

JULY PRICE DEVELOPMENTS

4 August 2023



Summary

Consumer prices rose by 9.49% in July, which was higher than historical July trends, and annual inflation increased by 9.62 points to 47.83%. In addition to increases in taxes and prices of administered items, the depreciation in the Turkish lira and wage hikes were influential in this rise. In this period, annual inflation increased across all main groups. On a monthly basis, high price increases were seen across subgroups, with energy in the lead. The price hike in the energy group was led by tax adjustments as well as fuel prices which increased due to developments in exchange rates and international oil prices. Core goods inflation continued to be shaped by durable consumption goods which have high and fast exchange rate pass-through. The monthly increase in services prices spread across subgroups and strengthened significantly compared to the previous month. Food prices increased significantly month-on-month, led by fresh fruits and vegetables, which posted a price increase contrary to their seasonal average. Producer prices saw a sizeable monthly increase in this period as in the previous month. Against this background, the monthly rates of increase in seasonally adjusted indicators B and C recorded a significant month-on-month rise, and annual inflation in these indicators also increased.

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 9.49% in July, and annual inflation rose by 9.62 points to 47.83% (Chart 1 and Table 1). The annual rates of change in the B and C indices increased by 7.69 and 8.76 points to 54.32% and 56.09%, respectively (Chart 2).

All subgroups made a higher contribution to annual consumer inflation in this period. Compared to the previous month, the contributions of services, core goods, energy, food and alcohol-tobacco-gold increased by 2.86, 2.46, 2.25, 1.71 and 0.34 points, respectively.

Seasonally adjusted monthly increases were up sharply both in the B and C indices compared to the previous month (Chart 3). Month-on-month price increases strengthened significantly in the services, core goods and processed food groups that make up the B index (Chart 4).

Services prices posted a considerably high increase by 9.81% in July, and annual services inflation increased by 10.20 points to 69.65% (Chart 5). In this period, price increases spread across the group, while annual inflation rose across all subgroups. The price hike of 11.92% in the restaurants-hotels subgroup, which is affected by food and wage developments, was driven by both catering services, and accommodation services due to the outlook for tourism. Annual inflation in this group reached 82.62%. In transport services, prices went up by 10.03% following the developments mainly in fuel prices, and while price increases were widespread across the group, rail and air passenger transport became the main items that stood out. In other services, which include labor-intensive and highly sensitive to exchange rates items, prices also increased significantly (10.27%), led by maintenance and repair of personal transport vehicles, health, household services, recreation and sports services. Monthly rent increases strengthened further in this period with 7.67%, and annual rent inflation reached 81.69%.

Annual core goods inflation rose by 7.56 points to 44.25%. Annual inflation increased across all subgroups, with durable goods in the lead (Chart 6). Amid the depreciation in the Turkish lira, tax and wage hikes accompanied by buoyant demand conditions pushing prices further upwards, the durable goods subgroup recorded an upsurge in prices by 12.49%. In this period, price hikes grew stronger across all subitems, most notably in automobiles (16.16%). Prices in the other core goods subgroup accelerated by 8.73% due also to the tax adjustment. In this period, price developments in personal care products, maintenance and repair of the dwelling, household cleaning products and household textiles were notable. Moreover, the revision in the reference Euro exchange rate pushed up prices of medicines. Contrary to seasonal averages, prices of clothing and footwear increased by 2.98%, driving annual inflation up to 21.51%.

Energy prices soared by 12.73% in July, and annual energy inflation rose by 13.66 points and stood at -2.86% (Chart 7). Monthly price hikes in this group were led by fuel prices (29.04%), while bottled gas (14.76%) and municipal water (6.03%) prices were also on the increase. The surge in fuel prices was mainly driven by the revision in lump-sum SCT as well as the recent Turkish lira outlook and the rise in international oil prices.

Prices of food and non-alcoholic beverages rose by 7.71% in July, pushing annual inflation up by 6.80 points to 60.72% (Chart 7). Annual inflation rose by 11.27 points to 79.71% in unprocessed food and by 3.42 points to 46.78% in processed food (Chart 8). Seasonally adjusted data pointed to a significant increase in prices of fresh fruits and vegetables in this period. On the other unprocessed food front, price hikes in potato and nuts were notable, while red meat prices remained robust and white meat prices re-increased in July. The processed food group was marked by the surge in bread and cereals prices (10.22%) in this period. Moreover, prices of non-alcoholic beverages and tea due to fresh tea purchase prices remained on the rise in this group. Following a fall in the last four months in a row, prices of milk and dairy products, posted an increase in this period.

Prices in the alcoholic beverages and tobacco group increased by 11.17%, and annual inflation in this group rose by 5.68 points to 46.58%. The rise was mainly driven by tax adjustments.

In July, domestic producer prices rose by 8.23%, while annual inflation in this group increased by 4.08 points to 44.50% (Chart 9 and Table 2). Despite the flat course in non-energy items, international commodity prices increased driven by energy items in July. Meanwhile, the depreciation in the Turkish lira coupled with the rise in the minimum wage led to a significant rise in cost pressures. According to main industrial groupings, annual inflation fell in the energy group due to the base effect, while it increased in other subgroups (Chart 10). An analysis of monthly price developments by sectors reveals that price hikes spread across sectors, while refined petroleum products, crude oil and natural gas, metal ores, printing-recording services, electrical equipment, furniture, motor vehicles and metal-related items stood out with price hikes.

Charts and Tables

Chart 1. CPI (Annual % Change)

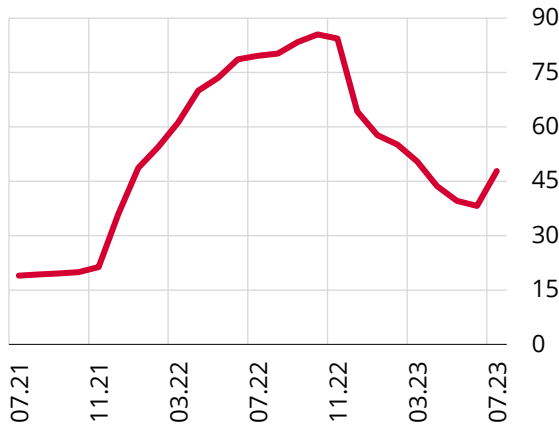


Chart 2. B and C (Annual % Change)

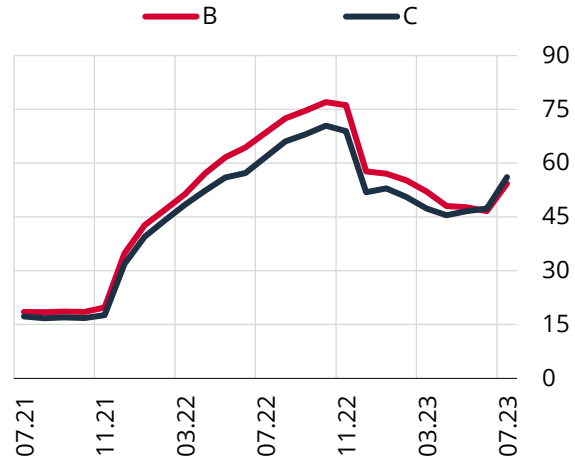


Chart 3. B and C Indices (Seasonally Adjusted, Monthly % Change)

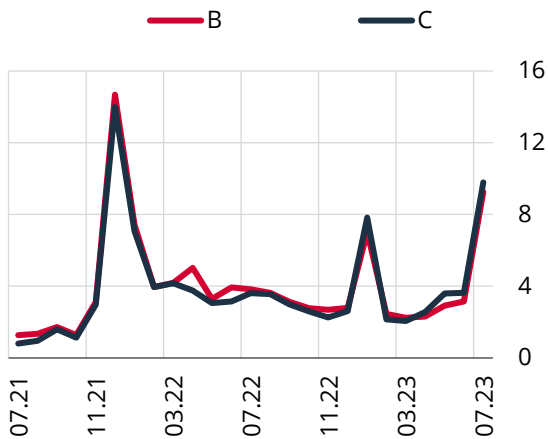
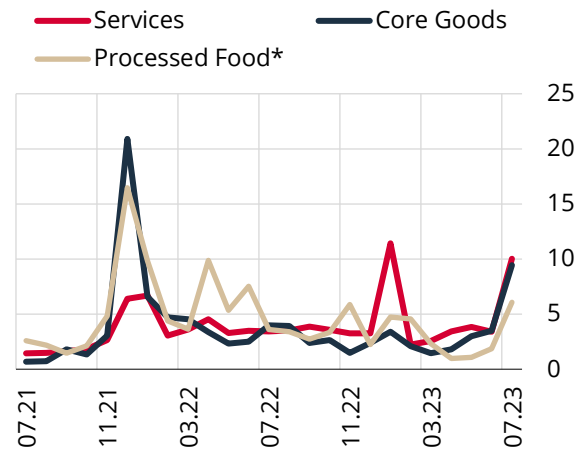


Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

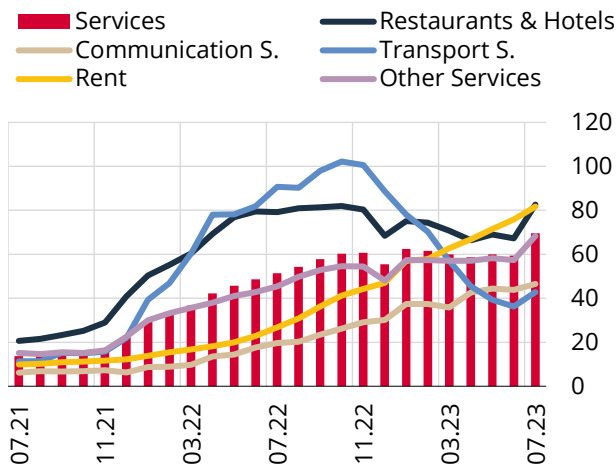


Chart 6. Core Goods (Annual % Change)

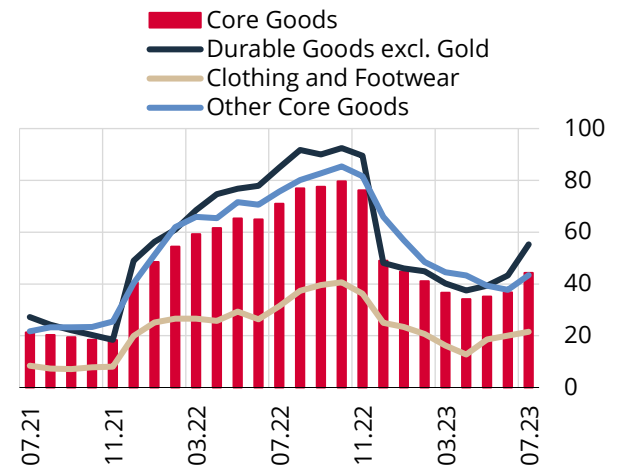


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

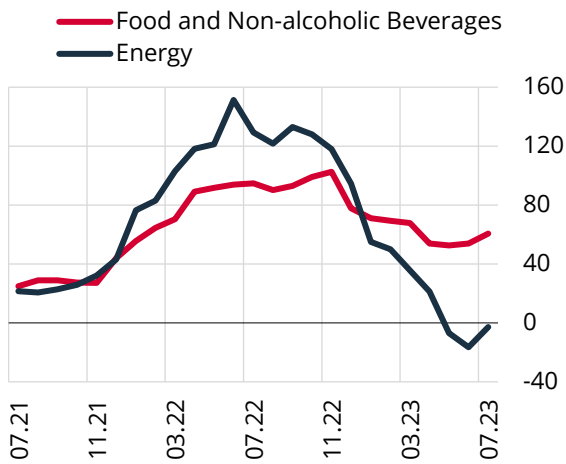


Chart 8. Processed and Unprocessed Food (Annual % Change)

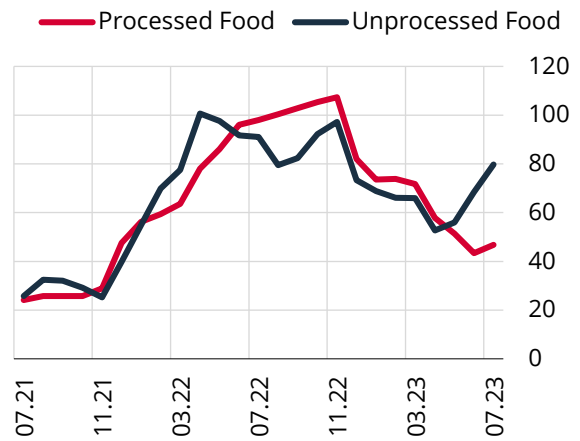


Chart 9. D-PPI and Manufacturing (Annual % Change)

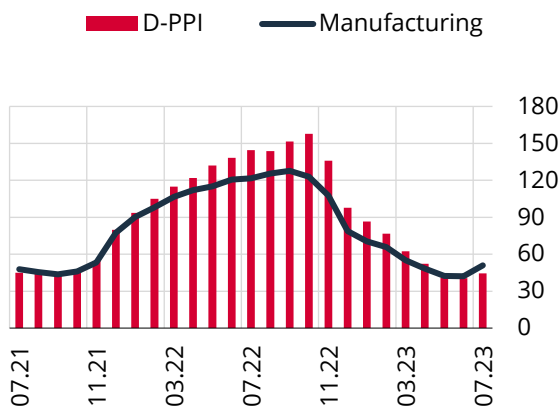
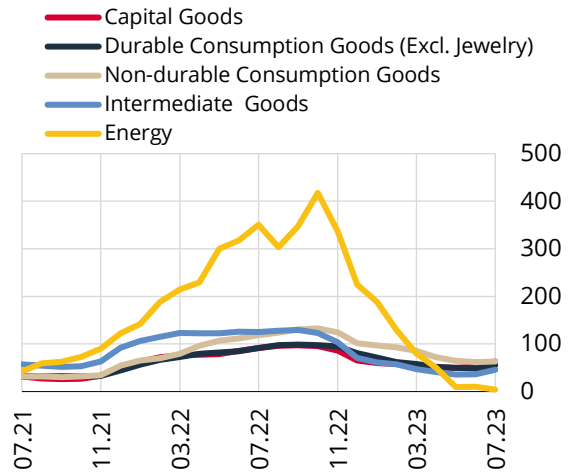


Chart 10. D-PPI Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	July 2023	July 2022	July 2023	July 2022
CPI	9.49	2.37	47.83	79.60
1. Goods	9.35	2.10	40.22	90.17
Energy	12.73	-3.13	-2.86	129.27
Food and non-alcoholic beverages	7.71	3.15	60.72	94.65
Unprocessed food	9.51	2.64	79.71	91.00
Fresh fruits and vegetables	17.65	4.95	76.53	77.25
Other unprocessed food	5.22	1.56	82.12	97.80
Processed food	6.08	3.61	46.78	98.02
Bread and cereals	10.22	5.89	46.57	102.78
Other processed food	4.09	2.42	47.01	95.44
Goods excluding energy and food	9.71	3.94	44.55	72.99
Core goods	9.40	3.67	44.25	70.93
Durable goods (excluding gold)	12.49	3.85	55.23	84.93
Clothing and footwear (*)	2.98	1.74	21.51	31.45
Other core goods	8.73	4.47	43.37	75.71
Alcoholic beverages and tobacco	11.17	6.85	46.58	82.66
Gold	17.67	-1.22	64.90	92.81
2. Services	9.81	3.20	69.65	51.45
Rents	7.67	4.24	81.69	26.76
Restaurants and hotels	11.92	2.49	82.62	79.14
Transport	10.03	5.01	42.76	90.71
Communication	3.74	1.82	46.54	19.64
Other	10.27	3.12	68.34	45.35
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	8.92	3.49	54.32	68.46
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	9.61	3.45	56.09	61.69
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	9.41	2.09	43.99	77.80
F - CPI excluding administered prices	9.80	2.02	53.86	79.88

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	July 2023		July 2022	
		Monthly	Annual	Monthly	Annual
D-PPI	100	8.23	44.50	5.17	144.61
Mining	3.69	9.14	57.51	6.44	149.92
Manufacturing	83.81	9.26	50.81	2.94	121.71
Manufacturing excl. petroleum products	78.48	8.62	52.87	3.49	117.59
Manufacturing excl. petroleum products and base metals	68.94	8.54	55.05	4.13	118.36
Electricity, gas, steam and air-conditioning sup.	11.96	-5.05	-17.56	18.96	441.75
Water supply	0.55	7.10	62.64	5.15	84.30
D-PPI (MIGs Classification)					
Intermediate Goods		8.93	45.52	2.18	125.43
Durable Consumption Goods		10.37	54.85	4.77	92.88
Durable Consumption Goods (Excl. Jewelry)		10.21	55.19	5.23	91.63
Non-Durable Consumption Goods		6.23	63.35	5.36	118.20
Capital Goods		11.67	63.29	4.25	91.61
Energy		5.72	3.82	12.28	350.64

Source: TURKSTAT.