

INFLATION January 2012

(%)	PPI		CPI	
	2011	2012	2011	2012
January	2.36	0.38	0.41	0.56
Annual	10.80	11.13	4.90	10.61
Annual Average	8.89	11.11	8.28	6.95

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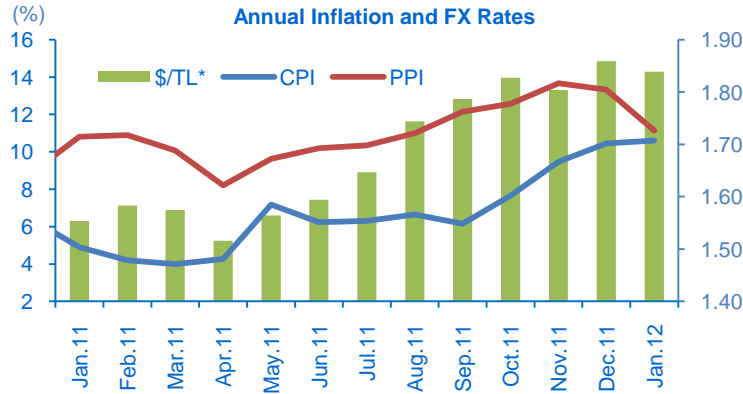
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CPI increased slightly above the expectations.

In January, compared to the previous month, **CPI and PPI increased by 0.56% and 0.38%, respectively**. According to the Reuters' Survey, markets monthly inflation expectations were 0.45% in CPI and 0.60% in PPI. According to the CBRT's survey of expectations on the other hand, CPI was expected to rise by 0.62%.

Annual increase in CPI was 10.61%

Annual increase in CPI was realized as 10.61% in January, reaching its highest level since November 2008. The annual increase in PPI in the same period was realized as 11.13%. Should the appreciation of TL which has been observed since the beginning of 2012 last for a longer period, this would pass through CPI and PPI figures positively in the coming months.

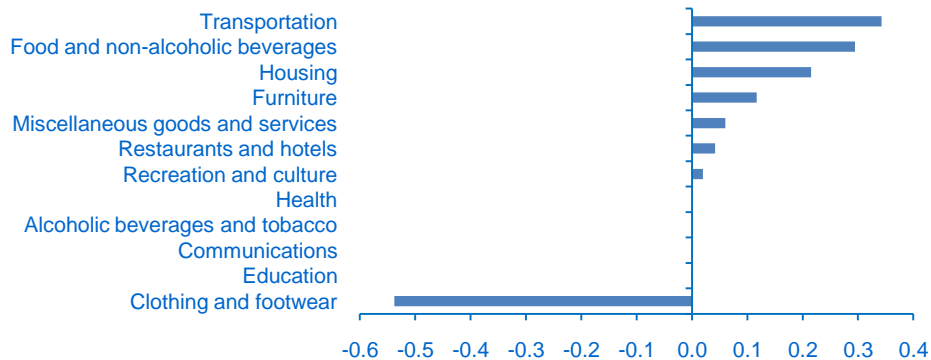


*right axis, monthly average figures

Developments in transportation and unprocessed food prices were influential on the rise in CPI.

In January, the price developments in transportation, unprocessed food products and housing were influential on the higher than expected CPI figures. In this period, with the effects of the sharp rises in the prices of automobiles and gasoline, prices of transportation subgroup increased by 2.06%. The price increases in the food and non-alcoholic beverages subgroup contributed to the monthly inflation by 29 basis points. On the other hand, the 7.9% monthly decline in clothing and footwear subgroup prices due to seasonal factors limited the rise in inflation.

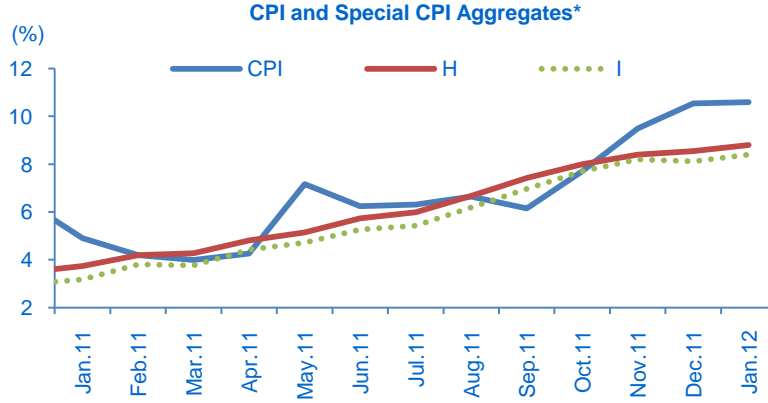
Contributions to the monthly CPI by sub-groups (% points)



INFLATION January 2012

Seasonal products limited the rise in CPI.

Core inflation indicators revealed that all products except seasonal products put an upward pressure on inflation in January. Core inflation aggregates denominated by H and I, which are followed closely by CBRT, increased by 8.76% and 8.42%, respectively on annual basis.



(*) Annual change

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.

Monthly PPI increased by 0.38%.

In January, PPI increased by 0.38%, less than expected. In this period, the decrease in the prices of textile and wearing apparel manufacture subgroups had a downward effect of 16 basis points on PPI. On the other hand, the price increases in agriculture had an upward effect of 17 basis points on PPI.

We expect CPI and PPI to rise by 0.75% and 0.40% respectively in February.

In February, we anticipate that the food and non-alcoholic beverages prices will continue to rise due to seasonal factors. On the other hand, clothing and footwear prices are expected to continue to limit the rise in inflation. Despite the sharp increase in the prices of transportation subgroup in January, the prices in this subgroup are expected to follow a more flat course in February in line with the appreciation of TL. In this context, we expect CPI and PPI to rise by 0.75% and 0.40%, respectively in February.

Turkstat changed the calculation method of CPI and updated the consumption basket.

Turkstat updated the weights of groups and items in inflation basket according to the Classification of Individual Consumption According to Purpose (COICOP). According to new regulations, periods of collecting samples' prices for some items in the basket changed. Turkstat announced that the prices of 15 items in food and non-alcoholic beverages subgroup, which have the highest price volatility, will be collected four times in a month. With the change in calculation method, average prices will be calculated by using geometric mean formula. In addition, Turkstat indicated that quality changes in items will also be considered in the calculation of the indices. With these changes in methodology, we think that excessive volatility in inflation stemming from the food prices will be reduced to some extent and changes in the prices of items will be reflected more accurately to the general index.



INFLATION January 2012

Main Expenditure Groups	Weights of Expenditure Groups (%)		Change
	2011	2012	
Food and non-alcoholic beverages	26.78	26.22	-0.56
Alcoholic beverages and tobacco	5.90	5.21	-0.69
Clothing and footwear	7.22	6.87	-0.35
Housing	16.46	16.44	-0.02
Furnishings	6.93	7.45	0.52
Health	2.40	2.29	-0.11
Transportation	15.15	16.73	1.58
Communications	4.64	4.60	-0.04
Recreation and culture	2.70	2.98	0.28
Education	2.32	2.18	-0.14
Hotels, cafes and restaurants	5.89	5.63	-0.26
Miscellaneous goods and services	3.61	3.40	-0.21

Positive comments from CBRT...

CBRT decided to retain its policy rate, which is one-week repo rate, at 5.75% parallel to the expectations at its meeting on January 24th, while keeping its policy mix unchanged. CBRT, which made positive comments regarding to the recent developments in the current account deficit, stated that the current account deficit would continue to narrow gradually in the coming period. Furthermore, CBRT drew attention to the slowdown in domestic demand, while stating that net exports' contribution to economic growth increased.

CBRT announced the Inflation Report.

CBRT, announced the first Inflation Report of 2012. CBRT stated that the signals increased pointing out a further delay in the normalization of monetary policies of advanced economies. Thus, to keep the inflation in line with the targets CBRT announced that tight stance and flexibility of monetary policy should be kept for a while. Under the assumption that the tight policy stance would be effective for a while, annualized credit growth would be around 15% and TL would follow a moderate appreciation trend, CBRT expects the year end inflation, with 70% probability, between 5.1% and 7.9% (mid-point of 6.5%) at the end of 2012, and between 3.3% and 6.9% (mid-point of 5.1%) at the end of 2013. CBRT expects the inflation to stabilize around 5% in the medium term.



INFLATION January 2012

INFLATION (%)									
		PRODUCER PRICE INDEX (2003=100)				CONSUMER PRICE INDEX (2003=100)			
		Monthly	Year to date	Annual	Annual Average	Monthly	Year to date	Annual	Annual Average
2011	January	2.36	2.36	10.80	8.89	0.41	0.41	4.90	8.28
	February	1.72	4.13	10.87	9.23	0.73	1.14	4.16	7.76
	March	1.22	5.40	10.08	9.36	0.42	1.57	3.99	7.29
	April	0.61	6.04	8.21	9.17	0.87	2.45	4.26	6.79
	May	0.15	6.20	9.63	9.21	2.42	4.93	7.17	6.64
	June	0.01	6.21	10.19	9.42	-1.43	3.43	6.24	6.47
	July	-0.03	6.18	10.34	9.59	-0.41	3.00	6.31	6.37
	August	1.76	8.05	11.00	9.76	0.73	3.75	6.65	6.24
	September	1.55	9.72	12.15	10.03	0.75	4.53	6.15	6.00
	October	1.60	11.48	12.58	10.26	3.27	7.95	7.66	5.93
	November	0.65	12.20	13.67	10.72	1.73	9.82	9.48	6.13
	December	1.00	13.33	13.33	11.09	0.58	10.45	10.45	6.47
2012	January	0.38	0.38	11.13	11.11	0.56	0.56	10.61	6.95
	February (E)	0.40	0.78	9.68	11.00	0.75	1.31	10.63	7.49

(E) Estimate

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