

Inflation - October 2015

Economic Research Division

CPI inflation came in slightly above expectations.

In October, CPI increased by 1.55% mom, slightly above the expectations. Domestic PPI (D-PPI), on the other hand, decreased by 0.2% in this period. Monthly CPI inflation was expected to become 1.35% according to the Reuters poll, while CBRT Survey of Expectations suggested CPI would post a monthly rise of 1.26% in October.

October	CPI		D-PPI	
Change (%)	2014	2015	2014	2015
Monthly	1.90	1.55	0.92	-0.20
Year-to-Date	8.45	7.86	8.22	7.59
Annual	8.96	7.58	10.10	5.74
Annual Average	8.65	7.69	10.11	5.58

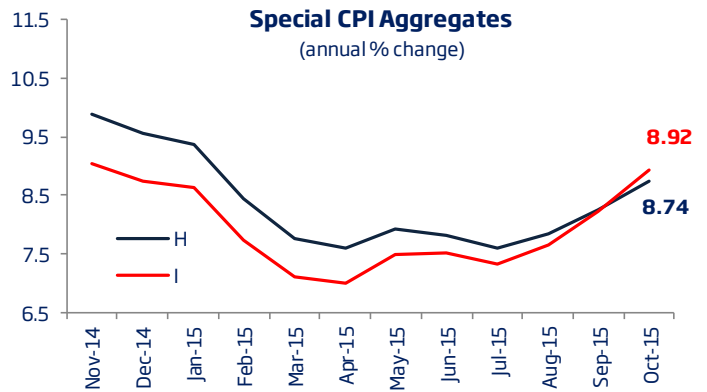
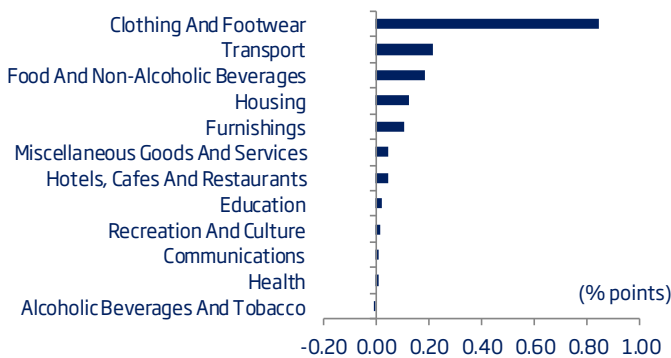
Decline in annual inflation...

Having stood at 7.95% in September, annual CPI fell in October due to the basis effect and was realized as 7.58%. In this period, as D-PPI displayed a similar pattern, annual D-PPI inflation came in at 5.74%.

Sharp increase in clothing and footwear prices...

Analysis by the main expenditure groups revealed that the increase in clothing and footwear prices due to the seasonal factors played a significant role in the CPI inflation. Indeed, clothing and footwear prices picked up by 11.43% mom and contributed to inflation by 84 basis points. Data on inflation by item basket showed that the first 21 largest price increases were recorded in the items which belong to clothing and footwear group. Prices in transportation group, which has a high sensitivity to the exchange rate developments, surged by 1.40% mom and made the second biggest contribution to inflation. Among this group, the increase in the prices of vehicles was worthy of attention. Moreover, the prices in food and non-alcoholic beverages group, which has the highest share in CPI basket, put upward pressure on inflation during this period. However, the falls in some of the unprocessed food prices such as lemon and apple thanks to the harvest season contained this upward pressure. The only main expenditure group of which prices decreased on a monthly basis, albeit to a very

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.

small extent, was alcoholic beverages and tobacco.

Core inflation indicators...

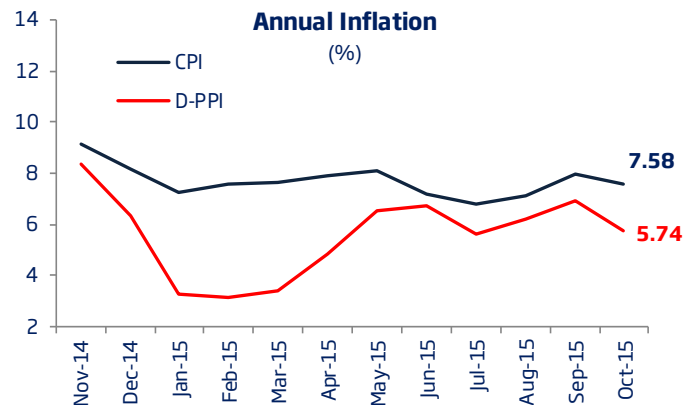
The ongoing deterioration in core CPI inflation indicators gained momentum in October due to the lagged effects of exchange rates. Indeed, the two core inflation indices monitored closely by CBRT, denominated by H and I, increased by 8.74% and 8.92% yoy, respectively.

Fall in D-PPI...

Having followed an upward trajectory in the recent period, D-PPI fell in October thanks to a relatively more stable exchange rates. While the prices of intermediate and non-durable goods followed a downward path on a monthly basis, the prices in the other main industrial groups increased in this period. According to the annual figures, on the other hand, among the main industry groups only energy prices declined in October.

Expectations

It is estimated that seasonal factors will put upward pressure on inflation in November. On the other hand, downward movements in exchange rates, along with the low energy and commodity prices, might ease this upward pressure slightly during this period.



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	0.89	6.21	7.95	7.80	1.53	7.81	6.92	5.92
	October	1.55	7.86	7.58	7.69	-0.20	7.59	5.74	5.58
	November ^(E)	0.00	7.86	7.39	7.55	0.40	8.02	7.20	5.50

(E) Estimate

Source: Turkstat, ERD

Türkiye İş Bankası A.Ş. - Economic Research Division**İzlem Erdem - Division Head**

izlem.erdem@isbank.com.tr

Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

Hatice Erkiletliođlu - 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 Gündođdu - Asst.Economist

kemal.gundogdu@isbank.com.tr

Gamze Can - Asst.Economist

gamze.can@isbank.com.tr

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