

Turkey-Inflation Expectation

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May 2022 - Headline yoy CPI inflation expected to rise to 75%

Turkstat is set to announce May inflation data on Friday, June 3. According to a Bloomberg survey, the CPI mom expectation for May is 4.00%, below the Garanti BBVA expectation (4.50%). If the consensus average mom expectation is realized, yoy CPI inflation would rise to 75.2% from 70.0%. If our estimate realizes, yoy CPI inflation would rise to 76.1%.

Istanbul's inflation trend in May was similar to previous months. According to ICC (Istanbul Chamber of Commerce) data, prices in Istanbul rose by 5.84% on a mom basis in May 2022. This was the highest mom May inflation calculated since 1997, and significantly above the 5-year average of 1.2%. Thus, yoy inflation rose from 80.0% to 87.3%. Food inflation pointed to the highest May increase, at 5.0% mom, since 1996. There has been a weak correlation between ICC and Turkstat inflation in May especially in recent years, although ICC data confirms ongoing high pricing pressure.

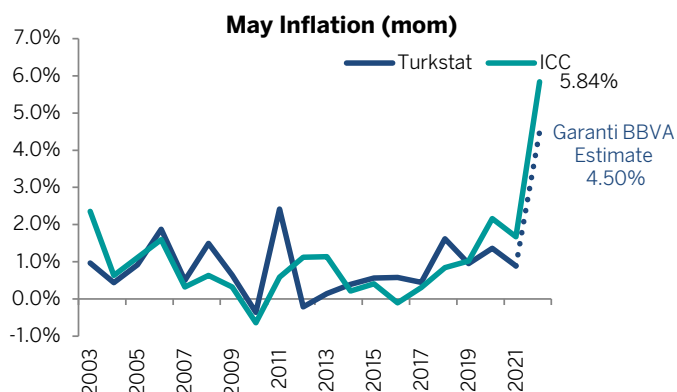
We estimate that broad-based pricing pressure continued in May. Cost-driven pressure continues, especially due to the high prices of energy and agricultural commodities in light of Russian-Ukrainian developments. According to Turk-Is food expenditures data, the leading indicator of food prices, price rises were 13.0% on a mom basis and 107.8% on a yoy basis in May. Within the scope of Turkstat data, we calculate that yoy food inflation is approaching 100%. The rises in fuel prices continued due to rising global oil prices and TRY depreciation. Thus, we estimate that the rise in yoy energy inflation continued. We anticipate an increase in yoy core inflation due to high cost pressures and deteriorating inflation expectations.

The direct effect of the hikes in natural gas and electricity prices, effective from June 1, on CPI inflation is 0.8 points. In addition, the possible effects of the increase in SCT in the alcoholic beverages and tobacco group will be reflected in June inflation. On the other hand, the announcement that there will be no automatic tax adjustment linked to PPI in the tobacco group, which has a high weight in the inflation basket, indicates that the contribution of this group to inflation will be limited in 2H22. The current inflation outlook and high commodity prices indicate that headline inflation will remain high throughout 2022. We expect headline inflation at 60% by the end of the year.

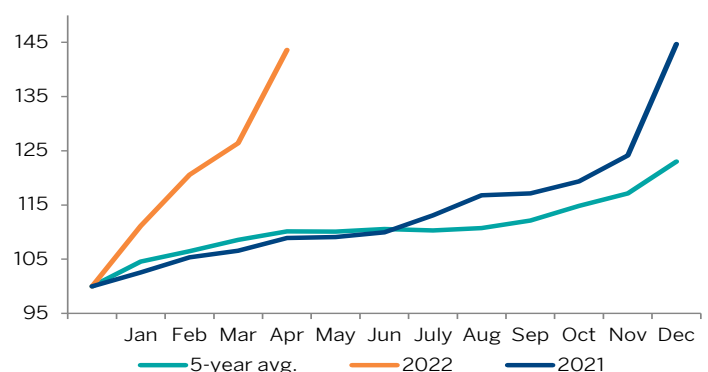
	May 2022 mom Inflation	May 2022 yoy Inflation
Bloomberg Survey:	%4.00	%75.2*
Garanti BBVA Forecast:	%4.50	%76.1*

* If mom inflation estimate realizes

CPI & ICC** Inflation (mom)



Food Prices (December=100)



Source: Turkstat, Garanti BBVA Securities **Istanbul Chamber of Commerce

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