TÜRKİYE CUMHURİYET MERKEZ BANKASI

BRIEFING ON 2026-III INFLATION REPORT

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Governor

AUGUST 13, 2026

İSTANBUL

Outline

- Global Economy
- Macroeconomic Outlook
- Monetary Policy
- Medium-Term Projections
- Overview

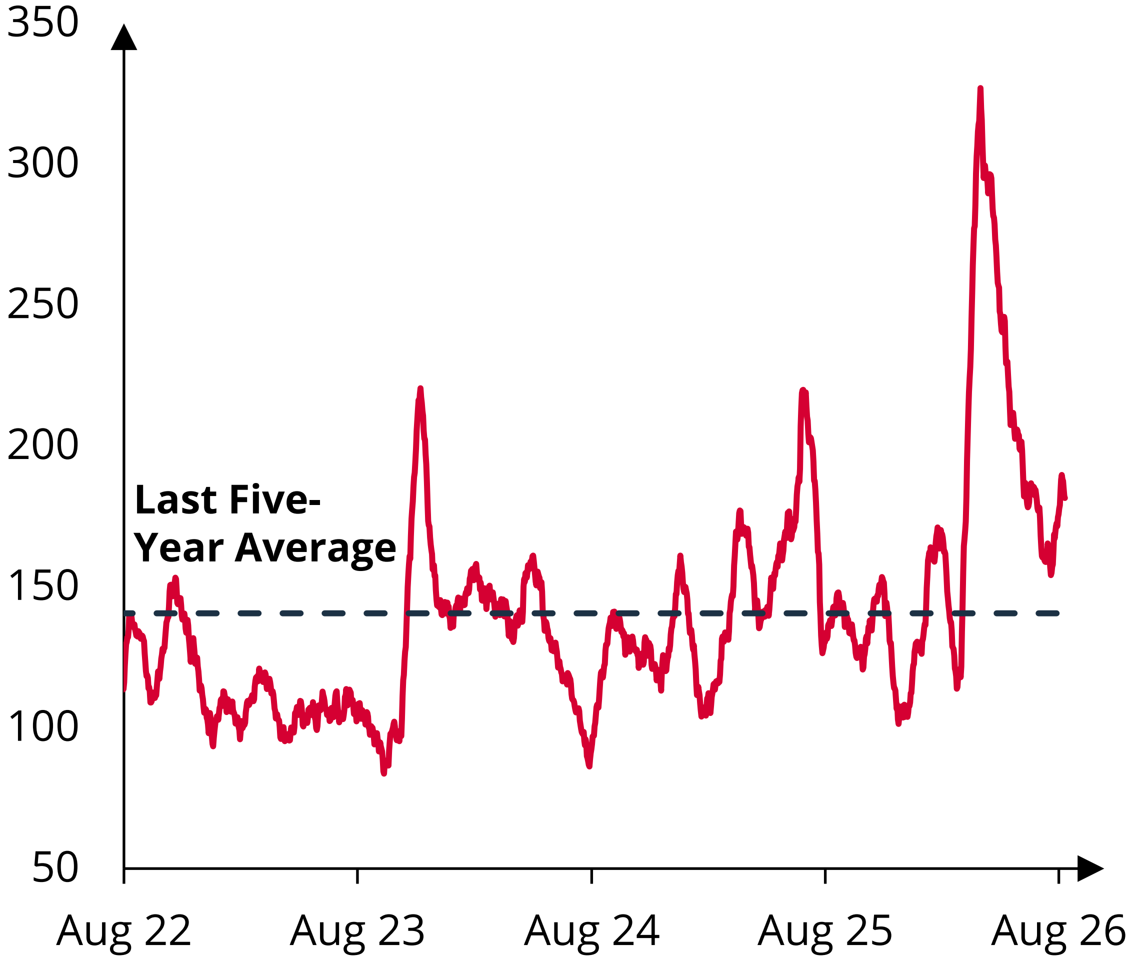
Boxes

- The Effect of Monetary Policy on Card Spending
- Findings from Interviews with Firms
- The Effect of Economic Activity on Firm Entry: Quantity or Quality?
- Supply and Cost Dynamics in Food Inflation
- Transmission of Upward Cost Surprises to Firms' Expectations: Demand Conditions and the Disinflation Period

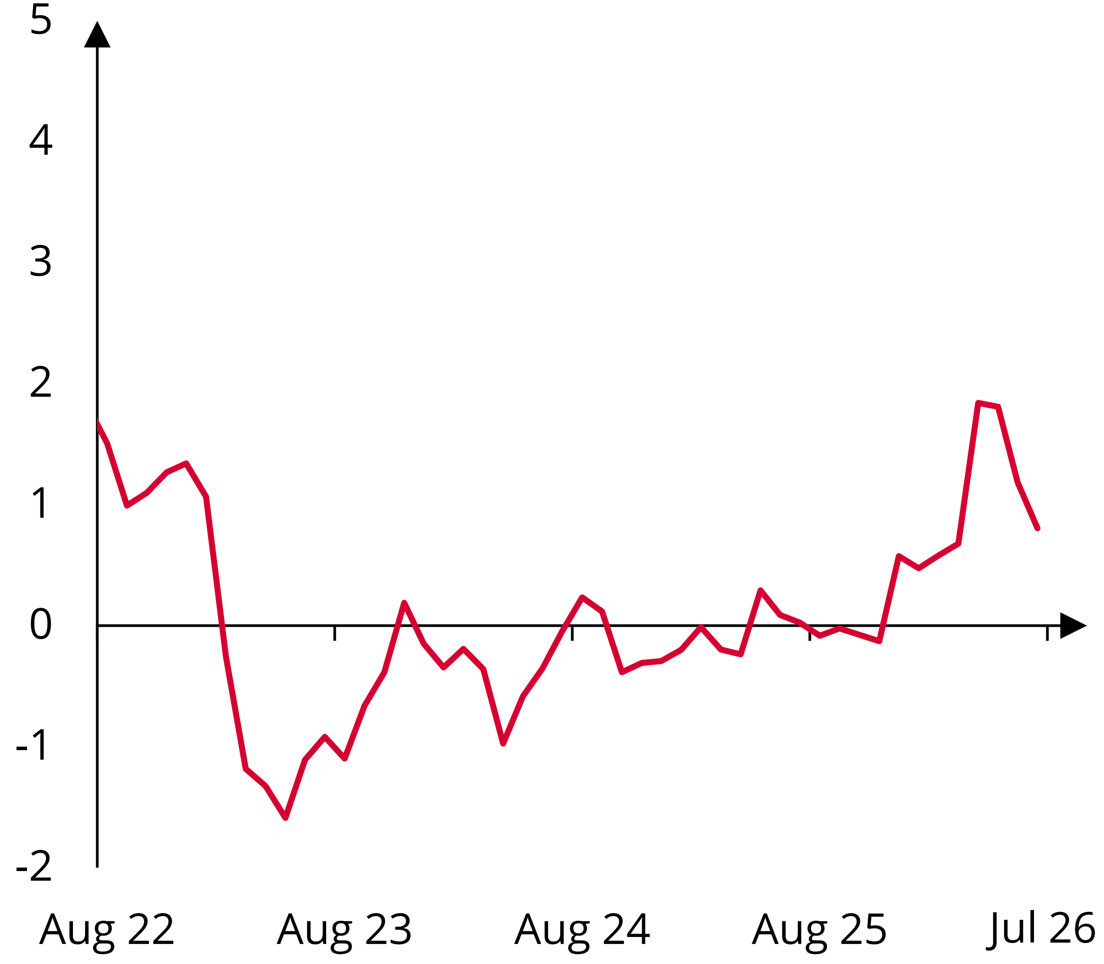
GLOBAL ECONOMY

Geopolitical risks and global supply chain disruptions persist.

Geopolitical Risk Index*



Global Supply Chain Pressure Index



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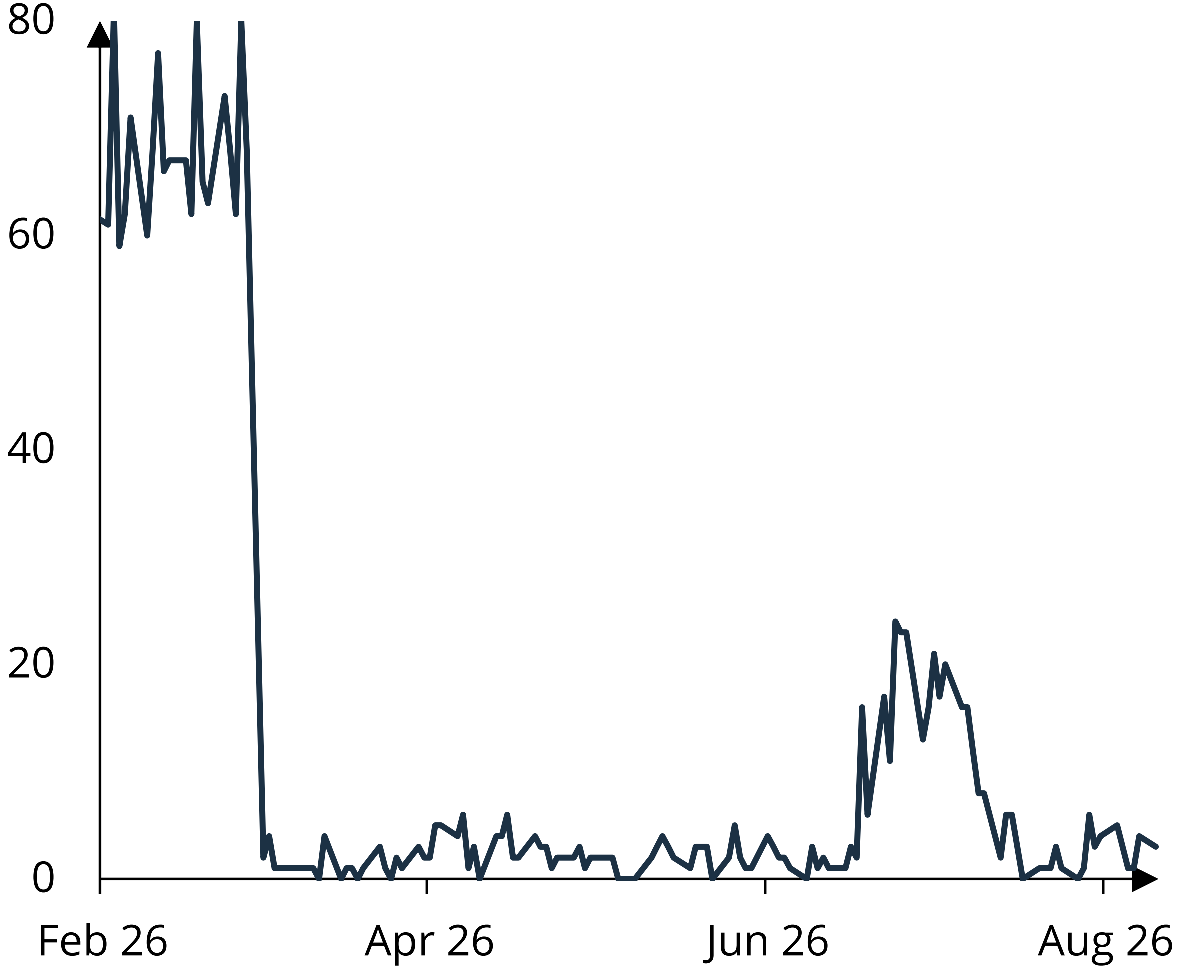
Sources: Geopolitical Risk Index, Iacoviello et al. (2021) (Left-hand Chart), New York Fed (Right-hand Chart). As of August 10 (Left-hand Chart) and July 31 (Right-hand Chart), 2026.

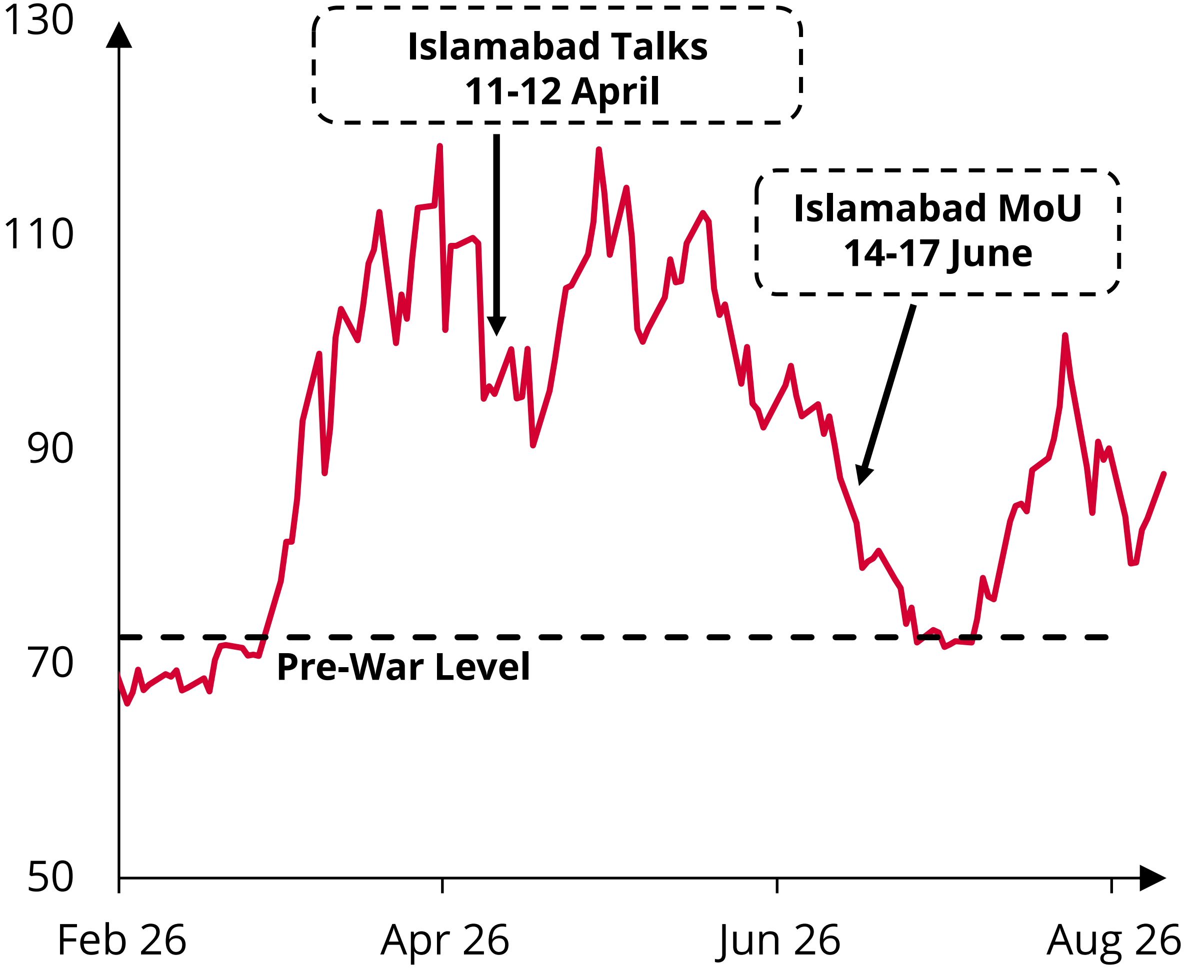
*30-day moving average. Dashed lines represent the average of the last five years.

Oil prices remain elevated and volatile.

Strait of Hormuz Vessel Transits (Number)



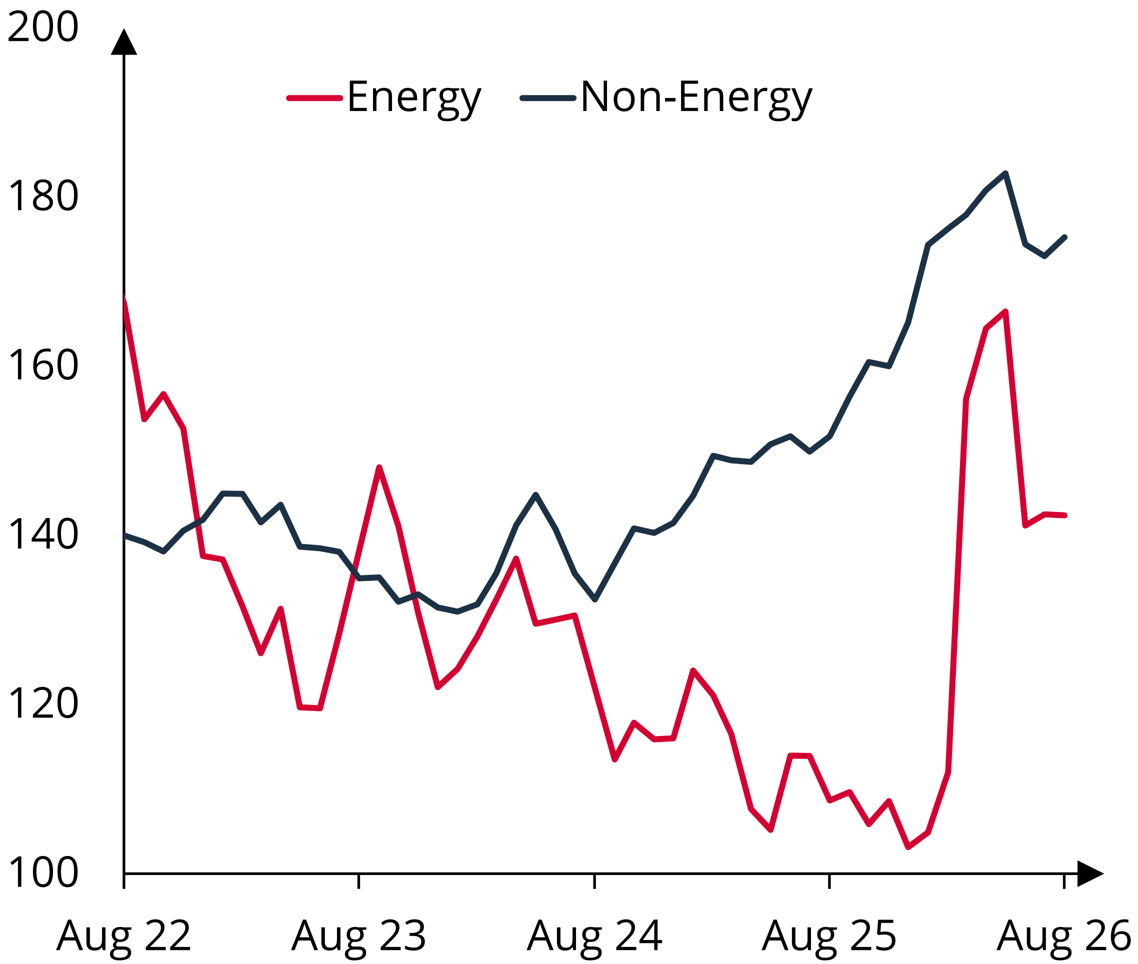
Brent Oil Prices (USD/Barrel)



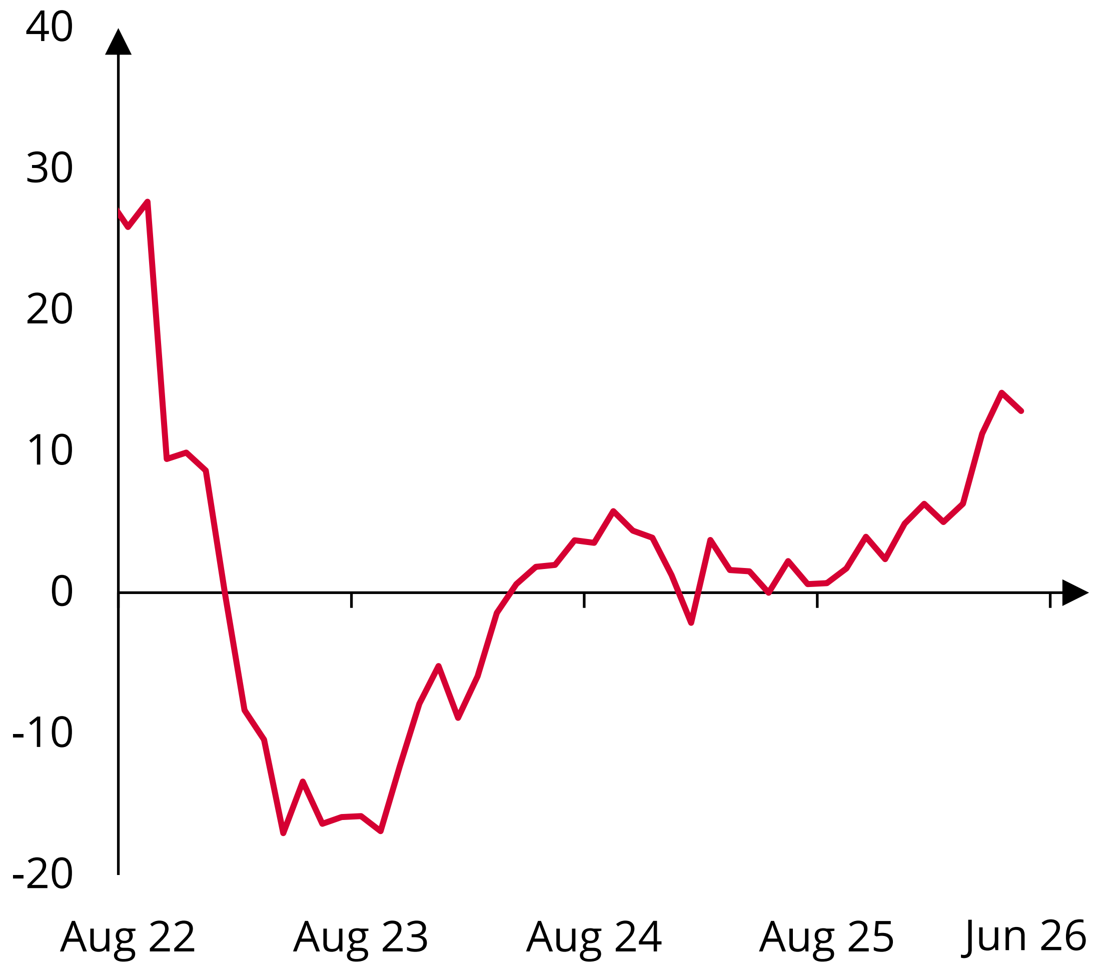
Source: Bloomberg. As of August 10, 2026.

Import prices have increased, driven by broad-based commodity gains.

Commodity Price Indices* (Monthly Average)



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

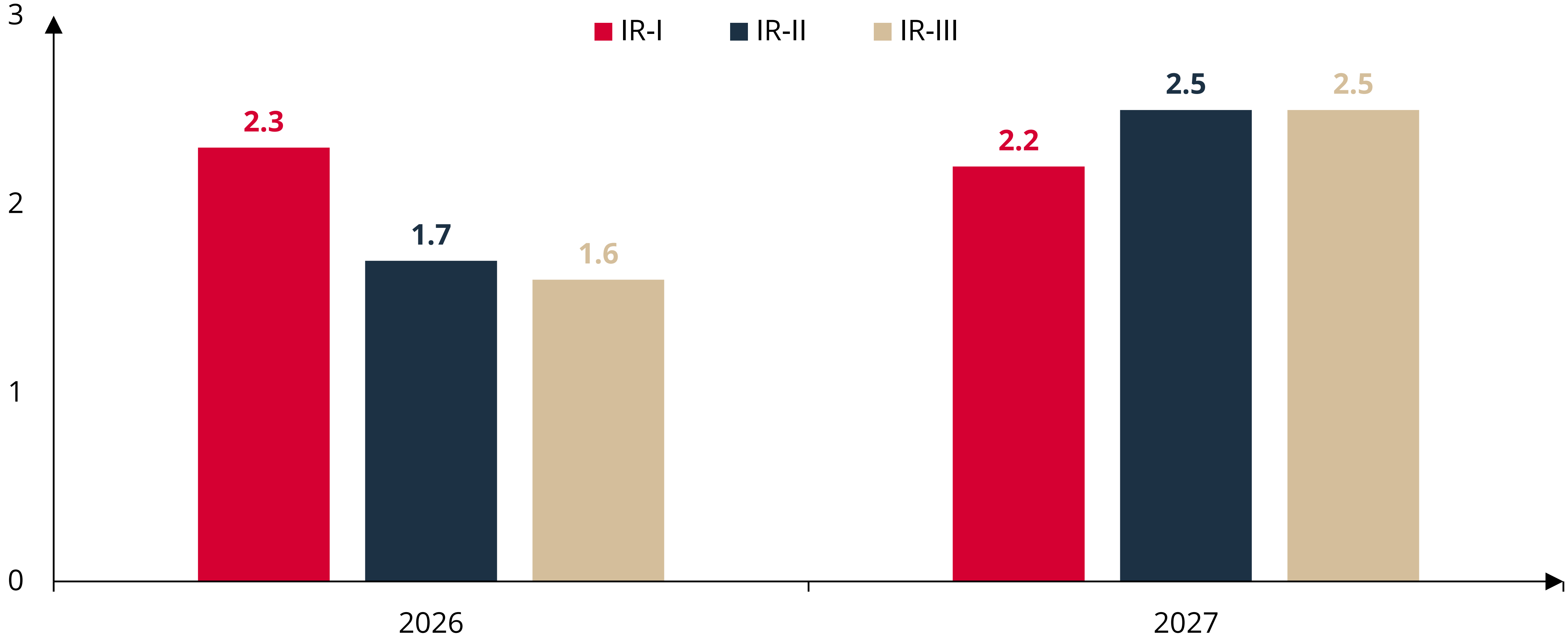


Sources: Bloomberg (Left-hand Chart), TÜİK (Right-hand Chart). As of August 10 (Left-hand Chart) and June 2026 (Right-hand Chart).

*December 2019 =100.

Global growth is expected to remain subdued in 2026 and recover in 2027.

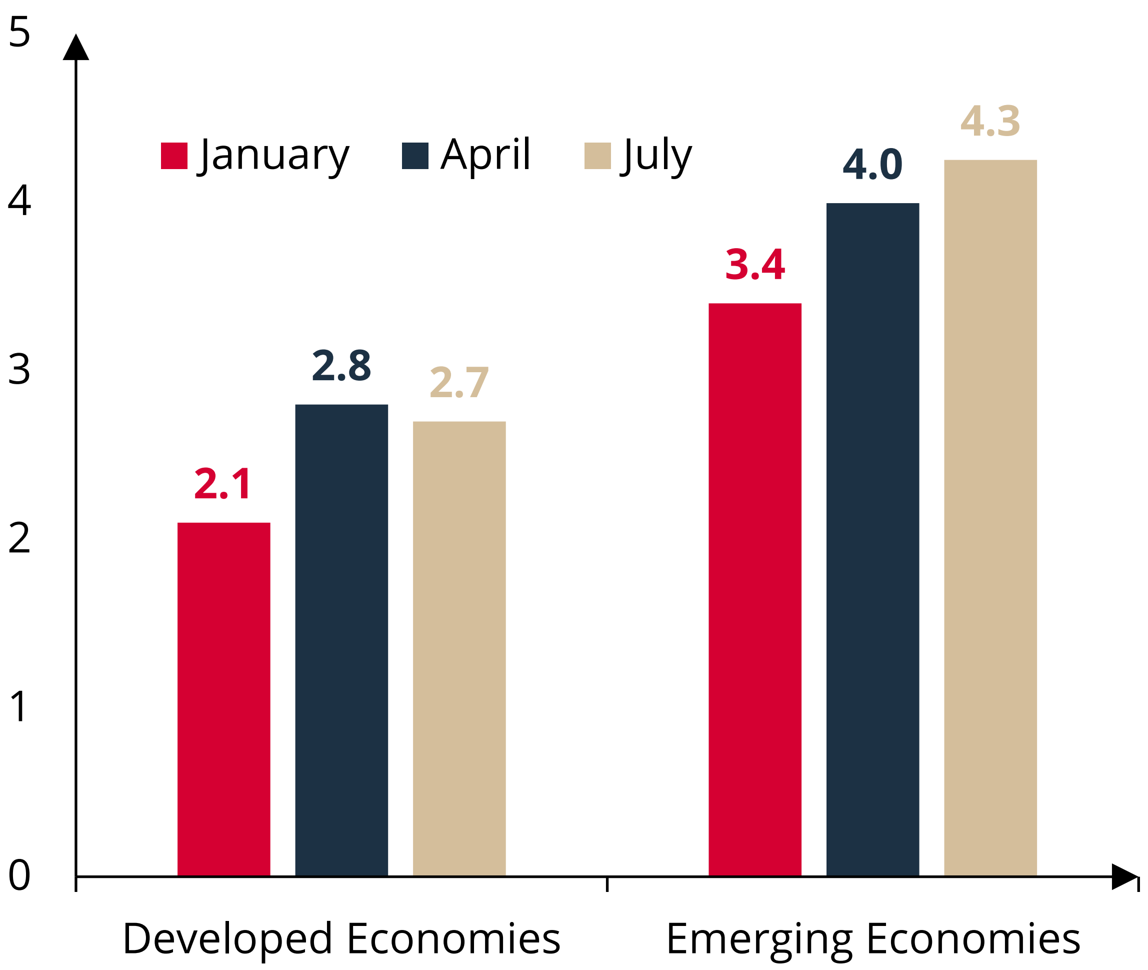
Export-Weighted Global Growth Index (Annual Growth, %)



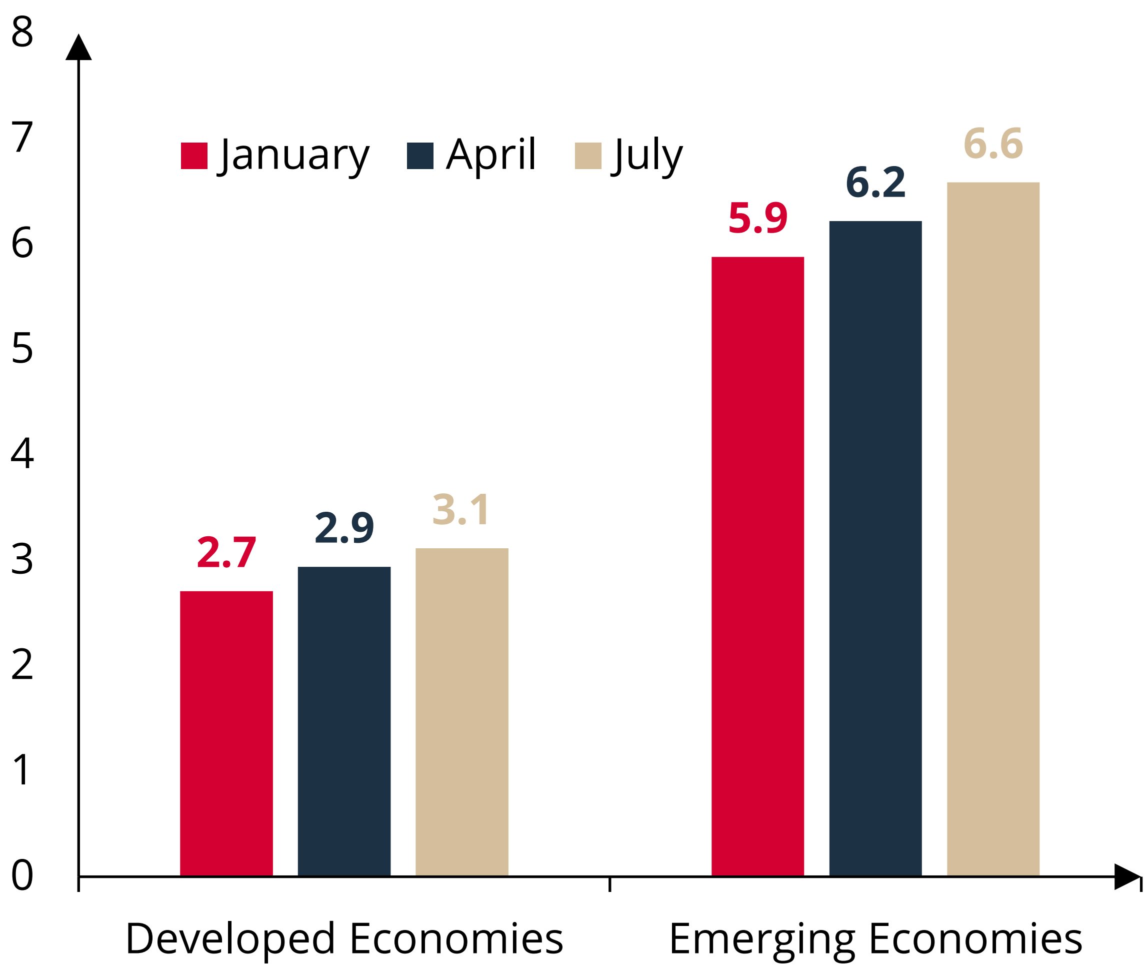
Sources: Consensus Economics, S&P Global, CBRT. As of July 2026.

Global inflation and policy rate expectations continued to be revised upward.

2026 Inflation Expectations (Year-end, Simple Average, %)



2026 Policy Rate Expectations* (Year-end, Simple Average, %)

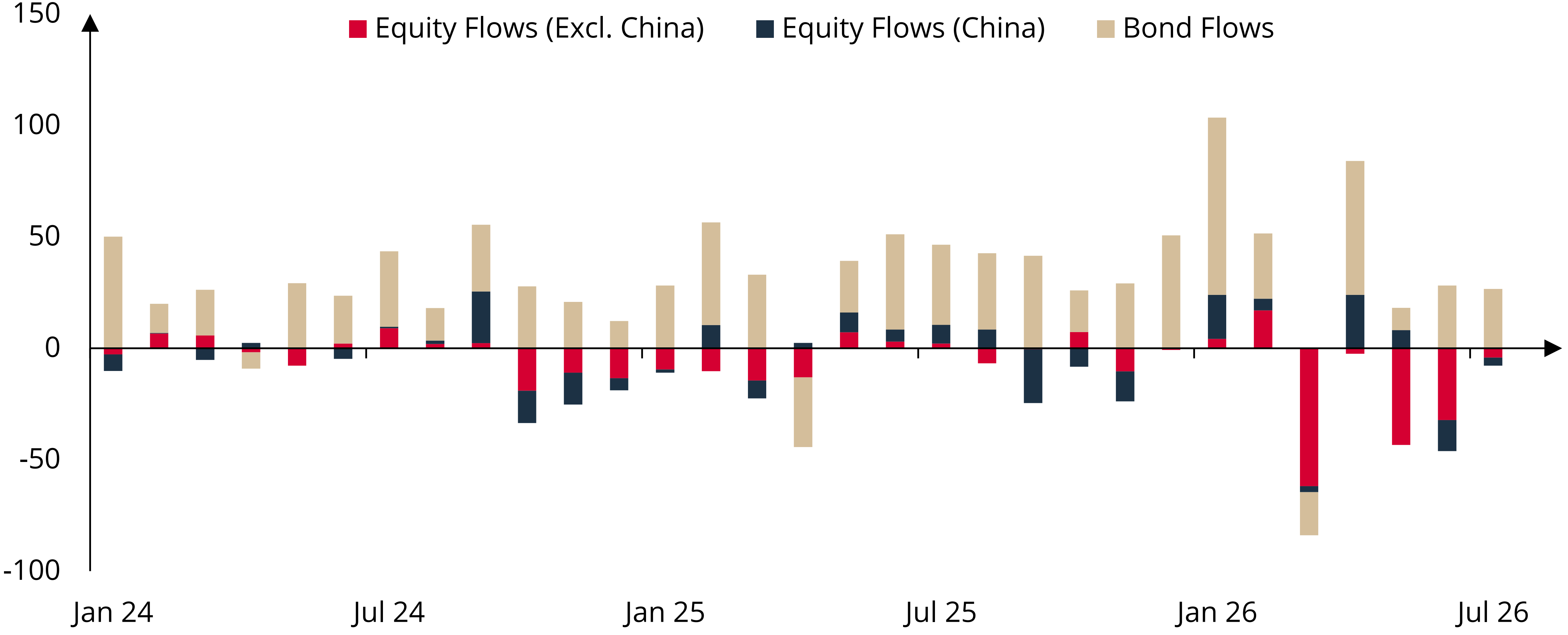


Sources: Consensus Economics (Left-hand Chart), Bloomberg (Right-hand Chart). As of July 2026.

*End-of-month expectations for the respective month are used.

EME portfolio flows became more volatile.

Portfolio Flows to EMEs (Monthly, Billion USD)

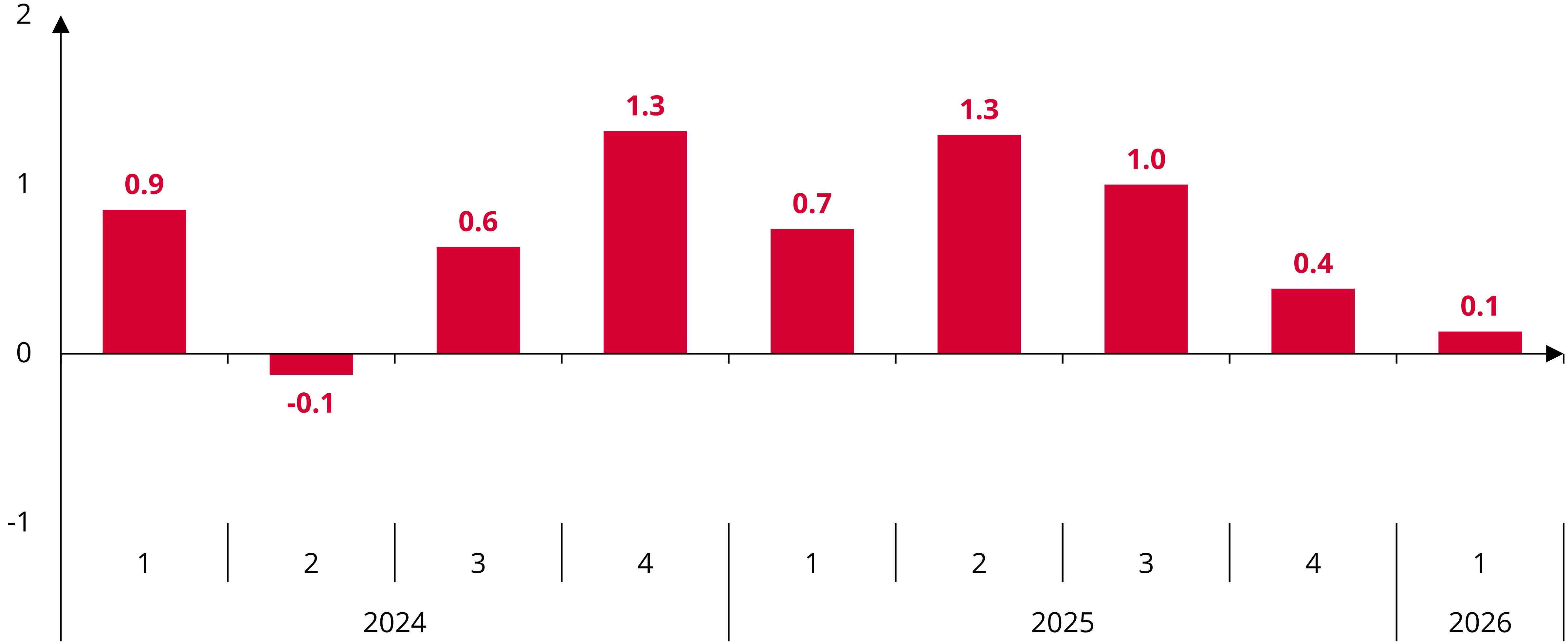


Source: IIF. As of July 2026.

ECONOMIC ACTIVITY

Growth continued to slow down in the first quarter.

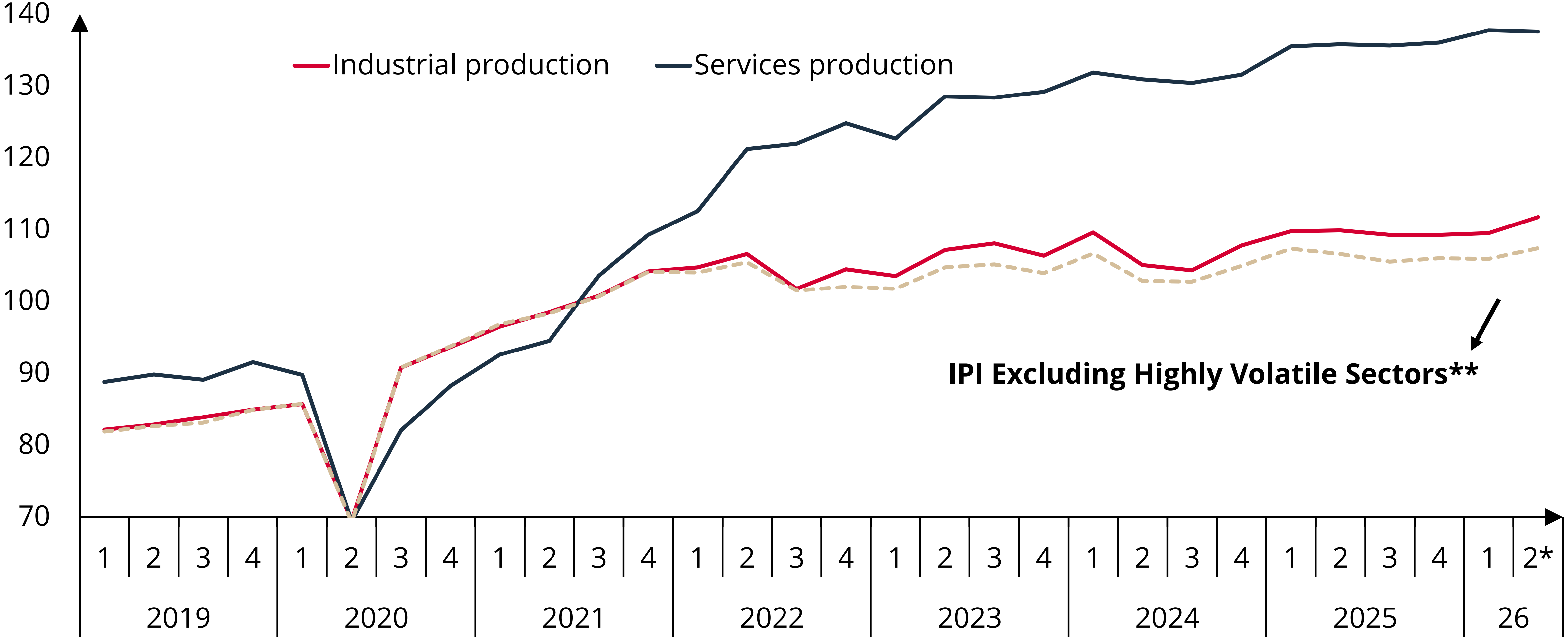
Gross Domestic Product (Seasonally and Calendar Adjusted, Quarterly % Change)



Source: TURKSTAT.

In Q2, services production remained nearly flat, while industrial production rose.

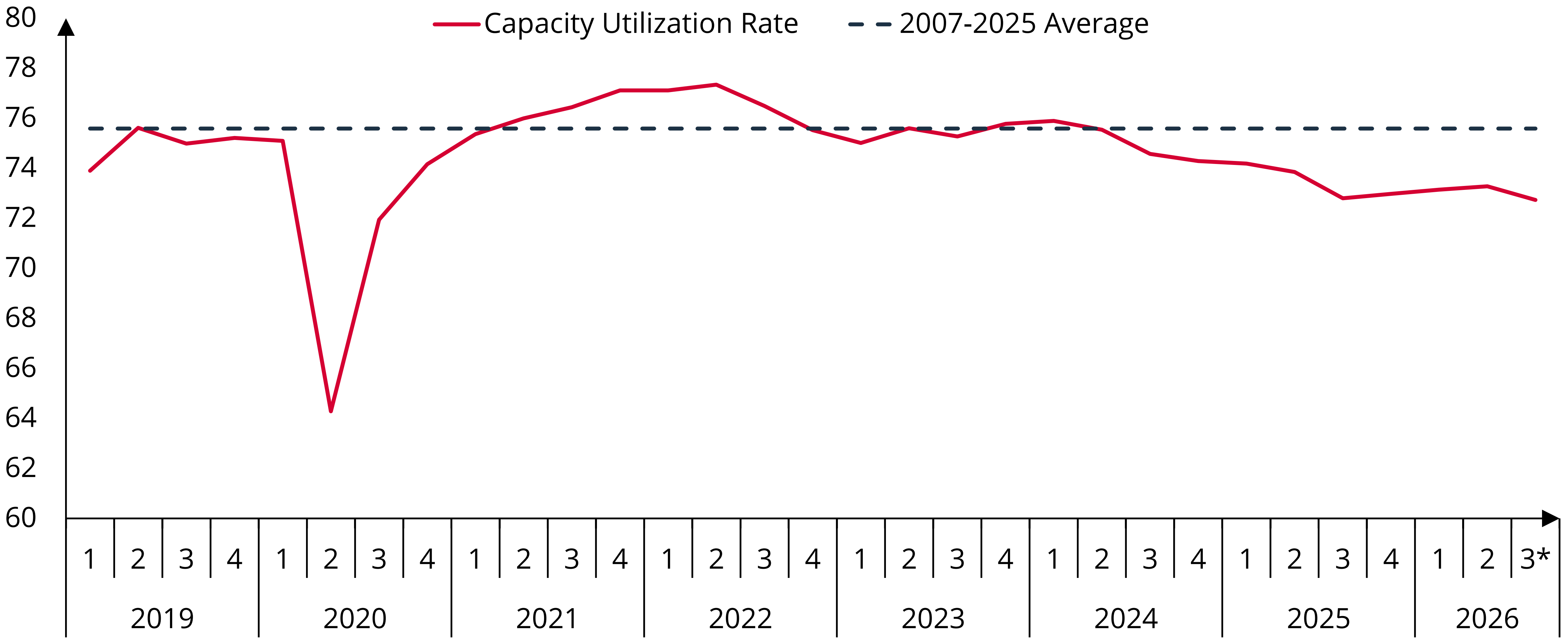
Production Indices (Seasonally and Calendar Adjusted, 2021=100)



Sources: CBRT, TURKSTAT.
*Services production is as of May.
**Industrial production excluding the typically volatile sectors: recorded media, computer-optics, basic pharmaceuticals and other transportation.

Capacity utilization remains weak.

Capacity Utilization Rate** (Seasonally Adjusted, %)



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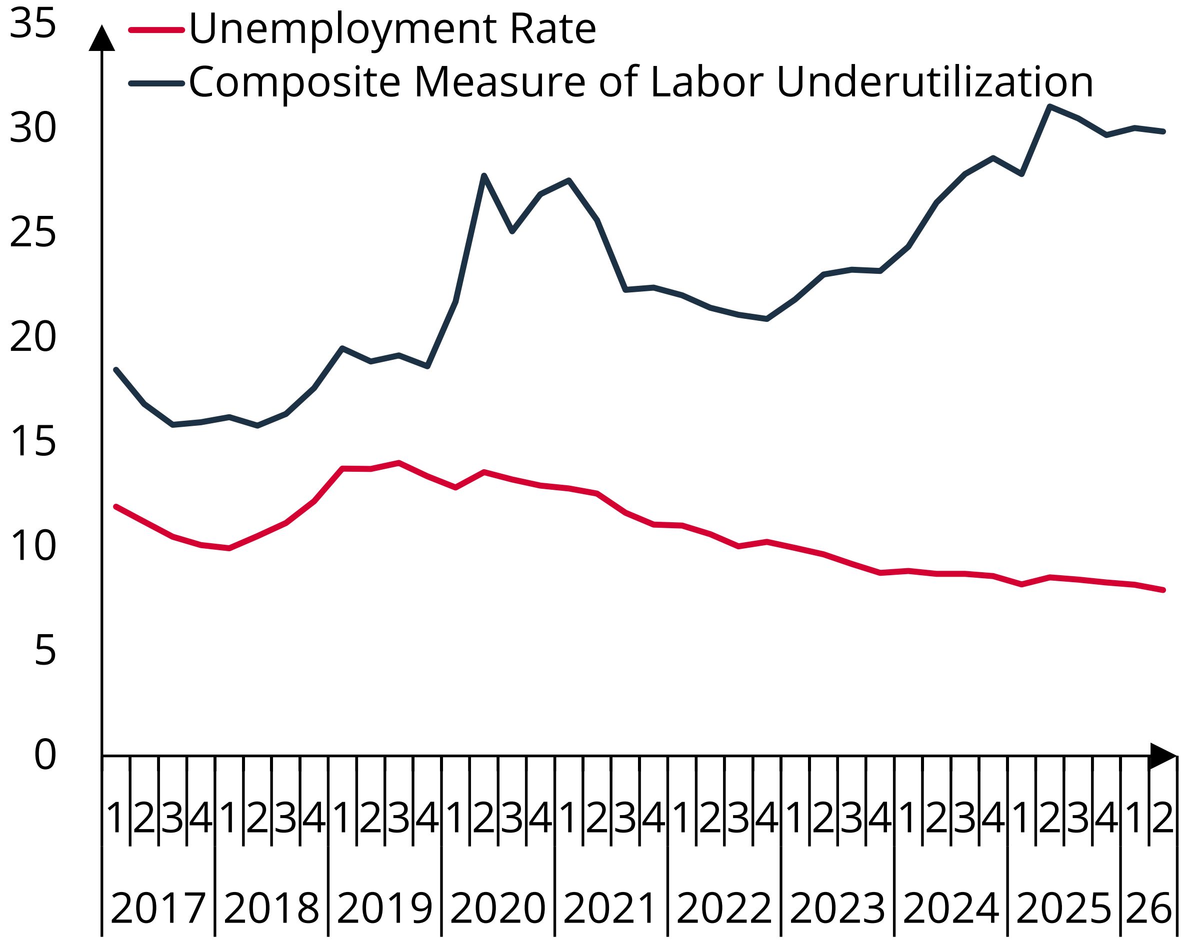
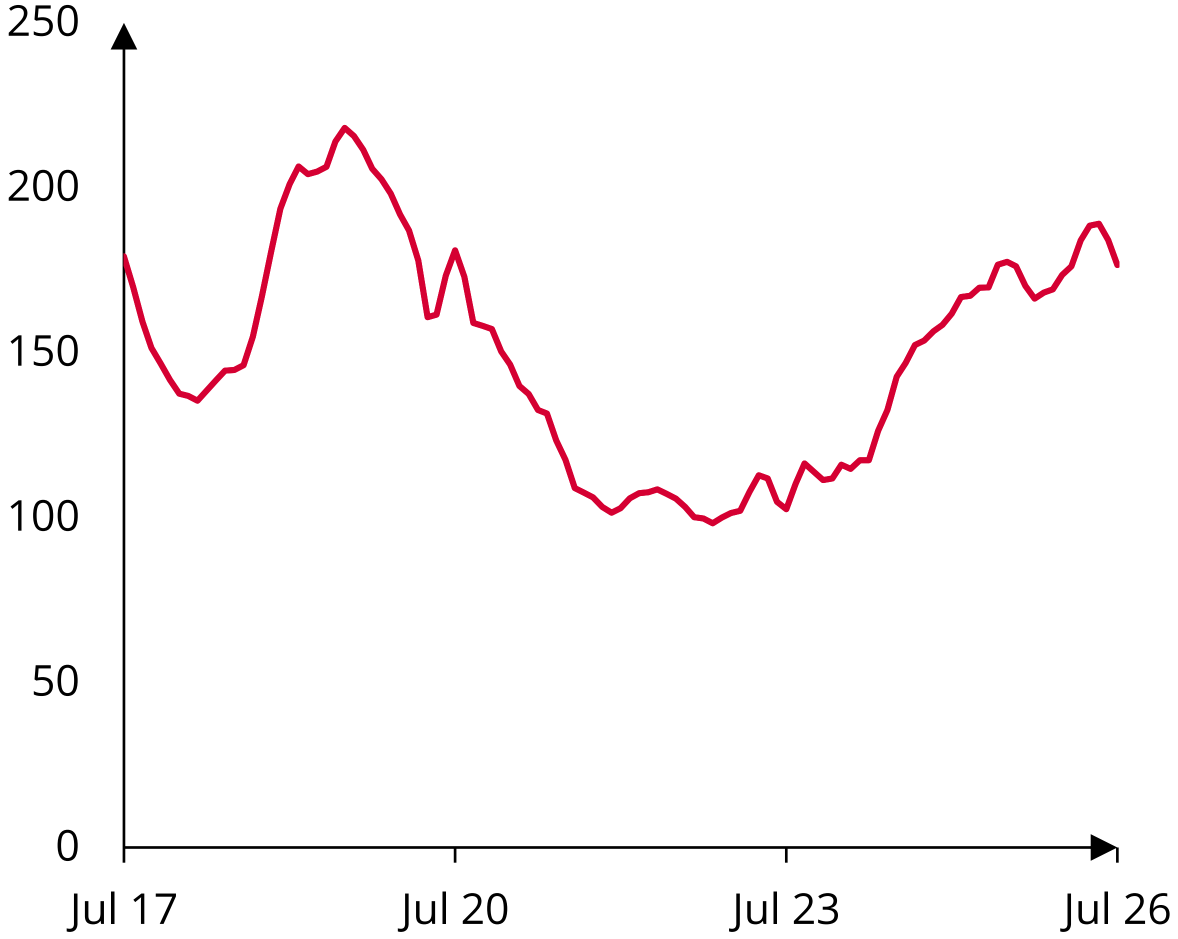
Source: CBRT.
*As of July.
**Manufacture of coke and refined petroleum products is excluded.

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)



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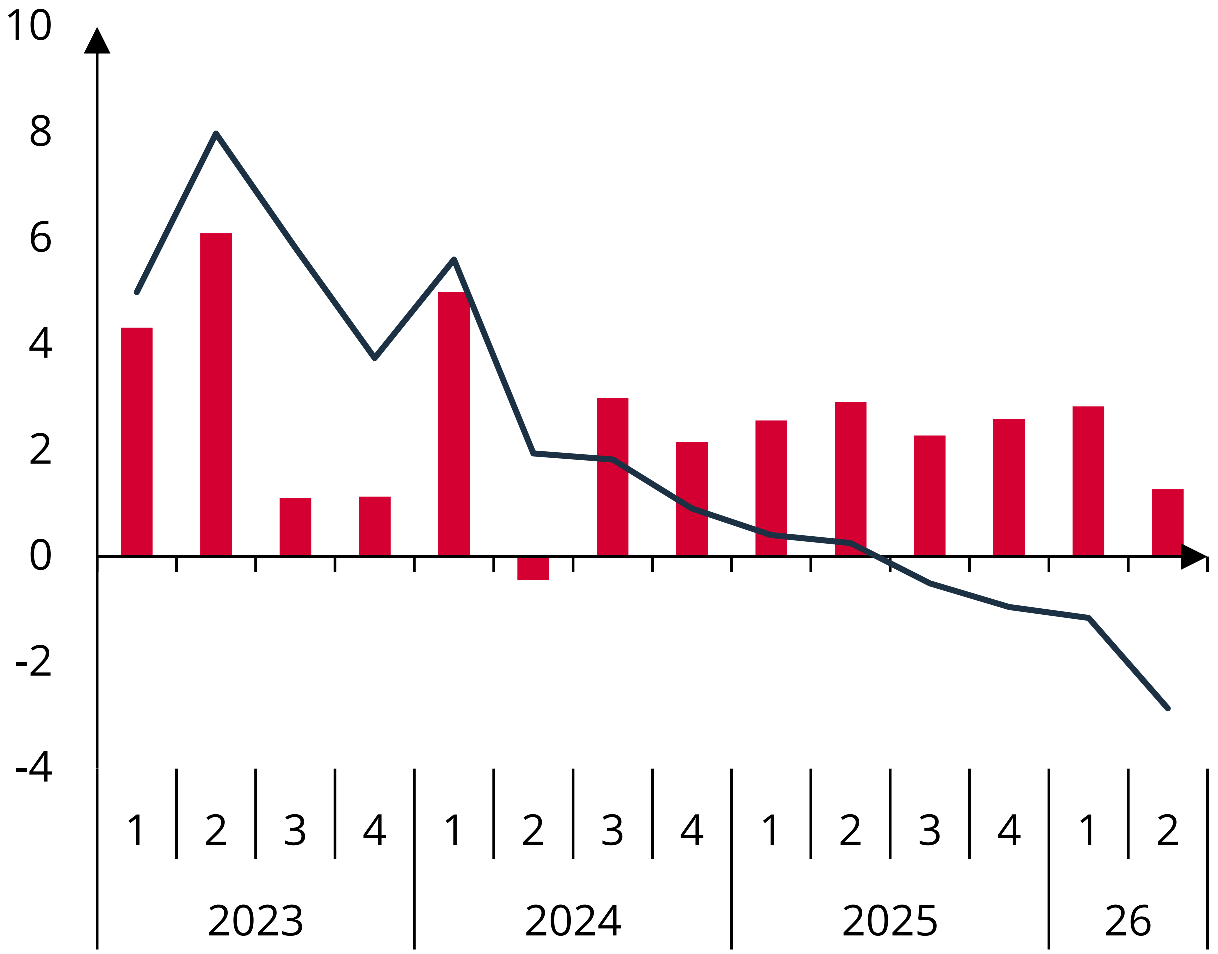
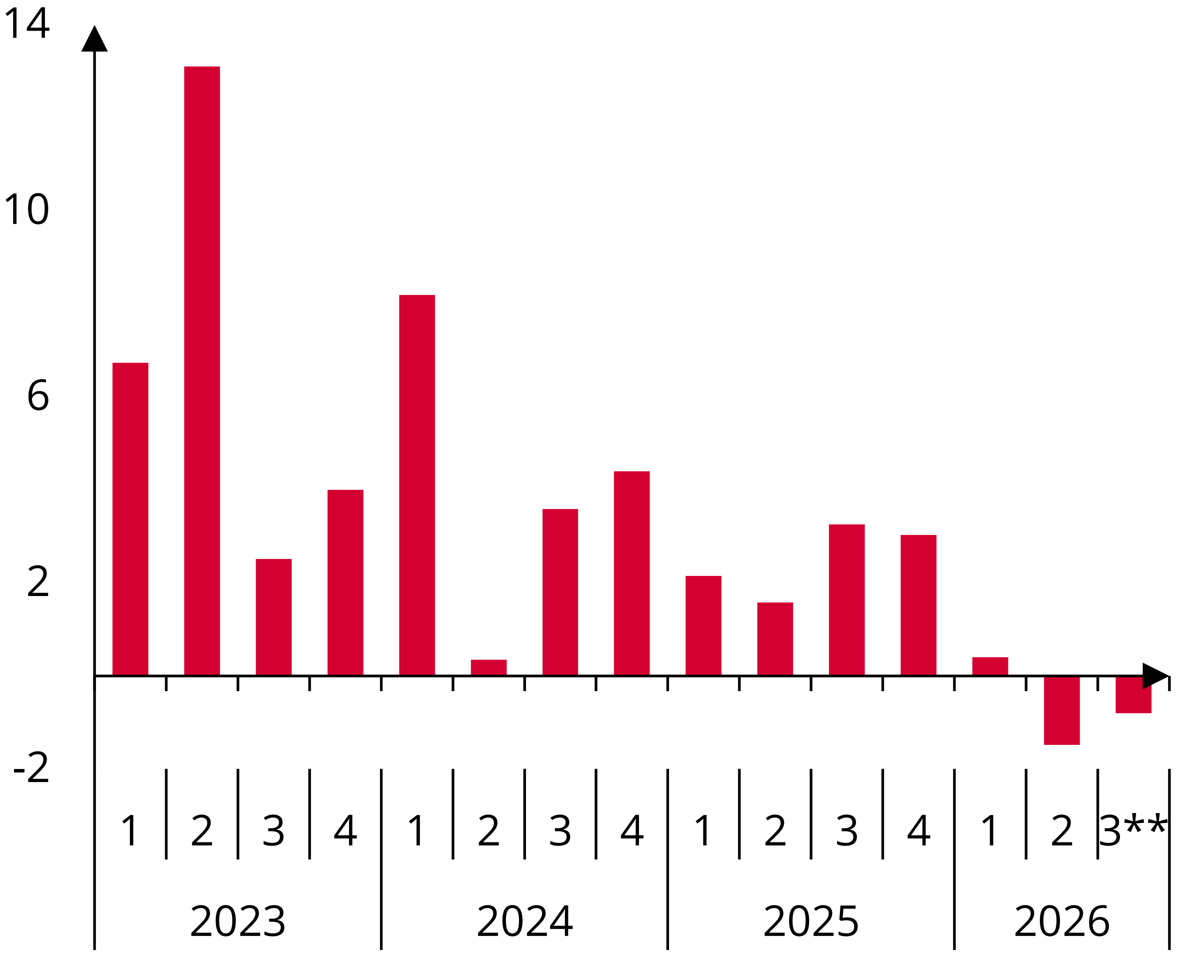
Sources: TURKSTAT, Kariyer.net, CBRT.

Weakening in domestic demand has become more pronounced.

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



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



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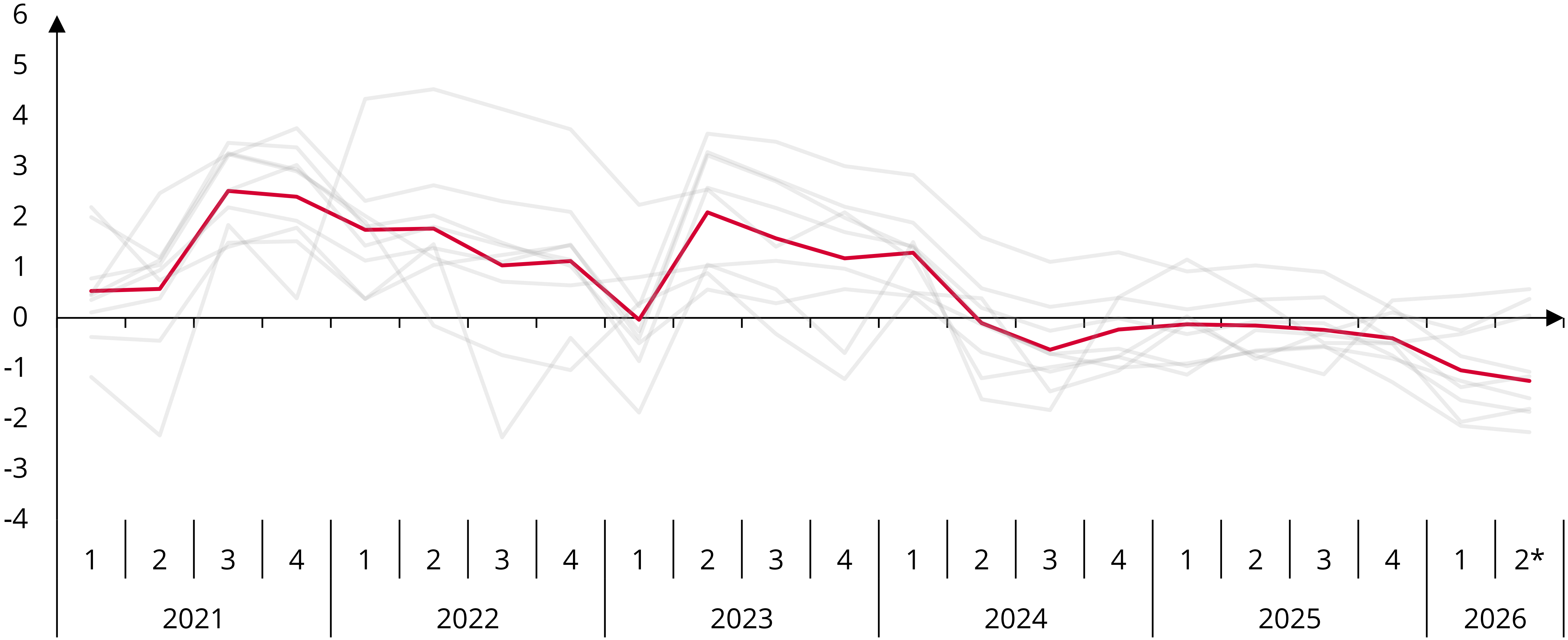
*The dark line indicates deviation from the trend. All values are seasonally and calendar adjusted.

**Excluding public and individual pension payments. The 2026 third quarter data is as of July.

Indicators suggest that demand conditions are at disinflationary levels.

Output Gap* (%)

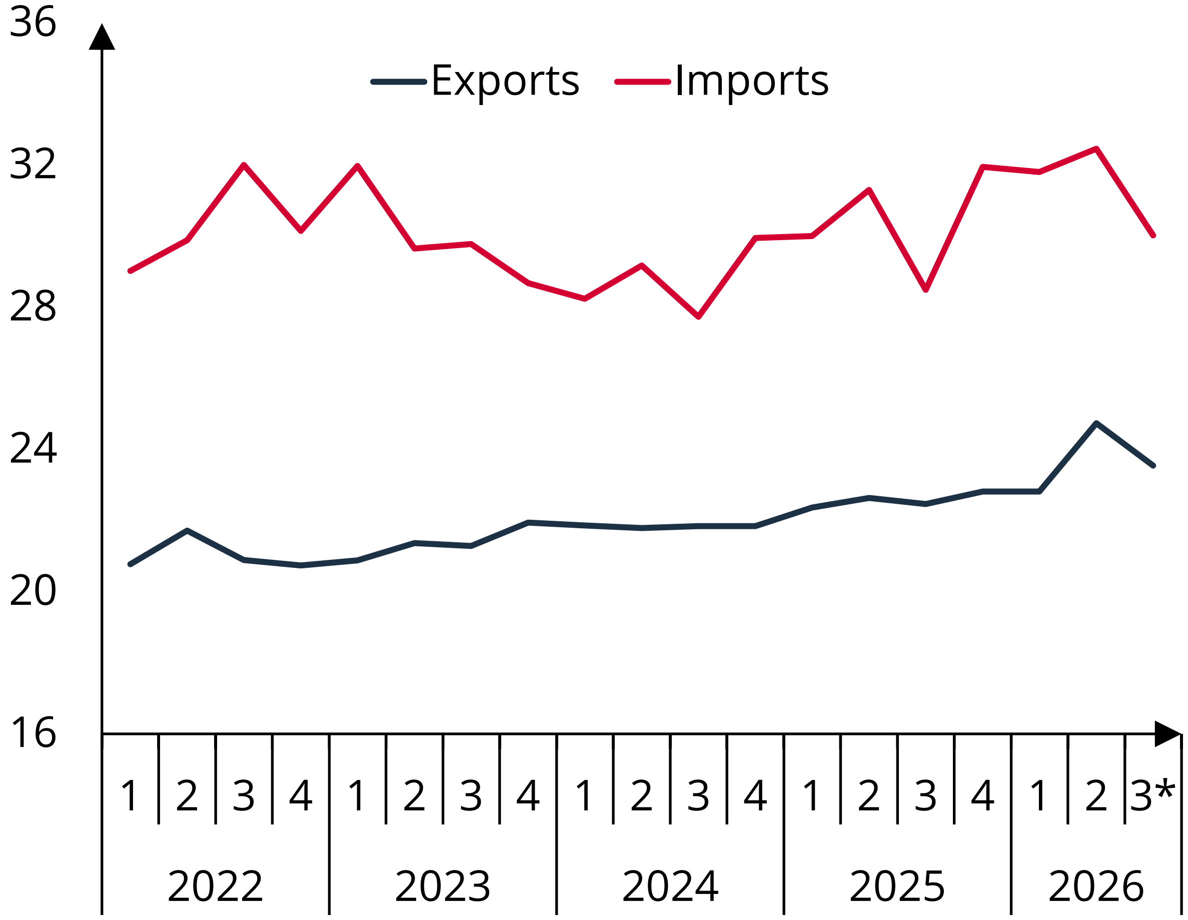


Source: CBRT.

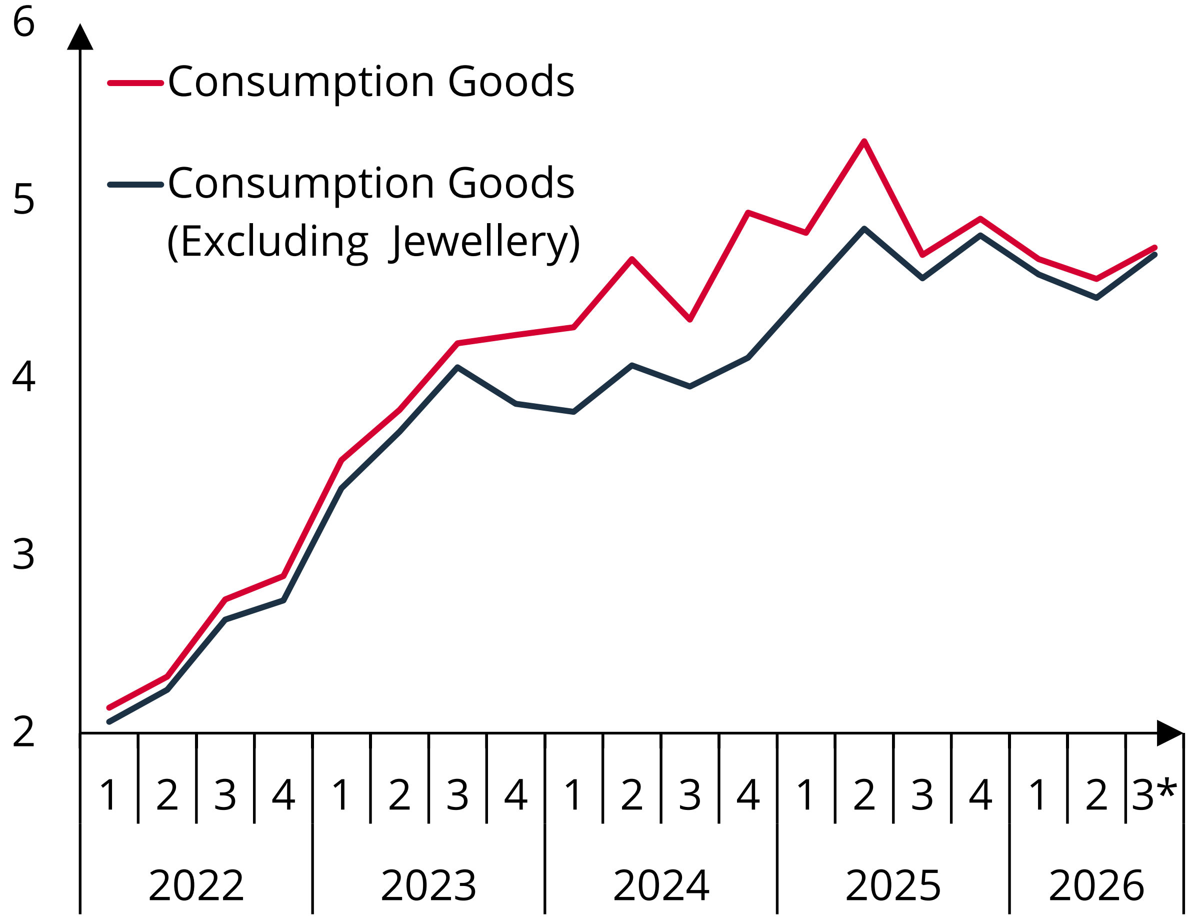
*Light-colored lines show output gap estimates calculated using different methods, while the dark red line shows the average of these estimates. The value for 2026-2 is an estimate.

The foreign trade balance improved in the second quarter.

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



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



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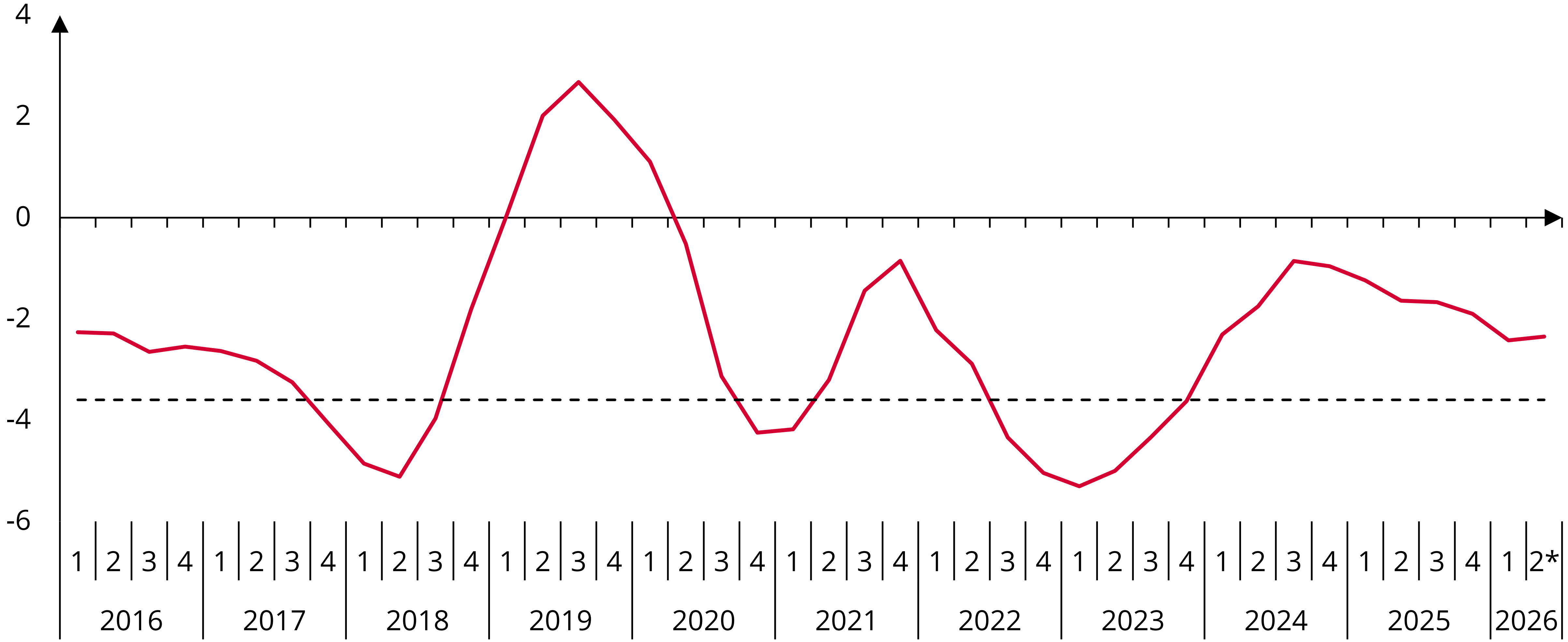
Sources: TURKSTAT, Ministry of Trade, CBRT.
*The July data is a monthly figure based on the Ministry of Trade's provisional data.
** Figures show average monthly values for the respective quarters.

The current account deficit is below its historical average as of the second quarter.

Current Account Balance/GDP* (%)



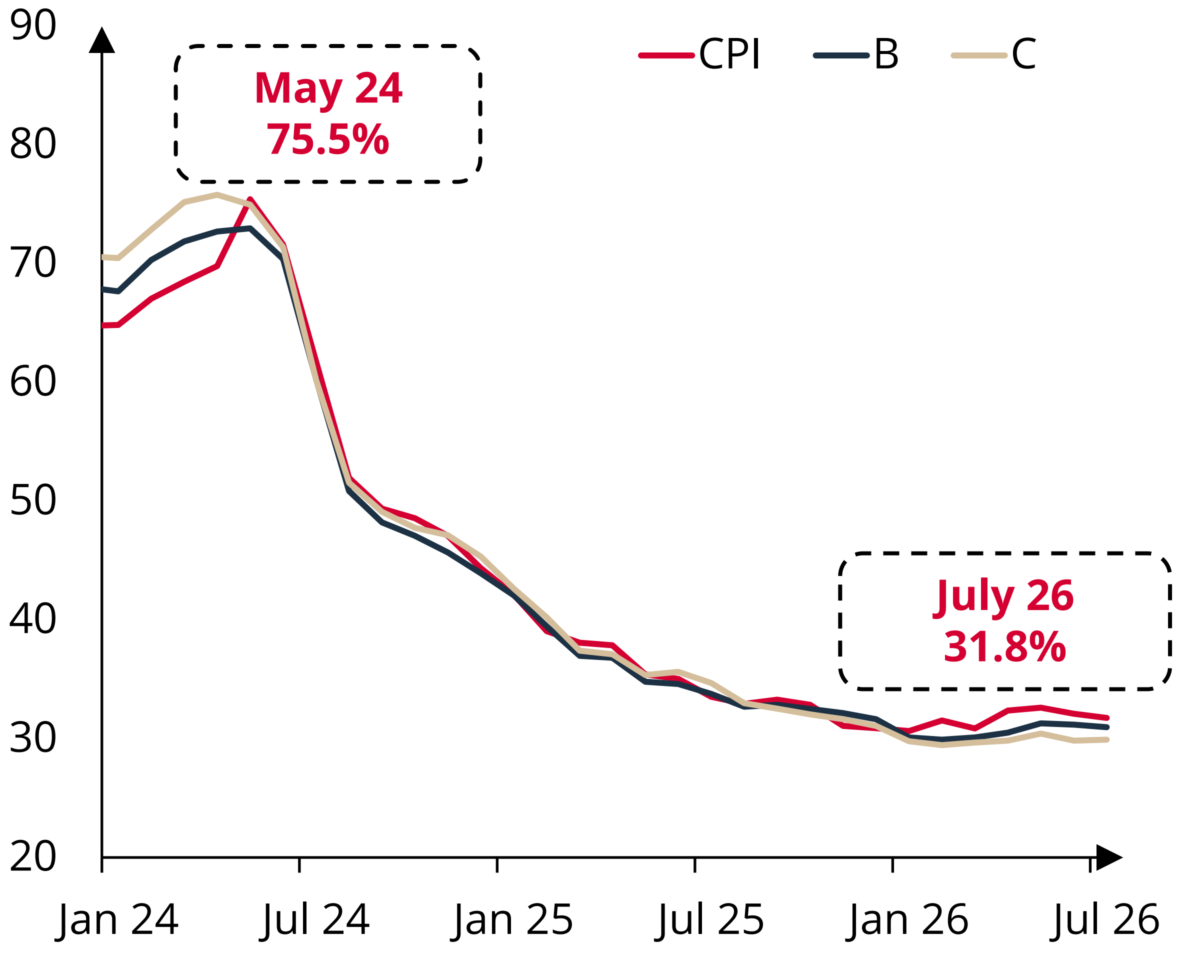
Sources: CBRT, TURKSTAT.

*2026-2 is an estimated value. The dashed line represents the 2005-2025 average.

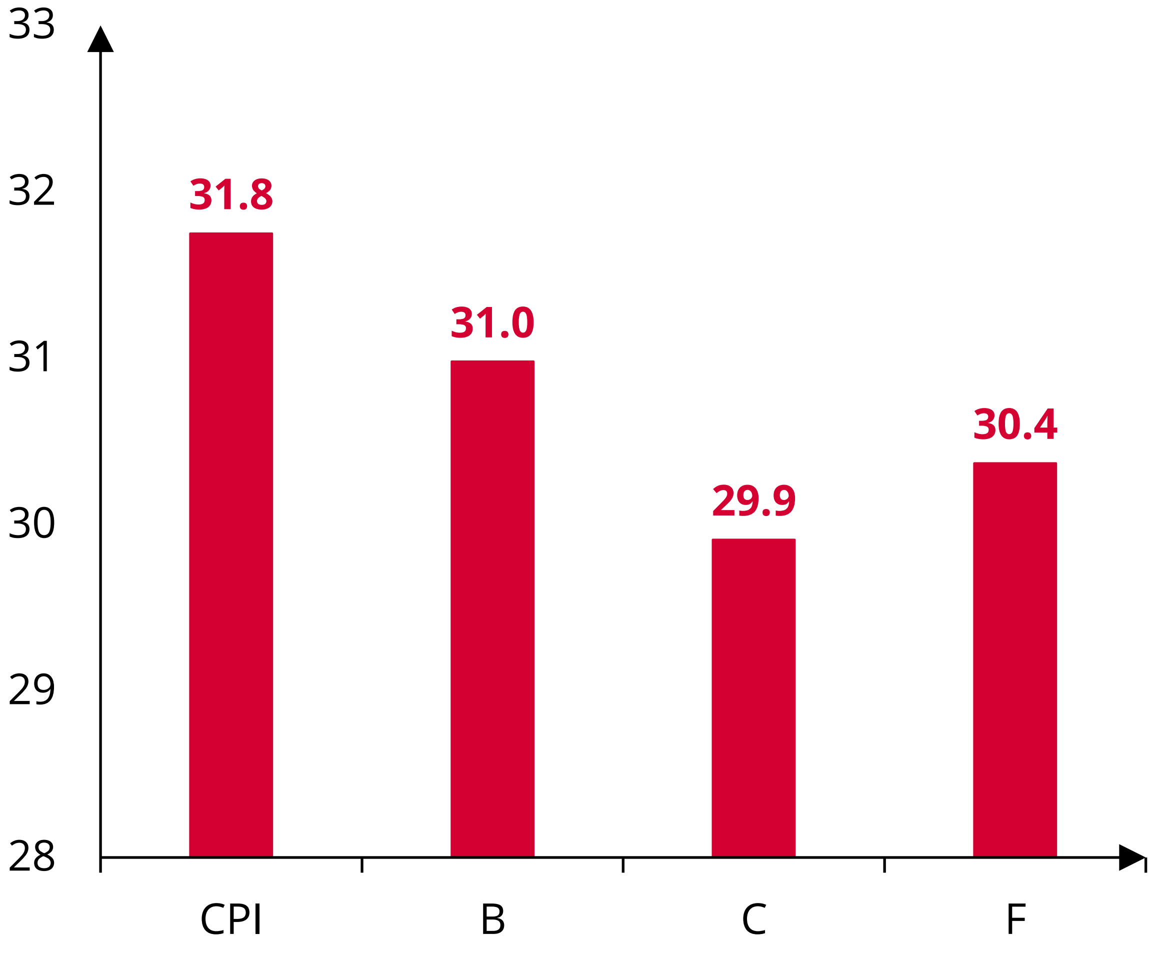
INFLATION

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

CPI and Core Indicators (Annual % Change)



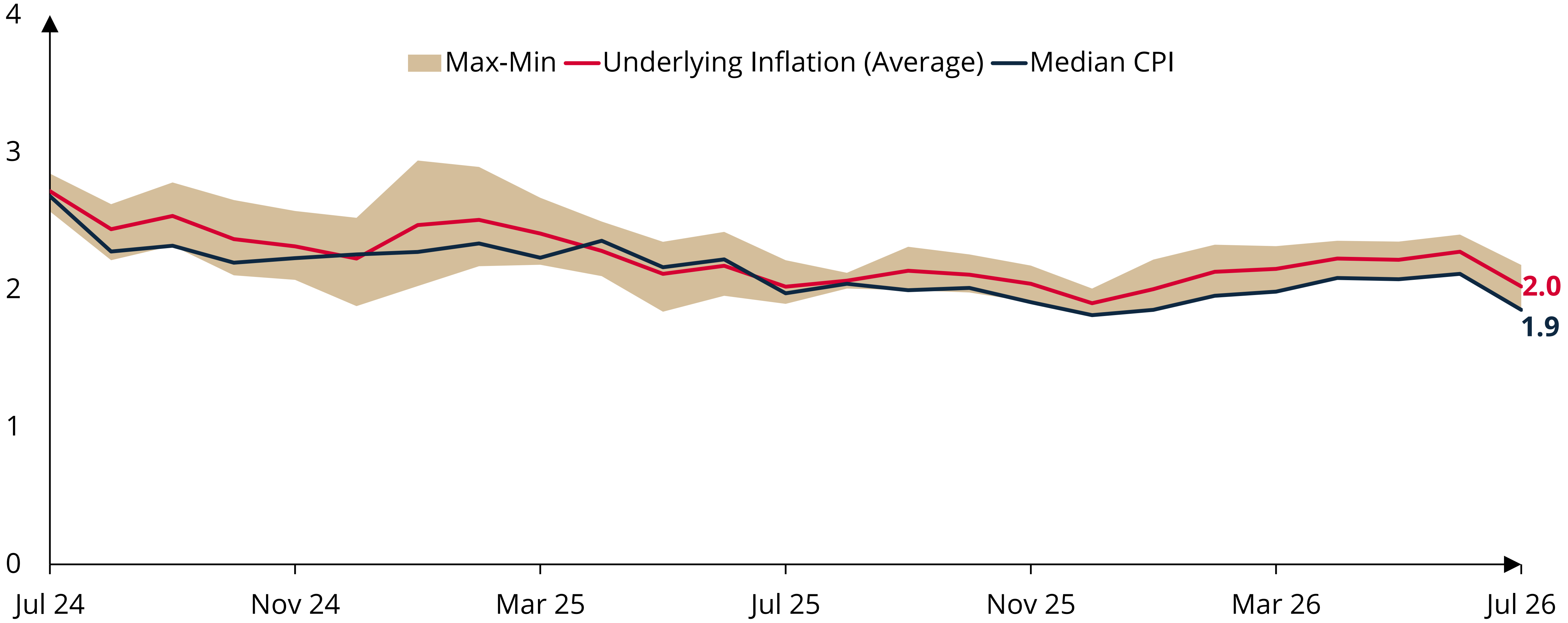
CPI and Core Indicators (Annual % Change, July)



Source: TURKSTAT.

The underlying inflation declined in July.

Median and Underlying Inflation* (Monthly % Change, 3-Month Average)



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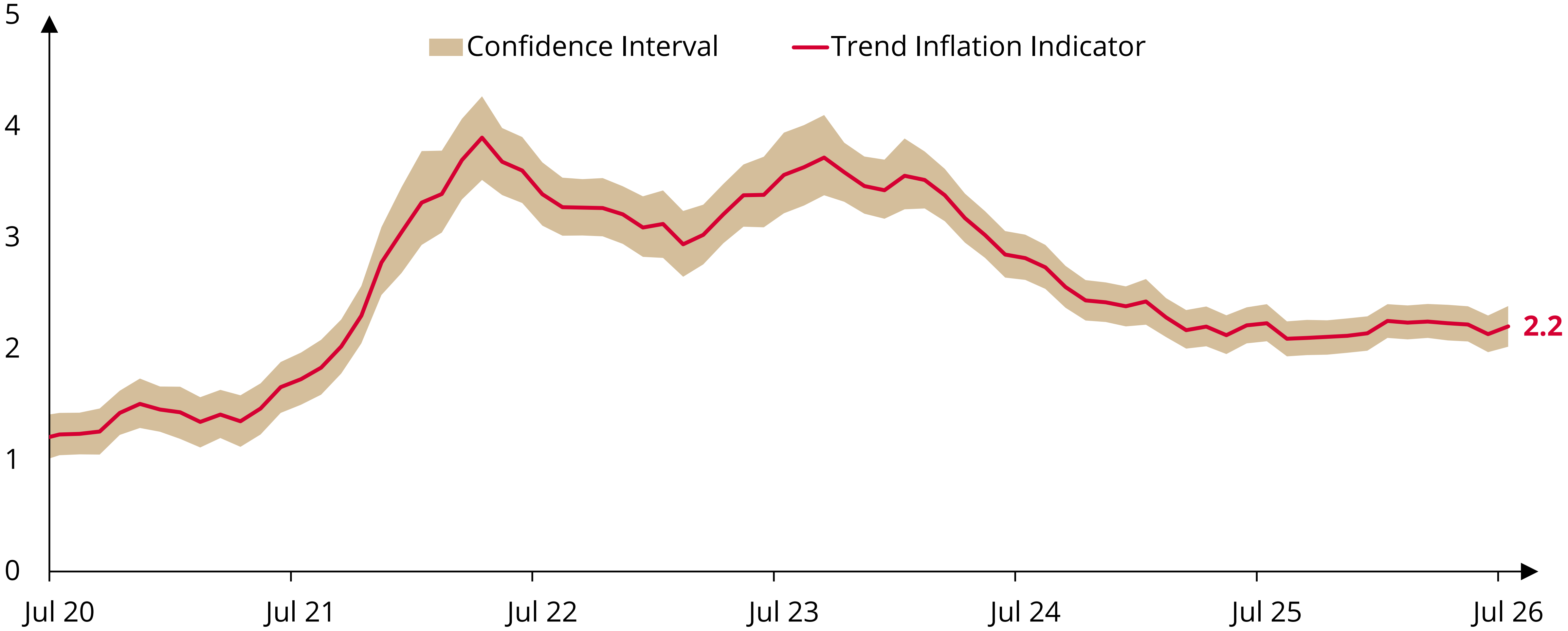
Source: TURKSTAT, CBRT.

*Based on the three-month average of six different indicators, namely seasonally adjusted B, C, SATRIM, median, indicators excluding volatile items and a dynamic factor model.

The trend inflation indicator remains relatively flat.

Multivariate Trend Inflation Indicator* (%)



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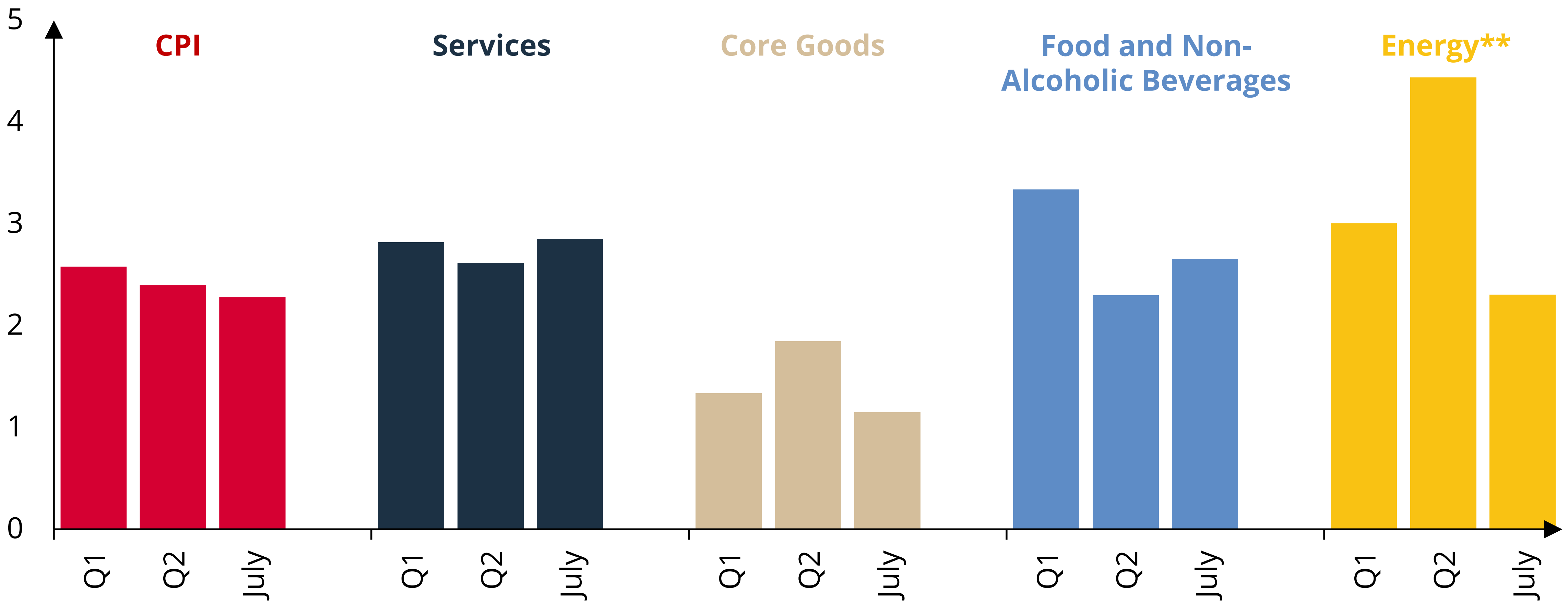
Source: TURKSTAT, CBRT.

*The shaded area denotes the 68% confidence interval. For further details, IR 2025-II, Box 2.2.

Food and energy prices stood out in the course of inflation in 2026.

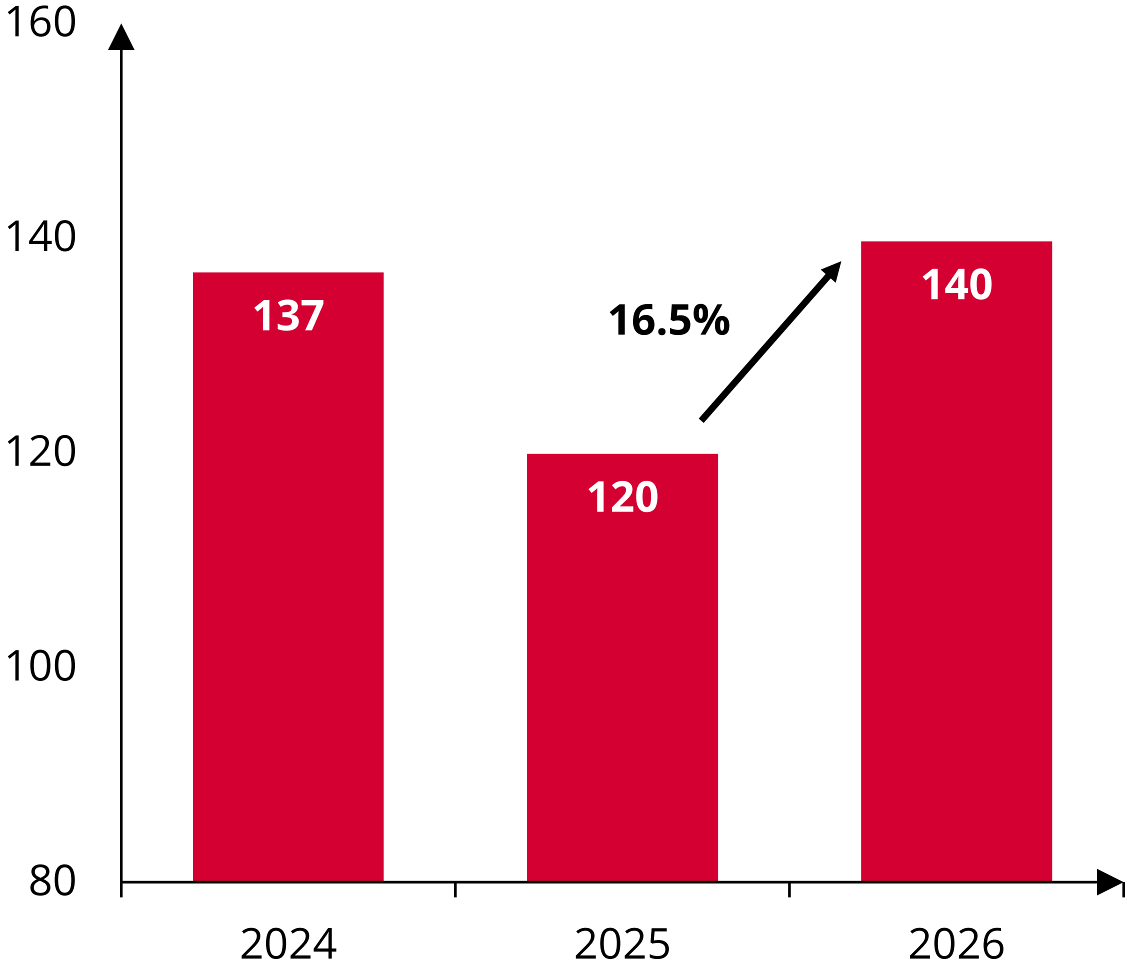
Monthly Inflation* (Seasonally Adjusted, 2026)



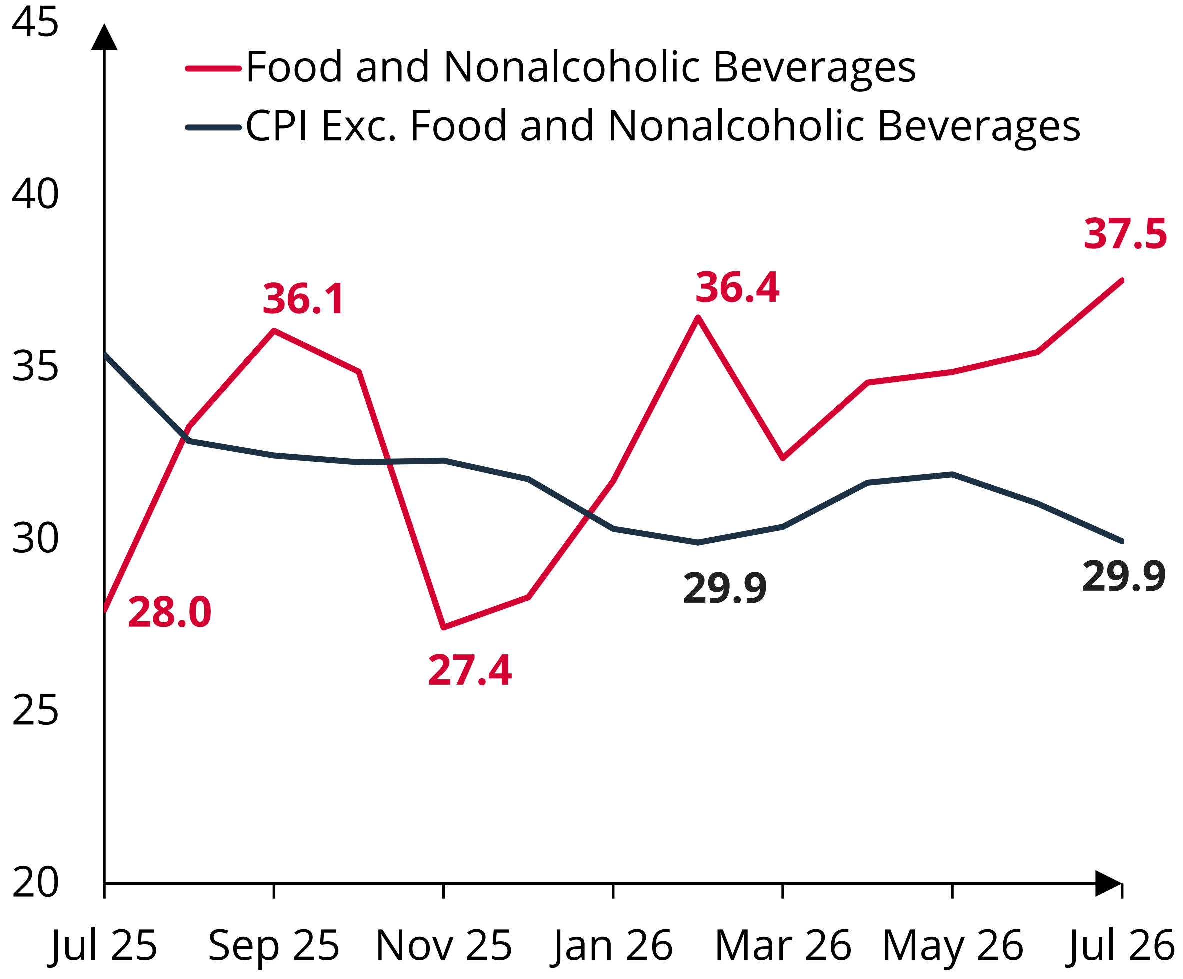
Source: TURKSTAT.
*Q1 and Q2 values denote quarterly averages.
**No seasonal effect in energy group.

Despite the improvement in production, food inflation remains elevated.

Total Crop Production* (Millions of Tonnes)



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



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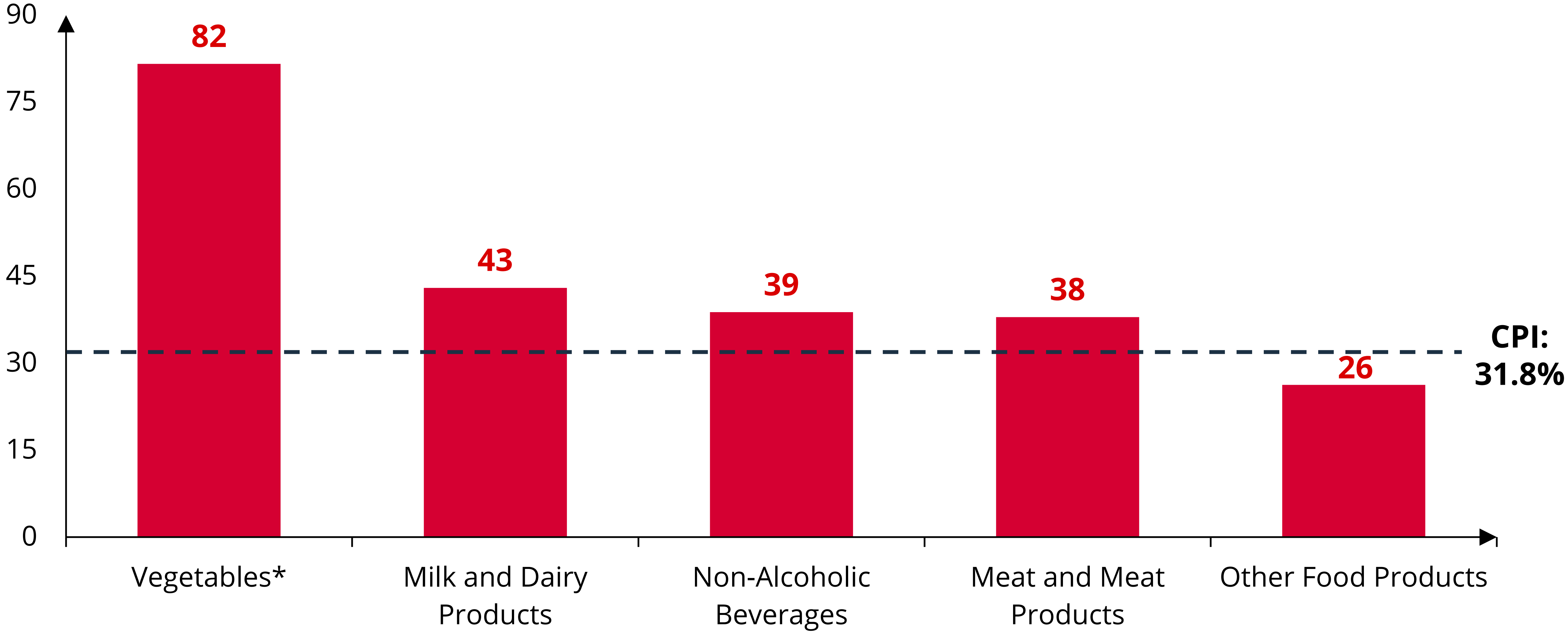
Source: CBRT, Ministry of Agriculture and Forestry.

*First yield estimates for crop production in 2026.

Vegetables, dairy, and meat-related products stood out in food inflation.

Food and Non-Alcoholic Beverages Prices (July 2026, Annual % Change)

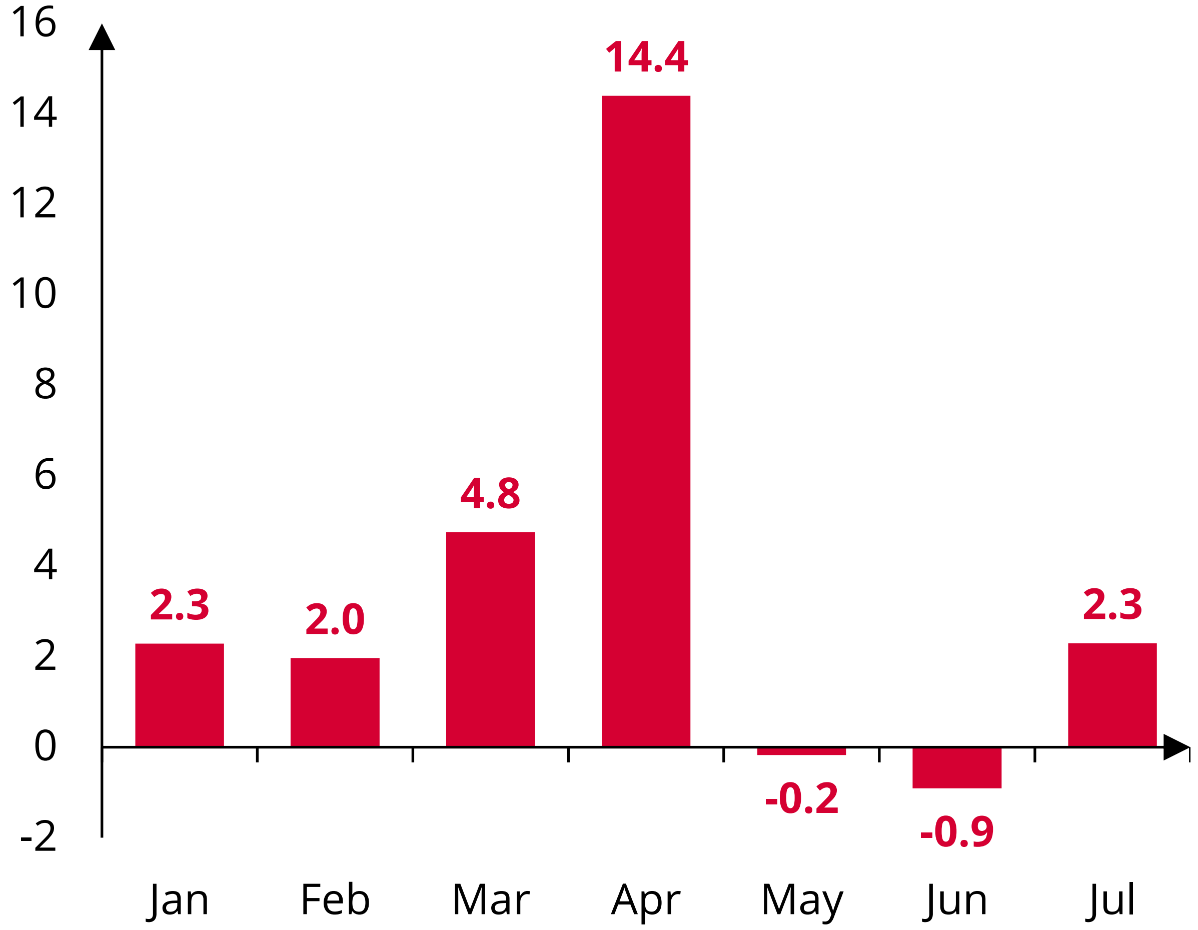


Source: TURKSTAT.

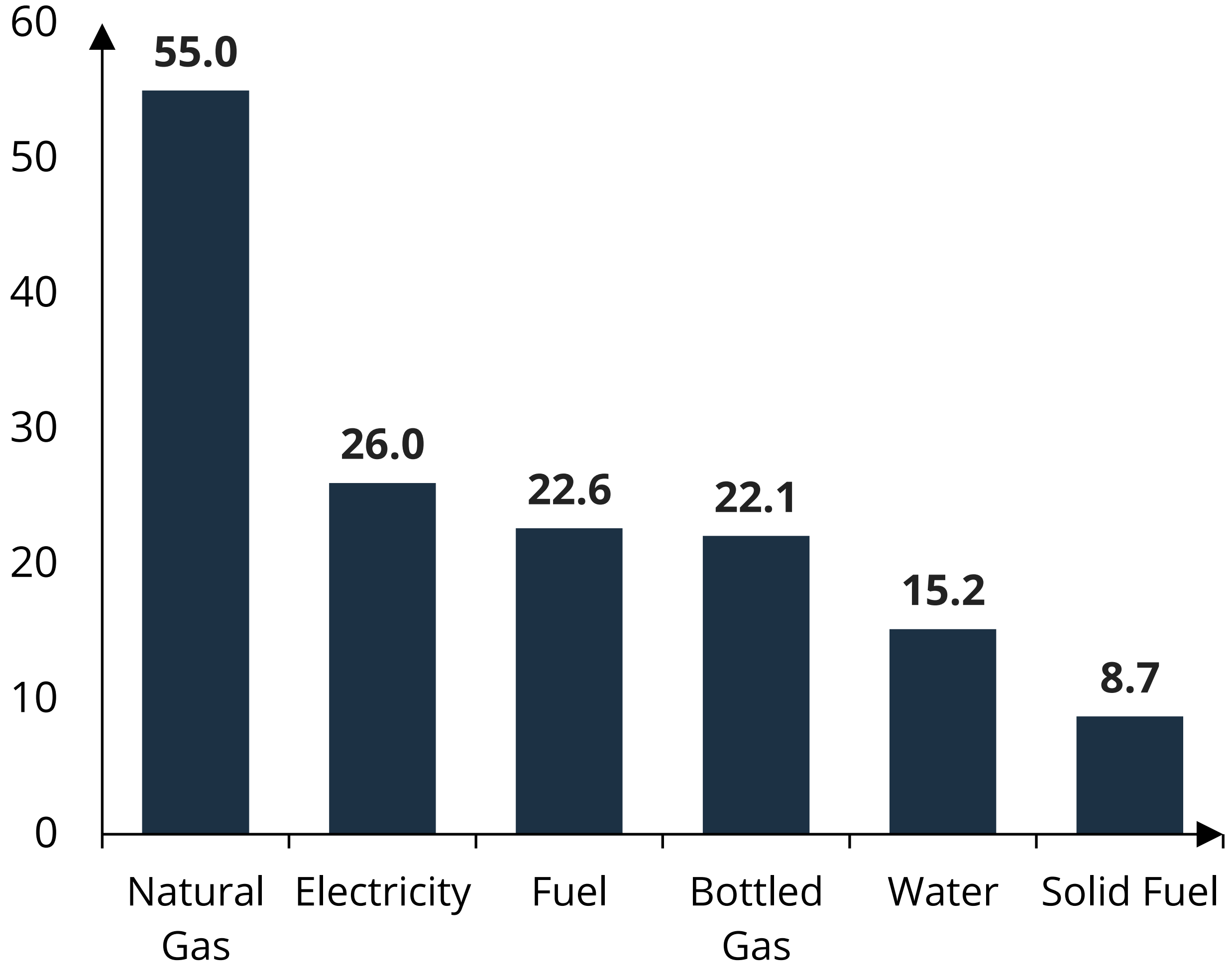
*Includes potatoes.

Energy prices rose again in July following a decline over the past two months.

Energy Prices (Monthly % Change)



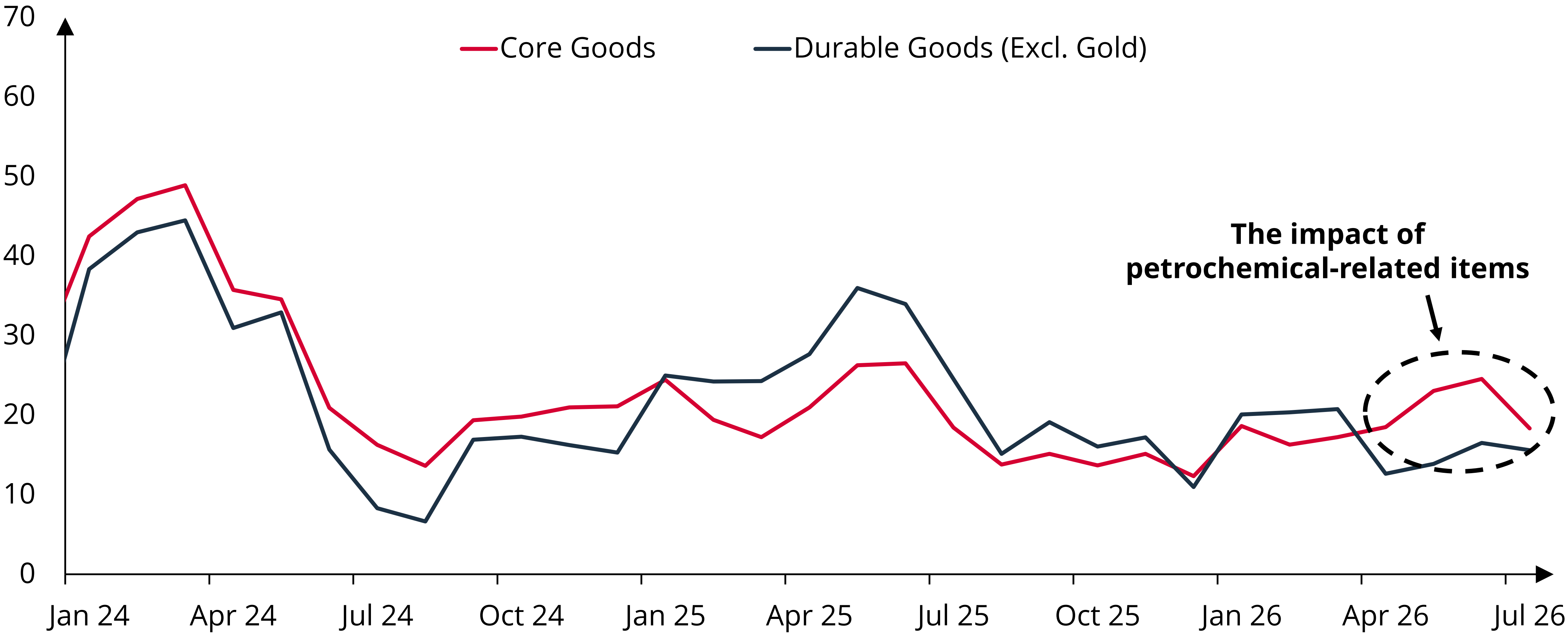
Energy Prices (First-7-Month Cumulative % Change)



Source: TURKSTAT.

The effects of geopolitical tensions and demand conditions have been evident in core goods.

Core Goods and Durable Goods* (Seasonally Adjusted and Annualized 3-Month Moving Average, %)



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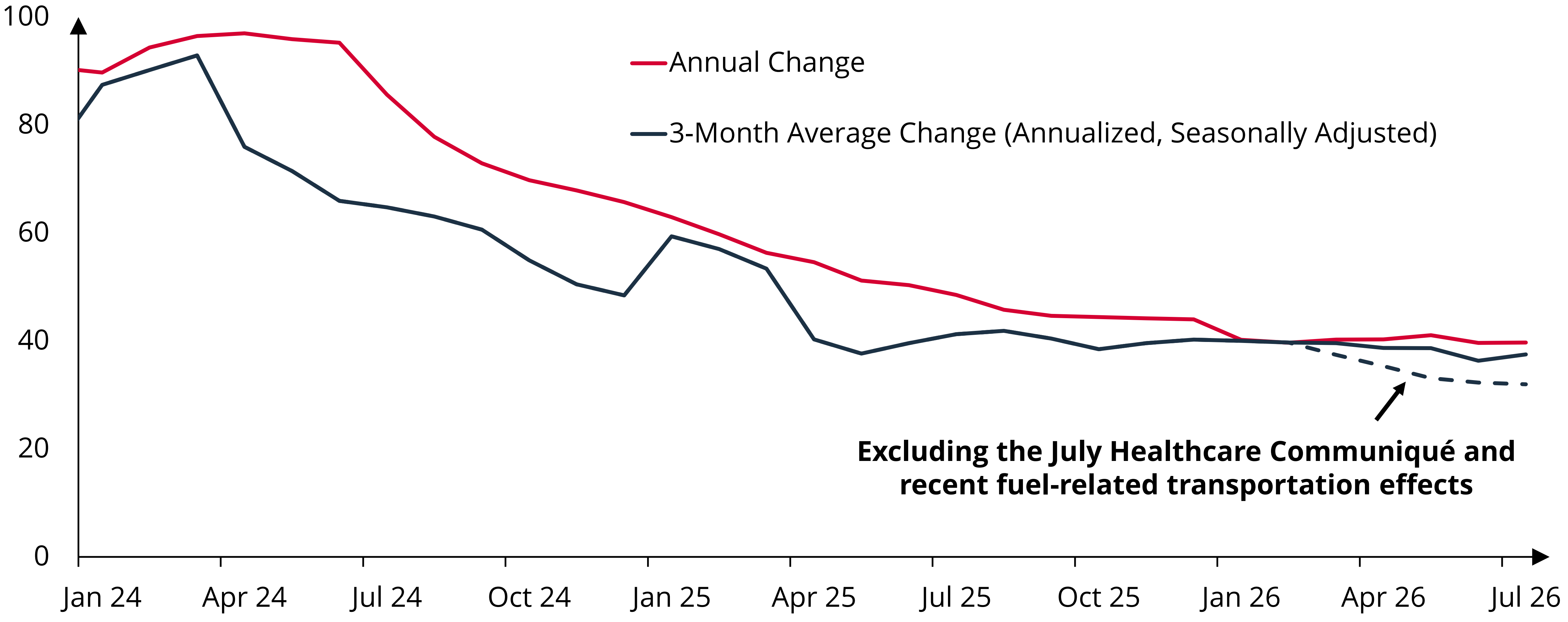
Source: TURKSTAT.

*No seasonal effect in the durable goods group.

Disinflation continues in the services sector.

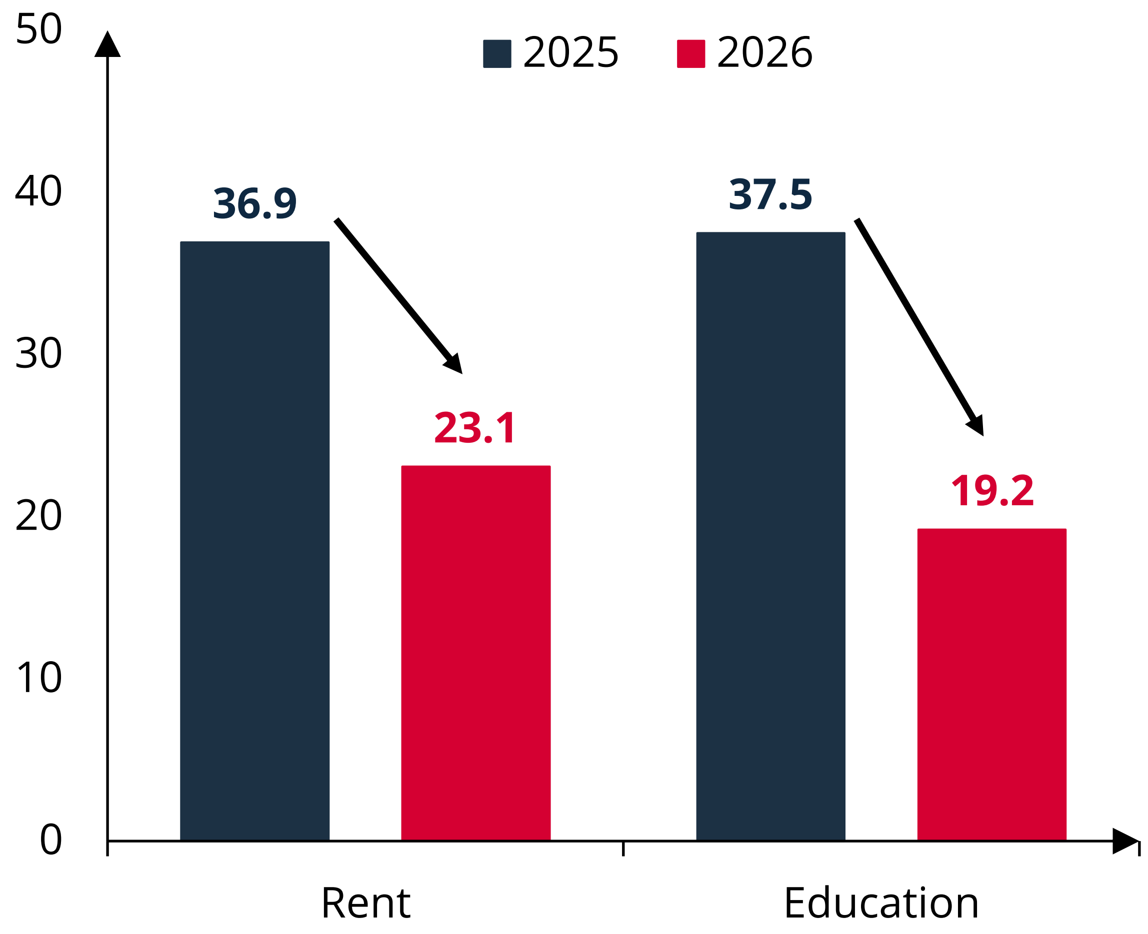
Services Prices (Annualized Monthly Change and Annual Change, %)



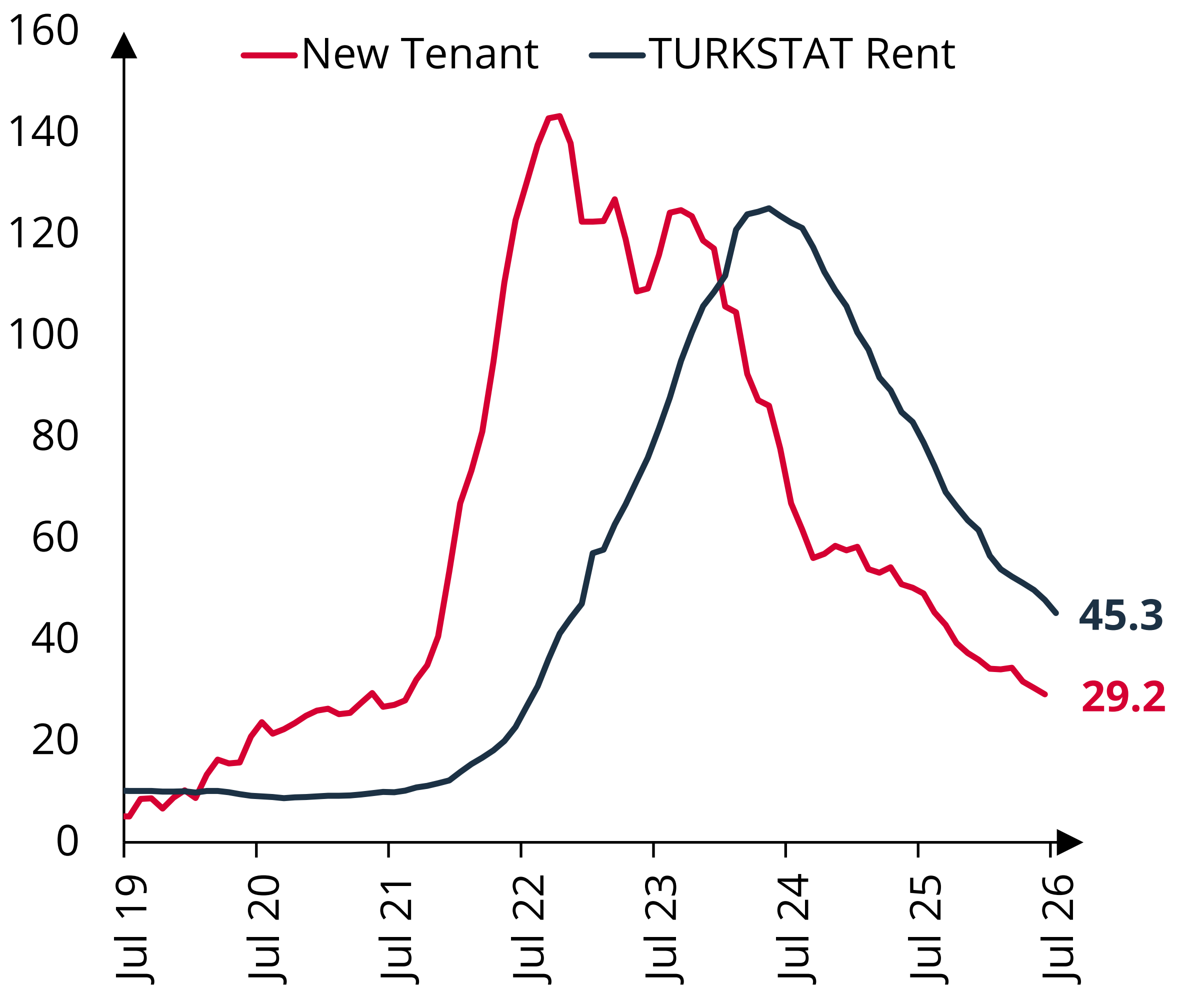
Source: TURKSTAT.

Declining rigidity in rent and education prices has supported disinflation.

Rent and Education (First-7-Month Cumulative % Change)



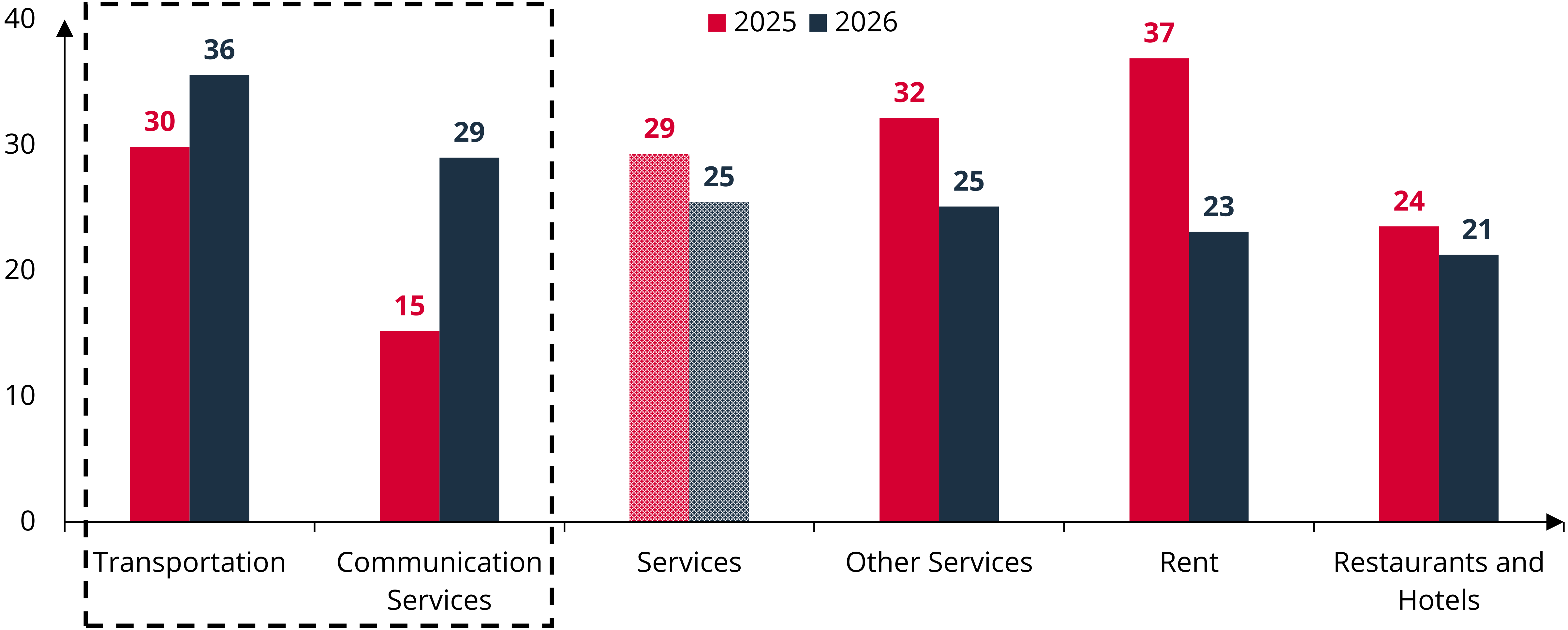
New Tenants and TURKSTAT Actual Rent Indices (Annual % Change)



Source: CBRT, TURKSTAT.

Transportation and communication services are slowing down the disinflation process.

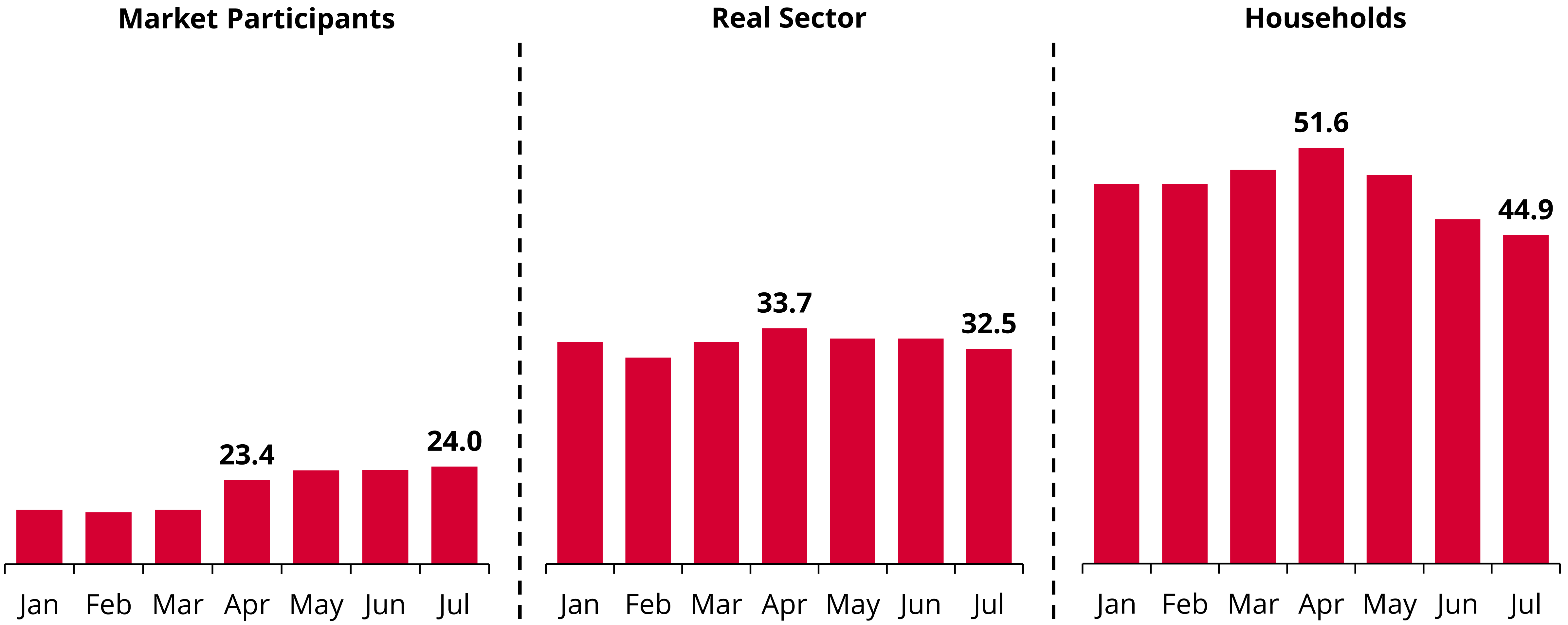
Services Prices (First-7-Month Cumulative % Change)



Source: CBRT, TURKSTAT.

While inflation expectations have risen among market participants, they have declined in other sectors.

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

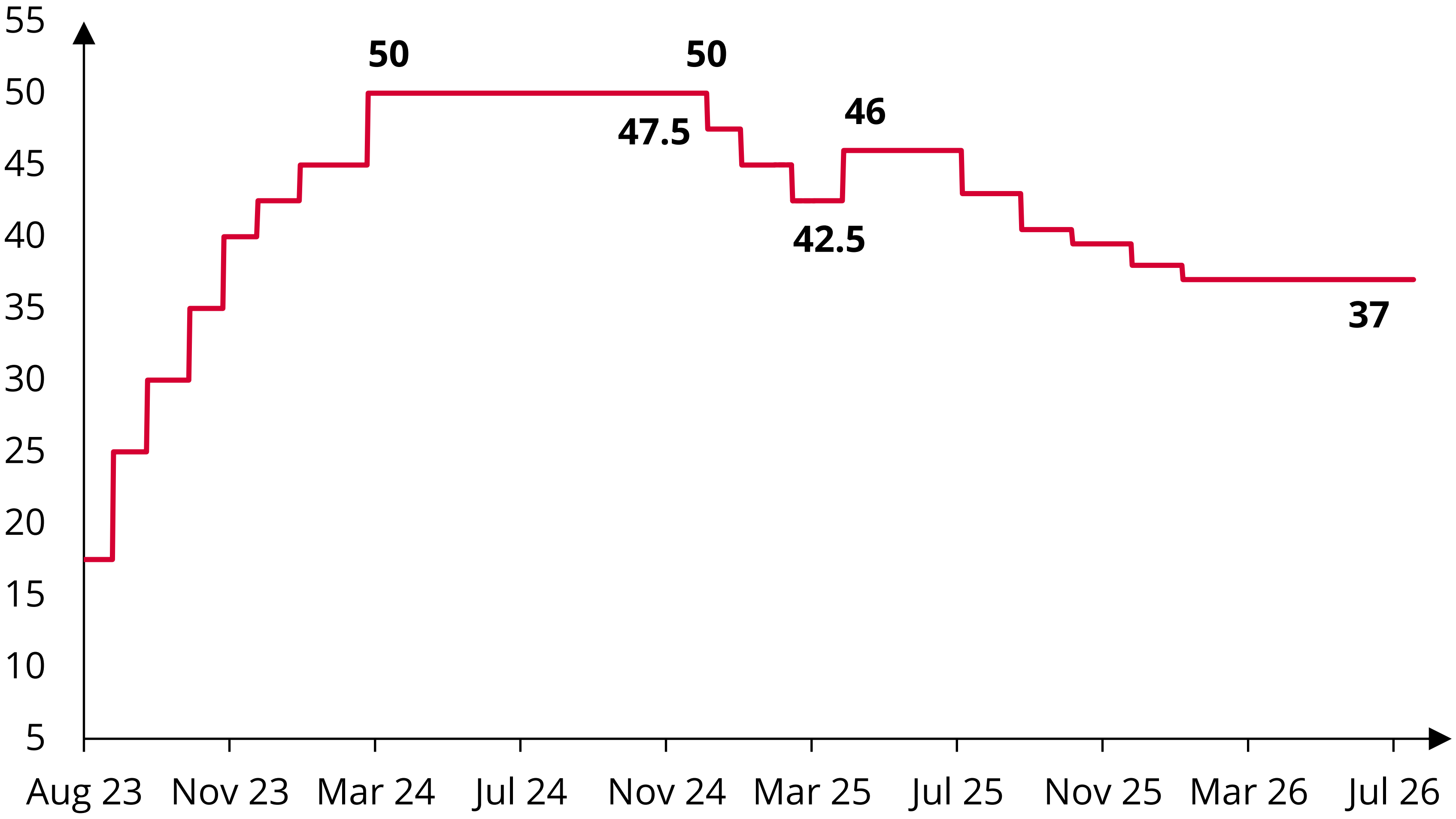


Source: CBRT.

MONETARY POLICY

Tight monetary policy stance is maintained.

Policy Rate (%)



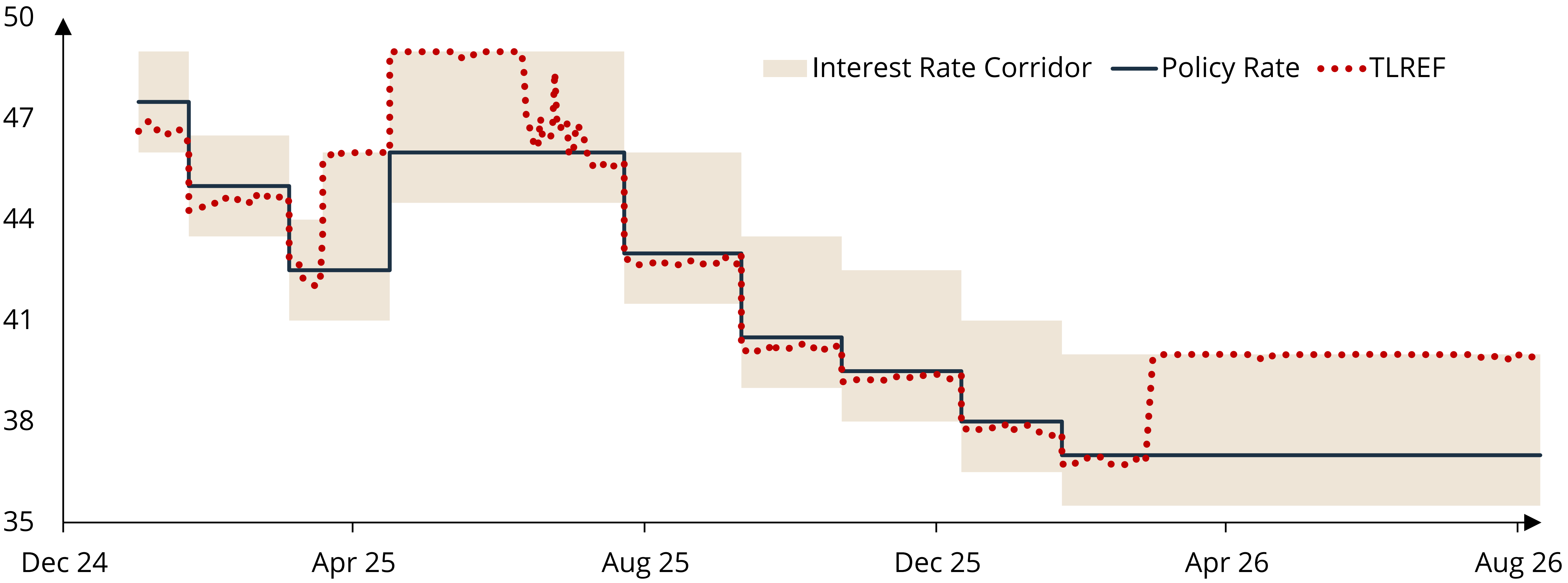
Macroprudential Framework

Liquidity Management

Source: CBRT.

Funding through the upper band of the interest rate corridor continues.

Interest Rate Corridor and TLREF (%)



Source: CBRT. As of August 11, 2026

Macroprudential measures and liquidity management support the tight stance.

1 Regulations on deposits

- Targets for TL deposit share increase

2 Regulations on loans

- Limits on TL and FX loan growth

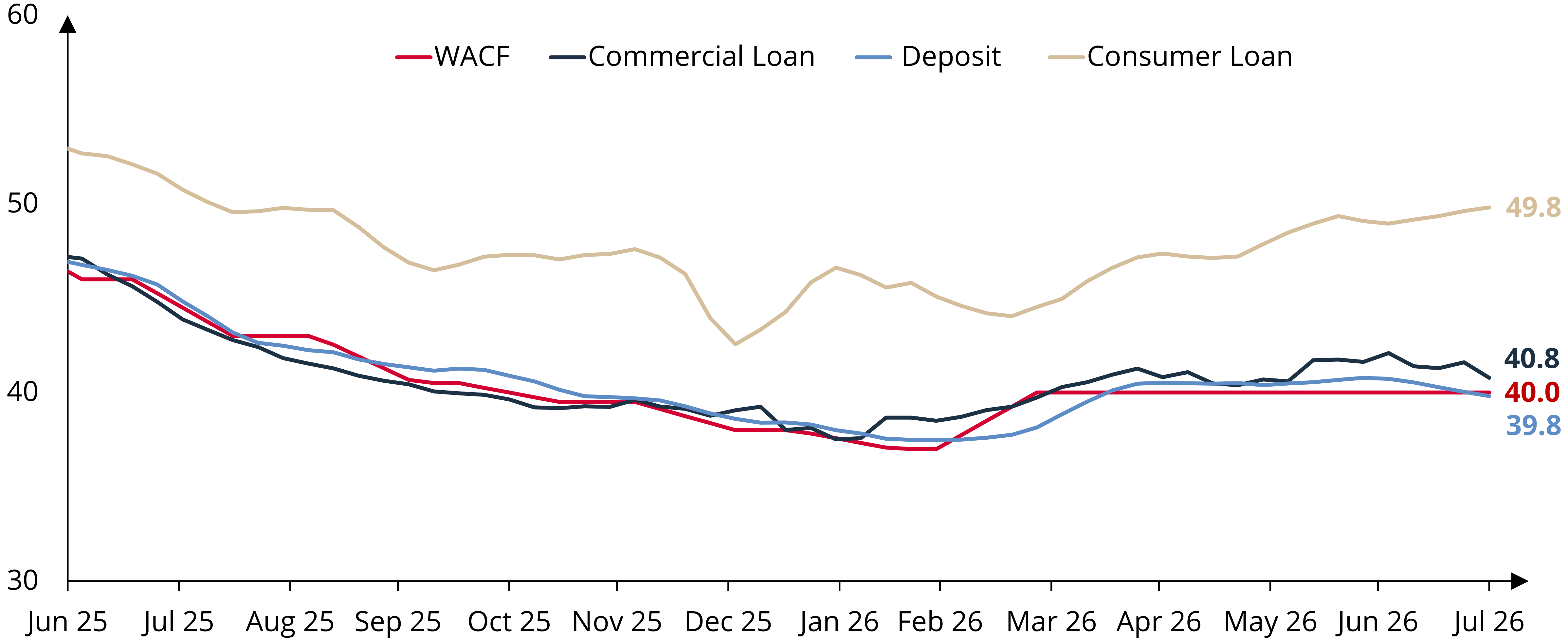
3 Liquidity management

- Reserve requirements
- TL deposit auctions
- Buy and sell-side swap auctions

FINANCIAL CONDITIONS

Loan and deposit rates move in line with the cost of funding.

Interest Rates (4-Week Moving Average, %)

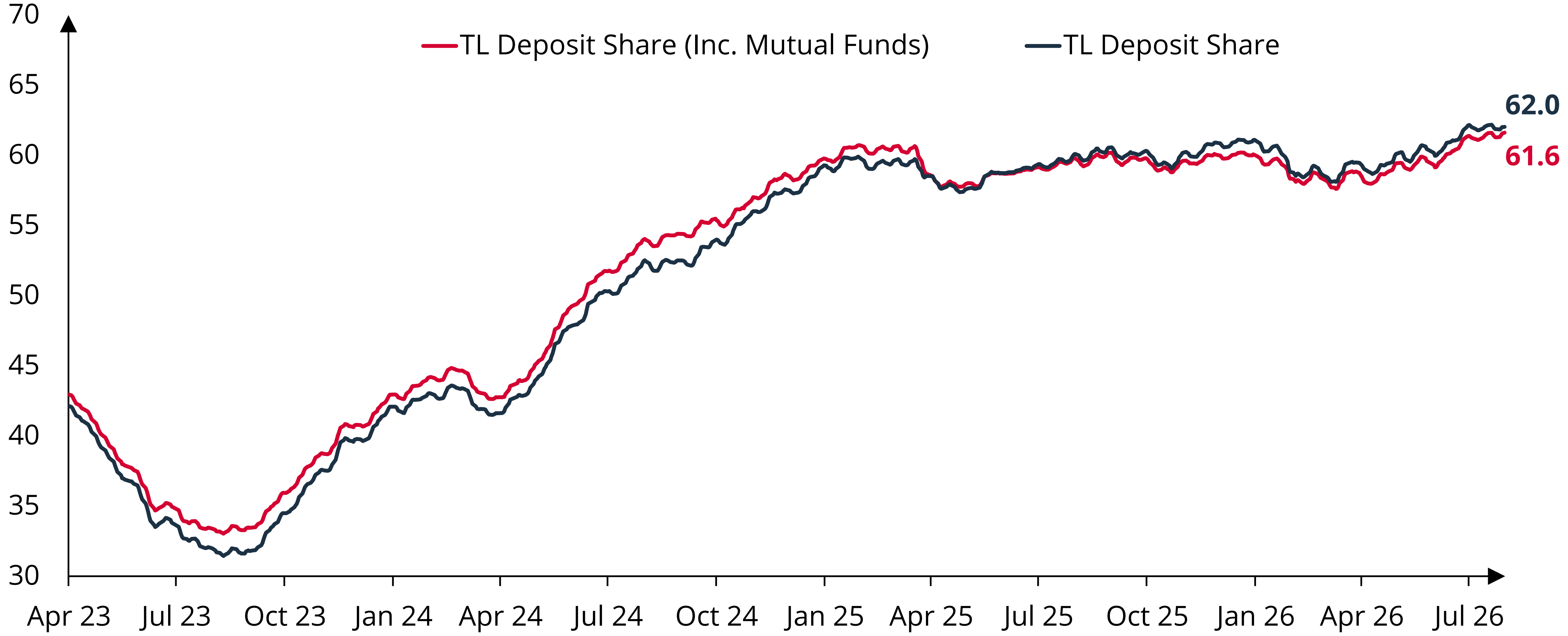


Source: CBRT. As of July 31, 2026.

* WACF stands for weighted average cost of funding. Calculated using simple interest rates. Consumer and commercial loan rates exclude credit cards and overdraft accounts. The deposit rate refers to deposits with a maturity of 1-3 months.

Residents’ Turkish lira preference remains strong.

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

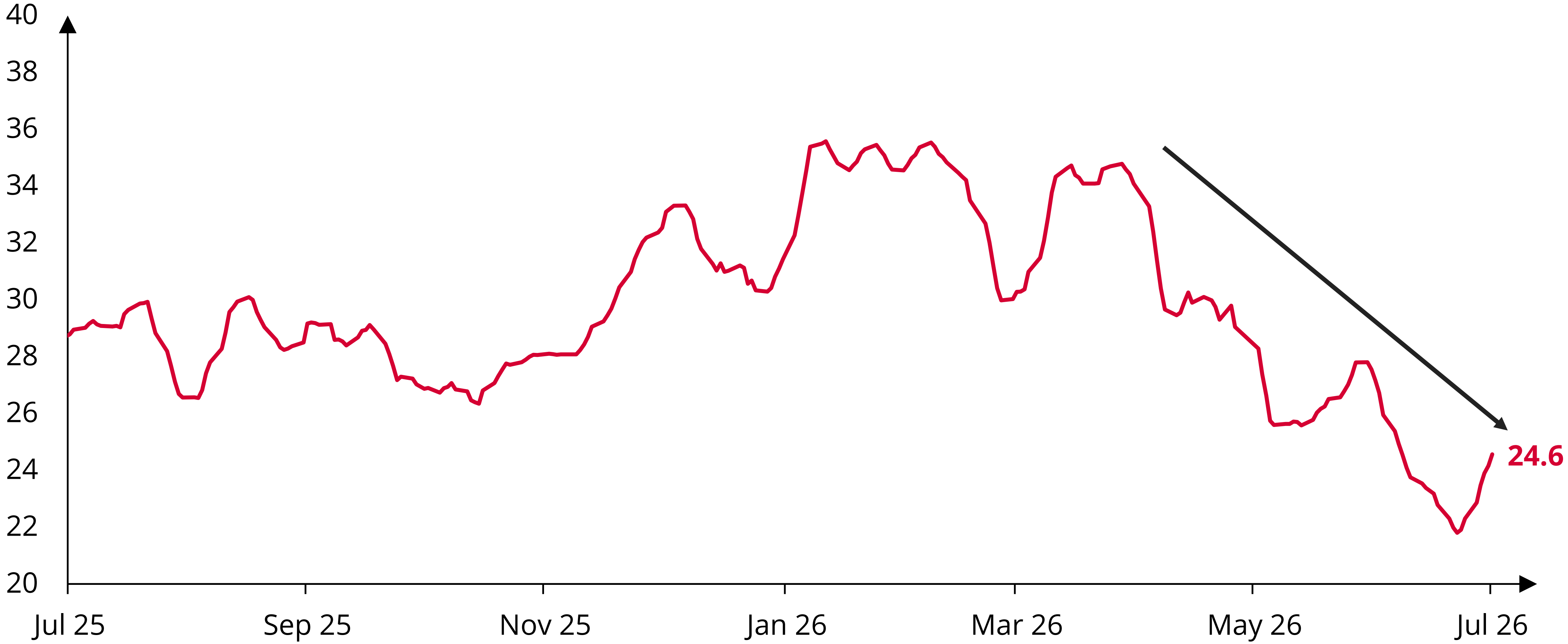


Source: BRSA, TEFAS, CBRT. As of July 31, 2026.

*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.

Loan growth has decelerated in the recent period.

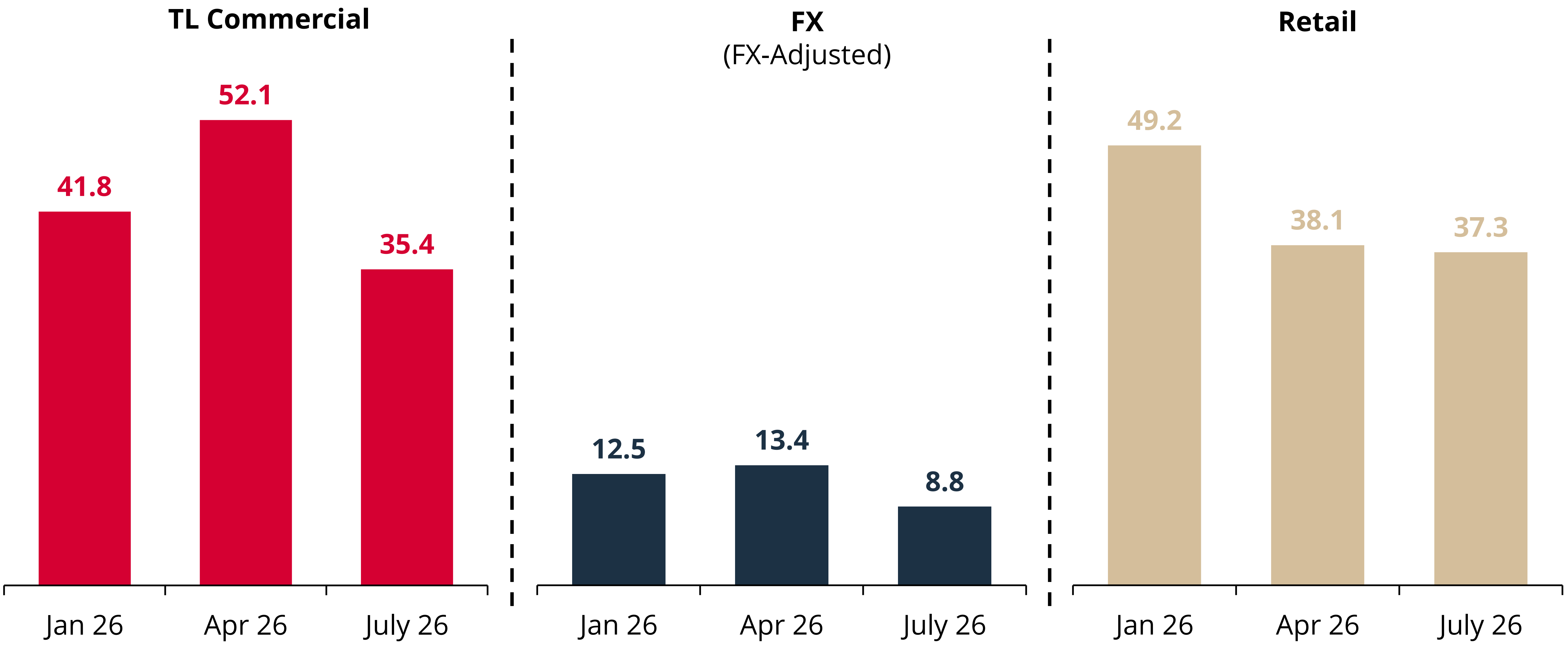
Total Loan Growth (13 Week, Annualized, FX-Adjusted, 5-Day Moving Average, %)



Source: CBRT. As of July 31, 2026.

Growth in TL commercial and retail loans has slowed markedly.

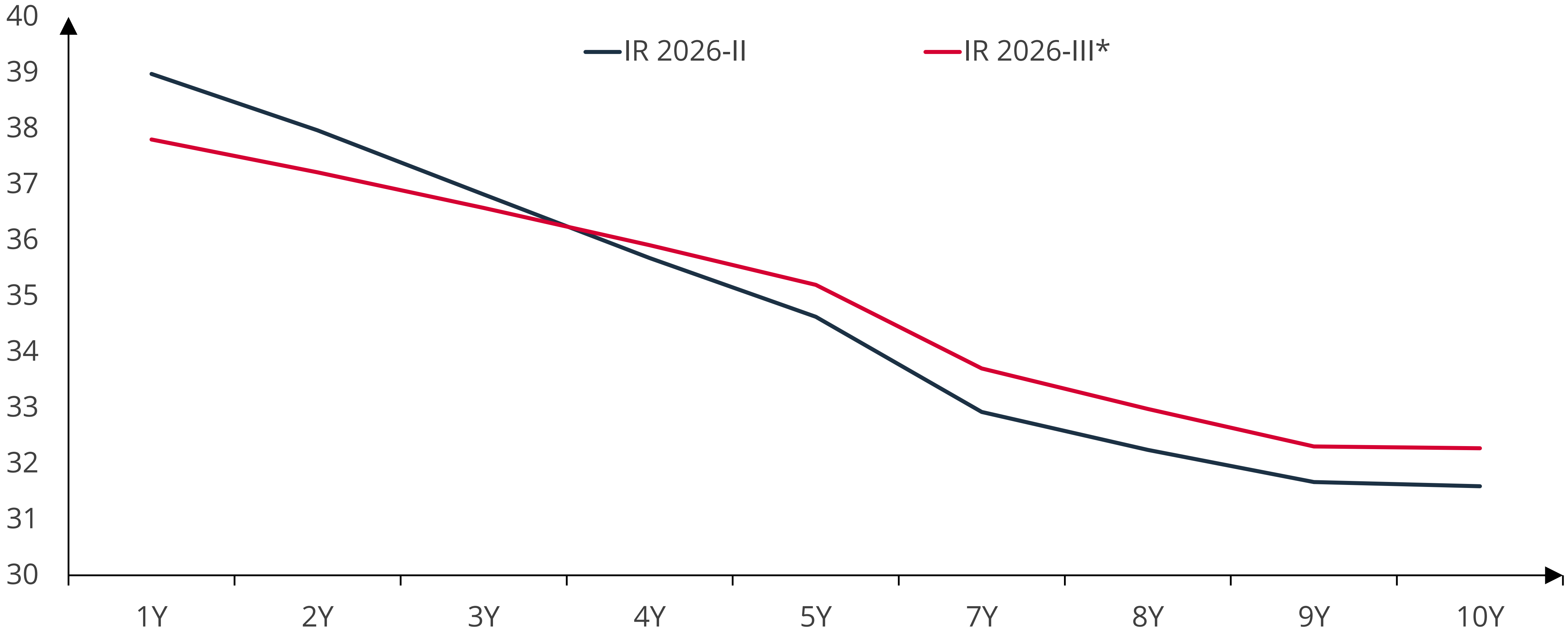
Loan Growth (13 Week, Annualized, FX (FX-Adjusted), %)



Source: CBRT.

Bond yields have fallen in the short term yet increased over the medium to long term.

Yield Curve (Simple, %)

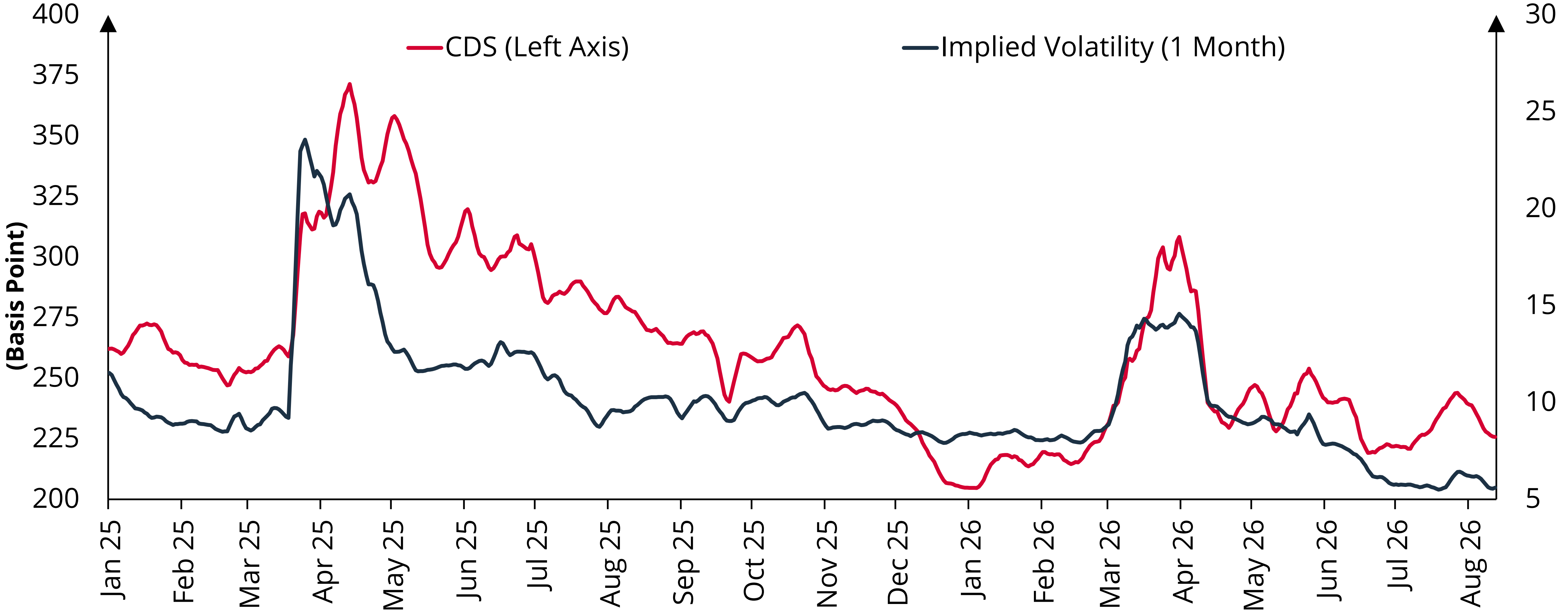


Source: Bloomberg. As of August 12, 2026.

*The data for August 12, 2026 has been used as of the date of publication of the Inflation Report 2026-III.

Risk and volatility indicators have declined.

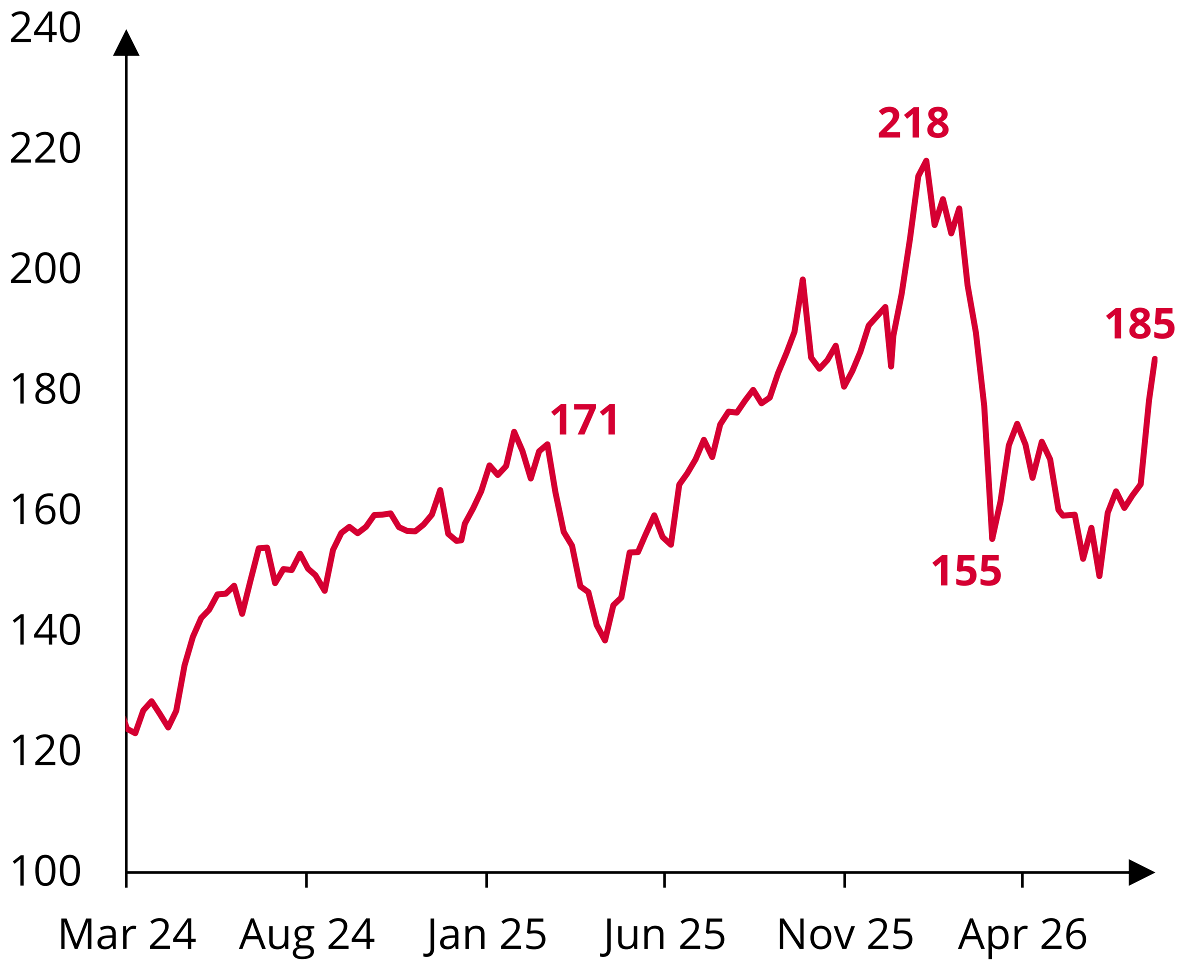
CDS Premium and Implied Volatility (5-Day Moving Average)



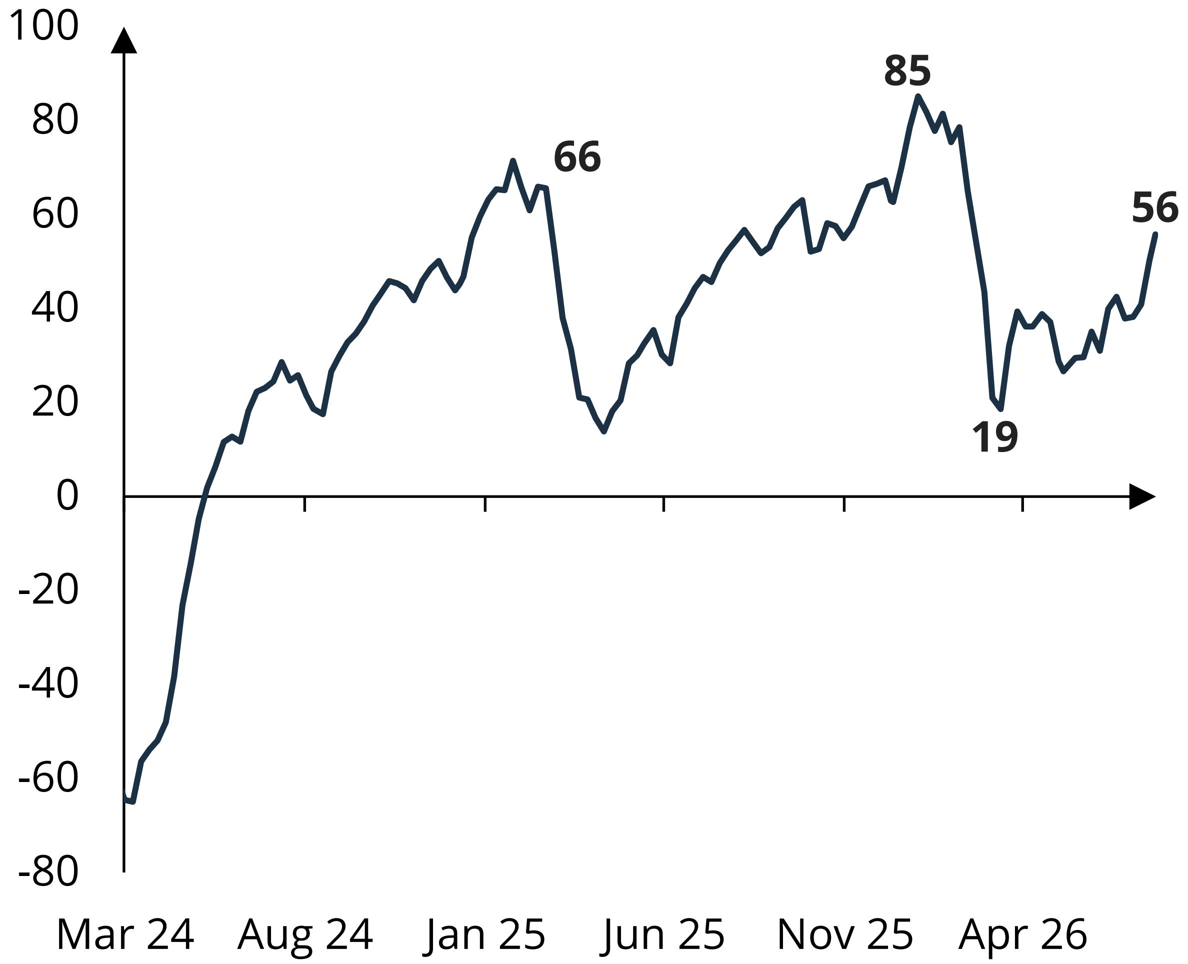
Source: Bloomberg, as of August 12, 2026

Our reserves remain strong.

Gross International Reserves (Billion USD)



Net Reserves Excluding Swaps (Billion USD)



Source: CBRT. As of August 12, 2026.

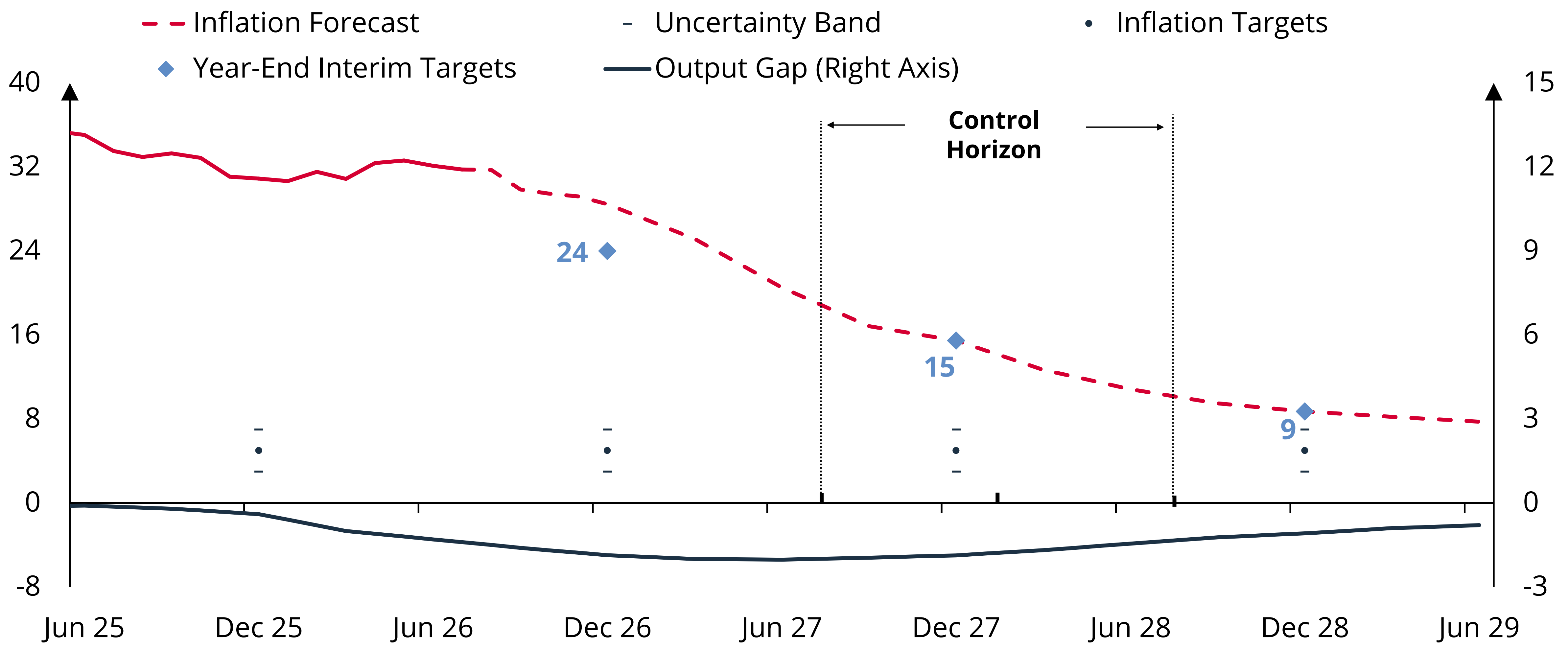
MEDIUM-TERM PROJECTIONS

Revisions to Main Assumptions

		IR 2026-II	IR 2026-III
Global Production Index* (Average Annual % Change)	2026	1.7	1.6
	2027	2.5	2.5
Oil Prices (USD, Annual Average)	2026	89.4	87.8
	2027	75.4	76.4
Import Prices (USD, Average Annual % Change)	2026	6.3	6.9
	2027	-0.2	-0.4
Food Prices (Year-End, % Change)	2026	26.3	28.5
	2027	19.0	19.0

*Based on growth rates and export shares of 110 countries to which Türkiye exports.

Inflation is projected to be 28% in 2026, 15% in 2027 and 9% in 2028.



In a highly uncertain environment, certain risk factors are highlighted.

Risks	Upside	Downside
Energy prices	• Depending on the course of the war, oil prices remaining higher for longer relative to the main assumptions • Geopolitical risks to energy infrastructure • Higher LNG demand in Europe • Higher diesel prices due to refinery margins	• Depending on the course of the war, oil prices remaining lower relative to the main assumptions
Food prices	• War-induced increase in global food prices • Negative supply shock in fruit and vegetable • Negative supply shock in milk and meat	• Positive supply shock in fruit and vegetables
Frequency of supply-side shocks and inflation inertia	• The more frequent and successive supply-side shocks resulting in higher inertia in inflation	

The tight monetary stance will be maintained until price stability is achieved.

Inflation realizations

Underlying inflation

Inflation expectations

The tightness required by the projected disinflation path in line with the interim targets will be ensured.

TÜRKİYE CUMHURİYET MERKEZ BANKASI

BRIEFING ON 2026-III INFLATION REPORT

Fatih Karahan

Governor

AUGUST 13, 2026

İSTANBUL