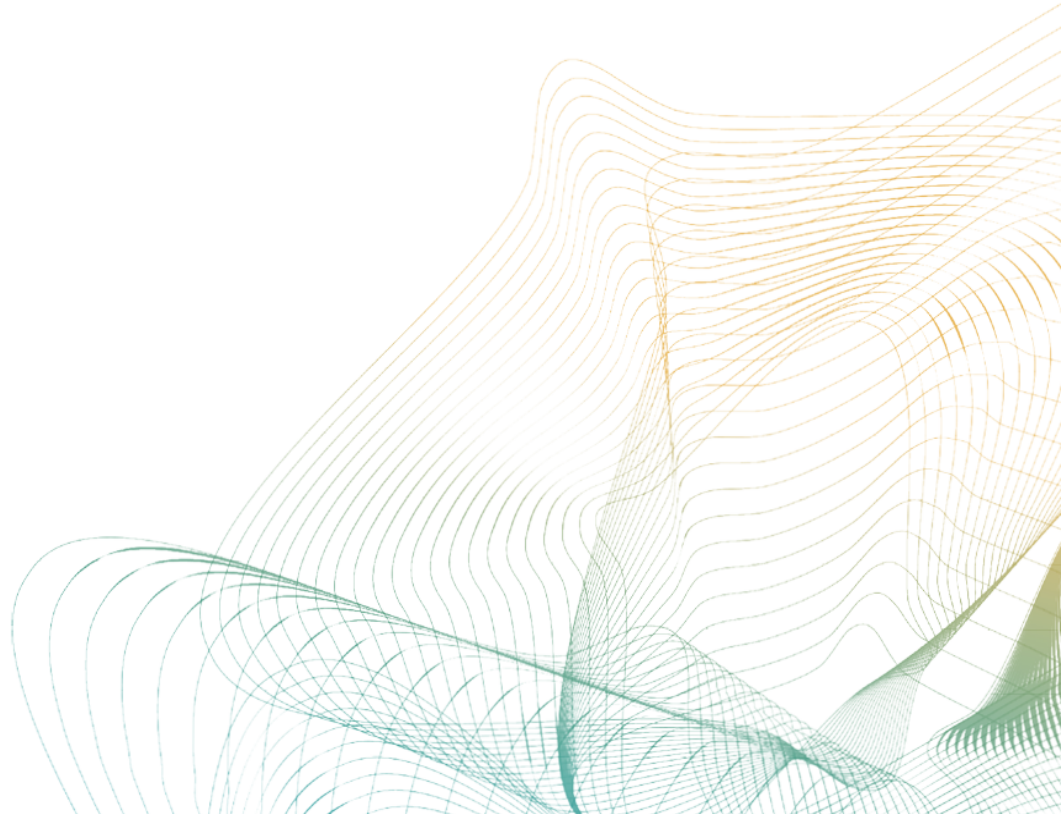




October Price Developments

4 November 2020



Summary

In October, consumer prices rose by 2.13%, and annual inflation increased by 0.14 points to 11.89%. While annual inflation rose in the food and core goods groups, it receded in the energy group and remained almost flat in services. The rise in food inflation was driven by both unprocessed and processed food, while the increase in core goods inflation was mainly determined by durable consumption goods. Annual energy inflation declined on the back of the base effect from electricity prices. Against this backdrop, annual inflation rates in the B and C indices increased. While the trend of the B index remained almost flat, the C index slightly trended down.

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 October, consumer prices rose by 2.13%, and annual inflation increased by 0.14 points to 11.89% (Chart 1). In this period, the annual rates of change in the B and C indices increased by 0.43 and 0.16 points to 12.00% and 11.48%, respectively (Chart 2).

Across subcategories, contributions of food, core goods and alcohol-tobacco-gold groups to annual consumer inflation rose month-on-month by 0.33, 0.09 and 0.07 points, respectively, whereas those of energy and services dropped by 0.34 and 0.01 points, respectively.

Chart 1: CPI and D (Annual % Change)

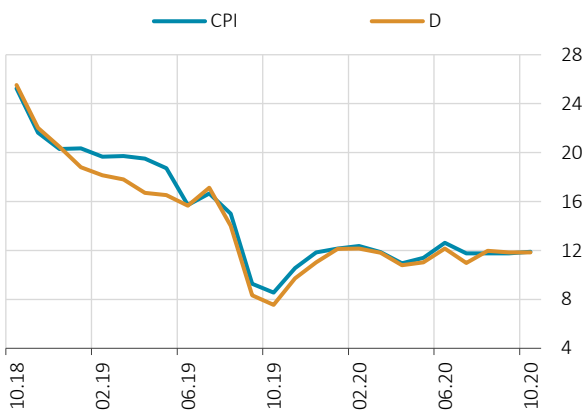
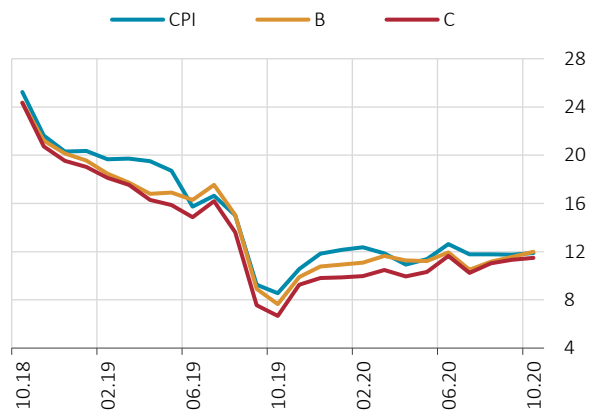


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally-adjusted core inflation indicators do not indicate a significant change in the trend of the B index while suggesting a slight decline in the trend of the C index (Chart 3). In this period, despite having shown a decline, the inflation trend remained high in core goods, but remained flat in the services group (Chart 4).

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

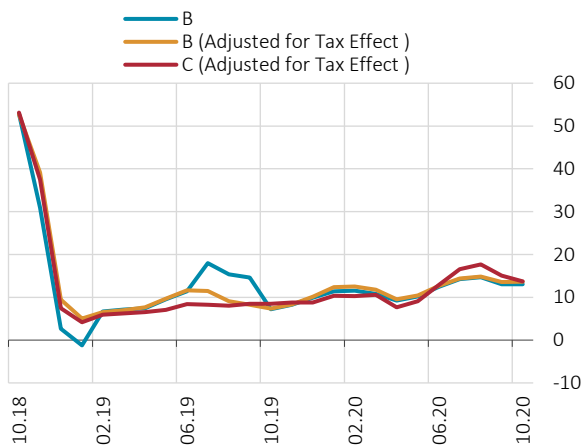
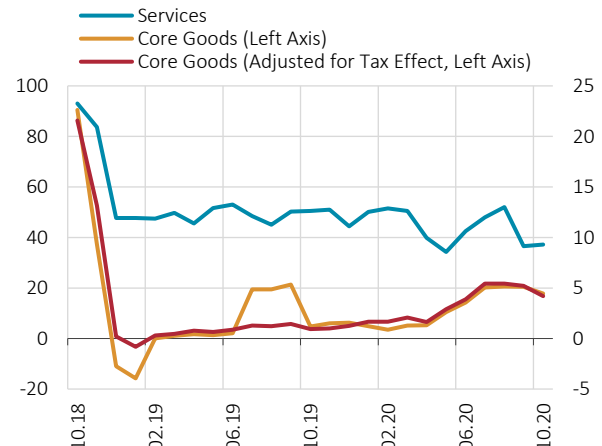


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month Average % Change)



In October, services prices increased by 0.71%, and annual services inflation remained largely flat at 10.92% (Chart 5). While annual inflation declined in communication and transport services, it increased in restaurants-hotels, rents, and most visibly in other services (Chart 6). Annual inflation in communication services receded on the back of the base effect, while the moderate course of transport services prices continued also in this period. In the restaurants-hotels group, while annual inflation maintained its flat course in catering services, it remained low in accommodation services. Across other services,

maintenance and repair of personal transport equipment, along with health services subcategories were noteworthy, which posted price hikes due to exchange rate developments.

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

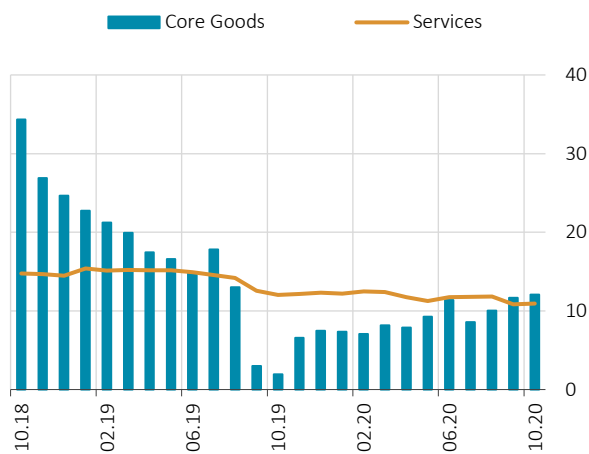
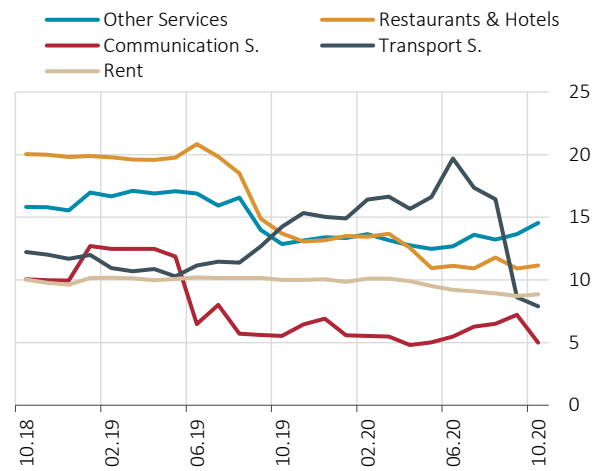


Chart 6. Services (Annual % Change)



Core goods inflation rose by 0.41 points to 12.09% (Chart 5) in October. In this period, annual inflation increased in durable goods and other core goods, but declined in the clothing and footwear group (Chart 7). Thus, these groups continued to differentiate based on exchange rate developments and sectoral demand conditions. Durable goods excluding gold continued to show high price hikes across subcategories, with furniture, automobile and white goods in the lead. In this period, other core goods prices also posted an increase (1.43%) similar to the previous month's due to exchange rate developments. In the clothing and footwear group, the new season prices increases remained significantly lower than those of last year, led by demand conditions specific to this period, and annual inflation in this group dropped to 2.02%.

Chart 7. Core Goods (Annual % Change)

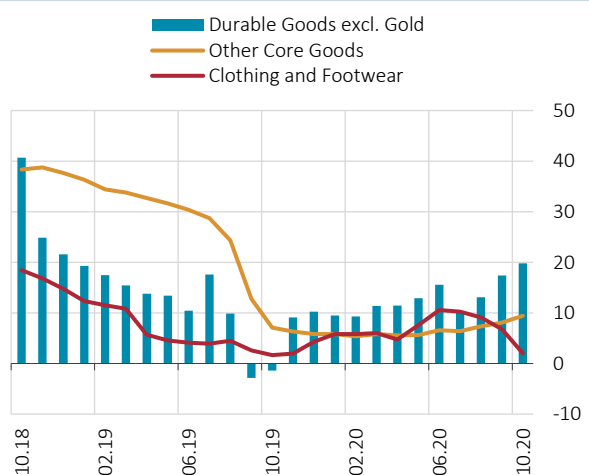
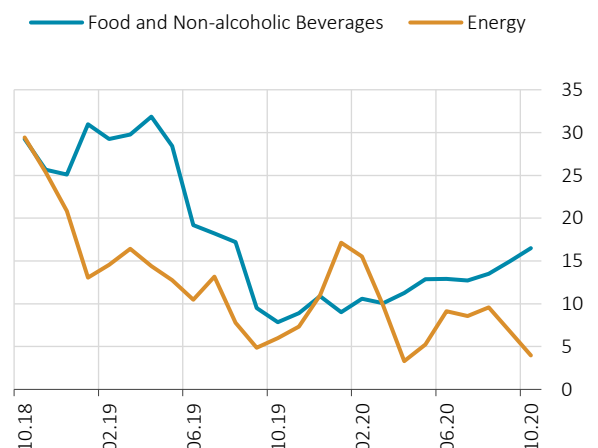


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



Energy prices increased by 2.09% in October (Table 1). This increase was mainly driven by electricity prices that rose by 5.76%, while solid fuel and fuel prices rose by 2.56% and 1.30%, respectively. Annual energy inflation declined by 2.79 points to 3.98% due to the high base from the adjustment made in electricity prices in the same month of last year (Chart 8).

In October, annual inflation in food and non-alcoholic beverages increased by 1.56 points to 16.51% (Chart 8 and Table 2). In this period, annual inflation increased by 1.70 points to 14.49% in the processed food group, and rose by 1.31 points to 18.78% in the unprocessed food group (Chart 9). Seasonally adjusted data for the unprocessed food group indicate a decline in the prices of fresh fruits and vegetables on the back of the relatively favorable outlook for fruit prices, however point to a substantial increase in the prices of other unprocessed food. This was mainly led by the prices of eggs, pulses and rice that are highly sensitive to the exchange rate. The rise in processed food prices persisted across subcategories at a higher pace and stood at 2.18%. In monthly terms, bread and cereals posted a price increase by 2.66%, and other processed food by 1.91% in this period. In the other processed food group, fats and oils came to the forefront with a noticeable price hike of 5.88% month-on-month. Against this background, annual inflation in the food group excluding fresh fruits and vegetables climbed to 15.69% (Chart 10).

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

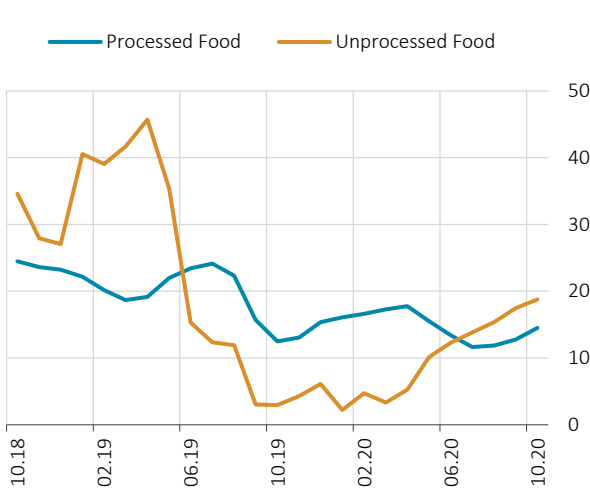
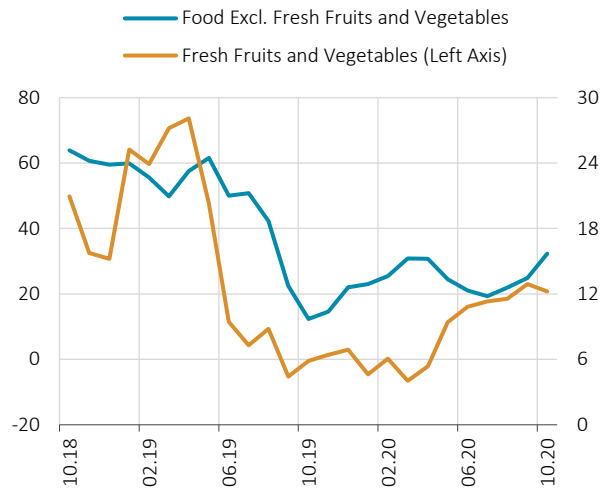


Chart 10. Fresh Fruits-Vegetables and Other Food (Annual % Change)



D-PPI

In October, domestic producer prices rose by 3.55%, while annual D-PPI inflation increased by 3.87 points to 18.20% (Chart 11 and Table 3). This rise in producer prices was mainly led by exchange rate developments as well as non-energy commodity prices. In this period, the seasonally adjusted trend of manufacturing industry prices excluding petroleum and base metals increased markedly (Chart 12).

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

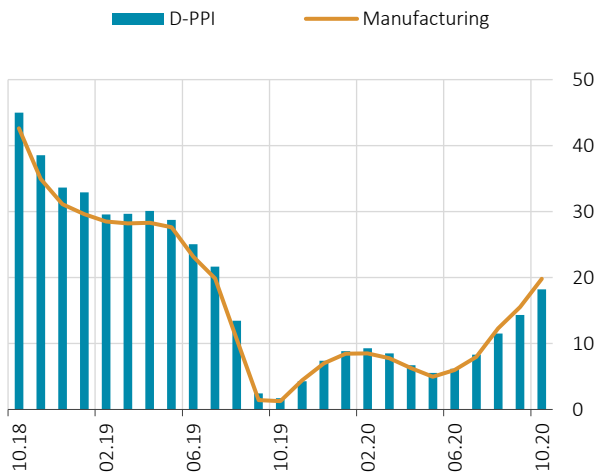
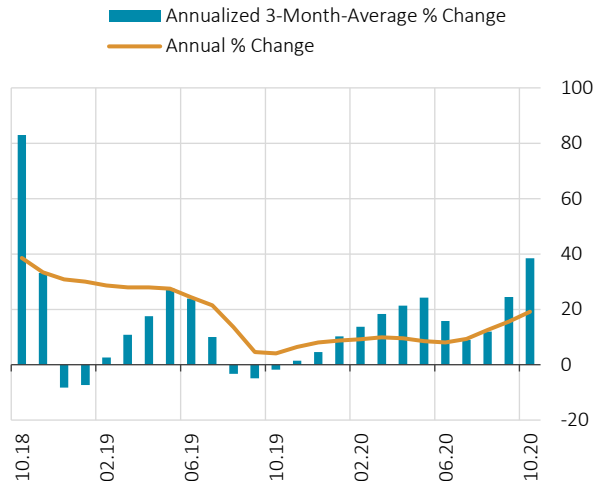


Chart 12. Manufacturing Excluding Petroleum and Base Metals



According to main industrial groupings, annual inflation increased in all subcategories, most notably in the intermediate goods group (Table 3, Chart 13 and Chart 14). In monthly terms, the increase in prices of intermediate goods was mainly led by iron-steel, plastic products, paper products, and textiles, while the rise in prices of capital goods was driven by motor vehicles along with their parts and accessories, metal construction products, and machines. The increase in prices of durable consumption goods was mainly led by furniture, while fats-oils and meat products stood as the main drivers of the price hike in non-durable consumption goods. Refined petroleum products together with electricity production and distribution were the main drivers of the increase in energy group prices. All in all, the producer prices-driven pressures on consumer prices further strengthened.

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

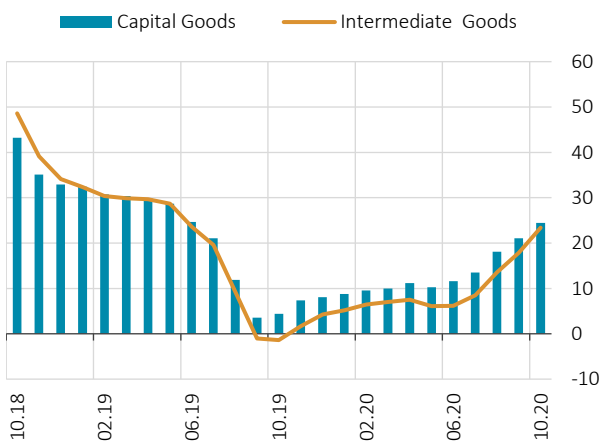
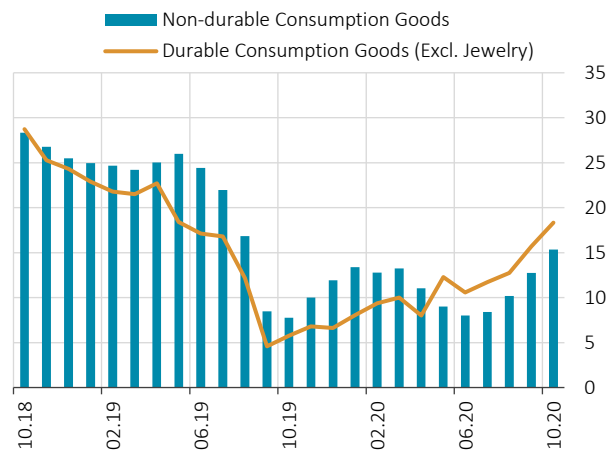


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	October 2020	October 2019	October 2020	October 2019
CPI	2.13	2.00	11.89	8.55
1. Goods	2.76	2.56	12.29	7.26
Energy	2.09	4.82	3.98	6.00
Food and non-alcoholic beverages	3.03	1.65	16.51	7.85
Unprocessed food	3.97	2.82	18.78	2.96
Fresh fruits and vegetables	7.54	9.56	20.76	-0.46
Other unprocessed food	2.14	-0.61	17.78	5.03
Processed food	2.18	0.66	14.49	12.47
Bread and cereals	2.66	1.26	17.02	15.29
Other processed food	1.91	0.35	13.11	11.00
Goods excluding energy and food	2.79	2.36	12.53	7.28
Core goods	3.29	2.92	12.09	1.92
Durable goods (excluding gold)	2.81	0.75	19.79	-1.42
Clothing and footwear (*)	6.92	11.92	2.02	1.66
Other core goods	1.43	0.21	9.40	7.09
Alcoholic beverages and tobacco	-0.01	0.00	0.67	43.60
Gold	3.82	0.36	66.33	18.44
2. Services	0.71	0.64	10.92	12.01
Rents	0.83	0.70	8.86	10.01
Restaurants and hotels	0.71	0.50	11.15	13.71
Transport	0.06	0.73	7.89	14.26
Communication	0.34	2.45	5.00	5.53
Other	0.97	0.19	14.55	12.86
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.97	1.58	12.00	7.64
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.92	1.78	11.48	6.67
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.03	2.03	11.84	7.55
F – CPI excluding administered prices	2.34	1.86	13.35	6.10

Source: TURKSTAT.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	October 2020		October 2019	
		Monthly	Annual	Monthly	Annual
CPI	100	2.13	11.89	2.00	8.55
Food and non-alcoholic beverages	22.77	3.03	16.51	1.65	7.85
Alcoholic beverages and tobacco	6.06	-0.01	0.67	0.00	43.60
Clothing and footwear	6.96	6.81	2.22	11.70	1.90
Housing	14.34	2.01	8.37	3.55	9.70
Household equipment	7.77	2.45	12.98	0.96	6.06
Health	2.80	0.88	15.60	0.44	14.24
Transport	15.62	2.04	13.92	1.17	1.36
Communication	3.80	0.23	5.48	1.43	1.74
Recreation and culture	3.26	-0.09	8.66	-0.59	4.57
Education	2.58	0.00	7.36	0.18	14.20
Restaurants and hotels	8.67	0.71	11.15	0.50	13.71
Miscellaneous goods and services	5.37	2.02	27.40	0.24	13.43

Source: TURKSTAT.

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

	Weight	October 2020		October 2019	
		Monthly	Annual	Monthly	Annual
D-PPI	100	3.55	18.20	0.17	1.70
Mining	3.23	1.45	17.01	1.32	8.04
Manufacturing	89.22	3.74	19.81	0.03	1.26
Manufacturing excl. petroleum products	85.25	3.67	21.13	-0.02	2.13
Manufacturing excl. petroleum products and base metals	75.47	3.36	19.14	0.23	4.09
Electricity, gas, steam and air-conditioning sup.	6.61	2.39	-1.62	1.35	6.82
Water supply	0.95	0.28	12.49	0.96	-6.53
D-PPI (MIGs Classification)					
Intermediate Goods		4.26	23.41	-0.39	-1.39
Durable Consumption Goods		3.27	22.39	1.02	6.09
Durable Consumption Goods (Excl. Jewelry)		3.33	18.33	1.02	5.77
Non-Durable Consumption Goods		2.47	15.36	0.15	7.77
Capital Goods		3.67	24.41	0.90	4.38
Energy		2.84	-2.88	1.41	-2.28

Source: TURKSTAT.