

DECEMBER PRICE DEVELOPMENTS

4 January 2024



Summary

Consumer prices rose by 2.93% in December, and annual inflation increased by 2.79 points to 64.77%, ending 2023 below the midpoint of the forecast presented in the last Inflation Report. Annual inflation edged up in core goods and services, while the rise in energy and food groups was more noteworthy. Exceeding the limit for the free-of-charge consumption of natural gas affected monthly consumer inflation by 0.29 points, while the decline in fuel prices curbed price increase in the energy group. The food group accounted for nearly half of the monthly consumer inflation due to the evident impact of the surging prices in vegetables and red meat. The monthly core goods inflation gained some strength month-on-month, led by the prices of white goods and pharmaceuticals in the durable goods and the other core goods subgroups, respectively. Expected wage hikes are considered to be effective for the rise in durable goods prices. On the services front, monthly price increases lost pace. Monthly rent inflation weakened further, while prices of transportation services dropped in line with the developments in fuel prices. In December, the monthly rise in producer prices decelerated due to the energy group, while annual producer inflation posted an uptick due also to the low base effect. Against this background, the seasonally adjusted monthly rate of increase in the B and C indicators edged up, while their annual inflation registered an increase. A co-analysis of all indicators reveals a relatively flat course in the underlying inflation compared to the previous month, pointing to a milder outlook than envisaged in the Inflation Report.

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 December, consumer prices rose by 2.93% and annual inflation increased by 2.79 points, ending the year at 64.77% (Chart 1 and Table 1). The effect of natural gas in December was 0.29 on monthly inflation and 0.47 points on annual consumer inflation. Adjusted for the natural gas effect, seasonally adjusted consumer inflation increased slightly compared to previous months (Chart 2). In this period, the annual rate of change in the B and C indices rose by 0.75 points each to 68.02% and 70.64%, respectively.

In this period, the contributions of the food, energy, services and core goods groups to annual consumer inflation rose by 1.31, 0.77, 0.45, and 0.31 points, respectively, while those of the alcohol-tobacco-gold group dropped by 0.05 points.

The seasonally adjusted data suggest a limited monthly increase in the B and C indices (Chart 3). Among the groups that make up the B index, price increases were slightly stronger in core goods, but weaker in services and processed food than the previous month (Chart 4).

Prices of services rose by 2.36% in December, and annual services inflation increased by 0.95 points and ended the year at 90.66% (Chart 5). In this period, the downward course in the monthly increase in rents (4.48%) continued, while annual inflation in this subgroup rose by 2.77 points and reached 108.58%. In the communication subgroup, prices rose by 3.04%, slightly weaker than the previous month, in line with the outlook in internet fees and phone call rates. In the restaurants-hotels group, the monthly increase (2.81%) was led by the catering services item, while prices of accommodation services continued to fall. The fall in fuel prices was apparent in transport services, with a decrease in prices of passenger transportation by air (-15.97%) and intercity passenger transportation by road (-4.38%). In December, price increases in the other services subgroup gained some strength (2.23%) compared to the previous month, driven by cultural services, maintenance-repair of personal transport vehicles as well as package tours due to the developments in pilgrimage fees.

Annual core goods inflation rose by 0.57 points to 52.81% (Chart 6). Annual inflation increased in durable goods but remained relatively flat in other subgroups. The price increase in durable goods (excluding gold) strengthened slightly in December (2.77%) also on the back of the expected wage hikes. In this period, white goods stood out with a price hike (7.21%), while furniture prices (2.11%) and automobile prices (1.25%) rose at a milder pace. Against this background, annual inflation in durable goods rose by 1.39 points to 60.70%. Prices in the other core goods group rose by 3.75%, leading annual inflation to edge up by 0.28 points to 50.42%. Driven by the updated euro reference exchange rate, pharmaceuticals stood out in this subgroup with a price hike of 14.47%.

Energy prices rose by 2.74% in December, and annual energy inflation increased by 6.01 points and ended the year at 27.19% (Chart 7). The monthly rise in energy prices was mainly driven by the increase in natural gas prices in the consumer basket, parallel to the rise in consumption. Solid fuel prices rose by 2.04% following the outlook in global energy prices. In this period, bottled gas prices increased by 1.09%, while municipal water prices rose by 3.62%. Meanwhile, fuel prices dropped by 2.20% on the back of international crude oil prices.

Prices of food and non-alcoholic beverages increased by 4.81% in December, and annual inflation rose by 4.85 points to 72.01% (Chart 7). Annual inflation was up by 10.38 points to 91.23% in unprocessed food and by 0.82 points to 58.05% in processed food (Chart 8). Seasonally adjusted data point to a significant rise in fresh fruit and vegetable prices, which was led by vegetable prices. Among other unprocessed food items, the impact of the recent hike in carcass meat prices was reflected in red meat prices, with eggs being another standout item. Thus, monthly inflation in unprocessed food prices significantly gained momentum and stood at 7.24%. Meanwhile, the monthly price increase in the processed food group (2.76%) edged down compared to the previous month, which was mainly driven by the weaker price increases in milk and dairy products. On the other hand, price hikes in items related with red meat, fats and oils, as well as canned foods stood out in this group.

In December, domestic producer prices rose by 1.14%, pushing annual inflation up by 1.97 points to 44.22% (Chart 9 and Table 2). Across the main industrial groupings, energy prices fell in this period, while groups other than energy registered higher prices. Prices in the energy group decreased by 6.63% month-on-month, while annual inflation remained in negative territory (Chart 10). Across subgroups, month-on-month price increases in intermediate goods, durable consumption goods, capital goods, and non-durable consumption goods were 2.54%, 2.50%, 2.27% and 2.23%, respectively.

Charts and Tables

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

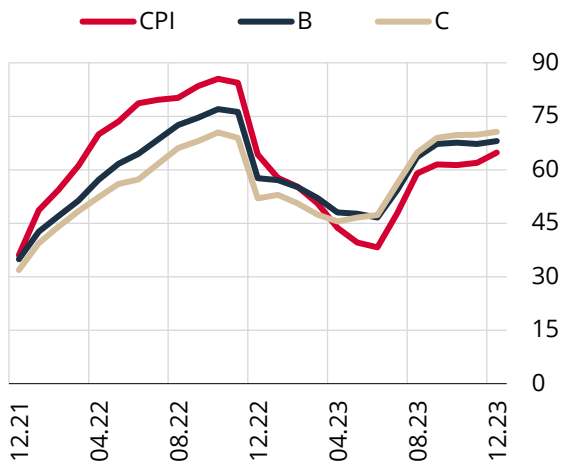


Chart 2. CPI and Natural Gas Adjusted CPI
(Seasonally Adjusted, Monthly % Change)

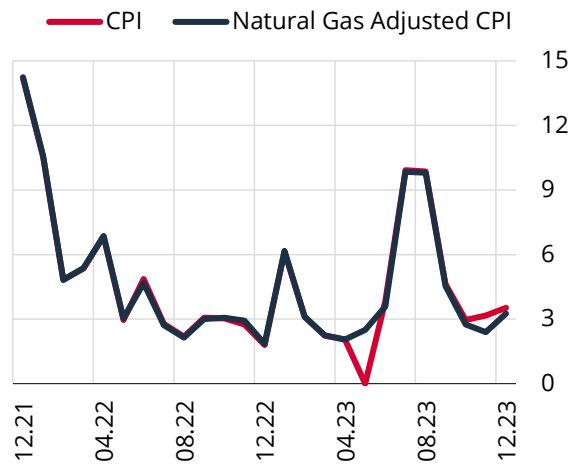


Chart 3. B and C Indices
(Seasonally Adjusted, Monthly % Change)

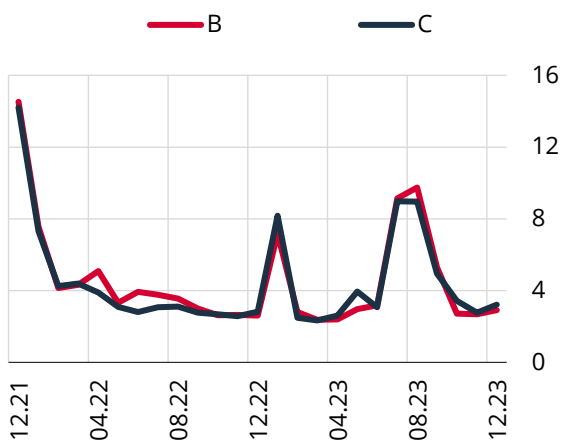
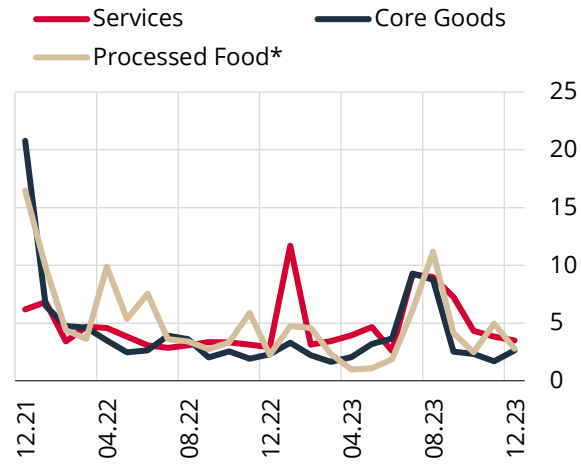


Chart 4. Main Components of B Index
(Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

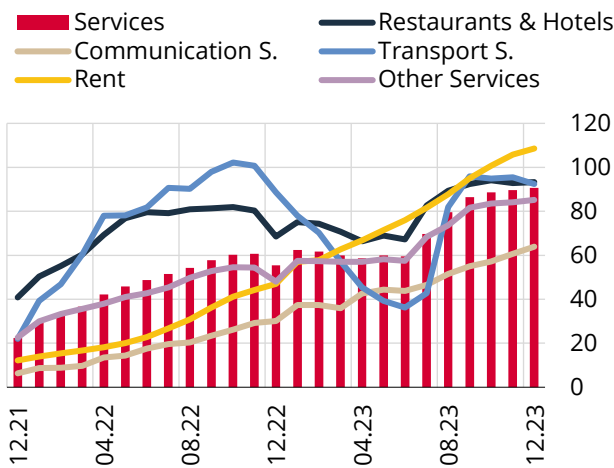


Chart 6. Core Goods (Annual % Change)

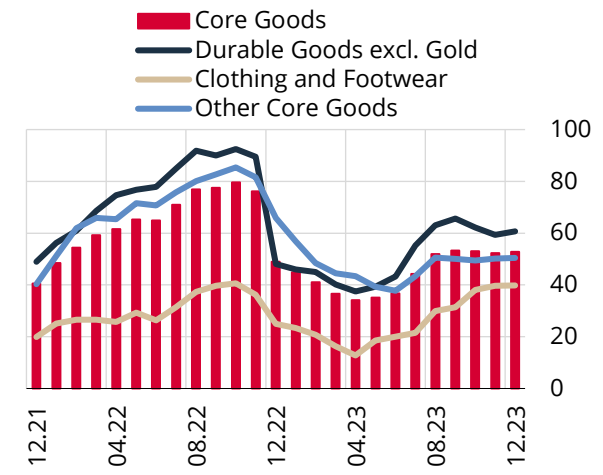


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

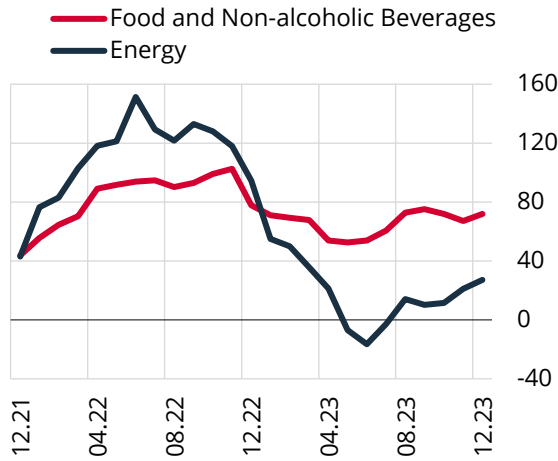


Chart 8. Processed and Unprocessed Food (Annual % Change)

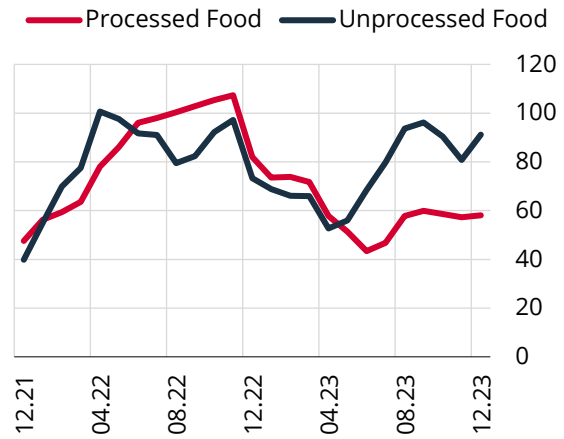


Chart 9. D-PPI and Manufacturing (Annual % Change)

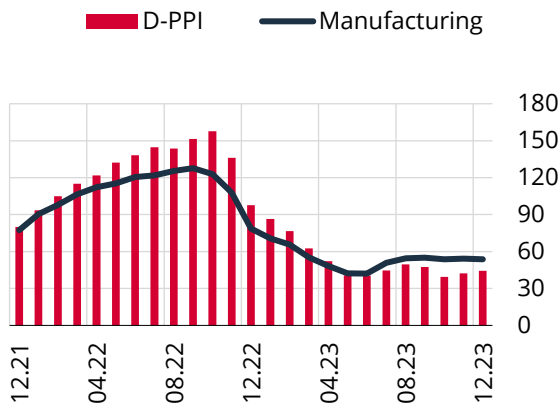
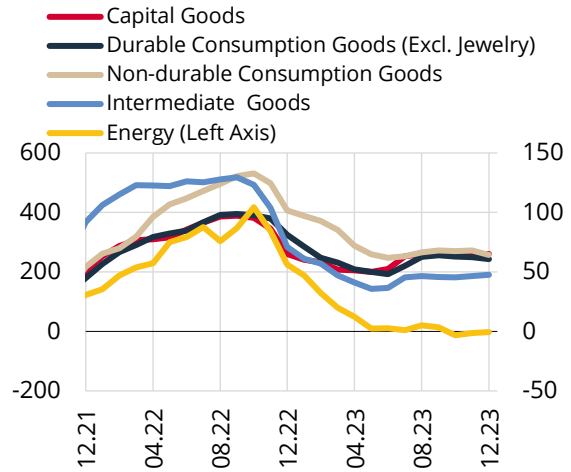


Chart 10. D-PPI Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	December 2023	December 2022	December 2023	December 2022
CPI	2.93	1.18	64.77	64.27
1. Goods	3.18	0.97	55.46	67.31
Energy	2.74	-2.12	27.19	94.43
Food and non-alcoholic beverages	4.81	1.86	72.01	77.87
Unprocessed food	7.24	1.42	91.23	73.25
Fresh fruits and vegetables	11.39	-3.30	81.29	78.54
Other unprocessed food	4.98	3.96	97.47	70.72
Processed food	2.76	2.23	58.05	82.00
Bread and cereals	2.84	2.56	58.42	69.55
Other processed food	2.73	2.06	57.88	89.16
Goods excluding energy and food	2.00	1.69	55.00	50.45
Core goods	2.24	1.86	52.81	48.96
Durable goods (excluding gold)	2.77	1.88	60.70	48.13
Clothing and footwear (*)	-1.45	-1.46	39.74	25.01
Other core goods	3.75	3.56	50.42	65.91
Alcoholic beverages and tobacco	0.01	0.07	71.26	65.11
Gold	3.98	4.33	70.59	35.48
2. Services	2.36	1.85	90.66	55.49
Rents	4.48	3.10	108.58	47.07
Restaurants and hotels	2.81	2.61	93.24	68.48
Transport	-2.03	-0.52	92.44	88.70
Communication	3.04	0.96	63.92	30.13
Other	2.23	1.65	85.20	48.05
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.39	1.94	68.02	57.68
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.31	1.86	70.64	51.93
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.45	1.21	61.20	62.94
F - CPI excluding administered prices	2.77	0.91	70.12	60.02

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	December 2023		December 2022	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.14	44.22	-0.24	97.72
Mining	3.69	2.00	65.59	1.94	122.92
Manufacturing	83.81	2.00	53.68	2.29	78.66
Manufacturing excl. petroleum products	78.48	2.38	54.35	2.79	78.66
Manufacturing excl. petroleum products and base metals	68.94	2.28	55.87	2.95	83.86
Electricity, gas, steam and air-conditioning sup.	11.96	-11.40	-29.69	-11.78	284.99
Water supply	0.55	7.34	66.97	9.44	130.34
D-PPI (MIGs Classification)					
Intermediate Goods		2.54	47.72	1.66	70.91
Durable Consumption Goods		2.50	60.07	3.20	78.57
Durable Consumption Goods (Excl. Jewelry)		2.13	60.68	3.16	81.13
Non-Durable Consumption Goods		2.23	64.37	4.56	101.63
Capital Goods		2.27	65.07	2.36	65.16
Energy		-6.63	-1.69	-10.63	224.67

Source: TURKSTAT.