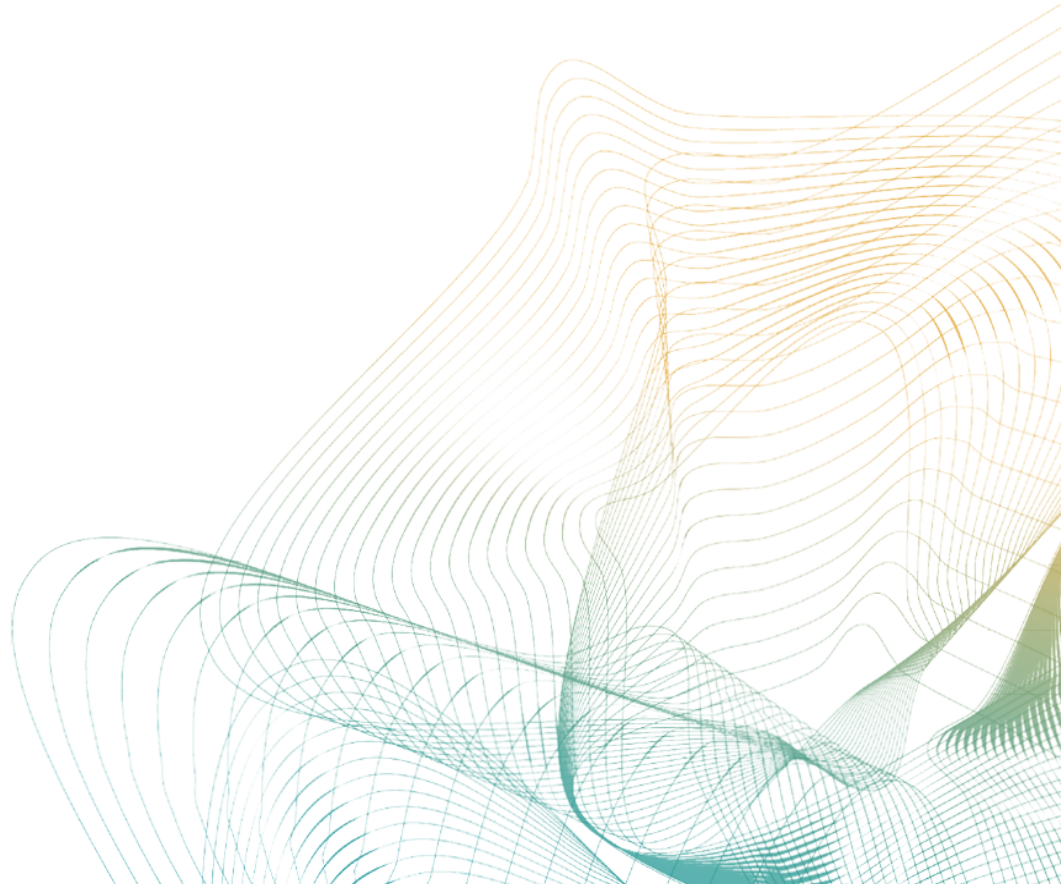




April Price Developments

5 May 2020



Summary

In April, consumer prices increased by 0.85% whereas annual inflation dropped by 0.92 points to 10.94%. In this period, annual inflation decelerated across all subcategories except food, receiving the most significant contribution from the energy group. Processed and unprocessed food prices both rose at a higher rate compared to their seasonal trend. The downtrend in energy prices continued on the back of the sharp fall in international oil prices. Services inflation decreased across subcategories, particularly in those in which activity was disrupted due to the pandemic. The core goods inflation lost pace despite the depreciation in the Turkish lira. Against this background, annual inflation and the trends of B and C indicators declined.

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 April, consumer prices increased by 0.85% whereas annual inflation dropped by 0.92 points to 10.94% (Chart 1). The annual rate of change in B and C indices decreased by 0.38 and 0.56 points to 11.27% and 9.93%, respectively (Chart 2).

Across subcategories, the contribution of food to annual consumer inflation rose by 0.29 points month-on-month whereas that of energy, services, core goods and alcoholic beverages-tobacco-gold fell by 0.78, 0.21, 0.11 and 0.11 points, respectively.

Chart 1: CPI and D (Annual % Change)

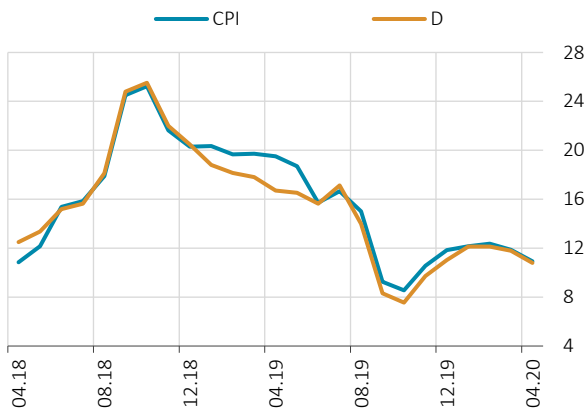
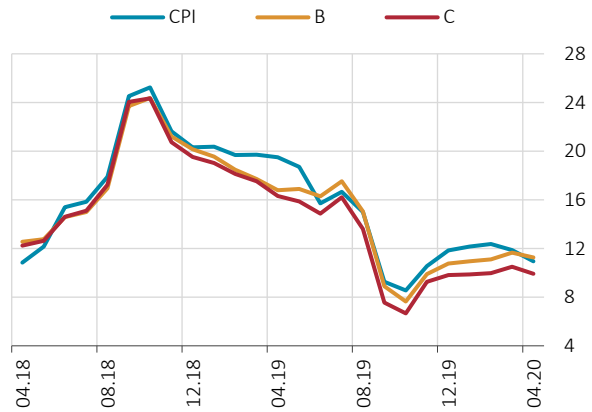


Chart 2: CPI, B and C (Annual % Change)



Three-month averages of seasonally adjusted core inflation indicators suggest that the trends of B and C indices fell (Chart 3). In this period, the tax-adjusted trend of core goods decelerated while the trend of services group registered a more pronounced decline (Chart 4).

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

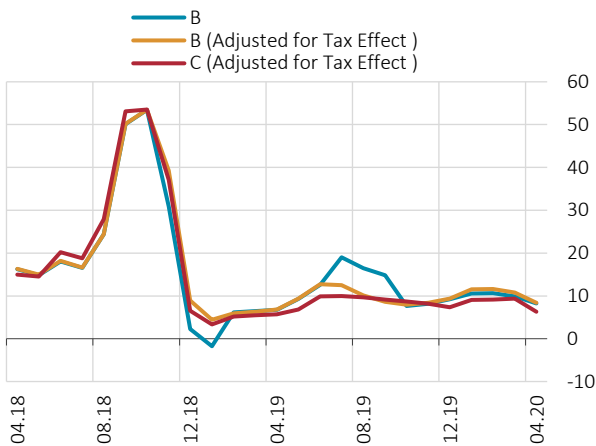
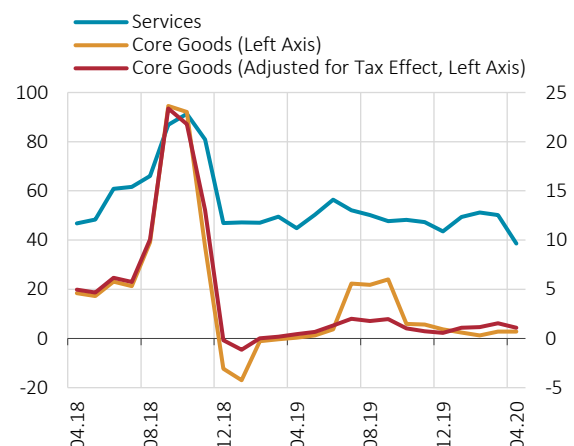


Chart 4: Core Goods and Services (Seasonally adjusted, Annualized 3-Month Average % Change)



In April, services prices were up by 0.22% whereas annual services inflation edged down by 0.66 points to 11.76% (Chart 5). Annual services inflation decreased across all subcategories in this period (Chart 6). The deceleration was most visible in sectors such as restaurants-hotels and transport that saw disruptions in their activity due to the pandemic. In fact, the slowdown in services inflation was also driven by the flat trend in certain items for which it was not possible to compile prices, such as passenger air transport, recreation-culture, package tours, hairdressing and barbers. While the monthly decline in prices of communication services was led by the fall in telephone call charges, the seasonally adjusted rate of

increase in rents also declined. On the other hand, prices of maintenance-repair services, which are highly sensitive to the exchange rate, escalated in this period.

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

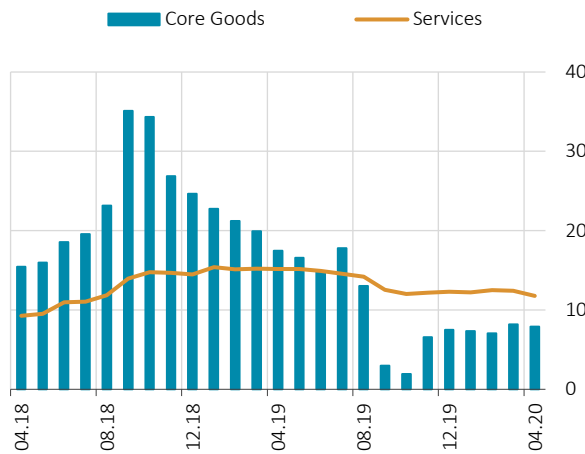
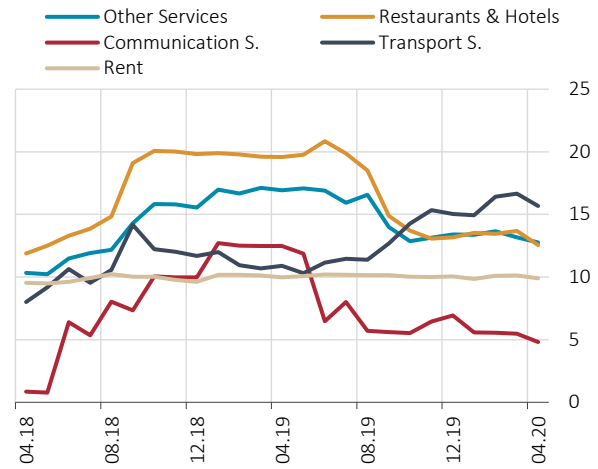


Chart 6. Services (Annual % Change)



Annual core goods inflation decreased by 0.30 points to 7.88% in April (Chart 5). While annual inflation was almost flat in durable goods, it declined in other subcategories (Chart 7). Prices of durable goods rose by 2.05% in April, mostly driven by the increases in prices of automobiles (3.38%) and furniture (3.63%). In the clothing and footwear group where the new season effect is in place, the increase was substantially lower in April compared to its historical averages. The impact of pandemic-driven factors was visible in the footwear group in particular. In sum, despite the negative effects of the depreciating Turkish lira on certain items, core goods inflation also decelerated in overall terms due to demand conditions.

Chart 7. Core Goods (Annual % Change)

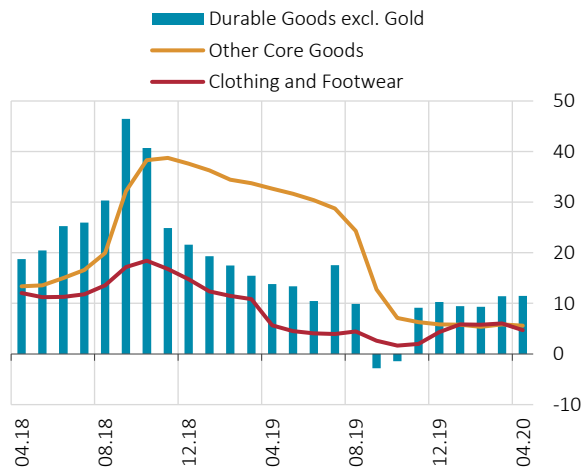
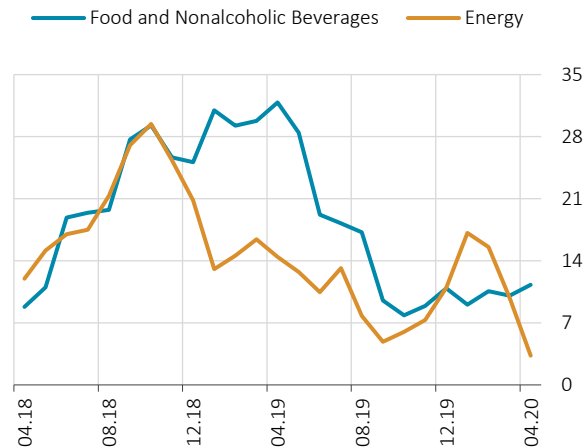


Chart 8. Food and Non-alcoholic Beverages and Energy (Annual % Change)



Energy prices dropped by 4.99% in April (Table 1), mainly led by the fall in international oil prices. Despite the depreciation in the Turkish lira, prices of fuel and bottled gas went down by 12.82% and 11.50%, respectively. In this period, municipal water prices also decreased (-1.63%). Consequently, annual energy inflation fell by 6.51 points to 3.30% (Chart 8).

In April, annual inflation in food and non-alcoholic beverages went up by 1.23 points to 11.28% (Chart 8 and Table 2). Annual inflation rose to 5.23% in unprocessed food and 17.78% in processed food (Chart 9). Seasonally adjusted data pointed to a large increase in prices of both fresh fruit-vegetable and other

groups under unprocessed food. Although prices increased across all subcategories in the other unprocessed food group, the hikes in prices of pulses (7.54%) and red meat (4.30%) were particularly significant. In this period, the rise in processed food prices further accelerated mainly due to price developments in bread-cereals, fats-oils and non-alcoholic beverages. Against this background, annual inflation in food excluding fresh fruits and vegetables remained flat at 15.23% (Chart 10). To sum up, food prices were determined by a number of factors in April such as the impact of pandemic-related measures on supply conditions, the strong increase in demand peculiar to this period, tax adjustments, and exchange rate developments.

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

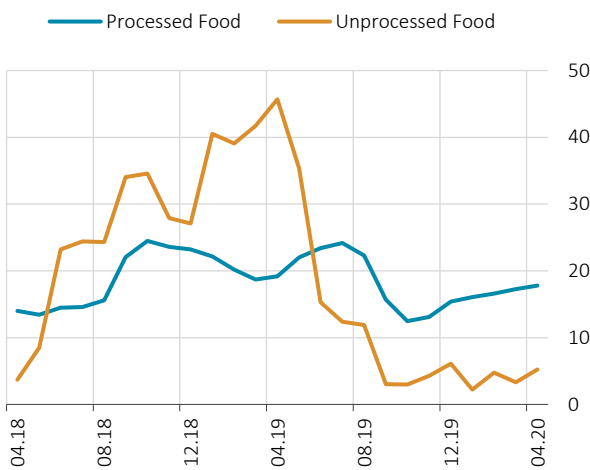
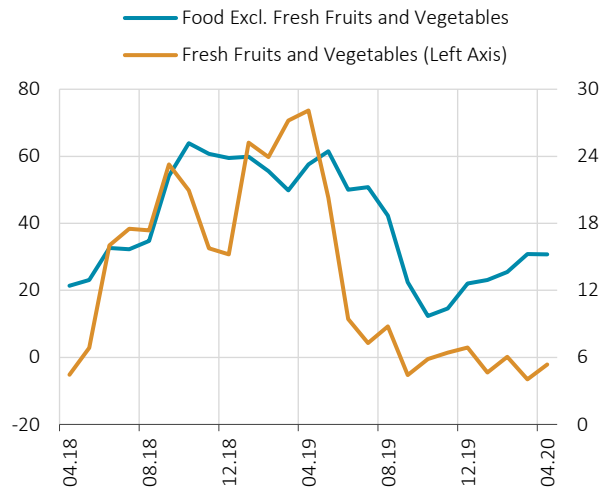


Chart 10. Fresh Fruits-Vegetables and Other Food (Annual % Change)



D-PPI

In April, domestic producer prices rose by 1.28% whereas annual D-PPI inflation fell by 1.79 points to 6.71% due to the high base effect from the same period last year (Chart 11 and Table 3). The pandemic-driven decline in international commodity prices also continued in this period. However, the underlying trend of manufacturing prices excluding petroleum and base metals went up due to the depreciation in the Turkish lira (Chart 12).

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

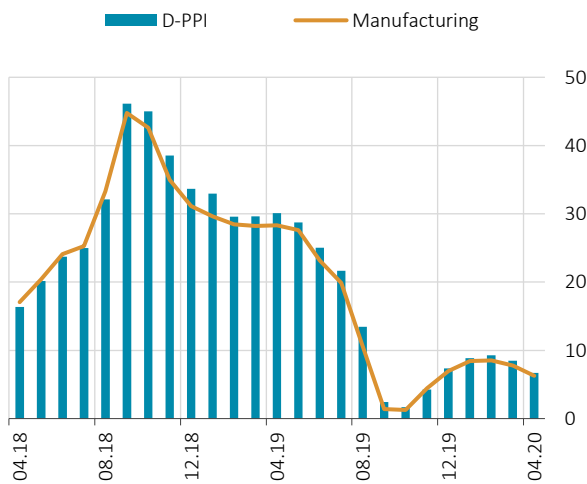
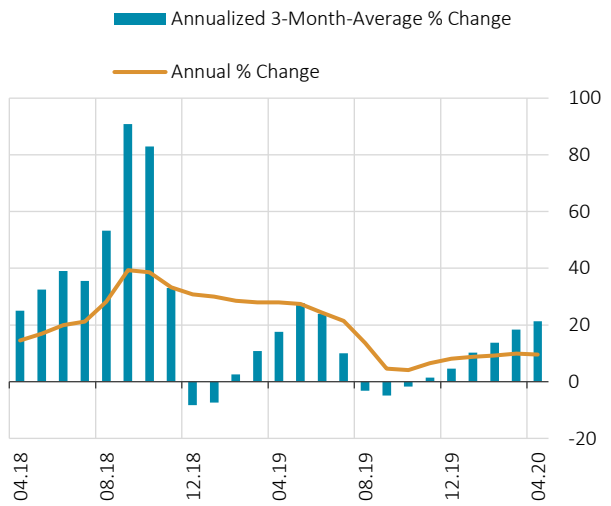


Chart 12. Manufacturing Excluding Petroleum and Base Metals (Annual % Change)



Across main industrial groupings, annual inflation was down in durable and non-durable consumption goods, most significantly in the energy group, whereas it increased in other groups (Table 3, Charts 13 and 14). In monthly terms, energy prices decreased markedly but other subcategories posted large price hikes. Producer prices for energy were brought down mainly by refined petroleum products and crude oil. The rise in prices of intermediate goods was observed across all subcategories, with developments in iron-steel, textile sub-items and paper products standing out in particular. Price hikes in structural metal products, motor vehicles as well as their parts and accessories, and machines were influential in capital goods. Price increases were mainly led by fats-oils, processed fresh fruits-vegetables and other textile products in non-durable goods, and by furniture, jewelry and household appliances in durable goods.

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

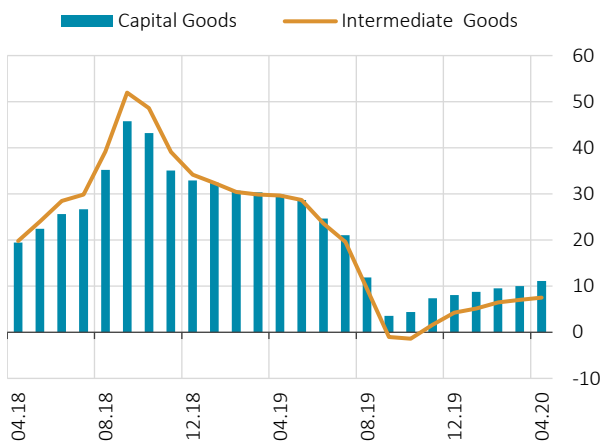
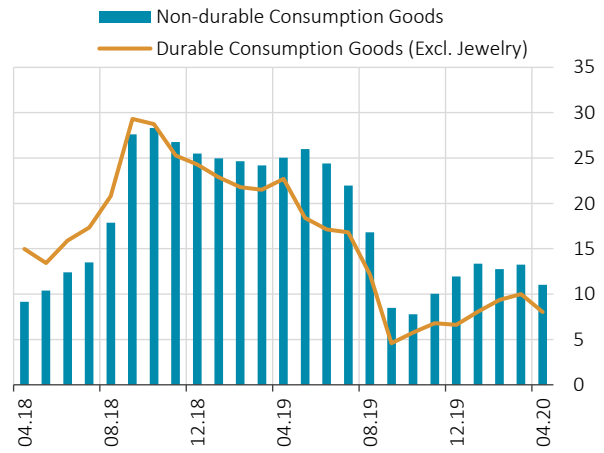


Chart 14. Consumption Goods (Annual % Change)



Tables

Table 1. CPI and Subcategories (% Change)

	Monthly		Annual	
	April 2020	April 2019	April 2020	April 2019
CPI	0.85	1.69	10.94	19.50
1. Goods	1.13	2.05	10.59	21.25
Energy	-4.99	1.00	3.30	14.42
Food and non-alcoholic beverages	2.53	1.40	11.28	31.86
Unprocessed food	3.65	1.78	5.23	45.69
Fresh fruits and vegetables	0.91	-3.67	-2.11	73.66
Other unprocessed food	5.37	6.14	10.97	30.21
Processed food	1.40	0.97	17.78	19.16
Bread and cereals	1.25	0.98	18.29	20.92
Other processed food	1.49	0.97	17.50	18.23
Goods excluding energy and food	2.24	2.89	12.55	16.90
Core goods	2.01	2.29	7.88	17.45
Durable goods (excluding gold)	2.05	1.97	11.48	13.81
Clothing and footwear (*)	4.17	5.46	4.72	5.67
Other core goods	0.43	0.68	5.58	32.68
Alcoholic beverages and tobacco	0.02	6.77	31.32	9.66
Gold	13.34	3.72	48.62	34.87
2. Services	0.22	0.81	11.76	15.15
Rents	0.42	0.61	9.90	9.98
Restaurants and hotels	0.12	1.13	12.55	19.58
Transport	0.05	0.91	15.66	10.88
Communication	-0.64	0.01	4.80	12.48
Other	0.51	0.86	12.77	16.92
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.11	1.45	11.27	16.78
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.04	1.56	9.93	16.30
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	0.50	1.42	10.78	16.70
F – CPI excluding administered prices	1.04	1.63	8.69	21.31

Source: TURKSTAT.

(*) Does not cover clothing services.

Table 2. CPI and Subcategories (% Change)

	Weight	April 2020		April 2019	
		Monthly	Annual	Monthly	Annual
CPI	100	0.85	10.94	1.69	19.50
Food and non-alcoholic beverages	22.77	2.53	11.28	1.40	31.86
Alcoholic beverages and tobacco	6.06	0.02	31.32	6.77	9.66
Clothing and footwear	6.96	4.08	4.90	5.36	5.91
Housing	14.34	-0.32	14.52	0.37	15.31
Household equipment	7.77	1.09	6.06	2.65	27.64
Health	2.80	0.53	12.86	0.49	19.75
Transport	15.62	-1.83	5.54	1.19	12.55
Communication	3.80	-1.23	1.55	-0.30	10.20
Recreation and culture	3.26	-0.67	4.91	1.04	19.33
Education	2.58	0.34	12.35	1.26	12.82
Restaurants and hotels	8.67	0.12	12.55	1.13	19.58
Miscellaneous goods and services	5.37	4.66	20.34	1.94	27.47

Source: TURKSTAT.

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

	Weight	April 2020		April 2019	
		Monthly	Annual	Monthly	Annual
D-PPI	100	1.28	6.71	2.98	30.12
Mining	3.23	0.22	7.44	3.45	25.42
Manufacturing	89.22	1.41	6.27	2.86	28.31
Manufacturing excl. petroleum products	85.25	2.38	9.04	2.68	27.86
Manufacturing excl. petroleum products and base metals	75.47	2.18	9.60	2.44	27.95
Electricity, gas, steam and air-conditioning sup.	6.61	0.31	12.86	4.96	57.87
Water supply	0.95	-0.53	4.57	0.36	0.33
D-PPI (MIGs Classification)					
Intermediate Goods		3.00	7.52	2.54	29.69
Durable Consumption Goods		2.40	10.40	3.35	23.55
Durable Consumption Goods (Excl. Jewelry)		1.52	8.03	3.36	22.72
Non-Durable Consumption Goods		1.18	11.02	3.21	25.03
Capital Goods		2.91	11.16	1.83	29.87
Energy		-7.97	-11.25	5.29	47.55

Source: TURKSTAT.