



Inflation - June 2014

Economic Research Division

TÜRKİYE İŞ BANKASI

CPI inflation came above the expectations in June.

In June, CPI and Domestic PPI (D-PPI) increased by 0.31% and 0.06% mom, respectively. According to the Reuters' survey, monthly CPI was expected to remain unchanged. According to the CBRT's survey, on the other hand, markets' monthly CPI expectation was 0.22% in June.

The annual inflation in CPI was realized as 9.16%.

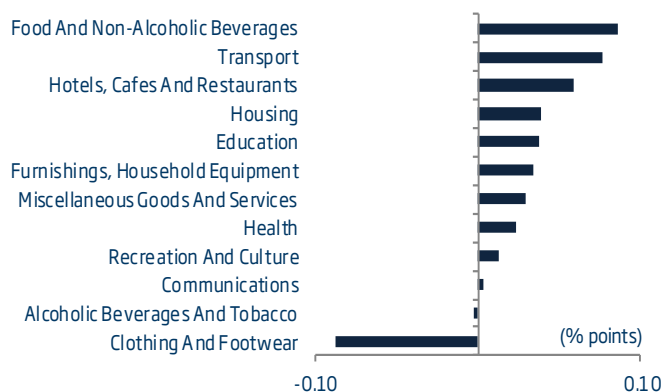
The annual increase in CPI, which followed a steady upward trend over the last 6 months approaching double-digit levels, lost momentum in June and decreased to 9.16%. In this period, the annual increase in the D-PPI was 9.75% as the base effect became more evident on the D-PPI figures.

CPI - June	CPI - June		Domestic PPI - June	
	2013	2014	2013	2014
(%)				
Monthly	0.76	0.31	1.46	0.06
Year to Date	4.00	5.70	2.46	5.12
Annual	8.30	9.16	5.23	9.75
Annual Average	7.47	8.31	3.18	9.03

In June, food and non-alcoholic beverages prices were influential on the course of inflation.

The monthly CPI inflation, which exhibits downward trend during summer months thanks to the seasonal factors in food prices, increased above the expectations in June 2014 due to the Ramadan's impact on this group. Food and non-alcoholic beverages group recorded a monthly increase of 0.36% and made the highest contribution to the inflation by 9 basis points. In the same period, transportation prices also increased owing to the rise in oil prices stemmed from geopolitical uncertainties and the depreciation in Turkish Lira. The rise in inflation, on the other hand, was limited by the 1.25% seasonal decline in clothing and footwear prices.

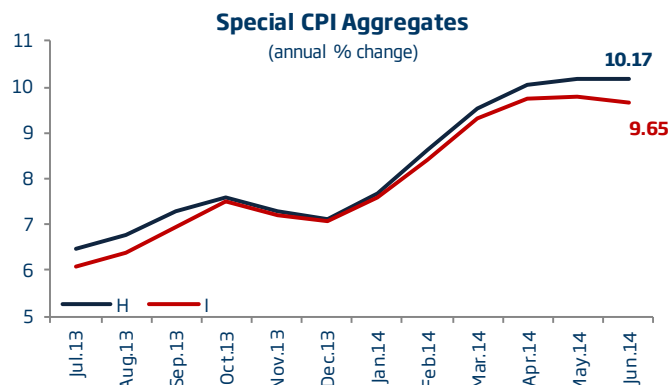
Contributions to the Monthly CPI by Subgroups



Core inflation indicators remained flat.

The core inflation figures, representing the main trend of inflation, pointed out that June figures were mostly shaped by the decline in the prices of seasonal products. In this period, CBRT's favorite core

indices denominated by H and I remained flat. In June, the annual inflation in those indices, were realized as 10.17% and 9.65%, respectively.



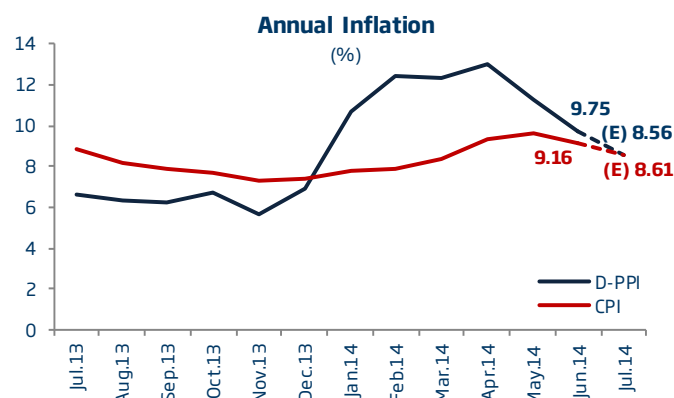
H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold.

The D-PPI was flat in June.

The monthly D-PPI figures showed a flat reading in June, while the highest monthly price increase was registered in the manufacture of the coke and refined petroleum products. The 1.72% increase in mentioned sub-group made the highest contribution to inflation by 7 basis points. On the other hand, having decreased for the 5th consecutive month, the electricity and gas production and distribution prices limited the rise in inflation.

Expectations...

In July, we expect that the clothing and footwear prices will continue to fall thanks to the seasonal factors, while the upward pressure on the food prices is anticipated to persist due to the Ramadan. In this context, we expect CPI and D-PPI to decrease by 0.2% and 0.1% mom, respectively.



(E) Estimate
Source: Turkstat

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Inflation (%)

	Consumer Price Index (2003=100)				Domestic Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
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	-0.10	4.21	8.17	7.42	0.04	3.52	6.38	3.39
	September	0.77	5.01	7.88	7.32	0.88	4.43	6.23	3.58
	October	1.80	6.90	7.71	7.32	0.69	5.15	6.77	3.93
	November	0.01	6.91	7.32	7.39	0.62	5.80	5.67	4.10
	December	0.46	7.40	7.40	7.49	1.11	6.97	6.97	4.48
2014	January	1.98	1.98	7.75	7.53	3.32	3.32	10.72	5.22
	February	0.43	2.41	7.89	7.60	1.38	4.75	12.40	6.11
	March	1.13	3.57	8.39	7.70	0.74	5.52	12.31	6.95
	April	1.34	4.96	9.38	7.97	0.09	5.61	12.98	7.89
	May	0.40	5.38	9.66	8.23	-0.52	5.06	11.28	8.66
	June	0.31	5.70	9.16	8.31	0.06	5.12	9.75	9.03
	July ^(E)	-0.20	5.49	8.61	8.29	-0.10	5.02	8.56	9.18

(E) Estimate

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