



CPI inflation came in below the expectations in May.

In May, CPI increased by 0.89% on a monthly basis and was realized below market expectations. In May, CPI was expected to increase by 1.46% according to the Reuters survey and by 1.27% according to the CBRT's Survey of Expectations. D-PPI continued its rapid upward trend in May and increased by 3.92% mom in this period.

Annual CPI inflation was 16.59%.

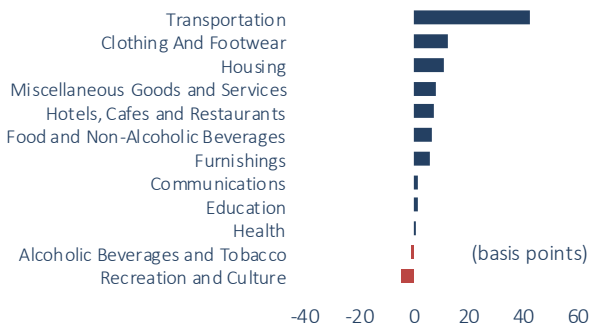
Annual CPI inflation, which has risen for 7 months continuously, decreased to 16.59% in May, in line with the CBRT's expectation that annual inflation peaked in April. On the other hand, annual D-PPI inflation continued to rise and reached 38.33%, the highest level of the last 2.5 years.

May (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	1.36	0.89	1.54	3.92
Year-to-Date	4.57	6.39	6.15	17.34
Annual	11.39	16.59	5.53	38.33
Annual Average	12.10	14.13	9.14	22.24

Rapid increase in transportation prices...

In May, prices in 10 out of 12 main expenditure groups increased on a monthly basis. The transportation group pushed the monthly CPI inflation by 39 bps up due to the rise in global oil prices, as well as the increase in domestic transportation fees following the loosening of quarantine measures. The effect of food prices, which had risen inflation figures significantly in previous months, on inflation decreased in May thanks to seasonal factors. Price decreases in entertainment and culture, alcoholic beverages and tobacco groups had a downward impact on monthly CPI inflation, albeit at a limited level.

Contributions to the Monthly CPI Inflation



According to the annual figures the transportation group continued to be the main expenditure group with the fastest increase in prices. The price level in transportation group went up by 28.39% in May compared to the same month of last year and pushed the annual CPI inflation by 417 bps. The expenditure group that increased the annual inflation the most by 436 bps was the food and non-alcoholic beverages group, whose prices rose rapidly in previous months.

Core inflation indicators...

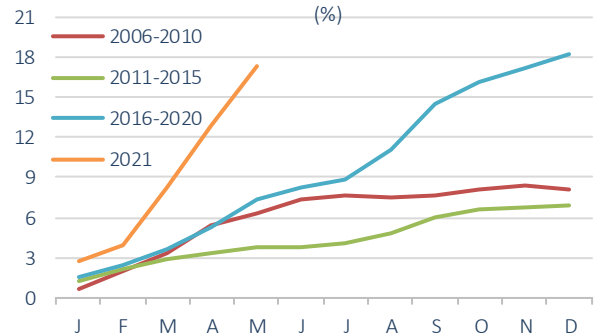
In May, annual rise in core inflation indicators B and C, which are closely monitored by the CBRT continued to stand above the headline inflation. In this period, annual increases in index B (CPI excluding unprocessed food products, energy, alcoholic beverages and tobacco and gold) and index C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages and tobacco, and gold), were realized as 17.49% and 16.99%, respectively. Upward trend in core indicators signals that inflation would remain high in the following period.

The increase in D-PPI inflation continues.

In addition to the depreciation of TRY, increase in commodity prices parallel to the recovery in global economic activity continued to be influential on D-PPI inflation in May as well. In this period, the monthly rises in intermediate goods and energy prices exceeding 5% led producer costs to increase and to spread inflation throughout the sectors. Driven by this development, prices in all sectors except pharmaceutical products rose on a monthly basis. Moreover monthly price increases in basic metals, coke and refined petroleum products reached almost double digits.

Annual price increases in commodity intensive sectors have reached significant levels. In May, annual price rises in crude oil and natural gas, coke and refined petroleum products sectors reached 218% and 167%, respectively, while the said increase in basic metals was 85%. On the other hand, 13.2 points of the 38.33% annual D-PPI increase stemmed from the price increases in the basic metals and food sectors.

Year-to-date D-PPI Inflation*



Expectations...

Although the realization of monthly CPI inflation below the expectations in May was noted as a positive development, the uncertainties regarding the inflation outlook in the coming period continue. Backed by high levels of global commodity prices and the possibility of early monetary tightening of the leading central banks, the volatility in the financial markets continue to pose risks on inflation. Moreover, following the normalization steps in the precautionary measures taken against the pandemic price increases may come to the fore in the sectors whose prices are under pressure.

Inflation (%)

	CPI (2003=100)				D-PPI (2003=100)				
	Monthly	Year to	Annual	Annual	Monthly	Year to	Annual	Annual	
		Date				Average			Date
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
	June	1.13	5.75	12.62	11.88	0.69	6.89	6.17	7.74
	July	0.58	6.37	11.76	11.51	1.02	7.98	8.33	6.81
	August	0.86	7.29	11.77	11.27	2.35	10.52	11.53	6.71
	September	0.97	8.33	11.75	11.47	2.65	13.44	14.33	7.71
	October	2.13	10.64	11.89	11.74	3.55	17.48	18.20	9.11
	November	2.30	13.19	14.03	12.04	4.08	22.26	23.11	10.69
	December	1.25	14.60	14.60	12.28	2.36	25.15	25.15	12.18
2021	January	1.68	1.68	14.97	12.53	2.66	2.66	26.16	13.64
	February	0.91	2.60	15.61	12.81	1.22	3.92	27.09	15.14
	March	1.08	3.71	16.19	13.18	4.13	8.21	31.20	17.04
	April	1.68	5.45	17.14	13.70	4.34	12.91	35.17	19.44
	May	0.89	6.39	16.59	14.13	3.92	17.34	38.33	22.24

Source: Turkstat, Datastream

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