

# INFLATION September 2011

(%)	PPI		CPI	
	2010	2011	2010	2011
September	0.51	1.55	1.23	0.75
January-September	6.52	9.72	4.77	4.53
Annual	8.91	12.15	9.24	6.15
Annual Average	6.89	10.03	8.16	6.00

Economic  
Research  
Division

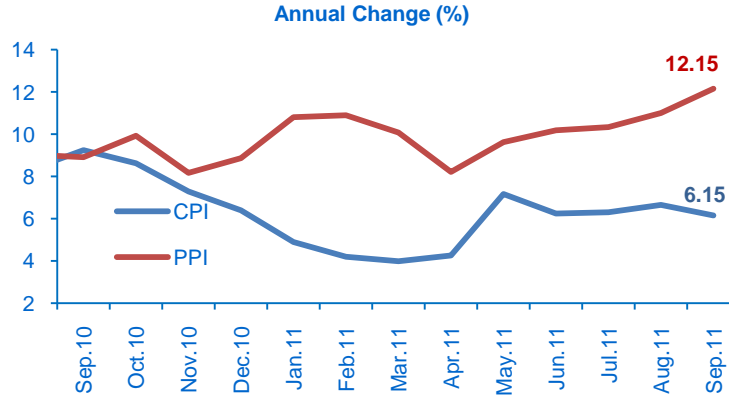
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*CPI was realized parallel to the expectations.*

In September, compared to the previous month, **CPI and PPI increased by 0.75% and 1.55%, respectively.** According to the Reuters' Survey, markets monthly inflation expectations were 0.75% in CPI and 1.26% in PPI. According to the CBRT's survey of expectations on the other hand, CPI was expected to rise by 0.90%.

*Annual CPI increase was realized as 6.15%.*

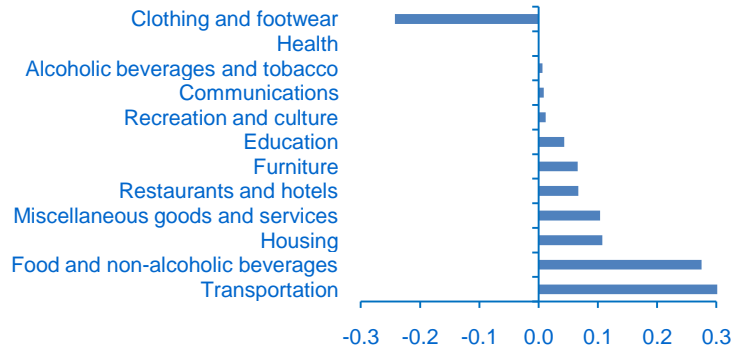
Annual CPI, which has followed a flat course around 6% during summer months, remained at similar levels in September. The annual increase in PPI, on the other hand was realized as 12.15%. Thus, the annual PPI rose to the highest level since November 2008.



*Transportation and food subgroups were the main drivers of the CPI increase.*

In September, the rise in FX rates had an increasing impact on monthly CPI figures. In this period, price hikes in public transportation also supported the rise in monthly CPI. In September, parallel to the developments in FX rates meat prices increased by 3.8%. On the other hand, clothing and footwear subgroup fell by 3.24% and had a decreasing effect of 24 basis points on monthly CPI inflation.

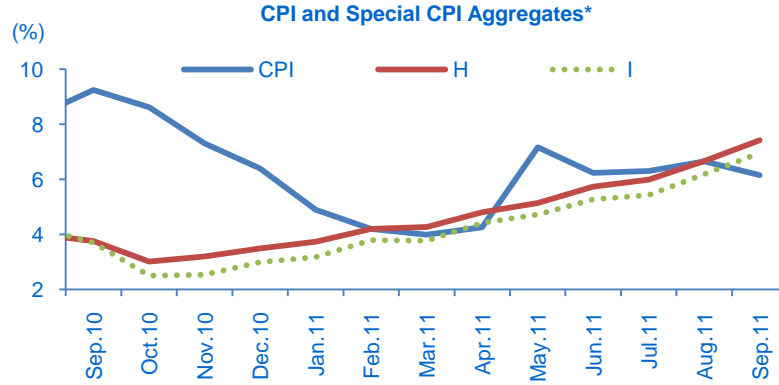
Contributions to the monthly CPI by sub-groups (% points)



*Increase in core inflation aggregates continued.*

Core inflation aggregates, which have followed an upward trend since October 2010, edged up also in September and exceeded the headline inflation. In fact, the annual price increases in H and I indices were realized as 7.42% and 6.96%, respectively. In the coming period, developments in core inflation aggregates are expected to put pressure on headline inflation.

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(\*) Annual change

H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.

I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold.

**Monthly PPI was realized above the expectations.**

PPI, which is more sensitive to the developments in foreign exchange rates, increased by 1.55% in September, above the expectations. In this period, the price increases in manufacture of food and electricity subgroups made 38 and 25 basis points contributions to the monthly PPI, respectively.

**We expect CPI and PPI to rise by 2.20% and 2.70% in October, respectively.**

In October, due to the price hikes in electricity and natural gas, inflation is anticipated to record a significant increase. In this context, we expect CPI to rise by 2.20% and PPI by 2.70% in October.

**CBRT kept its policy mix unchanged at its September meeting.**

At its meeting held on 20<sup>th</sup> of September, CBRT kept its policy mix unchanged parallel to the expectations. The policy rate, which is the one-week repo auction rate, was kept at 5.75%, while the interest rate corridor remained unchanged. In the announcement made after the meeting, CBRT stated that recent data releases suggested that there would be a notable reduction in economic growth in the second half of the year. In this context, CBRT expects a significant improvement in the current account balance in the forthcoming period. CBRT emphasized that the depreciation in TL might lead to fluctuations in inflation, while anticipating these developments would be temporary. Besides, CBRT once again highlighted that all policy instruments might be eased, in case of a deepening global economic problems and a sharp slowdown in domestic economic activity.



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INFLATION (%)									
		PRODUCER PRICE INDEX (2003=100)				CONSUMER PRICE INDEX (2003=100)			
		Monthly	Year to date	Annual	Annual Average	Monthly	Year to date	Annual	Annual Average
2010	January	0.58	0.58	6.30	1.14	1.85	1.85	8.19	6.16
	February	1.66	2.25	6.82	1.20	1.45	3.32	10.13	6.38
	March	1.94	4.24	8.58	1.63	0.58	3.93	9.56	6.53
	April	2.35	6.69	10.42	2.52	0.60	4.55	10.19	6.87
	May	-1.15	5.47	9.21	3.50	-0.36	4.17	9.10	7.20
	June	-0.50	4.93	7.64	4.30	-0.56	3.59	8.37	7.41
	July	-0.16	4.77	8.24	5.33	-0.48	3.09	7.58	7.59
	August	1.15	5.98	9.03	6.18	0.40	3.50	8.33	7.83
	September	0.51	6.52	8.91	6.89	1.23	4.77	9.24	8.16
	October	1.21	7.80	9.92	7.71	1.83	6.69	8.62	8.45
	November	-0.31	7.47	8.17	8.27	0.03	6.72	7.29	8.59
	December	1.31	8.87	8.87	8.52	-0.30	6.40	6.40	8.57
2011	January	2.36	2.36	10.80	8.89	0.41	0.41	4.90	8.28
	February	1.72	4.13	10.87	9.23	0.73	1.14	4.16	7.76
	March	1.22	5.40	10.08	9.36	0.42	1.57	3.99	7.29
	April	0.61	6.04	8.21	9.17	0.87	2.45	4.26	6.79
	May	0.15	6.20	9.63	9.21	2.42	4.93	7.17	6.64
	June	0.01	6.21	10.19	9.42	-1.43	3.43	6.24	6.47
	July	-0.03	6.18	10.34	9.59	-0.41	3.00	6.31	6.37
	August	1.76	8.05	11.00	9.76	0.73	3.75	6.65	6.24
	September	1.55	9.72	12.15	10.03	0.75	4.53	6.15	6.00
	<b>October (E)</b>	<b>2.70</b>	<b>12.68</b>	<b>13.80</b>	<b>10.36</b>	<b>2.20</b>	<b>6.83</b>	<b>6.54</b>	<b>5.83</b>

(E) Estimate

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