



Inflation - April 2014

Economic Research Division

TÜRKİYE BANKASI

CPI inflation came in higher than expectations in April.

In April, CPI and Domestic PPI (D-PPI) increased by 1.34% and 0.09% mom, respectively. According to the Reuters' survey, monthly CPI was expected to rise by 0.80%. According to the CBRT's survey, markets' monthly CPI expectation was 0.76% in April.

The annual inflation in CPI approached to double-digit level.

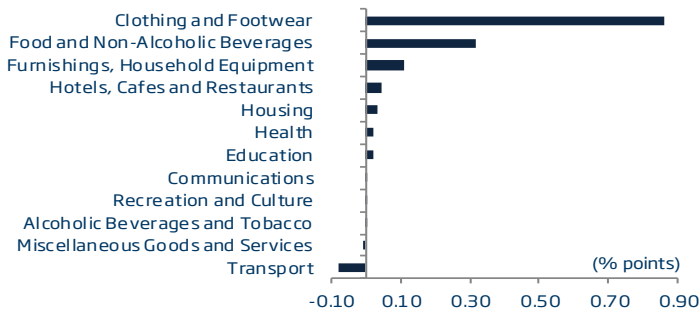
The annual increase in CPI was realized as 9.38% yoy, the highest increase observed since April 2012. The ytd rise in CPI was 4.96%, the highest increase in any April since the beginning of the 2003 base year index. In April, D-PPI increased by 12.98% yoy, the highest increase in the last 28 months.

(%)	CPI - April		Domestic PPI - April	
	2013	2014	2013	2014
Monthly	0.42	1.34	-0.51	0.09
Year to Date	3.06	4.96	-0.01	5.61
Annual	6.13	9.38	1.70	12.98
Annual Average	7.66	7.97	3.74	7.89

In March, the rise in clothing and footwear prices made the highest contribution to the inflation.

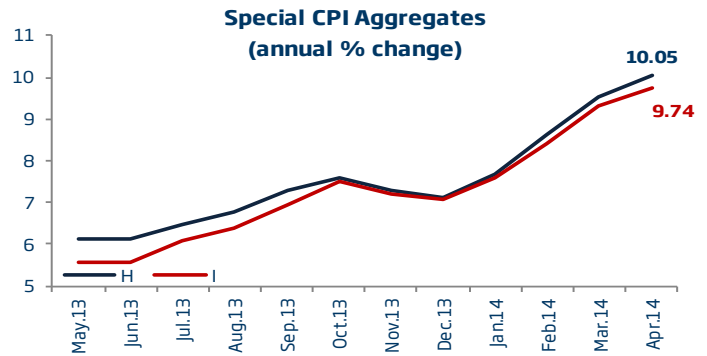
Analysis of the main expenditure groups in CPI revealed that all subgroups except miscellaneous goods and services and transport had an upward impact on inflation in April. In this period, the 13.1% mom increase in clothing and footwear prices made the highest contribution to the inflation by 86 basis points. The rise in food and non-alcoholic beverages prices, which was recorded as 1.4%, contributed to the monthly inflation by 32 basis points.

Contributions to the Monthly CPI by Subgroups



Annual inflation in H index hit double-digit...

In addition to the upward shift in global food prices and the lagged impacts of the depreciation of Turkish lira, price developments in the seasonal products were also influential in the higher than expected increase of CPI. Thus, the monthly increase in CPI was realized as 0.37% in April when seasonal products are excluded. On the other hand, developments in energy prices limited the inflation in this period.



H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco

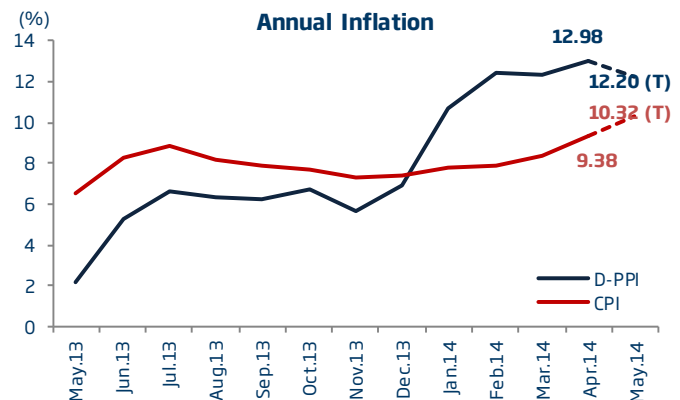
The annual increase in CBRT's favorite core index denominated by H, hit double-digit level for first time since October 2008 and was realized as 10.05%. The core I index, which increased by 2.12% mom, the highest monthly increase among special CPI aggregates indices, rose by 9.74% yoy in March, reaching the highest level since March 2007.

Limited increase in D-PPI...

In April, the price increases in food products were influential in the increase in D-PPI. In this period, the food prices increased by 2.72% and made 55 points contribution to inflation. The fall in energy prices, on the contrary, limited the increase in the D-PPI.

Expectations...

We anticipate that the upward effects of the rise in food prices on inflation due to exchange rate fluctuations and adverse weather conditions would continue in the coming period, albeit at a slower pace. We foresee that due to the seasonal factors the clothing and footwear prices would continue to rise in May. On the other hand, measures taken by CBRT and BRSA are anticipated to limit the pressure on inflation in the coming period. In this context, in May, we expect CPI and D-PPI to increase by 1% and 0.3% mom, respectively.



(E) Estimate
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		
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	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 (E)	1.00	6.01	10.32	8.29	0.30	5.93	12.20	8.73

(E) Estimate

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