

February 3, 2022

Macro-Economic Watch

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Inflation: January 2022

	MONTHLY %						YEARLY %						
	CPI			PPI			CPI			PPI			
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	
January	1,35	1,68	11,10	1,84	2,66	10,45	January	12,15	14,97	48,69	8,84	26,16	93,59
February	0,35	0,91		0,48	1,22		February	12,37	15,61		9,26	27,09	
March	0,57	1,08		0,87	4,13		March	11,86	16,19		8,50	31,20	
April	0,85	1,68		1,28	4,34		April	10,94	17,14		6,71	35,17	
May	1,36	0,89		1,54	3,92		May	11,39	16,59		5,53	38,33	
June	1,13	1,94		0,69	4,01		June	12,62	17,53		6,17	42,89	
July	0,58	1,80		1,02	2,46		July	11,76	18,95		8,33	44,92	
August	0,86	1,12		2,35	2,77		August	11,77	19,25		11,53	45,52	
September	0,97	1,25		2,65	1,55		September	11,74	19,58		14,33	43,96	
October	2,13	2,39		3,55	5,24		October	11,89	19,89		18,20	46,31	
November	2,30	3,51		4,08	9,99		November	14,02	21,31		23,11	54,62	
December	1,25	13,58		2,36	19,08		December	14,60	36,08		25,15	79,89	

Fast start to year...

Our expectation of a further increase in April-May and the Monetary Policy implications...

- January inflation came in at 11,1% mom which brought the yearly inflation from 36% to 48,7%.
- The D-PPI which is more sensitive to the developments in the FX rates, recorded also a rapid rise in January and reached to 93,5%. We will see triple digits figures in the coming months.
- Developments in the current account balance, monetary policy side and inflation are decisive factors in Turkey's currency risk.
- Our calculations show that inflation will keep rising in the period ahead for a considerable time period. Although we expect the lagged effect of exchange rate pass through on prices to fade away gradually, recorded D-PPI readings present upside risk to headline inflation.
- Annual inflation peaked in May with 60% levels unless we see a surprise on TL.

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- In line with the CBRT's signals, we do not expect the CBRT to lower the policy rate until there is a significant improvement in the inflation outlook. Moreover, with the upside risks in inflation; we maintain our expectation of an interest rate hike in the second quarter of the year. The reason of our rate hike expectation is; the recent reinforcement of cost-based factors on inflation has increased the risk to the downward trend in inflation. It may be more limited than anticipated.
- Considering the FED'S interest rate path in this year, pressure on the TL may continue going forward.
- We would like to underline upside risks on the inflation forecast, which we expect to be around 35-40% with the calculations we have made at the end of 2021. Due to the extraordinary economic and political events in both 2020 and 2021, which could not be predicted, instead of making year-end forecasts, we will continue to create our forecasts in 3-month periods. We expect inflation to approach 60% in the next 3 months.

Analysis of the main expenditure groups in January showed that food inflation (2,8ppt), housing (2,7ppt), furniture (1,1ppt) and transport (1,9ppt) have the highest contribution to the headline.

CPI			PPI		
January 2022	Monthly %	Yearly %	January 2022	Monthly %	Yearly %
CPI	0,91	15,61	PPI	1,22	27,09
Food	2,57	18,40	Mining	-0,14	17,32
Alch& tobacco	0,13	2,87	Manufacturing	1,56	29,57
Clothing foot wear	-0,93	6,31	Food	2,83	28,64
Housing	0,60	11,69	Textile	1,55	24,36
Furnishing	0,32	23,74	Petroleum	0,99	5,24
Health	3,00	18,11	Chemicals	0,86	26,95
Transport	0,48	22,47	Basic Metals	-0,46	52,62
Communications	0,56	7,15	Machinery	-0,18	25,35
Recreation	-0,98	8,72	Motor Vehicles	-0,32	28,95
Education	0,86	6,13	Energy	-1,73	0,68
Hotel&Restaurant	1,32	13,44			
Miscellaneous goods &services	-2,32	20,61			

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