ISSN 1306-8199



inflation report 2015-1

Contents

| 1. | OVERVIEW | 1 |
|------------|------------------------------------------------------------------------------------------|-----------|
| | 1.1. Monetary Policy and Financial Conditions | 1 |
| | 1.2. Macroeconomic Developments and Main Assumptions | 4 |
| | 1.3. Inflation and the Monetary Policy Outlook | 7 |
| | 1.4. Risks and the Monetary Policy | 8 |
| 2. | INTERNATIONAL ECONOMIC DEVELOPMENTS | 11 |
| | 2.1. Global Growth | 11 |
| | 2.2. Commodity Prices and Global Inflation | 14 |
| | 2.3. Financial Conditions, Risk Indicators and Capital Flows | 15 |
| | 2.4. Global Monetary Policy | 17 |
| 3. | INFLATION DEVELOPMENTS | 21 |
| | 3.1. Core Inflation Outlook | 22 |
| | 3.2. Food, Energy and Alcohol-Tobacco Prices | 26 |
| | 3.3. Domestic Producer Prices | 28 |
| | 3.4. Expectations | 29 |
| 4. | SUPPLY AND DEMAND DEVELOPMENTS | 41 |
| | 4.1. Supply Developments | 42 |
| | 4.2. Demand Developments | 44 |
| | 4.3. Labor Market | 51 |
| 5 . | FINANCIAL MARKETS AND FINANCIAL INTERMEDIATION | 61 |
| | 5.1. Financial Markets | 62 |
| | 5.2. Credit Volume and Monetary Indicators | 71 |
| 6. | PUBLIC FINANCE | 79 |
| | 6.1. Budget Developments | 79 |
| | 6.2. Developments in the Public Debt Stock | 82 |
| 7. | MEDIUM-TERM FORECASTS | 85 |
| | 7.1. Current State, Short-Term Outlook and Assumptions | 85 |
| | 7.2. Medium-Term Forecasts | 87 |
| BO | | 0, |
| 001 | Box 3.1. Effects of Oil Prices on Consumer Prices | 31 |
| | Box 3.2. Pass-Through of International Grain Prices to Domestic Prices | 35 |
| | Box 3.3. The Role of Base Effects on Consumer Inflation in 2015 | 39 |
| | Box 4.1. Liability Dollarization and Growth Performance of Non-Financial Firms in Turkey | 54 |
| | Box 4.2. Macroeconomic Effects of International Energy Prices | 58 |
| | Box 5.1. Remuneration of Required Reserves | 76 |
| | Box 7.1. Reasons for the Changes in end-2014 Inflation Forecasts | 90 |