



# Inflation - May 2015

## Economic Research Division

TÜRKİYE BANKASI

### CPI rose by 0.56% mom.

In May, CPI and Domestic PPI (D-PPI) registered a monthly increase of 0.56% and 1.11%, respectively. According to the Reuters' survey CPI was expected to rise by 0.65% in this period. The CBRT's survey suggested that markets' monthly CPI expectation for May was 0.52%.

May	CPI		D-PPI	
Change (%)	2014	2015	2014	2015
Monthly	0.40	0.56	-0.52	1.11
Year-to-Date	5.38	5.30	5.06	5.22
Annual	9.66	8.09	11.28	6.52
Annual Average	8.23	8.45	8.66	6.98

### The annual CPI inflation was 8.09%.

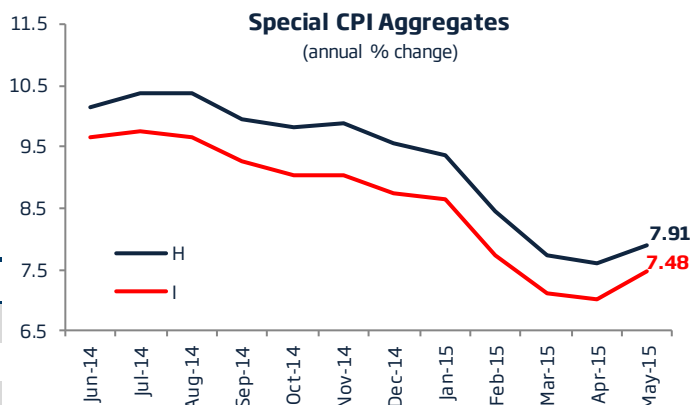
Annual CPI inflation rose for the fourth month in a row in May. Having declined to as low as 7.24% in January, annual increase in CPI reached 8.09% in May. The rise in PPI came in at 6.52% along with the fading base effect.

### Upward pressure on CPI through clothing and footwear prices...

Seasonal factors were influential on clothing and footwear prices in May as was the case in April. In fact, the prices in this group surged by 10.1% mom and made the highest contribution to the monthly inflation by 64 basis points. The transportation group followed clothing and footwear group and contributed to the monthly inflation by 23 basis points. In contrast to the previous four months, food and non-alcoholic beverages put downward pressure on inflation as widely expected. Having the highest weight in the CPI basket with 24%, the prices in the said group dropped by 2.7% mom and limited the rise in monthly inflation by 56 basis points.

### Core inflation indicators...

While monthly inflation excluding energy was lower with 0.46%, it was higher with 1.5% excluding unprocessed food. H and I core indices, the CBRT's favorite core indices,



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.

recorded a monthly rise of 1.69% and 1.96%, respectively. They both continued to stay above the monthly headline inflation. Also, it was worth mentioning that the impact of the depreciation of TRY on core inflation indicators became more evident by May. Thus, the annual rises in H and I core indices accelerated during this period.

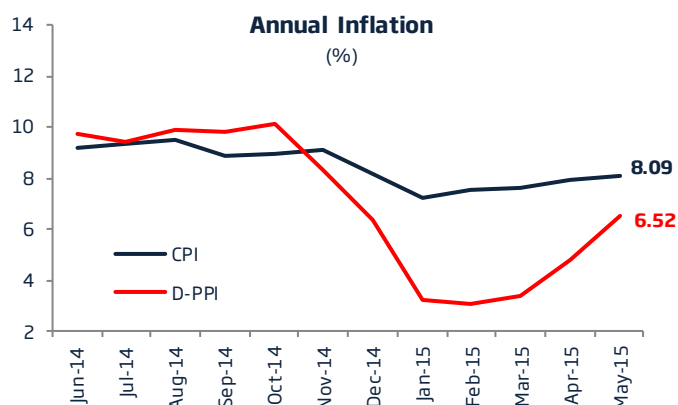
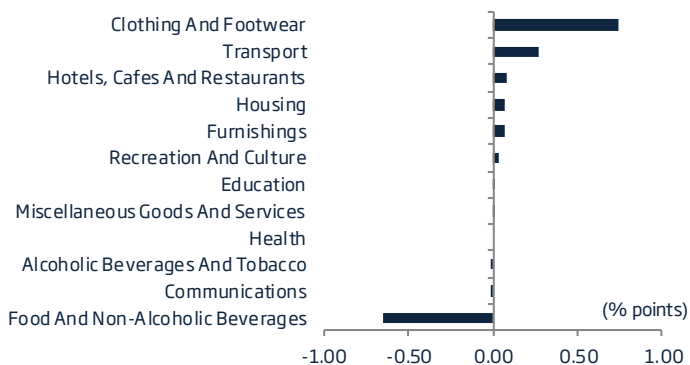
### Monthly rise in D-PPI was 1.1%.

Having posted the fastest monthly increase of 15 months in April, the D-PPI registered a relatively moderate monthly rise by 1.1% in May. Food prices, which have the largest weight in the D-PPI basket, made the highest contribution to the monthly inflation in this period. Indeed, the said group prices surged by 1.9% mom. The second highest contribution came from the refined petroleum products by 25 basis points.

### Expectations...

Clothing and footwear and food prices are expected to register a fall in June due to the seasonal factors and thereby drag down inflation figures. On the other hand, the fading favorable impact of the plunge in oil prices on inflation, as well as the high course of exchange rates, might limit this downward impact to some extent.

### Contributions to the Monthly CPI by Subgroups



Source: Datastream, Turkstat

# Inflation - May 2015

## Economic Research Division



### 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		
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	0.31	5.70	9.16	8.31	0.06	5.12	9.75	9.03
	July	0.45	6.18	9.32	8.35	0.73	5.89	9.46	9.26
	August	0.09	6.28	9.54	8.46	0.42	6.33	9.88	9.55
	September	0.14	6.43	8.86	8.54	0.85	7.24	9.84	9.84
	October	1.90	8.45	8.96	8.65	0.92	8.22	10.10	10.11
	November	0.18	8.65	9.15	8.80	-0.97	7.18	8.36	10.32
	December	-0.44	8.17	8.17	8.85	-0.76	6.36	6.36	10.25
2015	January	1.10	1.10	7.24	8.80	0.33	0.33	3.28	9.59
	February	0.71	1.82	7.55	8.77	1.20	1.53	3.10	8.79
	March	1.19	3.03	7.61	8.70	1.05	2.60	3.41	8.03
	April	1.63	4.71	7.91	8.57	1.43	4.06	4.80	7.36
	May	0.56	5.30	8.09	8.45	1.11	5.22	6.52	6.98
	June <sup>(E)</sup>	<b>0.20</b>	<b>5.51</b>	<b>7.97</b>	<b>8.35</b>	<b>0.10</b>	<b>5.32</b>	<b>6.57</b>	<b>6.73</b>

(E) Estimate

Source: Turkstat

**Türkiye İş Bankası A.Ş. - Economic Research Division**

**İzlem Erdem - Manager**  
 izlem.erdem@isbank.com.tr

**Alper Gürler - Unit Manager**  
 alper.gurler@isbank.com.tr

**Hatice Erkiletlioğlu - Asst. Manager**  
 hatice.erkiletlioglu@isbank.com.tr

**Bora Çevik - Economist**  
 bora.cevik@isbank.com.tr

**Eren Demir - Asst.Economist**  
 eren.demir@isbank.com.tr

**M. Kemal Gündoğdu - Asst.Economist**  
 kemal.gundogdu@isbank.com.tr

**Gamze Can - Asst.Economist**  
 gamze.can@isbank.com.tr

**LEGAL NOTICE**

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.