

MAY PRICE DEVELOPMENTS

4 June 2024



Summary

Consumer prices rose by 3.37% in May, and annual inflation increased by 5.65 points to 75.45%. Despite the considerable increase in annual consumer inflation driven by the base effect, annual rates of change in the B and C indices followed a mild course in this period. Annual inflation fell somewhat in the services and core goods groups, but went up in other groups, most visibly in energy. In addition to the low base caused by the free use of natural gas in the same period of the previous year, the expiry of the residential use of 25 cubic meters of natural gas free of charge in the current month drove annual energy inflation considerably upwards. The expiry of this facility added 0.64 points to headline inflation in May, and the adjustment of this effect revealed a limited improvement in monthly consumer inflation. Monthly inflation weakened in the food group in tandem with seasonal effects, which was shaped by the receding prices of the unprocessed food subgroup, with vegetables in the lead. On the other hand, monthly inflation posted a month-on-month increase in the processed food subgroup. The services group recorded further hikes in monthly price changes, and restaurants-hotels, rent and education came to the forefront again. In the core goods group in May, prices went up in clothing and footwear due to the transition to the new season, while price increases lost pace in the durable goods subgroup. Following the mild course in the Turkish lira, the monthly increase in producer prices waned significantly, while annual producer inflation increased due also to the low base. Against this background, in seasonally adjusted terms, the deceleration trend in the monthly increases in the B and C indices paused in May.

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 3.37% in May, and annual inflation increased by 5.65 points to 75.45%. The annual rate of change in the B index crept up by 0.27 points to 72.99%, while that of the C index dropped by 0.83 points to 74.98% (Chart 1 and Table 1). The expiry of the free use of 25 cubic meters of natural gas pushed monthly consumer inflation up by 0.64 points. When adjusted for this effect, the downward trend in monthly consumer inflation continued, albeit to a limited extent (Chart 2).

Compared to the previous month, the contributions of the energy, services, core goods, food and alcohol-tobacco-gold groups to annual consumer inflation increased by 3.45, 0.74, 0.66, 0.53 and 0.27 points, respectively.

In seasonally adjusted terms, the deceleration trend in monthly increases in the B and C indices paused in May (Chart 3). Among the components of the B index, price increases remained almost unchanged in core goods and services, but rose in processed food (Chart 4).

Services prices were up by 4.03% in May, and annual services inflation fell by 1.06 points to 95.93%. Transport services prices declined on a monthly basis, while restaurants-hotels, rents, and education services stood out with more significant price increases. Annual inflation receded across all subgroups excluding rents (Chart 5). The stronger monthly inflation in the restaurants-hotels subgroup (5.52%) compared to the previous month was driven by catering services, while hotel prices were also on the rise. Rents saw a significant monthly increase of 5.46% in May, bringing annual inflation in this subgroup to 125.14%. Prices in the other services subgroup rose by 3.60% month-on-month. The price increases in this subgroup were led by education services (5.63%) due to private school fees, as well as recreation-culture services. The monthly price increase in communication services slowed down in this period. Transport services diverged from the rest of the subgroups in the services group with a limited monthly decline on the back of falling prices in intercity passenger transport by road (-9.30%) and passenger transport by ferry (-2.16%).

In May, annual core goods inflation decreased by 0.63 points to 56.51%. Annual inflation rose in other core goods but declined in remaining subgroups (Chart 6). The monthly increase in prices of durable goods (excluding gold) decelerated to 1.89%, while the subgroup's annual inflation dropped by 2.47 points to 57.43%. Automobile, furniture, and white goods prices were up by 2.99%, 2.01%, and 0.91%, respectively in May. Meanwhile, prices of electric and non-electric appliances, excluding white goods, went down by 1.29% in this period. The effect of the launch of the new season was palpable in the rise in clothing and footwear prices (9.69%). The monthly increase in prices of other core goods was weaker at 1.90% compared to the previous month.

Energy prices increased by 4.91% in May, and annual energy inflation soared by 46.85 points to 89.68% due to the base effect (Chart 7). The monthly increase in energy prices was mainly driven by the 28.89% rise in natural gas prices after the termination of the facility allowing free use of the first 25 cubic meters. In addition, the low base effect stemming from the free provision of natural gas during the same period of the previous year stood as the main factor that pushed annual energy inflation sharply higher. On the other hand, following the developments in Turkish lira-denominated energy prices in May, fuel and bottled gas prices declined by 3.11% and 1.45%, respectively, limiting the rise in energy inflation.

Prices of food and non-alcoholic beverages increased by 1.69% in May, driving annual inflation up by 1.64 points to 70.14% (Chart 7). Annual inflation dropped by 1.32 points to 76.53% in unprocessed food, while it rose by 4.31 points to 64.50% in processed food (Chart 8). In this period, unprocessed food prices receded due to seasonal effects, driven by monthly declines in vegetables and egg prices. In this group, the ongoing increases in red meat prices slowed down. Meanwhile, in the processed food group, which had been on a mild track for some time, monthly inflation showed a significant increase in this period. This is attributed to the prices of bread, processed meat products reflecting the cumulative increases in red meat prices, and cheese and other dairy products affected by the hike in the raw milk price.

Prices in alcoholic beverages and tobacco were up by 4.74% amid producer-driven developments, and annual inflation rose by 7.95 points to 86.48%.

Domestic producer prices increased by 1.96% in May, and annual inflation increased by 2.02 points to 57.68% (Chart 9 and Table 2). Across the main industrial groupings, energy prices stood out with an increase of 3.32%, while monthly price increases were more moderate in the remaining groups, with intermediate goods and capital goods in the lead (Chart 10).

Charts and Tables

Chart 1. CPI, B and C
(Annual % Change)

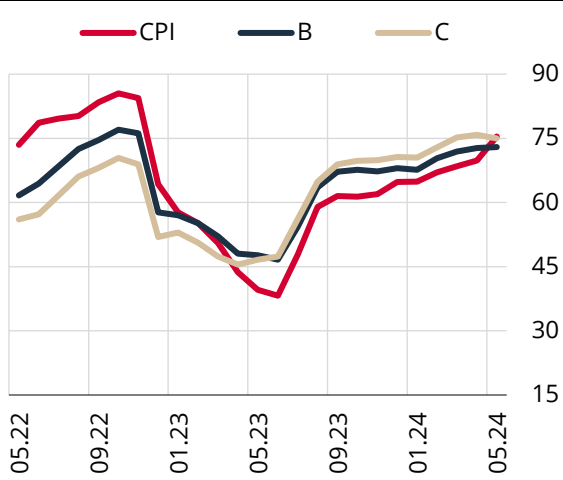


Chart 2. CPI and Natural Gas Adjusted CPI
(Seasonally Adjusted, Monthly % Change)

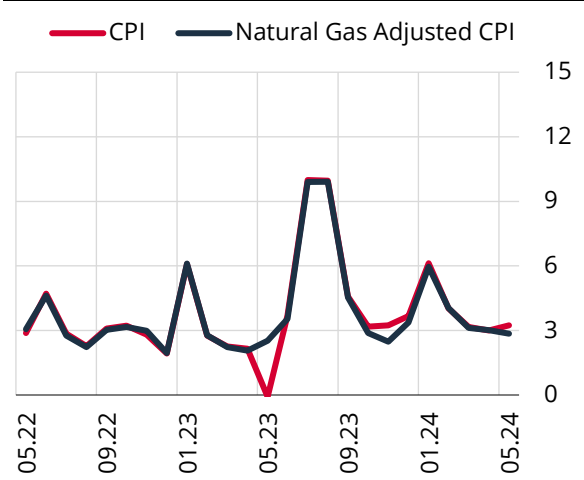


Chart 3. B and C Indices
(Seasonally Adjusted, Monthly % Change)

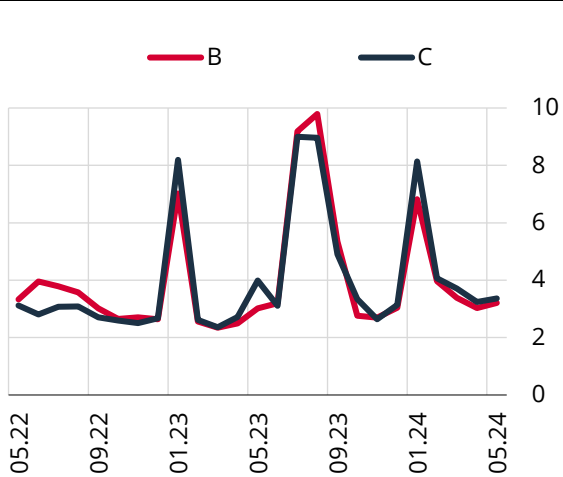
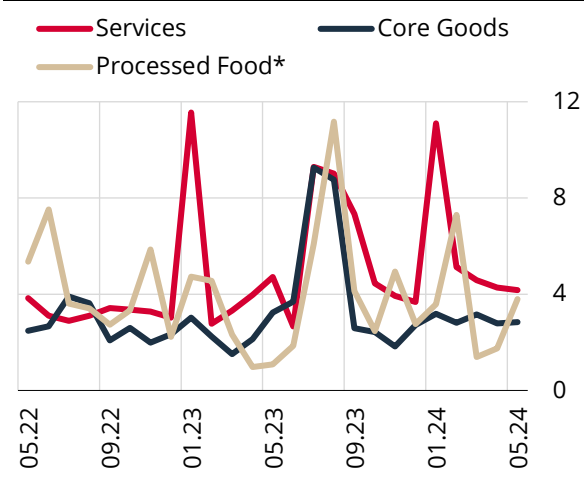


Chart 4. Main Components of B Index
(Seasonally Adjusted, Monthly % Change)



* In the processed food subgroup, no statistically significant seasonality detected. Therefore, processed food subgroup data presented without seasonal adjustments.

Chart 5. Services (Annual % Change)

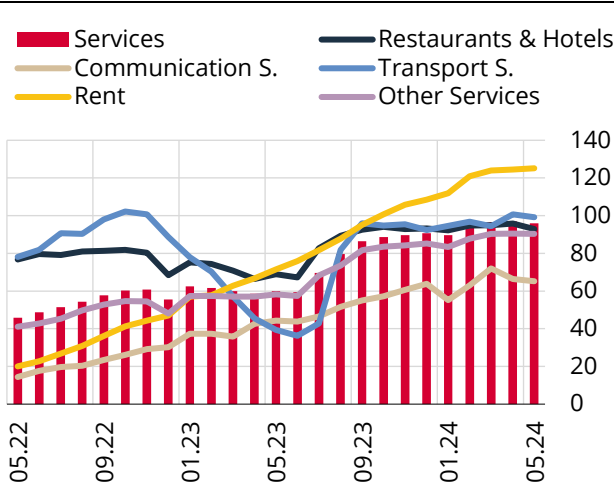


Chart 6. Core Goods (Annual % Change)

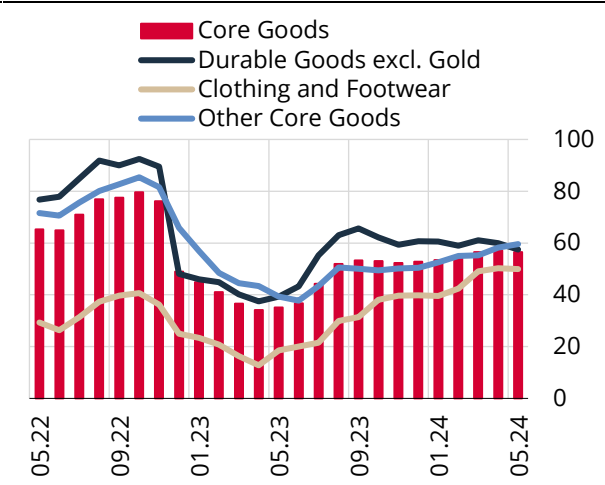


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

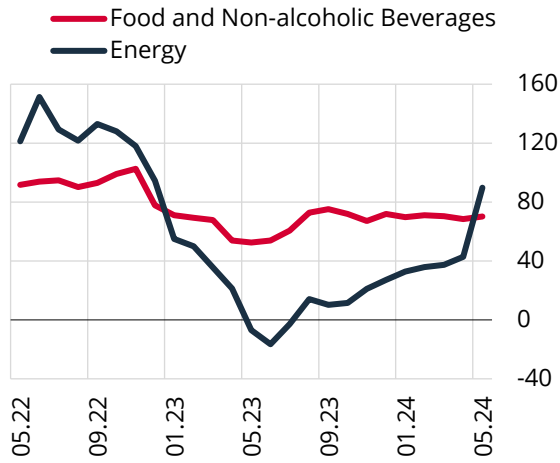


Chart 8. Processed and Unprocessed Food (Annual % Change)

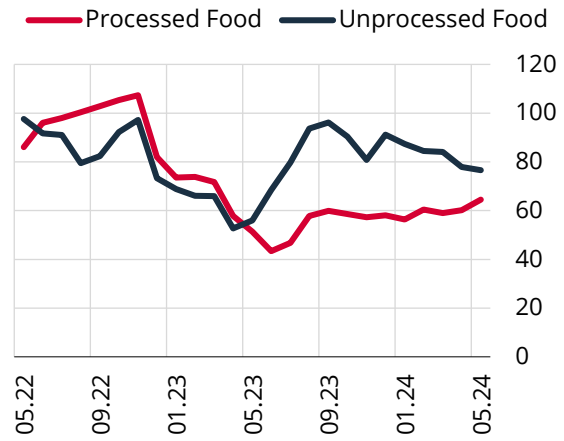


Chart 9. D-PPI and Manufacturing (Annual % Change)

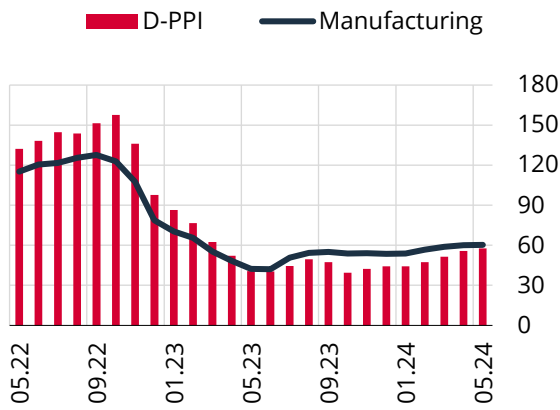
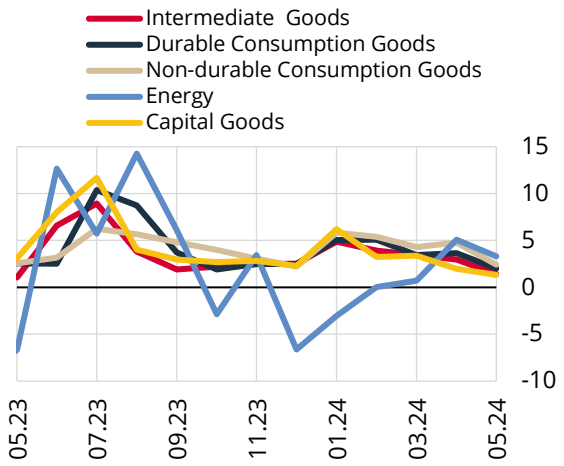


Chart 10. D-PPI Main Industry Groups (Monthly % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	May 2024	May 2023	May 2024	May 2023
CPI	3.37	0.04	75.45	39.59
1. Goods	3.08	-1.78	67.58	32.47
Energy	4.91	-21.00	89.68	-6.97
Food and non-alcoholic beverages	1.69	0.71	70.14	52.52
Unprocessed food	-0.45	0.29	76.53	56.01
Fresh fruits and vegetables	-3.17	-4.96	81.32	24.03
Other unprocessed food	1.15	3.17	74.58	77.07
Processed food	3.80	1.08	64.50	51.35
Bread and cereals	4.06	0.77	65.86	45.70
Other processed food	3.68	1.23	63.84	54.38
Goods excluding energy and food	3.56	3.51	59.72	34.40
Core goods	3.48	3.90	56.51	35.07
Durable goods (excluding gold)	1.89	3.48	57.43	39.27
Clothing and footwear (*)	9.69	9.96	49.90	18.51
Other core goods	1.90	1.03	59.56	39.32
Alcoholic beverages and tobacco	4.74	0.28	86.48	30.10
Gold	-0.95	3.85	69.30	37.48
2. Services	4.03	4.60	95.93	59.95
Rents	5.46	5.15	125.14	71.43
Restaurants and hotels	5.52	7.10	92.94	68.98
Transport	-0.11	0.72	99.10	39.34
Communication	2.27	2.98	65.17	44.37
Other	3.60	3.70	90.28	58.23
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.77	3.60	72.99	47.70
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.76	4.25	74.98	46.62
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.88	0.00	74.89	38.10
F - CPI excluding administered prices	2.89	2.80	74.81	43.63

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	May 2024		May 2023	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.96	57.68	0.65	40.76
Mining	3.66	2.34	75.84	1.66	56.84
Manufacturing	86.45	1.44	60.31	1.26	42.34
Manufacturing excl. petroleum products	82.76	1.73	59.29	1.84	45.78
Manufacturing excl. petroleum products and base metals	73.88	2.08	60.76	2.05	49.89
Electricity, gas, steam and air-conditioning sup.	9.28	7.32	21.38	-7.36	0.53
Water supply	0.61	6.24	75.86	0.71	66.27
D-PPI (MIGs Classification)					
Intermediate Goods		1.44	55.48	1.06	35.82
Durable Consumption Goods		2.00	64.91	2.57	49.10
Durable Consumption Goods (Excl. Jewelry)		2.48	65.40	2.22	49.97
Non-Durable Consumption Goods		2.43	66.12	2.57	64.92
Capital Goods		1.34	63.51	3.09	49.97
Energy		3.32	43.74	-6.67	9.62

Source: TURKSTAT.