Macro note – 2026/III Inflation Report

In its third inflation report of the year, the CBRT revised its year-end 2026 inflation forecast upwards by 2 percentage points to 28 per cent and maintained its interim targets for 2026, 2027 and 2028 at 24 per cent, 15 per cent and 9 per cent respectively. The revision to the inflation forecast was driven by an increase in the assumption regarding import prices denominated in Turkish lira, taking into account the outlook for commodity prices.

Abdulkadir DOGAN
Chief Economist
adogan@sekeryatirim.com.tr
(+90) 212 334 33 33/313

In its third inflation report for 2026, the Central Bank has provided details on interim targets, medium-term forecasts, the outlook for domestic and global economies, and developments in the real sector and financial markets. Compared with the previous reporting period, the 2026 inflation forecast has been revised upwards by 2 percentage points, from 26 per cent to 28 per cent. Furthermore, the interim inflation targets for 2026–2027–2028 have been maintained at 24 per cent, 15 per cent and 9 per cent respectively. The main reason for the widening gap between the interim target and the year-end forecast has been the geopolitical risks and supply-side shocks experienced in recent periods. Looking at the updates to the assumptions, the export-weighted global growth index has been revised downwards from 1.7 per cent to 1.6 per cent. This indicates that external demand is expected to remain weak and that the contribution of exports to growth has been revised downwards. Import prices have been revised upwards due to commodity and geopolitical risks. Import prices, calculated as the average annual percentage change in USD terms, have been revised upwards from 6.3 per cent to 6.9 per cent. We observe that the pass-through effect from the exchange rate to domestic prices has risen significantly, driven more by price effects than by the exchange rate itself. The food inflation assumption, reflecting the combined impact of agricultural commodities, fertilizer prices and oil prices, has been revised upwards from 26.3 per cent to 28.5 per cent. Whilst global growth, import price and food inflation forecasts have been revised upwards, oil prices have been revised downwards, exerting a downward pressure on inflation. The average oil price for 2026 has been revised down from USD89.4 per barrel to USD87.8 per barrel. In our pre-meeting expectations, we had emphasised that, whilst no changes were expected to the forecast, reassuring messages regarding the final quarter of the year might be conveyed to the market. We had also noted that the oil price assumptions were in line with those of the Central Bank of the Republic of Turkey (TCMB) and that the worst was behind us. However, upon examining the details of the report, whilst the oil price assumptions are in line with our forecasts, it is evident that inflationary pressures stemming from import prices and administered/guided prices are exceeding forecasts. Furthermore, during the period covered by the Current Report, the impact of geopolitical developments, as well as administered/guided prices and tax regulations, on headline inflation has come to the fore. Whilst increases in healthcare and electricity prices resulting from administrative regulations were observed during this period, the failure to implement the fixed tax update on motor fuels limited price rises. However, the uptrend in crude oil prices and the gradual phasing out of the escalator system have partially offset this effect.

The key points highlighted in the general assessment of the inflation report are as follows: “While news flow regarding the US/Israel-Iran conflict remain volatile, uncertainties regarding the global economic outlook persist. In the first quarter of 2026, the decline in growth rates continued on both an annual and quarterly basis, with economic activity recording growth below its potential. Current indicators for the second quarter of 2026 suggest that economic activity is proceeding at a moderate pace and that domestic demand conditions are providing increasingly clear support for the disinflationary process. The underlying trend in inflation declined in July. The quarterly average of the indicators tracking the underlying trend rose from 2.2 per cent in April to 2.3 per cent in the second quarter, before falling to 2.0 per cent as of July. The trend inflation indicator, which by design focuses on the longer term and excludes one-off effects, remained flat during the reporting period. Core trend indicators signalled a slight loss of momentum in the disinflation process during the second quarter, influenced by geopolitical developments. Whilst external shocks have disrupted the disinflation process, we believe these effects will be temporary. Although the core inflation trend has eased, the flat trajectory of trend inflation continues to pose a risk.

The section containing updates to the forecasts and their sources includes the following explanations: “The year-end 2026 inflation forecast has been revised upwards from 26 per cent to 28 per cent. This revision was driven by an increase in the assumption regarding import prices denominated in Turkish lira, taking into account the outlook for diesel, natural gas and certain other commodity prices. The impact of regulations concerning the escalator mechanism has also been reflected in the forecasts. Furthermore, an upward revision to the food inflation assumption, driven by actual data, has had an inflation-increasing effect on the forecast. Regulations relating to administered/guided prices during this period have also played a role in the upward revision of the forecast. Although the output gap path has been revised upwards by a limited amount for 2026 compared with the previous Report period, it remains at a level supportive of disinflation. With tight financial conditions being maintained, domestic demand is expected to continue its weak trend in the coming period. It is assessed that, aided by the tight stance of monetary policy, the improvement in inflation expectations and the reduction in the tendency to index pricing behaviour to past inflation will support the disinflation process. Against this backdrop, it is forecast that the recent decline in the underlying trend of inflation will continue.”

In summary, in its third inflation report for 2026, the Central Bank updated its year-end forecast upwards by 2 percentage points to 28 per cent, whilst keeping its interim targets for 2026, 2027 and 2028 unchanged. The update reflects factors pushing the inflation forecast upwards—such as global growth, exports, import prices and food prices—whilst oil prices are pulling the forecast downwards. The Central Bank reiterated its stance on a tight monetary policy and emphasised that decisions on interest rate cuts would depend on the inflation outlook. The CBRT, which is making effective use of both the monetary transmission mechanism and macroprudential measures, has once again stated its determination to utilize all available tools to bring current inflation closer to the forecast path. In light of current developments and the outlook, we maintain our year-end inflation forecast at 29 per cent.

ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.
Buyukdere Cad. No: 171 Metrocity
A Blok Kat 4-5 34330 SİSLİ /IST
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 Şeker Yatırım Menkul Değerler A.Ş. (Şeker Invest, Inc.). The information and opinions contained herein have been obtained from and are based upon public sources that Şeker Invest considers to be reliable. No representation or warranty, express or implied, is made that such information is accurate or complete and 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. Şeker 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 Şeker Invest. By accepting this document you agree to be bound by the foregoing limitations.