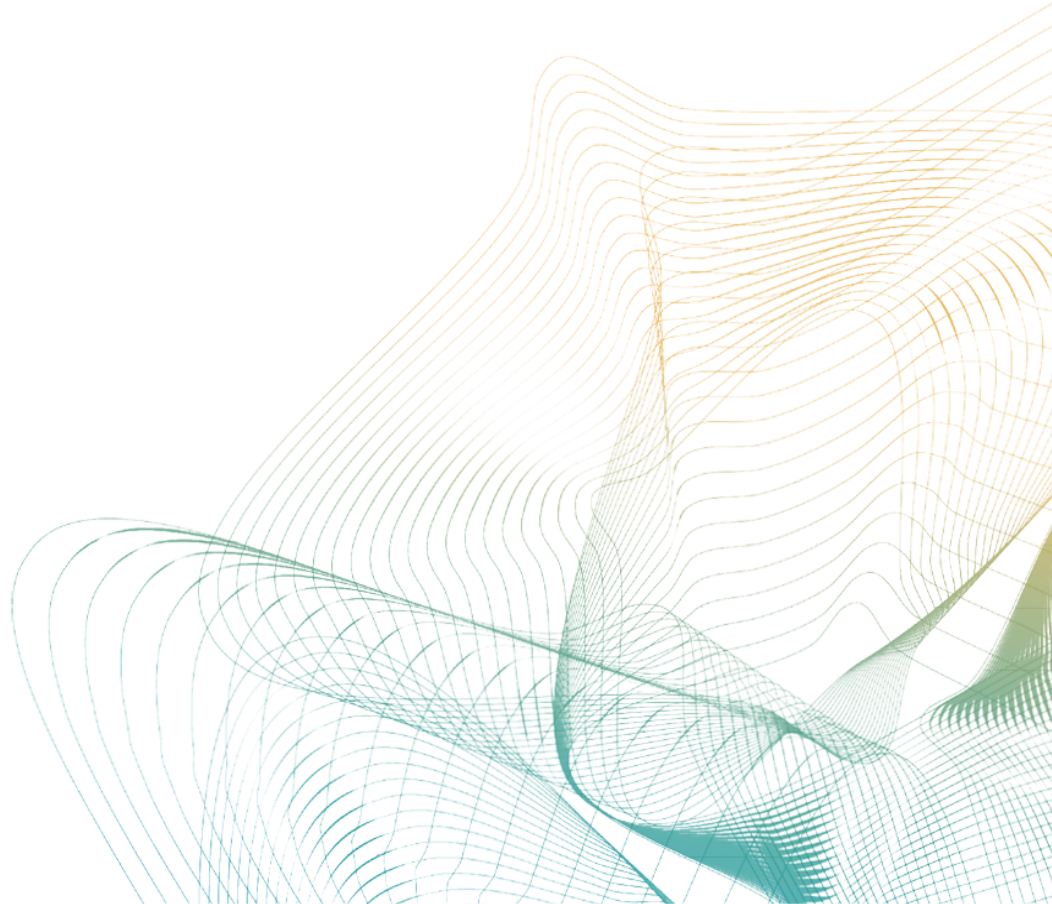


Inflation Report

2019-III



Contents

1.	OVERVIEW	1
1.1	Monetary Policy and Financial Markets	2
1.2	Macroeconomic Developments and Main Assumptions	4
1.3	Inflation and the Monetary Policy Outlook	7
1.4	Key Risks to Inflation Forecasts and the Likely Monetary Policy Response	9
2.	INTERNATIONAL ECONOMIC DEVELOPMENTS	13
2.1	Global Growth	14
2.2	Commodity Prices and Global Inflation	16
2.3	Global Monetary Policy	19
2.4	Global Risk Indicators and Portfolio Flows	20
3.	INFLATION DEVELOPMENTS	27
3.1	Core Inflation Outlook	28
3.2	Food, Energy and Alcohol-Tobacco Prices	33
3.3	Domestic Producer Prices	35
3.4	Agricultural Producer Prices	36
3.5	Expectations	37
4.	SUPPLY AND DEMAND DEVELOPMENTS	41
4.1	Supply Developments	41
4.2	Demand Developments	44
4.3	Labor Market	48
4.4	Wages and Productivity	50
4.5	Output Gap	52
5.	FINANCIAL CONDITIONS AND MONETARY POLICY	61
5.1	Financial Conditions and the Monetary Policy	61
5.2	Credit Conditions	65
6.	PUBLIC FINANCE	69
6.1	Budget Developments	69
6.2	Developments in the Public Debt Stock	72
7.	MEDIUM-TERM PROJECTIONS	75
7.1	Current State, Short-Term Outlook and Assumptions	75
7.2	Medium-Term Projections	78
7.3	Key Risks to Inflation Forecasts and the Likely Monetary Policy Response	81
	BOXES	
Box 2.1	Observations on the Debt Structure of Emerging Economies	23
Box 3.1	Indirect Effects of Electricity and Natural Gas Price Increases on Consumer Prices	38
Box 4.1	The Relation Between Manufacturing Output and PMI Indicators	53
Box 4.2	The Position of Turkey in Global Value Chains	57
Box 7.1	Central Bank's Inflation Forecasts and Monetary Policy Stance	86