

Inflation - May 2013

Economic Research Division



The increase in CPI was below expectations in May.

In May, compared to the previous month, CPI and PPI increased by 0.15% and 1.00%, respectively. According to the Reuters' survey, markets' monthly CPI and PPI inflation expectations were 0.45% and 0.44%, respectively. According to the CBRT's survey of expectations, CPI was expected to rise by 0.46% in May.

In May, annual CPI inflation increased due to the base effect.

In May, although the monthly CPI inflation was lower than expected, the annual CPI rose to 6.51% due to the base effect. In the same period, annual PPI increased by 2.17% and kept its low level.

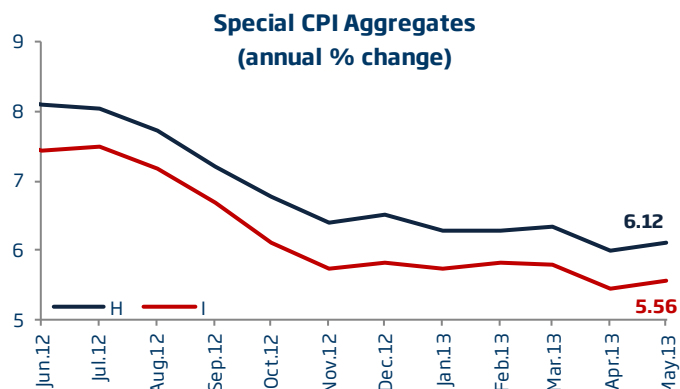
(%)	CPI - May		PPI - May	
	2012	2013	2012	2013
Monthly	-0.21	0.15	0.53	1.00
Year to Date	2.87	3.21	1.27	0.99
Annual	8.28	6.51	8.06	2.17
Annual Average	8.68	7.51	10.57	3.27

The price developments in food and non-alcoholic beverages group were influential on the course of CPI.

In May, it was seen that the price developments in unprocessed food were influential on the lower than expected CPI. Indeed, the prices in food and non-alcoholic beverages group, which has the highest share in CPI, declined by 2.18% compared to the previous month and led CPI to decrease by 44 basis points. On the other hand, while other consumption groups followed a stable path, prices in clothing and footwear group registered a sharp increase due to the seasonal factors in May. The prices in this group increased by 8.85% compared to the previous month and made an upward contribution to the monthly CPI inflation by 51 basis points.

Core inflation increased slightly...

Analysis of the core inflation indicators revealed that the special CPI aggregates made an upward contribution to



H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold.

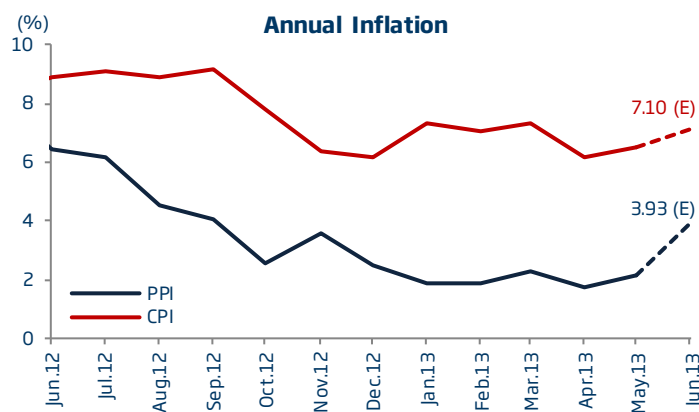
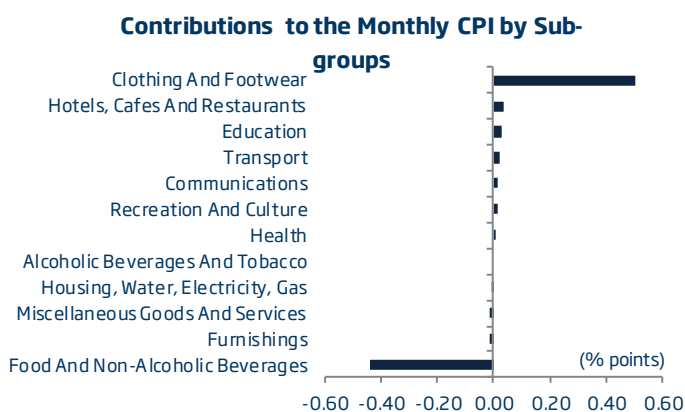
inflation in May. Following April, CBRT's favorite core inflation aggregates increased also in May. In this period, core aggregates denominated by H and I rose by 1.29% and 1.47%, respectively on monthly basis while the annual increases in these aggregates were realized as 6.12% and 5.56%, respectively.

Higher than expected PPI in May...

In May, increase in the agricultural sector prices were influential on PPI. The prices in the said group increased by 5.96% compared to the previous month and contributed PPI inflation by 90 basis points. In addition to that, electricity and gas production and the manufacture of textile products were also influential on the rise of the PPI.

Expectations...

In June, we anticipate that the monthly CPI would fall due to the seasonal factors in the food and beverages group while the annual inflation would rise due to the base effect. On the other hand, we expect that the impact of recent increase in currency basket will be reflected in PPI initially. The magnitude of the secondary effects on CPI will depend on the possible measures to be taken by the policy makers. In this context, we expect CPI to decrease by 0.35% while PPI to increase by 0.20%.



(E) Estimate
Source: Turkstat

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Inflation (%)

	Consumer Price Index (2003=100)				Producer Price Index (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
2011	January	0.41	0.41	4.90	8.28	2.36	2.36	10.80	8.89
	February	0.73	1.14	4.16	7.76	1.72	4.13	10.87	9.23
	March	0.42	1.57	3.99	7.29	1.22	5.40	10.08	9.36
	April	0.87	2.45	4.26	6.79	0.61	6.04	8.21	9.17
	May	2.42	4.93	7.17	6.64	0.15	6.20	9.63	9.21
	June	-1.43	3.43	6.24	6.47	0.01	6.21	10.19	9.42
	July	-0.41	3.00	6.31	6.37	-0.03	6.18	10.34	9.59
	August	0.73	3.75	6.65	6.24	1.76	8.05	11.00	9.76
	September	0.75	4.53	6.15	6.00	1.55	9.72	12.15	10.03
	October	3.27	7.95	7.66	5.93	1.60	11.48	12.58	10.26
	November	1.73	9.82	9.48	6.13	0.65	12.20	13.67	10.72
	December	0.58	10.45	10.45	6.47	1.00	13.33	13.33	11.09
2012	January	0.56	0.56	10.61	6.95	0.38	0.38	11.13	11.11
	February	0.56	1.13	10.43	7.48	-0.09	0.29	9.15	10.96
	March	0.41	1.55	10.43	8.02	0.36	0.65	8.22	10.79
	April	1.52	3.09	11.14	8.59	0.08	0.73	7.65	10.72
	May	-0.21	2.87	8.28	8.68	0.53	1.27	8.06	10.57
	June	-0.90	1.95	8.87	8.89	-1.49	-0.24	6.44	10.24
	July	-0.23	1.71	9.07	9.11	-0.31	-0.56	6.13	9.88
	August	0.56	2.28	8.88	9.29	0.26	-0.30	4.56	9.33
	September	1.03	3.34	9.19	9.53	1.03	0.72	4.03	8.65
	October	1.96	5.36	7.80	9.53	0.17	0.90	2.57	7.80
	November	0.38	5.76	6.37	9.26	1.66	2.58	3.60	6.98
	December	0.38	6.16	6.16	8.89	-0.12	2.45	2.45	6.09
2013	January	1.65	1.65	7.31	8.62	-0.18	-0.18	1.88	5.33
	February	0.30	1.95	7.03	8.33	-0.13	-0.31	1.84	4.72
	March	0.66	2.63	7.29	8.08	0.81	0.50	2.30	4.23
	April	0.42	3.06	6.13	7.66	-0.51	-0.01	1.70	3.74
	May	0.15	3.21	6.51	7.51	1.00	0.99	2.17	3.27
	June^(E)	-0.35	2.85	7.10	7.37	0.20	1.19	3.93	3.07

(E) Estimate

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