



Inflation - August 2015

Economic Research Division

TÜRKİYE İŞ BANKASI

CPI inflation came in above expectations.

CPI increased by 0.40% mom in August, above the market expectations. D-PPI rose by 0.98% mom in this period. Monthly CPI inflation was expected to be 0.11% according to the Reuters' survey while the latest CBRT's survey of expectations had projected a rise of 0.15%.

August	CPI		D-PPI	
	2014	2015	2014	2015
Change (%)				
Monthly	0.09	0.40	0.42	0.98
Year-to-Date	6.28	5.27	6.33	6.19
Annual	9.54	7.14	9.88	6.21
Annual Average	8.46	7.88	9.55	6.14

Annual inflation was 7.14%.

Having declined to the lowest level of 26 months in July with 6.81% thanks to the favorable base effect, annual CPI inflation rose to 7.14% in August. Annual D-PPI inflation also surged to some extent and reached 6.21% in this period.

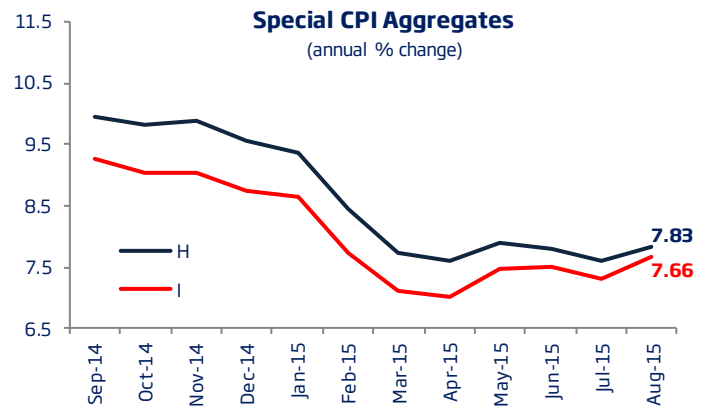
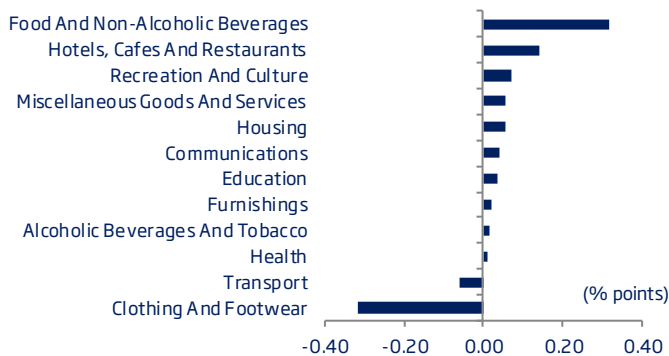
Food prices were a major contributor to the CPI inflation.

Analyzing by main expenditure groups, it is seen that food prices, which have the highest share in CPI basket with 24%, contributed most to the inflation in August. Adding this figure to the two preceding figures revealed that the decline in food prices in summer months did not take place as much as anticipated. In August, restaurants/hotels and recreation/culture sub-items made the next highest contributions to the monthly inflation following the food prices as they linked to tourism sector having a high sensitivity to exchange rate developments. On the other hand, transport and clothing/footwear prices were the two sub-items that pulled down the inflation during this period.

Deterioration in core inflation indicators...

In August, depreciation of TRY was chiefly influential on the deterioration in core inflation indicators. It was noteworthy that all core groups registered monthly rises. The core group

Contributions to the Monthly CPI by Subgroups



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.

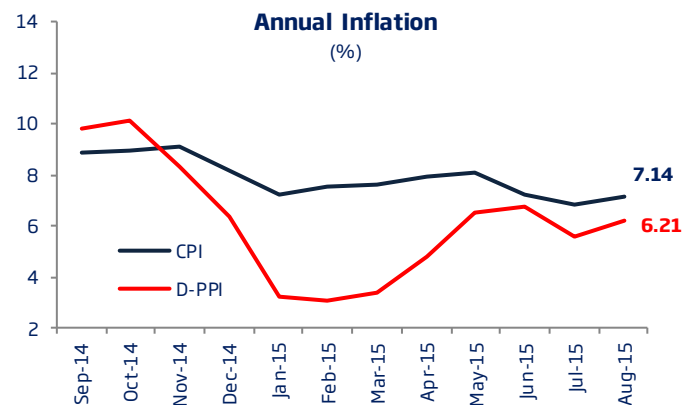
of CPI inflation excluding seasonal products increased most during this period. Hence, it was evident that seasonal factors continued to play a key role in limiting the rise in inflation. In addition, low level of energy prices kept bringing down the inflation indicators. The upward movement in the core inflation indices denominated by H and I, which constitute CBRT's favorite core indicators, drew a gloomy picture for inflation prospects for the forthcoming period.

A fast rise in D-PPI...

The upward trend in foreign exchange rates is considered to play a significant role in the surge of D-PPI observed in August as well. Analyses by main industrial groups revealed that capital and intermediate goods recorded the fastest monthly increases since January 2014. On the other hand, the prices in energy grouping declined by 2.8% in the last three months as of August and limited the rise of D-PPI during this period.

Expectations...

In the period ahead, it is expected that inflation will exhibit an accelerating pace due to the seasonal factors with the arrival of fall season. In addition to this, persistently high levels of exchange rates and fading favorable base effect indicated that upward risks on inflation have increased recently by a considerable degree.



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	0.40	5.27	7.14	7.88	0.98	6.19	6.21	6.14
	September ^(E)	0.90	6.22	7.95	7.80	1.00	7.25	6.37	5.87

(E) Estimate

Source: Turkstat

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