

In February 2022, consumer inflation accelerated in annual terms to 10.7%, up from 10.0% in January. In monthly terms, prices grew by 1.6%. This is according to data published by the State Statistics Service of Ukraine. Actual consumer inflation markedly overshoot the projected trajectory published in the [January 2022 Inflation Report](#). Inflation pressures increased on the back of the flare-up in tensions over a possible Russian invasion, and then the actual Russian invasion of Ukraine in late February. Food and fuel prices rose most rapidly amid high demand and disruption to supply chains.

Core Inflation

Core inflation sped up to 8.2% yoy, up from 7.6% yoy in January.

Prices for processed food rose more quickly (by 13.8% yoy). More specifically, prices for dairy and meat products grew at a faster pace, propelled by higher raw material and delivery prices. Prices for imported foods, such as coffee, chocolate, fish products, and dried fruit grew mainly due to a weaker hryvnia and difficulties in supplying these foods to Ukraine. In contrast, prices for bread and pasta remained unchanged in annual terms, while growth in sunflower oil prices continued to decelerate on the back of base effects.

Prices for nonfood products also grew at a higher rate (1.0% yoy). Prices for household goods grew more rapidly, while the decrease in car prices decelerated because of a weaker hryvnia. Coupled with stronger demand for personal care goods and pharmaceuticals, the weakness of the hryvnia pushed up the prices of these products sharply. Conversely, clothing and footwear prices declined further, which could be attributed to a change in consumer priorities.

The prices of services rose at the same clip as in January (10.5% yoy). On the one hand, prices for restaurant and hotel services, secondary education, hairdressing salons, air travel, Internet services, and so on increased at a somewhat faster pace due to higher production costs, in particular higher costs on labor, food and energy. On the other hand, prices for financial and medical services grew more slowly.

Changes in Raw Food Prices

The growth in raw food prices, at 13.6% yoy, was unchanged on January. Prices for rice and other cereals increased month-on-month, fueled by more robust demand for foods with a long shelf life. At the same time, the year-on-year growth in these prices was restrained by base effects. Meat and milk prices also increased at a faster pace. The growth in vegetable prices sped up, driven by a weaker hryvnia and higher energy prices. In contrast, egg prices continued to grow at a slower pace, while fruit prices actually declined.

Changes in Administered Prices

The growth in administered prices accelerated, to 12.2% yoy. Prices for transportation services grew, propped up by higher

fuel prices and a significant rise in demand for these services. What is more, administered prices for medicines also increased. At the same time, the rise in administered prices continued to be curbed due to most utilities being subject to fixed tariffs.

Changes in Fuel Prices

Fuel prices rose at a faster clip, to 27.5% yoy, largely due to a spike in global oil prices and a weaker hryvnia. That said, thanks to the [caps the government set on fuel prices](#) in May 2021, the growth in fuel prices remained relatively moderate – in spite of the fuel shortages being seen in many regions.

Producer Price Inflation

The PPI grew more slowly in February, at 53.5% yoy (down from 69.1% yoy in January). In monthly terms, producer prices fell by 2.1%. This was mainly driven by the slower growth in electricity and heating tariffs (151.9% yoy, up from 240.2% yoy in January), which was largely related to increased generation of cheaper nuclear power (in late January, Energoatom NNEGC had all of its 15 power units operating at the same time). Actions by some [participants of the day-ahead market](#) that caused a decrease in demand likely put some downward pressure on prices. Slower growth in producer prices of coal was an additional factor, likely due to an increase in inventories.

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

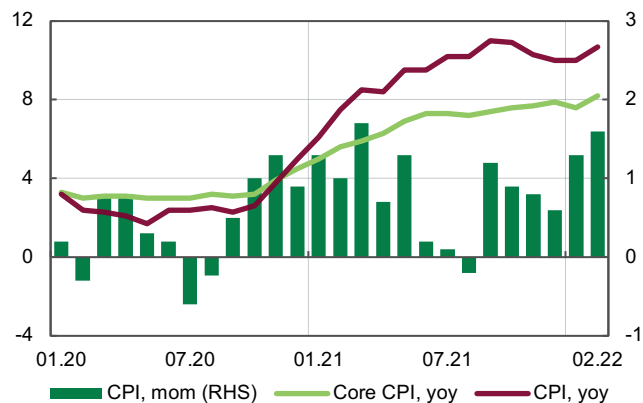
The rise in food prices continued to slow, primarily in producer prices of sugar and vegetable oil due to the active processing of the new harvest. At the same time, producer prices of drinks and dairy products grew more rapidly under stronger pressure from production costs (energy, wages, and raw materials).

Persistently high prices for natural gas in Europe and increased crude oil prices led to accelerated price growth in rubber and plastic product manufacturing.

An increase in production costs, particularly the cost of components, bolstered accelerated price rises in some manufacturing sectors (manufacturing of computers and electric devices).

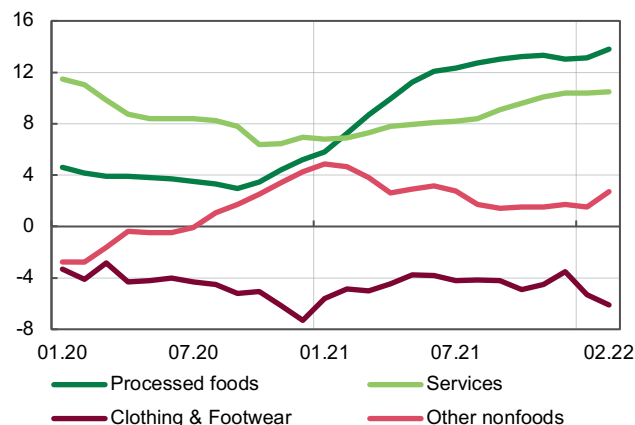
In February 2022 consumer inflation accelerated to 10.7% yoy. A flare-up in tensions over a possible military invasion and then the actual Russian invasion of Ukraine in late February caused a sharp rise in food and fuel prices amid excessive demand and disruptions to supply chains. The growth in core inflation also sped up (to 8.2% yoy).

Figure 1. Consumer price indices, %



Source: SSSU.

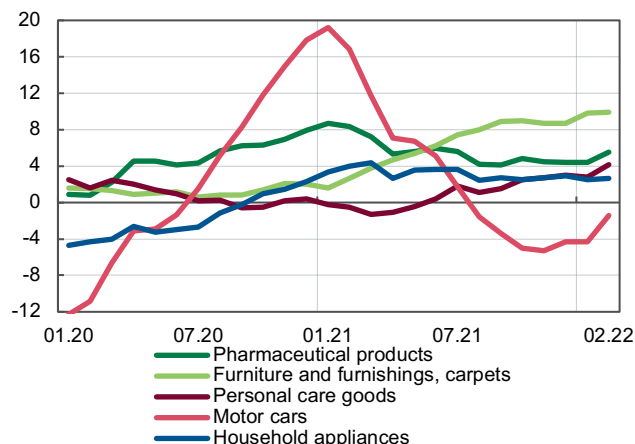
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

The growth in nonfood prices accelerated as a result of the hryvnia's depreciation and higher demand for some groups of goods

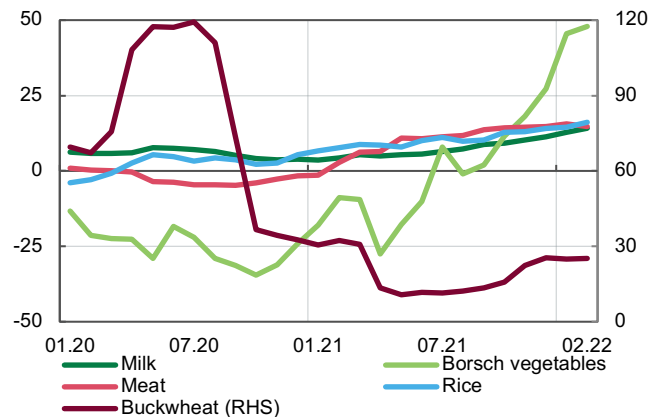
Figure 3. Prices for some nonfood products, % yoy



Source: SSSU.

Food prices rose rapidly, fueled by higher production costs, the weaker hryvnia, disrupted supply chains, and increased demand for some goods

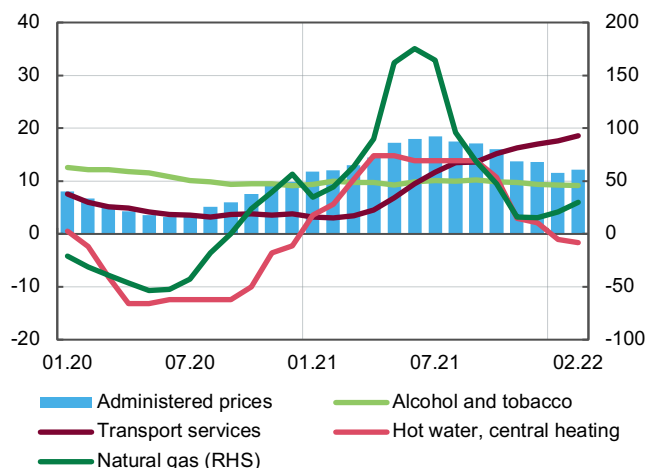
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

The growth rates of administered prices also increased on the back of higher production costs. At the same time, inflation was restrained due to tariffs for the majority of utility services remaining frozen

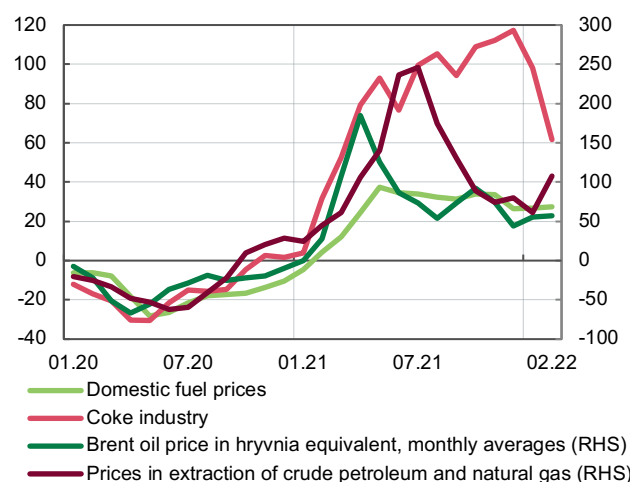
Figure 5. Components of administered prices, % yoy



Source: SSSU.

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

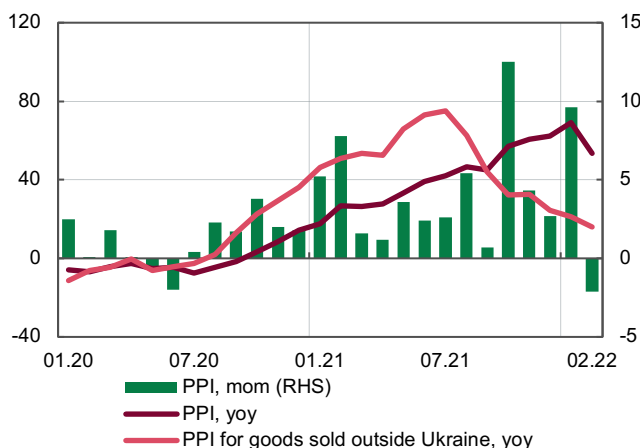
Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU estimates.

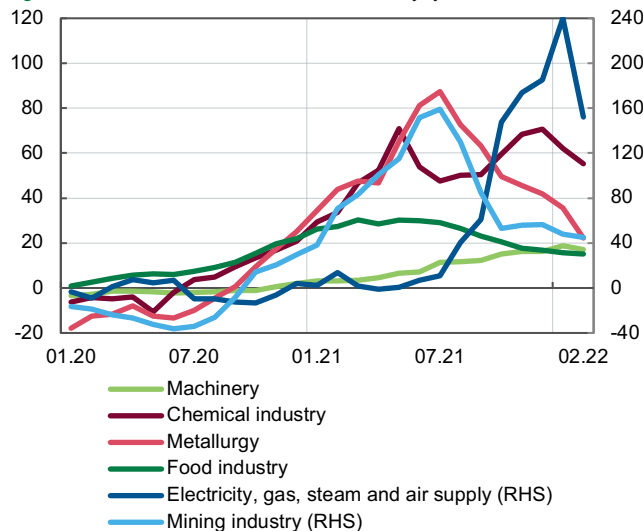
The growth of producer prices slowed sharply, primarily thanks to slower growth in electricity prices. A continued decline in growth rates of producer prices of sugar and vegetable oil, and slower growth in prices for metal products, metal ores, and chemicals also played a role

Figure 7. Producer Price Index, %



Source: SSSU, Refinitiv Datastream.

Figure 8. Prices in some industrial sectors, % yoy



Source: SSSU.

Table 1. Change in CPI

	Share in 2022 CPI, %	% , yoy					February 2022, % mom
		2019	2020	2021	2022		
					01	02	
CPI components (NBU methodology)							
Consumer Price Index	100.0	4.1	5.0	10.0	10.0	10.7	1.6
Core inflation	56.4	3.9	4.5	7.9	7.6	8.2	1.0
Noncore inflation*	43.6	4.8	5.9	13.5	13.4	13.8	2.2
raw foods	20.9	3.9	4.1	11.8	13.6	13.6	2.8
administered prices and tariffs	20.0	8.6	9.9	13.6	11.5	12.2	0.9
fuel	2.8	-8.2	-10.5	26.5	26.8	27.5	7.9
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.6	7.8	4.9	12.7	14.0	14.3	2.4
Alcoholic beverages, tobacco products	8.2	17.9	9.2	9.4	9.3	9.2	1.2
Clothing and footwear	5.0	2.0	-7.3	-3.6	-5.7	-5.9	-4.2
Housing, water, electricity, natural gas and other fuels, including:	8.4	10.6	13.6	9.8	0.2	6.4	0.2
residential building maintenance services	0.3	23.7	2.7	6.7	7.3	7.4	1.3
cold water supply	0.2	19.9	18.5	11.8	12.9	12.8	0.0
hot water supply	0.3	3.2	-1.5	3.0	2.1	2.1	0.0
natural gas	2.3	22.9	56.3	15.5	21.1	29.6	0.0
central heating	1.4	5.2	-2.4	1.7	-1.7	-2.2	0.0
electricity	1.6	0.0	0.0	26.5	-7.4	-7.4	0.0
Transportation	9.3	12.9	2.7	11.1	11.4	13.7	3.7
Telecommunications	3.0	15.1	4.1	7.5	7.5	7.6	0.3
Education	1.4	13.4	13.9	17.0	17.4	17.0	0.2

Table 2. Some PPI components

	Share in 2022 PPI, %**	% , yoy					February 2022, % mom
		2019	2020	2021	2022		
					01	02	
Producer Price Index	100.0	-7.4	14.5	62.2	69.1	53.5	-2.1
Mining and quarrying	16.1	-22.8	29.5	56.5	48.0	45.0	19.6
coal mining	1.8	-23.6	-7.3	150.6	142.5	128.1	0.0
crude oil and natural gas production	4.4	-32.3	28.6	79.6	61.1	107.9	40.6
metal ore mining	8.5	-21.4	44.6	5.4	4.4	-14.5	14.9
Manufacturing	61.3	-5.7	15.7	28.1	25.9	21.6	0.9
production of foods, beverages, and tobacco products	18.9	1.8	21.9	16.9	15.7	15.1	1.7
production of coke and petroleum products	2.9	-14.2	1.8	117.3	98.1	16.7	1.0
production of chemicals and chemical products	2.9	-8.9	20.9	70.8	62.0	24.6	4.1
production of basic pharmaceutical products and drugs	1.4	9.6	10.4	14.1	13.3	24.8	3.6
manufacture of rubber and plastic products and other nonmetal mineral products	5.7	2.6	4.1	22.4	25.5	14.1	0.4
metallurgical production, manufacture of finished metal products, excluding machinery and equipment	17.9	-18.8	25.2	41.9	35.5	15.2	4.4
manufacture of motor vehicles, trailers, semi-trailers, and other vehicles	2.2	1.1	1.2	17.8	23.6	7.2	0.6
Supplies of electricity, natural gas, steam, and conditioned air	21.5	-5.6	3.9	185.4	240.2	29.6	2.6

*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	NBU	National Bank of Ukraine
PPI	Producer Price Index	mom	month-on-month
SSSU	State Statistics Service of	yoy	year-on-year
		RHS	Right-hand scale