



OCTOBER PRICE DEVELOPMENTS

4 November 2022

Summary

Consumer prices rose by 3.54% in October, and annual inflation increased by 2.06 points to 85.51%. In this period, annual inflation decreased in energy and alcohol-tobacco-gold groups whereas it went up in other groups. The most significant contribution to the rise in annual consumer inflation came from the food group. Although the major driver of the rise in annual food inflation was the subgroup of unprocessed food led by fresh fruits and vegetables, price increases were spread across the group. The upward trend in annual core goods inflation continued while the rise in services inflation was driven by rents as well as transport services that were affected by fuel prices. Seasonally-adjusted price increases weakened in rents and across the services group, whereas strengthened in processed food and remained relatively flat in core goods. While annual energy inflation declined, the monthly increase was mainly due to fuel prices that rose in tandem with international crude oil prices as well as municipal water prices. Recent developments in international natural gas prices continued to affect domestic energy prices, pushing up electricity production and gas manufacturing prices and thus, became the main factor that drove up producer prices. Against this background, the seasonally-adjusted monthly change in B and C indices decelerated somewhat while their annual inflation continued to increase.

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 rose by 3.54% in October, and annual inflation increased by 2.06 points to 85.51% (Chart 1). In this period, the annual rates of change in B and C indices went up by 2.38 and 2.36 points to 77.01% and 70.45%, respectively (Chart 2).

Among subcategories, food, core goods and services added 1.32, 0.66, and 0.51 points month-on-month to annual consumer inflation whereas the contribution of energy and alcohol-tobacco-gold decreased by 0.28 and 0.15 points, respectively.

According to seasonally-adjusted data, the monthly increase in the B and C indices decelerated somewhat compared to the previous month (Chart 3). Across the subgroups that make up the B index, price increases weakened in services, strengthened slightly in processed food, and remained relatively flat in core goods (Chart 4).

Prices of services rose by 2.63% in October, and the group's annual inflation increased by 2.48 points to 60.24%. In this period, annual inflation increased in all subgroups, most notably in rents and transportation services (Chart 5). The monthly increase in rents was 4.87%, and annual inflation in this subgroup was 41.24%. Seasonally-adjusted data indicate that the monthly increase in the rent subgroup declined slightly compared to the previous month, yet remained high. Prices in the transport subgroup rose by 1.97%, pushing annual inflation up to 102.20%. This was mainly led by urban passenger transport by bus as well as passenger transport by air, while fares of intercity passenger transport by road remained on a downtrend in October. Driven by catering services, prices in the restaurants-hotels subgroup increased by 2.64% and annual inflation hit 81.92%. Prices in other services rose by 1.82%, with maintenance-repair, health services, transportation insurance and recreation-culture in the lead.

Annual inflation in core goods rose by 2.16 points to 79.65% in October. In this period, annual inflation increased in all subgroups (Chart 6). Prices of durable goods (excluding gold) picked up by 2.57% in October, which was driven predominantly by white goods prices that increased by 8.38%. Thus, annual inflation in this subgroup climbed to 92.47%. With visible effects of the new season, prices in the clothing and footwear group surged by 8.43%, and annual inflation increased by 1.01 points to 40.63%. Meanwhile, price hikes spread across the other core goods group, with personal care products and household-related cleaning materials still in the lead, and the group's annual inflation reached 85.38%.

Energy prices increased by 2.37% in October, and annual inflation in this group decreased by 4.92 points to 128.06% (Chart 7). The monthly increase is attributable to the rise in fuel prices (3.15%) in response to international crude oil price developments. Another prominent item, municipal water prices, went up by 7.17% in this period due to the carry-over effects from the previous month. Meanwhile, the decline (-1.69%) in bottled gas prices continued in line with international developments.

Annual inflation in food and non-alcoholic beverages rose by 6.00 points to 99.05% in October (Chart 7). Annual inflation increased by 9.85 points to 92.24% in unprocessed food and by 2.42 points to 105.32% in processed food (Chart 8). In unprocessed food, seasonally-adjusted data pointed to a continued rise in fresh fruit and vegetable prices in this period. In the other unprocessed food group, price hikes were notable in eggs, nuts, rice and milk, following the developments in raw milk prices, as well as in red meat. The 3.33% increase in processed food prices was mainly driven by bread and cereals, followed by cheese and other dairy products, sugar-related products and canned vegetables.

Prices of alcoholic beverages and tobacco products increased by 3.30% in October due to price increments by producer companies, whereas annual inflation in the group decreased by 4.60 points to 77.88%. Prices of alcoholic beverages rose by 2.18%, and prices of tobacco products increased by 3.39% due to the price increments introduced in tobacco products in mid-October.

In October, domestic producer prices rose by 7.83%, while annual inflation increased by 6.19 points to 157.69% (Chart 9 and Table 2). An analysis of main industrial groupings reveals that this development was mainly driven by the rise in producer prices in the energy group (26.50% month-on-month) (Chart 10). An analysis of monthly price developments by sectors shows that after the price adjustments in electricity and natural gas, prices of electricity, gas, steam and air-conditioning as well as crude oil-natural gas sectors increased significantly, and remarkable price increments were observed in clothing, refined petroleum products, construction sector-related non-metallic mineral products and beverages sectors.

Charts and Tables

Chart 1. CPI (Annual % Change)

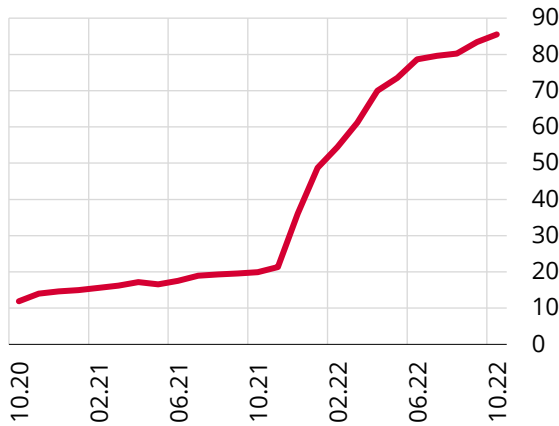


Chart 2. B and C (Annual % Change)

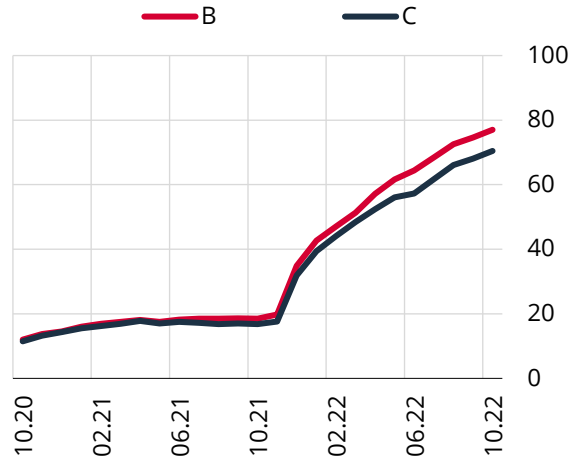


Chart 3. B and C Indices (Seasonally Adjusted, Monthly % Change)

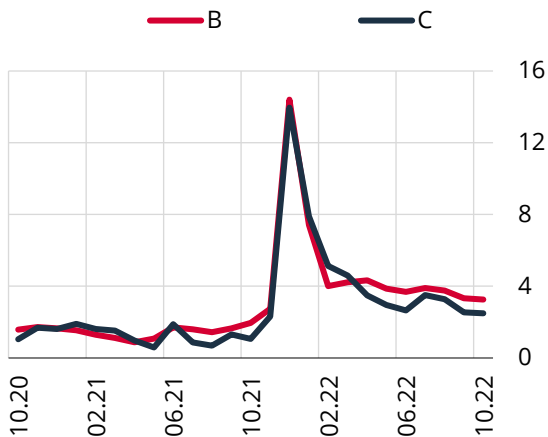
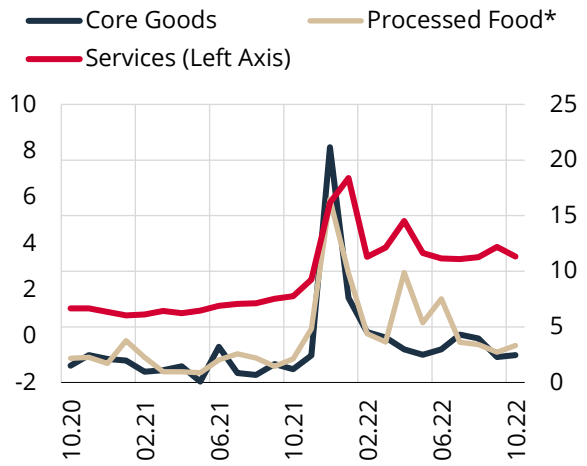


Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

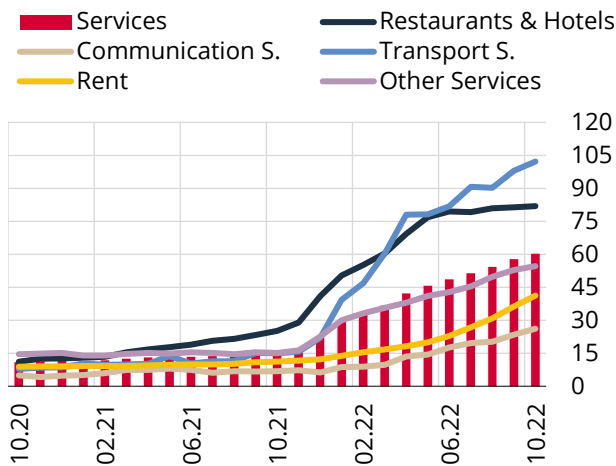


Chart 6. Core Goods (Annual % Change)

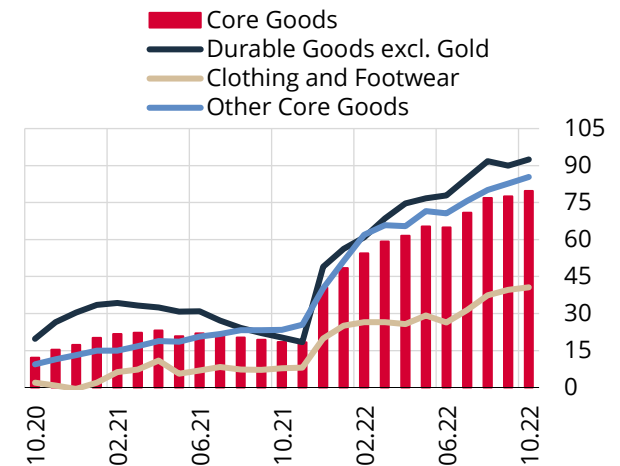


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

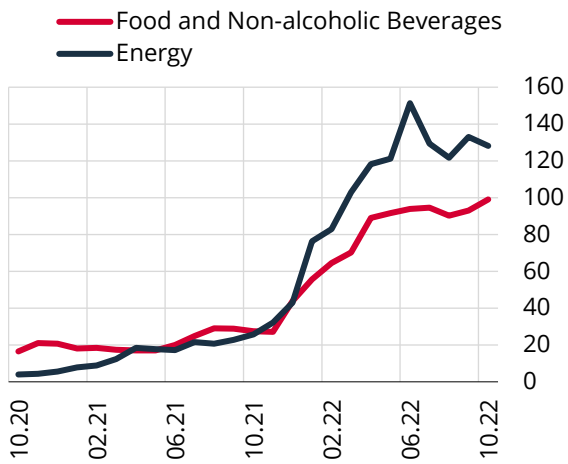


Chart 8. Processed and Unprocessed Food (Annual % Change)

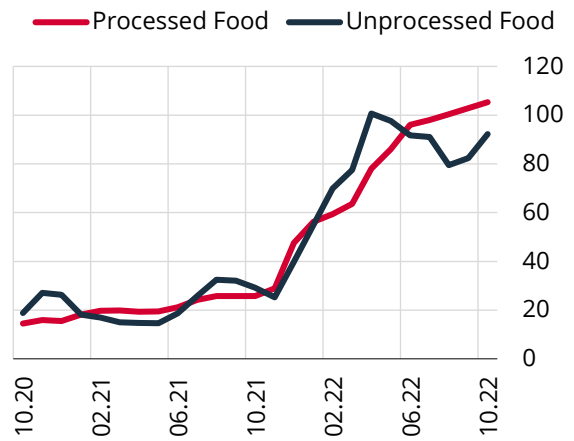


Chart 9. D-PPI and Manufacturing (Annual % Change)

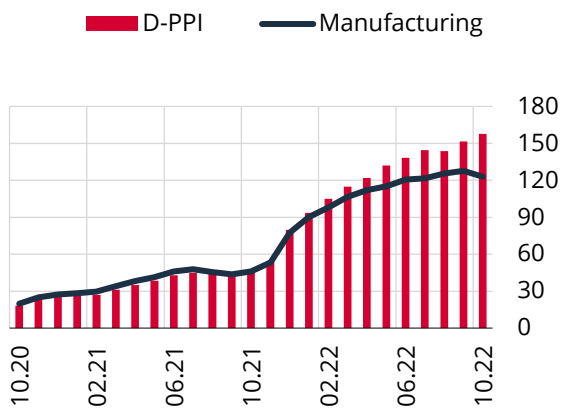
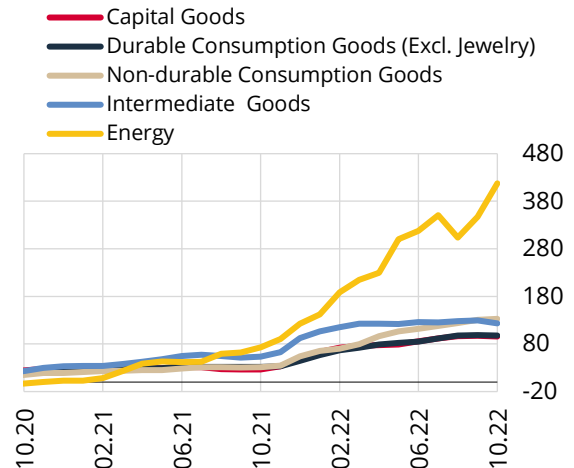


Chart 10. D-PPI Main Industry Groups (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	October 2022	October 2021	October 2022	October 2021
CPI	3.54	2.39	85.51	19.89
1. Goods	3.84	2.89	94.86	21.71
Energy	2.37	4.58	128.06	25.76
Food and non-alcoholic beverages	5.09	1.92	99.05	27.41
Unprocessed food	7.21	1.72	92.24	29.20
Fresh fruits and vegetables	14.34	2.09	77.75	26.65
Other unprocessed food	3.93	1.52	99.53	30.59
Processed food	3.33	2.11	105.32	25.71
Bread and cereals	2.76	3.16	105.70	25.23
Other processed food	3.64	1.56	105.03	25.95
Goods excluding energy and food	3.57	3.03	79.62	16.30
Core goods	3.73	2.49	79.65	18.46
Durable goods (excluding gold)	2.57	1.23	92.47	20.24
Clothing and footwear (*)	8.43	7.65	40.63	7.84
Other core goods	2.96	1.50	85.38	23.35
Alcoholic beverages and tobacco	3.30	5.97	77.88	7.88
Gold	0.05	5.95	88.63	10.51
2. Services	2.63	1.04	60.24	15.43
Rents	4.87	1.12	41.24	11.17
Restaurants and hotels	2.64	2.31	81.92	25.23
Transport	1.97	-0.16	102.20	14.96
Communication	2.66	0.44	26.17	6.79
Other	1.82	0.65	54.61	15.11
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.24	1.85	77.01	18.50
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.22	1.79	70.45	16.82
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	3.04	2.31	84.96	19.37
F - CPI excluding administered prices	3.81	2.45	84.31	20.92

Source: TURKSTAT.

* Does not cover clothing services.

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

	Weight (%)	October 2022		October 2021	
		Monthly	Annual	Monthly	Annual
D-PPI	100	7.83	157.69	5.24	46.31
Mining	3.56	3.49	162.06	4.50	32.25
Manufacturing	87.43	3.19	122.97	5.37	45.94
Manufacturing excl. petroleum products	84.97	3.08	121.32	4.47	42.51
Manufacturing excl. petroleum products and base metals	76.27	3.32	124.89	4.33	37.11
Electricity, gas, steam and air-conditioning sup.	8.29	32.55	554.56	4.61	53.37
Water supply	0.72	2.80	109.45	2.01	32.40
D-PPI (MIGs Classification)					
Intermediate Goods		2.38	123.12	5.34	53.20
Durable Consumption Goods		2.29	98.65	3.17	29.13
Durable Consumption Goods (Excl. Jewelry)		2.48	97.70	3.00	31.76
Non-Durable Consumption Goods		4.30	132.88	3.25	31.47
Capital Goods		3.10	95.61	3.99	26.72
Energy		26.50	417.61	9.33	72.63

Source: TURKSTAT.