.5	24.7	37.9	35.1	0.1
CPI (State Statistics Service of Ukraine classification)							
Food and non-alcohol	43.3	7.8	4.9	9.4	9.9	9.4	-0.1
Alcohol, tobacco	7.9	17.9	9.2	9.7	9.3	9.8	1.0
Clothing and footwear	5.2	2.0	-7.3	-4.6	-3.8	-3.8	-2.8
Housing, water, electricity, gas and other fuels incl.	7.8	10.6	13.6	26.5	35.3	36.4	0.4
Dwelling maintenance	0.6	23.7	2.7	2.4	2.6	3.7	1.0
Water supply	0.3	19.9	18.5	11.5	11.0	11.0	0.0
Hot water	0.2	3.2	-1.5	8.3	7.9	3.4	0.0
Natural gas	2.2	22.9	56.3	89.9	161.6	175.3	0.7
Central heating	1.3	5.2	-2.4	15.2	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	9.2	12.2	12.0	1.0
Communication	2.9	15.1	4.1	3.7	6.0	5.0	0.0
Education	1.4	13.4	13.9	14.5	14.7	14.7	0.3

PPI

	Share in PPI for 2021, %**			% yoy			% mom June 2021
		2019	2020	2021			
				Apr	May	June	
Producer Price Index	100.0	-7.4	14.5	27.8	33.1	39.1	2.4
Mining and quarrying	14.3	-22.8	29.5	100.6	115.3	151.6	10.9
Manufacturing of coal	2.3	-23.6	-7.3	14.3	10.3	12.5	-0.6
Extraction of crude petroleum and natural gas	3.4	-32.3	28.6	105.9	139.9	236.6	13.5
Mining of metal ores	7.1	-21.4	44.6	151.2	168.8	198.7	14.9
Manufacturing	64.7	-5.7	15.7	28.0	34.1	35.8	1.9
Manufacture of foods, beverages and tobacco products	23.0	1.8	21.9	28.4	30.1	29.8	0.5
Manufacture of coke, and refined petroleum products	2.9	-14.2	1.8	79.3	92.9	76.6	1.9
Manufacture of chemicals and chemical products	2.8	-8.9	20.9	52.5	70.9	53.8	-2.4
Manufacture of basic pharmaceutical products and pharmaceutical preparation	1.7	9.6	10.4	12.2	14.6	14.9	0.9
Manufacture of rubber and plastics products, and other non-metallic mineral products	6.3	2.6	4.1	6.1	8.5	10.8	2.2
Manufacture of basic metals and fabricated metal products, except machinery and equipment	15.0	-18.8	25.2	46.8	65.2	81.1	6.3
Manufacture of transport equipment	2.8	1.1	1.2	0.0	3.0	2.9	-1.1
Electricity, gas, steam and air-conditioning supply	19.6	-5.6	3.9	-1.1	0.6	6.8	-1.4

*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 2020.

Terms and abbreviations:

MSCs	mining and smelting companies	NERC	National Energy and Utilities Regulatory Commission
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		