

MAY PRICE DEVELOPMENTS

6 June 2023



Summary

Consumer prices edged up by 0.04% in May, while annual inflation decreased by 4.09 points to 39.59%. Household natural gas was provided free of charge in May, which had a significant downward effect on consumer inflation. In this period, annual inflation rose in core goods and services but declined across other groups, most visibly in energy. Food prices displayed a more favorable outlook in May than in the early months of the year. The increase in core goods inflation was driven by the clothing and footwear subgroup in which the transition to the new season shifted to May due to a change in the methodology, as well as by durable consumption goods triggered by the automobiles. While the monthly rise in services prices strengthened in May, price increases spread across the group. Producer prices maintained their mild course on the back of the ongoing support of the energy group, and annual producer inflation continued to decrease. Against this background, the seasonally adjusted monthly rate of increase in the B and C indices gained pace compared to the previous month, while annual inflation dropped in the B index but went up 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 edged up by 0.04% in May, while annual inflation decreased by 4.09 points to 39.59% (Chart 1 and Table 1). Household natural gas was provided free of charge in May, which had a downward effect of 2.4 points on monthly consumer inflation. The annual rate of change was down by 0.32 points to 47.70% in the B index, and up by 1.14 points to 46.62% in the C index (Chart 2).

As for contributions of subgroups to annual consumer inflation, the contributions of energy, food and non-alcoholic beverages, and alcohol-tobacco-gold decreased by 4.12, 0.58 and 0.31 points, respectively whereas those of core goods and services increased by 0.37 and 0.55 points in this period.

Seasonally adjusted monthly inflation increased both in the B and C indices compared to the previous month (Chart 3). Among the groups that make up the B index, month-on-month price increases in core goods and services gained pace, but remained mild in processed food where the course was flat (Chart 4).

In May, prices of services rose by 4.60%, and the group's annual inflation went up by 1.33 points to 59.95% (Chart 5). In this period, annual inflation declined in the transport subgroup, but increased in other subgroups. The monthly price hike of 7.10% in restaurants-hotels was attributed to price increases in catering services affected by food prices as well as in accommodation services. In May, rent increases grew stronger with 5.15% month-on-month, and the group's annual inflation climbed to 71.43%. Other services recorded price hikes due to the maintenance and repair of personal transport vehicles as well as education and health services. Ongoing increases in internet and phone call rates shaped the outlook for the communication group. Despite the uptick in air passenger transport fees, monthly inflation in transport services remained moderate due to the fall in intercity passenger transport by road fees, while the group's annual inflation receded to 39.34%.

Annual core goods inflation rose by 0.91 points to 35.07%. In May, annual inflation increased in clothing and footwear, and durable goods, but decreased in other core goods (Chart 6). Durable goods prices (excluding gold) increased by 3.48% month-on-month, pushing the subgroup's annual inflation up by 1.80 points to 39.27%. The monthly price increase in the subgroup was driven by automobiles (6.37%), while electric and non-electric appliances (0.88%) and furniture (0.55%) saw more moderate price increases. The price increase in the clothing and footwear subgroup (9.96%) is attributed to the shift in the month of entry into the index from April to May for summer products. Prices in other core goods were moderately up by 1.03%, while annual inflation in the subgroup fell by 4.01 points to 39.32%.

Energy prices declined significantly by 21.00% in May, pulling the group's annual inflation down by 28.16 points to -6.97% (Chart 7). This decline was driven by natural gas provided to residential customers free of charge in May. Additionally, the recent mild course of international oil prices had a favorable effect on domestic fuel prices (-6.22%) and contributed to the monthly decline.

In May, prices in the food and non-alcoholic beverages group increased by 0.71%, and annual inflation in this group fell by 1.40 points to 52.52% (Chart 7). Annual inflation increased by 3.31 points to 56.01% in unprocessed food and decreased by 6.40 points to 51.35% in processed food (Chart 8). Seasonally adjusted data pointed to an uptick in prices of fresh fruits and vegetables, being more pronounced in vegetables. In the unprocessed food group excluding fresh fruits and vegetables, price increases in potatoes and chicken were remarkable, while the rise in red meat prices continued despite having slowed down. Monthly inflation in processed food (1.08%) continued, driven by processed meat prices (5.97%) based on the outlook for meat prices. The slowdown in the rise in bread and cereals prices continued in May as well.

In May, domestic producer prices displayed a limited rise with 0.65%, while annual inflation decreased by 11.35 points to 40.76% (Chart 9 and Table 2). Annual inflation dropped across all subgroups in main industrial groups (Chart 10), and on a monthly basis, the downtrend in energy prices (-6.67%) continued. An analysis of monthly price developments by sectors points to a decline in the prices of refined petroleum products and electricity-gas production, while wood and cork products, motor vehicles, food, fabricated metals and furniture stood out with price hikes.

Charts and Tables

Chart 1. CPI (Annual % Change)

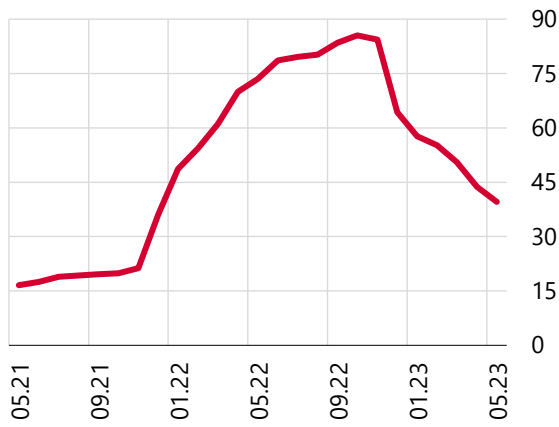


Chart 2. B and C (Annual % Change)

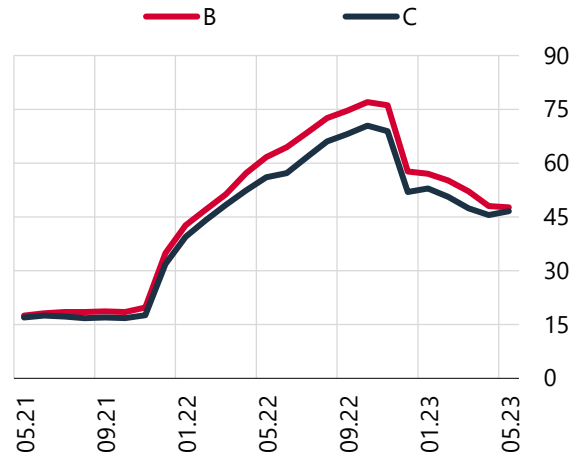


Chart 3. B and C Indices (Seasonally Adjusted, Monthly % Change)

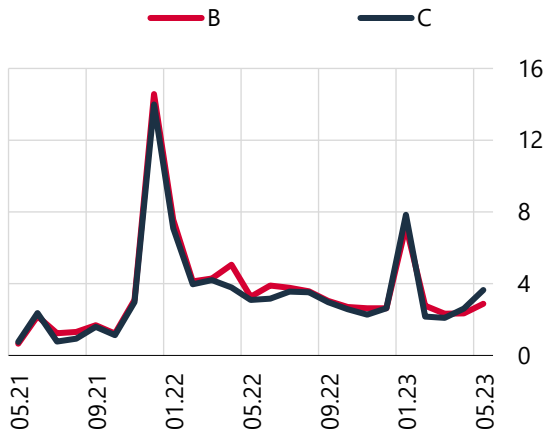
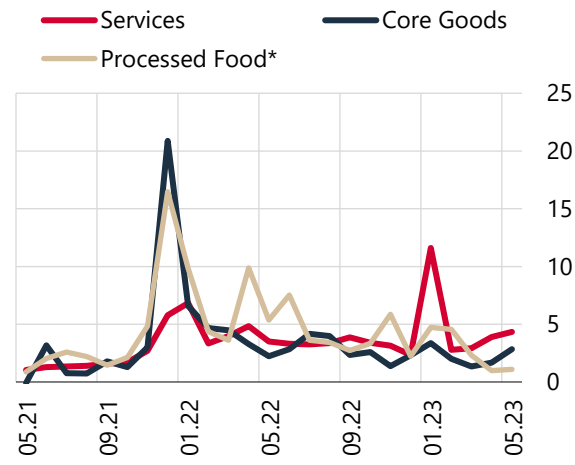


Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

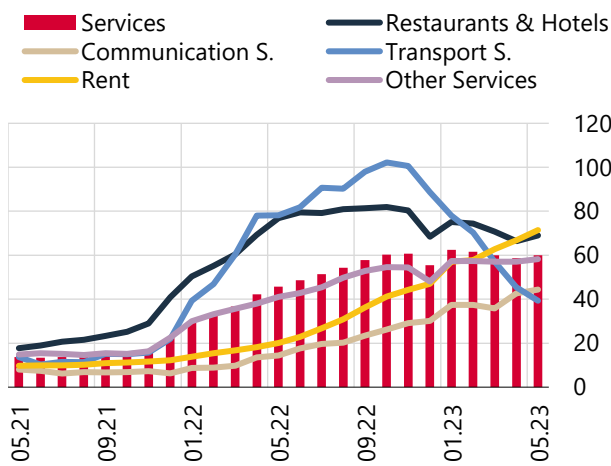


Chart 6. Core Goods (Annual % Change)

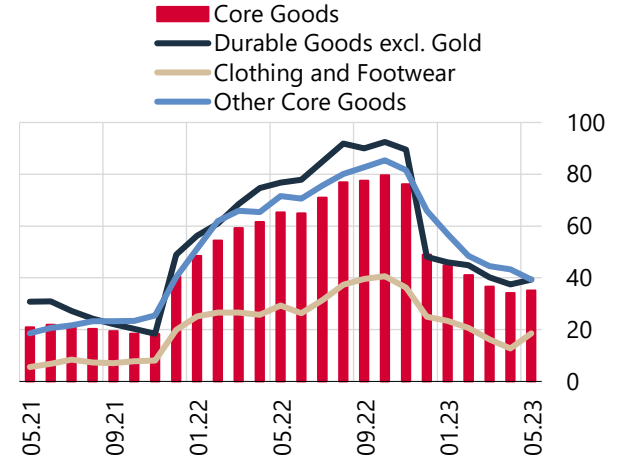


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

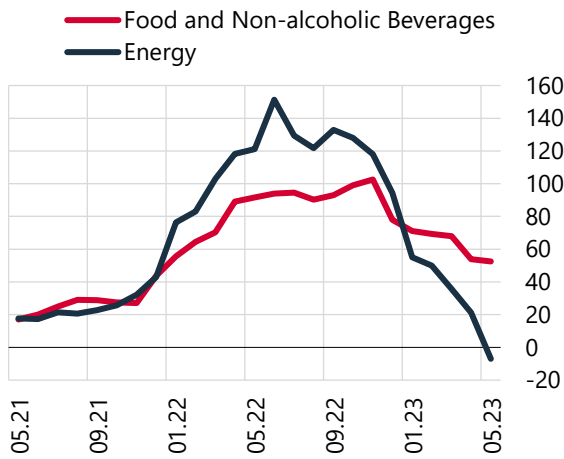


Chart 8. Processed and Unprocessed Food (Annual % Change)

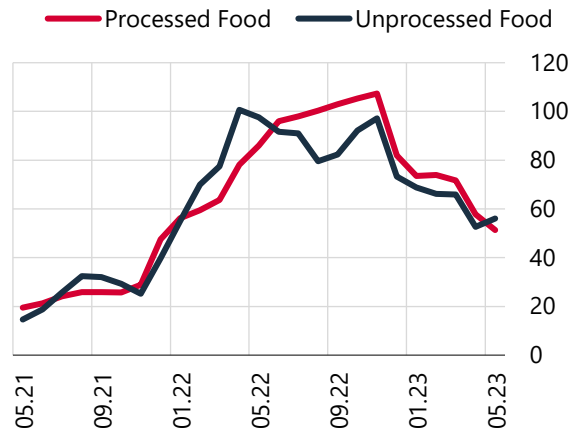


Chart 9. D-PPI and Manufacturing (Annual % Change)

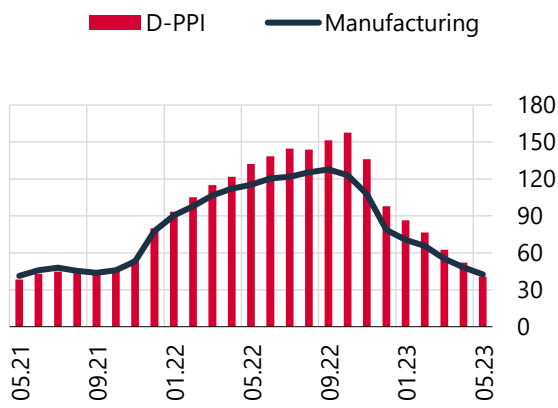
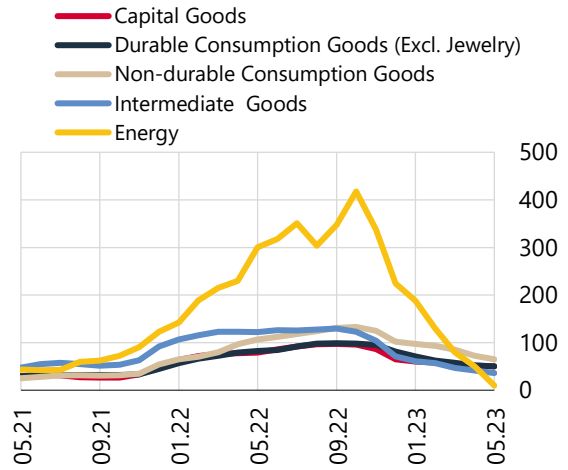


Chart 10. D-PPI Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	May 2023	May 2022	May 2023	May 2022
CPI	0.04	2.98	39.59	73.50
1. Goods	-1.78	2.75	32.47	83.95
Energy	-21.00	2.90	-6.97	121.21
Food and non-alcoholic beverages	0.71	1.63	52.52	91.63
Unprocessed food	0.29	-1.83	56.01	97.61
Fresh fruits and vegetables	-4.96	-11.10	24.03	94.44
Other unprocessed food	3.17	4.39	77.07	98.33
Processed food	1.08	5.36	51.35	86.01
Bread and cereals	0.77	3.65	45.70	90.69
Other processed food	1.23	6.30	54.38	83.48
Goods excluding energy and food	3.51	3.59	34.40	65.97
Core goods	3.90	3.20	35.07	65.32
Durable goods (excluding gold)	3.48	2.14	39.27	76.75
Clothing and footwear (*)	9.96	4.63	18.51	29.27
Other core goods	1.03	3.94	39.32	71.58
Alcoholic beverages and tobacco	0.28	6.53	30.10	66.62
Gold	3.85	1.92	37.48	84.45
2. Services	4.60	3.73	59.95	45.78
Rents	5.15	2.28	71.43	20.02
Restaurants and hotels	7.10	5.47	68.98	76.83
Transport	0.72	5.14	39.34	78.16
Communication	2.98	1.77	44.37	14.39
Other	3.70	2.97	58.23	41.09
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.60	3.83	47.70	61.63
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	4.25	3.44	46.62	56.04
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	0.00	3.63	38.10	70.44
F - CPI excluding administered prices	2.80	2.73	43.63	75.14

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	May 2023		May 2022	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.65	40.76	8.76	132.16
Mining	3.69	1.66	56.84	6.22	133.49
Manufacturing	83.81	1.26	42.34	5.46	115.18
Manufacturing excl. petroleum products	78.48	1.84	45.78	5.41	110.58
Manufacturing excl. petroleum products and base metals	68.94	2.05	49.89	5.59	107.70
Electricity, gas, steam and air-conditioning sup.	11.96	-7.36	0.53	38.49	360.30
Water supply	0.55	0.71	66.27	4.70	70.02
D-PPI (MIGs Classification)					
Intermediate Goods		1.06	35.82	4.99	122.21
Durable Consumption Goods		2.57	49.10	3.57	83.41
Durable Consumption Goods (Excl. Jewelry)		2.22	49.97	3.73	82.30
Non-Durable Consumption Goods		2.57	64.92	7.06	106.82
Capital Goods		3.09	49.97	4.11	79.08
Energy		-6.67	9.62	27.65	300.16

Source: TURKSTAT.