

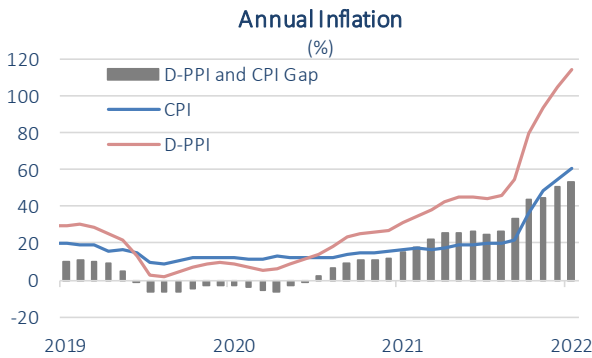


### Annual CPI rose to 61.14% in March.

In March, monthly CPI increased by 5.46%, close to market expectations. According to the Reuters' survey, the monthly CPI inflation was expected to be 5.7%. Monthly domestic PPI (D-PPI) inflation, which was 7.22% in February, accelerated and rose to 9.19% in March.

March (change %)	CPI		D-PPI	
	2021	2022	2021	2022
Monthly	1.08	5.46	4.13	9.19
Year-to-Date	3.71	22.81	8.21	29.31
Annual	16.19	61.14	31.20	114.97
Annual Average	13.18	29.88	17.04	64.30

Annual CPI inflation reached 61.14% in March. In this period, annual D-PPI inflation continued its course at triple digits, reaching 114.97%. Thus, the gap between D-PPI and CPI continued to widen.



### Transport group made the highest contribution to monthly CPI.

In March, prices in all main expenditure groups increased on a monthly basis, while the transport and food group continued to be decisive in the course of inflation. In this period, transport prices rose by 13.29% and made the highest contribution to the monthly inflation by 223 basis points. Rising fuel prices and increases in passenger transportation prices due to price cap regulations were behind this development. Food and non-alcoholic beverages group made the second highest contribution to the rise in monthly CPI inflation by 124 basis points.

On an annual basis, the highest price increase was seen in the transportation group with 99.12%. The said group contributed 14.76 points to the annual CPI increase. Food group prices went up by 70.33% yoy and made the highest contribution to the annual CPI increase by 17.99 points. Thus, price increases in the food and transportation group constituted for more than half of the annual CPI inflation of 61.14%. Increases in housing and furnishings prices in this period also pushed annual inflation up by 13.79 points.

### Core inflation indicators...

In March, the annual rise in CPI inflation excluding seasonal products remained above the headline CPI with 62.54%. In this period, annual increases in core inflation indicators B (CPI

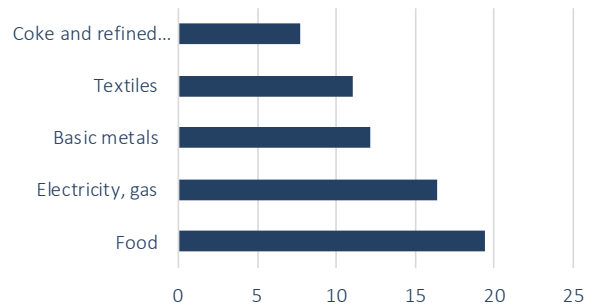
excluding unprocessed food products, energy, alcoholic beverages and tobacco and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) became 51,34% and 48.39%, respectively.

### Rise in D-PPI gained momentum.

In March, when domestic exchange rates were relatively steady, the rapid rise in global commodity prices, especially energy prices due to geopolitical developments, played a significant role in the course of D-PPI. Coke and refined petroleum products, where prices rose 35.99% mom, raised monthly PPI inflation by 94 basis points. The food group, where prices increased by 10.5% during this period, was the sub-sector that contributed the highest to monthly PPI increase by 204 basis points. Price increases in the main metals, electricity, gas production and distribution sectors also pushed up monthly producer prices by a total of 211 basis points.

Food and main metals sub-sectors continued to stand out in the annual PPI inflation in March. The two groups rose by 92.38% and 151.11% yoy, respectively, bringing the annual PPI up by a total of 31.54 points. Due to the increases in commodity prices, the prices of coke and refined petroleum products, electricity, gas production and distribution, and crude oil and natural gas sectors increased more than 3 times on an annual basis. The total contribution of these sectors played an important role in the annual D-PPI increase with 24.93 points.

### Product Groups Contributing the Most to the Increase in Annual D-PPI (points)



### Expectations

The uncertainty created by geopolitical developments regarding global economic activity and the course of energy prices appears to have led to a deterioration in inflation expectations in Turkey. We anticipate that the increase in annual CPI inflation will continue in the coming months, taking into account recent price increases in tobacco products, various food products and natural gas. On the other hand, VAT reductions applied to basic necessities other than food products, restaurants and residences, effective from April, are expected to limit the upward trend in CPI to some extent.

		Inflation (%)							
		CPI (2003=100)				D-PPI (2003=100)			
		Monthly	Year to Date	Annual	Annual Average	Monthly	Year to Date	Annual	Annual Average
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
	May	0.89	6.39	16.59	14.13	3.92	17.34	38.33	22.24
	June	1.94	8.45	17.53	14.55	4.01	22.04	42.89	25.38
	July	1.80	10.41	18.95	15.15	2.46	25.05	44.92	28.47
	August	1.12	11.65	19.25	15.78	2.77	28.51	45.52	31.34
	September	1.25	13.04	19.58	16.42	1.55	30.50	43.96	33.83
	October	2.39	15.75	19.89	17.09	5.24	37.34	46.31	36.20
	November	3.51	19.82	21.31	17.71	9.99	51.06	54.62	38.94
	December	13.58	36.08	36.08	19.60	19.08	79.89	79.89	43.86
2022	January	11.10	11.10	48.69	22.58	10.45	10.45	93.53	49.93
	February	4.81	16.45	54.44	25.98	7.22	18.43	105.01	56.83
	March	5.46	22.81	61.14	29.88	9.19	29.31	114.97	64.30

---

## Economic Research Division

Alper Grler  
Division Head  
alper.gurler@isbank.com.tr

İlkim Bengisu Tuncer  
Asst. Economist  
bengisu.tuncer@isbank.com.tr

Dilek Sarsın Kaya  
Asst. Manager  
dilek.kaya@isbank.com.tr

İlker Şahin  
Economist  
ilker.sahin@isbank.com.tr

---

Our reports are available on our website <https://research.isbank.com.tr>

### **LEGAL NOTICE**

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.