



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

BRIEFING ON 2026-II INFLATION REPORT

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Governor

MAY 14, 2026

ISTANBUL



Outline

- **Global Economy**
- **Macroeconomic Outlook**
- **Monetary Policy**
- **Medium-Term Projections**
- **Overview**

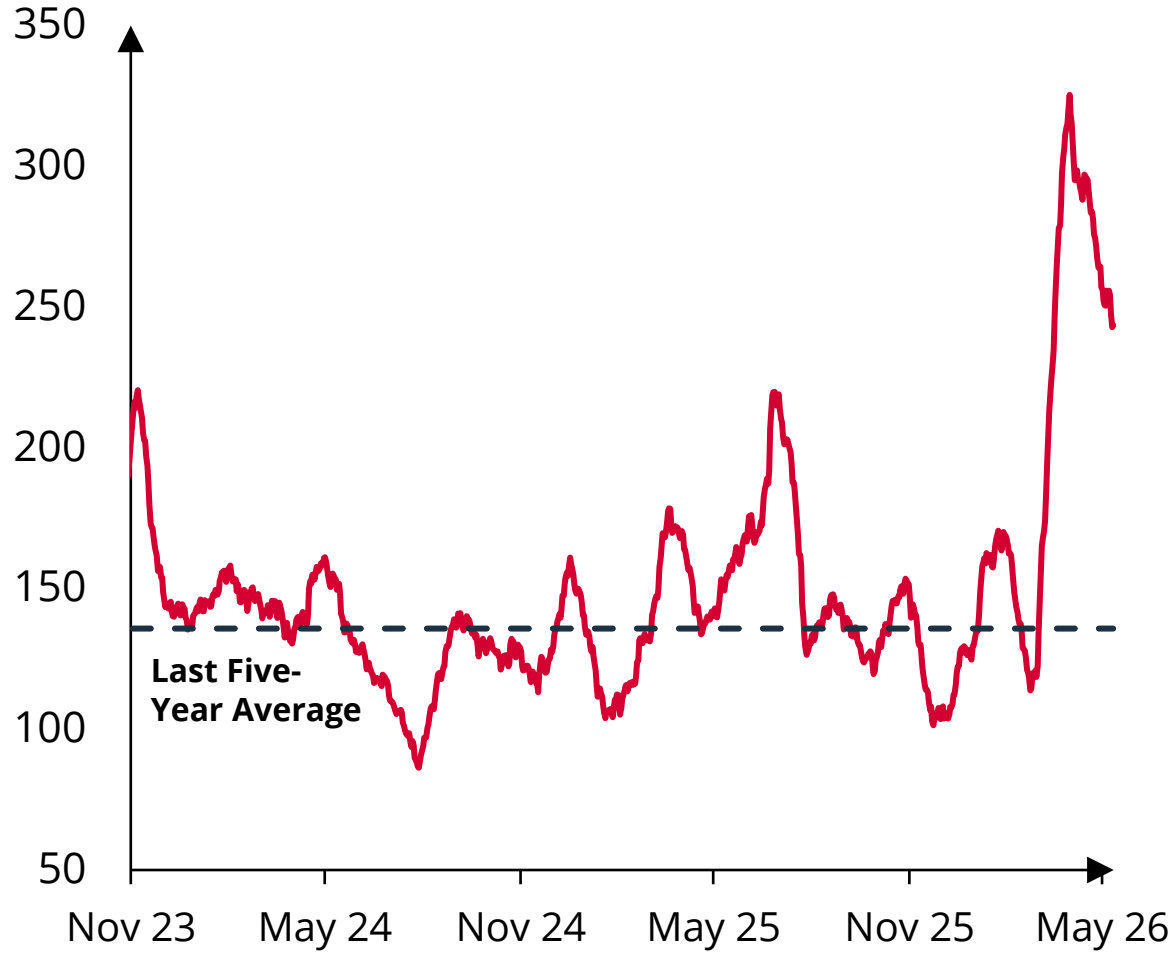
Boxes

- FX Demand During External Shock Periods: An Analysis of 2025 and 2026
- The Effects of Limit Increases on Spending in Consumer Credits
- Findings from Interviews with Firms
- The Impact of Geopolitical Developments on Inflation: The Commodity Channel
- Fluctuations in Oil Prices and Firm Inflation Expectations

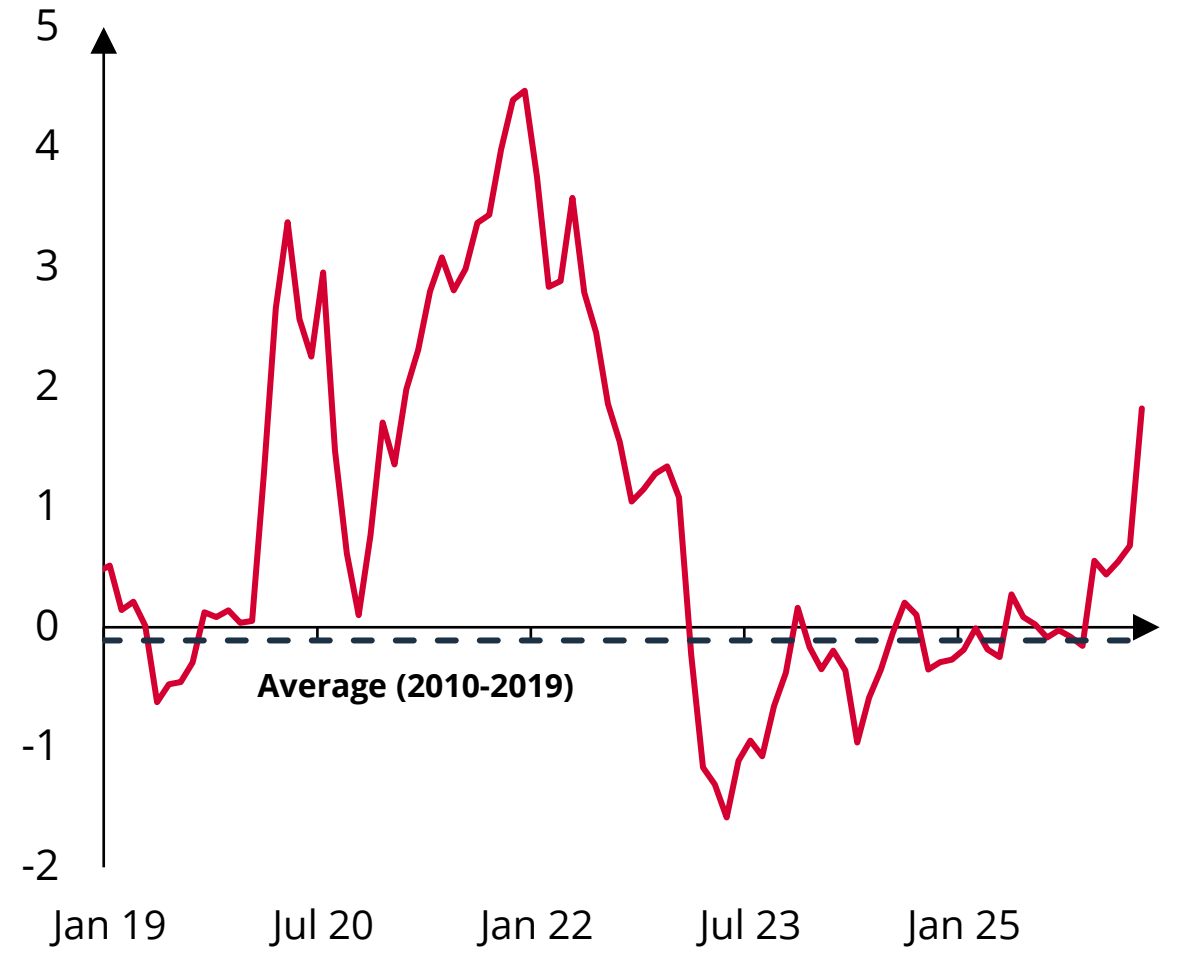
GLOBAL ECONOMY

Elevated geopolitical risks are leading to disruptions in global supply chains.

Geopolitical Risk Index*

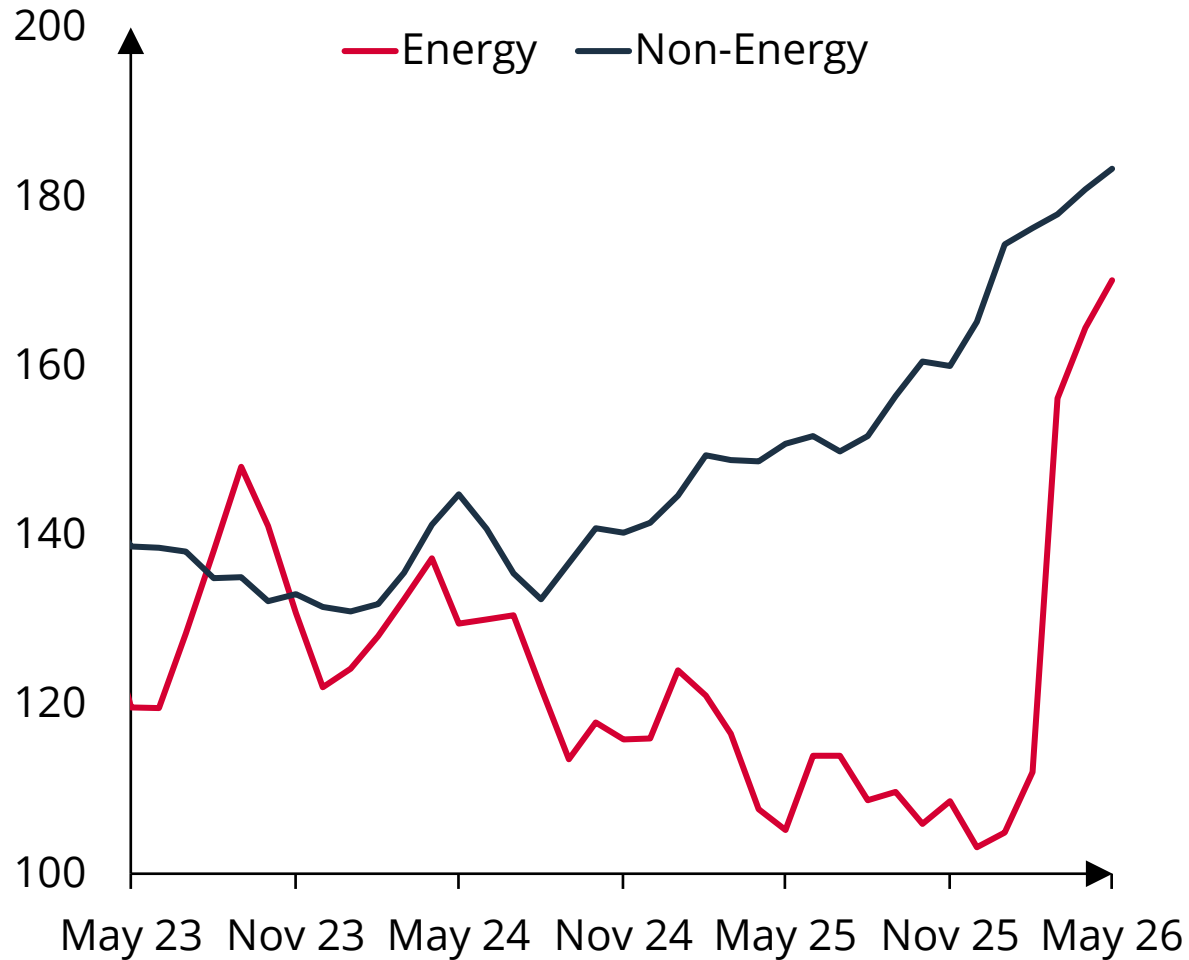


Global Supply Chain Pressure Index

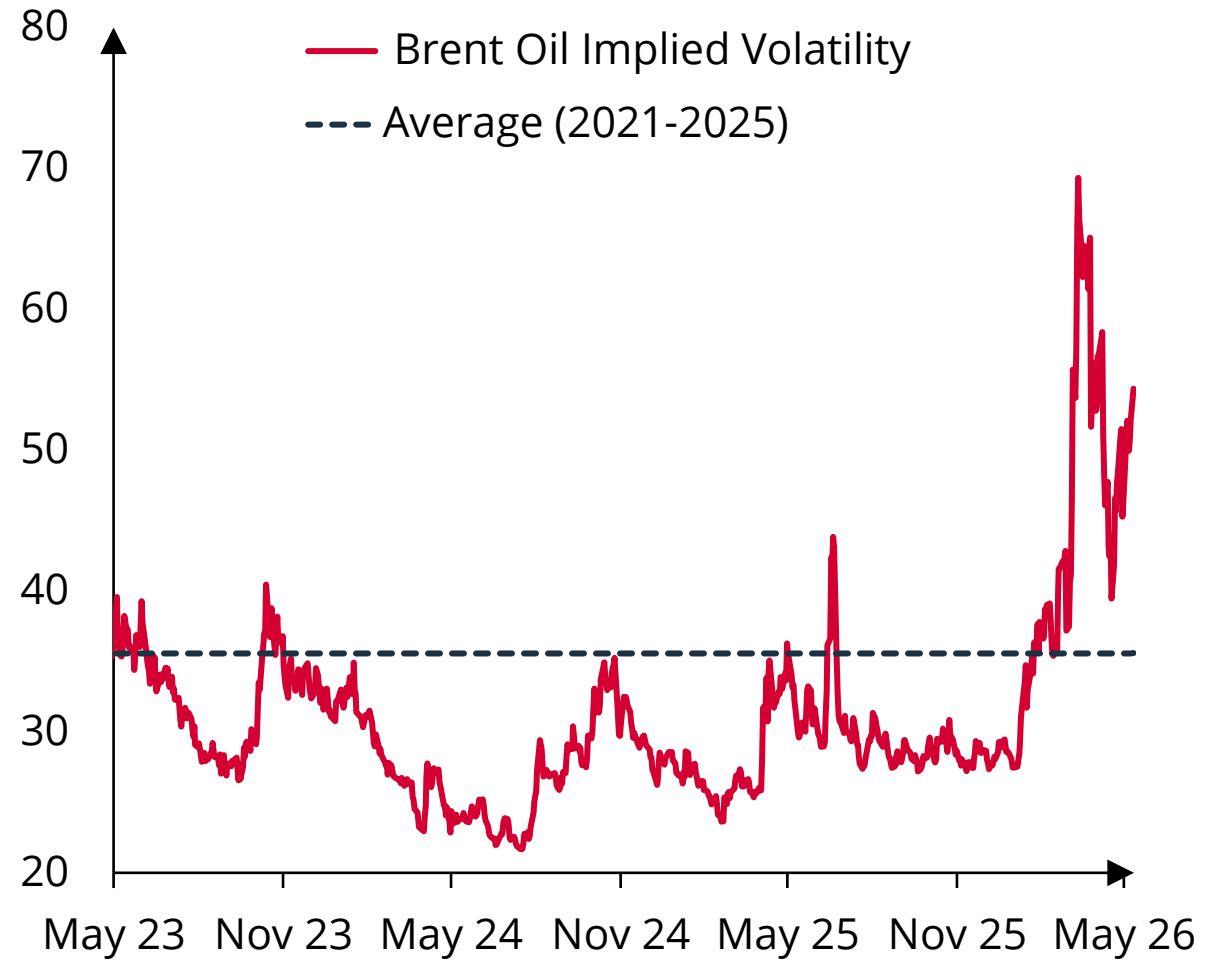


Energy commodity prices have risen and their volatility has increased.

Commodity Price Indices* (Monthly Average)

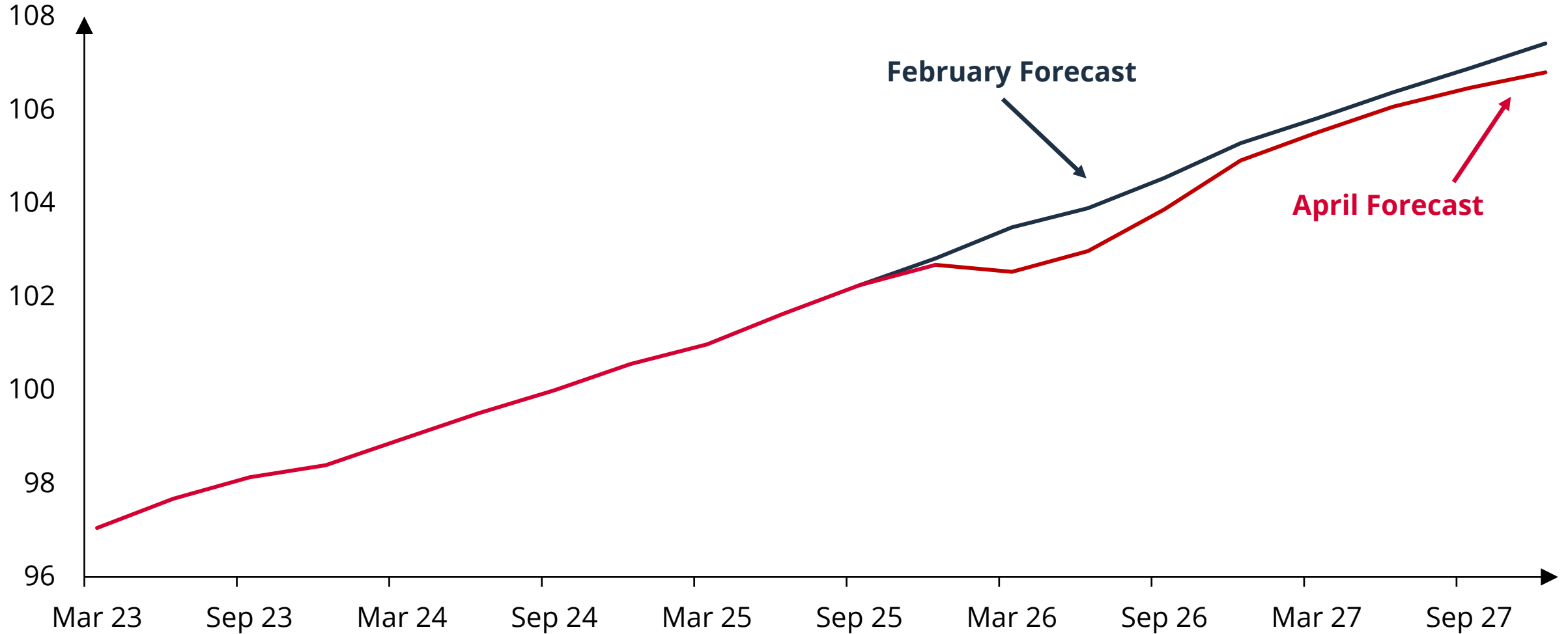


Brent Oil Implied Volatility



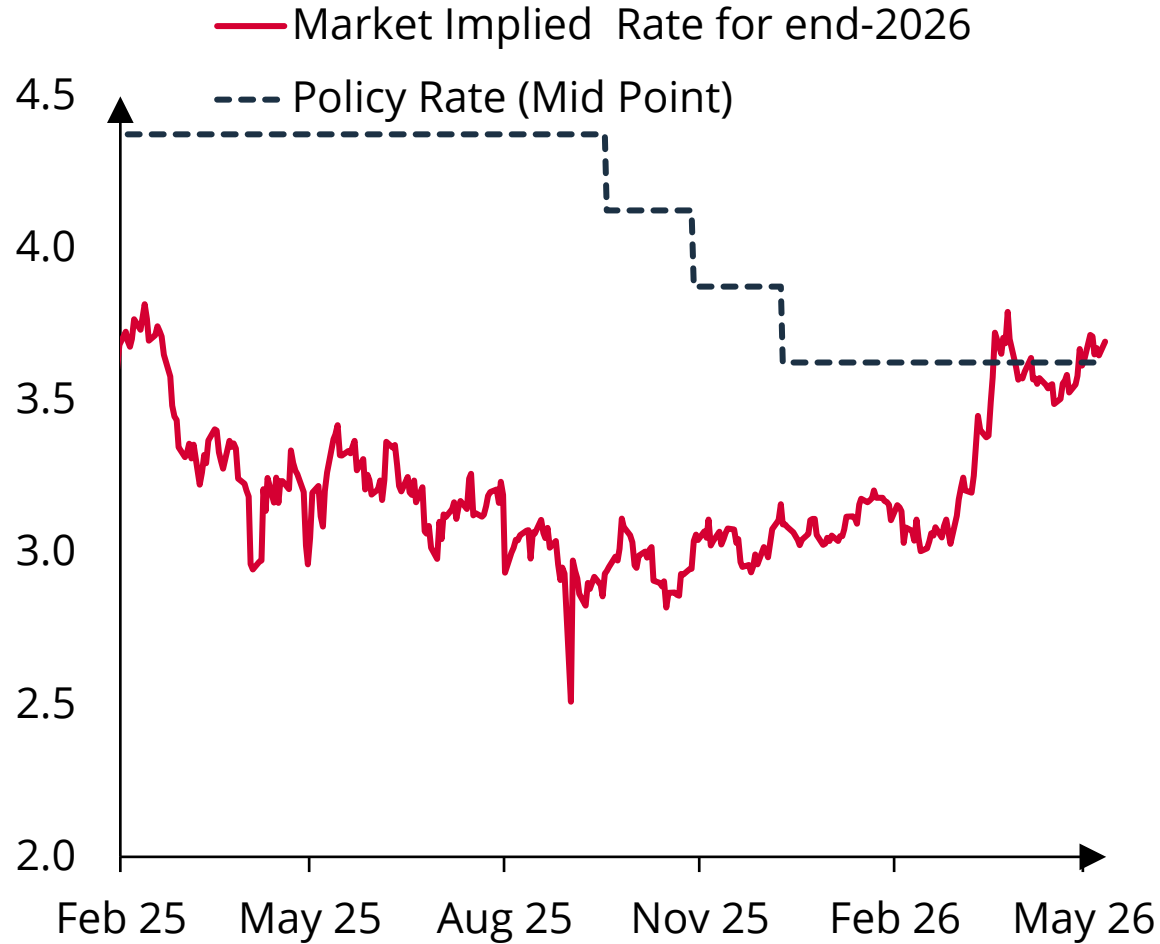
Global growth is expected to decelerate significantly in 2026.

Export-Weighted Global Growth Index (September 2024=100)

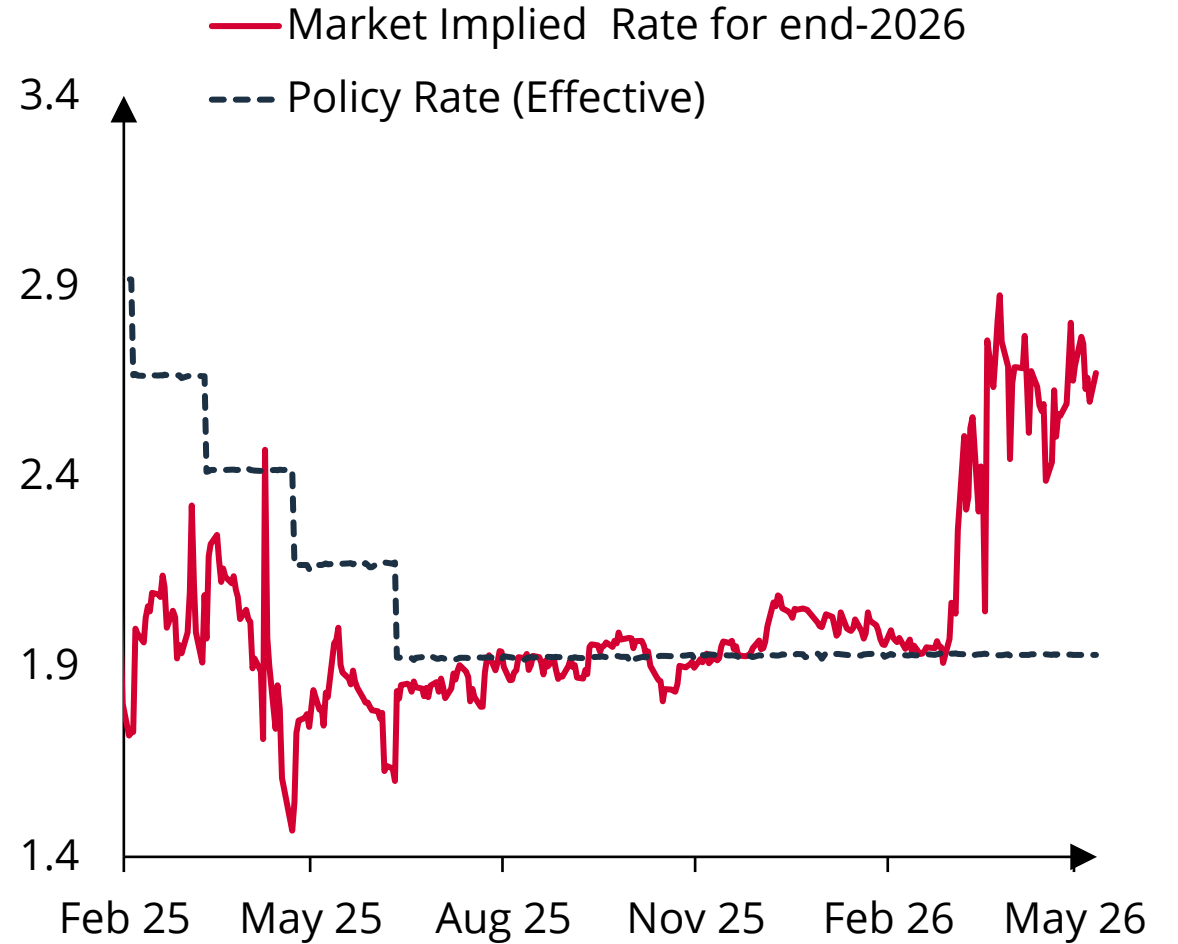


Market implied policy rates have increased recently.

Fed Policy Rate and Market Pricing (%)

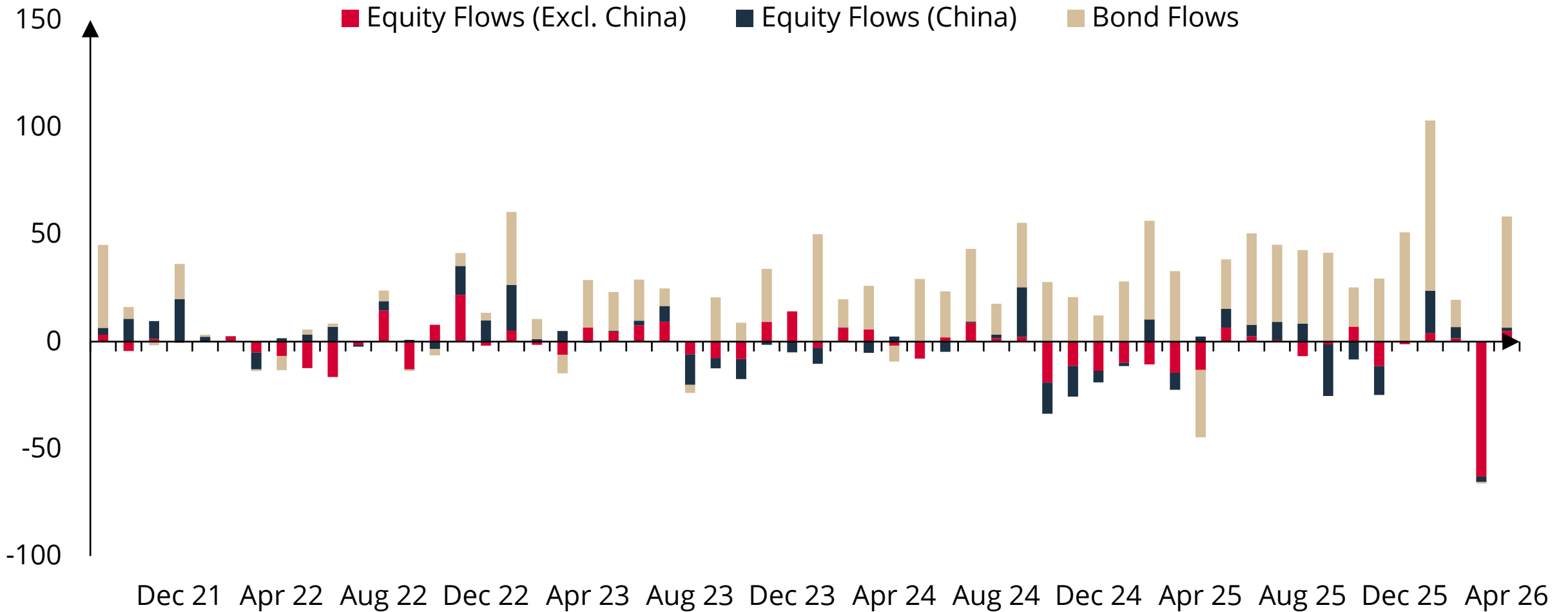


ECB Policy Rate and Market Pricing (%)



Portfolio outflows from EMEs in March has partially reversed in April.

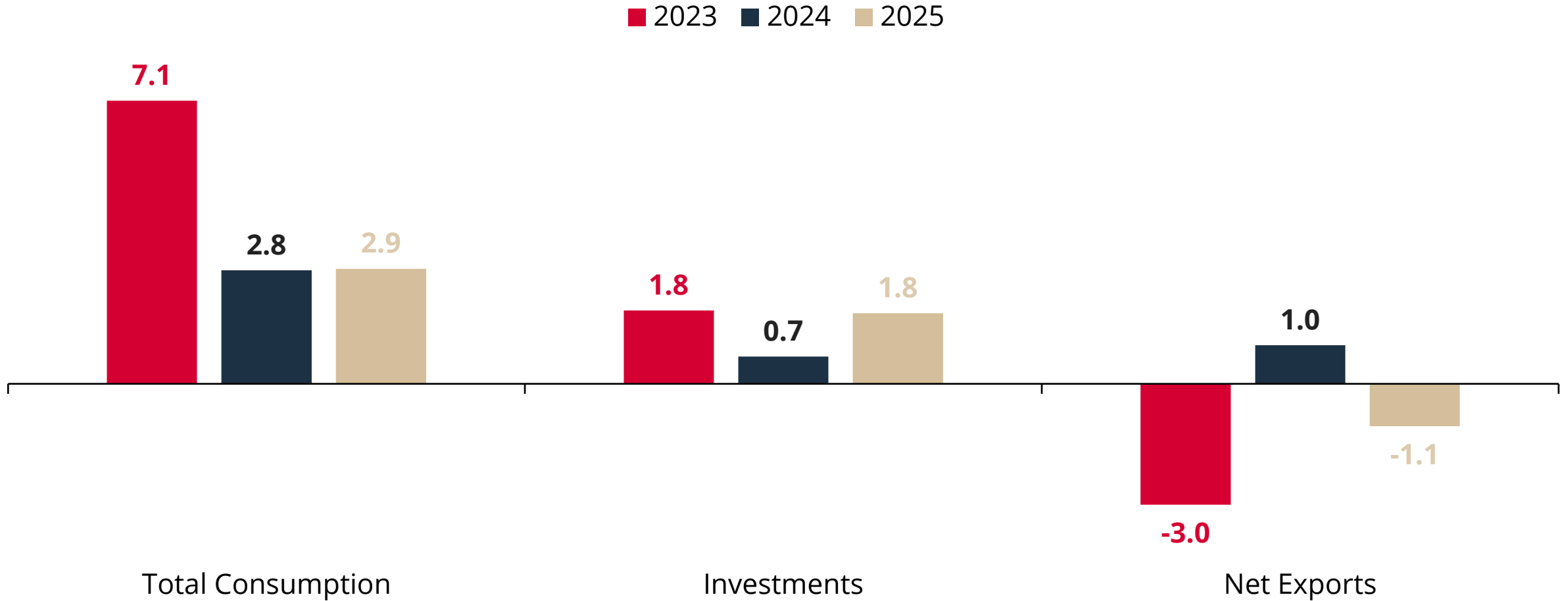
Portfolio Flows to EMEs (Monthly, Billion USD)



ECONOMIC ACTIVITY

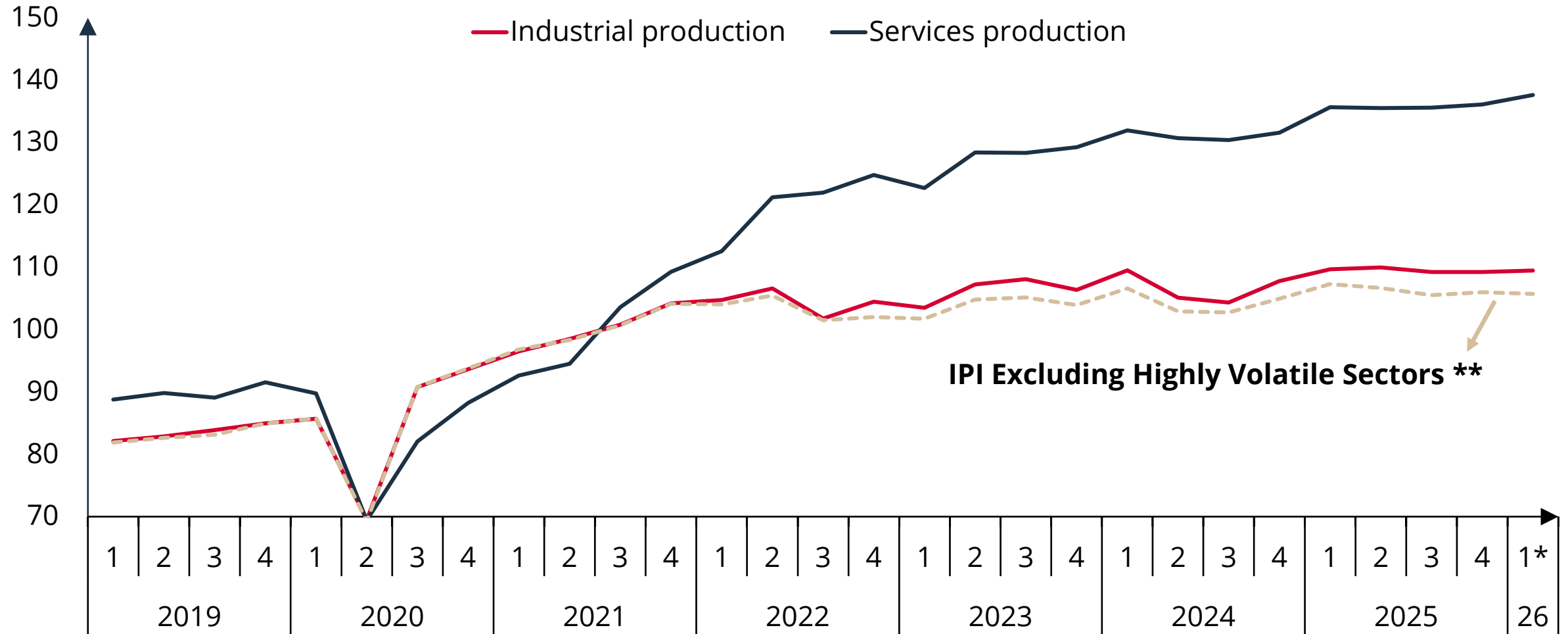
Demand composition has supported the disinflation process.

Contributions to Annual Growth by the Expenditure Method (% Points)



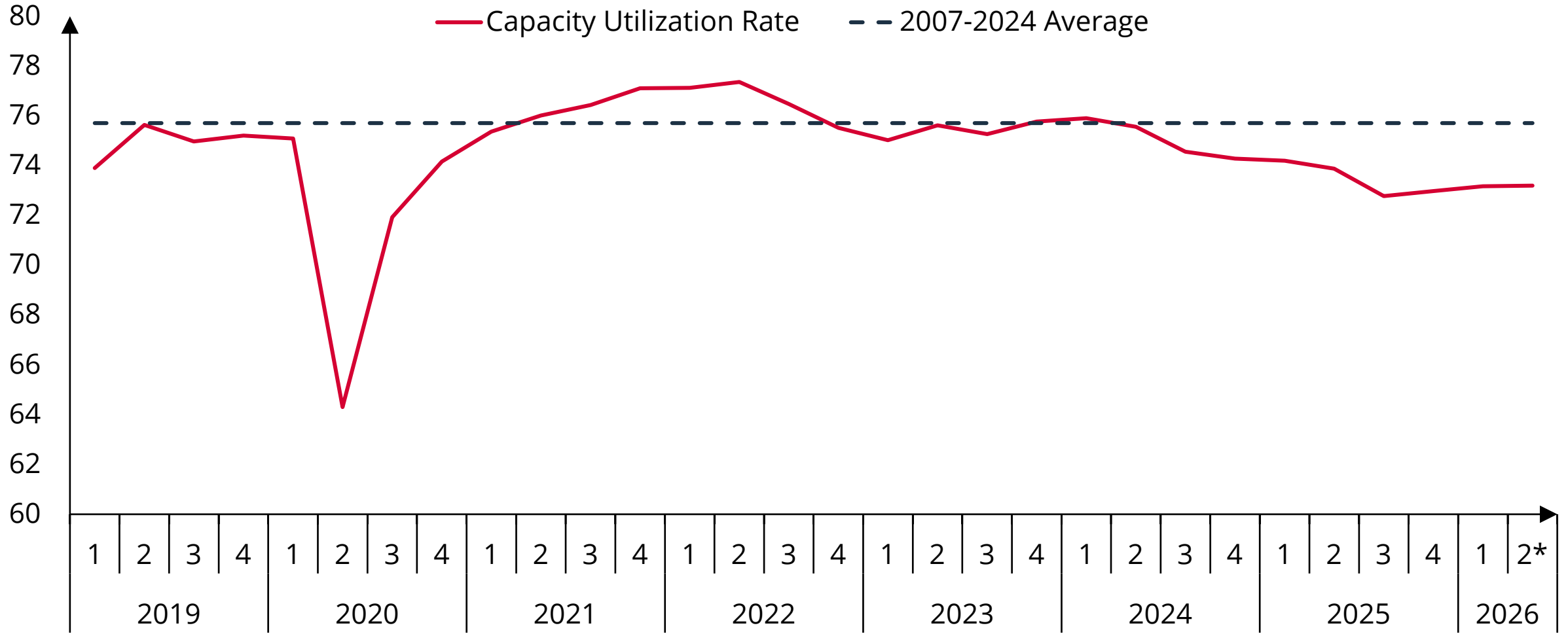
In Q1, industrial production remained nearly flat, while services production rose.

Production Indices (Seasonally and Calendar Adjusted, 2021=100)



Capacity utilization remains weak.

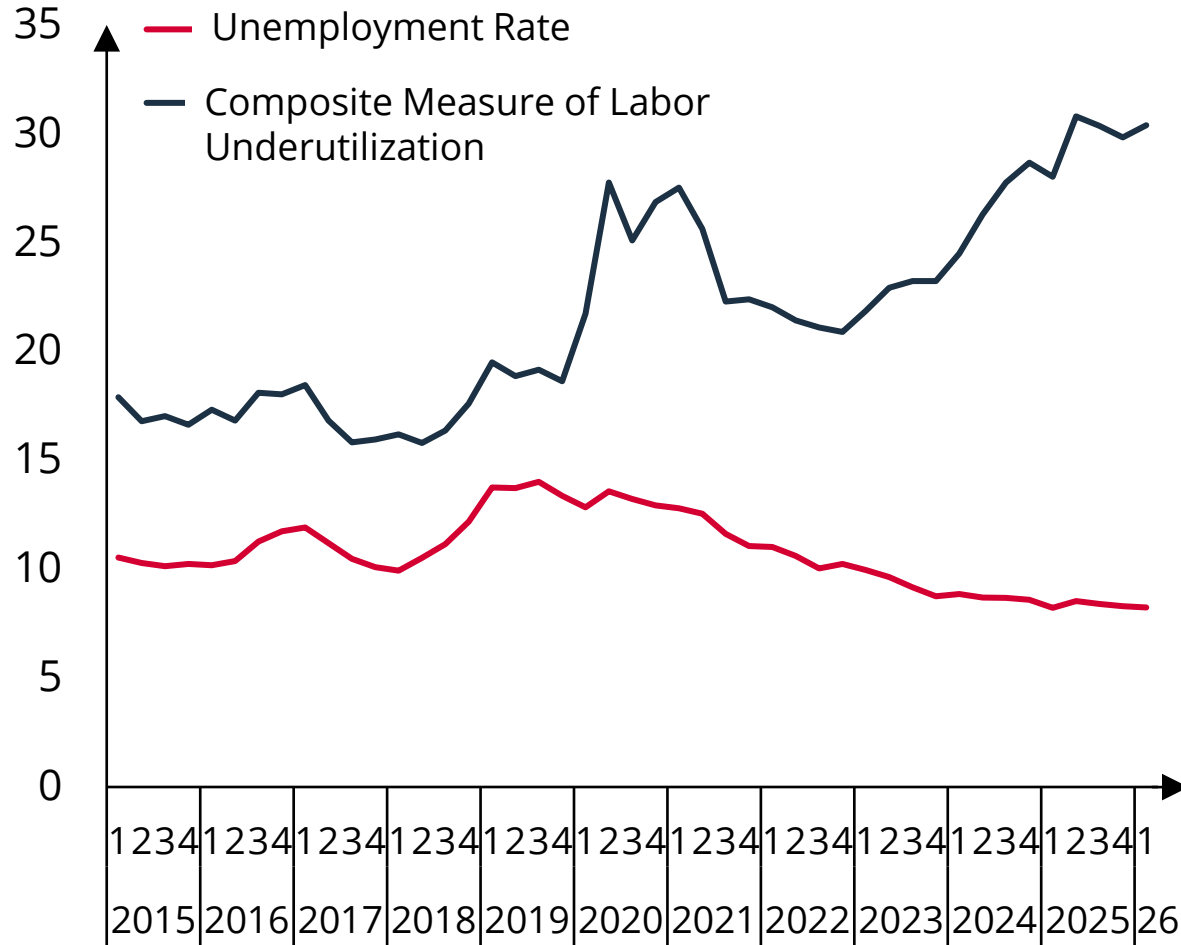
Capacity Utilization Rate** (Seasonally Adjusted, %)



Labor market is less tight than the headline unemployment rate implies.

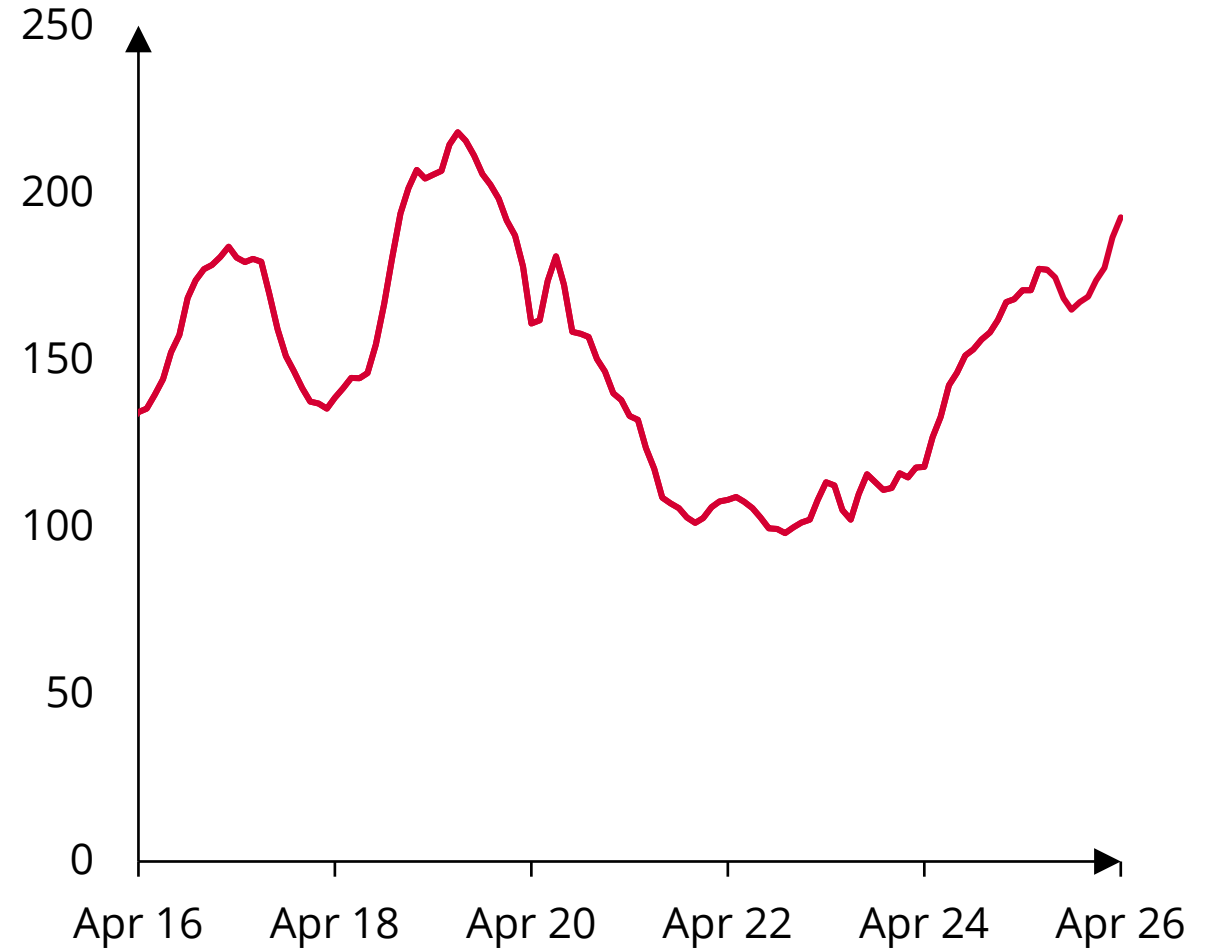
Labor Market Indicators*

(Seasonally Adjusted, %)



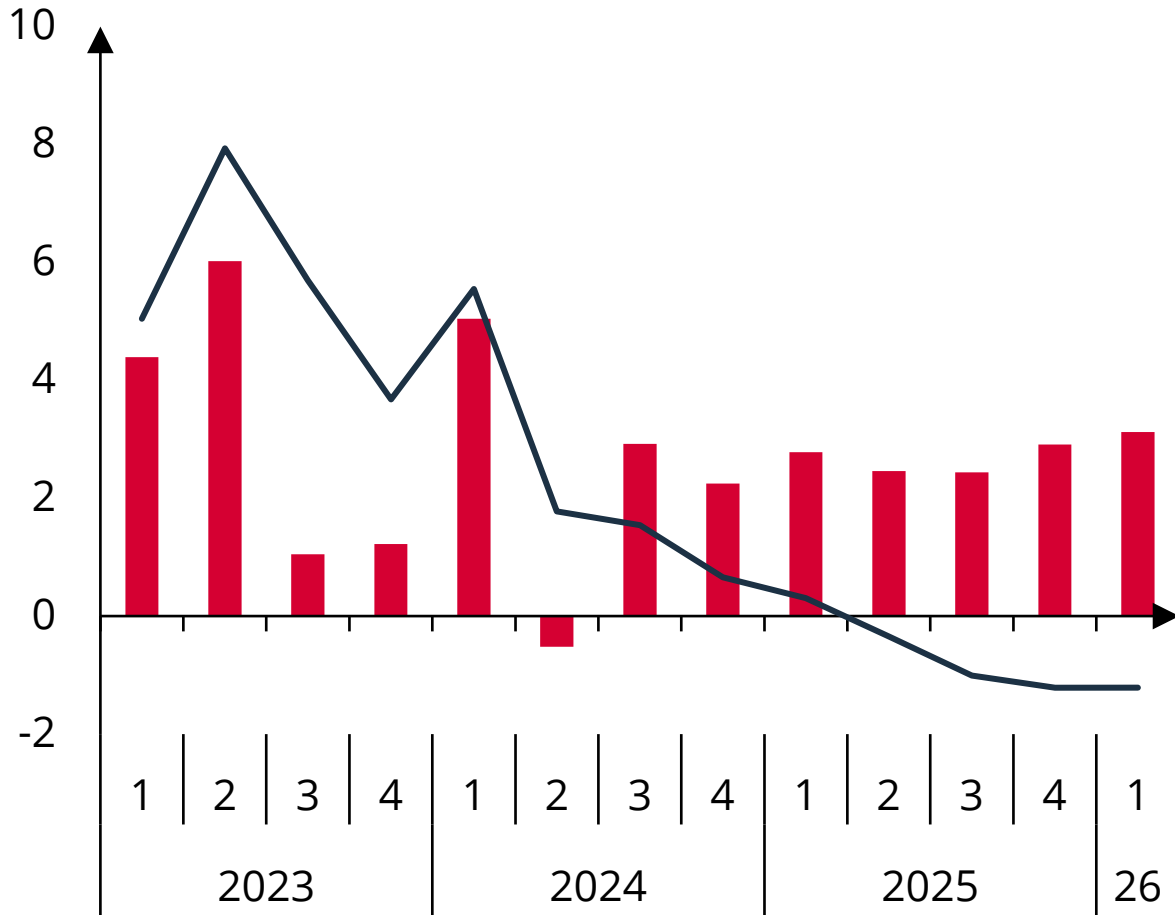
Applications per Job Postings

(Seasonally Adjusted, 3-Month Moving Average)

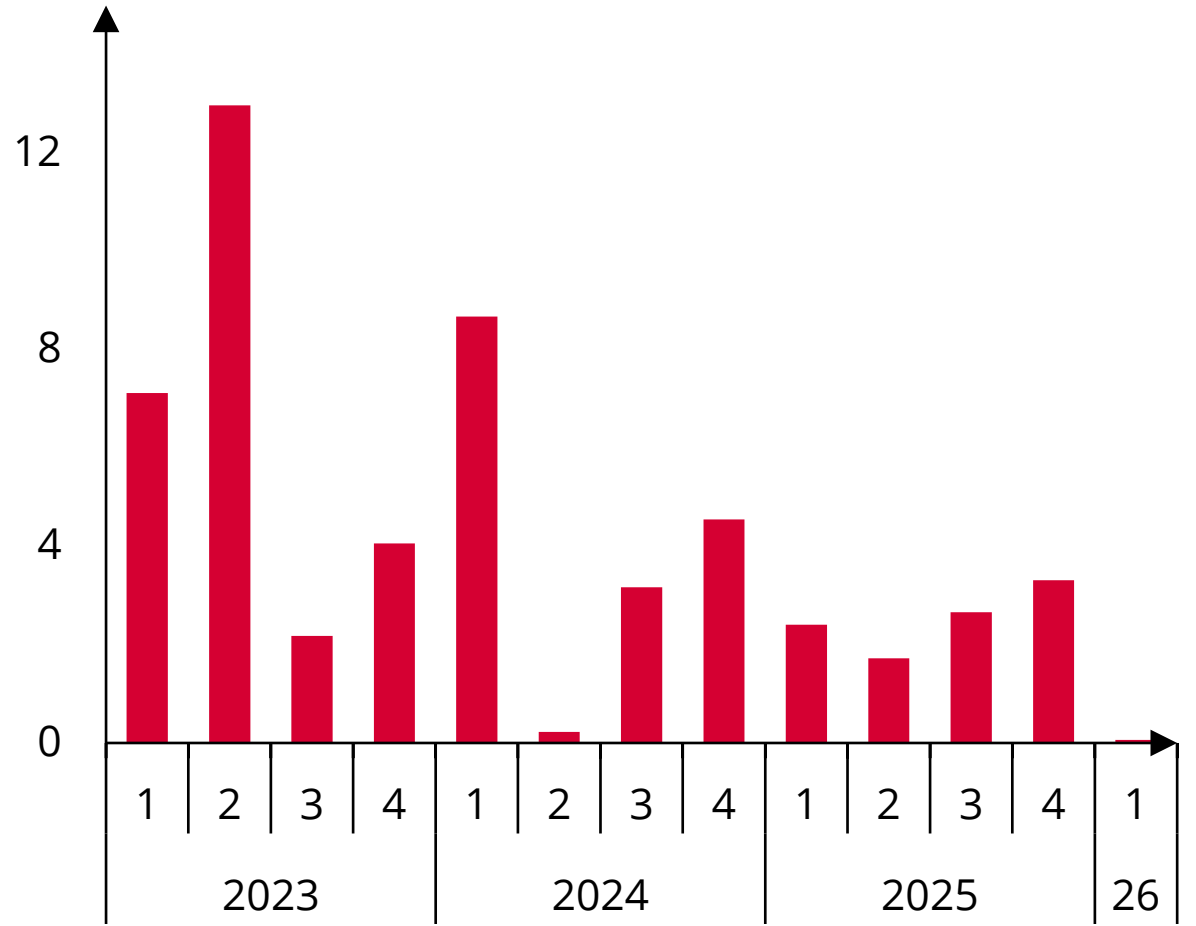


Demand indicators point to a slowdown in economic activity.

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



Total Card Spending** (Real, SA, Quarterly % Change)

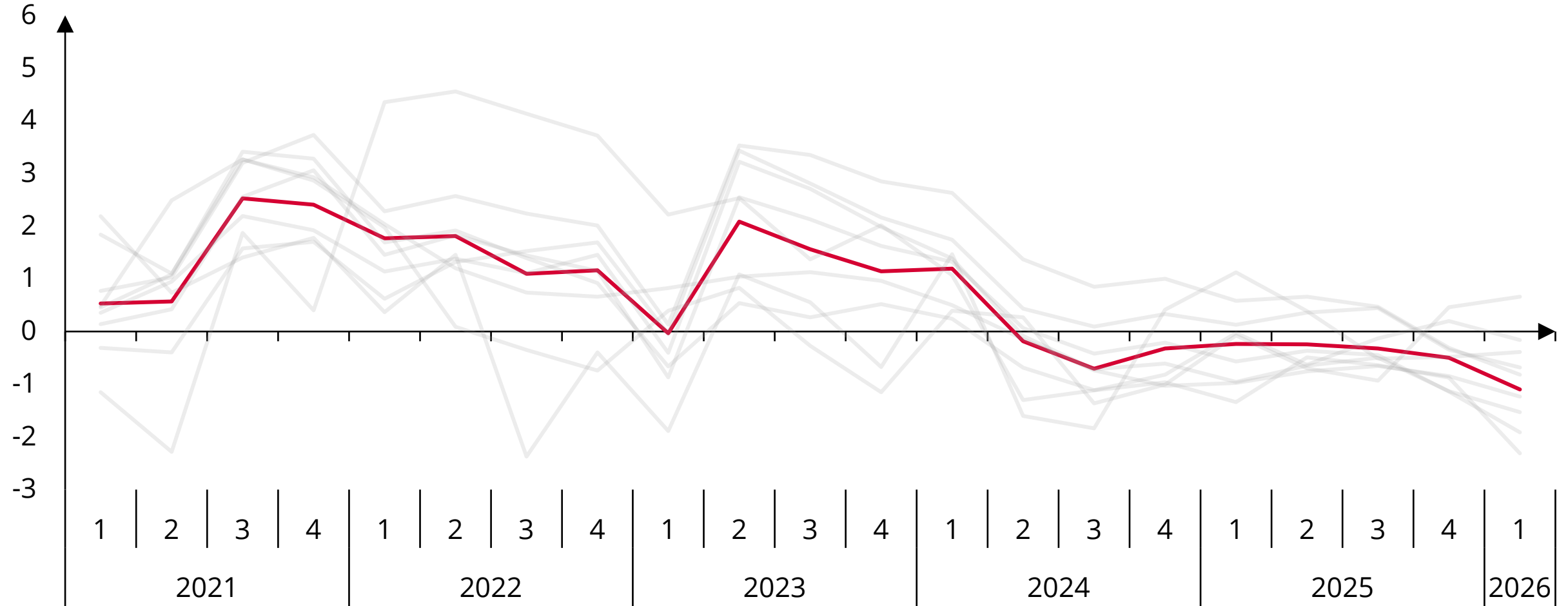


*The dark line indicates deviation from the trend.

**Excluding public and individual pension payments. SA: Seasonally and calendar adjusted.

Indicators suggest that demand conditions are at disinflationary levels.

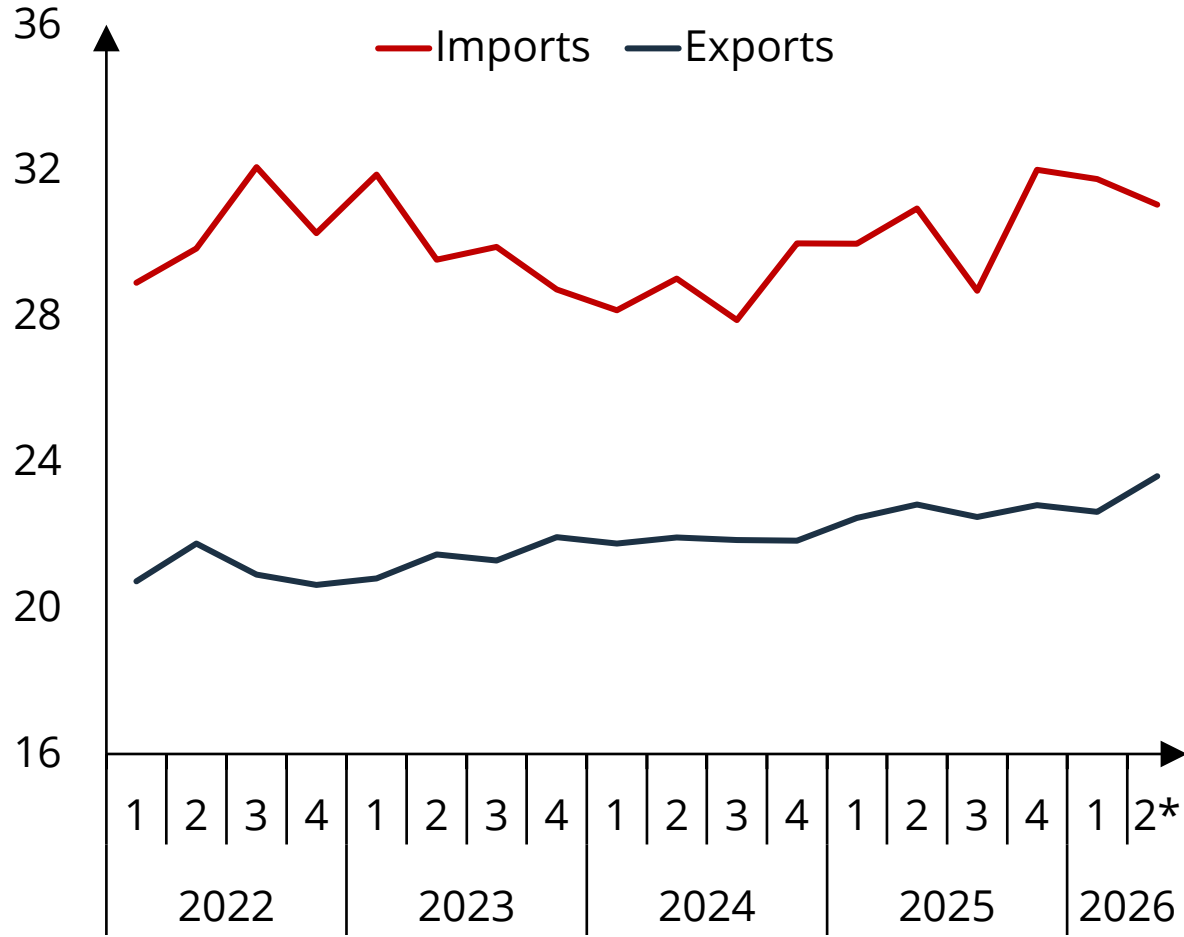
Output Gap* (%)



There has been no further deterioration in the trade deficit recently.

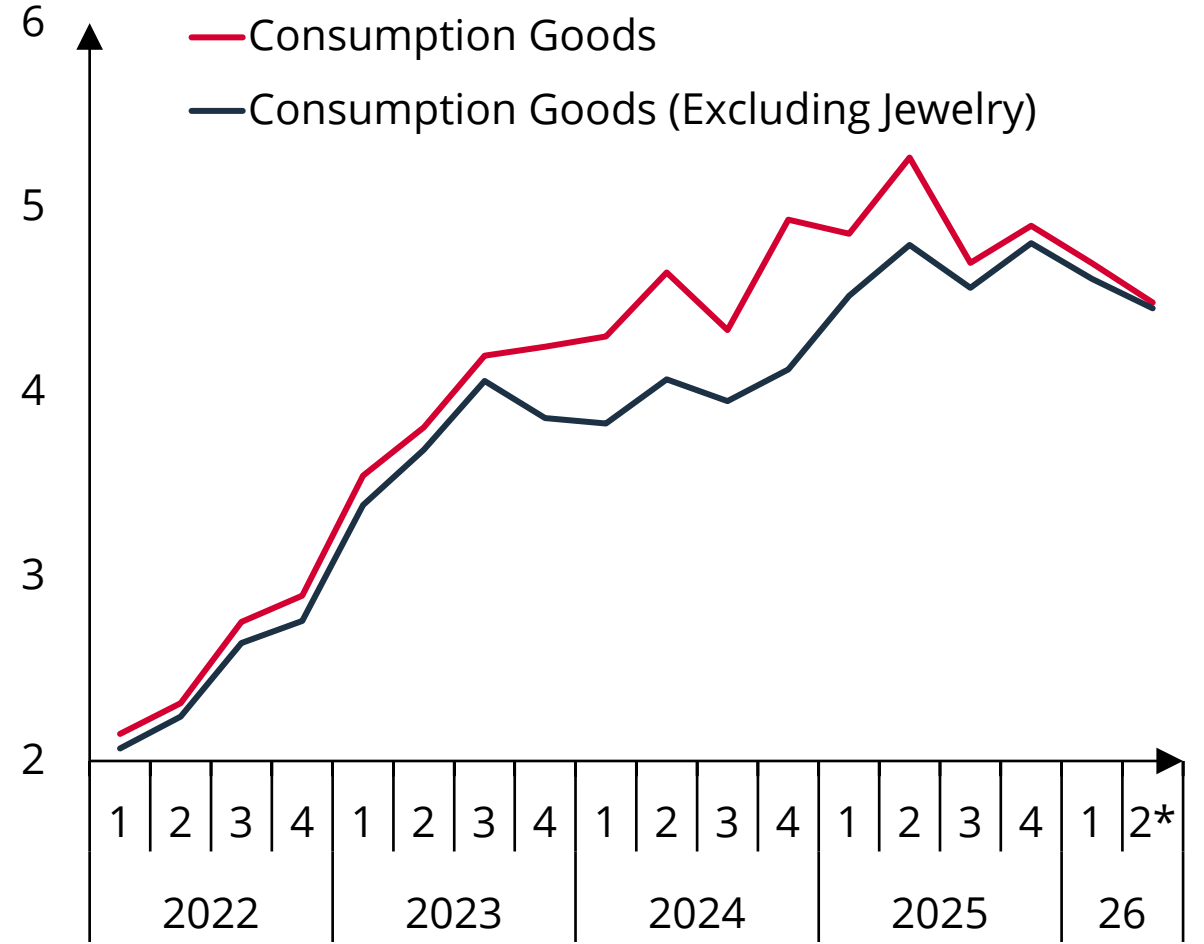
Exports and Imports*

(Average, Billion USD, Seasonally Adjusted)



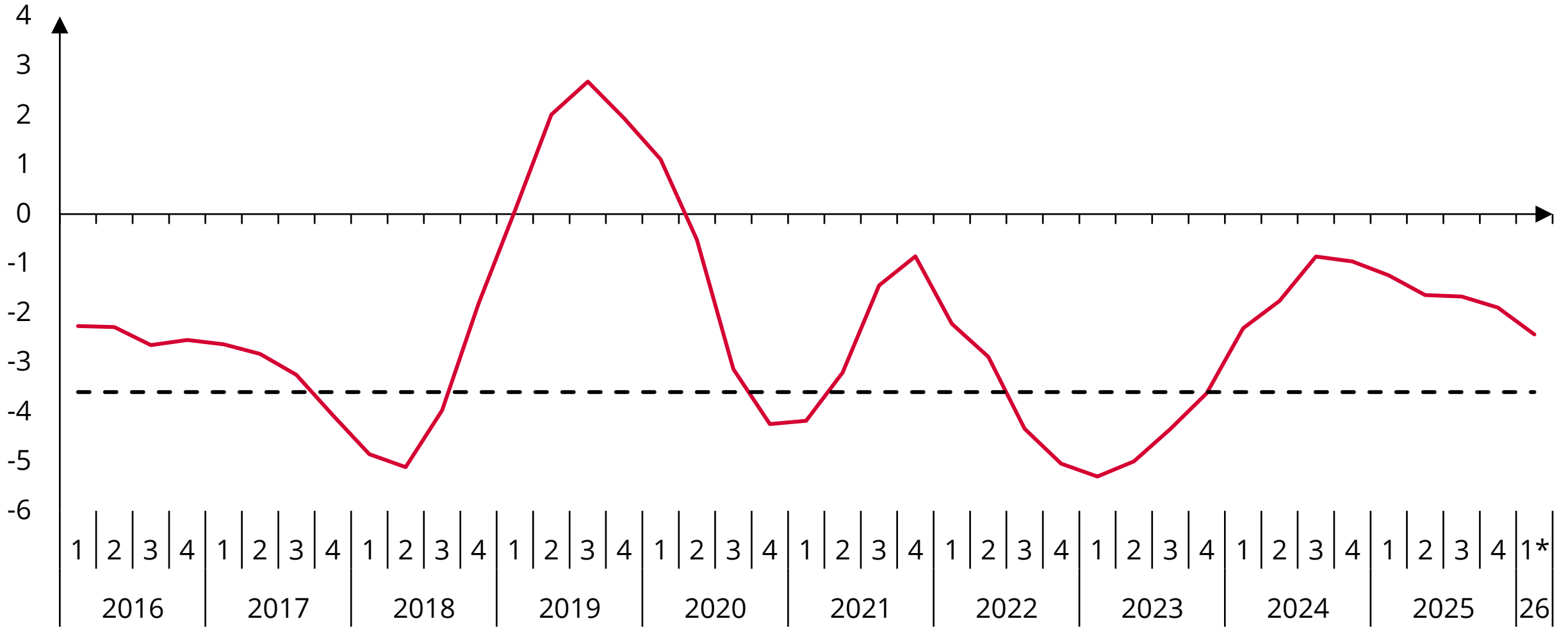
Consumption Goods Imports*

(Average, Billion USD, Seasonally Adjusted)



The current account deficit is below its historical average as of the first quarter.

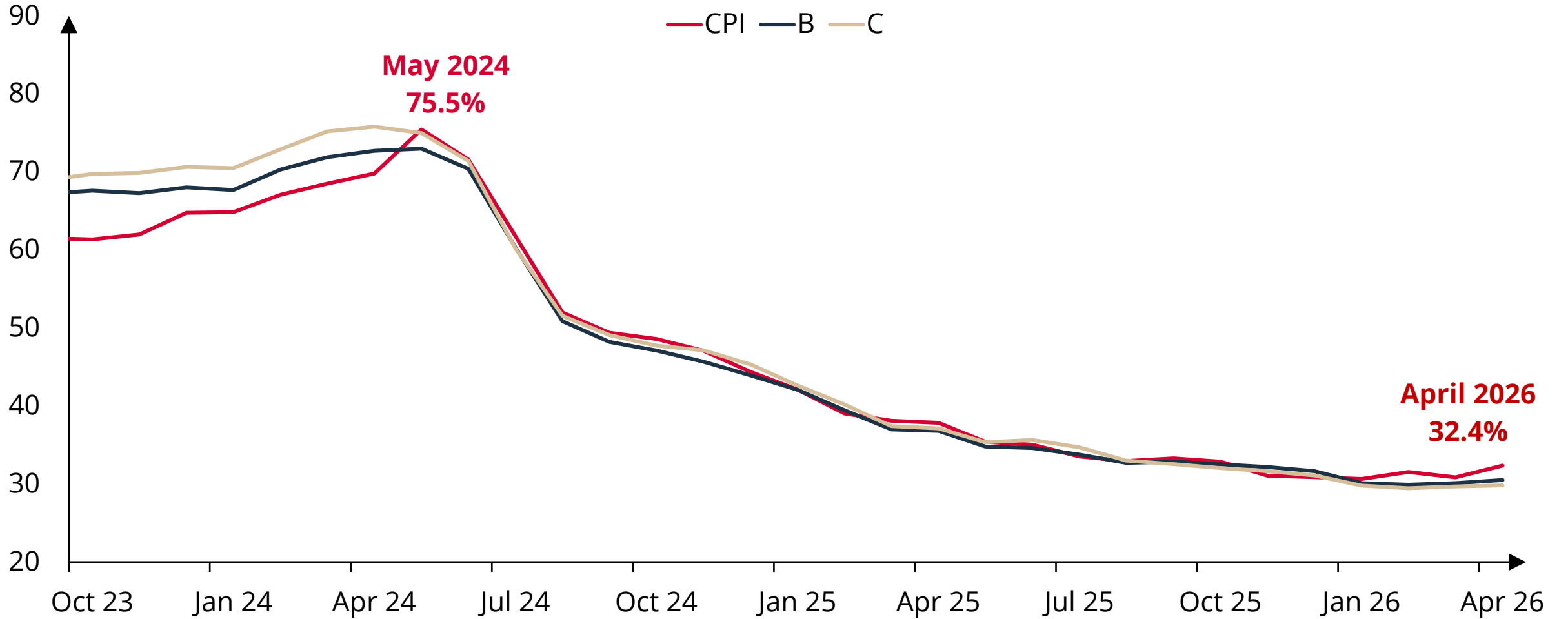
Current Account Balance/GDP* (%)



INFLATION

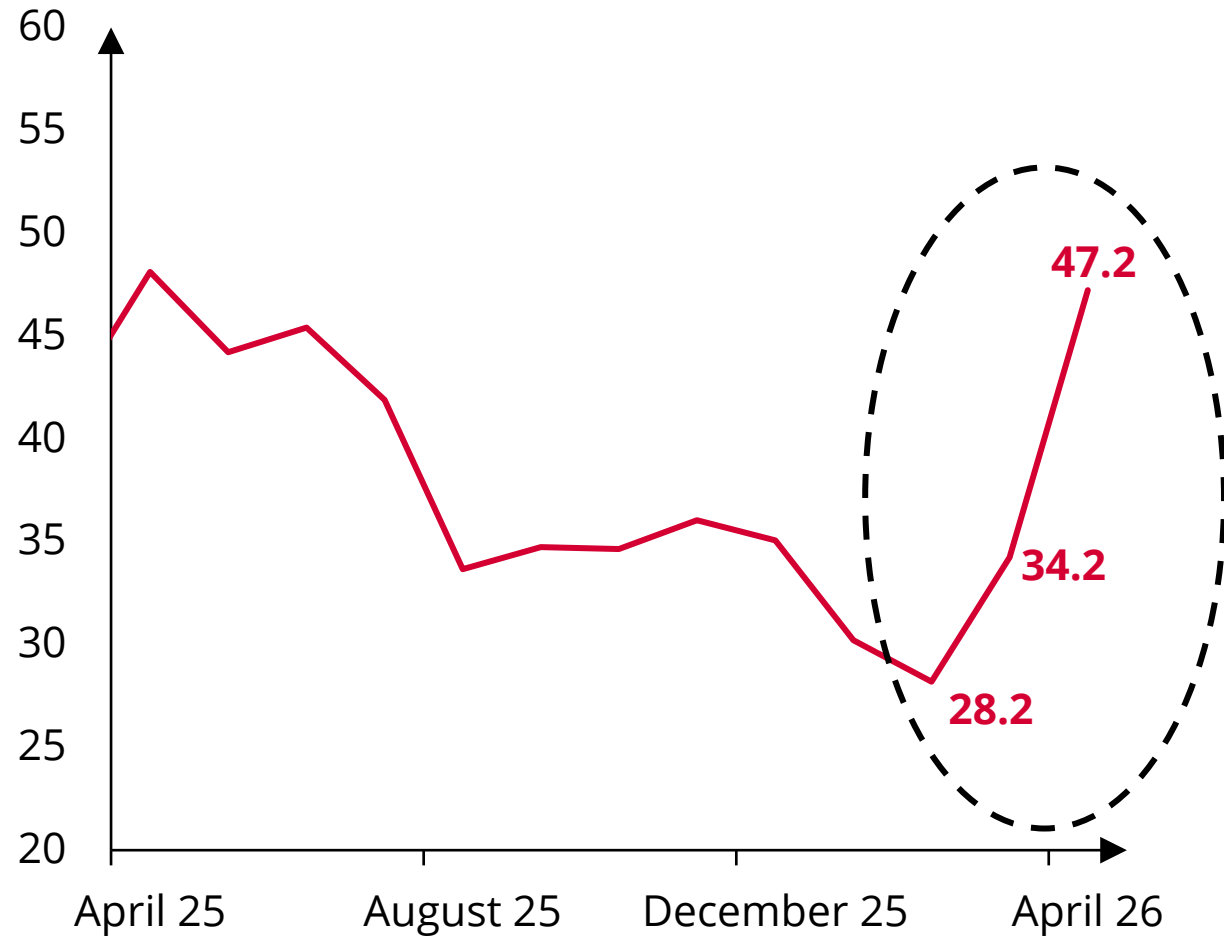
Annual inflation stood at 32.4 percent in April.

CPI and Core Indicators (Annual % Change)

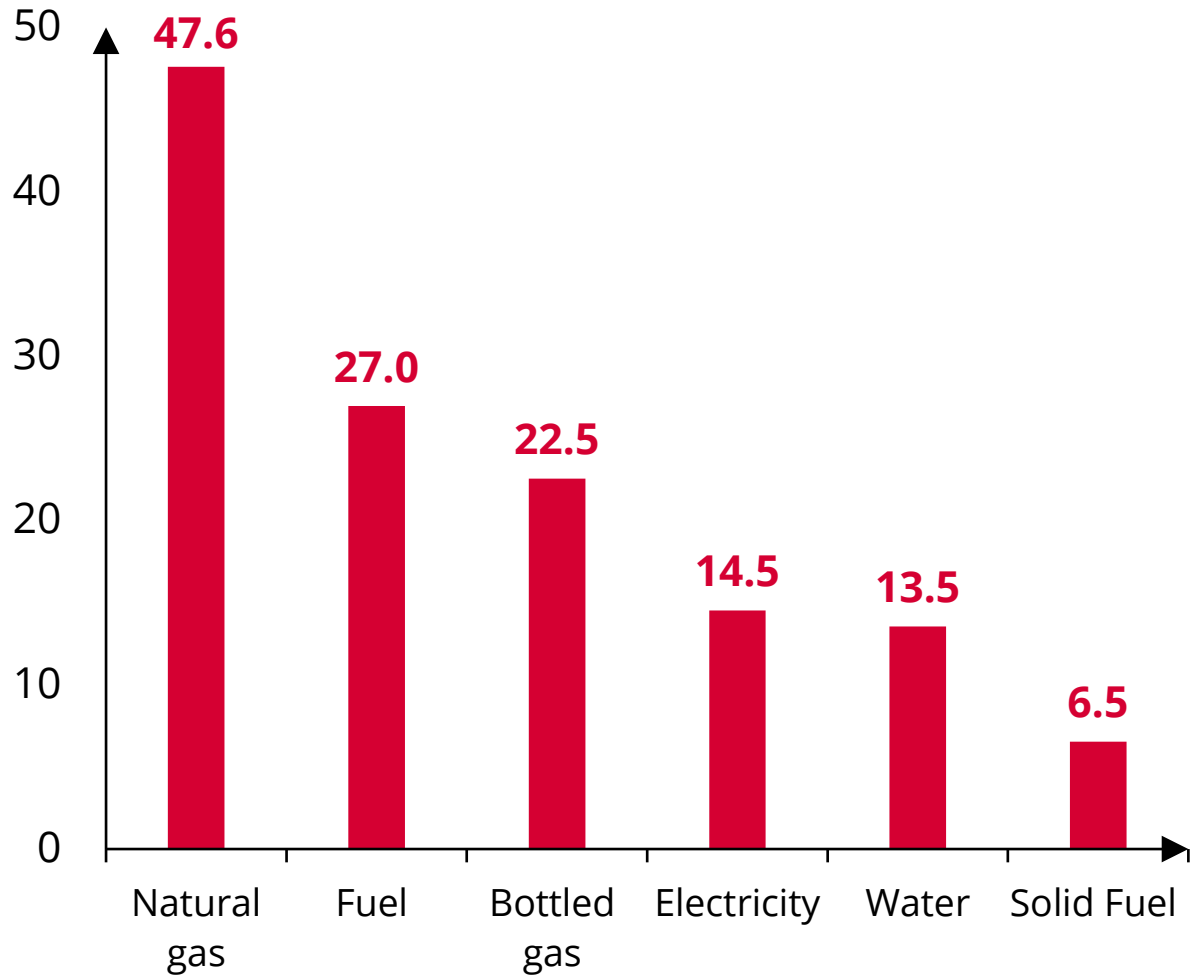


Energy inflation has increased rapidly due to geopolitical developments.

Energy Prices (Annual % Change)

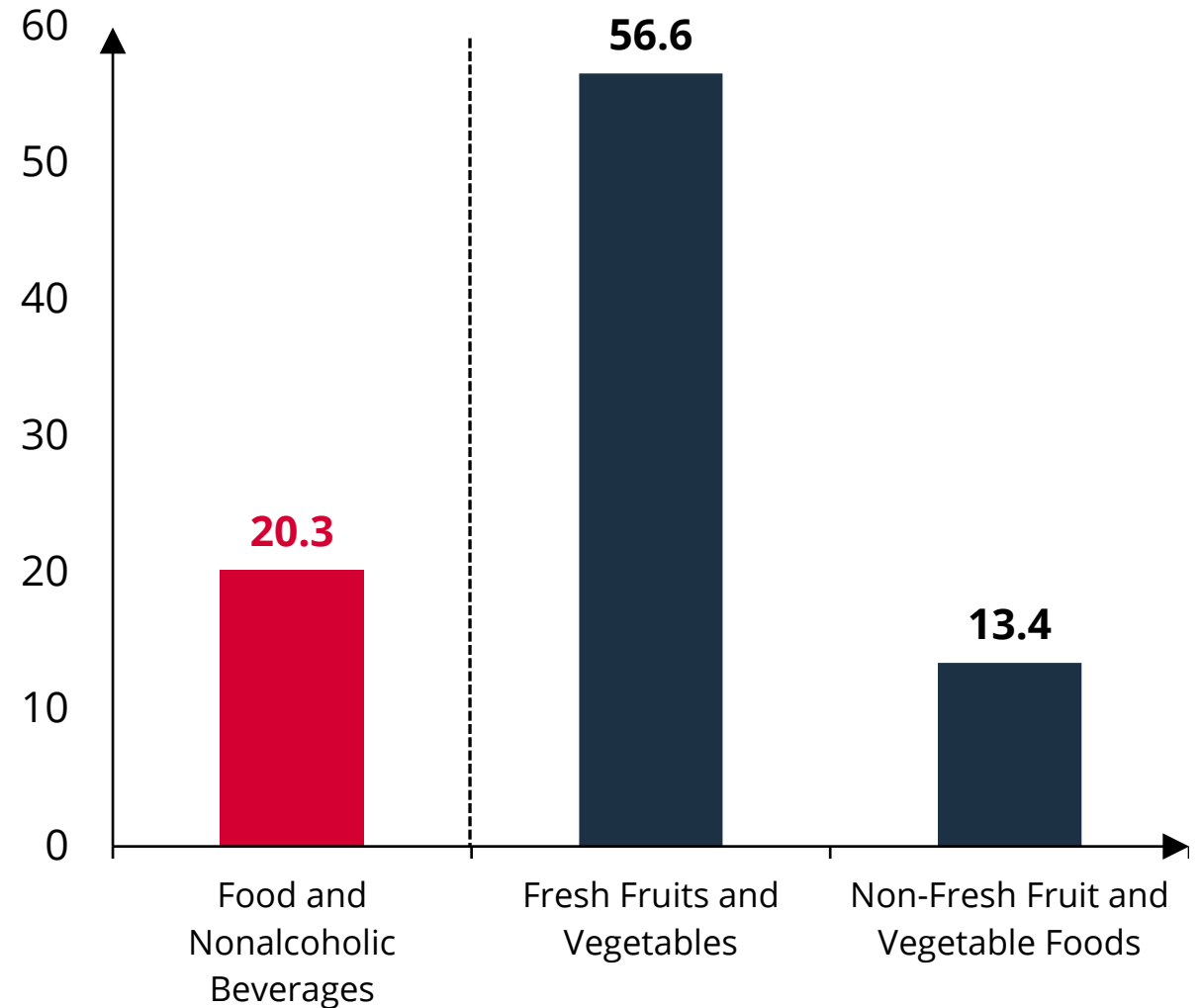
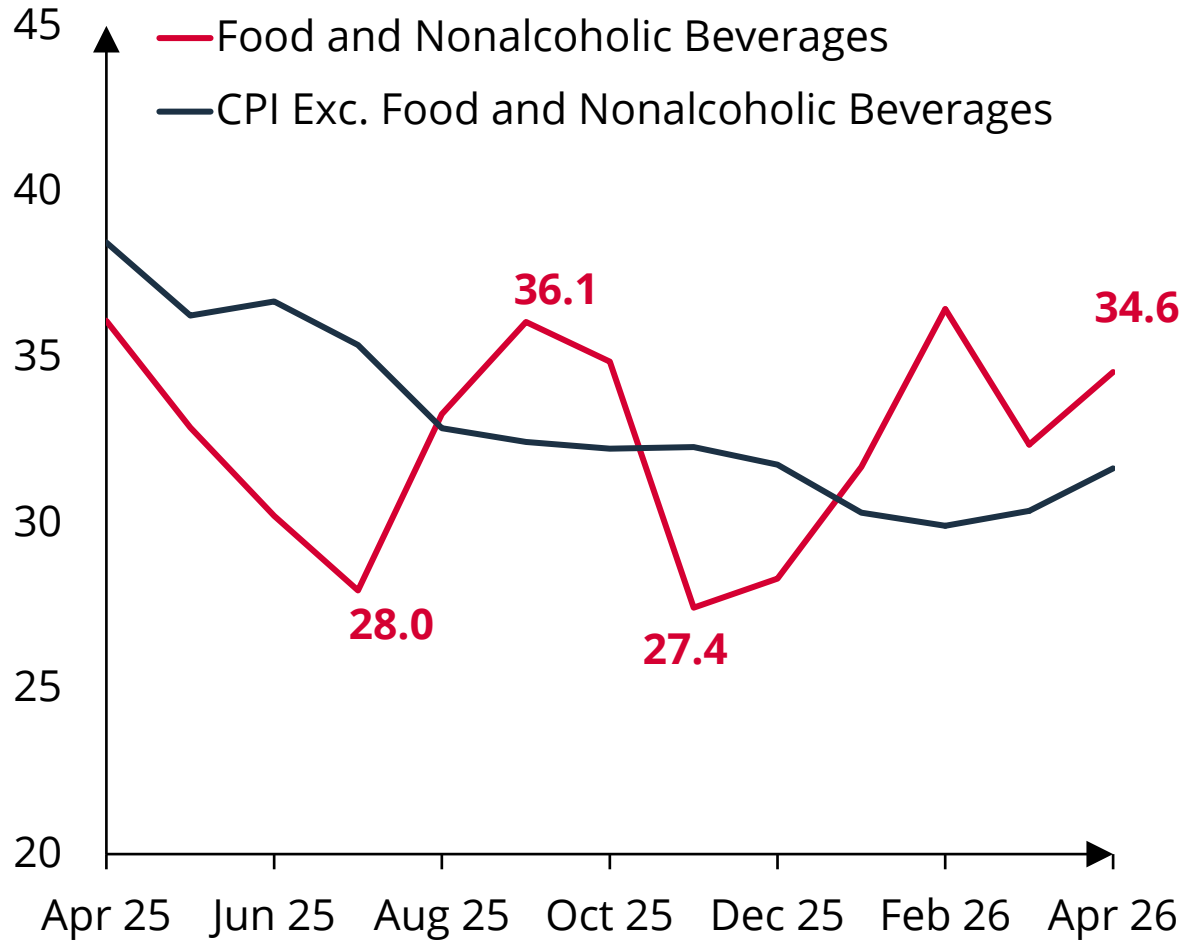


Energy Prices (First-4-Month Cumulative % Change)



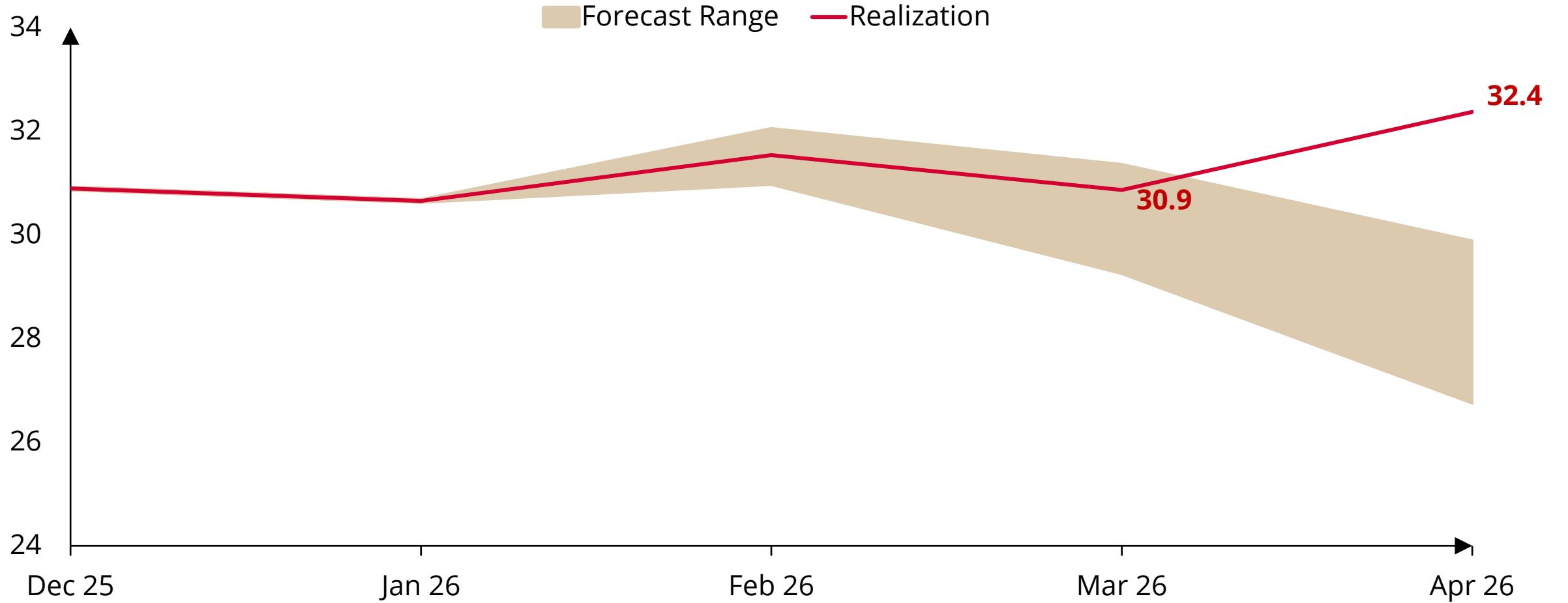
Food inflation has been volatile and recently on a high trajectory.

Food and Non-Food Consumer Inflation (Annual % Change) **Food Prices** (Cumulative % Change for the First 4 Months)



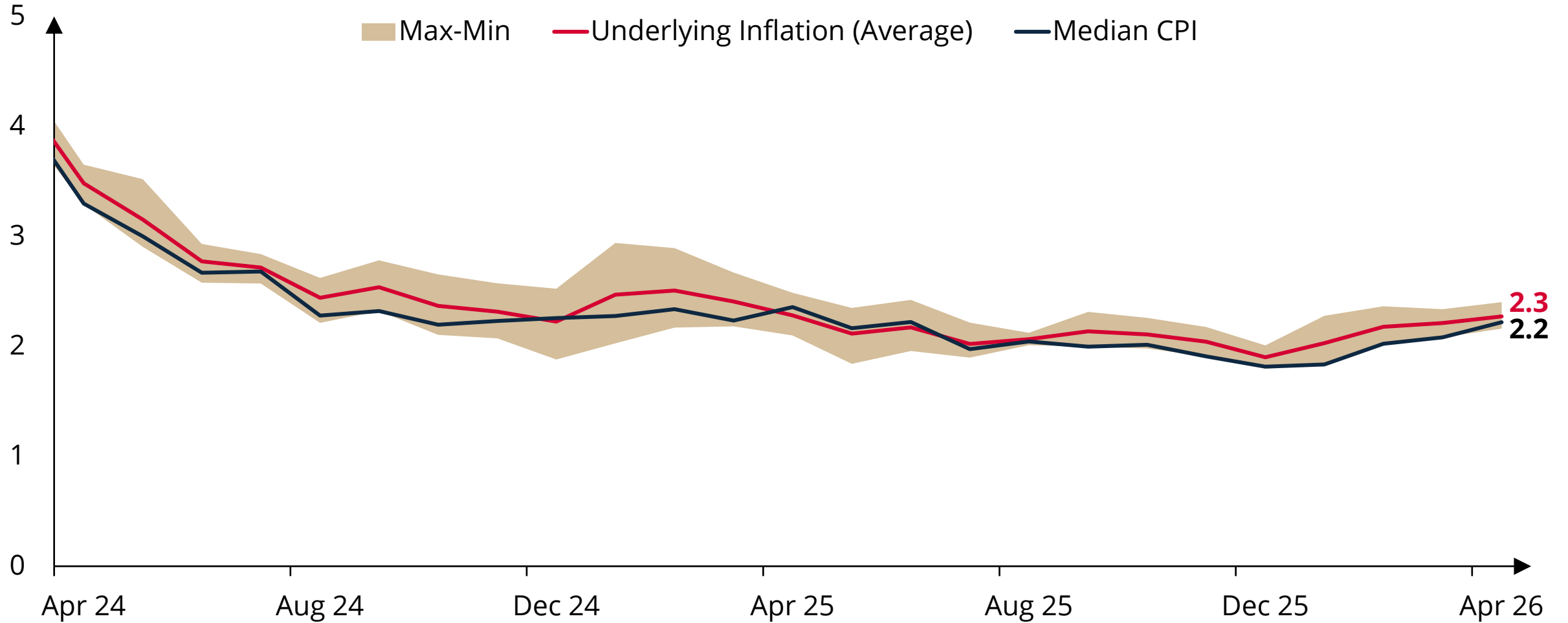
In April, inflation realized above the forecast range due to geopolitical developments.

CPI Actuals and 2026 IR-I Forecasts (Annual % Change)



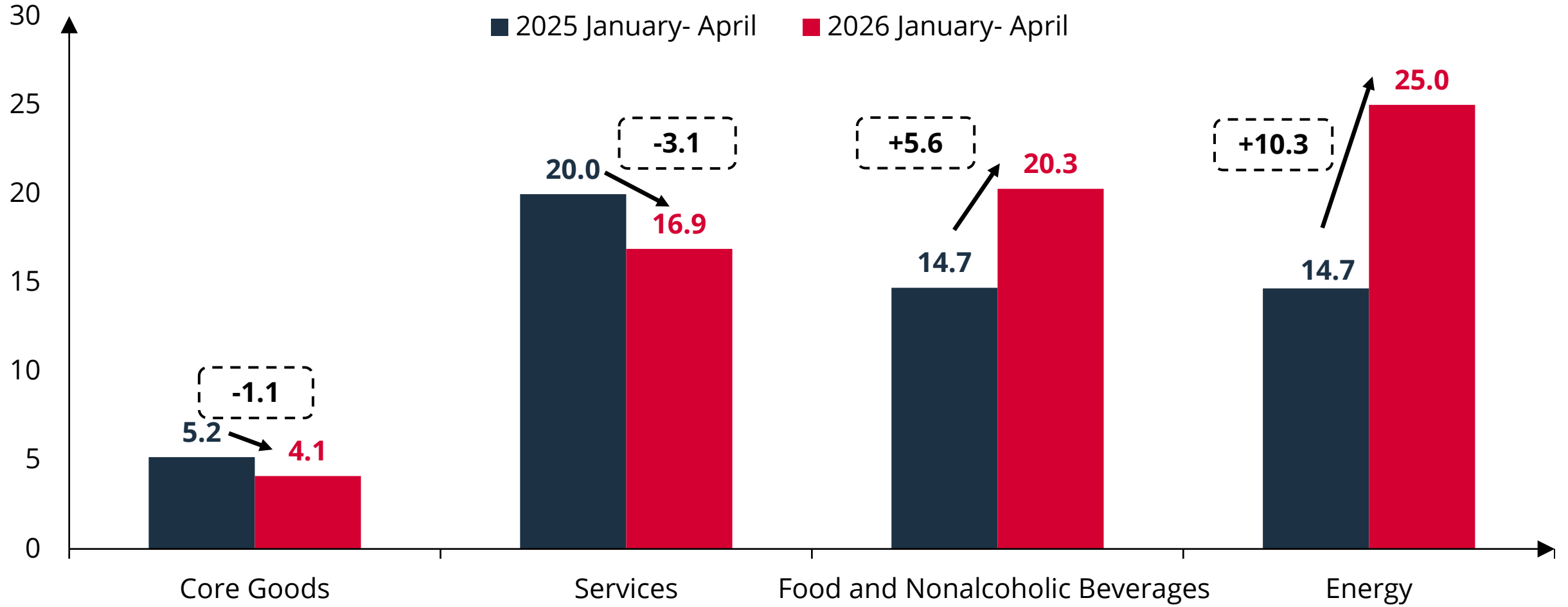
Underlying inflation has edged up.

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



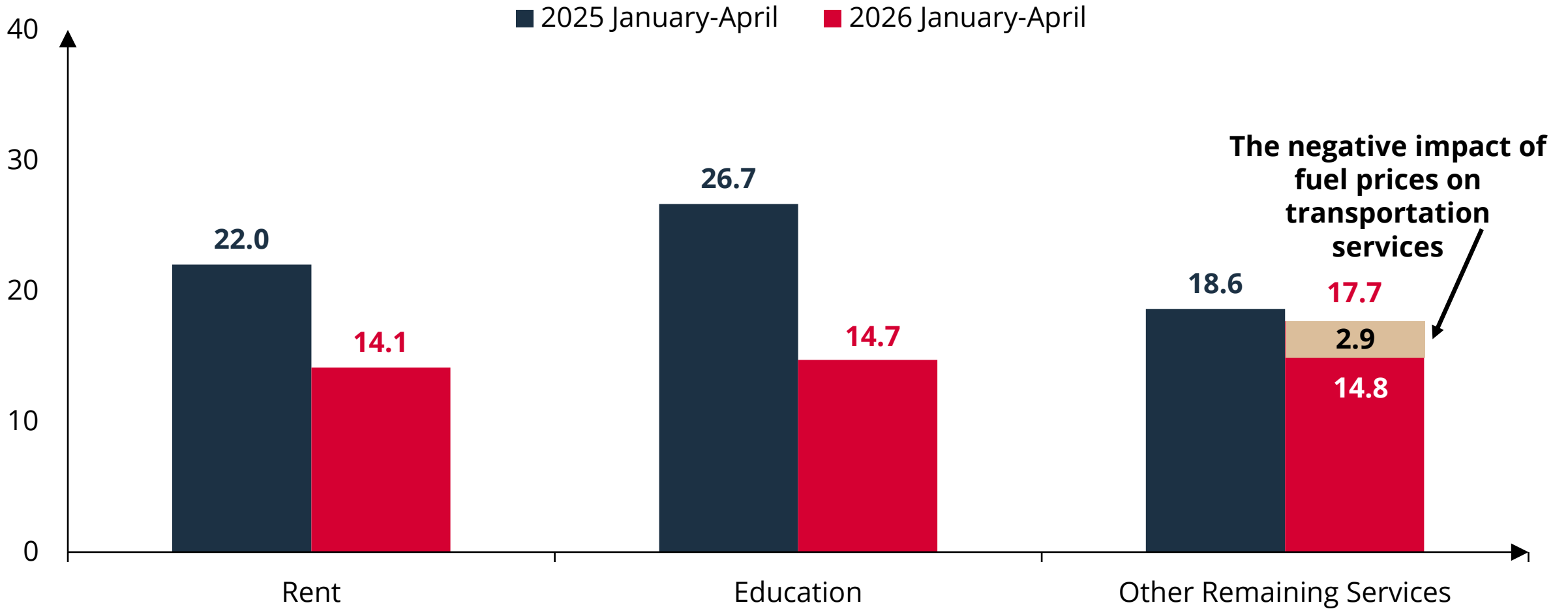
Inflation rose in food and energy, but declined in core groups.

Cumulative Inflation of CPI Subgroups over the First 4 Months (%)



Declining rigidity in rent and education prices has supported disinflation.

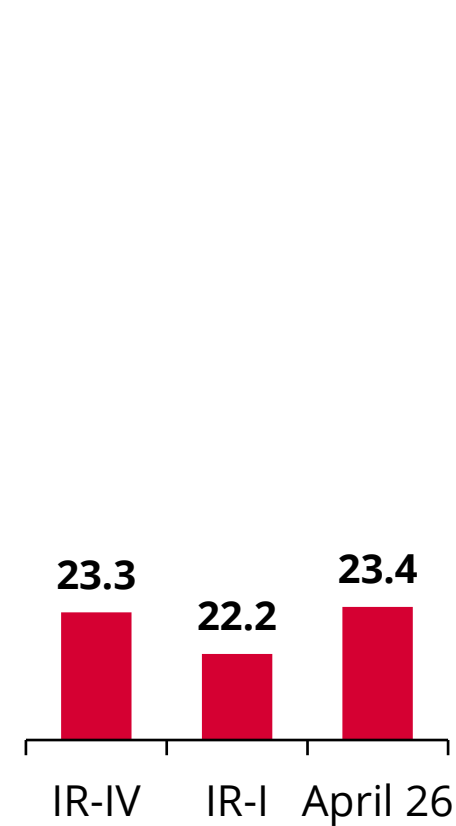
Services Subcategories (Cumulative % Change for the First 4 Months)



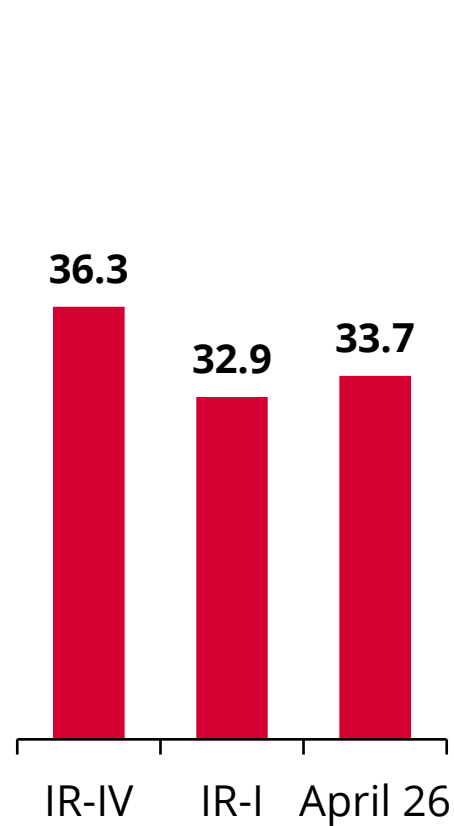
The potential secondary effects of geopolitical developments on the inflation outlook will be important.

12-Month-Ahead Annual CPI Inflation Expectations (%)

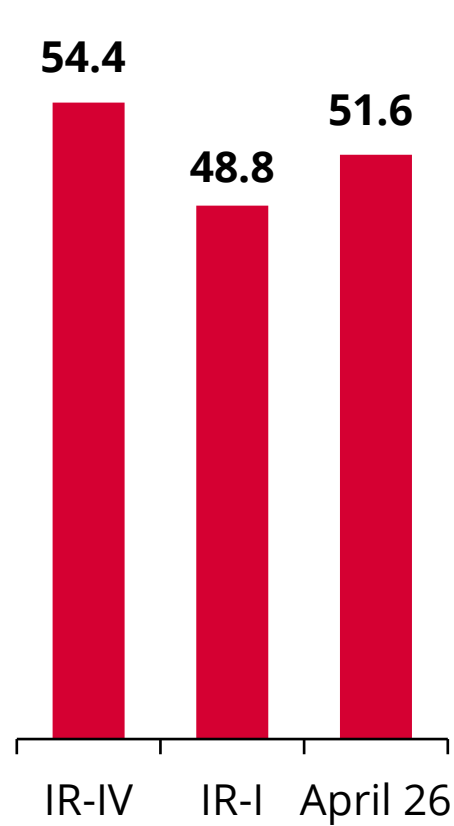
Market Participants



Real Sector



Household



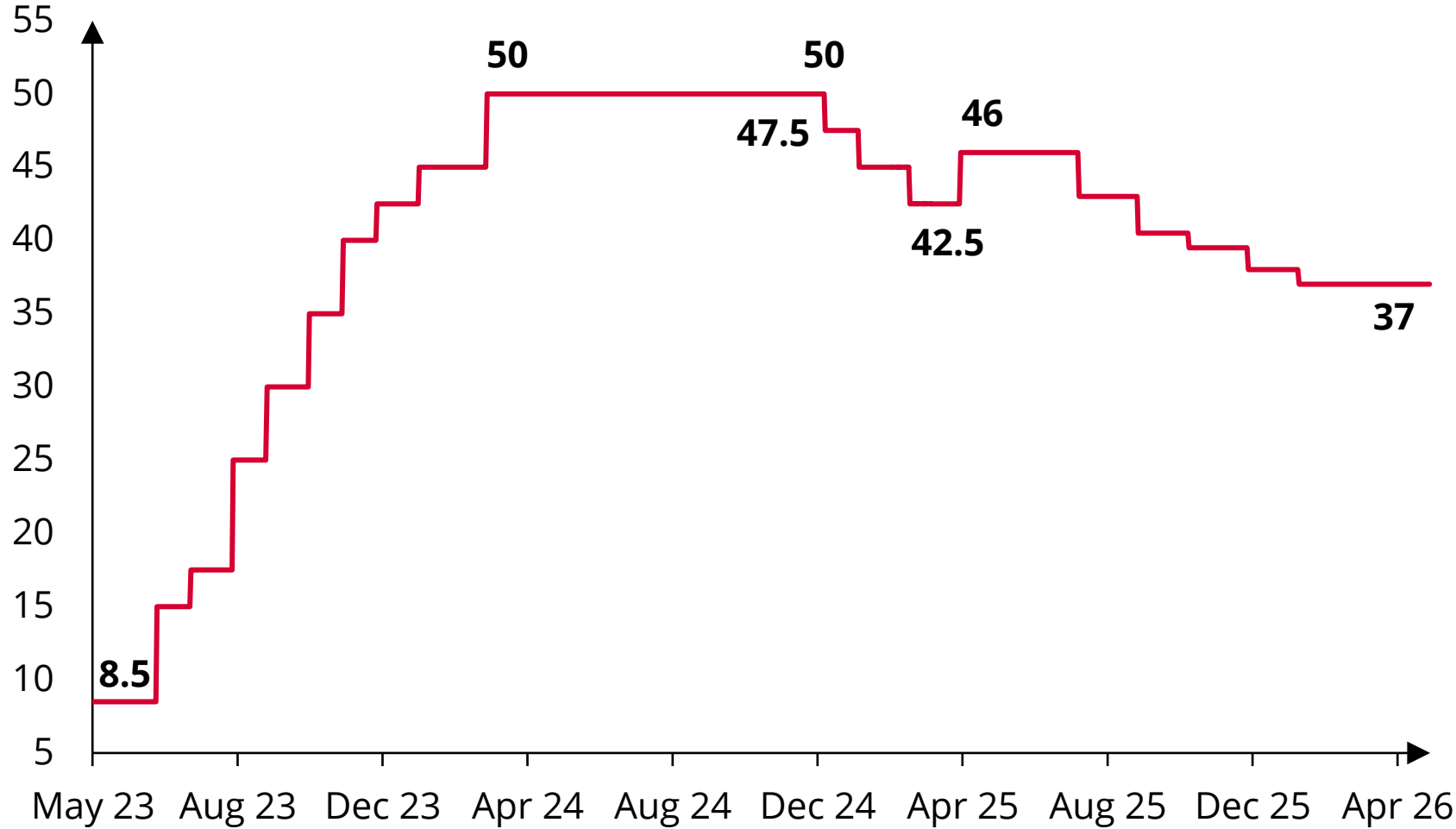
Survey of Market Participants Inflation Expectations (%, April 2026)

End-2026	27.5
12-Month Ahead (April 2027)	23.4
End-2027	20.1
24-Month Ahead (April 2028)	18.0

MONETARY POLICY

Tight monetary policy stance is maintained.

Policy Rate (%)

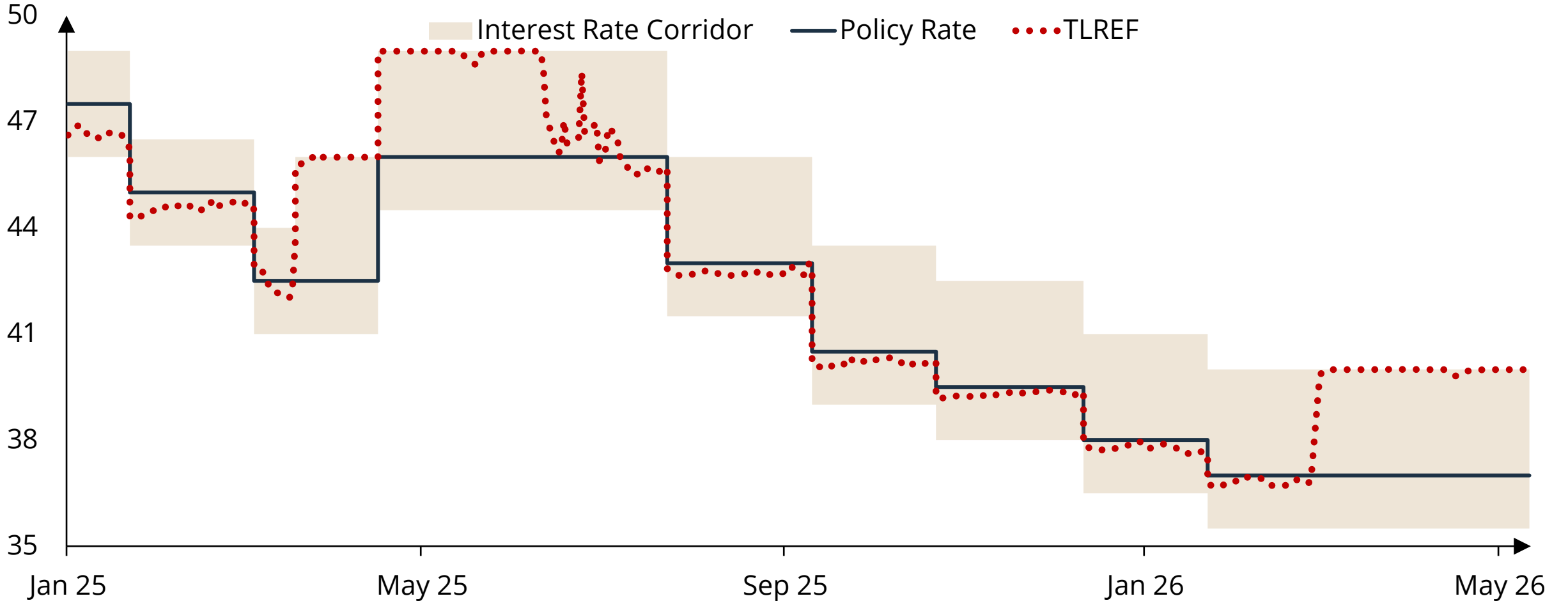


Macroprudential
Framework

Liquidity
Management

One-week repo auctions were suspended and monetary policy stance tightened.

Interest Rate Corridor and TLREF (%)



Macroprudential measures and liquidity management support the tight stance.

1 Regulations on deposits

- Targets for TL deposit share increase

2 Regulations on loans

- Limits on TL and FX loan growth

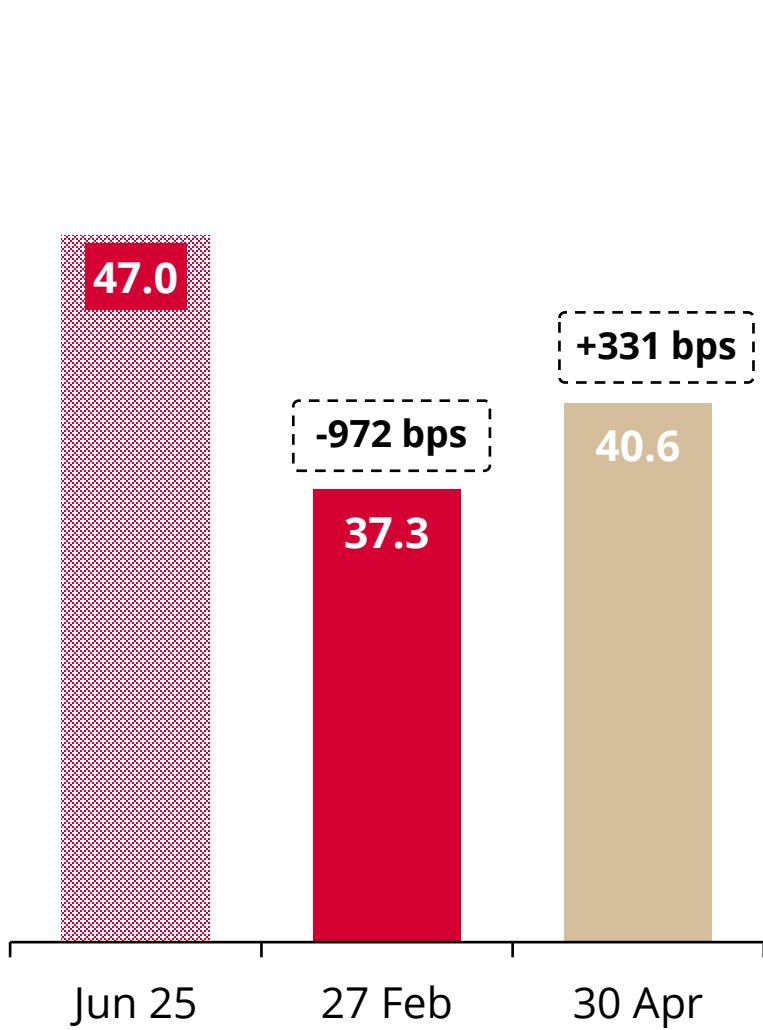
3 Liquidity management

- Reserve Requirements
- TL deposit auctions
- Buy and sell-side swap auctions

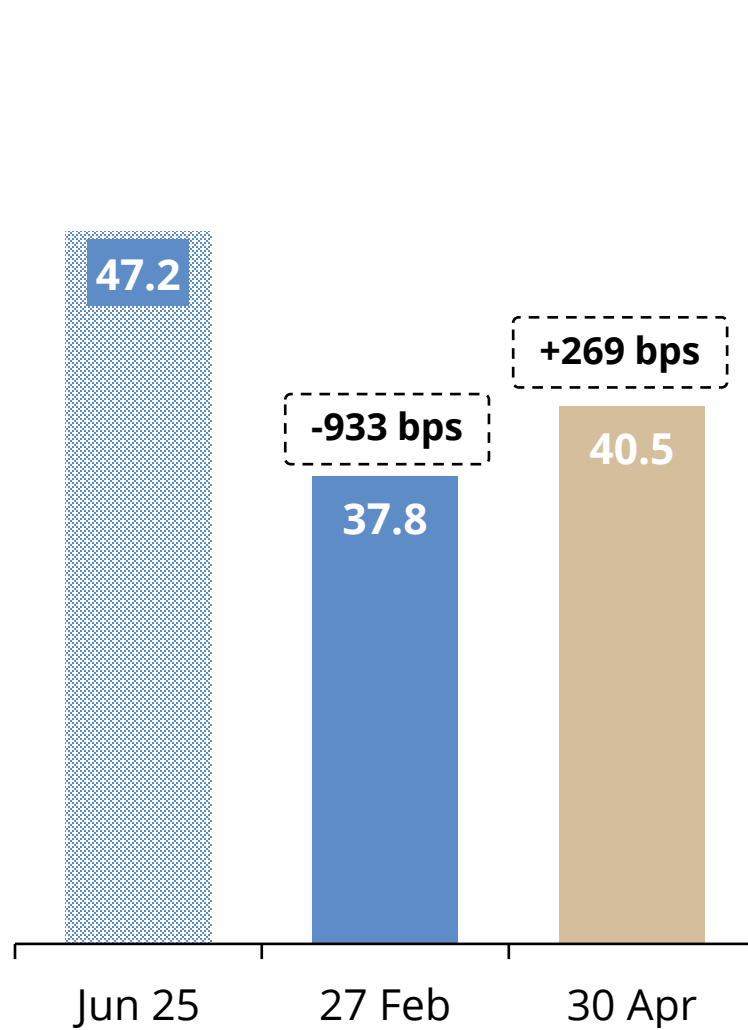
FINANCIAL CONDITIONS

Loan and deposit rates track the CBRT's steps.

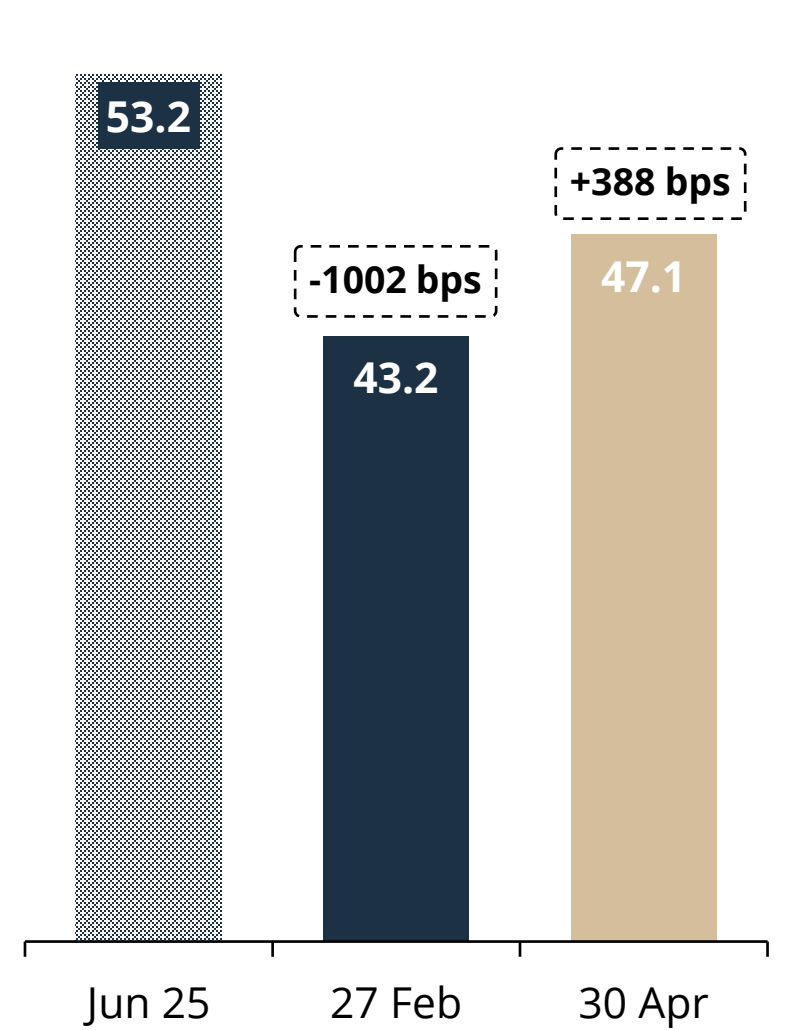
TL Deposit Rate for 1-3 Months*



TL Commercial Loan Rate*

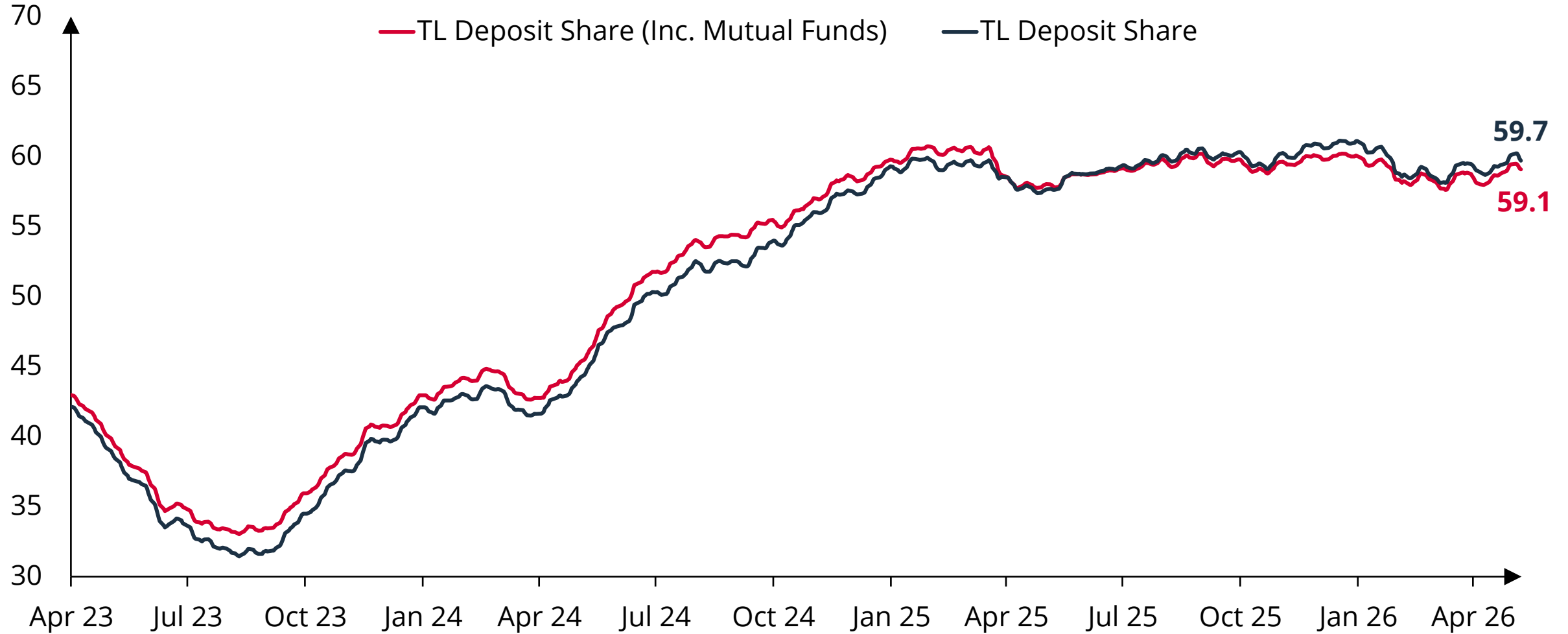


Consumer Loan Rate*



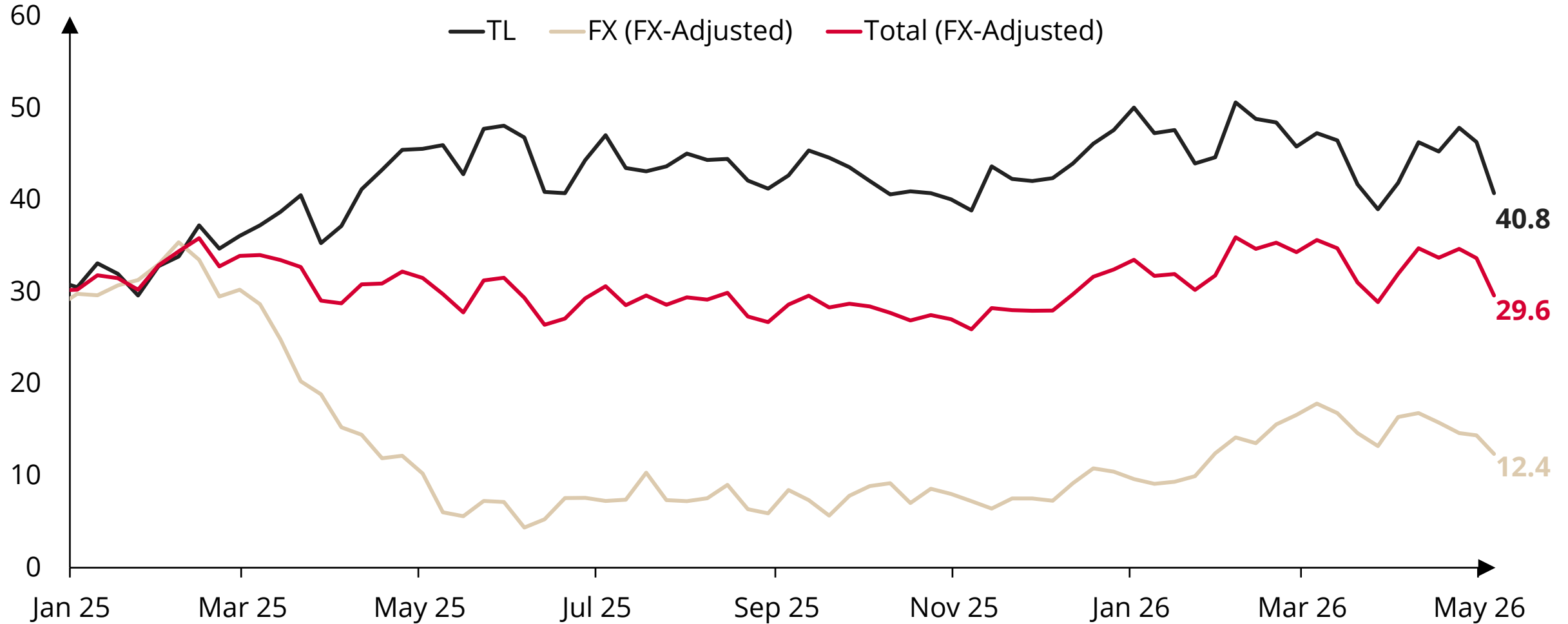
Residents' Turkish lira preference remains strong.

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



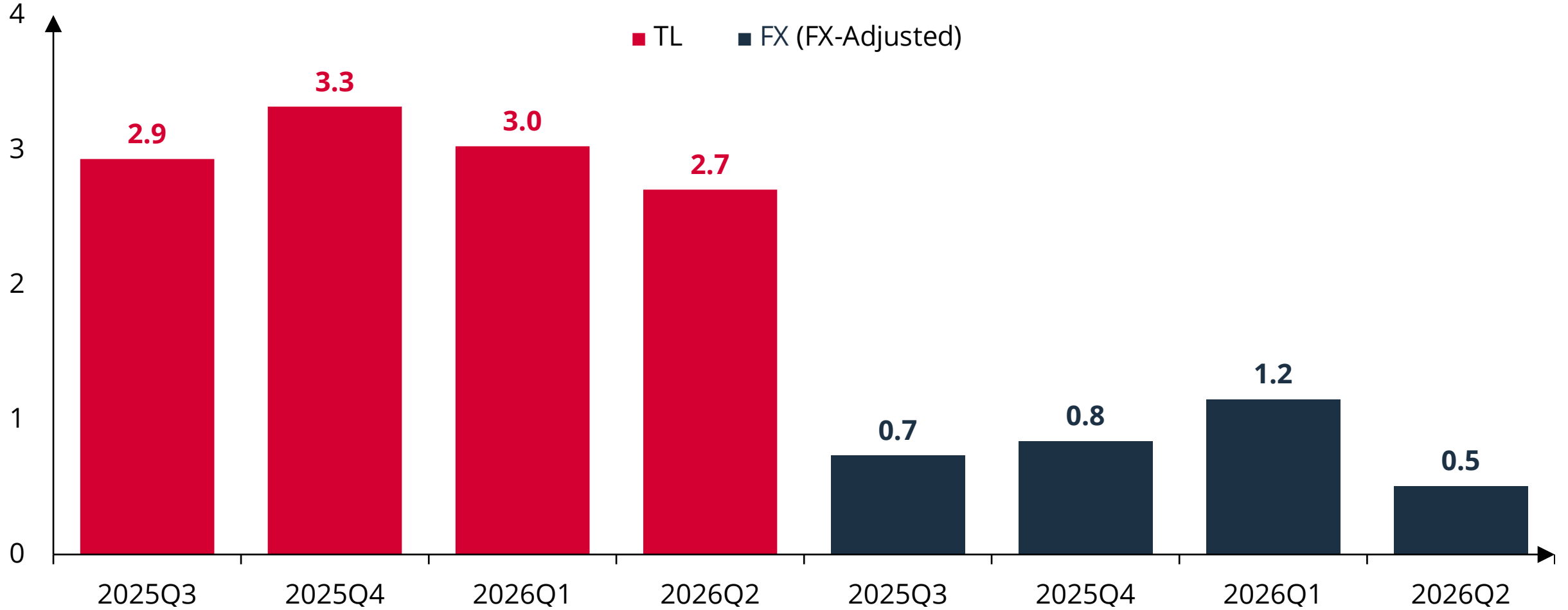
While loan growth has somewhat moderated, the composition remains in favor of TL.

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



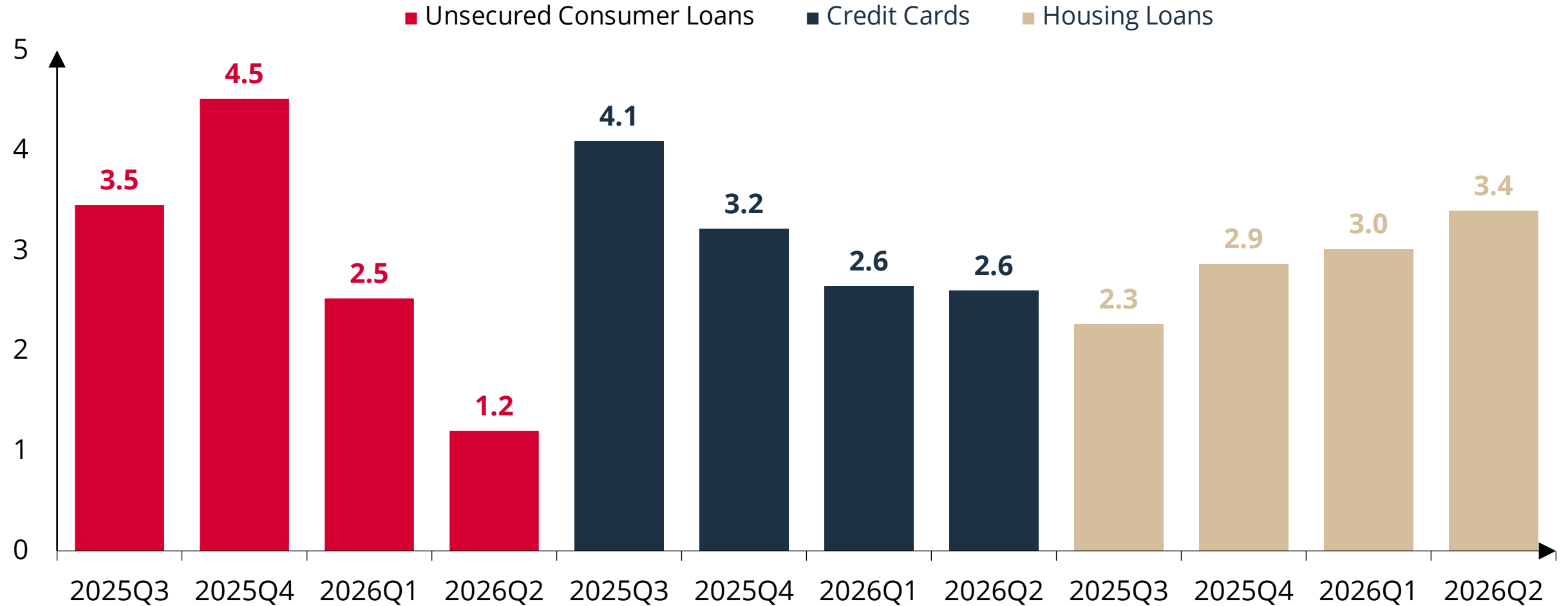
Commercial loan growth has decelerated slightly in the recent period.

Average Monthly Growth Rates of Commercial Loans* (%)



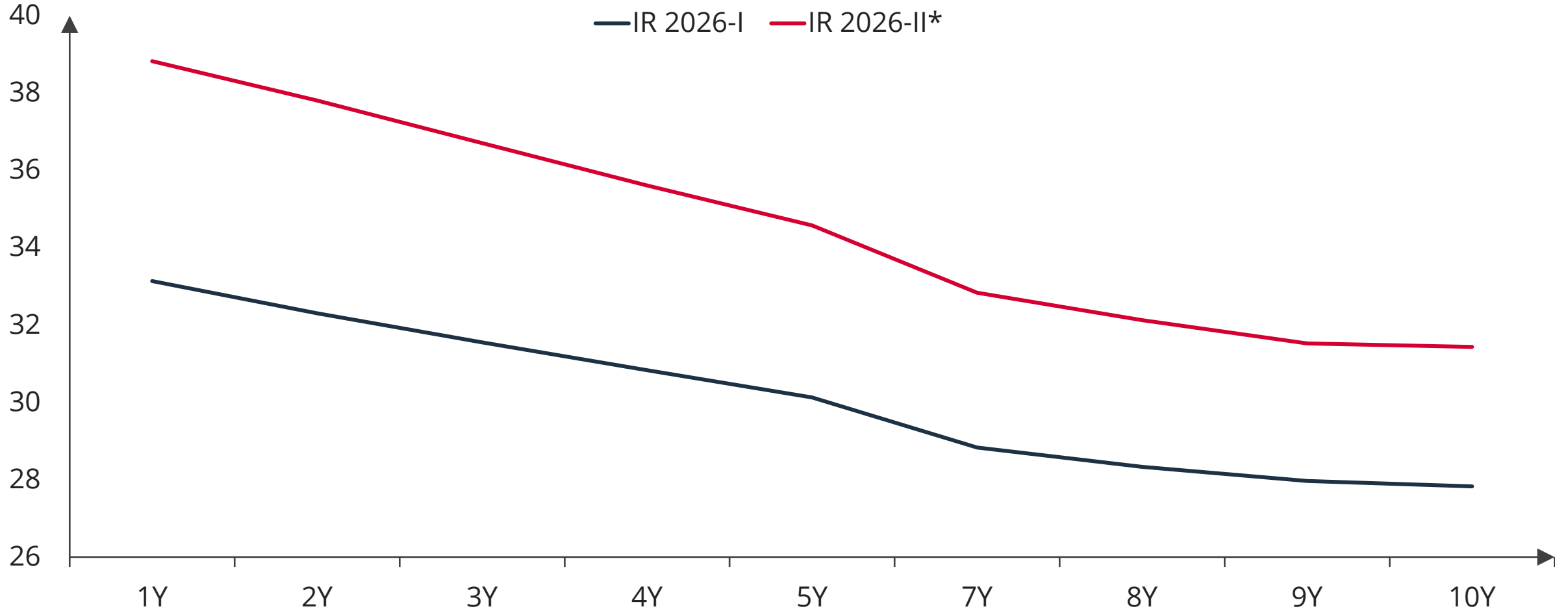
While housing loans have accelerated, other consumer loans have decelerated.

Average Monthly Growth Rates of Retail Loans* (%)



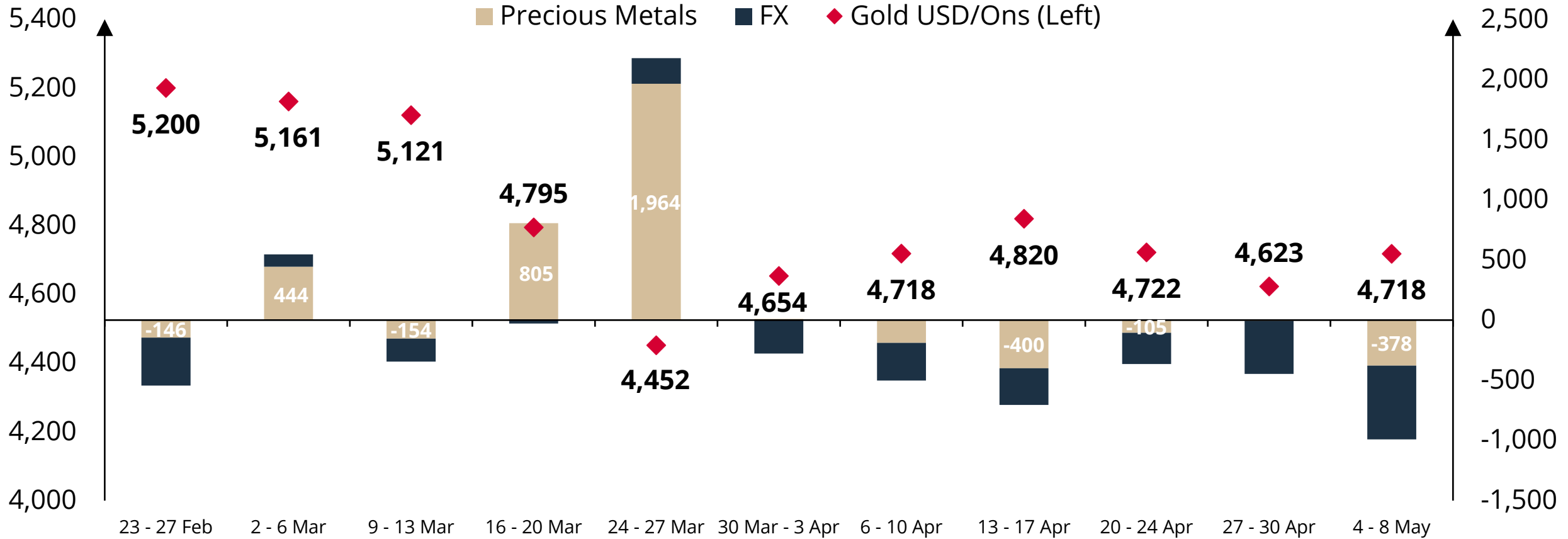
Bond rates have risen at all maturities compared to the previous IR period.

Yield Curve (Simple Return, %)



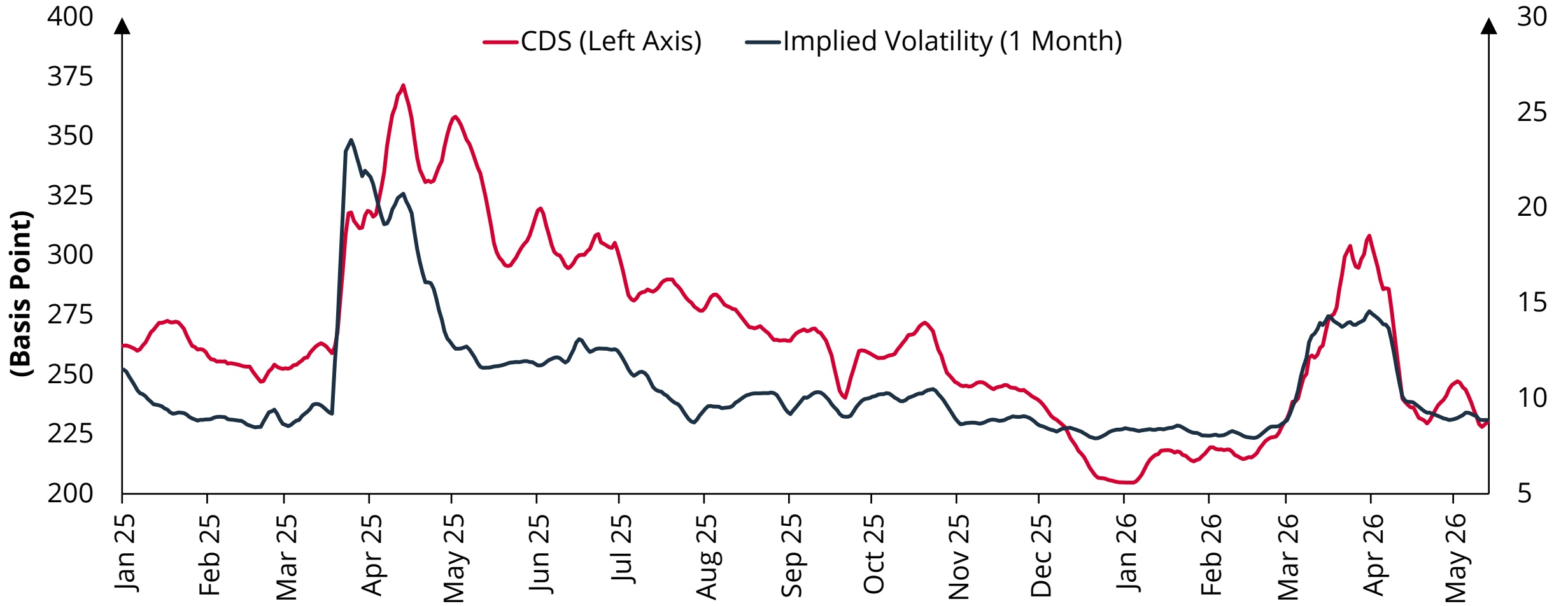
Households' FX demand has recently remained limited.

Households' Net FX and Precious Metals Purchases (Weekly, Million USD)



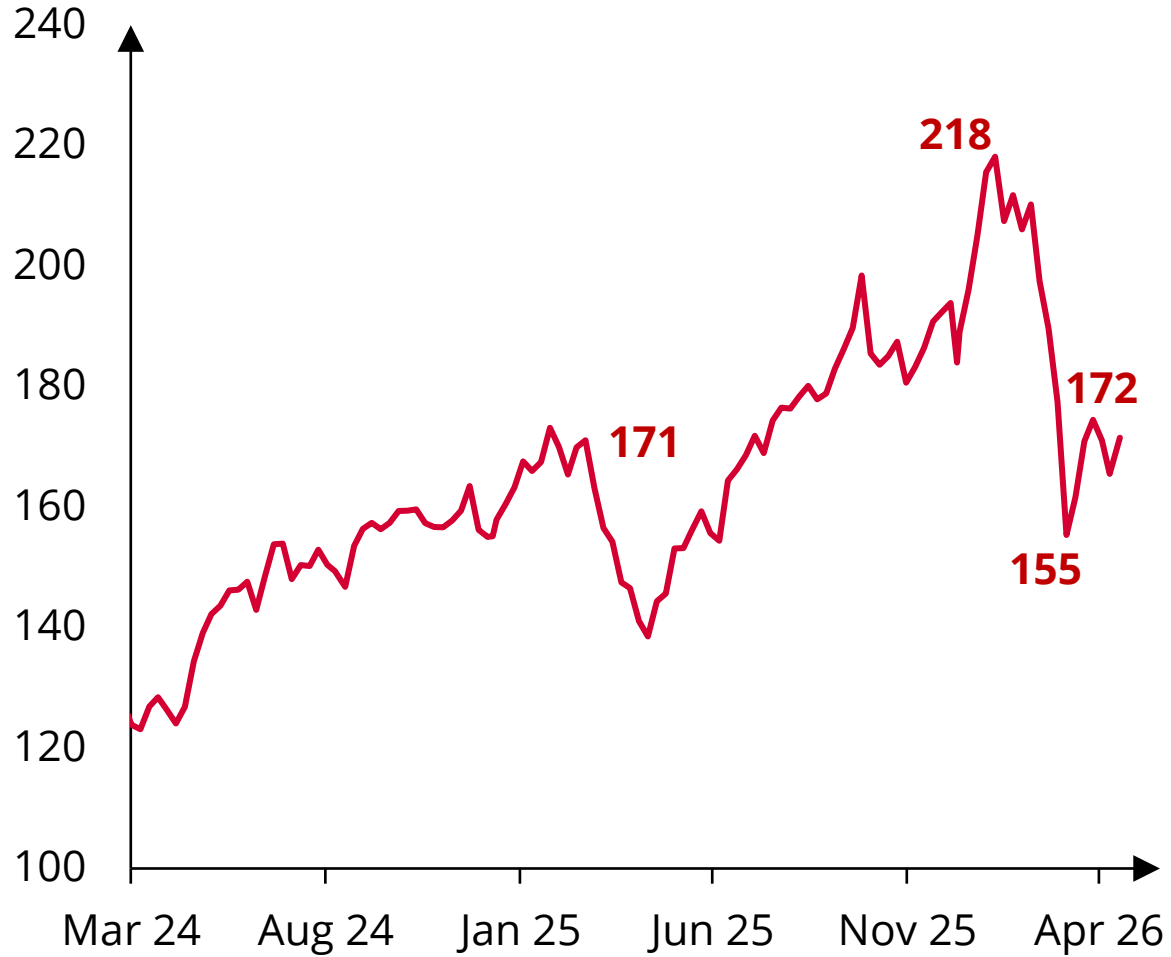
Risk and volatility indicators, which had risen during the war, have recently declined.

CDS Premium and Implied Volatility (5-Day Moving Average)

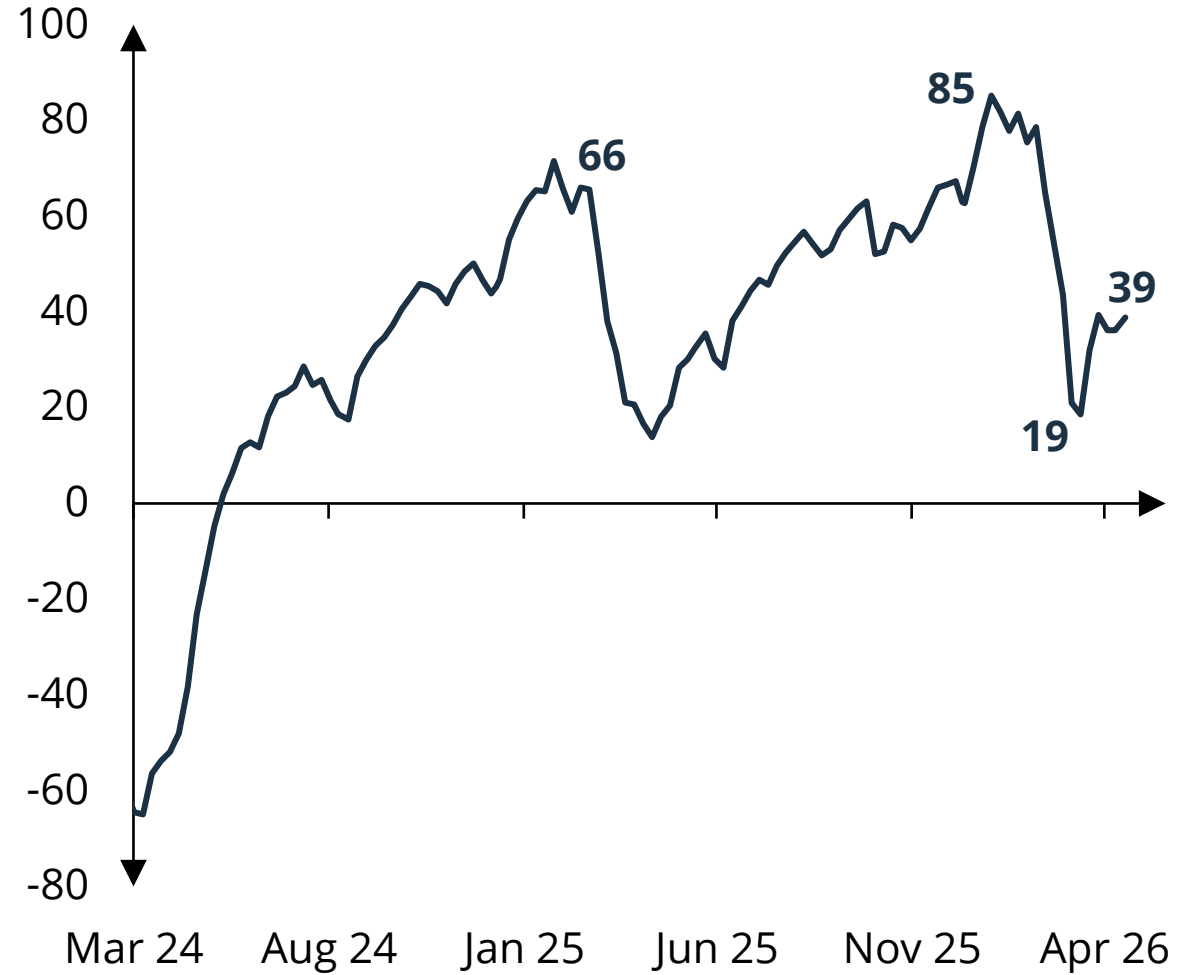


Our reserves remain strong.

Gross International Reserves (Billion USD)



Net Reserves Excluding Swaps (Billion USD)



MEDIUM-TERM PROJECTIONS

Revisions to Main Assumptions

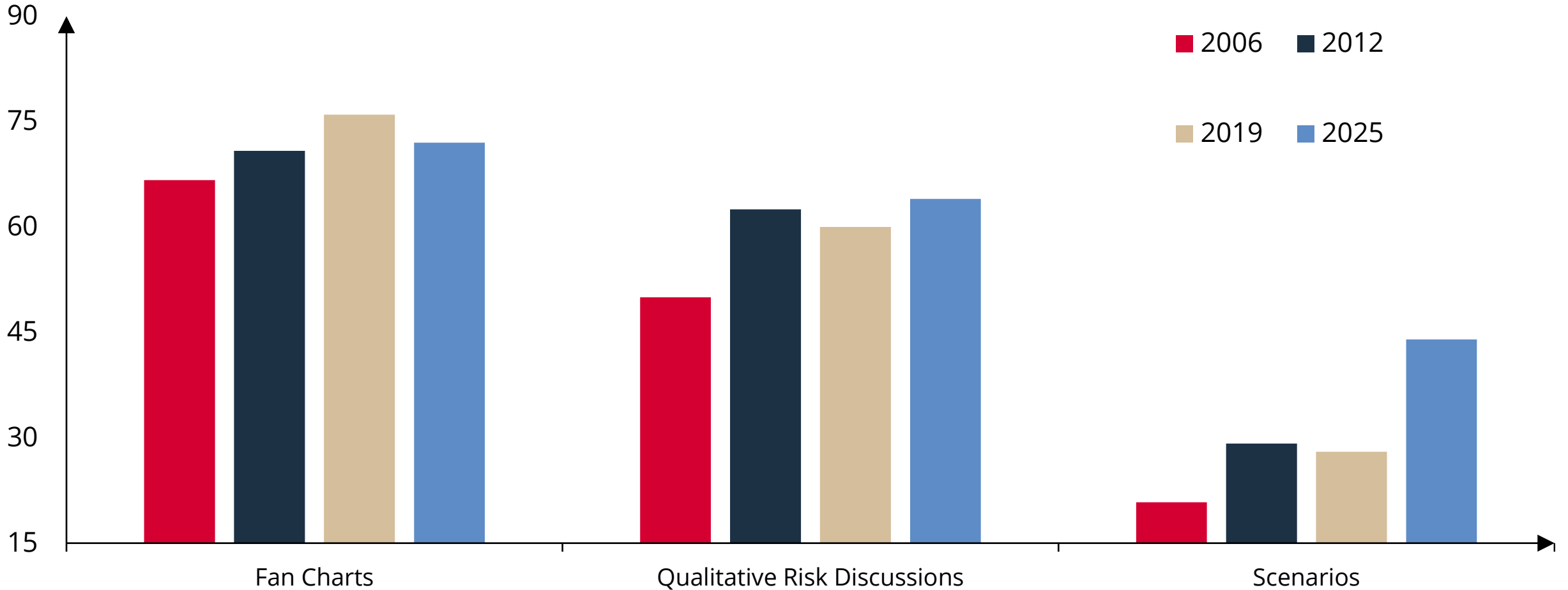
		IR 2026-I	IR 2026-II
Global Production Index* (Average Annual % Change)	2026	2.3	1.7
	2027	2.2	2.5
Oil Prices (USD, Annual Average)	2026	60.9	89.4
	2027	56.0	75.4
Import Prices (USD, Average Annual % Change)	2026	2.0	6.3
	2027	-0.9	-0.2
Food Prices (Year-End, % Change)	2026	19.0	26.3
	2027	11.0	19.0

Revisions to Interim Targets

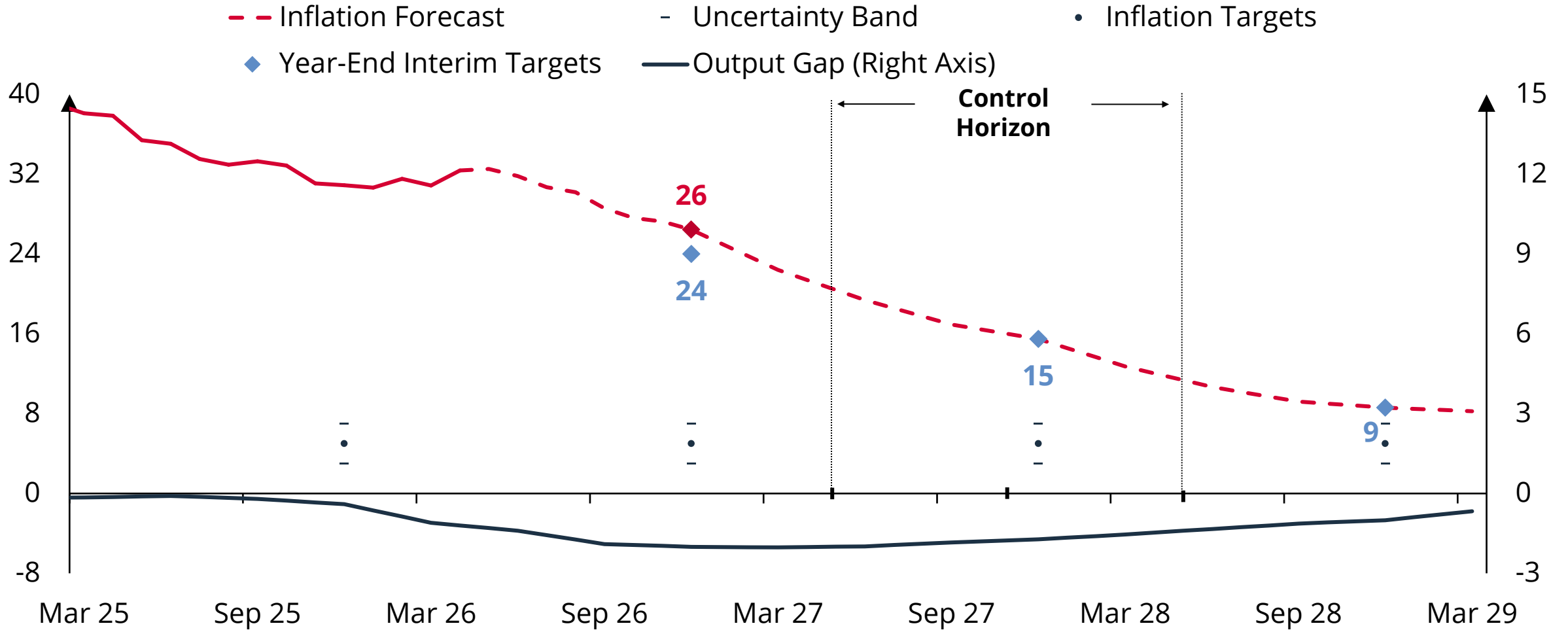
	IR 2026-I	IR 2026-II
2026	16	24
2027	9	15
2028	8	9

A new approach has been adopted in forecast uncertainty communication.

Risk Communications of Central Banks*



Inflation is projected to be 26% in 2026, 15% in 2027 and 9% in 2028.



In a highly uncertain environment, certain risk factors are highlighted.

Risks	Upside	Downside
Oil prices	<ul style="list-style-type: none"> Depending on the course of the war, oil prices remaining higher for longer relative to the main assumptions 	<ul style="list-style-type: none"> Depending on the course of the war, oil prices remaining lower relative to the main assumptions
Natural gas prices	<ul style="list-style-type: none"> Geopolitical risks to energy infrastructure Higher LNG demand in Europe 	
Food prices	<ul style="list-style-type: none"> War-induced increase in global food prices Negative supply shock in fruit and vegetable Negative supply shock in milk and meat 	<ul style="list-style-type: none"> Positive supply shock in fruit and vegetables
Frequency of supply-side shocks and inflation inertia	<ul style="list-style-type: none"> The more frequent and successive supply-side shocks resulting in higher inertia in inflation 	
Supply chain	<ul style="list-style-type: none"> Supply chain related shocks negatively impacting production processes 	

The tight monetary stance will be maintained until price stability is achieved.

Inflation realizations

Underlying inflation

Inflation expectations

The tightness required by the projected disinflation path in line with the interim targets will be ensured.



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