

MARCH PRICE DEVELOPMENTS

4 April 2024



Summary

Consumer prices rose by 3.16% in March, and annual inflation increased by 1.43 points to 68.50%. Annual inflation receded in the food subgroup, but went up in other groups, more markedly in core goods and services. On a monthly basis, services, food and core goods stood out with soaring prices. In the services group, marked by the wage effect and backward-indexation behavior, the monthly price increase in the services group decelerated somewhat, yet remained relatively high with rent, education and communication items in the lead. The monthly increase in food prices was driven by unprocessed food prices led by red meat, while the slowdown in processed food prices was noticeable. Price increases in core goods grew stronger in March, led primarily by durable goods. This was attributed to exchange rate effects, while the resilient course of domestic demand conditions eased the pass-through of cost increases into durable goods prices. Monthly energy inflation followed a milder course compared to previous months in tandem with fuel prices. Monthly producer inflation remained elevated despite the month-on-month deceleration, while annual producer inflation posted an uptick also due to the low base effect. Based on the main industrial groupings, energy prices followed a moderate course, while non-energy prices further registered relatively high increases. Against this background, the seasonally adjusted monthly rate of increase in B and C indicators remained above the Inflation Report forecasts despite the ongoing trend of weakening, while annual inflation in these indicators recorded an increase.

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

Consumer prices rose by 3.16% in March, and annual inflation increased by 1.43 points to 68.50%. The annual rates of change in the B and C indices rose by 1.58 and 2.32 points to 71.89% and 75.21%, respectively (Chart 1 and Table 1). In this period, the mechanical effect of natural gas on monthly consumer inflation remained very limited (0.02 points), as in the previous month (Chart 2).

Compared to the previous month, the contributions of the core goods, services, energy and food groups to annual consumer inflation increased by 0.71, 0.62, 0.09 and 0.01 points, respectively. On the other hand, the contribution of the alcohol-tobacco-gold group remained unchanged compared to last month.

In seasonally adjusted terms, monthly increases in the B and C indices decelerated somewhat over the previous month (Chart 3). Compared to February, among the components of the B index, price increases strengthened slightly in core goods, but decelerated in processed food and services, particularly in processed food (Chart 4)

Despite an ongoing slowdown, the increase in services prices remained strong at 4.20% in March, and annual services inflation rose by 2.12 points to 96.48%. In monthly terms, transport prices posted a limited decline, while other subgroups recorded significant price hikes. Annual inflation receded in the transport subgroup, remained relatively flat in restaurants-hotels, and rose in other subgroups (Chart 5). Prices of rents and communication services sustained their sharp rise, with rents going up by 6.33% month-on-month and communication services rising by 6.63% due to telephone calls and internet fees. Annual inflation in the rent subgroup increased by 3.02 points to 123.95%. In the other services subgroup, education and insurance prices stood out. The monthly price increase in education services was notably high (13.08%), as was the case in February due to private school fees, and annual inflation in this group stood at 104.07%. The monthly increase in the restaurants-hotels subgroup, which is affected by food prices and minimum wage adjustments, decelerated month-on-month by 3.95%. The price of transport services declined slightly on a monthly basis due to the price decreases in intercity passenger transportation by road (-8.36%) and passenger transportation by air (-0.94%), and diverged from other subgroups of services.

Annual core goods inflation increased by 2.46 points to 56.46% (Chart 6). In March, annual inflation went up across all subgroups. Prices of durable goods (excluding gold) climbed by 3.04%, while the subgroup's annual inflation increased by 2.13 points to 61.11%. In the durable goods group, where the effects of resilient domestic demand and exchange rate developments were evident, furniture stood out with price increases (5.06%), followed by electric and non-electric household appliances (3.00%) and automobiles (2.53%). Prices of other core goods rose by 2.72%, pushing annual inflation up by 0.30 points to 55.25%. The subgroup's monthly inflation was driven by personal care products and the maintenance and repair of dwellings. In March, clothing and footwear prices rose by 2.61% month-on-month, despite the decline in the same period of the previous year, and the annual inflation of the subgroup increased by 6.73 points to 49.12%.

Energy prices rose by 1.39% in March, and annual energy inflation increased by 1.37 points to 37.32% (Chart 7). Fuel prices went up by 1.70% due to the developments in Turkish lira-denominated oil prices. Bottled gas prices gained momentum at 7.06% month-on-month, while prices in other items were on a mild track.

In March, prices of food and non-alcoholic beverages increased by 3.40%, and annual inflation fell by 0.71 points to 70.41% (Chart 7). Annual inflation remained almost flat at 84.14% in unprocessed food, but went down by 1.45 points to 58.97% in processed food (Chart 8). In seasonally adjusted terms, fresh fruit and vegetable prices, which had increased in the previous month, led by vegetable prices, followed a moderate course this month. In the other unprocessed food group, red and white meat prices picked up significantly, driving the high monthly inflation in this group (8.92%). Thus, monthly inflation in unprocessed food group stood at 5.57%. Monthly inflation in the processed food group eased significantly by 1.39%, while processed meat products, affected by red meat prices, continued to post high increases.

In March, domestic producer prices rose by 3.29%, and annual inflation increased by 4.18 points to 51.47% also due to the low base effect (Chart 9 and Table 2). Across the main industrial groupings, prices in the energy subgroup followed a mild course on a monthly basis, while prices in groups excluding energy posted monthly increases between 3.4% and 4.3% (Chart 10). A sectoral breakdown of month-on-month price developments reveals that price increases spread across the whole while there were notable price increases in metal ores, other manufactured goods, printing and recording services, textiles, food, rubber and plastic products and motor vehicles.

Charts and Tables

Chart 1. CPI, B and C
(Annual % Change)

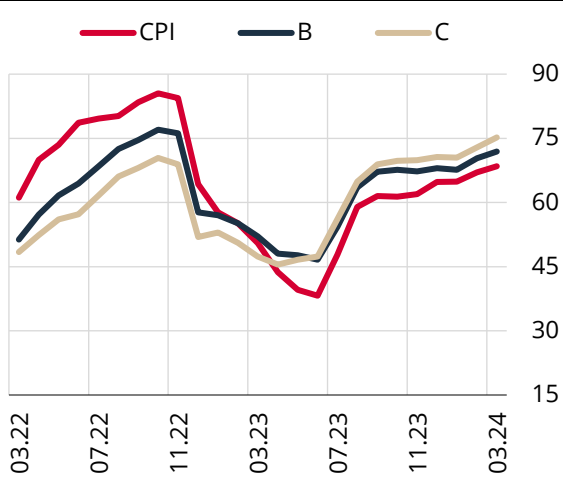


Chart 2. CPI and Natural Gas Adjusted CPI
(Seasonally Adjusted, Monthly % Change)

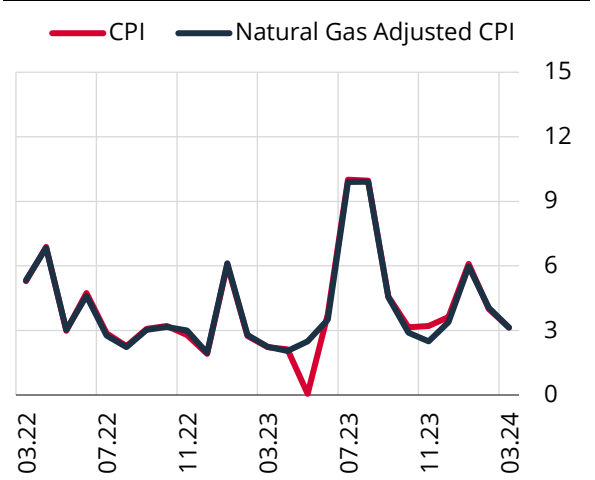
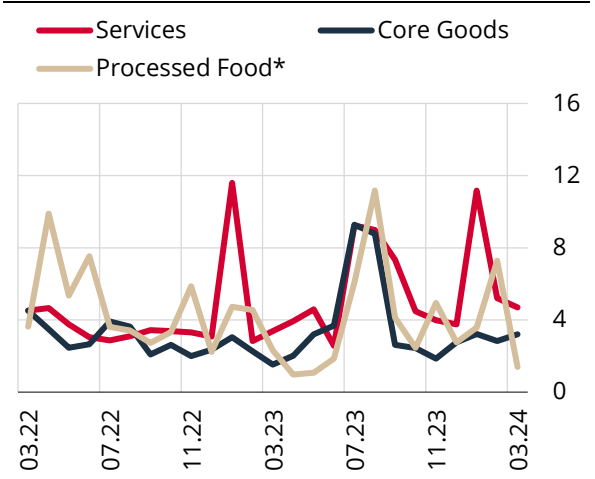


Chart 3. B and C Indices
(Seasonally Adjusted, Monthly % Change)



Chart 4. Main Components of B Index
(Seasonally Adjusted, Monthly % Change)



* No seasonality detected for processed food.

Chart 5. Services (Annual % Change)

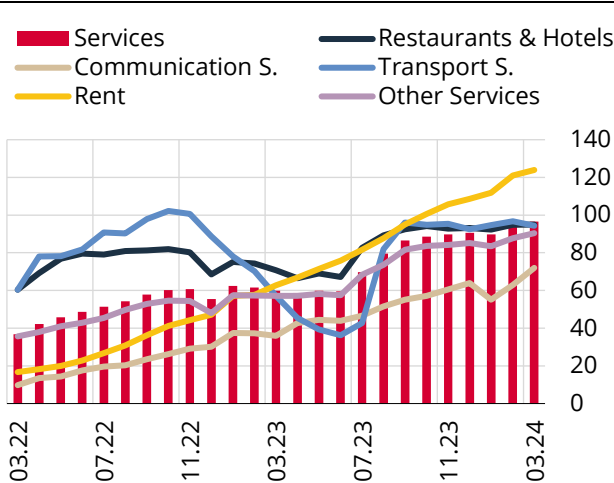


Chart 6. Core Goods (Annual % Change)

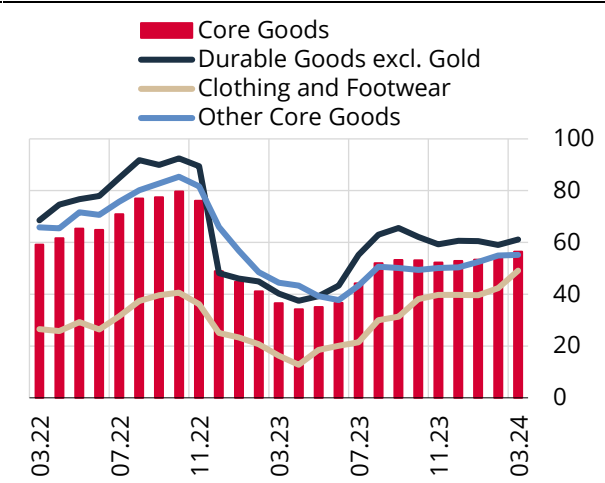


Chart 7. Food and Non-alcoholic Beverages and Energy (Annual % Change)

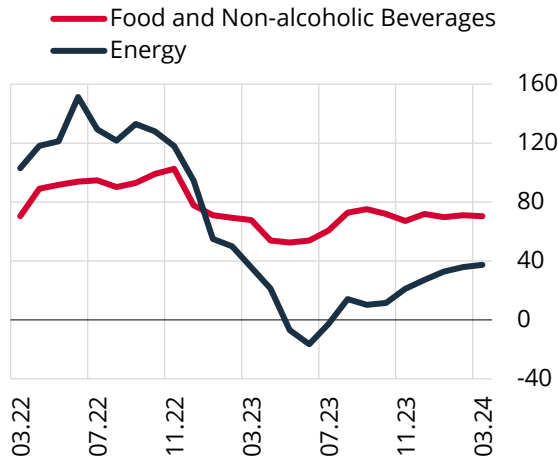


Chart 8. Processed and Unprocessed Food (Annual % Change)

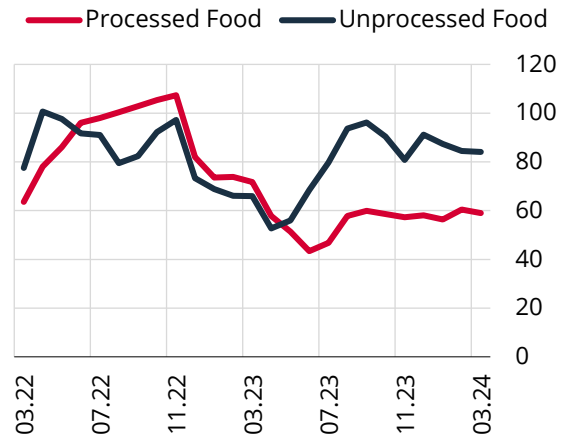


Chart 9. D-PPI and Manufacturing (Annual % Change)

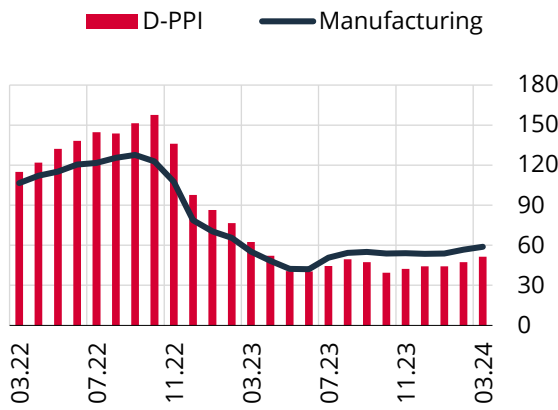
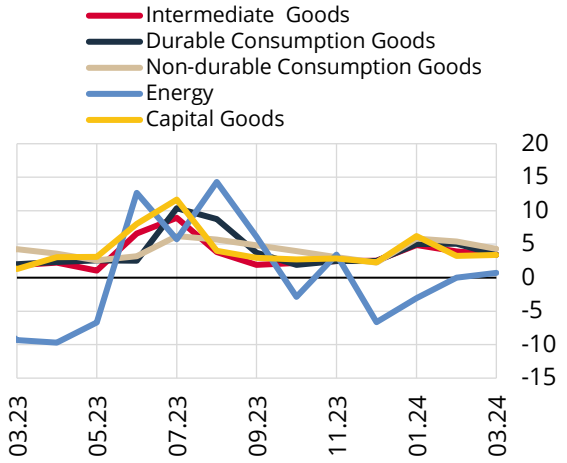


Chart 10. D-PPI Main Industry Groups (Monthly % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	March 2024	March 2023	March 2024	March 2023
CPI	3.16	2.29	68.50	50.51
1. Goods	2.73	1.98	58.17	47.10
Energy	1.39	0.38	37.32	35.66
Food and non-alcoholic beverages	3.40	3.84	70.41	67.89
Unprocessed food	5.57	5.72	84.14	65.94
Fresh fruits and vegetables	0.57	-2.69	82.67	35.72
Other unprocessed food	8.92	11.32	85.02	86.23
Processed food	1.39	2.32	58.97	71.68
Bread and cereals	0.95	2.36	58.80	57.95
Other processed food	1.60	2.30	59.02	79.68
Goods excluding energy and food	2.65	1.12	57.59	37.05
Core goods	2.85	1.24	56.46	36.58
Durable goods (excluding gold)	3.04	1.67	61.11	40.21
Clothing and footwear (*)	2.61	-2.02	49.12	16.26
Other core goods	2.72	2.52	55.25	44.48
Alcoholic beverages and tobacco	-0.02	0.05	62.98	43.75
Gold	10.37	2.64	84.78	27.73
2. Services	4.20	3.08	96.48	59.93
Rents	6.33	4.89	123.95	62.76
Restaurants and hotels	3.95	3.85	94.97	70.73
Transport	-0.17	1.01	94.41	57.12
Communication	6.63	1.04	71.99	35.87
Other	4.11	2.65	90.41	57.08
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	3.14	2.19	71.89	52.11
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	3.52	2.15	75.21	47.36
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	2.95	1.91	66.58	48.98
F - CPI excluding administered prices	3.61	2.51	74.44	48.77

Source: TURKSTAT.

* Does not cover clothing services.

Table 2. D-PPI and Subcategories (% Change)

	Weight (%)	March 2024		March 2023	
		Monthly	Annual	Monthly	Annual
D-PPI	100	3.29	51.47	0.44	62.45
Mining	3.66	3.35	71.19	1.48	80.42
Manufacturing	86.45	3.46	58.92	2.02	55.19
Manufacturing excl. petroleum products	82.76	3.67	58.47	2.45	57.99
Manufacturing excl. petroleum products and base metals	73.88	3.63	59.40	2.36	62.46
Electricity, gas, steam and air-conditioning sup.	9.28	1.43	-18.92	-13.28	95.46
Water supply	0.61	2.64	66.23	2.62	95.48
D-PPI (MIGs Classification)					
Intermediate Goods		3.45	53.84	1.86	46.96
Durable Consumption Goods		3.43	63.73	2.03	54.84
Durable Consumption Goods (Excl. Jewelry)		2.50	62.53	2.48	57.86
Non-Durable Consumption Goods		4.31	64.44	4.24	85.23
Capital Goods		3.37	68.11	1.28	51.86
Energy		0.70	11.55	-9.32	79.99

Source: TURKSTAT.