

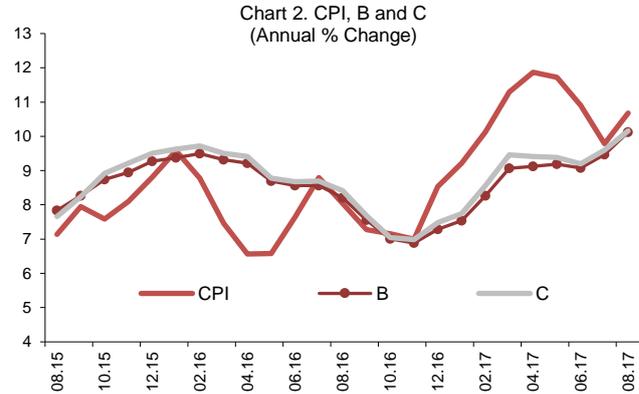
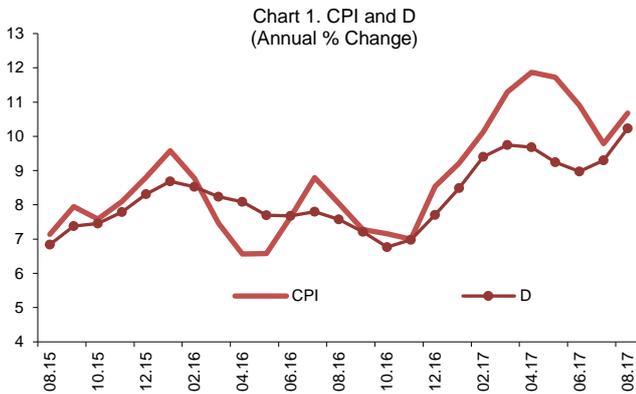
SUMMARY...

In August, consumer prices inched up by 0.52 percent and annual inflation rose by 0.89 points to 10.68 percent. Food inflation increased due to the adverse base effect from unprocessed food prices coupled with the rising processed food prices. Prices of oil and other inputs pushed energy prices significantly higher. Annual inflation remained flat in services, but soared in core goods due to clothing and durable consumption goods. Accordingly, both the annual inflation and the underlying trend of core indicators exhibited an uptick.

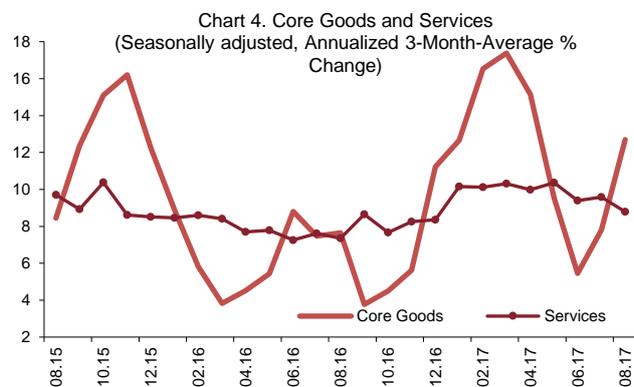
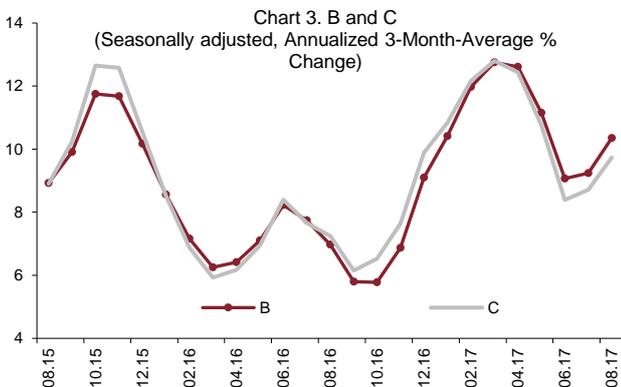
... EVALUATIONS ...

In August, consumer prices inched up by 0.52 percent and annual inflation rose by 0.89 points to 10.68 percent (Chart 1). The annual rate of change in the B and C indices increased by 0.66 points and 0.56 points to 10.12 and 10.16 percent, respectively (Chart 2).¹

Across subcategories, the food, energy and core goods groups contributed 0.40, 0.31 and 0.31 points more to annual inflation month-on-month, respectively, whereas alcohol-tobacco contributed 0.19 points less, and the contribution of services remained virtually unchanged month-on-month.



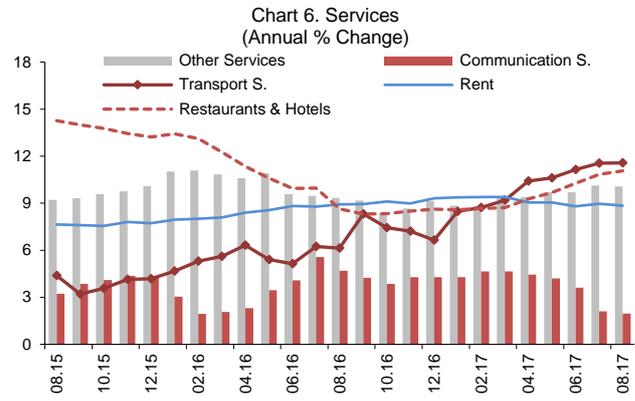
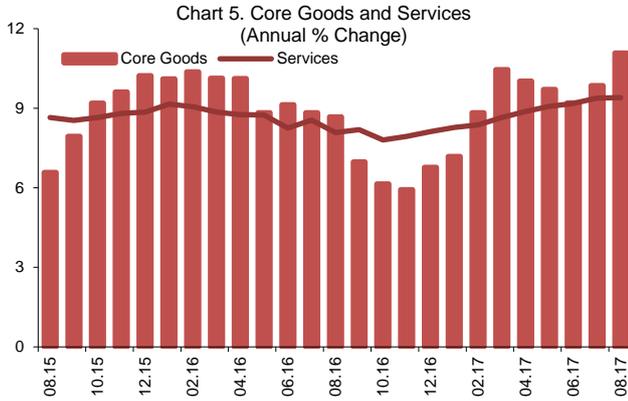
Three-month averages of seasonally-adjusted core inflation indicators reveal that the steepening of the underlying trend of inflation continued in August (Chart 3). Core goods displayed an increase, while services registered a slight recovery in terms of underlying trends (Chart 4). The rise in the underlying trend of core goods is attributed to the methodological change in clothing prices as well.



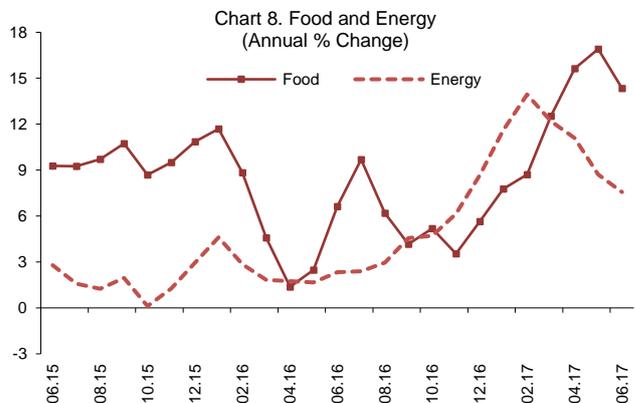
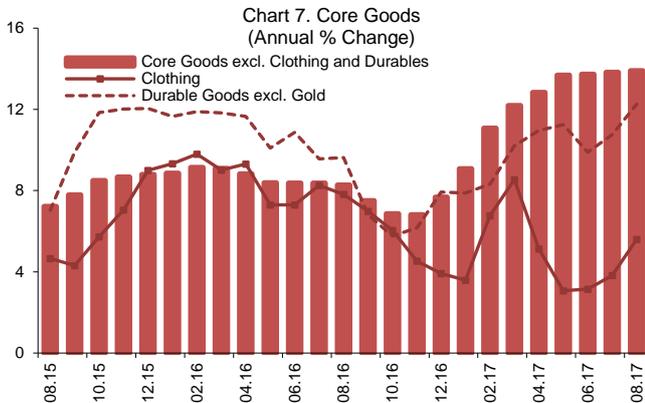
Prices of services rose by 0.73 percent in August, while annual services inflation remained unchanged at a high level with 9.40 percent (Chart 5 and Table 1). Annual inflation displayed an uptick in the restaurants-hotels group, remained flat in transportation services, and receded to a

¹ B: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco and gold, C: CPI excluding energy, food and non-alcoholic beverages, beverages and tobacco products and gold, D: CPI excluding unprocessed food, alcoholic beverages and tobacco products.

limited extent in other subgroups (Chart 6). In the restaurants-hotels group, catering inflation increased due to prices of food and beverages, while the annual inflation of accommodation services has registered a gradual increase in recent months due also to the rebound in tourism. This period witnessed a monthly upsurge in prices of education with 2.79 percent, which was mostly driven by the rising tuitions of private universities (10.51 percent).



Annual core goods inflation rose by 1.22 points to 11.08 percent in August (Chart 5). The rise in annual inflation in this period was driven by clothing and durable goods (Chart 7 and Table 1). Given the effect of the methodological change in the clothing group, inflation posted an increase in the last two months. Prices of durable goods increased due to the surging prices of furniture, automobiles and white goods (3.52, 2.31 and 1.19 percent, respectively) as well as the effect of the depreciation in the Turkish lira against the euro. On the other hand, core goods excluding clothing and durable goods decelerated further month on month.



Energy prices soared by 2.03 percent in August (Table 1). Affected by the recent course of oil and liquefied petroleum gas (LPG) prices, fuel and bottled gas prices surged by 4.34 and 5.94 percent, respectively. All in all, annual energy inflation rose by 2.42 points to 10.54 percent (Chart 8).

Annual food and nonalcoholic beverages inflation rose by 1.90 points to 11.97 percent (Chart 8). Annual inflation rose both in processed and unprocessed food groups and stood at 9.95 and 14.37 percent, respectively (Chart 9). The rise in annual unprocessed food inflation was led by the adverse base effect, while the group's prices receded in seasonally-adjusted terms. On the other hand, processed food prices posted a month-on-month upsurge (1.25 percent), which spread across subgroups. Cheese and other dairy products registered notable price increases (4.37 percent) in this group, while prices of processed meat products and tea maintained the uptrend. Against these developments, annual food inflation excluding fresh fruits and vegetables reached 12.39 percent (Chart 10).

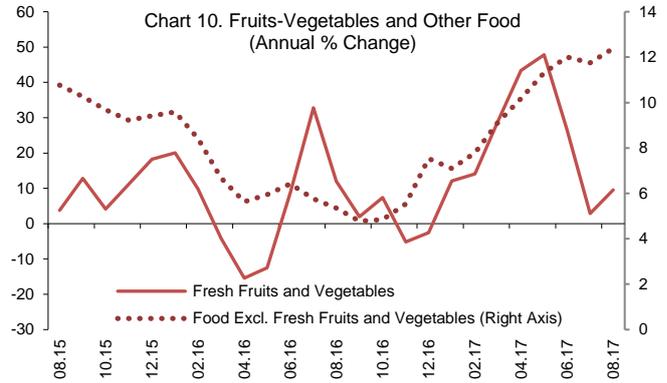
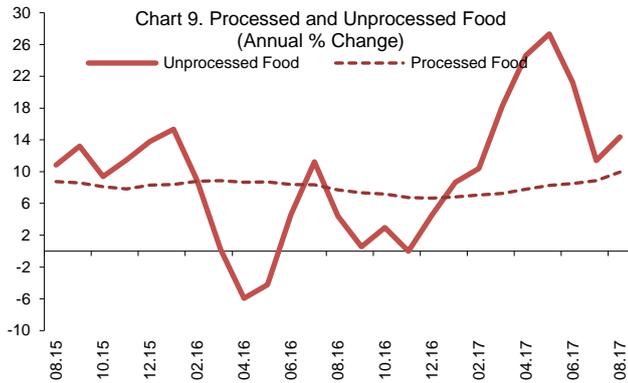


Table 1. August CPI and Subcategories (Percent Change)

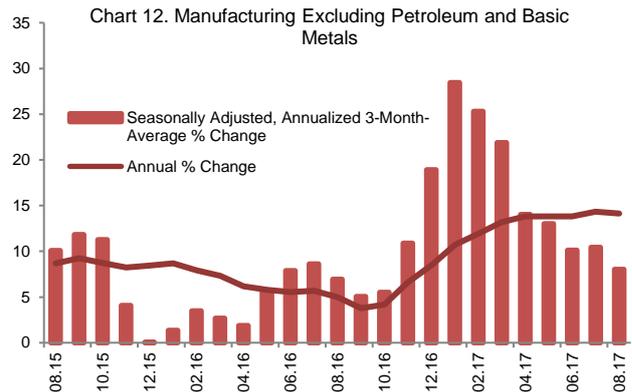
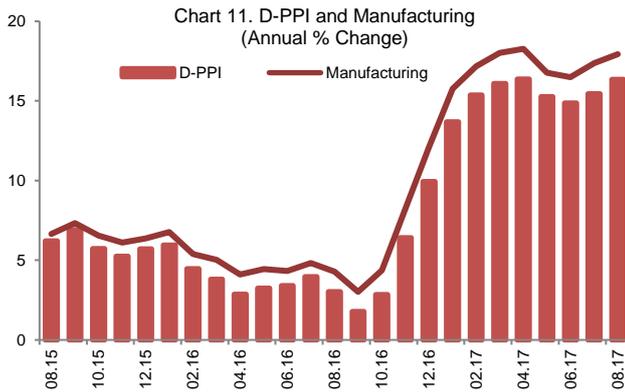
	Monthly Percent Change		Annual Percent Change	
	August 2017	August 2016	August 2017	August 2016
CPI	0.52	-0.29	10.68	8.05
1. Goods	0.43	-0.74	11.26	8.00
Energy	2.03	-0.21	10.54	2.97
Food and nonalcoholic beverages	-0.22	-1.92	11.97	6.19
Unprocessed food	-1.83	-4.39	14.37	4.42
Fresh fruits and vegetables	-5.80	-11.54	9.54	11.97
Other unprocessed food	0.23	0.36	16.89	1.29
Processed food	1.25	0.26	9.95	7.72
Bread and cereals	0.48	0.13	8.54	9.78
Other processed food	1.69	0.34	10.75	6.60
Goods excluding energy and food	0.26	-0.10	11.12	11.36
Core goods	0.22	-0.88	11.08	8.67
Durable goods (excluding gold)	1.98	0.61	12.26	9.62
Clothing and footwear ^(*)	-3.16	-4.79	5.59	7.82
Other core goods	0.49	0.41	13.91	8.27
Alcoholic beverages and tobacco	0.05	3.44	10.40	23.03
Gold	1.87	1.09	13.02	24.83
2. Services	0.73	0.71	9.40	8.09
Rents	0.76	0.87	8.85	8.92
Restaurants and hotels	1.03	0.82	11.07	8.63
Transport	0.31	0.30	11.57	6.14
Communication	-0.14	0.00	1.96	4.69
Other	0.93	0.98	10.06	9.33
3. Core Measures				
B - CPI excluding unprocessed food, energy, alcoholic beverages tobacco and gold	0.62	0.02	10.12	8.21
C - CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold	0.49	-0.02	10.16	8.41
D - CPI excluding unprocessed food, alcoholic beverages and tobacco	0.85	0.00	10.23	7.57

Source: TurkStat.

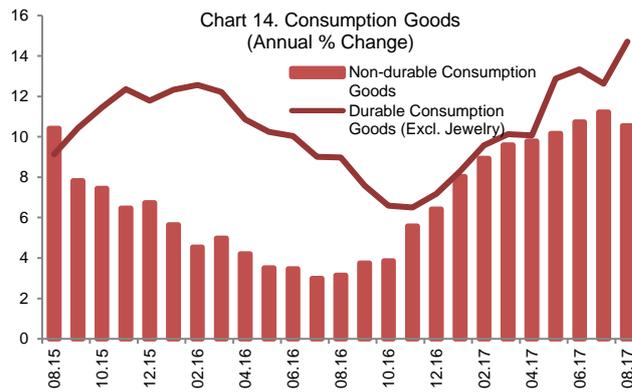
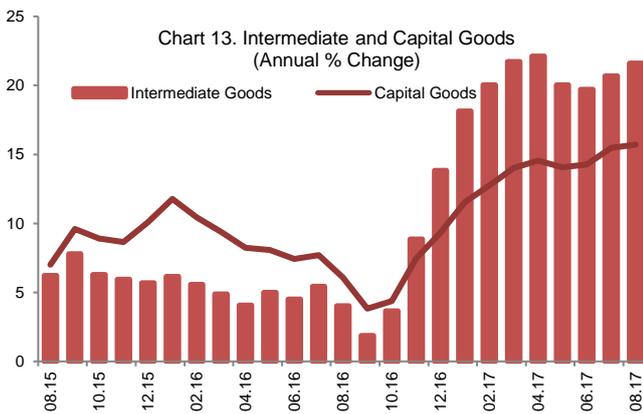
(*) Does not cover clothing services.

... D-PPI ...

Domestic producer prices increased by 0.85 percent in August while annual D-PPI inflation rose by 0.89 points to 16.34 percent (Chart 11). This rise was mostly attributed to the developments in international commodity prices such as oil and industrial metals. In fact, annual inflation amounted to 17.94 percent in the manufacturing industry, but receded to 14.14 percent in the manufacturing industry excluding petroleum and base metals. The seasonally-adjusted underlying trend of prices for the manufacturing industry excluding petroleum and base metals lost some pace on account of the stable course of the exchange rate (Chart 12).



According to the Main Industrial Groupings (MIGs), prices were up in all subcategories but non-durable goods in August (Table 3). The upsurge in durable goods was mainly led by the prices of furniture and home appliances. Meanwhile, prices of intermediate goods rose due to iron-steel products, and the price hikes in capital goods were driven by motor vehicles. On the other hand, prices of nondurable goods declined owing to meat products. As a result, producer-driven cost pressures on consumer prices remained robust.



...TABLES

Table 2. August CPI and Subcategories (Percent Change)

	Weight	August 2017		August 2016	
		Monthly	Annual	Monthly	Annual
CPI	100	0.52	10.68	-0.29	8.05
Food and nonalcoholic beverages	21.77	-0.22	11.97	-1.92	6.19
Alcoholic beverages and tobacco	5.87	0.05	10.40	3.44	23.03
Clothing and footwear	7.33	-3.09	5.65	-4.69	7.84
Housing	14.85	0.71	7.76	0.47	6.82
Household equipment	7.72	1.66	8.73	0.26	8.25
Health	2.63	0.18	11.66	0.38	10.60
Transport	16.31	2.05	17.38	0.19	6.74
Communication	4.12	0.08	1.77	0.11	3.60
Recreation and culture	3.62	0.34	11.19	0.37	5.63
Education	2.69	2.79	10.30	2.61	9.18
Restaurants and hotels	8.05	1.03	11.07	0.82	8.63
Miscellaneous goods and services	5.04	0.71	10.89	0.45	11.84

Source: TurkStat.

Table 3. August D-PPI and Subcategories (Percent Change)

	Weight	August 2017		August 2016	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	0.85	16.34	0.08	3.03
Mining	3.36	0.89	11.35	-1.53	2.21
Manufacturing	88.79	0.86	17.94	0.38	4.29
Manufacturing excl. petroleum products	86.18	0.74	17.02	0.46	4.66
Manufacturing excl. petroleum products and basic metals	77.80	0.37	14.14	0.54	4.97
Electricity, gas, steam and air-conditioning supply	6.81	0.77	0.11	-2.91	-10.92
Water supply	1.03	0.36	11.26	0.67	8.74
D-PPI (MIGs Classification)					
Intermediate Goods		1.17	21.61	0.40	4.02
Durable Consumption Goods		1.74	14.21	0.71	12.32
Durable Consumption Goods (Excl. Jewelry)		1.75	14.71	-0.09	8.97
Non-Durable Consumption Goods		-0.21	10.55	0.40	3.15
Capital Goods		0.84	15.71	0.63	6.08
Energy		1.79	12.51	-2.49	-7.06

Source: TurkStat.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation by the public of the monthly inflation developments during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.