

Macro note – March 2026 Inflation

CPI increases by 1,94% month-on-month and 30,87% year-on-year in March. The inflation, that is below the expectation, is mainly driven by transportation and tobacco and alcoholic beverages

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	MoM%			YoY%		
	Market	Seker Invest	Actual	Market	Seker Invest	Actual
CPI	2,35	2,42	1,94	31,39	31,48	30,87
PPI	-	-	2,30			28,08

The CPI rose by 1.94% month-on-month in March, whilst annual inflation stood at 30.87% (previously 31.53%). Market expectations had been for inflation to rise by 2.35% month-on-month and 31.39% year-on-year (Seker Invest forecast was 2.42% month-on-month and 31.48% year-on-year). We had expected the limited rise in the headline trend, led by food prices, to continue in March. The figures, which came in below both market and our own expectations, point to a slight pullback in the headline trend. However, we will see the impact of commodity price-driven effects on inflation more clearly in April and May. Looking at the dispersion index for March, 127 sub-indices recorded an increase whilst 40 sub-indices showed a decrease. There is also a divergence when we look at the inflation index, which is more clearly felt in the consumption group rather than headline inflation. For the low-income group, price increases in the items that make up the majority of the consumption basket are deviating significantly upwards from headline inflation. This index, calculated using the average of food, housing and transport inflation—which accounts for 52.46% of the CPI—rose by 35.1% year-on-year in February. The shifts in price dynamics this month can be summarized as follows. Following a 6.89% rise in February, food and non-alcoholic beverages saw a marked slowdown to 1.8% in March, with annual inflation standing at 32.36%. In insurance and financial services, the trend above headline inflation continued at 2.86% in March, and the 20% level has been exceeded in the first three months. Transport, at 4.52% month-on-month, was the category making the highest contribution to inflation this month at 0.75 percentage points, with annual inflation at 34.35%. Of the 1.94 percentage points of monthly inflation, 1.43 points stem from the food, housing and transport categories. In the B index (core inflation), which is the Special Comprehensive CPI Indicator, monthly inflation stood at 1.45 per cent, whilst annual inflation reached 30.11 per cent. The pace of disinflation in the core indicators is significantly better than the headline figures. This provides us with a clue as to where the focus of the fight against inflation should lie. Housing prices rose by 1.91% this month, in line with headline inflation, but annual inflation remains at high levels of 42.06%. As the main trend and expectations of inflation are taken as indicators for monetary policy stance, we are seeing a slight slowdown in the main trend this month. However, the main risk that could affect monetary policy stance stems from supply-side shocks. Rising commodity prices, led by energy, are creating vulnerability in net importing economies such as Turkey. The current oil price has risen to approximately 80% above the forecast (US\$60/barrel) used when setting the CBRT's intermediate targets. Even if this volatility subsides, the equilibrium could deviate significantly upwards from the CBRT's forecasts. At Seker Invest, we anticipate that oil prices will stabilize at levels of \$75–80 per barrel once a ceasefire is reached and the conflict transitions to a diplomatic phase before spreading further across the region. Under this assumption, we forecast that inflation will rise to the 25–29% range and close the year at 27%. These developments necessitate a more cautious stance in monetary policy. According to our baseline scenario at the start of the year, we had anticipated that the CBRT would raise the policy rate to 29%. Current risks have led to a postponement of this expectation. Due to geopolitical risks and supply-side shocks, we are raising our year-end policy rate forecast to 32%. The realized real interest rate spread will remain at 5%. Although a rate cut was ruled out in the April Monetary Policy Committee (MPC) decision, some expect the CBRT to raise the policy rate to the current funding level of 40%. We believe this likelihood has diminished given the trend in realised inflation and signs of easing in geopolitical risks.

Producer prices rose by 2.3% month-on-month in March, whilst the annual change in the PPI stood at 28.08%. Looking at the sub-indices of the PPI, the annual increase stood at 25.84% for intermediate goods, 30.45% for durable consumer goods, 31.95% for non-durable consumer goods, 27.78% for energy, and 27.18% for capital goods. Monthly dynamics showed an increase of 2.07% in intermediate goods, 0.89% in durable consumer goods, 2.56% in non-durable consumer goods, 4.65% in energy, and 0.68% in capital goods. The PPI-CPI spread narrowed to 2.79 points (from 3.97 previously), highlighting the risks posed by cost-push inflation (peaking in October 2022 at 78 points). With the rise in energy prices, this spread is expected to close, and we will feel a gradual inflationary pressure from the PPI to the CPI.

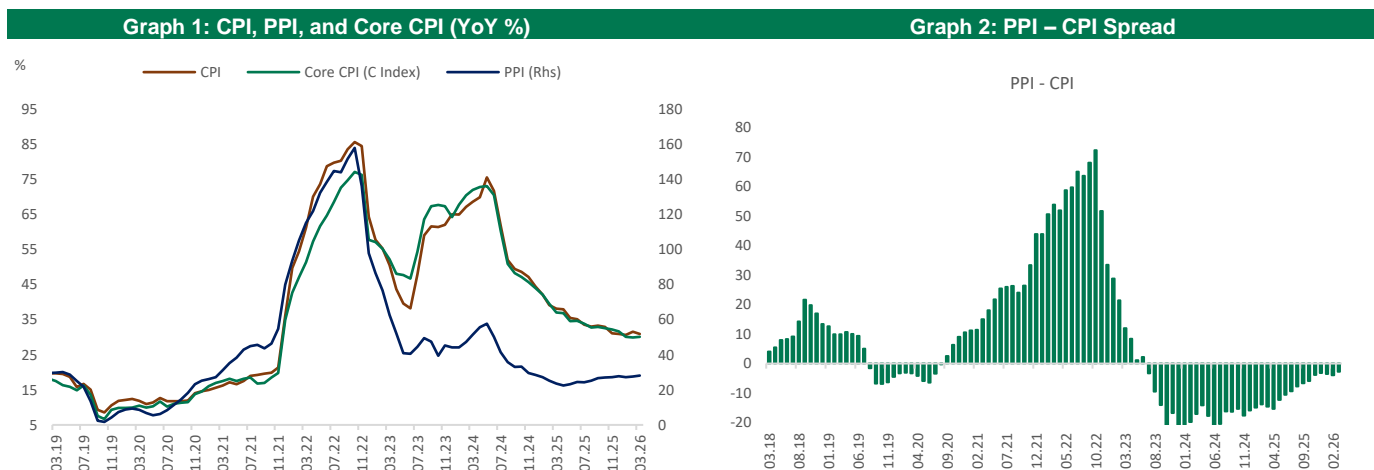


Table 1: Inflation and Sub-Components

Main expenditure groups	Weights	MoM(%)	Ytd (%)	YoY(%)
CPI	100,00	1,94	10,04	30,87
Food and non-alcoholic beverages	24,44	1,80	15,98	32,36
Alcoholic beverages and tobacco	2,75	4,36	10,04	29,59
Clothing and footwear	7,90	-2,10	-11,62	7,20
Housing, water, electricity, gas and other fuels	11,40	1,91	8,98	42,06
Furnishing, household equipment, routine maintenance of the house	7,92	0,91	5,08	20,52
Health	2,79	1,27	18,18	29,98
Transportation	16,62	4,52	12,89	34,35
Information and communication	3,10	1,54	9,62	24,12
Recreation, sport and culture	4,34	3,80	9,81	27,40
Education services	2,02	2,12	13,19	51,97
Restaurants and accomodation services	11,13	1,17	10,13	31,66
Insurance and financial services	1,07	2,86	23,14	32,93
Personal care, social protection and miscellaneous goods and services	4,494	0,15	7,46	25,61

In summary, whilst the CPI rose by 1.94% month-on-month in March, annual inflation stood at 30.87%. These figures, which came in below expectations, are having a positive, albeit limited, impact on the markets. In an environment where the possibility of interest rate hikes is being discussed, the absence of a significant and sustained upward trend is particularly important. Upward movements in inflation may be observed in April, driven by commodity and energy prices. Despite the slowdown in consumption and demand-driven inflation, recent supply shocks continue to pose risks. Given the scope of monetary policy, measures that take financial stability into account as well as price stability will help reduce exchange rate volatility, thereby contributing to both risk premiums and macro-financial stability. Within the current outlook, we are raising our year-end 2026 inflation forecast to 27%. We would like to emphasize that we may update our inflation forecasts depending on developments in monthly inflation levels and the course of monetary policy.

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