

Inflation - October 2013

Economic Research Division

TÜRKİYE BANKASI

CPI came above the expectations in October.

In October, compared to the previous month, CPI and PPI increased by 1.80% and 0.69%, respectively. According to the Reuters' survey, monthly CPI was expected to rise by 1.34%. According to the CBRT's survey, on the other hand, markets' monthly CPI expectation was 1.12% in October.

Annual CPI inflation continued to decline.

Despite the higher than expected monthly figures, the annual increase in CPI inflation declined to 7.71% thanks to the base effect. Annual PPI inflation, following a downward trend in recent months, increased to 6.77% in October.

(%)	CPI - October		PPI - October	
	2012	2013	2012	2013
Monthly	1.96	1.80	0.17	0.69
Year to Date	5.36	6.90	0.90	5.15
Annual	7.80	7.71	2.57	6.77
Annual Average	9.53	7.32	7.80	3.93

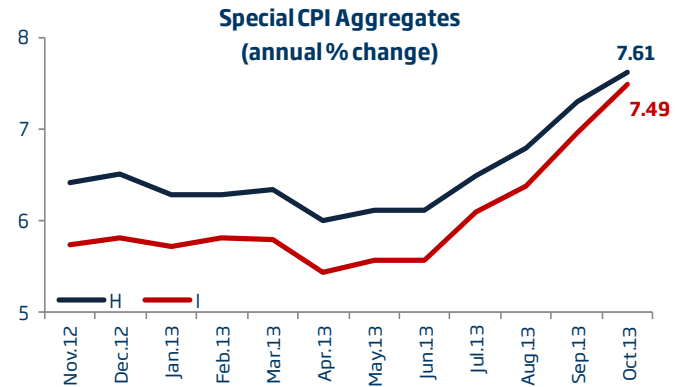
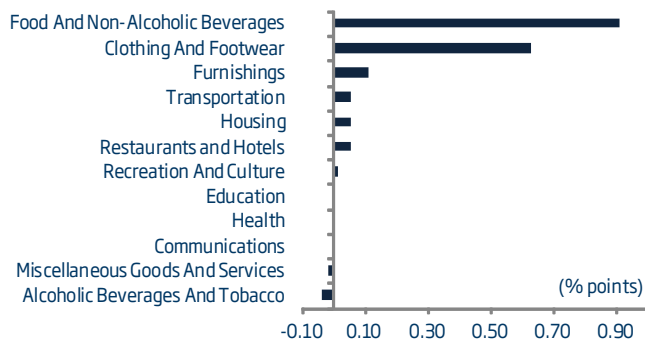
The increase in food prices made the highest contribution to the inflation.

In October, the rapid increase in the food prices was influential in the higher than expected inflation figures. In fact, the 3.91% monthly increase in the mentioned group led the inflation to rise by 91 basis points. Besides, the seasonal price increases in the clothing and footwear group also contributed to the monthly inflation by 63 basis points. In October, almost all expenditure groups in the CPI basket supported the rise in inflation, whereas the price developments in miscellaneous goods and services and alcoholic beverages and tobacco groups limited the upward movement in inflation to some extent.

The upward trend in the core inflation aggregates...

Analysis of the core inflation aggregates in October

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

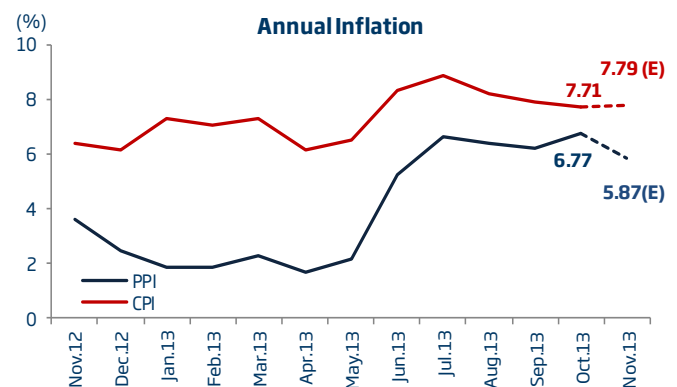
revealed that the price developments in the seasonal products pushed the inflation upwards. Besides, the core inflation aggregates, representing the main trend of inflation, rose to their highest level since August 2012. In fact, the annual increase in CBRT's favorite indices denominated by H and I were realized as 7.61% and 7.49%, respectively, in October.

In October PPI rose by 0.69%.

In October, the easing pressures on the FX rates helped the monthly PPI to rise close to the expectations. In this period, the coke and refined petroleum production and basic metal industry remained as the sectors which made the highest contribution to PPI.

Expectations...

In November, we anticipate that the seasonal price increases in the clothing group would be influential on the course of inflation while the developments in FX rates would be effective as well. In this context, we expect CPI and PPI to increase by 0.45% and 0.80%, respectively.



(E) Estimate
Source: Turkstat

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Inflation (%)

	Consumer Price Index (2003=100)				Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
2011	January	0.41	0.41	4.90	8.28	2.36	2.36	10.80	8.89
	February	0.73	1.14	4.16	7.76	1.72	4.13	10.87	9.23
	March	0.42	1.57	3.99	7.29	1.22	5.40	10.08	9.36
	April	0.87	2.45	4.26	6.79	0.61	6.04	8.21	9.17
	May	2.42	4.93	7.17	6.64	0.15	6.20	9.63	9.21
	June	-1.43	3.43	6.24	6.47	0.01	6.21	10.19	9.42
	July	-0.41	3.00	6.31	6.37	-0.03	6.18	10.34	9.59
	August	0.73	3.75	6.65	6.24	1.76	8.05	11.00	9.76
	September	0.75	4.53	6.15	6.00	1.55	9.72	12.15	10.03
	October	3.27	7.95	7.66	5.93	1.60	11.48	12.58	10.26
	November	1.73	9.82	9.48	6.13	0.65	12.20	13.67	10.72
	December	0.58	10.45	10.45	6.47	1.00	13.33	13.33	11.09
2012	January	0.56	0.56	10.61	6.95	0.38	0.38	11.13	11.11
	February	0.56	1.13	10.43	7.48	-0.09	0.29	9.15	10.96
	March	0.41	1.55	10.43	8.02	0.36	0.65	8.22	10.79
	April	1.52	3.09	11.14	8.59	0.08	0.73	7.65	10.72
	May	-0.21	2.87	8.28	8.68	0.53	1.27	8.06	10.57
	June	-0.90	1.95	8.87	8.89	-1.49	-0.24	6.44	10.24
	July	-0.23	1.71	9.07	9.11	-0.31	-0.56	6.13	9.88
	August	0.56	2.28	8.88	9.29	0.26	-0.30	4.56	9.33
	September	1.03	3.34	9.19	9.53	1.03	0.72	4.03	8.65
	October	1.96	5.36	7.80	9.53	0.17	0.90	2.57	7.80
	November	0.38	5.76	6.37	9.26	1.66	2.58	3.60	6.98
	December	0.38	6.16	6.16	8.89	-0.12	2.45	2.45	6.09
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 ^(E)	0.45	7.38	7.79	7.43	0.80	5.99	5.87	4.12

(E) Estimate

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