

PRESENTATION BEFORE THE GNAT COMMITTEE ON PLAN AND BUDGET

Fatih Karahan
Governor

OCTOBER 6, 2026

ANKARA



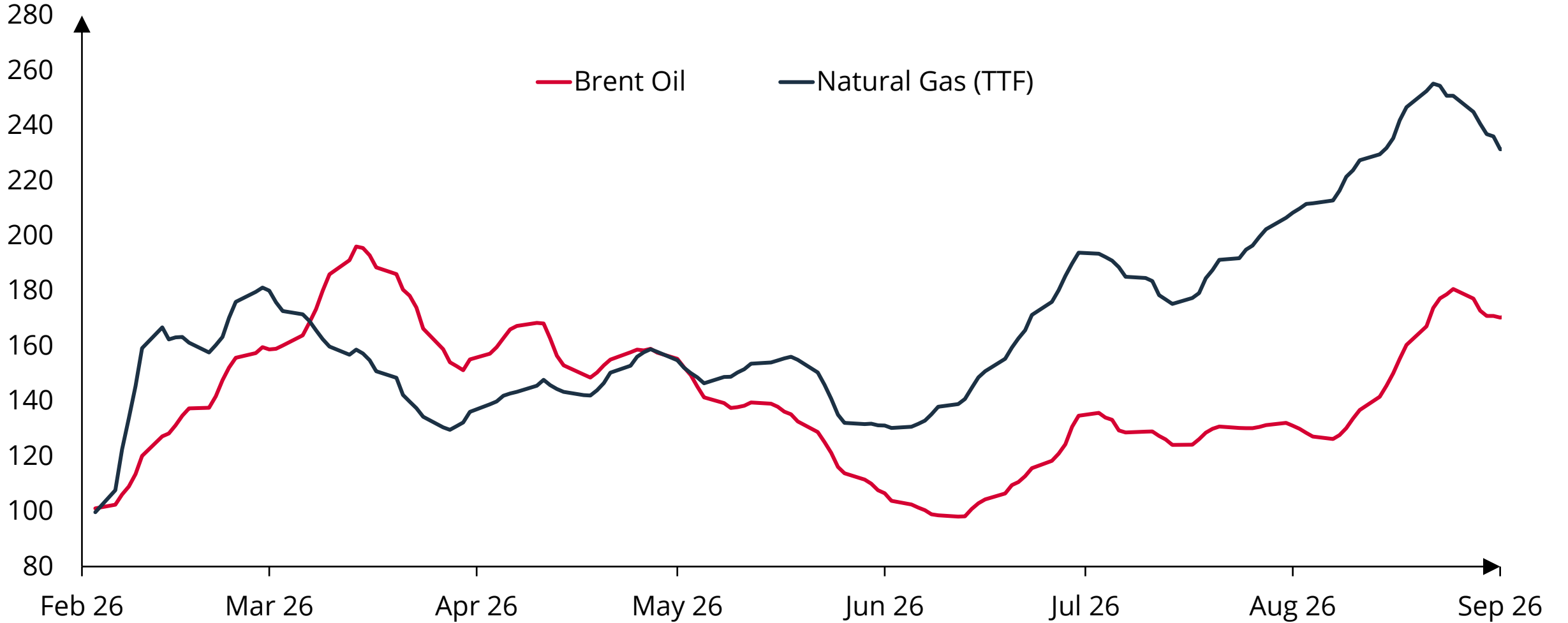
Outline

- **Global Economy**
- **Macroeconomic Outlook**
- **Monetary Policy and Financial Conditions**
- **Conclusion**

GLOBAL ECONOMY

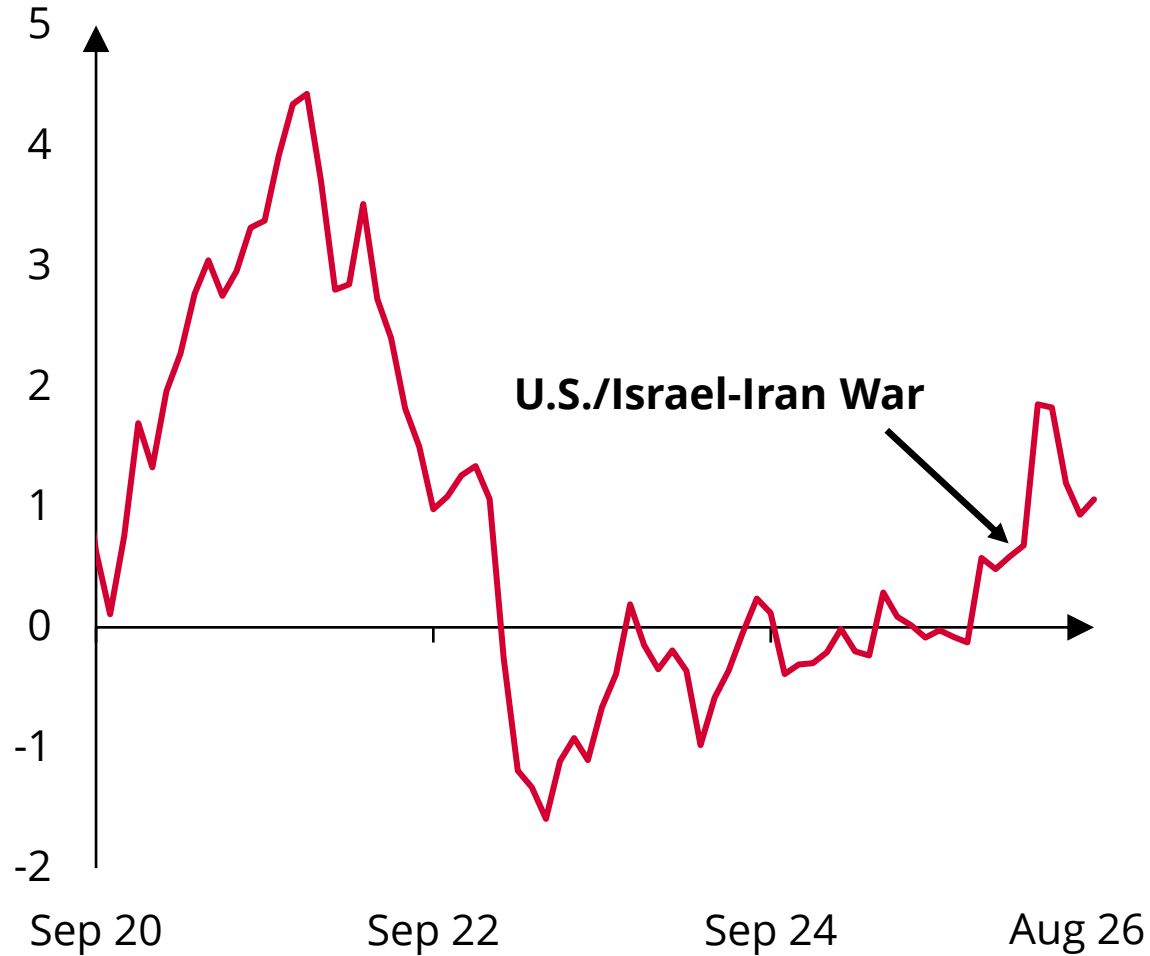
Energy prices remain elevated due to the war.

Brent Oil and Natural Gas (TTF) Prices (5-Day Moving Average, February 27, 2026=100)

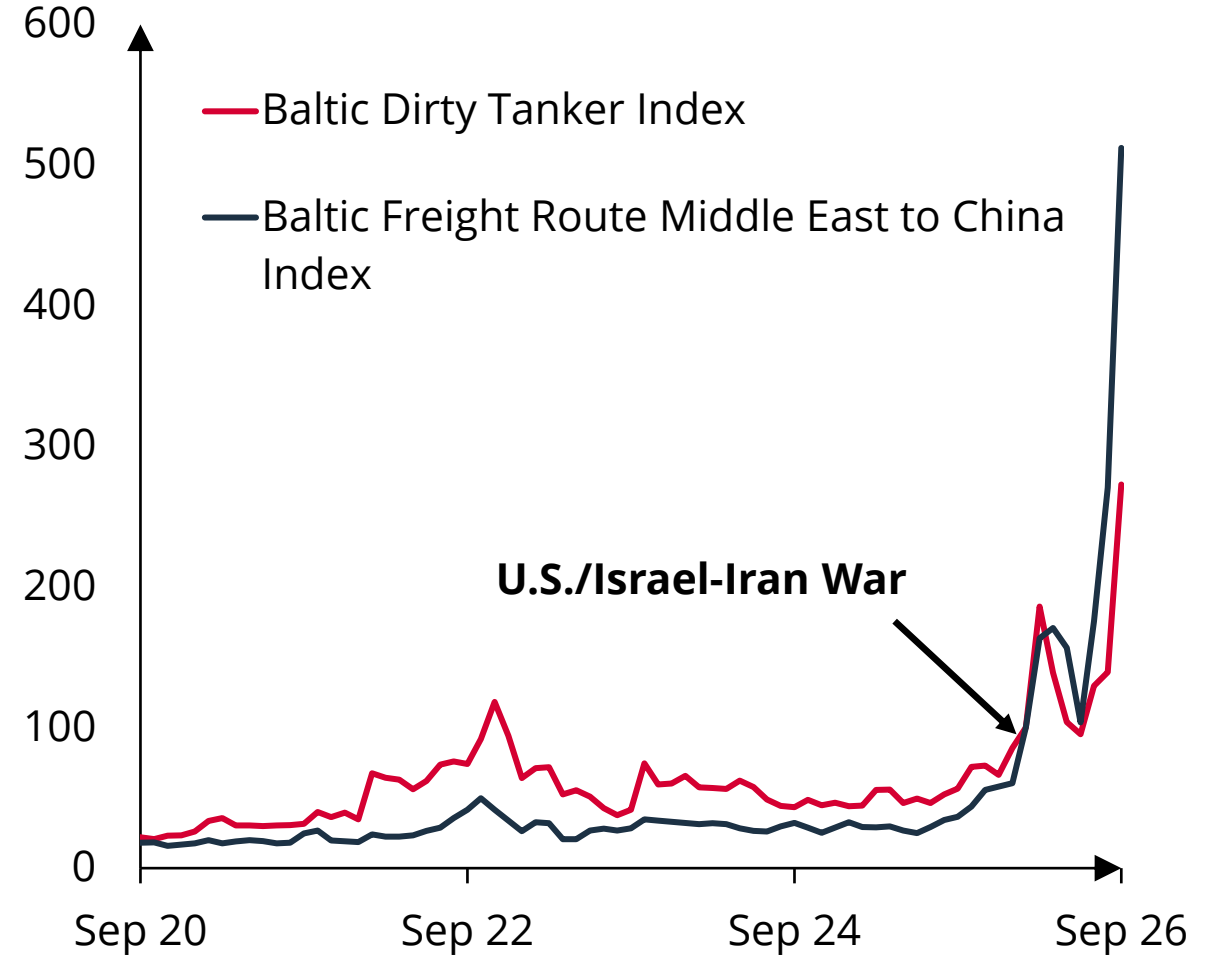


Disruptions in the global supply chain and the rise in freight costs continue.

Global Supply Chain Pressure Index

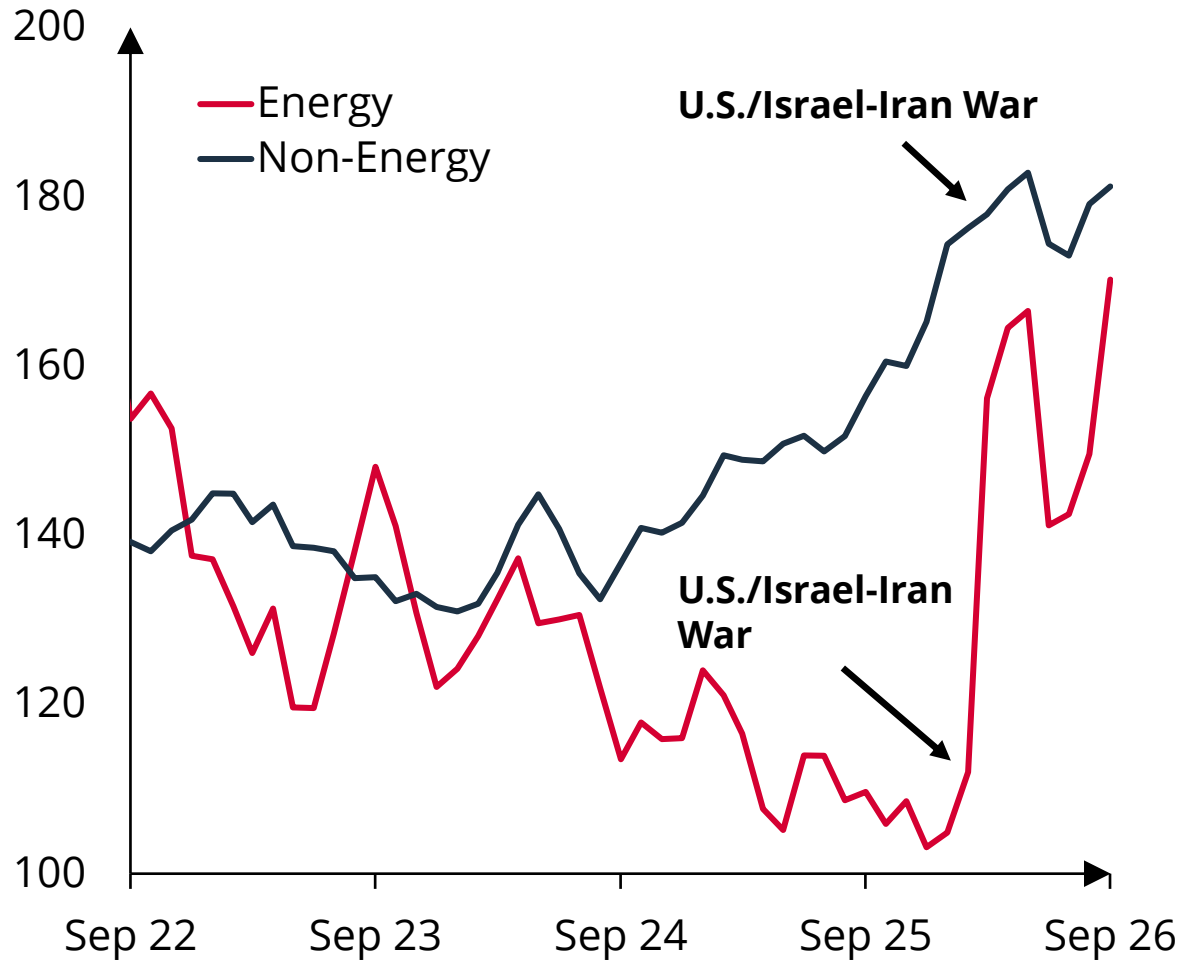


Freight Indices (February 2026=100)

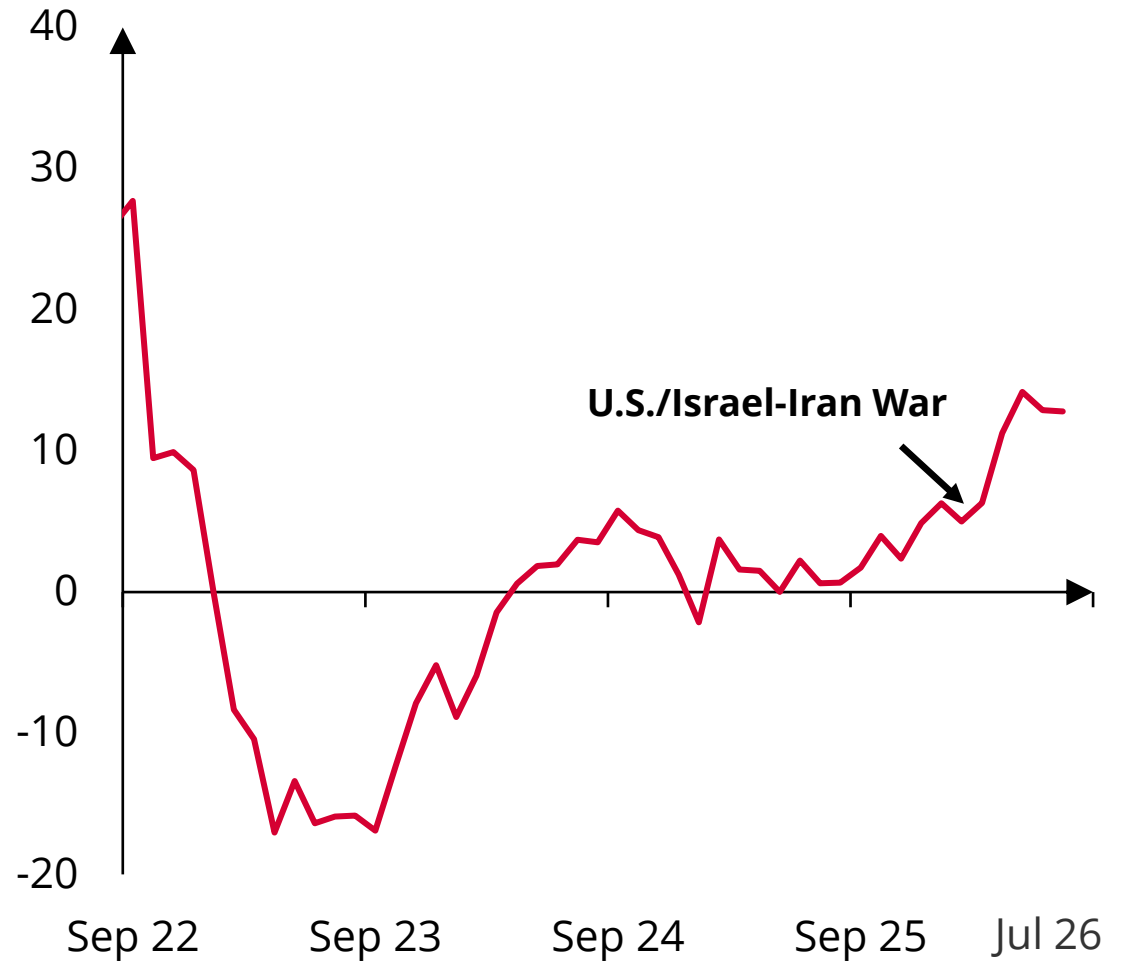


Import prices have increased, driven by commodities.

Commodity Price Indices* (Monthly Average)

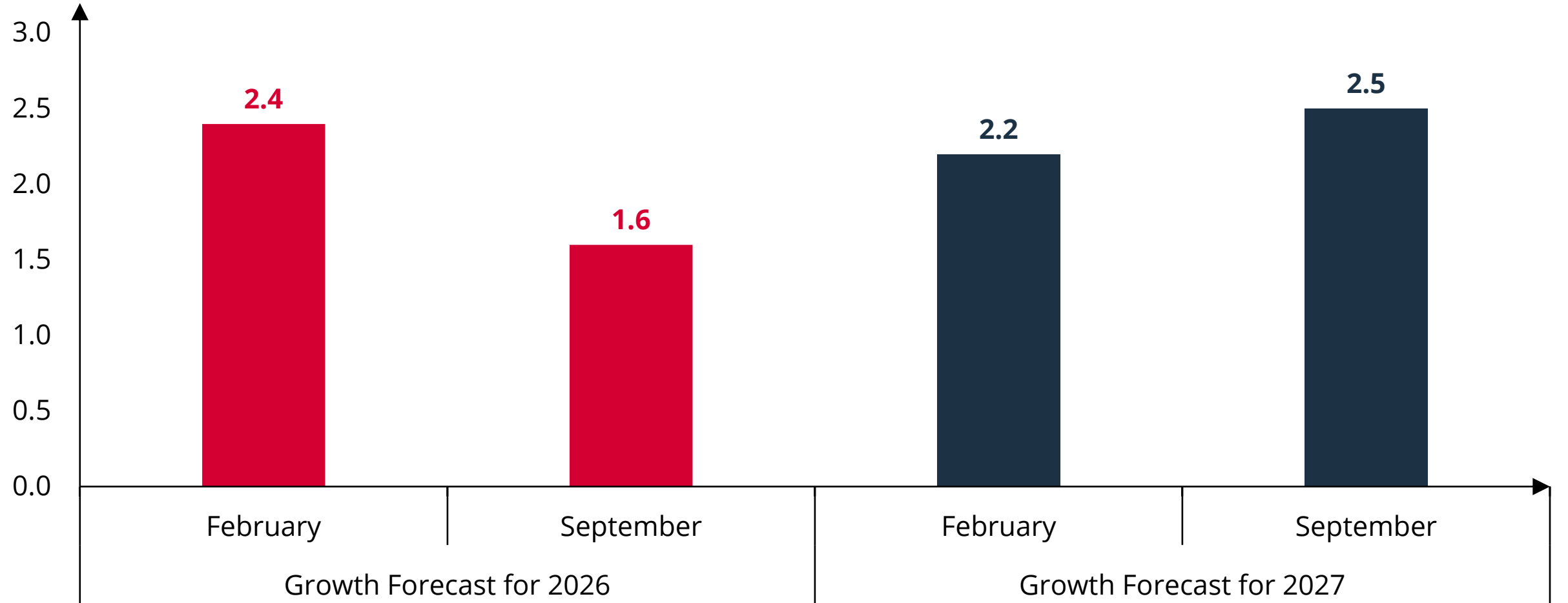


Import Unit Value Index (USD, Annual % Change)



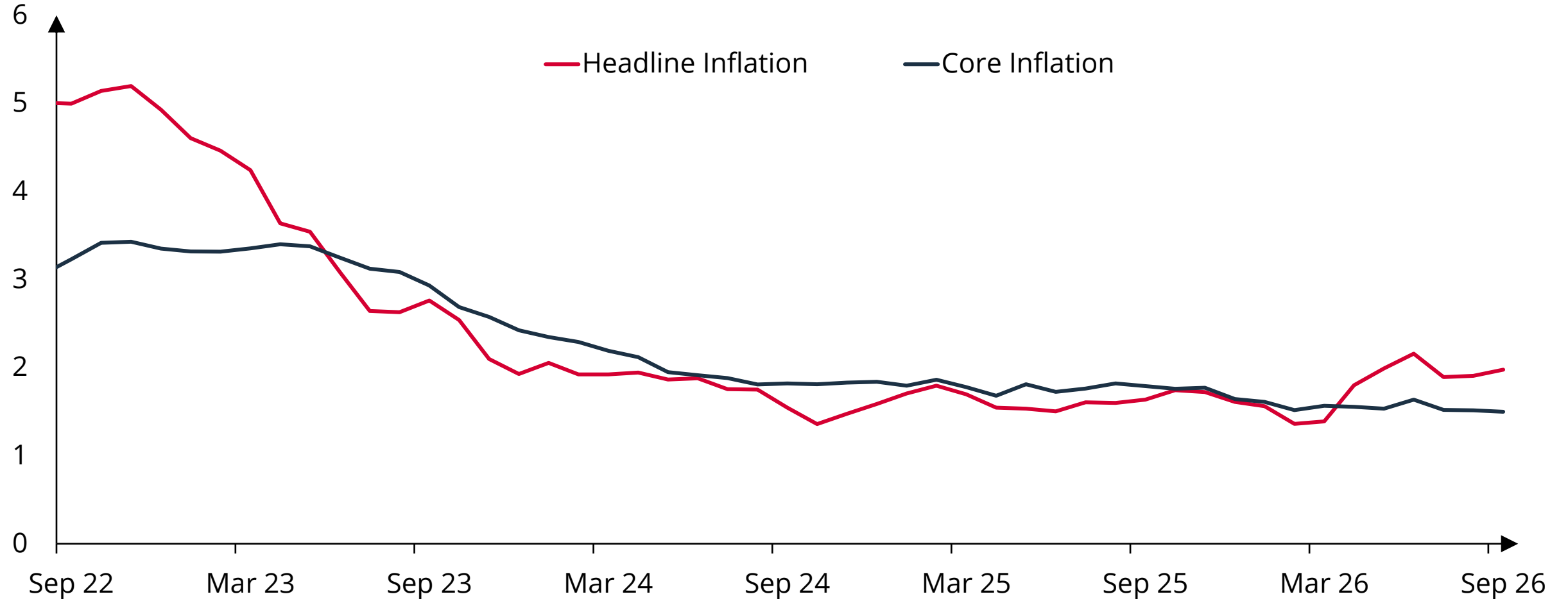
Global growth forecasts for 2026 have been revised down significantly.

Export-Weighted Global Growth Forecasts (%)



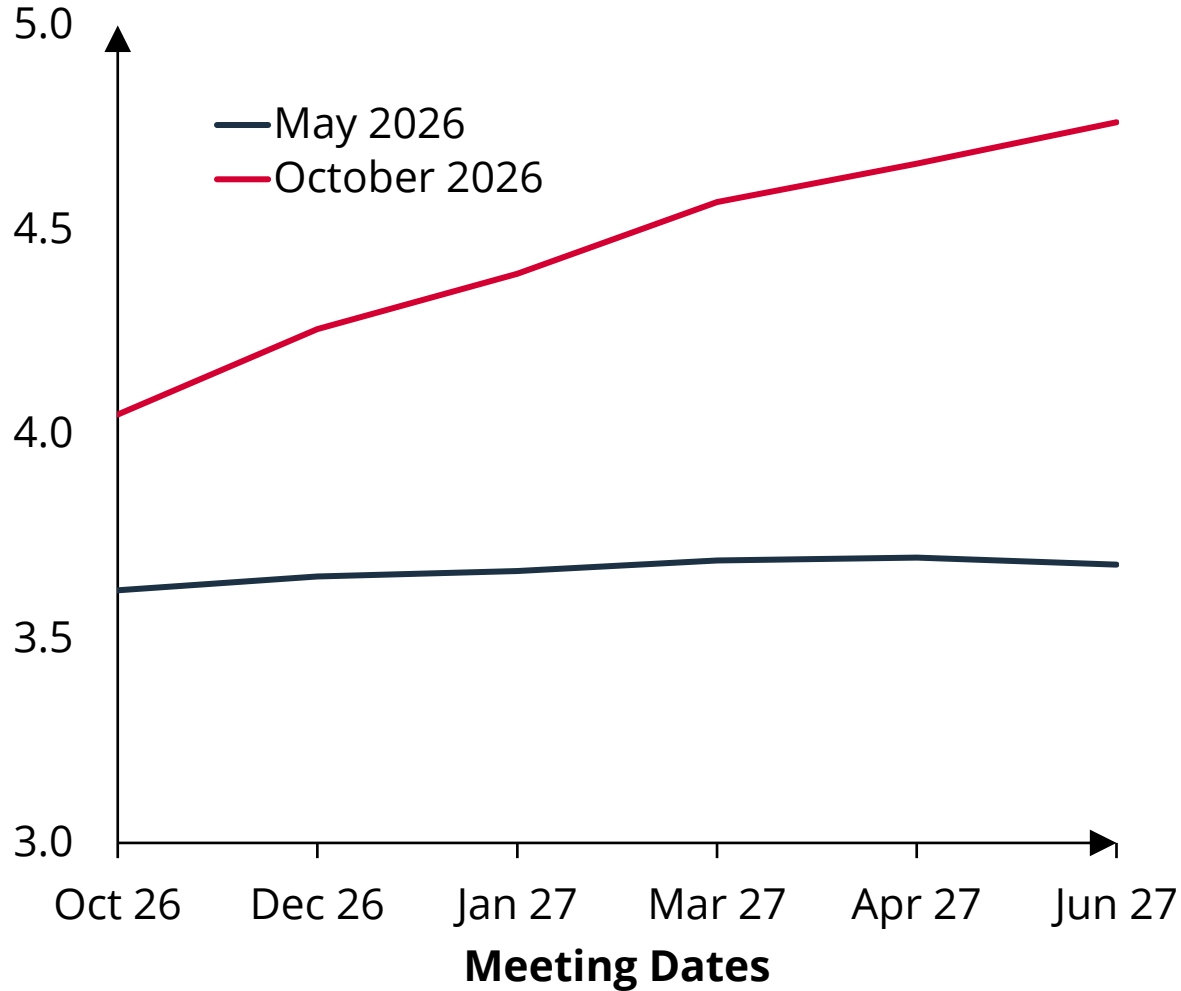
Headline inflation has risen globally.

Global Inflation Rates (Annual, %)

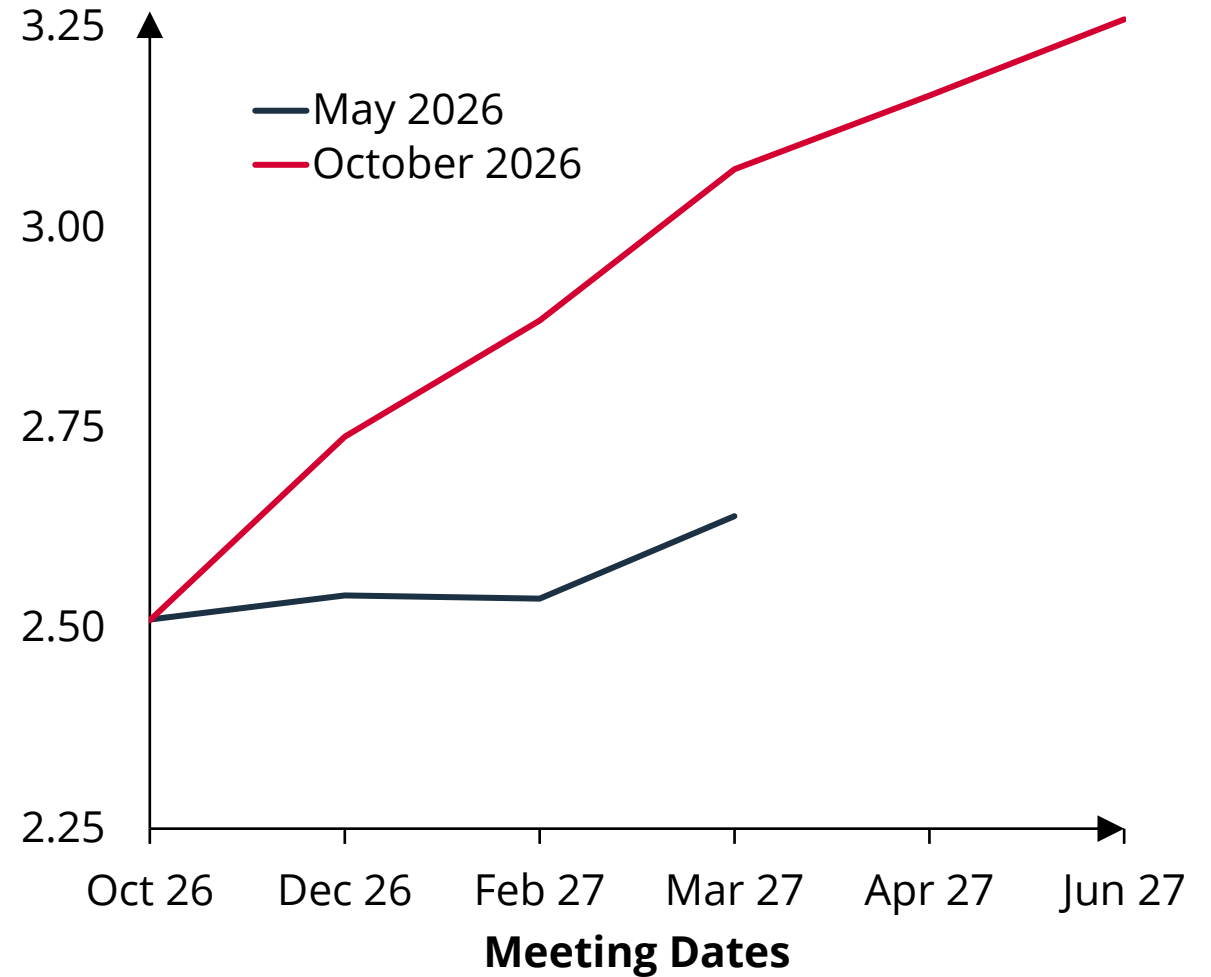


Policy rate expectations for the Fed and the ECB have shifted upward.

Fed Policy Rate Expectations (%)

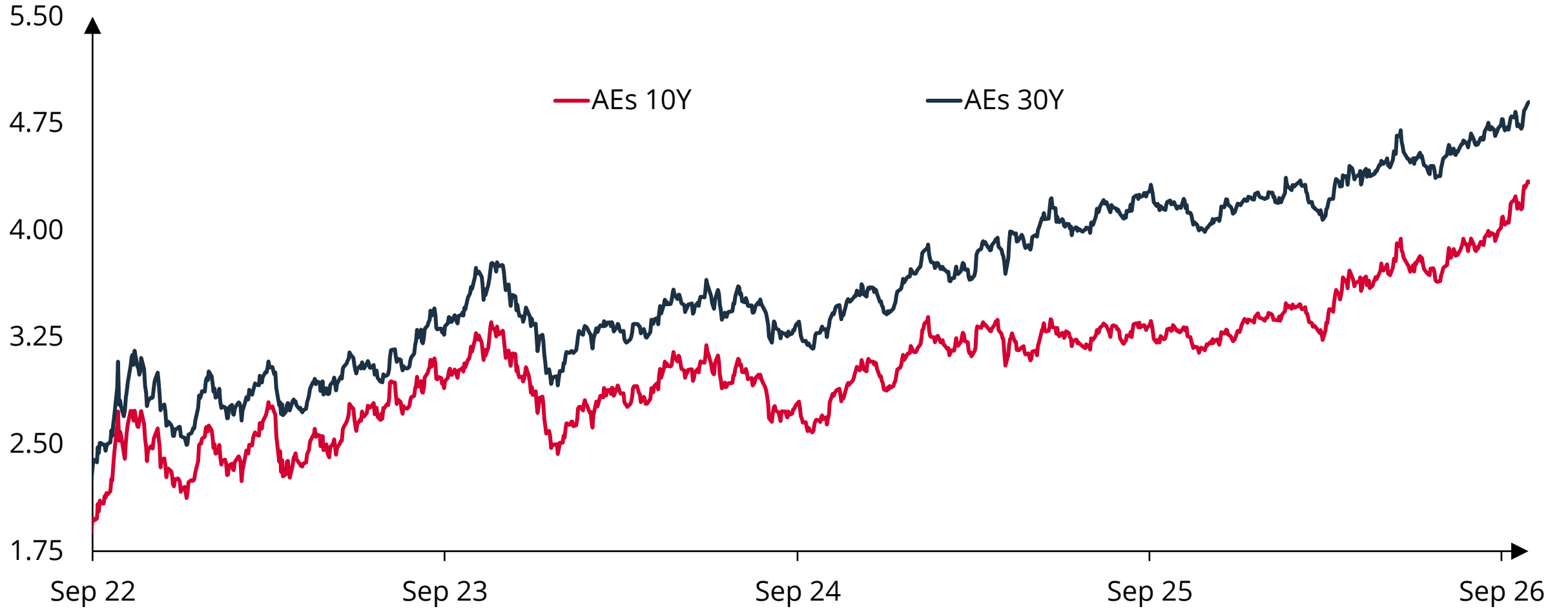


ECB Policy Rate Expectations (%)



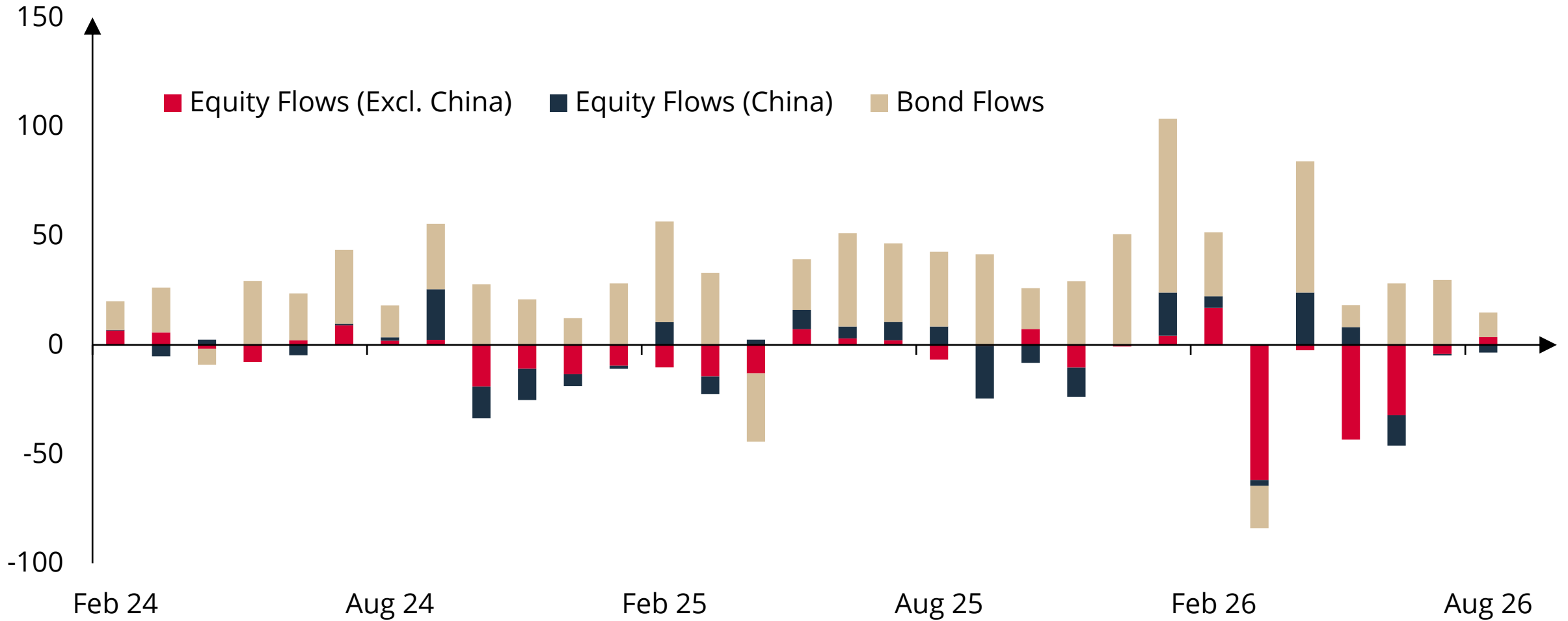
Bond yields in advanced economies continue to rise.

Long-Term Bond Yields in Advanced Economies* (Average, %)



The volatility in portfolio flows to emerging markets has increased since the war.

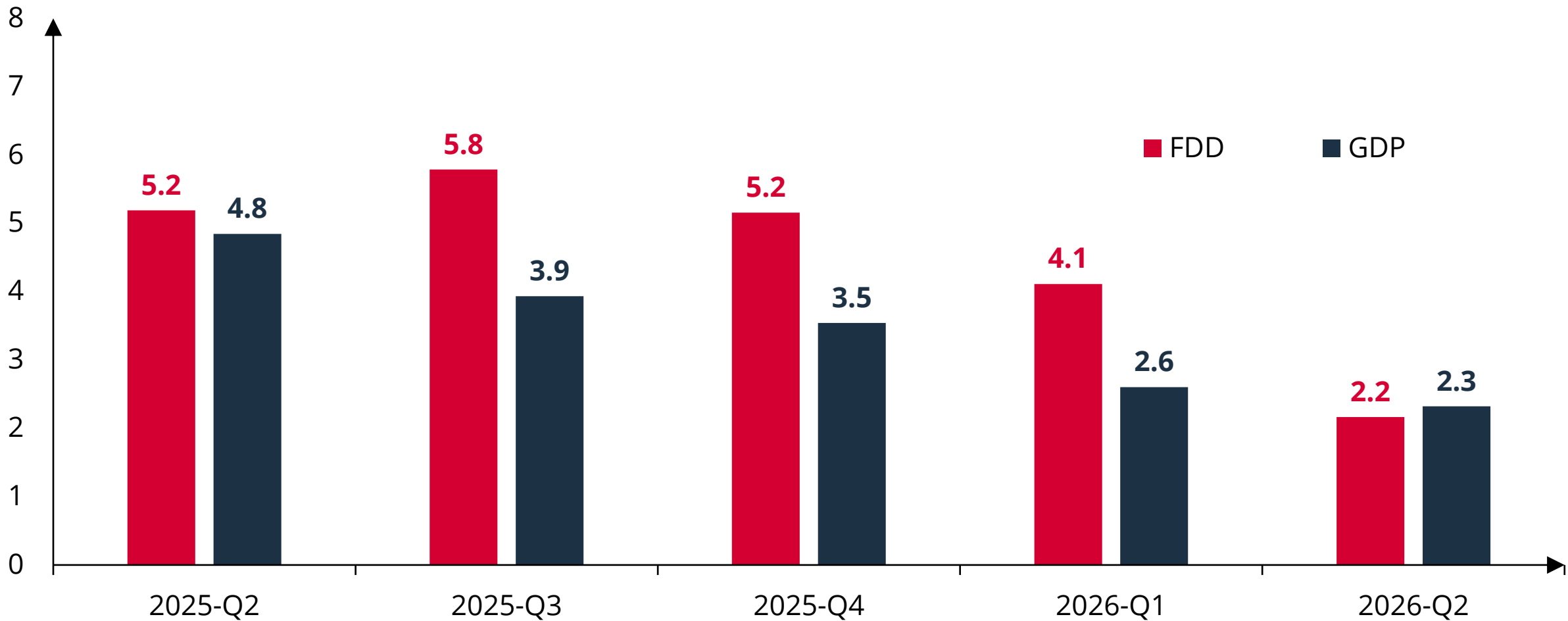
Portfolio Flows to Emerging Markets (Monthly, Billion USD)



ECONOMIC ACTIVITY

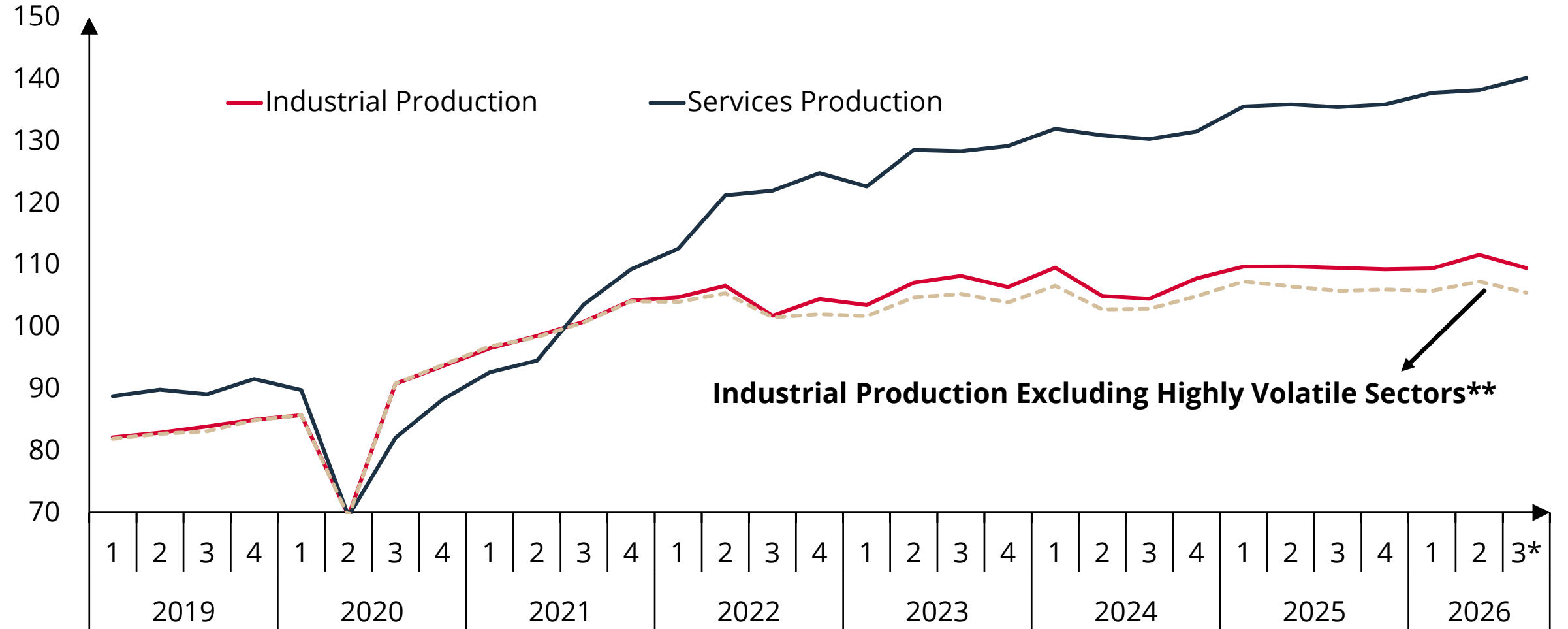
Growth slowed in the second quarter, led by domestic demand.

GDP and Final Domestic Demand (FDD) (Annual % Change)



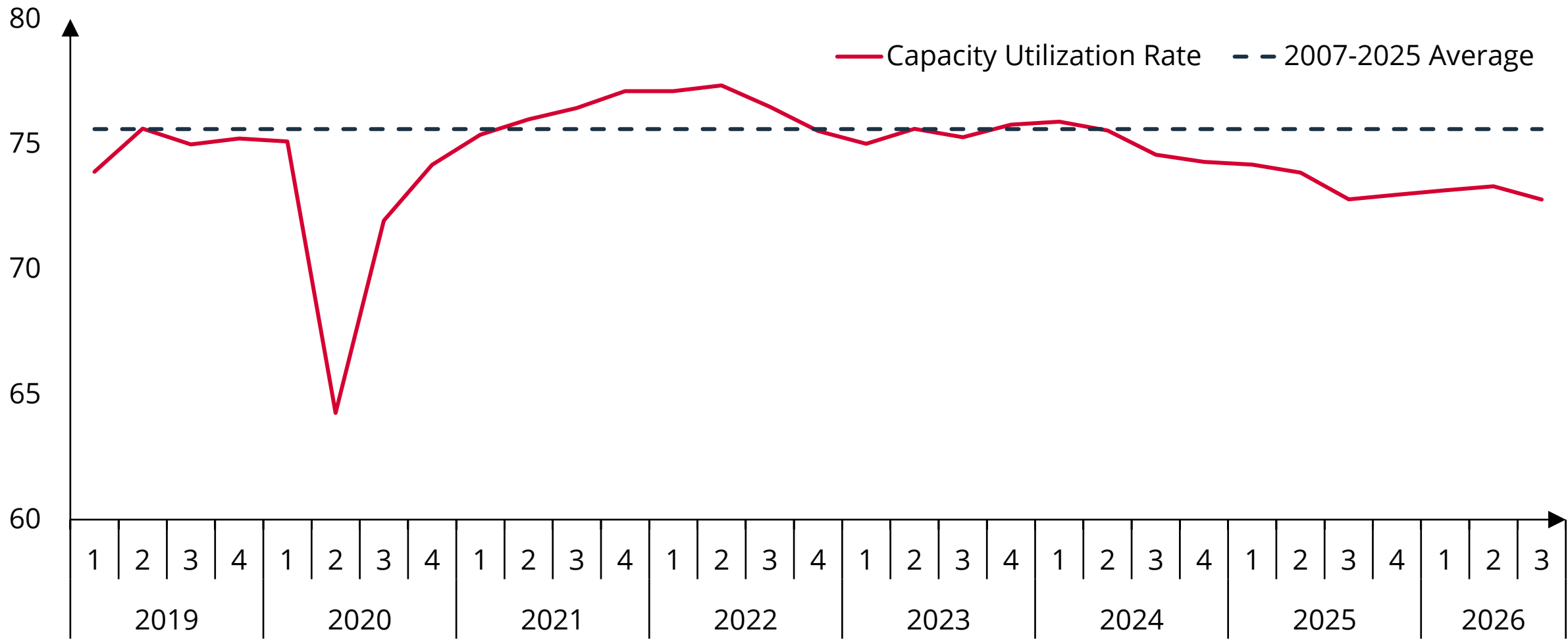
Services production rose in July, while industrial production declined.

Production Indices (Seasonally and Calendar Adjusted, 2021=100)



The capacity utilization rate remains below the historical average.

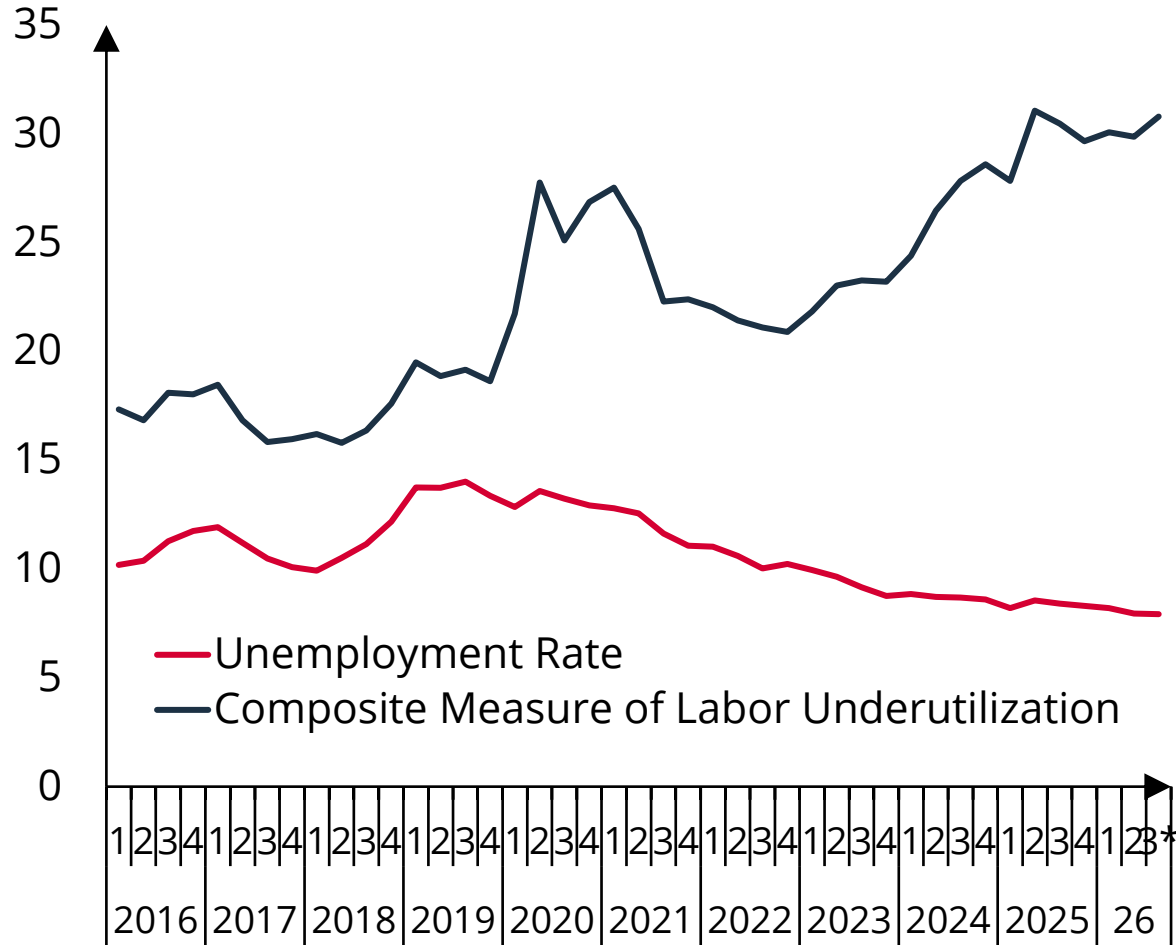
Capacity Utilization Rate* (Seasonally Adjusted, %)



The labor market is less tight than the headline unemployment rate implies.

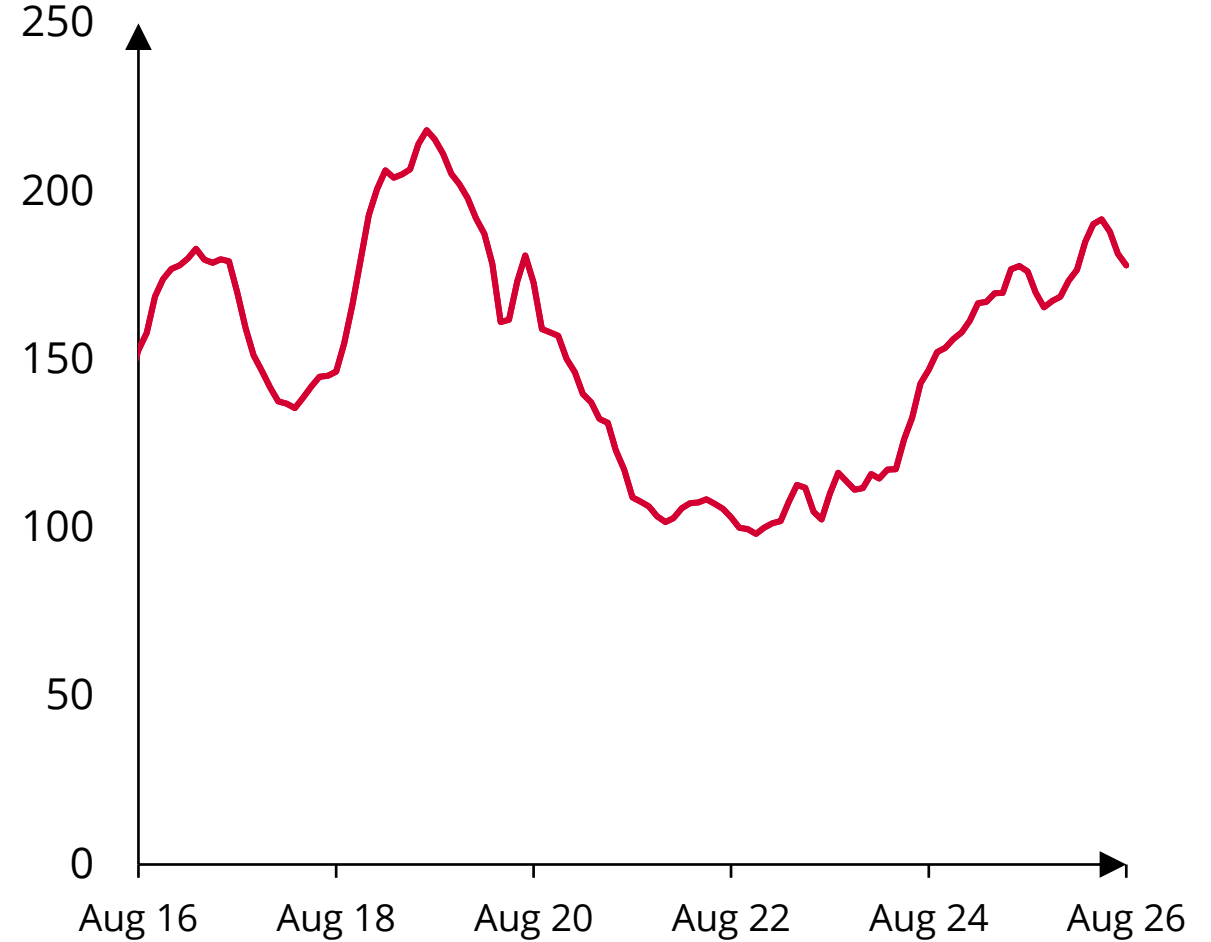
Labor Market Indicators*

(Seasonally Adjusted, %)



Applications per Job Postings

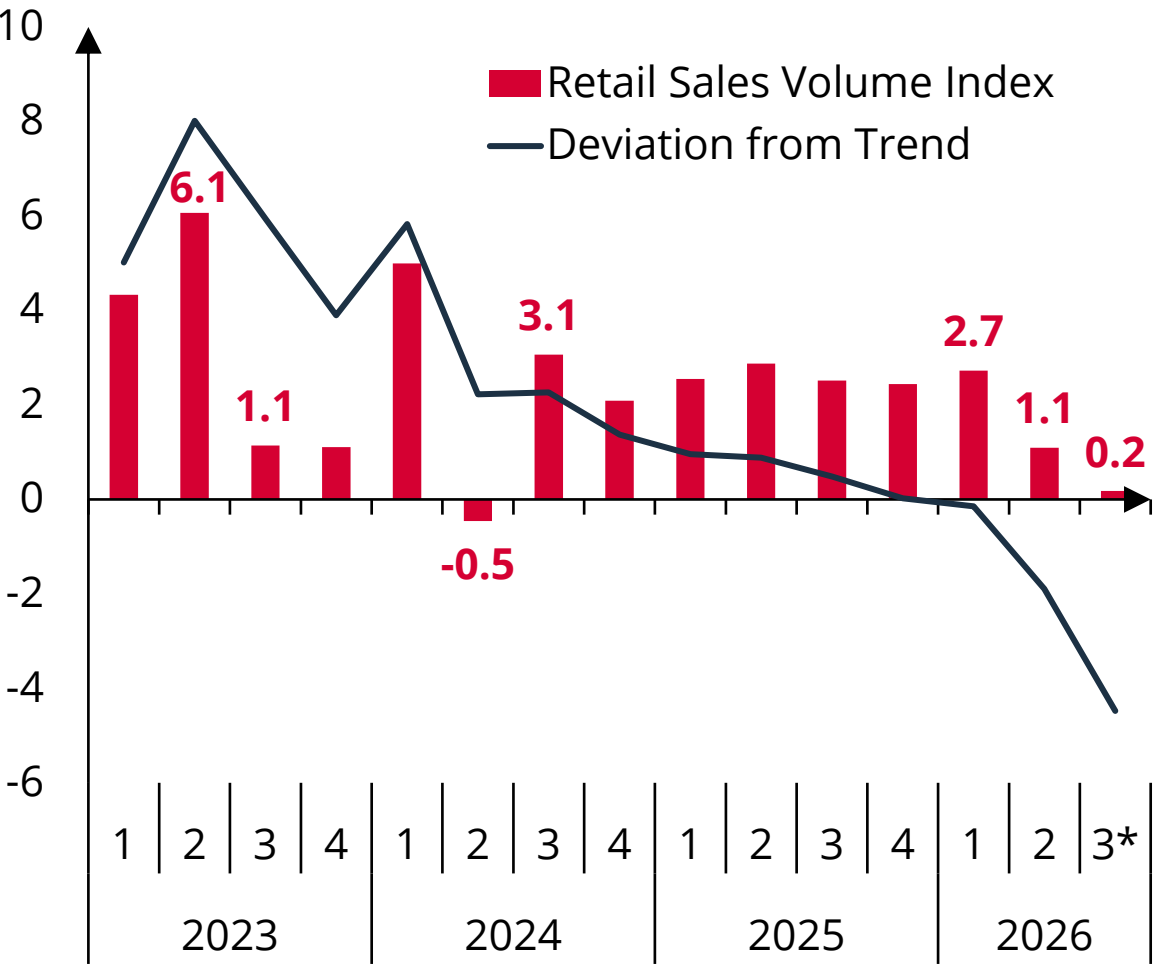
(Seasonally Adjusted, 3-Month Moving Average)



Indicators confirm the weakness in domestic demand.

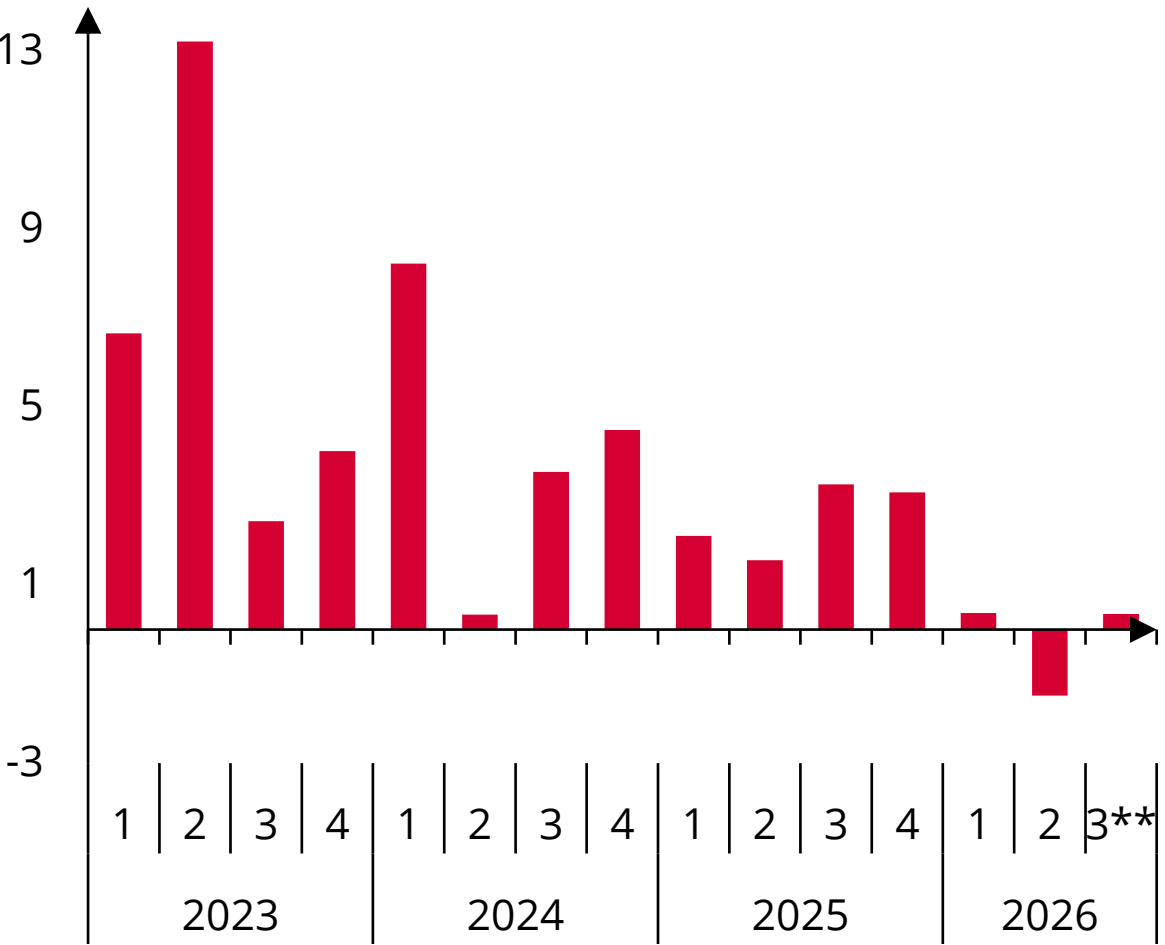
Retail Sales Volume Index

(Excl. Gold, Quarterly % Change, Deviation from HP Trend, %)



Total Card Spending**

(Real, Quarterly % Change)



*Retail sales are as of July. Seasonally and calendar adjusted.

**Excluding public and individual pension payments. Seasonally and calendar adjusted. As of September 27, 2026.

The foreign trade deficit remains moderate despite geopolitical developments.

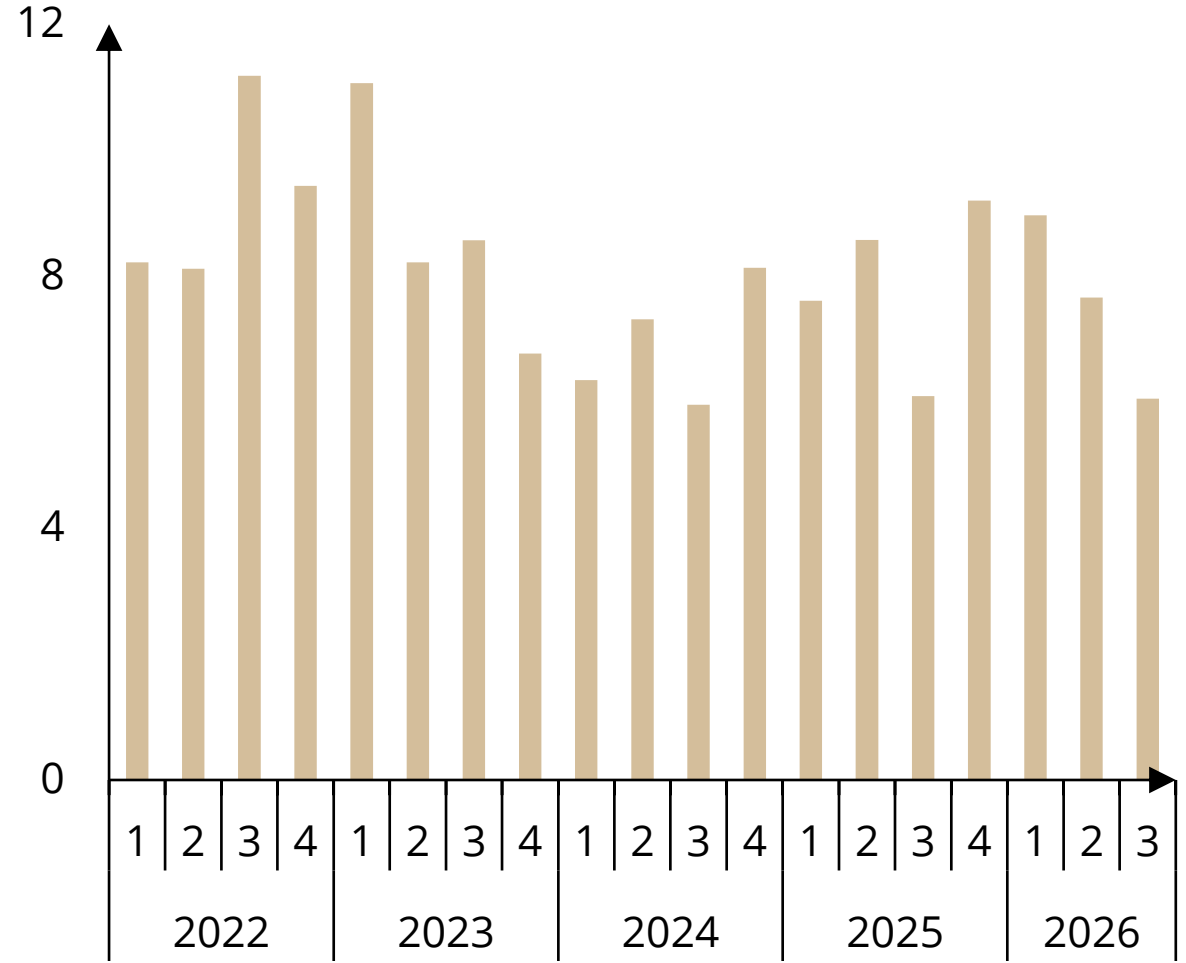
Exports and Imports*

(Average, Billion USD, Seasonally Adjusted)



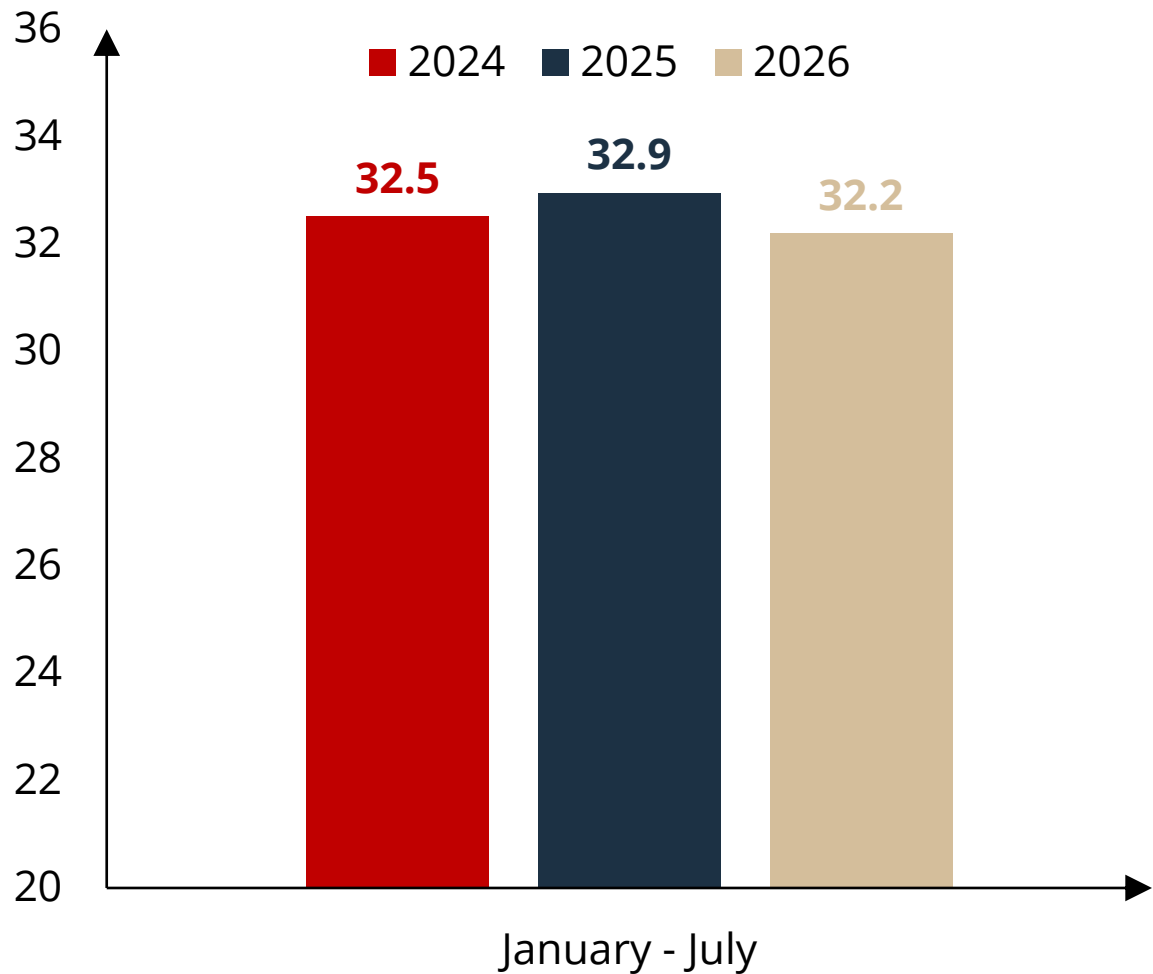
Foreign Trade Deficit*

(Average, Billion USD, Seasonally Adjusted)

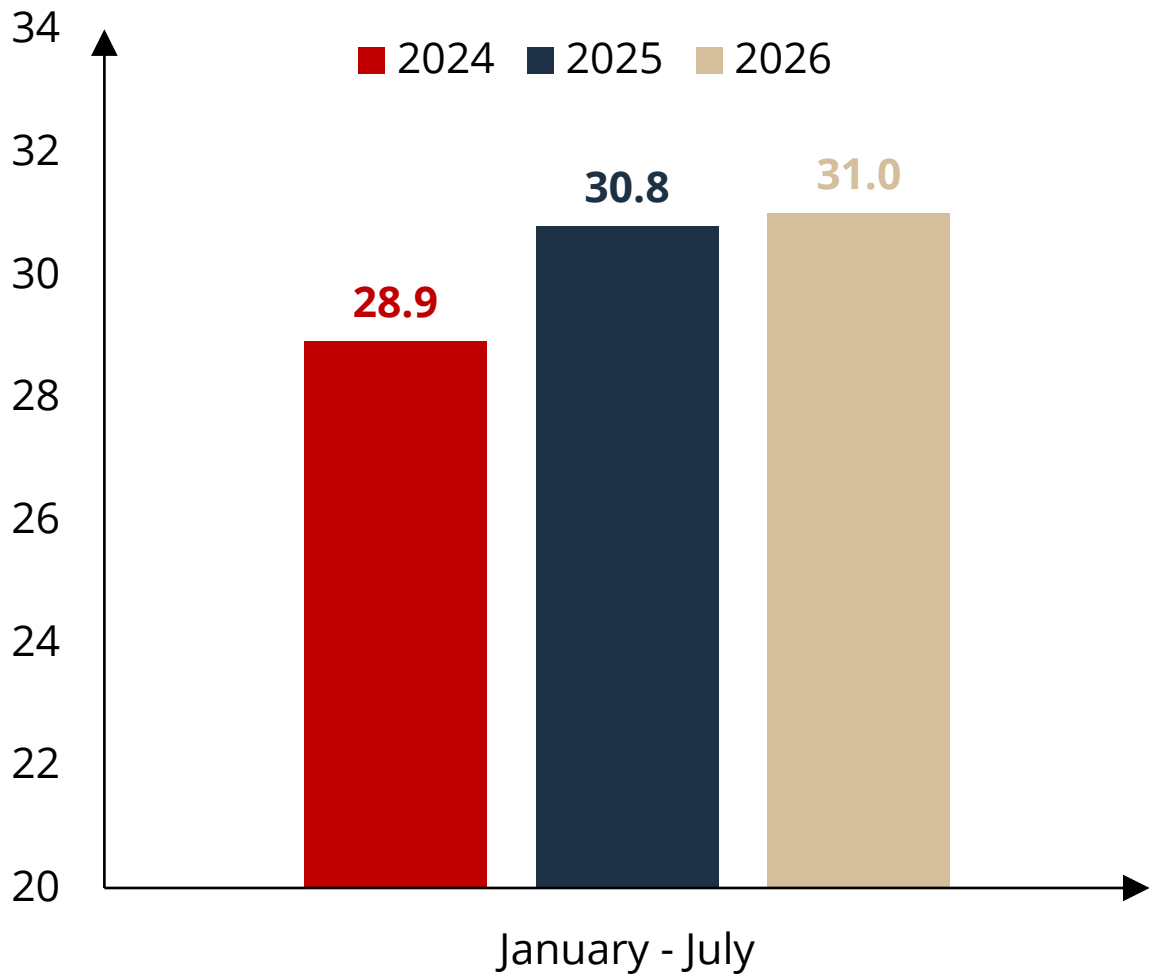


Travel revenues are slightly above the previous year's level.

Visitor Arrivals (January-July, Total, Million People)

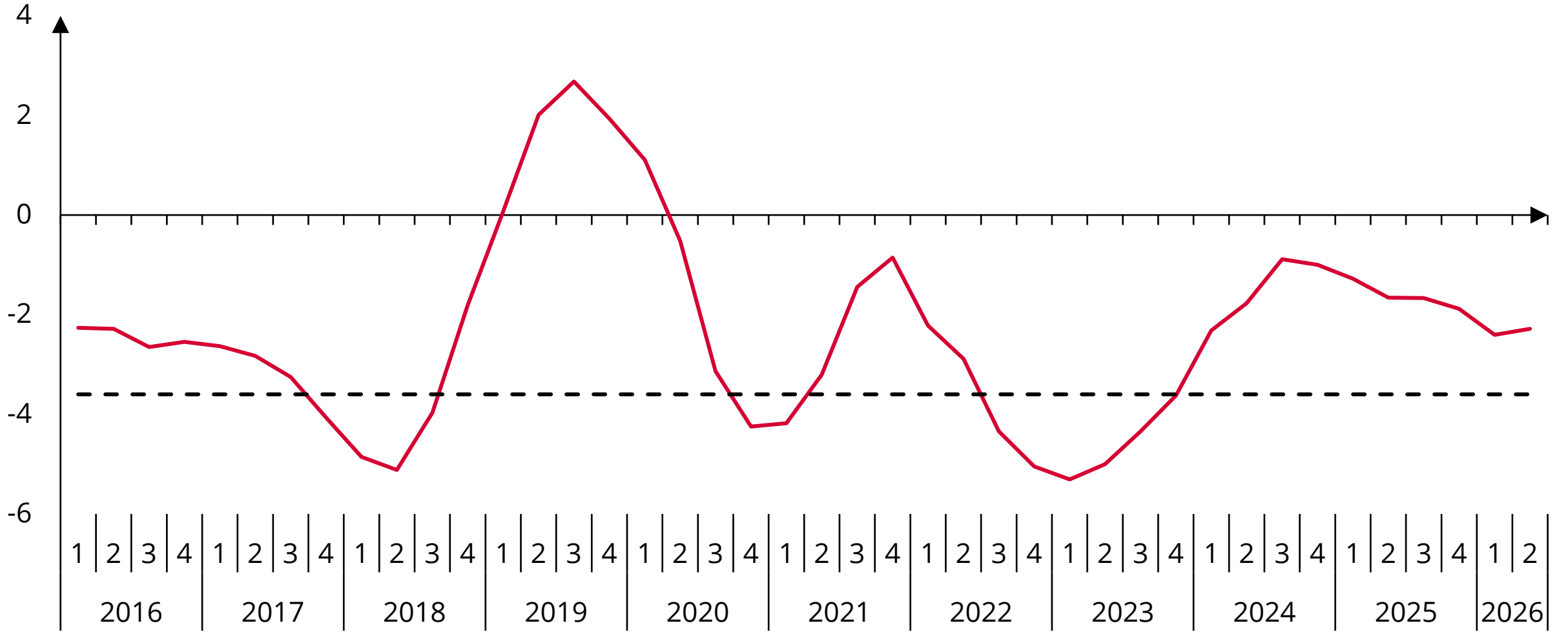


Travel Revenues (January-July, Total, Billion USD)



The current account deficit has narrowed despite an unfavorable external backdrop.

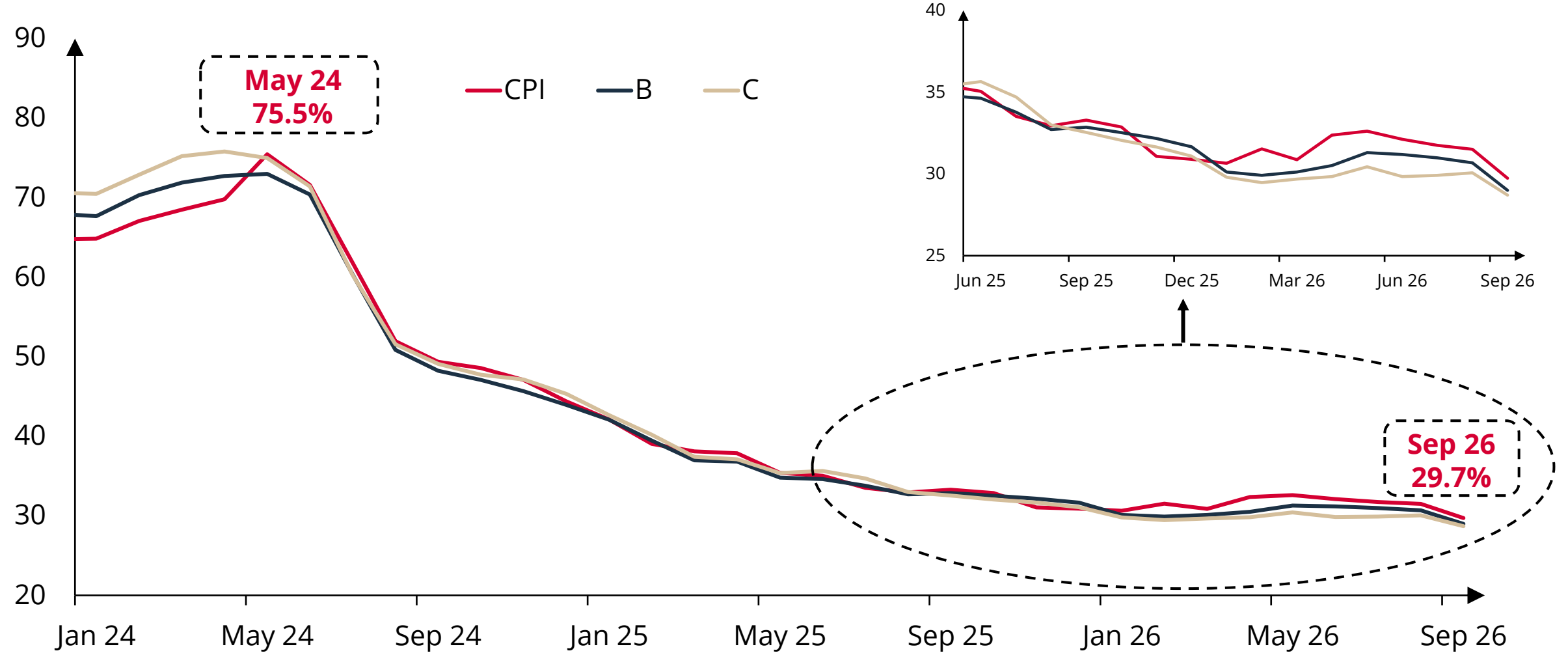
Current Account Balance/GDP* (%)



INFLATION

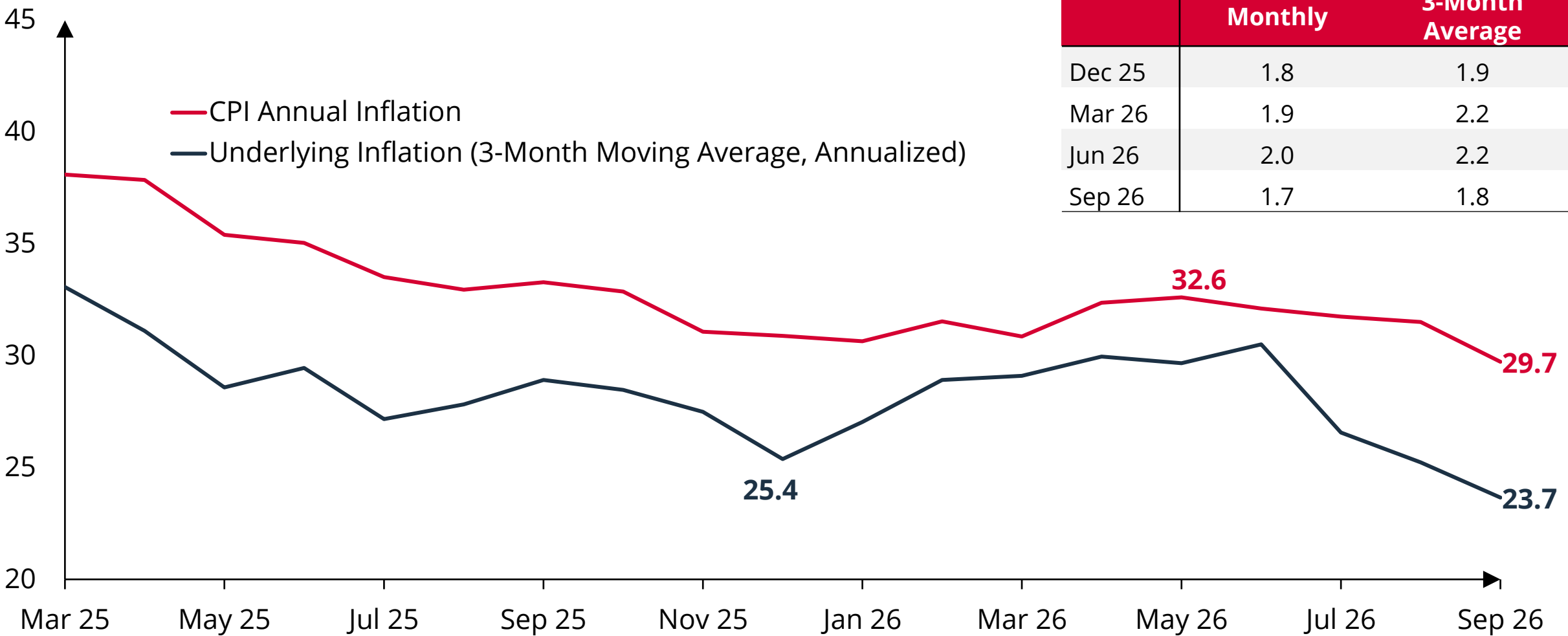
The disinflation process has slowed due to supply-side pressures.

CPI and Core Indicators* (Annual % Change)



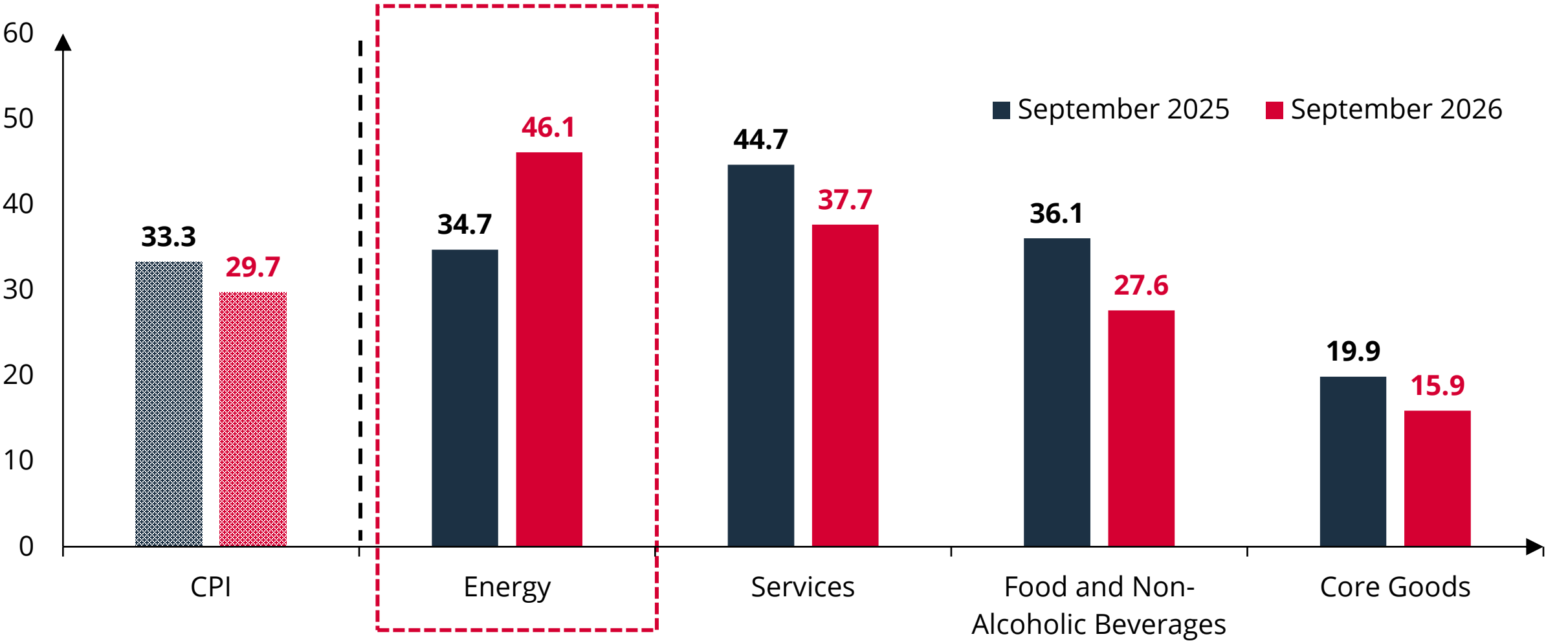
Underlying inflation is decelerating.

CPI Inflation and Underlying Inflation* (% Change)



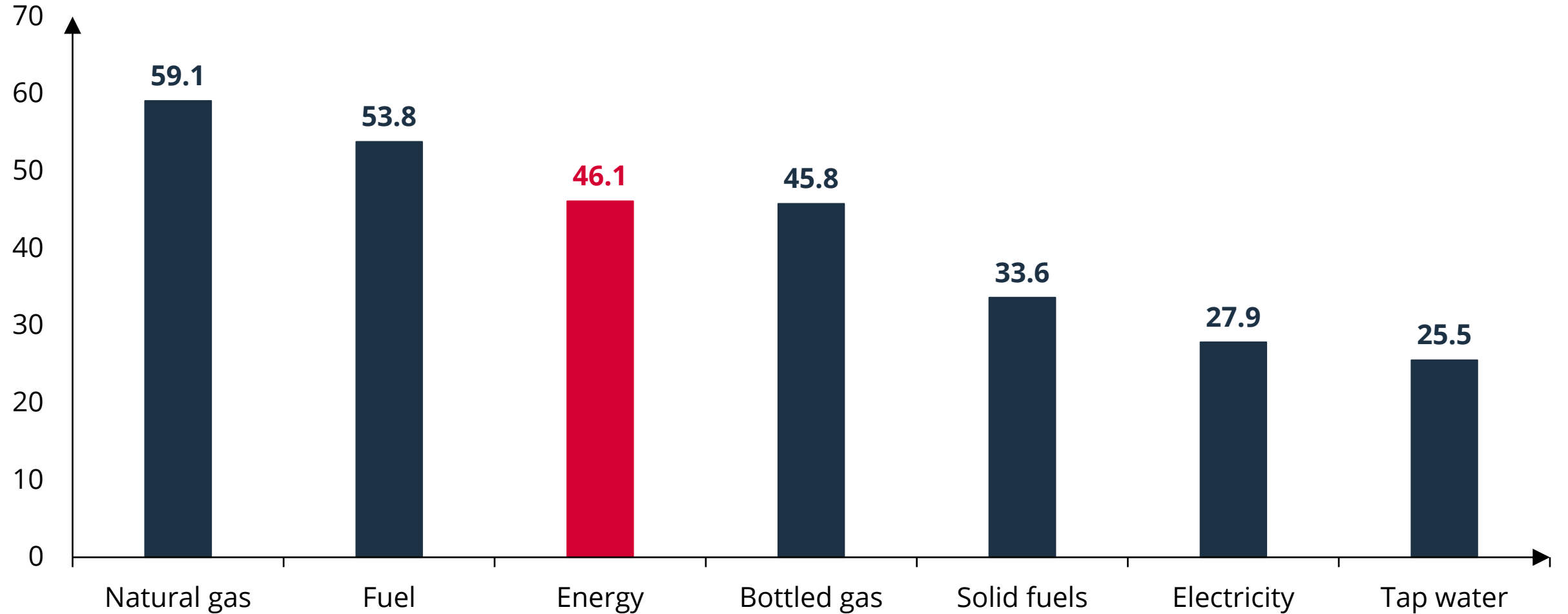
Energy prices stand out as a major factor in the trajectory of inflation in 2026.

Inflation (Annual % Change)



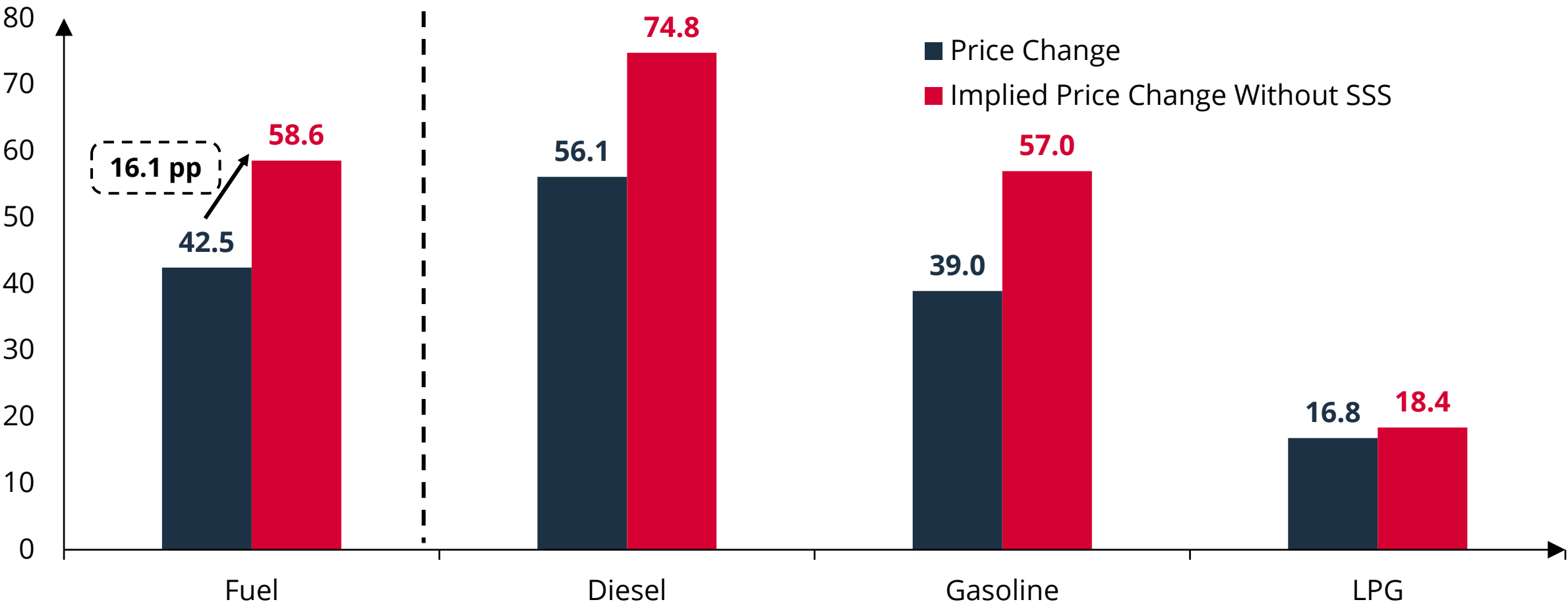
Energy prices remain elevated due to geopolitical developments.

CPI Energy Prices (Annual % Change, September 2026)



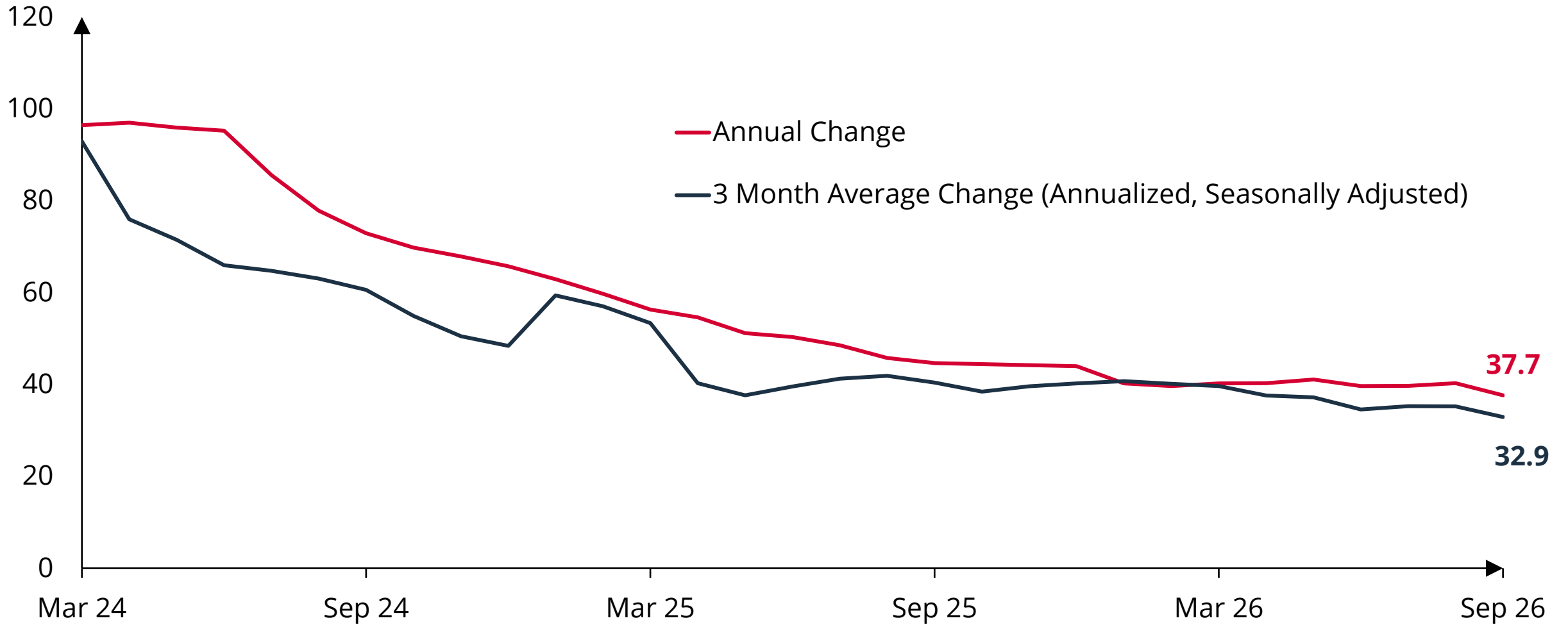
The Sliding Scale System (SSS) has restrained fuel price increases.

Cumulative Fuel Price Change (March-September 2026, %)



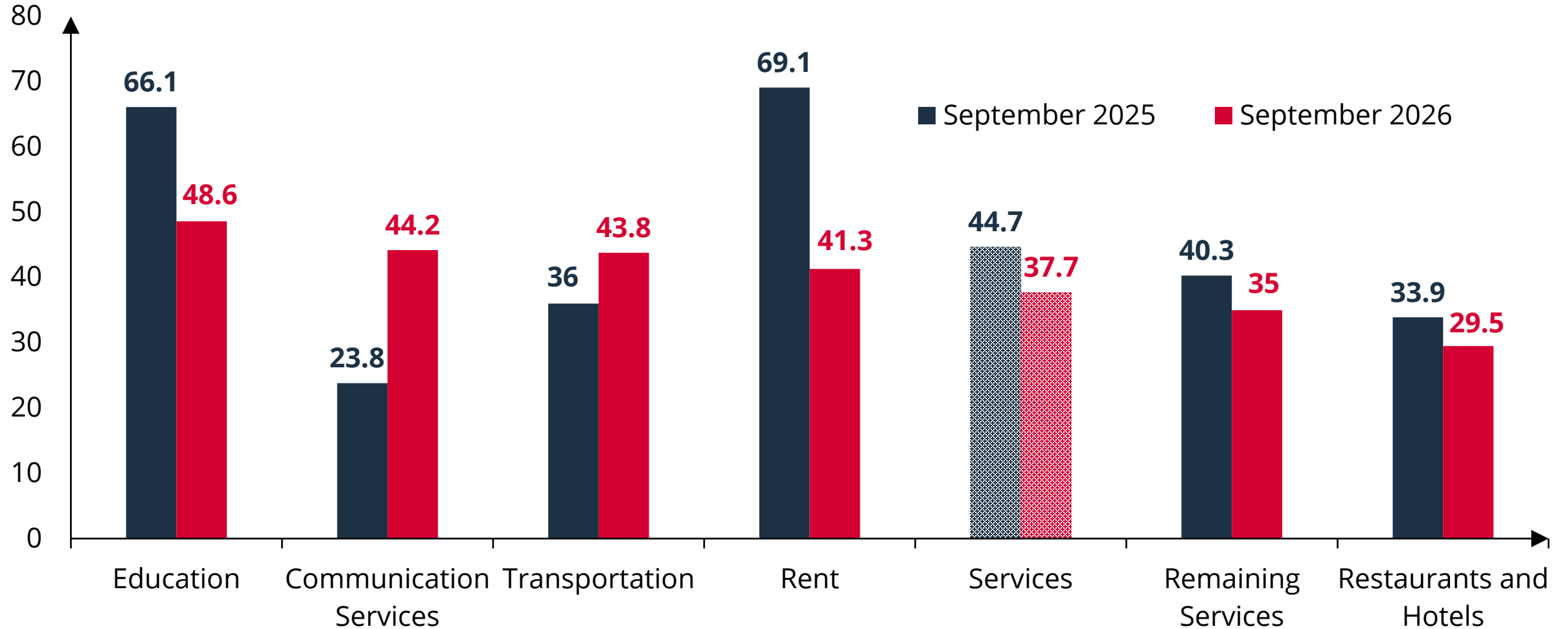
Disinflation continues in the services sector.

Services Prices (Annualized 3-Month Average Change and Annual Change, %)



There is divergence in subitems of the services group.

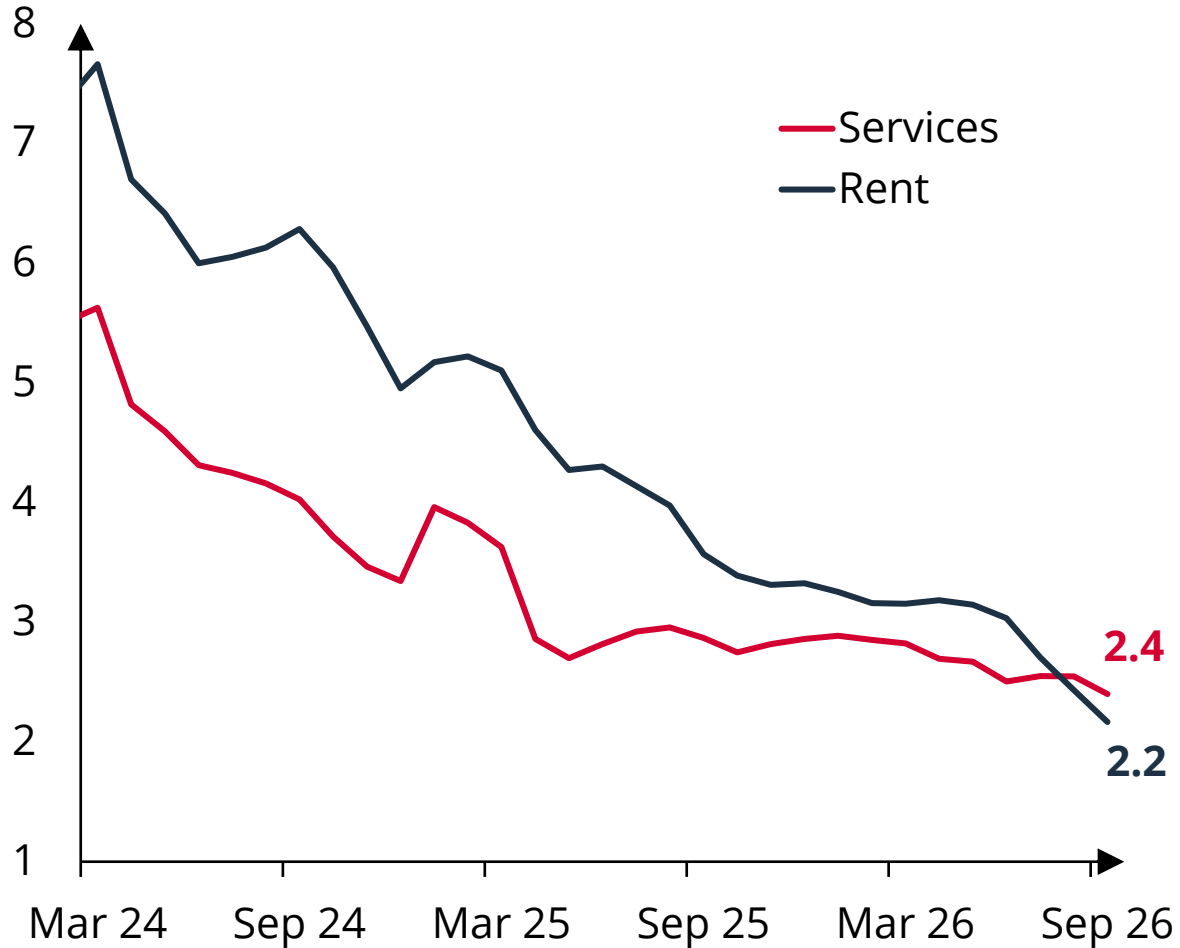
Services Prices (Annual % Change)



Leading indicators point to further room for disinflation in rents.

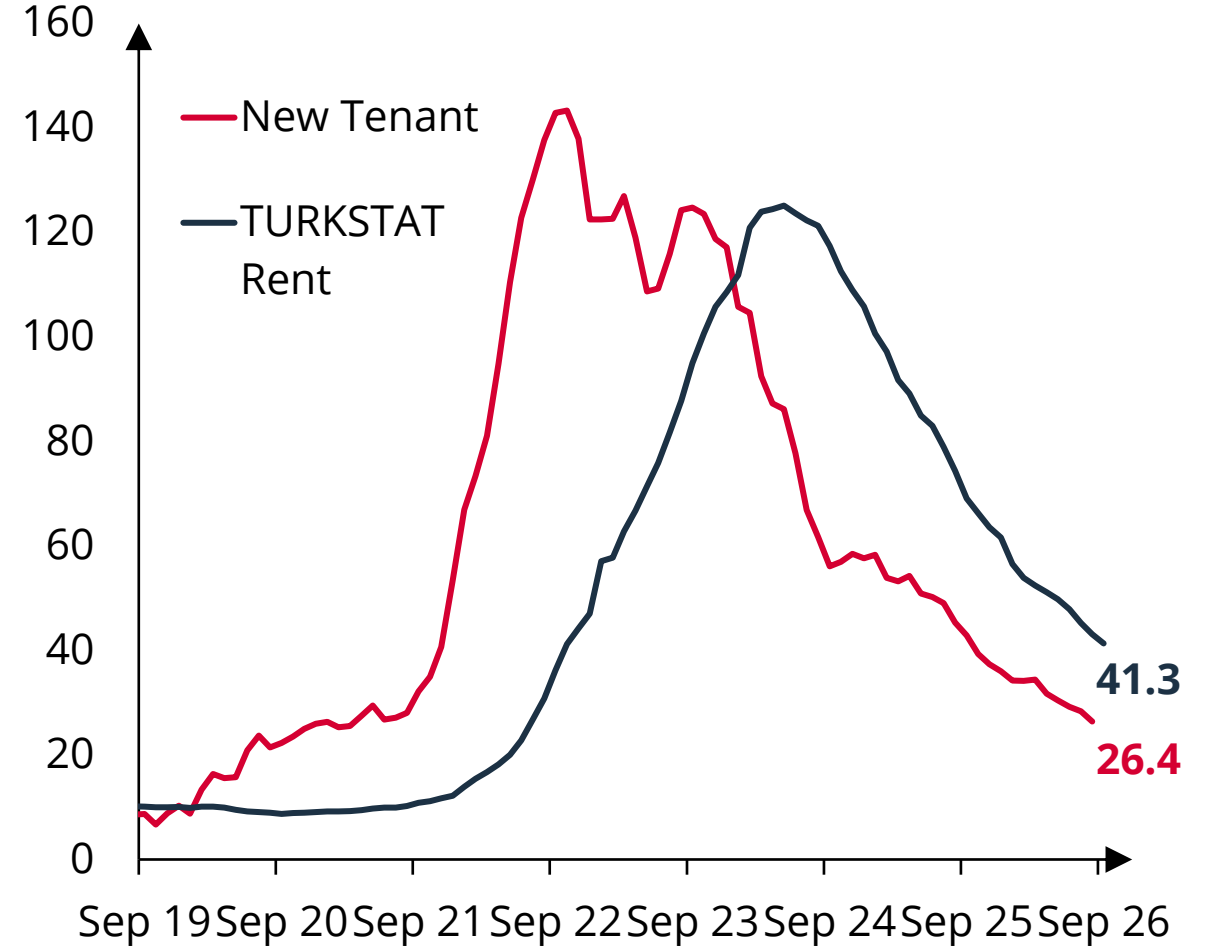
Services and Rent

(Seasonally Adjusted, Monthly % Change, 3-Month Average)



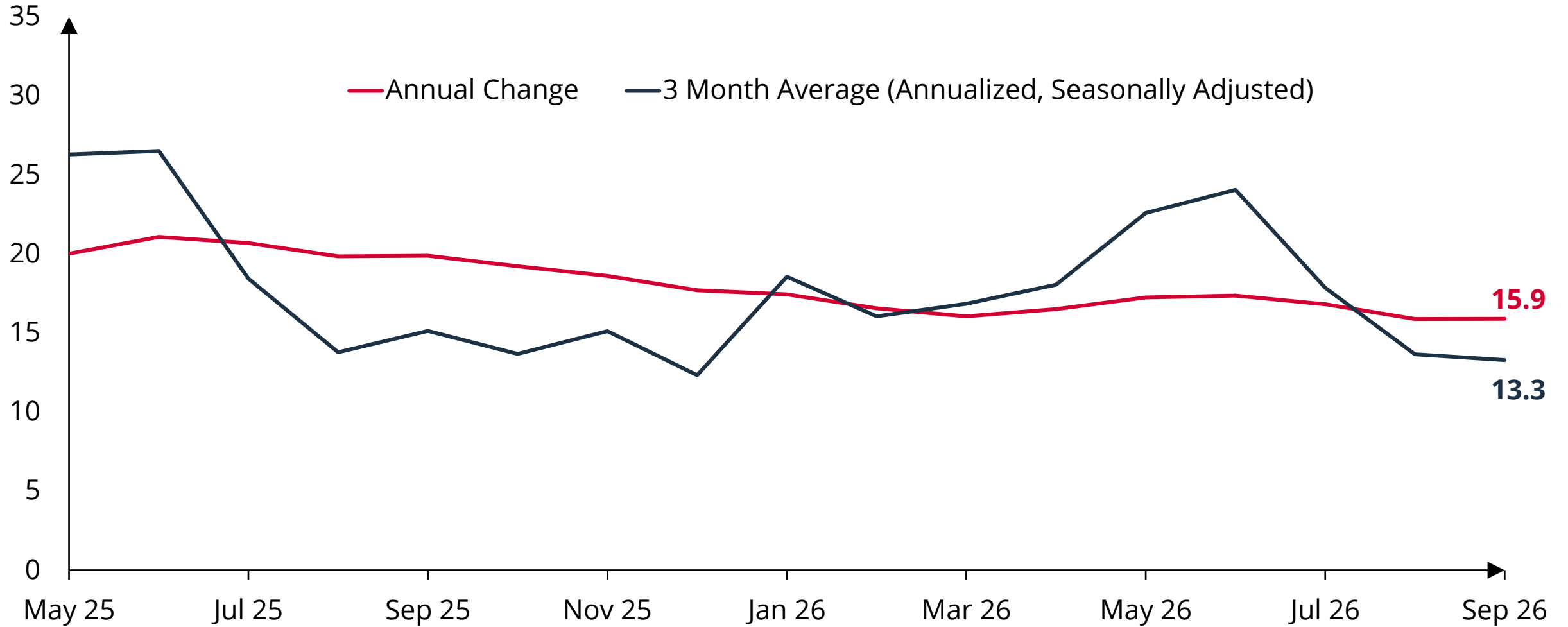
New Tenant and TURKSTAT Actual Rent Indices*

(Annual % Change)



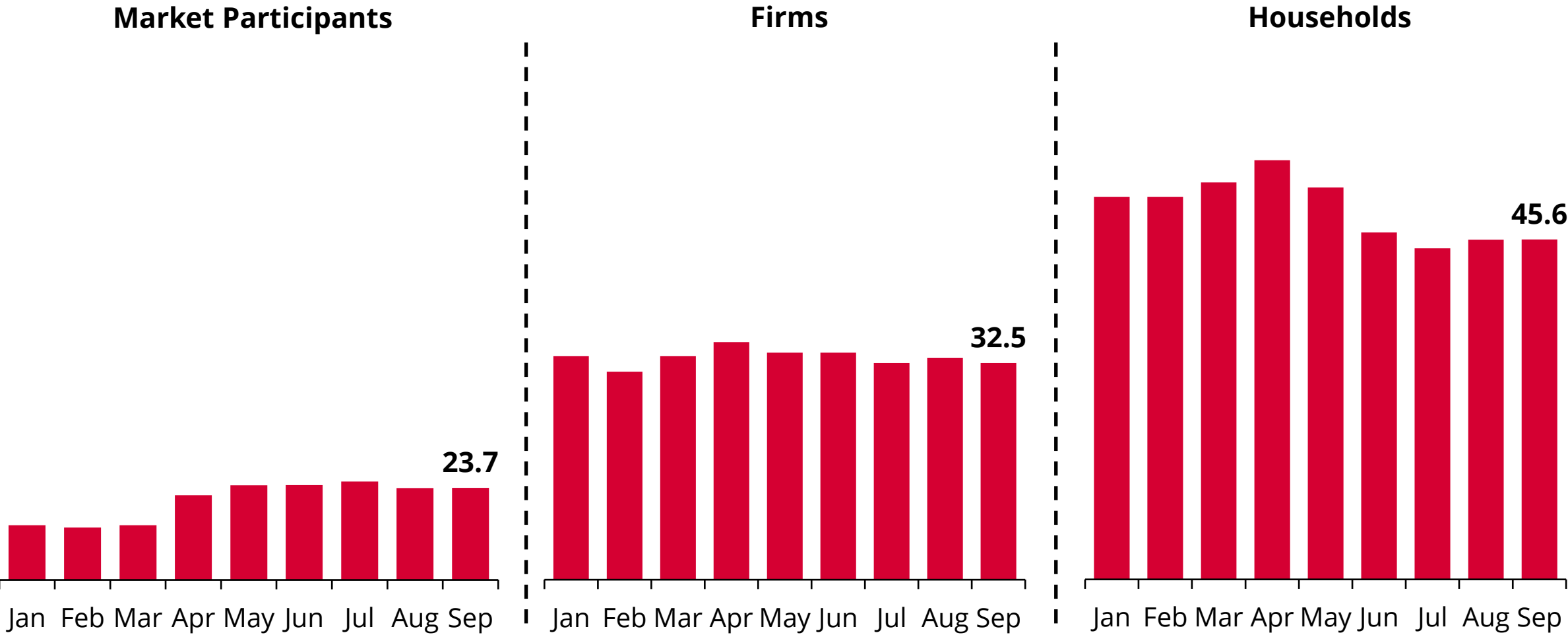
Softening demand conditions support disinflation in core goods.

Prices of Core Goods (Annualized 3-Month Average Change and Annual Change, %)



Inflation expectations warrant continued caution.

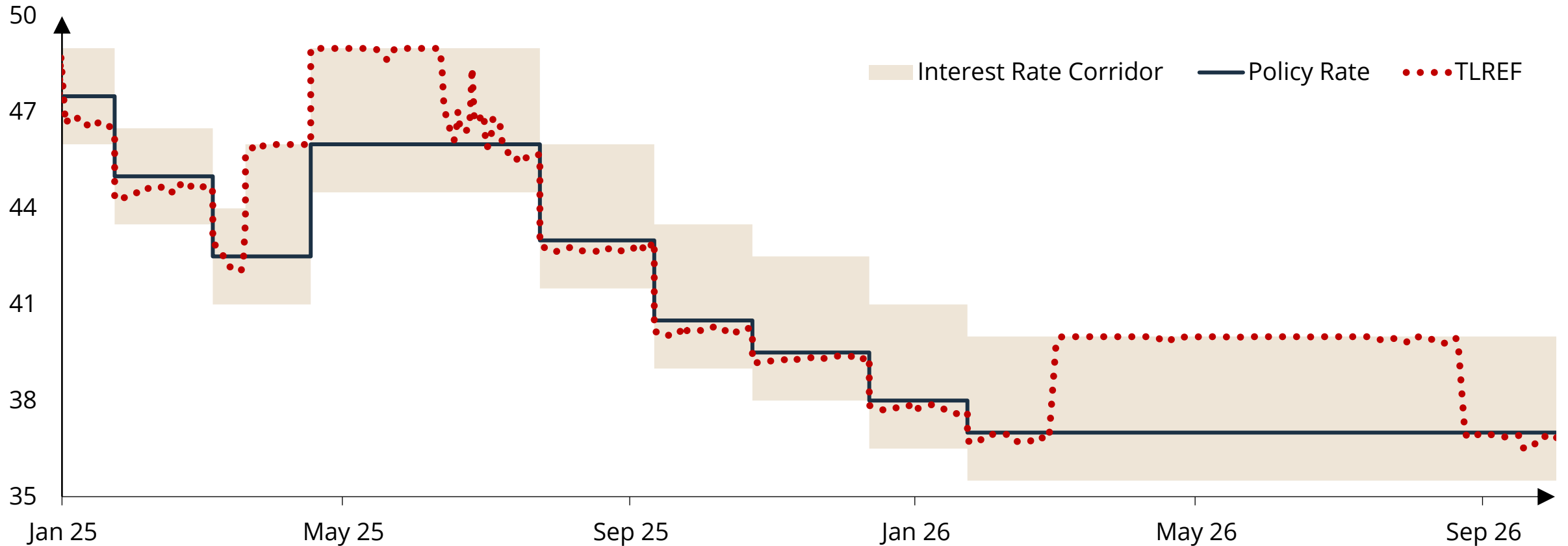
12-Month-Ahead Annual CPI Inflation Expectations (2026, %)



MONETARY POLICY and FINANCIAL CONDITIONS

The tight monetary policy stance is maintained.

Interest Rate Corridor and TLREF (%)



Macprudential measures and liquidity management support the tight stance.

1

Regulations on deposits

- Targets for TL deposit share increase

2

Regulations on loans

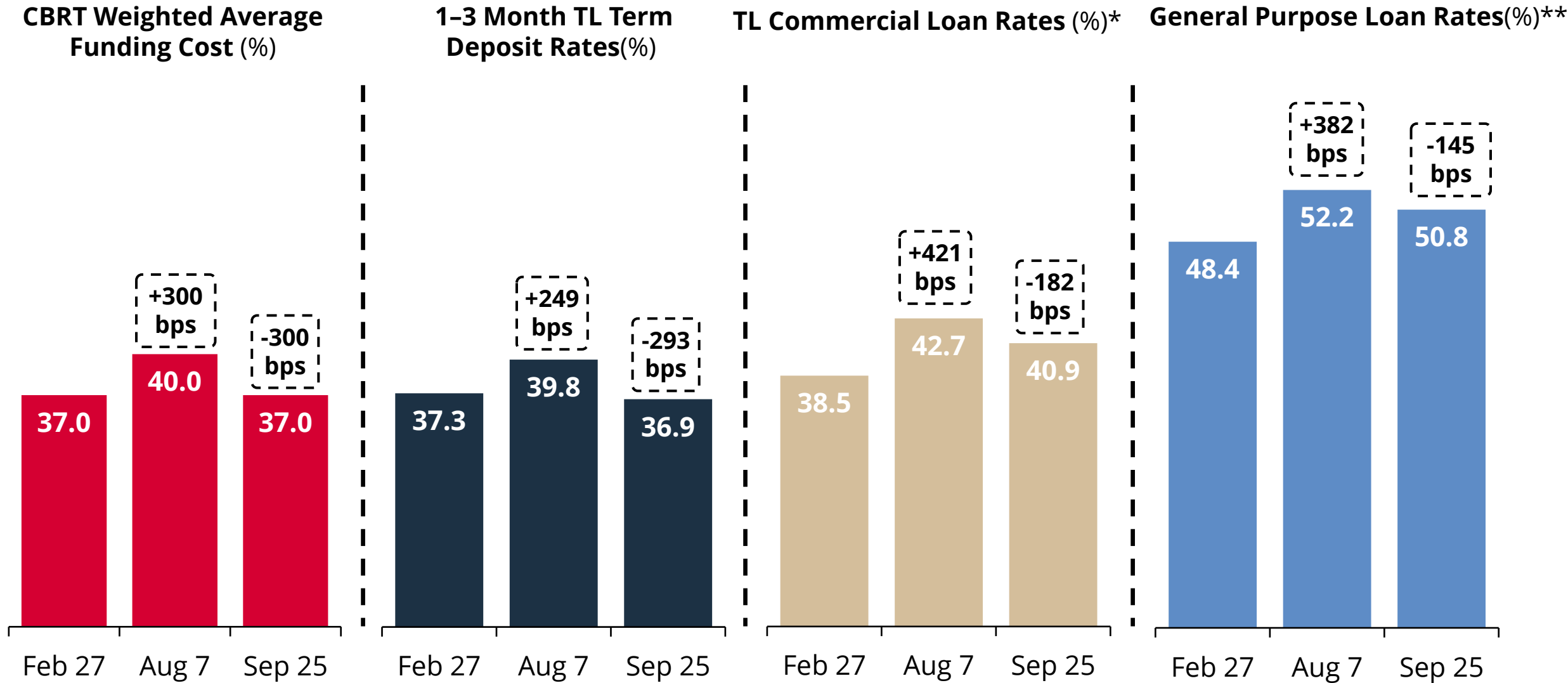
- Limits on TL and FX loan growth

3

Liquidity management

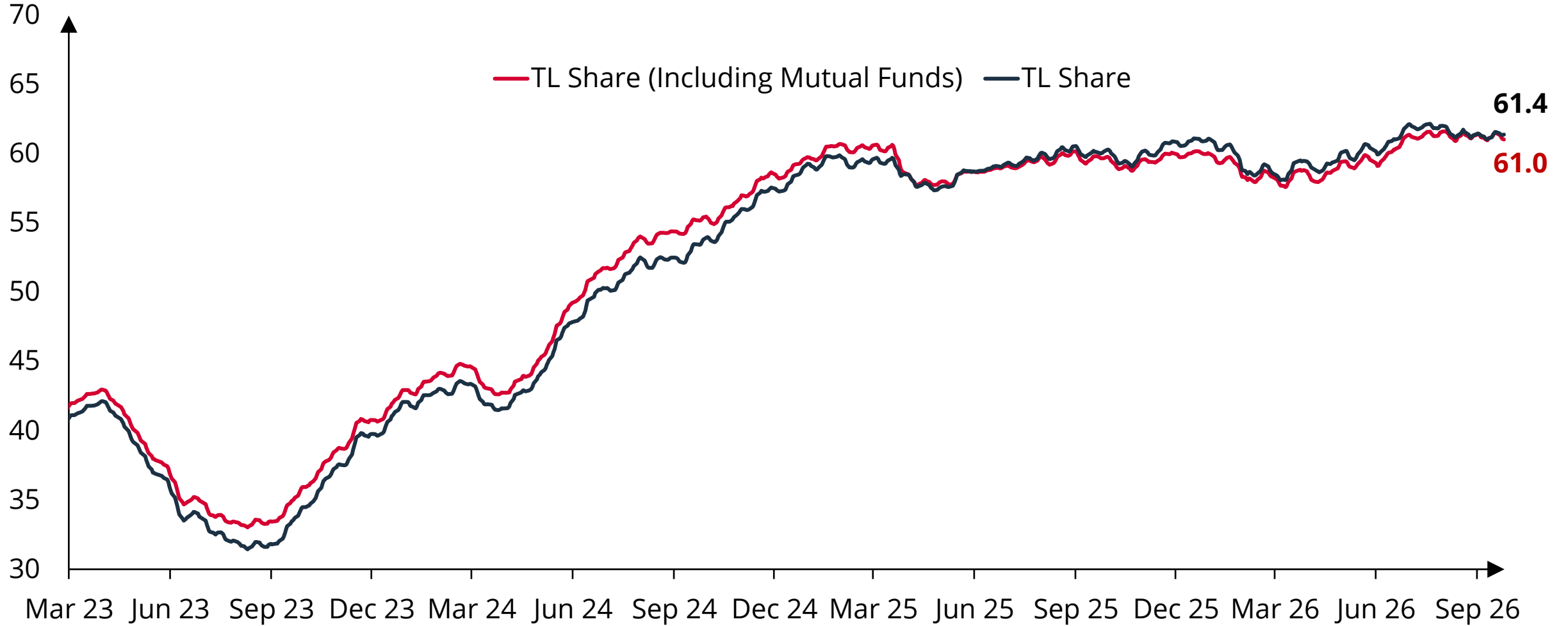
- Reserve requirements
- TL deposit auctions
- Buy and sell-side swap auctions

The decrease in funding cost is being reflected in deposit and loan interest rates.



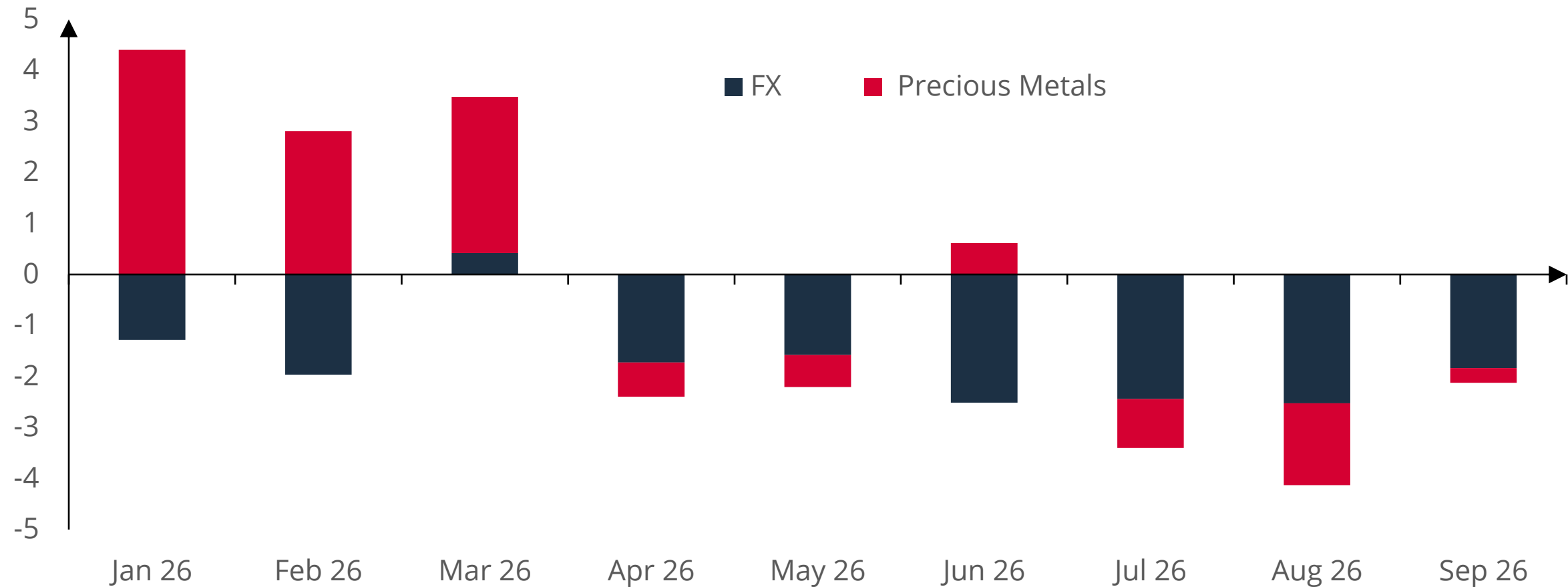
Residents' preference for TL remains strong.

TL Share in Deposits and Mutual Funds* (Including Official Deposits, 5-Day Moving Average, %)



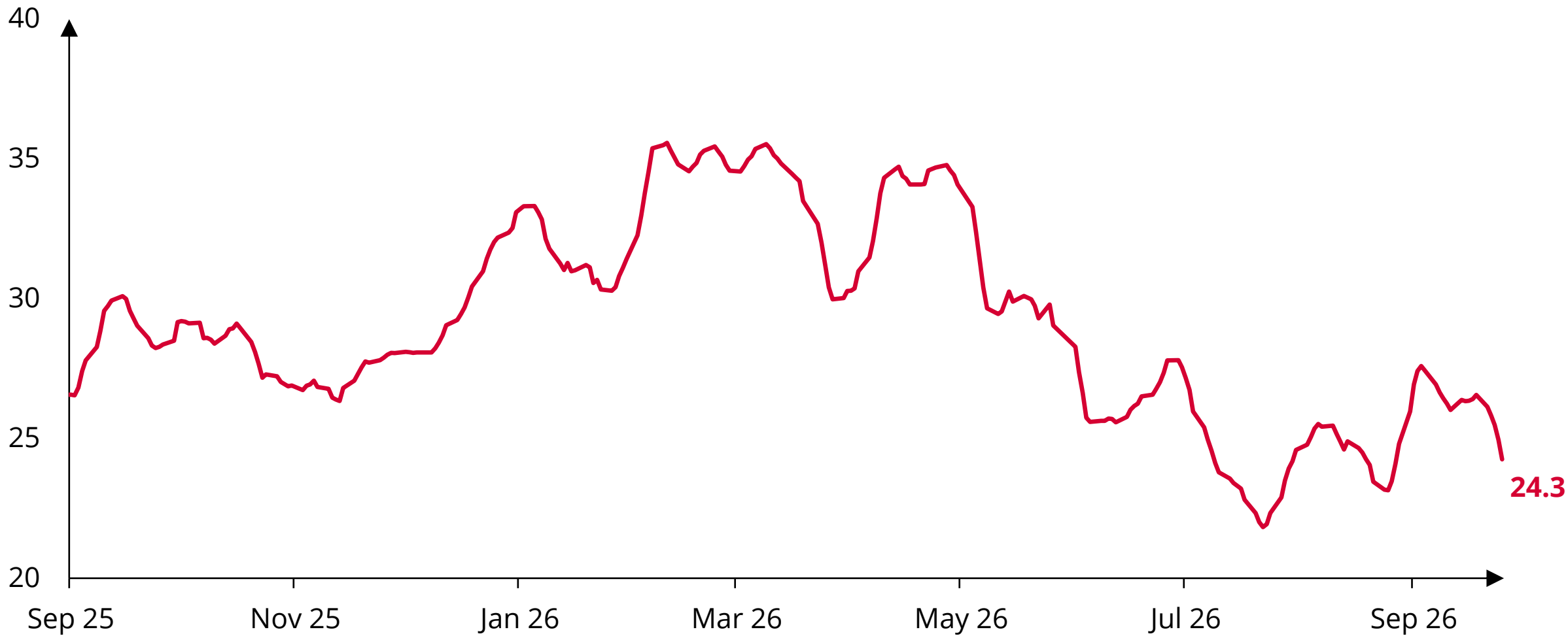
Households continue to sell FX and precious metals.

Households' Net FX and Precious Metals Demand (Total, Billion USD)



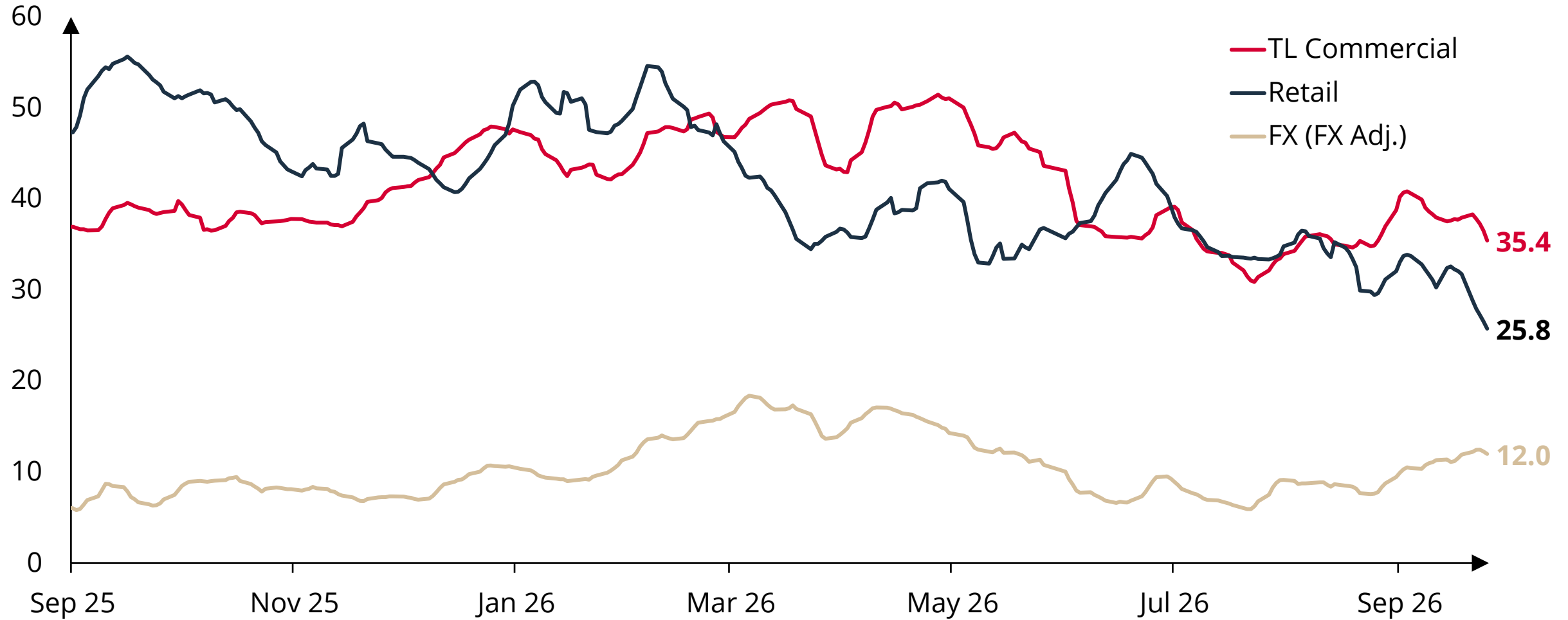
Loan growth slowed down to about 25 percent.

Total Loan Growth (13-Week, Annualized, FX-Adjusted, 5-Day Moving Average, %)



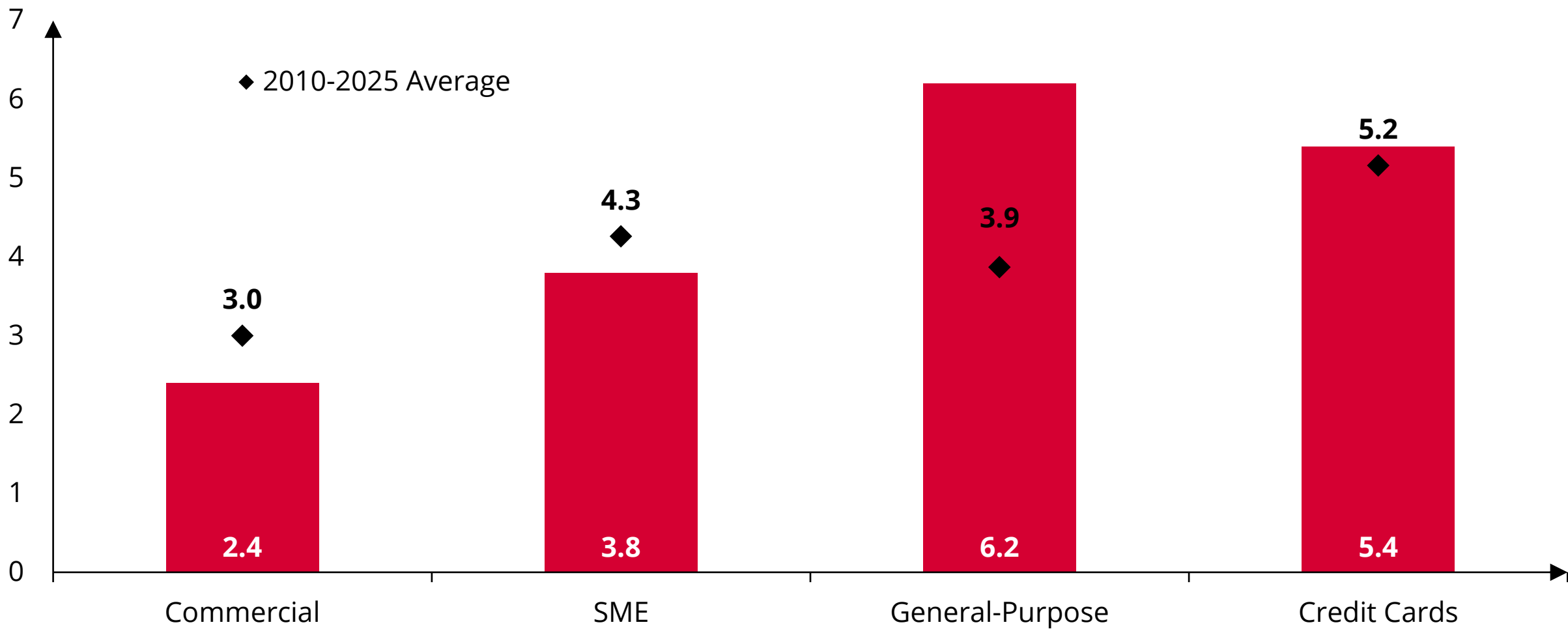
Composition of loan growth continues to improve.

Loan Growth (13-Week, Annualized, 5-Day Moving Average, %)



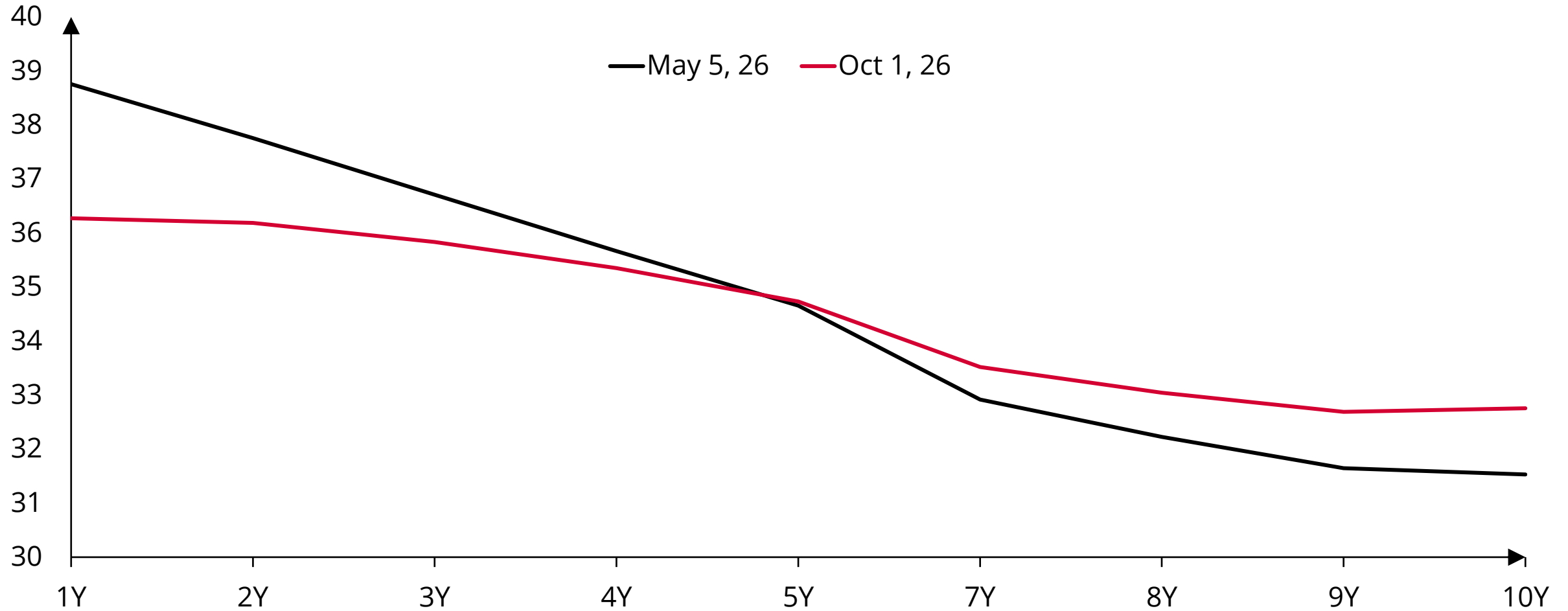
The NPL ratio for commercial loans remains below its historical average.

NPL Ratios (%)



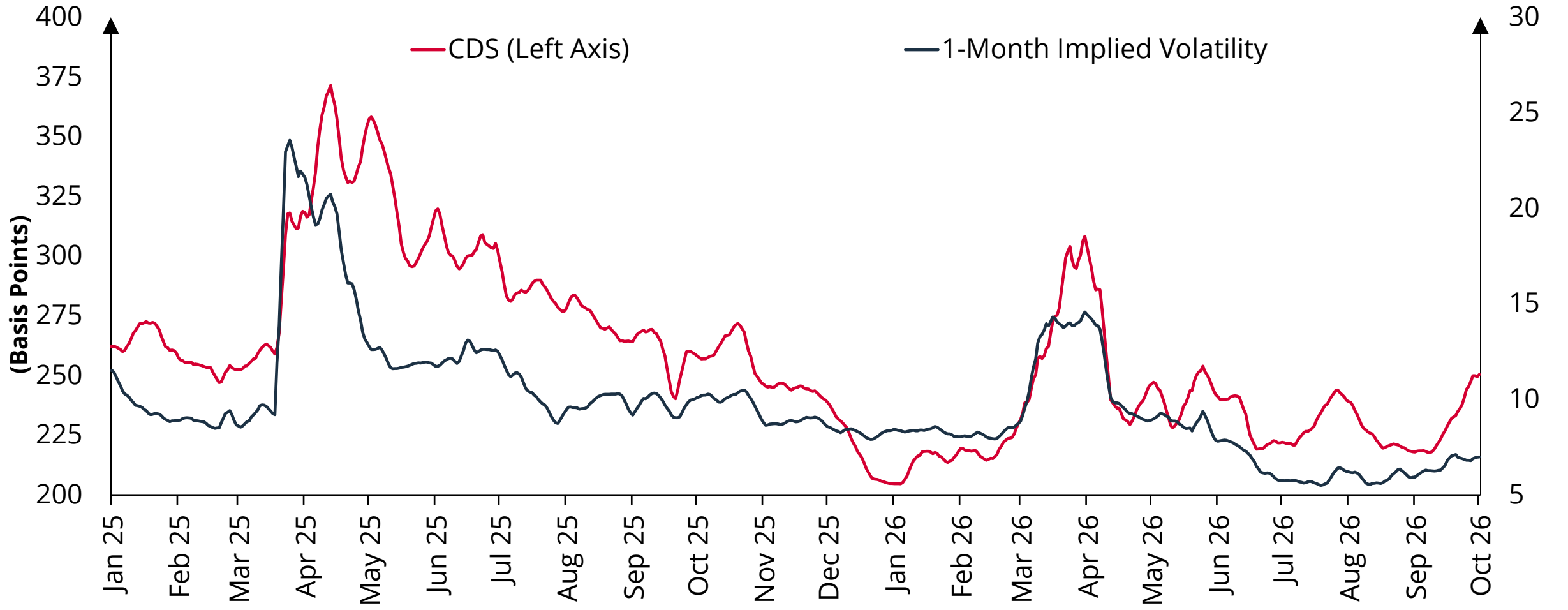
Bond yields have fallen in the short term yet increased over the medium to long term.

Yield Curve (Simple, %)



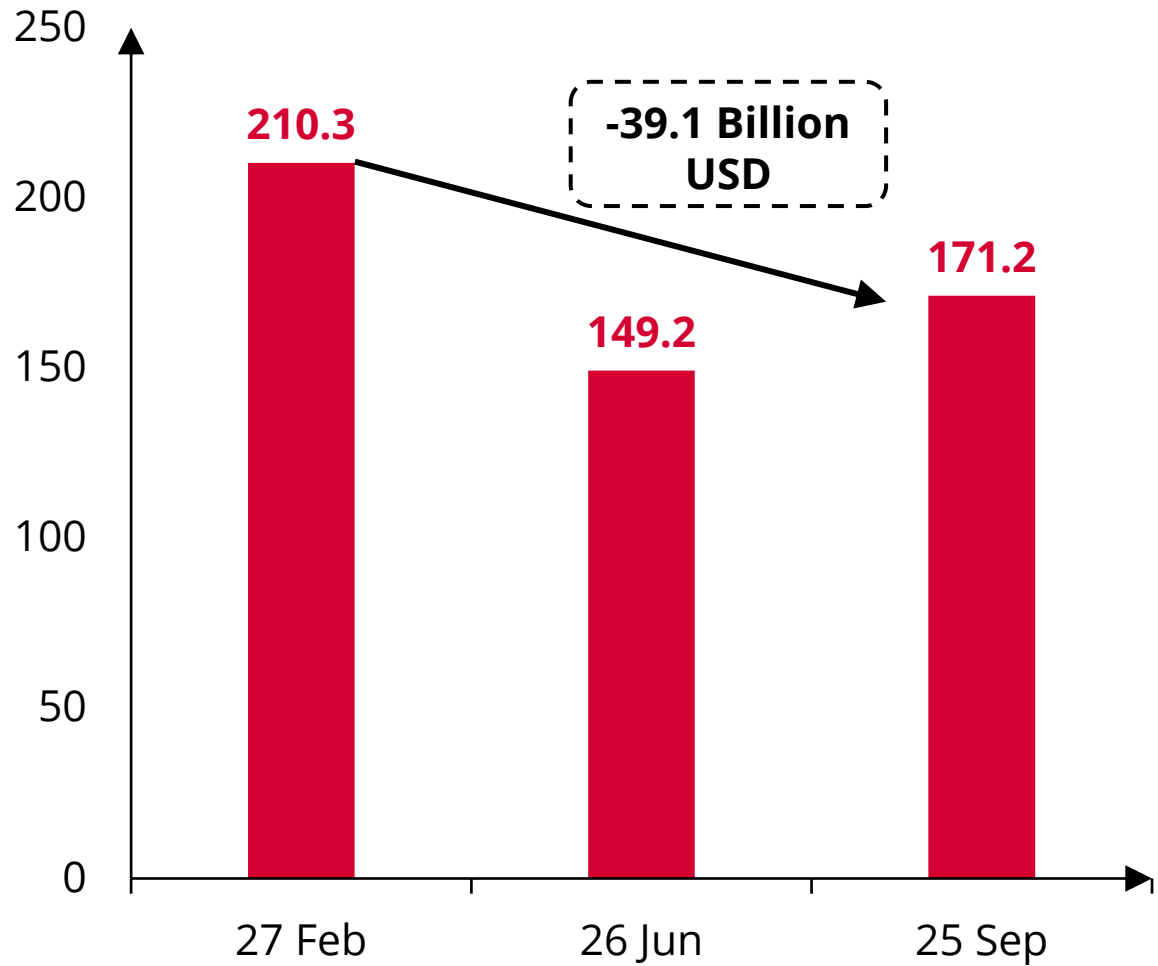
Risk and volatility indicators have risen slightly in the recent period.

CDS Premium and Implied Volatility (5-Day Moving Average)

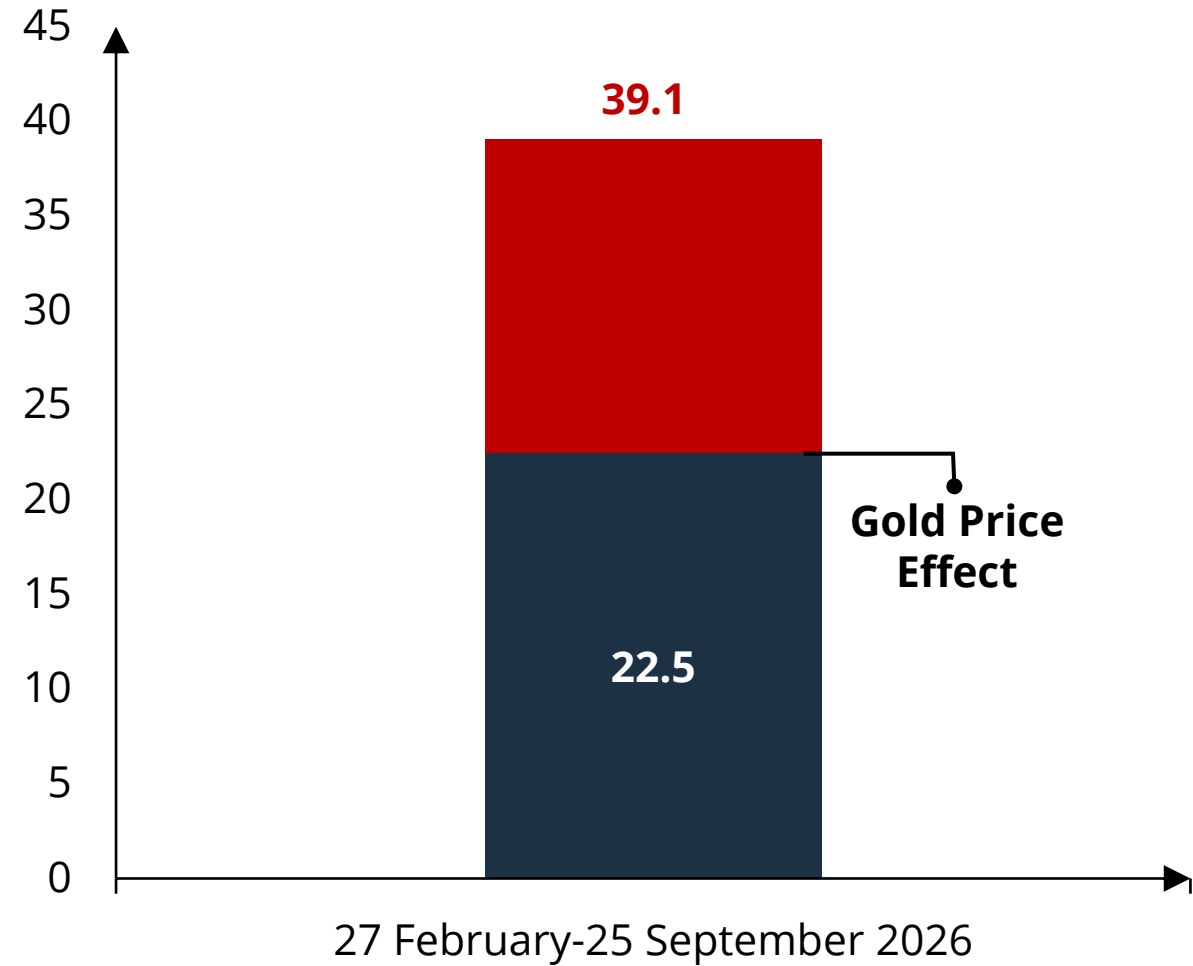


The post-war decline in reserves has been partially recovered.

Gross International Reserves (Billion USD)



Change in Gross Reserves and Gold Price Effect (Billion USD)



CONCLUSION



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