

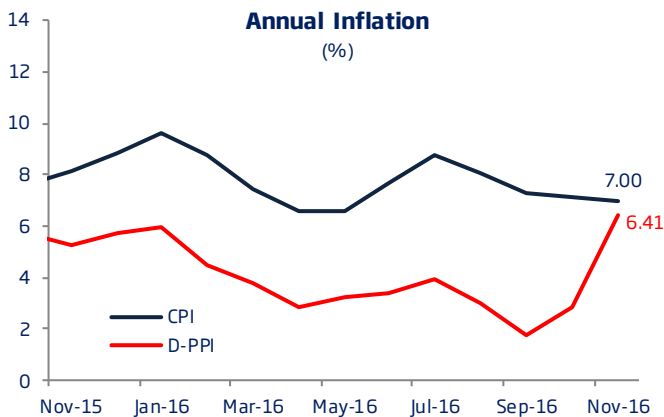
November	CPI		D-PPI	
Change (%)	2015	2016	2015	2016
Monthly	0.67	0.52	-1.42	2.00
Year-to-Date	8.58	6.78	6.06	6.76
Annual	8.10	7.00	5.25	6.41
Annual Average	7.61	7.79	5.33	3.93

CPI came in better than expected in November.

In November, CPI increased by 0.52% mom, remained below market expectations. According to the Reuters survey, monthly CPI inflation was anticipated to be 0.8%. According to the CBRT's Survey of Expectations, CPI was expected to increase by 0.83%. Domestic PPI (D-PPI) posted the biggest monthly rise since January 2014, increasing by 2% in November.

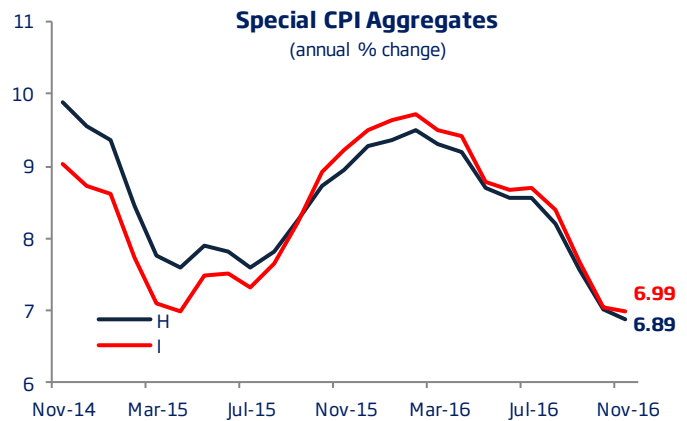
Annual inflation fell to 7%.

The annual CPI inflation, which has been declining for the last four months, dropped to its lowest level by 7% since May. Annual PPI inflation, which was 2.84% in October, surged to 6.41% in this period. The low-base effect arising from the decline recorded in D-PPI in November 2015 also played a part in this upsurge.



Food prices pulled down the CPI.

Food and furnishing prices fell on a monthly basis in November while education, health, alcoholic beverages and tobacco prices remained flat. Due to seasonal effects, clothing and footwear group made the biggest contribution to the CPI increase in November with 29 basis points. In November, TL depreciated by 11% against USD compared to the previous month. Thus, housing and transport groups, which are highly sensitive to movements in exchange rates, made the highest contribution to monthly CPI increase with 14 and 7 basis points, respectively, following the clothing and footwear group.



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.

Core inflation indicators continued to decline.

The core inflation indicators, which fell in the face of the weakening of domestic demand conditions, continued to be on declining trend in November. CBRT's favorite core indices denominated by H and I, were realized as 6.89% and 6.99%, respectively, declined to the lowest level in more than three years.

Broad-based increase in D-PPI...

The increase in oil prices as well as the depreciation of TL in November played a significant role in the course of D-PPI. Prices of crude petroleum and natural gas products rose by 10.61% on a monthly basis while prices of basic metals, which picked up by 10.13% compared to the previous month, made the largest contribution to D-PPI increase. This group was followed by food, chemical and textile products. In November, clothing, electricity and gas production/distribution were the only two groups to record price declines.

Expectations...

Owing to winter season discounts, we anticipate that clothing and footwear group will pull down inflation in December. On the other hand, we think that the increase in oil prices after the OPEC members' decision to cut oil production and the cumulative effects of the depreciation in TL will continue to exert upward pressure on inflation. Since the hike in Special Consumption Tax on alcoholic beverages and tobacco group was advanced to the beginning of December, we anticipate that this development will also have an upward impact on the CPI in next month. However, weak demand conditions suggest that the decline in food prices might prevail in the coming month.

Inflation (%)

	Consumer Price Index (2003=100)				Domestic Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
2014	January	1.98	1.98	7.75	7.53	3.32	3.32	10.72	5.22
	February	0.43	2.41	7.89	7.60	1.38	4.75	12.40	6.11
	March	1.13	3.57	8.39	7.70	0.74	5.52	12.31	6.95
	April	1.34	4.96	9.38	7.97	0.09	5.61	12.98	7.89
	May	0.40	5.38	9.66	8.23	-0.52	5.06	11.28	8.66
	June	0.31	5.70	9.16	8.31	0.06	5.12	9.75	9.03
	July	0.45	6.18	9.32	8.35	0.73	5.89	9.46	9.26
	August	0.09	6.28	9.54	8.46	0.42	6.33	9.88	9.55
	September	0.14	6.43	8.86	8.54	0.85	7.24	9.84	9.84
	October	1.90	8.45	8.96	8.65	0.92	8.22	10.10	10.11
	November	0.18	8.65	9.15	8.80	-0.97	7.18	8.36	10.32
	December	-0.44	8.17	8.17	8.85	-0.76	6.36	6.36	10.25
2015	January	1.10	1.10	7.24	8.80	0.33	0.33	3.28	9.59
	February	0.71	1.82	7.55	8.77	1.20	1.53	3.10	8.79
	March	1.19	3.03	7.61	8.70	1.05	2.60	3.41	8.03
	April	1.63	4.71	7.91	8.57	1.43	4.06	4.80	7.36
	May	0.56	5.30	8.09	8.45	1.11	5.22	6.52	6.98
	June	-0.51	4.76	7.20	8.28	0.25	5.49	6.73	6.74
	July	0.09	4.85	6.81	8.07	-0.32	5.15	5.62	6.43
	August	0.40	5.27	7.14	7.88	0.98	6.19	6.21	6.14
	September	0.89	6.21	7.95	7.80	1.53	7.81	6.92	5.92
	October	1.55	7.86	7.58	7.69	-0.20	7.59	5.74	5.58
	November	0.67	8.58	8.10	7.61	-1.42	6.06	5.25	5.33
	December	0.21	8.81	8.81	7.67	-0.33	5.71	5.71	5.28
2016	January	1.82	1.82	9.58	7.87	0.55	0.55	5.94	5.50
	February	-0.02	1.80	8.78	7.97	-0.20	0.34	4.47	5.61
	March	-0.04	1.75	7.46	7.96	0.40	0.75	3.80	5.64
	April	0.78	2.55	6.57	7.84	0.52	1.27	2.87	5.47
	May	0.58	3.15	6.58	7.71	1.48	2.77	3.25	5.19
	June	0.47	3.63	7.64	7.74	0.41	3.19	3.41	4.91
	July	1.16	4.84	8.79	7.91	0.21	3.41	3.96	4.77
	August	-0.29	4.53	8.05	7.98	0.08	3.49	3.03	4.51
	September	0.18	4.72	7.28	7.92	0.29	3.79	1.78	4.07
	October	1.44	6.23	7.16	7.89	0.84	4.66	2.84	3.83
	November	0.52	6.78	7.00	7.79	2.00	6.76	6.41	3.93
	December ^(E)	0.68	7.50	7.50	7.69	1.00	7.83	7.83	4.12

(E) Estimate

Source: Turkstat, Datastream, ERD

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