

## Annual headline inflation increased to 83.45% yoy, with the core C hitting 68.09%

CPI inflation was below the market expectations in September with 3.08% monthly increase. As a consequence, annual inflation rose from 80.21% to 83.45%, setting another yoy record in the revised series (2003=100). The continuing upward trend in inflation was mainly driven by the contribution of housing, food, household equipment, restaurants-hotels and transportation. Core-B index also hiked by 2.74% MoM, bringing its annual rate to 74.63%, up from August's 72.53%.

The highest contributors to headline inflation on a monthly basis came from housing, food, household equipment, restaurants-hotels and transportation groups, while the effects of electricity and natural gas price increases as well as seasonal price increases in services and lagged effects of cumulative cost increases were prominent.

Food prices, with a 1.97% increase on a monthly basis in September, made 0.52ppt contribution to the monthly inflation. Annual food inflation stood at 93.05% YoY, up from 90.25% YoY in August. Housing item increased by 9.99% MoM mainly as a result of rent, water supply, electricity and natural gas items and made the highest contribution with +1.45ppt to the headline CPI. Despite the high price increases in the urban passenger transport and air transport, transportation increased mildly by 0.90% MoM and made +0.16ppt contribution to the monthly inflation thanks to decreasing fuel prices for the last three months. Health surged by 2.10% on monthly basis and contributed +0.07ppt to the inflation. Prices in restaurants and hotels group rose by 2.4% MoM and contributed +0.18ppt to the inflation. Soaring food and beverage prices were the primary cause of that increase. The MoM increase in clothing continued to stay above its prior 5-year average of 1.3% in Sep.: 1.46%, contribution: +0.08ppt.

In September, monthly core-B inflation was 2.74%, elevating the annual core to 74.63% up from 72.53% in August. On a monthly basis, core goods inflation rose by 1.75% and services inflation was up 3.90%. Annual core goods and services inflation are at their new highs: 77.49% and 57.76%, respectively.

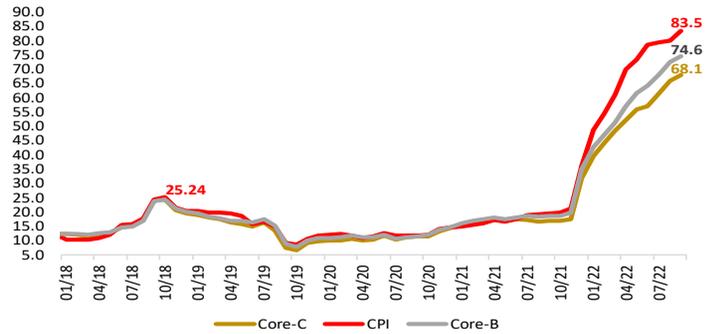
Although there is a slight slowdown in the underlying trend of inflation, high levels continue.

PPI increased by 4.78% MoM, which was 2.41% in August, driving the annual rise to 151.50%, indicating that yoy decline in August was temporary. The most important contributions to the monthly increase came from electricity (+2.37 pts), other non-metallic products (+0.30 pts), foods (+0.71pts), textiles (+0.24pts) and wearing apparel (+0.15pts). On an annual basis, basic metals (+8.42pts), food products (+29.69pts), electricity, gas production and distribution (+32.83 pts), textiles (+12.57pts) and other non-metallic products (+10.26pts) made the most significant contributions.

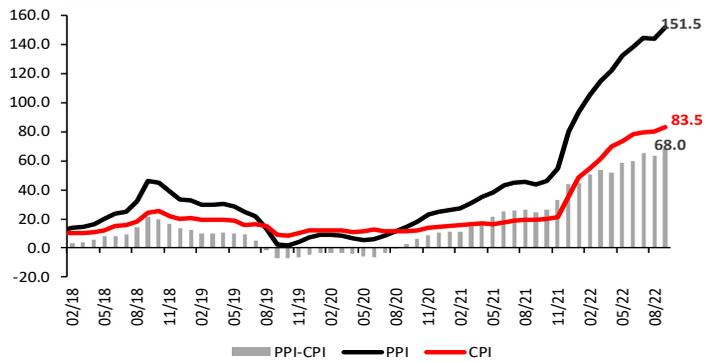
### Main risks on inflation in the near term are:

- Recent gap in the PPI-CPI spread, putting pressure on the CPI (upside)
- Deterioration in pricing behavior based on monthly inflation of 5-digit items in CPI (upside)
- Impact of geopolitical developments on global commodity prices (upside and downside)
- The slowdown in the global economy (downside)

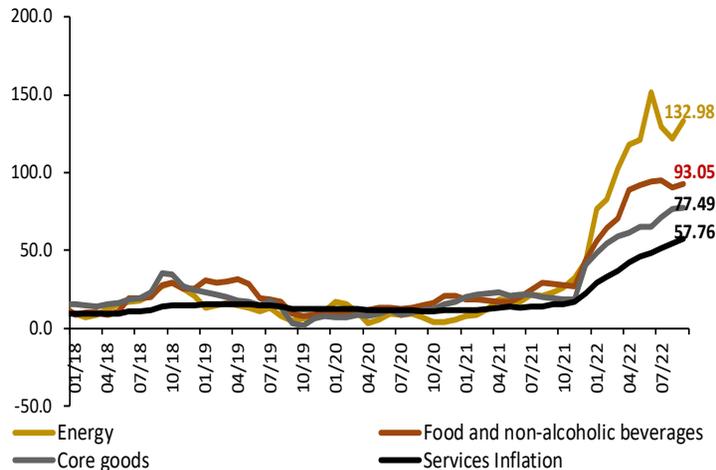
### CHART-1: Core CPI vs Headline Inflation



### CHART-2: Headline CPI vs PPI (yoy, %)



### CHART-3: CPI and Main Components



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