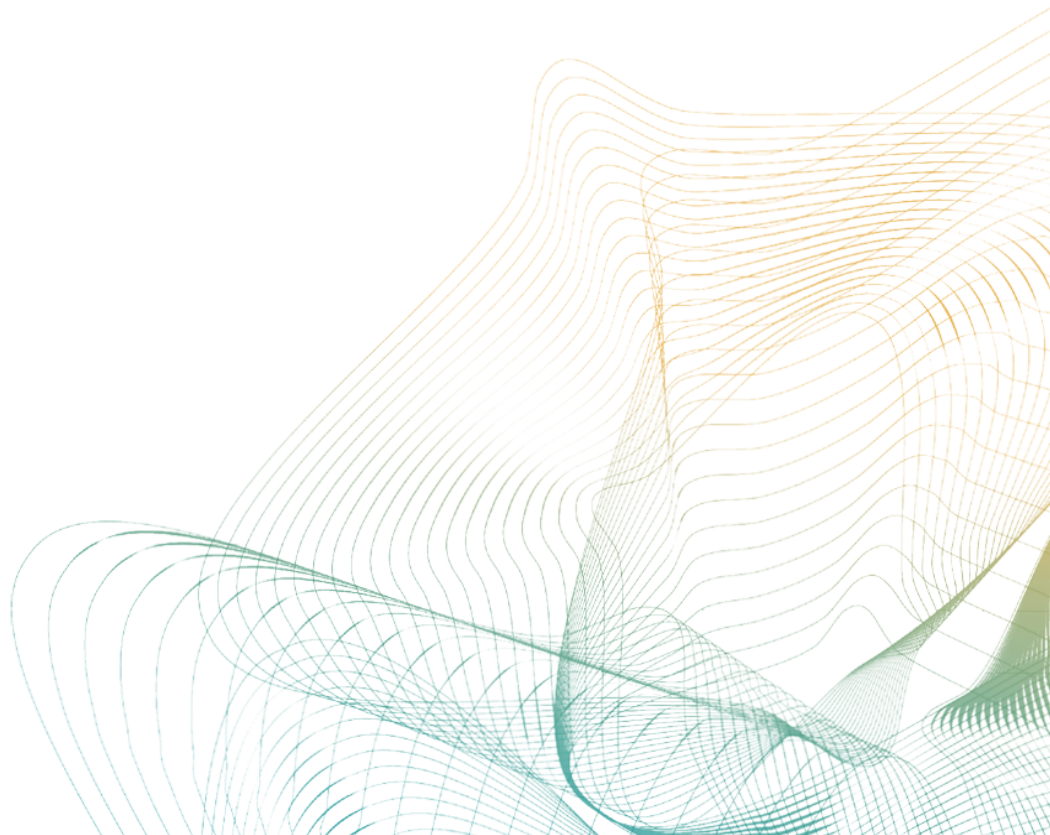




March Price Developments

4 April 2019



Summary

In March, consumer prices rose by 1.03% and annual inflation inched up by 0.04 points to 19.71%. Annual inflation in core indicators continued to decelerate and the underlying trend remained low. In this period, annual services inflation followed an almost flat course, while the slowdown in the core goods inflation prevailed across subgroups. Annual food inflation increased due to soaring prices of fresh fruits and vegetables. Meanwhile, energy inflation was pushed up by the developments in the exchange rate as well as oil prices.

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 March, consumer prices rose by 1.03% and annual inflation inched up by 0.04 points to 19.71%. (Chart 1). In this period, annual rates of change in the B and C indices declined by 0.76 points and 0.59 points to 17.72% and 17.53%, respectively (Chart 2).

An analysis of the contribution of subgroups to annual consumer inflation indicates month-on-month increases of 0.22 and 0.17 points in the energy and food groups, respectively, as opposed to a decline in the core goods group by 0.36 points. Meanwhile, the services group recorded no change.

Chart 1: CPI and D (Annual % Change)

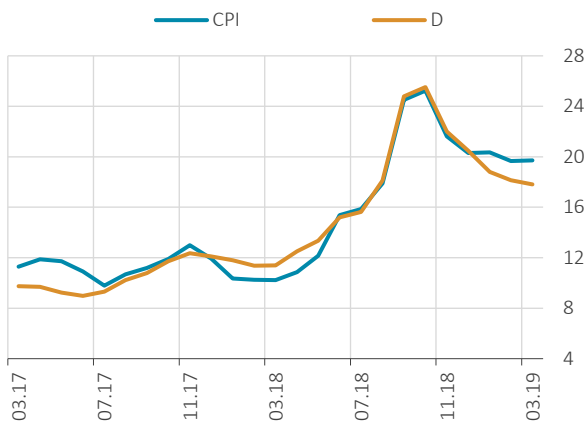
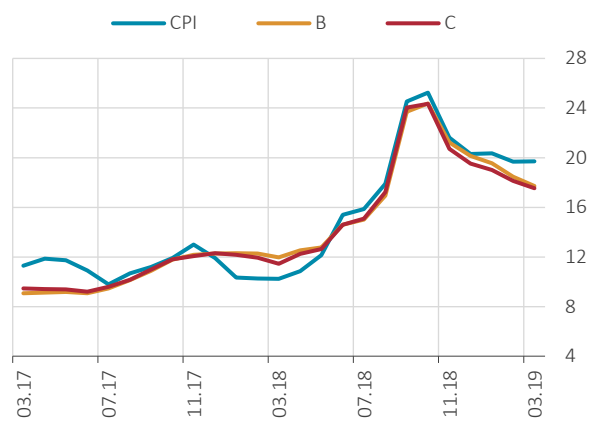


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally-adjusted core inflation indicators remained almost flat (Chart 3). The underlying trend displayed a slight increase in the services group in contrast to a decline in the core goods group in this period (Chart 4).

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

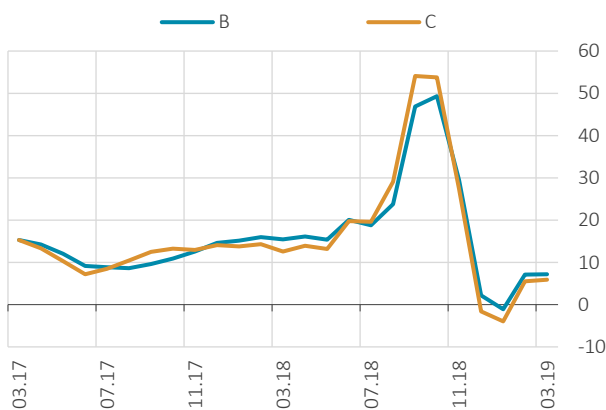
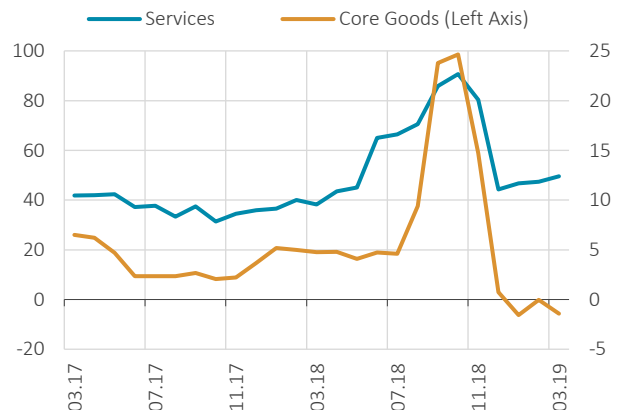


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month Average % Change)



In March, prices of services rose by 0.59 percent, and services inflation inched up by 0.07 points to 15.21 percent, indicating an almost flat course (Chart 5 and Table 1). Annual inflation exhibited slightly diminishing figures in subcategories except the other services group in this period (Chart 6). The restaurants and hotels group witnessed a fall in annual inflation due to the base effect in accommodation services, while the decline in transport inflation was led by the intra-city passenger transport fees. Other

services inflation recorded an increase owing to maintenance-repair and education services, which is driven by private school tuition.

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

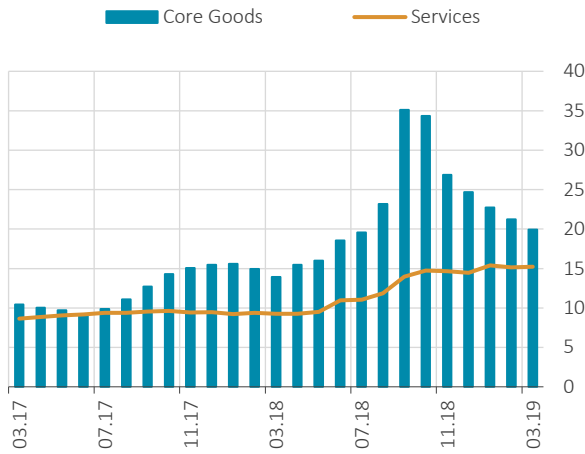
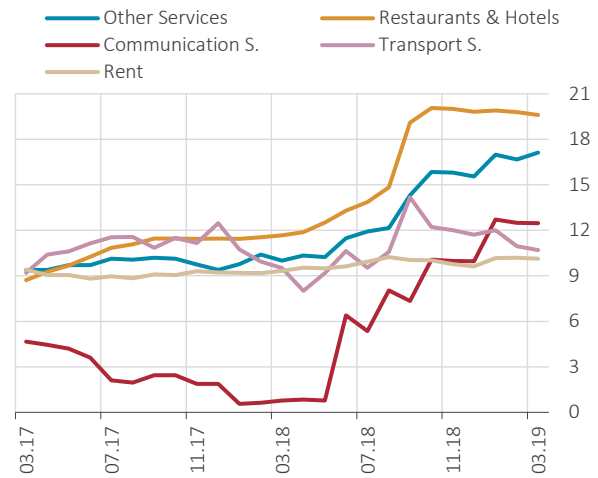


Chart 6. Services (Annual % Change)



Annual inflation in the core goods group fell by 1.30 points to 19.92% in March (Chart 5) with a sustained contribution from all subgroups (Chart 7). Prices in the durable goods group fell by 0.79 percent driven by automobile prices (1.48 percent) in this period. Prices in the clothing and footwear group in the new season increased less than the previous year, while annual inflation in the other core goods group decelerated despite rising prices of pharmaceuticals. In sum, the weak course of domestic demand proved influential in the mild course of core goods prices notwithstanding the depreciation in the Turkish lira.

Chart 7. Core Goods (Annual % Change)

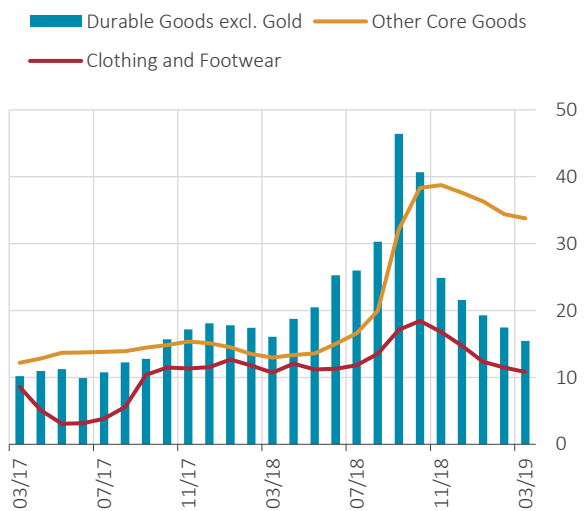
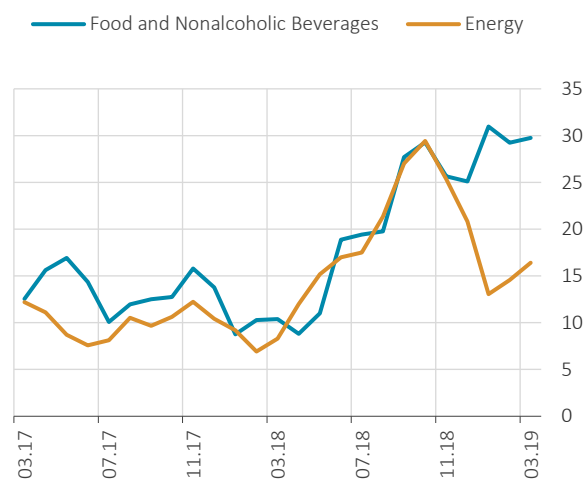


Chart 8. Food and Nonalcoholic Beverages and Energy (Annual % Change)



In March, energy prices increased by 1.94% (Table 1) due to the rising fuel and bottled gas prices (4.94% and 3.81%, respectively), which were pushed up by the developments in the exchange rate and international oil prices. All in all, annual energy inflation rose by 1.84 points to 16.41% (Chart 8).

Annual inflation in food and non-alcoholic beverages increased by 0.52 points to 29.77% in March (Chart 8 and Table 2). This was led by unprocessed food inflation that climbed to 41.71% due to the prices of fresh fruits and vegetables (Chart 9). It is worth noting that annual inflation in the fresh fruits and vegetables group hit 70.69% (Chart 10). In the other unprocessed food group, red meat prices registered an uptick. In March, processed food prices recorded a moderate increase of 0.25%, while the group’s annual inflation receded to 18.69%. In sum, inflation increased in the fresh fruits and vegetables group, but receded in food excluding fresh fruits and vegetables (Chart 10).

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

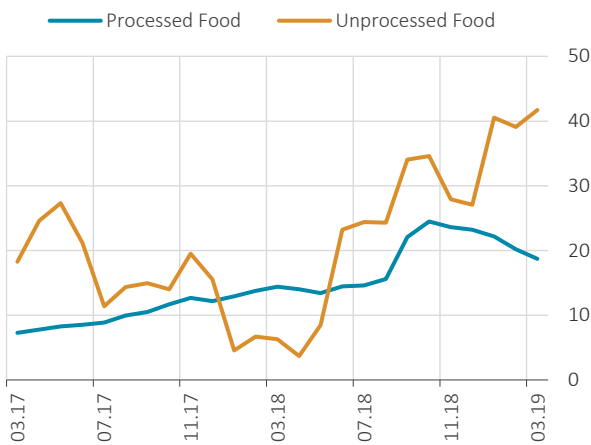
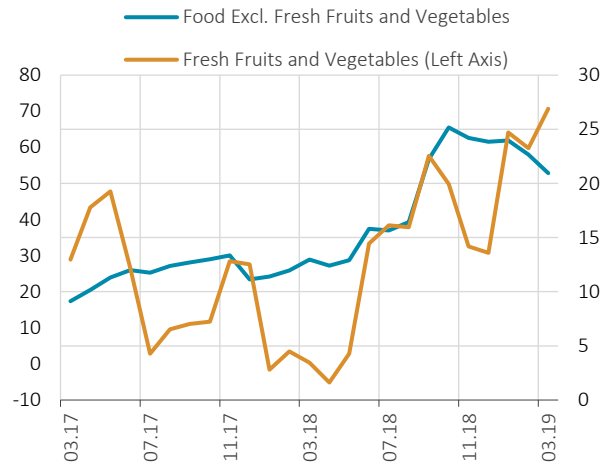


Chart 10. Fruits-Vegetables and Other Food (Annual % Change)



D-PPI

Domestic producer prices increased by 1.58% in March and annual inflation remained almost flat at 29.64% (Chart 11). Annual inflation in the manufacturing industry inched down to 28.23%. 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)

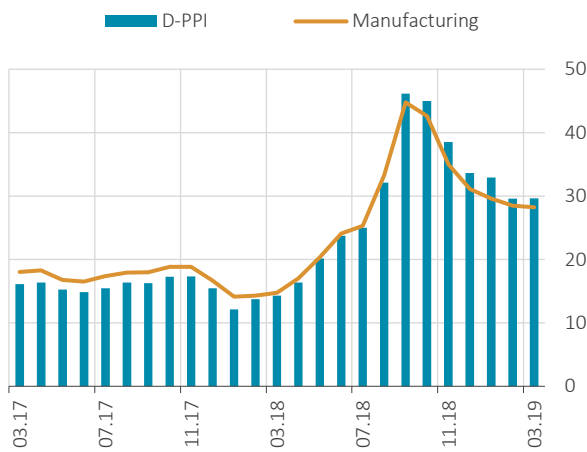
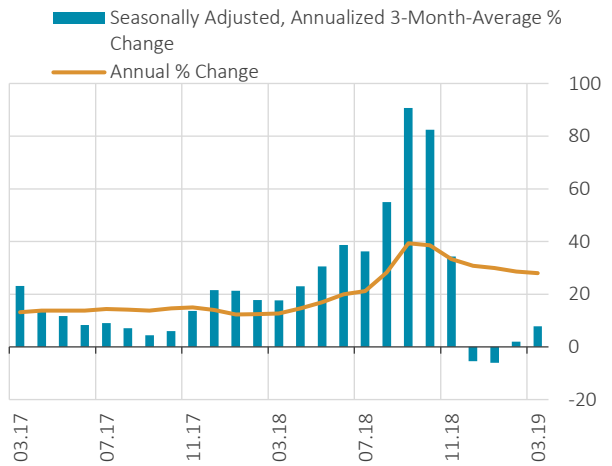


Chart 12. Manufacturing Excluding Petroleum and Base Metals



As for main industrial groupings, prices increased across all subgroups (Table 3). The rise in energy prices was led by the prices of petroleum products and electricity. Price increases in the intermediate goods group were led by iron-steel, textiles and cabling products, while the increase in prices of capital goods was triggered by metal construction products, parts and accessories of motor vehicles and machines. In this period, prices of non-durable consumption goods were pushed up by pharmaceuticals, meat and fruit-vegetable products, while prices of durable consumption goods rose mainly due to furniture prices. Thus, producer-driven cost pressures on consumer prices increased somewhat in March compared to February.

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

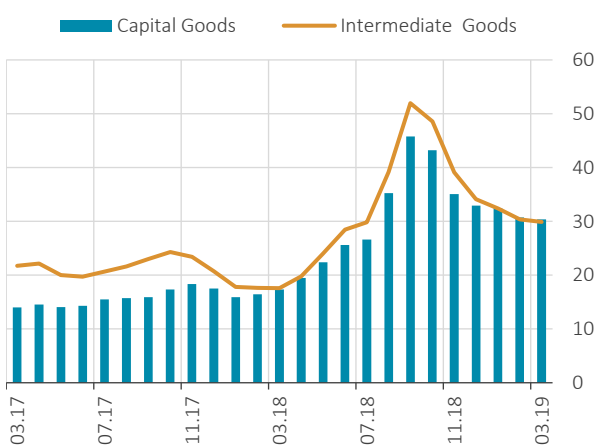
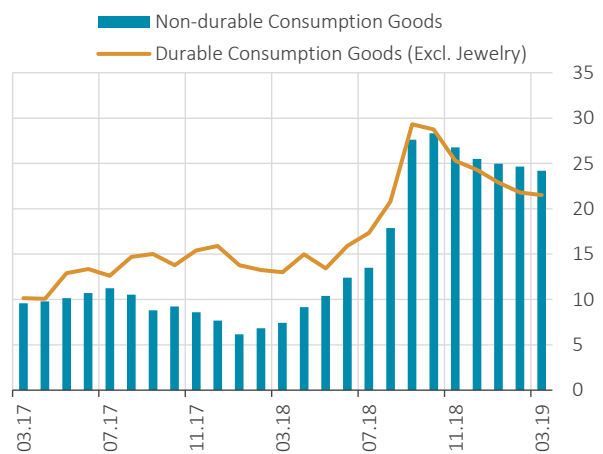


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	March 2019	March 2018	March 2019	March 2018
CPI	1.03	0.99	19.71	10.23
1. Goods	1.20	1.19	21.53	10.66
Energy	1.94	0.32	16.41	8.29
Food and non-alcoholic beverages	2.44	2.03	29.77	10.37
Unprocessed food	4.50	2.56	41.71	6.31
Fresh fruits and vegetables	9.10	2.10	70.69	0.39
Other unprocessed food	1.09	2.85	24.77	10.53
Processed food	0.25	1.51	18.69	14.42
Bread and cereals	0.50	0.84	20.42	12.08
Other processed food	0.12	1.87	17.77	15.74
Goods excluding energy and food	0.07	0.94	17.96	11.68
Core goods	-0.03	1.06	19.92	13.93
Durable goods (excluding gold)	-0.79	0.95	15.45	16.08
Clothing and footwear (*)	0.45	1.06	10.82	10.74
Other core goods	0.76	1.24	33.77	12.97
Alcoholic beverages and tobacco	0.01	0.00	2.71	0.90
Gold	2.22	1.93	37.08	13.64
2. Services	0.59	0.53	15.21	9.26
Rents	0.54	0.60	10.12	9.32
Restaurants and hotels	0.67	0.83	19.60	11.67
Transport	-0.06	0.17	10.70	9.51
Communication	0.14	0.16	12.47	0.78
Other	0.91	0.52	17.12	9.99
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	0.28	0.92	17.72	11.95
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	0.28	0.79	17.53	11.44
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	0.55	0.84	17.81	11.38
F – CPI excluding administered prices	1.11	1.07	21.89	11.16

Source: TurkStat.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	March 2019		March 2018	
		Monthly	Annual	Monthly	Annual
CPI	100	1.03	19.71	0.99	10.23
Food and non-alcoholic beverages	23.29	2.44	29.77	2.03	10.37
Alcoholic beverages and tobacco	4.23	0.01	2.71	0.00	0.90
Clothing and footwear	7.24	0.46	10.97	1.05	10.74
Housing	15.16	0.27	16.36	0.44	9.46
Household equipment	8.33	0.30	26.98	0.78	15.41
Health	2.58	3.48	19.72	1.90	9.96
Transport	16.78	0.75	15.16	0.76	13.41
Communication	3.69	-0.29	10.49	0.10	-0.04
Recreation and culture	3.29	0.22	20.08	0.51	7.14
Education	2.40	1.45	12.17	0.94	10.87
Restaurants and hotels	7.86	0.67	19.60	0.83	11.67
Miscellaneous goods and services	5.15	0.58	27.94	0.69	10.87

Source: TurkStat.

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

	Weight	March 2019		March 2018	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.58	29.64	1.54	14.28
Mining	3.06	0.91	23.42	0.23	12.94
Manufacturing	89.31	1.59	28.23	1.79	14.77
Manufacturing excl. petroleum products	86.19	1.37	27.73	1.77	14.33
Manufacturing excl. petroleum products and base metals	76.71	1.14	27.98	1.62	12.72
Electricity, gas, steam and air-conditioning sup.	6.52	1.98	51.56	-0.84	9.18
Water supply	1.11	0.20	0.76	0.76	4.63
D-PPI (MIGs Classification)					
Intermediate Goods		1.48	29.89	1.86	17.58
Durable Consumption Goods		0.41	22.28	0.68	13.13
Durable Consumption Goods (Excl. Jewelry)		0.36	21.50	0.61	13.01
Non-Durable Consumption Goods		1.33	24.20	1.70	7.42
Capital Goods		1.59	30.34	1.87	17.36
Energy		3.10	44.23	-0.07	15.09

Source: TurkStat.