

Macro Focus

3 December 2021

Inflation, November 2021: Upside risks persist as inflation figures approach to record levels

Erol Gürçan

erol.gurcan@yf.com.tr

+90 (212) 334 98 37

[Genel / Public](#)

Turkey's CPI increased by 3.51% MoM in November driving YoY CPI from 19.89% to 21.31%. Accordingly, YoY CPI renewed its peak in 2021 again (Prior: 19.89% in October) and hit the highest level since November 2018. The consensus was around +3% MoM (YF: +3.3%, Oct.21: +2.39%, Nov.20: +2.3%, 2003-2020 Median: +1.05%). In monthly basis, all main expenditure groups recorded increases. The highest monthly increases were seen on transportation (due to price increases on fuel), miscellaneous goods & services (mainly driven by gold and personal care products) and hotels, restaurants and cafes (due to accumulated cost side pressures) whereas the highest contributions came from food & non-alcoholic bev., transportation and housing. We should also note that diffusion index and median CPI indicates that the price increases spread along to whole basket.

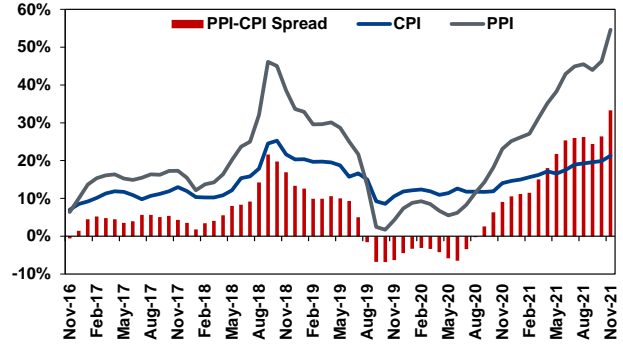
YoY service inflation hit the record level with 16.9%. Goods recorded a 4.1% of monthly increase (vs. hist. median: +1.3%). Energy, food & non-alcoholic beverages, and goods (excluding energy and food) recorded 5.95% (vs. hist. med.: +0.8%), 3.92% (vs. hist. med. +1%) and 3.53% (vs. hist. med: +1.25%) of increases, respectively. In energy group, fuel and otogas prices were the key drivers. Negative monthly change (-1.91%) in fresh fruits and vegetables compared to the historical median (+5.29%) limited the monthly increase in the food group. Services inflation recorded a 1.88% of monthly increase (hist. med.: 0.3%). Despite all sub-items of service groups recorded monthly increases, the most remarkable jump was seen on hotels & cafes & restaurants (MoM: +4.1%, hist. med.: +0.7%). According to the latest figures, YoY goods CPI stood at 23% (highest level since November 2018) whereas YoY service CPI figure was at 16.9% which was the highest level since 2004 (beginning of the data set). Accordingly, goods-service spread decreased to 6.1pps from 6.3pps. The recent contraction stemmed from the upward trend on the service sector inflation which has a backward-indexation behavior. Hence, this condition could lead to a rigidity on the headline figure during the potential disinflation period in the medium term.

All YoY core CPI indicators both recorded monthly increase and continued to remain above the policy rate. A Index (excl. seasonal products) increased from 20.43% to 22.57%, B Index (excl. unprocessed food, energy, alcoholic bev. tobacco and gold) increased from 18.5% to 18.75%, C Index (energy, food and non-alcoholic bev. alcoholic bev., tobacco and gold) rose from 16.82% to 17.62%, D Index (excl. unprocessed food, alcoholic beverages and tobacco) increased from 19.37% to 21.56%, E Index (excl. alcoholic beverages and tobacco) decreased from 20.55% to 22.02% and F Index (excl. administered prices) increased from 20.92% to 22.48%.

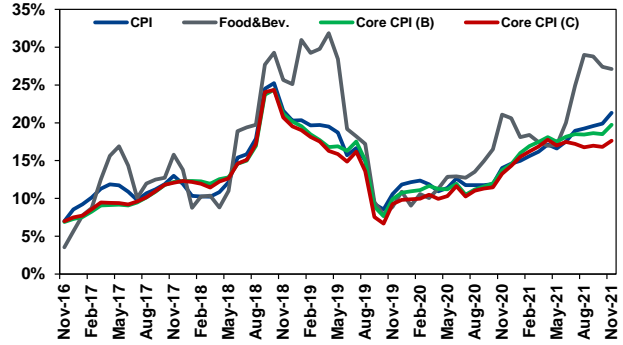
YoY PPI hit the highest level since April 2002. Domestic PPI increased by 9.99% MoM – highest monthly increase since September 2018 – (Consensus: +6%, YF: +9.4%, Oct.21: +5.24%, Nov.20: +4.08%, 2003-2020 Avg.: +0.63%), driving YoY figure to 54.62% YoY (highest level since April 2002, Oct.21: 46.31%). Therefore, the spread between YoY PPI and YoY CPI increased from 26.4pps to 33.3pps (highest difference since 2003 – beginning of the CPI data). This condition indicates that the cost-side pressures have strengthened. All main industrial groupings continued to record monthly increases whereas the highest increases were seen on energy goods by 13.33% and intermediate goods by 11.55%. In sectoral basis the highest monthly increases were seen on electricity, gas, steam and air conditioning by 14.33% and on mining and quarrying sector by 11.64%. 23 of 23 sub-sectors under the manufacturing sector (MoM chg: +9.55%), recorded monthly increases. The highest monthly increases were seen on textiles (+14.37%), chemicals and chemical products (+14.1%) and coke&refined petroleum products (+12.33%). It was deserved attention that crude petroleum and natural gas which is a sub-item of crude petroleum and natural gas sector increased by 20.67% MoM which drove YoY figure to 116.51%.

CBRT could pause the cuts in policy rate. In addition to that the last inflation figures exceeded expectations and YoY figures approached record levels, the price increases spread over the basket. All YoY CPI figures both recorded monthly increases and remained above the policy rate of 15% (C Index, the lowest one, is at 17.52%). Deterioration on the inflation expectations continue. CPI expectation for 12-month ahead in the CBRT's Market Participants Survey of November was 15.61% which is higher than 313bps of August figure, before recent cut cycle in the policy rate. We should also note that the last Survey was released on November 12, USDTRY currency increased around 38% since then. In normal circumstances, we expect that the YoY CPI figures could drop around 2-2.5pps due to the basis effect in November-December period. However, there are significant upside risks on the inflation outlook due to the recent sharp losses on the Lira currency and price increases on some goods & services. The recent CPI index figure indicates a 19.82% of increase compared to 2020-end. Year-end CPI figure could be around 20.3% if the monthly CPI figure of December would be close to historical median of 0.4%. But, we think the year-end CPI could exceed 22% due to the recent sharp losses on the Lira currency, actual/potential price increases on some products and services. After Governor Kavgıoğlu's statement on the most of the downward maneuver area on the policy rate has been used currently and the last inflation figures, we believe the possibility of keeping the policy rate stable or just a symbolic cut at the next MPC meeting (December 16) has increased.

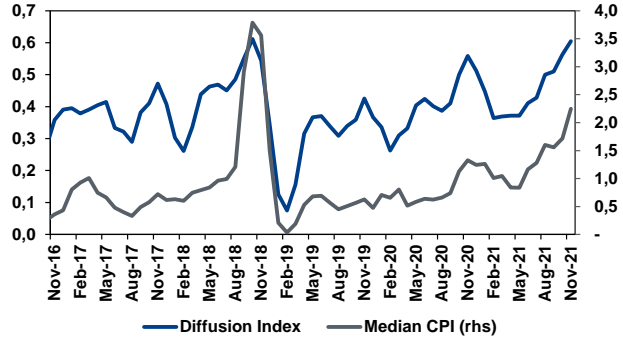
CPI and PPI (YoY)



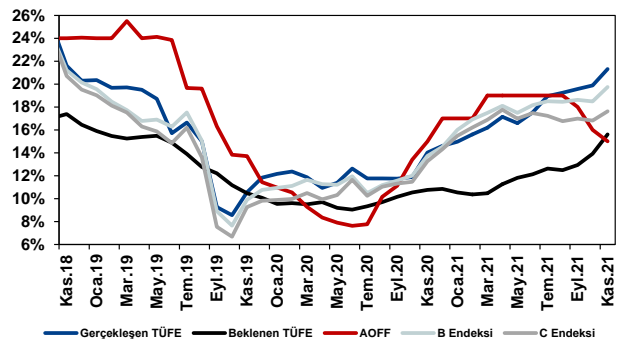
Headline, Core and Food&Bev. CPI (YoY)



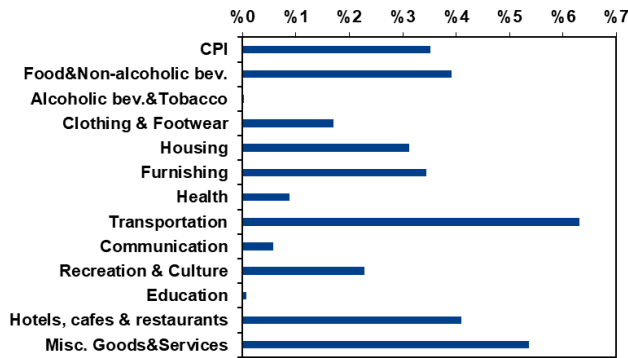
Diffusion Index & Median CPI (3-month average)



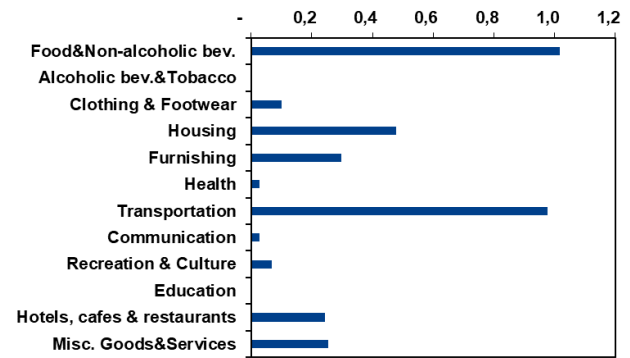
Actual/Expected Inflation & CBRT's Funding Cost



CPI – Main Expenditure Groups, MoM % change



CPI–Main Expenditure Groups, MoM Contributions



Indicators for CPIs having specified coverages

November 2021

Group Coverage	Weight (%)	MoM (%)	YtD (%)	YoY (%)	12M Mov. Avr. YoY (%)
Consumer Price Index - CPI	100,0	3,5	19,8	21,3	17,7
Main expenditure groups					
Food and non-alcoholic beverages	25,9	3,9	24,0	27,1	22,2
Alcoholic beverages and tobacco	4,9	0,0	7,9	7,9	3,1
Clothing and footwear	5,9	1,7	11,9	8,3	6,6
Housing, water, electricity, gas and other fuels	15,4	3,1	23,0	23,8	16,1
Furnishing, household equipment, routine maintenance of the house	8,6	3,4	21,0	25,1	23,0
Health	3,3	0,9	16,4	17,3	18,1
Transportation	15,5	6,3	19,6	22,7	23,6
Communication	4,6	0,6	4,9	5,8	6,3
Recreation and culture	3,0	2,3	13,9	14,0	11,5
Education	2,3	0,1	17,1	17,0	11,0
Hotels, cafes and restaurants	5,9	4,1	28,3	28,9	19,1
Miscellaneous goods and services	4,7	5,4	19,1	18,4	18,6
1. Indicators for the CPIs having specified coverages					
A CPI excluding seasonal products		3,9	20,9	22,6	18,4
B CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold		3,2	18,4	19,8	17,8
C CPI excluding energy, food and non-alcoholic bev., alcoholic bev., tobacco and gold		2,8	16,5	17,6	16,7
D CPI excluding unprocessed food, alcoholic bev. and tobacco		3,8	20,3	21,6	18,0
E CPI excluding alcoholic beverages and tobacco		3,7	20,4	22,0	18,6
F CPI excluding administered and directed prices		4,1	20,8	22,5	19,2
2. Goods	4,1	21,1	23,0	19,5	
Energy	6,0	30,2	32,1	17,7	
Food and non-alcoholic beverages	3,9	24,0	27,1	22,2	
Unprocessed food	2,9	21,1	25,2	22,3	
Fresh fruits and vegetables	-1,9	9,3	14,4	18,7	
Other unprocessed food	5,5	27,8	31,3	24,3	
Processed food	4,8	26,7	28,9	22,1	
Bread and cereals	7,2	27,9	29,9	22,1	
Other processed food	3,5	26,1	28,3	22,1	
Goods excluding energy and food	3,5	15,9	16,9	18,0	
Core goods	3,7	16,7	18,4	20,4	
Clothing and footwear	1,7	11,7	8,0	6,4	
Durable goods (excluding gold)	4,1	14,3	18,4	27,7	
Other core goods	4,3	23,7	25,5	19,7	
Alcoholic beverages, tobacco and gold	2,8	11,9	10,7	8,7	
3. Service	1,9	16,2	16,9	13,6	
Rent	1,2	11,0	11,7	10,0	
Hotels, cafes and restaurants	4,1	28,3	28,9	19,1	
Transportation services	0,6	15,3	15,7	11,9	
Telecommunication services	0,6	6,1	7,3	6,7	
Other services	1,5	15,6	16,3	15,0	

Domestic PPI sections and divisions

November 2021

	Weight (%)	MoM (%)	YtD (%)	YoY (%)	12M Mov. Avr. YoY (%)
Domestic producer price index - D-PPI	100,0	10,0	51,1	54,6	38,9
Main industrial groupings					
Intermediate goods		11,6	58,5	63,1	47,6
Durable consumer goods		5,2	30,5	32,2	30,0
Non-durable consumer goods		6,4	32,4	34,3	27,2
Energy		13,3	85,0	90,3	40,6
Capital goods		7,9	30,9	33,3	28,8
Sectors					
Mining and quarrying	3,5	11,6	44,5	44,5	28,9
Coal and lignite	0,5	16,7	52,9	54,8	23,2
Crude petroleum and natural gas	0,5	20,7	105,0	116,5	70,8
Metal ores	1,0	11,9	44,0	40,6	36,3
Other mining and quarrying products	1,5	5,1	22,3	22,2	16,5
Manufacturing	87,3	9,6	49,3	53,2	40,5
Food products	20,0	7,8	37,3	39,8	33,4
Beverages	0,9	2,1	21,9	23,2	17,9
Tobacco products	0,3	0,0	59,9	72,3	28,4
Textiles	10,1	14,4	53,3	54,0	34,2
Wearing apparel	2,1	3,8	13,0	12,6	9,5
Leather and related products	1,1	7,0	17,7	19,7	11,1
Wood and products of wood and cork, except furniture	1,4	7,8	76,6	78,8	44,7
Paper and paper products	3,1	12,4	57,2	63,7	50,2
Printing and recording services	1,1	9,7	29,1	28,9	18,0
Coke and refined petroleum products	3,8	12,3	122,2	145,9	86,9
Chemicals and chemical products	4,6	14,1	64,4	68,2	43,5
Basic pharmaceutical products and pharmaceutical preparations	1,3	0,2	21,5	22,3	21,4
Rubber and plastic products	4,6	9,3	39,8	42,1	36,2
Other non-metallic mineral products	4,6	7,7	46,9	51,6	34,6
Basic metals	8,2	10,8	85,1	97,1	82,5
Fabricated metal products, except machinery and equipment	5,7	10,0	48,2	53,7	42,2
Computer, electronic and optical products	1,5	7,7	24,7	28,7	27,7
Electrical equipment	3,0	9,1	45,1	46,8	37,0
Machinery and equipment n.e.c.	2,6	7,4	28,1	29,5	25,6
Motor vehicles, trailers and semi-trailers	2,9	6,7	27,2	27,7	28,9
Other transport equipment	0,8	2,7	34,0	36,0	31,1
Furniture	2,4	4,6	29,6	30,8	28,0
Other manufactured goods	1,1	10,6	25,2	23,1	21,3
Electricity, gas, steam and air conditioning	8,4	14,3	74,5	72,4	22,0
Electricity, gas, steam and air conditioning	8,4	14,3	74,5	72,4	22,0
Water supply; sewerage, waste management and remediation	0,8	1,0	31,5	33,1	28,0
Water; water treatment and supply services	0,8	1,0	31,5	33,1	28,0

Meclis - i Mebusan Caddesi No: 81 Fındıklı
Beyoğlu / İstanbul 34427
TURKEY

Tel: +90 (212) 317 69 00
Fax: +90 (212) 282 15 50 -
51
Bloomberg: YATF
www.yf.com.tr

Levent Durusoy	Executive Vice President	levent.durusoy@yf.com.tr	+90 (212) 334 98 33
Institutional Sales			
Burak Demircioğlu	Head of Sales & Trading	burak.demircioglu@yf.com.tr	+90 (212) 334 98 42
Levent Mutlu	Trading Director	levent.mutlu@yf.com.tr	+90 (212) 334 98 40
Alper Yenilmez	Salesperson	alper.yenilmez@yf.com.tr	+90 (212) 334 98 49
Nil Tola	Sales Trader	nil.tola@yf.com.tr	+90 (212) 334 98 51
Mehmet Ali Sukuşu	Senior Settlements Officer	mehmetali.sukusu@yf.com.tr	+90 (212) 317 68 42
Equity Research			
Serhat Kaya	Steel, Automotive, Contractors, Oil & Gas, Defence, Conglomerates	serhat.kaya@yf.com.tr	+90 (212) 334 98 36
Miraç Başcı	Associate	mirac.basci@yf.com.tr	+90 (212) 334 98 89
Emre Duman	Associate	emre.duman@yf.com.tr	+90 (212) 334 98 58
Macroeconomic Research			
Erol Gürcan	Economist	erol.gurcan@yf.com.tr	+90 (212) 317 98 37

© 2021 YF Securities. All rights reserved

Yatırım Finansman Menkul Değerler (YF Securities) research refrains from rating parent companies (TSKB and Isbank) to avoid any potential conflicts of interest between YF Securities and rated companies, in connection with, but not limited to, loan agreements or business deals.

YF Securities, its clients and employees may hold a position in the rated securities and may perform investment banking or other services for the covered companies. Strict limitations on trading apply for analysts; it is prohibited for analysts to trade equities on a daily basis, and any trading of equities by analysts, may only be conducted through the brokerage services provided by YF Securities.

Companies under the coverage of YF Securities are rated on the basis of their expected performance relative to the BIST index. The following ratings are used to accurately reflect analysts' research and opinions regarding their coverage:

OutPerform: Rated for stocks which YF Securities expects to outperform the BIST-100 index over a 12-month horizon.

MarketPerform: Rated for stocks, which YF Securities expects to perform in line with the expected BIST-100 return over a 12-month horizon.

UnderPerform: Rated for stocks, which YF Securities expects to underperform the BIST-100 index over a 12-month horizon.

The information on this document is provided by Yatırım Finansman (YF) Securities Inc. and it is not to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The investments discussed or recommended in this report may involve significant risk, may be illiquid and may not be suitable for all investors. Therefore, making decisions with respect to the information in this report may cause inappropriate results. All prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any form of reproduction, dissemination, copying, disclosure, modification, distribution and/or publication of information, opinions and comments provided on this document is strictly prohibited. The information presented in this report has been obtained from sources believed to be reliable. (YF) Securities Inc. cannot be held responsible for any errors or omissions or for results obtained from the use of such information.