

In October 2021, consumer inflation declined in annual terms to 10.9%, down from 11% in September. In monthly terms, prices increased by 0.9%. This is according to data published by the State Statistics Service of Ukraine. Actual consumer inflation slowed as expected, but it was slightly above the forecast published in the NBU's [October 2021 Inflation Report](#). This was primarily due to stronger second-round effects from the increase in energy prices.

Core Inflation

In October, core inflation accelerated to 7.6% yoy (up from 7.4% yoy in September).

Prices for processed food continued to rise more quickly (13.2% yoy). The growth in prices for pasta, baked goods, and dairy products accelerated due to high energy prices. Cereals rose in price at a faster pace, partially driven by trade restrictions imposed by Russia. At the same time, the growth in sunflower oil prices slowed sharply as the low base effect waned and the processing of newly harvested crops began.

The increase in services prices also accelerated (to 9.6% yoy). In particular, the prices of outpatient services grew rapidly, which likely reflected the worsening of the epidemic. As production costs of businesses rose, the services of fast food outlets and restaurants, car insurers, hairdressers, beauty salons, and cultural and leisure establishments became more expensive. Prices for tourist services declined more slowly.

Nonfood prices also edged higher (by 1.5% yoy). The growth in the prices of pharmaceuticals and personal care products sped up. At the same time, the fall in prices for cars, as well as for clothing and footwear, deepened due to a stronger hryvnia.

Changes in Raw Food Prices

The growth in raw food prices decelerated (to 13.8% yoy).

The rise in sugar prices slowed sharply due to the good harvest of sugar beets. The pace of growth in egg prices also declined. Fruits became cheaper thanks to a large harvest of apples and a stronger hryvnia. In the meantime, milk and meat prices rose further, driven by unfavorable market conditions in animal farming and high energy prices. The latter also fueled the growth in prices for vegetables, as greenhouse produce became more costly to grow.

Changes in Administered Prices

The growth in administered prices continued to slow (to 16% yoy).

The pace of growth in natural gas prices for households continued to fall sharply (from 68.6% yoy in September to 47.2% yoy in October) due to the waning of the low base effect and because of the option for households to have an annual gas contract with a fixed price. Heating services rose in price at a slower pace, as heating prices for households remained constant. The growth in tobacco product prices also decelerated. Meanwhile, prices for alcoholic beverages and transportation services rose further.

Changes in Fuel Prices

Fuel price growth rates increased (to 33.9% yoy), driven mainly by the rise in global crude oil prices. The state regulation of fuel prices introduced in May 2021 somewhat restrained price growth in this group of goods.

Producer Price Inflation

The growth in prices for industrial products accelerated rapidly in October (to 57.2% yoy from 45.1% yoy in September). The Producer Price Index (PPI) increased by 12.5% mom. This was driven primarily by a more than two-fold rise in energy prices.

Price growth in the supply of electricity, gas, steam, and conditioned air sped up to 147.7% yoy (versus 60.9% yoy in September). This was largely caused by a sharp increase in natural gas prices for industrial producers (prices increased almost six-fold compared to the previous year, according to Naftogaz Trading), by the financial model of special obligations on electricity supplies to households replacing the commodity model¹, and by shortages of coal, which caused shutdowns of combined heat and power plants, and which was reflected in higher intraday and day-ahead prices of electricity. The shortage of coal in Ukraine and high global prices further accelerated price growth in coal mining (42.1% yoy).

The continued growth in natural gas prices pushed up prices in the chemical industry and in the manufacturing of rubber and plastic products. High global prices for crude oil and coking coal drove an increase in the prices of coke and petroleum products.

¹From October 2021, NNEGC Energoatom and PrJSC Ukhidroenergo were allowed to sell all generated electricity at market prices, including to providers of the universal service of electricity supply for households, whereas previously they had been selling electricity at a fixed reduced tariff. The difference between the reduced tariff and the purchasing price of electricity was covered by income from NNEGC Energoatom and PrJSC Ukhidroenergo.

Prices rose in machinery production and in the manufacture of motor vehicles, trailers, semi-trailers, and other vehicles, due to increases in the prices of components amid a global shortage of semiconductors.

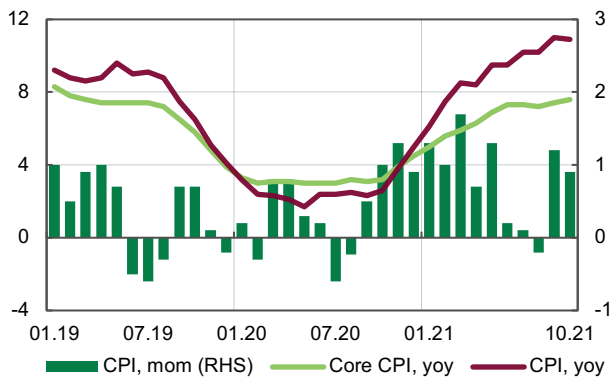
The growth in producer prices of metal ores continued to decelerate rapidly (27.4% yoy, versus 75.2% yoy in September) on the back of the persisting effects of the sharp fall of global metal ore prices in previous periods. Coupled

with fading low base effects, this also put the brakes on the growth in metal product prices.

Price growth in the food industry continued to decelerate (20.5% yoy), driven mainly by further slower growth in sugar and sunflower oil prices. A more rapid deceleration of price growth in this sector restrained the rise in prices of dairy, meat, and bakery products on the back of higher production costs, especially higher energy prices.

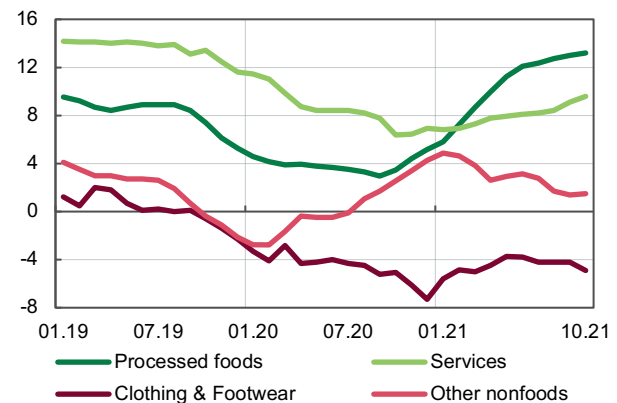
In October 2021, consumer inflation declined in annual terms to 10.9%, which was mainly the result of slower growth in raw food prices. Significant second-round effects from the increase in energy prices prevented prices from declining more rapidly. This factor was also behind the rise in core inflation

Figure 1. Consumer price indices, %



Source: SSSU.

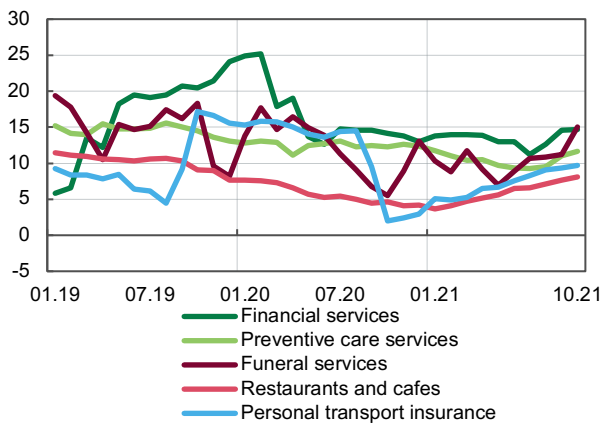
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU calculations.

Services prices continued to grow due to higher production costs

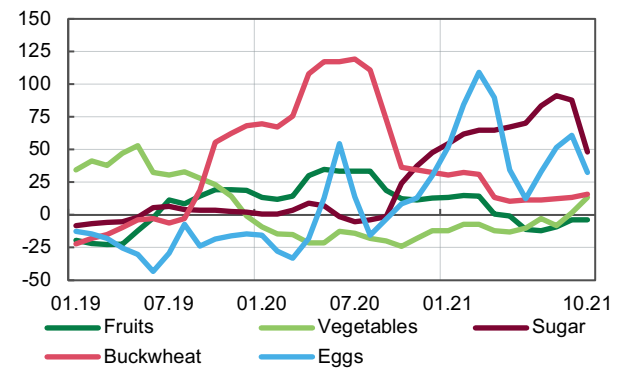
Figure 3. Prices for selected services, % yoy



Source: SSSU.

Raw food prices grew more slowly, mainly on the back of slower rises in the prices of sugar, fruits, and eggs

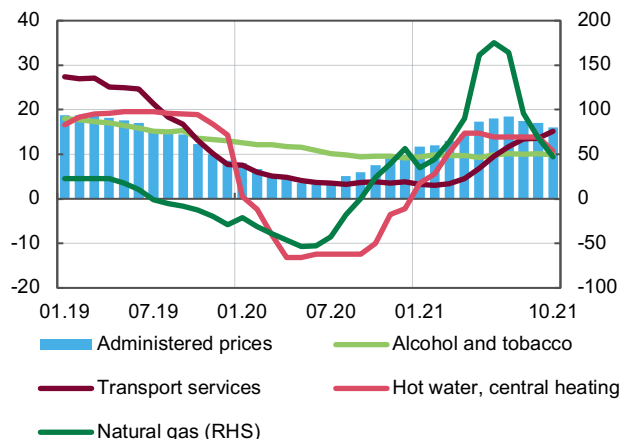
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

The pace of growth in administered prices continued to decrease, primarily due to the waning of the low base effect and because of the option for households to have an annual gas contract with a fixed price

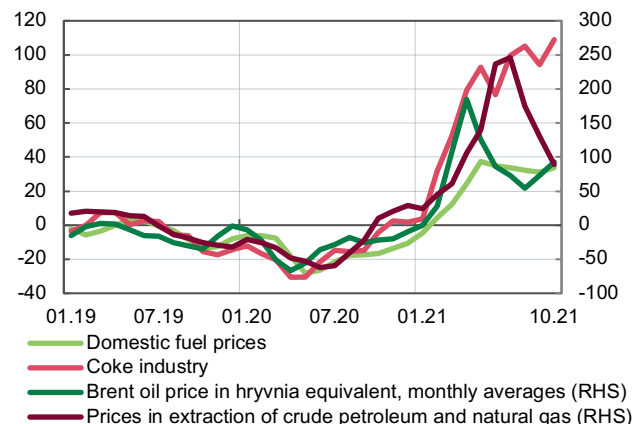
Figure 5. Components of administered prices, % yoy



Source: SSSU.

Fuel price growth rates increased, reflecting the effects of the rise in global crude oil prices

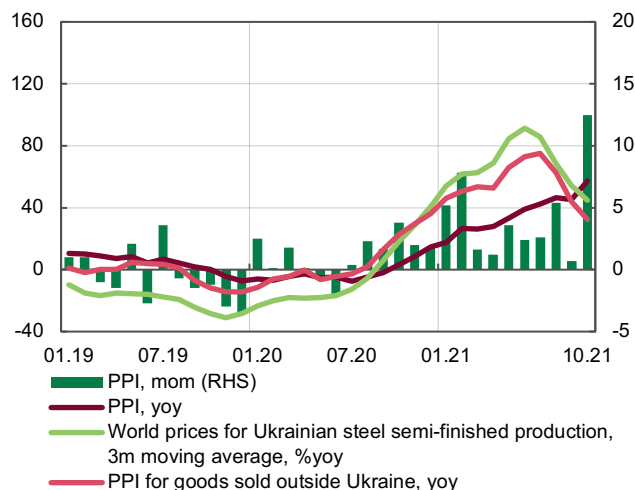
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU estimates.

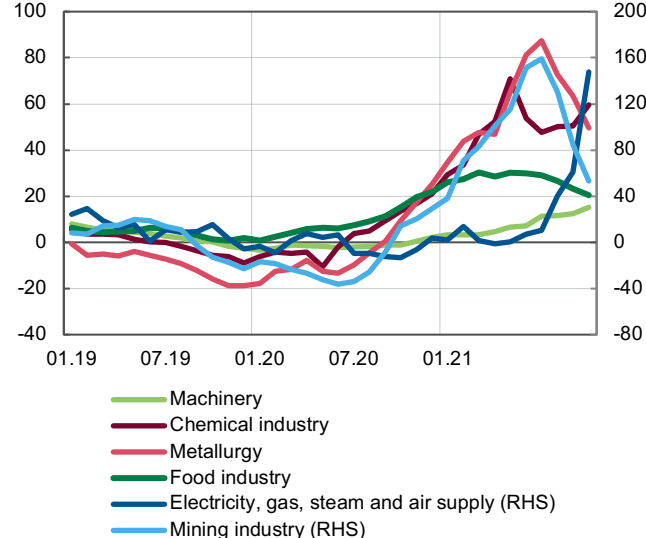
Producer prices rose in October, driven mainly by sharp price increases in the energy sector and in those industries that have natural gas costs among their major expenses (the chemicals industry and the production of rubber and plastic). At the same time, the effects of lower global prices for metal ores restrained growth in the PPI

Figure 7. Producer Price Index, %



Source: SSSU.

Figure 8. Prices in some industrial sectors, % yoy



Source: SSSU.

Table 1. Change in CPI

	Share in 2021 CPI, %	%, yoy					October 2021, % mom
		2019	2020	2021			
				August	September	October	
CPI components (NBU methodology)							
Consumer Price Index	100.0	4.1	5.0	10.2	11.0	10.9	0.9
Core Inflation	59.0	3.9	4.5	7.2	7.4	7.6	1.0
Noncore inflation*	41.0	4.8	5.9	14.8	16.6	16.0	0.9
raw foods	19.0	3.9	4.1	9.8	14.2	13.8	0.9
Administered prices and tariffs	19.2	8.6	9.9	17.5	17.1	16.0	0.7
Fuel	2.8	-8.2	-10.5	32.6	31.2	33.9	2.9
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.3	7.8	4.9	11.7	13.6	13.6	1.1
Alcoholic beverages, tobacco products	7.9	17.9	9.2	10.0	10.2	9.9	0.6
Clothing and footwear	5.2	2.0	-7.3	-4.2	-4.2	-4.9	1.2
Housing, water, electricity, natural gas and other fuels, including:	7.8	10.6	13.6	29.0	25.1	18.8	-0.9
Housing maintenance fees	0.6	23.7	2.7	3.2	4.0	5.5	1.6
Cold water supply	0.3	19.9	18.5	11.8	11.8	11.8	0.0
Hot water supply	0.2	3.2	-1.5	3.4	3.2	3.9	1.3
Natural gas	2.2	22.9	56.3	96.1	68.6	47.2	3.2
Central heating	1.3	5.2	-2.4	15.2	15.2	11.3	0.0
Electricity	1.3	0.0	0.0	36.6	36.6	26.5	-7.4
Transport	10.6	12.9	2.7	11.4	10.8	11.8	1.1
Telecommunications	2.9	15.1	4.1	4.5	5.1	6.9	1.7
Education	1.4	13.4	13.9	14.6	16.9	16.9	0.1

Table 2. Some PPI components

	Share in 2021 PPI, %**	%, yoy					October 2021, % mom
		2019	2020	2021			
				August	September	October	
Producer Price Index	100.0	-7.4	14.5	46.5	45.1	57.2	12.5
Mining and quarrying	14.3	-22.8	29.5	130.2	84.9	53.0	-4.4
Coal mining	2.3	-23.6	-7.3	29.9	36.0	42.1	10.1
Crude oil and natural gas production	3.4	-32.3	28.6	174.5	130.8	89.2	9.2
Metal ore mining	7.1	-21.4	44.6	168.9	75.2	27.4	-20.4
Manufacturing	64.7	-5.7	15.7	34.7	31.5	29.4	0.9
Production of foods, beverages, and tobacco products	23.0	1.8	21.9	26.6	23.1	20.5	0.8
Production of coke and petroleum products	2.9	-14.2	1.8	105.2	94.3	108.9	11.5
Production of chemicals and chemical products	2.8	-8.9	20.9	50.2	50.4	59.6	8.3
Production of basic pharmaceutical products and drugs	1.7	9.6	10.4	14.7	15.4	15.4	0.6
Manufacture of rubber and plastic products and other nonmetal mineral products	6.3	2.6	4.1	13.7	14.3	16.2	1.8
Metallurgical production, manufacture of finished metal products, excluding machinery and equipment	15.0	-18.8	25.2	72.6	63.4	49.6	-3.6
Manufacture of motor vehicles, trailers, semi-trailers, and other vehicles	2.8	1.1	1.2	9.8	10.0	16.8	5.1
Supplies of electricity, natural gas, steam, and conditioned air	19.6	-5.6	3.9	40.3	60.9	147.7	56.1

* NBU estimates based on 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 due 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	RHS	Right-hand scale
SSSU	State Statistics Service of Ukraine	yoy	year-on-year
NBU	National Bank of Ukraine		