Inflation Developments (August 2026) — 3 September 2026

Macro: Cost-push inflation due to geopolitics partially contained by weakening demand

Consumer prices increased by 1.84% month-on-month in August, coming in below our expectations for the second consecutive month. Accordingly, annual inflation declined by 0.25 percentage points from July to 31.5%. Food and core goods were the main components of the downside surprise. While the cumulative increase in fuel prices from March to August reached 28.5%, we estimate its cumulative contribution to inflation at around 4 percentage points.

According to the TURKSTAT's methodology, we calculate the seasonally adjusted (s.a.) monthly inflation to be 2.29%, unchanged from the previous month. Core B and C monthly inflation (s.a.) stood at around 2.0% (2.0% and 2.2%, respectively, previously). Meanwhile, monthly inflation rates for median and trimmed-mean measures declined to 1.7% and 1.6%, respectively (1.5% and 1.4%, previously). The moderation in core indicators since July also reflects the effects of the slowdown in the economy. The weakening in demand conditions is becoming more evident in some sectors. In this regard, while the contribution of core goods to the inflation trend is declining, rigidity persists in non-rent services. Nevertheless, compared with previous years, the July-August inflation trajectory appears to have been softer.

We assess that the inflation trend has eased somewhat compared with the period before July, but remains elevated. The kurtosis, skewness, and multimodal nature of the 5-digit sub-item distribution indicate that risks regarding pricing behavior persist. In addition, considering the current price levels of fuel products, there is an additional 23% increase potential until the end of the year in line with the exit plan from the sliding-scale system.

The partial improvement in the inflation trend during July-August and our forecast that the decline in annual inflation will continue in September (≈1.2 percentage points) suggest that there appears to be limited room for a rate cut without changing the current ex-post real interest rate. At the same time, we assess that the upward risks stemming from accumulated pressures on global commodity prices, the exit from the sliding-scale system, and administered energy prices require a cautious stance at this stage. Taking the current risk balance into account, while maintaining our year-end inflation forecast at 30.0%, we lower our policy rate forecast from 37.0% to 36.0%.

Consumer Price Index (CPI)

Monthly inflation came in at 1.84%, below both our forecast. Thus, annual inflation declined by 0.25 percentage points to 31. 5%. The cumulative increase in CPI since the beginning of the year reached 22.07%. Annual inflation edged down in the B-index from 31.0% to 30.7%, while inched up from 29.9% to 30.1% in the C-index (Chart 1, Table 3).

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

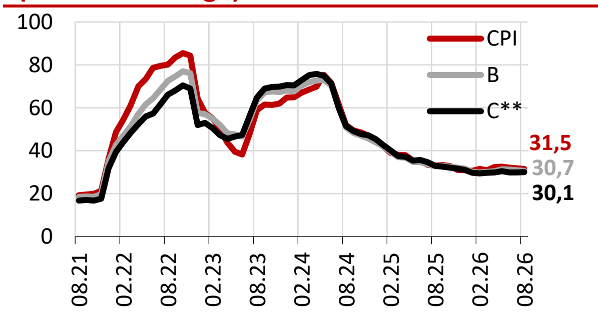
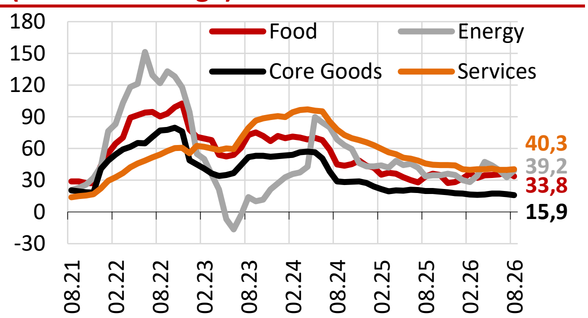


Chart 2. CPI Sub-Indices (annual % change)



* 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

We estimate that the seasonally adjusted (s.a.) monthly CPI inflation, to be announced by TurkStat, unchanged at 2.29%. In August, B (s.a.) monthly inflation remained unchanged at 2.0%, while C (s.a.) monthly inflation declined from 2.2% to 2.0%.

In August, annual inflation declined in food and core goods, while it increased in energy and services (Chart 2, Table 1). Details are as follows:

- **Food:** Monthly food inflation reached a low level, as in May and June, with the contribution of the favorable trend in fresh fruit and vegetable prices. Monthly inflation stood at -0.22% in raw data, while it declined to 1.49% on a seasonally adjusted basis from 2.64% in July. Annual food inflation, driven by both processed and unprocessed food, declined by 3.7 percentage points to 33.8%.

  Unprocessed food monthly inflation (s.a.) declined from 4.8% to 0.85%, with the decline entirely driven by a 3.81% m-o-m decrease in fresh fruit and vegetable prices. Monthly inflation in the other unprocessed food group, meanwhile, increased from 2.8% to 4.0%. In processed food, monthly inflation accelerated in items excluding bread and cereals.

- **Energy:** Developments in international prices continue to have an impact on energy prices. Monthly inflation in the energy group increased to 5.46%, led by the increase in fuel prices (≈11.2%). Accordingly, annual energy inflation increased by 6.3 percentage points to 39.2%. The cumulative increase in domestic fuel prices from March to August reached 28.5%, and we estimate its cumulative contribution to inflation at around 4 percentage points (Chart 3).

  As international oil prices exceeded $90 at the beginning of September, increases in domestic fuel product prices continue. We calculate that, assuming the price increases that became effective for gasoline and diesel as of September 4 remain permanent, fuel inflation will be around 9.0% in September. Unless there is a decline in international oil prices (and refinery margins), and assuming the exit from the sliding-scale system takes place at the beginning of October as previously planned, fuel prices would increase by 9.0% in October as well. Accordingly, fuel products have an additional 23% increase potential until the end of the year relative to their current price levels, in line with the exit plan from the sliding-scale system. If this potential materializes, the cumulative increase would reach 58% at year-end, and its impact on inflation appears capable of reaching twice the current level (Chart 3).

  Apart from oil prices, we assess that the increase in international natural gas prices is also an important risk factor for energy inflation in the period ahead. Indeed, as of today, the European benchmark natural gas price Dutch TTF is trading at 72€, around 128% above its pre-war level, at its highest levels of the post-war period, while natural gas storage utilization rates across the European Union remain below their historical average at 63%, continuing to constitute an important pressure factor on natural gas prices. If this pressure remains strong, we see a high probability of increases in domestic electricity and natural gas prices in the coming months.

- **Core goods:** While the monthly inflation trend in core goods continued to weaken, annual group inflation declined by 0.9 percentage points to 15.9%, its lowest level since March 2020. Monthly inflation in core goods (s.a.) slowed from 1.08% to 0.58%, with the decline in clothing prices (-0.42%) being the main factor behind this moderation. Monthly price increases in durable goods (s.a.), meanwhile, continued to be moderate at 1.05%. The recent trend in core goods is supportive of the slowdown in demand conditions (Chart 4).

- **Services:** Monthly inflation in services (s.a.) remained close to horizontal on a monthly basis at 2.91%. While the cumulative increase in fuel prices continued to be reflected in urban and intercity passenger transportation services, the continued increase in communication services prevented an improvement in services inflation. On the other hand, the inflation trend in the rent group continued to weaken. Monthly rent inflation (s.a.) maintained its downward trend at 2.22%. In the restaurant and hotel group, the monthly inflation trend also declined modestly to 2.17%, while annual group inflation decreased by 0.5 percentage points to 31.2%. In other services prices, the effects of seasonal movements in some education items were observed.

Chart 3. Passthrough of Fuel Prices into CPI (cumulative, annual % change)

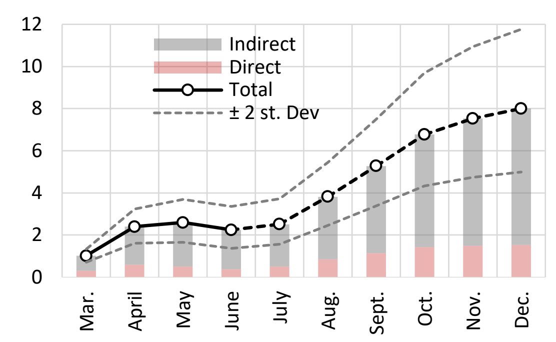
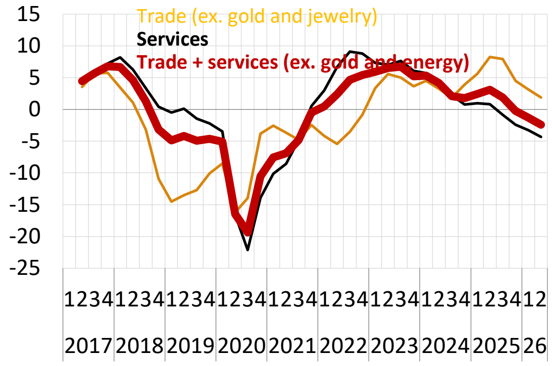


Chart 4. Output Gap in Services (% difference from log-linear trend)*



* Total services indicator is the weighted average of other two series with their 2024 weights
Source: TURKSTAT, Akbank

Chart 5. Underlying Inflation* (seas. adj. m-o-m, 3-month moving average, annualized)

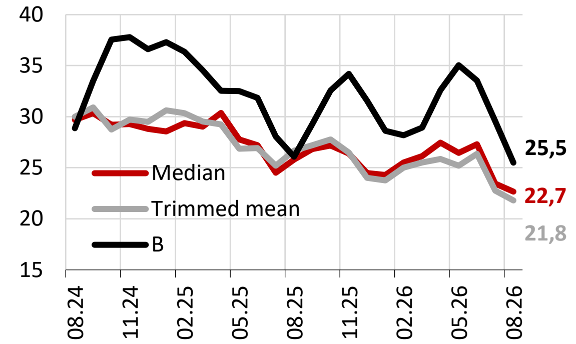
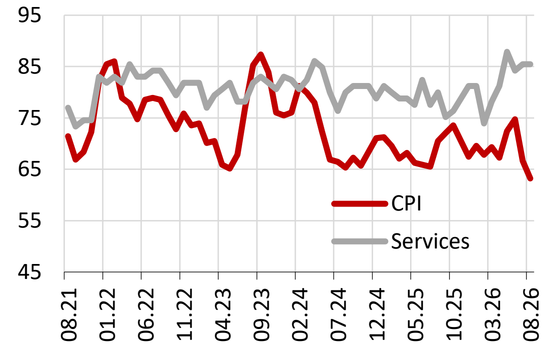


Chart 6. Diffusion Index (seas. adj., increase-decrease, %)



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

Chart 7. CPI Subgroups Monthly Inflation Histogram (seas. adj)

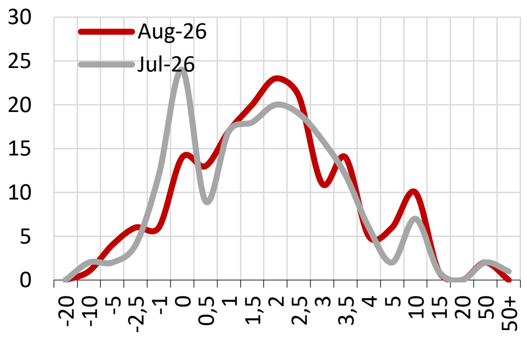
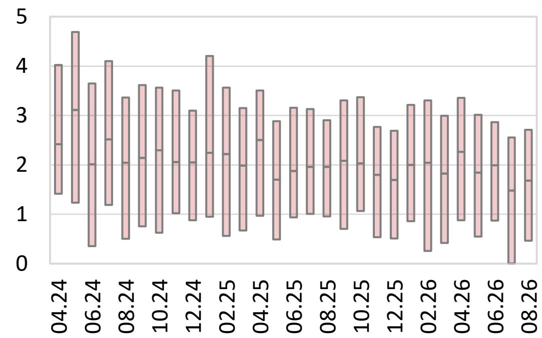


Chart 8. Monthly Inflation Distribution (IQR, %)

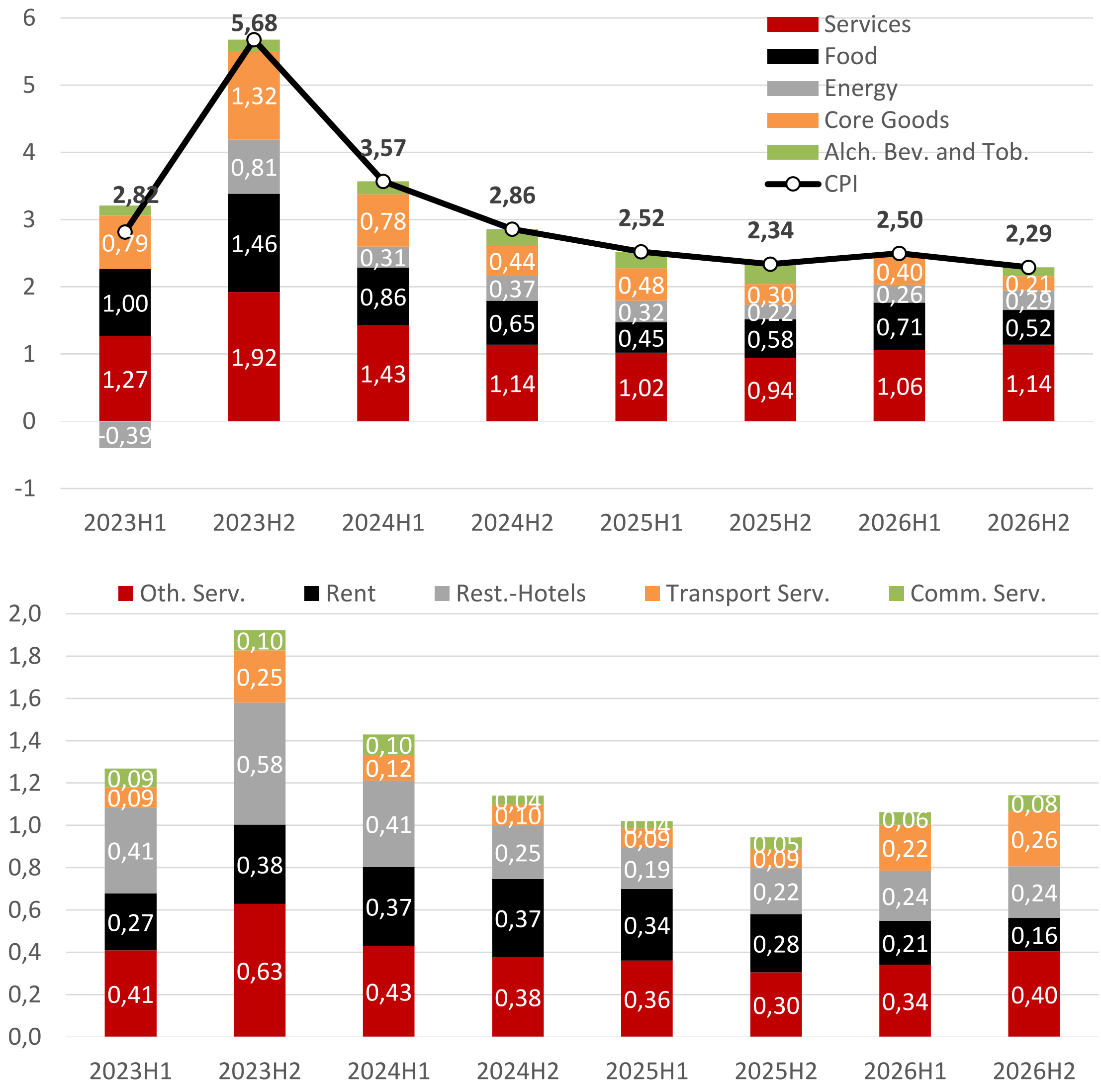


Note: The red boxes represent the 1st and 3rd quartiles (IQR), corresponding to the 25th and 75th percentiles of the monthly inflation distribution; the horizontal lines within the boxes represent the median inflation rate.
Source: Turkstat, Akbank

Indicators of inflation trends show that seasonally adjusted monthly inflation remained unchanged at 2.3% compared to July. Exclusion-based core inflation indicators B and C (s.a.) were 2.0% (previously 2.0% and 2.2%, respectively). Services remain quite high despite a moderate trend in core goods.

Distribution-based core inflation indicators showed median and trimmed monthly inflation rates of 1.7% and 1.6% (previously 1.5% and 1.4%). These indicators, which the CBRT frequently highlights in its policy communication, show lower increases compared to pre-July levels and are consistent with the cooling of the economy. However, due to successive cost shocks and rigidity in expectations, it is difficult to speak of a widespread and strong improvement in the main trend. Indeed, when examining the contributions to seasonally adjusted average monthly inflation over the half-years, it is seen that the stickiness in the services and food groups continued in the second half of the year (Chart 9). Conversely, the slowdown in demand is limiting the contribution of core goods to inflation. The kurtosis, skewness, and multimodal nature of the 5-digit sub-item distribution indicate that risks regarding pricing behavior persist (Chart 7 and 8).

Chart 9. Contributions to Monthly Inflation (s.a, % points)



Source : Turkstat, Akbank

The partial improvement in the inflation trend during July-August and our forecast that the decline in annual inflation will continue in September (≈1.2 percentage points) suggest that there appears to be limited room for a rate cut without changing the current *ex-post* real interest rate. At the same time, we assess that the upward risks stemming from accumulated pressures on global commodity prices, the exit from the sliding-scale system, and administered energy prices require a cautious stance at this stage. Taking the current risk balance into account, while maintaining our year-end inflation forecast at 30.0%, we lower our policy rate forecast from 37.0% to 36.0%.

Table 1. Consumer Price Index (Raw data)

	Monthly % Change			Annual % Change		
	Aug.25	Jul.26	Aug.26	Aug.25	Jul.26	Aug.26
CPI	**2.04**	**1.78**	**1.84**	**32.95**	**31.75**	**31.51**
Food and Non-Alcoholic Beverages	3.02	1.61	0.22	33.28	37.53	33.79
Alcoholic Beverages and Tobacco	6.04	1.93	6.89	29.71	29.38	30.42
Clothing and Footwear	-0.71	-3.93	-3.54	9.49	16.48	13.16
Housing. Water. Electricity. Gas and Other Fuels	2.66	2.25	2.26	53.22	40.32	39.77
Furnishings. household eq. maint. of the house	0.79	1.70	1.75	29.70	22.41	23.58
Health	1.01	10.74	0.70	36.59	43.89	43.46
Transport	1.53	2.59	4.82	25.08	30.83	35.08
Communication	1.22	2.04	2.60	19.22	23.97	25.66
Recreation and Culture	1.81	1.24	1.87	31.99	23.36	23.43
Education	2.07	1.32	8.62	60.91	44.18	53.44
Restaurants and Hotels	1.88	2.28	1.50	33.96	31.65	31.16
Insurance and financial services	0.51	1.01	0.05	39.43	25.64	25.08
Miscellaneous Goods and Services	0.81	1.11	2.39	32.30	21.74	23.65

Source: TURKSTAT

Table 2. Core Indicators (Raw Data)

	Monthly % Change			Annual % Change		
	Aug.25	Jul.26	Aug.26	Aug.25	Jul.26	Aug.26
CPI	**2.04**	**1.78**	**1.84**	**32.95**	**31.75**	**31.51**
Goods	**1.72**	**0.86**	**1.02**	**27.22**	**27.07**	**26.19**
Energy	0.64	2.30	5.46	33.66	32.86	39.23
Food and Non-alcoholic Beverages	3.02	1.61	0.22	33.28	37.52	33.79
Unprocessed Food	2.02	2.37	-2.03	34.94	39.69	34.14
Fresh Fruits and Vegetables	2.25	5.39	-8.18	51.78	41.84	27.36
Other Unprocessed Food	1.86	0.47	2.03	25.09	38.58	38.81
Processed Food	3.83	1.03	1.99	31.35	35.95	33.54
Bread and Cereals	5.77	0.98	1.01	38.82	33.39	27.39
Other Processed Food	2.82	1.05	2.37	27.69	36.96	36.35
Goods excl. Energy and Food	1.12	-0.19	0.54	21.10	18.19	17.51
Core Goods	0.52	-0.38	-0.28	19.85	16.82	15.89
Clothing and Footwear	-0.77	-4.01	-3.62	8.78	16.18	12.84
Durable Goods (excl. Gold)	0.73	0.95	1.05	22.60	16.05	16.41
Other Core Goods	1.01	1.19	0.88	23.93	20.71	20.55
Services	**2.65**	**3.18**	**3.08**	**45.77**	**39.70**	**40.28**
Rent	4.61	2.85	3.04	74.33	45.29	43.11
Restaurant-Hotels	1.88	2.28	1.50	33.96	31.65	31.16
Transportation Services	3.36	3.40	4.98	36.76	50.09	52.44
Telecommunication Services	1.65	4.09	5.03	23.26	40.02	44.68
Other Services	1.92	3.90	3.22	46.69	37.19	38.94
CPI	**2.04**	**1.78**	**1.84**	**32.95**	**31.75**	**31.51**
A (CPI excl. seasonal products)	2.19	1.93	2.80	33.83	32.20	32.98
B (CPI excl. unpro. food. energy. alc. bev. tob., gold)	2.07	1.66	1.84	32.71	30.98	30.68
C (CPI excl. energy. food. alc. bev. tob. and gold)	1.69	1.80	1.81	33.00	29.91	30.07
D (CPI excl. unproc. food. alc. bev. and tobacco)	1.88	1.70	2.18	32.77	30.86	31.25
E (CPI excl. alcoholic beverages and tobacco)	1.89	1.78	1.71	33.08	31.80	31.57
F (CPI excluding administered prices)	2.04	1.39	1.72	32.19	30.37	29.96

Source: TURKSTAT

Domestic Producer Price Index (D-PPI)

While monthly D-PPI gained momentum again at 2.57%, annual inflation rose by 0.1 percentage points to 27.95% (Table 3). Looking at the details of the PPI, the price increase in the energy group continued to be high at 7.0%. The cumulative price increase in the energy group since the beginning of the war reached 35.2% (cumulative D-PPI increase: 14.95%). In other groups, although price increases were not as high as in energy, they accelerated compared to July due to the deteriorating international prices. The acceleration in durable consumer goods was somewhat stronger.

Table 3. Domestic Producer Price Index

	Monthly % Change			Annual % Change		
	Aug.25	Jul.26	Aug.26	Aug.25	Jul.26	Aug.26
Domestic PPI	**2.48**	**1.52**	**2.57**	**25.16**	**27.83**	**27.95**
Intermediate Goods	1.34	0.81	1.84	22.02	26.79	27.41
Durable Consumption Goods	1.26	0.40	2.84	30.22	26.57	28.54
Non-durable Consumption Goods	3.21	1.33	1.51	28.94	32.46	30.28
Energy	6.39	4.83	6.99	24.76	26.62	27.33
Capital Goods	1.11	1.09	1.76	26.61	21.28	22.06

Source: TURKSTAT

This report is prepared by Akbank Economic Research

Economic.research@akbank.com

Çağlar Yüncüler, PhD – Vice President
Caglar.Yunculer@akbank.com

M. Sibel Yapıcı
Sibel.Yapici@akbank.com

Sercan Pişkin
Sercan.Piskin@akbank.com