

# NOVEMBER PRICE DEVELOPMENTS DECEMBER 6, 2016

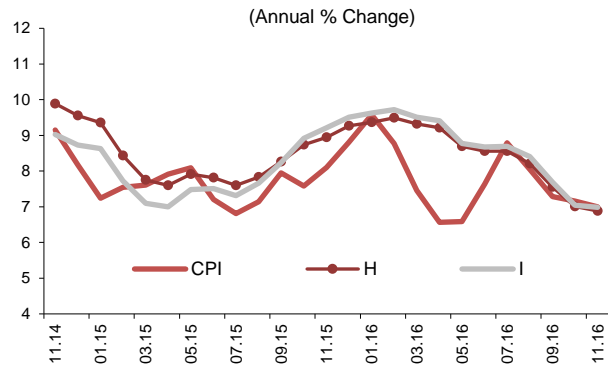
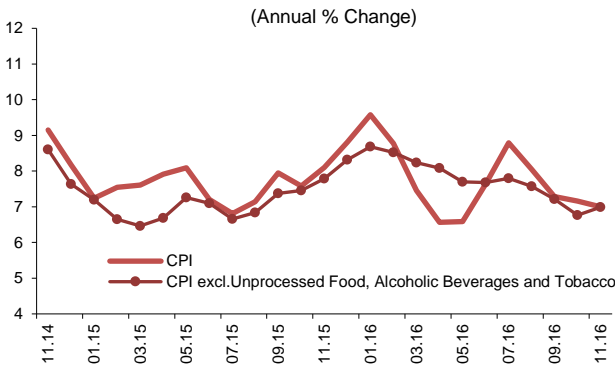
## SUMMARY...

In November, consumer prices rose by 0.52 percent, and annual consumer inflation inched down by 0.16 points to 7.0 percent. As stated in the Summary of the Monetary Policy Committee Meeting of November, annual food inflation declined notably. Energy inflation registered an upsurge upon the depreciation in the Turkish lira in this period. On the other hand, the effect of the recent exchange rate developments on core indicators remained relatively weak owing to the deceleration in aggregate demand.

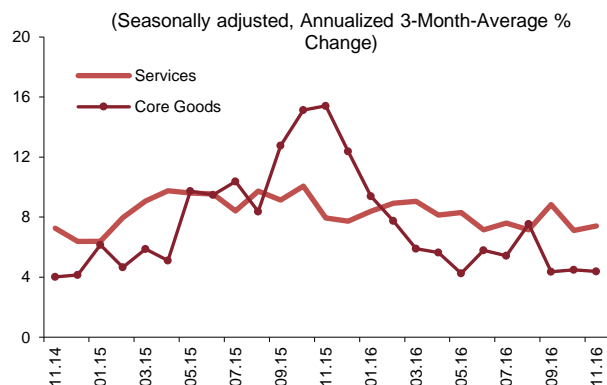
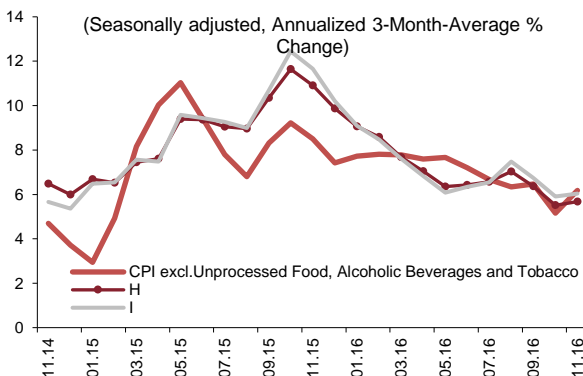
## ... EVALUATIONS ...

In November, consumer prices rose by 0.52 percent, and annual consumer inflation inched down by 0.16 points to 7.0 percent. The annual rate of change in the H and I indices fell by 0.12 and 0.05 points month-on-month to 6.89 and 6.99 percent, respectively.

Contributions of sub-groups to annual CPI inflation reveal a month-on-month increase of 0.18 points from the energy group against a decline of 0.39 points from the food group, and no remarkable change from the services and core goods groups.

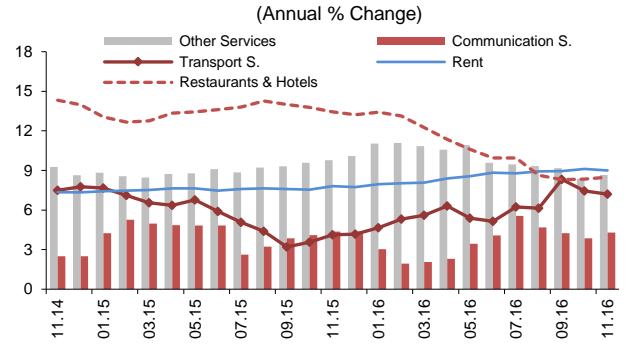
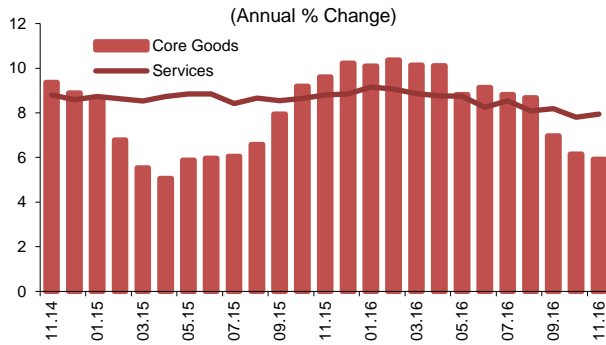


The underlying trend of inflation based on seasonally-adjusted data in 3-month-averages reveals a relatively flat course in core inflation indicators. Marked by a notable depreciation in the Turkish lira, this period witnessed a slight increase in the underlying trend of services, but no noticeable deterioration in that of core goods on account of the limiting effect of aggregate demand conditions.

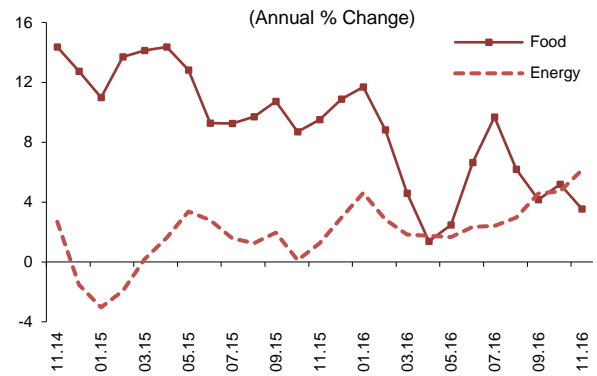
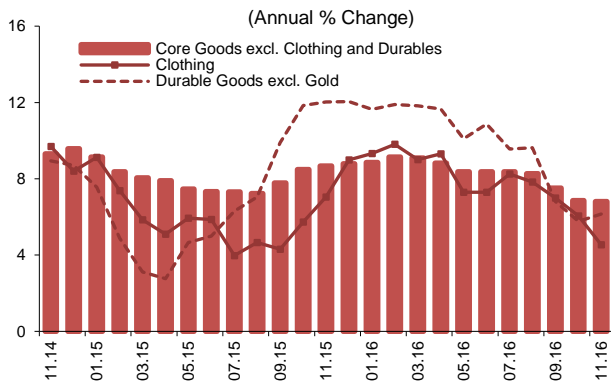


Prices of services increased by 0.29 percent on a monthly basis, while the group's annual inflation inched up by 0.14 points to 7.94 percent in November. Annual inflation decreased in transport services and rents, but increased in other subgroups. Prices in transport services receded due to highway and airline passenger transport services. The rate of increase in rents decelerated somewhat in November. In the restaurants-hotels group, accommodation prices receded parallel to the prospects for tourism, while prices remained on the increase in catering services. Increasing package tour prices (4.56 percent) stood out among prices of other services, and the 12.45-percent increase in prices of umrah visit is held responsible for this rise.

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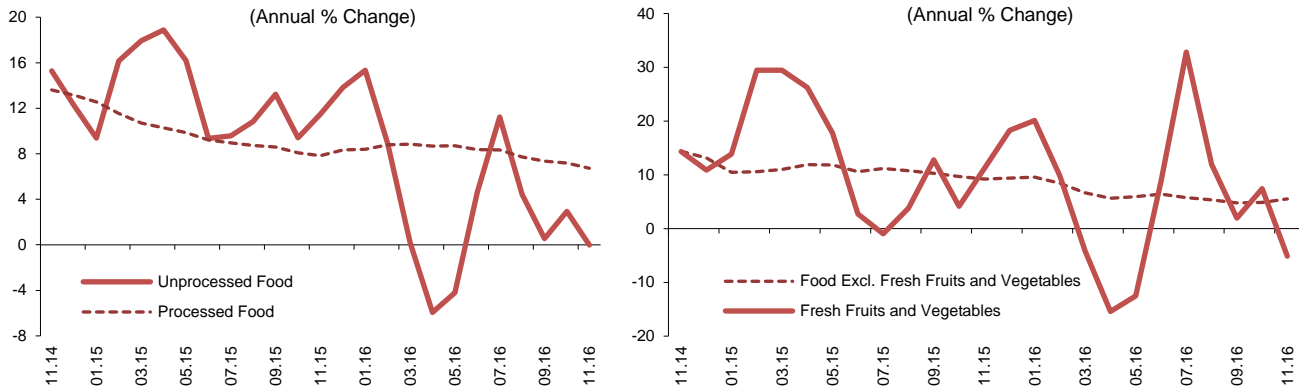
Annual core goods inflation fell by 0.22 points to 5.92 percent in November. Annual inflation plummeted in clothing, but increased in durable goods. Monthly clothing inflation maintained its recent trend and remained below seasonal averages in November as well. Among durable goods, prices of furniture and white goods declined, while the effects of the depreciation in the Turkish lira remained limited to automobile prices. Meanwhile, core goods excluding clothing and durables saw a mild increase in prices. All in all, the slowdown in aggregate demand limited the upside effect of the recent depreciation in the Turkish lira on the annual core goods inflation.



Energy prices rose by 1.05 percent in November. Price increases spread across the group due also to the depreciation in the Turkish lira. Fuel, bottled gas and solid fuel prices registered a month-on-month increase by 1.05, 3.34 and 4.12 percent, respectively. The cumulative price increase amounted to 13 percent in fuel in the last three months, which is envisaged to continue in December. As a result, annual energy inflation increased by 1.44 points to 6.15 percent.

Annual inflation in food and non-alcoholic beverages decreased by 1.65 points to 3.55 percent in November. Led by vegetable prices, seasonally-adjusted unprocessed food prices remained on the decline, and annual unprocessed food inflation stood at -0.02 percent. On the other hand, sub-groups like white meat, legumes and eggs witnessed robust price increases. It is particularly noteworthy that the ongoing increase in legume prices in the last couple of months accelerated in November and the group's annual inflation exceeded 17 percent. Processed food prices inched up by 0.28 percent, and the group's annual inflation fell to 6.73 percent. Meanwhile, annual food inflation excluding fresh fruits and vegetables increased slightly in November.

# NOVEMBER PRICE DEVELOPMENTS DECEMBER 6, 2016



It should be noted that the recently-raised SCT on automobiles, tobacco products and alcoholic beverages will bear an adverse effect on December inflation, and a significant portion of this effect will be driven by tobacco products.

	Monthly Percent Change		Annual Percent Change	
	Nov.2016	Nov.2015	Nov.2016	Nov.2015
<b>CPI</b>	<b>0,52</b>	<b>0,67</b>	<b>7,00</b>	<b>8,10</b>
<b>1. Goods</b>	<b>0,62</b>	<b>0,88</b>	<b>6,59</b>	<b>7,80</b>
Energy	1,05	-0,31	6,15	1,26
Food and nonalcoholic beverages	-0,58	1,00	3,55	9,51
Unprocessed food	-1,57	1,35	-0,02	11,48
Fresh fruits and vegetables	-6,77	5,57	-5,15	11,17
Other unprocessed food	1,72	-0,90	3,36	11,76
Processed food	0,28	0,70	6,73	7,82
Bread and cereals	0,44	0,72	9,06	5,22
Other processed food	0,18	0,69	5,45	9,33
Goods excluding energy and food	1,27	1,25	8,90	9,19
Core goods	1,46	1,68	5,92	9,61
Durable goods	0,79	-0,23	7,38	12,29
Durable goods (excluding gold)	0,56	0,19	6,16	12,02
Alcoholic beverages and tobacco	0,01	0,00	22,61	5,67
Gold	4,23	-7,48	29,51	17,90
<b>2. Services</b>	<b>0,29</b>	<b>0,17</b>	<b>7,94</b>	<b>8,80</b>
Rents	0,61	0,72	8,99	7,81
Restaurants and hotels	0,48	0,33	8,50	13,44
Transport	-0,97	-0,76	7,21	4,13
Communication	0,67	0,25	4,29	4,36
Other*	0,36	0,11	8,65	9,77
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0,82	0,61	6,99	7,79
H	0,74	0,86	6,89	8,94
I	0,84	0,89	6,99	9,22

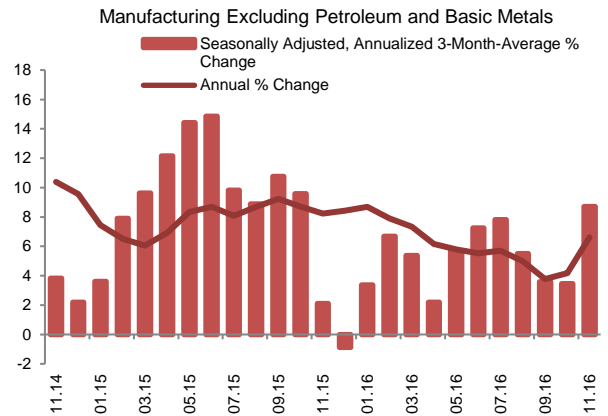
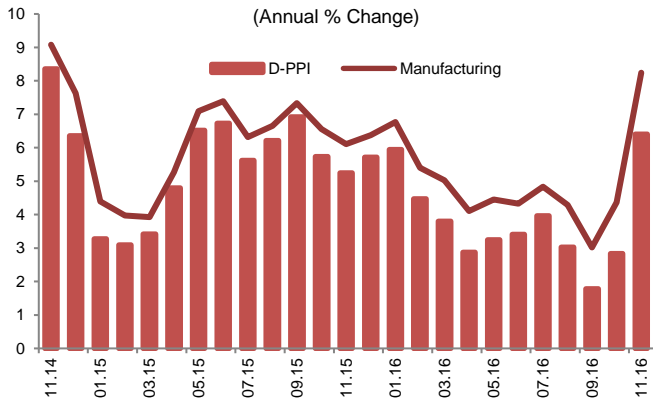
Source: TurkStat, CBRT.

\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

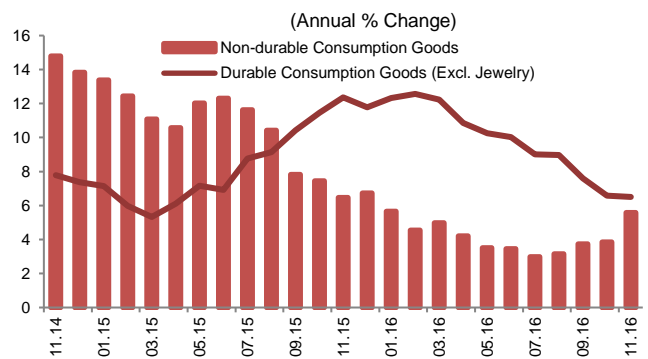
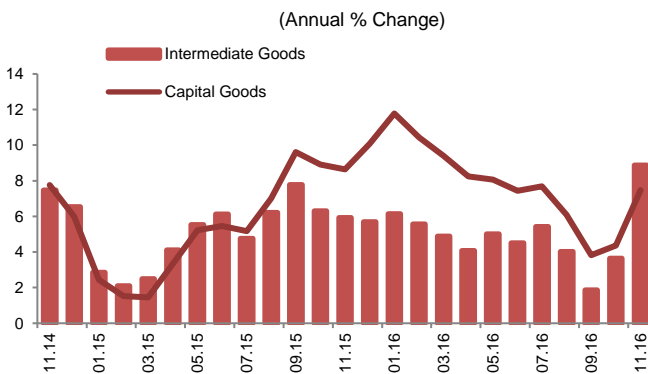
# NOVEMBER PRICE DEVELOPMENTS DECEMBER 6, 2016

## ... D-PPI ...

Domestic producer prices rose by 2.0 percent month-on-month, and the group's annual inflation increased by 3.57 points to 6.41 percent in November. This rise stemmed from the depreciated Turkish lira coupled with the hikes in international commodity (metal) prices and the base effect. Annual inflation reached 8.25 percent in the manufacturing industry and 6.62 percent in the manufacturing industry excluding petroleum and basic metals in this period.



According to the Main Industrial Groupings (MIGs), prices registered increases across all subgroups in November. Prices in intermediate goods rose due to basic metals and capital goods saw rising prices amid price developments in metal construction products, special-purpose machinery and motor vehicles. Prices of durable and non-durable goods also registered increases, the former due to furniture, and the latter due to meat and meat products. As a result, producer-driven cost pressures on consumer prices grew stronger in November due to the depreciation in the Turkish lira.



# NOVEMBER PRICE DEVELOPMENTS DECEMBER 6, 2016

## ... TABLES

<b>November CPI and Subcategories (Percent Change)</b>					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
CPI	100	0.52	7.00	0.67	8.10
Food and nonalcoholic beverages	23.68	-0.58	3.55	1.00	9.51
Alcoholic beverages and tobacco	4.98	0.01	22.61	0.00	5.67
Clothing and footwear	7.43	3.89	4.59	5.37	7.06
Housing	15.93	0.87	5.87	0.54	6.39
Household equipment	8.02	-0.12	5.46	0.66	10.50
Health	2.66	0.05	9.16	0.26	7.15
Transport	14.31	0.49	9.57	-0.78	5.11
Communication	4.42	0.64	3.09	0.35	3.67
Recreation and culture	3.81	1.25	4.26	-0.54	11.74
Education	2.56	0.10	9.50	0.17	6.35
Restaurants and hotels	7.47	0.48	8.50	0.33	13.44
Miscellaneous goods and services	4.73	1.16	10.92	-0.28	11.37

Source: TurkStat.

<b>November D-PPI and Subcategories (Percent Change)</b>					
	Weight	2016		2015	
		Monthly	Annual	Monthly	Annual
D-PPI	100.00	2.00	6.41	-1.42	5.25
Mining	3.50	2.45	6.20	-0.37	-0.32
Manufacturing	87.28	2.41	8.25	-1.26	6.11
Manufacturing excl. petroleum products	84.65	2.47	7.91	-1.07	7.20
Manufacturing excl. petroleum products and basic metals	75.61	1.51	6.62	-0.82	8.23
Electricity, gas, steam and air-conditioning supply	8.13	-3.16	-13.41	-3.69	-2.23
Water supply	1.08	0.84	7.76	1.11	18.91
D-PPI (MIGs Classification)					
Intermediate Goods		3.74	8.87	-1.23	5.93
Durable Consumption Goods		1.42	11.39	-1.29	13.91
Durable Consumption Goods (Excl. Jewelry)		0.35	6.50	0.43	12.36
Non-Durable Consumption Goods		0.80	5.58	-0.84	6.46
Capital Goods		1.97	7.47	-0.98	8.64
Energy		-0.89	-2.71	-3.48	-5.44

Source: TurkStat.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation by the public of the monthly inflation developments during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.