TÜRKİYE CUMHURİYET MERKEZ BANKASI

INFLATION AND MACROECONOMIC OUTLOOK

Fatih Karahan

Governor

JUNE 24, 2026

LONDON

Key Takeaways

INFLATION

1 What is driving short-term inflation dynamics?

- Supply shocks pushed up food and energy inflation, which could fade with easing geopolitical tensions.
- Moderating demand and easing inertia support disinflation in durable goods and services.

2 What factors will shape inflation going forward?

- Deterioration in inflation expectations remained limited despite geopolitical backdrop.
- Cooling demand will improve pricing behavior.

MACRO-FINANCIAL

3 How is geopolitics reshaping the current account?

- Higher energy prices raise the import bill, while softer demand contains pressures on the CA.
- Exports remain resilient, driven in part by relocation demand.
- Impact on tourism remains limited.

4 Is re-dollarization a potential risk?

- Demand for Turkish lira assets remains robust.
- Tight monetary policy, macroprudential measures, and strong FX reserves support TL demand.

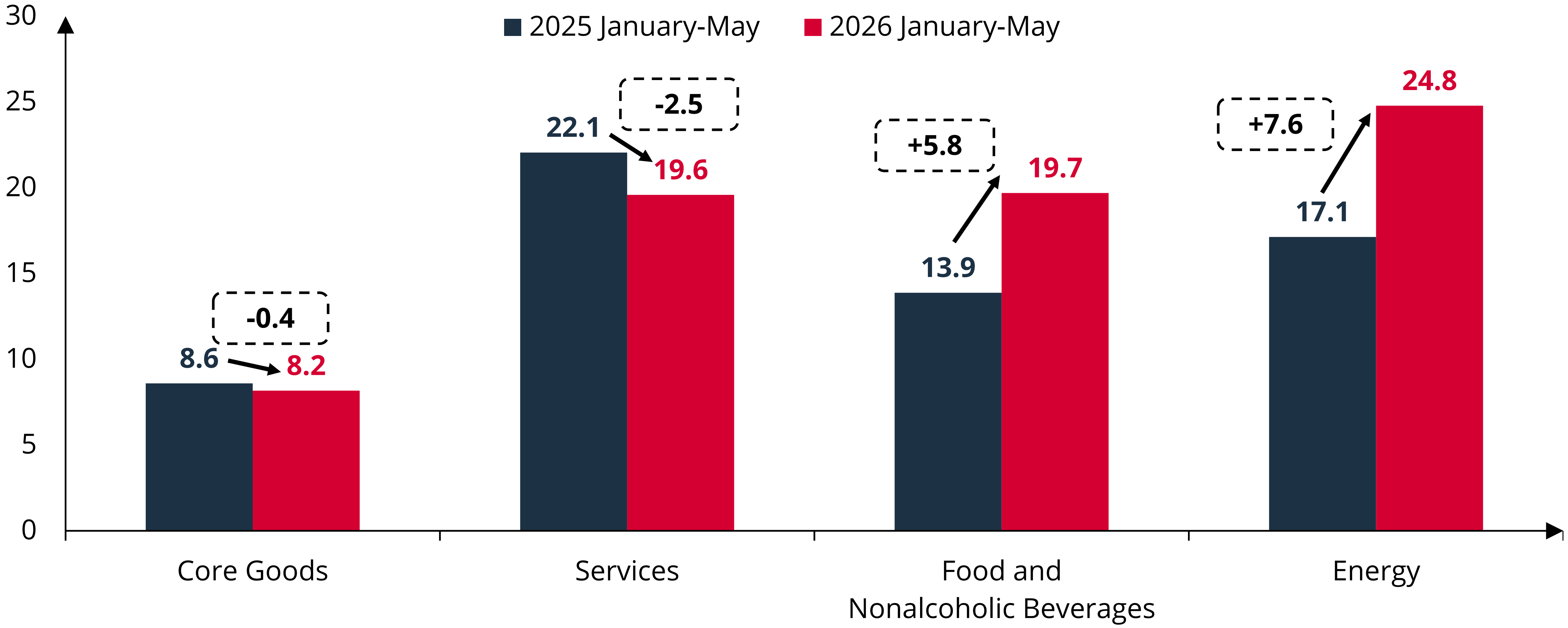
1

What is driving short-term inflation dynamics?

- Supply issues in food and energy
- Easing inertia in services
- Moderating demand

Inflation rose in food and energy, but fell in core groups.

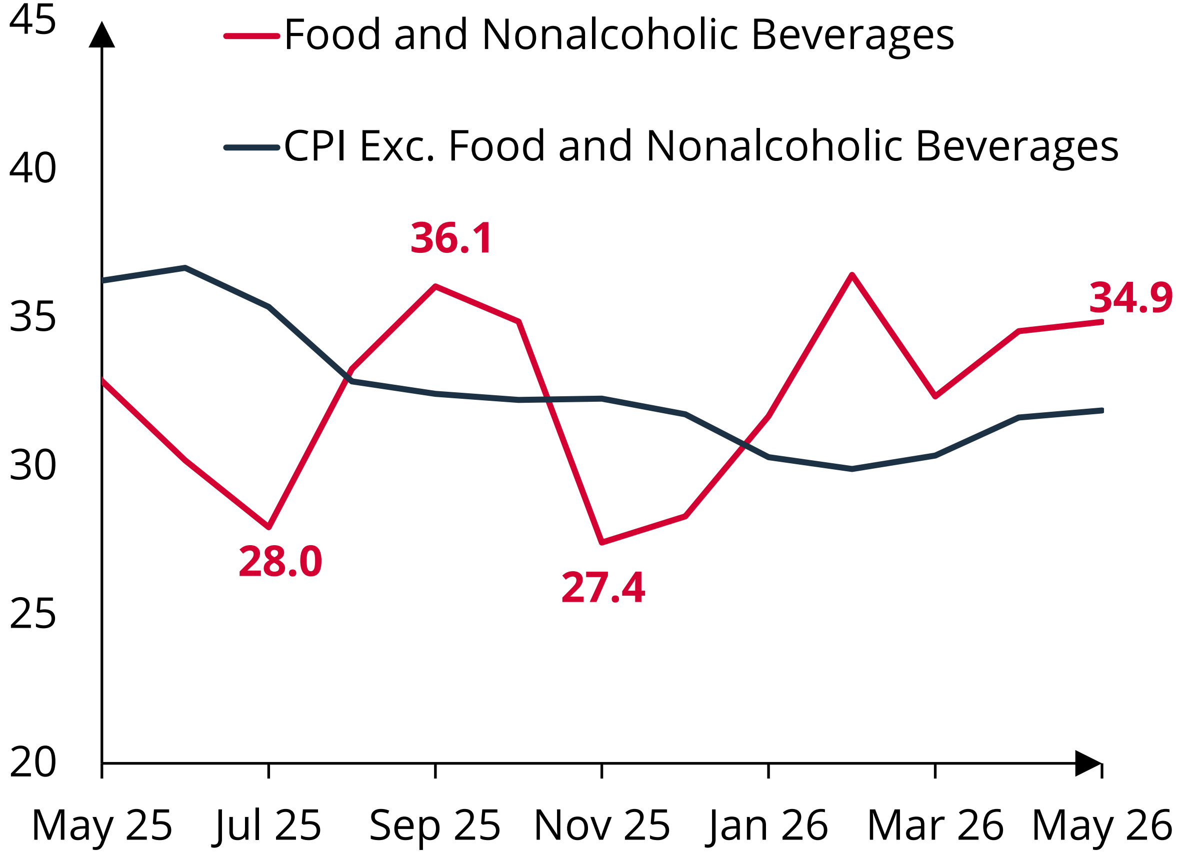
Cumulative Inflation of CPI Subgroups over the First 5 Months (%)



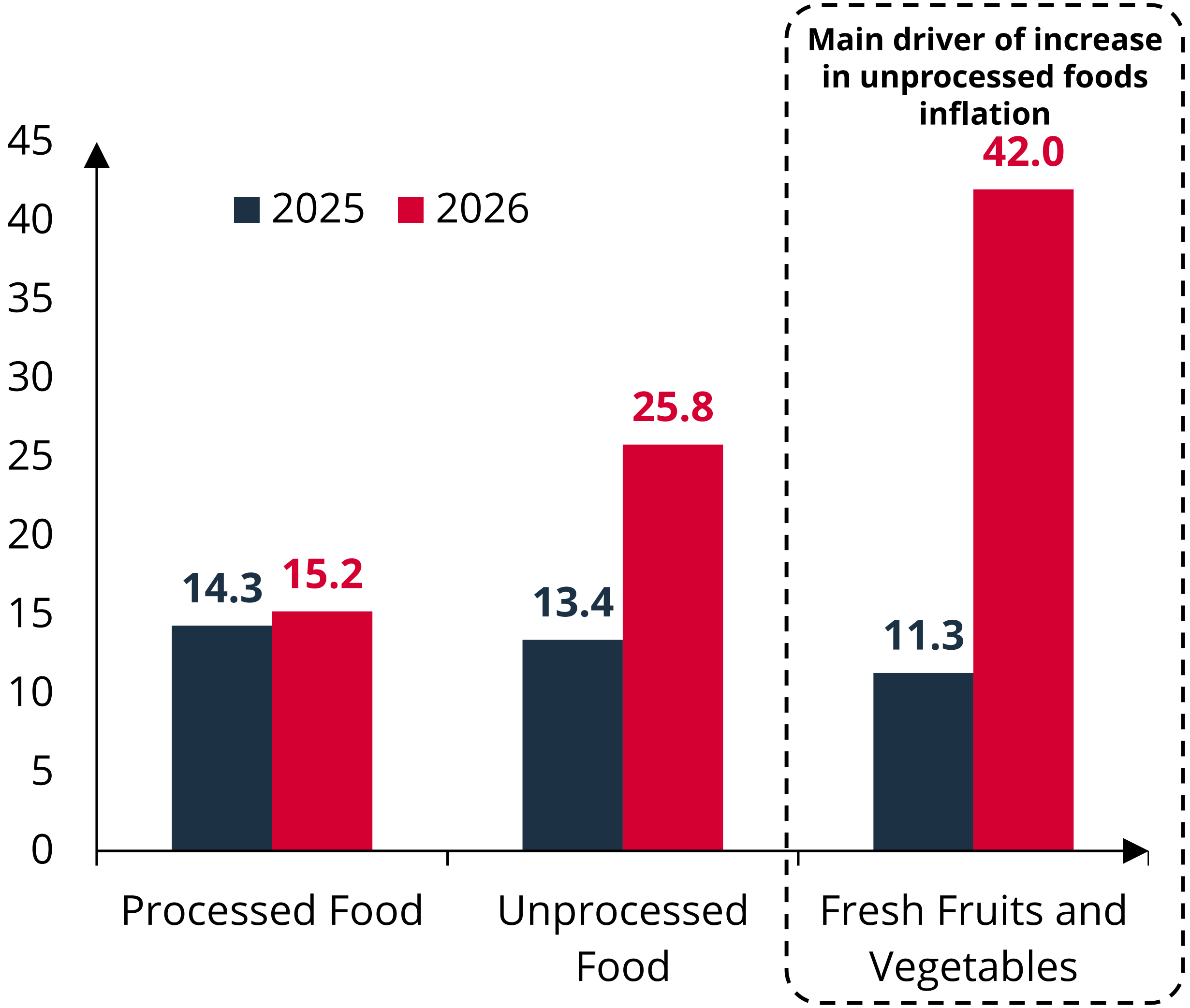
Source: TURKSTAT.

Food inflation has been volatile and recently on a high trajectory.

Food and Non-Food Consumer Inflation (Annual % Change)



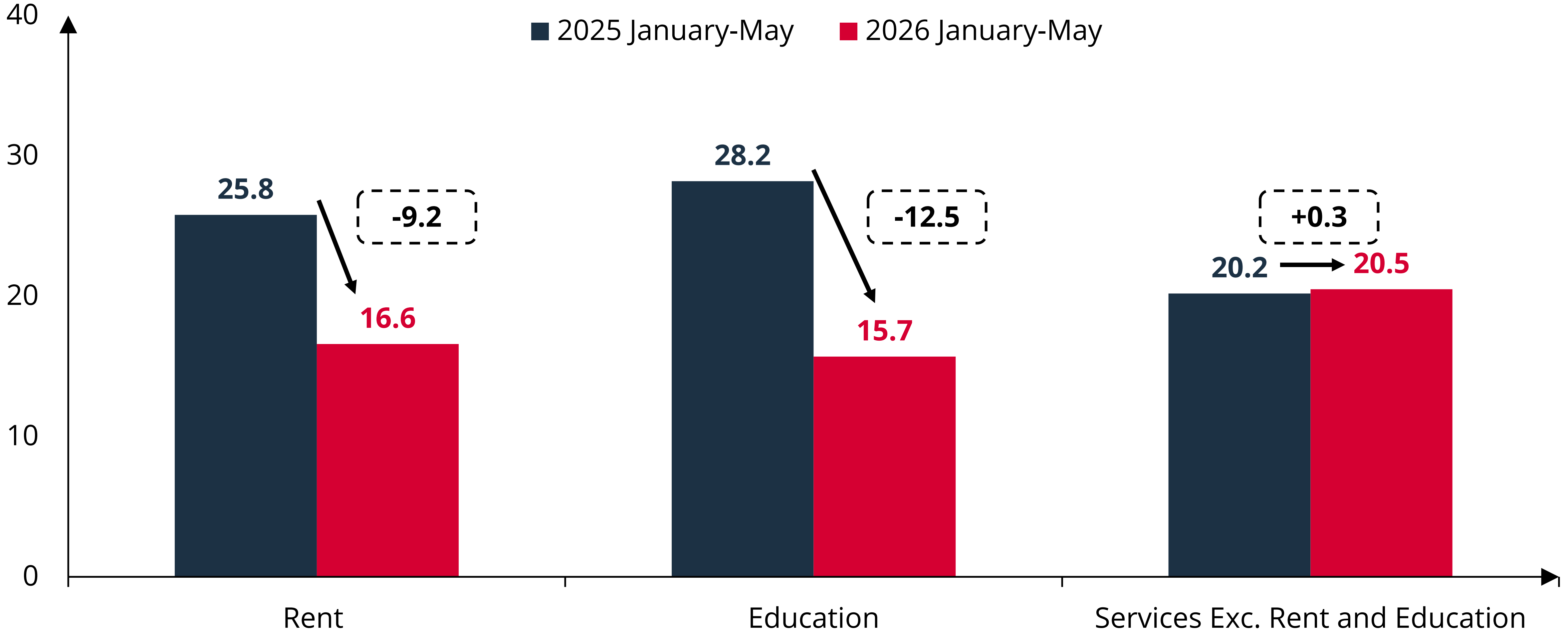
Food Prices (Cumulative % Change for the First 5 Months)



Source: CBRT, TURKSTAT.

Easing inertia in rent and education has supported disinflation.

Services Subcategories (Cumulative % Change for the First 5 Months)



Source: TURKSTAT, CBRT.

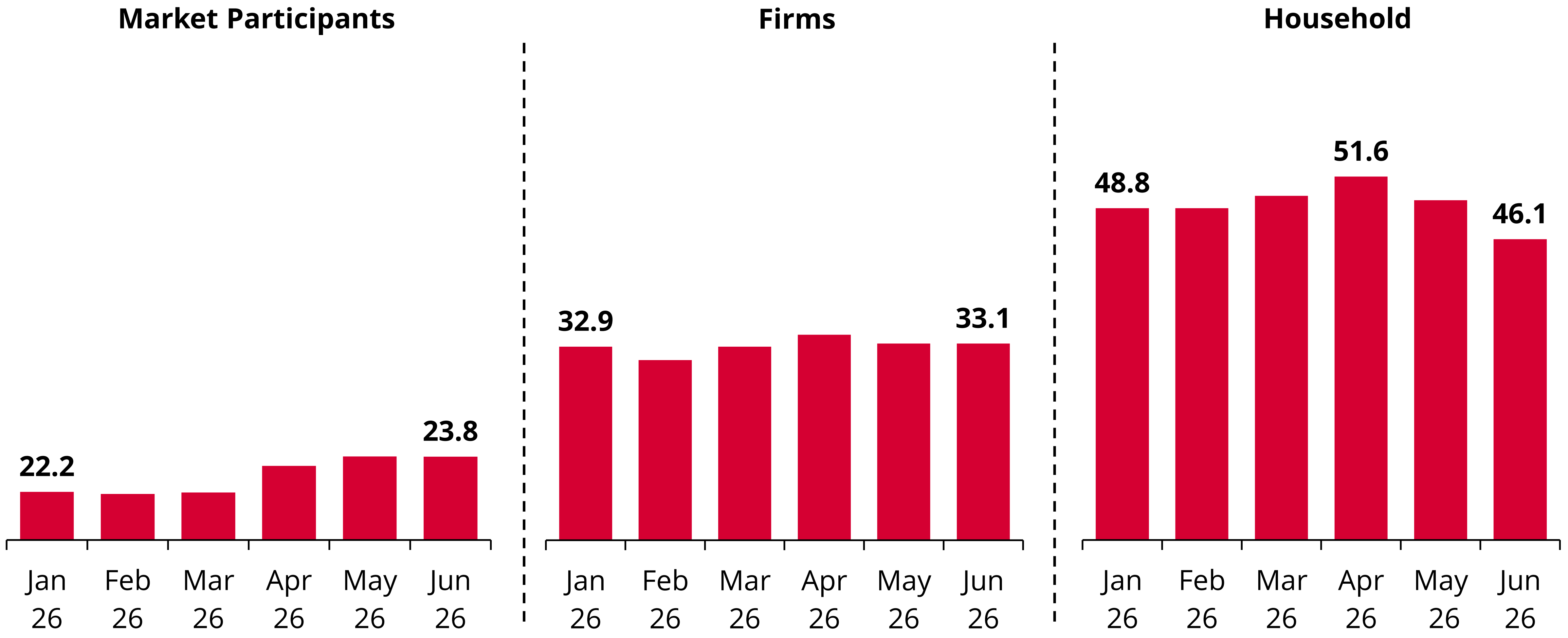
2

What factors will shape inflation going forward?

- Inflation expectations
- Cooling demand

Deterioration in inflation expectation remains limited.

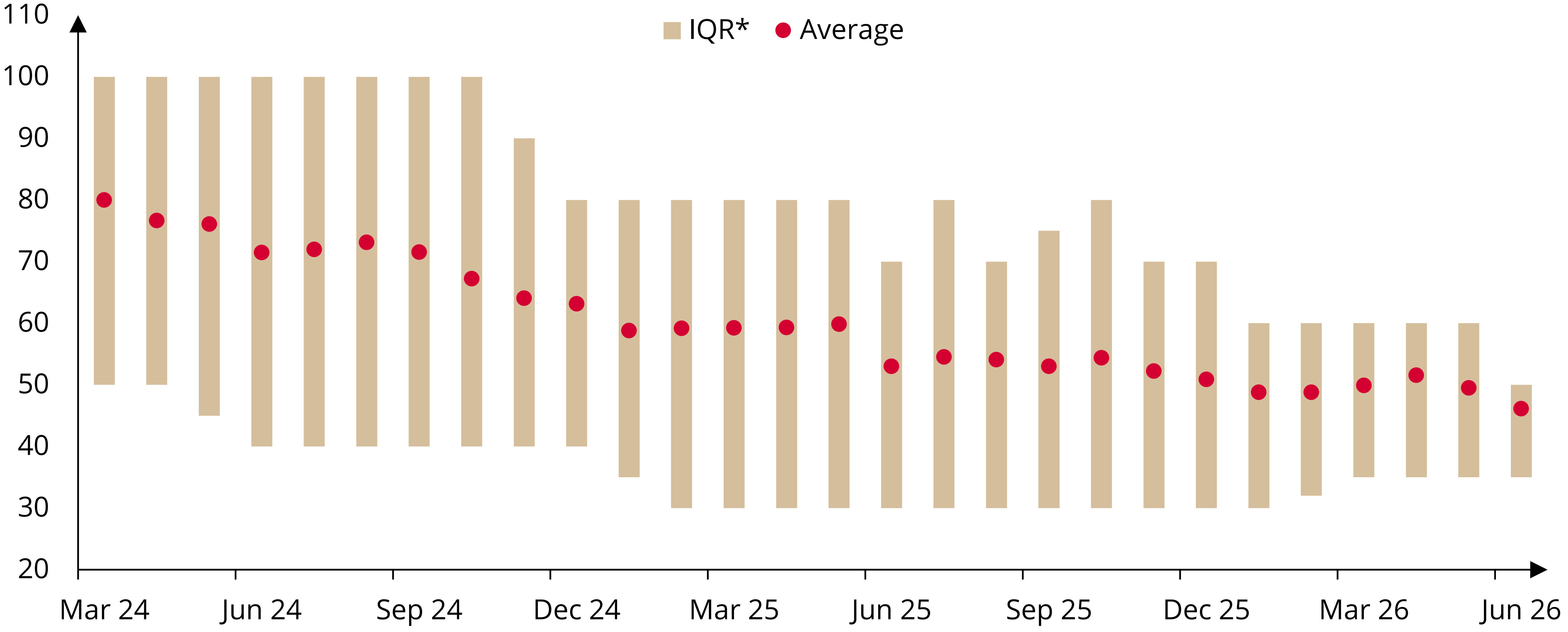
12-Month-Ahead Annual CPI Inflation Expectations (%)



Source: CBRT.

The decline in household expectations is broad based.

Households Inflation Expectations (12-Month Ahead, %)



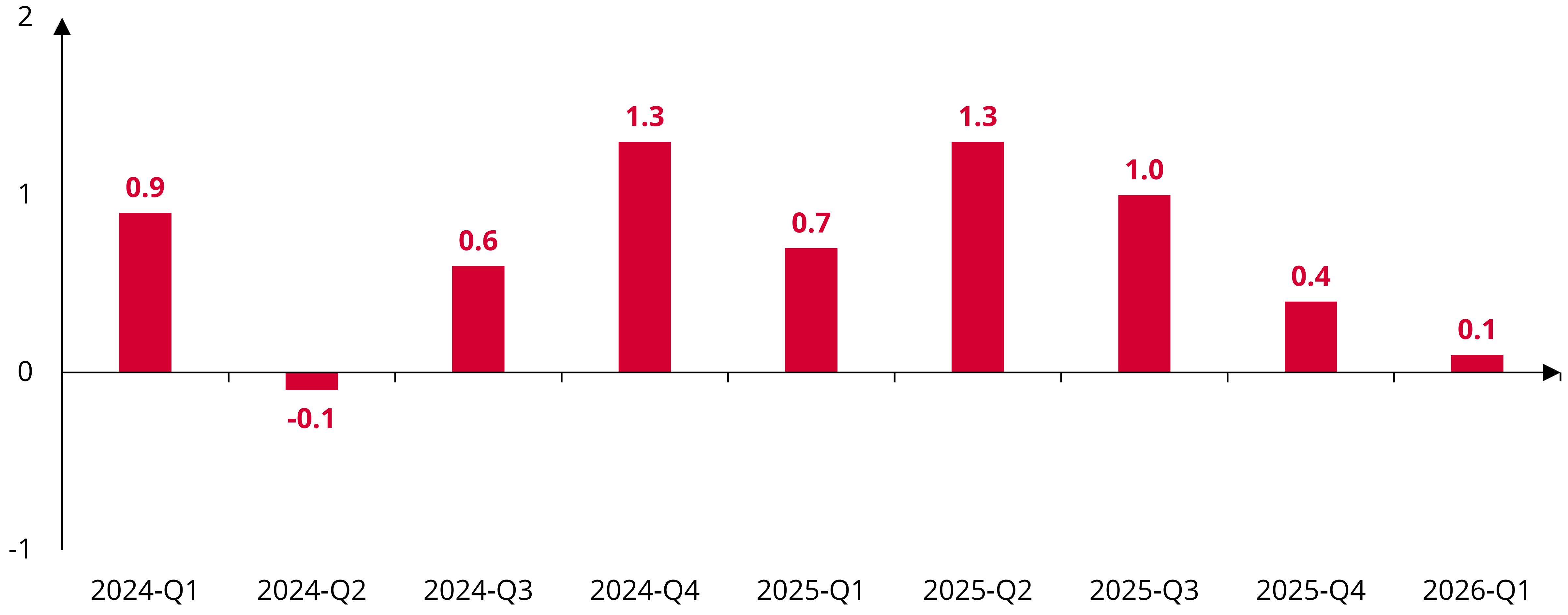
TÜRKİYE CUMHURİYET MERKEZ BANKASI

Source: CBRT, TURKSTAT.

*Interquantile range.

Economic activity is slowing down.

GDP (Seasonally and Calendar Adjusted, Quarterly % Change)

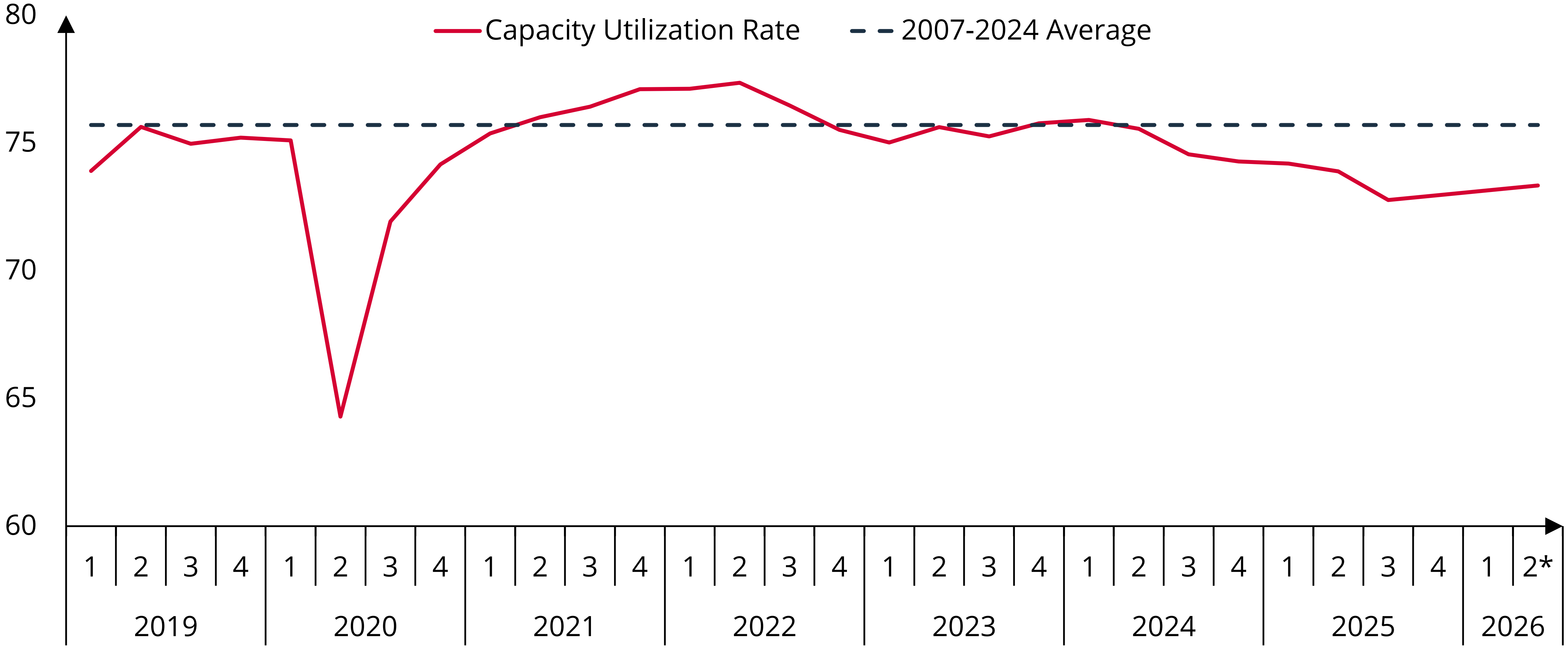


TÜRKİYE CUMHURİYET MERKEZ BANKASI

Source: TURKSTAT.

Capacity utilization remains weak.

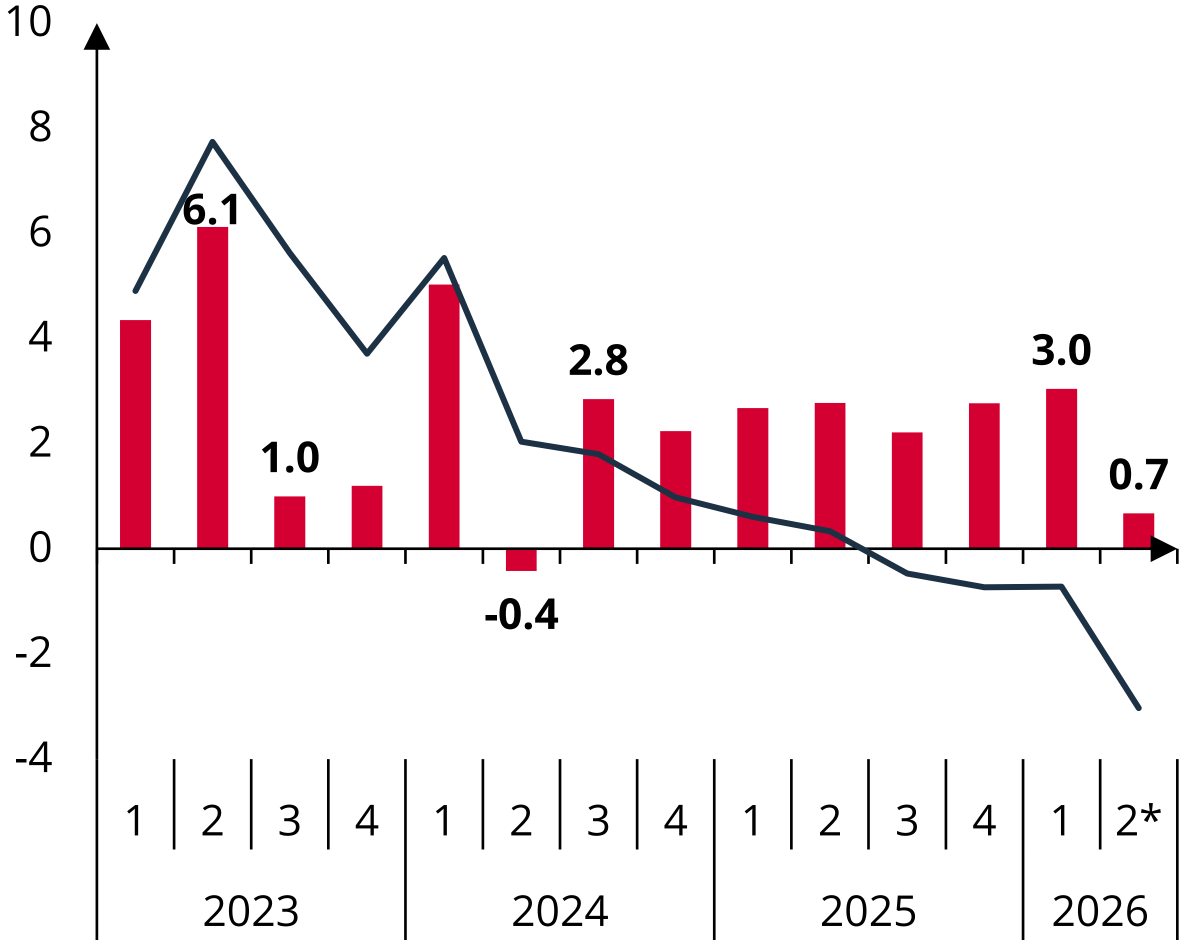
Capacity Utilization Rate** (Seasonally Adjusted, %)



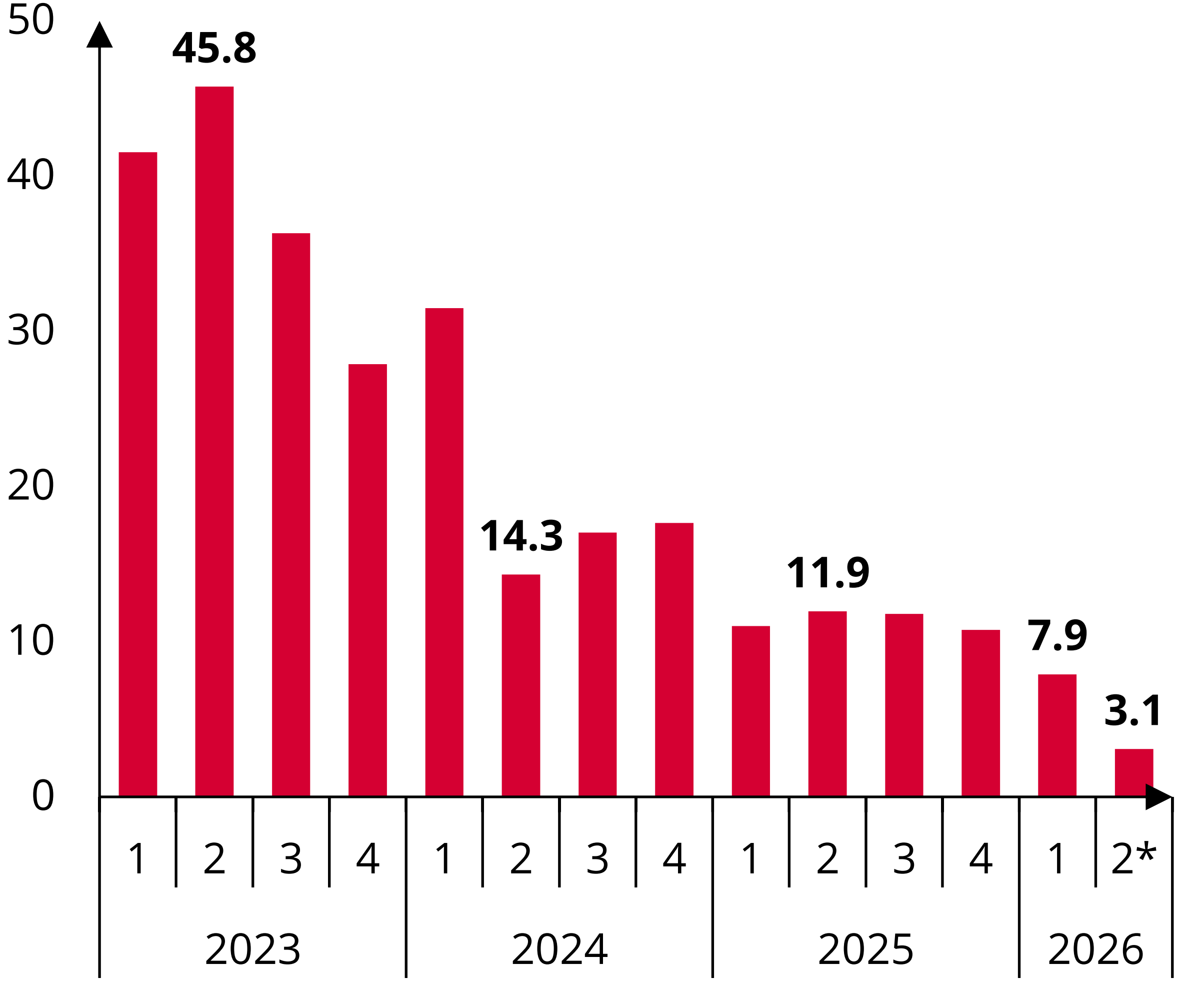
Source: CBRT.
*As of May.
**Manufacture of coke and refined petroleum products is excluded.

Demand indicators point to a slowdown in economic activity.

Retail Sales Volume Index* (Excl. Gold, SA, Quarterly % Change, Deviation from HP Trend, %)



Total Card Spending** (Real, Annual % Change)

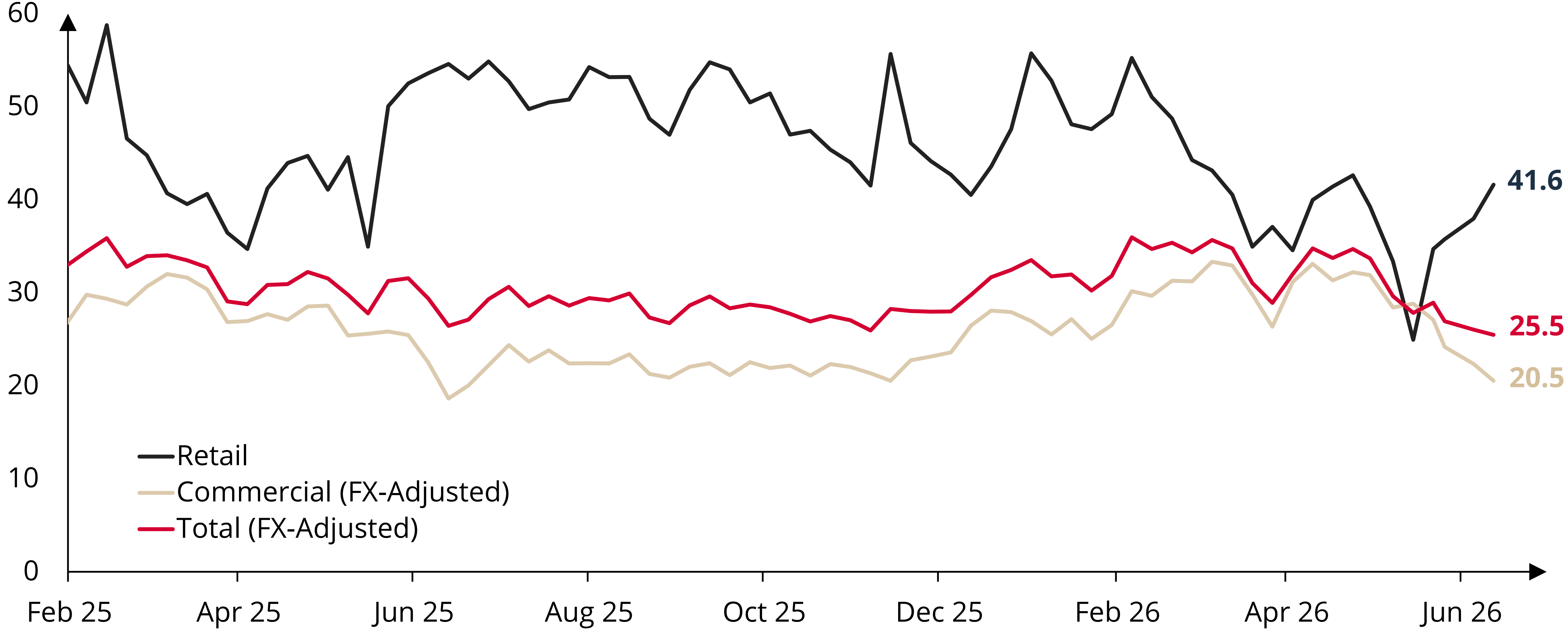


TÜRKİYE CUMHURİYET MERKEZ BANKASI

Retail sales data are as of April 2026 and total card spending data are as of May 2026.
*The dark line indicates deviation from the trend. SA: Seasonally and calendar adjusted.
**Excluding public and individual pension payments.

Loan growth has slowed down.

Loan Growth (13 Week, Annualized, %, FX-Adjusted)



3

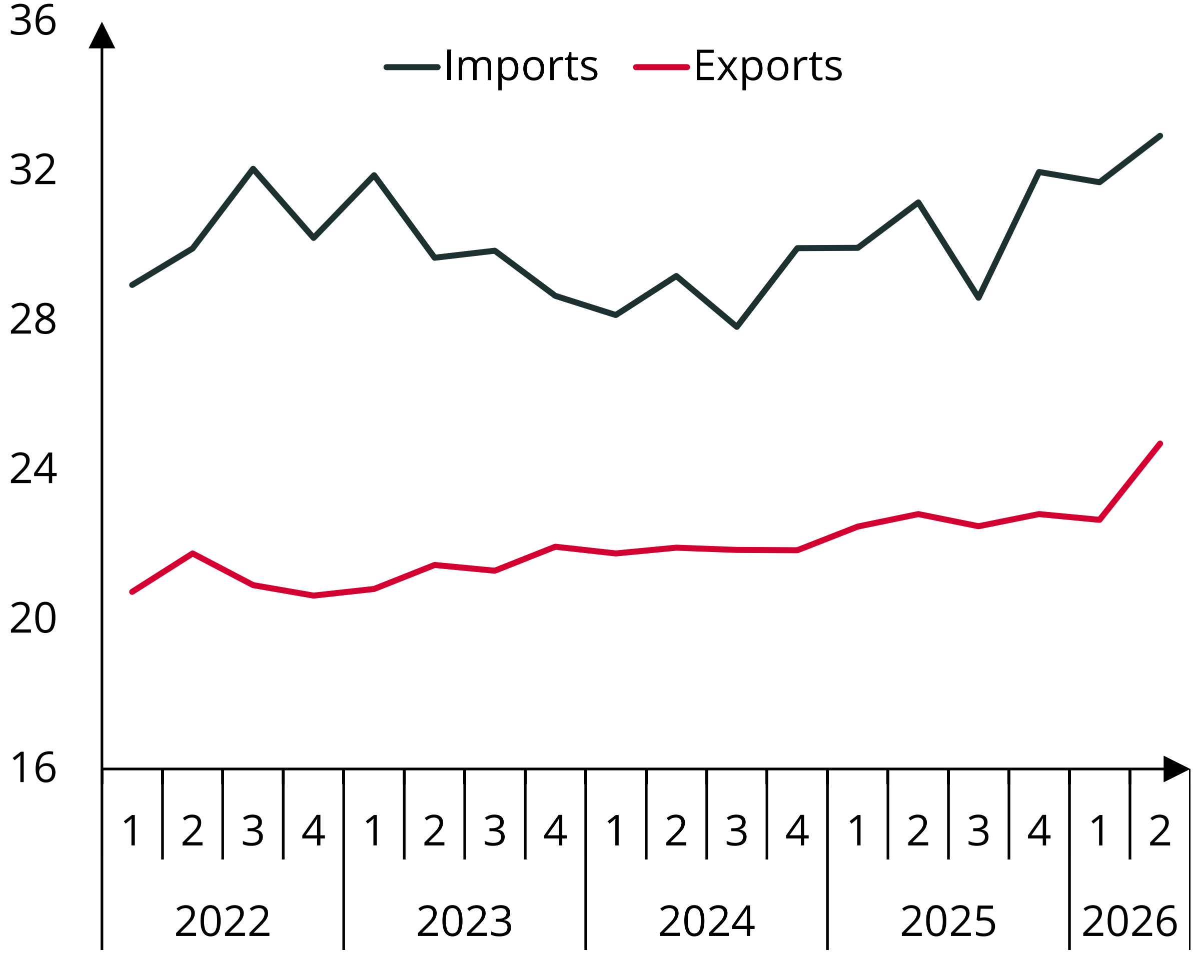
How is geopolitics reshaping the current account?

- Rising energy imports
- Resilient exports
- Contained core imports

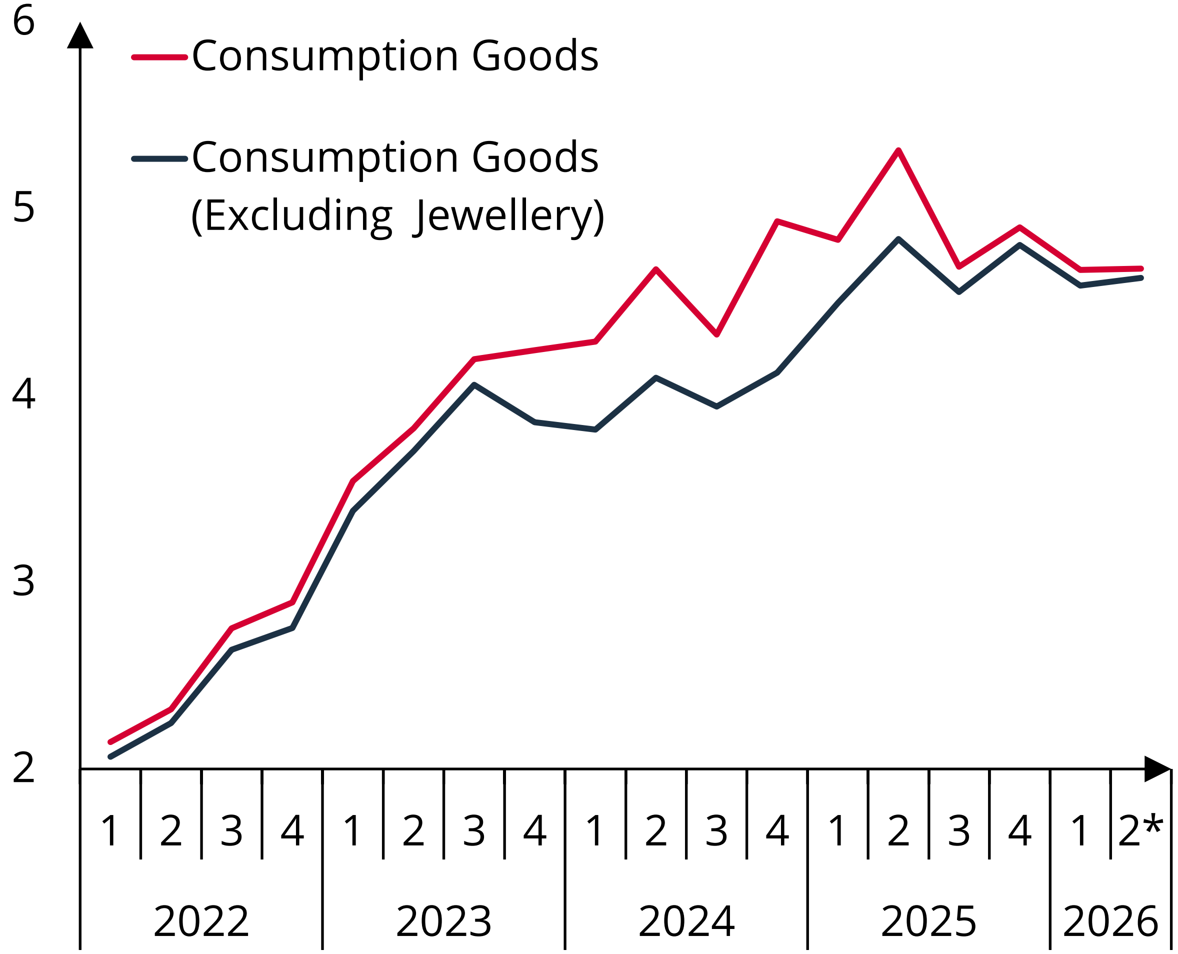
TÜRKİYE CUMHURİYET MERKEZ BANKASI

Trade deficit is narrowing in the second quarter.

Exports and Imports*
(Average, Billion USD, Seasonally Adjusted)



Consumption Goods Imports*
(Average, Billion USD, Seasonally Adjusted)



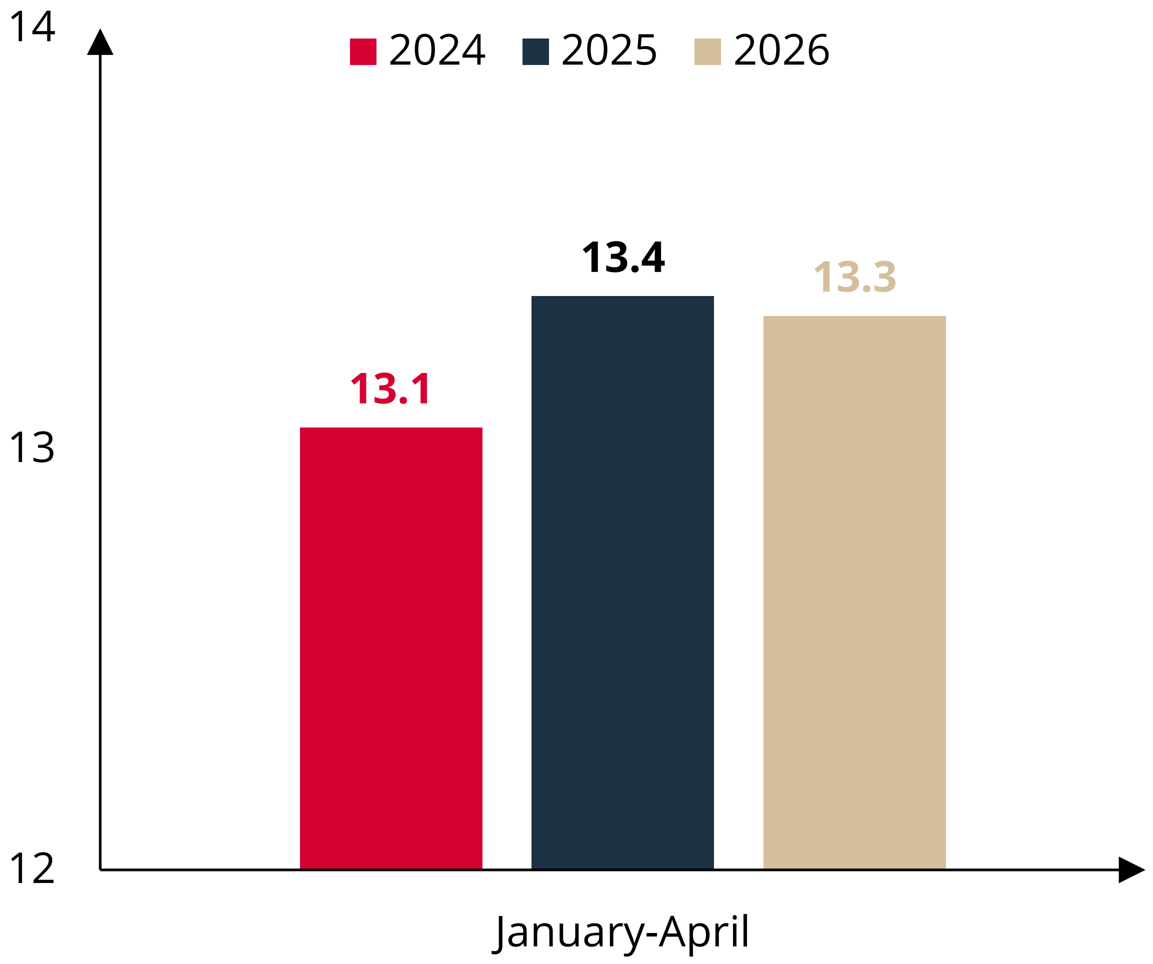
TÜRKİYE CUMHURİYET MERKEZ BANKASI

Source: TURKSTAT, Ministry of Trade, CBRT.

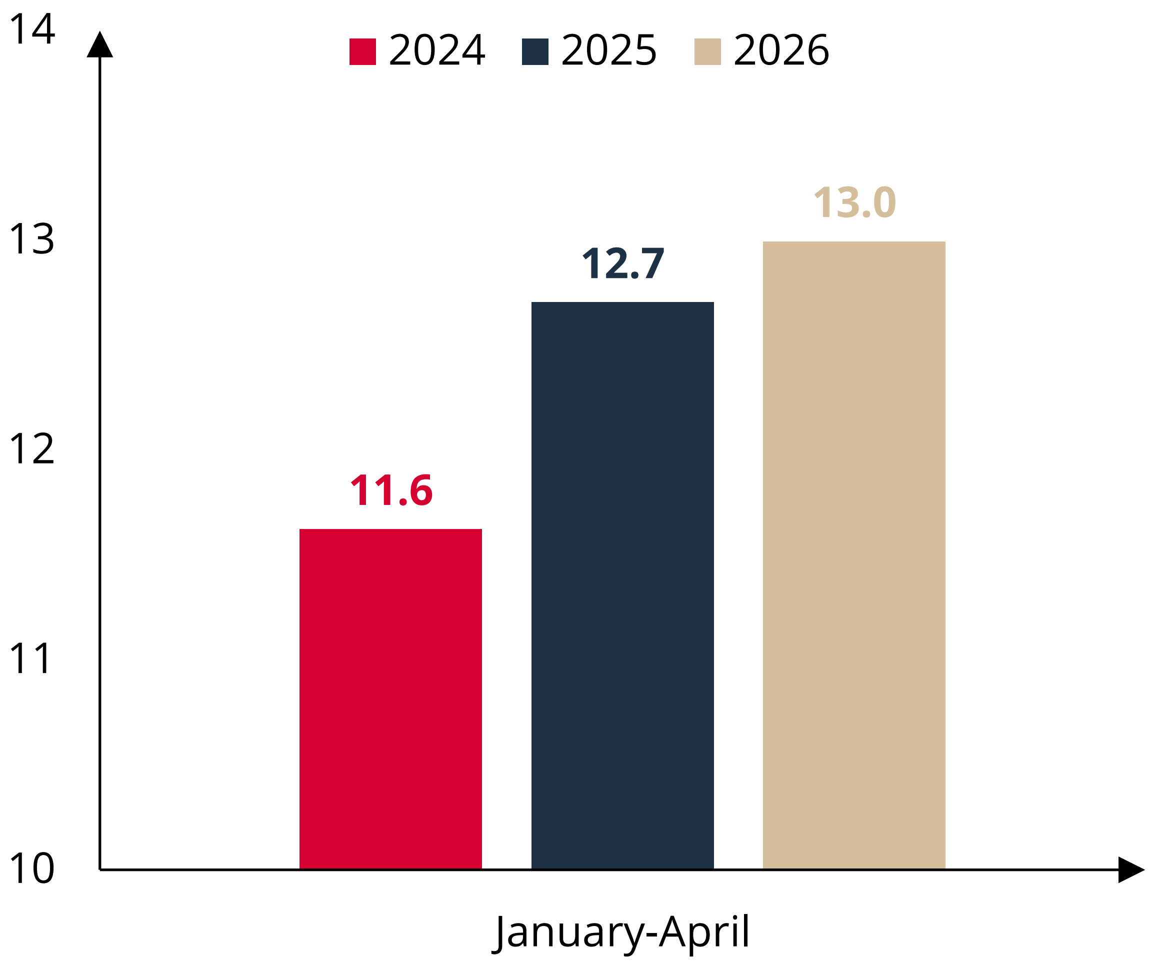
*Figures show average monthly values for the respective quarters. The May data is a monthly figure based on the Ministry of Trade's provisional data. The June is forecast.

Impact on tourism remains limited.

Monthly Visitor Arrivals
(January-April, Total, Million persons)



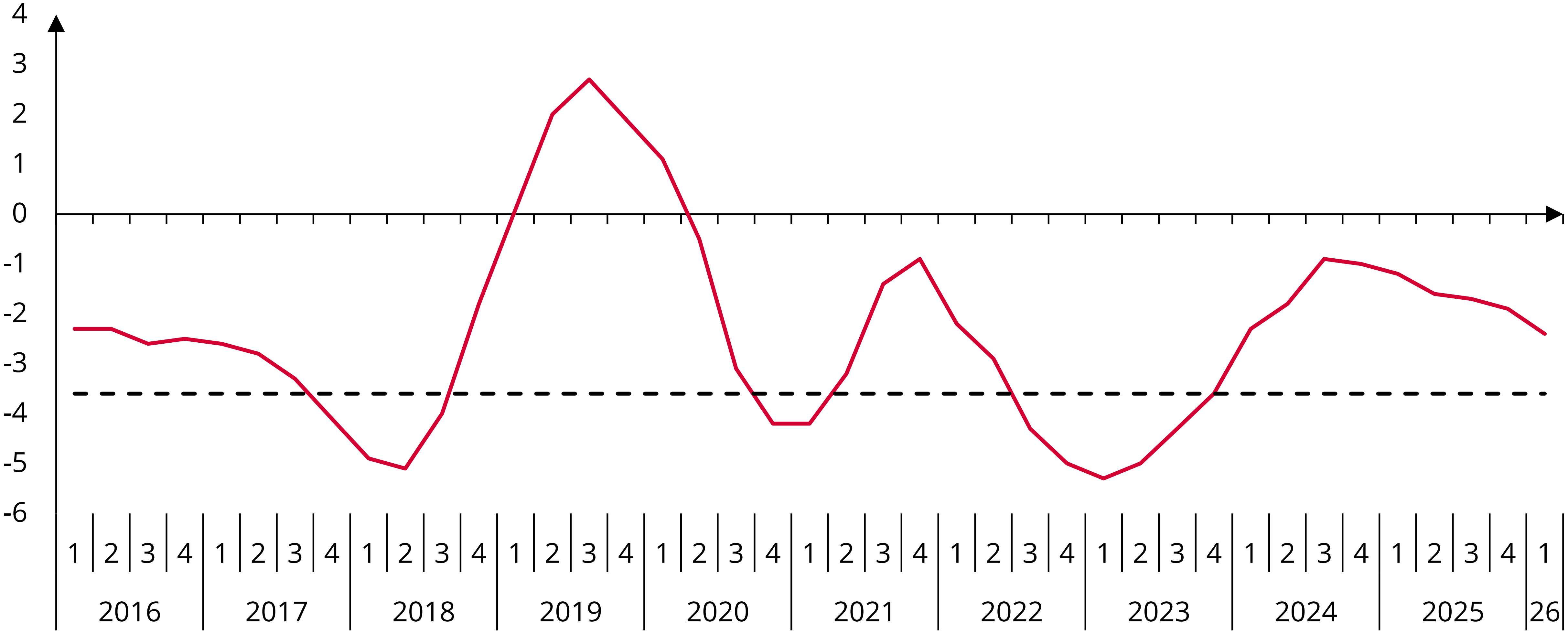
Monthly Travel Revenues
(January-April, Total, USD Billion)



Source: CBRT.

Current account deficit is moderate compared to its historical average.

Current Account Balance/GDP* (%)



TÜRKİYE CUMHURİYET MERKEZ BANKASI

Source: CBRT, TURKSTAT.

*The dashed line represents the 2005-2025 average.

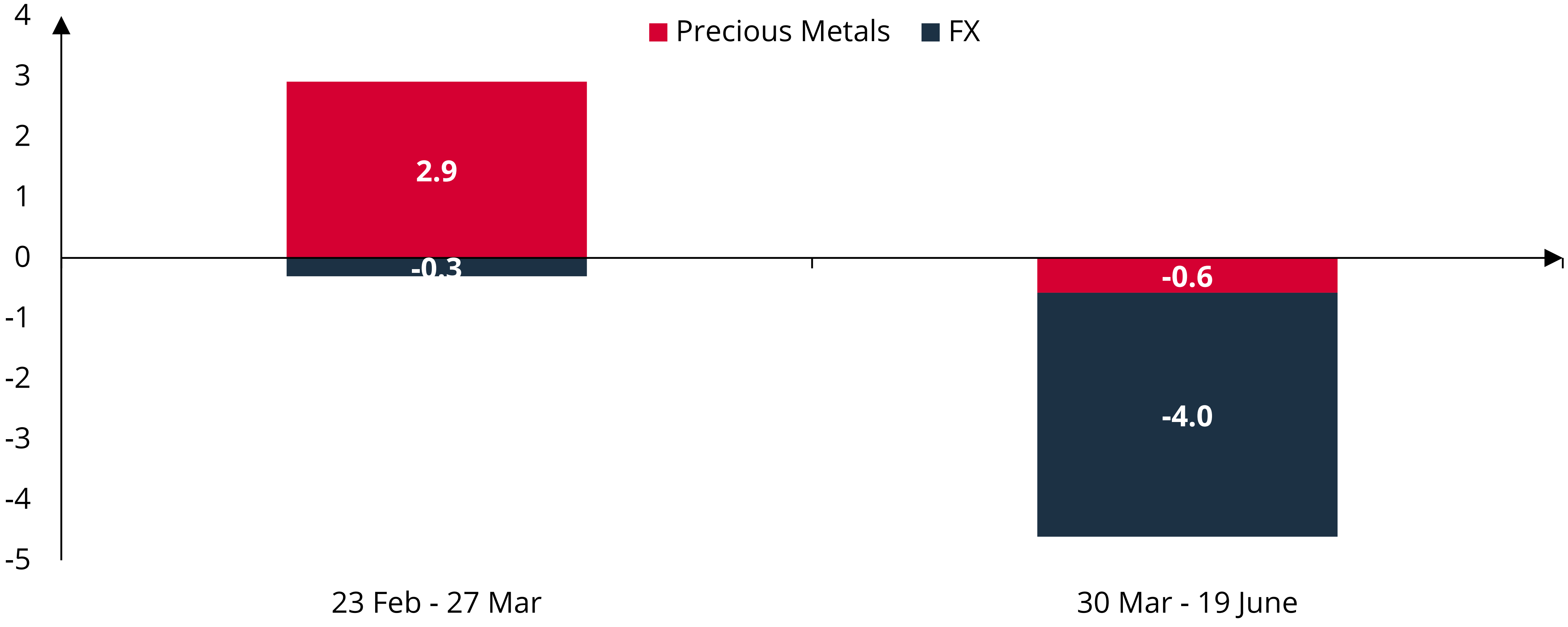
4

Is re-dollarization a potential risk?

- Robust demand for TL
- Tight policy stance
- Enhanced macroprudential safeguards

Households’ FX demand has been limited.

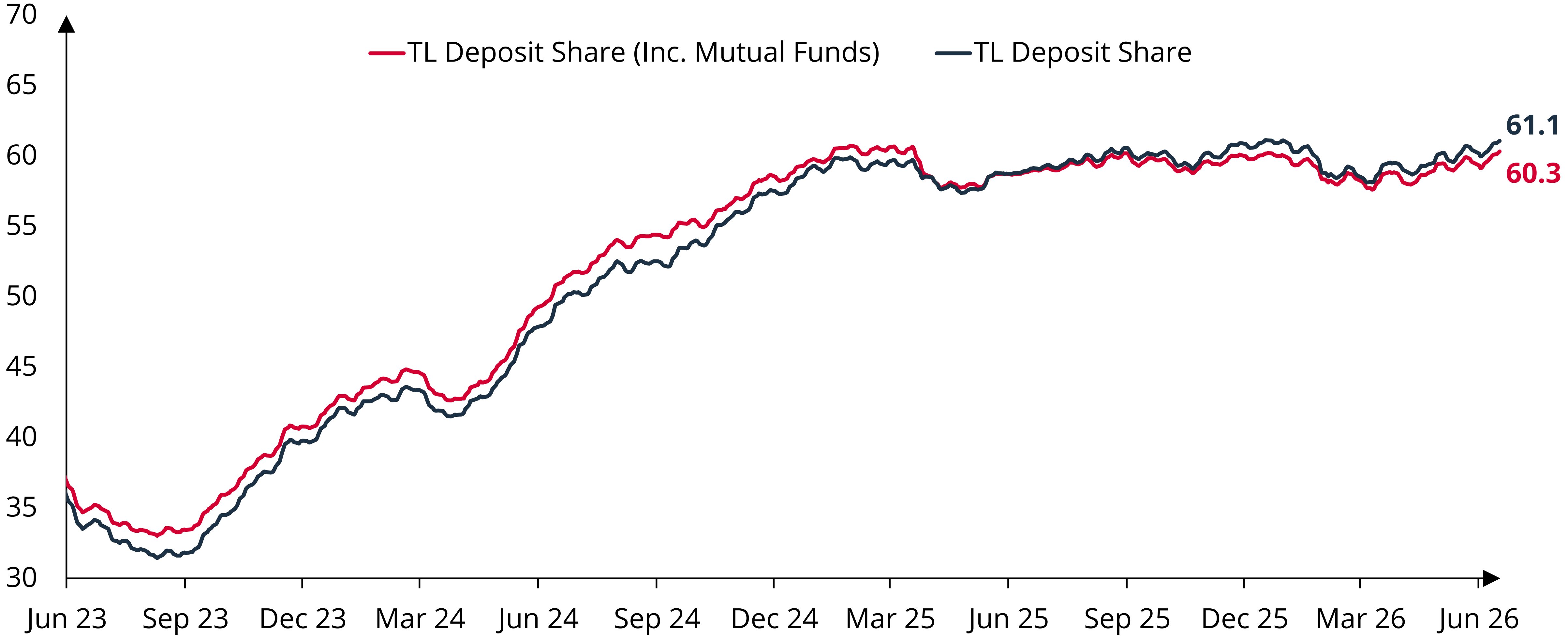
Households’ Net FX and Precious Metals Purchases (Totals, Billion USD)



Source: CBRT.

Residents' demand for Turkish lira remains robust.

TL Share in Deposits and Mutual Funds* (Including official deposits, 5-Day Moving Average, %)

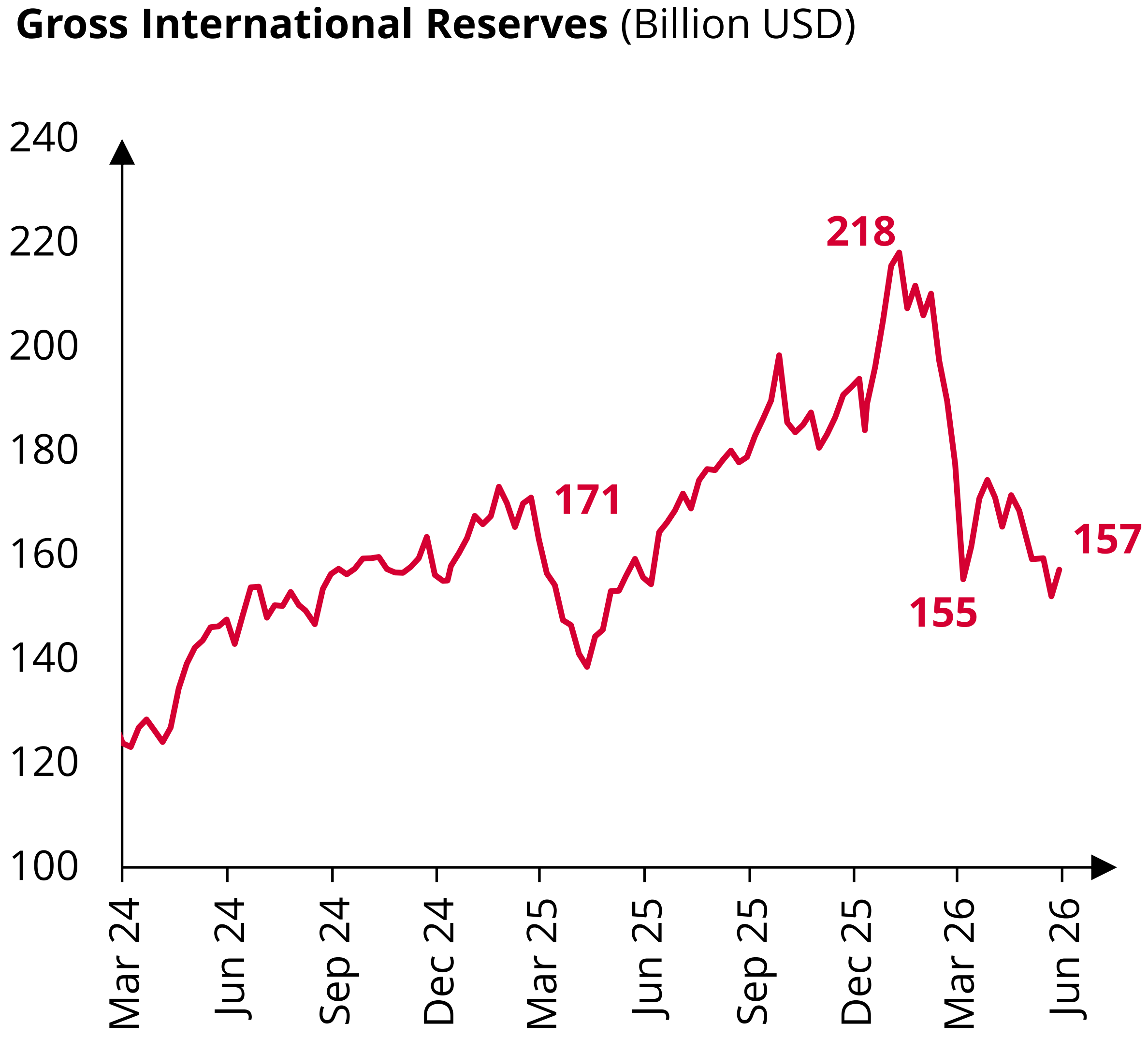


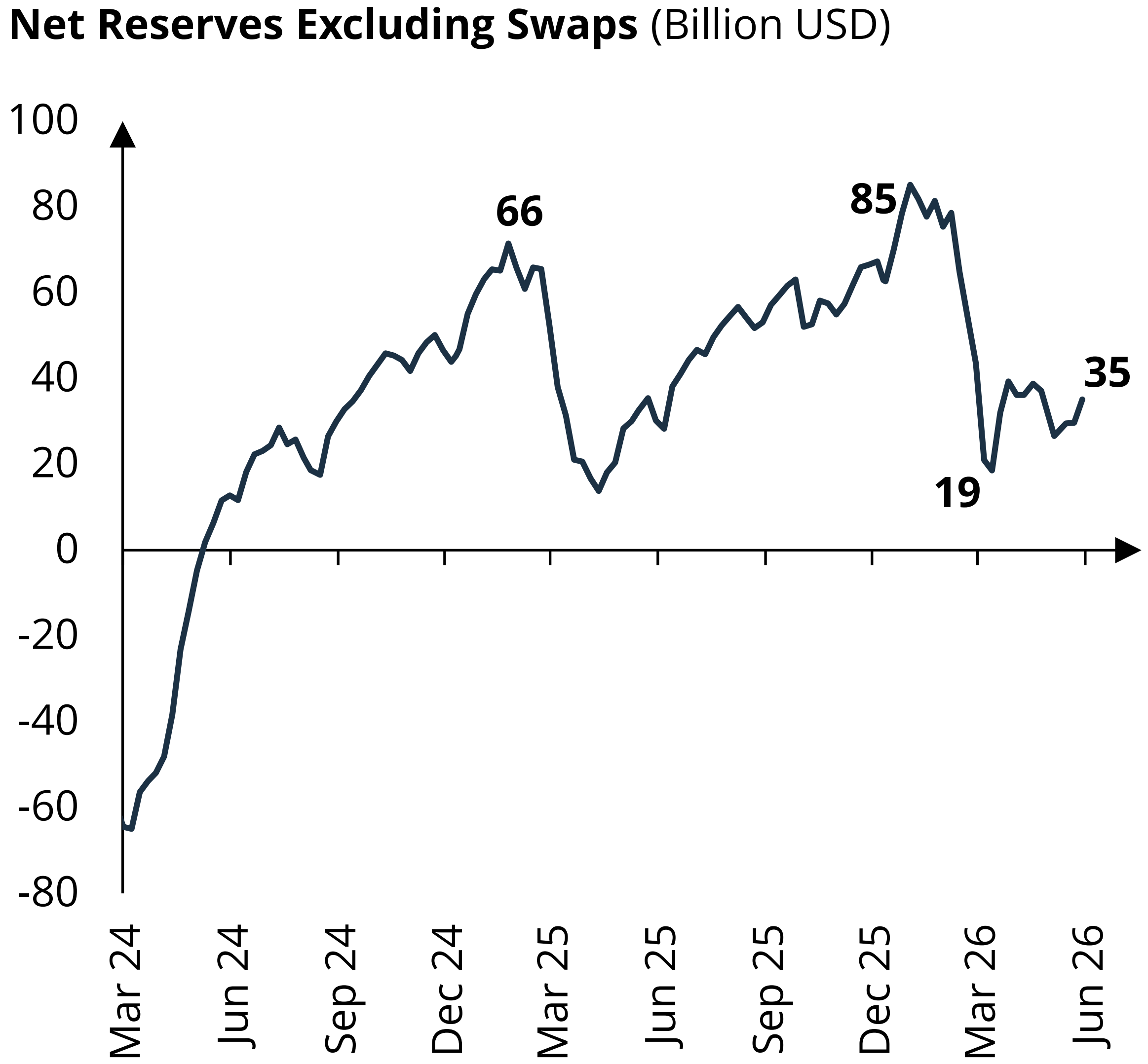
TÜRKİYE CUMHURİYET MERKEZ BANKASI

Source: BRSA, TEFAS, CBRT. As of June 17, 2026.

*TL Deposit Share (Including Mutual Funds): All mutual funds are broken down into TL and FX based on the portfolio's asset allocation and included in the ratio. Deposits in mutual funds are deducted from banking sector's deposits. All reverse repo transactions are assumed to be in TL.

FX reserves are strong.





Source: CBRT. As of June 19, 2026.

TÜRKİYE CUMHURİYET
MERKEZ BANKASI
www.tcmb.gov.tr