



CPI inflation broadly in line, while core inflation surprised on the downside

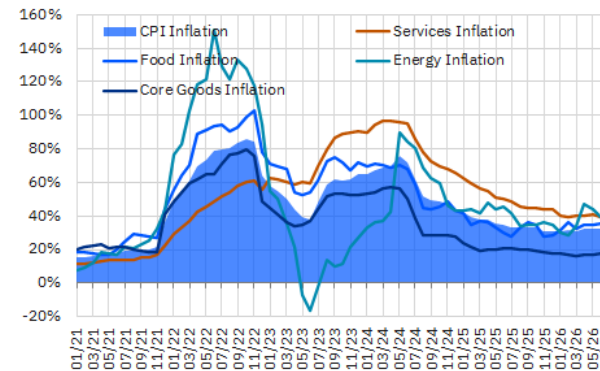
June CPI inflation came in at 0.99% MoM, in line with the median estimate, while the annual rate eased to 32.1% from 32.6%. June **CPI inflation** came in at 0.99% MoM, broadly in line with the 0.98% median market expectation, but slightly above our 0.80% forecast. The corresponding figure in June 2025 was 1.37%. As a result, YoY CPI inflation declined to 32.1% from 32.6% in May. Meanwhile, **core CPI inflation (C-index)** surprised positively, easing to 1.46% MoM, below both our forecast and the market median expectation of 1.65% (June 2025: 1.93%). This brought YoY core inflation down to 29.8% from 30.4%. **Domestic PPI inflation** also moderated to 1.80% MoM (June 2025: 2.46%) amid easing commodity prices, with YoY inflation declining to 28.1% from 28.9%.

Headline inflation met expectations, while core inflation showed a more favourable picture. The main reason why headline CPI exceeded our 0.80% forecast was that the disinflation in **food** and **energy** prices proved weaker than we had anticipated. We had expected **food inflation** at -0.7% MoM, assuming another double-digit decline in vegetable prices. While the correction in vegetable prices materialized broadly as expected, food inflation came in at 0.2%, mainly because processed food inflation remained elevated at 2.6%, offsetting the favourable impact from fresh food. Similarly, **energy inflation**, which we had forecast at -1.7%, was announced at 0.9% MoM. Although the decline in fuel prices was broadly in line with our expectations, 2.7% increases in electricity prices and 2.1% increases in natural gas prices limited the overall decline in the energy component. In addition, supported by exchange rate stability, we had expected **durable goods** and **other core goods inflation** to remain close to 1.0% MoM, similar to the previous month. Instead, these categories increased by 1.4% and 2.0%, respectively. On the positive side, **services inflation** softened more than expected, coming in at 1.7% MoM versus our 2.1% forecast. Accordingly, YoY services inflation declined to 39.6% from 41.1%. The evolution of services inflation during the summer months—when seasonal price increases typically intensify—will remain one of the key determinants of the headline inflation outlook. As noted above, although core goods inflation exceeded our expectations, the more pronounced easing in services inflation led **core CPI (C-index)** to come in at 1.46%, below both our 1.65% forecast and the market consensus.

Our preliminary July CPI forecast stands at around 1.2%. The 15–17% increases in bridge and highway tolls implemented at the beginning of the month are unlikely to have a meaningful impact on headline CPI given their limited weight in the consumption basket. In contrast, the 90–280% increases in healthcare examination co-payments could make a direct contribution of around 0.3 percentage point to monthly inflation. (A similar adjustment in January 2025 had added close to 0.4 percentage point to CPI.) On the other hand, unlike previous years, July excise tax (SCT) adjustments on fuel and cigarettes will not be implemented this year, providing an important offsetting factor. We also expect both food and energy inflation to remain broadly flat, or even slightly negative. Seasonal discounts in clothing prices should constitute another disinflationary factor. Meanwhile, services inflation could exceed 3.0% MoM, reflecting the healthcare-related adjustments and other seasonal factors.

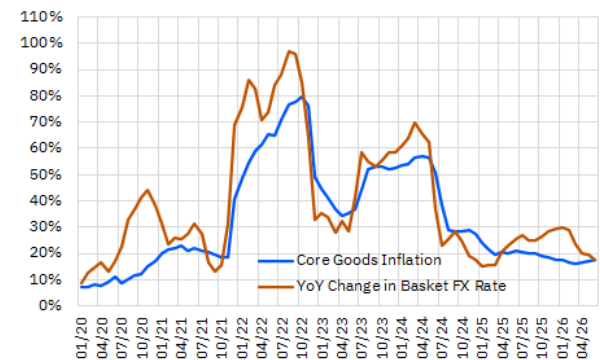
A July inflation outcome around our forecast could pave the way for a gradual normalization of the CBRT's operational framework. Since YoY CPI inflation remains elevated at 32%, we continue to expect the CBRT to maintain its cautious stance at the 23 July MPC meeting and keep market funding at the 40% O/N lending rate. That said, should July inflation materialize close to our 1.2% forecast (roughly within the 1.0–1.5% range), the CBRT may begin to gradually shift funding back to the one-week repo channel (37%) as part of the normalization process. The pace of this normalization will also depend on developments in FX reserves, which will remain another key determinant. At this stage, **we maintain our year-end CPI inflation forecast at 29.5% and our year-end policy rate forecast at 35.0%. However, provided that commodity prices do not resume their upward trend, the CBRT could accelerate the pace of policy easing during the first half of 2027 with the base-effect related improvement in inflation.**

Graph 1: Major Components of CPI Inflation, YoY



Source: TurkStat, Gedik Investment Research

Graph 2: Change in Basket FX Rate vs. Core Goods Inflation, YoY



Source: TurkStat, Gedik Investment Research

EXHIBIT 1: Our CPI Inflation Forecast vs. Actual

	Weight	TurkStat	Gedik
CPI Inflation		0.99%	0.80%
Items Excluding Core Inflation	34.7%	0.15%	-0.74%
Food and Non-Alcoholic Beverages	24.4%	0.17%	-0.70%
Energy	7.1%	-0.91%	-1.70%
Alcoholic Beverages and Tobacco	2.8%	3.46%	2.50%
Gold	0.4%	-4.15%	-6.00%
Core Inflation (C Index)	65.3%	1.46%	1.65%
Services	38.4%	1.69%	2.10%
Core Goods	26.9%	1.11%	0.94%

Source: TurkStat, Gedik Investment Research

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EXHIBIT 2: CPI inflation; subcomponents (2025=100)

	Weight	MoM		Ytd		YoY	
		Jun-26	Jun-25	Jun-26	Jun-25	Jun-26	May-26
CPI		0.99%	1.37%	17.8%	16.7%	32.1%	32.6%
Food, Beverages	24.4%	0.17%	-0.27%	19.9%	13.6%	35.4%	34.9%
Tobacco and Liquor	2.8%	3.46%	0.14%	14.1%	11.2%	34.2%	29.9%
Clothing and Shoes	7.9%	-0.18%	-0.27%	7.0%	-0.2%	14.2%	14.1%
Housing	11.4%	2.30%	2.62%	23.1%	26.8%	45.1%	45.6%
Furnishings, household equipment&maintenanc	7.9%	1.98%	2.01%	13.0%	15.4%	22.3%	22.4%
Health	2.8%	1.17%	0.66%	24.1%	21.6%	33.6%	32.9%
Transportation	16.6%	-0.05%	2.34%	20.1%	17.7%	31.2%	34.3%
Information and communication	3.1%	1.87%	1.88%	13.4%	7.0%	25.6%	25.6%
Recreation, sport and culture	4.3%	1.00%	1.39%	14.8%	17.6%	25.4%	25.9%
Education services	2.0%	1.72%	4.48%	17.7%	33.9%	46.1%	50.1%
Restaurant, Cafe and Hotels	11.1%	2.11%	2.10%	18.6%	20.8%	31.6%	31.6%
Insurance and financial services	1.1%	1.06%	1.24%	26.5%	19.3%	28.1%	28.3%
Personal care, social protection and misc. goods	4.5%	1.04%	1.74%	11.5%	18.4%	22.7%	23.6%

Source: TurkStat

EXHIBIT 3: Core inflation indicators

	Weight	MoM		Ytd		YoY	
		Jun-26	Jun-25	Jun-26	Jun-25	Jun-26	May-26
Group B: Unprocessed food, energy, tobacco and alcoholic beverages and gold	79.8%	1.67%	1.76%	16.8%	17.3%	31.2%	31.3%
Group c: Food & non-alcoholic beverages, energy, tobacco and alcoholic beverages and gold	65.3%	1.46%	1.93%	16.6%	17.7%	29.8%	30.4%
Goods	61.6%	0.53%	0.71%	15.4%	12.8%	27.9%	28.1%
Energy	7.1%	-0.91%	2.27%	23.6%	19.8%	39.4%	43.9%
Unprocessed food	10.0%	-2.83%	-1.68%	22.2%	11.5%	33.2%	34.8%
Fruit and vegetables	3.9%	-10.22%	-1.94%	27.5%	9.2%	28.1%	40.0%
Processed food	14.5%	2.60%	0.97%	18.1%	15.4%	37.5%	35.3%
Goods excluding food and energy	30.1%	1.25%	0.96%	9.8%	10.1%	19.3%	18.9%
Core goods	26.9%	1.11%	1.01%	9.4%	9.7%	17.4%	17.3%
Clothing and footwear	7.8%	-0.22%	-0.32%	6.7%	-0.8%	13.7%	13.6%
Durable goods (excluding gold)	11.4%	1.39%	1.24%	8.9%	13.6%	16.8%	16.6%
Other core goods	7.7%	2.01%	1.59%	12.7%	11.9%	21.7%	21.2%
Alcoholic beverages, tobacco and gold	3.2%	2.38%	0.64%	13.1%	12.8%	33.8%	31.5%
Services	38.4%	1.69%	2.73%	21.6%	25.4%	39.6%	41.1%
Rents	6.8%	2.66%	3.97%	19.7%	30.8%	47.9%	49.8%
Hotels and restaurants	11.1%	2.11%	2.10%	18.6%	20.8%	31.6%	31.6%
Transportation	6.1%	0.58%	4.01%	31.1%	28.2%	47.0%	52.0%
Communication	1.6%	1.60%	1.48%	23.9%	9.0%	42.2%	42.0%
Other services	12.7%	1.41%	2.28%	20.4%	28.6%	35.7%	36.9%

Source: TurkStat

EXHIBIT 4: Domestic PPI inflation; subcomponents (2003=100)

	MoM		Ytd		YoY	
	Jun-26	Jun-25	Jun-26	Jun-25	Jun-26	May-26
D-PPI	1.80%	2.46%	16.1%	15.7%	28.1%	28.9%
Intermediate goods	1.88%	1.77%	17.0%	13.7%	27.9%	27.8%
Durable goods	0.24%	2.12%	13.8%	17.3%	29.0%	31.4%
Non-durable goods	1.41%	1.12%	16.2%	15.6%	31.4%	31.0%
Energy	3.04%	8.42%	18.2%	20.2%	24.9%	31.5%
Capital goods	1.66%	2.26%	11.1%	17.3%	23.0%	23.7%

Source: TurkStat

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