

# AUGUST PRICE DEVELOPMENTS

5 September 2023



## Summary

Consumer prices rose by 9.09% in August, and annual inflation increased by 11.11 points to 58.94%. Annual inflation went up across all main groups due to the carry-over effects of tax and administered price adjustments from July, the lagged effects of the depreciation in the Turkish lira and wage hikes, as well as the rise in global energy prices. The energy group registered the largest monthly increase with 14.23%, driven by the tax effect carried over from the previous month and external price pressures. Increases in fuel prices were rapidly reflected in prices of transport services, and the group registered its largest monthly increase calculated in the scope of the 2003-based CPI with 27.62%. In addition to the services items that are highly sensitive to food, minimum wage and exchange rate developments, rents also posted large increases. Prices of core goods continued to increase due to the lagged effects of the depreciation in the Turkish lira in particular. While the unfavorable outlook in prices of fresh fruits and vegetables was maintained in August, price increases in processed food strengthened across the subgroup. The upward trend in producer prices continued, most visibly in the energy group, and the producer-driven upward pressures on consumer prices became more pronounced in the last three-month period. Against this background, the monthly rates of increase in seasonally adjusted indicators B and C remained strong, and annual inflation in these indicators continued to increase.

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 9.09% in August, and annual inflation increased by 11.11 points to 58.94% (Chart 1 and Table 1). In this period, the annual rates of change in the B and C indices increased by 9.20 and 8.76 points to 63.52% and 64.85%, respectively (Chart 2).

All subgroups made a higher contribution to annual consumer inflation in this period. Compared to the previous month, the contributions of services, food, core goods, energy, and alcohol-tobacco-gold increased by 3.00, 2.86, 2.60, 2.51 and 0.14 points, respectively.

In seasonally-adjusted terms, monthly increases in the B and C indices maintained the high levels recorded in July (Chart 3). Among the groups that make up the B index, month-on-month price increases strengthened in processed food and remained high in services and core goods (Chart 4).

Services prices rose by 9.19% in August, and annual services inflation increased by 9.92 points to 79.57% (Chart 5). In this period, price increases spread across subgroups, more apparently in transport services. Prices of transport services posted its highest increase in the 2003-based index with a monthly hike of 27.62% due to the drastic rise in fuel prices. This was driven by the prices of administered items (urban passenger transport by buses and taxis, and air passenger transport) as well as intercity passenger transport by road. The ongoing strong price hikes in the restaurants-hotels subgroup continued in August, and prices went up by 7.09%, pushing annual inflation in this subgroup up to 89.31%. In rents, the monthly increase strengthened somewhat to become 7.90%, and the subgroup's annual inflation rose to 87.78%. In the other services subgroup, prices increased by 7.19%, led by maintenance-repair of personal transport vehicles, health services and recreation-culture services.

Annual core goods inflation rose by 7.72 points to 51.97% (Chart 6). In core goods, where exchange rate pass-through is high, prices increased significantly in all subgroups. Prices in the durable goods subgroup rose by 7.82%, with automobiles, white goods and furniture posting notable price increases in this period. In the other core goods subgroup, the carry-over effects of the tax adjustments and revision of the reference euro exchange rate for medicine prices were felt, and prices posted a broad-based increase of 9.92%. In the clothing and footwear group, prices rose (8.25%) contrary to the seasonal averages pushing annual inflation up to 29.96%.

Energy prices soared by 14.23% in August, and annual energy inflation rose by 16.89 points and stood at 14.03% (Chart 7). Monthly price hikes in this group were led by the carry-over effect of the tax hike in mid-July as well as soaring international energy prices. Against this background, fuel and bottled gas prices surged by 26.11% and 23.93%, respectively. Moreover, municipal water prices also posted a sharp increase (7.43%) in August.

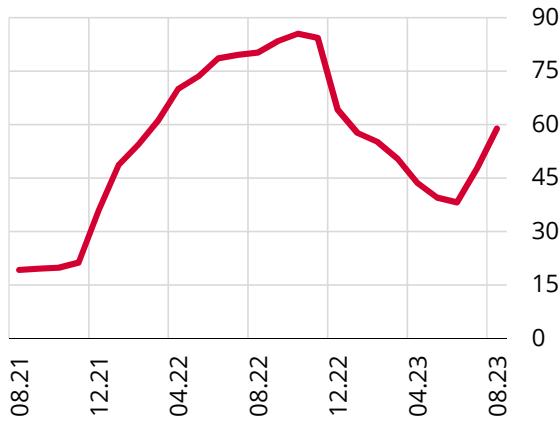
Prices of food and non-alcoholic beverages rose by 8.48% in July, pushing annual inflation up by 12.14 points to 72.86% (Chart 7). Annual inflation rose by 13.93 points to 93.64% in unprocessed food and by 11.02 points to 57.80% in processed food (Chart 8). Seasonally adjusted data pointed to a significant increase in prices of fresh fruits and vegetables in this period, with fruit prices in the lead. The course of unprocessed food prices was shaped mostly by hikes in eggs as well as dried fruits and nuts apart from fruits and vegetables. While monthly price increases grew stronger in the processed food group compared to July (11.17%), bread and cereals, milk and dairy products, fats and oils and non-alcoholic beverages posted noticeable price hikes.

Prices in the alcoholic beverages and tobacco group increased by 3.77%, and annual inflation in this group rose by 5.40 points to 51.98%. This development was mainly driven by the carry-over effects into August as the price hikes stemming from last month's tax adjustments were reflected on the index on a day-weighted basis.

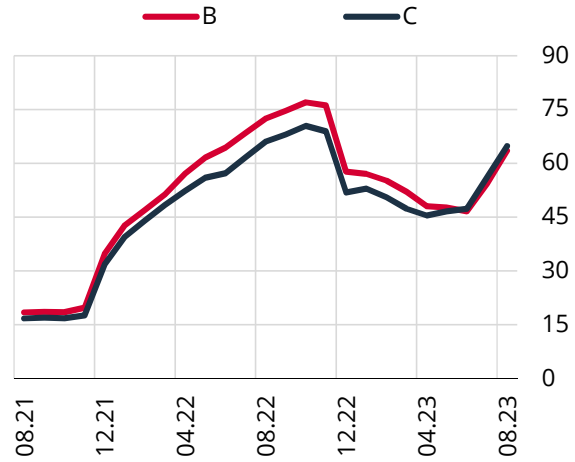
In August, domestic producer prices rose by 5.89%, while annual inflation in this group increased by 4.91 points to 49.41% (Chart 9 and Table 2). According to main industrial groupings, annual inflation increased across all sub-groups (Chart 10), while energy producer prices increased significantly by 14.27% on a monthly basis due to developments in international energy commodities and exchange rates. An analysis of monthly price developments by sectors reveals that price hikes spread across sectors, while crude oil and natural gas, refined petroleum products, main pharmaceutical, coal and lignite, furniture, other mining and quarrying and electricity-gas production sectors stood out with price hikes.

## Charts and Tables

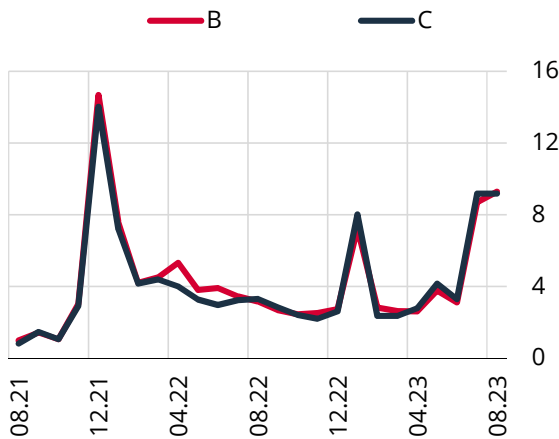
**Chart 1. CPI (Annual % Change)**



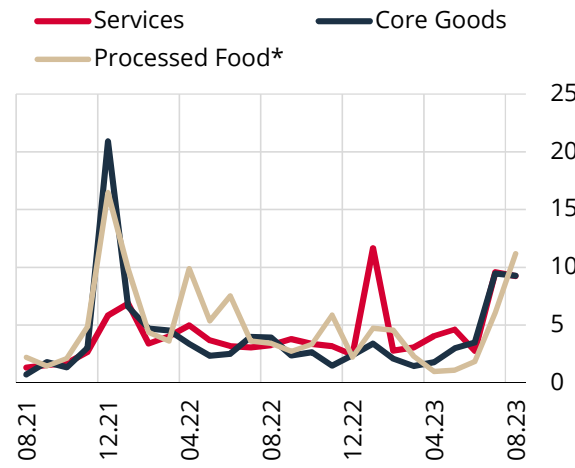
**Chart 2. B and C (Annual % Change)**



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

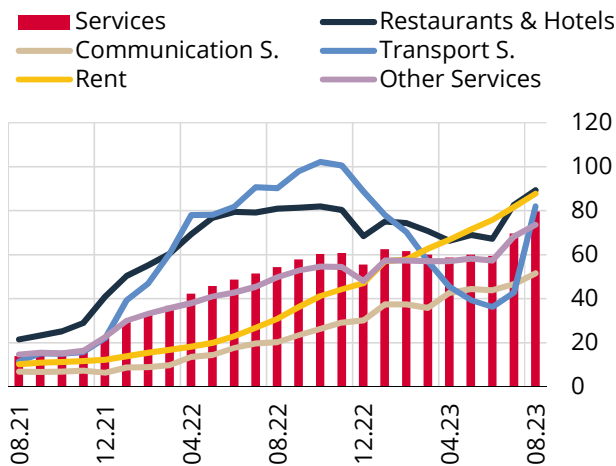


**Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)**

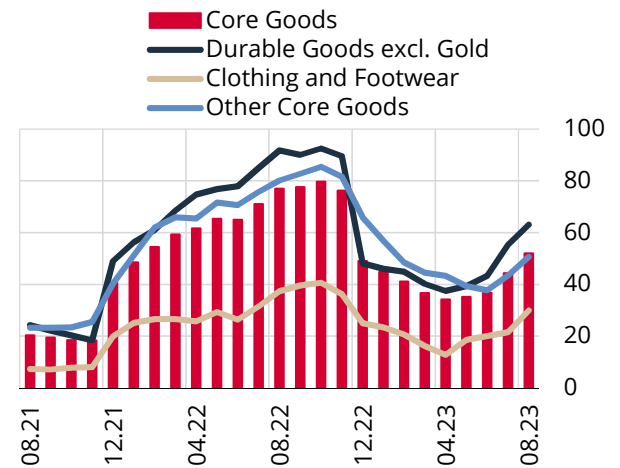


\* No seasonality detected for processed food.

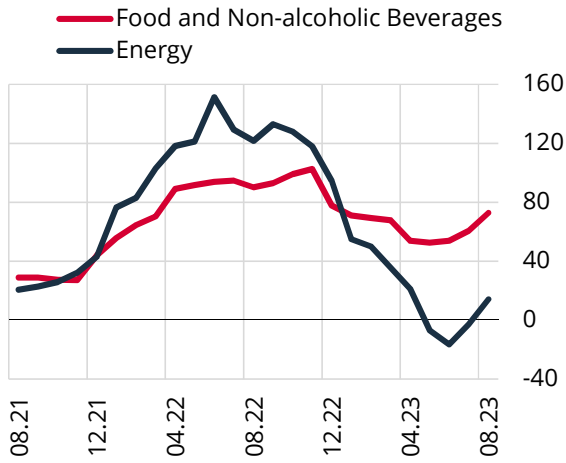
**Chart 5. Services (Annual % Change)**



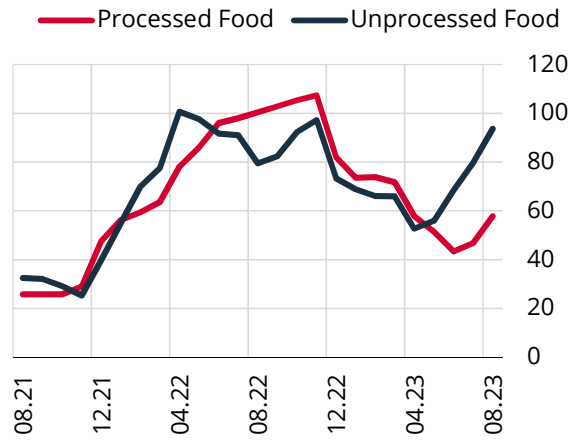
**Chart 6. Core Goods (Annual % Change)**



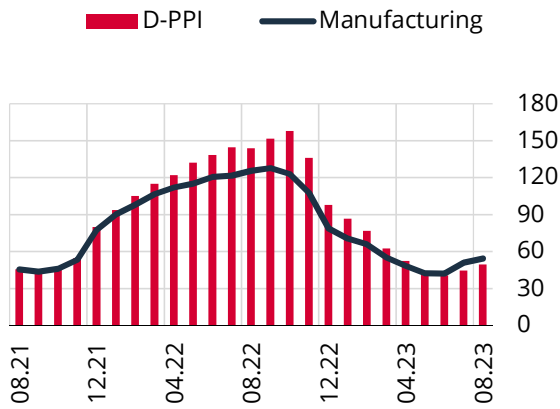
**Chart 7. Food and Non-alcoholic Beverages and Energy** (Annual % Change)



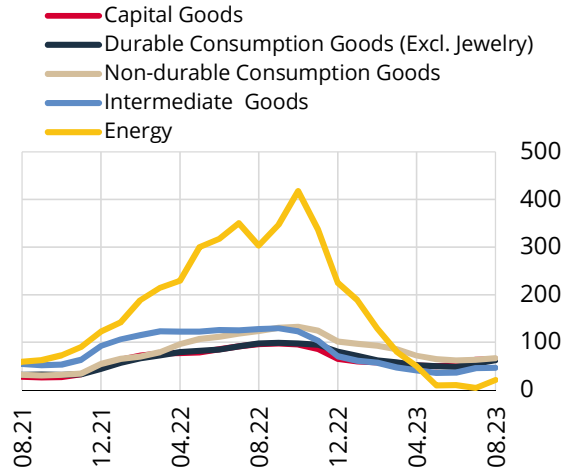
**Chart 8. Processed and Unprocessed Food** (Annual % Change)



**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	
	August 2023	August 2022	August 2023	August 2022
<b>CPI</b>	<b>9.09</b>	<b>1.46</b>	<b>58.94</b>	<b>80.21</b>
<b>1. Goods</b>	<b>9.04</b>	<b>0.92</b>	<b>51.50</b>	<b>89.89</b>
Energy	14.23	-2.68	14.03	121.73
Food and non-alcoholic beverages	8.48	0.85	72.86	90.25
Unprocessed food	5.58	-2.02	93.64	79.51
Fresh fruits and vegetables	9.31	-6.31	105.98	50.85
Other unprocessed food	3.37	0.07	88.13	95.30
Processed food	11.17	3.41	57.80	100.38
Bread and cereals	13.12	3.76	59.79	106.68
Other processed food	10.18	3.22	56.91	97.03
Goods excluding energy and food	7.93	2.69	51.92	78.36
Core goods	8.57	3.06	51.97	76.91
Durable goods (excluding gold)	7.82	2.65	63.04	91.79
Clothing and footwear (*)	8.25	1.21	29.96	37.38
Other core goods	9.92	4.64	50.60	80.12
Alcoholic beverages and tobacco	3.77	0.09	51.98	82.49
Gold	2.12	4.47	61.20	106.45
<b>2. Services</b>	<b>9.19</b>	<b>3.16</b>	<b>79.57</b>	<b>54.30</b>
Rents	7.90	4.40	87.78	30.81
Restaurants and hotels	7.09	3.31	89.31	80.95
Transport	27.62	0.16	81.90	90.29
Communication	5.14	1.64	51.58	20.29
Other	7.19	3.96	73.58	49.74
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	9.32	3.17	63.52	72.53
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	8.89	3.10	64.85	66.08
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	9.87	2.06	55.00	80.22
F - CPI excluding administered prices	9.18	1.38	65.70	80.10

Source: TURKSTAT.

\* Does not cover clothing services.

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

	Weight (%)	August 2023		August 2022	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	<b>100</b>	<b>5.89</b>	<b>49.41</b>	<b>2.41</b>	<b>143.75</b>
Mining	3.69	9.99	66.42	4.10	153.28
Manufacturing	83.81	5.41	54.41	2.94	125.43
Manufacturing excl. petroleum products	78.48	4.53	54.70	3.29	121.42
Manufacturing excl. petroleum products and base metals	68.94	4.96	56.70	3.86	123.84
Electricity, gas, steam and air-conditioning sup.	11.96	10.16	-8.21	-1.07	348.39
Water supply	0.55	6.88	67.09	4.03	90.01
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		3.83	46.41	3.20	127.82
Durable Consumption Goods		8.74	61.05	4.55	99.54
Durable Consumption Goods (Excl. Jewelry)		9.66	62.58	4.67	97.84
Non-Durable Consumption Goods		5.67	66.46	3.69	124.14
Capital Goods		4.04	64.88	3.03	96.53
Energy		14.27	20.70	-1.71	303.48

Source: TURKSTAT.