

Macro note – 2024 October Inflation

CPI rises by 2.88% mom in October while annual inflation prints as 48.58%. While rigidity in the underlying trend of inflation continues, interest rate cut prospects are postponed to 2025...

Abdulkadir DOGAN

Chief Economist

adogan@sekeryatirim.com.tr

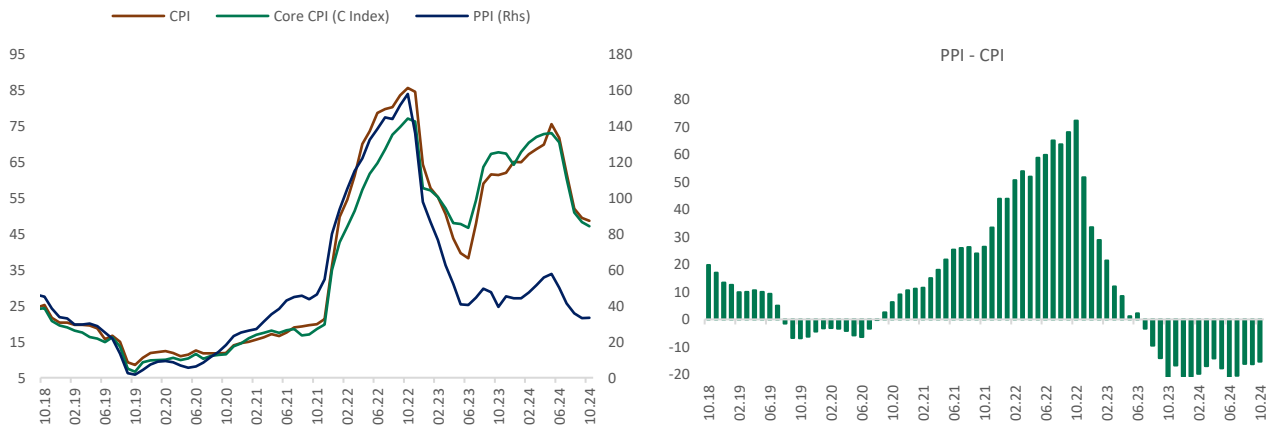
(+90) 212 334 33 33/313

	MoM%			YoY%		
	Market	Seker Invest	Actual	Market	Seker Invest	Actual
CPI	2.53	2.6	2.88	48.07	48.2	48.58
PPI	-	-	1.29			32.24

CPI increased by 2.88% mom in October, while annual inflation fell to 48.58% (previously 49.38%). Market expectations were for inflation to increase by 2.53% mom and 48.07% yoy (Seker Investment a higher 2.6% mom and 48.58% yoy). The inflation figures, which are also above our expectations, indicate that the disinflation process will follow a slow and time-consuming path. The average of food, housing, and transportation inflation, which has a weight of 56.5% in the index, rose by 50.48% yoy. Inflation in households' basic expenditures remains high. In the same period, monthly inflation in the Special CPI Aggregate B index (core inflation) was 2.69%, while annual inflation was realized as 47.1%. Both core and headline figures are close to the upper band of the CBRT's forecast path. Producer prices, on the other hand, rose by 1.29% mom in October, while the annual change in PPI was realized as 32.24%. When we consider the sub-indices in PPI, annual changes in main industrial groups were realized as a 31.79% increase in intermediate goods, 39.17% increase in durable consumer goods, 41.48% increase in non-durable consumer goods, 14.54% increase in energy, and 33.84% increase in capital goods. The long-lasting calm course in producer prices has been limiting cost-driven consumer inflation. On the other hand, the pressure on services inflation is changing the pricing behavior of producers and consumers. Even under the currently tight monetary policy, the course of consumer inflation is not at the targeted level. For price stability, the monthly inflation level should first stabilize below 2% and gradually stabilize within the 1.2-1.5% band. The CBRT's final inflation report of the year, to be published this week, will be closely monitored for the monetary policy stance and expectations for the last quarter and 2025. Considering the level of realized inflation and the fact that monthly inflation developments are the most important criterion for the monetary policy stance, a rate cut in the last quarter is very unlikely. For 2025, the timing and frequency of the rate cut will depend on November-December inflation developments.

Graph 1: CPI, PPI and Core CPI (YoY %)

Graph 2: PPI – CPI Spread



Analyzing the subcategories of CPI inflation, the main group with the lowest year-on-year increase was transportation, with 26.14%. On the other hand, the main group with the highest increase compared to the same month of last year was education, with 93.66%. By main expenditure groups, the main group with the highest decrease in October 2024 compared to the previous month was transportation, with -0.54%. On the other hand, the main group with the highest increase in October 2024 compared to the previous month was clothing and footwear, with 14.32%.

Table 1: Inflation and Sub-Components

Main expenditure groups	Weights	MoM (%)	Ytd (%)	YoY (%)
CPI	100,00	2,88	39,77	48,58
Food and non-alcoholic beverages	24,98	4,33	34,87	45,28
Alcoholic beverages and tobacco	3,76	-0,04	39,36	52,15
Clothing and footwear	6,94	14,32	33,55	31,37
Housing, water, electricity, gas and other fuels	14,20	2,93	62,30	89,39
Furnishing, household equipment, routine domestic maintenance	8,12	1,82	31,29	39,22
Health	3,71	2,88	42,52	51,05
Transportation	17,35	-0,54	26,05	26,14
Communication	3,34	3,52	29,24	37,77
Recreation and Culture	3,33	0,62	31,80	41,64
Education	1,80	0,33	91,50	93,66
Hotels, cafes and restaurants	8,17	1,44	53,81	62,09
Miscellaneous goods and services	4,30	2,02	39,34	45,18

Source: TURKSTAT

In sum, CPI increased by 2.88% mom in October, while annual inflation was realized as 48.58%. The sharp decline in inflation, which initially started due to the combined effect of tight monetary policy and the base effect, was replaced by a flat course. From this period onwards, we expect the disinflation process to follow a slower and more gradual path. In the last inflation report of the year, the CBRT's 2025 forecast path, in particular, will be decisive for the monetary policy stance. We expect the 2024 year-end inflation level to deviate upwards from both the CBRT forecast and the average market expectation (43.5%). In particular, contributions from administered prices, which are beyond the control of monetary policy, make the CBRT's job more difficult. The economic management, which gradually adjusts monetary and fiscal policies according to the trend in inflation, will need more time to manage inflation expectations. We closely monitor inflation expectations as the improvement in the expectations channel will have an impact on both pricing behavior and costs. Therefore, we expect year-end inflation forecasts to be realized with a one-quarter lag starting from 2025. Contributions to inflation from cost and exchange rate pressures have been limited, and consumption and demand inflation have entered a downtrend. We expect services inflation to converge significantly to headline inflation in the last quarter of the year, especially in line with PPI dynamics. Considering the sphere of monetary policy control, implementations that take financial stability as well as price stability into account will reduce exchange rate volatility and contribute to risk premiums and macro-financial stability. We emphasize here that we may revise our inflation forecasts depending on the developments in monthly inflation and the course of monetary policy. We maintain our year-end inflation forecast at 44.5%.

ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.
 Büyükdere Cad. No: 171 Metrocity
 A Blok Kat 4-5 34330 SİSLİ /İST
 TURKEY

TEL: +90 (212) 334 33 33
 Fax: +90 (212) 334 33 34
 E-mail: research@sekeryatirim.com
 Web: <http://www.sekeryatirim.com/english/index.aspx>

For additional information, please contact:

Research

Kadir Tezeller	Head	+90 (212) 334 33 81	ktezeller@sekeryatirim.com
Burak Demirbilek	Utilities, Pharmaceutical, Defense Industry	+90 (212) 334 33 33-128	bdemirbilek@sekeryatirim.com
Sevgi Onur	Banks	+90 (212) 334 33 33-150	sonur@sekeryatirim.com
Engin Degirmenci	Glass, Cement	+90 (212) 334 33 33-201	edegirmenci@sekeryatirim.com
A. Can Tuglu	Food & Bev., Retail, Auto, Aviation, Oil&Gas	+90 (212) 334 33 33-334	atuglu@sekeryatirim.com
Esra Uzun Ozbaskin	Telcos, Iron & Steel, Cons. Dur.,	+90 (212) 334 33 33-245	euzun@sekeryatirim.com

Economy & Politics

Abdulkadir Dogan	Chief Economist	+90 (212) 334 91 04	adogan@sekeryatirim.com
------------------	-----------------	---------------------	--

Institutional Sales

Batuhan Alpman	Head	+90 (212) 334 33 70	balpman@sekeryatirim.com
Deniz Keskin	Trader	+90 (212) 334 33 36	dkeskin@sekeryatirim.com
Muhammed Kerim Culum	Trader	+90 (212) 334 33 33-316	kculum@sekeryatirim.com.tr

DISCLAIMER

I, Abdulkadir Dogan, hereby certify that the views expressed in this research accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

This report has been prepared by Şeker Yatırım Menkul Değerler A.Ş. (Şeker Invest, Inc.). The information and opinions contained herein have been obtained from and are based upon public sources that Şeker Invest considers to be reliable. No representation or warranty, express or implied, is made that such information is accurate or complete and should not be relied upon, as such. All estimates and opinions included in this report constitute our judgments as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Şeker Invest may, from time to time, have a long or short position in the securities mentioned in this report and may solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) for any company referred to in this report and may, to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis upon which it is based, before its publication. This report is for the use of intended recipients and may not be reproduced in whole or in part or delivered or transmitted to any other person without the prior written consent of Şeker Invest. By accepting this document you agree to be bound by the foregoing limitations.