Macro: Geopolitical developments continue to delay disinflation and limit policy space

Consumer prices increased by 2.58% month-on-month, close to our forecast (2.50%). Accordingly, annual inflation rose slightly to 29.77%. While the main driver of the increase in monthly inflation was the food group, some of the cost pressures on the goods and services discussed in our previous note (Macro: The Improvement in the Inflation Trend Provides Some Room for Monetary Policy Despite Cost Pressures) were reflected in prices this month. Meanwhile, the 12-month average domestic PPI inflation, which is used as a reference in administered price and tax adjustments, stood at 27.83% (last year: 25.49%).

The pass-through of fuel price increases (≈52% over March–October) to inflation appears to have been more limited than implied by average pass-through estimates. We assess that, in addition to weakening demand conditions, the postponement of various administered price adjustments has also played a role. Assuming that current fuel prices remain unchanged, there is potential for an additional increase of ≈10% over the remaining two months (66% over March–December).

Seasonally adjusted (s.a.) monthly inflation increased to 2.14%, compared with 1.62% in the previous month. Core indicators excluding food items remained broadly flat. Core B and C monthly inflation rates (s.a.) stood at 1.64% (previously 1.64% and 1.69%). Median and trimmed mean monthly inflation rates were 1.86% and 1.83%, respectively (previously 1.7% for both). Based on their annualized trends over the last three months, median and core B inflation stood at ≈23%.

The effects of weakening demand conditions continue to be felt, particularly in core goods. In services, however, a heterogeneous composition continues to generate rigidity. In addition to core indicators, the overall picture, excluding the commodity-price-related cost push, also points to an inflation trend of 23–24%. We assess that, for the short-/medium-term inflation trend to converge to these levels, (i) positive shocks on the food and energy fronts and (ii) a cautious macroeconomic policy stance that does not lead to renewed overheating in domestic demand are necessary.

As in the previous month, (i) additional price increases that may arise from geopolitical developments and an exit from the sliding-scale mechanism, (ii) cost pressures that have not yet been fully reflected in final prices, and (iii) the return on TL assets being limited due to rising global interest rates lead us to maintain our cautious stance regarding the timing of interest rate cuts in October. While we maintain our year-end inflation and policy rate forecasts at 30.0% and 36.0%, respectively, we expect annual inflation to remain broadly flat until April, conditional on minimum wage and administered price decisions.

Consumer Price Index (CPI)

Monthly inflation came in at 2.58%, in line with our forecast of 2.5%. Accordingly, annual inflation increased slightly to 29.77%, while the cumulative price increase in the first ten months of the year reached 27.52%. Annual inflation declined in core indicators, falling from 29.0% to 28.5% in the B index and from 28.7% to 28.3% in the C index (Chart 1, Table 3).

We calculate that seasonally adjusted (s.a.) monthly CPI inflation, to be published by TURKSTAT, increased from 1.62% to 2.14%. However, as this increase was largely driven by food items, the trend in core indicators remained broadly flat. B (s.a.) monthly inflation remained unchanged at 1.64%, while C (s.a.) monthly inflation declined from 1.69% to 1.64%.

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

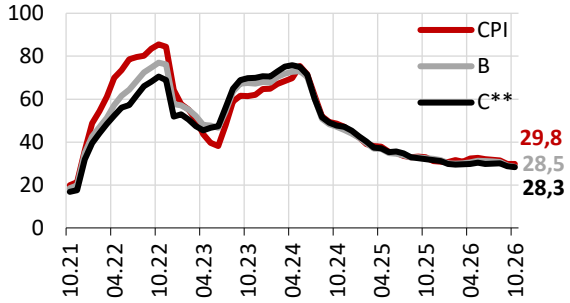
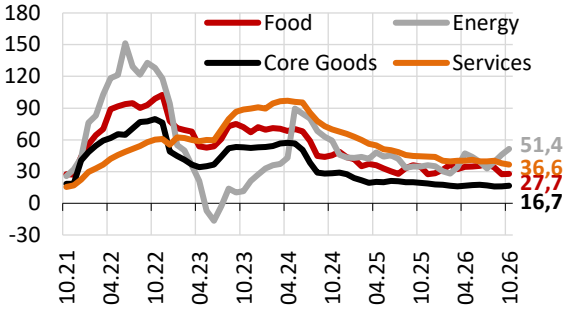


Chart 2. CPI Sub-Indices (annual % change)



* 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 October, annual inflation increased in all groups except services, with a pronounced increase in energy, a limited increase in food and a moderate increase in core goods (Chart 2, Table 1). Details are as follows:

- **Food:** In the food group, which has limited the inflation trend with its favorable performance in recent months, prices increased by 3.5% in October, partly due to seasonal effects, while annual inflation rose slightly by 0.1 percentage points to 27.7%. Seasonally adjusted monthly inflation reached its highest level since April, at 2.81%.

  The volatility in the monthly trend was characteristically driven by the **fresh fruit and vegetables**. While the outlook for vegetables was more unfavorable, monthly inflation in this category reached 14.66% due to seasonal effects, correcting a significant portion of the cumulative decline (10.85%) over the previous two months in seasonally adjusted terms. Nevertheless, the relative price of fresh fruit and vegetables remains below its long-term trend (Chart 4). Accumulated cost pressures due to fuel prices continue to pose an upside risk to fresh fruit and vegetable prices. In the **other unprocessed food** group, monthly inflation (s.a.) stood at 2.08%, slightly above September but relatively moderate. The relatively favorable trend in the egg item is noteworthy, while the postponement of the price adjustment in raw milk purchase prices prevents a higher trend in this group.

  In the **processed food** group, the monthly price increase of 1.66% was close to the moderate trend observed since July (average: ≈1.5%). Following the high increases in bread prices in April and May, the decline in the contribution of bread price increases and the postponement of the raw milk price adjustment also support the favorable performance of processed food prices. The upward trend in international food prices and postponed administered price adjustments (bread, milk, etc.) can be considered upside risks to processed food inflation in the period ahead.

- **Energy:** The upward trend in energy prices continued in October. Monthly inflation in the energy group decelerated but remained robust at 4.92%, as fuel inflation decelerated (11% → 6.4%) (Chart 3). Annual inflation in the group increased by a further 5.3 percentage points to 51.4%. The cumulative increase in fuel prices over March–October reached 51.6% (Chart 3). The pass-through of fuel price increases to inflation appears more limited than suggested by average pass-through estimates. We assess that, in addition to weakening demand conditions, the postponement of various administered price adjustments has also been influential. Assuming prices remain unchanged as of 3 November and given the exit strategy from sliding-scale mechanism, there is potential for an ≈10% increase in fuel prices over November and December combined.

- **Core goods:** The increase in monthly core goods inflation recorded in September proved temporary. Annual inflation in core goods increased by 0.8 percentage points to 16.7%, while monthly inflation (s.a.) declined from 1.38% to 0.75% (Chart 4).

  The slowdown was broad-based across subcategories, but the decline in durable goods (from 2.04% to 0.94%) was particularly pronounced. The three-month average inflation (s.a.) in core goods, annualized at 11.4%, remains well below both the overall inflation trend and the nominal depreciation trend. In this regard, the effects of weakening demand conditions continue to be felt.

- **Services:** Monthly services inflation (s.a.), which had fallen below 2% in the previous month, increased to 2.2% in October. While the pass-through of cumulative fuel price increases to **transport services** contributed to this increase, the favorable outlook in **communication services** limited services inflation. On the other hand, the inflation trend in the **rent** group gained some momentum at 2.26%, although it remained close to its average. Monthly inflation (s.a.) in **restaurants and hotels** remained relatively low at 1.64%. Monthly inflation (s.a.) in **other services** remained above the overall trend at 2.5%.

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

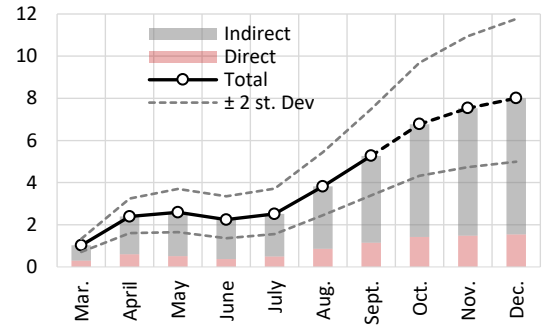
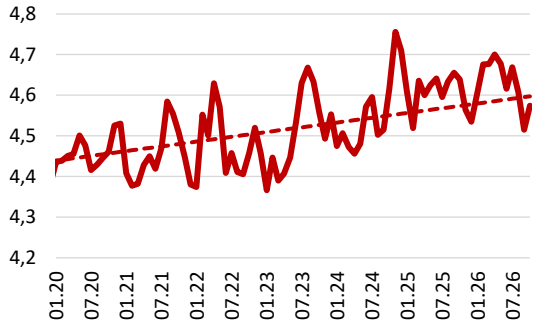


Chart 4. Fresh Fruit and Vegetable Prices (relative to CPI, 2025=100, log)*



* Dashed line shows long-term trend
Source: TURKSTAT, Akbank

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

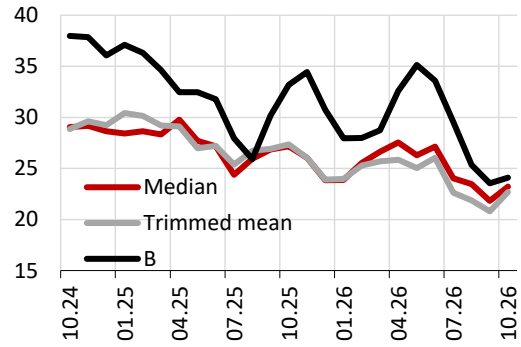
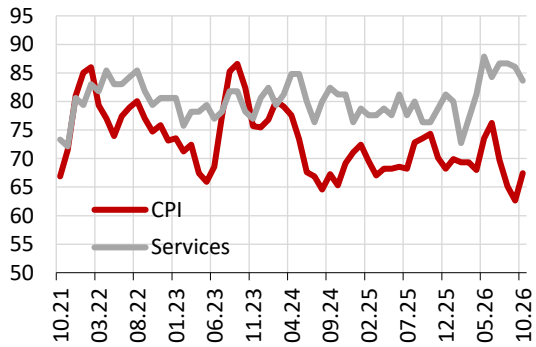


Chart 6. Diffusion Index (seas. adj., increase-decrease, %)



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

Regarding inflation trend indicators, seasonally adjusted (s.a.) monthly inflation accelerated to 2.14% compared with September (1.62%). Core indicators excluding food items remained broadly flat. B and C monthly inflation rates (s.a.) stood at 1.64% (previously 1.64% and 1.69%). Monthly inflation in core goods slowed (from 1.38% to 0.75%), while services gained some momentum (from 1.89% to 2.2%). Among distribution-based core indicators, median and trimmed mean monthly inflation rates increased slightly to 1.9% and 1.8%, respectively (previously 1.7% for both). According to the annualized three-month averages, the median and core inflation trends are around 23% (Chart 5).

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

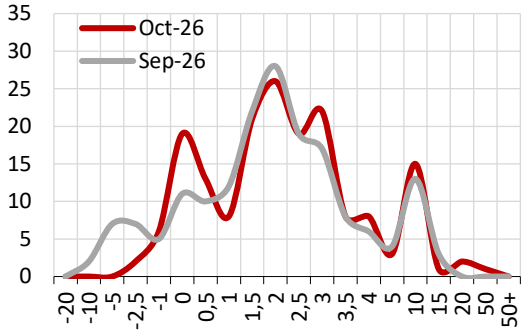
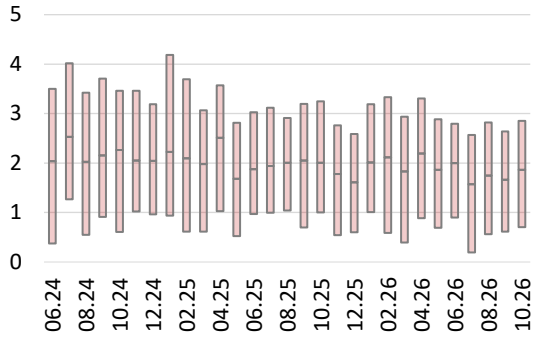


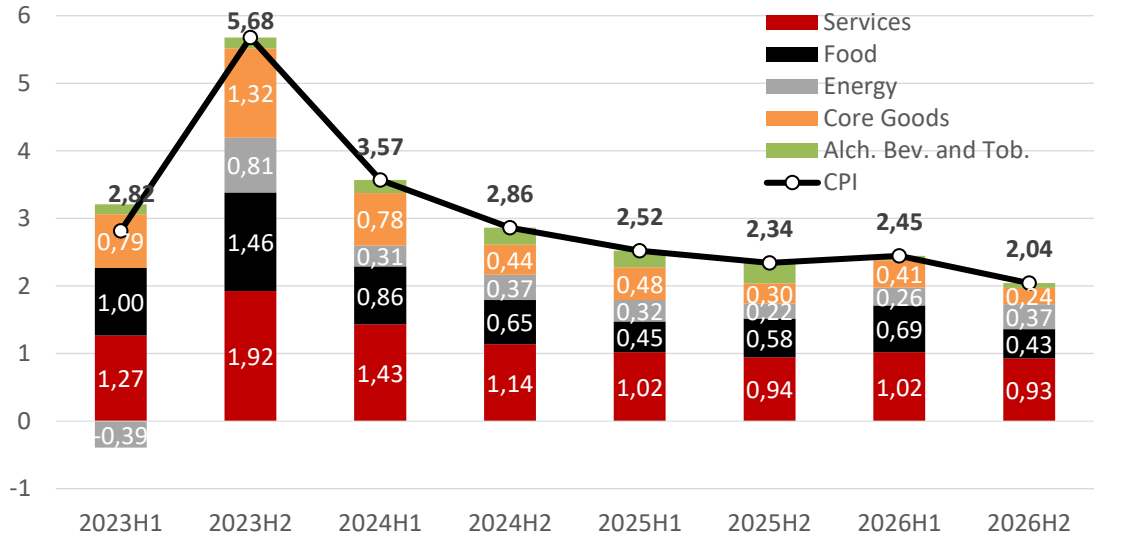
Chart 8. Monthly Inflation Distribution (IQR, %)

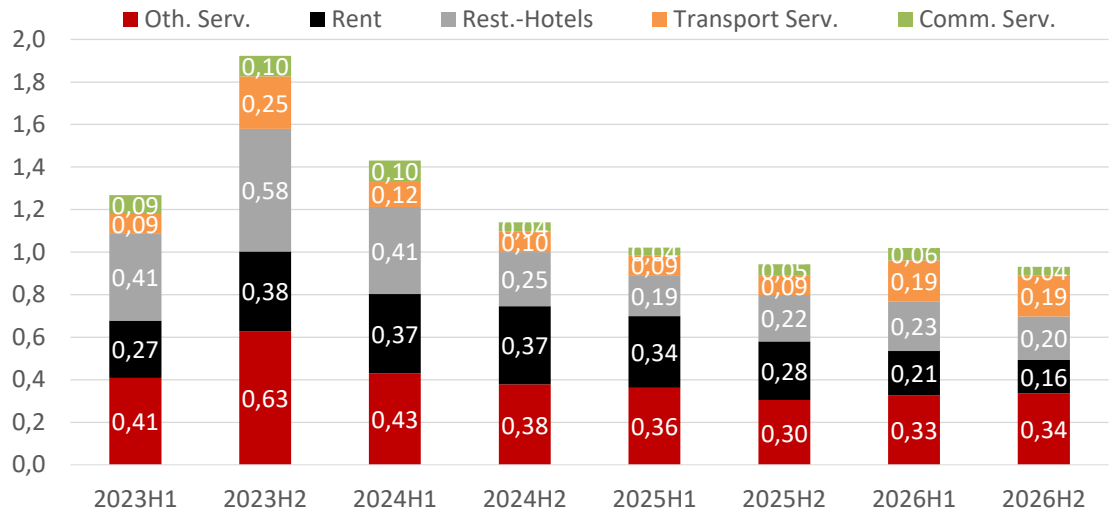


Note: The red boxes represent the 1st and 3rd quartiles (IQR), corresponding to the 25th and 75th percentiles of the monthly inflation distribution; the horizontal lines within the boxes represent the median inflation rate.
Source: Turkstat, Akbank

The effects of weakening demand conditions continue to be felt, particularly in core goods. In services, however, a heterogeneous composition continues to generate rigidity. In addition to core indicators, the overall picture, excluding the commodity-price-related cost push, also points to an inflation trend of 23–24%. We assess that, for the short-/medium-term inflation trend to converge to these levels, (i) positive shocks on the food and energy fronts and (ii) a cautious macroeconomic policy stance that does not lead to renewed overheating in domestic demand are necessary.

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





Source: Turkstat, Akbank

As in the previous month, (i) additional price increases that may arise from geopolitical developments and an exit from the sliding-scale mechanism, (ii) cost pressures that have not yet been fully reflected in final prices, and (iii) the return on TL assets being limited due to rising global interest rates lead us to maintain our cautious stance regarding the timing of interest rate cuts in October. While we maintain our year-end inflation and policy rate forecasts at 30.0% and 36.0%, respectively, we expect annual inflation to remain broadly flat until April, conditional on minimum wage and administered price decisions).

Table 1. Consumer Price Index (Raw data)

	Monthly % Change			Annual % Change		
	Oct.25	Sep.26	Oct.26	Sep.25	Aug.26	Sep.26
CPI	**2.55**	**1.84**	**2.58**	**32.87**	**29.73**	**29.77**
Food and Non-Alcoholic Beverages	3.41	-0.20	3.50	34.87	27.62	27.73
Alcoholic Beverages and Tobacco	2.42	0.88	0.18	27.56	31.60	28.73
Clothing and Footwear	12.42	3.98	12.58	7.98	13.22	13.38
Housing. Water. Electricity. Gas and Other Fuels	2.65	2.71	2.84	50.90	39.99	40.24
Furnishings. household eq. maint. of the house	1.48	1.83	0.82	28.87	23.81	23.00
Health	0.48	0.35	0.50	32.06	43.26	43.29
Transport	1.05	2.79	2.02	27.51	35.10	36.39
Communication	0.50	2.16	1.15	18.38	26.51	27.33
Recreation and Culture	0.45	0.72	0.33	29.83	23.36	23.21
Education	0.08	14.19	0.24	65.69	48.62	48.86
Restaurants and Hotels	1.34	1.41	0.47	33.78	29.53	28.42
Insurance and financial services	0.95	3.40	0.59	30.82	31.89	31.41
Miscellaneous Goods and Services	1.17	1.08	0.32	30.06	21.88	20.86

Source: TURKSTAT

Table 2. Core Indicators (Raw Data)

	Monthly % Change			Annual % Change		
	Oct.25	Sep.26	Oct.26	Sep.25	Aug.26	Sep.26
CPI	**2.55**	**1.84**	**2.58**	**32.87**	**29.73**	**29.77**
Goods	**2.94**	**1.63**	**3.67**	**27.65**	**24.77**	**25.65**
Energy	1.28	6.25	4.92	34.64	46.11	51.37
Food and Non-alcoholic Beverages	3.41	-0.20	3.50	34.87	27.62	27.73
Unprocessed Food	4.52	-2.33	6.04	34.66	24.15	25.95
Fresh Fruits and Vegetables	5.49	-8.93	14.66	35.84	11.17	20.84
Other Unprocessed Food	3.87	1.58	1.45	33.73	32.59	29.49
Processed Food	2.51	1.40	1.66	34.71	30.33	29.25
Bread and Cereals	2.76	0.65	0.90	40.56	24.52	22.27
Other Processed Food	2.38	1.69	1.94	31.81	32.81	32.25
Goods excl. Energy and Food	3.15	1.96	3.45	20.41	17.57	17.91
Core Goods	3.20	2.11	3.92	19.23	15.90	16.70
Clothing and Footwear	12.68	4.01	12.75	7.27	12.91	12.98
Durable Goods (excl. Gold)	0.91	2.02	0.94	23.20	16.32	16.35
Other Core Goods	0.67	0.61	0.31	22.64	20.13	19.71
Services	**1.79**	**2.15**	**0.99**	**44.44**	**37.65**	**36.56**
Rent	3.74	3.10	2.55	66.28	41.34	39.71
Restaurant-Hotels	1.34	1.41	0.47	33.78	29.53	28.42
Transportation Services	1.81	0.24	0.91	41.33	43.78	42.51
Telecommunication Services	0.69	0.45	0.07	22.85	44.18	43.29
Other Services	0.99	3.48	0.75	45.33	36.88	36.55
CPI	**2.55**	**1.84**	**2.58**	**32.87**	**29.73**	**29.77**
A (CPI excl. seasonal products)	1.81	2.30	1.42	34.67	31.91	31.39
B (CPI excl. unpro. food. energy. alc. bev. tob., gold)	2.43	2.01	2.00	32.52	29.00	28.46
C (CPI excl. energy. food. alc. bev. tob. and gold)	2.41	2.14	2.07	32.05	28.70	28.28
D (CPI excl. unproc. food. alc. bev. and tobacco)	2.30	2.38	2.25	32.82	30.35	30.28
E (CPI excl. alcoholic beverages and tobacco)	2.56	1.87	2.64	33.07	29.67	29.79
F (CPI excluding administered prices)	2.70	1.88	2.77	31.93	28.10	28.19

Source: TURKSTAT

Domestic Producer Price Index (D-PPI)

Monthly D-PPI inflation slowed s slightly to 1.65%, while annual inflation remained unchanged at 27.4% (Table 3). Looking at the subcomponents of D-PPI, the price increase in the energy group decelerated to 1.33%, despite international price developments, while price increases in other groups were generally more moderate. The slowdown observed in durable consumer goods in the previous month became more pronounced in October.

Table 3. Domestic Producer Price Index

	Monthly % Change			Annual % Change		
	Oct.25	Sep.26	Oct.26	Sep.25	Aug.26	Sep.26
Domestic PPI	**1.63**	**2.07**	**1.65**	**27.00**	**27.38**	**27.41**
Intermediate Goods	1.57	2.04	2.00	22.33	28.11	28.66
Durable Consumption Goods	3.95	1.54	0.91	33.07	26.97	23.25
Non-durable Consumption Goods	2.43	1.59	1.74	33.91	25.97	25.12
Energy	-0.65	3.55	1.33	25.05	30.82	33.42
Capital Goods	1.18	1.47	0.92	27.27	21.55	21.24

Source: TURKSTAT

Inflation Developments (October 2026) 3 November 2026

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