



## Inflation - December 2013

### Economic Research Division

TÜRKİYE BANKASI

#### CPI came slightly above the expectations in December.

In December, compared to the previous month, CPI and PPI increased by 0.46% and 1.11%, respectively. According to the Reuters' survey, monthly CPI was expected to rise by 0.40%. According to the CBRT's survey, markets' monthly CPI expectation was 0.42% in December.

#### In December, annual CPI inflation increased.

The annual increase in CPI, after following a downward trend since July, rose to 7.40% in December. Thus, the annual CPI inflation surpassed CBRT's 6.8% year-end forecast. Annual PPI inflation also recorded a sharp increase in December and rose to 6.97%, the highest level of the last 19 months.

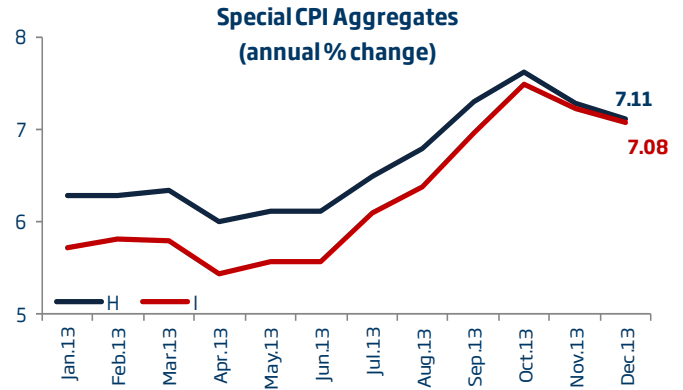
CPI - December	CPI - December		PPI - December	
	2012	2013	2012	2013
(%)				
Monthly	0.38	0.46	-0.12	1.11
Year to Date	6.16	7.40	2.45	6.97
Annual	6.16	7.40	2.45	6.97
Annual Average	8.89	7.49	6.09	4.48

#### The decrease in clothing prices limited the inflation.

In December, 1.46% increase in the food and non-alcoholic beverages prices contributed to monthly inflation by 35 basis points. In this period, in line with the depreciation in Turkish Lira and the rise in LPG prices, transportation and housing groups pushed inflation by 19 and 15 points, respectively. On the other hand, alcoholic beverages and tobacco together with clothing and footwear prices limited the rise in inflation in December.

#### The decline in the core inflation aggregates...

Analysis of the core inflation aggregates in December revealed that seasonal factors limited the rise in inflation. In fact, monthly CPI inflation recorded an increase of 0.68% when seasonal products are excluded. The annual increases in CBRT's favorite core indices denominated by H and I continued to



H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.  
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco

decrease also in December and were realized as 7.11% and 7.08%, respectively.

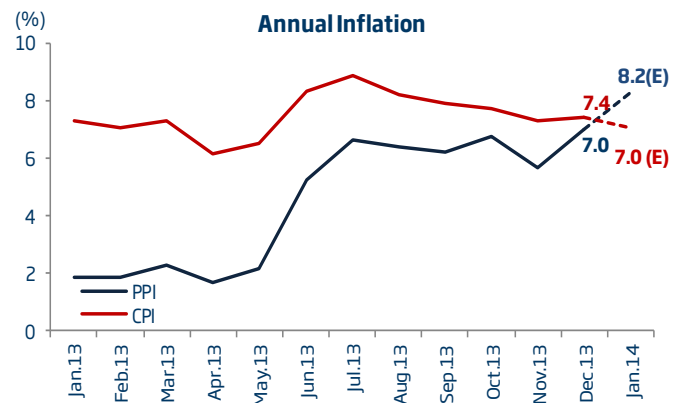
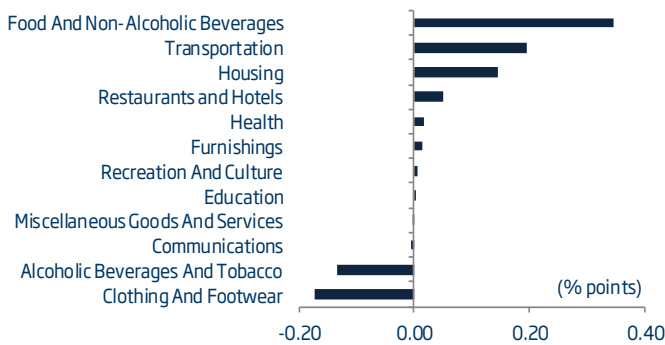
#### In December PPI rose by 1.11%.

In December, PPI recorded an increase of 1.11%, the highest increase registered since June. In this period, the price developments in the agriculture and hunting together with the food products and beverages made the highest contribution to the monthly inflation.

#### Expectations...

In January, we anticipate that the developments in foreign exchange rates and the adjustments in the Special Consumption Tax (SCT) would contribute to the rise in the inflation rate. On the other hand, we think that the seasonal discounts in clothing and footwear prices would limit the rise in inflation to some extent. In this context, we forecast CPI and PPI to rise by 1.30% and 1%, respectively. Besides, we estimate that the recent adjustments in SCT would made contribution to the annual inflation by 50-100 basis points.

#### Contributions to the Monthly CPI by Subgroups



(E) Estimate  
Source: Turkstat

## Inflation - December 2013

Economic Research Division



## 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		
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	0.42	3.06	6.13	7.66	-0.51	-0.01	1.70	3.74
	May	0.15	3.21	6.51	7.51	1.00	0.99	2.17	3.27
	June	0.76	4.00	8.30	7.47	1.46	2.46	5.23	3.18
	July	0.31	4.32	8.88	7.47	0.99	3.48	6.61	3.23
	August	-0.10	4.21	8.17	7.42	0.04	3.52	6.38	3.39
	September	0.77	5.01	7.88	7.32	0.88	4.43	6.23	3.58
	October	1.80	6.90	7.71	7.32	0.69	5.15	6.77	3.93
	November	0.01	6.91	7.32	7.39	0.62	5.80	5.67	4.10
	December	0.46	7.40	7.40	7.49	1.11	6.97	6.97	4.48
2014	January (E)	1.30	1.30	7.03	7.47	1.00	1.00	8.24	5.01

(E) Estimate

**Inflation - December 2013**

Economic Research Division

**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

**Alper Gürler - Unit Manager**

alper.gurler@isbank.com.tr

**Kıvılcım Eraydın - Economist**

kivilcim.eraydin@isbank.com.tr

**Erhan Gül - Economist**

erhan.gul@isbank.com.tr

**Bora Çevik - Economist**

bora.cevik@isbank.com.tr

**Eren Demir - Asst.Economist**

eren.demir@isbank.com.tr

**M. Kemal Gündoğdu - Asst.Economist**

kemal.gundogdu@isbank.com.tr

**Gamze Can - Asst.Economist**

gamze.can@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.