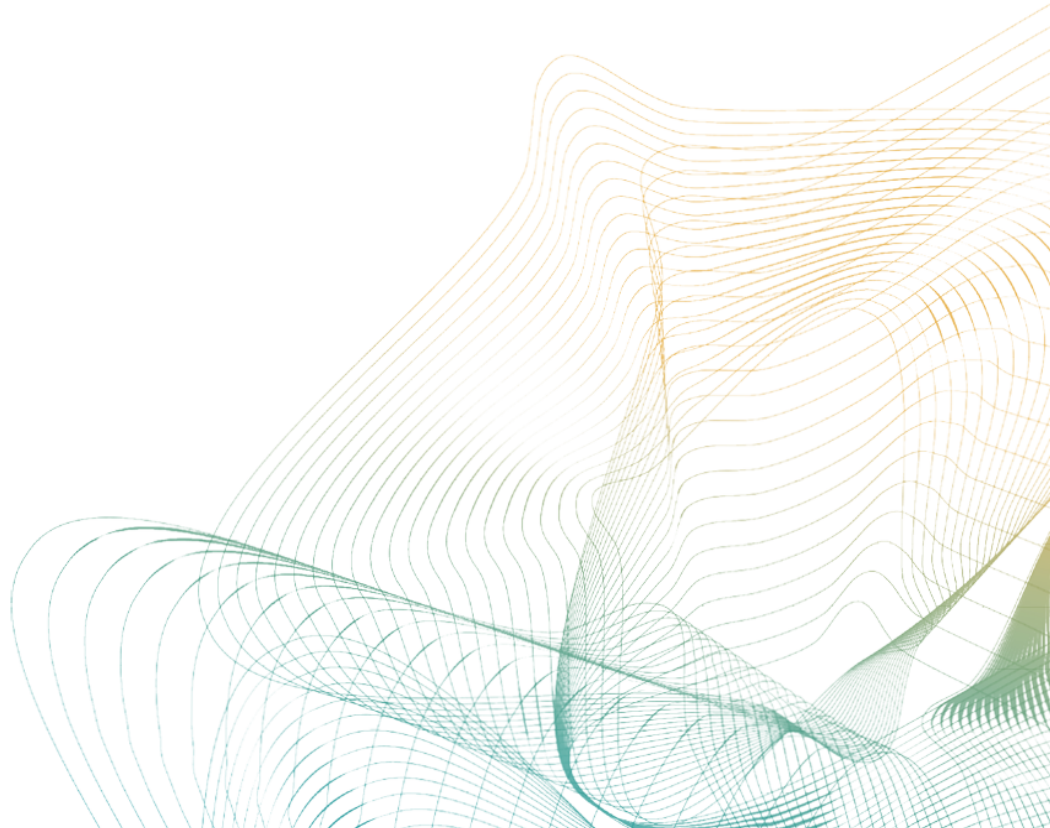




April Price Developments

6 May 2019



Summary

In April, consumer prices rose by 1.69% and annual inflation edged down by 0.21 points to 19.50%. Annual inflation in core indicators continued to decelerate on the back of core goods while services inflation was relatively flat. The underlying trend of core indicators remained low. In this period, energy prices were up month-on-month but down year-on-year due to base effects. Annual food inflation continued to rise mainly due to the prices of unprocessed food.

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.

Evaluations

In April, consumer prices rose by 1.69% and annual inflation edged down by 0.21 points to 19.50% (Chart 1). In this period, annual rates of change in indices B and C declined by 0.94 points and 1.23 points to 16.78% and 16.30%, respectively (Chart 2).

Across subcategories, core goods, energy and services groups recorded a month-on-month declines of 0.55, 0.25 and 0.05 points, respectively, in their contributions to annual CPI inflation whereas food and alcohol-tobacco groups made larger contributions, up 0.33 points each.

Chart 1: CPI and D (Annual % Change)

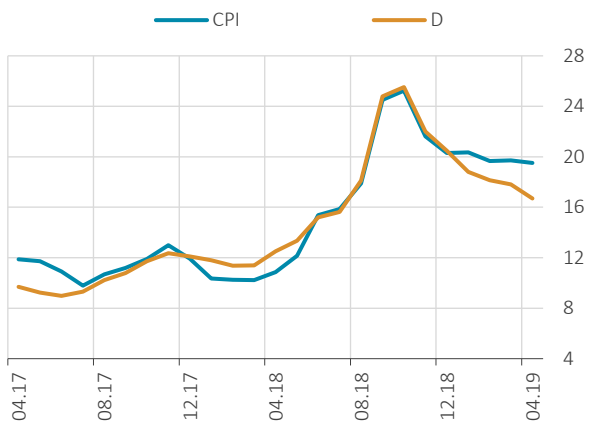
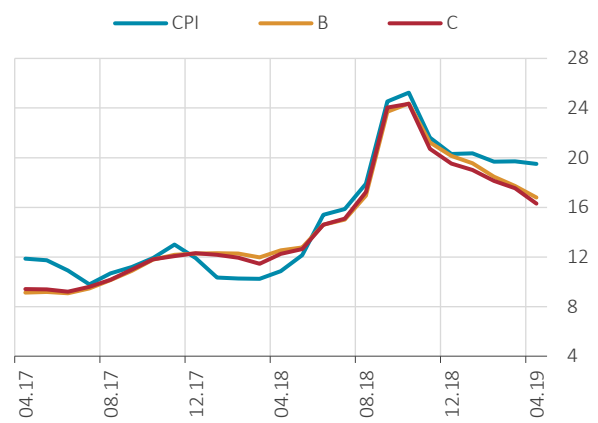


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally-adjusted core inflation indicators remained almost flat (Chart 3). The underlying trend saw a slight fall in services but displayed no noticeable change in core goods (Chart 4).

Chart 3: B and C (Seasonally adjusted, Annualized 3-Month Average % Change)

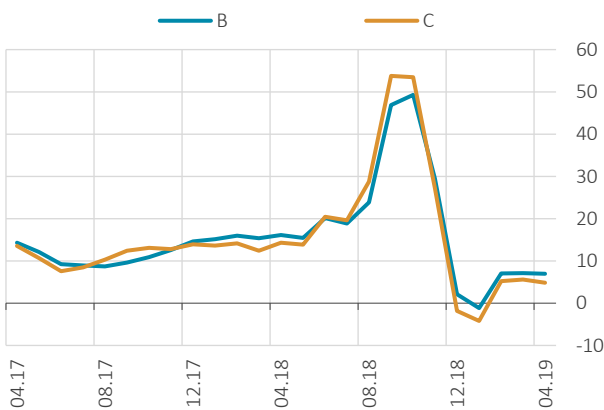
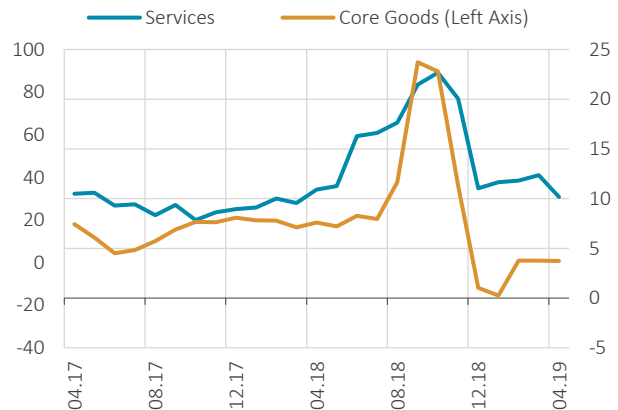


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month Average % Change)



In April, prices of services rose by 0.81%, and annual services inflation remained almost flat at 15.15% (Chart 5 and Table 1). Annual inflation hardly changed across subcategories compared to a month earlier (Chart 6). The increase in prices for transport services was led by intercity road passenger transport fares. Among other services, labor-intensive items (maintenance-repair, domestic services, barber-hairdresser, etc.) registered large price increases. Prices for education services continued to display high price increases, which is partly driven by backward indexation. Meanwhile, monthly rent inflation maintained its mild course.

Chart 5. Core Goods and Services (Annual % Change)

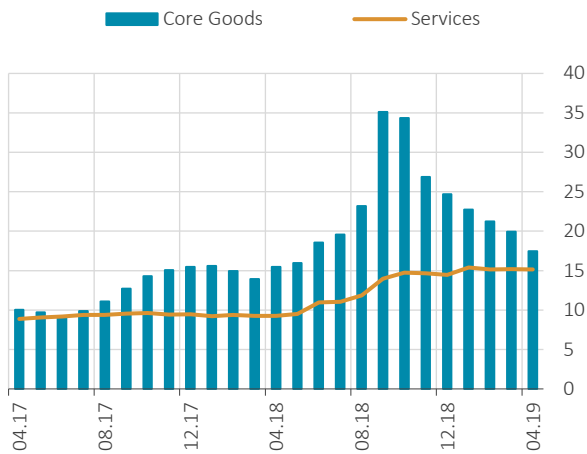
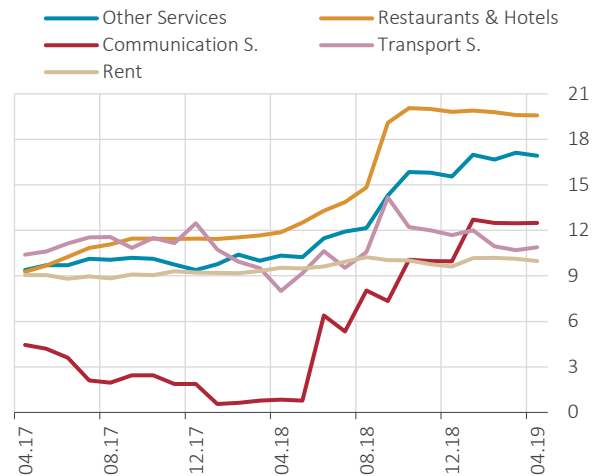


Chart 6. Services (Annual % Change)



Annual core goods inflation fell by 2.27 points to 17.45% in April (Chart 5). Annual inflation continued to fall across all subcategories (Chart 7). Prices increases in furniture (6.15%), automobiles (1.00%) and white goods (2.19%) stood out in the rise of durable goods prices (1.97%). On the other core goods front, prices continued to rise moderately. In this period, clothing prices rose at a much slower pace than seasonal averages. In sum, despite the depreciating Turkish lira, core goods inflation decelerated due also to the weak course of domestic demand.

Chart 7. Core Goods (Annual % Change)

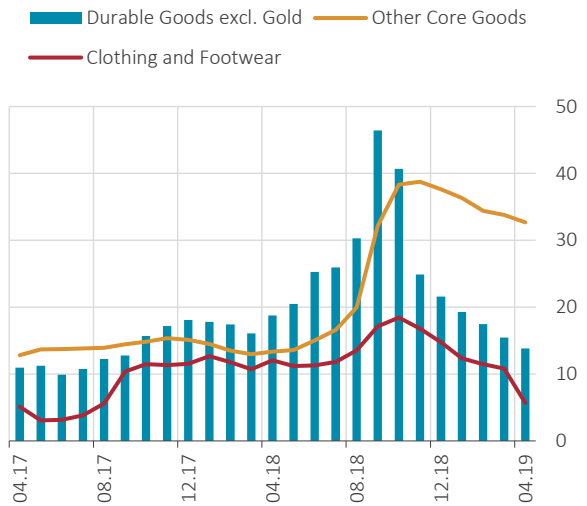
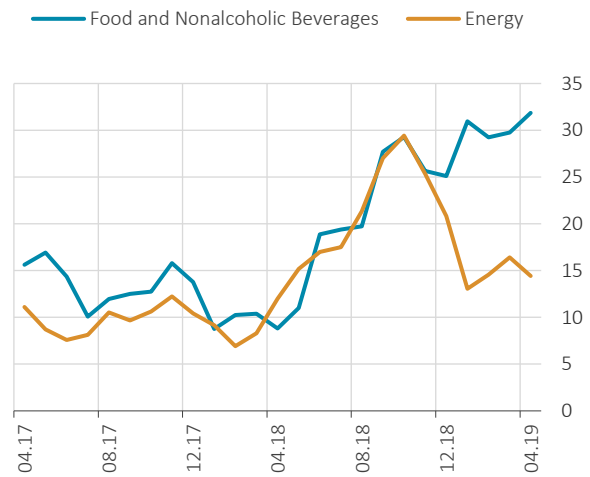


Chart 8. Food and Nonalcoholic Beverages and Energy (Annual % Change)



In April, energy prices rose by 1.00% (Table 1) due to the month-on-month increase of 2.35% in fuel prices driven by the exchange rate and rising oil prices. The adoption of a sliding scale helped prevent the fuel price outlook from getting any worse in this period. All in all, annual energy inflation fell to 14.42% owing to base effects (Chart 8).

Annual inflation in food and non-alcoholic beverages increased by 2.09 points to 31.86% in April (Chart 8 and Table 2). This upsurge was driven by the annual inflation of unprocessed food prices that climbed to 45.69% (Chart 9). Specifically, annual inflation in fresh fruits and vegetables hitting 73.66% is worth noting (Chart 10). Prices of potatoes and white meat rose sharply, by 23.17% and 10.84% respectively, while the

trend of price increases in red meat accelerated significantly in April (6.39%). Processed food prices rose by 0.97% while annual processed food inflation inched up by 0.47 points to 19.16%. Prices climbed across all subcategories of processed food, with bread and cereals in the lead. Thus, annual inflation increased to 23.26% in food excluding fresh fruits and vegetables (Chart 10).

Prices of tobacco products were up 7.45% in April, which reflects the first-round spillovers of the proportional SCT on tobacco being raised from 63% to 67%. Consequently, annual inflation went up by 6.95 points to 9.66% in alcohol-tobacco. With price adjustments ongoing, tobacco inflation is likely to increase further in May.

Chart 9. Processed and Unprocessed Food (Annual % Change)

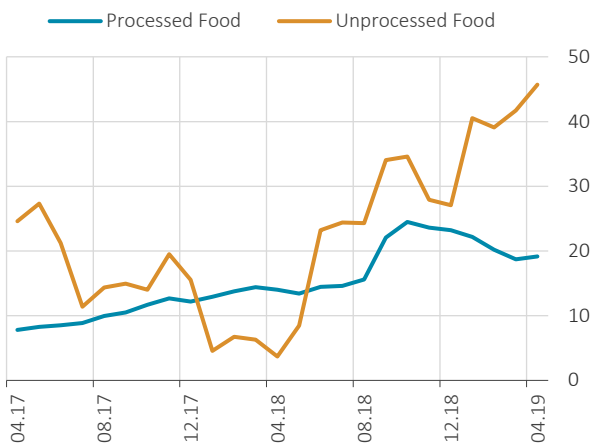
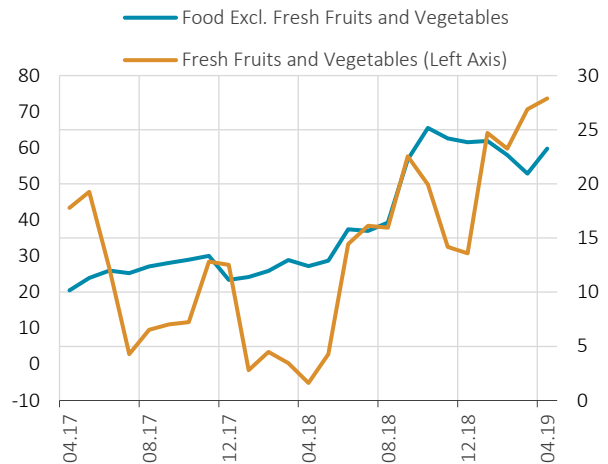


Chart 10. Fruits-Vegetables and Other Food (Annual % Change)



D-PPI

Domestic producer prices rose by 2.98% in April and annual inflation increased by 0.48 points to 30.12% (Chart 11). This rise was led by exchange rate developments and higher oil prices. In this period, the seasonally adjusted underlying trend of manufacturing prices excluding petroleum and base metals recorded an increase (Chart 12).

Chart 11. D-PPI and Manufacturing (Annual % Change)

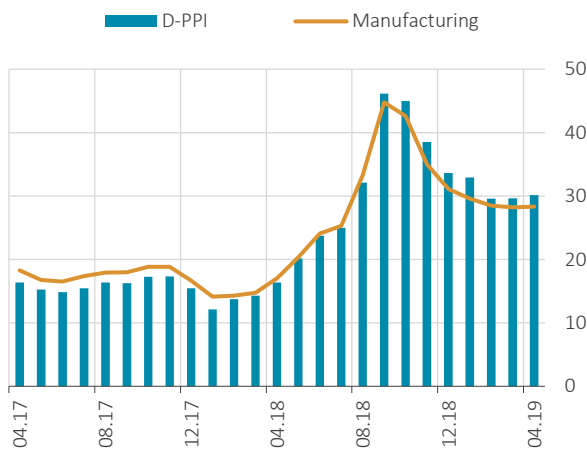
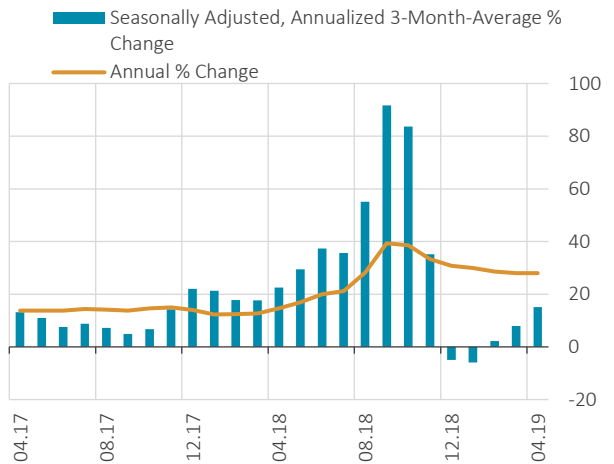


Chart 12. Manufacturing Excluding Petroleum and Base Metals



According to main industrial groupings, prices were up in all subgroups, energy in particular (Table 3). The rise in energy prices was led by prices of petroleum products and electricity. Prices of durable goods were driven higher by furniture, while prices of nondurable goods were largely pushed up by meat products. Price increases in intermediate goods were mostly led by iron-steel, textile yarns and fibers, and basic chemicals, while prices of capital goods were driven higher by metal construction products, parts and accessories of motor vehicles, and machines. As a result, producer prices-driven cost pressures on consumer prices strengthened.

Chart 13. Intermediate and Capital Goods (Annual % Change)

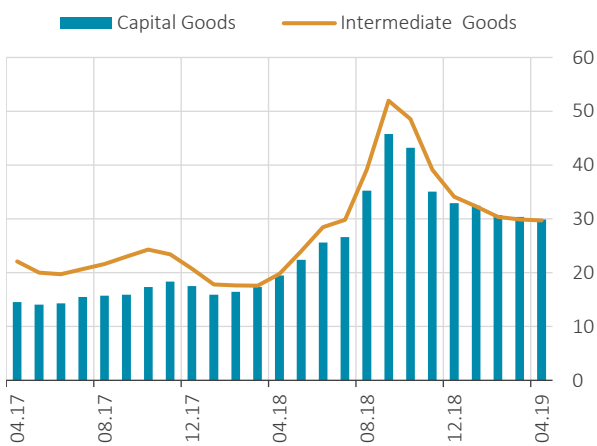
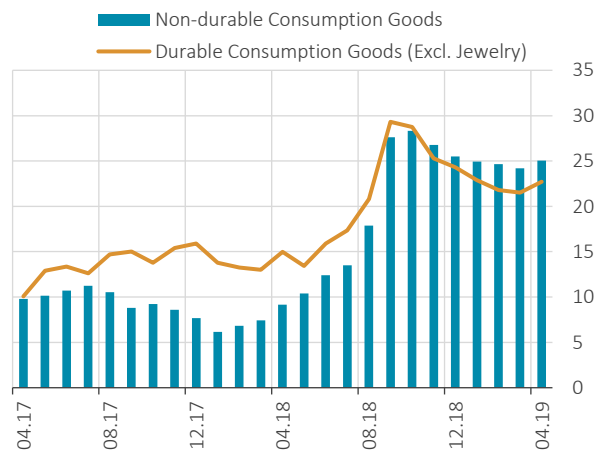


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	April 2019	April 2018	April 2019	April 2018
CPI	1.69	1.87	19.50	10.85
1. Goods	2.05	2.28	21.25	11.50
Energy	1.00	2.76	14.42	11.99
Food and non-alcoholic beverages	1.40	-0.21	31.86	8.81
Unprocessed food	1.78	-1.01	45.69	3.69
Fresh fruits and vegetables	-3.67	-5.32	73.66	-5.14
Other unprocessed food	6.14	1.70	30.21	9.77
Processed food	0.97	0.58	19.16	13.98
Bread and cereals	0.98	0.56	20.92	11.76
Other processed food	0.97	0.58	18.23	15.24
Goods excluding energy and food	2.89	3.83	16.90	13.09
Core goods	2.29	4.44	17.45	15.46
Durable goods (excluding gold)	1.97	3.44	13.81	18.74
Clothing and footwear (*)	5.46	10.59	5.67	12.04
Other core goods	0.68	1.51	32.68	13.36
Alcoholic beverages and tobacco	6.77	0.01	9.66	0.90
Gold	3.72	5.42	34.87	16.60
2. Services	0.81	0.86	15.15	9.27
Rents	0.61	0.74	9.98	9.54
Restaurants and hotels	1.13	1.15	19.58	11.88
Transport	0.91	0.74	10.88	8.01
Communication	0.01	0.00	12.48	0.85
Other	0.86	1.04	16.92	10.34
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.45	2.27	16.78	12.54
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.56	2.63	16.30	12.24
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.42	2.39	16.70	12.50
F – CPI excluding administered prices	1.63	2.12	21.31	11.76

Source: TurkStat.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	April 2019		April 2018	
		Monthly	Annual	Monthly	Annual
CPI	100	1.69	19.50	1.87	10.85
Food and non-alcoholic beverages	23.29	1.40	31.86	-0.21	8.81
Alcoholic beverages and tobacco	4.23	6.77	9.66	0.01	0.90
Clothing and footwear	7.24	5.36	5.91	10.40	12.03
Housing	15.16	0.37	15.31	1.29	10.63
Household equipment	8.33	2.65	27.64	2.11	16.75
Health	2.58	0.49	19.75	0.46	9.97
Transport	16.78	1.19	12.55	3.54	16.45
Communication	3.69	-0.30	10.20	-0.04	-0.06
Recreation and culture	3.29	1.04	19.33	1.67	8.18
Education	2.40	1.26	12.82	0.68	10.86
Restaurants and hotels	7.86	1.13	19.58	1.15	11.88
Miscellaneous goods and services	5.15	1.94	27.47	2.32	12.03

Source: TurkStat.

Table 3. D-PPI and Subcategories (% Change)

	Weight	April 2019		April 2018	
		Monthly	Annual	Monthly	Annual
D-PPI	100	2.98	30.12	2.60	16.37
Mining	3.06	3.45	25.42	1.79	15.90
Manufacturing	89.31	2.86	28.31	2.79	17.04
Manufacturing excl. petroleum products	86.19	2.68	27.86	2.58	16.34
Manufacturing excl. petroleum products and base metals	76.71	2.44	27.95	2.46	14.56
Electricity, gas, steam and air-conditioning sup.	6.52	4.96	57.87	0.76	8.88
Water supply	1.11	0.36	0.33	0.79	4.80
D-PPI (MIGs Classification)					
Intermediate Goods		2.54	29.69	2.70	19.80
Durable Consumption Goods		3.35	23.55	2.30	15.15
Durable Consumption Goods (Excl. Jewelry)		3.36	22.72	2.34	14.96
Non-Durable Consumption Goods		3.21	25.03	2.54	9.15
Capital Goods		1.83	29.87	2.20	19.45
Energy		5.29	47.55	2.92	17.66

Source: TurkStat.