

## Macro note – November 2025 Inflation

**CPI increases by 0.87% month-on-month and 31.07% year-on-year in November. The decline in food prices and the slowdown in services inflation provide the CBRT with leeway in its monetary policy stance.**

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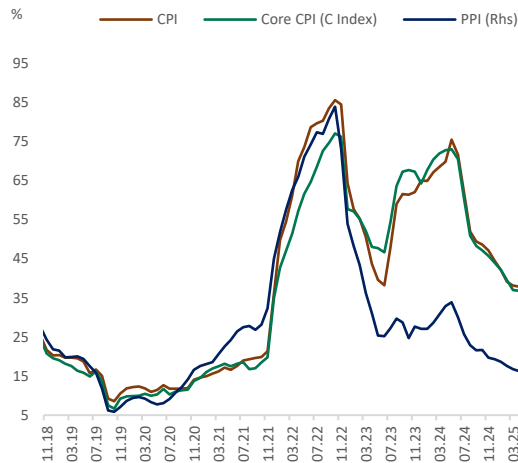
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|            | MoM%   |              |        | YoY%   |              |        |
|------------|--------|--------------|--------|--------|--------------|--------|
|            | Market | Seker Invest | Actual | Market | Seker Invest | Actual |
| <b>CPI</b> | 1,25   | 1,15         | 0,87   | 31,5   | 31,45        | 31,07  |
| <b>PPI</b> | -      | -            | 0,84   |        |              | 27,23  |

The CPI increased by 0.87% in November compared to the previous month, while annual inflation stood at 31.07% (previously 32.87%). Market expectations were for a 1.25% monthly and 31.5% annual increase (Seker Invest expected a 1.15% monthly and 31.45% annual increase). Actual inflation has been significantly lower than market expectations for the last two months. Rates converging with the Central Bank of the Republic of Türkiye (CBRT) interim targets during the disinflation process indicate that the fight against inflation is bearing fruit, albeit with some delays. However, considering the items that make up the majority of the consumption basket for low-income groups, the trend remains high. The average inflation rate for food, housing, and transportation, which accounts for 55.52% of the index, rose by 34.1% annually (previously 37.2%). This trend, with approximately a 3 percentage point decrease in main items, suggests that the decline in products weighing heavily in the basket is slowing faster than the headline figures. The CBRT has recently highlighted the inertia in food and services inflation in its interest rate decisions. Food inflation stood at -0.69%, impacting monthly inflation by -0.17 percentage points, while housing prices increased by 1.7% monthly, pushing headline inflation up by 0.29 percentage points. We see a recovery in housing prices driven by interest rate cut expectations and delayed demand. The temporary nature of the declines in food inflation, coupled with seasonal November discounts, keeps risks alive. Monthly inflation in the Special Coverage CPI Indicator B index (core inflation) was 1.27%, while annual inflation stood at 32.17%. The decline in food prices is driving the gap between headline figures and core indicators. When the last two months are evaluated together, we see that downward movements in the underlying inflation trend are becoming evident. Of the annual inflation of 31.07%, 19 percentage points come from food, housing, and transportation. Another point of attention in monetary policy decisions is services inflation. Services inflation, which averaged above 2% throughout 2025, fell to 1.79% in October and then reached 1.46% in November. Annual services inflation fell to 44.21%, but remains high despite significant declines. Services inflation does not respond as quickly to monetary policy decisions as demand-pull inflation. We estimate that the inertia in services inflation will persist until the first quarter of 2026, and that adjustment will take time depending on demand-pull inflation. When we examine the details of the latest growth figures, we see that the output gap, or expenditure side, also differs from the CBRT's forecasts. The negative output gap expectation has not yet materialized, and the impact of demand-pull growth is felt across all subsectors. Here, we are sensing the dominance of the expectations channel in the transmission mechanism. Breaking inflation inertia requires structural breaks, particularly in forward-looking inflation expectations. If inflation figures in December fail to surprise upwards, we are likely to end the year with inflation in the 31.5-32.3% range. The current outlook leaves the Central Bank of the Republic of Turkey (CBRT) with room for a 100-150 basis point cut in its December interest rate decision. If leading indicators for December show no risk, a 150 basis point cut will be implemented. If prices do exhibit risk, we will conclude the year with a more limited and cautious cut (100 basis points). We may see a monetary policy stance that protects the real interest rate margin and takes into account the dynamism of market production and economic activity.

Producer prices increased by 0.84% month-over-month in October, while the annual change in the PPI stood at 27.23%. Looking at the PPI sub-indices, the annual increase for main industry groups was 23.09% in intermediate goods, 33.17% in durable consumer goods, 31.65% in non-durable consumer goods, 27.40% in energy, and 28.44% in capital goods. Monthly dynamics were 1.27% in intermediate goods, 1.08% in durable consumer goods, 0.48% in non-durable consumer goods, 0.48% in energy, and 1.54% in capital goods. The PPI-CPI spread narrowed to 3.87 points, reflecting producer dynamics in cost inflation (peaking in October 2022 at 78 points). We estimate that cost and supply-side pressures are on an upward trend, albeit limited, and that this impact will be felt more significantly throughout 2026.

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



Graph 2: PPI – CPI Spread

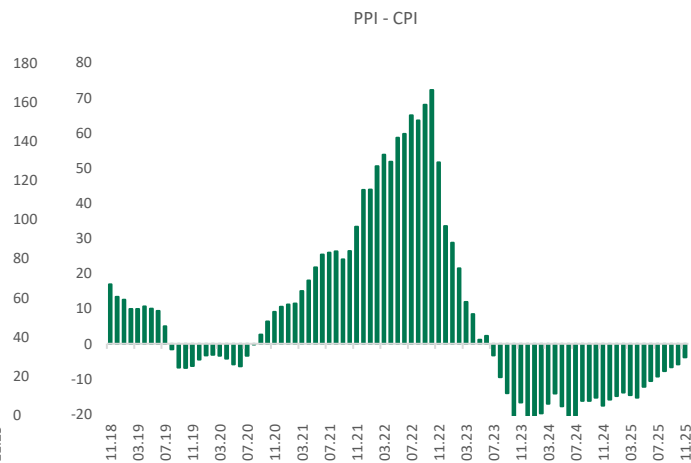


Table 1: Inflation and Sub-Components

| Main expenditure groups                                       | Weights       | MoM (%)     | Ytd (%)      | YoY (%)      |
|---|---------------|-------------|--------------|--------------|
| <b>CPI</b>  | <b>100,00</b> | <b>0,87</b> | <b>29,74</b> | <b>31,07</b> |
| Food and non-alcoholic beverages                              | 24,97         | -0,69       | 25,81        | 27,44        |
| Alcoholic beverages and tobacco                               | 3,52          | 2,42        | 30,72        | 30,70        |
| Clothing and footwear   | 7,16          | 0,68        | 9,73         | 8,99         |
| Housing, water, electricity, gas, and other fuels             | 15,22         | 1,70        | 47,40        | 49,92        |
| Furnishing, household equipment, routine domestic maintenance | 7,67          | 0,87        | 23,05        | 26,47        |
| Health  | 4,09          | 0,67        | 28,34        | 29,46        |
| Transportation  | 15,34         | 1,78        | 29,78        | 29,23        |
| Communication   | 3,62          | 0,55        | 15,67        | 17,78        |
| Recreation and Culture  | 3,36          | 3,33        | 24,06        | 25,87        |
| Education   | 2,31          | 0,30        | 66,06        | 66,17        |
| Hotels, cafes, and restaurants                                | 8,32          | 0,89        | 32,12        | 33,91        |
| Miscellaneous goods and services                              | 4,43          | 1,14        | 27,97        | 29,94        |

Source: TURKSTAT

In summary, the monthly CPI increased by 0.87% in November, while annual inflation stood at 31.07%. The monthly decline in food inflation led to a significant improvement in November inflation. While the slowdown in goods and services inflation has improved considering peak levels, it remains far from target levels. The monthly course of services inflation continues to be adjusted to the CBRT's forecasts. Because the improvement in the expectations channel will impact both pricing behavior and costs, we are closely monitoring inflation expectations. Despite the slowdown in consumption and demand-pull inflation, the adjustment in services inflation is taking place over time. Given the control span of monetary policy, practices that consider financial stability as well as price stability will reduce exchange rate volatility, contributing to both risk premiums and macrofinancial stability. We maintain our year-end inflation forecast at 32.2%. We emphasize that we may revise our inflation forecasts based on developments in monthly inflation and the course of monetary policy.

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