

Inflation - February 2013

Economic Research Division



CPI came in below the expectations in February.

In February, compared to the previous month, CPI increased by 0.30% while PPI decreased by 0.13%. According to the Reuters' survey, markets' monthly CPI inflation expectation was 0.40%. According to the CBRT's survey of expectations, on the other hand, CPI was expected to rise by 0.53% in February.

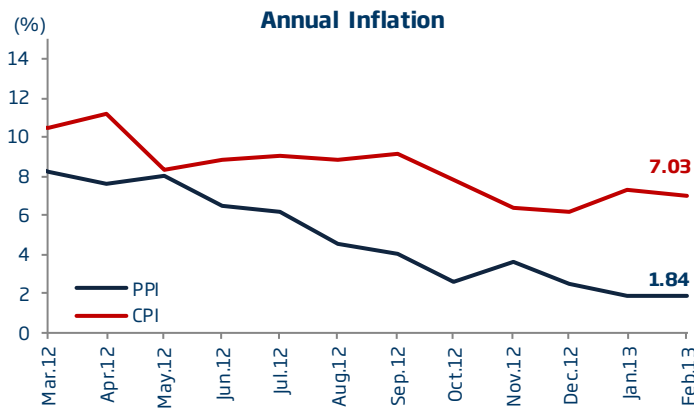
(%)	PPI - February		CPI - February	
	2012	2013	2012	2013
Monthly	-0.09	-0.13	0.56	0.30
Year to Date	0.29	-0.31	1.13	1.95
Annual	9.15	1.84	10.43	7.03
Annual Average	10.96	4.72	7.48	8.33

Limited decrease in annual CPI...

Annual CPI, which followed an upward trend in January due to the steep increase in food prices, registered a limited decrease and was realized as 7.03% in February. On the other hand, downward trend in PPI continued in February and annual PPI was realized as 1.84%, the lowest level registered in the last 39 months.

Monthly PPI continued to decline

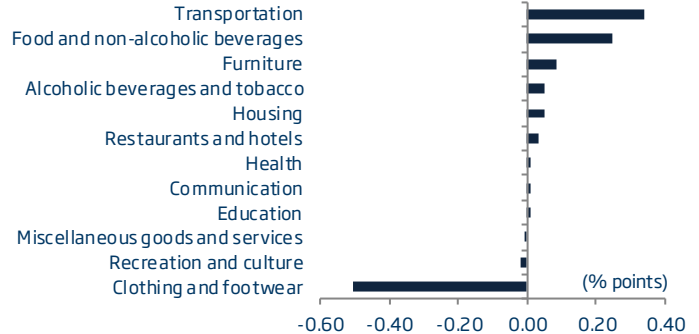
In February, prices of electricity and gas fell by 13.93% and decreased the PPI by 99 basis points. On the other hand, 2.2% increase in the agriculture and hunting prices limited the decline in PPI.



Seasonal factors were influential on the course of CPI.

In February, clothing and footwear prices declined due to the seasonal factors and had a substantial impact on the course of CPI. The prices in this group decreased by 6.36% compared to the previous month and had a downward effect of 50 basis points on monthly CPI inflation. During the same period, the rise in energy prices was influential in the transportation group which made a contribution of 34 basis points to the CPI increase. Food and non-alcoholic beverages prices, in line with the price increases in the non-processed foods, also contributed to the inflation by 25 basis points.

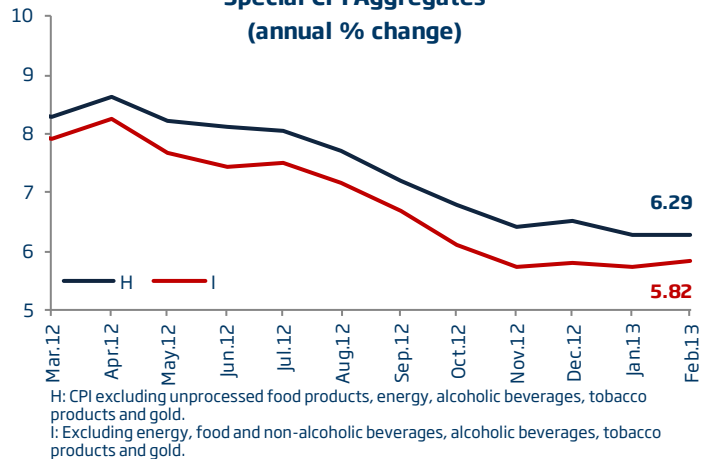
Contributions to the Monthly CPI by Sub-groups



Flat course in the core inflation indicators...

Moderate domestic demand conditions and flat course in the exchange rates enabled core inflation indicators to follow a favorable course. Annual increase in H and I indices were realized as 6.29% and 5.82%, respectively.

Special CPI Aggregates (annual % change)



We expect CPI and PPI to increase by 0.45% and 0.20%, respectively in March.

We anticipate that price hikes in administrated products and services such as bread prices and taxi fees would be influential on the course of CPI in March. On the other hand, general pricing behavior driven by price hikes will be monitored closely by policy-makers and this would be effective on the monetary policy decisions in the coming period. In this context, we expect CPI and PPI to increase by 0.45% and 0.20%, respectively in March.

Source: Turkstat

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Inflation (%)

	Consumer Price Index (2003=100)				Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
2011	January	0.41	0.41	4.90	8.28	2.36	2.36	10.80	8.89
	February	0.73	1.14	4.16	7.76	1.72	4.13	10.87	9.23
	March	0.42	1.57	3.99	7.29	1.22	5.40	10.08	9.36
	April	0.87	2.45	4.26	6.79	0.61	6.04	8.21	9.17
	May	2.42	4.93	7.17	6.64	0.15	6.20	9.63	9.21
	June	-1.43	3.43	6.24	6.47	0.01	6.21	10.19	9.42
	July	-0.41	3.00	6.31	6.37	-0.03	6.18	10.34	9.59
	August	0.73	3.75	6.65	6.24	1.76	8.05	11.00	9.76
	September	0.75	4.53	6.15	6.00	1.55	9.72	12.15	10.03
	October	3.27	7.95	7.66	5.93	1.60	11.48	12.58	10.26
	November	1.73	9.82	9.48	6.13	0.65	12.20	13.67	10.72
	December	0.58	10.45	10.45	6.47	1.00	13.33	13.33	11.09
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^(E)	0.45	2.41	7.06	8.06	0.20	-0.11	1.68	4.18

(E) Estimate

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**Türkiye İş Bankası A.Ş. - Economic Research Division****İzlem Erdem - Manager**

izlem.erdem@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Kıvılcım Eraydın - Economist

kivilcim.eraydin@isbank.com.tr

Erhan Gül - Economist

erhan.gul@isbank.com.tr

Bora Çevik - Asst.Economist

bora.cevik@isbank.com.tr

Eren Demir - Asst.Economist

eren.demir@isbank.com.tr

M. Kemal Gündoğdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

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