



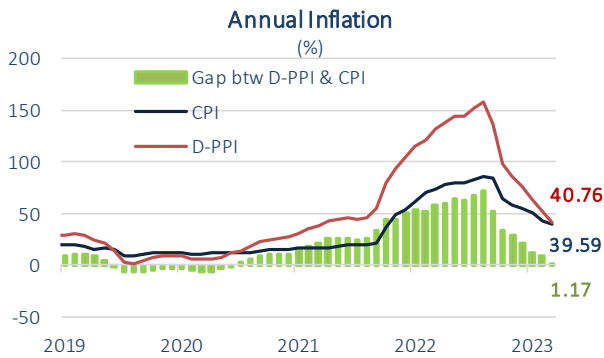
### In May, CPI rose by 0.04% mom.

In May, CPI rose by 0.04% mom, slowest increase since June 2019. Consumer prices were expected to decline by 0.2% mom, according to the market projections. In this period, domestic producer price index (D-PPI) went up by 0.65%.

May (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	2.98	0.04	8.76	0.65
Year-to-Date	35.64	15.26	51.43	7.81
Annual	73.50	39.59	132.16	40.76
Annual Average	39.33	63.72	80.38	95.80

### Annual inflation indicators continued to decline.

Annual inflation indicators continued to improve in May, thanks to the high base effect and the decline in energy prices. In this period, annual CPI inflation was realized as 39.59%, the lowest level of the last 17 months. D-PPI also recorded its slowest annual increase since May 2021 with 40.76% yoy owing to the downward trend in energy prices.



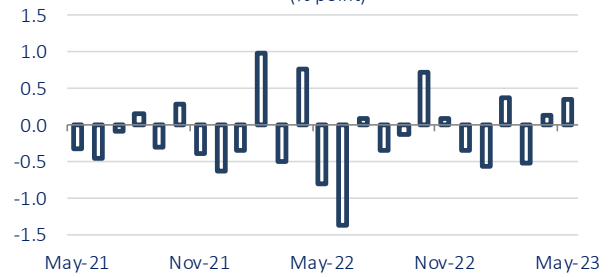
### CPI increase was limited by the housing sector.

In May, prices increased in 11 out of 12 main expenditure groups. In this period, due to the free natural gas to households for one month and the implementation of the "zero price" method by TURKSTAT, the housing group reduced monthly CPI inflation by 209 basis points. Furthermore, the food and non-alcoholic beverages group, which has the highest weight in the index, contributed only 19 basis points to monthly inflation thanks to the decline in vegetable and fish prices. On the other hand, restaurants and hotels group pushed monthly inflation up the most by 61 basis points. In the same period, clothing and footwear group, where prices rose by 9.9% mom due to the new season, also pushed monthly inflation up by 54 bps. In May, despite the 1.80% decline in goods prices in line with the decrease in energy prices, prices of services rose by 4.60%, pointing to the ongoing rigidity in inflation.

### Core inflation indicators...

In May, monthly CPI inflation excluding seasonal products was realized as -0.28%, below the headline inflation. On the other hand, B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold) and C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) increased by 3.60% and 4.25%, respectively. Annual increases in B and C indices were 47.70% and 46.62%, respectively.

### Contribution of Seasonal Factors to Monthly CPI Inflation (% point)



### In May, the energy sector continued to limit the rise in D-PPI.

Prices in the electricity gas production and distribution group decreased by 7.36% mom in May, pulling D-PPI inflation down the most by 53 basis points. Furthermore, the coke and refined petroleum products group limited the increase in producer prices by 42 basis points. On the other hand food prices rose by 3.2% mom and continued to be the group that pushed monthly D-PPI inflation up the most by 59 basis points. This group was followed by fabricated metal products, which increased D-PPI inflation by 16 basis points.

### Expectations...

Despite the rigidity of service prices, inflation indicators improved in May as a result of the "zero price" implementation for natural gas. The public subsidies for households' natural gas consumption of 25 cubic meters is expected to continue to limit the rise in inflation, albeit at a lower level, in the coming period.

		Inflation (%)							
		CPI (2003=100)				D-PPI (2003=100)			
		Monthly	Year to Date	Annual	Annual Average	Monthly	Year to Date	Annual	Annual Average
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
	June	1.94	8.45	17.53	14.55	4.01	22.04	42.89	25.38
	July	1.80	10.41	18.95	15.15	2.46	25.05	44.92	28.47
	August	1.12	11.65	19.25	15.78	2.77	28.51	45.52	31.34
	September	1.25	13.04	19.58	16.42	1.55	30.50	43.96	33.83
	October	2.39	15.75	19.89	17.09	5.24	37.34	46.31	36.20
	November	3.51	19.82	21.31	17.71	9.99	51.06	54.62	38.94
	December	13.58	36.08	36.08	19.60	19.08	79.89	79.89	43.86
2022	January	11.10	11.10	48.69	22.58	10.45	10.45	93.53	49.93
	February	4.81	16.45	54.44	25.98	7.22	18.43	105.01	56.83
	March	5.46	22.81	61.14	29.88	9.19	29.31	114.97	64.30
	April	7.25	31.71	69.97	34.46	7.67	39.23	121.82	72.03
	May	2.98	35.64	73.50	39.33	8.76	51.43	132.16	80.38
	June	4.95	42.35	78.62	44.54	6.77	61.68	138.31	88.77
	July	2.37	45.72	79.60	49.65	5.17	70.04	144.61	97.30
	August	1.46	47.85	80.21	54.69	2.41	74.13	143.75	105.39
	September	3.08	52.40	83.45	59.91	4.78	82.45	151.50	114.02
	October	3.54	57.80	85.51	65.26	7.83	96.74	157.69	122.93
	November	2.88	62.35	84.39	70.36	0.74	98.20	136.02	128.94
	December	1.18	64.27	64.27	72.31	-0.24	97.72	97.72	128.47
2023	January	6.65	6.65	57.68	72.45	4.15	4.15	86.46	125.53
	February	3.15	10.00	55.18	71.83	1.56	5.78	76.61	120.72
	March	2.29	12.52	50.51	70.20	0.44	6.25	62.45	113.73
	April	2.39	15.21	43.68	67.20	0.81	7.11	52.11	105.50
	May	0.04	15.26	39.59	63.72	0.65	7.81	40.76	95.80

Source: Turkstat, Datastream

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