

JUNE PRICE DEVELOPMENTS

4 July 2024



Summary

Consumer prices rose by 1.64% in June, and annual inflation dropped by 3.85 points to 71.60%. Annual inflation declined in all groups, although to a limited extent in the services group. Despite weakening on a month-on-month basis, the monthly price increase in the services group remained relatively high. The monthly price increase eased in the rents and restaurants-hotels subgroups but picked up in the transport and communication services. After an extended period without any decline, the prices of durable goods decreased in June due to the mild course of exchange rates, developments in domestic demand, and discount sales for automobiles. Monthly price increases in the food group were near the previous month's figures. In this period, bread and cereals stood out among the processed food subgroup with price increases. On the unprocessed food front, seasonally-adjusted data point to a significant increase in fresh fruits and vegetables prices. On the other hand, following a notable upward trend in recent months, red meat prices decreased in June. The price hikes in the energy group were primarily driven by the municipal water prices, despite the fuel price cuts. The monthly increase in producer prices continued to weaken, while annual producer inflation declined significantly due also to the high base. Against this background, in seasonally adjusted terms, the rate of monthly increase in the B and C indices weakened and their annual inflation decreased.

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 1.64% in June, and annual inflation fell by 3.85 points to 71.60%. The annual rate of change in the B index dropped by 2.59 points to 70.40%, while that of the C index fell by 3.57 points to 71.41% (Chart 1 and Table 1).

Contributions of the core goods, food, alcohol-tobacco-gold, energy, and services groups to the month-on-month decline in annual consumer inflation decreased by 1.72, 0.75, 0.52, 0.47, and 0.39 points, respectively.

In seasonally adjusted terms, monthly increases in the B and C indices, as well as the CPI, receded month-on-month (Charts 2 and 3). The slowdown spread across the components of the B index, being more evident in the core goods group (Chart 4).

Services prices were up by 3.31% in June, and annual services inflation fell by 0.66 points to 95.27%. Annual inflation increased in transport and communication services while receding in other subgroups (Chart 5). Monthly price increases were weaker in rents and restaurants-hotels subgroups but stronger in transport and communication services. The monthly increase in rents decelerated to 5.09% in June, and annual rent inflation declined by 1.50 points to 123.64%. As the rise in food prices has partially weakened in the recent period, monthly inflation in the restaurants-hotels subgroup decreased month-on-month to 3.09%. In the other services subgroup, education services stood out with a relatively high rate of increase in their prices, whereas maintenance-repair and insurance services came to the forefront with price declines. On the other hand, the price increase in transport services (4.53%) strengthened in June due also to the religious holiday and thus, annual inflation rose by 4.44 points to 103.54%. Monthly inflation of this subgroup was mainly driven by the increases in tariffs for intercity passenger transport by road (12.71%) and urban passenger transport items. Communication services prices were up by 4.20%, while mobile phone call and internet fees as well as the significant increase in postal services prices were noteworthy.

In June, annual core goods inflation decreased by 5.89 points to 50.62%. Across subgroups, annual inflation declined in durable goods (excluding gold), and clothing and footwear, but remained almost flat in other goods (Chart 6). Seasonally adjusted data suggested a significant slowdown in core goods inflation for this month. Prices of durable goods (excluding gold) has recently dropped (0.50%) for the first time since August 2021, owing to the recent moderation in exchange rates and domestic demand developments, pulling the group's annual inflation down by 10.54 points to 46.89%. In this period, prices were up in furniture (1.95%) and white goods (1.30%), but down in automobiles (0.92%), and electric and non-electric household appliances excluding white goods (1.99%). Clothing and footwear prices fell slightly by 0.68% contrary to their recent historical averages, and the subgroup's annual inflation went down by 3.03 points to 46.87%. Meanwhile, the price increase in the other core goods subgroup continued to decelerate at 1.70%.

Energy prices were up by 1.43% in June, and annual energy inflation dropped by 5.10 points to 84.58% (Chart 7). In tandem with the price developments in international processed petroleum products, fuel prices receded by 2.32%, and bottled gas prices declined by 1.10%. Due mostly to the developments witnessed in Istanbul, the monthly increase of 12.69% in municipal water prices became the main driver of energy inflation.

Prices of food and non-alcoholic beverages went up by 1.78% in June, and annual inflation fell by 2.06 points to 68.08% (Chart 7). Annual inflation dropped by 6.03 points in unprocessed food, while it rose by 1.39 points in processed food (Chart 8). In seasonally adjusted terms, prices of fresh fruits and vegetables soared in June, with a more notable increase in vegetables. In the other unprocessed food group, the ongoing increases in red meat prices was replaced by a decrease, and poultry meat prices also posted a decline. Meanwhile, egg prices dropped further in June. Thus, the monthly rise in unprocessed food prices stood at 0.79%. Monthly processed food inflation slowed down by 2.71% month-on-month, while the price increase in the bread-cereals item (4.64%) was notable, led by bread prices.

In June, domestic producer prices rose by 1.38%, while annual inflation fell by 7.59 points to 50.09% due also to the low base effect (Chart 9 and Table 2). Across the main industrial groupings, energy prices stood out with a 2.22% increase, while monthly price increases in the remaining groups were more moderate, particularly in intermediate goods (Chart 10). An analysis of monthly price developments by sectors reveals that coal and lignite, beverages, water and water purification and distillation, printing and recording services, leather and related products, electricity, gas, steam and air conditioning subgroups stood out with price increases.

Charts and Tables

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

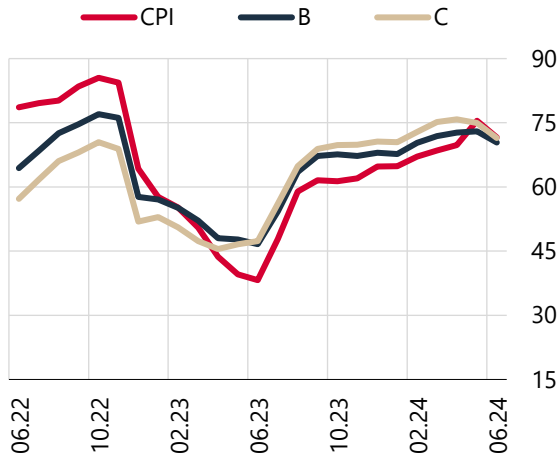


Chart 2. CPI (Seasonally Adjusted, Monthly % Change)

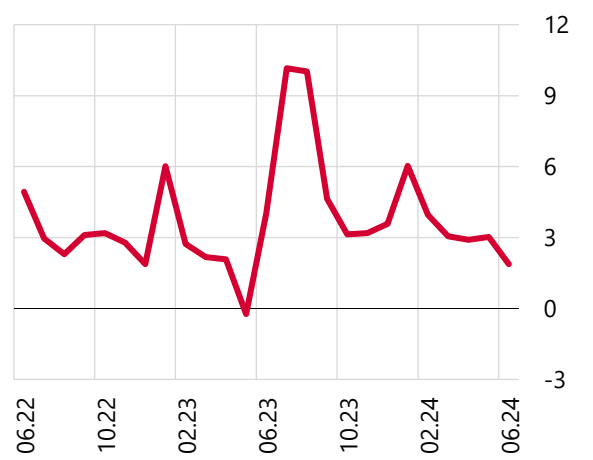


Chart 3. B and C Indices
(Seasonally Adjusted, Monthly % Change)

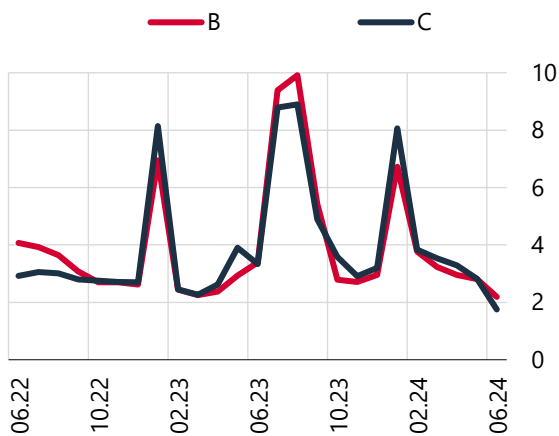
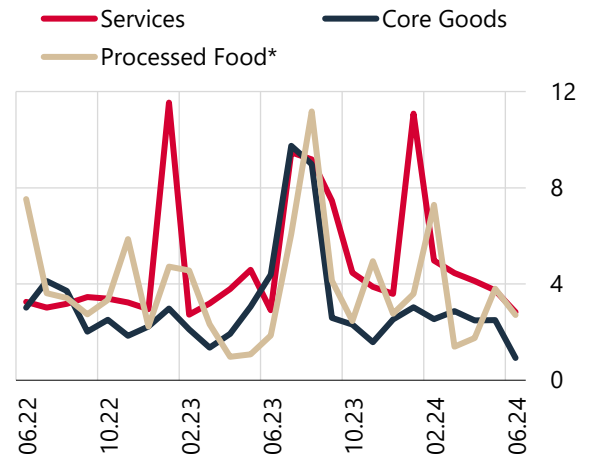


Chart 4. Main Components of B Index
(Seasonally Adjusted, Monthly % Change)



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

Chart 5. Services (Annual % Change)

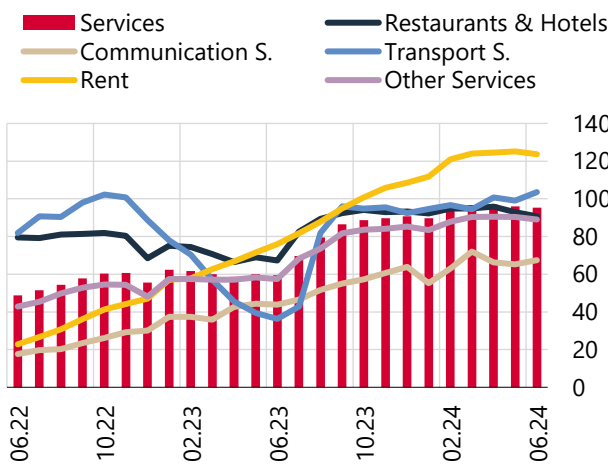


Chart 6. Core Goods (Annual % Change)

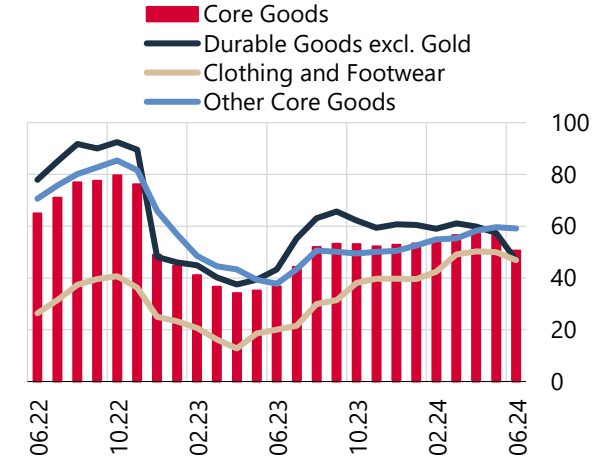


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

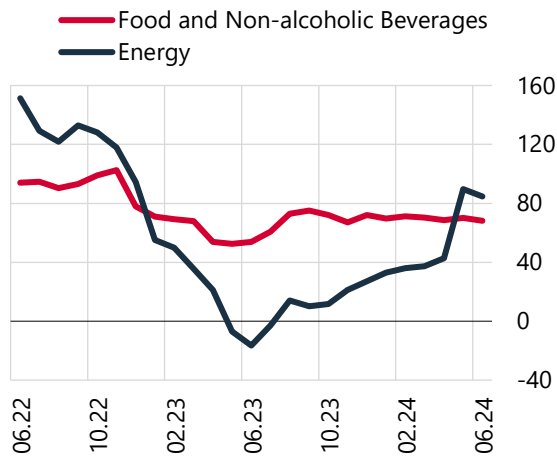


Chart 8. Processed and Unprocessed Food (Annual % Change)

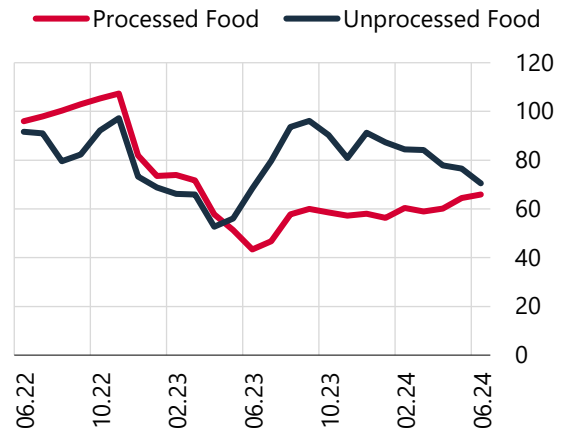


Chart 9. D-PPI and Manufacturing (Annual % Change)

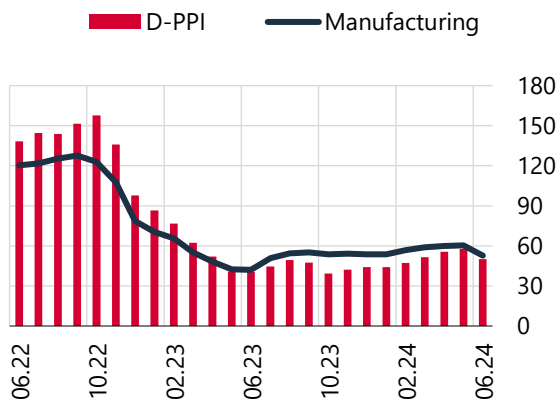
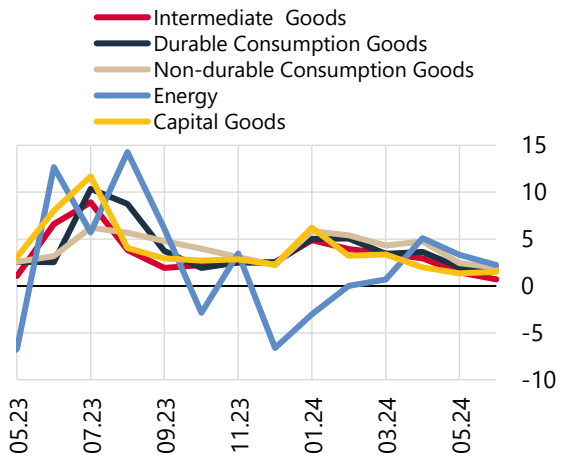


Chart 10. D-PPI Main Industry Groups (Monthly % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	June 2024	June 2023	June 2024	June 2023
CPI	1.64	3.92	71.60	38.21
1. Goods	0.91	4.03	62.56	30.92
Energy	1.43	4.23	84.58	-16.52
Food and non-alcoholic beverages	1.78	3.02	68.08	53.92
Unprocessed food	0.79	4.35	70.50	68.44
Fresh fruits and vegetables	6.07	7.68	78.61	57.49
Other unprocessed food	-2.19	2.68	66.30	75.78
Processed food	2.71	1.85	65.89	43.36
Bread and cereals	4.64	1.41	71.15	40.81
Other processed food	1.81	2.07	63.43	44.65
Goods excluding energy and food	0.12	4.81	52.56	36.94
Core goods	0.11	4.03	50.62	36.69
Durable goods (excluding gold)	-0.50	6.64	46.89	43.30
Clothing and footwear (*)	-0.68	1.37	46.87	20.04
Other core goods	1.70	1.95	59.17	37.75
Alcoholic beverages and tobacco	0.07	11.13	67.93	40.90
Gold	0.47	6.83	59.22	38.42
2. Services	3.31	3.66	95.27	59.45
Rents	5.09	5.80	123.64	75.91
Restaurants and hotels	3.09	4.32	90.67	67.22
Transport	4.53	2.25	103.54	36.25
Communication	4.20	2.78	67.45	43.84
Other	1.95	2.61	89.06	57.42
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.90	3.45	70.40	46.63
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.73	3.84	71.41	47.33
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.83	3.56	71.98	34.35
F - CPI excluding administered prices	1.53	3.92	70.79	42.96

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	June 2024		June 2023	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.38	50.09	6.50	40.42
Mining	3.66	2.67	72.33	4.77	53.61
Manufacturing	86.45	1.18	52.80	6.15	42.09
Manufacturing excl. petroleum products	82.76	1.25	52.85	5.52	45.65
Manufacturing excl. petroleum products and base metals	73.88	1.49	55.24	5.09	48.75
Electricity, gas, steam and air-conditioning sup.	9.28	2.72	10.78	12.54	3.29
Water supply	0.61	4.20	78.43	2.71	59.68
D-PPI (MIGs Classification)					
Intermediate Goods		0.71	46.89	6.59	36.50
Durable Consumption Goods		1.57	63.36	2.53	47.00
Durable Consumption Goods (Excl. Jewelry)		1.78	64.21	2.52	48.18
Non-Durable Consumption Goods		1.95	64.13	3.19	62.00
Capital Goods		1.53	53.68	8.02	52.44
Energy		2.22	30.41	12.67	10.26

Source: TURKSTAT.