

In June 2022, consumer inflation accelerated to 21.5% yoy, up from 18.0% in May. In monthly terms, prices grew by 3.1%. This is according to data published by the State Statistics Service of Ukraine. The rise in inflation was mainly driven by factors caused by the full-scale war. This included the disruption of supply chains, a decrease in supply of some goods, higher business expenses, and physical destruction of production facilities and infrastructure as a result of Russia's terrorist attacks and occupation of some territories. Inflation expectations of the majority of economic agents deteriorated, putting additional pressure on prices. Price growth was restrained by fixing the official UAH/USD exchange rate and natural gas and heating tariffs and by a partial recovery in supplies.

Core Inflation

Core inflation sped up to 15.2% yoy, from 13.8% yoy in May.

Prices for processed food rose more quickly, by 21.5% yoy, as a result of an increase in production costs, in particular energy prices and the cost of logistics. For example, price growth accelerated for meat and fish products, butter, margarine, flour products, and nonalcoholic beverages. In contrast, sunflower oil prices grew more slowly due to base effects and larger supply amid limited exports.

The growth in nonfood prices accelerated to 9.2% yoy. This was explained by higher logistics costs and increased demand for nonfood goods, driven, in part, by Ukrainians gradually returning home. Prices grew more rapidly for household goods (such as kitchenware, furniture, and home appliances), electronic devices, cars, pharmaceuticals, and personal care products. Clothing and footwear prices declined at a slower pace.

Service prices grew more rapidly as well (by 14.3% yoy). Housing rentals continued to rise, propelled by high demand in relatively safe regions. Services related to housing repairs also became more expensive due to the shortage of workers and some materials. Taxi fares rose on the back of higher fuel prices. Prices for medical services and the services of beauty salons, cinemas, sports facilities, and restaurants also grew at a faster pace. On the other hand, the growth in the prices of services provided by hotels and resorts was slower as the tourist season did not open this year.

Changes in Raw Food Prices

The growth in raw food prices accelerated notably (to 36.1% yoy). Prices of buckwheat, rice, and other cereals rose

significantly due to depletion of inventories and a decrease in supplies. Salt prices grew more rapidly as shortages on the domestic market were caused by the closure and subsequent destruction of Ukraine's main salt mining enterprise. Prices of vegetables, fruit, and berries grew faster on the back of disrupted supply chains and higher energy prices. An increase in exports and domestic demand spurred growth in sugar prices. A gradual revival of exports also contributed to a slower decline in egg prices and faster growth in the prices of chicken meat and milk. Pork prices also rose more rapidly due to decreased supply from eastern and central oblasts.

Changes in Administered Prices

The increase in administered prices accelerated (to 14.8% yoy). A major contribution to the growth in administered prices came from a rise in the prices of alcoholic beverages, which was caused by an increase in demand driven by looser alcohol sales restrictions in various regions of Ukraine and weaker supply. The decrease in supply resulted from limited imports and higher production costs incurred by domestic producers. Price growth of road transportation services also accelerated considerably on the back of higher fuel prices. On the other hand, public utility rates grew more slowly.

Changes in Fuel Prices

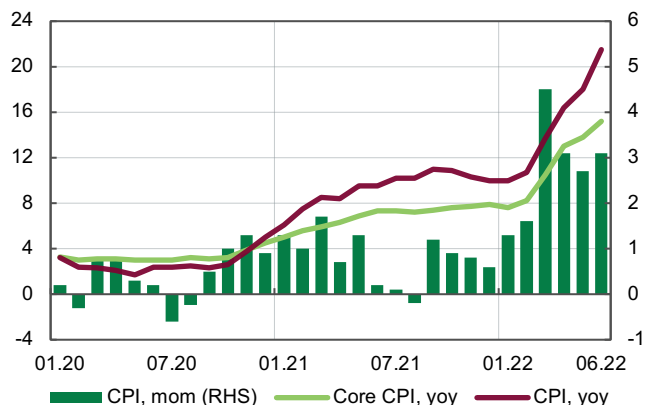
Fuel price growth accelerated rapidly, to 90.9% yoy. This was attributed mainly to high crude oil prices, fuel shortages, and increased logistics costs.

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.

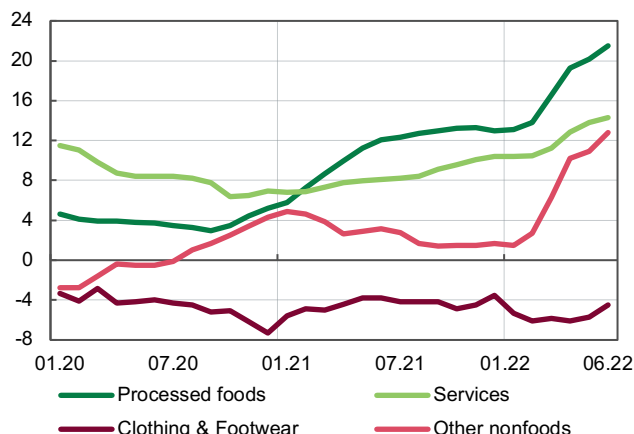
In June 2022, consumer inflation accelerated to 21.5% yoy. The rise in inflation was caused by war-driven supply shocks, which included disruption of supply chains, a decrease in supply of some goods, higher business expenses, and physical destruction of assets and occupation of some territories. These factors also pushed up core inflation (to 15.2% yoy)

Figure 1. Consumer price indices, %



Source: SSSU.

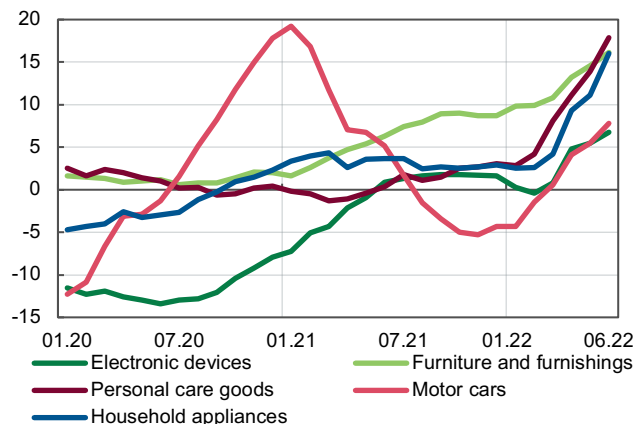
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

Nonfood prices rose faster due to limited supply, stronger demand for these goods caused by Ukrainians gradually returning to their homes, and higher production and logistics costs

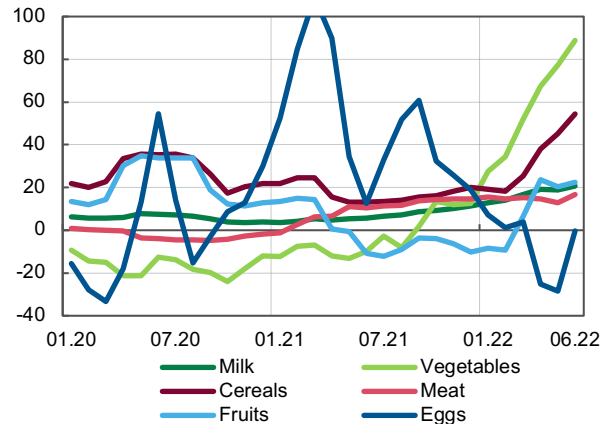
Figure 3. Prices for some nonfood products, % yoy



Source: SSSU.

Prices for food continued to rise, on the back of reduced supplies, depleted stocks, and higher production costs. A recovery in exports of some products also drove their prices up on the domestic market

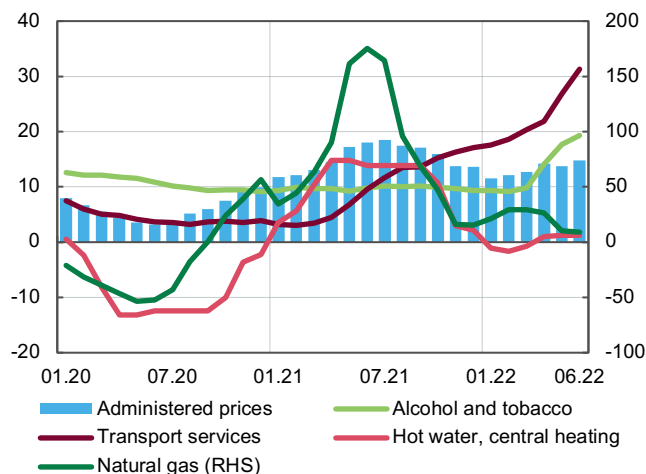
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

Alcohol prices also increased at a faster pace, propelled by limited supply and a shortage of packaging. Growth rates of transportation services prices increased as well on the back of higher fuel prices. Conversely, fixing natural gas and heating prices restrained price growth

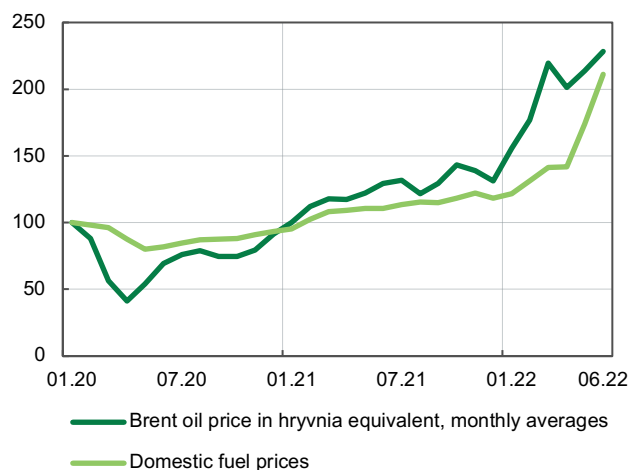
Figure 5. Components of administered prices, % yoy



Source: SSSU.

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

Figure 6. Fuel price indices, January 2020 = 100



Source: SSSU, Refinitiv Datastream, NBU estimates.

Table 1. Change in CPI

	Share in 2022 CPI, %	% , yoy					June 2022, % mom
		2020	2021	2022			
				04	05	06	
CPI components (NBU methodology)							
Consumer Price Index	100.0	5.0	10.0	16.4	18.0	21.5	3.1
Core Inflation	56.4	4.5	7.9	13.0	13.8	15.2	1.4
Noncore inflation*	43.6	5.9	13.5	20.6	23.6	29.2	4.4
raw foods	20.9	4.1	11.8	25.6	28.9	36.1	4.1
administered prices and tariffs	20.0	9.9	13.6	14.2	13.8	14.8	1.9
fuel	2.8	-10.5	26.5	29.6	57.5	90.9	21.3
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.6	4.9	12.7	22.4	23.6	27.7	3.2
Alcoholic beverages, tobacco products	8.2	9.2	9.4	14.1	17.7	19.3	2.4
Clothing and footwear	5.0	-7.3	-3.6	-6.1	-5.7	-4.3	-1.4
Housing, water, electricity, natural gas and other fuels, including:	8.4	13.6	9.8	7.2	3.5	3.8	0.6
residential building maintenance services	0.3	2.7	6.7	7.4	7.5	7.0	0.5
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	4.2	5.3	4.0	-1.3
natural gas	2.3	56.3	15.5	26.7	10.1	9.4	0.0
central heating	1.4	-2.4	1.7	0.6	0.6	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	18.2	29.3	42.4	11.2
Telecommunications	3.0	4.1	7.5	10.3	9.4	10.0	0.9
Education	1.4	13.9	17.0	16.4	16.2	15.9	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