



Inflation - March 2014

Economic Research Division

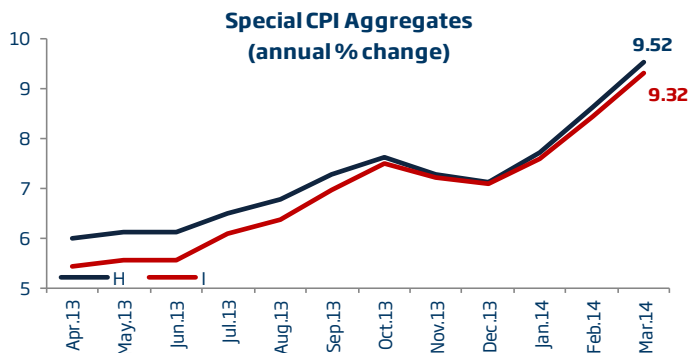
TÜRKİYE BANKASI

CPI inflation was higher than the expectations in March.

In March, CPI and Domestic PPI (D-PPI) increased by 1.13% and 0.74% mom, respectively. According to the Reuters' survey, monthly CPI was expected to rise by 0.86%. According to the CBRT's survey, markets' monthly CPI expectation was 0.65% in March.

The annual increase in CPI became evident.

The annual increase in CPI, following an upward trend since December 2013, followed a similar path in March and was realized as 8.39% yoy. The D-PPI, which is more sensitive to the developments in FX rates, increased by 12.31% yoy in March and maintained its double digit levels.



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.

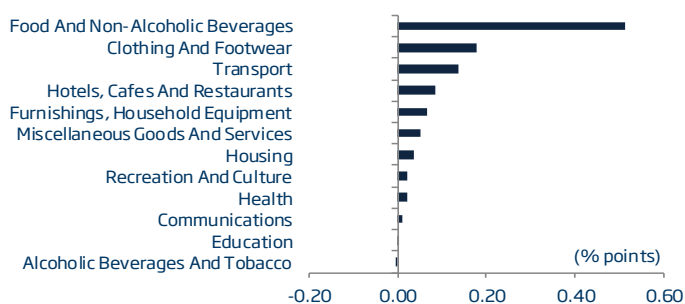
core index denominated by H was realized as 9.52% and rose to the highest level since October 2008. The core I index, which is also an important indicator for the headline inflation, rose by 9.32% yoy in March, approaching to the highest level for the last 7 years.

	CPI - March		Domestic PPI - March	
	2013	2014	2013	2014
Monthly	0.66	1.13	0.81	0.74
Year to Date	2.63	3.57	0.50	5.52
Annual	7.29	8.39	2.30	12.31
Annual Average	8.08	7.70	4.23	6.95

In March, the rise in food and non-alcoholic beverages made the highest contribution to the inflation.

Analysis of the main expenditure groups in CPI revealed that all the subgroups except alcoholic beverages and tobacco had an upward impact on inflation. In this period, the 2.10% mom increase in food and non-alcoholic prices made the highest contribution to the inflation by 51 basis points. In March, clothing and footwear prices rose due to the seasonal factors while developments in automobile prices led to an increase in transportation subgroup.

Contributions to the Monthly CPI by Subgroups



Sharp increases in the annual core inflation aggregates...

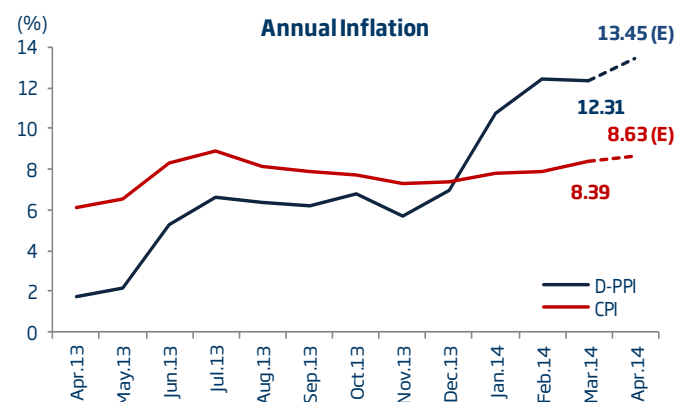
In March, it was noteworthy that the rise in CPI became widespread among all product groups while the price developments in energy and alcoholic beverages limited this pressure. On the other hand, the core inflation aggregates, which reflect the developments in FX rates, also recorded sharp increases in March. In fact, the annual increase in CBRT's favorite

D-PPI rose by 0.74% mom in March.

In March, the price increases in food products, other non-metallic mineral products and textile made the highest contribution to the D-PPI. On the other hand, the fall in energy prices limited the increase in PPI. In fact, the fall in electricity and gas distribution prices made 16 points decreasing impact on inflation.

Expectations...

Due to the easing in political tension after the local elections in Turkey, the appreciation in the local currency is anticipated to limit the pressure on inflation in the coming period. On the other hand, we foresee that due to the seasonal factors the clothing and footwear prices would continue to rise in April. In this context, we expect CPI and D-PPI to increase by 0.65% and 0.50% mom, respectively.



(E) Estimate
Source: Turkstat

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Inflation (%)

	Consumer Price Index (2003=100)				Domestic Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
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	0.66	2.63	7.29	8.08	0.81	0.50	2.30	4.23
	April	0.42	3.06	6.13	7.66	-0.51	-0.01	1.70	3.74
	May	0.15	3.21	6.51	7.51	1.00	0.99	2.17	3.27
	June	0.76	4.00	8.30	7.47	1.46	2.46	5.23	3.18
	July	0.31	4.32	8.88	7.47	0.99	3.48	6.61	3.23
	August	-0.10	4.21	8.17	7.42	0.04	3.52	6.38	3.39
	September	0.77	5.01	7.88	7.32	0.88	4.43	6.23	3.58
	October	1.80	6.90	7.71	7.32	0.69	5.15	6.77	3.93
	November	0.01	6.91	7.32	7.39	0.62	5.80	5.67	4.10
	December	0.46	7.40	7.40	7.49	1.11	6.97	6.97	4.48
2014	January	1.98	1.98	7.75	7.53	3.32	3.32	10.72	5.22
	February	0.43	2.41	7.89	7.60	1.38	4.75	12.40	6.11
	March	1.13	3.57	8.39	7.70	0.74	5.52	12.31	6.95
	April (E)	0.65	4.24	8.63	7.90	0.50	6.05	13.45	7.93

(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 - 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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