



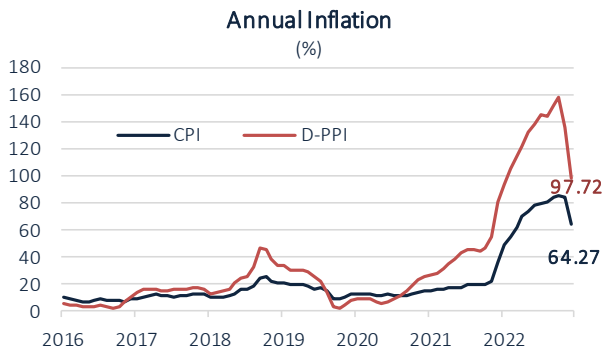
### In December, monthly CPI increase was 1.18%.

In December, CPI increased by 1.18% compared to the previous month, below market expectations, and recorded the lowest increase in the last 16 months. According to the Reuters poll, the market expectation was that the CPI would increase by 2.58% on a monthly basis. In this period, monthly domestic PPI (D-PPI) decreased for the first time since November 2019, by 0.24%.

December (change %)	CPI		D-PPI	
	2021	2022	2021	2022
Monthly	13.58	1.18	19.08	-0.24
Annual	36.08	64.27	79.89	97.72
Annual Average	19.60	72.31	43.86	128.47

### High base effect in annual inflation indicators...

Annual CPI inflation recorded a rapid decline in December due to the high base and became 64.27%, the lowest level of the last nine months. Thus, annual CPI inflation remained below the CBRT's year-end forecast. In this period, the annual D-PPI inflation fell to 97.72%, the lowest level since January, thanks to the base effect as well as the downward trend in energy prices.



### In December, transportation group prices fell sharply on a monthly basis.

In December, prices in 10 out of the 12 main spending groups increased on a monthly basis. In this period, prices in the health group went up rapidly by 5.91% due to the adjustments in pharmaceutical prices. Having the highest share among the expenditure groups, the food and non-alcoholic beverages group increased the monthly CPI inflation the most by 50 basis points in December. In this period, due to the rapid decline in average fuel prices, the transportation group pulled monthly CPI inflation down by 69 basis points. The clothing and footwear group, where prices decreased by 1.34% mom, also limited CPI inflation by 7 basis points. On an annual basis, the groups that pushed up the CPI the most were the food and non-alcoholic beverages group with 19.71 points and the housing group with 11.27 points.

### Core inflation indicators...

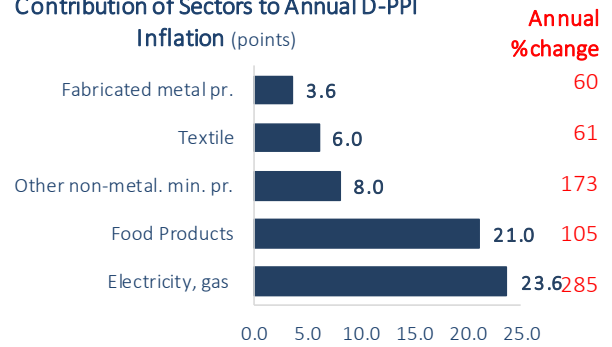
The fall in fresh fruit and vegetable prices in December limited the price increase in the food group. In this period, monthly CPI inflation, excluding seasonal products, was 1.54%, above the

headline inflation. B index (CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco and gold) and C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) rose by 57.68% and 51.93%, respectively, on an annual basis in December.

### The fall in energy prices pulled the D-PPI down.

The decline in average energy prices on a global scale was behind the decrease of D-PPI by 0.24% mom in December. The biggest contribution to the decrease in D-PPI was from electricity and gas production and distribution group (214 bps), where prices fell by 11.78% compared to the previous month. The decrease in producer prices of coke and refined petroleum products, and crude oil and natural gas also pulled the D-PPI inflation down by 33 basis points. On the other hand, prices in all sectors except energy increased in December. In this period, with two different adjustments in pharmaceutical prices, the basic pharmaceutical products sector came to the fore, where prices surged by 23.5% compared to November.

### Contribution of Sectors to Annual D-PPI Inflation (points)



Significant price increases were experienced in all sectors throughout 2022. While the highest price increase was realized in electricity and gas production and distribution sector with 285% throughout the year, this sector pushed up the annual D-PPI inflation by 23.64 points. The second largest contribution to D-PPI inflation came from food products (21.02 bps), where prices rose by 105.3%. In the mining and non-metallic mineral products sector, prices surged by 180% in 2022. It was noteworthy that the annual inflation in the basic metal sector, which exceeded 150% in 2022 due to the rise in global metal prices, came down to 33.1% in December because of the decline in metal prices in relation to global recession concerns.

### Expectations...

In the first half of 2023, we expect inflation indicators to follow a downward trend due to the high base effect as well as the reduction in the prices of electricity and natural gas used in industrial production. On the other hand, the developments in the USD/TRY and global commodity prices are important for the inflation outlook. In this framework, the course of global economic activity, geopolitical developments and the impact of climate conditions on commodity prices will be closely monitored in terms of inflation developments in Türkiye.

		Inflation (%)							
		CPI (2003=100)				D-PPI (2003=100)			
		Monthly	Year to Date	Annual	Annual Average	Monthly	Year to Date	Annual	Annual Average
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
	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

Source: Turkstat, Datastream

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## Economic Research Division

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

İlker Őahin  
Economist  
ilker.sahin@isbank.com.tr

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

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

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

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