



### Consumer and producer price indices remained almost flat.

CPI increased in line with market expectations by 0.03% mom in June. Domestic PPI (D-PPI) also recorded a slight monthly increase with 0.09%.

June (change %)	CPI		D-PPI	
	2018	2019	2018	2019
Monthly	2.61	0.03	3.03	0.09
Year-to-Date	9.17	5.01	15.52	8.09
Annual	15.39	15.72	23.71	25.04
Annual Average	11.49	19.88	16.57	32.81

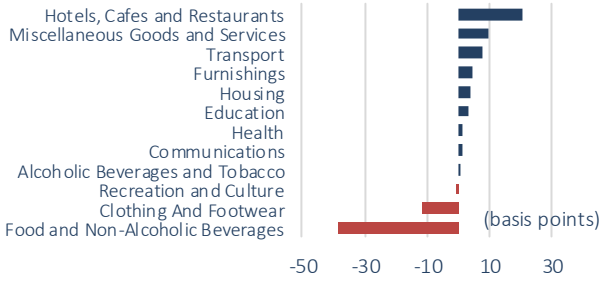
### Annual CPI inflation declined to 15.72%.

Annual CPI inflation came down to 15.72%, the lowest level since June last year. Annual D-PPI inflation fell to 25.04%, the lowest since July 2018.

### Food and clothing prices pushed monthly inflation down.

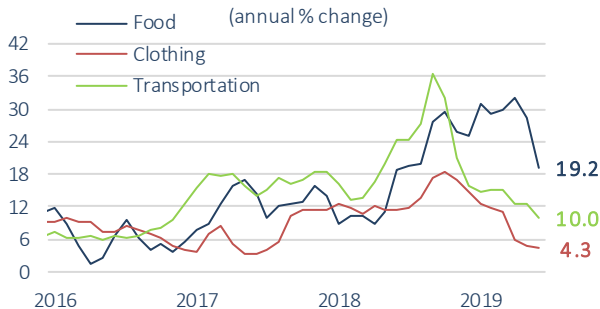
Prices of all main expenditure groups excluding food, clothing and recreation and culture increased on a monthly basis in June. Hotels, cafes and restaurants made the largest contribution to the monthly inflation with 21 basis points. Miscellaneous goods and services including jewelry and personal care products and services made the second largest contribution. The fall in food and clothing prices dragged down the monthly CPI inflation by 51 bps.

#### Contributions to the Monthly CPI Inflation



Annual increase in food prices declined to 19.2% in June. The annual surge in fresh fruits and vegetables price index, which reached as high as 73.7% in April, fell to 11.5%.

#### Food, Clothing and Transportation Group Price Indices



However, the highest contribution to the annual CPI inflation came from food prices with 455 bps. This group was followed by housing and transportation. Clothing, on the other hand, made a limited contribution with 28 bps. The annual rise in clothing and footwear prices fell as low as to 4.3% in June.

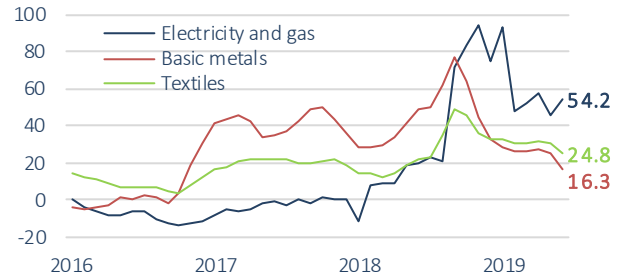
### Core inflation also improved.

Core inflation indicators, that show the underlying trend in inflation, improved in June. While the annual rise in B index slowed down to 16.28%, annual increase in C index became 14.86%.

### Electricity group made the highest contribution to D-PPI.

The highest contribution to the monthly D-PPI inflation was made by electricity and gas with 25 bps. Due to exchange rate and commodity prices developments, basic metals and coke and refined petroleum products prices declined on a monthly basis and pushed the monthly D-PPI inflation down by 30 bps. Food group registered the biggest contribution to the annual D-PPI inflation in June. Electricity-gas, textiles and basic metals were accounted for the second, third and fourth largest contributions respectively.

#### Electricity, Basic Metals and Textiles Price Indices



### Expectations...

The fall in inflation rates became more evident in June due to seasonal factors. The contraction in domestic demand and the relatively stable Turkish lira since October 2018 also supported the improvement in inflation outlook. The possible upward impact of OPEC's decision to extend production cuts for another 9 months on oil prices is an upside risk factor for inflation in the near term. Should CBRT cut the policy rate beyond expectations, upward pressure on inflation may increase in the coming period. In July, on the other hand, the rise in electricity, tea and sugar prices as well as the termination of special consumptions tax cuts may drive monthly CPI inflation up.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
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	6.30	19.37	24.52	13.75	10.88	38.96	46.15	21.36
	October	2.67	22.56	25.24	14.90	0.91	40.22	45.01	23.73
	November	-1.44	20.79	21.62	15.63	-2.53	36.68	38.54	25.52
	December	-0.40	20.30	20.30	16.33	-2.22	33.64	33.64	27.01
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

Source: Turkstat, Datastream

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