

NOVEMBER PRICE DEVELOPMENTS

5 December 2023



Summary

Consumer prices rose by 3.28% in November, and annual inflation increased by 0.62 points to 61.98%. Annual inflation decreased in the food and core goods groups, but increased in other main groups, particularly in energy. In the energy group, the free-of-charge consumption limit of natural gas (the first 25 cubic meters) was exceeded amid increased consumption due to seasonal conditions, and the natural gas item had an impact of 1.01 points on monthly consumer inflation in line with the projections. The contribution of natural gas to monthly inflation is expected to weaken in December. Excluding the effect of natural gas, the decelerating trend in the rate of increase in consumer prices continued. In the food group, prices of fresh fruits and vegetables posted a decline in November, while price increases remained strong in food excluding fruits and vegetables. Annual core goods inflation decreased in this period, and the slowdown in the rate of increase in prices of durable goods favorably affected the group's inflation in November as well. The monthly price increase in the services group weakened, with a notable deceleration in the rent subgroup. The monthly increase in producer prices strengthened slightly in November due also to energy items, and annual producer inflation rose driven also by the low base effect. Against this background, the seasonally adjusted monthly rate of increase decelerated in the B and more notably C indicators, while their annual inflation remained almost flat. The slowdown in the underlying trend of inflation was also confirmed by alternative indicators such as the diffusion index, median inflation, and SATRIM.

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 3.28% in November, and annual inflation increased by 0.62 points to 61.98% (Chart 1 and Table 1). In November, natural gas added 1.01 points to monthly consumer inflation and 1.58 points to annual inflation. Adjusted for the natural gas effect, seasonally adjusted consumer inflation maintained its downward trend (Chart 2). In this period, the annual rate of change decreased by 0.34 points to 67.27% in the B index but increased slightly by 0.13 points to 69.89% in the C index.

In this period, the contributions of energy, alcohol-tobacco-gold and services groups to annual consumer inflation increased by 1.39, 0.31 and 0.16 points, respectively. Meanwhile, the contributions of food and core goods groups decreased by 0.84 and 0.40 points.

In seasonally adjusted terms, monthly increases continued to weaken in the B and more notably C indices (Chart 3). Among the groups that make up the B index, month-on-month price increases strengthened in processed food but lost pace in services and core goods (Chart 4). Alternative indicators such as the diffusion index, median inflation, and SATRIM also confirmed the slowdown in the underlying trend of inflation.

Services prices were up by 2.76% in November, and the group's annual inflation increased by 1.06 points to 89.71% (Chart 5). In this period, it was noted that the monthly increase in the rent subgroup (5.97%) lost pace, on the other hand annual rent inflation went up by 5.14 points to 105.81%. In the communication subgroup, the monthly price increase, which strengthened with 5.20%, was driven by continued hikes in mobile phone call and internet fees. In the restaurants-hotels group, the monthly price increase slowed down in catering services, while accommodation prices continued to fall. The mild increase in the other services subgroup (1.73%) in November indicated that the slowdown continued in this group. Due also to the fall in fuel prices, transportation services prices remained relatively flat (0.14%) in this period.

Annual core goods inflation fell by 0.81 points to 52.24% (Chart 6). Annual inflation decreased in durable goods while it increased in other subgroups. Prices of durable goods (excluding gold) recorded a limited increase (0.66%) in November, similar to the previous month. In this period, prices of electric and non-electric household appliances declined (-0.28%) and automobile prices rose mildly (0.66%), whereas furniture prices showed a slightly higher increase (1.79%). As a result, annual durable goods inflation dropped by 2.84 points to 59.31%. Prices in the other core goods group rose by 2.66%, pushing annual inflation up by 0.72 points to 50.14%. Household cleaning supplies and personal care products stood out with price hikes similar to the previous month. Clothing and footwear prices edged down by 0.38% in this period, contrary to the seasonal trend.

Energy prices rose by 9.98% in November, and annual energy inflation increased by 9.58 points to 21.18% (Chart 7). The monthly surge in energy prices was mainly driven by the increase in natural gas prices in the consumer basket parallel to the rise in consumption, 25 cubic meters of which was provided free of charge. Price hikes in solid fuels slowed down (1.95%) in tandem with global energy prices, while bottled gas prices remained almost flat in this period. The rise in municipal water prices also decelerated to 2.90%, and fuel prices dropped by 1.06% on the back of international oil prices.

Prices of food and non-alcoholic beverages increased by 2.78% in November, while annual inflation fell by 4.83 points to 67.16% (Chart 7). Annual inflation was down by 9.55 points to 80.85% in unprocessed food and by 1.38 points to 57.23% in processed food (Chart 8). Seasonally adjusted data point to a moderate uptick in fruit prices and a decline in vegetable prices. Price increases in food excluding fresh fruits and vegetables remained strong. Pulses, rice and white meat stood out with monthly price hikes among other unprocessed food items. Meanwhile, the monthly price increase (4.95%) grew stronger in the processed food group, notably in milk and dairy products, processed meat products, fats and oils and canned vegetables.

Due to producer-driven price hikes in tobacco products (10.02%), prices of alcoholic beverages and tobacco products soared by 9.16%, pushing annual inflation up by 9.38 points to 71.35%.

In November, domestic producer prices rose by 2.81%, pushing annual inflation up by 2.86 points to 42.25% (Chart 9 and Table 2). This rise was mainly led by the energy group. The impact of the adjustments made in industrial electricity tariffs and natural gas tariffs for industrial and electricity producers in October became visible in electricity, gas, steam and air conditioning (10.99%) prices in November. Accordingly, prices in the energy group were up by 3.46% month-on-month, while annual inflation remained in the negative territory (Chart 10). Across subgroups, following the energy group, monthly price increases in non-durable consumption goods were noteworthy with 3.07%, while capital and intermediate goods rose by 2.85% and

2.50%, respectively. On a sectoral basis, surging prices were recorded in metal ores, tobacco, leather and wood and cork products.

Charts and Tables

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

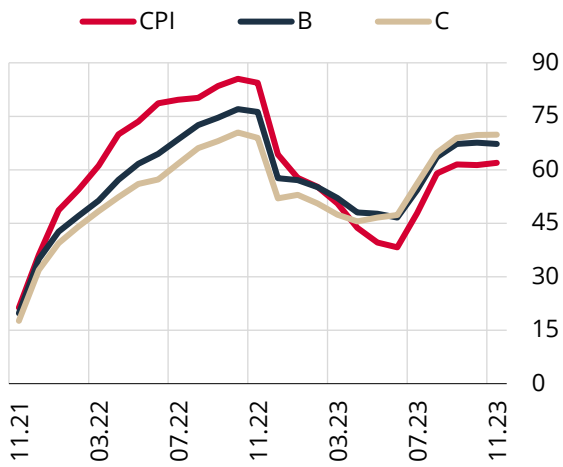


Chart 2. CPI and Natural Gas Adjusted CPI
(Seasonally Adjusted, Monthly % Change)

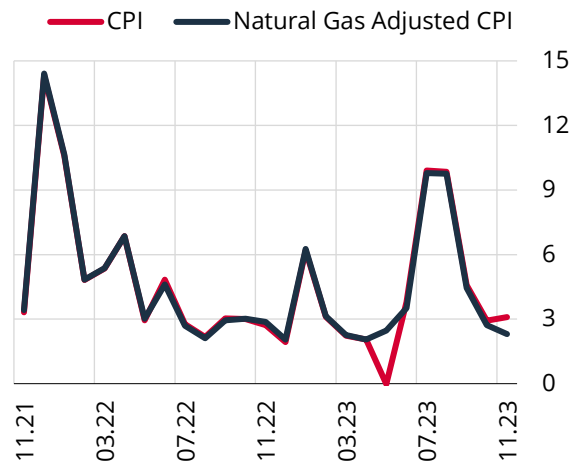


Chart 3. B and C Indices
(Seasonally Adjusted, Monthly % Change)

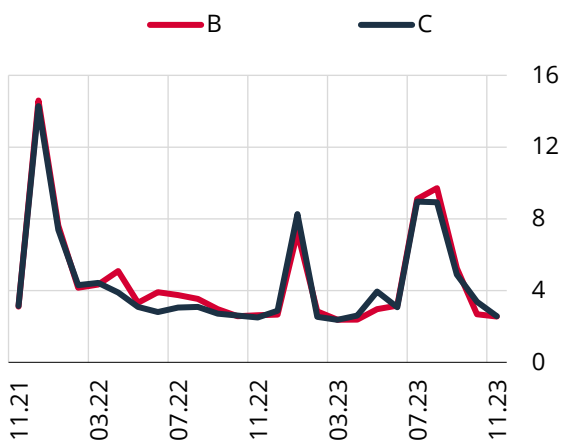
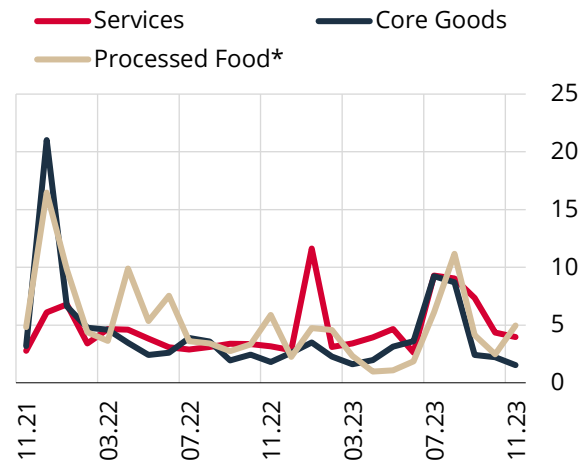


Chart 4. Main Components of B Index
(Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

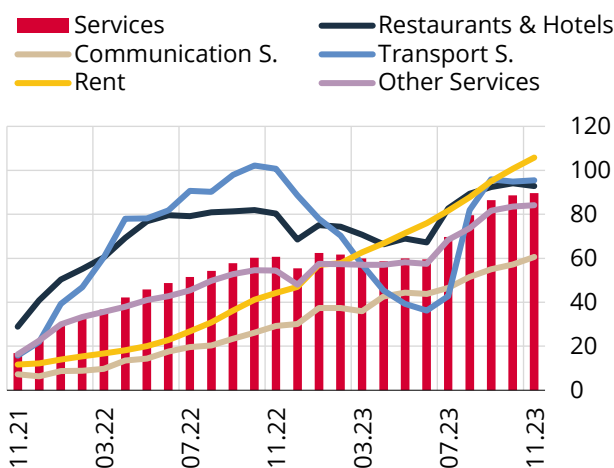


Chart 6. Core Goods (Annual % Change)

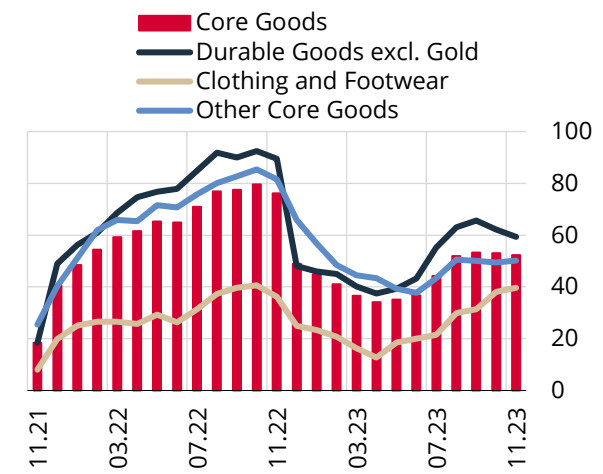


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

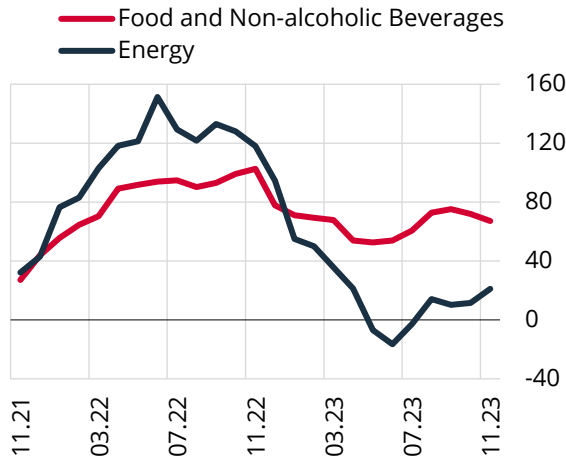


Chart 8. Processed and Unprocessed Food (Annual % Change)

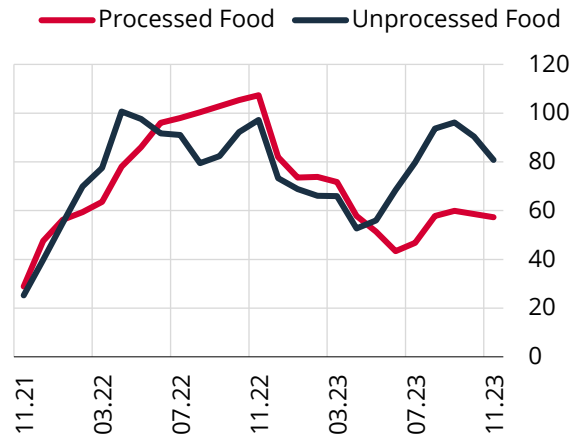


Chart 9. D-PPI and Manufacturing (Annual % Change)

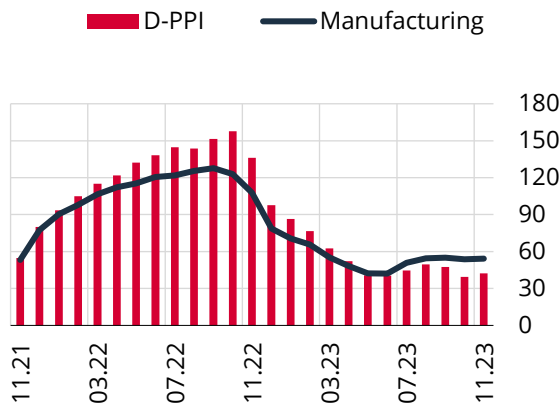
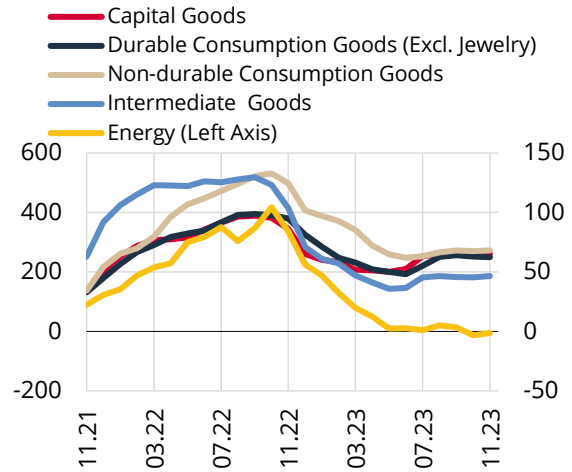


Chart 10. D-PPI Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	November 2023	November 2022	November 2023	November 2022
CPI	3.28	2.88	61.98	84.39
1. Goods	3.52	3.11	52.13	93.01
Energy	9.98	1.28	21.18	118.00
Food and non-alcoholic beverages	2.78	5.75	67.16	102.55
Unprocessed food	0.31	5.61	80.85	97.24
Fresh fruits and vegetables	-2.66	9.94	57.37	99.22
Other unprocessed food	2.01	3.42	95.54	95.66
Processed food	4.95	5.86	57.23	107.35
Bread and cereals	2.87	3.08	57.99	97.78
Other processed food	6.00	7.35	56.85	112.58
Goods excluding energy and food	2.04	1.88	54.53	76.75
Core goods	1.09	1.62	52.24	76.11
Durable goods (excluding gold)	0.66	2.46	59.31	89.50
Clothing and footwear (*)	-0.38	-1.54	39.72	36.22
Other core goods	2.66	2.17	50.14	81.64
Alcoholic beverages and tobacco	9.16	3.19	71.35	83.49
Gold	4.47	3.45	71.17	66.40
2. Services	2.76	2.18	89.71	60.72
Rents	5.97	3.33	105.81	44.24
Restaurants and hotels	2.51	3.18	92.86	80.30
Transport	0.14	-0.16	95.40	100.66
Communication	5.20	2.96	60.62	29.17
Other	1.73	1.41	84.15	54.42
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.53	2.73	67.27	76.18
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.96	1.88	69.89	68.91
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.46	2.47	59.24	82.59
F - CPI excluding administered prices	2.11	3.13	67.04	82.69

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	November 2023		November 2022	
		Monthly	Annual	Monthly	Annual
D-PPI	100	2.81	42.25	0.74	136.02
Mining	3.69	2.68	65.49	4.99	146.43
Manufacturing	83.81	2.26	54.11	2.01	107.64
Manufacturing excl. petroleum products	78.48	2.67	54.97	2.16	106.74
Manufacturing excl. petroleum products and base metals	68.94	2.74	56.90	2.40	110.97
Electricity, gas, steam and air-conditioning sup.	11.96	10.99	-30.00	-5.17	442.97
Water supply	0.55	1.91	70.23	3.39	114.41
D-PPI (MIGs Classification)					
Intermediate Goods		2.50	46.45	1.88	103.78
Durable Consumption Goods		2.49	61.16	2.62	93.87
Durable Consumption Goods (Excl. Jewelry)		2.20	62.29	2.63	95.08
Non-Durable Consumption Goods		3.07	68.11	2.68	124.66
Capital Goods		2.85	65.21	2.83	86.41
Energy		3.46	-5.91	-4.24	337.34

Source: TURKSTAT.