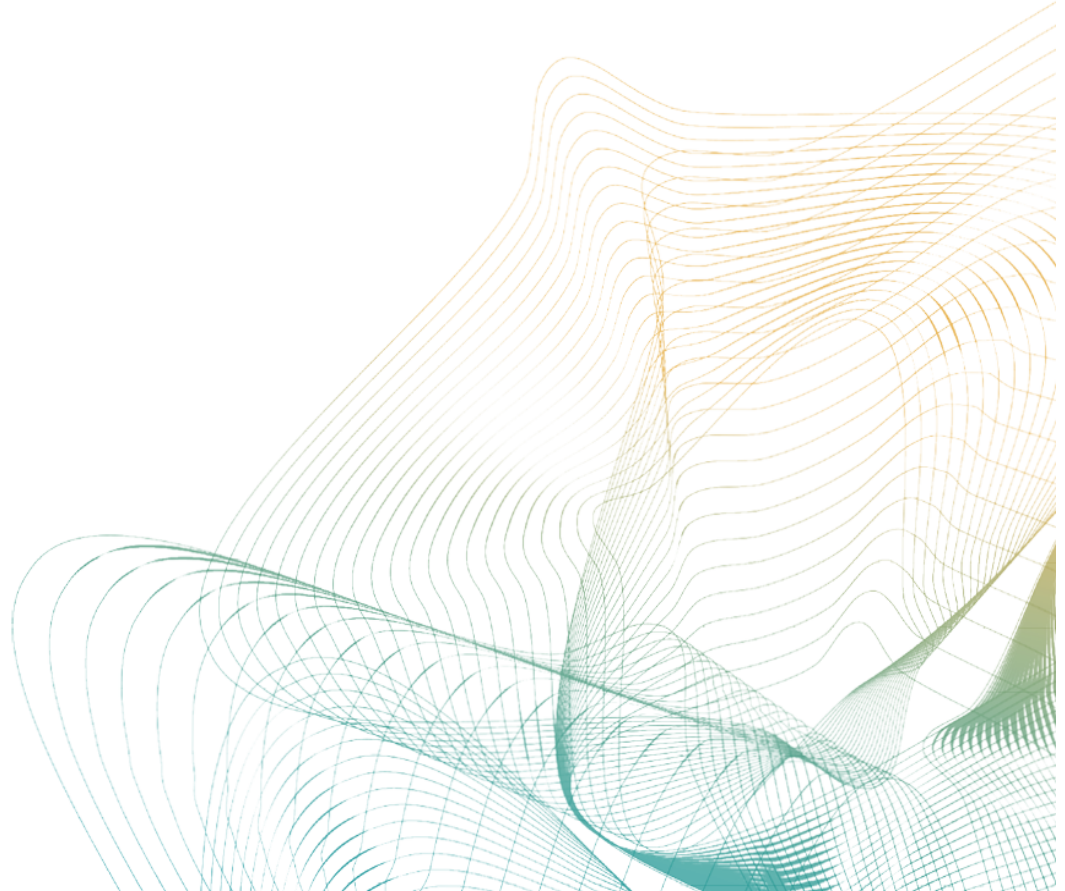




# November Price Developments

4 December 2019



## Summary

In November, consumer prices rose by 0.38% and annual inflation increased by 2.01 points to 10.56%. This increase was mainly driven by the low base effect seen in the core goods group due to temporary tax cuts applied in the same period of last year. Food inflation rose slightly due mainly to unprocessed food prices. In this period, while energy inflation increased on account of oil prices, services inflation remained relatively flat. Although annual inflation in core indicators was up due to base effect, the trend of the B and C indices remained mild in response to a stable Turkish lira, improved inflation expectations, domestic demand conditions and developments in producer prices.

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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.

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## Evaluations

In November, consumer prices rose by 0.38% and annual inflation increased by 2.01 points to 10.56% (Chart 1). The annual rate of change in the B and C indices increased by 2.26 and 2.58 points to 9.90% and 9.25%, respectively (Chart 2).

Across subcategories, core goods, food, energy, services and alcohol-tobacco-gold contributed 1.38, 0.26, 0.18, 0.09 and 0.09 points more month on month, respectively, to annual consumer inflation.

Chart 1: CPI and D (Annual % Change)

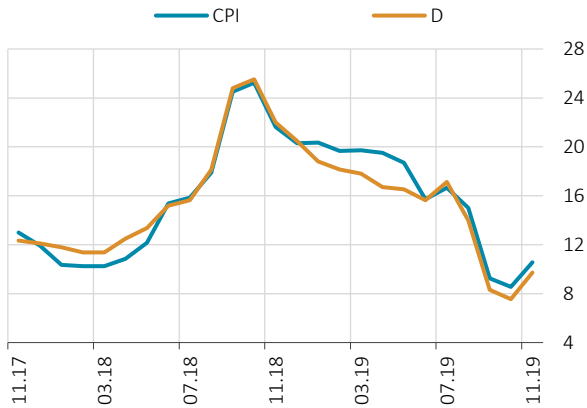
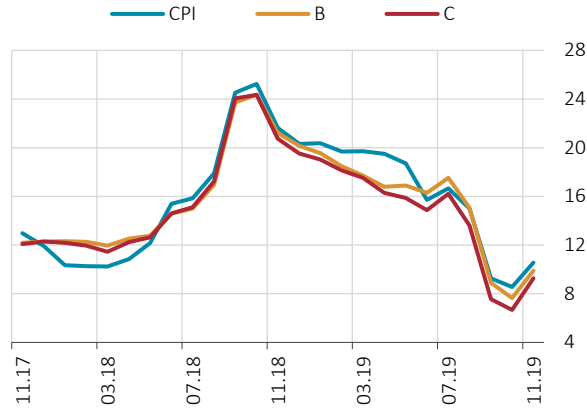


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally adjusted core inflation indicators suggest that the trend of the B and C indices remained mild (Chart 3). In this period, the trend of core goods and services remained almost flat (Chart 4).

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

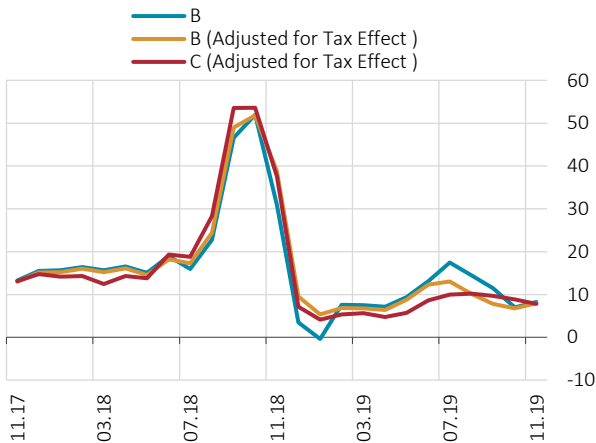
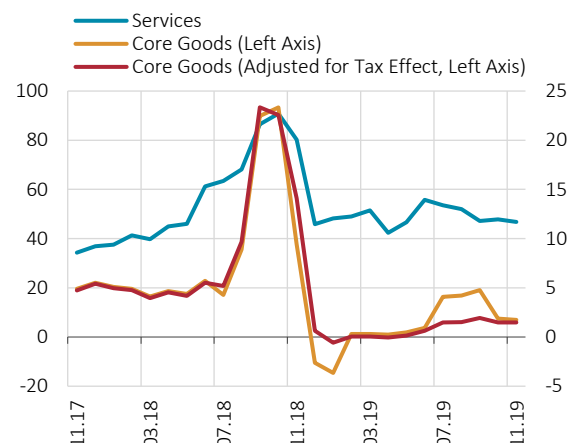


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month Average % Change)



In November, services prices increased by 0.16% and annual services inflation increased by 0.15 points to 12.16% (Chart 5 and Table 1). While annual inflation remained flat in rents, it declined in restaurants-hotels and rose slightly in transport, communication and other services (Chart 6). Monthly price hikes in catering services in the restaurants-hotels group slowed down significantly, while accommodation services prices posted a noticeable decrease. The monthly increase in communication prices in November was led by mobile call charges.

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

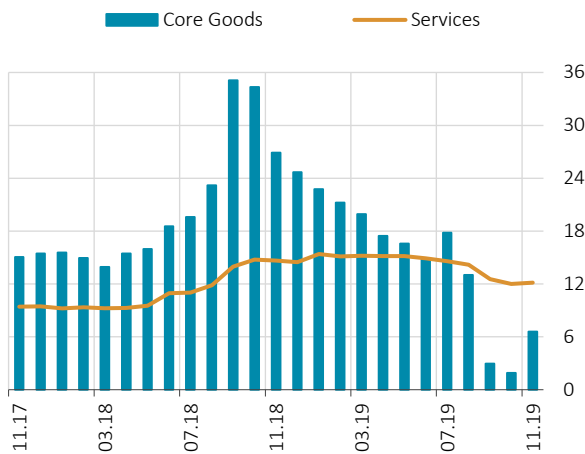
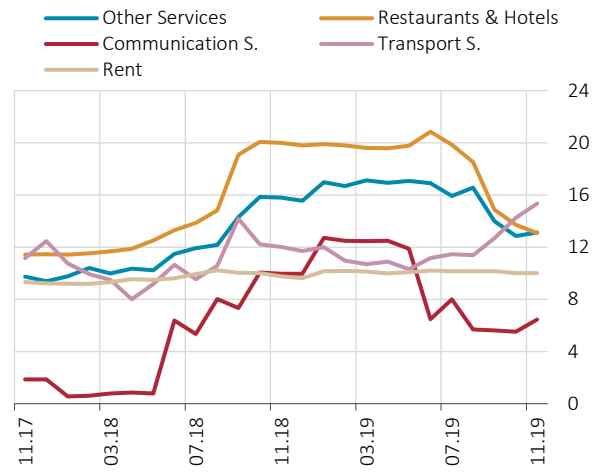


Chart 6. Services (Annual % Change)



In this period, annual inflation in core goods group increased by 4.65 points to 6.57% due to the low base driven by temporary tax cuts in durable consumption goods in the same period of last year. As a matter of fact, durable goods prices remained flat in November owing to both the stability in the Turkish lira and the mild course of domestic demand conditions. While annual inflation in the clothing and footwear group remained almost flat, it receded by a small margin in the other core goods group (Chart 7).

Chart 7. Core Goods (Annual % Change)

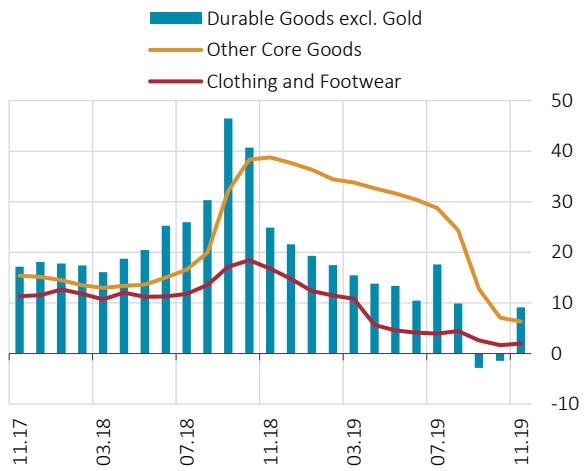
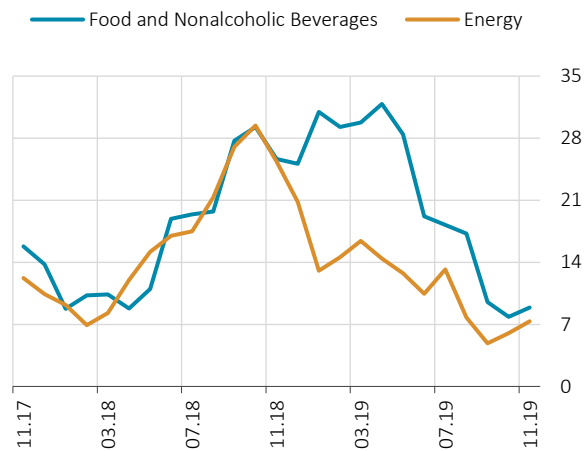


Chart 8. Food and Nonalcoholic Beverages and Energy (Annual % Change)

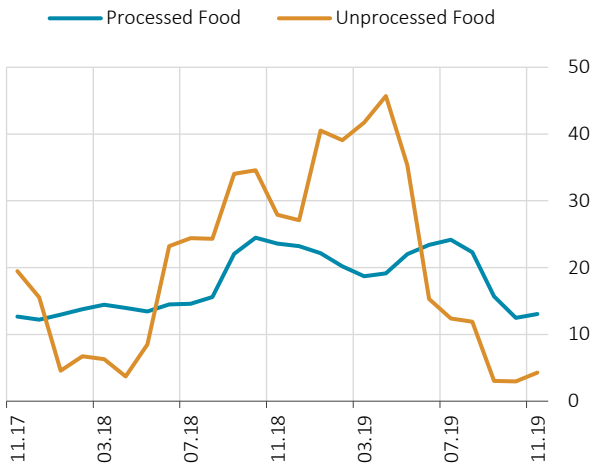


Energy prices rose by 0.55% in November (Table 1). The increases seen in bottled gas and fuel prices by 2.36% and 1.16%, respectively, in relation to the increase in oil prices were the determinants of this rise. Thus, annual energy inflation went up by 1.34 points to 7.34% (Chart 8).

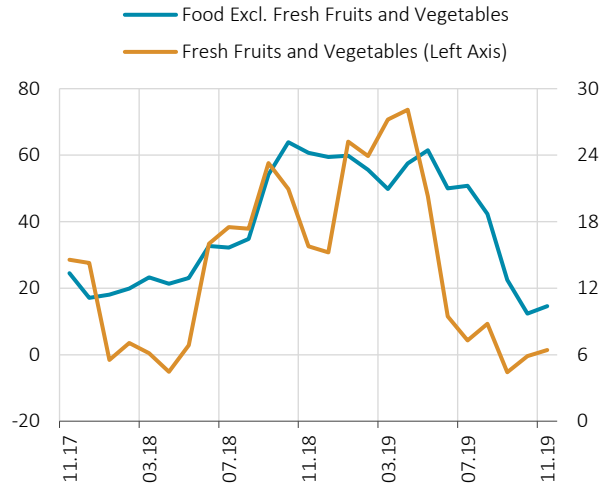
Annual inflation in food and non-alcoholic beverages increased by 1.04 points to 8.89% in November (Chart 8 and Table 2). Unprocessed food prices displayed a favorable outlook compared to the previous month, however annual inflation in this group rose by 1.33 points to 4.29% due to the low base effect from last year. In this period, although annual inflation in fresh fruits-vegetables was up moderately, it remained on its mild course. In the other unprocessed food group, monthly increases in milk (4.45%), egg (3.92) and white meat (2.41%) prices were noticeable. The monthly increase in processed food prices, which had been on a favorable path since August, somewhat accelerated (1.00%) and annual inflation in this group rose to 13.07% in November (Chart 9). In this group, while increases seen in the prices of

cheese and other dairy products parallel to the higher administered buying price of raw milk were noteworthy, bread and cereals prices continued to post high month-on-month increases. All in all, annual food inflation excluding fresh fruits and vegetables reached 10.39% (Chart 10).

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



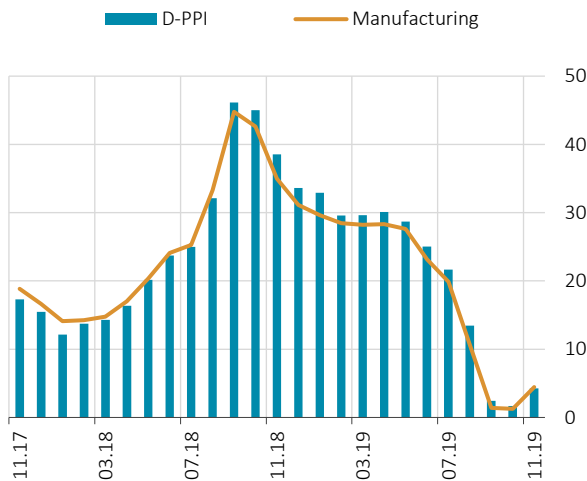
**Chart 10. Fresh Fruits-Vegetables and Other Food (Annual % Change)**



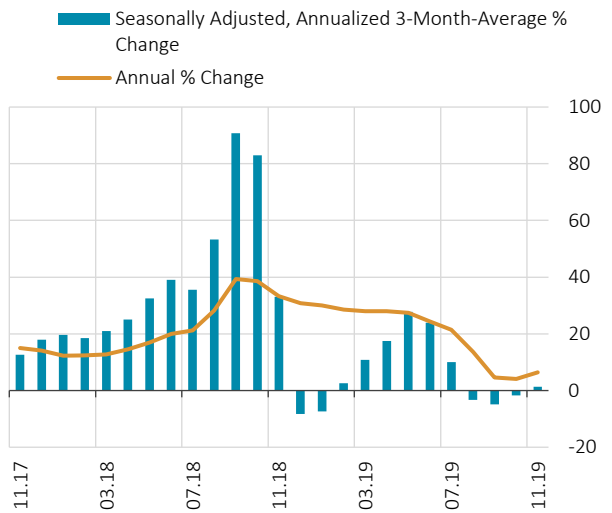
## D-PPI

In November, domestic producer prices declined modestly by 0.08% and annual inflation increased to 4.26% due to the low base effect (Chart 11, Table 3). In this period, the weak course in the seasonally adjusted underlying trend of manufacturing prices excluding oil and base metals continued (Chart 12).

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



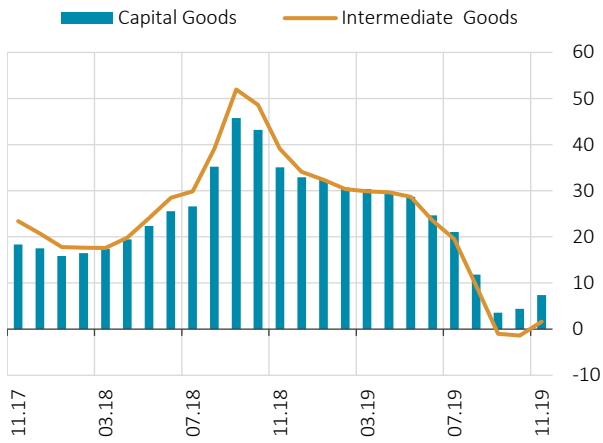
**Chart 12. Manufacturing Excluding Petroleum and Base Metals**



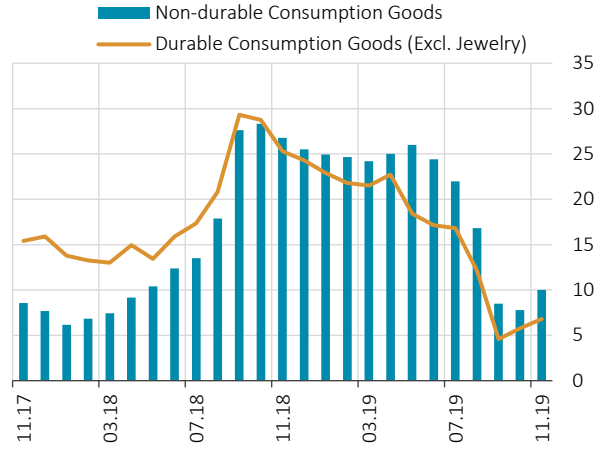
An analysis by main industrial groupings reveals that prices were relatively flat in durable goods, increased in non-durable consumption goods and decreased in other groups (Table 3, Chart 13 and Chart 14). Price hikes in meat, meat and dairy products were significant in the increase of prices in non-durable consumption goods. The decline in intermediate goods prices is attributable to iron-steel products, in energy prices to production and distribution of gas along with refined petroleum products, and in capital

goods to metal construction products and other machines. In sum, the cost pressures on consumer inflation stemming from producer prices remained weak in November.

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



**Chart 14. Consumption Goods (Annual % Change)**



## Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	November 2019	November 2018	November 2019	November 2018
<b>CPI</b>	<b>0.38</b>	<b>-1.44</b>	<b>10.56</b>	<b>21.62</b>
<b>1. Goods</b>	<b>0.47</b>	<b>-1.99</b>	<b>9.95</b>	<b>24.47</b>
Energy	0.55	-0.71	7.34	25.35
Food and non-alcoholic beverages	0.22	-0.74	8.89	25.66
Unprocessed food	-0.68	-1.95	4.29	27.91
Fresh fruits and vegetables	-3.39	-5.13	1.37	32.55
Other unprocessed food	0.84	0.07	5.84	25.24
Processed food	0.99	0.46	13.07	23.60
Bread and cereals	1.35	1.47	15.15	23.64
Other processed food	0.80	-0.07	12.00	23.58
Goods excluding energy and food	0.57	-3.27	11.58	23.38
Core goods	0.85	-3.55	6.57	26.89
Durable goods (excluding gold)	0.07	-9.59	9.12	24.89
Clothing and footwear (*)	2.73	2.40	1.98	16.81
Other core goods	0.63	1.36	6.32	38.76
Alcoholic beverages and tobacco	0.00	0.17	43.35	2.23
Gold	-2.22	-7.78	25.59	31.99
<b>2. Services</b>	<b>0.16</b>	<b>0.03</b>	<b>12.16</b>	<b>14.67</b>
Rents	0.62	0.62	10.01	9.77
Restaurants and hotels	-0.16	0.41	13.07	20.01
Transport	-0.51	-1.44	15.34	12.01
Communication	0.91	0.04	6.44	9.97
Other	0.23	-0.02	13.13	15.81
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	0.59	-1.48	9.90	21.21
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	0.51	-1.87	9.25	20.72
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	0.54	-1.45	9.72	22.01
F – CPI excluding administered prices	0.44	-1.75	8.47	23.06

Source: TURKSTAT.

(\*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	November 2019		November 2018	
		Monthly	Annual	Monthly	Annual
<b>CPI</b>	100	0.38	10.56	-1.44	21.62
Food and non-alcoholic beverages	23.29	0.22	8.89	-0.74	25.66
Alcoholic beverages and tobacco	4.23	0.00	43.35	0.17	2.23
Clothing and footwear	7.24	2.69	2.21	2.37	16.86
Housing	15.16	0.36	9.58	0.47	24.76
Household equipment	8.33	0.59	9.81	-2.85	32.73
Health	2.58	0.23	13.85	0.57	16.25
Transport	16.78	0.33	8.72	-6.46	21.03
Communication	3.69	0.39	2.75	-0.60	9.56
Recreation and culture	3.29	0.08	6.88	-2.08	21.18
Education	2.40	0.15	14.35	0.02	10.20
Restaurants and hotels	7.86	-0.15	13.07	0.41	20.01
Miscellaneous goods and services	5.15	-0.44	14.03	-0.96	27.87

Source: TURKSTAT.

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

	Weight	November 2019		November 2018	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	100	-0.08	4.26	-2.53	38.54
Mining	3.06	-0.08	9.93	-1.80	29.91
Manufacturing	89.31	-0.04	4.45	-3.09	34.97
Manufacturing excl. petroleum products	86.19	-0.02	4.83	-2.60	34.27
Manufacturing excl. petroleum products and base metals	76.71	0.18	6.47	-2.06	33.31
Electricity, gas, steam and air-conditioning sup.	6.52	-0.53	3.82	2.35	94.41
Water supply	1.11	0.19	-7.51	1.25	9.57
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		-0.60	1.63	-3.56	39.11
Durable Consumption Goods		-0.08	7.34	-1.24	26.05
Durable Consumption Goods (Excl. Jewelry)		0.00	6.79	-0.95	25.28
Non-Durable Consumption Goods		1.06	10.02	-1.01	26.77
Capital Goods		-0.17	7.38	-2.97	35.08
Energy		-0.53	-0.68	-2.12	75.61

Source: TURKSTAT.