

In August 2022, consumer inflation accelerated to 23.8% yoy, up from 22.2% in July. In monthly terms, prices grew by 1.1%. This is according to data published by the State Statistics Service of Ukraine. The acceleration of inflation continued to be driven by the fallout from Russia's full-scale war against Ukraine. The Russian invasion led to supply chain disruptions, the destruction of production facilities, the reduced supply of goods and services, and higher costs of businesses. Another factor was the pass-through effect that the [adjustment of the official hryvnia-to-dollar exchange rate had on prices](#). The NBU adjusted the exchange rate in July to preserve the stability of the Ukrainian economy. Price growth was restrained by the fixation of natural gas and heating prices and the domestic market's saturation with fuel. Consumer inflation increased as expected, but, for the second straight month, was slightly below the trajectory of the baseline forecast published in the [July 2022 Inflation Report](#), primarily due to a faster decline in fuel prices. However, this deviation narrowed compared to July. In addition, core inflation grew faster than the NBU expected.

Core Inflation

Core inflation accelerated to 19.1% yoy from 16.7% yoy in July.

The growth in prices for nonfood products sped to 16.7% yoy. This acceleration was driven by the July adjustment of the hryvnia's official exchange rate against the U.S. dollar, as well as limited deliveries of new batches of goods, increases in businesses' costs, the drawdown of inventories, and the worsening of depreciation expectations. Specifically, prices for household goods (kitchenware, furniture, household appliances, chemicals), electronic devices, cars, medications, personal care products, and home improvement products grew faster. The decline in prices for clothing and footwear slowed.

Prices for processed food also rose more quickly (up 23.9% yoy). Fish, dairy, and confectionery products increased in price at a higher pace, as did edible oil and its products, nonalcoholic beverages, and dried fruits. This pick-up in growth was in part driven by higher business expenses and the impact of the official hryvnia-to-dollar exchange rate's adjustment on the prices of these goods as import prices went up.

The growth in services prices sped up (to 15.6% yoy). Fueled by stronger demand from households and higher costs incurred by businesses, prices rose faster for healthcare and the services provided by beauty salons, dry cleaners, and cafes and restaurants. Prices for telecommunications services continued to grow. Housing rents went up as people returned to their homes. This factor, aggravated by the shortage of some construction materials and labor, led to an increase in the prices of home repair services. On the other hand, the increase in prices for hotel services slowed significantly, due to weaker demand in relatively peaceful regions and the absence of a tourist season.

Changes in Raw Food Prices

Raw food prices grew at a higher pace (up 40.8% yoy). Vegetables (onions, beets, carrots, and tomatoes) became more expensive as supply shrank and businesses' costs rose. Cabbage prices remained high, underpinned by similar factors. The growth in prices for fruits, mainly imported ones, accelerated because of supply chain disruptions and the adjustment of the hryvnia's official exchange rate in July 2022. Meat prices rose at an elevated rate, especially pork prices (as pig headcount fell) and chicken prices. The growth in cereals prices picked up amid a drawdown of stocks and a reduction in supplies. Sugar prices rose faster, fueled by expectations of a slump in production and an increase in energy prices.

Changes in Administered Prices

The rate of growth of administered prices remained at the previous month's level (14.7% yoy). Prices for alcoholic beverages continued to rise, primarily due to the increase in expenses on energy, raw materials, and containers. The increase in prices for tobacco products accelerated, but was restrained by the gradual recovery of production capacities. In contrast, utility prices were little changed in annual terms. With fuel prices stabilizing, transport services rose in price at a slower rate.

Changes in Fuel Prices

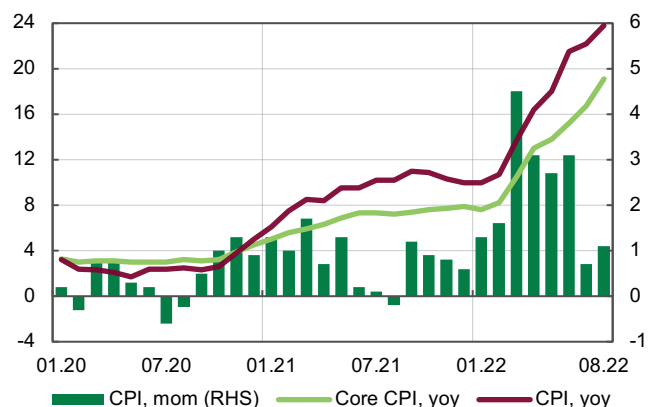
Fuel price growth continued to slow (to 68.1% yoy). This was due to global oil price decreases and market saturation as supply chain disruptions were resolved and competition between gas stations revived.

Producer Price Inflation

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

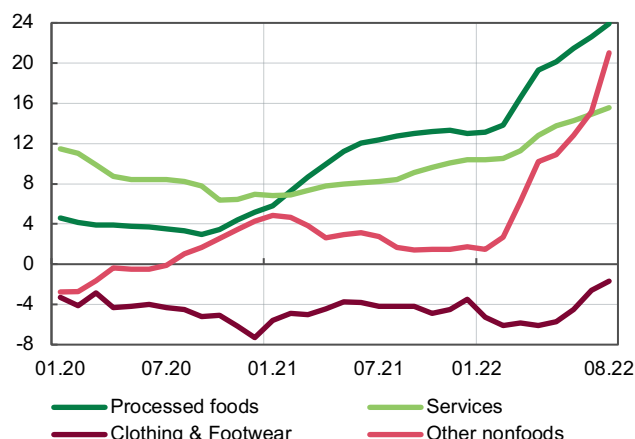
In August 2022, consumer inflation accelerated to 23.8%. Inflation pressure continued to increase, fueled by supply chain disruptions, the destruction of production facilities and infrastructure, the reduction of supply, an increase in production costs, and the pass-through effect that the adjustment of the official hryvnia-to-dollar exchange rate had on prices. These factors also pushed up core inflation.

Figure 1. Consumer price indices, %



Source: SSSU.

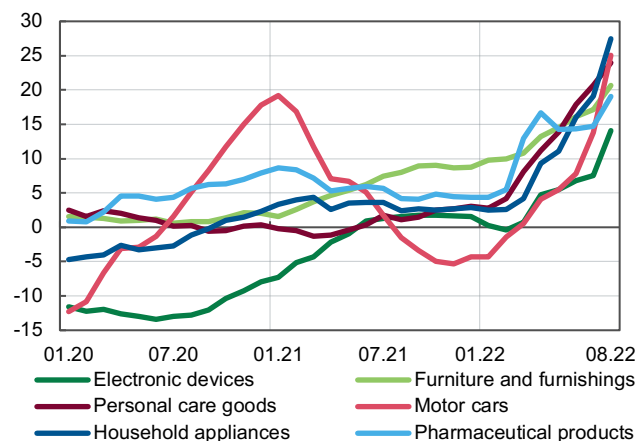
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

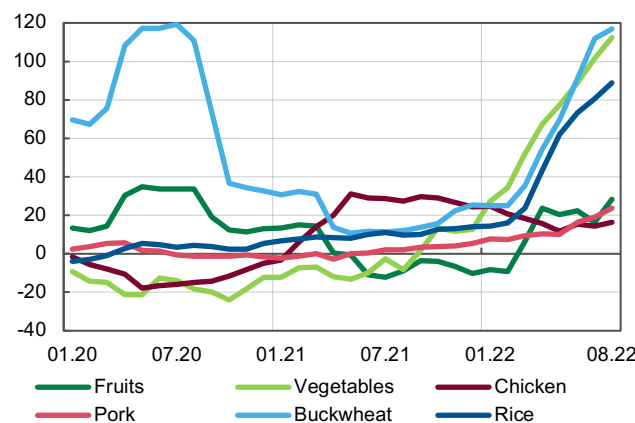
The growth in nonfood prices was driven by the adjustment of the hryvnia's official exchange rate, as well as limited deliveries of goods, significant costs fueled by supply chain disruptions, the drawdown of inventories, and the worsening of depreciation expectations. The same factors drove the growth in prices for food products, including fruits and vegetables.

Figure 3. Prices for some nonfood products, % yoy



Source: SSSU.

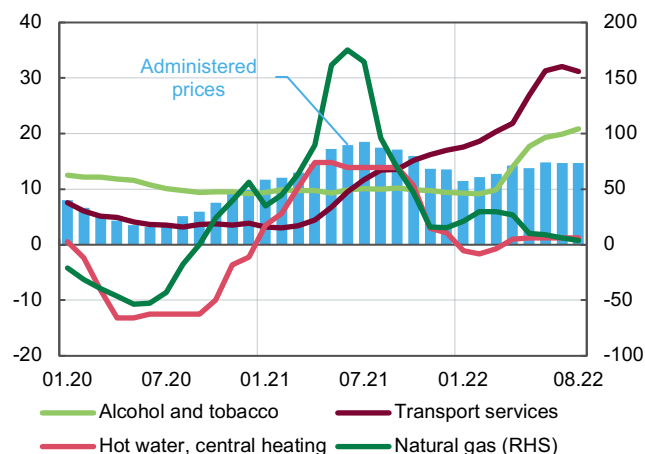
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

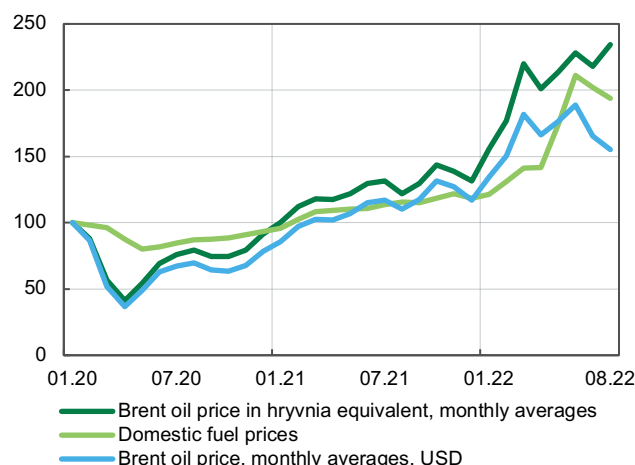
Alcoholic beverages and tobacco products became more expensive at a faster pace, primarily due to rising costs. Conversely, the fixing of natural gas and heating prices restrained utility price growth, while the stabilization of fuel prices weighed down price increases for transport services.

Figure 5. Components of administered prices, % yoy



Source: SSSU.

Figure 6. Fuel price indices, January 2020 = 100



Source: SSSU, Refinitiv Datastream, NBU estimates.

Table 1. Change in CPI

	Share in 2022 CPI, %	% , yoy			August 2022, % mom		
		2020	2021	2022			
				06	07	08	
CPI components (NBU methodology)							
Consumer Price Index	100.0	5.0	10.0	21.5	22.2	23.8	1.1
Core Inflation	56.4	4.5	7.9	15.2	16.7	19.1	2.1
Noncore inflation*	43.6	5.9	13.5	29.2	28.9	29.7	0.1
raw foods	20.9	4.1	11.8	36.1	37.5	40.8	0.3
administered prices and tariffs	20.0	9.9	13.6	14.8	14.7	14.7	0.8
fuel	2.8	-10.5	26.5	90.9	77.7	68.1	-3.9
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.6	4.9	12.7	27.7	28.9	30.7	0.7
Alcoholic beverages, tobacco products	8.2	9.2	9.4	19.3	19.9	20.9	1.2
Clothing and footwear	5.0	-7.3	-3.6	-4.3	-2.6	-1.6	-2.0
Housing, water, electricity, natural gas and other fuels, including:	8.4	13.6	9.8	3.8	3.6	3.9	0.8
residential building maintenance services	0.3	2.7	6.7	7.0	6.9	6.8	0.0
cold water supply	0.2	18.5	11.8	12.8	12.8	12.0	0.0
hot water supply	0.3	-1.5	3.0	4.0	4.0	4.0	0.0
natural gas	2.3	56.3	15.5	9.4	5.9	3.7	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	42.4	40.4	40.4	0.8
Telecommunications	3.0	4.1	7.5	10.0	12.2	14.0	2.2
Education	1.4	13.9	17.0	15.9	16.1	16.2	0.2

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