



CPI inflation came in below expectations.

In May, CPI increased below market expectations by 0.95% on a monthly basis. According to the Reuters' survey, the monthly increase in CPI was expected to be 1.3%. During this period, Domestic PPI (D-PPI) also rose by 2.67% mom.

Annual CPI inflation declined to 18.71%.

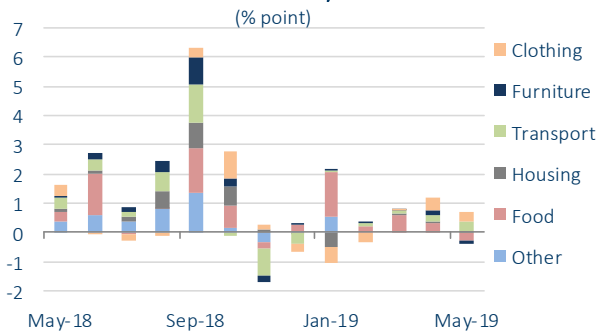
Having remained below 20% since February, annual CPI inflation dropped to 18.71% in May. Annual D-PPI inflation, which followed an upward trend since March, decreased to 28.71% in May.

May	CPI		D-PPI	
(change %)	2018	2019	2018	2019
Monthly	1.62	0.95	3.79	2.67
Year-to-Date	6.39	4.99	12.12	7.99
Annual	12.15	18.71	20.16	28.71
Annual Average	11.10	19.91	15.80	32.85

Food prices fell on a monthly basis.

Prices of all main expenditure groups excluding food and non-alcoholic beverages and furnishings increased on a monthly basis in May. Due to the tax adjustments in tobacco products in early May, prices of alcoholic beverages and tobacco increased by 8.9% mom, contributing 39 bps to the monthly inflation. Transportation group also added 36 bps to the monthly CPI inflation, mainly due to the 3.8% increase in motor vehicle prices. These two items were the largest contributors to the monthly consumer inflation. In the clothing and footwear group, prices rose by 4.2% on a monthly basis due to the seasonality. On the other hand, the food and non-alcoholic beverage group limited monthly CPI inflation by 29 bps due to the 15% fall in fresh fruit and vegetable prices.

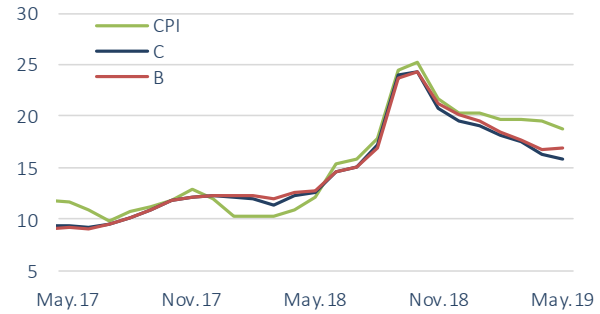
Contribution to Monthly CPI Inflation



Core inflation indicators...

As two of the inflation indicators for CPI having specified coverage, B and C sub-indices displayed a mixed outlook in May. While annual rise in B index reached 16.90% by rising slightly compared to April, annual increase in C index fell to 15.87%.

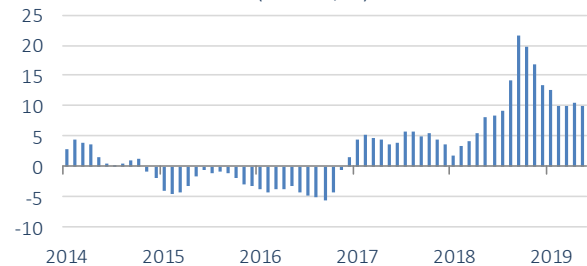
CPI and Special CPI Aggregates*
(annual % change)



Food products made the highest contribution to D-PPI.

In May, highest contribution to monthly D-PPI was originated from food products by 83 bps. In this period, textiles and basic metals that are highly affected by the developments in exchange rates also played an important role in determining the monthly change in D-PPI. A monthly rise of 10.3% in tobacco products was also noteworthy. All main industry groups posted a monthly rise above 2% excluding durable consumer goods.

Difference between D-PPI and CPI
(annual, %)



Expectations...

In June, seasonal price discounts in clothing and footwear group as well as weak domestic demand conditions are expected to limit the rise in inflation. Nevertheless, effects of the high course in D-PPI and movements in exchange rates on consumer inflation should be monitored. In fact, despite falling to 10 points level in recent months, the difference between D-PPI and CPI in annual growth terms is still at high levels.

(*)B: excluding unprocessed food, energy, alcoholic beverages, tobacco and gold

C: excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold

Source: Turkstat, Datastream

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date		Average		Date		Average	
2017	January	2.46	2.46	9.22	7.76	3.98	3.98	13.69	4.96
	February	0.81	3.29	10.13	7.88	1.26	5.29	15.36	5.87
	March	1.02	4.34	11.29	8.21	1.04	6.38	16.09	6.89
	April	1.31	5.71	11.87	8.66	0.76	7.19	16.37	8.01
	May	0.45	6.18	11.72	9.09	0.52	7.74	15.26	9.02
	June	-0.27	5.89	10.90	9.36	0.07	7.82	14.87	9.98
	July	0.15	6.05	9.79	9.44	0.72	8.60	15.45	10.94
	August	0.52	6.60	10.68	9.66	0.85	9.52	16.34	12.05
	September	0.65	7.29	11.20	9.98	0.24	9.78	16.28	13.26
	October	2.08	9.52	11.90	10.37	1.71	11.66	17.28	14.47
	November	1.49	11.16	12.98	10.87	2.02	13.91	17.30	15.38
	December	0.69	11.92	11.92	11.14	1.37	15.47	15.47	15.82
2018	January	1.02	1.02	10.35	11.23	0.99	0.99	12.14	15.66
	February	0.73	1.76	10.26	11.23	2.68	3.69	13.71	15.50
	March	0.99	2.77	10.23	11.14	1.54	5.29	14.28	15.35
	April	1.87	4.69	10.85	11.06	2.60	8.03	16.37	15.36
	May	1.62	6.39	12.15	11.10	3.79	12.12	20.16	15.80
	June	2.61	9.17	15.39	11.49	3.03	15.52	23.71	16.57
	July	0.55	9.77	15.85	12.00	1.77	17.56	25.00	17.41
	August	2.30	12.29	17.90	12.61	6.60	25.32	32.13	18.78
	September	6.30	19.37	24.52	13.75	10.88	38.96	46.15	21.36
	October	2.67	22.56	25.24	14.90	0.91	40.22	45.01	23.73
	November	-1.44	20.79	21.62	15.63	-2.53	36.68	38.54	25.52
	December	-0.40	20.30	20.30	16.33	-2.22	33.64	33.64	27.01
2019	January	1.06	1.06	20.35	17.16	0.45	0.45	32.93	28.70
	February	0.16	1.23	19.67	17.93	0.09	0.55	29.59	29.97
	March	1.03	2.27	19.71	18.70	1.58	2.14	29.64	31.17
	April	1.69	4.00	19.50	19.39	2.98	5.18	30.12	32.24
	May	0.95	4.99	18.71	19.91	2.67	7.99	28.71	32.85
	June ^(E)	0.50	5.51	16.27	19.93	1.00	9.06	26.17	32.91

(E) Estimate

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