

**Macro: With inflation exceeding expectations, higher weight of services in the new basket presents a new challenge for the pace of disinflation.**

Consumer inflation exceeded our forecast and market expectations at 4.84% month-on-month (mom), and annual inflation fell by 0.2 percentage points (pp) to 30.7%. Since the official methodological documentation for the seasonal adjustment has not yet been shared by Turkstat at the time of writing, we have calculated the seasonally adjusted (s.a.) monthly CPI inflation as 2.65% (+0.8 pp mom) via direct seasonal adjustment of CPI. Thus, in line with the pattern observed at the ends and starts of each half-year, monthly inflation, which remained below 2% in November-December, has risen again, largely driven by food prices. Indeed, B (s.a.) monthly inflation, excluding unprocessed food, increased by 0.2 pp compared to the previous month, reaching 2.3%. The median inflation rate highlighted in monetary policy communications was 2.0% (previous 1.7%). The average median trend of the last three months is at 24.0% on an annualized basis.

Basket weights were updated notably. Firstly, the index became more 'service-weighted', with a 7.4 point shift in the goods/services shares. The components of the decline in goods are energy (-3.2 pp), basic goods (-2.9 pp), alcohol-tobacco (-0.8 pp) and food (-0.5 pp). The drivers of the increase in services are transportation (3.2 pp), restaurants-hotels (2.8 pp), and other services (2.4 pp), while there is no significant change in the weighting of rent, and a decline in communication (-0.9 pp).

From the weighting updates, we can draw the following conclusions: (i) The representational power of core indicators in CPI has increased. The weight of C, which consists of core goods and services, increased by 4.5 pp to 65.3%, while the weight of B, which includes processed food over C, has increased by 5.2 pp to 79.3%. (ii) The decrease in the weight of food is due to unprocessed food (-1.2 pp, of which -1.1 pp came from fresh fruits and vegetables). Thus, the impact of the most volatile item, which may contribute significantly to headline inflation in both directions, has diminished. (iii) Similarly, the direct contribution of administered prices to CPI has also weakened. The weight of tobacco products decreased by 1.1 pp, and the weights of tap water, electricity, and natural gas decreased by 1.3, 0.5, and 0.8 pp, respectively. The weight of these three energy items were down from 5.7% to 3.0%, which creates a favorable situation in terms of efforts regarding the timing of administered prices.

Considering the significant increase in the basket weighting along with demand conditions, we believe that the stickiness in services makes the decline in inflation somewhat more difficult. Assuming a reasonable margin of error for the upward impact of the weighting updates on our forecasts, we maintain our year-end inflation (25%) and policy rate (31%) projections. We do not expect any interest rate cuts exceeding 100 bps in any of the remaining seven meetings this year. Regarding macroprudential tools, we do not foresee any easing of the rules on the Turkish Lira deposit ratio throughout the year, and we expect deposit rates to remain above the policy rate.

#### **Consumer Price Index (CPI)**

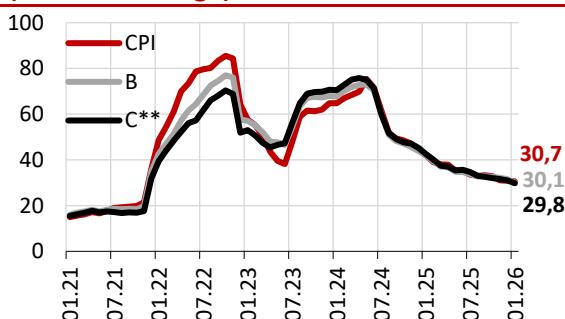
**Monthly inflation came in at 4.84%, exceeding both our forecast (4.4%) and market forecasts (4.3%).** As a result, annual inflation fell slightly by 0.24 percentage points to 30.65%. The decrease in core inflation indicators was more pronounced. B annual inflation fell from 31.7% to 30.1%, and C annual inflation fell from 31.1% to 29.8% (Chart 1, Table 3).



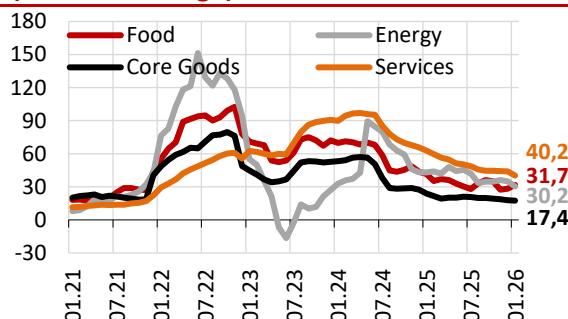
As previously announced, TURKSTAT has changed the CPI methodology in line with Eurostat, switching the base year of the index from 2003 to 2025. This involved changes in the classification and weighting of expenditure items<sup>1</sup>. Accordingly, the weighting of services in the index increased by 7.4 pp to 38.4%. This increase stemmed from services excluding rent and communication. While the weight of food decreased only slightly (25.0% → 24.4%), the decreases in energy (10.2% → 7.0%) and core goods (29.9% → 26.9%) were significant. The weight of alcoholic beverages and tobacco and gold, also decreased from 4.0% to 3.2%. Within the food sector, the weight of unprocessed food decreased (11.7% → 10.5%) due to fresh fruits and vegetables, while the weight of processed food increased (13.3% → 14.0%) through items other than bread and cereals. In this regard, the weight of B increased from 74.1% to 79.3%, and the weight of index C increased from 60.8% to 65.3%. The decrease in the weight of core goods and energy reduces the basket's sensitivity to exchange rate changes; the significant increase in the weight of services increases inertia; and the decrease in the weight of administered items reduces the impact of government's price adjustments.

Since TURKSTAT has not shared information regarding the methodology for seasonally adjustment the new index at the time of writing, we could not calculate the seasonally adjusted (s.a.) monthly CPI inflation using an indirect method. However, when we directly seasonally adjust the CPI, we calculate that monthly inflation (s.a.), after remaining below 2% for two consecutive months, increased by 0.8 pp to 2.65% in January, largely driven by food prices. Excluding unprocessed food, B (s.a.) monthly inflation rose by 0.2 pp compared to the previous month, reaching 2.3%. The median inflation rate, highlighted recently monetary policy communications, has increased to 2.0% (previously 1.7%). We calculate the average median trend of the last three months as 24.0% on an annualized basis.

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



**Chart 2. CPI Sub-Indices  
(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

**In January, annual inflation declined in all major groups except food** (Chart 2, Table 1). Details are as follows:

- **Food:** Unprocessed food prices, which were a key factor in November and December inflation falling below expectations, increased by 11.8% in January due to a 22.0% rise in fresh fruit and vegetable prices, playing a major role in limiting the decline in January inflation compared to the previous year. Processed food prices, however, saw a lower increase of 2.7%.

We estimate that **seasonally adjusted food prices** rose by around 4% in January (from 1.6%). This increase was primarily driven by monthly inflation (s.a.) of 6.8% in unprocessed food, primarily due

<sup>1</sup> For the CPI methodology document, see the [Turkish Statistical Institute \(TURKSTAT\) News Bulletin](#). For a detailed analysis of weighting, see the CBRT Blog Post: [Revisions to the 2026 Consumer Price Index and Their Implications](#).

to fresh fruits and vegetables. Monthly inflation (s.a.) in other unprocessed foods also remained strong at 3.5%.

We expect food price risks to continue in February. With lingering effects and ongoing increases in vegetable prices, along with Ramadan-related factors, we anticipate that food inflation will remain high in February.

- **Energy:** In the energy group, prices increased by 2.29% mom, while the group's annual inflation decreased by 4.9 percentage points to 30.2% due to the base effect. Despite no change in tariffs, **electricity prices** increased by 3.04% due to a change in the subsidy benchmark. On the **fuel** side, gasoline and diesel prices rose by 7.3% and 3% respectively on a monthly basis as a result of the increase in SCT and rising global energy prices. The increase in gas and solid fuel prices remained relatively moderate. Although there was no increase in electricity and natural gas prices in January due to tariff updates, we expect an increase of around 20% in both categories overall this year. However, the significant reductions in the weight of these two items in the new inflation basket will ensure that the direct impact of price increases on inflation will be more limited compared to previous years.
- **Core goods:** Although core goods prices increased slightly by 0.5% mom due to continued seasonal price declines in the clothing and footwear group, the seasonally adjusted monthly change (1.26%) remained close to the average of the last 6 months, indicating no improvement in the trend. Annual inflation for the group decreased by 0.3 pp to 17.5% (Chart 2, Table 2).

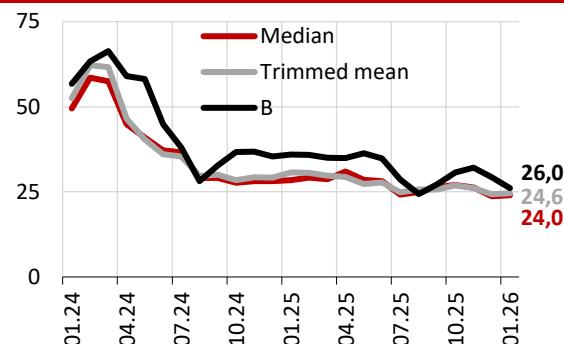
In the **clothing and footwear** sector, which entered its sales season in December, prices fell by 4.8% in January. Seasonally adjusted monthly inflation, however, showed a moderate increase of 0.85% compared to the previous month. The annual inflation rate for this group continues to show a significant divergence between our field observations and alternative measurements. While the Istanbul Chamber of Commerce (ICC) index shows annual clothing inflation at 25.4%, the TURKSTAT data shows a monthly increase of 0.7 percentage points to 6.5%.

Monthly inflation in **durable goods (excluding gold)** accelerated to 2.9% (s.a. 1.9%) compared to the previous month. In **other core goods**, monthly inflation rose to 2.4%, driven by an increase in pharmaceutical prices (11.0%).

- **Services:** The effects of wage increases and rising food prices were felt in the services sector. While raw data showed a strong monthly services inflation of 7.4%, we estimate that "s.a." monthly inflation remained close to previous months' levels ( $\approx 3.0\%$ ). Due to the higher increase in January of last year, the group's annual inflation decreased by 3.8 pp to 40.2% (Chart 2).

Looking at the sub-components, we see a slowdown in monthly inflation for **rent** (s.a.), which has been flat for a long time. On the other hand, it appears that the trend is similarly maintained in other service sub-components. The fact that the index has become more 'service-weighted' after the update could be a factor that reinforces the inertia in headline inflation.

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

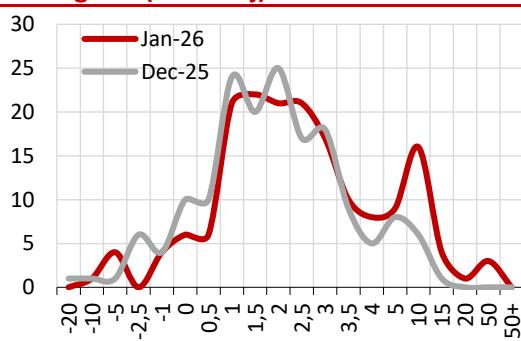


\* In calculating trimmed mean indicator, 15% of the monthly inflation distribution has been deducted from both ends.

Source: Turkstat, Akbank

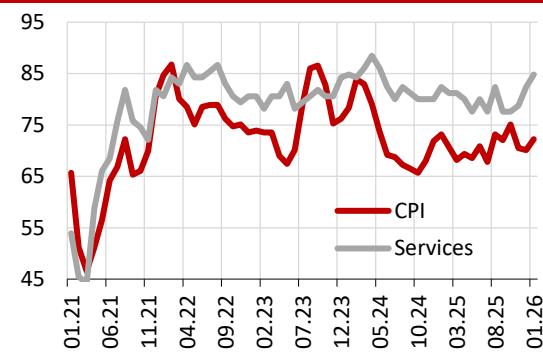
The median and SATRIM monthly inflation rates, which are distribution-based trend indicators highlighted in the CBRT's communication, were higher than the previous month at 2.0% (previously 1.7%) and 2.2% (previously 1.8%), respectively. We calculate the average median trend for the last three months as 24.0% on an annualized basis. On the other hand, there is also a deterioration in the inflation distribution due to the impact of price adjustments at the beginning of the year (Chart 4-5). However, the median is 0.2 percentage points lower compared to January of last year. The IQR, which shows the 1st and 3rd quarter segments of the distribution, is much narrower (Chart 6). Accordingly, it is possible to say that there is a slow but noticeable improvement in the main trend compared to the beginning of last year.

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



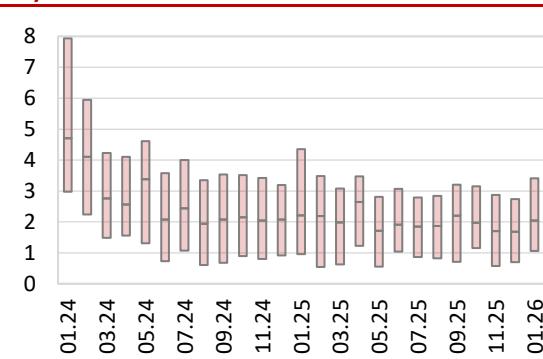
Source: Turkstat, Akbank

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



Source: Turkstat, Akbank

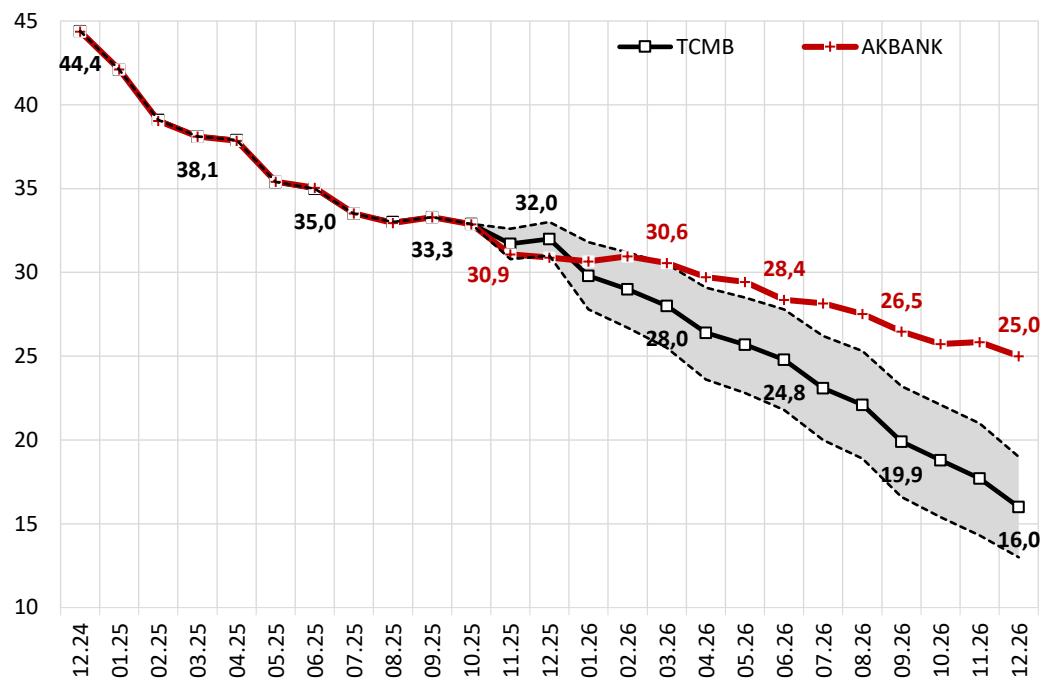
**Chart 6. Monthly Inflation Distribution (IQR, %)**



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

Source: Turkstat, Akbank

Considering the significant increase in the basket weighting along with demand conditions, we believe that the stickiness in services makes the decline in inflation somewhat more difficult. Assuming a reasonable margin of error for the upward impact of the weighting updates on our forecasts, we maintain our year-end inflation (25%) and policy rate (31%) projections. We do not expect any interest rate cuts exceeding 100 bps in any of the remaining seven meetings this year. Regarding macroprudential tools, we do not foresee any easing of the rules on the Turkish Lira deposit ratio throughout the year, and we expect deposit rates to remain above the policy rate

Chart 7. Annual Inflation Forecasts <sup>(1)</sup>

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		
	Jan.25	Dec.25	Jan.26	Jan.25	Dec.25	Jan.26
<b>CPI</b>	<b>5.03</b>	<b>0.89</b>	<b>4.84</b>	<b>42.12</b>	<b>30.89</b>	<b>30.65</b>
Food and Non-Alcoholic Beverages	3.86	1.99	6.59	41.76	28.31	31.69
Alcoholic Beverages and Tobacco	1.02	0.06	1.53	34.10	30.80	31.45
Clothing and Footwear	-5.17	-2.94	-4.66	27.53	6.50	7.07
Housing, Water, Electricity, Gas and Other Fuels	7.33	1.39	4.43	68.83	49.39	45.36
Furnishings, household eq.. maint. of the house	4.70	1.56	3.19	35.26	24.92	23.13
Health	23.57	1.97	14.85	55.02	30.87	21.63
Transport	4.65	-1.02	5.29	23.41	28.61	29.39
Communication	2.64	2.63	4.03	27.90	18.48	20.09
Recreation and Culture	6.61	0.74	5.36	45.02	28.40	26.88
Education	7.63	0.13	6.61	99.93	66.27	64.70
Restaurants and Hotels	6.50	1.51	5.86	49.18	34.11	33.31
Miscellaneous Goods and Services	8.76	-1.75	10.82	58.47	20.79	23.08

Source: TURKSTAT

**Table 2. Core Indicators (Raw Data)**

	Monthly % Change			Annual % Change		
	Jan.25	Dec.25	Jan.26	Jan.25	Dec.25	Jan.26
<b>CPI</b>	<b>5.03</b>	<b>0.89</b>	<b>4.84</b>	<b>42.12</b>	<b>30.89</b>	<b>30.65</b>
<b>Goods</b>	<b>2.69</b>	<b>0.89</b>	<b>3.25</b>	<b>33.65</b>	<b>25.02</b>	<b>25.70</b>
Energy	6.10	-0.08	2.29	43.05	35.06	30.21
Food and Non-alcoholic Beverages	3.86	1.99	6.59	41.76	28.31	31.69
Unprocessed Food	2.66	2.64	11.79	44.17	21.53	32.35
Fresh Fruits and Vegetables	3.41	-0.11	22.03	62.14	9.72	29.47
Other Unprocessed Food	2.10	4.43	5.79	32.90	30.24	34.95
Processed Food	4.92	1.47	2.69	39.44	34.29	31.45
Bread and Cereals	8.08	1.22	2.13	46.17	38.50	30.87
Other Processed Food	3.34	1.60	2.92	36.21	32.21	31.66
Goods excl. Energy and Food	0.80	0.36	0.77	25.16	19.56	19.52
Core Goods	0.74	0.30	0.51	23.95	17.71	17.45
Clothing and Footwear	-5.46	-3.05	-4.83	26.83	5.79	6.49
Durable Goods (excl. Gold)	2.74	0.72	2.91	20.05	21.78	21.97
Other Core Goods	2.52	2.07	2.40	28.90	20.78	20.64
<b>Services</b>	<b>10.26</b>	<b>0.89</b>	<b>7.39</b>	<b>62.95</b>	<b>43.99</b>	<b>40.23</b>
Rent	8.66	1.65	5.26	100.64	61.61	56.55
Restaurant-Hotels	6.50	1.51	5.86	49.18	34.11	33.31
Transportation Services	7.89	-2.66	8.05	42.75	43.77	43.99
Telecommunication Services	2.82	3.63	5.35	44.83	25.04	28.11
Other Services	16.72	0.36	9.74	64.99	44.93	36.27
<b>CPI</b>	<b>5.03</b>	<b>0.89</b>	<b>4.84</b>	<b>42.12</b>	<b>30.89</b>	<b>30.65</b>
A (CPI excl. seasonal products)	5.94	1.19	4.91	42.22	34.01	32.71
B (CPI excl. unproc. food.. energy.. alc. bev.. tob.. gold)	5.47	0.78	4.22	42.08	31.66	30.11
C (CPI excl. energy. food. alc. bev.. tob.. and gold)	5.59	0.63	4.55	42.65	31.08	29.80
D (CPI excl. unproc. food.. alc. bev. and tobacco)	5.53	0.70	4.10	42.15	32.19	30.40
E (CPI excl. alcoholic beverages and tobacco)	5.18	0.92	4.93	42.42	30.90	30.59
F (CPI excluding administered prices)	4.15	0.93	4.80	40.58	29.44	30.25

Source: TURKSTAT

**Domestic Producer Price Index (D-PPI)**

The Producer Price Index (PPI) rose 2.7% monthly in January, driven by wage increases, marking the highest monthly change since April 2025. The annual change, however, decreased by 0.5 pp due to the base effect, falling to the November level of 27.2% (Table 3).

According to the sub-details of the PPI, as in the previous three months, the decline in energy prices suppressed headline inflation in January. Monthly changes in durable consumer goods reached their highest level for a year, while price changes in other groups also accelerated significantly compared to previous months.

**Table 3. Domestic Producer Price Index**

	Monthly % Change			Annual % Change		
	Jan.25	Dec.25	Jan.26	Jan.25	Dec.25	Jan.26
<b>Domestic PPI</b>	<b>3.06</b>	<b>0.75</b>	<b>2.67</b>	<b>27.20</b>	<b>27.67</b>	<b>27.17</b>
Intermediate Goods	1.81	1.61	2.96	23.27	24.28	25.69
Durable Consumption Goods	6.39	1.30	4.02	37.44	33.03	30.07
Non-durable Consumption Goods	4.45	0.82	4.16	37.42	30.81	30.44
Energy	2.27	-3.63	-1.69	18.05	27.06	22.14
Capital Goods	3.25	1.98	2.82	25.61	29.79	29.24

Source: TURKSTAT



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