



Monthly CPI inflation is below expectations.

Monthly CPI inflation came in at 0.99%, below market expectation of 1.3%. Domestic PPI (D-PPI) increased by 0.13% mom in this period.

September (change %)	CPI		D-PPI	
	2018	2019	2018	2019
Monthly	6.30	0.99	10.88	0.13
Year-to-Date	19.37	8.42	38.96	6.53
Annual	24.52	9.26	46.15	2.45
Annual Average	13.75	18.27	21.36	26.44

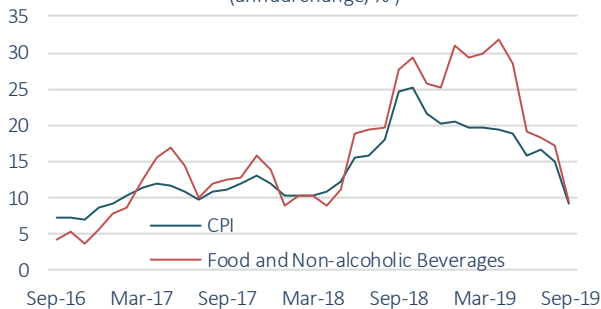
Annual inflation fell to single digits for the first time since July 2017.

Annual CPI inflation declined to 9.26% in September thanks largely to the base effect. The annual rise in D-PPI also decreased to 2.45%, the lowest level recorded since September 2016. Due to the sharp depreciation of Turkish lira in summer months last year, the annual CPI and D-PPI inflations in September 2018 were 24.52% and 46.15%, respectively.

Food prices dragged down CPI.

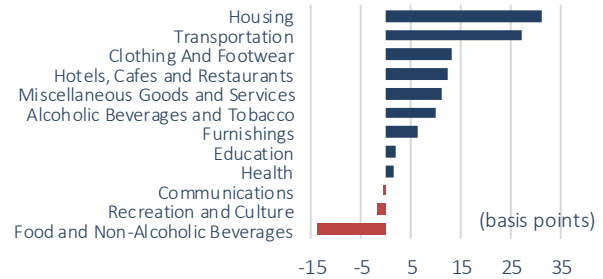
Prices in food group, which has the highest weight in CPI basket, declined by 0.6% mom and pushed inflation down by 14 basis points. Recreation and culture group also dragged inflation down by 2 basis points. Looking at the annual contributions to the annual inflation, we see that food prices continued to make the largest contribution with 218 basis points.

Food Prices and CPI
(annual change, %)



In line with the expectations, housing, transportation, and clothing-footwear were the first three groups that put upward pressure on inflation. Back-to-school season and the rises in rents, natural gas prices and transportation fees were behind this impact.

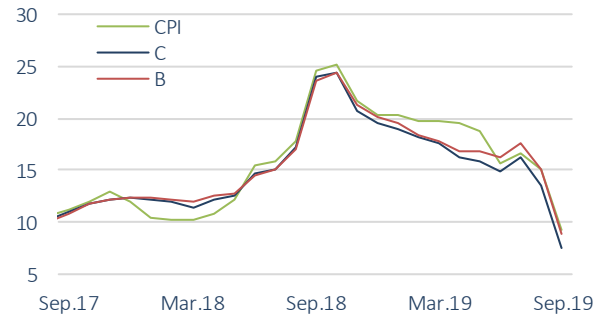
Contributions to the Monthly CPI Inflation



Core inflation indicators...

The monthly increase in CPI excluding seasonal products came in close to the headline inflation print with 1.03%. CBRT's favorite core inflation indicators, B (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) sharply recovered in September. The annual increases in B and C indices declined to 8.90% from 15.05% and to 7.54% from 13.60%, respectively.

CPI and Core CPI Aggregates
(annual % change)



Food products and basic metals pushed down D-PPI.

The highest contribution to the monthly rise in D-PPI came from electricity and gas with 18 basis points. Coke-refined petroleum products followed this with a contribution of 12 basis points. Food prices, on the other hand, made the largest negative contribution to the monthly D-PPI inflation by 24 basis points. Basic metals followed food group with a negative contribution of 12 basis points.

Expectations...

In October, we expect that monthly CPI inflation will be higher than the September print due to both seasonal factors and the electricity price increase. On the other hand, we anticipate that the fall in annual CPI inflation will continue thanks to the favorable base effect.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
2017	January	2.46	2.46	9.22	7.76	3.98	3.98	13.69	4.96
	February	0.81	3.29	10.13	7.88	1.26	5.29	15.36	5.87
	March	1.02	4.34	11.29	8.21	1.04	6.38	16.09	6.89
	April	1.31	5.71	11.87	8.66	0.76	7.19	16.37	8.01
	May	0.45	6.18	11.72	9.09	0.52	7.74	15.26	9.02
	June	-0.27	5.89	10.90	9.36	0.07	7.82	14.87	9.98
	July	0.15	6.05	9.79	9.44	0.72	8.60	15.45	10.94
	August	0.52	6.60	10.68	9.66	0.85	9.52	16.34	12.05
	September	0.65	7.29	11.20	9.98	0.24	9.78	16.28	13.26
	October	2.08	9.52	11.90	10.37	1.71	11.66	17.28	14.47
	November	1.49	11.16	12.98	10.87	2.02	13.91	17.30	15.38
	December	0.69	11.92	11.92	11.14	1.37	15.47	15.47	15.82
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

Source: Turkstat, Datastream

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