

June	CPI		D-PPI	
Change (%)	2015	2016	2015	2016
Monthly	-0.51	0.47	0.25	0.41
Year-to-Date	4.76	3.63	5.49	3.19
Annual	7.20	7.64	6.73	3.41
Annual Average	8.28	7.74	6.74	4.91

### Monthly CPI came in above the expectations.

CPI increased by 0.47% mom in June, well above the market expectations of 0.1%. Domestic PPI (D-PPI) also rose by 0.41% mom in this period.

### Annual inflation was realized as 7.64%.

Downward trend in CPI halted in June due to the higher than expected increase in prices. During this period, annual consumer inflation reached its highest reading since February 2016 with 7.64%. On the other hand, surge in energy and commodity prices continued to push D-PPI higher. Annual D-PPI inflation was 3.41% in June, increasing by 16 basis points compared to May.

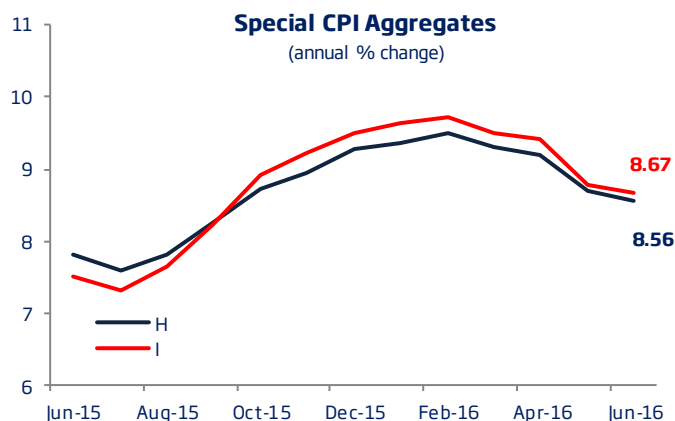
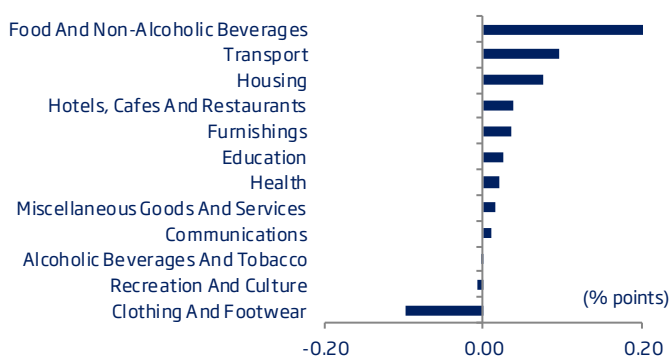
### Sharp pickup in food prices...

After having lowered the CPI in recent months, food prices have an upward impact on inflation in June mostly due to the Ramadan effect. Especially unprocessed food prices have lifted CPI by 22 basis points. Overall food prices, which have increased by 1.16% mom, made the highest contribution to CPI by 27 basis points. This group was followed by transportation and housing groups. On the other hand, clothing and footwear prices lowered CPI by 10 basis points thanks to the seasonal factors.

### Core inflation indicators continued to improve.

Core inflation indicators retained their gradual recovery trend in June. H and I core indices, which are closely monitored by the CBRT, increased by 8.56% yoy and 8.67% yoy, respectively. These rates correspond to the lowest levels since September 2015. The ongoing mild rebound in TRY depicts a favorable picture particularly for core inflation indicators.

### 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.

### Energy continued to play a significant part in D-PPI.

The recent rise in D-PPI was mostly attributable to the upturn observed in oil and commodity prices. Energy posted the way highest increase among the main industrial groupings. While annual D-PPI inflation still records moderate increases, monthly D-PPI rise mostly stemmed from the prices of coke and refined petroleum products by a contribution of 14 basis points. This item has been followed by crude oil and natural gas prices by a contribution of 10 basis points. It was noteworthy that the surge in food prices has been influential in producer prices as well as in consumer prices. Food prices drove the monthly D-PPI inflation up by 7 basis points.

### Expectations...

We expect that the fall in clothing and footwear prices will gather pace in July due to the seasonal factors. The disinflationary impact of food prices, which has been the main factor behind the recent downward trend in inflation, is likely to fade. The tobacco group along with the hikes in cigarette prices as well as transportation and communications groups is anticipated to put upward pressure on consumer price inflation in July. In addition to these, the TRY performance and energy prices seem to continue to be significant for the inflation outlook in the forthcoming period.

**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		
<b>2014</b>	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
<b>2015</b>	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	0.67	8.58	8.10	7.61	-1.42	6.06	5.25	5.33
	December	0.21	8.81	8.81	7.67	-0.33	5.71	5.71	5.28
<b>2016</b>	January	1.82	1.82	9.58	7.87	0.55	0.55	5.94	5.50
	February	-0.02	1.80	8.78	7.97	-0.20	0.34	4.47	5.61
	March	-0.04	1.75	7.46	7.96	0.40	0.75	3.80	5.64
	April	0.78	2.55	6.57	7.84	0.52	1.27	2.87	5.47
	May	0.58	3.15	6.58	7.71	1.48	2.77	3.25	5.19
	June	0.47	3.63	7.64	7.74	0.41	3.19	3.41	4.91
	July <sup>(E)</sup>	<b>0.10</b>	<b>3.74</b>	<b>7.65</b>	<b>7.81</b>	<b>0.30</b>	<b>3.50</b>	<b>4.05</b>	<b>4.78</b>

(E) Estimate

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