



# AUGUST PRICE DEVELOPMENTS

6 SEPTEMBER 2021

## Summary

Consumer prices increased by 1.12% in August, and annual inflation rose by 0.30 points to 19.25%. This was mainly driven by the increasing trend in food prices whereas annual inflation of core indicators decelerated. While prices of fresh fruits and vegetables played a significant role in the rise in food inflation, the agricultural drought that has hit the world and Turkey is affecting consumer food prices negatively. In this period, prices of durable consumption goods followed a mild course due to the recent developments in the Turkish lira and the tax base increase for SCT on automobiles. Accordingly, annual core goods inflation declined. Annual services inflation increased to a limited extent, led by the restaurants-hotels group. While international oil prices decreased in August, non-energy commodity prices, particularly those of agricultural products, picked up again. Accordingly, despite the partial appreciation of the Turkish lira, the monthly upward trend in producer prices continued due to the developments in intermediate goods and energy items such as electricity and natural gas. Against this background, annual inflation of B and C indices decreased whereas their recent trends remained high.

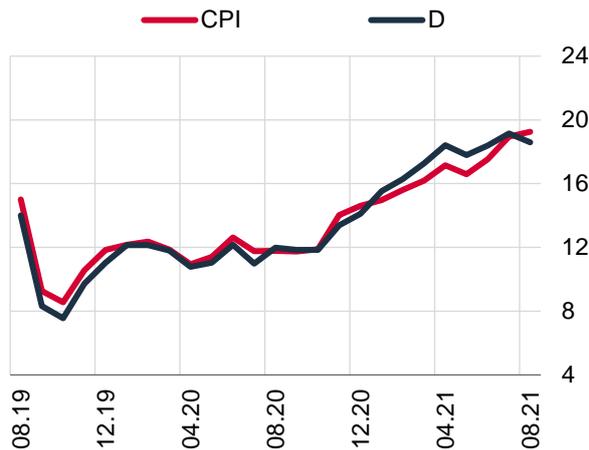
Price Developments are published within one working day following the announcement of price statistics by the Turkish Statistical Institute (TURKSTAT). Price Developments, which include the CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation 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

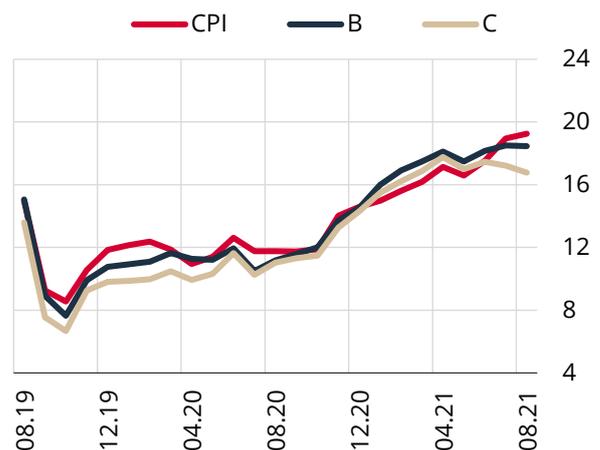
Consumer prices increased by 1.12% in August, and annual inflation rose by 0.30 points to 19.25% (Chart 1). In this period, annual rates of change in the B and C indices decreased by 0.05 points and 0.46 points to 18.46% and 16.76%, respectively (Chart 2).

In terms of subcategories, the contributions of food and services groups to annual consumer inflation increased month-on-month by 0.96 points and 0.01 points, while those of alcohol-tobacco-gold, core goods, and energy groups declined by 0.31 points, 0.29 points and 0.07 points, respectively.

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

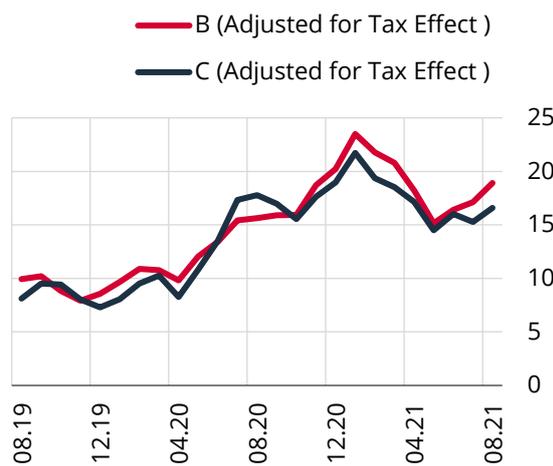


**Chart 2: CPI, B and C (Annual % Change)**

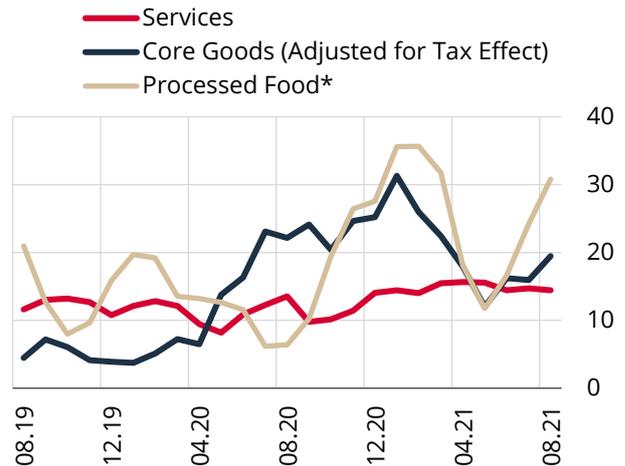


Three-month averages of seasonally adjusted core inflation indicators suggest that the trends of the B and C indices remained high with a slight increase (Chart 3). Yet it should be noted that lockdown and reopening periods have led to fluctuations in the recent inflation trend. In this period, the inflation trend increased in processed food and core goods groups, but remained almost flat in the services group (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)**

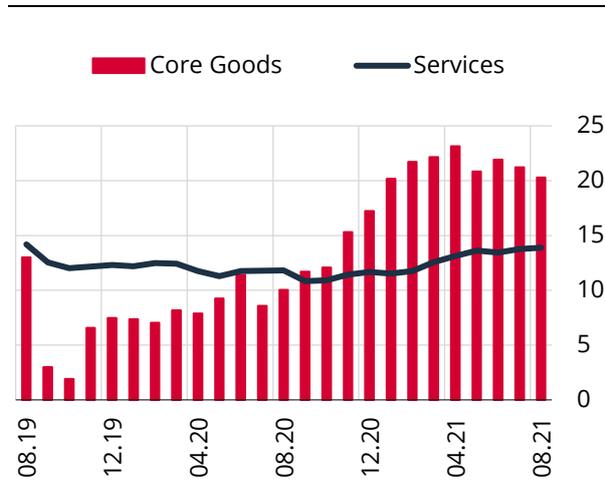


\*There is no seasonal effect in the processed food group.

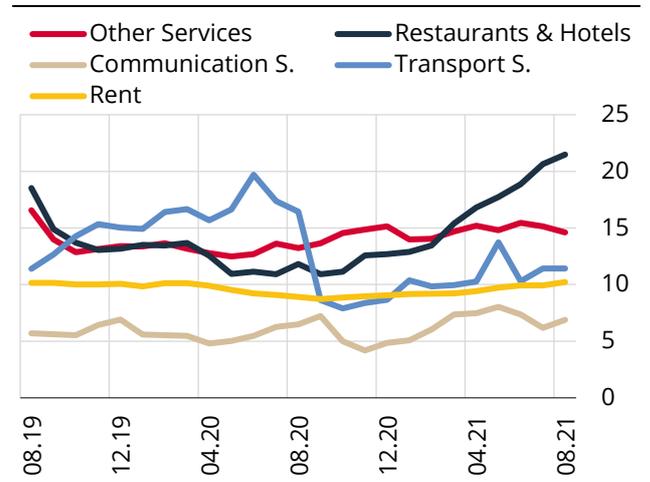
Prices of services rose by 1.25% in August, and annual services inflation increased by 0.13 points to 13.88% (Chart 5). Annual inflation increased in restaurants-hotels, communication, and rent, remained flat in transport services, and decreased in other services (Chart 6). In the restaurants-hotels group, large price increases seen after the reopening also continued in August. While the rise in prices of catering services (2.20%) was also driven by the negative outlook of food prices, hotel prices continued to shape the increase in accommodation prices (3.31%). Meanwhile, the rise in communication prices was triggered by mobile phone call and internet charges. In August, the monthly increase in rents (1.17%) accelerated somewhat. On

the back of the more stable course of the Turkish lira, maintenance-repair and health services, which are highly sensitive to exchange rates, were effective in the decline in annual inflation in other services.

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

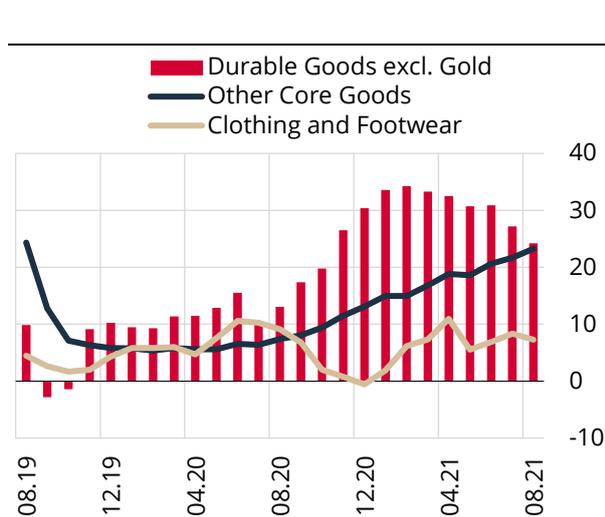


**Chart 6. Services (Annual % Change)**

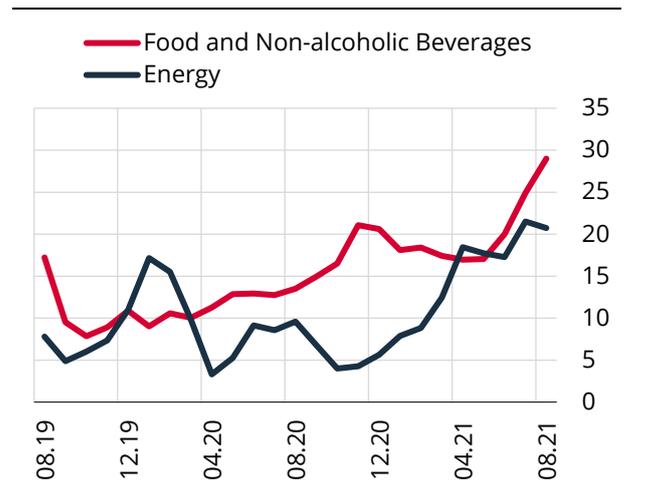


In August, annual core goods inflation decreased by 0.94 points to 20.28% (Chart 5). While annual inflation declined in durable goods and clothing-footwear groups in this period, it increased in other core goods (Chart 7). Prices of durable consumption goods dropped by 1.02% in August, mainly driven by the decrease in automobile prices (2.99%) due to the SCT tax base adjustment. On the other hand, prices of furniture and white goods posted monthly increases. Annual inflation in clothing and footwear declined by 1.08 points to 7.29%. In the other core goods group, annual inflation rose by 1.58 points to 23.27% led by household maintenance and repair, household cleaning products, and personal care products. In sum, while the recent performance of the Turkish lira and the SCT tax base adjustment for automobiles were effective in the deceleration in annual core goods inflation, other core goods limited a more favorable outlook.

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



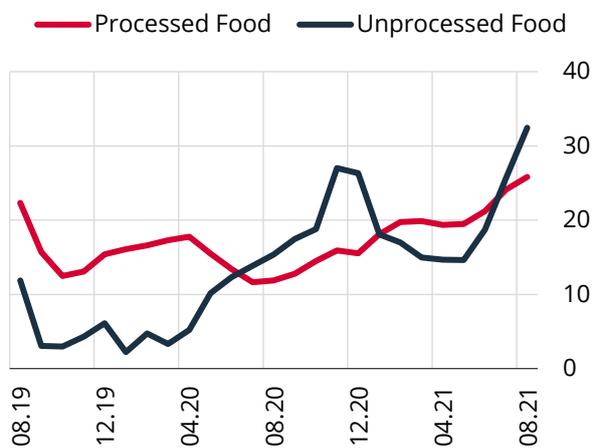
**Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)**



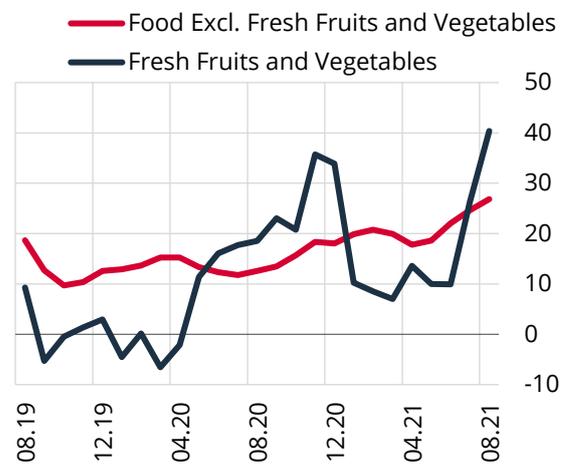
Energy prices were up by 0.63% in August (Table 1). Although the constraining impact of the sliding-scale system on inflation decreased to some extent in this period, the system still prevents a significant upward effect. Fuel prices went up by 1.00% in August mainly due to the LPG prices for which the SCT was previously reduced to zero. Bottled gas prices also rose by 1.92% on a monthly basis, in parallel to the increase in LPG prices. All in all, annual energy inflation dropped by 0.79 points to 20.72% in August.

In August, prices of food and non-alcoholic beverages rose by 3.18% while the group's annual inflation increased by 4.08 points to 29.00% (Chart 8 and Table 2). This was mainly driven by both processed and unprocessed food groups, with the latter having quite a significant contribution (Chart 9). Seasonally adjusted data in the unprocessed food group pointed to a strong monthly increase in the prices of fresh fruits and vegetables, and the group's annual inflation reached 40.38%. In this period, prices of milk, eggs, nuts, and pulses stood out in the rise in the other unprocessed food group. Broad-based price hikes were observed in the processed food group, which registered a monthly price increase of 2.19%, with bread-cereals, cheese and other dairy products, coffee-tea-cocoa, and canned vegetables constituting the leading subcategories. Against this background, inflation in fresh fruits and vegetables increased sharply while annual inflation in food excluding fruits and vegetables climbed to 26.84% (Chart 10). In short, affected by the increases in international food and agricultural commodity prices, cumulative exchange rate effects, and supply constraints in certain products driven by agricultural drought, and also due to the revived demand triggered by the normalization, the food group has registered a notable acceleration in the last three months.

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



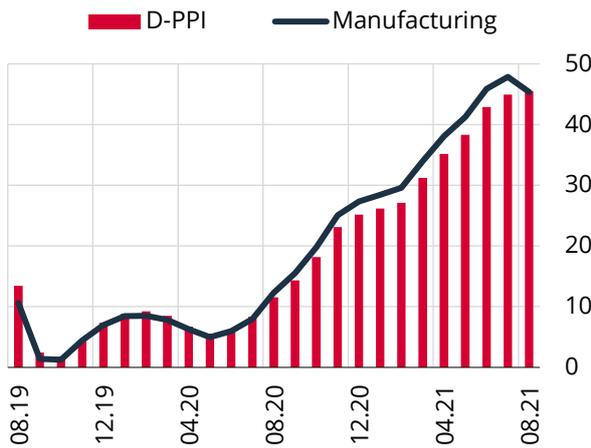
**Chart 10. Fresh Fruits-Vegetables and Other Food**  
(Annual % Change)



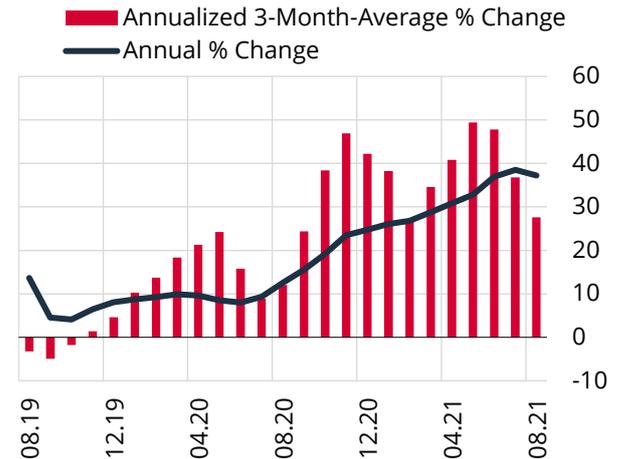
## D-PPI

In August, domestic producer prices rose by 2.77%, and annual D-PPI increased by 0.6 points to 45.52% (Chart 11 and Table 3). Electricity and natural gas price developments, cumulative external price pressures, and ongoing supply constraints continued to be the determinants of this rise in producer prices. Meanwhile, the trend of manufacturing industry prices excluding petroleum and base metals receded in this period but still remained high (Chart 12).

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

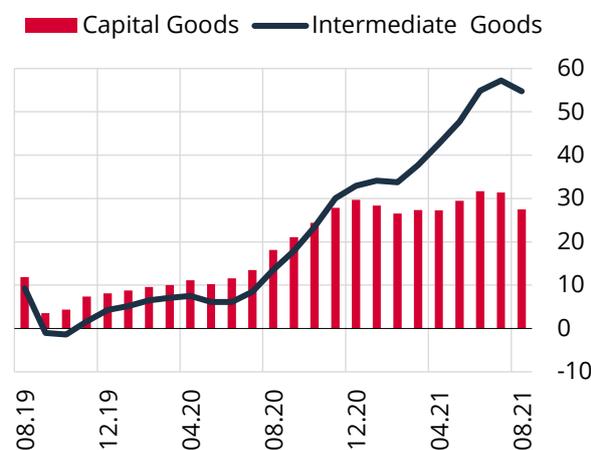


**Chart 12. Manufacturing Excluding Petroleum and Base Metals**

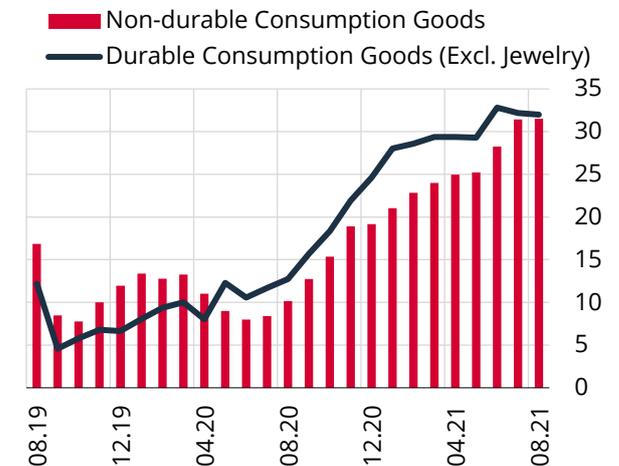


According to main industrial groups, the increase in annual energy inflation stood out (Table 3, Charts 13 and 14). The notable increase in energy prices in August (9.77%) was driven by the production and distribution of electricity and gas. The 2.12% increase in intermediate goods prices is attributed mostly to metals-related products, wood and cork products, and non-metallic minerals used in the construction sector. The price increases in the capital goods group were driven by the rise in prices of motor vehicles along with their parts and accessories as well as of agricultural and forestry machinery. The increase in the prices of durable consumption goods was led by household appliances, furniture, and consumer electronics, while food items such as fruits and vegetables, bakery products, beverages, and dairy products were the drivers of the rise in prices of non-durable consumption goods. Overall, producer prices continued to exert pressure on consumer prices.

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



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



## Tables

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

	Monthly		Annual	
	August 2021	August 2020	August 2021	August 2020
<b>CPI</b>	<b>1.12</b>	<b>0.86</b>	<b>19.25</b>	<b>11.77</b>
<b>1. Goods</b>	<b>1.07</b>	<b>0.74</b>	<b>21.59</b>	<b>11.68</b>
Energy	0.63	1.29	20.72	9.59
Food and non-alcoholic beverages	3.18	-0.08	29.00	13.51
Unprocessed food	4.26	-1.03	32.45	15.36
Fresh fruits and vegetables	10.08	-0.98	40.38	18.51
Other unprocessed food	1.35	-1.06	28.53	13.63
Processed food	2.19	0.81	25.82	11.86
Bread and cereals	1.80	1.34	23.91	13.63
Other processed food	2.39	0.52	26.80	10.91
Goods excluding energy and food	-0.40	1.11	16.57	11.19
Core goods	-0.43	0.35	20.28	10.02
Durable goods (excluding gold)	-1.02	1.35	24.21	13.07
Clothing and footwear (*)	-3.16	-2.19	7.29	9.13
Other core goods	2.08	0.77	23.27	7.36
Alcoholic beverages and tobacco	0.18	0.20	1.79	2.44
Gold	-2.44	13.72	7.38	64.50
<b>2. Services</b>	<b>1.25</b>	<b>1.14</b>	<b>13.88</b>	<b>11.83</b>
Rents	1.17	0.89	10.22	8.93
Restaurants and hotels	2.27	1.56	21.48	11.80
Transport	0.38	0.40	11.41	16.44
Communication	1.09	0.44	6.87	6.49
Other	0.91	1.36	14.62	13.23
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	0.74	0.78	18.46	11.18
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	0.38	0.77	16.76	11.03
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	0.69	1.17	18.58	11.98
F - CPI excluding administered prices	1.26	0.94	20.60	12.08

Source: TURKSTAT.

(\*) Does not cover clothing services.

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

	Weight	August 2021		August 2020	
		Monthly	Annual	Monthly	Annual
<b>CPI</b>	<b>100</b>	1.12	19.25	0.86	11.77
Food and non-alcoholic beverages	25.94	3.18	29.00	-0.08	13.51
Alcoholic beverages and tobacco	4.88	0.18	1.79	0.20	2.44
Clothing and footwear	5.87	-3.08	7.47	-2.11	9.22
Housing	15.36	0.95	19.30	0.95	11.34
Household equipment	8.64	1.38	22.91	1.21	8.90
Health	3.25	0.31	17.88	0.94	14.68
Transport	15.49	-0.77	21.76	1.56	12.69
Communication	4.64	0.90	4.79	0.53	6.37
Recreation and culture	3.01	1.13	12.24	1.07	6.61
Education	2.28	0.58	10.75	0.46	8.50
Restaurants and hotels	5.91	2.27	21.48	1.56	11.80
Miscellaneous goods and services	4.73	1.21	12.96	5.09	26.99

Source: TURKSTAT.

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

	Weight	August 2021		August 2020	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	100	<b>2.77</b>	<b>45.52</b>	<b>2.35</b>	<b>11.53</b>
Mining	3.51	2.72	31.81	4.70	13.26
Manufacturing	87.27	1.24	45.37	2.97	12.29
Manufacturing excl. petroleum products	83.46	1.51	43.44	2.86	13.21
Manufacturing excl. petroleum products and base metals	75.28	1.32	37.20	2.28	12.54
Electricity, gas, steam and air-conditioning sup.	8.38	19.53	48.39	-7.29	0.14
Water supply	0.85	0.90	28.61	0.69	11.33
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		2.12	54.71	3.78	13.58
Durable Consumption Goods		1.07	29.12	2.99	17.08
Durable Consumption Goods (Excl. Jewelry)		1.38	31.98	1.54	12.74
Non-Durable Consumption Goods		0.94	31.49	0.90	10.17
Capital Goods		0.45	27.48	3.52	18.09
Energy		9.77	59.39	-1.91	-1.64

Source: TURKSTAT.