



Inflation - March 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

In March, CPI came in above expectations.

In March, CPI and Domestic PPI (D-PPI) increased by 1.19% and 1.05% mom, respectively. According to the Reuters' survey CPI was expected to rise by 0.89% in March. According to the CBRT's survey, on the other hand, markets' monthly CPI expectation was 0.69%.

March	CPI		Domestic PPI	
	2014	2015	2014	2015
Change (%)				
Monthly	1.13	1.19	0.74	1.05
Year To Date	3.57	3.03	5.52	2.60
Annual	8.39	7.61	12.31	3.41
Annual Average	7.70	8.70	6.95	8.03

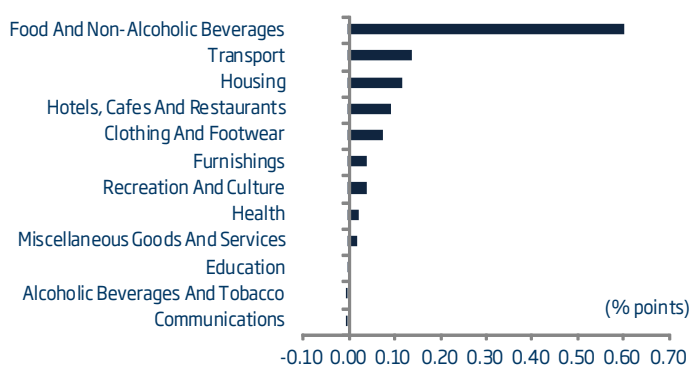
The annual CPI inflation was realized as 7.61%.

Having risen to 7.61% in March, the upturn in annual CPI inflation has continued. The rise in PPI also gained some momentum due to the unfavorable base effect and reached 3.41%.

Food prices rose by 2.47% mom.

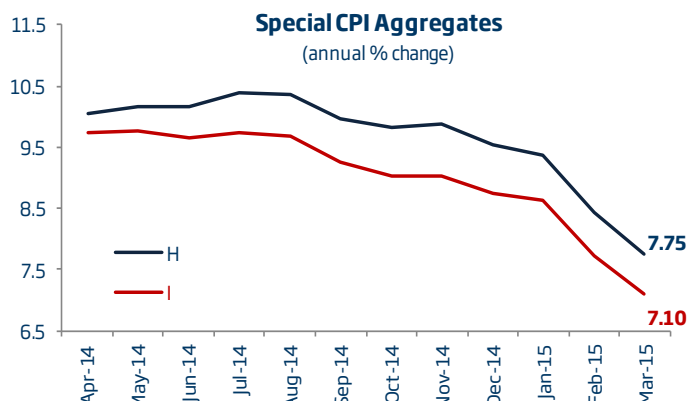
In March, the higher than expected inflation figures were mostly attributable to the surge in food prices. In this period, the 2.47% price increase in the said group made the highest contribution to the monthly inflation by 61 basis points. Besides, the price hikes in transportation and housing groups contributed to the inflation by 14 and 12 basis points, respectively. In March, it was also seen that the rise in prices spread across other services groups after having followed a relatively stable course in February.

Contributions to the Monthly CPI by Subgroups



Declining trend in core inflation indicators

The course of the unprocessed food prices continued to be influential on the CPI inflation in March. In fact, monthly inflation excluding the said group was realized as 0.72%. On the other hand, analysis of the developments in core inflation indicators on an annual basis revealed that the downward trend prevailed in core inflation aggregates. In March, annual



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.

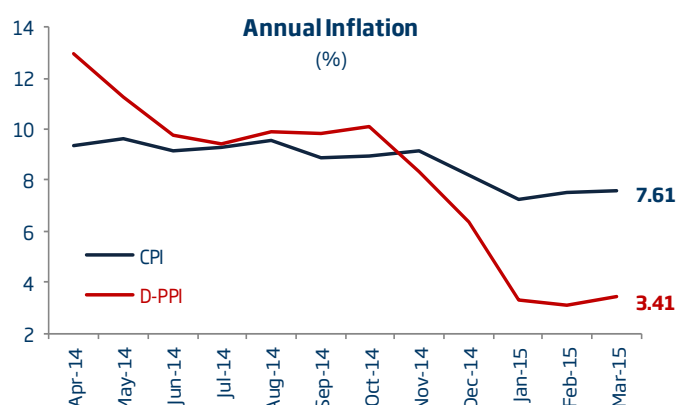
increases in CBRT's favorite core indices denominated by H and I, were realized as 7.75% and 7.10%, respectively, their lowest levels in almost 14 months.

Monthly rise in D-PPI was 1.05%.

As was the case in February, D-PPI registered a notable monthly increase in March. The increase of 41.61% mom recorded in crude petroleum and natural gas sub-group prices made the highest contribution to the monthly D-PPI inflation. The price development in this group caused monthly D-PPI inflation to increase by 23 basis points.

Expectations

We anticipate that the annual CPI inflation will recede to 7% in April thanks to the favorable base effect. On the other hand, the rise in clothing and footwear prices as a result of seasonal factors might limit the anticipated decline in inflation to some extent.



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	1.19	3.03	7.61	8.70	1.05	2.60	3.41	8.03
	April ^(E)	0.80	3.86	7.03	8.50	0.50	3.11	3.84	7.28

(E) Estimate

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