

Inflation - January 2014

Economic Research Division

CPI came above the expectations in January.

In January, compared to the previous month, CPI and Domestic PPI (D-PPI) increased by 1.98% and 3.32%, respectively. According to the Reuters' survey, monthly CPI was expected to rise by 1.60%. According to the CBRT's survey, markets' monthly CPI expectation was 1.06% in January.

The annual increase in CPI was realized as 7.75%.

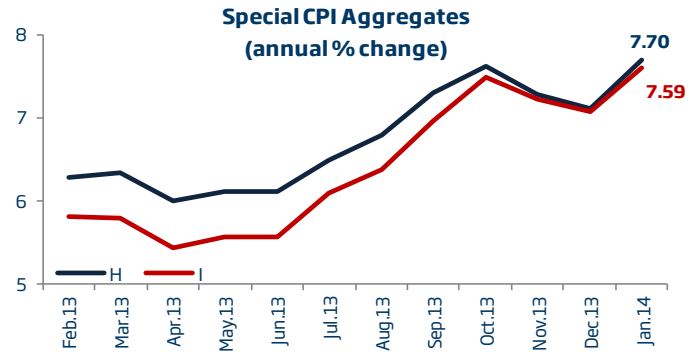
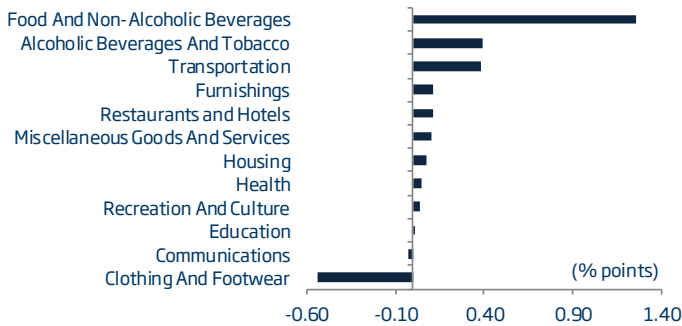
The annual increase in CPI, having followed a downward trend in the second half of 2013, started to increase in December. The annual inflation continued to rise also in January and reached 7.75%. The D-PPI, which is more sensitive to the developments in the FX rates, recorded also a rapid rise in January and reached 10.72%. Thus, the annual D-PPI inflation rose to double-digit levels again after a two-year break.

CPI - January	CPI - January		Domestic PPI - January	
	2013	2014	2013	2014
(%)				
Monthly	1.65	1.98	-0.18	3.32
Year to Date	1.65	1.98	-0.18	3.32
Annual	7.31	7.75	1.88	10.72
Annual Average	8.62	7.53	5.33	5.22

Food and Non-Alcoholic Beverages...

In January, significant price increases were registered in all the subgroups except clothing and communications. In this period, due to the seasonal factors, food and non-alcoholic prices increased by 5.16% on monthly basis, the highest increase recorded since the index was started to be calculated in 2003. Indeed, this development contributed to monthly inflation by 126 basis points. Transportation prices, on the other hand, rose by 2.5% compared to the previous month because of the upward trend in energy prices and the price hikes in public transportation. The alcoholic beverages and tobacco prices also increased by 7.45% on a monthly basis due to the tax adjustments. The rise in inflation, on the other hand, was limited by the 7.59% decline in clothing and footwear group thanks to the seasonal factors.

Contributions to the Monthly CPI by Subgroups



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 rise in the core inflation aggregates...

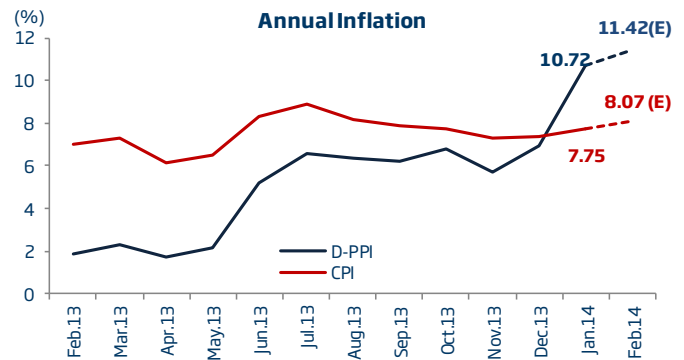
Analysis of the core inflation aggregates in January revealed that the unprocessed food prices contributed to the sharp increase in inflation. The annual increases in CBRT's favorite core indices denominated by H and I gained momentum in January and were realized as 7.70% and 7.59%, respectively.

D-PPI rose by 3.32% in January.

In order to ensure the compliance with European Union norms, Domestic Producer Price Index (D-PPI) was begun to be released instead of PPI. In January, D-PPI rose by 3.32% on monthly basis, the highest increase since April 2008. This development was mainly due to the sharp price increases in petroleum production and basic metal industry, which are more sensitive to the developments in FX rates.

Expectations...

In February, we anticipate that the course of FX rates and its second round effects on pricing behavior would be influential on the inflation figures. On the other hand, the seasonal discounts in clothing might limit the rise in inflation to some extent. In this context, we expect CPI and D-PPI to increase by 0.60% and 0.50%, respectively.



(E) Estimate
Source: Turkstat

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Inflation (%)

	Consumer Price Index (2003=100)				Domestic 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	1.98	1.98	7.75	7.53	3.32	3.32	10.72	5.22
	February (E)	0.60	2.59	8.07	7.62	0.50	3.84	11.42	6.03

(E) Estimate

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