



# Inflation - February 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

## In February, CPI came in line with the expectations.

In February, CPI and Domestic PPI (D-PPI) increased by 0.71% and 1.20% mom, respectively. According to the Reuters' survey CPI was expected to rise by 0.76% in February. According to the CBRT's survey, on the other hand, markets' monthly CPI expectation was 0.49%.

February	CPI		Domestic PPI	
	2014	2015	2014	2015
Change (%)				
Monthly	0.43	0.71	1.38	1.20
Year To Date	2.41	1.82	4.75	1.53
Annual	7.89	7.55	12.40	3.10
Annual Average	7.60	8.77	6.11	8.79

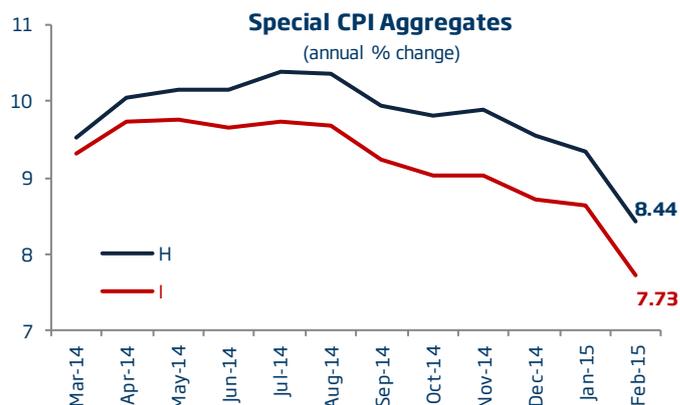
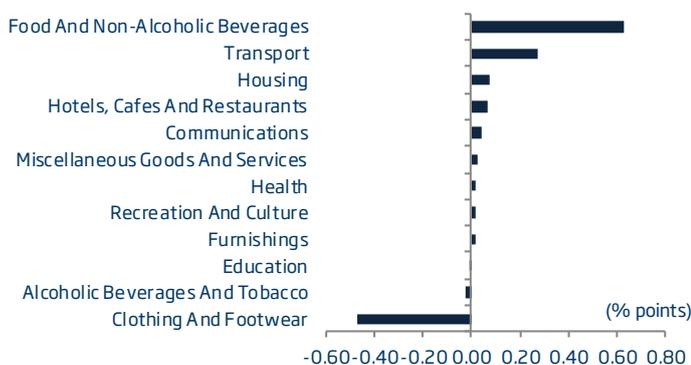
## The annual CPI inflation was realized as 7.55%.

The annual CPI inflation, after decreasing 2 consecutive months, gained momentum in February due to the increasing food prices and was realized as 7.55%. The increase in D-PPI, on the other hand, declined to 3.10% on annual basis. Thus, the D-PPI inflation fell to its lowest level since May 2013.

## Food prices rose by 2.59% mom.

The 2.59% mom price increase in food and non-alcoholic beverages due the adverse weather conditions, was influential on the course of the CPI in February. Indeed the price developments in the mentioned group, which has the highest share in consumption basket, contributed to the monthly inflation by 67 basis points. Another factor, pushing the inflation was the price developments in the transportation group. In this period, the reflections of the recent increases in the oil prices affected also the domestic markets and the prices in this group recorded a monthly increase of 1.77%. The clothing and footwear prices, on the other hand, continued to follow its decreasing trend in February thanks to the seasonal factors and limited the rise in inflation. The prices in this group fell by 6.58% mom and made a 52 basis points decreasing impact on 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 products and gold.

## Decline in core inflation aggregates...

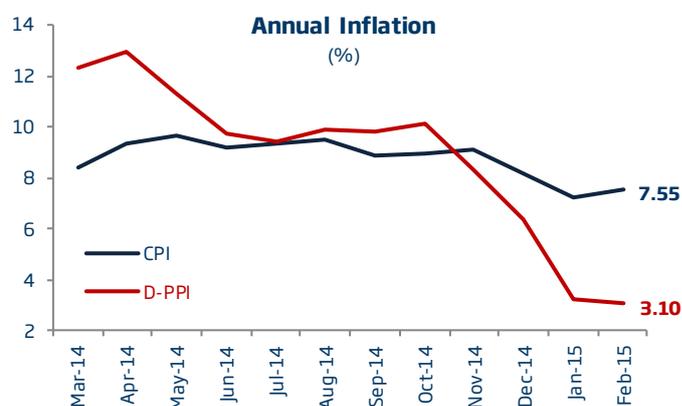
Analysis of the core inflation indicators in February revealed that the rise in CPI stemmed mainly from the increase in the unprocessed food prices. In fact, the monthly CPI inflation excluding the said group was realized as 0.18% yoy. In this period, annual increases in CBRT's favorite core indices denominated by H and I were realized as 8.44% and 7.73%, respectively, lowest for the last 13 months.

## D-PPI increased by 1.20% mom.

In February, 16.42% price surge in the manufacture of the coke and refined petroleum products led the D-PPI to increase by 1.20%, highest for the last 1 year. The price developments in this group contributed to the monthly inflation by 47 basis points.

## Expectations...

In March, we anticipate that the annual CPI inflation will decrease thanks to the base effect, although the cost-driven factors like the recent increase in oil prices and the depreciation in TL might limit this impact.



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	0.71	1.82	7.55	8.77	1.20	1.53	3.10	8.79
	March <sup>(E)</sup>	<b>0.70</b>	<b>2.53</b>	<b>7.09</b>	<b>8.65</b>	<b>0.80</b>	<b>2.35</b>	<b>3.17</b>	<b>8.02</b>

(E) Estimate

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