

JANUARY PRICE DEVELOPMENTS

February 4, 2025



Summary

Consumer prices rose by 5.03% in January, while annual inflation maintained its downward course with a decline of 2.26 points and stood at 42.12%. Annual inflation remained relatively flat in energy, and decreased across other main groups. Services sector stood out in monthly price increases. While the share of the services sector rose after the update in the consumer basket, the change in the weights of products had an upward effect of approximately 0.3 points on January inflation. Led by the bread and cereals item, the processed food subgroup had a more visible impact on the monthly price increase in the food group. The price hike in the energy group was driven by the rise in municipal water tariffs as well as the effect of the increase in global energy commodity prices. Meanwhile, core goods inflation remained mild. Due to the wage increase and the administered price and lump-sum tax adjustments, monthly services inflation strengthened significantly in January, led by items that are subject to time-dependent pricing and display a high backward-indexation tendency. While price increases spread across the group, the other services subgroup stood out with its high monthly inflation due to the revisions in health services tariffs. Under the Social Security Institution (SSI) Health Practices Communiqué, for the first time since 2017, the amount of co-payments for medical examinations paid at official health service providers has been raised strongly. It should be noted that the regulation will have carry-over effects on February consumer inflation. The mild course of increase prevailing in producer prices in recent months was interrupted in January. Against this background, seasonally adjusted monthly increases in the B and C indices went up, while their annual inflation continued to decline. When all indicators are considered together, the underlying inflation posted a temporary rise specific to the first quarter.

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 5.03% in January, while annual inflation declined by 2.26 points to 42.12% (Chart 1). The annual rate of change in the B and C indices dropped by 1.86 and 2.69 points to 42.08% and 42.65%, respectively (Table 1).

TURKSTAT updates the products in the consumer basket and their weights at the beginning of each year, taking into account the changes in household consumption patterns. For 2025, the weight of the food group remained the same, while that of the services group increased by 3.11 points led by the rents and other services items. Accordingly, the weights of the B and C indices rose by 1.28 points each to 74.10% and 60.83%, respectively.

Contributions of the core goods, food, alcohol-tobacco-gold, energy, and services groups to annual consumer inflation declined month-on-month by 1.30, 0.60, 0.23, 0.11, and 0.02 points, respectively.

In seasonally adjusted terms, the monthly increase in consumer prices was higher compared to the previous month (Chart 2). The monthly increases were more significant in the B and C indices compared to the previous month, with a more notable rise in the B index (Chart 3). Price increases spread across all components of the B index, with processed food group in the lead (Chart 4). The indicators monitored by the CBRT suggest a rise in the underlying inflation in January (Charts 5 and 6).

In January, services prices saw a significant rise with 10.26%, while annual services inflation fell by 2.78 points to 62.95%. Price increases were widespread across the group. Annual inflation was up in communication and other services, and down in other subgroups, with a more significant decrease in restaurants-hotels (Chart 7). Among the services group, other services stood out with a sharp monthly increase of 16.72%. This was mainly driven by high price increases in health services, in which backward-indexation and time-dependent pricing behaviors are common, revaluation-related items, maintenance and repair items including labor expenditures, as well as private sector education services. In addition to the increases in the private sector tariffs, the impact of the increase in the medical examination copayment amount under the SSI's Health Practices Communiqué (SUT) was also significant in healthcare services. As per the Communiqué on Healthcare Practices, the medical examination copayment amount to be paid at the public health service providers has increased for the first time since 2017. The impact of this amendment on the January consumer price increase was 0.56 points. Given the fact that the amendment became effective as of mid-January, there will be carry-over effects on February consumer inflation. Monthly rent inflation increased by 8.66% due to the seasonal rise in contract renewal rates, while the group's annual inflation fell by 5.18 points to 100.64%. Monthly inflation in the transport services subgroup (7.89%) picked up led by administered items. In January, prices of restaurants-hotels, which is the labor-intensive group, rose by 6.50% due to wage developments, while the monthly price increase in the communication group remained relatively limited at 2.82%.

Prices in the core goods group increased moderately by 0.74%, while annual inflation in the group fell by 3.48 points to 23.95% (Chart 8). In January, annual inflation decreased across all subgroups. Prices of durable goods (excluding gold) increased by 2.74%, while annual inflation in the durable goods group declined to 20.05%. In this period, prices in furniture, which is the labor-intensive item, rose by 7.27%, while prices of electric and non-electric appliances, and automobiles displayed a relatively moderate rise by 2.12% and 1.29%, respectively. Due to seasonal effects, prices in the clothing and footwear subgroup were down 5.46%, and annual inflation in this group decreased by 4.84 points to 26.83%. Prices in other core goods rose by 2.52%.

In January, energy prices rose by 6.10%, and annual energy inflation fell by 0.06 points to 43.05% (Chart 9). This increase was mainly driven by the rise in municipal water tariffs (20.30%). Moreover, fuel and bottled gas prices rose month-on-month by 4.96% and 4.05%, respectively, due to developments in international energy prices in Turkish liras as well as the lump-sum SCT increase.

Prices of alcoholic beverages and tobacco products rose by 1.02%, while annual inflation in this group fell by 5.18 points to 34.10%. While prices of alcoholic beverages rose following the automatic lump-sum tax hike (12.77%), prices of tobacco products remained unchanged despite the tax hike.

In January, prices in the food and non-alcoholic beverages group increased by 3.86%, and annual inflation of the group fell by 1.82 points to 41.76% (Chart 9). Annual inflation in the processed food group increased by 1.77 points to 39.44%, while that in the unprocessed food group decreased by 6.12 points to 44.17% (Chart 10). In January, unprocessed food prices rose by 2.66% mainly due to the rise in the prices of fresh fruits and vegetables (3.41%) and red meat (3.32%). Meanwhile, processed food prices increased by 4.92% in January. Breads and cereals (8.08%) as well as milk and dairy products were the sub-items that stood out in this group.

Domestic producer prices rose by 3.06% in January, and annual inflation fell by 1.32 points to 27.20% (Chart 11 and Table 2). In this period, across main industrial groupings, prices in durable consumption goods, non-durable consumption goods and capital goods increased by 6.39%, 4.45% and 3.25%, respectively, while prices of energy and intermediate goods displayed a more moderate rise by 2.27% and 1.81%, respectively (Chart 12).

Charts and Tables

Chart 1. CPI, B and C
(Annual % Change)

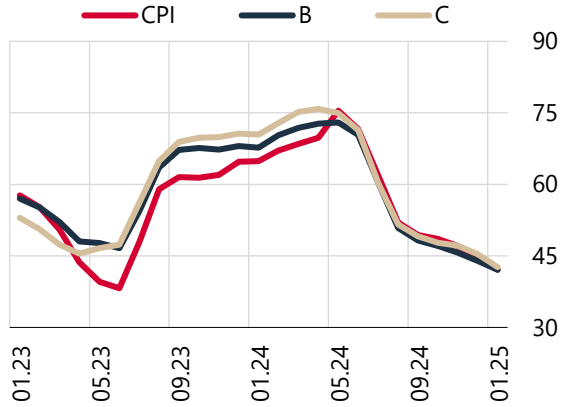


Chart 2. CPI and CPI Excluding Food
(Seasonally Adjusted, Monthly % Change)

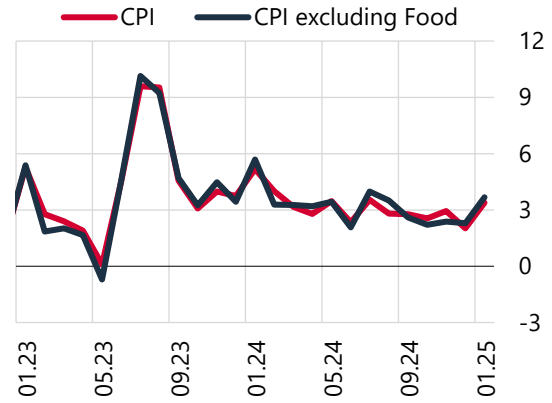


Chart 3. B and C Indices
(Seasonally Adjusted, Monthly % Change)

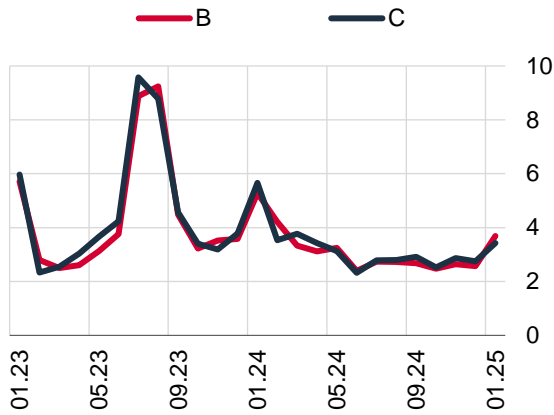
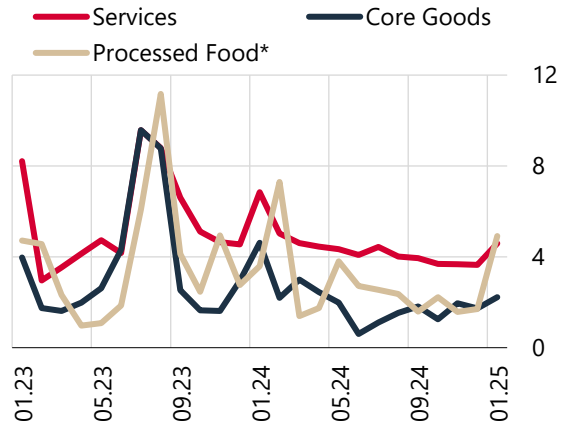


Chart 4. Main Components of B Index
(Seasonally Adjusted, Monthly % Change)



* In the processed food subgroup, no statistically significant seasonality detected. Therefore, processed food subgroup data presented without seasonal adjustments.

Chart 5. Underlying Inflation Indicators**
(Seasonally Adjusted, Monthly % Change)

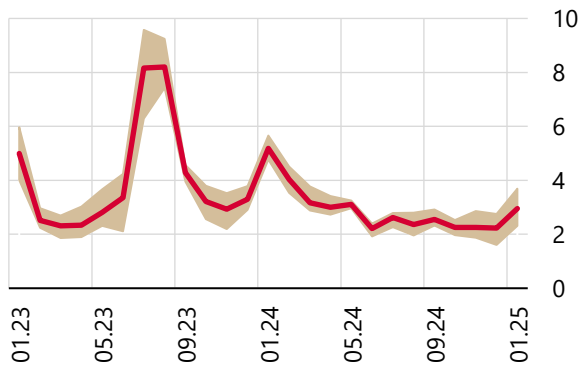
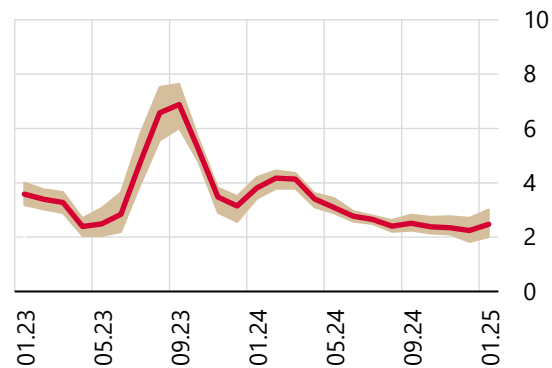


Chart 6. Underlying Inflation Indicators**
(Seasonally Adjusted, Monthly % Change, 3 Month Average)



** Seasonally adjusted average of 6 different indicators: B, C, SATRIM, Median, dynamic factor model and exclusion of volatile items method. Shaded area shows the maximum and minimum range.

Chart 7. Services
(Annual % Change)

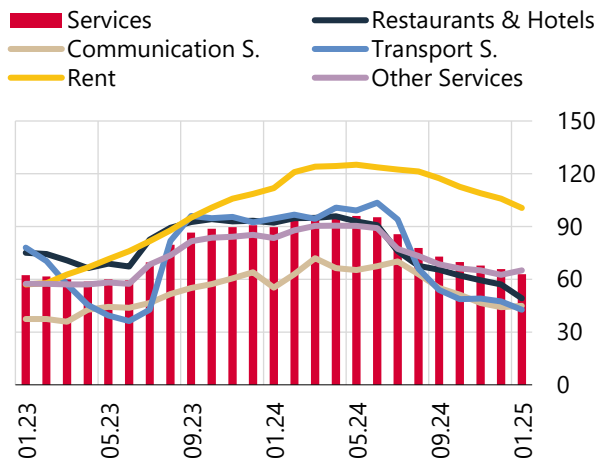


Chart 8. Core Goods
(Annual % Change)

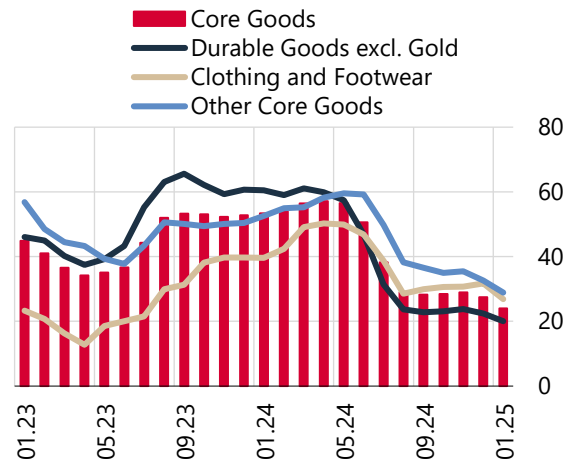


Chart 9. Food and Non-alcoholic Beverages and Energy (Annual % Change)

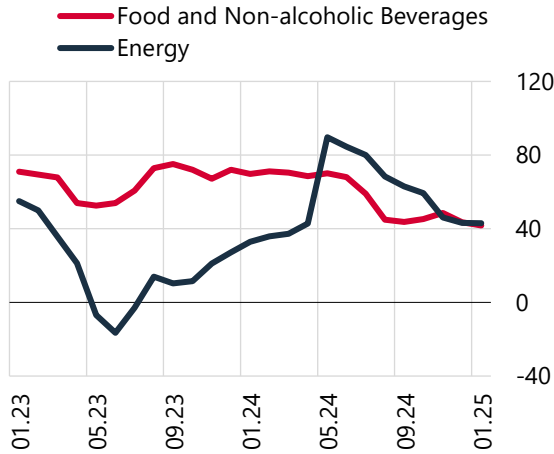


Chart 10. Processed and Unprocessed Food (Annual % Change)

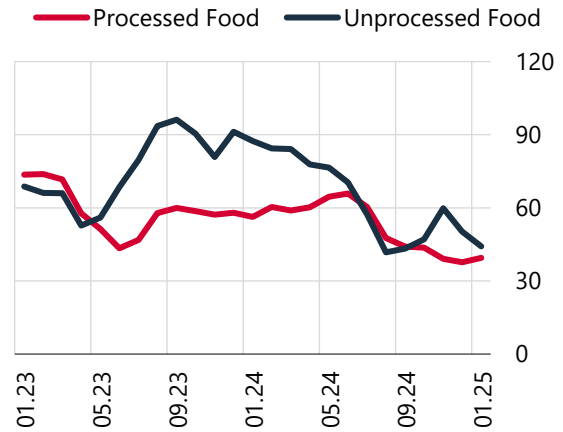


Chart 11. D-PPI and Manufacturing (Annual % Change)

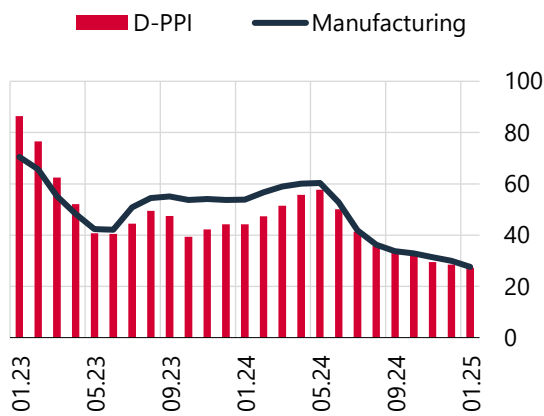


Chart 12. D-PPI Main Industrial Groupings (Monthly % Change)

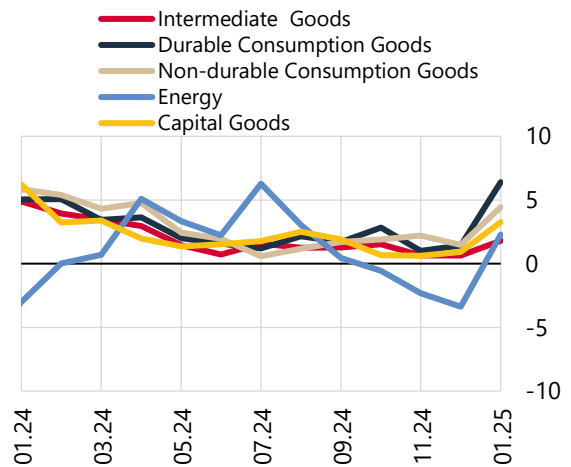


Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	January 2025	January 2024	January 2025	January 2024
CPI	5.03	6.70	42.12	64.86
1. Goods	2.69	4.60	33.65	55.65
Energy	6.10	6.14	43.05	32.89
Food and non-alcoholic beverages	3.86	5.19	41.76	69.71
Unprocessed food	2.66	7.01	44.17	87.35
Fresh fruits and vegetables	3.41	7.65	62.14	83.43
Other unprocessed food	2.10	6.61	32.90	89.66
Processed food	4.92	3.58	39.44	56.33
Bread and cereals	8.08	4.90	46.17	56.43
Other processed food	3.34	2.97	36.21	56.34
Goods excluding energy and food	0.80	3.71	25.16	54.45
Core goods	0.74	3.57	23.95	53.35
Durable goods (excluding gold)	2.74	4.80	20.05	60.53
Clothing and footwear (*)	-5.46	-1.86	26.83	39.59
Other core goods	2.52	5.48	28.90	52.54
Alcoholic beverages and tobacco	1.02	4.92	34.10	61.60
Gold	2.72	4.15	34.13	68.05
2. Services	10.26	12.14	62.95	89.72
Rents	8.66	11.46	100.64	111.84
Restaurants and hotels	6.50	12.17	49.18	92.27
Transport	7.89	11.48	42.75	94.62
Communication	2.82	2.37	44.83	55.18
Other	16.72	14.99	64.99	83.43
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	5.47	6.85	42.08	67.68
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	5.59	7.58	42.65	70.48
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	5.53	6.74	42.15	62.12
F – CPI excluding administered prices	4.15	6.73	40.58	70.20

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	January 2025		January 2024	
		Monthly	Annual	Monthly	Annual
D-PPI	100	3.06	27.20	4.14	44.20
Mining	3.43	3.57	33.40	5.72	65.03
Manufacturing	88.09	3.25	27.60	5.21	53.80
Manufacturing excl. petroleum products	85.41	3.16	28.42	5.32	54.48
Manufacturing excl. petroleum products and base metals	77.29	3.54	30.19	5.31	55.36
Electricity, gas, steam and air-conditioning sup.	7.80	-0.44	18.20	-6.32	-32.00
Water supply	0.68	16.84	54.39	1.77	66.35
D-PPI (MIGs Classification)					
Intermediate Goods		1.81	23.27	4.89	49.76
Durable Consumption Goods		6.39	37.44	5.04	56.63
Durable Consumption Goods (Excl. Jewelry)		7.18	36.35	5.21	57.24
Non-Durable Consumption Goods		4.45	37.42	5.85	60.81
Capital Goods		3.25	25.61	6.21	64.94
Energy		2.27	18.05	-3.04	-4.06

Source: TURKSTAT.