

July	CPI		D-PPI	
	2015	2016	2015	2016
Change (%)				
Monthly	0.09	1.16	-0.32	0.21
Year-to-Date	4.85	4.84	5.15	3.41
Annual	6.81	8.79	5.62	3.96
Annual Average	8.07	7.91	6.43	4.77

### Sharp rise in CPI in July...

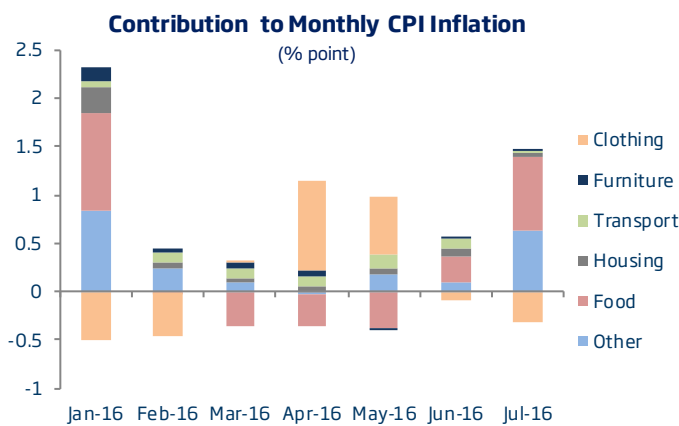
CPI increased by 1.16% mom in July, well above the market expectations of 0.72%. During this period, domestic PPI (D-PPI) rose by 0.21% mom.

### Highest annual inflation rate of the last 6 months...

In July, annual CPI inflation surged to 8.79%, the highest level of the last 6 months. Annual D-PPI inflation was realized as 3.96% in July, increasing by 55 basis points compared to May mainly due to base effect.

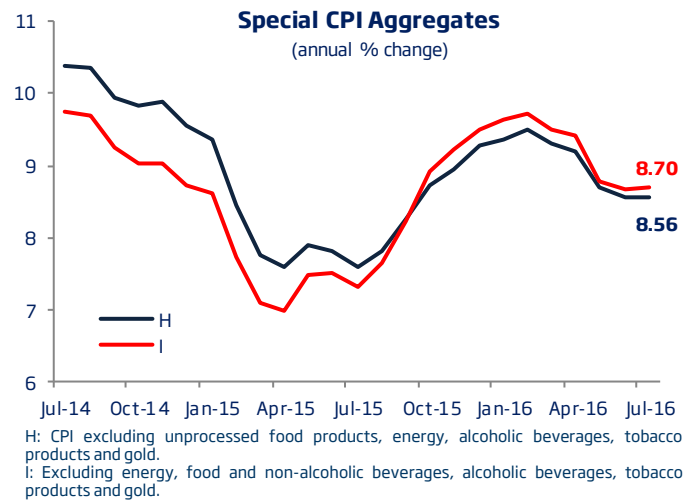
### Food and tobacco prices elevated CPI.

In July, prices in almost all expenditure sub-groups have increased. Food prices, which increased by 3.15% mom, made the highest contribution to CPI by 74 basis points. Moreover, prices in tobacco group surged by 7% compared to the June due to a hike in cigarette prices in July and lifted monthly CPI by 35 basis points. Clothing and footwear prices, which continued to decline due to the seasonal factors, was the only expenditure group making a downward impact on monthly CPI. Clothing and footwear prices brought down monthly CPI by 30 basis points.

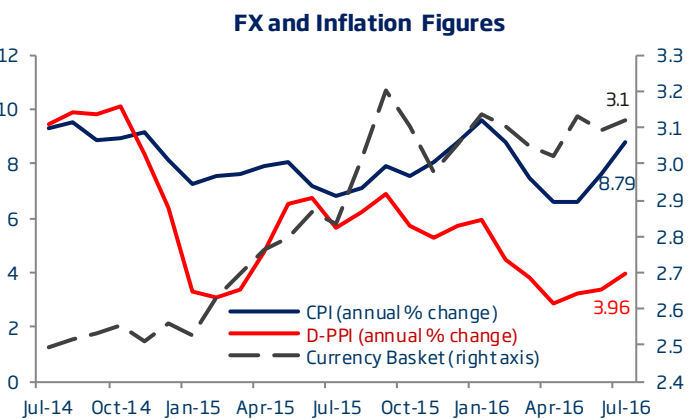


### Flat course in core inflation indicators.

The core inflation indicators, which have been recovering in recent months, remained relatively stable in July. H and I core indices, which are closely monitored by the CBRT, increased by 8.56% yoy and 8.70% yoy, respectively.



On the other hand, recent depreciation in TRY intensify the fears that the ongoing recovery in core inflation indicators might not be permanent.



### Moderate D-PPI increase in July.

Monthly increase in D-PPI slowed down due to the slide in energy prices. Indeed, energy group, which have been making an upward contribution to D-PPI increase, brought down the producer prices in July. During this period, textile sector made the highest contribution to D-PPI increase.

### Expectations

We expect that the fall in clothing and footwear prices will continue in August due to the seasonal factors. We anticipate that food prices, which have been one of the main factors behind the course of inflation, will continue to weigh on CPI. On the other hand, we think that if the depreciation in TRY becomes permanent the upward pressure on CPI might increase.

**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	1.16	4.84	8.79	7.91	0.21	3.41	3.96	4.77
	<b>August<sup>(E)</sup></b>	<b>0.45</b>	<b>5.31</b>	<b>8.85</b>	<b>8.05</b>	<b>0.30</b>	<b>3.72</b>	<b>3.26</b>	<b>4.53</b>

(E) Estimate

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