



# MARCH PRICE DEVELOPMENTS

6 APRIL 2021

## Summary

In March, consumer prices were up by 1.08%, and annual inflation increased by 0.58 points to 16.19%. While the rise in inflation was driven by energy, services and core goods, inflation in the food group decreased. Food inflation decreased month-on-month led by fresh fruits and vegetables prices, while the strong rise in processed food inflation continued, albeit at a slower pace. Despite the uptrend in international crude oil prices, the sliding-scale system continued to curb inflation. Accordingly, even though energy prices remained flat, annual inflation in the energy group increased significantly due to the base effect. Services inflation increased due to the upward effect of the controlled normalization process on some subcategories as well as the lagged effects of the rise in special communication tax. The uptrend in core goods inflation continued due to developments in sectors excluding durable consumption goods. Producer prices displayed a rapid rise and continued to climb because of the rise in international commodity prices led by oil and industrial metals, the recent outlook of the Turkish lira and ongoing supply constraints in some products. Against this background, annual inflation of the B and C indices increased while their trends remained high despite some decline.

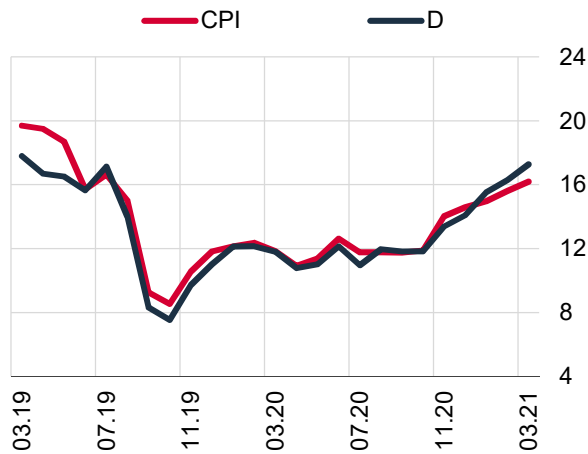
Price Developments are published within one working day following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include the CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation 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

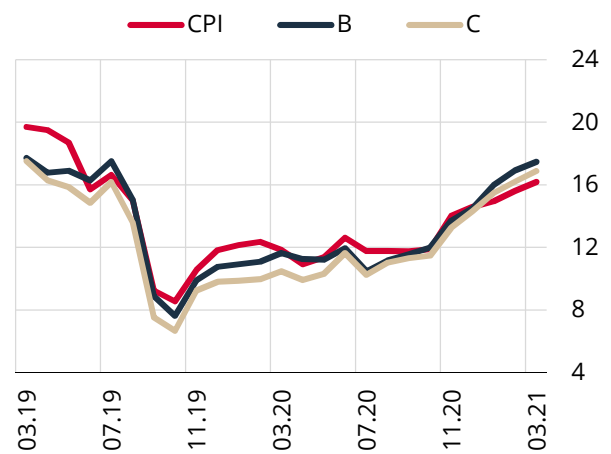
In March, consumer prices were up by 1.08%, and annual inflation increased by 0.58 points to 16.19% (Chart 1). In this period, annual rates of change in the B and C indices rose by 0.57 and 0.67 points to 17.49% and 16.88%, respectively (Chart 2).

Across subcategories, contributions of energy, services and core goods groups to annual consumer inflation rose month-on-month by 0.38, 0.21 and 0.17 points, respectively, while those of food and alcohol-tobacco-gold groups declined by 0.15 points and 0.03 points, respectively.

**Chart 1: CPI and D (Annual % Change)**

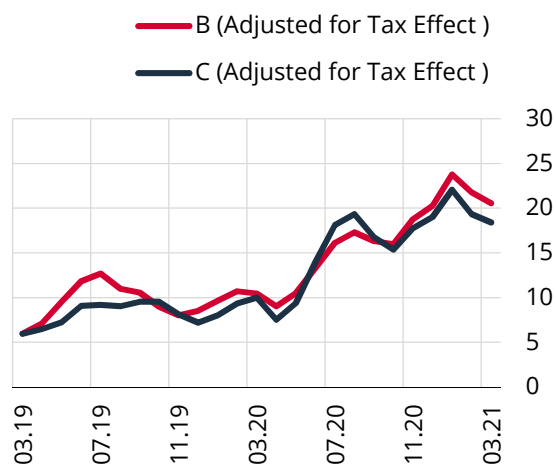


**Chart 2: CPI, B and C (Annual % Change)**

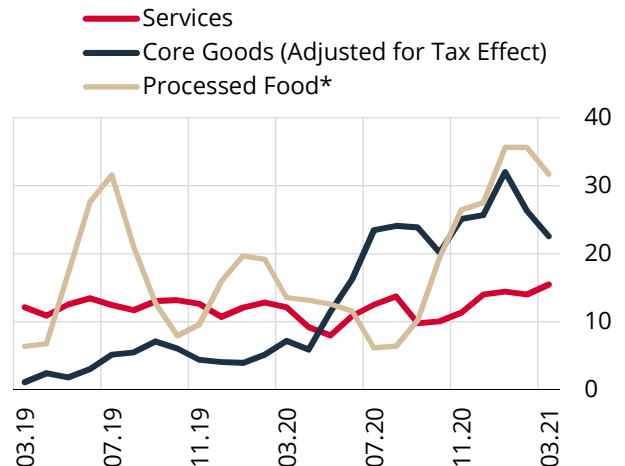


Three-month averages of seasonally adjusted core inflation indicators suggest that the trends of B and C indices remained high despite some decline (Chart 3). In this period, while the inflation trend slowed down in core goods and processed food groups, it increased in the services group (Chart 4).

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



**Chart 4: Main Components of B Index (Seasonally adjusted, Annualized 3-Month Average % Change)**

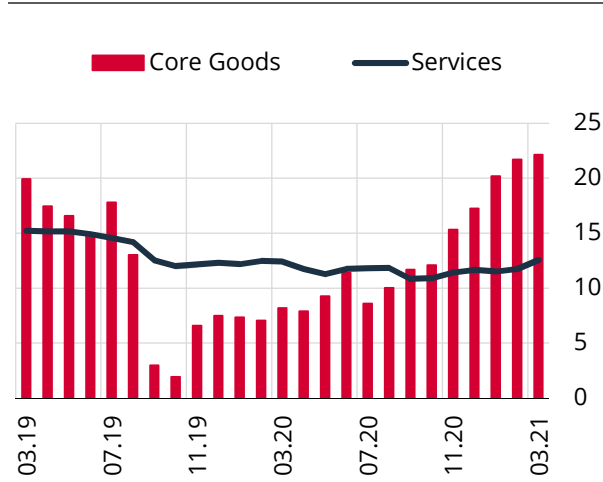


\*There is no seasonal effect in the processed food group.

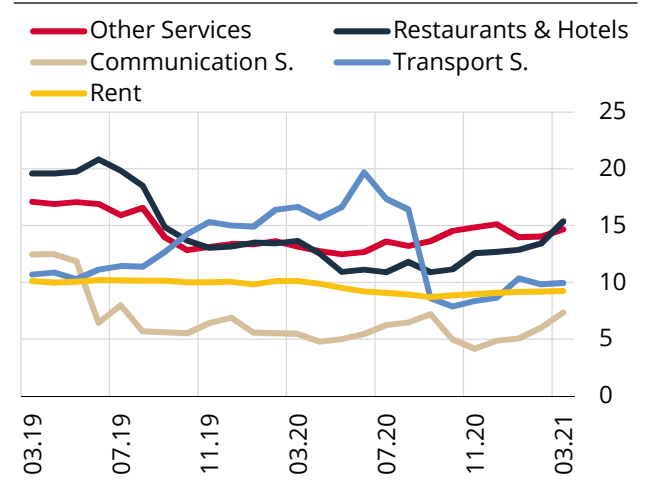
In March, services prices increased by 1.26%, and the group's annual inflation was up 0.82 points to 12.56% (Chart 5). Annual inflation in restaurants-hotels groups, communication and other services increased, while it remained flat in rents and transport services (Chart 6). With the easing of pandemic measures, restaurants-hotels prices increased significantly, and the increase was more remarkable in catering services. The rise is attributed to the accumulated cost pressure during the period when activities were interrupted, as well as capacity limitations and demand-side factors. The rise in communication services inflation was driven by the increase in mobile phone call and internet services fees stemming from the

lingering effects of the adjustment in the special communication tax. In March, certain categories classified under other services had an adverse impact on the inflation outlook. These categories were led by education services due to the rise in private school tuition, which was affected by not only backward indexation but also the termination of last year's temporary VAT reductions. With the easing in pandemic measures, prices in recreational services increased as well.

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

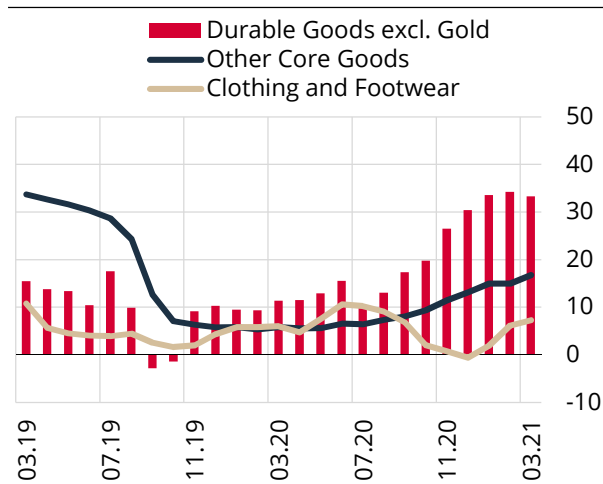


**Chart 6. Services (Annual % Change)**

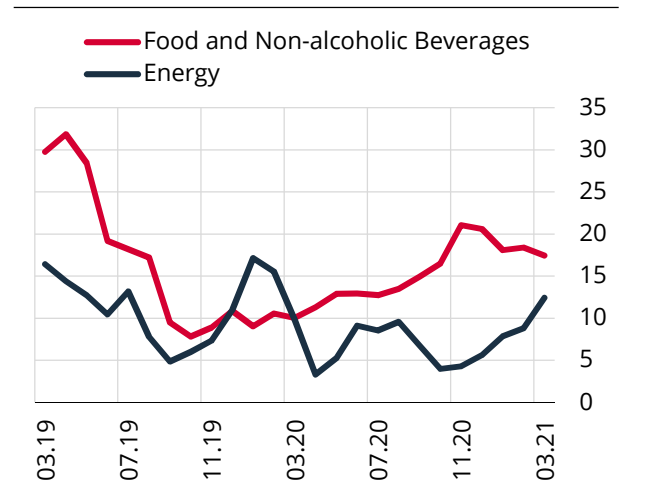


In March, annual core goods inflation increased by 0.44 points to 22.14% (Chart 5). In this period, while annual inflation rose in clothing-footwear and other core goods, it decreased marginally in durable goods (Chart 7). Prices of durable consumption goods displayed a moderate rise at 0.35%, while annual inflation in the group decreased by 0.99 points to 33.29%. In this period, prices of furniture and automobiles increased, but decreased in white goods. Prices in other core goods were up 2.84%, while annual inflation in this group increased by 1.86 points to 16.80%. This development was mainly driven by the lingering effect of the rise in medicine prices due to the reference price practice introduced in February; meanwhile, the increase in household repair-maintenance and personal care products with high FX pass-through was remarkable as well. The new season has just started in clothing and the monthly rise in the clothing group was somewhat higher compared to the same period last year, and the rise in annual inflation in the clothing group continued (7.33%).

**Chart 7. Core Goods (Annual % Change)**



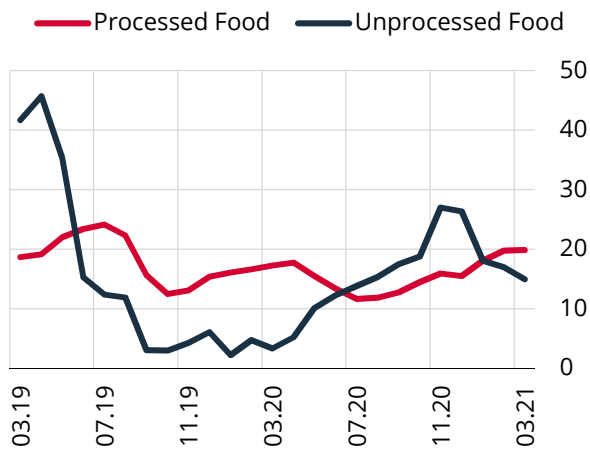
**Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)**



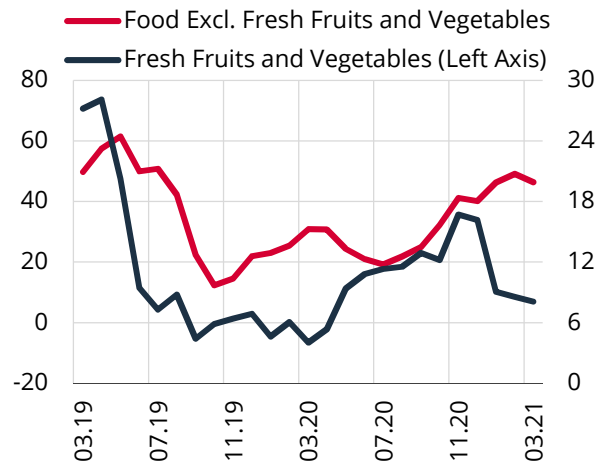
In March, energy prices rose by 0.09% (Table 1). In this period, prices of bottled gas and natural gas increased by 2.81% and 0.93%, respectively. Despite the rise in oil prices and the depreciation of the Turkish lira in February, fuel prices were down by 0.69% thanks to the sliding-scale and price ceiling practices. Annual fuel oil inflation reached 14.00% with last year's low base. All in all, annual energy group inflation rose by 3.61 points to 12.43% (Chart 8).

In March, prices of food and non-alcoholic beverages increased by 1.13% month-on-month but dropped by 0.96 points to 17.44% year-on-year (Chart 8 and Table 2). While this was largely due to annual unprocessed food inflation declining to 14.98%, annual processed food inflation continued to rise, albeit at a slower pace, to 19.87% (Chart 9). Seasonally adjusted data for unprocessed food suggested a monthly fall in prices of fresh fruits and vegetables driven by fruit prices, and a slight increase in prices for other unprocessed food. Across other unprocessed food items, prices of chicken meat rose sharply (by 9.79%), whereas price increases of red meat lost some pace (by 1.46%) after upswings in the past two months. In March, processed food prices edged down by 0.95% month-on-month, while prices of fats and oils continued to climb, albeit at a slowing pace, due to international commodity prices. Rising sugar prices led to an upsurge in prices of chocolate and confectionary products. Thus, annual food inflation excluding fresh fruits and vegetables registered a small monthly decrease to 19.91% (Chart 10).

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



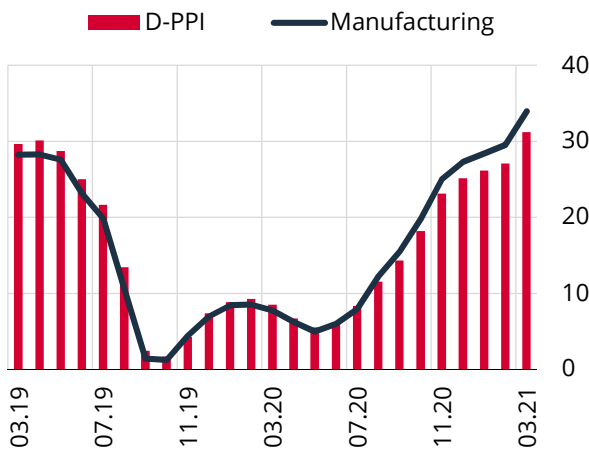
**Chart 10. Fresh Fruits-Vegetables and Other Food**  
(Annual % Change)



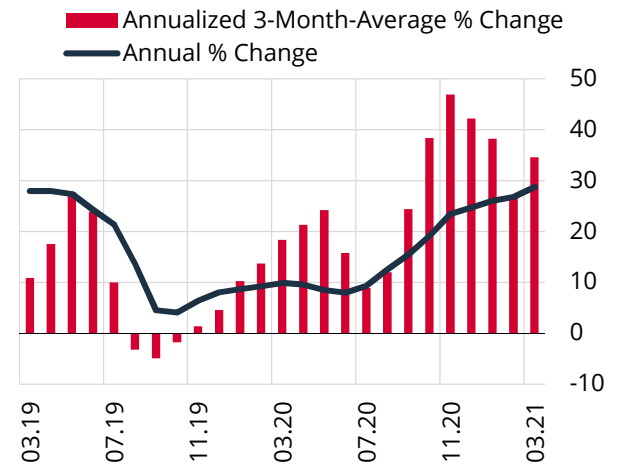
## D-PPI

In March, domestic producer prices rose by a substantial 4.13%, and annual D-PPI inflation surged by 4.11 points to 31.20% (Chart 11 and Table 3), mainly due to rising commodity prices, exchange rate developments and supply constraints. Prices rose sharply for the manufacturing of base metals, metal products, chemicals, textiles, rubber and plastics. Accordingly, the trend of manufacturing industry prices excluding petroleum and base metals went up after falling for the last three months (Chart 12).

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

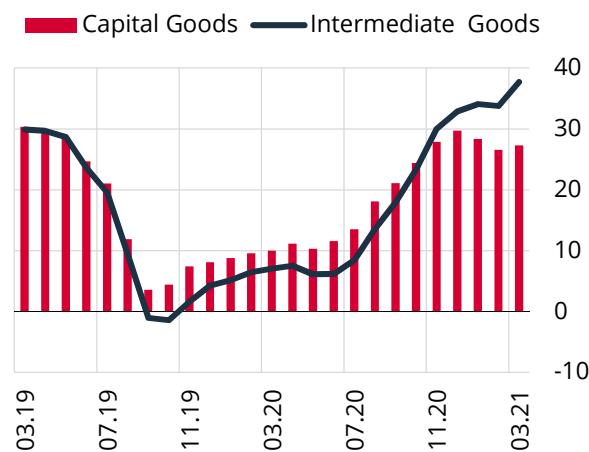


**Chart 12. Manufacturing Excluding Petroleum and Base Metals**

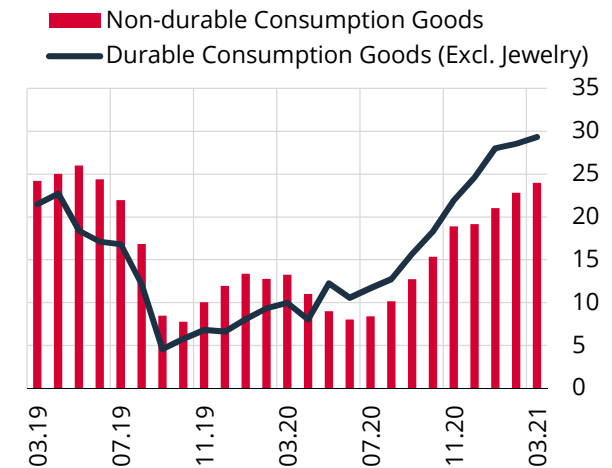


According to main industrial groupings, annual inflation was up across all sub-categories, particularly in energy and intermediate goods (Table 3, Charts 13 and 14). In monthly terms, prices for intermediate goods and energy jumped by more than 5%, although the reflection of the increasing energy prices on consumer inflation was minimal due to the sliding-scale pricing. Prices were up across all intermediate goods, notably for iron-steel and ferroalloys, plastic products and base chemicals, and textile threads and fibers. Among capital goods, price hikes were more prevalent in metal construction products, machinery, transport-related capital goods, and computers and peripherals. Refined petroleum products continued to make the largest contribution to the increase in energy prices in March. Among durable consumption goods, furniture prices remained on the rise. Food items such as meat products and fats and oils as well as medications and other textile products were the key drivers of price increases in non-durable consumption goods. Overall, producer prices continued to exert pressure on consumer prices with an increasing magnitude.

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



**Chart 14. Consumption Goods** (Annual % Change)



## Tables

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

	Monthly		Annual	
	March 2021	March 2020	March 2021	March 2020
<b>CPI</b>	<b>1.08</b>	<b>0.57</b>	<b>16.19</b>	<b>11.86</b>
<b>1. Goods</b>	<b>1.01</b>	<b>0.59</b>	<b>17.81</b>	<b>11.59</b>
Energy	0.09	-3.12	12.43	9.81
Food and non-alcoholic beverages	1.13	1.95	17.44	10.05
Unprocessed food	1.32	3.11	14.98	3.33
Fresh fruits and vegetables	0.34	1.76	7.04	-6.56
Other unprocessed food	1.87	3.97	19.96	11.79
Processed food	0.95	0.83	19.87	17.28
Bread and cereals	1.20	0.66	19.67	17.97
Other processed food	0.82	0.92	19.92	16.90
Goods excluding energy and food	1.24	0.95	19.74	13.26
Core goods	1.39	1.03	22.14	8.18
Durable goods (excluding gold)	0.35	1.10	33.29	11.39
Clothing and footwear (*)	1.74	0.65	7.33	6.01
Other core goods	2.84	1.21	16.80	5.84
Alcoholic beverages and tobacco	0.04	0.04	2.87	40.19
Gold	2.72	2.98	34.01	36.00
<b>2. Services</b>	<b>1.26</b>	<b>0.52</b>	<b>12.56</b>	<b>12.42</b>
Rents	0.57	0.54	9.24	10.11
Restaurants and hotels	2.60	0.87	15.39	13.68
Transport	0.27	0.15	9.96	16.66
Communication	1.32	0.08	7.36	5.48
Other	1.05	0.47	14.69	13.17
<b>3. Core Measures</b>				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.26	0.77	17.49	11.65
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.33	0.76	16.88	10.49
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.10	0.25	17.28	11.80
F - CPI excluding administered prices	1.12	0.61	17.82	9.32

Source: TURKSTAT.

(\*) Does not cover clothing services.

**Table 2. CPI and Subcategories (% Change)**

	Weight	March 2021		March 2020	
		Monthly	Annual	Monthly	Annual
<b>CPI</b>	<b>100</b>	<b>1.08</b>	<b>16.19</b>	<b>0.57</b>	<b>11.86</b>
Food and non-alcoholic beverages	25.94	1.13	17.44	1.95	10.05
Alcoholic beverages and tobacco	4.88	0.04	2.87	0.04	40.19
Clothing and footwear	5.87	1.72	7.43	0.65	6.18
Housing	15.36	0.70	12.17	0.26	15.31
Household equipment	8.64	0.54	23.64	0.62	7.69
Health	3.25	3.70	19.17	2.78	12.81
Transport	15.49	0.00	24.85	-1.91	8.79
Communication	4.64	0.76	8.01	-0.05	2.52
Recreation and culture	3.01	2.01	9.93	0.90	6.72
Education	2.28	2.77	8.33	0.69	13.37
Restaurants and hotels	5.91	2.60	15.39	0.87	13.68
Miscellaneous goods and services	4.73	1.98	21.49	1.24	17.21

Source: TURKSTAT.

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

	Weight	March 2021		March 2020	
		Monthly	Annual	Monthly	Annual
<b>D-PPI</b>	<b>100</b>	<b>4.13</b>	<b>31.20</b>	<b>0.87</b>	<b>8.50</b>
Mining	3.51	3.03	21.26	-0.32	10.90
Manufacturing	87.27	4.33	33.96	0.91	7.79
Manufacturing excl. petroleum products	83.46	3.87	32.42	1.92	9.36
Manufacturing excl. petroleum products and base metals	75.28	3.31	28.80	1.72	9.87
Electricity, gas, steam and air-conditioning sup.	8.38	2.87	2.55	0.99	18.08
Water supply	0.85	0.42	27.30	0.43	5.51
<b>D-PPI (MIGs Classification)</b>					
Intermediate Goods		5.05	37.72	2.03	7.04
Durable Consumption Goods		1.66	29.68	1.35	11.43
Durable Consumption Goods (Excl. Jewelry)		1.55	29.35	0.93	9.99
Non-Durable Consumption Goods		2.73	23.98	1.76	13.25
Capital Goods		2.62	27.31	2.01	9.99
Energy		5.93	23.27	-6.82	1.53

Source: TURKSTAT.