

In August 2021, consumer inflation was flat from the previous month in annual terms, at 10.2%. In monthly terms, prices fell by 0.2%. The rate of consumer inflation came out lower than in the NBU's projected trajectory published in the [July 2021 Inflation Report](#). Unchanged electricity prices for households, a stronger hryvnia, and a greater supply of seasonal products outweighed the higher rates of growth in prices for services and fuel.

Core Inflation

Core inflation slowed marginally to 7.2% yoy in August (down from 7.3% yoy in July).

The rise in prices for processed foods accelerated further (to 12.7% yoy). In particular, prices for pasta, confectioneries, meat products, and dairy products continued to grow due to higher costs of the raw materials, energy, and labor that go into the production of these goods. Robust consumer demand also supported this development. Although the growth in sunflower oil prices decelerated, the products based on it (mayonnaise and margarine) continued to rise in price, driven primarily by the increase in sunflower oil prices in previous periods. In contrast, price increases for certain imported goods, in particular rice and chocolate, slowed as the hryvnia strengthened.

The growth in services prices also continued to speed up (to 8.4% yoy). Prices for cafe and restaurant meals, services of cultural institutions, hospital services, housing repairs, personal transport insurance, personal care, and financial services increased more rapidly. This was due to robust consumer demand and higher production costs of businesses. Conversely, the rise in prices for tourist services decelerated, thanks to a larger supply and a stronger hryvnia.

The growth in nonfood prices slowed further (to 1.7% yoy) amid favorable FX market conditions. These nonfoods included pharmaceutical products and household chemicals. Clothing and footwear prices continued to drop. Medical goods and cars fell in price in annual terms. The prices of electronics and furniture grew faster, propelled by robust consumer demand.

Changes in Raw Food Prices

The growth in raw food prices kept accelerating, reaching 9.8% yoy.

Prices for eggs and milk grew more rapidly as [their supply in the Ukrainian market shrank](#). The prices of certain groceries (including flour, buckwheat, and sugar) continued to rise due to higher production costs, the drawdown of stocks, and high global prices. On the other hand, the fall in vegetable prices deepened as newly harvested crops such as beets, potatoes, carrots, and sweet peppers arrived to the market. Fruits also remained cheaper than last year.

Changes in Administered Prices

Administered prices grew more slowly (17.5% yoy).

The growth in natural gas prices for households decelerated sharply, to 96% yoy in August (down from 164.5% yoy in July), due to the fading of the base effect and because of households opting for annual contracts for gas supply. Prices of alcoholic beverages also grew at a slower pace. That being said, transportation prices continued to rise amid higher fuel prices and other costs.

Changes in Fuel Prices

Fuel price growth slowed gradually (to 32.5% yoy), primarily explained by the fading of the low base effect. At the same time, the price of LPG rose sharply against the backdrop of a temporary shortage of this fuel.

Producer Price Inflation

The growth in producer prices continued to accelerate in August (to 46.5% yoy), mainly as a result of higher prices of energy and natural gas for industrial producers. The PPI increased by 5.4% mom.

Price growth soared in the supply of electricity, gas, steam, and conditioned air, to 40.3% yoy in August (from 10.6% yoy in July). This was mainly driven by the National Energy and Utilities Regulatory Commission (NERC) raising [price caps for the day-ahead and intraday markets](#), [the shortage of electricity on these markets](#), and [the sharp increase in natural gas prices for industrial producers](#) (10% mom) amid higher gas prices in European markets.

Prices of rubber and plastic products continued to go up, fueled by previous periods' increases in crude oil prices and by higher natural gas prices. The said factors, along with the sustained rise in global coking coal prices, spurred price growth in the production of coke and petroleum products (to 105.2% yoy).

Prices grew in the coal mining industry as well (29.9% yoy), driven by [a further increase in prices for power-generating coal in Europe](#) and [its persisting shortage in Ukraine](#).

Stronger demand for fertilizers (especially from India) and further growth in natural gas prices pushed up prices of chemicals.

A correction of global iron ore prices driven by a decrease in demand from China, tighter controls over pricing on mining and metals markets by Chinese authorities, and an increase in global supply caused domestic ore prices to grow more slowly (121.3% yoy). Along with an increase in supply of steel and weaker-than-expected demand from China, this slowed down price growth in the metals industry (to 72.6% yoy). On the other hand, higher expenses on steel in previous periods

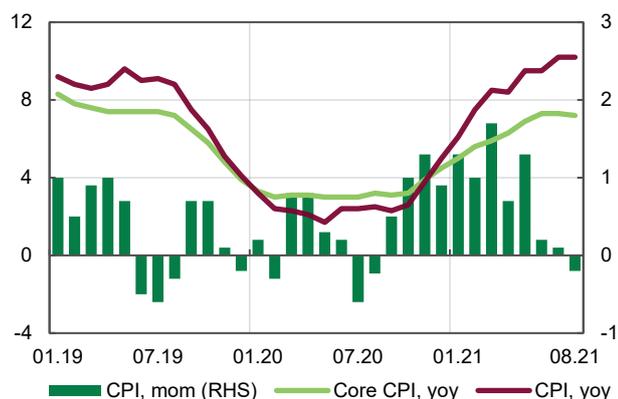
and robust demand made prices rise in the machinery industry, in particular in the motor vehicles production.

Slower growth in global crude oil prices was reflected in similar trends in domestic production of crude oil and natural gas: the growth in their prices slowed to 174% yoy in August.

Food prices grew more slowly (26.6% yoy), due to the slower increase in sunflower oil prices.

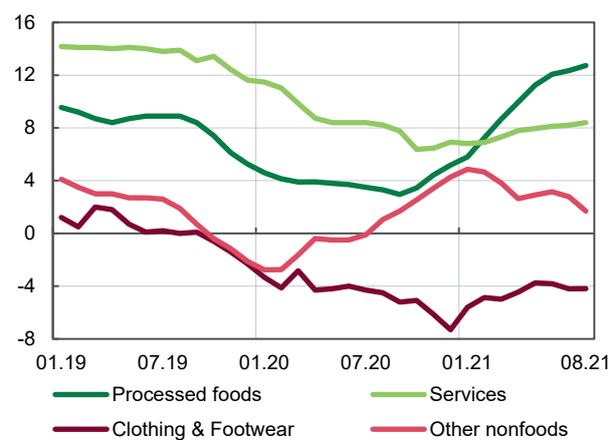
In August 2021, inflation remained at the level of the previous month (10.2%). Unchanged electricity prices for households, a stronger hryvnia, and a greater supply of seasonal products outweighed the higher rates of growth in prices for services and fuel. The core inflation index declined slightly

Figure 1. Consumer price indices, %



Source: SSSU.

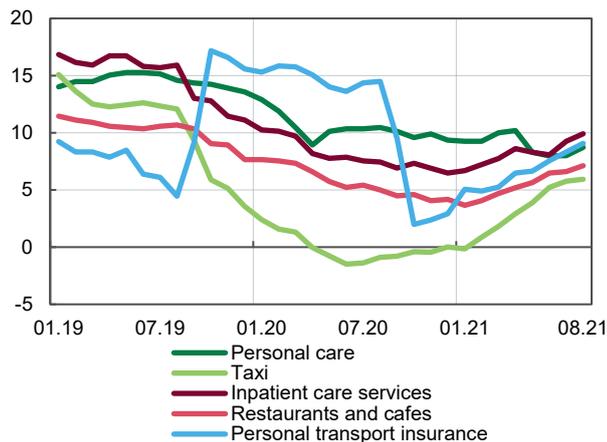
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU staff estimates.

The growth in services prices accelerated further, primarily due to sustained robust consumer demand and increases in production costs

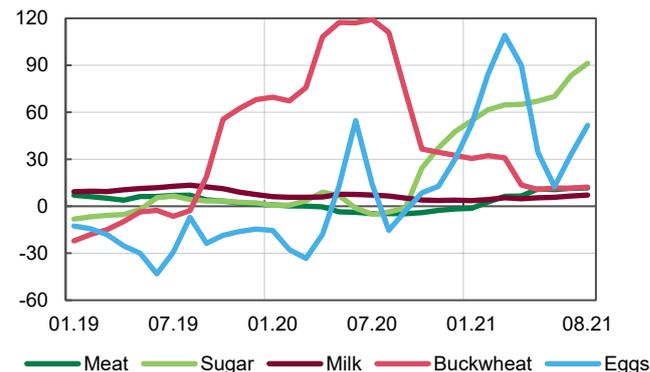
Figure 3. Prices for selected services, % yoy



Source: SSSU, NBU staff estimates.

Raw food prices continued to rise amid mounting pressure from production costs, high sugar prices, and decreased supply of eggs and milk

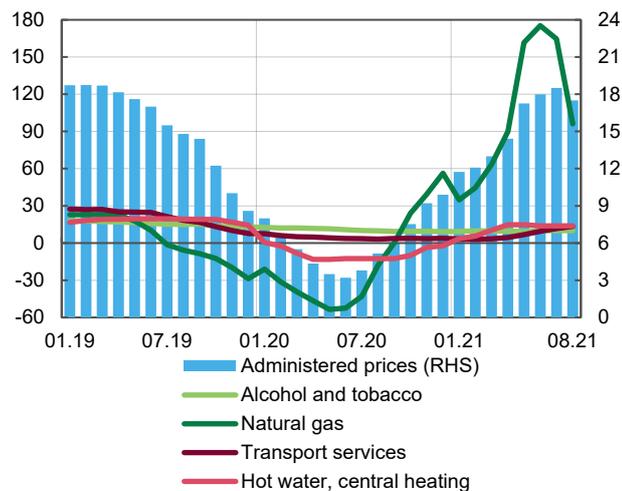
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

The growth in administered prices slowed, mainly due to a slower increase in natural gas prices because of annual gas supply contracts and the vanished low base effect

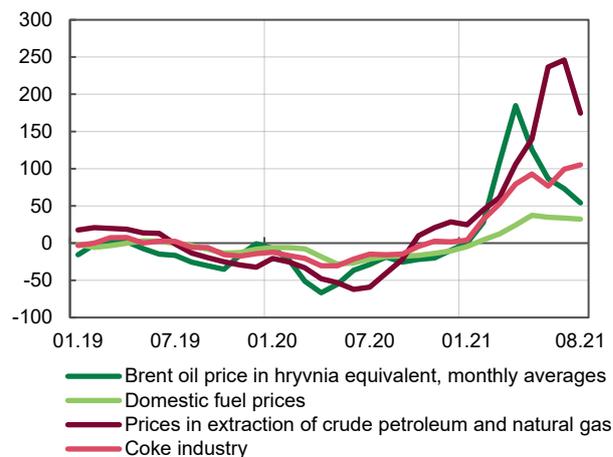
Figure 5. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

The latter factor also largely stood behind the slower growth in fuel prices

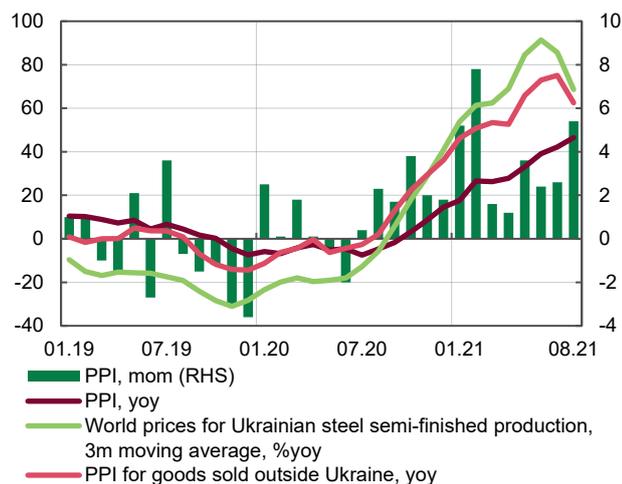
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU staff estimates.

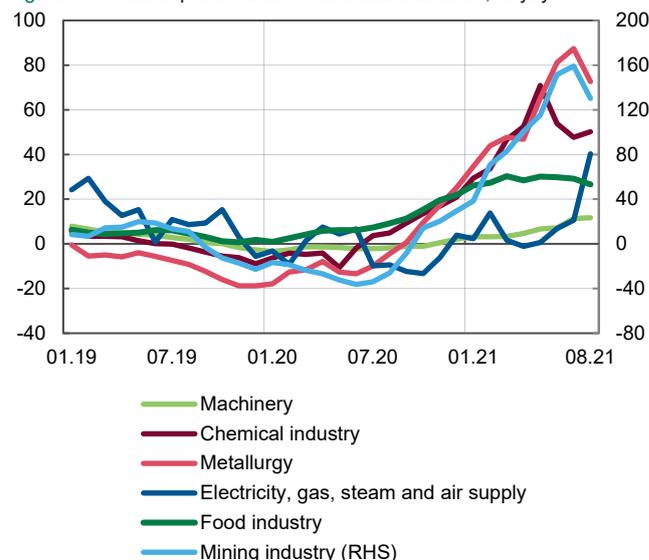
In August, price growth continued to accelerate in industrial production, mainly due to the increase in electricity price caps for industrial producers, a shortage of electricity, and higher global prices for natural gas

Figure 7. Producer price index, %



Source: SSSU.

Figure 8. Producer price indices in selected industries, % yoy



Source: SSSU.

Table 1. Change in CPI

	Share in 2021 CPI, %			%, y-o-y			August 2021, % mom
		2019	2020	2021			
				June	July	August	
CPI components (NBU methodology)							
Consumer Price Index	100.0	4.1	5.0	9.5	10.2	10.2	-0.2
Core inflation	59.0	3.9	4.5	7.3	7.3	7.2	0.1
Noncore inflation*	41.0	4.8	5.9	12.6	14.5	14.8	-0.4
raw foods	19.0	3.9	4.1	5.1	8.2	9.8	-2.1
Administered prices	19.2	8.6	9.9	18.0	18.5	17.5	0.8
Fuel	2.8	-8.2	-10.5	35.1	34.1	32.6	1.6
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.3	7.8	4.9	9.4	10.8	11.7	-0.7
Alcoholic beverages, tobacco products	7.9	17.9	9.2	9.8	10.1	10.0	0.4
Clothing and footwear	5.2	2.0	-7.3	-3.8	-4.2	-4.2	-3.0
Housing, water, electricity, natural gas and other fuels, including:	7.8	10.6	13.6	36.4	35.5	29.0	0.6
Housing maintenance fees	0.6	23.7	2.7	3.7	3.2	3.2	0.1
Water supply	0.3	19.9	18.5	11.0	11.0	11.8	0.7
Hot water	0.2	3.2	-1.5	3.4	3.4	3.4	0.0
Natural gas	2.2	22.9	56.3	175.3	164.5	96.1	2.1
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	12.0	11.9	11.4	0.8
Telecommunications	2.9	15.1	4.1	5.0	4.8	4.5	0.6
Education	1.4	13.4	13.9	14.7	14.6	14.6	0.1

Table 2. Some PPI components

	Share in 2021 PPI, %**			%, yoy			August 2021, % mom
		2019	2020	2021			
				June	July	August	
Producer Price Index	100.0	-7.4	14.5	39.1	42.2	46.5	5.4
Mining and quarrying	14.3	-22.8	29.5	151.6	159.1	130.2	-2.2
Coal mining	2.3	-23.6	-7.3	12.5	26.5	29.9	2.3
Crude oil and natural gas production	3.4	-32.3	28.6	236.6	246.0	174.5	2.2
Metal ore mining	7.1	-21.4	44.6	198.7	196.7	168.9	-7.4
Manufacturing	64.7	-5.7	15.7	35.8	37.8	34.7	-0.3
Production of foods, beverages, and tobacco products	23.0	1.8	21.9	29.8	29.2	26.6	-0.3
Production of coke and petroleum products	2.9	-14.2	1.8	76.6	99.4	105.2	1.2
Production of chemicals and chemical products	2.8	-8.9	20.9	53.8	47.7	50.2	2.0
Production of basic pharmaceutical products and pharmaceuticals	1.7	9.6	10.4	14.9	15.4	14.7	0.4
Manufacture of rubber and plastic products, nonmetal mineral products	6.3	2.6	4.1	10.8	12.6	13.7	1.6
Metallurgical production, manufacture of finished metal products, excluding machinery and equipment	15.0	-18.8	25.2	81.1	87.4	72.6	-3.2
Manufacture of motor vehicles, trailers, semi- trailers, and other vehicles	2.8	1.1	1.2	2.9	8.9	9.8	1.4
Supplies of electricity, natural gas, steam, and air conditioning	19.6	-5.6	3.9	6.8	10.6	40.3	26.3

*NBU estimates based on the data provided by the State Statistics Service of Ukraine (SSSU). The sum of the 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 SSSU data on sales volumes of industrial products by sector in 2020.

Terms and abbreviations:

CPI	Consumer Price Index	NERC	National Energy and Utilities Regulatory Commission
PPI	Producer Price Index	mom	month-on-month
SSSU	State Statistics Service of	yoy	year-on-year
NBU	National Bank of Ukraine	RHS	Right-hand scale