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# Türkiye- Inflation

## July 2022 - CPI inflation prints slightly below the consensus

**Headline CPI inflation in July printed at 2.37%, slightly below the consensus (2.61%) and significantly below our own (4.0%) estimate. Thus, yoy CPI inflation rose to 79.60% from 78.62%. Yoy core inflation increased from 57.26% to 61.69%, and yoy PPI inflation from 138.31% to 144.61%.**

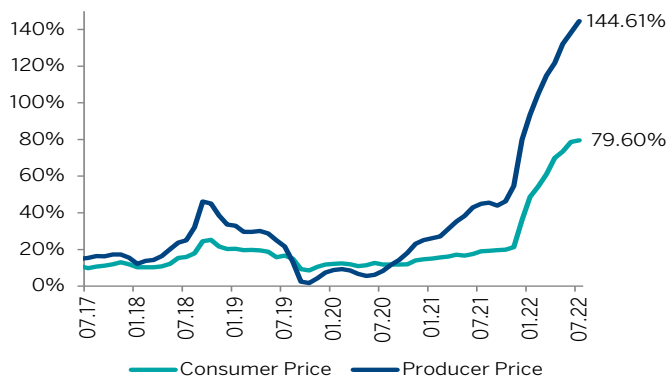
Headline inflation printed below our expectations in July because food and core inflation were lower than our forecast. As in the previous two months relative to the leading indicators of Turk-Is and ICC, food inflation remained more limited in the Turkstat print. Un-processed food yoy inflation decreased while the momentum of processed food yoy inflation decelerated. Even though food inflation was below our estimate, the food sub-group made the highest contribution to both mom and yoy headline CPI inflation. Core inflation was strong due to the durable goods and service groups, but remained slightly below our estimate. The core inflation momentum has accelerated slightly compared to the previous three months. The mom rise in the tobacco group of 7.4% led it to be the third greatest contributor to the headline inflation. Besides, energy inflation contained the headline inflation in July. The mom fall in fuel prices of c.8% and removal of electricity and natural gas price hikes in July 2021 from the yoy inflation calculation led to a fall in yoy energy inflation.

Regaining momentum in the core inflation trend and the ongoing rise in yoy PPI inflation indicate that inflationary pressures remain strong. The global growth outlook and developments in the energy market will determine how costs change in the coming period. The current inflation outlook indicates that headline inflation will remain high throughout 2022. Our year-end CPI inflation estimate is 70.0%.

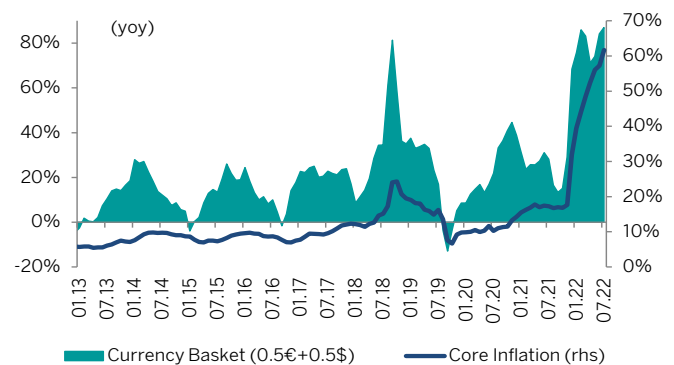
### Details of Inflation

	July 2022		June 2022	Diff in Annual Figure		July 2022		June 2022	Diff in Annual Figure
	MoM	YoY	YoY			MoM	YoY	YoY	
<b>Headline CPI</b>	2.37%	79.60%	78.62%	1.0%	<b>Alc. Bev.&amp;Tobacco</b>	6.85%	82.66%	70.99%	11.7%
<b>Core CPI</b>	3.45%	61.69%	57.26%	4.4%	<b>Clothing&amp;Footwear</b>	1.80%	32.09%	26.99%	5.1%
<b>Energy</b>	-3.13%	129.27%	151.33%	-22.1%	<b>Housing</b>	1.99%	69.96%	75.09%	-5.1%
<b>Goods</b>	2.10%	90.17%	89.94%	0.2%	<b>Furnishing, Hhold Equip.</b>	3.91%	88.35%	81.14%	7.2%
<b>Service</b>	3.20%	51.45%	48.69%	2.8%	<b>Health</b>	6.98%	48.44%	39.34%	9.1%
<b>Food and Non-Alc. Bev.</b>	3.15%	94.65%	93.93%	0.7%	<b>Transportation</b>	-0.85%	119.11%	123.37%	-4.3%
<b>Unprocessed Food</b>	2.64%	91.00%	91.65%	-0.6%	<b>Communication</b>	1.78%	25.79%	23.74%	2.1%
<b>Processed Food</b>	3.61%	98.02%	96.04%	2.0%	<b>Recreation&amp;Culture</b>	4.50%	55.27%	50.52%	4.7%
<b>CPI exc. Adminis. Prices</b>	2.02%	79.88%	78.84%	1.0%	<b>Education</b>	0.76%	26.82%	27.76%	-0.9%
<b>PPI</b>	5.17%	144.61%	138.31%	6.3%	<b>Hotels&amp;Restaurants</b>	2.49%	79.14%	79.55%	-0.4%
					<b>Misc. Goods&amp;Services</b>	2.06%	66.82%	63.67%	3.2%

### CPI and PPI Inflation (yoy)



### Core Inflation & FX

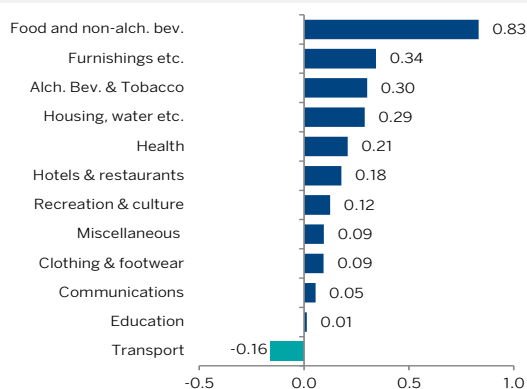


Source: Turkstat, Garanti BBVA Securities

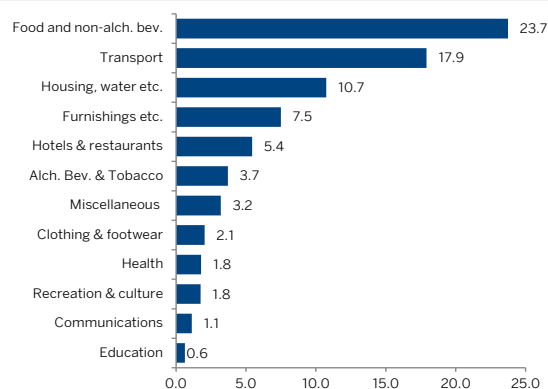
## Energy inflation contained headline inflation while core inflation regained momentum in July

- Food mom inflation was at 2.9% in July, above the 5-year average (-0.2%), but in line with the previous month. Accordingly, food yoy inflation remained almost constant at 94.5%. Unprocessed food yoy inflation fell to 91.0% from 91.6%, while processed food yoy inflation rose to 98% from 96%.
- Yoy inflation in durable goods excluding gold accelerated to 84.9% from 77.9%. Price increases in house appliances, automobiles and medicine was strong. Yoy inflation in the clothing group increased to 31.5%, but remained significantly below the headline. Due to significant mom rise in the tobacco group, the group's yoy inflation rose remarkably to 81.8% from 69.3%.
- The yoy energy inflation fell to 129.3% from 151.3% due to the fall in fuel prices and the base effect. Accordingly, yoy inflation decreased in housing and transportation sub-groups relative to the previous month.
- Yoy service inflation rose to 51.5%, especially driven by transportation and rent groups. The relatively lower price increase in restaurant and hotel group compared to previous months, meant that yoy inflation fell slightly in July.
- Due to the impact of FX, demand and deteriorated expectations, yoy core inflation rose to 61.69%. All yoy inflation indicators released by Turkstat have accelerated. Inflation indicators adjusted for various factors were in the range of 61.7%-83.1%.

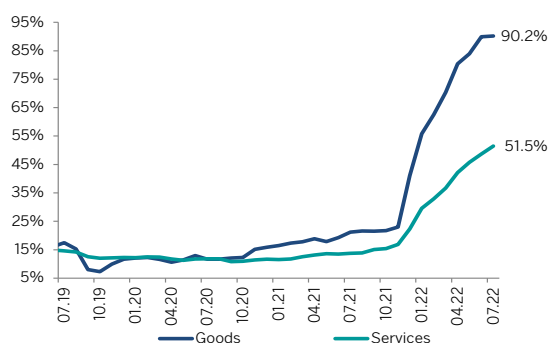
Contributions to the Monthly Inflation (points)



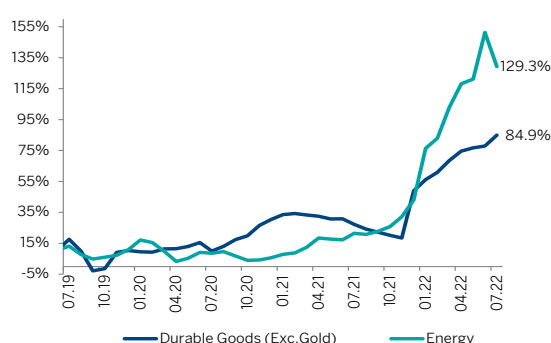
Contributions to the Annual Inflation (points)



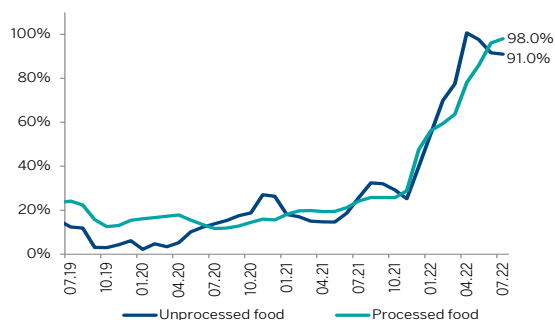
Goods & Services Inflation



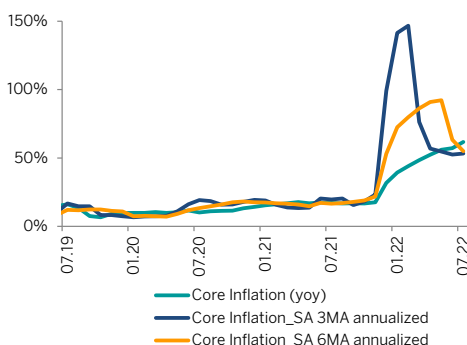
Inflation (yoy)



Food Inflation (yoy)



Core Inflation



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