

**SUMMARY...**

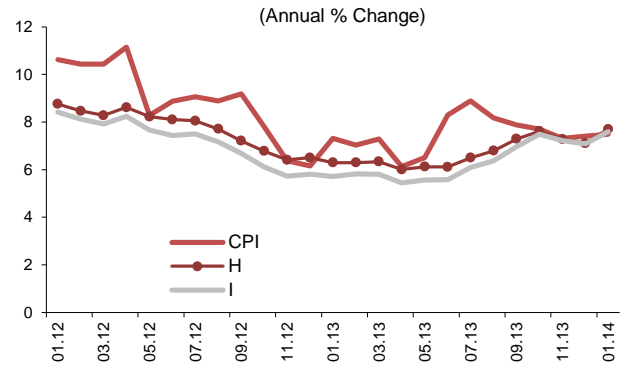
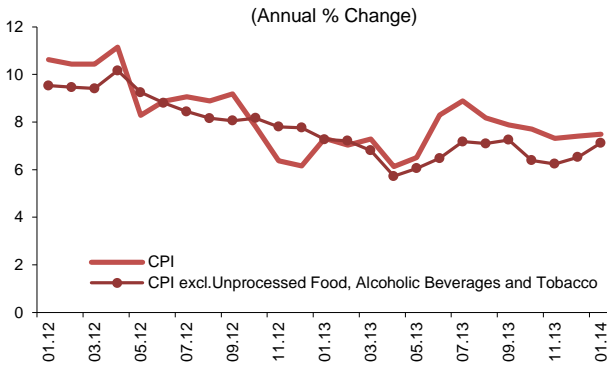
In January, annual consumer price inflation increased by 1.72 percent and annual inflation climbed to 7.48 percent. As stated in the Summary of the Monetary Policy Committee Meeting, food prices, tax adjustments and exchange rate movements were influential in the high month-on-month increase in inflation. Meanwhile, core inflation indicators increased due to core goods prices, whereas services inflation remained relatively mild.

**...EVALUATIONS...**

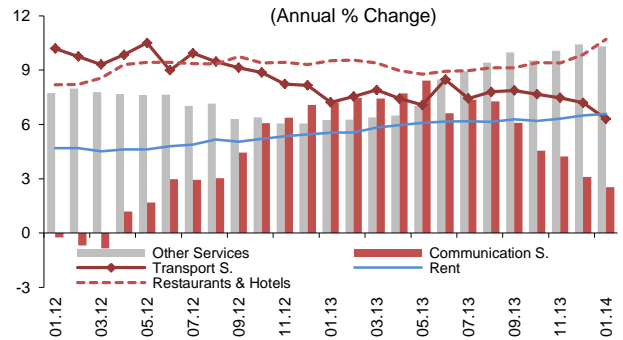
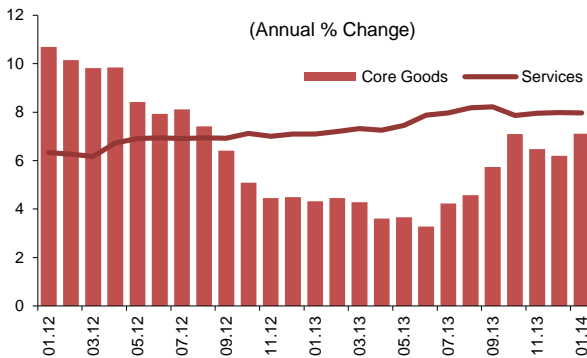
In January, annual consumer price inflation increased by 1.72 percent and annual inflation climbed to 7.48 percent. The annual rate of increase in the SCA-H and SCA-I indices edged up by 0.59 and 0.51 percentage points on a monthly basis to 7.70 percent 7.59 percent, respectively.

Across subgroups, the contributions of food and core goods groups to the annual CPI inflation crept up by 0.35 and 0.2 percentage points respectively, while those of the energy and services groups did not record a noticeable change. On the other hand, the contribution from the alcoholic beverages and tobacco group registered a decline.

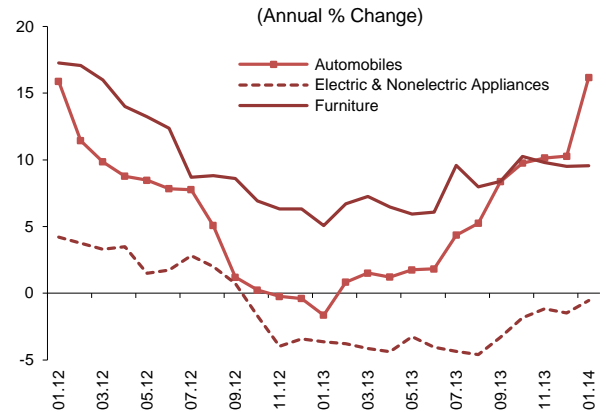
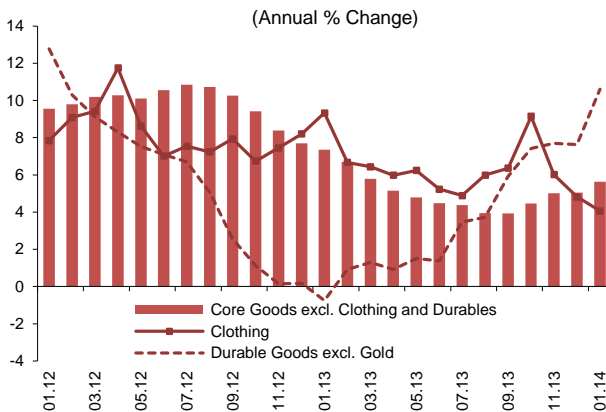
In the context of chain index, products included in the index alongside their relative shares are updated at the beginning of each year. Accordingly, the shares of services and food and non-alcoholic beverages besides the alcoholic beverages and tobacco groups within the index increased, while those of core goods and energy showed a decrease in 2014. These changes proved more remarkable especially in the services group besides the core goods group that was driven by automobile prices.



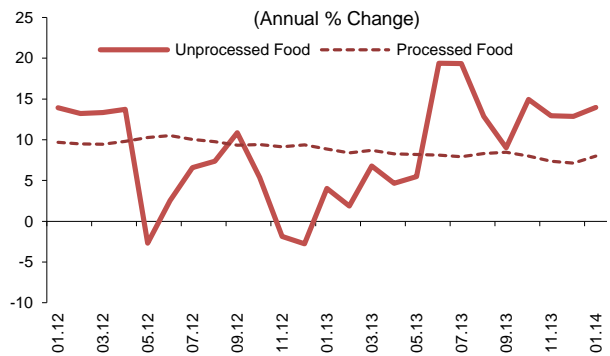
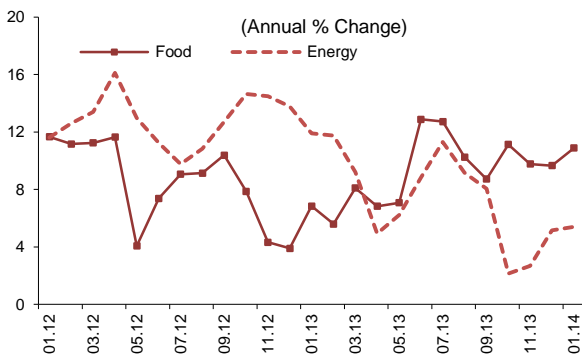
Prices of services rose by 0.93 percent and the group's annual inflation remained unchanged at 8 percent in January. Analysis of subgroups reveal that monthly inflation increased remarkably in restaurants-hotels and other services, particularly in health services (by 1.73 and 1.64 percent, respectively), but receded in communication services. The seasonally-adjusted data indicates a limited increase in the underlying trend of services inflation.



On the core goods front, annual inflation rose by 0.92 percentage points to 7.12 percent in January. This was mainly attributed to the rise in the prices of core goods excluding clothing that was driven by the impacts of the depreciation of the Turkish lira and the raised SCT. Automobile prices surged by 5.93 percent, and prices of white goods rose by 2.66 percent in January. On the other hand, clothing prices fell more than the seasonal averages and the group's annual inflation receded to 4.06 percent. The seasonally-adjusted data point to an acceleration in core goods prices in this period.



Energy prices rose by 0.75 percent in January. This increase was largely driven by domestic fuel prices climbing in line with the depreciation of the Turkish lira despite falling world oil prices. As a result, annual energy inflation maintained its recent upward trend, and increased by 0.26 points to 5.41 percent in January.



# JANUARY PRICE DEVELOPMENTS

# FEBRUARY 4, 2014

Annual inflation in the food and non-alcoholic beverages group was up 1.22 points to 10.89 percent. Unprocessed food prices increased by 9.35 percent in this period, mostly due to fresh fruit and vegetable prices that soared by 11.80 percent and other unprocessed food prices that increased by 7.87 percent on rising prices across all subcategories in January. Thus, annual unprocessed food inflation rose to 13.98 percent in this period. In January, due to drastic increases in prices of both the bread-cereals group and the processed food group excluding bread-cereals, processed food prices rose by 1.42 percent and annual processed food group inflation increased to 8.01 percent.

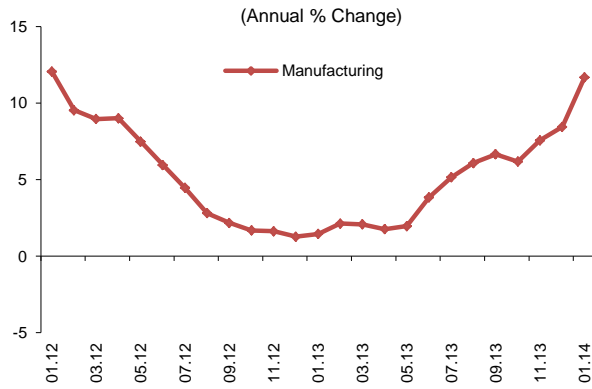
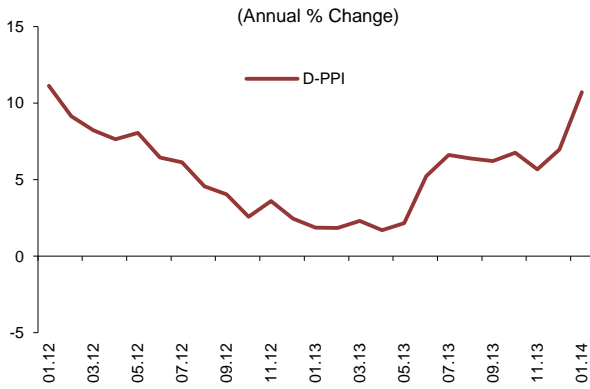
|  | Monthly Percent Change |             | Annual Percent Change |             |
|--|------------------------|-------------|-----------------------|-------------|
|  | Jan.2014               | Jan.2013    | Jan.2014              | Jan.2013    |
| <b>CPI</b>   | <b>1.72</b>            | <b>1.65</b> | <b>7.48</b>           | <b>7.31</b> |
| <b>1. Goods</b>  | <b>2.06</b>            | <b>1.91</b> | <b>7.34</b>           | <b>7.39</b> |
| Energy   | 0.75                   | 0.50        | 5.41                  | 11.90       |
| Food and nonalcoholic beverages                                    | 5.16                   | 4.00        | 10.89                 | 6.85        |
| Unprocessed food   | 9.35                   | 8.30        | 13.98                 | 4.03        |
| Fresh fruits and vegetables  | 11.80                  | 19.69       | 0.75                  | 8.44        |
| Other unprocessed food   | 7.87                   | 0.55        | 24.75                 | 0.93        |
| Processed food   | 1.42                   | 0.58        | 8.01                  | 8.85        |
| Bread and cereals  | 1.97                   | 0.90        | 10.88                 | 11.32       |
| Other processed food   | 1.10                   | 0.39        | 6.29                  | 7.39        |
| Goods excluding energy and food                                    | 0.26                   | 1.04        | 5.47                  | 5.86        |
| Core goods   | -0.42                  | -1.28       | 7.12                  | 4.32        |
| Durable goods  | 3.68                   | 0.49        | 9.56                  | -0.89       |
| Durable goods (excluding gold)                                     | 3.43                   | 0.64        | 10.60                 | -0.75       |
| Alcoholic beverages and tobacco                                    | 2.72                   | 14.26       | -0.63                 | 15.35       |
| Gold   | 8.89                   | -1.85       | -6.77                 | -3.00       |
| <b>2. Services</b>   | <b>0.93</b>            | <b>0.95</b> | <b>7.96</b>           | <b>7.10</b> |
| Rents  | 0.49                   | 0.42        | 6.58                  | 5.54        |
| Restaurants and hotels   | 1.73                   | 0.95        | 10.70                 | 9.52        |
| Transport  | 0.02                   | 0.86        | 6.31                  | 7.22        |
| Communication  | -0.41                  | 0.14        | 2.53                  | 7.22        |
| Other*   | 1.64                   | 1.74        | 10.32                 | 6.25        |
| <b>3. Core Measures</b>  |                        |             |                       |             |
| CPI excluding unprocessed food,<br>alcoholic beverages and tobacco | 0.61                   | 0.05        | 7.12                  | 7.27        |
| SCA-H  | 0.51                   | -0.04       | 7.70                  | 6.29        |
| SCA-I  | 0.31                   | -0.17       | 7.59                  | 5.72        |

Source: TurkStat, CBRT.

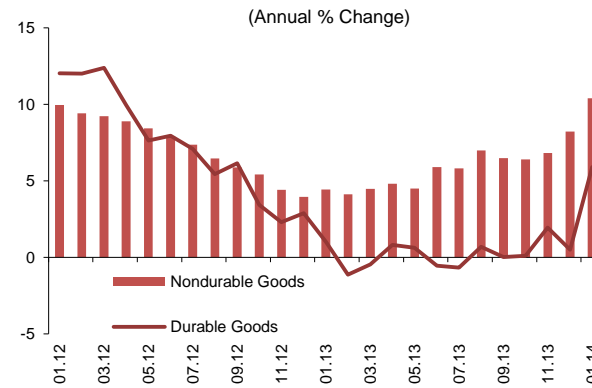
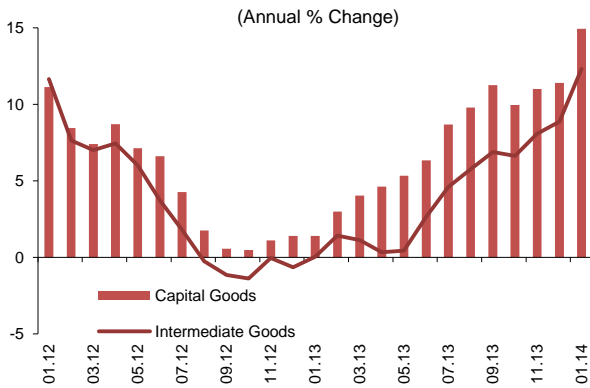
\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

...PPI...

The measuring of producer prices has changed as of 2014, with Domestic PPI (D-PPI) replacing PPI. The biggest differences compared to the previous index are the exclusion of agricultural prices and the updated classification.<sup>1</sup> Accordingly, D-PPI increased by 3.32 percent in January while the group's annual inflation was up 3.75 points to 10.72 percent. In this period, there were price hikes across all subcategories of the manufacturing group due to the depreciation of the Turkish lira. Prices of petroleum products, base metals and chemical products recorded particularly large increases in the manufacturing industry.



According to the Main Industrial Groupings (MIGS), all main groups saw large price hikes in January. In this period, annual inflation in capital and intermediate goods were 14.94 and 12.34 percent, respectively. In sum, the significant upward trend in manufacturing industry prices since mid-2013 driven by the depreciation of the Turkish lira indicates that consumer prices may face cost pressures in the upcoming period.



<sup>1</sup> For more information, see [http://www.turkstat.gov.tr/duyurular/duyuru\\_1198.pdf](http://www.turkstat.gov.tr/duyurular/duyuru_1198.pdf).

**...TABLES**

| January CPI and Subcategories (Percent Change) |        |         |        |         |        |
|--|--------|---------|--------|---------|--------|
|  | Weight | 2014    |        | 2013    |        |
|  |        | Monthly | Annual | Monthly | Annual |
| CPI  | 100    | 1.72    | 7.48   | 1.65    | 7.31   |
| Food and nonalcoholic beverages                | 24.45  | 5.16    | 10.89  | 4.00    | 6.85   |
| Alcoholic beverages and tobacco                | 5.29   | 2.72    | -0.63  | 14.26   | 15.35  |
| Clothing and footwear                          | 7.17   | -7.59   | 4.15   | -6.95   | 9.27   |
| Housing  | 16.41  | 0.49    | 4.62   | 0.70    | 10.69  |
| Household equipment                            | 7.52   | 1.55    | 6.44   | 1.08    | 5.37   |
| Health   | 2.44   | 1.86    | 6.27   | 0.50    | 2.10   |
| Transport                                      | 15.54  | 2.50    | 11.95  | 0.50    | 3.93   |
| Communication                                  | 4.70   | -0.60   | 0.62   | -0.02   | 5.88   |
| Recreation and culture                         | 3.36   | 1.26    | 6.25   | 0.24    | 1.39   |
| Education                                      | 2.26   | 0.06    | 10.00  | 0.10    | 4.97   |
| Restaurants and hotels                         | 6.58   | 1.73    | 10.70  | 0.95    | 9.52   |
| Miscellaneous goods and services               | 4.28   | 2.43    | 2.96   | 1.71    | 8.57   |

Source: TurkStat.

| January D-PPI and Subcategories (Percent Change)    |        |         |        |         |        |
|---|--------|---------|--------|---------|--------|
|   | Weight | 2014    |        | 2013    |        |
|   |        | Monthly | Annual | Monthly | Annual |
| D-PPI   | 100    | 3.32    | 10.72  | -0.18   | 1.88   |
| Mining  | 3.97   | 3.68    | 13.64  | 2.77    | 6.89   |
| Manufacturing                                       | 85.93  | 3.29    | 11.69  | 0.29    | 1.46   |
| Electricity, gas, steam and air-conditioning supply | 9.31   | 3.60    | -6.96  | -1.08   | 22.79  |
| Water supply  | 0.79   | 1.39    | 8.33   | 3.68    | 10.11  |

Source: TurkStat.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation by the public of the monthly inflation developments during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.