

Macro note – June 2026 Inflation

In June, CPI rises by 0.99 per cent month-on-month and 32.11 per cent year-on-year, in line with expectations. Whilst core inflation indicators have slowed significantly, headline inflation remains higher due to administered/guided prices.

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	MoM%			YoY%		
	Market	Seker Invest	Actual	Market	Seker Invest	Actual
CPI	0,98	0,95	0,99	32,09	32,07	32,11
PPI	-	-	1,80			28,09

The CPI rose by 0.99 per cent in June compared with the previous month, whilst annual inflation stood at 32.11 per cent (previously 32.61 per cent). Market expectations were for inflation to rise by 0.98 per cent month-on-month and 32.09 per cent year-on-year (Seker Invest forecast was 0.95 per cent month-on-month and 32.07 per cent year-on-year). In line with expectations, the data highlights a slowdown in core indicators. Excluding food, energy and alcohol/tobacco products, core inflation has fallen to a level consistent with the CBRT's forecasts. Looking at the dispersion index for June, 138 sub-indices recorded an increase whilst 26 showed a decrease. The monthly changes in the three main expenditure groups with the highest weightings were as follows: a 0.17 per cent increase in food and non-alcoholic beverages, a 0.05 per cent decrease in transport, and a 2.30 per cent increase in housing, water, electricity, gas and other fuels. The contributions of these main groups to the monthly change were 0.04 percentage points for food and non-alcoholic beverages, -0.01 percentage points for transport, and 0.27 percentage points for housing. The rise in the items that make up the vast majority of the consumption basket for the low-income group is deviating significantly upwards from headline inflation. This index, calculated using the average inflation rate for food, housing and transport – which account for 52.46 per cent of the CPI – rose by 36.19 per cent year-on-year in June. Consequently, we can say that the inflation felt by households on a tight budget is more severe. The shifts in price dynamics this month can be summarized as follows. Whilst food and non-alcoholic beverages showed a near-flat trend of 0.17 per cent in June, they contributed 0.04 percentage points to monthly inflation. In the case of alcoholic drinks and tobacco, a 3.46 per cent increase was recorded this month due to the impact of administered/guided prices, pushing monthly inflation up by 0.09 percentage points. In the transport sector, a 0.05 percentage point decline was observed this month, partly due to the fall in energy prices. Housing inflation rose by 2.3 per cent in June, making the largest contribution to monthly inflation at 0.27 percentage points. Restaurants and accommodation rose by 2.11 per cent month-on-month, contributing 0.23 percentage points to monthly inflation. Housing, services and administered prices are driving the continued uptrend in inflation. Of the annual inflation rate of 32.11 per cent, 19.7 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 1.66 per cent, whilst annual inflation stood at 31.18 per cent. Whilst the core indicators for monthly inflation are 0.5 percentage points lower than headline inflation, annual inflation is higher due to base effects. When temporary items such as food and energy are excluded, the disinflationary trend is more pronounced. There was a marked pullback in energy and commodity prices throughout June, which had been rising due to geopolitical tension. In particular, the stabilization of oil prices at this level could temper the uptrend in the monthly inflation path caused by supply shocks for the remainder of the year. We forecast that oil prices will stabilize at levels of USD75–80 per barrel by year-end. Under this assumption, inflation could settle within a range of 26–30 per cent, with a midpoint of 28 per cent. Under this base-case scenario, we estimate that the CBRT has scope for a 400-basis point interest rate cut. Real interest rates will remain positive this year, as they have in recent years. We believe that monetary and fiscal policy will be adjusted in a coordinated manner, taking into account the stance of global central banks, developments in geopolitical risks and price dynamics. We expect the CBRT's interest rate decision in July to be based on these dynamics. If leading indicators point to a continuation of the slowdown in inflation trends similar to that seen in June, we may see a normalization and a limited cut from the CBRT.

Whilst producer prices rose by 1.80 per cent month-on-month in June, the year-on-year change in the PPI stood at 28.09 per cent. Looking at the sub-indices of the PPI, the annual increases were 27.89 per cent for intermediate goods, 28.97 per cent for durable consumer goods, 31.42 per cent for non-durable consumer goods, 24.93 per cent for energy and 23.01 per cent for capital goods. Month-on-month changes showed a rise of 1.88 per cent in intermediate goods, 0.24 per cent in durable consumer goods, 1.41 per cent in non-durable consumer goods, 3.04 per cent in energy and 1.66 per cent in capital goods. The gap between the Producer Price Index (PPI) and the Consumer Price Index (CPI) widened to 4.02 points (from 3.68 previously); it remains below the CPI and in negative territory (peaking at 78 points in October 2022). The pass-through of inflation stemming from producer costs remains at a low level. Should this cycle continue its subdued trajectory until the end of the year, it will contribute to disinflation.

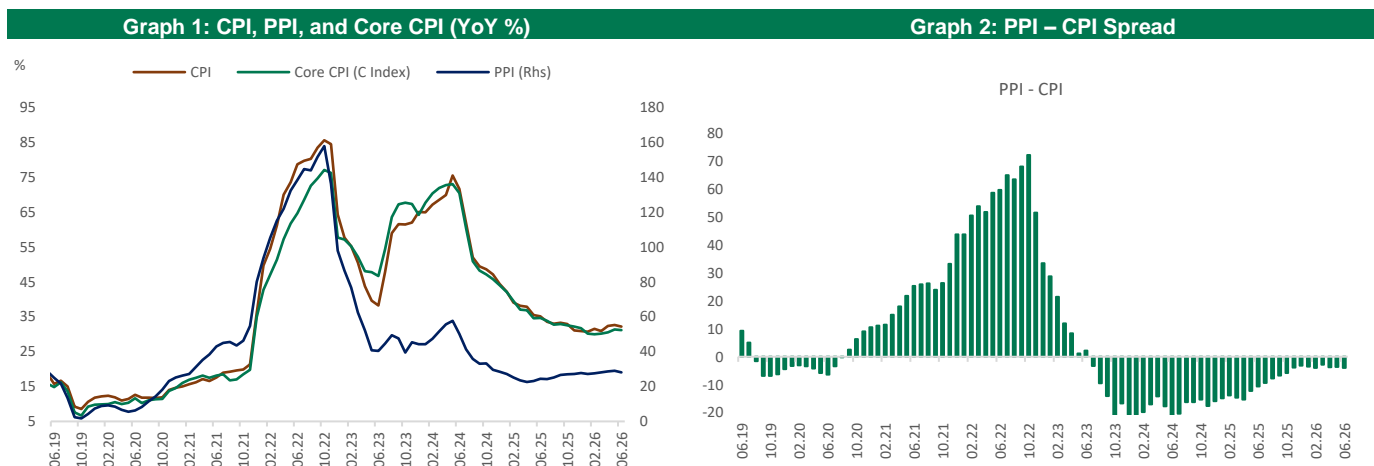


Table 1: Inflation and Sub-Components

Main expenditure groups	Weights	MoM(%)	Ytd (%)	YoY(%)
CPI	100,00	0,99	17,76	32,11
Food and non-alcoholic beverages	24,44	0,17	19,89	35,45
Alcoholic beverages and tobacco	2,75	3,46	14,08	34,15
Clothing and footwear	7,90	-0,18	6,96	14,18
Housing, water, electricity, gas and other fuels	11,40	2,30	23,15	45,14
Furnishing, household equipment, routine maintenance of the house	7,92	1,98	13,01	22,32
Health	2,79	1,17	24,11	33,62
Transportation	16,62	-0,05	20,07	31,15
Information and communication	3,10	1,87	13,35	25,57
Recreation, sport and culture	4,34	1,00	14,81	25,39
Education services	2,02	1,72	17,66	46,10
Restaurants and accommodation services	11,13	2,11	18,56	31,61
Insurance and financial services	1,07	1,06	26,46	28,07
Personal care, social protection and miscellaneous goods and services	4,494	1,04	11,54	22,71

In summary, whilst the CPI rose by 0.99 per cent month-on-month in June, in line with expectations, annual inflation stood at 32.11 per cent. The question of how long-lasting this month's marked decline will be is, arguably, the key factor that will determine the direction of monetary policy. Upward risks stemming from commodity prices have eased significantly. However, we believe that monthly inflation levels of 1.5–1.8 per cent, or an annual rate of 30 per cent, act as thresholds for interest rate cuts. If leading indicators at the July meeting point to a continuation of the same slowdown in inflation, we may see a normalization of policy and a limited rate cut from the CBRT. Given the scope of monetary policy, measures that take financial stability into account as much 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 maintaining our year-end 2026 inflation forecast at 28 per cent. We would like to emphasize that we may update our inflation forecasts depending on developments in the monthly inflation rate and the course of monetary policy.

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