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TITLE: AN INPUT-OUTPUT ANALYSIS OF HIGH INFLATION IN TURKEY

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ABSTRACT:

High inflation rates over long periods of time have been major macroeconomic problem for Turkey since the early 1970s. WPI-based inflation rate annually averaged 28 percent during the 1970s, 43 percent (47 percent for CPI) during the 1980s, and 74 percent (77 percent for CPI) during the 1990s. It has recently been brought down to an annual average of 54 percent (51 percent for CPI) during 2000-2003 to an annual average of around 10 percent for both WPI and CPI under the inflation-control policy during the period 2004-2008. This paper analyzes the inflation and its industrial sources using the Turkish input-output tables for 1973, 1979, 1985, 1990, 1998, and 2002. Input-output tables at 1987 constant prices are constructed and the period from 1973 to 2002 are divided into five sub-periods: 1973-1979, 1979-1985, 1985-1990, 1990-1998, and 1998-2002. For each period the cost structure of the I/O industries are examined and the sources of cost-push inflation are investigated. Some prices including those of energy, coal, oil, and some raw materials were set or highly influenced by public enterprises over long periods. Each period is also characterized by certain macroeconomic policies of successive governments. It is noteworthy that the government has committed to significant privatization since the 1990s, especially accelerating after 2002. Therefore, significant policy implications are also drawn for inflation from the findings of the analysis.