



Inflation - February 2014

Economic Research Division

TÜRKİYE BANKASI

CPI inflation was in line with the expectations in February.

CPI and Domestic PPI (D-PPI) increased by 0.43% and 1.38% compared to the previous month in February, respectively. According to the Reuters' survey, monthly CPI was expected to rise by 0.4%. According to the CBRT's survey, markets' monthly CPI expectation was 0.69% in February.

The annual increase in CPI was realized as 7.89%.

The annual increase in CPI, which declined to 7.32% in November 2013, was realized as 7.89% in February by rising in consecutive 3 months. The coverage of the D-PPI was updated in January 2014 and the new index rose by 12.4% annually in February due to the depreciation of TL, which is the highest annual increase in the last 26 months.

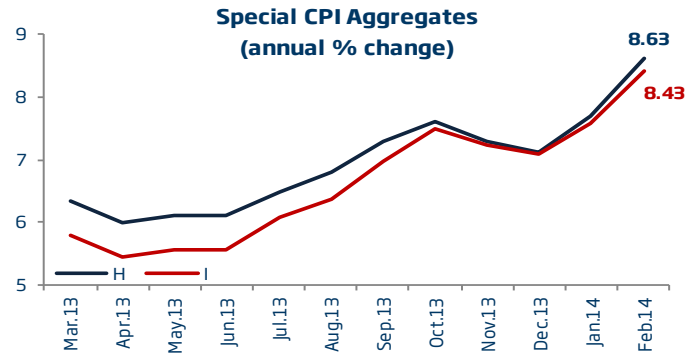
CPI - February (%)	CPI - February		Domestic PPI - February	
	2013	2014	2013	2014
Monthly	0.30	0.43	-0.13	1.38
Year to Date	1.95	2.41	-0.31	4.75
Annual	7.03	7.89	1.84	12.40
Annual Average	8.33	7.60	4.72	6.11

Increase in transportation prices have been influential on inflation since the beginning of the year.

Analysis of the main expenditure groups in CPI revealed that only the prices of clothing and footwear groups declined in February thanks to the seasonal discounts. Prices in the said group recorded a monthly decrease of 5.06% in February and this development limited the monthly inflation by 39 basis points. On the contrary, rise in transportation prices, which was recorded as 2.29% in February, contributed to the monthly inflation by 39 basis points. Taking into account the sharp increase in transportation prices during the first 2 months of the year (4.85%), total contribution of price changes in the said group to the year to date inflation was realized as 80 basis points.

Sharp increases in the annual core inflation aggregates...

In February, price developments in the seasonal products limited



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 increase in CPI. The fact that the annual CPI inflation increased by 8.43% in February when energy prices are excluded showed that the increase in transportation group prices stemmed from taxes and price regulations rather than the developments in energy prices. The annual increases in CBRT's favorite core indices denominated by H and I gained momentum in February and were realized as 8.63% and 8.43%, respectively. It is also noteworthy that the highest annual increase in I index since May 2007 was recorded in February.

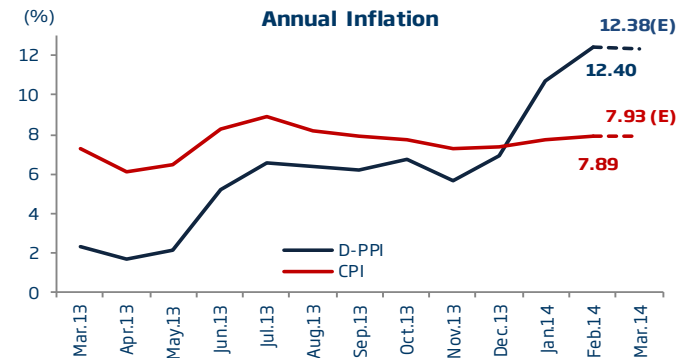
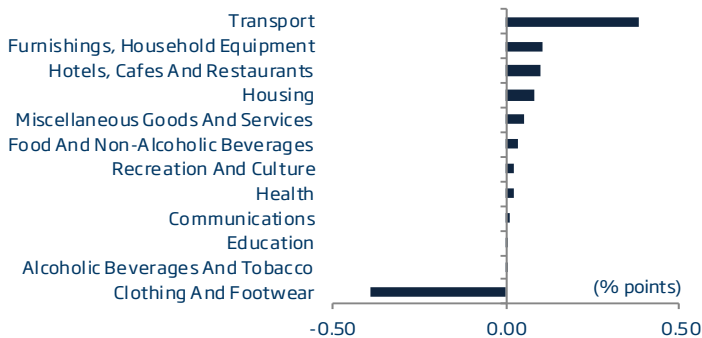
D-PPI rose by 1.38% in February.

D-PPI, which has high sensitivity to changes in FX rates, rose well above the expectations in February due to sharp increases in the prices of food, textiles and motor vehicles products. In February, food prices increased by 2.58% and contributed to the monthly D-PPI inflation by 53 basis points, electricity and gas distribution prices, on the other hand, limit the inflation by 27 basis points.

Expectations...

In March, we anticipate that the measures taken by CBRT and BRSA would continue to limit demand side inflation in forthcoming period. On the other hand, considering the impacts of the depreciation in TL and seasonal factors in the next period, we expect CPI and D-PPI to increase by 0.70% and 0.80%, respectively.

Contributions to the Monthly CPI by Subgroups



(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	0.43	2.41	7.89	7.60	1.38	4.75	12.40	6.11
	March (E)	0.70	3.13	7.93	7.66	0.80	5.59	12.38	6.96

(E) Estimate

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