



# August Price Developments

4 September 2020



## Summary

In August, consumer prices increased by 0.86%, and annual inflation stood at 11.77%. Annual inflation rose in core goods in particular as well as the energy and food groups, followed a flat course in services, but declined in the alcoholic beverages and tobacco group due to the high base from tobacco prices. The rise in core goods inflation was driven by durable consumption goods, while the energy group was affected by developments in the exchange rate and international oil prices. The main driver of food inflation was the unprocessed food group. Accordingly, both annual inflation in B and C indices and their trends increased.

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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.

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## Evaluations

In August, consumer prices increased by 0.86%, and annual inflation remained flat at 11.77% (Chart 1). The annual rate of change in the B and C indices rose by 0.69 and 0.78 points to 11.18% and 11.03%, respectively (Chart 2).

Across subcategories, contributions from the core goods, gold, food, energy and services groups to annual consumer inflation were up by 0.37, 0.24, 0.13, 0.11 and 0.04 points month-on-month, respectively, while that from the alcohol-tobacco group decreased by 0.88 points.

Chart 1: CPI and D (Annual % Change)

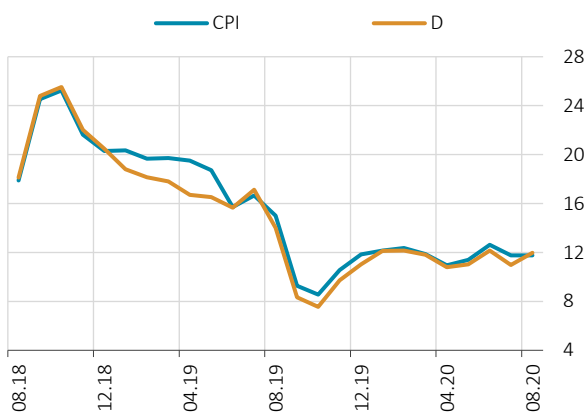
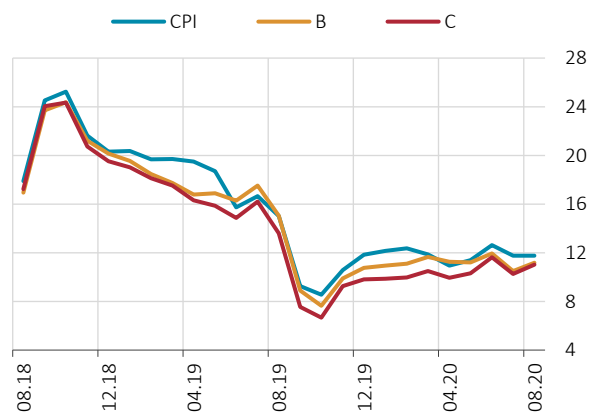


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally-adjusted core inflation indicators suggest an increase in the trends of B and C indices (Chart 3). In this period, inflation trends remained high in the core goods group and rose in services (Chart 4).

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

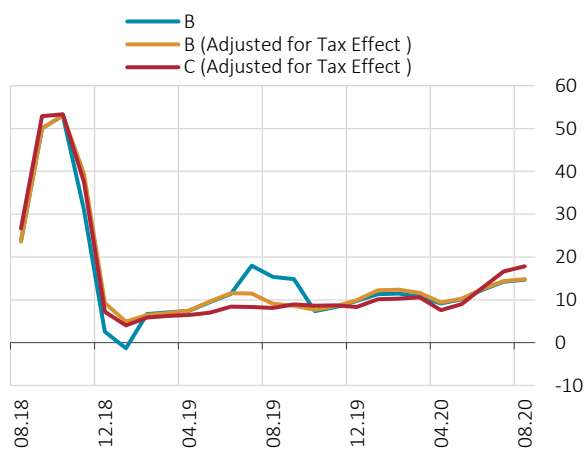
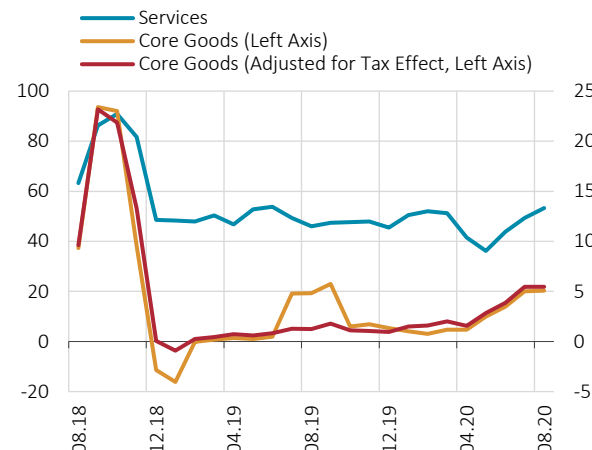


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month Average % Change)



In August, prices of services rose by 1.14% while annual services inflation was flat at 11.83% (Chart 5). Annual inflation was up in restaurants-hotels and communication services, but down in transport, rent and other services (Chart 6). While the fall in annual inflation in transport services was mainly driven by intercity bus fares, there was an increase in airline transport fares (by 1.53%). In the restaurants-hotels group, prices increased both in catering and accommodation services in this period. Across other services, monthly price increases were notable in exchange rate-sensitive items such as the maintenance and repair of personal transport equipment, health services and package tour prices. On the other side,

educational services registered a limited price increase on a monthly basis. Meanwhile, VAT cuts on educational services are considered to have a favorable effect on prices in the upcoming period.

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

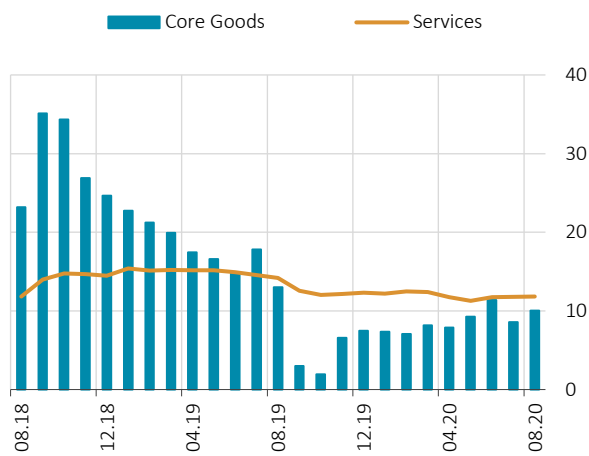
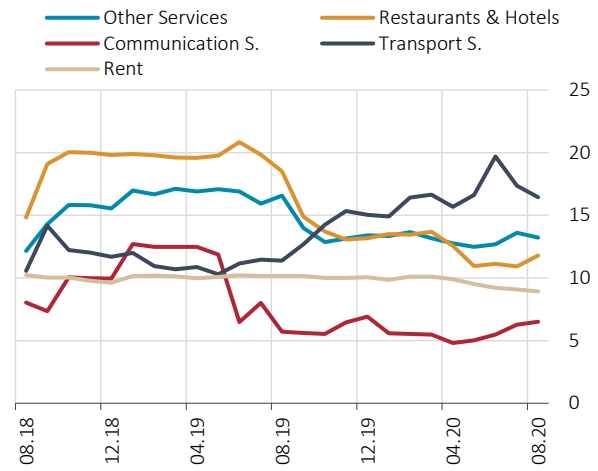


Chart 6. Services (Annual % Change)



Core goods inflation rose by 1.44 points to 10.02% in August (Chart 5). In this period, annual inflation went up in durable goods and other core goods, but down in clothing and footwear (Chart 7). Due also to exchange rate developments, ongoing price increases in durable goods spread across the whole group. Changes introduced to the tax base and SCT in automobiles are considered to have an upside effect on the group inflation in the upcoming period. The seasonal discounts in the clothing and footwear group were slightly higher compared to the last year. In this period, prices of other core goods registered a slight uptick.

Chart 7. Core Goods (Annual % Change)

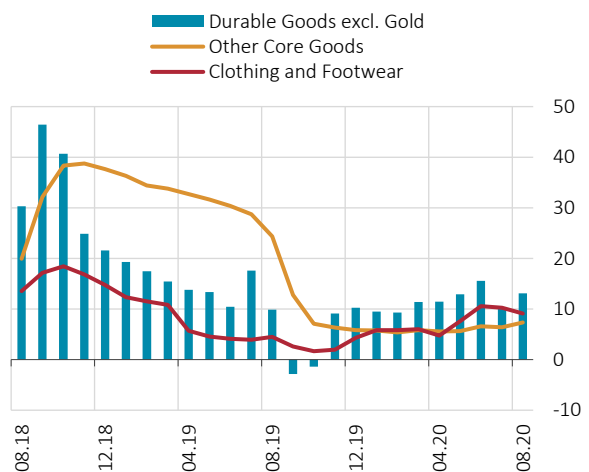
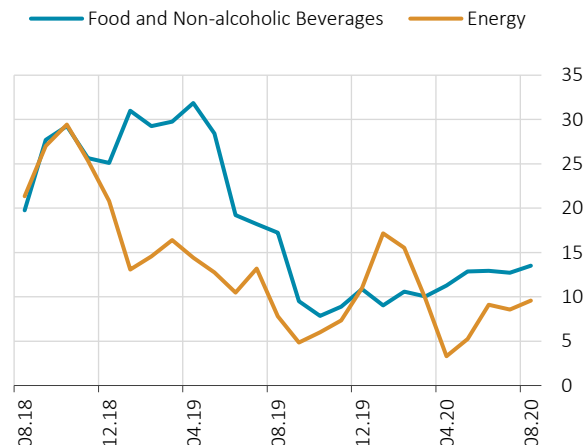


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



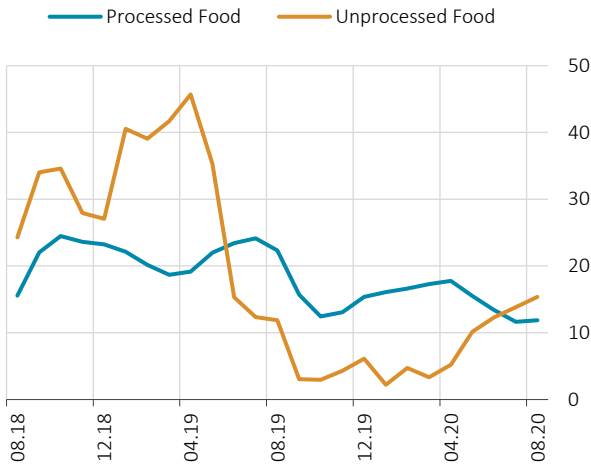
In August, energy prices increased by 1.29% (Table 1). In this period, developments in the exchange rate and international oil prices pushed fuel prices up by 2.17%. Moreover, municipal water tariffs and solid fuel prices rose by 2.69% and 1.13%, respectively. With these developments, annual energy inflation increased by 1.02 points to 9.59%, while the high base effect from natural gas prices limited this rise to some extent (Chart 8).

Annual inflation in food and non-alcoholic beverages went up by 0.78 points to 13.51% in August (Chart 8 and Table 2). This was led mainly by annual inflation in unprocessed food, which rose by 1.51 points to 15.36%, while that in processed food inched up to 11.86% (Chart 9). In the unprocessed food group, the

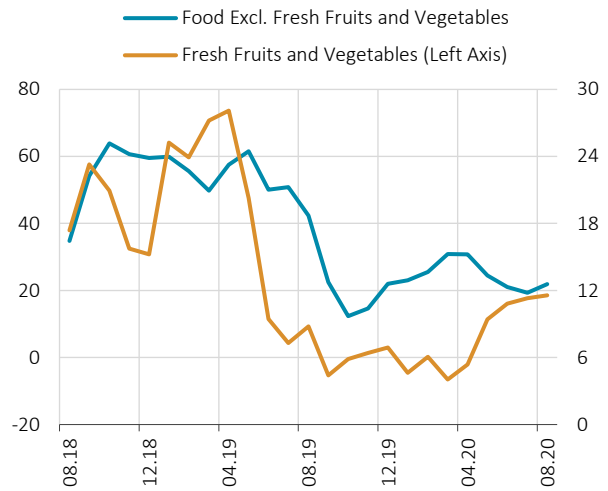
seasonally-adjusted data point to an uptick in prices of fresh fruits and vegetables and a flat course in other unprocessed food prices. In this period, processed food prices rose by 0.81%, with bread and cereals leading the way. Annual inflation in the other processed food group almost unchanged in August. Against this background, annual inflation in food excluding fresh fruits and vegetables posted a small increase (Chart 10).

In August, prices of alcoholic beverages picked up by 2.58%, while tobacco prices remained flat. Alcohol-tobacco annual inflation fell by 19.34 points to 2.44 percent due to the high base in tobacco prices.

**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 2.35% while annual D-PPI inflation increased by 3.20 points to 11.53% (Chart 11 and Table 3), which was led by developments in the exchange rate and commodity prices. In this period, the seasonally adjusted trend of manufacturing industry prices excluding petroleum and base metals increased (Chart 12).

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

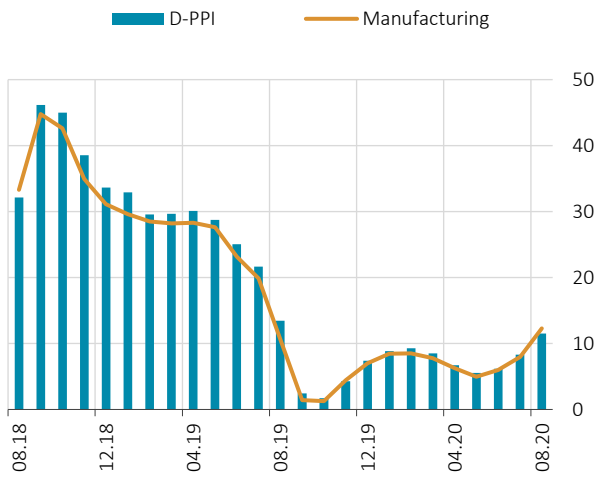
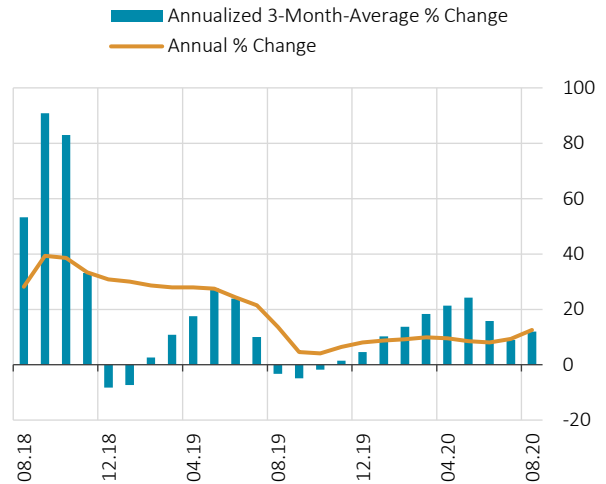


Chart 12. Manufacturing Excluding Petroleum and Base Metals



According to main industrial groupings, annual inflation registered higher figures across all subcategories, excluding energy (Table 3, Chart 13 and Chart 14). In monthly terms, energy prices were lowered by electricity and gas production prices. However, this decline was limited by prices of petroleum products and crude oil. The rise in prices of intermediate goods was led mainly by iron-steel, base metals and plastic products; while prices of capital goods were pushed up by metal construction products, motor vehicles along with their parts and accessories and machines. Price increases in durable goods stemmed from jewelry, while those in non-durable goods were led by textiles, fats and oils and bakery products. In sum, the producer-led cost pressures on consumer inflation increased in this period.

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

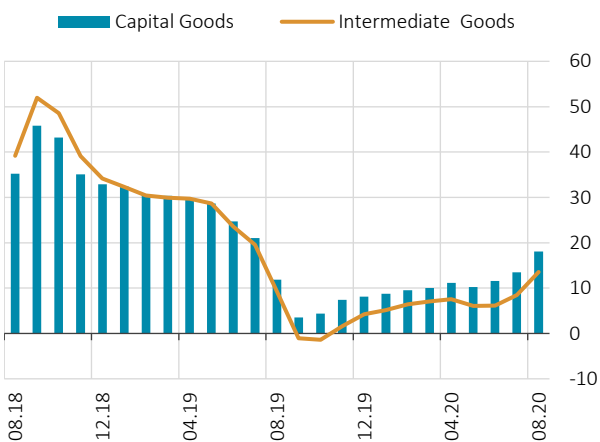
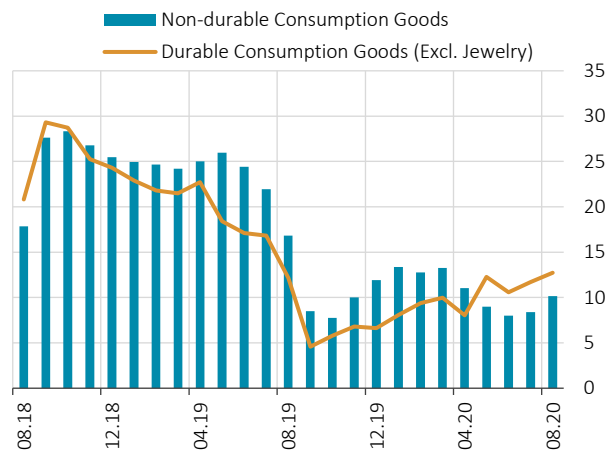


Chart 14. Consumption Goods (Annual % Change)



## Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	August 2020	August 2019	August 2020	August 2019
<b>CPI</b>	<b>0.86</b>	<b>0.86</b>	<b>11.77</b>	<b>15.01</b>
<b>1. Goods</b>	<b>0.74</b>	<b>0.75</b>	<b>11.68</b>	<b>15.30</b>
Energy	1.29	0.34	9.59	7.79
Food and non-alcoholic beverages	-0.08	-0.77	13.51	17.22
Unprocessed food	-1.03	-2.32	15.36	11.89
Fresh fruits and vegetables	-0.98	-1.64	18.51	9.28
Other unprocessed food	-1.06	-2.66	13.63	12.98
Processed food	0.81	0.61	11.86	22.32
Bread and cereals	1.34	0.69	13.63	24.06
Other processed food	0.52	0.57	10.91	21.40
Goods excluding energy and food	1.11	1.90	11.19	16.79
Core goods	0.35	-0.96	10.02	13.02
Durable goods (excluding gold)	1.35	-1.42	13.07	9.87
Clothing and footwear (*)	-2.19	-1.16	9.13	4.46
Other core goods	0.77	-0.13	7.36	24.35
Alcoholic beverages and tobacco	0.20	19.11	2.44	41.42
Gold	13.72	4.48	64.50	18.69
<b>2. Services</b>	<b>1.14</b>	<b>1.12</b>	<b>11.83</b>	<b>14.19</b>
Rents	0.89	1.03	8.93	10.16
Restaurants and hotels	1.56	0.75	11.80	18.52
Transport	0.40	1.20	16.44	11.38
Communication	0.44	0.22	6.49	5.70
Other	1.36	1.70	13.23	16.57
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	0.78	0.16	11.18	15.05
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	0.77	0.06	11.03	13.60
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.17	0.26	11.98	14.00
F – CPI excluding administered prices	0.94	-0.38	12.08	13.90

Source: TURKSTAT.

(\*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	August 2020		August 2019	
		Monthly	Annual	Monthly	Annual
<b>CPI</b>	100	0.86	11.77	0.86	15.01
Food and non-alcoholic beverages	22.77	-0.08	13.51	-0.77	17.22
Alcoholic beverages and tobacco	6.06	0.20	2.44	19.11	41.42
Clothing and footwear	6.96	-2.11	9.22	-1.10	4.70
Housing	14.34	0.95	11.34	2.04	14.02
Household equipment	7.77	1.21	8.90	0.16	20.13
Health	2.80	0.94	14.68	0.48	17.47
Transport	15.62	1.56	12.69	-1.94	6.72
Communication	3.80	0.53	6.37	0.00	3.57
Recreation and culture	3.26	1.07	6.61	0.52	15.07
Education	2.58	0.46	8.50	4.26	17.59
Restaurants and hotels	8.67	1.56	11.80	0.75	18.52
Miscellaneous goods and services	5.37	5.09	26.99	0.89	20.98

Source: TURKSTAT.

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

	Weight	August 2020		August 2019	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	100	2.35	11.53	-0.59	13.45
Mining	3.23	4.70	13.26	0.71	14.91
Manufacturing	89.22	2.97	12.29	-1.01	10.59
Manufacturing excl. petroleum products	85.25	2.86	13.21	-0.75	11.84
Manufacturing excl. petroleum products and base metals	75.47	2.28	12.54	-0.61	13.63
Electricity, gas, steam and air-conditioning sup.	6.61	-7.29	0.14	4.33	55.83
Water supply	0.95	0.69	11.33	1.35	-6.19
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		3.78	13.58	-0.89	9.30
Durable Consumption Goods		2.99	17.08	0.76	12.28
Durable Consumption Goods (Excl. Jewelry)		1.54	12.74	0.60	12.16
Non-Durable Consumption Goods		0.90	10.17	-0.73	16.83
Capital Goods		3.52	18.09	-0.50	11.86
Energy		-1.91	-1.64	0.37	24.13

Source: TURKSTAT.