



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

MONETARY POLICY AND MACROECONOMIC OUTLOOK

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Governor

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ISTANBUL



We have strong communication with the real sector.

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

Across Türkiye, we have interviewed **2,505** firms in 2025, totaling **14,705 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 118
billion

2 KKM

Fell below USD 1 billion,
down from **USD 143**
billion.

3 Inflation

- We value the progress we have made in achieving price stability.
- Both short-term indicators and the medium-term outlook indicate that disinflation is ongoing and will continue.
- We will maintain the tight monetary policy stance to permanently anchor expectations.

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

- Why is price stability important?
- What is bringing inflation down?
- How do market rates decline?

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:

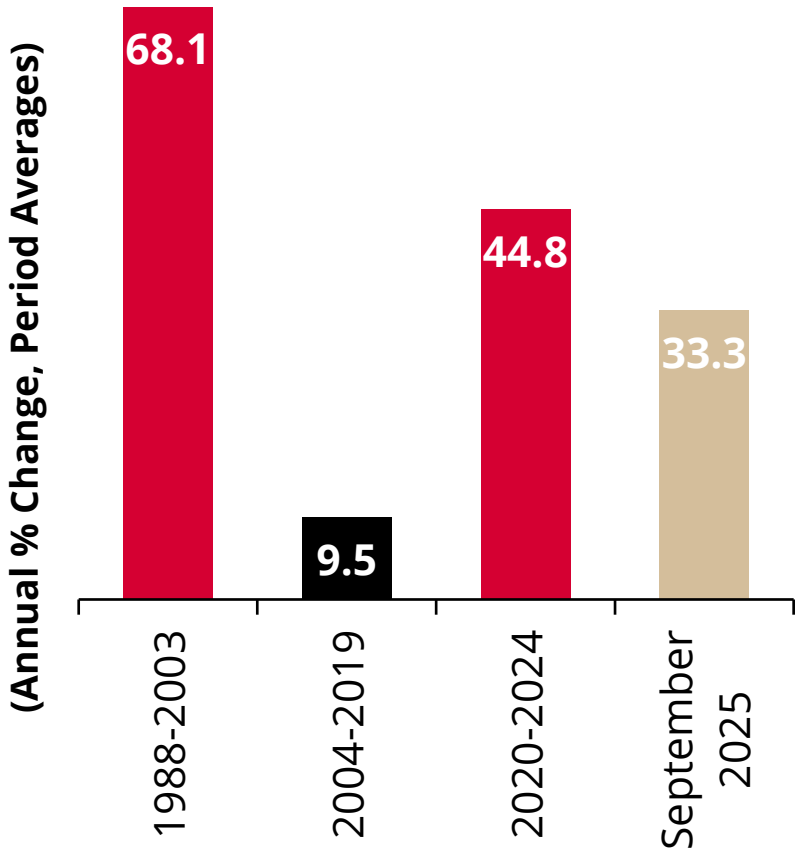
- Instability in growth and investments
- Decline in purchasing power
- Fall in productivity

Price Stability:

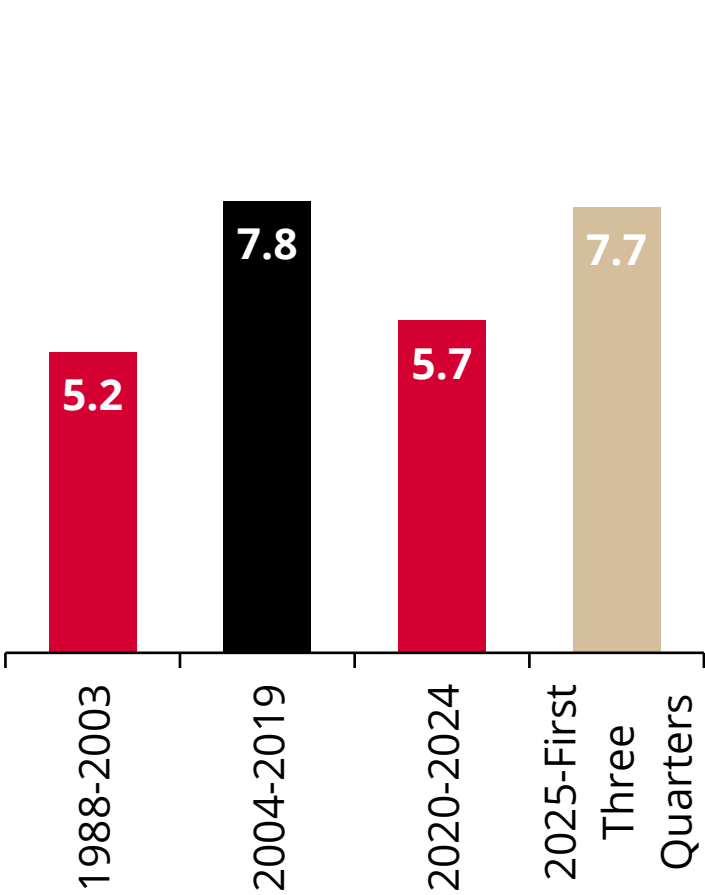
- Predictability
- Lasting low interest rates
- Long-term financing opportunities
- Improvement in investment environment
- Sustainable growth
- Increase in social welfare

Price stability improves the investment and production environment.

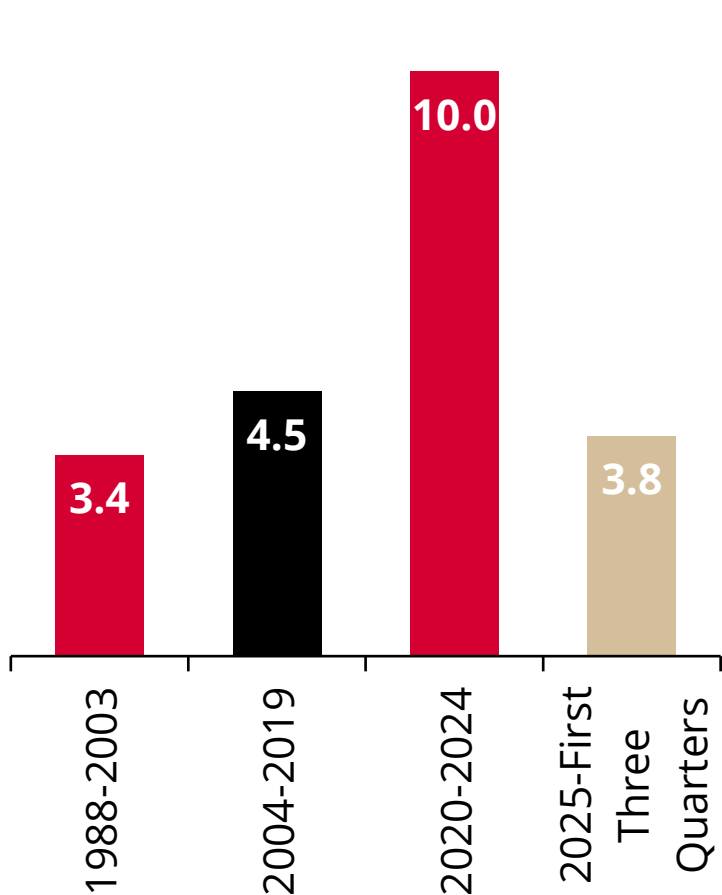
Inflation



Growth of Investment



Growth of Private Consumption



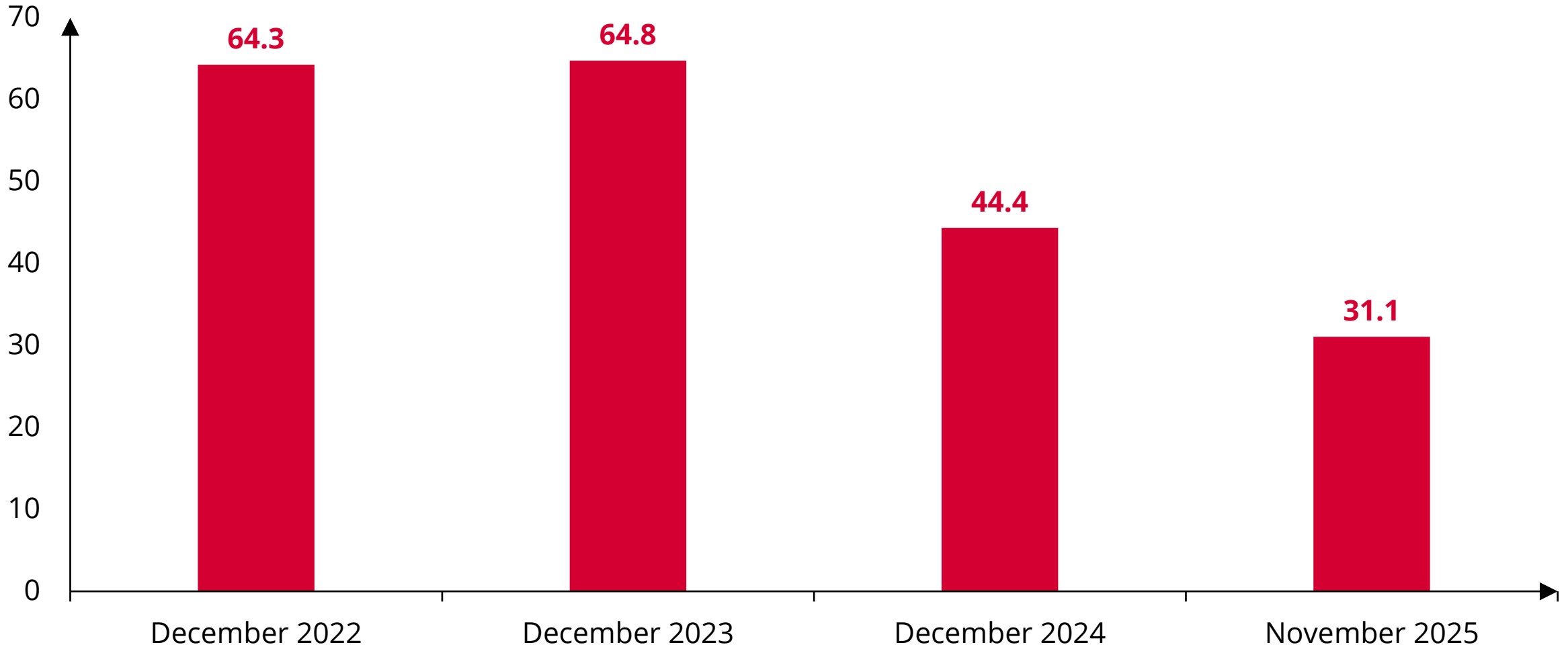
2

What is bringing inflation down?

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

Significant progress has been made in reducing inflation.

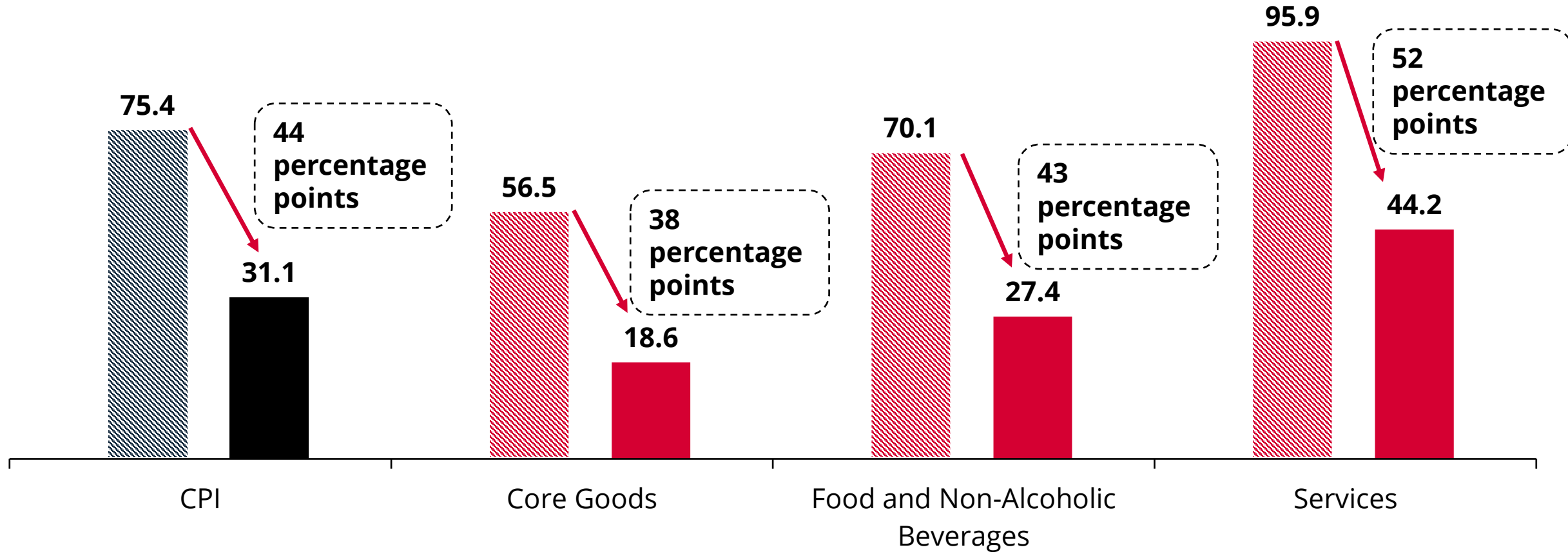
Year-End Inflation (Annual % Change)



Inflation has fallen across the board since May 2024.

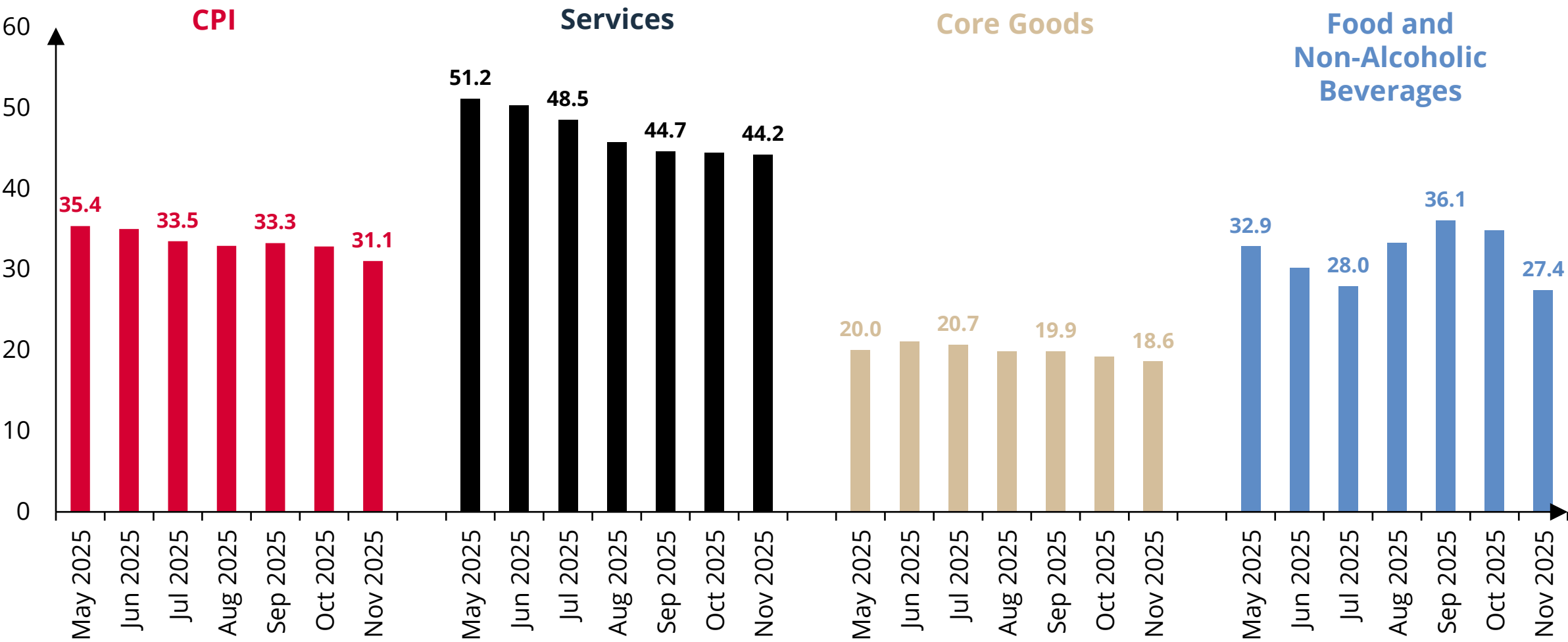
CPI Subitems (Annual % Change)

▨ May 2024 ■ November 2025



Disinflation continues, albeit at a slower pace.

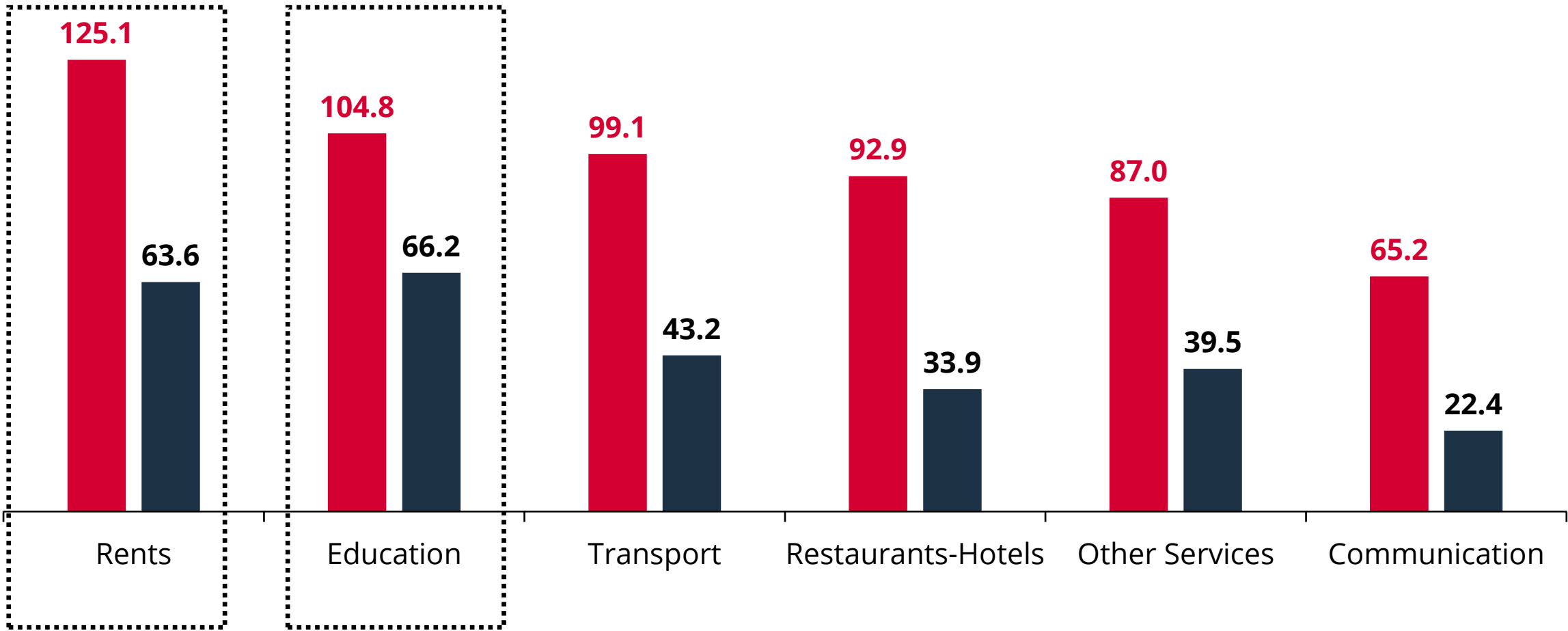
CPI (Annual % Change)



Rents and education drive services inflation up.

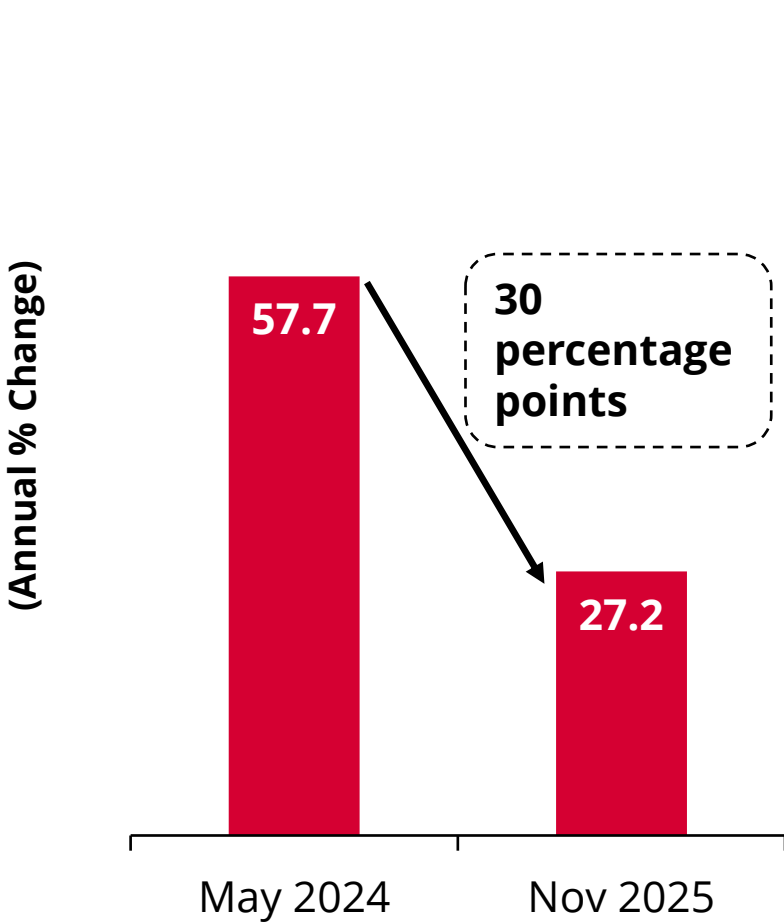
Services Subitems (Annual % Change)

■ May 2024 ■ November 2025

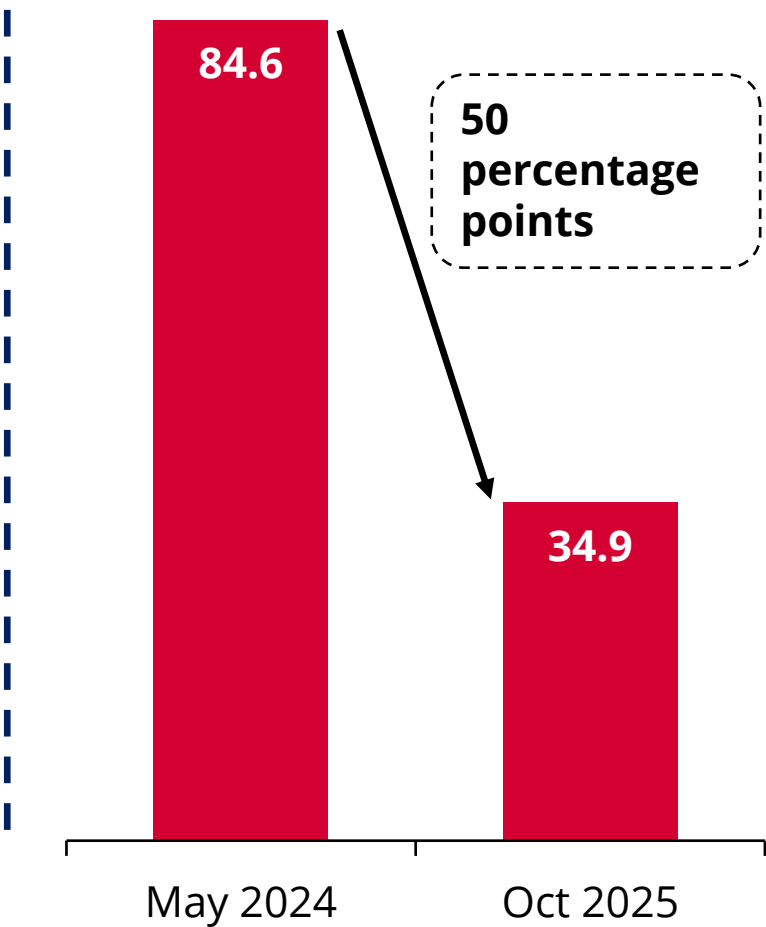


Cost increases lose pace.

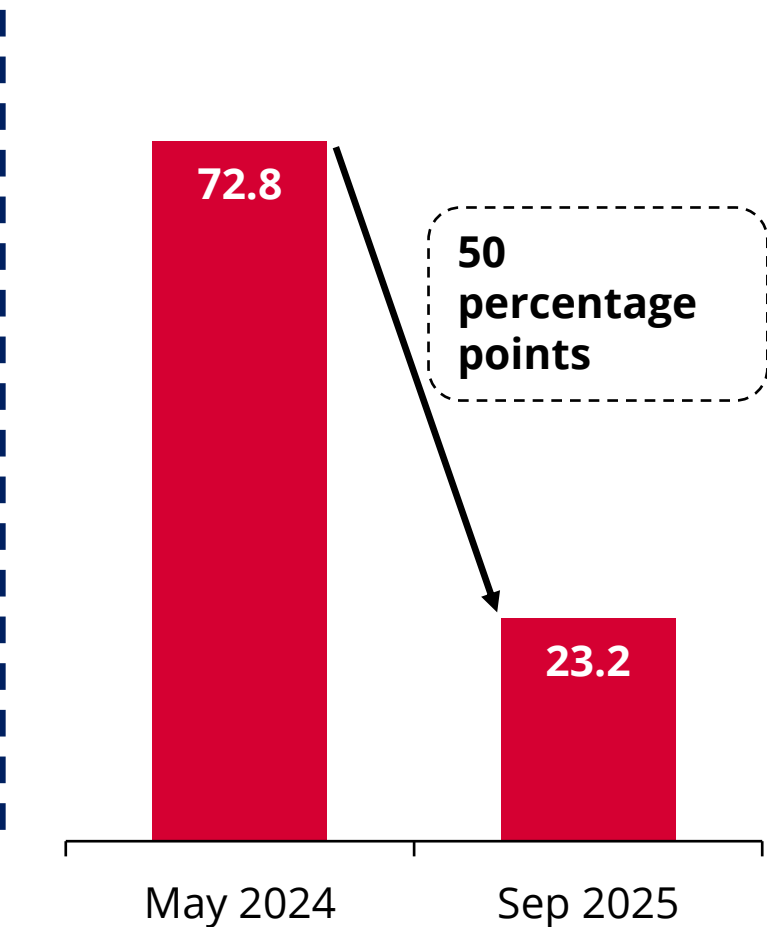
Domestic Producer Price Index (PPI)



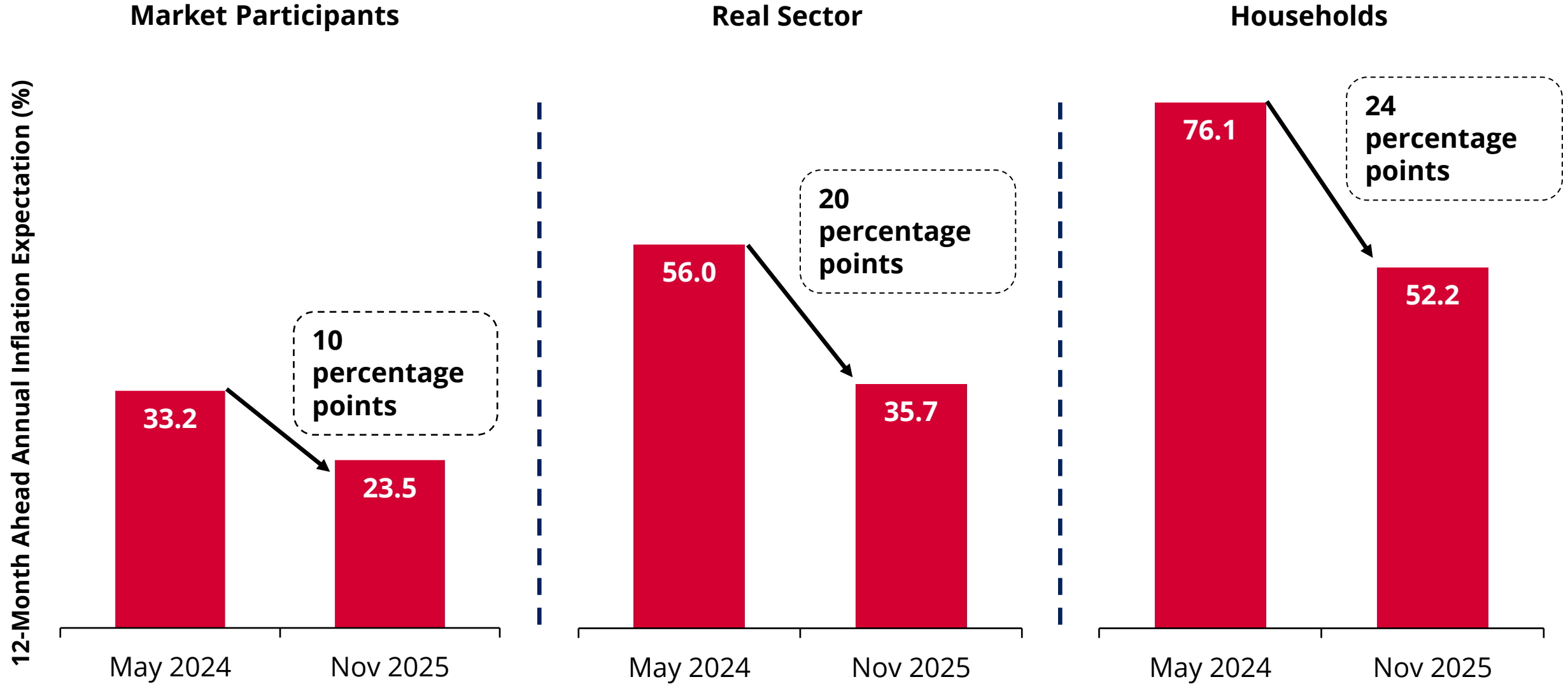
Services Producer Price Index



Construction Cost Index



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

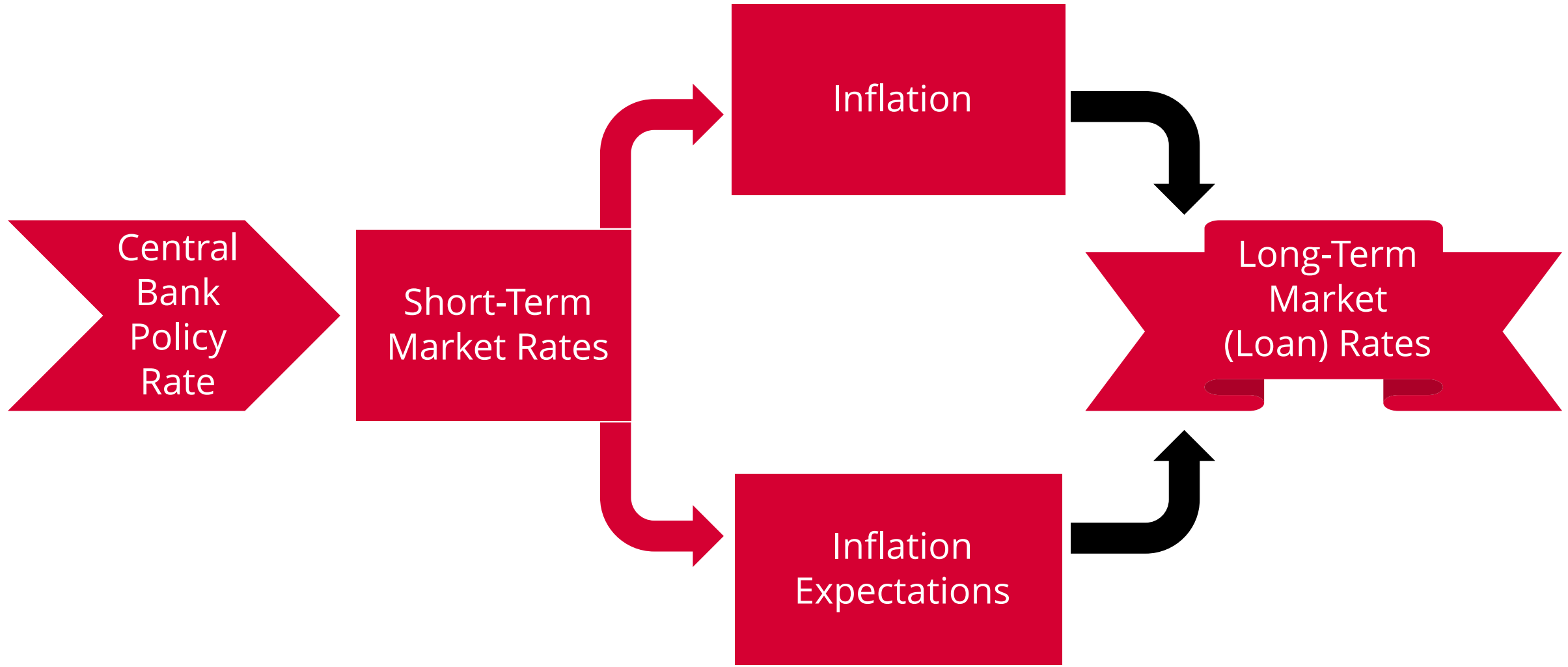


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How do market rates decline?

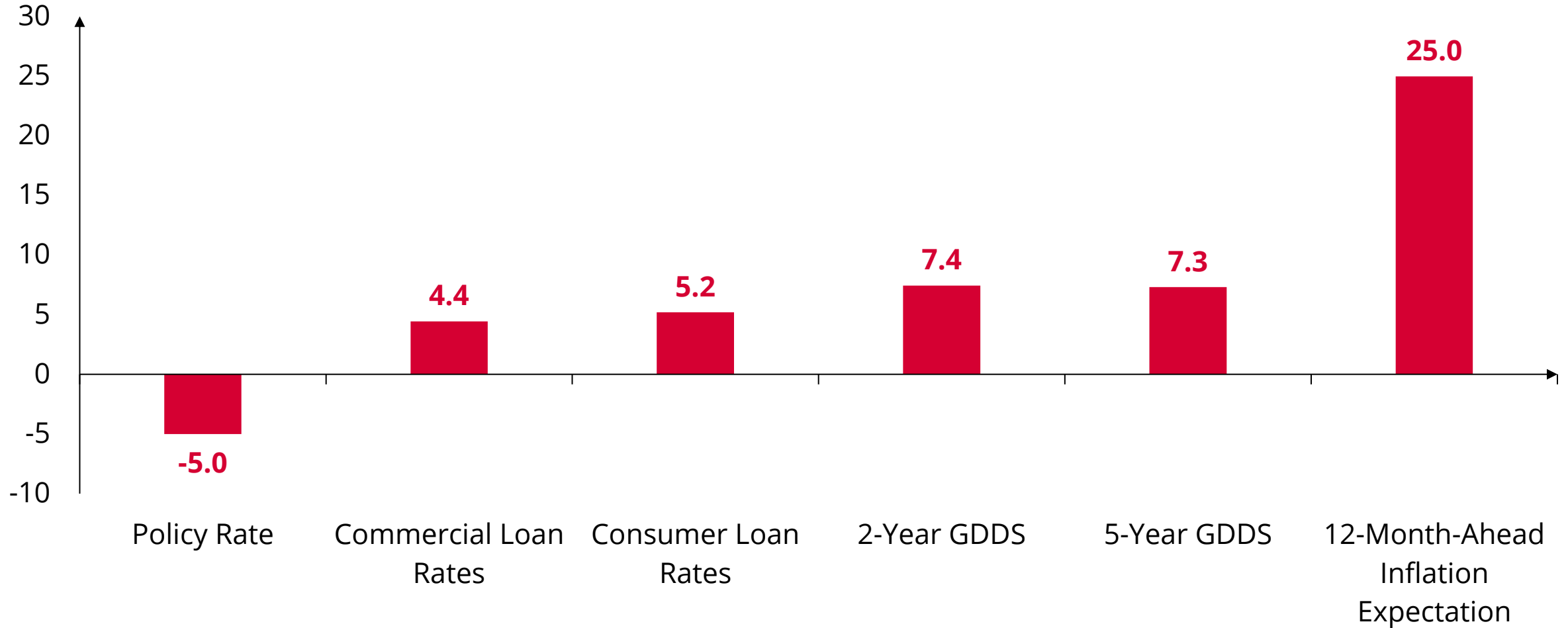
- Inflation
- Inflation expectations
- Risk premium

Loan rates are affected by inflation and inflation expectations.



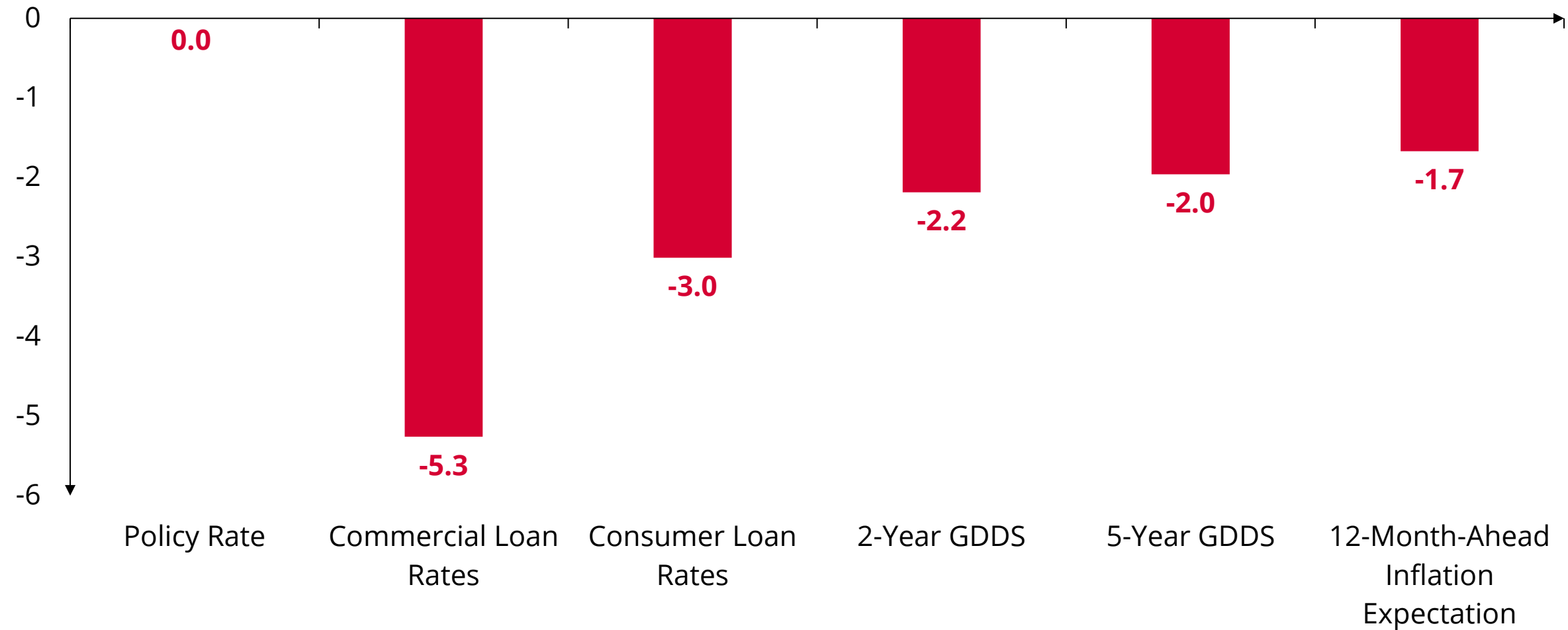
Rate cuts are effective only when inflation is under control.

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



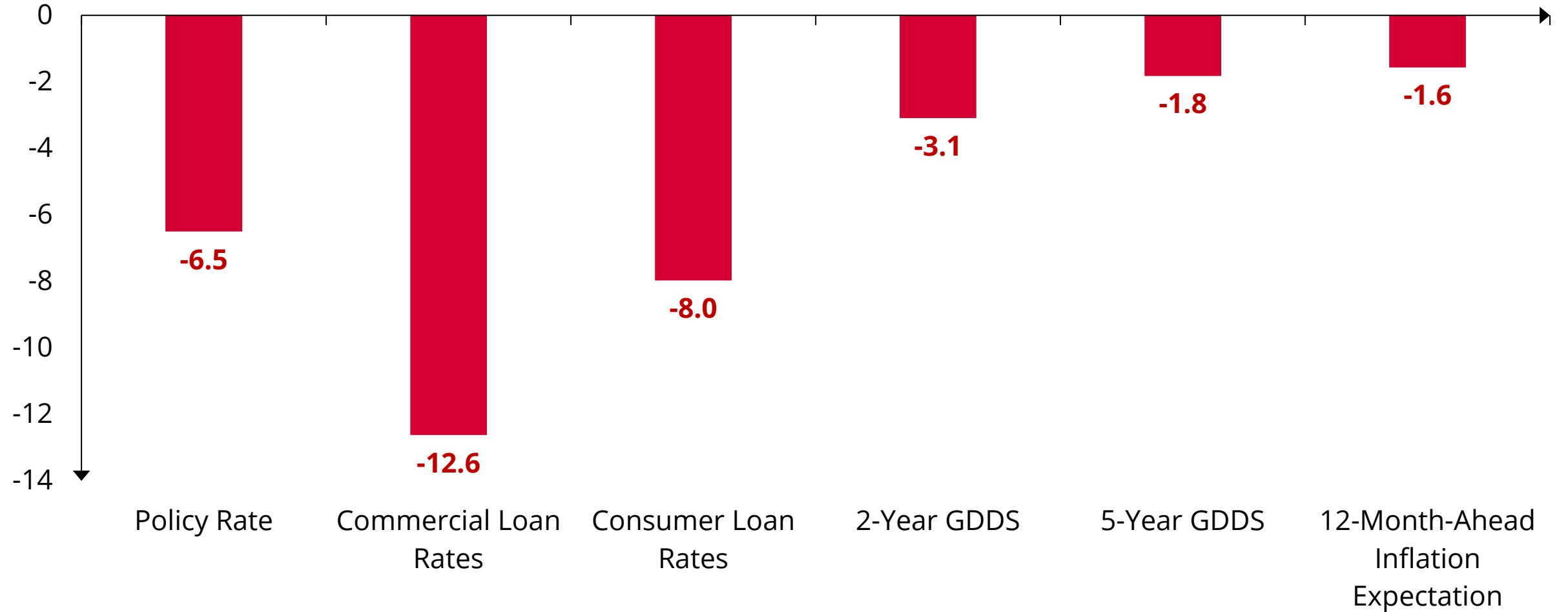
Loan and bond rates fall as inflation expectations improve.

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



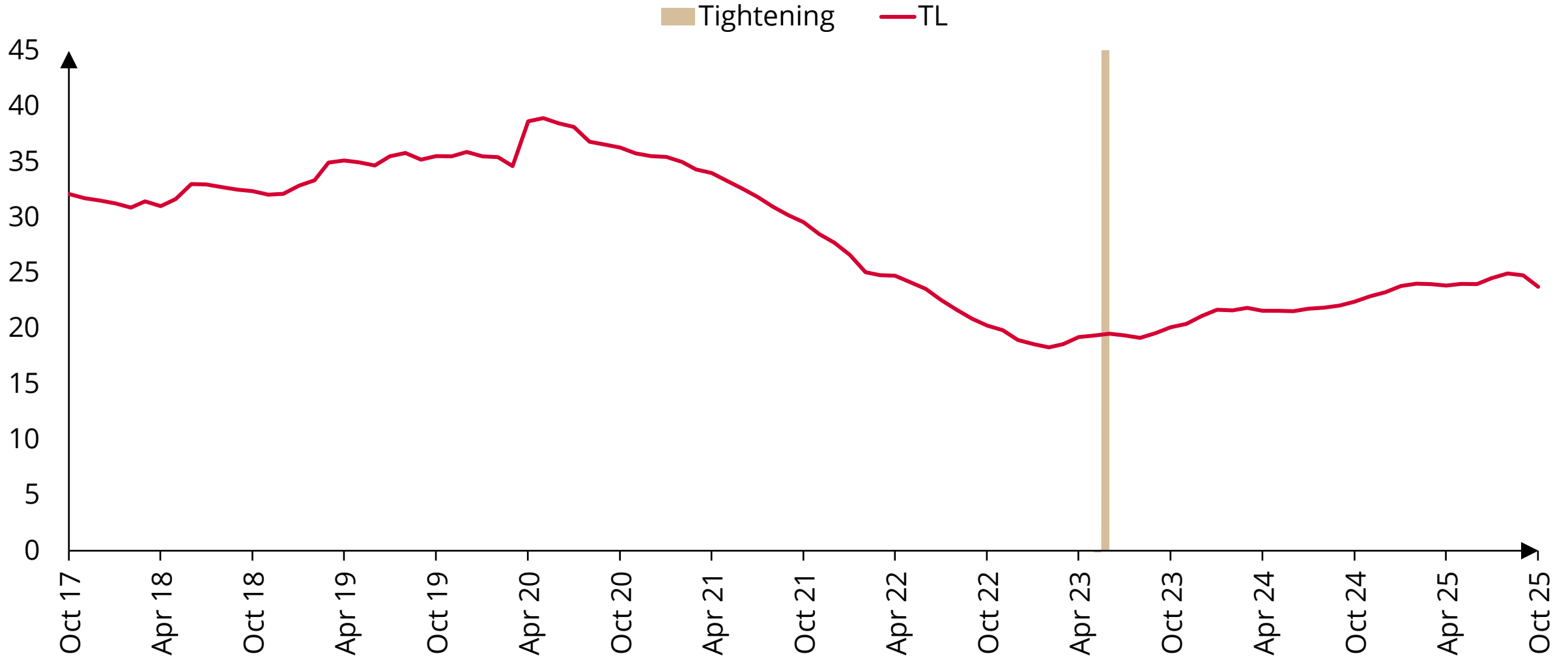
The decline in the policy rate is reflected in market rates.

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



Conclusions

- 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.
- The step size is reviewed prudently on a meeting-by-meeting basis with a focus on the inflation outlook.
- Monetary policy stance will be tightened in case of a significant deviation in inflation outlook from the interim targets.



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