

# MARCH PRICE DEVELOPMENTS

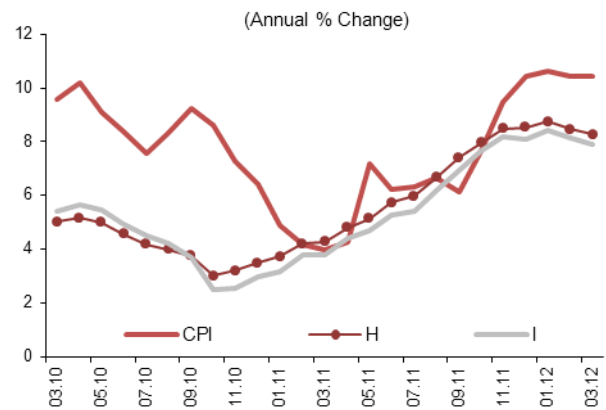
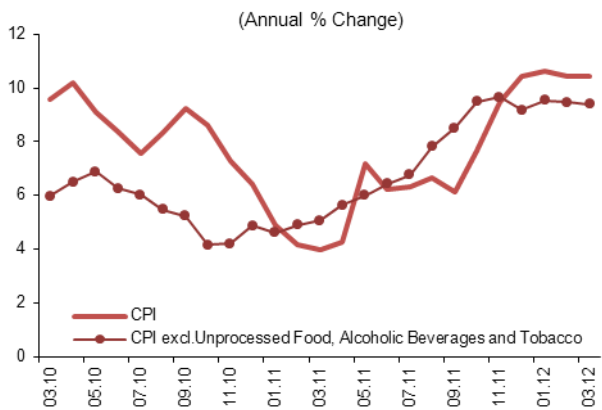
APRIL 4, 2012

## SUMMARY...

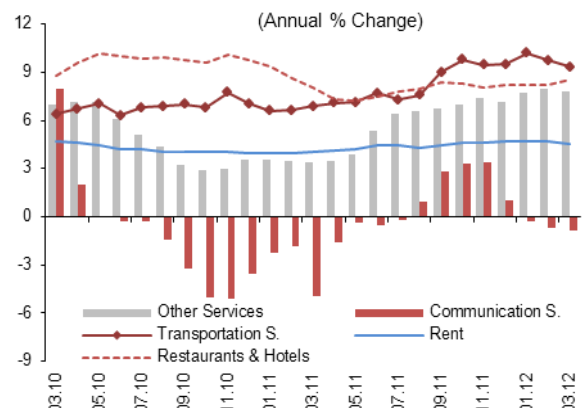
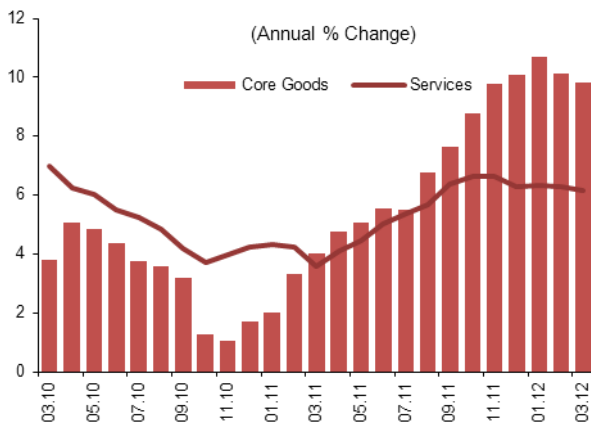
In March, consumer prices was up 0.41 percent and annual inflation has remained unchanged since February and stood at 10.43 percent. Core inflation indicators maintained their downward trajectory, while the course of services prices remained moderate. The direct impact of the arrangements in electricity and natural gas tariffs are expected to hover around 0.5 point.

## ...EVALUATIONS...

In March, consumer prices was up 0.41 percent and annual inflation has remained unchanged at 10.43 percent. The rate of increase in the CPI excluding energy, unprocessed food, alcoholic beverages, tobacco and gold (SCA-H) went down to 8.28 percent year-on-year. With a further exclusion of processed food, the rate of increase in the index (SCA-I) decreased to 7.91 percent year-on-year.



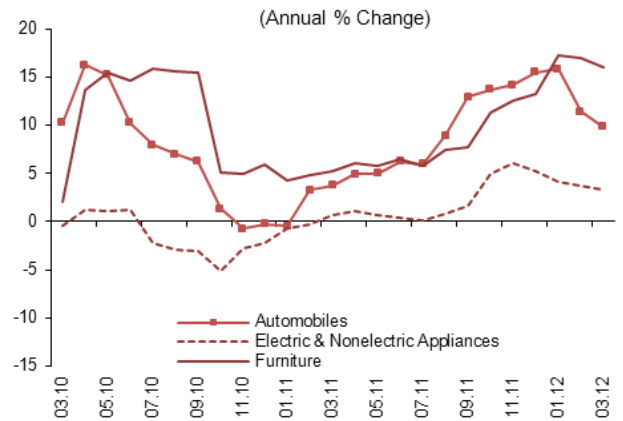
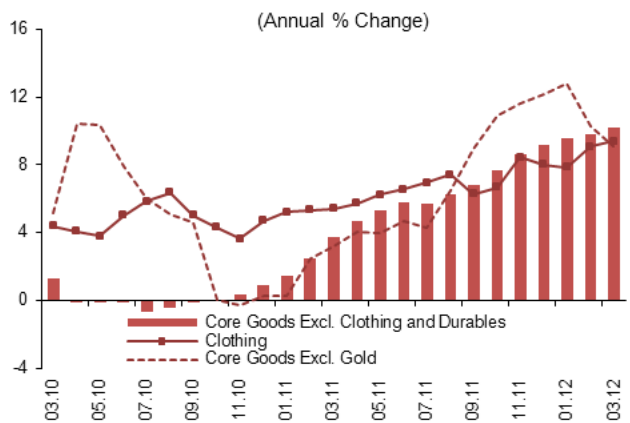
Prices of services rose by 0.31 percent in March, and annual services inflation fell to 6.17 percent. Rents recorded one of the lowest increases in the index history with 0.19 percent in this period and the group's annual inflation went down to 4.52 percent. The impact of soaring fuel prices on transport services was subdued in March, and prices in communications group remained below their level in the first quarter of 2011. In contrast, restaurants-hotels group was the only main services item that posted an increased annual inflation in March. Against this background, annual inflation in the services group excluding catering and transport sustained its downward trend and stood at 4.70 percent. Meanwhile, seasonally-adjusted prices and the diffusion index indicate an ongoing mild course in the underlying trend of the services group.



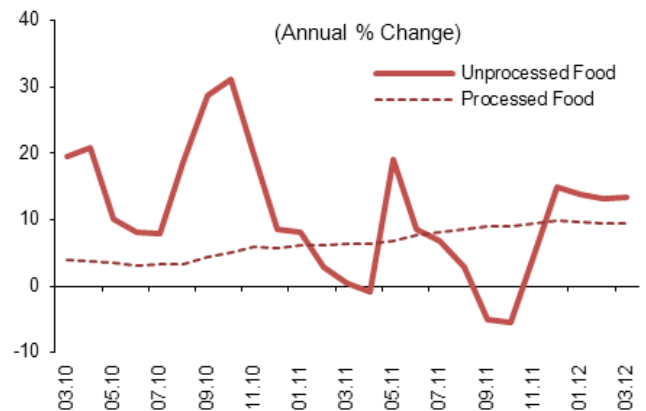
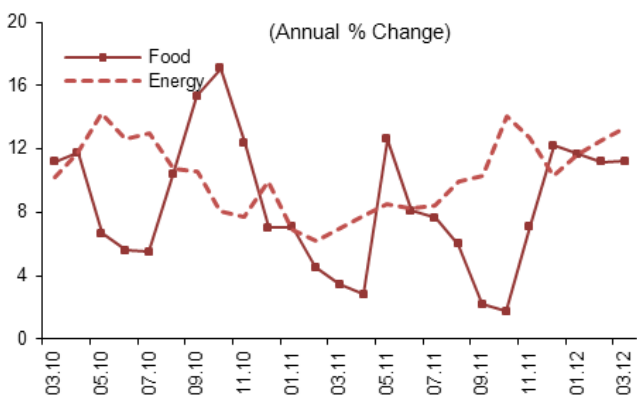
# MARCH PRICE DEVELOPMENTS

APRIL 4, 2012

Annual rate of increase in core goods inflation was down by 0.33 percentage point to 9.82 percent in March. Waning cumulative effects of the exchange rate movements on inflation across 2011 had a favorable effect on the annual inflation in core goods through durable consumption goods. Durable goods (excluding gold) group price index recorded a decline in March in line with the furniture and automobile prices, which were down by 0.45 and 0.47 percent, respectively. Meanwhile, annual inflation in clothing group continued to rise, and the upward trend in core goods excluding clothing and durables gained momentum in March.



Energy prices were up 0.22 percent in March, adding 0.30 percentage point to the monthly consumer inflation. This increase was driven by domestic oil prices, which went up by 4.23 percent amid the rise in international oil prices and the slight depreciation in the Turkish lira. Similarly, bottled gas prices accelerated, while solid fuel prices remained on the increase, albeit at a slower pace. Consequently, annual inflation in energy group went up by 0.80 percentage point to 13.39 percent. The raises introduced to electricity and natural gas tariffs in April are projected to have a direct effect on the consumer inflation of the respective month by around 0.5 point. In this context, price increases in energy group are expected to continue at a higher pace and the group's annual inflation is estimated to record a sizeable increase.



Annual inflation in food and nonalcoholic beverages was down by 0.33 percentage point to 11.25 percent, and the group's annual inflation remained relatively flat. Seasonally adjusted unprocessed food prices decreased in March, maintaining the mild outlook of the last couple of months. Fresh fruits and vegetables prices displayed a higher-rated monthly decline compared to the past years' average and red meat prices continued to go down, albeit at a slower pace.

# MARCH PRICE DEVELOPMENTS

APRIL 4, 2012

However, due to the low base effect, annual rate of increase in unprocessed food prices edged up to 13.35 percent.

Processed food prices were up 0.40 percent in March, recording the lowest increase of the last eight months. Prices of bread and cereals decelerated, and parallel to the decline in milk prices, cheese and other dairy products displayed falling prices. Fats and oils continued to post diminishing price increases, while the rises in processed meat prices were striking. Against this background, annual inflation in processed food remained relatively flat and stood at 9.44 percent.

	Monthly Percentage Change		Annual Percentage Change	
	March 2012	March 2011	March 2012	March 2011
<b>CPI</b>	<b>0.41</b>	<b>0.42</b>	<b>10.43</b>	<b>3.99</b>
<b>1. Goods</b>	<b>0.45</b>	<b>0.42</b>	<b>11.98</b>	<b>4.13</b>
Energy	2.02	1.31	13.39	7.02
Food and Nonalcoholic Beverages	-0.33	-0.41	11.25	3.47
Unprocessed Food	-1.20	-1.32	13.35	0.56
Fresh Fruits-Vegetables	-4.28	-3.94	18.26	-0.31
Other Unprocessed Food	1.35	0.73	9.70	0.98
Processed Food	0.40	0.45	9.44	6.39
Bread and Cereals	0.43	0.49	8.15	6.25
Other Processed Food	0.38	0.42	10.09	6.48
Goods Excluding Energy and Food	0.38	0.73	11.99	3.50
Core Goods	0.50	0.80	9.82	4.01
Durable Goods	-0.26	1.06	10.96	5.11
Durable Goods (Excluding Gold)	-0.21	0.86	9.13	3.16
Alcoholic Beverages and Tobacco	0.00	0.03	18.47	-1.49
Gold	-1.23	3.76	33.08	30.93
<b>2. Services</b>	<b>0.31</b>	<b>0.40</b>	<b>6.17</b>	<b>3.57</b>
Rent	0.19	0.36	4.52	4.08
Restaurants and Hotels	0.76	0.43	8.56	8.01
Transport Services	0.14	0.54	9.31	6.87
Communication Services	0.06	0.21	-0.84	-4.98
Other Services*	0.28	0.45	7.79	3.41
<b>3. Core Indicators</b>				
CPI Excluding Unprocessed Food, Alcoholic Beverages and Tobacco	0.68	0.73	9.41	5.07
SCA-H	0.40	0.57	8.28	4.27
SCA-I	0.40	0.59	7.91	3.77

Source: TurkStat, CBRT.

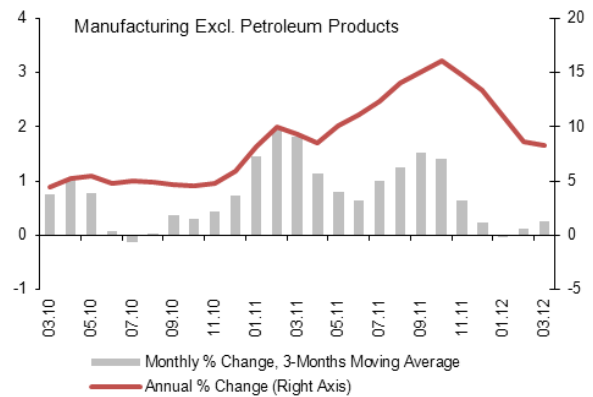
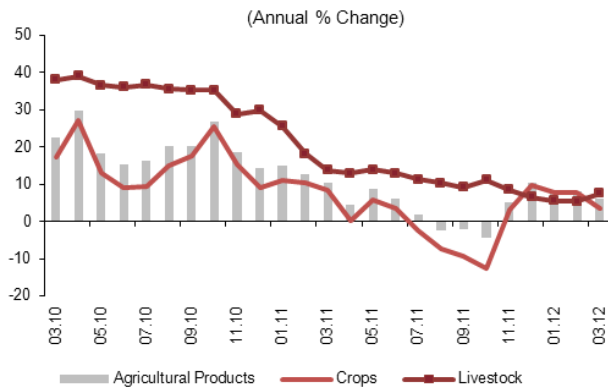
\*Other services: The services index excluding rents, restaurants/hotels, transport and communication services

# MARCH PRICE DEVELOPMENTS

APRIL 4, 2012

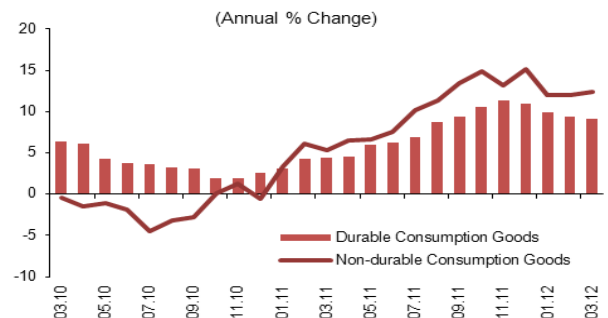
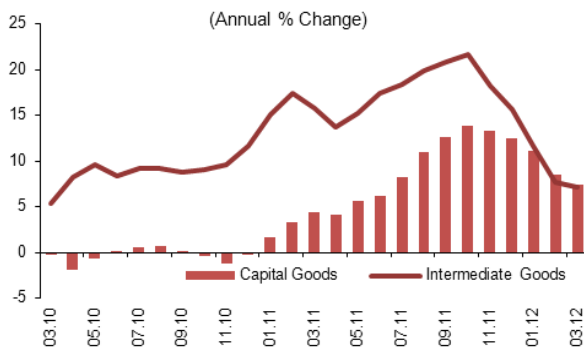
## ...PPI...

In March, producer prices were up by 0.36 percent and annual PPI inflation went down by 0.93 percentage points to 8.22 percent. Agricultural prices posted a decline, which also reflected on unprocessed food prices, resulting in a fall of 2 percentage points in the group's annual inflation to 6.16 percent. Similarly, having increased in February, wheat and cotton prices went down, and the latter saw a high-rated decline of 4.80 percent. As for the other farm products that are the inputs for the manufacturing industry, sunflower and corn surged by 2.05 and 3.82, respectively.



In the manufacturing industry, prices went up by 0.95 percent, while annual inflation decreased by 0.57 percentage point to 8.97 percent. International price developments coupled with slight depreciation of the Turkish lira pulled down the producer prices of oil products and base metals by 5.53 and 3.15 percent, respectively. Excluding oil and base metal prices, manufacturing prices increased by 0.54 percent on a monthly basis and the group's annual inflation decreased by 0.72 percentage points to 8.18 percent.

Main Industrial Groupings (MIGS) suggest that prices of durable goods decreased contrary to those in other groups. Prices of durable goods went down parallel to the prices of household equipments and furniture, while non-durable goods posted increases due to the rising food manufacturing prices, mainly on the prices of meat products. Prices of intermediate goods rose by 1.04 percent upon increases in the manufacturing prices of base metals; and capital goods went up by 0.57 percent due to the increases in machinery-equipment prices.



# MARCH PRICE DEVELOPMENTS

APRIL 4, 2012

## ...TABLES

March CPI and Subcategories (Percentage Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
CPI	100	0.41	10.43	0.42	3.99
Food and Nonalcoholic Beverages	26.22	-0.33	11.25	-0.41	3.47
Alcoholic Beverages and Tobacco	5.21	0.00	18.47	0.03	-1.49
Clothing and Footwear	6.87	1.07	9.39	0.77	5.43
Housing	16.44	0.65	10.09	0.38	4.57
Household Equipment	7.45	0.91	11.76	0.94	6.11
Health	2.29	0.31	0.86	0.15	1.40
Transport	16.73	1.15	10.84	1.57	6.91
Communication	4.60	-0.32	-0.05	0.34	-4.17
Recreation and Culture	2.98	0.25	7.30	0.46	-2.19
Education	2.18	0.17	6.22	0.29	4.28
Restaurants and Hotels	5.63	0.76	8.56	0.43	8.01
Miscellaneous Goods and Services	3.40	0.67	16.53	1.17	7.86

Kaynak: TÜİK.

March PPI and Subcategories (Percentage Change)					
	Weight	2012		2011	
		Monthly	Annual	Monthly	Annual
PPI	100	0.36	8.22	1.22	10.08
Agriculture	17.21	-1.16	6.16	0.68	10.54
Crops, Fruits and Vegetables	11.76	-2.62	3.60	1.30	8.46
Livestock and Animal Products	4.73	-0.31	7.62	-2.26	13.83
Industry	82.79	0.69	8.66	1.34	9.98
Mining	3.09	-0.35	10.16	2.62	16.35
Manufacturing	70.83	0.95	8.97	1.48	10.51
Manufacturing Ecluding Petroleum	68.22	0.77	8.30	1.10	9.30
Manufacturing Ecluding Petroleum and Base Metals	62.07	0.54	8.18	1.22	7.77
Electricity, Gas and Water	8.87	-1.10	5.77	-0.36	3.80

Source: TurkStat,CBRT.

PPI by MIGS (Monthly Percentage Change)														
	Mar.11	Apr.11	May.11	Jun.11	Jul.11	Aug.11	Sep.11	Oct.11	Nov.11	Dec.11	Jan.12	Feb.12	Mar.12	Annual
Intremediate Goods	1.61	0.02	1.37	1.38	1.35	2.06	1.62	0.40	-1.63	0.50	-0.16	-1.01	1.04	7.10
Capital Goods	1.56	-0.99	0.91	0.66	2.02	2.31	1.59	0.59	-0.55	0.09	0.38	-0.36	0.57	7.41
Durable Goods	-0.52	0.62	0.92	1.04	0.71	1.58	2.04	2.53	-0.36	0.35	0.85	1.70	-0.19	12.40
Nondurable Goods	0.84	0.59	0.96	-0.33	0.91	1.39	1.36	1.25	0.91	0.28	-0.27	1.06	0.64	9.12
Energy	2.25	-0.56	-2.12	0.67	1.11	4.43	2.33	2.61	1.20	1.66	1.85	-3.17	0.44	10.70

Source: TurkStat,CBRT.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include 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.