



JULY PRICE DEVELOPMENTS

4 August 2022

Summary

Consumer prices rose by 2.37% in July, and annual inflation increased by 0.98 points to 79.60%. In this period, annual consumer inflation decreased in energy whereas it went up in other groups. The most significant contribution to the rise in inflation came from core goods and services. In the core goods group, annual inflation increased across all subgroups. Meanwhile, in the services group annual inflation dropped in restaurants-hotels while it rose in other subgroups, most visibly in transport and rents. The rise in prices of alcoholic beverages and tobacco products was driven by the limited effect of the tax adjustment in tobacco products along with the pricing behavior of producer firms. In the food group, annual inflation slightly declined in unprocessed food whereas it remained on the rise in processed food. Energy inflation registered a decline on the back of fuel and bottled gas prices that decreased in line with the outlook of international energy prices. Despite the decline in refined petroleum and base metal prices driven by international commodity prices, the rise in producer inflation persisted due to other energy items in particular. Against this background, the seasonally adjusted monthly change in B and C indices suggested a rise compared to the previous month while the annual inflation of these 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 2.37% in July, and annual inflation increased by 0.98 points to 79.60% (Chart 1). In this period, the annual rates of change in B and C indices were up by 4.04 and 4.43 points to 68.46% and 61.69%, respectively (Chart 2).

Among subcategories, core goods, services, alcohol-tobacco-gold, and food added 1.44, 0.75, 0.45, and 0.32 points month-on-month to annual consumer inflation whereas the contribution of energy decreased by 1.98 points.

Seasonally adjusted data suggest a rise in the monthly increase of B and C indices compared to the previous month, with a more significant rise in the C index (Chart 3). Across the subcategories that make up the B index, monthly price increases accelerated in core goods, remained flat in services, and decelerated in processed food (Chart 4).

In July, services prices rose by 3.20%, and the group's annual inflation increased by 2.76 points to 51.45%. In this period, while annual inflation declined slightly in restaurants-hotels, it went up in other subgroups (Chart 5). Prices in transport services rose by 5.01%, driving the annual inflation of the subgroup to 90.71%. Intercity passenger transport by road and railway, air transport, urban passenger transport by bus, and cargo fees were noteworthy in the transport group. In July, price increases in the restaurants-hotels subgroup (2.49%) decelerated and annual inflation became 79.14%. The monthly increase in the rent subgroup (4.24%) gained pace in July. In other services, while price increases became broad-based across the subgroup, internet fees stood out in the communication subgroup.

In July, core goods prices rose by 3.67%, and the group's annual inflation went up by 6.07 points to 70.93%. In this period, annual inflation went up in all subgroups (Chart 6). Durable goods prices (excluding gold) rose by 3.85% in July, mainly determined by the prices of white goods (5.44%), and automobiles (4.34%). Thus, annual inflation in this subgroup reached 84.93%. Although price increases were widespread across other core goods, those in pharmaceuticals, household-related cleaning materials and personal care products were notable, and the group's monthly inflation stood at 4.47%. Prices in the clothing and footwear group increased by 1.74% contrary to seasonal norms, and annual inflation rose by 5.10 points to 31.45%.

Energy prices receded by 3.13% in July, and the group's annual inflation fell by 22.06 points to 129.27% (Chart 7). This was led by the decline in fuel prices as a result of the retreating international crude oil prices. In July, fuel prices dropped by 8.18%, and annual inflation in this subgroup fell by 37.11 points to 214.87%. In response to international developments, bottled gas prices were affected positively and dropped by 3.98%. On the other hand, municipal water tariffs remained on an upward track.

Prices of food and non-alcoholic beverages increased by 3.15% in July, and the group's annual inflation rose by 0.72 points to 94.65% (Chart 7). While annual inflation edged down by 0.65 points to 91.00% in unprocessed food, it increased by 1.98 points to 98.02% in processed food (Chart 8). Seasonally-adjusted data in the unprocessed food group suggest that after a decline in the last two months, prices of fresh fruits and vegetables registered an uptick in this period. Meanwhile, in the other unprocessed food item, the increase in prices of eggs, rice, potatoes and pulses were notable. In processed food, prices rose by 3.61% due to bread-cereals, coffee-tea-cocoa as well as non-alcoholic beverages.

In July, prices of alcoholic beverages and tobacco products increased by 6.85% due to the limited effect of the tax adjustment in cigarettes prices and the price increments by producer companies, pushing annual inflation in the group to 82.66%. In this period, the alcoholic beverages- tobacco products group added 0.30 points to monthly consumer inflation.

Domestic producer prices rose by 5.17% in July, while annual inflation increased by 6.30 points to 144.61% (Chart 9 and Table 2). Broad-based price increases across sub-groups continued in July, while rises in the prices of electricity, natural gas, basic pharmaceutical products and tobacco products were remarkable (Chart 10). Meanwhile, the impact of the decrease in international oil and industrial metal prices on producer prices started to be observed, although limited, and prices of refined petroleum products and base metal declined.

Charts and Tables

Chart 1. CPI (Annual % Change)

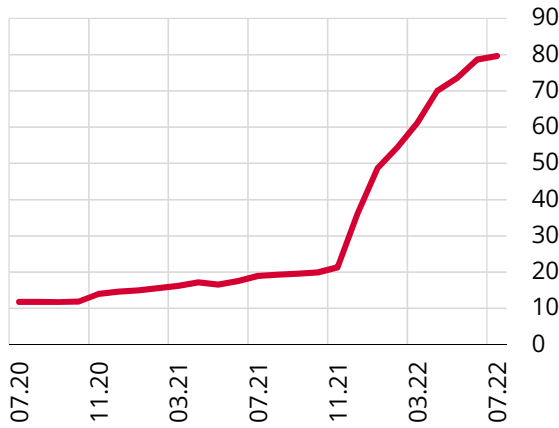


Chart 2. B and C (Annual % Change)

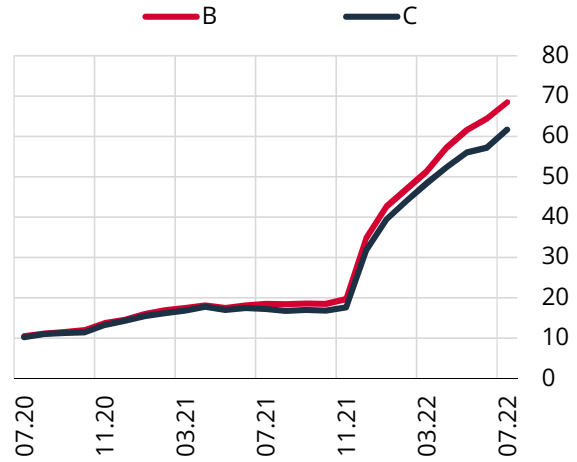


Chart 3. B and C Indices (Seasonally Adjusted, Monthly % Change)

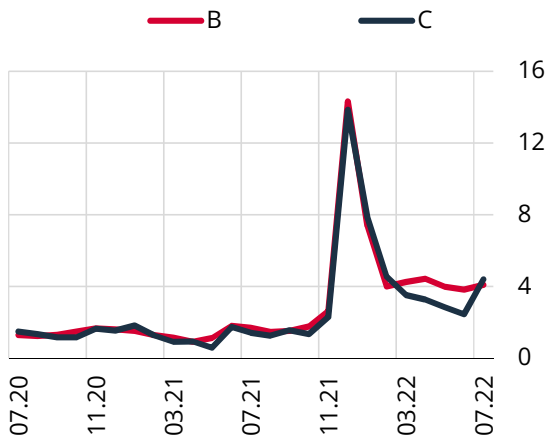
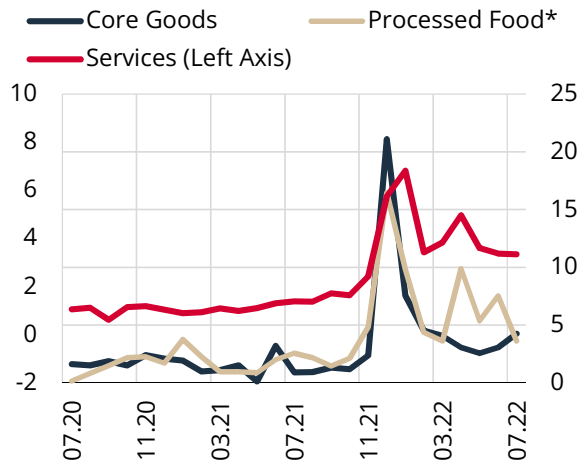


Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

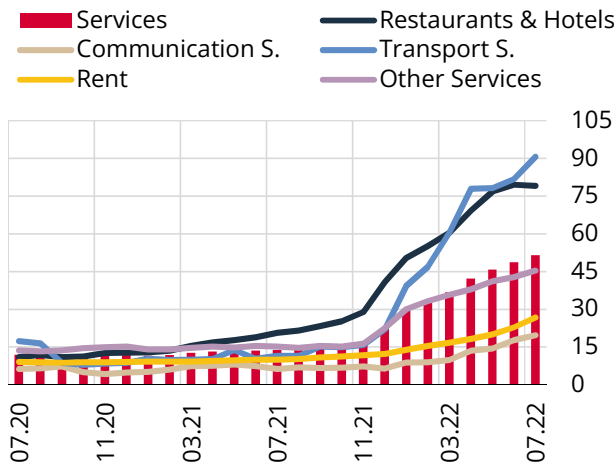


Chart 6. Core Goods (Annual % Change)

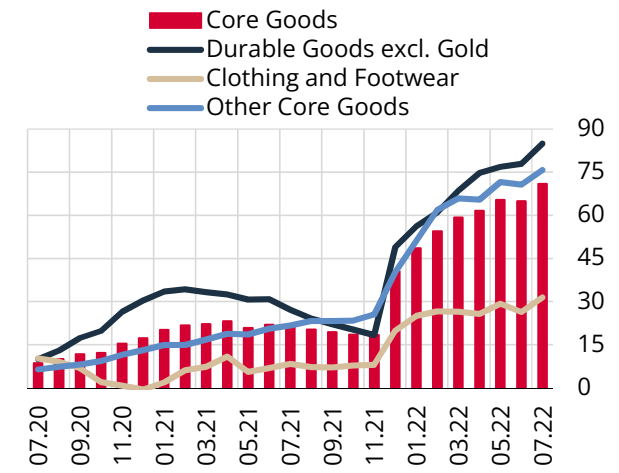


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

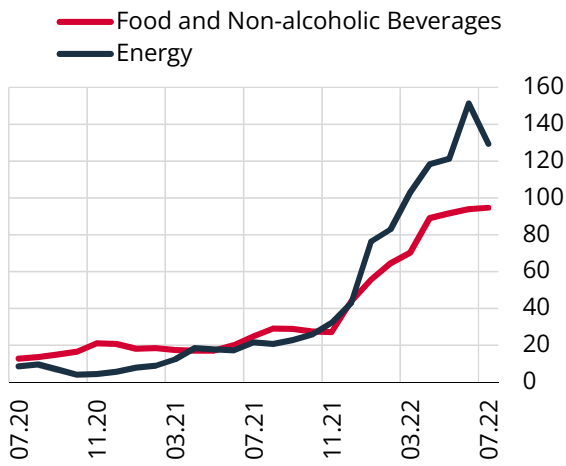


Chart 8. Processed and Unprocessed Food (Annual % Change)

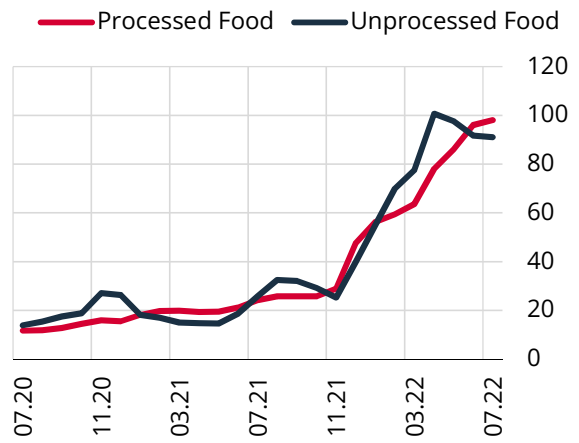


Chart 9. D-PPI and Manufacturing (Annual % Change)

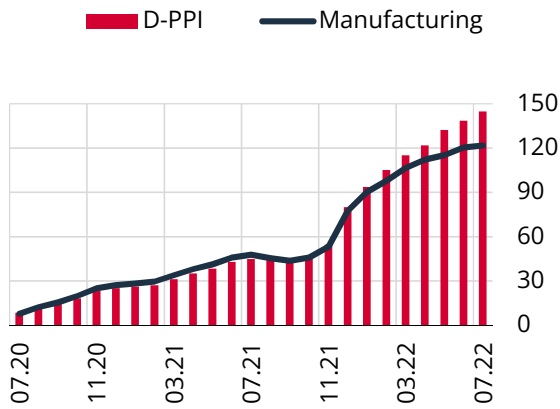
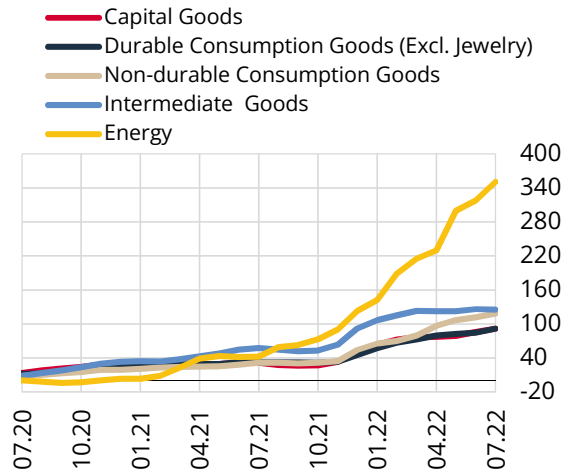


Chart 10. D-PPI Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	July 2022	July 2021	July 2022	July 2021
CPI	2.37	1.80	79.60	18.95
1. Goods	2.10	1.98	90.17	21.19
Energy	-3.13	6.19	129.27	21.51
Food and non-alcoholic beverages	3.15	2.77	94.65	24.92
Unprocessed food	2.64	2.99	91.00	25.73
Fresh fruits and vegetables	4.95	5.59	77.25	26.27
Other unprocessed food	1.56	1.74	97.80	25.48
Processed food	3.61	2.58	98.02	24.13
Bread and cereals	5.89	2.93	102.78	23.36
Other processed food	2.42	2.40	95.44	24.48
Goods excluding energy and food	3.94	-0.06	72.99	18.34
Core goods	3.67	-0.02	70.93	21.22
Durable goods (excluding gold)	3.85	-0.11	84.93	27.18
Clothing and footwear (*)	1.74	-2.21	31.45	8.37
Other core goods	4.47	1.45	75.71	21.69
Alcoholic beverages and tobacco	6.85	0.02	82.66	1.80
Gold	-1.22	-1.90	92.81	25.16
2. Services	3.20	1.32	51.45	13.75
Rents	4.24	0.98	26.76	9.92
Restaurants and hotels	2.49	2.72	79.14	20.63
Transport	5.01	0.12	90.71	11.43
Communication	1.82	0.13	19.64	6.18
Other	3.12	1.33	45.35	15.13
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.49	1.00	68.46	18.51
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.45	0.62	61.69	17.22
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.09	1.72	77.80	19.15
F - CPI excluding administered prices	2.02	1.43	79.88	20.23

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	July 2022		July 2021	
		Monthly	Annual	Monthly	Annual
D-PPI	100	5.17	144.61	2.46	44.92
Mining	3.56	6.44	149.92	3.35	34.35
Manufacturing	87.43	2.94	121.71	2.37	47.86
Manufacturing excl. petroleum products	84.97	3.49	117.59	2.19	45.35
Manufacturing excl. petroleum products and base metals	76.27	4.13	118.36	1.80	38.51
Electricity, gas, steam and air-conditioning sup.	8.29	18.96	441.75	3.03	15.10
Water supply	0.72	5.15	84.30	3.54	28.34
D-PPI (MIGs Classification)					
Intermediate Goods		2.18	125.43	2.46	57.23
Durable Consumption Goods		4.77	92.88	1.03	31.58
Durable Consumption Goods (Excl. Jewelry)		5.23	91.63	1.45	32.18
Non-Durable Consumption Goods		5.36	118.20	2.27	31.44
Capital Goods		4.25	91.61	1.01	31.38
Energy		12.28	350.64	4.12	42.42

Source: TURKSTAT.