



MAY PRICE DEVELOPMENTS

6 June 2022

Summary

Consumer prices increased by 2.98% in May, and annual inflation rose by 3.53 points to 73.50%. The rise in annual consumer inflation spread across subcategories in this period, with the most significant contribution coming from core goods and services. In May, annual inflation increased across all subcategories of the core goods group. While the annual price increase in the services group was relatively flat in transport services, it went up in other subcategories, most visibly in restaurants-hotels. Annual food inflation decreased in unprocessed food whereas it continued to increase in processed food. Prices of fresh fruits and vegetables, which had posted a large increase in the previous month, registered a partial correction in this period led by vegetable prices. Municipal water and fuel were the leading items in energy prices. In this period, the rise in producer prices persisted due to international commodity prices, exchange rate developments, and ongoing supply chain disruptions. Against this background, the annual inflation of 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 increased by 2.98% in May, and annual inflation rose by 3.53 points to 73.50% (Chart 1). In this period, the annual rates of change in B and C indices went up by 4.43 and 3.67 points to 61.63% and 56.04%, respectively (Chart 2).

Among subcategories, core goods, services, food, energy, and alcohol-tobacco-gold added 1.11, 1.09, 0.48, 0.44 and 0.41 points month-on-month to annual consumer inflation.

Seasonally adjusted data reveal a decline in the monthly increase of B and C indices compared to the previous month (Chart 3). Monthly price increases lost some pace in processed food, services and core goods that make up the B index (Chart 4).

In May, prices of services rose by 3.73%, and the group's annual inflation was up by 3.60 points to 45.78%. Across subgroups, annual inflation was almost flat in transport services, but increased in others, being more pronounced in the restaurants-hotels subgroup (Chart 5). Prices increased by 5.47% in the restaurants-hotels subgroup, due both to catering and accommodation services, and the group's annual inflation surged by 7.57 points to 76.83%. Prices in other services rose by 2.97%, mainly due to the package tour item driven by the pilgrimage visits, which will resume after two years. While price increases in transport services (5.14%) spread across the whole, annual inflation in this subgroup remained flat at 78.16% because of the high base. In seasonally adjusted terms, monthly rent increases gained some momentum.

In May, annual core goods inflation increased by 3.74 points to 65.32%. In this period, annual inflation was up across all subgroups (Chart 6). Prices of durable goods (excluding gold) rose by 2.14% in May, and the group's annual inflation became 76.75%. This increase was mostly led by furniture, automobile and white goods prices. Although price increases in other core goods were broad-based across the group, those in the household-related cleaning materials, personal care products, and housing maintenance and repair materials were more pronounced, and the group's monthly inflation was 3.94%. The monthly price increase in the clothing and footwear group was 4.63%, and annual inflation rose by 3.52 points to 29.27%.

Energy prices increased by 2.90% in May, and the group's annual inflation rose by 3.01 points to 121.21% (Chart 7). This rise was mainly driven by administered municipal water prices (6.48%), as well as fuel prices (3.97%) following TRY-denominated oil prices. While solid fuel prices rose further in this period, bottled gas prices decreased slightly.

Prices of food and non-alcoholic beverages increased by 1.63% in May, and the group's annual inflation rose by 2.53 points to 91.63% (Chart 7). While annual inflation decreased by 3.06 points to 97.61% in unprocessed food, it increased by 7.92 points to 86.01% in processed food (Chart 8). Seasonally adjusted data in the unprocessed food group suggest that the prices of fresh fruits and vegetables decreased due to vegetable prices, while the other unprocessed food item showed widespread price increases. In this group, red meat, white meat and milk, as well as rice and dried nuts contributed significantly to this increase while egg prices decreased, diverging from other subitems. In processed food, as bread and cereal prices increased by 3.65%, subgroup's annual inflation reached 90.69%. Monthly inflation was more marked for other processed foods, particularly for cheese and other dairy products, oils and fats, tea and coffee, meat products, and sugar and related products.

Prices of alcoholic beverages and tobacco products increased by 6.53% in May, and annual inflation climbed to 66.62%. This upsurge was due to increased producer prices and added 0.28 points to monthly consumer inflation.

Domestic producer prices increased by 8.76% in May, and annual PPI inflation surged by 10.34 points to 132.16% (Chart 9 and Table 2). Recent exchange rate developments, high course of commodity prices and supply chain disruptions had a negative impact on producer prices. Across main industrial groupings, annual inflation was almost flat in intermediate goods, but was up in other subgroups, energy in particular (Chart 10). While price increases were broad-based across sub-items, rises in prices were notably higher for electricity-gas production and distribution, other mining and quarrying products, food products, beverages, construction-related non-metallic mineral products and wood products. Prices for electricity-gas production and distribution soared by 38.49% month-on-month, mainly on the back of rising gas production prices.

Charts and Tables

Chart 1. CPI (Annual % Change)

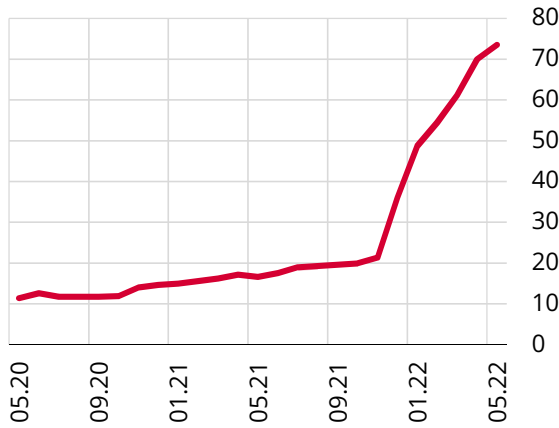


Chart 2. B and C (Annual % Change)



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

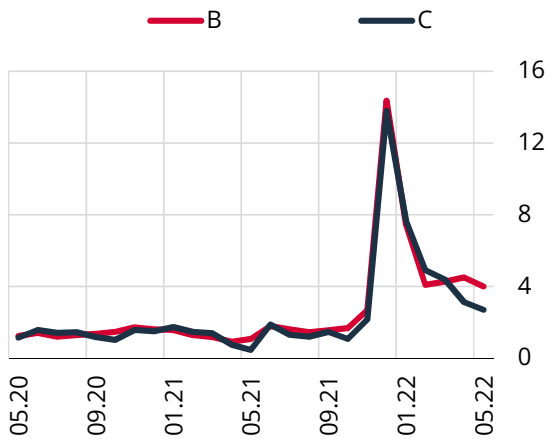
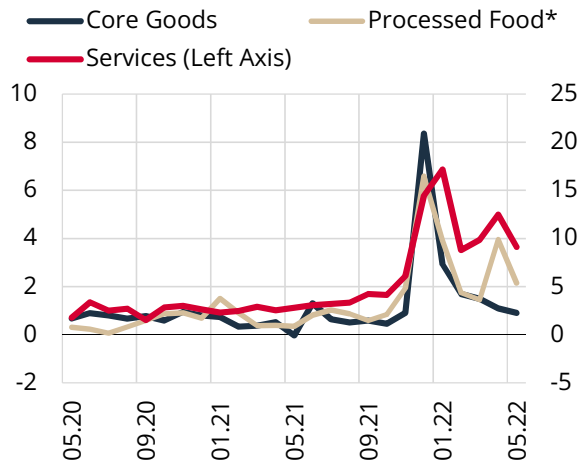


Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

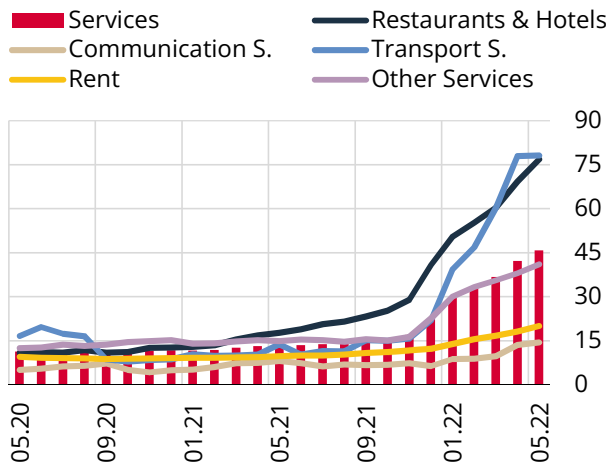


Chart 6. Core Goods (Annual % Change)

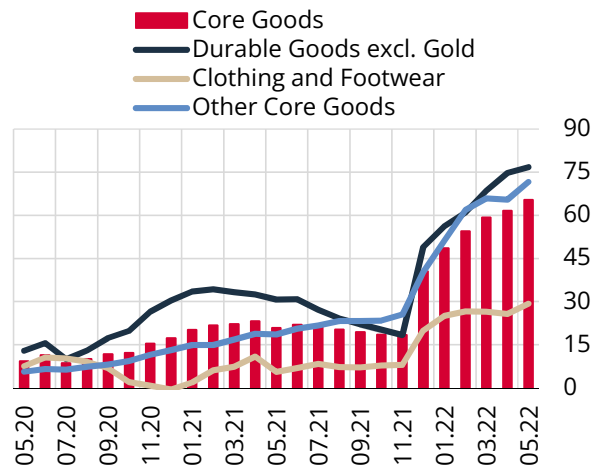


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

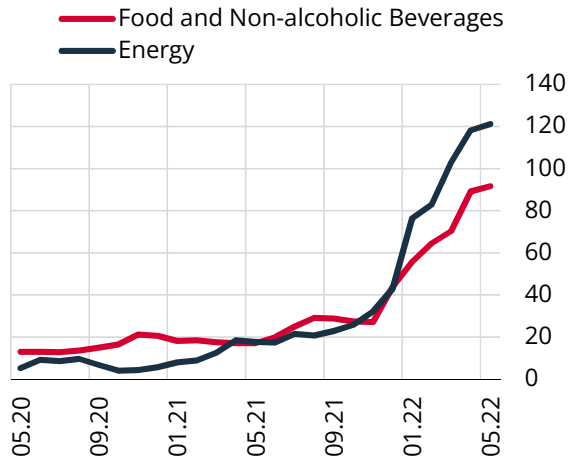


Chart 8. Processed and Unprocessed Food (Annual % Change)

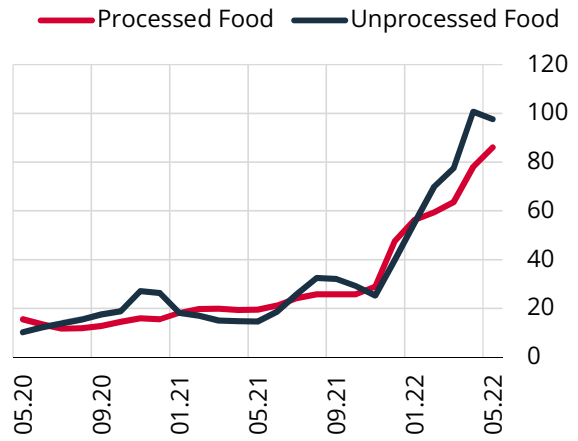


Chart 9. D-PPI and Manufacturing (Annual % Change)

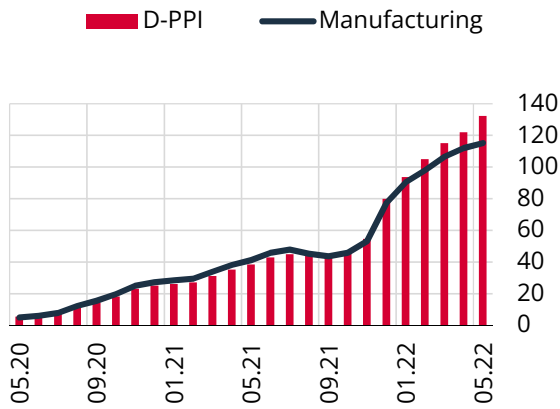
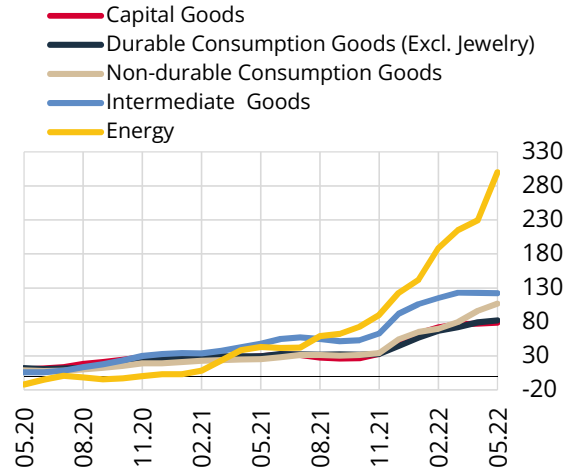


Chart 10. Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	May 2022	May 2021	May 2022	May 2021
CPI	2.98	0.89	73.50	16.59
1. Goods	2.75	0.79	83.95	17.86
Energy	2.90	1.50	121.21	17.71
Food and non-alcoholic beverages	1.63	0.29	91.63	17.04
Unprocessed food	-1.83	-0.32	97.61	14.61
Fresh fruits and vegetables	-11.10	-6.37	94.44	9.96
Other unprocessed food	4.39	3.28	98.33	17.28
Processed food	5.36	0.87	86.01	19.49
Bread and cereals	3.65	1.00	90.69	19.59
Other processed food	6.30	0.80	83.48	19.37
Goods excluding energy and food	3.59	0.92	65.97	18.37
Core goods	3.20	0.86	65.32	20.84
Durable goods (excluding gold)	2.14	0.91	76.75	30.74
Clothing and footwear (*)	4.63	1.78	29.27	5.56
Other core goods	3.94	0.21	71.58	18.59
Alcoholic beverages and tobacco	6.53	-0.01	66.62	2.90
Gold	1.92	8.16	84.45	31.32
2. Services	3.73	1.18	45.78	13.62
Rents	2.28	0.72	20.02	9.72
Restaurants and hotels	5.47	0.95	76.83	17.73
Transport	5.14	5.04	78.16	13.72
Communication	1.77	1.00	14.39	8.03
Other	2.97	0.70	41.09	14.80
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.83	0.98	61.63	17.49
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.44	1.01	56.04	16.99
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.63	1.13	70.44	17.80
F - CPI excluding administered prices	2.73	1.00	75.14	18.13

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	May 2022		May 2021	
		Monthly	Annual	Monthly	Annual
D-PPI	100	8.76	132.16	3.92	38.33
Mining	3.56	6.22	133.49	2.76	32.88
Manufacturing	87.43	5.46	115.18	3.94	41.27
Manufacturing excl. petroleum products	84.97	5.41	110.58	3.73	38.07
Manufacturing excl. petroleum products and base metals	76.27	5.59	107.70	3.10	32.80
Electricity, gas, steam and air-conditioning sup.	8.29	38.49	360.30	4.55	6.64
Water supply	0.72	4.70	70.02	0.47	29.72
D-PPI (MIGs Classification)					
Intermediate Goods		4.99	122.21	5.20	47.76
Durable Consumption Goods		3.57	83.41	2.40	29.18
Durable Consumption Goods (Excl. Jewelry)		3.73	82.30	1.99	29.28
Non-Durable Consumption Goods		7.06	106.82	1.65	25.22
Capital Goods		4.11	79.08	3.14	29.49
Energy		27.65	300.16	5.17	43.33

Source: TURKSTAT.