



### CPI increased above expectations in October.

In October, CPI increased by 2.88% mom, above the market expectations. According to the Reuters survey, consumer prices were expected to rise by 2.61% mom. On the other hand annual CPI inflation continued its downward trend for the fifth month in a row due to the high base effect, falling to 48.58%, the lowest level since July 2023. In October, D-PPI inflation came in at 1.29% mom, while realizing as 32.24% annually, the lowest level since March 2021.

October (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	3.43	2.88	1.94	1.29
Year-to-Date	55.00	39.77	38.70	27.17
Annual	61.36	48.58	39.39	32.24
Annual Average	54.26	62.02	58.46	43.93

### In October, clothing and footwear prices rose by 14.32% mom.

In October, prices increased in all expenditure groups except transportation and alcoholic beverages and tobacco. In this period, the highest monthly price increase was in clothing and footwear group with 14.32%. Food and non-alcoholic beverages, which followed this group with a 4.33% rise, was the expenditure group that increased CPI the most by 1.03 points due to its high weight in expenditure basket. Housing group, where prices rose by 2.93% mom, pushed the monthly inflation up by 0.48 points. On the other hand, prices of communication and health groups went up by 3.52% and 2.88% mom in October, respectively, due to the hikes in mobile phone prices, mobile network tariffs and the rise in EUR/TRY parity used in medicine pricing. Price increases in recreation and culture (0.62%) and education (0.33%) were relatively moderate.

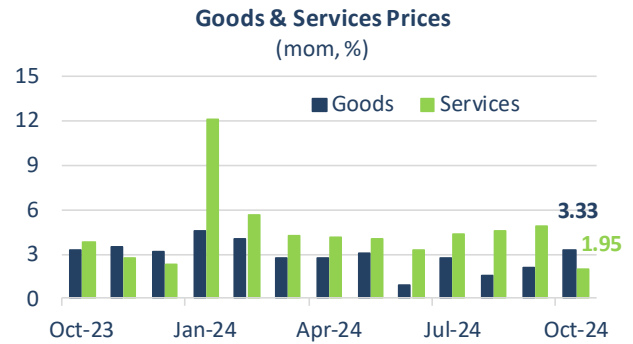
In annual CPI inflation, the 93.66% rise in education group stood out, while price increases in housing and food&non-alcoholic beverages groups pushed annual CPI inflation up by 22.84 points in total. In the same period, price increases in clothing&footwear (31.37%) and transportation (26.14%) groups were relatively limited.

### Seasonal products had a negative impact on the inflation outlook.

In October, A index that excludes seasonal products increased by 1.39% mom, well below the headline CPI and at its lowest level since May 2023, when the cut in natural gas prices were introduced. Thus, A index indicated that seasonal factors elevated inflation in October. In this period, B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco products and gold) and C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) rose slightly below the headline CPI by

2.69% and 2.79% mom, respectively. Thus, monthly inflation in these two indices fell to the lowest levels of the last 3 months.

The analysis of data on goods' and services' prices showed that monthly inflation in goods prices (3.33%) exceeded services inflation (1.95%) for the first time this year in October. In this period, the main driver of goods inflation was the prices of fresh fruits and vegetables, which recorded the highest monthly increase since April 2022 with 19.20%, while clothing and footwear prices also accelerated significantly. In services group, monthly inflation was realized at its lowest level in almost 2 years, but rent was the main item where the rigidity in price increases continued. On the other hand, monthly price changes in other service items were below the headline CPI inflation and were down in transportation services.



### Food prices pushed D-PPI inflation upwards.

Although the fastest monthly price increase in October was in other manufactured goods (5.21% mom), the items that pushed the PPI up the most were food products (0.44 pp) and basic metals (0.19 pp), where prices rose by 2.32% and 2.33%, respectively. In October, the 7.39% decline in crude petroleum and natural gas prices limited D-PPI inflation by 0.03 points, while electricity and gas was the item that pulled producer prices down the most with 0.14 points.

### Expectations...

More-than-expected course in CPI inflation continued in October. The ongoing flat course in exchange rates and energy prices; and the D-PPI inflation's course below the CPI in recent months signal that the increase in final product prices is not cost-driven. On the other hand, the slowdown in services inflation, one of the key elements for disinflation, and the seasonal nature of the acceleration in goods inflation leave room for assessments that the disinflation process will continue in the coming months. In this framework, anchoring inflation expectations, the sustained cooling in services inflation and the decisions to be taken regarding administered prices will be important for the course of inflation.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to Date	Annual	Annual Average	Monthly	Year to Date	Annual	Annual Average	
<b>2022</b>	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
	August	1.46	47.85	80.21	54.69	2.41	74.13	143.75	105.39
	September	3.08	52.40	83.45	59.91	4.78	82.45	151.50	114.02
	October	3.54	57.80	85.51	65.26	7.83	96.74	157.69	122.93
	November	2.88	62.35	84.39	70.36	0.74	98.20	136.02	128.94
	December	1.18	64.27	64.27	72.31	-0.24	97.72	97.72	128.47
<b>2023</b>	January	6.65	6.65	57.68	72.45	4.15	4.15	86.46	125.53
	February	3.15	10.00	55.18	71.83	1.56	5.78	76.61	120.72
	March	2.29	12.52	50.51	70.20	0.44	6.25	62.45	113.73
	April	2.39	15.21	43.68	67.20	0.81	7.11	52.11	105.50
	May	0.04	15.26	39.59	63.72	0.65	7.81	40.76	95.80
	June	3.92	19.77	38.21	59.95	6.50	14.82	40.42	86.59
	July	9.49	31.14	47.83	57.45	8.23	24.27	44.50	78.51
	August	9.03	43.06	58.94	56.28	5.89	31.59	49.41	71.97
	September	4.75	49.86	61.53	55.30	3.40	36.06	47.44	65.55
	October	3.43	55.00	61.36	54.26	1.94	38.70	39.39	58.46
	November	3.28	60.09	61.98	53.40	2.81	42.59	42.25	53.15
	December	2.93	64.77	64.77	53.86	1.14	44.22	44.22	49.93
<b>2024</b>	January	6.70	6.70	64.86	54.72	4.14	4.14	44.20	47.35
	February	4.53	11.54	67.07	55.91	3.74	8.03	47.29	45.71
	March	3.16	15.06	68.50	57.50	3.29	11.59	51.47	45.28
	April	3.18	18.72	69.80	59.64	3.60	15.61	55.66	45.83
	May	3.37	22.72	75.45	62.51	1.96	17.87	57.68	47.24
	June	1.64	24.73	71.60	65.07	1.38	19.49	50.09	47.97
	July	3.23	28.76	61.78	65.93	1.94	21.81	41.37	47.55
	August	2.47	31.94	51.97	64.91	1.68	23.86	35.75	46.23
	September	2.97	35.86	49.38	63.47	1.37	25.55	33.09	44.81
	October	2.88	39.77	48.58	62.02	1.29	27.17	32.24	43.93

Source: Turkstat, Datastream

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