



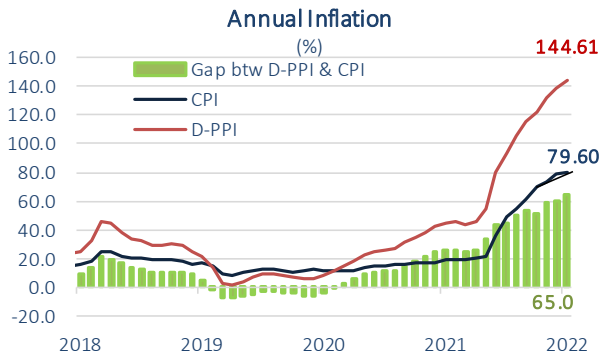
In July, the monthly CPI increase was 2.37%.

According to the figures revealed by TURKSTAT, in July, monthly CPI inflation came in at 2.37%, below the market expectations of 2.9%. Domestic PPI increased by 5.17% in July, posting the lowest monthly increase since September 2021.

July (change %)	CPI		D-PPI	
	2021	2022	2021	2022
Monthly	1.80	2.37	2.46	5.17
Year-to-Date	10.41	45.72	25.05	70.04
Annual	18.95	79.60	44.92	144.61
Annual Average	15.15	49.65	28.47	97.30

Annual CPI inflation rose to 79.6%.

In July, albeit losing momentum, annual CPI inflation continued to increase and reached the highest level of the last 24 years with 79.6%. D-PPI inflation also maintained its upward trend, reaching 144.61% on an annual basis in the same period. Thus, the gap between CPI and D-PPI exceeded 65 points, indicating that the cost pressure on CPI continues to increase.



The transportation group limited the CPI increase.

In July, prices increased on a monthly basis in all main expenditure groups except transportation. In this period, the highest increase was recorded in the health group, where prices went up by 6.98% mom due to the update in pharmaceutical prices. The group that had the highest impact (0.83 pts) on monthly inflation was the food and non-alcoholic beverages group, where prices rose by 3.15%. As the fall in oil prices was reflected to domestic fuel prices, the transportation group prices decreased by 0.85% mom in July. Thus, transportation was the only expenditure group which had a downward impact on monthly CPI inflation by 0.16 pts.

Despite the monthly decrease of transportation group prices, annual figures revealed that the highest rise was recorded in this group with 119.11% yoy. Food and non-alcoholic beverages group followed the transportation, with an annual price increase by 94.65%. As of July, these two groups pushed annual CPI inflation by 41.64 pts in total.

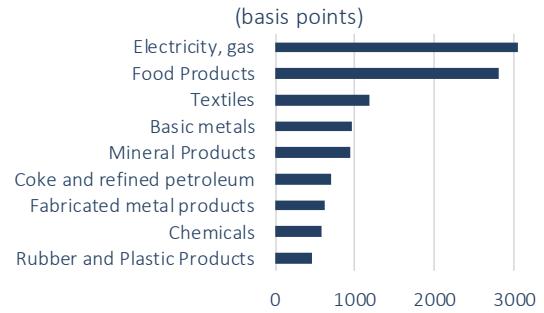
Core inflation indicators...

In July, core inflation indicators B (CPI excluding unprocessed food products, energy, alcoholic beverages and tobacco and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) rose by 68.46% yoy and 61.69% yoy, respectively. Although these figures remained below headline inflation, they kept having upward trend.

Energy and food groups continue to make a high contribution to D-PPI inflation.

In July, monthly price increases continued in all sub-sectors of D-PPI, excluding base metals and coke & refined petroleum products. In this context, electricity, gas production and distribution prices surged by 18.96% mom, making the highest contribution to monthly D-PPI inflation with 2.46 points. In July, due to the downward trend in global commodity markets, prices of base metals and coke & refined petroleum products declined by 2.72% mom and 8.97% mom, respectively.

Contributions to Annual D-PPI Inflation



Food and main electricity, gas production and distribution sub-sectors continued to stand out in the annual PPI inflation in July. The prices in these two groups rose by 441.75% yoy and 136.75% yoy, respectively, bringing the annual PPI up by a total of 58.5 points. Due to the impact of rising labor costs and the 34% annual increase in cotton prices in USD terms on a global scale, textile products' prices went up by 123.12% yoy, adding 11.76 points to the annual D-PPI.

Expectations...

While the global recession concerns have eased the upward pressures on commodity prices, especially energy, in the recent period, the grain corridor may also affect food prices positively by reducing supply-side constraints. However, ongoing geopolitical risks cause uncertainty regarding the course of inflation to persist. Considering the widening gap between producer and consumer inflation, the high course of core inflation figures and the upward trend in exchange rates, we think that annual inflation will maintain its high course in the upcoming period.

		Inflation (%)							
		CPI (2003=100)				D-PPI (2003=100)			
		Monthly	Year to		Annual Average	Monthly	Year to		Annual Average
Date	Annual		Date	Annual					
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
	August	1.12	11.65	19.25	15.78	2.77	28.51	45.52	31.34
	September	1.25	13.04	19.58	16.42	1.55	30.50	43.96	33.83
	October	2.39	15.75	19.89	17.09	5.24	37.34	46.31	36.20
	November	3.51	19.82	21.31	17.71	9.99	51.06	54.62	38.94
	December	13.58	36.08	36.08	19.60	19.08	79.89	79.89	43.86
2022	January	11.10	11.10	48.69	22.58	10.45	10.45	93.53	49.93
	February	4.81	16.45	54.44	25.98	7.22	18.43	105.01	56.83
	March	5.46	22.81	61.14	29.88	9.19	29.31	114.97	64.30
	April	7.25	31.71	69.97	34.46	7.67	39.23	121.82	72.03
	May	2.98	35.64	73.50	39.33	8.76	51.43	132.16	80.38
	June	4.95	42.35	78.62	44.54	6.77	61.68	138.31	88.77
	July	2.37	45.72	79.60	49.65	5.17	70.04	144.61	97.30

Source: Turkstat, Datastream

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