



Inflation - May 2014

Economic Research Division

TÜRKİYE BANKASI

CPI inflation came in lower than expectations in May.

In May, CPI increased by 0.40% mom, while Domestic PPI (D-PPI) decreased by 0.52% mom. According to the Reuters' survey, monthly CPI was expected to rise by 0.50%. According to the CBRT's survey, markets' monthly CPI expectation was 0.63% in May.

The annual inflation in CPI reached 9.66%.

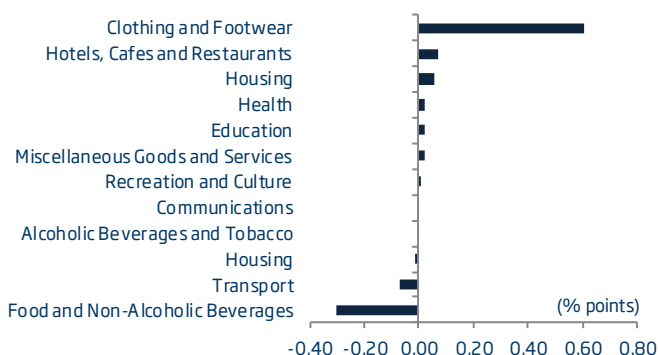
The annual increase in CPI which exhibited an upward trend during the last 6 months, was realized as 9.66% in May, the highest increase of the last 25 months. The ytd rise in CPI was 5.38%, the highest increase in any May in the last 6 years. On the other hand, the annual increase in D-PPI was realized as 11.28% due to the monthly decline.

CPI - May	Domestic PPI - May	
	2013	2014
(%)	2013	2014
Monthly	0.15	0.40
Year to Date	3.21	5.38
Annual	6.51	9.66
Annual Average	7.51	8.23

In May, clothing and footwear together with food and non-alcoholic beverages prices were influential on the course of inflation.

Analysis of the main expenditure groups in CPI showed that the rise in clothing and footwear prices together with the decline in food and non-alcoholic beverages prices were the main drivers of the inflation in May. Thus, the 9.19% mom increase in clothing and footwear prices in May made the highest contribution to the inflation by 61 basis points. On the other hand, the decrease in food and non-alcoholic beverages prices, which was recorded as 1.35%, lowered the monthly inflation by 31 basis points. The price developments in other sub-groups have a limited impact on the monthly inflation.

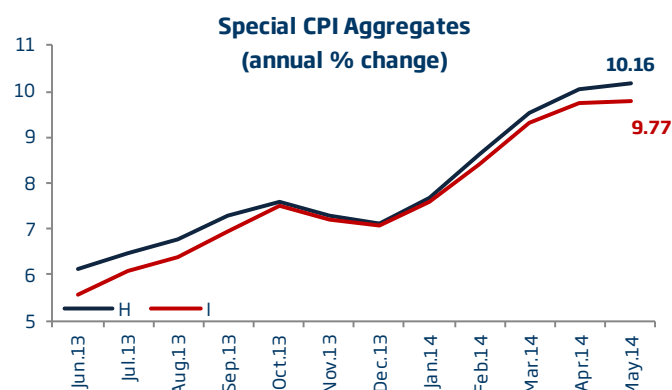
Contributions to the Monthly CPI by Subgroups



Annual inflation in H index remained at double-digit levels in May.

In May, seasonal factors were influential on the CPI increase. Indeed, monthly inflation was realized as 0.12% excluding seasonal

products. On the other hand, developments in unprocessed food and energy prices limited the rise inflation. Monthly inflation reaches 1.26% when the said sub-groups are excluded. The monthly increases in CBRT's favorite core indices denominated by H and I were realized at high levels as 1.40% and 1.50%, respectively. In this context, the annual inflation in those indices, following an upward trend for a fifth consecutive month, reached 10.16% and 9.77%, respectively.



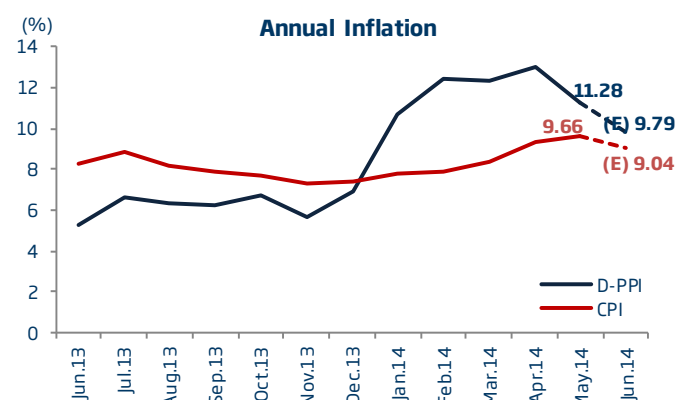
H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold.

D-PPI fell in May.

In May, the fall in electricity and gas production and distribution prices was influential on the decrease of D-PPI. In the said sector, the prices decreased by 3.60% on a monthly basis and made 32 basis points decreasing impact on D-PPI. According to main industrial groupings classification, on the other hand, the only category registering an increase was nondurable consumer goods prices.

Expectations...

In June, we expect that the seasonal factors affecting the clothing and footwear prices in recent months will have relatively little impact and the course of the food prices will continue to be effective on the CPI. In this context, we expect CPI and D-PPI to increase only by 0.2% and 0.1% mom, respectively.



(E) Estimate
Source: Turkstat

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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		
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	0.76	4.00	8.30	7.47	1.46	2.46	5.23	3.18
	July	0.31	4.32	8.88	7.47	0.99	3.48	6.61	3.23
	August	-0.10	4.21	8.17	7.42	0.04	3.52	6.38	3.39
	September	0.77	5.01	7.88	7.32	0.88	4.43	6.23	3.58
	October	1.80	6.90	7.71	7.32	0.69	5.15	6.77	3.93
	November	0.01	6.91	7.32	7.39	0.62	5.80	5.67	4.10
	December	0.46	7.40	7.40	7.49	1.11	6.97	6.97	4.48
2014	January	1.98	1.98	7.75	7.53	3.32	3.32	10.72	5.22
	February	0.43	2.41	7.89	7.60	1.38	4.75	12.40	6.11
	March	1.13	3.57	8.39	7.70	0.74	5.52	12.31	6.95
	April	1.34	4.96	9.38	7.97	0.09	5.61	12.98	7.89
	May	0.40	5.38	9.66	8.23	-0.52	5.06	11.28	8.66
	June (E)	0.20	5.59	9.04	8.30	0.10	5.17	9.79	9.03

(E) Estimate

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