



In April, CPI inflation came in slightly below the expectations.

CPI increased by 1.68% mom in April, a bit below the expectations. Market's CPI inflation expectation for this period was around 1.8%. Domestic PPI (D-PPI) increased by 4.34% in this period and reached its highest level since September 2018.

April (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	0.85	1.68	1.28	4.34
Year-to-Date	3.16	5.45	4.54	12.91
Annual	10.94	17.14	6.71	35.17
Annual Average	12.66	13.70	10.87	19.44

Annual CPI inflation rose to 17.14%.

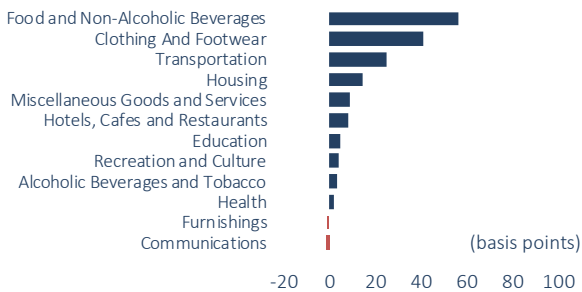
Annual CPI inflation, which has an upward trend since October 2020, was realized as 17.14% and reached the highest level of the last 23 months. Annual D-PPI inflation continued to rise in April and reached 35.17%.

Increases in food and clothing prices were determinant in monthly CPI inflation.

In April, prices in all main expenditure groups excluding communication and furnishing, increased on a monthly basis. In this period, while food and non-alcoholic beverages group made the highest contribution to the monthly CPI inflation with 57 bps, clothing and footwear also played a role in the CPI rise. Clothing and footwear prices rose by 7.6% mom due to seasonal factors and contributed to CPI inflation by 41 bps. Price increases in transportation group increased the monthly CPI inflation by 25 bps.

On an annual basis, the highest price increases were seen in the transportation and furnishing groups, with 29.3% and 22.3%, respectively. In addition to exchange rate developments, the rapid rise in oil prices led transportation subgroup to push annual inflation up by 426 bps. The lowest annual price increase was in the alcoholic beverages and tobacco with 3.6%.

Contributions to the Monthly CPI Inflation

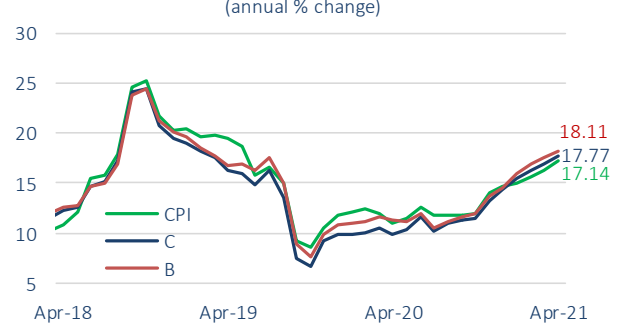


Core inflation indicators ...

In April, annual rise in core inflation indicators B and C, which are closely monitored by the CBRT came in above the headline inflation. In this period, annual increases in index B (CPI excluding unprocessed food products, energy, alcoholic beverages and tobacco and gold) and index C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages and tobacco, and gold), were realized as 18.11%

and 17.77%, respectively. Upward trend in core indicators signals that inflation would remain high in the following period.

CPI and Special CPI Aggregates

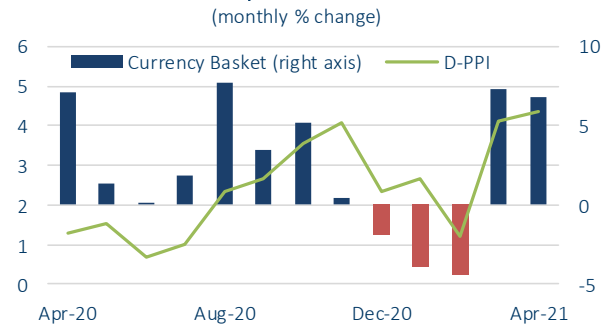


Increase in D-PPI continues.

In April, when the impact of the depreciation of TRY on costs continued, basic metals and textile products made the highest contributions to the monthly D-PPI inflation of 4.34% with 89 bps and 61 bps, respectively. During this period, 15.25% rise in crude petroleum and natural gas prices was noteworthy. Analysis of main industrial groups revealed that prices in all main groups increased, while prices in intermediate goods recorded the highest rise with 6.6% in this period.

On an annual basis, the rise in prices of coke and refined petroleum products and crude oil and natural gas sectors has reached 160% and 109%, respectively. Coke and refined petroleum products made the highest contribution to the annual rise in D-PPI with 580 bps, while food products made the second highest contribution with 571 bps.

Currency Basket and D-PPI



Expectations...

CBRT revised its year-end inflation forecast upwards by 2.8 bps to 12.2% in the second Inflation Report of 2021 published on 29th April. In addition to exchange rate developments, the upward revision in inflation forecast mainly stemmed from the rise in import prices due to the ongoing disruptions in supply chains and high increases in international commodity prices. Considering the widening gap between D-PPI and CPI inflation, we expect that upward pressure on CPI inflation will continue for a while in the following period. We anticipate that, after the 17-day full lock down measures taken against the pandemic, the rise in demand in the services sector may also push the prices up in these sectors in the coming months.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date				Average			Date
2019	January	1.06	1.06	20.35	17.16	0.45	0.45	32.93	28.70
	February	0.16	1.23	19.67	17.93	0.09	0.55	29.59	29.97
	March	1.03	2.27	19.71	18.70	1.58	2.14	29.64	31.17
	April	1.69	4.00	19.50	19.39	2.98	5.18	30.12	32.24
	May	0.95	4.99	18.71	19.91	2.67	7.99	28.71	32.85
	June	0.03	5.01	15.72	19.88	0.09	8.09	25.04	32.81
	July	1.36	6.44	16.65	19.91	-0.99	7.02	21.66	32.34
	August	0.86	7.35	15.01	19.62	-0.59	6.39	13.45	30.51
	September	0.99	8.42	9.26	18.27	0.13	6.53	2.45	26.44
	October	2.00	10.59	8.55	16.81	0.17	6.71	1.70	22.58
	November	0.38	11.01	10.56	15.87	-0.08	6.63	4.26	19.68
	December	0.74	11.84	11.84	15.18	0.69	7.36	7.36	17.56
2020	January	1.35	1.35	12.15	14.52	1.84	1.84	8.84	15.71
	February	0.35	1.71	12.37	13.94	0.48	2.33	9.26	14.18
	March	0.57	2.29	11.86	13.33	0.87	3.22	8.50	12.61
	April	0.85	3.16	10.94	12.66	1.28	4.54	6.71	10.87
	May	1.36	4.57	11.39	12.10	1.54	6.15	5.53	9.14
	June	1.13	5.75	12.62	11.88	0.69	6.89	6.17	7.74
	July	0.58	6.37	11.76	11.51	1.02	7.98	8.33	6.81
	August	0.86	7.29	11.77	11.27	2.35	10.52	11.53	6.71
	September	0.97	8.33	11.75	11.47	2.65	13.44	14.33	7.71
	October	2.13	10.64	11.89	11.74	3.55	17.48	18.20	9.11
	November	2.30	13.19	14.03	12.04	4.08	22.26	23.11	10.69
	December	1.25	14.60	14.60	12.28	2.36	25.15	25.15	12.18
2021	January	1.68	1.68	14.97	12.53	2.66	2.66	26.16	13.64
	February	0.91	2.60	15.61	12.81	1.22	3.92	27.09	15.14
	March	1.08	3.71	16.19	13.18	4.13	8.21	31.20	17.04
	April	1.68	5.45	17.14	13.70	4.34	12.91	35.17	19.44

Source: Turkstat, Datastream

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