



INFLATION August 2011

(%)	PPI		CPI	
	2010	2011	2010	2011
August	1.15	1.76	0.40	0.73
January-August	5.98	8.05	3.50	3.75
Annual	9.03	11.00	8.33	6.65
Annual Average	6.18	9.76	7.83	6.24

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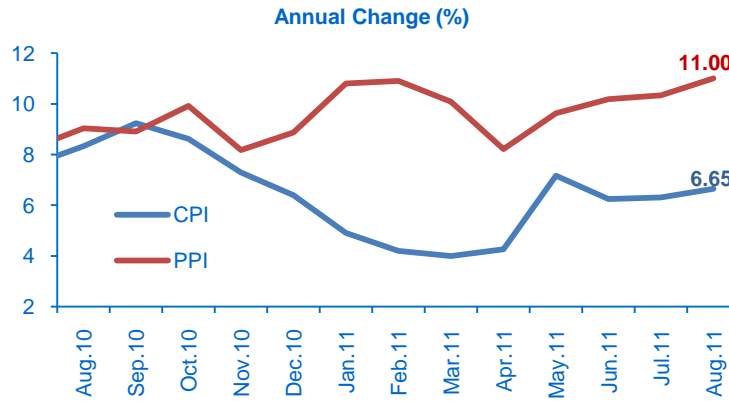
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CPI rose more than expected in August.

In August, compared to the previous month, **CPI and PPI increased by 0.73% and 1.76%, respectively.** According to the Reuters' Survey, markets monthly inflation expectations were 0.40% in CPI and 0.75% in PPI. According to the CBRT's survey of expectations on the other hand, CPI was expected to rise by 0.32%.

Annual CPI increase was realized as 6.65%.

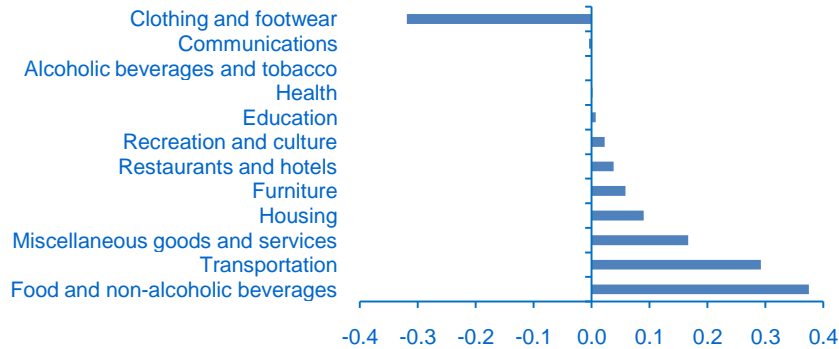
After decreasing in June and July, CPI increased in August on a monthly basis. Moreover, upward trend in annual CPI continued in August. Similarly, the rise in the annual PPI also continued and reached 11% in August.



Food and transportation subgroups were the main drivers of the CPI increase.

In August, price increases in 'food and beverages' due to Ramadan month and the depreciation of TL contributed to the increase in monthly CPI. Among CPI subgroups, the highest increase was realized in the miscellaneous goods and services subgroup that includes jewellery item whose prices increased by 18%. Besides, 1.38% monthly rise in prices of food and beverages subgroup, which has the highest weight in CPI, made the biggest contribution to CPI increase by 38 basis points. Furthermore, price developments in the transportation subgroup also contributed the rise in CPI. 4.35% decline in the prices of clothing and footwear on the other hand, limited the rise in CPI during the same period.

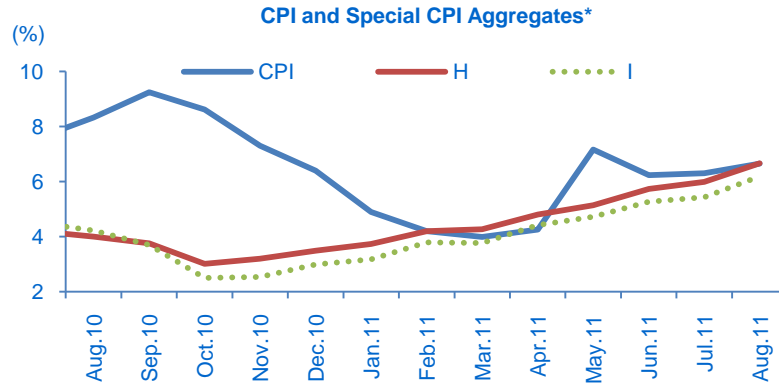
Contributions to the monthly CPI by sub-groups (% points)



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Upward trend in the core inflation indicators continued.

The upward trend in the annual rises of CBRT's favorite core inflation indicators, which had been observed since October 2010, has continued also in August. In fact, annual rises in the prices of H and I indices were realized as 6.67% and 6.19%, respectively. Besides, increases in energy prices were also responsible in the upward course of CPI due to the recent depreciation of TL against USD. Thus, excluding energy prices, annual rise in CPI declines to 6.11%.



(*) 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.

Annual rise in PPI has reached 11%.

Price developments in electricity and gas, food products and beverages and basic metal industry sub-group were effective on PPI to be realized higher than expectations. 94 basis points of the 1.76% rise in monthly PPI stemmed from three mentioned sub-groups. On the contrary, declines in the prices of agriculture limited the rise in PPI.

We expect CPI and PPI to rise by 0.90% and 0.60% in September, respectively.

In September, CPI is expected to rise due to the volatility in food prices as well as increases in education prices parallel to the seasonal factors. In this context, we expect CPI to rise by 0.90% and PPI by 0.60% in September.

CBRT left the policy rates unchanged.

In its meeting held in 23rd of August, CBRT left the policy rates unchanged at 5.75% parallel to expectations. There was also no change in the use of other policy instruments. In the announcement made after the meeting, CBRT stated that the recent economic data approved the signs of a downward trend in the global economic activity. Slowdown in both credit growth and domestic demand as well as the recent changes in exchange rates, are said to contributing to rebalancing of domestic and foreign demand. In addition, CBRT declared the expectation of a noticeable improvement in the current account balance in the coming period. CBRT underlined that the inflation figures may flow slightly above the forecasted levels earlier in July's Inflation Report, but only temporarily, due to the recent moves in exchange markets. Moreover, it was stressed that the current rise in the core inflation might continue for a while. On the other hand, CBRT supposes that the secondary effects of the price changes arised from movements in foreign exchange market will only be limited due to the slowdown in the economic activity. Thus, it is expected that the rise in inflation will only be transitory. Besides, CBRT once again highlighted the possibility of using all sort of policy instruments in a way to support loose monetary policy, in case of a deepening global economic problems as well as a sharp slowdown in domestic economic activity.



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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
2010	January	0.58	0.58	6.30	1.14	1.85	1.85	8.19	6.16
	February	1.66	2.25	6.82	1.20	1.45	3.32	10.13	6.38
	March	1.94	4.24	8.58	1.63	0.58	3.93	9.56	6.53
	April	2.35	6.69	10.42	2.52	0.60	4.55	10.19	6.87
	May	-1.15	5.47	9.21	3.50	-0.36	4.17	9.10	7.20
	June	-0.50	4.93	7.64	4.30	-0.56	3.59	8.37	7.41
	July	-0.16	4.77	8.24	5.33	-0.48	3.09	7.58	7.59
	August	1.15	5.98	9.03	6.18	0.40	3.50	8.33	7.83
	September	0.51	6.52	8.91	6.89	1.23	4.77	9.24	8.16
	October	1.21	7.80	9.92	7.71	1.83	6.69	8.62	8.45
	November	-0.31	7.47	8.17	8.27	0.03	6.72	7.29	8.59
	December	1.31	8.87	8.87	8.52	-0.30	6.40	6.40	8.57
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 (E)	0.60	8.70	11.10	9.94	0.90	4.68	6.31	6.01

(E) Estimate

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