



### CPI came in below expectations in August.

Monthly CPI inflation came in below market expectation (1.3%) in August with 0.86%. Domestic PPI (D-PPI) decreased by 0.59% mom in this period.

August	CPI		D-PPI	
(change %)	2018	2019	2018	2019
Monthly	2.30	0.86	6.60	-0.59
Year-to-Date	12.29	7.35	25.32	6.39
Annual	17.90	15.01	32.13	13.45
Annual Average	12.61	19.62	18.78	30.51

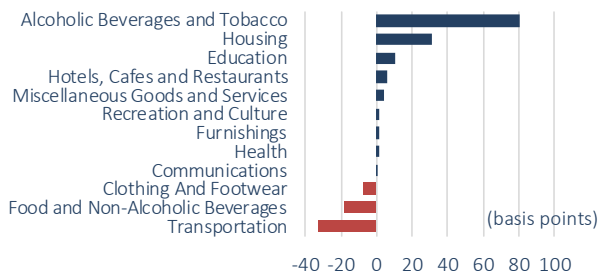
### Annual increase in CPI fell to 15%.

Annual CPI inflation declined to 15.01% in August thanks to the base effect. The annual rise in D-PPI also decreased to 13.45%, the lowest level in 1.5 years.

### Alcoholic beverages-tobacco and housing put upward pressure on CPI.

In August, all main expenditure groups except transportation, food and clothing-footwear put an upward pressure on inflation. Due to the price increase in cigarettes made in August, prices of alcoholic beverages and tobacco surged up by 19.11% mom, contributing 90 bps to the monthly inflation. Housing group also added 29 bps to the monthly CPI inflation, mainly driven by the rise in natural gas prices. Moreover, prices in education group rose by 4.26% due to the increase in private university fees. On the other hand, transportation group limited monthly CPI inflation by 34 bps thanks to the decline in fuels and motor cars prices. The fall in clothing-footwear and food prices was driven by seasonal factors.

### Contributions to the Monthly CPI Inflation

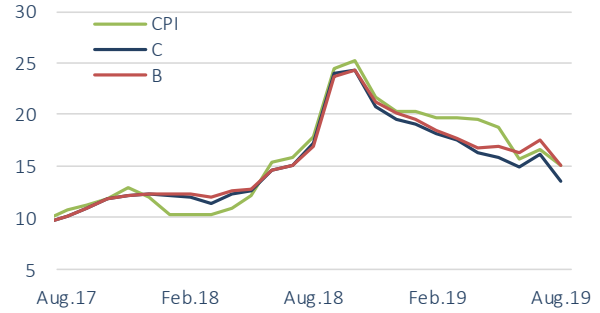


### Core inflation indicators...

CBRT's favorite core inflation indicators, 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) recovered somewhat in August. The annual

increases in B and C indices declined to 15.05% and 13.60%, respectively.

CPI and Core CPI Aggregates  
(annual % change)

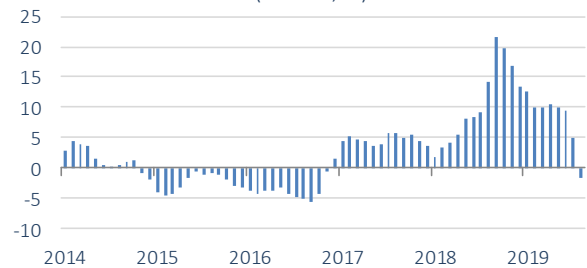


### Food and coke-refined petroleum products supported the fall in D-PPI.

The highest contributions to the decline in D-PPI came from food and coke-refined petroleum products in August. The said groups pull monthly D-PPI inflation down by 56 basis points. On the other hand, the 38.27% rise in tobacco products prices was noteworthy.

Analyzing annual figures, having declined since May annual D-PPI inflation kept its trend in August. Thus, the gap between D-PPI and CPI, which reached as high as 21.63 points in the last one-year period, was closed. In fact, annual CPI increase surpassed annual D-PPI increase in August, indicating that the cost pressure on the CPI has been eased.

Difference between D-PPI and CPI  
(annual, %)



### Expectations...

In September, we expect that seasonal factors as well as the price increases in transportation and housing groups will put an upward pressure on monthly CPI inflation. On the other hand, we anticipate that annual inflation will fall near to single-digits with the support of strong base effect.

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
	July	1.36	6.44	16.65	19.91	-0.99	7.02	21.66	32.34
	August	0.86	7.35	15.01	19.62	-0.59	6.39	13.45	30.51

Source: Turkstat, Datastream

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