



DECEMBER PRICE DEVELOPMENTS

4 JANUARY 2022

Summary

Consumer prices rose by 13.58% in December, and annual inflation increased by 14.77 points, reaching 36.08% at the end of 2021. Annual inflation went up across all main groups, and the most significant contribution to the rise in inflation came from core goods and food subcategories. While the impact of exchange rate developments was observed in many items, prices in the core goods group, in which the exchange rate pass-through is high, increased at a high rate led by durable consumption goods in particular. Among durable consumption goods, the rise in automobile prices was notable. In the food group, annual inflation was relatively more moderate in fresh fruits and vegetables whereas it rose substantially in other food items due to input costs. While international energy prices declined in this period, domestic energy prices continued to increase, with fuel, bottled gas and coal in the lead, due to exchange rate developments. Price hikes were widely spread across the services group, with prices of restaurants-hotels posting a particularly significant acceleration also driven by food inflation. Producer prices-led pressures were quite strong due to the depreciation of the Turkish lira, the elevated course of commodity prices, and the lingering disruptions in supply chains. Against this background, the annual inflation and underlying trends of the B and C indices increased significantly.

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 13.58% in December, and annual inflation increased by 14.77 points to 36.08% (Chart 1). In this period, annual rates of change in the B and C indices increased by 15.14 points and 14.26 points to 34.89% and 31.88%, respectively (Chart 2).

In terms of subcategories, the contributions of core goods, food, services, and alcohol-tobacco-gold rose month-on-month by 6.57, 4.47, 1.40, 1.33, and 1.00 points, respectively.

Chart 1. CPI and D (Annual % Change)

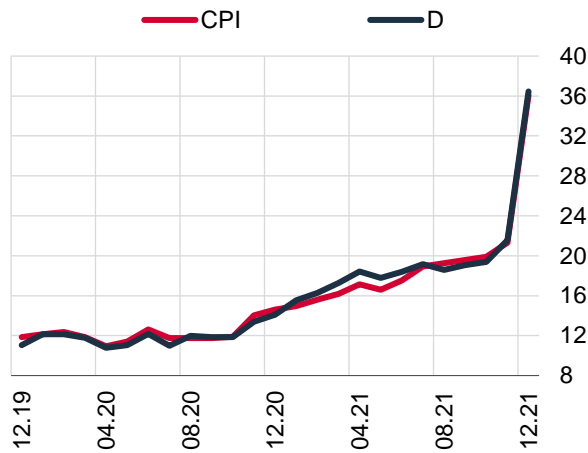
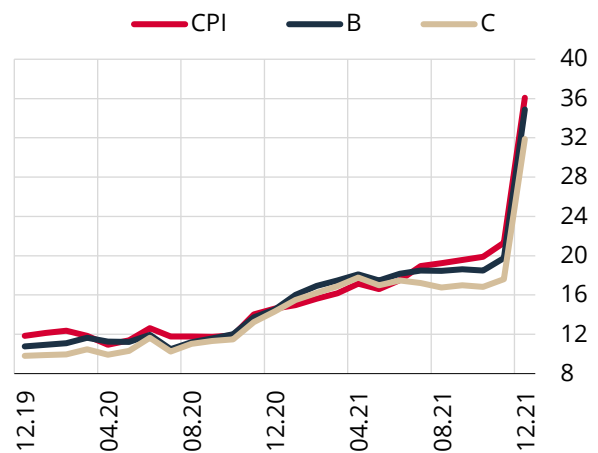


Chart 2. CPI, B and C (Annual % Change)



Three-month averages of seasonally adjusted core inflation indicators suggest that the trends of the B and C indices registered notable increases (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)

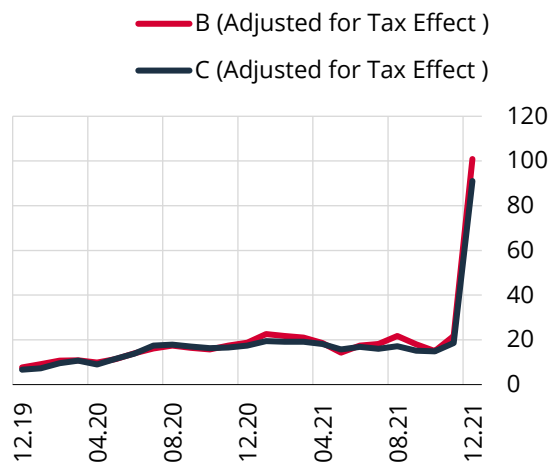
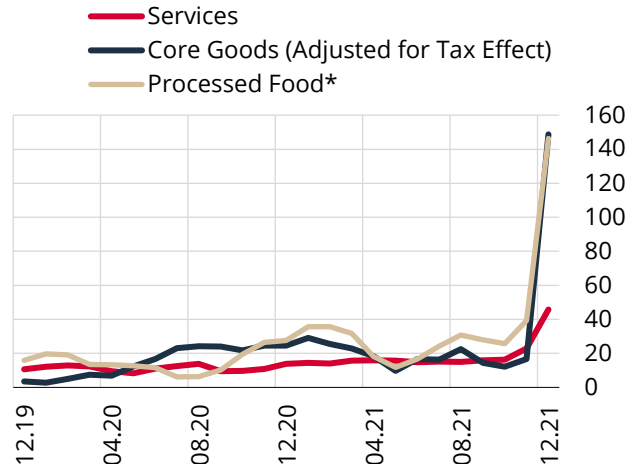


Chart 4. Main Components of B Index (Seasonally Adjusted, Annualized 3-Month Average % Change)



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

Services prices rose by 5.27% in December and annual services inflation increased by 5.45 points to 22.33% (Chart 5). While annual inflation declined in communication, it increased in other subcategories, most visibly in restaurants-hotels (Chart 6). While prices rose by 9.81% in restaurants-hotels, annual inflation rose by 11.95 points to 40.85% and pushed services inflation further up. There was a noteworthy surge in the prices of catering services (10.16%) due to the negative developments in staple food prices, while the prices of accommodation services increased further (5.42%). Prices in transport services increased by 5.78%, mainly led by increases in the intercity road transportation and air passenger transportation fares. Transportation sector-related insurance prices as well as maintenance and repair prices with high exchange rate sensitivity

diverged negatively in the context of the increase in other services prices. Seasonally adjusted data suggest that the uptrend in rent inflation persisted in December.

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

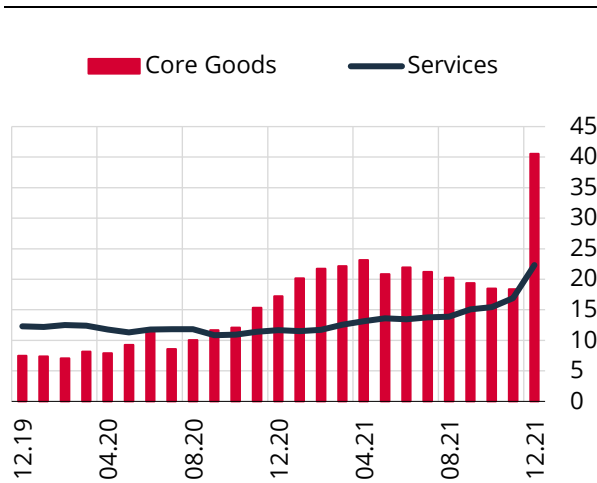
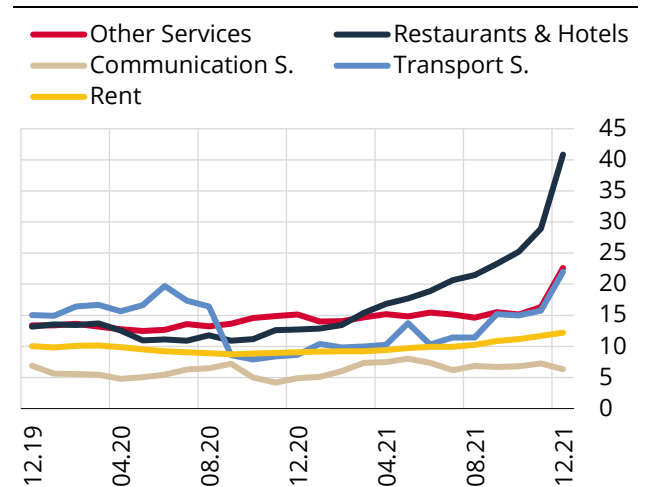


Chart 6. Services (Annual % Change)



Annual core goods inflation increased substantially by 22.19 points to 40.55% (Chart 5). Annual inflation rose significantly across all subcategories due to the developments in the Turkish lira and prices posted broad-based increases in this period (Chart 7). Durable goods prices surged by 30.33% month-on-month, driven by automobile prices (42.38%), while price hikes were also seen in white goods (22.61%), other electric and non-electric appliances (19.88%) and furniture (17.41%). As a result, annual durable goods inflation reached 48.93%. Although monthly price hikes showed a generalized pattern across other core goods, those in items such as maintenance and repair materials for dwelling, personal care products, household textiles, cleaning products, parts and accessories of motor vehicles, and household appliances stood out and monthly inflation in this group reached 13.38%. The clothing and footwear group, in which seasonal sales began in December, posted a monthly price increase (7.38%) contrary to the seasonal trend, and annual inflation rose to 19.92%.

Chart 7. Core Goods (Annual % Change)

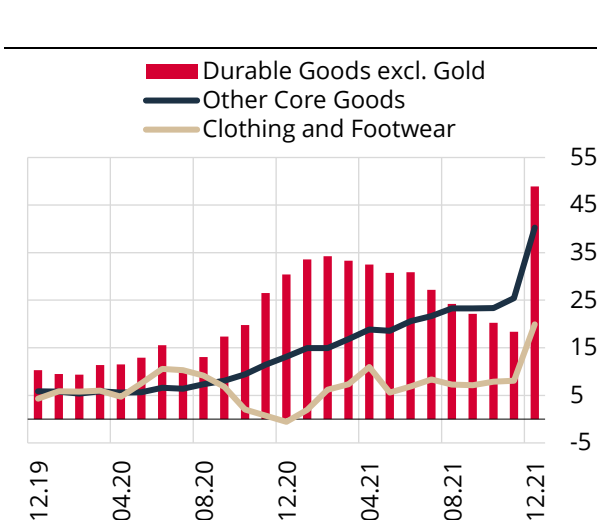
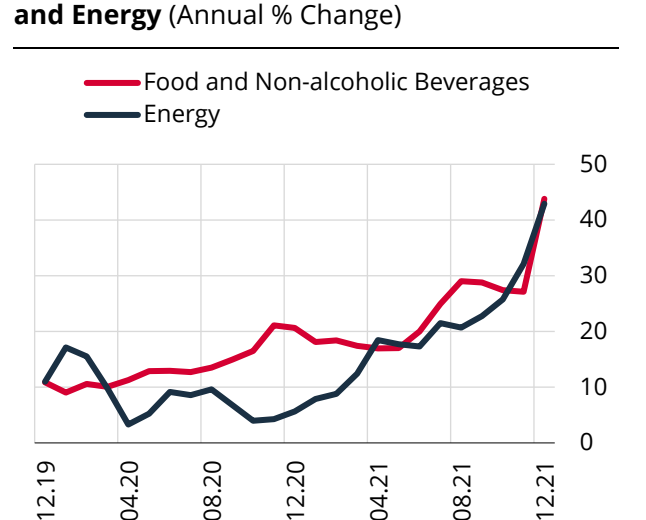


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



In December, energy prices increased by 9.75% (Table 1). Despite a decline in international energy prices in this period, significant monthly price increases were seen in fuel (22.41%), bottled gas (16.49%) and solid fuels (11.18%) due to the developments in the Turkish lira. Thus, annual energy inflation rose by 10.79 in December and reached 42.93% (Chart 8).

Prices for food and nonalcoholic beverages rose by 15.99% in December, and annual inflation increased by 16.69 points to 43.80% in this category (Chart 8 and Table 2). Annual inflation was up 14.61 points to 39.83% in unprocessed food and up 18.71 points to 47.57% in processed food (Chart 9). In the unprocessed food category, seasonally adjusted prices of fresh fruits and vegetables posted a relatively limited monthly increase, whereas prices were significantly higher across the subcategory of other unprocessed food. In this subcategory, price hikes were the largest for milk (25.30%), white meat (23.80%), eggs (21.15%), potatoes (28.38%) and red meat (15.93%). Processed food prices increased markedly by 16.47% month-on-month in December. Prices jumped across all items in this category, with bread and cereals (19.64%), oils and fats (22.60%), cheese and other dairy products (18.22%), and meat products (13.76%) in the lead. These sharp price increases were mostly driven by exchange rates, agricultural commodity price developments and agricultural drought. Thus, annual inflation rose at a relatively moderate rate to 17.94% in fresh fruits and vegetables, but surged by 19.59 points to 49.35% in the other food subcategory (Chart 10).

In December, prices of tobacco products increased by approximately TRY 2. Tobacco prices rose by 11.96% in this period, adding 0.49 points to consumer inflation.

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

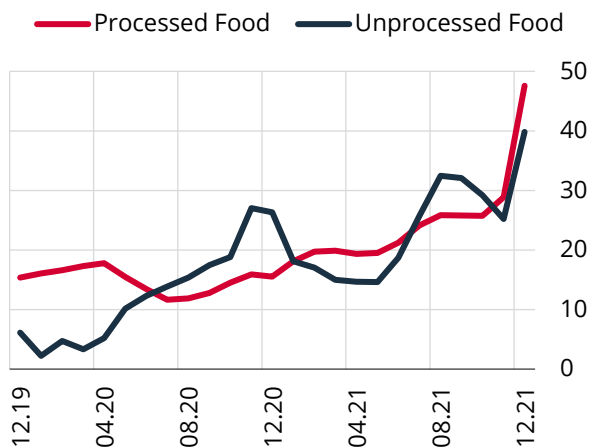
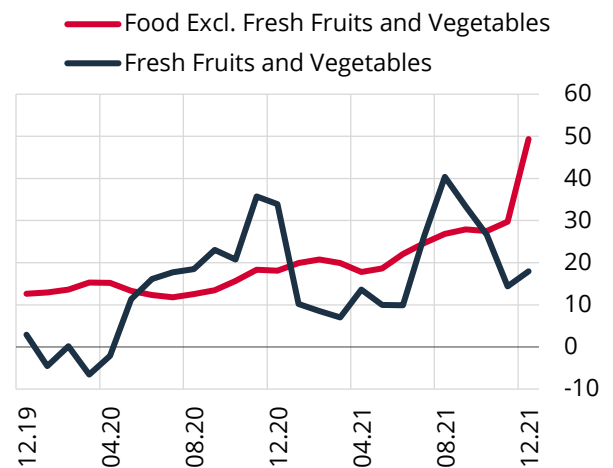


Chart 10. Fresh Fruits-Vegetables and Other Food
(Annual % Change)



D-PPI

Domestic producer prices increased by 19.08% in December, and annual D-PPI inflation surged by 25.27 points to 79.89% (Chart 11 and Table 3). The depreciating Turkish lira, high course of commodity prices and supply constraints continued to fuel large price increases across all subcategories. In this period, the trend of manufacturing industry prices excluding petroleum and base metals increased significantly (Chart 12).

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

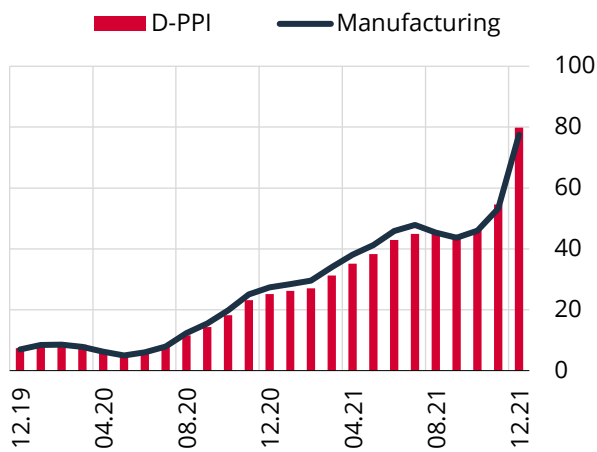
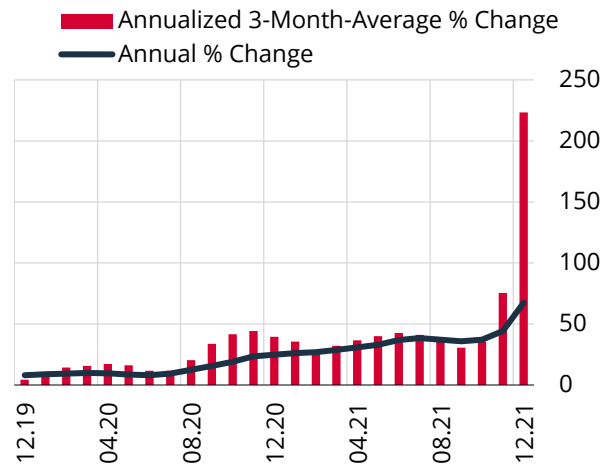


Chart 12. Manufacturing Excluding Petroleum and Base Metals



According to main industrial groupings, annual inflation was up in all subcategories, most notably in energy and intermediate goods (Table 3, Chart 13 and Chart 14). In December, all subcategories saw substantial price increases. The most significant monthly increase was recorded in intermediate goods with 21.21%, driven mostly by basic iron-steel and ferro alloys as well as textiles, plastics and paper products, but other subcategories also posted significant price increases. Energy was another category registering a large monthly increase, up 20.38%, largely due to petroleum products and the production and distribution of electricity and gas. Among nondurable goods, price hikes were more significant for food manufacturing items such as meat and dairy products and vegetable oils and animal fats, and textile products. Metal construction products, parts and accessories of motor vehicles, and machinery were the main drivers of the monthly price increase in capital goods, while prices of furniture, household appliances and jewelry registered sharp increases among durable consumption goods. Overall, producer prices-induced pressures on consumer prices grew stronger.

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

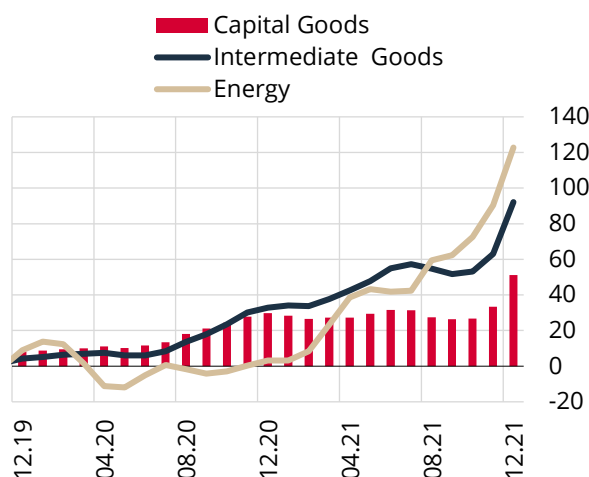
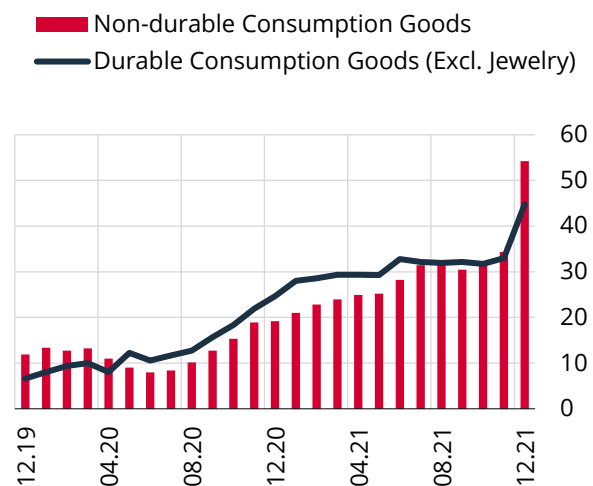


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	December 2021	December 2020	December 2021	December 2020
CPI	13.58	1.25	36.08	14.60
1. Goods	16.48	1.53	41.10	15.87
Energy	9.75	1.47	42.93	5.64
Food and non-alcoholic beverages	15.99	2.53	43.80	20.61
Unprocessed food	15.46	3.39	39.83	26.34
Fresh fruits and vegetables	7.89	4.67	17.94	33.92
Other unprocessed food	19.14	2.68	52.29	22.41
Processed food	16.47	1.70	47.57	15.52
Bread and cereals	19.64	1.61	53.00	19.31
Other processed food	14.69	1.76	44.58	13.47
Goods excluding energy and food	19.46	0.88	38.47	16.35
Core goods	20.43	1.42	40.55	17.24
Durable goods (excluding gold)	30.33	3.62	48.93	30.40
Clothing and footwear (*)	7.38	-3.26	19.92	-0.57
Other core goods	13.38	1.41	40.26	13.12
Alcoholic beverages and tobacco	11.21	-0.01	20.02	0.65
Gold	28.14	-3.58	70.87	62.27
2. Services	5.27	0.59	22.33	11.66
Rents	1.11	0.64	12.20	9.07
Restaurants and hotels	9.81	0.50	40.85	12.70
Transport	5.78	0.36	21.99	8.65
Communication	0.21	1.10	6.32	4.87
Other	6.03	0.57	22.61	15.14
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	13.90	1.11	34.89	14.52
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	13.23	0.99	31.88	14.31
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	13.41	1.03	36.46	14.10
F - CPI excluding administered prices	15.20	1.41	39.14	16.52

Source: TURKSTAT.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	December 2021		December 2020	
		Monthly	Annual	Monthly	Annual
CPI	100	13.58	36.08	1.25	14.60
Food and non-alcoholic beverages	25.94	15.99	43.80	2.53	20.61
Alcoholic beverages and tobacco	4.88	11.21	20.02	-0.01	0.65
Clothing and footwear	5.87	7.35	20.13	-3.18	-0.32
Housing	15.36	4.56	28.57	0.67	9.59
Household equipment	8.64	16.54	40.95	3.46	18.04
Health	3.25	3.55	20.52	0.78	16.67
Transport	15.49	28.49	53.66	2.64	21.12
Communication	4.64	3.65	8.76	0.80	5.73
Recreation and culture	3.01	10.17	25.46	0.07	10.44
Education	2.28	0.13	17.23	-0.03	6.84
Restaurants and hotels	5.91	9.81	40.85	0.50	12.70
Miscellaneous goods and services	4.73	13.71	35.37	-0.58	28.12

Source: TURKSTAT.

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

	Weight	December 2021		December 2020	
		Monthly	Annual	Monthly	Annual
D-PPI	100	19.08	79.89	2.36	25.15
Mining	3.51	12.69	62.84	0.02	19.02
Manufacturing	87.27	18.88	77.44	2.67	27.32
Manufacturing excl. petroleum products	83.46	18.95	73.60	2.39	28.36
Manufacturing excl. petroleum products and base metals	75.28	18.13	67.36	1.75	24.74
Electricity, gas, steam and air-conditioning sup.	8.38	24.41	117.14	-1.21	0.25
Water supply	0.85	1.87	33.99	1.18	14.83
D-PPI (MIGs Classification)					
Intermediate Goods		21.21	92.13	2.91	32.92
Durable Consumption Goods		12.04	46.16	1.31	27.70
Durable Consumption Goods (Excl. Jewelry)		11.10	44.80	2.04	24.63
Non-Durable Consumption Goods		16.50	54.23	1.47	19.18
Capital Goods		15.53	51.17	1.87	29.70
Energy		20.38	122.76	2.86	3.24

Source: TURKSTAT.