

# INFLATION April 2012

(%)	PPI		CPI	
	2011	2012	2011	2012
April	0.61	0.08	0.87	1.52
January-April	6.04	0.73	2.45	3.09
Annual	8.21	7.65	4.26	11.14
Annual Average	9.17	10.72	6.79	8.59

Economic  
Research  
Division

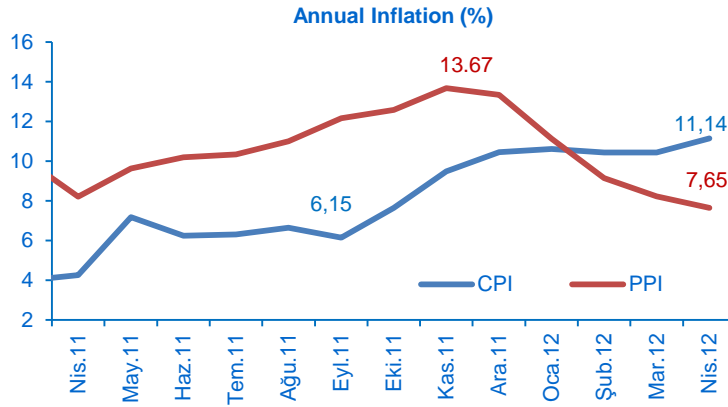
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*CPI increased above the expectations.*

In April, compared to the previous month, **CPI and PPI increased by 1.52% and 0.08%, respectively**. According to the Reuters' Survey, markets' monthly inflation expectations were 1.18% in CPI and 1.20% in PPI. According to the CBRT's survey of expectations on the other hand, CPI was expected to rise by 0.95%.

*Annual increase in CPI is 11.14%.*

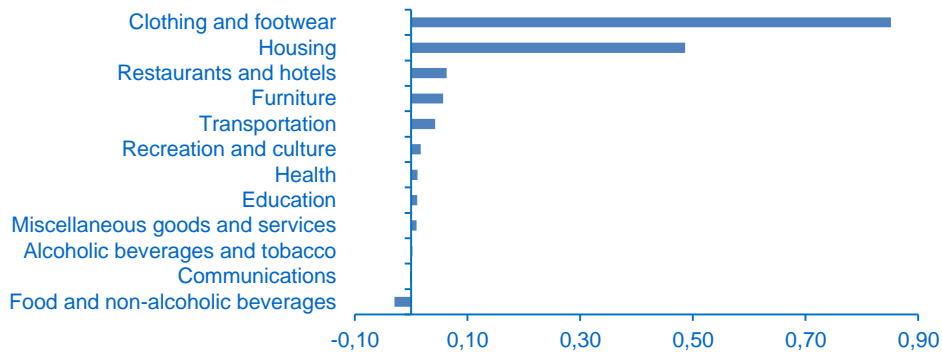
The annual CPI, which hovered around double-digit levels since December 2011, rose to 11.14% in April. Thus, the annual inflation reached its highest level since October 2008. The annual increase in PPI, on the other hand, which followed a downward trend due to the slowdown in economic activity, decreased to 7.65%.



*The adjustments in electricity and natural gas prices...*

In April, the seasonal price increases in the clothing and footwear sub-group were noteworthy. The monthly 13.2% price increase in this mentioned sub-group made 85 basis points contribution to inflation. Besides, the adjustments in electricity and natural gas prices contributed to inflation by 49 basis points. The price decreases in food and beverages sub-group, on the other hand, limited the rise in inflation.

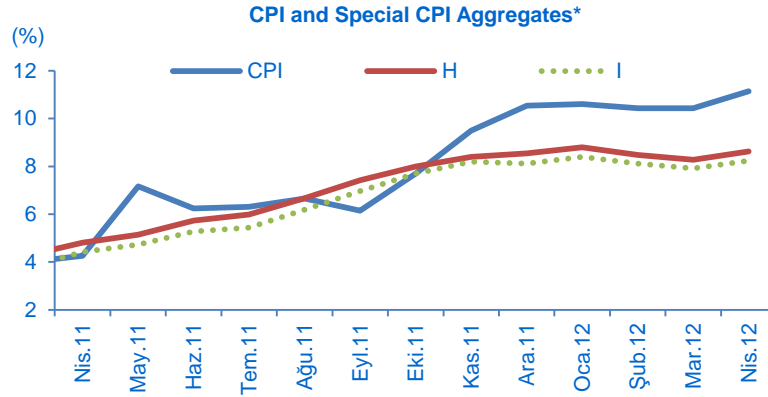
Contributions to the monthly CPI by sub-groups (% points)



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**In April, core inflation aggregates rose significantly.**

Analyzing the core inflation indicators in April, it was seen that all products excluding unprocessed food put pressure on inflation. During this period, the monthly increases in CBRT's favorite core inflation aggregates denominated by H and I were realized as 1.74% and 2.08% respectively while the annual increases rose to 8.62% and 8.24%, respectively. This development was mainly due to the seasonal price movements in clothing and footwear subgroup. On the other hand, it is anticipated that core inflation aggregates which represents the main trend in inflation, would decrease in the coming period.



(\*) Annual change

H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.

I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold.

**The flat course in PPI continued.**

PPI, which remained subdued thanks to the mitigating cost pressures in recent months, increased by 0.08% in April. During this period, the prices in most of the sub-groups were stable, while the price movements in agriculture sub-group had a decreasing effect on inflation.

**We expect CPI and PPI to rise by 0.80% and 0.66%, respectively in May.**

We think that the seasonal price increases in clothing and sub-wear group would continue to be effective on the course of inflation. In addition to that, we foresee that the second round effects stemming from the recent price adjustments in electricity and natural gas, would put a "limited" pressure on inflation. In this context, we expect CPI and PPI to rise by 0.80% and 0.66%, respectively enabling a single digit inflation in May.

**CBRT's emphasis on inflation increased.**

In its Inflation Report published in April, CBRT stated that the economic activity in the first quarter of 2012 displayed a weak performance. However, it was also noted that this weakness in economic activity stemmed from temporary factors and the domestic economic activity is expected to show a "mild" recovery in the second quarter. In 2012, CBRT has been designing its monetary policy stance in order to sustain the price stability and has kept its inflation forecast of 2012 intact at 6.5%. CBRT also stressed that additional monetary tightening might be implemented more frequently in the coming period in order to contain the second round impacts of the temporary factors which put upward pressure on inflation.



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INFLATION (%)									
		PRODUCER PRICE INDEX (2003=100)				CONSUMER PRICE INDEX (2003=100)			
		Monthly	Year to date	Annual	Annual Average	Monthly	Year to date	Annual	Annual Average
2011	January	2.36	2.36	10.80	8.89	0.41	0.41	4.90	8.28
	February	1.72	4.13	10.87	9.23	0.73	1.14	4.16	7.76
	March	1.22	5.40	10.08	9.36	0.42	1.57	3.99	7.29
	April	0.61	6.04	8.21	9.17	0.87	2.45	4.26	6.79
	May	0.15	6.20	9.63	9.21	2.42	4.93	7.17	6.64
	June	0.01	6.21	10.19	9.42	-1.43	3.43	6.24	6.47
	July	-0.03	6.18	10.34	9.59	-0.41	3.00	6.31	6.37
	August	1.76	8.05	11.00	9.76	0.73	3.75	6.65	6.24
	September	1.55	9.72	12.15	10.03	0.75	4.53	6.15	6.00
	October	1.60	11.48	12.58	10.26	3.27	7.95	7.66	5.93
	November	0.65	12.20	13.67	10.72	1.73	9.82	9.48	6.13
	December	1.00	13.33	13.33	11.09	0.58	10.45	10.45	6.47
2012	January	0.38	0.38	11.13	11.11	0.56	0.56	10.61	6.95
	February	-0.09	0.29	9.15	10.96	0.56	1.13	10.43	7.48
	March	0.36	0.65	8.22	10.79	0.41	1.55	10.43	8.02
	April	0.08	0.73	7.65	10.72	1.52	3.09	11.14	8.59
	May <sup>(E)</sup>	<b>0.66</b>	<b>1.40</b>	<b>8.20</b>	<b>10.59</b>	<b>0.80</b>	<b>3.91</b>	<b>9.38</b>	<b>8.78</b>

(E) Estimate

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