Macro note – 2026/IV Inflation Report

In its final inflation report of the year, the CBRT revises its year-end 2026 inflation forecast upward by 1.5 percentage points to 29.5% and maintains its interim target at 24%. Taking into account the prolonged nature of the war with Iran and the Medium-Term Program (OVP) projections, the 2027 interim target has been raised to 21% and the 2028 interim target to 13.5%.

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

In its latest inflation report for 2026, the Central Bank has shared details regarding interim targets, medium-term forecasts, the outlook for local and global economies, and developments in the real sector and financial markets. Compared to the previous reporting period, the 2026 inflation forecast was raised by 1.5 percentage points to 29.5%, while the interim target remained at 24%. The interim inflation targets for 2027 and 2028 have been raised to 21% and 13.5%, respectively. We had previously noted in our report that the CBRT was optimistic regarding its year-end 2026 inflation forecast. Although the 1.5-point revision in the forecast is insufficient, it is closer to market expectations. The main reason for the upward revision in the 2026 and 2027 inflation forecasts is the rise in food and energy prices. Looking at the updates to the assumptions, the export-weighted global growth index has been maintained at 1.6% for 2026–2027. No significant changes are expected in external demand or exports. Import prices have been revised upward due to commodity and geopolitical risks. Import prices, calculated as the average annual percentage change in USD terms, have been raised from 6.9% to 10.6% for 2026 and, with a 0.3-point increase, to -0.1% for 2027. The food inflation assumption, reflecting the combined impact of agricultural commodities, fertilizer prices, and oil prices, has been raised from 28.5% to 31.3% for 2026 and from 19% to 24% for 2027. Average oil prices for 2026 have been updated from USD87.8 per barrel to USD97.2 per barrel, and for 2027 from USD76.4 per barrel to USD86.7 per barrel. In the previous report, we noted that the CBRT might keep its 2026 forecast unchanged or adjust it by 1–2 percentage points, but that the main changes would be made to the 2027 projections. We observe that the impact of rising food and energy prices on inflation remains significant, even as it is offset by declining domestic demand. The OVP projections and expectations that the war with Iran will continue for some time have necessitated these updates. In particular, recent capital outflows and falling gold prices have significantly dampened the wealth effect on domestic demand, which has been reflected in spending indicators. Furthermore, a sharp slowdown in industrial production and final domestic demand is evident in the third quarter. In this context, if the core inflation trend declines from 1.7% to 1.6%, the 21% forecast for 2027 appears reasonable. However, should the core trend deteriorate, an upward revision will be made at the 2027 interim meetings. In this context, we expect the central bank to continue cutting interest rates at a moderate pace, depending on the future inflation outlook, and anticipate a total reduction of 700–1,000 basis points in 2027.

The key highlights in the overall assessment of the inflation report are as follows: “Uncertainties stemming from risks related to global energy supply and geopolitical developments persist. Uncertainties regarding geopolitical developments and the global economic outlook are increasing volatility in financial markets, thereby affecting asset pricing and the trajectory of portfolio flows. The slowdown in total credit growth has become more pronounced during the

period covered by this Report. Current indicators for the third quarter of 2026 show that the weak trend in domestic demand is continuing and that domestic demand conditions continue to contribute to the disinflation process. In formulating medium-term forecasts, a framework was adopted based on the assumption that the tight monetary policy stance will be maintained with determination until price stability is achieved, and that coordination in economic policies will be preserved." While the slowdown in economic activity supports the disinflation process, supply-side shocks continue to pose risks. We expect geopolitical and political developments to influence trends in consumer confidence, spending, and expectations in a manner consistent with disinflation starting in the first quarter of 2027."

The section containing the updates to the forecasts and their sources includes the following explanations: "The inflation forecast path has been revised upward. The upward revision in the forecasts was driven by war-related developments and the increase in the assumption regarding import prices denominated in Turkish lira. Persisting uncertainties regarding the course of the war with Iran and the expectation that energy prices will remain high for a longer period than in the previous Report period have also pushed up inflation forecasts for 2027 and 2028. The update to the food inflation assumption also contributed to the upward shift in the forecast path. The macroeconomic framework outlined in the Medium-Term Program (2027–2029) and regulations regarding administered and guided prices have also been reflected in the forecasts. In addition, another key factor in the upward revision of the inflation forecast path has been the more persistent-than-expected effects of the war. This situation has limited the improvement in inflation expectations projected in the previous Report period. With tight financial conditions persisting, domestic demand is expected to remain weak in the coming period. Although the output gap path has been revised upward by a limited amount compared to the previous Report period, it remains at levels supportive of disinflation throughout the forecast horizon. The interim inflation target remains at 24% for 2026, while it has been revised upward for 2027 and 2028. Since the previous Report period, expectations regarding the persistence of the war have increased, and the macroeconomic framework has been clarified through the Medium-Term Program (2027–2029). This situation is particularly affecting the inflation outlook for 2027 and beyond."

In summary, in its latest inflation report for 2026, the Central Bank has updated its year-end forecast by 1.5 percentage points to 29.5% and revised its intermediate targets for 2027 and 2028 to 21% and 13.5%, respectively. The upward revisions in food and energy assumptions form the basis of these updates. Statements regarding the tight monetary stance were reiterated, and it was emphasized that decisions on interest rate cuts depend on the inflation outlook. The CBRT, which effectively utilizes both the monetary transmission mechanism and macro-prudential measures, has once again stated its determination to use 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 31%.

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

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.

Copyright © 2026 Şeker Invest, Inc.