



### Monthly CPI came in at 1.68% in January.

In January, CPI increased by 1.68% mom, exceeding market expectations. The market's CPI expectation for this period was 1.4%. Domestic PPI (D-PPI) recorded a monthly increase of 2.66% in January.

### Annual CPI inflation rose to 14.97% in January.

Annual CPI inflation, which was 14.60% in December, rose to 14.97% in January. In this period, the CPI increase on the 12-month moving averages basis became 12.53%. Annual D-PPI inflation continued to rise in January, reaching the highest level since May 2019 with 26.16%.

January (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	1.35	1.68	1.84	2.66
Annual	12.15	14.97	8.84	26.16
Annual Average	14.52	12.53	15.71	13.64

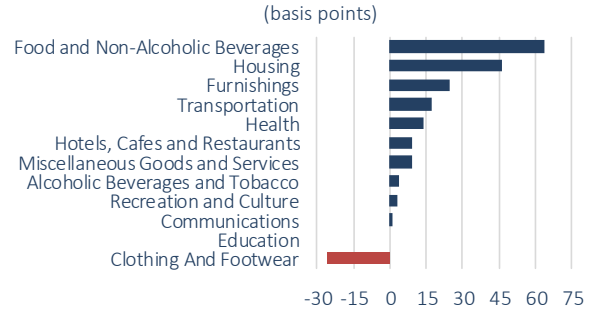
### Rapid rise in food prices continued.

In January, prices in 10 out of the 12 main spending groups increased compared to the previous month. Health, which became the group with the fastest monthly rise in prices by 4.25%, pulled monthly CPI inflation up by 14 basis points. The prices in food and non-alcoholic beverages group rose by 2.48% on a monthly basis and pushed up CPI inflation the most with 64 basis points. The recent increases in housing and household goods prices also caused monthly CPI inflation to rise by 46 basis points and 25 basis points, respectively, in January. In this period, the transportation group has increased CPI inflation by 17 basis points and the rise in automobile prices as well as bridge tolls drew attention in this group. In January, the prices in the clothing&footwear group and education group declined. The clothing and footwear group limited the monthly rise in CPI inflation by 26 basis points in this period.

Turkstat has revised the weights of the expenditure groups in inflation basket. The weight of food group came up from 22.77% to 25.94% while the weights of hotels, cafes and restaurants decreased from 8.67% to 5.91%.

Weights of expenditure groups (%)			Δ (% point)
	2021	2020	
Food and non-alcoholic beverages	25.94	22.77	3.17
Transport	15.49	15.62	-0.13
Housing, water, electricity, gas	15.36	14.34	1.02
Furnishings and household equipment	8.64	7.77	0.87
Hotels, cafes and restaurants	5.91	8.67	-2.76
Clothing and footwear	5.87	6.96	-1.09
Alcoholic beverages and tobacco	4.88	6.06	-1.18
Miscellaneous goods and services	4.73	5.37	-0.64
Communications	4.64	3.80	0.84
Health	3.25	2.80	0.45
Recreation and culture	3.01	3.26	-0.25
Education	2.28	2.58	-0.30
<b>Total</b>	<b>100</b>	<b>100</b>	<b>-</b>

### Contributions to the Monthly CPI Inflation



### Core inflation indicators ...

In January, inflation indicators B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold), and C index (CPI excluding energy, food and nonalcoholic beverages, alcoholic beverages, tobacco and gold), which are closely monitored by the CBRT, increased less than the headline inflation on a monthly basis and became 1.64 and 1.14%, respectively. B and C indices, which had an upward trend in the recent period, continued to rise and became 16% and 15.5%, respectively.

### Food prices were also determinant in D-PPI inflation.

The rise in food prices were also determinant in the course of the monthly D-PPI in January. In this period, the 3.7% monthly price increase in food products pulled the D-PPI up by 74 basis points. The highest monthly price increase among the sub-sectors was realized in the water supply and tobacco products sectors with 15.6% and 15.4%, respectively. The price increases in the manufacture of basic metals and other non-metallic mineral products caused a total of 47 basis points rise in D-PPI in January. It was also noteworthy that the prices of durable goods, one of the main industrial groups, went up by 4.3% on a monthly basis in this period.

### Expectations...

With the notice published on February 2, TURKSTAT announced that the Price Statistics Advisory Board was established in January 2021. In the announcement, it was stated that the Covid-19 pandemic has caused changes in the households consumption behaviour and habits significantly in 2020 and that TURKSTAT's work on the planned changes in the CPI was discussed in the Board's meetings held in January.

We expect that the increases in Special Communication Tax, sugar and natural gas prices in the past days may have a negative impact on the inflation outlook for the coming months. In addition, the recent rises in international food and commodity prices and the high level of inflation expectations also generate an upside risk on the inflation outlook. On the other hand, we expect that the moderate course of the financial markets following the CBRT's announcements in the first inflation report of the year stating that the tight monetary policy stance will be maintained may alleviate the upside risks on inflation outlook.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date		Average		Date		Average	
2019	January	1.06	1.06	20.35	17.16	0.45	0.45	32.93	28.70
	February	0.16	1.23	19.67	17.93	0.09	0.55	29.59	29.97
	March	1.03	2.27	19.71	18.70	1.58	2.14	29.64	31.17
	April	1.69	4.00	19.50	19.39	2.98	5.18	30.12	32.24
	May	0.95	4.99	18.71	19.91	2.67	7.99	28.71	32.85
	June	0.03	5.01	15.72	19.88	0.09	8.09	25.04	32.81
	July	1.36	6.44	16.65	19.91	-0.99	7.02	21.66	32.34
	August	0.86	7.35	15.01	19.62	-0.59	6.39	13.45	30.51
	September	0.99	8.42	9.26	18.27	0.13	6.53	2.45	26.44
	October	2.00	10.59	8.55	16.81	0.17	6.71	1.70	22.58
	November	0.38	11.01	10.56	15.87	-0.08	6.63	4.26	19.68
	December	0.74	11.84	11.84	15.18	0.69	7.36	7.36	17.56
2020	January	1.35	1.35	12.15	14.52	1.84	1.84	8.84	15.71
	February	0.35	1.71	12.37	13.94	0.48	2.33	9.26	14.18
	March	0.57	2.29	11.86	13.33	0.87	3.22	8.50	12.61
	April	0.85	3.16	10.94	12.66	1.28	4.54	6.71	10.87
	May	1.36	4.57	11.39	12.10	1.54	6.15	5.53	9.14
	June	1.13	5.75	12.62	11.88	0.69	6.89	6.17	7.74
	July	0.58	6.37	11.76	11.51	1.02	7.98	8.33	6.81
	August	0.86	7.29	11.77	11.27	2.35	10.52	11.53	6.71
	September	0.97	8.33	11.75	11.47	2.65	13.44	14.33	7.71
	October	2.13	10.64	11.89	11.74	3.55	17.48	18.20	9.11
	November	2.30	13.19	14.03	12.04	4.08	22.26	23.11	10.69
	December	1.25	14.60	14.60	12.28	3.55	25.15	25.15	12.18
2021	January	1.68	1.68	14.97	12.53	2.66	2.66	26.16	13.64

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