

Turkey-Inflation

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April 2022 - Yoy CPI rises to 70%

Headline CPI inflation in April printed at 7.25%, above the consensus (5.75%) and our own (6.00%) estimate. Thus, yoy CPI inflation rose to 69.97% from 61.14%. Yoy core inflation increased from 48.39% to 52.37%, and yoy PPI inflation from 114.97% to 121.82%.

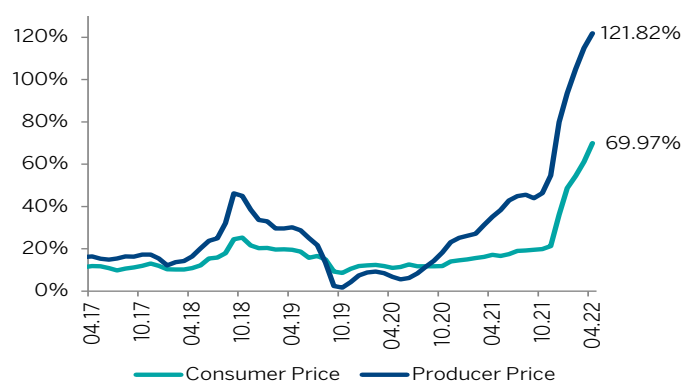
The headline inflation was above our forecast in April due to higher than expected price increases in food and energy. The food price rise on a mom basis, driven by both unprocessed and processed food, was 13.6%, the second highest mom food inflation print. Thus, yoy food inflation rose to 90.8%. Energy yoy inflation rose to 118.2% due to the high mom price increases in natural gas (28%), water (14%), LPG, bottled gas, and wood-coal. In line with our expectations, yoy core inflation continued to increase due to the lagged impacts of the TRY depreciation, worsening inflation expectations and moderate demand. The 4.2% mom tobacco price increase also pushed headline inflation up. In the clothing and footwear group, yoy inflation decreased slightly, as price increases were close to the previous year's averages. Services inflation continued to accelerate, reaching 42.2%. The rise in yoy PPI inflation to 121.8% is negative, indicating still strong cost-driven inflationary pressures.

The current inflation outlook and high commodity prices indicate that headline inflation will remain high throughout 2022. On the other hand, with the additional effect of supply constraints, food inflation exceeds headline inflation. We expect yoy CPI inflation to decline in the last month of the year due to the base effect. The level that inflation has reached and the inflation outlook point to an upside risk to our CPI inflation forecast of 50% for the year-end.

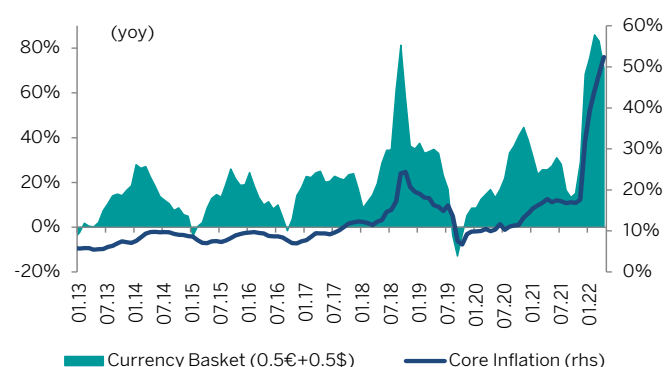
Details of Inflation

	April 2022		March 2022	Diff in Annual Figure		April 2022		March 2022	Diff in Annual Figure
	MoM	YoY	YoY			MoM	YoY	YoY	
Headline CPI	7.25%	69.97%	61.14%	8.8%	Alc. Bev.&Tobacco	4.02%	56.38%	51.43%	5.0%
Core CPI	4.54%	52.37%	48.39%	4.0%	Clothing&Footwear	6.96%	26.23%	26.95%	-0.7%
Energy	7.62%	118.20%	102.94%	15.3%	Housing	7.43%	61.14%	51.43%	9.7%
Goods	8.06%	80.44%	70.38%	10.1%	Furnishing, Hhold Equip.	4.92%	77.64%	69.26%	8.4%
Service	4.74%	42.18%	36.72%	5.5%	Health	1.31%	35.95%	34.95%	1.0%
Food and Non-Alc. Bev.	13.38%	89.10%	70.33%	18.8%	Transportation	5.12%	105.86%	99.12%	6.7%
Unprocessed Food	16.84%	100.67%	77.52%	23.1%	Communication	2.87%	18.71%	15.08%	3.6%
Processed Food	9.89%	78.09%	63.64%	14.4%	Recreation&Culture	3.21%	43.28%	40.90%	2.4%
CPI exc. Adminis. Prices	7.02%	72.19%	63.96%	8.2%	Education	2.89%	27.73%	26.73%	1.0%
PPI	7.67%	121.82%	114.97%	6.9%	Hotels&Restaurants	6.95%	69.26%	60.40%	8.9%
					Misc. Goods&Services	0.93%	58.72%	60.22%	-1.5%

CPI and PPI Inflation (yoy)



Core Inflation & FX

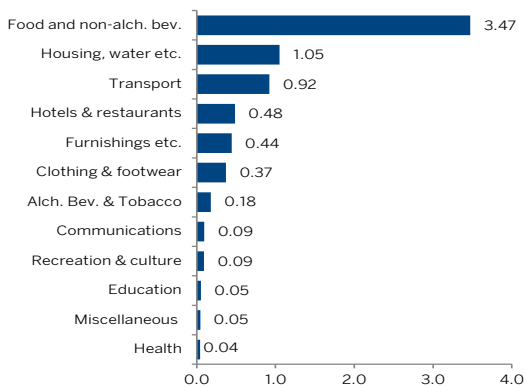


Source: Turkstat, Garanti BBVA Securities

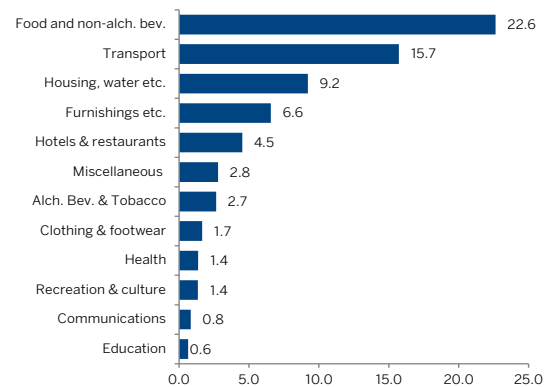
Food and energy inflation, above the headline

- Food prices rose significantly by 13.6% mom in April, above the 5-year average (1.4%). Food inflation rose yoy from 71.6% to 90.8%. Yoy inflation rose to 101% for unprocessed food and to 78% for processed food. Rising global agricultural prices and high production costs led to remarkable rises in food inflation.
- Yoy energy inflation rose to 118% due to the high price increases in natural gas and water, as well as in other energy items. Due to the high price increases in the fuel group, inflation in transportation services was 11.4% mom and 78% yoy.
- Even though the delayed impact of TRY depreciation has weakened, mom price increases in automobiles, mobile phones and household appliances were c.4%. Yoy inflation in durable goods excluding gold rose to 74.6%. Moderate demand led furniture prices to rise significantly by 11.7% mom. The mom rise in tobacco prices was 4.2%. For almost 75% of items in the inflation basket yoy inflation is above 45%.
- Yoy service inflation rose to 42.2% due to transportation and restaurant & hotel groups, as in previous months.
- Due to the impacts of FX, demand and deteriorated expectations, yoy core inflation rose to 52.37%. All yoy inflation indicators released by Turkstat have sharply accelerated. Inflation indicators adjusted for various factors were in the range of 52.4%-72.2%.

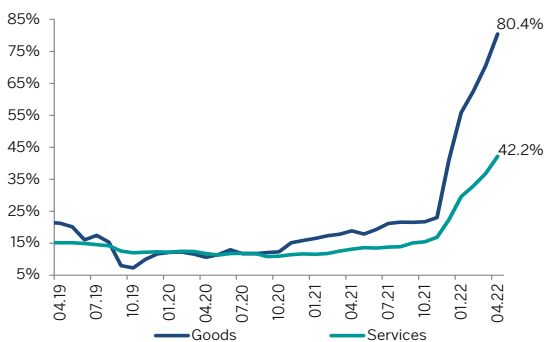
Contributions to the Monthly Inflation (points)



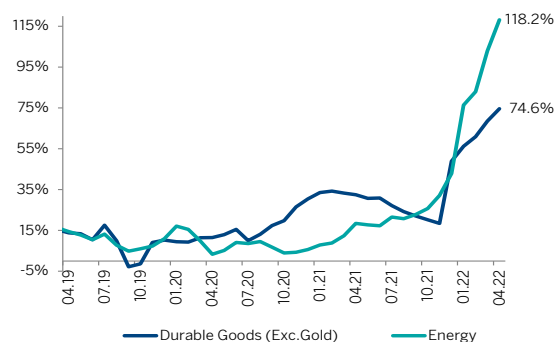
Contributions to the Annual Inflation (points)



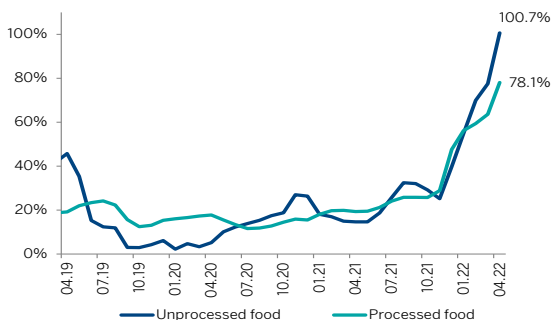
Goods & Services Inflation



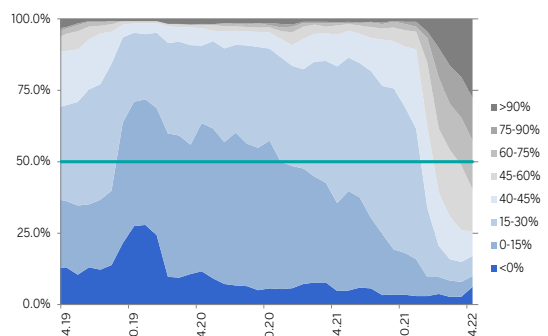
Inflation (yoy)



Food Inflation (yoy)



Inflation Distribution (yoy) of Item Basket



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