



Inflation - October 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

CPI inflation came in above the expectations in October.

In October, CPI and Domestic PPI (D-PPI) increased by 1.90% and 0.92% mom, respectively. According to the Reuters' survey, CPI was expected to increase by 1.84% mom in October. According to the CBRT's survey, markets' monthly CPI expectation was 1.38%.

October (%)	CPI		Domestic PPI	
	2013	2014	2013	2014
Monthly	1.80	1.90	0.69	0.92
Year to Date	6.90	8.45	5.15	8.22
Annual	7.71	8.96	6.77	10.10
Annual Average	7.32	8.65	3.93	10.11

Annual CPI inflation was realized as 8.96%.

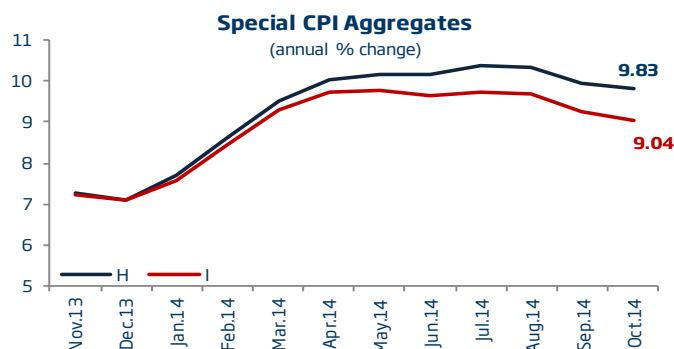
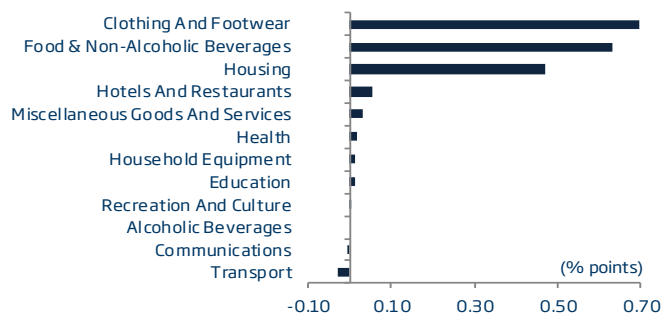
Annual CPI inflation was realized as 8.96% in October. The annual D-PPI inflation, which was hovering close to 10% since June, increased to 10.10%, rising again at double-digit levels.

A significant increase in food prices...

Analysis of the main expenditure groups in October showed that seasonal price increases in clothing and footwear group were influential in the higher than expected monthly CPI inflation. Indeed, 9.95% mom increase in clothing and footwear prices made the highest contribution to the monthly inflation by 70 basis points. The food prices, which followed an upward course during 2014, increased by 2.65% mom and made 63 basis points contribution to the monthly CPI inflation. Annual inflation in food prices was 12.56% as of October. In addition, owing to the increases in administered prices such as natural gas and electricity prices, the price hikes in housing group contributed the monthly inflation by 47 basis points in October.

Accordingly, total contribution of price increases in clothing and footwear, food and housing groups to the monthly inflation reached 1.8 points. On the other hand, the price changes in other groups came in at low levels and were not influential on the course of the inflation 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

Weak course in the core inflation indicators...

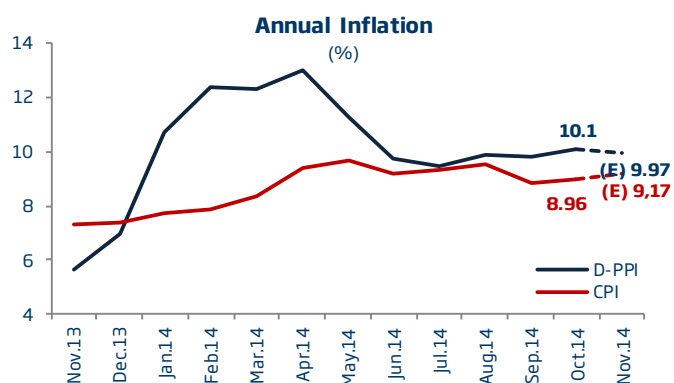
In October, seasonal factors were influential on the increase in CPI inflation. In fact, monthly increase in CPI declines to 0.84% when seasonal products are excluded. Annual increases in CBRT's favorite core indices denominated by H and I, representing the main trend of inflation, were realized as 9.83% and 9.04%, respectively, continuing their downward trend in October.

The annual D-PPI inflation was 10.1% in October.

Annual increase in D-PPI which followed a high course throughout the year, displayed a similar outlook in October. Price increases in electricity and gas production and distribution made the highest contribution to the monthly D-PPI inflation by 60 basis points. On the other hand, the price developments in other groups had limited impact on the course of the inflation in October.

Expectations...

In November, we anticipate that the seasonal price increases in clothing and footwear prices might be influential on the course of the inflation albeit at a slower pace. In addition, the developments in food prices will continue to play a key role in the CPI inflation. In this context, we expect CPI and D-PPI to increase by 0.20% and 0.50% mom, respectively. We anticipate that the year-end annual CPI inflation will be around 9%.



(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	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 ^(E)	0.20	8.67	9.17	8.80	0.50	8.76	9.97	10.46

(E) Estimate

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