

# Turkey-Inflation

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## October 2021 - Headline and core CPI inflation print below consensus

**Headline CPI inflation in October printed at 2.39%, below the consensus (2.80%), and our own (3.40%) estimate. Thus, yoy CPI inflation rose to 19.89% from 19.58%. Yoy core inflation decreased slightly from 16.98% to 16.82%, while yoy PPI inflation increased to 46.31% from 43.96%.**

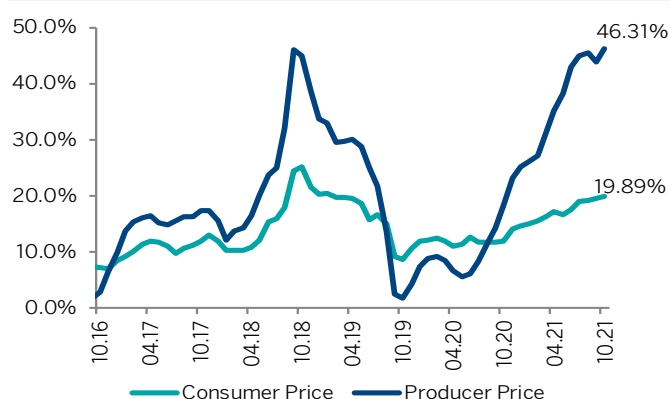
The lower than expected food and core inflation was effective in keeping the headline inflation below our estimate in October. Despite our expectation of a significant increase in food inflation on a mom basis, the rise in food prices remained below the average of the past 5 years. Thus, yoy food inflation fell. Although the acceleration in services inflation continued in October, core inflation remained below our forecast due to a weaker FX pass-through effect relative to our expectation. The rise in cigarette prices, on the other hand, pushed headline inflation up in October. The main factor causing headline inflation to rise was energy inflation. In addition to the high increase in coal and wood prices as in the previous month, the rise in bottled gas and fuel prices also prompted the rise in energy yoy inflation. PPI yoy inflation, which had fallen in the previous month, re-accelerated to surpass 46%, indicating that cost-related factors continue to pose a significant risk on CPI.

Risks to the inflation outlook remain due to the high course of global commodity prices, supply constraints, TRY depreciation and the rise in food prices due to drought. Increasing energy-related costs could cause producer inflation to remain high. In addition, worsening inflation expectations are also negative for the inflation outlook. In the upcoming period, how energy price increases are reflected on domestic consumer prices will determine the inflation path. Our year-end headline CPI yoy inflation forecast is 19.5%.

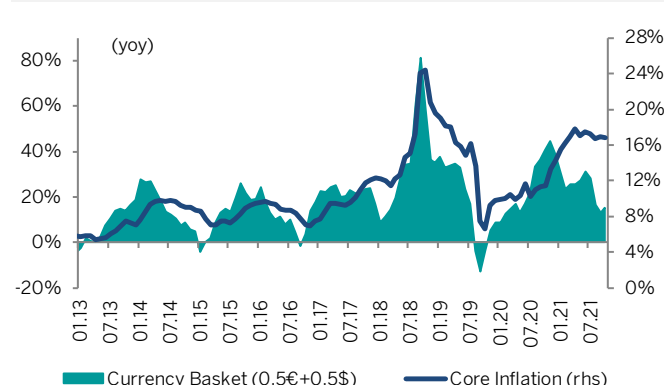
### Details of Inflation

	October 2021		September 2021		Diff in Annual Figure		October 2021		September 2021		Diff in Annual Figure
	MoM	YoY	MoM	YoY			MoM	YoY	MoM	YoY	
<b>Headline CPI</b>	2.39%	19.89%		19.58%	0.3%	<b>Alc. Bev.&amp;Tobacco</b>	5.97%	7.88%		1.80%	6.1%
<b>Core CPI</b>	1.79%	16.82%		16.98%	-0.2%	<b>Clothing&amp;Footwear</b>	7.56%	8.08%		7.32%	0.8%
<b>Energy</b>	4.58%	25.76%		22.77%	3.0%	<b>Housing</b>	2.29%	21.30%		20.97%	0.3%
<b>Goods</b>	2.89%	21.71%		21.55%	0.2%	<b>Furnishing, Hhold Equip.</b>	2.25%	23.03%		23.27%	-0.2%
<b>Service</b>	1.04%	15.43%		15.06%	0.4%	<b>Health</b>	0.65%	17.19%		17.47%	-0.3%
<b>Food and Non-Alc. Bev.</b>	1.92%	27.41%		28.79%	-1.4%	<b>Transportation</b>	2.43%	20.67%		20.21%	0.5%
<b>Unprocessed Food</b>	1.72%	29.20%		32.06%	-2.9%	<b>Communication</b>	0.51%	5.29%		4.99%	0.3%
<b>Processed Food</b>	2.11%	25.71%		25.79%	-0.1%	<b>Recreation&amp;Culture</b>	0.51%	13.12%		12.45%	0.7%
<b>CPI exc. Adminis. Prices</b>	2.45%	20.92%		20.79%	0.1%	<b>Education</b>	0.17%	16.73%		16.53%	0.2%
<b>PPI</b>	5.24%	46.31%		43.96%	2.4%	<b>Hotels&amp;Restaurants</b>	2.31%	25.23%		23.27%	2.0%
						<b>Misc. Goods&amp;Services</b>	1.75%	13.61%		13.92%	-0.3%

### CPI and PPI Inflation (yoy)



### Core Inflation & FX

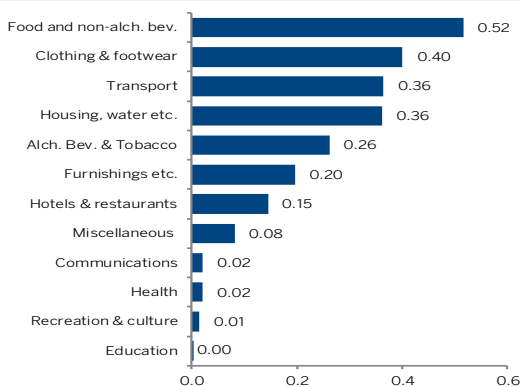


Source: Turkstat, Garanti BBVA Securities

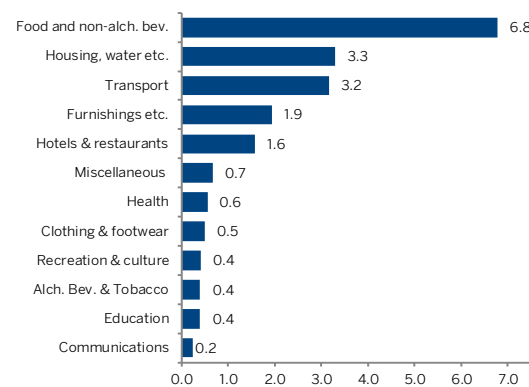
## Energy and tobacco groups push headline inflation up

- Food prices rose by 1.90% mom in October, below the 5-year average (2.4%) and last year's (3.1%). Food yoy inflation fell from 29.5% to 27.9%. Unprocessed food yoy inflation fell to 29%, while processed food yoy inflation remained at 26%.
- Mom price rises were high in household appliances (4.2%), TV (4.1%), computers (5.5%), and mobile phones (2.1%) due to the FX impact. In the automobile group, the price increase was limited to 0.2%. Yoy inflation in durable goods dropped to 20.2% as the FX effect was below our forecast. In the total goods group, yoy inflation was almost unchanged at 21.7%. The 6.4% increase in cigarette prices caused headline inflation to rise by 0.3 pps.
- Energy inflation rose yoy from 22.8% to 25.8% due to the increases in bottled gas (12%), LPG (19%), diesel (7%), gasoline (2%), and fuel (coal 29%, wood 14%) prices.
- The increase in service inflation continued, especially with the effect of restaurants&hotels and rent groups. Services yoy inflation rose to 15.4%.
- Although services inflation increased, yoy core inflation decreased from 16.98% to 16.82% due to falling yoy inflation in the goods group within the core definition. There was a mixed trend in yoy inflation indicators released by Turkstat. Inflation indicators adjusted for various factors were in the range of 16.8%-20.9%.

Contributions to the Monthly Inflation (points)



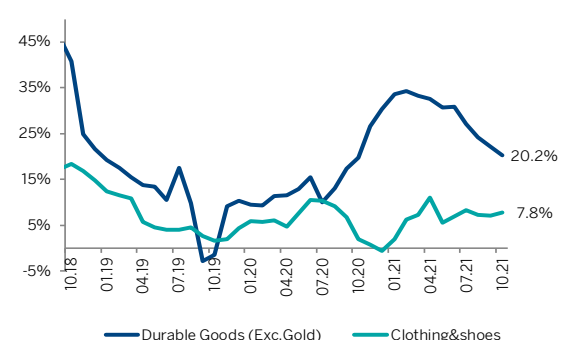
Contributions to the Annual Inflation (points)



Goods & Services Inflation



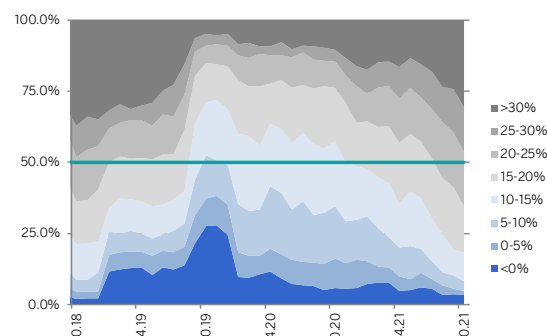
Inflation (yoy)



Food Inflation (yoy)



Inflation Distribution (yoy) of Item Basket



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