



INFLATION August 2012

(%)	PPI		CPI	
	2011	2012	2011	2012
August	1.76	0.26	0.73	0.56
January-August	8.05	-0.30	3.75	2.28
Annual	11.00	4.56	6.65	8.88
Annual Average	9.76	9.33	6.24	9.29

Economic
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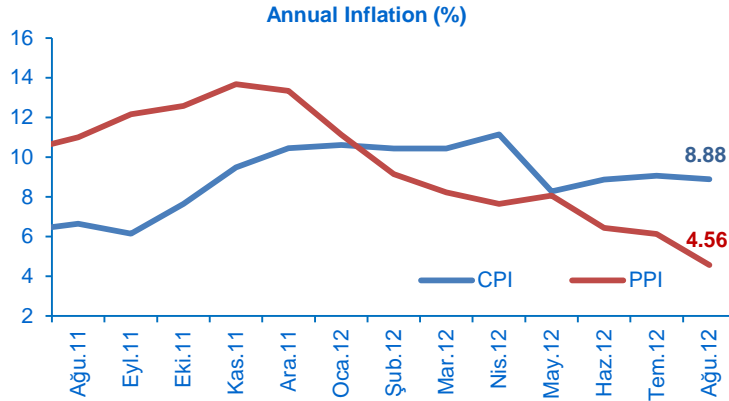
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In August, CPI increased more than expected.

In August, compared to the previous month, **CPI and PPI increased by 0.56% and 0.26%, respectively**. According to the Reuters' Survey, markets' monthly inflation expectations were 0.25% in CPI and 0.50% in PPI. According to the CBRT's survey of expectations, on the other hand, CPI was expected to rise by 0.38% in August.

Annual inflation decreased.

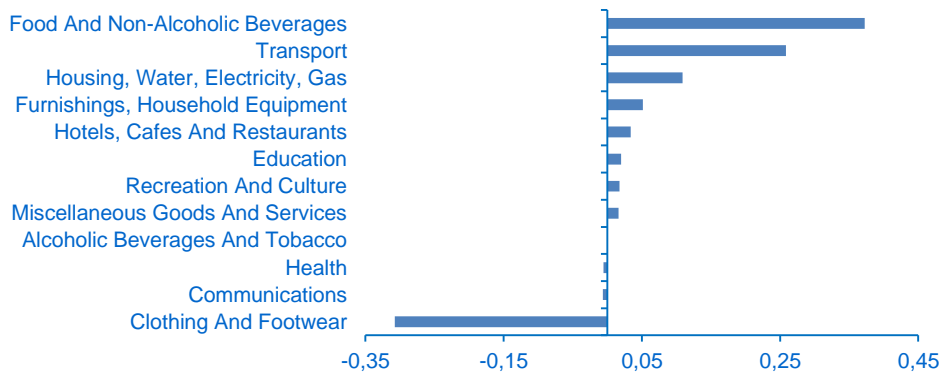
Although monthly CPI increased more than expected in August, the annual inflation declined to 8.88% due to the base effect. Annual increase in PPI realized as 4.56%, the lowest level in the last 33 months.



Increase in food prices...

Although clothing and footwear prices declined due to the seasonal factors, CPI increased more than expected in August as a result of the increase in food and non-alcoholic beverages and transport prices. Food prices, which exhibited an upward trend in global markets due to supply-side problems, rose by 1.46% in August on a monthly basis and made the highest contribution to the increase in CPI with 37 basis points. Moreover, transport prices which increased by 1.59% compared to the previous month, had a 26 basis points increasing impact on CPI figures.

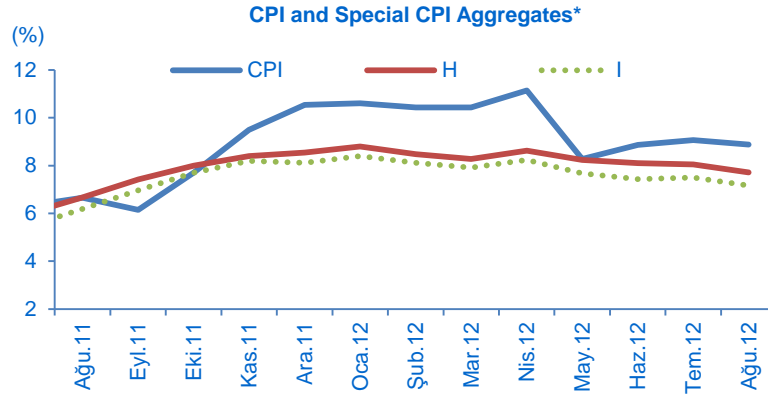
Contributions to the monthly CPI by sub-groups (% points)



INFLATION August 2012

Core inflation aggregates followed a flat course.

Analyzing the core inflation indicators in August, it was seen that seasonal products limited the increase in CPI substantially. In fact, monthly increase in CPI was 0.79% when the seasonal products are excluded. In July, the annual increases in CBRT's favorite core inflation aggregates denominated by H and I realized as 7.71% and 7.17%, respectively, the lowest level since September 2011.



(*) 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.

PPI increased in August.

Increase in food products and beverages together with the refined petroleum product prices made significant contribution to the increase in PPI. On the other hand, decrease in basic metal industry, textile, paper and paper products prices limited the increase in PPI.

We expect CPI and PPI to increase by 0.60% and 0.50%, respectively in September.

In September, increase in food prices due to supply-side problems in global markets and the upward trend of commodity prices would be influential on the course of CPI. **In this context, we expect CPI and PPI to increase by 0.60% and 0.50%, respectively in September.**

CBRT kept the policy rate unchanged.

At its meeting on August 16th, CBRT Monetary Policy Committee (MPC) decided to keep the one-week repo rate (5.75%), overnight borrowing rate (5%) and lending rate (11.5%) unchanged at their current levels. In its announcement following the meeting, it was noted that the rebalancing between domestic and external demand continued as expected and exports continued to perform well despite the weak global growth.

Similar to its previous meetings CBRT expressed that the flexibility in monetary policy on both sides would be preserved and interest rate corridor might be narrowed gradually in the forthcoming period.



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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
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
	October	1.60	11.48	12.58	10.26	3.27	7.95	7.66	5.93
	November	0.65	12.20	13.67	10.72	1.73	9.82	9.48	6.13
	December	1.00	13.33	13.33	11.09	0.58	10.45	10.45	6.47
2012	January	0.38	0.38	11.13	11.11	0.56	0.56	10.61	6.95
	February	-0.09	0.29	9.15	10.96	0.56	1.13	10.43	7.48
	March	0.36	0.65	8.22	10.79	0.41	1.55	10.43	8.02
	April	0.08	0.73	7.65	10.72	1.52	3.09	11.14	8.59
	May	0.53	1.27	8.06	10.57	-0.21	2.87	8.28	8.68
	June	-1.49	-0.24	6.44	10.24	-0.90	1.95	8.87	8.89
	July	-0.31	-0.56	6.13	9.88	-0.23	1.71	9.07	9.11
	August	0.26	-0.30	4.56	9.33	0.56	2.28	8.88	9.29
	September ^(E)	0.50	0.19	3.49	8.60	0.60	2.89	8.72	9.49

(E) Estimate

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