



### In May, annual CPI increased by 11.39%.

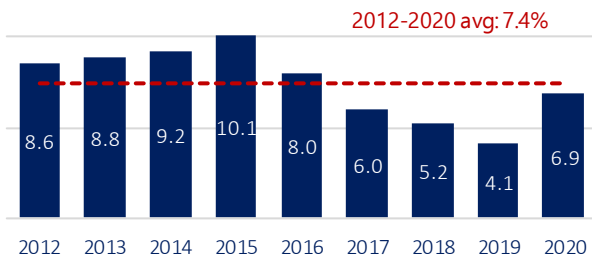
In May, CPI increased by 1.36% compared to the previous month, exceeding market expectations. According to the Reuters survey, CPI was expected to increase by 0.95% in May. In this period, increase in domestic PPI (D-PPI) was realized at 1.54%. Annual consumer inflation, which declined in March and April, rose to 11.39% in May. On the other hand, annual D-PPI inflation continued its downward trend in May and became 5.53%.

May (change %)	CPI		D-PPI	
	2019	2020	2019	2020
Monthly	0.95	1.36	2.67	1.54
Year-to-Date	4.99	4.57	7.99	6.15
Annual	18.71	11.39	28.71	5.53
Annual Average	19.91	12.10	32.85	9.14

### Prices increased rapidly in clothing and footwear group.

In May, consumer prices rose in all 12 main expenditure groups. Prices in clothing and footwear group posted the highest monthly rise of 6.85%. Seasonal price increases in children's clothing played an important role in this development. Clothing and footwear group pushed monthly CPI inflation 43 bps up in May. The transportation group, which limited inflation in the previous months due to the pressures on oil prices, pushed monthly CPI inflation upwardly along with the rise in oil prices in May. The transportation group prices increased by 3.3% on a monthly basis due to the rise in fuel prices led by normalization steps. This group made the highest contribution to the monthly CPI increase with 48 bps.

Monthly Change in Clothing and Footwear Prices (%)

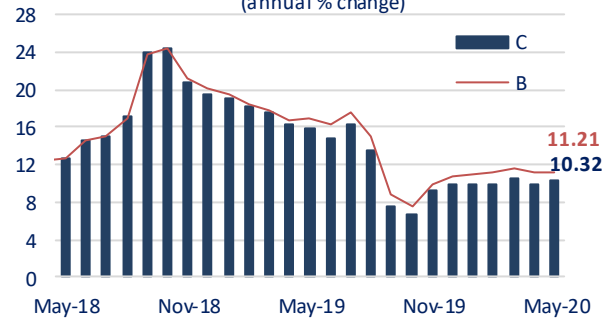


As of May, among the expenditures group alcoholic beverages and tobacco posted the highest annual price increase of 21.4%, while the said item pushed annual CPI inflation up by 101 bps. On the other hand, food group prices, having the highest weight in the expenditure groups) rose by 12.9% and contributed 311 bps to annual CPI.

### Core inflation indicators...

CBRT's favorite core inflation indicators, B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold), and C index (CPI excluding energy, food and nonalcoholic beverages, alcoholic beverages, tobacco and gold) posted annual increases by 11.21% and 10.32%, respectively.

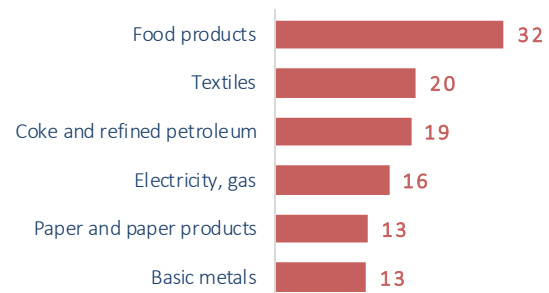
Special CPI Aggregates (annual % change)



### Food group pushed D-PPI upwardly.

The food products sub-sector made the highest contribution to the monthly increase in D-PPI in May with 32 bps. Textiles and coke&refined petroleum products have also pushed monthly D-PPI inflation up by 39 bps in total. On the other hand, the crude petroleum and natural gas sub-sector continued to limit the increase of the D-PPI in May.

Contributions to the Monthly D-PPI Inflation (basis points)



### Expectations...

The spread of coronavirus pandemic has started to slow down enabling normalization steps to be taken on a global scale. The effects of normalization steps are reflected on commodity prices. Accordingly, an upward pressure on inflation is expected through the cost channel. Foreign exchange developments will also be effective on the course of prices.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to		Annual Average	Monthly	Year to		Annual Average	
		Date	Annual			Date	Annual		
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	0.03	5.01	15.72	19.88	0.09	8.09	25.04	32.81
	July	1.36	6.44	16.65	19.91	-0.99	7.02	21.66	32.34
	August	0.86	7.35	15.01	19.62	-0.59	6.39	13.45	30.51
	September	0.99	8.42	9.26	18.27	0.13	6.53	2.45	26.44
	October	2.00	10.59	8.55	16.81	0.17	6.71	1.70	22.58
	November	0.38	11.01	10.56	15.87	-0.08	6.63	4.26	19.68
	December	0.74	11.84	11.84	15.18	0.69	7.36	7.36	17.56
2020	January	1.35	1.35	12.15	14.52	1.84	1.84	8.84	15.71
	February	0.35	1.71	12.37	13.94	0.48	2.33	9.26	14.18
	March	0.57	2.29	11.86	13.33	0.87	3.22	8.50	12.61
	April	0.85	3.16	10.94	12.66	1.28	4.54	6.71	10.87
	May	1.36	4.57	11.39	12.10	1.54	6.15	5.53	9.14

Source: Turkstat, Datastream

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