

In January 2022, consumer inflation was 10.0% yoy, flat from the previous month. In monthly terms, prices grew by 1.3%. This is according to data published by the State Statistics Service of Ukraine. As expected, actual consumer inflation halted its decline, but came in slightly below the forecast trajectory published in the [January 2022 Inflation Report](#). The deviation from the forecast was primarily due to slower growth in the prices of services, nonfood products, and administered prices. A new structure of the consumer basket for calculating the CPI was introduced as planned in January 2022, and the weights of all CPI components were updated. However, these changes did not affect the headline inflation rate, although according to NBU calculations they did have some disinflationary impact on the core CPI (0.2 pp).

Core Inflation

Core inflation decreased (to 7.6% yoy, down from 7.9% yoy in December 2021).

The rate of growth in processed food prices remained almost the same as in the previous month (13.1% yoy). On the one hand, the prices of flour, dairy, and meat products rose more rapidly due to global prices for energy and raw materials remaining high. On the other hand, the growth in sunflower oil prices slowed further due to the fading out of the base effect and an ample supply of newly harvested sunflower seeds.

The prices of services also rose at the same clip as in December (10.4% yoy). The rise in prices for restaurant and hotel services, cinema and theater tickets, hairdresser services, dentist services, and dry-cleaning services accelerated under pressure from production costs. In contrast, the growth in prices of tourist services slowed further. The changes to consumer basket structure also had a certain restraining effect on prices in this group of goods.

The growth in nonfood prices slowed markedly (to 0.1% yoy). The decline in prices for clothing and footwear deepened, and prices for electronic devices and household appliances grew more slowly. Apart from the likely impact of the deteriorated information environment on consumer confidence, prices of some goods (clothing and footwear) may have been impacted by the weakening of the Turkish lira in the previous periods. However, prices for furniture and home textiles grew faster as global wood and cotton prices rose.

Changes in Raw Food Prices

Growth rates of raw food prices increased sharply, to 13.6% yoy.

An important factor was the increase in businesses' expenses on raw materials and energy. In particular, prices of cereals rose at a faster pace. The prices of milk and meat rose, in part due to adverse conditions in animal farming. Furthermore, the rise in prices for borschch vegetables accelerated rapidly because of [reduced supply](#) and higher

storage costs. Greenhouse products grew in price. The fall in citrus fruit prices slowed, while cucumber and tomato prices returned to growth.

However, egg prices continued to fall thanks to a gradual increase in their supply. Sugar prices also continued to decline owing to the ample harvest of sugar beets. Prices for apples remained significantly lower than last year due to the bumper crop of 2021.

Changes in Administered Prices

The growth in administered prices decelerated (to 11.5% yoy).

This was primarily due to the base effect, on the background of fixed prices for most utilities – which will remain unchanged until the end of the heating season. Tobacco products rose in price more slowly because of the increase in their production in previous months. In contrast, prices for [water supplies](#), [natural gas distribution](#), [postal services](#), transport services, and alcoholic beverages rose.

Changes in Fuel Prices

The growth in fuel prices accelerated (to 26.8% yoy).

The main reasons for the rise in fuel prices in January were higher global oil prices and the weaker hryvnia. [The introduction in May 2021 of government regulation](#) of the fuel market, however, had a slight restraining effect on price growth.

Producer Price Inflation

The Producer Price Index (PPI) increased sharply in January, by 9.6% mom, with the annual growth in producer prices accelerating to 69.1% yoy (up from 62.2% yoy in December). The main factor behind that was the rapid growth in electricity and heating tariffs (240.2% yoy, up from 185.4% yoy in December). This was attributed to the annual growth in electricity prices (which more than doubled), reflecting the continued pass-through from the cost of electricity generation – in particular under bilateral contracts – and the effect of the transition to the financial model of public service obligations

(PSO)¹. Heating tariffs also rose from 1 January 2022. Some providers raised their tariffs by 250%.

Persistently high prices for natural gas in Europe and increased crude oil prices contributed to a further rise in prices in rubber and plastic product manufacturing.

Prices of textile products rose significantly, likely a result of the base effect and [high global prices for cotton](#). Producer prices of wooden goods, paper, and printed products continued to increase, probably reflecting the growth in [global timber prices](#).

Against the background of rising prices for raw materials – ([copper and aluminum](#)) – and components, there was a rise in prices in machinery production, particularly in the

manufacture of machinery and equipment not included in other groups, and in the manufacture of motor vehicles.

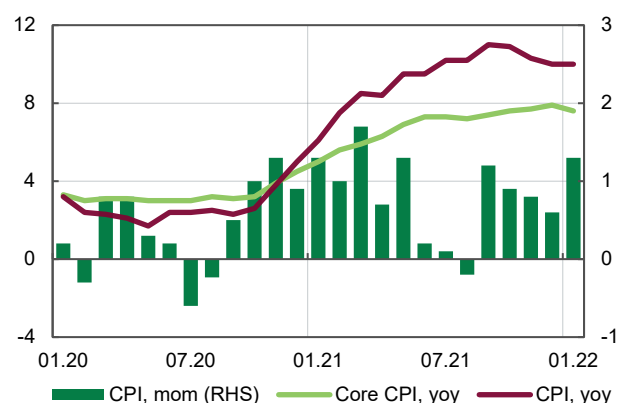
The price growth in coal production slowed somewhat, probably thanks to an increase in coal inventories in Ukraine.

Producer prices of metal ores, metal products, and chemicals grew at a slower pace due to base effects.

Prices of food products continued to decline. Growth in producer prices of sugar and sunflower oil continued to slow due to the active processing of the new harvest. At the same time, producer prices of dairy, meat, and bakery products and bread continued to rise under stronger pressure from production costs (energy, wages, and raw materials).

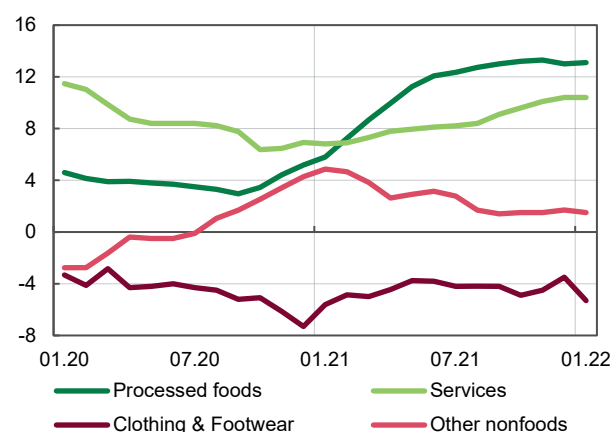
In January 2022, consumer inflation was 10.0% yoy, flat from the previous month. The rise in prices of raw foods and fuel was offset by slower growth in administered prices and nonfood products. The latter factor, coupled with unchanged growth rates for service prices, caused core inflation to decline to 7.6%

Figure 1. Consumer price indices, %



Source: SSSU.

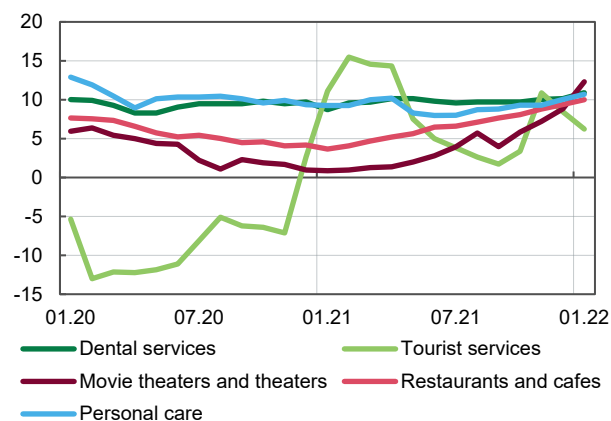
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU calculations.

The unchanging pace in the growth in service prices was in part due to the statistical effect of excluding volatile components from the calculation of service price inflation. On the other hand, prices for a wide range of services continued to rise due to production costs pressures

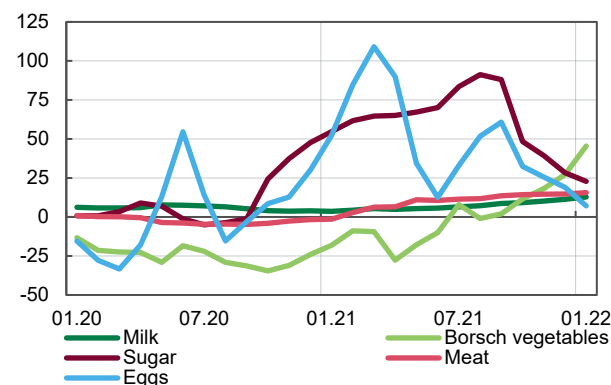
Figure 3. Prices for selected services, % yoy



Source: SSSU.

Raw food prices surged amid high prices of energy and animal feed, a decreased supply of some vegetables, and problems in animal farming

Figure 4. Prices for selected raw foods, % yoy

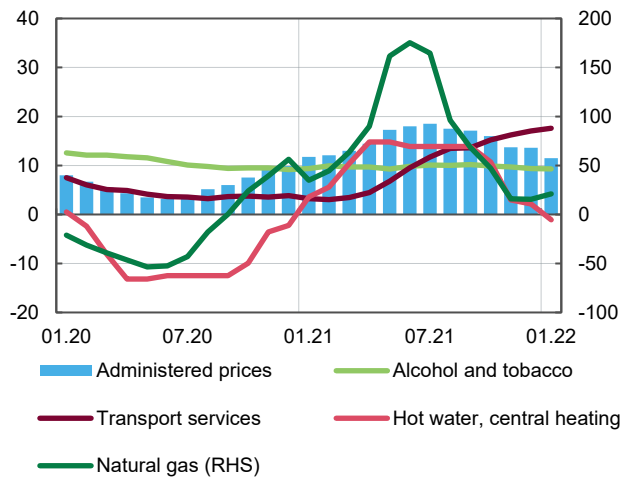


Source: SSSU.

¹From October 2021, Energoatom NNEGC and Ukrhidroenergo PrJSC were allowed to sell all generated electricity at market prices, including to providers of the universal service of electricity supply for households. Previously, these companies had been selling electricity at a fixed, reduced price. The difference between the reduced price and the cost of electricity is covered by income from Energoatom NNEGC and Ukrhidroenergo PrJSC.

Annual growth in administered prices slowed, primarily due to base effects amid fixed prices for most utilities, which will remain unchanged until the end of the heating season

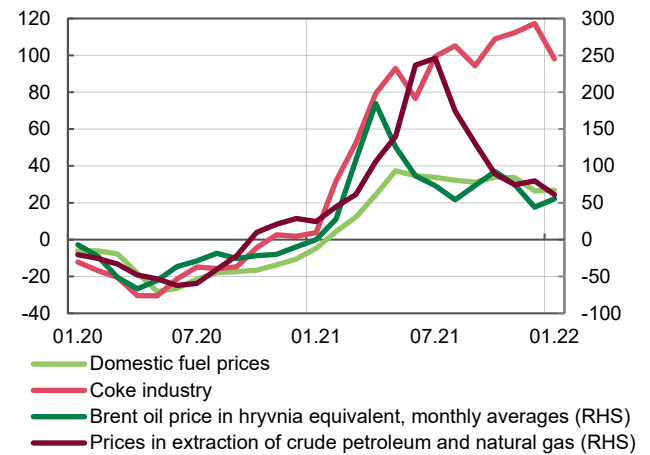
Figure 5. Components of administered prices, % yoy



Source: SSSU.

Fuel prices increased somewhat as global crude oil prices rose and the hryvnia weakened

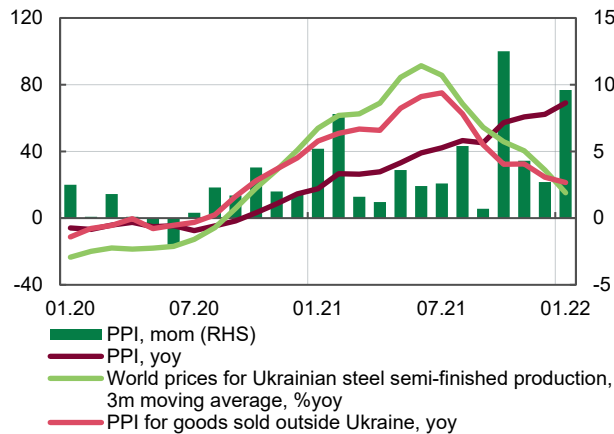
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU estimates.

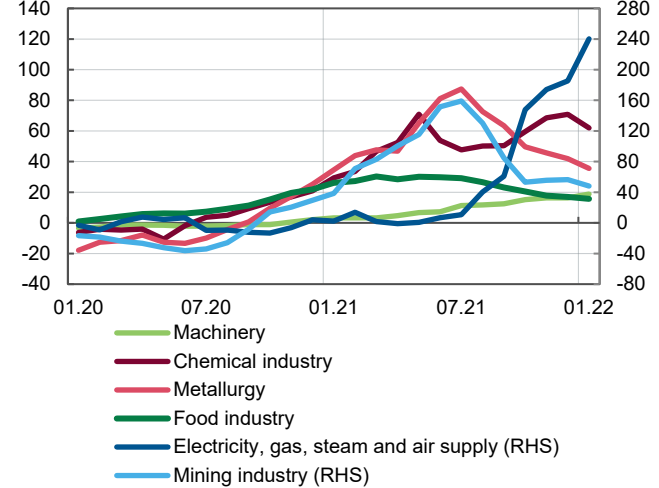
Producer prices continued to grow in the industrial sector, driven mainly by higher electricity and heating prices. At the same time, disinflation pressure came from the continued decline in growth rates of producer prices of sugar and sunflower oil, and slower growth in prices for metal products, iron ores, and chemicals, driven by base effects

Figure 7. Producer Price Index, %



Source: SSSU.

Figure 8. Prices in some industrial sectors, % yoy



Source: SSSU.

Table 1. Change in CPI

	Share in 2022 CPI, %	%, yoy					January 2022, % mom
		2019	2020	2021		2022	
				11	12		
CPI components (NBU methodology)							
Consumer Price Index	100.0	4.1	5.0	10.3	10.0	10.0	1.3
Core Inflation	56.4	3.9	4.5	7.7	7.9	7.6	0.1
Noncore inflation*	43.6	4.8	5.9	14.4	13.5	13.4	2.6
raw foods	20.9	3.9	4.1	12.8	11.8	13.6	4.2
Administered prices and tariffs	20.0	8.6	9.9	13.7	13.6	11.5	1.2
Fuel	2.8	-8.2	-10.5	33.6	26.5	26.8	2.6
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.6	7.8	4.9	13.3	12.7	14.0	2.5
Alcoholic beverages, tobacco products	8.2	17.9	9.2	9.7	9.4	9.3	0.9
Clothing and footwear	5.0	2.0	-7.3	-4.5	-3.6	-5.7	-5.3
Housing, water, electricity, natural gas and other fuels, including:	8.4	10.6	13.6	10.0	9.8	0.7	4.3
Housing maintenance fees	0.3	23.7	2.7	6.2	6.7	7.3	1.1
Cold water supply	0.2	19.9	18.5	11.8	11.8	12.9	12.0
Hot water supply	0.3	3.2	-1.5	3.9	3.0	2.1	0.1
Natural gas	2.3	22.9	56.3	15.9	15.5	21.1	0.1
Central heating	1.4	5.2	-2.4	2.5	1.7	-1.7	0.0
Electricity	1.6	0.0	0.0	26.5	26.5	-7.4	0.0
Transport	9.3	12.9	2.7	12.1	11.1	11.4	1.3
Telecommunications	3.0	15.1	4.1	7.4	7.5	7.5	1.1
Education	1.4	13.4	13.9	16.9	17.0	17.4	1.6

Table 2. Some PPI components

	Share in 2022 PPI, %**	%, yoy					January 2022, % mom
		2019	2020	2021		2022	
				11	12		
Producer Price Index	100.0	-7.4	14.5	60.7	62.2	69.1	9.6
Mining and quarrying	16.1	-22.8	29.5	55.7	56.5	48.0	6.4
Coal mining	1.8	-23.6	-7.3	53.6	150.6	142.5	0.0
Crude oil and natural gas production	4.4	-32.3	28.6	74.5	79.6	61.1	-0.1
Metal ore mining	8.5	-21.4	44.6	37.7	5.4	4.4	17.4
Manufacturing	61.3	-5.7	15.7	28.3	28.1	25.9	1.6
Production of foods, beverages, and tobacco products	18.9	1.8	21.9	17.8	16.9	15.7	1.8
Production of coke and petroleum products	2.9	-14.2	1.8	112.3	117.3	98.1	-6.7
Production of chemicals and chemical products	2.9	-8.9	20.9	68.5	70.8	62.0	4.0
Production of basic pharmaceutical products and drugs	1.4	9.6	10.4	14.4	14.1	13.3	1.5
Manufacture of rubber and plastic products and other nonmetal mineral products	5.7	2.6	4.1	19.2	22.4	25.5	3.1
Metallurgical production, manufacture of finished metal products, excluding machinery and equipment	17.9	-18.8	25.2	45.7	41.9	35.5	1.7
Manufacture of motor vehicles, trailers, semi-trailers, and other vehicles	2.2	1.1	1.2	18.2	17.8	23.6	6.9
Supplies of electricity, natural gas, steam, and conditioned air	21.5	-5.6	3.9	174.0	185.4	240.2	26.8

* 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 2021.

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		