



Monthly CPI came in at 2.30% in November.

Inflation came in well above the market expectations in November. The monthly rise in CPI was realized as 2.30%, the highest level since October 2018. This figure was also the highest November level since 2002. The market's monthly CPI expectation for this period was around 1%. In November, domestic PPI (D-PPI) increased by 4.08%, the highest level in the last 26 months.

November (change %)	CPI		D-PPI	
	2019	2020	2019	2020
Monthly	0.38	2.30	-0.08	4.08
Year-to-Date	11.01	13.19	6.63	22.26
Annual	10.56	14.03	4.26	23.11
Annual Average	15.87	12.04	19.68	10.69

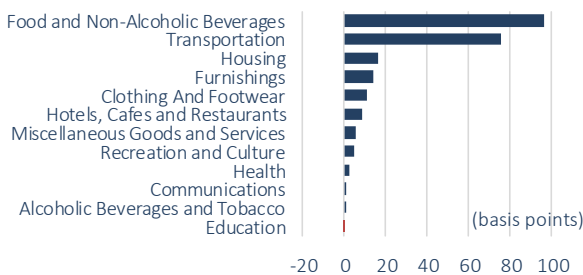
Annual CPI rose to 14.03%.

Annual CPI inflation gained momentum in November and was realized as 14.03%, the highest level since August 2019. Annual D-PPI inflation, which has been increasing rapidly since June, reached the highest level of the last 17 months with 23.11%.

Rapid increase in transportation and food prices...

In November, prices rose in 10 out of the 12 main expenditure groups on a monthly basis. In this period, the transportation prices increased by 4.51% due to the rise in oil prices and recorded the highest monthly increase. Thus, transportation prices increased the monthly CPI inflation by 72 bps. The rise in fresh fruit and vegetables prices were also noteworthy in the food group, which made the highest contribution to CPI inflation by 97 bps. The education group was the only group registering a monthly decrease in prices (-0.19% mom). The lowest annual price increase was in the alcoholic beverages and tobacco (0.67%), while the fastest rises were seen in miscellaneous goods and services (29.42%), in food and non-alcoholic beverages (21.08%), and in transportation (18.67%) groups.

Contributions to the Monthly CPI Inflation

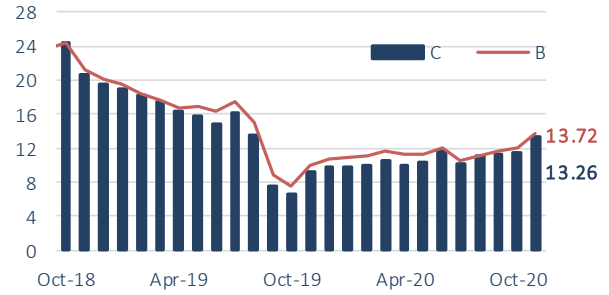


The rise in core inflation indicators continued in November.

In November, the monthly increase in CPI excluding seasonal products came in at 2.09%, below the headline inflation. The upward trend on an annual basis since August continued also in November in the core inflation indicators B (CPI excluding unprocessed food products, energy, alcoholic beverages and

tobacco and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages and tobacco, and gold), which are closely monitored by the CBRT. B and C indices increased by 13.72% yoy and 13.26% yoy, respectively.

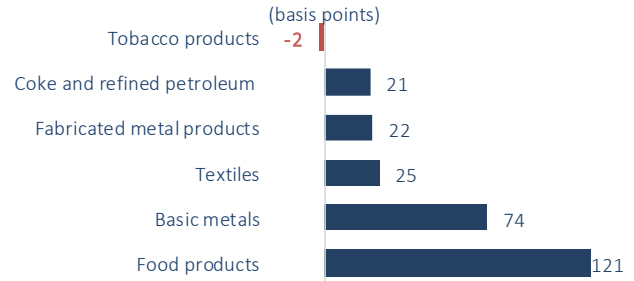
Special CPI Aggregates (annual % change)



Food products and basic metals continue to stand out in D-PPI inflation.

In November, among the sub-sectors of D-PPI, prices in basic metals recorded the highest increase with 7.4% mom and contributed the monthly inflation by 74 bps. Food group, where prices rose by 6.4%, made the highest contribution to monthly D-PPI inflation with 121 bps in this period. Tobacco products sector, where prices fell rapidly by 5.57% in November, limited the D-PPI by 2 bps.

Contributions of Featured Sub-Sectors to Monthly D-PPI



Expectations

November inflation came in well above market expectations due to the high increase in transportation and food prices along with the rise in commodity prices and the lagging effect of exchange rate changes. The acceleration in producer prices indicates that supply-side pressures on consumer inflation will remain high in the coming period. On the other hand, we believe that a possible slowdown in demand conditions due to the tightening steps of the CBRT and the restrictive measures taken against the pandemic, may ease some of the inflationary pressures. Following the higher-than-expected November data, market expectations for the year-end inflation could be revised upwards.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual Average	Monthly	Year to	Annual	Annual Average	
		Date				Date			
2018	January	1.02	1.02	10.35	11.23	0.99	0.99	12.14	15.66
	February	0.73	1.76	10.26	11.23	2.68	3.69	13.71	15.50
	March	0.99	2.77	10.23	11.14	1.54	5.29	14.28	15.35
	April	1.87	4.69	10.85	11.06	2.60	8.03	16.37	15.36
	May	1.62	6.39	12.15	11.10	3.79	12.12	20.16	15.80
	June	2.61	9.17	15.39	11.49	3.03	15.52	23.71	16.57
	July	0.55	9.77	15.85	12.00	1.77	17.56	25.00	17.41
	August	2.30	12.29	17.90	12.61	6.60	25.32	32.13	18.78
	September	6.30	19.37	24.52	13.75	10.88	38.96	46.15	21.36
	October	2.67	22.56	25.24	14.90	0.91	40.22	45.01	23.73
	November	-1.44	20.79	21.62	15.63	-2.53	36.68	38.54	25.52
	December	-0.40	20.30	20.30	16.33	-2.22	33.64	33.64	27.01
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

Source: Turkstat, Datastream

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