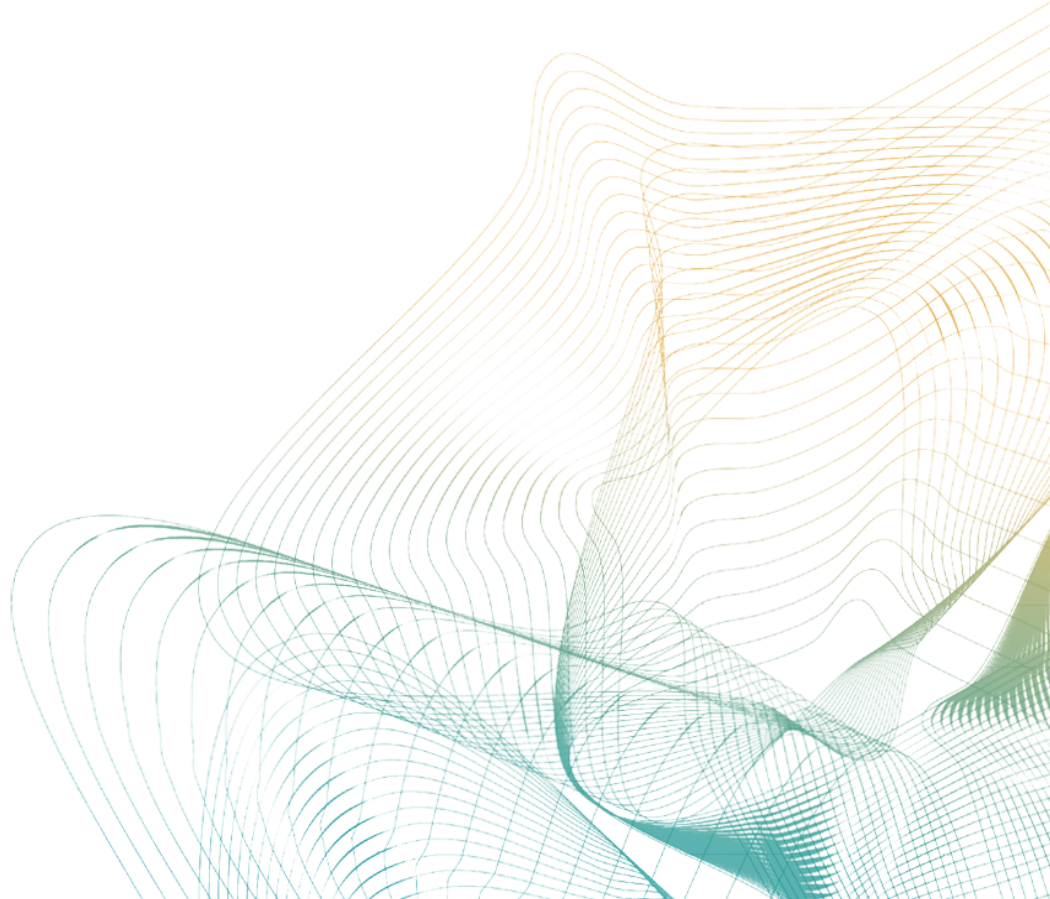




April Price Developments

4 May 2018



Summary

In April, consumer prices rose by 1.87 percent and annual inflation went up by 0.62 points to 10.85 percent. This rise in inflation is mainly attributed to soaring prices of core goods and energy groups due to oil prices and the prospects for exchange rates. Core goods inflation witnessed an acceleration spreading across sub-groups in line with the cumulative depreciation in the Turkish lira. On the other hand, food inflation receded due to unprocessed food prices. Meanwhile, annual services inflation followed a flat course. Owing to the developments in the core goods group, both the annual inflation and the underlying trend of core indicators registered an uptick.

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 1.87 percent and annual inflation went up by 0.62 points to 10.85 percent (Chart 1). The annual rate of change in the B and C indices rose by 0.59 and 0.80 points to 12.54 and 12.24 percent, respectively (Chart 2).

An analysis of the contribution of subcategories to annual inflation reveals month-on-month increases of 0.50 and 0.46 points in the core goods and energy groups, respectively, in contrast to the decline in the food group of 0.36 points. Meanwhile, the contribution of the services and alcohol-tobacco groups did not register a noticeable change.

Chart 1: CPI and D (Annual % Change)

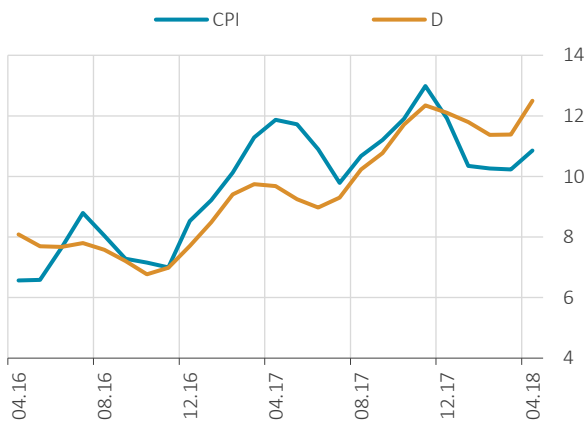
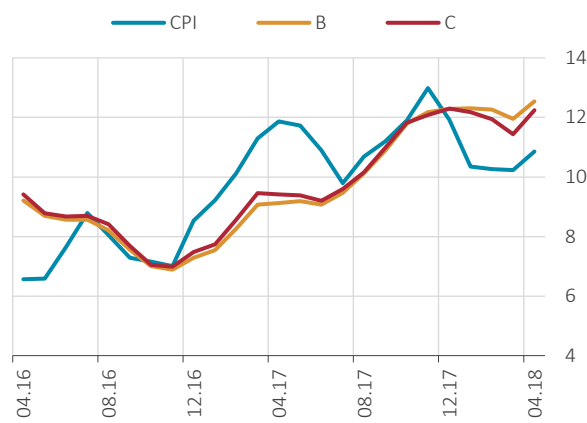


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally-adjusted core inflation indicators show that the underlying trend of inflation recorded an increase (Chart 3). The underlying trend in April remained flat in services, but moved considerably higher in core goods (Chart 4). All in all, the underlying trend in core inflation indicators remained high.

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

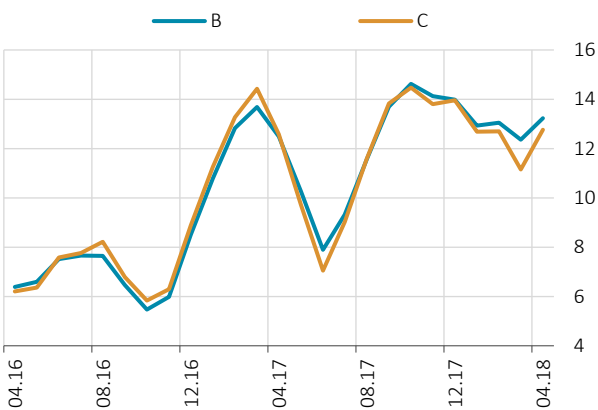
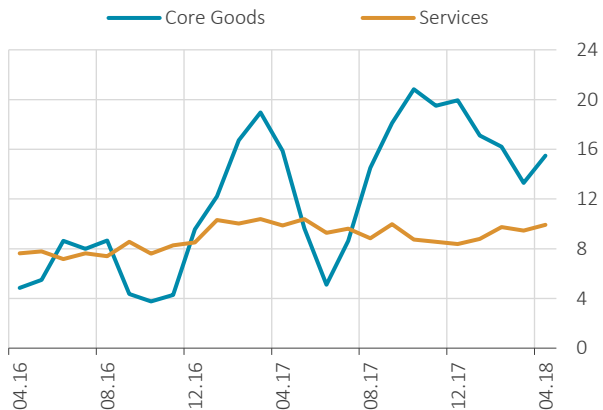


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month-Average % Change)



Prices of services rose by 0.86 percent and annual services inflation remained flat at 9.27 percent in April (Chart 5 and Table 1). Annual inflation fell further in transport services in this period, remained the same in the communication group, and increased in other groups (Chart 6). The fall in annual inflation in transport services is attributed to the falling inflation in airline passenger transport due to the base effect.

Under the restaurants-hotels group, catering services inflation recorded no change, but accommodation services inflation witnessed a hike parallel to the rebound in tourism. Meanwhile, inflation in other services registered a pickup mainly due to the maintenance and repair of personal transportation vehicles and package tours prices, which are sensitive to the exchange rate developments.

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

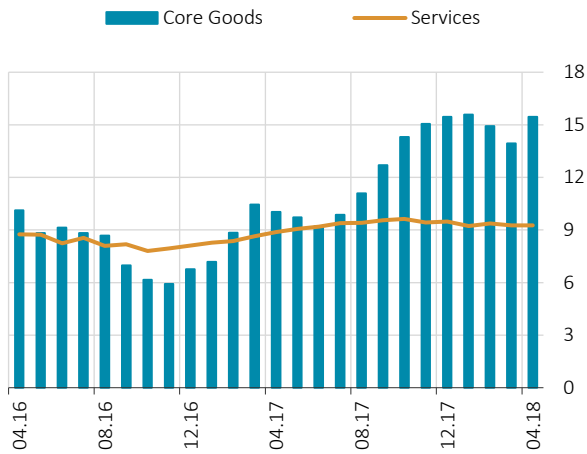
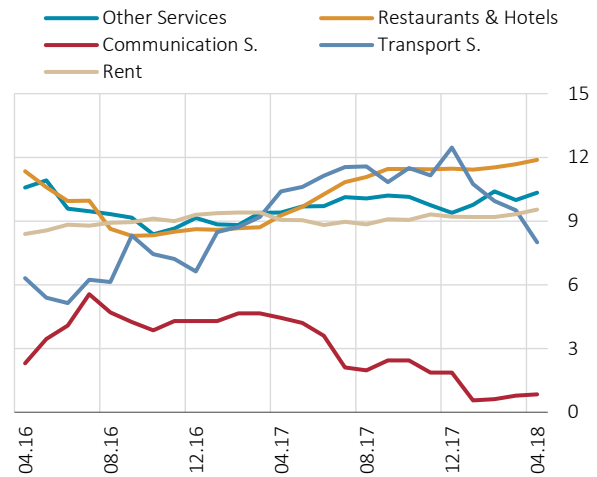


Chart 6. Services (Annual % Change)



Annual core goods inflation increased by 1.53 points to 15.46 percent in April (Chart 5). Annual inflation picked up across all sub-groups in this period (Chart 7). The upsurge in prices of durable goods was driven by automobiles and furniture (4.70 and 4.31 percent, respectively). It is noteworthy that, in the clothing group, producer prices saw a yearly increase of 5.73 percent whereas the consumer prices posted an increase of 12.04 percent in the same period. Housing maintenance-repair equipment and personal care products, which have a rather high imported content, emerged as the drivers of the price increase in other core goods. In sum, annual core goods inflation registered a cost-driven increase, while demand conditions also helped the effects of cost shocks on inflation to be apparent.

Chart 7. Core Goods (Annual % Change)

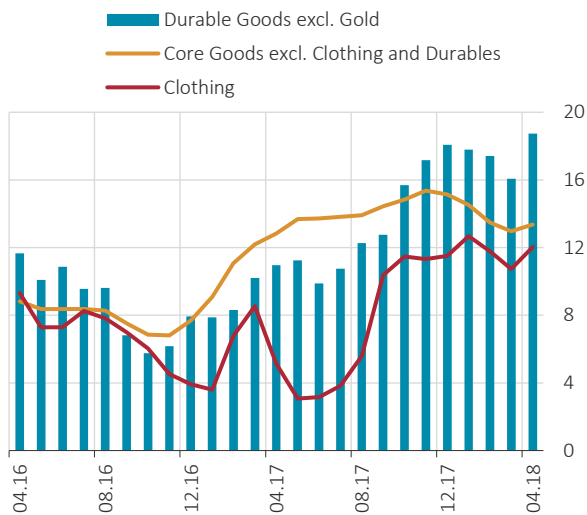
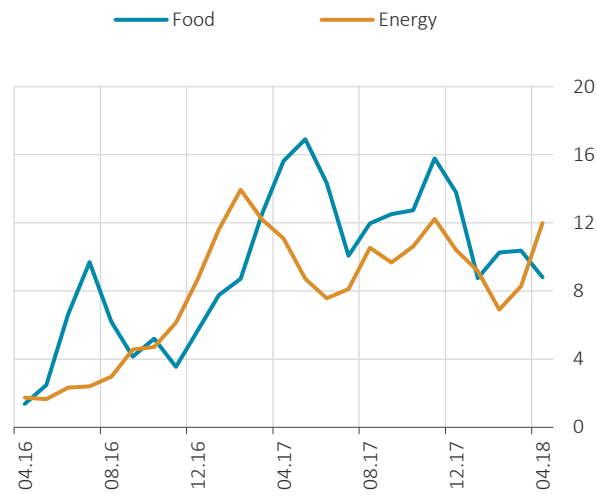


Chart 8. Food and Energy (Annual % Change)



Energy prices increased by 2.76 percent in April (Table 1). Fuel and bottled gas prices were up 4.70 and 1.12 percent, respectively, due to higher international oil prices and a weaker Turkish lira. In addition, electricity prices jumped by 2.90 percent while municipal tap water tariffs rose by 1.23 percent. Thus, annual energy inflation soared by 3.70 points to 11.99 percent (Chart 8). This upward pattern might continue in the short term, given the low base from the second quarter of the last year.

Annual inflation in food and nonalcoholic beverages was down 1.56 points to 8.81 percent in April (Chart 8). Both processed and unprocessed food saw lower annual inflation rates (Chart 9). Annual food inflation decelerated largely on the back of lower unprocessed food prices amid moderating prices of fresh fruits and vegetables. Having been on the rise since January, red meat prices rose by 4.33 percent in April, recording a cumulative increase of 12.73 percent in the first four months. After registering large month-on-month increases in the first quarter, processed food prices posted a moderate course compared to the first quarter, rising by 0.58 percent in April, and annual processed food inflation decreased to 13.98 percent. The effects of red meat prices developments were monitored in processed meat prices, whereas price increases in cheese and the other dairy goods lost momentum. Accordingly, annual food inflation excluding fresh fruits and vegetables inched down to 12.41 percent (Chart 10).

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

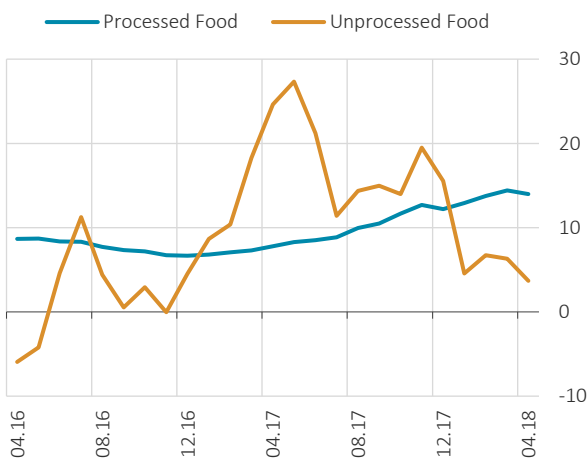


Chart 10. Fruits-Vegetables and Other Food (Annual % Change)

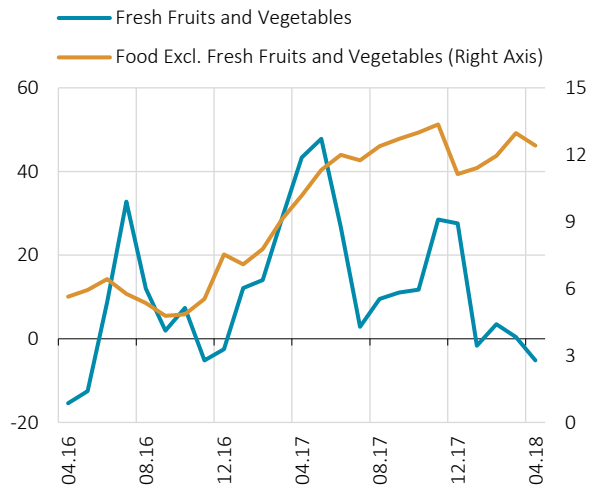


Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	April 2018	April 2017	April 2018	April 2017
CPI	1.87	1.31	10.85	11.87
1. Goods	2.28	1.50	11.50	13.20
Energy	2.76	-0.64	11.99	11.09
Food and nonalcoholic beverages	-0.21	1.23	8.81	15.63
Unprocessed food	-1.01	1.49	3.69	24.61
Fresh fruits and vegetables	-5.32	0.20	-5.14	43.38
Other unprocessed food	1.70	2.41	9.77	14.58
Processed food	0.58	0.96	13.98	7.80
Bread and cereals	0.56	0.85	11.76	7.08
Other processed food	0.58	1.02	15.24	8.21
Goods excluding energy and food	3.83	2.53	13.09	12.54
Core goods	4.44	3.06	15.46	10.02
Durable goods (excluding gold)	3.44	1.12	18.74	10.96
Clothing and footwear ^(*)	10.59	9.31	12.04	5.14
Other core goods	1.51	1.16	13.36	12.82
Alcoholic beverages and tobacco	0.01	0.01	0.90	21.65
Gold	5.42	2.74	16.60	31.52
2. Services	0.86	0.85	9.27	8.87
Rents	0.74	0.54	9.54	9.05
Restaurants and hotels	1.15	0.96	11.88	9.27
Transport	0.74	2.14	8.01	10.40
Communication	0.00	-0.07	0.85	4.44
Other	1.04	0.72	10.34	9.40
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.27	1.73	12.54	9.12
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.63	1.89	12.24	9.42
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.39	1.37	12.50	9.68

Source: TurkStat.

(*) Does not cover clothing services.

D-PPI

Domestic producer prices were up 2.60 percent in April and annual PPI inflation increased by 2.09 points to 16.37 percent (Chart 11). The rise in producer prices was driven by recent exchange rate movements and rising commodity prices, particularly for oil and metals. In this period, annual inflation climbed by 2.27 points to 17.04 percent in manufacturing prices. This upsurge spread across all subcategories. Thus, the seasonally adjusted underlying trend of manufacturing industry prices excluding oil and base metals also accelerated dramatically (Chart 12).

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

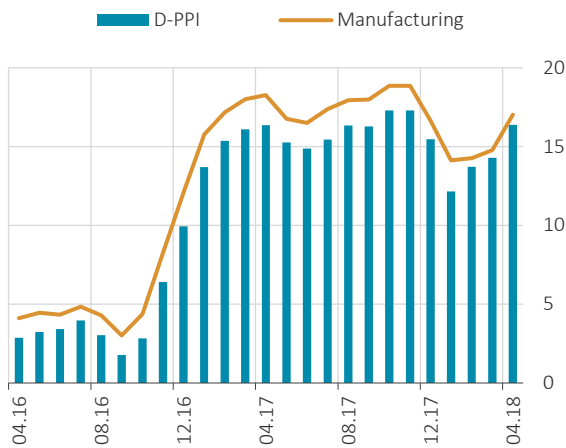
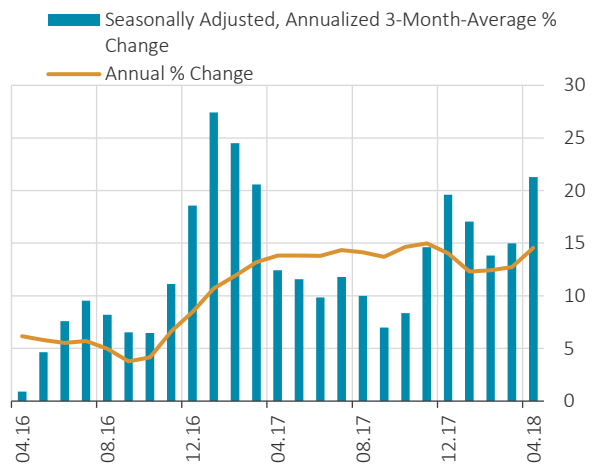


Chart 12. Manufacturing Excluding Petroleum and Basic Metals



According to the Main Industrial Groupings (MIGs), prices were remarkably higher across all subcategories in April (Table 3). Price increases in intermediate goods were mostly led by iron-steel, plastics, textile yarns and fibers, and chemicals, while prices of capital goods were pushed up by motor vehicles and their spare parts and accessories, metal construction materials, and machines. Furniture and home appliances accounted for higher prices of durable goods, while prices of nondurable goods were driven higher by meat products, publishing activities, dairy products, apparels and miscellaneous food products. On the whole, weighing on consumer prices at a stronger rate than a month ago, producer-driven cost pressures remained at high levels.

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

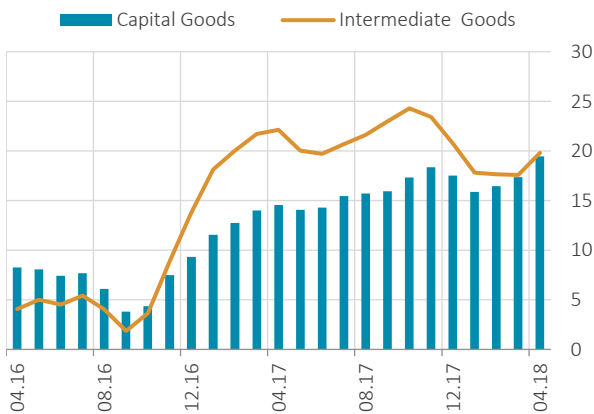
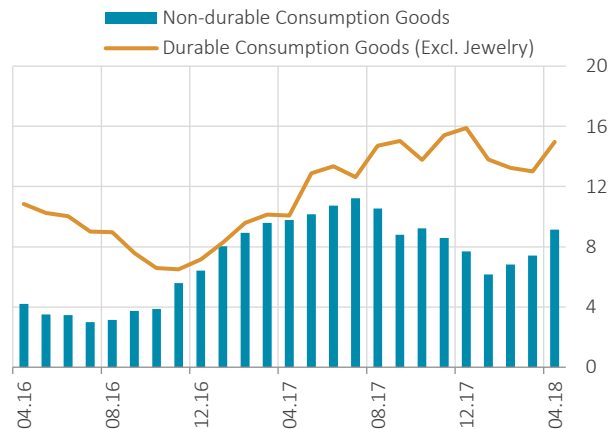


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 2. CPI and Subcategories (% Change)

	Weight	April 2018		April 2017	
		Monthly	Annual	Monthly	Annual
CPI	100.00	1.87	10.85	1.31	11.87
Food and nonalcoholic beverages	23.03	-0.21	8.81	1.23	15.63
Alcoholic beverages and tobacco	5.14	0.01	0.90	0.01	21.65
Clothing and footwear	7.21	10.40	12.03	9.13	5.17
Housing	14.85	1.29	10.63	0.21	7.53
Household equipment	7.66	2.11	16.75	0.94	5.58
Health	2.64	0.46	9.97	0.45	13.32
Transport	17.47	3.54	16.45	0.84	17.94
Communication	3.91	-0.04	-0.06	-0.02	4.15
Recreation and culture	3.39	1.67	8.18	0.69	9.22
Education	2.67	0.68	10.86	0.69	9.64
Restaurants and hotels	7.27	1.15	11.88	0.96	9.27
Miscellaneous goods and services	4.76	2.32	12.03	1.26	13.68

Source: TurkStat.

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

	Weight	April 2018		April 2017	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	2.60	16.37	0.76	16.37
Mining	3.26	1.79	15.90	-0.82	17.35
Manufacturing	89.02	2.79	17.04	0.80	18.27
Manufacturing excl. petroleum products	86.52	2.58	16.34	0.81	16.75
Manufacturing excl. petroleum products and basic metals	79.60	2.46	14.56	0.82	13.82
Electricity, gas, steam and air-conditioning sup.	6.74	0.76	8.88	1.04	-5.09
Water supply	0.98	0.79	4.80	0.62	11.00
D-PPI (MIGs Classification)					
Intermediate Goods		2.70	19.80	0.80	22.12
Durable Consumption Goods		2.30	15.15	0.50	13.12
Durable Consumption Goods (Excl. Jewelry)		2.34	14.96	0.60	10.07
Non-Durable Consumption Goods		2.54	9.15	0.91	9.79
Capital Goods		2.20	19.45	0.41	14.55
Energy		2.92	17.66	0.67	14.38

Source: TurkStat.