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Focus Notes: Ukraine

Ukraine's inflation accelerated in August reflecting the 50% increase in gas prices

- ✓ Ukraine's **CPI accelerated to 8.3% yoy in August** vs. 6.8% yoy recorded in July. In monthly terms, inflation grew to **1.2% mom** in August (vs. a 0.2% mom decline in July) following four consecutive months of decline. The CPI dynamic was **widely expected after the 50% hike in gas prices for households and utility companies effective on August 1st**. As a result, inflation in utility prices drastically accelerated to 9.6% mom. The increase in the gas price for households added 1.1% pts to the CPI mom growth indicator. Another contributor to the increase of headline inflation last month was the **increase in the excise tax on tobacco and alcohol**, the price index of which upped by 3.7% mom, adding another 0.2% pt to monthly CPI index. As utilities tariff and tax hikes feed through in the coming months, inflation will continue to rise, albeit more gradually.
- ✓ **Food price inflation increased to 8.8% yoy** in August from 7.6% in July. Some key products widely used in the food industry increased in August. Namely, sugar prices were up 2.6% mom, milk prices increased by 4.2% mom, bread prices grew by 2.4% mom and meat prices upped by 2.0% mom. This could trigger further growth in consumer prices.
- ✓ What's more, **producer prices are already building up the inflation pressures for 2011**; they accelerated further in **August** reaching **21.8% yoy** vs. 21.6% in July and 5.6% yoy in August 2009.

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CPI Index dynamics

	Aug. 2010	July 2010	June 2010	May 2010	April 2010	Mar. 2010
CPI Index Monthly change	1.2%	-0.2%	-0.4%	-0.6%	-0.3%	0.9%
CPI Index Annual change	8.3%	6.8%	6.9%	8.5%	9.7%	11.0%

Source: State Statistics Committee of Ukraine.

PPI Index Annual change

8/2009	9/2009	10/2009	11/2009	12/2009	1/2010	2/2010	3/2010	4/2010	5/2010	6/2010	7/2010	8/2010
5.6%	5.1%	5.1%	5.8%	6.5%	16.3%	16.3%	17.1%	18.3%	20.2%	21.1%	21.6%	21.8%

Source: State Statistics Committee of Ukraine.

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