



Inflation - March 2013

Economic Research Division

TÜRKİYE BANKASI

CPI increased above the expectations in March.

In March, compared to the previous month, CPI and PPI increased by 0.66% and 0.81%, respectively. According to the Reuters' survey, markets' monthly CPI and PPI inflation expectations were 0.40% and 0.50%, respectively. According to the CBRT's survey of expectations, on the other hand, CPI was expected to rise by 0.48% in March.

(%)	CPI - March		PPI - March	
	2012	2013	2012	2013
Monthly	0.41	0.66	0.36	0.81
Year to Date	1.55	2.63	0.65	0.50
Annual	10.43	7.29	8.22	2.30
Annual Average	8.02	8.08	10.79	4.23

Annual CPI inflation increased in March.

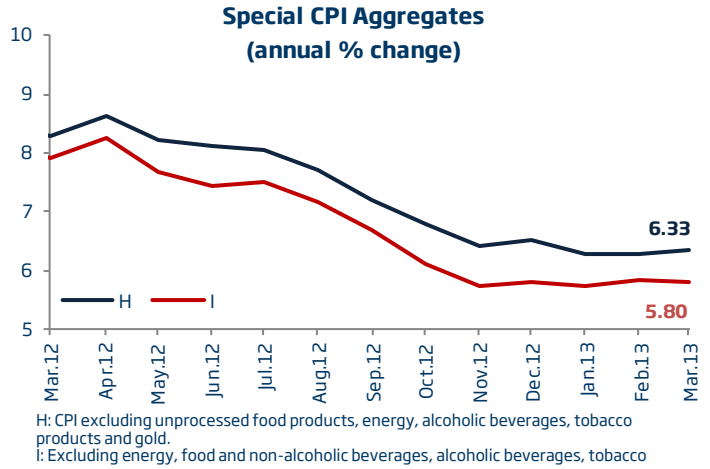
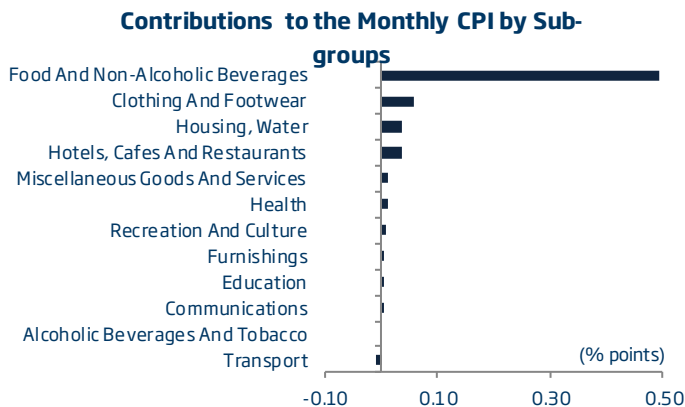
Annual CPI inflation which decreased in February due to seasonal factors, reaccelerated in March and was realized as 7.29%. Annual PPI inflation, which declined in the last three consecutive months, also rose by 2.30% in March due to the higher than expected monthly rise.

Seasonal factors were influential on the course of CPI.

In March, food and non-alcoholic beverages prices increased by 2.04% compared to the previous month and had an upward impact of 49 basis points on monthly CPI inflation. Besides, clothing and footwear prices which declined due to the seasonal factors in the first two months of 2013, increased by 0.86% in March. The price increase in the said sub-group contributed monthly CPI inflation by 6 basis points. In March, only transportation prices declined.

Flat course in the core inflation indicators...

Analysis of the core inflation indicators in March revealed that monthly CPI inflation increases to 0.82% when energy prices are excluded. This pointed out that the course of the energy prices had a downward impact on domestic inflation in March. In addition, the core inflation indicators pointed out that seasonal factors were also influential on the higher than



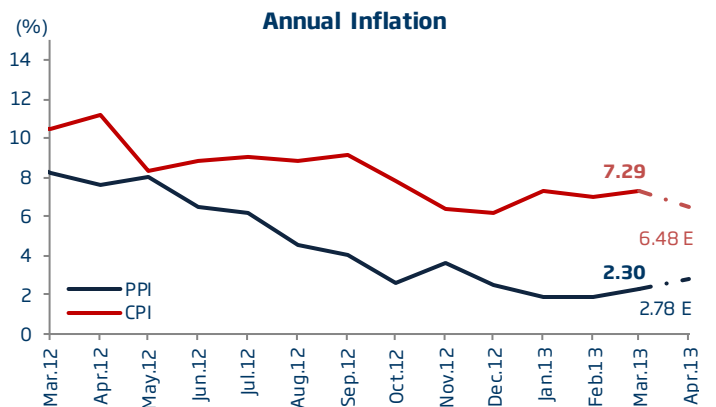
expected increase in CPI inflation. In fact, monthly increase in CPI declines to 0.34% when seasonal products are excluded. CBRT's favorite core inflation aggregates denominated by H and I, on the other hand, continued their flat course in March. The annual increases in these indicators were realized as 6.33% and 5.80%, respectively.

Higher than expected increase in PPI...

In March, increases in the prices of electricity and gas, food products and beverages and motor vehicles production were influential in the monthly PPI inflation. These sub-groups had an upward impact of 46 basis points on monthly PPI inflation.

We expect CPI and PPI to increase by 0.75% and 0.55%, respectively in March.

We anticipate that seasonal increases in prices of clothing and footwear groups and hotels, restaurants will be influential on domestic inflation in April. In this context, we expect CPI and PPI to increase by 0.75% and 0.55%, respectively in April. Thus, we anticipate that annual CPI increase will tend to decline to 6.5% in April due to base year effect.



(E) Estimate
Source: Turkstat

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Inflation (%)

	Consumer Price Index (2003=100)				Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
2011	January	0.41	0.41	4.90	8.28	2.36	2.36	10.80	8.89
	February	0.73	1.14	4.16	7.76	1.72	4.13	10.87	9.23
	March	0.42	1.57	3.99	7.29	1.22	5.40	10.08	9.36
	April	0.87	2.45	4.26	6.79	0.61	6.04	8.21	9.17
	May	2.42	4.93	7.17	6.64	0.15	6.20	9.63	9.21
	June	-1.43	3.43	6.24	6.47	0.01	6.21	10.19	9.42
	July	-0.41	3.00	6.31	6.37	-0.03	6.18	10.34	9.59
	August	0.73	3.75	6.65	6.24	1.76	8.05	11.00	9.76
	September	0.75	4.53	6.15	6.00	1.55	9.72	12.15	10.03
	October	3.27	7.95	7.66	5.93	1.60	11.48	12.58	10.26
	November	1.73	9.82	9.48	6.13	0.65	12.20	13.67	10.72
	December	0.58	10.45	10.45	6.47	1.00	13.33	13.33	11.09
2012	January	0.56	0.56	10.61	6.95	0.38	0.38	11.13	11.11
	February	0.56	1.13	10.43	7.48	-0.09	0.29	9.15	10.96
	March	0.41	1.55	10.43	8.02	0.36	0.65	8.22	10.79
	April	1.52	3.09	11.14	8.59	0.08	0.73	7.65	10.72
	May	-0.21	2.87	8.28	8.68	0.53	1.27	8.06	10.57
	June	-0.90	1.95	8.87	8.89	-1.49	-0.24	6.44	10.24
	July	-0.23	1.71	9.07	9.11	-0.31	-0.56	6.13	9.88
	August	0.56	2.28	8.88	9.29	0.26	-0.30	4.56	9.33
	September	1.03	3.34	9.19	9.53	1.03	0.72	4.03	8.65
	October	1.96	5.36	7.80	9.53	0.17	0.90	2.57	7.80
	November	0.38	5.76	6.37	9.26	1.66	2.58	3.60	6.98
	December	0.38	6.16	6.16	8.89	-0.12	2.45	2.45	6.09
2013	January	1.65	1.65	7.31	8.62	-0.18	-0.18	1.88	5.33
	February	0.30	1.95	7.03	8.33	-0.13	-0.31	1.84	4.72
	March	0.66	2.63	7.29	8.08	0.81	0.50	2.30	4.23
	April^(E)	0.75	3.40	6.48	7.69	0.55	1.05	2.78	3.84

(E) Estimate

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