



# JUNE PRICE DEVELOPMENTS

6 JULY 2021

## Summary

In June, consumer prices increased by 1.94%, and annual inflation rose by 0.94 points to 17.53%. The rise in inflation was driven by food and core goods groups whereas inflation in energy and services declined on an annual basis. While the most significant contribution to the rise in consumer inflation came from the food group, price increases spread across subcategories, with a notable increase in red meat and meat products. With the controlled normalization following the lockdown in May, upward price movements were observed in some sectors in this period. In addition, annual core goods inflation rose due to the effects of exchange rate developments and the cumulative increases in commodity prices. Despite the developments in Turkish lira-denominated oil prices, the constraining impact of the sliding-scale system continued, and annual energy inflation decreased in this period due to the base effect. Annual services inflation decelerated slightly despite the upward effect of gradual normalization on some subcategories, restaurants and hotels in particular. The increasing trend in producer prices continued, with energy and intermediate goods prices in the lead. Against this background, annual inflation and trends of the B and C indices rose.

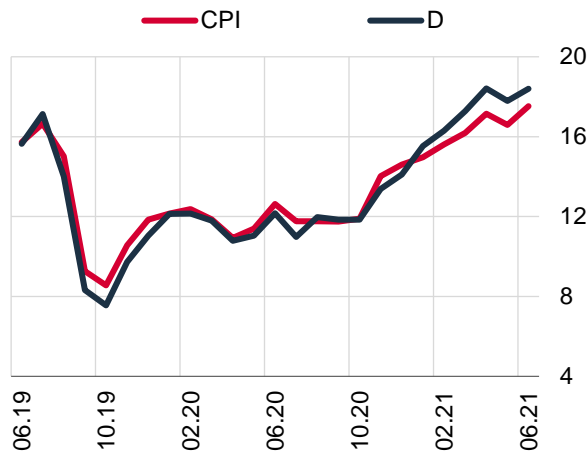
Price Developments are published within one working day following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include the CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation of the monthly inflation developments by the public during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.

## Evaluations

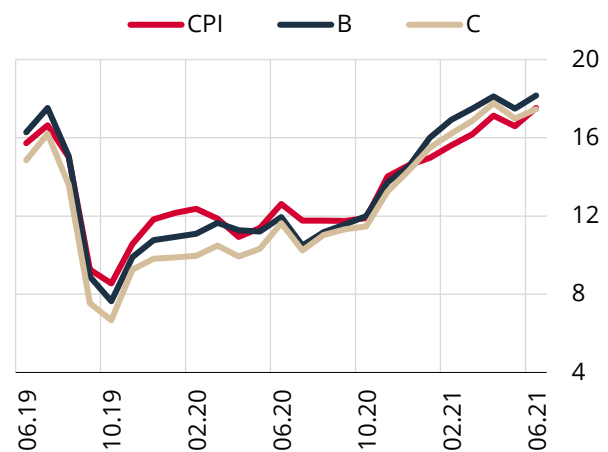
In June, consumer prices increased by 1.94%, and annual inflation rose by 0.94 points to 17.53% (Chart 1). In this period, annual rates of change in the B and C indices went up by 0.67 points and 0.48 points to 18.16% and 17.47%, respectively (Chart 2).

In terms of subcategories, the contributions of food and core goods groups to annual consumer inflation increased month-on-month by 0.61 points and 0.41 points while those of services and alcohol-tobacco-gold groups declined by 0.07 points and 0.01 points, respectively.

**Chart 1: CPI and D (Annual % Change)**

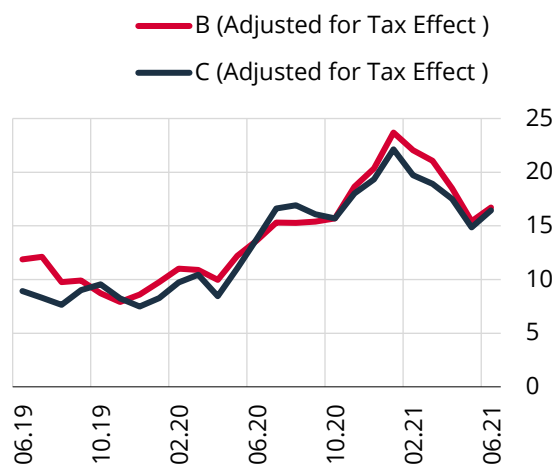


**Chart 2: CPI, B and C (Annual % Change)**

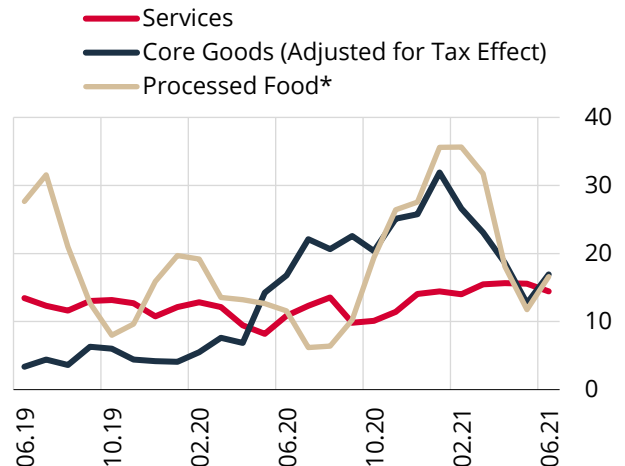


Three-month averages of seasonally adjusted core inflation indicators suggest a rise in the trends of the B and C indices (Chart 3). In this period, the inflation trend increased in core goods and processed food groups, but declined somewhat in the services group (Chart 4).

**Chart 3: B and C Indices** (Seasonally adjusted, Annualized 3-Month Average % Change)



**Chart 4: Main Components of B Index** (Seasonally adjusted, Annualized 3-Month Average % Change)

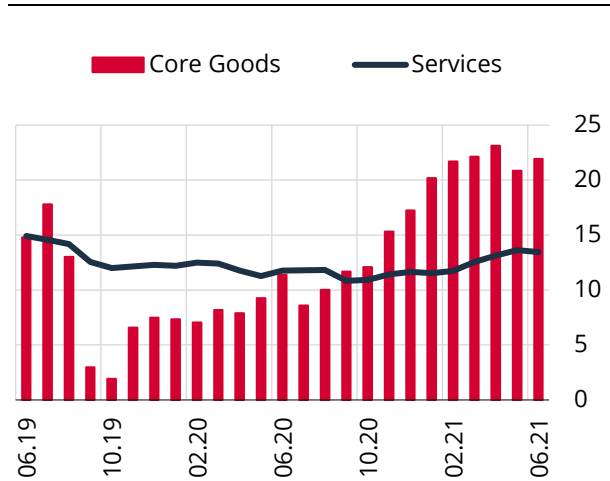


\*There is no seasonal effect in the processed food group.

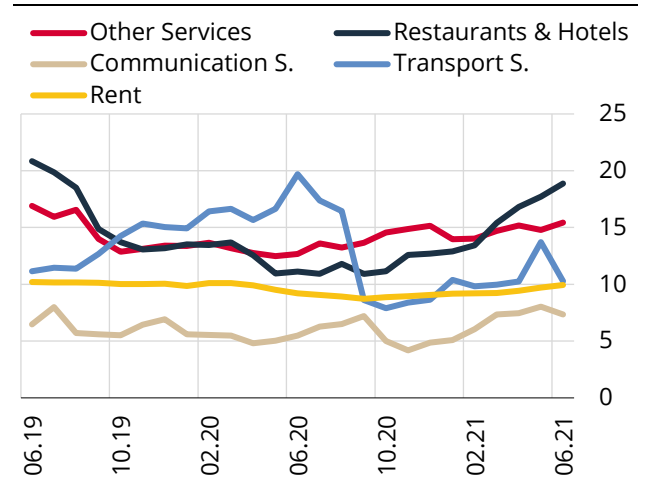
In June, services prices were up by 1.94% while the group's annual inflation decreased by 0.16 points to 13.46% (Chart 5). The course of services inflation was steered by the impacts of both this year's and the last year's reopening decisions. Annual inflation increased in restaurants-hotels, other services, and rents whereas it declined in transport and communication services (Chart 6). Prices in restaurants-hotels surged by 3.82% on a monthly basis, and large price increases were registered both in eat-out meals and the accommodation group due also to gradual normalization. The rise in annual inflation in other services was mainly led by recreational and cultural services that posted substantial price increases following the reopening, as well as by maintenance and repair services. The package tours item posted a large monthly

increase but its annual inflation remained at low levels. On the other hand, while prices in transport services increased month-on-month by 2.46% driven by intercity passenger transport by road, annual inflation dropped by 3.44 points to 10.28%. Capacity restrictions continued to affect intercity bus fares negatively in June, while the more significant price increases in the same month of the previous year stood as the main factor bringing annual transport inflation down.

**Chart 5. Core Goods and Services (Annual % Change)**

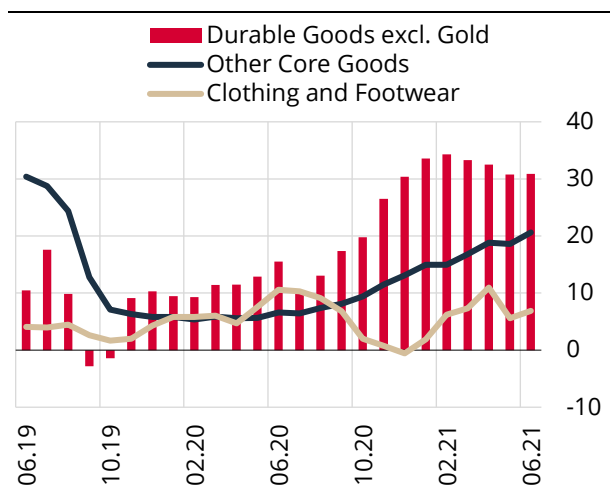


**Chart 6. Services (Annual % Change)**

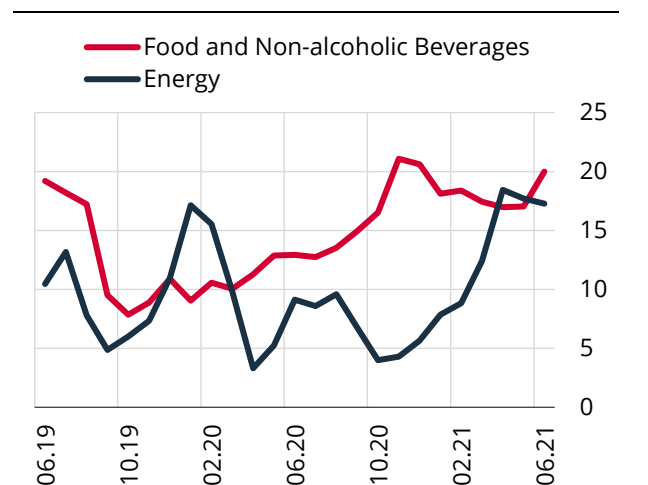


In June, annual core goods inflation rose by 1.08 points to 21.92% (Chart 5). In this period, annual inflation increased across all subcategories, most visibly in the other core goods group (Chart 7). Annual inflation in the clothing and footwear group rose by 1.30 points to 6.86%, driven by the normalization process in June following the lockdown in May. Durable goods prices posted increases (2.98% in monthly terms) that spread across subcategories in this period, and the group's annual inflation went up by 0.12 points to 30.86%. This outlook was mainly shaped by white goods and furniture groups (6.55% and 5.95% month-on-month, respectively), while other electrical and non-electrical appliances and automobile groups also registered price hikes. Effects of recent exchange rate developments were observed in the other core goods group, with large price increases across subcategories. In sum, annual core goods inflation rose in this period due to the outlook in the Turkish lira, cumulative increases in commodity prices, and the controlled normalization.

**Chart 7. Core Goods (Annual % Change)**



**Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)**

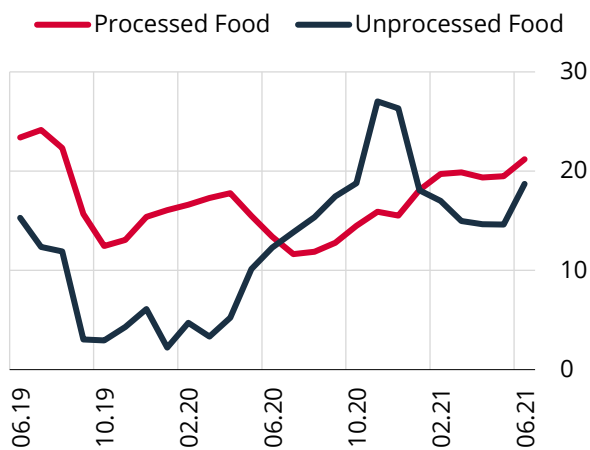


Energy prices increased by 2.24% in June (Table 1). This rise was mainly driven by fuel prices, which increased by 6.33% in June. Despite the rise in crude oil prices and the depreciation of the Turkish lira in

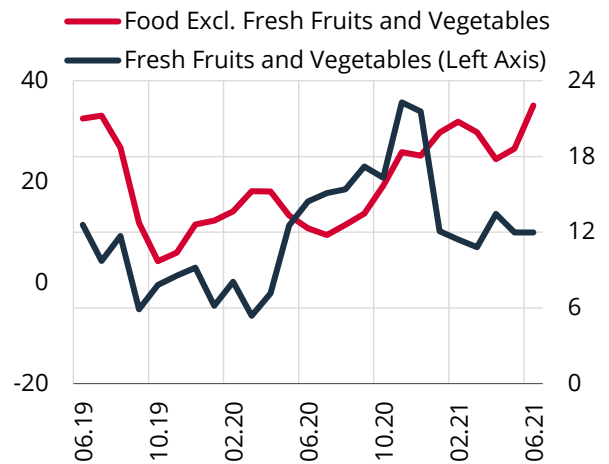
this period, the sliding scale system continued to eliminate a substantial inflationary effect. Meanwhile, natural gas prices were up modestly (0.55%) in June, whereas solid fuels and bottled gas posted more significant price increases (1.19% and 1.44%). Despite these developments, annual energy inflation fell by 0.43 points to 17.28% due to the base effect (Chart 8).

In June, prices of food and non-alcoholic beverages increased by 0.88%, and the group's annual inflation rose by 2.95 points to 19.99%, led by unprocessed food prices (Chart 8 and Table 2). In this period, annual inflation increased by 4.09 points to 18.70% in the unprocessed food group, and by 1.71 points to 21.20% in the processed food group (Chart 9). Seasonally adjusted data pointed to a moderate course in the prices of fresh fruits and vegetables, and an increase in other unprocessed food prices. In this period, while red meat prices in the other unprocessed food group increased by 6.08%, white meat prices remained on the rise. In June, processed food prices increased by 2.02% on a monthly basis, and the rises in bread and cereals, fats and oils and processed meat products owing to the increase in the prices red meat are noteworthy. In brief, the current high levels of international agricultural commodity prices, cumulative exchange rate effects and the supply outlook for certain products affected food inflation adversely. Accordingly, as the price increases in the food group excluding fresh fruits and vegetables became more broad-based, annual inflation rose to 22.04% (Chart 10).

**Chart 9. Processed and Unprocessed Food**  
(Annual % Change)



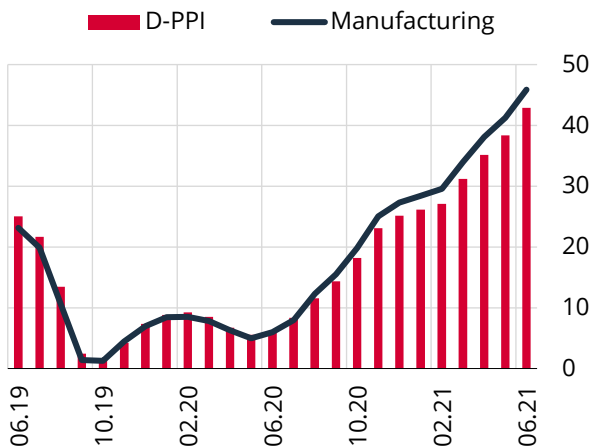
**Chart 10. Fresh Fruits-Vegetables and Other Food**  
(Annual % Change)



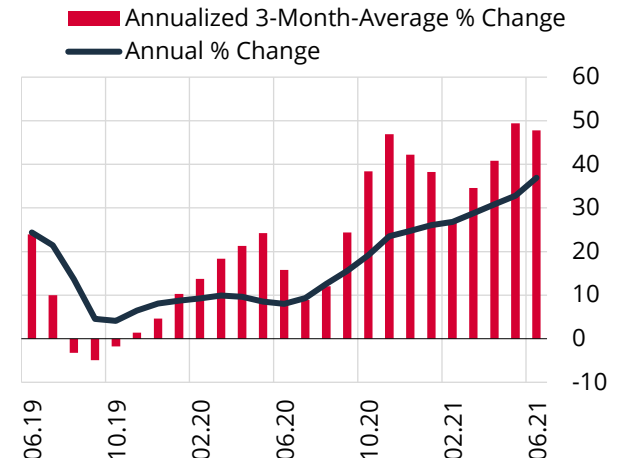
## D-PPI

In June, domestic producer prices rose by 4.01%, and annual D-PPI increased by 4.56 points to 42.89% (Chart 11 and Table 3). Exchange rate developments, cumulative increases in international commodity prices and ongoing supply constraints continued to be the determinants of this rise in producer prices. All in all, the trend of manufacturing industry prices excluding petroleum and base metals remained high (Chart 12).

**Chart 11. D-PPI and Manufacturing** (Annual % Change)

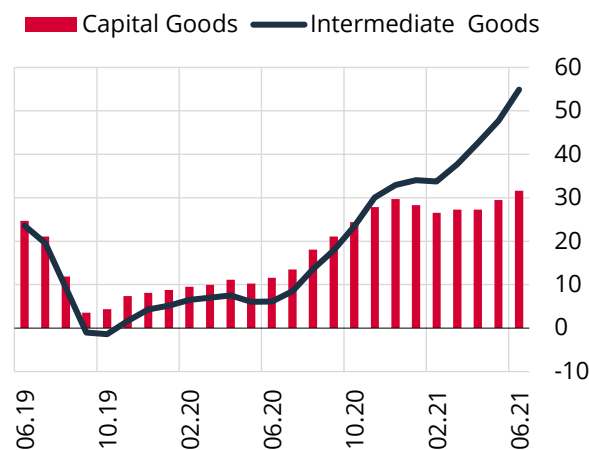


**Chart 12. Manufacturing Excluding Petroleum and Base Metals**

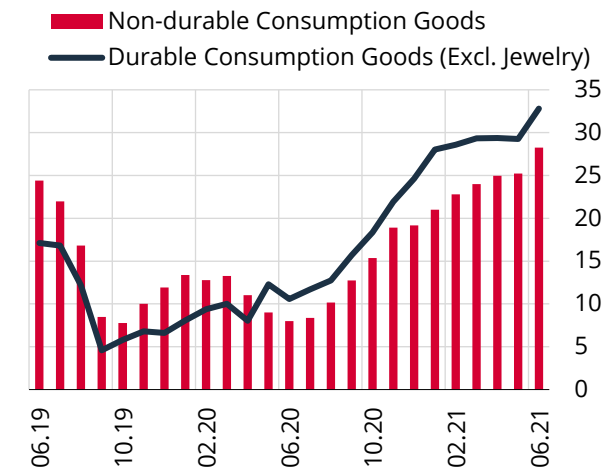


According to main industrial groupings, while annual inflation posted substantial price increases across subcategories, the increase in the intermediate goods group became more prominent (Table 3, Chart 13 and Chart 14). The 4.26% increase in the intermediate goods prices in June is attributed mostly to iron-steel and ferroalloys, cereal products, wood and cork products, plastic products, animal feeds and chemical products. The increase in energy prices (7.28%) was determined by refined petroleum products, as well as the production and distribution of electricity and gas. In the capital goods group, there were notable price increases in metal construction products, and machinery and motor vehicles along with their parts and accessories. While the increase in the prices of durable consumption goods was driven by furniture, household appliances and jewelry, the rise in the prices of non-durable consumption goods was led by meat products, other textile products, and fats and oils. Overall, producer prices continued to exert pressure on consumer prices with an increasing magnitude.

**Chart 13. Intermediate and Capital Goods** (Annual % Change)



**Chart 14. Consumption Goods** (Annual % Change)



## Tables

**Table 1. CPI and Subcategories (% Change)**

	Monthly		Annual	
	June 2021	June 2020	June 2021	June 2020
<b>CPI</b>	<b>1.94</b>	<b>1.13</b>	<b>17.53</b>	<b>12.62</b>
<b>1. Goods</b>	<b>1.94</b>	<b>0.72</b>	<b>19.29</b>	<b>12.94</b>
Energy	2.24	2.62	17.28	9.12
Food and non-alcoholic beverages	0.88	-1.60	19.99	12.93
Unprocessed food	-0.34	-3.77	18.70	12.29
Fresh fruits and vegetables	-7.53	-7.50	9.92	16.09
Other unprocessed food	3.53	-1.64	23.44	10.30
Processed food	2.02	0.58	21.20	13.41
Bread and cereals	1.53	0.92	20.31	14.02
Other processed food	2.29	0.40	21.61	13.07
Goods excluding energy and food	2.65	1.77	19.39	14.18
Core goods	3.09	2.17	21.92	11.39
Durable goods (excluding gold)	2.98	2.88	30.86	15.54
Clothing and footwear (*)	2.39	1.15	6.86	10.58
Other core goods	3.68	1.95	20.61	6.57
Alcoholic beverages and tobacco	-0.01	0.87	2.01	22.41
Gold	2.20	-1.10	35.70	43.56
<b>2. Services</b>	<b>1.94</b>	<b>2.09</b>	<b>13.46</b>	<b>11.76</b>
Rents	0.77	0.58	9.93	9.22
Restaurants and hotels	3.82	2.83	18.86	11.13
Transport	2.46	5.64	10.28	19.70
Communication	0.31	0.93	7.36	5.48
Other	1.87	1.30	15.45	12.68
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.44	1.86	18.16	11.95
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.54	2.13	17.47	11.64
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.41	1.89	18.40	12.16
F - CPI excluding administered prices	2.24	1.25	19.29	11.01

Source: TURKSTAT.

(\*) Does not cover clothing services.

**Table 2. CPI and Subcategories (% Change)**

	Weight	June 2021		June 2020	
		Monthly	Annual	Monthly	Annual
<b>CPI</b>	<b>100</b>	1.94	17.53	1.13	12.62
Food and non-alcoholic beverages	25.94	0.88	19.99	-1.60	12.93
Alcoholic beverages and tobacco	4.88	-0.01	2.01	0.87	22.41
Clothing and footwear	5.87	2.40	7.05	1.16	10.66
Housing	15.36	1.18	14.62	0.70	14.95
Household equipment	8.64	4.50	25.69	1.26	9.74
Health	3.25	0.80	19.06	0.99	13.55
Transport	15.49	2.79	26.29	4.49	10.96
Communication	4.64	0.35	6.13	2.19	4.84
Recreation and culture	3.01	4.46	12.21	2.45	6.32
Education	2.28	2.21	10.86	1.93	11.67
Restaurants and hotels	5.91	3.82	18.86	2.83	11.13
Miscellaneous goods and services	4.73	2.70	19.95	0.97	19.80

Source: TURKSTAT.

**Table 3. D-PPI and Subcategories (% Change)**

	Weight	June 2021		June 2020	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	<b>100</b>	<b>4.01</b>	<b>42.89</b>	<b>0.69</b>	<b>6.17</b>
Mining	3.51	2.92	35.34	1.05	4.19
Manufacturing	87.27	3.78	45.87	0.51	5.99
Manufacturing excl. petroleum products	83.46	3.51	43.17	-0.18	7.56
Manufacturing excl. petroleum products and base metals	75.28	3.03	36.92	-0.07	8.03
Electricity, gas, steam and air-conditioning sup.	8.38	7.46	11.22	3.03	9.40
Water supply	0.85	0.19	28.59	1.08	7.30
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		4.26	54.89	-0.55	6.14
Durable Consumption Goods		2.56	33.05	-0.42	13.04
Durable Consumption Goods (Excl. Jewelry)		2.38	32.81	-0.34	10.57
Non-Durable Consumption Goods		2.57	28.25	0.15	8.00
Capital Goods		2.51	31.65	0.83	11.57
Energy		7.28	41.74	8.48	-5.00

Source: TURKSTAT.