



NOVEMBER PRICE DEVELOPMENTS

6 DECEMBER 2021

Summary

Consumer prices increased by 3.51% in November, and annual inflation rose by 1.42 points to 21.31%. The most significant contribution to the rise in inflation came from the energy group. International energy prices eased a little in this period, but domestic energy prices, chiefly fuel oil, bottled gas and coal recorded increases in line with the developments in the Turkish lira. The rise in inflation is also attributable to the services sector, in which accelerated prices in restaurants-hotels proved notable. The course of food inflation excluding fresh fruits and vegetables had a negative impact on catering services inflation. In November, the upward trend in global food and agricultural commodity prices continued with cereals in the lead. Despite the negative repercussions of this, the outlook for fresh fruits and vegetables inflation coupled with the base effect reduced annual food inflation to a limited extent. The monthly increase in core goods prices gained momentum, and annual inflation in this group remained relatively flat due to the upsurge in the same period of the previous year. In this period, the lingering negative course of commodity prices, increasingly continuing disruptions in supply chains and the developments in the Turkish lira led to a rise in producer prices across all subcategories, most visibly in energy and intermediate goods sectors. Against this background, the annual inflation and underlying trends of B and C indices increased.

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 3.51% in November, and annual inflation rose by 1.42 points to 21.31%. (Chart 1). In this period, annual rates of change in the B and C indices increased by 1.25 points and 0.80 points to 19.75% and 17.62%, respectively (Chart 2).

In terms of subcategories, the contributions of all groups increased month-on-month: energy (by 0.73 points), services (by 0.30 points), alcohol-tobacco-gold (by 0.15 points), food (by 0.13 points) and core goods (by 0.11 points).

Chart 1. CPI and D (Annual % Change)

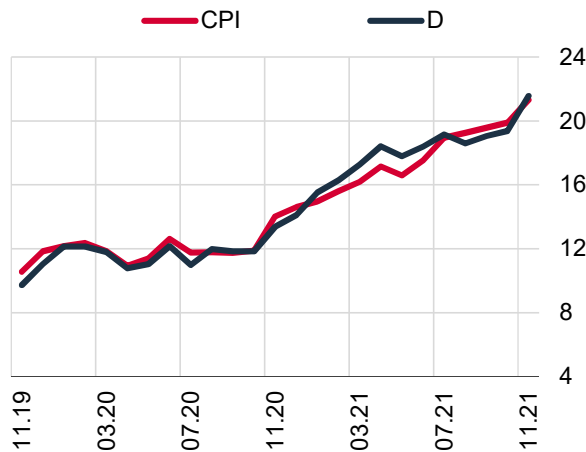
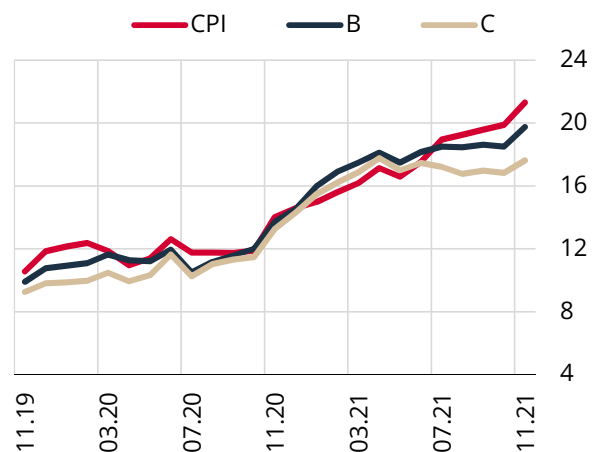


Chart 2. CPI, B and C (Annual % Change)



Three-month averages of seasonally adjusted core inflation indicators suggest that the trends of the B and C indices increased (Chart 3). In this period, the inflation trend increased in main components of core indicators, with the processed food and services groups in the lead (Chart 4).

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

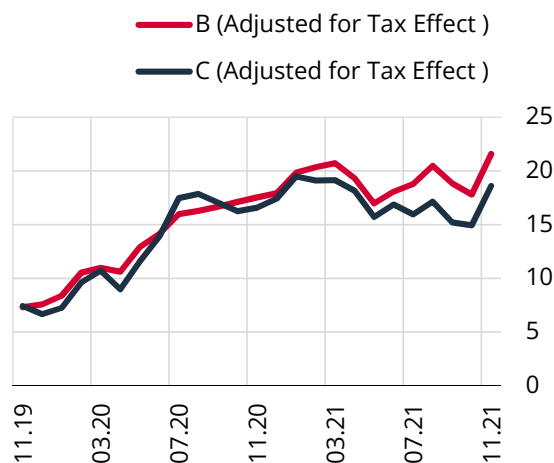
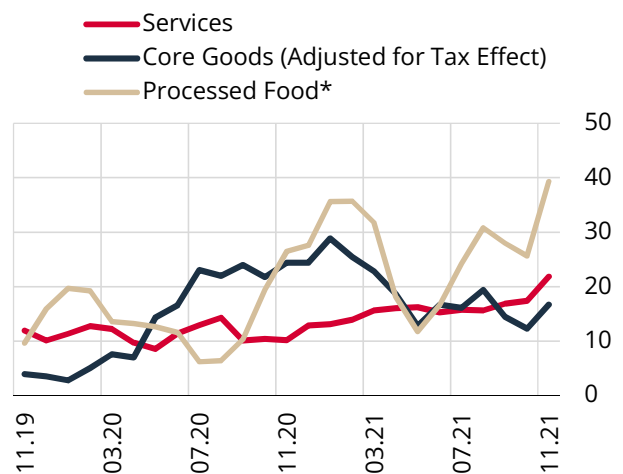


Chart 4. Main Components of B Index (Seasonally Adjusted, Annualized 3-Month Average % Change)



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

Prices of services were up by 1.88% in November, and annual services inflation increased by 1.45 points to 16.88% (Chart 5). Annual inflation rose across all subcategories, chiefly in restaurants-hotels (Chart 6). In the restaurants-hotels group, annual inflation reached 28.90% and the negative impact of this subcategory on services inflation grew more pronounced in November. This was led by the developments in food prices such as bread and cereals coupled with meat and meat products resulting in an uptick in prices of catering services (4.24%), and prices of accommodation services increased further (2.43%). In the other services group, maintenance and repair services, which are highly sensitive to the exchange rate, and insurance

services recorded price hikes. According to seasonally adjusted data, the upward trend in rent inflation continued in November.

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

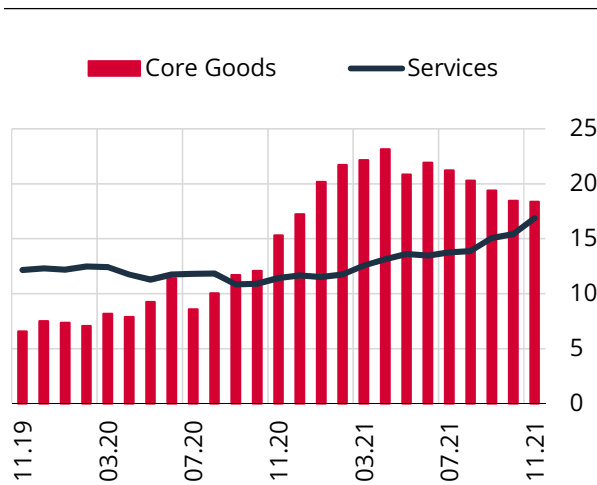
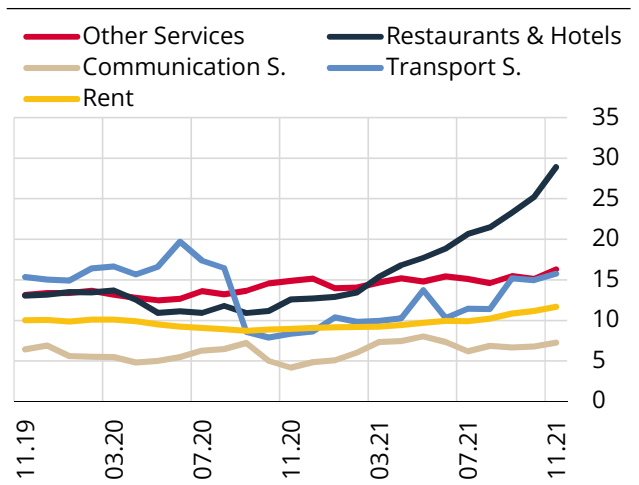


Chart 6. Services (Annual % Change)



In November, annual core goods inflation decreased by 0.10 points to 18.36% (Chart 5). Annual inflation declined in durable goods and increased in the clothing-footwear and other core goods in this period (Chart 7). In durable goods, which saw a monthly price hike due to the developments in the Turkish lira, annual inflation receded on account of the high base in the same period of the previous year. Prices of durable goods rose by 4.06% in this period due to price hikes in automobiles (5.21%), furniture (5.31%) and white goods (2.40%), while the rise in prices of other electrical and non-electrical appliances remained limited at 0.63%. Price increases in the other core goods group spread across the group amid exchange rate developments (chiefly repairs and maintenance of the dwelling, personal care products, household cleaning products and household textile products) and the group's monthly inflation reached to 4.27%. Clothing and footwear prices posted an increase of 1.65% in November, which was below seasonal averages, and the group's annual inflation remained almost flat.

Chart 7. Core Goods (Annual % Change)

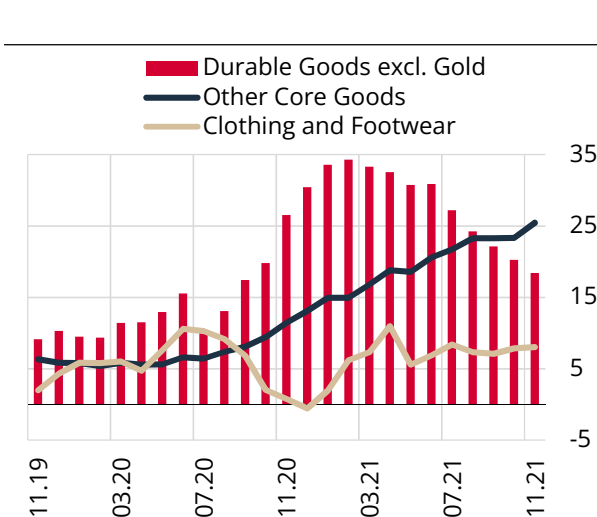
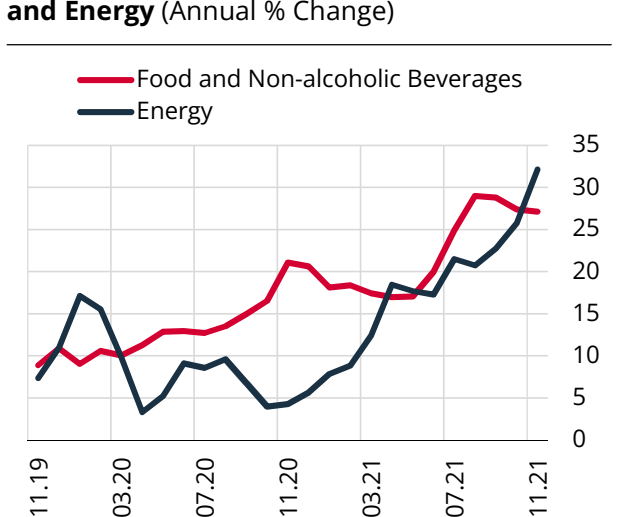


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



In November, energy prices increased by 5.95% (Table 1). In this period, while international energy prices remained mild, significant monthly increases were observed in the prices of solid fuels (14.25%), bottled gas (13.96%) and fuel (12.34%) due to the developments in the Turkish lira. Thus, annual energy inflation increased by 6.38 points to 32.14% in November (Chart 8).

In November, prices of food and non-alcoholic beverages increased by 3.92%, and annual inflation of the group decreased by 0.30 points due also to last year's high base effect and remained high at 27.11% (Chart 8 and Table 2). Annual inflation decreased by 3.98 points to 25.22% in the unprocessed food group, whereas it rose by 3.15 points to 28.86% in the processed food group (Chart 9). While the decline in the unprocessed food inflation was mainly driven by fresh fruits-vegetable prices, seasonally adjusted data indicate that the correction in the fresh fruit-vegetables group since September continued in this period on the back of vegetables (Chart 10). In November, while prices rose substantially (5.47%) across the other unprocessed food group, the increases in the prices of meat, eggs, potatoes, nuts and pulses stood out. Agricultural drought, exchange rate developments and input costs continued to have an effect on these developments. The monthly price increase (4.83%) in processed food gained pace. Meanwhile, although broad-based significant increases were seen across prices in this period, noteworthy was the monthly increase (7.20%) in the bread and cereals group, which was affected by agricultural drought and the negative course of international grain prices in particular, as well as by the exchange rate developments. Additionally, there were noteworthy increases in processed meat products due to the increases in red meat prices, in fats and oils thanks to international oil prices, and in sugar and sugar-related product groups. Consequently, annual inflation in the food group excluding fresh fruits and vegetables increased by 2.23 points to 29.76% (Chart 10).

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

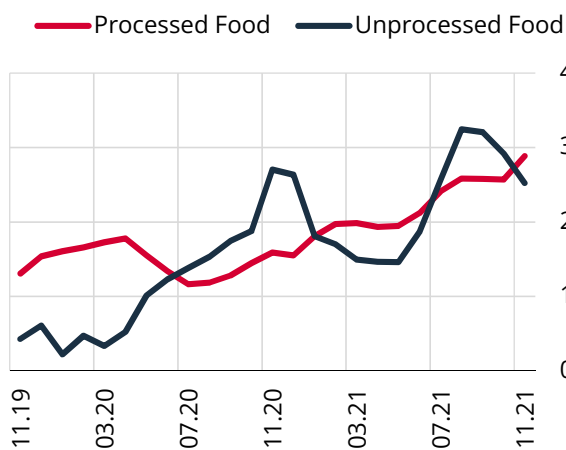
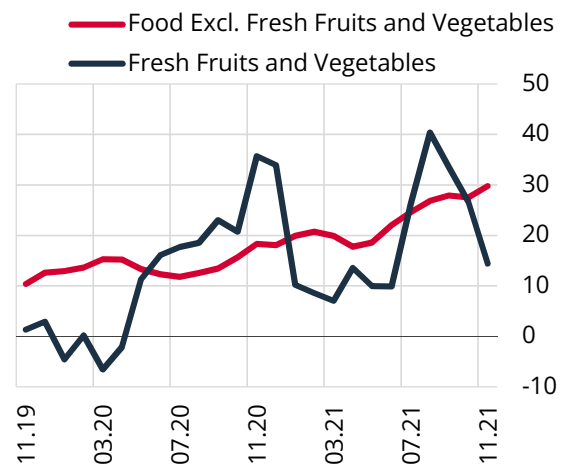


Chart 10. Fresh Fruits-Vegetables and Other Food
(Annual % Change)



D-PPI

In November, domestic producer prices rose by 9.99%, and annual inflation increased by 8.31 points to 54.62% (Chart 11 and Table 3). While the developments regarding the Turkish lira, and the high course of commodity prices led by agricultural products continued to be the determinants of price hikes spreading across subcategories, the disruptions in supply chains became evident once again. In this period, the trend of manufacturing industry prices excluding petroleum and base metals posted a substantial increase (Chart 12).

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

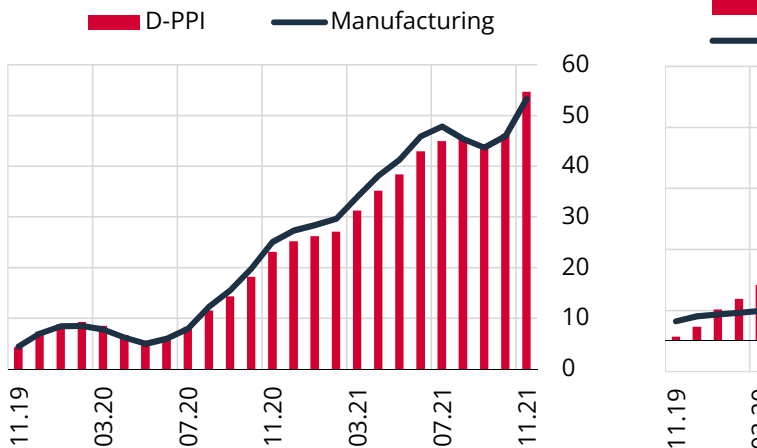
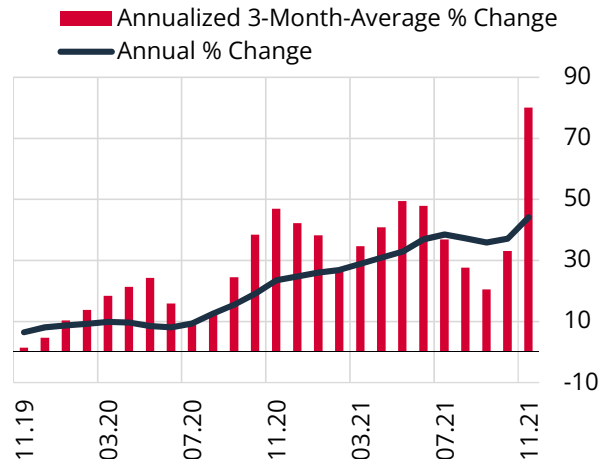


Chart 12. Manufacturing Excluding Petroleum and Base Metals



According to main industrial groupings, annual inflation rose across all subcategories particularly in energy and intermediate goods (Table 3, Chart 13 and Chart 14). The most visible increase was seen in the energy group at 13.33%, mainly led by generation and distribution of electricity, refined petroleum products, production of gas and production of coal. While iron-steel and other metals, textile threads and fibers, chemical and plastic products came to the fore in the prices of intermediate goods, recording a monthly increase of 11.55%, other items also posted significant price increases. Metal construction products, motor vehicles along with their parts and accessories, and machinery were the main drivers of capital goods price increases (7.91%). While prices of durable goods rose due mainly to furniture, jewelry, and household appliances, the rise in non-durable goods was driven by meat products, textile products, fats-oils, and other food products. Overall, producer prices-induced pressures on consumer prices continued.

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

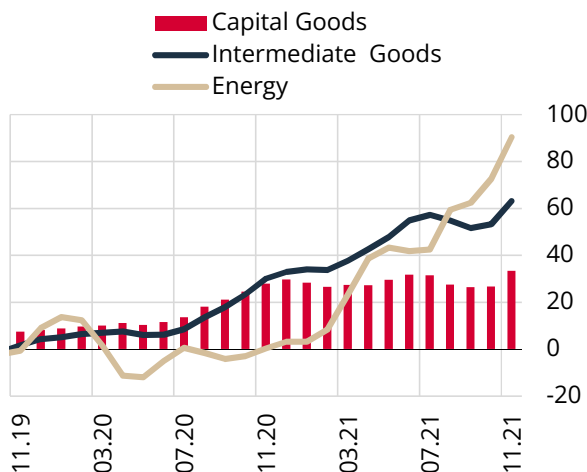
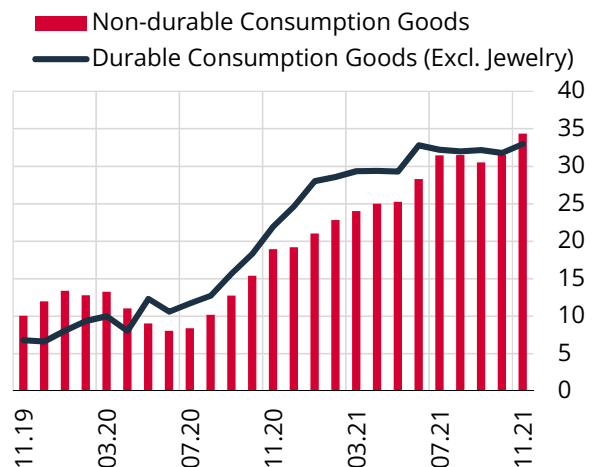


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	November 2021	November 2020	November 2021	November 2020
CPI	3.51	2.30	21.31	14.03
1. Goods	4.10	3.02	22.98	15.14
Energy	5.95	0.84	32.14	4.28
Food and non-alcoholic beverages	3.92	4.16	27.11	21.08
Unprocessed food	2.93	6.21	25.22	27.02
Fresh fruits and vegetables	-1.91	8.58	14.42	35.72
Other unprocessed food	5.47	4.94	31.25	22.56
Processed food	4.83	2.26	28.86	15.92
Bread and cereals	7.20	3.32	29.94	19.30
Other processed food	3.54	1.67	28.27	14.08
Goods excluding energy and food	3.53	2.97	16.93	15.19
Core goods	3.67	3.76	18.36	15.32
Durable goods (excluding gold)	4.06	5.68	18.40	26.50
Clothing and footwear (*)	1.65	1.46	8.04	0.76
Other core goods	4.27	2.52	25.45	11.46
Alcoholic beverages and tobacco	0.03	0.00	7.91	0.67
Gold	17.27	0.80	28.57	71.46
2. Services	1.88	0.62	16.88	11.42
Rents	1.18	0.71	11.68	8.96
Restaurants and hotels	4.10	1.13	28.90	12.59
Transport	0.61	-0.06	15.73	8.38
Communication	0.57	0.12	7.26	4.18
Other	1.54	0.50	16.30	14.86
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.22	2.14	19.75	13.72
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.81	2.12	17.62	13.26
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.80	1.93	21.56	13.38
F - CPI excluding administered prices	4.05	2.72	22.48	15.91

Source: TURKSTAT.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	November 2021		November 2020	
		Monthly	Annual	Monthly	Annual
CPI	100	3.51	21.31	2.30	14.03
Food and non-alcoholic beverages	25.94	3.92	27.11	4.16	21.08
Alcoholic beverages and tobacco	4.88	0.03	7.91	0.00	0.67
Clothing and footwear	5.87	1.70	8.33	1.46	0.99
Housing	15.36	3.12	23.78	1.05	9.12
Household equipment	8.64	3.44	25.14	1.69	14.22
Health	3.25	0.88	17.29	0.80	16.25
Transport	15.49	6.31	22.74	4.51	18.67
Communication	4.64	0.58	5.77	0.12	5.19
Recreation and culture	3.01	2.29	13.96	1.53	10.24
Education	2.28	0.08	17.04	-0.19	7.00
Restaurants and hotels	5.91	4.10	28.90	1.13	12.59
Miscellaneous goods and services	4.73	5.36	18.36	1.14	29.42

Source: TURKSTAT.

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

	Weight	November 2021		November 2020	
		Monthly	Annual	Monthly	Annual
D-PPI	100	9.99	54.62	4.08	23.11
Mining	3.51	11.64	44.53	2.15	19.63
Manufacturing	87.27	9.55	53.24	4.33	25.04
Manufacturing excl. petroleum products	83.46	9.36	49.43	4.29	26.35
Manufacturing excl. petroleum products and base metals	75.28	9.16	44.16	3.82	23.47
Electricity, gas, steam and air-conditioning sup.	8.38	14.33	72.42	1.69	0.58
Water supply	0.85	1.00	33.08	0.49	12.83
D-PPI (MIGs Classification)					
Intermediate Goods		11.55	63.12	4.77	30.07
Durable Consumption Goods		5.15	32.17	2.74	25.84
Durable Consumption Goods (Excl. Jewelry)		4.00	32.98	3.05	21.94
Non-Durable Consumption Goods		6.43	34.33	4.17	18.90
Capital Goods		7.91	33.30	2.58	27.85
Energy		13.33	90.34	2.79	0.36

Source: TURKSTAT.