



### CPI came in parallel with expectations.

In October, CPI increased in line with market expectations by 2% on a monthly basis, while domestic PPI (D-PPI) rose by 0.17%.

October	CPI		D-PPI	
(change %)	2018	2019	2018	2019
Monthly	2.67	2.00	0.91	0.17
Year-to-Date	22.56	10.59	40.22	6.71
Annual	25.24	8.55	45.01	1.70
Annual Average	14.90	16.81	23.73	22.58

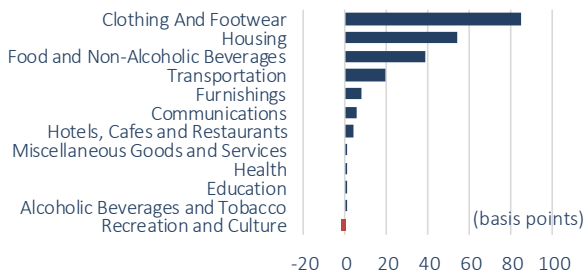
### Annual CPI inflation declined to 8.55%.

Annual CPI inflation dropped to 8.55%, the lowest level since December 2016 thanks to favorable base effect. Annual D-PPI fell to 1.7%, the lowest level of almost 10 years.

### Seasonal products pushed the monthly inflation up.

Prices in all main expenditure groups except recreation and culture increased in October. Clothing and footwear group, in which prices increased by 11.7% on a monthly basis due to seasonal factors, made the highest contribution to October inflation by 73 bps. During this period, housing group pushed the consumer inflation up by 52 bps due to the hike in electricity prices. Also, food and non-alcoholic beverages gave the third highest contribution to the monthly inflation with 38 bps, mainly affected by the rise in fresh fruit and vegetable prices.

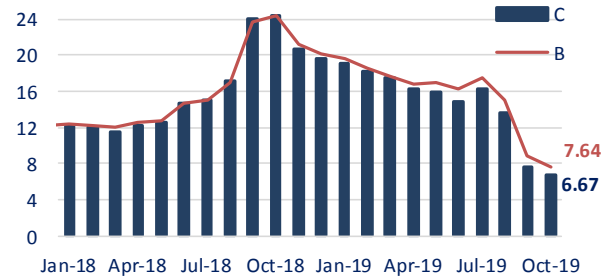
#### Contributions to the Monthly CPI Inflation



### Core inflation indicators...

In October, 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) have followed their decreasing trend as was the case since July. While the annual increase in B index dropped the lowest level since January 2017 with %7.64, C index was realized as the lowest level of more than 6 years, with falling 6.67%.

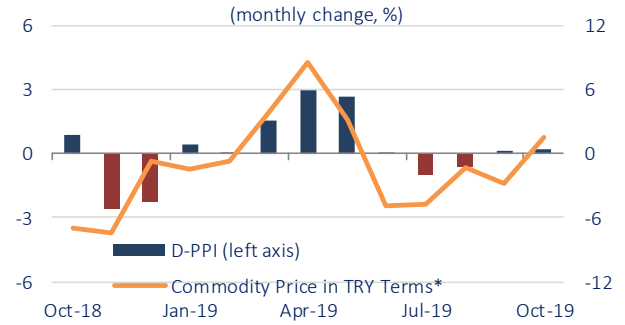
#### Special CPI Aggregates (annual % change)



### Producer prices in basic metals decreased.

In October, prices in most of the sub-sectors of D-PPI had a slight increase. In this period, electricity, gas group made the highest contribution to monthly D-PPI inflation by 10 bps, while the basic metals dragged inflation down by 23 bps.

#### Commodity Prices and D-PPI



### CBRT lowered the year-end inflation expectation to 12%.

In its last Inflation Report of 2019, CBRT decreased the year-end inflation expectation of 2019 to 12%, 1.9 points lower than the July forecast. As reasons for downward revision, CBRT asserted the significant improvement in the underlying trend of inflation, the downward revisions to import prices and food prices. However, CBRT indicated that the moderate recovery in the output gap and the tax hikes for alcoholic beverages and tobacco products pushed year-end inflation forecasts upward compared to the previous report period. Moreover, 2020 year-end inflation forecast was kept at 8.2%.

### Expectations...

We believe that the upward pressure of seasonal products on inflation will continue in November albeit a lesser extent compared to October. Accordingly, in line with the weakening base effect, we expect that the downward trend in annual inflation since the beginning of the year will end in November and the annual inflation will rise to double-digit levels.

(\*Based on CRB Commodity Price Index

Source: Turkstat, Datastream

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date				Average			Date
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
	October	2.00	10.59	8.55	16.81	0.17	6.71	1.70	22.58

Source: Turkstat, Datastream

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