



Monthly CPI inflation came in at 1.8% in July.

In July, CPI increased by 1.8% compared to the previous month, exceeding market expectations. Market expectation for this period was around 1.5%. 1.8% monthly rise in CPI corresponds to the highest monthly inflation recorded in July since 2001. In this period, the rise in domestic PPI (D-PPI) became 2.46%, pointing to the highest D-PPI inflation for July since 2002.

Annual CPI inflation rose to 18.95% in July.

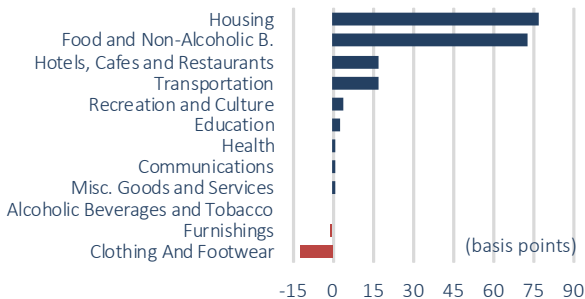
Annual CPI inflation became 18.95% in July, the highest level in 27 months. Annual D-PPI inflation continued to move upwards in July, reaching its highest level since October 2018 with 44.92%.

July (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	0.58	1.80	1.02	2.46
Year-to-Date	6.37	10.41	7.98	25.05
Annual	11.76	18.95	8.33	44.92
Annual Average	11.51	15.15	6.81	28.47

The monthly rise in the housing group prices stood out.

In July, prices in 10 out of 12 main spending groups increased compared to the previous month. The housing group prices surged at the fastest rate by 5.07% on a monthly basis with the impact of the rises in electricity and natural gas prices and pushed monthly inflation up by 77 bps. The food and non-alcoholic beverages prices increased by 2.77% mom and made the second highest contribution to the monthly CPI inflation by 73 bps. The increases in transportation and hotel and restaurant prices contributed a total of 33 bps to the monthly CPI inflation in this period. On the other hand, prices in the clothing, footwear and household equipments group declined on a monthly basis.

Contributions to the Monthly CPI Inflation

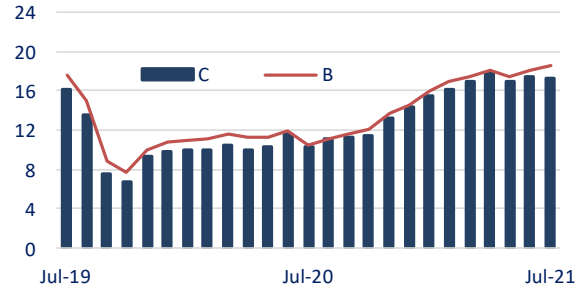


In terms of the contribution of the main expenditure groups to annual CPI inflation, the food and non-alcoholic beverages group has the highest impact on inflation with 609 bps and it is followed by the transportation group with 376 bps and then the housing group with 293 bps.

Core inflation indicators...

In July, when seasonality is expected to have a downward impact on inflation,, the monthly increase in CPI excluding seasonal products stood at 1.88%, close to the headline inflation. The monthly rise of 5.59% in fresh fruit and vegetable prices played an important role in this development. 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), which are closely monitored by the CBRT, increased less than the headline inflation on a monthly basis and became 1.00% and 0.62%, respectively. In this period, annual rise in B and C indices became 18.51% and 17.22%, respectively.

Special CPI Aggregates (annual % change)



Basic metals and food products prices made the highest contributions to the D-PPI inflation.

In July, the highest monthly price increases were recorded in crude oil and natural gas products by 9.33% and wood products by 6.58%. In this period, the sectors that made the highest contribution to the D-PPI inflation were the basic metals and food sectors.

Expectations...

Inflation indicators presented an overall worse-than-expected picture in July. Annual CPI inflation approached the CBRT's policy rate of 19% while the gap between D-PPI and CPI widened. In the current environment where inflationary pressures continue to be felt on a global scale and the usual downward impact of seasonal factors on inflation is limited, risks on the expected mild outlook for inflation for the last quarter of the year have been piling up. On the other hand, the relatively stable course of the Turkish lira in the recent period alleviates these risks to some extent. In its Inflation Report published on July 29, the CBRT raised its year-end CPI inflation forecast from 12.2% to 14.1% and reiterated its expectation that there will be a fall in the inflation path in the last quarter.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
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
	September	0.97	8.33	11.75	11.47	2.65	13.44	14.33	7.71
	October	2.13	10.64	11.89	11.74	3.55	17.48	18.20	9.11
	November	2.30	13.19	14.03	12.04	4.08	22.26	23.11	10.69
	December	1.25	14.60	14.60	12.28	2.36	25.15	25.15	12.18
2021	January	1.68	1.68	14.97	12.53	2.66	2.66	26.16	13.64
	February	0.91	2.60	15.61	12.81	1.22	3.92	27.09	15.14
	March	1.08	3.71	16.19	13.18	4.13	8.21	31.20	17.04
	April	1.68	5.45	17.14	13.70	4.34	12.91	35.17	19.44
	May	0.89	6.39	16.59	14.13	3.92	17.34	38.33	22.24
	June	1.94	8.45	17.53	14.55	4.01	22.04	42.89	25.38
	July	1.80	10.41	18.95	15.15	2.46	25.05	44.92	28.47

Source: Turkstat, Datastream

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