

Hyper inflation and a “golden loaf of bread” for Ukrainians

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As a result of the past year, inflation in Ukraine significantly exceeded the government's expectations.

The official figures are 10%, while the planned 7.3%. The rise in prices in the country has become a record for the last four years. This indicator was higher only in 2017 and reached up to 13.7%.

The cost of the food basket in Ukraine increased by 13.3%. Most of all prices rose for sunflower oil, eggs, sugar and bread. The cost of alcohol and tobacco rose by almost 10%.

The main reasons for high inflation are the sharp rise in gas prices and a record rise in industrial producer prices over decades. Another important reason was the so-called “covid” effect, which provoked the global economic crisis.

Oleg Ustenko, adviser to the President of Ukraine on economic issues, said that this year we should expect a continued increase in food prices by 10-20%. As a reassurance, the official noted that the rise in prices is global and will affect not only Ukrainians.

High energy prices in Europe do not bypass Ukraine. This led to a quarter-century record increase in prices for industrial products. In the extractive industry, prices increased by 150.6%, in the supply of electricity and gas – by 185.4%, in oil refining – by 118.4%, in food production – from 17 to 23%, in the processing industry – by almost 30%. In addition, an increase in the cost of energy resources necessarily leads to an increase in the cost of production, which again affects consumer inflation. And direct tariffs for consumers will inevitably grow.

Due to a significant increase in food prices, the country's authorities are considering various options for helping the most vulnerable segments of the population.

The simplest mechanism, which Oleg Ustenko spoke about, could be the introduction of food cards through the Diya system. In addition, the authorities can resort to direct subsidies and eliminate or reduce value added tax on a number of goods. However, such a move is considered undesirable.

Price regulation mechanisms are already being applied to curb the rise in energy prices. But any of the options requires significant budget expenditures. There are no grounds for lowering inflation rates at the moment. World food markets show only rising prices.

And taking into account the fact that most of the expenses of Ukrainians are for food needs, the inflationary blow in the new year may be serious.

At the same time, economists warn of another problem that our country will face in the spring. This is the harvest of the new year. To harvest a large crop, fertilizers are needed, in the production of which gas is a very important point. And if we add to the already exorbitant prices for it the cost of fuel for sowing and harvesting campaigns, which directly affects the cost of production, the price of a loaf of bread can literally turn out to be golden.

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