

# DECEMBER PRICE DEVELOPMENTS

4 January 2023



## Summary

Consumer prices increased by 1.18% in December while annual inflation decreased by 20.12 points, ending the year at 64.27%. In this period, annual inflation dropped markedly across all subgroups but the decline in the services group remained relatively limited. The most significant contribution to the fall in annual consumer inflation came from core goods and food groups due to the base effect. In the core goods group, automobile prices decreased in December on the back of the tax base arrangement in the SCT while the reference exchange rate adjustment in medicine prices and the persistent upward course in prices of white goods and furniture limited a more favorable outlook. Prices in the food group posted an increase close to their historical December average of the recent years whereas annual inflation decreased across subgroups. In this period, energy prices declined led by fuel products. The decline in energy prices also affected producer prices. In December, producer prices decreased on the back of developments in prices of petroleum and petroleum products as well as electricity and natural gas prices, driven by positive developments in international energy prices and the stable course of the Turkish lira. Against this background, the seasonally-adjusted monthly change decelerated in the B index but increased in the C index, while the annual inflation of these indices went down by 18.50 and 16.98 points, respectively.

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 increased by 1.18% in December while annual inflation decreased by 20.12 points to 64.27%. (Chart 1 and Table 1). In this period, the annual rates of change in B and C indices declined by 18.50 and 16.98 points to 57.68% and 51.93%, respectively (Chart 2).

Contribution of subgroups to annual consumer inflation declined across all subgroups in this period. Month-on-month contributions of core goods, food and non-alcoholic beverages, energy, services and alcohol-tobacco-gold groups fell by 6.96, 6.04, 3.52, 2.48 and 1.12 points, respectively.

In seasonally-adjusted terms, monthly increases posted an uptick in the C index, while decelerated somewhat in the B index compared to the previous month (Chart 3). Across the groups that make up the B index, price increases strengthened in core goods, but weakened in processed food and services (Chart 4).

Prices of services rose by 1.85% in December, and the group's annual inflation fell by 5.23 points to 55.49%. Annual inflation posted a notable decline in restaurants-hotels, transport and other services; yet increased in rents and communication subgroups (Chart 5). Driven by catering services, prices in the restaurants-hotels group rose by 2.61% in December. Prices in transport services fell by 0.52%, led by intercity bus fares, which also exhibited the effects of the fall in fuel prices. Prices in other services rose by 1.65% month-on-month due to the maintenance-repair, health and recreation-culture services. Compared to recent months, the monthly price increase in communication services lost pace with 0.96%, while annual inflation in this group climbed to 30.13%. According to the seasonally-adjusted data, the monthly increase in the rent subgroup remained flat compared to the previous month.

Annual inflation in core goods decreased by 27.15 points to 48.96% at the end of 2022 due to the stronger base effect. Annual inflation fell across all subgroups, more visibly in durable goods (Chart 6). Prices of durable goods (excluding gold) rose by 1.88% in December, while white goods and furniture items stood out with price hikes. With the effect of the tax base adjustment, automobile prices decreased by 1.71% and limited the monthly price increase in the subgroup. Against this background, annual inflation in the durable goods subgroup decreased by 41.37 points to 48.13%. In other core goods, prices increased by 3.56%, a relatively high rate compared to recent months. Medicine prices increased by 18.26% due to the revision of the reference euro exchange rate, and became the main driver of other core goods prices. In this period, prices in the clothing and footwear subgroup fell by 1.46%, pulling annual inflation down by 11.21 points to 25.01%.

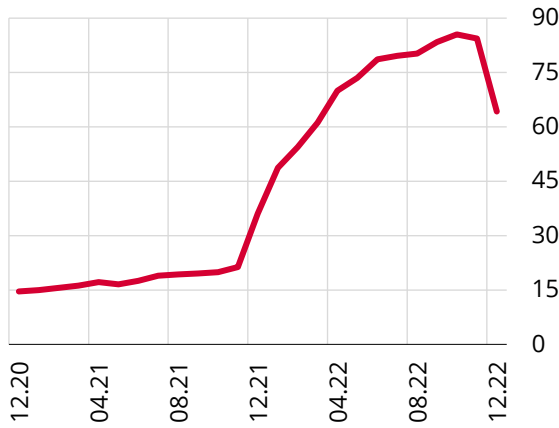
Energy prices decreased by 2.12% in December, and annual inflation in this group fell by 23.57 points to 94.43% (Chart 7). This is attributable to the fall in fuel prices (10.45%) following the decline in international crude oil prices. Meanwhile, municipal water prices climbed by 10.42% in this period.

Annual inflation in food and non-alcoholic beverages went down by 24.68 points to 77.87% in December (Chart 7). Annual inflation fell by 23.99 points to 73.25% in unprocessed food, and by 25.35 points to 82.00% in processed food (Chart 8). Seasonally-adjusted data for the unprocessed food group points to a decline in fresh fruit and vegetable prices, particularly in the vegetables group. In the other unprocessed food group, the rise in prices of red meat, rice and potato was remarkable. Compared to previous months, the monthly price increase in processed food decelerated and was recorded at 2.23%, and the rise was mostly driven by bread-cereals, fats and oils, and canned vegetables.

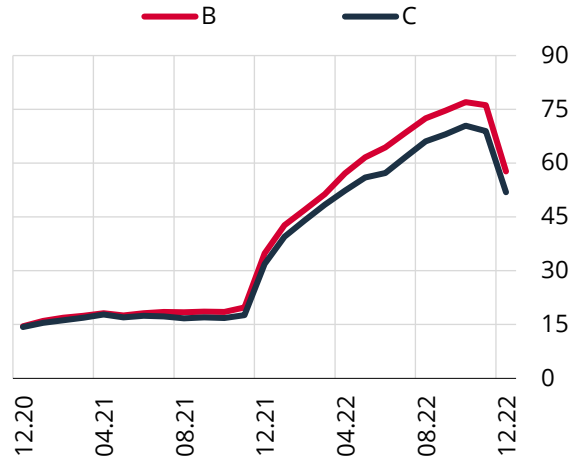
In December, domestic producer prices decreased by 0.24%, and annual inflation fell by 38.30 points to 97.72% due to the base effect (Chart 9 and Table 2). This was driven by the decline in international energy commodity prices and the moderate course of exchange rates. As a matter of fact, in this period, energy producer prices posted a significant decline by 10.63%. Across main industrial groupings, annual inflation decreased in all subgroups, most notably in energy (Chart 10). An analysis of monthly price developments by sectors indicates that prices of refined petroleum products, and electricity and natural gas production decreased significantly in this period. While price increases continued in other sectors, basic pharmaceutical products, water and water purification and distribution, beverages, leather and related products, and household appliances-related electrical equipment items stood out.

## Charts and Tables

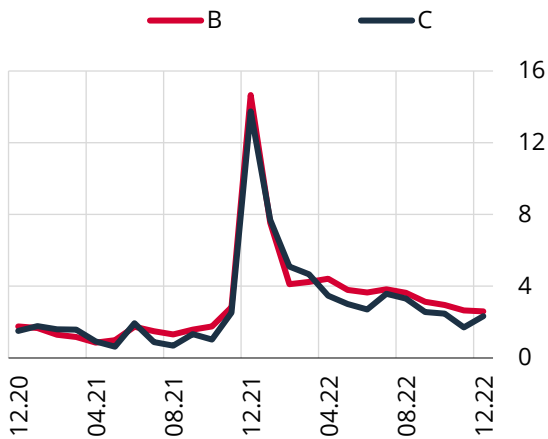
**Chart 1. CPI (Annual % Change)**



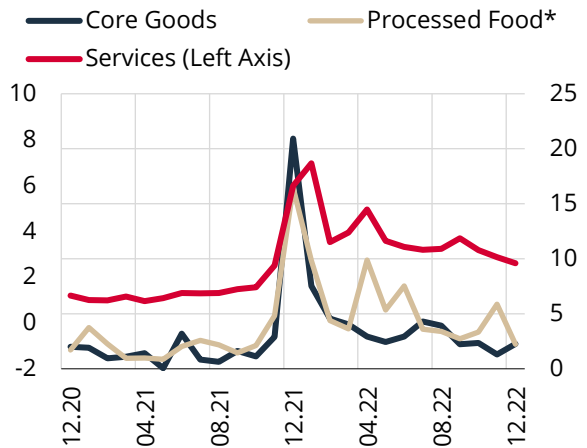
**Chart 2. B and C (Annual % Change)**



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

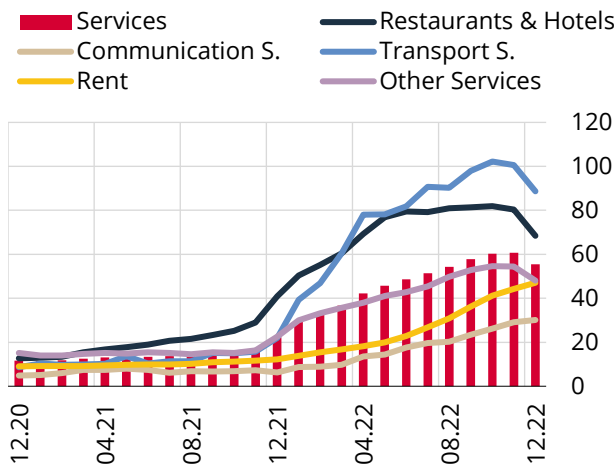


**Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)**

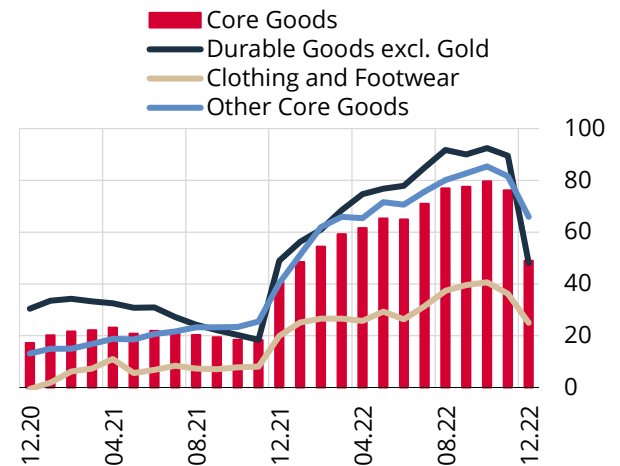


\* No seasonality detected for processed food.

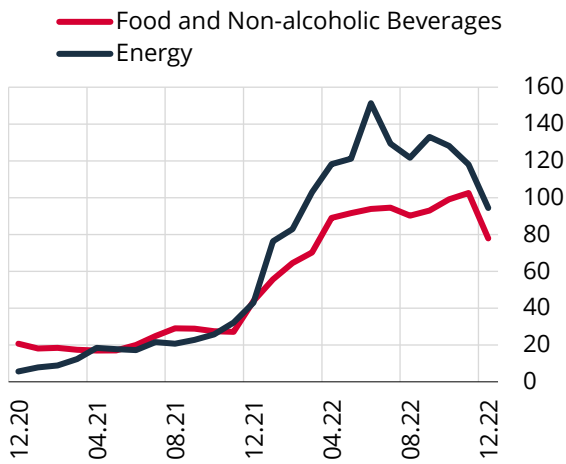
**Chart 5. Services (Annual % Change)**



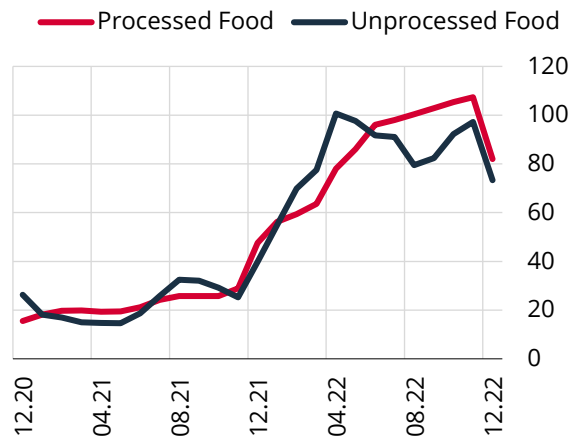
**Chart 6. Core Goods (Annual % Change)**



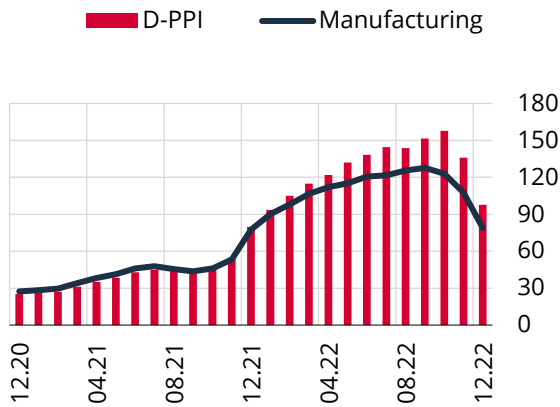
**Chart 7. Food and Non-alcoholic Beverages and Energy** (Annual % Change)



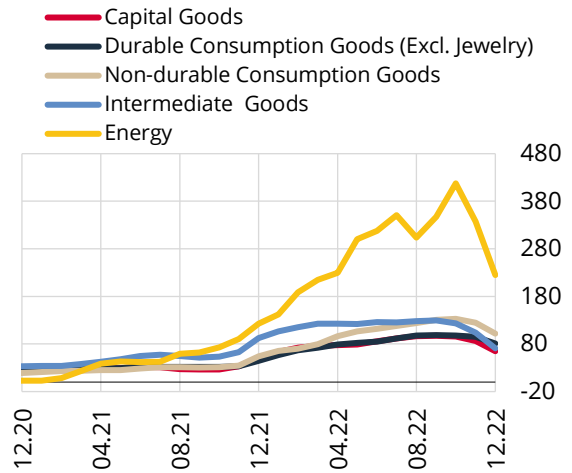
**Chart 8. Processed and Unprocessed Food** (Annual % Change)



**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	
	December 2022	December 2021	December 2022	December 2021
<b>CPI</b>	<b>1.18</b>	<b>13.58</b>	<b>64.27</b>	<b>36.08</b>
<b>1. Goods</b>	<b>0.97</b>	<b>16.48</b>	<b>67.31</b>	<b>41.10</b>
Energy	-2.12	9.75	94.43	42.93
Food and non-alcoholic beverages	1.86	15.99	77.87	43.80
Unprocessed food	1.42	15.46	73.25	39.83
Fresh fruits and vegetables	-3.30	7.89	78.54	17.94
Other unprocessed food	3.96	19.14	70.72	52.29
Processed food	2.23	16.47	82.00	47.57
Bread and cereals	2.56	19.64	69.55	53.00
Other processed food	2.06	14.69	89.16	44.58
Goods excluding energy and food	1.69	19.46	50.45	38.47
Core goods	1.86	20.43	48.96	40.55
Durable goods (excluding gold)	1.88	30.33	48.13	48.93
Clothing and footwear (*)	-1.46	7.38	25.01	19.92
Other core goods	3.56	13.38	65.91	40.26
Alcoholic beverages and tobacco	0.07	11.21	65.11	20.02
Gold	4.33	28.14	35.48	70.87
<b>2. Services</b>	<b>1.85</b>	<b>5.27</b>	<b>55.49</b>	<b>22.33</b>
Rents	3.10	1.11	47.07	12.20
Restaurants and hotels	2.61	9.81	68.48	40.85
Transport	-0.52	5.78	88.70	21.99
Communication	0.96	0.21	30.13	6.32
Other	1.65	6.03	48.05	22.61
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.94	13.90	57.68	34.89
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.86	13.23	51.93	31.88
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.21	13.41	62.94	36.46
F - CPI excluding administered prices	0.91	15.20	60.02	39.14

Source: TURKSTAT.

\* Does not cover clothing services.

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

	Weight (%)	December 2022		December 2021	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	<b>100</b>	<b>-0.24</b>	<b>97.72</b>	<b>19.08</b>	<b>79.89</b>
Mining	3.56	1.94	122.92	12.69	62.84
Manufacturing	87.43	2.29	78.66	18.88	77.44
Manufacturing excl. petroleum products	84.97	2.79	78.66	18.95	73.60
Manufacturing excl. petroleum products and base metals	76.27	2.95	83.86	18.13	67.36
Electricity, gas, steam and air-conditioning sup.	8.29	-11.78	284.99	24.41	117.14
Water supply	0.72	9.44	130.34	1.87	33.99
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		1.66	70.91	21.21	92.13
Durable Consumption Goods		3.20	78.57	12.04	46.16
Durable Consumption Goods (Excl. Jewelry)		3.16	81.13	11.10	44.80
Non-Durable Consumption Goods		4.56	101.63	16.50	54.23
Capital Goods		2.36	65.16	15.53	51.17
Energy		-10.63	224.67	20.38	122.76

Source: TURKSTAT.