

Macro note – 2024 November Inflation

CPI rises by 2.24% mom in November, while annual inflation is at 47.09%. As November inflation prints above expectations, the possibility of a December rate cut remains uncertain, albeit high...

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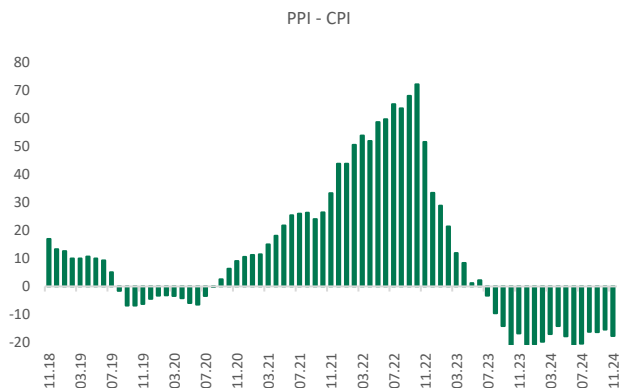
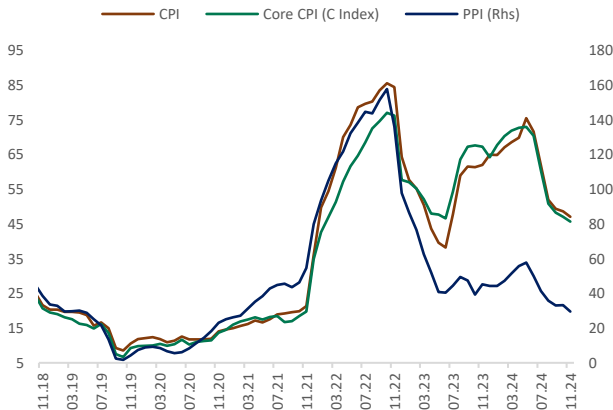
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	MoM%			YoY%		
	Market	Seker Invest	Actual	Market	Seker Invest	Actual
CPI	2	1.98	2.24	46.72	46.7	47.09
PPI	-	-	0.66			29.47

CPI increased by 2.24% mom in November, while annual inflation declined to 47.09% (previously 48.58%). Market expectations were for inflation to increase by 2% mom and 46.72% yoy (Seker Invest expectations were 1.98% mom and 46.7% yoy). Inflation, which printed above both our and the market expectations, has increased the risks regarding the monetary policy stance. The average of food, housing, and transportation inflation, which has a 56.5% weight in the index, rose by 48.22% yoy. Although inflation declined among certain items, the inflation felt especially for middle and low-income groups is beyond the headline figures. In the same period, monthly inflation in the Special CPI Aggregate B index (core inflation) was 1.54%, while annual inflation was realized as 45.68%. The monthly level of core indicators supports the disinflation outlook. Therefore, we can say that variables beyond the control of monetary policy are putting pressure on price levels. Producer prices, on the other hand, rose by 0.66% mom in November, while the annual change in PPI was realized as 29.47%. When we consider the sub-indices of PPI, annual changes in the main industrial groups were realized as a 29.40% increase in intermediate goods, 37.15% increase in durable consumer goods, 40.30% increase in non-durable consumer goods, 8.15% increase in energy, and 30.94% increase in capital goods. The long-lasting calm course of producer prices has been limiting the cost-driven consumer inflation. Therefore, we can say that the main uptrend in CPI inflation comes from unprocessed food or administered prices rather than producer prices and costs. Even under the current tight monetary policy, the course of consumer inflation is not at the targeted level. For price stability, monthly inflation needs to stabilize first below 2% and gradually within the 1.2-1.5% band. In the latest MPC decision, it was implied that the November-December inflation figures were critical in the projection of the interest rate cut. Looking at the actual November figures, it is understood that disinflation is not yet at the desired level. On the other hand, core inflation indicators, which could open the door to a rate cut, have fallen to the targeted level. Therefore, although the probability of a December rate cut is still high, it remains uncertain...

Graph 1: CPI, PPI and Core CPI (YoY %)

Graph 2: PPI – CPI Spread



Analyzing the subcategories of CPI inflation, the main group with the lowest year-on-year increase was transportation, with 26.24%. On the other hand, the main group with the highest increase compared to the same month of last year was education, with 92.49%. By main expenditure groups, the main group with the highest decrease in November 2024 compared to the previous month was clothing and footwear with -0.25%. On the other hand, the main group with the highest increase in November 2024 compared to the previous month was food and non-alcoholic beverages, with 5.10%.

Table 1: Inflation and Sub-Components

Main expenditure groups	Weights	MoM (%)	Ytd (%)	YoY (%)
CPI	100,00	2,24	42,91	47,09
Food and non-alcoholic beverages	24,98	5,10	41,75	48,57
Alcoholic beverages and tobacco	3,76	-0,04	39,30	39,32
Clothing and footwear	6,94	-0,25	33,22	31,45
Housing, water, electricity, gas and other fuels	14,20	2,40	66,19	74,45
Furnishing, household equipment, routine domestic maintenance	8,12	2,81	34,98	39,90
Health	3,71	2,69	46,35	52,84
Transportation	17,35	0,29	26,42	26,24
Communication	3,34	1,88	31,68	35,71
Recreation and Culture	3,33	2,88	35,59	42,79
Education	1,80	0,01	91,52	92,49
Hotels, cafes and restaurants	8,17	0,79	55,02	59,38
Miscellaneous goods and services	4,30	1,29	41,13	43,81

Source: TURKSTAT

In sum, CPI increased by 2.24% mom in November, while annual inflation was realized at 47.09%. Considering both the inflation report published by the central bank and the latest MPC decision, current levels remain high. In particular, inflation, which was initially brought down significantly by the combination of the base effect and tight monetary policy, is showing rigidity at current levels. Inflation inertia and the ineffective activation of the expectations channel seem to be the two main reasons. We expect the year-end 2024 inflation level to deviate upwards from both the CBRT forecast (44%) and the average market expectation (43.5%). The CBRT's job is made more difficult by the contributions from administered prices and unprocessed food prices, which are beyond the control of monetary policy. The economic management, which gradually adjusts monetary and fiscal policies according to the trend in inflation, will need more time to manage inflation expectations. We closely monitor inflation expectations as improvement in the expectations channel will impact pricing behavior and costs. Contributions to inflation from cost and exchange rate pressures have been contained, and consumption and demand inflation have started to decline. Inflation in the services sector also improved significantly in the October-November period. Considering the sphere of monetary policy control, implementations that take financial stability as well as price stability into account will reduce exchange rate volatility and contribute to risk premiums and macro financial stability. We emphasize here that we may revise our inflation forecasts depending on the developments in monthly inflation and the course of monetary policy. We maintain our year-end inflation forecast at 44.5%.

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