



### CPI inflation came in above the expectations in June.

Consumer prices increased by 1.94% mom in June, above market expectations. The market expectation was that the monthly increase in CPI would be 1.5%. In the same period, D-PPI increased by 4.01% mom and continued its rapid upward trend.

### Annual CPI inflation was 17.53%.

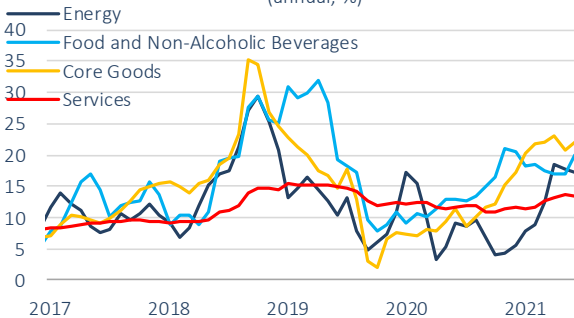
Annual CPI inflation, which fell to 16.59% in May, rose again in June. Annual CPI inflation reached its highest level in nearly two years with 17.53%. In this period, annual D-PPI inflation continued to rise and reached its highest level since October 2018 with 42.89%.

June (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	1.13	1.94	0.70	4.01
Year-to-Date	5.75	8.45	6.89	22.04
Annual	12.62	17.53	6.17	42.89
Annual Average	11.88	14.55	7.74	25.38

### The rise in transportation and household equipment prices was decisive in monthly CPI inflation.

In June, prices in all main expenditure groups, excluding alcoholic beverages and tobacco, increased on a monthly basis. Along with the rise in oil prices and the loosening of restrictive pandemic measures, the increase in the transportation group pushed up the monthly CPI inflation by 43 bps. In the same period, the household equipment group made the second largest contribution to the monthly CPI by 38 bps. The food and non-alcoholic beverages group also went up by 0.88% mom, contributing 23 bps to inflation. While the rise in processed food prices was 2% in this period, unprocessed food prices decreased slightly due to the 7.5% decline in fresh fruit and vegetable prices. With the effect of the loosening of the measures restricting social life in June, there were rapid increases in the prices of recreation and culture as well as restaurants and hotels. The monthly price rises in these two expenditure groups, which have a total share of 8.92% in the CPI basket, were 4.5% and 3.8%, respectively, in June.

### Goods and Services Inflation (annual, %)



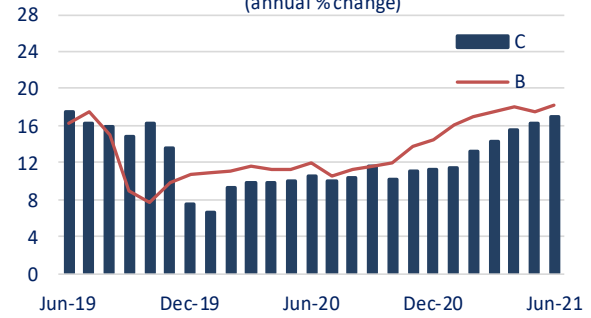
The transportation group continued to be the main expenditure group with the fastest increase in prices on an annual basis. The prices in transportation group rose by 26.29% yoy in June and pushed the annual CPI inflation up by 396 bps. The expenditure group that made the highest contribution to annual inflation was the food and non-alcoholic beverages group with 496 bps. The annual price increase in this group was 20%. Annual inflation in

goods and services prices in June was 19.3% and 13.5%, respectively.

### Core inflation indicators...

In June, the monthly increase in CPI excluding seasonal products came in at 2.39%, above the headline inflation and was realized at the highest level since September 2018. The monthly increases in core inflation indicators B (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold), which are closely monitored by the CBRT, became 2.44% and 2.54%, respectively. In this period, B and C indices went up by 18.16% and 17.47% yoy. The upward trend in core inflation indicators points to a rise in the underlying trend of inflation.

### Special CPI Aggregates (annual % change)



### The rapid increase in D-PPI continues.

In June, when the impact of the depreciation in TRY on inflation became evident, the food products and basic metals groups made the highest contributions to the monthly increase of 4.01% in D-PPI by 73 bps and 68 bps, respectively. In this period, coke and refined petroleum products became the sub-sector in which the prices recorded the fastest rise on a monthly basis with 8.84%. Looking at the course of producer prices by main industry groups, the monthly increase of 7.3% in the energy group stood out, while the monthly inflation in the intermediate goods and capital goods were 4.26% and 2.51%, respectively.

On an annual basis, the highest price increases were in the crude oil and natural gas, coke and refined petroleum products sectors, with 181% and 124%, respectively. In this period, basic metal products made the highest contribution to the annual D-PPI inflation with 824 bps, while the contribution of the food group was 694 bps.

### Expectations...

We estimate that the rises in electricity and natural gas prices as of July may increase CPI inflation by close to 1 percentage point, taking also the indirect effects into account. Considering the depreciation of TRY, the exchange rate pass-through, primarily through energy prices, will also be a determining factor on inflation in the upcoming period. In addition, the increase in inflationary pressures on a global scale creates an upward pressure on domestic inflation. The year-end forecast in the Inflation Report to be published by the CBRT at the end of July and the steps to be taken by the CBRT in the coming period will be closely monitored.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date		Average		Date		Average	
2019	January	1,06	1,06	20,35	17,16	0,45	0,45	32,93	28,70
	February	0,16	1,23	19,67	17,93	0,09	0,55	29,59	29,97
	March	1,03	2,27	19,71	18,70	1,58	2,14	29,64	31,17
	April	1,69	4,00	19,50	19,39	2,98	5,18	30,12	32,24
	May	0,95	4,99	18,71	19,91	2,67	7,99	28,71	32,85
	June	0,03	5,01	15,72	19,88	0,09	8,09	25,04	32,81
	July	1,36	6,44	16,65	19,91	-0,99	7,02	21,66	32,34
	August	0,86	7,35	15,01	19,62	-0,59	6,39	13,45	30,51
	September	0,99	8,42	9,26	18,27	0,13	6,53	2,45	26,44
	October	2,00	10,59	8,55	16,81	0,17	6,71	1,70	22,58
	November	0,38	11,01	10,56	15,87	-0,08	6,63	4,26	19,68
	December	0,74	11,84	11,84	15,18	0,69	7,36	7,36	17,56
2020	January	1,35	1,35	12,15	14,52	1,84	1,84	8,84	15,71
	February	0,35	1,71	12,37	13,94	0,48	2,33	9,26	14,18
	March	0,57	2,29	11,86	13,33	0,87	3,22	8,50	12,61
	April	0,85	3,16	10,94	12,66	1,28	4,54	6,71	10,87
	May	1,36	4,57	11,39	12,10	1,54	6,15	5,53	9,14
	June	1,13	5,75	12,62	11,88	0,69	6,89	6,17	7,74
	July	0,58	6,37	11,76	11,51	1,02	7,98	8,33	6,81
	August	0,86	7,29	11,77	11,27	2,35	10,52	11,53	6,71
	September	0,97	8,33	11,75	11,47	2,65	13,44	14,33	7,71
	October	2,13	10,64	11,89	11,74	3,55	17,48	18,20	9,11
	November	2,30	13,19	14,03	12,04	4,08	22,26	23,11	10,69
	December	1,25	14,60	14,60	12,28	2,36	25,15	25,15	12,18
2021	January	1,68	1,68	14,97	12,53	2,66	2,66	26,16	13,64
	February	0,91	2,60	15,61	12,81	1,22	3,92	27,09	15,14
	March	1,08	3,71	16,19	13,18	4,13	8,21	31,20	17,04
	April	1,68	5,45	17,14	13,70	4,34	12,91	35,17	19,44
	May	0,89	6,39	16,59	14,13	3,92	17,34	38,33	22,24
	June	1,94	8,45	17,53	14,55	4,01	22,04	42,89	25,38

Source: Turstat, Datastream

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