



Inflation - April 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

In April, CPI came in well above expectations.

In April, CPI and Domestic PPI (D-PPI) posted a monthly increase of 1.63% and 1.43%, respectively. According to the Reuters' survey CPI was expected to rise by 1.43% in said period. The CBRT's survey, on the other hand, showed that markets' monthly CPI expectation was 0.85%.

April	CPI		Domestic PPI	
	2014	2015	2014	2015
Change (%)				
Monthly	1.34	1.63	0.09	1.43
Year To Date	4.96	4.71	5.61	4.06
Annual	9.38	7.91	12.98	4.80
Annual Average	7.97	8.57	7.89	7.36

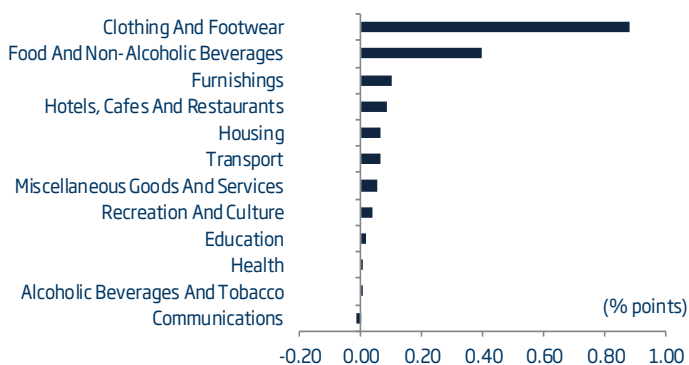
The annual CPI inflation was realized as 7.91%.

Having followed a rising trend in both February and March, the upturn in annual CPI inflation has also continued in April and was realized as 7.91%. The rise in PPI, on the other hand, gained some momentum due to the fading base effect and reached 4.80%.

Clothing and footwear prices rose by 12.3% mom.

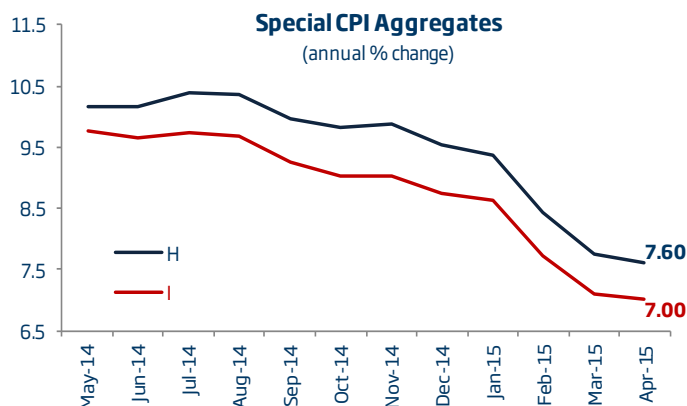
In April, having surged by 12.3% mom, clothing and footwear prices made the highest contribution to the monthly inflation by 85 basis points. The prices in food and non-alcoholic beverages group also rose by 1.63% mom and pushed the CPI further by 37 basis points. Besides, it was seen that the annual food inflation maintained its double-digit levels for the last 19 months. Price increases have continued to spread across services sectors in April. On the other hand, the 0.28% price fall registered in communication group slightly limited the rise in inflation.

Contributions to the Monthly CPI by Subgroups



Core inflation indicators...

The developments in seasonal products prices were influential on the CPI inflation in April. In fact, monthly inflation excluding the said group was realized as low as 0.87%. However, analysis of the core inflation indicators



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.

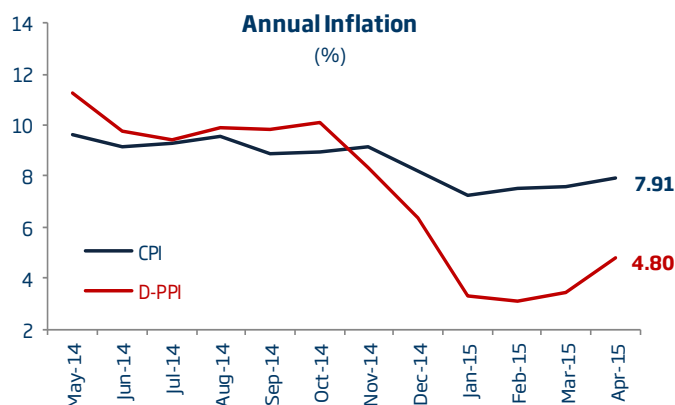
revealed that CBRT's favorite core indices denominated by H and I recorded a monthly rise of 1.78% and 2.03%, respectively, well above the headline inflation.

Monthly rise in D-PPI was 1.43%.

Having remained on an upward trend in April, the D-PPI registered its highest monthly increase for the last 15 months with 1.43%. In this period, the 1.65% mom surge in food prices made the highest contribution to inflation by 33 basis points. Furthermore, price developments in electrical equipment and basic metal pushed the inflation upwards by 12 basis points each.

Expectations

We expect that the upward pressure on annual inflation will continue owing to the recent upswing in oil prices in global markets and heightened volatility in exchange rates. In addition, we anticipate that seasonal factors will continue to add further pressure on clothing prices in May as well. While food prices are likely to have a positive impact on inflation outlook, it is estimated that annual inflation would keep its increasing trend.



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	1.63	4.71	7.91	8.57	1.43	4.06	4.80	6.70
	May ^(E)	0.60	5.34	8.13	8.45	0.50	4.58	5.88	6.35

(E) Estimate

Türkiye İş Bankası A.Ş. - Economic Research Division

İzlem Erdem - Manager

izlem.erdem@isbank.com.tr

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

M. Kemal Gündoğdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

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