

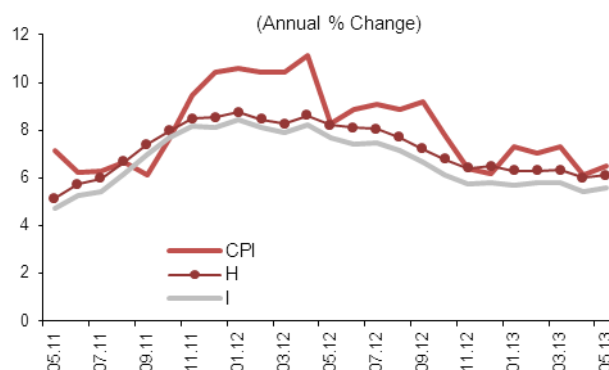
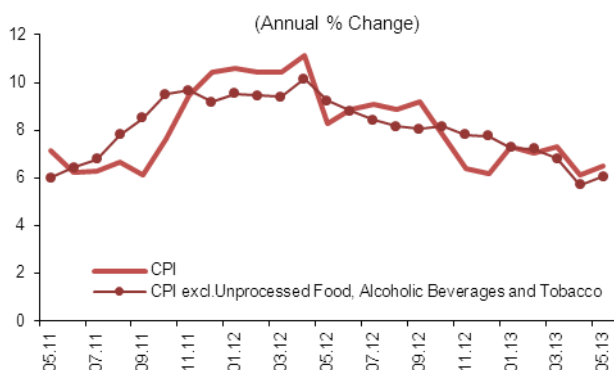
## SUMMARY...

In May, consumer prices crept up by 0.15 percent, and annual inflation rose to 6.51 percent, which was driven by the base effect in energy prices. Meanwhile, core inflation indicators remained on a mild track.

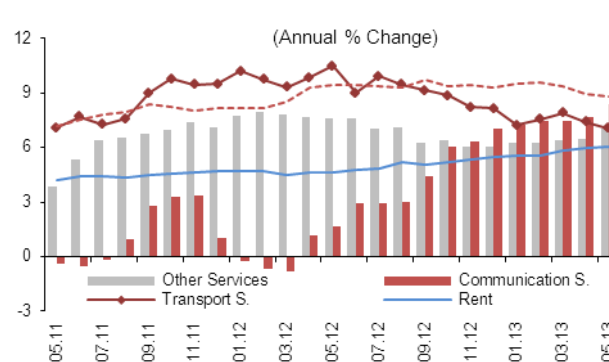
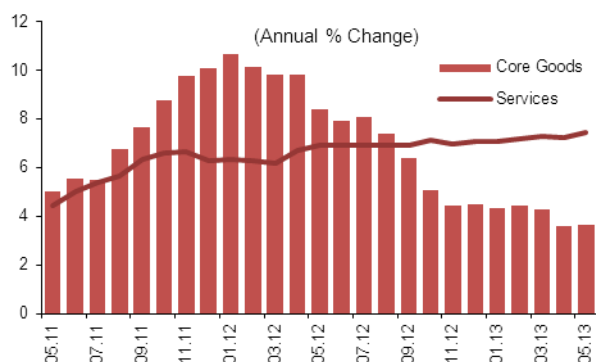
## ...EVALUATIONS...

In May, consumer prices crept up by 0.15 percent, and annual inflation rose to 6.51 percent. The annual rate of increase in the SCA-H and SCA-I indices recorded a month-on-month increase by 0.12 percentage points and stood at 6.12 percent 5.56 percent, respectively.

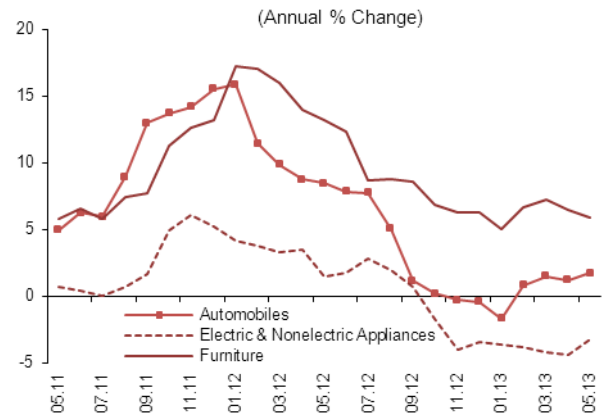
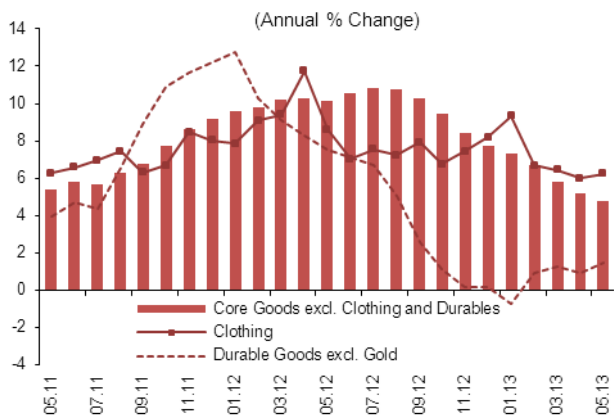
Contribution to the annual CPI inflation displayed a limited month-on-month increase across all subgroups in May. The contribution of energy group to the annual inflation edged up by 0.19 percentage points. Meanwhile, services, food, core goods and energy groups contributed by 2.01 percent, 1.75 percent, 1.04 percent and 0.95 percent, respectively.



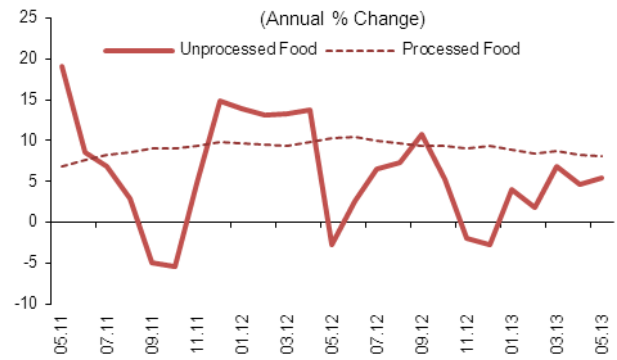
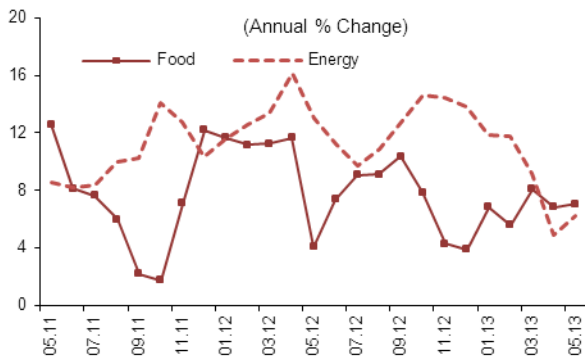
Prices of services went up by 0.76 percent in May, and the group's annual inflation edged up to 7.45 percent on a monthly basis. The rise in annual inflation was driven by rents and communication services. Despite hovering below the group's prices, the sustained stable increase in the annual inflation in rents is noteworthy. Meanwhile, the seasonally adjusted data point to an upward trend in services inflation in May.



As for the core goods group, annual inflation remained almost unchanged and stood at 3.66 percent in May. On account of the automobile and furniture prices, annual inflation in durable goods increased to 1.50 percent. Following a decline in the last three months, annual inflation in the clothing group registered a slight increase in May. On the other hand, the stable deceleration continued in the annual inflation in core goods excluding clothing and durable goods. Accordingly, the seasonally adjusted trend of increase in core goods remained on a downward track in May.



In May, energy prices decreased by 0.69 percent mostly on account of the bottled gas and domestic fuel prices, which fell by 2.54 percent and 1.45 percent, respectively amid the developments in international oil prices. Consequently, the group's annual inflation went up by 1.29 percent to 6.24 percent, owing to the base effect in this period.



Annual inflation in food and non-alcoholic beverages group edged up to 7.07 percent. Driven particularly by the prices of fresh fruits and vegetables, annual inflation in unprocessed food prices plummeted by 5.33 percent in May, while the annual inflation in fresh fruits and vegetables receded to 2.33 percent. As for the other unprocessed food products, annual inflation went up due to milk and egg prices. As a result, annual inflation in the unprocessed food group increased by 0.83 percentage points to 5.48 percent in this period.

Processed food prices crept up by 0.55 percentage points on a monthly basis, and the group's annual inflation edged down to 8.19 percent. In line with the upward course of domestic wheat prices, bread and cereals group saw sustained price increases also in May, and the group's annual inflation hit 11.82 percent. As for the processed food group excluding bread and cereals, the mild course was sustained, and annual inflation in this subgroup went down to 6.02 percent in May.

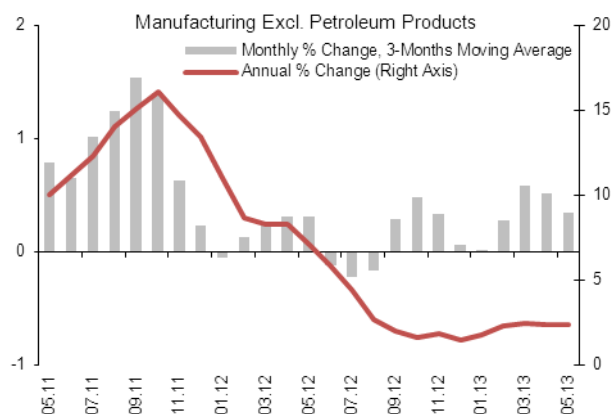
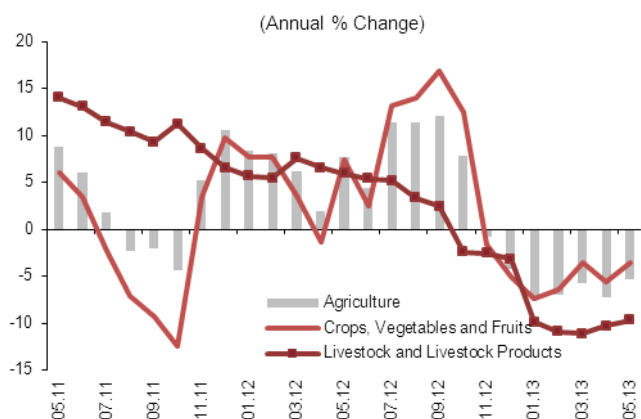
	Monthly Percent Change		Annual Percent Change	
	May.2013	May.2012	May.2013	May.2012
<b>CPI</b>	<b>0.15</b>	<b>-0.21</b>	<b>6.51</b>	<b>8.28</b>
<b>1. Goods</b>	<b>-0.09</b>	<b>-0.50</b>	<b>6.16</b>	<b>8.77</b>
Energy	-0.69	-1.90	6.24	12.98
Food and nonalcoholic beverages	-2.18	-2.40	7.07	4.07
Unprocessed food	-5.33	-6.07	5.48	-2.70
Fresh fruits and vegetables	-13.90	-10.75	2.33	-10.65
Other unprocessed food	1.20	-2.42	7.64	4.01
Processed food	0.55	0.62	8.19	10.29
Bread and cereals	1.02	0.76	11.82	9.10
Other processed food	0.26	0.53	6.02	10.87
Goods excluding energy and food	1.69	1.73	5.18	10.84
Core goods	2.19	2.14	3.66	8.42
Durable goods	-0.28	-0.73	0.81	8.84
Durable goods (excluding gold)	-0.08	-0.65	1.50	7.52
Alcoholic beverages and tobacco	0.00	0.14	16.09	18.70
Gold	-3.88	-2.45	-9.59	21.46
<b>2. Services</b>	<b>0.76</b>	<b>0.57</b>	<b>7.45</b>	<b>6.92</b>
Rents	0.45	0.33	6.08	4.62
Restaurants and hotels	0.75	0.92	8.78	9.43
Transport	0.82	1.14	7.08	10.50
Communication	0.65	-0.01	8.42	1.68
Other*	0.98	0.47	7.02	7.62
<b>3. Core Measures</b>				
CPI excluding unprocessed food, alcoholic beverages and tobacco	0.91	0.60	6.05	9.25
SCA-H	1.29	1.18	6.12	8.23
SCA-I	1.47	1.35	5.56	7.67

Source: TurkStat, CBRT.

\*Other: The services index excluding rents, restaurants/hotels, transport and communication services.

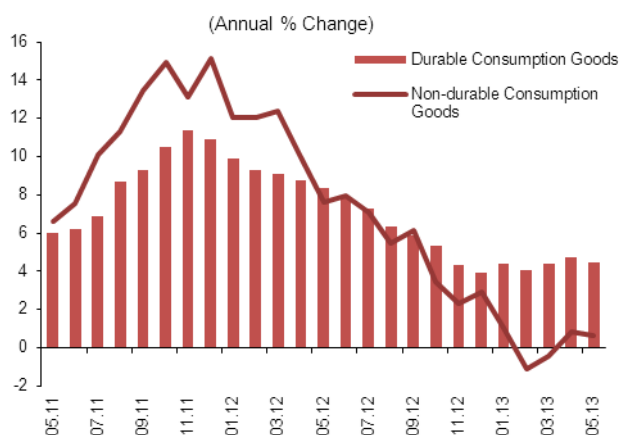
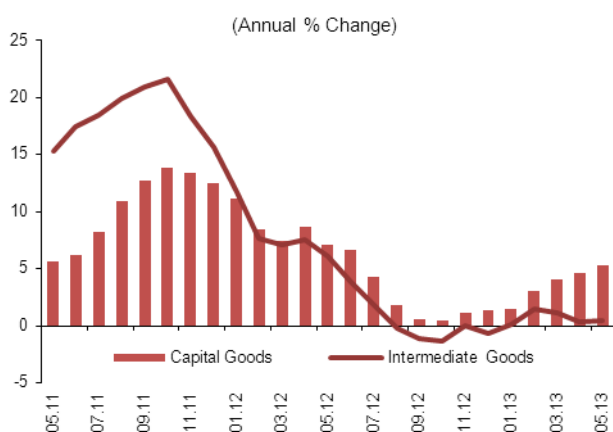
## ...PPI...

In May, producer prices went up by 1 percent, and annual inflation stood at 2.17 percent. Manufacturing industry prices edged down, while agricultural prices soared by 5.80 percent. Prices of crops, vegetables and fruits surged by 8.46 percent. In the meantime, wheat prices edged down in May.



Manufacturing industry prices edged down by 0.07 percent in May. This decline is attributed to the prices of furniture manufacturing besides petroleum products that receded parallel to the course of international oil prices. Meanwhile, the annual rate of increase in the manufacturing industry excluding oil and base metal prices went down to 3.34 percent in this period.

Main Industrial Groupings (MIGS) suggest that in contrast to the falling prices in durable goods, non-durable consumption goods, intermediate and capital goods saw elevated prices. The fall in jewelry prices were held responsible for the decline by 1.40 percent in the prices of durable goods. Prices of intermediate goods were pushed up by the price rises in construction materials. Meanwhile, prices of non-durable consumption goods went up owing to the rise in producer prices of processed and preserved fruits and vegetables. As a result, although annual inflation in the manufacturing industry posted a month-on-month increase by 0.20 percent to 1.97 percent, the mild course was maintained.



## ...TABLES

<b>May CPI and Subcategories (Percent Change)</b>					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
CPI	100	0.15	6.51	-0.21	8.28
Food and nonalcoholic beverages	24.09	-2.18	7.07	-2.40	4.07
Alcoholic beverages and tobacco	5.07	0.00	16.09	0.14	18.70
Clothing and footwear	6.83	8.85	6.25	8.60	8.58
Housing	16.68	-0.04	6.58	0.04	12.54
Household equipment	7.28	-0.22	4.38	-0.48	9.89
Health	2.22	0.14	1.86	0.10	1.27
Transport	17.99	0.13	4.66	-1.36	7.81
Communication	4.64	0.40	7.49	-0.20	2.05
Recreation and culture	2.95	0.46	1.38	0.33	7.17
Education	1.91	1.73	5.87	1.10	6.47
Restaurants and hotels	6.18	0.75	8.78	0.92	9.43
Miscellaneous goods and services	4.16	-0.37	5.65	0.23	15.15

Source: TurkStat.

<b>May PPI and Subcategories (Percent Change)</b>					
	Weight	2013		2012	
		Monthly	Annual	Monthly	Annual
PPI	100	1.00	2.17	0.53	8.06
Agriculture	16.34	5.80	-5.30	3.65	7.72
Crops, fruits and vegetables	10.76	8.46	-3.56	6.15	7.45
Livestock and animal products	4.87	-0.04	-9.68	-0.74	5.96
Industry	83.66	0.09	3.78	-0.12	8.13
Mining	3.06	-0.13	6.33	0.25	11.99
Manufacturing	72.14	-0.07	1.97	-0.26	7.49
Manufacturing excluding petroleum	69.53	0.01	2.38	0.00	7.10
Manufacturing excluding petroleum and base metals	62.81	0.02	3.34	0.11	7.07
Electricity, gas and water	8.46	1.77	14.77	0.89	13.10

Source: TurkStat, CBRT.

<b>PPI by MIGS (Monthly Percent Change)</b>														
	May.11	Jun.12	Jul.12	Aug.12	Sept.12	Oct.12	Nov.12	Dec.12	Jan.13	Feb.13	Mar.13	Apr.13	May.13	Annual
Intermediate goods	-0.02	-0.80	-0.58	0.02	0.64	0.21	-0.30	-0.12	0.55	0.37	0.73	-0.34	0.08	0.46
Capital goods	-0.55	0.17	-0.22	-0.15	0.39	0.51	0.09	0.36	0.40	1.19	1.61	0.76	0.12	5.33
Durable goods	-1.21	1.32	-0.08	0.02	2.71	-0.09	-1.44	0.92	-0.97	-0.49	0.51	-0.29	-1.40	0.63
Nondurable goods	0.56	-0.78	0.40	0.54	0.87	0.76	-0.03	-0.17	0.19	0.74	1.00	0.58	0.27	4.45
Energy	-0.82	-0.52	-1.98	2.06	1.50	-0.93	18.27	-0.48	0.33	-7.34	1.17	-2.08	0.46	8.98

Source: TurkStat, CBRT.

Price Developments are published within one working day, following the announcement of price statistics by the Turkish Statistical Institute (TurkStat). Price Developments, which include CBRT's initial remarks on the inflation figures of the previous month, aim to contribute to a sounder interpretation of the monthly inflation developments by the public during the period between the announcement of the official price statistics and the Monetary Policy Committee meeting.