

Macro note – September 2026 Inflation

In September, CPI rises by 1.84 per cent month-on-month and 29.73 per cent year-on-year, both below expectations. Whilst the trend in monthly inflation—which matched that of August—is held back by food and non-alcoholic beverages, inflation in services (excluding education) continues to stabilize.

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	MoM%			YoY%		
	Market	Seker Invest	Actual	Market	Seker Invest	Actual
CPI	2,21	2,15	1,84	30,20	30,16	29,73
PPI	-	-	2,07			27,38

Whilst the CPI rose by 1.84 per cent in September compared with the previous month, annual inflation stood at 29.73 per cent (previously 31.51 per cent). Market expectations had been for inflation to rise by 2.21 per cent month-on-month and 30.20 per cent year-on-year (Seker Invest forecast was 2.15 per cent month-on-month and 30.16 per cent year-on-year). We can say that inflation came in significantly lower than both market and our own expectations. The negative trend observed this month in food inflation was the key factor triggering the slowdown in inflation. The slowdown is also ongoing in the services sector. However, education inflation jumped into double figures in September with the start of the academic year (month-on-month 14.19 per cent). Despite the adjustments made to education and rent, current levels remain very high. Since the start of the year, education inflation has risen to 47.88 per cent. Services inflation stood at 2.15 per cent month-on-month and 37.66 per cent year-on-year in September. The trends in education and transport are being offset by sectors such as entertainment and restaurant services. Looking at the dispersion index for September, 133 sub-indices recorded an increase whilst 35 showed a decrease. The monthly changes in the three main expenditure groups with the highest weightings were as follows: a decrease of 0.20 per cent in food and non-alcoholic beverages, an increase of 2.79 per cent in transport, and an increase of 2.71 per cent in housing. The contributions of these main groups to the monthly change were -0.05 percentage points for food and non-alcoholic beverages, 0.49 percentage points for transport and 0.33 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 32.68 per cent year-on-year in September. Developments in price dynamics this month can be summarized as follows. Alcoholic beverages and tobacco followed a steady trend, with a monthly increase of 0.88 per cent, pushing up monthly inflation by 0.02 percentage points. Transport saw a 2.79-point increase, pushing up monthly inflation by 0.49 percentage points. Housing inflation rose by 2.71 per cent, contributing 0.33 percentage points to monthly inflation. Education was the category with the highest increase this month, rising by 14.19 per cent month-on-month and contributing 0.30 percentage points to inflation. Whilst demand-driven inflation has slowed significantly, the decline in inflation driven by services and costs is proceeding at a slower pace. Of the annual inflation rate of 29.73 per cent, 17.53 percentage points stem from the food, housing and transport categories. There is a 3-point difference between headline inflation and the basic necessities that make up the bulk of the consumer basket. In the B index (core inflation), which is the Special Comprehensive CPI Indicator, monthly inflation stood at 2.01 per cent, whilst annual inflation came in at 29 per cent. Although core inflation has declined due to base effects and the exclusion of volatile items, it remains at a high level of around 2 per cent. We believe that the key precondition for the “significant and sustained decline in inflation” emphasized by the CBRT in its Monetary Policy Committee decisions has largely been met. However, the extent to which this decline is sustainable will depend on both domestic demand and global developments. However, assuming that demand is under control, we believe that the condition for the decline to be sustainable depends particularly on geopolitical developments. In this context, whilst an interest rate cut in October is almost certain, the magnitude of the cut will depend on developments in the energy market and the trend in October inflation as indicated by leading indicators. We believe that supply-side shocks have been largely offset by the pullback in demand. Barring any external and persistent additional shocks, our base scenario is for interest rate

cuts to be implemented at the October and December meetings by the end of the year. Should there be no easing in global developments by the time of these meetings, we may see a cautious rate cut.

Producer prices rose by 2.07 per cent month-on-month in September, whilst the year-on-year change in the Producer Price Index (PPI) stood at 27.38 per cent. Looking at the sub-indices of PPI, the annual increases were 28.11 per cent for intermediate goods, 26.97 per cent for durable consumer goods, 25.97 per cent for non-durable consumer goods, 30.82 per cent for energy and 21.55 per cent for capital goods. Month-on-month changes showed a 2.04 per cent rise in intermediate goods, a 1.54 per cent rise in durable consumer goods, a 1.59 per cent rise in non-durable consumer goods, a 3.55 per cent rise in energy and a 1.47 per cent rise in capital goods. The PPI-CPI spread narrowed to -2.35 points (previously -3.56), 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.

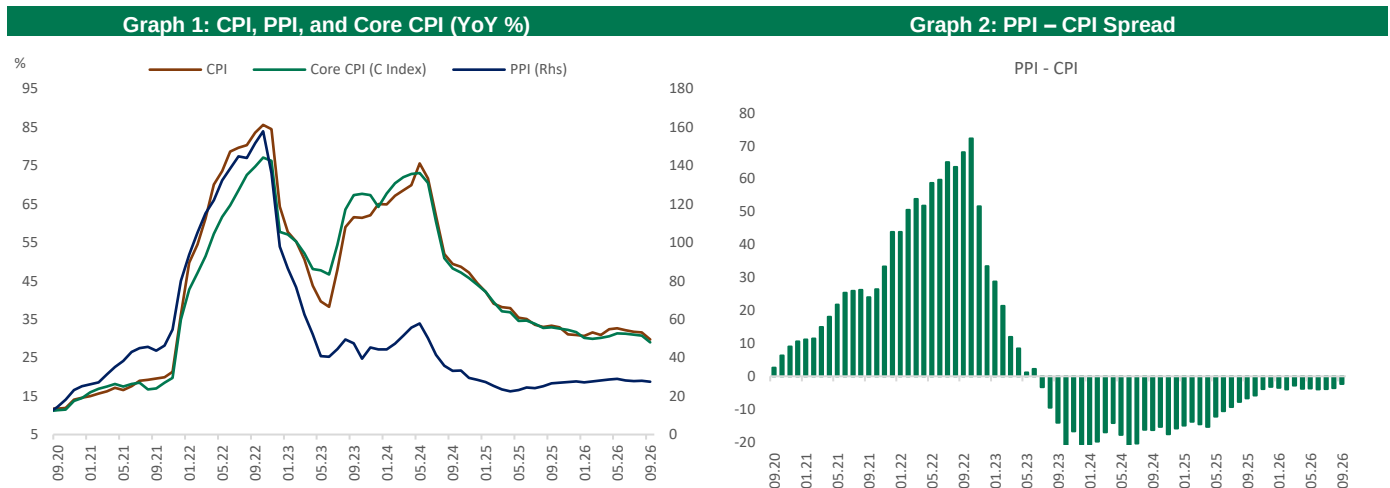


Table 1: Inflation and Sub-Components

Main expenditure groups	Weights	MoM(%)	Ytd (%)	YoY(%)
CPI	100,00	1,84	24,32	29,73
Food and non-alcoholic beverages	24,44	-0,20	21,84	27,62
Alcoholic beverages and tobacco	2,75	0,88	25,39	31,60
Clothing and footwear	7,90	3,98	3,06	13,22
Housing, water, electricity, gas and other fuels	11,40	2,71	32,26	39,99
Furnishing, household equipment, routine maintenance of the house	7,92	1,83	19,09	23,81
Health	2,79	0,35	38,90	43,26
Transportation	16,62	2,79	32,73	35,10
Information and communication	3,10	2,16	21,24	26,51
Recreation, sport and culture	4,34	0,72	19,26	23,36
Education services	2,02	14,19	47,88	48,62
Restaurants and accommodation services	11,13	1,41	24,81	29,53
Insurance and financial services	1,07	3,40	32,14	31,89
Personal care, social protection and miscellaneous goods and services	4,494	1,08	16,73	21,88

In summary, whilst CPI rose by 1.84 per cent month-on-month in September—significantly below expectations—annual inflation stood at 29.73 per cent. The fall in food prices and the relatively stable trend in transport costs were the two main factors driving the slowdown in inflation. We believe that a sustained monthly inflation rate of 1.6–1.8 per cent or below constitutes the threshold for an interest rate cut. This slowdown paves the way for interest rate cuts at the October and December meetings. 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 maintain our year-end 2026 inflation forecast at 29.1 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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