



CPI inflation came in below the expectations in September.

According to the data released by TURKSTAT, CPI increased by 1.25% mom in September, below market expectations. The market expectation was that the monthly increase in CPI would be 1.35%. In the same period, D-PPI rose by 1.55% mom, lowest increase since February 2021.

Annual CPI rose to 19.58% in September.

Continuing its upward trend, annual CPI inflation reached 19.58% in September, the highest level in the last 2.5 years. On the other hand, annual D-PPI inflation declined from 45.52% in August to 43.96% in September.

September (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	0.97	1.25	2.65	1.55
Year-to-Date	8.33	13.04	13.44	30.50
Annual	11.75	19.58	14.33	43.96
Annual Average	11.47	16.42	7.71	33.83

Prices in 11 main spending groups increased.

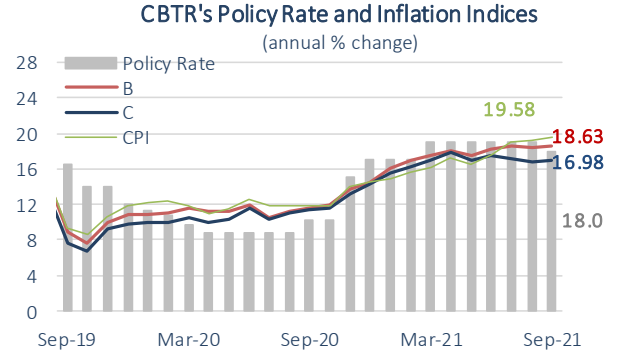
In September, prices in 11 of the 12 main spending groups increased compared to the previous month, pointing out that the rise in consumer prices spread to the whole. With the opening of schools in September, education group prices went up the fastest by 5.15% mom and pushed the monthly CPI inflation up by 12 basis points. In this period, the housing group, which has a high share in expenditure groups, made the highest contribution to monthly CPI inflation with 37 bps due to the increase in natural gas and electricity prices. The furnishings group, where prices rose by 3.33% mom, increased monthly CPI inflation by 28 basis points. The clothing and footwear group was the only group where prices fell in September and had a limited impact on monthly CPI inflation.

In terms of the contribution of the main expenditure groups to annual CPI inflation, the food group prices increased the fastest by 28.8% yoy and had the highest impact on CPI inflation with 699 bps. The housing group prices went up by 21% yoy and had a 322 bps impact on inflation. In the same period, the prices of transportation group rose by 20.2% yoy and pushed the inflation up by 312 bps.

Core inflation indicators...

In September, while the monthly increase in CPI excluding seasonal products was 1.56%, above the headline inflation, the annual increase reached its highest level since December 2018 with 19.82%. Inflation indicators B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold), and C index (CPI excluding energy, food and nonalcoholic beverages, alcoholic beverages, tobacco and gold), which are closely monitored by the CBRT, went up by 1.50% mom and 1.51% mom, respectively. In this period, while the annual increase of the B index reached its highest

level of the last 32 months with 18.63%, the annual rise of C index was realized as 16.98%. Increases in core inflation indicators point to a rise in the underlying trend of inflation.



Basic metals and food products stood out in annual D-PPI inflation.

In September, the rises in producer prices were relatively moderate on a monthly basis due to the high base effect. In this period, the highest monthly price increases were realized in other transportation vehicles, coal and lignite sectors with 4.5% and 4%, respectively. In this period, the sector that increased the D-PPI inflation the most was food products with 22 basis points, followed by coke and refined petroleum products with 16 basis points. Prices in the crude oil and natural gas group, which have been experiencing high-rate increases for a long time, fell by 4.8% mom in September, and limited the increase in the D-PPI to 3 basis points.

On an annual basis, the highest price increases were in the coke and refined petroleum products sectors, crude oil and natural gas, with 102% and 92%, respectively. In this period, basic metal products made the highest contribution (762 bps) to the annual D-PPI inflation, which was realized as 43.96%, while the contribution of the food group, which rose by 38% yoy, was 732 bps.

Expectations...

The recent increases in price tariffs of electricity and natural gas for producers, tobacco products and telecommunication services as well as the termination of VAT reductions as of October 1, which have been implemented for the last 14 months in services such as accommodation and restaurants, are factors that will increase the upward pressure on inflation indicators in the upcoming period. In addition, the rises in fluctuations of foreign exchange rates and in the forecasts for global oil prices pose additional risks to consumer and producer prices in the upcoming period. Although we expect the high base effect to come into the effect gradually in the coming months and have a somewhat limiting effect on the annual inflation rate, we expect year-end inflation to exceed the 16.2% target announced in the Medium Term Program published in early September.

		Inflation (%)							
		CPI (2003=100)				D-PPI (2003=100)			
		Monthly	Year to Date	Annual	Annual Average	Monthly	Year to Date	Annual	Annual Average
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
	November	2.30	13.19	14.03	12.04	4.08	22.26	23.11	10.69
	December	1.25	14.60	14.60	12.28	2.36	25.15	25.15	12.18
2021	January	1.68	1.68	14.97	12.53	2.66	2.66	26.16	13.64
	February	0.91	2.60	15.61	12.81	1.22	3.92	27.09	15.14
	March	1.08	3.71	16.19	13.18	4.13	8.21	31.20	17.04
	April	1.68	5.45	17.14	13.70	4.34	12.91	35.17	19.44
	May	0.89	6.39	16.59	14.13	3.92	17.34	38.33	22.24
	June	1.94	8.45	17.53	14.55	4.01	22.04	42.89	25.38
	July	1.80	10.41	18.95	15.15	2.46	25.05	44.92	28.47
	August	1.12	11.65	19.25	15.78	2.77	28.51	45.52	31.34
	September	1.25	13.04	19.58	16.42	1.55	30.50	43.96	33.83

Source: Turkstat, Datastream

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