

In September 2021, consumer inflation accelerated to 11.0% yoy (up from 10.2% in August). In monthly terms, prices grew by 1.2%. The actual rate of consumer inflation came out slightly lower than the NBU's forecast published in the [July 2021 Inflation Report](#). The downward pressure on inflation from the stronger hryvnia was almost completely offset by accelerated growth in raw food prices.

### Core Inflation

Core inflation accelerated in September to 7.4% yoy (up from 7.2% yoy in August).

The rise in prices for processed foods accelerated further (to 13.0% yoy). Prices for pasta, confectioneries, meat products, and dairy products increased faster due to higher production costs (raw materials, energy, and the labor), and sustained consumer demand. Products for which sunflower oil is a substantial input (spreads and mayonnaise) also became more expensive, reflecting the increase in its price in previous periods. However, the rate of growth in sunflower oil prices continued to slow. The rate of increase in prices for goods with a large share of imported inputs (tea, coffee, spices, and seafood) also declined.

The growth in service prices accelerated rapidly (to 9.1% yoy). Robust consumer demand and higher production costs also contributed to this increase. In particular, prices for taxi rides, fast food restaurant meals, hotel rentals, personal transport insurance, educational and financial services, and household services (shoe repair, dry cleaning) grew at a faster pace. In addition, the accelerated spread of COVID-19 made it more expensive to receive medical consultations and hospital services. Prices for tourist services continued to fall on the back of sufficient supply and the stronger hryvnia.

At the same time, the growth in nonfood products prices slowed further (to 1.4% yoy) as the hryvnia strengthened. Specifically, the pace of growth in pharmaceutical products prices decreased, while clothing, footwear, and cars continued to fall in price in annual terms. Meanwhile, the rise in the prices of electronic devices accelerated.

### Changes in Raw Food Prices

Raw food prices surged (by 14.2% yoy).

Higher prices for fodder and raw materials spurred price growth for meat, flour, eggs, and milk. On top of that, prices for eggs and milk reflected the cold spell in September<sup>1</sup>, which also pushed vegetable prices up. Price increases in this group of goods were restrained by drops in prices for sweet peppers, apples, and watermelons amid a better harvest this year.

### Changes in Administered Prices

The growth in administered prices continued to slow (to 17.1% yoy).

The pace of growth in natural gas prices for households decreased (to 68.5% yoy, down from 96.0% yoy in August) due to the waning of the low base effect and the option of an annual gas contract with a fixed price for households. Tobacco products prices also rose more slowly amid an increase in supply. This outweighed the hike in public transport fares [in some cities](#) and the rise in alcohol prices.

### Changes in Fuel Prices

Fuel price growth rates continued to decline (to 31.2% yoy), which was explained mainly by slower rise in global crude oil prices in previous periods. The introduction of government regulation of the fuel market in May 2021 also had a certain impact.

### Producer Price Inflation

The growth in producer prices decelerated in September to 45.1% yoy (down from 46.5% yoy in August). This was driven mostly by global prices for metal and mining products rising more slowly in annual terms, and decreasing in monthly terms. The Producer Price Index (PPI) increased by 0.7% mom.

Growth rates of metal ore prices dropped further (to 75.2% yoy) as a result of a decline in global metal ore prices on the back of large inventories accumulated in Chinese ports, lower demand for steel in China, and larger supplies from Brazil and Australia. Together with decreased demand for steel in some countries resulting from the imposition of quarantine measures (the Republic of South Africa and Southeast Asia) and sales of steel from the national stockpile by China, this slowed the growth in prices for metal products (63.4% yoy). On the other hand, higher prices for materials and components, coupled with an increase in investment and consumer demand, pushed up prices in the machinery industry, in particular in the production of machines and equipment which are not categorized elsewhere.

Growth in producer prices of crude oil and natural gas continued to slow (130.8% yoy) as the low base effect waned

<sup>1</sup> According to meteopost.com, September 2021 was the coldest in the last eight years: the average temperature across Ukraine was 13.9°C in September 2021, whereas it was 18 °C in September 2020. Moreover, frost was recorded in some regions.

and year-on-year growth in global oil prices decelerated in previous periods. This factor outweighed the rise in global coking coal prices, contributing to a slowdown in price growth in the production of coke and petroleum products (to 94.3% yoy).

Food prices grew more slowly (23.1% yoy), largely due to lower sunflower oil prices. Producer prices of sugar also rose at a slower pace on the back of the start of the sugar refining season ([20 sugar refineries began to work in September](#)) and due to optimistic assessments of this year's sugar beet harvest. In the meantime, prices of meat and dairy products rose, and bakery products prices grew more rapidly.

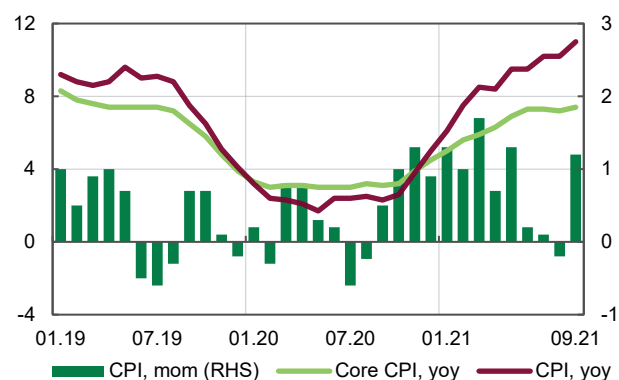
Energy prices continued to grow at a fast pace, influencing related sectors through second-round effects. Prices in the

supply of electricity, gas, steam, and conditioned air continued to soar (60.9% yoy versus 40.3% yoy in August), driven mainly by high natural gas prices on the back of the developments on the European market ([natural gas prices for industrial consumers went up by 52% mom](#)), and the [persisting shortage of coal in Ukraine](#). The latter factor, coupled with [upward price trends on the global markets](#), pushed up producer prices of coal (to 36% yoy).

Higher natural gas prices and a pickup in domestic and foreign demand contributed to an increase in producer prices for rubber and plastic goods (14.3% yoy).

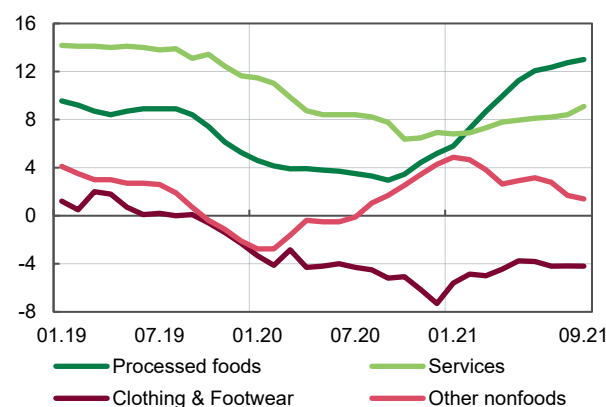
**In September 2021, consumer inflation accelerated to 11% yoy, primarily due to a sharp rise in the prices of services and food products. The core inflation index also increased. On the other hand, inflation was restrained by the strengthening of the hryvnia**

Figure 1. Consumer price indices, %



Source: SSSU.

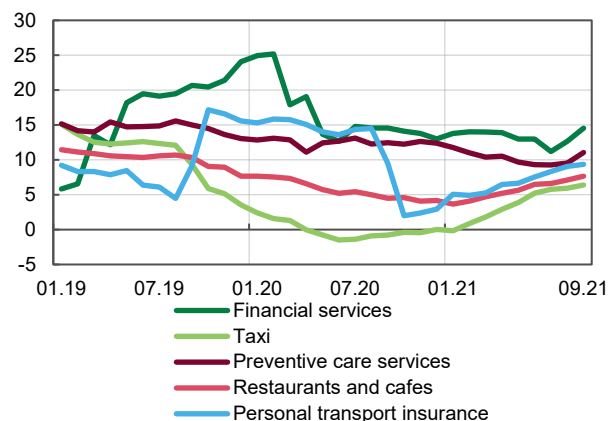
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU staff estimates.

**Service prices continued to grow rapidly due to robust consumer demand and increases in production costs (wages and energy)**

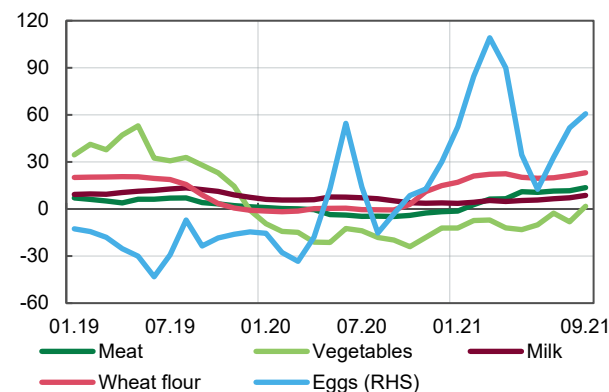
Figure 3. Prices for selected services, % yoy



Source: SSSU, NBU staff estimates.

**Raw food prices grew further on high prices for fodder and inputs. Cool weather was an additional factor**

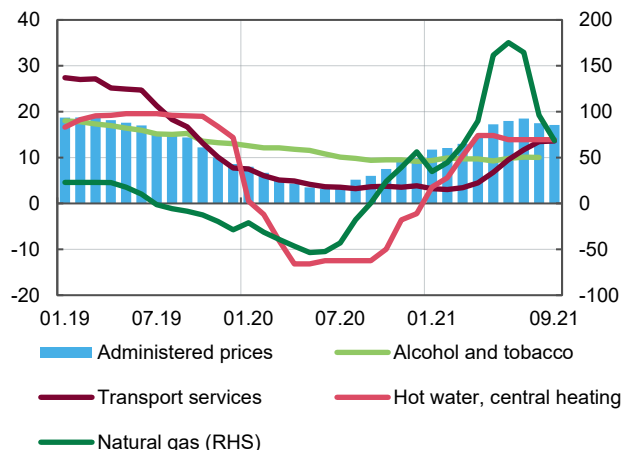
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

The growth in administered prices continued to slow, mainly due to a slower increase in natural gas prices because of annual gas contracts and the vanishing of the low base effect

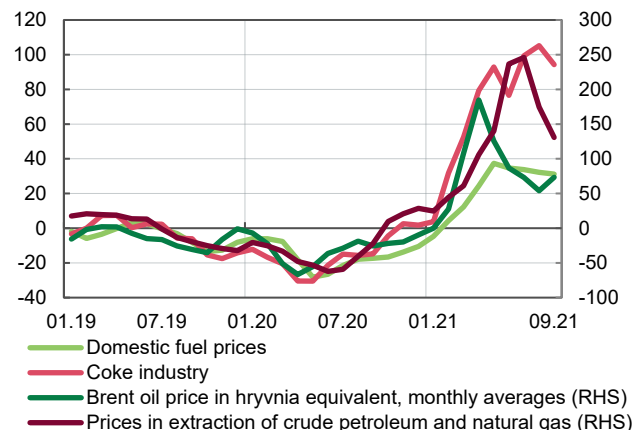
Figure 5. Administered prices, % yoy



Source: SSSU, NBU staff estimates.

Fuel prices rose more slowly due to the slowdown in global oil price growth in previous periods

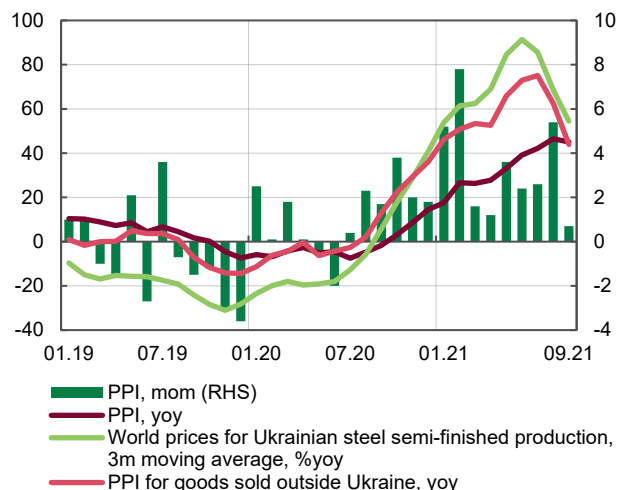
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU staff estimates.

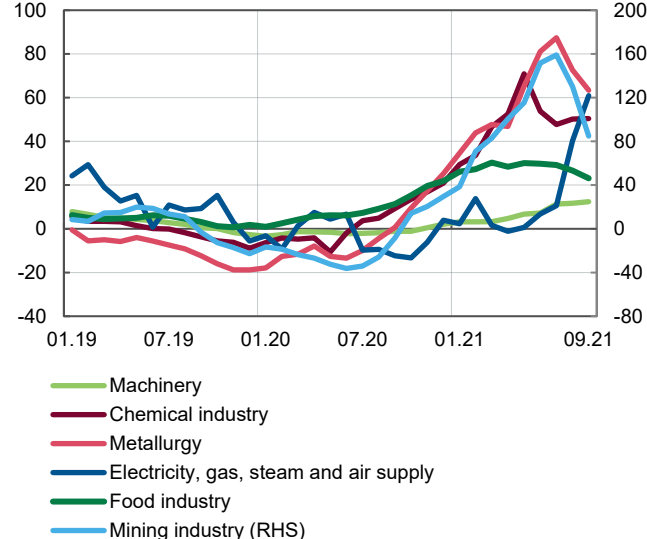
Producer prices grew at a slower pace in September, driven mainly by a decrease in global ore and steel prices. However, higher energy prices restrained the decline in producer price inflation

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			September 2021, % mom
		2019	2020	2021			
				July	August	September	
<b>CPI components (NBU methodology)</b>							
<b>Consumer Price Index</b>	<b>100.0</b>	<b>4.1</b>	<b>5.0</b>	<b>10.2</b>	<b>10.2</b>	<b>11.0</b>	<b>1.2</b>
<b>Core inflation</b>	<b>59.0</b>	<b>3.9</b>	<b>4.5</b>	<b>7.3</b>	<b>7.2</b>	<b>7.4</b>	<b>1.3</b>
<b>Noncore inflation*</b>	<b>41.0</b>	<b>4.8</b>	<b>5.9</b>	<b>14.5</b>	<b>14.8</b>	<b>16.6</b>	<b>1.1</b>
raw foods	19.0	3.9	4.1	8.2	9.8	14.2	1.7
Administered prices	19.2	8.6	9.9	18.5	17.5	17.1	0.8
Fuel	2.8	-8.2	-10.5	34.1	32.6	31.2	-0.2
<b>Some components of the consumer basket (SSSU methodology)</b>							
<b>Foods and nonalcoholic beverages</b>	<b>43.3</b>	<b>7.8</b>	<b>4.9</b>	<b>10.8</b>	<b>11.7</b>	<b>13.6</b>	<b>1.1</b>
<b>Alcoholic beverages, tobacco products</b>	<b>7.9</b>	<b>17.9</b>	<b>9.2</b>	<b>10.1</b>	<b>10.0</b>	<b>10.2</b>	<b>0.8</b>
<b>Clothing and footwear</b>	<b>5.2</b>	<b>2.0</b>	<b>-7.3</b>	<b>-4.2</b>	<b>-4.2</b>	<b>-4.2</b>	<b>7.9</b>
<b>Housing, water, electricity, natural gas and other fuels, including:</b>	<b>7.8</b>	<b>10.6</b>	<b>13.6</b>	<b>35.5</b>	<b>29.0</b>	<b>25.1</b>	<b>0.5</b>
Housing maintenance fees	0.6	23.7	2.7	3.2	3.2	4.0	0.7
Water supply	0.3	19.9	18.5	11.0	11.8	11.8	0.0
Hot water	0.2	3.2	-1.5	3.4	3.4	3.2	0.0
Natural gas	2.2	22.9	56.3	164.5	96.1	68.6	1.8
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
<b>Transport</b>	<b>10.6</b>	<b>12.9</b>	<b>2.7</b>	<b>11.9</b>	<b>11.4</b>	<b>10.8</b>	<b>-0.1</b>
<b>Telecommunications</b>	<b>2.9</b>	<b>15.1</b>	<b>4.1</b>	<b>4.8</b>	<b>4.5</b>	<b>5.1</b>	<b>0.6</b>
<b>Education</b>	<b>1.4</b>	<b>13.4</b>	<b>13.9</b>	<b>14.6</b>	<b>14.6</b>	<b>16.9</b>	<b>13.2</b>

Table 2. Some PPI components

	Share in 2021 PPI, %**			%, y-o-y			September 2021, % mom
		2019	2020	2021			
				July	August	September	
<b>Producer Price Index</b>	<b>100.0</b>	<b>-7.4</b>	<b>14.5</b>	<b>42.2</b>	<b>46.5</b>	<b>45.1</b>	<b>0.7</b>
<b>Mining and quarrying</b>	<b>14.3</b>	<b>-22.8</b>	<b>29.5</b>	<b>159.1</b>	<b>130.2</b>	<b>84.9</b>	<b>-11.6</b>
Coal mining	2.3	-23.6	-7.3	26.5	29.9	36.0	4.0
Crude oil and natural gas production	3.4	-32.3	28.6	246.0	174.5	130.8	5.6
Metal ore mining	7.1	-21.4	44.6	196.7	168.9	75.2	-31.5
<b>Manufacturing</b>	<b>64.7</b>	<b>-5.7</b>	<b>15.7</b>	<b>37.8</b>	<b>34.7</b>	<b>31.5</b>	<b>-0.3</b>
Production of foods, beverages, and tobacco products	23.0	1.8	21.9	29.2	26.6	23.1	-0.2
Production of coke and petroleum products	2.9	-14.2	1.8	99.4	105.2	94.3	-1.6
Production of chemicals and chemical products	2.8	-8.9	20.9	47.7	50.2	50.4	3.3
Production of basic pharmaceutical products and pharmaceuticals	1.7	9.6	10.4	15.4	14.7	15.4	1.0
Manufacture of rubber and plastic products, nonmetal mineral products	6.3	2.6	4.1	12.6	13.7	14.3	1.6
Metallurgical production, manufacture of finished metal products, excluding machinery and equipment	15.0	-18.8	25.2	87.4	72.6	63.4	-2.3
Manufacture of motor vehicles, trailers, semi- trailers, and other vehicles	2.8	1.1	1.2	8.9	9.8	10.0	-0.2
<b>Supplies of electricity, natural gas, steam, and air   conditioning</b>	<b>19.6</b>	<b>-5.6</b>	<b>3.9</b>	<b>10.6</b>	<b>40.3</b>	<b>60.9</b>	<b>11.0</b>

\*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	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		