

MACROECONOMIC OUTLOOK AND MONETARY POLICY IN TÜRKİYE

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OCTOBER 14, 2026

BANGKOK



Outline

1

Where do we stand in the disinflation process?

2

How did domestic and external shocks affect the macro outlook?

3

What did we do to mitigate the impact from supply shocks?

4

Lessons for the recent asset market stress and beyond.

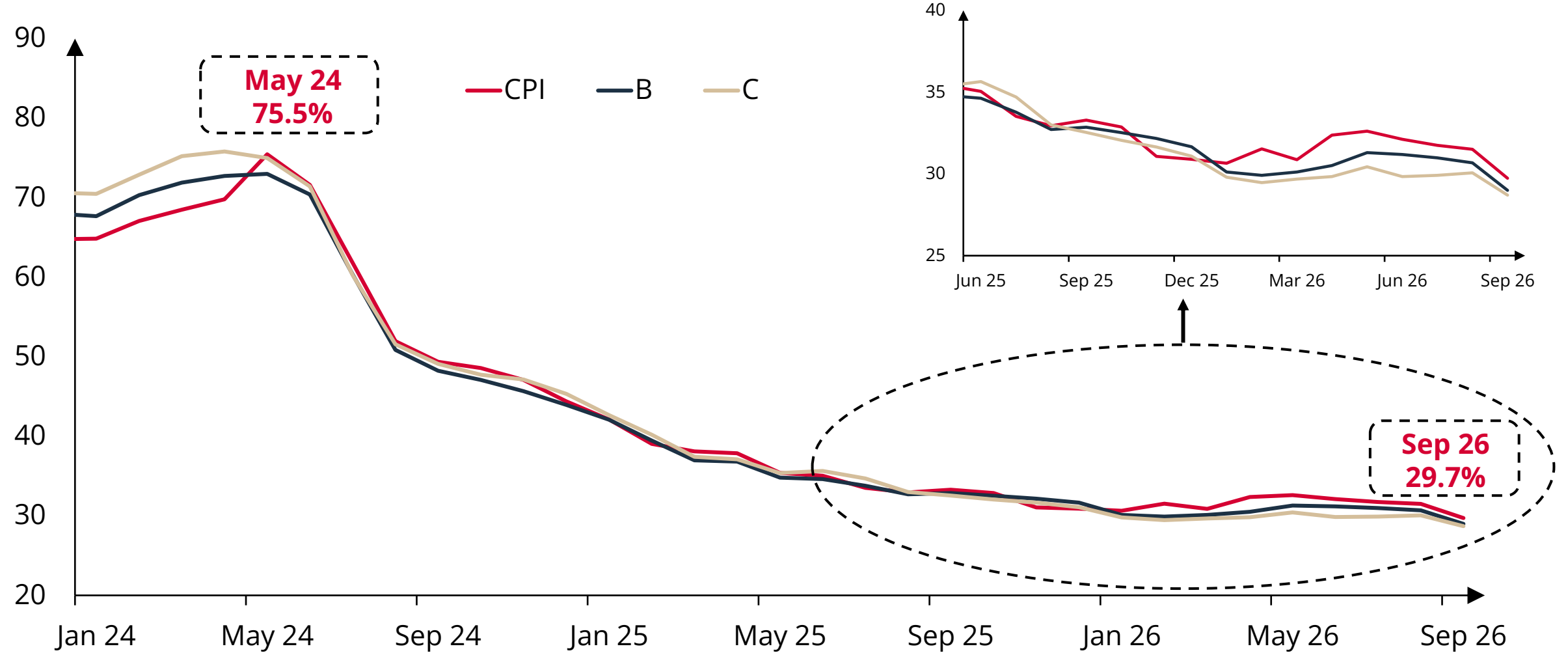
1

Where do we stand in the disinflation process?

- Disinflation slowed due to supply side pressures
- Underlying trend is moderating
- Expectations warrant caution

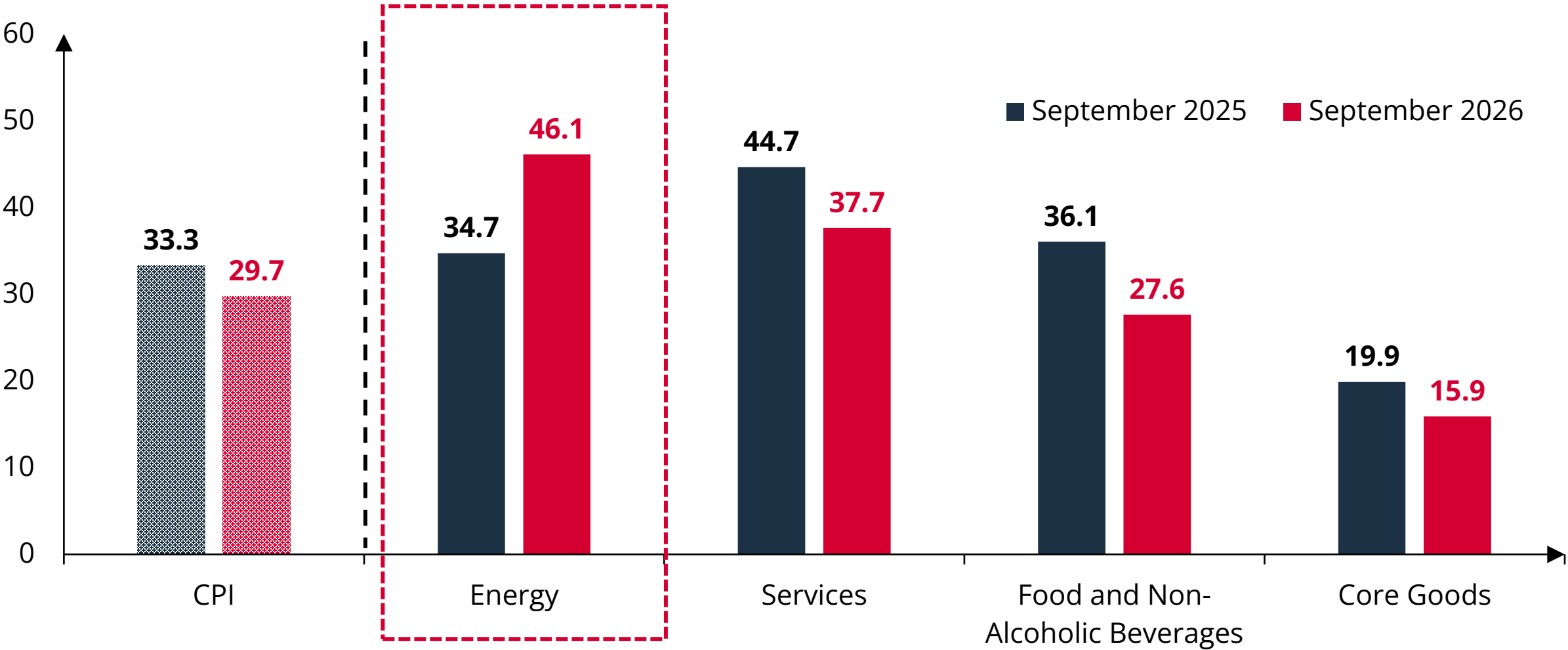
The disinflation process has slowed due to supply-side pressures.

CPI and Core Indicators* (Annual % Change)



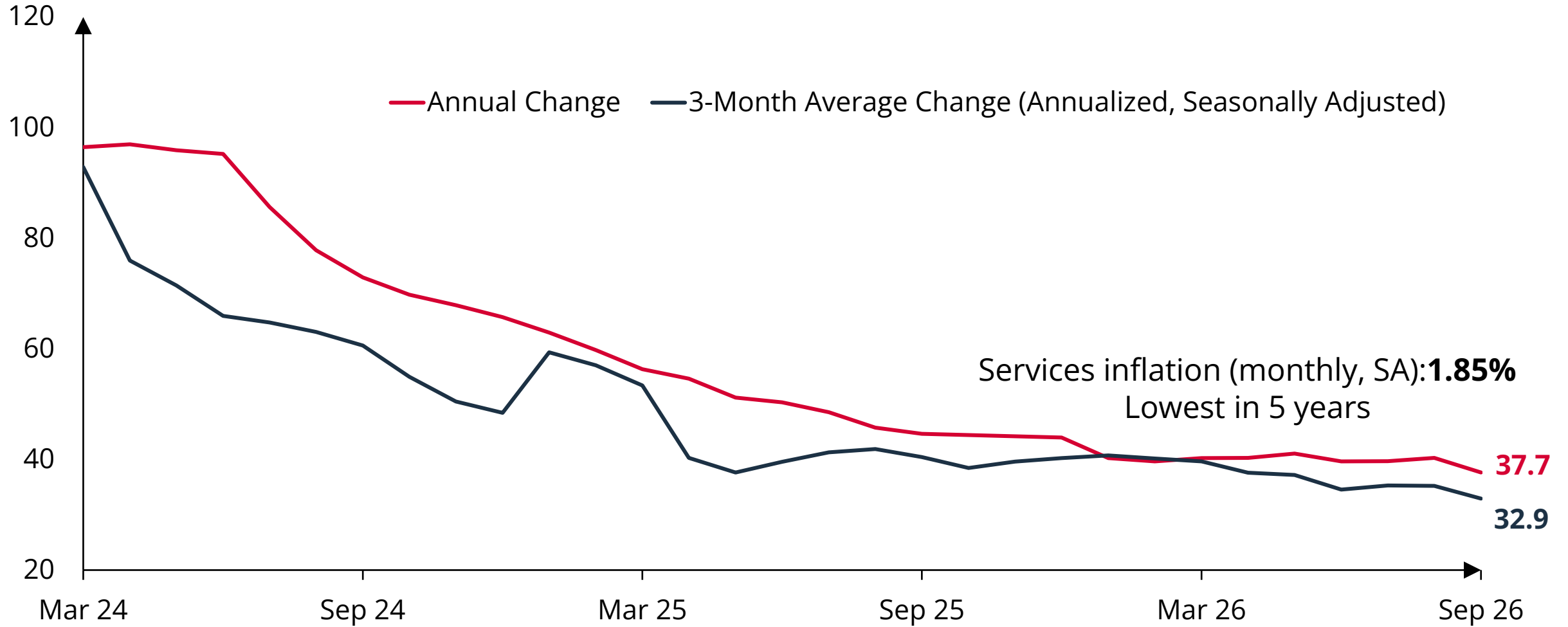
Energy prices had a major impact on inflation in 2026.

Inflation (Annual % Change)



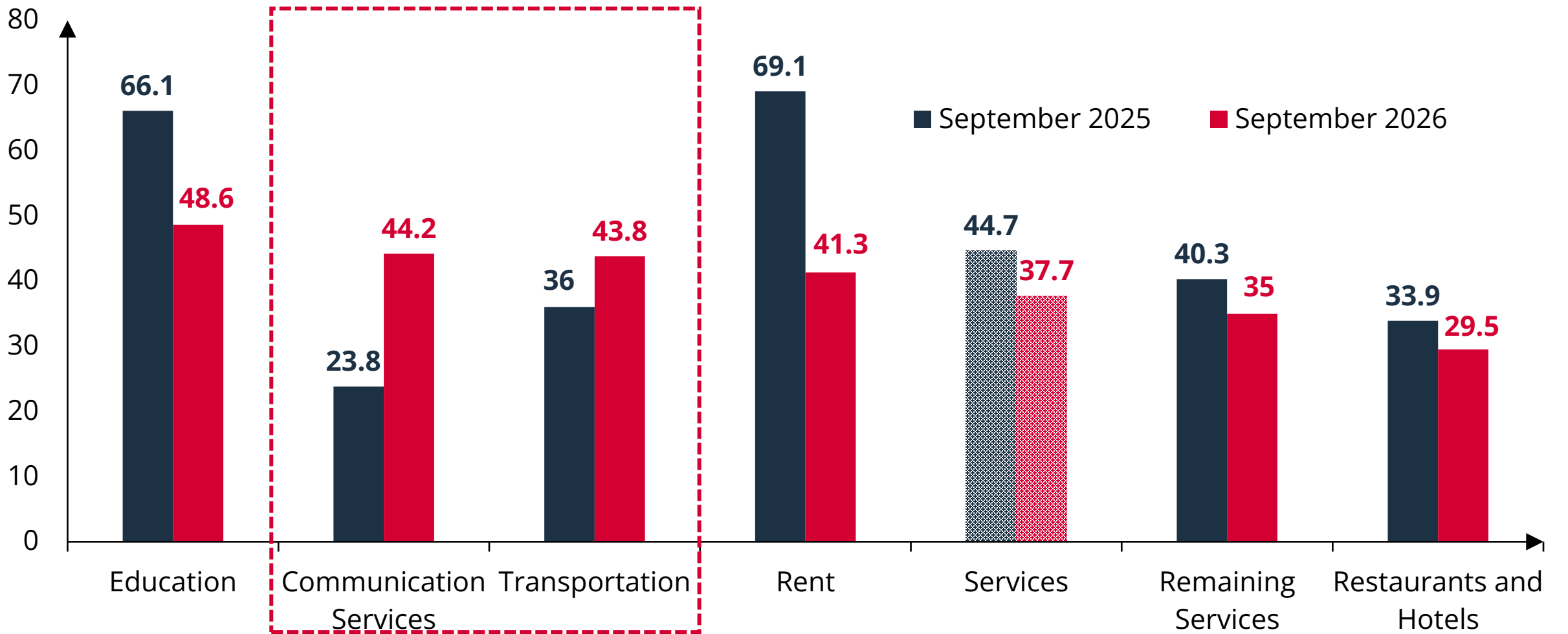
Disinflation continues in the services sector.

Services Prices (Annualized 3-Month Average Change and Annual Change, %)



Declines in rent and education inflation are partly offset by transportation and communication.

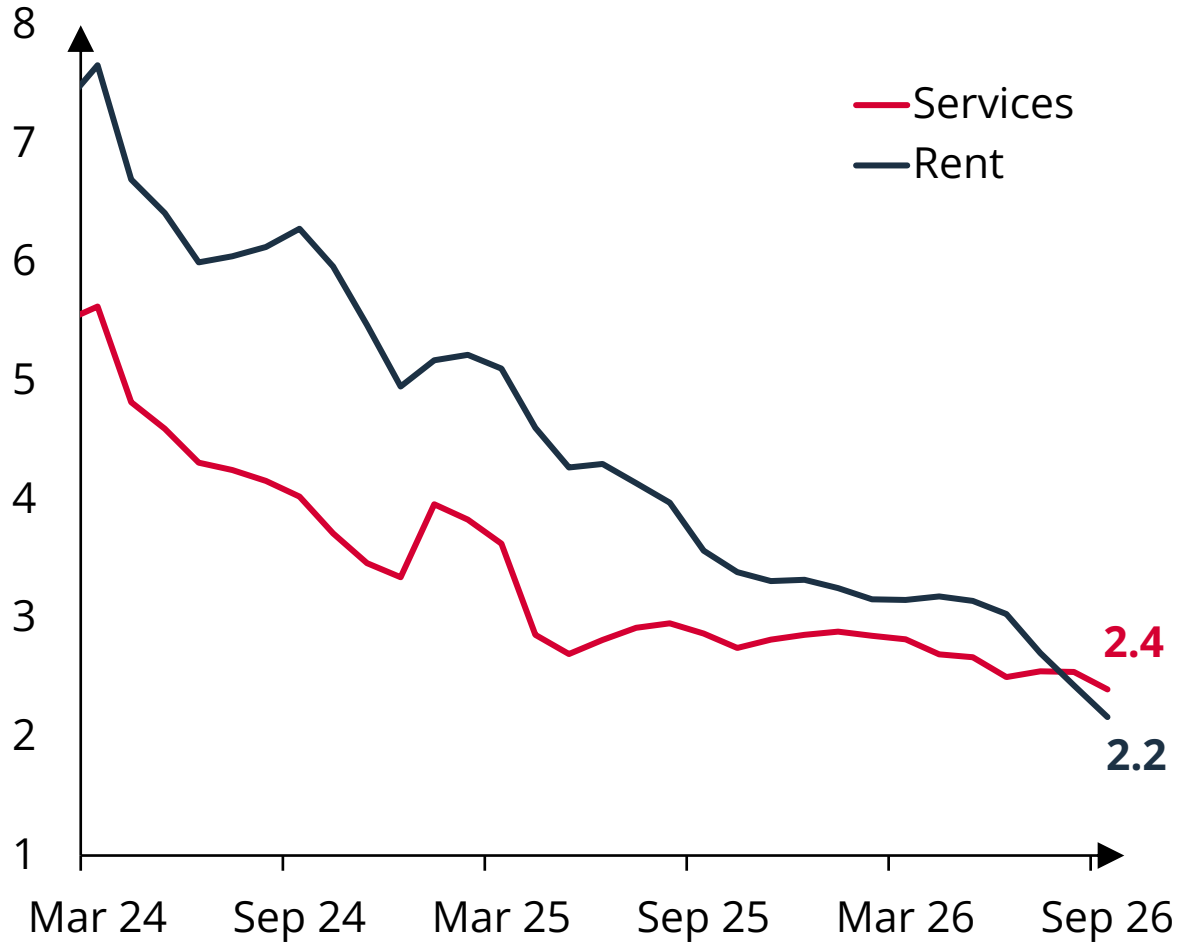
Services Prices (Annual % Change)



Rent inflation is easing, with leading indicators pointing to further moderation.

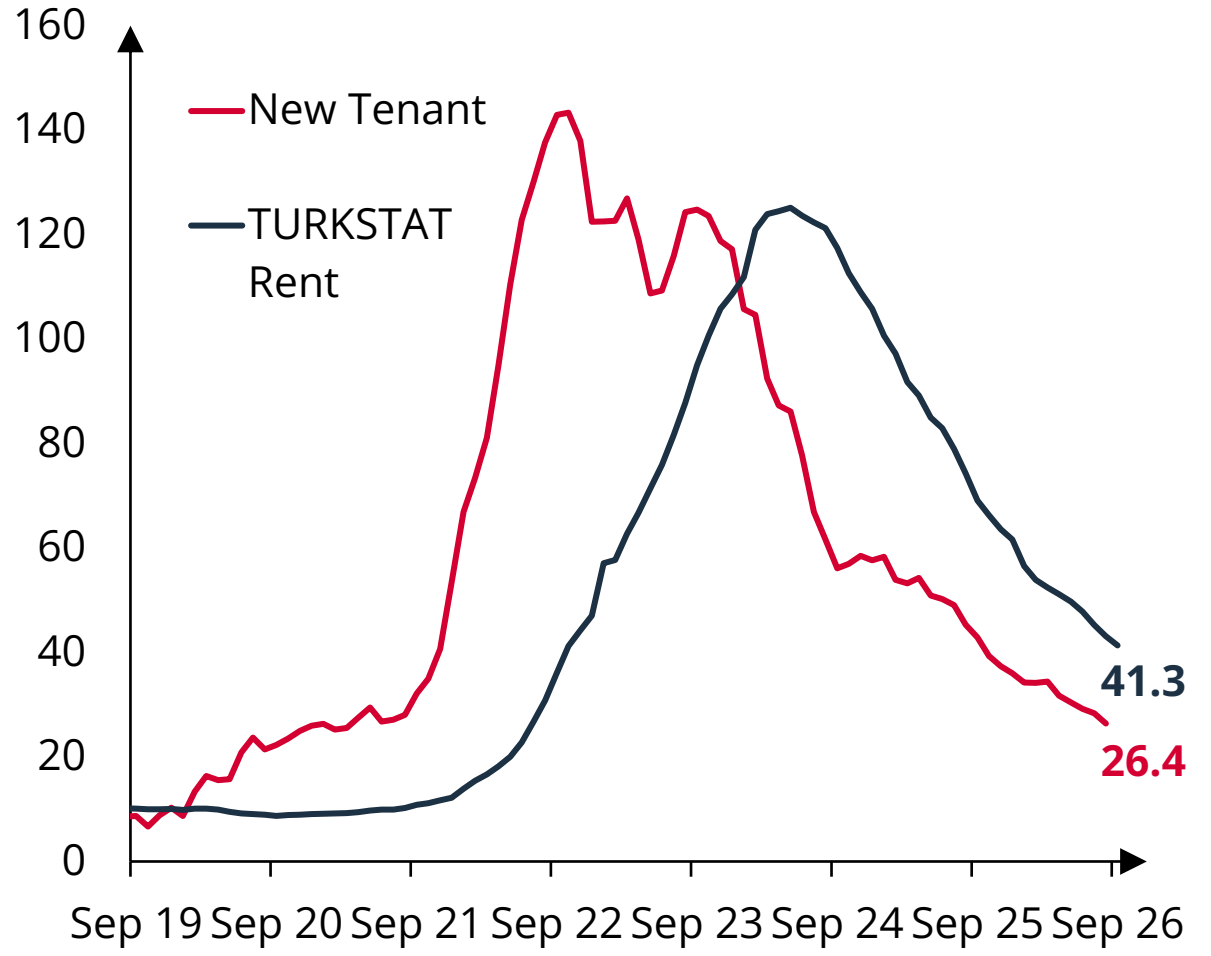
Services and Rent

(Seasonally Adjusted, Monthly % Change, 3-Month Average)



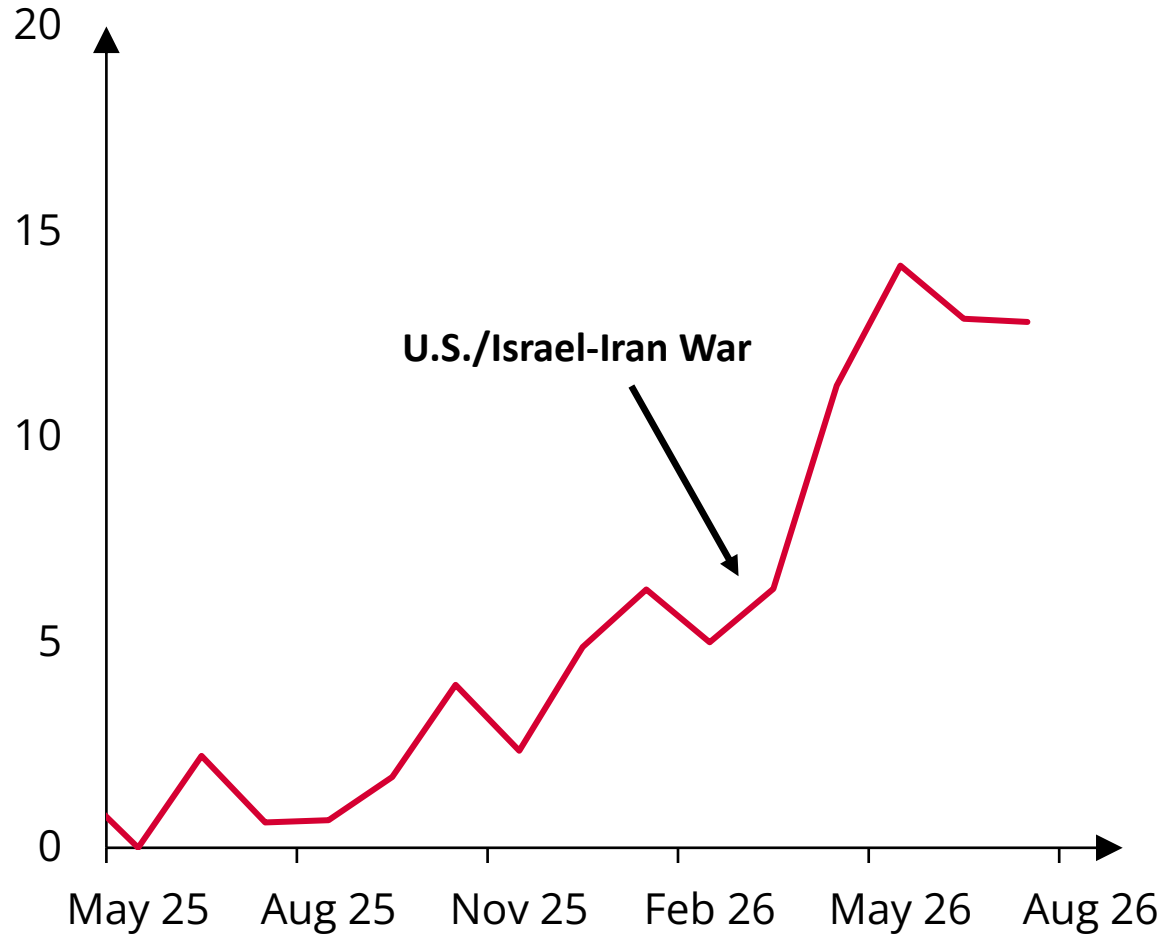
New Tenant and TURKSTAT Actual Rent Indices*

(Annual % Change)

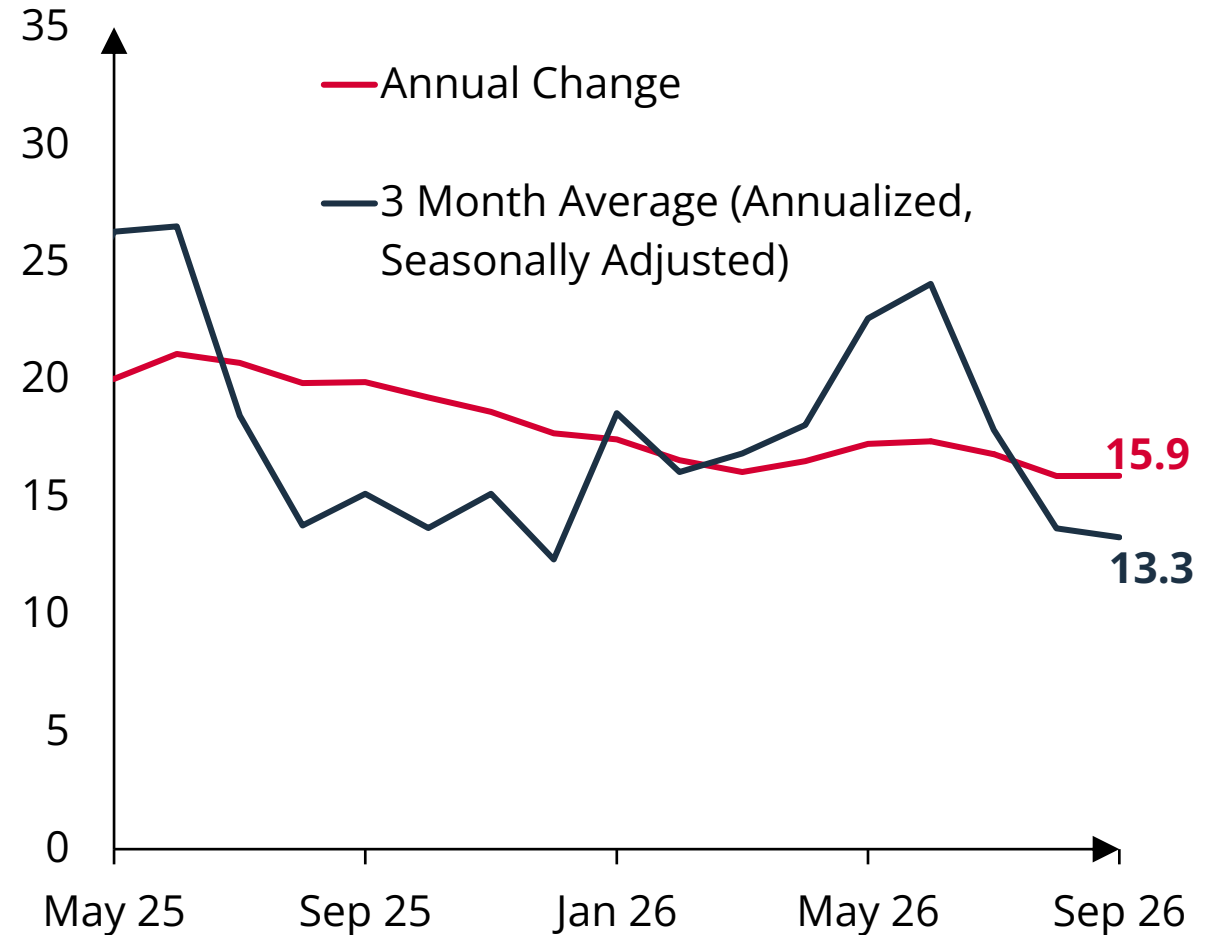


Demand conditions support disinflation in core goods despite strong headwinds.

The Overall Import Unit Value Index
(USD, Annual % Change)

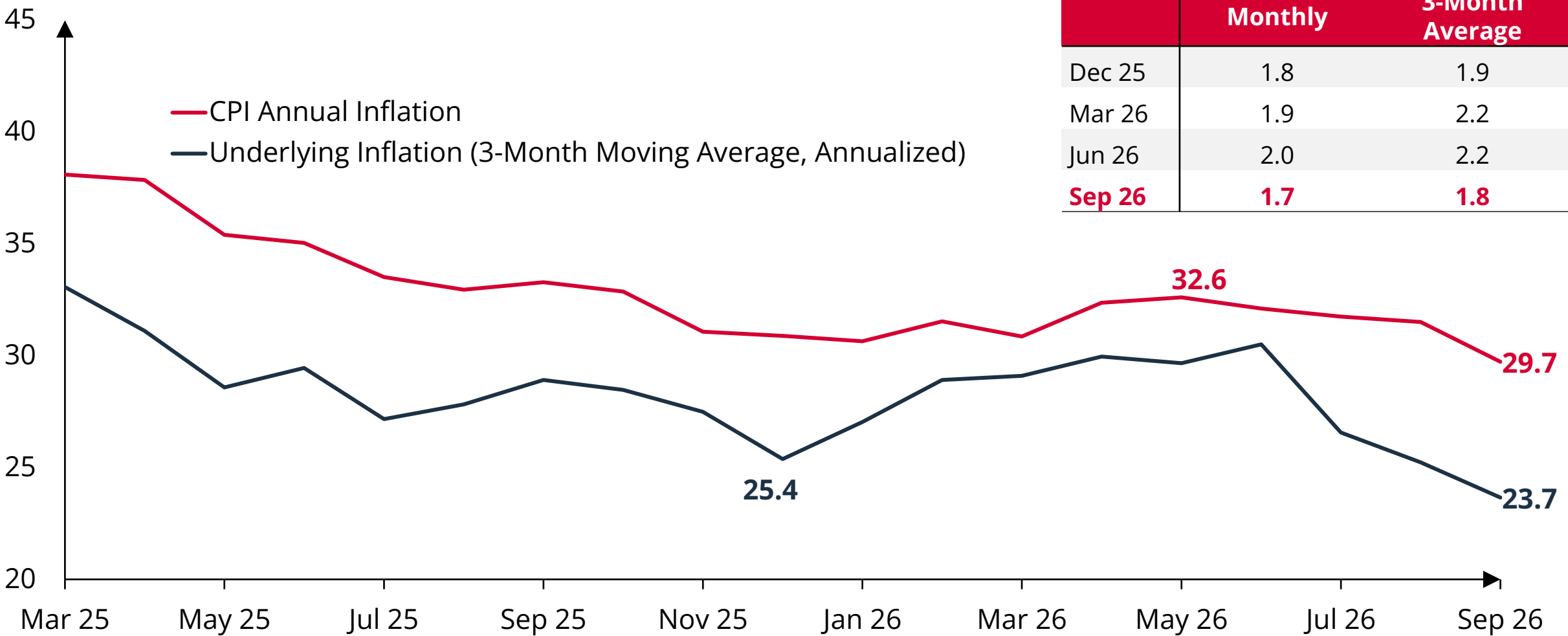


Prices of Core Goods
(%)



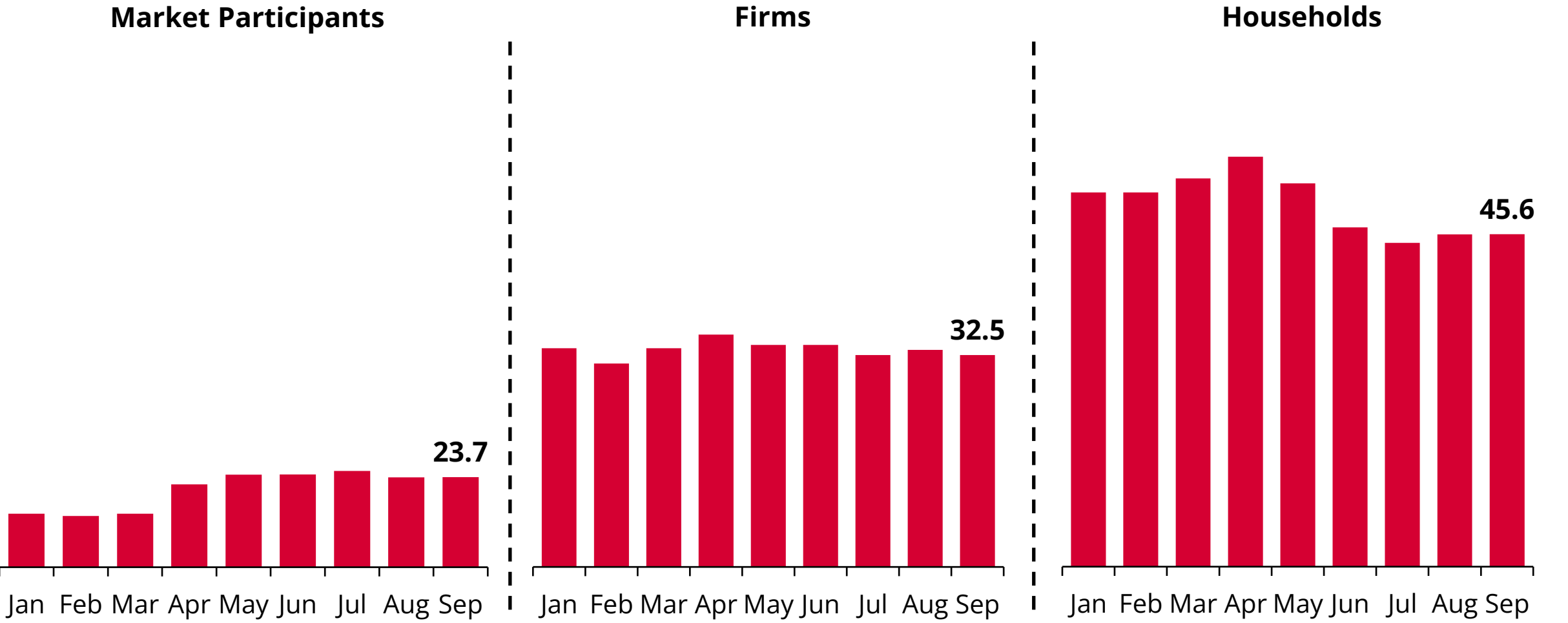
Underlying inflation has moderated.

CPI Inflation and Underlying Inflation* (% Change)



Inflation expectations warrant continued caution.

12-Month-Ahead Annual CPI Inflation Expectations (2026, %)



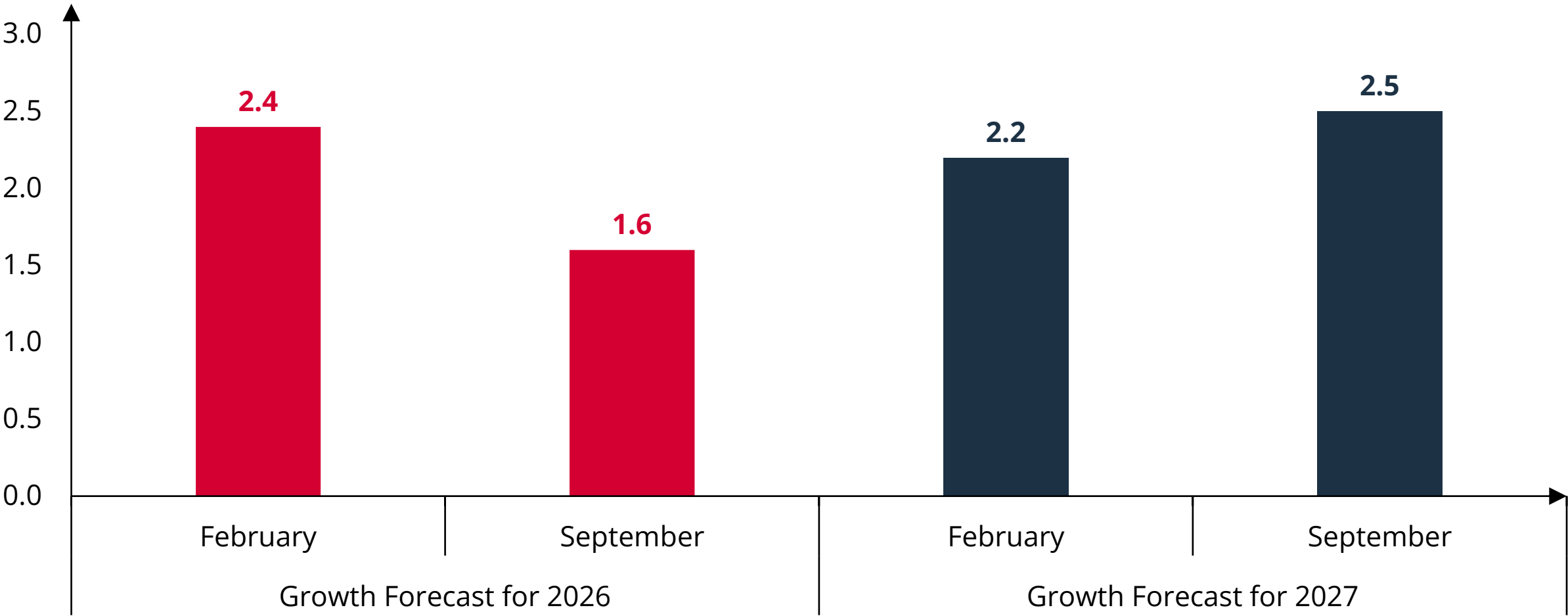
2

How did domestic and external shocks affect the macro outlook?

- High energy prices still pose a risk
- External demand prospects weakened for 2026
- Current account overperformed expectations

External demand prospects for 2026 have weakened.

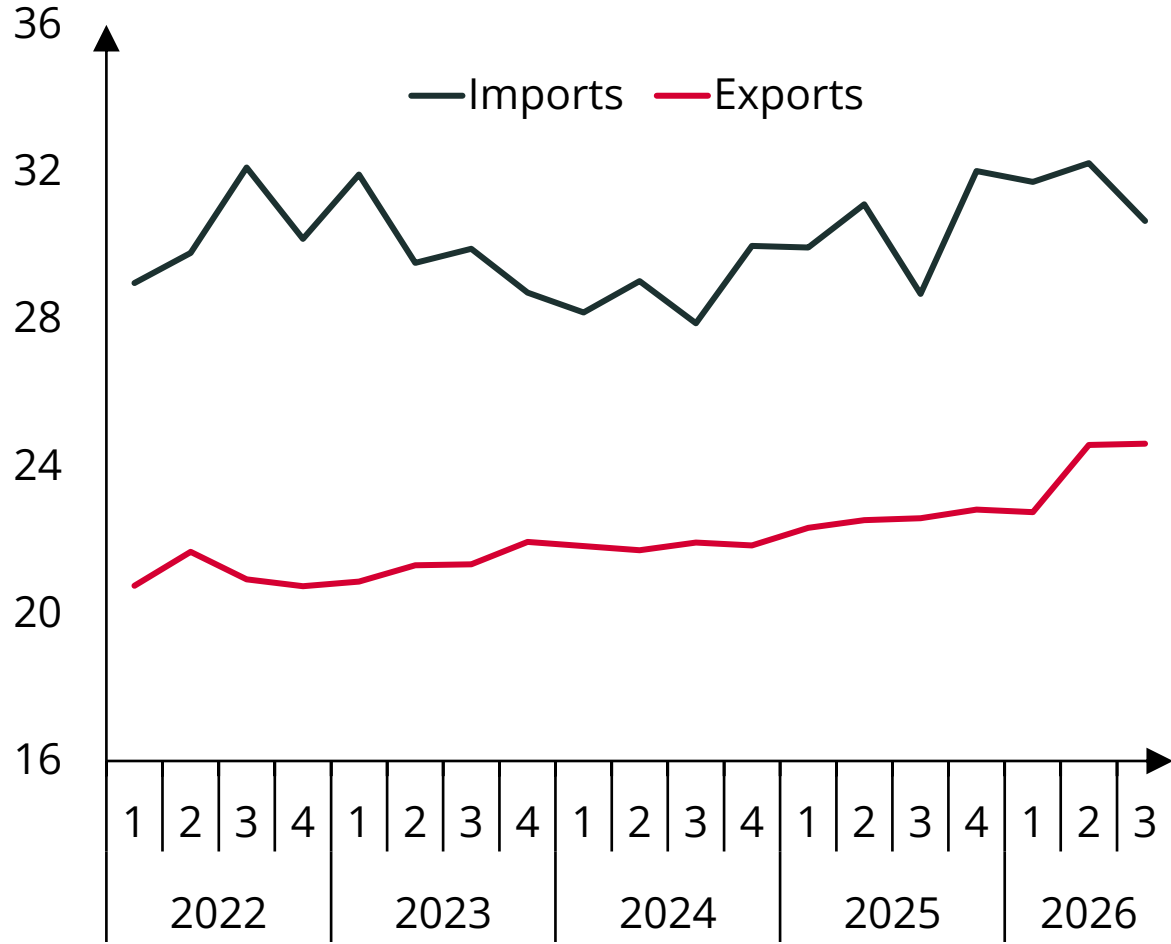
Export-Weighted Global Growth Index (Annual Growth, %)



Despite these challenges, trade deficit remains moderate.

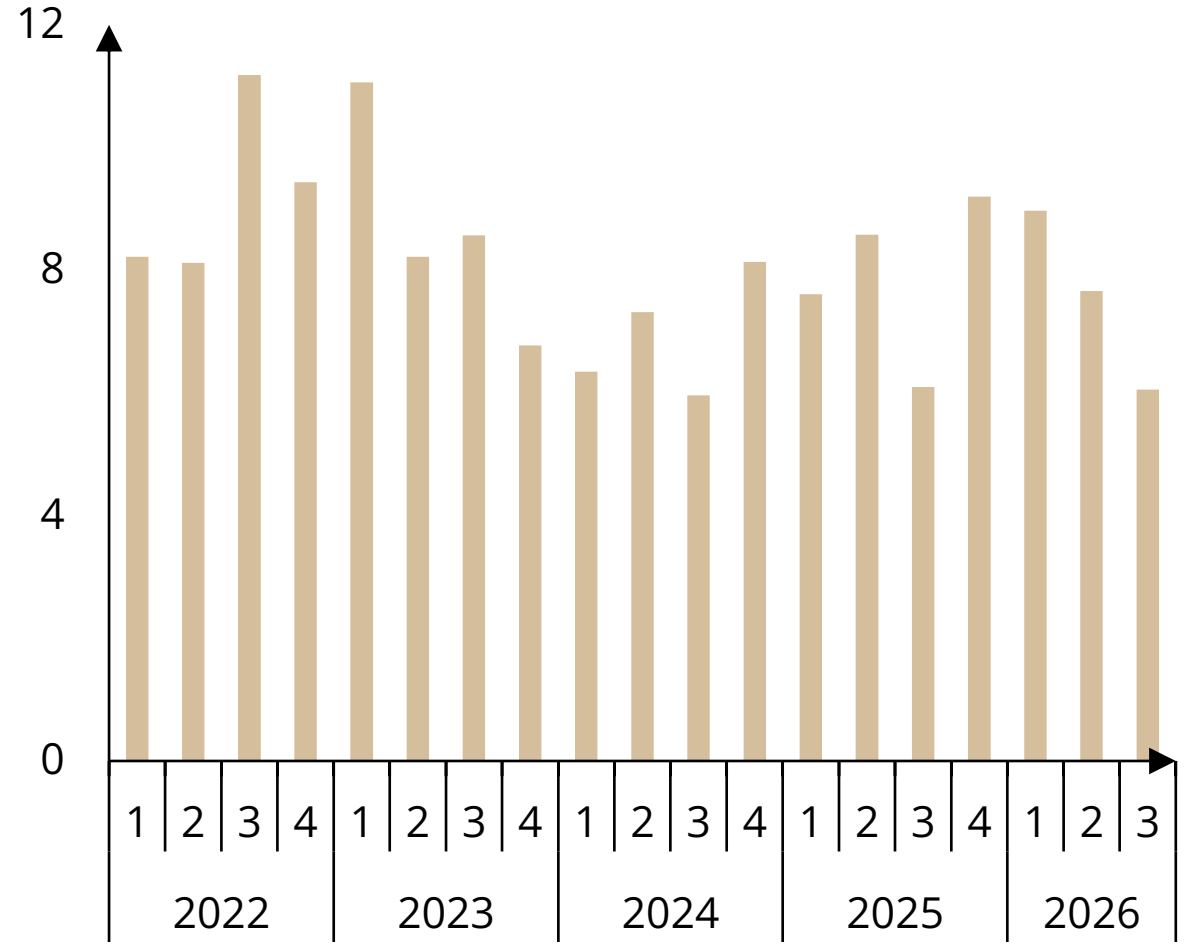
Exports and Imports*

(Average, Billion USD, Seasonally Adjusted)



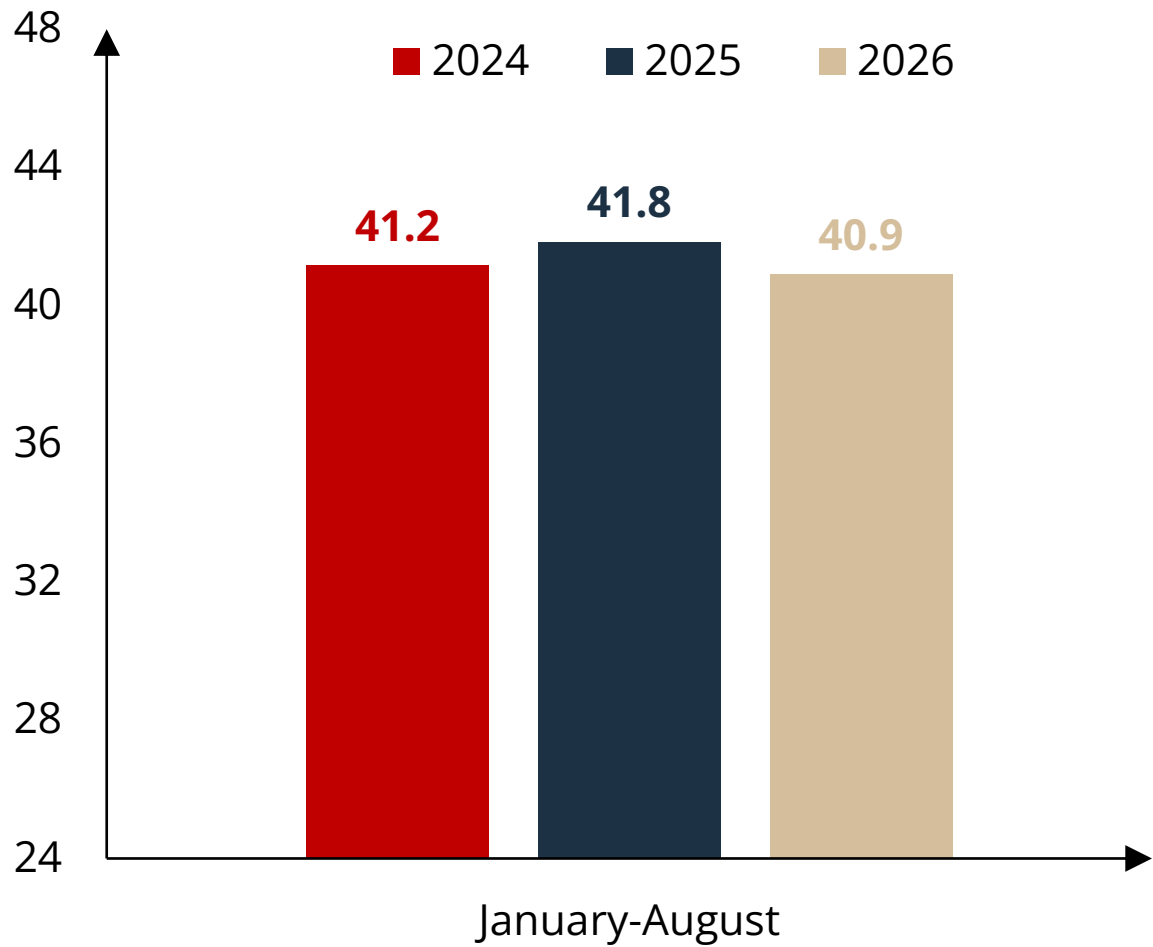
Foreign Trade Deficit*

(Average, Billion USD, Seasonally Adjusted)

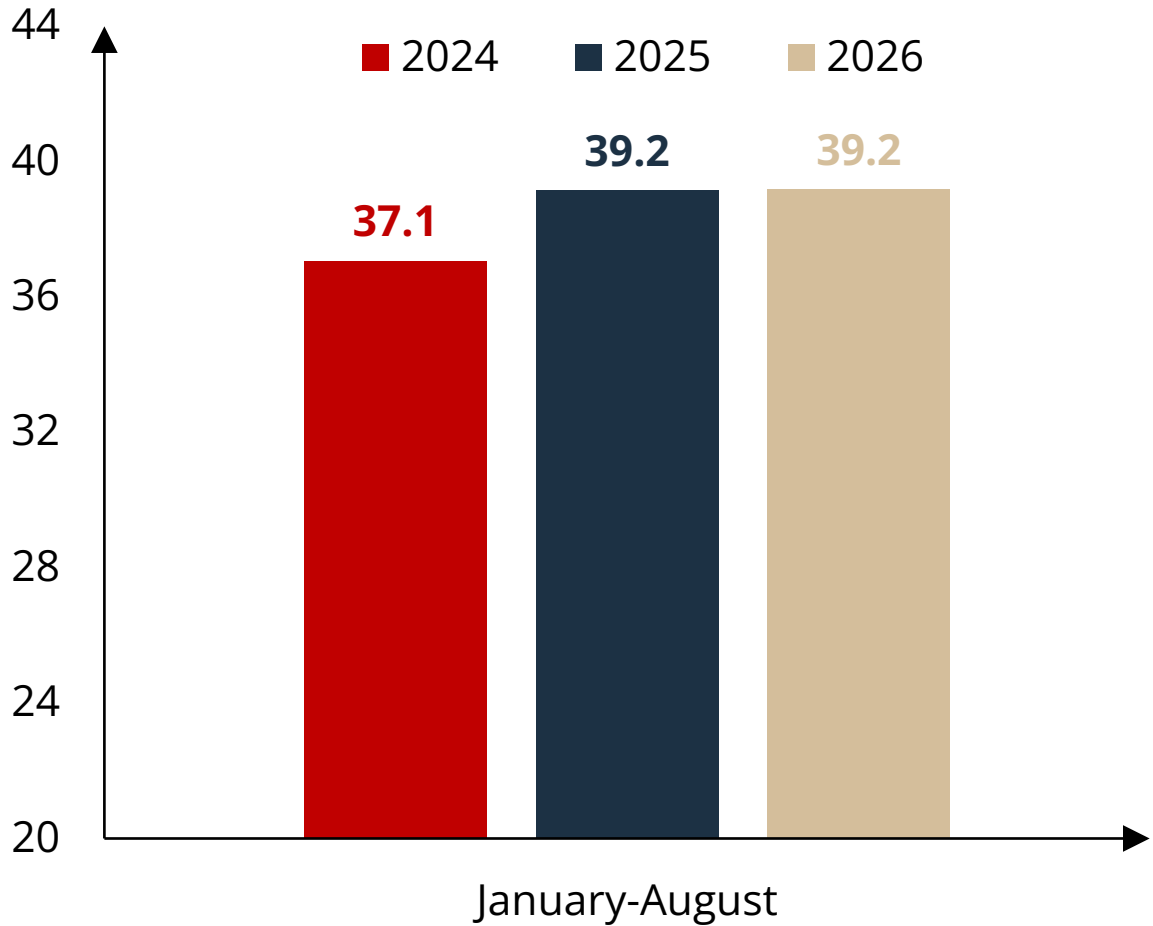


Travel revenues are around the previous year's level.

Visitor Arrivals (January-August, Total, Million Persons)

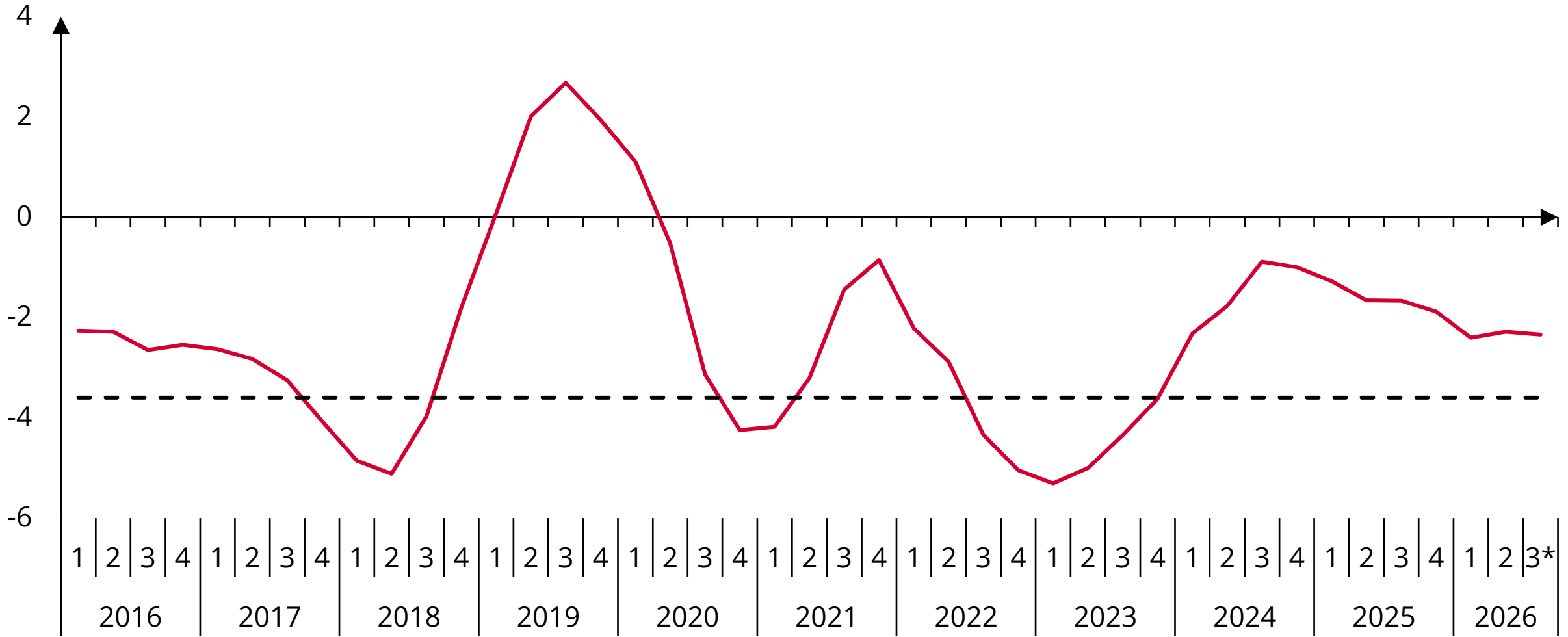


Travel Revenues (January-August, Total, USD Billion)



Current account deficit remained contained despite adverse external conditions.

Current Account Balance/GDP * (%)



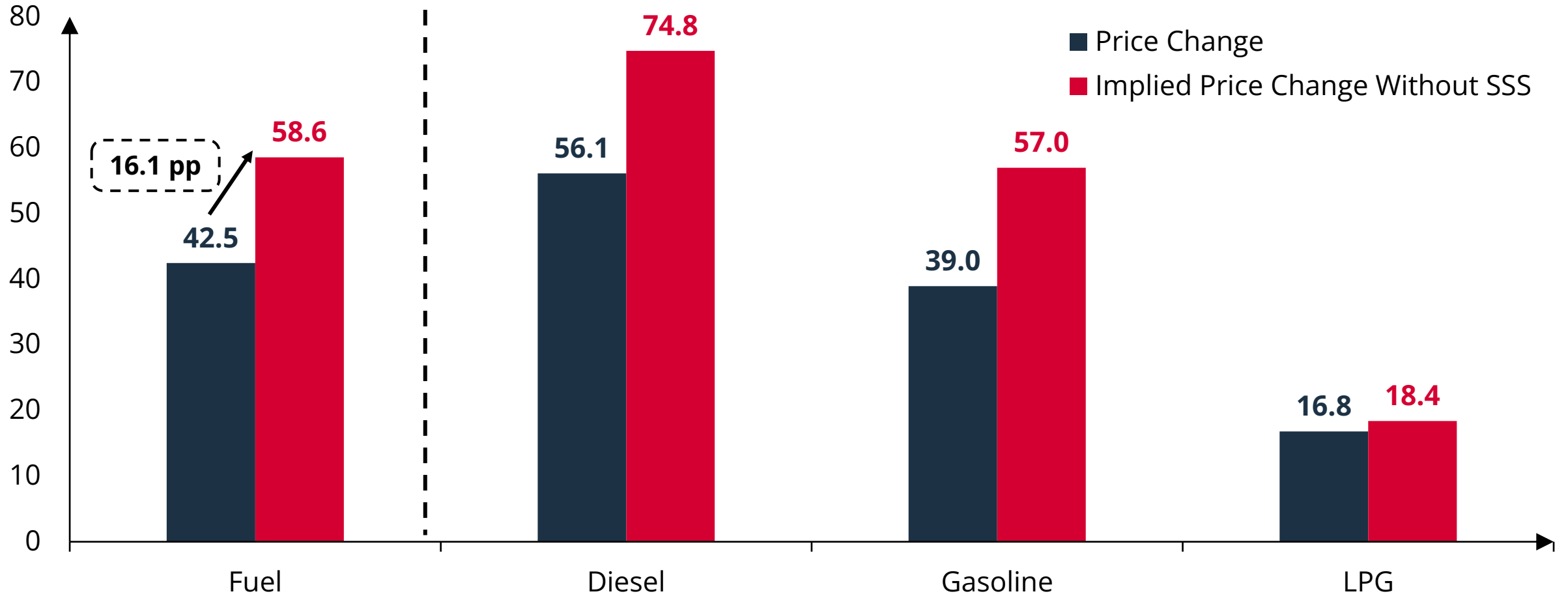
3

What did we do to mitigate the impact from supply shocks?

- Fiscal measures cushioned the first round effects
- Monetary policy limited the second round effects
- Domestic demand remains in check

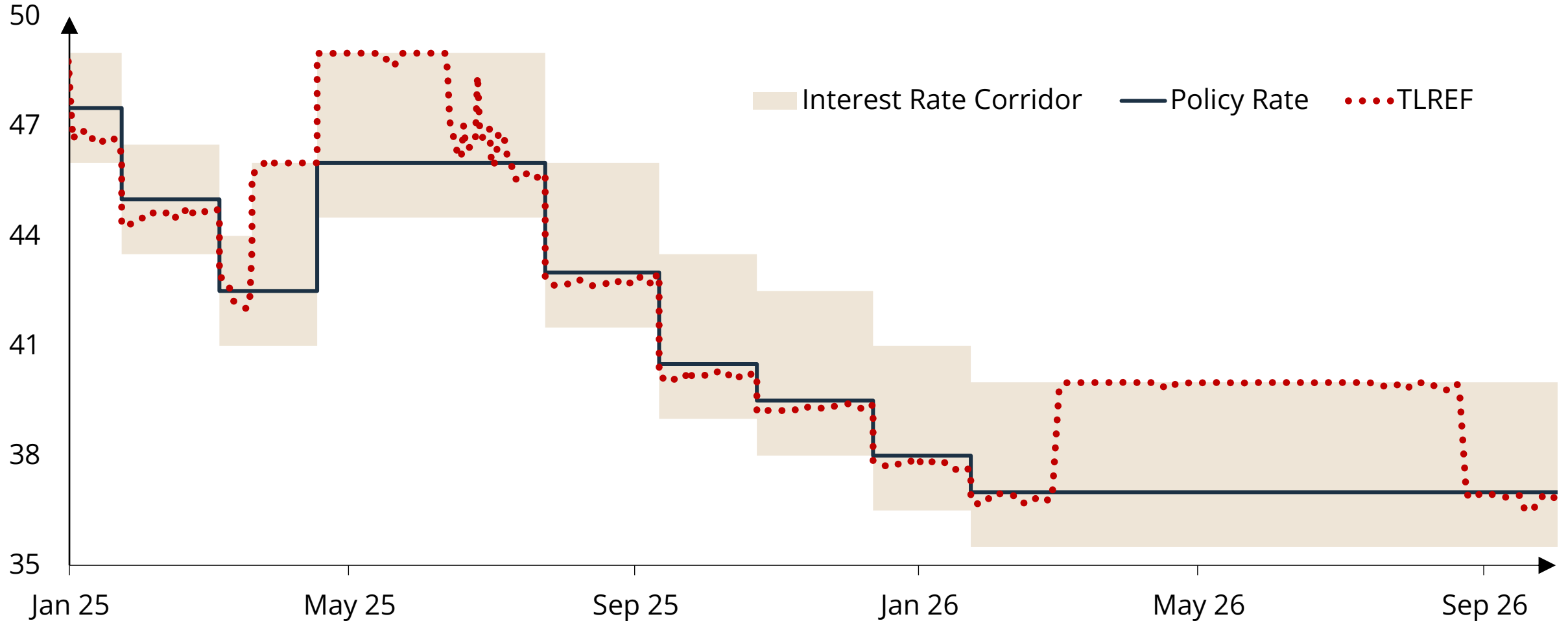
The Sliding Scale System (SSS) has restrained fuel price increases.

Cumulative Fuel Price Change (March-September 2026, %)



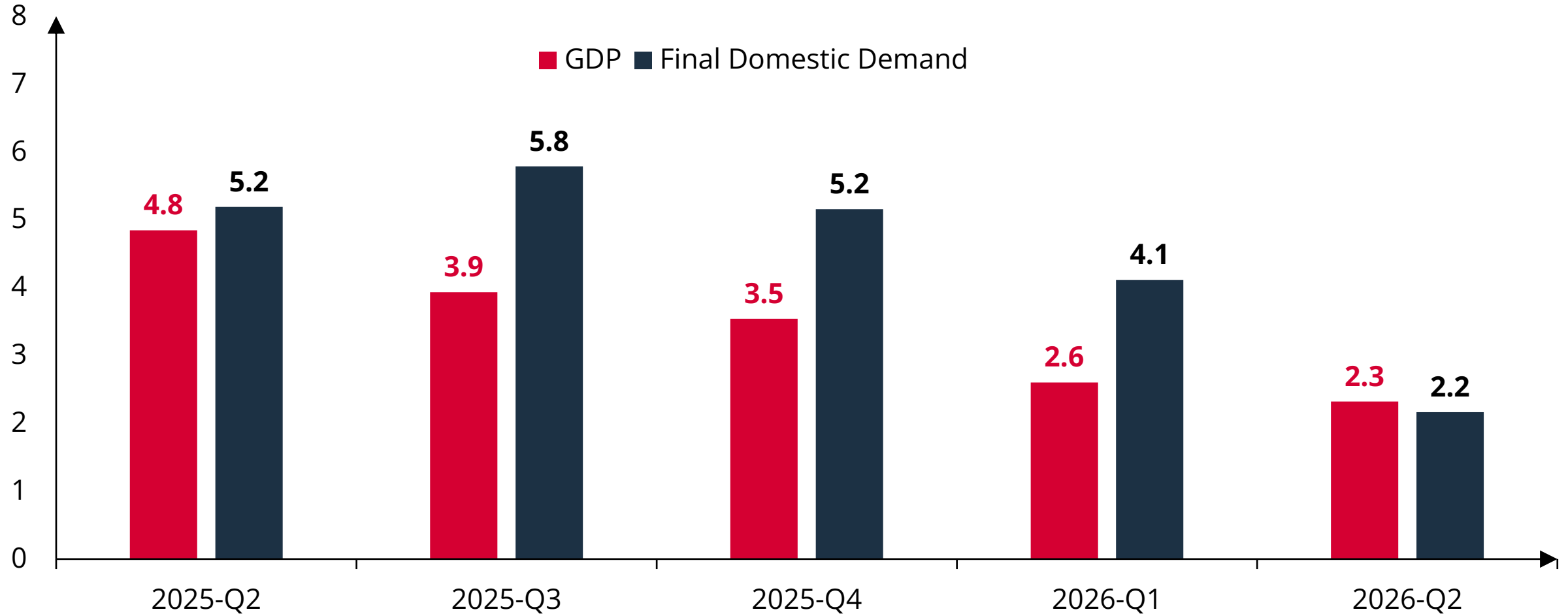
Monetary policy remained tight in the face of supply shocks.

Interest Rate Corridor and TLREF (%)



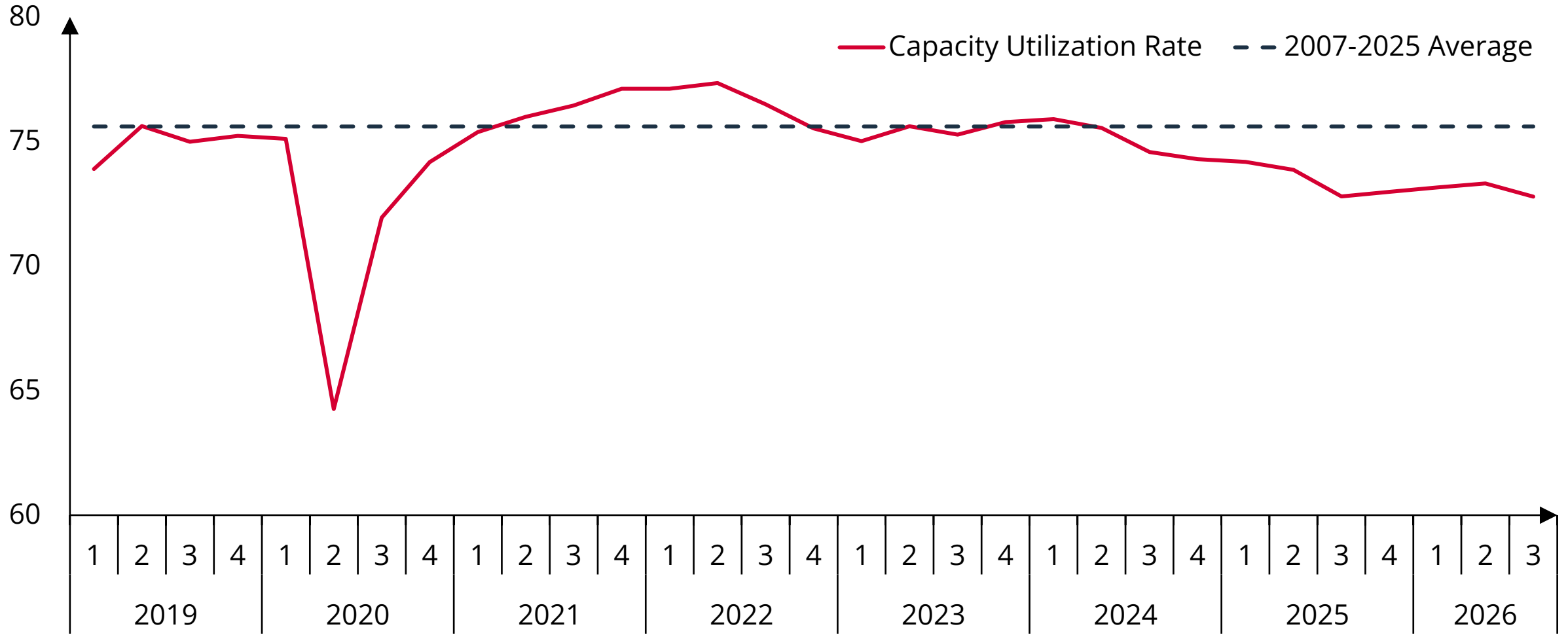
Cooling demand conditions mitigated the inflationary pressures.

GDP and Final Domestic Demand (Annual % Change)



Hovering below historical averages, capacity utilization rate indicates moderate slack.

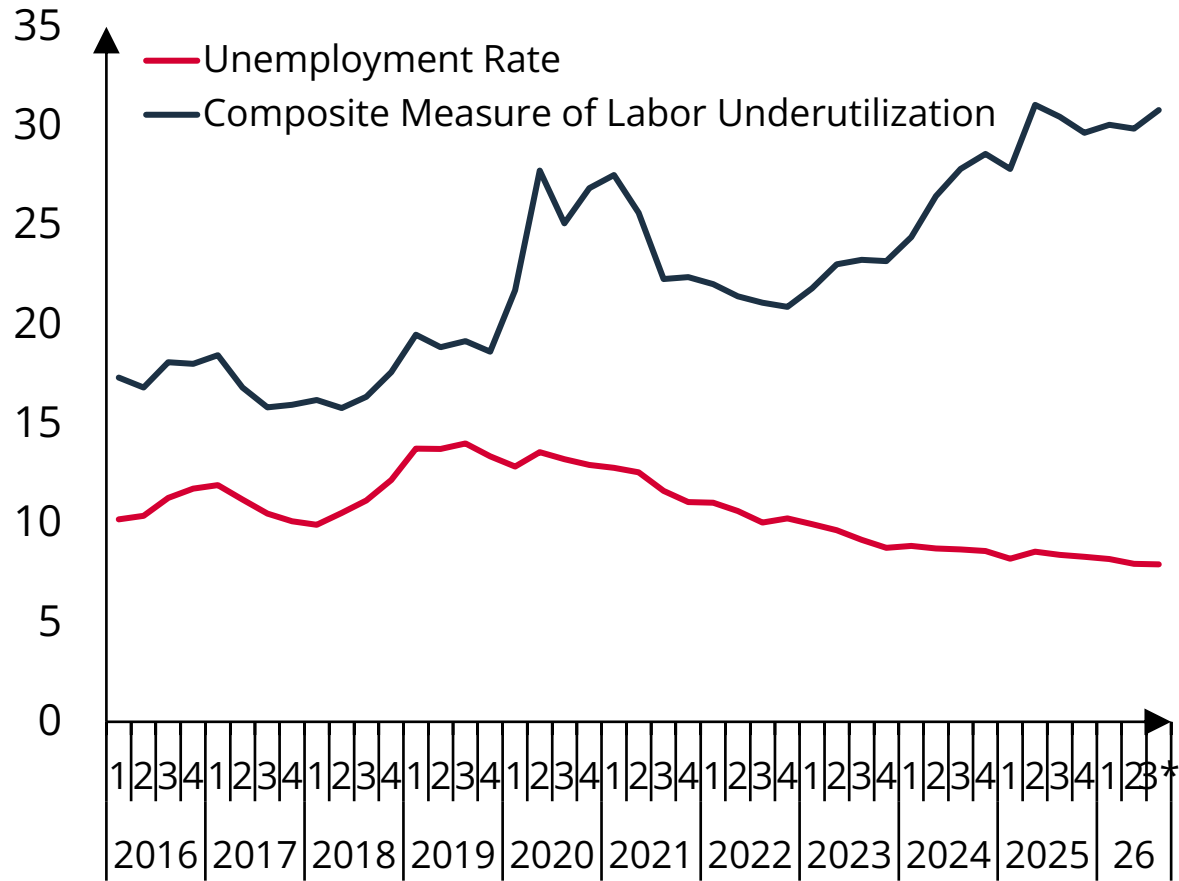
Capacity Utilization Rate** (Seasonally Adjusted, %)



Labor market is less tight than the headline unemployment rate implies.

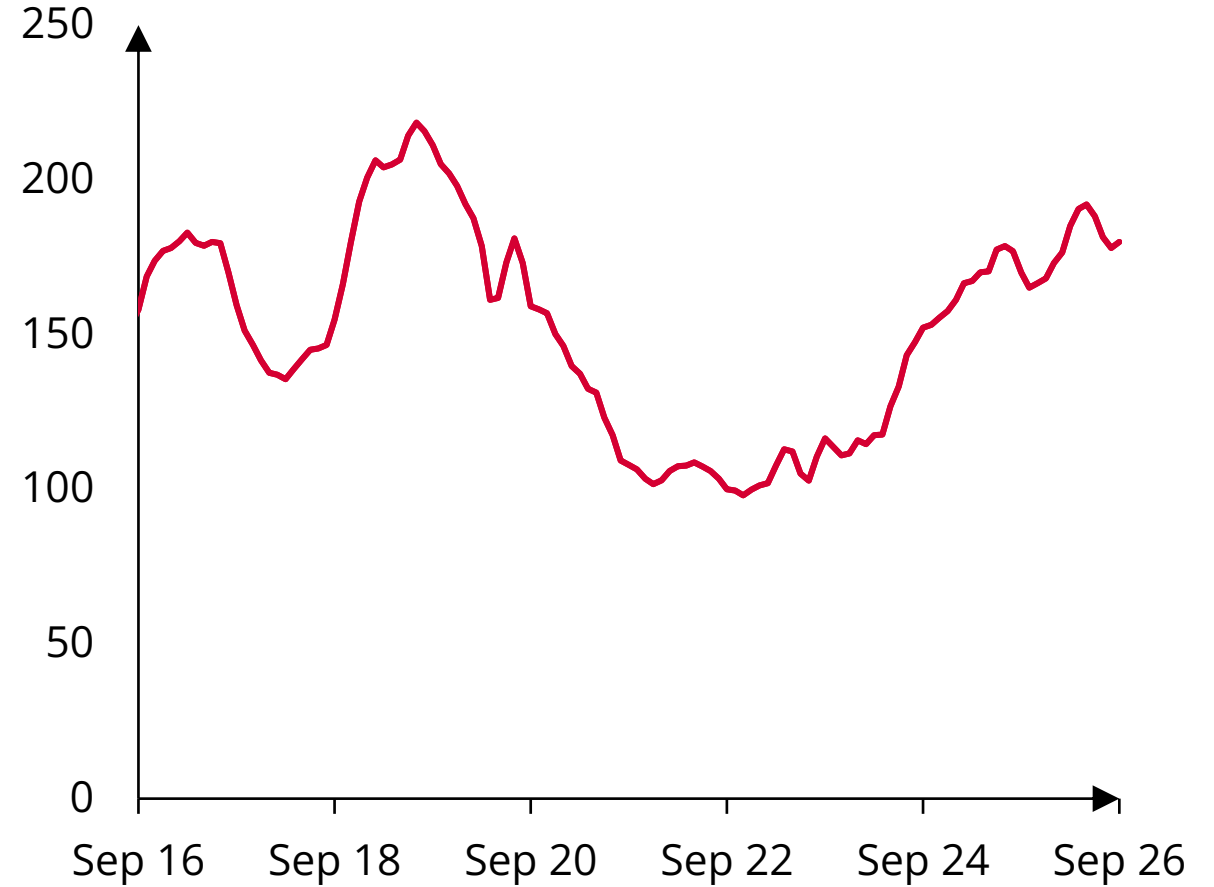
Labor Market Indicators*

(Seasonally Adjusted, %)



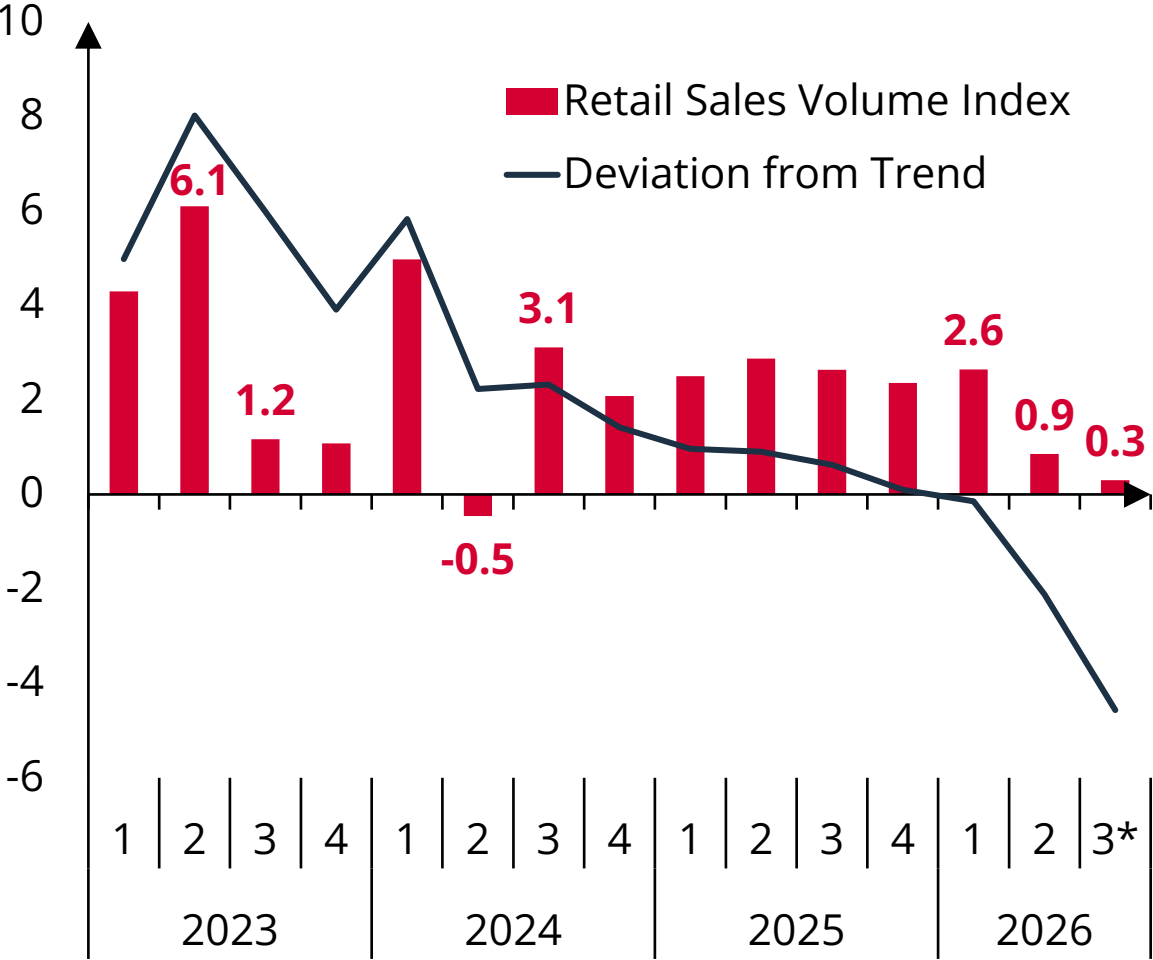
Applications per Job Postings

(Seasonally Adjusted, 3-Month Moving Average)

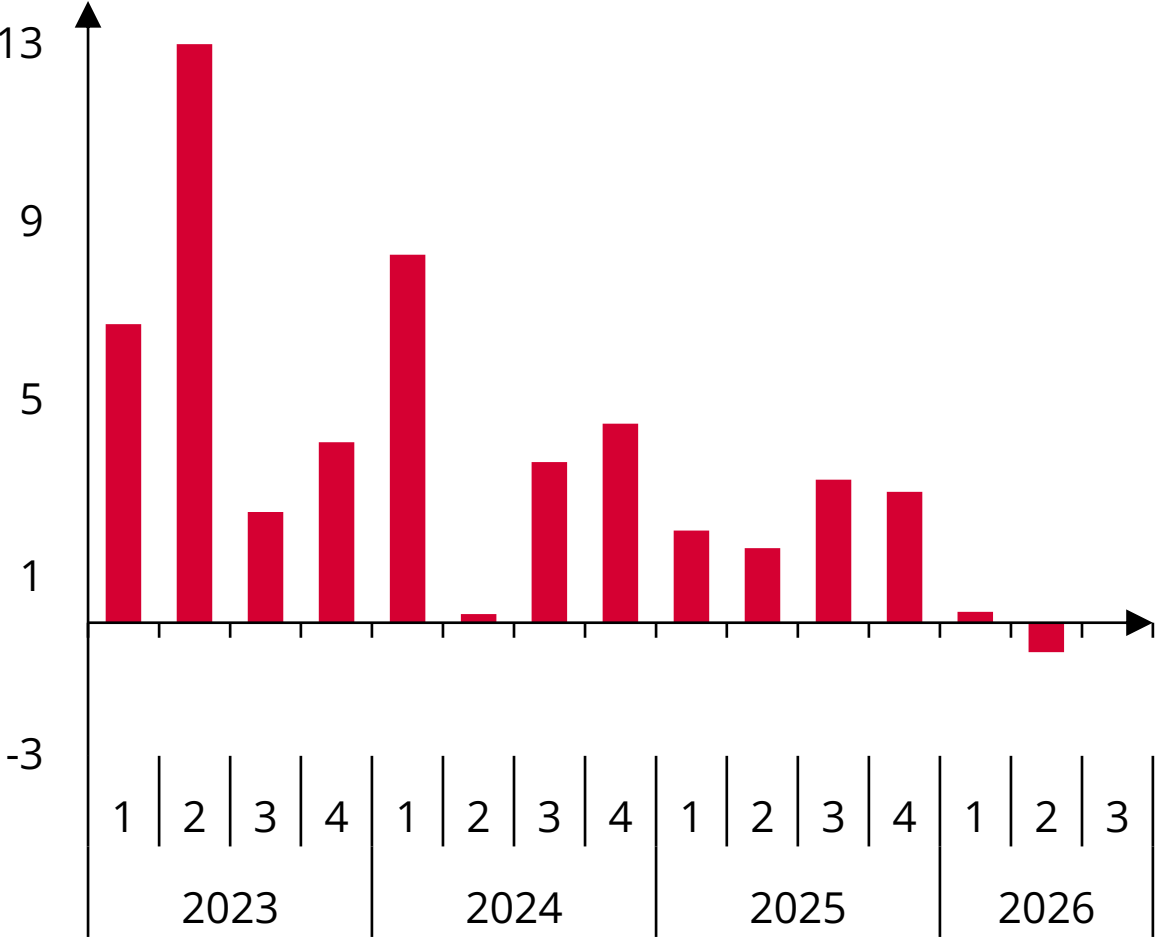


High frequency indicators confirm continued weakness in domestic demand in Q3.

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



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



Sources: TURKSTAT, CBRT.
*Retail sales are as of August. Seasonally and calendar adjusted.
**Excluding public and individual pension payments. Seasonally and calendar adjusted.

Macprudential policies supported a slowdown in credit growth.

Credit Growth (13 Week, Annualized, FX-Adjusted, 5-Day Moving Average, %)



4

Lessons for the recent asset market stress and beyond.

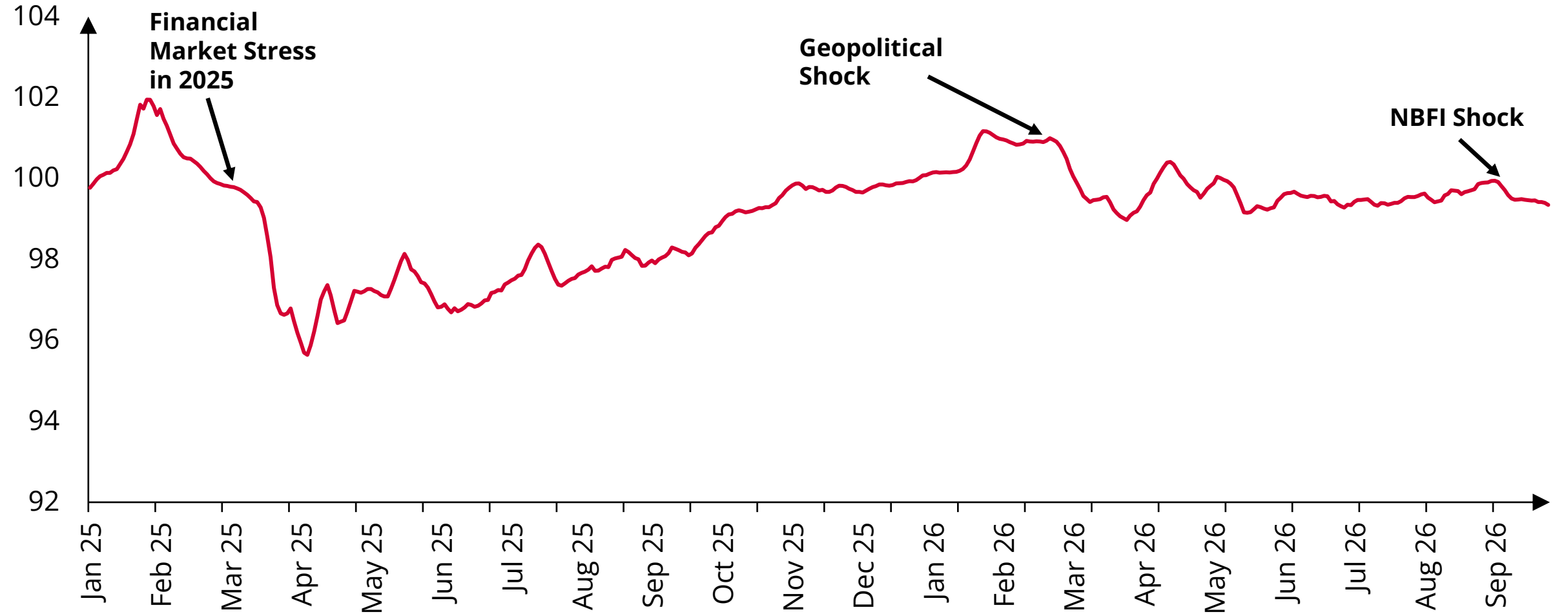
- Financial stability is a precondition for price stability
- Liquidity measures and outright purchases mitigate contagion risks
- TL preference remains strong

Targeted measures addressed the main channels of financial contagion risks.

CONTAGION RISKS	ACTIONS
1 Actively traded funds	• Accelerated outright purchases in TLREF segment.
2 Banks exposure to funds with trading restrictions	• Increased the volume of repo funding. • Eased borrowing limits and collateral haircuts. • Provided flexibility in TL reserve requirement.
3 Banks through potential credit deterioration	• Raised credit growth cap for SME's from 4,5% to 5%.

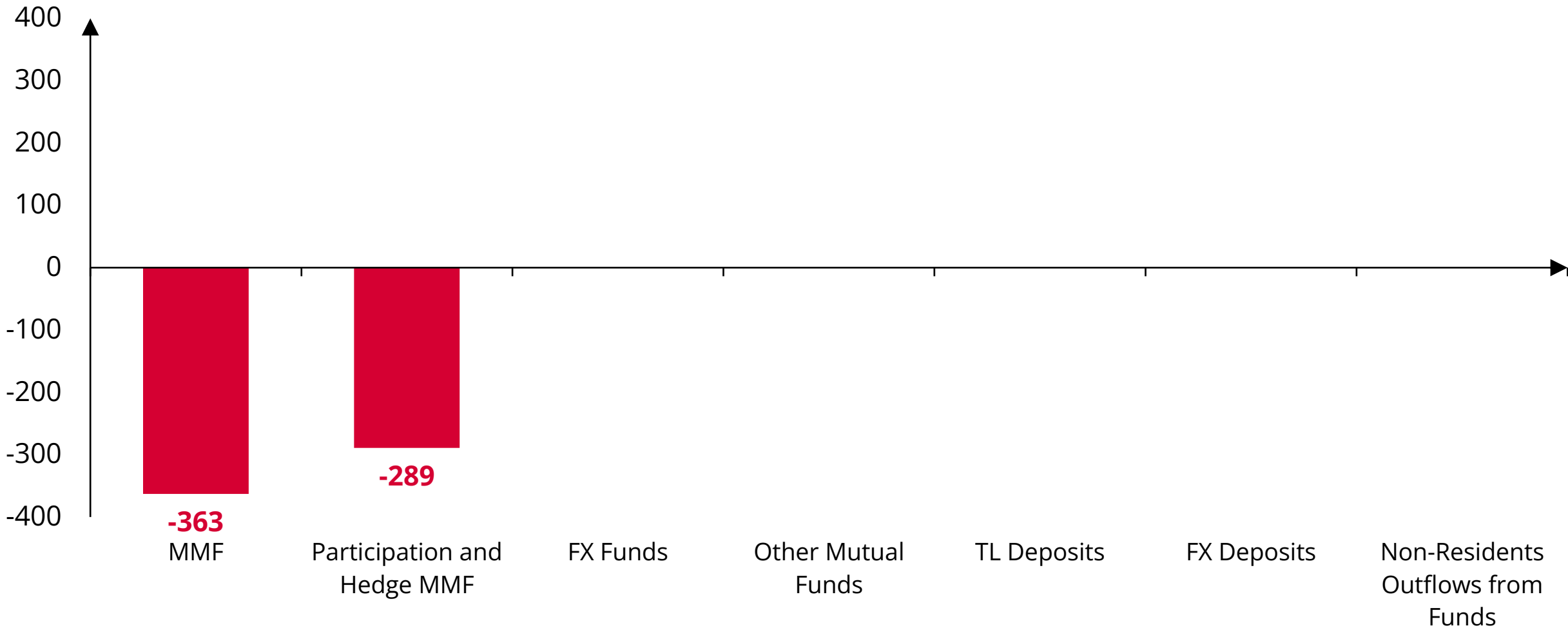
The impact was contained by timely outright purchases.

TLREF Securities (Avg. Clean Prices*, 5-Day Moving Average)



Fund outflows have not materially weakened residents' preferences for TL assets

Change in Deposits and Mutual Funds (28 Agu-5 Oct, Excluded Official Deposits, Billion TL)

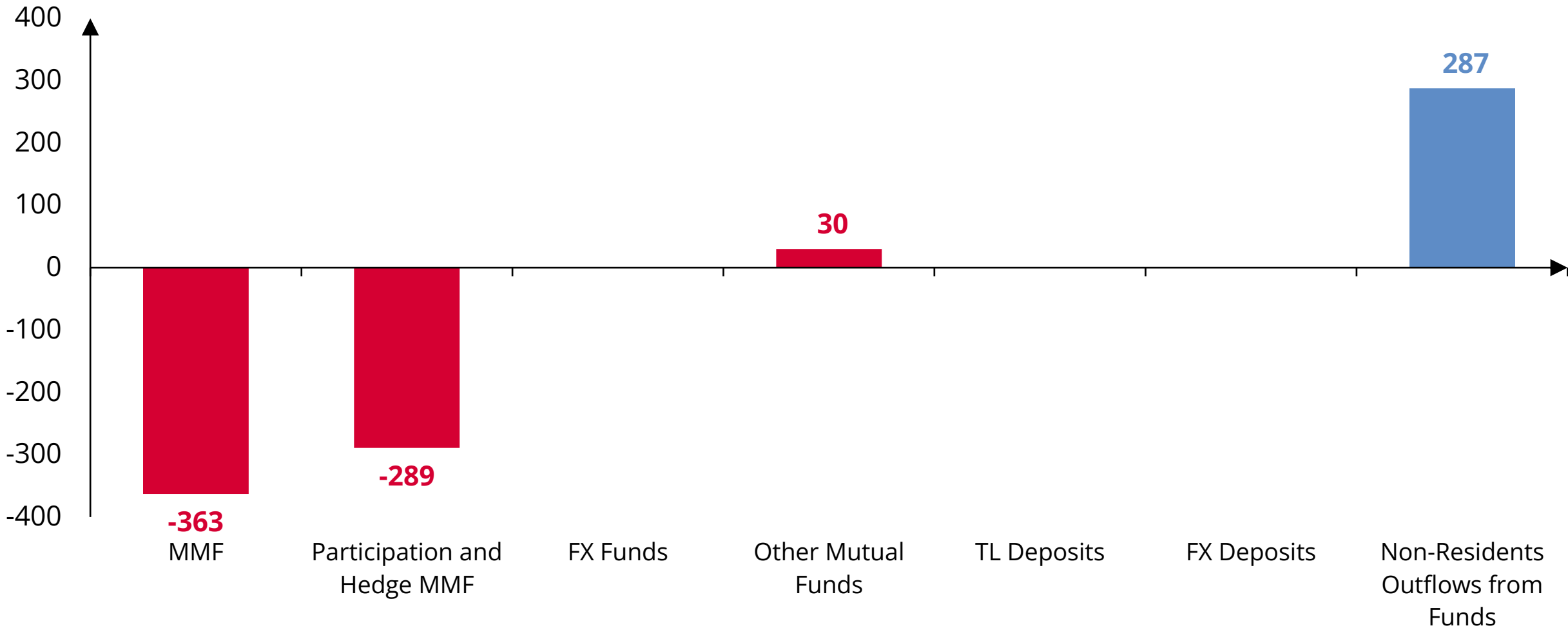


-Change in FX deposits adjusted for price and parity effects and change in mutual funds adjusted for returns.

-Non-residents' outflows are expressed in **nominal terms and represent the change between August and September.**

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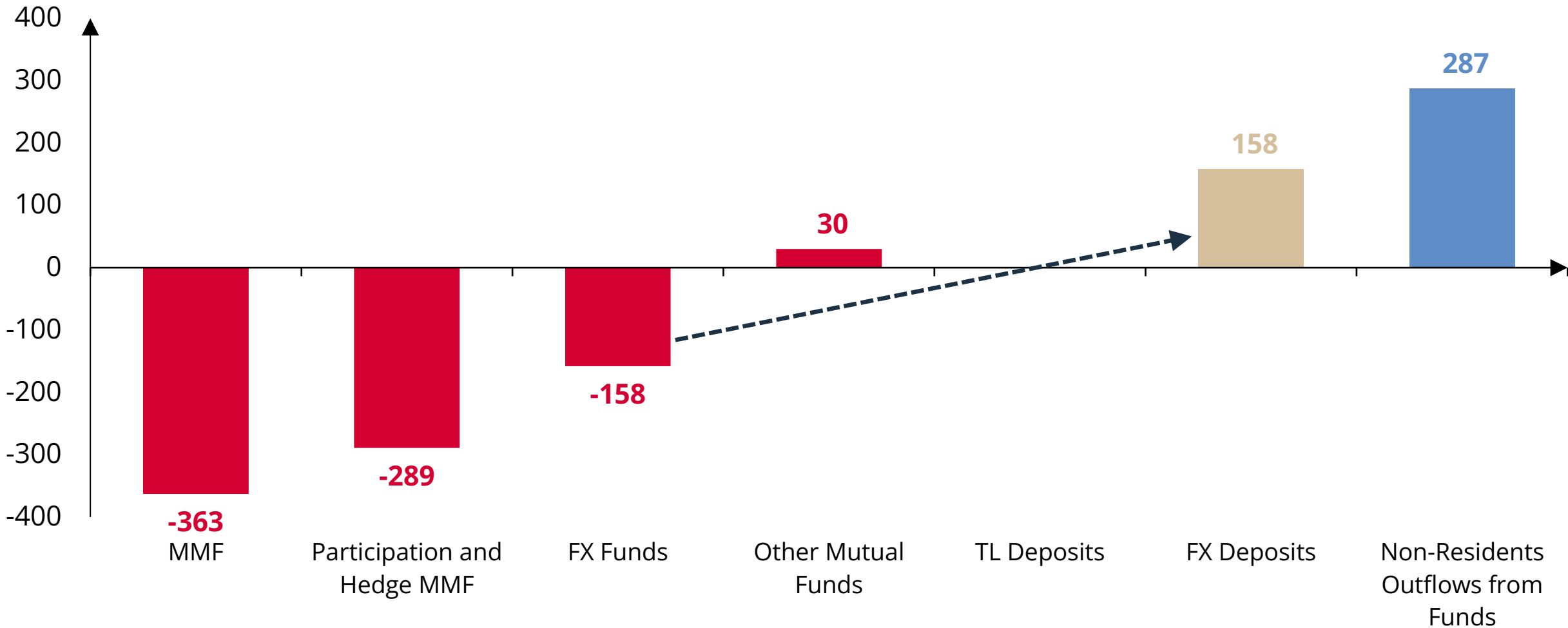


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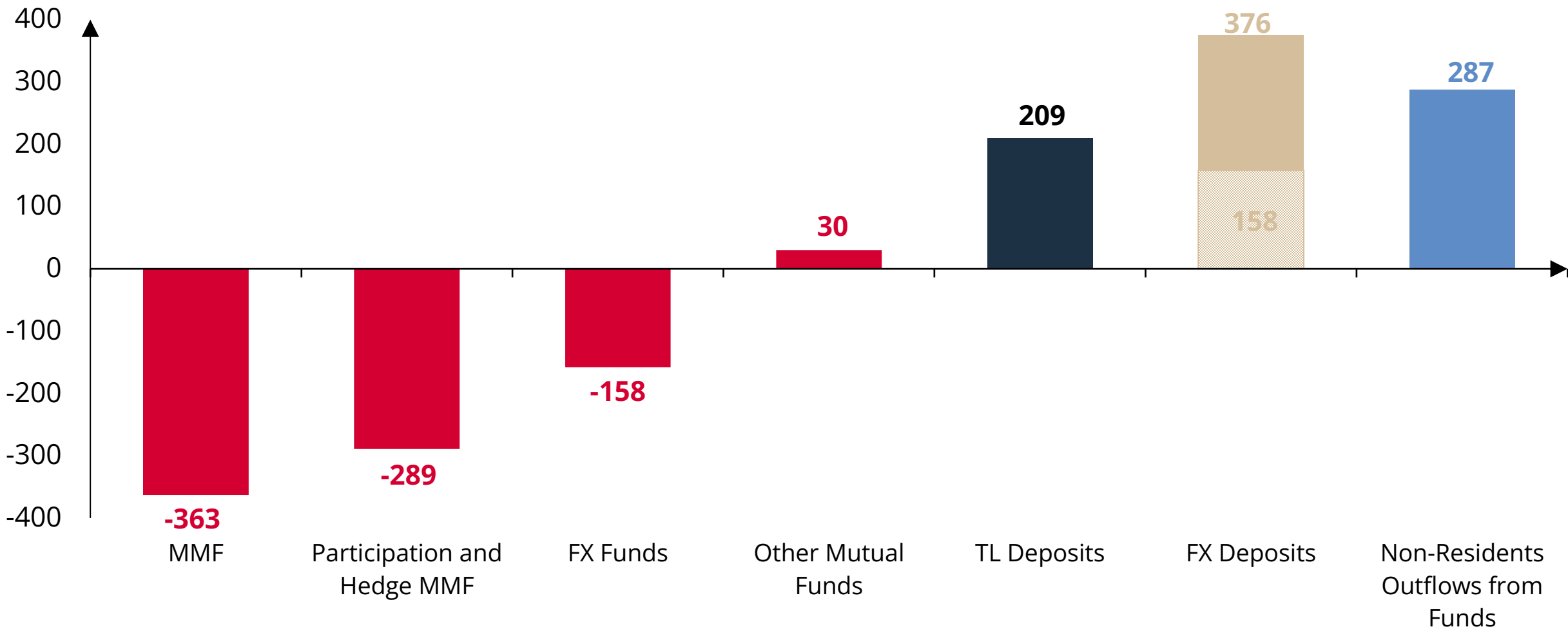
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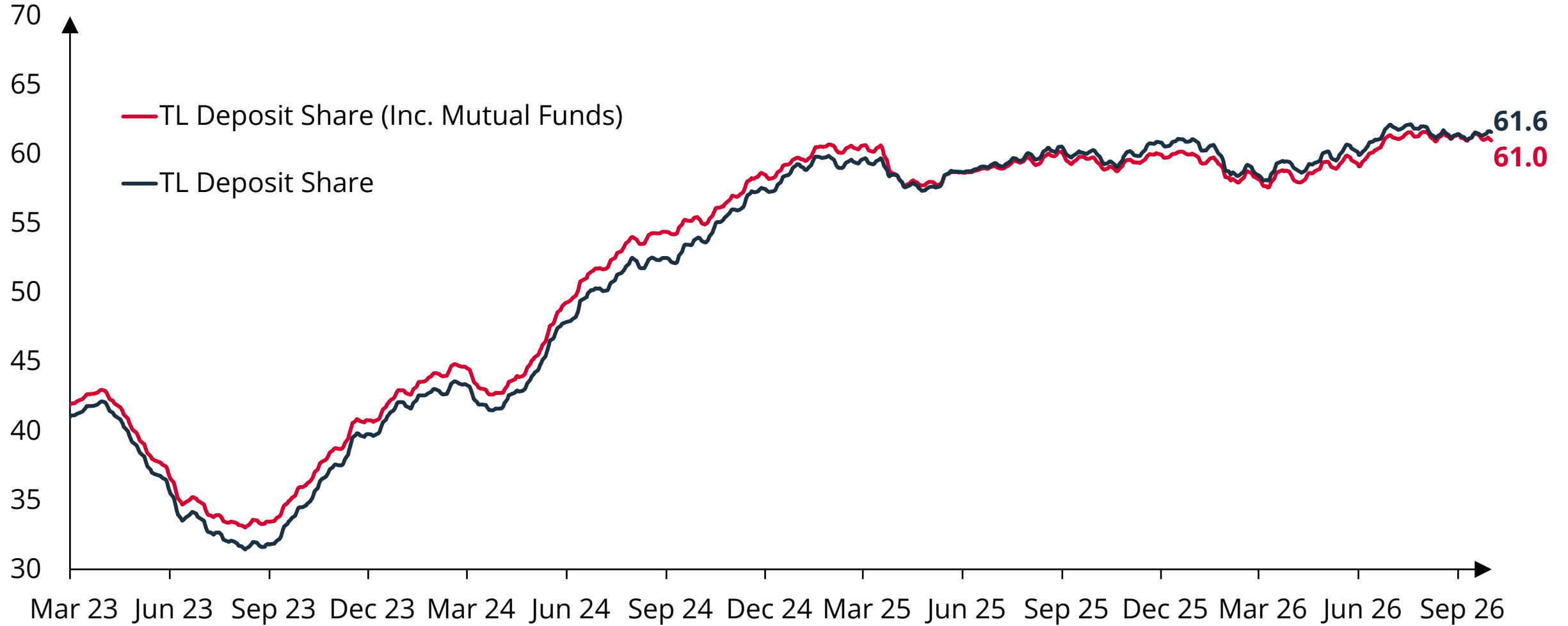


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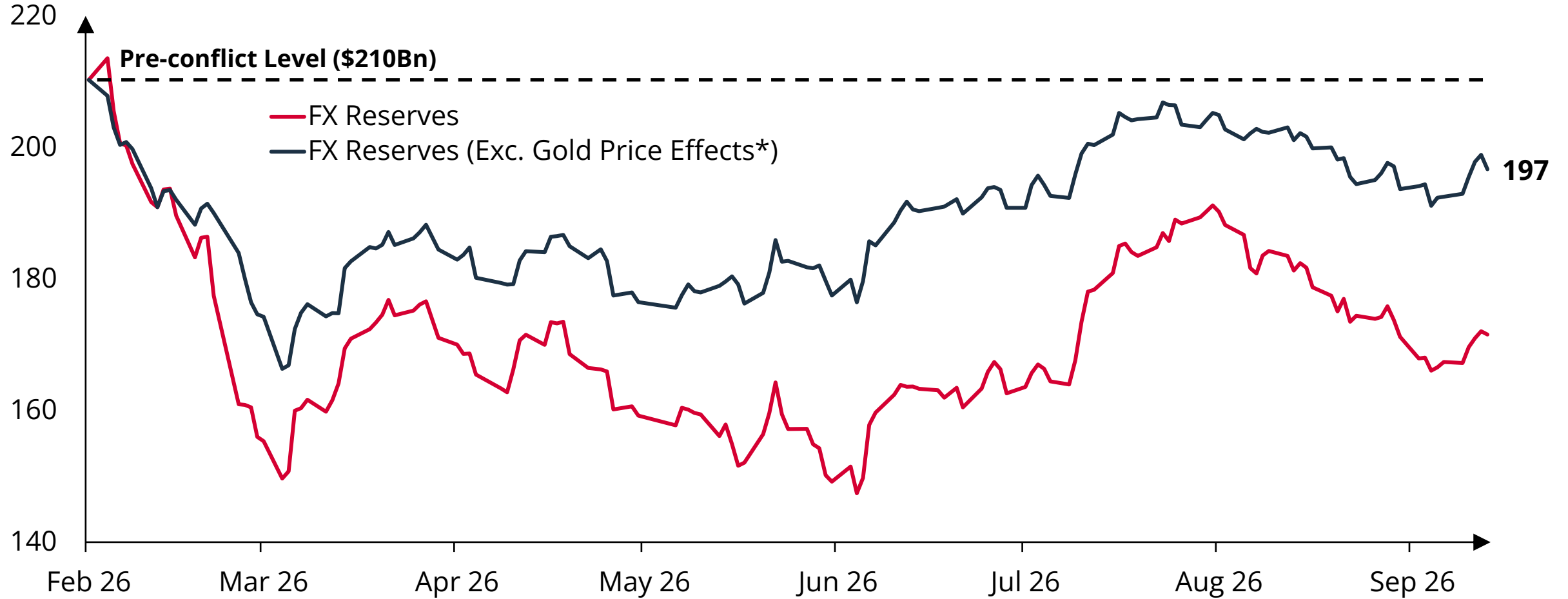
Residents' preference for TL remains robust overall.

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



Gold price fluctuations amplify the volatility in reserve buffers.

Gross International Reserves (Billion USD)



Conclusion

- Underlying inflation is moderating despite elevated energy prices.
- Soft demand dampens inflationary impulses from supply shocks.
- Proactive measures limit the possible contagion from trade restricted funds.
- TL preference remains strong under tight monetary policy.
- 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.
- Monetary policy decisions are made 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.



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