



# JANUARY PRICE DEVELOPMENTS

4 FEBRUARY 2022

## Summary

Consumer prices rose by 11.10% in January, and annual inflation increased by 12.61 points, reaching 48.69%. Annual consumer inflation went up across all main groups, and the most significant contribution to the rise in inflation came from energy prices. In January, exchange rates were stable, while commodity prices surged again following a decline owing to the omicron variant. Energy inflation posted a drastic rise amid the increase in international oil prices accompanied by the developments in administered prices such as electricity, natural gas and municipal water. It is considered that secondary effects of the rise in energy costs are apparent on consumer prices, with electricity in the lead. The rise in annual food inflation continued across subcategories, while inflation in fresh fruits and vegetables, which had been relatively moderate previously, exhibited an upsurge in this period. The uptrend in core good prices continued, being more markedly in groups excluding clothing. The increase in services inflation was driven by transportation, restaurants-hotels, health and maintenance-repair subcategories. Alcoholic beverages and tobacco prices rose on account of the developments in the special consumption tax. Producer prices-led pressures persisted due to spreading hikes in commodity prices, chiefly in energy and metal, coupled with the disruptions in supply chains. Against this background, the annual inflation and underlying trends of the B and C indices 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.

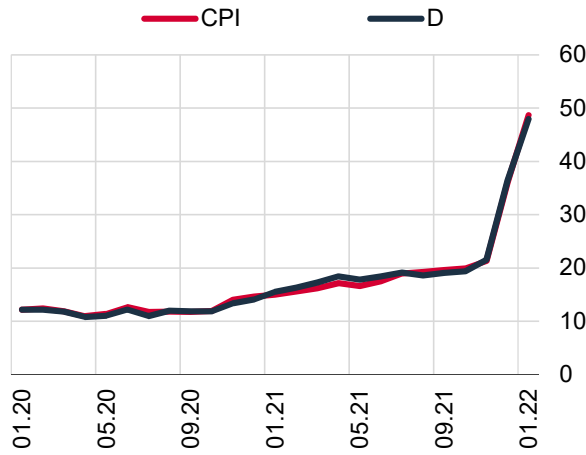
## Evaluations

Consumer prices rose by 11.10% in January, and annual inflation increased by 12.61 points, reaching 48.69%. (Chart 1). In this period, annual rates of change in the B and C indices increased by 7.77 points and 7.57 points to 42.66% and 39.45%, respectively (Chart 2).

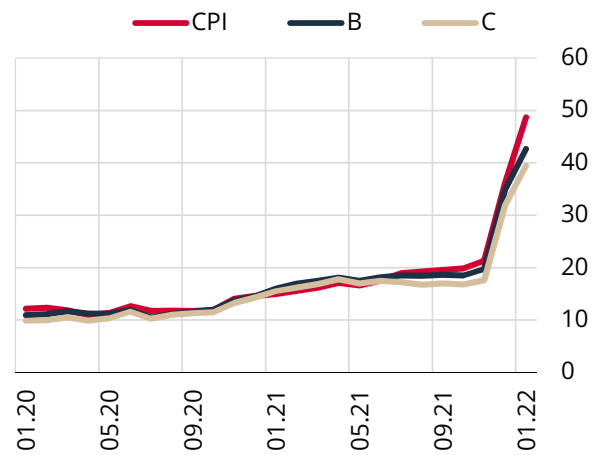
The products in the consumer index basket and their weights are updated by TURKSTAT at the beginning of each year, taking into account the changes in household consumption patterns. In this period, the most significant change in the main group weights compared to the last year occurred in the core goods group. Despite the fall in the share of the services group, the weight of core inflation indicators in the basket rose as a result of the increase in core goods. While declines were seen in alcohol-tobacco and food groups, the latter driven by unprocessed food, the weight of energy and gold groups increased. In addition, groups such as restaurants-hotels, transportation services, and clothing-footwear, which had been adversely affected by the pandemic previously, had an increased weight compared to the last year.

In terms of subcategories, the contributions of energy, food, core goods, services, and alcohol-tobacco-gold to annual consumer inflation rose month-on-month by 4.18, 2.87, 2.20, 2.13 and 1.23 points, respectively.

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

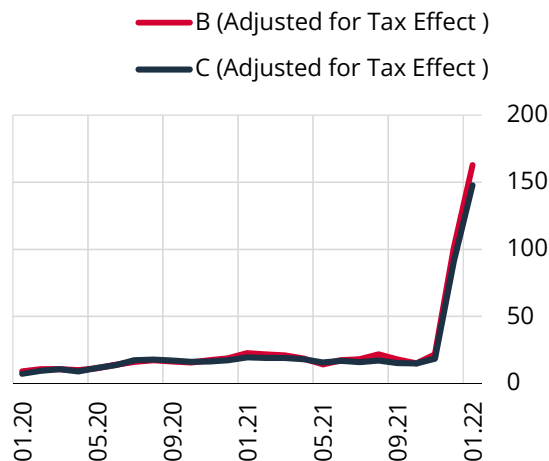


**Chart 2. CPI, B and C (Annual % Change)**

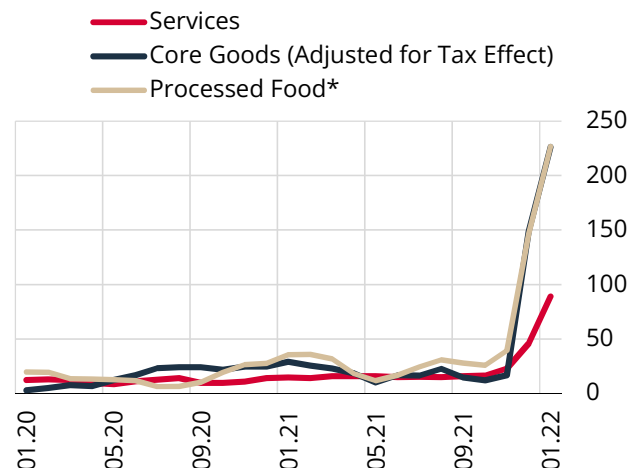


Three-month averages of seasonally adjusted core inflation indicators suggest that the trends of the B and C indices remained on the increase in January (Chart 3). In this period, the inflation trend rose strikingly across all main components of core indicators (Chart 4).

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



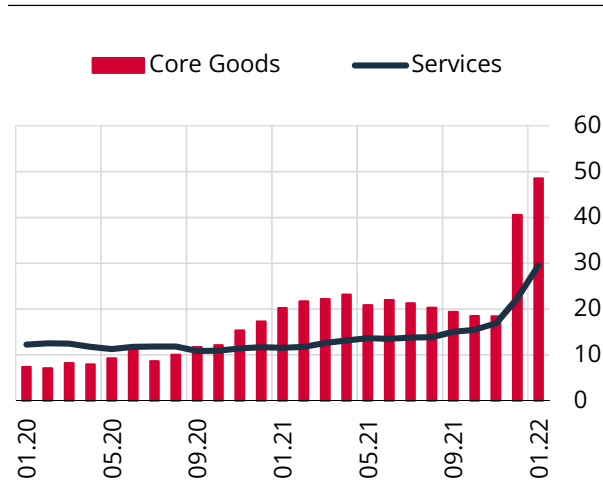
**Chart 4. Main Components of B Index (Seasonally Adjusted, Annualized 3-Month Average % Change)**



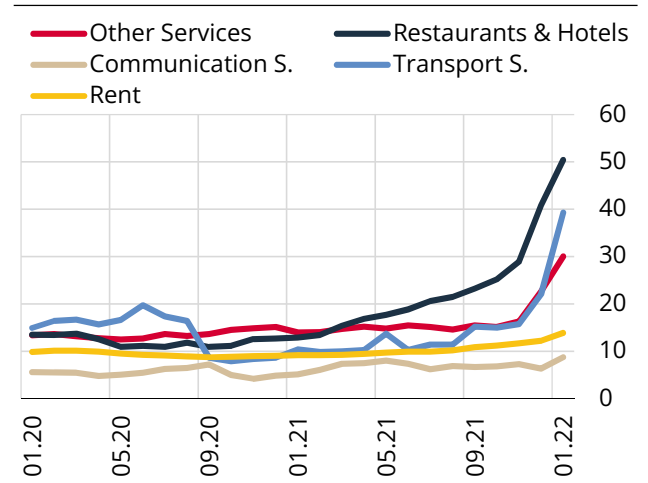
\*There is no seasonal effect in the processed food group.

Services prices rose by 7.89%, and annual services inflation increased by 7.23 points to 29.56% (Chart 5). While the uptick in annual inflation spread across the group, rises were notable in all subcategories excluding rent and communication (Chart 6). Prices in the restaurants-hotels group rose by 8.45%, and annual inflation hit 50.40%. Prices in transportation services rose by 16.88% in January, and annual inflation became 39.31%. Following the recent developments in fuel prices and the high levels of inflation, significant increases were recorded in intercity and intracity passenger transportation and cargo charges. Health, maintenance-repair, recreation and culture, and insurance services were other items that stood out in this period. Seasonally-adjusted data suggest that the uptrend in rent inflation, in which backward pricing behavior is widespread, speeded up in January.

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

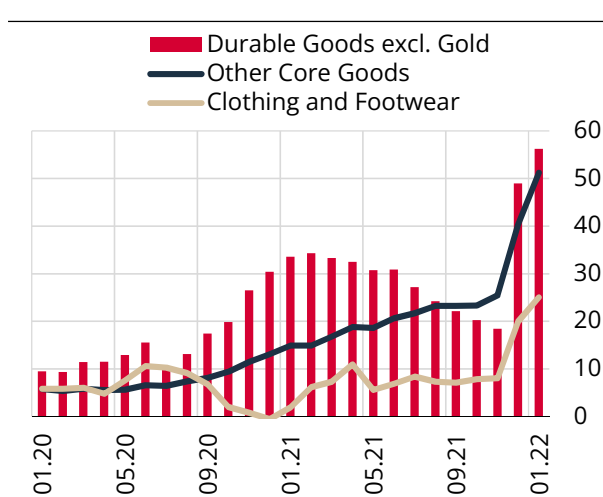


**Chart 6. Services (Annual % Change)**

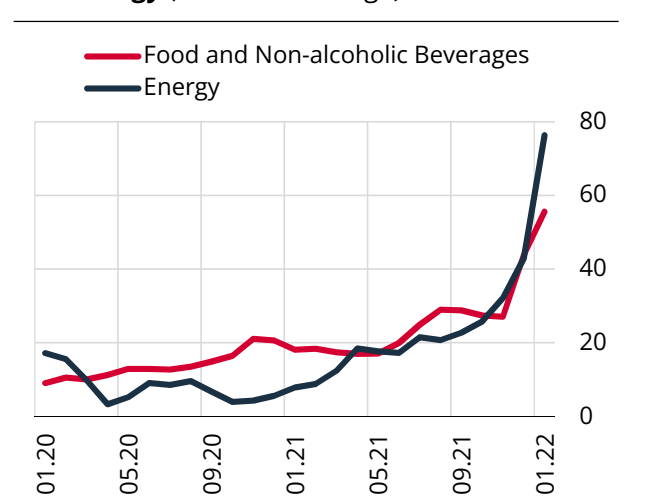


Annual core goods inflation increased by 7.94 points in January and reached 48.49%. In this period, annual inflation rose across all subcategories. Durable goods prices increased by 6.43% in January, and the group's annual inflation stood at 56.24%. While the furniture (12.55%) and white goods (15.79%) sectors stood out with price hikes, automobile prices increased by 1.26%, displaying a more favorable outlook compared to December due also to the effect of the tax base adjustment. Price increases in other core goods spread across the whole, primarily in the maintenance and repair of housing, personal care products and household products, and annual inflation in this group reached 51.23%. In the clothing and footwear group, January sales (-0.41%) were limited this year compared to seasonal averages. Nevertheless, annual inflation in the clothing group remained lower at 25.04% compared to other subcategories.

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



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

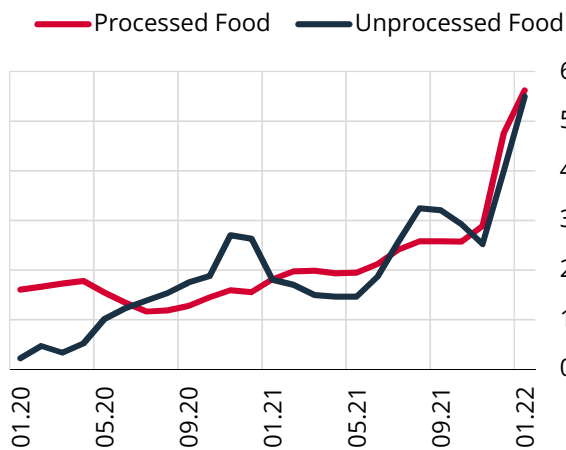


Energy prices increased substantially by 27.41% in January (Table 1), due mainly to hikes in administered prices; electricity, natural gas and tap water prices were up by 69.96%, 21.35% and 11.87% respectively. In this period, amid the resumed increase in international energy prices coupled with raised taxes in fuel, sharp price increases were seen in fuel (23.35%) and bottled gas (11.28%) items. Thus, annual energy inflation rose by 33.45 points to 76.38% in January (Chart 8).

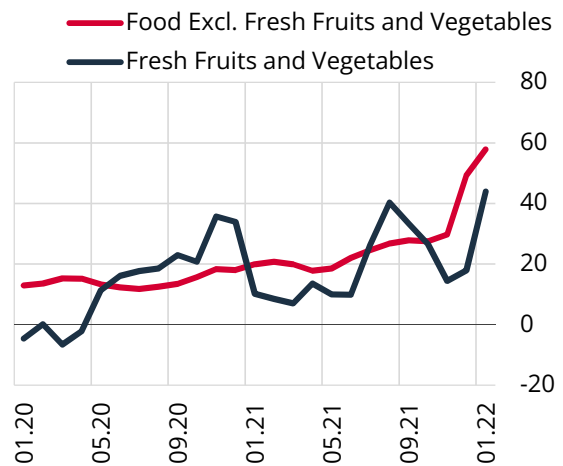
Prices of food and non-alcoholic beverages rose by 10.90% in January, and the group's annual inflation increased by 11.81 points to 55.61% (Chart 8 and Table 2). In this period, annual inflation continued to increase in both unprocessed and processed food groups (chiefly in unprocessed food) (Chart 9). In this period, prices of fresh fruits and vegetables increased at a high rate (20.82%), mainly because of the vegetables group. Price increases spread across subcategories, driven mostly by milk (20.83%), cheese and other dairy products (17.96%), pulses (22.11%), fats-oils (9.97%) and cereals (11.17%). All in all, annual inflation rose by 26.02 points to 43.96% in the fresh fruits and vegetables group, and increased by 8.50 points to 57.85% in the other food group (Chart 10).

Prices of alcoholic beverages and tobacco products increased by 21.90%, and annual inflation reached 45.34% in January. This is driven by the reflection of producer inflation in the second half of 2021 on the SCT amounts. Meanwhile, the sector added 1.21 points to the increase in annual headline inflation.

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



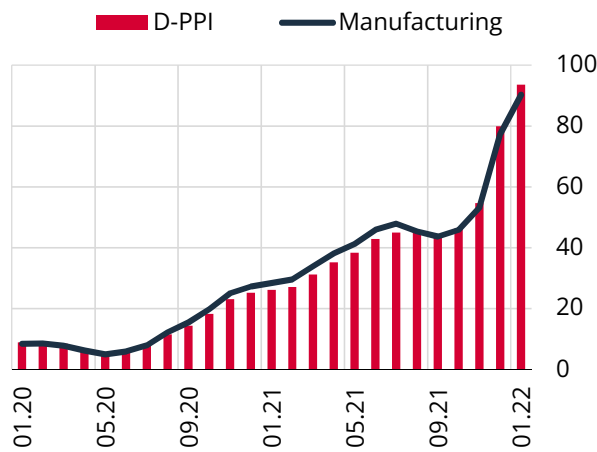
**Chart 10. Fresh Fruits-Vegetables and Other Food**  
(Annual % Change)



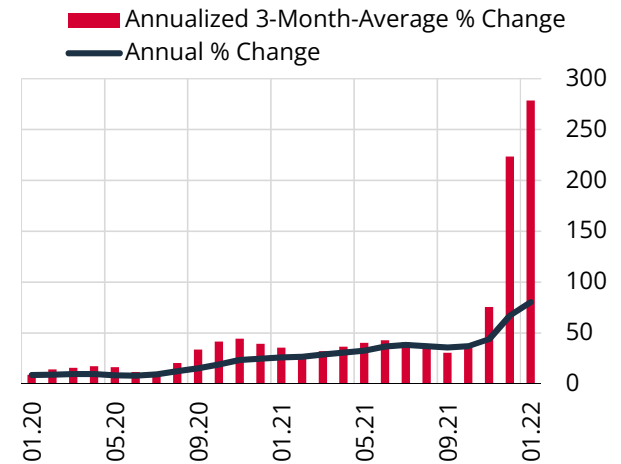
## D-PPI

Domestic producer prices increased by 10.45% in January, and annual D-PPI inflation rose by 13.64 points to 93.53% (Chart 11 and Table 3). Exchange rates displayed a stable outlook in January, while commodity prices posted a substantial increase again. In this period, the trend of manufacturing industry prices excluding petroleum and base metals posted an increase (Chart 12).

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

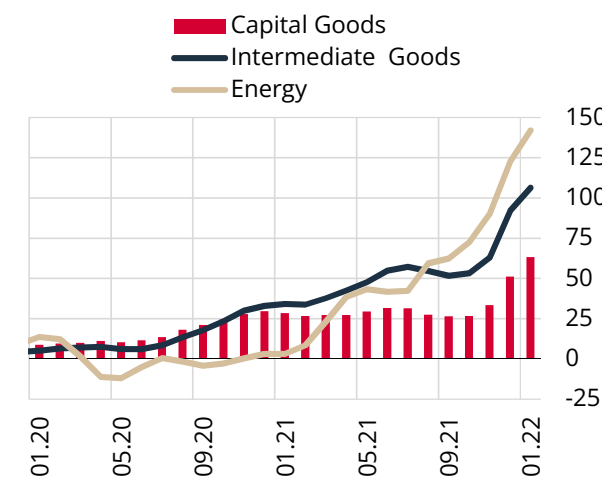


**Chart 12. Manufacturing Excluding Petroleum and Base Metals**

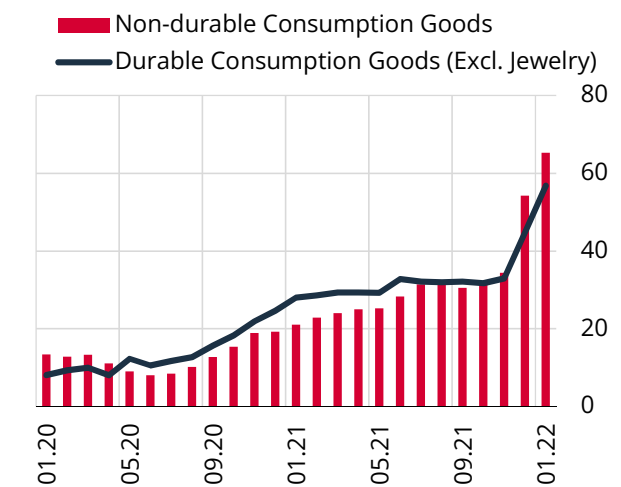


According to main industrial groupings, annual inflation was up in all subcategories, most notably in energy and intermediate goods (Table 3, Charts 13 and 14). The most dramatic monthly increase was recorded in durable consumption goods with 13.14%, due mainly to furniture, household appliances and transportation vehicles. In January, prices in the energy group increased by 11.92% due to the production and distribution of electricity accompanied by refined petroleum products, lignite and natural gas prices. Among nondurable goods, price hikes were more significant for food manufacturing items such as meat, bakery, other food products and dairy products. Monthly increases in intermediate goods were driven mostly by paper products, plastics and rubber, construction-related products and metal products. Motor vehicles as well as their parts and accessories, machinery and metal construction products were the main drivers of the monthly price increase in capital goods. Overall, producer prices-induced pressures on consumer prices persisted.

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



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



## Tables

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

	Monthly		Annual	
	January 2022	January 2021	January 2022	January 2021
<b>CPI</b>	<b>11.10</b>	<b>1.68</b>	<b>48.69</b>	<b>14.97</b>
<b>1. Goods</b>	<b>12.22</b>	<b>1.61</b>	<b>55.82</b>	<b>16.49</b>
Energy	27.41	3.24	76.38	7.86
Food and non-alcoholic beverages	10.90	2.48	55.61	18.11
Unprocessed food	12.11	1.15	54.98	18.08
Fresh fruits and vegetables	20.82	-1.02	43.96	10.22
Other unprocessed food	7.94	2.38	60.56	22.89
Processed food	9.82	3.75	56.20	18.11
Bread and cereals	7.69	1.80	61.85	19.05
Other processed food	11.04	4.83	53.15	17.55
Goods excluding energy and food	7.82	0.41	48.70	18.34
Core goods	6.15	0.47	48.49	20.18
Durable goods (excluding gold)	6.43	1.45	56.24	33.55
Clothing and footwear (*)	-0.41	-4.49	25.04	1.91
Other core goods	10.01	2.03	51.23	14.94
Alcoholic beverages and tobacco	21.90	0.67	45.34	1.35
Gold	-0.15	-3.02	75.92	48.02
<b>2. Services</b>	<b>7.89</b>	<b>1.87</b>	<b>29.56</b>	<b>11.52</b>
Rents	2.76	1.23	13.89	9.17
Restaurants and hotels	8.45	1.56	50.40	12.89
Transport	16.88	2.35	39.31	10.38
Communication	2.41	0.13	8.74	5.09
Other	9.20	2.96	30.04	13.98
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	7.49	1.64	42.66	16.00
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	6.94	1.14	39.45	15.50
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	10.41	1.82	47.96	15.53
F - CPI excluding administered prices	8.84	1.41	49.34	16.62

Source: TURKSTAT.

(\*) Does not cover clothing services.

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

	Weight	January 2022		January 2021	
		Monthly	Annual	Monthly	Annual
<b>CPI</b>	<b>100</b>	11.10	48.69	1.68	14.97
Food and non-alcoholic beverages	25.32	10.90	55.61	2.48	18.11
Alcoholic beverages and tobacco	4.31	21.90	45.34	0.67	1.35
Clothing and footwear	6.42	-0.24	25.32	-4.37	2.12
Housing	14.12	18.91	48.41	3.02	11.56
Household equipment	8.86	12.82	54.53	2.90	23.25
Health	3.24	11.27	28.63	4.25	16.99
Transport	16.80	11.15	68.89	1.12	21.43
Communication	3.78	2.16	10.76	0.31	6.32
Recreation and culture	3.06	8.77	34.81	1.23	9.75
Education	2.03	1.19	18.67	-0.03	6.13
Restaurants and hotels	7.11	8.45	50.40	1.56	12.89
Miscellaneous goods and services	4.96	8.09	43.54	1.94	24.53

Source: TURKSTAT.

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

	Weight	January 2022		January 2021	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	100	<b>10.45</b>	<b>93.53</b>	<b>2.66</b>	<b>26.16</b>
Mining	3.56	17.36	86.51	2.46	19.17
Manufacturing	87.43	10.16	90.29	2.73	28.42
Manufacturing excl. petroleum products	84.97	10.12	86.21	2.66	29.60
Manufacturing excl. petroleum products and base metals	76.27	10.66	80.46	2.63	26.06
Electricity, gas, steam and air-conditioning sup.	8.29	10.62	138.48	0.72	0.02
Water supply	0.72	8.61	25.88	15.61	25.88
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		9.84	106.40	2.25	34.08
Durable Consumption Goods		13.14	58.49	4.34	29.87
Durable Consumption Goods (Excl. Jewelry)		13.72	56.81	5.01	28.03
Non-Durable Consumption Goods		10.66	65.25	3.28	21.02
Capital Goods		9.59	63.25	1.48	28.34
Energy		11.92	142.06	2.99	3.22

Source: TURKSTAT.