

## Inflation - April 2016

### Economic Research Division

#### CPI rose by 0.78% mom.

CPI recorded a monthly increase of 0.78% in April while Domestic PPI (D-PPI) rose by 0.52% mom. Market had forecast that CPI would surge by around 1% mom. Thus, CPI has come in below the expectations in April.

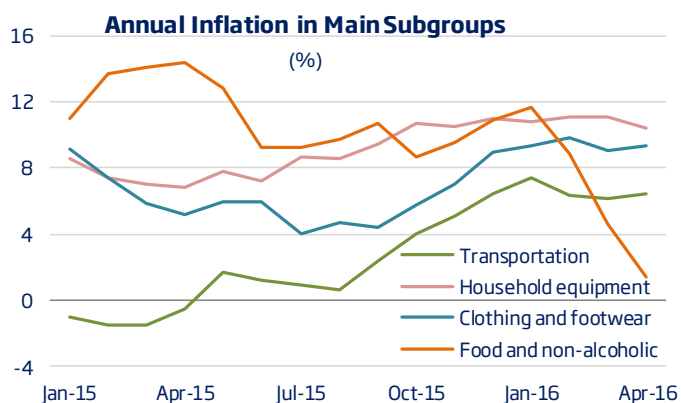
April	CPI		D-PPI	
	2015	2016	2015	2016
<b>Change (%)</b>				
Monthly	1.63	0.78	1.43	0.52
Year-to-Date	4.71	2.55	4.06	1.27
Annual	7.91	6.57	4.80	2.87
Annual Average	8.57	7.84	7.36	5.47

#### Annual CPI inflation slid to 6.57%.

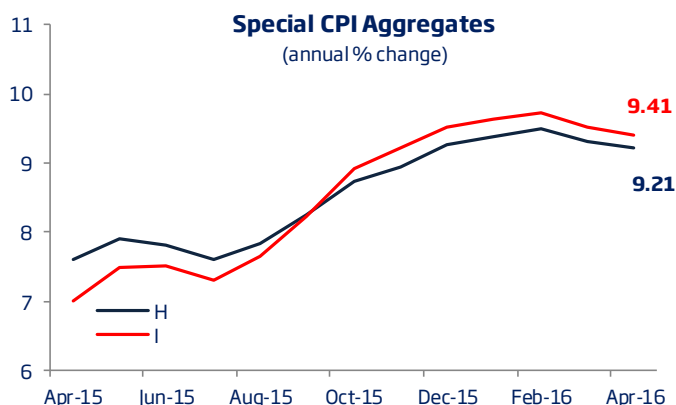
Annual CPI inflation, which has been on downward trend since February, was realized as 6.57% in April. Despite the fading impact of lower energy prices, annual D-PPI inflation continued to decline and came in at 2.87% thanks to favorable base-effect. Hence, annual inflation in both CPI and D-PPI dropped to their lowest levels in 3 years.

#### Decline in food prices brought inflation down.

Food group was the only sub-group which registered a monthly price decline in April. Food prices have been declining since February on monthly basis. Moreover, food prices recorded their lowest rate of increase since 2004 according to the annual figures. This development was mainly driven by the sharp decrease in unprocessed food prices in this period. Accordingly, food group lowered the monthly CPI by 30 basis points. On the other hand, clothing and footwear prices made the biggest contribution to the CPI by 80 basis points led by strong upward seasonal trend. The impacts of price developments in other sub-groups remained limited on inflation.



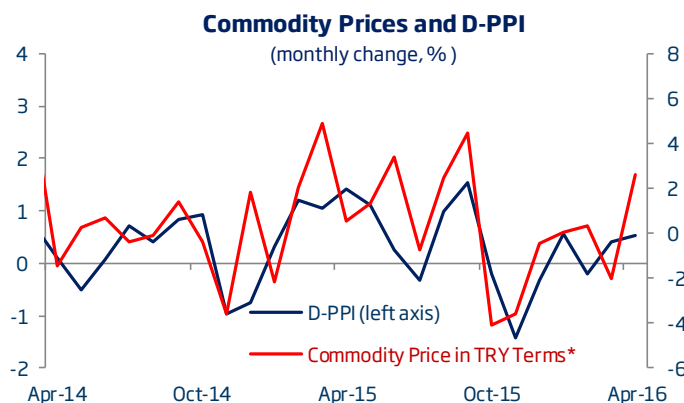
Having pulled inflation down in both February and March, seasonal factors led to an increase of 27 basis points in CPI inflation in April.



Along with the fading cumulative effects of exchange rates on inflation, core inflation indicators recovered albeit to a limited extent. H and I core inflation indicators, which are closely monitored by the CBRT, fell to 9.21% and 9.41%, respectively. However, the persistently high levels of core inflation indicators raised questions over the sustainability of the improvement in CPI inflation.

#### D-PPI...

The slight recovery in commodity prices played a prominent role in D-PPI. Indeed, the monthly rise of 2.7% in CRB commodity price index in TRY terms pushed the D-PPI inflation up in April. The fastest monthly increases were recorded under the items of crude oil and gas, basic metals and coke and refined petroleum products.



#### Expectations...

Clothing and footwear prices will continue to put upward pressure on inflation in May, albeit to a lesser extent, while food prices are anticipated to have a favorable impact on inflation due to seasonality. Against this backdrop, annual inflation is expected to maintain its trend below 7% and hence provide room for maneuver to CBRT to cut the interest rates further.

(\*) Based on CRB Commodity Price Index  
Source: Datastream, Turkstat

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## 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		
2014	January	1.98	1.98	7.75	7.53	3.32	3.32	10.72	5.22
	February	0.43	2.41	7.89	7.60	1.38	4.75	12.40	6.11
	March	1.13	3.57	8.39	7.70	0.74	5.52	12.31	6.95
	April	1.34	4.96	9.38	7.97	0.09	5.61	12.98	7.89
	May	0.40	5.38	9.66	8.23	-0.52	5.06	11.28	8.66
	June	0.31	5.70	9.16	8.31	0.06	5.12	9.75	9.03
	July	0.45	6.18	9.32	8.35	0.73	5.89	9.46	9.26
	August	0.09	6.28	9.54	8.46	0.42	6.33	9.88	9.55
	September	0.14	6.43	8.86	8.54	0.85	7.24	9.84	9.84
	October	1.90	8.45	8.96	8.65	0.92	8.22	10.10	10.11
	November	0.18	8.65	9.15	8.80	-0.97	7.18	8.36	10.32
	December	-0.44	8.17	8.17	8.85	-0.76	6.36	6.36	10.25
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 <sup>(E)</sup>	<b>0.50</b>	<b>3.07</b>	<b>6.50</b>	<b>7.71</b>	<b>0.60</b>	<b>1.88</b>	<b>2.35</b>	<b>5.13</b>

(E) Estimate

Source: Turkstat, ERD

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