

Macro: No improvement in inflation trend excluding food

Consumer inflation increased by 0.87% month-on-month (mom), below our forecast (1.1%) and market expectations (1.3%). This brought annual inflation down 1.8 percentage points (pp) to 31.1%, which is also approximately 0.6 pp below the midpoint calculated from the forecast band of the Central Bank of the Republic of Turkey (CBRT).

The stronger-than-expected decline in fresh fruit and vegetable prices, coupled with the slowdown in inflation for other unprocessed and processed food, was the primary driver of the decline in inflation and the deviation from the forecasts. Consequently, the CPI trend declined significantly compared to last month. The seasonally adjusted (s.a.) monthly inflation decelerated to 1.50% from 2.1%. The median, which is the highlighted distribution-based trend indicator in the CBRT's communication, and trimmed mean monthly inflation rates were 1.8%, below their recent averages (2.0%).

However, there is no improvement in the inflation trend excluding food. Monthly B-inflation (s.a.), which excludes unprocessed food, remained stable at 2.0%, while monthly C-inflation (s.a.), which excludes food, increased from 1.9% to 2.1%. Monthly inflation in services (s.a.) remained flat at 2.9%, while monthly inflation in core goods (s.a.) increased from 0.8% to 1.1%. There is no significant improvement in the inflation distribution either. Based on current pricing behavior, the inflation trend improves in the last two months of each half year (May-June and November-December), but this trend is not permanent. Therefore, the continuity of the decline in this trend is important.

The decline in median inflation (s.a.), highlighted in policy communications, to 1.8% and headline inflation (s.a.) to 1.5% present a rather positive picture for the CBRT, which is inclined to cut interest rates. We anticipate that, prior to the MPC meeting on 11 December, if the initial signals regarding December price developments are not undesirable, the CBRT will cut interest rates by 150 bps in light of November inflation print (previous estimate: 100 bps). If the positive trend in food prices continues and core trends improve, a stronger rate cut could be considered. However, given the strong economic activity as confirmed by recent GDP data and the risks to wages and administered prices, a rate cut higher than 150 bps seems unlikely.

We are updating our year-end inflation forecast from 32.0% to 31.5%. Adjustments to the minimum wage and administered price/tax will be critical to the trajectory of inflation and the policy stance in the coming period. Since the hunger threshold of Türk-İş is currently 35% above the minimum wage, a rise of approximately 30% is possible. We assess that the administered price and excise taxes on various products could be increased by 20%, below the revaluation rate announced as 25.5%. Assuming a growth outlook similar to that of the Medium-Term Program (3.8%), exchange rate appreciation around 20%, and oil prices maintaining their current levels, we forecast year-end inflation in 2026 at 25.0%.

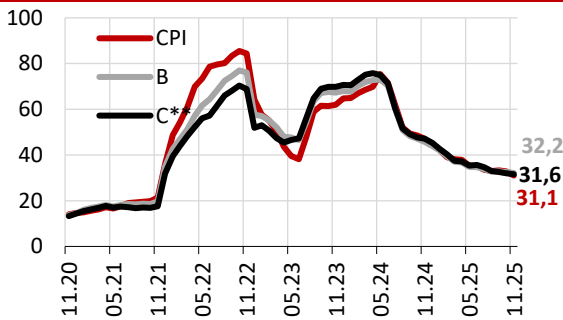
Consumer Price Index (CPI)

Monthly inflation was 0.87%, below our forecast (1.1%) and market expectations (1.3%). This brought annual inflation down 1.8 pp to 31.1%, falling below the midpoint (31.7%) calculated from the forecast band shared by the CBRT in its latest Inflation Report. The more favorable trend in food inflation, particularly in unprocessed food, was the primary reason for the lower-than-anticipated inflation.

Among the **core indicators**, the decline in annual inflation of the B index, which excludes unprocessed food, and the C index, which excludes all food items, was quite low compared to the CPI (Chart 1, Table 3). Annual inflation for B decreased by 0.35 pp to 32.2%, while annual inflation for C decreased by 0.4 pp to 31.65%.

Due to the higher-than-expected decline in food prices, **monthly seasonally adjusted (s.a.) CPI inflation** decreased from 2.1% to 1.5%. However, excluding food, the inflation trend shows no improvement. Monthly inflation in B (s.a.) remained stable at 2.0%, while monthly inflation in C (s.a.) increased from 1.9% to 2.1%. Monthly services (s.a.) inflation remained flat at 2.9%, while monthly core goods (s.a.) inflation accelerated from 0.8% to 1.1%.

Chart 1. CPI and Core CPI
(annual % change)

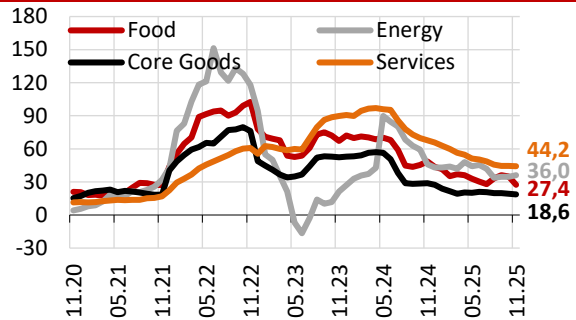


* CPI excluding unprocessed food, energy, alcoholic beverages and tobacco products, and gold

** CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages and tobacco products, and gold

Source: Turkstat

Chart 2. CPI Sub-Indices
(annual % change)



Annual inflation declined in all major groups except energy in November (Chart 2, Table 1). The most significant decline in annual inflation took place in food, while annual inflation recorded a moderate decline in core goods and a limited decline in services. Details are as follows:

- **Food:** Food prices fell 0.7% mom, led by unprocessed food prices, which fell 3.3%, thanks to mild weather. Monthly processed food inflation also slowed to 1.5%. Consequently, annual food inflation fell 7.5 pp to 27.4%, its lowest level since November 2021.

Seasonally adjusted food prices, which had increased monthly by an average of 3.9% over the last three months, declined by 0.3% in December. This development was driven by a 5.9% drop in fresh fruit and vegetable prices (s.a.). The price of fruits, which is more severely affected by drought and frost, continued at 1.8%. Therefore, while risks remain for items more permanently affected by supply problems, the monthly improvement appears to be driven primarily by milder temperatures and carries the potential for deterioration in the future. There was also a significant improvement in prices for other unprocessed food groups. Prices (s.a.) had increased by an average of 4.8% over the last three months, but remained nearly flat in November. Significant declines in chicken and egg prices (~8.0%) played a role in this development, while increases in red meat prices continue.

The decline in monthly **processed food** inflation from 2.5% to 1.5% was driven by a 3.4% drop in pasta prices, a subcategory of bread and cereals, and a drop in monthly bread inflation to 0.45%. Furthermore, price increases in items such as solid and liquid oils, cocoa, breakfast foods, butter, and margarine remain high.

The recommended selling price of raw milk, which will be reassessed in December, remains a factor that could contribute upward to food inflation in the coming period. Furthermore, the increase in transportation costs caused by diesel price hikes in November could also negatively impact food

prices. Therefore, there's high uncertainty about the longevity of the improved food inflation outlook in November.

- **Energy:** Monthly inflation in the energy group rose from 1.3% to 1.9%. Annual inflation for the group increased by 1.4 pp to 36.0%. Fuel prices rose significantly by 4.1% mom, led by diesel. While October's sharp increase in bottled gas prices (4.8%) persisted, monthly inflation in solid fuels, driven by seasonal factors, was at 2.6%. Tap water prices (s.a.) remain in the 2.0-2.5% range.
- **Core goods:** Although monthly inflation in core goods decreased from 3.2% to 0.9% due to the weakening seasonality in the clothing and footwear group; excluding the seasonality, monthly inflation rose from 0.8% to 1.13%. Annual inflation in the group decreased by 0.6 pp to 18.6% (Chart 2, Table 2).

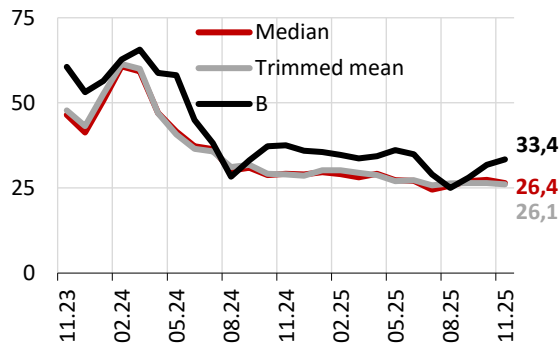
Price increases in the **clothing and footwear** group decreased to 0.66% as the season opening effect disappeared. However, seasonally adjusted monthly inflation accelerated from 0.8% to 1.63%. The group's annual inflation remains significantly different from our field observations and alternative measures. Annual clothing inflation increased by 1.0 pp to 8.3%, while that of the ICC index stands at 27.4%.

Monthly inflation in **durable goods excluding gold** was 1.0%, close to the last month's 0.9%. The outlook for sub-items is similar to the last month. Inflation in other core goods also remains positive.

- **Services:** In November, the inflation trend in the services group showed no improvement, and rigidity persisted. While monthly services inflation fell to 1.46% in raw data, remained at 2.91% in seasonally adjusted terms, similar to the previous month. For the past three months, the monthly trend in services inflation has remained stable at 2.9% (40.6% annualized). The decline in the group's annual inflation rate has also been slow, decreasing by 0.2 pp to 44.2% (Chart 2).

Looking at the subcategories, monthly **rent** inflation (s.a.) has remained stable at 3.4% for the last three months (49.4% annualized). Annual rent inflation, however, decreased from 66.3% to 63.6% due to the base effect. In November, monthly inflation (s.a.) decreased from 4.0% to 3.3% in transportation services, while it increased in communications (0.7%→1.5%) and other services (2.9%→3.0%). It remained close to last month's figure at 2.53% in restaurants and hotels.

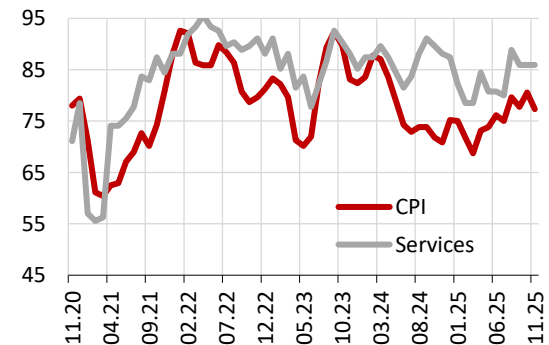
Chart 3. Underlying Inflation* (seas. adj. m-o-m, 3-month moving average, annualized)



* In calculating trimmed mean indicator, 15% of the monthly inflation distribution has been deducted from both ends.

Source: Turkstat, Akbank

Chart 4. Diffusion Index (seas. adj., increase-decrease, %)

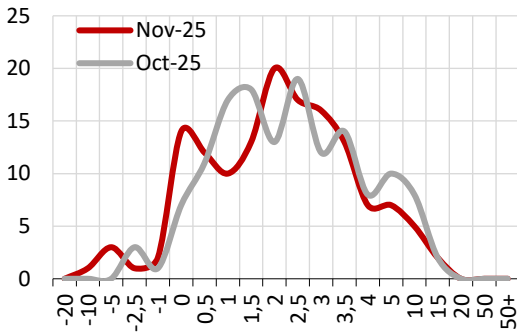


Source: Turkstat, Akbank

We calculate that the seasonally adjusted (s.a.) monthly CPI increase slowed to 1.5% in November (2.1% previously). The decline in food inflation was the determining factor in this decline. Indeed,

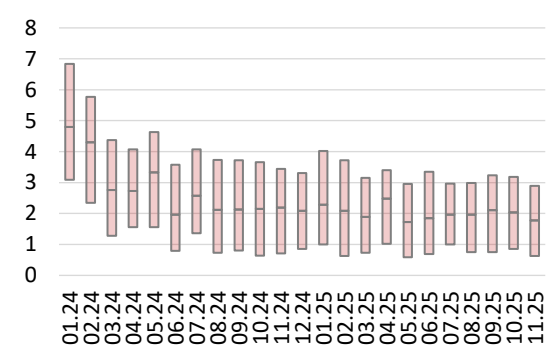
unlike the headline CPI, monthly increases in B (s.a.) and C (s.a.), which partially or fully exclude food items, did not improve compared to the previous month (2.0% and 1.9%, respectively), at 2.0% and 2.1%, respectively. The median and trimmed mean monthly inflation rates, two distribution-based trend indicators highlighted in the CBRT's communications, were 1.8%, below their recent average (2.0%). However, these two indicators similarly fell to these levels in May 2025, supported by food, before rising again due to food price increases and administered price adjustments. Not only has there been no decline in the inflation trend excluding food, but there has also been no significant improvement in the distribution of inflation (Charts 4-8). Furthermore, based on current pricing behavior, the inflation trend improves in the last two months of each half years (May-June and November-December), but this trend is not permanent. Therefore, the continuity of the downward trend is crucial.

Chart 5. CPI Subgroups Monthly Inflation Histogram (seas. adj)



Source: Turkstat, Akbank

Chart 6. Monthly Inflation Distribution (IQR, %)



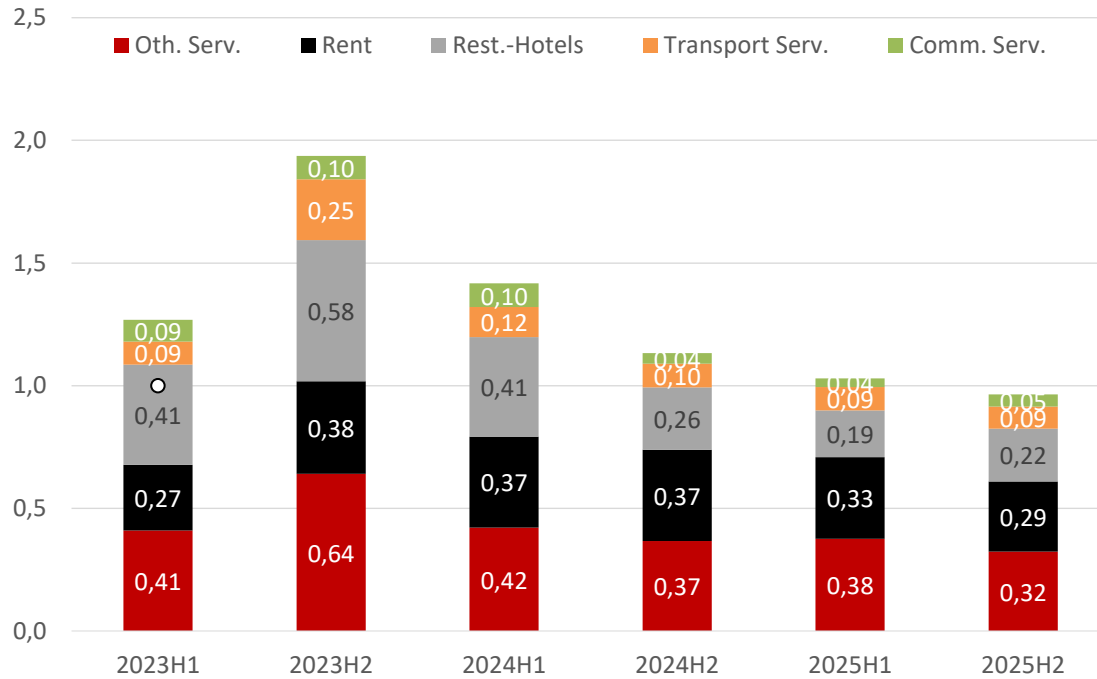
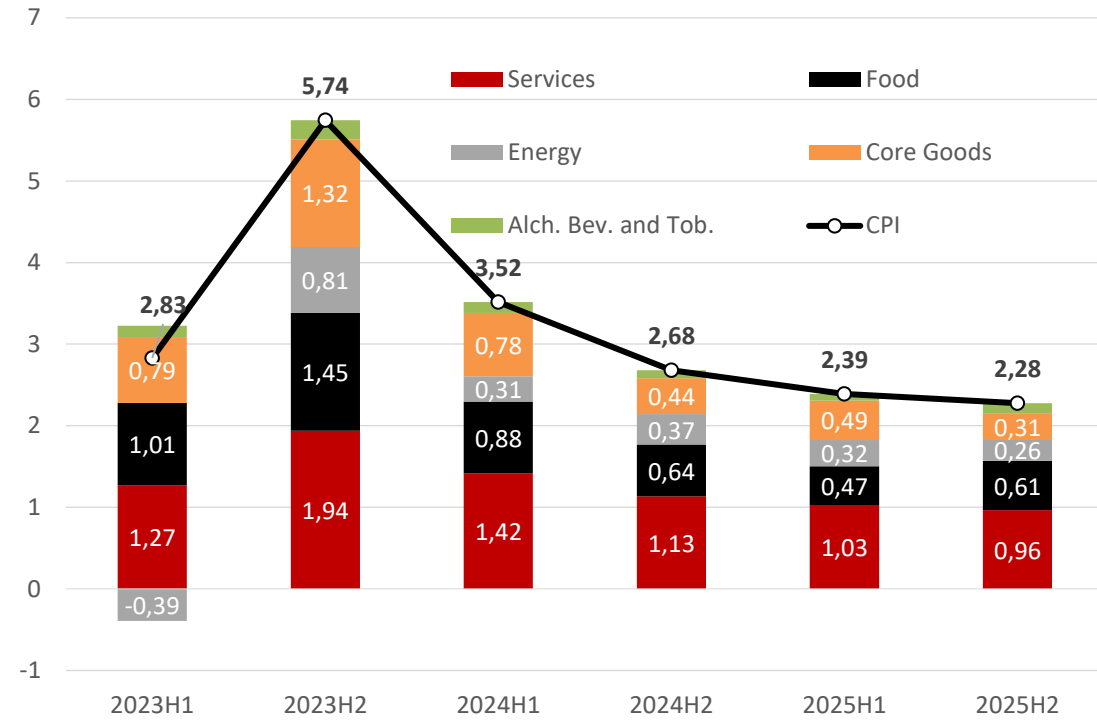
Note: The red boxes represent the 1st and 3rd quartiles (IQR), corresponding to the 25th and 75th percentiles of the monthly inflation distribution; the horizontal lines within the boxes represent the median inflation rate.

Source: Turkstat, Akbank

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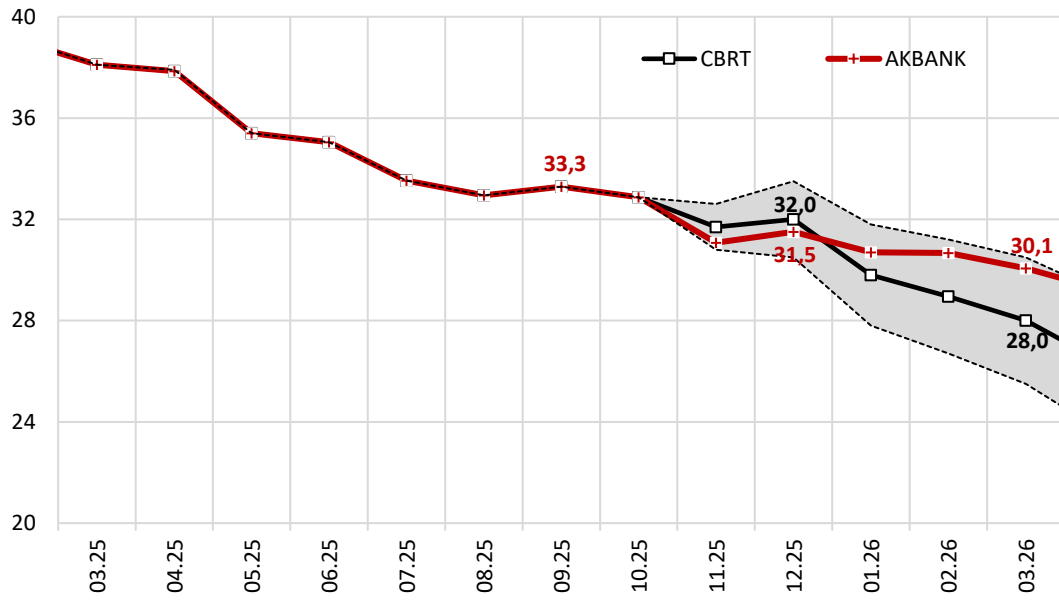
We are updating our year-end inflation forecast from 32.0% to 31.5%. Adjustments to the minimum wage and administered price/tax will be critical to the trajectory of inflation and the policy stance in the coming period. Since the hunger threshold of Türk-İş is currently 35% above the minimum wage, a rise of approximately 30% is possible. We assess that the administered price and excise taxes on various products could be increased by 20%, below the revaluation rate announced as 25.5%. Assuming a growth outlook similar to that of the Medium-Term Program (3.8%), exchange rate appreciation around 20%, and oil prices maintaining their current levels, we forecast year-end inflation in 2026 at 25.0%.

Chart 7. Contributions to Monthly Inflation (s.a, % points)



Source : Turkstat, Akbank

Chart 8. Annual Inflation Forecasts ⁽¹⁾



Source: CBRT, Akbank.

(1) CBRT forecast path is derived from the visualization in the Inflation Report

Table 1. Consumer Price Index (Raw data)

	Monthly % Change			Annual % Change		
	Nov.24	Oct.25	Nov.25	Nov.24	Oct.25	Nov.25
CPI	2.24	2.55	0.87	47.09	32.87	31.07
Food and Non-Alcoholic Beverages	5.10	3.41	-0.69	48.57	34.87	27.44
Alcoholic Beverages and Tobacco	-0.04	2.42	2.42	39.32	27.56	30.70
Clothing and Footwear	-0.25	12.42	0.68	31.45	7.98	8.99
Housing, Water, Electricity, Gas and Other Fuels	2.40	2.66	1.70	74.45	50.96	49.92
Furnishings, household eq., maint. of the house	2.81	1.48	0.87	39.90	28.90	26.47
Health	2.69	0.48	0.67	52.84	32.06	29.46
Transport	0.29	1.07	1.78	26.24	27.33	29.23
Communication	1.88	0.29	0.55	35.71	19.35	17.78
Recreation and Culture	2.88	1.00	3.33	42.79	25.32	25.87
Education	0.01	0.08	0.30	92.49	65.69	66.17
Restaurants and Hotels	0.79	1.34	0.89	59.38	33.78	33.91
Miscellaneous Goods and Services	1.29	0.89	1.14	43.81	30.13	29.94

Source: TURKSTAT

Table 2. Core Indicators (Raw Data)

	Monthly % Change			Annual % Change		
	Nov.24	Oct.25	Nov.25	Nov.24	Oct.25	Nov.25
CPI	2.24	2.55	0.87	47.09	32.87	31.07
Goods	2.54	2.94	0.56	39.05	27.65	25.19
Energy	0.81	1.28	1.86	46.08	34.64	36.05
Food and Non-alcoholic Beverages	5.10	3.41	-0.69	48.57	34.87	27.44
Unprocessed Food	9.00	4.52	-3.33	59.79	34.66	19.42
Fresh Fruits and Vegetables	18.08	5.49	-6.09	91.16	35.84	8.03
Other Unprocessed Food	2.75	3.87	-1.45	41.65	33.73	28.27
Processed Food	1.58	2.51	1.50	39.10	34.71	34.61
Bread and Cereals	1.89	2.76	0.64	43.78	40.56	38.83
Other Processed Food	1.42	2.38	1.96	36.93	31.81	32.50
Goods excl. Energy and Food	1.25	3.15	1.11	30.13	20.41	20.25
Core Goods	1.44	3.20	0.92	28.90	19.23	18.62
Clothing and Footwear	-0.32	12.68	0.66	30.72	7.27	8.32
Durable Goods (excl. Gold)	1.27	0.91	0.99	23.84	23.20	22.86
Other Core Goods	3.08	0.67	1.01	35.48	22.64	20.19
Services	1.61	1.79	1.46	67.89	44.44	44.21
Rent	4.18	3.74	2.49	109.00	66.28	63.59
Restaurant-Hotels	0.79	1.34	0.89	59.38	33.78	33.91
Transportation Services	0.33	1.81	1.69	49.02	41.33	43.24
Telecommunication Services	1.88	0.69	1.51	46.46	22.85	22.40
Other Services	0.97	0.99	1.06	64.99	45.33	45.45
CPI	2.24	2.55	0.87	47.09	32.87	31.07
A (CPI excl. seasonal products)	1.59	1.81	1.23	46.13	34.67	34.19
B (CPI excl. unpro. food.. energy.. alc. bev.. tob.. gold)	1.54	2.43	1.27	45.68	32.52	32.17
C (CPI excl. energy. food. alc. bev.. tob.. and gold)	1.53	2.41	1.22	47.13	32.05	31.65
D (CPI excl. unproc. food.. alc. bev. and tobacco)	1.43	2.30	1.35	45.71	32.82	32.71
E (CPI excl. alcoholic beverages and tobacco)	2.33	2.56	0.81	47.40	33.07	31.09
F (CPI excluding administered prices)	2.50	2.70	0.78	46.37	31.93	29.72

Source: TURKSTAT

Domestic Producer Price Index (D-PPI)

Although the monthly Producer Price Index (PPI) reached its lowest level in the last 10 months at 0.84% in November, indicating that cost-side effects on the CPI have decreased, annual producer inflation increased by 0.2 points to 27.2% due to unfavorable base effects (Table 3).

According to the PPI's breakdown, headline inflation was suppressed in November, as in the previous month, by falling energy prices and weakening consumer goods inflation rate. Price increases in capital goods (1.5%) and intermediate goods (1.3%) also remained moderate.

Table 3. Domestic Producer Price Index

	Monthly % Change			Annual % Change		
	Nov.24	Oct.25	Nov.25	Nov.24	Oct.25	Nov.25
Domestic PPI	0.66	1.63	0.84	29.47	27.00	27.23
Intermediate Goods	0.64	1.57	1.27	29.40	22.33	23.09
Durable Consumption Goods	1.00	3.95	1.08	37.15	33.07	33.17
Non-durable Consumption Goods	2.21	2.43	0.48	40.30	33.91	31.65
Energy	-2.32	-0.65	-0.48	8.15	25.05	27.40
Capital Goods	0.62	1.18	1.54	30.94	27.27	28.44

Source: TURKSTAT

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