



Monthly CPI came in at 0.58% in July.

In July, CPI increased by 0.58% compared to previous month, and remained below the expectations. The market's CPI expectation for this period was 0.9%. The increase in domestic PPI (D-PPI) is realized as 1.02% mom in July.

Annual CPI inflation decreased to 11.76%.

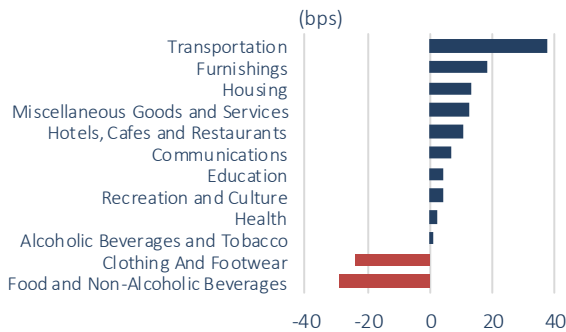
The upward trend in annual consumer inflation seen in May and June ended in July. In this period, annual CPI increase came down to 11.76%. Annual D-PPI inflation, on the other hand, continued to increase and became 8.33%, which is the highest level since March.

July (change %)	CPI		D-PPI	
	2019	2020	2019	2020
Monthly	1.36	0.58	-0.99	1.02
Annual	16.65	11.76	21.66	8.33
Annual Average	19.91	11.51	32.34	6.81

Food prices limited CPI inflation.

In July, prices in 10 out of the 12 main spending groups increased compared to the previous month, while prices in food and clothing and footwear groups decreased. In this period, transportation group, which posted the highest price increase with 2.44% mom, pulled monthly CPI inflation up by 37 bps. The recent increases in housing, furnishings and household equipment prices led monthly CPI inflation to increase by 31 bps. On the other hand, the decline in fresh fruit and vegetable prices in July due to seasonal factors led the food group to limit monthly CPI inflation by 30 bps. Similarly, the 3.48% mom decrease recorded in the clothing and footwear group thanks to seasonal developments limited the CPI increase by 23 bps in this period.

Contributions to the Monthly CPI Inflation

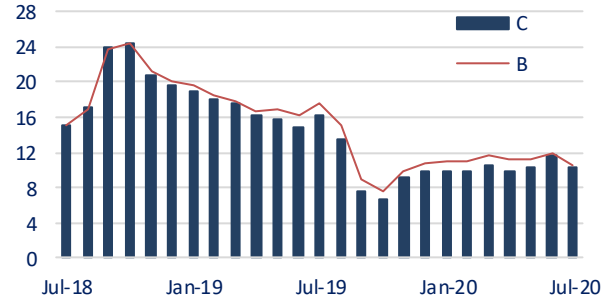


Core inflation indicators...

CBRT's favorite core inflation indicators, B index (CPI excluding unprocessed food, energy, alcoholic beverages,

tobacco and gold), and C index (CPI excluding energy, food and nonalcoholic beverages, alcoholic beverages, tobacco and gold) rose faster than the headline inflation by 0.71% mom and 0.83% mom, respectively. Annual increases in B and C indices, which had upward trends recently, slowed down in July and became 10.49% and 10.25%, respectively.

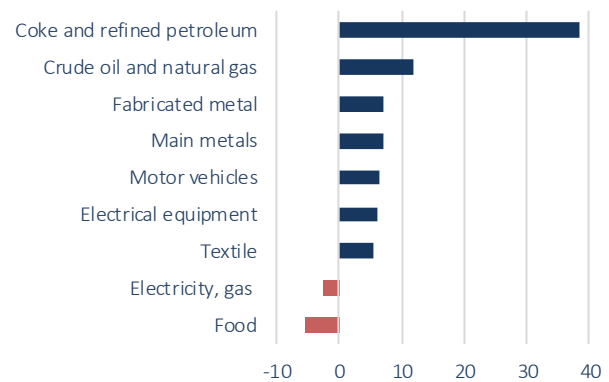
Special CPI Aggregates (annual % change)



Rise in energy prices...

Developments in the energy market in July were decisive in the course of monthly D-PPI. It is noteworthy that the prices in energy group, among main industry groups, increased by 3.6% on a monthly basis. As for the sub-sectors, prices in the coke and refined petroleum products sector rose by 11.71% mom in July. The said increase pushed monthly PPI inflation up by 38 bps.

Contributions of Featured Sub-Sectors to Monthly D-PPI (bps)



Expectations...

Strong demand in automotive and housing sectors due to low interest rates, is leading the prices in the related groups, especially durable consumer goods, to rise. On the other hand, seasonal factors limit the increase in inflation indicators. Moreover, the low oil prices compared to the previous year also lead to a positive outlook regarding annual inflation indicators. In this context, we think that the annual CPI inflation will remain at double digit levels for a while.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
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
	September	0.99	8.42	9.26	18.27	0.13	6.53	2.45	26.44
	October	2.00	10.59	8.55	16.81	0.17	6.71	1.70	22.58
	November	0.38	11.01	10.56	15.87	-0.08	6.63	4.26	19.68
	December	0.74	11.84	11.84	15.18	0.69	7.36	7.36	17.56
2020	January	1.35	1.35	12.15	14.52	1.84	1.84	8.84	15.71
	February	0.35	1.71	12.37	13.94	0.48	2.33	9.26	14.18
	March	0.57	2.29	11.86	13.33	0.87	3.22	8.50	12.61
	April	0.85	3.16	10.94	12.66	1.28	4.54	6.71	10.87
	May	1.36	4.57	11.39	12.10	1.54	6.15	5.53	9.14
	June	1.13	5.75	12.62	11.88	0.69	6.89	6.17	7.74
	July	0.58	6.37	11.76	11.51	1.02	7.98	8.33	6.81

Source: Turkstat, Datastream

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