



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

MONETARY POLICY and MACROECONOMIC OUTLOOK

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Governor

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ANKARA



We have strong communication with the real sector.

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

We have interviewed with **310** firms **in Ankara and neighboring provinces** in 2025, totaling **2,630** 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.

Overview

1 Reserves
Rose by
USD 110+
billion

2 KKM Balance
Fell by
USD 130+
billion

3 Inflation

- We do not allow shocks to disrupt the disinflation process.
- The disinflation process that began in June 2024 continues unabated.
- We expect inflation to remain within the forecast range at the year end.

4 Real Economy

The ongoing economic growth is accompanied by sectoral transformation.

5 Price Stability

Price stability will ensure a **lasting** and widespread **increase in welfare**.

Outline

Key Discussion Points

1. Why is price stability important?
2. What is bringing inflation down?
3. What is the degree of economic slowdown?
4. How do market rates decline?
5. How do we build up our reserves?

1

Why is price stability important?

- Sustainable growth
- Purchasing power
- Productivity

We will make the greatest contribution to social welfare by ensuring price stability.

Cost of High Inflation:

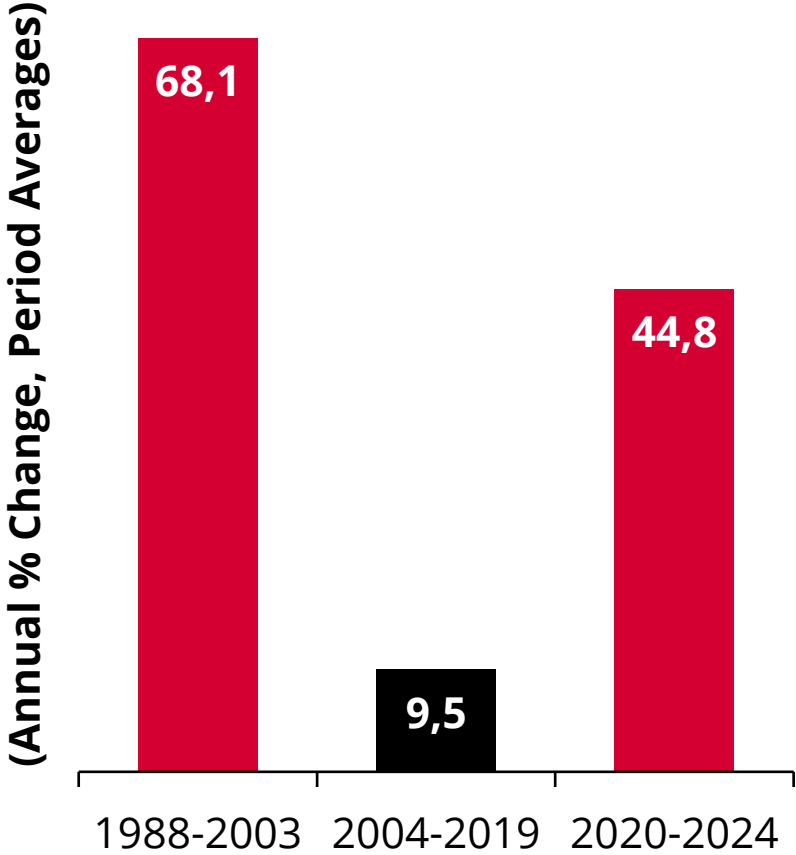
- Instability in growth and investments
- Decline in purchasing power
- Fall in productivity

Price Stability:

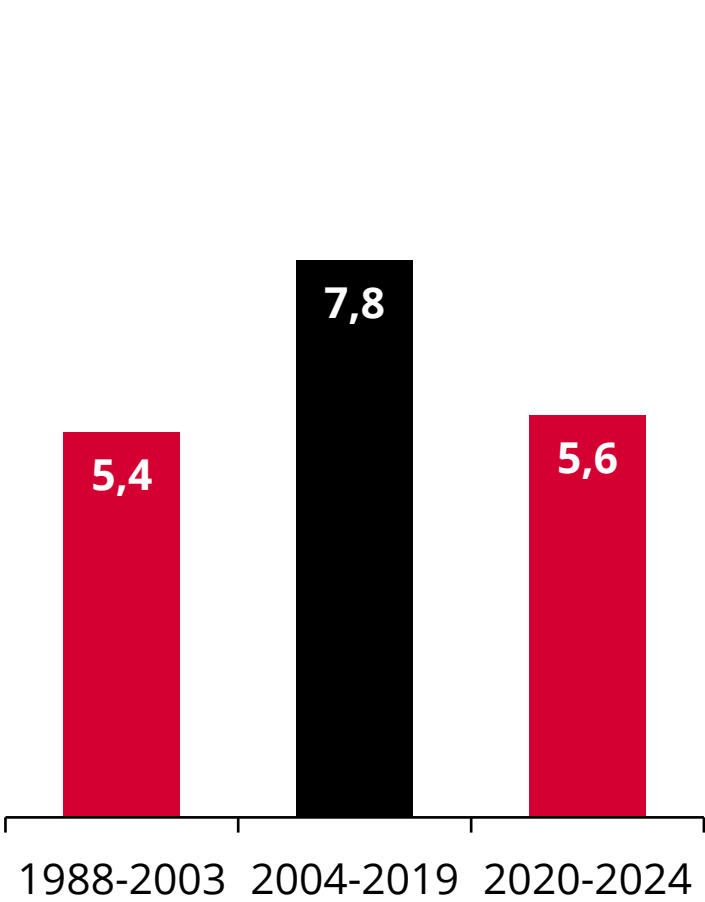
- Predictability
- Lasting low interest rates
- Long term financing opportunities
- Improvement in investment environment
- Sustainable growth
- Increase in social welfare

Price stability improves the investment and production environment.

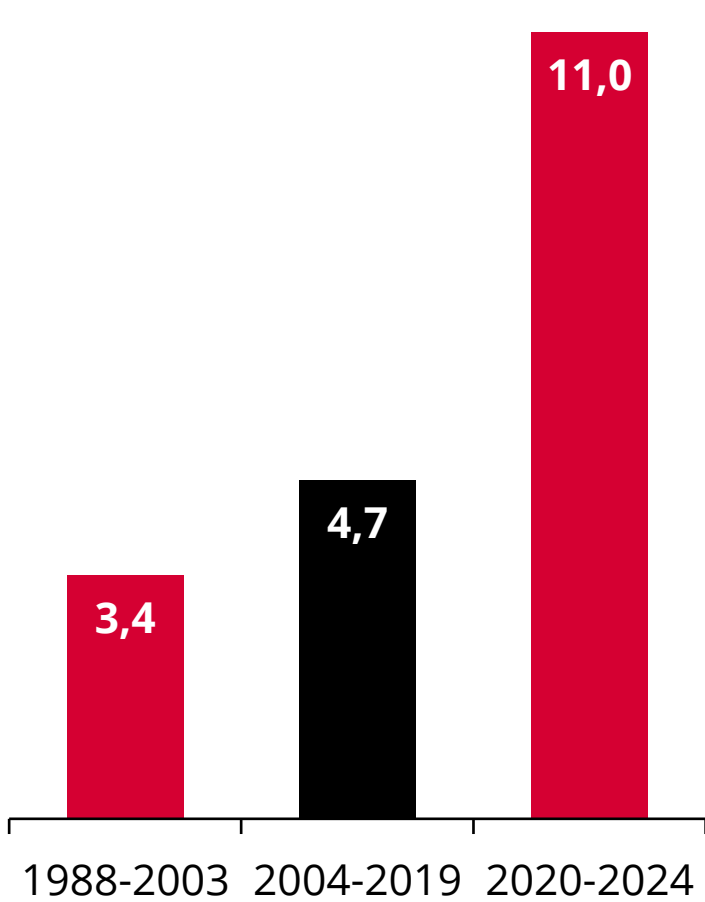
Inflation



Growth of Investment



Growth of Private Consumption



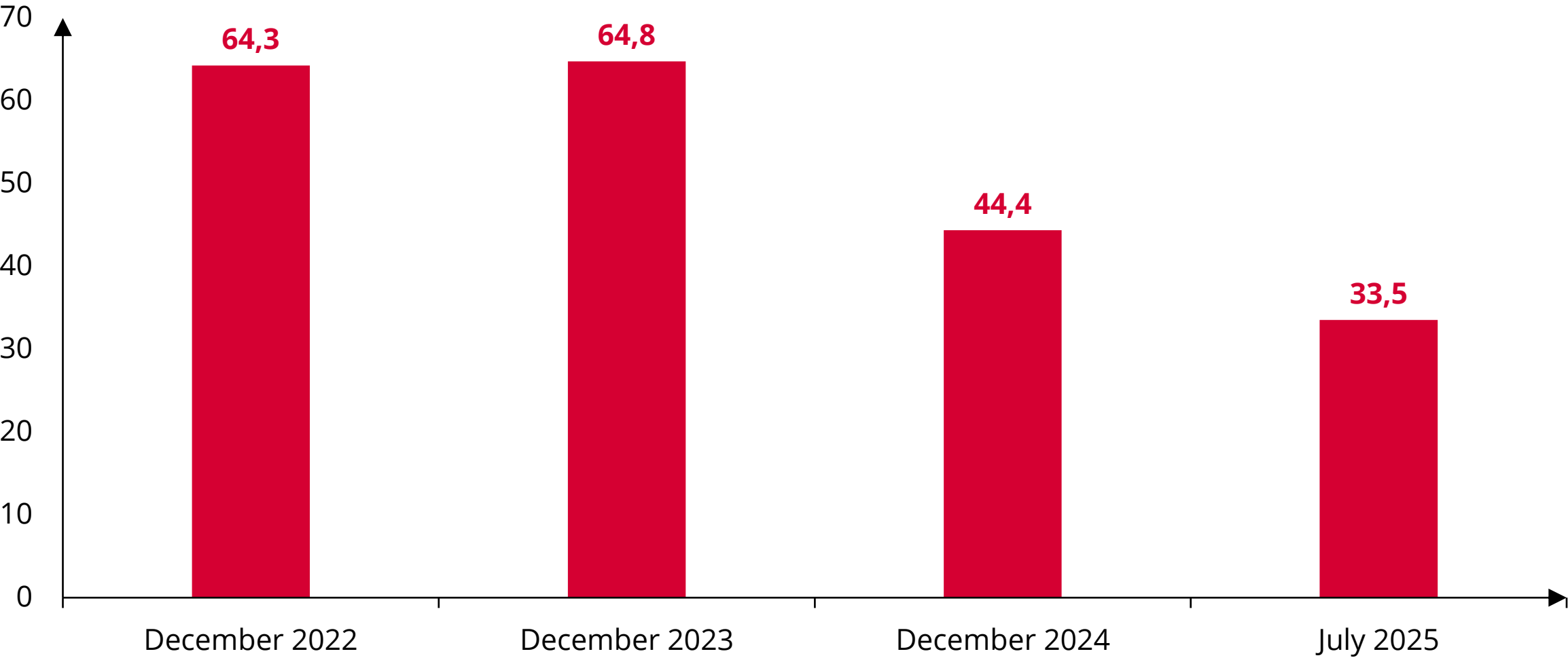
2

What is bringing inflation down ?

- Moderation in demand
- Normalization in pricing behavior
- Improvement in expectations

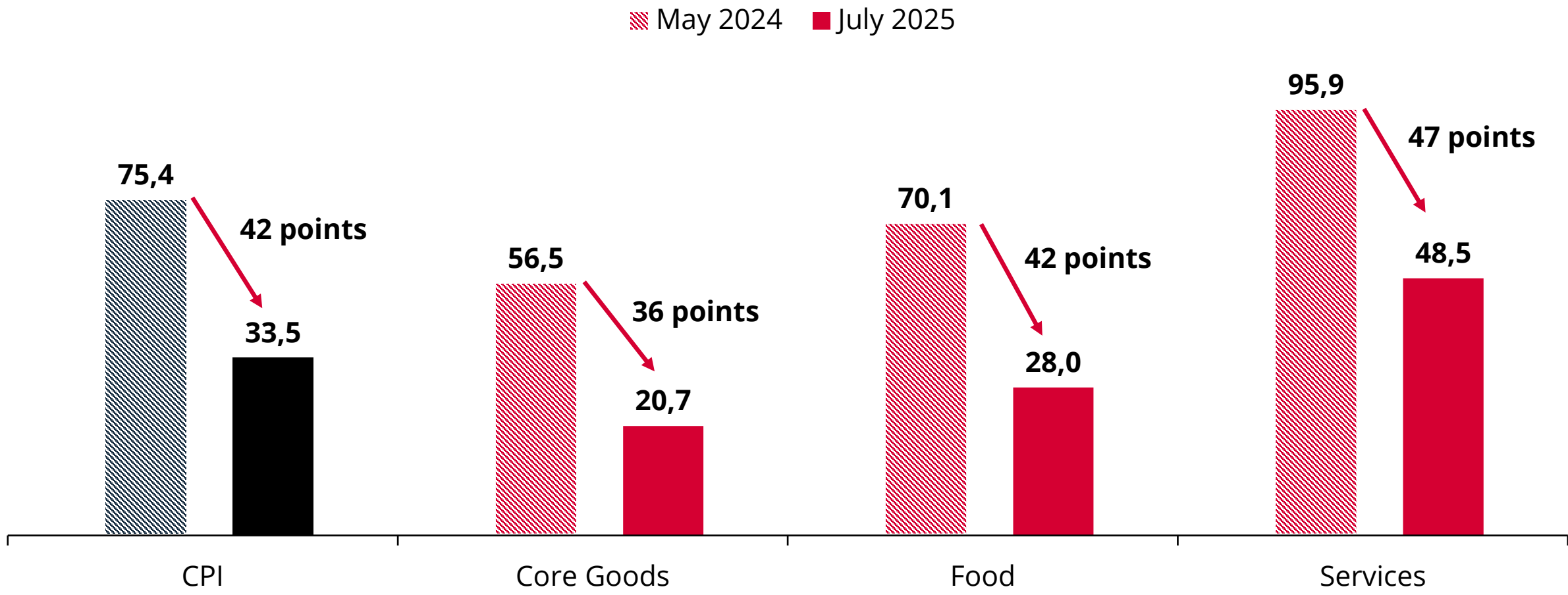
The disinflation process continues smoothly despite financial market volatility.

Year-End Inflation (Annual % Change)



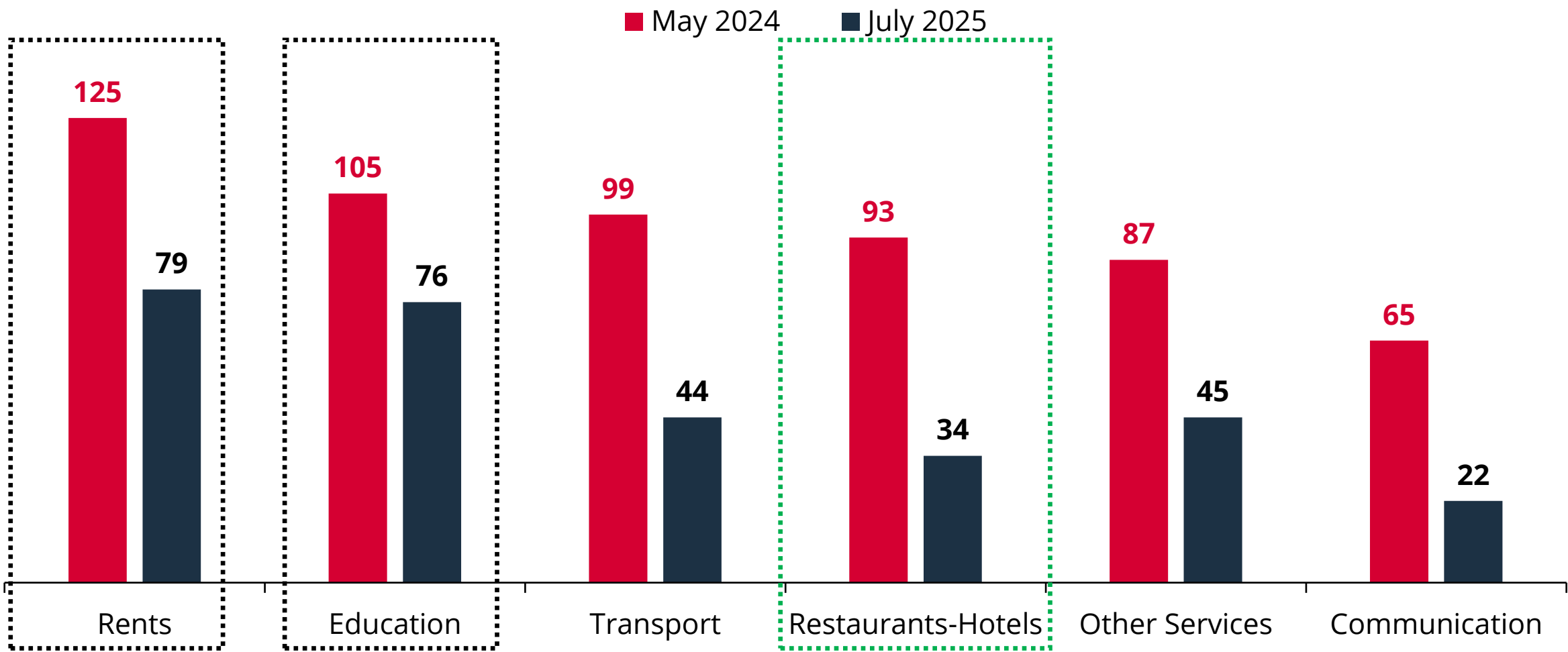
The fall in inflation continues across the board.

CPI Sub-Items (Annual % Change)



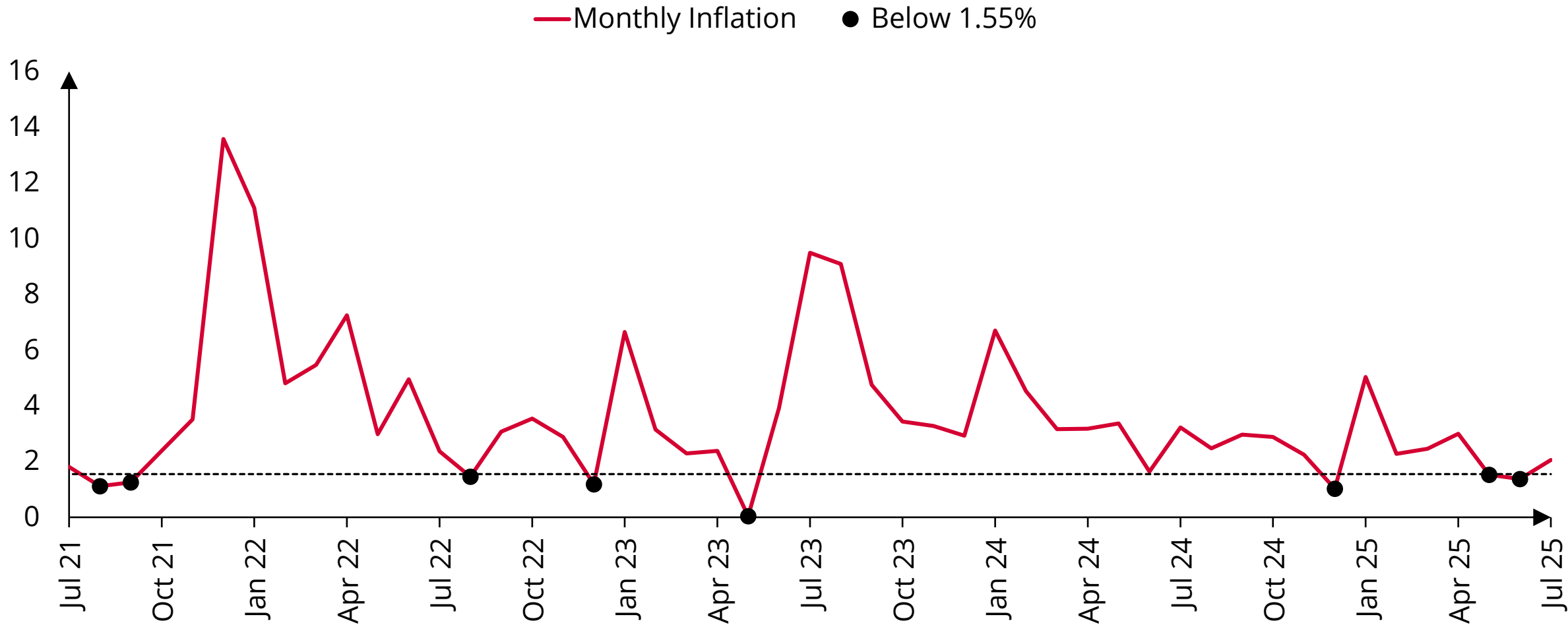
Rents and education drive services inflation up.

Services Sub-Items (Annual % Change)



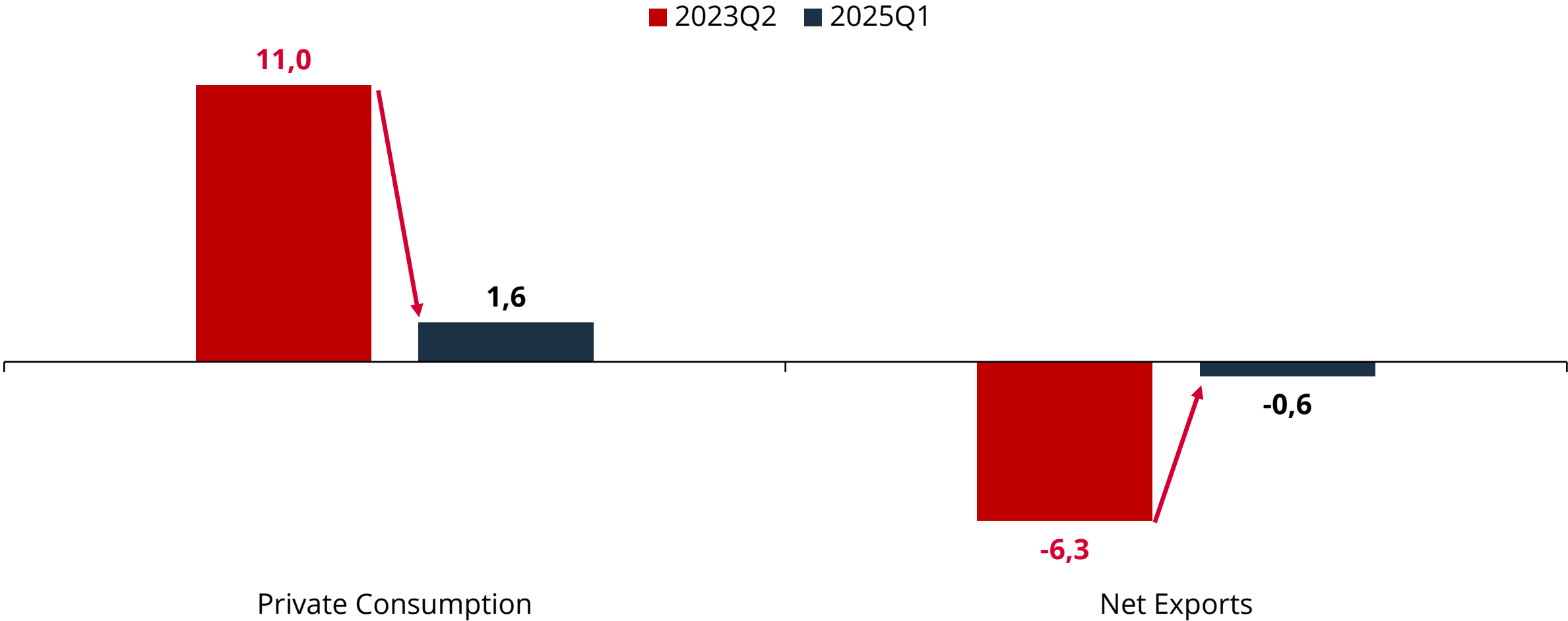
Monthly inflation posted a temporary rise in July.

Monthly Inflation (%)



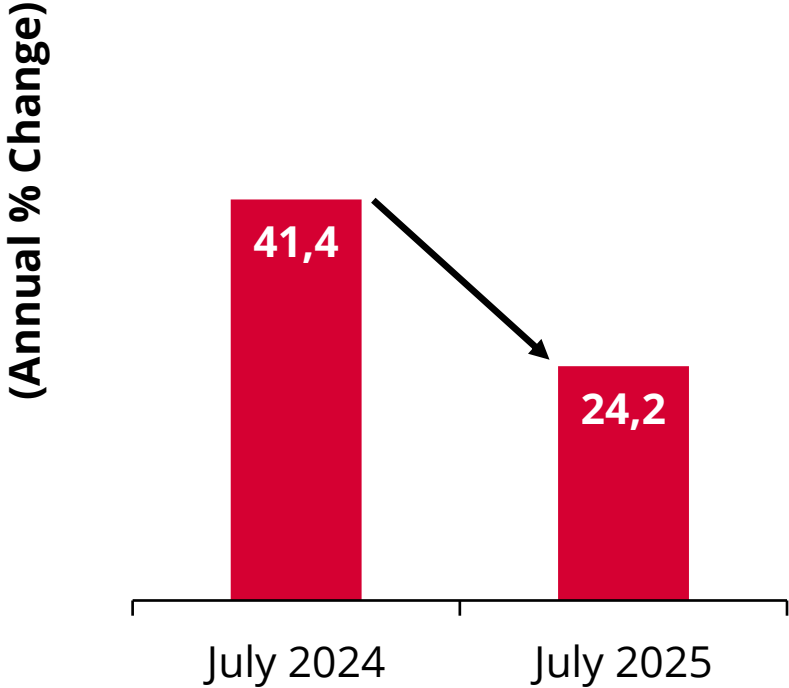
The moderation in demand contributes to disinflation.

Contributions to Annual Growth (% Point)

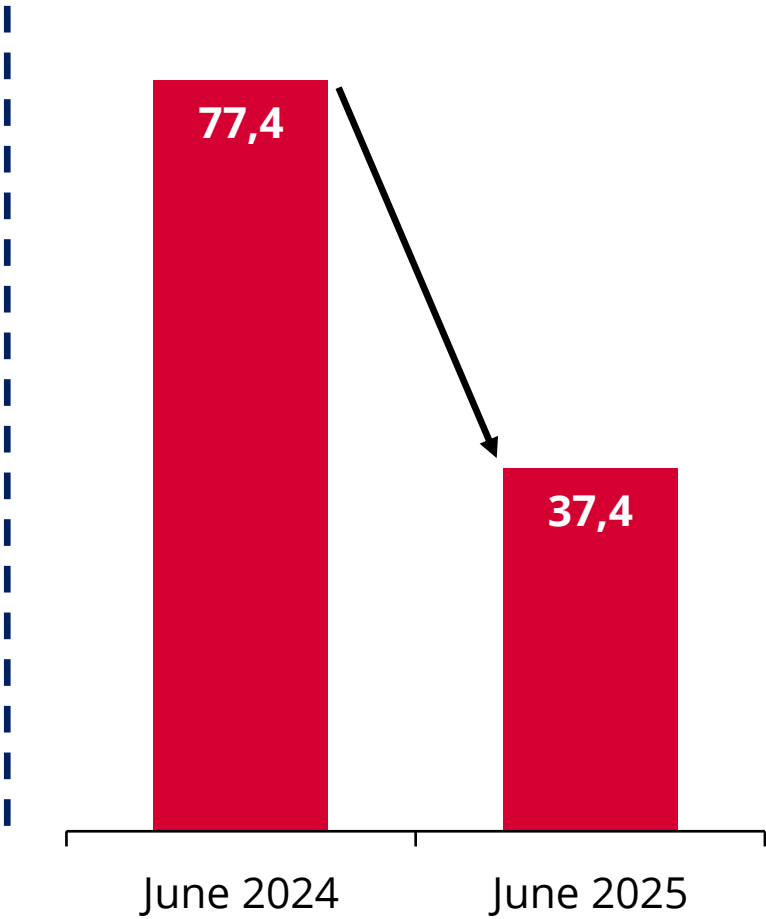


Cost increases lose pace.

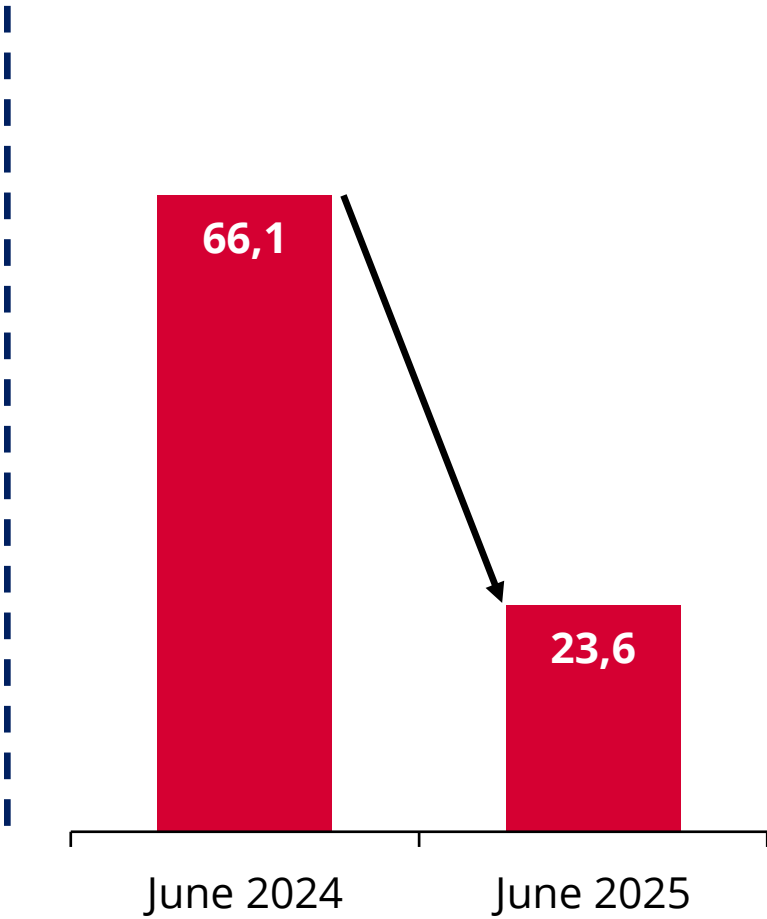
Domestic Producer Price Index (PPI)



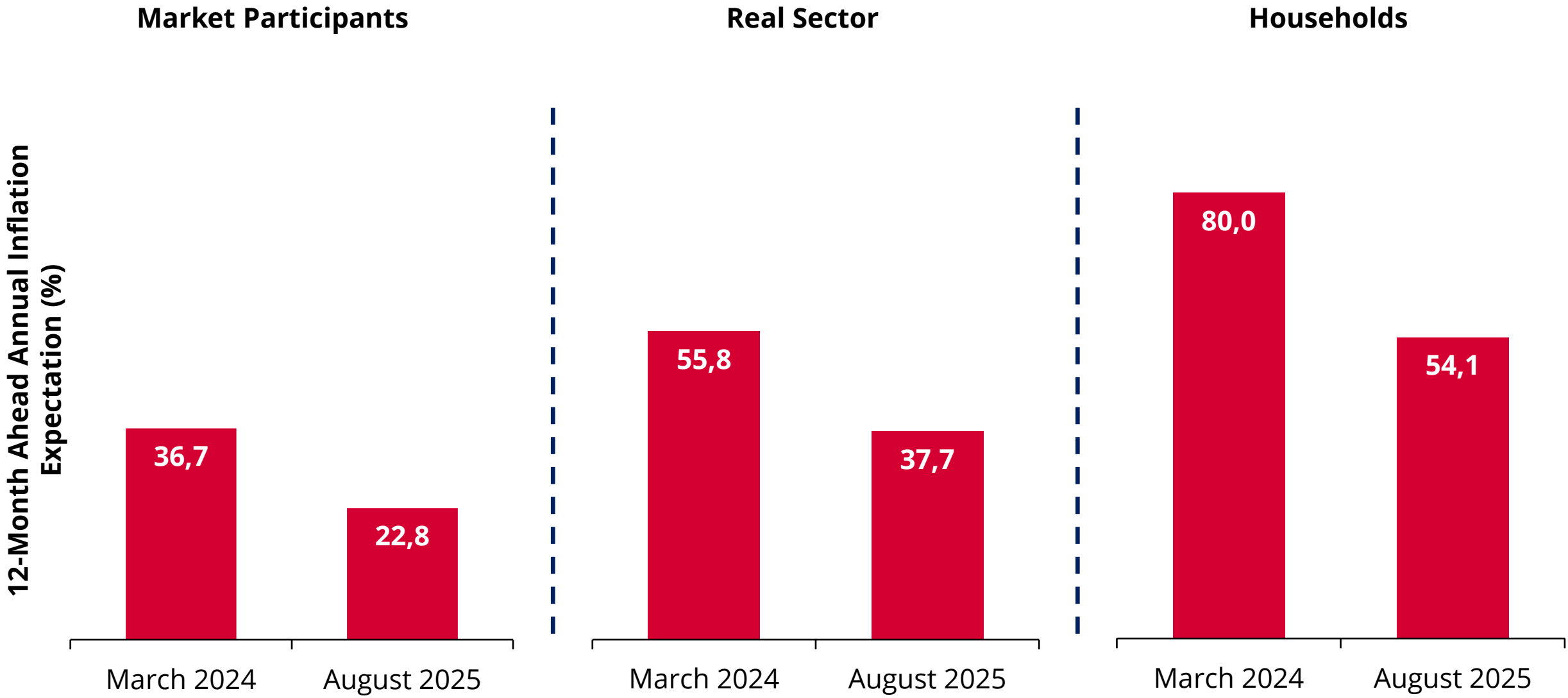
Services Producer Price Index



Construction Cost Index



Inflation expectations of consumers and firms are also on the decline.



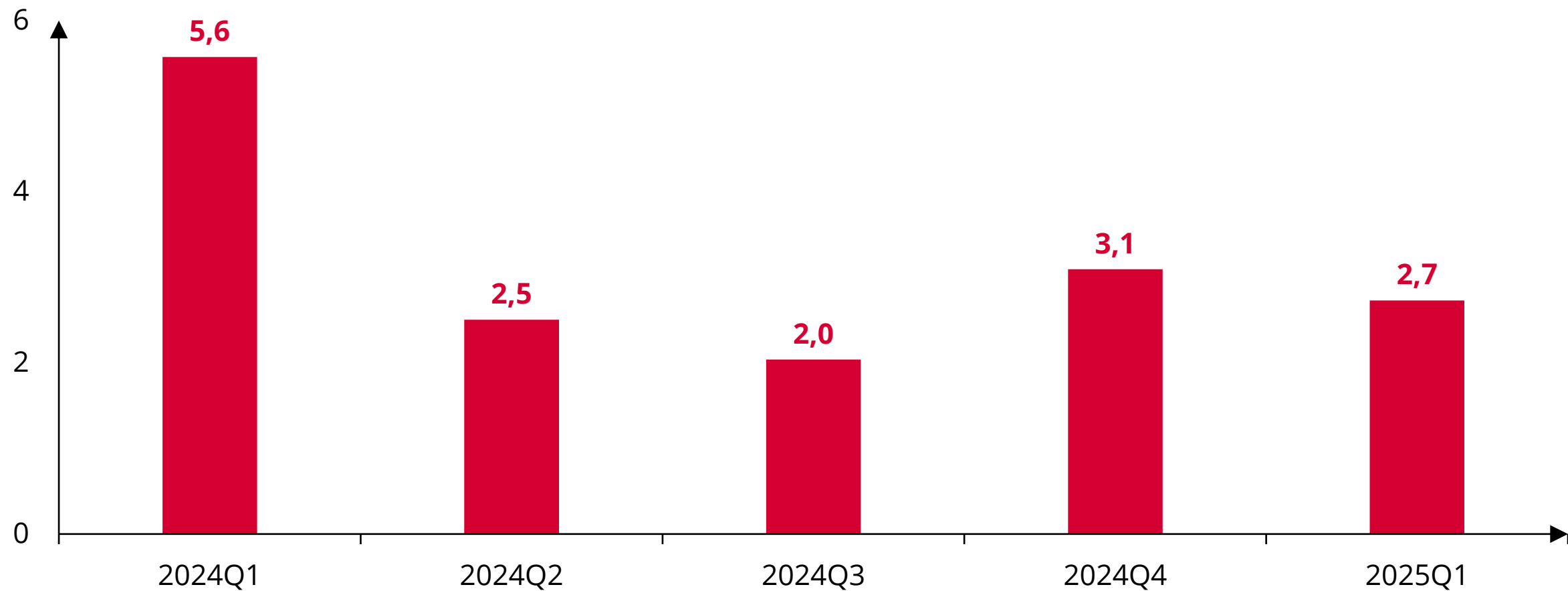
3

What is the degree of economic slowdown?

- Moderate growth
- Sectoral heterogeneity
- Strong balance sheet structure of the real sector

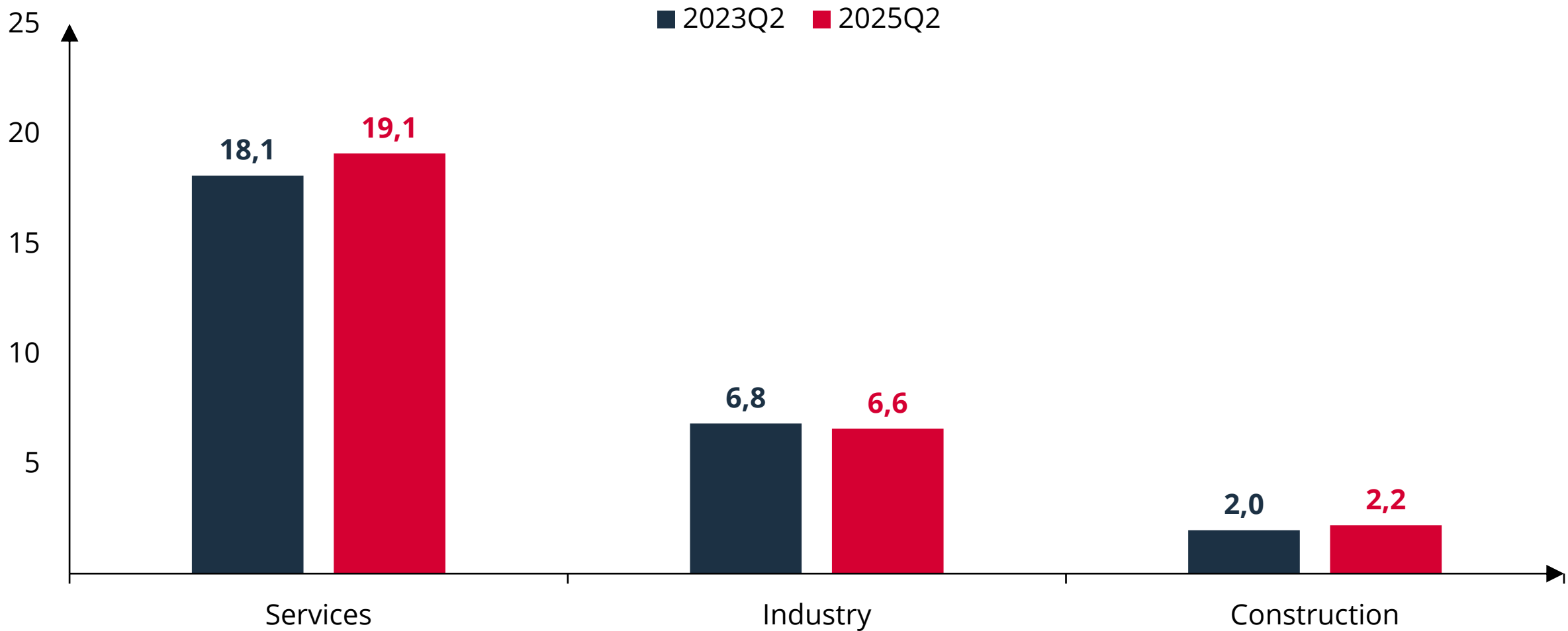
Economic growth remains moderate.

GDP Growth (Annual % Change)



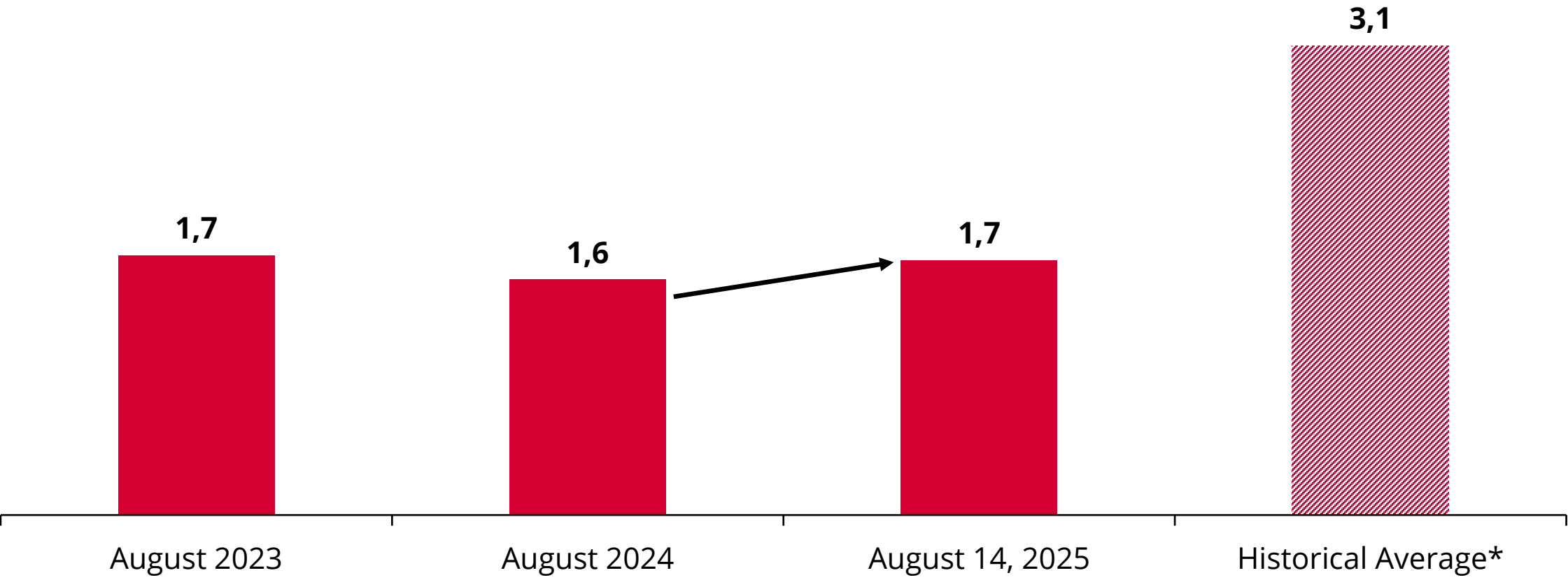
The services sector was the driver of employment growth.

Number of People Employed by Sectors (Million people)



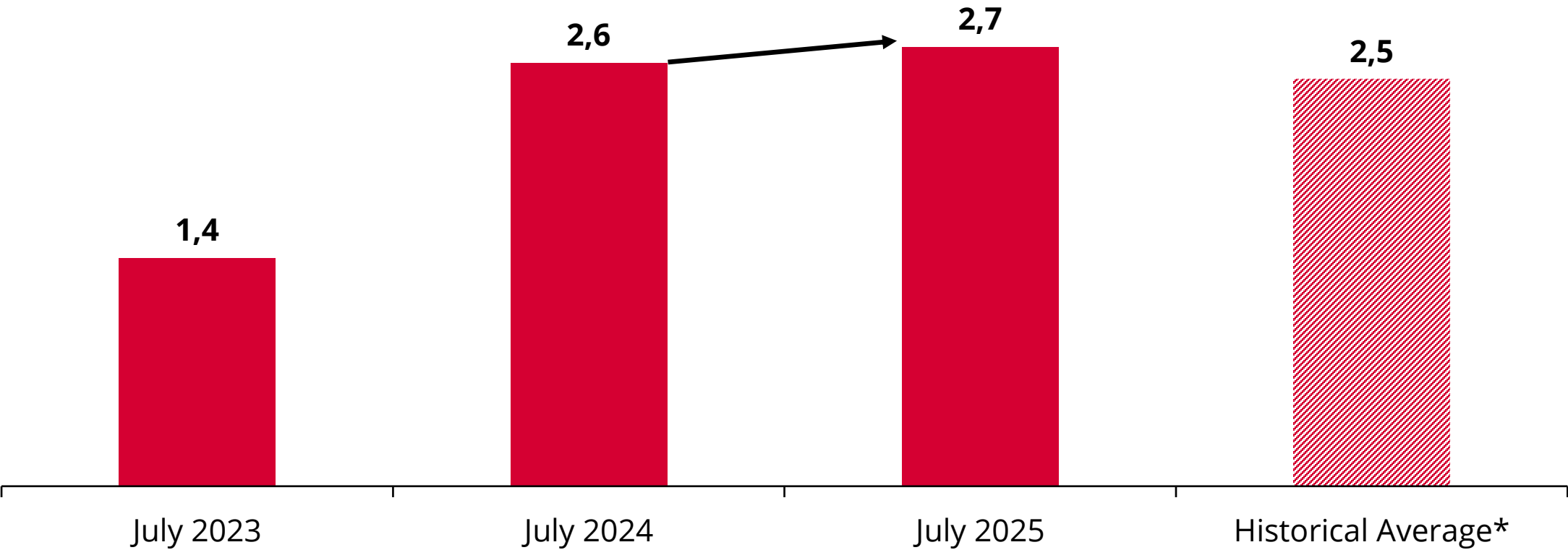
Non-performing loan ratio for commercial loans is below its historical average.

NPL Ratio for Commercial Loans (%)



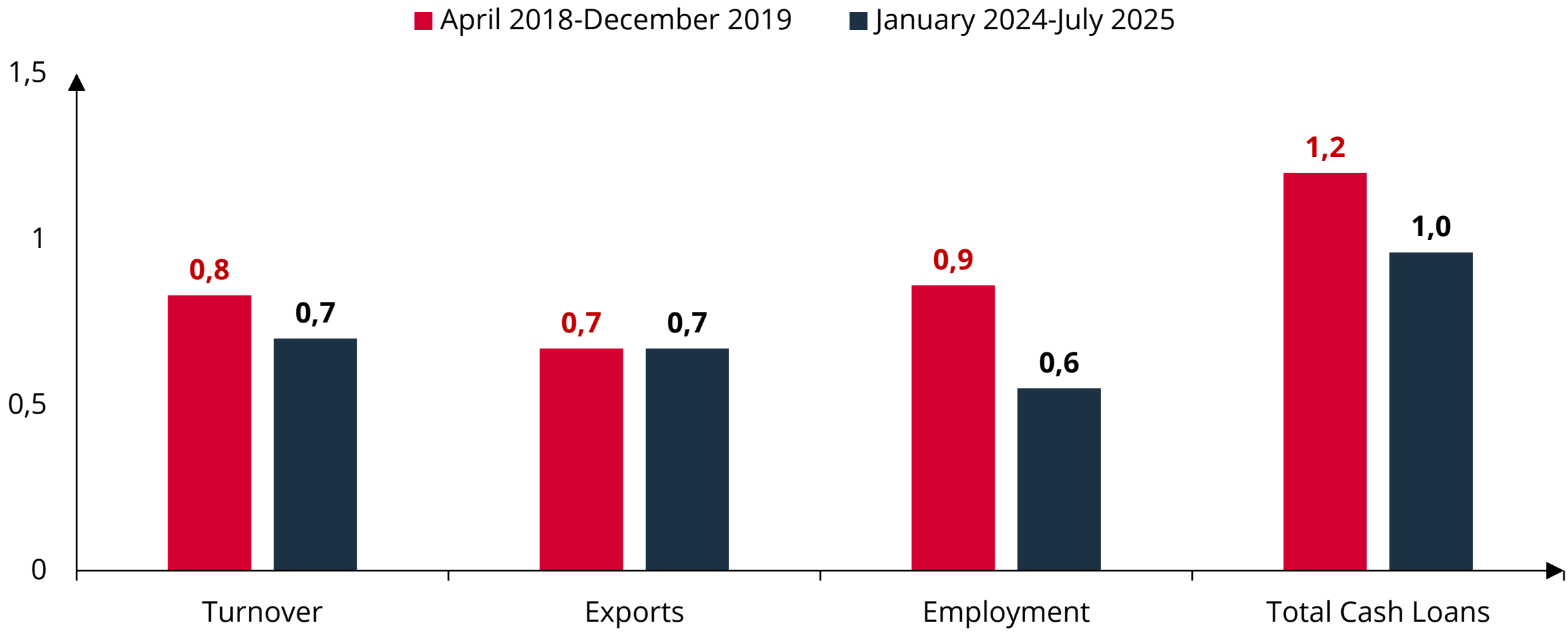
The returned check rate was close to its historical average in July.

Returned Check Rate (Based on Amount, %)



Firms filing for bankruptcy protection have a relatively low share in the economy.

Share of Firms Filing for Bankruptcy Protection in Economic Aggregates* (%)

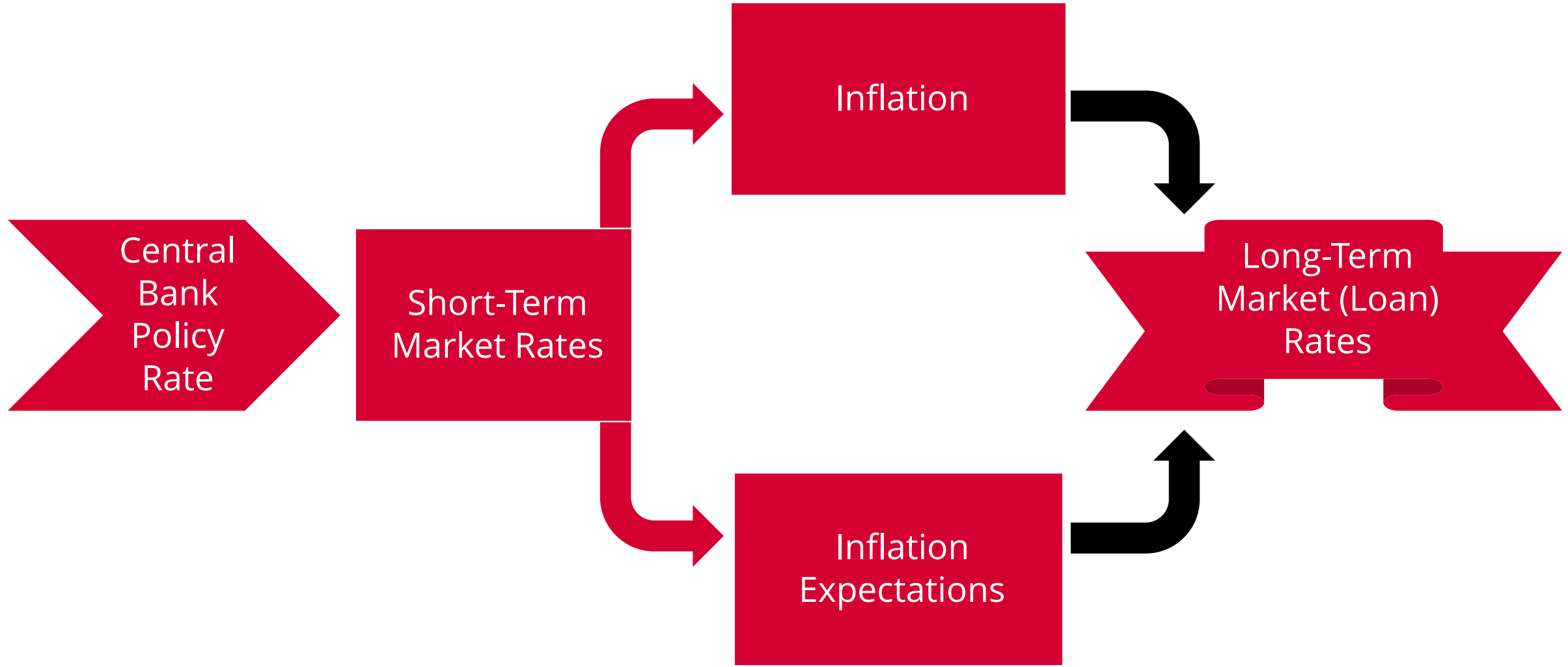


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How do market rates decline?

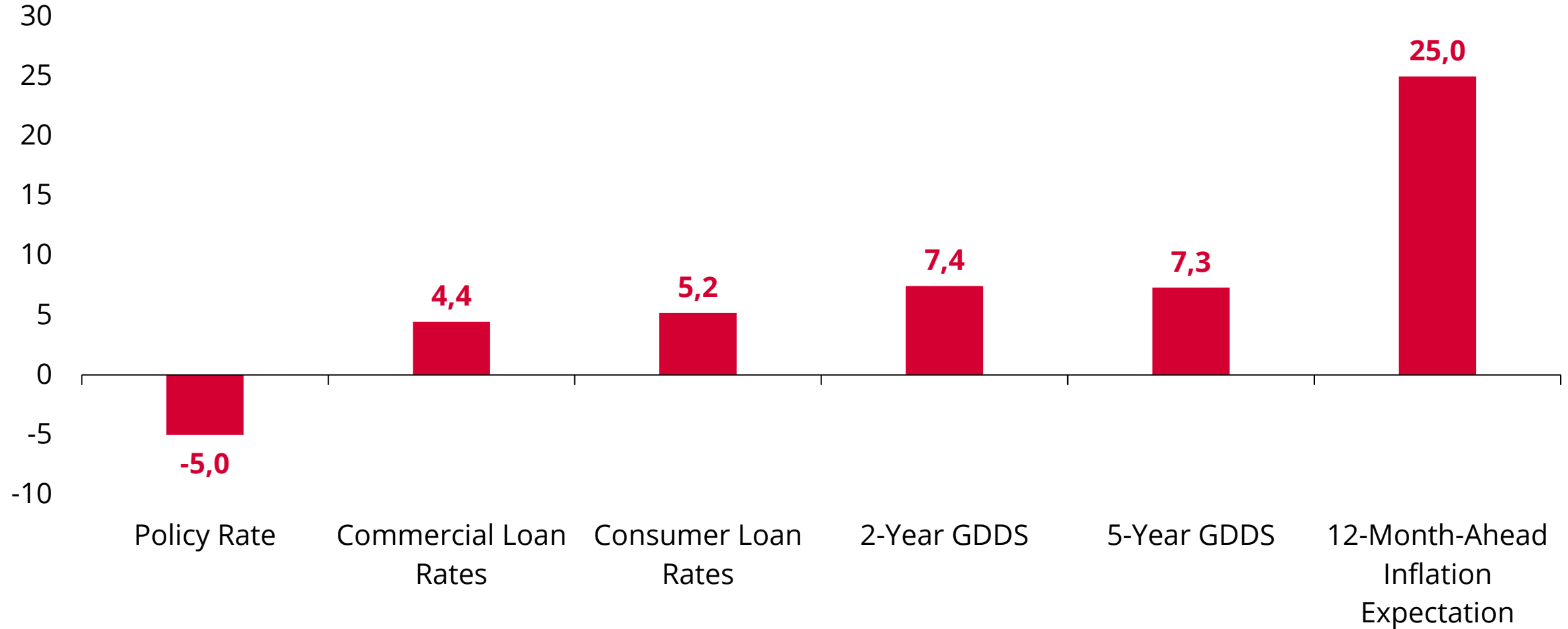
- Inflation
- Inflation expectations
- Risk premium

Loan rates are affected by inflation and inflation expectations.



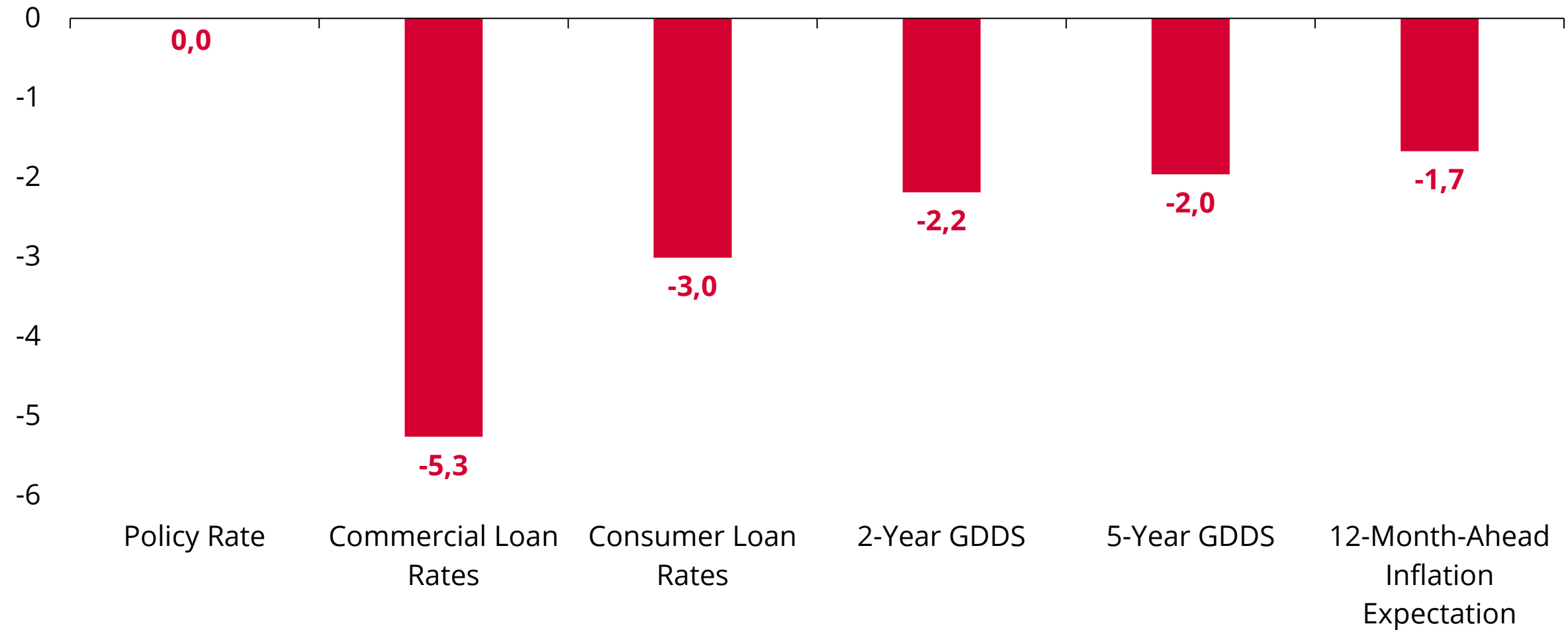
Rate cuts are effective only when inflation is under control.

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



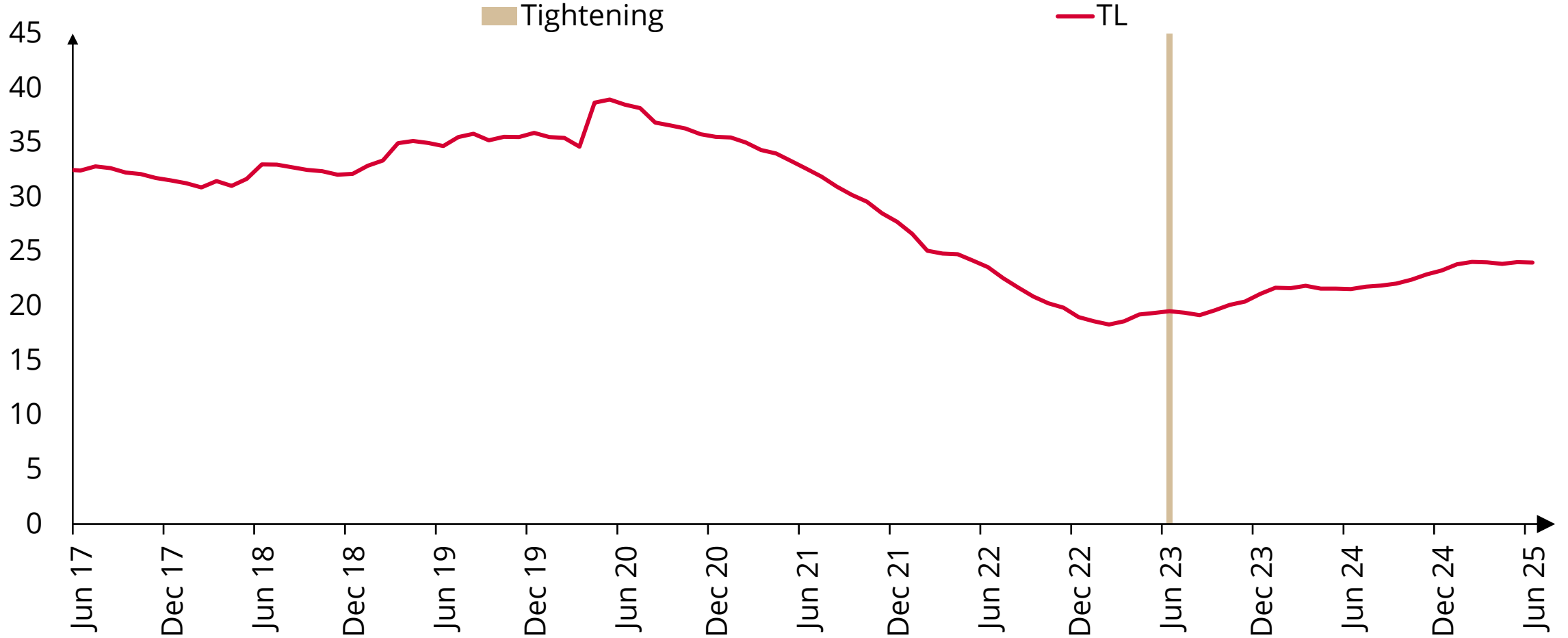
Loan and bond rates fall as inflation expectations improve.

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



Long-term loans' share increased during the period of monetary tightening.

Share of Loans With Maturities of 2-5 Years in TL Commercial Loans (Stock*, %)

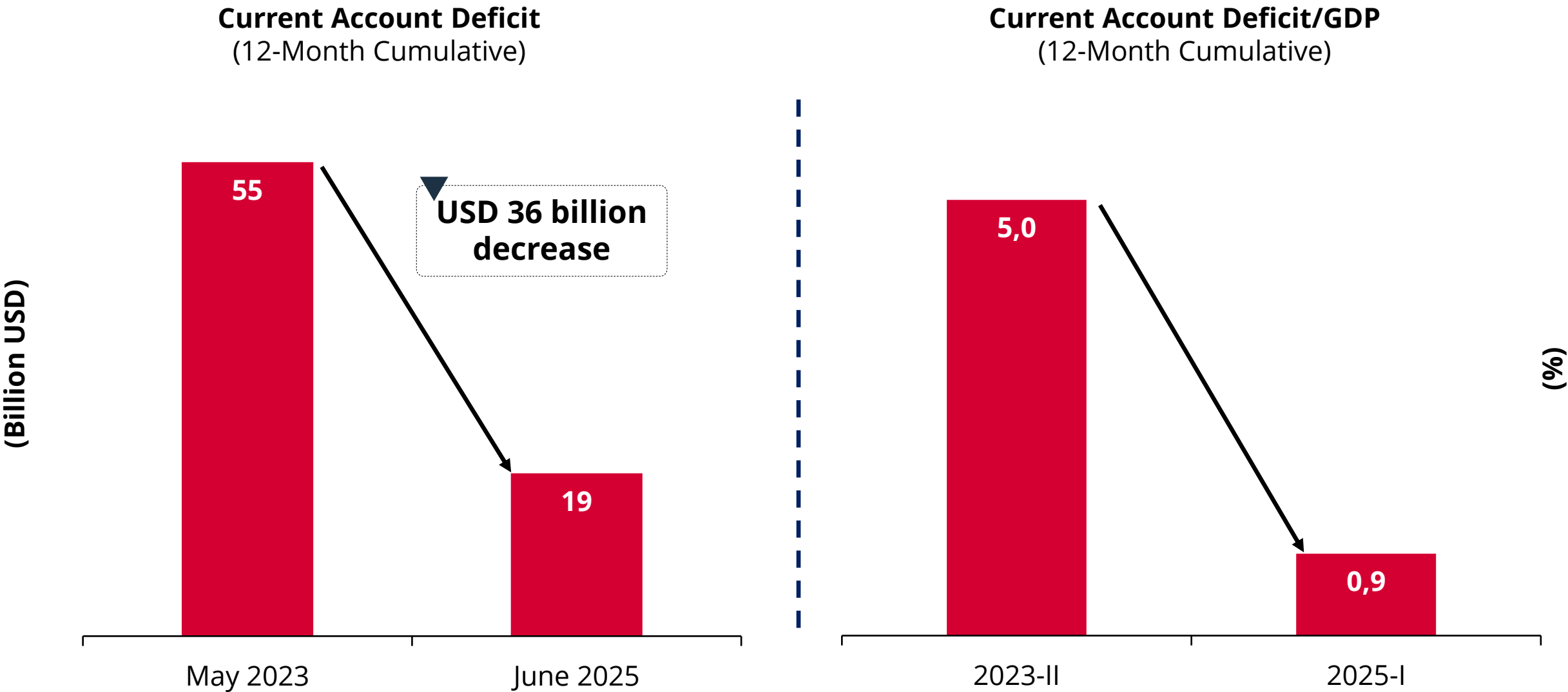


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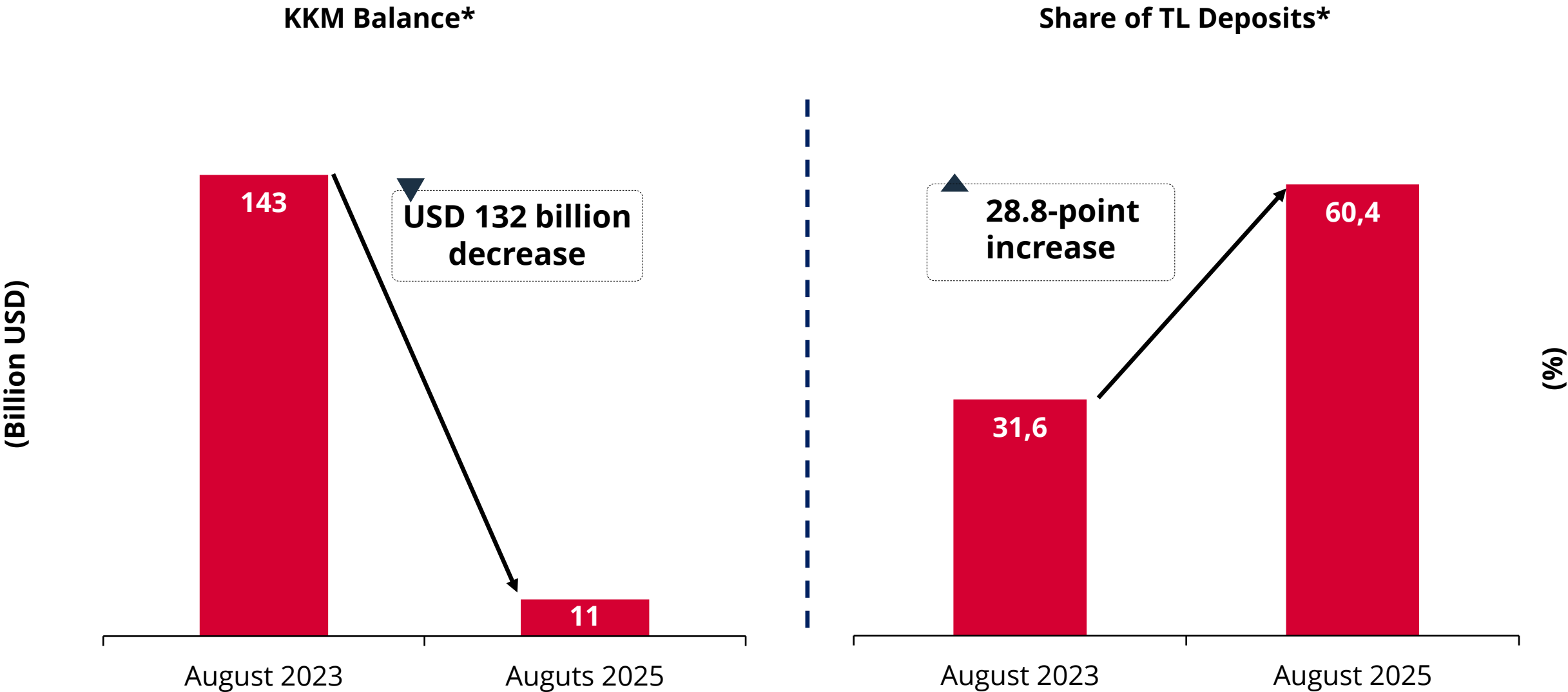
How do we build up our reserves?

- Improvement in the current account balance
- Increasing demand for the Turkish lira
- Improvement in expectations

Narrowing current account deficit reduces the need for external financing.

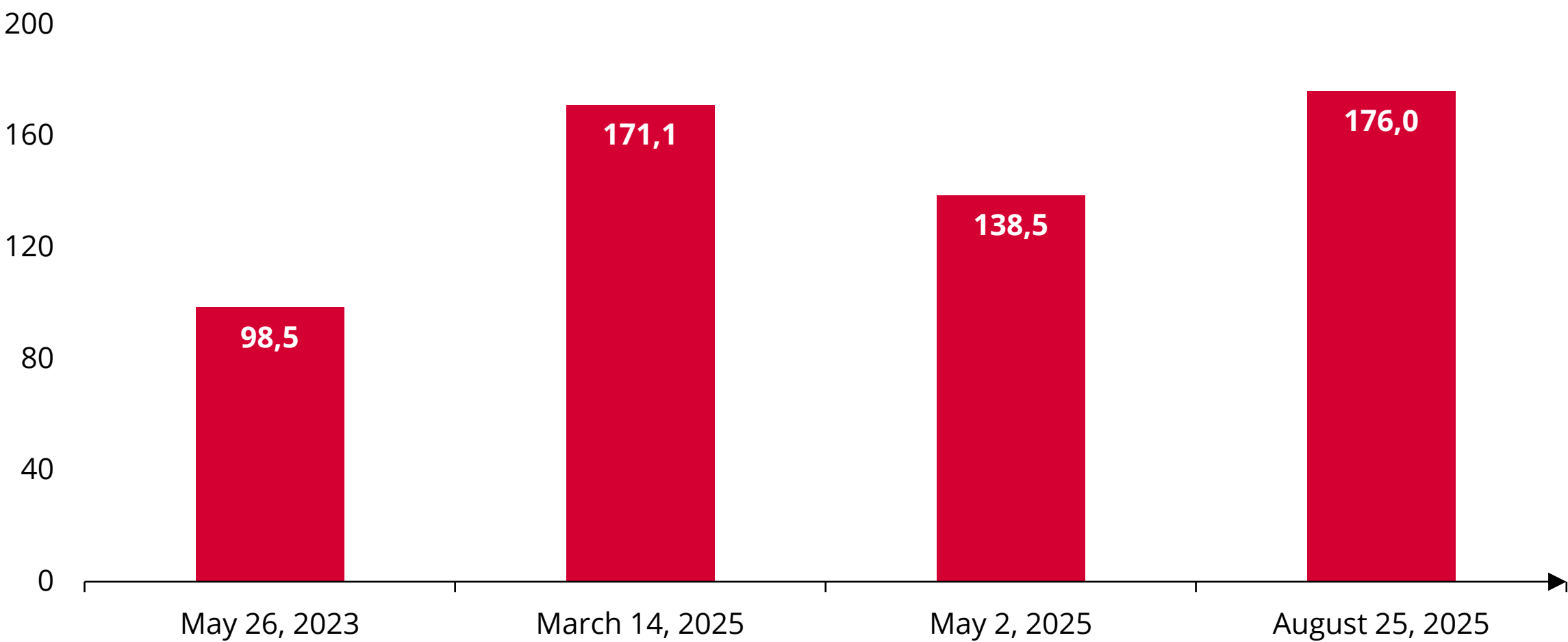


While the KKM balance is declining, TL demand remains strong.



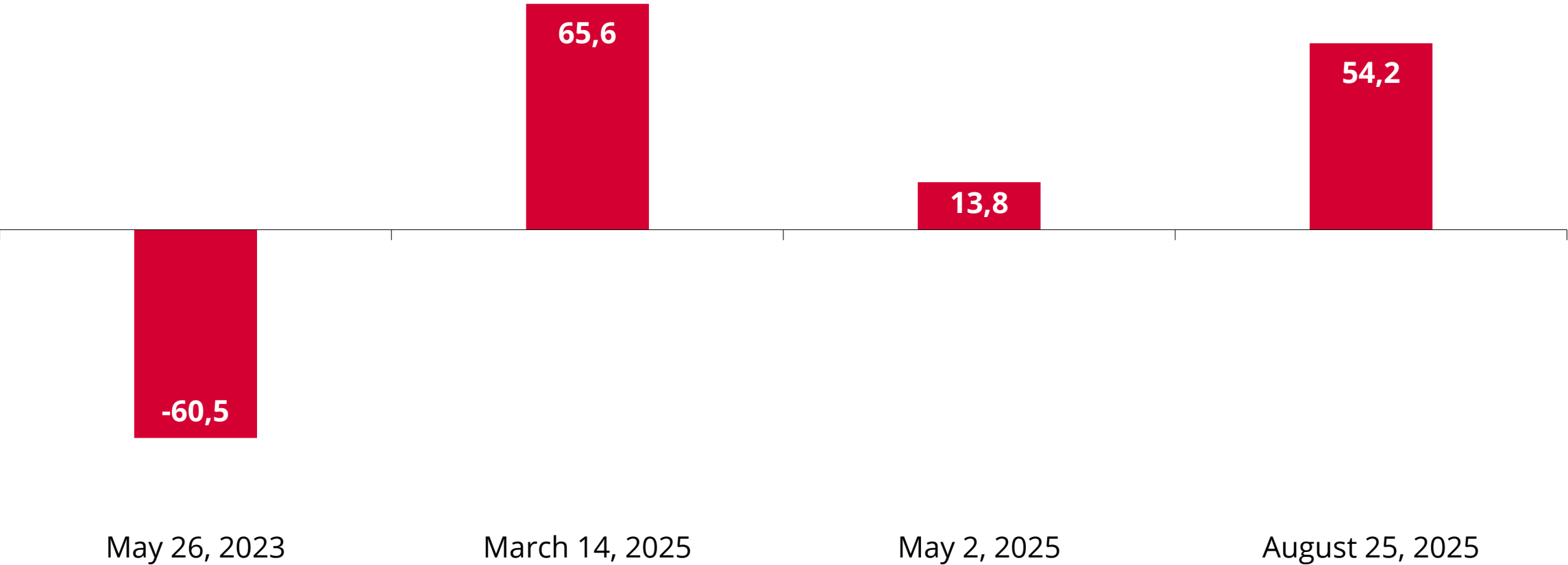
Our tight monetary policy stance has had a positive impact on reserves.

Gross International Reserves (Billion USD)



Our tight monetary policy stance has had a positive impact on reserves.

Net Reserves Excluding Swaps (Billion USD)



Conclusions

- The tight monetary policy stance, which will be maintained until price stability is achieved, will support the disinflation process through moderation in domestic demand, real appreciation in Turkish lira, and improvement in inflation expectations. Going forward, coordination of fiscal policy will contribute to this process.
- 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.
- The step size will be reviewed prudently on a meeting-by-meeting basis with a focus on the inflation outlook.
- All monetary policy tools will be used effectively in case a significant and persistent deterioration in inflation is foreseen.



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