

Macro note – February 2026 Inflation

CPI increases by 2.96% month-on-month and 31.53% year-on-year in February. For the month, the average inflation rates for food, housing and transport are significantly above headline figures.

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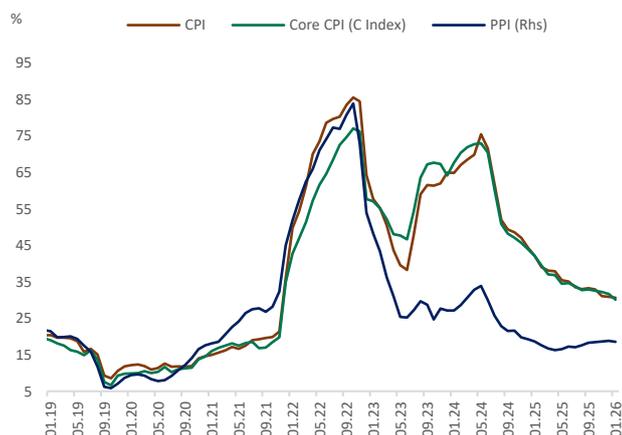
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	MoM%			YoY%		
	Market	Seker Invest	Actual	Market	Seker Invest	Actual
CPI	3,00	3,15	2,96	31,58	31,77	31,53
PPI	-	-	2,43			27,56

CPI rose by 2.96% in February compared to the previous month, while annual inflation stood at 31.53% (previously 30.65%). Market expectations were for inflation to increase by 3% monthly and 31.58% annually (Seker Invest expectation was 3.15% monthly and 31.77% annually). The figures, which were slightly below market and our expectations, have limited the upside risks in the main trend. Looking at the diffusion index for February, 147 sub-indices recorded increases, while 27 showed declines. Turning to the inflation index, which is more pronounced in the consumption group rather than headline inflation, there is also a divergence. The increase in items that constitute the majority of the consumption basket for the low-income group deviates significantly upwards from headline inflation. Food, housing and transport, which constitute the main expenditure basket for this group, have a 52.46% weight in the CPI index. This index, created using the average food, housing and transport inflation, rose by 35.32% year-on-year in February. The price dynamics this month can be summarized as follows. Following January's 6.59%, food and non-alcoholic beverages continued their upward momentum in February at 6.89%, with annual inflation at 36.44%. In insurance and financial services, inflation stood at 8.02% in February, with cumulative inflation for the first two months of the year at 19.7%. Inflation dynamics in food and services keep risks in the main trend indicators alive. Of the monthly inflation rate of 2.96%, 2.4 points come from food, housing and transport items. The monthly inflation rate for the B index (core inflation), which is the Special Comprehensive CPI Indicator, was 2.16%, while the annual inflation rate was 29.91%. The rate of disinflation in the core indicators is significantly better than the headline figures. This gives us a clue as to where the focus of the fight against inflation should lie. There are more positive developments in regulated areas such as education and rent. In particular, inflation in education, which was 6.61% in January, fell to 3.97% in February. As this area is included in the expenditure items of almost all income groups, the slowdown in this area is critical in terms of the main inflation trend. Housing increased by 2.4% this month, below headline inflation, although annual inflation remains high at 42.33%. Excluding clothing and footwear, prices increased in all spending groups this month. Transport printed below headline figures this month at 2.58% and 28.86% annually. The main inflation trend and expectations are considered indicators of the monetary policy stance, and we note a limited increase in the main trend this month. On the other hand, recent geopolitical risks continue to pose pressure risks, particularly on commodity and energy prices. Although it is too early to predict the net impact, there is a difference of around 30% between the CBRT's assumption for oil prices and the current figures. Even if it remains at these levels, this area will add approximately 4-5 points of additional pressure to inflation. In this context, we can say that the outlook for the CBRT's March meeting, from which a 50-100 basis point cut had been expected, has changed. Even if risks remain at these levels, the likelihood of an interest rate cut in March has fallen to very low levels. Assuming that the operations triggered by the Iran tension will last at least 4-5 weeks, if no agreement is reached, the interest rate cut will be shelved. In a more negative scenario (if attacks continue to escalate), we may see tighter measures from the CBRT. Although some measures have been taken to limit volatility, these can be considered wait-and-see steps. Currently, monthly price developments are overshadowed by geopolitical risks, and interest rate decisions will be made based on these developments.

Producer prices rose by 2.43% month-on-month in February, while the annual change in PPI stood at 27.56%. Looking at the sub-indices of PPI, the main industrial groups saw a 26.09% increase in intermediate goods, a 32.14% increase in durable consumer goods, a 31.57% increase in non-durable consumer goods, a 20.68% increase in energy, and a 29.51% increase in capital goods. Monthly dynamics saw a 2.48% increase in intermediate goods, a 4.47% increase in durable consumer goods, a 3.30% increase in non-durable consumer goods, a 0.22% decrease in energy, and a 2.25% increase in capital goods. The PPI-CPI gap rose to 3.97 points (previously 3.48) and highlights the risks that could arise from cost inflation (peak in October 2022 and 78 points). We estimate that cost and supply pressures are on an uptrend, albeit limited, and that this effect will be more pronounced throughout 2026.

Graph 1: CPI, PPI, and Core CPI (YoY %)



Graph 2: PPI – CPI Spread

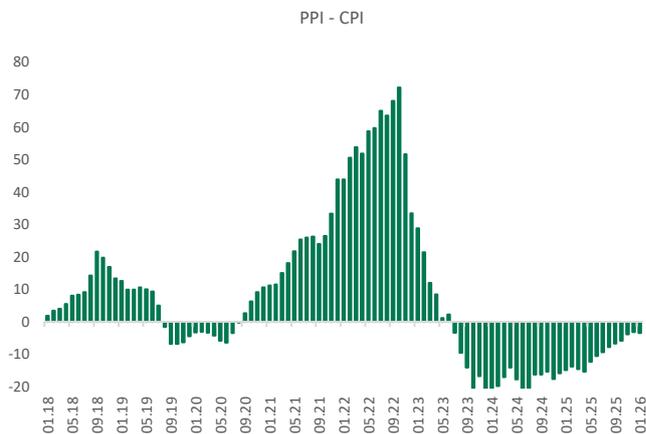


Table 1: Inflation and Sub-Components

Main expenditure groups	Weights	MoM(%)	Ytd (%)	YoY(%)
CPI	100,00	2,96	7,95	31,53
Food and non-alcoholic beverages	24,44	6,89	13,94	36,44
Alcoholic beverages and tobacco	2,75	3,86	5,45	36,54
Clothing and footwear	7,90	-5,31	-9,72	6,79
Housing, water, electricity, gas and other fuels	11,40	2,40	6,94	42,33
Furnishing, household equipment, routine maintenance of the house	7,92	0,90	4,12	22,18
Health	2,79	1,62	16,70	29,26
Transportation	16,62	2,58	8,01	28,86
Information and communication	3,10	3,77	7,96	22,41
Recreation, sport and culture	4,34	0,41	5,79	27,24
Education services	2,02	3,97	10,84	55,78
Restaurants and accomodation services	11,13	2,82	8,85	32,93
Insurance and financial services	1,07	8,02	19,71	28,31
Personal care, social protection and miscellaneous goods and services	4,49	1,81	7,3	28,02

In summary, while CPI rose by 2.96% month-on-month in February, annual inflation stood at 31.53%. Inertia and volatility in pricing behavior continue, albeit at a reduced pace. The delayed effects of the tight stance continue to be reflected gradually in price indicators. We are undergoing a period wherein we clearly feel the importance of the expectation channel in the transmission mechanism. As the improvement in the expectation channel will affect both pricing behavior and costs, we are closely monitoring inflation expectations. Despite the slowdown in consumption and demand inflation, the adjustment in service inflation is spread over time. Considering the scope of monetary policy, measures that take into account financial stability as well as price stability will contribute to both risk premiums and macro-financial stability by reducing exchange rate volatility. Within the current outlook, we maintain our inflation forecast for the end of 2026 at 23%. We emphasize here that we may update our inflation forecasts depending on developments in monthly inflation levels and the course of monetary policy.

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