

# Macro Focus: Inflation

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## Nov.2024: Negative Headline, Positive Details

### CPI rose by 2.24% MoM in November, but decreased from 48.58% YoY to 47.09% YoY.

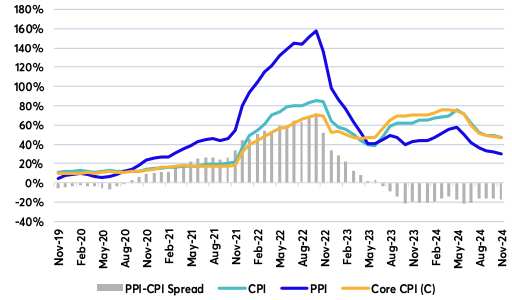
Consensus expectation was for CPI to rise around 2% MoM (YF: +1.9%, Oct.24: +2.88%, Nov.23: +3.28%, 2019-2023 Median: +2.88%). The highest monthly increases were recorded in Food and Non-Alcoholic Beverages (+5.1%), Recreation & Culture (+2.88%), House Appliances (+2.81%) while Clothing and Footwear (-0.25%) and Alcoholic Beverages-Tobacco (-0.04%) were the only expenditure groups that recorded monthly decreases. The first 5 basic headings with the highest monthly increases were Fresh vegetables (29.55%), Products for pets (+23.19%), Eggs (+14.1%), Pharmaceutical products (+10.69%), Cookers (+9.65%) whereas top 5 basic headings with the sharpest monthly decline/least monthly increase were Travel goods (-5.17%), Hotels and other accommodation services (-4.84%), Garments for baby (-4.69%), Footwear for infants and children (-3.33%) and Footwear for men (-3.29%). Core CPI (excluding energy/gold/food-soft drinks/alcoholic beverages-tobacco) rose by 1.53% MoM to 47.13% YoY (Prior: 47.75%).

**YoY Services CPI exceeded Goods CPI for the 23<sup>rd</sup> month in a row.** While the monthly increase in the goods group was 2.54% (Oct.24: +3.33%, Nov.23: +3.52%), YoY goods inflation declined from 40.36% to 39.05% YoY. In November, food inflation rose by 5.1% MoM (prior: 4.33%) to 48.57% YoY (prior: 45.28%). Unprocessed food rose by 9% MoM to 59.79% YoY and processed food by 1.58% MoM to 39.1% YoY. On the unprocessed food side, fresh fruits and vegetables, which increased by 19.2% MoM in October, was the key driver with a 18.08% MoM increase in November (57.37% YoY). Energy (46.08% YoY) posted a relatively limited increase of 0.81% MoM. Goods excluding food and energy, which increased by 3.30% MoM in October, rose by 1.25% MoM in November (30.13% YoY). Durable Goods and Other Core Goods were the main drivers of this rise, while Clothing (40.72% YoY), which recorded the highest October increase of 14.6%, fell by 0.3% MoM. While the monthly increase in the services group was realized as 1.61%, the lowest level in almost 3 years (Oct.24: +1.95%, Nov.23: +2.76%); YoY services inflation was realized as 67.89%, the lowest level in the last 17 months. Although the highest monthly increase in the services group was observed in rent with 4.18% (109% YoY), the slowdown in the monthly rate of increase in rents and restaurants-hotels (+0.79% MoM, 92.9% YoY) groups stood out. On the other hand, the Services-Goods CPI gap of 28.8pps still keeps the risk of rigidity in the inflation outlook high.

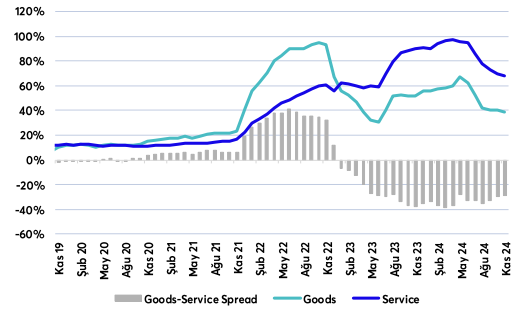
**YoY PPI was below of CPI for the last 17 months.** PPI increased by 0.66% MoM (Oct.24: +1.29%, Nov.23: +2.81%, 2019-2023 Median: +2.81%) to 29.47% YoY (Prior: 32.24%). Thus, YoY CPI remained above PPI for the last 17 months, while PPI-CPI gap reached to -17.6pps. On a monthly basis, increases were observed in all main industrial groups excluding energy and in all main sectors except electricity, gas, steam and air conditioning. Among the main industrial groupings, the highest increase was recorded in durable goods by 1% (37.15% YoY) and in mining by 1.15% (38.01% YoY). 22 of 23 sectors under manufacturing (+1.07% MoM, 31.31% YoY) recorded monthly increases. The highest monthly increase was in pharmaceutical products with 13.71% MoM (55.68% YoY) and the only decrease was in coke and refined petroleum products with 0.42% MoM (1.27% YoY).

**December inflation outlook is critical for a possible rate cut.** In 11M24 period, the average headline CPI stood at 3.3% and average core CPI at 3.4%, while the cumulative 11-month CPI reached 42.91% (12-Month Average: 60.45%). The CBRT's year-end CPI forecast is 44% (forecast range: 42-46%), requiring a monthly CPI of 0.75% in December (forecast 2.15% for the upper end of the forecast range) to achieve this target. In sum, headline CPI inflation in November was relatively strong on a monthly basis and realized above expectations. On the other hand, it is worth noting that this rise was largely driven by the fresh fruits and vegetables group, which is relatively outside the sphere of influence of monetary policy. We should also state that the monthly increase in both core CPI and services CPI was realized at the lowest level of the last 3 years. Under the services group, the slowdown in the monthly rate of increase in the rents and restaurants-hotels groups also deserved attention. Therefore, although the headline November CPI did not give a very positive outlook, the details gave more positive signals regarding the inflation outlook. Following this data, we think that CBRT may start to cut cycle at the last meeting of the year on December 26 or at the first meeting of the new year on January 23. Although the statement "... the level of the policy rate will be determined in a way to ensure the tightness required by the projected disinflation path, taking into account both realized and expected inflation." added to the last MPC text makes December a little probable, we think that the picture of the monthly inflation outlook until the meeting on December 26 will be decisive. Next inflation figures will be published on January 3.

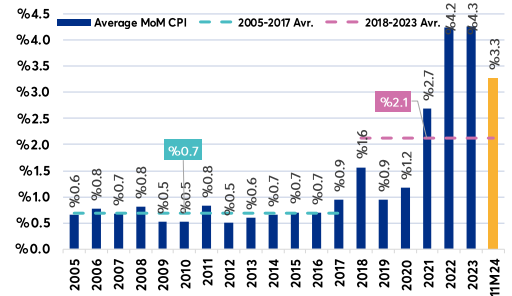
### CPI and PPI (YoY)



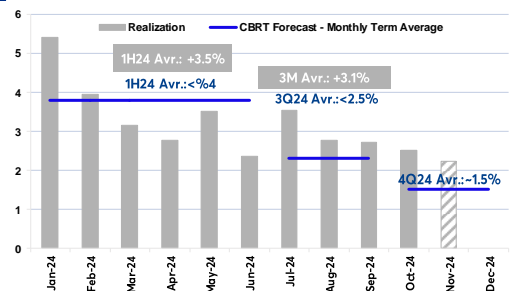
### Goods & Services CPI (YoY)



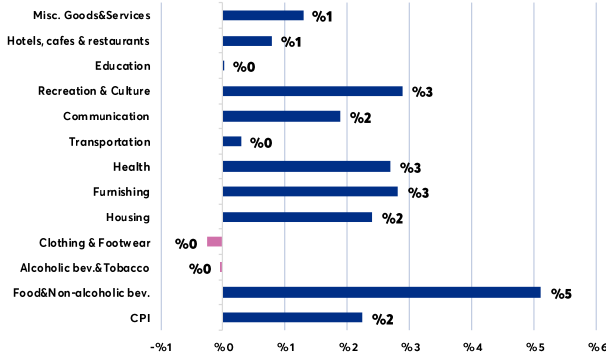
### Underlying Trend of Monthly Inflation (Historical)



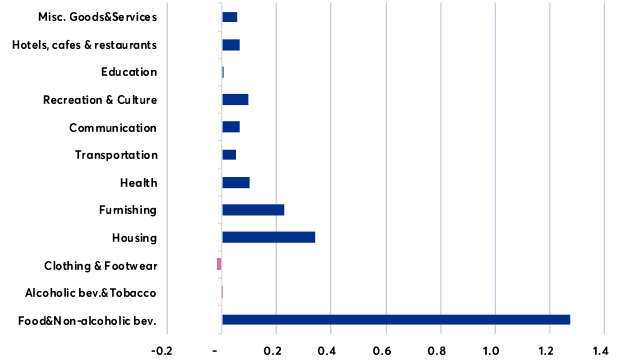
### Monthly Actual Inflation vs CBRT Forecast



## CPI – Main Expenditure Groups, MoM % change



## CPI–Main Expenditure Groups, MoM Contributions



## Indicators for CPIs having specified coverages November 2024

Group	Coverage	Weight (%)	MoM (%)	YtD (%)	YoY (%)	12M Mov. Avr. YoY (%)
<b>Consumer Price Index - CPI</b>		<b>100.0</b>	<b>2.2</b>	<b>42.9</b>	<b>47.1</b>	<b>60.5</b>
<b>Main expenditure groups</b>						
	Food and non-alcoholic beverages	25.3	5.1	41.8	48.6	59.3
	Alcoholic beverages and tobacco	4.3	0.0	39.3	39.3	61.4
	Clothing and footwear	6.4	-0.3	33.2	31.5	39.7
	Housing, water, electricity, gas and other fuels	14.1	2.4	66.2	74.5	74.3
	Furnishing, household equipment, routine maintenance of the house	8.9	2.8	35.0	39.9	54.5
	Health	3.2	2.7	46.4	52.8	66.8
	Transportation	16.8	0.3	26.4	26.2	52.4
	Communication	3.8	1.9	31.7	35.7	46.9
	Recreation and culture	3.1	2.9	35.6	42.8	55.3
	Education	2.0	0.0	91.5	92.5	98.5
	Hotels, cafes and restaurants	7.1	0.8	55.0	59.4	79.5
	Miscellaneous goods and services	5.0	1.3	41.1	43.8	55.5
<b>1. Indicators for the CPIs having specified coverages</b>						
A	CPI excluding seasonal products		1.6	42.2	46.1	61.7
B	CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold		1.5	42.3	45.7	60.6
C	CPI excluding energy, food and non-alcoholic bev., alcoholic bev., tobacco and gold		1.5	43.8	47.1	62.1
D	CPI excluding unprocessed food, alcoholic bev. and tobacco		1.4	42.2	45.7	59.7
E	CPI excluding alcoholic beverages and tobacco		2.3	43.1	47.4	60.4
F	CPI excluding administered and directed prices		2.5	42.4	46.4	60.9
<b>2. Goods</b>		<b>2.5</b>	<b>34.8</b>	<b>39.1</b>	<b>51.4</b>	
	Energy	0.8	42.2	46.1	54.2	
	Food and non-alcoholic beverages	5.1	41.8	48.6	59.3	
	Unprocessed food	9.0	49.0	59.8	65.7	
	Fresh fruits and vegetables	18.1	71.6	91.2	66.8	
	Other unprocessed food	2.8	34.9	41.7	64.9	
	Processed food	1.6	35.4	39.1	53.9	
	Bread and cereals	1.9	39.8	43.8	54.7	
	Other processed food	1.4	33.3	36.9	53.6	
	Goods excluding energy and food	1.3	27.6	30.1	44.9	
	Core goods	1.4	26.1	28.9	42.8	
	Clothing and footwear	-0.3	32.6	30.7	38.8	
	Durable goods (excluding gold)	1.3	20.5	23.8	41.5	
	Other core goods	3.1	30.6	35.5	47.7	
	Alcoholic beverages, tobacco and gold	-0.1	38.9	39.5	60.9	
<b>3. Service</b>		<b>1.6</b>	<b>64.0</b>	<b>67.9</b>	<b>84.3</b>	
	Rent	4.2	100.0	109.0	118.1	
	Hotels, cafes and restaurants	0.8	55.0	59.4	79.5	
	Transportation services	0.3	52.1	49.0	77.6	
	Telecommunication services	1.9	42.1	46.5	60.9	
	Other services	1.0	61.4	65.0	79.1	

Domestic PPI sections and divisions  
November 2024

	Weight (%)	MoM (%)	YtD (%)	YoY (%)	12M Mov. Avr. YoY (%)
Domestic producer price index - D-PPI	100.0	0.7	28.0	29.5	42.6
<b>Main industrial groupings</b>					
Intermediate goods		0.6	26.2	29.4	42.6
Durable consumer goods		1.0	33.8	37.2	51.9
Non-durable consumer goods		2.2	37.2	40.3	55.5
Energy		-2.3	15.8	8.2	14.9
Capital goods		0.6	28.0	30.9	49.9
<b>Sectors</b>					
Mining and quarrying	3.6	1.2	35.3	38.0	58.3
Coal and lignite	0.5	0.4	34.0	33.8	41.9
Crude petroleum and natural gas	0.3	1.8	10.3	7.8	40.7
Metal ores	1.3	0.8	47.3	52.6	63.0
Other mining and quarrying products	1.4	1.5	35.8	40.0	67.0
Manufacturing	87.4	1.1	28.7	31.3	46.3
Food products	20.0	1.7	36.1	39.6	54.4
Beverages	0.8	3.0	53.9	53.9	53.7
Tobacco products	0.3	0.0	46.4	49.1	61.0
Textiles	9.9	0.3	21.7	23.7	40.6
Wearing apparel	1.5	2.8	38.0	44.0	59.3
Leather and related products	1.0	2.5	37.0	40.0	46.4
Wood and products of wood and cork, except furniture	1.4	0.9	26.1	30.8	48.6
Paper and paper products	3.2	0.9	33.6	35.4	43.7
Printing and recording services	1.0	0.1	40.3	42.4	61.2
Coke and refined petroleum products	2.5	-0.4	5.1	1.3	29.6
Chemicals and chemical products	4.4	0.9	26.0	27.5	41.4
Basic pharmaceutical products and pharmaceutic preparations	1.4	13.7	45.0	55.7	56.3
Rubber and plastic products	4.8	0.6	31.2	36.6	48.7
Other non-metallic mineral products	4.6	0.6	29.6	30.6	43.0
Basic metals	8.7	0.3	20.0	23.9	36.0
Fabricated metal products, except machinery and equipment	5.9	0.7	24.3	28.1	44.8
Computer, electronic and optical products	1.5	1.5	22.4	22.3	34.2
Electrical equipment	3.4	0.8	25.3	28.5	46.4
Machinery and equipment n.e.c.	3.2	0.8	31.7	34.7	52.2
Motor vehicles, trailers and semi-trailers	3.8	0.5	27.1	30.3	50.6
Other transport equipment	0.8	1.7	23.8	23.8	40.8
Furniture	2.4	0.9	40.1	42.7	58.7
Other manufactured goods	1.0	0.1	40.8	45.7	61.4
Electricity, gas, steam and air conditioning	8.3	-3.6	18.1	4.7	-2.0
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Water supply; sewerage, waste management and remediation	0.7	1.1	32.4	42.1	61.9
Water; water treatment and supply services	0.7	1.1	32.4	42.1	61.9

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