

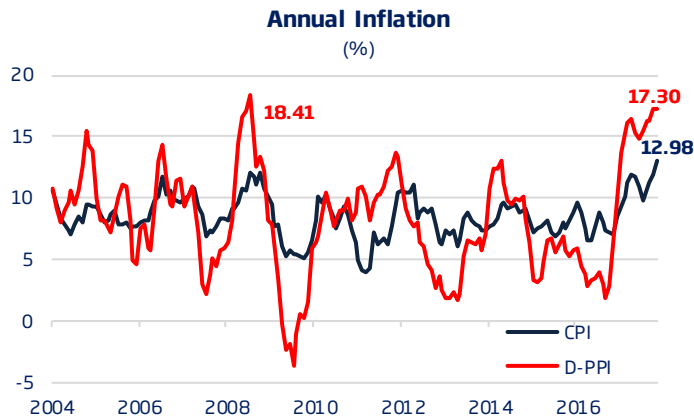
### CPI increased above expectations.

Monthly CPI increase in November was realized as 1.49%, higher than the market anticipations. Seasonal factors played an important role in this development, by adding 41 points to CPI increase. According to the Reuters' survey, CPI was expected to rise by 1.21% in this period. Increase in Domestic Producer Price Index (D-PPI), on the other hand, was realized as 2.02% in November.

November (change %)	CPI		D-PPI	
	2016	2017	2016	2017
Monthly	0.52	1.49	2.00	2.02
Year-to-Date	6.78	11.16	6.76	13.91
Annual	7.00	12.98	6.41	17.30
Annual Average	7.79	10.87	3.93	15.38

### Annual inflation climbed to 12.98%

Upward pressure on inflation since the start of the year has persisted in November. The year-to-date rise in the CPI became 11.16% as of November. This figure was almost 3.8 points higher than the average of the 2009-2016 period. Moreover, annual increase in CPI climbed to the highest level in the 2003 based year inflation index.



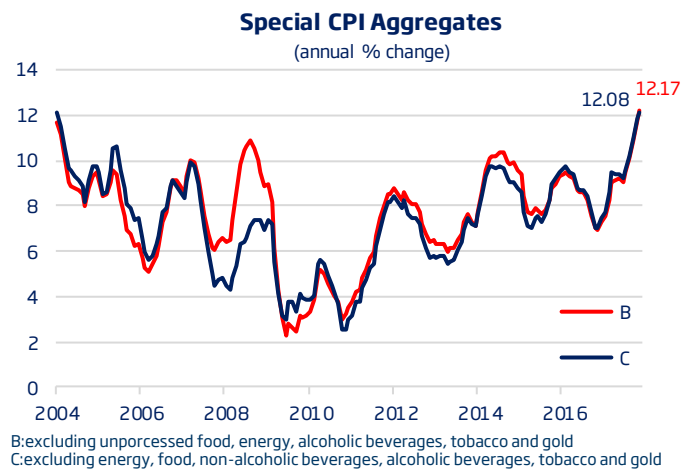
### Sharp increase in food prices...

Prices in all main expenditure groups increased in November. The first 15 products that posted the highest price increases are food and clothing products. In this period, the food and non-alcoholic beverage group, which has the highest weight in the index, pushed up monthly inflation by 46 basis points. The transportation group supported by the upward trend in oil prices and clothing and footwear groups, influenced by seasonal factors, also affected monthly inflation considerably. These two groups pushed monthly inflation up by 33 and 28 basis points, respectively.

Regarding annual contributions of expenditure items, 6.47 points of 12.98% annual CPI increase stemmed from increases in food and transport groups.

### Core inflation indicators kept rising.

Core inflation figures, which have been rising steadily since July, continued to increase in November. Annual inflation in B index, which is one of the core inflation indicators closely monitored by CBRT, has reached its highest level by 12.17% since the base year of inflation has changed in 2003. Annual inflation in C index has exceeded 12% for the first time since January 2004 with 12.08%.



### Energy prices are pushing D-PPI up.

In addition to the rising energy and metal prices on global scale, exchange rate developments continued to be effective on D-PPI. In November, two sub-sectors posting highest increases were "coke and refined petroleum products" and "crude petroleum and natural gas", respectively, pushing producer prices up by 35 basis points in November. The contribution of base metal sector, on the other hand, was 41 basis points. In this framework, D-PPI increased by 17.3% yoy, fastest rate since July 2008.

### Expectations...

In addition to the rising tendency of oil prices in the international level, the depreciation of TL causes the upward pressure on inflation to continue. Moreover, continuing increase in core inflation indicators leads to gradual deterioration in inflation expectations. In this framework, we think that annual CPI increase may surpass 11% at the end of 2017. On the other hand, although it is expected to fall in December due to base effect, the high level of CPI strengthens expectations that the CBRT will raise interest rates on its meeting on December 14th.

**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		
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	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 <sup>(E)</sup>	<b>0.49</b>	<b>11.70</b>	<b>11.70</b>	<b>11.13</b>	<b>1.40</b>	<b>15.50</b>	<b>15.50</b>	<b>15.83</b>

(E) Estimate

Source: Turkstat, Datastream, ERD

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