



CPI increased by 3.23% mom in July.

In July, CPI increased by 3.23% mom, slightly below the market expectations. According to the Reuters poll, consumer prices were expected to increase by 3.45% mom. Thus, monthly CPI inflation gained momentum in this period, while annual CPI inflation continued to decline due to the high base effect, shrinking to its lowest level since October 2023. In the same period, domestic producer price index (D-PPI) increased by 1.94% mom, while annual D-PPI inflation fell to 41.37%.

| July | CPI | | D-PPI | |
|----------------|-------|-------|-------|-------|
| (change %) | 2023 | 2024 | 2023 | 2024 |
| Monthly | 9.49 | 3.23 | 8.23 | 1.94 |
| Year-to-Date | 31.14 | 28.76 | 24.27 | 21.81 |
| Annual | 47.83 | 61.78 | 44.50 | 41.37 |
| Annual Average | 57.45 | 65.93 | 78.51 | 47.55 |

Housing group stood out in monthly CPI inflation.

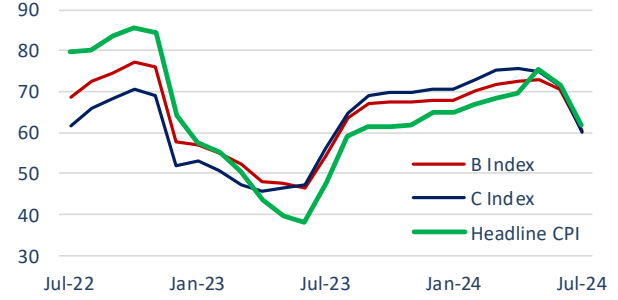
Prices increased in 11 out of 12 main expenditure groups in July. Following June, housing group posted the fastest monthly price increase (8.08%) in July as well, and pushed the monthly CPI inflation up the most (by 1.19 pts). Transportation group, where prices increased by 3.82% mom, above the headline CPI, pushed the monthly inflation up by 0.62 pts. In this period, monthly inflation in alcoholic beverages and tobacco group was 5.84% mom due to the price hike in these products, while monthly inflations in education (1.38%), household equipments (1.68%), as well as food and non-alcoholic beverages (1.83%) remained relatively moderate. In the same period, clothing and footwear prices declined by -2.58% and limited the monthly inflation slightly.

Seasonal products limited the CPI inflation in July.

CPI excluding seasonal products rose above the headline CPI by 3.64% mom in July, recording the fastest monthly increase since February. In this period, 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) indices posted relatively moderate monthly increases of 2.47% and 2.45%, respectively. Thus, B and C indices recorded the lowest annual increases in a year.

Core Indicators and Headline CPI
(yoy %)



The divergence between goods and services inflation continued in July. In this period, monthly price increases were realized as 2.71% in goods and 4.39% in services. Energy prices, which recorded the fastest monthly rise since August 2023 with 10%, were the main driver of goods inflation in July, while alcoholic beverages, tobacco and gold prices also went up rapidly by 5.5% mom. In the services group, rent was the fastest rising item with 7.04% mom.

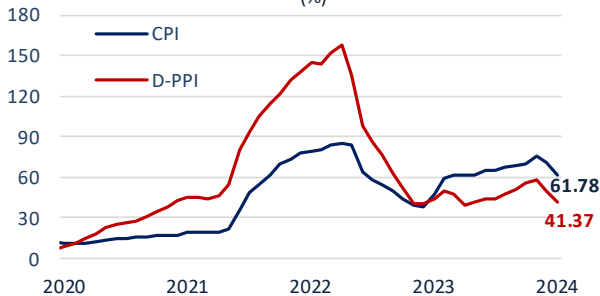
The rise in electricity prices was the main driver of monthly D-PPI inflation.

Electricity and gas prices increased the fastest by 7.37% mom in July, and pushed the monthly D-PPI inflation up the most by 0.61 pts. In this period, textiles (0.21 pts), coke and refined petroleum products (0.19 pts) and other non-metallic mineral products (0.17 pts) were the other items that increased monthly D-PPI inflation the most. In July, producer prices of coal and lignite (-1.66%) and tobacco products (-2.70%) decreased on a monthly basis.

Expectations...

In July, monthly inflation accelerated compared to June due to administered prices and tax adjustments. On the other hand, annual CPI inflation continued to decline thanks to the high base effect. The increase in natural gas prices at the beginning of August is likely to continue the upward trend in energy prices in the upcoming period. The recent rise in geopolitical risks as well as the recession concerns for the US economy will also be decisive for the course of inflation.

Annual Inflation
(%)



| | | Inflation (%) | | | | | | | |
|------|-----------|----------------|--------------|--------|----------------|------------------|--------------|--------|----------------|
| | | CPI (2003=100) | | | | D-PPI (2003=100) | | | |
| | | Monthly | Year to Date | Annual | Annual Average | Monthly | Year to Date | Annual | Annual Average |
| 2022 | January | 11.10 | 11.10 | 48.69 | 22.58 | 10.45 | 10.45 | 93.53 | 49.93 |
| | February | 4.81 | 16.45 | 54.44 | 25.98 | 7.22 | 18.43 | 105.01 | 56.83 |
| | March | 5.46 | 22.81 | 61.14 | 29.88 | 9.19 | 29.31 | 114.97 | 64.30 |
| | April | 7.25 | 31.71 | 69.97 | 34.46 | 7.67 | 39.23 | 121.82 | 72.03 |
| | May | 2.98 | 35.64 | 73.50 | 39.33 | 8.76 | 51.43 | 132.16 | 80.38 |
| | June | 4.95 | 42.35 | 78.62 | 44.54 | 6.77 | 61.68 | 138.31 | 88.77 |
| | July | 2.37 | 45.72 | 79.60 | 49.65 | 5.17 | 70.04 | 144.61 | 97.30 |
| | August | 1.46 | 47.85 | 80.21 | 54.69 | 2.41 | 74.13 | 143.75 | 105.39 |
| | September | 3.08 | 52.40 | 83.45 | 59.91 | 4.78 | 82.45 | 151.50 | 114.02 |
| | October | 3.54 | 57.80 | 85.51 | 65.26 | 7.83 | 96.74 | 157.69 | 122.93 |
| | November | 2.88 | 62.35 | 84.39 | 70.36 | 0.74 | 98.20 | 136.02 | 128.94 |
| | December | 1.18 | 64.27 | 64.27 | 72.31 | -0.24 | 97.72 | 97.72 | 128.47 |
| 2023 | January | 6.65 | 6.65 | 57.68 | 72.45 | 4.15 | 4.15 | 86.46 | 125.53 |
| | February | 3.15 | 10.00 | 55.18 | 71.83 | 1.56 | 5.78 | 76.61 | 120.72 |
| | March | 2.29 | 12.52 | 50.51 | 70.20 | 0.44 | 6.25 | 62.45 | 113.73 |
| | April | 2.39 | 15.21 | 43.68 | 67.20 | 0.81 | 7.11 | 52.11 | 105.50 |
| | May | 0.04 | 15.26 | 39.59 | 63.72 | 0.65 | 7.81 | 40.76 | 95.80 |
| | June | 3.92 | 19.77 | 38.21 | 59.95 | 6.50 | 14.82 | 40.42 | 86.59 |
| | July | 9.49 | 31.14 | 47.83 | 57.45 | 8.23 | 24.27 | 44.50 | 78.51 |
| | August | 9.03 | 43.06 | 58.94 | 56.28 | 5.89 | 31.59 | 49.41 | 71.97 |
| | September | 4.75 | 49.86 | 61.53 | 55.30 | 3.40 | 36.06 | 47.44 | 65.55 |
| | October | 3.43 | 55.00 | 61.36 | 54.26 | 1.94 | 38.70 | 39.39 | 58.46 |
| | November | 3.28 | 60.09 | 61.98 | 53.40 | 2.81 | 42.59 | 42.25 | 53.15 |
| | December | 2.93 | 64.77 | 64.77 | 53.86 | 1.14 | 44.22 | 44.22 | 49.93 |
| 2024 | January | 6.70 | 6.70 | 64.86 | 54.72 | 4.14 | 4.14 | 44.20 | 47.35 |
| | February | 4.53 | 11.54 | 67.07 | 55.91 | 3.74 | 8.03 | 47.29 | 45.71 |
| | March | 3.16 | 15.06 | 68.50 | 57.50 | 3.29 | 11.59 | 51.47 | 45.28 |
| | April | 3.18 | 18.72 | 69.80 | 59.64 | 3.60 | 15.61 | 55.66 | 45.83 |
| | May | 3.37 | 22.72 | 75.45 | 62.51 | 1.96 | 17.87 | 57.68 | 47.24 |
| | June | 1.64 | 24.73 | 71.60 | 65.07 | 1.38 | 19.49 | 50.09 | 47.97 |
| | July | 3.23 | 28.76 | 61.78 | 65.93 | 1.94 | 21.81 | 41.37 | 47.55 |

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Berkay Arık
Asst. Economist
berkay.arik@isbank.com.tr

H. Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Oktay Erkan Temizkan
Asst. Economist
erkan.temizkan@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Trkiye İř Bankası A.ř. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İř Bankası A.ř. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İř Bankası A.ř, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.