



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

INFLATION AND MACROECONOMIC OUTLOOK

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Governor

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İSTANBUL



Outline

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What is driving short-term inflation dynamics?

2

What factors will shape inflation going forward?

3

How is geopolitics reshaping the current account?

4

Is re-dollarization a potential risk?

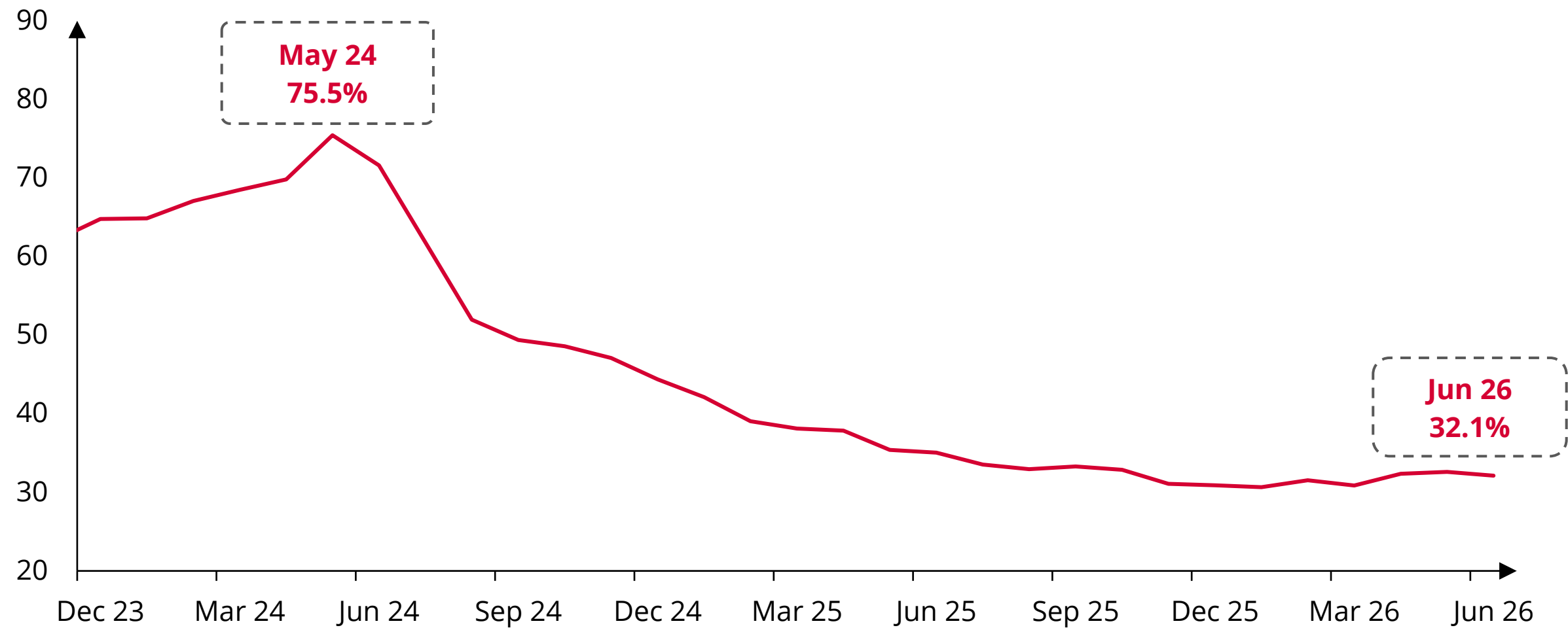
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What is driving short-term inflation dynamics?

- Supply issues in food and energy
- Easing inertia in services
- Moderating demand
- Uptick in core goods

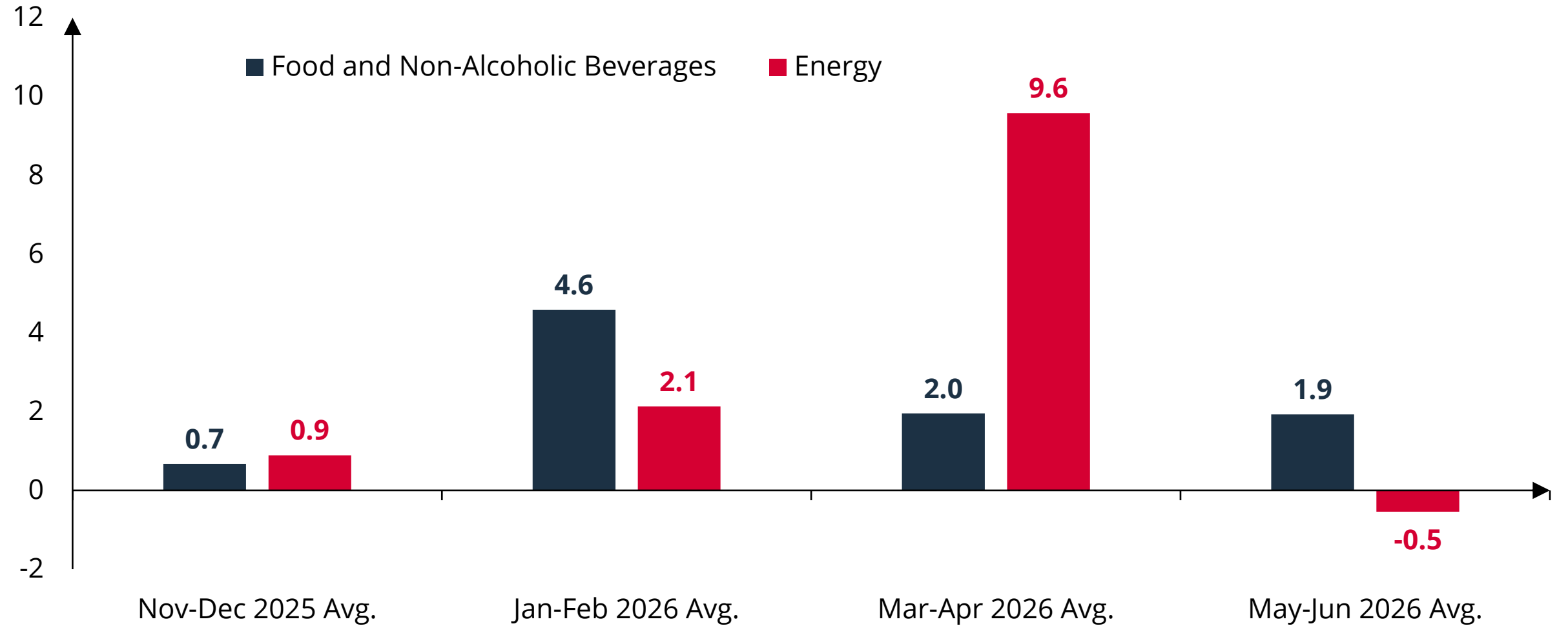
Annual inflation declined to 32.1 percent in June.

CPI (Annual % Change)



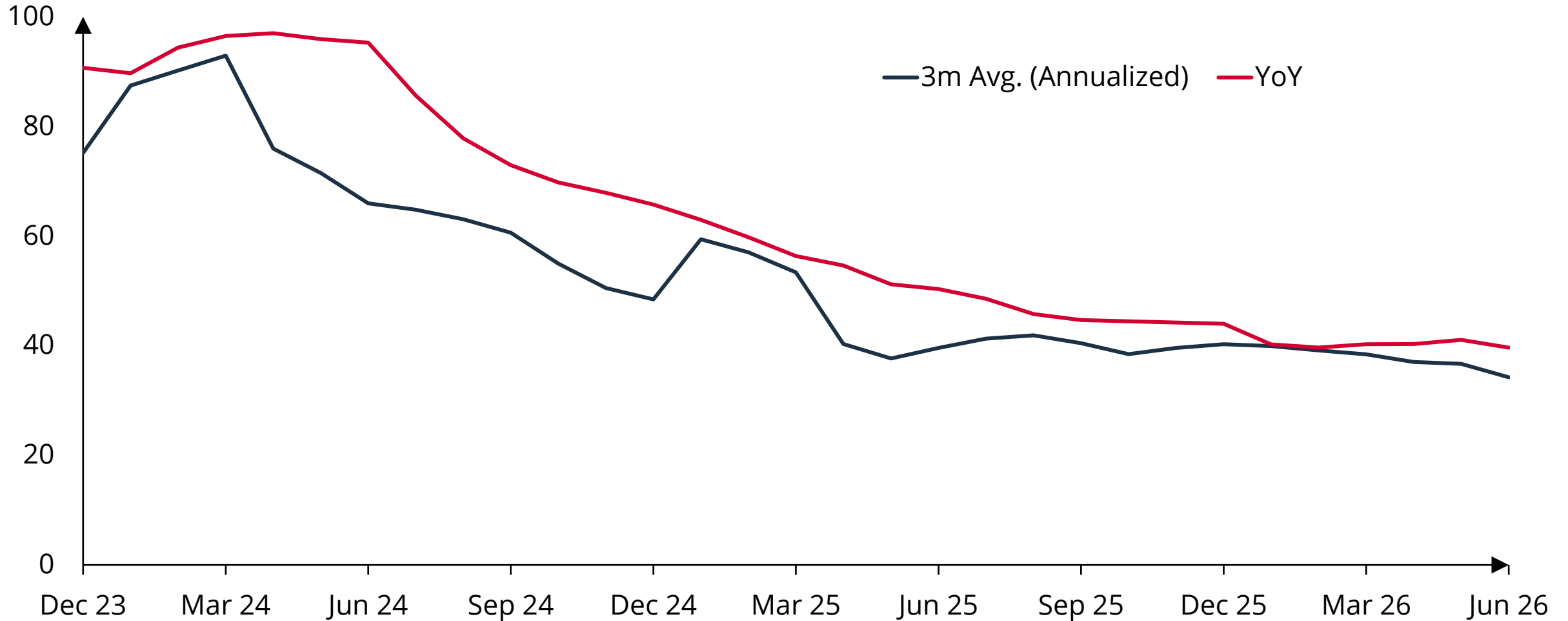
Supply shocks pushed up headline inflation.

Inflation (Seasonally Adjusted, Monthly % Change)



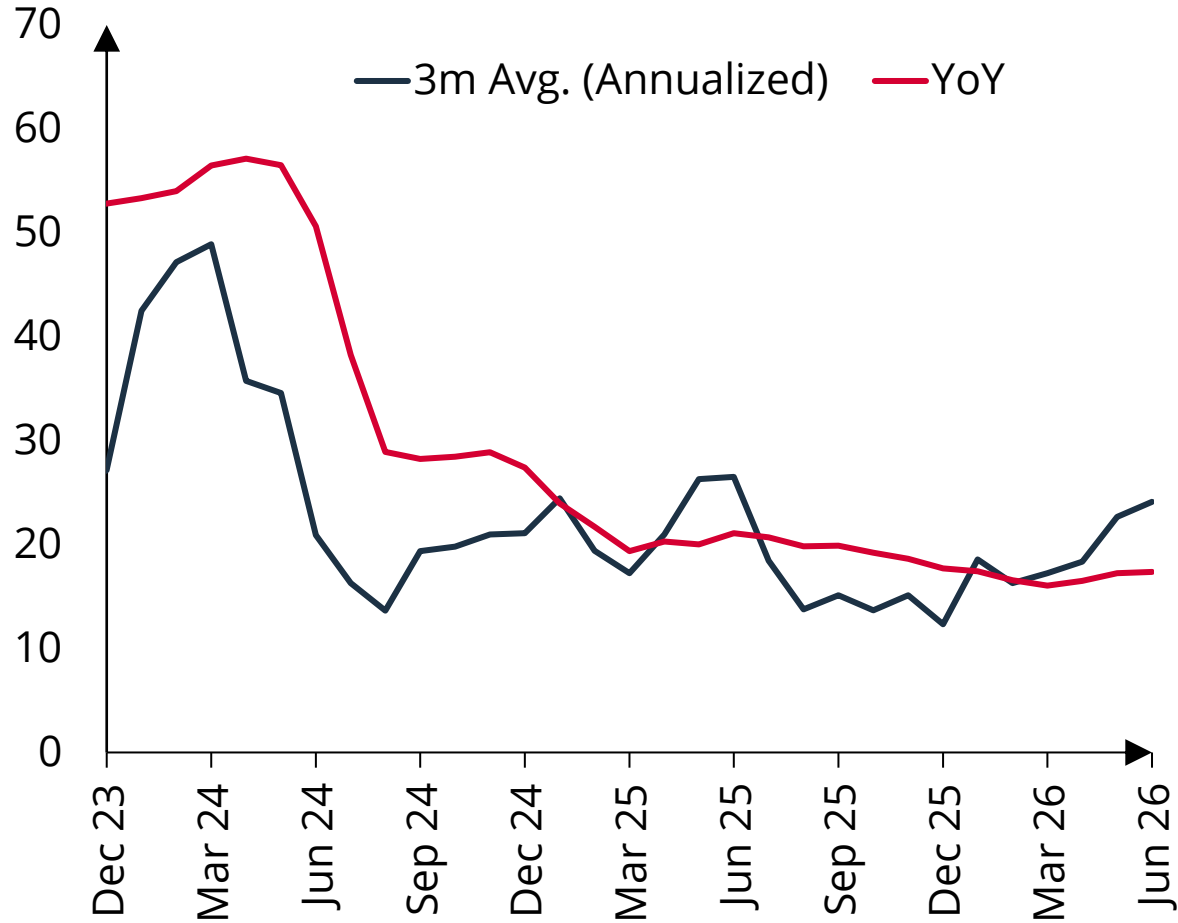
Easing rigidity in rent and education is supporting services disinflation.

Services Inflation (Annualized Monthly Changes and Year-over-Year Changes, %)

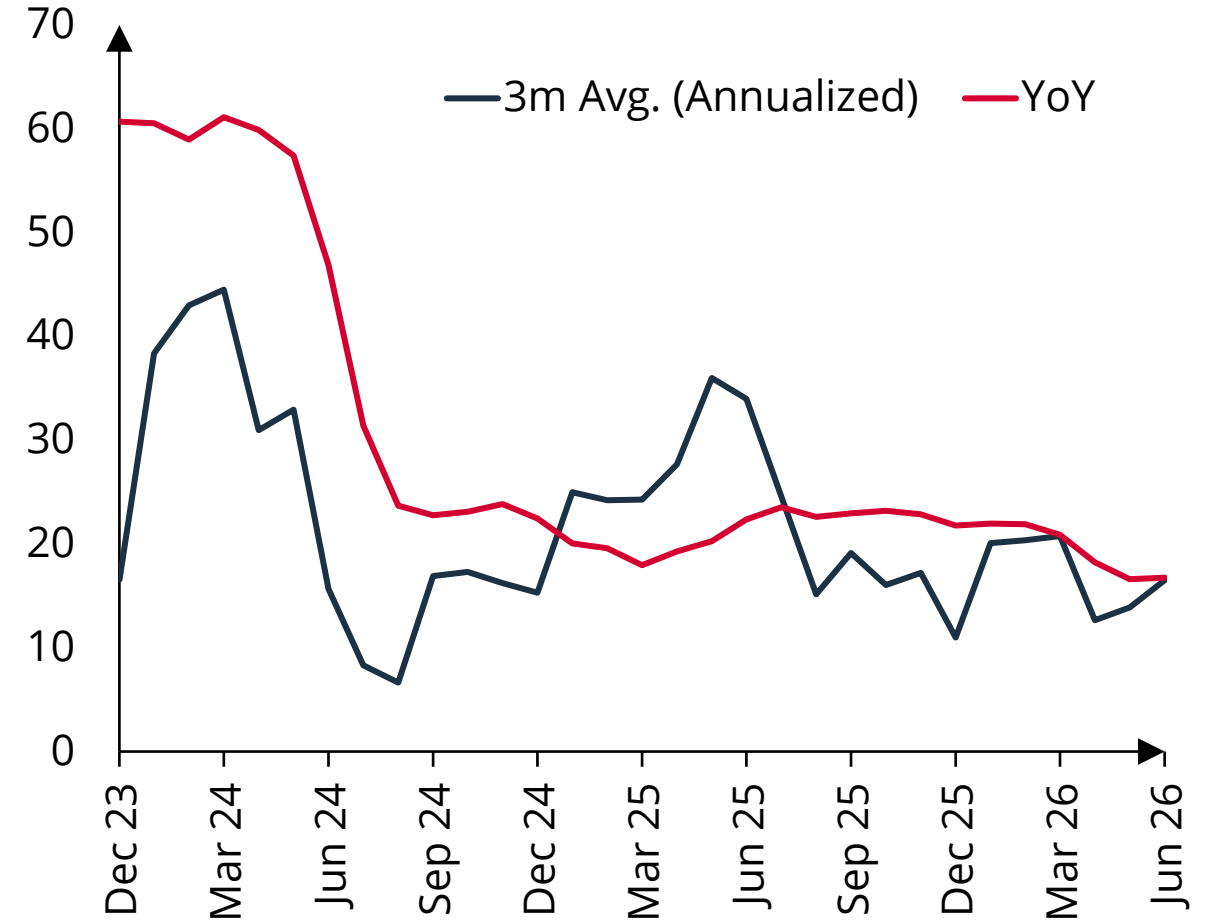


Core goods inflation has firmed recently.

Core Goods (Annualized Monthly Changes and Year-over-Year Changes, %)

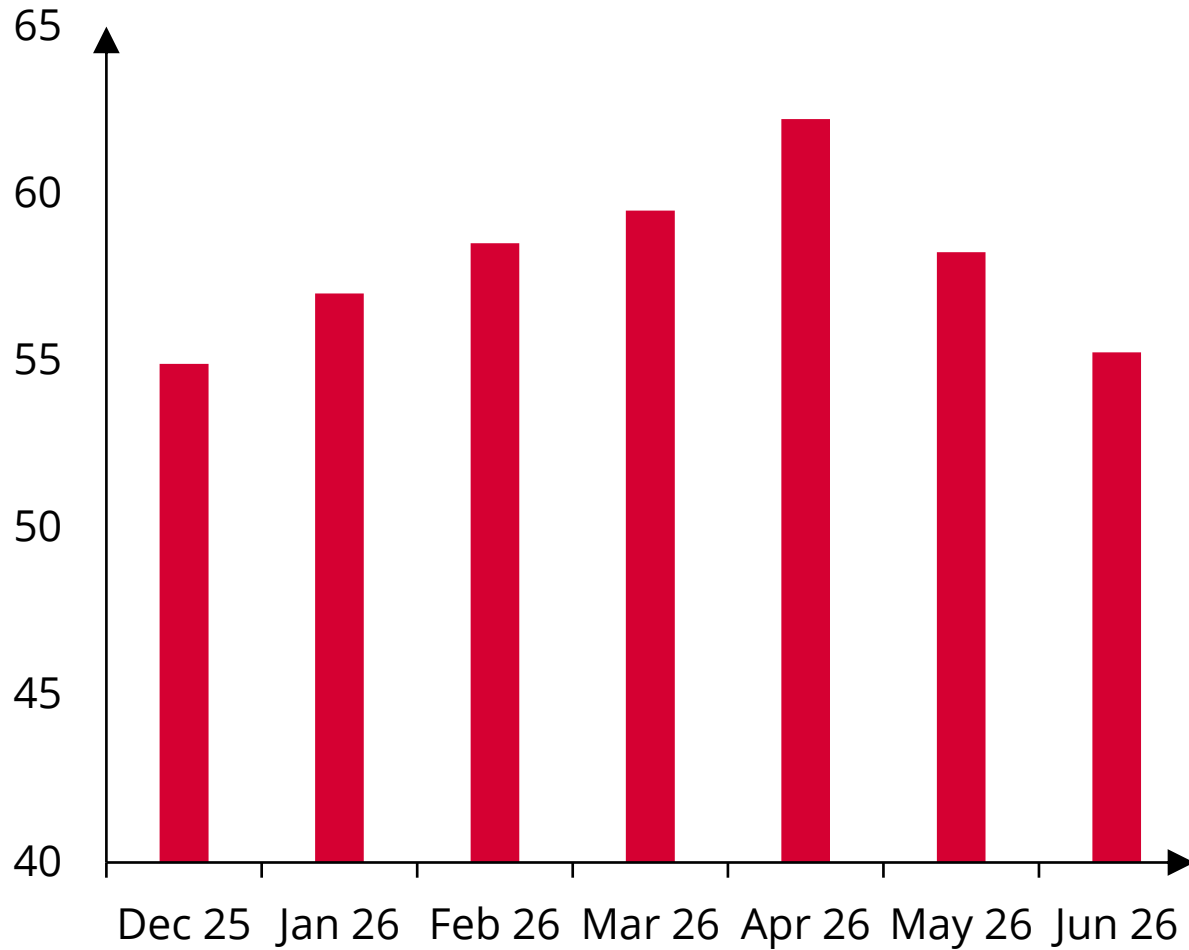


Durable Goods (Excluding Gold, Annualized Monthly Changes and Year-over-Year Changes, %)

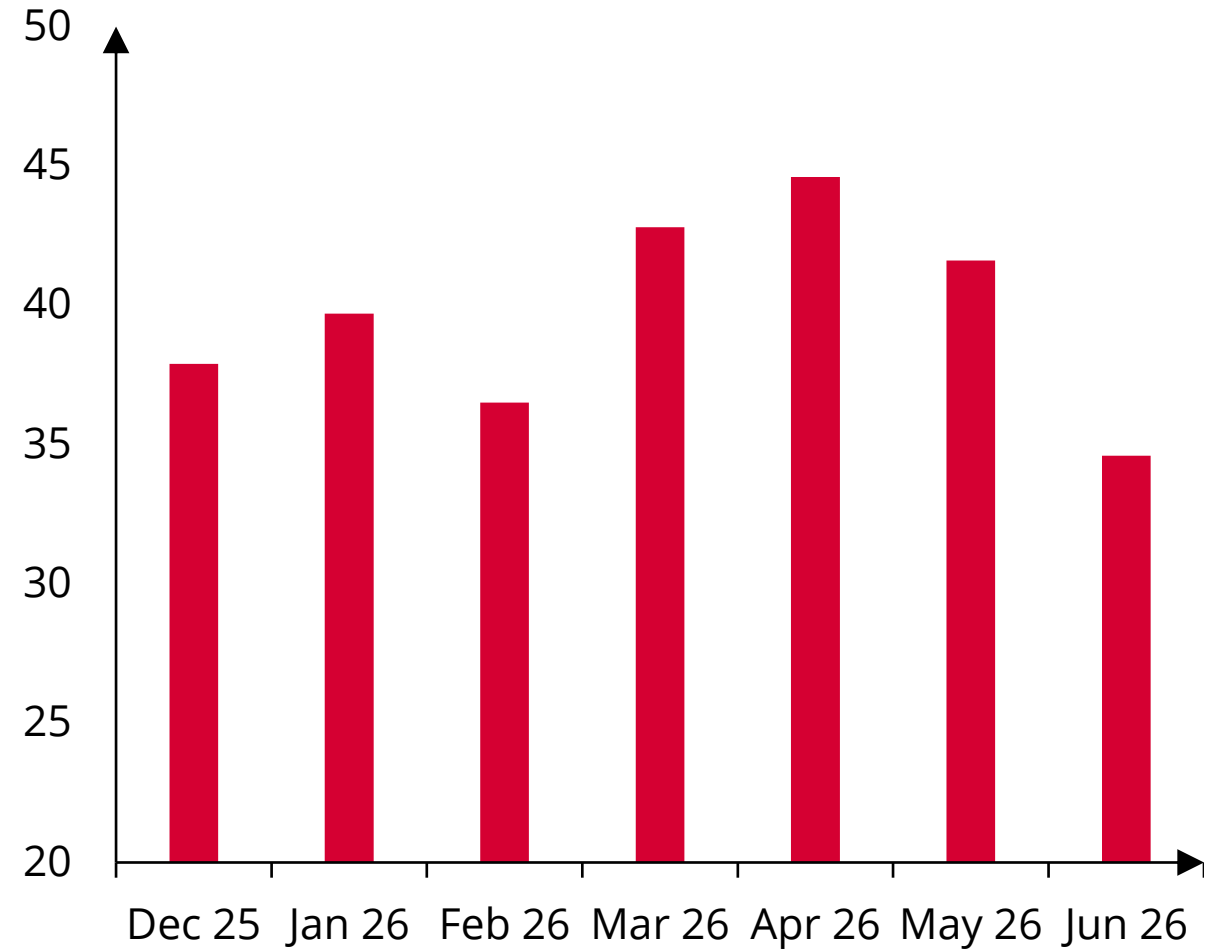


Cost pressures are expected to diminish.

PMI Product Prices (Diffusion Index)

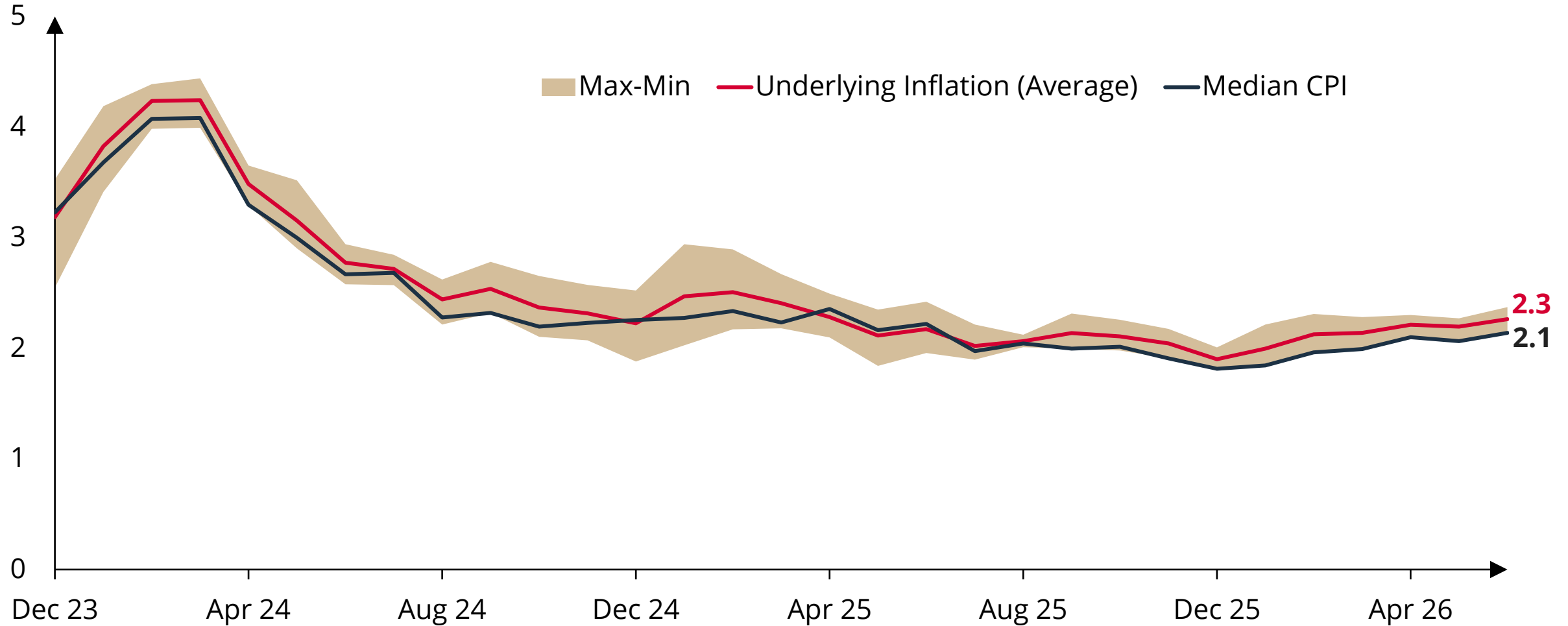


Domestic Sale Price Expectations* (Increase-Decrease, SA, %)



Recent uptick in underlying inflation poses upside risks for near term inflation.

Median and Underlying Inflation* (Monthly % Change, 3 Month Average)



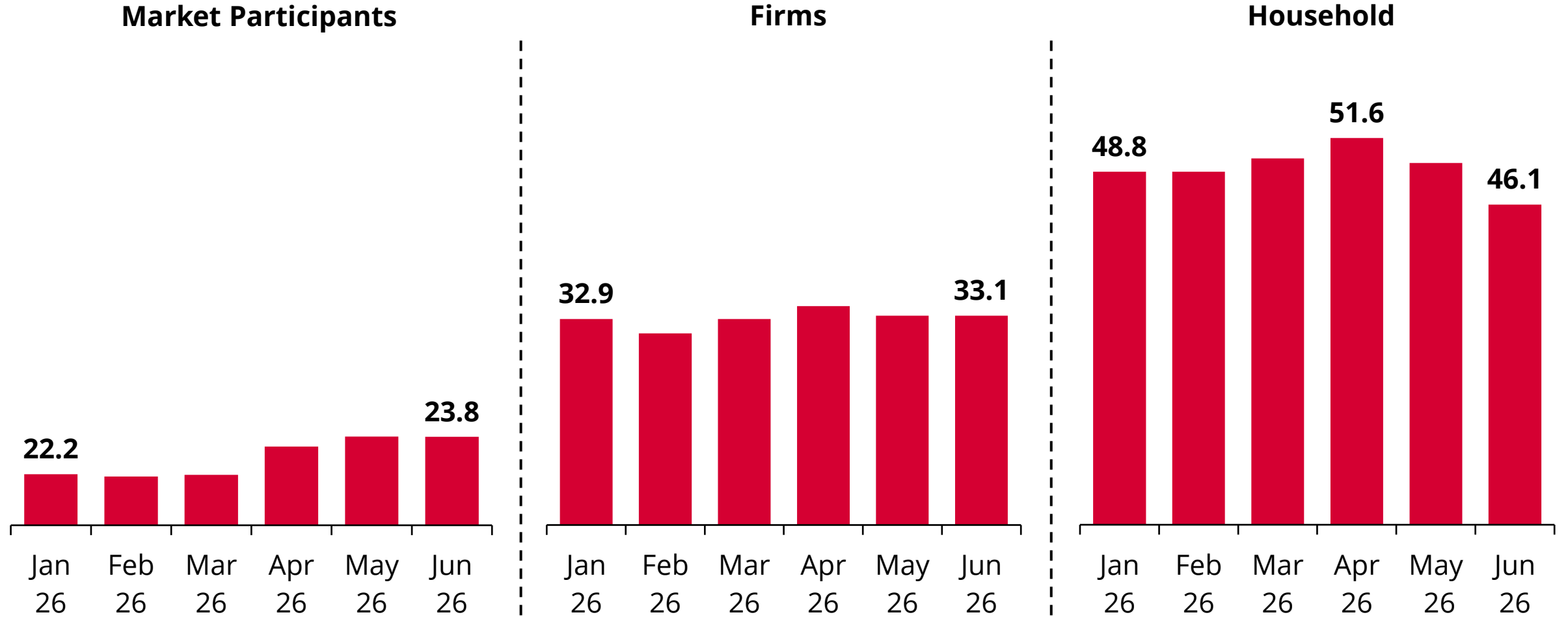
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What factors will shape inflation going forward?

- Inflation expectations
- Cooling demand

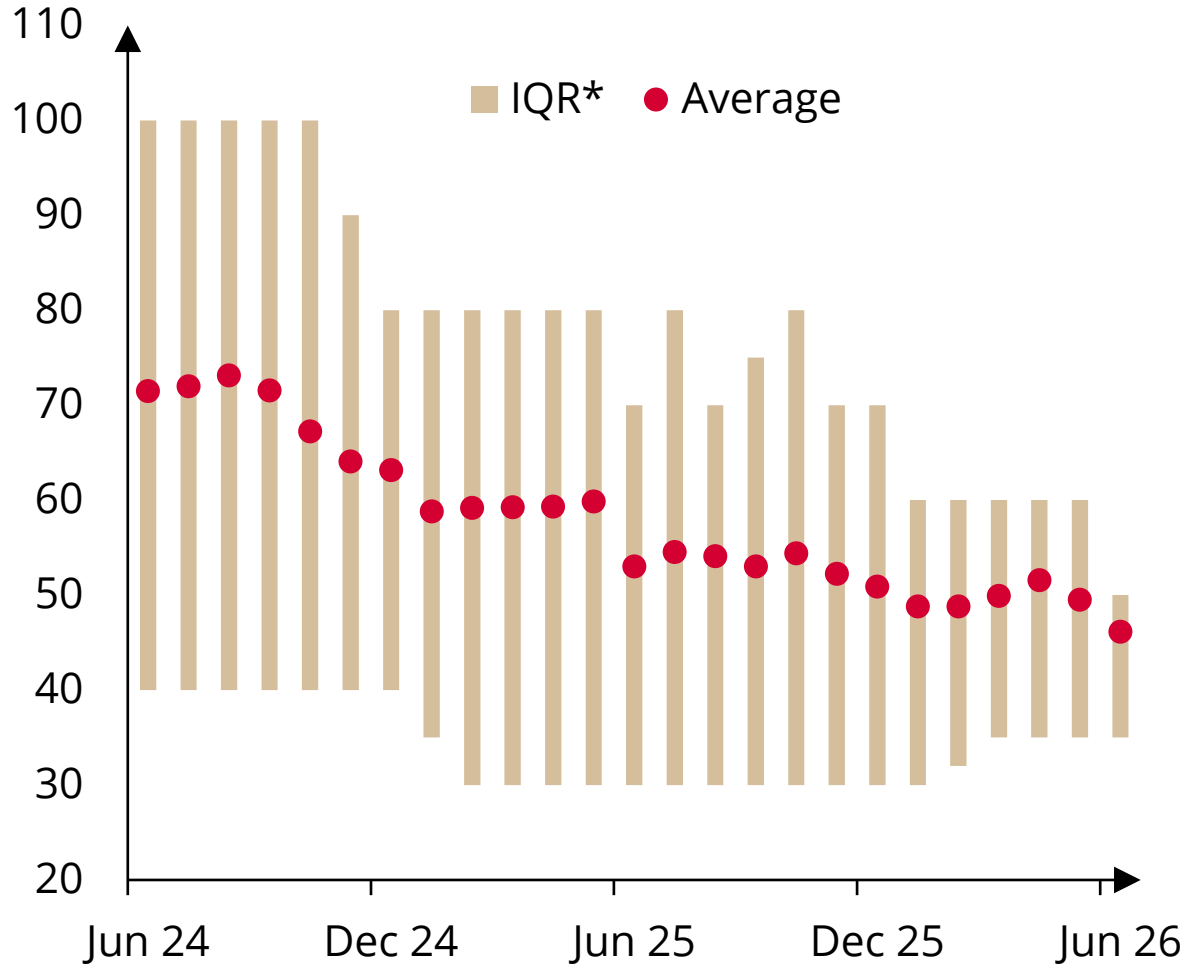
The deterioration in inflation expectation has remained limited.

12 Month Ahead Annual CPI Inflation Expectations (%)

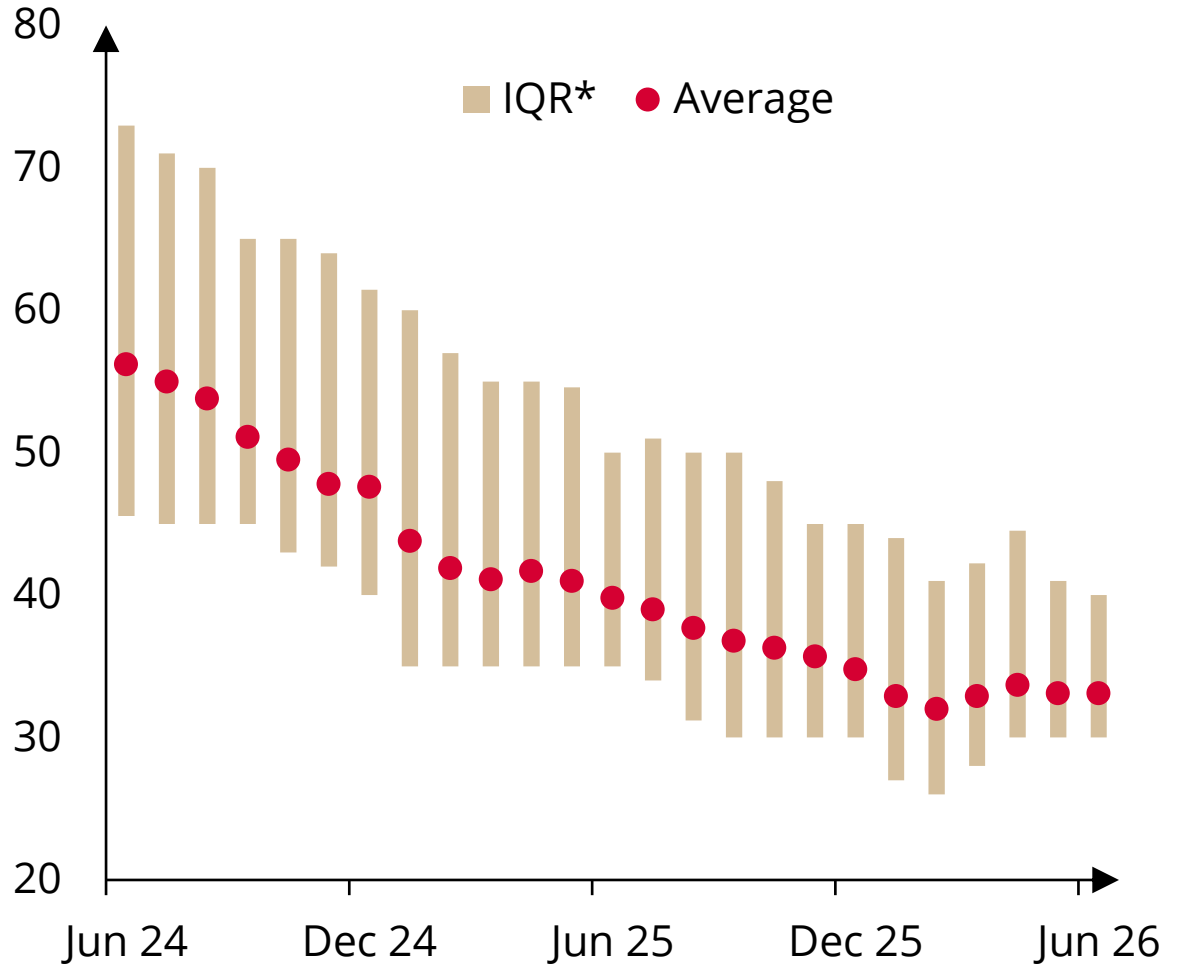


The distribution of expectations has improved recently.

Households Inflation Expectations** (12 Month Ahead, %)

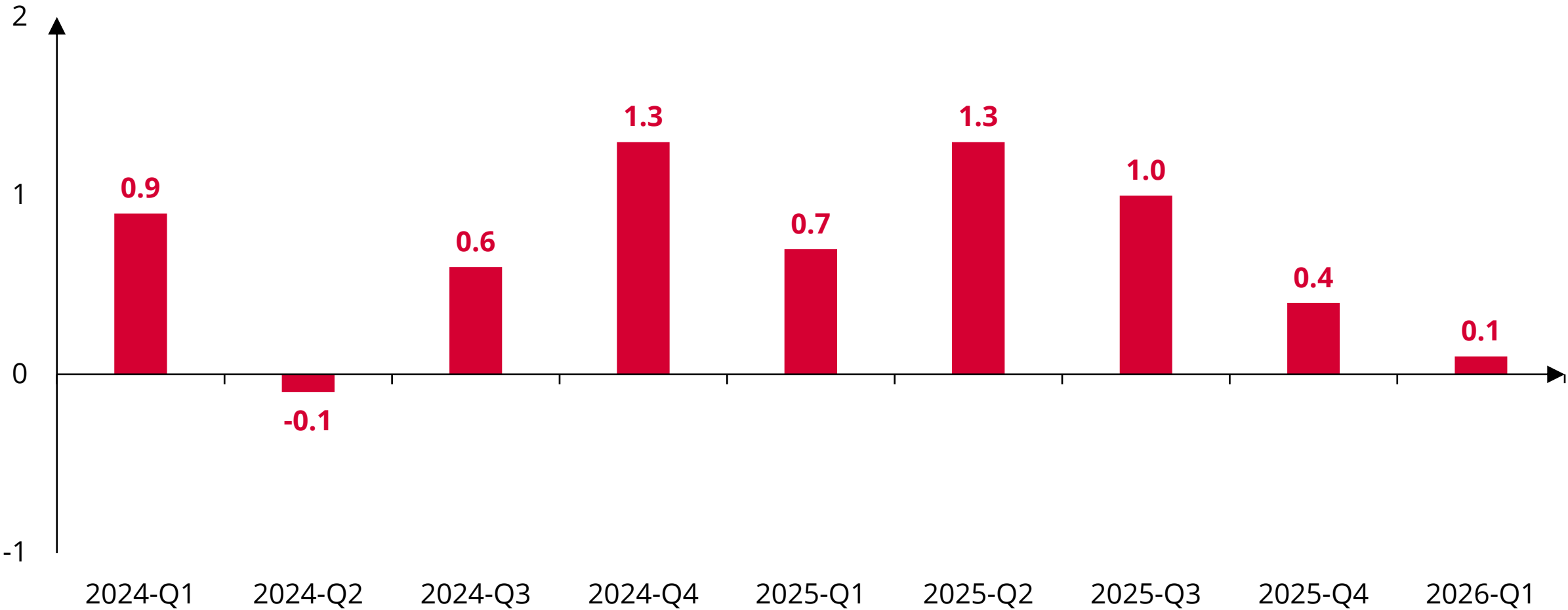


Real Sector Inflation Expectations (12 Month Ahead, %)



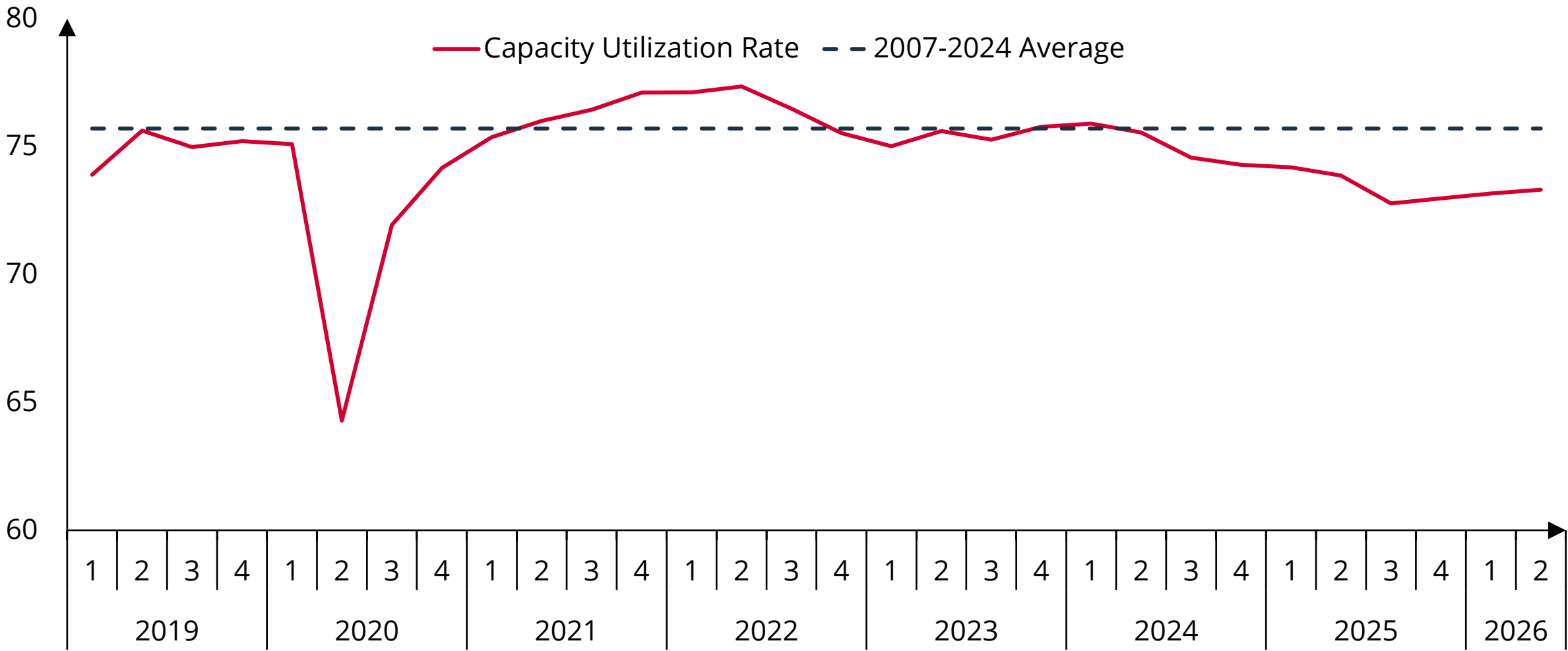
Economic activity is slowing down.

GDP (Seasonally and Calendar Adjusted, Quarterly % Change)



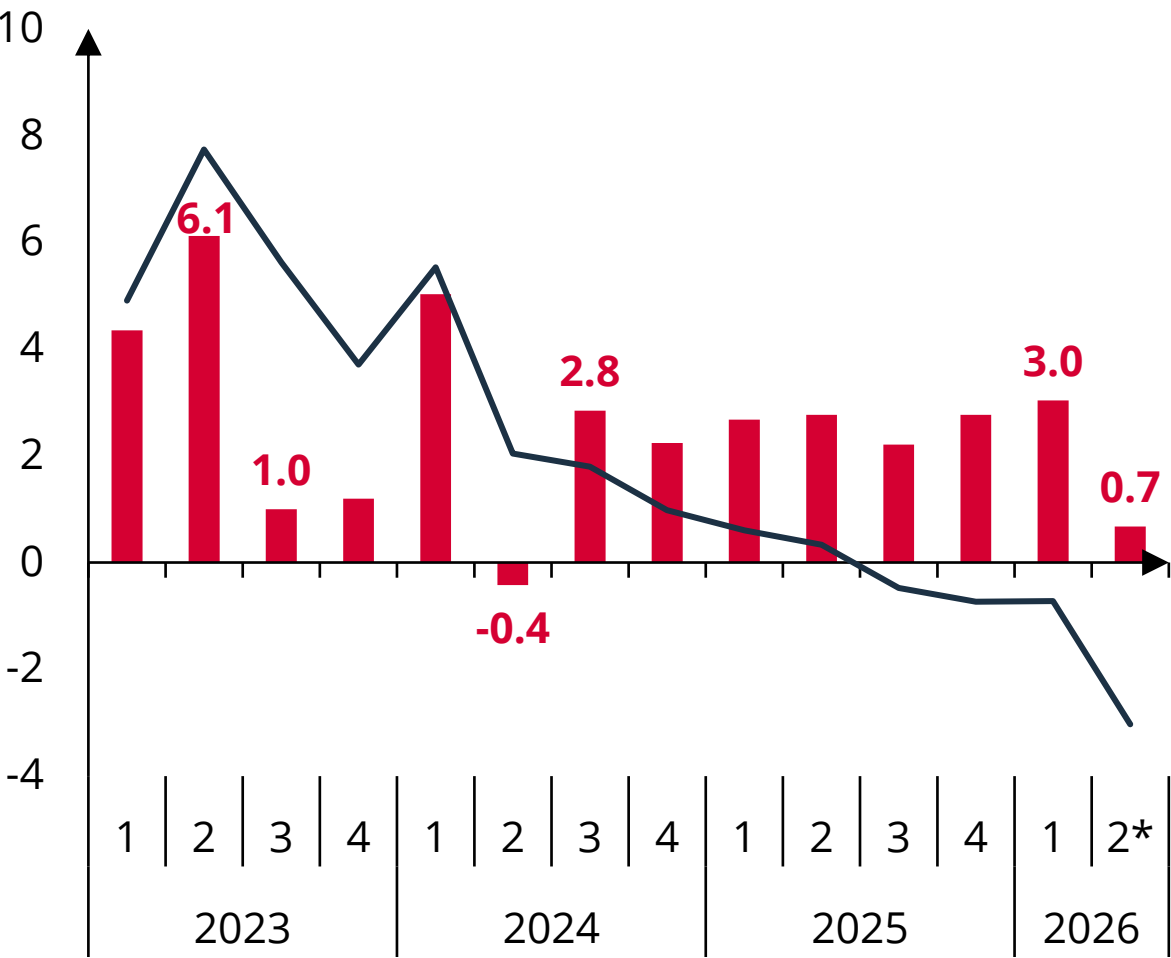
Capacity utilization remains below historical averages.

Capacity Utilization Rate* (Seasonally Adjusted, %)

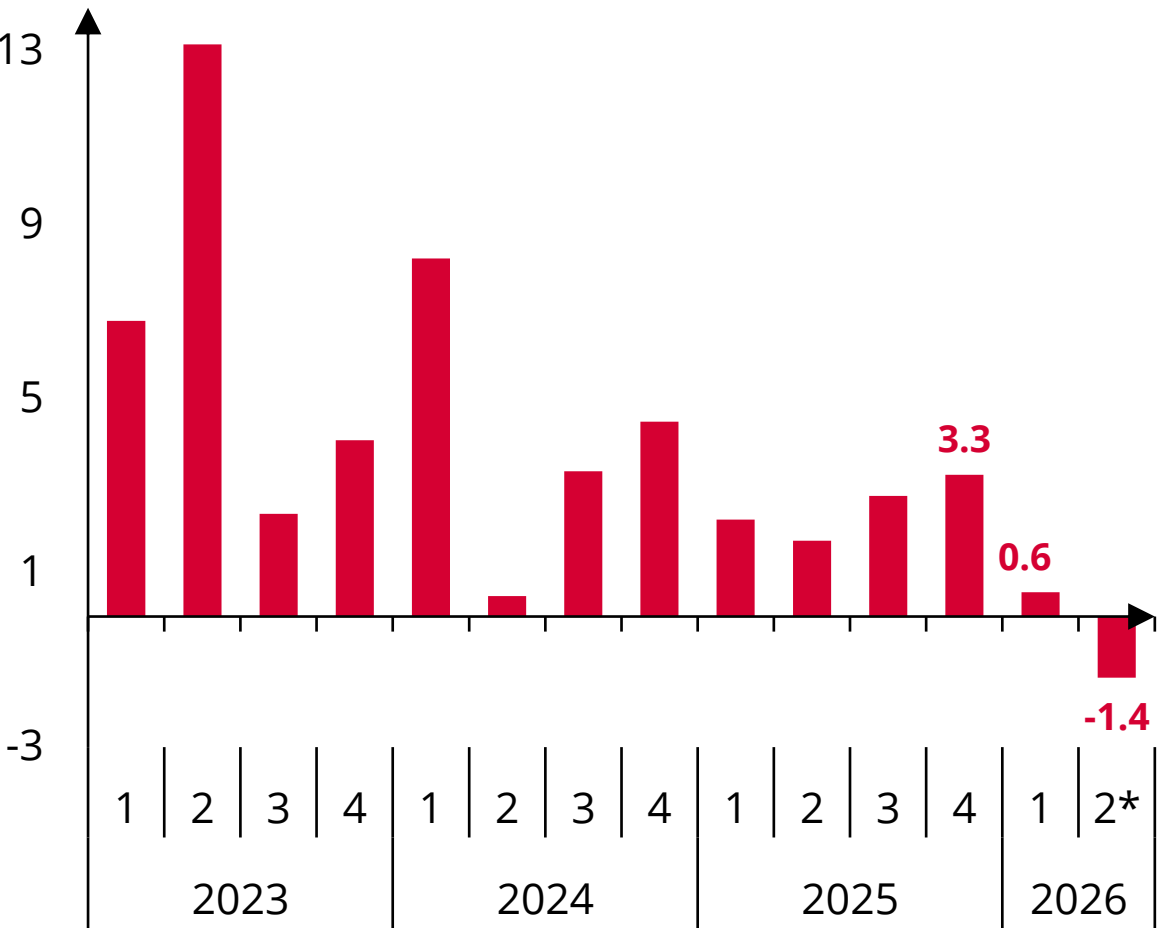


Demand indicators point to a slowdown in economic activity.

Retail Sales Volume Index** (Excl. Gold, SA,
Quarterly % Change, Deviation from HP Trend, %)



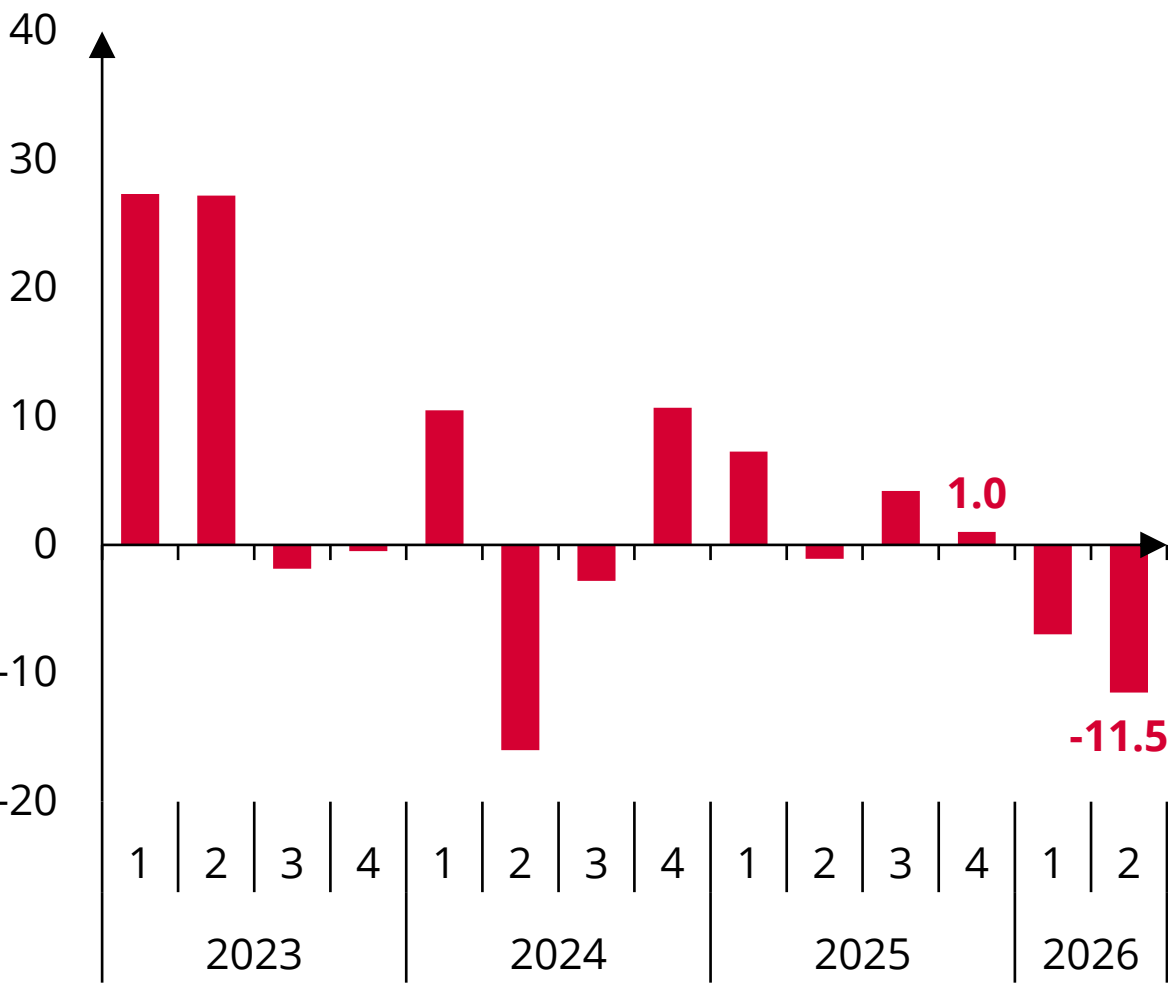
Total Card Spending*** (Real, QoQ % Change)



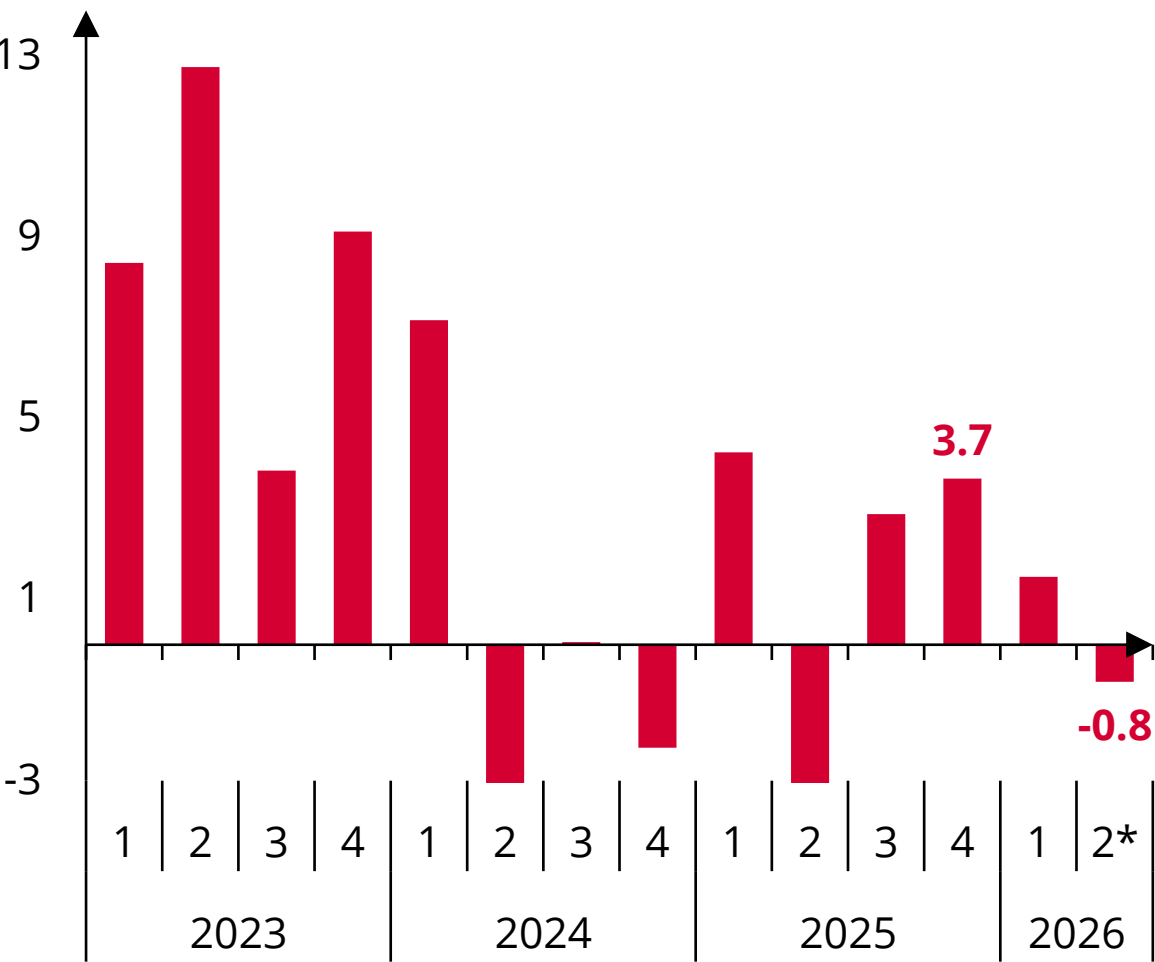
*Retail sales data are as of April 2026 and total card spending data are as of June 28, 2026.
**The dark line indicates deviation from the trend. SA: Seasonally and calendar adjusted.
***Excluding public and individual pension payments.

Demand indicators point to a slowdown in economic activity.

Automobile Sales (Quarterly % Change)



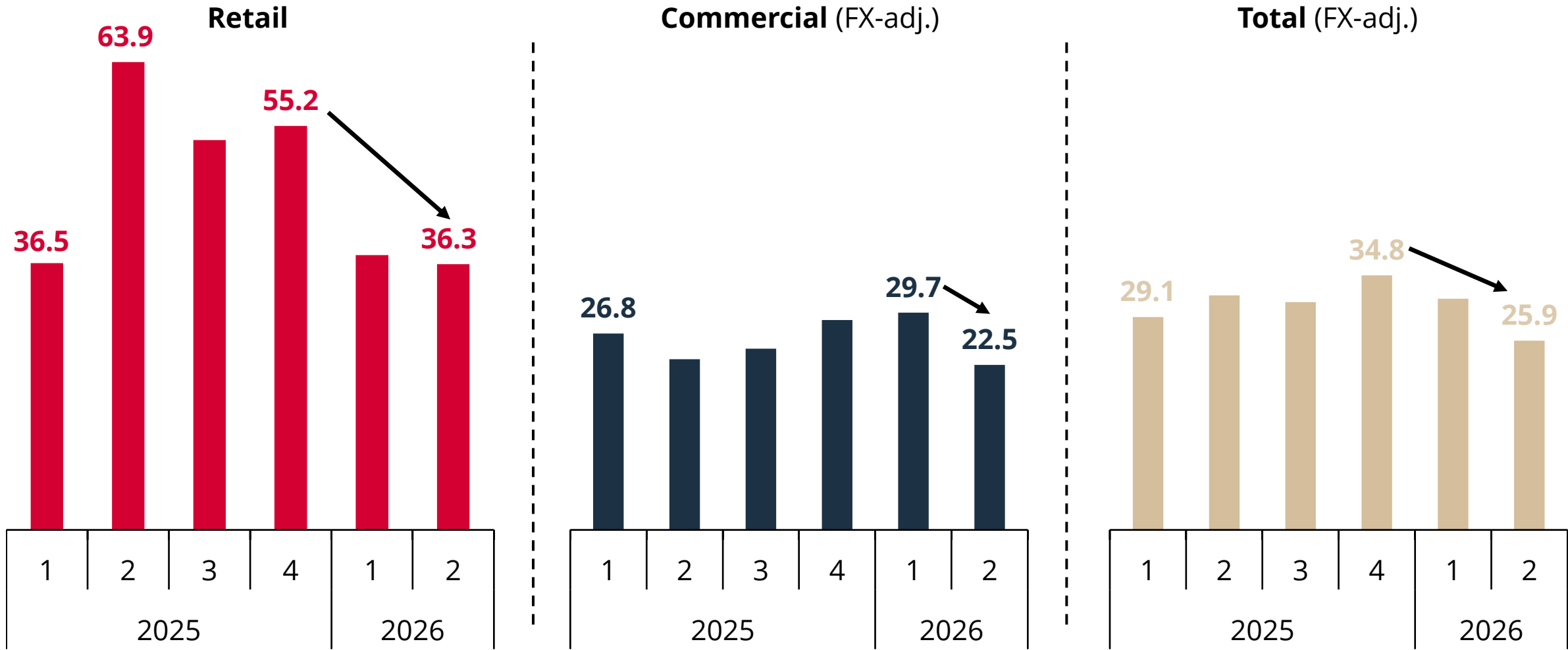
Card Spending on Durable Goods (Real, QoQ % Change)



*Card spending data are as of June 28, 2026.

Credit growth has moderated.

Credit Growth (13 Week, Annualized, %, FX-Adjusted)



3

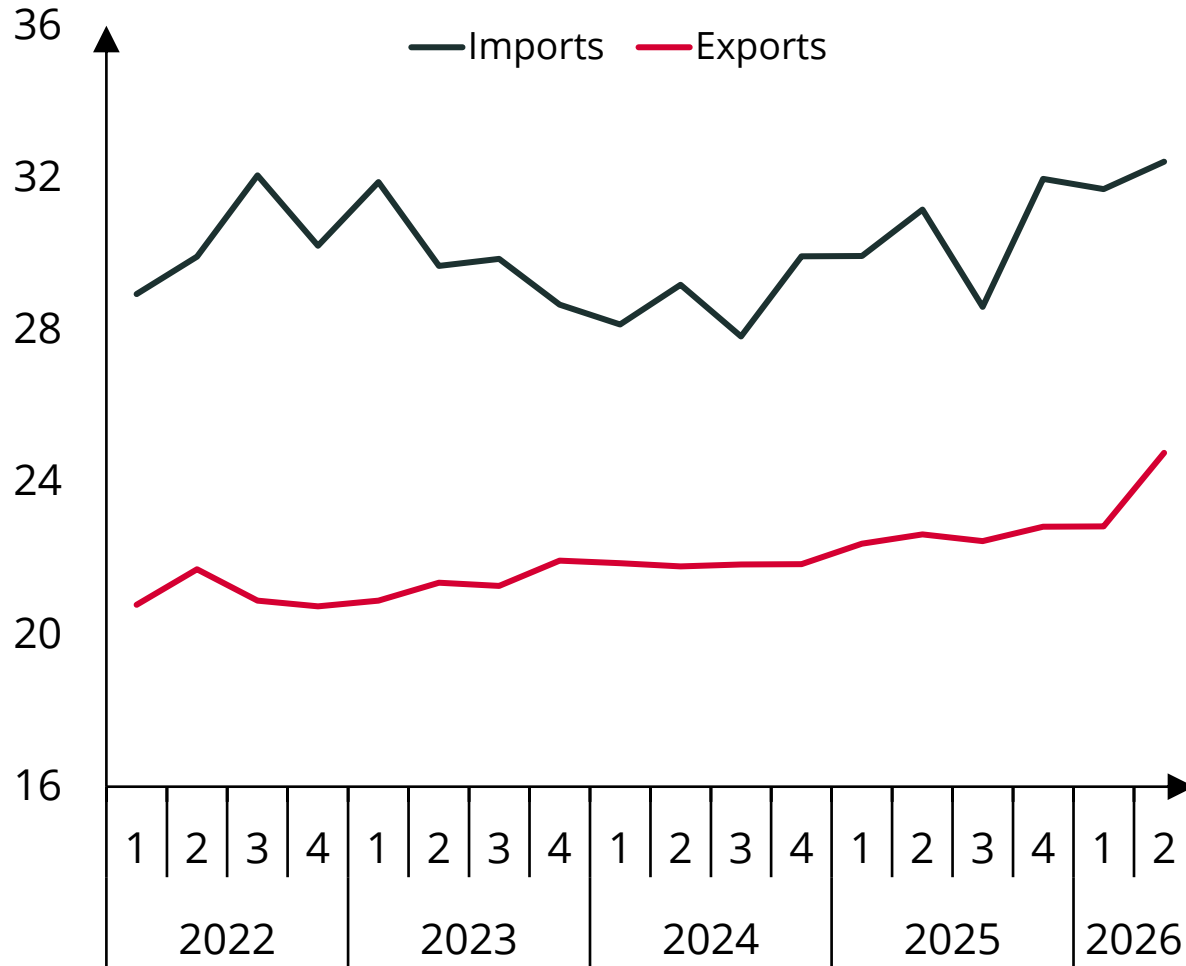
How is geopolitics reshaping the current account?

- Rising energy imports
- Resilient exports
- Contained core imports

The trade deficit has narrowed in the second quarter.

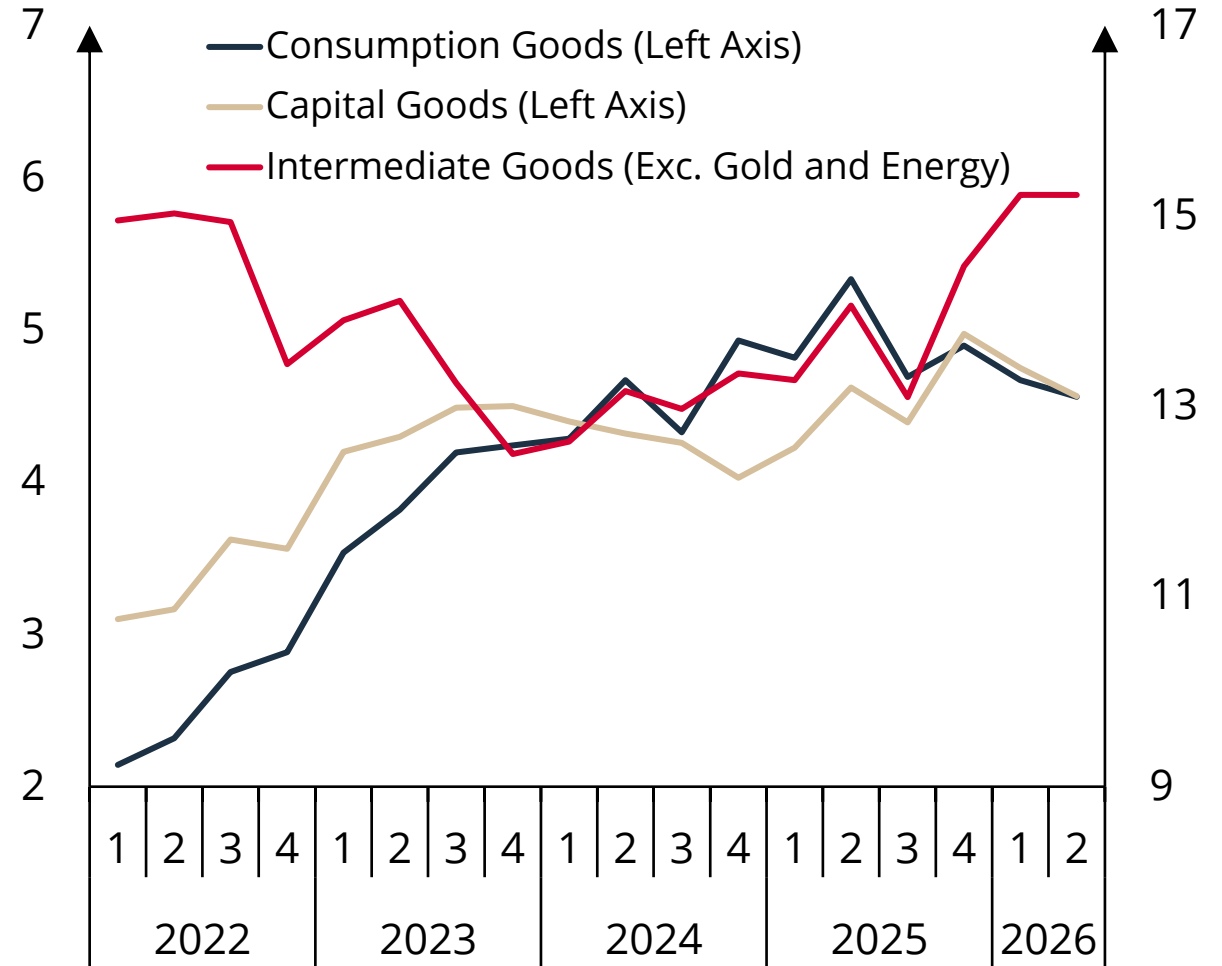
Exports and Imports*

(Average, Billion USD, Seasonally Adjusted)



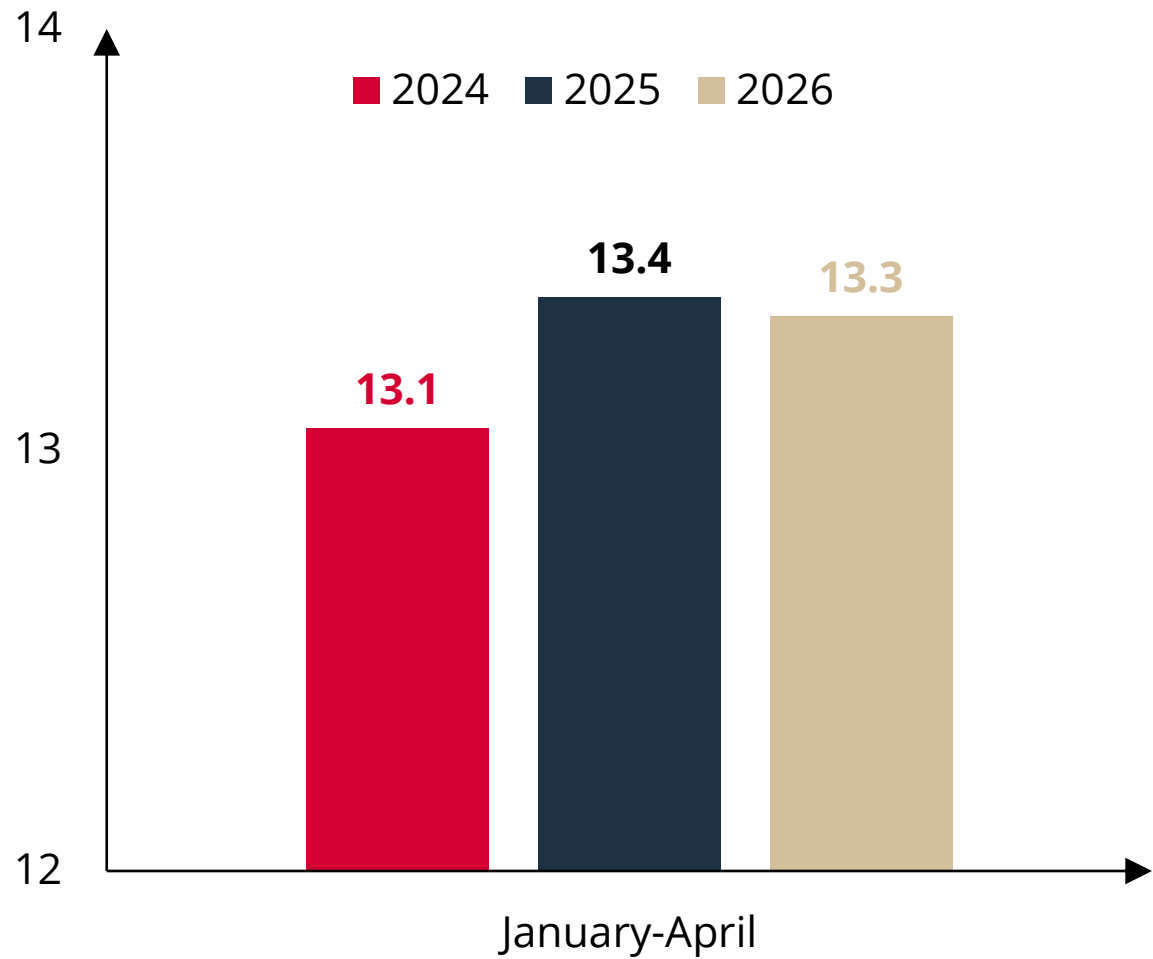
Imports by Goods Groups*

(Average, Billion USD, Seasonally Adjusted)

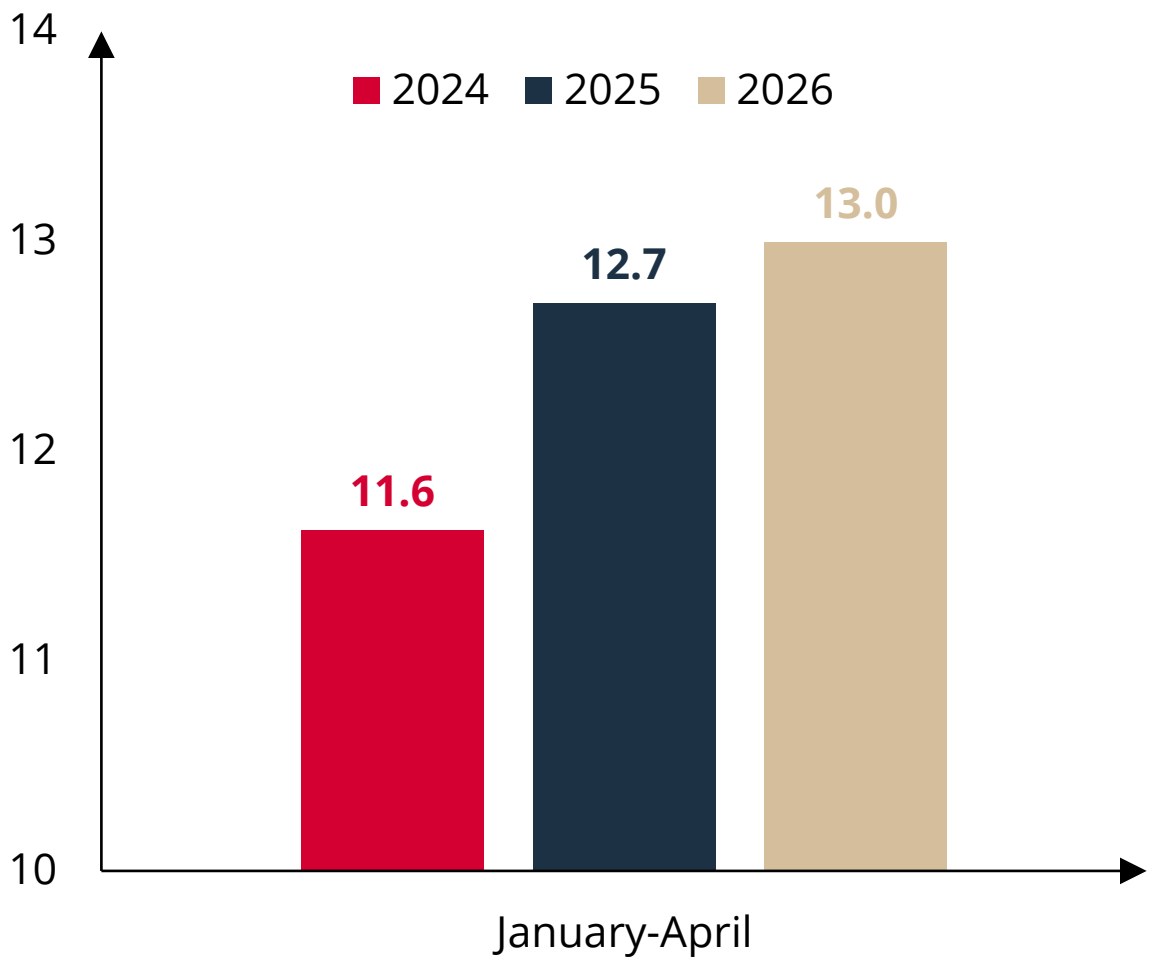


The impact on tourism has remained limited.

Monthly Visitor Arrivals
(January-April, Total, Million persons)

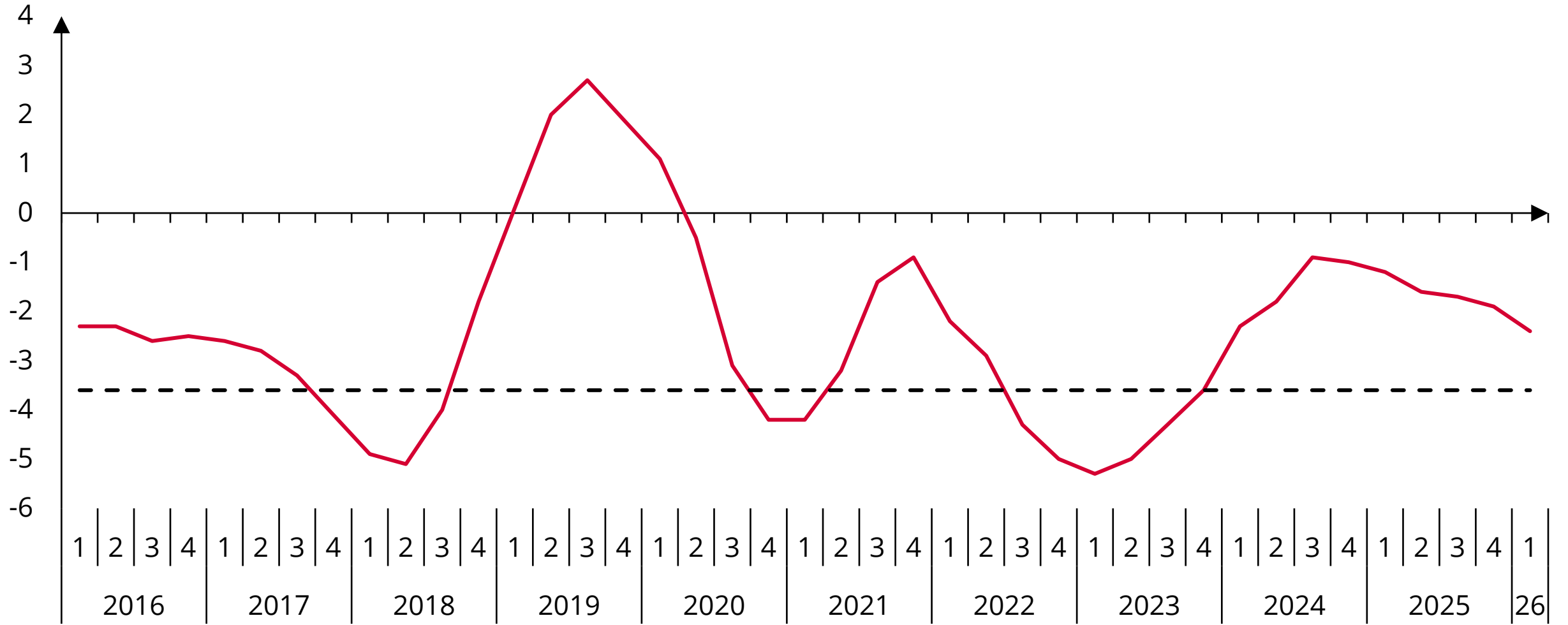


Monthly Travel Revenues
(January-April, Total, USD Billion)



Current account deficit is moderate compared to its historical average.

Current Account Balance/GDP* (%)



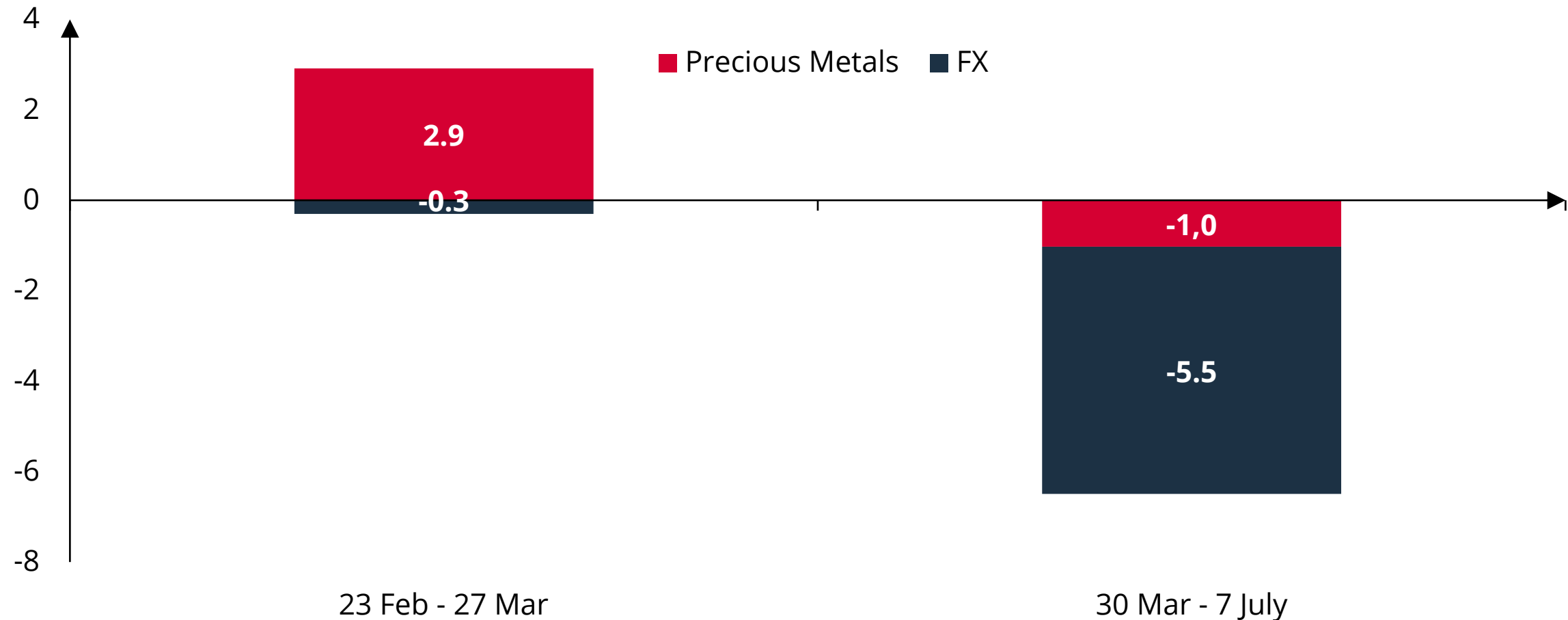
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Is re-dollarization a potential risk?

- Robust demand for TL
- Tight policy stance
- Enhanced macroprudential safeguards

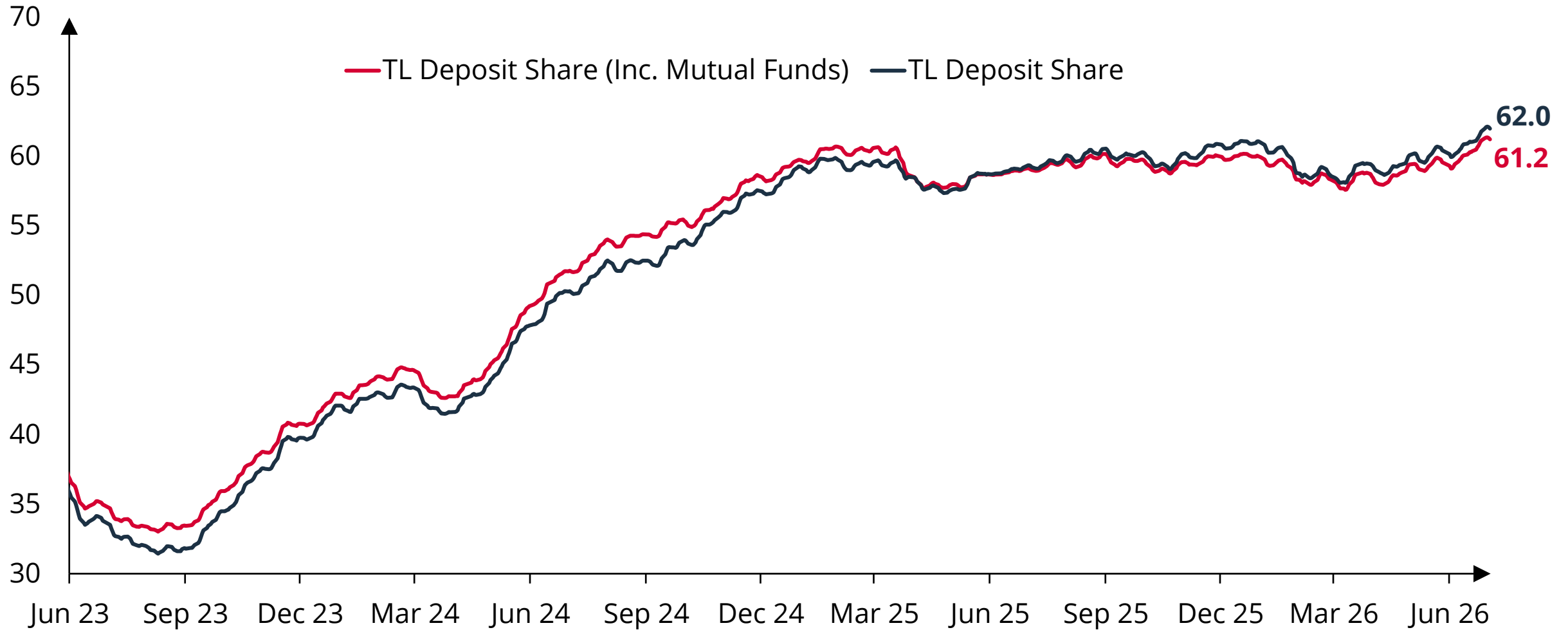
Households' FX demand has been limited.

Households' Net FX and Precious Metals Purchases (Totals, Billion USD)



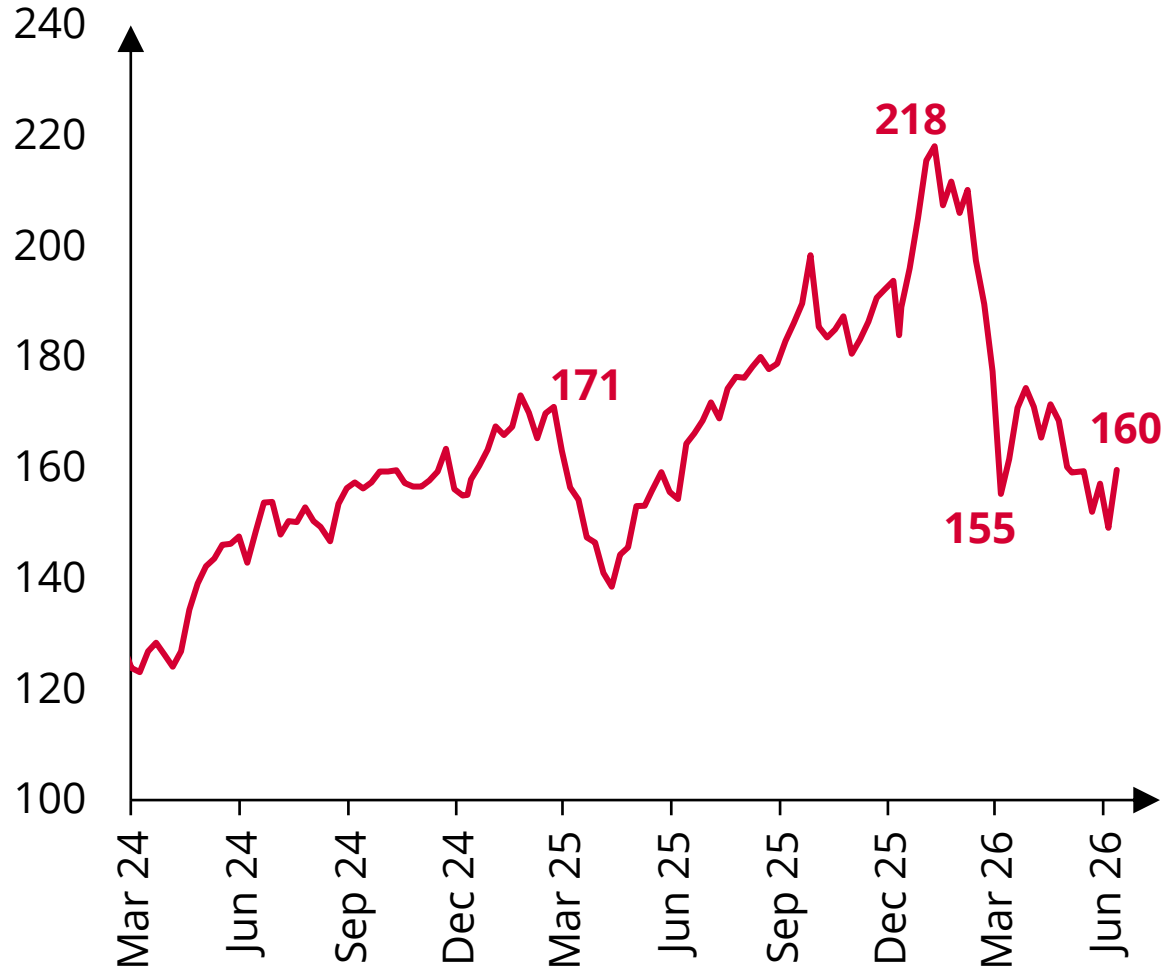
Residents' demand for Turkish lira remains robust.

TL Share in Deposits and Mutual Funds* (Including Official Deposits, 5 Day Moving Average, %)

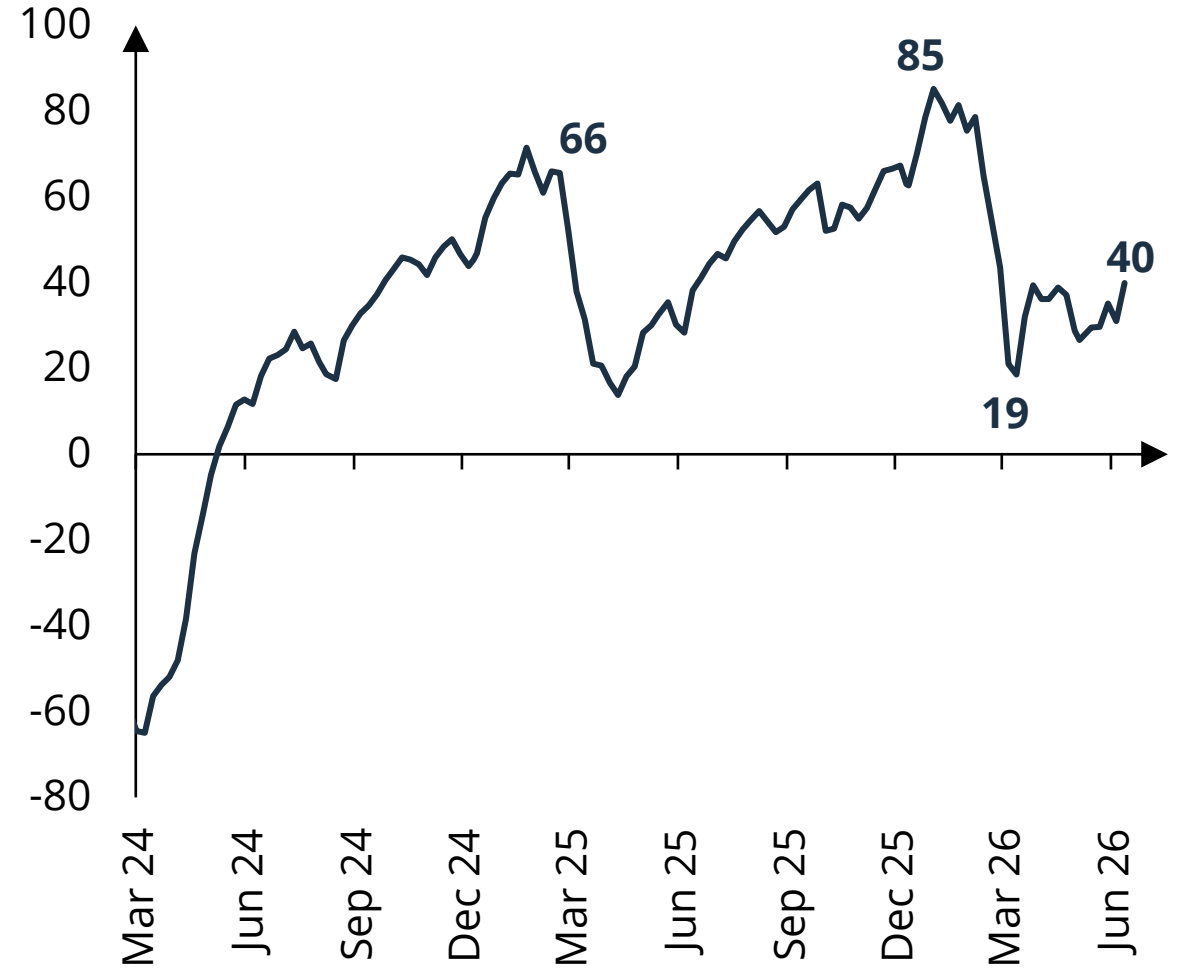


FX reserves are strong.

Gross International Reserves (Billion USD)



Net Reserves Excluding Swaps (Billion USD)



Conclusion

- The conflict led to a delay in disinflation.
- Slowdown in economic activity continues amid tighter financial conditions.
- The tight monetary policy stance, which will be maintained until price stability is achieved, will strengthen the disinflation process through demand, exchange rate, and expectation channels.
- The Committee will determine the policy rate by taking into account realized and expected inflation and its underlying trend in a way to ensure the tightness required by the projected disinflation path in line with the interim targets.
- Monetary policy decisions are made prudently on a meeting-by-meeting basis with a focus on the inflation outlook.
- Monetary policy stance will be tightened in case of a significant deviation in inflation outlook from the interim targets.



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