

OCTOBER PRICE DEVELOPMENTS

November 5, 2024



Summary

Consumer prices rose by 2.88% in October, and annual inflation decreased by 0.80 points to 48.58%. Annual inflation was up in food and core goods groups but fell across other main groups. In October, the composition of inflation stands out as a factor to be considered. Unprocessed food prices, which are prone to temporary supply conditions and are relatively beyond the control of monetary policy, posted a strong rise in this period driven by fresh fruits and vegetables. As a matter of fact, monthly food inflation excluding fresh fruits and vegetables remained lower at 1.29%. On the other hand, a milder picture prevails in core goods that are affected more by the monetary policy, and in certain services items that are sensitive to demand. In this respect, the level of headline inflation falls short of accurately displaying this improvement in the composition, whereas the indicators of underlying inflation offer a clearer picture. The monthly price increase in the core goods group was higher compared to the previous month due to the clothing and footwear subgroup impacted by seasonal effects, while monthly inflation rates in other subgroups lost pace. In fact, when adjusted for seasonal effects, core goods inflation decreased compared to September. In this period, the monthly rise in seasonally adjusted services prices also decelerated, mainly led by the weakening rents and restaurants-hotels groups as well as by the other services group due in part to the conclusion of the education-driven relative price adjustment. While the monthly increase in producer prices remained mild, annual producer inflation continued its downward course. Against this background, in seasonally adjusted terms, indicators of underlying inflation registered a slowdown.

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 2.88% in October, and annual inflation decreased by 0.80 points to 48.58% (Chart 1). The seasonally adjusted rise in consumer prices lost momentum compared to the previous month (Chart 2). The annual rate of change in the B index dropped by 1.13 points to 47.10%, while that of the C index fell by 1.35 points to 47.75% (Table 1).

In this period, contributions of the services, energy, and alcohol-tobacco-gold groups to annual consumer inflation decreased by 0.90, 0.36, and 0.07 points, whereas those of the food and core goods groups increased by 0.30 and 0.23 points, respectively.

In seasonally adjusted terms, monthly increases slowed in B and C indices, being more pronounced in the latter, compared to the previous month (Chart 3). Among the components of the B index, price increases lost pace in services and core goods but gained momentum in processed food (Chart 4). An overall analysis of the indicators monitored by the CBRT reveals that the underlying inflation declined in October (Charts 5 and 6).

Services prices rose by 1.95% in October, and annual services inflation fell by 3.14 points to 69.78%. Annual inflation was down in all subgroups, most visibly in transport and rents (Chart 7). Services prices, which posted increases of between 4% and 5% in the third quarter, slowed in October due in part to seasonal factors. The slowdown was driven by transport, education, rents, and restaurants-hotels. Prices of transport services fell by 2.04% in October due to developments in intercity passenger transportation by road and air. Inflation in the other services subgroup also eased on a monthly basis due also to the completion of the pass-through of education-related effects. Monthly rent inflation decreased in October amid declining contract renewal rates as well as the lower rate of rent increases used as a reference in contracts. In this period, monthly inflation in restaurants-hotels (1.44%) lost momentum on the back of the price decrease in the accommodation group.

In October, annual core goods inflation was up by 0.19 points to 28.45% (Chart 8). Monthly inflation picked up in the clothing and footwear subgroup compared to the previous month but eased in other subgroups. The monthly price increase in durable goods remained low at 0.70%, yet displayed a diverging outlook across items. In this period, there were price increases in furniture, consumer electronics, and white goods. However, the decline in automobile prices prevented a negative reading. With the onset of the new season, clothing and footwear prices increased by 14.60%, pushing the subgroup's annual inflation up by 0.70 points to 30.63%. Although the effects of the revision of the reference euro exchange rate for medicine prices were felt in the other core goods subgroup, the price increase slowed month-on-month, with a 1.24% reading.

Energy prices rose by 1.35% in October, and annual energy inflation dropped by 3.57 points to 59.37% (Chart 9). Due also to the developments in international energy prices, solid fuel, fuel, and bottled gas prices increased by 6.00%, 1.84%, and 1.77%, respectively, on a month-on-month basis.

In October, food prices had a significant impact on consumer inflation. Prices of food and non-alcoholic beverages increased by 4.33% in this period, while annual inflation rose by 1.56 points to 45.28% (Chart 9). Annual inflation was up by 3.71 points to 47.05% in unprocessed food, and down by 0.33 points to 43.72% in processed food (Chart 10). In October, unprocessed food prices (6.75%) rose sharply due to the fresh fruits and vegetables (19.20%). While processed food prices increased by 2.22% leading to a month-on-month acceleration, the bread-cereals group prices that are driven by cereal prices stood out with a price increase of 3.05%. Other processed food prices, which increased by 1.83% in October, were driven by sunflower seed oil and tea-coffee sub-items.

In October, domestic producer prices rose by 1.29%, while annual inflation fell by 0.85 points to 32.24% (Chart 11 and Table 2). Across main industrial groupings, durable goods posted a price increase of 2.82%, while capital goods (0.67%) and energy (-0.56%) stood out as the groups that restrained the headline rate (Chart 12). An analysis by sectors reveals that other manufactured goods, basic pharmaceutical products, metal ores, beverages, furniture, leather and related products and clothing were the subgroups that stood out with price increases.

Charts and Tables

Chart 1. CPI, B and C

(Annual % Change)

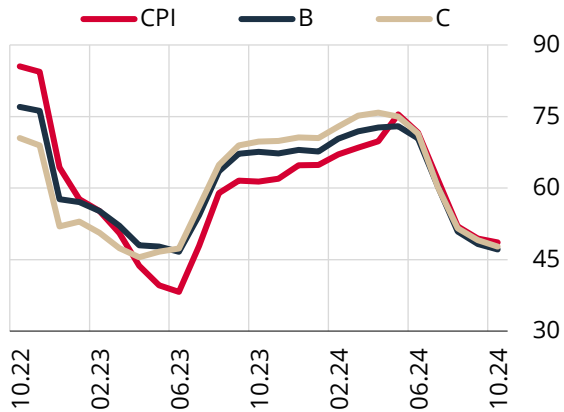


Chart 2. CPI

(Seasonally Adjusted, Monthly % Change)



Chart 3. B and C Indices

(Seasonally Adjusted, Monthly % Change)

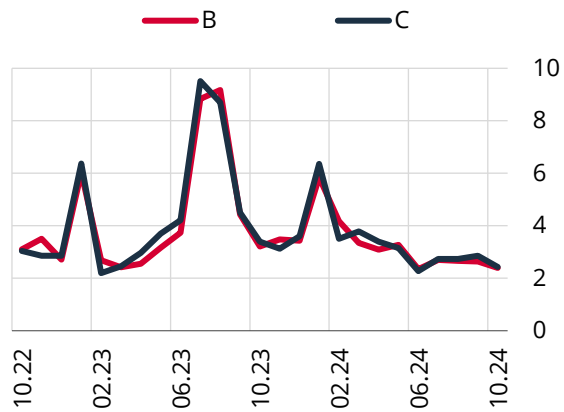
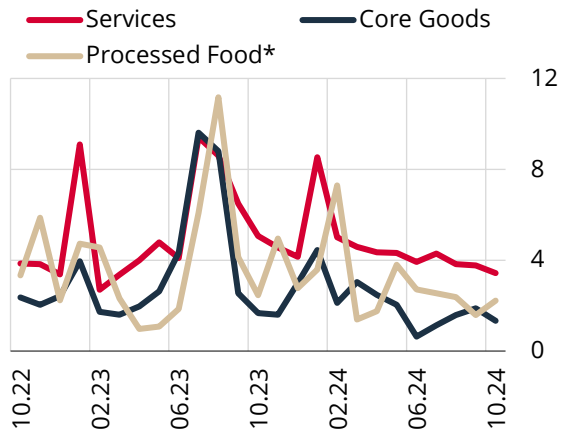


Chart 4. Main Components of B Index

(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. Underlying Inflation Indicators**

(Seasonally Adjusted, Monthly % Change)

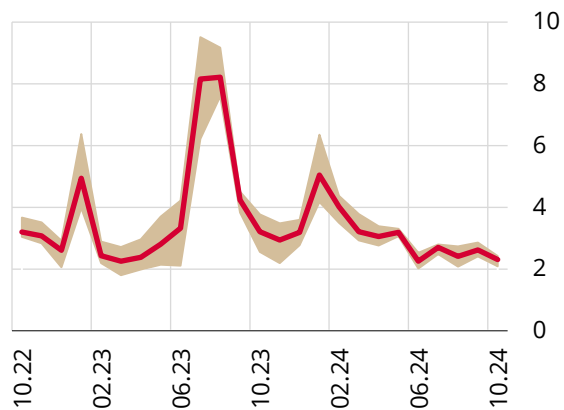
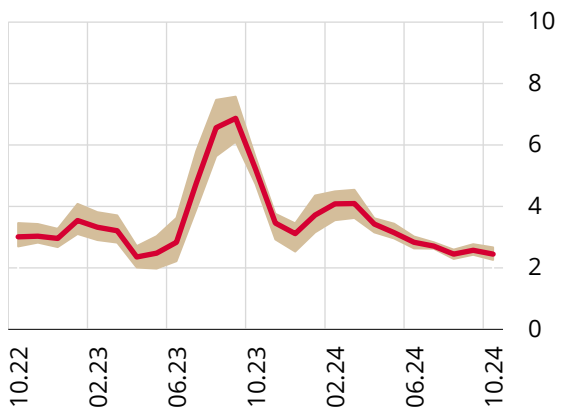


Chart 6. Underlying Inflation Indicators**

(Seasonally Adjusted, Monthly % Change, 3 Month Average)



** Seasonally adjusted average of 6 different indicators: B, C, SATRIM, Median, dynamic factor model and exclusion of volatile items method. Shaded area shows the maximum and minimum range.

Chart 7. Services

(Annual % Change)

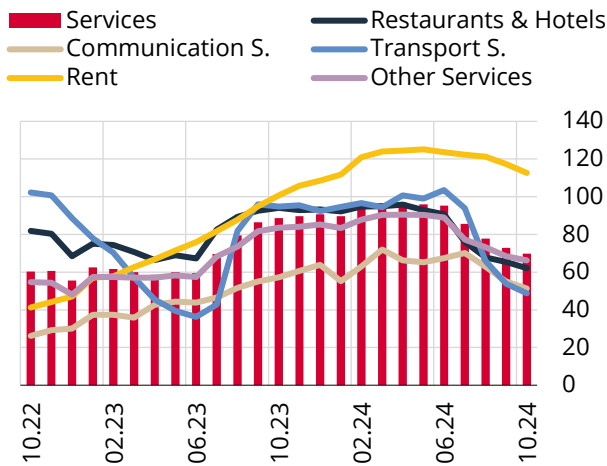


Chart 8. Core Goods

(Annual % Change)

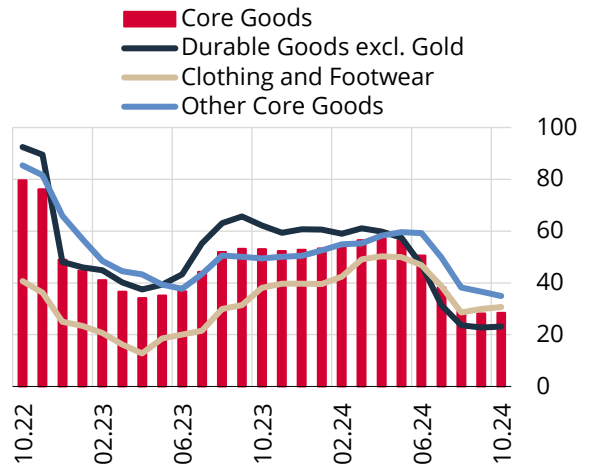


Chart 9. Food and Non-alcoholic Beverages and Energy (Annual % Change)

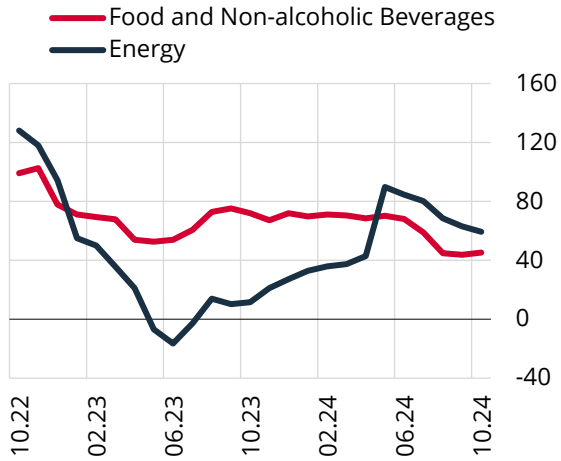


Chart 10. Processed and Unprocessed Food (Annual % Change)

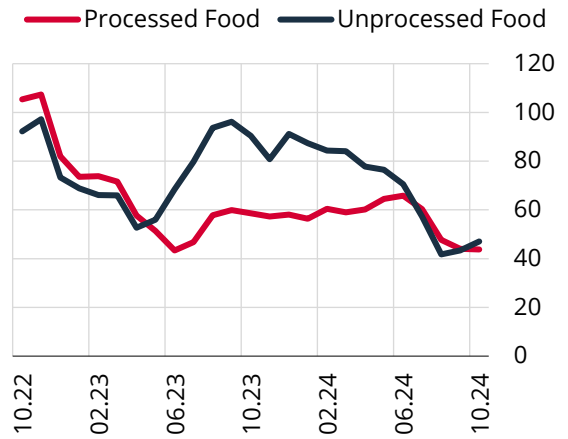


Chart 11. D-PPI and Manufacturing

(Annual % Change)

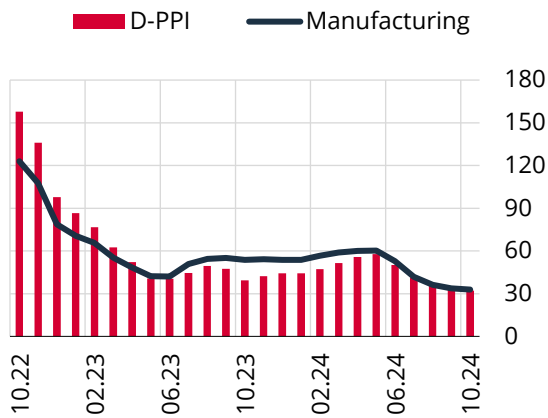


Chart 12. D-PPI Main Industrial Groupings

(Monthly % Change)

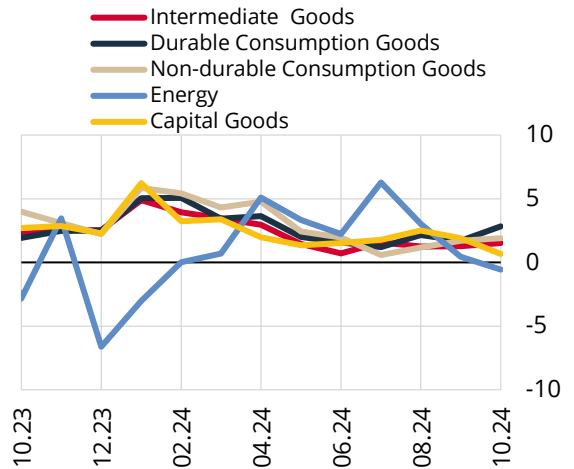


Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	October 2024	October 2023	October 2024	October 2023
CPI	2.88	3.43	48.58	61.36
1. Goods	3.33	3.26	40.36	51.53
Energy	1.35	3.62	59.37	11.60
Food and non-alcoholic beverages	4.33	3.20	45.28	71.99
Unprocessed food	6.75	4.06	47.05	90.40
Fresh fruits and vegetables	19.20	0.38	57.58	77.75
Other unprocessed food	-0.41	6.28	40.63	98.26
Processed food	2.22	2.46	43.72	58.61
Bread and cereals	3.05	1.39	45.16	58.31
Other processed food	1.83	3.01	43.10	58.85
Goods excluding energy and food	3.30	3.19	31.14	54.29
Core goods	3.77	3.61	28.45	53.05
Durable goods (excluding gold)	0.70	0.43	23.10	62.15
Clothing and footwear (*)	14.60	13.98	30.63	38.10
Other core goods	1.24	2.50	34.93	49.42
Alcoholic beverages and tobacco	-0.04	0.09	52.15	61.97
Gold	2.68	2.03	47.47	69.49
2. Services	1.95	3.83	69.78	88.65
Rents	5.50	7.91	112.59	100.67
Restaurants and hotels	1.44	3.51	62.09	94.12
Transport	-2.04	1.37	48.73	94.82
Communication	1.50	4.08	51.23	57.19
Other	1.52	2.90	66.23	83.58
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.69	3.48	47.10	67.61
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.79	3.72	47.75	69.76
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.51	3.49	48.62	57.71
F - CPI excluding administered prices	3.16	3.35	45.82	68.72

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	October 2024		October 2023	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.29	32.24	1.94	39.39
Mining	3.66	0.85	40.11	3.36	69.21
Manufacturing	86.45	1.61	32.85	2.32	53.74
Manufacturing excl. petroleum products	82.76	1.57	34.90	2.73	54.20
Manufacturing excl. petroleum products and base metals	73.88	1.49	35.97	2.90	56.38
Electricity, gas, steam and air-conditioning sup.	9.28	-1.56	20.47	-4.38	-40.19
Water supply	0.61	1.55	43.19	5.46	72.72
D-PPI (MIGs Classification)					
Intermediate Goods		1.52	31.79	2.22	45.58
Durable Consumption Goods		2.82	39.17	1.93	61.37
Durable Consumption Goods (Excl. Jewelry)		2.20	35.60	1.84	62.98
Non-Durable Consumption Goods		1.90	41.48	3.99	67.47
Capital Goods		0.67	33.84	2.70	65.19
Energy		-0.56	14.54	-2.86	-12.91

Source: TURKSTAT.