

In May 2022, consumer inflation accelerated to 18.0% yoy, up from 16.4% in April. In monthly terms, prices grew by 2.7%. This is according to data published by the State Statistics Service of Ukraine. The faster inflation resulted from both global trends, such as high energy prices, and internal factors – mainly those related to the full-scale invasion. These were disrupted supply chains, destroyed company assets, higher production costs, and stronger household demand for some goods and services on the back of insufficient supply.

### Core Inflation

Core inflation sped up to 13.8% yoy, from 13.0% yoy in April.

The rise in the prices of processed foods accelerated, to 20.1% yoy. Prices for dairy and fish products and nonalcoholic beverages also grew at a faster pace. In contrast, the growth in vegetable oil prices decelerated further, due to, among other things, limited export possibilities. Prices for meat products grew more slowly, dragged down by shrinking markets for these products and cheaper meat for processing.

The growth in nonfood prices sped up, to 7.3% yoy. The largest price increases were seen in household items (kitchenware, furniture and household appliances), electronic devices, cars, and personal care items. This can be explained by the limited supply of these goods due to the difficulties with supplying them, the physical destruction of warehouses, and by the stronger demand for these goods fueled by people's return home and the need to rebuild their houses. Prices for pharmaceuticals stopped rising, thanks to a partial recovery in supplies.

The growth in services prices accelerated noticeably, to 13.8% yoy. With housing demand in Ukraine's relatively safe western regions remaining persistently robust, housing rentals and hotel rates continued to increase in price. The cost of housing repair services increased, due to the partial resumption of housing construction and the need to rebuild housing in deoccupied territories, as well as due to the ongoing shortages of some consumables. Prices for the services of beauty parlors, cinemas, sports facilities and catering establishments grew at a faster pace, propelled by rebounding demand. Taxi fares also became more expensive, driven up by higher fuel prices and fuel shortages.

### Changes in Raw Food Prices

Raw food prices also grew more rapidly, by 28.9% yoy. Prices for vegetables, such as cucumbers, tomatoes, marrows and aubergines, increased further in the wake of southern regions

of Ukraine being occupied, disrupted supply chains, and higher energy prices. Although growing at a slightly slower pace, prices for other vegetables and fruits remained higher than last year because of the lower supply of early fruits and vegetables. Cereals, in particular buckwheat and rice, became significantly more expensive due to the depletion of their stocks and reduced supplies. The growth of salt prices also accelerated, primarily due to the destruction of Ukraine's main salt-producing company and limited imports. Conversely, egg prices continued to fall, thanks to the substantial supply on the domestic market. A surfeit of agricultural raw materials made fodder cheaper, which slowed down the rise in meat prices. Milk prices also increased at a slower pace.

### Changes in Administered Prices

The increase in administered prices decelerated, to 13.8% yoy. The slower growth resulted mainly from waning base effects for utilities amid fixed tariffs for most of them. Meanwhile, the rise in the prices of alcoholic beverages accelerated significantly, which may be explained by the easing of restrictions on alcohol sales in various regions of Ukraine and the limited supply of alcohol. Prices for tobacco goods increased more quickly. With fuel prices growing, prices for transport services increased at a faster pace.

### Changes in Fuel Prices

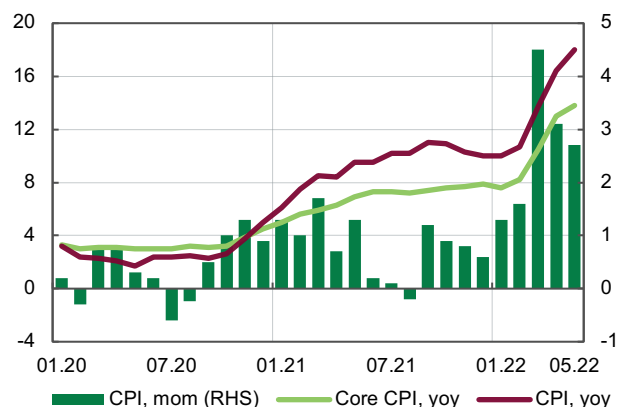
Fuel price growth accelerated rapidly, to 57.5% yoy. The accelerating growth resulted mainly from high oil prices, fuel shortages and rising logistics prices. The government stopped administering fuel prices in May in order to deal with fuel shortages.

### 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 May 2022, consumer inflation accelerated to 18.0% yoy. The higher inflation resulted from disrupted supply chains, destroyed company assets, increased production costs, and stronger household demand for some goods and services on the back of insufficient supply. The growth in core inflation also sped up, to 13.8% yoy.

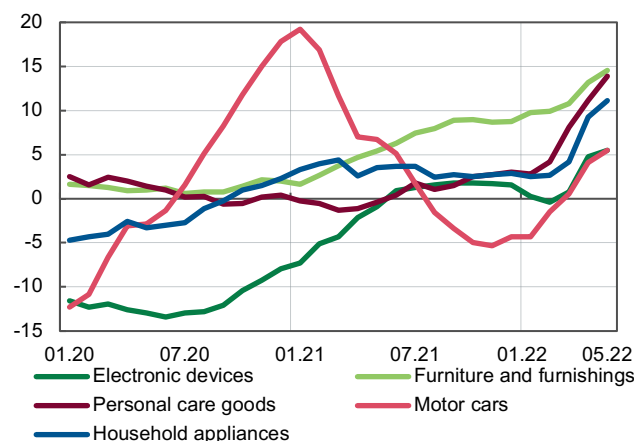
Figure 1. Consumer price indices, %



Source: SSSU.

In particular, nonfood prices rose faster, due to limited supply, stronger demand for these goods caused by people returning to their homes, and higher production and supply costs.

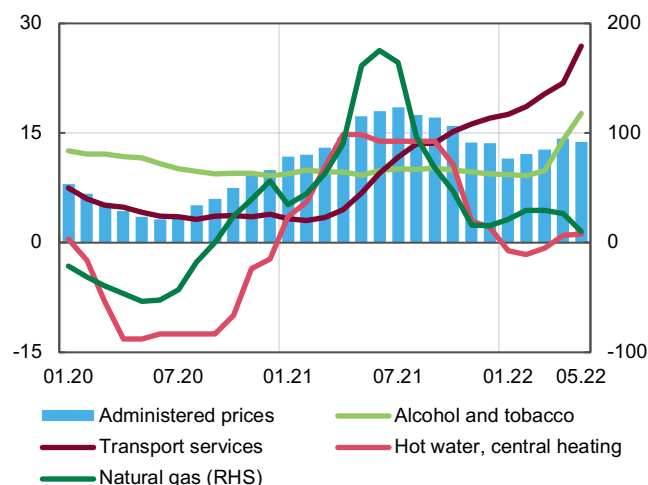
Figure 3. Prices for some nonfood products, % yoy



Source: SSSU.

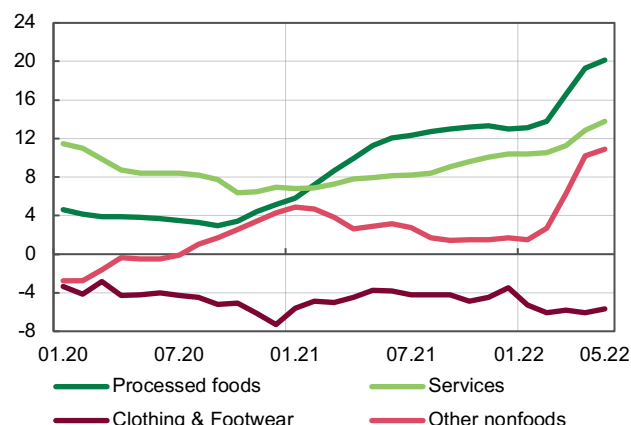
The growth in administered prices decelerated, thanks to the tariffs for most utilities remaining fixed. Conversely, alcohol prices increased, propelled by limited supply. Transportation services also became more expensive on the back of higher fuel prices.

Figure 5. Components of administered prices, % yoy



Source: SSSU.

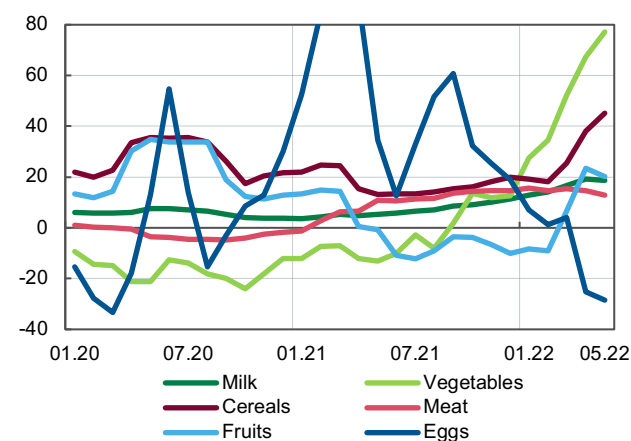
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

Prices for food, such as vegetables and cereals, continued to rise, on the back of reduced supplies, depleted stocks, and higher production costs. In contrast, prices for livestock farming products dropped, dragged down by ample supply and cheaper fodder.

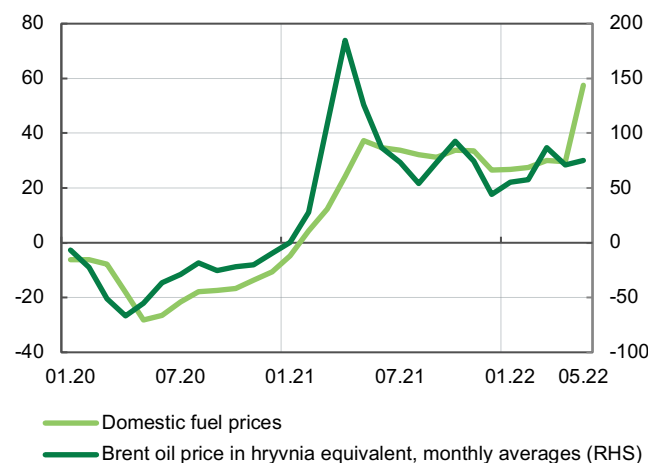
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

The growth in fuel prices accelerated rapidly, buoyed by high oil prices, fuel shortages and rising logistics costs.

Figure 6. Fuel price indices, % yoy



Source: SSSU, Refinitiv Datastream, NBU estimates.

Table 1. Change in CPI

	Share in 2022 CPI, %	% , yoy					May 2022, % mom
		2020	2021	2022			
				03	04	05	
<b>CPI components (NBU methodology)</b>							
<b>Consumer Price Index</b>	<b>100.0</b>	<b>5.0</b>	<b>10.0</b>	<b>13.7</b>	<b>16.4</b>	<b>18.0</b>	<b>2.7</b>
<b>Core inflation</b>	<b>56.4</b>	<b>4.5</b>	<b>7.9</b>	<b>10.5</b>	<b>13.0</b>	<b>13.8</b>	<b>1.4</b>
<b>Noncore inflation*</b>	<b>43.6</b>	<b>5.9</b>	<b>13.5</b>	<b>17.6</b>	<b>20.6</b>	<b>23.6</b>	<b>4.6</b>
raw foods	20.9	4.1	11.8	20.7	25.6	28.9	4.6
administered prices and tariffs	20.0	9.9	13.6	12.7	14.2	13.8	1.9
fuel	2.8	-10.5	26.5	30.0	29.6	57.5	22.8
<b>Some components of the consumer basket (SSSU methodology)</b>							
<b>Foods and nonalcoholic beverages</b>	<b>43.6</b>	<b>4.9</b>	<b>12.7</b>	<b>18.9</b>	<b>22.4</b>	<b>23.6</b>	<b>2.7</b>
<b>Alcoholic beverages, tobacco products</b>	<b>8.2</b>	<b>9.2</b>	<b>9.4</b>	<b>9.8</b>	<b>14.1</b>	<b>17.7</b>	<b>3.9</b>
<b>Clothing and footwear</b>	<b>5.0</b>	<b>-7.3</b>	<b>-3.6</b>	<b>-5.7</b>	<b>-6.1</b>	<b>-5.7</b>	<b>-0.2</b>
<b>Housing, water, electricity, natural gas and other fuels, including:</b>	<b>8.4</b>	<b>13.6</b>	<b>9.8</b>	<b>6.9</b>	<b>7.2</b>	<b>3.5</b>	<b>0.4</b>
residential building maintenance services	0.3	2.7	6.7	7.4	7.4	7.5	0.2
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	4.2	5.3	1.1
natural gas	2.3	56.3	15.5	29.6	26.7	10.1	-0.4
central heating	1.4	-2.4	1.7	-1.1	0.6	0.6	0.0
electricity	1.6	0.0	26.5	-7.4	-7.4	-7.4	0.0
<b>Transportation</b>	<b>9.3</b>	<b>2.7</b>	<b>11.1</b>	<b>16.4</b>	<b>18.2</b>	<b>29.3</b>	<b>10.2</b>
<b>Telecommunications</b>	<b>3.0</b>	<b>4.1</b>	<b>7.5</b>	<b>8.5</b>	<b>10.3</b>	<b>9.4</b>	<b>1.0</b>
<b>Education</b>	<b>1.4</b>	<b>13.9</b>	<b>17.0</b>	<b>16.6</b>	<b>16.4</b>	<b>16.2</b>	<b>0.0</b>

\*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