



Monthly CPI came in at 2.13% in October.

In October, CPI increased by 2.13% mom, in line with the expectations. Domestic PPI (D-PPI) posted an increase of 3.55% in this period.

Annual D-PPI inflation increased to 18.20%.

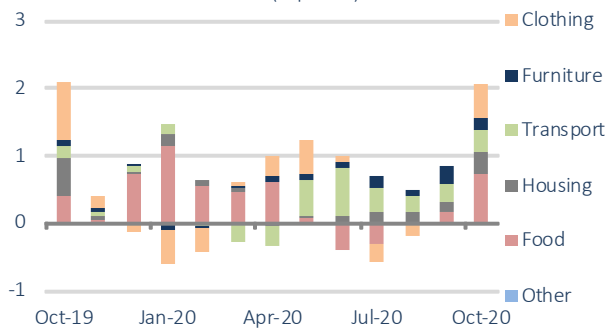
Annual CPI, which followed a flat course in July-September period, reached its highest level since February with 11.89% in October. Gaining momentum since June, D-PPI inflation hit 15-month high with 18.20% in this period.

October (change %)	CPI		D-PPI	
	2019	2020	2019	2020
Monthly	2.00	2.13	0.17	3.55
Year-to-Date	10.59	10.64	6.71	17.48
Annual	8.55	11.89	1.70	18.20
Annual Average	16.81	11.74	22.58	9.11

Rapid increase in clothing and footwear prices in October...

In October, prices rose in 10 out of the 12 main spending groups on a monthly basis. In this period, the clothing and footwear group, where prices increased most rapidly by 6.8%, pulled the monthly CPI inflation up by 42 bps. In the food group, which made the highest contribution to CPI inflation with 70 bps mom, the increase in prices of fresh fruit and vegetables drew attention. Prices decreased slightly in the alcoholic beverages and tobacco group, as well as in the entertainment and culture group in October.

Contribution to Monthly CPI Inflation
(% points)

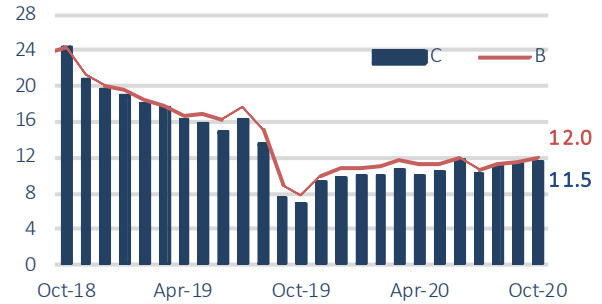


The rise in core inflation indicators continued in October.

The monthly increase in CPI excluding seasonal products was 1.6% in October, below the headline inflation. The annual upward trend since August in the 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 and tobacco, and gold), which were closely monitored by the CBRT, continued in October. Annual increases in B and C indices were 12% and 11.5%,

respectively.

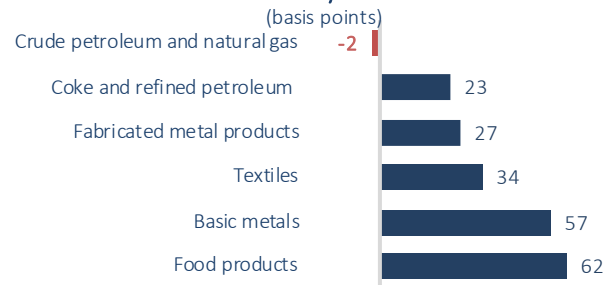
Special CPI Aggregates
(annual % change)



Food products and basic metals stood out in D-PPI inflation.

In October, among the sub-sectors of D-PPI, prices of coke and refined petroleum products recorded the highest increase with 5.9% mom. Food group made the highest contribution to monthly D-PPI inflation with 62 bps in this period, followed by basic metals group with 57 bps. The crude petroleum and natural gas sector, where prices fell rapidly by 6.1% in October, pulled the D-PPI down by 2 bps. Prices in the basic pharmaceutical products sector also declined slightly by 0.2% mom.

Contributions of Featured Sub-Sectors to
Monthly D-PPI



Expectations...

In the last Inflation Report of the year, CBRT increased its inflation forecast for 2020 from 8.9% to 12.1%. Considering the recent depreciation of the TRY and the exchange rate pass-through effect, which is still at high levels, upward pressures on inflation are expected to continue.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date				Average			Date
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
	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

Source: Turkstat, Datastream

Economic Research Division

izlem Erdem Chief Economist izlem.erdem@isbank.com.tr	ilker Şahin Economist ilker.sahin@isbank.com.tr
Alper Gürler Unit Manager alper.gurler@isbank.com.tr	Gamze Can Economist gamze.can@isbank.com.tr
Dilek Sarsın Kaya Asst.Manager dilek.kaya@isbank.com.tr	Kaan Tuncalı Asst. Economist kaan.tuncali@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.