



Inflation - July 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

A slight rise in CPI in July...

In July, CPI increased by 0.09% mom, while D-PPI decreased by 0.32% mom. According to the Reuters' survey, market had expected no change in inflation while CPI had been expected to rise by 0.12% mom according to the CBRT's survey of expectations.

July	CPI		D-PPI	
	2014	2015	2014	2015
Change (%)				
Monthly	0.45	0.09	0.73	-0.32
Year-to-Date	6.18	4.85	5.89	5.15
Annual	9.32	6.81	9.46	5.62
Annual Average	8.35	8.07	9.26	6.43

Annual inflation fell below 7%.

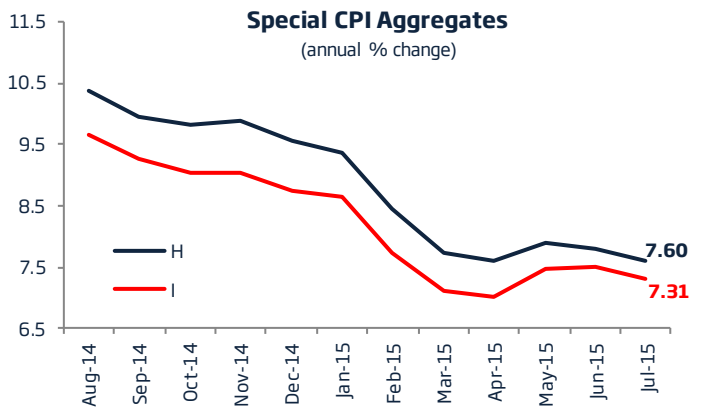
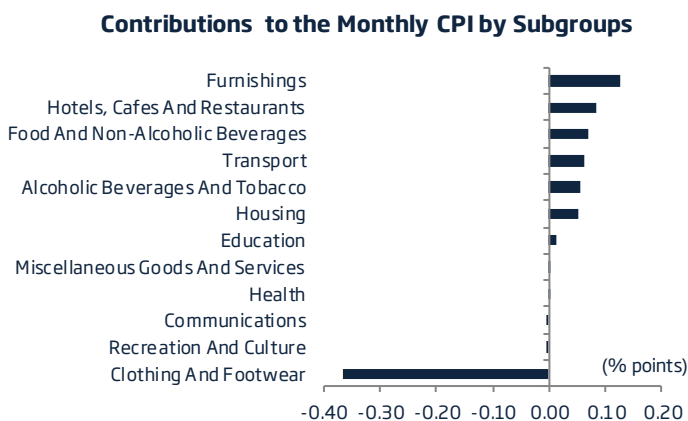
Despite posting a monthly increase in July, CPI decreased to 6.81% on annual basis thanks to the base effect. Having followed an upward trend since March, annual D-PPI inflation dropped to 5.62%.

Decline in clothing and footwear prices...

In July, all items except clothing/footwear and recreation/culture had an upward impact on CPI. Clothing and footwear prices, which have decreased almost %5 mom due to the seasonal factors, limited the CPI increase by 33 basis points. Having risen by 1.60% mom, furnishing prices made the highest contribution to monthly inflation by 11 basis points. This group was followed by restaurants and hotels, which were registered a monthly increase of 1.21%, adding to inflation by 8 basis points. After declining by two consecutive months, food prices also surged in July mainly because of the Ramadan effect. Besides, annual rise in food prices, which came down to single digit levels since March, kept its downward trend albeit losing some momentum.

Core inflation indicators exhibited downward movement.

Core inflation indicators showed that the downward trend in inflation mostly stemmed from the seasonal factors. In fact,



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.

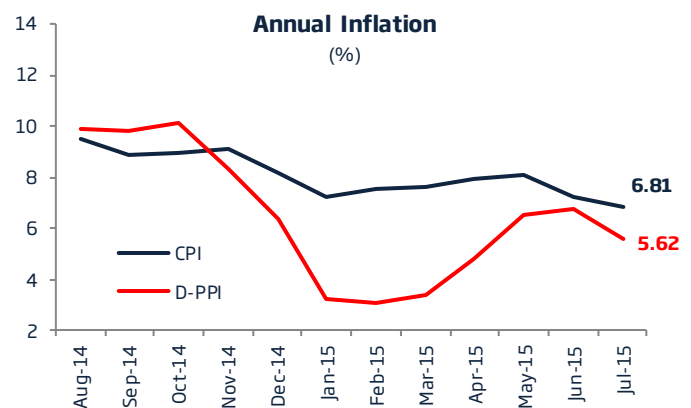
CPI inflation excluding seasonal products rose by 0.75% mom in July. Core inflation indices denominated by H and I was realized as 7.60% and 7.31%, respectively. Despite falling down in July, these indicators remain at relatively high levels owing to the movements in exchange rates.

D-PPI fell by 0.32% mom.

It was seen that the plunge in commodity prices was influential on D-PPI in July. Indeed, the monthly price declines in basic metals together with coke and refined petroleum products lowered PPI inflation by 43 basis points. Food products, on the other hand, limited the drop in PPI by contributing 11 basis points.

Expectations

In August, we expect that clothing and footwear prices will continue to decline thanks to the seasonal factors. Despite a partial correction in food prices seen recently, the upward pressures on prices are still considered to exist. Moreover, upward movement in exchange rates is likely to pose a significant risk in terms of inflation, if recent trend continues.



Source: Datastream, 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		
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	0.45	6.18	9.32	8.35	0.73	5.89	9.46	9.26
	August	0.09	6.28	9.54	8.46	0.42	6.33	9.88	9.55
	September	0.14	6.43	8.86	8.54	0.85	7.24	9.84	9.84
	October	1.90	8.45	8.96	8.65	0.92	8.22	10.10	10.11
	November	0.18	8.65	9.15	8.80	-0.97	7.18	8.36	10.32
	December	-0.44	8.17	8.17	8.85	-0.76	6.36	6.36	10.25
2015	January	1.10	1.10	7.24	8.80	0.33	0.33	3.28	9.59
	February	0.71	1.82	7.55	8.77	1.20	1.53	3.10	8.79
	March	1.19	3.03	7.61	8.70	1.05	2.60	3.41	8.03
	April	1.63	4.71	7.91	8.57	1.43	4.06	4.80	7.36
	May	0.56	5.30	8.09	8.45	1.11	5.22	6.52	6.98
	June	-0.51	4.76	7.20	8.28	0.25	5.49	6.73	6.74
	July	0.09	4.85	6.81	8.07	-0.32	5.15	5.62	6.43
	August^(E)	0.15	5.01	6.87	7.85	0.10	5.28	5.26	6.06

(E) Estimate

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

Hatice Erkiletlioğlu - Asst. Manager

hatice.erkiletlioglu@isbank.com.tr

İlker Şahin - Economist

ilker.sahin@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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