

In September 2022, consumer inflation accelerated to 24.6% yoy, up from 23.8% in August. In monthly terms, prices grew by 1.9%. This is according to data published by the State Statistics Service of Ukraine. The main reason for the acceleration of inflation remains the fallout from Russia's full-scale war against Ukraine: production facilities destruction, supply chain disruptions, decreases in the supply of goods and services, and rising production costs of businesses. Additional price pressure came from the deterioration of households' and businesses' expectations, as well as the [adjustment of the official hryvnia exchange rate in July](#), a measure that has nonetheless incentivized domestic businesses to step up production and made the Ukrainian economy more stable as the war of attrition grinds on. Price growth accelerated as expected, but remained below the NBU's baseline forecast published in the [July 2022 Inflation Report](#), thanks to the faster saturation of the market with petroleum products and the stabilization of fuel prices.

Core Inflation

Core inflation accelerated to 20.4% yoy from 19.1% yoy in August

The growth in nonfood prices sped to 18.8% yoy, spurred by the July adjustment of the hryvnia's official exchange rate, limited supplies of goods, the drawdown of old inventories, and costly logistics. Specifically, household goods (cookware, furniture, textiles, appliances, chemicals), electronic devices, cars, medications, personal care products, and home repair goods rose in price at a faster pace. Clothing and footwear prices returned to growth. Prices for a number of nonfood products were also affected by the need to further restore or improve living conditions, in particular in preparation for the upcoming cold weather.

Price increases for processed foods also accelerated (to 25.5% yoy). Such dynamics are attributable to the growth in businesses' production costs, including those of raw materials, energy, and logistics, high global prices, and the July adjustment of the official exchange rate. Prices grew at a higher pace for dried fruits, fish products, and nonalcoholic beverages, which are mainly imported, as well as sunflower oil, its processing products (spreads and mayonnaise), and dairy products, whose prices are heavily dependent on global market conditions. On the other hand, bread prices increased more slowly, in part due to the sufficient harvest of early cereals.

Services prices grew at the previous month's rate (15.6% yoy). On the one hand, prices for healthcare, the internet, and the services provided by beauty salons, dry cleaners, and cafes and restaurants increased faster. Upward pressure on housing rentals intensified, fueled by demand from citizens returning to their places of permanent residence and from internally displaced persons. Aggravated by the shortage of some construction materials and labor, this factor also pushed the prices of home repair services higher. On the

other hand, prices for financial services and higher education grew more slowly.

Changes in Raw Food Prices

The growth in raw food prices almost held steady (40.9% yoy). Price increases for imported fruits (bananas, oranges, kiwis) accelerated due to higher global prices for these goods, supply chain disruptions, and the effects of the hryvnia exchange rate adjustment in July. Prices for meat, pork in particular, grew at a higher clip, because of the shortage of pig carcasses, as did egg prices, which were driven up by a decrease in chicken numbers and a rise in production costs. Sugar prices rose faster, fueled by expectations for an increase in energy prices. In contrast, the growth in prices for borschch vegetables (cabbage, beets, carrots, potatoes) decelerated as supply grew from central and northern regions. Prices for flour, buckwheat, and other cereals rose more slowly, restrained by upbeat expectations for the future harvest.

Changes in Administered Prices

The rate of growth of administered prices remained at the previous month's level (14.7% yoy). Alcoholic beverages and tobacco products continued to grow more expensive as businesses' production costs went up. July's exchange rate adjustment resulted in prices rising for imported medications that are on the list of goods tracked by the government. Meanwhile, utility prices were little changed in annual terms. With fuel prices stabilizing, transport services rose in price at a slower clip.

Changes in Fuel Prices

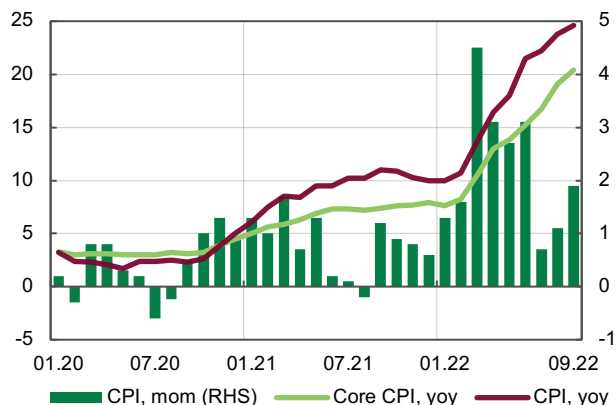
Fuel price growth slowed (to 66.2% yoy). This was due to continued global oil price decreases and the saturation of the domestic market as supply chain disruptions eased.

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.

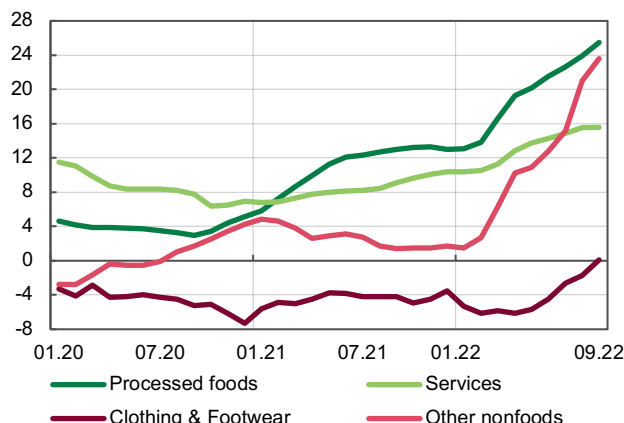
In September 2022, consumer inflation accelerated to 24.6%. Inflation pressure continued to increase, fueled by Russia's full-scale war against Ukraine, the worsening of households' and businesses' expectations, and the July adjustment of the hryvnia's official exchange rate. These factors also amplified the underlying inflationary pressures.

Figure 1. Consumer price indices, %



Source: SSSU.

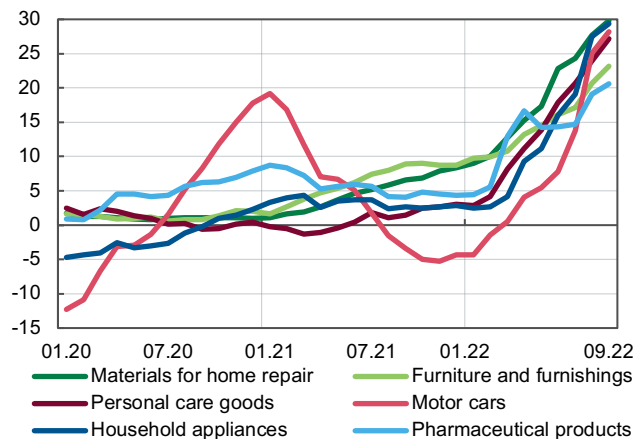
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

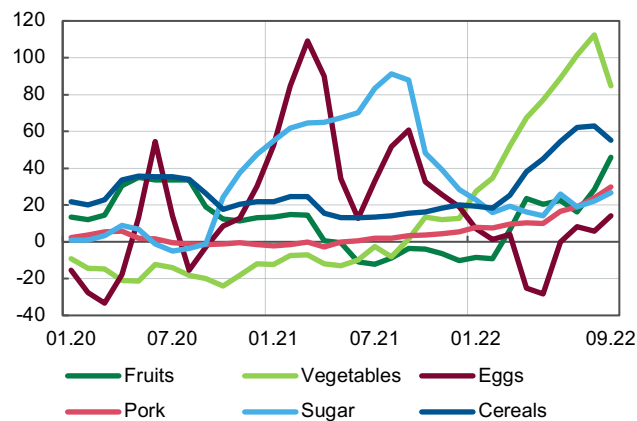
The growth in prices for nonfood products and imported foods was primarily driven by the adjustment of the hryvnia's official exchange rate, as well as supply chain disruptions, costly logistics, the drawdown of inventories, and higher global prices. In contrast, the expansion of supply contributed to the slowdown in price increases for borshch vegetables and cereals

Figure 3. Prices for some nonfood products, % yoy



Source: SSSU.

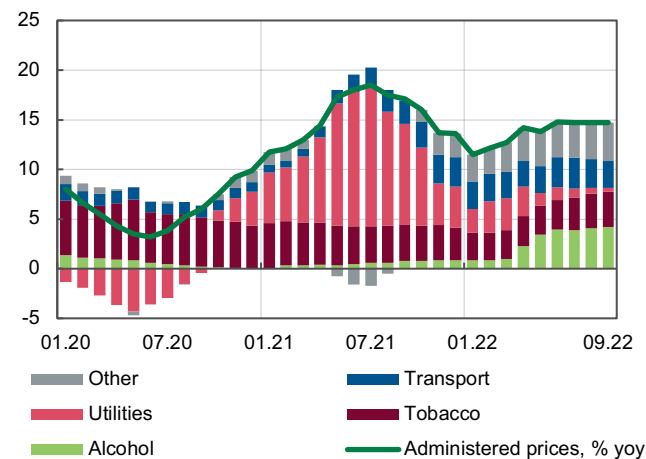
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

Alcoholic beverages and tobacco products grew in price at a faster pace due to rising costs. The exchange rate adjustment made imported medications more expensive. Meanwhile, the stabilization of fuel prices restrained the increase in the prices of transport services. Utility prices were little changed in annual terms.

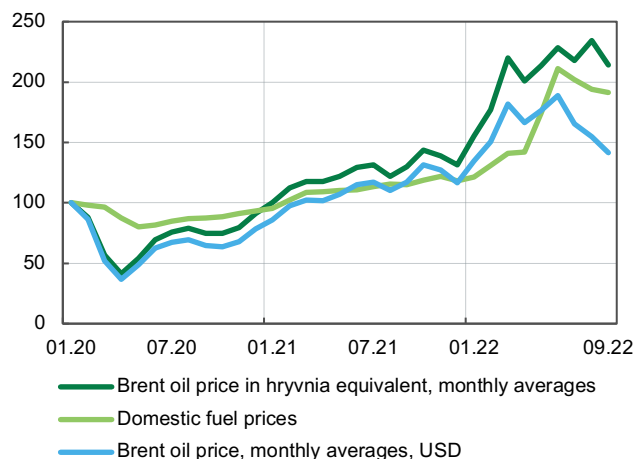
Figure 5. Components of administered prices, % yoy



Source: SSSU.

The decrease in global oil prices, and the saturation of the domestic market as supply chain disruptions eased, contributed to the slowdown in fuel price growth

Figure 6. Fuel price indices, January 2020 = 100



Source: SSSU, Refinitiv Datastream, NBU estimates.

Table 1. Change in CPI

	Share in 2022 CPI, %	% , yoy			September 2022, % mom		
		2020	2021	2022			
				07	08	09	
CPI components (NBU methodology)							
Consumer Price Index	100.0	5.0	10.0	22.2	23.8	24.6	1.9
Core Inflation	56.4	4.5	7.9	16.7	19.1	20.4	2.5
Noncore inflation*	43.6	5.9	13.5	28.9	29.7	29.6	1.1
raw foods	20.9	4.1	11.8	37.5	40.8	40.9	1.7
administered prices and tariffs	20.0	9.9	13.6	14.7	14.7	14.7	0.7
fuel	2.8	-10.5	26.5	77.7	68.1	66.2	-1.3
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.6	4.9	12.7	28.9	30.7	31.7	1.9
Alcoholic beverages, tobacco products	8.2	9.2	9.4	19.9	20.9	21.2	1.1
Clothing and footwear	5.0	-7.3	-3.6	-2.6	-1.6	0.1	9.8
Housing, water, electricity, natural gas and other fuels, including:	8.4	13.6	9.8	3.6	3.9	4.3	0.9
residential building maintenance services	0.3	2.7	6.7	6.9	6.8	6.2	0.0
cold water supply	0.2	18.5	11.8	12.8	12.0	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	5.9	3.7	1.9	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	40.4	40.4	41.1	0.4
Telecommunications	3.0	4.1	7.5	12.2	14.0	13.7	0.3
Education	1.4	13.9	17.0	16.1	16.2	9.9	7.1

*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 because of rounding.

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