Macro note – August 2026 Inflation

In August, CPI rises by 1.84 per cent month-on-month and 31.51 per cent year-on-year, slightly below expectations. Adjustments in the transport sector driven by energy prices, together with the impact of administered prices for alcoholic beverages and tobacco, contributes 1 percentage point to monthly inflation.

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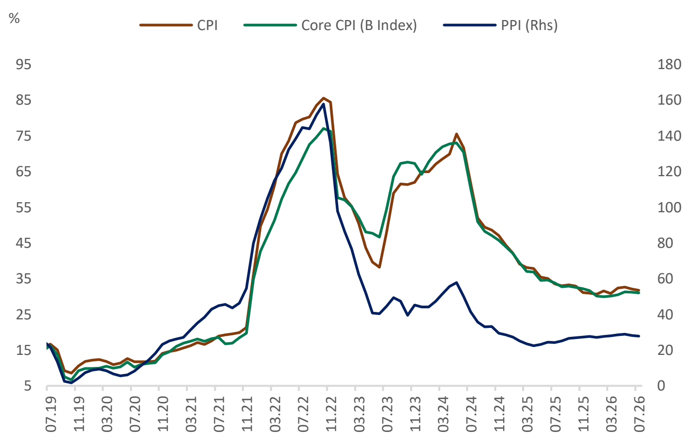
	MoM%			YoY%		
	Market	Seker Invest	Actual	Market	Seker Invest	Actual
CPI	1,95	1,83	1,84	31,63	31,50	31,51
PPI	-	-	2,57			27,95

The CPI rose by 1.84 per cent in August compared with the previous month, whilst annual inflation stood at 31.51 per cent (previously 31.75 per cent). Market expectations were for inflation to rise by 1.95 per cent month-on-month and 31.63 per cent year-on-year (Seker Invest forecast was 1.83 per cent month-on-month and 31.50 per cent year-on-year). We can say that the data was in line with our expectations. However, the external shock caused by energy prices in the transport sector exceeded our expectations. Despite a moderation in monthly inflation compared with the previous month, the pressure exerted by supply shocks on price dynamics persists. We believe that once this effect returns to its trend seen at the start of the year, there will be a marked decline in the underlying trend of inflation. Alongside external shocks, tax adjustments stemming from administered/guided prices domestically continue to create rigidity in prices. This month, we also observed a marked rise in core inflation indicators—such as education, IT and housing—where the impact of energy and tax factors remains weak. Consequently, headline and core inflation came in at the same level. Looking at the dispersion index for August, 134 sub-indices recorded an increase whilst 35 sub-indices showed a decrease. The monthly changes in the three main expenditure groups with the highest weightings were as follows: a 0.22 per cent increase in food and non-alcoholic beverages, a 4.82 per cent increase in transport, and a 2.26 per cent increase in housing. The contributions of these main groups to the monthly change were 0.06 percentage points for food and non-alcoholic beverages, 0.82 percentage points for transport and 0.27 percentage points for housing. 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 35.50 per cent year-on-year in July. The shifts in price dynamics this month can be summarized as follows. In the alcoholic beverages and tobacco category, a 6.89 per cent increase occurred this month due to the impact of administered/guided prices, pushing up monthly inflation by 0.18 percentage points. In the transport sector, a 4.82 per cent increase was recorded this month due to fluctuations in oil prices, pushing up monthly inflation by 0.82 percentage points. Housing inflation rose by 2.26 per cent, contributing 0.27 percentage points to monthly inflation. Education was the category with the highest increase this month, rising by 8.62 per cent month-on-month and contributing 0.17 percentage points to inflation. Upward price stickiness persists due to adjustments made through fiscal policy. Of the annual inflation rate of 31.51, 19.07 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 1.84 per cent, whilst annual inflation stood at 30.68 per cent. Whilst the monthly trend was at the same level for both the headline and core indicators, core inflation is running lower on an annual basis due to the base effect. We entered the final days of August and the month of September against a backdrop of renewed geopolitical tension. In this context, unless tension eases, we can expect inflation to remain sluggish in September as well. Consequently, due to both rising education expenditure and the seasonality known as 'September inflation', we may close the third quarter with a high reading. Under the optimistic scenario, it is possible to say that the expected decline in the underlying trend will be deferred until the final quarter. In this context, we anticipate that the central bank will prioritize normalization and then begin cautious interest rate cuts without compromising its hawkish stance. The return to repo auctions as part of normalization, and the market's resumption of funding via the policy rate, could be interpreted as an implicit rate cut. We expect this to be followed by policy rate cuts from September onwards. Under the base-case scenario, we anticipate a total of 400 basis points of cuts from the CBRT by the end of the year.

However, should the core inflation trend remain stubborn and the year close with inflation above 29 per cent, the magnitude of the rate cuts will be reduced (to around 200–300 basis points).

Whilst producer prices rose by 2.57 per cent month-on-month in August, the year-on-year change in the PPI stood at 27.95 per cent. Looking at the sub-indices of the PPI, the annual increases were 27.41 per cent for intermediate goods, 28.54 per cent for durable consumer goods, 30.28 per cent for non-durable consumer goods, 27.33 per cent for energy and 22.06 per cent for capital goods. Month-on-month changes showed a 1.84 per cent rise in intermediate goods, a 2.84 per cent rise in durable consumer goods, a 1.51 per cent rise in non-durable consumer goods, a 6.99 per cent rise in energy and a 1.76 per cent rise in capital goods. The PPI-CPI spread widened to -3.56 points (previously -3.92), remaining in negative territory (peaking at 78 points in October 2022). The pass-through of producer cost-driven inflation remains low. Inflation stickiness persists, driven more by one-off supply shocks than by cost and output prices.

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



Graph 2: PPI – CPI Spread

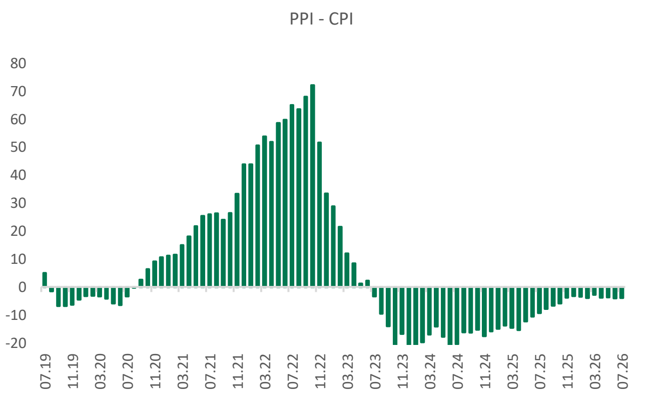


Table 1: Inflation and Sub-Components

Main expenditure groups	Weights	MoM(%)	Ytd (%)	YoY(%)
CPI	**100,00**	**1,84**	**22,07**	**31,51**
Food and non-alcoholic beverages	24,44	0,22	22,09	33,79
Alcoholic beverages and tobacco	2,75	6,89	24,30	30,42
Clothing and footwear	7,90	-3,54	-0,88	13,16
Housing, water, electricity, gas and other fuels	11,40	2,26	28,76	39,77
Furnishing, household equipment, routine maintenance of the house	7,92	1,75	16,95	23,58
Health	2,79	0,70	38,41	43,46
Transportation	16,62	4,82	29,12	35,08
Information and communication	3,10	2,60	18,67	25,66
Recreation, sport and culture	4,34	1,87	18,41	23,43
Education services	2,02	8,62	29,50	53,44
Restaurants and accommodation services	11,13	1,50	23,08	31,16
Insurance and financial services	1,07	0,05	27,80	25,08
Personal care, social protection and miscellaneous goods and services	4,494	2,39	15,48	23,65

In summary, whilst the CPI rose by 1.78 per cent month-on-month in August—slightly below expectations—annual inflation stood at 31.51 per cent. Administered/guided prices and energy costs continued to exert upward pressure on inflation this month. We believe that a sustained monthly inflation rate of 1.6 per cent or below constitutes the threshold for an interest rate cut. Due to geopolitical tension and seasonal inflation in September, interest rate cuts have been postponed until the October–December meeting. 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 maintain our year-end 2026 inflation forecast at 29 per cent. We emphasize here 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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