TÜRKİYE CUMHURİYET MERKEZ BANKASI

Summary of the Monetary Policy Committee Meeting

September 17, 2026, No: 2026-42

Meeting Date: September 10, 2026

Global Economy

1. As a result of the growing uncertainty amid geopolitical developments, energy prices remain elevated and volatile. The duration and extent of uncertainties regarding energy supply, supply chains, and transport costs will continue to be decisive for the future trajectory of energy prices. Meanwhile, agricultural commodity prices are also on the rise due to adverse weather conditions and geopolitical developments. This emerges as another upside risk factor for inflation developments and expectations.
2. Due to geopolitical developments, the negative growth outlook for the Middle East and Africa for 2026 persists. On the other hand, growth rates are expected to recover in 2027, supported by favorable base effects. Accordingly, the weak and fragile outlook is expected to continue globally, and the global growth index, which is weighted by the export shares of Türkiye's foreign trade partners, is projected to increase annually by 1.6% and 2.5% for 2026 and for 2027, respectively.
3. Due to the volatility in commodity prices, upside risks to global inflation persist. While central banks remain vigilant about these risks, they also take into account the unfavorable effects of these developments on growth and employment. The policy rate pricing suggests that expectations of rate hikes have been maintained in advanced economies. The persistence of the supply shock caused by geopolitical developments along with adverse global weather conditions driven by climate phenomena such as El Niño and the degree to which it will disrupt inflation expectations are key considerations for the course of global monetary policy. Recently, increased uncertainty and fluctuations in risk appetite have led to capital outflows from emerging stock markets, with downside risks to portfolio flows remaining elevated at the same time.

Monetary and Financial Conditions

4. The average four-week growth rate of retail loans receded to 2% in the July 24-September 4 period on the back of the deceleration in general-purpose and housing loans. The average four-week growth rates of Turkish lira (TRY) commercial loans edged up to 2.5% and that of foreign currency (FX) commercial loans adjusted for exchange rates remained flat at 0.7%.
5. TRY deposit rates decreased by 255 basis points compared to the week ending July 24, and stood at 44.4% as of the week ending September 4. In the same period, TRY commercial loan rates (excluding overdraft accounts and credit cards) dropped by 242 basis points to 49.3%. General-purpose loan rates (excluding overdraft accounts) decreased by 221 basis points to 63.0%, housing loan rates increased by 55 basis points to 41.9%, and vehicle loan rates, following a volatile trend, declined by 615 basis points to 37.6%.

6. The program limits for advance loans against investment commitment (ALAIC) have been increased from TRY 300 billion to TRY 750 billion. Of the additional TRY 450 billion, which was allocated to the program limit, the TRY 50 billion-portion has been added to the 2026 limit, leading to a revision in the 2026 ALAIC limit as TRY 150 billion. The remaining limit has been allocated in sums of TRY 200 billion for each of 2027 and 2028.

7. The gross international reserves of the Central Bank of the Republic of Türkiye (CBRT) have increased by USD 21.6 billion since July 24 and reached USD 184.2 billion as of September 4. Since July 22, Türkiye's five-year credit default swap (CDS) premium has dropped to 220 basis points as of September 9. Compared to July 22, the one-month implied exchange rate volatility of the Turkish lira increased to 6.1%, and the 12-month implied exchange rate volatility of the Turkish lira edged up to 18.8% as of September 9. Since the previous MPC meeting week through September 4, net portfolio inflows totaled USD 1.1 billion, comprising USD 1.3 billion of inflows to the Government Domestic Debt Securities (GDDS) market and USD 0.1 billion of outflows from the stock market.

Demand and Production

8. In the second quarter of 2026, Gross Domestic Product (GDP) increased by 2.3% year-on-year and by 1.1% quarter-on-quarter. By the production approach, all items excluding construction contributed positively to annual growth, while the services sector was the primary driver of growth in the second quarter. Following the annual increase in the first quarter, agricultural value added recorded a strong upturn in the second quarter. In annual terms, after a decline in the first quarter, industrial value added picked up in the second quarter. By the expenditure approach, final domestic demand remained as the driver of annual growth. The positive contribution of private consumption and total investments to annual growth declined slightly compared to the previous quarter. On a quarterly basis, the fall in private consumption grew in the second quarter, pointing to an evident deceleration in consumption. In this period, total investments remained unchanged on a quarterly basis. Exports of goods and services increased, while imports thereof registered a decline, and net exports contributed positively to quarterly growth. In sum, second quarter data point to a more pronounced weak course in domestic demand.

9. In June, the retail sales volume index recorded a monthly increase of 0.7% and a quarterly increase of 1.7%. Retail sales excluding gold receded month-on-month, while rising by 1.3% quarter-on-quarter. Thus, the quarterly growth of retail sales decelerated. In the same period, the trade sales volume index rose by 1.9% month-on-month but declined by 0.4 % quarter-on-quarter. In June, the services production index rose by 0.6% on a monthly basis, while remaining flat on a quarterly basis. In the July-August period, card spending remained almost unchanged on a quarterly basis. Sales of major appliances recorded a limited quarterly increase as of July. As for automobile sales, the decline recorded in the previous quarter continued in August. Survey data for manufacturing firms point to a decline both in registered domestic market orders and expected domestic market orders for the future. To sum up, the leading data for the third quarter confirm the ongoing weakening in domestic demand.

10. In July, the industrial production index decreased by 1.0% month-on-month when adjusted for seasonal and calendar effects, and edged down by 0.3% year-on-year when adjusted for calendar effects. On a quarterly basis, industrial production fell by 1.9% in the third quarter as of July. When typically, volatile sectors, such as other transportation and similar sectors, are excluded to monitor the underlying trend, the monthly decline in industrial production proves more limited. As of August, data from the business tendency survey pointed to an increase in production volume expectations for the next three months. Meanwhile, the capacity utilization rate posted a slight fall in this period. The index of production in construction fell by 4.2% in

quarterly terms in the second quarter, and by 2.3% compared to the same period of the previous year.

11. In July, seasonally adjusted employment stood at 32.4 million people, with a slight decline compared to the previous quarter average. In this period, the labor force participation rate decreased by 0.2 percentage points quarter-on-quarter. As the decline in employment was larger, the unemployment rate edged up by 0.1 percentage point on a quarterly basis and became 8.1%. Survey indicators suggest that the outlook lagging behind historical averages for manufacturing firms' future employment expectations persisted.

12. The current account balance ran a monthly deficit of USD 4.2 billion in June. The 12-month cumulative current account deficit increased by USD 1.9 billion month-on-month and stood at USD 38.9 billion. Travel revenues stood at USD 5.8 billion on a monthly basis and USD 60.3 billion in 12-month cumulative terms. The services balance surplus remained robust at USD 63.7 billion.

13. In August, seasonally adjusted exports and imports both rose, with exports registering a larger increase. Imports and exports posted an increase on an annual basis as well. Against this background, the 12-month cumulative foreign trade deficit declined slightly compared to the previous month. In August, gold imports stood at around USD 0.3 billion, and declined to USD 20.1 billion in 12-month cumulative terms. According to the current data, the 12-month cumulative current account deficit is projected to widen in July and August. The impact of recent geopolitical developments on the current account deficit is expected to be largely shaped by the course of energy price developments. Seasonally adjusted imports of consumption goods went up somewhat in July and August, after declining in the second quarter of the year. When provisional foreign trade data for August are considered along with the high-frequency leading data for September, the three-month average trends point to a fall in exports and imports and a narrowing of the foreign trade deficit compared to the second quarter of the year.

14. Regarding the financing of the current account deficit, the banking sector's 12-month cumulative long-term debt rollover ratio was 151.3% in June. In the non-bank corporate sector, this ratio was 231.4%. Accordingly, external financing opportunities remain at high levels.

Inflation Developments and Expectations

15. Consumer prices increased by 1.84% in August, and annual inflation edged down by 0.24 percentage points to 31.51%. In this period, consumer inflation was primarily driven by surging energy prices amid geopolitical developments and the resulting impact on transport services, as well as by education and communication services. Annual inflation rose most notably in energy, followed by the alcohol-tobacco-gold and services groups, but fell in other main groups. The annual rate of change was down by 0.30 percentage points to 30.68% in the B index (CPI excluding energy, unprocessed food, alcoholic beverages-tobacco and gold) and was up by 0.16 percentage points to 30.07% in the C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages-tobacco and gold).

16. Compared to the previous month, the contributions of the food and non-alcoholic beverages, and core goods groups to annual consumer inflation decreased by 0.81 and 0.32 percentage points, respectively, whereas those of the services, energy, and alcohol-tobacco-gold groups edged up by 0.43, 0.40 and 0.06 percentage points.

17. In August, the sharp monthly increase of 5.46% in energy prices was driven by rising fuel prices resulting from developments in international oil prices. The rise in refinery margins was also reflected in diesel prices. In August, monthly inflation in services remained elevated, led primarily by education, as well as communication and transport services. Prices in the alcoholic

beverages and tobacco group rose. This was mainly driven by price increases in tobacco products, along with the carry-over effect of the tax revision implemented in July. In August, the slowdown in food inflation was steered by the unprocessed food subgroup, which saw a decrease in prices led by fresh fruit and vegetables, whereas monthly inflation in processed food remained relatively high. In the core goods group, prices fell in the clothing and footwear subgroup due to seasonal discounts, while prices of goods other than clothing remained moderate.

18. In seasonally adjusted terms, monthly consumer price inflation remained flat both in the headline index and the B index, but fell in the C index. In seasonally adjusted terms, among the components of the B index, price increases weakened in core goods, were relatively flat in services, and gained pace in processed food. Indicators monitored by the CBRT suggest that underlying consumer inflation edged up slightly in August, following the decline in July. These indicators continued their downward trend in terms of three-month averages.

19. As of August, seasonally adjusted inflation based on three-month averages was flat in the services sector compared to the previous month while falling in core goods. Despite supply-side shocks caused by geopolitical developments, the weak course of demand conditions appears to be limiting the underlying trend of inflation.

20. The prevalent price-setting behavior in the services sector leads to significant inertia and causes the impact of shocks on inflation to extend over a long period of time, and services inflation remains higher than goods inflation. As of August, annual goods inflation was around 26%, while services inflation hovered around 40%. Among subgroups of services inflation, annual inflation rose in the communication, transport, and other services groups, while it receded in rents and restaurants-hotels. In August, monthly inflation in other services increased by 3.22%, reflecting the effect of the pilgrimage fees being announced in August this year, unlike the previous year, in addition to education services. Prices of education services rose by 8.62% on the back of the increase in the tuition fees of foundation higher education institutions. The increases in university tuition fees, which took place only once in September in the previous year based on the registration period, extended over the August-September period this year. This development is expected to have an upward effect on services sector inflation in August and a downward effect in September. Mobile phone call charges were influential in the 5.03% increase in communication services. Inflation in transportation services, which has been on the rise due to fuel prices, strengthened and stood at 4.98% in August. In this period, air passenger transportation was the main item that stood out. Although monthly rent inflation rose slightly to 3.04% due to seasonal effects on contract renewal rates, it continued to decelerate on an annual basis. In this period, the downward trend in seasonally adjusted rent inflation became more pronounced. Meanwhile, the restaurants-hotels group remained on a moderate track.

21. In August, domestic producer prices rose by 2.57%, and annual producer inflation increased by 0.12 percentage points to 27.95%. During this period, energy prices continued to stand out among the main industrial groupings, with an increase of 6.99%. Prices of durable consumption goods (excluding jewelry) were up by 2.01%, while increases in other main industrial groupings ranged between 1.5% and 1.8%. On a sectoral basis, refined petroleum products, tobacco, coal and lignite, metal ores, and electricity were the subgroups with notable price increases.

22. In August, international commodity prices rose due to higher energy, agricultural commodity, and industrial metal prices. As of the first ten days of September, energy commodity prices saw a marked increase, driven by developments in the Strait of Hormuz. Agricultural commodity prices were also on the rise. Brent crude oil prices are highly volatile. After declining in June, Brent crude oil prices stood at USD 91 in August amid geopolitical tensions re-

escalating in July, and reached an average of USD 103 as of the first ten days of September. Similarly, the Title Transfer Facility (TTF) natural gas prices continue to rise. Gold prices remained relatively flat as of the first ten days of September following the rise in August. Uncertainties regarding geopolitical developments drive up commodity prices, particularly energy prices, and cause disruptions in the flow of raw materials, thereby creating inflationary pressures on a global scale. The FAO Food Price Index edged up in July, led by sugar and cereal prices. Meanwhile, renewed tensions between Russia and Ukraine have heightened supply concerns, triggering a recent uptrend in the prices of certain cereal products. Due to the El Niño climate phenomenon, prices of certain agricultural commodities including rice, sugar, coffee, and cocoa are rising, and upside risks are becoming evident for products such as some vegetable oils and corn. In short, climate events and global supply concerns put pressure on the prices of various food products, which poses upside risks to animal production costs.

23. The Global Supply Chain Pressure Index, which stood well above its historical average in April and May due to geopolitical developments, moderated in the following period but still stayed above its historical average. Amid geopolitical developments, risks related to the Strait of Hormuz persist, and global freight rates are unfavorable. The rise in container price indices for the global market and China since March continued through the first ten days of September. Dry cargo indices also recorded sharp increases in August and the first ten days of September. In addition, while the basket exchange rate rose somewhat in August, partly reflecting developments in the euro/USD exchange rate, it remained moderate as of the first ten days of September. Seasonally adjusted manufacturing industry PMI data for August pointed to an increase in input and product price indices and a partial disruption in delivery times.

24. In August, a general increase was observed in sectoral inflation expectations. According to the results of the Survey of Market Participants, the year-end inflation expectation for 2026 increased by 0.2 percentage points to 29.4%, while the year-end inflation expectation for 2027 increased by 0.5 percentage points to 21.9%. The 12-month ahead inflation expectation decreased by 0.3 percentage points to 23.7%, while the 24-month ahead inflation expectation was up by 0.2 percentage points to 18.0%. The five-year ahead inflation expectation decreased by 0.4 percentage points to 11.1%. As for the expectations of the real sector, the 12-month-ahead inflation expectation of firms increased by 0.3 percentage points to 32.8%. In the same period, the 12-month-ahead inflation expectation of households was up by 0.6 percentage points to 45.6%. Inflation expectations and pricing behavior continue to pose risk to the disinflation process.

25. Despite monthly fluctuations, recent inflation figures and leading indicators suggest that the underlying trend of inflation is decelerating. The rise in the underlying trend of inflation in August was influenced also by the fact that the increase in tuition fees of foundation higher education institutions, which took place entirely in September last year, were split between August and September this year, and the early announcement of Hajj fees in August instead of September. While these two shifts increased August inflation by approximately 0.25 percentage points, it will mechanically pull-down September inflation owing to education services. Therefore, it will be important to remain cautious regarding the increase that these services items created in the underlying trend in August and the potential decrease they may cause in September, as these occurred in different months in the previous year. Leading indicators suggest a slowdown in seasonally adjusted monthly services inflation. The moderate trend in core goods prices is estimated to continue in September. Preliminary data regarding the food group indicate that annual inflation in this category will decrease significantly, to be driven by the decline in fresh fruit and vegetable prices, particularly in vegetables. Meanwhile, the uptrend in global energy prices is expected to continue pushing up the annual inflation of the energy group through fuel and LPG. Elevated energy prices amid geopolitical developments pose an upward risk to the inflation outlook. The impact of geopolitical

developments on the inflation outlook through the cost channel, economic activity and expectations is closely monitored.

Monetary Policy

26. In a press release on August 23, 2026, the CBRT announced that one-week repo auctions, which had been suspended on March 1, 2026, would be resumed.

27. The Monetary Policy Committee (the Committee) has decided to keep the policy rate (the one-week repo auction rate) at 37 percent. The Committee has also maintained the Central Bank overnight lending rate and the overnight borrowing rate at 40 percent and 35.5 percent, respectively.

28. 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. In case of a significant and persistent deterioration in the inflation outlook, monetary policy stance will be tightened. The Committee reiterated that it remains highly attentive to upside risks on inflation.

29. In case of unanticipated developments in credit and deposit markets, monetary transmission mechanism will be supported via additional macroprudential measures. Liquidity conditions will continue to be closely monitored and liquidity management tools will continue to be used effectively.

30. The Committee will make its policy decisions so as to create the monetary and financial conditions necessary to reach the 5 percent inflation target in the medium term. The Committee will make its decisions in a predictable, data-driven and transparent framework.