

Turkish inflation hits 15-year high of 25 percent

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Turkish annual inflation surged to 25.2 percent in October, hitting its highest in 15 years and underscoring the impact on the wider economy of a debilitating currency crisis.

Month-on-month, consumer prices jumped 2.67 percent in October, Statistical Institute data showed on Monday, more than the 2.0 percent forecast in a Reuters poll.

Inflation, which Finance Minister Berat Albayrak predicted had now peaked, has been stoked by a lira slide that has also led the government to cut its growth forecasts.

Turkey's economy is expected to shrink this quarter and the next, discouraging any moves by the central bank to tackle the rising price pressures with a further hike in benchmark interest rates, which it raised sharply to 24 percent in September.

"I think the (central bank) would be loathe to have to increase policy rates again if the

inflation data continues to disappoint as this will just make the recession deeper," said Timothy Ash, a strategist at Blue Bay Asset Management.

"They will assume, rightly, that deflation and recession will eventually do the trick on inflation. But they need time."

The lira edged down to 5.4525 against the dollar by 1231 GMT from 5.43 before the data.

The currency remains down around 30 percent this year, despite a partial recovery from a sell-off driven by concerns about the rising inflation and deteriorating ties with Washington.

Month on month, headline inflation was led by a 12.74 percent surge in clothing and shoe prices and a 4.15 percent rise in housing.

Year on year, producer prices rose 45.01 percent and core inflation 24.34 percent.

(For graphic on Turkey's October CPI at 15-year-high, click <https://tmsnrt.rs/2D3nHmk>)

THE WORST IS OVER?

Finance Minister Albayrak - whose father-in-law, President Tayyip Erdogan, is a self-declared enemy of high interest rates - said he now expected inflation to dip significantly.

"We clearly see a much more positive course in November and December," he said in an interview with private broadcaster A Haber on Monday.

Referring to speculation about a hard landing for Turkey's economy, he added: "No one should expect Turkey to hit the brakes too hard to stop the car."

Albayrak announced a "full-fledged fight" against inflation in October, calling on all companies to offer 10 percent discounts on items impacting it until year-end.

Also in October, the central bank left rates unchanged as it watched for the impact of September's hike.

But the rise in inflation means real interest rates - their level discounting price rises - have fallen deeper into negative territory.

Albayrak last week also announced a partial cut in consumption tax expected to trim inflation and temporarily boost consumer spending. Ratings agency Moody's on

Monday called the measure credit-negative and said it risked piling renewed pressure on the lira.