

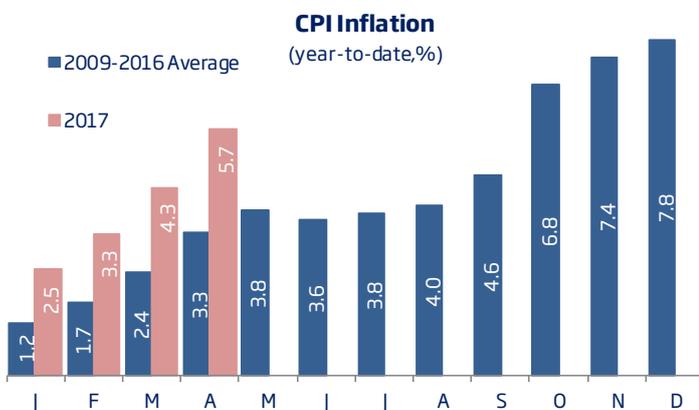
CPI was in line with the expectations.

CPI increased by 1.31% in April from the previous month, in line with the market expectations. According to the Reuters survey, monthly CPI inflation had been anticipated to be 1.30%. Domestic PPI (D-PPI) also rose by 0.76% mom in April.

April (change %)	CPI		D-PPI	
	2016	2017	2016	2017
Monthly	0.78	1.31	0.52	0.76
Year-to-Date	2.55	5.71	1.27	7.19
Annual	6.57	11.87	2.87	16.37
Annual Average	7.84	8.66	5.47	8.01

Annual inflation reached 11.87%.

Upward pressure on inflation since the start of the year has persisted in April. The year-to-date rise in the CPI became 5.71% as of April. This figure was almost twice of the average of the 2009-2016 period. Annual increase in CPI has kept its highest levels since the global crisis with a rate of 11.87% as of April. Despite having recorded its lowest monthly rise in 7 months, the D-PPI surged by 16.37% from a year earlier, the highest reading of almost 9 years.

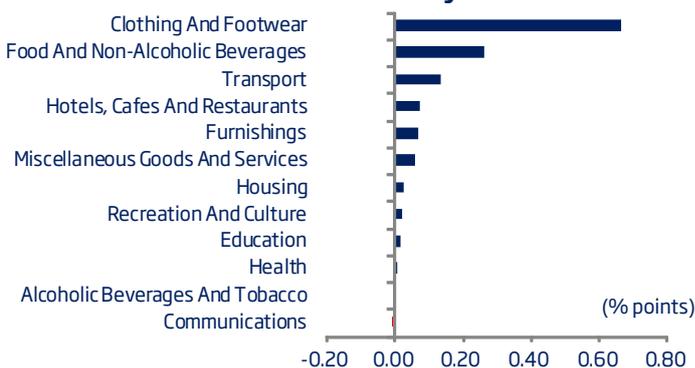


Monthly inflation in clothing was 9.13%.

Except for communication, prices in almost all expenditure sub-groups posted monthly rises in April. Clothing and footwear group made the highest contribution to the monthly inflation in April while price developments in both food and transportation groups pushed the CPI higher. Clothing prices contributed 64 basis points to the inflation, climbing by 9.13% mom due to the seasonal factors. Total contribution of the price increases in food and transportation to the monthly inflation were 39 basis points. Escalation of the unprocessed food prices also drove CPI inflation up in April. Despite the downward impact of the decline in energy prices, a sustained rise in prices of the transportation services was worth of attention.

Seasonal factors continued to exert upward pressure on the CPI in April. Excluding seasonal products, annual inflation fell to 11.13%.

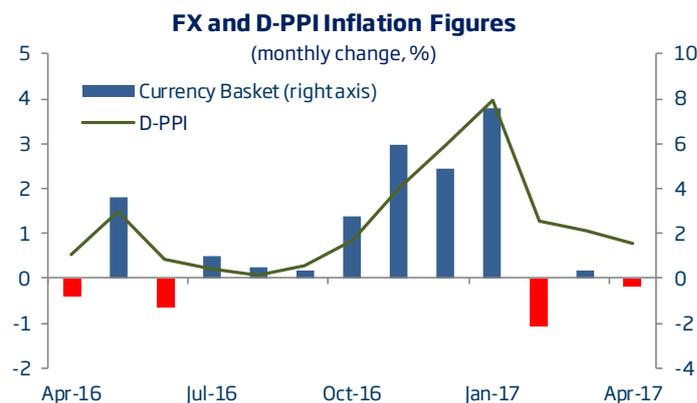
Contributions to the Monthly CPI Inflation



On a monthly basis, core inflation exceeded the headline inflation in April. Thus, core inflation C index, which excludes energy, food, alcoholic and non-alcoholic beverages, tobacco and gold prices, went up by 1.89% from March. However, the annual rise in C index dropped slightly to 9.42% due to the high base effect.

Increase in D-PPI lost momentum.

D-PPI inflation decelerated as TRY has reversed its weakening trend seen in early 2017. Nevertheless, prices almost in all sub-groups of D-PPI rose in April. In this period, upsurge in input cost of food production came to the forefront. On the other hand, the fall in prices of crude oil and mining sectors restrained the increase in D-PPI to some extent.



Expectations

We anticipate that the inflation will remain in double-digit levels during the first half of the year due to the lagged impacts of the depreciation of TRY and the partial recovery in demand conditions. In the remaining part of the year, however, we expect that upward pressure on inflation will ease in parallel to the appreciation of TRY and tax reductions.

Inflation (%)

	Consumer Price Index (2003=100)				Domestic Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
2015	January	1.10	1.10	7.24	8.80	0.33	0.33	3.28	9.59
	February	0.71	1.82	7.55	8.77	1.20	1.53	3.10	8.79
	March	1.19	3.03	7.61	8.70	1.05	2.60	3.41	8.03
	April	1.63	4.71	7.91	8.57	1.43	4.06	4.80	7.36
	May	0.56	5.30	8.09	8.45	1.11	5.22	6.52	6.98
	June	-0.51	4.76	7.20	8.28	0.25	5.49	6.73	6.74
	July	0.09	4.85	6.81	8.07	-0.32	5.15	5.62	6.43
	August	0.40	5.27	7.14	7.88	0.98	6.19	6.21	6.14
	September	0.89	6.21	7.95	7.80	1.53	7.81	6.92	5.92
	October	1.55	7.86	7.58	7.69	-0.20	7.59	5.74	5.58
	November	0.67	8.58	8.10	7.61	-1.42	6.06	5.25	5.33
	December	0.21	8.81	8.81	7.67	-0.33	5.71	5.71	5.28
2016	January	1.82	1.82	9.58	7.87	0.55	0.55	5.94	5.50
	February	-0.02	1.80	8.78	7.97	-0.20	0.34	4.47	5.61
	March	-0.04	1.75	7.46	7.96	0.40	0.75	3.80	5.64
	April	0.78	2.55	6.57	7.84	0.52	1.27	2.87	5.47
	May	0.58	3.15	6.58	7.71	1.48	2.77	3.25	5.19
	June	0.47	3.63	7.64	7.74	0.41	3.19	3.41	4.91
	July	1.16	4.84	8.79	7.91	0.21	3.41	3.96	4.77
	August	-0.29	4.53	8.05	7.98	0.08	3.49	3.03	4.51
	September	0.18	4.72	7.28	7.92	0.29	3.79	1.78	4.07
	October	1.44	6.23	7.16	7.89	0.84	4.66	2.84	3.83
	November	0.52	6.78	7.00	7.79	2.00	6.76	6.41	3.93
	December	1.64	8.53	8.53	7.78	2.98	9.94	9.94	4.30
2017	January	2.46	2.46	9.22	7.76	3.98	3.98	13.69	4.96
	February	0.81	3.29	10.13	7.88	1.26	5.29	15.36	5.87
	March	1.02	4.34	11.29	8.21	1.04	6.38	16.09	6.89
	April	1.31	5.71	11.87	8.66	0.76	7.19	16.37	8.01
	May ^(E)	0.50	6.23	11.78	9.09	0.30	7.51	15.01	9.00

(E) Estimate

Source: Turkstat, Datastream, ERD

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