



CPI inflation came in line with the expectations.

Monthly CPI inflation was 2.30% in August, in line with market expectations. Monthly increase in Domestic Producer Price Index (D-PPI), on the other hand, surged to 6.60%.

August (change %)	CPI		D-PPI	
	2017	2018	2017	2018
Monthly	0.52	2.30	0.85	6.60
Year-to-Date	6.60	12.29	9.52	25.32
Annual	10.68	17.90	16.34	32.13
Annual Average	9.66	12.61	12.05	18.78

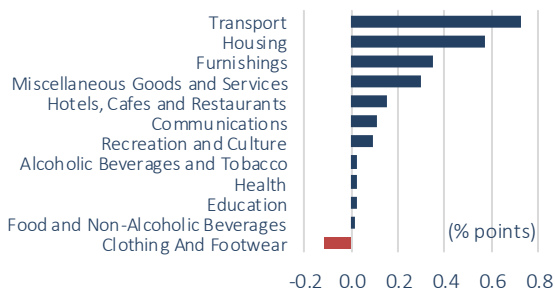
Annual CPI inflation is at 17.9%.

Annual CPI inflation continued to gain pace and reached 17.9% in August. Annual D-PPI inflation climbed to 32.1% in this period. Thus, annual rises in CPI and D-PPI have hit new peak values of the 2003 based series.

Transport and housing prices put upward pressure on CPI.

Prices in all main expenditure groups except clothing and footwear increased in August. The highest contributions to the monthly CPI inflation came from transportation and housing (including water, gas and electricity) prices by 80 and 56 bps, respectively. Furnishings and hotels and restaurants made a contribution of 49 bps in total. Food prices added a mere 2 bps to the monthly CPI inflation. Clothing and footwear prices, which declined by 1.59% on a monthly basis, have limited inflation by 11 bps.

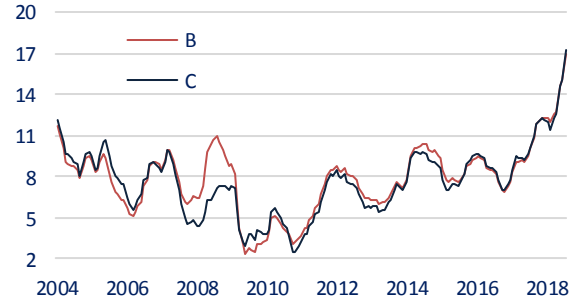
Contributions to the Monthly CPI Inflation



Seasonality pushed CPI inflation down in August.

CPI excluding seasonal products became 3.01% in August, higher than the headline print. Parallel to this, core inflation indicators, which are monitored closely by CBRT, continued to rise. CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold (B) recorded an annual increase of 16.95% while CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold (C) posted an annual rise of 17.22%.

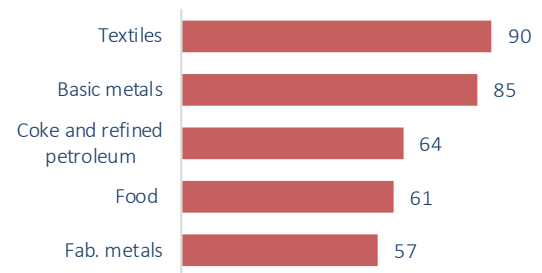
Special CPI Aggregates
(annual % change)



Textile and basic metals prices made the largest contributions to the monthly D-PPI inflation.

Prices in all main groups except electricity, gas production and distribution sector pushed the D-PPI inflation up in August. Textile, basic metals and coke and refined petroleum products made the highest contributions to the monthly D-PPI increase.

Contributions to the Monthly D-PPI Inflation
(basis points)



Expectations...

The continued upward trend in core indicators and annual D-PPI increase exceeding 30% weigh on inflation expectations. We believe that inflation has not peaked yet as the lagged impact of the rising foreign exchange rates will drive consumer prices up significantly in the upcoming period. The price increases in natural gas and electricity in August and September as well as the August price increase in fuel are among the factors that put upward pressure on inflation. Exchange rate developments and the trajectory of global oil prices will continue to be closely monitored in the upcoming period. Following the release of the inflation data, CBRT stated that necessary steps will be taken to establish price stability.

Source: Turkstat, Datastream

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
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	0.18	4.72	7.28	7.92	0.29	3.79	1.78	4.07
	October	1.44	6.23	7.16	7.89	0.84	4.66	2.84	3.83
	November	0.52	6.78	7.00	7.79	2.00	6.76	6.41	3.93
	December	1.64	8.53	8.53	7.78	2.98	9.94	9.94	4.30
2017	January	2.46	2.46	9.22	7.76	3.98	3.98	13.69	4.96
	February	0.81	3.29	10.13	7.88	1.26	5.29	15.36	5.87
	March	1.02	4.34	11.29	8.21	1.04	6.38	16.09	6.89
	April	1.31	5.71	11.87	8.66	0.76	7.19	16.37	8.01
	May	0.45	6.18	11.72	9.09	0.52	7.74	15.26	9.02
	June	-0.27	5.89	10.90	9.36	0.07	7.82	14.87	9.98
	July	0.15	6.05	9.79	9.44	0.72	8.60	15.45	10.94
	August	0.52	6.60	10.68	9.66	0.85	9.52	16.34	12.05
	September	0.65	7.29	11.20	9.98	0.24	9.78	16.28	13.26
	October	2.08	9.52	11.90	10.37	1.71	11.66	17.28	14.47
	November	1.49	11.16	12.98	10.87	2.02	13.91	17.30	15.38
	December	0.69	11.92	11.92	11.14	1.37	15.47	15.47	15.82
2018	January	1.02	1.02	10.35	11.23	0.99	0.99	12.14	15.66
	February	0.73	1.76	10.26	11.23	2.68	3.69	13.71	15.50
	March	0.99	2.77	10.23	11.14	1.54	5.29	14.28	15.35
	April	1.87	4.69	10.85	11.06	2.60	8.03	16.37	15.36
	May	1.62	6.39	12.15	11.10	3.79	12.12	20.16	15.80
	June	2.61	9.17	15.39	11.49	3.03	15.52	23.71	16.57
	July	0.55	9.77	15.85	12.00	1.77	17.56	25.00	17.41
	August	2.30	12.29	17.90	12.61	6.60	25.32	32.13	18.78
	September ^(E)	2.25	14.82	19.77	13.34	3.00	29.08	35.77	20.45

(E) Estimate

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