

# APRIL PRICE DEVELOPMENTS

MAY 5, 2015

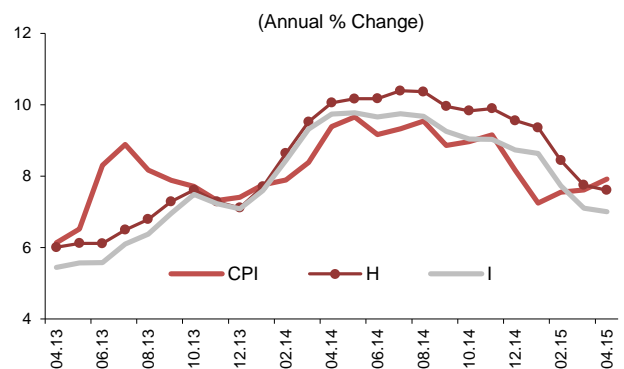
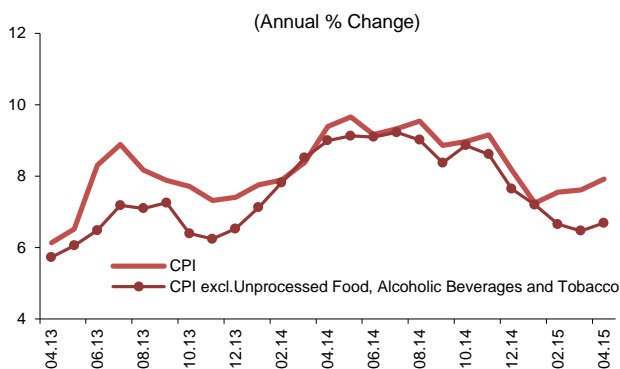
## SUMMARY...

In April, consumer prices rose by 1.63 percent, pushing the annual consumer inflation upwards to 7.91 percent. Inflation remained high in food and catering services. The upward trend in energy prices continued, albeit limited. Amid the deceleration in core goods inflation, the annual rate of increase in core inflation indicators receded, yet restricted by the rise in services inflation. Meanwhile, the underlying trend of core inflation indicators increased slightly.

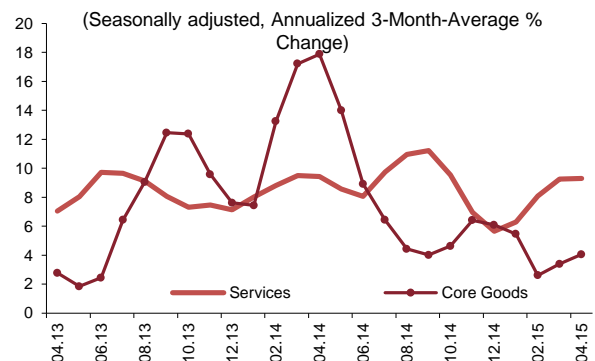
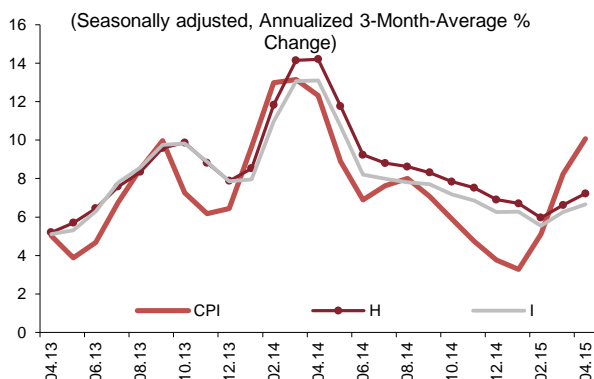
## ... EVALUATIONS ...

In April, consumer prices rose by 1.63 percent, pushing the annual consumer inflation upwards by 0.3 points to 7.91 percent. The annual rate of increase in the SCA-H and SCA-I indices registered a month-on-month decline of 0.15 and 0.1 points to 7.6 and 7.0 percent, respectively.

Across subgroups, the contribution of the energy group to annual CPI inflation increased by 0.20 point, while that of food, services and core goods registered low-rated changes. Currently, the food group is the pioneering contributor to consumer inflation with 3.51 points.



The underlying trends of seasonally-adjusted inflation in 3-month averages indicate that core inflation indicators registered an uptick in this period. The underlying trend of services inflation followed a flatter course compared to March, yet remained high, and that of core goods inflation exhibited an increase.

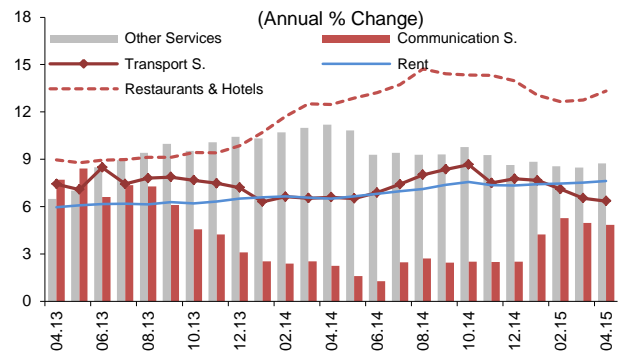
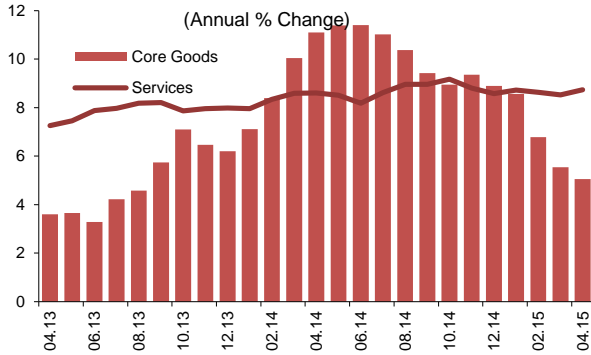


Prices of services increased by 0.74 percent on a monthly basis and the group's annual inflation edged up by 0.2 points to 8.74 percent in April. This rise was driven by price increases in restaurants-hotels and other services groups. In line with the adverse outlook in food prices, annual inflation in the restaurants-hotels group remained on an upward track and hit 13.43 percent. Prices in the other services group saw a high rate of month-on-month increase with

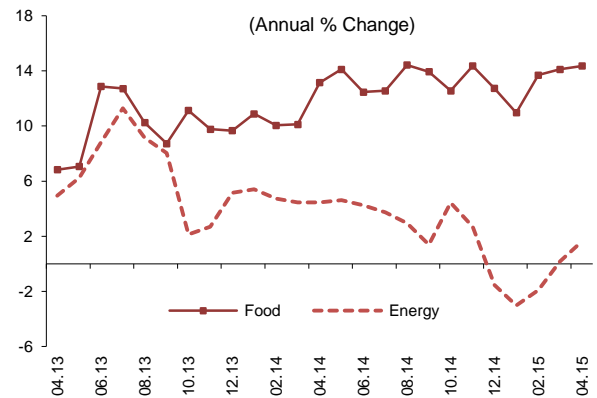
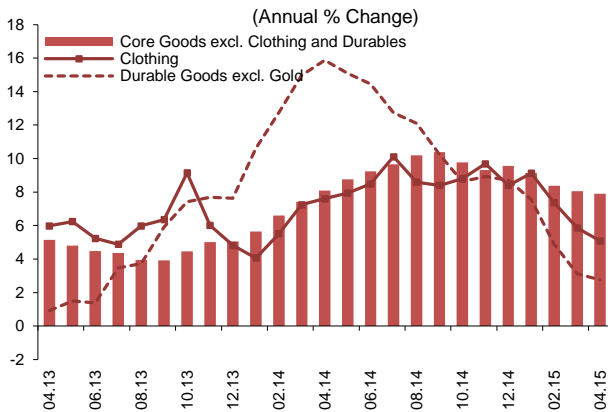
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0.93 percent in April. Particularly, prices of package tours witnessed a high increase on a monthly basis (5.5 percent) owing to the reverberations of the depreciation in the Turkish lira. The gradual upward trend in annual rent inflation continued in this period. Meanwhile, annual inflation in transport services recorded a decline again in April as it had in the last three months.



Annual core goods inflation fell by 0.48 points to 5.06 percent. Inflation in durable consumption goods edged down by 0.35 points to 2.76 percent in this period. On the other hand, a monthly price increase in this group posted a slight uptick compared to March. This was led by the surge in home appliances (2.52 percent), upon the lagged effects of the depreciation in the Turkish lira, despite having followed a mild course in the last two months. Furniture prices rose by 1.14 percent, while automobile prices remained flat in April. Meanwhile, annual inflation in clothing, another subgroup, sustained the downward trend. Annual inflation in core goods excluding clothing and durables continued to taper off, yet price increases in this group proved higher on a monthly basis compared to recent figures.



Following a milder course compared to the last two months in April, energy prices edged up by 0.43 percent. This was led by fuel and municipal water prices, while prices followed a relatively flatter course in other energy items. All in all, annual energy inflation reached 1.62 percent mainly due to the base effect.

The uptrend in food prices continued. Annual inflation in the food and non-alcoholic beverages group crept up by 0.24 points to 14.36 percent in April. The outlook of subgroups followed a similar pattern to that of March. This rise was driven by the annual unprocessed food inflation that climbed to 18.88 percent, while the deceleration trend in annual processed food inflation continued.

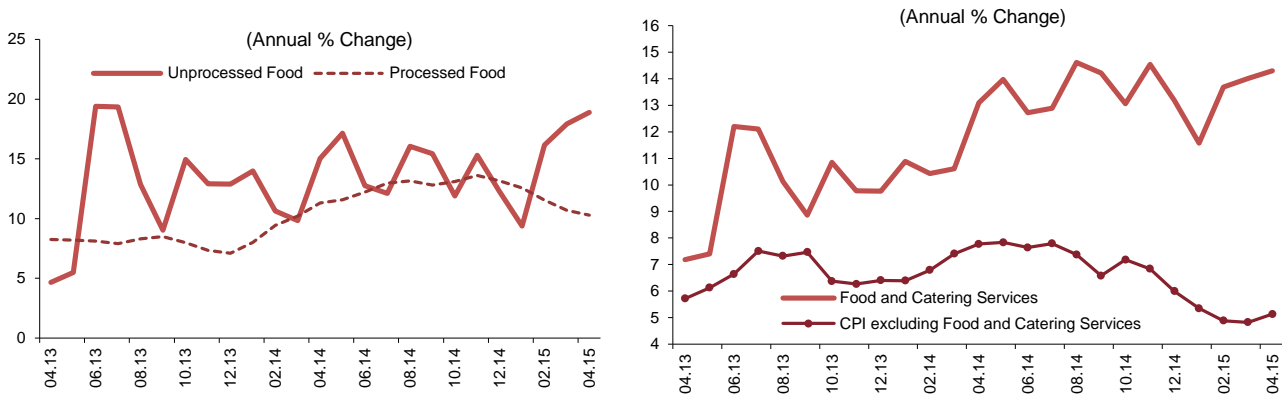
Seasonally-adjusted data show notable increases in the unprocessed food group in the first four months of the year. Excessive precipitation, flood and frost degraded the supply of some vegetables grown in greenhouses and fields. Seasonally-adjusted data signal persisting price increases in fresh fruits and vegetables in April; monthly price increases in meat prices lost pace, yet continued. Potato prices displayed a stronger increase in April hitting nearly 80

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percent in the first four months. Meanwhile, in the annual processed food group, bread and cereals prices remained weak in recent months due to the flat course of wheat prices. On the other hand, the relatively high monthly trend of price increases in the processed food group excluding bread and cereals spilled over into the whole group and persisted.

Negative repercussions of this adverse outlook in food prices are brisk on catering services. Accordingly, the annual inflation in food and catering services, which make up 30 percent of the consumption basket, reached 14.31 percent. Meanwhile, consumer inflation excluding food and catering services rose to 5.13 percent.



	Monthly Percent Change		Annual Percent Change	
	Apr.2015	Apr.2014	Apr.2015	Apr.2014
<b>CPI</b>	<b>1.63</b>	<b>1.34</b>	<b>7.91</b>	<b>9.38</b>
<b>1. Goods</b>	<b>2.01</b>	<b>1.68</b>	<b>7.57</b>	<b>9.76</b>
Energy	0.43	-0.98	1.62	4.46
Food and nonalcoholic beverages	1.63	1.42	14.36	13.15
Unprocessed food	2.65	1.83	18.88	15.03
Fresh fruits and vegetables	2.10	4.66	26.27	7.00
Other unprocessed food	3.01	0.08	14.74	21.27
Processed food	0.64	1.03	10.28	11.32
Bread and cereals	0.38	1.10	8.63	13.48
Other processed food	0.79	0.99	11.24	10.01
Goods excluding energy and food	2.96	3.08	5.02	9.58
Core goods	3.48	3.96	5.06	11.10
Durable goods	0.75	0.56	3.33	15.14
Durable goods (excluding gold)	0.57	0.92	2.76	15.87
Alcoholic beverages and tobacco	0.02	0.02	3.92	3.13
Gold	3.90	-6.37	14.20	2.22
<b>2. Services</b>	<b>0.74</b>	<b>0.55</b>	<b>8.74</b>	<b>8.61</b>
Rents	0.56	0.46	7.63	6.51
Restaurants and hotels	1.27	0.76	13.34	12.48
Transport	0.35	0.52	6.36	6.60
Communication	-0.11	0.02	4.84	2.25
Other*	0.93	0.69	8.73	11.19
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	1.57	1.36	6.68	8.99
SCA-H	1.78	1.92	7.60	10.05
SCA-I	2.03	2.12	7.00	9.74

Source: TurkStat, CBRT.

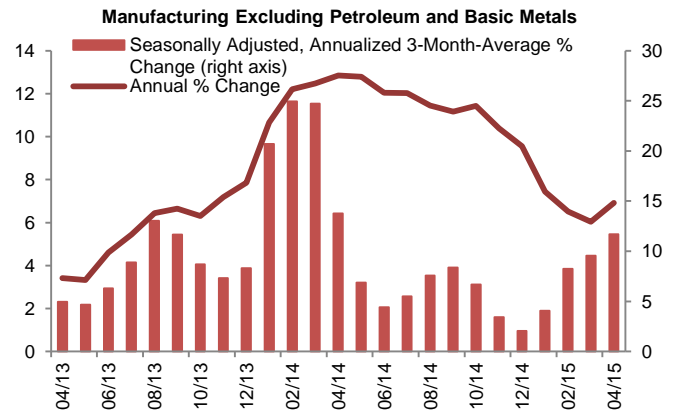
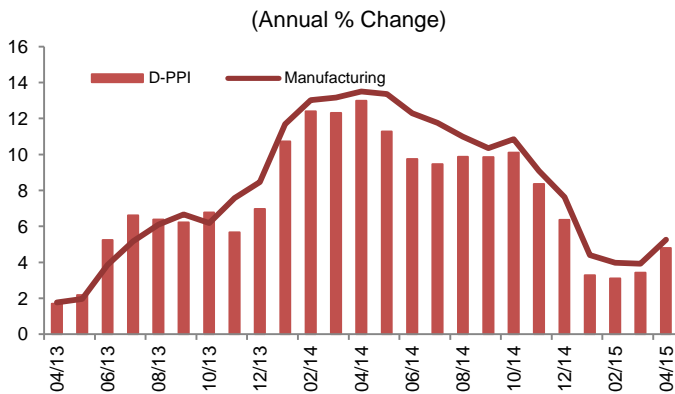
\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

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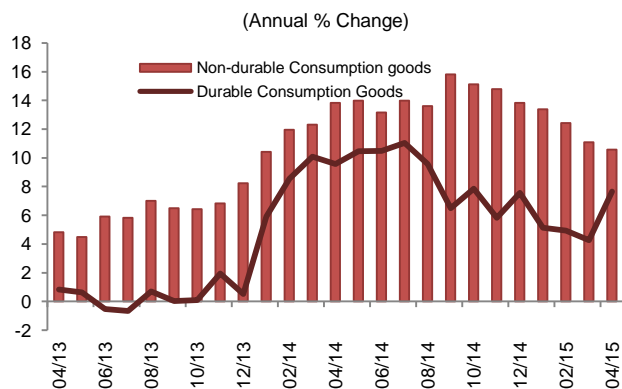
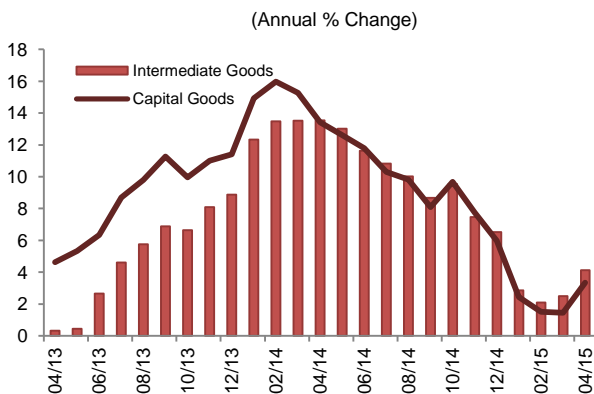
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## ...D-PPI...

Domestic producer prices rose by 1.43 percent and the group's annual inflation climbed to 4.80 percent in April. The adverse effect of the depreciation in the Turkish lira proved influential in manufacturing industry prices in this period and annual inflation reached 5.26 percent in this group. In April, the underlying trend of prices in the manufacturing industry excluding petroleum and basic metals continued to increase.



According to the Main Industrial Groupings (MIGs), prices rose in all main groups in April, particularly in durable consumption goods. Prices of durable consumption goods rose by 2.46 percent mainly due to furniture and jewelry prices. Ongoing increases in food manufacturing prices affected the non-durable consumption goods group adversely, while the course of prices in intermediate goods was shaped by base metal, electrical equipment and textile manufacturing. All in all, April was marked by alleviated cost pressures driven by producer prices on consumer prices due to upside movements led by the depreciated Turkish lira and food manufacturing prices.



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## ...TABLES

April CPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
CPI	100	1.63	7.91	1.34	9.38
Food and nonalcoholic beverages	24.25	1.63	14.36	1.42	13.15
Alcoholic beverages and tobacco	4.82	0.02	3.92	0.02	3.13
Clothing and footwear	7.38	12.30	5.15	13.10	7.63
Housing	15.79	0.41	8.21	0.24	4.92
Household equipment	7.78	1.35	6.79	1.57	8.84
Health	2.57	0.29	7.75	0.93	7.66
Transport	15.38	0.42	-0.52	-0.54	13.84
Communication	4.38	-0.28	3.22	0.13	0.86
Recreation and culture	3.54	1.17	7.76	0.09	7.31
Education	2.53	0.88	7.88	0.97	10.37
Restaurants and hotels	6.98	1.27	13.34	0.76	12.48
Miscellaneous goods and services	4.60	1.24	9.90	-0.10	6.11

Source: TurkStat.

April D-PPI and Subcategories (Percent Change)					
	Weight	2015		2014	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.43	4.80	0.09	12.98
Mining	3.40	0.90	-1.94	-0.59	12.20
Manufacturing	86.21	1.47	5.26	0.18	13.51
Manufacturing excl. petroleum products	83.24	1.39	6.54	0.33	12.93
Manufacturing excl. petroleum products and basic metals	75.00	1.39	6.92	0.56	12.85
Electricity, gas, steam and air-conditioning supply	9.30	1.25	1.22	-0.63	1.90
Water supply	1.09	0.78	22.73	0.83	9.17
D-PPI (MIGs Classification)					
Intermediate Goods		1.25	4.12	-0.34	13.54
Durable Consumption Goods		2.46	7.64	-0.76	9.57
Non-Durable Consumption Goods		1.49	10.57	1.95	13.82
Capital Goods		0.99	3.33	-0.85	13.43
Energy		1.64	-4.45	-1.15	7.20

Source: TurkStat.

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 by the public of the monthly inflation developments during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.