

Macro: February inflation in line with expectations; geopolitical developments overshadow positive signals for March

Consumer inflation came in at 2.96% monthly, in line with our estimate, and annual inflation increased by 0.9 percentage points to 31.5%. We estimate that the seasonally adjusted (s.a.) CPI monthly inflation, to be announced by TurkStat, will be 2.75% (previous: 2.85%). The B index (s.a.) monthly inflation, excluding unprocessed food, showed no significant change at 2.4% compared to the previous month (2.5%). Median inflation, which is emphasized in monetary policy communication, remained flat at 2.1%. The average median trend over the last three months corresponds to an annualized inflation of 25.8%.

Although we interpret the widening of the monthly inflation distribution below the median as a positive leading signal for March inflation due to the fading food shock, the reflection of geopolitical developments on oil and liquefied natural gas (LNG) prices negatively affects the outlook. We estimate that a 10% increase in Brent oil prices would raise consumer inflation by 1.0–1.5 percentage points. Compared to our baseline scenario assumption of an average \$65 oil price in 2026, current levels point to more than 3.5 percentage points of potential inflationary pressure over a year. Additionally, we estimate that the sharp increase in ICE Dutch TTF LNG prices (from €30 to €55) could have an indirect impact of up to 1 percentage point on consumer inflation.

These estimates suggest that fiscal space could be used to limit the domestic transmission of external shocks. With a static analysis, we estimate that the direct budgetary cost of a “sliding scale mechanism” (échelle mobile) that would offset the inflationary impact of a constant \$80 Brent oil price for the remainder of the year would be around TRY 225 billion (0.3% of GDP). If the shock is temporary, this cost would be limited, and due to lower inflation-indexed expenditures compared to the initial situation, the actual burden on the budget is expected to be more moderate.

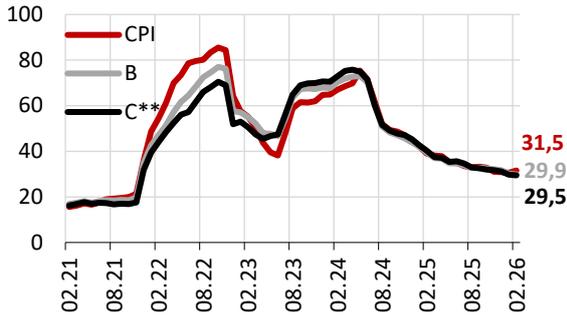
In summary, upward risks to our year-end inflation forecast of 25% are increasing. In line with the proactive steps of the Central Bank, we do not make any changes to our exchange rate assumptions. In addition to monetary tightening, we assess that abandoned tax revenues on fuel products could largely isolate domestic inflation from imported cost shocks.

Consumer Price Index (CPI)

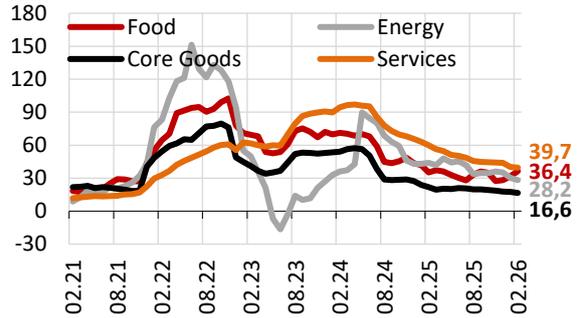
Monthly inflation came in at 2.96%, in line with our estimate (3.0%) and market expectations (2.9%). Thus, annual inflation increased by 0.9 percentage points to 31.5%. **Annual inflation in core indicators continued to decline.** Annual inflation in the B index decreased from 30.1% to 29.9%, while in the C index it fell from 29.8% to 29.5% (Chart 1, Table 3).

We estimate that the seasonally adjusted (s.a.) monthly CPI inflation, to be announced by TurkStat, declined slightly to 2.75% compared to January. On the other hand, the B index (s.a.), excluding unprocessed food, showed no significant change at 2.4% (previous: 2.5%). The decline in the C index (s.a.) monthly inflation was more pronounced (2.5% → 1.8%) due to core goods (2.1% → 0.5%). The acceleration in processed food (2.7% → 5.2%) limited the reflection of the slowdown in core goods on the B index.

**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

The increase in annual inflation in February was entirely driven by food, while annual inflation declined in other main groups (Chart 2, Table 1). Details are as follows:

- **Food:** Monthly food inflation remained very high at 6.9%, following 6.6% in January, as expected. This was driven by carry-over effects and ongoing increases in vegetable prices as well as Ramadan-related effects. Annual food inflation rose by 4.7 percentage points to 36.4%, the highest since March 2025. Annual food inflation was 28.3% by the end of 2025, 2.6 percentage points below headline inflation, but as of February it is approximately 5 percentage points above the headline inflation.

Unprocessed food prices increased by 9% monthly, led by fresh fruit and vegetables. Additionally, processed food inflation accelerated (2.7% → 5.2%) due to increases in dairy prices on the back of raw milk price adjustment, contributing to the elevated food inflation.

On a seasonally adjusted basis, we estimate food inflation accelerated from 4.1% in January to 5.3% in February. While monthly inflation for fresh fruits and vegetables (s.a.) accelerated slightly to 10.4% compared to January, monthly inflation for other unprocessed food (s.a.) slowed from 3.7% to 2.6%. Since there is no seasonality in the monthly inflation of processed food, the acceleration in the raw data caused an increase in "s.a." food inflation as well.

- **Energy:** Energy prices increased by 2.0% monthly, while annual inflation declined by 2.0 percentage points to 28.2%. The monthly increase was mainly driven by fuel prices, which rose 4.5% due to higher international oil prices. Rising global energy commodity prices due to geopolitical developments pose a significant upside risk to both energy and headline inflation if no measures are taken.
- **Core goods:** Monthly inflation in core goods declined to 1.0%, driven by seasonal price decreases in clothing and footwear. Seasonally adjusted monthly inflation slowed significantly to 0.5%. Annual inflation in this group fell by 0.8 percentage points to 16.6%. (Chart 2, Table 2).

Clothing and footwear prices declined by 5.4% in February. Seasonally adjusted monthly inflation is quite limited at 0.15%. However, there remains a notable divergence between official data and alternative indicators. Annual clothing inflation, which is at 25.0% in the Istanbul Chamber of Commerce (ITO) index, is at 6.3% in the TurkStat data, a decrease of 0.2 percentage points on a monthly basis.

Monthly inflation in **durable goods (excluding gold)** slowed significantly to 1.0% compared to the previous month. In **other core goods**, monthly inflation fell to 0.2% as the impact of the increase in pharmaceutical prices (11.0%) disappeared.

- **Services:** Monthly inflation in services slowed to 3.2% due to weaker seasonal effects, but the improvement in January did not continue on a seasonally adjusted basis. We estimate services (s.a.) monthly inflation at 2.7%, similar to January. Annual services inflation declined due to base effects (40.2% → 39.7%) (Chart 2).

Looking at the sub-components, monthly inflation in rent (s.a.) rose again to 3.0%. The positive impact of the improvement in the trend in transportation services (2.5% → 1.2%) on services inflation was offset by stronger increases in communication services (5.3% → 8.7%). There is also a deterioration in the trend of other services compared to January (2.5% → 2.9%). There is a limited improvement in restaurants and hotels (2.4% → 2.2%).

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

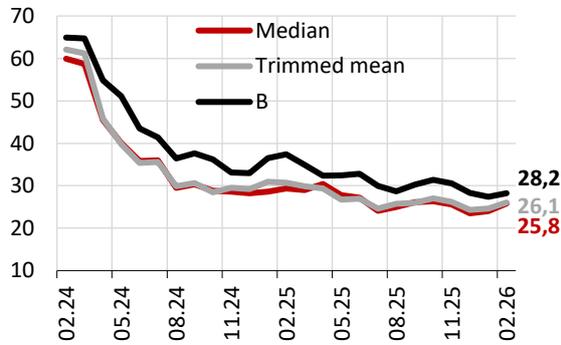
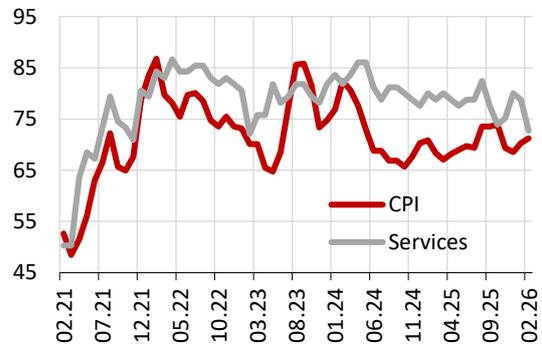


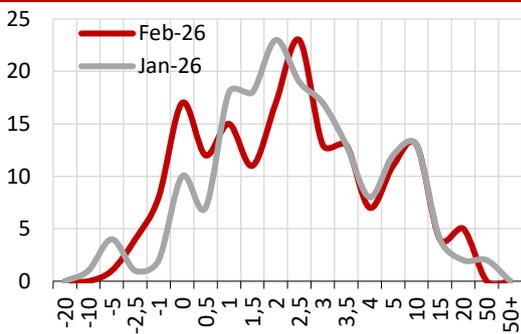
Chart 4. Diffusion Index (seas. adj., increase-decrease, %)



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

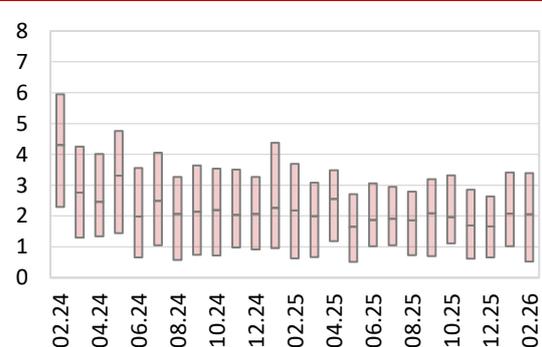
Median inflation remained flat at 2.1%. Thus, the three-month average median trend accelerated to an annualized 25.8%. Trimmed mean (SATRIM) monthly inflation improved slightly from 2.2% to 2.0%. However, the inflation distribution continued to reflect distortions from early-year price adjustments and food-related pressures (Chart 4 and 5).

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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In summary, upward risks to our year-end inflation forecast of 25% are increasing. In line with the proactive steps of the Central Bank, we do not make any changes to our exchange rate assumptions. In addition to monetary tightening, we assess that abandoned tax revenues on fuel products could largely isolate domestic inflation from imported cost shocks.

Table 1. Consumer Price Index (Raw data)

| | Monthly % Change | | | Annual % Change | | |
|--|------------------|-------------|-------------|-----------------|--------------|--------------|
| | Feb.25 | Jan.26 | Feb.26 | Feb.25 | Jan.26 | Feb.26 |
| CPI | 2.27 | 4.84 | 2.96 | 39.05 | 30.65 | 31.53 |
| Food and Non-Alcoholic Beverages | 3.17 | 6.59 | 6.89 | 35.11 | 31.69 | 36.44 |
| Alcoholic Beverages and Tobacco | -0.01 | 1.53 | 3.86 | 33.43 | 31.45 | 36.54 |
| Clothing and Footwear | -5.06 | -4.66 | -5.31 | 20.84 | 7.07 | 6.79 |
| Housing. Water. Electricity. Gas and Other Fuels | 4.57 | 4.43 | 2.40 | 70.73 | 45.36 | 42.33 |
| Furnishings. household eq.. maint. of the house | 1.69 | 3.19 | 0.90 | 33.54 | 23.13 | 22.18 |
| Health | -4.38 | 14.85 | 1.62 | 43.02 | 21.63 | 29.26 |
| Transport | 3.00 | 5.29 | 2.58 | 23.64 | 29.39 | 28.86 |
| Communication | 1.81 | 4.03 | 3.77 | 26.12 | 20.09 | 22.41 |
| Recreation and Culture | 0.13 | 5.36 | 0.41 | 38.64 | 26.88 | 27.24 |
| Education | 9.92 | 6.61 | 3.97 | 94.90 | 64.70 | 55.78 |
| Restaurants and Hotels | 3.12 | 5.86 | 2.82 | 45.90 | 33.31 | 32.93 |
| Miscellaneous Goods and Services | 3.62 | 10.82 | 8.02 | 55.86 | 23.08 | 28.31 |

Source: TURKSTAT

Table 2. Core Indicators (Raw Data)

| | Monthly % Change | | | Annual % Change | | |
|--|------------------|-------------|-------------|-----------------|--------------|--------------|
| | Feb.25 | Jan.26 | Feb.26 | Feb.25 | Jan.26 | Feb.26 |
| CPI | 2.27 | 4.84 | 2.96 | 39.05 | 30.65 | 31.53 |
| Goods | 1.63 | 3.25 | 2.82 | 30.53 | 25.70 | 27.17 |
| Energy | 3.58 | 2.29 | 1.97 | 43.92 | 30.21 | 28.19 |
| Food and Non-alcoholic Beverages | 3.17 | 6.59 | 6.90 | 35.11 | 31.69 | 36.45 |
| Unprocessed Food | 1.40 | 11.79 | 9.03 | 33.75 | 32.35 | 42.30 |
| Fresh Fruits and Vegetables | -1.21 | 22.03 | 17.55 | 40.82 | 29.47 | 54.06 |
| Other Unprocessed Food | 3.36 | 5.79 | 3.25 | 28.96 | 34.95 | 34.81 |
| Processed Food | 4.70 | 2.69 | 5.16 | 36.07 | 31.45 | 32.04 |
| Bread and Cereals | 5.02 | 2.13 | 2.65 | 45.17 | 30.87 | 27.92 |
| Other Processed Food | 4.53 | 2.92 | 6.16 | 31.80 | 31.66 | 33.71 |
| Goods excl. Energy and Food | -0.16 | 0.77 | -0.48 | 23.16 | 19.52 | 19.14 |
| Core Goods | -0.25 | 0.51 | -1.00 | 21.71 | 17.45 | 16.57 |
| Clothing and Footwear | -5.26 | -4.83 | -5.43 | 20.07 | 6.49 | 6.29 |
| Durable Goods (excl. Gold) | 1.11 | 2.91 | 1.04 | 19.59 | 21.97 | 21.89 |
| Other Core Goods | 1.26 | 2.40 | 0.16 | 27.04 | 20.64 | 19.34 |
| Services | 3.61 | 7.39 | 3.19 | 59.78 | 40.23 | 39.67 |
| Rent | 5.24 | 5.26 | 3.46 | 97.21 | 56.55 | 53.91 |
| Restaurant-Hotels | 3.12 | 5.86 | 2.82 | 45.90 | 33.31 | 32.92 |
| Transportation Services | 7.30 | 8.05 | 1.43 | 49.81 | 43.99 | 36.10 |
| Telecommunication Services | 3.66 | 5.35 | 8.73 | 41.27 | 28.11 | 34.37 |
| Other Services | 2.02 | 9.74 | 3.58 | 58.67 | 36.27 | 38.35 |
| CPI | 2.27 | 4.84 | 2.96 | 39.05 | 30.65 | 31.53 |
| A (CPI excl. seasonal products) | 3.00 | 4.91 | 2.89 | 40.35 | 32.71 | 32.58 |
| B (CPI excl. unpro. food, energy, alc. bev., tob., gold) | 2.32 | 4.22 | 2.16 | 39.47 | 30.11 | 29.91 |
| C (CPI excl. energy, food, alc. bev., tob. and gold) | 1.80 | 4.55 | 1.53 | 40.21 | 29.80 | 29.46 |
| D (CPI excl. unproc. food. alc. bev. and tobacco) | 2.48 | 4.10 | 2.15 | 40.02 | 30.40 | 29.99 |
| E (CPI excl. alcoholic beverages and tobacco) | 2.35 | 4.93 | 2.94 | 39.25 | 30.59 | 31.34 |
| F (CPI excluding administered prices) | 2.43 | 4.80 | 3.06 | 36.91 | 30.25 | 31.05 |

Source: TURKSTAT

Domestic Producer Price Index (D-PPI)

The Producer Price Index (PPI) increased by 2.43% monthly in February, while annual inflation rose by 0.4 percentage points to 27.6% (Table 3). Declines in energy prices continued to restrain headline PPI. Durable goods recorded strong increases over the past two months. Price increases in other categories remained high, although slightly moderating compared to the previous month

Table 3. Domestic Producer Price Index

| | Monthly % Change | | | Annual % Change | | |
|-------------------------------|------------------|-------------|-------------|-----------------|--------------|--------------|
| | Feb.25 | Jan.26 | Feb.26 | Feb.25 | Jan.26 | Feb.26 |
| Domestic PPI | 2.12 | 2.67 | 2.43 | 25.21 | 27.17 | 27.56 |
| Intermediate Goods | 2.15 | 2.96 | 2.48 | 21.16 | 25.69 | 26.09 |
| Durable Consumption Goods | 2.83 | 4.02 | 4.47 | 34.52 | 30.07 | 32.14 |
| Non-durable Consumption Goods | 2.41 | 4.16 | 3.30 | 33.52 | 30.44 | 31.57 |
| Energy | 0.98 | -1.69 | -0.22 | 19.18 | 22.14 | 20.68 |
| Capital Goods | 2.04 | 2.82 | 2.25 | 24.16 | 29.24 | 29.51 |

Source: TURKSTAT

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