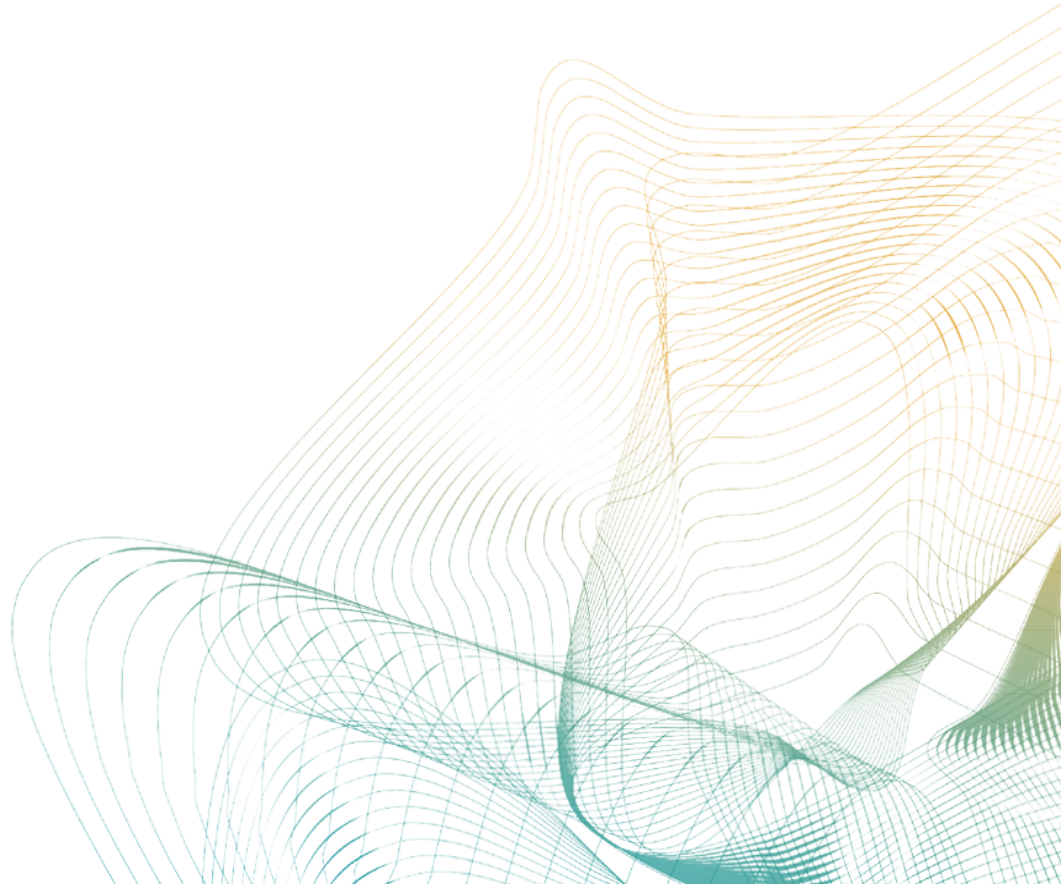




March Price Developments

6 April 2020



Summary

In March, consumer prices were up 0.57% while annual inflation edged down by 0.51 points to 11.86% mainly due to energy and food prices. Despite the depreciating Turkish lira, energy prices dropped markedly due to tumbling international oil prices amid the coronavirus pandemic. While prices of fresh fruits and vegetables brought annual food inflation down, inflation in other food items was up. Services inflation fell slightly whereas inflation in core goods, durable goods in particular, rose on exchange rate developments. Accordingly, annual inflation in B and C indices inched up, displaying a relatively flat trend.

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

In March, consumer prices were up 0.57% whereas annual inflation edged down by 0.51 points to 11.86% (Chart 1). The annual rate of change in B and C indices rose by 0.55 and 0.52 points to 11.65% and 10.49%, respectively (Chart 2).

Across subcategories, the contribution of core goods to annual consumer inflation increased by 0.28 points month-on-month while that of energy, food and services decreased by 0.67, 0.10 and 0.03 points, respectively.

Chart 1: CPI and D (Annual % Change)

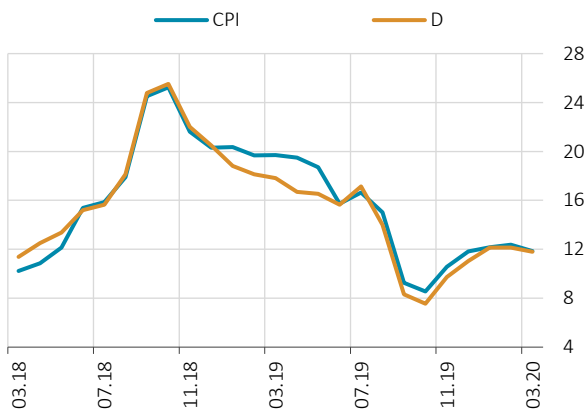
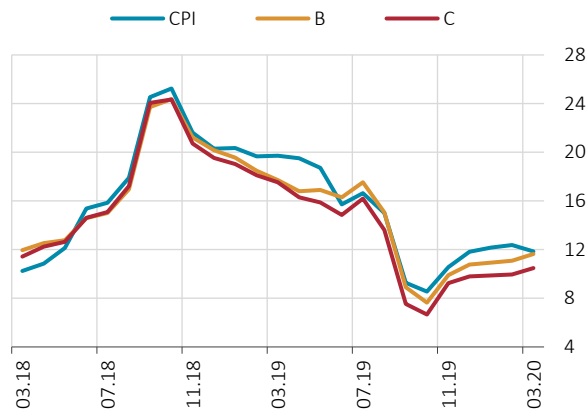


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally adjusted core inflation indicators suggest that the (tax-adjusted) trends of B and C indices were almost flat (Chart 3). In this period, the trend of services posted a small decline, while that of core goods slightly increased (Chart 4).

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

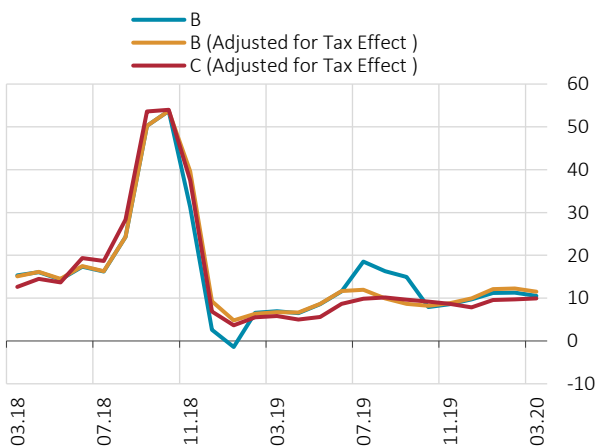
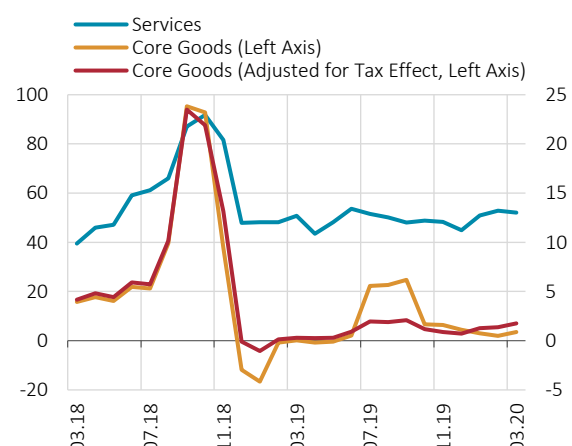


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month Average % Change)



In March, prices of services were up 0.52% but annual services inflation went down by 0.07 points to 12.42% (Chart 5). Annual inflation increased modestly in transport and restaurants-hotels, fell in other services, and remained flat in rents and communication (Chart 6). Several subcategories of services felt strains from the coronavirus pandemic. In the subcategory of restaurants-hotels, prices were higher for

catering services but slightly lower (by 0.56%) for accommodation services. Except for the increase in healthcare services, the subcategories of other services reflected a wider slowdown in annual inflation rates, particularly for package tours, maintenance-repair and recreation-culture.

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

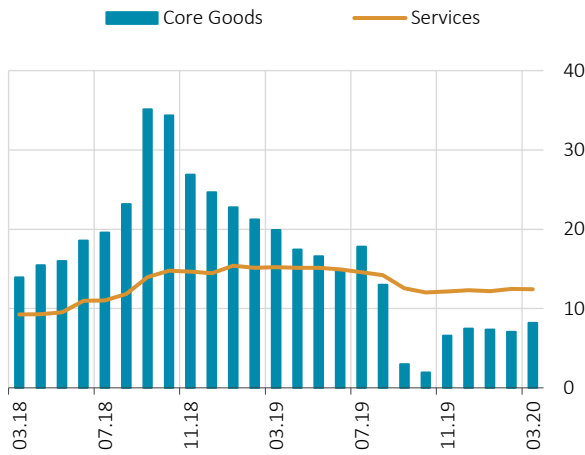
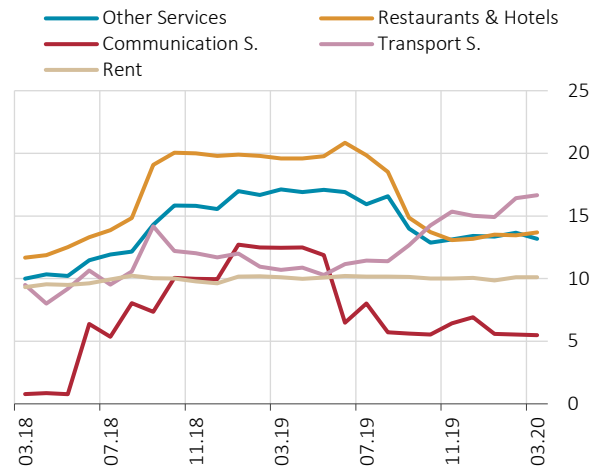


Chart 6. Services (Annual % Change)



Annual core goods inflation rose by 1.13 points to 8.18% in March (Chart 5). In this period, annual inflation was up across all subcategories, especially in durable goods (Chart 7). Prices of durable goods increased 1.10 points month-on-month on account of the depreciating Turkish lira and higher auto prices (up 1.64%). Having dropped in the first two months of 2020 following the VAT cut in January, furniture prices rose by 1.05% in March. After remaining moderate for some time, monthly inflation in other core goods was up 1.21% on rising medicine prices (up 7.08%) and the outlook for the Turkish lira. With new season arrivals, clothing prices also posted a slightly higher monthly increase compared to a year ago.

Chart 7. Core Goods (Annual % Change)

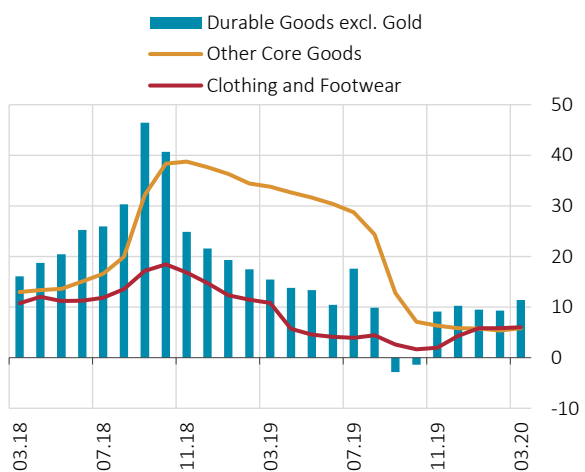
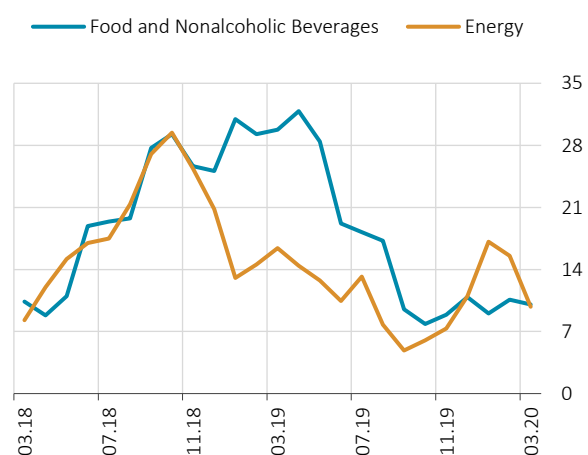


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



Energy prices fell by 3.12% month-on-month in March (Table 1), due to the pandemic-induced international oil price collapse. Despite the depreciating Turkish lira, fuel prices dropped by 8.77% and annual inflation of this group dropped to -7.54%. As a result, annual energy inflation fell by 5.73 points to 9.81% (Chart 8).

In March, annual inflation in food and nonalcoholic beverages decreased by 0.53 points to 10.05% (Chart 8 and Table 2). This drop was prompted by unprocessed food inflation decreasing to 3.33% on the back of fresh fruit and vegetable prices, while annual processed food inflation remaining on the rise (Chart 9). Annual inflation in fresh fruits and vegetables declined to -6.56% in this period. In the other unprocessed food group, red meat prices recorded an even stronger upsurge (up by a monthly 5.06%) while increase in the prices of white meat and potato were notable higher. Meanwhile, processed food prices rose by 0.83% and annual processed food inflation hit 17.28%. In this group, price hikes were particularly pronounced for bread and cereals, fats and oils, and nonalcoholic beverages. In short, while food inflation was pulled down by prices of fresh fruits and vegetables in March, annual inflation soared to 15.26% in the other food subcategory (Chart 10).

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

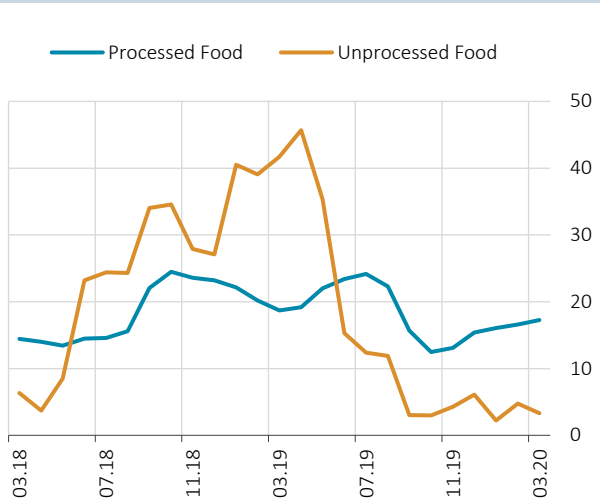
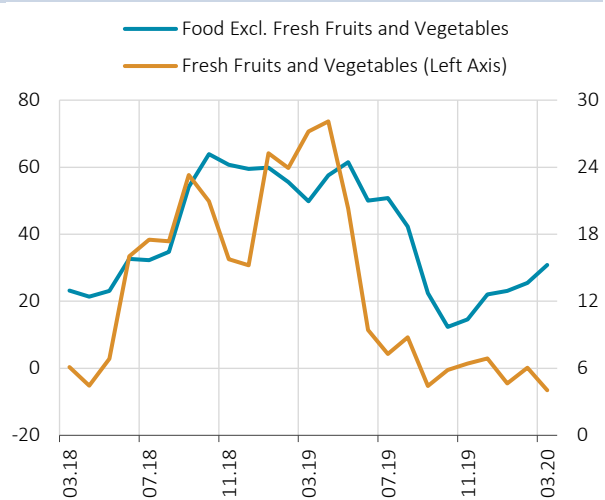


Chart 10. Fresh Fruits-Vegetables and Other Food (Annual % Change)



D-PPI

In March, domestic producer prices increased by 0.87% and annual D-PPI inflation fell by 0.76 points to 8.50% (Chart 11 and Table 3). In this period, international commodity prices slumped amid the coronavirus pandemic, with lower oil prices weighing significantly on producer price inflation. Manufacturing prices excluding petroleum products increased significantly by 1.91% due to the Turkish lira depreciation, and the underlying trend of manufacturing prices excluding petroleum and base metals went up (Chart 12).

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

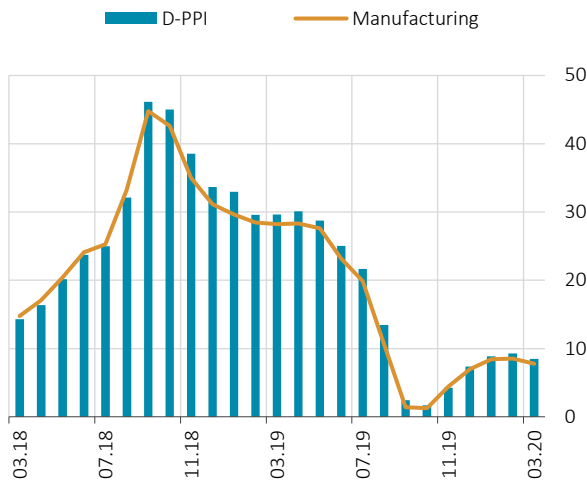
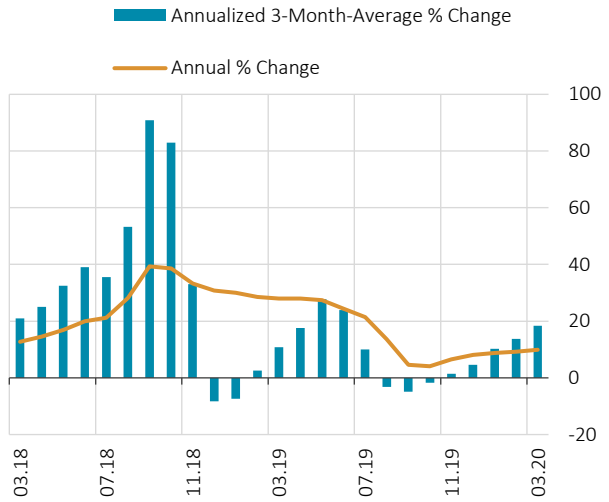


Chart 12. Manufacturing Excluding Petroleum and Base Metals



Across main industrial groupings, annual inflation was considerably lower in energy but higher in other categories (Table 3, Charts 13 and 14). In monthly terms, energy prices were brought down by refined petroleum products and crude oil. Among intermediate goods, price hikes were more significant in the subcategories of iron-steel, chemicals, textile inputs, plastics and paper. Other notable price increases were recorded for structural metal products, motor vehicles and machines from capital goods, food products, meat in particular, and pharmaceuticals from nondurable goods, and furniture, jewelry and some transport vehicles from durable goods.

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

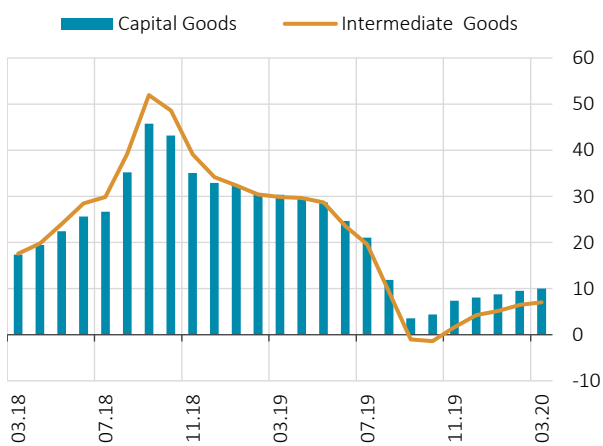
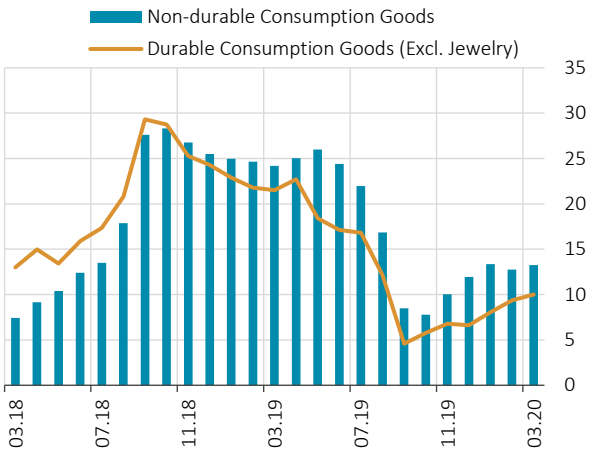


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	March 2020	March 2019	March 2020	March 2019
CPI	0.57	1.03	11.86	19.71
1. Goods	0.59	1.20	11.59	21.53
Energy	-3.12	1.94	9.81	16.41
Food and non-alcoholic beverages	1.95	2.44	10.05	29.77
Unprocessed food	3.11	4.50	3.33	41.71
Fresh fruits and vegetables	1.76	9.10	-6.56	70.69
Other unprocessed food	3.97	1.09	11.79	24.77
Processed food	0.83	0.25	17.28	18.69
Bread and cereals	0.66	0.50	17.97	20.42
Other processed food	0.92	0.12	16.90	17.77
Goods excluding energy and food	0.95	0.07	13.26	17.96
Core goods	1.03	-0.03	8.18	19.92
Durable goods (excluding gold)	1.10	-0.79	11.39	15.45
Clothing and footwear (*)	0.65	0.45	6.01	10.82
Other core goods	1.21	0.76	5.84	33.77
Alcoholic beverages and tobacco	0.04	0.01	40.19	2.71
Gold	2.98	2.22	36.00	37.08
2. Services	0.52	0.59	12.42	15.21
Rents	0.54	0.54	10.11	10.12
Restaurants and hotels	0.87	0.67	13.68	19.60
Transport	0.15	-0.06	16.66	10.70
Communication	0.08	0.14	5.48	12.47
Other	0.47	0.91	13.17	17.12
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	0.77	0.28	11.65	17.72
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	0.76	0.28	10.49	17.53
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	0.25	0.55	11.80	17.81
F – CPI excluding administered prices	0.61	1.11	9.32	21.89

Source: TURKSTAT.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	March 2020		March 2019	
		Monthly	Annual	Monthly	Annual
CPI	100	0.57	11.86	1.03	19.71
Food and non-alcoholic beverages	22.77	1.95	10.05	2.44	29.77
Alcoholic beverages and tobacco	6.06	0.04	40.19	0.01	2.71
Clothing and footwear	6.96	0.65	6.18	0.46	10.97
Housing	14.34	0.26	15.31	0.27	16.36
Household equipment	7.77	0.62	7.69	0.30	26.98
Health	2.80	2.78	12.81	3.48	19.72
Transport	15.62	-1.91	8.79	0.75	15.16
Communication	3.80	-0.05	2.52	-0.29	10.49
Recreation and culture	3.26	0.90	6.72	0.22	20.08
Education	2.58	0.69	13.37	1.45	12.17
Restaurants and hotels	8.67	0.87	13.68	0.67	19.60
Miscellaneous goods and services	5.37	1.24	17.21	0.58	27.94

Source: TURKSTAT.

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

	Weight	March 2020		March 2019	
		Monthly	Annual	Monthly	Annual
D-PPI	100	0.87	8.50	1.58	29.64
Mining	3.23	-0.32	10.90	0.91	23.42
Manufacturing	89.22	0.91	7.79	1.59	28.23
Manufacturing excl. petroleum products	85.25	1.91	9.36	1.37	27.73
Manufacturing excl. petroleum products and base metals	75.47	1.72	9.87	1.14	27.98
Electricity, gas, steam and air-conditioning sup.	6.61	0.99	18.08	1.98	51.56
Water supply	0.95	0.43	5.51	0.20	0.76
D-PPI (MIGs Classification)					
Intermediate Goods		2.03	7.04	1.48	29.89
Durable Consumption Goods		1.35	11.43	0.41	22.28
Durable Consumption Goods (Excl. Jewelry)		0.93	9.99	0.36	21.50
Non-Durable Consumption Goods		1.76	13.25	1.33	24.20
Capital Goods		2.01	9.99	1.59	30.34
Energy		-6.82	1.53	3.10	44.23

Source: TURKSTAT.