



Monthly CPI came in at 0.86% in August.

In August, CPI increased by 0.86% compared to previous month, and remained below the expectations. The market's CPI expectation for this period was 1%. The increase in domestic PPI (D-PPI) was realized as 2.35% mom in August.

Annual D-PPI inflation increased to 11.53%.

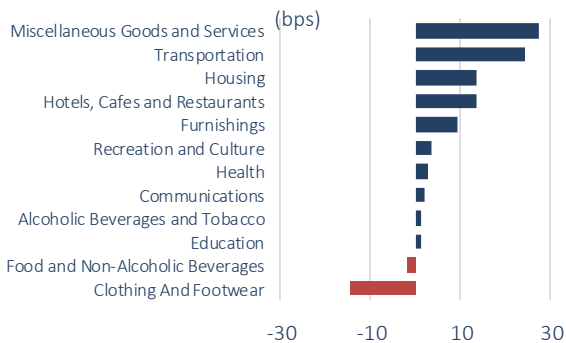
Annual CPI inflation remained flat compared to July and was realized as 11.77% in August. D-PPI inflation, which is accelerating since June, reached the highest level (11.53%) of the last 12 months in this period.

August (change %)	CPI		D-PPI	
	2019	2020	2019	2020
Monthly	0.86	0.86	-0.59	2.35
Annual	15.01	11.77	13.45	11.53
Annual Average	19.62	11.27	30.51	6.71

Widespread increase in the expenditure groups.

In August, prices in 10 out of the 12 main spending groups rose compared to the previous month. In this period, while miscellaneous goods and services group made the highest contribution to monthly CPI inflation with 30 basis points, the transportation group pulled inflation up by 24 basis points due to the increase in automobile and fuel prices. The rise in housing and furnishings prices in August caused a total of 23 basis points increase in monthly CPI inflation. The rise in hotels, cafes and restaurants prices also made an upward contribution to the inflation by 14 basis points. On the other hand, prices in the food and non-alcoholic beverages group dropped slightly, while clothing and footwear prices decreased by 2.1% mom due to seasonal factors, pulling the monthly CPI inflation down by 13 basis points.

Contributions to the Monthly CPI Inflation

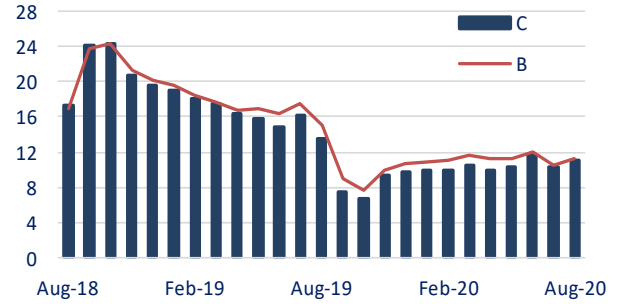


Core inflation indicators...

In August, 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) increased slower than the headline inflation by 0.78% mom and 0.77% mom, respectively. Annual rises in B and C indices came in higher than the previous month, though. In August, B and C indices increased by 11.18% yoy and 11.03% yoy, respectively.

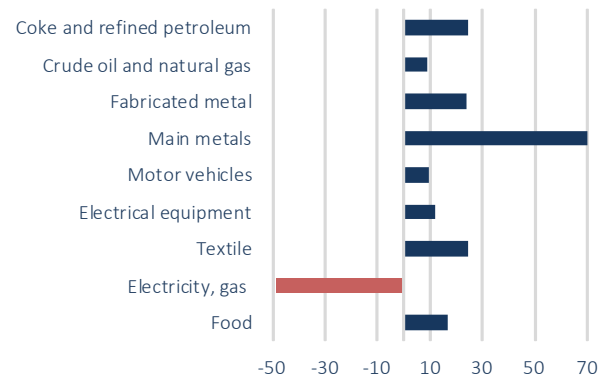
Special CPI Aggregates (annual % change)



Producer prices rose almost in all sectors.

In August, intermediate goods and capital goods prices increased by 3.8% and 3.5% mom, respectively, while the durable consumer goods prices went up by 3%. Among the sub sectors, main metal group had an upward contribution on monthly D-PPI inflation with 70 basis points. The second highest contribution on D-PPI inflation came from coke and refined petroleum products sector with 25 basis points. On the other hand, electricity, gas production and distribution group became the only sub-sector that limited monthly D-PPI inflation with a decrease of 7.3%.

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



Expectations...

Despite the recent tightening steps taken by the CBRT, the upward trend in global commodity prices and the lagged effects of the depreciation in TRY may put upward pressure on inflation in the upcoming months. Within this scope, we expect 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
	August	0.86	7.29	11.77	11.27	2.35	10.52	11.53	6.71

Source: Turkstat, Datastream

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