

# JULY PRICE DEVELOPMENTS

6 August 2024



## Summary

Consumer prices rose by 3.23% in July, and annual inflation dropped by 9.82 points to 61.78%. Annual inflation declined in all main groups due also to the high base effect. The monthly price increase grew stronger compared to the previous month on account of the revised lump sum taxes as well as rising prices of administered items. In fact, the energy group stood out with a surge in prices in July following the raised tariffs for residential electricity and automatic tax adjustments in fuel and bottled gas. Monthly food inflation followed a flat course, while the fresh fruits and vegetables group hindered a more positive outlook with higher price increases than seasonal averages. The brisk course of monthly price increases continued in the services group with higher figures across subgroups. On the other hand, core goods inflation remained low. Following the exchange rate and domestic demand developments, durable goods prices rose moderately, while the fall in furniture prices was noticeable. The increase in monthly producer inflation was pushed up by the energy group, while the annual producer inflation declined notably due to the high base effect. Against this background, in seasonally adjusted terms, the rate of monthly increase in the B and C indices edged up month-on-month and remained below the second quarter average, while annual inflation rates of core indicators declined.

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 3.23% in July, and annual inflation dropped by 9.82 points to 61.78%. The annual rate of change in the B index dropped by 10.09 points to 60.31%, while that of the C index fell by 11.18 points to 60.23% (Chart 1 and Table 1).

Contributions of the core goods, services, food, alcohol-tobacco-gold and energy groups to annual consumer inflation decreased by 3.65, 2.88, 2.75, 0.35 ve 0.19 points month-on-month, respectively.

In seasonally adjusted terms, monthly increases in the B and C indices, as well as the CPI, picked up month-on-month (Charts 2 and 3). Among the components of the B index, price increases lost pace in processed food but gained momentum in others (Chart 4). Services maintained high monthly price increases, while the core goods inflation remained low.

Services prices were up by 4.39% in July, and annual services inflation fell by 9.64 points to 85.63%. Annual inflation increased in communication services, but receded in other subgroups (Chart 5). Monthly price increases grew stronger across subgroups, with rents, communication and transport in the lead. The higher contract renewal rate in July pushed the monthly increase in rents up to 7.04%, and annual rent inflation became 122.33%. Prices of communication services rose by 5.46% due to telephone and internet services. The upward course in prices of transport services was mainly driven by the rise in fuel prices, which elevated tariffs for urban passenger transport and intercity passenger transport by road. Being led by catering services, monthly inflation in the restaurants-hotels subgroup edged up month-on-month (3.33%), while hotel rates were also on the rise. In the other services subgroup, insurance and health services were noticeable with relatively high price increases, while prices of package tours posted a slight decline.

In July, annual core goods inflation decreased by 12.37 points to 38.25%. Annual inflation declined across all subgroups, more markedly in durable goods (excluding gold) (Chart 6). The core goods inflation continued its moderate pace according to seasonally adjusted data. Owing to the exchange rate and domestic demand developments, prices of durable goods (excluding gold) increased slightly (0.62%), and the subgroup's annual inflation went down by 15.50 points to 31.39%. Prices were up in white goods (1.99%), other electric and non-electric household appliances (0.60%) and automobiles (0.88%), but dropped in furniture (-1.82%). Clothing and footwear receded by 2.74% amid seasonal effects, and annual inflation fell by 8.16% to 38.71%. Meanwhile, compared to past months, prices recorded an uptick by 2.34% in the other core goods subgroup.

Energy prices were up by 10.00% in July, and annual energy inflation dropped by 4.47 points to 80.11% (Chart 7). Residential electricity tariffs increased by 38.00%. Following the TL-denominated international energy price developments accompanied by the SCT arrangement, fuel and bottled gas prices soared by 10.09% and 9.10% month-on-month, respectively. Meanwhile, municipal water prices rose by 3.49% on a monthly basis.

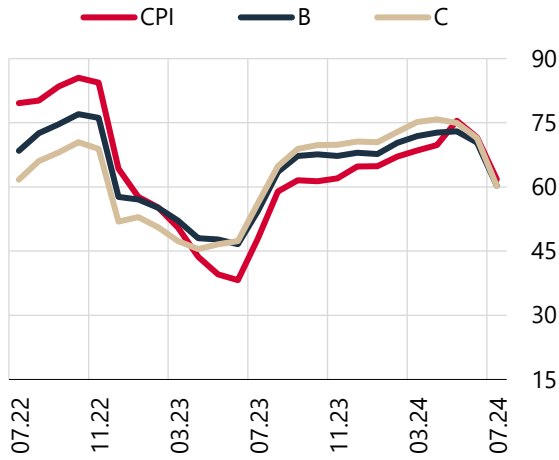
Prices of food and non-alcoholic beverages went up by 1.83% in July, and annual inflation fell by 9.17 points to 58.91% (Chart 7). Annual inflation dropped by 13.15 points to 57.35% and by 5.54 points to 60.35% in unprocessed and processed food, respectively (Chart 8). Prices of fresh fruits and vegetables increased above their seasonal averages due also to the hot weather conditions, limiting a more favorable outlook. In the other unprocessed food group, poultry meat prices fell further, while red meat prices remained relatively flat. Thus, unprocessed food prices, which normally move downwards in July due to seasonal effects, rose by 1.07% in the current month contrary to this outlook. Monthly processed food inflation inched down by 2.55% month-on-month, while the price increase in the bread-cereals item (3.54%) was notable.

Prices of alcoholic beverages and tobacco rose by 5.84%, while annual inflation fell by 8.05 points to 59.88%. The automatic revision of lump sum taxes in line with the increase in D-PPI was the main factor pushing prices upwards. In July, prices of tobacco products were not raised enough to match the tax hike, so some portion of the increase was carried over into August. Alcoholic beverage prices, on the other hand, picked up at a higher rate than implied by the tax adjustment.

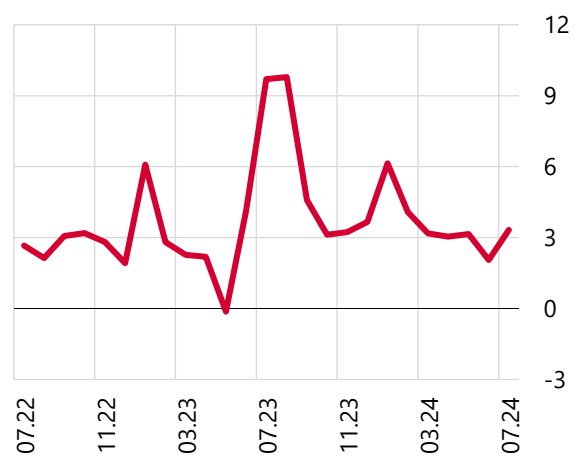
In July, domestic producer prices rose by 1.94%, while annual inflation fell by 8.72 points to 41.37% due to the high base effect (Chart 9 and Table 2). Across the main industrial groupings, energy prices stood out with a 6.28% leap, while monthly price increases in the remaining groups were more moderate, with durable and nondurable goods in the lead (Chart 10). An analysis by sectors reveals that price increases spread across the whole, while gas, refined petroleum products, water and water purification and distillation, beverages as well as the manufacturing of computer-electronic and optic products recorded notable price hikes.

## Charts and Tables

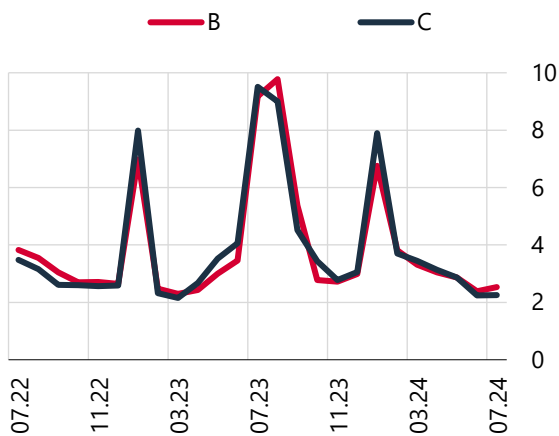
**Chart 1. CPI, B and C**  
(Annual % Change)



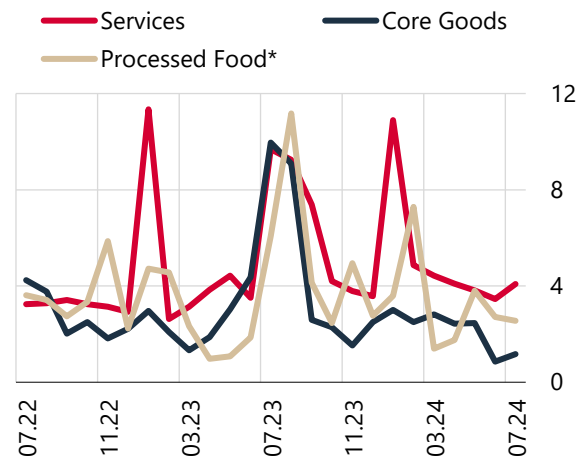
**Chart 2. CPI**  
(Seasonally Adjusted, Monthly % Change)



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

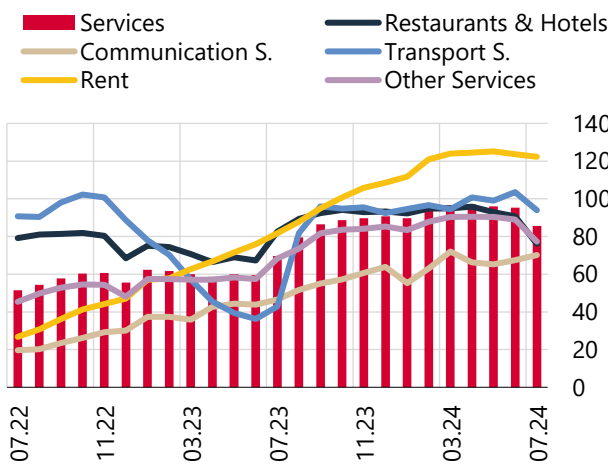


**Chart 4. Main Components of B Index**  
(Seasonally Adjusted, Monthly % Change)

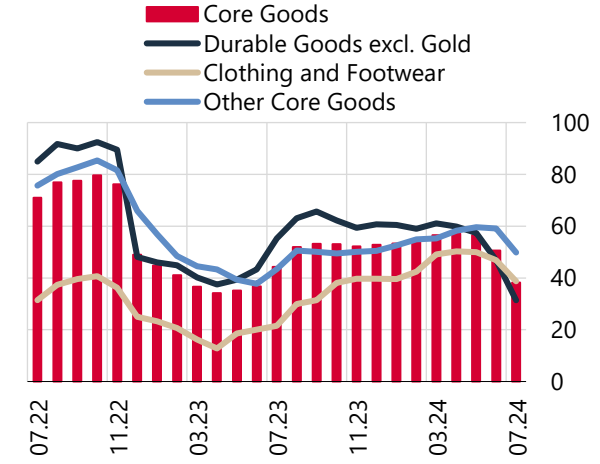


\* In the processed food subgroup, no statistically significant seasonality detected. Therefore, processed food subgroup data presented without seasonal adjustments.

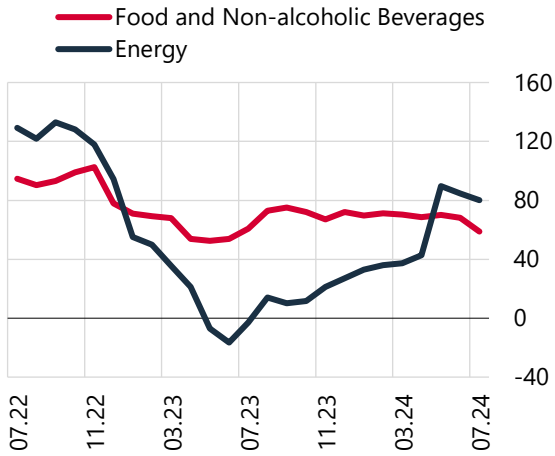
**Chart 5. Services (Annual % Change)**



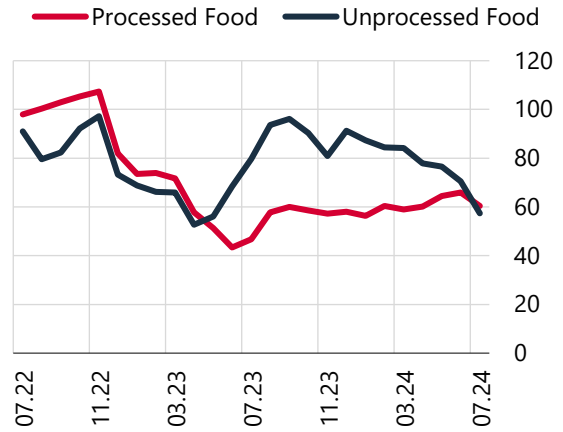
**Chart 6. Core Goods (Annual % Change)**



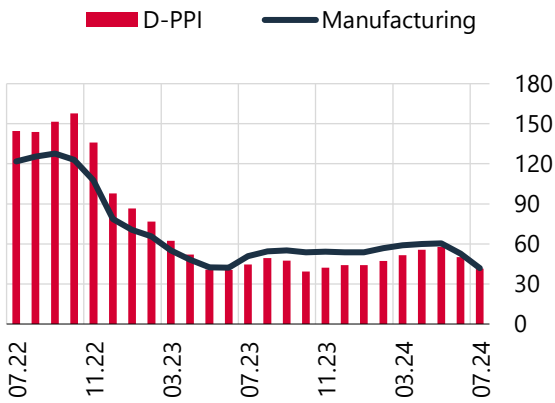
**Chart 7. Food and Non-alcoholic Beverages and Energy** (Annual % Change)



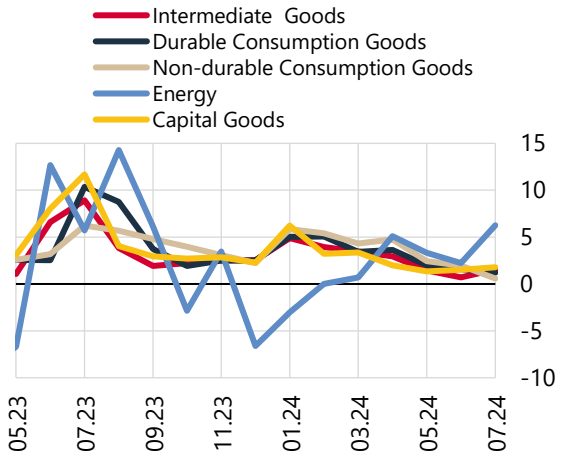
**Chart 8. Processed and Unprocessed Food** (Annual % Change)



**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	
	July 2024	July 2023	July 2024	July 2023
<b>CPI</b>	<b>3.23</b>	<b>9.49</b>	<b>61.78</b>	<b>47.83</b>
<b>1. Goods</b>	<b>2.71</b>	<b>9.35</b>	<b>52.67</b>	<b>40.22</b>
Energy	10.00	12.73	80.11	-2.86
Food and non-alcoholic beverages	1.83	7.71	58.91	60.72
Unprocessed food	1.07	9.51	57.35	79.71
Fresh fruits and vegetables	3.14	17.65	56.59	76.53
Other unprocessed food	-0.20	5.22	57.73	82.12
Processed food	2.55	6.08	60.35	46.78
Bread and cereals	3.54	10.22	60.77	46.57
Other processed food	2.07	4.09	60.26	47.01
Goods excluding energy and food	1.04	9.71	40.50	44.55
Core goods	0.42	9.40	38.25	44.25
Durable goods (excluding gold)	0.62	12.49	31.39	55.23
Clothing and footwear (*)	-2.74	2.98	38.71	21.51
Other core goods	2.34	8.73	49.81	43.37
Alcoholic beverages and tobacco	5.84	11.17	59.88	46.58
Gold	2.69	17.67	38.95	64.90
<b>2. Services</b>	<b>4.39</b>	<b>9.81</b>	<b>85.63</b>	<b>69.65</b>
Rents	7.04	7.67	122.33	81.69
Restaurants and hotels	3.33	11.92	76.04	82.62
Transport	4.84	10.03	93.93	42.76
Communication	5.46	3.74	70.23	46.54
Other	3.42	10.27	77.33	68.34
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.47	8.92	60.31	54.32
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.45	9.61	60.23	56.09
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.42	9.41	62.57	43.99
F - CPI excluding administered prices	2.56	9.80	59.52	53.86

Source: TURKSTAT.

\* Does not cover clothing services.

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

	Weight (%)	July 2024		July 2023	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	<b>100</b>	<b>1.94</b>	<b>41.37</b>	<b>8.23</b>	<b>44.50</b>
Mining	3.66	1.55	60.34	9.14	57.51
Manufacturing	86.45	1.42	41.84	9.26	50.81
Manufacturing excl. petroleum products	82.76	1.25	42.48	8.62	52.87
Manufacturing excl. petroleum products and base metals	73.88	1.36	44.97	8.54	55.05
Electricity, gas, steam and air-conditioning sup.	9.28	7.37	25.27	-5.05	-17.56
Water supply	0.61	5.28	75.40	7.10	62.64
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		1.57	36.96	8.93	45.52
Durable Consumption Goods		1.20	49.78	10.37	54.85
Durable Consumption Goods (Excl. Jewelry)		0.76	50.13	10.21	55.19
Non-Durable Consumption Goods		0.58	55.41	6.23	63.35
Capital Goods		1.78	40.06	11.67	63.29
Energy		6.28	31.09	5.72	3.82

Source: TURKSTAT.