

Inflation - March 2016

Economic Research Division

CPI recorded a monthly fall.

CPI dropped by 0.04% mom in March while Domestic PPI (D-PPI) rose by 0.40% mom. The market had expected a more than 0.5% increase in CPI in this period. As a result, CPI recorded a limited decline contrary to the market expectation of a rise as it was the case in the last month.

March	CPI		D-PPI	
	2015	2016	2015	2016
Change (%)				
Monthly	1.19	-0.04	1.05	0.40
Year-to-Date	3.03	1.75	2.60	0.75
Annual	7.61	7.46	3.41	3.80
Annual Average	8.70	7.96	8.03	5.64

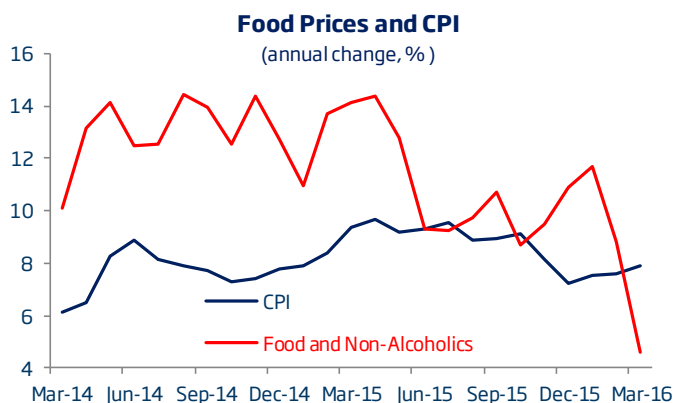
Annual CPI inflation was 7.46%.

Annual CPI inflation, which approached double-digit level in January, decreased to 7.46% thanks to the second consecutive monthly fall. Having been at low levels during the last year with the help of the plunge in commodity prices, annual D-PPI inflation came in at 3.8%.

Food prices pulled the inflation down.

Seasonal factors limited the monthly inflation in March. Indeed, monthly CPI inflation rose to 0.32% when seasonal products are excluded. On the other hand, as the monthly CPI excluding energy prices dropped by 0.14%, the developments in energy prices had an upward impact on CPI.

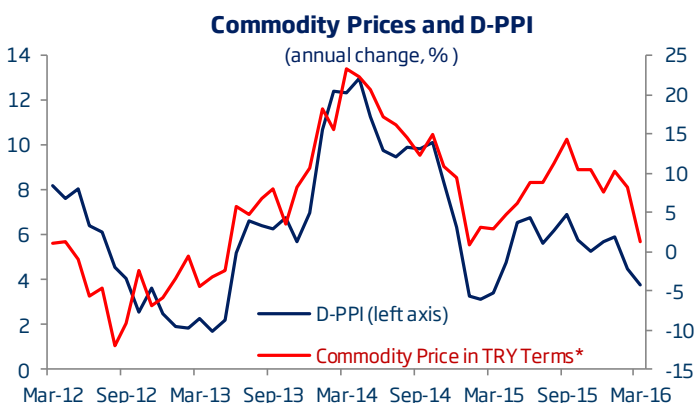
In March, food, communication and recreation-culture were the only sub-groups which registered a monthly price decline. 1.53% of decrease in food prices, having the biggest share (23.68%) among CPI basket, was main driver behind the fall in inflation. Annual rise in food prices fell to 4.58%, the lowest level since December 2012. The drop recorded in food prices for the second month in a row and the high base effect of the last year played an important role in this development. Annual food inflation surpassed 14% in March 2015. Despite the second consecutive fall in CPI, annual inflation in core indicators stood higher than 9%.



D-PPI rose by 0.40%.

The increase in global commodity prices observed in March played a big part in the rise of D-PPI. The CRB commodity price index went up by 2.8% mom during this period. On the other hand, the mild appreciation in TRY limited the impact of surging commodity prices on D-PPI ([The Impact of Commodity Prices on Inflation](#)).

The prices of coke and refined petroleum products surged by 9.31% mom as the oil prices moved up in March. In addition, the price increases in basic metals industry also pushed D-PPI upwards during this period. On the other hand, the drop in prices of electricity and gas sectors pulled D-PPI down by 14 basis points.



Expectations...

We expect that seasonal factors will put some upward pressure on CPI inflation in April. In particular, we estimate that the contribution of the price increases in clothing and footwear group to the monthly inflation may hover around 80-100 basis points. However, this unfavorable effect can largely be eliminated should the downward trend in food prices persist and the improvement in TRY provide further support.

(*) Based on CRB Commodity Price Index
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		
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	1.55	7.86	7.58	7.69	-0.20	7.59	5.74	5.58
	November	0.67	8.58	8.10	7.61	-1.42	6.06	5.25	5.33
	December	0.21	8.81	8.81	7.67	-0.33	5.71	5.71	5.28
2016	January	1.82	1.82	9.58	7.87	0.55	0.55	5.94	5.50
	February	-0.02	1.80	8.78	7.97	-0.20	0.34	4.47	5.61
	March	-0.04	1.75	7.46	7.96	0.40	0.75	3.80	5.64
	April ^(E)	0.80	2.57	6.58	7.84	0.50	1.25	2.85	5.47

(E) Estimate

Source: Turkstat, ERD

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