

# Türkiye- CBRT's Inflation Report

## 3Q22 - 2022 year-end inflation forecast raised to 60.4%

In the third Inflation Report of 2022, the CBRT has revised the 2022 inflation forecast up by 17.6 points to 60.4%. In his presentation on the report, CBRT Governor Sahap Kavcioglu said that inflation would decline quickly after the end of the year thanks to already implemented measures and necessary decisions going forward. Kavcioglu stated that all measures were being taken to prevent inflation from turning into inertia.

Key comments of CBRT Governor Kavcioglu;

- The main determinants of inflation excluding food and energy are external factors and FX. External factors' share in inflation is calculated as 81.5%. The effect of demand conditions on inflation is limited.
- Turkey is the only country in the world where recession is not talked about.
- The conditions provided by the CBRT have contributed to the record highs in exports. Capacity utilization indicates investment trends to remain strong.
- Measures aiming at the utilization of loans in harmony with economic activity were put into effect with determination. Macro prudential measures were strengthened due to the rapid rise in commercial loans. As a result of implemented measures the normalization of the loan trend has begun.
- High-frequency indicators point to a loss of momentum in domestic demand.
- Improvement in the cyclically-adjusted current account balance trend continues. When global commodity prices enter a falling trend, the Turkish economy will start to register a current account surplus.
- Work on swap agreements continues.

### The CBRT has revised its 2022 inflation forecast upwards

- The 2022 year-end inflation forecast for 2022 was increased from 42.8% to 60.4%. According to the chart shared on the forecast inflation path, inflation is expected to drop significantly in the last months of 2022, after printing in the 80-90% range in 3Q22. According to the latest market participant survey, the market's 2022 year-end inflation forecast is 69.94%, above the CBRT forecast. The CBRT expects output gap to shift to the negative territory in 3Q22.
- The oil price forecast has decreased slightly from 102.2USD to 99.6USD per barrel for 2022. The 2023 forecast is 73.7USD.
- The annual food inflation expectation has increased from 49.0% to 71.3% for 2022. The 2023 forecast is 25.7%.
- The import price rise forecast in USD terms is revised upwards from 22.2% to 23.3% for 2022.
- Inflation forecasts for 2023 and 2024 are 19.2% and 8.8%, respectively.

### Factors affecting the CBRT's 2022 inflation forecast:

- Upward revision of import prices in TRY of +7.4 points
- Upward revision of the underlying trend of inflation/deviation from the inflation forecast of +4.1 points
- Upward revision of food inflation of +3.0 points
- Upward revision of unit labor cost of +2.4 points
- Upward revision of administered prices of +0.4 points
- Upward revision of the output gap of +0.3 points

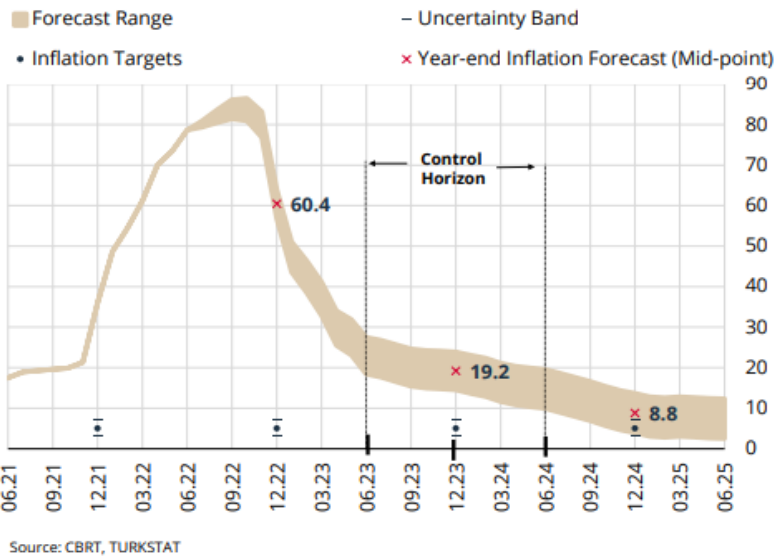
CBRT Inflation Expectations

CBRT Inflation Expectations					
	Oct.21	Jan.22	Apr.22	Jul.22	Range with 70% Probability
2022	11.8%	23.2%	42.8%	60.4%	56.9-63.9%
2023	7.0%	8.2%	12.9%	19.2%	14.5-23.9%
2024			8.3%	8.8%	

Inflation Expectations in Market Participants Survey



CBRT Expectation Path (CBRT Inflation Report)



Source: CBRT, TURKSTAT

Source: CBRT, Garanti BBVA Securities

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