



Inflation - January 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

CPI inflation increased by 1.10% mom in January.

In January, CPI and Domestic PPI (D-PPI) increased by 1.10% and 0.33% mom, respectively. According to the Reuters' survey, on the other hand, CPI was expected to rise by 0.70% in January. According to the CBRT's survey, markets' monthly CPI expectation was 0.72%.

January	CPI		Domestic PPI	
Change (%)	2014	2015	2014	2015
Monthly	1.98	1.10	3.32	0.33
Year To Date	1.98	1.10	3.32	0.33
Annual	7.75	7.24	10.72	3.28
Annual Average	7.53	8.81	5.23	9.59

Annual CPI inflation was realized as 7.24%.

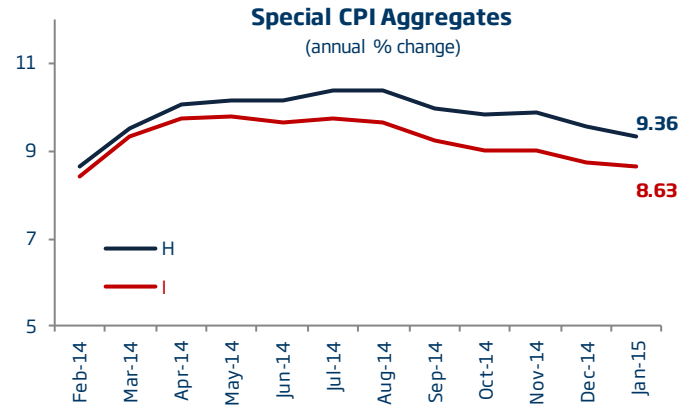
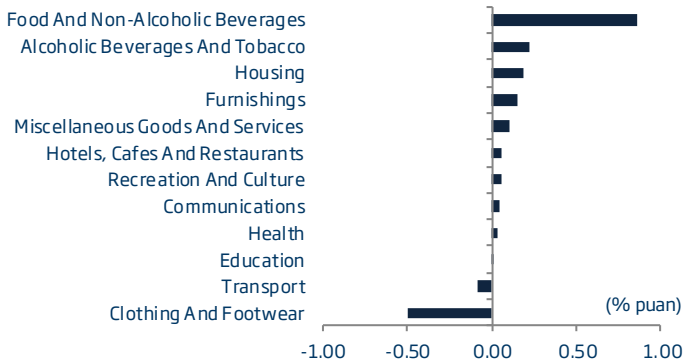
CPI, which came in above the expectations in January, increased by 7.24% on annual basis, the lowest level since May 2013. Owing to the base effect annual D-PPI inflation also declined to 3.28%, the lowest level of the last 20 months.

Food prices rose by 3.52% mom.

Analysis of the main expenditure groups in January showed that the rise in prices of food and non-alcoholic beverages was influential on the higher than expected increase in consumer prices. Indeed, prices in the said group surged by 3.52% mom and contributed to the monthly inflation by 85 basis points. Having risen by 4.19% mom due to tax adjustments, the price increases in alcoholic beverages and tobacco group also made a contribution of 20 basis points to the monthly CPI inflation.

Seasonal price discounts in clothing and footwear group limited the CPI inflation by 51 basis points. On the other hand, the downward impact of transportation prices on CPI inflation due to the lower oil prices diminished in January. Indeed, slight fall in the transportation prices limited the monthly inflation only by 9 basis points.

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.

Decline in core inflation indicators...

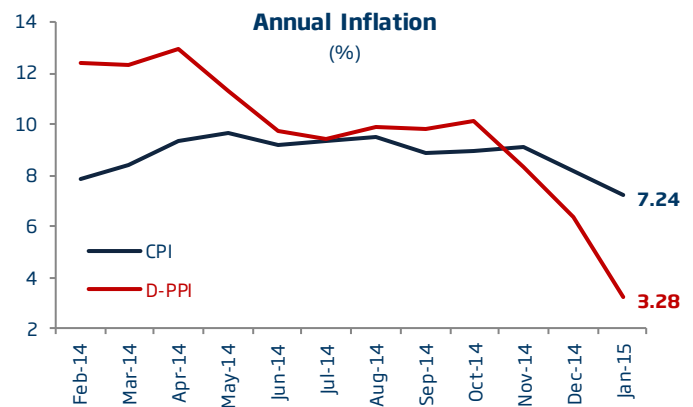
In January, developments especially in unprocessed food products were influential on the course of CPI inflation. In fact, the monthly CPI inflation excluding the said group was realized as 0.41% yoy. Annual increases in CBRT's favorite core indices denominated by H and I continued to follow a downward trend and were realized as 9.36% and 8.63%, respectively.

The annual D-PPI inflation was recorded as 3.28%.

Favorable effects of the falling oil prices on D-PPI inflation have continued. In fact, the decline in prices of coke and refined petroleum products reduced the monthly D-PPI inflation by 52 basis points in January. On the other hand, price increases in food products (1.9% mom) have been influential on the inflation and contributed by 38 basis points to the monthly D-PPI inflation.

Expectations

We anticipate that seasonal price discounts in clothing and footwear group together with the transportation prices will have a downward impact on the CPI figures in February. On the other hand, price developments in administered prices and food products are also expected to be influential on the course of the CPI.



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		
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	-0.44	8.17	8.17	8.85	-0.76	6.36	6.36	10.25
2015	January	1.10	1.10	7.24	8.80	0.33	0.33	3.28	9.59
	February ^(E)	0.40	1.51	7.21	8.74	0.50	0.83	2.38	8.73

(E) Estimate

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