



CPI was far above expectations in September.

In September, CPI rose above market expectations by 6.30% on a monthly basis. According to the Reuters survey, CPI was expected to increase by 3.6% mom. Continuing its rapid increase, Domestic PPI (D-PPI) rose by 10.88% on a monthly basis in September, reaching double digits for the first time in 2003 based series.

September (change %)	CPI		D-PPI	
	2017	2018	2017	2018
Monthly	0.65	6.30	0.24	10.88
Year-to-Date	7.29	19.37	9.78	38.96
Annual	11.20	24.52	16.28	46.15
Annual Average	9.98	13.75	13.26	21.36

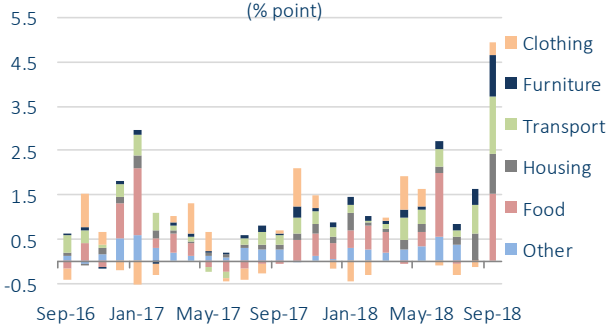
Annual inflation continued to rise.

Having increased since April, annual CPI inflation continued its upward trend and surged up to 24.52% in September. Besides, annual increase in D-PPI reached 46.15%. Thus, annual rises in CPI and D-PPI touched their new peaks in 2003 based series.

Inflation was mainly driven by transportation and food prices.

In September, prices in all main expenditure groups increased on a monthly basis. During this period, among the main expenditure groups, transportation group made the highest contribution to the monthly inflation by 167 bps, by increasing 9.15% mom. The food group, which has the highest share in CPI basket, made the second highest contribution to the monthly CPI inflation by 149 bps. In this period, price increases in housing and furnishings groups were also noteworthy.

Contribution to Monthly CPI Inflation
(%point)

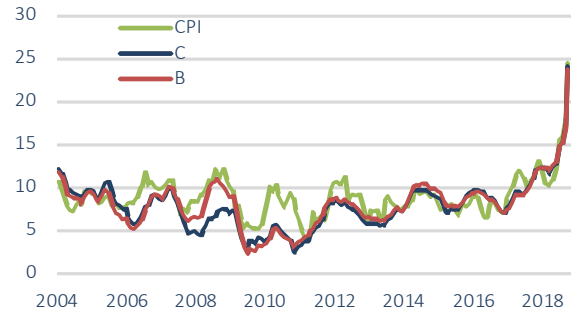


Core inflation indicators...

Deterioration in CBRT's favorite core inflation indicators, B and C, continued in September. In this period, annual rises in B and C indexes were realized as 23.71% and 24.05%, respectively. Rising core inflation indicated that

deterioration in pricing behavior will continue in the upcoming period. During this period seasonality had a limited impact on monthly inflation as headline CPI inflation declines slightly to 6.14% when all seasonal products are excluded.

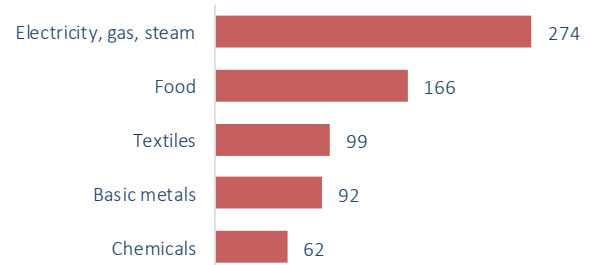
CPI and Special CPI Aggregates
(annual % change)



D-PPI inflation posted a rapid increase.

In September, prices in all sub-sectors pushed the monthly D-PPI inflation up. In this period, rising by 40.21%, electricity, gas production and distribution sector made the highest contribution to the monthly D-PPI increase with 274 bps. The rises in food and textile prices were also noteworthy in terms of rise in monthly D-PPI.

Contributions to the Monthly D-PPI Inflation
(basis points)



Expectations...

In September, inflation continued to increase, while the deterioration in core inflation indicators gained momentum. In addition, it is noteworthy that the gap between consumer and producer inflation has been growing. We anticipate the upward trend in D-PPI will highly be effective on consumer prices in the upcoming period. We expect that the rising trend in annual inflation will continue in October taking the natural gas and electricity price increases at the beginning of October into account.

Source: Turkstat, Datastream

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date				Average			Date
2016	January	1.82	1.82	9.58	7.87	0.55	0.55	5.94	5.50
	February	-0.02	1.80	8.78	7.97	-0.20	0.34	4.47	5.61
	March	-0.04	1.75	7.46	7.96	0.40	0.75	3.80	5.64
	April	0.78	2.55	6.57	7.84	0.52	1.27	2.87	5.47
	May	0.58	3.15	6.58	7.71	1.48	2.77	3.25	5.19
	June	0.47	3.63	7.64	7.74	0.41	3.19	3.41	4.91
	July	1.16	4.84	8.79	7.91	0.21	3.41	3.96	4.77
	August	-0.29	4.53	8.05	7.98	0.08	3.49	3.03	4.51
	September	0.18	4.72	7.28	7.92	0.29	3.79	1.78	4.07
	October	1.44	6.23	7.16	7.89	0.84	4.66	2.84	3.83
	November	0.52	6.78	7.00	7.79	2.00	6.76	6.41	3.93
	December	1.64	8.53	8.53	7.78	2.98	9.94	9.94	4.30
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 ^(E)	3.00	22.95	25.64	14.93	5.50	46.60	51.60	24.31

Source: Turkstat, Datastream

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