

In December CPI increased in line with the expectations.

In December, compared to the previous month, CPI increased by 0.38% while PPI decreased by 0.12%. According to the Reuters' survey, markets' monthly inflation expectations were 0.38% in CPI and 0.31% in PPI. According to the CBRT's survey of expectations, on the other hand, CPI was expected to rise by 0.59% in December.

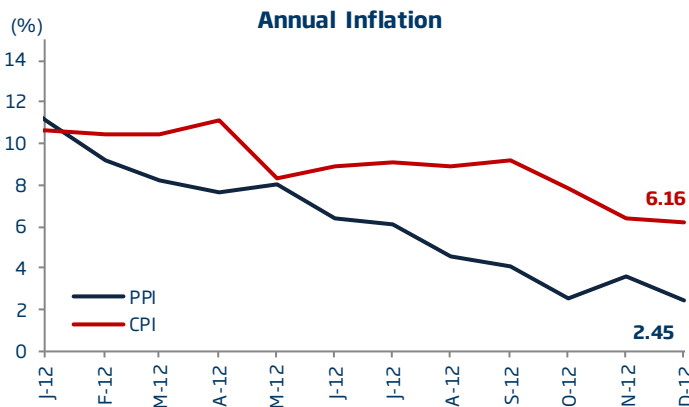
(%)	PPI		CPI	
	2011	2012	2011	2012
Monthly	1.00	-0.12	0.58	0.38
Year to Date	13.33	2.45	10.45	6.16
Annual	13.33	2.45	10.45	6.16
Annual Average	11.09	6.09	6.47	8.89

Annual CPI decreased to the lowest level since September 2011.

The annual increase in CPI realized as 6.16% due to the mild increase in monthly inflation. Thus, the annual CPI inflation, which was at the double-digit levels in the first half of 2012, displayed a rapid decline in the last four months. Annual increase in PPI realized as 2.45% in December, citing the lowest annual increase in the last 37 months.

PPI fell in line with our expectations in December.

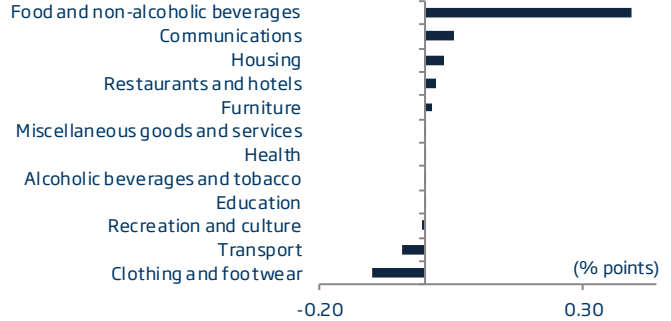
In December, price decreases in food products and beverages, basic metal industry and the agriculture subsectors were influential in the monthly decline in PPI. Increase in other transport equipment and wearing apparel prices, on the other hand, limited the decline in the PPI.



Clothing and footwear and transportation prices were influential on the course of CPI.

Clothing and footwear prices which recorded sharp increase in November, decreased by 1.50% in December and lowered the monthly inflation by 10 basis points. Decline in transportation prices in the same period also limited the CPI increase. Food and non-alcoholic beverages prices, on the other hand, increased by 1.55% due to the seasonal factors and made 39 basis points contribution to CPI increase.

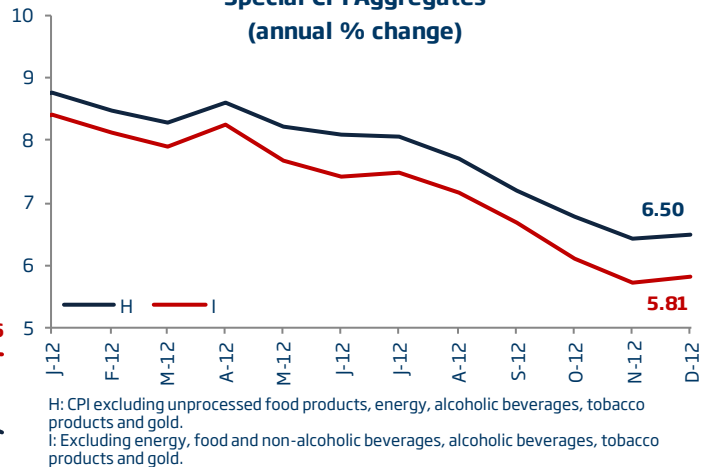
Contributions to the Monthly CPI by Sub-groups



Core inflation aggregates increased.

Analysis of the core inflation indicators in November revealed that seasonal products had an increasing impact on monthly CPI. In fact, monthly inflation declines to 0.20% when seasonal products are excluded. On the other hand, decrease in energy prices limited the increase in CPI as monthly increase in CPI rises to 0.46% when energy prices are excluded. CBRT's favorite core inflation aggregates which exhibited a downward trend during 2012, increased slightly in December. Annual price increases in H and I core inflation indicators realized as 6.50% and 5.81%, respectively.

Special CPI Aggregates (annual % change)



We expect CPI and PPI to increase by 0.55% and 0.53%, respectively in December.

We anticipate that the decrease in clothing and footwear prices will continue in January. On the other hand, tax increases which are effective from the beginning of the year, will be influential on the course of the CPI. Thus, we expect CPI and PPI to increase by 0.55% and 0.53%, respectively in January.

Source: Turkstat

Inflation (%)

	Consumer Price Index (2003=100)				Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
2011	January	0.41	0.41	4.90	8.28	2.36	2.36	10.80	8.89
	February	0.73	1.14	4.16	7.76	1.72	4.13	10.87	9.23
	March	0.42	1.57	3.99	7.29	1.22	5.40	10.08	9.36
	April	0.87	2.45	4.26	6.79	0.61	6.04	8.21	9.17
	May	2.42	4.93	7.17	6.64	0.15	6.20	9.63	9.21
	June	-1.43	3.43	6.24	6.47	0.01	6.21	10.19	9.42
	July	-0.41	3.00	6.31	6.37	-0.03	6.18	10.34	9.59
	August	0.73	3.75	6.65	6.24	1.76	8.05	11.00	9.76
	September	0.75	4.53	6.15	6.00	1.55	9.72	12.15	10.03
	October	3.27	7.95	7.66	5.93	1.60	11.48	12.58	10.26
	November	1.73	9.82	9.48	6.13	0.65	12.20	13.67	10.72
	December	0.58	10.45	10.45	6.47	1.00	13.33	13.33	11.09
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^(E)	0.55	0.55	6.15	8.51	0.53	0.53	2.60	5.39

(E) Estimate

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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

Kıvılcım Eraydın - Economist

kivilcim.eraydin@isbank.com.tr

Erhan Gül - Economist

erhan.gul@isbank.com.tr

Bora Çevik - Asst.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

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