



APRIL PRICE DEVELOPMENTS

4 MAY 2021

Summary

In April, consumer prices were up by 1.68%, and annual inflation increased by 0.95 points to 17.14%. Main subcategories other than food registered a higher annual inflation, while the energy group offered the largest contribution to the rise in consumer inflation. In this period, energy prices remained flat due to the implementation of the sliding scale system and the ceiling price, but the group's annual inflation soared on account of the base effect. Core goods recorded an uptick in annual inflation, and the uptrend in clothing continued due also to the arrival of the new season, while durable goods and other core goods were affected by the impact of exchange rate developments. Services inflation increased on an annual basis, but decelerated on a monthly basis after the upward effect of re-opening in March. In this period, the rise in commodity prices continued, with agricultural commodity and industrial metal prices in the lead. Producer prices maintained their rising trend amid the developments in Turkish lira-denominated import prices and ongoing supply constraints in some products. Against this background, annual inflation of the B and C indices increased, while their trends remained high, albeit with some improvement.

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 April, consumer prices were up by 1.68%, and annual inflation increased by 0.95 points to 17.14% (Chart 1). In this period, annual rates of change in the B and C indices rose by 0.62 and 0.89 points to 18.11% and 17.77%, respectively (Chart 2).

Contributions of subcategories to annual consumer inflation reveal month-on-month increases in energy, core goods and services groups by 0.58, 0.38 and 0.12 points, respectively, unchanged figures in the food group, and a decline in alcohol-tobacco-gold group by 0.13 points in April.

Chart 1: CPI and D (Annual % Change)

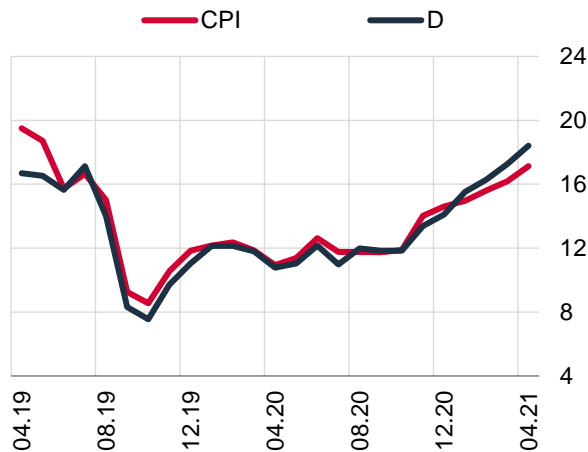
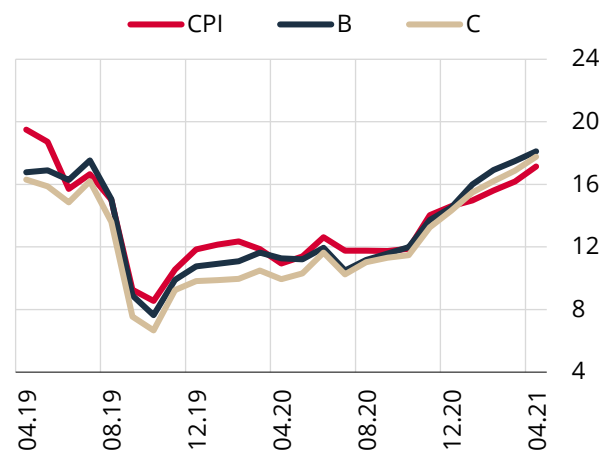


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally adjusted core inflation indicators suggest that the trends of B and C indices continued to decline (Chart 3). In this period, the inflation trend slowed down in processed food and core goods groups, but remained almost flat in the services group (Chart 4).

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

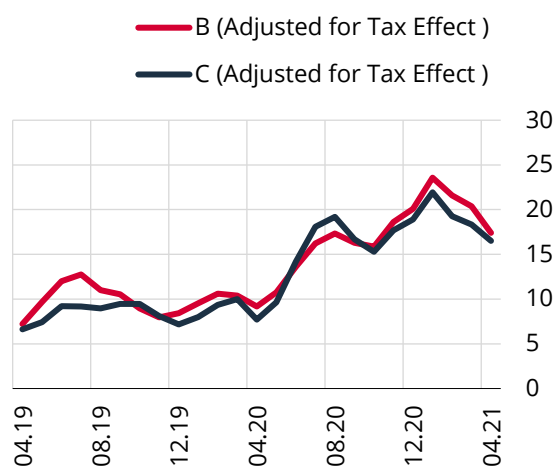
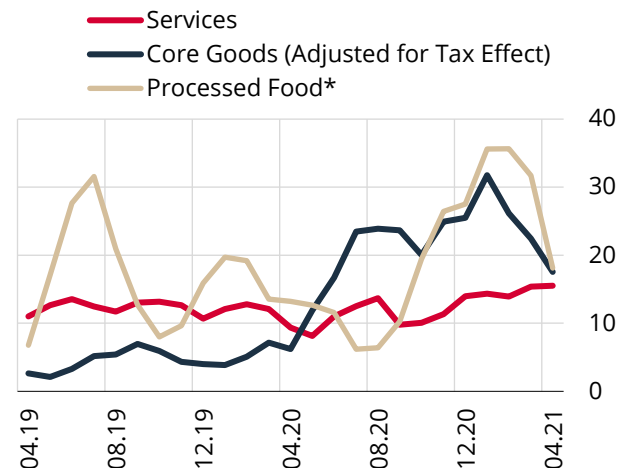


Chart 4: Main Components of B Index (Seasonally adjusted, Annualized 3-Month Average % Change)



*There is no seasonal effect in the processed food group.

In April, services prices increased by 0.72%, and the group's annual inflation rose by 0.56 points to 13.12% (Chart 5). Meanwhile, seasonally adjusted data suggest a deceleration in monthly inflation, after the increase in March due to the easing of restrictions in that month. The increase in annual inflation proved more noticeable in restaurants-hotels and other services, but relatively limited in other subcategories (Chart 6). Annual inflation in restaurants-hotels increased due also to the low base stemming from the

interrupted activity amid the pandemic, while monthly price hikes proved notable both in catering (1.35%) and accommodation services (1.42%). Price increases in other services were driven by education services due to the rise in private school tuition, because of not only the backward indexation but also the termination of temporary VAT reductions. Exchange rate developments pushed prices upwards in this group in items such as maintenance and repair of personal transport equipment and dental services. In transport services, passenger transport fares by air increased (2.49%), whereas intercity passenger transport fares by road decreased. In communication services, falling prices were seen due to the decline in mobile phone call fees, despite the rise in internet services tariffs.

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

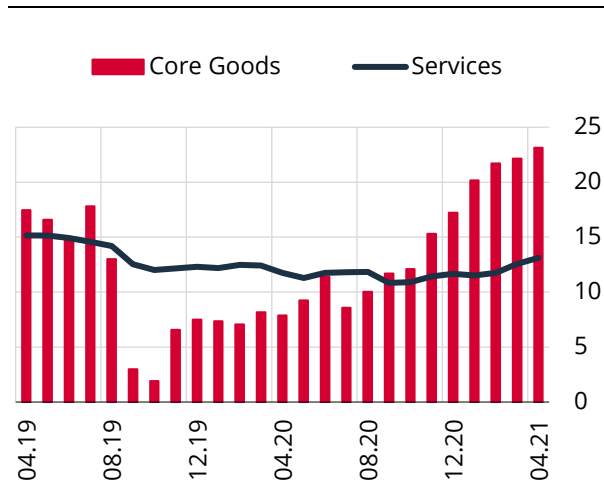
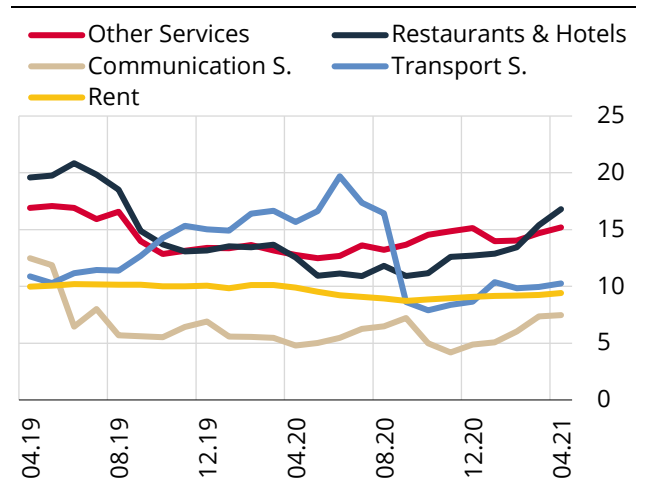


Chart 6. Services (Annual % Change)



In April, annual core goods inflation increased by 0.99 points to 23.13% (Chart 5). In this period, annual inflation decreased in durable goods, but rose in clothing-footwear and other core goods (Chart 7). After a relatively mild course in the last two months, monthly price developments in durable goods reveal accelerated price increases (1.45%) in April due to exchange rate developments. This was mostly driven by automobile prices (3.47%), whereas the decline in furniture prices had a curbing effect. Prices of durable consumption goods are still shaped by exchange rate developments as well as the uptrend in industrial metal prices. The upward trend in clothing and footwear prices has persisted since the beginning of the year, and annual inflation has climbed by 3.63 points to 10.96% with the arrival of the new season. In other core goods, prices exhibited an upsurge (2.16%), and the group's annual inflation rose by 2.01 points to 18.81%.

Chart 7. Core Goods (Annual % Change)

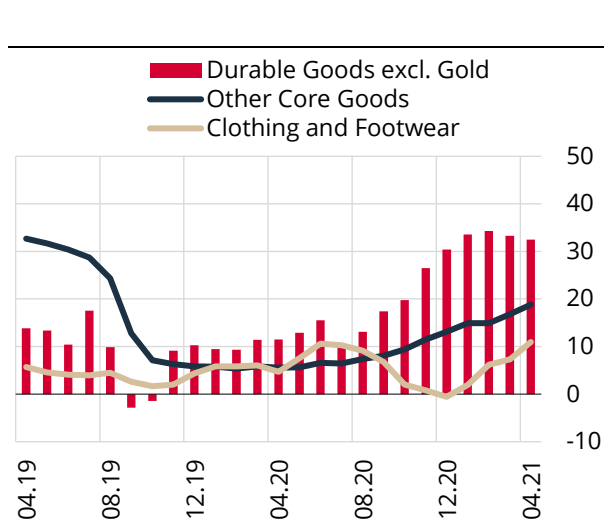
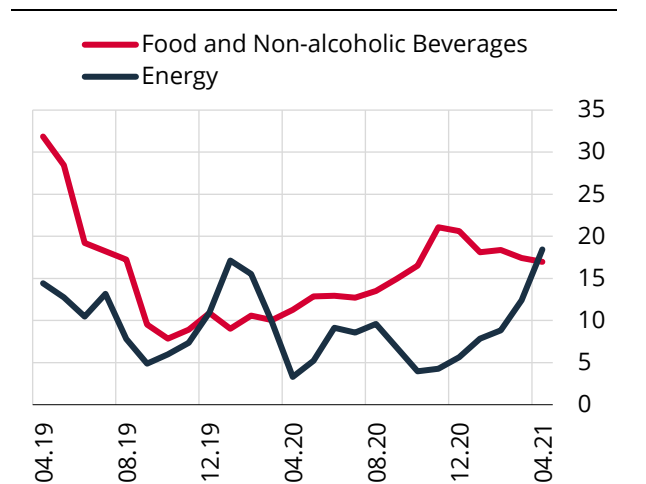


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



In April, energy prices remained almost unchanged (0.10%) (Table 1). Prices of natural gas and bottled gas increased by 1.07% and 1.64%, respectively, whereas fuel prices were down by 0.78% thanks to the sliding scale and price ceiling practices, despite the depreciation in the Turkish lira. Currently, implementation of sliding scale eliminates a substantial inflationary effect. In this period, the flat outlook in energy prices notwithstanding, annual inflation rose by 6.01 points to 18.44% amid the base effect (Chart 8).

In April, prices of food and non-alcoholic beverages increased by 2.13% month-on-month, but dropped by 0.46 points to 16.98% year-on-year (Chart 8 and Table 2). In this period, annual inflation edged down by 0.31 points to 14.67% in the unprocessed food group, and by 0.51 points to 19.36% in the processed food group (Chart 9). Seasonally adjusted data for unprocessed food suggest a monthly surge in vegetables. In this period, among other unprocessed food, prices of both red and white meat maintained their notable upward trends. In April, processed food prices rose by 0.97% month-on-month, and prices of fats and oils continued to climb due to the developments in international commodity prices. Against this background, annual food inflation excluding fresh fruits and vegetables receded to 17.78% (Chart 10).

Prices of tobacco products slightly rose by 0.79%, and the group's annual inflation reached 2.56% in April.

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

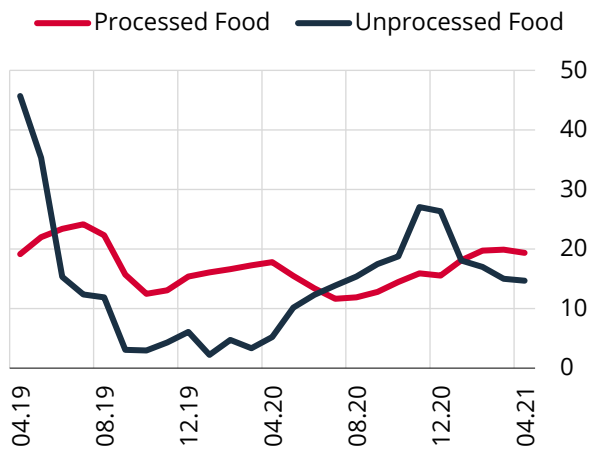
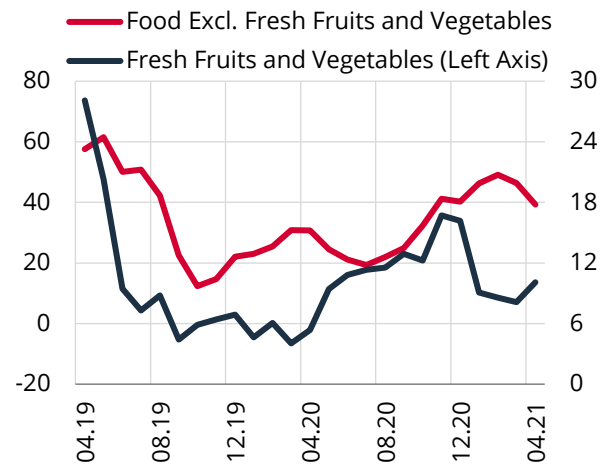


Chart 10. Fresh Fruits-Vegetables and Other Food (Annual % Change)



D-PPI

In April, domestic producer prices rose by a substantial 4.34%, and annual D-PPI inflation increased by 3.97 points to 35.17% (Chart 11 and Table 3), mainly due to exchange rate developments, ongoing increases in international commodity prices and supply constraints. In this period, oil prices declined slightly, while agricultural commodity and industrial metal prices registered hikes. Accordingly, notable price increases were recorded in intermediate goods sectors that were hit by global and domestic supply setbacks, chiefly in base metals, chemicals, paper, textiles, fabricated metal, wood and cork. All in all, the trend of manufacturing industry prices excluding petroleum and base metals remained on an upward track (Chart 12).

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

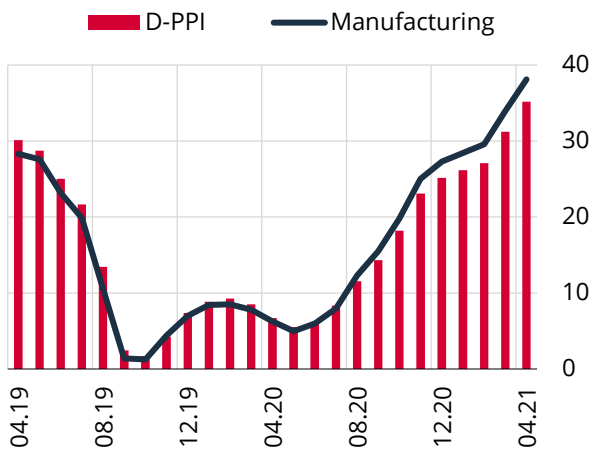
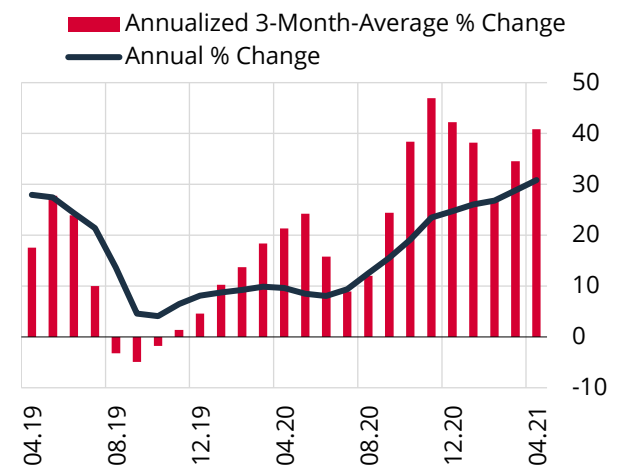


Chart 12. Manufacturing Excluding Petroleum and Base Metals



According to main industrial groupings, annual inflation soared in energy and intermediate goods (Table 3, Charts 13 and 14). The surge in annual energy inflation was also attributed to the low base in the same month of the previous year. In April, intermediate goods recorded a substantial price increase (6.63%) spreading across the group, which was mainly driven by iron-steel and ferroalloys, plastic products and base chemicals, textile threads and fibers as well as paper and paper products. The rise in energy prices were attributed to refined petroleum products as well as production and distribution of electricity. In capital goods, price increases were more prevalent in metal construction products, parts and accessories for motor vehicles, machinery and computers and peripherals. Among durable consumption goods, most notable price increases were seen in jewelry, home appliances, furniture and consumer electronics, while meat products, other textile products and fats-oils were the key drivers of price increases in non-durable consumption goods. Overall, producer prices continued to exert pressure on consumer prices with an increasing magnitude.

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

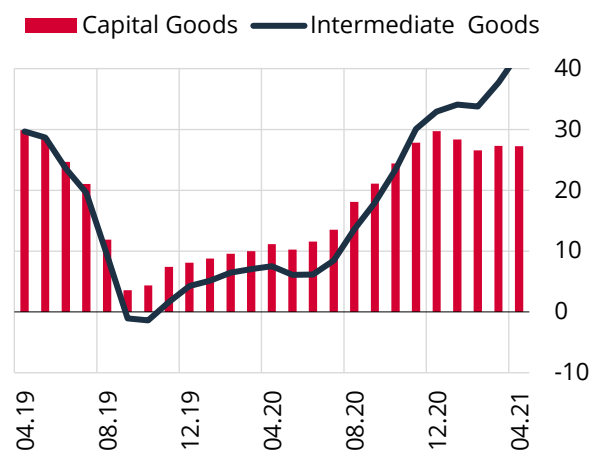
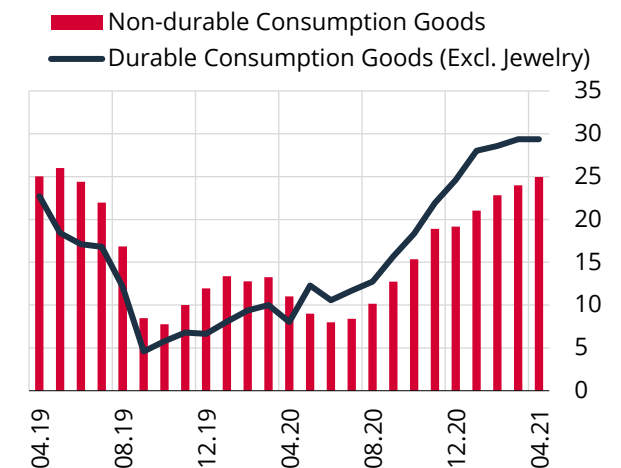


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	April 2021	April 2020	April 2021	April 2020
CPI	1.68	0.85	17.14	10.94
1. Goods	2.03	1.13	18.86	10.59
Energy	0.10	-4.99	18.44	3.30
Food and non-alcoholic beverages	2.13	2.53	16.98	11.28
Unprocessed food	3.37	3.65	14.67	5.23
Fresh fruits and vegetables	7.10	0.91	13.60	-2.11
Other unprocessed food	1.27	5.37	15.30	10.97
Processed food	0.97	1.40	19.36	17.78
Bread and cereals	0.70	1.25	19.02	18.29
Other processed food	1.12	1.49	19.49	17.50
Goods excluding energy and food	2.64	2.24	20.20	12.55
Core goods	2.83	2.01	23.13	7.88
Durable goods (excluding gold)	1.45	2.05	32.50	11.48
Clothing and footwear (*)	7.69	4.17	10.96	4.72
Other core goods	2.16	0.43	18.81	5.58
Alcoholic beverages and tobacco	0.73	0.02	3.60	31.32
Gold	6.85	13.34	26.33	48.62
2. Services	0.72	0.22	13.12	11.76
Rents	0.59	0.42	9.43	9.90
Restaurants and hotels	1.35	0.12	16.81	12.55
Transport	0.31	0.05	10.25	15.66
Communication	-0.53	-0.64	7.47	4.80
Other	0.94	0.51	15.19	12.77
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.65	1.11	18.11	11.27
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.82	1.04	17.77	9.93
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.47	0.50	18.41	10.78
F - CPI excluding administered prices	1.90	1.04	18.82	8.69

Source: TURKSTAT.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	April 2021		April 2020	
		Monthly	Annual	Monthly	Annual
CPI	100	1.68	17.14	0.85	10.94
Food and non-alcoholic beverages	25.94	2.13	16.98	2.53	11.28
Alcoholic beverages and tobacco	4.88	0.73	3.60	0.02	31.32
Clothing and footwear	5.87	7.57	11.03	4.08	4.90
Housing	15.36	0.95	13.60	-0.32	14.52
Household equipment	8.64	-0.03	22.27	1.09	6.06
Health	3.25	0.56	19.20	0.53	12.86
Transport	15.49	1.68	29.31	-1.83	5.54
Communication	4.64	-0.28	9.05	-1.23	1.55
Recreation and culture	3.01	1.50	12.33	-0.67	4.91
Education	2.28	2.09	10.21	0.34	12.35
Restaurants and hotels	5.91	1.35	16.81	0.12	12.55
Miscellaneous goods and services	4.73	1.89	18.27	4.66	20.34

Source: TURKSTAT.

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

	Weight	April 2021		April 2020	
		Monthly	Annual	Monthly	Annual
D-PPI	100	4.34	35.17	1.28	6.71
Mining	3.51	5.02	27.07	0.22	7.44
Manufacturing	87.27	4.55	38.11	1.41	6.27
Manufacturing excl. petroleum products	83.46	4.51	35.17	2.38	9.04
Manufacturing excl. petroleum products and base metals	75.28	3.80	30.84	2.18	9.60
Electricity, gas, steam and air-conditioning sup.	8.38	2.22	4.50	0.31	12.86
Water supply	0.85	0.27	28.32	-0.53	4.57
D-PPI (MIGs Classification)					
Intermediate Goods		6.63	42.59	3.00	7.52
Durable Consumption Goods		2.05	29.24	2.40	10.40
Durable Consumption Goods (Excl. Jewelry)		1.53	29.36	1.52	8.03
Non-Durable Consumption Goods		1.99	24.97	1.18	11.02
Capital Goods		2.85	27.24	2.91	11.16
Energy		3.51	38.64	-7.97	-11.25

Source: TURKSTAT.