

OCTOBER PRICE DEVELOPMENTS

6 November 2023



Summary

Consumer prices were up by 3.43% in October, and annual inflation edged down by 0.17 points to 61.36%. Annual inflation decreased in the food and core goods groups, but increased in services and energy. Price increases in food excluding fresh fruits and vegetables remained strong. Despite the decline in fuel prices, the energy group recorded an increase due to the lagged effects of the developments in other energy commodity prices. As natural gas consumption slightly exceeded the free-of-charge consumption limit (the first 25 cubic meters), monthly consumer inflation was driven up by 0.22 percentage points through this channel. In November and December, the effect from the natural gas item is expected to increase due to the rise in consumption. In core goods, automobile prices fell on a monthly basis for the first time in the current year, while monthly inflation in durable goods posted the lowest level in two years. On the other hand, the seasonal price increases in the clothing and footwear subgroup due to the transition to the new season pushed monthly core goods inflation upwards. Monthly price increases in the services group remained strong, while the rent subgroup, which displays high inertia, continued to adversely affect services prices. In October, the rise in producer prices slowed down significantly, and annual producer inflation posted a notable decline. Against this background, the seasonally adjusted monthly rate of increase in B and C indicators continued to slow down, while their annual inflation increased somewhat.

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 were up by 3.43% in October, and annual inflation edged down by 0.17 points to 61.36% (Chart 1 and Table 1). In this period, the annual rates of change in the B and C indices increased by 0.39 and 0.83 points to 67.61% and 69.76%, respectively (Chart 2).

In this period, the contributions of services, energy and core goods to annual consumer inflation increased by 0.43, 0.17 and 0.04 points, respectively. Meanwhile, the food and alcohol-tobacco-gold groups added 0.60 and 0.21 points less to consumer inflation in October.

In seasonally adjusted terms, monthly increases in the B and C indices receded considerably (Chart 3). Among the groups that make up the B index, month-on-month price increases lost momentum in processed food, but posted a limited fall in services and core goods (Chart 4).

Services prices, which remained strong despite the slowdown in October compared to previous months, rose by 3.83% in October and group's annual inflation increased by 2.19 points to 88.65% (Chart 5). In this period, the most evident monthly price hike was recorded in rents with 7.91%, which drove the subcategory's annual inflation up to 100.67%. The fall in fuel prices was reflected in transport services, with prices of passenger transportation by air receding by -12.97% and intercity passenger transportation by road falling by -4.57%. The monthly price increase of 4.08% in the communication subcategory was driven by rising mobile phone call as well as internet fees. The monthly price increase in the restaurants-hotels group (3.51%), which is driven by catering services, decelerated slightly compared to the previous month due to the fall in hotel prices. In October, the monthly increase in the other services subcategory (2.90%) lost considerable momentum compared to previous months also due to the completion of the pass-through from education services.

Annual core goods inflation fell by 0.18 points to 53.05% (Chart 6). Annual inflation increased in the clothing and footwear subcategory, but decreased in other subcategories, more notably in durable goods. The slowdown in monthly price increases in durable goods continued in October, and monthly inflation remained limited at 0.43%. In this period, automobile prices declined (-0.44%), while price increases in white goods (1.19%) and furniture (0.57%) weakened significantly. Accordingly, annual inflation in this subcategory fell by 3.46 points to 62.15%. Prices of other core goods rose by 2.50%, bringing annual inflation down by 0.68 points to 49.42%. The monthly increase in this group was driven by household cleaning supplies, personal care products and maintenance and repair materials for dwellings. With the arrival of the new season, clothing and footwear prices went up by 13.98%, and the subcategory's annual inflation increased by 6.74 points to 38.10%.

Energy prices rose by 3.62% in October, and annual energy inflation increased by 1.35 points to 11.60% (Chart 7). The monthly uptick in energy prices was mainly driven by the increase in natural gas prices in the consumer basket parallel to the rise in consumption, 25 cubic meters of which was provided free of charge. This development pushed monthly consumer inflation up by 0.22 points. Meanwhile, following the developments in international oil prices, fuel prices fell by 2.15%, preventing a worse outlook in the energy group. Municipal water prices rose sharply (7.92%) in October. In addition, solid fuels and bottled gas posted monthly increases by 6.91% and 4.67%, respectively.

Prices of food and non-alcoholic beverages rose by 3.20% in October, while annual inflation was down by 3.15 points to 71.99% (Chart 7). Annual inflation dropped by 5.77 points to 90.40% in unprocessed food and by 1.34 points to 58.61% in processed food (Chart 8). Seasonally adjusted data point that prices of fresh fruits and vegetables lost pace and posted a mild increase, led by vegetable prices. Widespread price increases were seen in the unprocessed food group excluding fresh fruits and vegetables. With red meat in the lead, price hikes were noteworthy in white meat, eggs, nuts and pulses. The monthly price increase in the processed food group (2.46%) lost pace due to the slowdown in price increases in milk and dairy products and bread-cereals compared to the last month.

In October, domestic producer prices rose by 1.94%, and annual inflation fell by 8.05 points to 39.39% (Chart 9 and Table 2). This fall was mainly led by the energy group. Domestic energy production prices fell by 2.86% on a monthly basis, and annual inflation in this group dropped by 26.32 points due to the high base in the same month of the previous year and stood at -12.91% (Chart 10). According to other main industrial groupings, annual price increases receded in all groups. An analysis of monthly price developments by sectors reveals that crude oil and natural gas, printing and recording services, water treatment and supply, clothing materials, other mining-quarrying and food products stood out with price hikes.

Charts and Tables

Chart 1. CPI (Annual % Change)

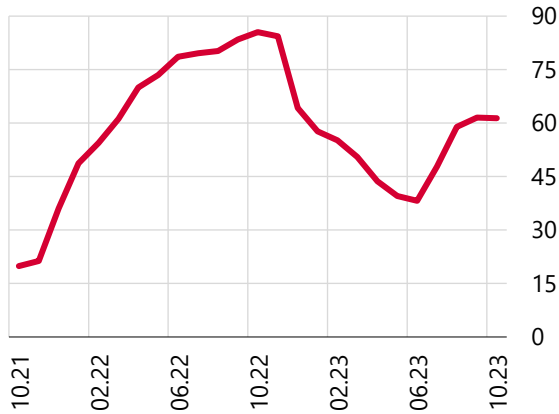


Chart 2. B and C (Annual % Change)

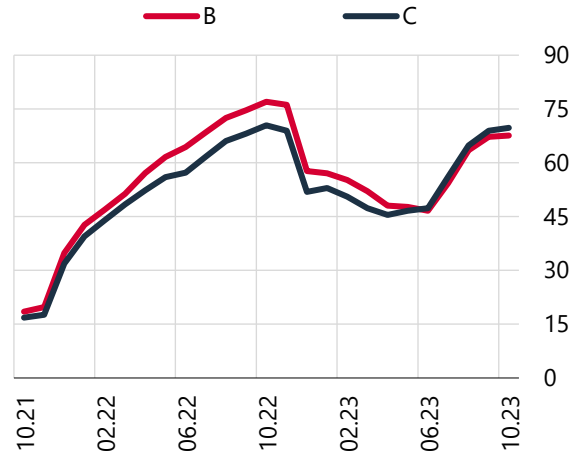


Chart 3. B and C Indices (Seasonally Adjusted, Monthly % Change)

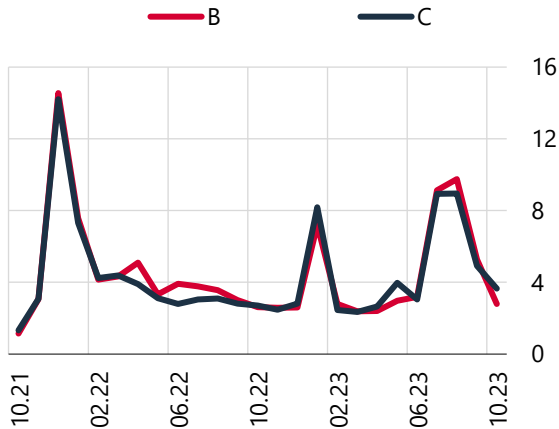
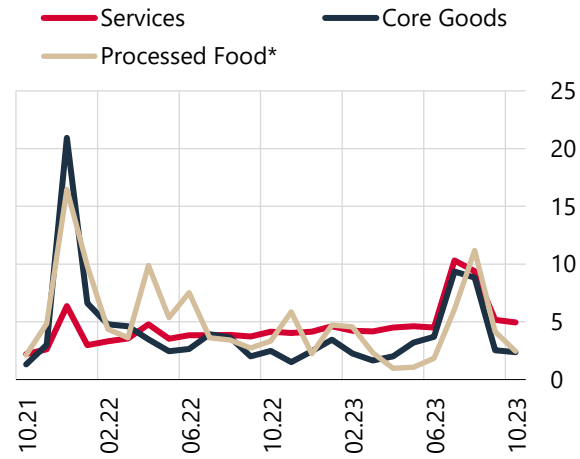


Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

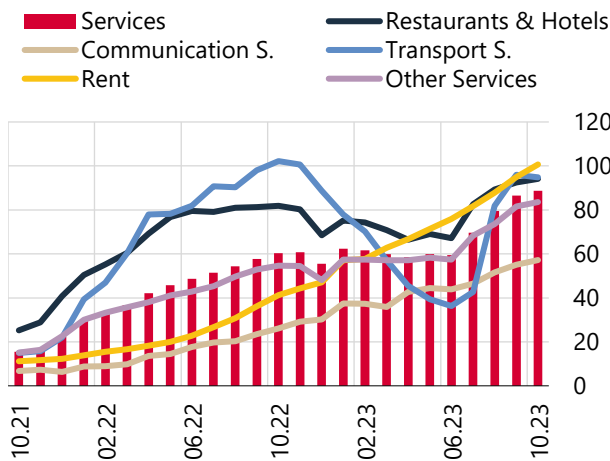


Chart 6. Core Goods (Annual % Change)

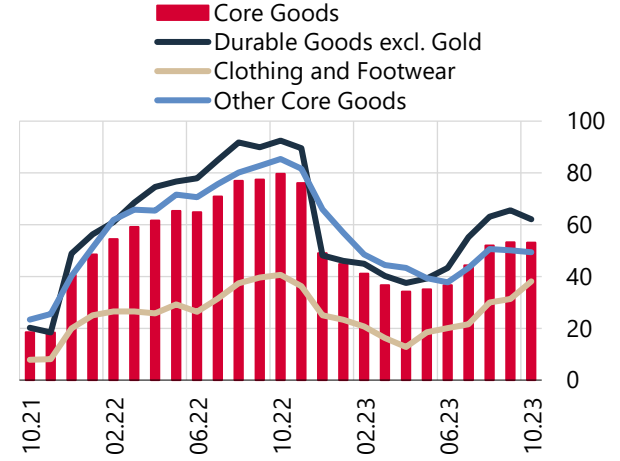


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

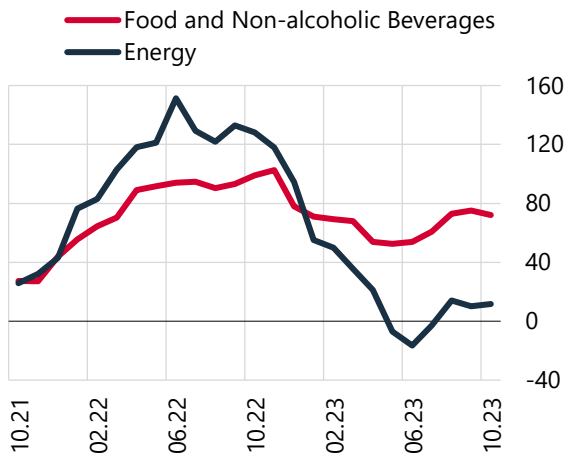


Chart 8. Processed and Unprocessed Food (Annual % Change)

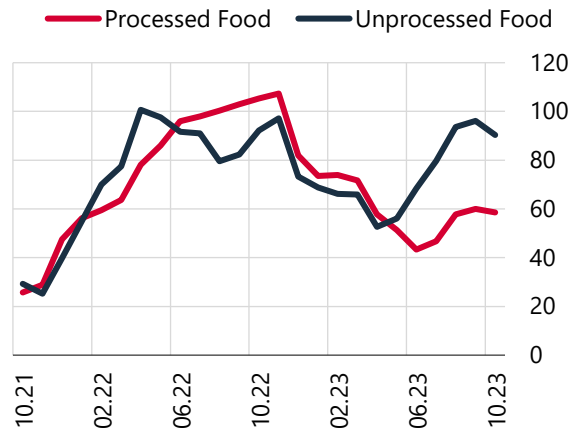


Chart 9. D-PPI and Manufacturing (Annual % Change)

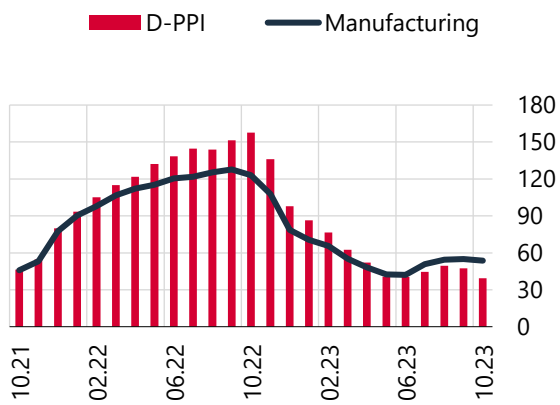
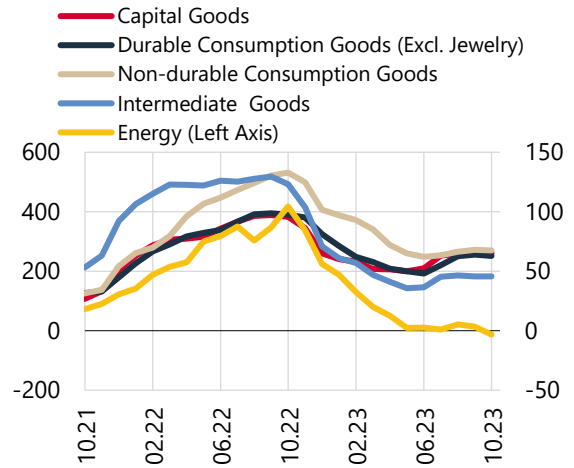


Chart 10. D-PPI Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	October 2023	October 2022	October 2023	October 2022
CPI	3.43	3.54	61.36	85.51
1. Goods	3.26	3.84	51.53	94.86
Energy	3.62	2.37	11.60	128.06
Food and non-alcoholic beverages	3.20	5.09	71.99	99.05
Unprocessed food	4.06	7.21	90.40	92.24
Fresh fruits and vegetables	0.38	14.34	77.75	77.75
Other unprocessed food	6.28	3.93	98.26	99.53
Processed food	2.46	3.33	58.61	105.32
Bread and cereals	1.39	2.76	58.31	105.70
Other processed food	3.01	3.64	58.85	105.03
Goods excluding energy and food	3.19	3.57	54.29	79.62
Core goods	3.61	3.73	53.05	79.65
Durable goods (excluding gold)	0.43	2.57	62.15	92.47
Clothing and footwear (*)	13.98	8.43	38.10	40.63
Other core goods	2.50	2.96	49.42	85.38
Alcoholic beverages and tobacco	0.09	3.30	61.97	77.88
Gold	2.03	0.05	69.49	88.63
2. Services	3.83	2.63	88.65	60.24
Rents	7.91	4.87	100.67	41.24
Restaurants and hotels	3.51	2.64	94.12	81.92
Transport	1.37	1.97	94.82	102.20
Communication	4.08	2.66	57.19	26.17
Other	2.90	1.82	83.58	54.61
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.48	3.24	67.61	77.01
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.72	3.22	69.76	70.45
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.49	3.04	57.71	84.96
F – CPI excluding administered prices	3.35	3.81	68.72	84.31

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	October 2023		October 2022	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.94	39.39	7.83	157.69
Mining	3.69	3.36	69.21	3.49	162.06
Manufacturing	83.81	2.32	53.74	3.19	122.97
Manufacturing excl. petroleum products	78.48	2.73	54.20	3.08	121.32
Manufacturing excl. petroleum products and base metals	68.94	2.90	56.38	3.32	124.89
Electricity, gas, steam and air-conditioning sup.	11.96	-4.38	-40.19	32.55	554.56
Water supply	0.55	5.46	72.72	2.80	109.45
D-PPI (MIGs Classification)					
Intermediate Goods		2.22	45.58	2.38	123.12
Durable Consumption Goods		1.93	61.37	2.29	98.65
Durable Consumption Goods (Excl. Jewelry)		1.84	62.98	2.48	97.70
Non-Durable Consumption Goods		3.99	67.47	4.30	132.88
Capital Goods		2.70	65.19	3.10	95.61
Energy		-2.86	-12.91	26.50	417.61

Source: TURKSTAT.