

In October 2022, consumer inflation accelerated to 26.6% yoy, up from 24.6% in September. In monthly terms, prices increased by 2.5%. This is according to data published by the State Statistics Service of Ukraine. Direct consequences of Russia's full-scale war against Ukraine remain the main driver of the increase in inflation. Those include the disruption of production and supply chains, the growth in businesses' production costs, ad-hoc increases in the demand for certain goods and services, and a decrease in the supply of goods. The indirect fallout from the war – exchange rate effects and worsening expectations of households and businesses – also affected prices. The actual rates of price growth followed the trajectory of the NBU's baseline forecast published in the [October 2022 Inflation Report](#).

Core Inflation

As expected, core inflation accelerated to 21.5% yoy, up from 20.4% yoy in September.

The growth in prices for processed foods accelerated to 27.2% yoy. Meat products, confectioneries, nonalcoholic beverages, and sauces rose in price due to businesses' heightened production costs fueled by price increases for raw materials, energy, and logistics. Price growth picked up for dried fruits, fish products, olive oil, and sunflower oil and its derivatives (mayonnaise, margarine) as changes in the hryvnia exchange rate continued to pass through to prices. With Ukrainian exports of dairy products expanding significantly, prices for butter and cheese in the domestic market increased.

Nonfood products also grew in price at a quicker pace (19.9% yoy), driven by the drawdown of the stocks of imported products (purchased when the exchange rate was lower), the pass-through effect of the hryvnia exchange rate adjustment, and the worsening of expectations. Specifically, the increase in prices accelerated for clothing and footwear, household goods (cookware, furniture, textiles, appliances, and chemicals), electronic devices, cars, personal care products, and home repair goods. With the surge in demand, aggravated by the shelling of energy facilities, prices increased for heaters, stoves, and other goods related to backup power and heating.

The growth in services prices held steady (15.7% yoy). On the one hand, prices for telecommunication services, car insurance, nail care, movie tickets, residential buildings maintenance, and multiple-glazed units installation increased more slowly. On the other hand, prices for healthcare, repairs, and the services provided by dry cleaners, hotels, and restaurants grew faster as demand strengthened.

Changes in Raw Food Prices

Raw food price increases accelerated sharply (to 47.1% yoy). This acceleration was primarily driven by the significant increase in egg prices. This is attributable to the destruction of poultry farms, increased costs and supply chain

disruptions in egg production at the outbreak of the war, current problems with energy supplies, and the drop in the livestock of home-grown chickens, in part due to the migration of people. Prices for fruits, primarily imported ones, grew at a higher pace due to exchange rate effects, complicated logistics, and an increase in global fruit prices. Pork also became more expensive, because of the limited supply of live pigs and power outages. As a result of higher energy prices and the slower pace of sugar beet harvesting compared to last year, the growth in sugar prices picked up. In contrast, price increases for flour, buckwheat, and other grains decelerated thanks to better-than-expected harvests. The growth in prices for vegetables, primarily those used in the cooking of borscht, also slowed as supply from the central and northern regions expanded.

Changes in Administered Prices

The rate of growth of administered prices remained at the previous month's level (14.6% yoy). The moratorium on price increases for natural gas and heating for households continued to restrain the growth in administered prices. The increase in tobacco product prices also held steady compared to the previous month, because of heightened competition from illegal products. In addition, transport services grew in price at a slower pace as fuel prices stabilized. At the same time, alcoholic beverages rose in price even more amid elevated production costs (prices for energy, raw materials, and containers). Firewood prices also went up due to intensified demand for alternative fuels as the enemy destroyed energy infrastructure.

Changes in Fuel Prices

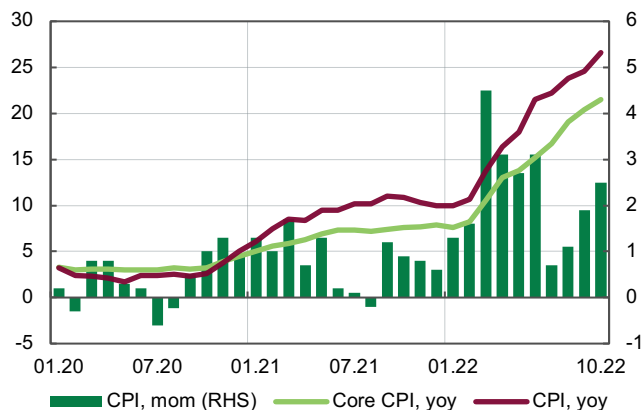
Fuel price growth slowed (to 61.9% yoy). This can be attributed to the slowdown in oil price increases, in annual terms, as well as to more supplies from European countries.

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.

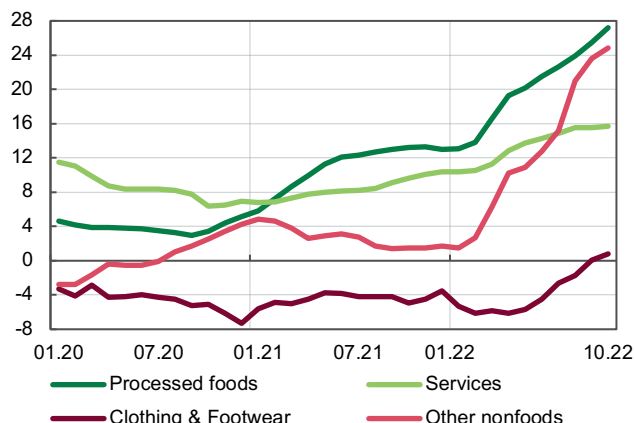
In October 2022, consumer inflation accelerated to 26.6% yoy. The fallout from Russia's full-scale war against Ukraine continued to fuel the heightening of inflationary pressure. Exchange rate effects and worsening expectations of households and businesses also affected prices. These factors also amplified the underlying inflationary pressures.

Figure 1. Consumer price indices, %



Source: SSSU.

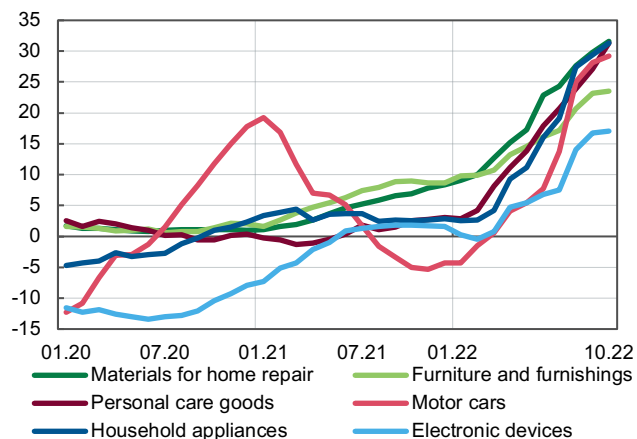
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

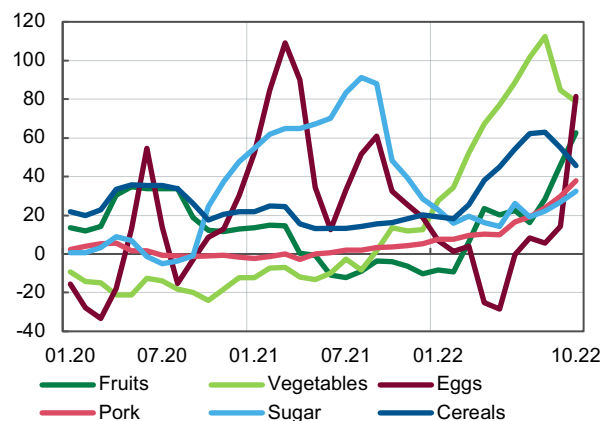
The acceleration of the increase in prices for nonfood products and imported foods was primarily driven by exchange rate effects and the deterioration of expectations. The growth in businesses' production costs due to higher prices for raw materials, energy, and logistics, the loss of assets, and supply chain disruptions led to the increase in prices for food products, especially eggs. In contrast, the expansion of supply contributed to the slowdown in the growth of prices for borschch vegetables and cereals

Figure 3. Prices for some nonfood products, % yoy



Source: SSSU.

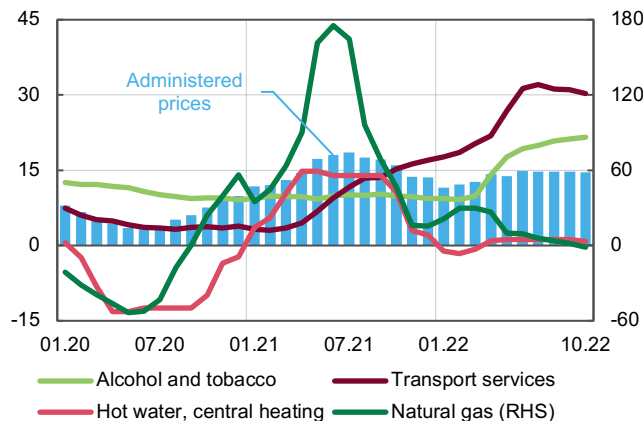
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

The fixing of prices for some utility services restrained administered inflation. The growth in prices for tobacco products held steady due to competition from illegal products. On the other hand, alcoholic beverages became more expensive at a quicker pace as production costs increased.

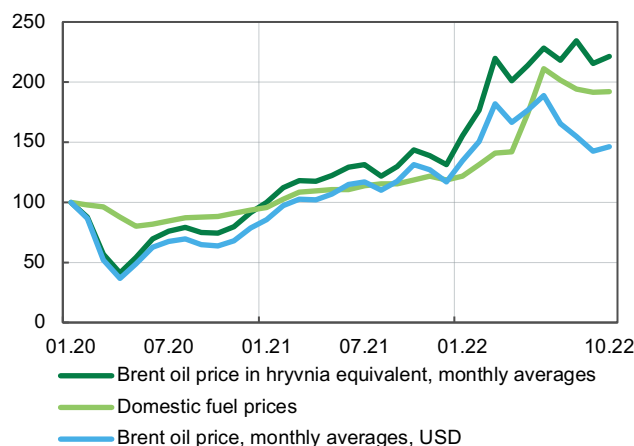
Figure 5. Components of administered prices, % yoy



Source: SSSU.

Consumer prices for fuel stabilized as oil price growth decelerated and cross-border supplies from Europe increased

Figure 6. Fuel price indices, January 2020 = 100



Source: SSSU, Refinitiv Datastream, NBU estimates.

Table 1. Change in CPI

	Share in 2022 CPI, %	% , yoy					October 2022, % mom
		2020	2021	2022			
				08	09	10	
CPI components (NBU methodology)							
Consumer Price Index	100.0	5.0	10.0	23.8	24.6	26.6	2.5
Core Inflation	56.4	4.5	7.9	19.1	20.4	21.5	1.9
Noncore inflation*	43.6	5.9	13.5	29.7	29.6	32.2	3.0
raw foods	20.9	4.1	11.8	40.8	40.9	47.1	5.4
administered prices and tariffs	20.0	9.9	13.6	14.7	14.7	14.6	0.6
fuel	2.8	-10.5	26.5	68.1	66.2	61.9	0.2
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.6	4.9	12.7	30.7	31.7	35.7	4.2
Alcoholic beverages, tobacco products	8.2	9.2	9.4	20.9	21.2	21.6	0.9
Clothing and footwear	5.0	-7.3	-3.6	-1.6	0.1	0.8	1.9
Housing, water, electricity, natural gas and other fuels, including:	8.4	13.6	9.8	3.9	4.3	5.5	0.3
residential building maintenance services	0.3	2.7	6.7	6.8	6.2	4.4	0.0
cold water supply	0.2	18.5	11.8	12.0	12.0	12.0	0.0
hot water supply	0.3	-1.5	3.0	4.0	4.0	1.6	-1.1
natural gas	2.3	56.3	15.5	3.7	1.9	-1.3	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	0.0	0.0
Transportation	9.3	2.7	11.1	40.4	41.1	40.7	0.8
Telecommunications	3.0	4.1	7.5	14.0	13.7	11.8	0.0
Education	1.4	13.9	17.0	16.2	9.9	10.0	0.2

*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