



Inflation fell more than expected last month.

CPI declined by 1.44% mom in November, beating expectations and recording the steepest monthly fall of the 2003 based series. Market expectation according to the Reuters survey was a fall of 0.75%. CBRT's Survey of Expectations, which was published in mid-month, had revealed an expectation of 0.88% rise. In November, domestic PPI (D-PPI) slid by 2.53% mom, the fastest fall in almost ten years.

November (change %)	CPI		D-PPI	
	2017	2018	2017	2018
Monthly	1.49	-1.44	2.02	-2.53
Year-to-Date	11.16	20.79	13.91	36.68
Annual	12.98	21.62	17.30	38.54
Annual Average	10.87	15.63	15.38	25.52

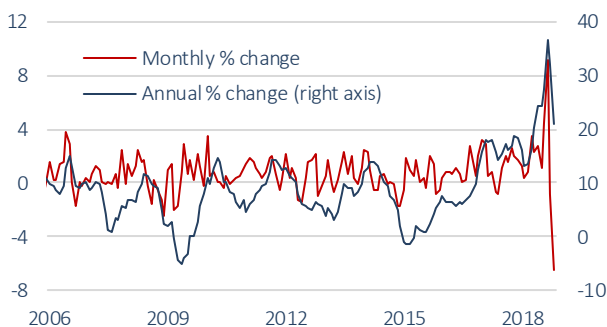
Annual CPI inflation is 21.62%.

Having followed an upward trend since April, annual CPI inflation fell to 21.62% in November. Annual PPI inflation became 38.54% in this period, falling from 45.01% in October.

Transportation group drove the monthly fall in CPI.

Prices in transportation group declined for the second month in a row in November and supported the monthly fall in CPI. Price developments in transportation group pushed the monthly inflation down by 117 bps. The appreciation of Turkish lira and special consumption tax cuts were behind this performance. Indeed, motor cars and passenger transportation fees dropped considerably. Due to the declines in furnishings and white goods, household equipment made a negative contribution of 24 bps to monthly inflation. Having fallen by 0.74% mom in this period, food prices dragged the monthly inflation by 17 bps. On the other hand, clothing and footwear group, in which prices increased by 2.4% on a monthly basis, made the highest contribution to the November inflation by 16 bps.

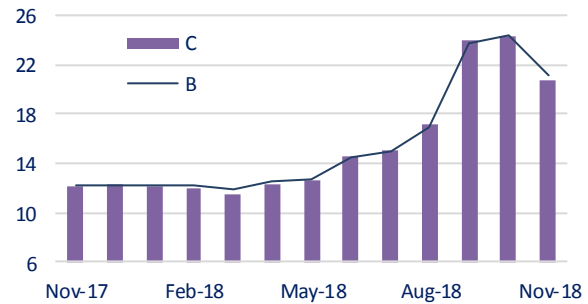
Transportation Group Prices



Improvement in core inflation indicators...

In line with the fall in consumer prices, core inflation indicators recovered somewhat in November. B (CPI excl. unprocessed food, energy, alcoholic beverages, tobacco and gold) and C (CPI excl. energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) indices, which are closely monitored by the CBRT, recorded annual increases of 21.2% and 20.7%, respectively. The annual rises in these indices were 24.4% and 24.3% in October.

Special CPI Aggregates
(annual % change)



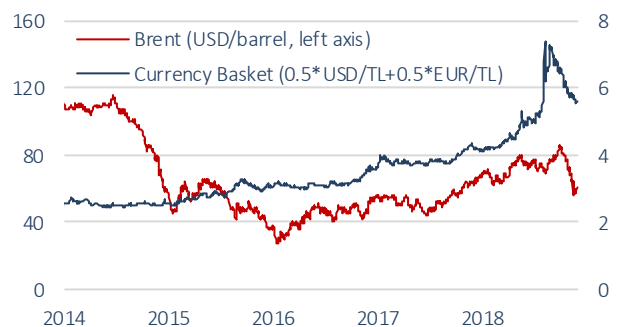
Petroleum products and basic metals supported the fall in D-PPI.

The highest contributions to the decline in D-PPI came from basic metals and coke and refined petroleum products with 59 bps and 41 bps, respectively. Textile and food products followed these sub-sectors. Electricity-gas and other non-metallic mineral products, on the other hand, made the highest upward contributions to the monthly D-PPI inflation in this period.

Expectations...

Inflation figures presented a relatively benign picture in November, when currency basket and Brent crude oil prices declined respectively by 8.4% and above 20% mom, in terms of monthly averages. Recent measures taken to fight against inflation and the tax cuts have supported the improvement in inflation. We estimate that CPI will record a relatively slight monthly increase with 0.2% in December, bringing the year-end CPI inflation rate to 21%.

Crude Oil Prices and Currency Basket



Source: Turkstat, Datastream

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date		Average		Date		Average	
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	1.64	8.53	8.53	7.78	2.98	9.94	9.94	4.30
2017	January	2.46	2.46	9.22	7.76	3.98	3.98	13.69	4.96
	February	0.81	3.29	10.13	7.88	1.26	5.29	15.36	5.87
	March	1.02	4.34	11.29	8.21	1.04	6.38	16.09	6.89
	April	1.31	5.71	11.87	8.66	0.76	7.19	16.37	8.01
	May	0.45	6.18	11.72	9.09	0.52	7.74	15.26	9.02
	June	-0.27	5.89	10.90	9.36	0.07	7.82	14.87	9.98
	July	0.15	6.05	9.79	9.44	0.72	8.60	15.45	10.94
	August	0.52	6.60	10.68	9.66	0.85	9.52	16.34	12.05
	September	0.65	7.29	11.20	9.98	0.24	9.78	16.28	13.26
	October	2.08	9.52	11.90	10.37	1.71	11.66	17.28	14.47
	November	1.49	11.16	12.98	10.87	2.02	13.91	17.30	15.38
	December	0.69	11.92	11.92	11.14	1.37	15.47	15.47	15.82
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 ^(E)	0.20	21.03	21.03	16.40	-1.20	35.04	35.04	27.13

(E) Estimate

Source: Turkstat, Datastream

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