TÜRKİYE CUMHURİYET MERKEZ BANKASI

PRESENTATION BEFORE THE GNAT COMMITTEE ON PLAN AND BUDGET

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Governor

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ANKARA

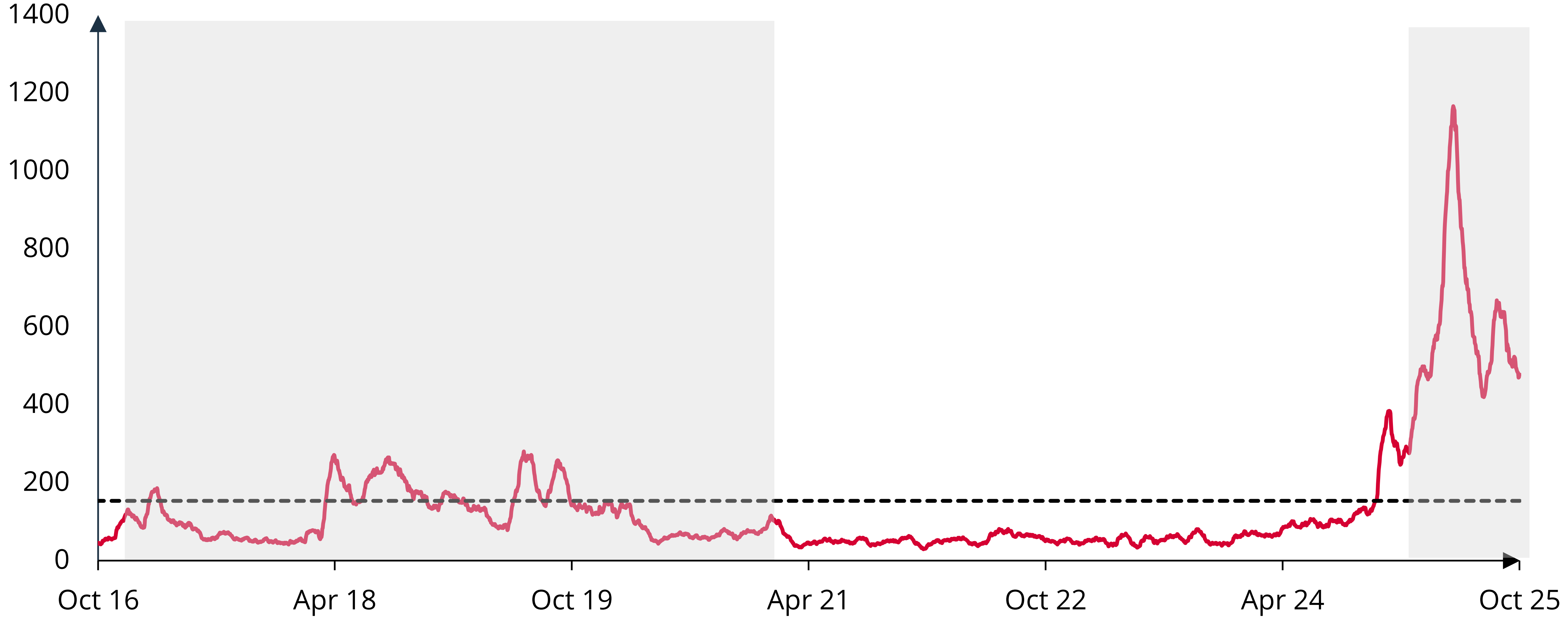
Outline

- Global Economy
- Macroeconomic Outlook
- Monetary Policy and Financial Conditions
- Conclusions

GLOBAL ECONOMY

Uncertainty over global trade policies remains high.

Trade Policy Uncertainty Index*

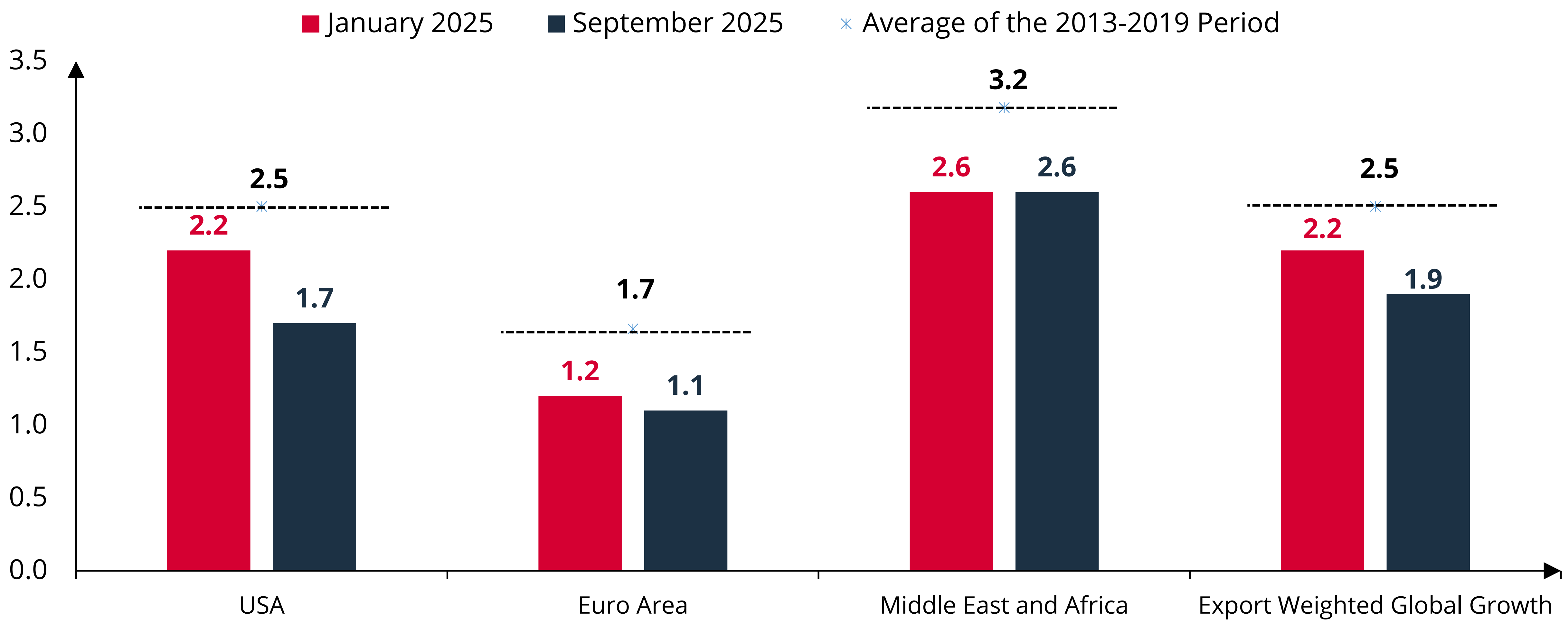


Source: The Economic Effects of Trade Policy Uncertainty, Caldara et al. (2020). Last Observation: October 1, 2025.

*Dashed lines represent the average over the past five years. Based on the 30-day moving average. Shaded areas denote the tariff step periods of January 2017–January 2021 and January 2025 and beyond, respectively.

The global growth outlook has remained relatively weaker compared to January.

Growth Forecasts for 2025* (%)



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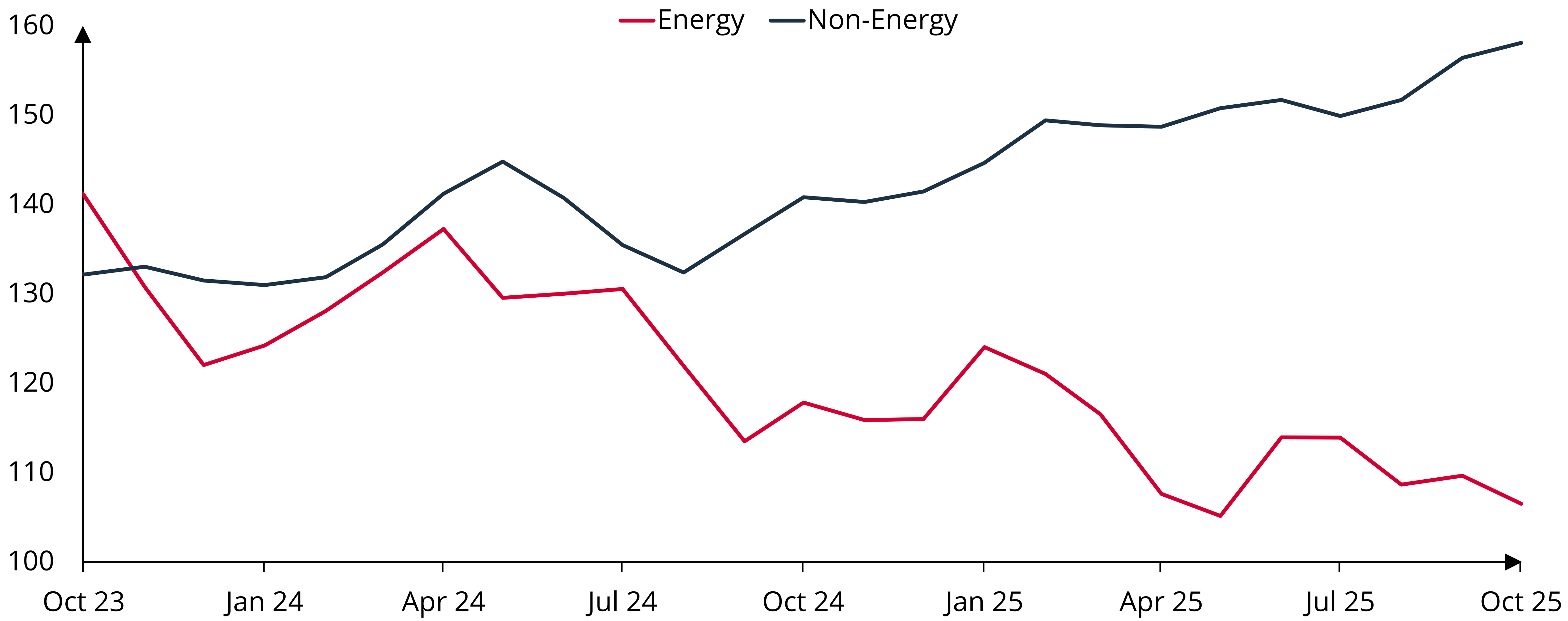
Source: Consensus Economics.

*Based on export-weighted indices calculated by the CBRT using Consensus forecasts for the US, and S&P and Consensus forecasts for the euro area, the Middle East and Africa region, and global growth.

Increased energy supply has curbed price increases driven by geopolitical developments.

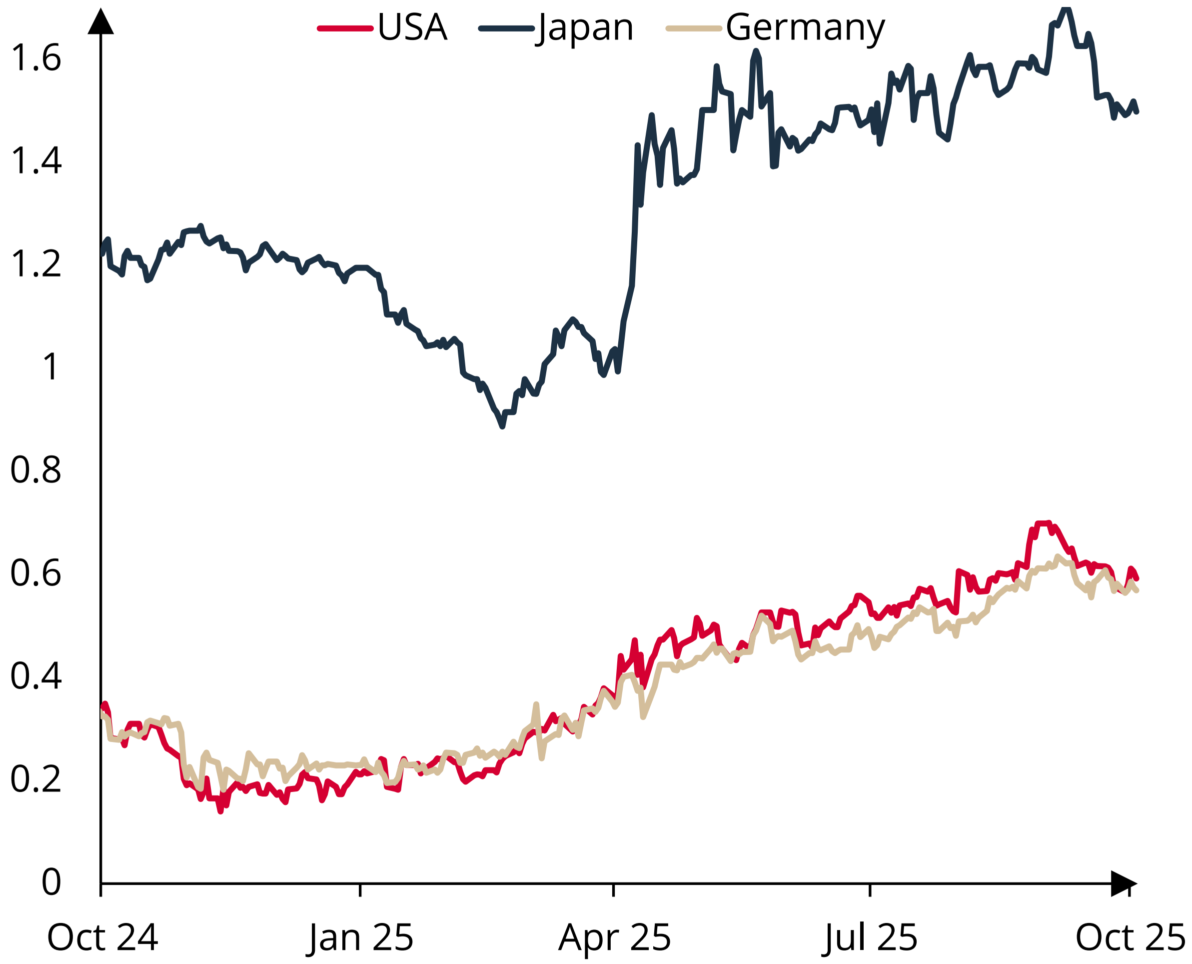
Commodity Price Indices* (Monthly Average)



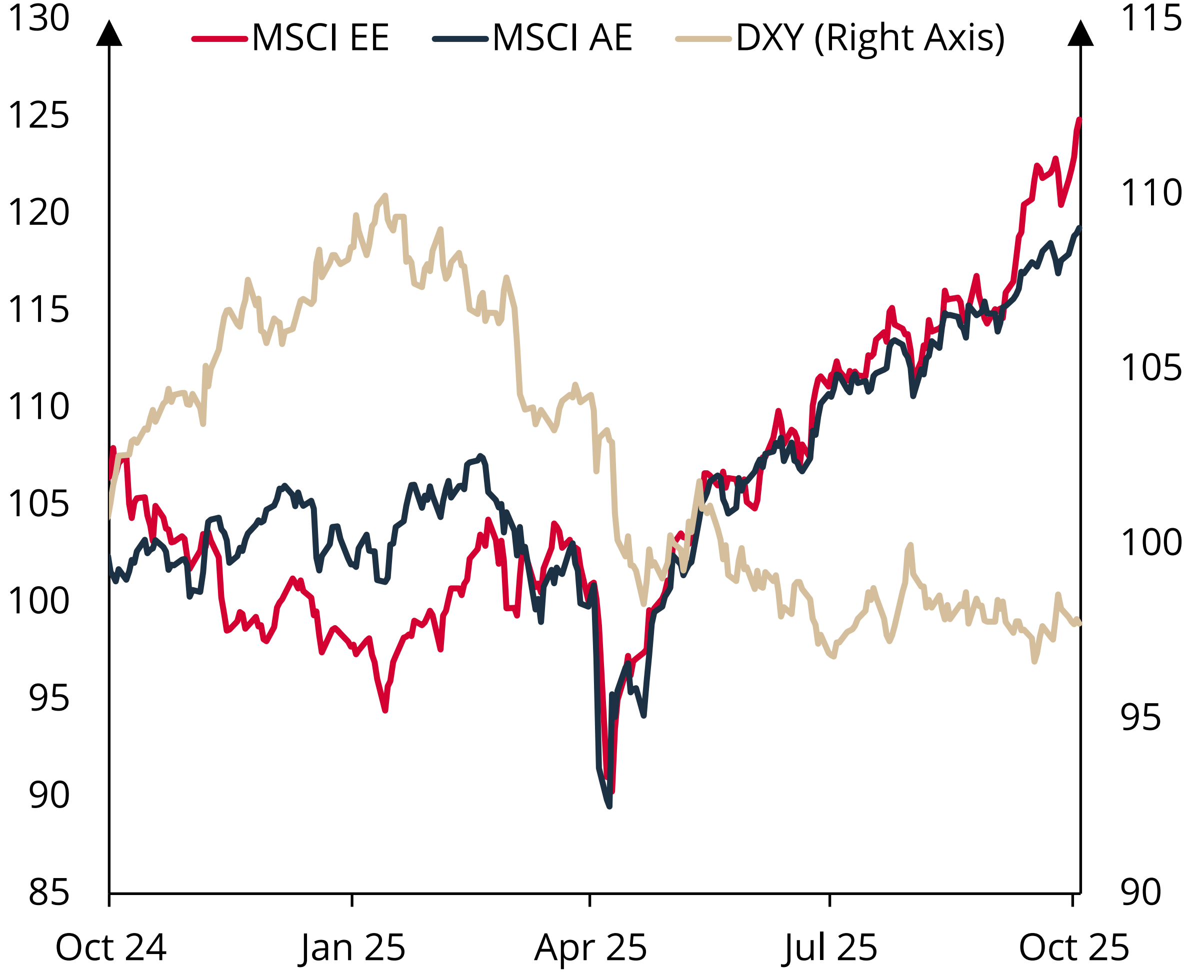
Source: Bloomberg. Last Observation: October 3, 2025.
*December 2019=100.

Portfolio preferences in global markets have predominantly shifted towards equities.

30-Year and 10-Year Government Bond Yield Spread
(% Points)



AE and EE Equity Indices* and Dollar Index

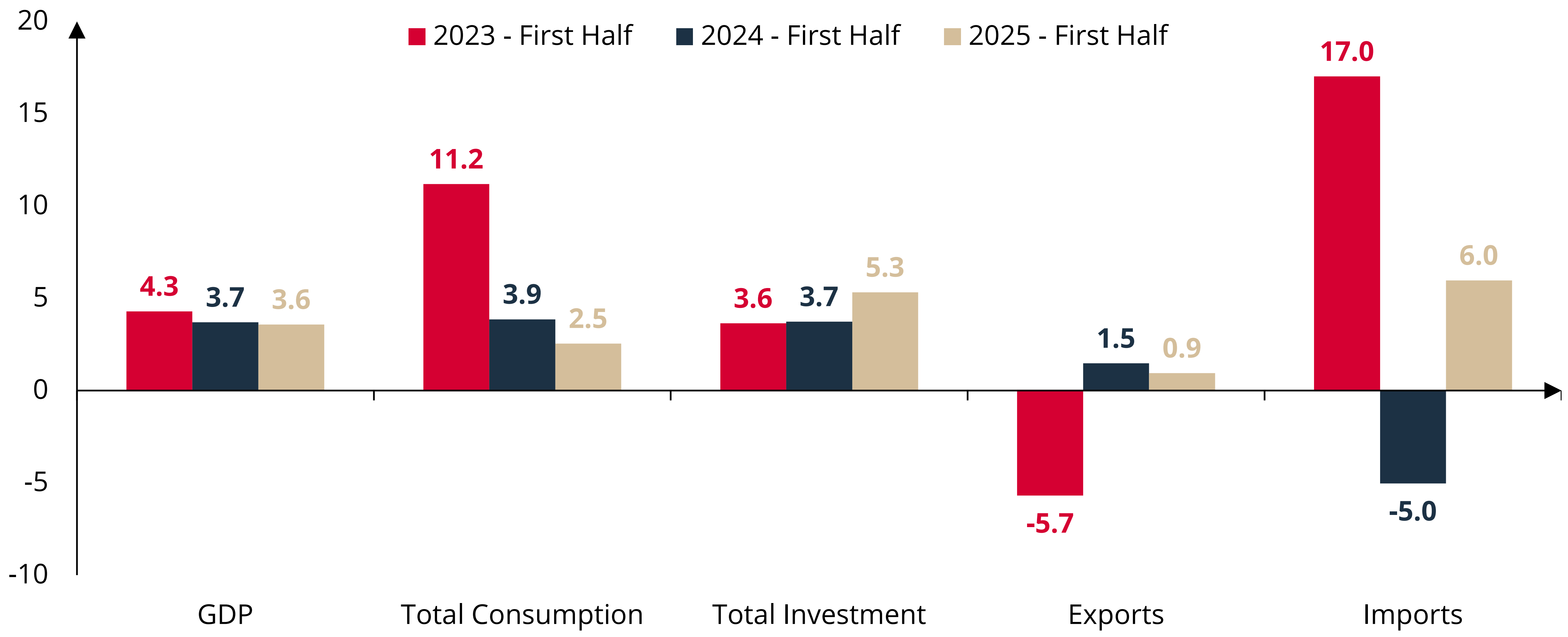


Source: Bloomberg. Last Observation: October 3, 2025.
*Calculated as September 2024 average=100.

ECONOMIC ACTIVITY

Demand is rebalancing.

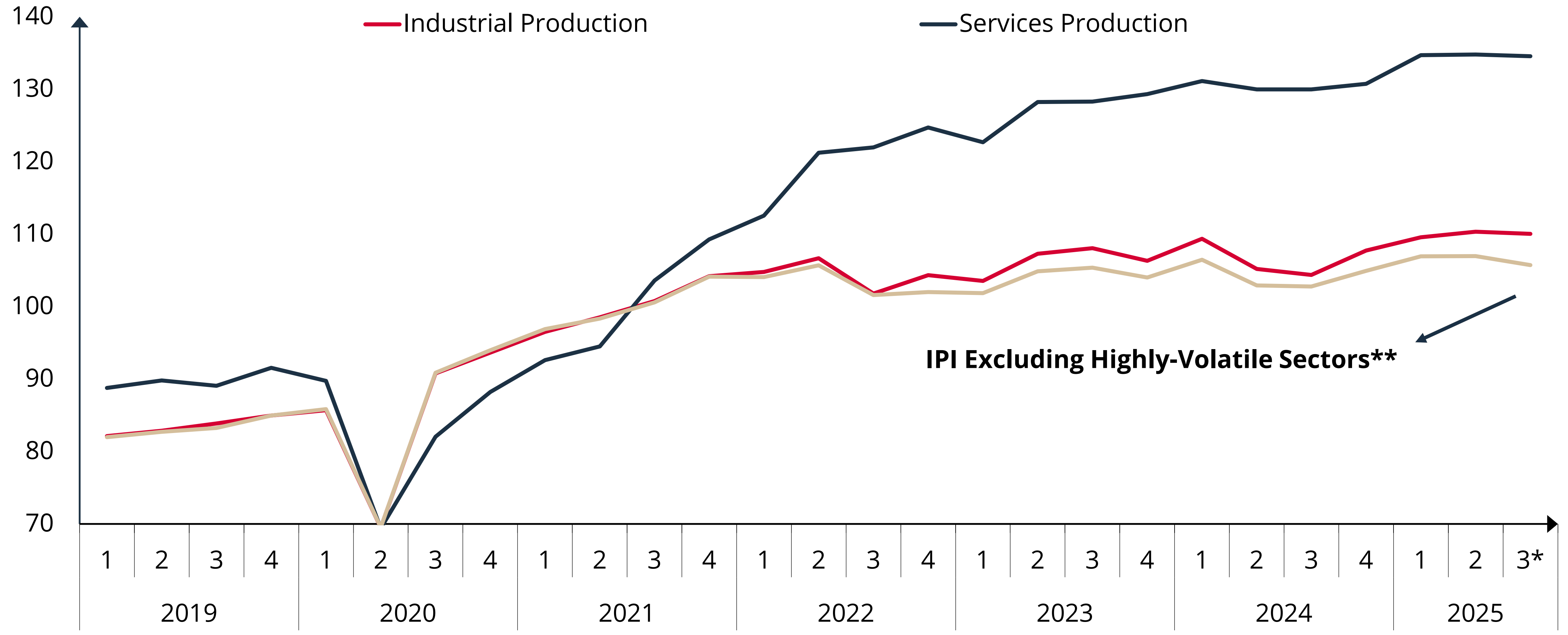
Contributions to Annual Growth from the Expenditure Method (Annual % Change)



Source: TURKSTAT.

Industrial and services production remain almost flat in the third quarter.

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



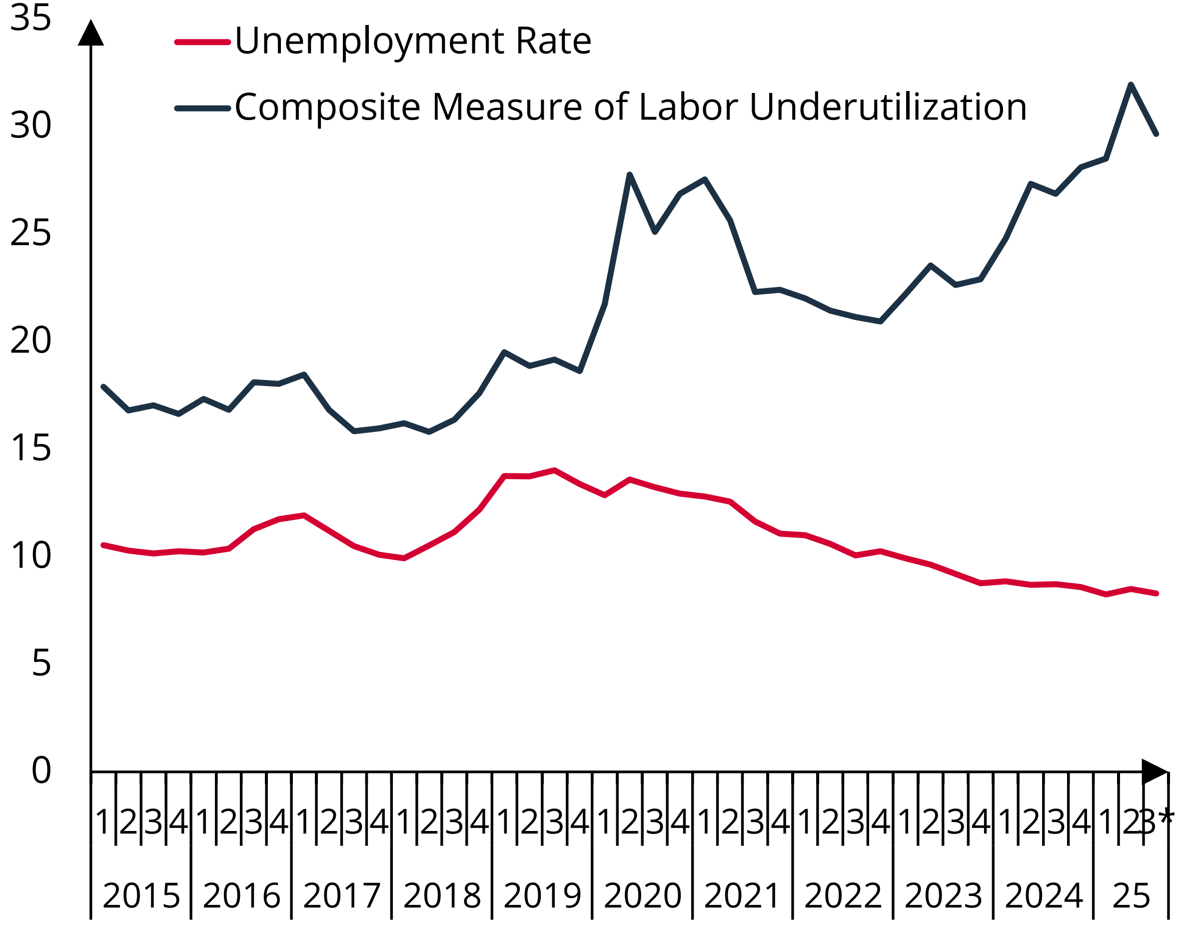
Source: CBRT, TURKSTAT.

* As of July.

** Industrial production excluding the typically volatile sectors such as recorded media, computer, optics and electronics, basic pharmaceuticals and other transportation.

Labor market is less tight than the headline unemployment rate implies.

Labor Market Indicators
(Seasonally Adjusted, %)

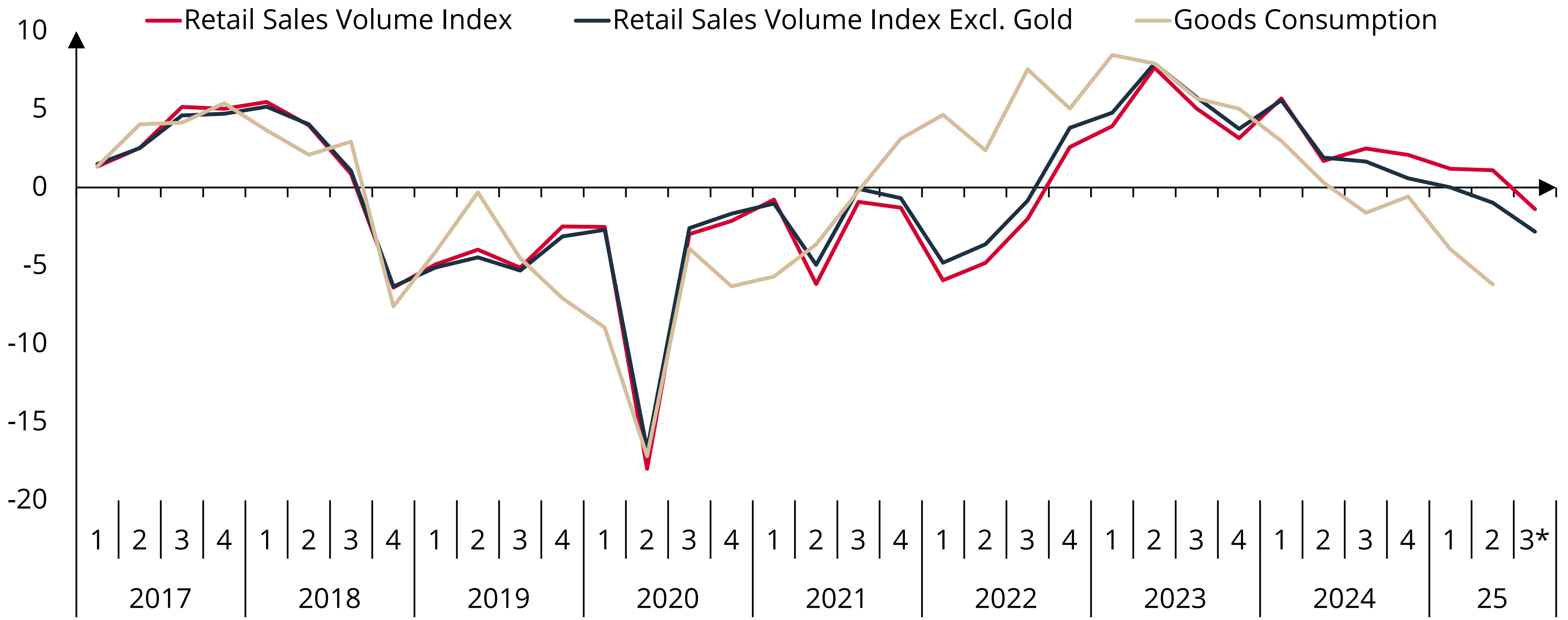


Total Applications per Job Postings
(Seasonally Adjusted, 3-Month Moving Average)

Source: Kariyer.net , CBRT, TURKSTAT.
* Average of July and August.

Demand indicators point to a continuation of the rebalancing.

Retail Sales Volume Index and Goods Consumption**
(HP Gap, %)



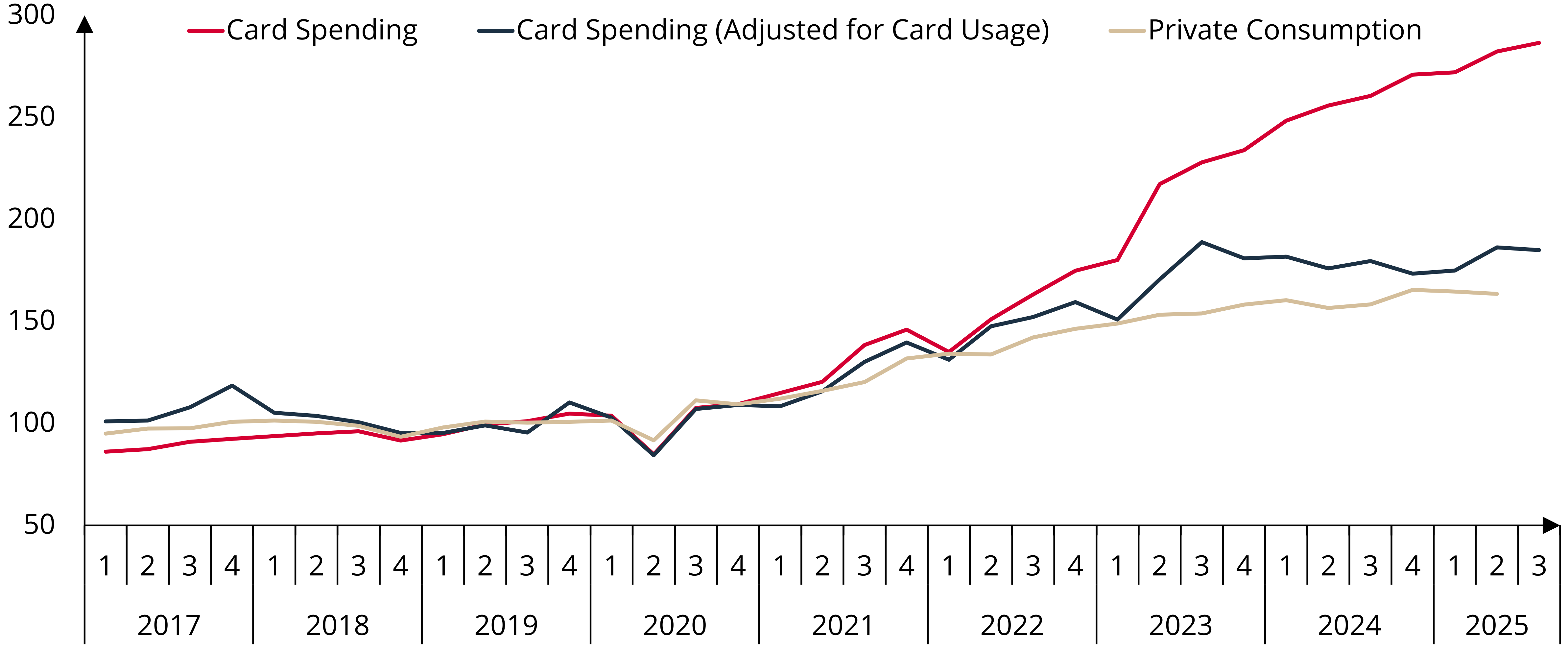
Source: CBRT, TURKSTAT.

* Goods consumption refers to household consumption of goods under GDP. Consumption of goods is as of second quarter, retail sales are as of July.

** Detrended using Hodrick-Prescott (HP) filter.

Card spending remains moderate.

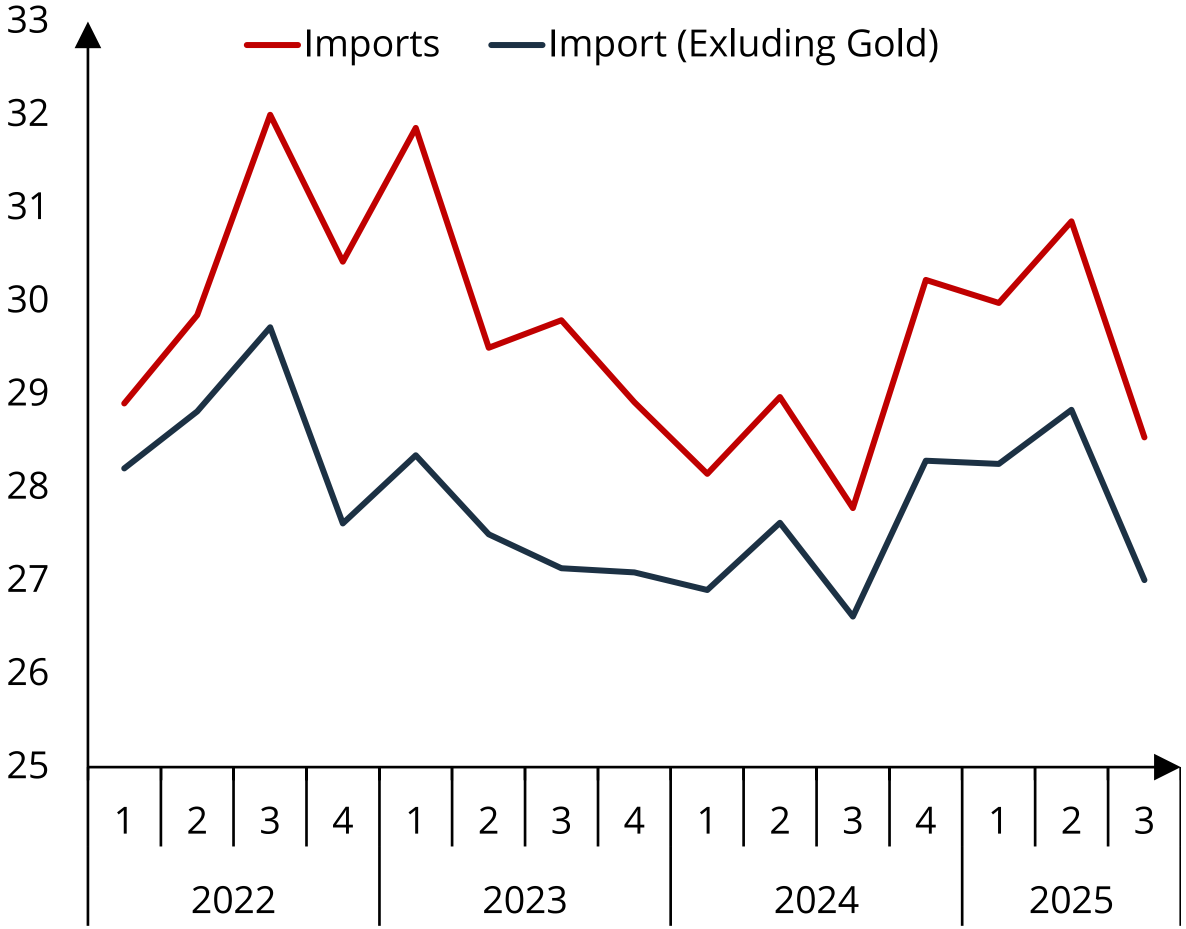
Card Spending* (Real, Seasonally Adjusted, 2019=100)



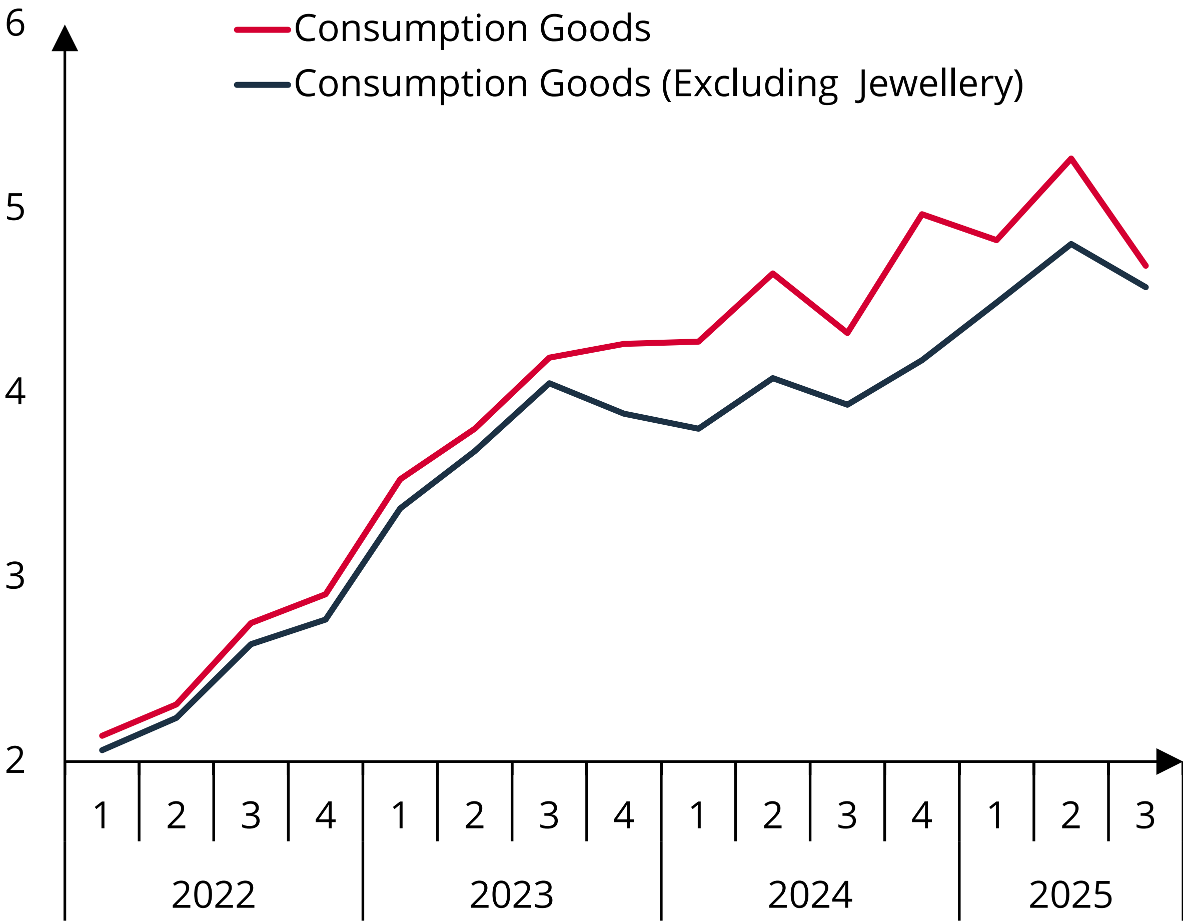
Source: CBRT.
*In this chart, the real value adjustment of card-based expenditures has been made using a more detailed deflator with 5-digit level, in line with the blog study entitled "Card Usage Rate and Card Spending".

Import declined following the increase in the second quarter.

Imports* (Average, Billion US Dollars, Seasonally Adjusted)



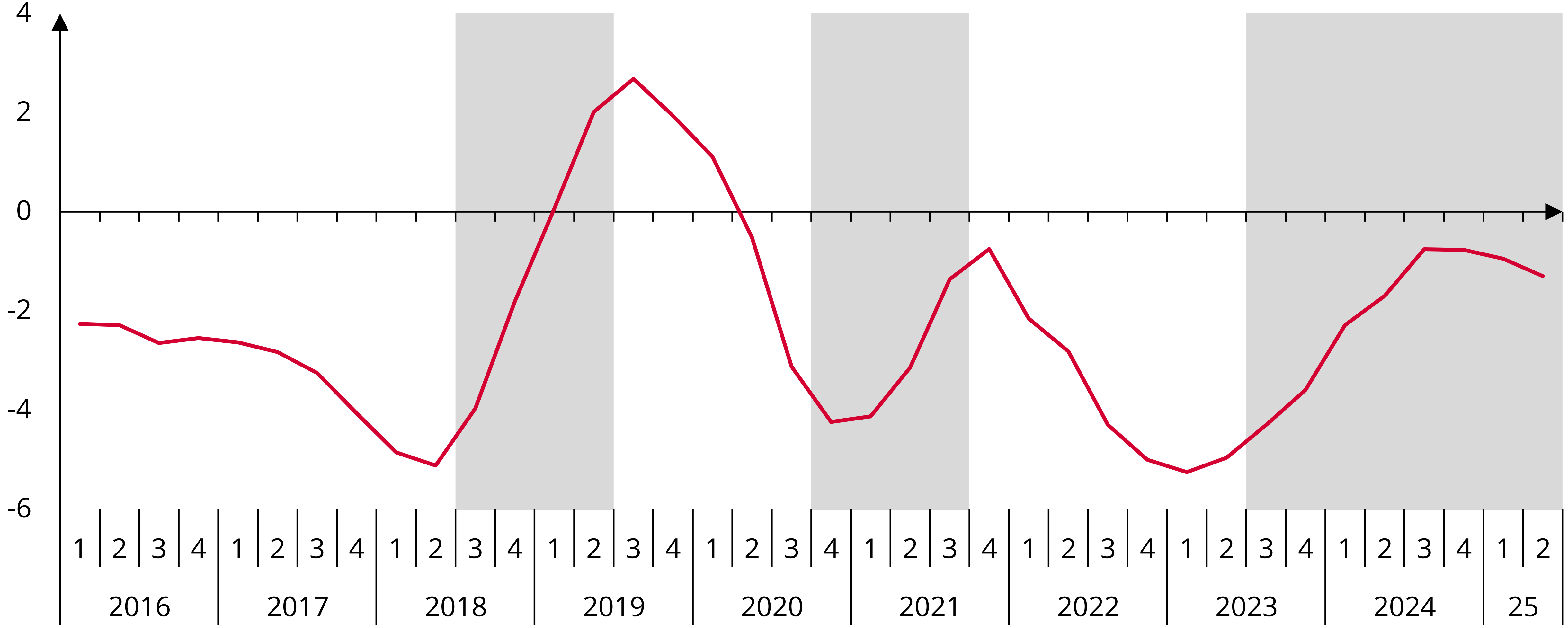
Consumption Goods Imports* (Average, Billion US Dollars, Seasonally Adjusted)



Source: CBRT, Ministry of Trade, TURKSTAT.
* Provisional data for September. Figures show average monthly import values for the respective quarters.

Current account deficit is below historical averages.

Current Account Balance/GDP* (%)



Source: CBRT, TURKSTAT.

*Shaded areas indicate monetary tightening periods.

INFLATION

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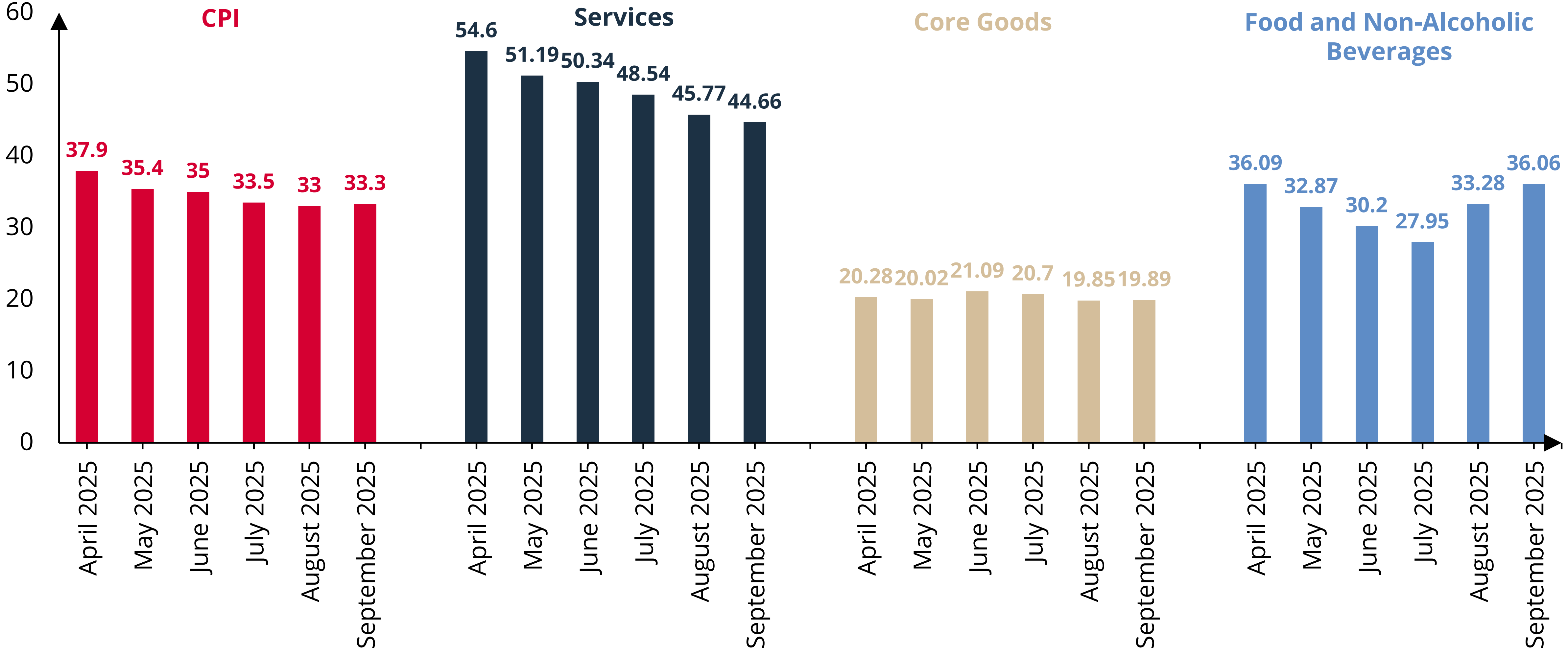
Food is driving the slowdown in disinflation, while services are the primary reason for the level of inflation.

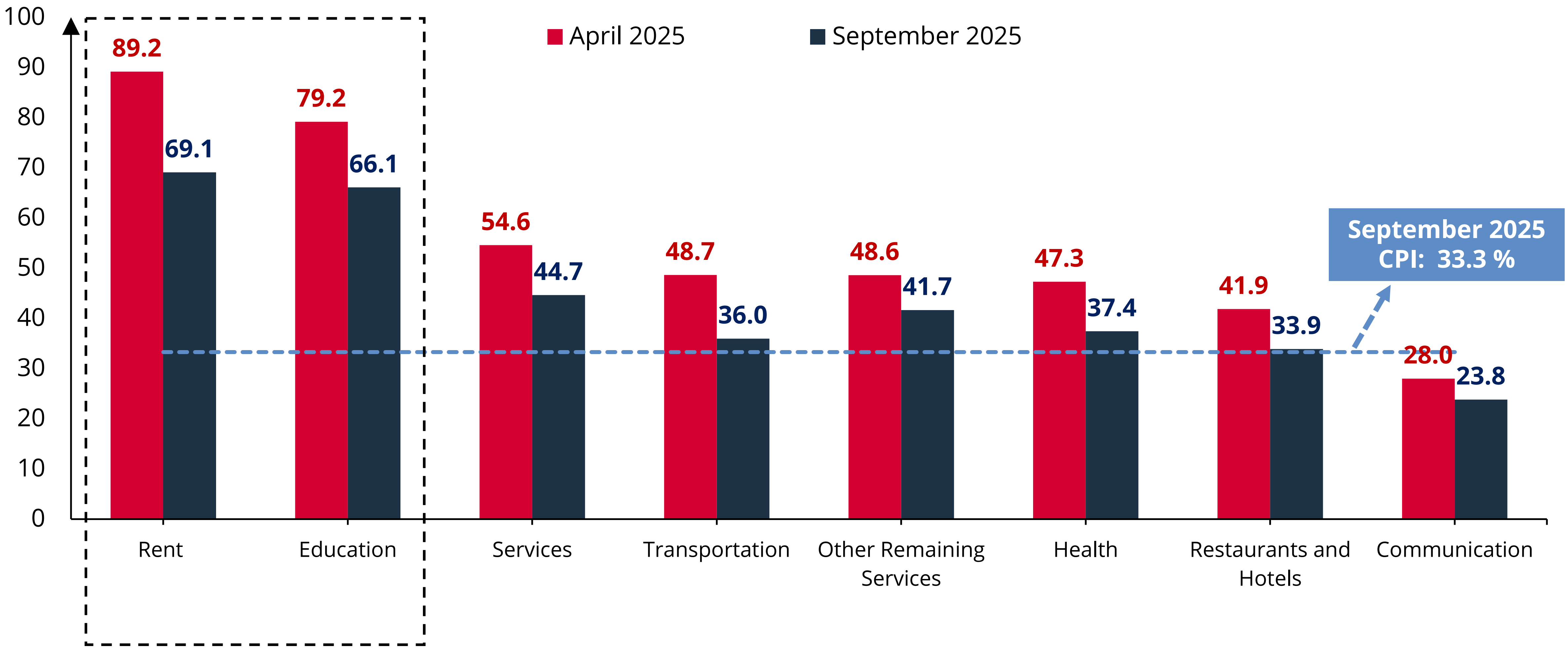
CPI (Annual % Change)



Source: TURKSTAT.

Items with strong backward indexation tendency are curbing the pace of disinflation.

Services Subitems* (Annual % Change)



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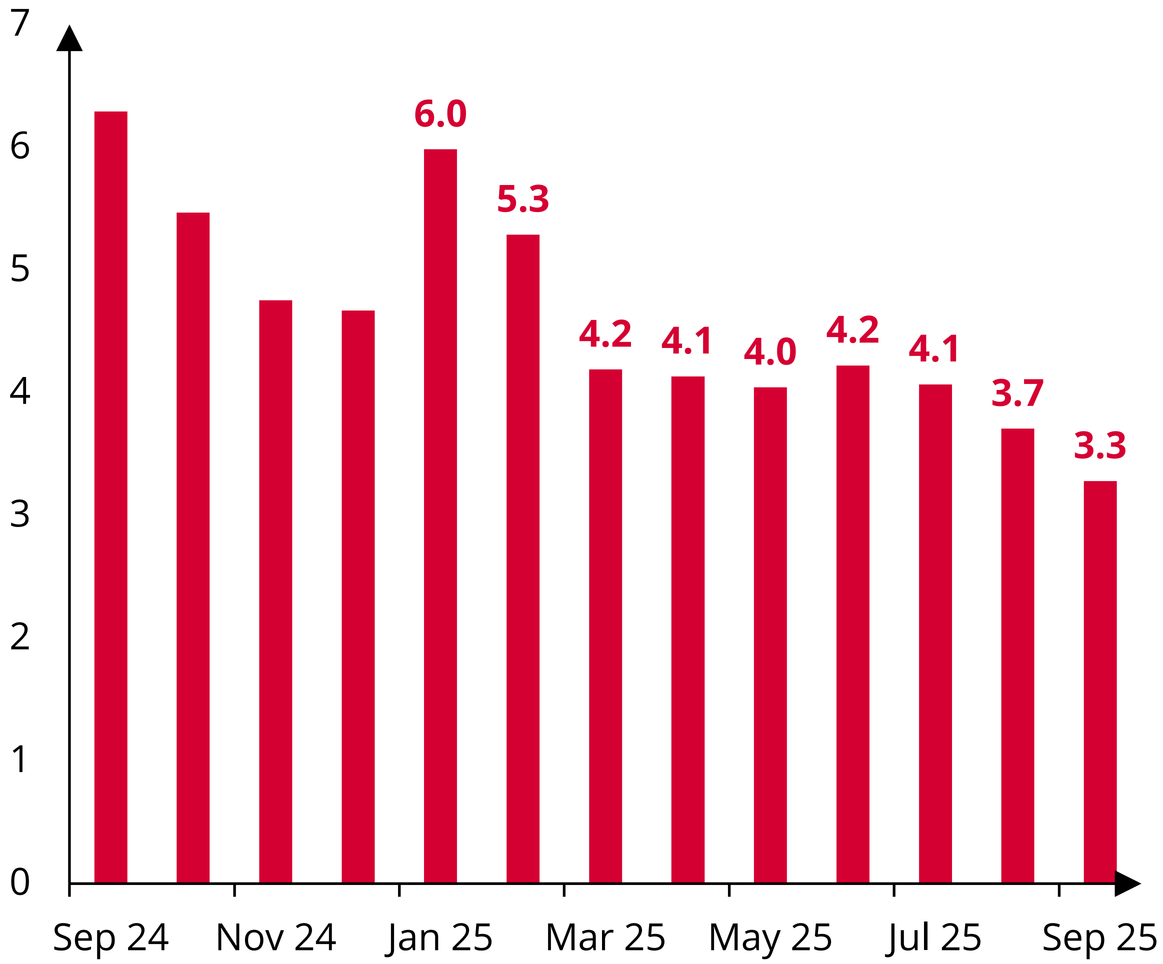
Source: CBRT, TURKSTAT.

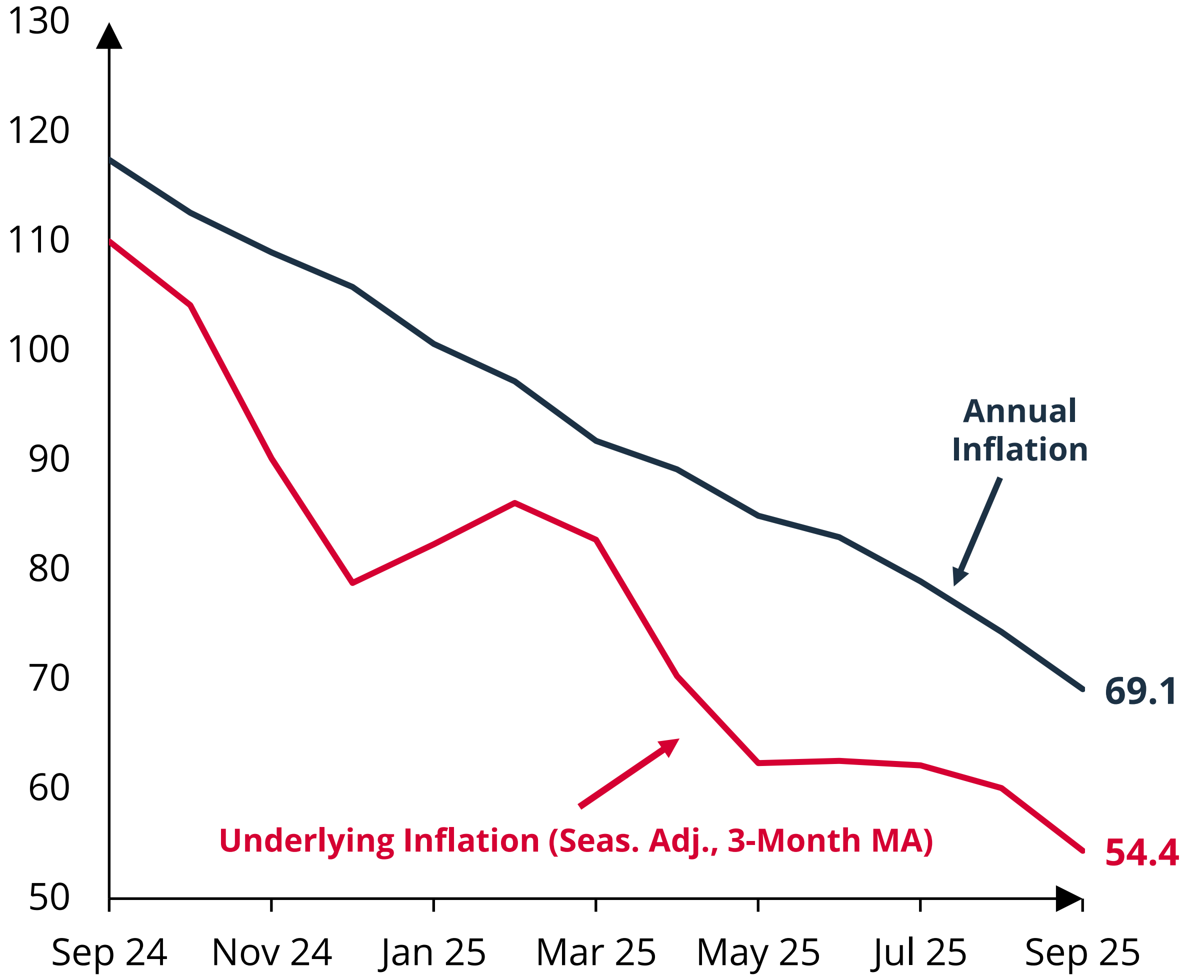
*The blue dashed line shows the headline CPI (33.3%) for September 2025.

Rent inflation remains above projections.

Rent (Seasonally Adjusted, Monthly % Change)



Rent (Annual % Change ve Annualized Underlying Inflation)



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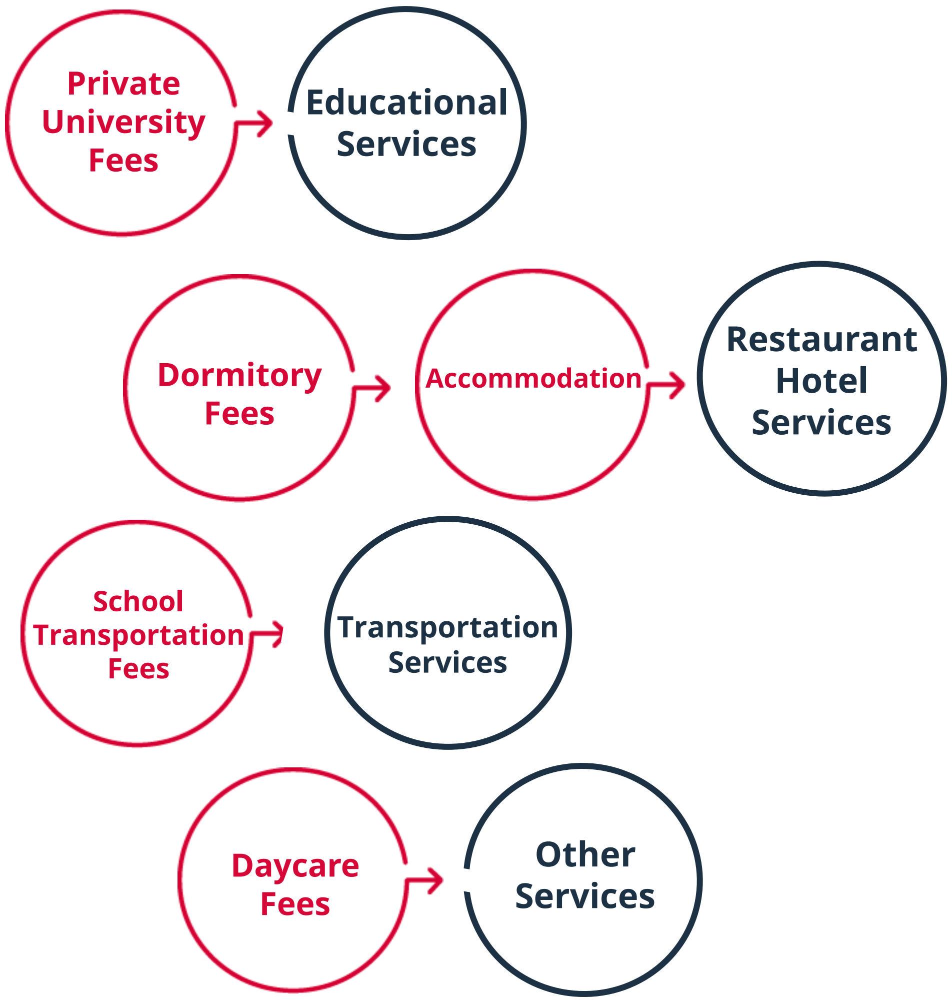
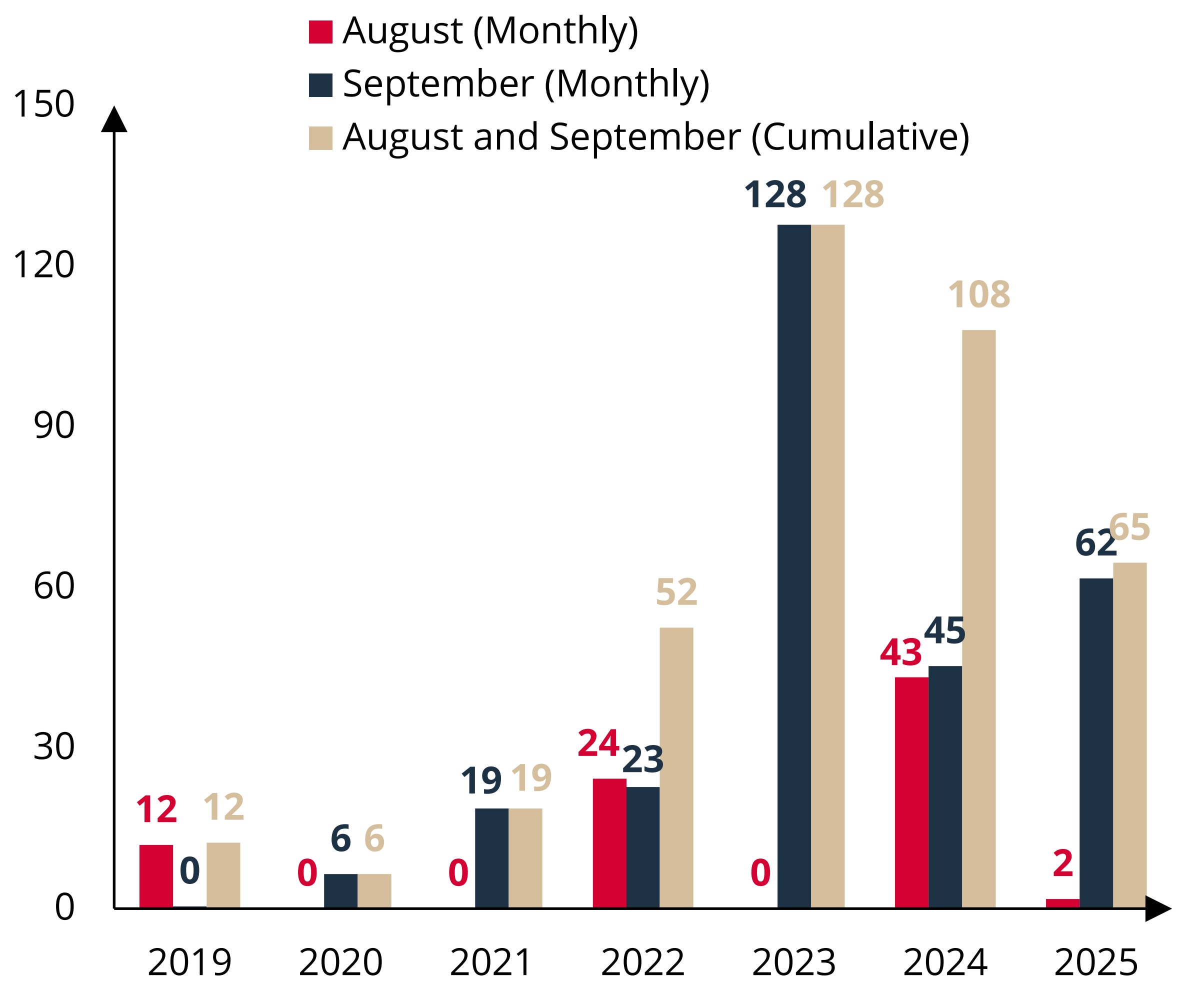
Source: CBRT, TURKSTAT.

In September, the back-to-school effect was determinant in services inflation.

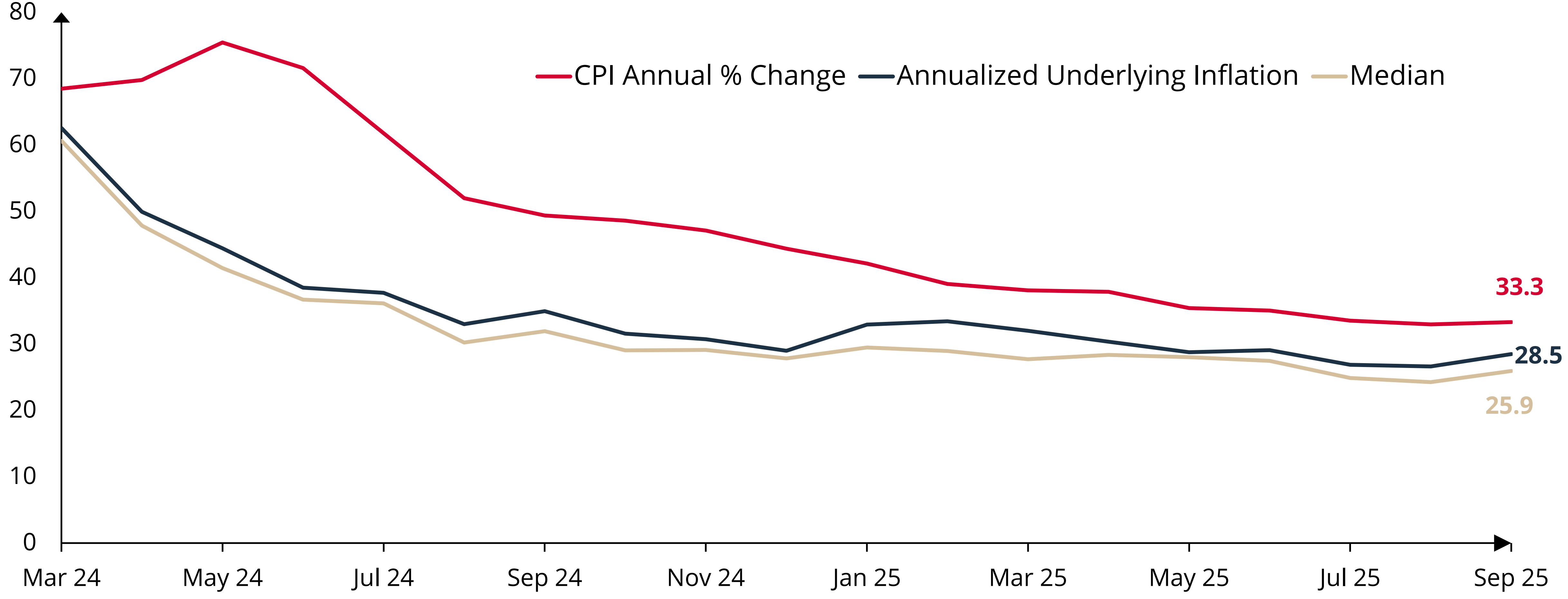


University Education Service Prices (% Change)



Underlying inflation indicators point to a slowdown in disinflation.

CPI, Median and Underlying Inflation* (% Change)

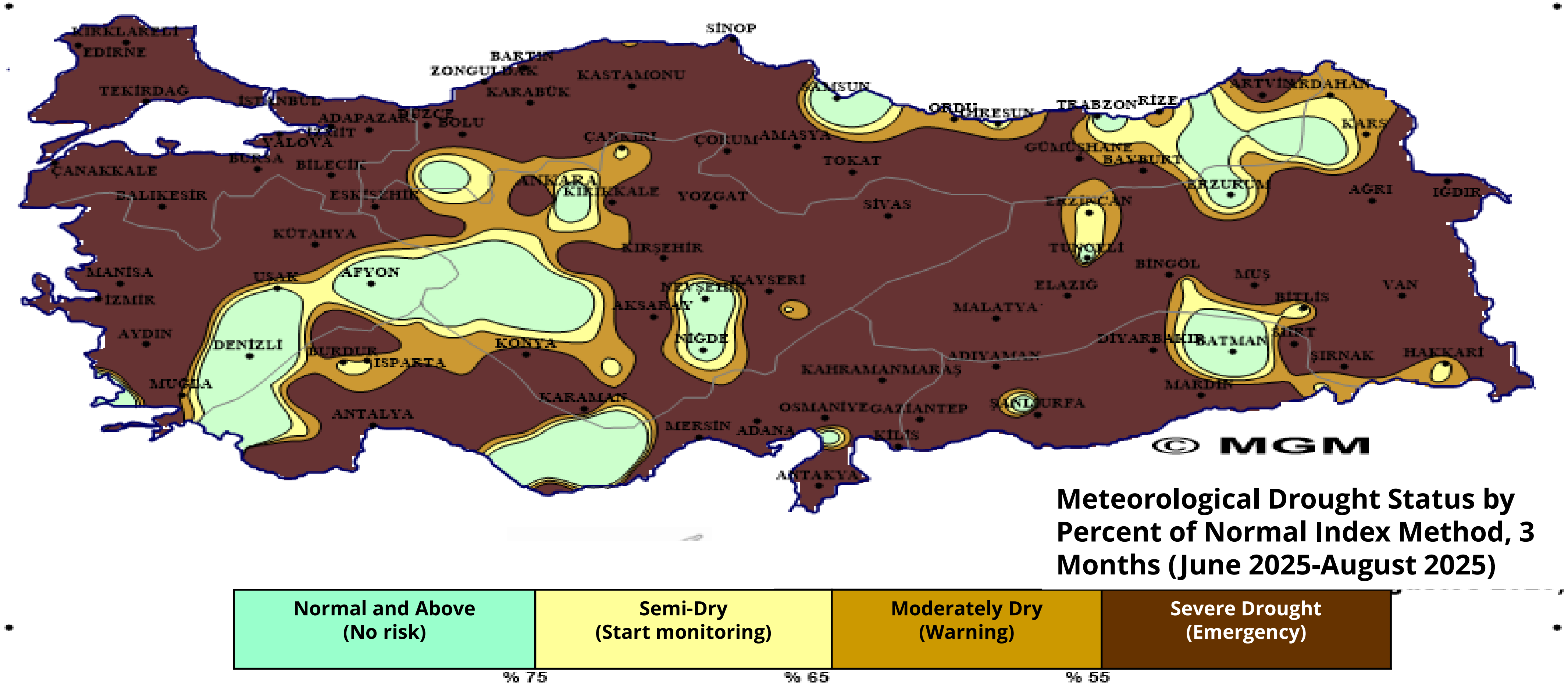


Sources: CBRT, TURKSTAT.

*Annualized underlying inflation refers to the annualized value of the three-month average of six different indicators (seasonally adjusted B, C, SATRIM, Median, Excluding Volatile Items and Dynamic Factor Model). The annualized value of the three-month average of monthly changes is used for the median.

Adverse weather conditions have increased upside risks to food prices.

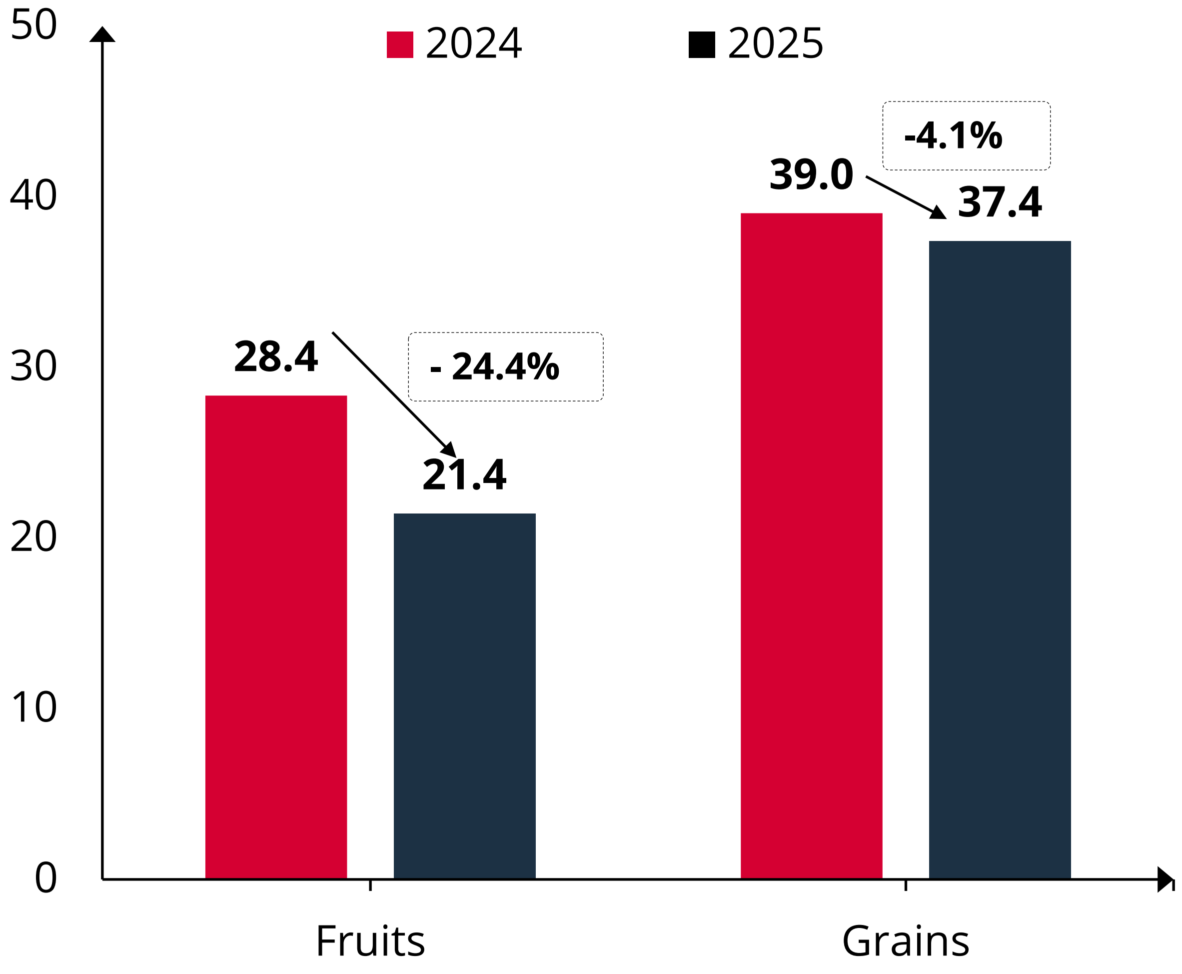
June- August 2025 Meteorological Drought Status
(Percent of Normal Index)



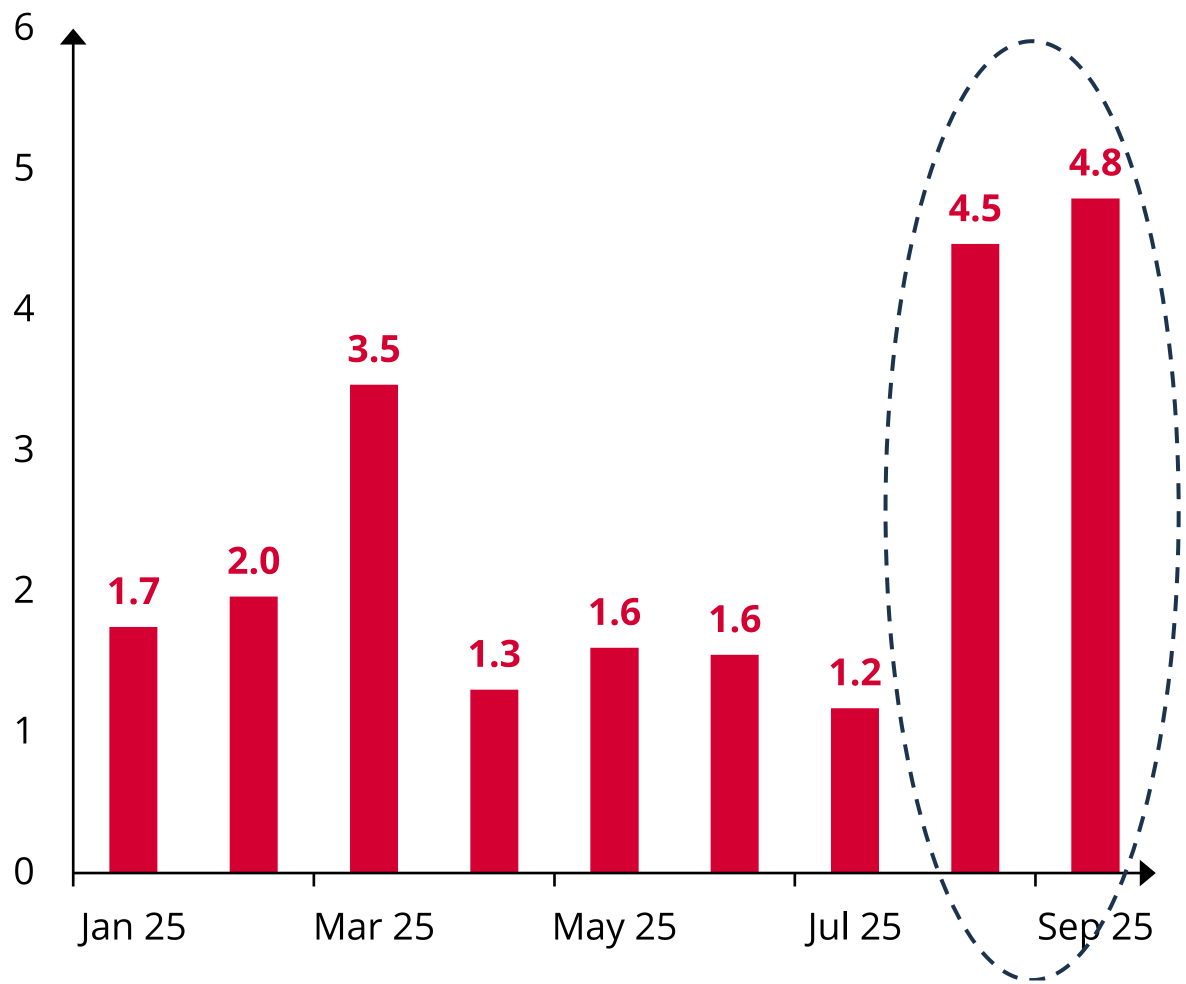
Source: Turkish State Meteorological Service.

Adverse weather conditions have increased upside risks to food prices.

Fruit and Grain Production* (Millions of Tonnes)



Food Prices (Seasonally Adjusted, Monthly % Change)

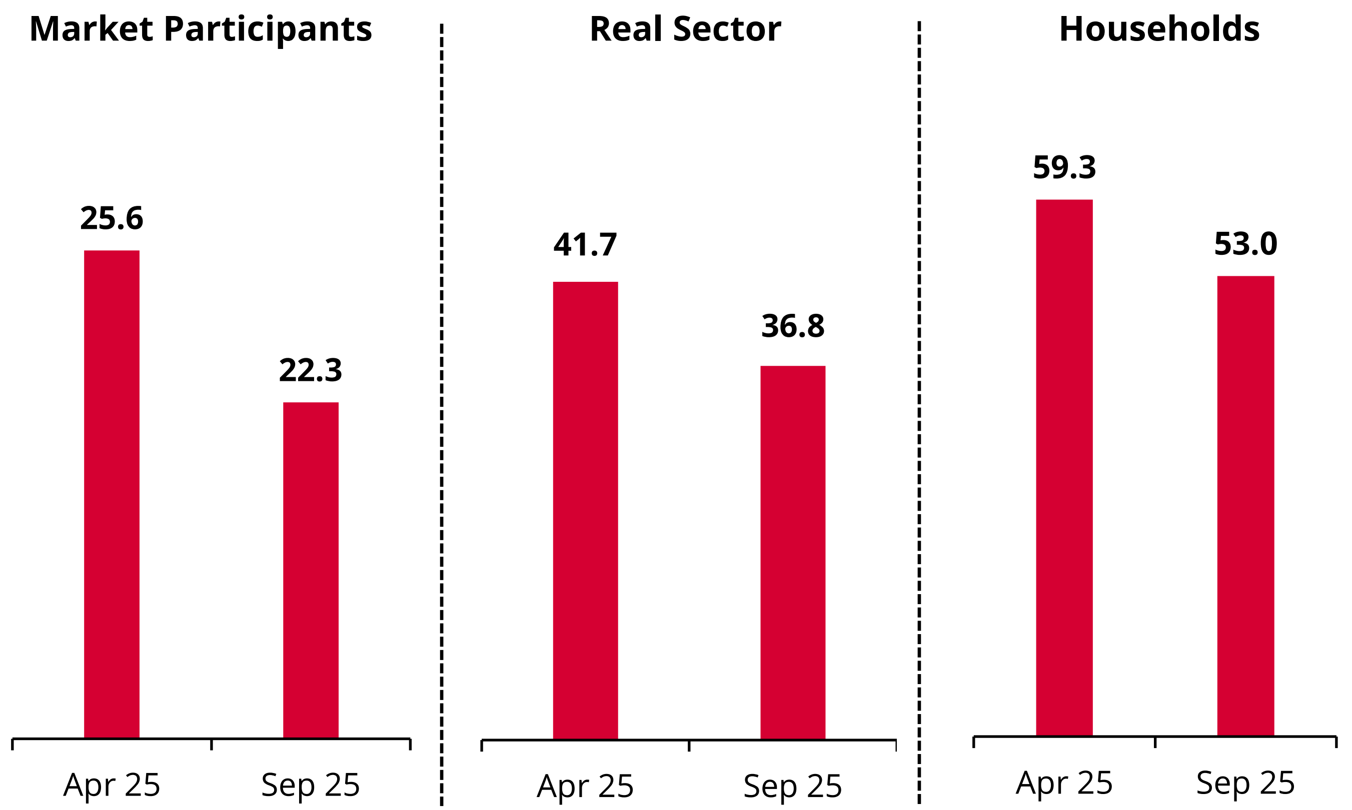


Source: CBRT, TURKSTAT.

* Crop Production 1st Estimation, as of May 23, 2025.

Inflation expectations have been declining but still pose an upside risk.

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



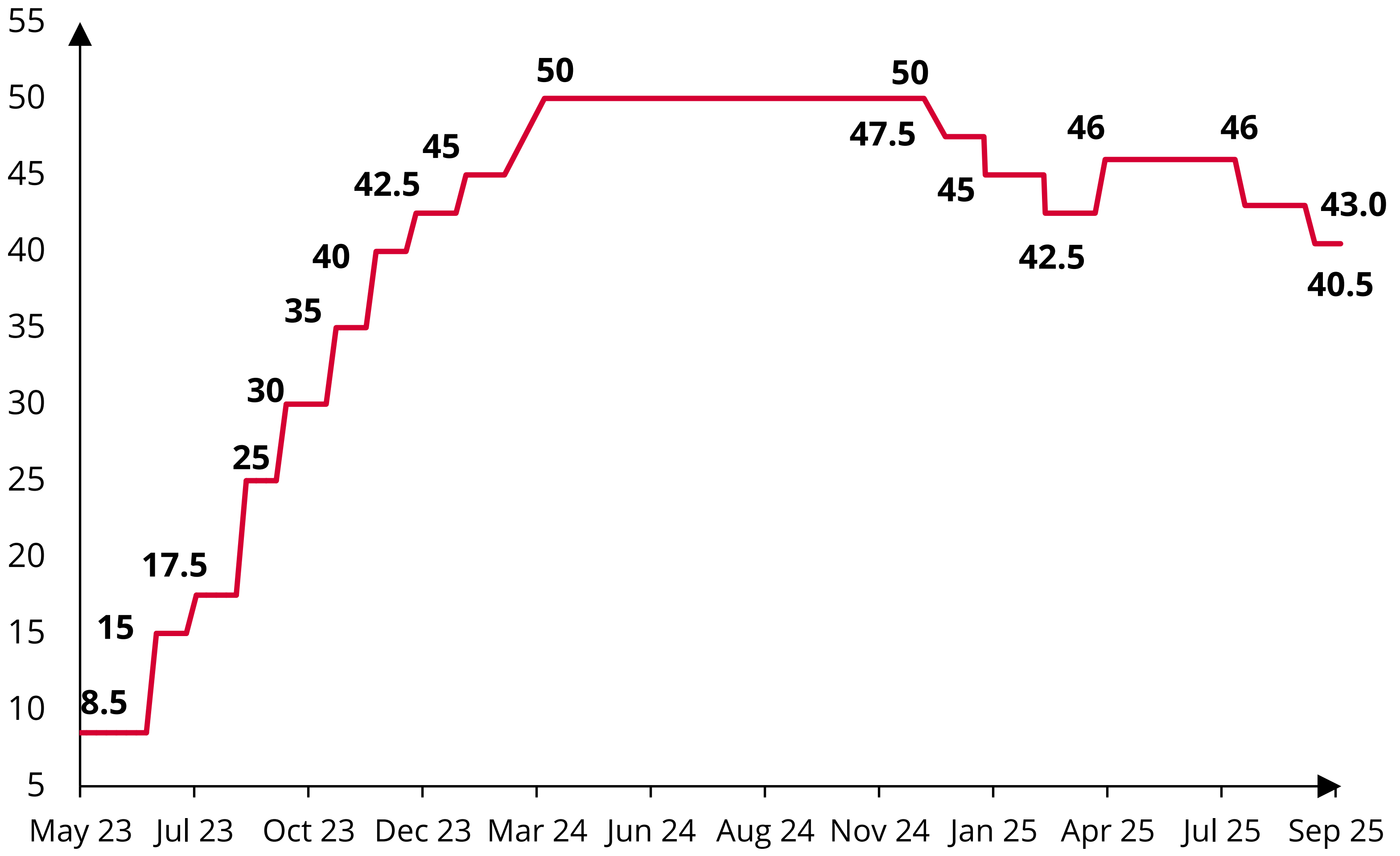
Market Participants' Inflation Expectations (%, September 2025)	
September 2025	31.8
October 2025	30.7
November 2025	29.8
December 2025	29.9
September 2026	22.3
December 2026	20.8

Source: CBRT.

MONETARY POLICY AND FINANCIAL CONDITIONS

Tight monetary policy stance is maintained.

Policy Rate (%)



Macroprudential Framework

+

Liquidity Management

Source: CBRT.

Macroprudential measures and liquidity management support the tight stance.

1

Regulations for deposits

- Targets for TL deposit share increase
- Variable rate TL deposits
- Terminating FX-protected deposit accounts

2

Regulations for loan growth caps

- Limits on TL and FX loan growth

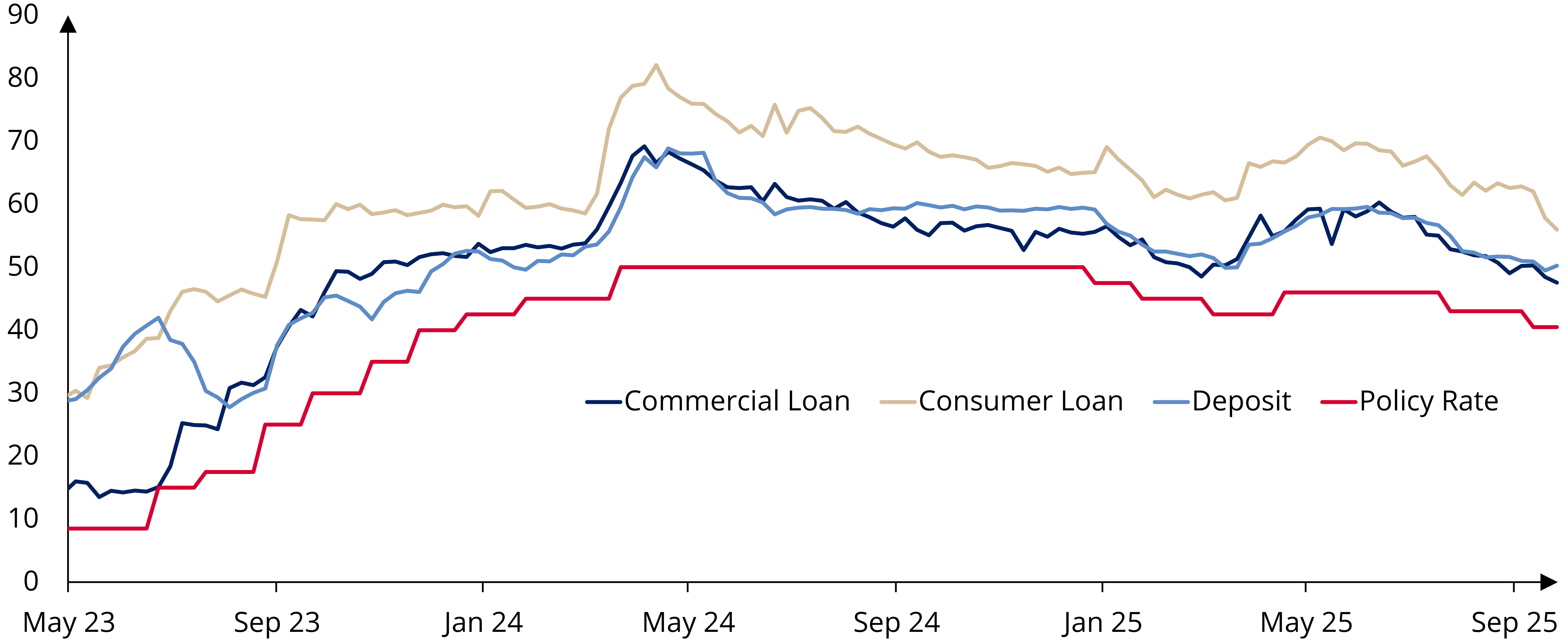
3

Liquidity management

- Reserve requirements
- TL deposit auctions
- Sell-side swap auctions

Financial conditions remain tight.

Interest Rates* (%)



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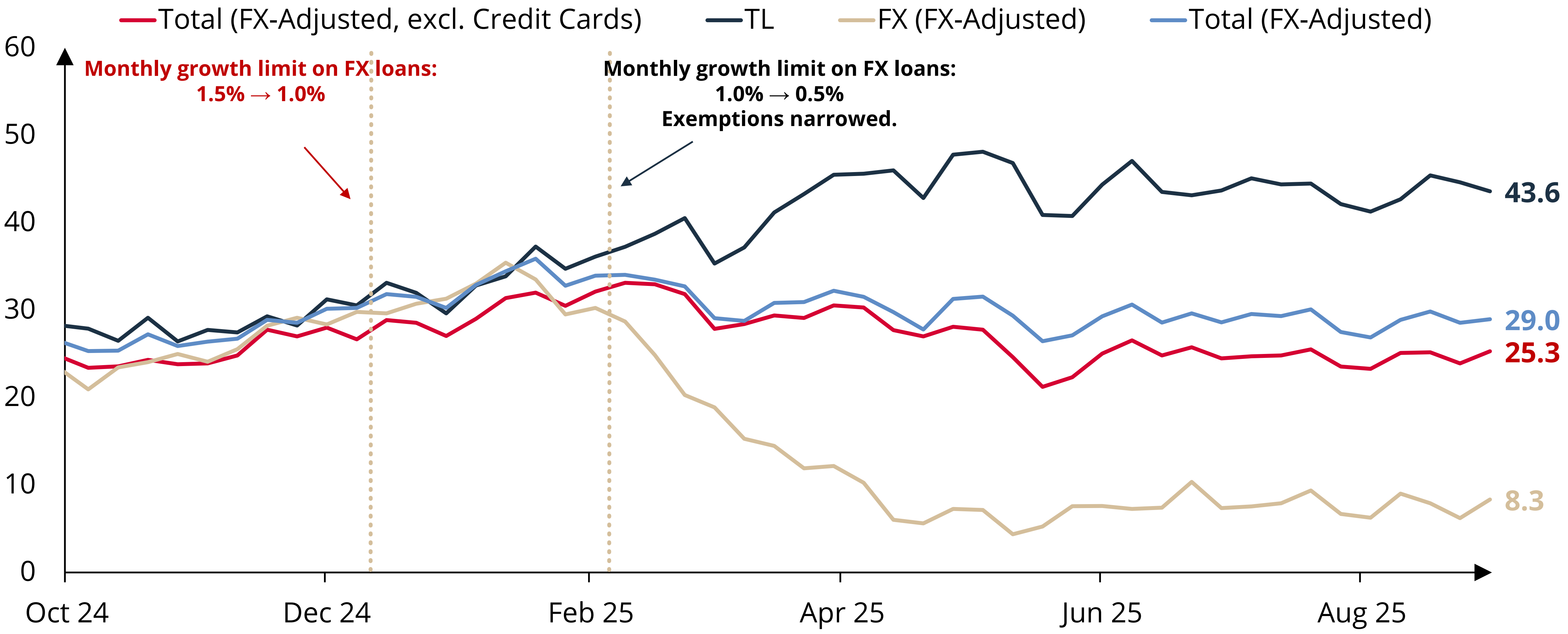
Source: CBRT.
Last Observation: September 26, 2025.
*Deposit rates indicate one to three month TL deposit interest rate. Commercial and consumer loan interest rates exclude credit cards and overdraft accounts.

Loan growth remained stable, but the composition shifted in favor of TL.

Loan Growth* (13-Week, Annualized, %, FX-Adjusted)

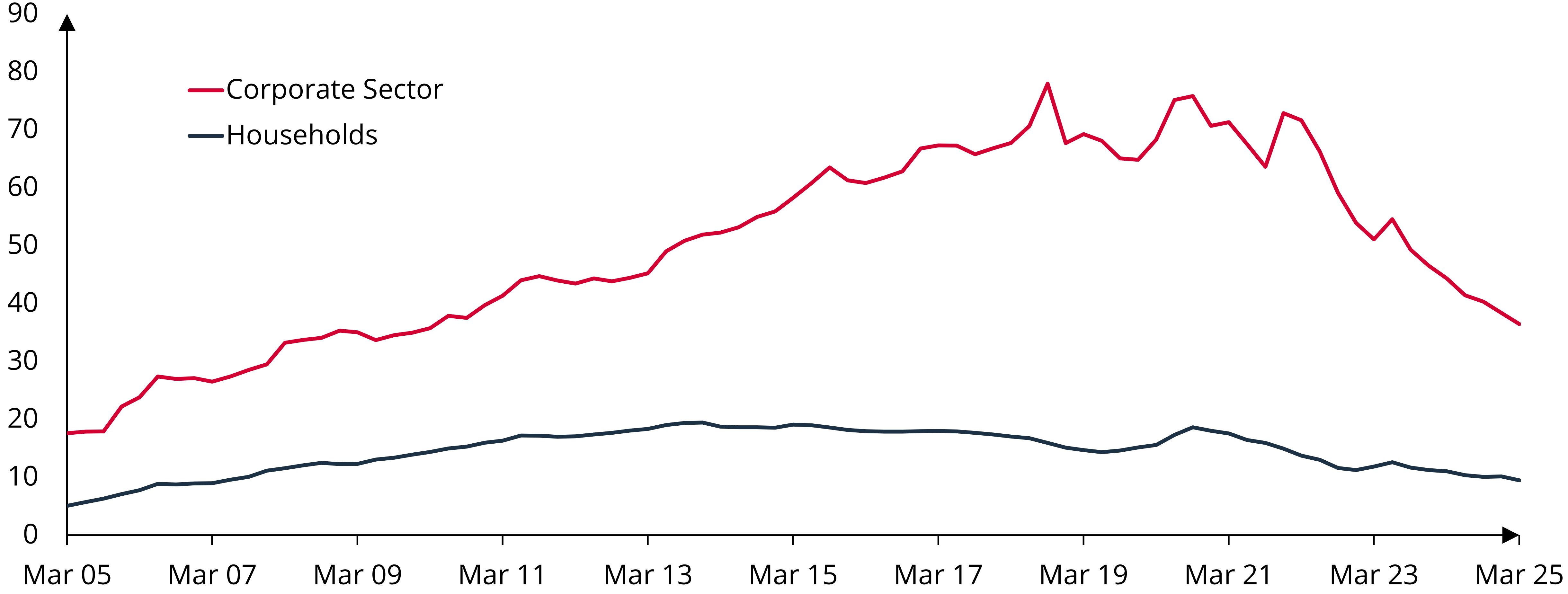


Source: CBRT.

*As of September 26, 2025. FX loan growth threshold changes are shown with dashed lines.

Household and firm indebtedness decreased.

The Ratio of the Total Corporate Sector and Household Indebtedness to GDP (%)



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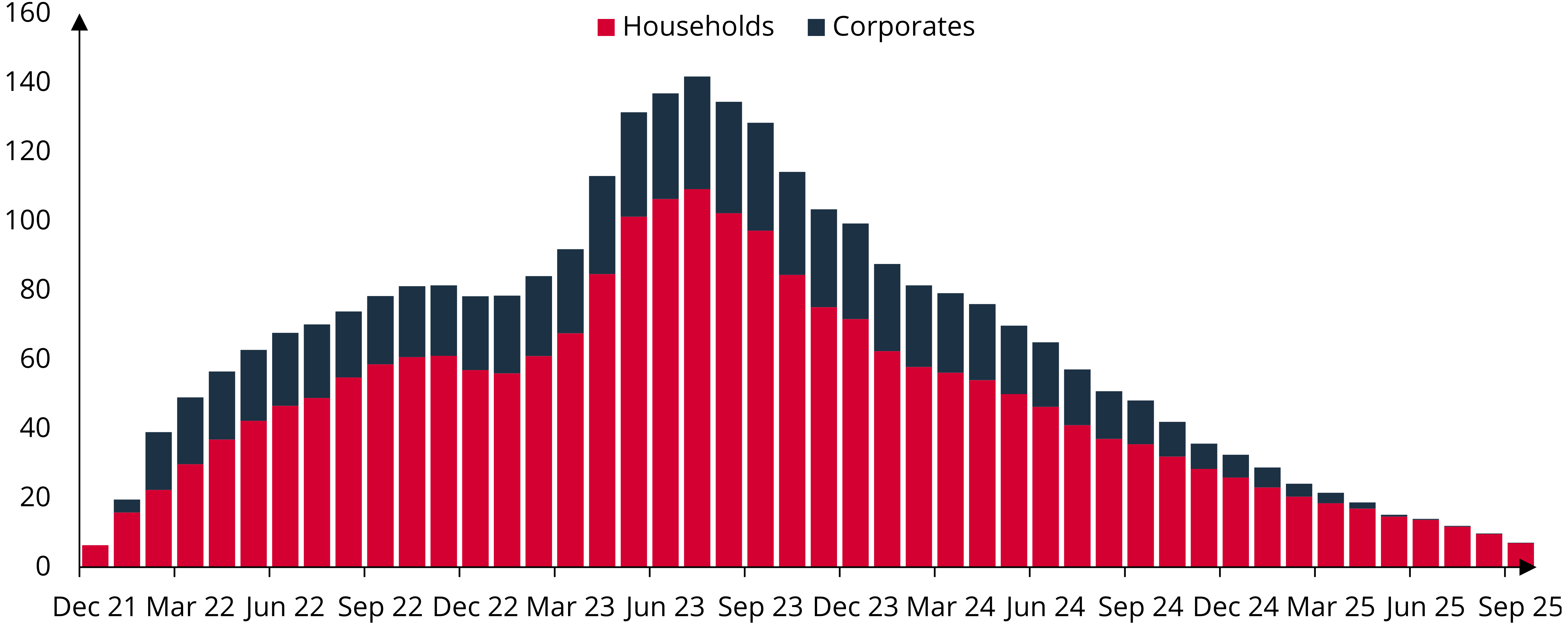
Source: IIF. Last Observation: March 2025.

Household indebtedness (including non-profit organizations serving households) is calculated as the ratio of the total debt securities and loans of households to GDP.

FX-protected accounts have been terminated.

FX-Protected Accounts Stock Balance* (Billion USD)



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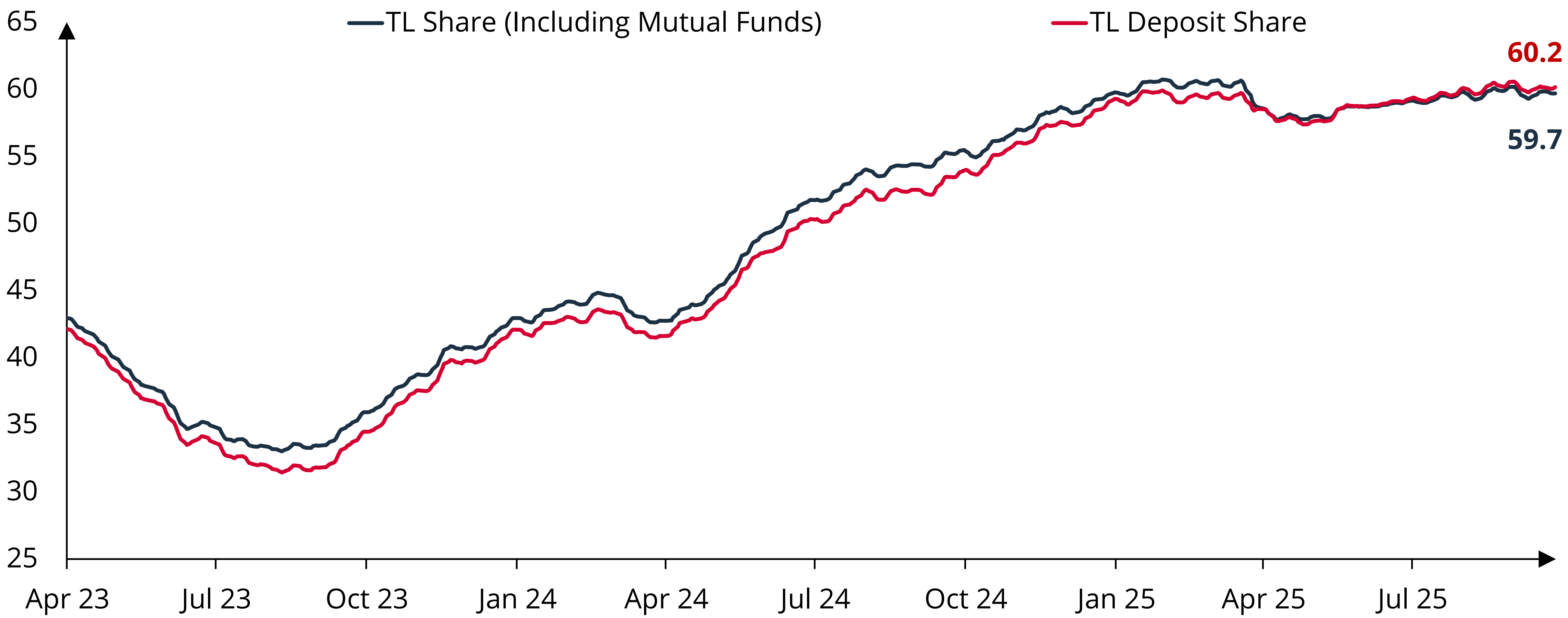
Source: CBRT. Last Observation: October 2, 2025.

*Excluding YUVAM accounts.

TL assets' share in the financial system continues to increase.

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

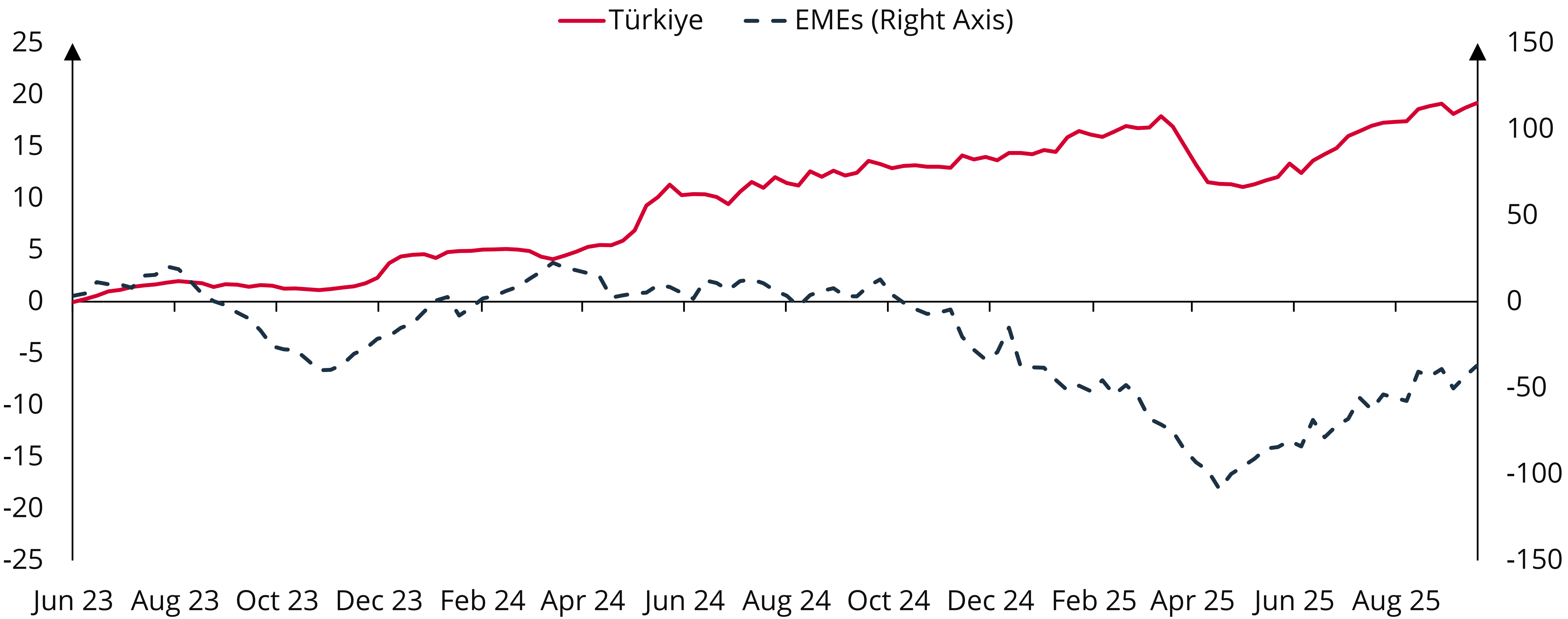


Sources: BRSA, CBRT, TEFAS. Last Observation: September 26, 2025.

* The average TL deposit share between 2011 and 2017 is 61%. TL share (including mutual funds) is calculated by including FX and TL mutual funds separately to TL and FX deposits. Deposits in mutual funds are deducted from banking sector's deposits.

Capital inflows to Türkiye remain moderate.

Portfolio Flows to EMEs and Türkiye* (Weekly, Cumulative, Billion USD)

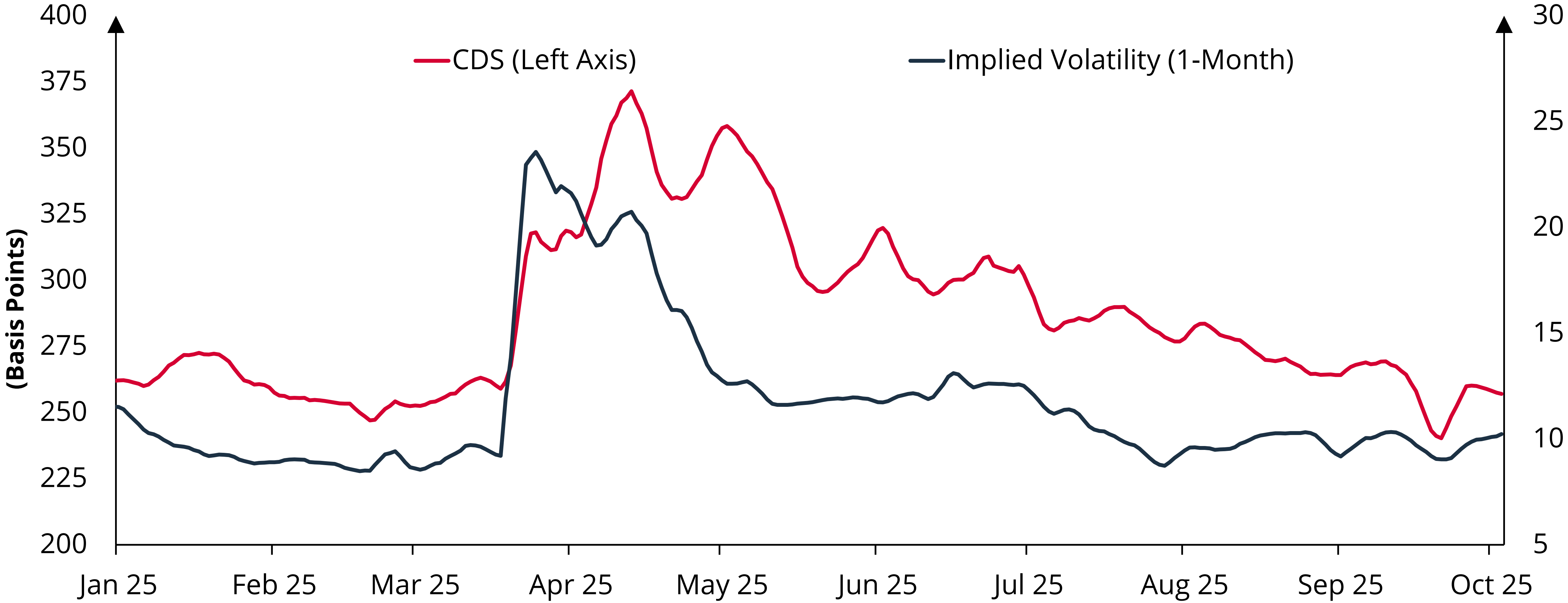


Sources: CBRT, IIF.

*As of September 26, 2025.

Tight monetary policy contributes to improvements in risk and volatility indicators.

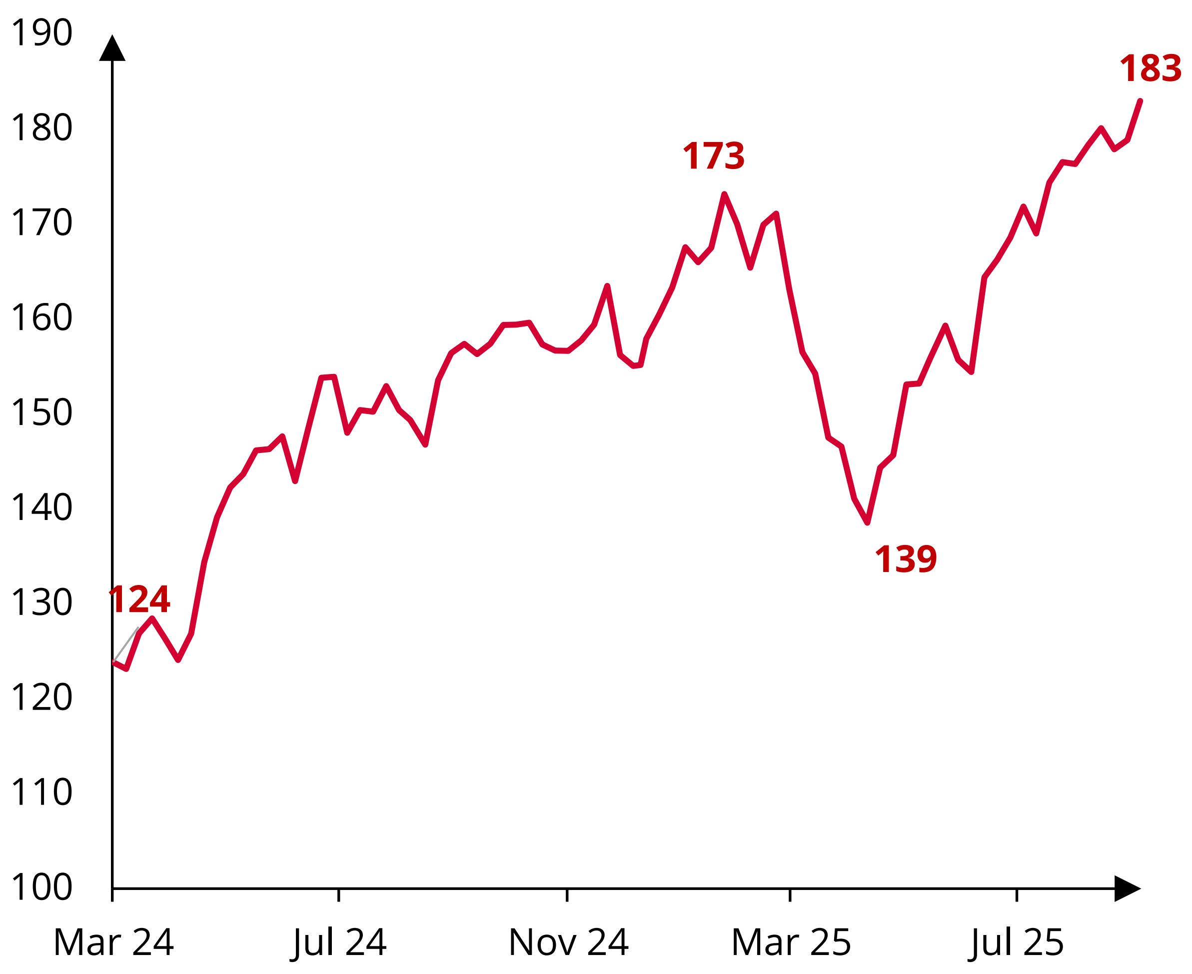
CDS Premium and FX Volatility* (5-Day Moving Average)



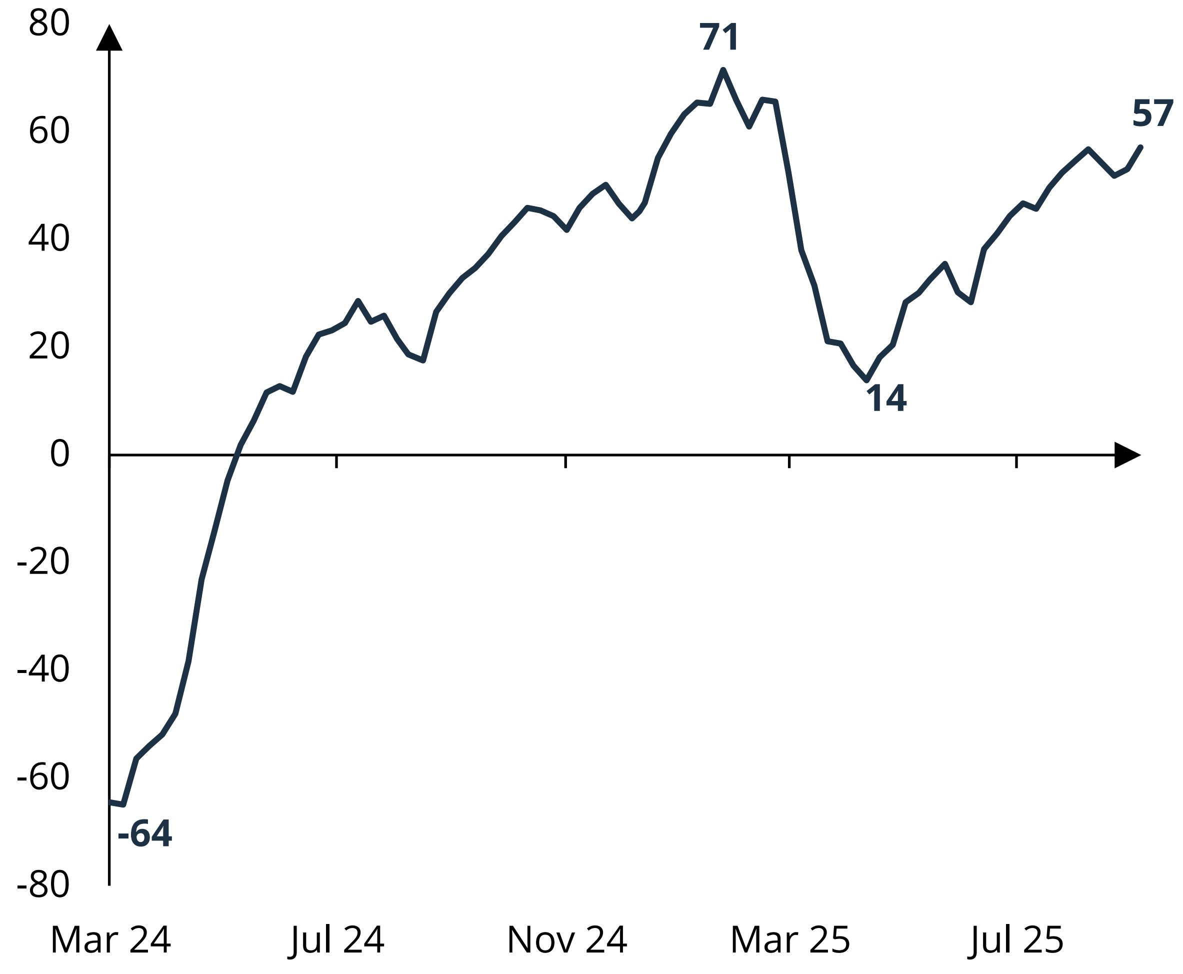
Source: Bloomberg.
*As of October 3, 2025.

Our tight monetary policy stance supports reserves.

Gross International Reserves* (Billion USD)



Net Reserves Excluding Swaps* (Billion USD)



Source: CBRT.

*As of September 26, 2025.

CONCLUSIONS

The tight monetary policy stance will be maintained until price stability is achieved.

- Realized inflation
- The underlying trend of inflation
- Expected inflation

The tightness required by the projected disinflation path will be ensured in line with the interim targets.

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