



Inflation - August 2014

Economic Research Division

TÜRKİYE BANKASI

CPI inflation came in above the expectations in August.

In August, CPI and Domestic PPI (D-PPI) increased by 0.09% and 0.42% mom, respectively. According to the Reuters' survey, monthly CPI was expected to fall by 0.10% mom in August. According to the CBRT's survey, on the other hand, markets' monthly CPI expectation was 0.15%.

The annual inflation in CPI was realized as 9.54%.

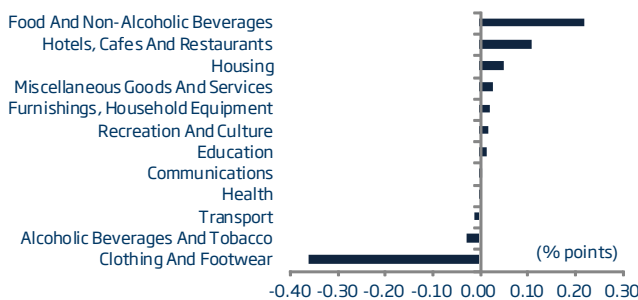
Monthly inflation, which generally follows a decreasing trend during summer months, continued to rise in this period of 2014. After having followed an upward trend in July, the annual CPI inflation maintained relatively its strong pace in August and was realized as 9.54%. In the same period, owing to the diminishing base effect, the annual D-PPI inflation also rose to 9.88%, nearing double-digit levels.

(%)	CPI - August		Domestic PPI - August	
	2013	2014	2013	2014
Monthly	-0.10	0.09	0.04	0.42
Year to Date	4.21	6.28	3.52	6.33
Annual	8.17	9.54	6.38	9.88
Annual Average	7.42	8.46	3.39	9.55

The rise in food prices...

Analysis of the main expenditures groups in August revealed that the rise in inflation was widespread. In this period, the prices in food and beverages group increased by 0.89% mom and contributed to the monthly inflation by 22 basis points. After having remained stable in recent months, the price developments in hotels, cafes and restaurants, housing and miscellaneous goods and services also supported the rise in inflation. The seasonal price falls in the clothing and footwear, on the hand, limited the rise in inflation by 36 basis points.

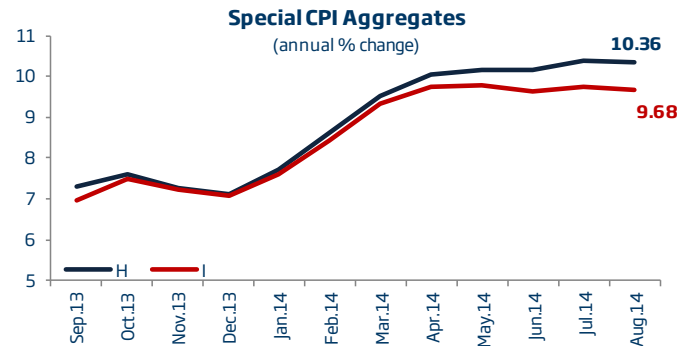
Contributions to the Monthly CPI by Subgroups



The rise in core inflation indicators...

In August, seasonal factors limited the increase in monthly CPI inflation. Indeed, monthly inflation reached 0.49% when the seasonal products were excluded. The core inflation figures,

representing the main trend of inflation, continued to hover around their highest levels in 6 years. In fact, the annual increases in CBRT's favorite core indices denominated by H and I were realized as 10.36% and 9.68%, respectively.



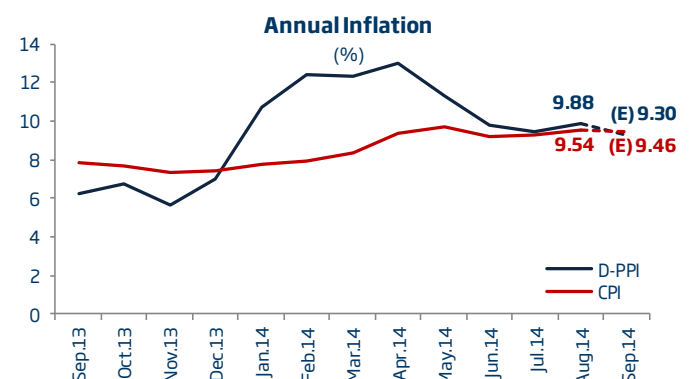
H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco

The annual D-PPI inflation was 9.88% in August.

In August, developments in food prices were influential on the course of D-PPI. The price of food products increased by 1.59% mom and contributed to the inflation by 35 basis points. On the other hand, the prices in the manufacture of electricity and coke and refined petroleum products decreased in parallel with the decline in energy prices in global markets and limited the inflation by 15 basis points.

Expectations

In September, we expect that the course of the food prices would continue to be influential on CPI figures, while transportation and education prices would also make positive contribution to inflation. However, clothing and footwear prices are anticipated to limit the rise in inflation thanks to the seasonal effects. In this context, we expect CPI and D-PPI to increase by 0.70% and 0.35% mom, respectively.



(E) Estimate
Source: Turkstat

Inflation - August 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	0.09	6.28	9.54	8.46	0.42	6.33	9.88	9.55
	September ^(E)	0.70	7.02	9.46	8.60	0.35	6.70	9.30	9.79

(E) Estimate

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

izlem.erdem@isbank.com.tr

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

Bora Çevik - Economist

bora.cevik@isbank.com.tr

M. Kemal Gündoğdu - Asst. Economist

kemal.gundogdu@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Kıvılcım Eraydın - Economist

kivilcim.eraydin@isbank.com.tr

Eren Demir - Asst. Economist

eren.demir@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.