



SEPTEMBER PRICE DEVELOPMENTS

5 OCTOBER 2021

Summary

Consumer prices increased by 1.25% in September, and annual inflation rose by 0.33 points to 19.58%. This was mainly driven by the price developments in energy and services. In this period, price hikes in oil, natural gas and coal resulted in an unfavorable outlook in international energy prices. Although the sliding-scale system curbed the pressures on fuel prices, domestic energy prices were pushed upwards by tap water as well as solid fuels such as coal and firewood. After an acceleration in the summer season, food prices remained high with a limited decline. Annual core goods inflation lost some momentum due also to the high base in durable consumption goods from the previous year. In this period, services inflation increased owing also to the ongoing effects of re-opening, while the services inflation outlook was largely shaped by the opening of schools and universities. Against this background, prices of services drove annual inflation of B and C indices higher, and the recent trends of these indices remained high, albeit with a slowdown.

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 1.25% in September, and annual inflation rose by 0.33 points to 19.58% (Chart 1). In this period, annual rates of change in the B and C indices increased by 0.17 points and 0.22 points to 18.63% and 16.98%, respectively (Chart 2).

In terms of subcategories, the contributions of services, energy and alcohol-tobacco-gold groups to annual consumer inflation increased month-on-month by 0.30 points, 0.24 points and 0.01 points, while those of core goods and food groups declined by 0.16 points and 0.06 points, respectively.

Chart 1: CPI and D (Annual % Change)

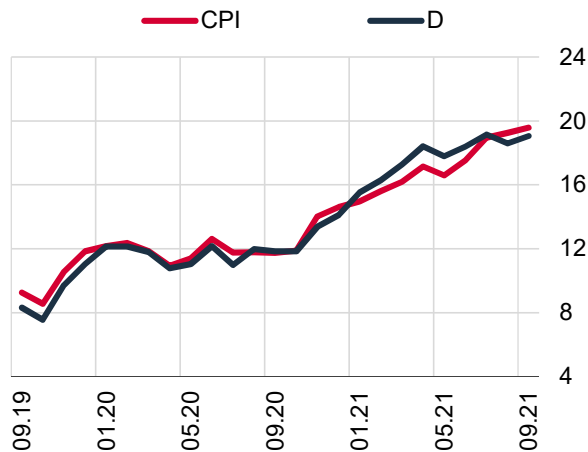
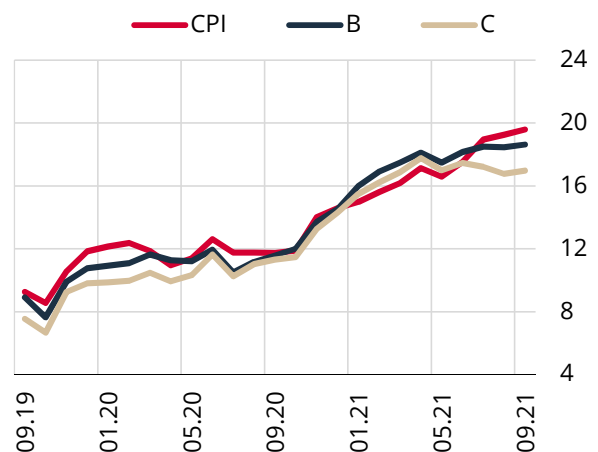


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally adjusted core inflation indicators suggest that the trends of the B and C indices decreased (Chart 3). As underlined in the previous month, lockdown and reopening periods lead to fluctuations in the recent inflation trend. In this period, the inflation trend decreased in the processed food and core goods groups, with the latter in the lead, while it increased in the services group (Chart 4).

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

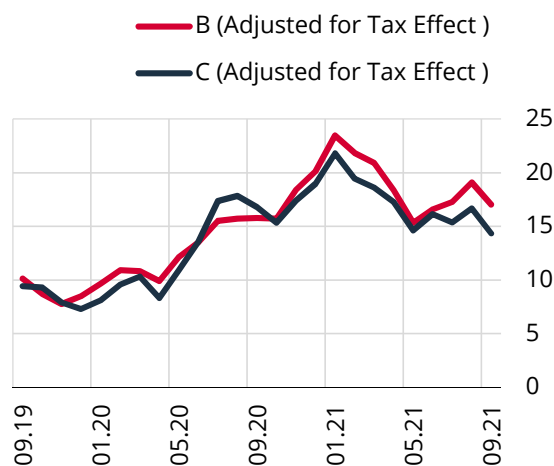
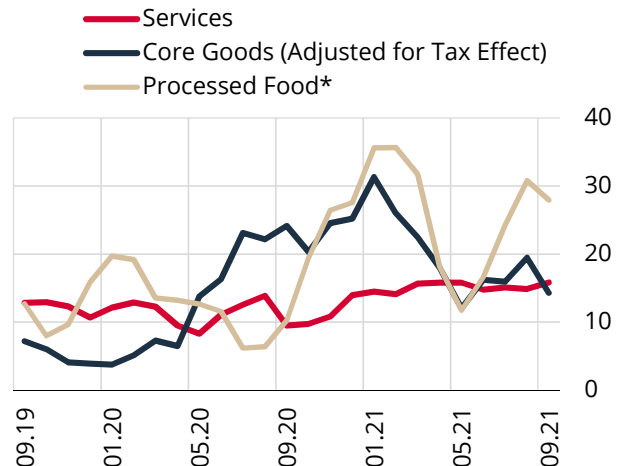


Chart 4: Main Components of B Index (Seasonally Adjusted, Annualized 3-Month Average % Change)



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

Prices of services rose by 1.62% in September, and annual services inflation increased by 1.18 points to 15.06% (Chart 5). Annual inflation decreased in communication services, but increased in other categories, chiefly in transport services and restaurants-hotels (Chart 6). The rise in annual services inflation was mainly driven by soaring prices in education-related sectors following the opening of schools and universities (tuition and dormitory fees, school bus fares etc.), while the expiry of temporary VAT cuts in the education sector made these increases more evident. Prices in transport services rose by 2.80%, and the uptick in the intracity passenger transport by bus stood out due to the increase in school bus fares. In the

restaurants-hotels group, prices of catering services surged further (2.03%) in September, while the rise in accommodation prices was led by rising dormitory fees. Against this background, annual inflation in the restaurants-hotels group hit 23.27%. With recently accelerated monthly increases, a similar trend was seen in rents in September (1.29%), and annual rent inflation reached 10.85%. In other services, university education fees and the social services item, due to the rise in as well as nursery and daycare fees, stood out.

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

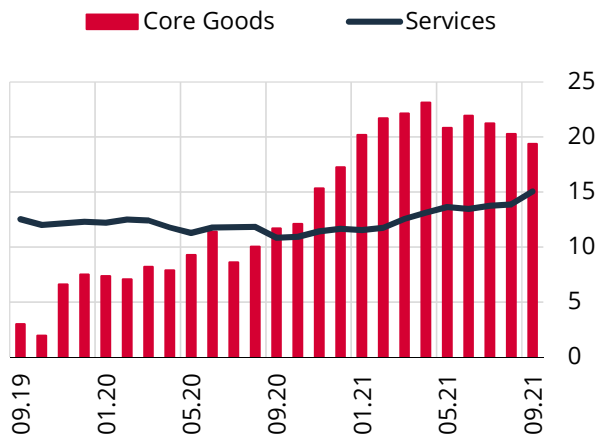
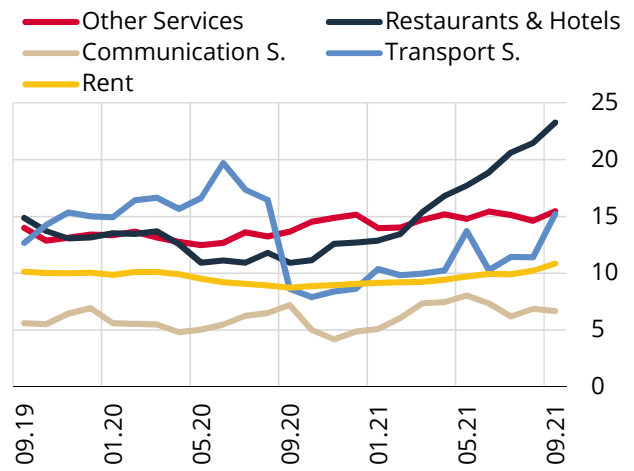


Chart 6. Services (Annual % Change)



In September, annual core goods inflation decreased by 0.90 points to 19.38% (Chart 5). Annual inflation declined in durable goods and clothing-footwear groups in this period, but remained flat in other core goods (Chart 7). Prices of durable consumption goods rose by 1.96% in September, which was led by the soaring prices in the furniture group upon the expiry of special offers (8.24%). Monthly price increases persisted in white goods, whereas automobile prices registered a mild course. All in all, annual durable goods inflation declined by 2.09 points to 22.21% due also to the high base from the previous year. In the clothing and footwear group, prices followed almost a flat course (-0.22%), and annual inflation edged down to 7.11%.

Chart 7. Core Goods (Annual % Change)

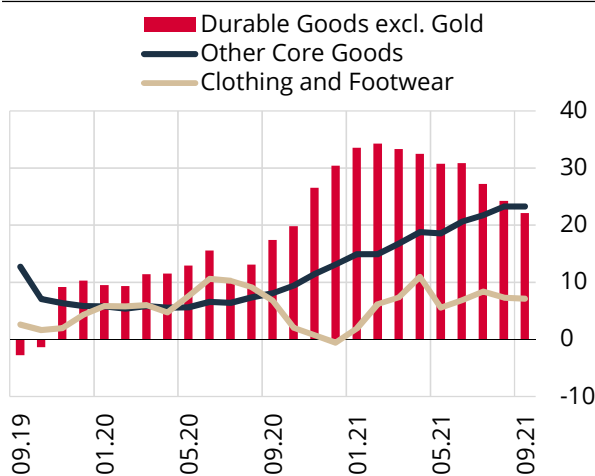
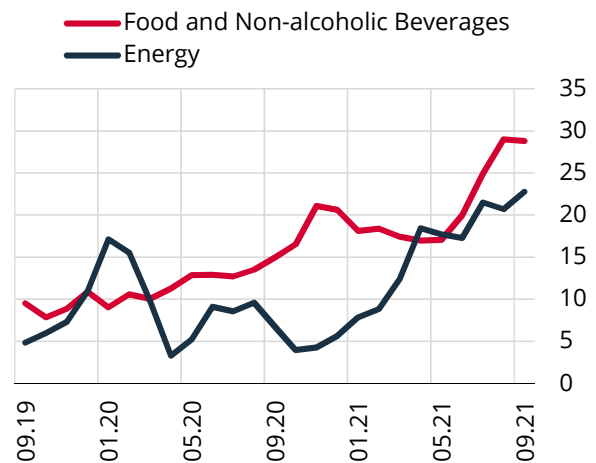


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



Energy prices were up by 2.20% in September (Table 1). International energy prices recorded a notable uptick in this period due to oil, natural gas and coal prices. Domestically, price increases of tap water (5.19%) along with solid fuels (13.00%) such as firewood and coal were notable, while fuel prices rose by 0.60% due to the rise in LPG prices for which the SCT was formerly reduced to zero. In this period, bottled

gas prices also increased, while the sliding-scale system alleviated the pressures on energy prices and constrained inflation further. All in all, annual energy inflation rose by 2.05 points to 22.77% in September (Chart 8).

Prices of food and non-alcoholic beverages edged down by 0.21 points to 28.79% (Chart 8 and Table 2). Annual inflation in the processed food group dropped slightly to 32.06%, while it remained almost flat in the unprocessed food group at 25.79% (Chart 9). Seasonally adjusted data in the unprocessed food group pointed to a slight correction (-4.06%) in the prices of fresh fruits and vegetables in September following the upsurge in the previous two months, and the group's annual inflation fell to 33.41%. In the other unprocessed food group in this period, the surge in egg prices continued, while soaring prices in pulses led by the agricultural drought were also remarkable. In the processed food group, which registered a slightly decelerated monthly price increase of 1.46%, subcategories with notable price hikes were bread-cereals, and non-alcoholic beverages accompanied by coffee that recorded internationally-increased prices. Against this background, inflation in food excluding fruits and vegetables rose to 27.88% (Chart 10).

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

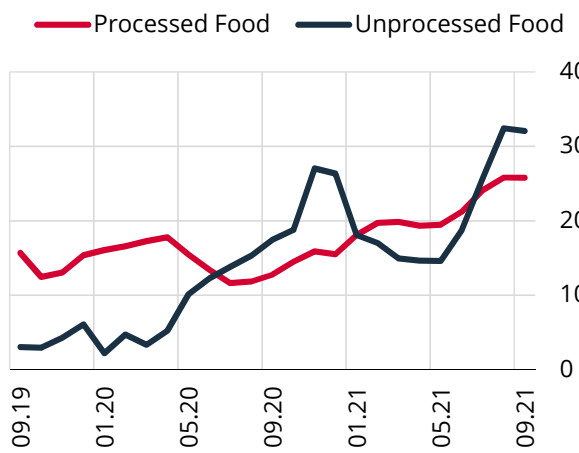
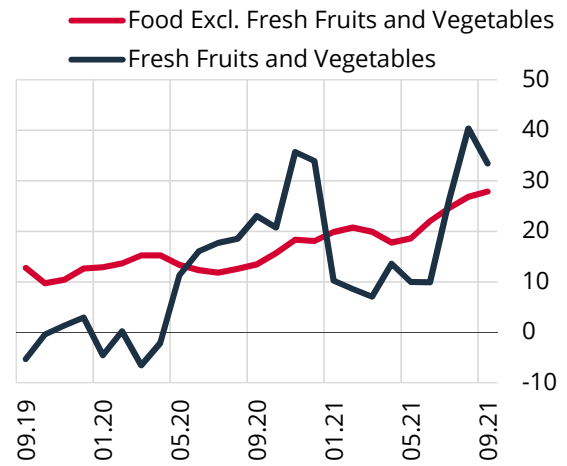


Chart 10. Fresh Fruits-Vegetables and Other Food
(Annual % Change)



D-PPI

In September, domestic producer prices rose by 1.55%, and annual D-PPI dropped by 1.56 points to 43.96% (Chart 11 and Table 3). These figures in producer prices continued to be shaped by ongoing external price pressures, supply constraints and energy prices. Meanwhile, the trend of manufacturing industry prices excluding petroleum and base metals receded in this period (Chart 12).

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

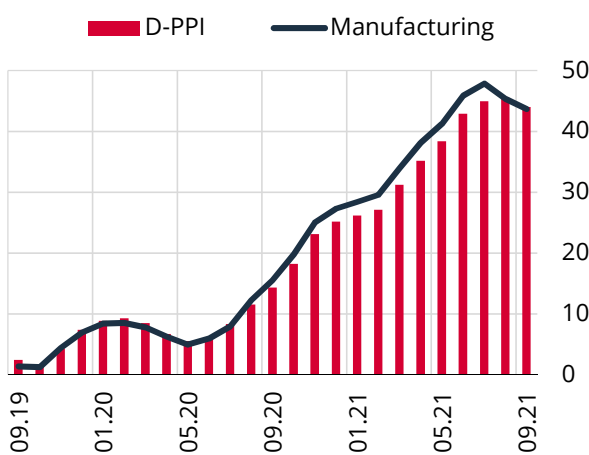
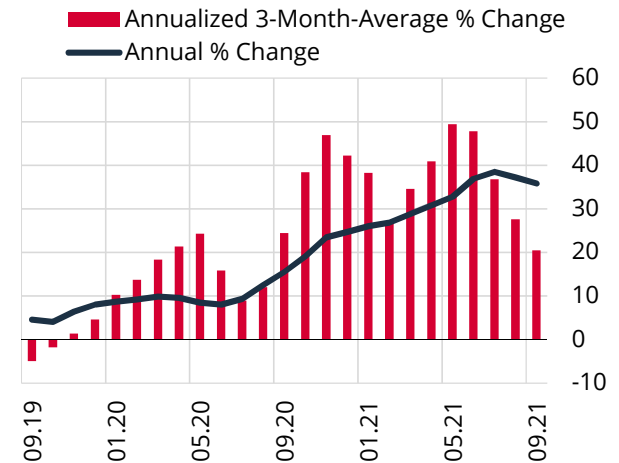


Chart 12. Manufacturing Excluding Petroleum and Base Metals



According to main industrial groups, the increase in annual energy inflation stood out (Table 3, Charts 13 and 14). Broad-based monthly price increases were seen across subcategories, while the most evident surge was recorded in the production of durable consumption goods with 2.73%. In September, durable consumption goods rose due to the price hikes in the furniture, household appliances and consumer electronics, while fruits and vegetables, milk and other food products together with textile and clothing products were the drivers of the rise in prices of non-durable consumption goods. The price increase of 1.98% in the capital goods group was driven by the rise in prices of metal-related products and motor vehicles along with their parts and accessories. Meanwhile, energy prices were pushed upwards by price hikes in refined petroleum products, electricity, water and coal. The increase in intermediate goods prices is attributed mostly to iron-steel and ferro alloys, cereals, paper products and construction-related items. Overall, producer prices continued to exert pressure on consumer prices.

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

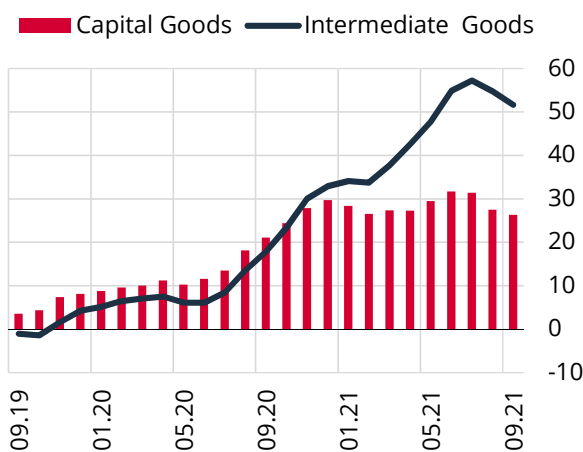
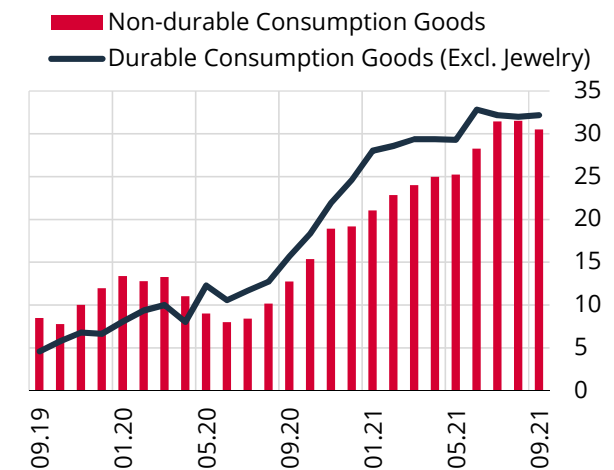


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	September 2021	September 2020	September 2021	September 2020
CPI	1.25	0.97	19.58	11.75
1. Goods	1.12	1.15	21.55	12.07
Energy	2.20	0.50	22.77	6.77
Food and non-alcoholic beverages	0.50	0.66	28.79	14.95
Unprocessed food	-0.53	-0.24	32.06	17.47
Fresh fruits and vegetables	-3.08	1.98	33.41	23.02
Other unprocessed food	0.86	-1.33	31.38	14.61
Processed food	1.46	1.48	25.79	12.79
Bread and cereals	2.54	1.96	24.61	15.43
Other processed food	0.89	1.21	26.39	11.37
Goods excluding energy and food	1.22	1.69	16.04	12.05
Core goods	1.42	2.18	19.38	11.68
Durable goods (excluding gold)	1.96	3.70	22.12	17.38
Clothing and footwear (*)	-0.22	-0.05	7.11	6.79
Other core goods	1.53	1.54	23.26	8.09
Alcoholic beverages and tobacco	0.05	0.04	1.80	0.68
Gold	0.81	-0.04	8.29	60.77
2. Services	1.62	0.58	15.06	10.84
Rents	1.29	0.71	10.85	8.72
Restaurants and hotels	2.22	0.74	23.27	10.92
Transport	2.80	-0.59	15.21	8.62
Communication	0.40	0.59	6.68	7.21
Other	1.53	0.78	15.47	13.66
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.50	1.35	18.63	11.57
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.51	1.33	16.98	11.32
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.60	1.20	19.05	11.84
F - CPI excluding administered prices	1.26	1.10	20.79	12.81

Source: TURKSTAT.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	September 2021		September 2020	
		Monthly	Annual	Monthly	Annual
CPI	100	1.25	19.58	0.97	11.75
Food and non-alcoholic beverages	25.94	0.50	28.79	0.66	14.95
Alcoholic beverages and tobacco	4.88	0.05	1.80	0.04	0.68
Clothing and footwear	5.87	-0.16	7.32	-0.03	6.91
Housing	15.36	2.34	20.97	0.93	10.00
Household equipment	8.64	3.33	23.27	3.02	11.34
Health	3.25	0.52	17.47	0.87	15.09
Transport	15.49	0.54	20.21	1.84	12.95
Communication	4.64	0.47	4.99	0.28	6.74
Recreation and culture	3.01	1.06	12.45	0.88	8.12
Education	2.28	5.15	16.53	-0.07	7.55
Restaurants and hotels	5.91	2.22	23.27	0.74	10.92
Miscellaneous goods and services	4.73	1.49	13.92	0.63	25.17

Source: TURKSTAT.

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

	Weight	September 2021		September 2020	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.55	43.96	2.65	14.33
Mining	3.51	-0.36	28.39	2.29	16.87
Manufacturing	87.27	1.63	43.68	2.83	15.52
Manufacturing excl. petroleum products	83.46	1.53	41.41	2.98	16.82
Manufacturing excl. petroleum products and base metals	75.28	1.57	35.84	2.59	15.53
Electricity, gas, steam and air-conditioning sup.	8.38	1.34	50.10	0.19	-2.62
Water supply	0.85	3.18	30.15	1.96	13.25
D-PPI (MIGs Classification)					
Intermediate Goods		1.56	51.62	3.63	17.91
Durable Consumption Goods		2.73	29.25	2.63	19.72
Durable Consumption Goods (Excl. Jewelry)		2.98	32.18	2.83	15.69
Non-Durable Consumption Goods		0.97	30.48	1.75	12.74
Capital Goods		1.98	26.33	2.90	21.09
Energy		1.87	62.38	-0.01	-4.23

Source: TURKSTAT.