

FEBRUARY PRICE DEVELOPMENTS

5 March 2024



Summary

Consumer prices rose by 4.53% in February, and annual inflation increased by 2.21 points to 67.07%. Annual inflation went up in all main groups, more markedly in the services sector. On a monthly basis, food and services groups stood out with their price increases. The monthly rise in food prices further strengthened, spreading across the group, and continued to have an unfavorable effect on headline inflation directly as well as indirectly through catering services. The monthly price increase in the energy group was primarily driven by the fuel item following the course in Turkish lira and the surge in oil prices amid geopolitical developments in the Red Sea. The widespread price increases across the services group continued due to the ongoing effects of wage adjustments and the backward-indexation behavior, and monthly services inflation remained elevated despite a significant weakening compared to the previous month. In the services group, the strong monthly upward course in prices of rents and restaurants-hotels was maintained while education and communication services also posted noticeable price increases in this period. Monthly core goods inflation weakened in February, and prices increased at a mild pace in this group, particularly in durable goods that are highly sensitive to financial conditions. In February, monthly producer inflation decelerated somewhat whereas annual producer inflation rose. Based on the main industrial groupings, monthly inflation was high in all groups excluding energy. Against this background, seasonally adjusted monthly rates of increase in the B and C indicators remained strong despite some weakening, while their annual inflation rose.

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 4.53% in February, and annual inflation increased by 2.21 points to 67.07%. The annual rate of change in the B and C indices was up by 2.63 and 2.41 points to 70.31% and 72.89%, respectively (Chart 1 and Table 1). In this month, the mechanical effect of natural gas on monthly consumer inflation remained very limited (0.01 points) (Chart 2).

Compared to the previous month, the contributions of the services, food and energy groups to annual consumer inflation increased by 1.05, 0.90, and 0.30 points, respectively, while those of the alcohol-tobacco-gold and core goods groups dropped by 0.02 points each.

In seasonally adjusted terms, monthly increases in the B and C indices remained high, despite a weakening over the previous month (Chart 3). Compared to January, among the components of the B index, price increases strengthened in processed food, but decelerated in core goods and services (Chart 4).

Despite a month-on-month slowdown, increase in prices of services remained strong at 5.66% in February, and annual services inflation rose by 4.64 points to 94.36%. Monthly price increases spread across the group, with annual inflation rising across all subgroups (Chart 5). In the rents subgroup that surged in January, the monthly increase remained strong at 7.06%, pushing the annual rent inflation up by 9.09 points to 120.93%. In the communications subgroup, the monthly price increase was high at 6.27%, driven by the increases in mobile phone calls and internet fees. In the other services subgroup, while prices of education, package tours, maintenance-repair, insurance and health services stood out, noteworthy was the monthly price increase of 12.76% in education, which was higher than the same period of the previous year, due to private school fees. In the restaurants-hotels subgroup, price hikes in food, led by red meat, were instrumental. Transport services, which posted a mild increase of 2.25% compared to other subitems, were affected by fuel price developments.

Annual core goods inflation increased by 0.65 points to 54.00% (Chart 6). In February, annual inflation decreased in durable goods, but went up in other subgroups. The monthly increase in durable goods (excluding gold) prices slowed significantly and stood at 1.50%, while the subgroup's annual inflation fell by 1.55 points to 58.98%. In February, furniture prices stood out in the subgroup with an increase of 3.91%, while white goods and automobile prices edged up 1.82% and 0.71%, respectively. Prices in the other core goods group rose by 2.74%, and the annual inflation rose by 2.41 points to 54.95%. The subgroup's monthly inflation was driven by the maintenance and repair of dwellings, personal care products, and book prices. In February, clothing and footwear subgroup prices were relatively flat, and annual inflation of the subgroup increased by 2.80 points to 42.39%.

Energy prices rose by 2.96% in February, and annual energy inflation increased by 3.06 points to 35.95% (Chart 7). Fuel and bottled gas prices went up by 7.26% and 3.76%, respectively, due to the developments in Turkish lira-denominated energy prices. Prices in other items were on a mild track.

The monthly rise in prices of food and non-alcoholic beverages grew stronger month-on-month by 8.25%, and annual inflation increased by 1.41 points to 71.12% (Chart 7). Monthly price increases spread across subgroups, with annual inflation falling by 2.94 points to 84.41% in unprocessed food due to the high base effect and rising by 4.09 points to 60.42% in processed food (Chart 8). In seasonally adjusted terms, after experiencing a partial correction due to vegetable prices in the previous month, fresh fruit and vegetable prices posted a significant increase in this period, led by vegetable prices. In the other unprocessed food group, red meat prices remained on the rise, while the increase in white meat prices accelerated slightly. Pulses and rice also stood out with higher prices. Thus, unprocessed food prices rose by 9.30% on a monthly basis. Price increases in bread and cereals grew stronger in the processed food group, where monthly inflation stood at 7.29%. Strong increases continued to be observed in processed meat products, which are affected by red meat prices, and milk and dairy products recorded significant price increases due to the raw milk reference price adjustment.

Domestic producer prices rose by 3.74% in February, and annual inflation increased by 3.09 points to 47.29% (Chart 9 and Table 2). Across the main industrial groupings, prices in the energy subgroup remained flat on a monthly basis, while durable and non-durable consumption goods registered notable price increases (Chart 10). A sectoral breakdown indicates that month-on-month price increases spread across the whole, while there were notable rises in refined petroleum products, furniture, food and beverages, other mining and quarrying products, clothing, and wood and cork products.

Charts and Tables

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

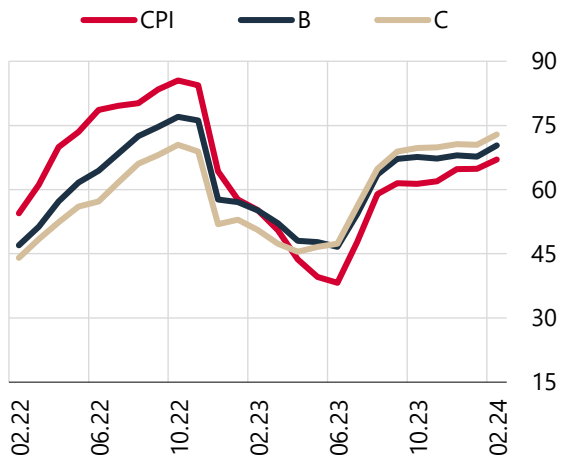


Chart 2. CPI and Natural Gas Adjusted CPI
(Seasonally Adjusted, Monthly % Change)

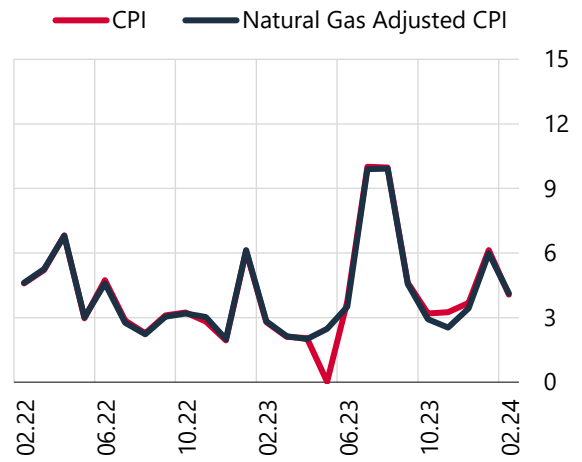


Chart 3. B and C Indices
(Seasonally Adjusted, Monthly % Change)

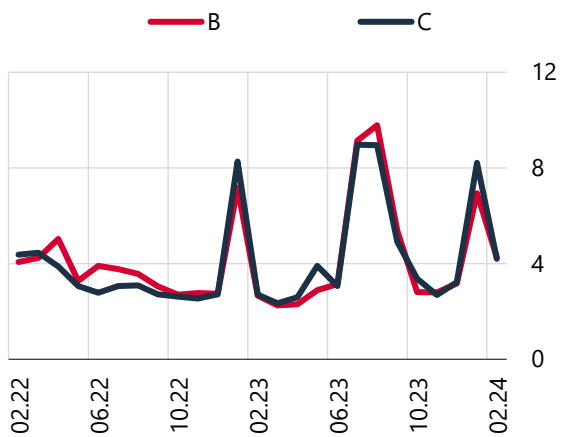
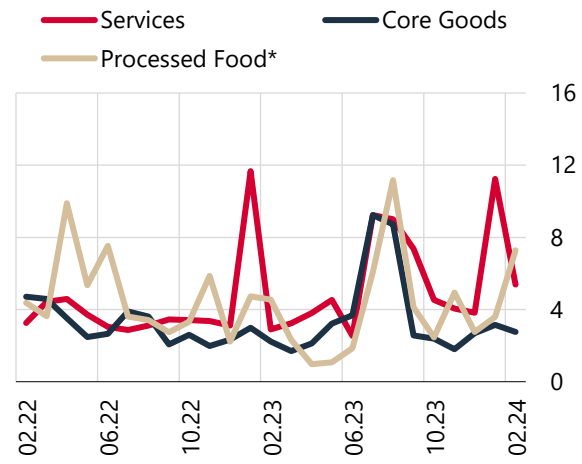


Chart 4. Main Components of B Index
(Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

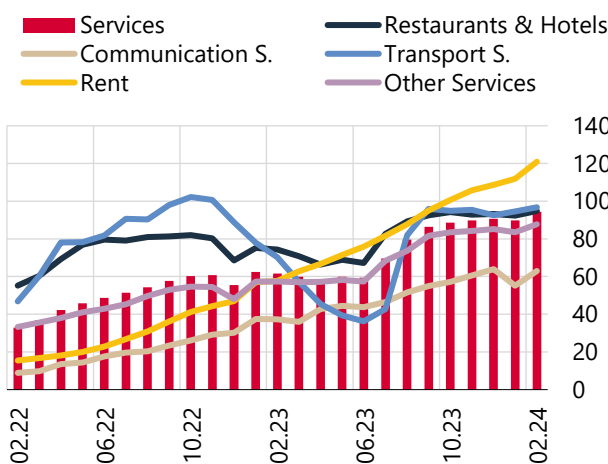


Chart 6. Core Goods (Annual % Change)

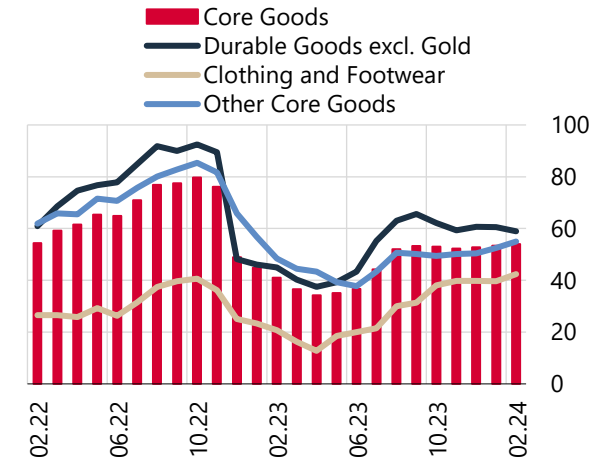


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

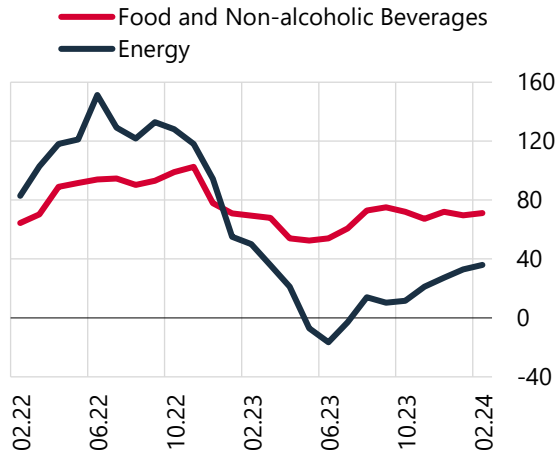


Chart 8. Processed and Unprocessed Food (Annual % Change)

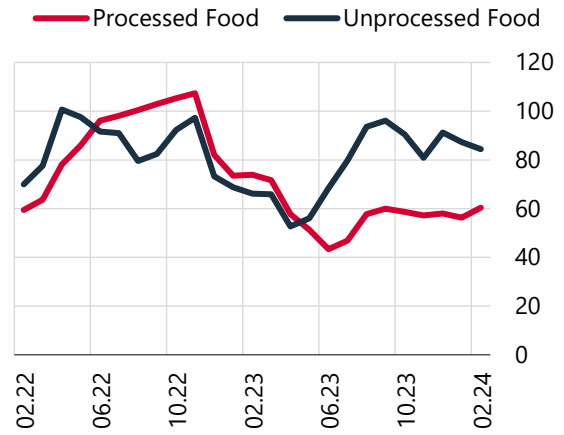


Chart 9. D-PPI and Manufacturing (Annual % Change)

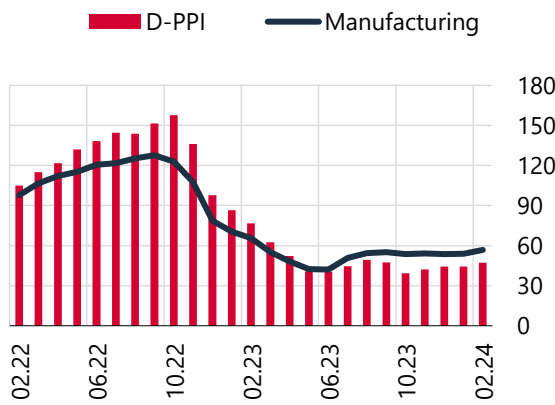
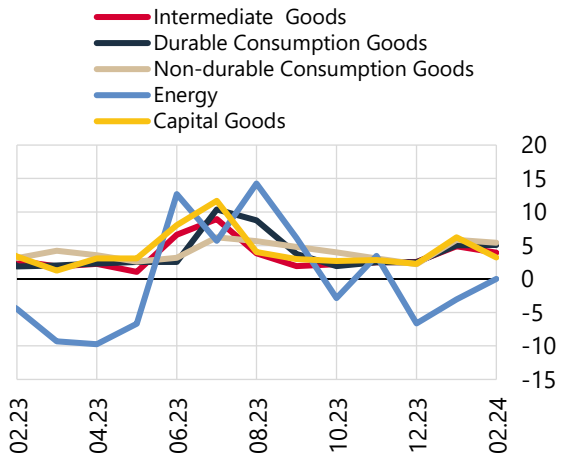


Chart 10. D-PPI Main Industry Groups (Monthly % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	February 2024	February 2023	February 2024	February 2023
CPI	4.53	3.15	67.07	55.18
1. Goods	4.06	3.15	57.03	52.72
Energy	2.96	0.64	35.95	50.01
Food and non-alcoholic beverages	8.25	7.36	71.12	69.33
Unprocessed food	9.30	11.05	84.41	66.13
Fresh fruits and vegetables	13.74	18.04	76.75	40.43
Other unprocessed food	6.52	6.83	89.09	83.02
Processed food	7.29	4.56	60.42	73.87
Bread and cereals	5.74	2.74	61.01	63.03
Other processed food	8.02	5.47	60.12	79.99
Goods excluding energy and food	1.46	0.94	55.25	41.79
Core goods	1.58	1.15	54.00	41.06
Durable goods (excluding gold)	1.50	2.49	58.98	44.93
Clothing and footwear (*)	0.08	-1.89	42.39	20.71
Other core goods	2.74	1.14	54.95	48.48
Alcoholic beverages and tobacco	0.49	-0.43	63.09	49.29
Gold	0.98	-1.25	71.85	36.49
2. Services	5.66	3.14	94.36	61.64
Rents	7.06	2.66	120.93	57.74
Restaurants and hotels	5.43	4.07	94.78	74.34
Transport	2.25	1.16	96.72	70.27
Communication	6.27	1.18	62.98	37.36
Other	6.08	3.64	87.75	57.40
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	4.23	2.62	70.31	55.16
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.57	2.13	72.89	50.58
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	4.04	2.29	64.90	54.22
F – CPI excluding administered prices	5.17	3.71	72.60	54.10

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	February 2024		February 2023	
		Monthly	Annual	Monthly	Annual
D-PPI	100	3.74	47.29	1.56	76.61
Mining	3.66	4.29	68.10	2.39	93.92
Manufacturing	86.45	4.56	56.71	2.63	65.68
Manufacturing excl. petroleum products	82.76	4.31	56.61	2.90	66.66
Manufacturing excl. petroleum products and base metals	73.88	4.23	57.45	2.85	70.85
Electricity, gas, steam and air-conditioning sup.	9.28	-4.96	-30.68	-6.78	152.11
Water supply	0.61	0.81	66.20	0.90	103.60
D-PPI (MIGs Classification)					
Intermediate Goods		3.93	51.47	2.76	57.05
Durable Consumption Goods		5.07	61.51	1.89	60.34
Durable Consumption Goods (Excl. Jewelry)		5.54	62.50	2.12	62.00
Non-Durable Consumption Goods		5.41	64.34	3.14	92.95
Capital Goods		3.23	64.70	3.38	58.04
Energy		0.02	0.45	-4.47	129.50

Source: TURKSTAT.