

# INFLATION September 2012

(%)	PPI		CPI	
	2011	2012	2011	2012
September	1.55	1.03	0.75	1.03
January-September	9.72	0.72	4.53	3.34
Annual	12.15	4.03	6.15	9.19
Annual Average	10.03	8.65	6.00	9.53

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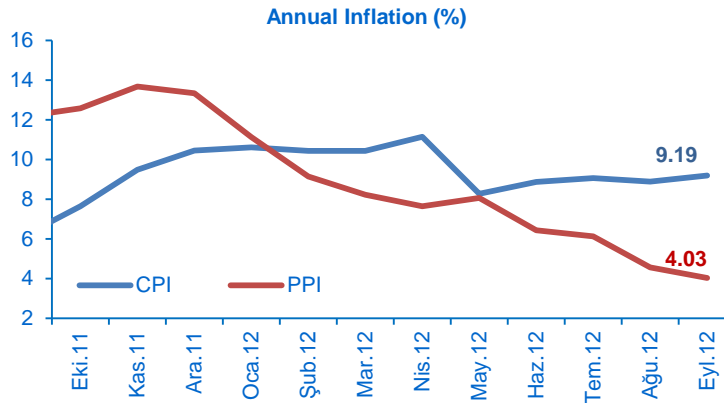
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*CPI increased in line with expectations.*

In September, compared to the previous month, both **CPI and PPI increased by 1.03%**. According to the Reuters' Survey, markets' monthly inflation expectations were 1.10% in CPI and 0.62% in PPI. According to the CBRT's survey of expectations, on the other hand, CPI was expected to rise by 0.75% in September.

*Annual CPI increased in September.*

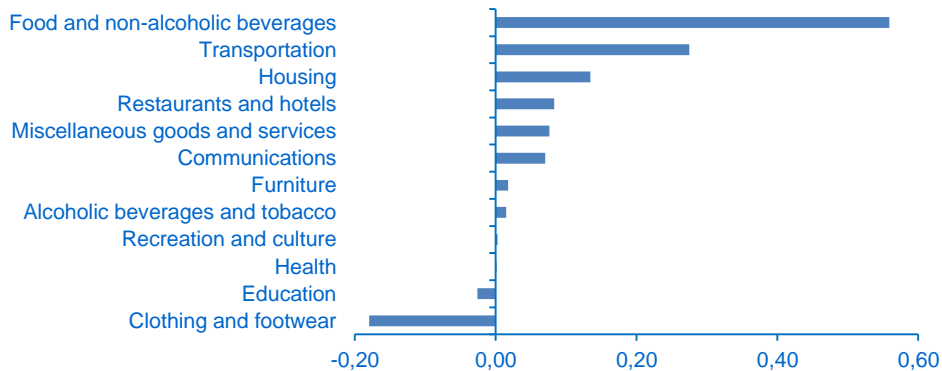
In September, CPI recorded its fastest monthly increase since April. Thus, annual inflation, which followed a stable course during summer, rose to 9.19% in September. The annual increase in PPI, which displayed a downward trend throughout 2012 due to the base effects, continued this trend in September and realized as 4.03%.



*Increase in food prices continued.*

In September, the course of food and non-alcoholic beverages, transportation and housing prices were influential on CPI. During this period, food and non-alcoholic beverages prices rose by 2.14% compared to the previous month and made the highest contribution to CPI increase with 56 basis points. Moreover, in September the partial effects of the new tax regulations and developments in energy prices led transportation and housing prices to rise, contributing to CPI increase by 28 and 13 basis points, respectively. On the other hand, clothing and footwear prices, which declined by 2.62% compared to the previous month due to seasonal factors, limited the increase in the CPI.

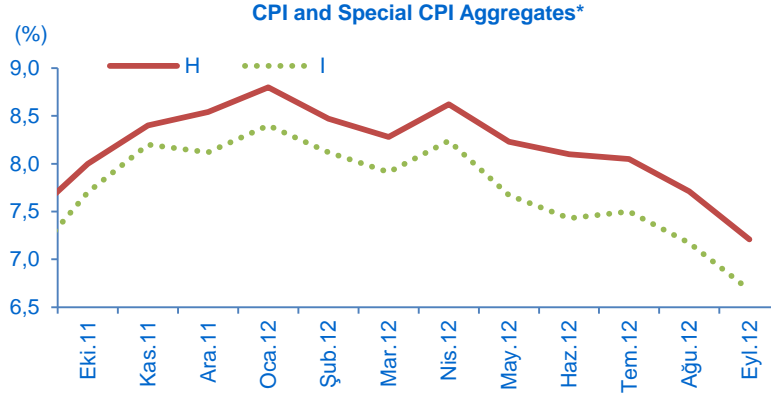
Contributions to the monthly CPI by sub-groups (% points)



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## Core inflation aggregates declined in September.

Analyzing the core inflation indicators in September, it was seen that high energy prices were influential on the increase in CPI. In fact, monthly CPI inflation decreased to 0.78% when energy prices are excluded. CBRT's favorite core inflation aggregates denominated by H and I, on the other hand, continued their downward trend in September. In fact, the annual increases in these aggregates were realized as 7.21% and 6.68%, respectively.



(\*) 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.

## PPI increased in September.

In September, monthly PPI increase was above expectations due to price increases in agriculture sector together with food and beverages sectors. The agricultural sector made the highest contribution to the rise in PPI by 44 basis points. Decline in prices of basic metal industries, on the other hand, limited the increase in PPI.

## We expect CPI and PPI to increase by 2.4% and 1.5%, respectively in October.

In addition to the seasonal factors in food and clothing prices, increases in taxes together with natural gas and electricity prices would be influential on the course of the CPI. **In this context, we expect CPI and PPI to increase by 2.4% and 1.5%, respectively in October.**

## CBRT narrowed the interest rate corridor.

At its meeting on September 18<sup>th</sup>, CBRT Monetary Policy Committee decided to keep the one-week repo rate (5.75%) and overnight borrowing rate (5%) unchanged at their current levels while lowering the lending rate from 11.5% to 10%. On the other hand, despite the recent signs of a looser monetary policy, CBRT is now expected to monitor the secondary impacts of tax increases before taking any action in the rest of the year.



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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
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	1.55	9.72	12.15	10.03	0.75	4.53	6.15	6.00
	October	1.60	11.48	12.58	10.26	3.27	7.95	7.66	5.93
	November	0.65	12.20	13.67	10.72	1.73	9.82	9.48	6.13
	December	1.00	13.33	13.33	11.09	0.58	10.45	10.45	6.47
2012	January	0.38	0.38	11.13	11.11	0.56	0.56	10.61	6.95
	February	-0.09	0.29	9.15	10.96	0.56	1.13	10.43	7.48
	March	0.36	0.65	8.22	10.79	0.41	1.55	10.43	8.02
	April	0.08	0.73	7.65	10.72	1.52	3.09	11.14	8.59
	May	0.53	1.27	8.06	10.57	-0.21	2.87	8.28	8.68
	June	-1.49	-0.24	6.44	10.24	-0.90	1.95	8.87	8.89
	July	-0.31	-0.56	6.13	9.88	-0.23	1.71	9.07	9.11
	August	0.26	-0.30	4.56	9.33	0.56	2.28	8.88	9.29
	September	1.03	0.72	4.03	8.65	1.03	3.34	9.19	9.53
	<b>October<sup>(E)</sup></b>	<b>1.50</b>	<b>2.24</b>	<b>3.93</b>	<b>7.92</b>	<b>2.40</b>	<b>5.82</b>	<b>8.26</b>	<b>9.58</b>

(E) Estimate

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