

JANUARY PRICE DEVELOPMENTS

6 February 2023



Summary

Consumer prices were up by 6.65% in January while annual inflation decreased by 6.59 points to 57.68%. In this period, annual inflation rose in the services group but declined in other subgroups. The monthly price increase in the energy group was relatively mild due to the fall in natural gas prices. Monthly food inflation was 6.62%, which was mainly led by developments in bread-cereals as well as meat, milk and related products. Annual inflation in core goods dropped across all subgroups, most notably in other core goods. On a monthly basis, the price hike in durable consumption goods stood out. The most significant rise in January was recorded in the services group, which was driven by items affected by the minimum wage and food prices, as well as the services subgroups that were affected by the revaluation rate, items such as health and transport services that display time-dependent pricing behavior, and the subgroups with a strong backward-indexation tendency. Despite the decline in energy prices, producer prices went up in January due to price hikes in other manufacturing industry sectors. Against this background, the seasonally adjusted monthly increase strengthened in the B and C indices, while annual inflation went down to 57.05% in the B index but rose to 52.97% in the C index.

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 were up by 6.65% in January while annual inflation decreased by 6.59 points to 57.68% (Chart 1 and Table 1). The annual rate of change dropped by 0.63 points to 57.05% in the B index whereas it increased by 1.04 points to 52.97% in the C index (Chart 2).

Taking into account the changes in household consumption patterns, TURKSTAT updates the consumption basket and weights at the beginning of each year. In 2023, the weights of energy and services groups have increased in the basket whereas those of core goods and alcohol-tobacco-gold groups have declined. The weight of the food group has not changed significantly as the share of processed food has increased while the share of unprocessed food has decreased. Meanwhile, the weight of the B index has increased to a limited extent compared to the previous year.

Month-on-month contribution of subgroups to annual consumer inflation increased in services by 1.71 points, but declined in energy, food, core goods and alcohol-tobacco-gold groups by 3.99, 1.96, 1.81 and 0.54 points, respectively. In seasonally adjusted terms, monthly increases posted a significant uptick in the B and C indices compared to the previous month (Chart 3). Price increases spread across the whole in the groups that make up the B index, while the rise in services stood out (Chart 4).

Prices of services increased by 12.70% in January, and the group's annual inflation rose by 6.93 points to 62.42%. Monthly price increases spilled over into the whole group, and annual inflation was up in all subgroups except transport services (Chart 5). The restaurants-hotels group, which is relatively more affected by minimum wages and food prices, recorded price hikes of 12.73%, and an annual inflation of 75.13%. Prices in the other services subgroup rose by 16.10% month-on-month, driven by maintenance-repair, health, revaluation-related items and recreation-culture services. The monthly increase in rents grew stronger by 9.75%, and annual inflation in rents reached 57.07%. In transport services, driven by administered services, prices increased by 10.23% while annual inflation receded to 77.97%. Communication services saw a monthly price increase of 8.14%, pushing annual inflation up to 37.42% in this group.

Annual inflation in core goods decreased by 4.14 points to 44.82%. Annual inflation fell across all subgroups in January, more markedly in other core goods (Chart 6). Prices of durable goods (excluding gold) rose by 4.92%, while annual inflation in this subgroup declined by 2.11 points to 46.02%. Price increases spread across the subgroup, driven by automobiles, furniture and white goods. In other core goods, prices rose by 4.01% due to the carry-over effect of medicine prices (17.96%), while annual inflation went down by 9.05 points to 56.86%. Prices in the clothing and footwear group fell by 1.75%, and annual inflation dropped by 1.69 points to 23.32% due to a stronger seasonal effect than the last year's.

Energy prices were up by 1.59%, and annual inflation in this group dropped by 39.40 points to 55.03% (Chart 7). In January, hikes in municipal water prices (10.23%) continued. Fuel (4.24%) and bottled gas (3.40%) prices saw increases on the back of the developments in international oil, propane and butane prices. Meanwhile, the reduction in the natural gas tariffs in Istanbul was mirrored in prices (-6.93%).

Prices in the food and non-alcoholic beverages group increased by 6.62% month-on-month, exceeding its historical January average of recent years, and annual inflation in this group fell by 6.87 points to 71.00% (Chart 7). Annual inflation fell by 4.45 points to 68.80% in unprocessed food and by 8.44 points to 73.56% in processed food (Chart 8). Seasonally adjusted data pointed to a decline in the prices of fresh fruits and vegetables, more visibly in the vegetable group. The January hike in food prices was mainly driven by price developments in bread-cereals, as well as meat, milk and related products. In fact, three-quarters of the monthly food inflation stemmed from these items.

Prices in the alcoholic beverages and tobacco products group increased by 11.19%, while annual inflation of the group decreased by 14.51 points to 50.60%. The automatic hike in taxes, which is linked to producer prices, was the main factor driving prices in the group upwards.

In January, domestic producer prices increased by 4.15%, while annual inflation decreased by 11.26 points and came down to 86.46% (Chart 9 and Table 2). Across main industrial groupings, energy prices decreased in January while the increase in prices in other subgroups became stronger. Meanwhile, annual inflation decreased across all subgroups (Chart 10). An analysis of monthly price developments by sectors indicates that prices of beverages, coal and lignite, tobacco products, basic pharmaceutical products, furniture, food and construction-related items came to the fore.

Charts and Tables

Chart 1. CPI (Annual % Change)

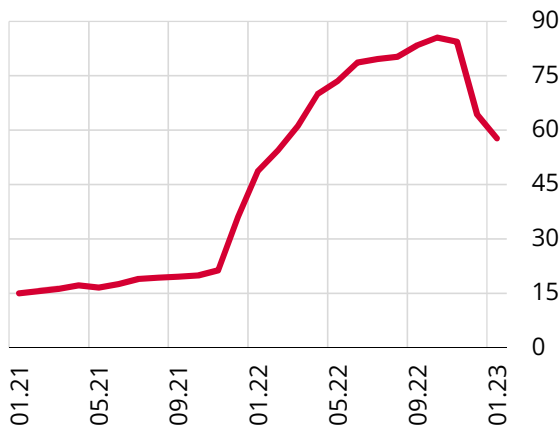


Chart 2. B and C (Annual % Change)

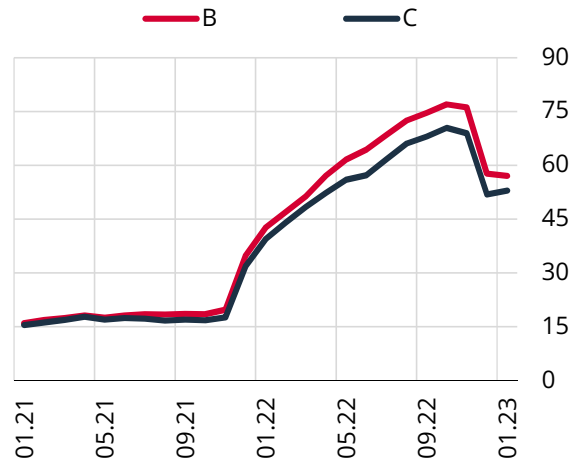


Chart 3. B and C Indices (Seasonally Adjusted, Monthly % Change)

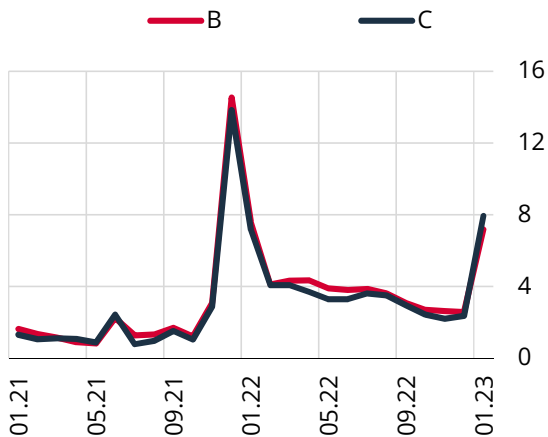
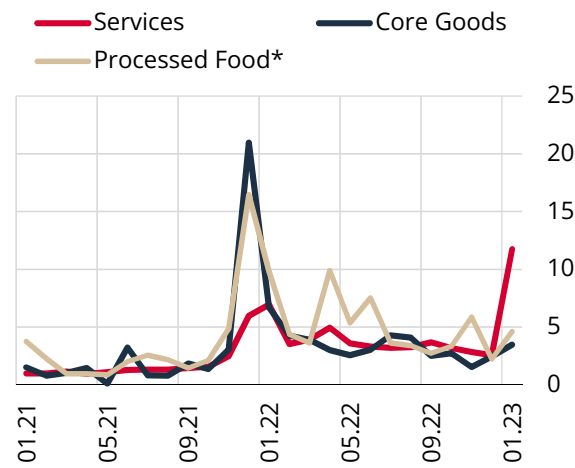


Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

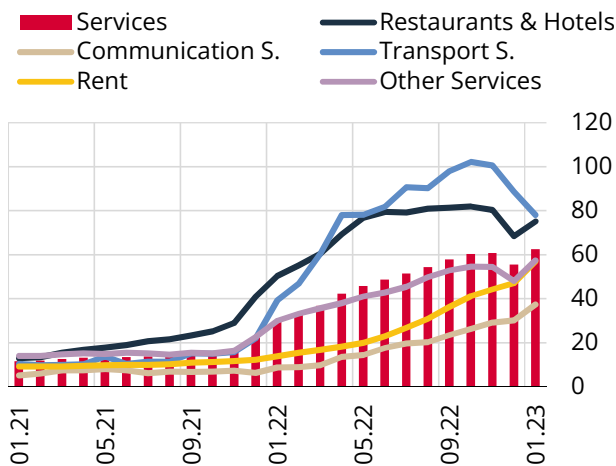


Chart 6. Core Goods (Annual % Change)

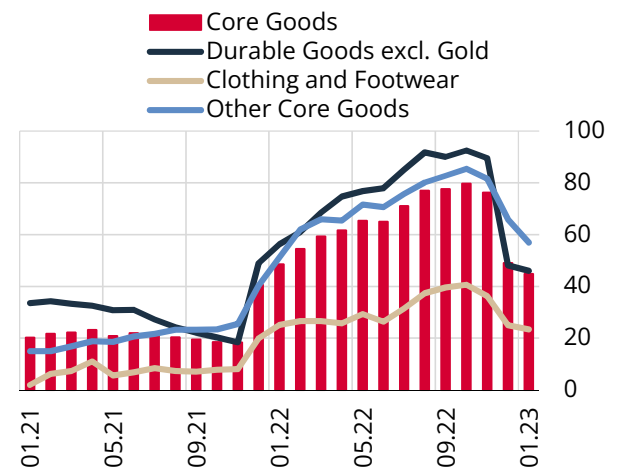


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

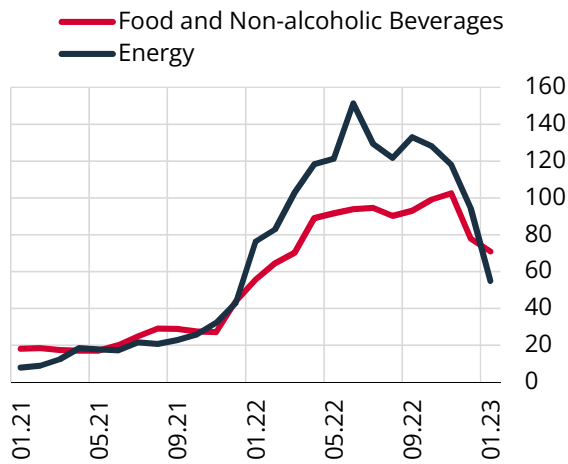


Chart 8. Processed and Unprocessed Food (Annual % Change)

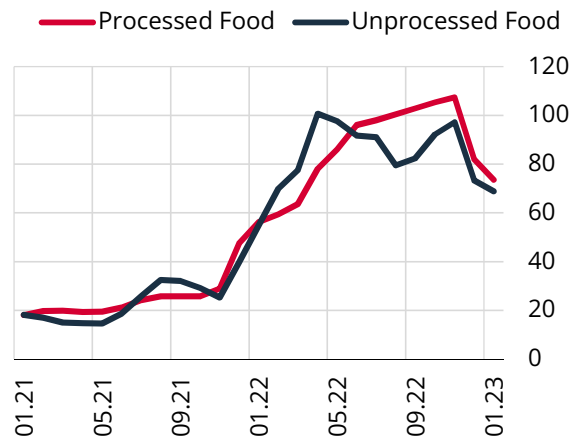


Chart 9. D-PPI and Manufacturing (Annual % Change)

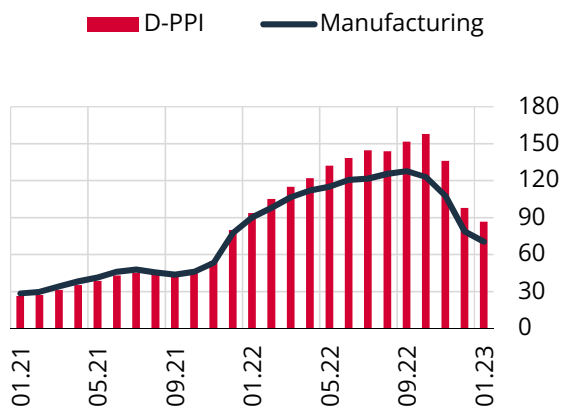
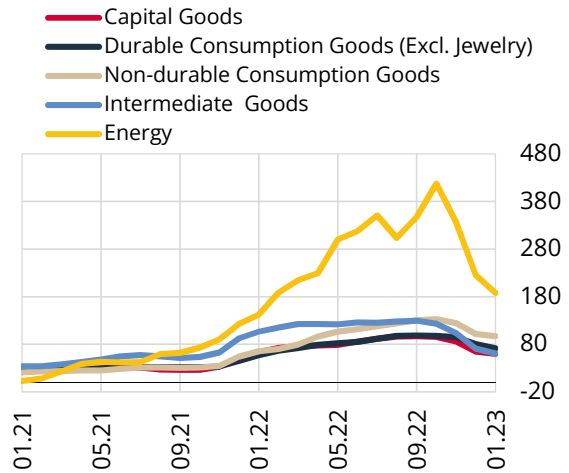


Chart 10. D-PPI Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	January 2023	January 2022	January 2023	January 2022
CPI	6.65	11.10	57.68	48.69
1. Goods	4.47	12.22	55.76	55.82
Energy	1.59	27.41	55.03	76.38
Food and non-alcoholic beverages	6.62	10.90	71.00	55.61
Unprocessed food	9.22	12.11	68.80	54.98
Fresh fruits and vegetables	6.39	20.82	57.22	43.96
Other unprocessed food	11.00	7.94	75.57	60.56
Processed food	4.72	9.82	73.56	56.20
Bread and cereals	6.23	7.69	67.26	61.85
Other processed food	3.98	11.04	77.14	53.15
Goods excluding energy and food	4.08	7.82	45.23	48.70
Core goods	3.20	6.15	44.82	48.49
Durable goods (excluding gold)	4.92	6.43	46.02	56.24
Clothing and footwear (*)	-1.75	-0.41	23.32	25.04
Other core goods	4.01	10.01	56.86	51.23
Alcoholic beverages and tobacco	11.19	21.90	50.60	45.34
Gold	5.73	-0.15	43.46	75.92
2. Services	12.70	7.89	62.42	29.56
Rents	9.75	2.76	57.07	13.89
Restaurants and hotels	12.73	8.45	75.13	50.40
Transport	10.23	16.88	77.97	39.31
Communication	8.14	2.41	37.42	8.74
Other	16.10	9.20	57.41	30.04
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	7.07	7.49	57.05	42.66
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	7.67	6.94	52.97	39.45
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	6.13	10.41	56.64	47.96
F - CPI excluding administered prices	6.68	8.84	56.84	49.34

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	January 2023		January 2022	
		Monthly	Annual	Monthly	Annual
D-PPI	100	4.15	86.46	10.45	93.53
Mining	3.69	6.08	101.51	17.36	86.51
Manufacturing	83.81	5.12	70.49	10.16	90.29
Manufacturing excl. petroleum products	78.48	5.22	70.71	10.12	86.21
Manufacturing excl. petroleum products and base metals	68.94	5.65	75.54	10.66	80.46
Electricity, gas, steam and air-conditioning sup.	11.96	-3.13	237.14	10.62	138.48
Water supply	0.55	2.15	116.64	8.61	25.88
D-PPI (MIGs Classification)					
Intermediate Goods		3.46	60.98	9.84	106.40
Durable Consumption Goods		7.34	69.42	13.14	58.49
Durable Consumption Goods (Excl. Jewelry)		7.51	71.23	13.72	56.81
Non-Durable Consumption Goods		8.19	97.14	10.66	65.25
Capital Goods		6.29	60.19	9.59	63.25
Energy		-0.64	188.23	11.92	142.06

Source: TURKSTAT.