

JUNE PRICE DEVELOPMENTS

6 July 2023



Summary

Consumer prices rose by 3.92% in June, while annual inflation dropped by 1.38 points to 38.21%. In this period, annual inflation receded in energy and services groups, but increased in other groups. On a monthly basis, high price increases were seen in subgroups in general, with energy in the lead. This hike in energy prices was driven by the fuel oil item, surging parallel to exchange rate developments. The rise in core goods inflation was shaped by durable consumption goods due to high and fast exchange rate pass-through. Although weaker compared to the previous month, the monthly increase in prices of services remained strong, mainly in rents. Food prices rose above historical June averages, led by fresh fruits and vegetables. On a monthly basis, producer prices posted the highest increase in the last eight months amid exchange rate developments. Against this background, the monthly rate of increase in seasonally adjusted indicators B and C went up month-on-month, while annual inflation receded in B and increased in C.

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 3.92% in June, while annual inflation dropped by 1.38 points to 38.21% (Chart 1 and Table 1). The annual rate of change was down by 1.07 points to 46.63% in the B index, and up by 0.71 points to 47.33% in the C index (Chart 2).

As for contributions of subgroups to annual consumer inflation, the contributions of energy, services, food and nonalcoholic beverages decreased by 1.76, 0.17 and 0.08 points, respectively whereas those of alcohol-tobacco-gold and core goods crept up by 0.31 and 0.32 points in this period.

Seasonally adjusted monthly increases picked up slightly both in the B and C indices compared to the previous month (Chart 3). Among the groups that make up the B index, month-on-month price increases gained pace in core goods and processed food, but slowed in services (Chart 4).

In June, prices of services rose by 3.66%, and the group's annual inflation edged down by 0.50 points to 59.45% (Chart 5). In this period, annual inflation declined in all subgroups except rent. Monthly rent increases maintained a high course with a hike of 5.80%, and the group's annual inflation hit 75.91%. Monthly inflation in restaurants-hotels remained high (4.32%); price increases lost pace moderately in catering services compared to the previous month, but remained strong in accommodation services due to the brisk course of tourism. Thus, annual inflation in the restaurants-hotels subgroup fell by 1.76 points to 67.22%. Being driven by internet fees, communication prices remained on the rise, while increases in the other services subgroup were led by the maintenance and repair of personal transport vehicles as well as recreation and sports services. On the transport services front, the ongoing price hikes in air passenger transport were notable.

Annual core goods inflation rose by 1.62 points to 36.69%. In June, annual inflation increased in durable goods as well as clothing and footwear, but decreased in other core goods (Chart 6). Durable goods prices (excluding gold) grew stronger with a hike of 6.64% month-on-month, pushing the subgroup's annual inflation up by 4.03 points to 43.30%. Being driven by exchange rate developments as well as brisk domestic sales, the upsurge in automobile prices (10.28%) became the main driver of inflation developments in this subgroup in June as well. Price increases in white goods (3.78%) and furniture (1.47%) also accelerated in June, but displayed a more moderate course compared to automobiles. Prices in the other core goods posted a relatively mild increase by 1.95%. In this period, monthly price developments were led by materials for the maintenance and repair of the dwelling as well as household cleaning products. Prices of clothing and footwear rose by 1.37%, pushing the subgroup's annual inflation up by 1.53 points to 20.04%.

Energy prices rose by 4.23% in June, and the group's annual inflation was down by 9.55 points to -16.52% due to the base effect (Chart 7). In this period, in tandem with the outlook of the Turkish lira, fuel prices (11.32%) were notable within the group's monthly price hikes, while bottled gas (2.59%) and municipal water (1.10%) prices also posted increases.

Prices of food and non-alcoholic beverages increased by 3.02% in June, and annual inflation rose by 1.40 points to 53.92% (Chart 7). Annual inflation surged by 12.43 points to 68.44% in unprocessed food, while it dropped by 7.99 points to 43.36% in processed food (Chart 8). Seasonally adjusted data pointed to a significant increase in prices of fresh fruits and vegetables, mainly vegetables. On the other unprocessed food front, red meat prices remained on the rise. Being elevated due to fresh tea purchase prices, tea prices were noticeable among subitems. Meanwhile, bread and cereals prices rose by 1.41% month-on-month in this period.

Prices in the alcoholic beverages and tobacco group soared by 11.13%, and annual inflation in this group rose by 10.80 points to 40.90%. This was mainly driven by producer-driven price hikes in tobacco products (12.29%).

The monthly increase in domestic producer prices grew significantly stronger compared to the last three months with 6.50%. Meanwhile, annual inflation in this group dropped by 0.34 points to 40.42% due to the base effect (Chart 9 and Table 2). International commodity prices edged down in June, while exchange rate developments were the main driver of the rise in producer prices. According to the main industrial groupings, annual inflation fell in durable and non-durable consumption goods, but increased in other subgroups (Chart 10). An analysis of monthly price developments by sectors reveals that price hikes spread across all sectors, chiefly in refined petroleum products, metal ores, gas production, tobacco products, motor vehicles and metal and related groups.

Charts and Tables

Chart 1. CPI (Annual % Change)

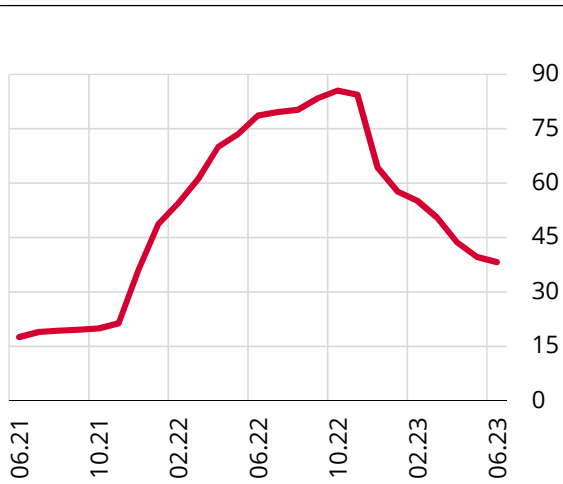


Chart 2. B and C (Annual % Change)

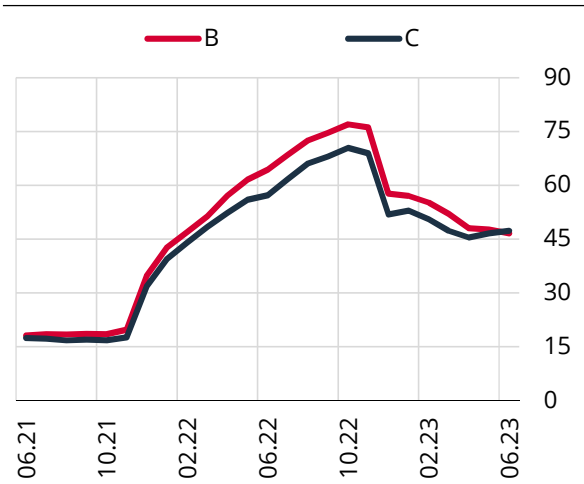


Chart 3. B and C Indices (Seasonally Adjusted, Monthly % Change)

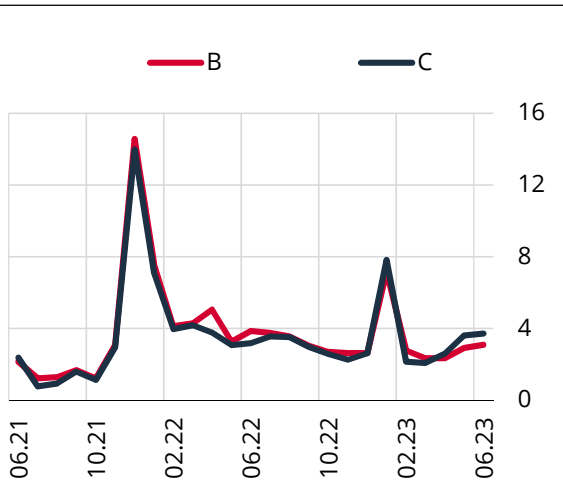
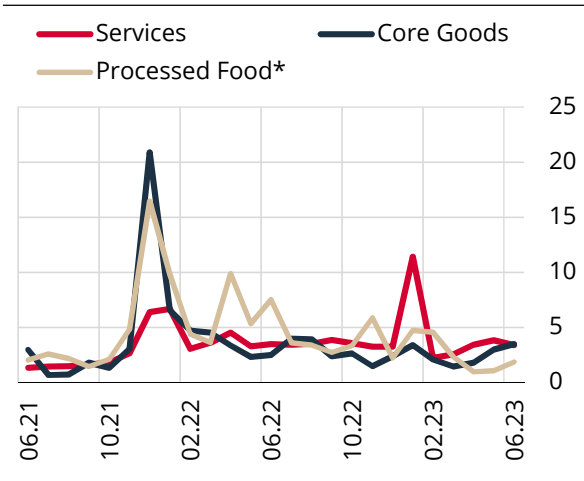


Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

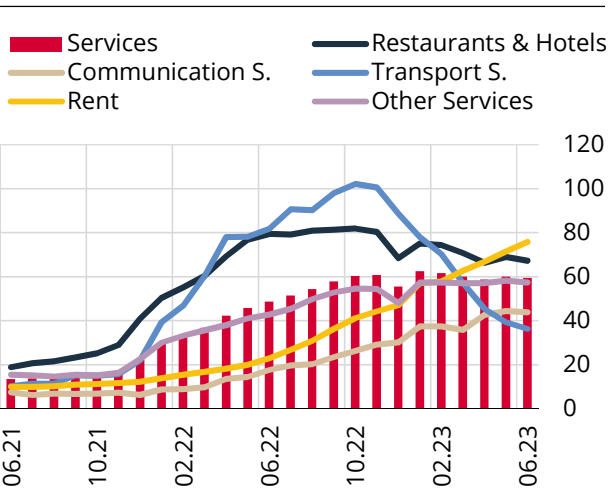


Chart 6. Core Goods (Annual % Change)

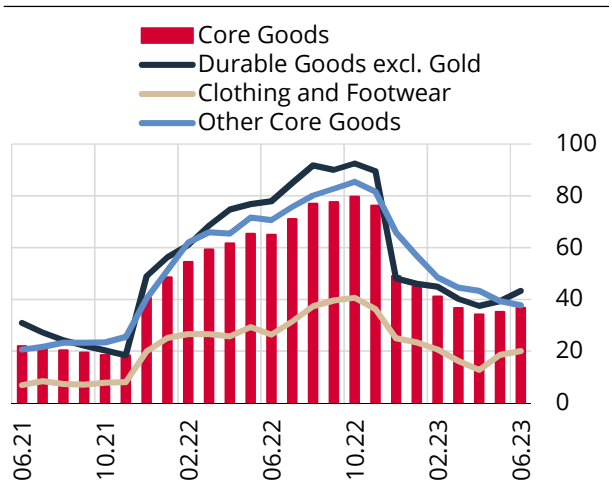


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

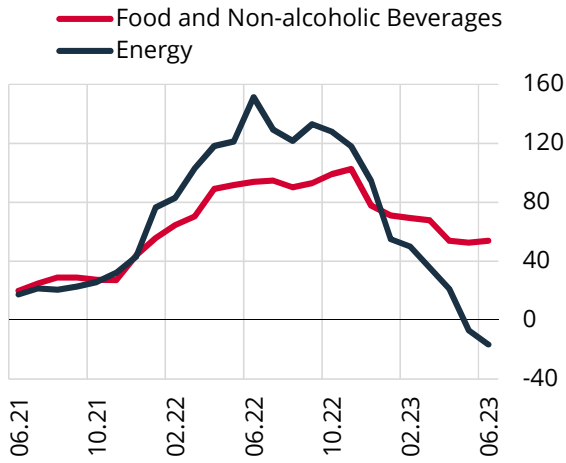


Chart 8. Processed and Unprocessed Food (Annual % Change)

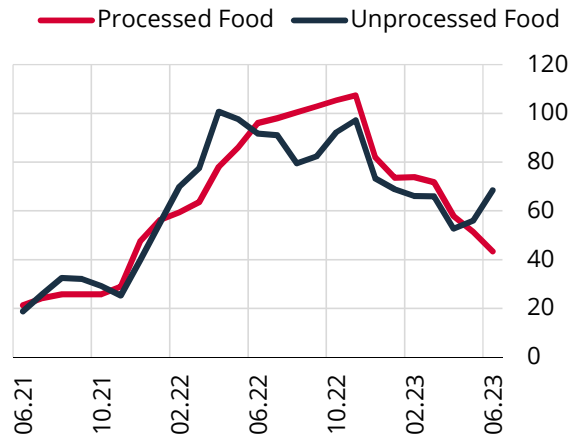


Chart 9. D-PPI and Manufacturing (Annual % Change)

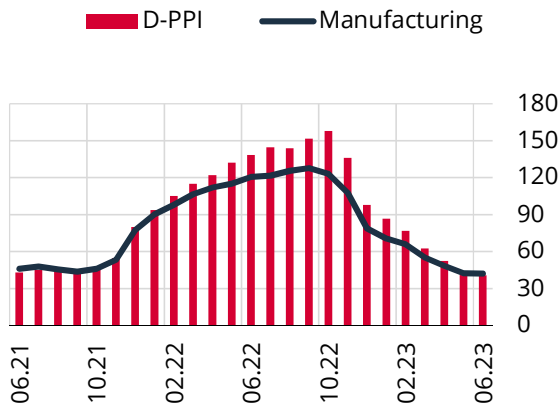
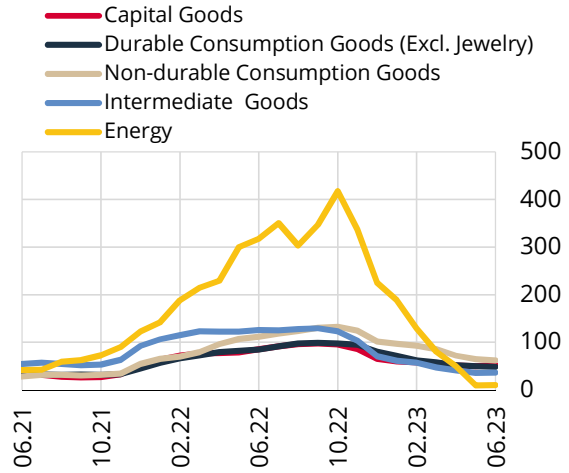


Chart 10. D-PPI Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	June 2023	June 2022	June 2023	June 2022
CPI	3.92	4.95	38.21	78.62
1. Goods	4.03	5.26	30.92	89.94
Energy	4.23	16.16	-16.52	151.33
Food and non-alcoholic beverages	3.02	2.09	53.92	93.93
Unprocessed food	4.35	-3.35	68.44	91.65
Fresh fruits and vegetables	7.68	-15.20	57.49	78.32
Other unprocessed food	2.68	3.43	75.78	98.15
Processed food	1.85	7.53	43.36	96.04
Bread and cereals	1.41	4.94	40.81	97.09
Other processed food	2.07	8.93	44.65	95.40
Goods excluding energy and food	4.81	2.87	36.94	66.33
Core goods	4.03	2.80	36.69	64.86
Durable goods (excluding gold)	6.64	3.65	43.30	77.90
Clothing and footwear (*)	1.37	0.08	20.04	26.35
Other core goods	1.95	3.11	37.75	70.64
Alcoholic beverages and tobacco	11.13	2.61	40.90	70.99
Gold	6.83	6.10	38.42	91.49
2. Services	3.66	3.98	59.45	48.69
Rents	5.80	3.11	75.91	22.80
Restaurants and hotels	4.32	5.42	67.22	79.55
Transport	2.25	4.57	36.25	81.83
Communication	2.78	3.16	43.84	17.64
Other	2.61	3.14	57.42	42.84
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.45	4.20	46.63	64.42
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.84	3.34	47.33	57.26
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.56	6.45	34.35	77.17
F - CPI excluding administered prices	3.92	4.41	42.96	78.84

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	June 2023		June 2022	
		Monthly	Annual	Monthly	Annual
D-PPI	100	6.50	40.42	6.77	138.31
Mining	3.69	4.77	53.61	6.97	142.68
Manufacturing	83.81	6.15	42.09	6.33	120.47
Manufacturing excl. petroleum products	78.48	5.52	45.65	5.62	114.88
Manufacturing excl. petroleum products and base metals	68.94	5.09	48.75	5.90	113.48
Electricity, gas, steam and air-conditioning sup.	11.96	12.54	3.29	9.53	369.20
Water supply	0.55	2.71	59.68	6.94	81.47
D-PPI (MIGs Classification)					
Intermediate Goods		6.59	36.50	6.07	126.06
Durable Consumption Goods		2.53	47.00	4.00	85.98
Durable Consumption Goods (Excl. Jewelry)		2.52	48.18	3.76	84.74
Non-Durable Consumption Goods		3.19	62.00	5.05	111.81
Capital Goods		8.02	52.44	6.27	85.65
Energy		12.67	10.26	12.02	317.87

Source: TURKSTAT.