



In October, inflation rose below expectations.

CPI increased by 2.39% mom in October, below the market expectation of 2.76% according to the Reuters survey. Although the monthly increase in CPI remained below market expectations, it reached the highest level since October 2018. In the CBRT's Market Participants Survey published in mid-October, the current month-end inflation expectation of the market was 1.94%. Domestic PPI (D-PPI) also increased by 5.24% mom, recording the fastest monthly rise since September 2018.

The annual increase in CPI rose to 19.89%.

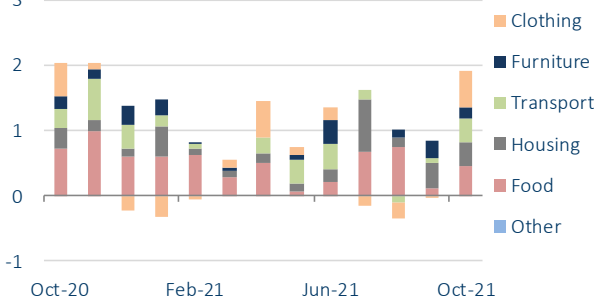
Annual CPI inflation rose to 19.89% in October and reached the highest level since January 2019. Following a limited decline in September, annual D-PPI inflation reached the highest level of the 2003-based series with 46.31% in October.

October (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	2.13	2.39	3.55	5.24
Year-to-Date	10.64	15.75	17.48	37.34
Annual	11.89	19.89	18.20	46.31
Annual Average	11.74	17.09	9.11	36.20

In October, the prices of clothing and footwear group increased rapidly.

In October, prices increased across all the main spending groups. During this period, the prices in the clothing and footwear group went up fastest by 7.6% mom and raised monthly CPI inflation by 40 basis points. The food group made the highest contribution (52 bps) to monthly CPI inflation. In October, price increases in the transportation group gained momentum. During this period, transportation group prices pushed up monthly inflation by 36 bps due to the increases in fuel oil prices, where the limits of the échelle mobile system were used up.

Contribution to Monthly CPI Inflation
(% point)



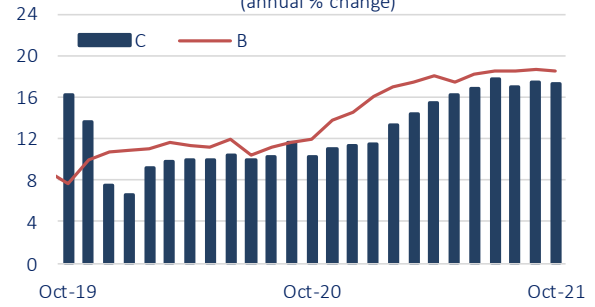
In terms of the contribution of the main expenditure groups to annual CPI inflation, food group pushed up the annual inflation by 677 bps in October. The housing group increased annual inflation by 330 bps, while the transportation group, where prices rose by 20.67% yoy, became the third group with the highest contribution to annual consumer inflation with 316 bps. In the same period, the annual increase in the prices of alcoholic beverages and tobacco group reached 7.9%, the highest level of the last 15 months.

Core inflation indicators...

The monthly increase in CPI excluding seasonal products was below

headline inflation at 2.11% in October, while the annual rise became 20.43 and reached the highest level in nearly 3 years. Annual increases in the B and C core indices, which are closely monitored by the CBRT, lost momentum in October. In this period, annual inflation in B and C indices were realized as 18.50% and 16.82%, respectively.

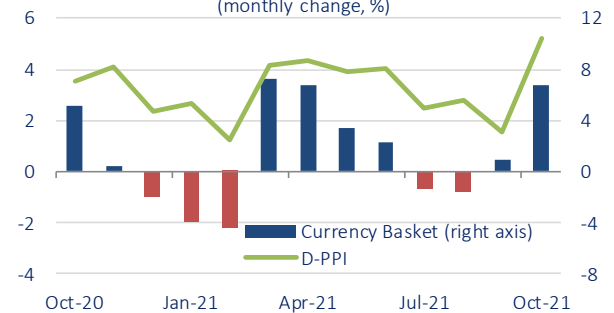
Special CPI Aggregates
(annual % change)



The rise in D-PPI gained momentum.

D-PPI, which rose by 1.55% mom in September, gained momentum in October due to exchange rate developments and went up by 5.24% mom. During this period, prices increased in all sub-sectors. In line with the ongoing upward trend on a global scale, price increases in the energy and intermediate goods groups accelerated in October. In this period, the coke and refined petroleum products group prices rose by 20.85% mom and made the highest contribution (99 bps) to the monthly D-PPI inflation. In October, textile group gave the second highest contribution to the monthly D-PPI increase with 63 bps.

Currency Basket and D-PPI
(monthly change, %)



In October, annual increases in basic metal and food prices contributed to the rise in the annual D-PPI by 14.85 points in total. In this period, price hikes in natural gas used in domestic industrial production put upward pressure on the D-PPI.

Expectations...

The ongoing upward trend in energy and food prices on a global scale continues to put upward pressure on inflation. The depreciation in TRY also negatively affects the inflation outlook due to the exchange rate pass-through. We believe that recent increases in gas and fuel prices will continue to put pressure on inflation in the coming months. In this context, we expect that the annual CPI inflation could complete this year above the 18.4% forecast in the CBRT's Inflation Report published on October 28.

		Inflation (%)							
		CPI (2003=100)				D-PPI (2003=100)			
		Monthly	Year to		Annual	Average	Monthly	Year to	
Date	Annual		Date	Annual					
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
	October	2.39	15.75	19.89	17.09	5.24	37.34	46.31	36.20

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

İlkin Bengisu Tuncer
Asst. Economist
bengisu.tuncer@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@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.