

# JANUARY PRICE DEVELOPMENTS

6 February 2024



## Summary

Consumer prices rose by 6.70% in January, consistent with the forecast of the last Inflation Report of 2023, and annual inflation inched up by 0.09 points to 64.86%. Annual inflation increased in core goods and more markedly in energy, while it decreased in other main groups. In the energy group, the effects of the automatic lump-sum tax hike were felt in monthly energy inflation, while natural gas prices in the basket continued to rise. The course of strong monthly price increase in the food group continued in January, led by unprocessed food items. Monthly inflation in the services group increased substantially, due to adjustments in wages and administered prices as well as backward indexation behavior. Monthly core goods inflation was up month-on-month, and price increases spread across the group excluding the clothing and footwear subgroup, which saw seasonal discounts. In January, the monthly increase in producer prices strengthened in accordance with cost developments, while annual producer inflation remained flat. Against this background, in line with the Inflation Report forecasts, seasonally-adjusted monthly rates of increase in the B and C indicators went up, while their annual inflation inched down. After the rise in January, the underlying inflation is expected to weaken in the upcoming period.

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 6.70% in January, and annual inflation inched up by 0.09 points to 64.86% (Chart 1 and Table 1). In this month, the effect of natural gas was 0.23 points on monthly consumer inflation and 0.35 points on annual inflation. Adjusted for the natural gas effect, seasonally adjusted consumer inflation increased compared to previous months (Chart 2). In this period, the annual rate of change in the B and C indices decreased by 0.34 and 0.16 points to 67.68% and 70.48%, respectively.

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. In 2024, the weights of the food and more visibly the energy subgroups decreased in the basket while those of the core goods and services groups increased. Accordingly, the weights of the B and C indices rose by 1.89 and 3.35 points to 72.82% and 59.55%, respectively. In this period, the contributions of the energy and services groups to annual consumer inflation rose by 0.61 and 0.58 points, respectively, while those of the food, alcohol-tobacco-gold, and core goods groups dropped by 0.72, 0.26, and 0.12 points, respectively. The seasonally adjusted data suggest a significant monthly increase in the B and C indices compared to the previous month (Chart 3). Price increases spread across all groups that make up the B index, while the rise in the services group stood out (Chart 4).

Prices of services recorded an upsurge of 12.14% in January, and annual services inflation decreased by 0.94 points to 89.72%. Monthly price increases spilled over into the whole group. While annual inflation was up in rents and transport services, it declined in other subgroups, most notably in communication services (Chart 5). The monthly surge in prices of other services (14.99%) was driven by higher prices in health services, in which backward-indexation and time-dependent pricing behavior are prevalent, revaluation-related items, and maintenance-repair that also covers costs of materials and labor, as well as recreation-culture and insurance services. Affected by the developments in the minimum wage and food prices, red meat prices in particular, the restaurants-hotels subgroup posted a high month-on-month increase of 12.17%. The monthly increase in rents grew stronger by 11.46% due to the increase in the number of lease renewals, and annual inflation in this group went up by 3.26 points to 111.84%. The communication subgroup diverged from the rest of the services group with a relatively moderate increase of 2.37%.

Annual core goods inflation edged up by 0.54 points to 53.35% (Chart 6). In January, annual inflation increased in other core goods but remained flat in other subgroups. Durable goods (excluding gold) prices rose 4.80% and annual inflation of this subgroup fell by 0.17 points to 60.53%. In January, furniture prices increased 10.61%, while white goods and automobile prices were up 6.53% and 2.78%, respectively. Prices in the other core goods group rose by 5.48%, leading annual inflation to increase by 2.12 points to 52.54%. Strong price increases spread across the subgroup. Clothing and footwear subgroup prices were down by 1.86% due to seasonal effects, and annual inflation of the group dropped by 0.15 percentage points to 39.59%.

Energy prices rose by 6.14% in January, and annual energy inflation increased by 5.70 points and stood at 32.89% (Chart 7). Effects stemming from the natural gas consumption remained significant on the monthly rise in energy prices. Fuel and bottled gas prices went up by 7.82% and 10.75%, respectively, due to SCT increase in January as a result of the D-PPI rise that occurred in the second half of 2023 and to the developments in Turkish lira-denominated energy prices. Meanwhile, the municipal water prices rose by 4.89%.

Prices of food and non-alcoholic beverages increased by 5.19% in January, and annual inflation fell by 2.30 points to 69.71% due to the high base effect (Chart 7). Annual inflation was down 3.88 points to 87.35% in unprocessed food and 1.72 points to 56.33% in processed food (Chart 8). In this period, seasonally-adjusted data point to a partial correction in fresh fruit and vegetable prices, which increased in the previous month led by vegetable prices. In the other unprocessed food group, red meat prices rose further, while potato and pulses also stood out with higher prices. Thus, monthly inflation in the unprocessed food group became 7.01%. Meanwhile, in the processed food group, monthly price increases grew stronger in bread and cereals, which were accompanied by processed meat products.

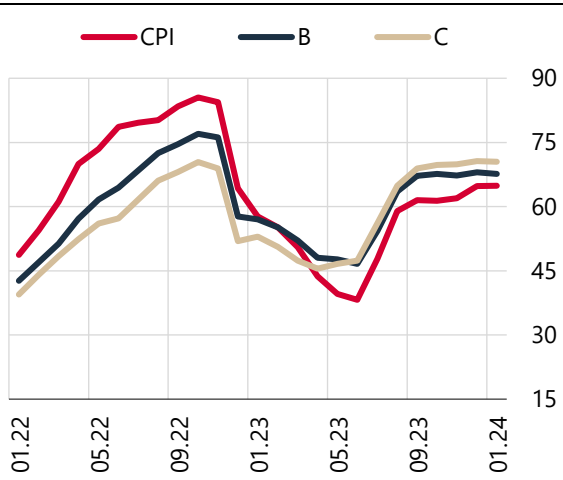
Prices of alcoholic beverages and tobacco increased by 4.92% in January, and annual inflation fell by 9.66 points to 61.60%. The tax adjustment amid the D-PPI inflation was the main factor pushing prices upwards. Due to the tax reform, price increases remained relatively limited in tobacco products.

In January, domestic producer prices rose by 4.14%, while annual inflation followed a flat course and stood at 44.20% (Chart 9 and Table 2). Across the main industrial groupings, energy prices fell in January, while other subgroups registered stronger price increases (Chart 10). On the other hand, annual inflation posted a decline in all subgroups except the intermediate goods item. A sectoral breakdown indicates that month-on-month price increases spread across the whole, while those in basic pharmaceutical products, printing and recording services, machinery-equipment, other mining items and paper-paper products were notable.

## Charts and Tables

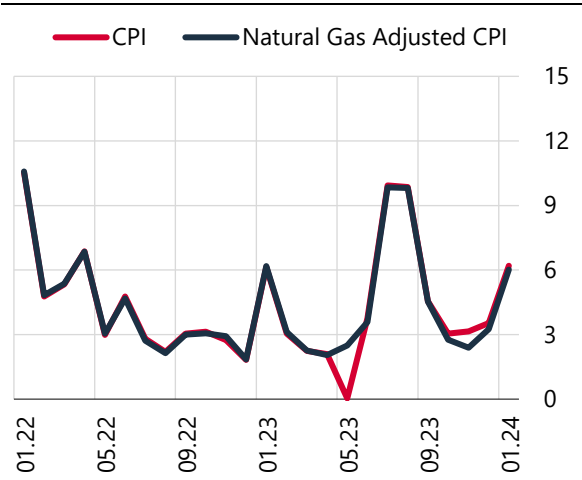
**Chart 1. CPI, B and C**

(Annual % Change)



**Chart 2. CPI and Natural Gas Adjusted CPI**

(Seasonally Adjusted, Monthly % Change)



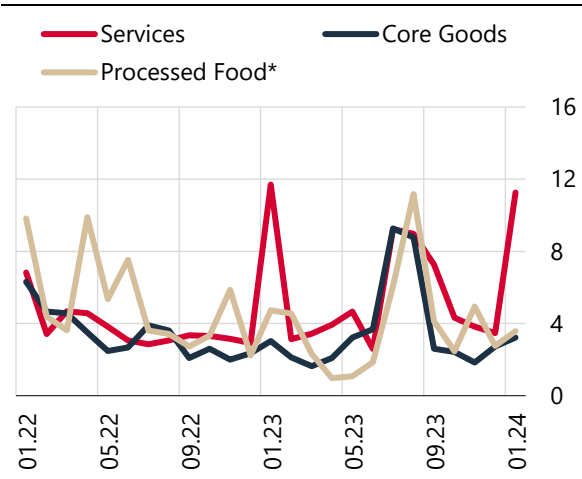
**Chart 3. B and C Indices**

(Seasonally Adjusted, Monthly % Change)



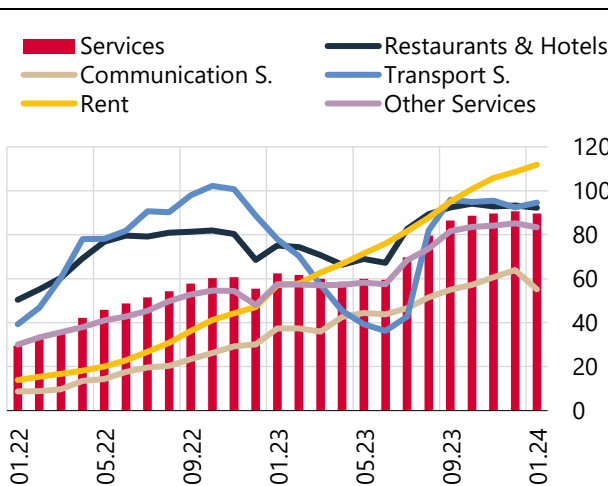
**Chart 4. Main Components of B Index**

(Seasonally Adjusted, Monthly % Change)

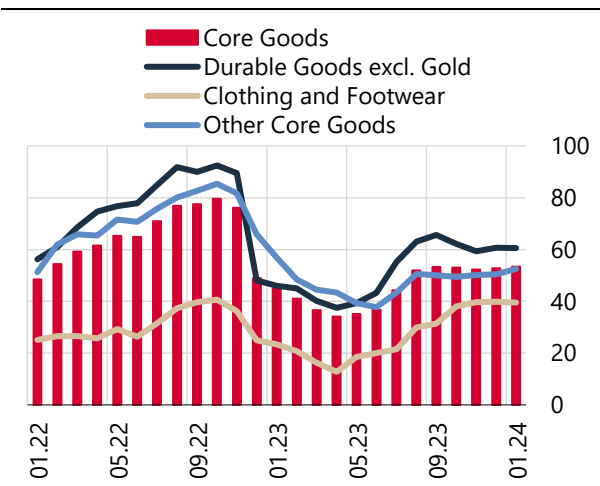


\* No seasonality detected for processed food.

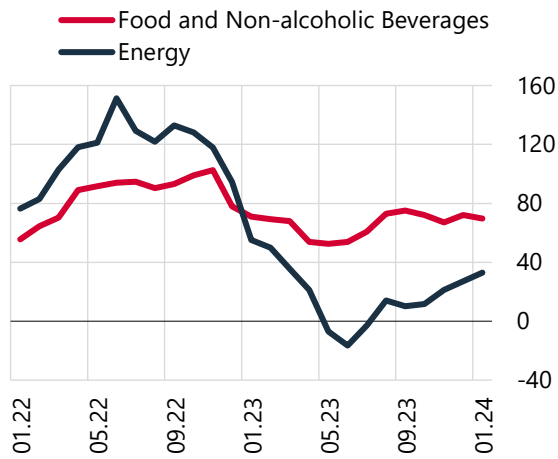
**Chart 5. Services (Annual % Change)**



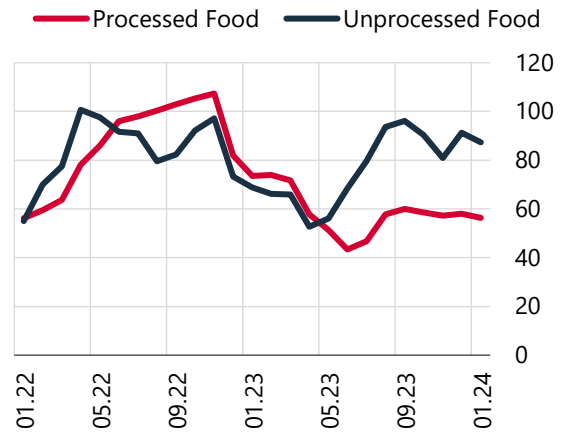
**Chart 6. Core Goods (Annual % Change)**



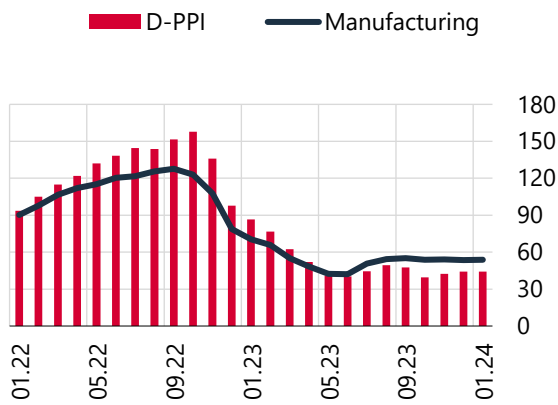
**Chart 7. Food and Non-alcoholic Beverages and Energy** (Annual % Change)



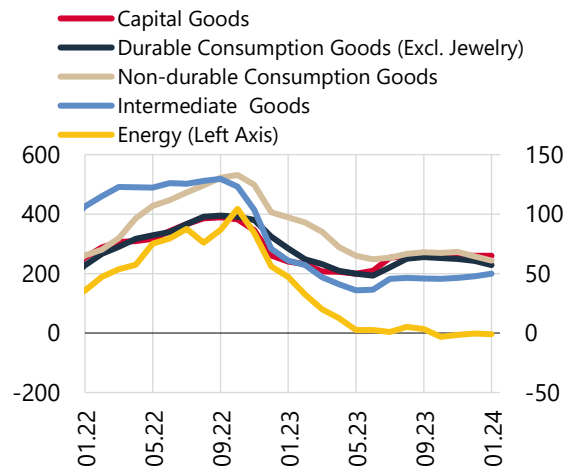
**Chart 8. Processed and Unprocessed Food** (Annual % Change)



**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	
	January 2024	January 2023	January 2024	January 2023
<b>CPI</b>	<b>6.70</b>	<b>6.65</b>	<b>64.86</b>	<b>57.68</b>
<b>1. Goods</b>	<b>4.60</b>	<b>4.47</b>	<b>55.65</b>	<b>55.76</b>
Energy	6.14	1.59	32.89	55.03
Food and non-alcoholic beverages	5.19	6.62	69.71	71.00
Unprocessed food	7.01	9.22	87.35	68.80
Fresh fruits and vegetables	7.65	6.39	83.43	57.22
Other unprocessed food	6.61	11.00	89.66	75.57
Processed food	3.58	4.72	56.33	73.56
Bread and cereals	4.90	6.23	56.43	67.26
Other processed food	2.97	3.98	56.34	77.14
Goods excluding energy and food	3.71	4.08	54.45	45.23
Core goods	3.57	3.20	53.35	44.82
Durable goods (excluding gold)	4.80	4.92	60.53	46.02
Clothing and footwear (*)	-1.86	-1.75	39.59	23.32
Other core goods	5.48	4.01	52.54	56.86
Alcoholic beverages and tobacco	4.92	11.19	61.60	50.60
Gold	4.15	5.73	68.05	43.46
<b>2. Services</b>	<b>12.14</b>	<b>12.70</b>	<b>89.72</b>	<b>62.42</b>
Rents	11.46	9.75	111.84	57.07
Restaurants and hotels	12.17	12.73	92.27	75.13
Transport	11.48	10.23	94.62	77.97
Communication	2.37	8.14	55.18	37.42
Other	14.99	16.10	83.43	57.41
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	6.85	7.07	67.68	57.05
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	7.58	7.67	70.48	52.97
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	6.74	6.13	62.12	56.64
F – CPI excluding administered prices	6.73	6.68	70.20	56.84

Source: TURKSTAT.

\* Does not cover clothing services.

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

	Weight (%)	January 2024		January 2023	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	<b>100</b>	<b>4.14</b>	<b>44.20</b>	<b>4.15</b>	<b>86.46</b>
Mining	3.66	5.72	65.03	6.08	101.51
Manufacturing	86.45	5.21	53.80	5.12	70.49
Manufacturing excl. petroleum products	82.76	5.32	54.48	5.22	70.71
Manufacturing excl. petroleum products and base metals	73.88	5.31	55.36	5.65	75.54
Electricity, gas, steam and air-conditioning sup.	9.28	-6.32	-32.00	-3.13	237.14
Water supply	0.61	1.77	66.35	2.15	116.64
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		4.89	49.76	3.46	60.98
Durable Consumption Goods		5.04	56.63	7.34	69.42
Durable Consumption Goods (Excl. Jewelry)		5.21	57.24	7.51	71.23
Non-Durable Consumption Goods		5.85	60.81	8.19	97.14
Capital Goods		6.21	64.94	6.29	60.19
Energy		-3.04	-4.06	-0.64	188.23

Source: TURKSTAT.