

AUGUST PRICE DEVELOPMENTS

September 4, 2024



Summary

Consumer prices rose by 2.47% in August, and annual inflation decreased by 9.81 points to 51.97%. Annual inflation continued to decline in all main groups due also to the high base effect, while the monthly price increase weakened over the previous month, led by the food group. For the first time in a long while, food prices posted a month-on-month decline driven by the unprocessed food subgroup, fresh fruits and vegetables in particular. The adjustment regarding residential natural gas tariffs played a decisive role in the rise in energy prices. Monthly core goods inflation maintained its relatively mild course, despite having increased somewhat compared to the previous months. In the services group, monthly price increases remained strong, led by transport services as well as items with a powerful time-dependent price-setting tendency, such as education. While university tuition fees have increased substantially, the fact that this increase started to be gradually reflected on the index as of August this year due to admission dates also pushed monthly services inflation up. The rise in producer prices decelerated slightly compared to the previous month, and annual producer inflation fell due in part to the high base effect. Against this background, while the rate of monthly increase in the B and C indices rose month-on-month in seasonally adjusted terms, alternative indicators such as median inflation and SATRIM that are based on the distribution of monthly price changes receded to their June values. When all indicators are analyzed together, the underlying inflation is assessed to have displayed no significant change.

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 2.47% in August, and annual inflation decreased by 9.81 points to 51.97% (Chart 1). The rise in consumer prices, in seasonally adjusted terms, slowed down compared to the previous month (Chart 2). The annual rate of change in the B index dropped by 9.44 points to 50.87%, while that of the C index fell by 8.67 points to 51.56% (Table 1).

Contributions of the food, core goods, services, energy, and alcohol-tobacco-gold groups to annual consumer inflation decreased month-on-month by 3.75, 2.76, 2.40, 0.83 and 0.07 points, respectively.

In seasonally adjusted terms, monthly increases in the B and C indices picked up compared to the previous month (Charts 3). Among the components of the B index, price increases lost pace in processed food but gained momentum in others (Chart 4). The elevated course of monthly price increases in services was maintained, while the core goods inflation remained low. Meanwhile, distribution-based alternative indicators of underlying inflation, such as median inflation and SATRIM, receded in August, diverging from the B and C indices (Chart 5 and 6).

Services prices rose by 4.60% in August, and annual services inflation fell by 7.80 points to 77.83%. Annual inflation was down in all subgroups, most visibly in transport, due also to the high base effect (Chart 7). Monthly inflation weakened in restaurants-hotels and communication subgroups over the previous month but grew stronger in other subgroups, with transport services (9.20%) in the lead. The sharp monthly increase in prices of transport services was mainly driven by passenger transport by air (41.56%) as well as by certain administered items, particularly urban passenger transport. As the contract renewal rate also remained high in August, the monthly increase in rents was pushed up to 7.38%, whereas annual rent inflation came down by 1.07 points to 121.26%. In the other services subgroup, education services stood out (11.34%) due to the high rate of increase in university tuition fees, particularly those of private universities, as well as the earlier reflection of this increase on the index this year. Meanwhile prices of package tours continued to decline. Monthly inflation in the restaurants-hotels subgroup (2.03%) decelerated over the previous month on the back of the developments in food and demand. It was notable that monthly communication inflation (0.61%) decreased to pre-2022 levels.

In August, annual core goods inflation was down by 9.34 points to 28.91%. Annual inflation declined across all subgroups (Chart 8). Seasonally adjusted data indicate that the core goods inflation remained mild despite a slight increase. Prices of durable goods (excluding gold) grew at a relatively low monthly rate of 1.50%, and the subgroup's annual inflation went down by 7.70 points to 23.69%. Prices were up in automobiles (2.24%), furniture (1.68%), and white goods (0.55%), but dropped in other electric and non-electric household appliances (-0.18%). Contrary to their seasonal averages, clothing and footwear prices posted a limited increase (0.30%) in this period, while annual inflation fell by 10.19 points to 28.52%. On the other hand, the price increase in the other core goods subgroup was milder at 1.44% compared to the previous months.

Energy prices were up by 6.84% in August, and annual energy inflation dropped by 11.66 points to 68.45% (Chart 9). The high monthly increase in energy prices was mainly driven by the increase in natural gas tariffs for households (27.64%). Meanwhile, fuel prices fell by 1.32% month-on-month in this period due to the developments in international crude oil prices.

Prices of food and non-alcoholic beverages decreased by 1.10% in August, and annual inflation fell by 14.03 points to 44.88% (Chart 9). Annual inflation dropped by 15.60 points to 41.75% and by 12.69 points to 47.66% in unprocessed and processed food, respectively (Chart 10). Food prices fell on a monthly basis for the first time since August 2020, led by unprocessed food prices (-4.89%), which showed a significant decline compared to seasonal averages, driven by fresh fruit and vegetables. Both red and white meat prices decreased during this period. Processed food inflation recorded a limited slowdown at 2.37% month-on-month, with price increases in tea and sugar confectionery-chocolate items standing out in this group.

Prices of alcoholic beverages and tobacco products rose by 4.46%. In tobacco products, as price increase implied by the lump-sum tax revision was partially passed on to final prices by firms in July, approximately half of the tax-driven impact was carried over into August.

In August, domestic producer prices rose by 1.68%, while annual inflation fell by 5.62 points to 35.75% due to the high base effect (Chart 11 and Table 2). Across the main industrial groupings, while energy prices were up by 3.04%, intermediate goods (1.25%) and nondurable consumption goods (1.17%) restrained the headline rate (Chart 12). An analysis by sectors reveals that tobacco products, electricity, gas-steam and air conditioning, beverages, printing and recording services, machinery and equipment, coal and lignite, and wood-cork products were the subgroups that stood out with price increases.

Charts and Tables

Chart 1. CPI, B and C

(Annual % Change)

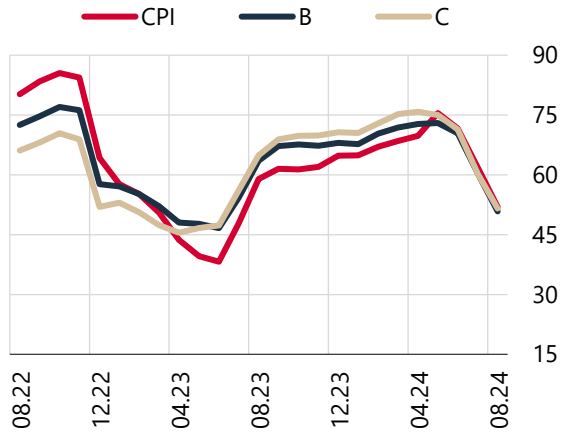


Chart 2. CPI

(Seasonally Adjusted, Monthly % Change)

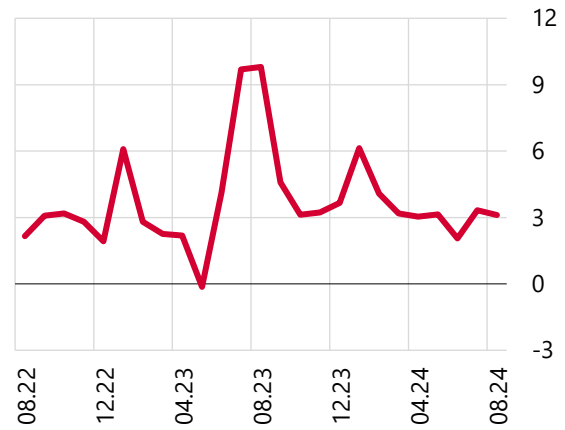


Chart 3. B and C Indices

(Seasonally Adjusted, Monthly % Change)

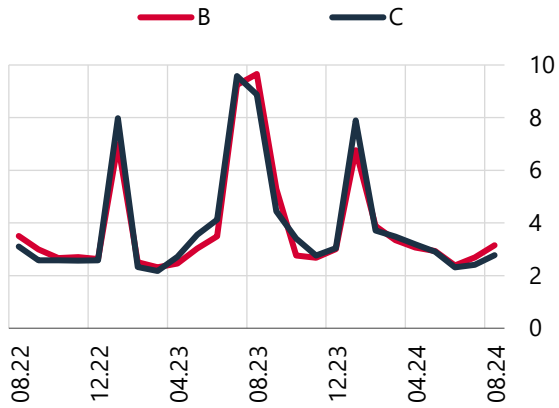
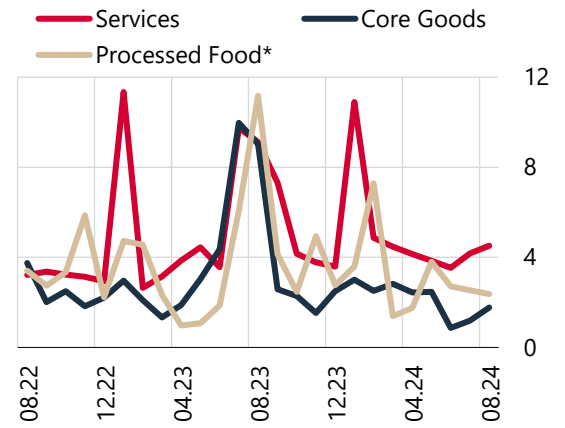


Chart 4. Main Components of B Index

(Seasonally Adjusted, Monthly % Change)



* 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)

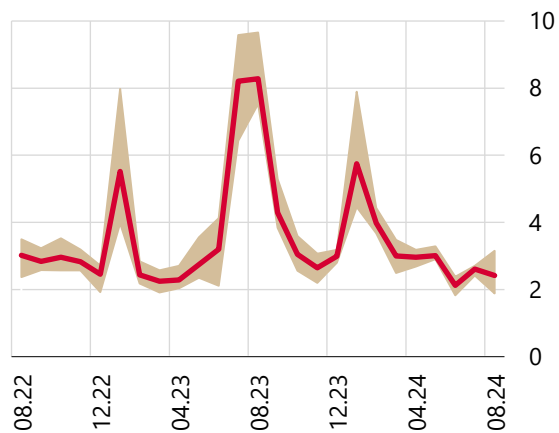
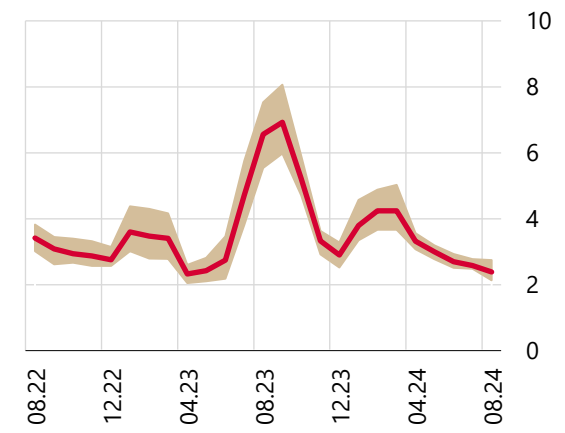


Chart 6. Underlying Inflation Indicators**

(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)

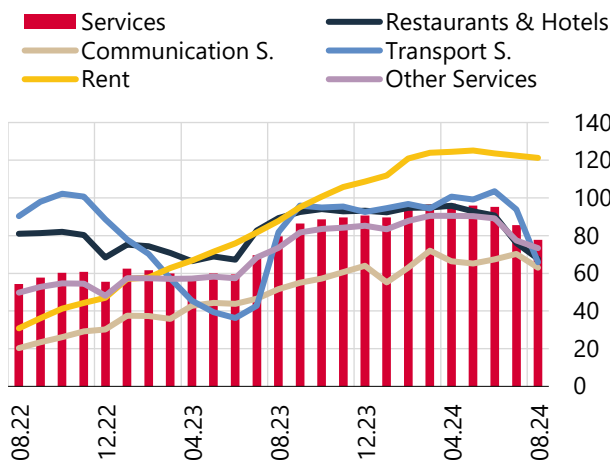


Chart 8. Core Goods (Annual % Change)

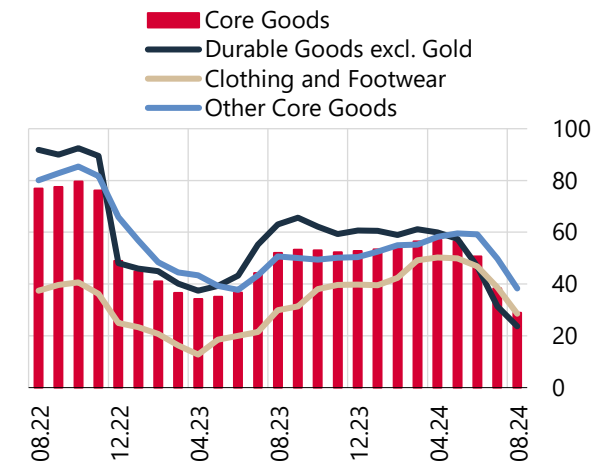


Chart 9. Food and Non-alcoholic Beverages and Energy (Annual % Change)

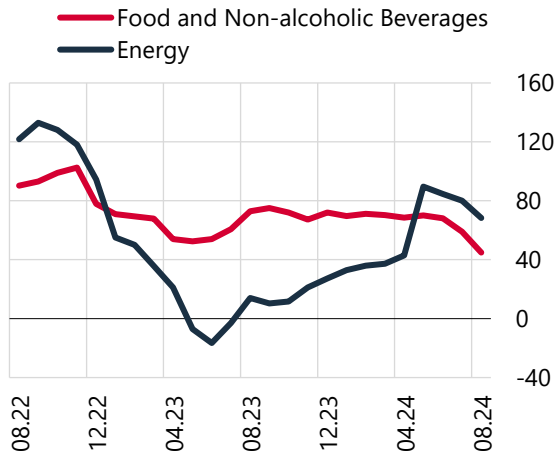


Chart 10. Processed and Unprocessed Food (Annual % Change)

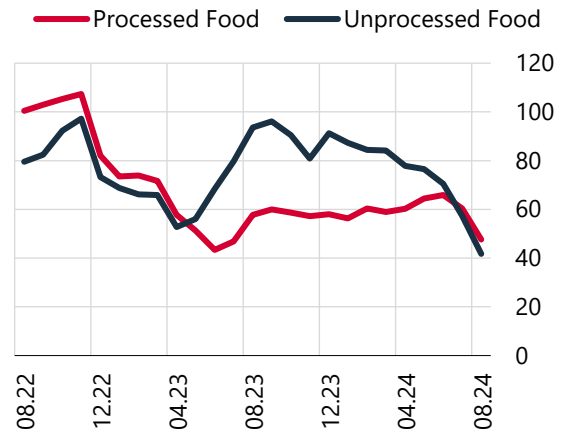


Chart 11. D-PPI and Manufacturing (Annual % Change)

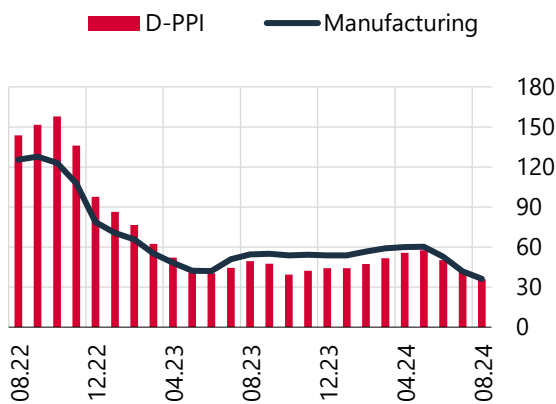


Chart 12. D-PPI Main Industry Groups (Monthly % Change)

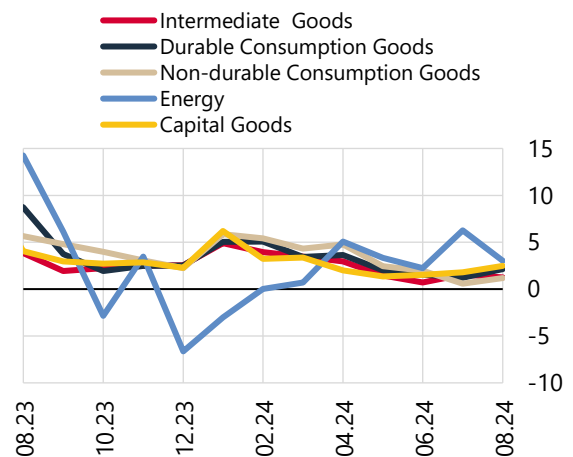


Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	August 2024	August 2023	August 2024	August 2023
CPI	2.47	9.09	51.97	58.94
1. Goods	1.51	9.04	42.13	51.50
Energy	6.84	14.23	68.45	14.03
Food and non-alcoholic beverages	-1.10	8.48	44.88	72.86
Unprocessed food	-4.89	5.58	41.75	93.64
Fresh fruits and vegetables	-10.00	9.31	28.93	105.98
Other unprocessed food	-1.67	3.37	50.05	88.13
Processed food	2.37	11.17	47.66	57.80
Bread and cereals	1.95	13.12	44.89	59.79
Other processed food	2.57	10.18	49.20	56.91
Goods excluding energy and food	1.64	7.93	32.30	51.92
Core goods	1.23	8.57	28.91	51.97
Durable goods (excluding gold)	1.50	7.82	23.69	63.04
Clothing and footwear (*)	0.30	8.25	28.52	29.96
Other core goods	1.44	9.92	38.26	50.60
Alcoholic beverages and tobacco	4.46	3.77	60.94	51.98
Gold	3.87	2.12	41.33	61.20
2. Services	4.60	9.19	77.83	79.57
Rents	7.38	7.90	121.26	87.78
Restaurants and hotels	2.03	7.09	67.70	89.31
Transport	9.20	27.62	65.93	81.90
Communication	0.61	5.14	62.90	51.58
Other	4.74	7.19	73.26	73.58
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.88	9.32	50.87	63.52
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.99	8.89	51.56	64.85
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.42	9.87	53.02	55.00
F – CPI excluding administered prices	1.44	9.18	48.22	65.70

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	August 2024		August 2023	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.68	35.75	5.89	49.41
Mining	3.66	2.51	49.43	9.99	66.42
Manufacturing	86.45	1.20	36.18	5.41	54.41
Manufacturing excl. petroleum products	82.76	1.44	38.26	4.53	54.70
Manufacturing excl. petroleum products and base metals	73.88	1.57	40.28	4.96	56.70
Electricity, gas, steam and air-conditioning sup.	9.28	6.10	20.66	10.16	-8.21
Water supply	0.61	1.07	65.87	6.88	67.09
D-PPI (MIGs Classification)					
Intermediate Goods		1.25	33.56	3.83	46.41
Durable Consumption Goods		2.14	40.70	8.74	61.05
Durable Consumption Goods (Excl. Jewelry)		1.95	39.58	9.66	62.58
Non-Durable Consumption Goods		1.17	48.79	5.67	66.46
Capital Goods		2.49	37.98	4.04	64.88
Energy		3.04	18.20	14.27	20.70

Source: TURKSTAT.