



In April, inflation exceeded the expectations.

In April, monthly CPI increase exceeded market expectations and was realized as 1.87%. Monthly inflation forecast of the market was 1.6% in Reuters' survey and 1.23% in CBRT's Survey of Expectations. Besides, monthly D-PPI increase was 2.6% in April.

Annual inflation increased for the first time in 2018.

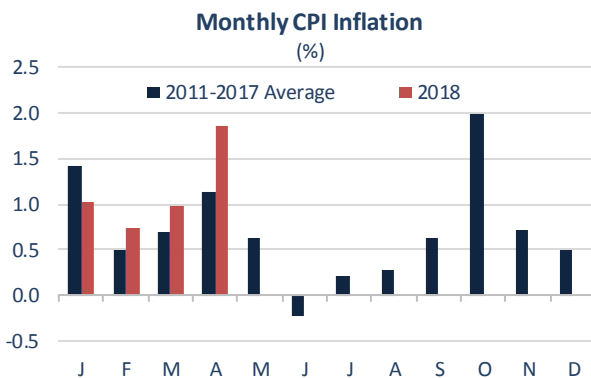
The downward trend in annual inflation since the beginning of 2018 came to an end in April. Annual CPI inflation was realized as 10.85% in April, being the highest level of this year. Annual increase in the D-PPI continued in April and reached 16.37%.

April (change %)	CPI		D-PPI	
	2017	2018	2017	2018
Monthly	1.31	1.87	0.76	2.60
Year-to-Date	5.71	4.69	7.19	8.03
Annual	11.87	10.85	16.37	16.37
Annual Average	8.66	11.06	8.01	15.36

Monthly inflation in clothing and footwear was 10.4%.

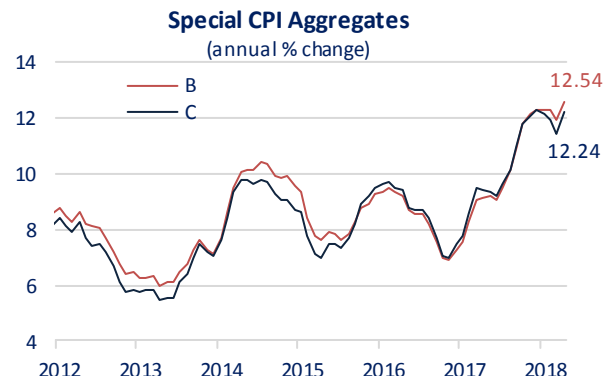
In April, prices in all major spending groups excluding food and non-alcoholic beverages and communication, increased on a monthly basis. In this period, while clothing and footwear made the highest contribution to the monthly inflation, transportation also played a role in the CPI rise. Clothing and footwear, prices rising by 10.4% on a monthly basis due to seasonal factors contributed to CPI inflation by 66 bps. In addition to exchange rate developments, high oil prices led transportation subgroup to push monthly inflation up by 62 bps.

In April, first 5 items with the fastest price increases were classified under clothing subgroup and prices of those items increased more than 20% during this period. The biggest price drop was recorded in unprocessed food products thanks to favorable weather conditions.



Core inflation indicators began to rise.

Deceleration in B and C core inflation indicators, which are monitored closely by the CBRT, ended in April. While annual rise in B index was realized as 12.54% in April, annual increase in C index climbed to 12.24%. Upward move of core indicators, which exclude the items with volatile price courses such as energy and food, supports the view that inflation would remain strong in the following period.



B:excluding unprocessed food, energy, alcoholic beverages, tobacco and gold
C:excluding energy, food, non-alcoholic beverages, alcoholic beverages, tobacco and gold

D-PPI increase remained at high levels.

In April, food products and basic metals made the highest contributions to the monthly D-PPI inflation of 2.6% with 55 bps and 27 bps, respectively. Coke and refined petroleum products, in which sector prices recorded the highest monthly increase by 10.35%, contributed to the monthly D-PPI by 26 bps. Analysis of main industrial groups revealed that prices in all main groups increased by more than 2% on a monthly basis. If the rise in commodity prices continues in addition to the exchange rate developments, it is understood that the D-PPI will continue to remain strong in the following period.

Expectations...

CBRT revised its end-year inflation forecast upwardly by 0.5 bps to 8.4% in this year's second Inflation Report on 30th April. Speaking at the announcement of the Inflation Report, CBRT Governor Murat Çetinkaya stated that upward revision in inflation forecast mainly stemmed from oil and exchange rate developments. Despite the revision, the CBRT seems to be more optimistic than the market. According to the results of CBRT's Survey of Expectation in April, markets' year-end inflation expectation was at 10.1%. Considering the recent developments, we anticipate that the inflation indicators would remain high in the following period.

Source: Turkstat, Datastream

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date				Average			Date
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	0.45	6.18	11.72	9.09	0.52	7.74	15.26	9.02
	June	-0.27	5.89	10.90	9.36	0.07	7.82	14.87	9.98
	July	0.15	6.05	9.79	9.44	0.72	8.60	15.45	10.94
	August	0.52	6.60	10.68	9.66	0.85	9.52	16.34	12.05
	September	0.65	7.29	11.20	9.98	0.24	9.78	16.28	13.26
	October	2.08	9.52	11.90	10.37	1.71	11.66	17.28	14.47
	November	1.49	11.16	12.98	10.87	2.02	13.91	17.30	15.38
	December	0.69	11.92	11.92	11.14	1.37	15.47	15.47	15.82
2018	January	1.02	1.02	10.35	11.23	0.99	0.99	12.14	15.66
	February	0.73	1.76	10.26	11.23	2.68	3.69	13.71	15.50
	March	0.99	2.77	10.23	11.14	1.54	5.29	14.28	15.35
	April	1.87	4.69	10.85	11.06	2.60	8.03	16.37	15.36
	May ^(E)	1.78	6.56	12.32	11.11	2.50	10.73	18.66	15.66

(E) Estimate

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