



ENAGrup – Inflation Research Group

Pandemic Consumer Price Index Bulletin

Feb. 15th, 2021

EP-CPI, ENAGrup Pandemic Consumer Price Index, January 2021

Since February 2020, the Covid-19 outbreak has radically changed consumer and investor behavior.

Due to the fact that consumer spending habits changed during the Covid-19 outbreak, the The Statistical Office of European Union recommended to all office member countries to revise the product weights in the inflation basket.

Within the scope of this proposal, the Inflation Research Group (ENAGrup) determined its pandemic basket weights according to consumption trend, and calculated the relevant daily and monthly inflation rates using these weights. ENAGrup has been sharing these inflation rates with the public for a few months.

ENAGrup believes that a change in the inflation basket of the producers is also necessary.

The pandemic basket inflation rates and summary, which we believe reflect the change in consumer habits, are given below.

ENAGrup Pandemic Consumer Price Index increased by 3.15% on a monthly basis in January 2021.

The general level of prices, which increased by 3.21% in the period of December 2020, also increased by 3.15% in January 2021.

The probability of new waves of the Covid-19 outbreak indicates that price increases will continue.

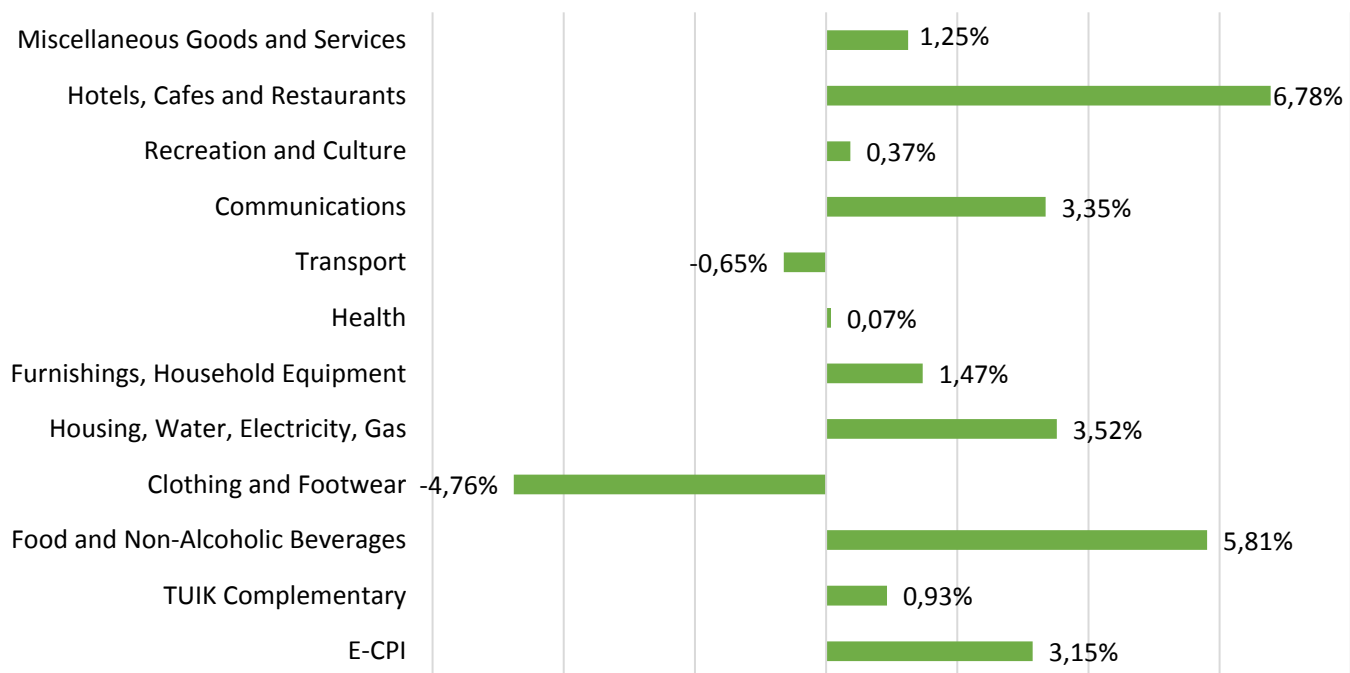
The main factors affecting inflation rates are naturally the effect of high exchange rate level and pass-through. On the other hand, we see that the prices, which increases rapidly while the exchange rate is rising, are not flexible when the exchange rate decreases.

Implementing policies that will resolve this contradiction, known as the rocket and feathers theory, will be an important step in bringing inflation under control.

According to inflation data, based on pandemic basket weight (Chart 1):

1. The highest increase is experienced in Restaurants and Hotels group (6.78%)
2. We observe 5.81% and 3.52% inflation rates in Food and Non-alcoholic Beverages and Housing groups, respectively
3. It should be noted that the inflationary pressure in the Entertainment and Culture Product group, which includes products such as computers and tablets, has slightly decreased. The inflation rate of this group is 0.37%
4. The inflation of the basket, which we obtain as complementary products of TURKSTAT, which includes education, health and alcoholic beverages, was 0.93%.

Chart 1: ENAGrup Pandemic Consumer Price Index, Main Spending Groups





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