TÜRKİYE CUMHURİYET MERKEZ BANKASI

MONETARY POLICY AND MACROECONOMIC OUTLOOK

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Governor

AUGUST 4, 2026

ERZURUM

We have strong communication with the real sector.

We have interviewed firms from a variety of sectors and of different scales since 2013.

We have interviewed **132 firms** in **Erzurum and neighboring provinces in** 2026**,** totaling **1,413 firms** over the last five years.

We employ the **insightful and timely information** we obtain in decision-making processes.

We obtain information on **structural problems** in addition to cyclical developments.

We **share** the expectations and suggestions of the real sector **with** relevant **public institutions**.

We have **two-way communication** with the representatives of the real sector.

Institutions Visited

2025 Q1

- Eskişehir Chamber of Industry
- Eskişehir Chamber of Commerce
- Uşak Chamber of Commerce and Industry
- Denizli Chamber of Industry
- Denizli Chamber of Commerce
- German-Turkish Chamber of Commerce and Industry

2025 Q2

- YISAD Flat Steel Conference

2025 Q3

- Kayseri Chamber of Industry
- Kayseri Chamber of Commerce
- Ankara Chamber of Industry
- Ankara Chamber of Commerce
- Union of Chambers and Commodity Exchanges of Türkiye (TOBB)
- Bursa Chamber of Commerce and Industry

2025 Q4

- Kocaeli Chamber of Industry
- Kocaeli Chamber of Commerce
- Turkish Chamber of Shipping (TCS)
- MUSIAD
- TUSIAD

2026

- Türkiye Exporters Assembly
- Gaziantep Chamber of Industry
- Gaziantep Chamber of Commerce
- Konya Chamber of Industry
- Konya Chamber of Commerce
- Union of Chambers and Commodity Exchanges of Türkiye (TOBB)

Outline

Key Discussion Points

- How far has disinflation progressed?
- Which factors affect inflation?
- How do market rates decline?
- How does the war affect external demand?
- Why is price stability important?

1

How far has disinflation progressed?

- Normalization in pricing behavior
- Breaking the inertia in inflation
- Moderation in demand

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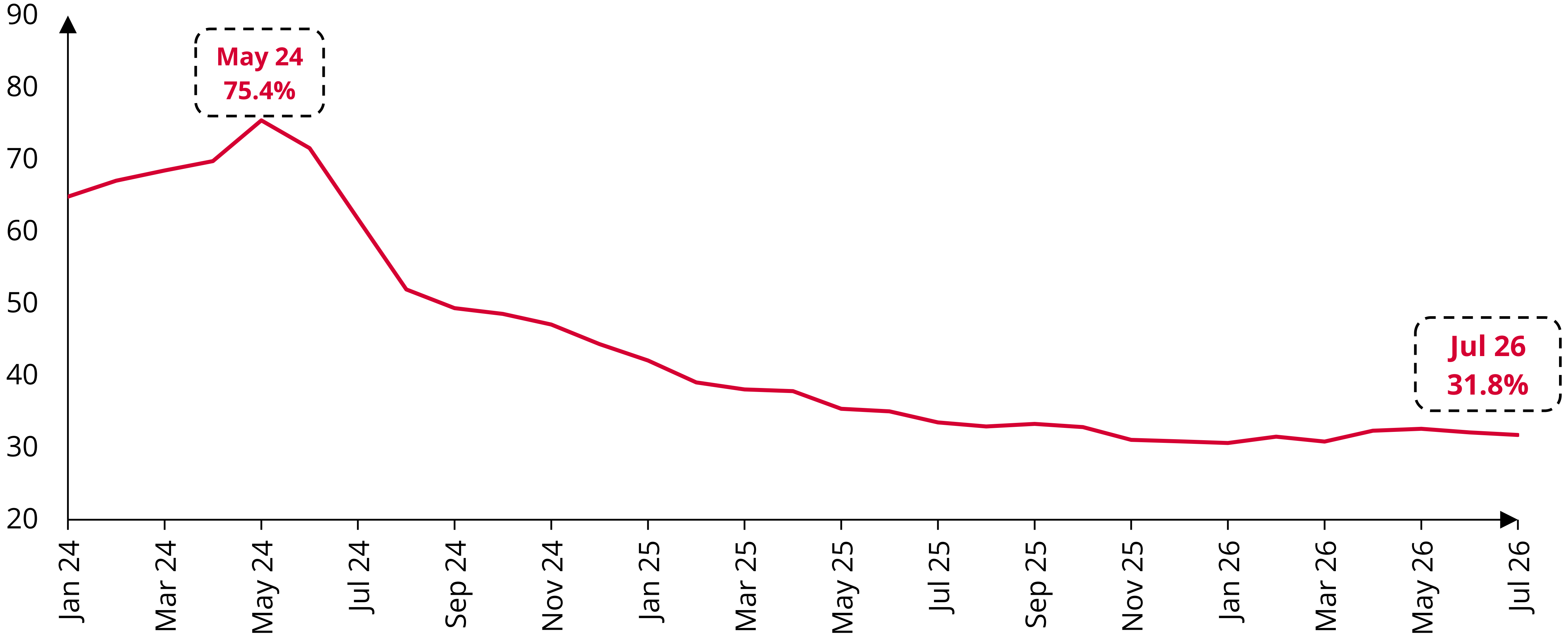
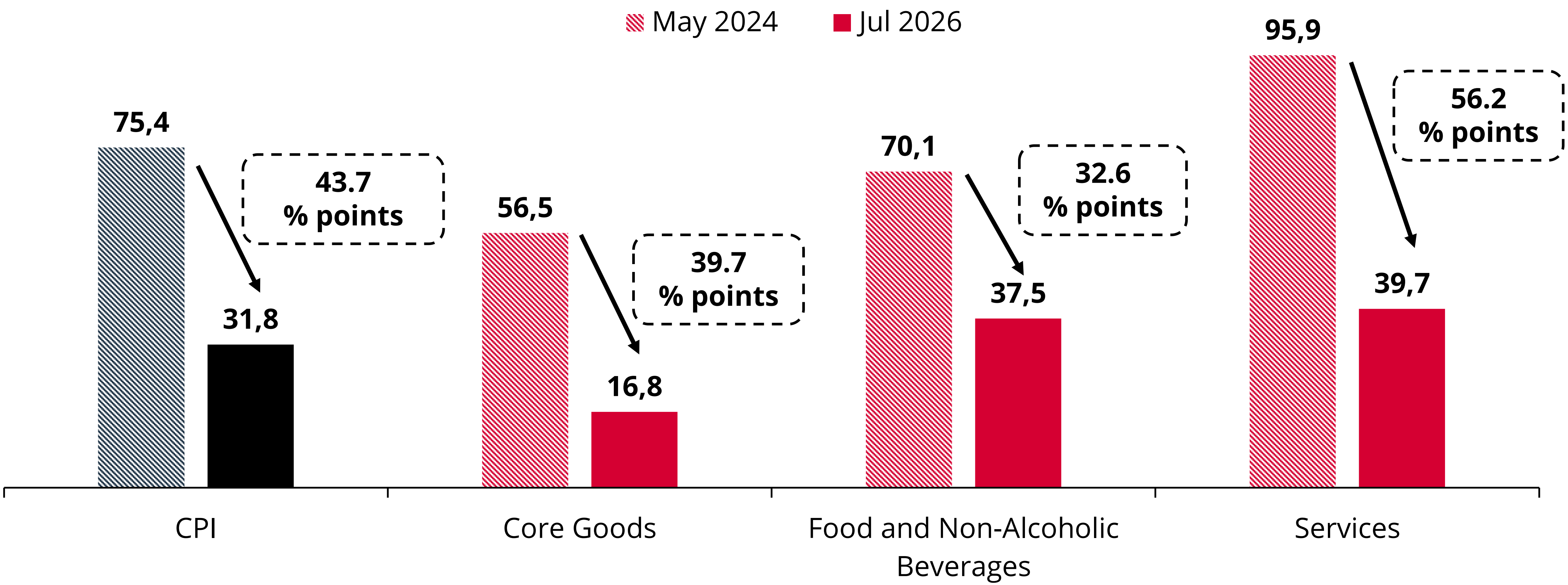
Annual inflation stood at 31.8% in July.

CPI (Annual % Change)



Inflation has fallen across the board since May 2024.

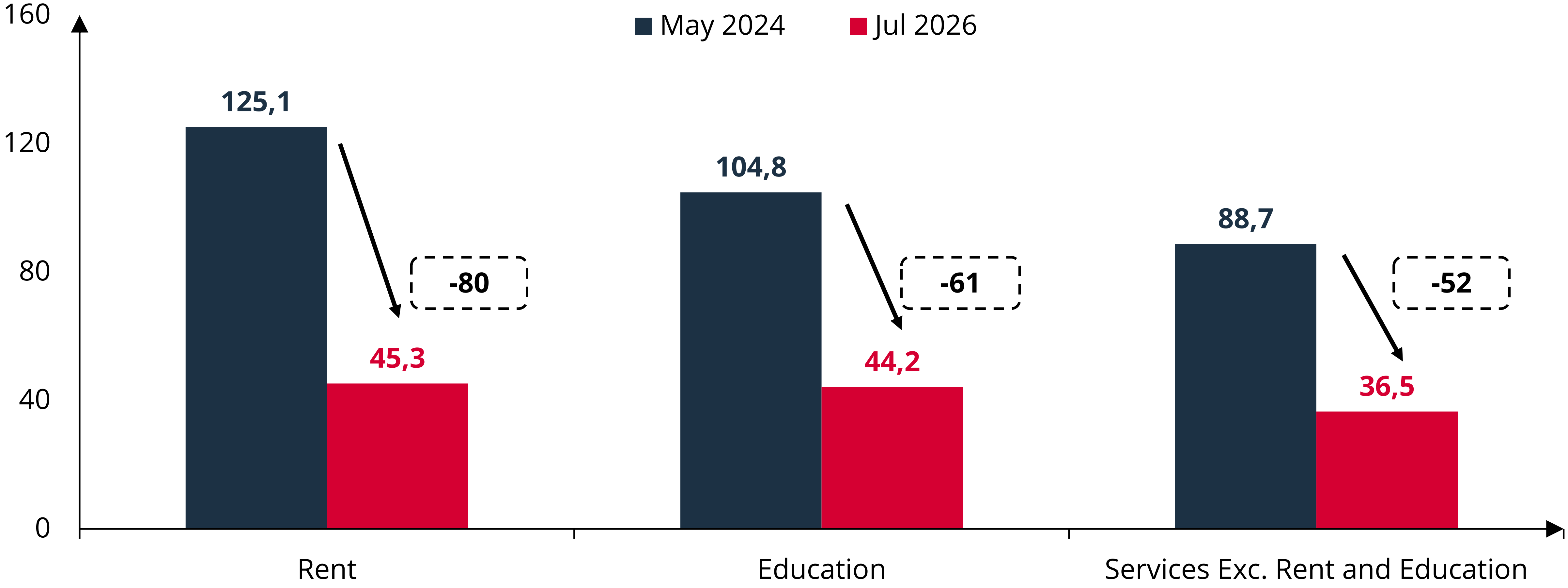
CPI Subitems (Annual % Change)



Source: TURKSTAT.

Lower inertia in rent and education supported the overall disinflation.

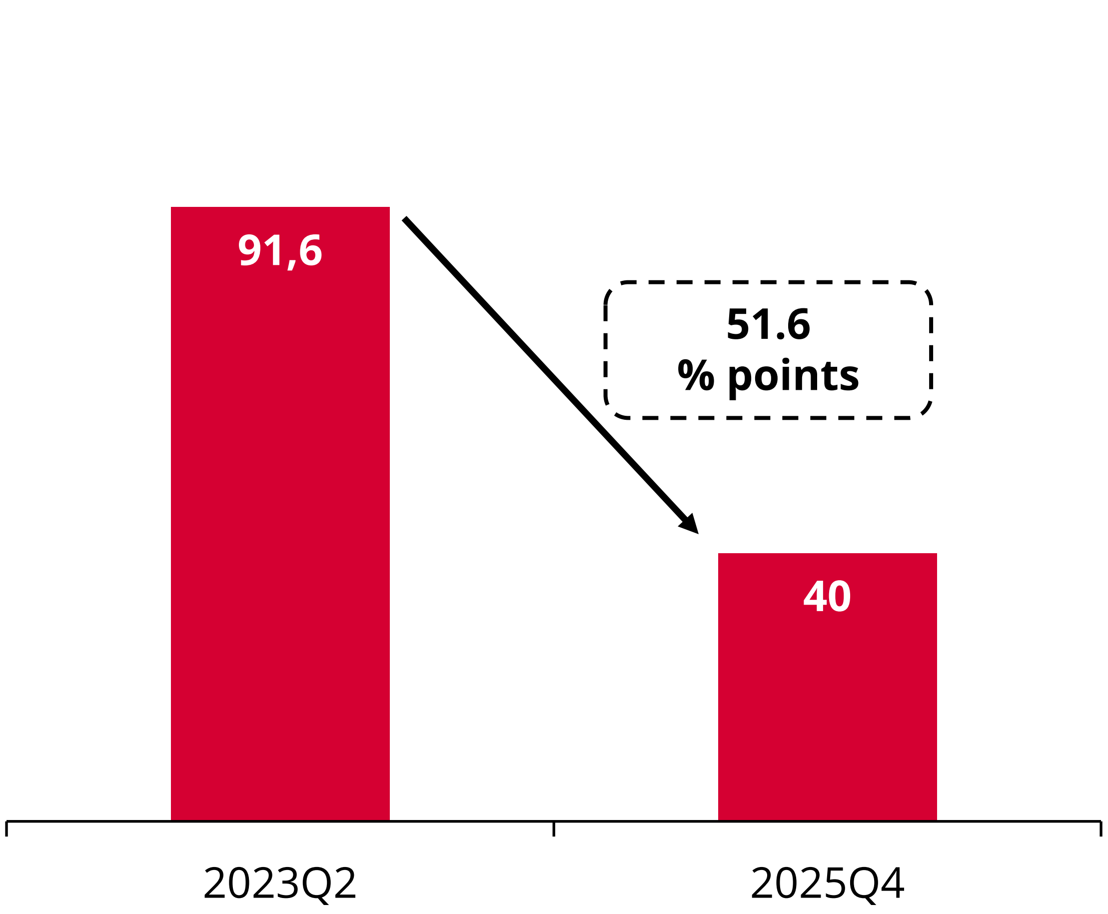
Services Subitems (Annual % Change)



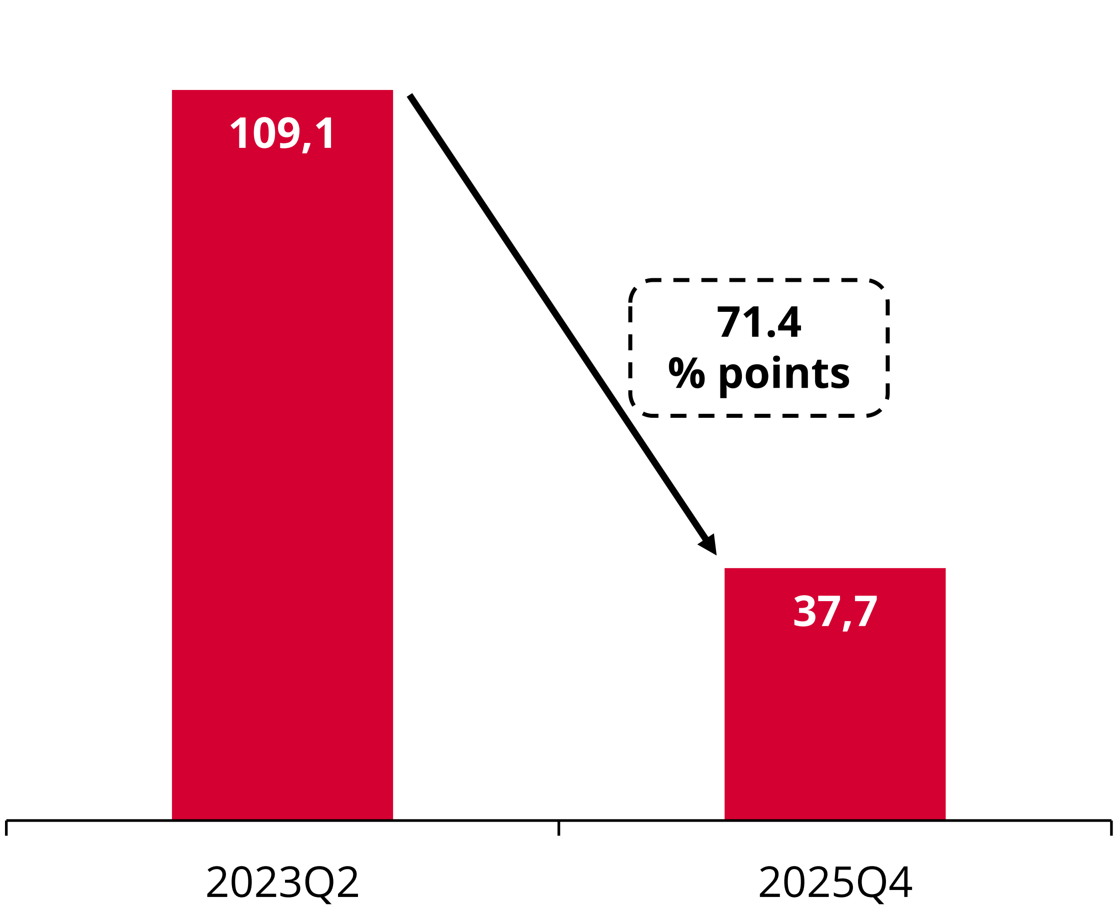
Sources: TURKSTAT, CBRT.

The decline in commercial rent inflation is easing cost pressures.

Increase in Shop Rents
(Annual % Change)

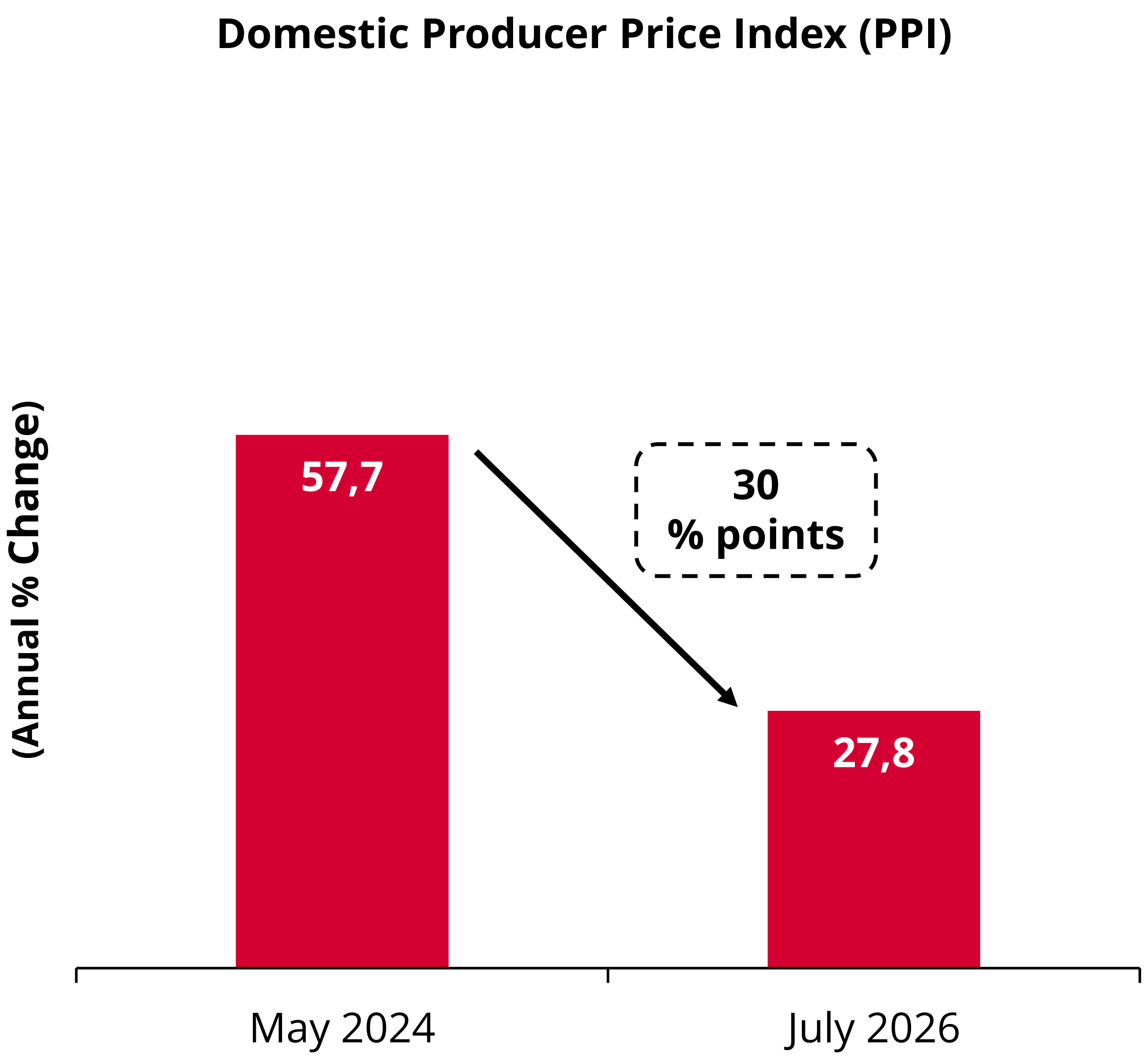


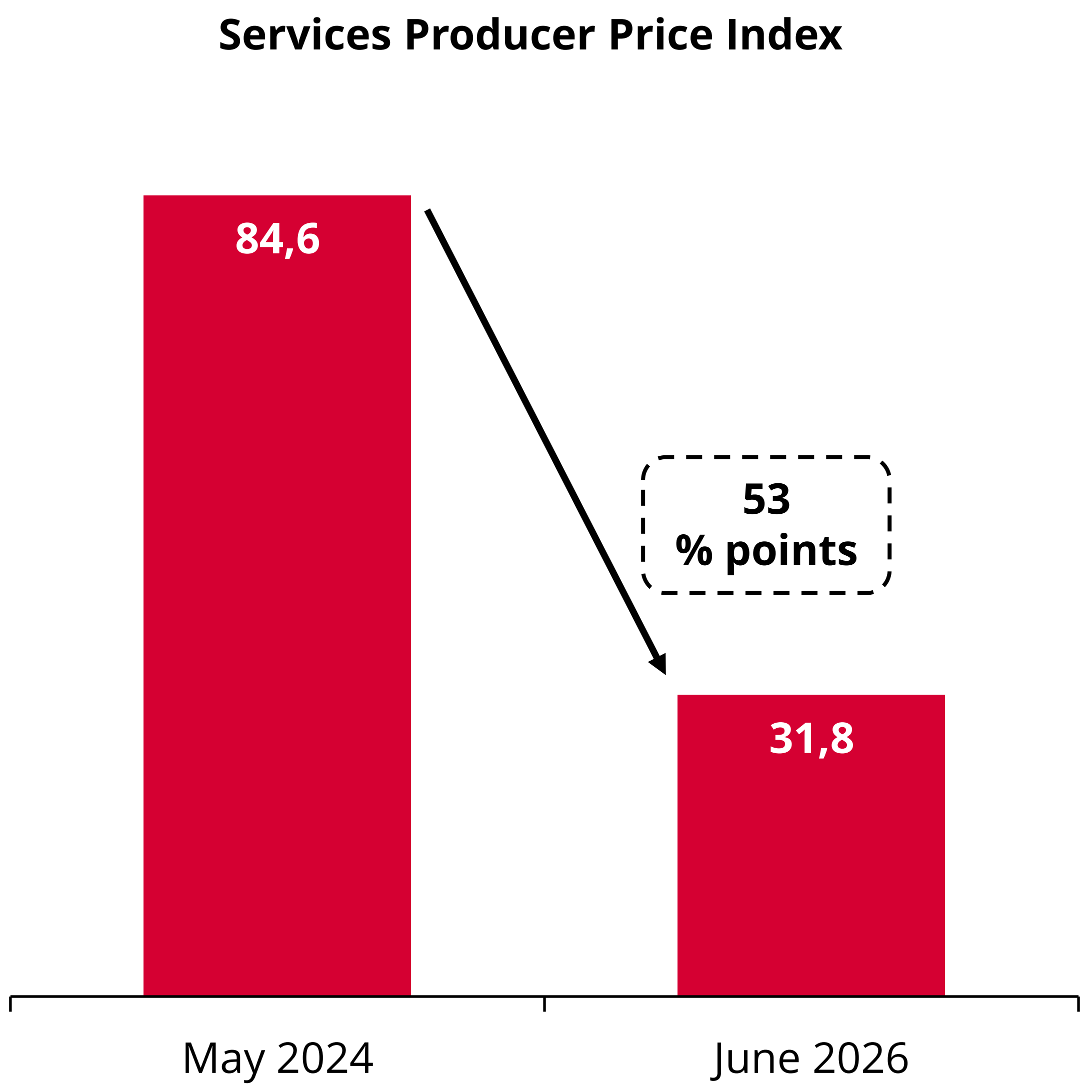
Increase in Office Rents
(Annual % Change)



Source: CBRT.

Cost pressures are easing.

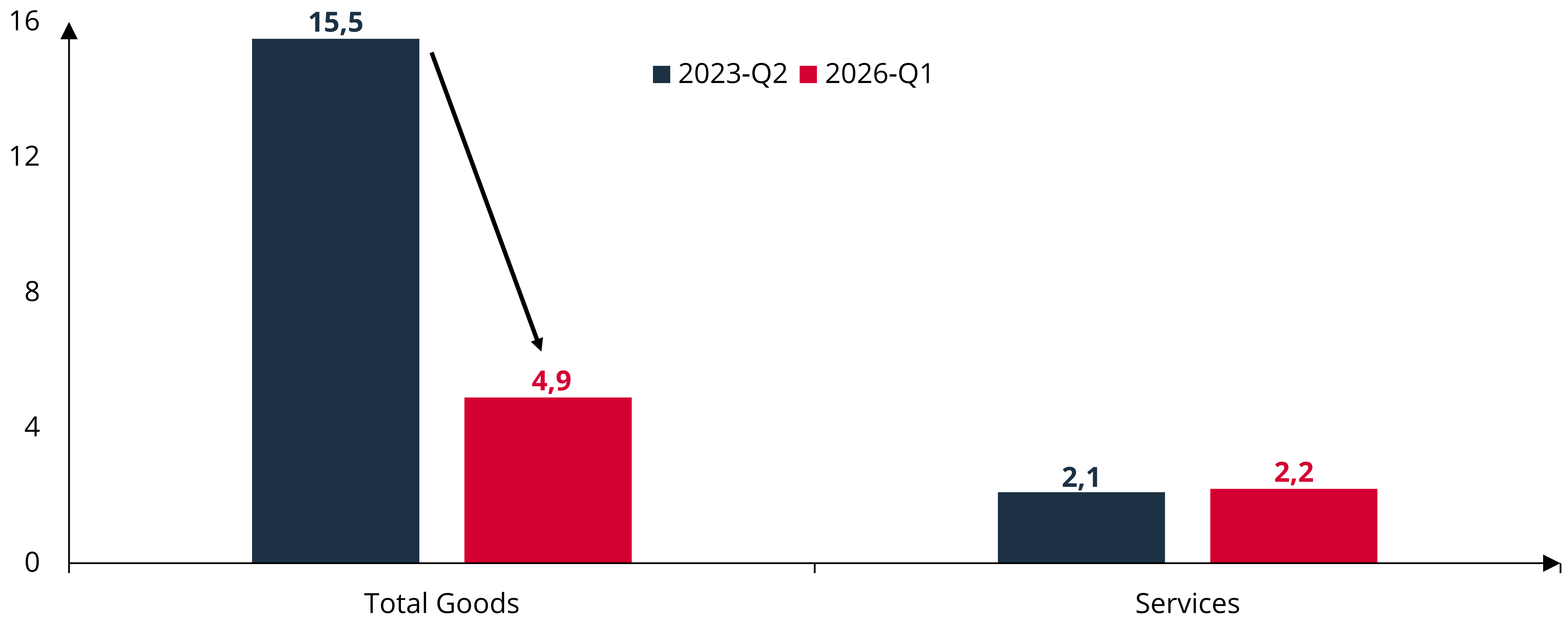




Source: TURKSTAT.

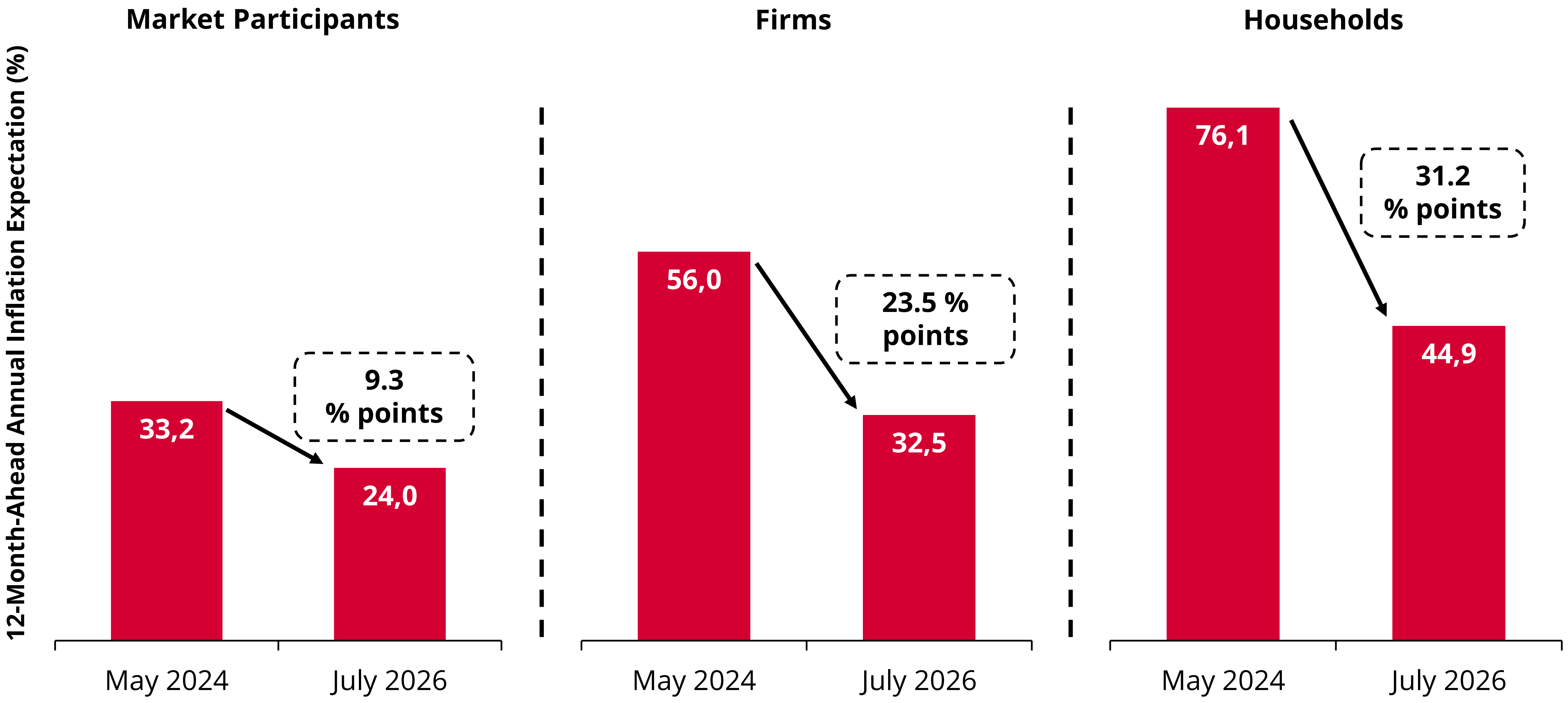
Demand has rebalanced.

Domestic Consumption (Annual % Change)



Source: TURKSTAT.

Inflation expectations of consumers and firms have receded.



Source: CBRT.

2

Which factors affect inflation?

- Supply developments in food and energy
- Easing inertia in services
- Deceleration in demand

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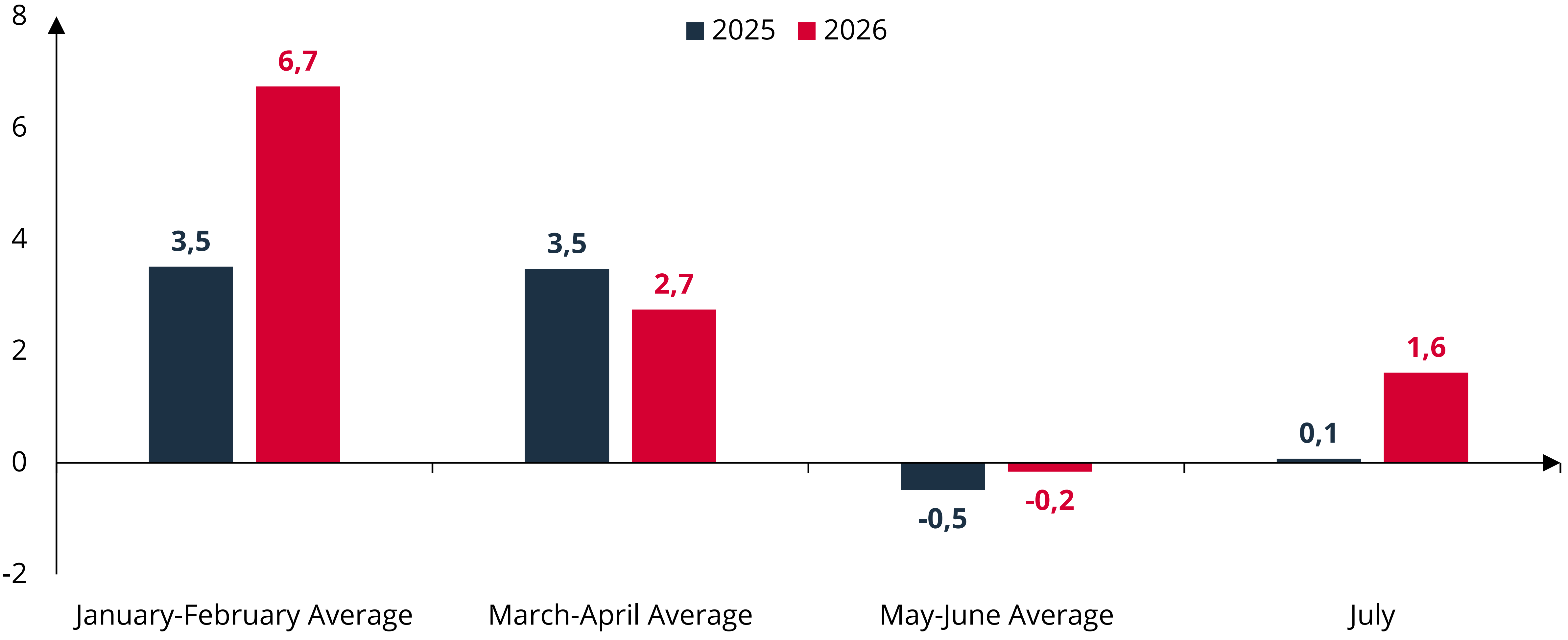
Food prices exhibit high product-level volatility.

Food Prices (Monthly % Change)



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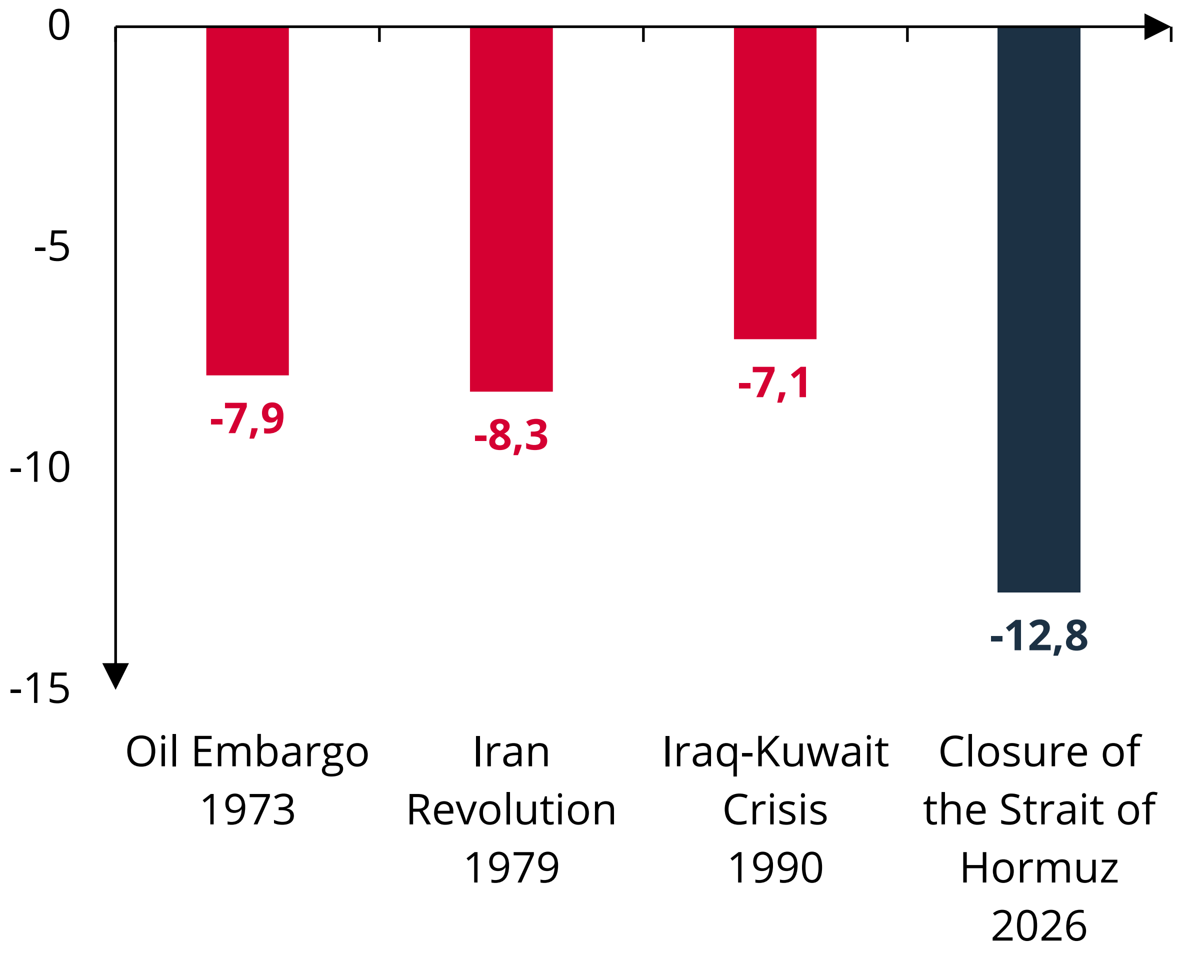
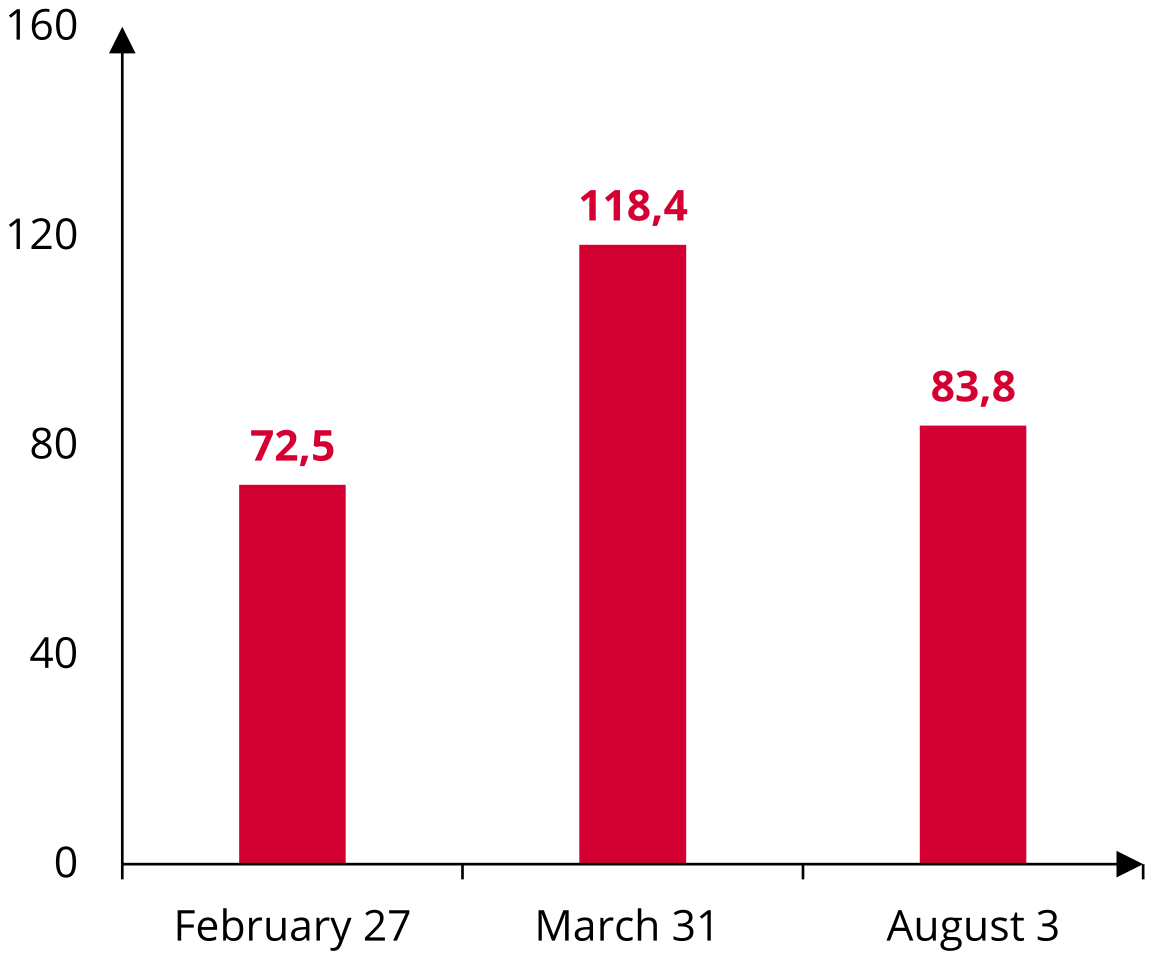
Source: TURKSTAT.

Geopolitical developments led to an increase in energy prices.

Global Crude Oil Supply Constraints
(Disruption in global crude oil supply, %)



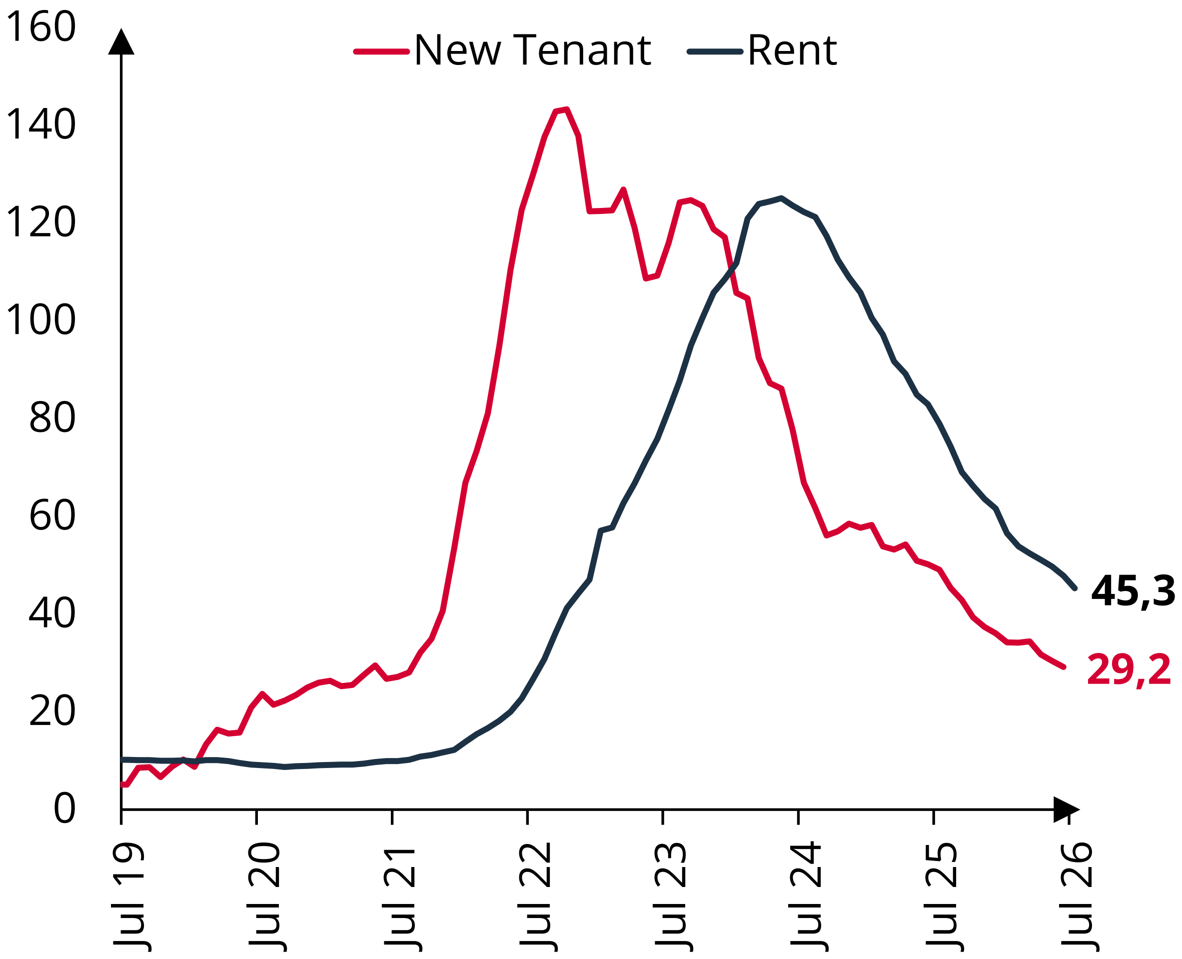
Recent Oil Prices
(USD/barrel)



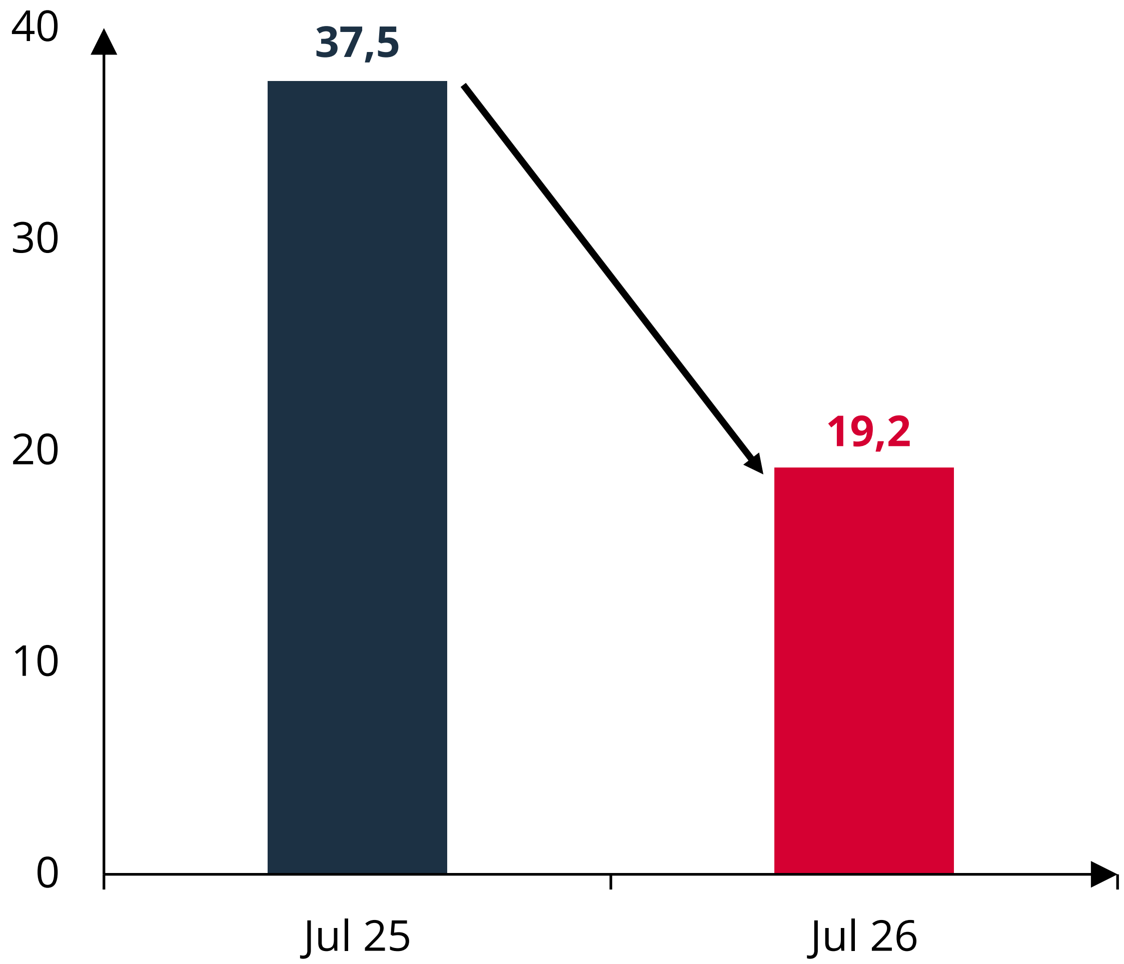
Sources: BIS-2026 Annual Economic Report, Bloomberg.

Disinflation in rents and education is expected to continue.

New Tenant and TURKSTAT's Actual Rent Indices
(Annual % Change)



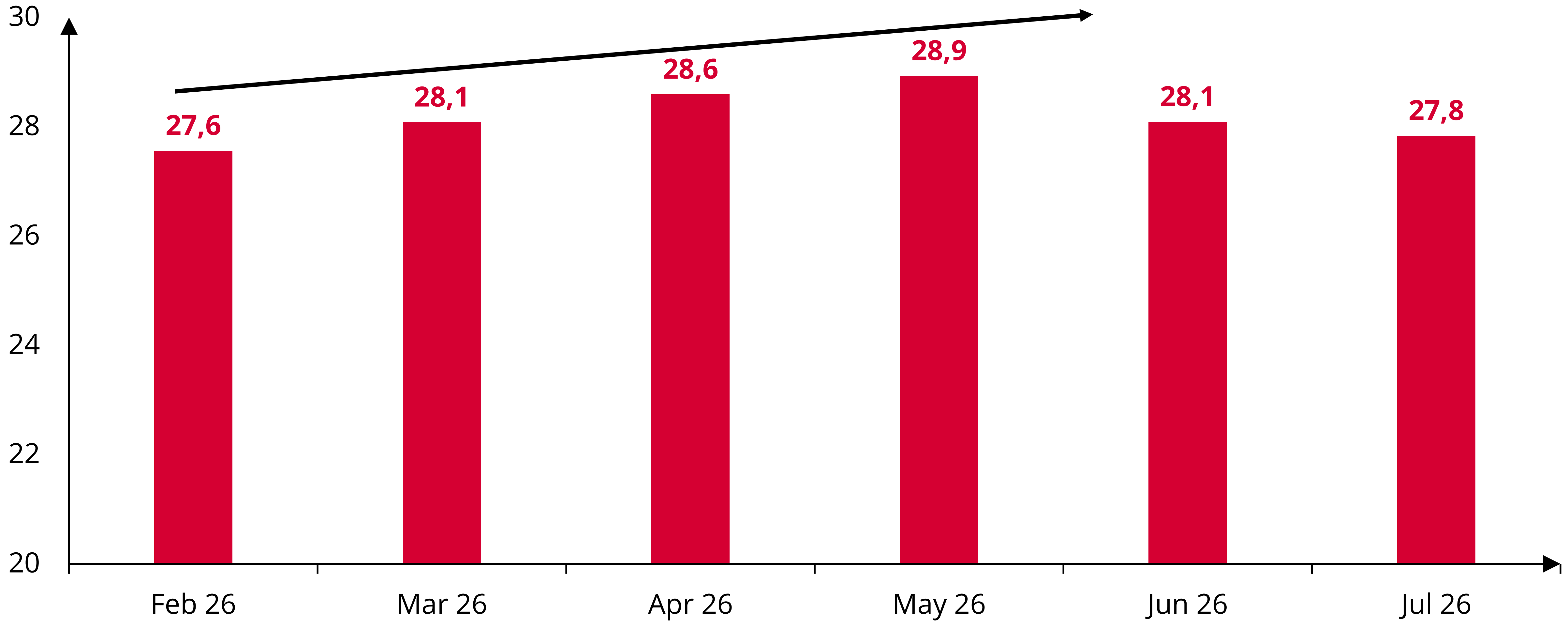
Education
(Cumulative % Change for the First 7 Months)



Sources: CBRT, TURKSTAT.

Domestic costs have risen due to the war.

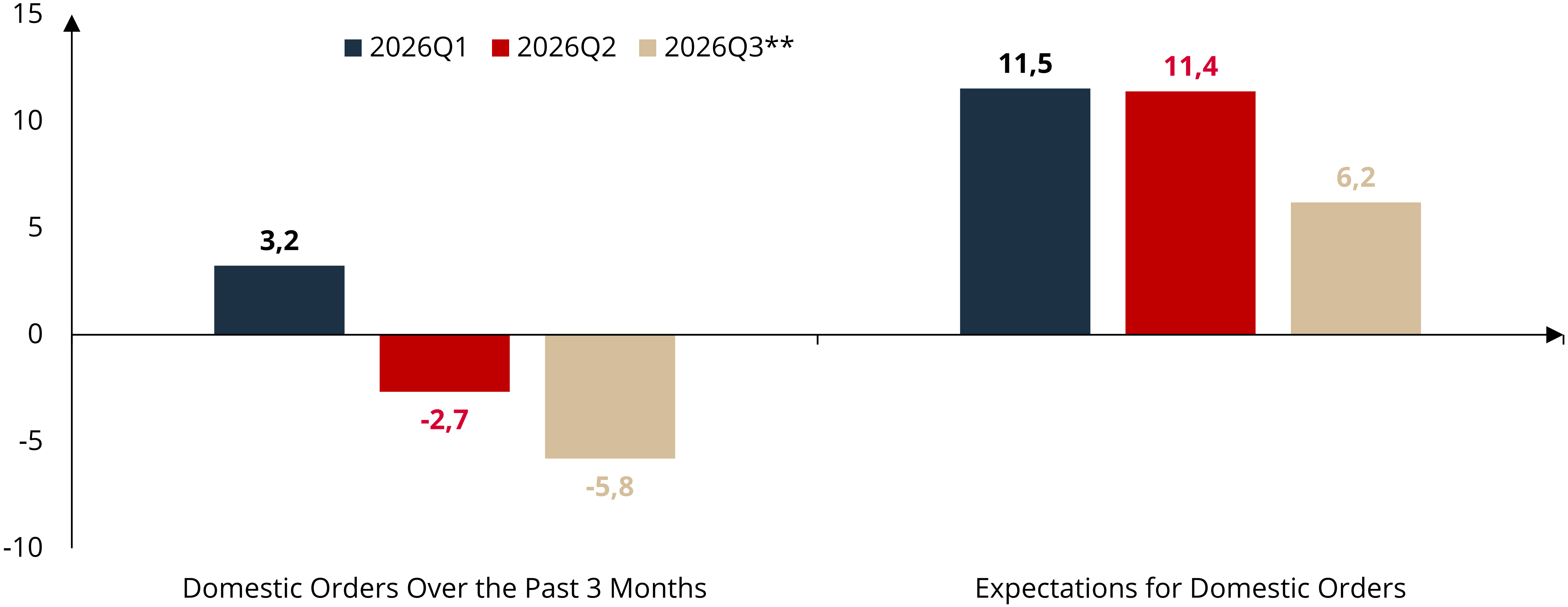
Producer Prices (Annual % Change)



Source: TURKSTAT.

The slowdown in domestic demand has become more pronounced.

Manufacturing Industry Domestic Orders* (Seasonally Adjusted, %)



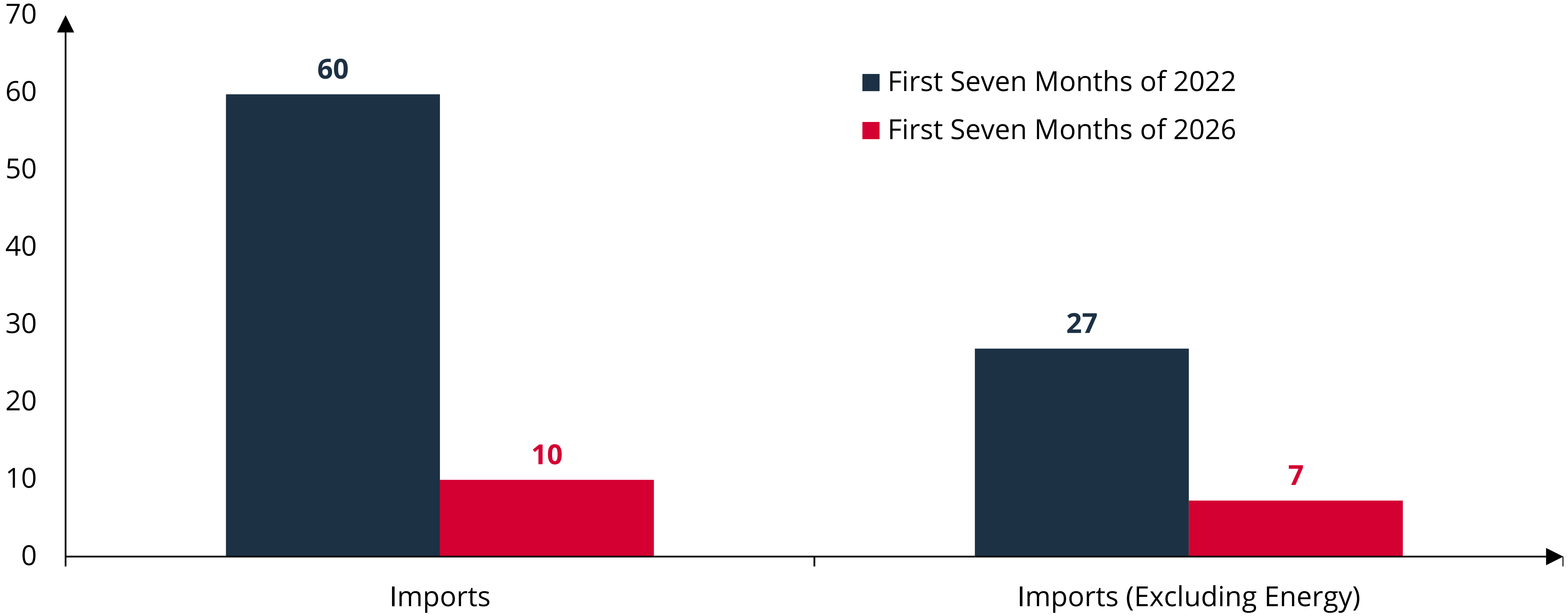
Source: CBRT Business Tendency Survey (BTS).

*BTS Q20: How have your domestic orders developed over the past 3 months? (Increased-Decreased). BTS Q21: How do you expect your domestic order books to develop over the next three months? (Increase-Decrease).

**As of July 2026.

Slowdown in domestic demand limited the increase in imports relative to 2022.

Change in Imports* (Billion USD)

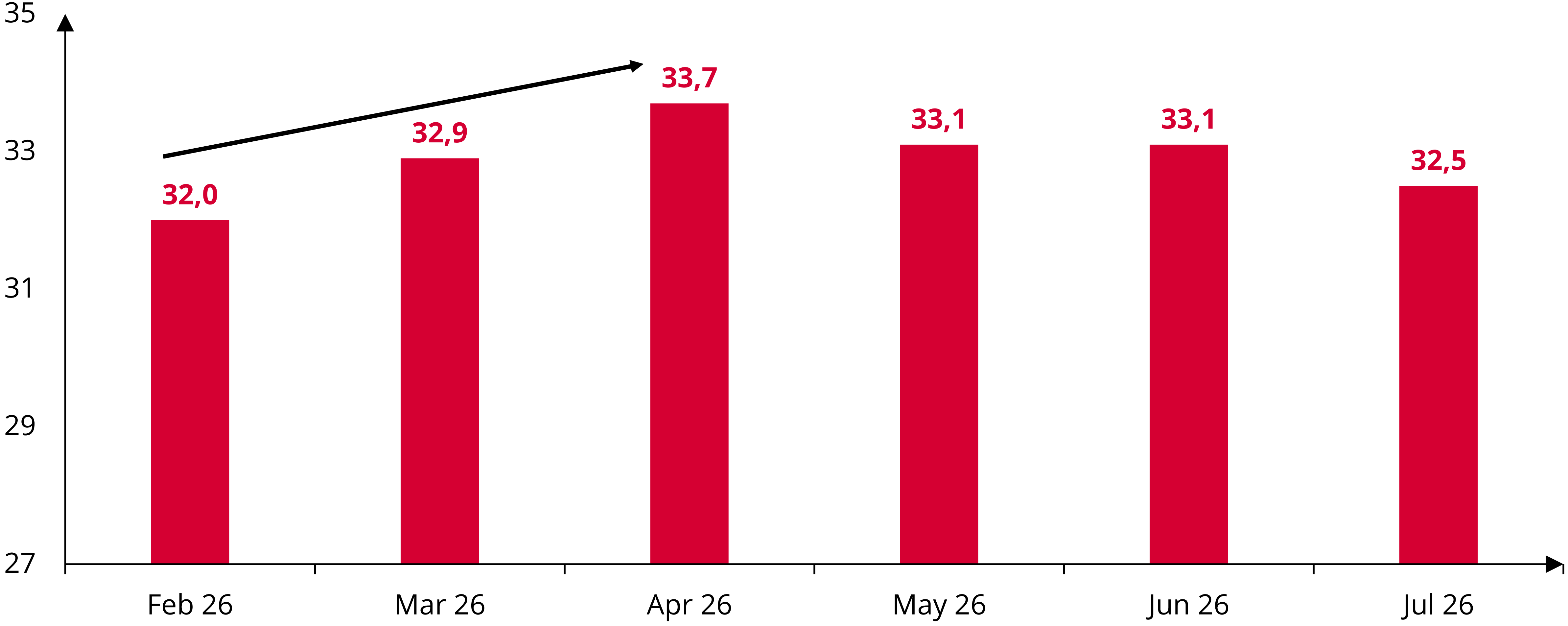


Sources: TURKSTAT, Ministry of Trade.

*Compared to the same period of the previous year. The July 2026 data is the Ministry of Trade's provisional data.

Firms' inflation expectations rose during the war but then declined somewhat.

12-Month-Ahead Annual Inflation Expectations of Firms (%)



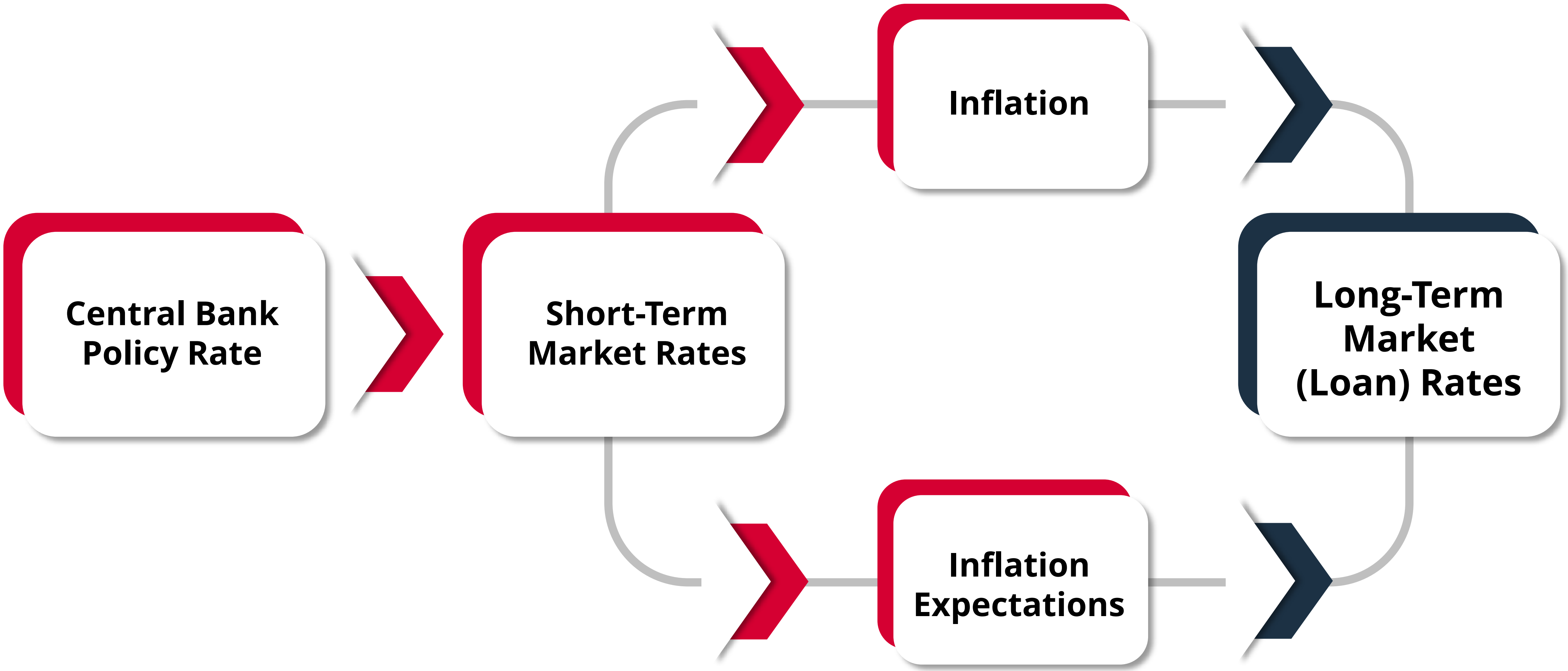
Source: CBRT.

3

How do market rates decline?

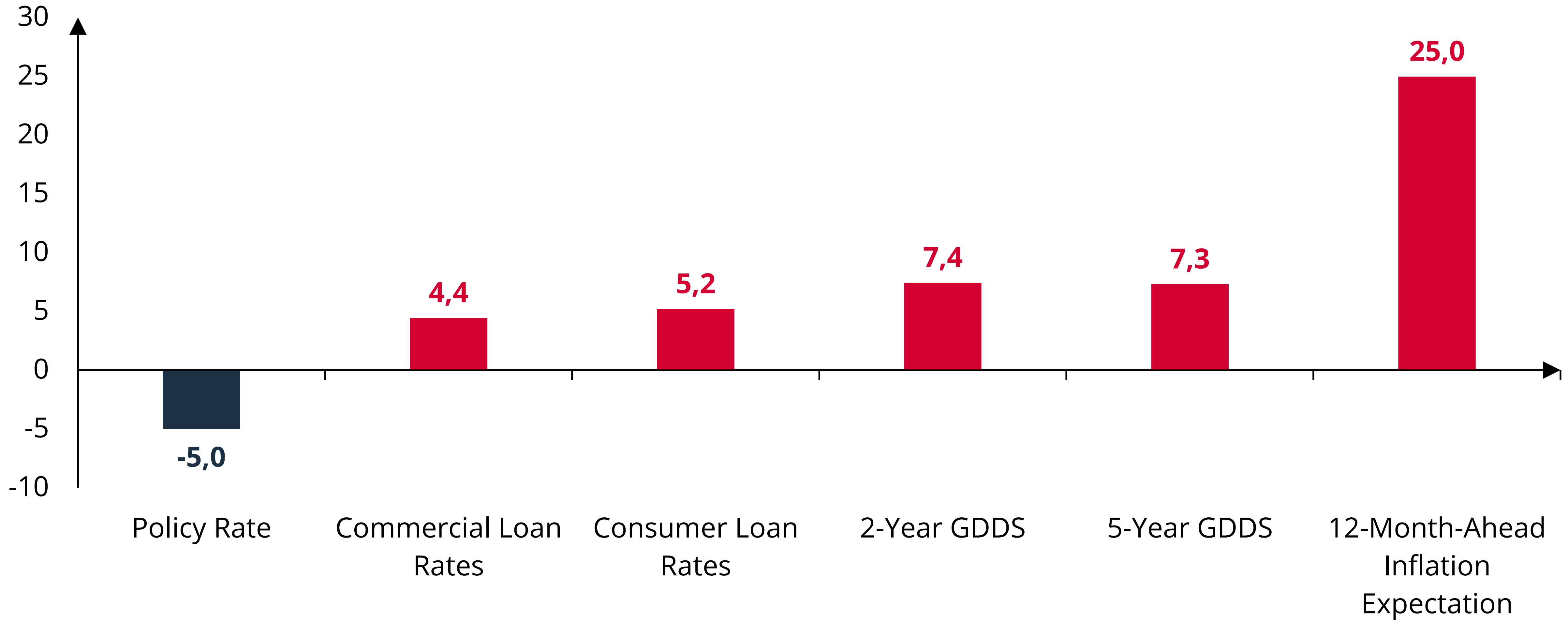
- Inflation
- Inflation expectations
- Risk premium

Loan rates are affected by inflation and inflation expectations.



Rate cuts are effective only when inflation is under control.

Policy Rate, Loan and Bond Rates, Inflation Expectation* (Change over September 2021–June 2022, %)



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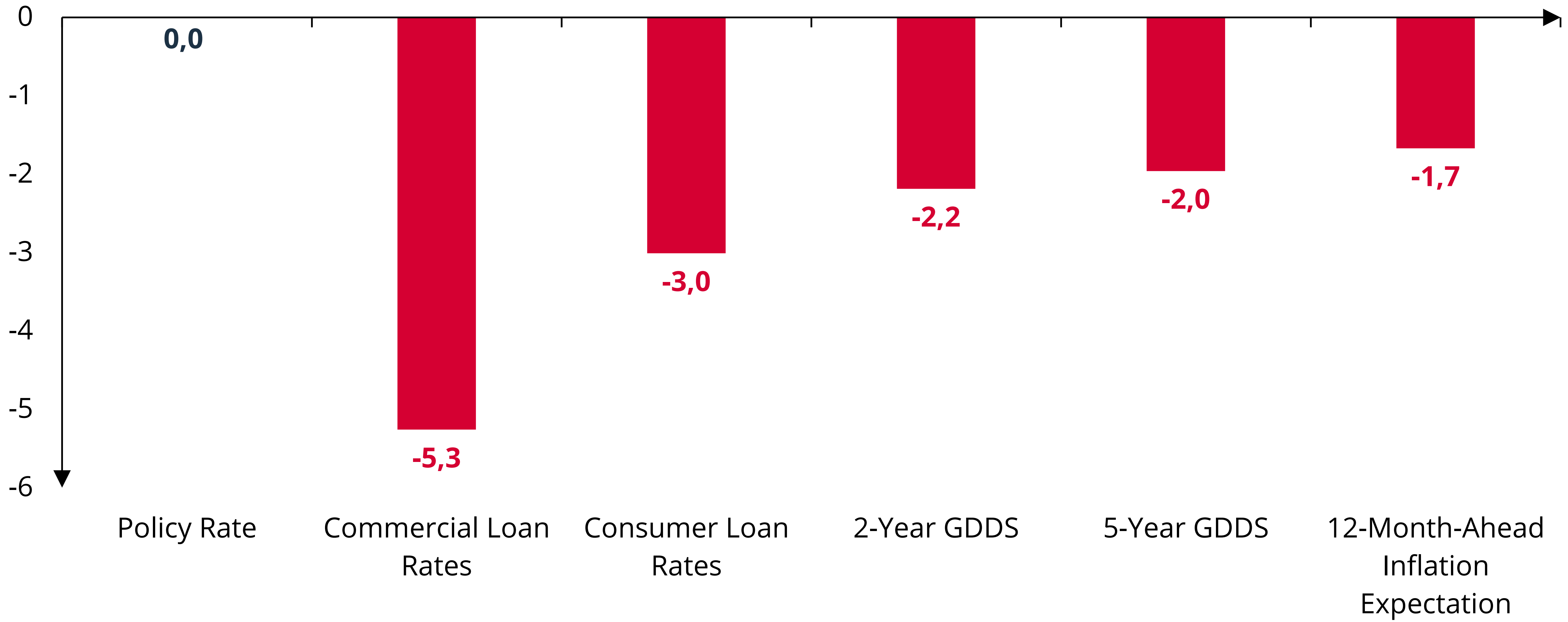
Sources: CBRT, Bloomberg.

*Based on the Survey of Market Participants' 12-month-ahead inflation expectations data collected between September 17, 2021 and June 9, 2022.

Loan and bond rates fall as inflation expectations improve.

Policy Rate, Loan and Bond Rates, Inflation Expectation (Change over June 2025–July 2025, %)



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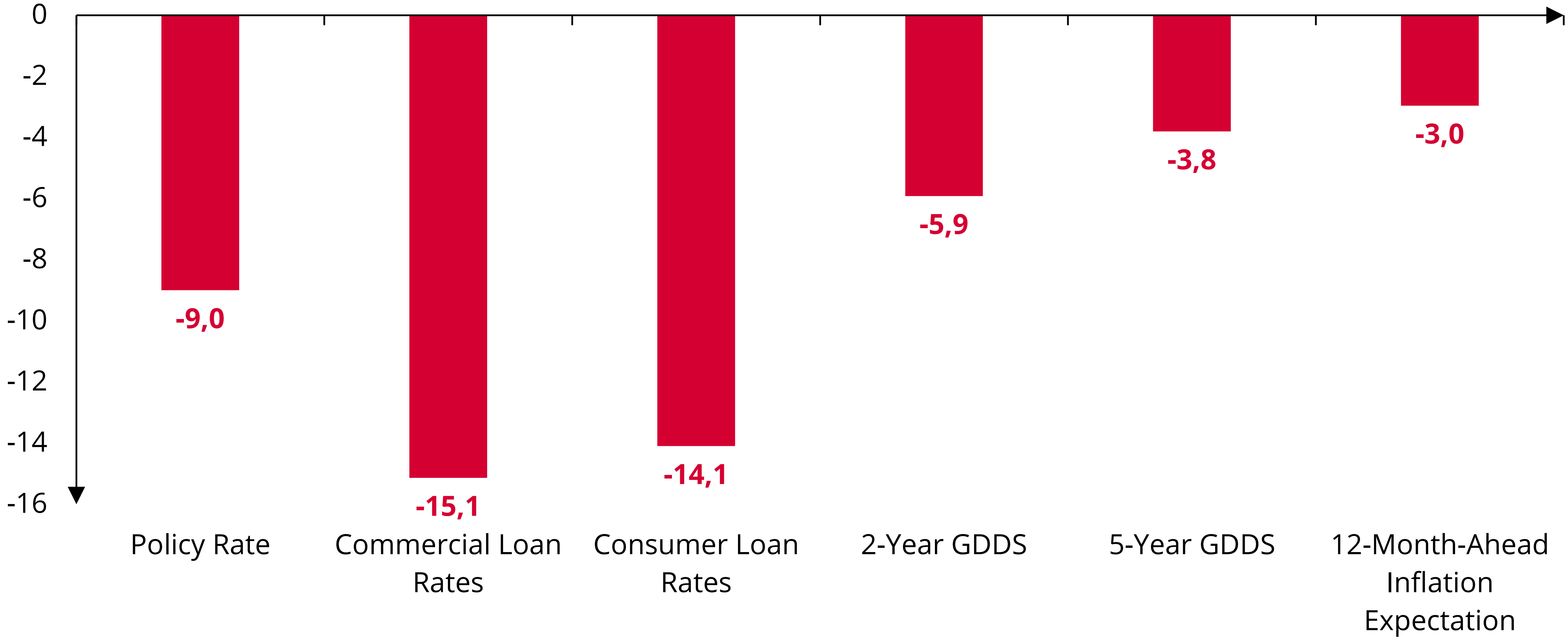
Sources: CBRT, Bloomberg.

The decline in the policy rate is reflected in market rates.

Policy Rate, Loan and Bond Rates, Inflation Expectation (Change over June 2025–February 2026, %)



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Sources: CBRT, Bloomberg.

Note: Shows the change in interest rates excluding credit cards and overdraft accounts between June 13, 2025 and February 27, 2026.

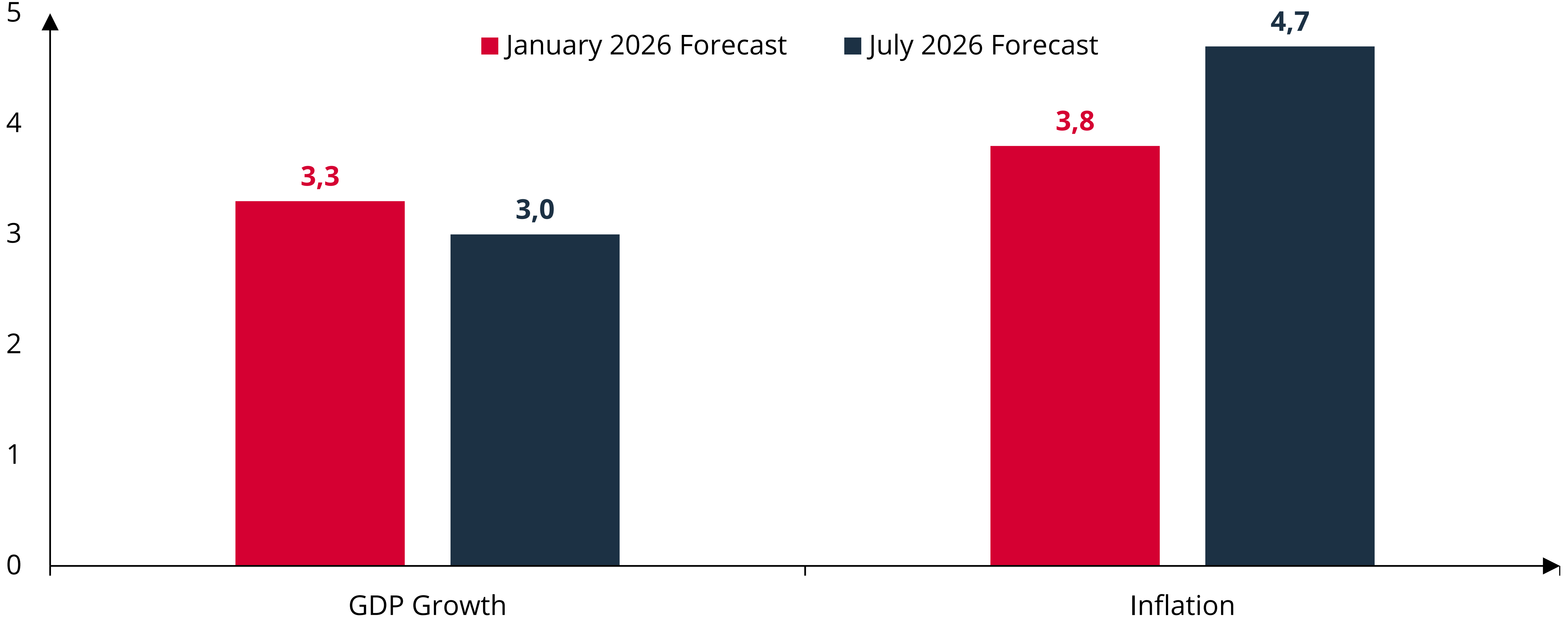
4

How does the war affect external demand?

- Slower global growth
- Rise in global inflation
- Shifts in supply chains

As global growth forecasts have declined, inflation forecasts have risen.

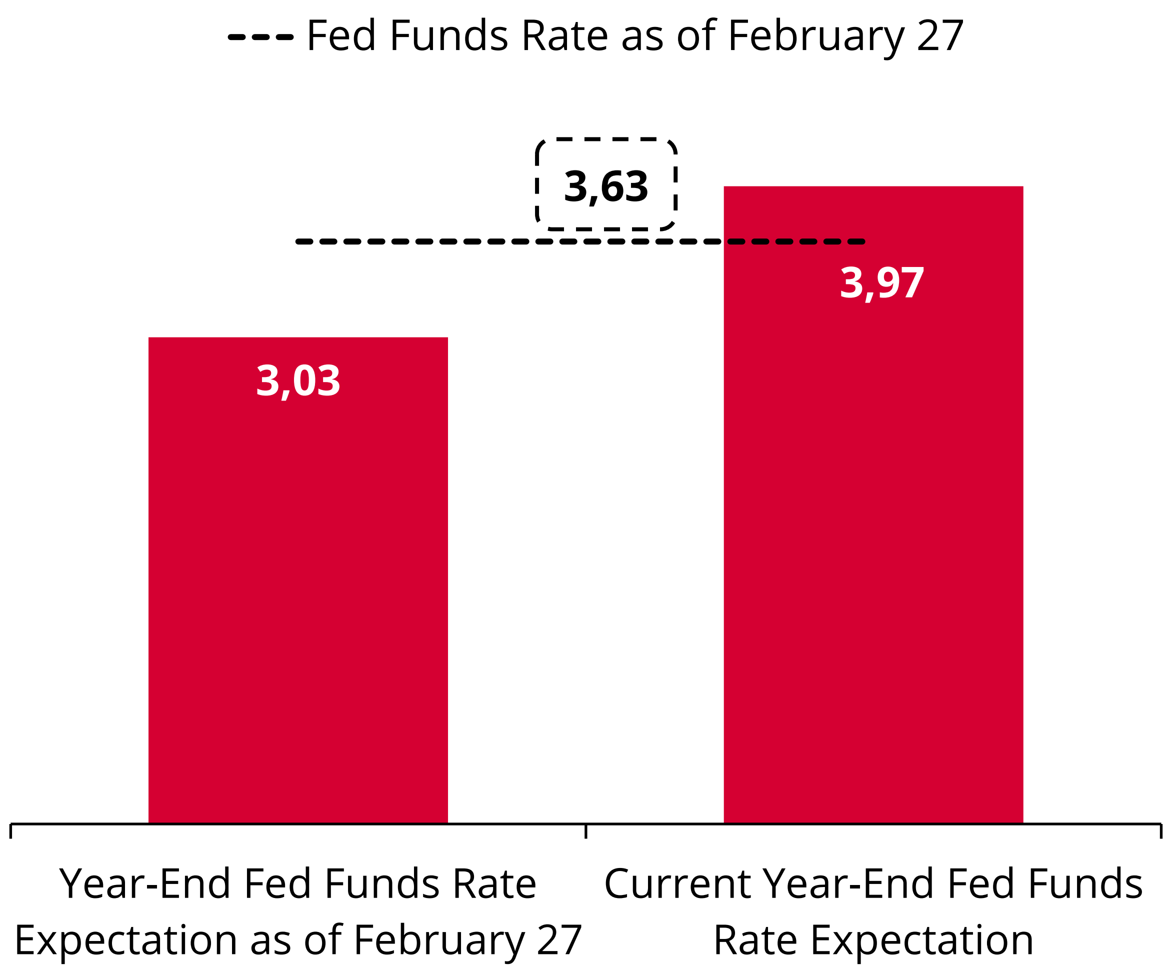
Global GDP Growth and Inflation Forecasts for 2026 (%)



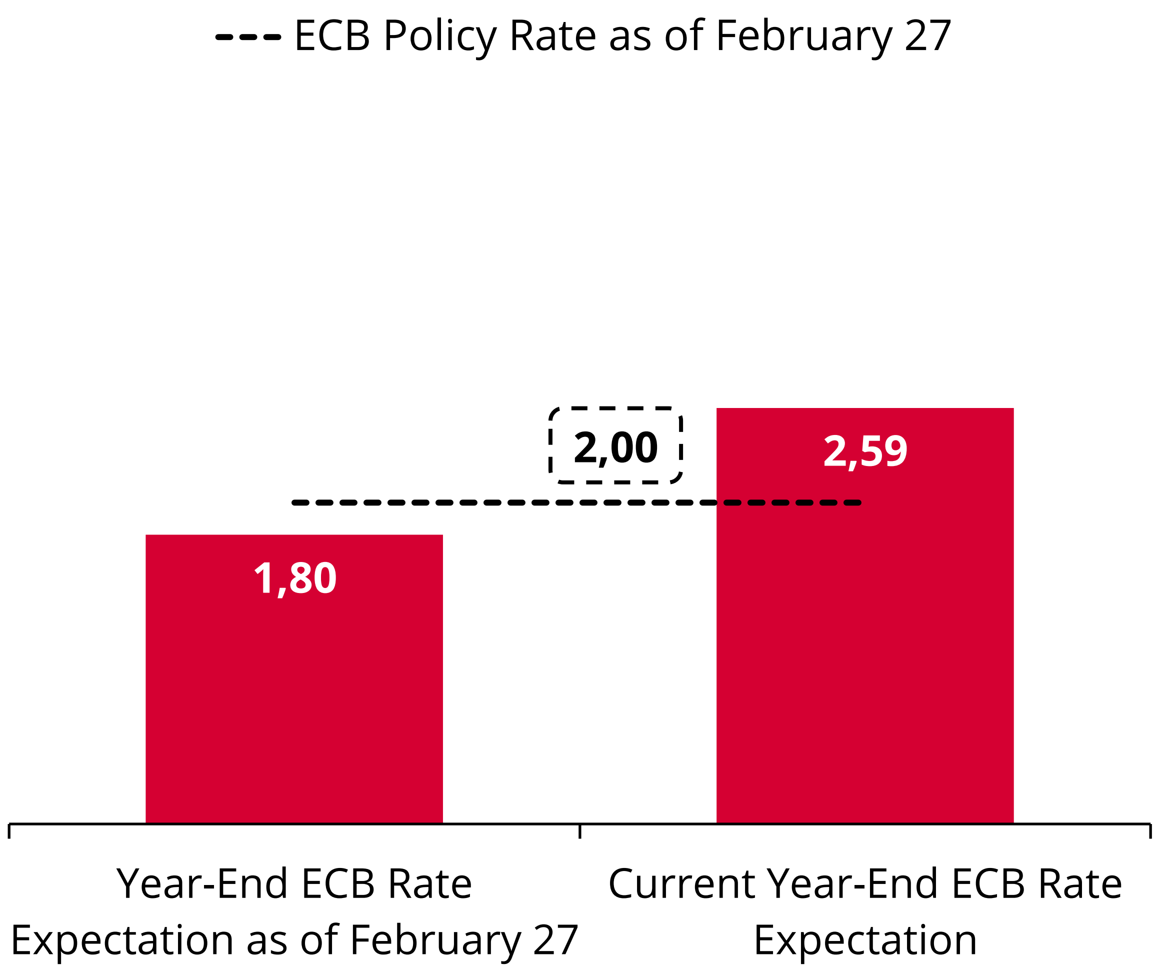
Source: IMF WEO.

The war's inflationary effects have led to expectations of a global rise in interest rates.

Year-End Fed Funds Rate Expectation (%)



Year-End ECB Rate Expectation (%)



Source: Bloomberg.

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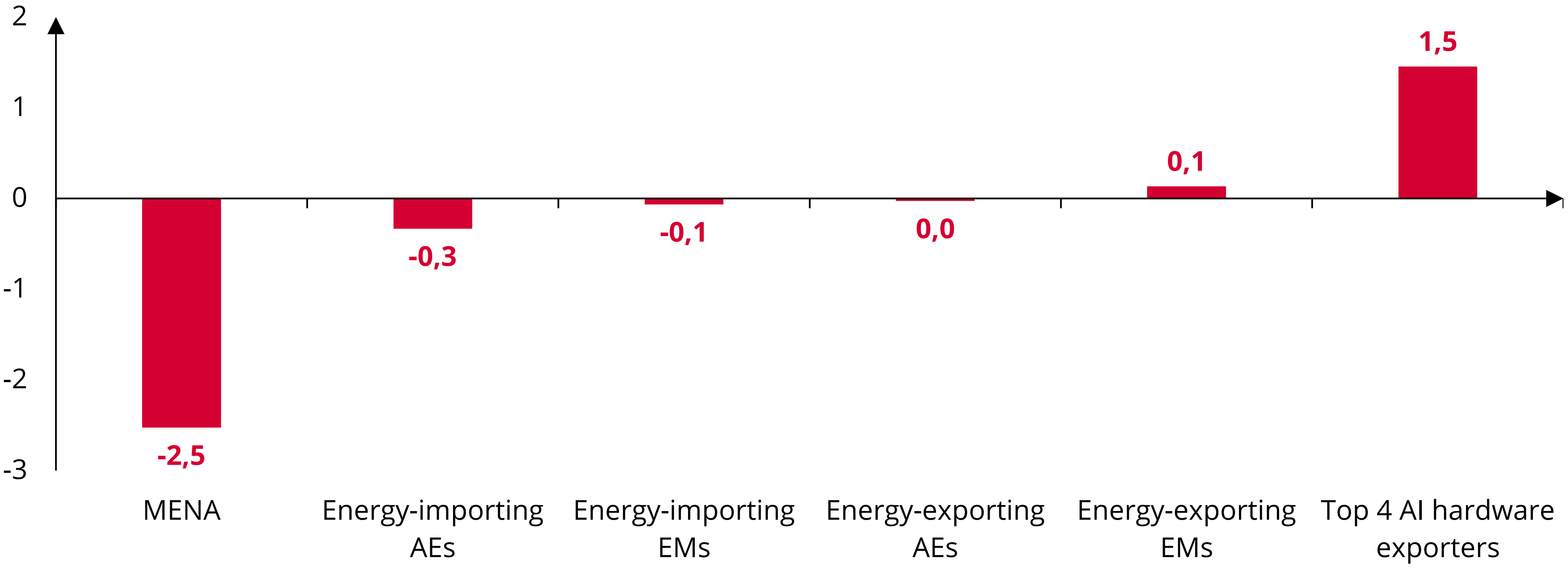
Global growth is diverging amid geopolitical developments and AI investments.

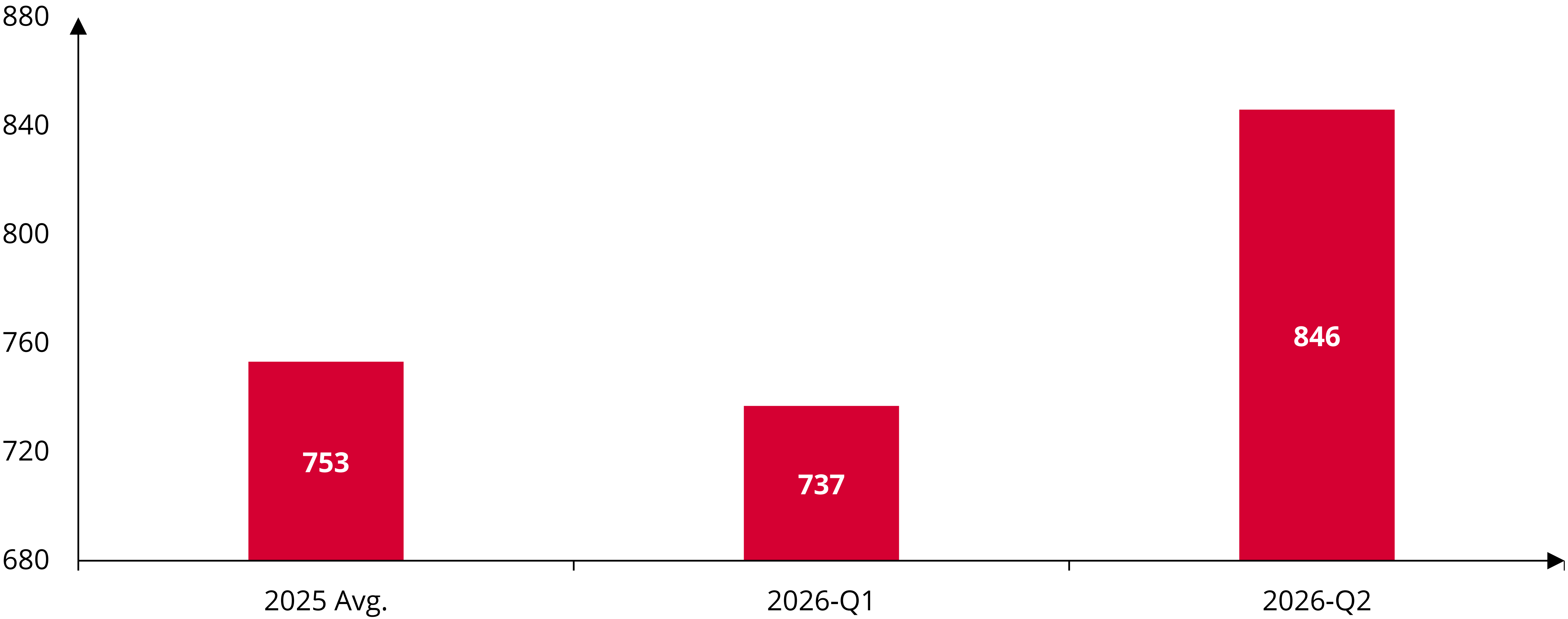
Revision to the Cumulative Growth Forecasts for the 2026–2027 Period
(Differences compared to the January 2026 forecasts, % points)



Source: IMF WEO (July 2026). Countries exporting artificial intelligence hardware: South Korea, Malaysia, Taiwan, and Thailand.

Our exports have accelerated in tandem with the realignment of global supply chains.

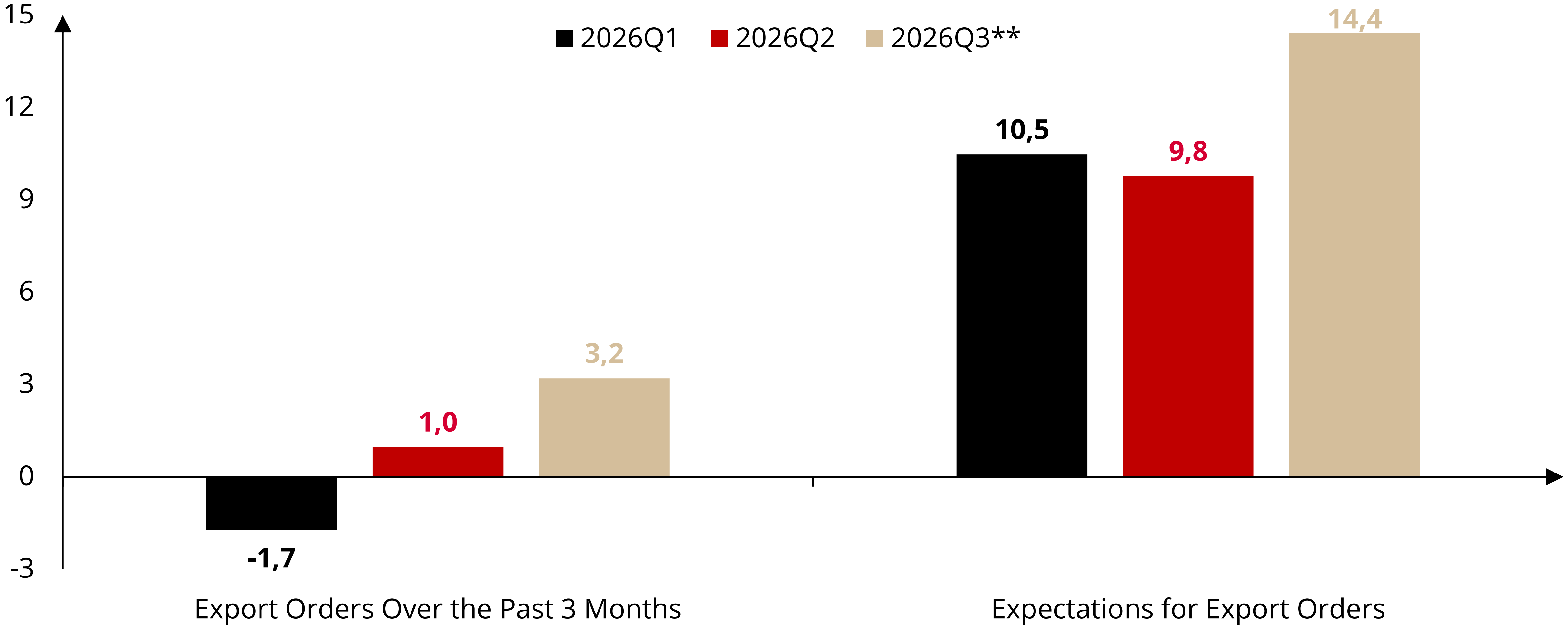
Türkiye's Exports (Average per Working Day, Million USD)



Sources: Ministry of Trade, CBRT, TURKSTAT.

Firms' expectations regarding exports remain positive.

BTS-Manufacturing Industry Export Orders* (Seasonally Adjusted, %)



Source: CBRT Business Tendency Survey.

*BTS Q18: How have your export orders developed over the past three months? (Increased-Decreased). BTS Q12: How do you expect your overall orders to develop over the next three months? (Increase-Decrease).

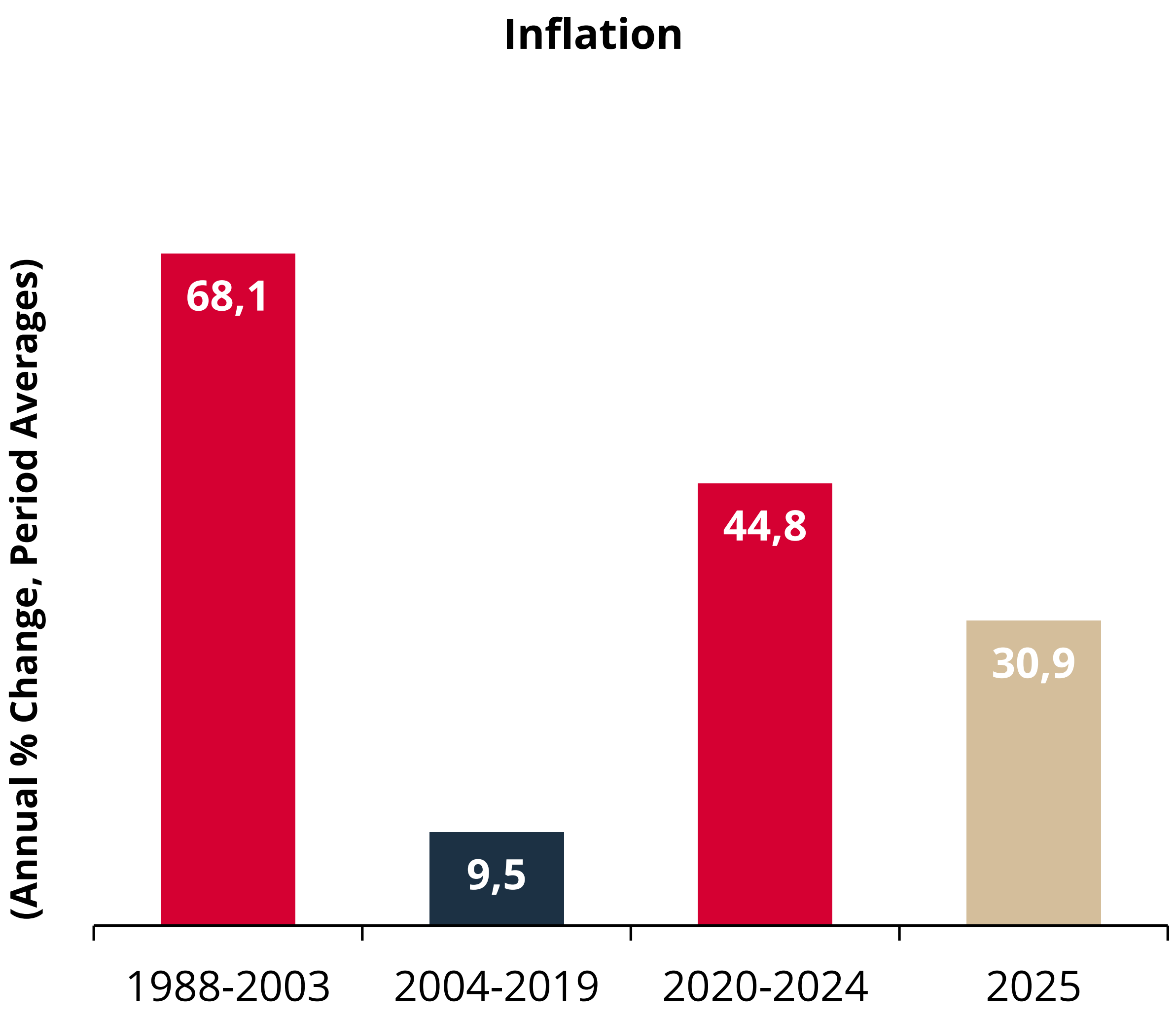
**As of July 2026.

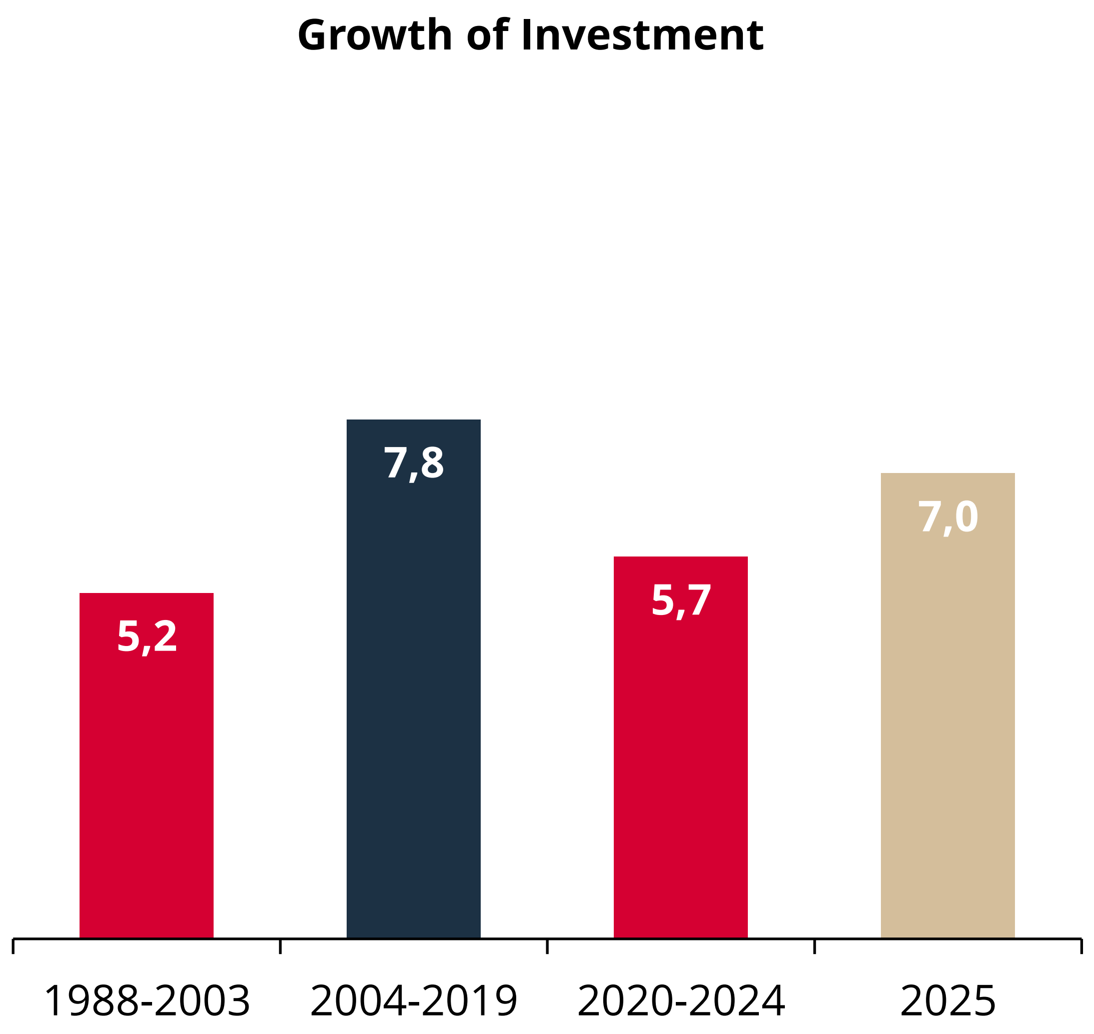
5

Why is price stability important?

- Predictability
- Improvement in investment environment
- Productivity gains

Price stability improves the investment and production environment.

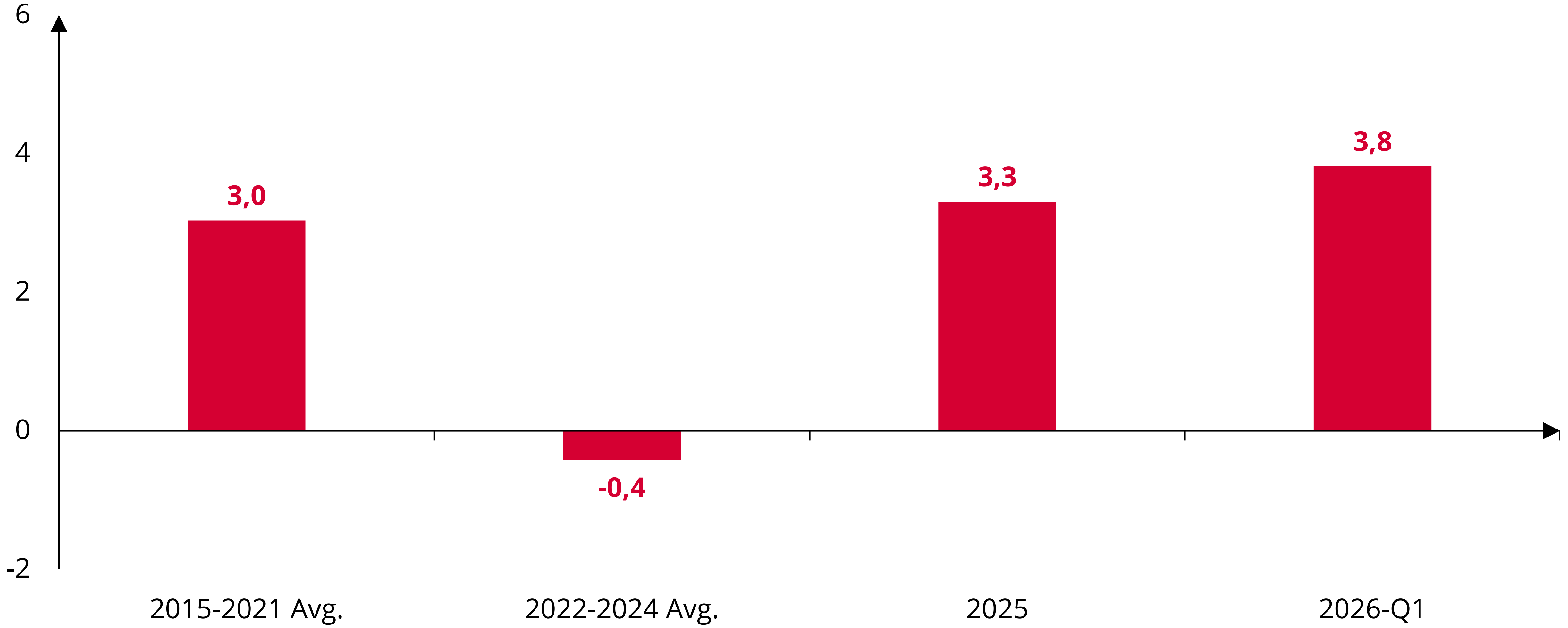




Sources: CBRT, TURKSTAT.

Disinflation supports productivity.

Output per Worker* (Non-Agricultural, Annual % Change)



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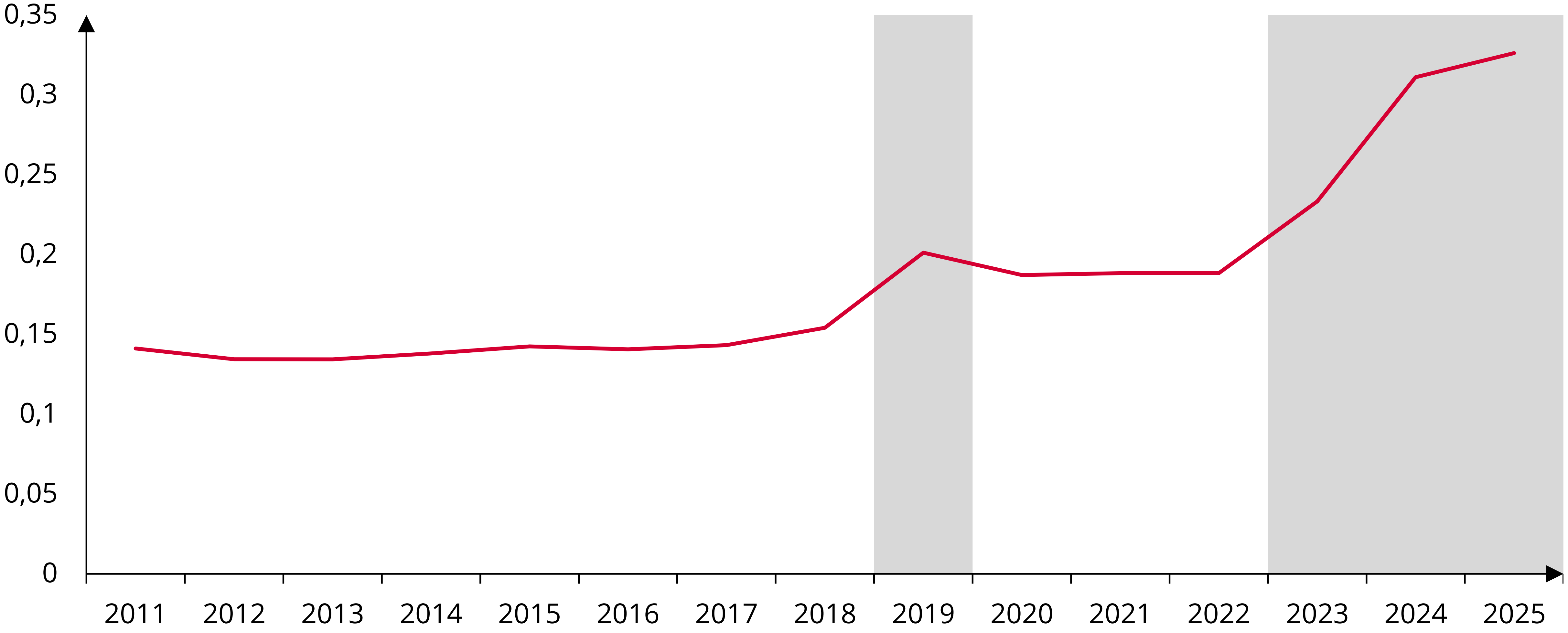
Sources: CBRT, TURKSTAT.

*Value Added/Employment.

R&D expenditures went up during tightening periods.

R&D Expenditures/Net Sales (%)

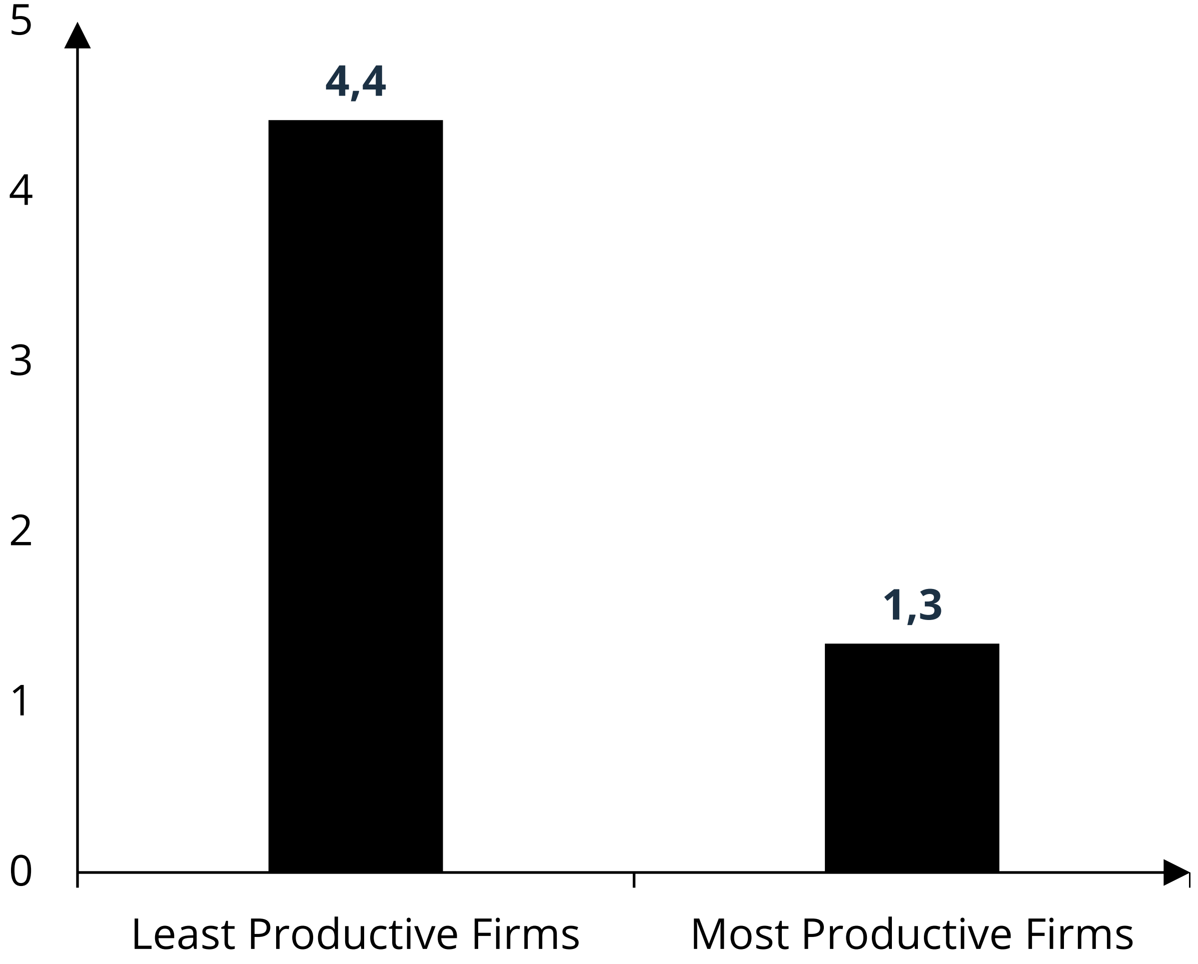


Sources: Turkish Revenue Administration, CBRT.

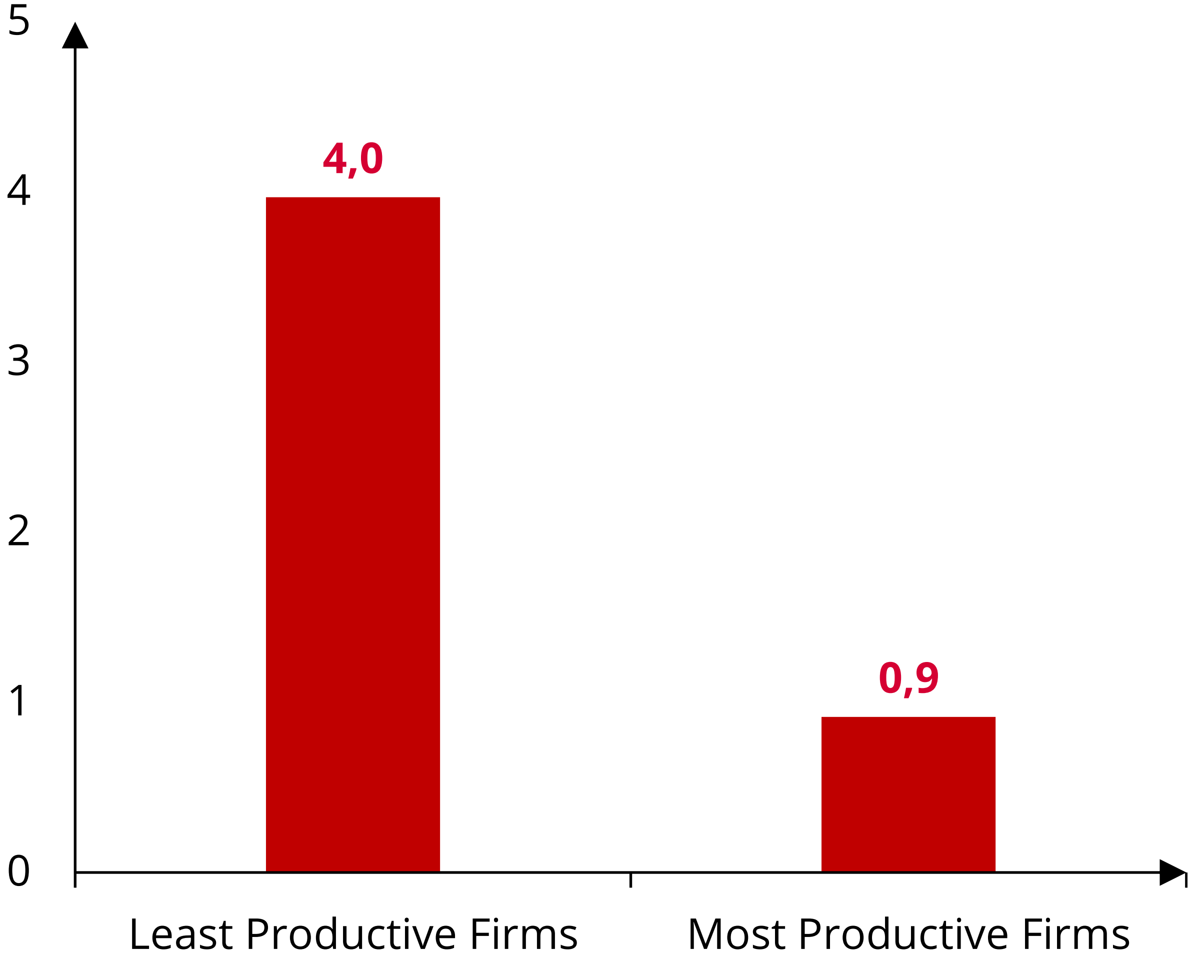
*Firms with sales below USD 1,000 were excluded from the sample. Data for 2025 is based on provisional income statements.

Firms with higher productivity are more resilient.

NPL Ratio by Productivity Group (%)



Ratio of Closed-Liquidated Companies by Productivity Group (%)



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Sources: TURKSTAT, Union of Chambers and Commodity Exchanges of Türkiye (TOBB), Central Registration System (MERSIS).

Note: Firms have been categorized into five productivity groups in the NACE-4 sector for the years 2018 and 2024, through a ranking based on the value-added at factor cost per worker indicator under the TURKSTAT's Annual Industry and Service Statistics micro data (1: Least Productive, 5: Most Productive). The sample includes firms with a minimum of one worker and a turnover of USD 1,000 and above during the related years.

Overview

- 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.

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