



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

MONETARY POLICY AND INFLATION OUTLOOK IN TÜRKİYE

Fatih Karahan, Ph.D.

Governor

JANUARY 13-14, 2026

LONDON-NEW YORK



Key Takeaways on Inflation Dynamics

1 Underlying Trend

- Disinflation in 2025 was led by services, alongside moderation in food and core goods.
- Underlying inflation eased in recent months.

2 Drivers of Disinflation

- Inflation expectations improved, especially that of households and firms.
- Pricing behavior improved.
- Strong growth and credit coexist with tighter financial conditions.

3 Risks and Uncertainty

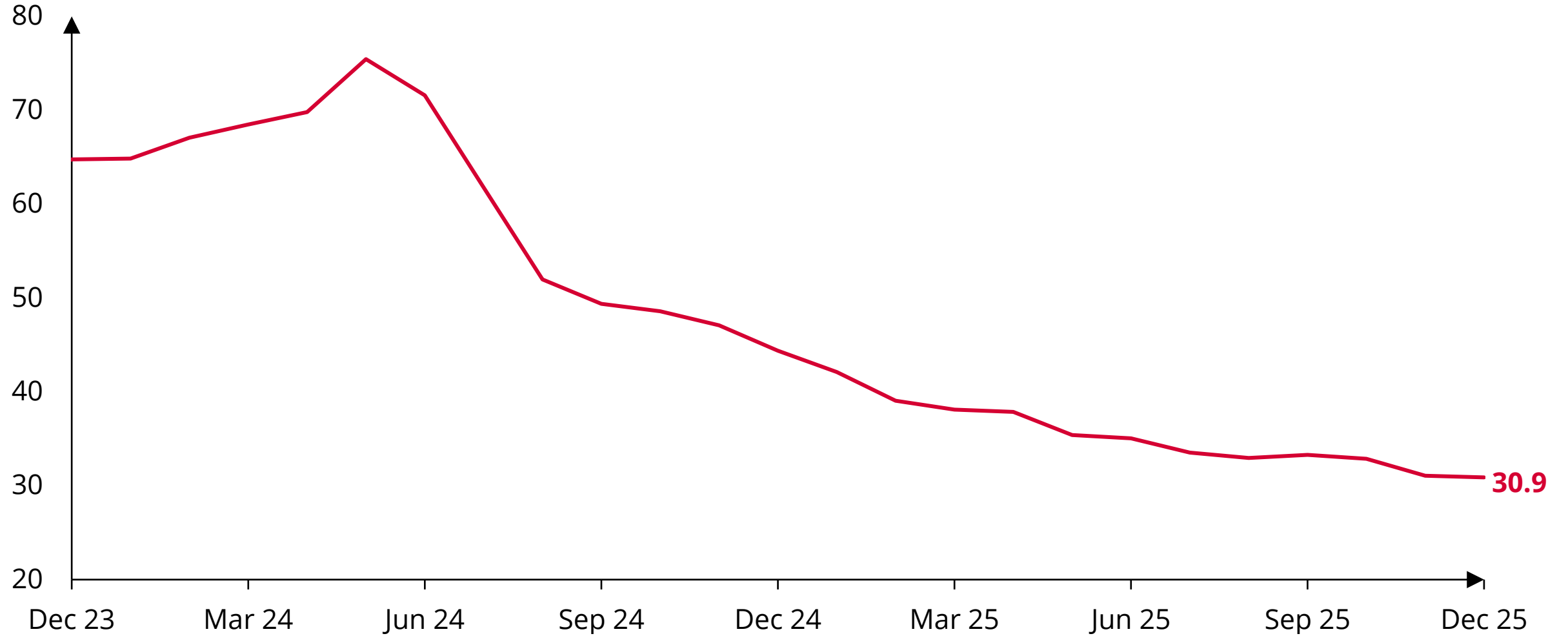
- Food inflation may rebound early in the year
- Easing rent inflation and recent regulatory changes in education will reduce inertia.
- Fiscal support is becoming more visible.
- Global backdrop remains a source of uncertainty.

1

Anatomy of Disinflation in 2025

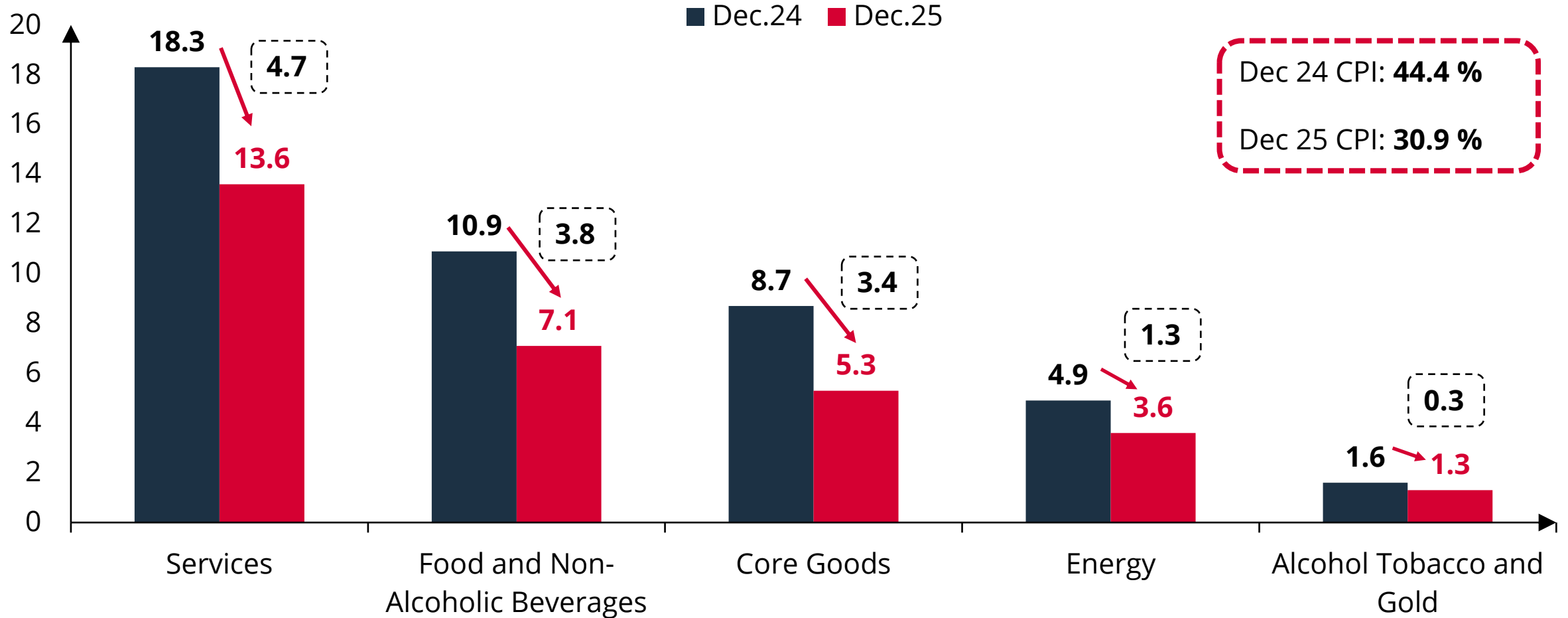
Inflation ends 2025 at 30.9%.

CPI (Annual % Change)



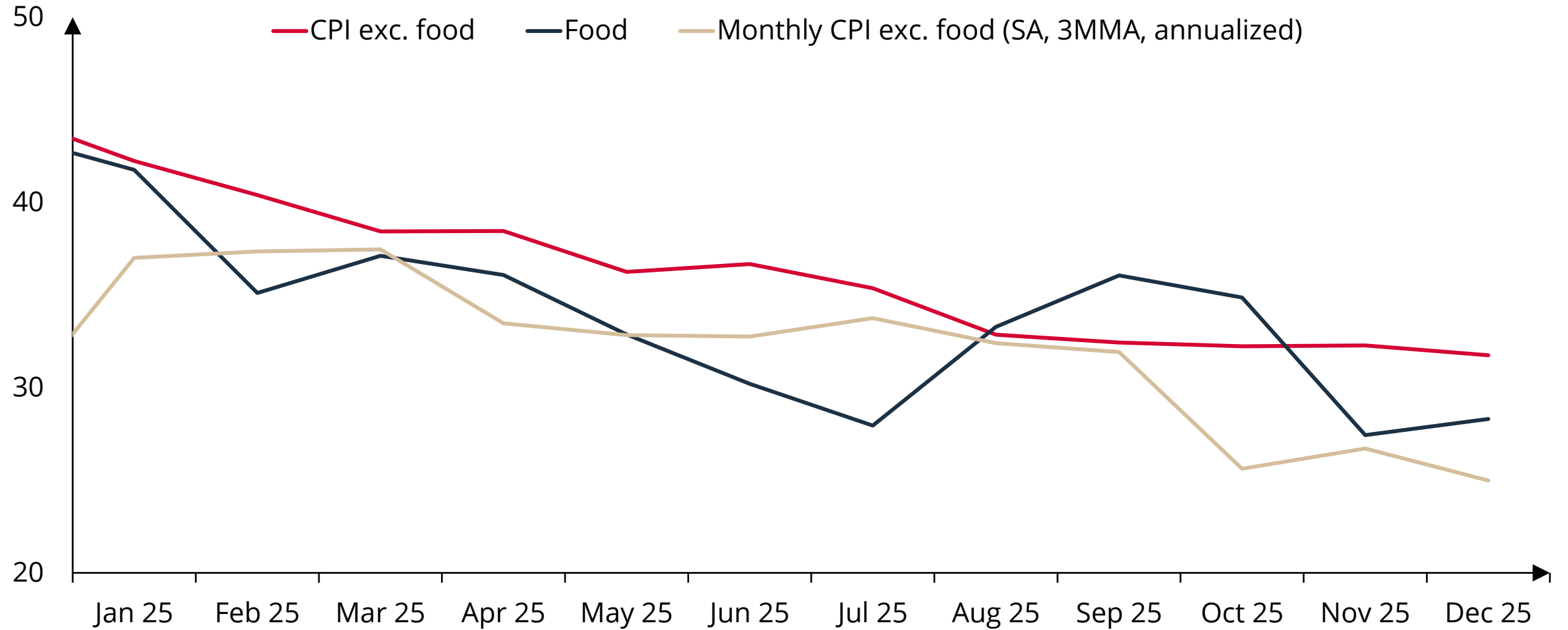
The decline in inflation was broad based across.

Annual Contributions of Sub-Items to the CPI (%)



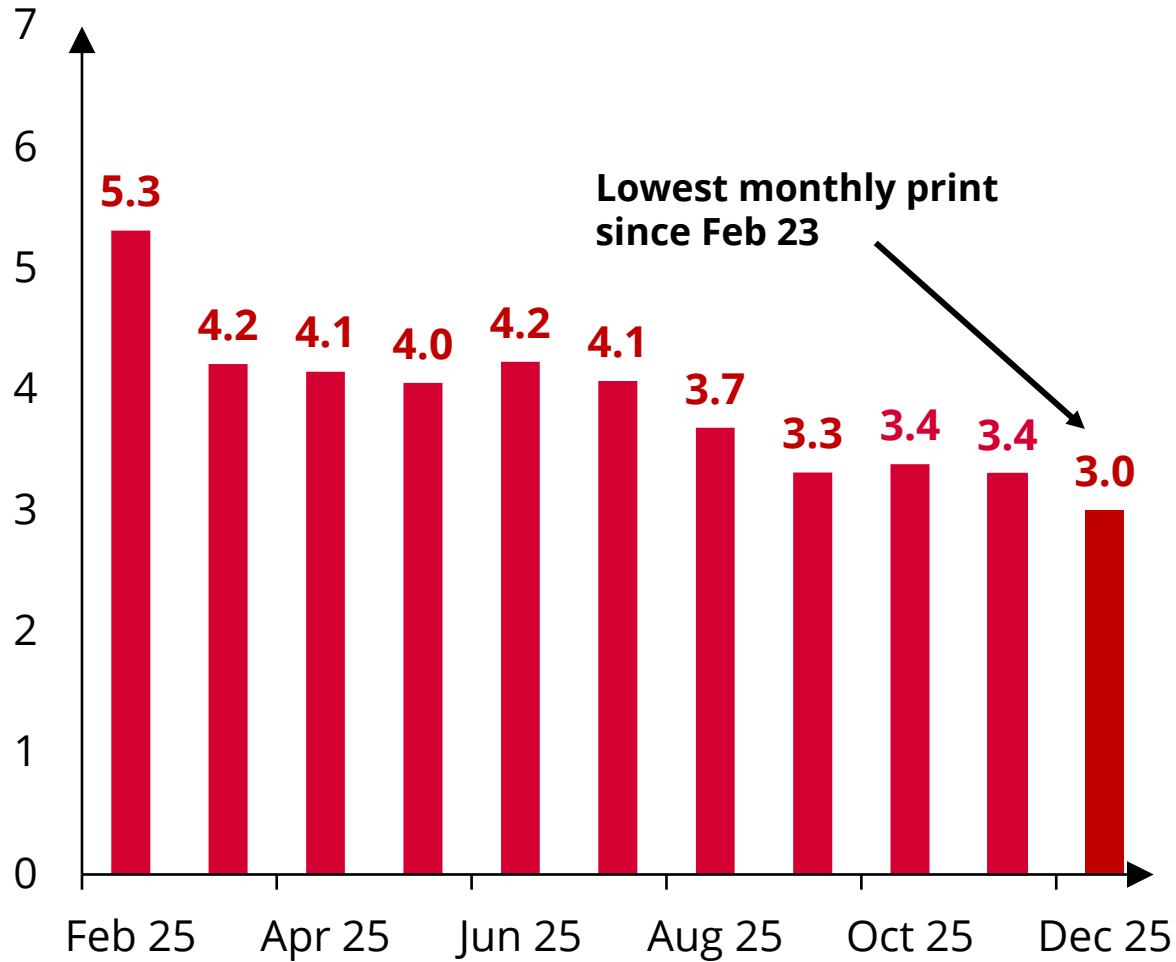
Food inflation induced some volatility in 25H2.

Food and Non-Food Prices (Annual % Change)

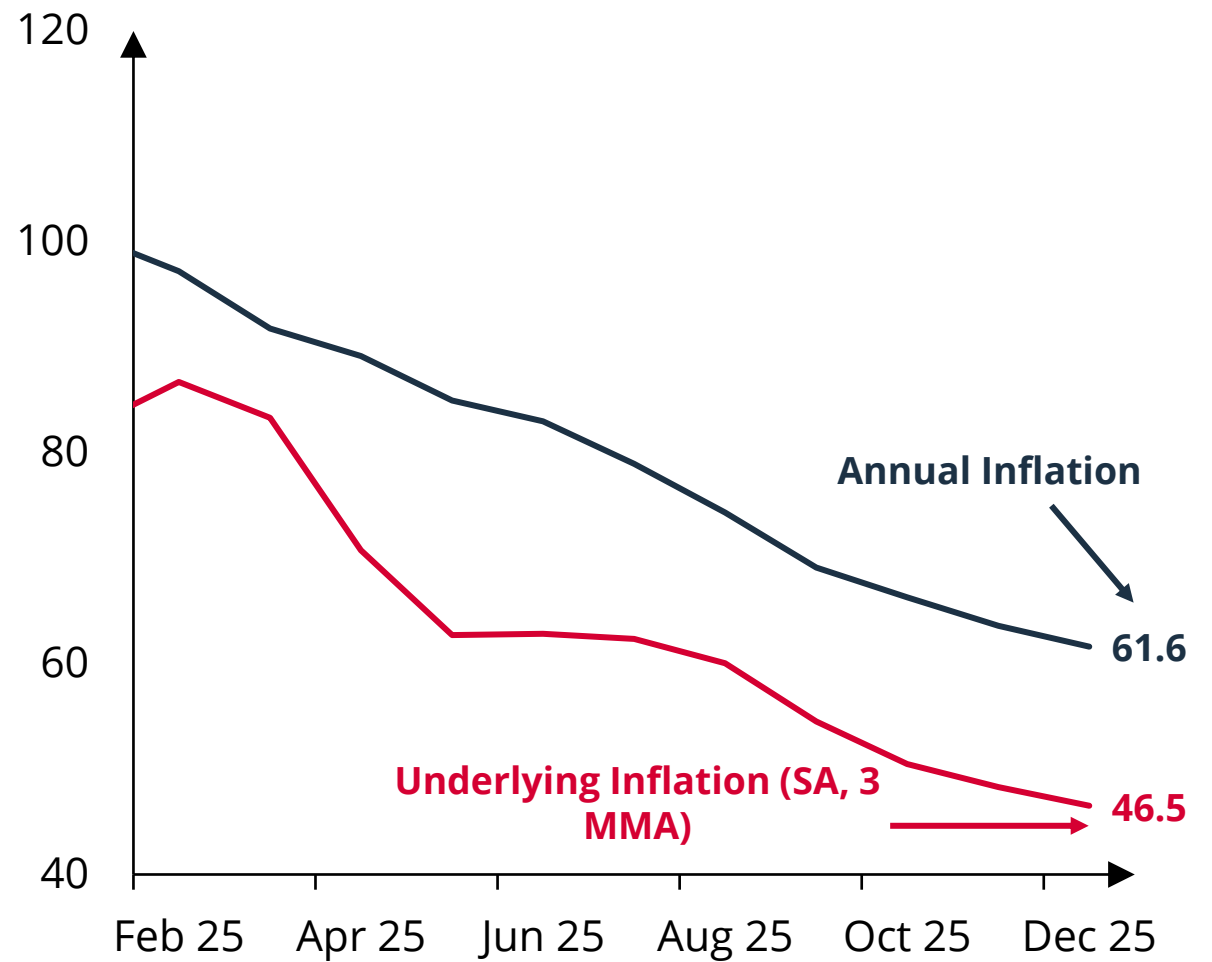


Rent inflation continued to decelerate in 2025.

Rent (Seasonally Adjusted, Monthly % Change)

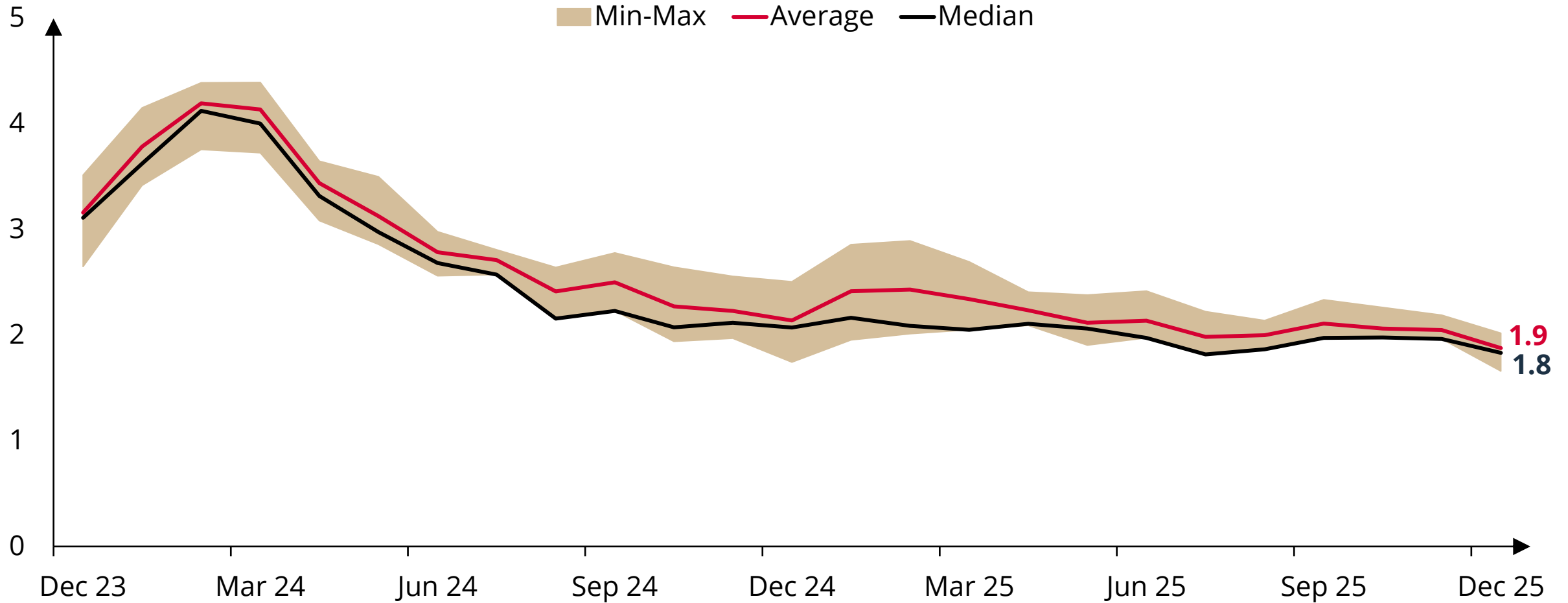


Rent (Annual % Change and Annualized Underlying Inflation)



Many underlying inflation indicators at lowest levels since September 2021.

Underlying Inflation Indicators (SA, 3 MMA, %)



Source: TURKSTAT.

Satrim: Trimmed mean inflation calculated using seasonally adjusted data.

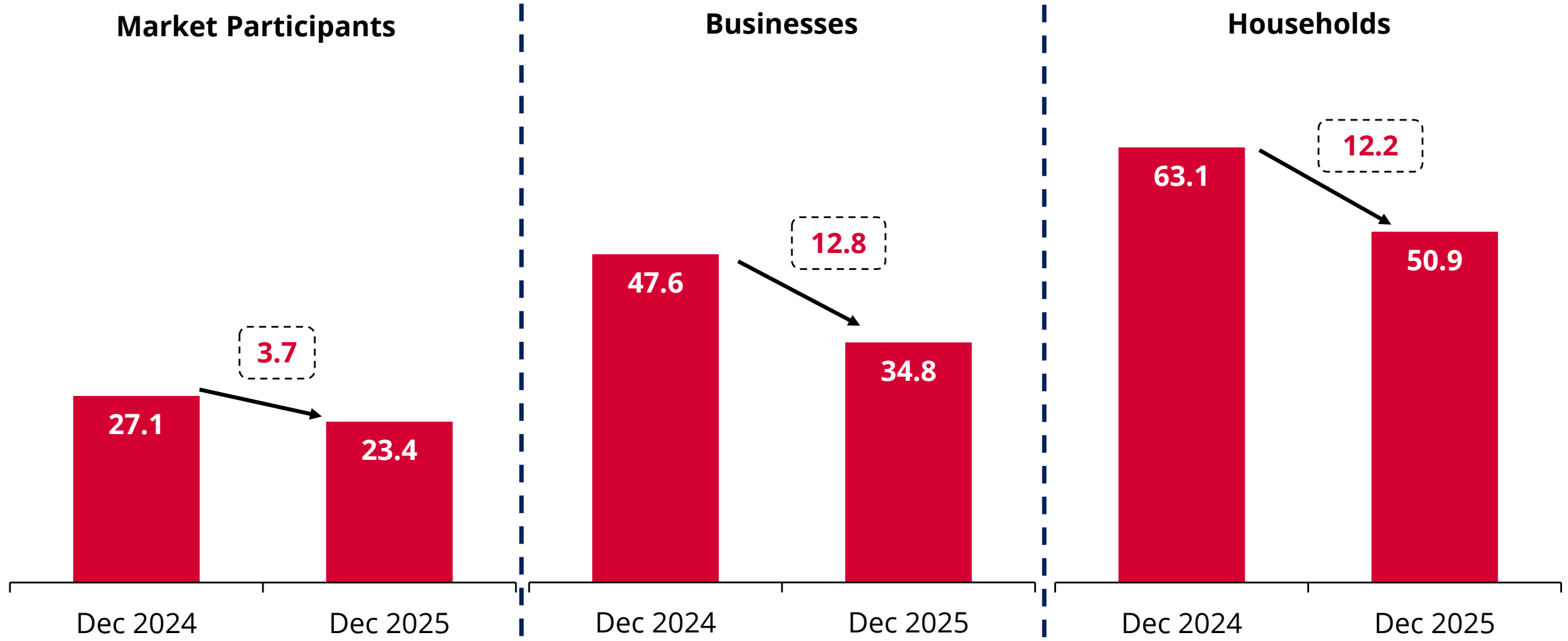
Median: Median monthly inflation of seasonally adjusted five-digit sub price indices.

2

Drivers of Disinflation in 2025

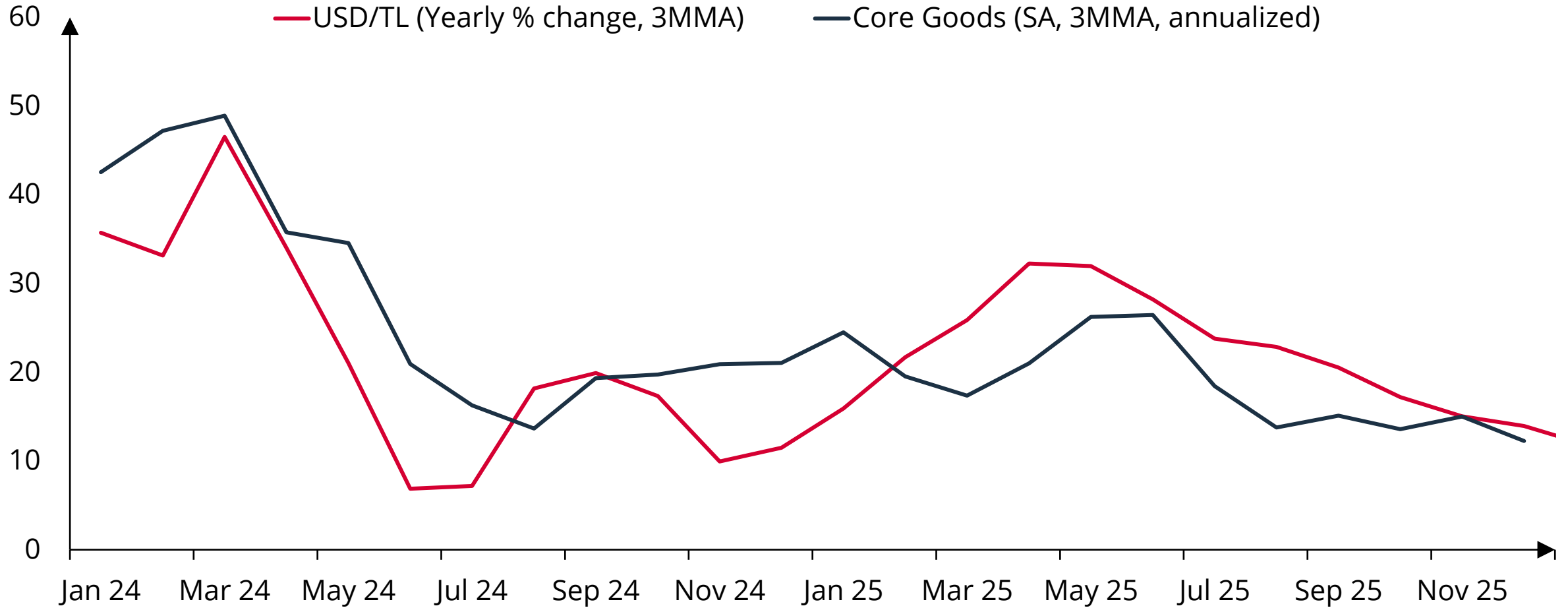
Inflation expectations have improved especially for households and businesses.

Expectations of 12-month Ahead Annual CPI Inflation (%)



Exchange rate channel worked well in 25H2.

USDTRY and Core Goods Inflation



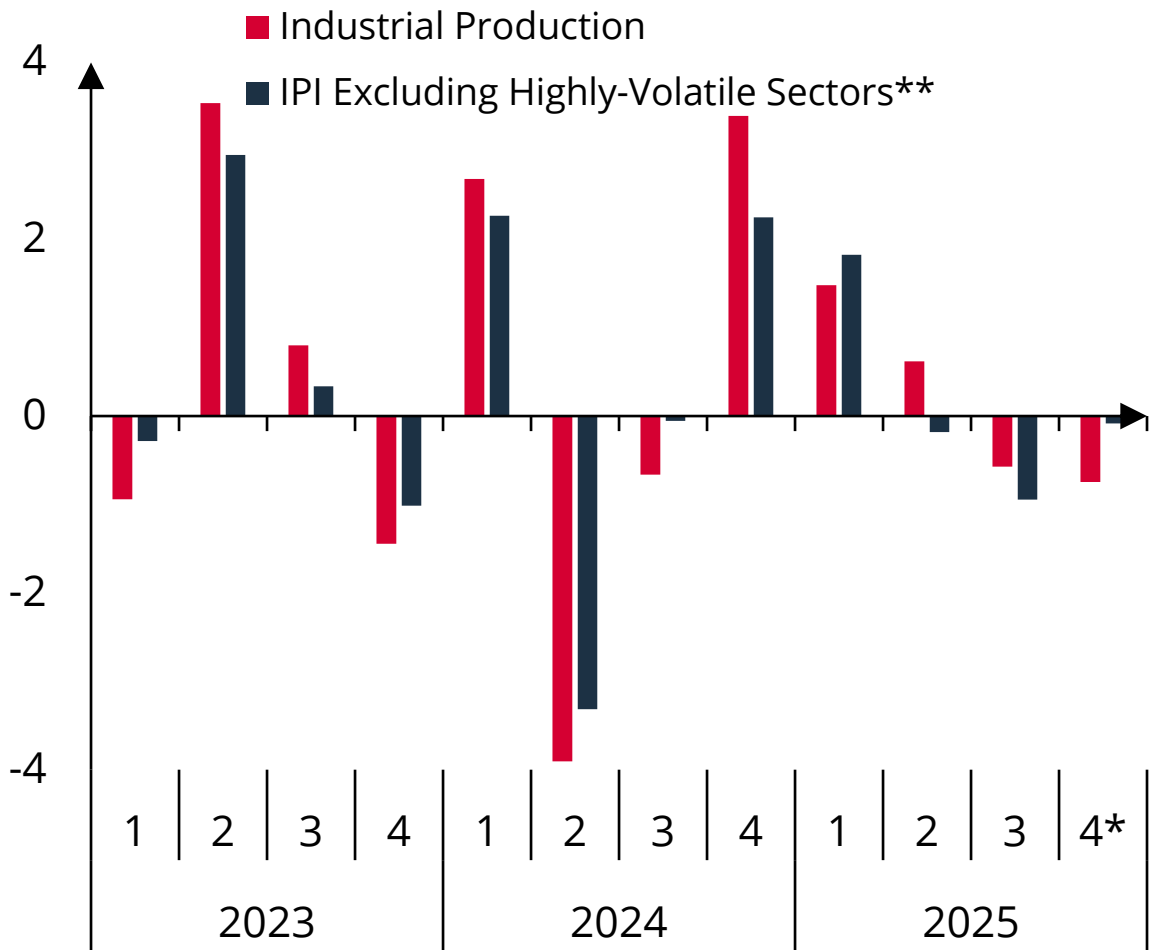
Growth stayed resilient through 25Q3.

GDP Growth (Quarterly, % Change)

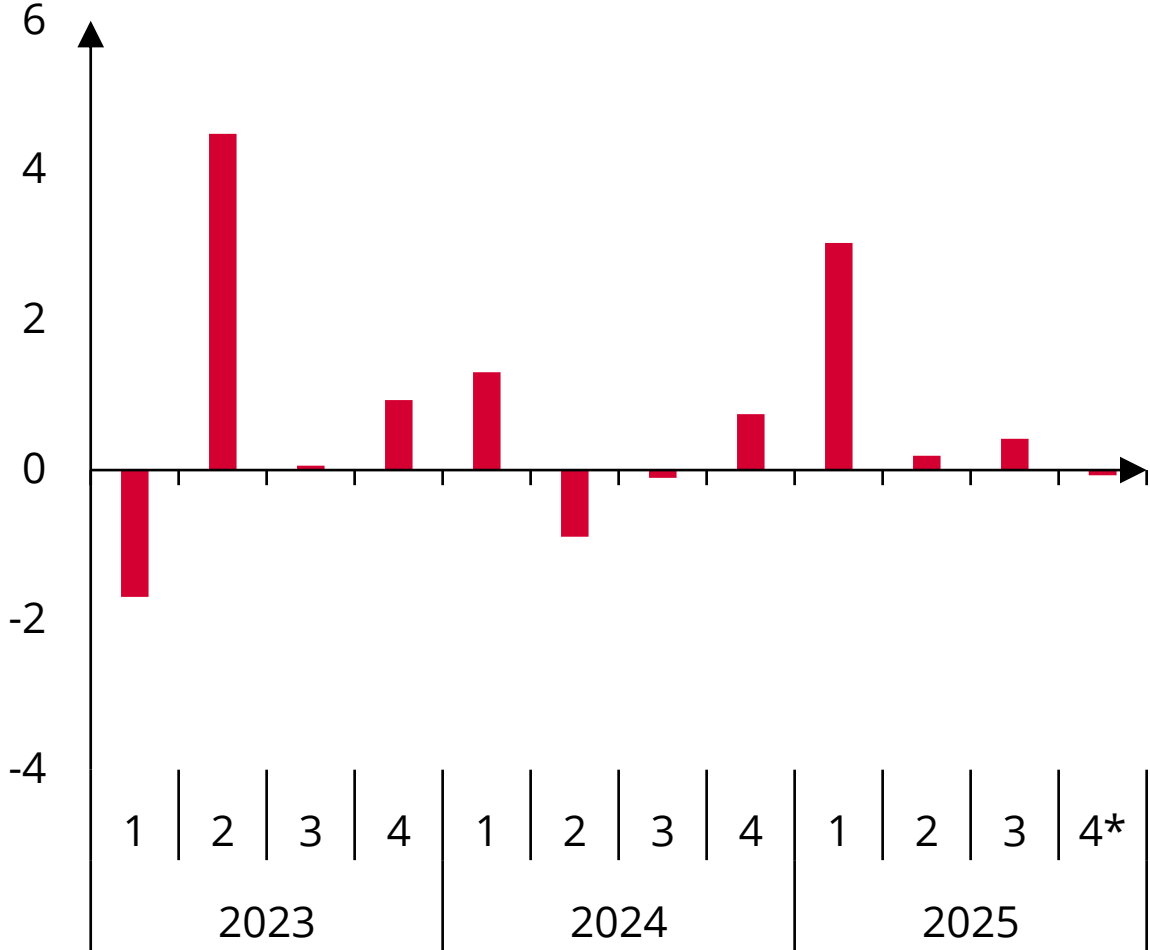


But other activity measures paint a mixed picture ...

Industrial Production Index (SCA, Quarterly % Change)



Services Production Index (SCA, Quarterly % Change)



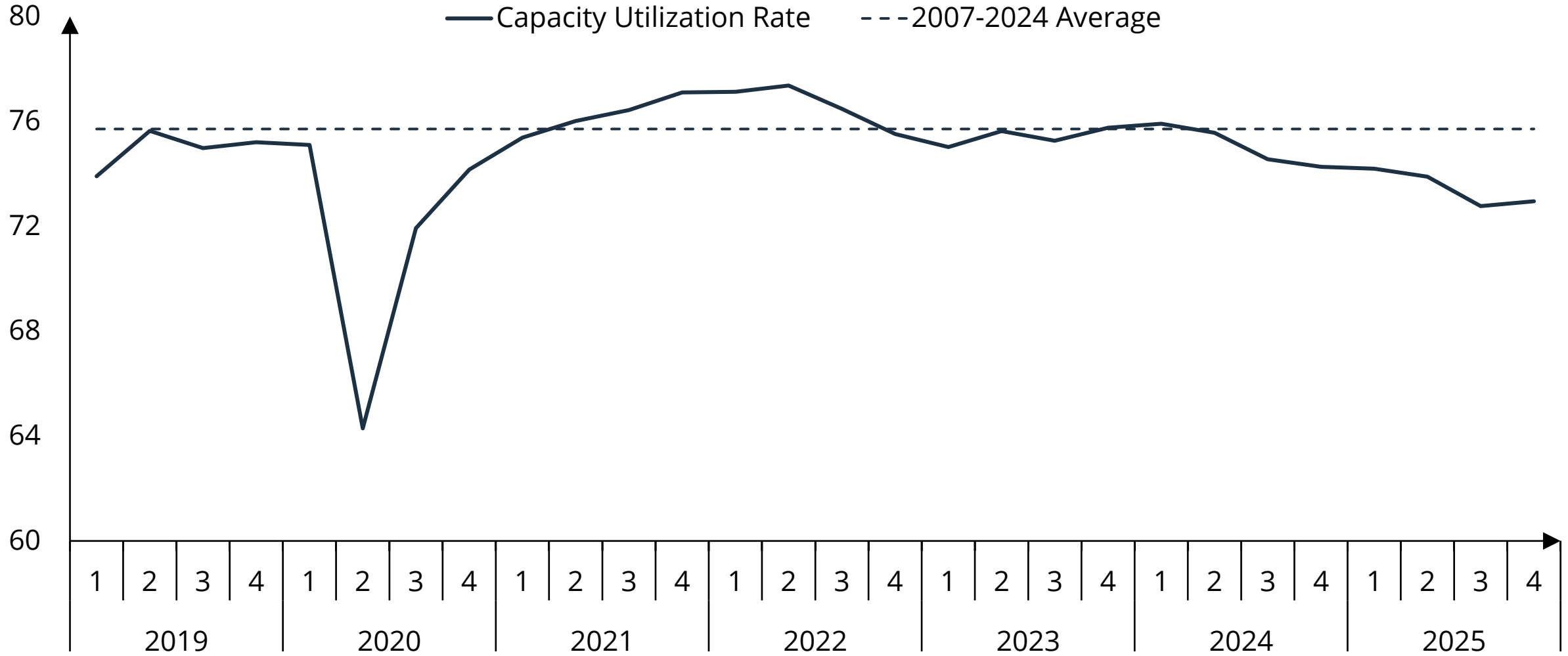
Source: CBRT, TURKSTAT.

*As of November for the industrial production and as of October for the services production.

**Industrial production excluding the typically volatile sectors: recorded media, computer-optics, basic pharmaceuticals and other transportation.

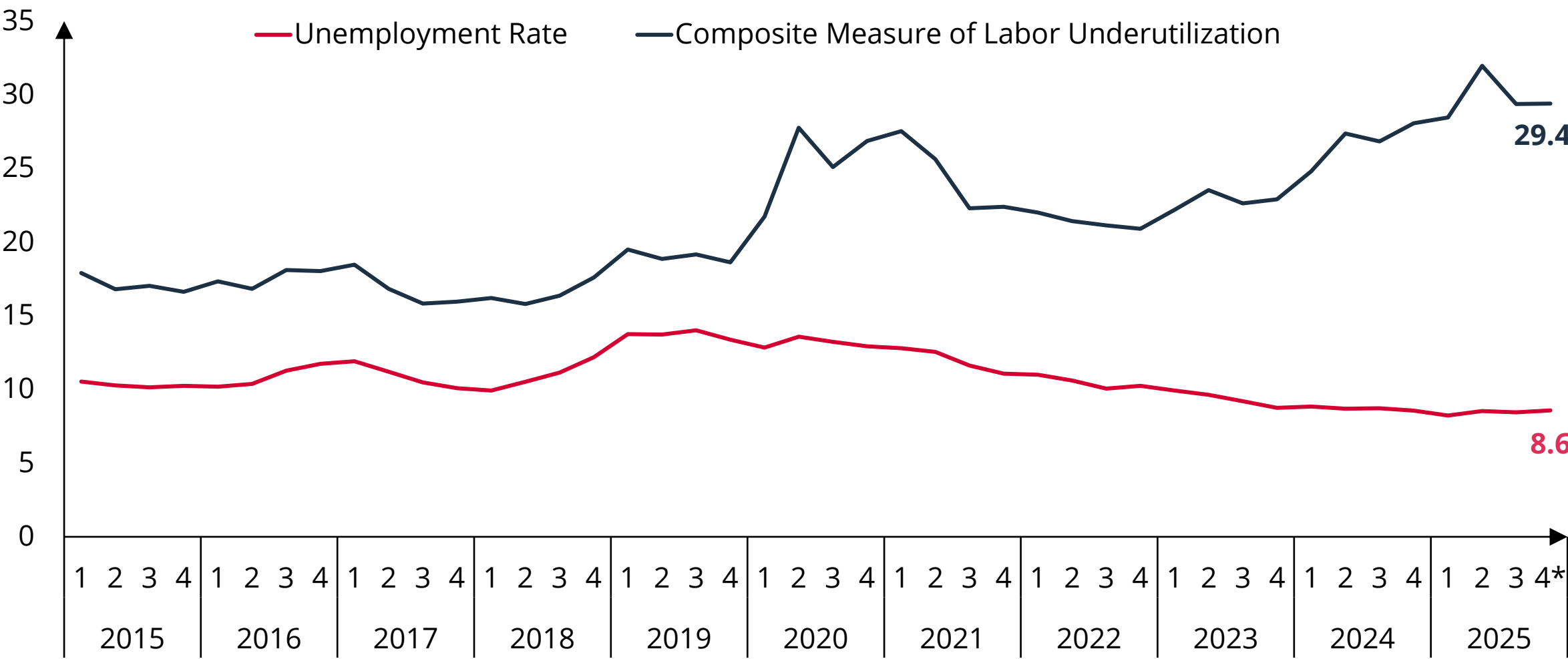
... and capacity utilization remains at post-COVID lows in 25Q4.

Capacity Utilization Rate* (Seasonally Adjusted, %)



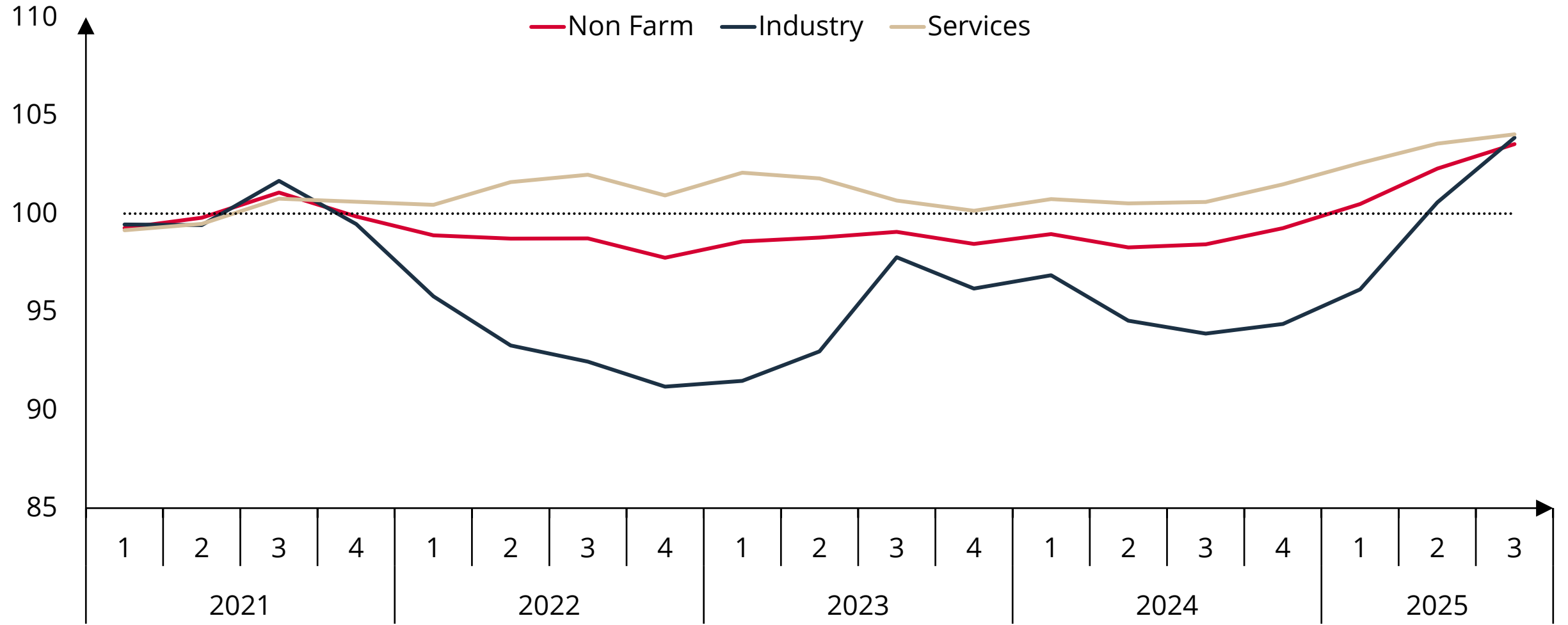
Labor market shows more slack under the hood.

Labor Market Indicators* (Seasonally Adjusted, %)



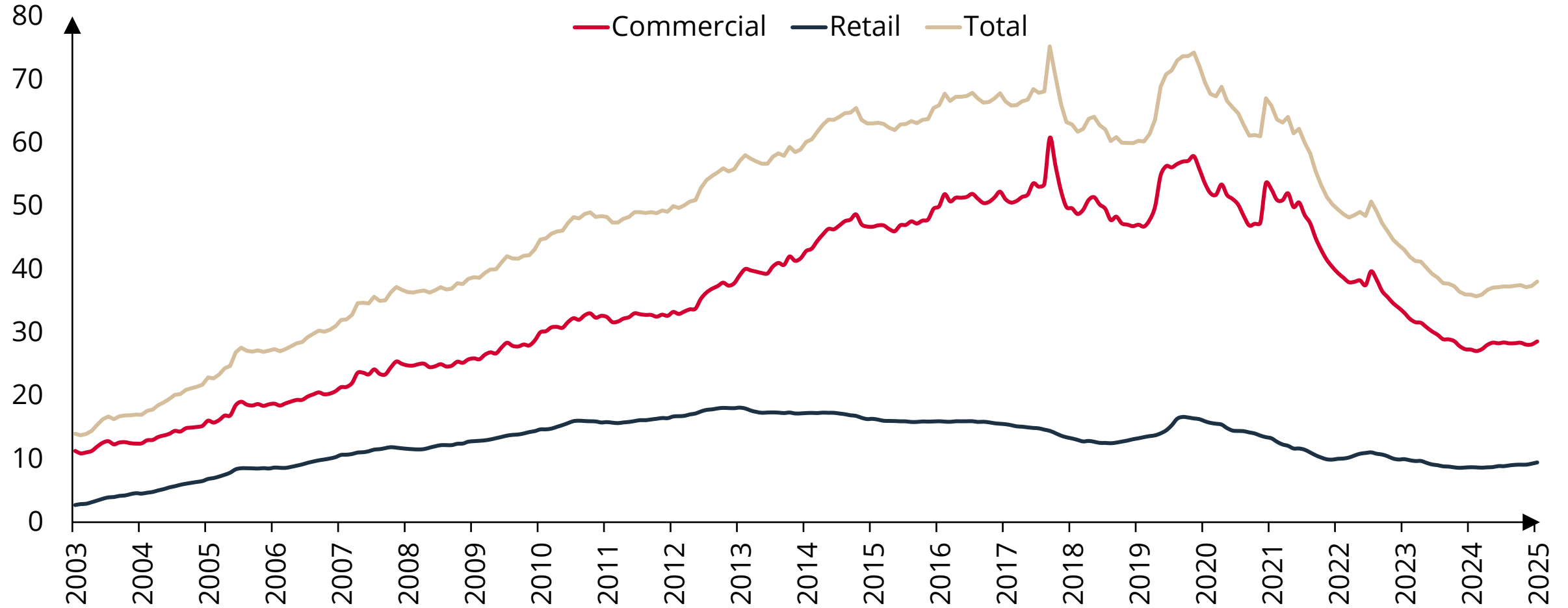
Labor productivity is increasing.

Output per Worker* (Seasonally Adjusted, 2021=100)



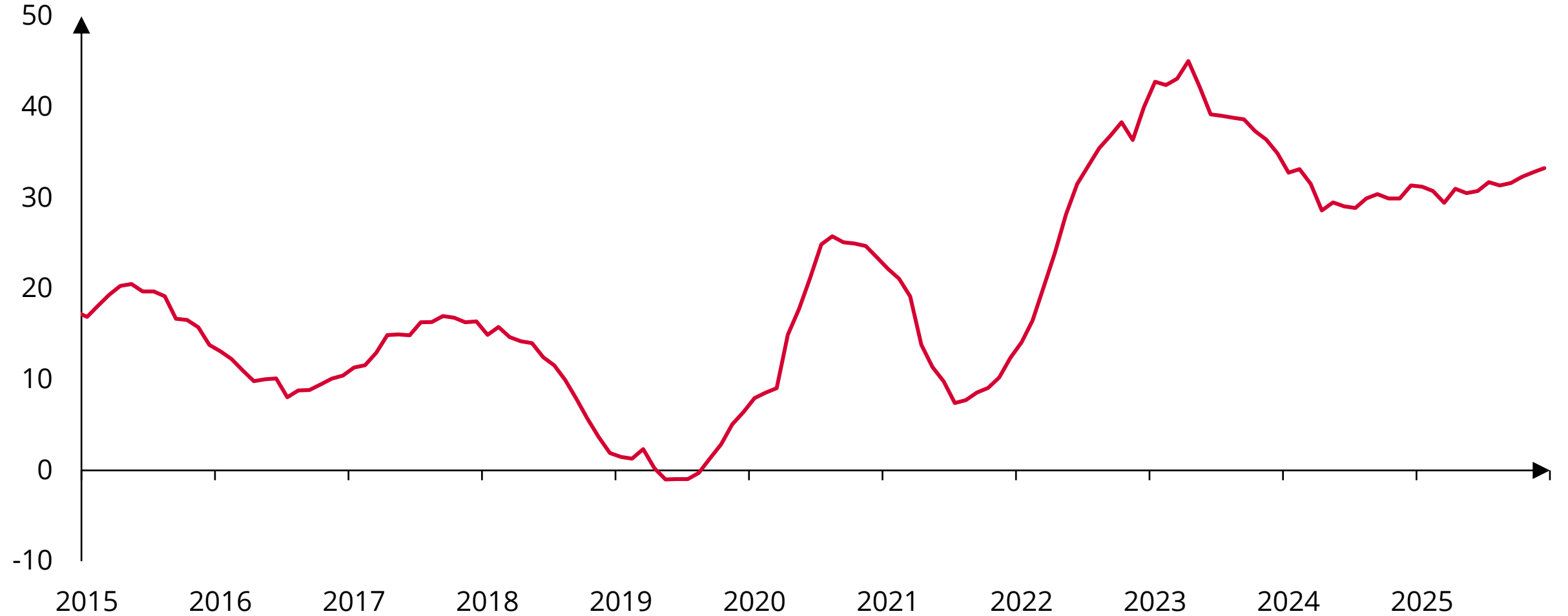
Households and businesses faced tight monetary policy at historically low leverage.

Outstanding Loans/GDP (%)



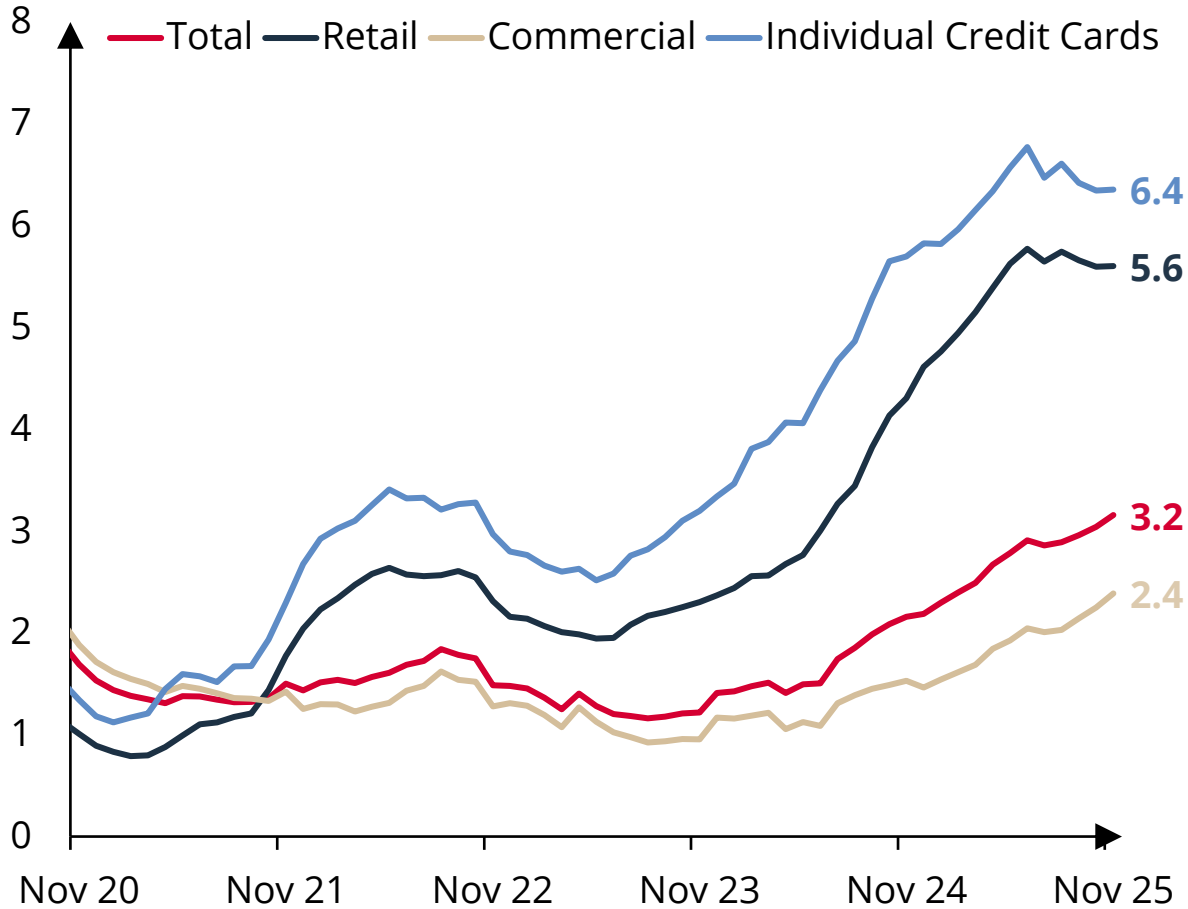
Credit growth remains relatively firm.

Credit Growth (Fx Adj., Annual % Change)

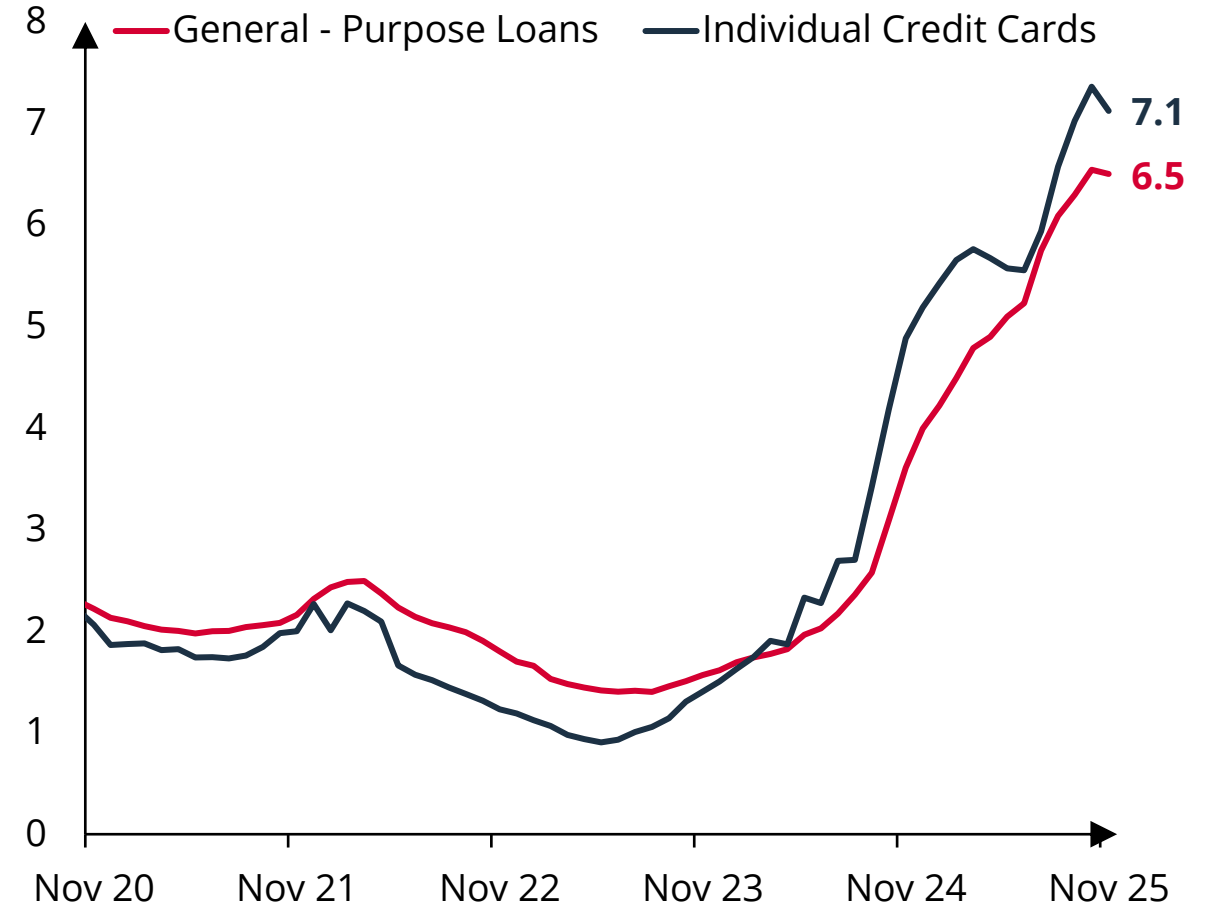


Yet, delinquencies and loan restructurings suggest restrictive financial conditions.

Transition Rate from Performing Loans to NPL*
(Flow, 12-Month Cumulative, %)

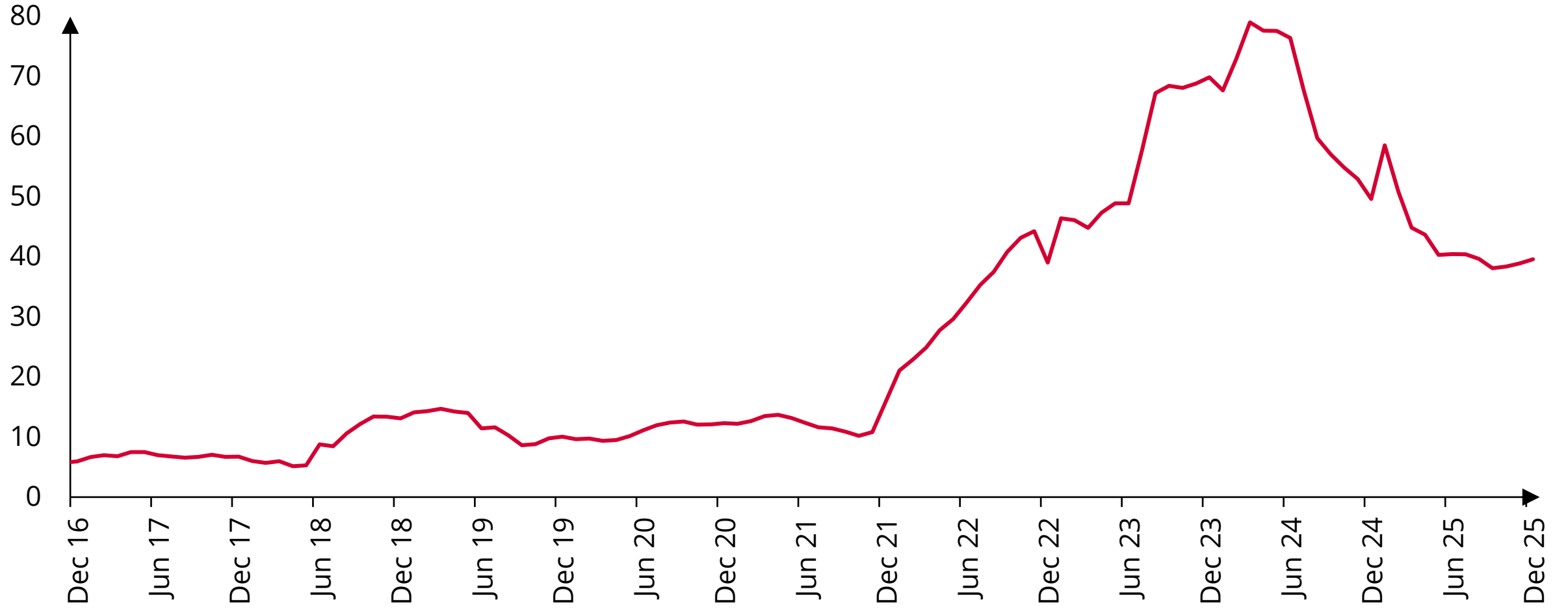


Restructured Loan Share (%)



The decline in services inflation implies a negative output gap.

Monetary Policy Sensitive Services (Annual Inflation, %)



3

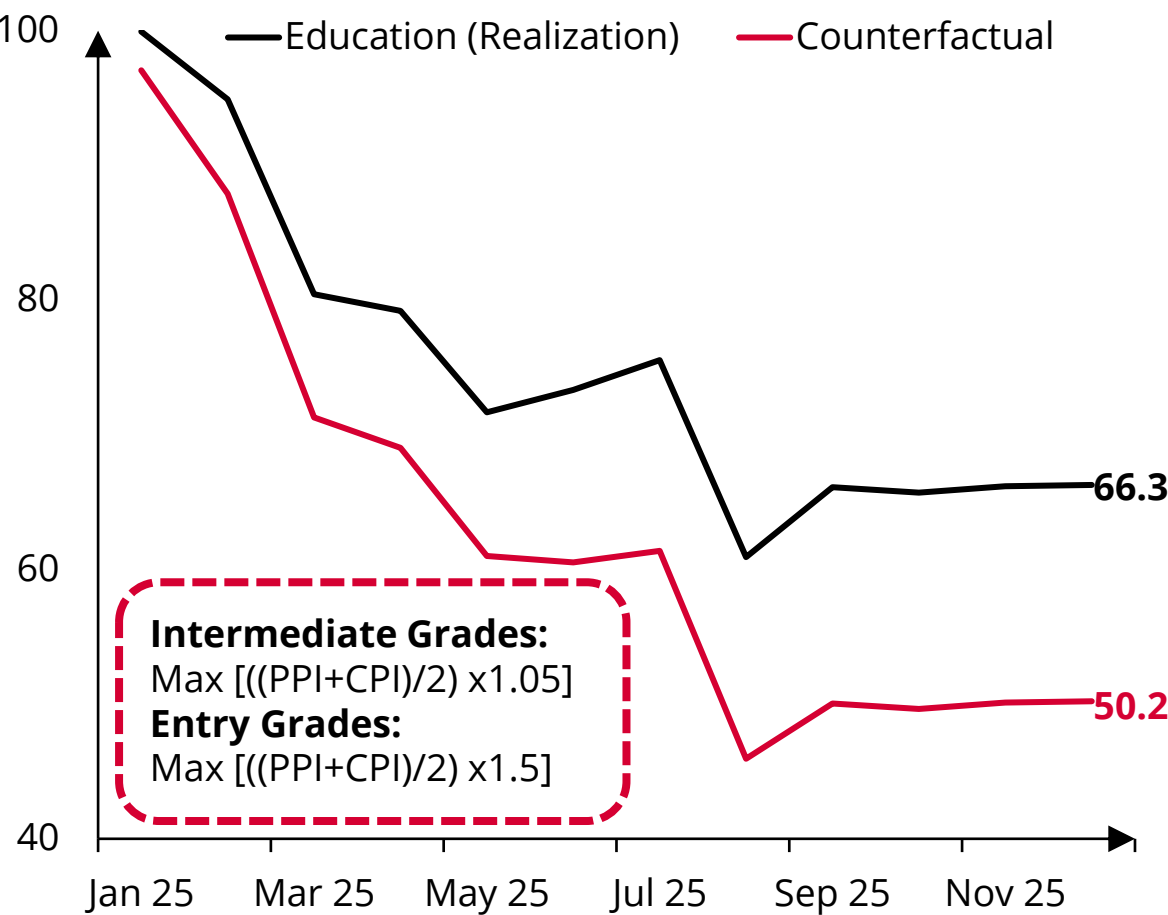
Risks to Inflation Outlook

Inflation data over the next two months might be noisy.

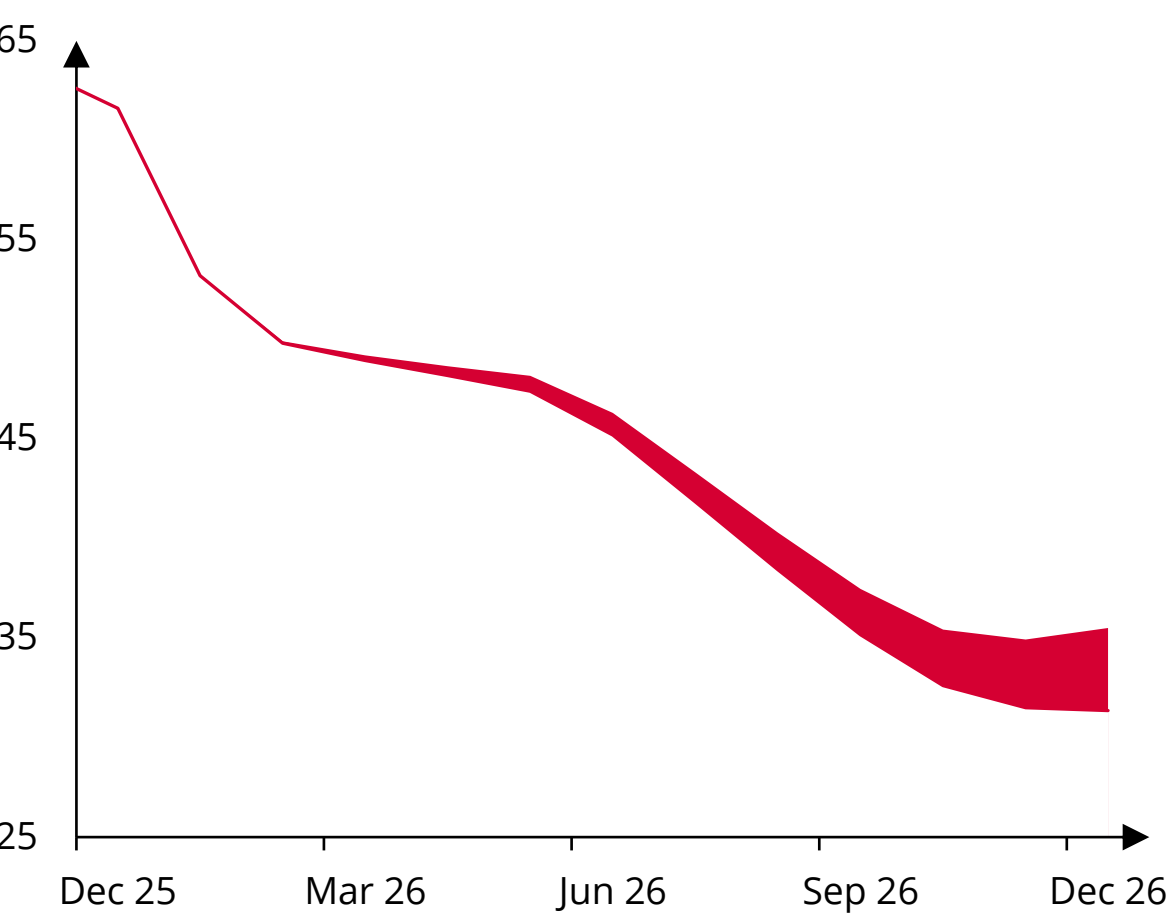
- Food
- Inflation expectations
- Time-dependent price changes
- Favorable administered price hikes
- Reweighting by TURKSTAT

Lower inertia in services will support disinflation in 2026.

Education inflation (Annual, %)



Rent Inflation Projection (Annual % Change)



Conclusions

- The decline in inflation was broad based. Underlying downward trend improved.
- Improvement in businesses' and households' inflation expectations support pricing behavior.
- Growth stayed resilient while other activity measures paint a mixed picture.
- Inflation over the next two months might be noisy but lower inertia in services will support disinflation over 2026.
- The tight monetary policy stance, which will be maintained until price stability is achieved, will strengthen the disinflation process through demand, exchange rate, and expectation channels.
- The Committee will determine the policy rate by taking into account realized and expected inflation and its underlying trend in a way to ensure the tightness required by the projected disinflation path in line with the interim targets.
- The step size will be reviewed prudently on a meeting-by-meeting basis with a focus on the inflation outlook.
- Monetary policy stance will be tightened in case of a significant deviation in inflation outlook from the interim targets.



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

www.tcmb.gov.tr