

Macro Focus

4 January 2021

Inflation, December 2020: Upside trend continues

Erol Gürçan

erol.gurcan@yf.com.tr

+90 (212) 334 98 37

[Genel / Public](#)

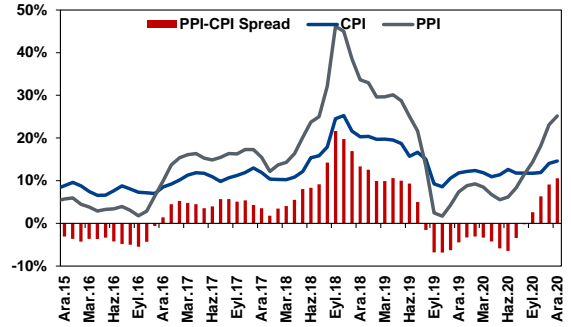
Turkey's CPI increased by 1.25% MoM in December driving YoY CPI from 14.03% to 14.60%. The consensus was +0.95% MoM and our estimate was +1.22% MoM (Nov.20: 2.3%, Dec.19: 0.74%, 2003-2019 Average: +0.31%). Highest contributions came from food group, transportation and furnishing/household equipment whereas the clothing group, which decreased above the historical averages, restricted the monthly increase. Goods recorded a 1.5% of monthly increase. Under the goods group, energy, food and non-alcoholic beverages and other goods (excluding energy and food) recorded 1.5%, 2.5% and 0.9% of monthly increases, respectively. Unprocessed food recorded a 3.4% of monthly increase (led by a 4.7% MoM increase in the fresh fruits and vegetables) whereas the processed food increased by 1.7% MoM. Core goods recorded a monthly increase of 1.4% which was driven by 3.6% of monthly increase in durable goods (excluding gold). Clothing and footwear CPI decreased by 3.2% MoM (2003-2019 Avr.: -2.1%) and decreased by 0.3% YoY. This was the first negative annual figure since 2008. Service sector inflation recorded a 0.6% of monthly increase in December (2003-2019 avg.: 0.4%). According to the latest figures, YoY goods CPI is at 15.9% whereas YoY service CPI figure is at 11.7%. Hence, goods-service spread hit the highest level since May 2019. Historically, service inflation follows the goods inflation with some lag. This could lead to some rigidity during the expected disinflation period.

Upward trend on the YoY core CPI indicators continue. The core CPI indicators, B (excl. unprocessed food, energy, alcoholic bev. tobacco and gold) and C (energy, food and non-alcoholic bev. alcoholic bev., tobacco and gold) indices recorded 1.1% and 1% of monthly increases which drove YoY figures to 14.5% (Prior: 13.7%) and 14.3% (Prior: 13.3%), respectively. Hence, the YoY core figures, which are important indicators for the medium term outlook, increased the highest level since June 2019.

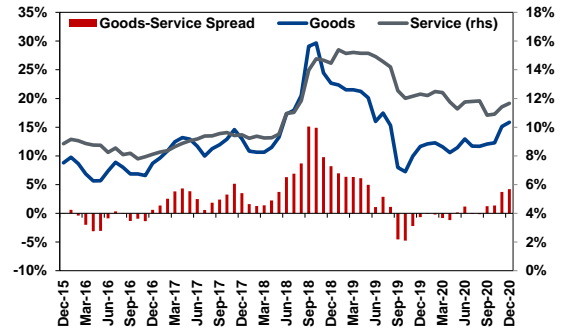
YoY PPI – CPI spread hit the highest level since April 2019. Domestic PPI increased by 2.4% MoM (Nov.20: +4.1%, Dec.19: +0.7%, 2003-2019 Avg.: +0.16%), driving YoY figure to 25.2% YoY (Nov.20: 23.1%, Dec.19: 7.4%). Hence, YoY PPI-CPI spread of +10.5pps is the highest level since April 2019. This outlook indicates that the cost-side pressures could lead upward impact on the CPI in the coming months. According to the main industrial groupings, the highest increases were seen on intermediate goods by 2.9% MoM and energy by 2.9% MoM. 20 of 23 sub-sectors under the manufacturing sector (MoM chg: +2.7%), recorded monthly increases. The highest monthly contributions came from basic metals, coke and refined petroleum products and food products.

A measured hike could be expected from the CBRT. The CBRT missed its inflation target of 5% for the 12th time of last 15 years (since the beginning of formal inflation targeting). Accordingly, the CBRT would write an open letter to the Government due the year-end inflation deviate from the target range (by more than 2pps from the target in either direction). To recall, official inflation target for 2020 was 10.5% in 2021-2023 MTP and the CBRT's 2020-end CPI estimate was at 12.1% (between 11.1%-13.1% with a 70% probability) at the last Inflation Report. Hence, 2020-end inflation was over the upper band of the CBRT's forecast range by 1.5pps. There are still important upside risks on the inflation. According to the current trend and realizations, the YoY CPI figure could reach around 16% in March-April. Hence, we believe a measured hike could be expected from the CBRT on January 21. Next inflation data to be announced on February 3.

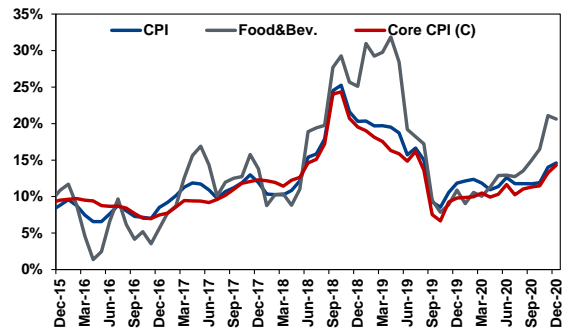
CPI and PPI (YoY)



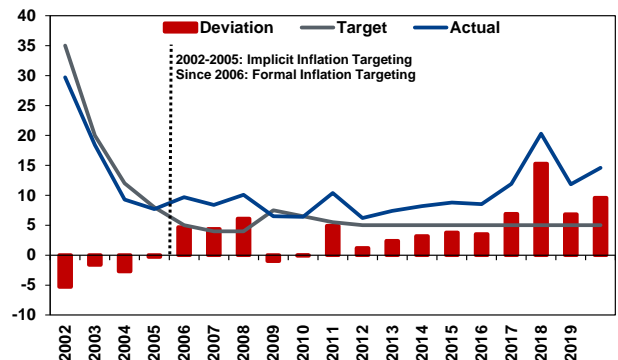
Goods CPI & Service CPI (YoY)

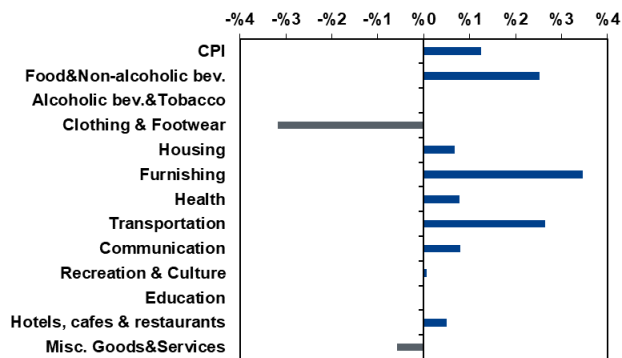
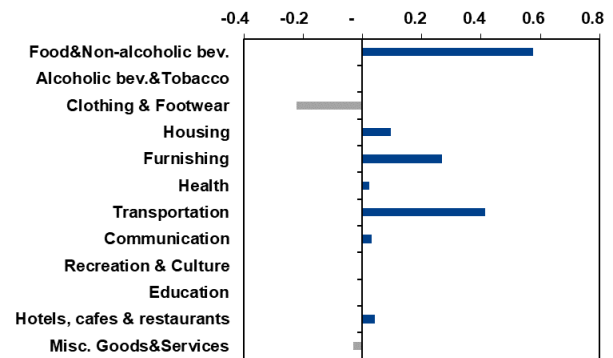


Headline, Core and Food&Bev. CPI (YoY)



Actual Inflation vs Target Inflation (YoY)



CPI – Main Expenditure Groups, MoM % change**CPI–Main Expenditure Groups, MoM Contributions****Indicators for CPIs having specified coverages**

December 2020

Group	Coverage	Weight (%)	MoM (%)	YtD (%)	YoY (%)	12M Mov. Avr. YoY (%)
Consumer Price Index - CPI		100.0	1.3	14.6	14.6	12.3
Main expenditure groups						
	Food and non-alcoholic beverages	22.8	2.5	20.6	20.6	13.9
	Alcoholic beverages and tobacco	6.1	0.0	0.7	0.7	16.4
	Clothing and footwear	7.0	-3.2	-0.3	-0.3	5.7
	Housing, water, electricity, gas and other fuels	14.3	0.7	9.6	9.6	12.4
	Furnishing, household equipment, routine maintenance of the house	7.8	3.5	18.0	18.0	10.1
	Health	2.8	0.8	16.7	16.7	14.4
	Transportation	15.6	2.6	21.1	21.1	12.2
	Communication	3.8	0.8	5.7	5.7	4.3
	Recreation and culture	3.3	0.1	10.4	10.4	7.0
	Education	2.6	0.0	6.8	6.8	10.5
	Hotels, cafes and restaurants	8.7	0.5	12.7	12.7	12.1
	Miscellaneous goods and services	5.4	-0.6	28.1	28.1	22.6
1. Indicators for the CPIs having specified coverages						
A	CPI excluding seasonal products		1.4	14.9	14.9	12.8
B	CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold		1.1	14.5	14.5	11.8
C	CPI excluding energy, food and non-alcoholic bev., alcoholic bev., tobacco and gold		1.0	14.3	14.3	11.2
D	CPI excluding unprocessed food, alcoholic bev. and tobacco		1.0	14.1	14.1	12.0
E	CPI excluding alcoholic beverages and tobacco		1.3	15.5	15.5	12.1
F	CPI excluding administered and directed prices		1.4	16.5	16.5	11.7
2. Goods						
	Energy		1.5	5.6	5.6	8.1
	Food and non-alcoholic beverages		2.5	20.6	20.6	13.9
	Unprocessed food		3.4	26.3	26.3	12.7
	Fresh fruits and vegetables		4.7	33.9	33.9	11.7
	Other unprocessed food		2.7	22.4	22.4	13.5
	Processed food		1.7	15.5	15.5	14.9
	Bread and cereals		1.6	19.3	19.3	16.5
	Other processed food		1.8	13.5	13.5	14.0
	Goods excluding energy and food		0.9	16.4	16.4	13.1
	Core goods		1.4	17.2	17.2	10.6
	Clothing and footwear		-3.3	-0.6	-0.6	5.6
	Durable goods (excluding gold)		3.6	30.4	30.4	15.8
	Other core goods		1.4	13.1	13.1	7.6
	Alcoholic beverages, tobacco and gold		-1.1	13.1	13.1	24.0
3. Service						
	Rent		0.6	9.1	9.1	9.4
	Hotels, cafes and restaurants		0.5	12.7	12.7	12.1
	Transportation services		0.4	8.7	8.7	13.8
	Telecommunication services		1.1	4.9	4.9	5.5
	Other services		0.6	15.1	15.1	13.6

Domestic PPI sections and divisions

December 2020

	Weight (%)	MoM (%)	YtD (%)	YoY (%)	12M Mov. Avr. YoY (%)
Domestic producer price index - D-PPI	100.0	2.4	25.2	25.2	12.2
Main industrial groupings					
Intermediate goods		2.9	32.9	32.9	13.7
Durable consumer goods		1.3	27.7	27.7	16.5
Non-durable consumer goods		1.5	19.2	19.2	12.7
Energy		2.9	3.2	3.2	-0.6
Capital goods		1.9	29.7	29.7	16.4
Sectors					
Mining and quarrying	3.2	0.0	19.0	19.0	12.2
Coal and lignite	0.5	1.2	10.2	10.2	5.8
Crude petroleum and natural gas	0.4	5.6	0.7	0.7	-16.0
Metal ores	0.7	-2.3	49.0	49.0	33.2
Other mining and quarrying products	1.7	-0.1	13.7	13.7	11.7
Manufacturing	89.2	2.7	27.3	27.3	12.5
Food products	18.5	1.8	24.9	24.9	15.1
Beverages	0.8	1.0	16.3	16.3	14.0
Tobacco products	0.4	7.7	-17.8	-17.8	8.9
Textiles	9.5	0.5	25.2	25.2	13.8
Wearing apparel	2.1	-0.4	6.7	6.7	3.7
Leather and related products	1.0	1.7	7.5	7.5	4.8
Wood and products of wood and cork, except furniture	1.6	1.3	10.9	10.9	6.5
Paper and paper products	2.9	4.1	34.9	34.9	11.4
Printing and recording services	1.1	-0.2	15.2	15.2	9.2
Coke and refined petroleum products	3.9	10.7	4.8	4.8	-16.3
Chemicals and chemical products	4.7	2.4	27.1	27.1	10.3
Basic pharmaceutical products and pharmaceutical preparations	1.1	0.6	15.5	15.5	15.5
Rubber and plastic products	4.8	1.7	27.3	27.3	12.7
Other non-metallic mineral products	5.8	3.2	15.5	15.5	7.1
Basic metals	9.8	6.5	56.3	56.3	17.1
Fabricated metal products, except machinery and equipment	6.0	3.7	34.1	34.1	15.1
Computer, electronic and optical products	1.6	3.2	32.0	32.0	12.5
Electrical equipment	3.2	1.2	28.8	28.8	14.7
Machinery and equipment n.e.c.	3.2	1.1	26.5	26.5	15.1
Motor vehicles, trailers and semi-trailers	3.1	0.5	33.4	33.4	20.0
Other transport equipment	0.6	1.5	29.6	29.6	17.9
Furniture	2.4	0.9	19.5	19.5	11.0
Other manufactured goods	1.1	-1.7	33.7	33.7	24.8
Electricity, gas, steam and air conditioning	6.6	-1.2	0.3	0.3	7.5
Electricity, gas, steam and air conditioning	6.6	-1.2	0.3	0.3	7.5
Water supply; sewerage, waste management and remediation	0.9	1.2	14.8	14.8	9.2
Water; water treatment and supply services	0.9	1.2	14.8	14.8	9.2

Yatırım Finansman Securities

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
Gülçin Sepken Aygün	Trading Director	gulcin.sepken@yf.com.tr	+90 (212) 334 98 51
Levent Mutlu	Trading Director	levent.mutlu@yf.com.tr	+90 (212) 334 98 40
Mehmet Ali Sukuşu	Senior Settlements Officer	mehmetali.sukusu@yf.com.tr	+90 (212) 317 68 42
Equity Research			
Serhan Gök	Head of Research	serhan.gok@yf.com.tr	+90 (212) 334 98 39
Serhat Kaya	Steel, Automotive, Contractors, Oil & Gas, Defence, Conglomerates	serhat.kaya@yf.com.tr	+90 (212) 334 98 36
Evren Gezer	Retail, Aviation, Durables, Food & Beverage, Telcos, Consumer	evren.gezer@yf.com.tr	+90 (212) 334 98 58
Mehmet Misoğlu	Associate	mehmet.misoglu@yf.com.tr	+90 (212) 334 98 64
Miraç Başcı	Associate	mirac.basci@yf.com.tr	+90 (212) 334 98 89
Macroeconomic Research			
Erol Gürcan	Economist	erol.gurcan@yf.com.tr	+90 (212) 317 98 37

© 2020 YF Securities. All rights reserved

Yatırım Finansman Menkul Değerler (YF Securities) research refrains from rating parent companies (TSKB and İsbank) 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.