



### In June, CPI rose by 3.92% mom.

In June, monthly CPI inflation came in at 3.92%, which was lower than market expectations of 4.84% yet higher than the previous five months. In this period, domestic producer price index (D-PPI) also increased by 6.5% mom, the fastest rise since October 2022.

June (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	4.95	3.92	6.77	6.50
Year-to-Date	42.35	19.77	61.68	14.82
Annual	78.62	38.21	138.31	40.42
Annual Average	44.54	59.95	88.77	86.59

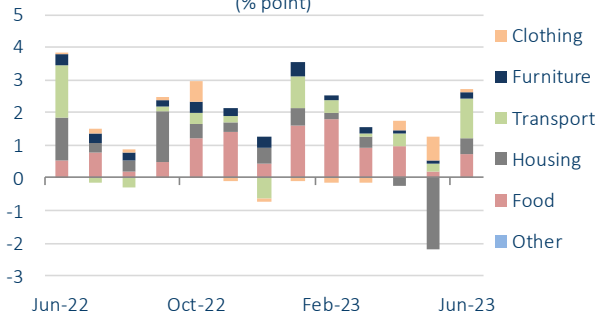
### The improvement in annual inflation indicators lost momentum.

In June, the improvement in annual inflation indicators since November 2022 continued, albeit at a slower pace. In this period, annual CPI inflation was realized as 38.21%, the lowest level in the last 1.5 years, while D-PPI increased by 40.42% yoy, the most moderate increase since May 2021.

### Food and transportation groups stood out in monthly CPI inflation.

In June, prices rose in all 12 main expenditure groups. In this period, the main contributors to monthly inflation were the food group, where prices rose by 3.02% mom, and the transportation group, where prices went up by 7.96% mom. Aforementioned groups accounted for 2.02 points of the monthly CPI inflation. Prices in restaurants and hotels group rose by 4.32% mom in June, contributing 40 basis points to CPI inflation. In this period, prices in alcoholic beverages and tobacco group rose the fastest by 11.13% and increased monthly CPI inflation by 38 bps. Due to the depreciation of the TRY, prices of goods increased by 4.03% in June, while prices of services rose by 3.66%, indicating that the rigidity persisted.

Contribution to Monthly CPI Inflation  
(% point)



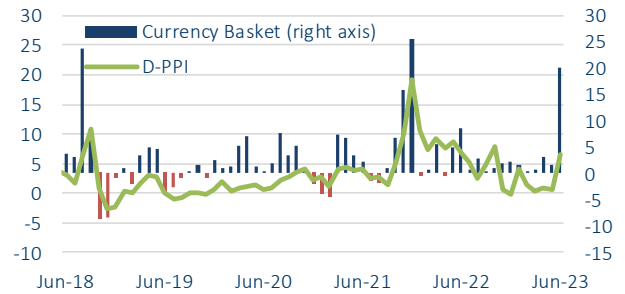
### Core inflation indicators...

In June, monthly CPI inflation excluding seasonal products was realized as 3.91%, in line with the headline inflation. In this period, prices of fresh fruits and vegetables recorded the fastest increase in the last four months with 7.68% mom. 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) rose by 3.45% and 3.84%, respectively, in the same period. Annual increases in B and C indices remained above the headline inflation with 46.63% and 47.33%, respectively.

### Basic metals and energy groups were the main drivers of the monthly D-PPI increase.

In June, exchange rate developments were influential on the course of D-PPI inflation. In this period, base metal group contributed to D-PPI inflation the most by 87 bps. Electricity, gas production and distribution prices rose by 12.54% mom and pushed monthly D-PPI inflation up by 84 bps. On the other hand, due to the monthly decline in average oil prices in June, prices in crude oil and natural gas group decreased by 6.68% mom, limiting D-PPI inflation by 3 basis points.

Currency Basket and D-PPI  
(monthly change, %)



### Expectations...

Following the rapid rise in foreign exchange rates, inflation indicators drew a negative picture in June. We anticipate that the upward pressure on inflation will continue in the coming period as a result of the minimum wage increase and other wage adjustments in July. Furthermore, due to exchange rate pass-through, the TRY depreciation will continue to be a determining factor in inflation 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
	June	3.92	19.77	38.21	59.95	6.50	14.82	40.42	86.59

Source: Turkstat, Datastream

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## Economic Research Division

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Alper Grlr  
Division Head  
alper.gurler@isbank.com.tr

Dilek Sarsın Kaya  
Asst.Manager  
dilek.kaya@isbank.com.tr

H. Erhan Gl  
Unit Manager  
erhan.gul@isbank.com.tr

Ahmet Berat Ocak  
Asst. Economist  
berat.ocak@isbank.com.tr

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