



### Monthly CPI inflation was 2.93% in December.

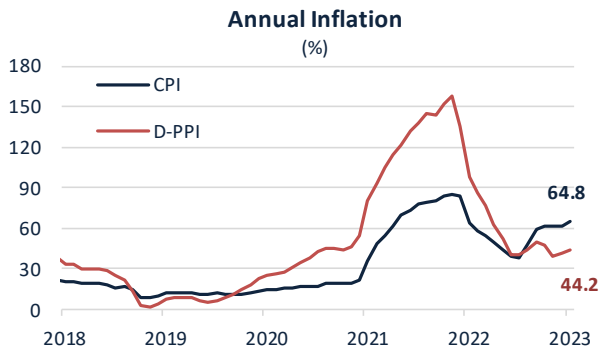
In December, CPI increased by 2.93% mom, slightly below market expectations and recorded the lowest rise in the last 7 months. According to the Reuters survey, market expectation for monthly CPI inflation was 3.13% in this period. Thus, annual CPI inflation came in at 64.77%, close to CBRT's year-end forecast. In December, D-PPI inflation was realized as 1.14% mom, the lowest level since May, and 44.22% yoy.

December (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	1.18	2.93	-0.24	1.14
Annual	64.27	64.77	97.72	44.22
Annual Average	72.31	53.86	128.47	49.93

### Prices in recreation and culture group rose by 5.30% mom.

In December, prices increased in 10 out of 12 main expenditure groups on a monthly basis. In this period, prices in recreation and culture group rose sharply by 5.30%. Food and non-alcoholic beverages group, which has the highest share in expenditure basket, was the group that increased monthly CPI inflation the most by 1.26 points in December. In the same period, prices in housing group rose by 4.97% mom, pushing monthly inflation up by 0.69 points. Clothing and footwear group that prices decreased by 1.33% mom and transportation group that prices decreased due to the fall in fuel prices, were the two subgroups that had a downward impact on CPI inflation.

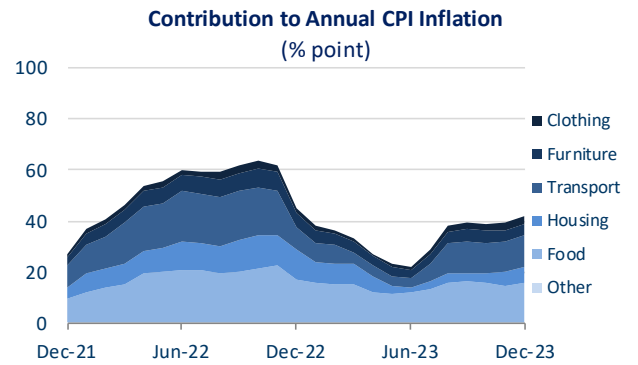
On an annual basis, food and non-alcoholic beverages (18.31 points) and transportation (11.63 points) were the groups that increased inflation the most. Education and communication groups made the lowest contributions to annual CPI inflation with 1.37 points and 1.68 points, respectively.



### Seasonal products pushed inflation up in December.

In December, the monthly increase excluding seasonal products was realized as 2.80%, below the headline inflation, indicating that seasonal products pushed inflation up. In this period, B index

(CPI excluding unprocessed food, energy, alcoholic beverages, tobacco products and gold) and C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) increased by 2.39% mom and 2.31% mom, respectively. Annual increases in these 2 indices were 68.02% and 70.64%, respectively. Following November, the rise in services prices remained below the increases in goods prices in December as well. While rent hikes continued to be the main driver of services inflation, the rise in goods prices was driven by the increase in unprocessed food prices.



### Domestic PPI...

In December, prices of essential pharmaceutical products increased by 7.35% mom due to the exchange rate adjustment in medicine prices. Food products prices rose by 2.58% mom and increased D-PPI the most by 0.47 points. In the same period, electricity, gas production and distribution prices fell by 11.40% and limited domestic PPI inflation by 0.76 points.

In 2023 as a whole, prices of other mining and quarrying products increased the fastest by 84.96%. Food products, where prices rose by 63.75% in 2023, was the sector that increased annual D-PPI inflation the most with 10.45 points. In this period, prices in electricity, gas production and distribution sector decreased by 29.69%, limiting annual D-PPI inflation by 3.55 points.

### Expectations...

With the start of new year, we expect CPI to rise faster in January compared to remaining months of the year due to increases in minimum wages and salaries as well as revisions in administered prices. In the following months, effects of the CBRT's tight monetary policy on domestic demand will be closely monitored. In this period, under the assumptions that the slowdown in global economy will put pressure on commodity prices and possible capital inflows will prevent the depreciation of TL in real terms, we think that annual inflation will enter a downward trend in the second half of the year after peaking in May.

		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
	July	9.49	31.14	47.83	57.45	8.23	24.27	44.50	78.51
	August	9.03	43.06	58.94	56.28	5.89	31.59	49.41	71.97
	September	4.75	49.86	61.53	55.30	3.40	36.06	47.44	65.55
	October	3.43	55.00	61.36	54.26	1.94	38.70	39.39	58.46
	November	3.28	60.09	61.98	53.40	2.81	42.59	42.25	53.15
	December	2.93	64.77	64.77	53.86	1.14	44.22	44.22	49.93

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