

# FEBRUARY PRICE DEVELOPMENTS

6 March 2023



## Summary

Consumer prices rose by 3.15% in February while annual inflation decreased by 2.50 points to 55.18%. In this period, annual inflation declined across all main groups, most visibly in energy. The mild course of recent months continued in energy prices, parallel to developments in exchange rates and commodity prices. Monthly increases in the core goods group also decelerated in this period. Despite having lost pace compared to the previous month, the price hike in services remained relatively high led by items such as catering services, education, and maintenance-repair. The monthly rate of increase in rents decreased considerably compared to the previous month. On the other hand, food prices continued to rise sharply driven by vegetables, red meat, milk and dairy products. In February, the monthly increase in producer prices weakened on the back of the marked fall in energy prices. Against this background, annual inflation dropped in the B and C indices, while the seasonally adjusted monthly increase in these indices slowed significantly and receded to pre-January levels.

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 3.15% in February while annual inflation decreased by 2.50 points to 55.18% (Chart 1 and Table 1). The annual rate of change in the B and C indices dropped by 1.89 and 2.39 points to 55.16% and 50.58%, respectively (Chart 2).

Contribution of subgroups to annual consumer inflation declined across all main groups in this period. Compared to the previous month, contributions of core goods, energy, services, alcohol-tobacco-gold, and food and non-alcoholic beverages fell by 1.19, 0.79, 0.28, 0.21 and 0.03 points, respectively.

Seasonally adjusted monthly increases decelerated significantly in the B and C indices compared to the previous month (Chart 3). Among the groups that make up the B index, price increases remained elevated in processed food whereas they weakened in core goods and more evidently in services (Chart 4).

Prices of services increased by 3.14% in February while the group's annual inflation decreased by 0.78 points to 61.64% (Chart 5). In this period, annual inflation rose to a limited extent in rents, remained flat in communication and other services, and declined in transport and restaurants-hotels subgroups. As an important portion of effects arising from time-dependent price adjustments and the minimum wage was registered in the previous month, monthly price increases in the services group lost pace across subgroups. The monthly rate of increase in prices of restaurants-hotels, which are affected by input costs through food prices, meat in particular, decreased over the previous month but still remained high. In the other services subgroup, maintenance-repair and education services stood out. With 2.66%, the monthly rise in rents decelerated significantly in February compared to the previous month. In transport services, the monthly increase slowed primarily due to the marked fall in fares of passenger transport by air.

Annual inflation in core goods declined by 3.76 points to 41.06%. Annual inflation fell across all subgroups, more notably in other core goods (Chart 6). Prices of durable goods (excluding gold) rose by 2.49% driven by automobiles (4.11%) and furniture (3.12%). Meanwhile, having posted large increases in recent months, prices of white goods remained flat in February. Against this background, annual inflation in durable goods was down by 1.09 points to 44.93%. In other core goods, prices recorded a significant slowdown compared to past months with a slight rise of 1.14%, and annual inflation in this subgroup dropped by 8.38 points to 48.48%. Household cleaning products and housing repair-maintenance materials stood out with price hikes, while products for pets witnessed falling prices. Prices in the clothing and footwear subgroup fell by 1.89% due to ongoing seasonal discounts, and annual inflation in this subgroup declined by 2.61 points to 20.71%.

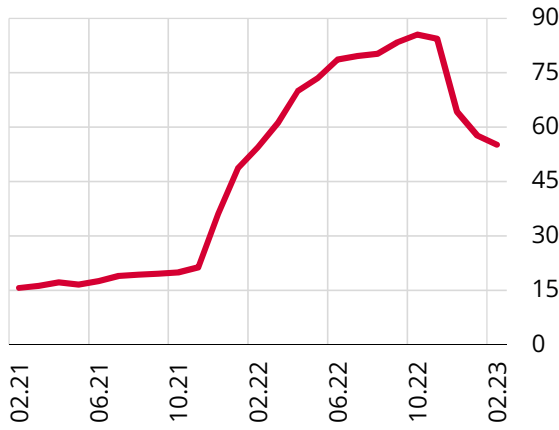
Energy prices rose by 0.64% and maintained the mild course. Thus, annual inflation in this group dropped by 5.02 points to 50.01% (Chart 7). In this period, prices of bottled gas increased (7.89%) amid the developments in international propane and butane prices, while the rise in fuel and municipal water prices remained limited (0.72% and 0.47%, respectively).

Prices in the food and non-alcoholic beverages group increased by 7.36% month-on-month, and annual inflation in this group fell by 1.67 points to 69.33% (Chart 7). Annual inflation fell by 2.67 points to 66.13% in unprocessed food and increased by 0.31 points to 73.87% in processed food (Chart 8). Seasonally adjusted data pointed to a rise in the prices of fresh fruits and vegetables, more visibly in the vegetables group. As the fixed price campaigns in the retail sector ended, prices of milk and dairy products posted significant increases in February. Moreover, price hikes in red meat, white meat, processed meat products and non-alcoholic beverages stood out.

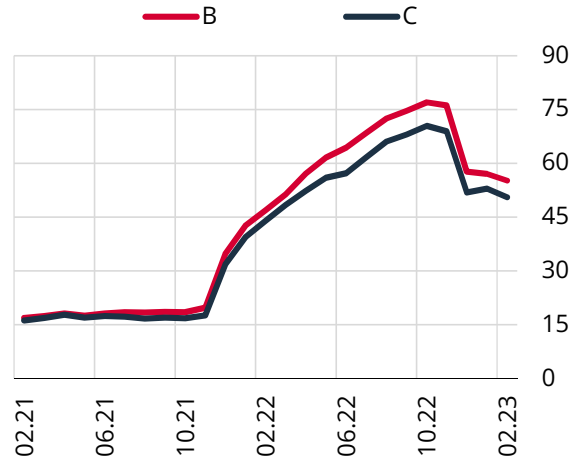
In February, domestic producer prices increased by 1.56%, while annual inflation decreased by 9.85 points and came down to 76.61% (Chart 9 and Table 2). While annual inflation decreased across all subgroups (Chart 10), energy prices posted a significant decrease (-4.47%) month-on-month. An analysis of monthly price developments by sectors indicates an acceleration in prices of electrical equipment.

## Charts and Tables

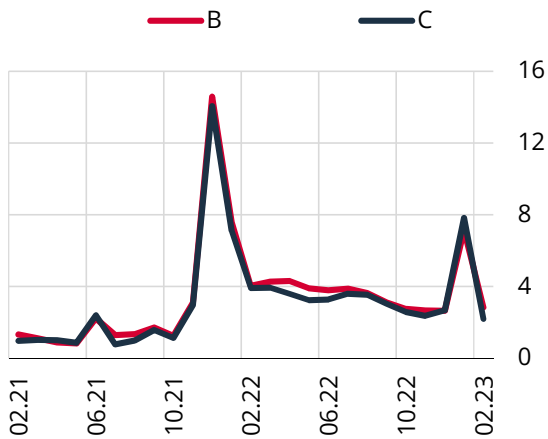
**Chart 1. CPI (Annual % Change)**



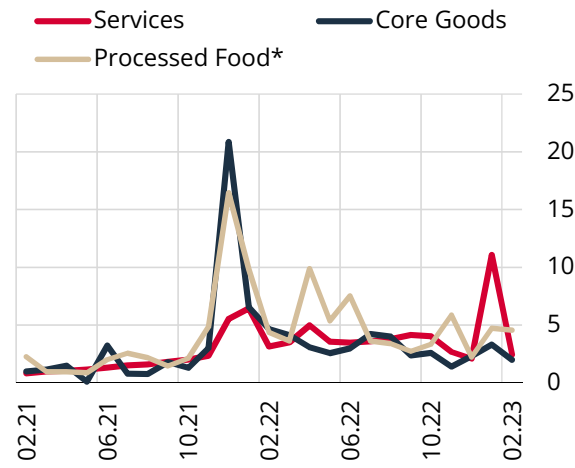
**Chart 2. B and C (Annual % Change)**



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

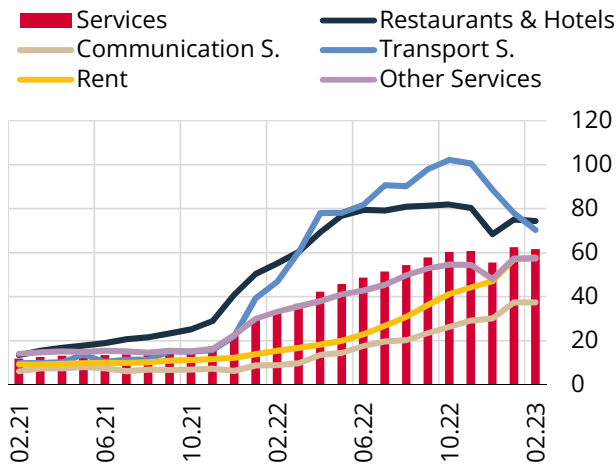


**Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)**

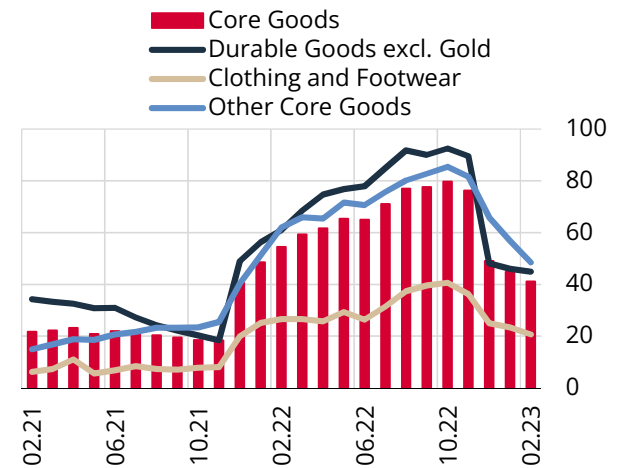


\* No seasonality detected for processed food.

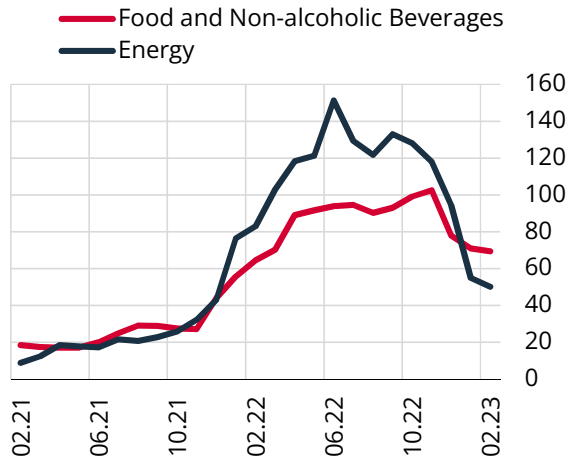
**Chart 5. Services (Annual % Change)**



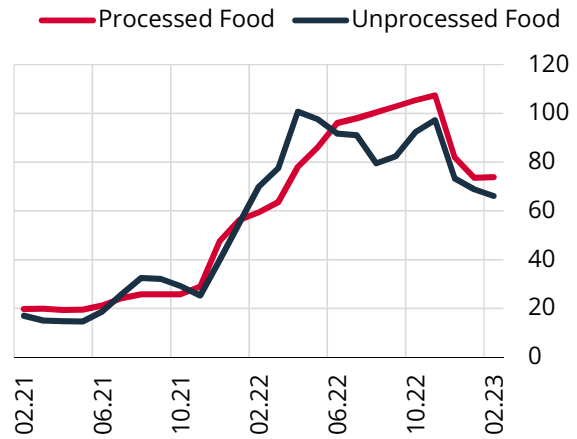
**Chart 6. Core Goods (Annual % Change)**



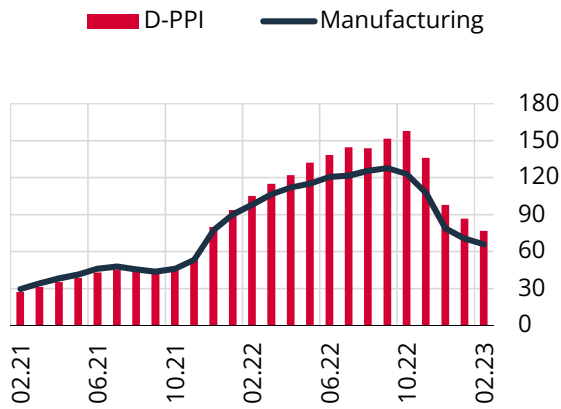
**Chart 7. Food and Non-alcoholic Beverages and Energy** (Annual % Change)



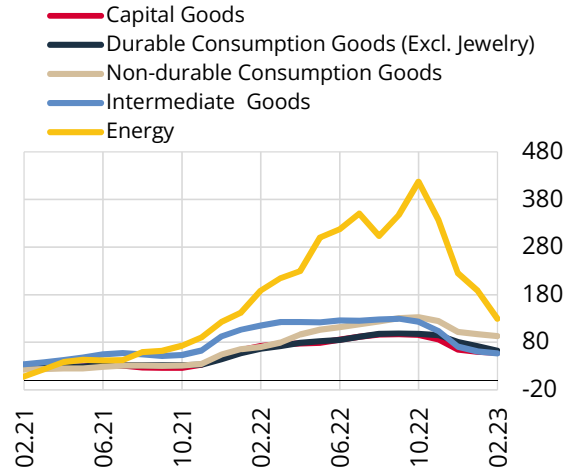
**Chart 8. Processed and Unprocessed Food** (Annual % Change)



**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	
	February 2023	February 2022	February 2023	February 2022
<b>CPI</b>	<b>3.15</b>	<b>4.81</b>	<b>55.18</b>	<b>54.44</b>
<b>1. Goods</b>	<b>3.15</b>	<b>5.20</b>	<b>52.72</b>	<b>62.53</b>
Energy	0.64	4.00	50.01	82.98
Food and non-alcoholic beverages	7.36	8.41	69.33	64.47
Unprocessed food	11.05	12.83	66.13	69.93
Fresh fruits and vegetables	18.04	32.16	40.43	80.84
Other unprocessed food	6.83	2.49	83.02	61.90
Processed food	4.56	4.37	73.87	59.42
Bread and cereals	2.74	5.40	63.03	68.60
Other processed food	5.47	3.80	79.99	54.56
Goods excluding energy and food	0.94	3.39	41.79	54.06
Core goods	1.15	3.85	41.06	54.38
Durable goods (excluding gold)	2.49	3.27	44.93	60.94
Clothing and footwear (*)	-1.89	0.23	20.71	26.55
Other core goods	1.14	6.85	48.48	61.89
Alcoholic beverages and tobacco	-0.43	0.44	49.29	45.78
Gold	-1.25	3.80	36.49	93.15
<b>2. Services</b>	<b>3.14</b>	<b>3.63</b>	<b>61.64</b>	<b>32.89</b>
Rents	2.66	2.22	57.74	15.45
Restaurants and hotels	4.07	4.54	74.34	55.20
Transport	1.16	5.73	70.27	46.87
Communication	1.18	1.22	37.36	8.89
Other	3.64	3.64	57.40	33.26
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.62	3.87	55.16	47.01
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.13	3.75	50.58	44.05
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.29	3.89	54.22	52.73
F - CPI excluding administered prices	3.71	5.56	54.10	56.14

Source: TURKSTAT.

\* Does not cover clothing services.

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

	Weight (%)	February 2023		February 2022	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	<b>100</b>	<b>1.56</b>	<b>76.61</b>	<b>7.22</b>	<b>105.01</b>
Mining	3.69	2.39	93.92	6.39	98.70
Manufacturing	83.81	2.63	65.68	5.60	97.86
Manufacturing excl. petroleum products	78.48	2.90	66.66	5.40	93.60
Manufacturing excl. petroleum products and base metals	68.94	2.85	70.85	5.67	87.74
Electricity, gas, steam and air-conditioning sup.	11.96	-6.78	152.11	24.66	202.51
Water supply	0.55	0.90	103.60	7.37	33.73
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		2.76	57.05	5.33	115.13
Durable Consumption Goods		1.89	60.34	7.66	69.20
Durable Consumption Goods (Excl. Jewelry)		2.12	62.00	7.94	66.59
Non-Durable Consumption Goods		3.14	92.95	5.38	70.00
Capital Goods		3.38	58.04	4.79	71.90
Energy		-4.47	129.50	19.98	188.47

Source: TURKSTAT.