

# SEPTEMBER PRICE DEVELOPMENTS

4 October 2023



## Summary

Consumer prices were up by 4.75% in September, and annual inflation rose by 2.59 points to 61.53%. The lagged effects of the depreciation in the Turkish lira, wage hikes and tax adjustments waned, and monthly price increases decelerated in groups other than services and alcohol-tobacco. Due to the prevalent time-dependent price setting and backward-indexation behaviors in the services group, the strong rise in prices continued in a broad-based manner. In September, education-related items such as university tuition fees, school bus fares and student residences fees stood out with large price hikes, while the ongoing upward trend in rents strengthened. The price increase in the energy group was driven by the developments in energy commodity prices, crude oil in particular. Although the broad-based price hikes in the food group continued, the monthly price increase lost pace compared to the last two months, led by prices of bread and cereals as well as vegetables. Monthly inflation was milder in the core goods group. While automobile prices remained almost flat, white goods and furniture continued to post large price increases in the durable goods subgroup. The upward trend in monthly producer price increases continued, albeit at a slower pace, whereas annual producer inflation decreased due to the base effect arising mainly from energy prices. Against this background, the monthly rates of increase in seasonally adjusted indicators B and C decelerated in September, while annual inflation in these indicators 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 were up by 4.75% in September, and annual inflation rose by 2.59 points to 61.53% (Chart 1 and Table 1). In this period, the annual rates of change in the B and C indices increased by 3.70 and 4.08 points to 67.22% and 68.93%, respectively (Chart 2).

In this period, the contributions of services, alcohol-tobacco-gold, food and core goods to annual consumer inflation increased by 2.09, 0.51, 0.32 and 0.21 points, respectively. Meanwhile, the energy group contributed 0.54 points less to annual consumer inflation in September.

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

Prices of services rose by 7.88% in September, and annual services inflation increased by 6.89 points to 86.46% (Chart 5). In this period, price increases spread across subgroups, more apparently in transport services, as it was in the previous month, with 15.23%. This development was driven by the ongoing effects of soaring fuel prices. While the increases in tariffs of intercity passenger transportation by rail (17.73%) were continued, drastic increases in school bus fares (65.44%) amid the opening of schools were recorded as well. The upward course in rents of the last four months strengthened and the monthly rise hit 9.52%, pushing annual inflation up to 95.03%. Prices in the other services subgroup soared by 8.46%, while education services (30.27%) stood out with price increases due to the seasonal effects of the opening of schools and universities. University tuition fees registered an upsurge (127.72%) in this period. The monthly price increase in restaurants-hotels remained high (4.15%), albeit weaker compared to the previous month, mainly due to catering services amid the slowdown in food prices. On the accommodation side, student residences fees surged due to the opening of universities.

Annual core goods inflation rose by 1.26 points to 53.23% (Chart 6). In this period, while price increases decelerated across subgroups, annual inflation increased in durable goods (excluding gold) as well as clothing and footwear, and declined somewhat in other core goods. Prices of durable goods rose by 2.58%, while prices of automobiles remained almost flat (0.23%), and price hikes remained strong in white goods (7.48%) and furniture (6.42%). In the other core goods subgroup, prices rose more moderately by 2.66%, led by personal care products, maintenance and repair materials for dwellings, and household cleaning products. In the clothing and footwear subgroup, prices rose by 2.51%, pushing annual inflation up to 31.36%.

Energy prices increased by 3.83% in September, and annual energy inflation fell by 3.78 points to 10.25% (Chart 7). The monthly price hike in this group was driven by the increase in international energy prices, with crude oil in the lead. Against this background, solid fuels, bottled gas and fuel rose by 6.11%, 5.93% and 4.62%, respectively. Municipal water prices continued to increase sharply (4.42%) in September.

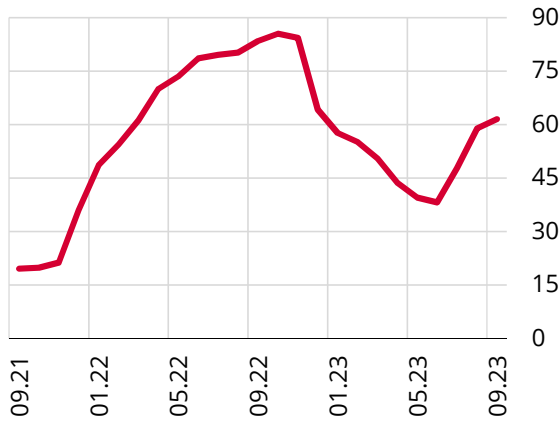
Prices of food and non-alcoholic beverages rose by 3.32% in September, pushing annual inflation up by 2.28 points to 75.14% (Chart 7). Annual inflation rose by 2.53 points to 96.17% in unprocessed food and by 2.15 points to 59.95% in processed food (Chart 8). Seasonally adjusted data point to a deceleration in prices of fresh fruits and vegetables, led by vegetable prices. In this period, widespread price increases were seen in the food excluding fresh fruits and vegetables group. Price hikes were noteworthy in eggs, sugar, nuts, milk and dairy products following the carry-over effects of the increase in raw milk prices, fats and oils as well as red meat. Meanwhile, price increases in bread and cereals slowed down compared to the last two months.

Prices in the alcoholic beverages and tobacco group increased by 10.03% and annual inflation in this group rose by 15.18 points to 67.16%. This development was mainly driven by producer-driven price hikes (11.08%) in tobacco products.

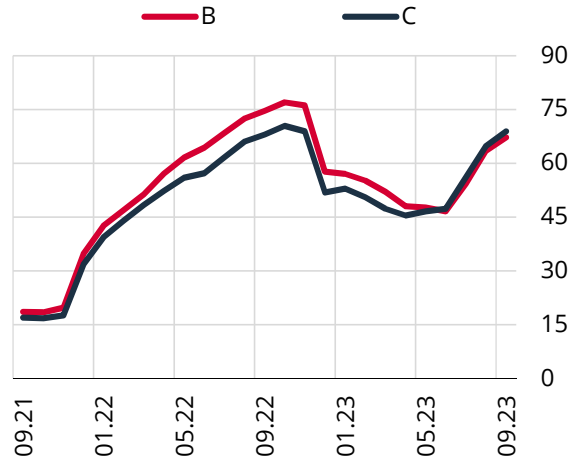
In September, domestic producer prices rose by 3.40%, while annual inflation in this group decreased by 1.97 points to 47.44% (Chart 9 and Table 2). According to main industrial groupings, the highest monthly rise was observed in domestic energy prices at 6.12% due to the increase in global energy commodity prices. Meanwhile, the monthly price increase in intermediate goods significantly slowed and was marked at 1.92%. An analysis of monthly price developments by sectors reveals that tobacco products, water treatment and supply, crude oil and natural gas, other mining and quarrying, other manufactured goods, refined petroleum products, electricity-gas production, coal and wood products sectors stood out with price hikes.

## Charts and Tables

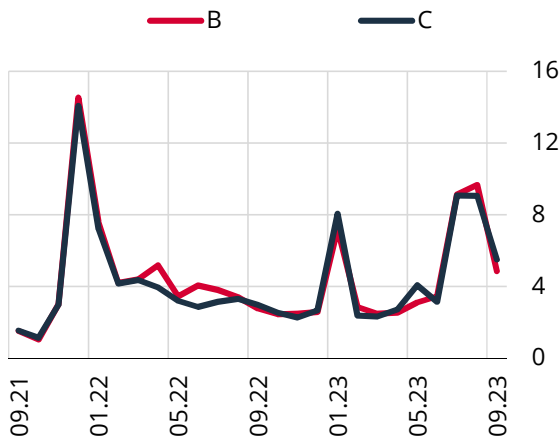
**Chart 1. CPI (Annual % Change)**



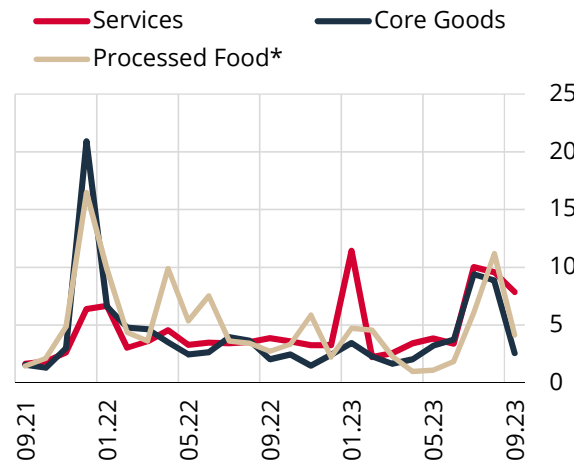
**Chart 2. B and C (Annual % Change)**



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

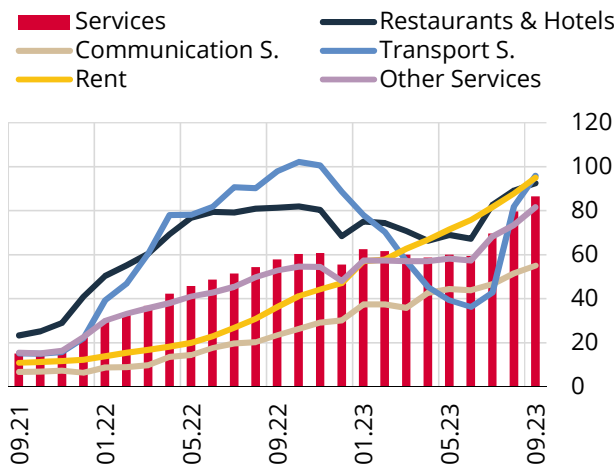


**Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)**

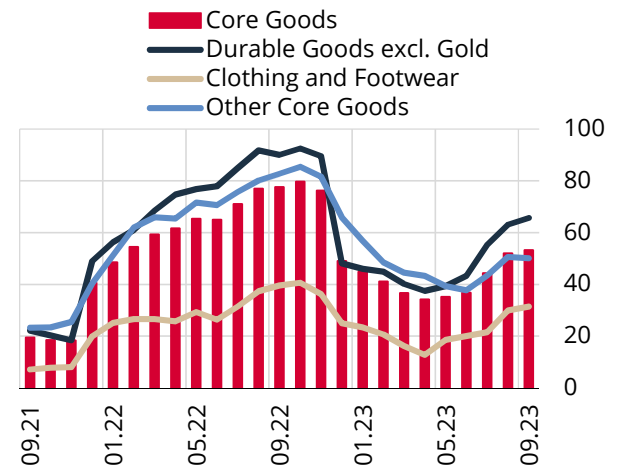


\* No seasonality detected for processed food.

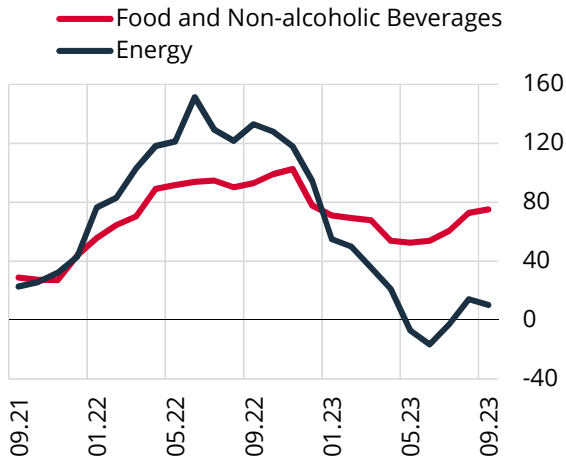
**Chart 5. Services (Annual % Change)**



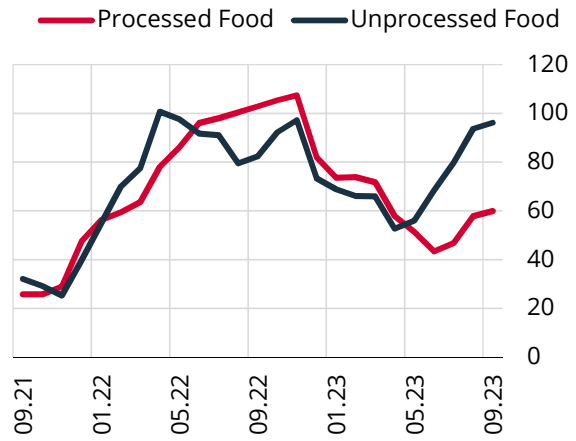
**Chart 6. Core Goods (Annual % Change)**



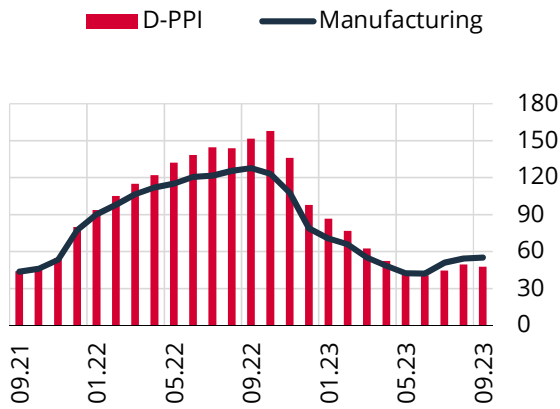
**Chart 7. Food and Non-alcoholic Beverages and Energy** (Annual % Change)



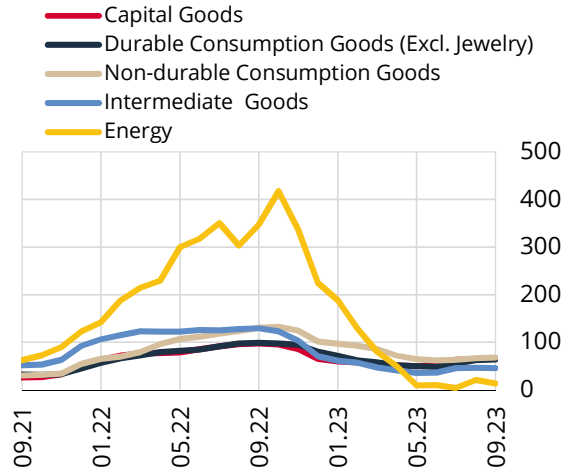
**Chart 8. Processed and Unprocessed Food** (Annual % Change)



**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	
	September 2023	September 2022	September 2023	September 2022
<b>CPI</b>	<b>4.75</b>	<b>3.08</b>	<b>61.53</b>	<b>83.45</b>
<b>1. Goods</b>	<b>3.42</b>	<b>2.81</b>	<b>52.39</b>	<b>93.07</b>
Energy	3.83	7.39	10.25	132.98
Food and non-alcoholic beverages	3.32	1.97	75.14	93.05
Unprocessed food	2.39	1.07	96.17	82.39
Fresh fruits and vegetables	0.23	1.97	102.46	58.72
Other unprocessed food	3.74	0.66	93.88	94.91
Processed food	4.13	2.73	59.95	102.90
Bread and cereals	2.87	2.45	60.45	106.50
Other processed food	4.79	2.88	59.82	100.91
Goods excluding energy and food	3.37	1.40	54.87	78.67
Core goods	2.59	1.75	53.23	77.49
Durable goods (excluding gold)	2.58	0.98	65.61	89.96
Clothing and footwear (*)	2.51	1.41	31.36	39.62
Other core goods	2.66	3.01	50.10	82.74
Alcoholic beverages and tobacco	10.03	0.04	67.16	82.48
Gold	0.57	-2.46	66.21	99.75
<b>2. Services</b>	<b>7.88</b>	<b>3.90</b>	<b>86.46</b>	<b>57.76</b>
Rents	9.52	5.45	95.03	36.18
Restaurants and hotels	4.15	2.43	92.48	81.34
Transport	15.23	6.95	95.97	97.98
Communication	5.39	3.04	55.04	23.44
Other	8.46	3.64	81.64	52.85
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	5.06	2.74	67.22	74.63
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	5.28	2.74	68.93	68.09
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	4.88	3.53	57.02	83.65
F - CPI excluding administered prices	4.59	2.26	69.46	81.89

Source: TURKSTAT.

\* Does not cover clothing services.

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

	Weight (%)	September 2023		September 2022	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	<b>100</b>	<b>3.40</b>	<b>47.44</b>	<b>4.78</b>	<b>151.50</b>
Mining	3.69	5.97	69.43	4.09	164.59
Manufacturing	83.81	3.07	55.05	2.65	127.69
Manufacturing excl. petroleum products	78.48	2.85	54.71	2.85	124.29
Manufacturing excl. petroleum products and base metals	68.94	3.25	57.02	3.04	127.08
Electricity, gas, steam and air-conditioning sup.	11.96	5.47	-17.08	16.76	416.58
Water supply	0.55	13.72	68.36	12.87	107.84
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		1.92	45.79	2.35	129.59
Durable Consumption Goods		3.73	61.94	3.16	100.36
Durable Consumption Goods (Excl. Jewelry)		4.33	64.00	3.43	98.71
Non-Durable Consumption Goods		4.80	67.98	3.86	130.54
Capital Goods		2.96	65.83	2.37	97.29
Energy		6.12	13.41	12.95	347.35

Source: TURKSTAT.