

In March 2022, consumer price inflation accelerated to 13.7% yoy (up from 10.7% in February). In monthly terms, prices grew by 4.5%. This is according to data published by the State Statistics Service of Ukraine. The rise in inflation was driven by supply chain disruptions, uneven demand, higher business costs, and the physical destruction of company assets due to russia's full-scale assault on Ukraine. In addition, the acceleration of inflation may have been due to the likely significant rise in prices in the areas partially occupied by russia, as the russian invaders blocked the delivery of goods into those territories. Prices for food, pharmaceuticals, and fuel were the first to surge.

Core inflation

Core inflation rose to 10.5% yoy, up from 8.2% yoy in February.

The growth in prices for processed foods accelerated to 16.6% yoy. The rise in prices for almost all goods in this group, including dairy products, meat, pasta, confectionery items, and nonalcoholic beverages, has accelerated. This was due to an increase in input prices and the cost of delivery amid supply chain disruptions. The price surge was also driven by the physical destruction of production facilities and warehouses that came under attack from the enemy. On the other hand, the annual growth in prices for bread remained stable, while that in sunflower oil prices continued to decelerate, in part due to the base effect.

Nonfood price growth also picked up, but it remained relatively slow in year-on-year terms (3.6% yoy) due to the fixed hryvnia exchange rate and a shift in household demand towards staple goods. However, the latter fueled a sharp rise in prices for pharmaceuticals and certain personal care products. The growth in the prices of household goods also sped up, in part due to the limited operation of retailers amid store closures. At the same time, clothing and footwear prices continued to decline.

The growth in services prices also sped up slightly (to 11.3% yoy). Against the backdrop of a massive evacuation from the areas of active combat, the cost of renting hotel rooms and other types of accommodation in Ukraine's west increased significantly. That being said, the share that these services take up in the consumer price index is small. Car maintenance services and taxi rides also rose in price, including due to higher fuel and lubricant prices. With food prices having risen, and with demand in some regions being likely to have increased, prices charged by cafes and restaurants also increased. Meanwhile, price increases

slowed for services provided by dry cleaners, hairdressers, beauty salons, as well as healthcare professionals.

Changes in Raw Food Prices

Growth in raw food prices accelerated markedly to 20.7% yoy. Because of a limited supply, vegetables used in the cooking of borshch grew in price. Prices for imported and greenhouse vegetables (cucumbers, tomatoes, zucchini, eggplants) also increased due to supply chain disruptions, higher energy prices, and the russian occupation of parts of Ukraine's territory, especially in the southern regions, which specialize in growing such vegetables. Prices for fruits, especially bananas and citrus fruits, returned to growth on an annual basis, because of difficulties in importing them due to the blockage of sea routes and increased production costs of businesses. Cereals and livestock farming products increased in price more quickly. Those include meat, eggs, and milk.

Changes in Administered Prices

The growth rate of administered prices went slightly up (to 12.7% yoy). With fuel prices growing, transport services also became less affordable. Prices for pharmaceutical products monitored by the state, alcoholic beverages, and tobacco products also accelerated. In the meantime, fixed prices for most utilities restrained the growth in administered prices.

Changes in Fuel Prices

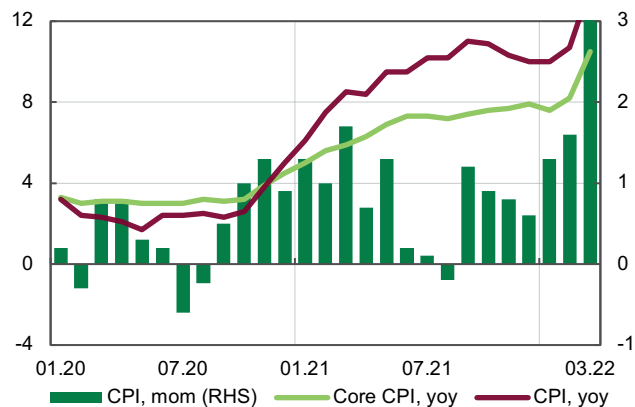
Fuel prices rose at a faster clip (30.0% yoy). This was primarily due to the rapid rise in global oil prices, the destruction of fuel infrastructure by the russian invaders, and problems with fuel supplies. However, the reduction in the VAT rate and the cancellation of the excise tax on fuel in the second half of March restrained the increase in prices.

Producer Price Inflation

The statistics authorities have suspended the publishing of the producer price index until after three months from the date martial law is lifted.

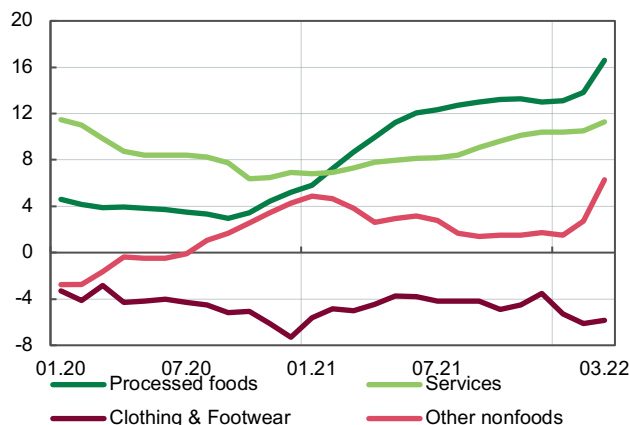
In March 2022, consumer price inflation accelerated to 13.7% yoy. The rise in inflation was driven by supply chain disruptions, uneven demand, higher business costs, and the physical destruction of company assets due to Russia's full-scale assault on Ukraine. The growth in core inflation also sped up (to 10.5% yoy).

Figure 1. Consumer price indices, %



Source: SSSU.

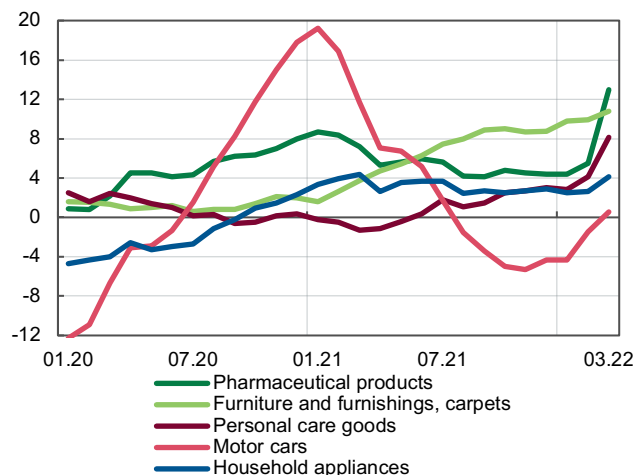
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

Nonfood price growth also picked up, but it remained relatively slow in year-on-year terms due to the fixed hryvnia exchange rate and a shift in household demand towards staple goods.

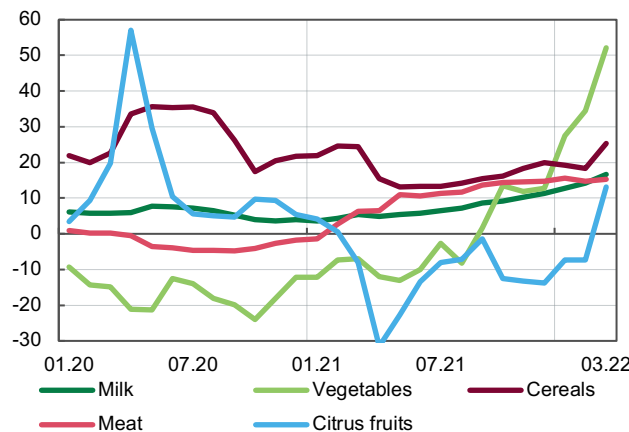
Figure 3. Prices for some nonfood products, % yoy



Source: SSSU.

Food prices rose sharply due to limited supply, supply chain disruptions, higher energy prices, the occupation of some areas, the blocking of sea routes, and increases in production costs.

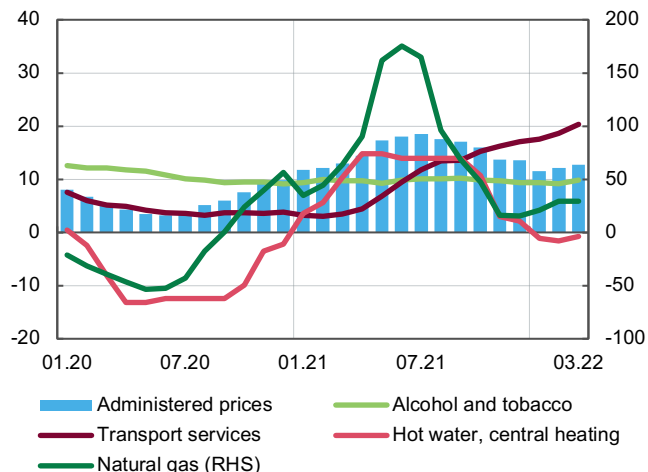
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

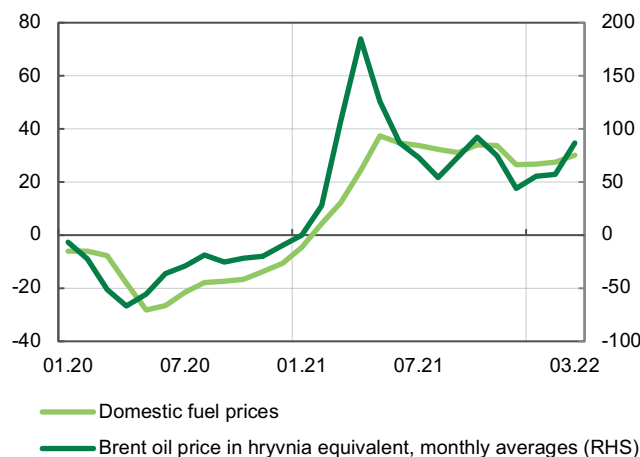
The growth in administered prices accelerated on the back of higher production costs, including those of fuel. At the same time, inflation was restrained due to prices for the majority of utility services remaining frozen.

Figure 5. Components of administered prices, % yoy



Source: SSSU.

Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU estimates.

Table 1. Change in CPI

	Share in 2022 CPI, %	% , yoy					March 2022, % mom
		2020	2021	2022			
				01	02	03	
CPI components (NBU methodology)							
Consumer Price Index	100.0	5.0	10.0	10.0	10.7	13.7	4.5
Core inflation	56.4	4.5	7.9	7.6	8.2	10.5	3.8
Noncore inflation*	43.6	5.9	13.5	13.4	13.8	17.6	5.2
raw foods	20.9	4.1	11.8	13.6	13.6	20.7	8.9
administered prices and tariffs	20.0	9.9	13.6	11.5	12.2	12.7	1.2
fuel	2.8	-10.5	26.5	26.8	27.5	30.0	7.7
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.6	4.9	12.7	14.0	14.3	18.9	6.3
Alcoholic beverages, tobacco products	8.2	9.2	9.4	9.3	9.2	9.8	1.3
Clothing and footwear	5.0	-7.3	-3.6	-5.7	-5.9	-5.7	13.0
Housing, water, electricity, natural gas and other fuels, including:	8.4	13.6	9.8	0.2	6.4	6.4	0.2
residential building maintenance services	0.3	2.7	6.7	7.3	7.4	7.4	0.1
cold water supply	0.2	18.5	11.8	12.9	12.8	12.8	0.0
hot water supply	0.3	-1.5	3.0	2.1	2.1	2.1	0.0
natural gas	2.3	56.3	15.5	21.1	29.6	29.6	0.0
central heating	1.4	-2.4	1.7	-1.7	-2.2	-1.1	0.0
electricity	1.6	0.0	26.5	-7.4	-7.4	-7.4	0.0
Transportation	9.3	2.7	11.1	11.4	13.7	16.4	4.2
Telecommunications	3.0	4.1	7.5	7.5	7.6	8.5	0.8
Education	1.4	13.9	17.0	17.4	17.0	16.6	0.0

*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.

Terms and abbreviations:

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