



Inflation - November 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

CPI inflation came in below the expectations in November.

In November, CPI increased by 0.18% mom while Domestic PPI (D-PPI) decreased by 0.97% mom. According to the Reuters' survey, CPI was expected to rise by 0.30% mom in November. According to the CBRT's survey, markets' monthly CPI expectation was 0.46%.

November (%)	CPI		Domestic PPI	
	2013	2014	2013	2014
Monthly	0.01	0.18	0.62	-0.97
Year to Date	6.91	8.65	5.80	7.18
Annual	7.32	9.15	5.67	8.36
Annual Average	7.39	8.80	4.10	10.32

Annual CPI inflation was realized as 9.15%.

While the monthly CPI inflation was below the expectations, the annual CPI inflation reached 9.15% due to the base effect. Contrary to expectations of a rise on monthly basis, D-PPI dropped compared to the previous month. Accordingly, annual inflation in D-PPI was realized as 8.36% in November, recording the lowest annual increase in 2014.

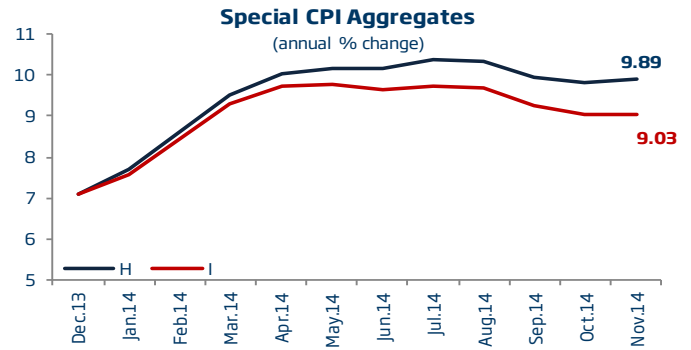
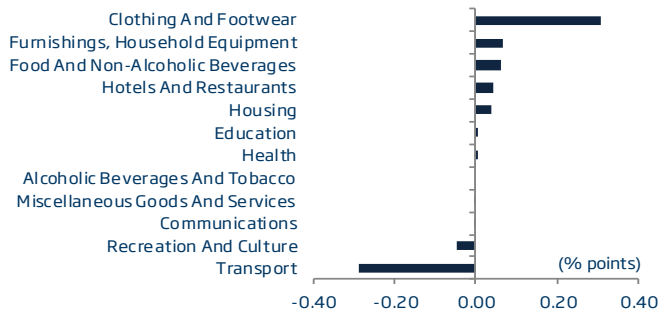
A significant fall was recorded in transport prices.

Analysis of the main expenditure groups in November showed that the decline in the transport prices was influential in the lower than expected monthly CPI inflation. Indeed, owing to the fall in energy prices, 1.79% mom decline in transport prices lowered monthly inflation by 29 basis points. In addition, the decline in the prices of recreation and culture and communication groups made 6 basis points decreasing effect on the CPI. On the other hand, seasonal price increases in clothing and footwear group made 31 basis points contribution to the inflation. The developments in food prices, which were responsible for the higher than expected course of the CPI inflation throughout the year, made a limited contribution of 6 basis points to the CPI.

The core inflation indicators exhibited a flat course.

In November, seasonal factors had an upward impact on the CPI inflation. In fact, CPI fell by 0.05% mom when seasonal products are excluded. On the other hand, monthly CPI

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

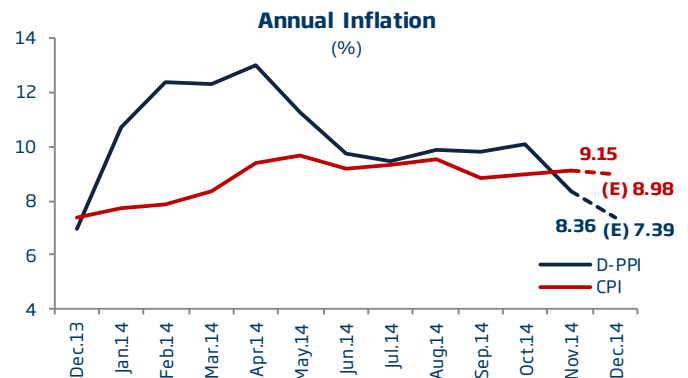
inflation excluding energy prices, which had a significant impact on the course of CPI in November, rose to 0.44%. Annual increases in CBRT's favorite core indices denominated by H and I, were realized as 9.89% and 9.03%, respectively, exhibiting a flat course in November.

The annual D-PPI inflation receded to 8.36% in November.

Annual increase in D-PPI, which reached a peak of 13% in April 2014, declined to 8.36% in November on the back of the lower energy prices. Analysis of the price developments in sub-sectors revealed that there had been a broad-based deceleration in the prices in November. The D-PPI inflation was mostly driven by the price developments in coke and refined petroleum products, electricity and gas production and distribution and basic metals sectors. Indeed, the price falls in the said groups reduced the monthly CPI inflation by 64 basis points in November.

Expectations

We anticipate that the seasonal price discounts in clothing and footwear group together with the low level of the energy prices will be influential on the course of the CPI inflation in December. In this context, we expect CPI and D-PPI to increase by 0.30% and 0.20% mom, respectively. We anticipate that the year-end annual CPI inflation will be around 9%.



(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	1.13	3.57	8.39	7.70	0.74	5.52	12.31	6.95
	April	1.34	4.96	9.38	7.97	0.09	5.61	12.98	7.89
	May	0.40	5.38	9.66	8.23	-0.52	5.06	11.28	8.66
	June	0.31	5.70	9.16	8.31	0.06	5.12	9.75	9.03
	July	0.45	6.18	9.32	8.35	0.73	5.89	9.46	9.26
	August	0.09	6.28	9.54	8.46	0.42	6.33	9.88	9.55
	September	0.14	6.43	8.86	8.54	0.85	7.24	9.84	9.84
	October	1.90	8.45	8.96	8.65	0.92	8.22	10.10	10.11
	November	0.18	8.65	9.15	8.80	-0.97	7.18	8.36	10.32
	December ^(E)	0.30	8.98	8.98	8.92	0.20	7.39	7.39	10.34

(E) Estimate

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