

Macro note – October 2025 Inflation

The CPI rises by 2.55% monthly and 32.87% annually in October. The underlying inflation trend declines compared to previous months, giving the Central Bank of the Republic of Türkiye (CBRT) a free hand for its December interest rate decision.

Abdulkadir DOGAN

Chief Economist

adogan@sekeryatirim.com.tr

(+90) 212 334 33 33/313

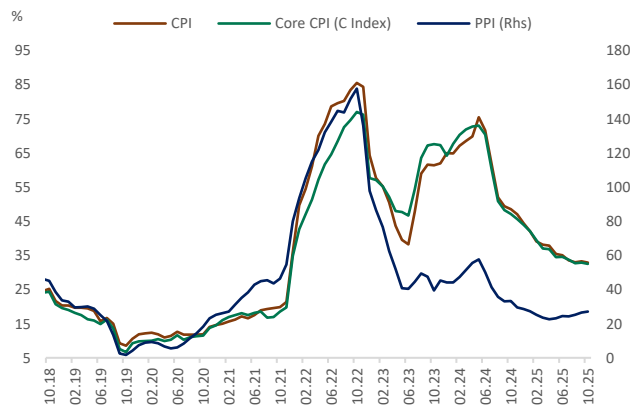
	MoM%			YoY%		
	Market	Seker Invest	Actual	Market	Seker Invest	Actual
CPI	2,80	2,95	2,55	33,20	33,38	32,87
PPI	-	-	1,63			27,00

CPI increased by 2.55% in October compared to the previous month, while annual inflation printed at 32.87% (previously 33.29%). Market expectations were for inflation to increase by 2.8% monthly and 33.2% annually (Seker Invest expected 2.95% monthly and 33.38% annually). The rate of price increases has slowed compared to the August-September period. While annual inflation continues to decline due to the base effect, disinflation momentum has evolved into a stable cycle. Monthly inflation, however, is far from the intermediate targets that would lead to price stability. Rigidity in items such as food, housing, and clothing, in particular, appears to be the biggest obstacle to the fight against inflation. The average of food, housing, and transportation inflation, which accounts for 55.52% of the index, rose by 37.20% annually (previously 37.28%). Despite headline figures falling below 33% in annual inflation, the high trend in core consumer spending items continues. The Central Bank of the Republic of Türkiye (CBRT) has recently highlighted the inertia in food and services inflation in its interest rate decisions. Food inflation reached 3.41%, contributing 0.83 percentage points to monthly inflation, while clothing and footwear increased by 12.42% monthly, pushing headline inflation up by 0.69 percentage points. Given their weight in the basket, disinflation in this sector becomes even more significant. During the same period, monthly inflation in the Special Coverage CPI Indicator B index (core inflation) was 2.43%, while annual inflation reached 32.52%. The high trend in core indicators suggests that both headline and main inflation distribution are spreading across all items as price pressures. Adjusting for seasonality, we see that monthly inflation is far from the 2% level, particularly in food, housing, transportation, and education. Of the 32.87% annual inflation rate, 20.45 percentage points come from food, housing, and transportation. While demand-pull inflation is under control, the high trend is a result of expectations and pricing behavior. Services inflation, which has fallen slightly below 2% in May and March since the beginning of the year, is projected to average monthly inflation of 3.6% in 2025. This has led to annual inflation of 44.44%. Assuming no demand-side pressures, services inflation will remain stable in the 40-43% range unless a positive supply-side shock occurs. Despite the tight monetary policy stance, both seasonal effects and fiscal policy pressures are disrupting disinflation. Inflation is expected to remain nearly flat in the 30-35% range until the end of the year. Breaking this inertia requires a shock that positively impacts political or cost-driven pricing behavior. This is evident from the high trend and divergence in inflation expectations. While political developments and global volatility may create deviations in forecasts, we will see an inflation rate close to market expectations (+/- 2 points) by the end of the year. The slowdown in October inflation compared to previous months is fueling market risk appetite. If, as the CBRT emphasizes, the August-September period is a temporary shock, November inflation will stabilize at these levels. This data gives the CBRT room to maneuver regarding December price cuts. In the base case scenario, if November inflation is in the 2-2.5% range, the CBRT will close the year with a 100-150% reduction. If inflation approaches or falls below 2%, the CBRT may be more hawkish in its price cuts. We may see monetary policy decisions that take into account real interest margins and market stability.

Producer prices increased by 1.63% month-on-month in October, while the annual change in the PPI was 27%. Looking at the sub-indices within the PPI, the annual increase in main industrial groups was 22.33% in intermediate goods, 33.07% in durable consumer goods, 33.91% in non-durable consumer goods, 25.05% in energy, and 27.27% in capital goods. Monthly

dynamics were a 1.57% increase in intermediate goods, 3.95% increase in durable consumer goods, 2.43% increase in non-durable consumer goods, 0.65% decrease in energy, and 1.18% increase in capital goods. The PPI-CPI spread narrowed to 5.87 points, reflecting producer dynamics in cost inflation (peaking in October 2022 at 78 points). While the pass-through from producer prices to consumer prices is limited, this pressure will intensify starting in the first quarter of 2026.

Graph 1: CPI, PPI, and Core CPI (YoY %)



Graph 2: PPI – CPI Spread

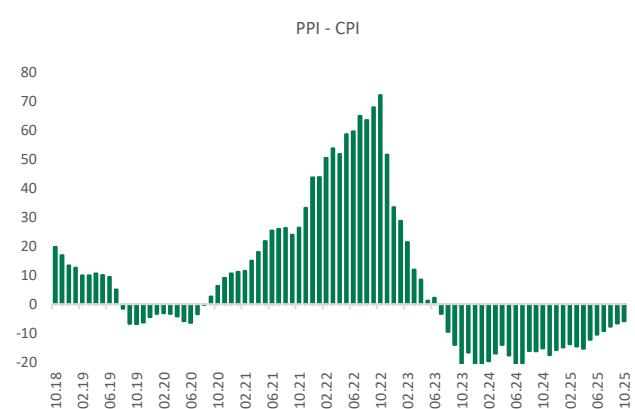


Table 1: Inflation and Sub-Components

Main expenditure groups	Weights	MoM (%)	Ytd (%)	YoY (%)
CPI	100,00	2,55	28,63	32,87
Food and non-alcoholic beverages	24,97	3,41	26,68	34,87
Alcoholic beverages and tobacco	3,52	2,42	27,63	27,56
Clothing and footwear	7,16	12,42	8,99	7,98
Housing, water, electricity, gas, and other fuels	15,22	2,66	44,94	50,96
Furnishing, household equipment, routine domestic maintenance	7,67	1,48	21,99	28,90
Health	4,09	0,48	27,48	32,06
Transportation	15,34	1,07	27,50	27,33
Communication	3,62	0,29	15,05	19,35
Recreation and Culture	3,36	1,00	20,07	25,32
Education	2,31	0,08	65,57	65,69
Hotels, cafes, and restaurants	8,32	1,34	30,95	33,78
Miscellaneous goods and services	4,43	0,89	26,53	30,13

Source: TURKSTAT

In summary, the CPI increased by 2.55% month-on-month in October, while annual inflation stood at 32.87%. While inertia persists in key items, monthly dynamics have declined compared to the August-September period. Despite these positive developments, upward deviations from the year-end CBRT interim targets appear highly likely. While the slowdown in goods and services inflation has improved considering peak levels, it remains far from target levels. The CBRT is closely monitoring developments and is implementing cautious interest rate cuts. Because improvements in the expectations channel will impact both pricing behavior and costs, we are closely monitoring inflation expectations. The contributions to inflation from cost and exchange rate pressures have been limited, while consumption and demand-pull inflation have trended downward. Given the scope of monetary policy control, practices that consider financial stability as well as price stability will reduce exchange rate volatility, contributing to both risk premiums and macro financial stability. We maintain our year-end inflation forecast at 30.3%. We may update our inflation forecasts based on developments in monthly inflation levels and the course of monetary policy.

ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.
 Büyükdere Cad. No: 171 Metrocity
 A Blok Kat 4-5 34330 SİSLİ /İST
 TURKEY

TEL: +90 (212) 334 33 33
 Fax: +90 (212) 334 33 34
 E-mail: research@sekeryatirim.com
 Web: <http://www.sekeryatirim.com/english/index.aspx>

For additional information, please contact:

Research

Kadir Tezeller	Head	+90 (212) 334 33 81	ktezeller@sekeryatirim.com.tr
Burak Demirbilek	Utilities	+90 (212) 334 33 33-128	bdemirbilek@sekeryatirim.com.tr
Atasav Can Tuglu	Food & Beverages, Automotive, Retail, Aviation	+90 (212) 334 33 33-334	atuglu@sekeryatirim.com.tr
Basak Kamber	Glass, Pharmaceutical, Defense, Telcos, Cons. Dur.	+90 (212) 334 33 33-251	bkamber@sekeryatirim.com.tr
M. Mucahid Yıldırım	Banking	+90 (212) 334 33 33-150	myildirim@sekeryatirim.com.tr
Yusuf Kemal Erdekli	Cement, Conglomerates, Real Estate	+90 (212) 334 33 33-115	yerdekli@sekeryatirim.com.tr
O. Furkan Ozdemir	Iron & Steel, Oil- Gas & Deriv.	+90 (212) 334 33 33-245	oozdemir@sekeryatirim.com.tr

Economy & Politics

Abdulkadir Dogan	Chief Economist	+90 (212) 334 91 04	adogan@sekeryatirim.com.tr
------------------	-----------------	---------------------	--

Institutional Sales

Deniz Keskin	Trader	+90 (212) 334 33 36	dkeskin@sekeryatirim.com.tr
Kerim Culum	Trader	+90 (212) 334 33 33-316	kculum@sekeryatirim.com.tr

DISCLAIMER

I, Abdulkadir Dogan, hereby certify that the views expressed in this research accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

This report has been prepared by Seker Yatirim Menkul Degerler A.S. (Seker Invest). The information and opinions contained in this report have been obtained from and is based upon public sources Seker Invest believes to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete and it should not be relied upon as such. All estimates and opinions included in this report constitute our judgments as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Seker Invest may, from time to time, have a long or short position in the securities mentioned in this report and may solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) for any company referred to in this report and may, to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis upon which it is based, before its publication. This report is for the use of intended recipients and may not be reproduced in whole or in part or delivered or transmitted to any other person without the prior written consent of Seker Invest. By accepting this document, you agree to be bound by the foregoing limitations.