



# MARCH PRICE DEVELOPMENTS

5 April 2022

## Summary

Consumer prices increased by 5.46% in March, and annual inflation surged by 6.70 points to 61.14%. The rise in annual consumer inflation spread across subgroups, which was mostly caused by energy, food and core goods. The upward trend in commodity prices since the beginning of the year has recently become somewhat more pronounced amid geopolitical developments. While the developments in international energy prices in Turkish lira terms has had an effect on domestic energy prices, the adjustment to the gradual tariff system and the VAT cut in electricity prices have curbed a more negative outlook. The increase in annual food inflation continued to spread across subgroups, but the prices of fresh fruits and vegetables remained relatively flat in March after posting sharp monthly rises recently. Besides, the carry-over effects of the VAT cut in food subitems continued to prevail. Within core goods, annual inflation remained flat in the clothing and footwear group, yet it increased in other subgroups. Annual services inflation was up in all subgroups, with transport and restaurants-hotels remained in the lead due to the outlook for energy and food prices. The ongoing surge in international commodity prices and supply chain disruptions drove producer prices up. Against this background, the annual inflation of B and C indices continued to 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 increased by 5.46% in March, and annual inflation surged by 6.70 points to 61.14% (Chart 1). In this period, the annual rates of change in B and C indices increased by 4.33 and 4.34 points to 51.34% and 48.39%, respectively (Chart 2).

Among subgroups, energy, core goods, food, services, and alcohol-tobacco-gold added 2.31, 1.46, 1.42, 1.15 and 0.36 points month-on-month to annual consumer inflation.

In seasonally adjusted terms, monthly increases in B and C indices were relatively flat compared to the previous month (Chart 3). Among the groups that make up the B index, monthly price increases declined slightly in March in core goods and processed food, while rising in services (Chart 4).

Prices of services increased by 4.19% in March, and the group's annual inflation went up by 3.83 points to 36.72%. Annual inflation rose in all subgroups, with transport and restaurants-hotels in the lead (Chart 5). Fuel price increases weighed on transport services, driving the prices up by 9.47%, and annual inflation in this subgroup reached 60.35%. In transport services, noticeable were the price increases in intercity passenger transport by road, as well as in urban passenger transport by bus and rail. Persisting price increases in the costs of main inputs had a negative impact on the restaurants-hotels subgroup, due to both catering and accommodation services, and annual inflation rose to 60.40% on the back of the 6.04% surge in prices. Price increases became broad-based across the subgroup of other services, most notably in education services, where backward indexation is common, and insurance. In seasonally adjusted terms, monthly rent inflation slowed down in March.

Annual core goods inflation increased by 4.81 points to 59.19% in March. In this period, annual inflation remained flat in the clothing and footwear group whereas it increased in other groups (Chart 6). Prices of durable goods (excluding gold) rose by 5.09% in March, while the group's annual inflation was 68.54%. Automobile (7.56%) and furniture (3.48%) were the items that stood out in this period. In other core goods, prices posted large monthly increases across the subcategories, chiefly in medicines, and annual inflation in this group reached 65.85%. Annual inflation in clothing and footwear stood at 26.54%, remaining low compared to other subcategories.

Energy prices increased by 11.01% in March, and the group's annual inflation rose by 19.96 points to 102.94% (Chart 7). Accelerating international energy prices amid elevated geopolitical risks played a decisive role in the monthly price changes in fuel (25.76%), solid fuel (18.92%) and bottled gas (14.60%) in this period. Meanwhile, electricity prices declined (-9.70%) on the back of the increase in the gradual tariff limit and the VAT reduction, which restrained the group's inflation.

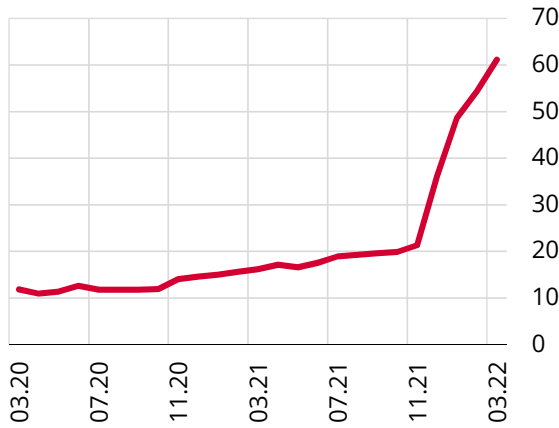
Prices of food and non-alcoholic beverages rose by 4.73% in March, and the group's annual inflation increased by 5.86 points to 70.33% (Chart 7). While the marked increases in international agricultural commodity prices exerted pressure on domestic prices, the carry-over effects of VAT reductions introduced in mid-February prevented a more negative outlook. Against this background, annual inflation rose in both unprocessed and processed food groups, more visibly in unprocessed food (Chart 8). In unprocessed food, seasonally-adjusted prices of fresh fruits and vegetables remained almost flat. In the other unprocessed food group, red and white meat prices, which were affected by rising feed prices, diverged negatively along with potato and egg prices. The 5.65% increase in bread and cereals in the processed food group was mainly shaped by wheat prices while fats and oils, driven by sunflower-seed oil in particular, and meat products, sugar and non-alcoholic beverages stood out in the other processed food group.

Prices of alcoholic beverages and tobacco products increased by 3.91% in March, and annual inflation in this group reached 51.43%. This was mainly due to the producer firms-driven hikes in cigarette prices, and the tobacco products group contributed to monthly consumer inflation by 0.18 points.

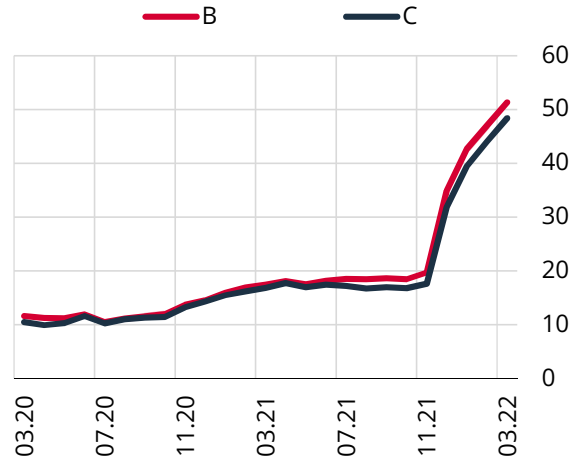
Domestic producer prices rose by 9.19% in March, and annual D-PPI inflation increased by 9.96 points to 114.97% (Chart 9 and Table 2). The strong increase in commodity prices and disruptions in supply chains persisted in March. According to main industrial groupings, annual inflation was up in all subcategories, most notably in energy (Chart 10). Across subcategories, refined petroleum products stood out in terms of monthly changes, followed by construction-related products, metals, electricity-gas production and distribution, main pharmaceutical, tobacco and food products.

## Charts and Tables

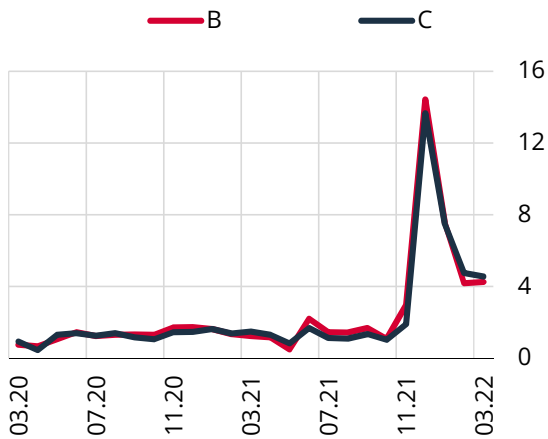
**Chart 1. CPI (Annual % Change)**



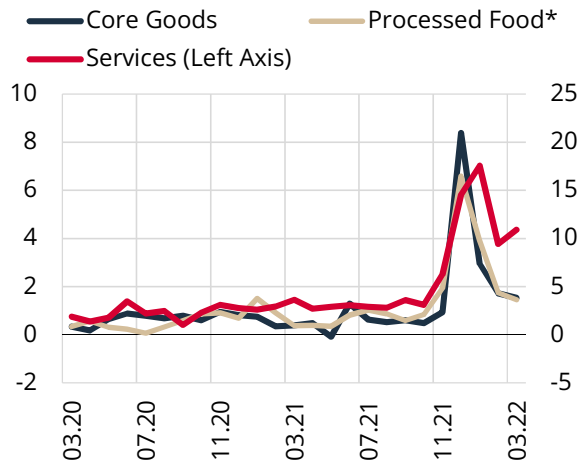
**Chart 2. B and C (Annual % Change)**



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

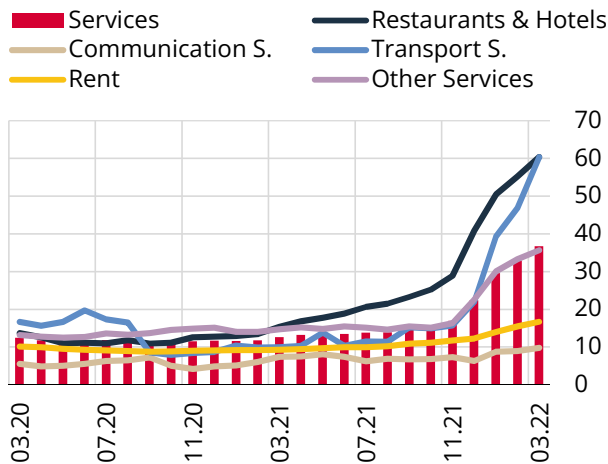


**Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)**

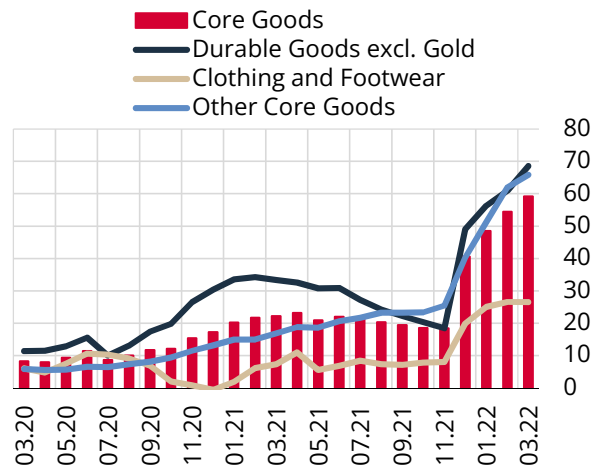


\* No seasonality detected for processed food.

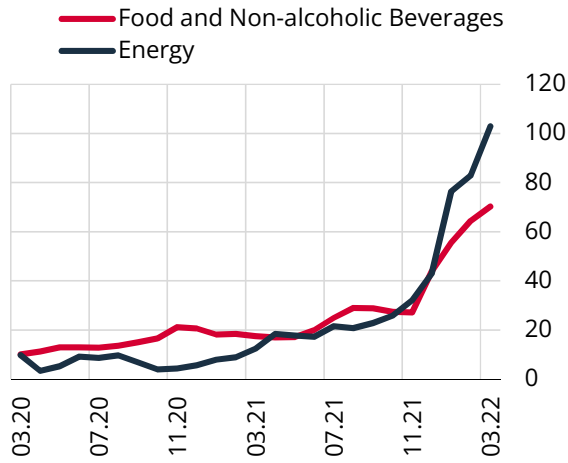
**Chart 5. Services (Annual % Change)**



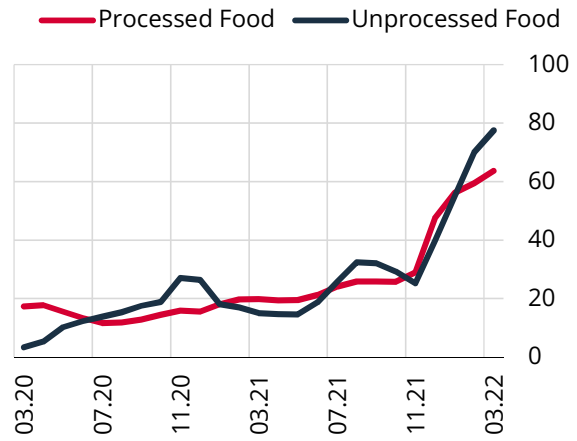
**Chart 6. Core Goods (Annual % Change)**



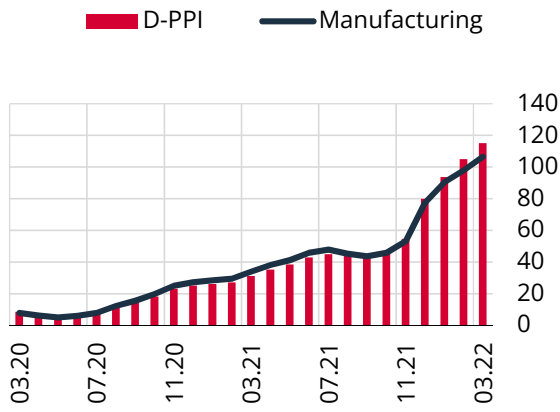
**Chart 7. Food and Non-alcoholic Beverages and Energy** (Annual % Change)



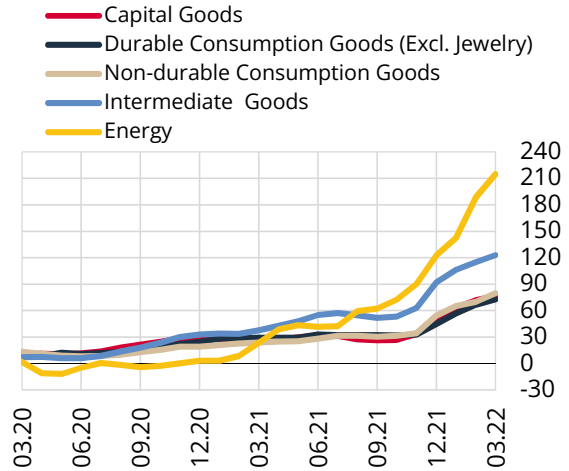
**Chart 8. Processed and Unprocessed Food** (Annual % Change)



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



**Chart 10. Main Industry Groups** (Annual % Change)



# Tables

**Table 1. CPI and Subcategories (% Change)**

	Monthly		Annual	
	March 2022	March 2021	March 2022	March 2021
<b>CPI</b>	<b>5.46</b>	<b>1.08</b>	<b>61.14</b>	<b>16.19</b>
<b>1. Goods</b>	<b>5.88</b>	<b>1.01</b>	<b>70.38</b>	<b>17.81</b>
Energy	11.01	0.09	102.94	12.43
Food and non-alcoholic beverages	4.73	1.13	70.33	17.44
Unprocessed food	5.84	1.32	77.52	14.98
Fresh fruits and vegetables	0.69	0.34	81.47	7.04
Other unprocessed food	9.40	1.87	73.86	19.96
Processed food	3.63	0.95	63.64	19.87
Bread and cereals	5.65	1.20	76.02	19.67
Other processed food	2.48	0.82	57.11	19.92
Goods excluding energy and food	4.62	1.24	59.21	19.74
Core goods	4.56	1.39	59.19	22.14
Durable goods (excluding gold)	5.09	0.35	68.54	33.29
Clothing and footwear (*)	1.73	1.74	26.54	7.33
Other core goods	5.36	2.84	65.85	16.80
Alcoholic beverages and tobacco	3.91	0.04	51.43	2.87
Gold	9.67	2.72	106.21	34.01
<b>2. Services</b>	<b>4.19</b>	<b>1.26</b>	<b>36.72</b>	<b>12.56</b>
Rents	1.66	0.57	16.70	9.24
Restaurants and hotels	6.04	2.60	60.40	15.39
Transport	9.47	0.27	60.35	9.96
Communication	2.15	1.32	9.77	7.36
Other	2.87	1.05	35.65	14.69
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	4.24	1.26	51.34	17.49
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	4.39	1.33	48.39	16.88
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	5.49	1.10	59.36	17.28
F - CPI excluding administered prices	6.19	1.12	63.96	17.82

Source: TURKSTAT.

\* Does not cover clothing services.

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

	Weight	March 2022		March 2021	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	100	<b>9.19</b>	<b>114.97</b>	<b>4.13</b>	<b>31.20</b>
Mining	3.56	9.08	110.36	3.03	21.26
Manufacturing	87.43	8.92	106.55	4.33	33.96
Manufacturing excl. petroleum products	84.97	8.07	101.44	3.87	32.42
Manufacturing excl. petroleum products and base metals	76.27	7.65	95.62	3.31	28.80
Electricity, gas, steam and air-conditioning sup.	8.29	11.85	228.94	2.87	2.55
Water supply	0.72	6.88	42.34	0.42	27.30
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		8.86	122.92	5.05	37.72
Durable Consumption Goods		5.65	75.85	1.66	29.68
Durable Consumption Goods (Excl. Jewelry)		5.17	72.54	1.55	29.35
Non-Durable Consumption Goods		8.59	79.70	2.73	23.98
Capital Goods		5.40	76.55	2.62	27.31
Energy		15.62	214.87	5.93	23.27

Source: TURKSTAT.