

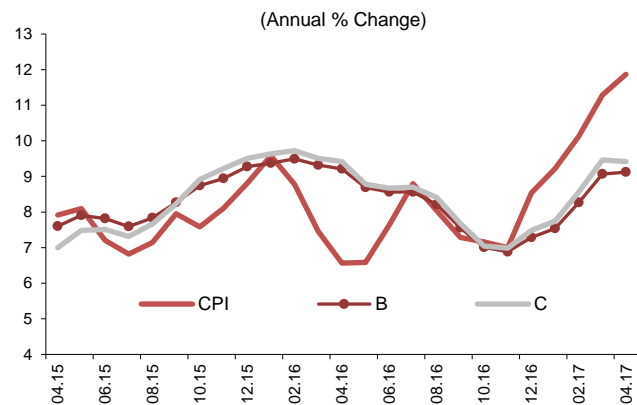
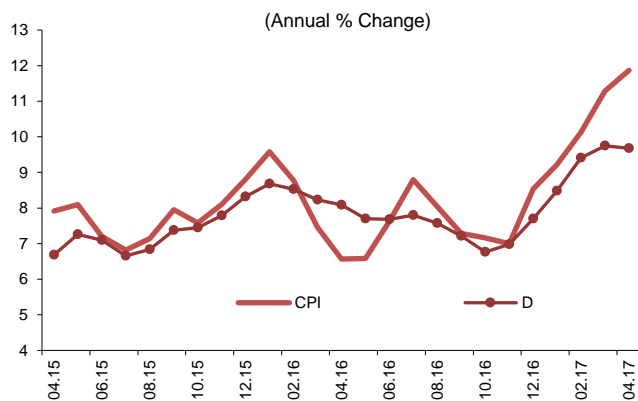
SUMMARY...

In April, consumer prices rose by 1.31 percent and annual inflation increased by 0.58 points to 11.87 percent. As stated in the Summary of the Monetary Policy Committee Meeting in April, food inflation soared, becoming the main driver of the accelerating consumer inflation. Energy prices dropped for the second month in a row, while services inflation remained elevated. Core goods inflation declined, largely due to clothing prices, and the lagged effects of the cumulative Turkish lira depreciation continued to dampen non-clothing categories. Thus, the annual inflation of core inflation indicators remained flat, whereas their underlying trend edged lower.

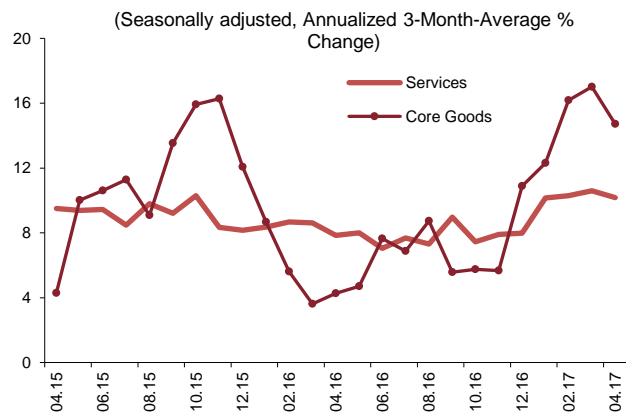
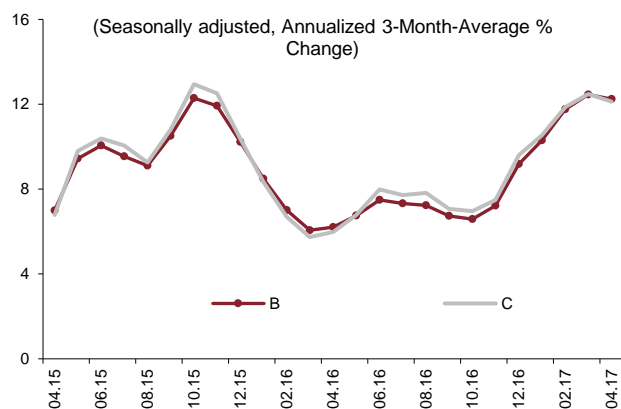
... EVALUATIONS ...

In April, consumer prices rose by 1.31 percent and annual inflation increased by 0.58 points to 11.87 percent. The annual rate of change in the B and C indices remained relatively flat at 9.12 and 9.42 percent, respectively.

Across subcategories, the contributions of food and services to annual inflation were up 0.64 and 0.07 points month-on-month, respectively, whereas that of energy decreased by 0.15 points. The contribution of core goods, alcohol and tobacco barely changed.

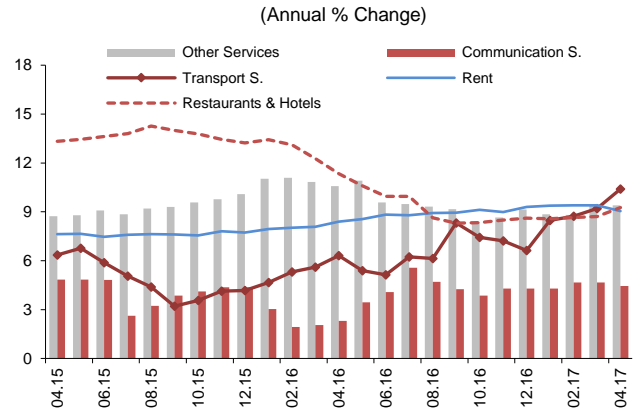
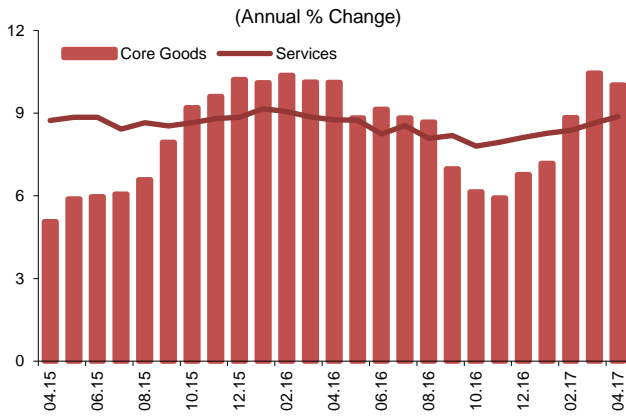


Three-month averages of seasonally-adjusted core inflation indicators reveal a small decline in the underlying trend. The underlying trends of both services and core goods inflation remained high in this period, albeit losing some momentum. Clothing prices accounted for most of the slowdown in the underlying trend of core goods.

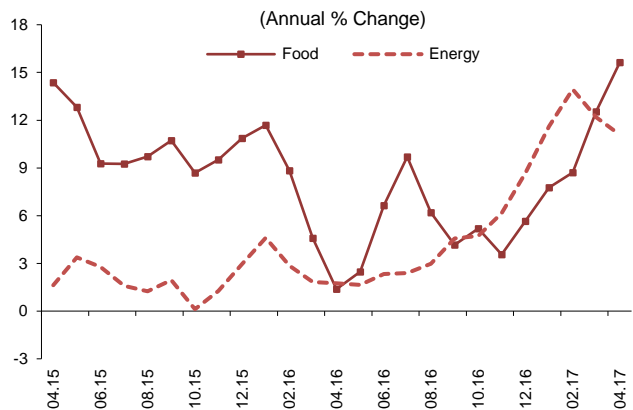
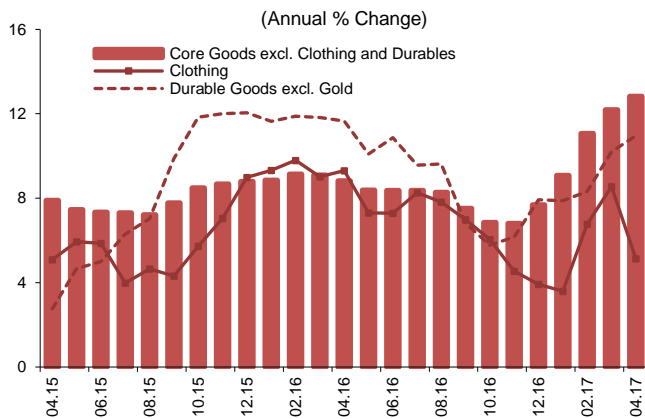


Prices of services rose by 0.85 percent in April, while annual services inflation edged up by 0.23 points to 8.87 percent, mostly due to transport services and restaurants and hotels. Transport prices posted a large monthly upsurge on the back of air fares. On the restaurants and hotels

front, prices soared mainly due to catering services amid high food inflation. On the other hand, annual rent inflation fell slightly. Meanwhile, inflation in the other services group remained elevated, with the exchange rate putting further pressure on maintenance and repair, package tours and health services.



Annual core goods inflation dropped by 0.43 points to 10.02 percent in April due to clothing prices. The lagged effects of the cumulative Turkish lira depreciation continued to put pressure on non-clothing categories. Clothing prices rose at a pace below historical averages, also due to the change in the weight structure.¹ Meanwhile, durable goods posted a price hike mostly because of automobile prices. Prices rose rapidly across core goods excluding clothing and durables, bringing annual inflation up to a historical high of 12.82 percent in this subcategory. This upsurge was driven by price increases in personal care, home maintenance and repair, and household cleaning products.



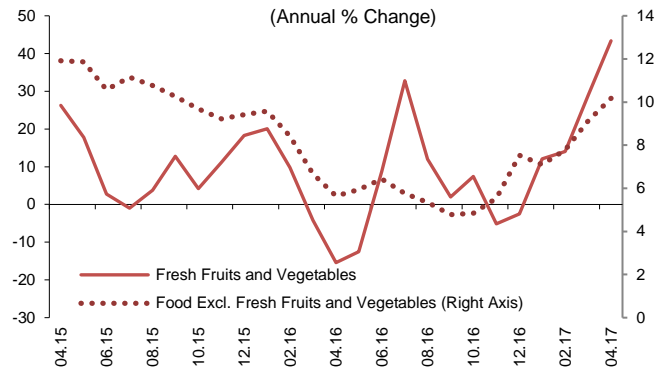
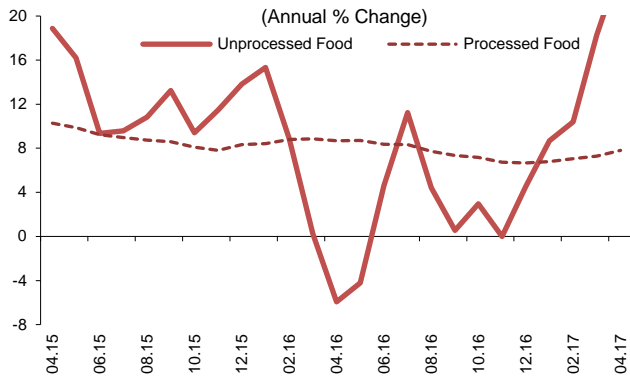
Energy prices fell by 0.64 percent in April. Fuel and bottled gas prices were down 1.38 and 4.18 percent, respectively. On the other hand, municipally-determined tap water rates remained on the rise. Thus, annual energy inflation dropped by 1.1 points to 11.09 percent.

Annual food and nonalcoholic beverages inflation rose by 3.09 points to 15.63 percent in April on the back of base effects from fresh fruits and vegetables as well as surging unprocessed food prices. In the other unprocessed food group, prices continued to climb in red meat, poultry and rice, while annual inflation reached 14.58 percent. Processed food prices soared further by a sharp 0.96 percent, driving annual processed food inflation up to 7.80 percent. Thus, annual food inflation excluding fresh fruits and vegetables remained on a steady upward track in April.

¹ The calculation of the clothing and footwear price index is no longer based on a variable weight but a fixed weight as of 2017. For an evaluation on the possible outcomes of this methodology change, see Inflation Report 2017-II, Box 3.2.

APRIL PRICE DEVELOPMENTS

MAY 4, 2017



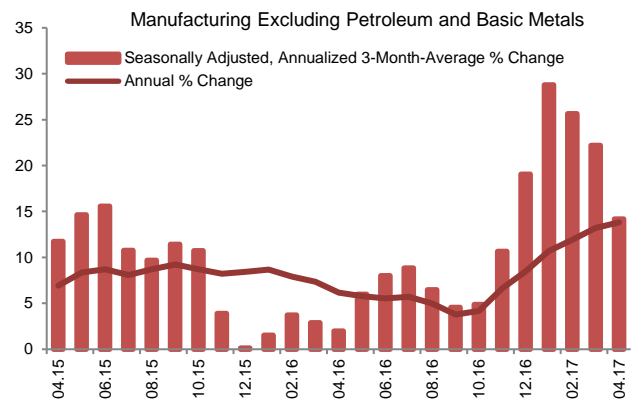
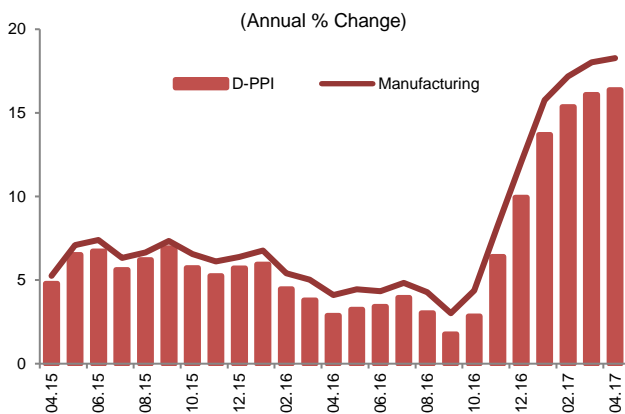
	Monthly Percent Change		Annual Percent Change	
	Apr.2017	Apr.2016	Apr.2017	Apr.2016
CPI	1.31	0.78	11.87	6.57
1. Goods	1.50	0.85	13.20	5.65
Energy	-0.64	0.34	11.09	1.74
Food and nonalcoholic beverages	1.23	-1.48	15.63	1.38
Unprocessed food	1.49	-3.66	24.61	-5.94
Fresh fruits and vegetables	0.20	-9.89	43.38	-15.41
Other unprocessed food	2.41	0.65	14.58	0.53
Processed food	0.96	0.47	7.80	8.67
Bread and cereals	0.85	0.61	7.08	9.67
Other processed food	1.02	0.40	8.21	8.13
Goods excluding energy and food	2.53	2.77	12.54	10.63
Core goods	3.06	3.47	10.02	10.12
Durable goods (excluding gold)	1.12	0.43	10.96	11.66
Clothing and footwear ^(*)	9.31	12.85	5.14	9.31
Other core goods	1.16	0.60	12.82	8.82
Alcoholic beverages and tobacco	0.01	0.06	21.65	12.84
Gold	2.74	-2.07	31.52	11.00
2. Services	0.85	0.64	8.87	8.76
Rents	0.54	0.86	9.05	8.39
Restaurants and hotels	0.96	0.45	9.27	11.35
Transport	2.14	1.03	10.40	6.31
Communication	-0.07	0.14	4.44	2.30
Other	0.72	0.70	9.40	10.58
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	1.73	1.68	9.12	9.21
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	1.89	1.94	9.42	9.41
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	1.37	1.43	9.68	8.09

Source: TurkStat.

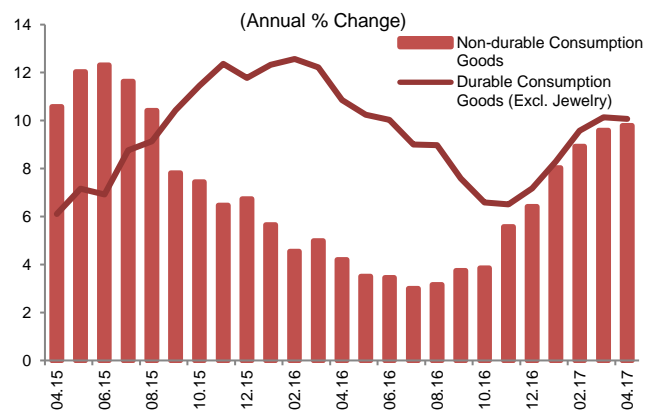
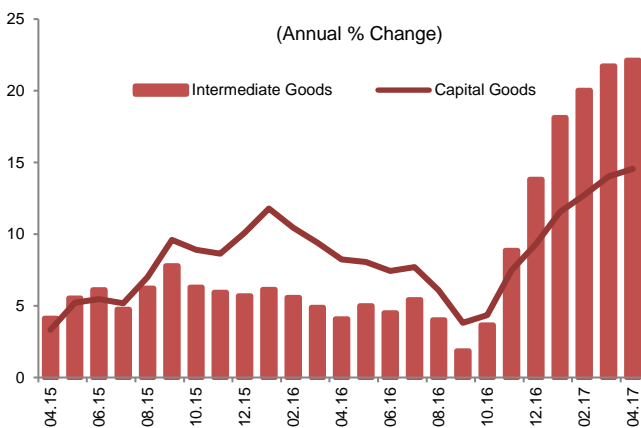
(*) Does not cover clothing services.

... D-PPI ...

Domestic producer prices rose by 0.76 percent in April, and annual PPI inflation increased by 0.28 points to 16.37 percent, due to the lagged effects of exchange rates and international commodity prices. Annual inflation amounted to 18.27 percent in the manufacturing industry and to 13.82 percent in the manufacturing industry excluding petroleum and base metals. The seasonally-adjusted underlying trend of manufacturing industry prices excluding petroleum and base metals slowed.



According to the Main Industrial Groupings (MIGs), prices registered gains across all subcategories in April. Prices of intermediate goods rose on account of iron-steel and paper-cardboard products. Prices of durable goods were driven up by prices of furniture and household appliances, while those of non-durable goods increased due to tobacco, meat and miscellaneous food products and beverages. Metal construction products were the main driver of higher capital goods prices in this period. In short, producer-driven cost pressures on consumer prices remained robust in April, albeit to a lesser degree than in March.



...TABLES

April CPI and Subcategories (Percent Change)					
	Weight	2017		2016	
		Monthly	Annual	Monthly	Annual
CPI	100	1.31	11.87	0.78	6.57
Food and nonalcoholic beverages	21.77	1.23	15.63	-1.48	1.38
Alcoholic beverages and tobacco	5.87	0.01	21.65	0.06	12.84
Clothing and footwear	7.33	9.13	5.17	12.60	9.32
Housing	14.85	0.21	7.53	0.37	6.59
Household equipment	7.72	0.94	5.58	0.70	10.38
Health	2.63	0.45	13.32	0.42	9.58
Transport	16.31	0.84	17.94	0.62	6.41
Communication	4.12	-0.02	4.15	0.29	1.77
Recreation and culture	3.62	0.69	9.22	0.76	9.16
Education	2.69	0.69	9.64	0.87	6.93
Restaurants and hotels	8.05	0.96	9.27	0.45	11.35
Miscellaneous goods and services	5.04	1.26	13.68	0.22	11.25

Source: TurkStat.

April D-PPI and Subcategories (Percent Change)					
	Weight	2017		2016	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.76	16.37	0.52	2.87
Mining	3.36	-0.82	17.35	1.37	-1.91
Manufacturing	88.79	0.80	18.27	0.58	4.11
Manufacturing excl. petroleum products	86.18	0.81	16.75	0.53	5.23
Manufacturing excl. petroleum products and basic metals	77.80	0.82	13.82	0.28	6.16
Electricity, gas, steam and air-conditioning supply	6.81	1.04	-5.09	-0.53	-8.14
Water supply	1.03	0.62	11.00	0.13	8.20
D-PPI (MIGs Classification)					
Intermediate Goods		0.80	22.12	0.47	4.08
Durable Consumption Goods		0.50	13.12	0.92	10.37
Durable Consumption Goods (Excl. Jewelry)		0.60	10.07	0.65	10.85
Non-Durable Consumption Goods		0.91	9.79	0.73	4.20
Capital Goods		0.41	14.55	-0.07	8.25
Energy		0.67	14.38	0.56	-10.34

Source: TurkStat.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation by the public of the monthly inflation developments during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.