

INFLATION October 2012

(%)	PPI		CPI	
	2011	2012	2011	2012
October	1.60	0.17	3.27	1.96
January-October	11.48	0.90	7.95	5.36
Annual	12.58	2.57	7.66	7.80
Annual Average	10.26	7.80	5.93	9.53

Economic
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Division

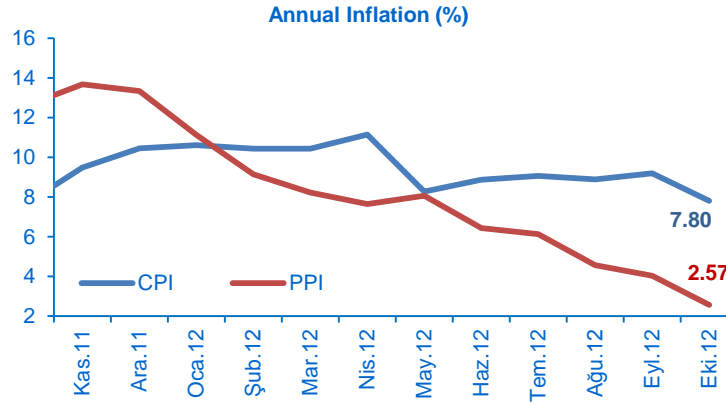
[Eren Demir](#)

Both CPI and PPI increased below expectations in October.

In October, compared to the previous month, **CPI and PPI increased by 1.96% and 0.17%, respectively.** According to the Reuters' Survey, markets' monthly inflation expectations were 2.10% in CPI and 1.05% in PPI. According to the CBRT's survey of expectations, on the other hand, CPI was expected to rise by 1.85% in September.

Annual CPI decreased to its lowest level since last year.

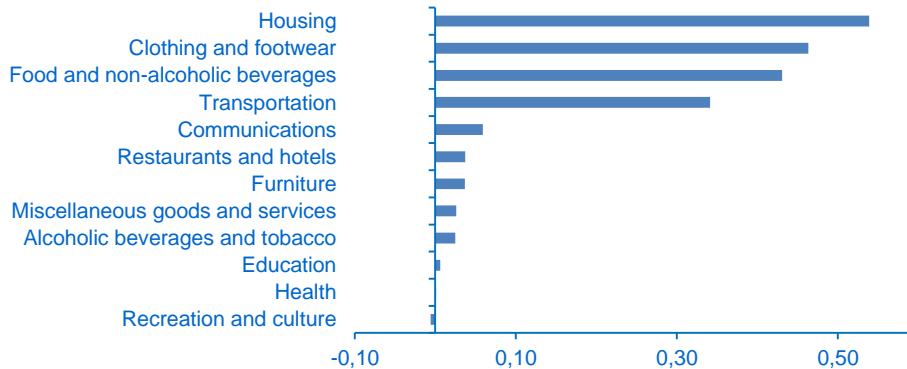
In October, despite recording the fastest monthly increase in 2012, CPI declined to 7.80% on annual basis due to the base effect. Thus, annual inflation decreased to its lowest level since October 2011. Annual PPI inflation, which displayed a downward trend throughout 2012 continued this trend in October and realized as 2.57%, the lowest annual increase in three years.



Tax and price increases were influential on the course of CPI.

In October, increases in taxes together with natural gas and electricity prices were influential on the course of CPI. Thus, housing prices rose by 3.31% compared to the previous month and made the highest contribution to CPI increase with 54 basis points. In this period, transportation prices also increased by 2.06%. In addition, seasonal factors led to an increase in prices of clothing and footwear together with food and non-alcoholic beverages. On the other hand, only recreation and culture prices recorded a decline in October.

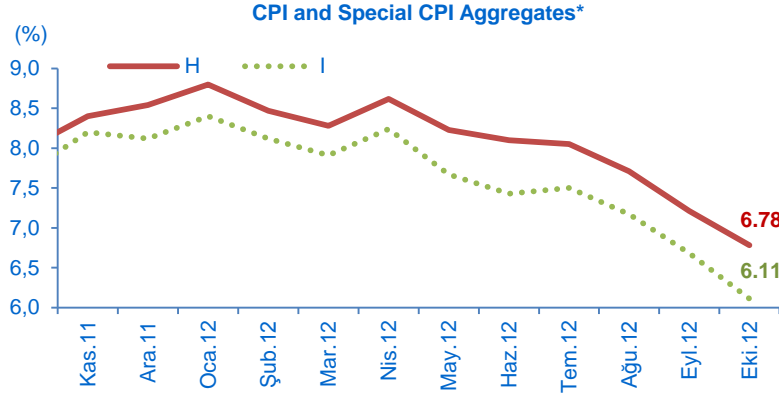
Contributions to the monthly CPI by sub-groups (% points)



INFLATION October 2012

Core inflation aggregates continued to decline.

CBRT's favorite core inflation indicators, continued their downward trend in October. The annual increases in core inflation aggregates denominated by H and I were realized as 6.78% and 6.11% respectively, the lowest level observed since the third quarter of 2011.



(*) 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 by 0.17% in October.

In October, the price increases in food and beverages together with the wearing apparel sectors were influential on the course of PPI. These groups contributed to the PPI increase by 12 and 8 basis points, respectively. In this period, decline in basic metal industries prices, on the other hand, limited the increase in PPI.

We expect CPI and PPI to increase by 1.35% and 0.40%, respectively in November.

Seasonal increases in food and clothing prices are anticipated to continue in November and would be influential on the course of the CPI. **In this context, we expect CPI and PPI to increase by 1.35% and 0.40%, respectively in November.**

CBRT continued to narrow the interest rate corridor.

Monetary policy of CBRT has been more supportive to the economic activity in recent months thanks to the diminishing risks regarding the current account deficit and inflation. In this respect, CBRT cut the O/N lending rate by a further 50 basis points to 9.5% and kept one-week repo rate (the policy rate) at 5.75% in October. In the announcement following the Monetary Policy Committee meeting, it was noted that the re-balancing between domestic and external demand continued as envisaged and domestic demand has been following a moderate trend. CBRT expected the fall in inflation to become more evident during the last quarter of the year while warranting a cautious stance regarding the secondary effects of recent increases in administrated prices and energy prices.

CBRT announced the final Inflation Report of 2012.

In the last Inflation Report of 2012, CBRT revised its year-end inflation forecast by 1.2 points to 7.4% citing the increase in oil and import prices and adjustments in taxes and administered prices. In the report, CBRT noted that the liquidity conditions have been made more supportive of economic activity. On the other hand, CBRT repeated that the flexibility in monetary policy in either direction will be maintained due to the ongoing uncertainties about the global economy.



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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
	October	0.17	0.90	2.57	7.80	1.96	5.36	7.80	9.53
	November ^(E)	0.40	1.30	2.32	6.87	1.35	6.78	7.40	9.35

(E) Estimate

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