



Inflation - July 2014

Economic Research Division

TÜRKİYE BANKASI

CPI inflation came in above the expectations in July.

In July, CPI and Domestic PPI (D-PPI) increased by 0.45% and 0.73% mom, respectively. According to the Reuters' survey, monthly CPI was expected to rise by 0.15% mom in July. According to the CBRT's survey, markets' monthly CPI expectation was 0.06% in July.

The annual inflation in CPI was realized as 9.32%.

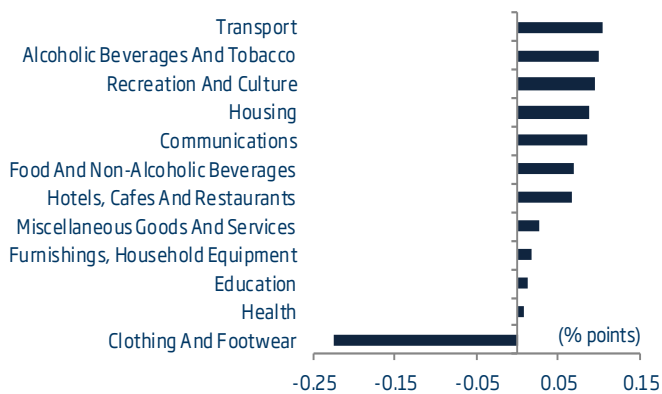
After having exhibited an upward trend in the first five months of the year, annual CPI inflation decreased to some extent in June thanks to the base effect. However, annual CPI inflation gained momentum again and was realized as 9.32% in July. Annual D-PPI inflation, on the other hand, eased for a third straight month due to the base effect and was realized as 9.46% in July.

CPI - July	CPI - July		Domestic PPI - July	
	2013	2014	2013	2014
(%)				
Monthly	0.31	0.45	0.99	0.73
Year to Date	4.32	6.18	3.48	5.89
Annual	8.88	9.32	6.61	9.46
Annual Average	7.47	8.35	3.23	9.26

In July, only clothing and footwear prices declined.

Among the main expenditures groups, only clothing and footwear prices registered a decrease in July. The said group prices decreased by 3.28% mom and limited the monthly inflation by 23 basis points. Price developments in the main expenditure groups generally made a balanced contribution to the inflation. On the other hand, the highest contribution to the inflation by 11 basis points was registered by the increase in transport prices in July. Despite the fact that summer season eases food prices, food prices has contributed to the monthly inflation by 7 points in July owing to the effect of Ramadan.

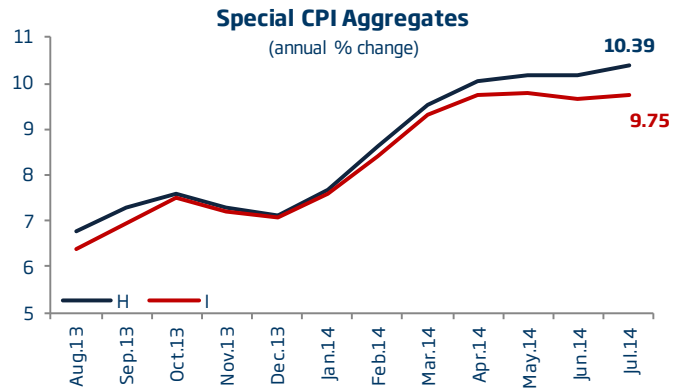
Contributions to the Monthly CPI by Subgroups



The increase in core inflation indicators...

In July, seasonal factors limited the rise in monthly CPI. Indeed, monthly inflation reached 0.89% when the seasonal products were excluded. On the other hand, as the developments in energy and alcoholic beverages and tobacco prices had an upward impact on

monthly inflation, monthly inflation declined to 0.31% when the said sub-groups were excluded. In this period, the increase in CBRT's favorite core indices denominated by H and I accelerated to some extent and were realized as 10.39% and 9.75%, respectively.



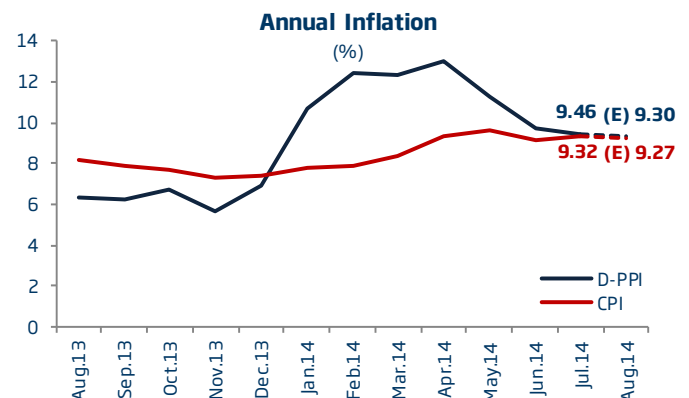
H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold.

The annual D-PPI inflation was 9.46% in July.

In July, the developments in food prices were influential on the course of D-PPI. Thus, the price of food products increased by 1.55% mom and contributed to the inflation by 32 basis points. The electricity and gas production and distribution prices, which declined in recent months, increased again and contributed to the inflation by 8 basis points. No significant price fall was observed in the sub-groups of D-PPI in July.

Expectations

In August, we expect that the clothing and footwear prices will continue to fall due to the seasonal factors and upward pressure on food prices will diminish following Ramadan period. In this context, we expect CPI and D-PPI to decrease by 0.15% and 0.1% mom, respectively.



(E) Estimate
Source: Turkstat

Inflation - July 2014

Economic Research Division

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	1.34	4.96	9.38	7.97	0.09	5.61	12.98	7.89
	May	0.40	5.38	9.66	8.23	-0.52	5.06	11.28	8.66
	June	0.31	5.70	9.16	8.31	0.06	5.12	9.75	9.03
	July	0.45	6.18	9.32	8.35	0.73	5.89	9.46	9.26
	August^(E)	-0.15	6.02	9.27	8.44	-0.10	5.78	9.30	9.50

(E) Estimate

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

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Doğuhan Atış - Sub Manager

doguhan.atis@isbank.com.tr

Kıvılcım Eraydın - Economist

kivilcim.eraydin@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

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.