

# MARCH PRICE DEVELOPMENTS

4 April 2023



## Summary

Consumer prices rose by 2.29% in March while annual inflation decreased by 4.67 points to 50.51%. In this period, annual inflation went down across all main groups. Energy prices remained mild parallel to developments in exchange rates and commodity prices. Driven by the stable course of the Turkish lira and the positive outlook in import prices as well as the continuation of seasonal discounts in the clothing and footwear sector in March, the monthly rate of increase in the core goods group prices decelerated. Food prices increased at a rate above their historical seasonal averages in this period, led primarily by red meat and processed meat products. In services, which constituted another significant item that shaped the course of monthly consumer prices together with the food group, it was mainly the effects of rents, catering services, education and package tours that were visible in this period. In March, the monthly increase in producer prices weakened considerably on the back of the marked fall in energy prices. Against this background, annual inflation continued to decelerate in the B and C indices. The seasonally adjusted core indicators registered the lowest rate of monthly increase since October 2021.

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 2.29% in March while annual inflation decreased by 4.67 points to 50.51% (Chart 1 and Table 1). The annual rate of change in the B and C indices dropped by 3.05 and 3.22 points to 52.11% and 47.36%, respectively (Chart 2).

Contribution of main groups to annual consumer inflation declined across all main groups in this period. Compared to the previous month, contributions of energy, core goods, food and non-alcoholic beverages, services, and alcohol-tobacco-gold fell by 1.80, 1.37, 0.60, 0.53, and 0.37 points, respectively.

Seasonally adjusted monthly increases decelerated somewhat in the B and C indices compared to the previous month (Chart 3). Among the groups that make up the B index, price increases weakened in services and core goods, more evidently in processed food (Chart 4).

Prices of services increased by 3.08% in March, bringing the group's annual inflation down by 1.71 points to 59.93%. In this period, annual inflation declined in restaurants-hotels, communication, other services, and particularly in transport, while it recorded an increase in rents (Chart 5). Monthly inflation in transport services was mild at 1.01%, due to the decline in intercity passenger transport by road, and annual inflation of this subgroup receded by 13.15 points to 57.12%. The monthly rate of increase in the prices of restaurants-hotels remained high amid food prices led by red meat prices, while other services monthly inflation was mainly driven by package tours and education services due to the private school fees. The monthly increase in the rent subgroup was stronger at 4.89% compared to the previous month, while higher internet fees determined the outlook for communication prices.

The monthly price increase in core goods decelerated parallel to the outlook for commodity prices and the Turkish lira, and annual inflation in this group decreased by 4.48 points to 36.58%. In March, annual inflation posted a decline across all subgroups (Chart 6). Durable goods prices (excluding gold) were up by 1.67% on a monthly basis, mainly driven by furniture with a price increase at 5.22%, while automobiles and white goods saw milder price movements. As a result of these developments, annual durable goods inflation went down by 4.72 points to 40.21%. Prices of other core goods were up by 2.52% in this period. Medicine prices increased by 5.38% following the regulation in legal profitability scales at mid-month, while prices of household cleaning products rose by 4.47%. Clothing and footwear prices declined by 2.02% due to ongoing seasonal discounts in March, and annual inflation in this subgroup dropped by 4.45 points to 16.26%.

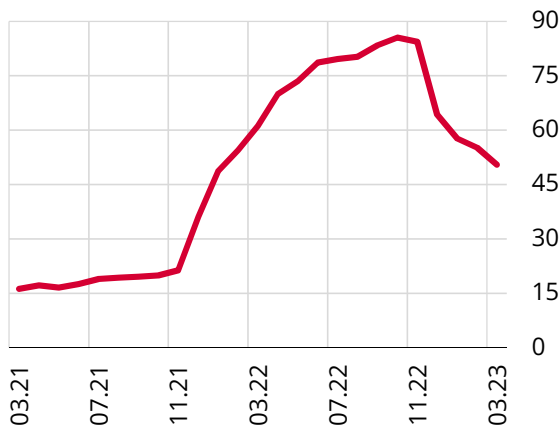
The monthly increase in energy prices remained moderate at 0.38% in March. Thus, annual inflation in this group fell by 14.35 points to 35.66% (Chart 7). Despite the increase in municipal water prices (1.97%), this development is mainly attributable to the fall in fuel prices (-0.33%) tracking the retreat in international crude oil prices.

In March, prices in the food and non-alcoholic beverages group increased by 3.84%, and annual inflation in this group fell by 1.44 points to 67.89 % (Chart 7). Annual inflation fell by 0.19 points to 65.94% in unprocessed food and by 2.19 points to 71.68% in processed food (Chart 8). Seasonally adjusted data pointed to a decline in prices of fresh fruits and vegetables, more visibly in the vegetables group. The rise in food prices in March was mainly driven by price hikes in red meat (18.47%), white meat (5.70%) and accordingly processed meat products (14.35%), while the price hike in egg prices (11.16%) stood out as well. The rise in the prices of bread-cereals products continued in this period.

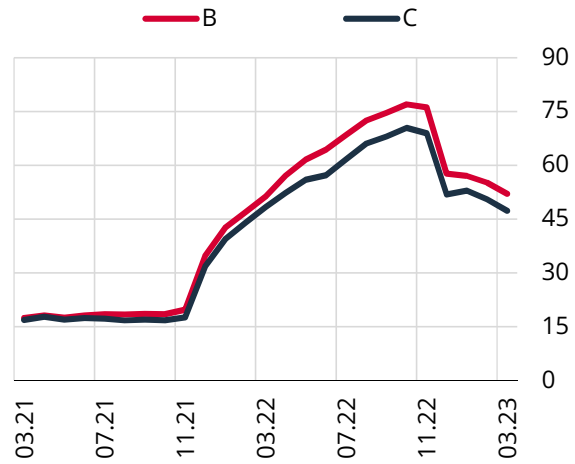
In March, domestic producer prices displayed a limited rise with 0.44%, while annual inflation decreased by 14.16 points to 62.45% (Chart 9 and Table 2). While annual inflation decreased across all subgroups in main industrial groups (Chart 10), energy prices posted a significant decrease (-9.32%) month-on-month due to industrial natural gas and electricity prices. An analysis of monthly price developments by sectors points to a fall in the prices of electricity-gas production and refined petroleum products, meanwhile, there were prominent rises in the prices of food, fabricated metals, wood and cork products, printing-recording services and furniture manufacturing sectors.

## Charts and Tables

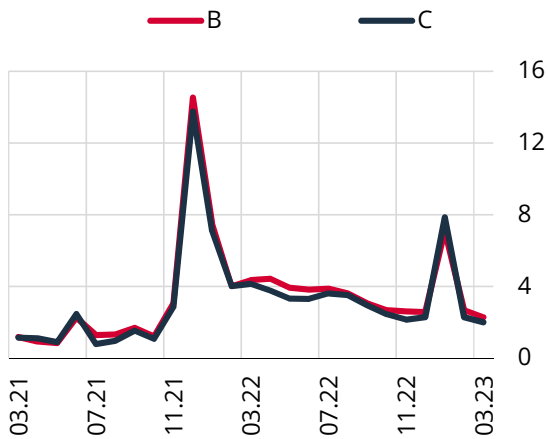
**Chart 1. CPI (Annual % Change)**



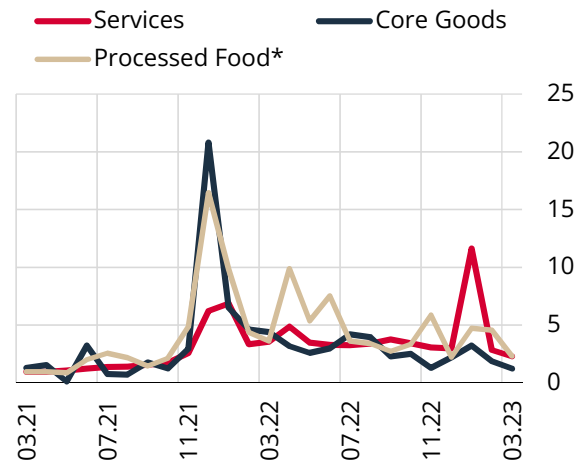
**Chart 2. B and C (Annual % Change)**



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

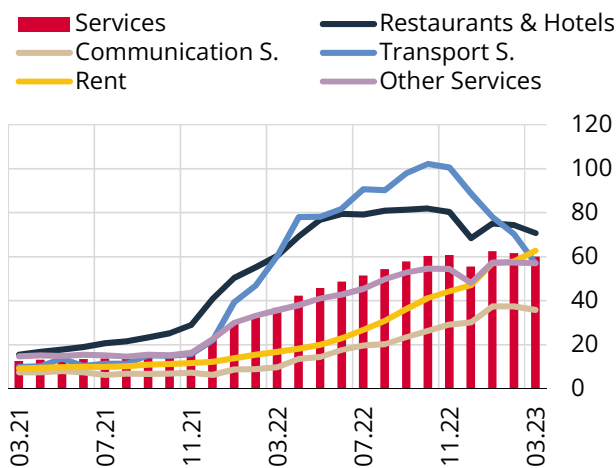


**Chart 4. Main Components of B Index (Seasonally Adjusted, Monthly % Change)**

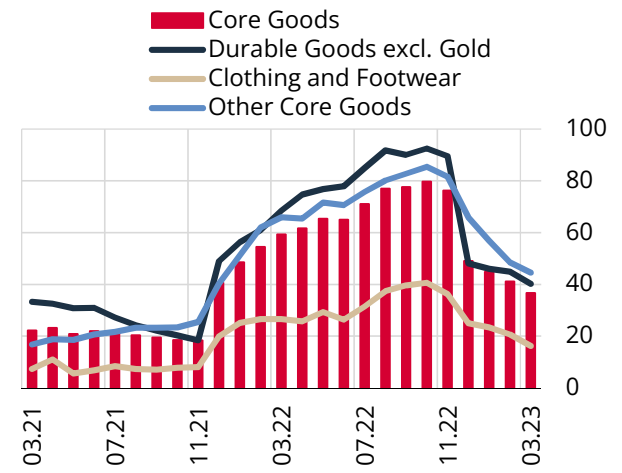


\* No seasonality detected for processed food.

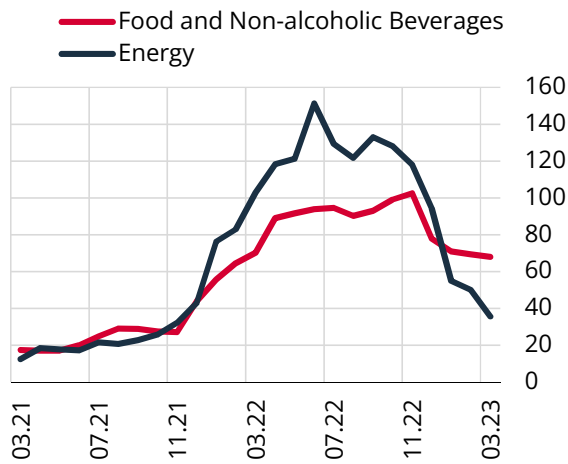
**Chart 5. Services (Annual % Change)**



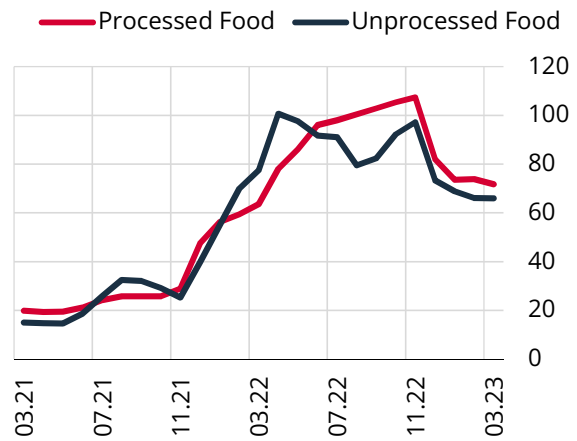
**Chart 6. Core Goods (Annual % Change)**



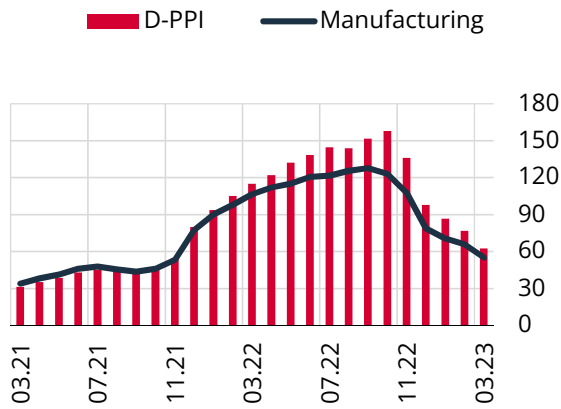
**Chart 7. Food and Non-alcoholic Beverages and Energy** (Annual % Change)



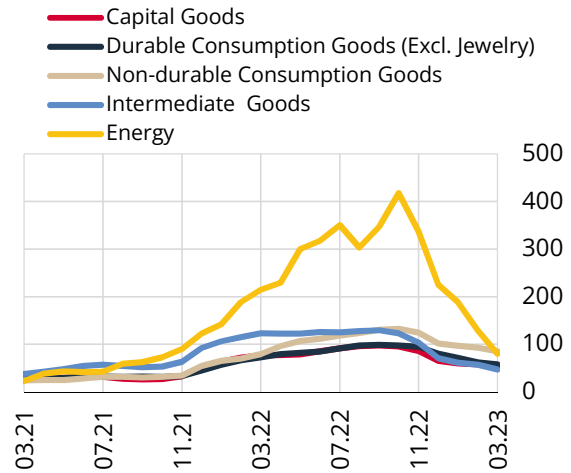
**Chart 8. Processed and Unprocessed Food** (Annual % Change)



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



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



## Tables

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

	Monthly		Annual	
	March 2023	March 2022	March 2023	March 2022
<b>CPI</b>	<b>2.29</b>	<b>5.46</b>	<b>50.51</b>	<b>61.14</b>
<b>1. Goods</b>	<b>1.98</b>	<b>5.88</b>	<b>47.10</b>	<b>70.38</b>
Energy	0.38	11.01	35.66	102.94
Food and non-alcoholic beverages	3.84	4.73	67.89	70.33
Unprocessed food	5.72	5.84	65.94	77.52
Fresh fruits and vegetables	-2.69	0.69	35.72	81.47
Other unprocessed food	11.32	9.40	86.23	73.86
Processed food	2.32	3.63	71.68	63.64
Bread and cereals	2.36	5.65	57.95	76.02
Other processed food	2.30	2.48	79.68	57.11
Goods excluding energy and food	1.12	4.62	37.05	59.21
Core goods	1.24	4.56	36.58	59.19
Durable goods (excluding gold)	1.67	5.09	40.21	68.54
Clothing and footwear (*)	-2.02	1.73	16.26	26.54
Other core goods	2.52	5.36	44.48	65.85
Alcoholic beverages and tobacco	0.05	3.91	43.75	51.43
Gold	2.64	9.67	27.73	106.21
<b>2. Services</b>	<b>3.14</b>	<b>3.63</b>	<b>61.64</b>	<b>32.89</b>
Rents	2.66	2.22	57.74	15.45
Restaurants and hotels	4.07	4.54	74.34	55.20
Transport	1.16	5.73	70.27	46.87
Communication	1.18	1.22	37.36	8.89
Other	3.64	3.64	57.40	33.26
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	2.19	4.24	52.11	51.34
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	2.15	4.39	47.36	48.39
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.91	5.49	48.98	59.36
F - CPI excluding administered prices	2.51	6.19	48.77	63.96

Source: TURKSTAT.

\* Does not cover clothing services.

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

	Weight (%)	March 2023		March 2022	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	<b>100</b>	0.44	62.45	9.19	114.97
Mining	3.69	1.48	80.42	9.08	110.36
Manufacturing	83.81	2.02	55.19	8.92	106.55
Manufacturing excl. petroleum products	78.48	2.45	57.99	8.07	101.44
Manufacturing excl. petroleum products and base metals	68.94	2.36	62.46	7.65	95.62
Electricity, gas, steam and air-conditioning sup.	11.96	-13.28	95.46	11.85	228.94
Water supply	0.55	2.62	95.48	6.88	42.34
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		1.86	46.96	8.86	122.92
Durable Consumption Goods		2.03	54.84	5.65	75.85
Durable Consumption Goods (Excl. Jewelry)		2.48	57.86	5.17	72.54
Non-Durable Consumption Goods		4.24	85.23	8.59	79.70
Capital Goods		1.28	51.86	5.40	76.55
Energy		-9.32	79.99	15.62	214.87

Source: TURKSTAT.