

Inflation - September 2015

Economic Research Division



CPI inflation came in slightly above expectations.

CPI increased by 0.89% mom in September, slightly above the market expectations. D-PPI also surged by 1.53% mom in this period. Monthly CPI inflation was expected to be 0.80% according to the Reuters' survey while the latest CBRT's survey of expectations had projected an increase of 0.59%.

September	CPI		D-PPI	
	2014	2015	2014	2015
Change (%)				
Monthly	0.14	0.89	0.85	1.53
Year-to-Date	6.43	6.21	7.24	7.81
Annual	8.86	7.95	9.84	6.92
Annual Average	8.54	7.80	9.84	5.92

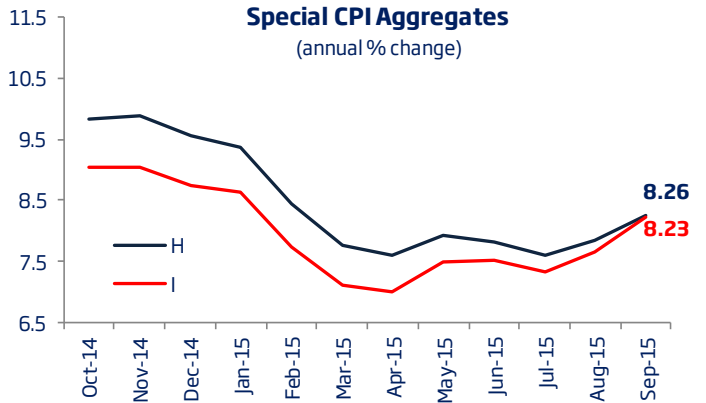
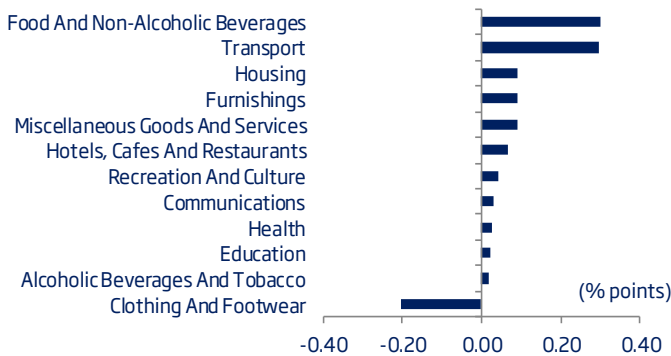
Annual inflation was close to 8%.

Being realized well above the expectations for two consecutive months, CPI inflation reached 7.95% yoy in September. In this period, annual D-PPI inflation also confirmed the deterioration in inflation outlook by increasing to the highest level of 2015 with 6.92%.

Increase in food and transportation prices...

Analyzing by main groups, it is seen that the price developments in food, transportation and clothing/footwear groups were influential on the CPI inflation in September. Food prices, which increased by 1.24% mom, made the highest contribution to monthly inflation by 31 points. The decline in prices of fresh fish and poultry limited the food price inflation during this period. On the other hand, prices of basic food products such as tea and egg and seasonal products surged in September. Prices in transportation group, which have a high sensitivity to the exchange rate developments, increased by 1.93% mom. Owing to the price upsurges in automobile and diesel, transportation group added to monthly inflation by 30 basis points. However, clothing/footwear was the only sub-item that pulled down the inflation during this period. Prices in the said group plunged by 2.76% due to the seasonal discounts and limited the monthly inflation by 21 basis points. Analysis of the price developments in both food and

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.

clothing/footwear groups revealed that the aggregate effect of seasonal factor on monthly inflation was counterbalanced in September.

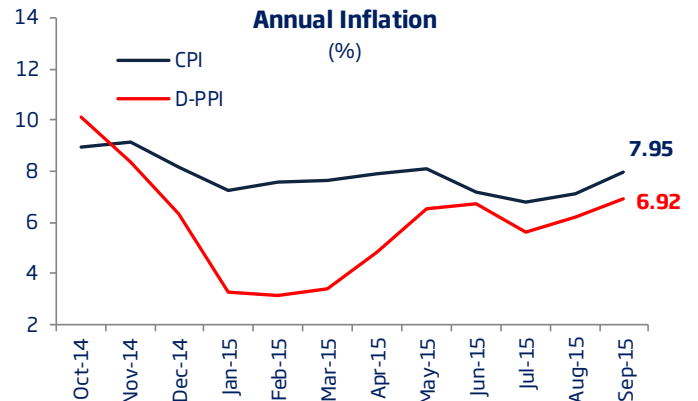
The deterioration in core inflation indicators became evident in September. Core inflation indices denominated by H and I, which constitute CBRT's favorite core indicators, increased by 8.26% and 8.23% yoy, respectively.

Rising trend in D-PPI continued.

As the exchange rate pass-through to D-PPI inflation has been relatively high, D-PPI maintained its upward movement in September. While the rise was broad-based, only food and energy prices declined in this period among the main industry groups. Analyzing D-PPI figures by sectors, on the other hand, it is seen that the price hikes in manufacturing and electricity/gas sectors were significant.

Expectations

It is anticipated that the inflation will exhibit an accelerating pace in October due to the seasonal factors. Also, it is expected that the prices in clothing/footwear, housing and transportation groups might rise in this period. Together with the high course in the exchange rates, upside risks to the inflation outlook is likely to continue.



Source: Datastream, 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	7.36
	May	0.56	5.30	8.09	8.45	1.11	5.22	6.52	6.98
	June	-0.51	4.76	7.20	8.28	0.25	5.49	6.73	6.74
	July	0.09	4.85	6.81	8.07	-0.32	5.15	5.62	6.43
	August	0.40	5.27	7.14	7.88	0.98	6.19	6.21	6.14
	September	0.89	6.21	7.95	7.80	1.53	7.81	6.92	5.92
	October ^(E)	1.80	8.12	7.84	7.72	1.00	8.88	7.01	5.69

(E) Estimate

Source: Turkstat

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