Snap | 3 September 2026

TURKEY

Turkish inflation falls further in August

Slightly better-than-expected August CPI data pushed annual inflation lower, but the pace of disinflation remains slow, underscoring the challenges of bringing inflation down

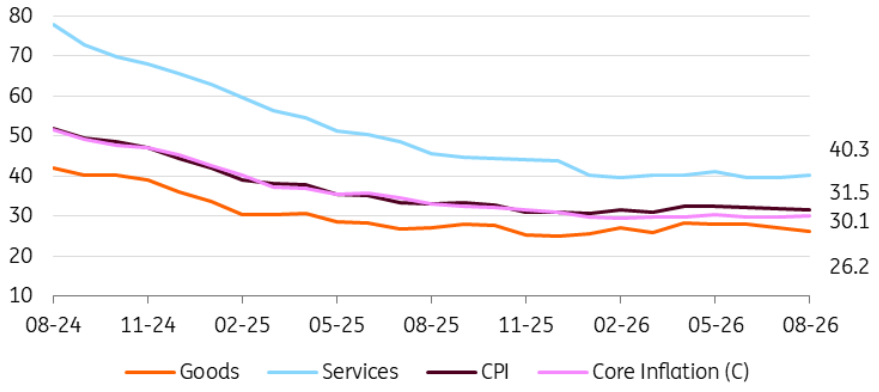
Monthly inflation in August was 1.84% vs the market consensus of 1.95% (but above our call of 1.6%), while annual inflation maintained a downtrend with a slight decline to 31.5% (vs the Central Bank of Turkey's target of 24% and forecast of 28% in the latest inflation report) from 31.8% a month ago. Despite energy and education pushing inflation higher, food inflation was relatively benign.

Core inflation (CPI-C) rose by 1.8% MoM, slightly above last year's level, resulting in an increase in the annual rate to 30.1%. The managed currency by the central bank, with modest nominal TRY depreciation – by 1.6% in August on average and 16.9% YoY, significantly below inflation in the same period – limited the increase. This indicates that the CBT maintains its exchange rate policy, which continues to support the disinflation objective through the cost channel.

In August, PPI stood at 2.6% MoM and 27.8% YoY, floating in the 26-28% range since last October, while a significant part of the monthly increase was driven by coke and refined petroleum products in addition to electricity and gas production. Global commodity prices and particularly oil prices in the current geopolitical backdrop will remain the key risk factors to the PPI and CPI in the near term.

Preliminary seasonally adjusted data, set to be published by TurkStat and closely monitored by the CBT, indicate that the seasonally adjusted headline CPI showed a limited recovery after the temporary uptick in July, though the services figure reinforced long-held views about inertia in this group.

Evolution of annual inflation (%)



Source: TurkStat, ING

A breakdown of the data shows that:

- The transportation group made the largest contribution to the headline figure (0.82ppt), driven by diesel prices and transportation services. This happened despite a new scheme that reduced the special consumption tax on diesel to TRY 0 per litre in the second half of August. From the end of August until the end of 2026, the tax will be TRY 3 per litre, before reaching TRY 13.90 per litre as of January 2027. The new system should alleviate some of the near-term pressure on diesel pump prices.
- Housing followed, attributable to rent and energy-related items with a monthly impact on the headline at 0.27ppt.
- Education, catering and alcoholic beverages & tobacco were other major contributors, with a 0.17-0.18ppt impact each on the headline. After the regulation to reduce backward indexation in education, the August (driven by tertiary education fees) and September readings will be key for the inflation outlook.
- The food group reading turned out relatively benign with a mere 0.06 impact thanks to a 2.0% MoM drop in unprocessed food prices vs a 2.0% increase last year and a slower increase in processed food. Accordingly, annual inflation fell to 33.8% (vs the CBT's assumption for this item of 28.5% for this year) from 37.5% a month ago.
- On the flip side, the clothing group dragged the headline figure (-0.24ppt) due to seasonal factors.

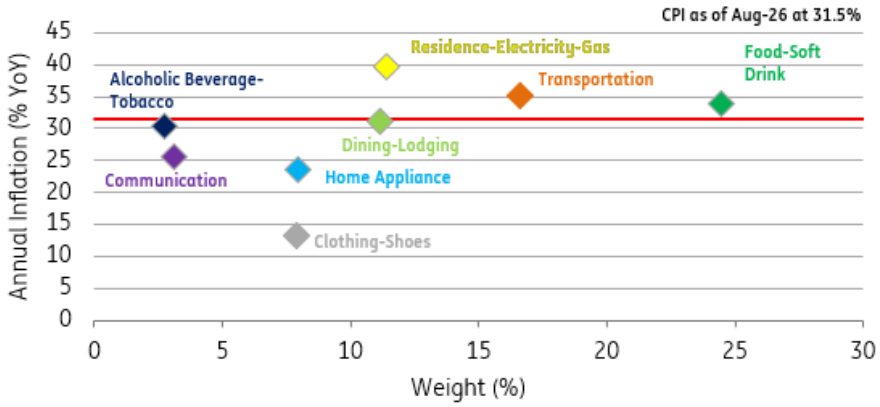
As a result:

- Goods inflation dropped to 26.2% YoY, while core goods inflation fell to 15.9%, remaining

subdued given the CBT's tight grip on the exchange rate supporting disinflation in this group.

- Services inflation rose to 40.3% YoY, while rent declined further with gradual normalisation continuing for more than two years.

Annual inflation in expenditure groups



Source: TurkStat, ING

Overall, slightly lower-than-expected August CPI data helped maintain the downtrend in the annual figure, though the pace of disinflation is quite slow. Uncertainty surrounding oil prices – along with their spillover effects on other commodity prices – continues to pose risks to the inflation outlook. The resumption of the Iran-US peace process, on the other hand, would calm geopolitical tensions and help oil prices return to prewar levels, which in turn would be supportive for the inflation outlook.

Towards the end of August, the CBT took a step to normalise liquidity and started weekly repo auctions. Accordingly, the effective cost of funding and TLREF dropped directly to the level of the policy rate at 37%, from 40%. The CBT is likely to remain on hold at the September MPC meeting next week given the limited time between the meeting and its liquidity move.

Author

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.