



CPI came in above expectations in August.

In August, CPI increased by 1.12% compared to the previous month, above market expectations. The market expectation was that the monthly increase in CPI would be 0.6%. In the same period, D-PPI rose by 2.77% mom and continued its rapid upward trend.

Annual CPI inflation rose to 19.25% in August.

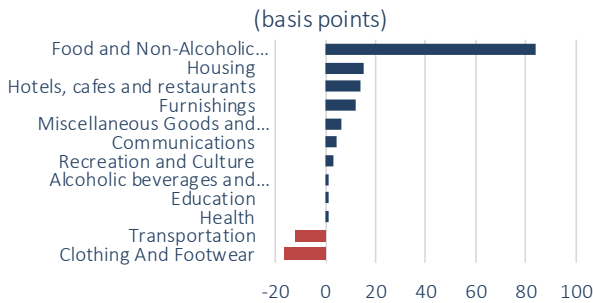
In August, annual CPI inflation became 19.25%, the highest level in 28 months. Annual D-PPI inflation continued to move upwards, reaching its highest level since September 2018 with 45.52%.

August (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	0.86	1.12	2.35	2.77
Year-to-Date	7.29	11.65	10.52	28.51
Annual	11.77	19.25	11.53	45.52
Annual Average	11.27	15.78	6.71	31.34

The rise in food prices was decisive in CPI inflation.

In August, prices in 10 out of 12 main spending groups increased compared to the previous month. Due to the rise in international food prices and the droughts taken place, the food and non-alcoholic beverages group prices surged fast by 3.18% mom and pushed the monthly CPI inflation up by 84 bps. In this period, the housing group, which has one of the highest share in expenditure groups, made the second highest contribution to monthly CPI inflation with 15 bps. The prices of hotels and restaurants group rose by 2.27% mom and affected monthly CPI inflation by 14 bps. Due to seasonal factors, declining prices in clothing, footwear along with transportation groups limited the rise in CPI inflation by 29 bps in August.

Contributions to the Monthly CPI Inflation



In terms of the contribution of the main expenditure groups to annual CPI inflation, the food group, where prices increased the fastest by 29% yoy, had also the highest impact on CPI inflation with 705 bps. The transportation group prices went up by 21.8% yoy and had a 334 bps impact on inflation, while housing group, where prices rose by 19.3% yoy, increased inflation by 294 bps in the same period.

Core inflation indicators...

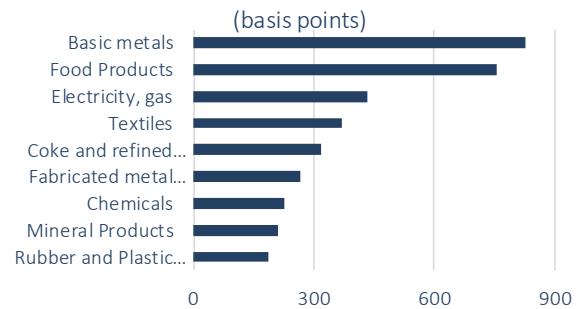
In August, when seasonality is expected to have a downward impact on inflation, the monthly increase in CPI excluding seasonal products was 0.95%. Thus, the CPI excluding seasonal products fell below the headline inflation after having been above it for three months. In August, monthly increases in core inflation indicators B (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold) and C (CPI excluding energy, food and nonalcoholic beverages, alcoholic beverages, tobacco and gold), which are closely monitored by the CBRT, were also below the headline inflation with 0.74% and 0.38%, respectively. In this period, annual increases in B and C indices decreased compared to previous month and became 18.46% and 16.76%, respectively.

Increases in electricity and basic metal prices were determinant in D-PPI inflation.

In August, the highest monthly price increases were realized in the electricity-gas production and distribution along with wood products manufacturing sectors with 19.53% and 6.61%, respectively. In this period, the sectors that had the most upward impact on D-PPI inflation were electricity-gas production with 158 bps and basic metals with 29 bps. Price increases in the food group also pushed the monthly D-PPI up by 21 bps in August.

On an annual basis, the highest price increases were in the basic metals, coke and refined petroleum products sectors with 100.3% and 92.2%, respectively. In this period, basic metal products and food group made the highest impact on the annual D-PPI inflation with 826 bps and 757 bps, respectively.

Contributions to Annual D-PPI Inflation



Expectations...

In August, the rise in inflation continued and annual CPI inflation exceeded the CBRT's policy rate of 19%. We calculate that the increases in the natural gas tariff for industry and electricity generation at the beginning of September may increase the CPI inflation by 0.2 points, taking also the indirect effects into account. The recent high course in food prices poses upside risks to the CBRT's food inflation forecast, which is 15% for the end of the year. In addition, upwardly revised growth forecasts for the whole year following the announcement of GDP growth data indicate that the demand-driven upward pressure on inflation may continue.

		Inflation (%)							
		CPI (2003=100)				D-PPI (2003=100)			
		Monthly	Year to Date	Annual	Annual Average	Monthly	Year to Date	Annual	Annual 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
	July	1.80	10.41	18.95	15.15	2.46	25.05	44.92	28.47
	August	1.12	11.65	19.25	15.78	2.77	28.51	45.52	31.34

Source: Turstat, Datastream

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