

Türkiye- Inflation Expectation

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July 2022 - Headline yoy CPI inflation expected to rise to 80%

Turkstat is set to announce July inflation data on Wednesday, August 3. According to a Bloomberg survey, the CPI mom expectation for July is 2.61%, below the Garanti BBVA expectation (4.0%). If the consensus average mom expectation is realized, yoy CPI inflation would rise to 80.0% from 78.6%. If our estimate realizes, yoy CPI inflation would rise to 82.5%.

Istanbul's inflation trend in July was similar to previous months. According to ICC (Istanbul Chamber of Commerce) data, prices in Istanbul rose by 4.09% on a mom basis in July 2022. This was the highest mom July inflation calculated since 1997, and significantly above the 5-year average of 0.5%. Thus, yoy inflation rose from 94.2% to 99.1%. Food inflation pointed to the highest July increase, at 4.8% mom. There has been a strengthening correlation between ICC and Turkstat inflation in the month of July over recent years. The ICC data points to no major risk to our Turkstat inflation estimate.

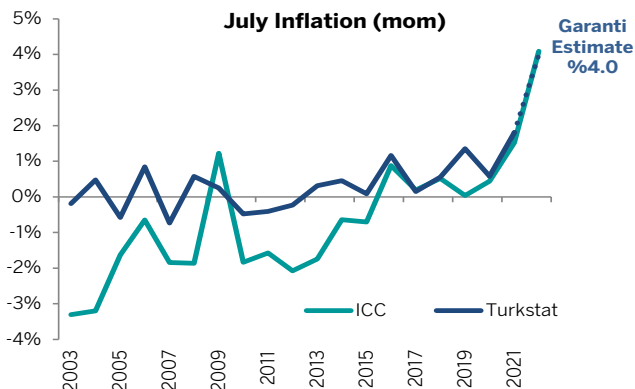
We estimate that the broad-based pricing trend remained strong excepting energy in July. According to Turk-Is food expenditures data, the leading indicator of food prices, price rises were at 7.0% on a mom basis and 128.4% on a yoy basis in July, confirming ongoing significant prints. Within the scope of Turkstat data, we calculate that yoy food inflation has reached 100%. However, the fact that the food price increase of Turkstat in May and June were well below the Turk-Is data could indicate a downside risk to our forecast if a similar trend is also observed in July. The 10% mom fall in Brent oil price in July led to a price cut in the fuel group. Thus, contrary to previous months, we expect energy inflation to contain yoy headline inflation. Besides, we anticipate the rising trend in yoy core inflation due to high cost pressures and deteriorating inflation expectations.

Commodity prices decreased in July due to global recession concerns. Even though the Bloomberg commodity price index has increased since mid-July, the index fell by 10% in July on monthly average basis. The global growth outlook and developments in the energy market will determine how costs will change in the coming period. The current inflation outlook and still high commodity prices indicate that headline inflation will remain high in Türkiye throughout 2022. Our year-end yoy CPI inflation estimate is 70.0%.

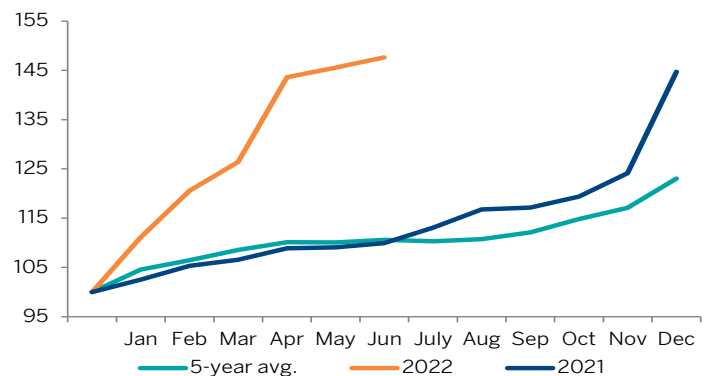
	July 2022 mom Inflation	July 2022 yoy Inflation
Bloomberg Survey:	%2.61	%80.0*
Garanti BBVA Forecast:	%4.00	%82.5*

* 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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