



CPI was in parallel with expectations in March.

In March, CPI rose in parallel with market expectations by 0.99% on a monthly basis. According to the Reuters survey, monthly CPI was expected to increase by 1%. Having increased rapidly in previous month, Domestic Producer Price Index (D-PPI) lost some momentum in this period, surging up by 1.54% in March.

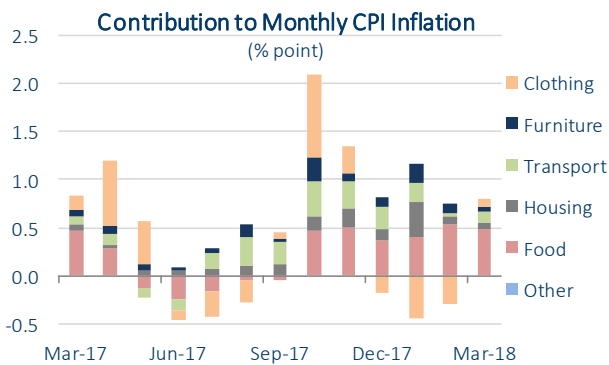
Annual CPI inflation continued to decline.

Downward trend in annual inflation since the beginning of 2018 continued in March. Due to the high base effect, annual CPI inflation decreased to 10.23%, the lowest level in the last 8 months. Despite the decline in consumer inflation, D-PPI had an upward trend in the first quarter of 2018. Annual increase in D-PPI was realized as 14.28%.

March (change %)	CPI		D-PPI	
	2017	2018	2017	2018
Monthly	1.02	0.99	1.04	1.54
Year-to-Date	4.34	2.77	6.38	5.29
Annual	11.29	10.23	16.09	14.28
Annual Average	8.21	11.14	6.89	15.35

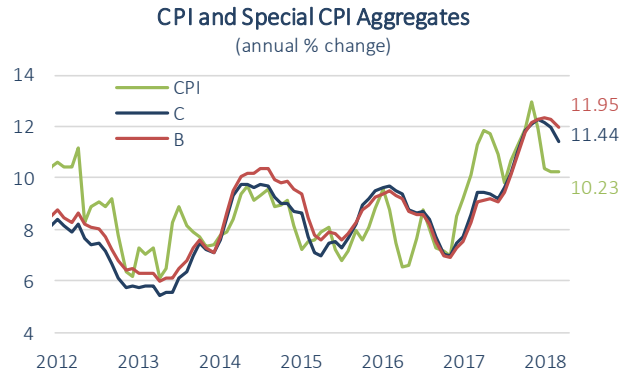
Food and transportation prices pushed inflation up.

In March, while prices in all main expenditure groups increased on a monthly basis, food group continued to play a significant role in inflation. Among the main expenditure groups, food and non-alcoholic beverages made the highest contribution to the monthly inflation by 48 basis points, increasing by 2.03%. Transportation group made the second highest contribution to the increase in monthly CPI inflation by 13 basis points. On the other hand, clothing and footwear prices which declined in recent months, increased in March since seasonal impacts faded out. Indeed, when seasonal products are excluded, March inflation slightly declines.



Core inflation indicators...

In March, annual increases in CBRT's favorite core inflation indicators, B and C, continued to decline compared to the previous month. Yearly rise in B index was realized as 11.95% in March. While annual increase in C index decreased to 11.44%, the lowest level in 6 months. B and C indices remained over the headline inflation at elevated levels, albeit declining in recent months.



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

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

D-PPI inflation continued to hover around high levels.

Rise in prices of food products made the highest contribution (45 basis points) to the monthly D-PPI increase. In addition to the increase in commodity prices, exchange rate developments led to the rise in the prices of basic metals and motor vehicles. These two sectors were other significant groups that drove D-PPI up on a monthly basis. On the other hand, electricity, gas, steam and air conditioning, which made the highest contribution to the increase in producer prices last month, limited the rise in D-PPI in March.

Expectations...

In the first quarter of 2018, while the core inflation indicators continued to hover around high levels albeit a limited decline, annual CPI inflation lost momentum in parallel with expectations. In April, we anticipate the seasonal factors and weak course of TRY to put an upward pressure on CPI. Also, electricity price hike will push the inflation up slightly. In this framework, we believe that the declining trend in annual CPI inflation will reverse in April.

Source: Turkstat, Datastream

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
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 ^(E)	1.50	4.31	10.44	11.02	1.50	6.87	15.12	15.25

(E) Estimate

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