

In November 2021, consumer inflation declined in annual terms to 10.3% (down from 10.9% in October). In monthly terms, prices grew by 0.8%. Actual consumer inflation continued to slow as expected, but it remained above the forecast published in the NBU's [October 2021 Inflation Report](#). This was due to second-round effects of higher prices for energy and raw materials and increases in businesses' other production costs, including wages.

Core Inflation

Core inflation picked up slightly in November (to 7.7% yoy from 7.6% yoy in October)

Driven by higher production costs, prices for processed foods (13.3% yoy) continued rising. Flour products (bread, pasta, cookies, cakes) and dairy and meat products grew more expensive due to high production costs, especially energy. The rise in prices for bakery products was also driven by the [shortage of quality wheat suitable for flour production](#). Meanwhile, the growth in sunflower oil prices continued to decelerate due to the coming to market of the processed products made of newly harvested crops, and because of the base effect.

The pace of increase in services prices continued to rise (to 10.1% yoy). Services of movie theaters, gyms, hotels, dry cleaners, and catering businesses became more expensive due to increased production costs and quarantine restrictions. Prices for hospital services kept growing amid a spike in demand fueled by the new wave of COVID-19. Car insurance prices also rose. A large contribution to this increase also came from the rapid growth in the prices of package tours (which accelerated to 14.9% yoy from 6.2% yoy in October), potentially reflecting both sustained strong demand for tourist services and the hryvnia's weakening against the U.S. dollar in the second half of November.

The prices of nonfood products grew at the same rate as in the previous month (1.5% yoy). On the one hand, home textiles and household appliances got more expensive, including due to the weakening of the hryvnia against the U.S. dollar in the second half of November. On the other hand, prices for clothing, footwear, and cars continued to decline as the hryvnia strengthened against the dollar in previous months and against a number of other MTP currencies in November.

Changes in Raw Food Prices

The growth in raw food prices slowed sharply (to 12.8% yoy).

The growth in prices for fruits and vegetables decelerated as supply expanded. In particular, apples and citrus fruits continued to fall in price, tomato prices were down, while the rise in cucumber prices slowed sharply. The pace of growth in sugar prices also continued to decline thanks to the high yield of sugar beets. Egg prices also grew more slowly.

However, prices for milk and meat increased more quickly amid adverse conditions in livestock farming and rising production costs, including feed and energy prices.

Changes in Administered Prices

Increases in administered prices slowed as well (to 13.7% yoy).

The growth in natural gas prices for households decelerated sharply (to 15.9% yoy in November from 47.2% yoy in October), thanks to the fading of last year's low base effect and because of the annual contract option for households. Heating services also grew more expensive at a slower pace, as heating prices for households remained constant. The growth in tobacco product prices also slowed. At the same time, prices for alcoholic beverages continued to rise moderately.

Changes in Fuel Prices

Fuel price increases decelerated somewhat (to 33.6% yoy). This was primarily due to base effects and the hryvnia's appreciation in previous months. The introduction of government regulation of the fuel market in May 2021 also continued to have a certain impact.

Producer Price Inflation

Producer price growth continued to accelerate in November to 60.7% yoy (up from 57.2% yoy in October). This was primarily fueled by high global prices for energy. The PPI increased by 4.3% mom.

Price increases in the supply of electricity, natural gas, steam, and air conditioning sped up (to 174% yoy from 147.7% yoy in October). This was due to the sustained high pace of growth in natural gas prices for industrial producers. These prices surged by more than 400% yoy in November, according to Naftogaz Trading data. The shortage of coal in warehouses is also forcing some combined heat and power plants to [switch to more expensive natural gas](#), which affects electricity prices. The shortage of coal in Ukraine and its high prices in the [EU](#) are driving further price growth in coal mining (53.6% yoy).

Prices for chemical products, including fertilizers, rubber, and plastics, continued to rise amid high natural gas prices.

Higher energy costs and sustained high prices for coking coal and oil drove up prices in the manufacture of coke and refined petroleum products.

A [deficit of and high prices for quality wood in Ukraine](#) resulted in higher prices for wood products, paper, and printing products.

Prices increased in the machinery industry, the manufacture of electrical equipment, machinery, and equipment not included in other categories, and in the production of motor

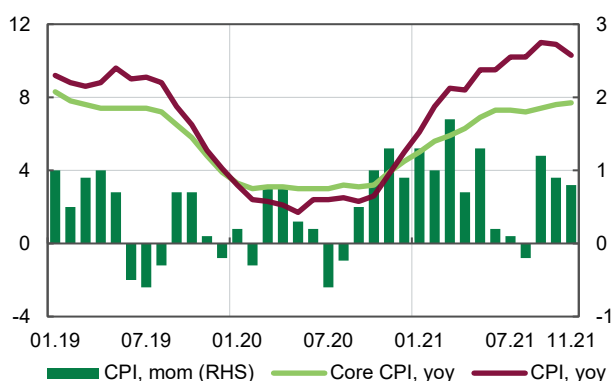
vehicles. This is primarily attributable to [higher global prices for raw materials](#) and a deficit of semiconductors.

Price growth in the manufacture of metallurgical products decelerated further due to the plunge in prices for steel and iron ore in previous periods.

Restrained by the further slowdown in the growth in sunflower oil prices (as sunflower oil from the new harvest arrived in the market and global oilseeds prices stabilized somewhat) and sugar prices (thanks to a good sugar beet harvest), prices in the food industry grew less quickly.

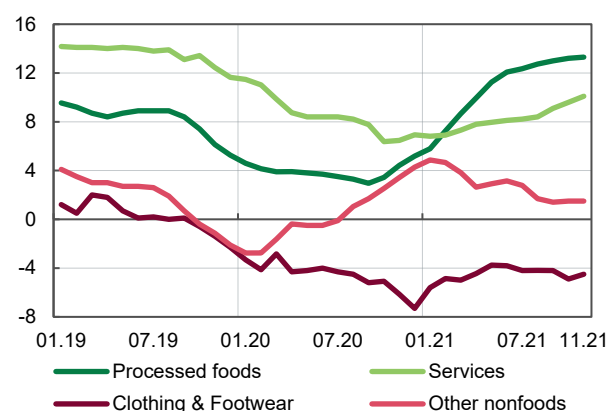
In November 2021, consumer inflation declined in annual terms to 10.3%, primarily as a result of the effects of ample harvests and the hryvnia's appreciation in previous periods. However, the core inflation index rose amid higher prices for processed foods and services. Second-round effects from high prices for energy and raw materials generated inflationary pressures

Figure 1. Consumer price indices, %



Source: SSSU.

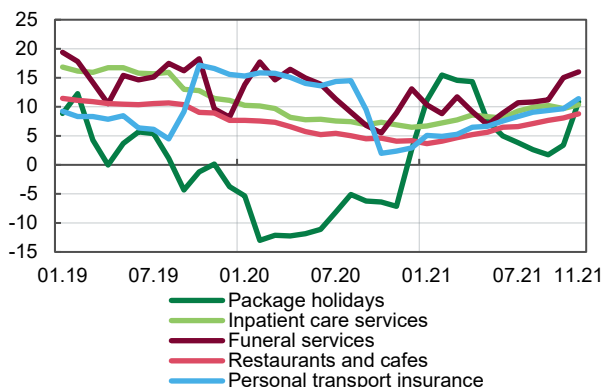
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU calculations.

Price increases for services accelerated due to stronger pressure from production costs, a weakening of the hryvnia in late November, and the strengthening of demand for some services

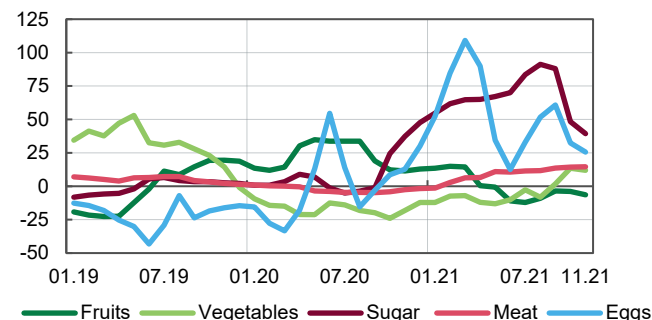
Figure 3. Prices for selected services, % yoy



Source: SSSU.

The growth in prices for raw foods decelerated sharply after the supply of vegetables and fruits expanded.

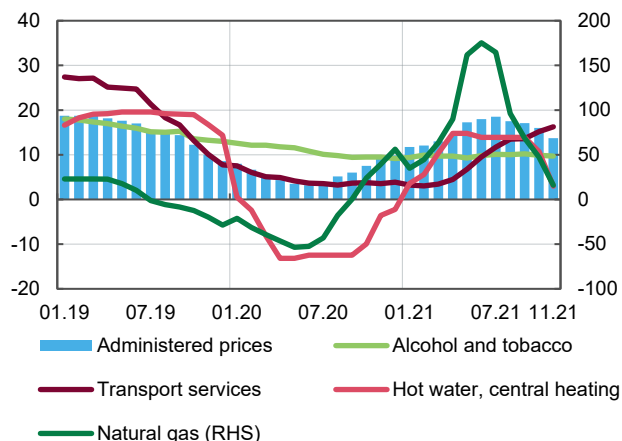
Figure 4. Prices for selected raw foods, % yoy



Source: SSSU.

The growth in administered prices continued to slow, mainly due to heating prices remaining unchanged and the rise in natural gas prices decelerating because of the annual contract option with fixed prices for households

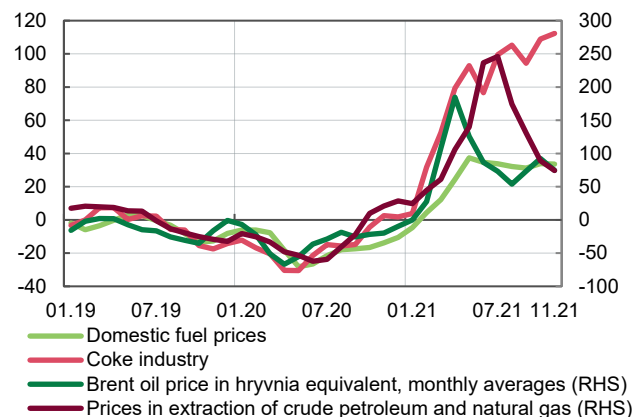
Figure 5. Components of administered prices, % yoy



Source: SSSU.

Fuel price growth decelerated due to the strengthening of the hryvnia in previous periods and base effects

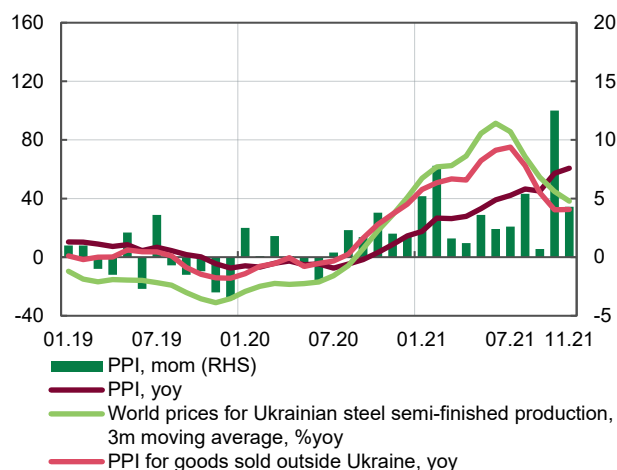
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU estimates.

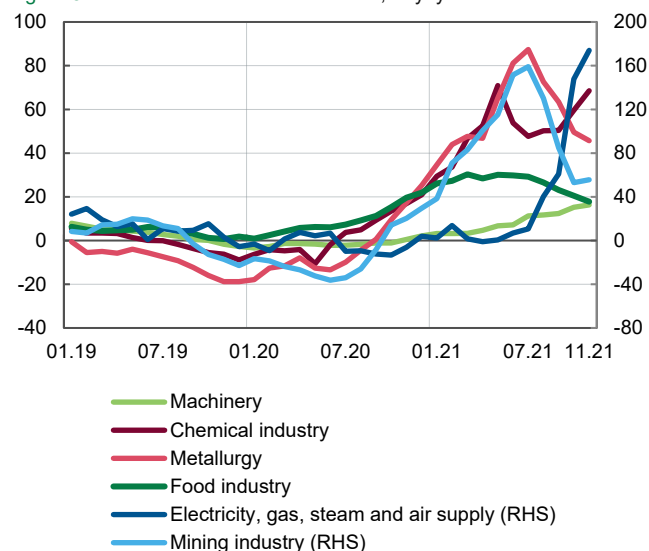
Producer prices continued to rise in November, driven by price increases in the supply of energy and in sectors with a large share of natural gas costs (the chemicals, rubber, and plastics industries). However, with prices for sugar and sunflower oil having declined further and those for iron ore and steel having plunged in previous periods, PPI growth was restrained

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					November 2021, % mom
		2019	2020	2021			
				September	October	November	
CPI components (NBU methodology)							
Consumer Price Index	100.0	4.1	5.0	11.0	10.9	10.3	0.8
Core Inflation	59.0	3.9	4.5	7.4	7.6	7.7	0.8
Noncore inflation*	41.0	4.8	5.9	16.6	16.0	14.4	0.9
raw foods	19.0	3.9	4.1	14.2	13.8	12.8	0.7
Administered prices and tariffs	19.2	8.6	9.9	17.1	16.0	13.7	0.7
Fuel	2.8	-8.2	-10.5	31.2	33.9	33.6	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	13.3
Alcoholic beverages, tobacco products	7.9	17.9	9.2	10.0	10.2	9.9	9.7
Clothing and footwear	5.2	2.0	-7.3	-4.2	-4.2	-4.9	-4.5
Housing, water, electricity, natural gas and other fuels, including:	7.8	10.6	13.6	29.0	25.1	18.8	10.0
Housing maintenance fees	0.6	23.7	2.7	3.2	4.0	5.5	6.2
Cold water supply	0.3	19.9	18.5	11.8	11.8	11.8	11.8
Hot water supply	0.2	3.2	-1.5	3.4	3.2	3.9	3.9
Natural gas	2.2	22.9	56.3	96.1	68.6	47.2	15.9
Central heating	1.3	5.2	-2.4	15.2	15.2	11.3	2.5
Electricity	1.3	0.0	0.0	36.6	36.6	26.5	26.5
Transport	10.6	12.9	2.7	11.4	10.8	11.8	12.1
Telecommunications	2.9	15.1	4.1	4.5	5.1	6.9	7.4
Education	1.4	13.4	13.9	14.6	16.9	16.9	16.9

Table 2. Some PPI components

	Share in 2021 PPI, %**	%, yoy					November 2021, % mom
		2019	2020	2021			
				September	October	November	
Producer Price Index	100.0	-7.4	14.5	45.1	57.2	60.7	4.3
Mining and quarrying	14.3	-22.8	29.5	84.9	53.0	55.7	7.2
Coal mining	2.3	-23.6	-7.3	36.0	42.1	53.6	9.3
Crude oil and natural gas production	3.4	-32.3	28.6	130.8	89.2	74.5	9.1
Metal ore mining	7.1	-21.4	44.6	75.2	27.4	37.7	6.0
Manufacturing	64.7	-5.7	15.7	31.5	29.4	28.3	1.2
Production of foods, beverages, and tobacco products	23.0	1.8	21.9	23.1	20.5	17.8	1.0
Production of coke and petroleum products	2.9	-14.2	1.8	94.3	108.9	112.3	3.5
Production of chemicals and chemical products	2.8	-8.9	20.9	50.4	59.6	68.5	7.7
Production of basic pharmaceutical products and drugs	1.7	9.6	10.4	15.4	15.4	14.4	1.8
Manufacture of rubber and plastic products and other nonmetal mineral products	6.3	2.6	4.1	14.3	16.2	19.2	2.9
Metallurgical production, manufacture of finished metal products, excluding machinery and equipment	15.0	-18.8	25.2	63.4	49.6	45.7	-0.3
Manufacture of motor vehicles, trailers, semi-trailers, and other vehicles	2.8	1.1	1.2	10.0	16.8	18.2	1.8
Supplies of electricity, natural gas, steam, and conditioned air	19.6	-5.6	3.9	60.9	147.7	174.0	11.3

* 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	yoy	year-on-year
SSSU	State Statistics Service of	RHS	Right-hand scale
NBU	National Bank of Ukraine.	MTP	Major trading partners