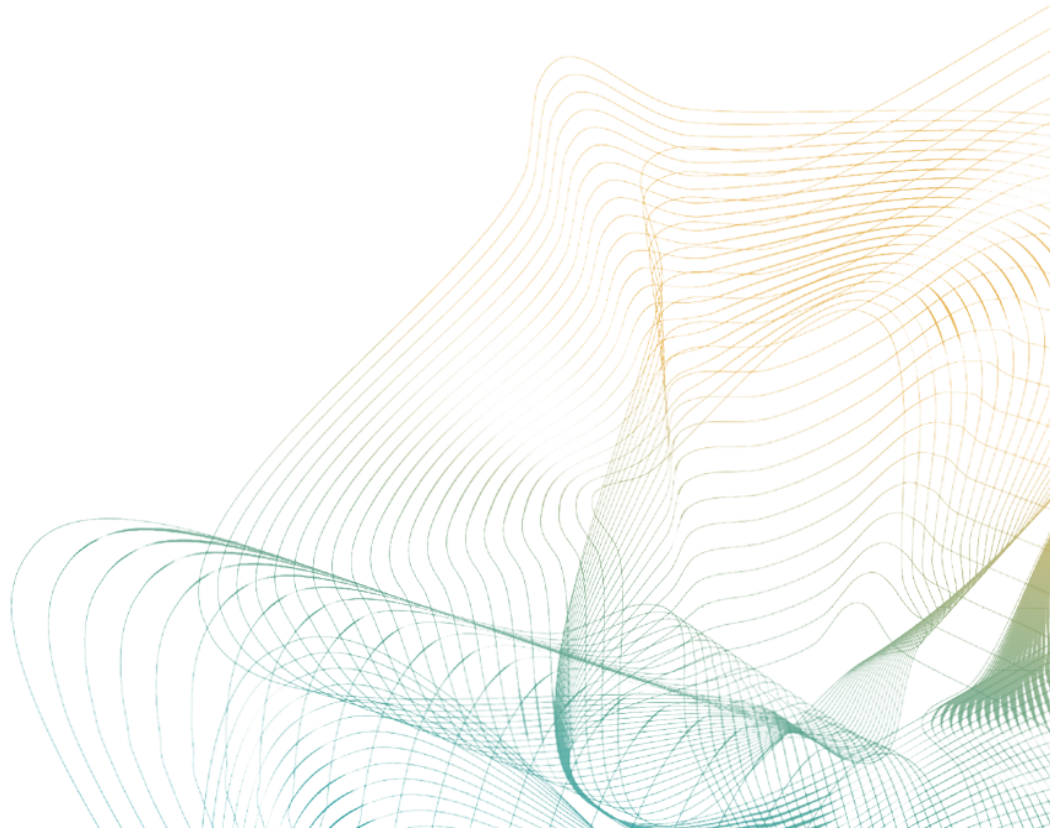




# October Price Developments

6 November 2018



## Summary

In October, consumer prices rose by 2.67 percent and annual inflation increased by 0.72 points to 25.24 percent. Annual inflation registered an uptick in all subcategories excluding core goods. Energy prices were pushed up by electricity and natural gas prices, while the uptrend in food inflation was mainly attributed to products excluding fresh fruits and vegetables. Inflation in core goods lost pace due to the fall in prices of durable goods on the back of the SCT base adjustment in automobiles as well as the decline in furniture prices. Lagged effects of the exchange rate remained strong on white goods and other core goods. Against this background, annual inflation in core indicators recorded an increase, and the underlying trend remained elevated.

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Price Developments are published within one working day following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include 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.

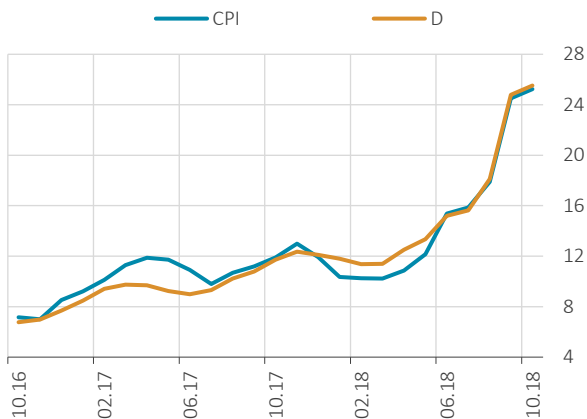
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## Evaluations

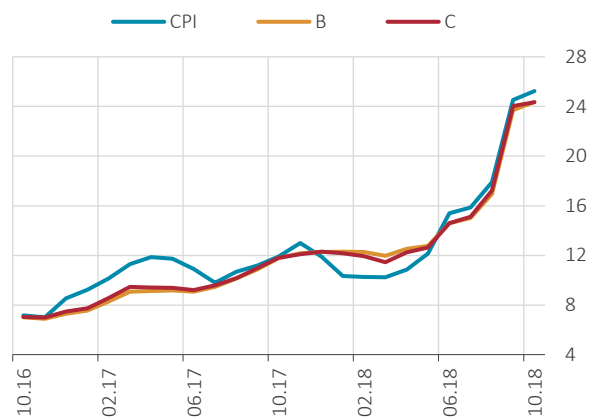
In October, consumer prices rose by 2.67 percent and annual inflation increased by 0.72 points to 25.24 percent (Chart 1). The annual rate of change in the B and C indices rose by 0.66 and 0.29 points to 24.37 and 24.34 percent, respectively (Chart 2).

An analysis of the contribution of subcategories to inflation indicates month-on-month increases of 0.37, 0.30 and 0.16 points in the food, energy, and services groups, respectively. The contribution of core goods and alcohol-tobacco groups displayed no noticeable change, while that of the gold group fell by 0.15 points in this period.

**Chart 1: CPI and D (Annual % Change)**

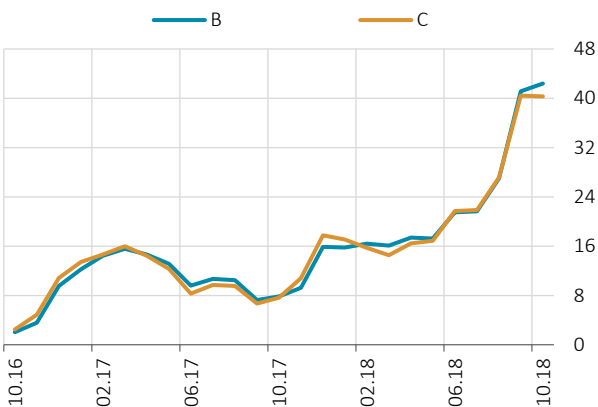


**Chart 2: CPI, B and C (Annual % Change)**

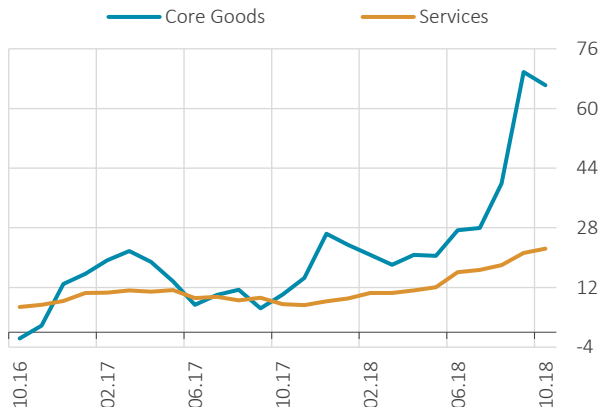


Three-month averages of seasonally-adjusted core inflation indicators exhibit a practically horizontal underlying trend of inflation (Chart 3). This was caused by the limited fall in the underlying trend of core goods prices despite the uptrend in prices of services. Thus, the underlying trend of core inflation indicators remained high (Chart 4).

**Chart 3: B and C (Seasonally adjusted, Annualized 3-Month-Average % Change)**



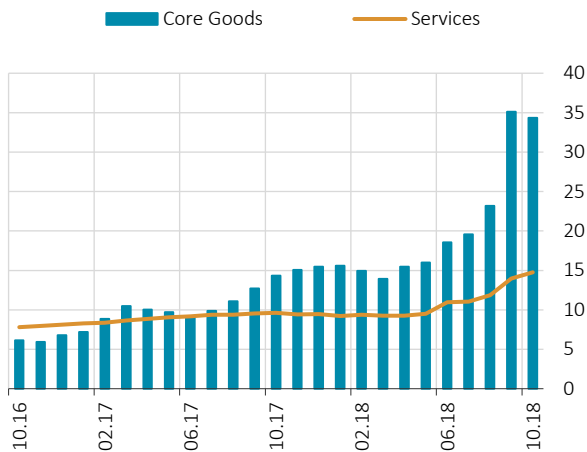
**Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month-Average % Change)**



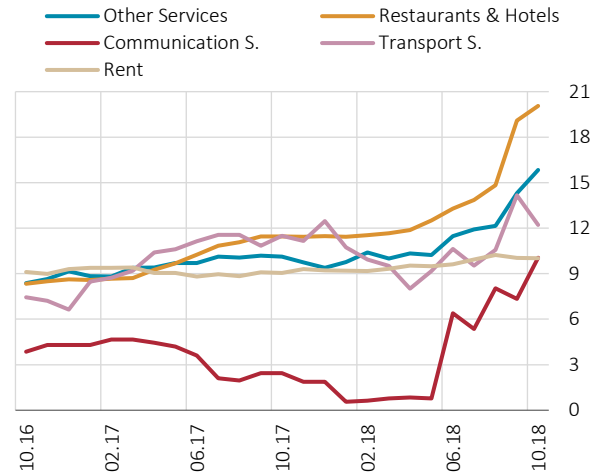
Prices of services increased by 1.11 percent and annual services inflation rose by 0.79 points to 14.76 percent in October (Chart 5 and Table 1). Annual inflation rose in the communication, other services and restaurants-hotels groups; declined in transport services; and remained unchanged in rent (Chart 6). Catering services inflation under the restaurants-hotels group rose due to food prices, in contrast to a

decline in accommodation services inflation. In this period, communication services registered price increases due to mobile phone communication tariffs, while prices in the other services group were pushed up by maintenance-repair and health services. Transport services recorded falling prices due mainly to airway passenger transport.

**Chart 5. Core Goods and Services (Annual % Change)**

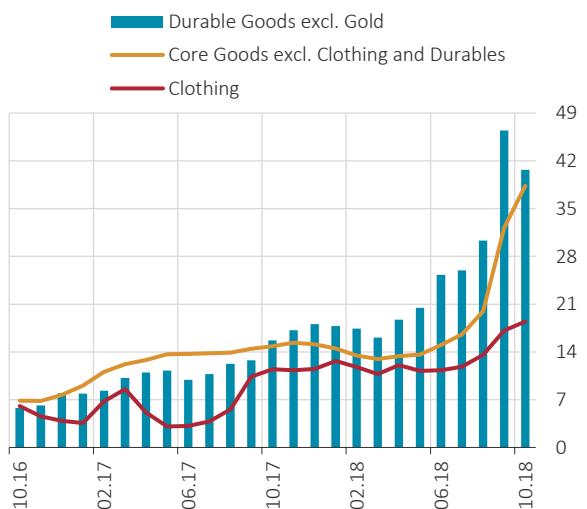


**Chart 6. Services (Annual % Change)**

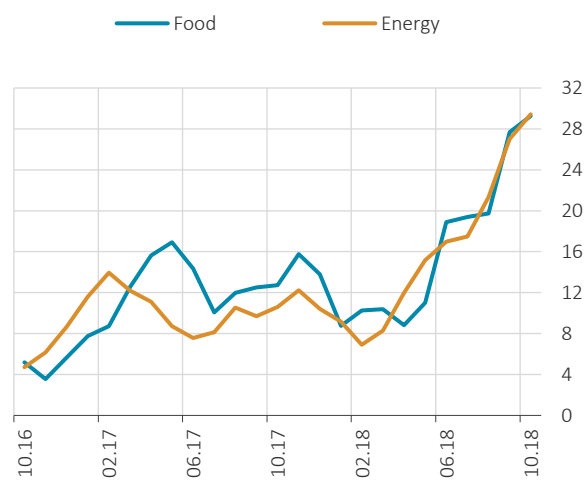


Annual core goods inflation inched down by 0.77 points in October to 34.35 percent owing to the prices of durable goods (Charts 5 and 7). Monthly inflation fell by 0.69 percent in the durable goods group, which was led by automobile prices declining by 3.07 percent on the back of the SCT base adjustment, while furniture prices receded, albeit to a limited extent (by 0.85 percent). On the other hand, white goods and other core goods prices surged by around 5.5 percent on a monthly basis, indicating that the lagged effects of the exchange rate still remain. In the other core goods group, which saw an overall monthly price increase, personal care products, materials for housing maintenance-repair and cleaning materials stood out. Annual inflation maintained the upward course in the clothing group in this period. In sum, annual inflation in core goods slowed in October, yet strong exchange rate passthrough continued in some subcategories.

**Chart 7. Core Goods (Annual % Change)**



**Chart 8. Food and Energy (Annual % Change)**

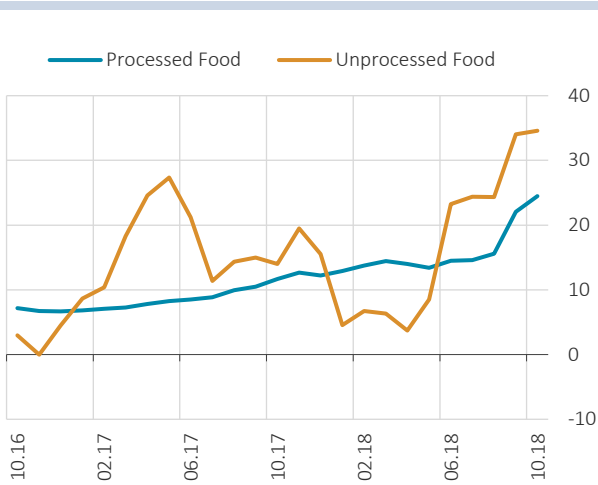


Energy prices increased by 3.70 percent and annual energy inflation rose by 2.40 points to 29.43 percent in October (Table 1 and Chart 8). This was led by rising electricity and natural gas prices, while solid fuel

prices also recorded an upsurge. Subsequent price adjustments in electricity and natural gas in the last three months drove annual inflation in these items up to 44.95 percent and 31.35 percent, respectively. Meanwhile, the sustained implementation of the sliding scale tariff prevented an even more negative outlook in energy inflation.

Annual inflation in food and nonalcoholic beverages rose by 1.56 points to 29.26 percent in October (Charts 8 and 9). Inflation trended upwards in food products excluding fresh fruits and vegetables in this period (Chart 10). In the unprocessed food group, soaring prices were seen in white meat, milk, dried fruits and nuts, eggs, rice and legumes. Prices in the processed food group registered an overall increase to 3.54 percent in this period, particularly in bread-cereals, fats-oils, cheese and dairy products as well as non-alcoholic beverages.

**Chart 9. Processed and Unprocessed Food (Annual % Change)**



**Chart 10. Fruits-Vegetables and Other Food (Annual % Change)**

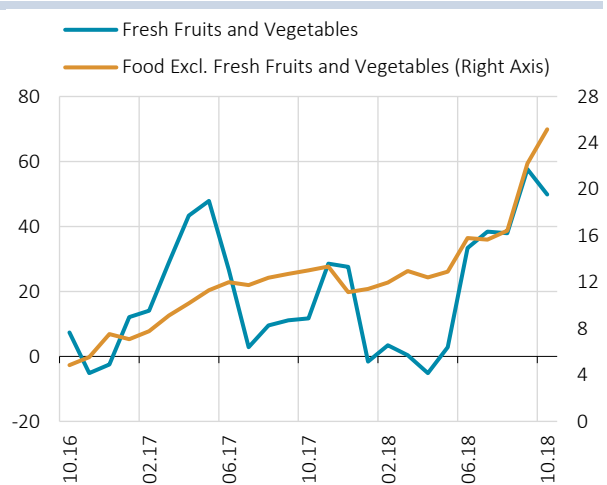


Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	October 2018	October 2017	October 2018	October 2017
<b>CPI</b>	2.67	2.08	25.24	11.90
<b>1. Goods</b>	3.26	2.82	29.65	12.92
Energy	3.70	1.78	29.43	10.61
Food and nonalcoholic beverages	3.22	1.97	29.26	12.74
Unprocessed food	2.91	2.49	34.58	13.99
Fresh fruits and vegetables	4.24	9.67	49.82	11.71
Other unprocessed food	2.07	-1.04	26.34	15.69
Processed food	3.54	1.52	24.48	11.68
Bread and cereals	2.97	0.69	22.94	8.99
Other processed food	3.84	1.99	25.30	13.22
Goods excluding energy and food	3.11	3.75	30.01	13.92
Core goods	3.98	4.58	34.35	14.31
Durable goods (excluding gold)	-0.69	3.38	40.69	15.69
Clothing and footwear(*)	12.96	11.73	18.44	11.46
Other core goods	5.51	0.81	38.33	14.83
Alcoholic beverages and tobacco	0.18	0.00	2.06	10.40
Gold	-5.85	2.52	51.48	20.23
<b>2. Services</b>	1.11	0.42	14.76	9.63
Rents	0.82	0.83	10.02	9.05
Restaurants and hotels	1.52	0.70	20.06	11.46
Transport	-0.67	1.07	12.21	11.49
Communication	2.53	0.00	10.05	2.43
Other	1.19	-0.15	15.84	10.14
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.77	2.23	24.37	11.79
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.61	2.37	24.34	11.82
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.76	2.16	25.52	11.72

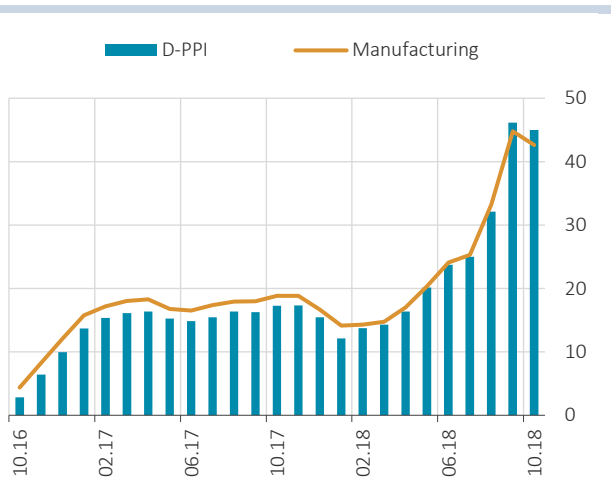
Source: TurkStat.

(\*) Does not cover clothing services.

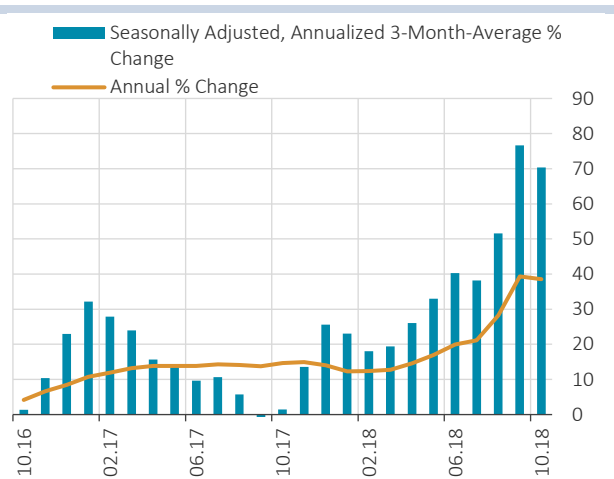
## D-PPI

Domestic producer prices increased by 0.91 percent, and annual inflation receded by 1.14 points to 45.01 percent in October (Chart 11). Sharp price increases across subcategories led by the depreciated Turkish lira lost pace in this period. Thus, the seasonally adjusted underlying trend of manufacturing prices excluding oil and base metals lost momentum to some extent (Chart 12).

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



**Chart 12. Manufacturing Excluding Petroleum and Base Metals**

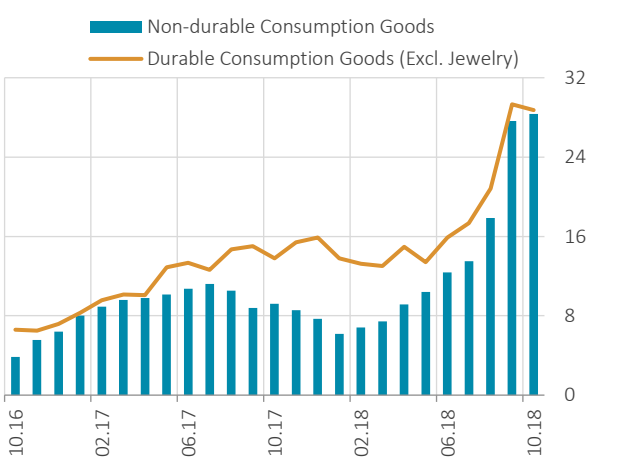


According to main industrial groupings, annual inflation in groups other than energy and non-durable consumption displayed some decline (Table 3, Charts 13 and 14). In this period, energy producer prices remained on an upward path with 5.37 percent, and annual inflation in this group climbed to 81.61 percent. In October, prices of intermediate goods remained unchanged as price hikes in paper, wood and concrete-cement products were offset by falling prices in iron-steel, textiles and chemical products. Meanwhile, prices in non-durable consumption goods were driven higher by clothing, food and beverages. As a result, producer price increases lost some momentum in October, yet cost pressures led by producer prices remained brisk.

**Chart 13. Intermediate and Capital Goods (Annual % Change)**



**Chart 14. Consumption Goods (Annual % Change)**



## Tables

**Table 2. CPI and Subcategories (% Change)**

	Weight	October 2018		October 2017	
		Monthly	Annual	Monthly	Annual
<b>CPI</b>	100.00	2.67	25.24	2.08	11.90
Food and nonalcoholic	23.03	3.22	29.26	1.97	12.74
Alcoholic beverages and tobacco	5.14	0.18	2.06	0.00	10.40
Clothing and footwear	7.21	12.74	18.45	11.51	11.42
Housing	14.85	4.15	25.72	0.94	9.40
Household equipment	7.66	3.44	37.92	2.96	11.65
Health	2.64	1.48	15.83	0.46	12.21
Transport	17.47	-0.85	32.00	2.61	16.79
Communication	3.91	2.05	10.48	-0.01	1.84
Recreation and culture	3.39	2.07	24.02	-1.75	11.04
Education	2.67	0.01	10.27	0.37	10.48
Restaurants and hotels	7.27	1.52	20.06	0.70	11.46
Miscellaneous goods and	4.76	1.61	31.50	0.93	12.63

Source: TurkStat.

**Table 3. D-PPI and Subcategories (% Change)**

	Weight	October 2018		October 2017	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	100.00	0.91	45.01	1.71	17.28
Mining	3.26	1.12	35.87	2.11	13.40
Manufacturing	89.02	0.17	42.62	1.68	18.86
Manufacturing excl. petroleum products	86.52	0.25	40.76	1.50	18.16
Manufacturing excl. petroleum products and	79.60	0.70	38.56	1.26	14.66
Electricity, gas, steam and air-conditioning sup.	6.74	8.62	82.87	2.10	0.68
Water supply	0.98	0.89	9.22	0.35	11.50
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		-0.04	48.59	2.23	24.30
Durable Consumption Goods		-0.30	30.34	0.49	14.75
Durable Consumption Goods (Excl. Jewelry)		-0.11	28.73	0.34	13.78
Non-Durable Consumption Goods		0.82	28.33	0.26	9.22
Capital Goods		0.09	43.21	1.89	17.33
Energy		5.37	81.61	3.44	12.39

Source: TurkStat.