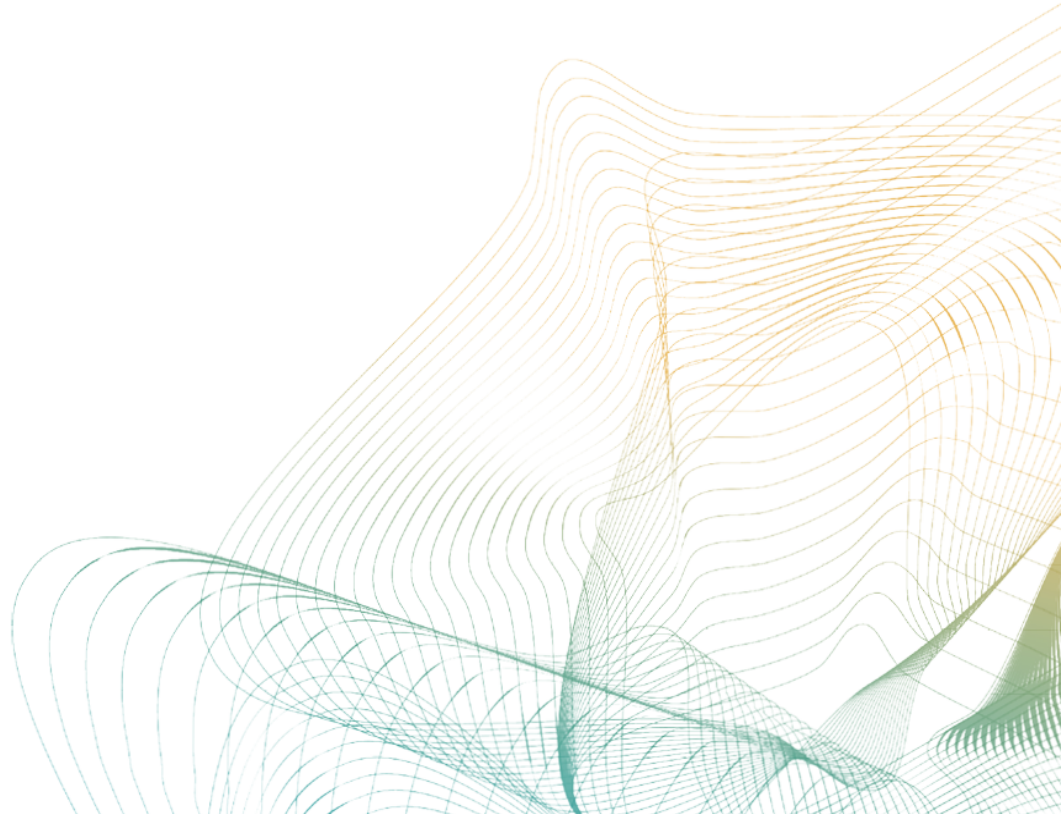




June Price Developments

6 July 2020



Summary

In June 2020, consumer prices increased by 1.13%, and annual inflation rose by 1.23 points to 12.62%. While energy prices increased due to the recovery in international oil prices, annual food inflation remained flat. Core goods inflation was up in all sub-groups, while services inflation increased led by items affected by the normalization process. Under this outlook, annual inflation and trends in B and C indices increased.

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 1.13% and annual inflation rose by 1.23 points to 12.62% (Chart 1). The annual rate of change in B and C indices increased by 0.74 and 1.32 points to 11.95% and 11.64%, respectively (Chart 2).

Across subcategories, the contribution of core goods, energy and services to annual consumer inflation increased by 0.58, 0.45 and 0.23 points, respectively, while there was no significant change in that of the food group.

Chart 1: CPI and D (Annual % Change)

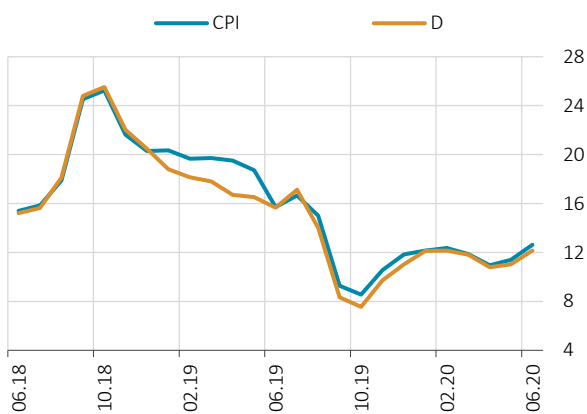
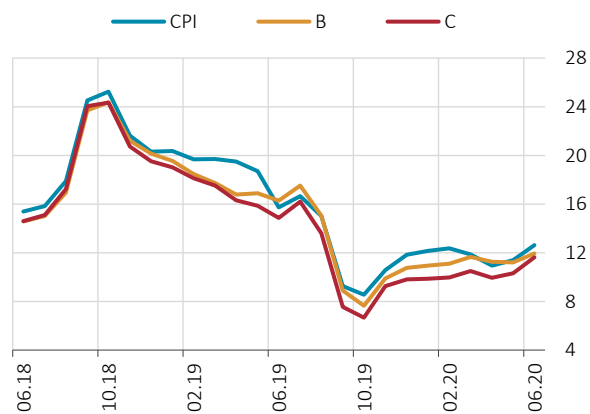


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally adjusted core inflation indicators suggest that the trends of B and C indices increased (Chart 3). In this period, inflation trends of both the services group and the core goods group posted an uptick (Chart 4).

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

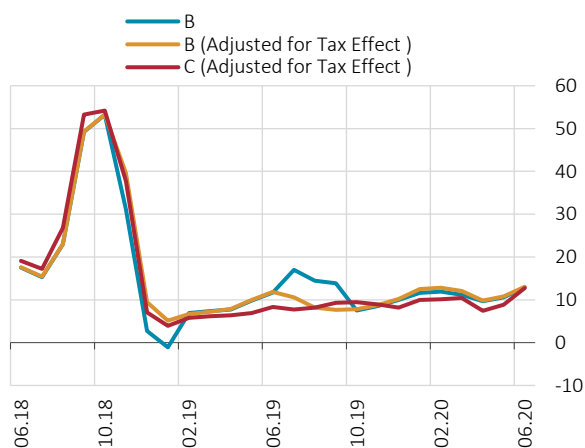
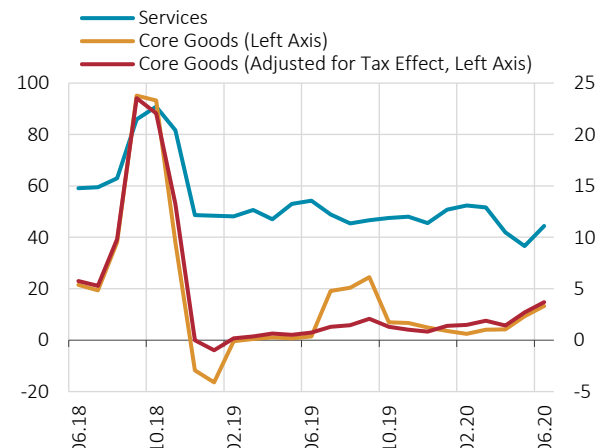


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month Average % Change)



In June, services prices were up 2.09%, while annual inflation in the services group increased by 0.48 points to 11.76% (Chart 5). Annual inflation in all sub-categories rose except for rents while the transportation group posted the highest rise (Chart 6). Owing to the normalization process, the increase in airline ticket fares by 12.39% and in intercity bus ticket prices by 23.52% are noteworthy. In the restaurants-hotels, due to capacity limitations, prices increased in both food and beverage services and accommodation services. In the other services group, price increases in education, package tours as well as in barber and hairdressing services were noticeable. The rise in communication services was mainly

driven by prices of postal services, phone calls and internet fees. The downtrend in annual inflation in rents continued.

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

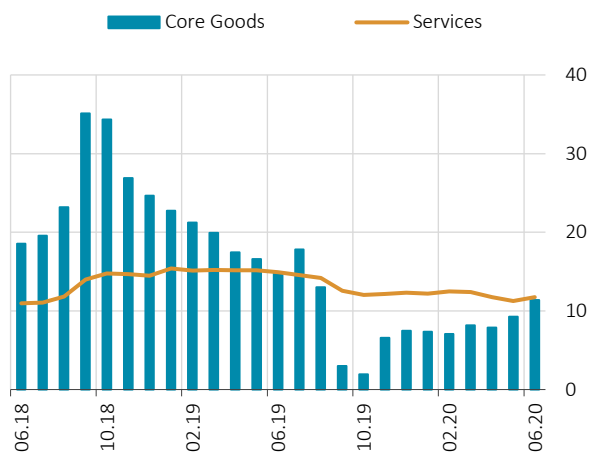
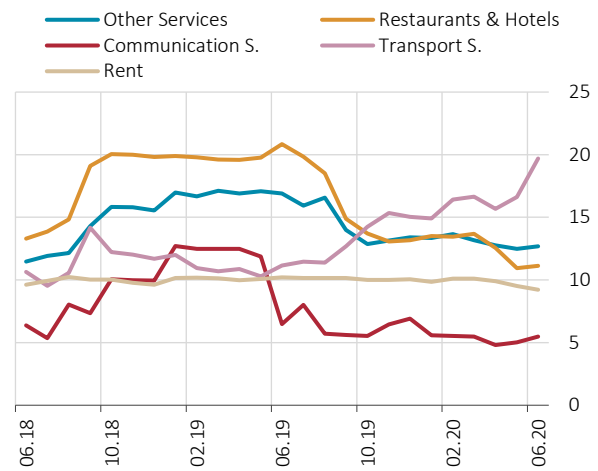


Chart 6. Services (Annual % Change)



Annual core goods inflation increased by 2.13 points to 11.39% in June (Chart 5). In this period, annual inflation rose in all sub-categories, and the rise was driven by accumulated exchange rate effects, pandemic-driven unit cost hikes, and recovery in the demand for certain groups in the normalization process (Chart 7). Prices of durable goods increased by 2.88% led by automobiles, white goods, electrical and non-electrical equipment; meanwhile the change in the prices of clothing and footwear, which was 1.15%, exceeded historical averages. In this period, prices in other core goods increased significantly month-on-month.

Chart 7. Core Goods (Annual % Change)

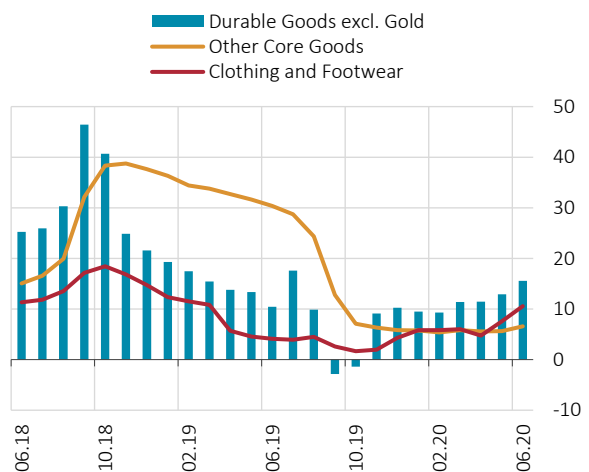
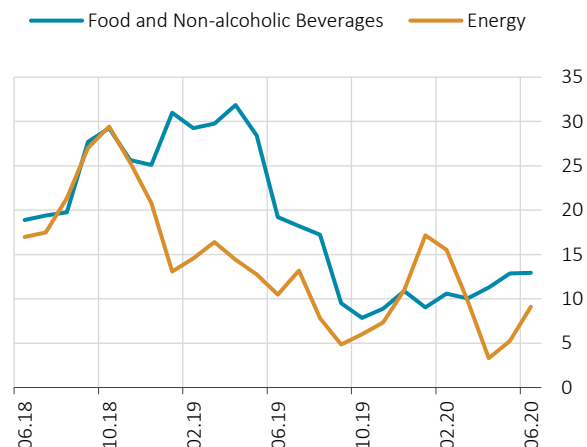


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



In June, energy prices increased by 2.62% (Table 1). In this period, on the back of the recovery in international oil prices, fuel oil and bottled gas prices rose by 6.59% and 3.58%, respectively. Meanwhile, in this period, municipal water prices were up 1.75%. Consequently, annual energy inflation increased by 3.89 points to 9.12% (Chart 8).

Annual inflation in food and non-alcoholic beverages went up by 0.06 points to 12.93% (Chart 8 and Table 2). As the seasonal decrease in unprocessed food prices remained limited compared to the previous year, annual inflation in the group went up to 12.29%. Despite the decline in annual inflation in fresh fruits, that of fresh vegetables increased to 21.39% being the main driver of the rise in the group. The increase

in the prices of pulses, nuts and rice in the other unprocessed food group continued in June while red meat prices, which had been rising significantly in the last few months, decreased in this month. The monthly rise in processed food prices remained more moderate compared to the last few months (0.58%), while annual inflation in processed food decreased to 13.41% supported by the base effect as well (Chart 9). Against this backdrop, the decline in annual inflation in the food group excluding fresh fruits and vegetables continued (Chart 10).

As the minimum lump sum special consumption tax was raised in May, due to the spill-over effect, tobacco products prices increased by 0.92% in June pushing annual inflation in the group slightly upwards.

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

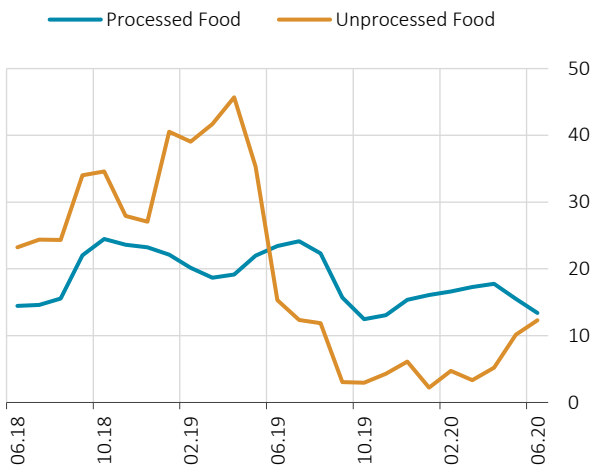
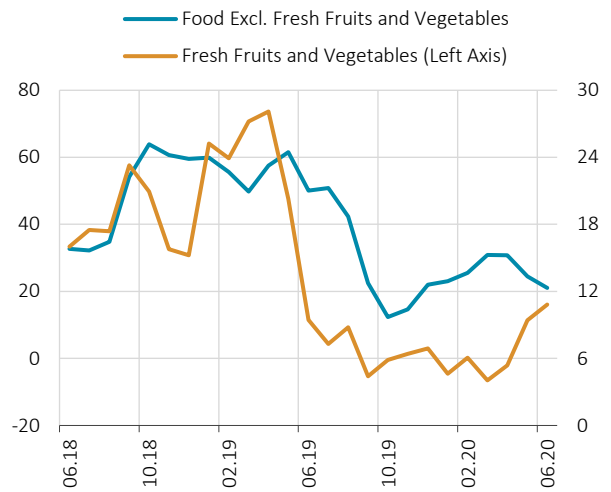


Chart 10. Fresh Fruits-Vegetables and Other Food (Annual % Change)



D-PPI

In June, domestic producer prices rose by 0.69% while annual D-PPI inflation was recorded at 6.17% (Chart 11 and Table 3). In this period, the seasonally adjusted trend of manufacturing industry prices excluding petroleum and base metals decreased owing to the recent outlook of exchange rates (Chart 12).

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

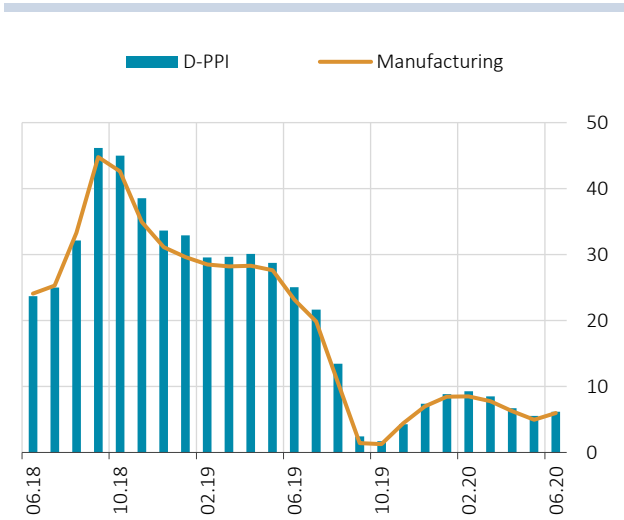
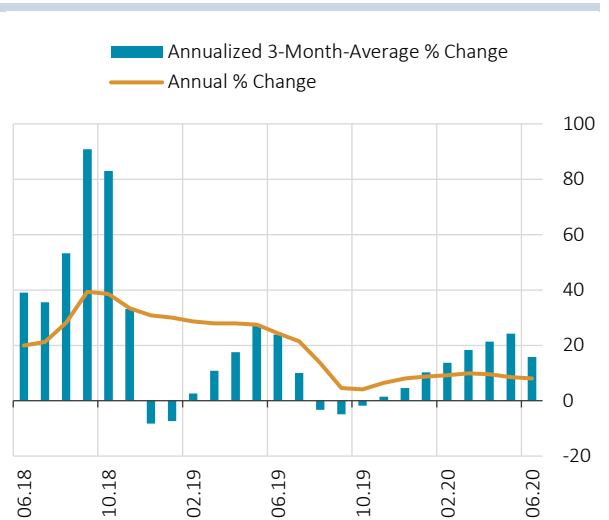


Chart 12. Manufacturing Excluding Petroleum and Base Metals



Across main industrial groupings, annual inflation in durable and non-durable consumption goods decreased while it increased in energy and capital goods, and remained flat in intermediate goods (Table 3, Chart 13 and Chart 14). On a monthly basis, the rise in energy prices was mainly driven by prices of refined petroleum products and crude oil and gas production prices that increased due to the outlook of international oil prices. The rise in the capital goods group was led by price hikes in motor vehicles along with their parts and accessories as well as machines; non-durable consumption goods increased on the back of bakery goods and baked goods prices. The fall in intermediate goods prices was driven by iron-steel and ferroalloys, textile threads and fibers, basic chemical products and paper products; while prices of durable consumption goods decreased led by transportation vehicles not classified elsewhere. In sum, in June, the annual inflation in producer prices increased while the underlying trend of the same decelerated.

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

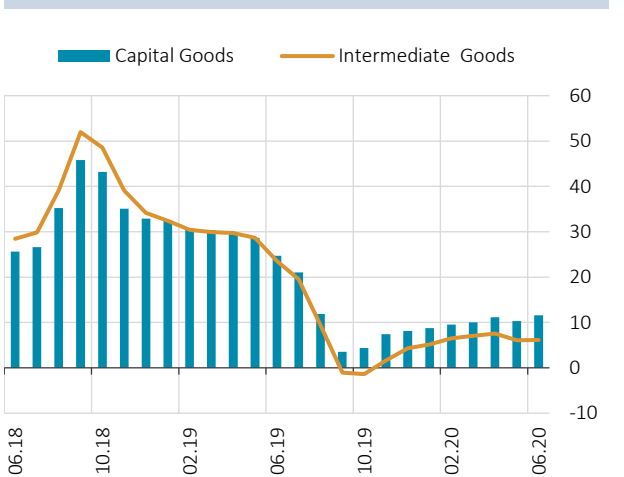
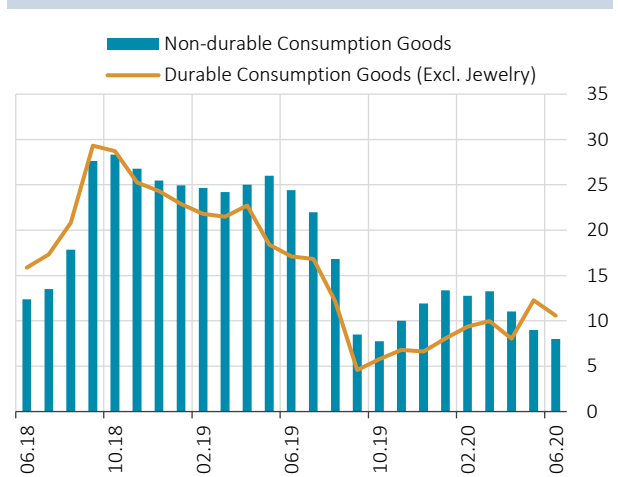


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	June 2020	June 2019	June 2020	June 2019
CPI	1.13	0.03	12.62	15.72
1. Goods	0.72	-0.62	12.94	16.01
Energy	2.62	-1.04	9.12	10.46
Food and non-alcoholic beverages	-1.60	-1.65	12.93	19.20
Unprocessed food	-3.77	-5.61	12.29	15.31
Fresh fruits and vegetables	-7.50	-11.26	16.09	11.48
Other unprocessed food	-1.64	-2.22	10.30	17.48
Processed food	0.58	2.44	13.41	23.41
Bread and cereals	0.92	1.94	14.02	25.16
Other processed food	0.40	2.71	13.07	22.48
Goods excluding energy and food	1.77	0.25	14.18	15.88
Core goods	2.17	0.21	11.39	14.79
Durable goods (excluding gold)	2.88	0.53	15.54	10.44
Clothing and footwear (*)	1.15	-1.62	10.58	4.10
Other core goods	1.95	1.04	6.57	30.39
Alcoholic beverages and tobacco	0.87	0.04	22.41	19.24
Gold	-1.10	1.64	43.56	30.78
2. Services	2.09	1.65	11.76	14.92
Rents	0.58	0.86	9.22	10.20
Restaurants and hotels	2.83	2.65	11.13	20.84
Transport	5.64	2.94	19.70	11.15
Communication	0.93	0.50	5.48	6.47
Other	1.30	1.12	12.68	16.91
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.86	1.19	11.95	16.28
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.13	0.92	11.64	14.86
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.89	0.87	12.16	15.65
F – CPI excluding administered prices	1.25	0.05	11.01	16.39

Source: TURKSTAT.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	June 2020		June 2019	
		Monthly	Annual	Monthly	Annual
CPI	100	1.13	12.62	0.03	15.72
Food and non-alcoholic beverages	22.77	-1.60	12.93	-1.65	19.20
Alcoholic beverages and tobacco	6.06	0.87	22.41	0.04	19.24
Clothing and footwear	6.96	1.16	10.66	-1.57	4.33
Housing	14.34	0.70	14.95	0.26	13.80
Household equipment	7.77	1.26	9.74	0.57	22.51
Health	2.80	0.99	13.55	0.57	19.05
Transport	15.62	4.49	10.96	0.47	10.00
Communication	3.80	2.19	4.84	0.38	5.30
Recreation and culture	3.26	2.45	6.32	-0.04	17.48
Education	2.58	1.93	11.67	1.50	13.87
Restaurants and hotels	8.67	2.83	11.13	2.65	20.84
Miscellaneous goods and services	5.37	0.97	19.80	1.86	26.88

Source: TURKSTAT.

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

	Weight	June 2020		June 2019	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.69	6.17	0.09	25.04
Mining	3.23	1.05	4.19	0.50	22.15
Manufacturing	89.22	0.51	5.99	-0.45	23.15
Manufacturing excl. petroleum products	85.25	-0.18	7.56	0.03	23.60
Manufacturing excl. petroleum products and base metals	75.47	-0.07	8.03	0.37	24.34
Electricity, gas, steam and air-conditioning sup.	6.61	3.03	9.40	7.83	54.20
Water supply	0.95	1.08	7.30	0.43	-4.04
D-PPI (MIGs Classification)					
Intermediate Goods		-0.55	6.14	-0.59	23.57
Durable Consumption Goods		-0.42	13.04	1.22	18.03
Durable Consumption Goods (Excl. Jewelry)		-0.34	10.57	1.20	17.12
Non-Durable Consumption Goods		0.15	8.00	1.08	24.41
Capital Goods		0.83	11.57	-0.34	24.67
Energy		8.48	-5.00	0.57	35.44

Source: TURKSTAT.