



JUNE PRICE DEVELOPMENTS

5 July 2022

Summary

Consumer prices increased by 4.95% in June, and annual inflation rose by 5.12 points to 78.62%. In this period, annual consumer inflation decreased to a limited extent in core goods whereas it went up in other subcategories. The most significant contribution to the rise in inflation came from the energy group. In line with the developments in Turkish lira-denominated international energy prices, energy inflation posted a substantial increase led by fuel, natural gas and electricity items. In June, annual inflation was up across all subcategories in the services group. In the food group, annual inflation declined in unprocessed food whereas it remained on the rise in processed food. The correction in prices of fresh fruits and vegetables, which had been registered in the previous month due to vegetable prices, also continued in this period. Annual core goods inflation decreased in all subcategories except for durable consumption goods. In this period, the rise in producer prices persisted due to the increases in international and domestic energy prices, and ongoing supply chain disruptions. Against this background, the seasonally adjusted trends of B and C indices declined while their annual inflation continued to increase.

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

Consumer prices increased by 4.95% in June, and annual inflation rose by 5.12 points to 78.62% (Chart 1). In this period, the annual rates of change in B and C indices went up by 2.79 and 1.22 points to 64.42% and 57.26%, respectively (Chart 2).

Among subcategories, energy, services, food, alcohol-tobacco-gold, and core goods added 3.65, 0.88, 0.29, 0.21 and 0.09 points month-on-month to annual consumer inflation.

Seasonally adjusted data reveal a slight decline in the monthly increase of B and C indices compared to the previous month (Chart 3). Across the subcategories that make up the B index, monthly price increases accelerated in processed food, remained almost flat in core goods, and decreased somewhat in services (Chart 4).

In June, prices of services rose by 3.98%, and the group's annual inflation stood at 48.69%. In this period, annual inflation went up across all subgroups (Chart 5). Prices increased by 5.42% in the restaurants-hotels subgroup due both to catering and accommodation services, and the group's annual inflation reached 79.55%. Prices increased by 4.57% in transport services, led by intercity passenger transport by road and railway as well as transport by air, while annual transport inflation became 81.83%. In communication services, prices rose by 3.16% driven by internet and phone call charges. Prices in other services increased by 3.14%, largely due to the insurance, maintenance-repair services, and package tour items. The monthly increase in rents was 3.11%, while the seasonally-adjusted monthly changes accelerated.

In June, core goods prices increased by 2.80%, and the group's annual inflation dropped by 0.46 points to 64.86%. In this period, while annual inflation was up in durable goods, it declined in other subgroups (Chart 6). Durable goods prices (excluding gold) rose by 3.65% in June, mainly determined by the prices of furniture (6.53%) and automobiles (3.29%). Thus, the group's annual inflation reached 77.90%. Although price increases in other core goods were broad-based across the group, those in the personal care products, housing maintenance and repair materials, household textile products and household-related cleaning materials were more pronounced, and the group's monthly inflation stood at 3.11%. Prices in the clothing and footwear group remained almost flat, and annual inflation fell by 2.92 points to 26.35%.

Energy prices increased by 16.16% in June, and the group's annual inflation rose by 30.12 points to 151.33% (Chart 7). Price increases spread across the group, with both fuel and administered prices posting significant increases. Following the developments in TRY-denominated international crude oil prices, fuel prices went up by 21.88%, and annual inflation in this subgroup reached 251.98%. In response to the adjustment made to residential tariffs, natural gas prices increased by 25.11% and electricity prices by 15.01%. While bottled gas prices increased by 6.25% in this period, municipal water tariffs rose by 3.39%.

Prices of food and non-alcoholic beverages increased by 2.09% in June, and the group's annual inflation rose by 2.30 points to 93.93% (Chart 7). While annual inflation decreased by 5.96 points to 91.65% in unprocessed food, it increased by 10.03 points to 96.04% in processed food (Chart 8). Seasonally-adjusted data in the unprocessed food group suggest that the prices of fresh fruits and vegetables decreased further due to vegetable prices. Meanwhile, in the other unprocessed food item price increases of milk (affected by the raw milk reference price adjustment) as well as rice, potato and dried nuts were notable. In processed food, prices rose by 7.53% due to cheese and other dairy products, bread-cereals, non-alcoholic beverages and tea accompanied by products related to sugar.

Prices of alcoholic beverages and tobacco products increased by 2.61% in June, and annual inflation climbed to 70.99%. This upsurge was also led by the increased tax rates. In this period, the alcoholic beverages and tobacco group added 0.12 points to monthly consumer inflation.

Domestic producer prices increased by 6.77% in June, and annual inflation surged by 6.15 points to 138.31% (Chart 9 and Table 2). High levels of international and domestic energy prices coupled with supply chain disruptions had a negative impact on producer prices. Across main industrial groupings, annual inflation posted increase across all subgroups, while the surge in the energy group was more notable (Chart 10). While price increases were broad-based across sub-items, those in refined petroleum products, crude oil and natural gas, printing and recording services, electricity-gas-steam and air-conditioning supply and chemical products and beverages were more prominent.

Charts and Tables

Chart 1. CPI (Annual % Change)

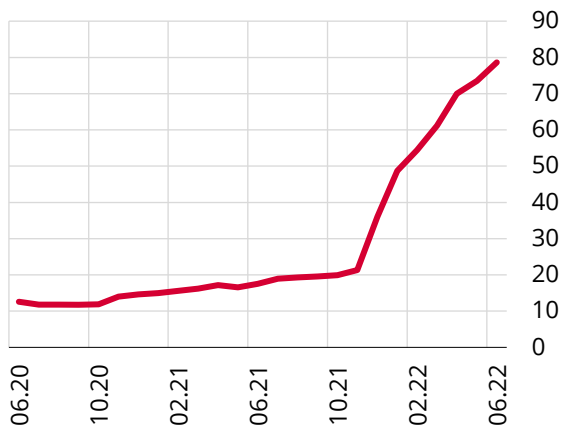


Chart 2. B and C (Annual % Change)

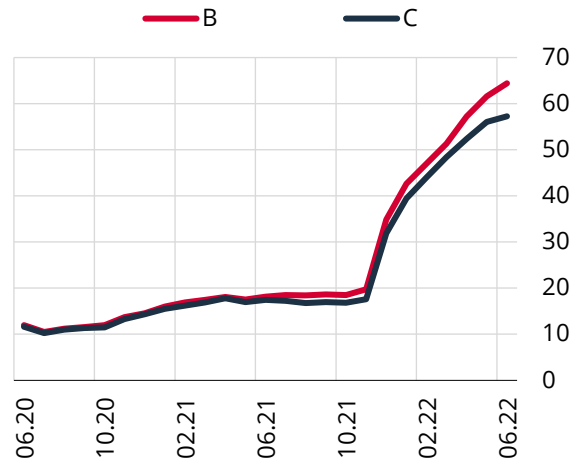


Chart 3. B and C Indices (Seasonally Adjusted, Monthly % Change)

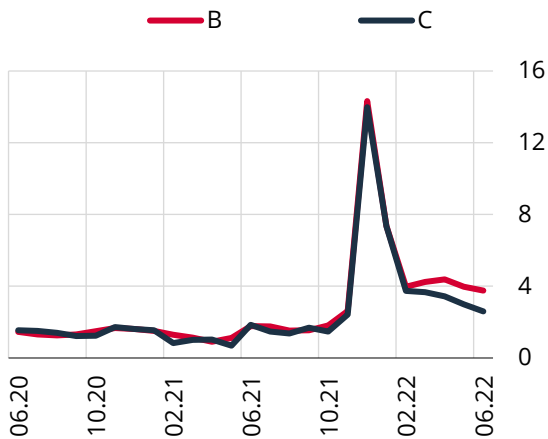
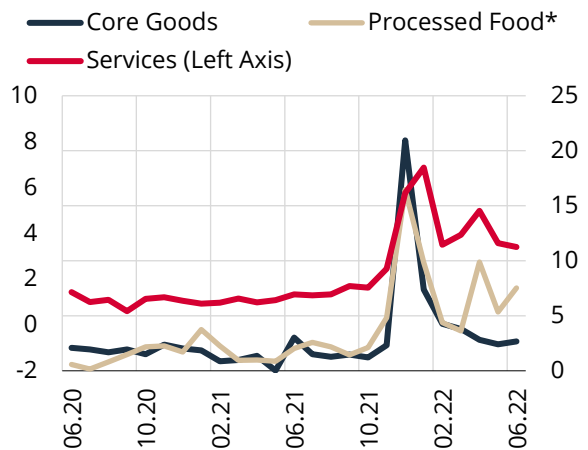


Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

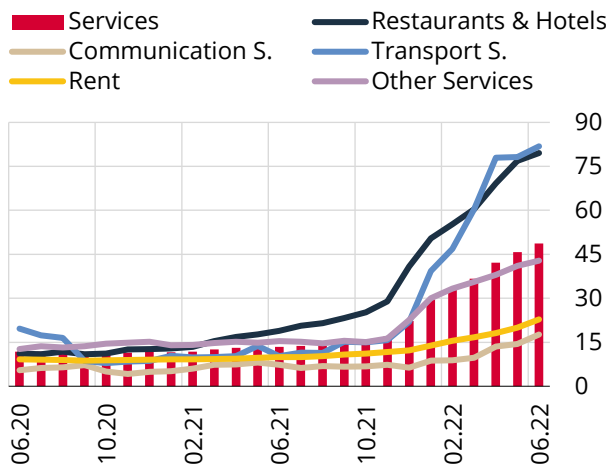


Chart 6. Core Goods (Annual % Change)

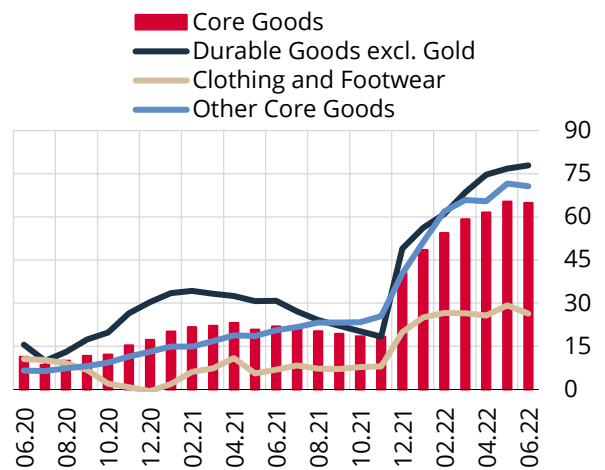


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

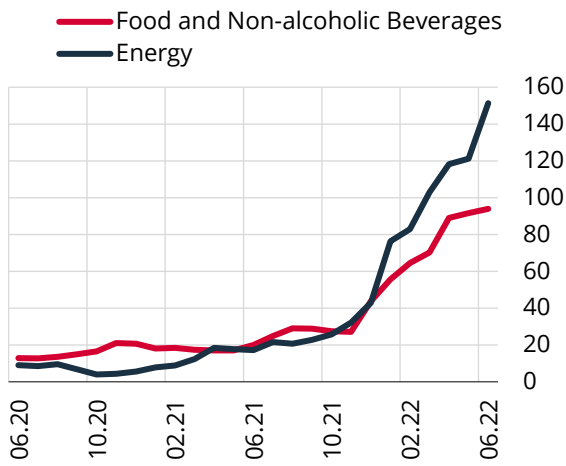


Chart 8. Processed and Unprocessed Food (Annual % Change)

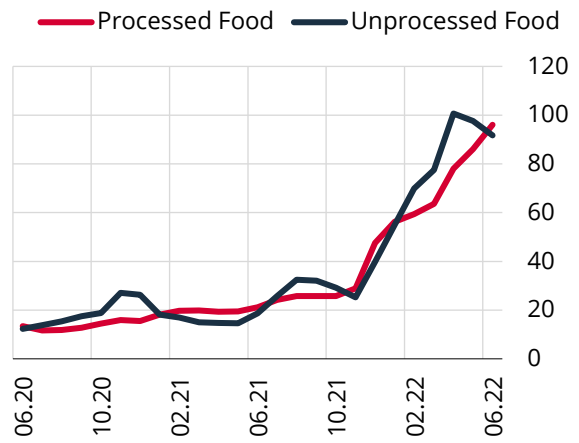


Chart 9. D-PPI and Manufacturing (Annual % Change)

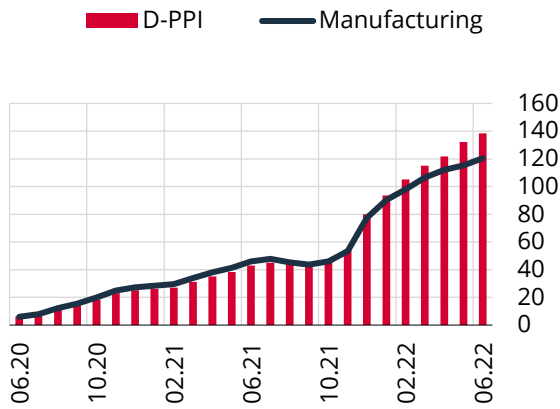
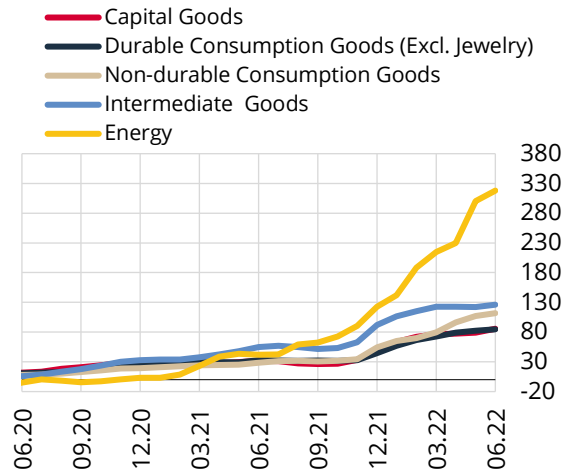


Chart 10. Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	June 2022	June 2021	June 2022	June 2021
CPI	4.95	1.94	78.62	17.53
1. Goods	5.26	1.94	89.94	19.29
Energy	16.16	2.24	151.33	17.28
Food and non-alcoholic beverages	2.09	0.88	93.93	19.99
Unprocessed food	-3.35	-0.34	91.65	18.70
Fresh fruits and vegetables	-15.20	-7.53	78.32	9.92
Other unprocessed food	3.43	3.53	98.15	23.44
Processed food	7.53	2.02	96.04	21.20
Bread and cereals	4.94	1.53	97.09	20.31
Other processed food	8.93	2.29	95.40	21.61
Goods excluding energy and food	2.87	2.65	66.33	19.39
Core goods	2.80	3.09	64.86	21.92
Durable goods (excluding gold)	3.65	2.98	77.90	30.86
Clothing and footwear (*)	0.08	2.39	26.35	6.86
Other core goods	3.11	3.68	70.64	20.61
Alcoholic beverages and tobacco	2.61	-0.01	70.99	2.01
Gold	6.10	2.20	91.49	35.70
2. Services	3.98	1.94	48.69	13.46
Rents	3.11	0.77	22.80	9.93
Restaurants and hotels	5.42	3.82	79.55	18.86
Transport	4.57	2.46	81.83	10.28
Communication	3.16	0.31	17.64	7.36
Other	3.14	1.87	42.84	15.45
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	4.20	2.44	64.42	18.16
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.34	2.54	57.26	17.47
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	6.45	2.41	77.17	18.40
F - CPI excluding administered prices	4.41	2.24	78.84	19.29

Source: TURKSTAT.

* Does not cover clothing services.

Table 2. D-PPI and Subcategories (% Change)

	Weight (%)	June 2022		June 2021	
		Monthly	Annual	Monthly	Annual
D-PPI	100	6.77	138.31	4.01	42.89
Mining	3.56	6.97	142.68	2.92	35.34
Manufacturing	87.43	6.33	120.47	3.78	45.87
Manufacturing excl. petroleum products	84.97	5.62	114.88	3.51	43.17
Manufacturing excl. petroleum products and base metals	76.27	5.90	113.48	3.03	36.92
Electricity, gas, steam and air-conditioning sup.	8.29	9.53	369.20	7.46	11.22
Water supply	0.72	6.94	81.47	0.19	28.59
D-PPI (MIGs Classification)					
Intermediate Goods		6.07	126.06	4.26	54.89
Durable Consumption Goods		4.00	85.98	2.56	33.05
Durable Consumption Goods (Excl. Jewelry)		3.76	84.74	2.38	32.81
Non-Durable Consumption Goods		5.05	111.81	2.57	28.25
Capital Goods		6.27	85.65	2.51	31.65
Energy		12.02	317.87	7.28	41.74

Source: TURKSTAT.