



# INFLATION November 2012

(%)	PPI		CPI	
	2011	2012	2011	2012
November	0.65	1.66	1.73	0.38
January-November	12.20	2.58	9.82	5.76
Annual	13.67	3.60	9.48	6.37
Annual Average	10.72	6.98	6.13	9.26

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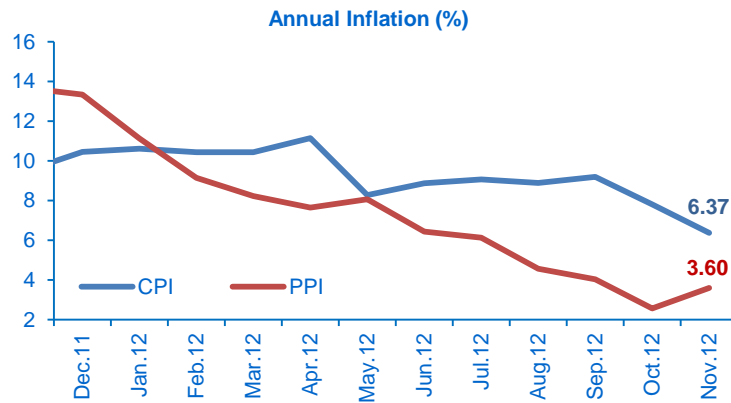
[Eren Demir](#)

*In November CPI increased below expectations.*

In November, compared to the previous month, **CPI and PPI increased by 0.38% and 1.66%, respectively**. According to the Reuters' Survey, markets' monthly inflation expectations were 0.91% in CPI and 0.70% in PPI. According to the CBRT's survey of expectations, on the other hand, CPI was expected to rise by 1.11% in November.

*Annual CPI decreased to the lowest level since September 2011.*

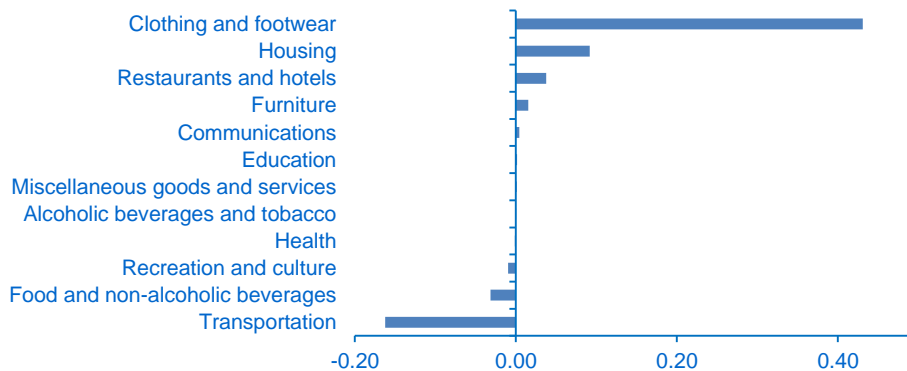
In November, in line with the lower than expected monthly CPI figure, annual CPI decreased to 6.37%, lowest level attained since September 2011. On the other hand, the annual PPI, which recorded the fastest monthly increase in the last 15 months, rose to 3.60%.



*Transportation and food prices were influential on the course of CPI.*

Lower than expected increase in CPI stemmed from the decline in transportation subgroup prices. In fact, thanks to the decline in fuel prices, overall transportation prices decreased by 0.97% and lowered the monthly inflation by 16 basis points. Surprise decline in food prices, which generally tend to increase in November, due to the seasonal factors also limited the CPI increase. Clothing and footwear group prices, on the other hand, increased by 6.28% due to the seasonal factors and made the highest contribution to CPI increase.

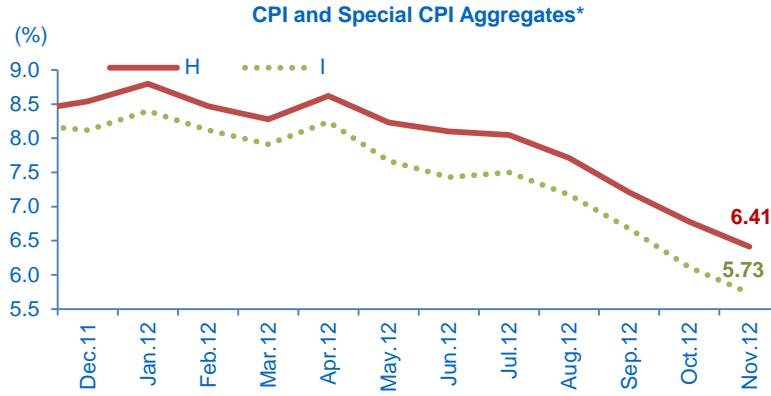
Contributions to the monthly CPI by sub-groups (% points)



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## Decline in core inflation aggregates continued.

Analysis of the core inflation indicators in November revealed that seasonal products had a lowering impact on monthly CPI. In fact, monthly inflation realized as 0.08% when seasonal products are excluded. The downward trend in CBRT's favorite core inflation aggregates also continued in November. Annual price increases in H and I core inflation indicators realized as 6.41% and 5.73%, respectively.



(\*) Annual % change

H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.

I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold.

## PPI increased by 1.66% in November.

Electricity and gas production prices, which increased by 34% due to the price hike made in November in natural gas used by combined cycle plants to generate electricity, was the main reason behind the higher than expected PPI figure. On the other hand, decline in agricultural sector prices limited the increase in PPI.

## We expect CPI to increase by 0.70% and PPI to decrease by 0.20% in December.

In addition to the seasonal increases in food prices, higher electricity production costs would put an upward pressure on housing prices in December. **Thus, we expect CPI to increase by 0.70% and PPI to decrease by 0.20% in December. In this context, we anticipate 6.50% annual CPI inflation and 2.37% annual PPI inflation at the end of 2012.**

## The likelihood of measured cuts in the policy rate and in the lower bound of the interest rate corridor increased.

CBRT, at its meeting held in November 20<sup>th</sup>, cut the O/N lending rate by a further 50 basis points to 9.0% and kept the one-week repo rate (the policy rate) at 5.75%. CBRT kept its supportive policy stance by decreasing the O/N lending rate third time in a row. In the announcement following the Monetary Policy Committee meeting, CBRT noted that that year-end inflation will be lower than forecasted in the October Inflation Report (7.4%), owing to the favorable course of unprocessed food prices.



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INFLATION (%)									
		PRODUCER PRICE INDEX (2003=100)				CONSUMER PRICE INDEX (2003=100)			
		Monthly	Year to date	Annual	Annual Average	Monthly	Year to date	Annual	Annual Average
2011	January	2.36	2.36	10.80	8.89	0.41	0.41	4.90	8.28
	February	1.72	4.13	10.87	9.23	0.73	1.14	4.16	7.76
	March	1.22	5.40	10.08	9.36	0.42	1.57	3.99	7.29
	April	0.61	6.04	8.21	9.17	0.87	2.45	4.26	6.79
	May	0.15	6.20	9.63	9.21	2.42	4.93	7.17	6.64
	June	0.01	6.21	10.19	9.42	-1.43	3.43	6.24	6.47
	July	-0.03	6.18	10.34	9.59	-0.41	3.00	6.31	6.37
	August	1.76	8.05	11.00	9.76	0.73	3.75	6.65	6.24
	September	1.55	9.72	12.15	10.03	0.75	4.53	6.15	6.00
	October	1.60	11.48	12.58	10.26	3.27	7.95	7.66	5.93
	November	0.65	12.20	13.67	10.72	1.73	9.82	9.48	6.13
	December	1.00	13.33	13.33	11.09	0.58	10.45	10.45	6.47
2012	January	0.38	0.38	11.13	11.11	0.56	0.56	10.61	6.95
	February	-0.09	0.29	9.15	10.96	0.56	1.13	10.43	7.48
	March	0.36	0.65	8.22	10.79	0.41	1.55	10.43	8.02
	April	0.08	0.73	7.65	10.72	1.52	3.09	11.14	8.59
	May	0.53	1.27	8.06	10.57	-0.21	2.87	8.28	8.68
	June	-1.49	-0.24	6.44	10.24	-0.90	1.95	8.87	8.89
	July	-0.31	-0.56	6.13	9.88	-0.23	1.71	9.07	9.11
	August	0.26	-0.30	4.56	9.33	0.56	2.28	8.88	9.29
	September	1.03	0.72	4.03	8.65	1.03	3.34	9.19	9.53
	October	0.17	0.90	2.57	7.80	1.96	5.36	7.80	9.53
	November	1.66	2.58	3.60	6.98	0.38	5.76	6.37	9.26
	December <sup>(E)</sup>	<b>-0.20</b>	<b>2.37</b>	<b>2.37</b>	<b>6.08</b>	<b>0.70</b>	<b>6.50</b>	<b>6.50</b>	<b>8.92</b>

(E) Estimate

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