



November Price Developments

4 December 2020



Summary

In November, consumer prices rose by 2.30%, and annual inflation increased by 2.14 points to 14.03%. The rise in inflation was mainly driven by food and core goods groups. Annual inflation in services and energy groups remained more limited. The rise in food inflation was driven by cumulative exchange rate effects, the trend of prices of agricultural commodities used as basic inputs, and seasonal supply factors. The rise in core goods inflation was mainly determined by durable consumption goods led by automobiles, which were affected by demand-side factors driven by lagged effects of the strong credit impulse and lagged effects of the depreciation of the Turkish lira. Against this backdrop, annual inflation and trends of B and C indices increased.

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

In November, consumer prices rose by 2.30% and annual inflation increased by 2.14 points to 14.03% (Chart 1). In this period, annual rates of change in the B and C indices increased by 1.72 points and 1.78 points to 13.72% and 13.26% (Chart 2).

Across subcategories, contributions of food, core goods, services, alcohol-tobacco-gold and energy groups to annual consumer inflation rose month-on-month by 1.01, 0.89, 0.15, 0.05 and 0.04 points, respectively.

Chart 1: CPI and D (Annual % Change)

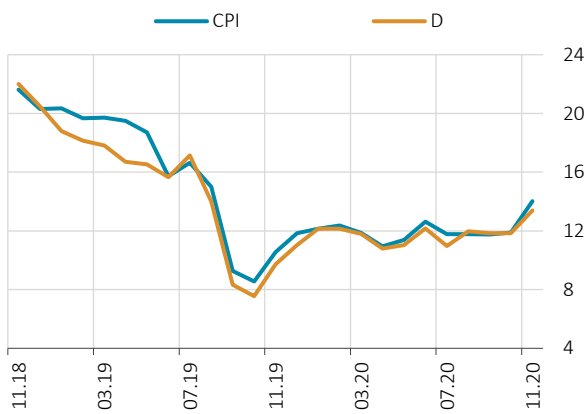
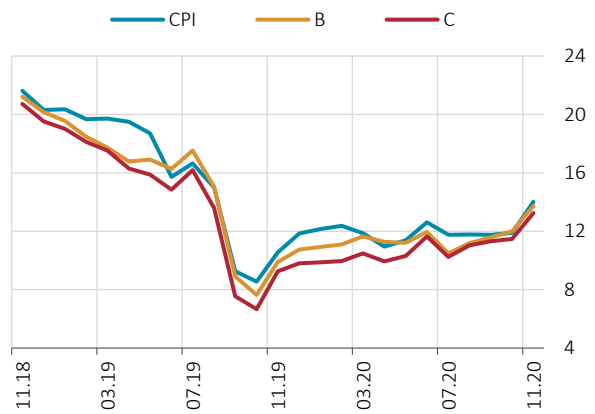


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally adjusted core inflation indicators indicate that the trends of B and C indices increased (Chart 3). In this period, the inflation trend increased in services, more markedly, core goods (Chart 4).

Chart 3: B and C Indices (Seasonally adjusted, Annualized 3-Month Average % Change)

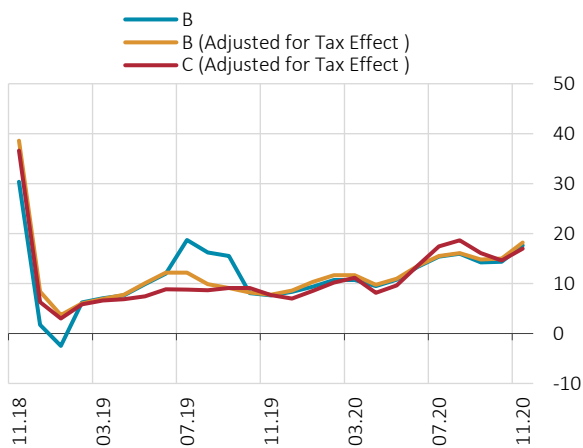
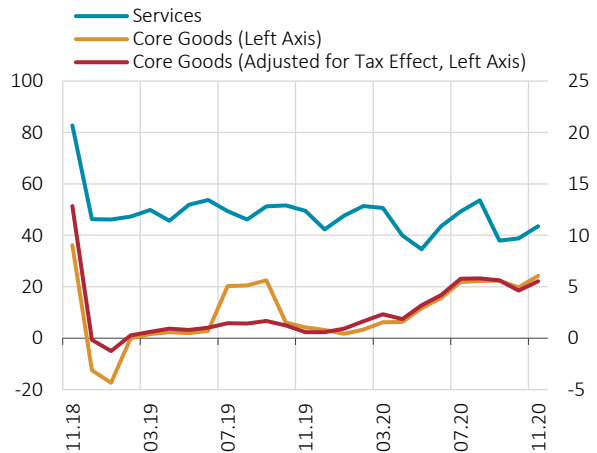


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month Average % Change)



In November, services prices increased by 0.62%, while annual inflation of the group rose by 0.50 points to 11.42% (Chart 5). Annual inflation in restaurants-hotels, transport services and other services increased, remained flat in the rents group, and decreased in communication services (Chart 6). In seasonally adjusted terms, the monthly price increase in restaurants-hotels group accelerated also due to the effect of the food prices outlook. Transport services prices remained flat because of the drop in intercity bus fares. The rise in other services group was driven by repair and maintenance of transportation vehicles, and basic hospital care services and dental services, the prices of which increased due to exchange rate developments.

Chart 5. Core Goods and Services (Annual % Change)

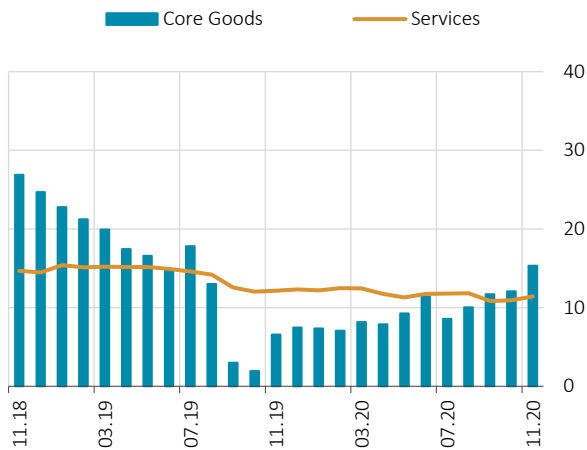
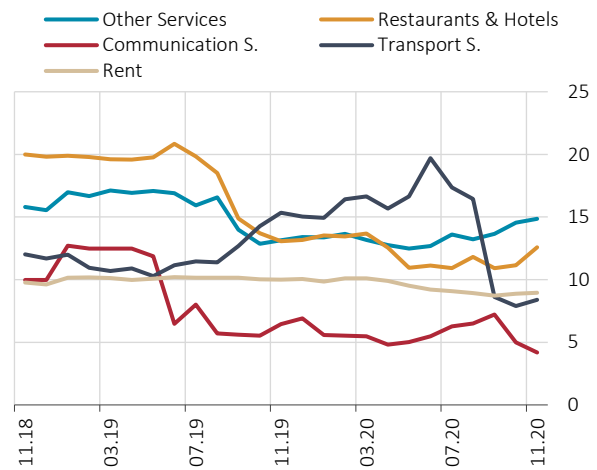


Chart 6. Services (Annual % Change)



In November, core goods inflation rose by 3.23 points to 15.32% (Chart 5). In this period, annual inflation increased in durable goods and other core goods, but decreased in the clothing and footwear group (Chart 7). Prices of durable goods, which significantly increased (monthly 5.68%) because of demand-side factors stemming from lagged effects of the strong credit impulse as well as lagged effects of the depreciation of the Turkish lira, became the key driver of the rise in core goods inflation. Thus, annual inflation in this group reached 26.50%. The rise in prices of durable goods continued across subcategories, while prices of automobiles posted a 9.70% rise due to cumulative exchange rate effects. In this period, the lagged effects of the depreciation in the Turkish lira on other core goods prices became more apparent. It was also a period in which the disinflationary effects of the weak sectoral demand for clothing and footwear group continued and annual inflation in this group was recorded at 0.76%.

Chart 7. Core Goods (Annual % Change)

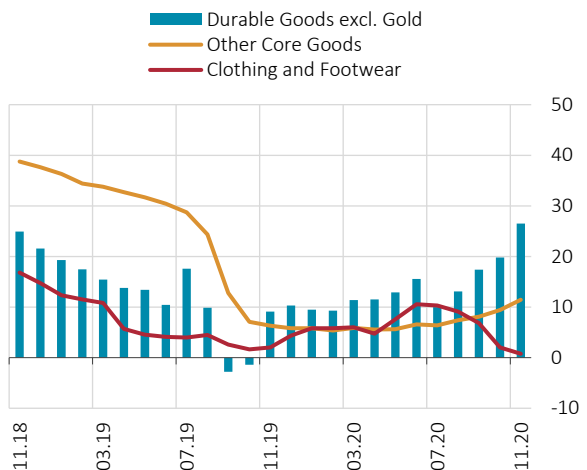
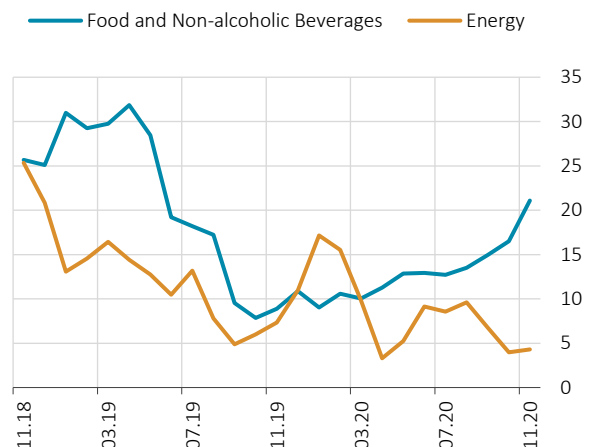


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



In November, energy prices rose by 0.84% (Table 1). In this period, solid fuel prices increased by 3.44% and fuel prices increased by 1.37% on the back of the rise in international oil prices. Against this backdrop, annual energy inflation increased by 0.30 points to 4.28% (Chart 8).

In November, annual food and non-alcoholic beverages inflation was up 4.57 points to 21.08% (Chart 8 and Table 2). Annual processed food inflation increased by 1.43 points to 15.92% while annual unprocessed food inflation rose by 8.24 points to 27.02% (Chart 9). Seasonally adjusted data for the unprocessed food point to a sharp increase in prices of both fruits and vegetables and other unprocessed food items. The steep monthly rise in prices of fresh fruits and vegetables seems to have stemmed from seasonality-driven supply-side factors as well as cumulative exchange rate effects. In the subcategory of other unprocessed food, chicken and egg prices soared amid rising input costs while prices of rice and legumes saw an upsurge due to their high sensitivity to exchange rates. The outlook for processed food items remained its negative outlook through November, with a monthly price increase of 2.26%. Precautionary measures taken by some countries against COVID-19 continued to affect prices of cereals across the globe, causing ongoing price hikes in bread and cereals to hit a dramatic 3.32% in November. Prices of other processed food items rose by 1.67% whereas prices of oils and fats posted a marked month-on-month increase of 5.11% due to the developments in exchange rates and international prices. Accordingly, annual food inflation excluding fresh fruits and vegetables surged to 18.35% (Chart 10). In short, food inflation rose on the back of exchange rate developments, international agricultural commodity prices and supply-side factors associated with shifting seasons.

Chart 9. Processed and Unprocessed Food (Annual % Change)

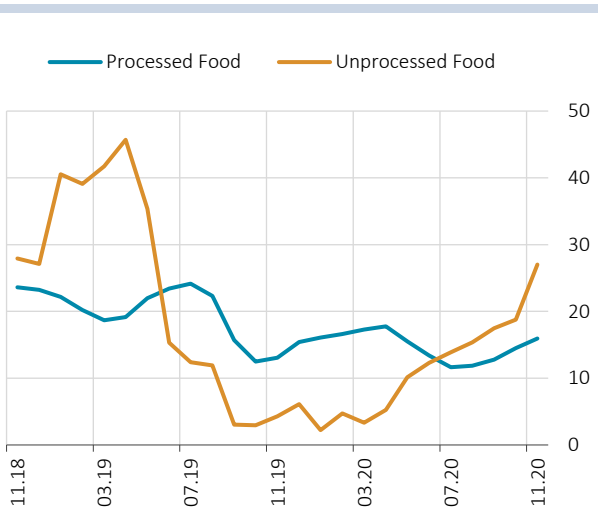
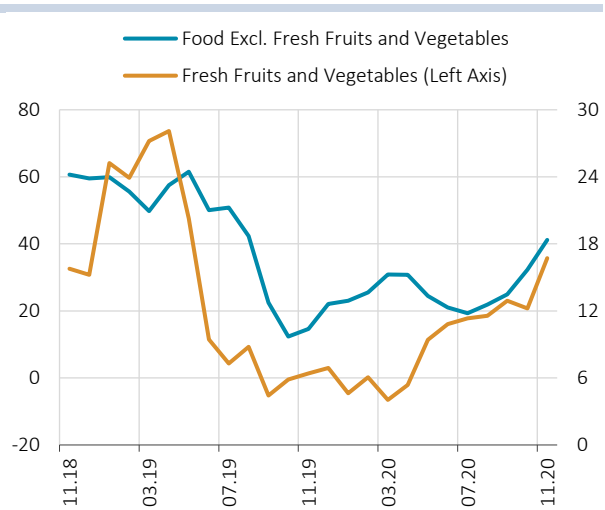


Chart 10. Fresh Fruits-Vegetables and Other Food (Annual % Change)



D-PPI

In November, domestic producer prices rose by 4.08%, while annual D-PPI inflation increased by 4.91 points to 23.11% (Chart 11 and Table 3), mainly due to the developments in exchange rates and commodity prices. The rise in the seasonally adjusted trend of manufacturing industry prices excluding petroleum and base metals was quite significant in this period (Chart 12).

Chart 11. D-PPI and Manufacturing (Annual % Change)

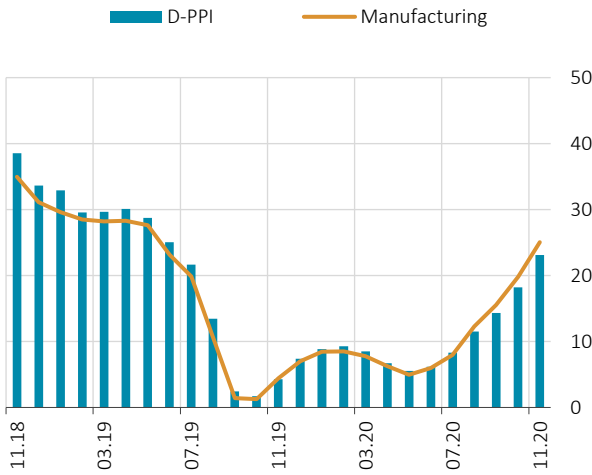
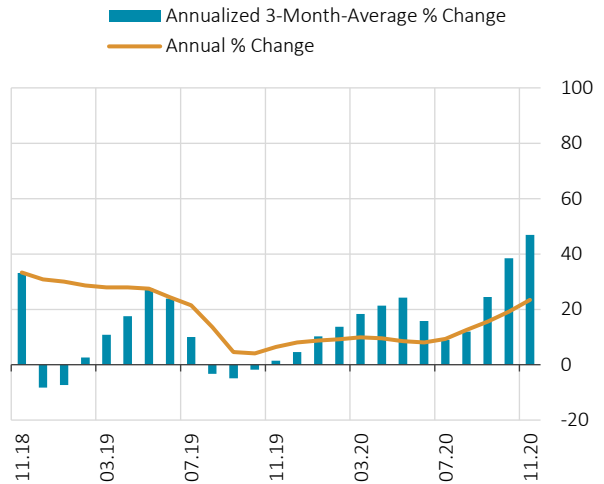


Chart 12. Manufacturing Excluding Petroleum and Base Metals



According to main industrial groupings, annual inflation increased in all subcategories (Table 3, Charts 13 and 14). In monthly terms, prices of intermediate goods rose on the back of iron-steel and plastic products, while the increase in prices of capital goods was driven by motor vehicles along with their parts and accessories, and metal construction products. Prices were up across all durable consumption goods, while meat products, and fats and oils were the main drivers of the price hikes in nondurable consumption goods. Meanwhile, the rise in energy prices was largely attributable to prices of refined petroleum products and electricity generation and distribution. Overall, the pressure from producer prices on consumer prices further strengthened.

Chart 13. Intermediate and Capital Goods (Annual % Change)

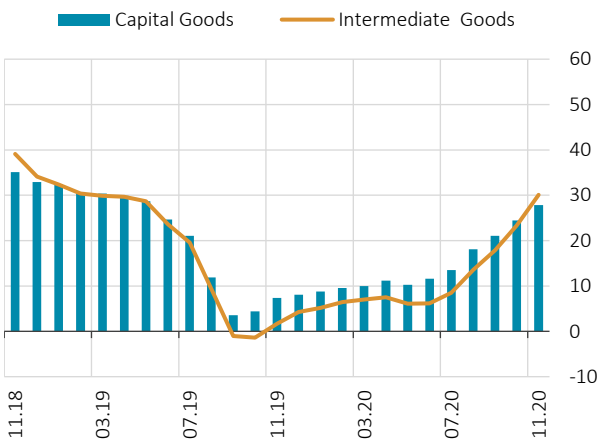
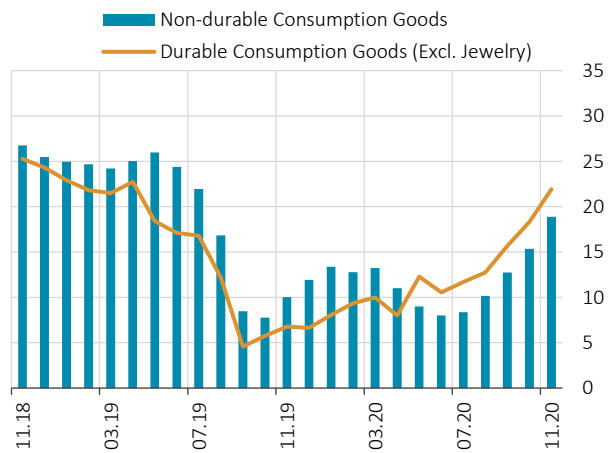


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	November 2020	November 2019	November 2020	November 2019
CPI	2.30	0.38	14.03	10.56
1. Goods	3.02	0.47	15.14	9.95
Energy	0.84	0.55	4.28	7.34
Food and non-alcoholic beverages	4.16	0.22	21.08	8.89
Unprocessed food	6.21	-0.68	27.02	4.29
Fresh fruits and vegetables	8.58	-3.39	35.72	1.37
Other unprocessed food	4.94	0.84	22.56	5.84
Processed food	2.26	1.00	15.92	13.07
Bread and cereals	3.32	1.35	19.30	15.15
Other processed food	1.67	0.80	14.08	11.97
Goods excluding energy and food	2.97	0.59	15.19	11.57
Core goods	3.76	0.85	15.32	6.57
Durable goods (excluding gold)	5.68	0.07	26.50	9.12
Clothing and footwear (*)	1.46	2.73	0.76	1.98
Other core goods	2.52	0.63	11.46	6.33
Alcoholic beverages and tobacco	0.00	0.00	0.67	43.35
Gold	0.80	-2.22	71.46	25.59
2. Services	0.62	0.16	11.42	12.16
Rents	0.71	0.62	8.96	10.01
Restaurants and hotels	1.13	-0.15	12.59	13.07
Transport	-0.06	-0.51	8.38	15.34
Communication	0.12	0.91	4.18	6.44
Other	0.50	0.22	14.86	13.13
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.14	0.59	13.72	9.90
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.12	0.51	13.26	9.25
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.93	0.54	13.38	9.72
F – CPI excluding administered prices	2.72	0.44	15.91	8.47

Source: TURKSTAT.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	November 2020		November 2019	
		Monthly	Annual	Monthly	Annual
CPI	100	2.30	14.03	0.38	10.56
Food and non-alcoholic beverages	22.77	4.16	21.08	0.22	8.89
Alcoholic beverages and tobacco	6.06	0.00	0.67	0.00	43.35
Clothing and footwear	6.96	1.46	0.99	2.69	2.21
Housing	14.34	1.05	9.12	0.36	9.58
Household equipment	7.77	1.69	14.22	0.59	9.81
Health	2.80	0.80	16.25	0.23	13.85
Transport	15.62	4.51	18.67	0.33	8.72
Communication	3.80	0.12	5.19	0.39	2.75
Recreation and culture	3.26	1.53	10.24	0.08	6.88
Education	2.58	-0.19	7.00	0.15	14.35
Restaurants and hotels	8.67	1.13	12.59	-0.15	13.07
Miscellaneous goods and services	5.37	1.14	29.42	-0.44	14.03

Source: TURKSTAT.

Table 3. D-PPI and Subcategories (% Change)

	Weight	November 2020		November 2019	
		Monthly	Annual	Monthly	Annual
D-PPI	100	4.08	23.11	-0.08	4.26
Mining	3.23	2.15	19.63	-0.08	9.93
Manufacturing	89.22	4.33	25.04	-0.04	4.45
Manufacturing excl. petroleum products	85.25	4.29	26.36	-0.02	4.83
Manufacturing excl. petroleum products and base metals	75.47	3.82	23.47	0.18	6.47
Electricity, gas, steam and air-conditioning sup.	6.61	1.69	0.58	-0.53	3.82
Water supply	0.95	0.49	12.83	0.19	-7.51
D-PPI (MIGs Classification)					
Intermediate Goods		4.77	30.07	-0.60	1.63
Durable Consumption Goods		2.74	25.84	-0.08	7.34
Durable Consumption Goods (Excl. Jewelry)		3.05	21.94	0.00	6.79
Non-Durable Consumption Goods		4.17	18.90	1.06	10.02
Capital Goods		2.58	27.85	-0.17	7.38
Energy		2.79	0.36	-0.53	-0.68

Source: TURKSTAT.