

August	CPI		D-PPI	
Change (%)	2015	2016	2015	2016
Monthly	0.40	-0.29	0.98	0.08
Year-to-Date	5.27	4.53	6.19	3.49
Annual	7.14	8.05	6.21	3.03
Annual Average	7.88	7.98	6.14	4.51

CPI fell in August.

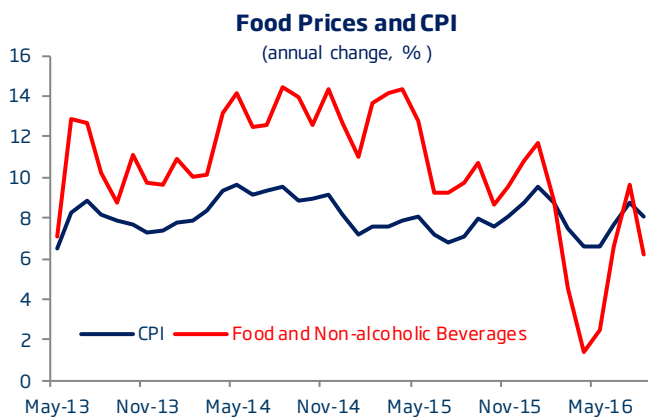
CPI declined by 0.29% mom in August in line with the market expectations marking the fastest monthly drop since June 2015. During this period, domestic PPI (D-PPI) recorded a limited monthly rise of 0.08%.

Annual CPI inflation slowed down to 8.05%.

Having stood at a six-month-high of 8.79% in July, annual CPI inflation came down to 8.05% in August. Thanks to the favorable base effect, annual D-PPI inflation became 3.03% declining by 93 basis points on a monthly basis.

The drop in CPI was driven by food and clothing prices.

Falling by 1.92% mom in August, food prices made the highest contribution to the decline in CPI by 40 basis points. Clothing and footwear prices, which slumped by 4.69% mom thanks to the seasonal factors, became the other main expenditure group that pushed the inflation down.

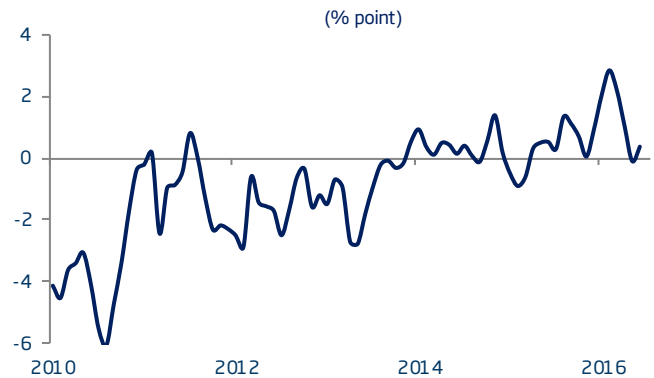


The other main expenditure groups all posted price increases during this period. The impact of cigarette price hikes conducted in July prevailed in August. Indeed, prices in alcoholic beverages and tobacco group lifted monthly CPI by 15 basis points.

Favorable outlook in core inflation indicators...

The recovery in core inflation indicators continued also in August. As the effects of the changes in currency basket faded somewhat during this period, the annual rises in H

Gap Between Core (I)* and Headline Inflation



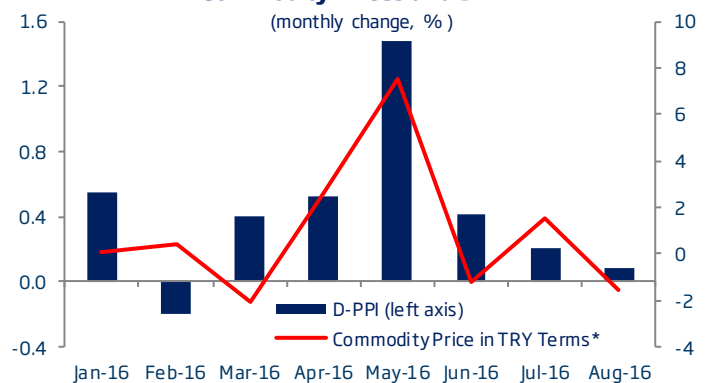
(* Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco

and I core indices, which are closely monitored by the CBRT, slid to 8.21% and 8.41%, respectively.

Energy prices supported the D-PPI...

Energy prices made a downward contribution to D-PPI in August led by electric and gas sector. During this period, the biggest upward contributions to D-PPI came from textile and clothing sectors.

Commodity Prices and D-PPI



(*Based on CRB Commodity Price Index)

Inflation outlook could deteriorate somewhat in September.

The downward moves in food and clothing prices boosted the inflation outlook in August. In September, however, we think that inflation will increase as a pick-up in food prices is expected due to seasonality. These aside, oil prices and the trajectory of the expectations for the Fed's decision to raise the interest rate are among the most influential external factors that could affect the performance of inflation indicators during this period.

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		
2014	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
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^(E)	1.00	5.58	8.16	8.00	0.80	4.32	2.29	4.12

(E) Estimate

Source: Turkstat, Datastream, ERD

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