



# FEBRUARY PRICE DEVELOPMENTS

4 March 2022

## Summary

Consumer prices increased by 4.81% in February, and annual inflation surged by 5.75 points to 54.44%. The rise in annual consumer inflation spread across subgroups, which was mostly caused by food and core goods. The upward trend in commodity prices since January has recently accelerated amid geopolitical developments, which affected related items. Annual food inflation continued to rise across subgroups while fresh fruit and vegetable inflation, which has recorded a large increase in recent months, gained momentum in this period. On the other hand, the VAT cut on essential food items curbed a more negative outlook. Although the upward trend in prices of core goods slowed in February, annual core goods inflation increased in all subgroups. Domestic energy prices reflected the increase in international energy prices. Annual services inflation was up in all subgroups, with transport and restaurants-hotels in the lead due to the outlook for energy and food. Producer prices continued to rise as a result of upswings in international commodity prices across the sectors, especially energy, and supply chains 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 rose by 4.81% in February, and annual inflation increased by 5.75 points to 54.44% (Chart 1 and Table 1). In this period, the annual rate of change in B and C indices increased by 4.35 and 4.60 points to 47.01% and 44.05%, respectively (Chart 2).

Among subgroups, food, core goods, services, energy and alcohol-tobacco-gold added 2.35, 1.57, 0.99, 0.74 and 0.10 points month-on-month to annual consumer inflation.

In seasonally adjusted terms, monthly increases in B and C indices were high, albeit slower than in previous months (Chart 3). Among the groups that make up the B index, monthly price increases slowed in February as well in core goods and processed food, and decreased in services after the January increase driven by administered prices (Chart 4).

Prices of services increased by 3.63% in February, and the group's annual inflation jumped by 3.33 points to 32.89%. Annual inflation went up in all subgroups, most notably in transport and restaurants-hotels (Graph 5). Prices of restaurants-hotels soared by 4.54% due to catering services, recording an annual inflation rate of 55.20%. The increase in input costs such as energy and food can be attributed to factors that have an adverse effect on restaurants-hotels. Due to fuel price changes, prices surged by 5.73% and annual inflation rose to 46.87% in transport services. The largest price hikes across transport services were recorded in intercity passenger transport by road and urban passenger transport by bus. The subgroup of other services also saw widespread price increases, particularly in health and education services, where backward indexation is common, and insurance. Annual rent inflation continued to rise, while seasonally adjusted data suggested that monthly rent inflation was strong in February.

Annual core goods inflation increased by 5.89 points to 54.38% in February. In this period, annual inflation increased in all subcategories (Chart 6). Prices of durable goods (excluding gold) rose by 3.27% in February, while the group's annual inflation was 60.94%. While the furniture (8.08%) and white goods (8.73%) sectors exhibited notable price increases, automobile prices remained mild with an almost flat course. In other core goods, price hikes spread across the whole, chiefly in medicines, personal care products, household products, and housing maintenance and repair groups, and annual inflation in this group reached 61.89%. Contrary to seasonal norms, clothing and footwear prices increased, albeit slightly, in February (0.23%), and annual inflation in this subcategory reached 26.55%.

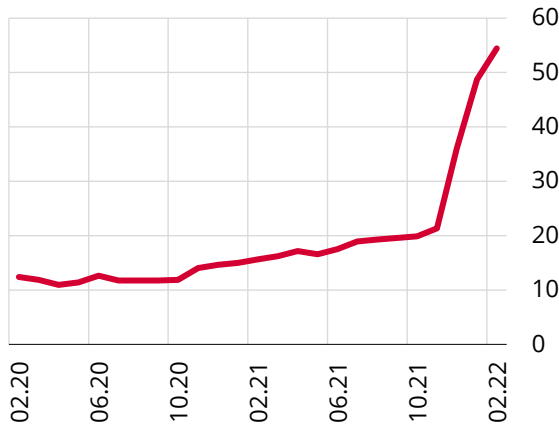
Energy prices increased by 4.00% in February, and the group's annual inflation rose by 6.60 points to 82.98% (Chart 7). Accelerating international energy prices amid elevated geopolitical risks put pressure on fuel, solid fuel and bottled gas prices in this period. While the group's monthly inflation was driven by fuel prices (10.10%), the decline in electricity prices (-4.84%) resulting from the increase in the gradual tariff limit restrained a more negative outlook.

Prices of food and non-alcoholic beverages rose by 8.41% in February, and the group's annual inflation increased by 8.86 points to 64.47% (Chart 7). In this period, annual inflation continued to increase in both unprocessed and processed food groups, chiefly in unprocessed food (Chart 8). Amid unfavorable weather conditions and surging energy costs, prices of fresh fruits and vegetables rose by 32.16% in February. Bread and cereals, red meat, sugar and related products, non-alcoholic beverages and canned vegetable products also stood out in this period. VAT reductions introduced in mid-February spilled over into subcategories of the food group, yet it should be noted that the effect of the reduction will carry over into March.

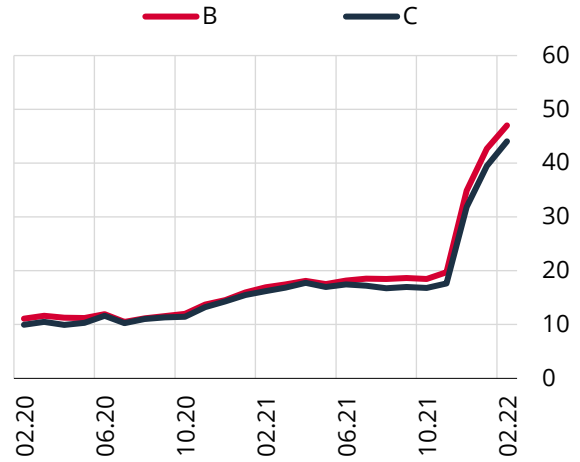
Domestic producer prices increased by 7.22% in February, and annual D-PPI inflation rose by 11.48 points to 105.01% (Chart 9 and Table 2). Exchange rates displayed a stable outlook in February, while commodity prices surged again and disruptions in supply chains persisted. According to main industrial groupings, annual inflation was up in all subcategories, most notably in energy (Chart 10). Across subcategories, monthly changes were remarkable in electricity-gas production and distribution, crude oil-natural gas, main pharmaceutical, wood and construction related products.

## Charts and Tables

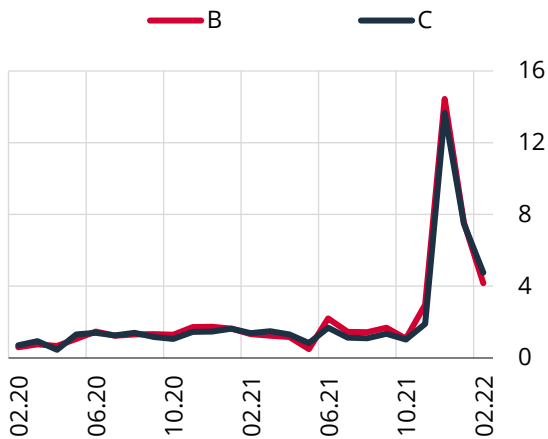
**Chart 1. CPI (Annual % Change)**



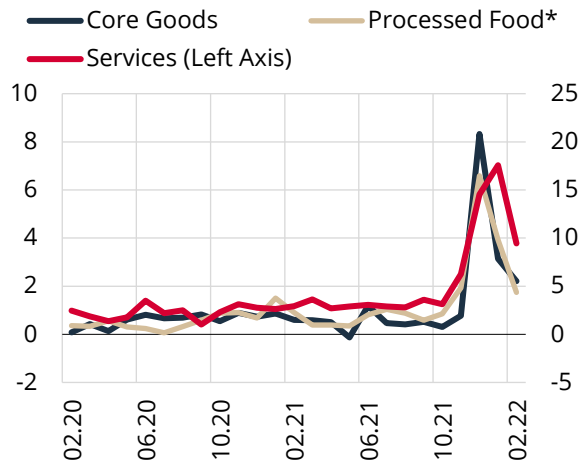
**Chart 2. B and C (Annual % Change)**



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

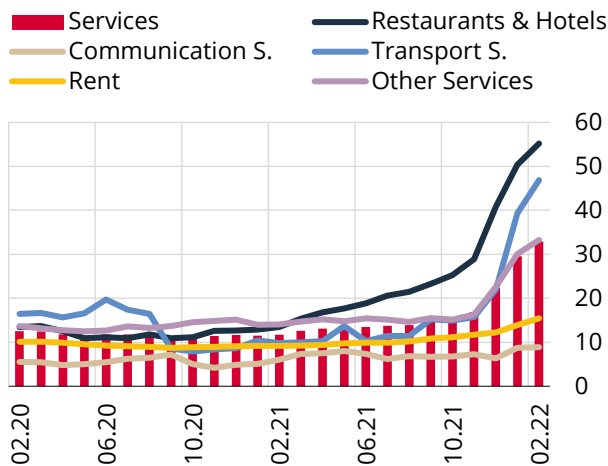


**Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)**

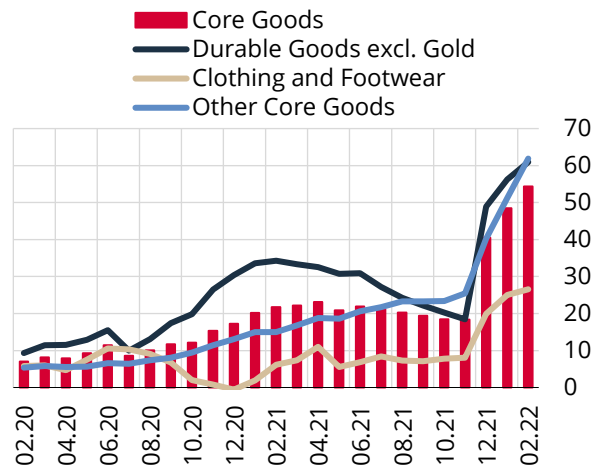


\* No seasonality detected for processed food.

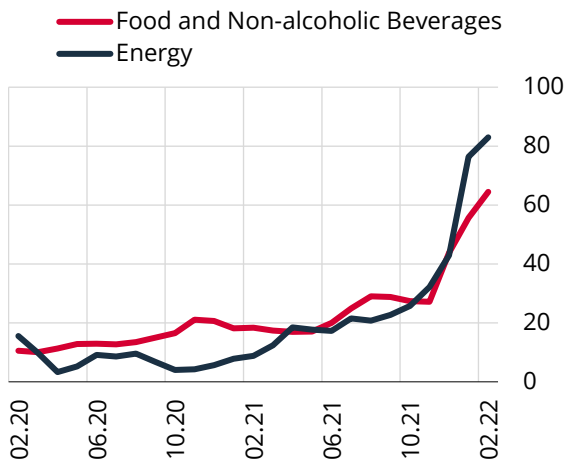
**Chart 5. Services (Annual % Change)**



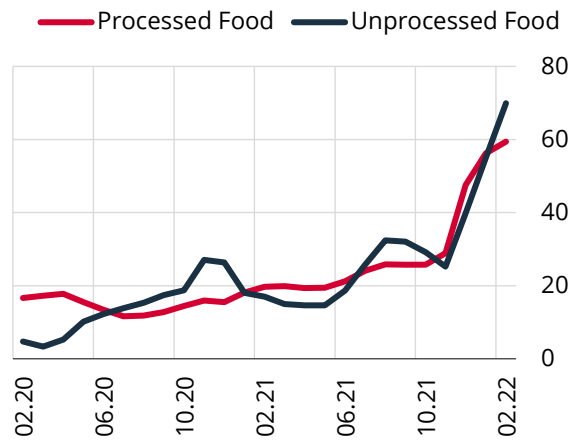
**Chart 6. Core Goods (Annual % Change)**



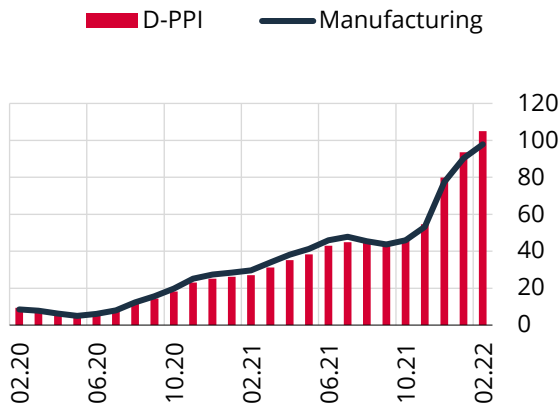
**Chart 7. Food and Non-alcoholic Beverages and Energy** (Annual % Change)



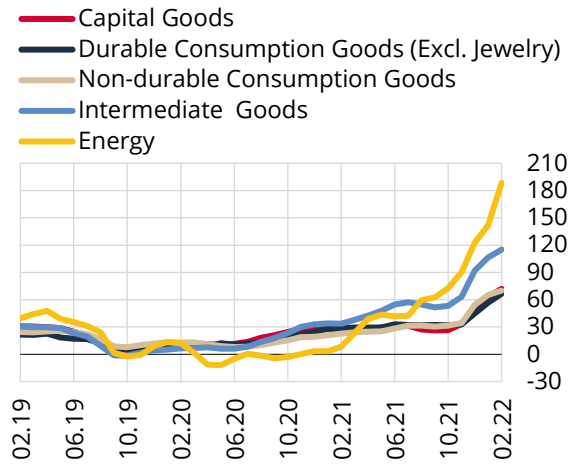
**Chart 8. Processed and Unprocessed Food** (Annual % Change)



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



**Chart 10. Main Industry Groups** (Annual % Change)



## Tables

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

	Monthly		Annual	
	February 2022	February 2021	February 2022	February 2021
<b>CPI</b>	<b>4.81</b>	<b>0.91</b>	<b>54.44</b>	<b>15.61</b>
<b>1. Goods</b>	<b>5.20</b>	<b>0.86</b>	<b>62.53</b>	<b>17.32</b>
Energy	4.00	0.25	82.98	8.82
Food and non-alcoholic beverages	8.41	2.57	64.47	18.40
Unprocessed food	12.83	2.91	69.93	17.01
Fresh fruits and vegetables	32.16	5.21	80.84	8.55
Other unprocessed food	2.49	1.64	61.90	22.43
Processed food	4.37	2.27	59.42	19.72
Bread and cereals	5.40	1.18	68.60	19.03
Other processed food	3.80	2.85	54.56	20.04
Goods excluding energy and food	3.39	-0.21	54.06	19.40
Core goods	3.85	-0.12	54.38	21.70
Durable goods (excluding gold)	3.27	0.25	60.94	34.28
Clothing and footwear (*)	0.23	-0.97	26.55	6.18
Other core goods	6.85	-0.19	61.89	14.94
Alcoholic beverages and tobacco	0.44	0.13	45.78	2.87
Gold	3.80	-5.46	93.15	34.34
<b>2. Services</b>	<b>3.63</b>	<b>1.04</b>	<b>32.89</b>	<b>11.74</b>
Rents	2.22	0.84	15.45	9.20
Restaurants and hotels	4.54	1.32	55.20	13.44
Transport	5.73	0.29	46.87	9.83
Communication	1.22	1.09	8.89	6.04
Other	3.64	1.14	33.26	14.04
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.87	0.79	47.01	16.92
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.75	0.44	44.05	16.21
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.89	0.65	52.73	16.29
F - CPI excluding administered prices	5.56	0.96	56.14	17.22

Source: TURKSTAT.

\* Does not cover clothing services.

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

	Weight	February 2022		February 2021	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	100	<b>7.22</b>	<b>105.01</b>	<b>1.22</b>	<b>27.09</b>
Mining	3.56	6.39	98.70	-0.14	17.32
Manufacturing	87.43	5.60	97.86	1.56	29.57
Manufacturing excl. petroleum products	84.97	5.40	93.60	1.38	29.93
Manufacturing excl. petroleum products and base metals	76.27	5.67	87.74	1.58	26.82
Electricity, gas, steam and air-conditioning sup.	8.29	24.66	202.51	-1.73	0.68
Water supply	0.72	7.37	33.73	1.06	27.31
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		5.33	115.13	1.05	33.77
Durable Consumption Goods		7.66	69.20	0.85	29.29
Durable Consumption Goods (Excl. Jewelry)		7.94	66.59	1.60	28.57
Non-Durable Consumption Goods		5.38	70.00	2.44	22.81
Capital Goods		4.79	71.90	-0.48	26.54
Energy		19.98	188.47	0.68	8.44

Source: TURKSTAT.