

# NOVEMBER PRICE DEVELOPMENTS DECEMBER 5, 2017

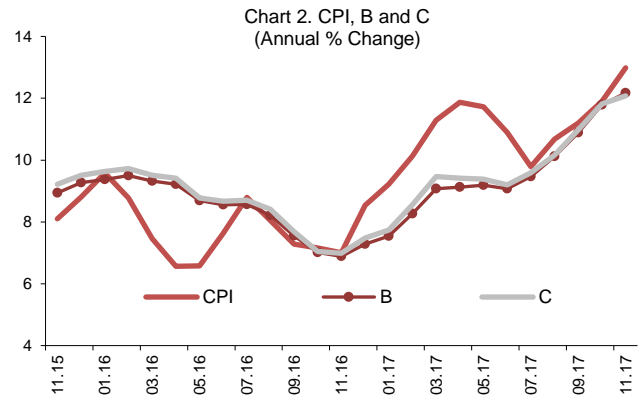
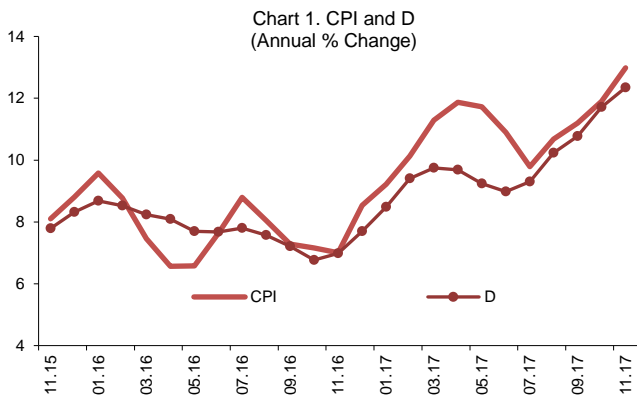
## SUMMARY...

In November, consumer prices rose by 1.49 percent and annual inflation increased by 1.08 points to 12.98 percent, which was triggered mostly by unprocessed food prices. Exchange rate developments coupled with high oil prices further weighed on energy inflation. Core goods inflation remained on the rise due to the prices of durable goods stimulated by the cumulative depreciation in the Turkish lira. On the other hand, annual inflation in services recorded a decline. All in all, annual inflation in core indicators was pushed up by core goods, and its underlying trend maintained a high course.

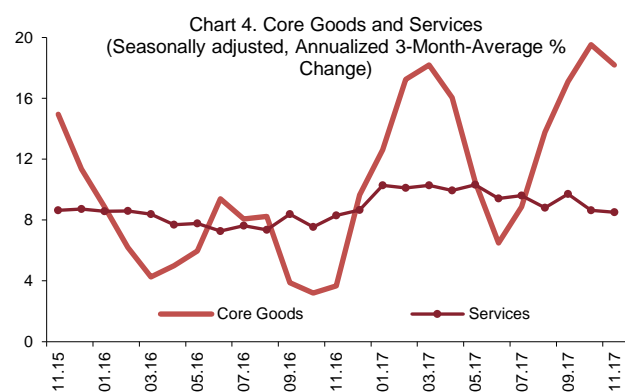
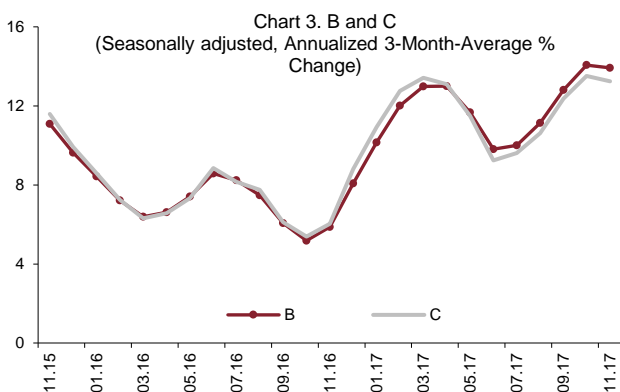
## ... EVALUATIONS ...

In November, consumer prices rose by 1.49 percent and annual inflation increased by 1.08 points to 12.98 percent (Chart 1). The annual rate of change in the B and C indices crept up by 0.38 and 0.26 points to 12.17 and 12.08 percent, respectively (Chart 2).

Across subcategories, the contribution of food, core goods and energy to annual inflation rose by 0.63, 0.25 and 0.22 points month-on-month, respectively, while that of services inched down by 0.07 points.

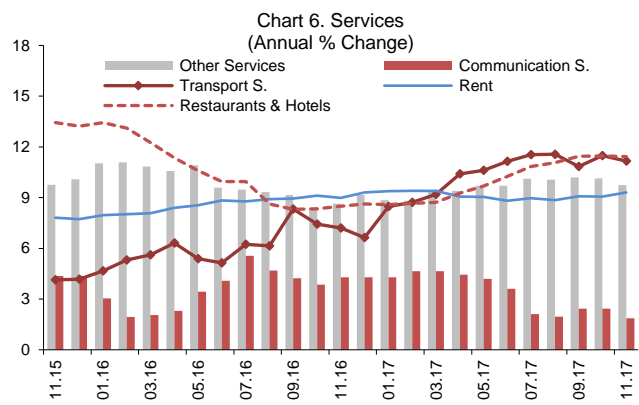
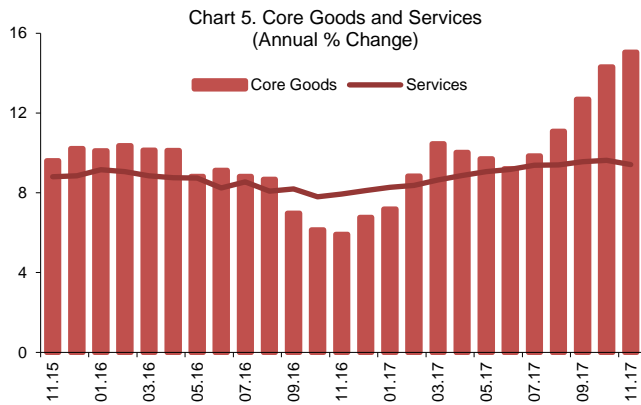


Three-month averages of seasonally-adjusted core inflation indicators show that the underlying trend maintained its high level in November (Chart 3). Core goods registered a limited fall, while services exhibited a relatively flat course in terms of the underlying trend (Chart 4). When adjusted for the temporary effects of the recent price developments (the weight method update for clothing prices accompanied by the expiry of temporary tax reductions in durable goods), the underlying trend registered a month-on-month increase.

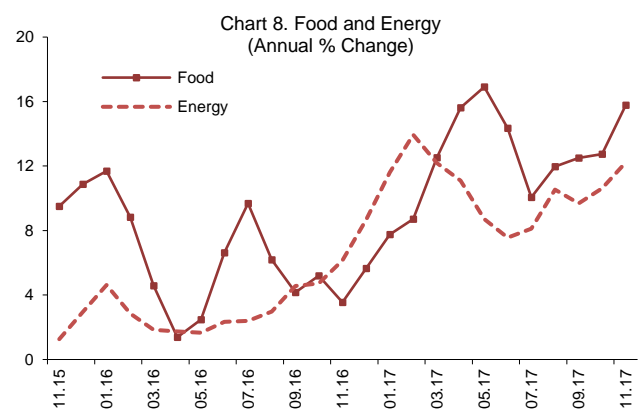
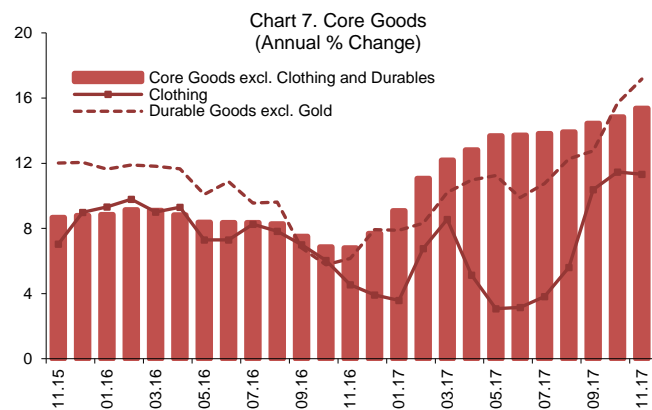


# NOVEMBER PRICE DEVELOPMENTS DECEMBER 5, 2017

Prices of services registered a slight uptick (by 0.11 percent), while annual services inflation, which has been on the rise since the start of the year, inched down by 0.21 points to 9.42 percent in November (Chart 5 and Table 1). Annual inflation picked up in rents, remained flat in the restaurants and hotels group, and decreased somewhat in other subcategories. Prices in the transport group posted a decline due to airway and intercity highway transport services. Falling inflation in other services is attributed to the cheaper package tour prices (down by 3.52 percent). Rents accelerated slightly on a monthly basis.



Annual core goods inflation rose by 0.74 points to an all-time high of 15.05 percent in November (Chart 5). Annual inflation was almost flat in clothing but went up across other subcategories, mostly due to exchange rates (Chart 7). Among durable goods, price increases were more pronounced in automobiles, home appliances and other home electronics. Price rises of core goods excluding clothing and durables accelerated. While exchange rate developments were the key driver of rising core goods inflation, aggregate demand conditions also provided some boost.

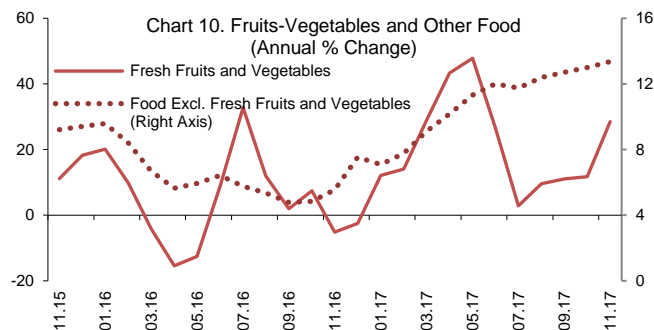
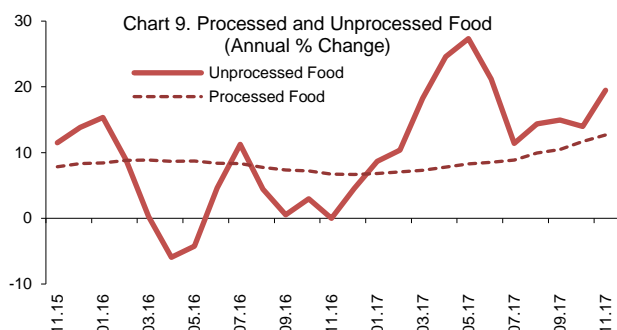


Energy prices increased by a significant 2.53 percent in November (Table 1). The main drivers of this surge were fuel and bottled gas prices that soared by 4.46 and 2.66 percent, respectively, due to changes in exchange rates, oil prices and other input costs, as well as solid fuel prices that rose by 4.97 percent. Thus, annual energy inflation climbed by 1.62 points to 12.23 percent (Chart 8).

Annual inflation in food and nonalcoholic beverages surged by 3.04 points to 15.78 percent in November (Chart 8). Seasonally-adjusted unprocessed food prices saw a marked increase, led mostly by vegetable prices. Meanwhile, red meat prices continued to go down. Accordingly, annual unprocessed food inflation amounted to 19.48 percent (Chart 9). On the other hand, processed food prices registered a monthly upswing of 1.17 percent. With raw milk prices on the rise, prices of cheese, other dairy products and butter experienced further increases in this

# NOVEMBER PRICE DEVELOPMENTS DECEMBER 5, 2017

category. Thus, annual food inflation excluding fresh fruits and vegetables rose to 13.36 percent in November (Chart 10).



**Table 1. November CPI and Subcategories (Percent Change)**

|   | Monthly Percent Change |               | Annual Percent Change |               |
|---|------------------------|---------------|-----------------------|---------------|
|   | November 2017          | November 2016 | November 2017         | November 2016 |
| <b>CPI</b>  | <b>1.49</b>            | <b>0.52</b>   | <b>12.98</b>          | <b>7.00</b>   |
| <b>1. Goods</b>   | <b>2.09</b>            | <b>0.62</b>   | <b>14.58</b>          | <b>6.59</b>   |
| Energy  | 2.53                   | 1.05          | 12.23                 | 6.15          |
| Food and nonalcoholic beverages   | 2.11                   | -0.58         | 15.78                 | 3.55          |
| Unprocessed food  | 3.17                   | -1.57         | 19.48                 | -0.02         |
| Fresh fruits and vegetables   | 7.24                   | -6.77         | 28.50                 | -5.15         |
| Other unprocessed food  | 0.94                   | 1.72          | 14.80                 | 3.36          |
| Processed food  | 1.17                   | 0.28          | 12.68                 | 6.73          |
| Bread and cereals   | 0.89                   | 0.44          | 9.48                  | 9.06          |
| Other processed food  | 1.32                   | 0.18          | 14.52                 | 5.45          |
| Goods excluding energy and food   | 1.93                   | 1.27          | 14.66                 | 8.90          |
| Core goods  | 2.12                   | 1.46          | 15.05                 | 5.92          |
| Durable goods (excluding gold)  | 1.85                   | 0.56          | 17.17                 | 6.16          |
| Clothing and footwear <sup>(*)</sup>  | 3.83                   | 3.96          | 11.33                 | 4.53          |
| Other core goods  | 1.05                   | 0.58          | 15.37                 | 6.81          |
| Alcoholic beverages and tobacco   | 0.01                   | 0.01          | 10.41                 | 22.61         |
| Gold  | 5.83                   | 4.23          | 22.09                 | 29.51         |
| <b>2. Services</b>  | <b>0.11</b>            | <b>0.30</b>   | <b>9.42</b>           | <b>7.94</b>   |
| Rents   | 0.85                   | 0.61          | 9.31                  | 8.99          |
| Restaurants and hotels  | 0.46                   | 0.48          | 11.43                 | 8.50          |
| Transport   | -1.27                  | -0.97         | 11.15                 | 7.21          |
| Communication   | 0.12                   | 0.67          | 1.87                  | 4.29          |
| Other   | 0.01                   | 0.36          | 9.75                  | 8.65          |
| <b>3. Core Measures</b>   |                        |               |                       |               |
| B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold                  | 1.09                   | 0.74          | 12.17                 | 6.89          |
| C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold | 1.07                   | 0.84          | 12.08                 | 6.99          |
| D - CPI excluding unprocessed food, alcoholic beverages and tobacco                               | 1.39                   | 0.81          | 12.35                 | 6.98          |

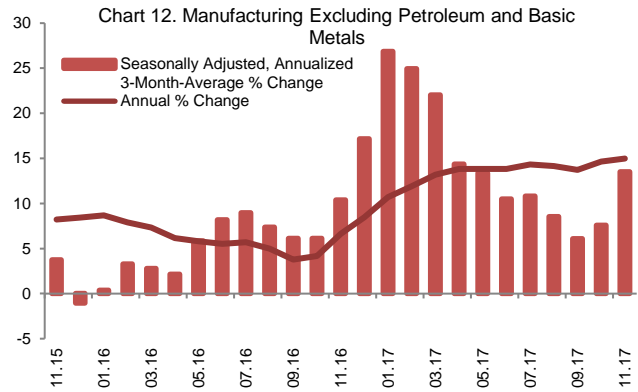
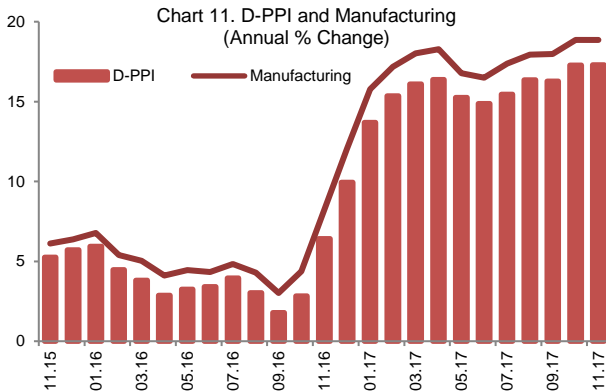
Source: TurkStat.

(\*) Does not cover clothing services.

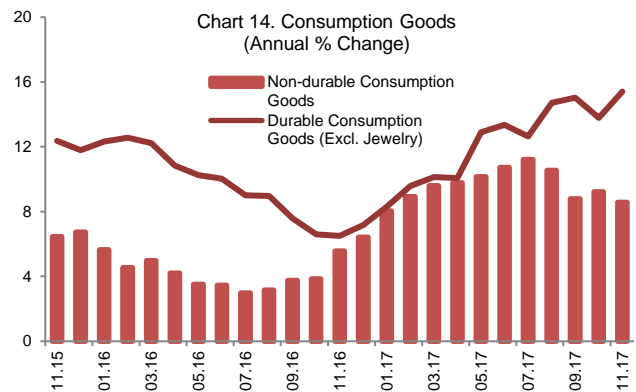
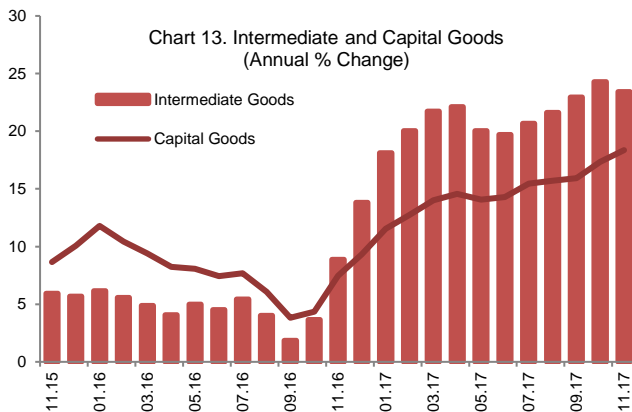
# NOVEMBER PRICE DEVELOPMENTS DECEMBER 5, 2017

## ... D-PPI ...

Domestic producer prices were up 2.02 percent in November amid developments in exchange rates and commodity prices, especially for oil, while annual PPI inflation rose slightly to 17.30 percent (Chart 11). Annual inflation remained flat in the manufacturing industry but climbed to 14.98 percent in the manufacturing industry excluding oil and base metals. Meanwhile, the seasonally-adjusted underlying trend of manufacturing industry prices excluding oil and base metals saw a marked acceleration (Chart 12).



According to the Main Industrial Groupings (MIGs), prices only edged up in nondurable goods but were significantly higher across other subcategories in November (Table 3). Iron-steel, plastics, other base metals and chemicals were the main contributors to higher prices of intermediate goods, while prices of capital goods were up on the back of metal construction products, motor vehicles, and the manufacture of machinery. Price hikes across durable goods were mostly led by furniture and home electronics, while prices of textiles, fruits and vegetables and dairy products drove prices of nondurable goods higher. In sum, producer-driven cost pressures on consumer prices strengthened further due to the Turkish lira depreciation and higher commodity prices.



# NOVEMBER PRICE DEVELOPMENTS DECEMBER 5, 2017

## ...TABLES

**Table 2. November CPI and Subcategories (Percent Change)**

|                                  | Weight | November 2017 |        | November 2016 |        |
|----------------------------------|--------|---------------|--------|---------------|--------|
|                                  |        | Monthly       | Annual | Monthly       | Annual |
| CPI                              | 100    | 1.49          | 12.98  | 0.52          | 7.00   |
| Food and nonalcoholic beverages  | 21.77  | 2.11          | 15.78  | -0.58         | 3.55   |
| Alcoholic beverages and tobacco  | 5.87   | 0.01          | 10.41  | 0.01          | 22.61  |
| Clothing and footwear            | 7.33   | 3.77          | 11.30  | 3.89          | 4.59   |
| Housing                          | 14.85  | 1.25          | 9.81   | 0.87          | 5.87   |
| Household equipment              | 7.72   | 0.95          | 12.85  | -0.12         | 5.46   |
| Health                           | 2.63   | 0.21          | 12.38  | 0.05          | 9.16   |
| Transport                        | 16.31  | 2.01          | 18.56  | 0.49          | 9.57   |
| Communication                    | 4.12   | 0.25          | 1.44   | 0.64          | 3.09   |
| Recreation and culture           | 3.62   | 0.21          | 9.90   | 1.25          | 4.26   |
| Education                        | 2.69   | 0.08          | 10.46  | 0.10          | 9.50   |
| Restaurants and hotels           | 8.05   | 0.46          | 11.43  | 0.48          | 8.50   |
| Miscellaneous goods and services | 5.04   | 1.84          | 13.39  | 1.16          | 10.92  |

Source: TurkStat.

**Table 3. November D-PPI and Subcategories (Percent Change)**

|   | Weight | November 2017 |        | November 2016 |        |
|---|--------|---------------|--------|---------------|--------|
|   |        | Monthly       | Annual | Monthly       | Annual |
| D-PPI   | 100    | 2.02          | 17.30  | 2.00          | 6.41   |
| Mining  | 3.36   | 2.70          | 13.67  | 2.45          | 6.20   |
| Manufacturing   | 88.79  | 2.41          | 18.86  | 2.41          | 8.25   |
| Manufacturing excl. petroleum products                  | 86.18  | 2.11          | 17.75  | 2.47          | 7.91   |
| Manufacturing excl. petroleum products and basic metals | 77.80  | 1.80          | 14.98  | 1.51          | 6.62   |
| Electricity, gas, steam and air-conditioning supply     | 6.81   | -3.73         | 0.09   | -3.16         | -13.41 |
| Water supply  | 1.03   | 0.93          | 11.59  | 0.84          | 7.76   |
| D-PPI (MIGs Classification)                             |        |               |        |               |        |
| Intermediate Goods                                      |        | 3.02          | 23.43  | 3.74          | 8.87   |
| Durable Consumption Goods                               |        | 2.13          | 15.54  | 1.42          | 11.39  |
| Durable Consumption Goods (Excl. Jewelry)               |        | 1.78          | 15.41  | 0.35          | 6.50   |
| Non-Durable Consumption Goods                           |        | 0.21          | 8.58   | 0.80          | 5.58   |
| Capital Goods   |        | 2.87          | 18.36  | 1.97          | 7.47   |
| Energy  |        | 1.22          | 14.79  | -0.89         | -2.71  |

Source: TurkStat.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation by the public of the monthly inflation developments during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.