

CPI declined in June.

In June, CPI dropped by 0.27% compared to the previous month. Market had expected a rise of 0.1% in this period. On the other hand, Domestic Producer Price Index (D-PPI) recorded a limited monthly increase of 0.07%.

June (change %)	CPI		D-PPI	
	2016	2017	2016	2017
Monthly	0.47	-0.27	0.41	0.07
Year-to-Date	3.63	5.89	3.19	7.82
Annual	7.64	10.90	3.41	14.87
Annual Average	7.74	9.36	4.91	9.98

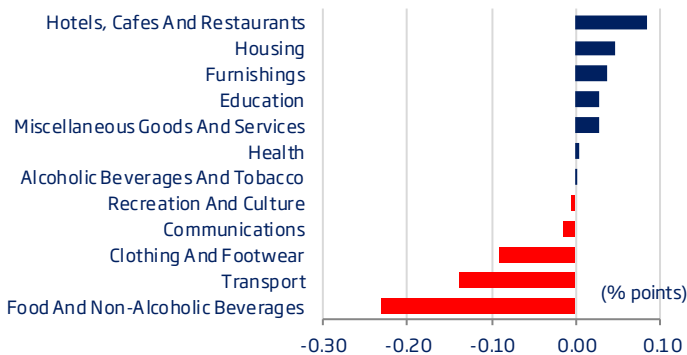
Annual inflation fell to 10.9%.

The annual CPI, which also declined in May, fell to 10.9% in June. Following a similar course, the annual inflation in the D-PPI also declined to 14.87%, the lowest level since January.

Food, transport and clothing groups pulled down inflation.

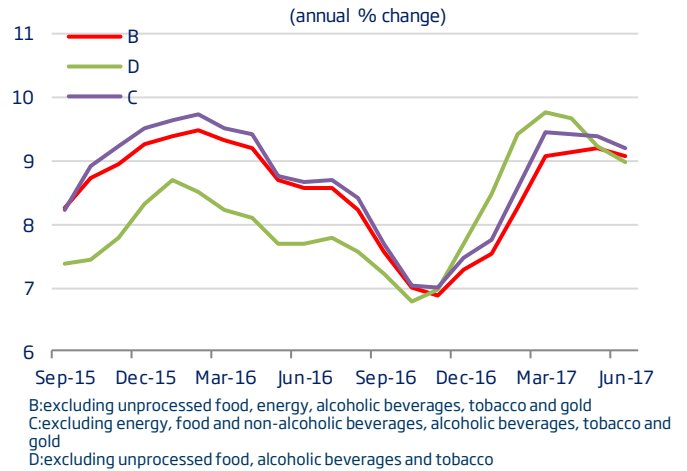
In June, food prices slumped by 1.1% compared to the previous month, due to the decline in unprocessed food prices, mainly fresh fruit and vegetables. Food prices, which have the highest weight in inflation basket, made the highest contribution to the decline in CPI by 24 basis points. Transportation prices dropped thanks to the lower oil prices compared to the previous month and flat course in TRY. Prices in transportation group declined by 0.84% mom, having 15 basis points downward impact on monthly CPI. Clothing and footwear prices, which also declined due to the seasonal factors, became the other main expenditure group that pulled the monthly inflation down. On the other hand, rising prices in restaurants and hotels, housing and furnishings groups limited the fall in the CPI.

Contributions to the Monthly CPI Inflation



In June, seasonal factors had a downward impact on CPI. Indeed, monthly inflation increased by 0.25% excluding seasonal products. During this period, the annual rise in D

Special CPI Aggregates

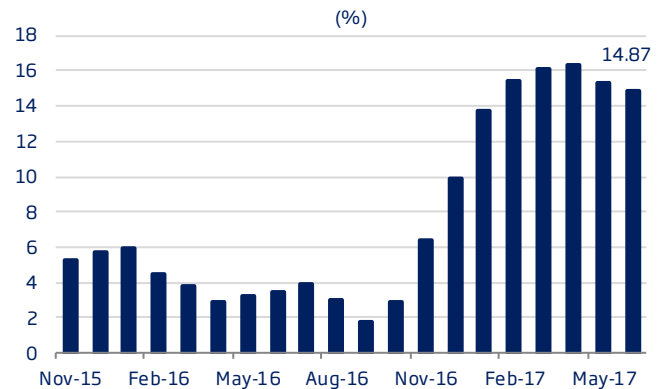


index, which excludes unprocessed food, alcoholic beverages and tobacco, lost momentum while B and C indices displayed a relatively flat outlook.

D-PPI...

The decline in energy and metal prices were influential on the annual decline in D-PPI. Processed/crude oil products and base metals were the key factors limiting the increase in D-PPI. In this period, food and textile products exert upward pressure on D-PPI.

D-PPI Inflation



Expectations

Seasonal fall in prices of clothing and footwear products is expected to have a downward impact on inflation in July. On the other hand, it is expected that the hikes on public transport prices in Istanbul effective from July 1 would put pressure on transport group prices. The increase in special consumption tax to be made on alcoholic beverages in July is also expected to raise inflation slightly. Given the high volatility that food prices have recently displayed, this group is supposed to continue to have a significant impact on inflation outlook.

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		
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	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
2016	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	1.16	4.84	8.79	7.91	0.21	3.41	3.96	4.77
	August	-0.29	4.53	8.05	7.98	0.08	3.49	3.03	4.51
	September	0.18	4.72	7.28	7.92	0.29	3.79	1.78	4.07
	October	1.44	6.23	7.16	7.89	0.84	4.66	2.84	3.83
	November	0.52	6.78	7.00	7.79	2.00	6.76	6.41	3.93
	December	1.64	8.53	8.53	7.78	2.98	9.94	9.94	4.30
2017	January	2.46	2.46	9.22	7.76	3.98	3.98	13.69	4.96
	February	0.81	3.29	10.13	7.88	1.26	5.29	15.36	5.87
	March	1.02	4.34	11.29	8.21	1.04	6.38	16.09	6.89
	April	1.31	5.71	11.87	8.66	0.76	7.19	16.37	8.01
	May	0.45	6.18	11.72	9.09	0.52	7.74	15.26	9.02
	June	-0.27	5.89	10.90	9.36	0.07	7.82	14.87	9.98
	July^(E)	0.20	6.10	9.84	9.45	0.10	7.93	14.74	10.88

(E) Estimate

Source: Turkstat, Datastream, ERD

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