

In July 2022, consumer inflation accelerated to 22.2% yoy, up from 21.5% in June. In monthly terms, prices grew by 0.7%. This is according to data published by the State Statistics Service of Ukraine. The growth in inflation in Ukraine is primarily due to the consequences of Russia's terrorist actions and the temporary occupation of certain territories. The fallout from Russia's war against Ukraine includes supply chain disruptions, the destruction of production facilities and infrastructure, the reduction of supply, an increase in production costs, and significant forced migration within Ukraine. Price growth has been restrained by the fixing of natural gas and heating prices and a partial rerouting of supply chains. Actual consumer inflation accelerated as expected, but was slightly below the trajectory of the baseline forecast published in the July 2022 Inflation Report. The deviation from the forecast was driven by slower-than-expected increases in prices for fuel, fruits, and certain vegetables, owing in part to increased supply.

Core Inflation

Core inflation accelerated to 16.7% yoy from 15.2% yoy in June

The growth in processed food prices sped to 22.6% yoy. Meat and fish products, butter, margarine, confectionery, and nonalcoholic beverages grew more expensive. Sunflower oil prices grew at a higher rate amid expectations for an intensification of exports and high global prices for this product.

The growth in prices for nonfood products picked up (to 11.7% yoy). Those include cars, household goods (kitchenware, furniture, home appliances), electronics, pharmaceuticals, and personal care products. The decline in prices for clothing and footwear slowed down. This was due to the drawdown of old stocks, a limited supply of new goods, and increased logistical costs, as well as the materialization of pent-up demand as citizens gradually made their way back to their places of residence. Prices for nonfood products were partially impacted by the increase in the prices of imported inputs due to the [adjustment of the official exchange rate of the hryvnia against the U.S. dollar](#) – a measure intended to make the Ukrainian economy more stable. Nonfood prices also reflected the termination of the preferential period for car imports.

The growth in services prices accelerated to 14.9% yoy. Telecommunication and medical services and the services provided by beauty salons, gyms, dry cleaners, and cafes and restaurants became more expensive. The prices of services related to housing repairs continued to grow at a higher rate amid strong demand from individuals returning to their homes and a shortage of certain inputs and labor. In contrast, the increase in housing rents and hotel and boarding house prices decelerated materially. This was due to the weakening of demand for such services as people gradually returned to their places of permanent residence, and because of the absence of tourism.

Changes in Raw Food Prices

Growth in raw food prices accelerated to 37.5% yoy. Cereals rose in price at a faster pace due to the depletion of stocks and a contraction in supplies. The growth in egg prices resumed, driven by higher production costs of businesses, including more expensive energy. Price increases for pork accelerated rapidly as pig numbers fell. Prices for vegetables, especially those used in the cooking of borsch, grew at a higher clip due to supply chain disruptions and higher costs. Meanwhile, the growth in fruit prices decelerated against the backdrop of increased supply. Thanks to the expansion of supply, including from households, the growth in prices for seed vegetables and fruits was slower than the NBU expected.

Changes in Administered Prices

The rate of growth in administered prices was little changed from June (14.7% yoy). On the one hand, prices for alcoholic beverages continued to rise due to the increase in demand amid an easing of restrictions on the sale of alcohol in various regions of Ukraine and a shortage of containers. Prices for tobacco products continued to grow as businesses closed production facilities located in the battle zone. Prices for motor vehicle transportation services also grew amid rising fuel prices. On the other hand, the growth in utility prices continued to slow. This was because of the fading of the base effect due to fixed prices.

Changes in Fuel Prices

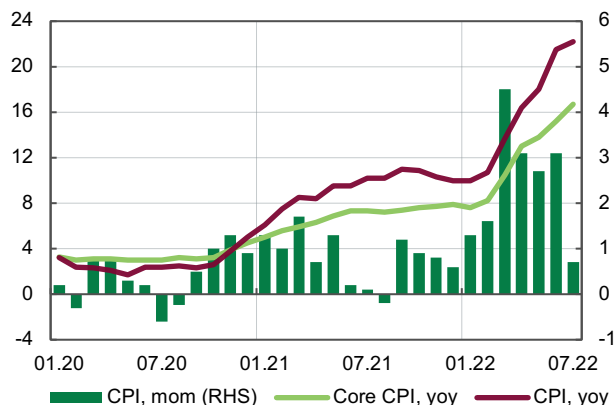
Fuel price growth decelerated to 77.7% yoy. The main reason was the gradual saturation of the market as businesses rerouted their supply chains and competition revived.

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.

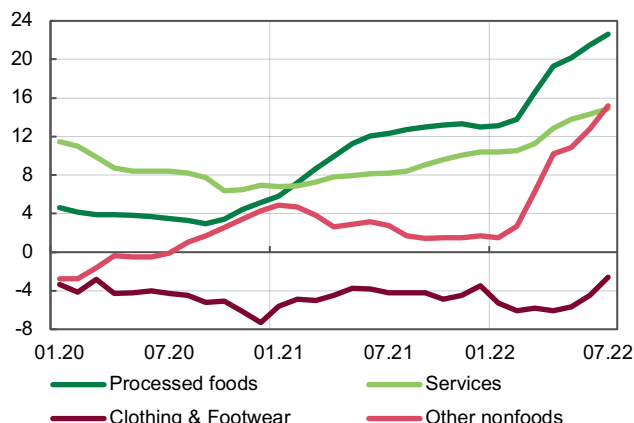
In July 2022, consumer inflation accelerated to 22.2%. Inflation pressure continued to increase, fueled by supply chain disruptions, the destruction of production facilities and infrastructure, the reduction of supply, an increase in production costs, and significant forced migration within Ukraine. These factors also pushed up core inflation (to 16.7% yoy)

Figure 1. Consumer price indices, %



Source: SSSU.

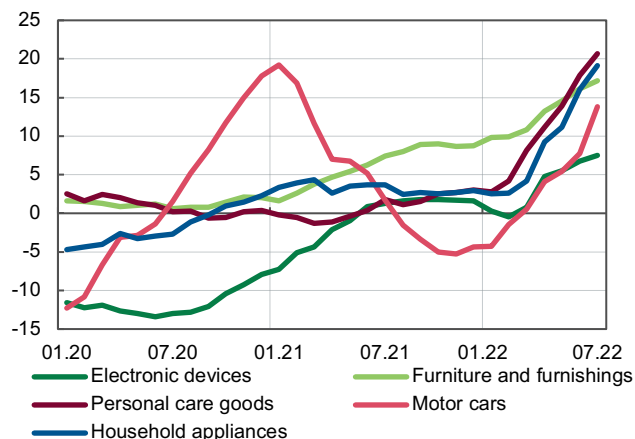
Figure 2. Main components of core CPI, % yoy



Source: SSSU, NBU estimates.

Nonfood prices rose faster due to limited supply, higher production and logistics costs, the increase in prices for imported inputs, and the termination of the period of duty-free car imports

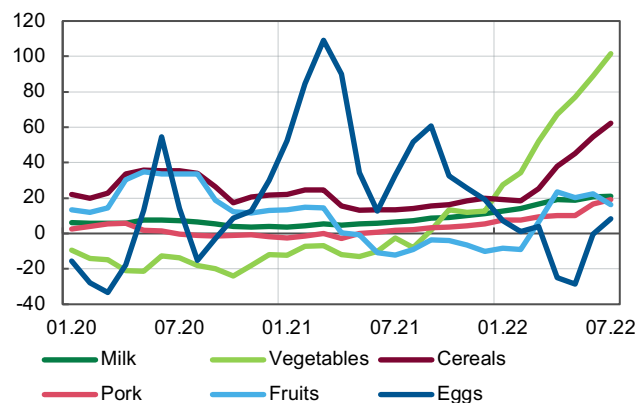
Figure 3. Prices for some nonfood products, % yoy



Source: SSSU.

Prices for most food products continued to rise, on the back of reduced supplies, depleted stocks, and higher production costs. Meanwhile, the growth in fruit prices decelerated against the backdrop of increased supply.

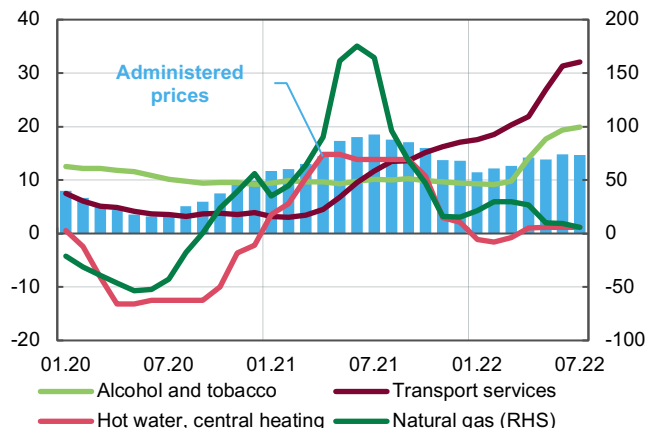
Figure 4. Prices for some raw foods, % yoy



Source: SSSU.

Alcohol prices increased at a faster pace, propelled by limited supply and a shortage of packaging. Tobacco products also grew in price at a higher clip as some production facilities shut down. Growth rates of transportation services prices increased as well, due to more expensive fuel. Conversely, the fixing of natural gas and heating prices restrained price growth

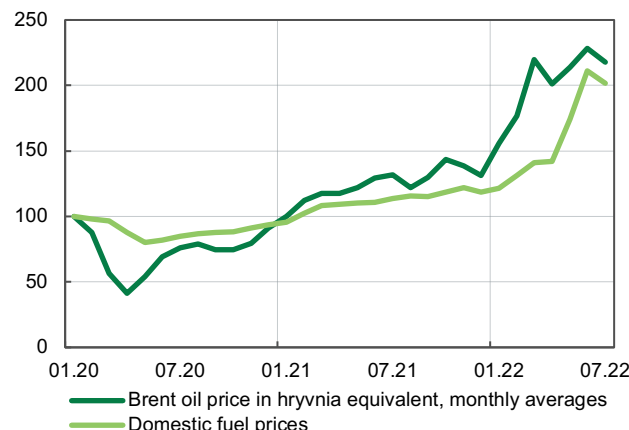
Figure 5. Components of administered prices, % yoy



Source: SSSU.

Fuel price growth decelerated, reflecting the gradual saturation of the market as businesses rerouted their supply chains and competition revived.

Figure 6. Fuel price indices, January 2020 = 100



Source: SSSU, Refinitiv Datastream, NBU estimates.

Table 1. Change in CPI

	Share in 2022 CPI, %	%, yoy					July 2022, % mom
		2020	2021	2022			
				05	06	07	
CPI components (NBU methodology)							
Consumer Price Index	100.0	5.0	10.0	18.0	21.5	22.2	0.7
Core Inflation	56.4	4.5	7.9	13.8	15.2	16.7	1.2
Noncore inflation*	43.6	5.9	13.5	23.6	29.2	28.9	0.2
raw foods	20.9	4.1	11.8	28.9	36.1	36.1	0.4
administered prices and tariffs	20.0	9.9	13.6	13.8	14.8	14.7	1.0
fuel	2.8	-10.5	26.5	57.5	90.9	77.7	-4.4
Some components of the consumer basket (SSSU methodology)							
Foods and nonalcoholic beverages	43.6	4.9	12.7	23.6	27.7	28.9	0.8
Alcoholic beverages, tobacco products	8.2	9.2	9.4	17.7	19.3	19.9	1.3
Clothing and footwear	5.0	-7.3	-3.6	-5.7	-4.3	-2.6	-3.5
Housing, water, electricity, natural gas and other fuels, including:	8.4	13.6	9.8	3.5	3.8	3.6	0.5
residential building maintenance services	0.3	2.7	6.7	7.5	7.0	6.9	0.0
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	5.3	4.0	4.0	0.0
natural gas	2.3	56.3	15.5	10.1	9.4	5.9	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	29.3	42.4	40.4	-0.3
Telecommunications	3.0	4.1	7.5	9.4	10.0	12.2	2.1
Education	1.4	13.9	17.0	16.2	15.9	16.1	0.1

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