

Inflation - July 2013

Economic Research Division

TÜRKİYE İŞ BANKASI

CPI came in line with expectations in July.

In July, compared to the previous month, CPI and PPI increased by 0.31% and 0.99%, respectively. According to the Reuters' survey, markets' monthly CPI inflation expectation was 0.30%. According to the CBRT's survey of expectations, on the other hand, CPI was expected to increase by 0.13% in July.

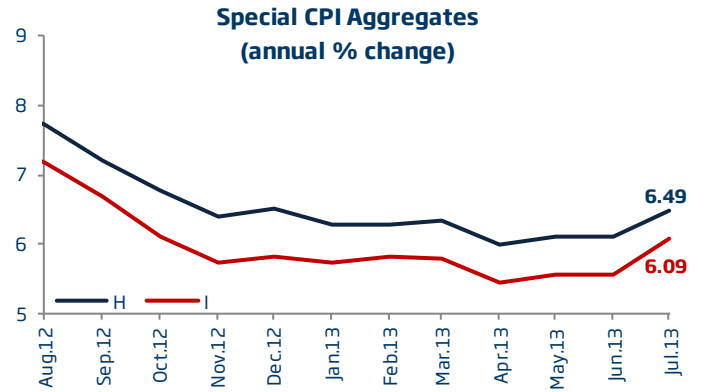
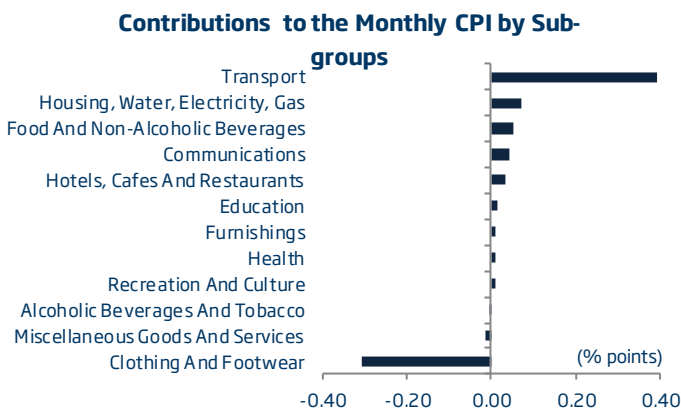
High annual CPI inflation in July due to the base effect...

While the monthly CPI inflation was in line with expectations, the annual inflation increased to 8.88% due to the base effect. On the other hand, PPI, which has followed an upward trend over the past four months, increased by 6.61% annually and reached its highest level since May 2012.

CPI - July	CPI - July		PPI - July	
	2012	2013	2012	2013
Monthly	-0.23	0.31	-0.31	0.99
Year to Date	1.71	4.32	-0.56	3.48
Annual	9.07	8.88	6.13	6.61
Annual Average	9.11	7.47	9.88	3.23

The price developments in transportation group were influential on the course of CPI

In July, all items except clothing/footwear and miscellaneous goods and services groups had an increasing impact on CPI. In addition to the depreciation of TL, the upward trend in energy prices during July led transportation group prices to register a rapid increase. In fact, the prices in the said group rose by 2.28% compared to the previous month and contributed to monthly CPI inflation by 39 basis points. On the other hand, due to seasonal factors, prices in clothing and footwear group fell by 4.68% compared to the previous month and made 31 basis points decreasing effect on CPI.



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.

Increase in core inflation...

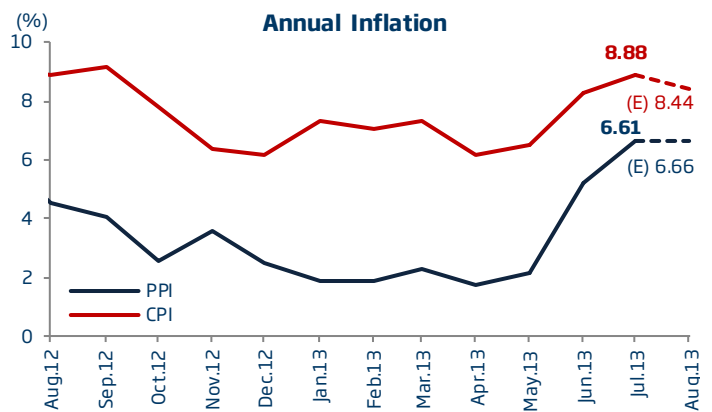
Special CPI aggregates increased in July. In fact, CBRT's favorite core inflation indices denominated by H and I rose by 6.49% and 6.09% on annual basis, respectively and reached their highest levels since October 2012.

Rapid increase in PPI in July...

PPI increase was mainly due to the price increases in manufacturing and basic metal industries in July. It was seen that the upward trend in exchange rates and energy prices were reflected in the production costs.

Expectations...

In August, we anticipate that the transportation group depending on the course of TL together with the food and non-alcoholic beverages group will be effective on CPI. On the other hand, we expect clothing and footwear group will continue to make a downward impact on CPI due to seasonal factors. In this context, we expect CPI to increase by 0.15% and PPI to increase by 0.30%.



(E) Estimate
Source: Turkstat

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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	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^(E)	0.15	4.48	8.44	7.44	0.30	3.79	6.66	3.41

(E) Estimate

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