

In April 2022, consumer inflation accelerated in annual terms, to 16.4%, up from 13.7% in March. In monthly terms, prices grew by 3.1%. This is according to data published by the State Statistics Service of Ukraine. The main factors accelerating inflation were supply chain disruptions, increased costs of doing business, unevenly distributed demand and supply of goods across regions, and the loss of companies' assets to the destruction wrought by Russia's full-scale war against Ukraine. Specifically, the materialization of pent-up demand for goods and services in relatively quiet regions as evacuees gradually came back fueled price increases. Meanwhile, in the cities occupied by the Russian invaders and in areas exposed to intense fighting, the limited supply of goods was a significant pro-inflationary factor.

Core Inflation

Core inflation rose to 13.0% yoy, up from 10.5% yoy in March.

The growth in processed food prices accelerated, to 19.3% yoy, up from 16.6% yoy in March. Dairy, meat, fish, and flour products became more expensive at a faster pace. The growth in prices for goods with a large share of imported inputs in production costs accelerated as delivery opportunities dwindled and warehouse stocks declined. Those include coffee, tea, juices, chocolate, spices, and dried fruits. The increase in sunflower oil prices continued to slow due to limited export capabilities and the base effect.

Nonfood prices grew faster (by 6.6% yoy in April, compared to 3.6% yoy in March). The rise in prices for medicines and a number of personal care products picked up due to higher production and delivery costs and stronger demand from households for staple goods. The materialization of pent-up demand and limited supply, especially as Russian attacks destroyed inventories, led to rising prices for electronics and household goods (cookware, furniture, and appliances). At the same time, the NBU's fixing of the hryvnia exchange rate, the cancellation of import taxes, and the overall weakening of consumer demand restrained the growth in nonfood prices. In particular, the prices of clothing and footwear continued to decline.

The growth in services prices sped to 12.8% yoy (compared to 11.3% yoy in March). With housing demand in Ukraine's relatively safe western regions remaining persistently robust, housing rentals increased in price. Housing repair services grew more expensive with the rise in demand as a number of regions were liberated from the Russian invaders and housing construction resumed. The prices of taxi rides rose due to fuel shortages and limited traffic in many regions, as did prices for the services of beauty salons, cafes, and restaurants, which charged customers more to meet higher costs and the recovering demand. Meantime, price increases for dry cleaning and medical services remained at the level of March, while prices for movie tickets declined. This is attributable to

the reduction in consumer spending on goods other than necessities.

Changes in Raw Food Prices

Raw food price increases accelerated significantly (to 25.6% yoy). The rise in prices for vegetables, including carrots, onions, cucumbers, tomatoes, zucchini, and eggplants, sped up due to supply chain disruptions, higher energy costs, and the temporary occupation of southern areas specializing in vegetable farming. The same factors, made worse by the cessation of imports through ports, accelerated the rise in prices for fruits, including bananas and citrus fruits. Prices for cereals and livestock farming products – pork, milk, and fish – grew at a faster clip. By contrast, egg prices fell sharply, owing to the significant supply in the domestic market.

Changes in Administered Prices

The growth in administered prices accelerated (to 14.2% yoy). Alcoholic beverages became more expensive due to growing demand amid the easing of restrictions on the sale of these goods and a shrinking supply. The growth in tobacco prices picked up as Ukrainian-based producers scaled back production and more expensive imported products entered the domestic market. Transport services grew in price amid rising fuel prices, as did postal services and pharmaceuticals that fall under state monitoring. Fixed prices for most utilities weighed on the growth in administered prices.

Changes in Fuel Prices

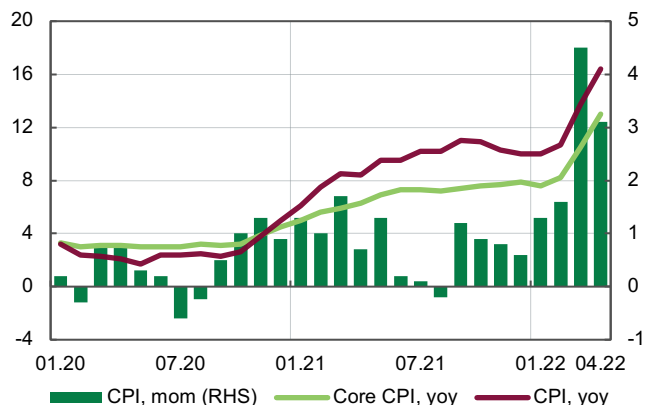
Fuel price growth slowed slightly (to 29.6% yoy). The abolition of the excise duty on fuel and the reduction of VAT in the second half of March restrained the rise in fuel prices. On the other hand, higher global oil prices, logistical disruptions, the destruction of refineries and fuel infrastructure, and problems with finding new sources of supply pushed fuel prices up.

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.

Consumer price inflation accelerated to 16.4% yoy in April 2022. The rise in inflation was driven by supply chain disruptions, unevenly distributed demand and supply across regions, higher costs of doing business, and the physical destruction of companies' assets due to russia's full-scale war against Ukraine. The growth in core inflation also sped up (to 13.0% yoy).

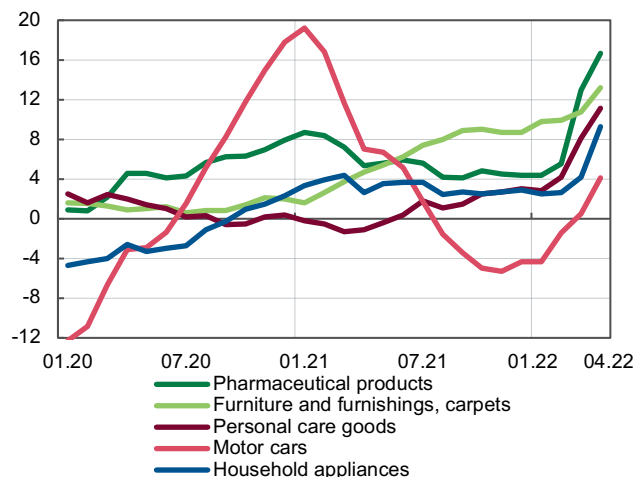
Figure 1. Consumer price indices, %



Source: SSSU.

The growth in nonfood prices accelerated significantly due to rising costs of production and delivery, increased demand for staple goods, the materialization of pent-up demand, as well as limited supply

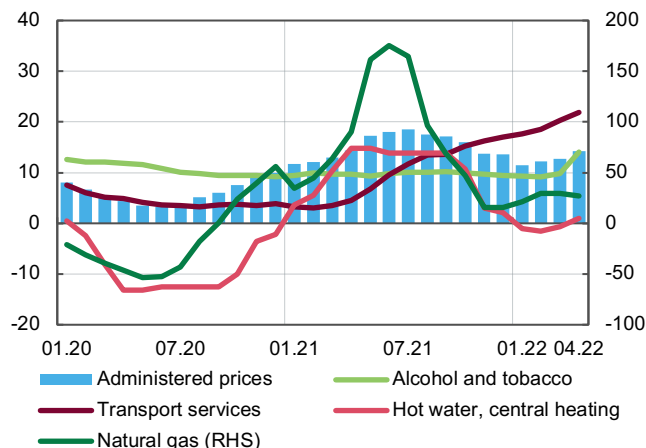
Figure 3. Prices for some nonfood products, % yoy



Source: SSSU.

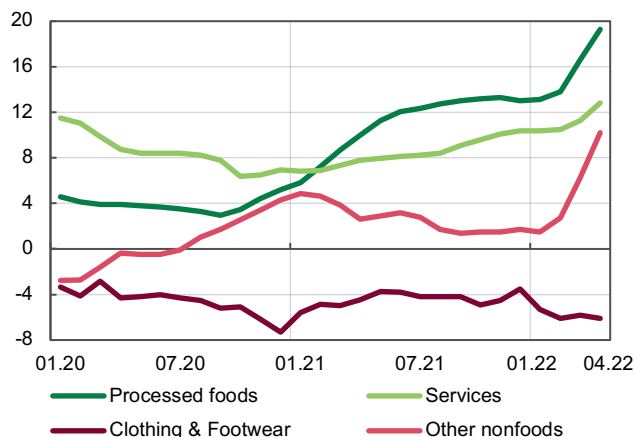
The increase in administered prices accelerated primarily due to higher prices for alcoholic beverages and tobacco amid a reduced supply. At the same time, inflation was restrained by fixed utility prices

Figure 5. Components of administered prices, % yoy



Source: SSSU.

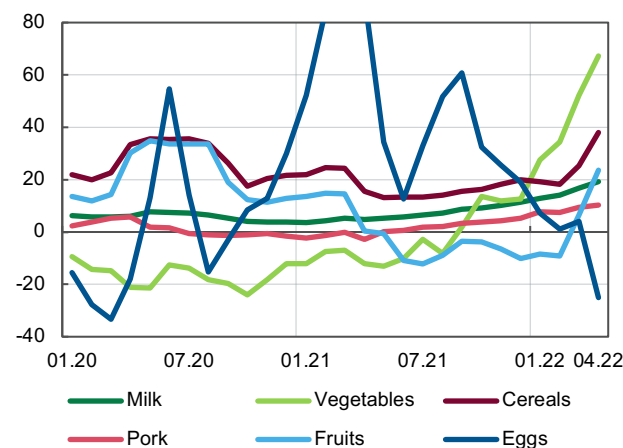
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

The same factors caused food prices to rise further, except for egg prices, which fell due to oversupply amid limited export opportunities

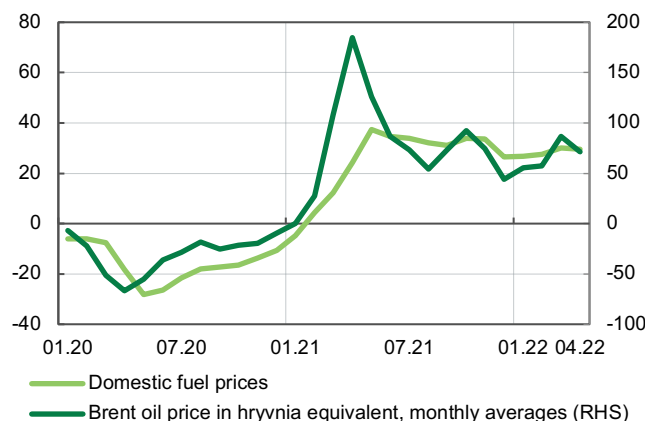
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

Fuel price growth slowed slightly due to tax cuts in March, but this was offset by the destruction of fuel infrastructure and fuel supply problems

Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU estimates.

Table 1. Change in CPI

	Share in 2022 CPI, %	% , yoy					April 2022, % mom
		2020	2021	2022			
				02	03	04	
CPI components (NBU methodology)							
Consumer Price Index	100.0	5.0	10.0	10.7	13.7	16.4	3.1
Core inflation	56.4	4.5	7.9	8.2	10.5	13.0	3.0
Noncore inflation*	43.6	5.9	13.5	13.8	17.6	20.6	3.3
raw foods	20.9	4.1	11.8	13.6	20.7	25.6	4.7
administered prices and tariffs	20.0	9.9	13.6	12.2	12.7	14.2	2.3
fuel	2.8	-10.5	26.5	27.5	30.0	29.6	0.5
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.6	4.9	12.7	14.3	18.9	22.4	4.2
Alcoholic beverages, tobacco products	8.2	9.2	9.4	9.2	9.8	14.1	4.8
Clothing and footwear	5.0	-7.3	-3.6	-5.9	-5.7	-6.1	0.5
Housing, water, electricity, natural gas and other fuels, including:	8.4	13.6	9.8	6.4	6.9	7.2	0.6
residential building maintenance services	0.3	2.7	6.7	7.4	7.4	7.4	0.0
cold water supply	0.2	18.5	11.8	12.8	12.8	12.8	0.0
hot water supply	0.3	-1.5	3.0	2.1	2.1	4.2	2.0
natural gas	2.3	56.3	15.5	29.6	29.6	26.7	0.0
central heating	1.4	-2.4	1.7	-2.2	-1.1	0.6	0.0
electricity	1.6	0.0	26.5	-7.4	-7.4	-7.4	0.0
Transportation	9.3	2.7	11.1	13.7	16.4	18.2	2.1
Telecommunications	3.0	4.1	7.5	7.6	8.5	10.3	1.8
Education	1.4	13.9	17.0	17.0	16.6	16.4	0.1

*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.

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