



TÜRKİYE CUMHURİYET  
MERKEZ BANKASI

# BRIEFING ON 2025-IV INFLATION REPORT

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Governor

NOVEMBER 7, 2025

ISTANBUL



# Outline

- **Global Economy**
- **Macroeconomic Outlook**
- **Monetary Policy**
- **Medium-Term Projections**
- **Overview**

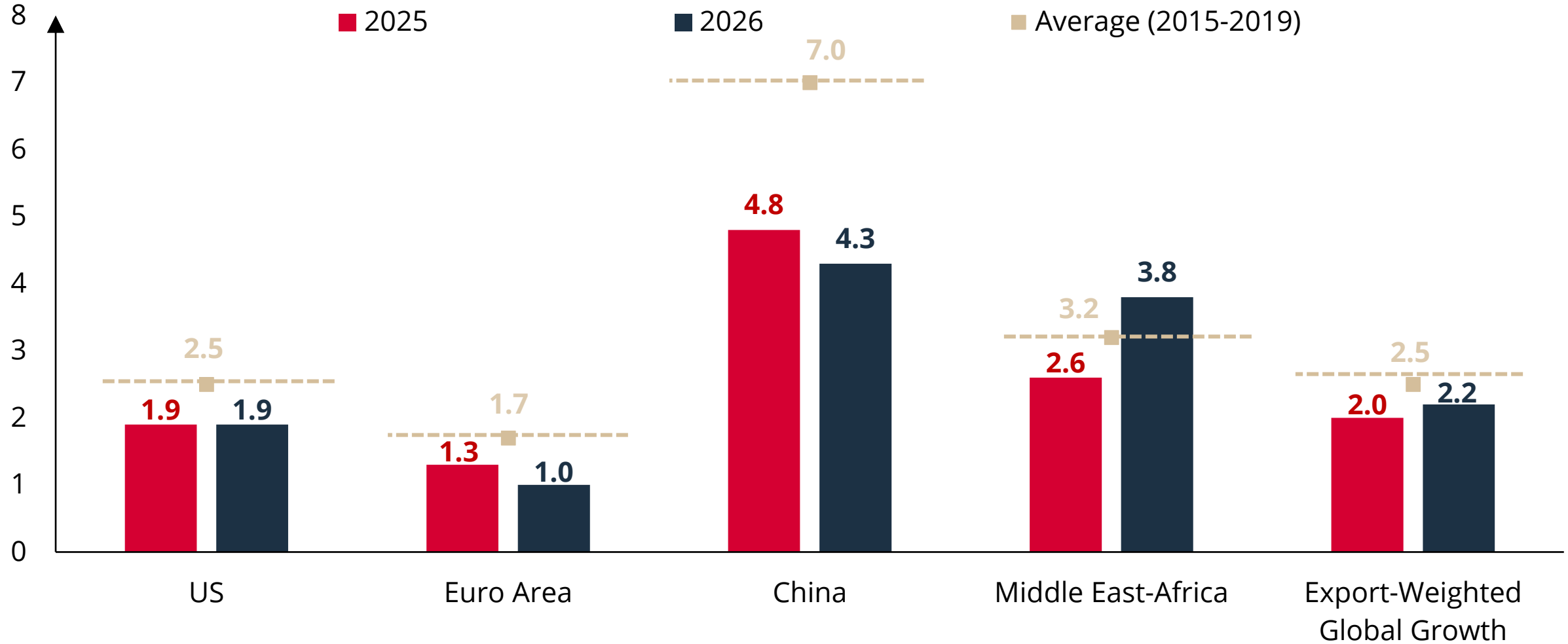
## Boxes

- Recent Developments in Final Domestic Demand
- Impact of the Transition to E-Invoicing on Firms' Registered Sales
- How Does the Recent Gold Price Surge Impact Card Spending?
- Findings from Interviews with Firms
- Pricing Behavior and Expectations of the Real Sector
- Inflation Expectations, Forecast Errors and Pessimistic Bias

# GLOBAL ECONOMY

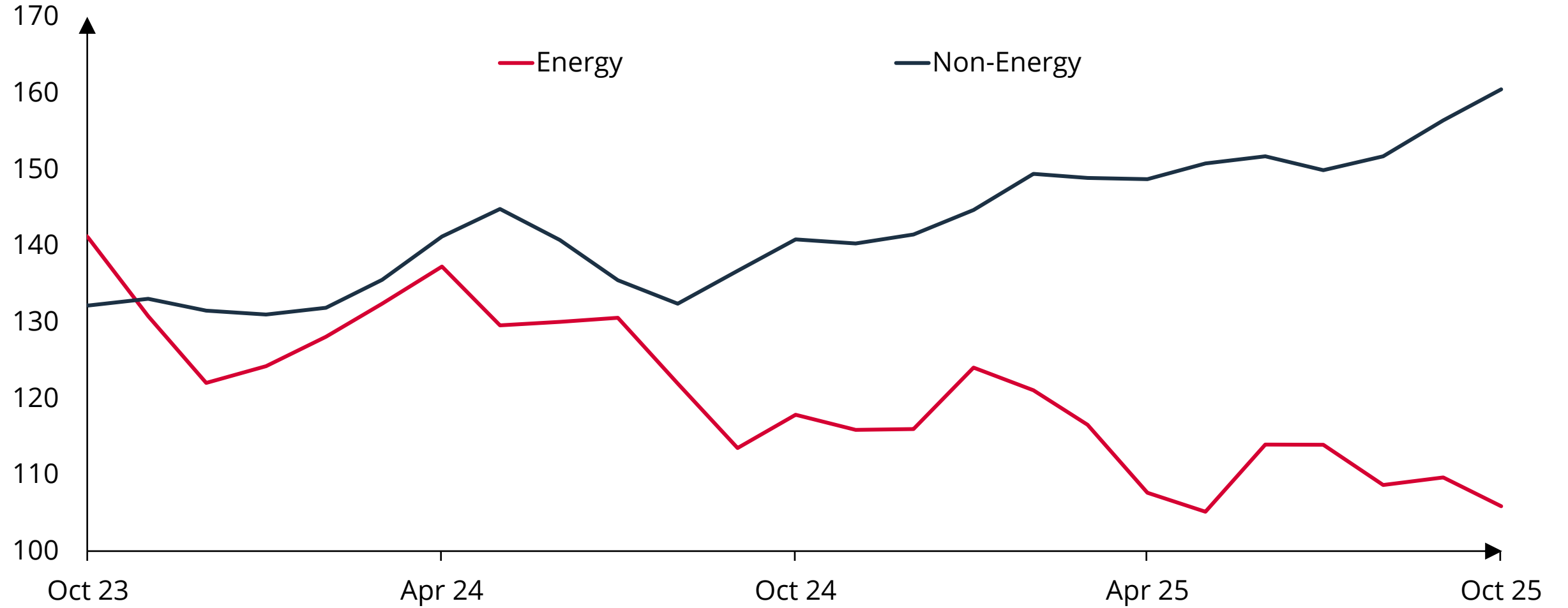
# Global growth is expected to remain weak in 2026.

## Growth Forecasts for 2025 and 2026 (%)



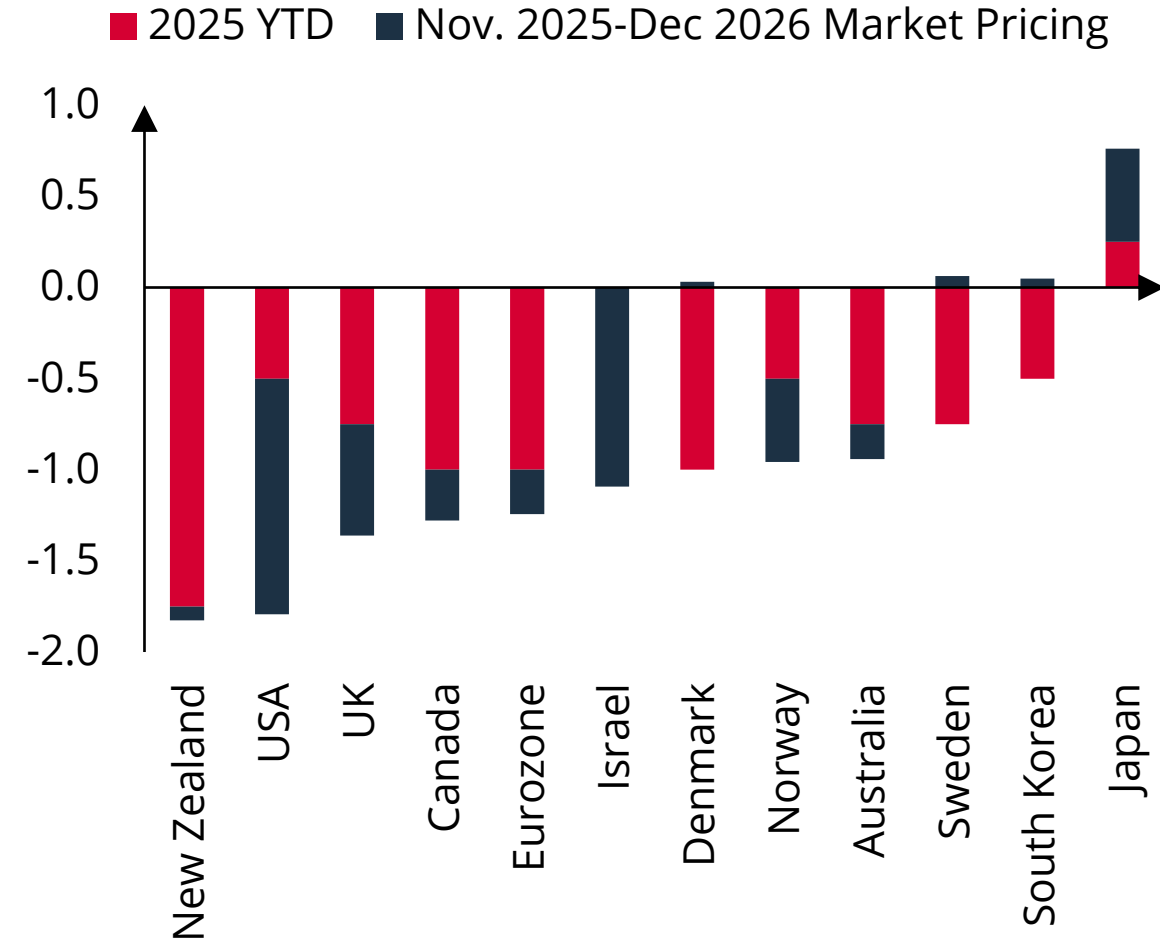
# The divergence between energy and non-energy commodity prices has become evident.

Commodity Price Indices (December 2019=100, Monthly Average)

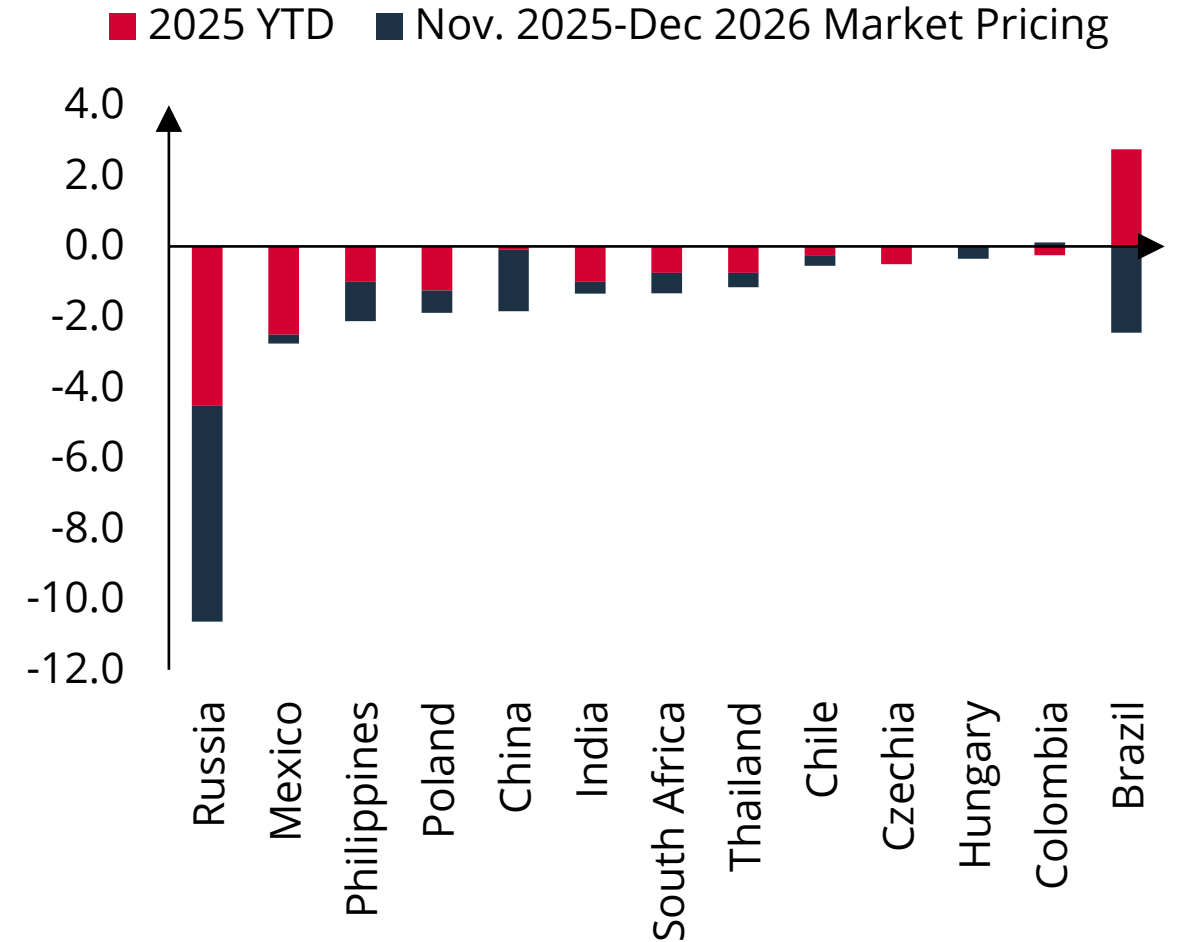


# Policy rate cuts are expected to continue, albeit with variations by country.

**AE YTD Policy Rate Changes and Market Pricing in 2026\***  
(% Points)



**EME YTD Policy Rate Changes and Market Pricing in 2026\***  
(% Points)

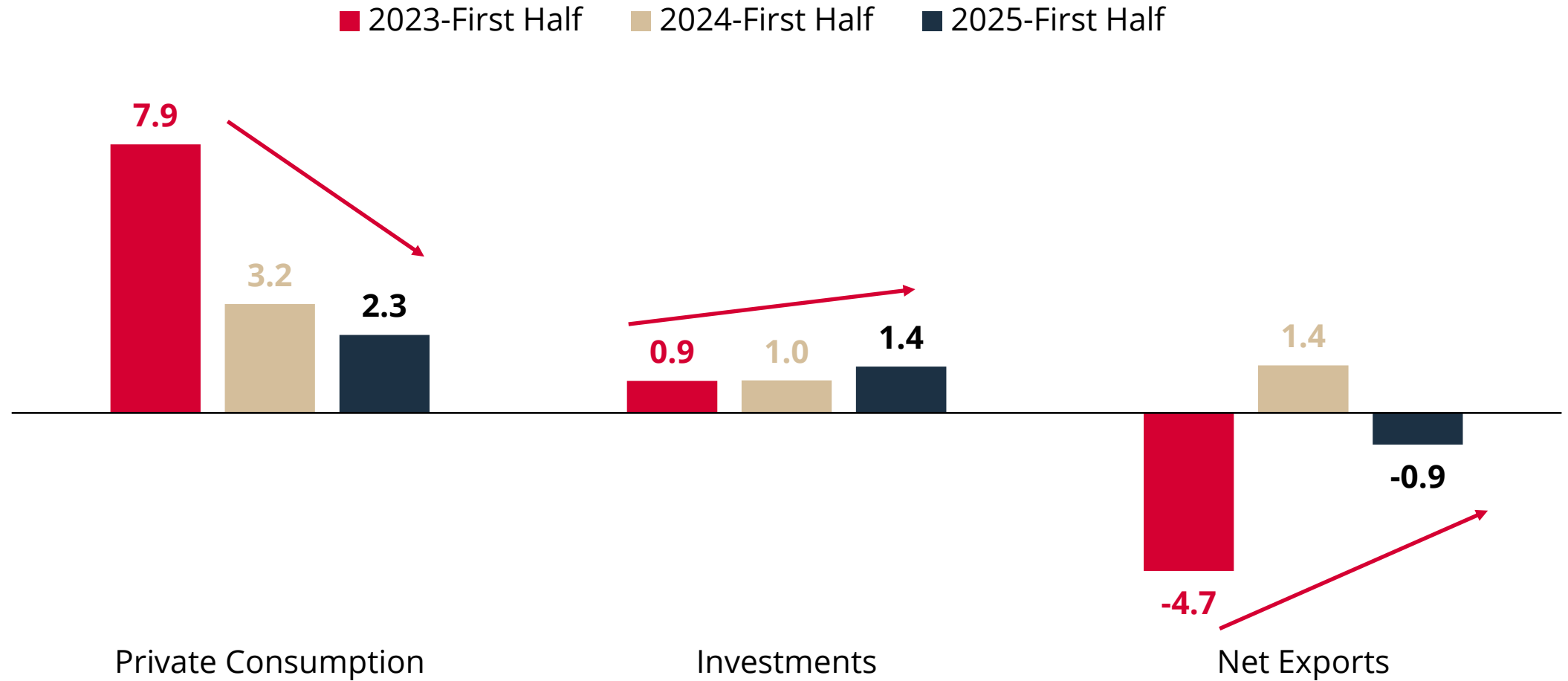


# ECONOMIC ACTIVITY



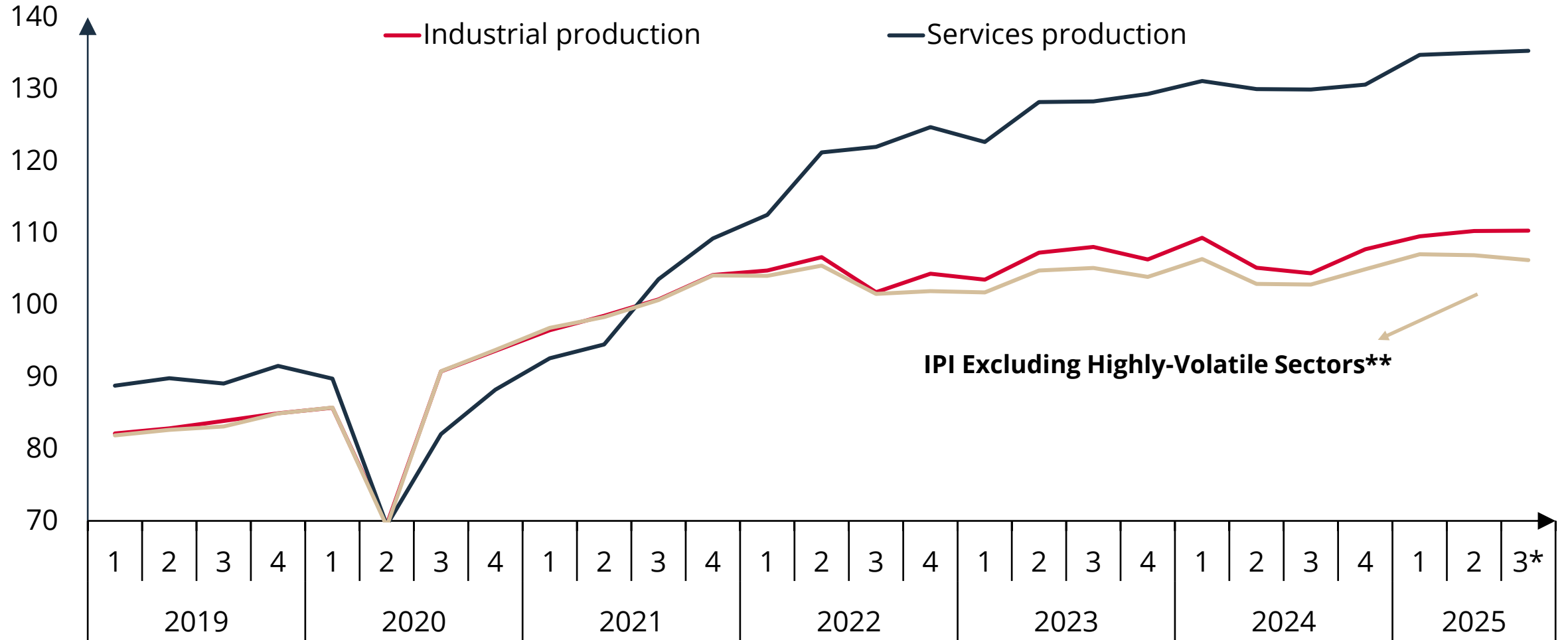
# Demand composition is in line with the disinflation process.

## Contributions to Annual GDP Growth by Expenditure Method (% Points)



# Industrial and services production remained flat in the third quarter.

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



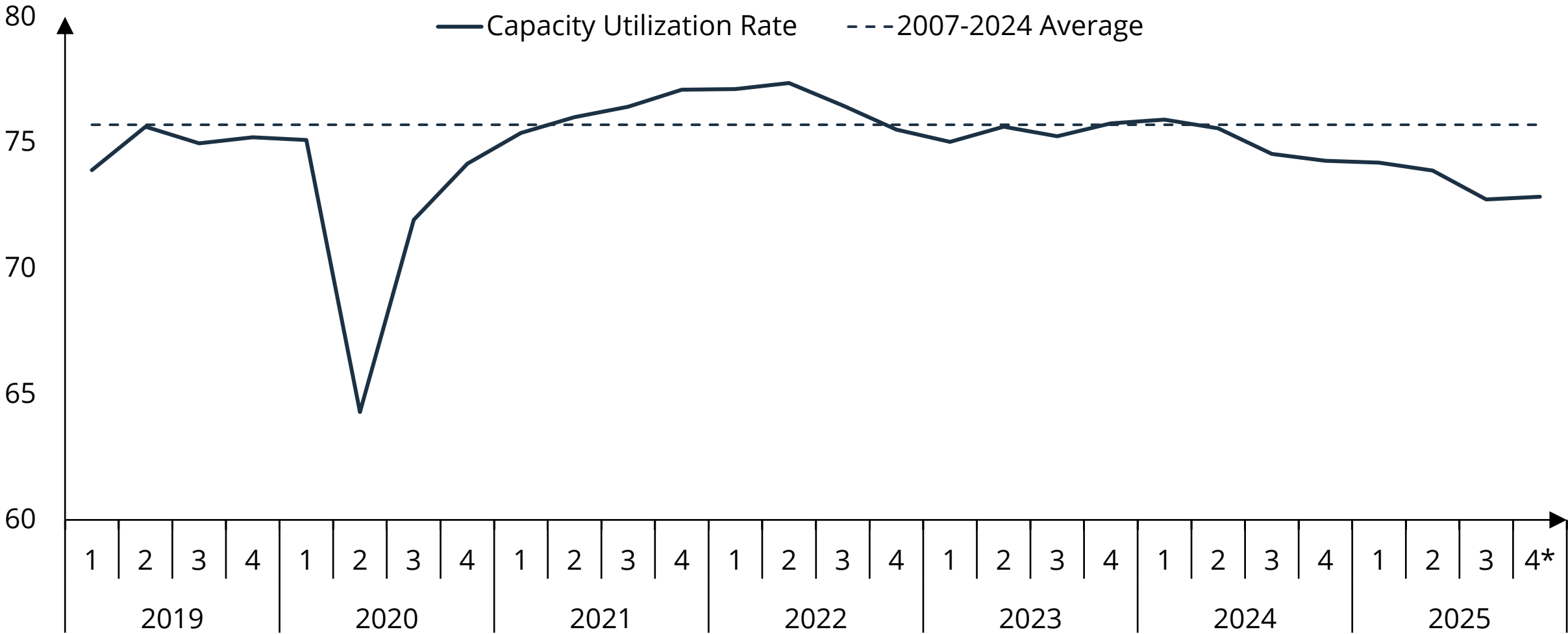
Sources: CBRT, TURKSTAT.

\*As of August.

\*\*Industrial production excluding the typically volatile sectors: recorded media, computer-optics, basic pharmaceuticals and other transportation.

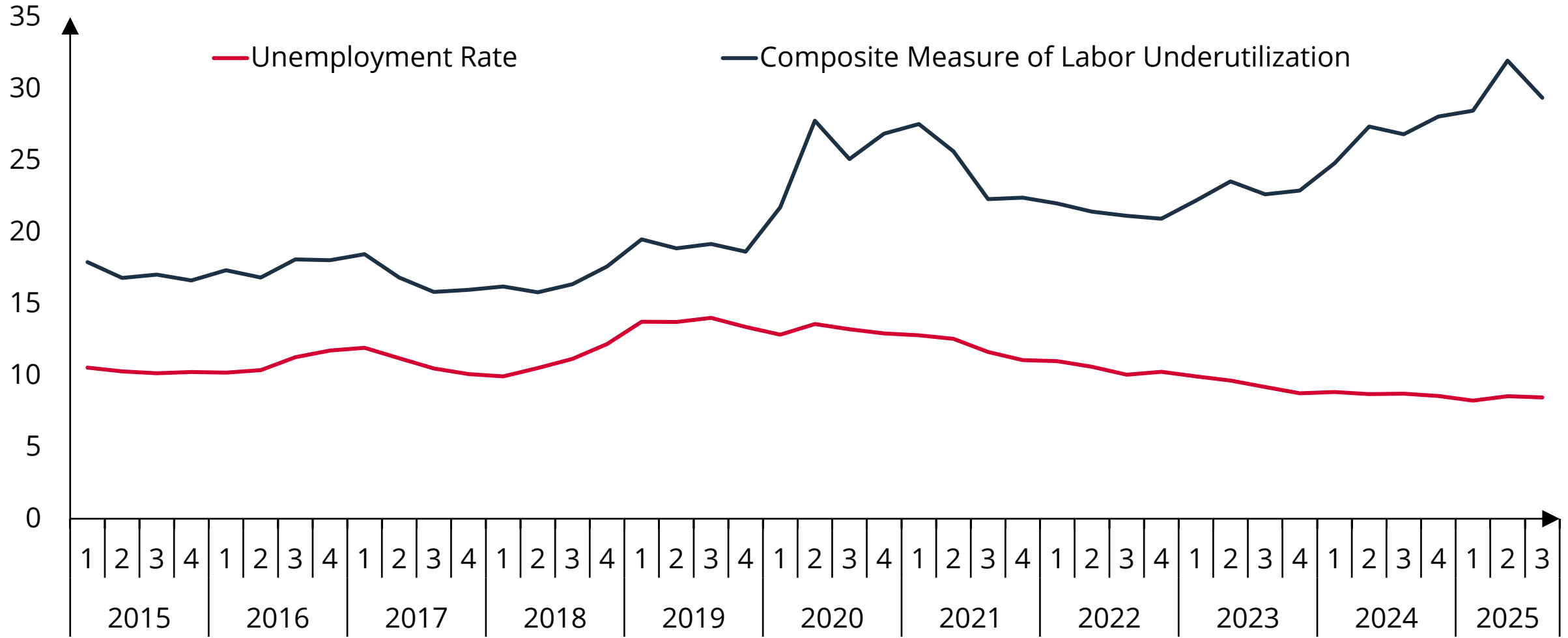
# Capacity utilization rate confirms the slowdown in activity.

Capacity Utilization Rate\*\* (Seasonally Adjusted, % )



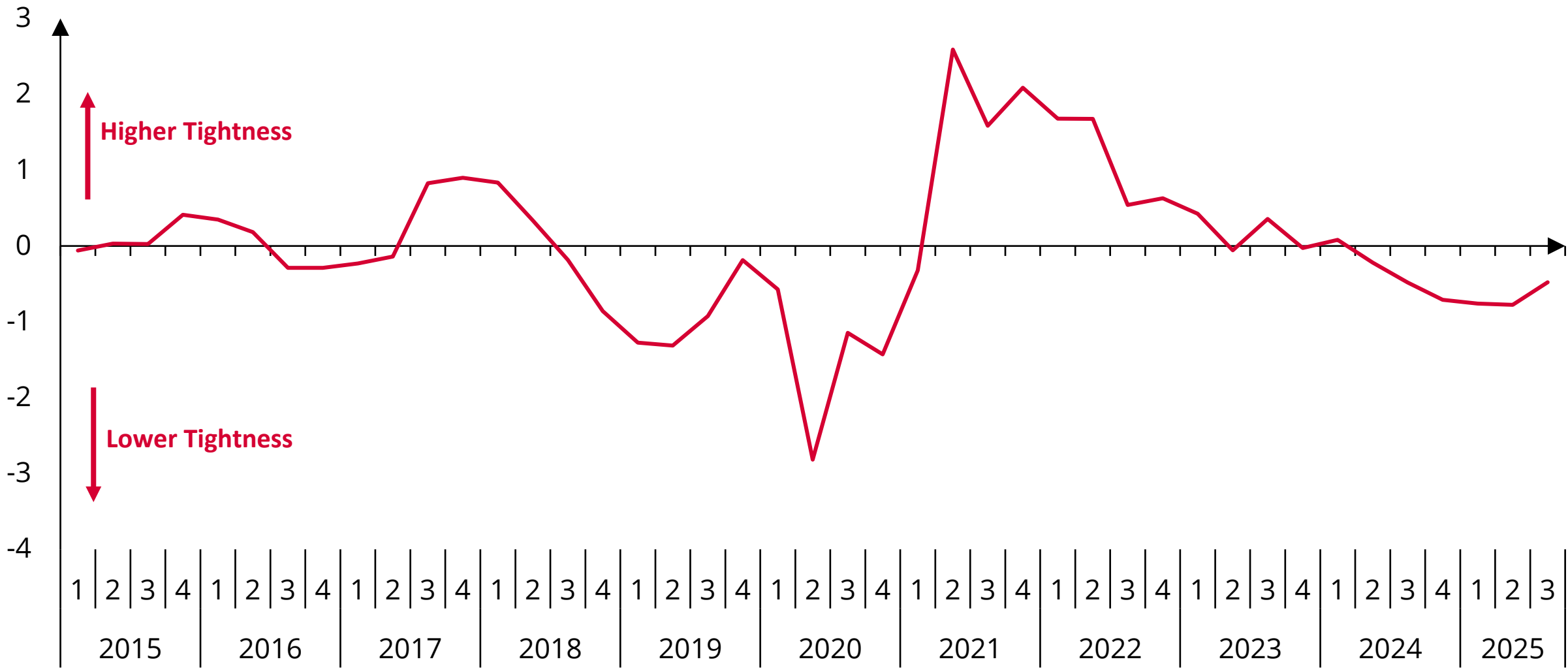
# Labor market is less tight than what the headline unemployment rate implies.

Labor Market Indicators\* (Seasonally Adjusted, %)



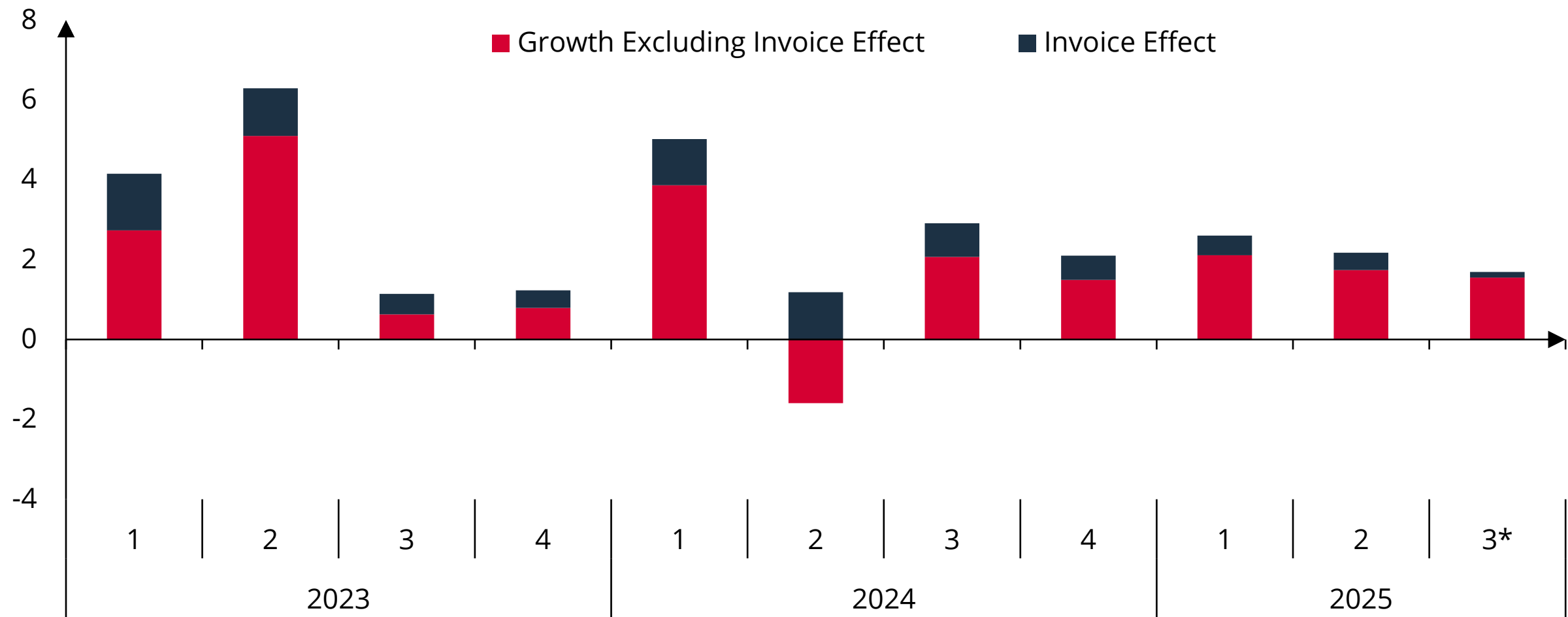
# Composite Labor Market Conditions Index confirms subdued labor market tightness.

Composite Labor Market Conditions Index\*



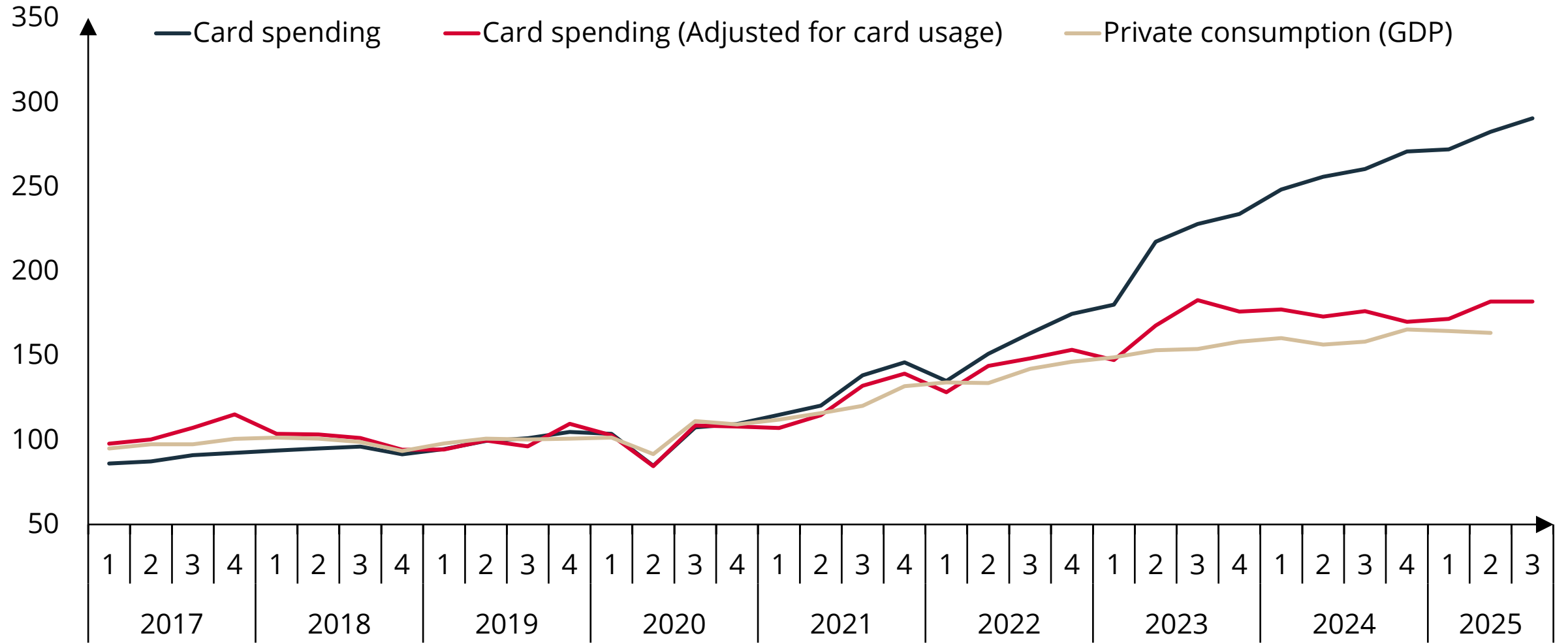
# Retail sales growth has slowed down.

Retail Sales Volume Index\*\* (Seasonally and Calendar Adjusted, Gold Excluded, Quarterly % Change)



## When adjusted for card usage trends, card spending is lower.

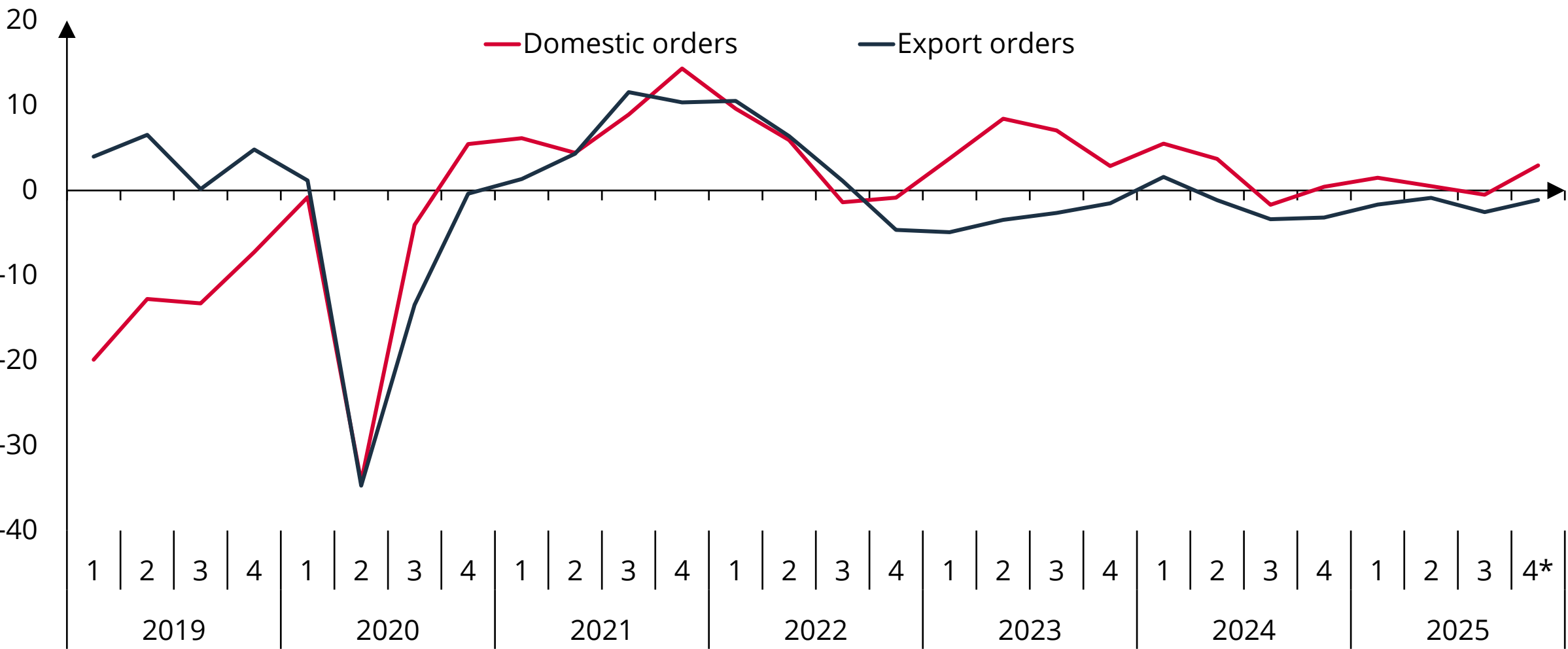
Card Spending \* (Real, Seasonally Adjusted, 2019=100)



# Manufacturing orders declined in the third quarter, followed by a modest increase.

## Registered Domestic and Export Orders

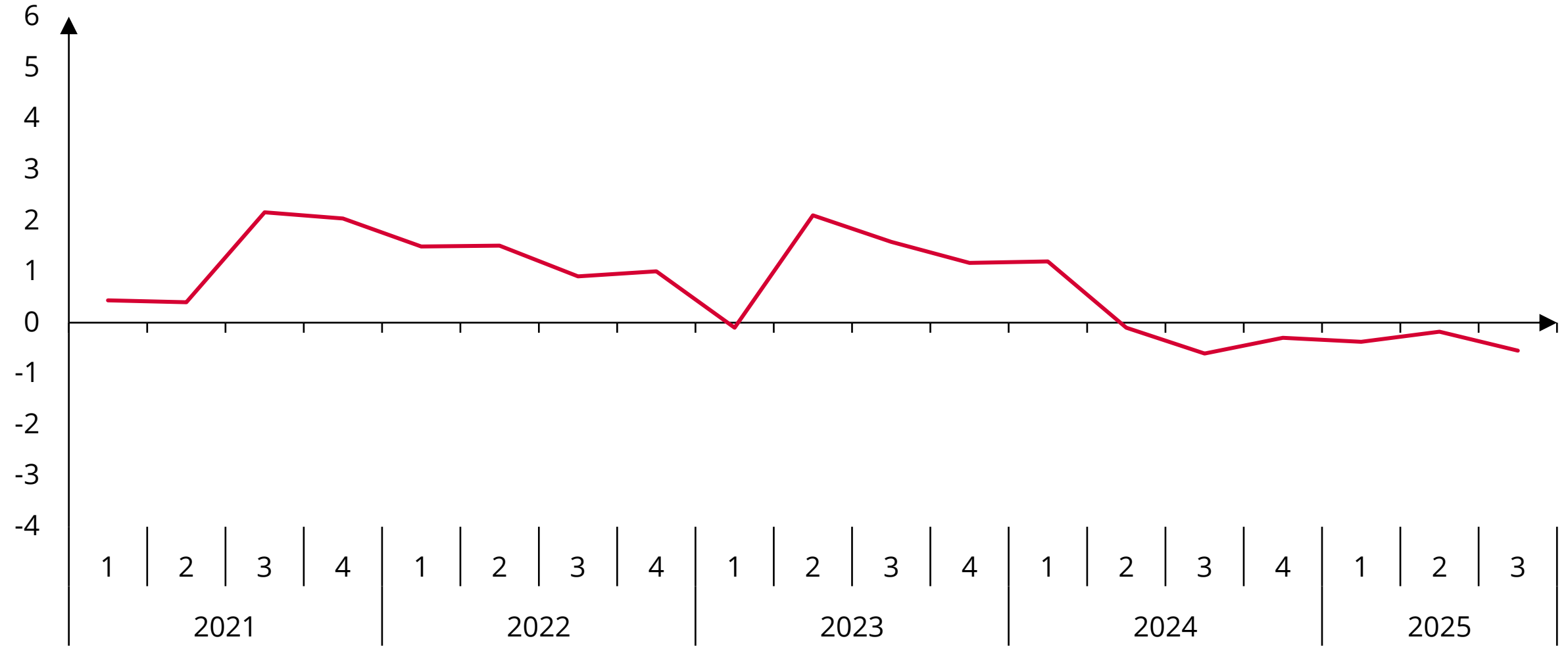
(Seasonally Adjusted, Above Normal – Below Normal, Compared to the 2007-2024 Average)





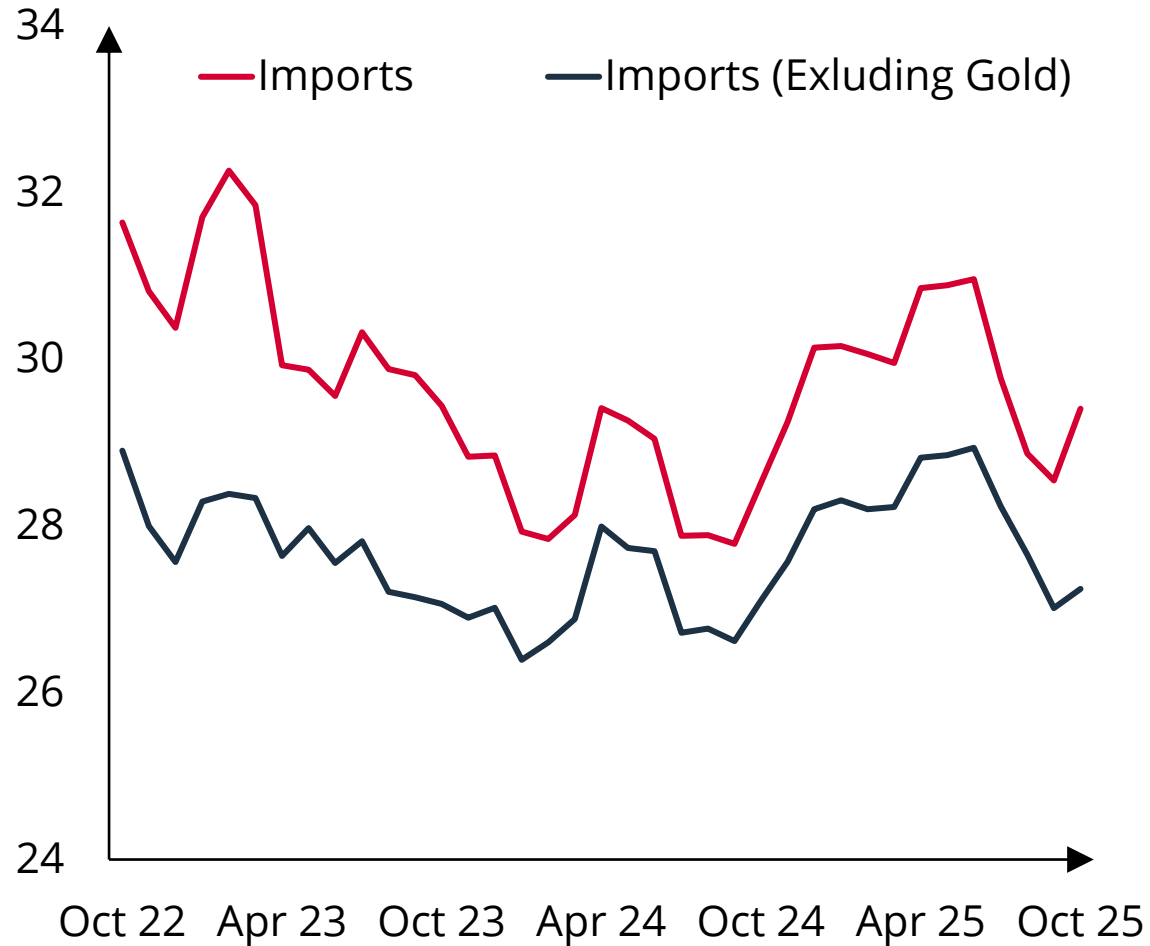
# Indicators suggest that demand conditions remain at disinflationary levels.

## Output Gap\*

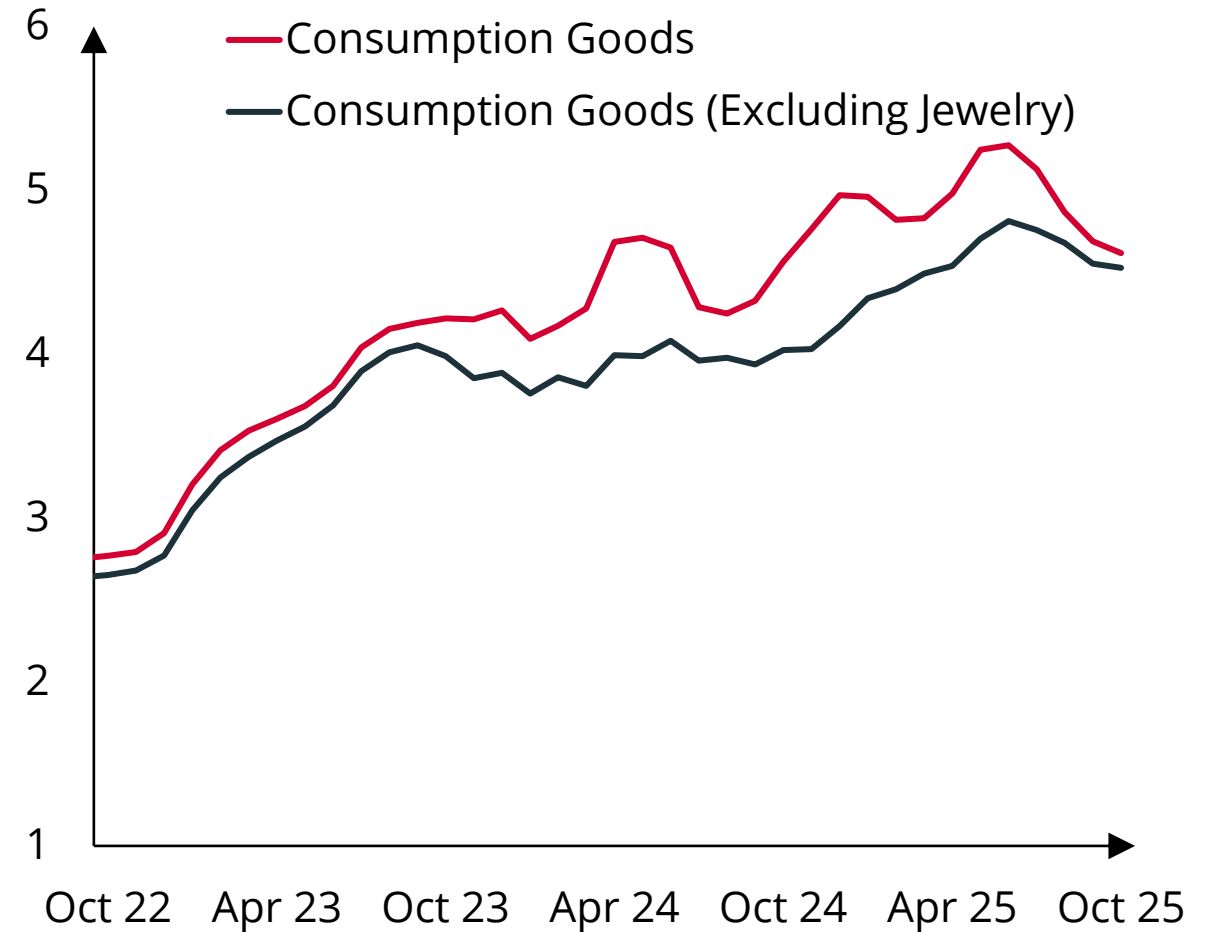


## Imports slowed down in the second half of the year.

**Imports\*** (3-Month MA, Billion USD, Seasonally Adjusted)

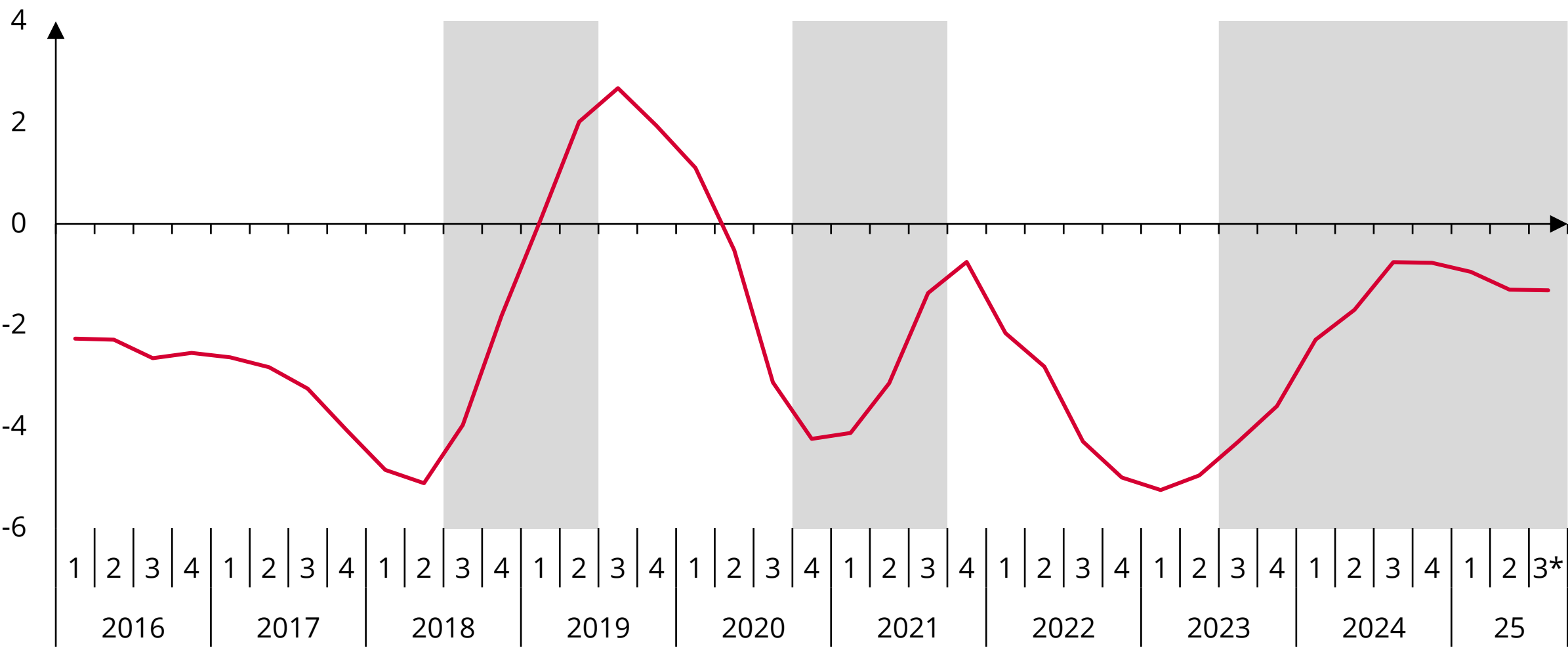


**Consumption Goods Imports\*** (3-Month MA, Billion USD, Seasonally Adjusted)



# Current account deficit remains below historical averages.

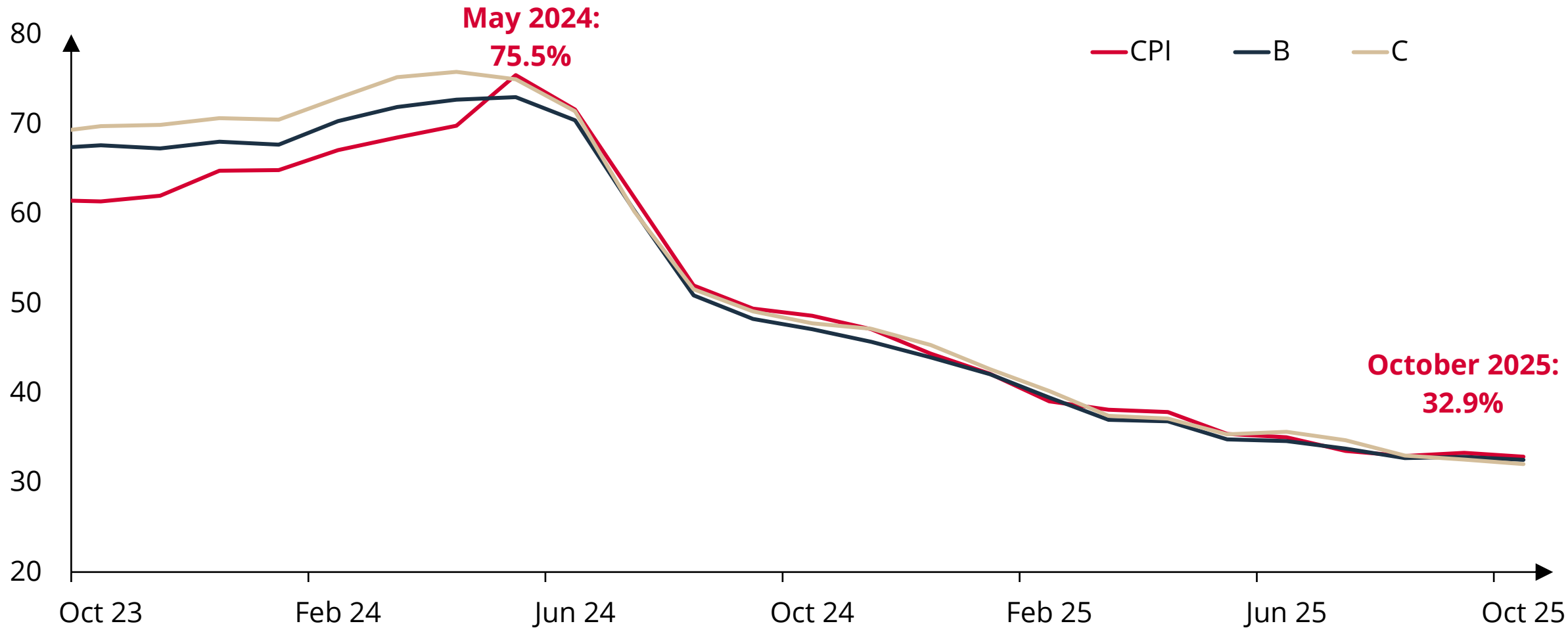
Current Account Balance/GDP\* (%)



# INFLATION

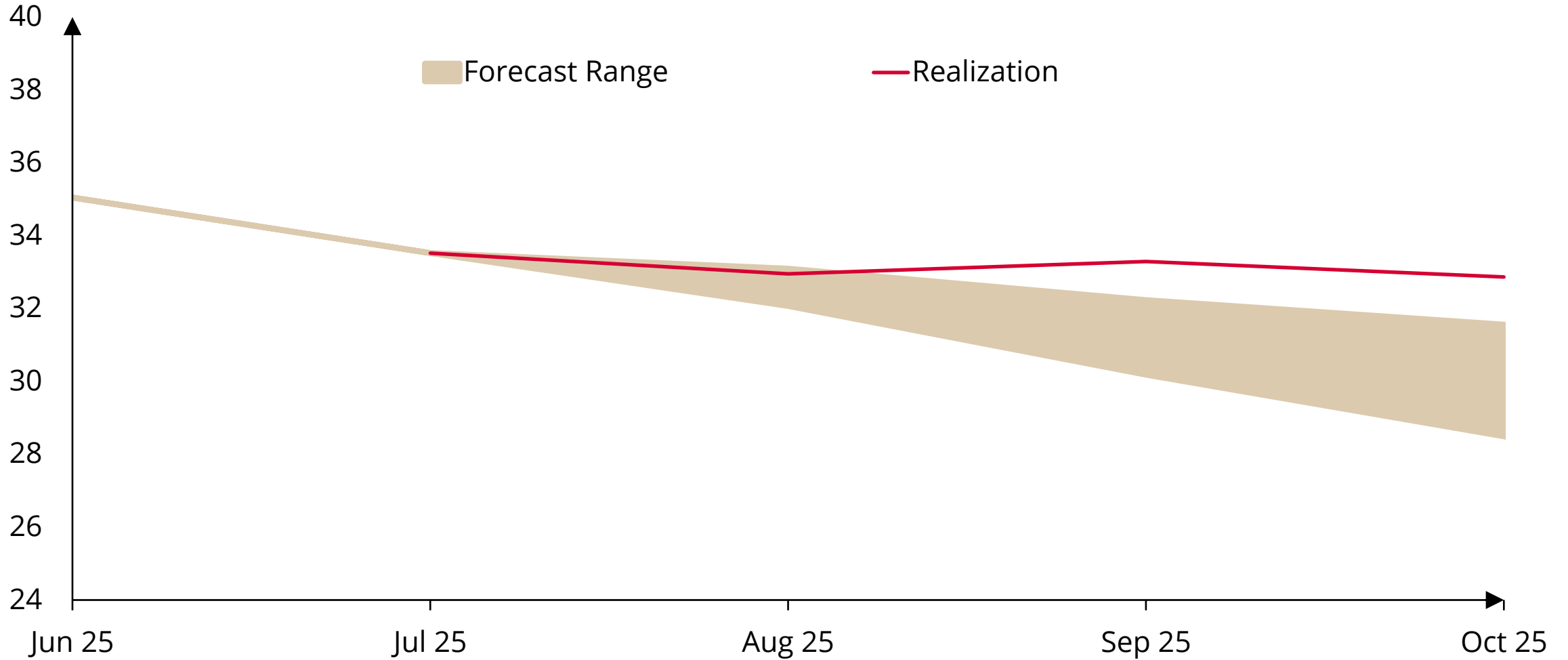
# The annual inflation rate decreased to 32.9% in October.

CPI and Core Indicators (Annual % Change)



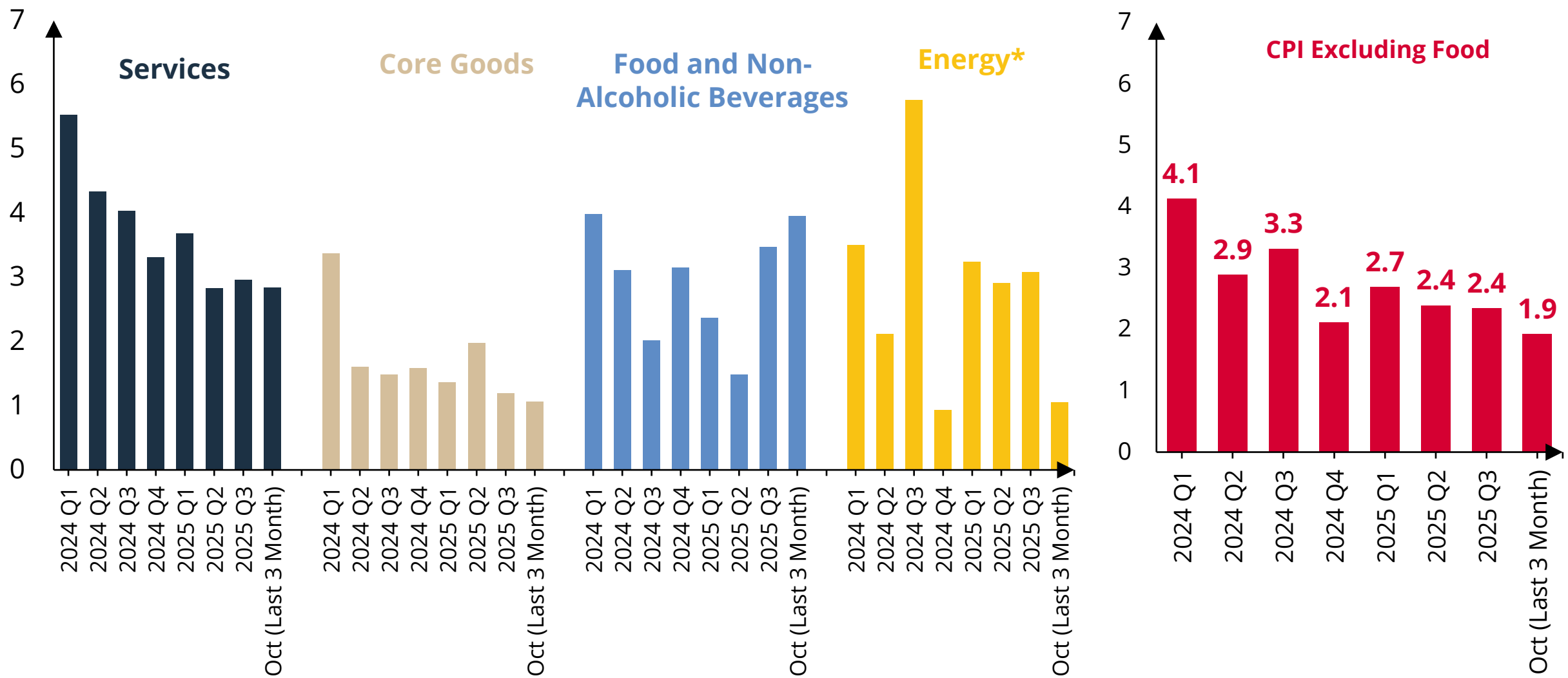
# Inflation has exceeded the upper bound of the forecast range.

CPI Realization and IR 2025-III Forecasts (Annual % Change)



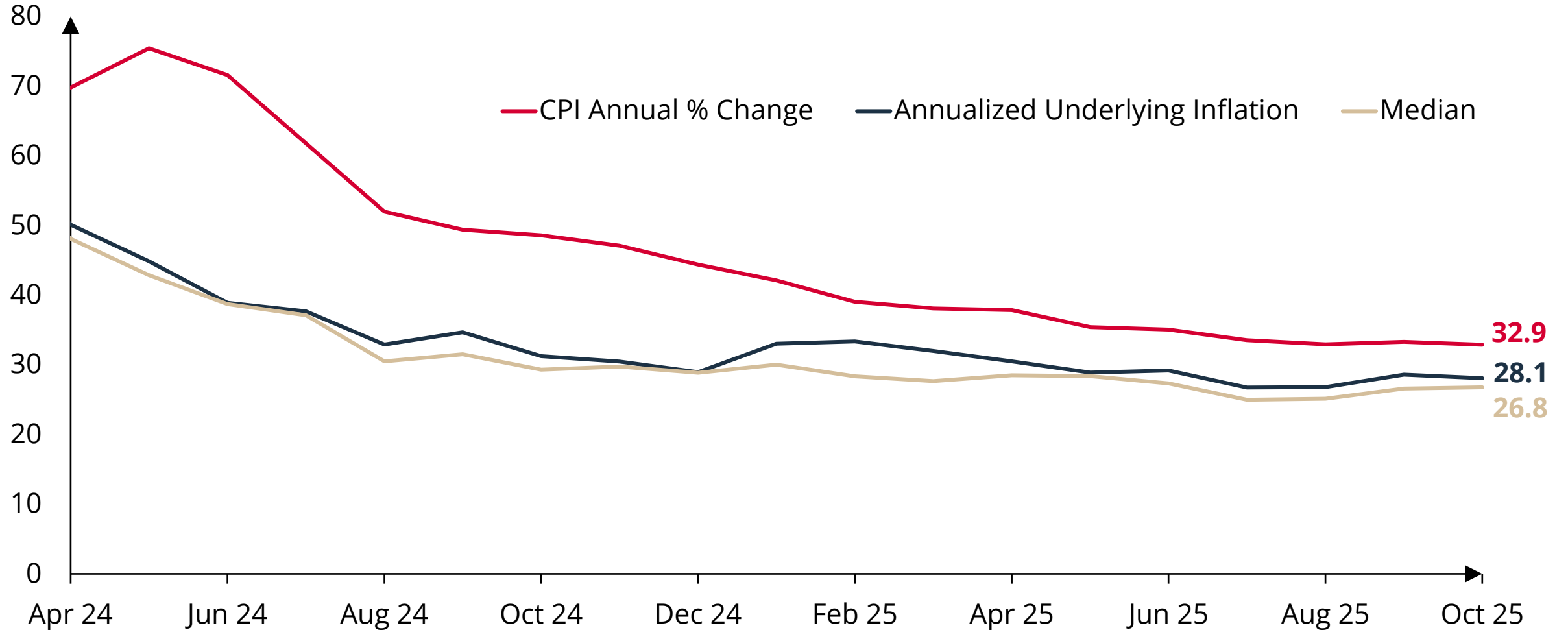
# The impact of food inflation has been prominent in this development.

Monthly Inflation (Seasonally Adjusted, Quarterly Average, %)



# Underlying inflation indicators point to a slowdown in the disinflation process.

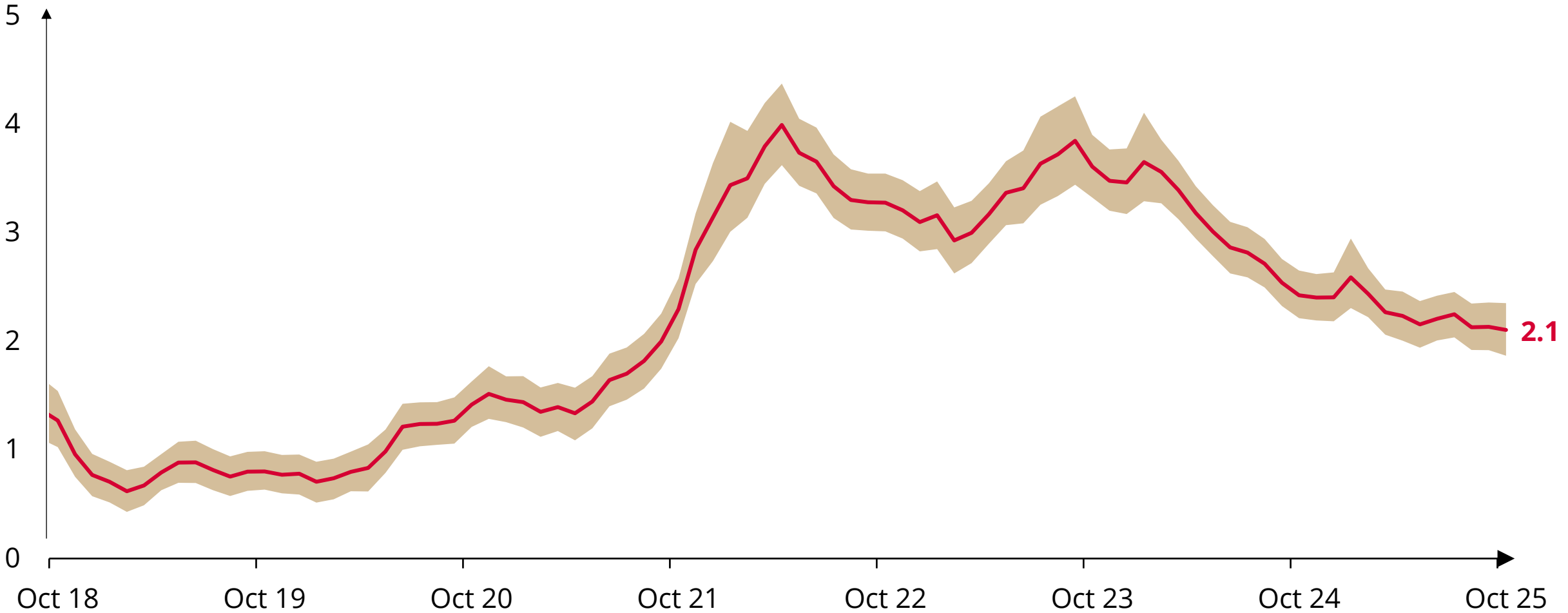
CPI, Median ve Underlying Inflation\* (% Change)





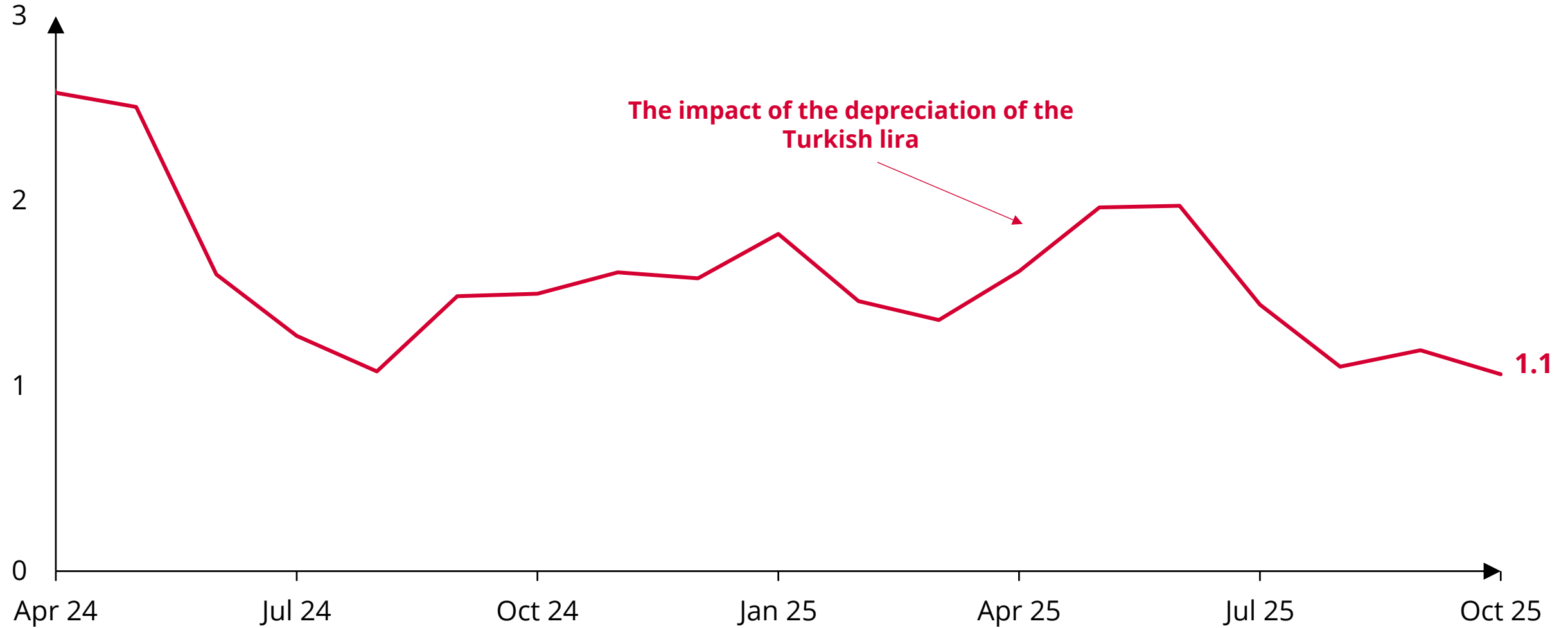
# The trend inflation indicator is showing a modest decline.

Multivariate Trend Inflation Indicator\* (%)



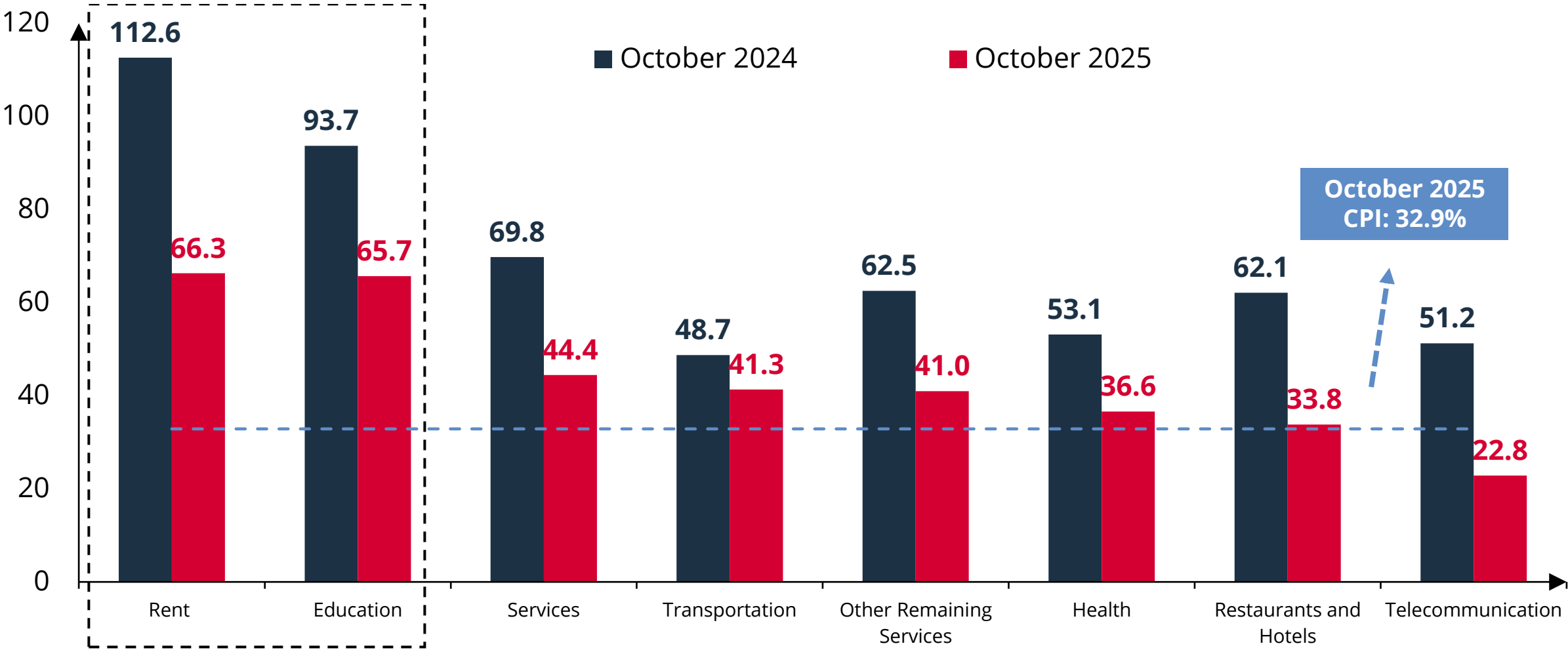
## Core goods inflation has been relatively stable.

**Core Goods Prices** (Seasonally Adjusted, Monthly % Change, 3-Month Average)



# Items with backward indexation are slowing the disinflation process.

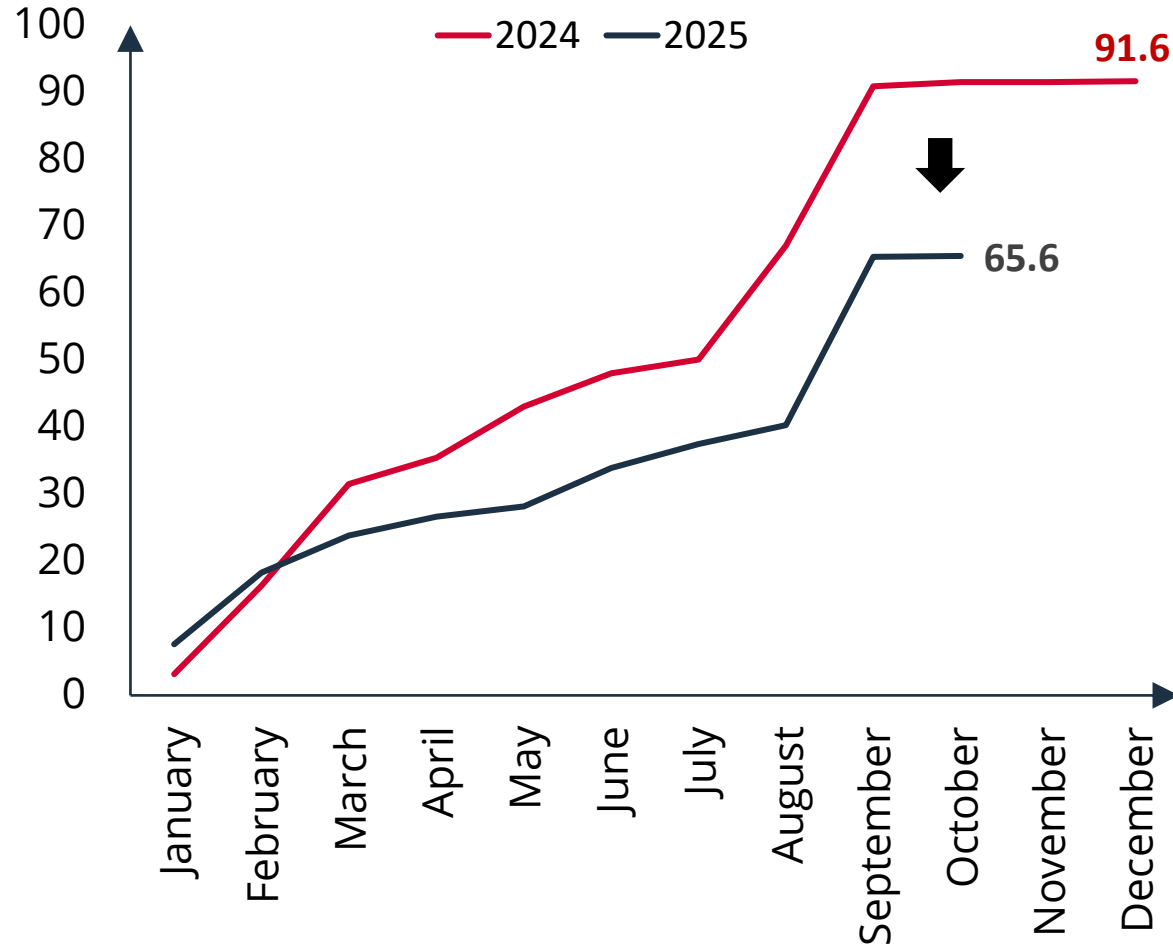
Services Subcategories\* (Annual % Change)



# University tuitions have significantly diverged from headline inflation.

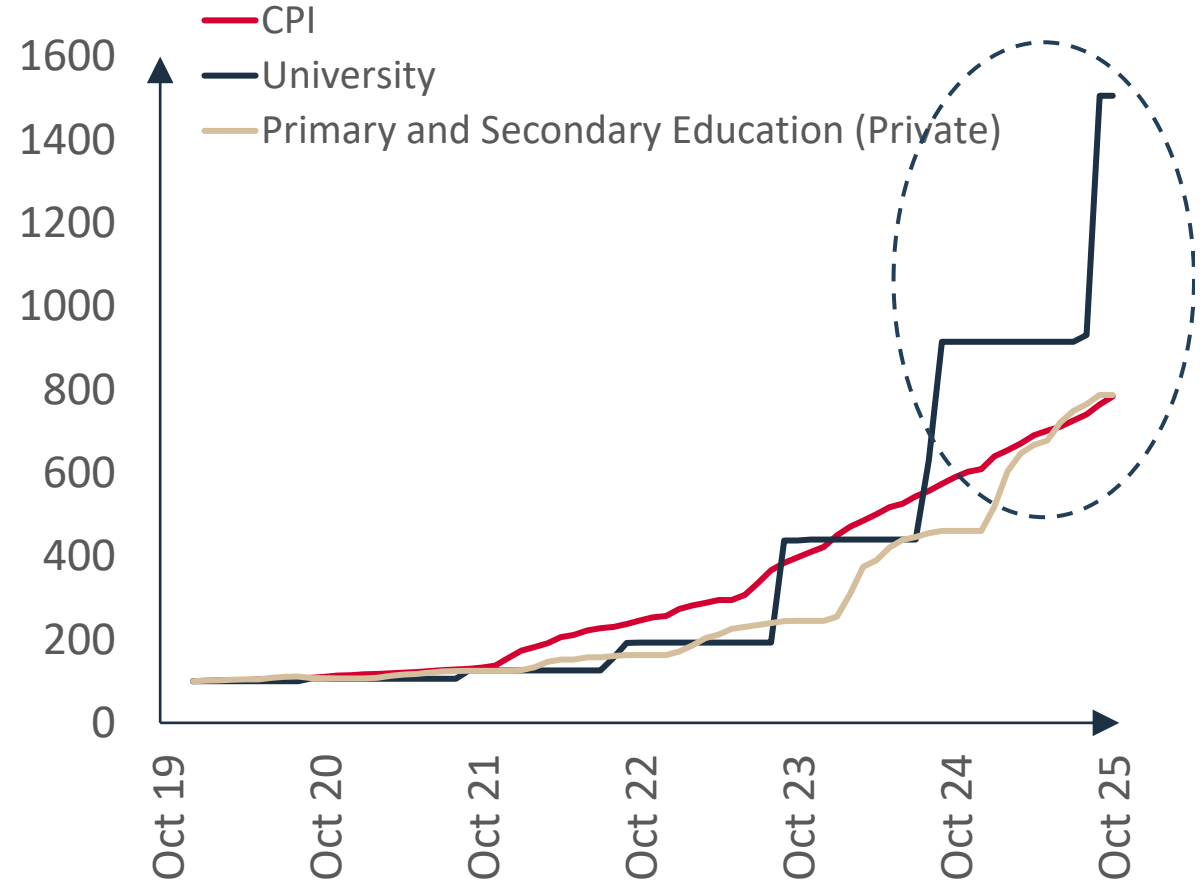
## Education Service Prices

(Cumulative Price Change by Months, %)



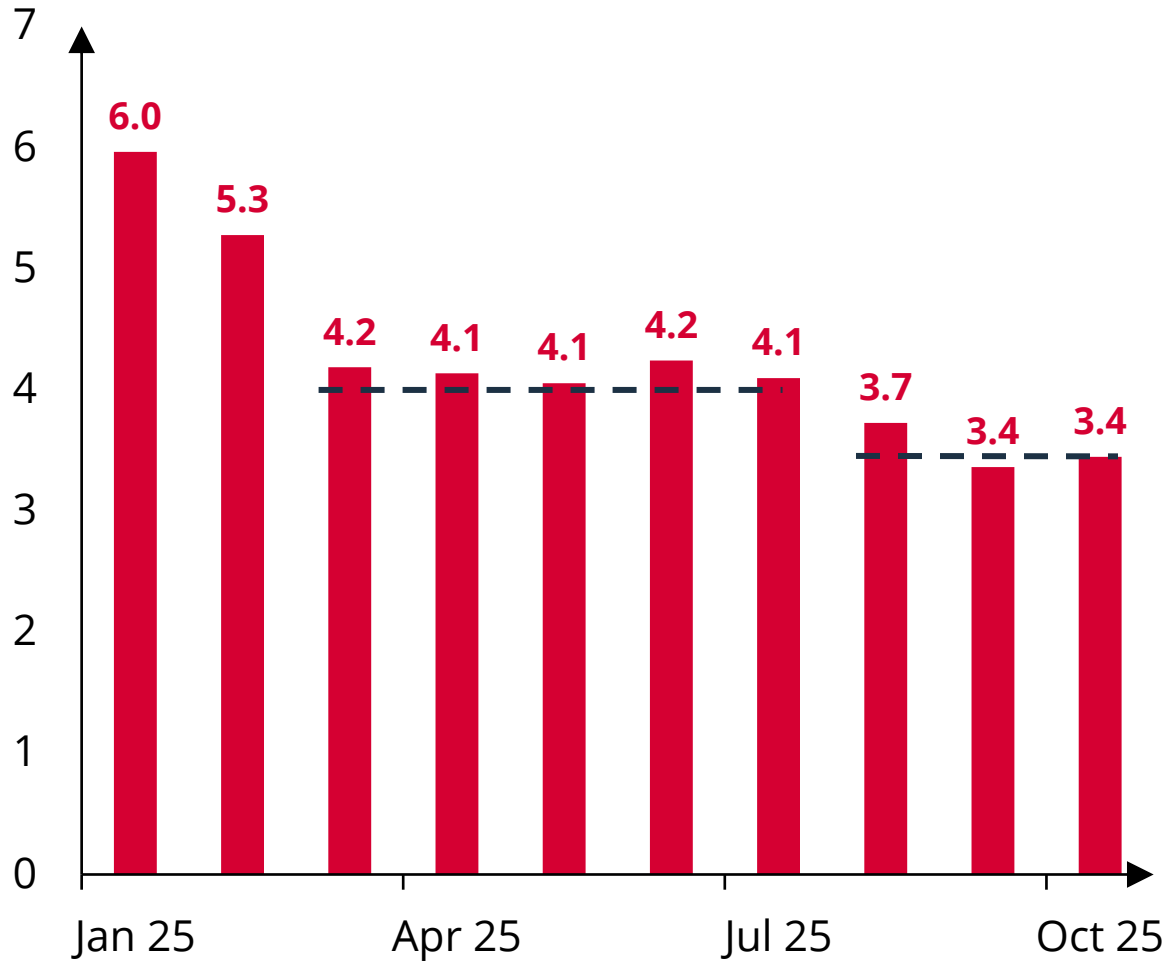
## CPI, Private Schools and University Tuitions Price Index

(December 2019 = 100)

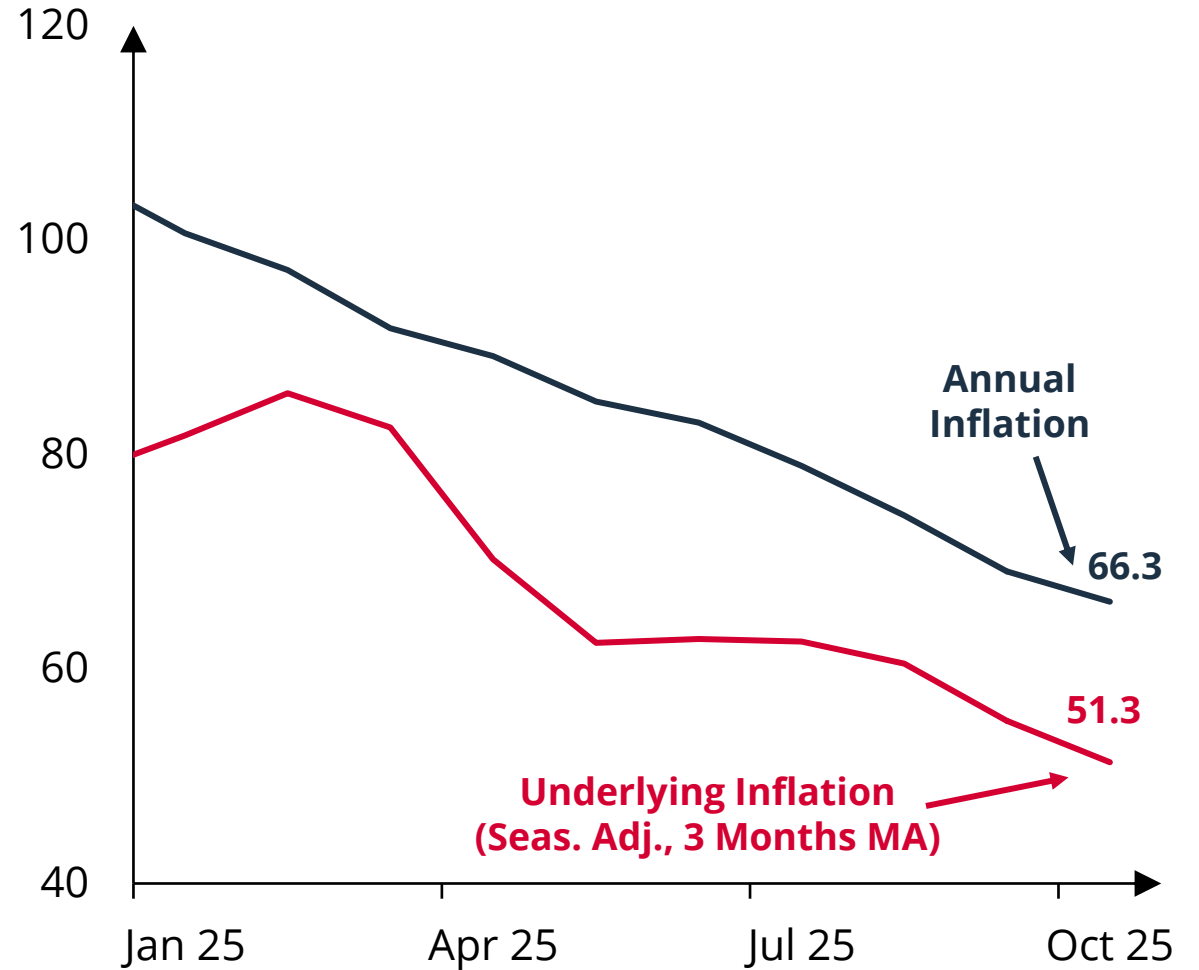


## Rent inflation has been more resilient than expected, but has slowed in recent months.

**Rent** (Seasonally Adjusted, Monthly % Change)

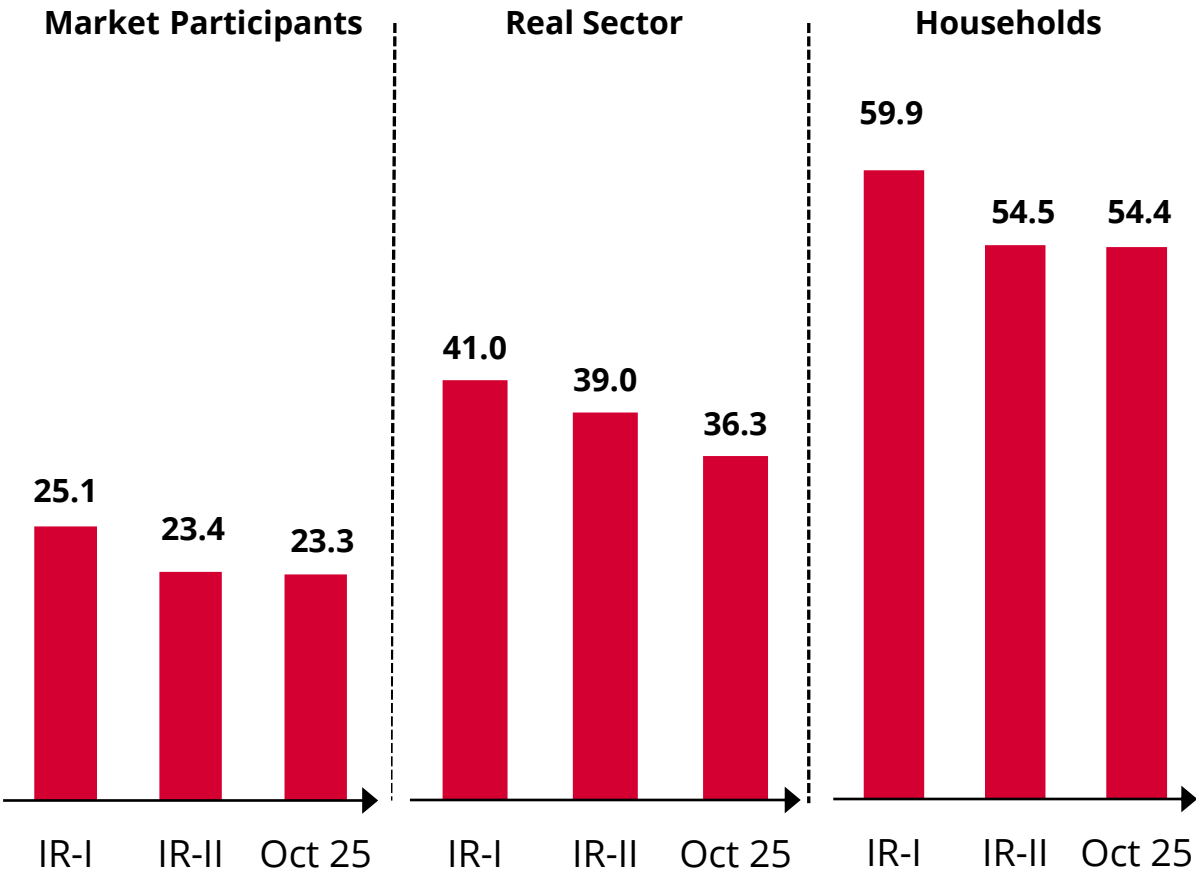


**Rent** (Annual % Change and Annualized Underlying Inflation)



# The decline in inflation expectations has been interrupted.

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

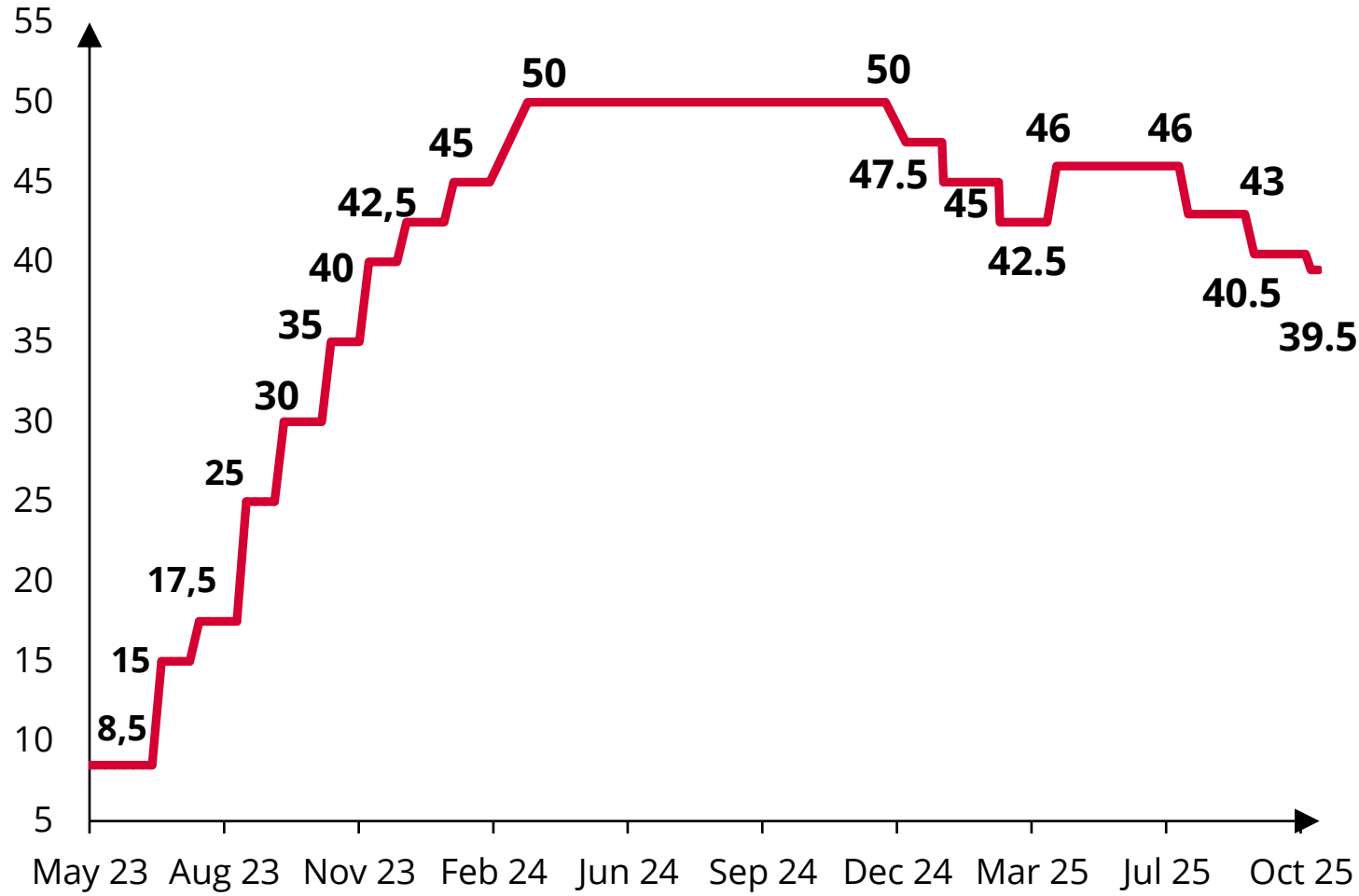


| Market Participants Inflation Expectations (% , October 2025) |      |
|---------------------------------------------------------------|------|
| End of 2025                                                   | 31.8 |
| 12 months later (October 2026)                                | 23.3 |
| End of 2026                                                   | 22.1 |
| 24 months later (October 2027)                                | 17.4 |

# **MONETARY POLICY**

**Tight monetary policy stance is maintained.**

### Policy Rate (%)



# Macroprudential Framework

# Liquidity Management



# Macprudential measures and liquidity management support the tight stance.

1

## Regulations for deposits

- Targets for TL deposit share increase
- FX-protected deposit accounts terminated

2

## Regulations for loan growth caps

- Limits on TL and FX loan growth

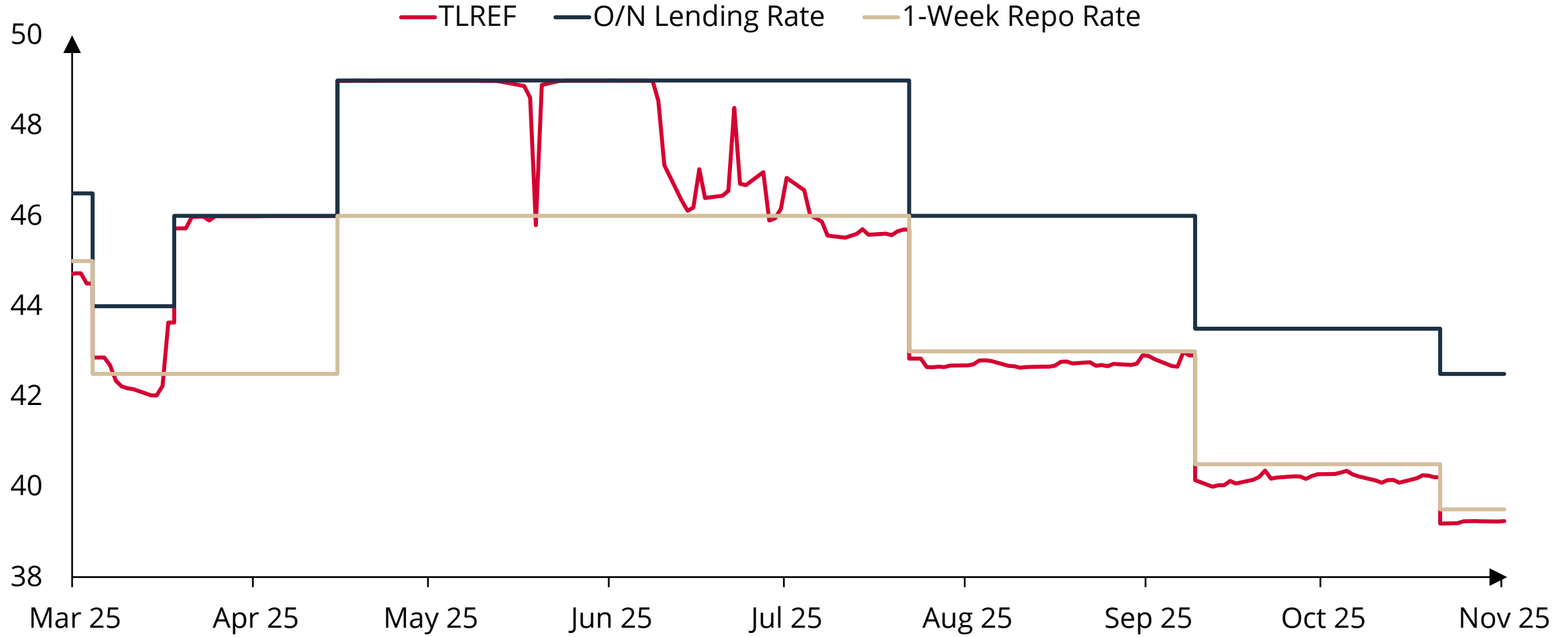
3

## Liquidity management

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

# Effective liquidity management keeps money market rates close to the policy rate.

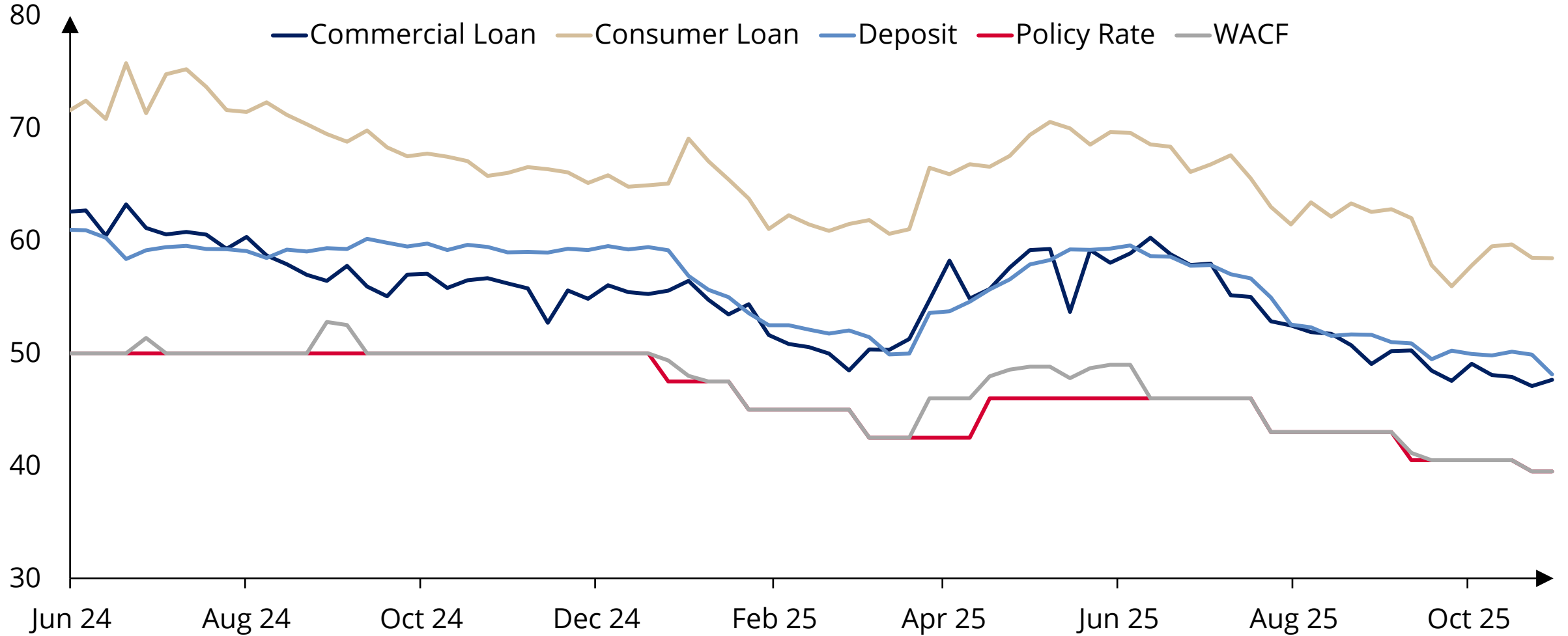
Policy Rate and TLREF (Percentage)



# FINANCIAL CONDITIONS

# Financial conditions remain tight.

## Interest Rates\* (%)

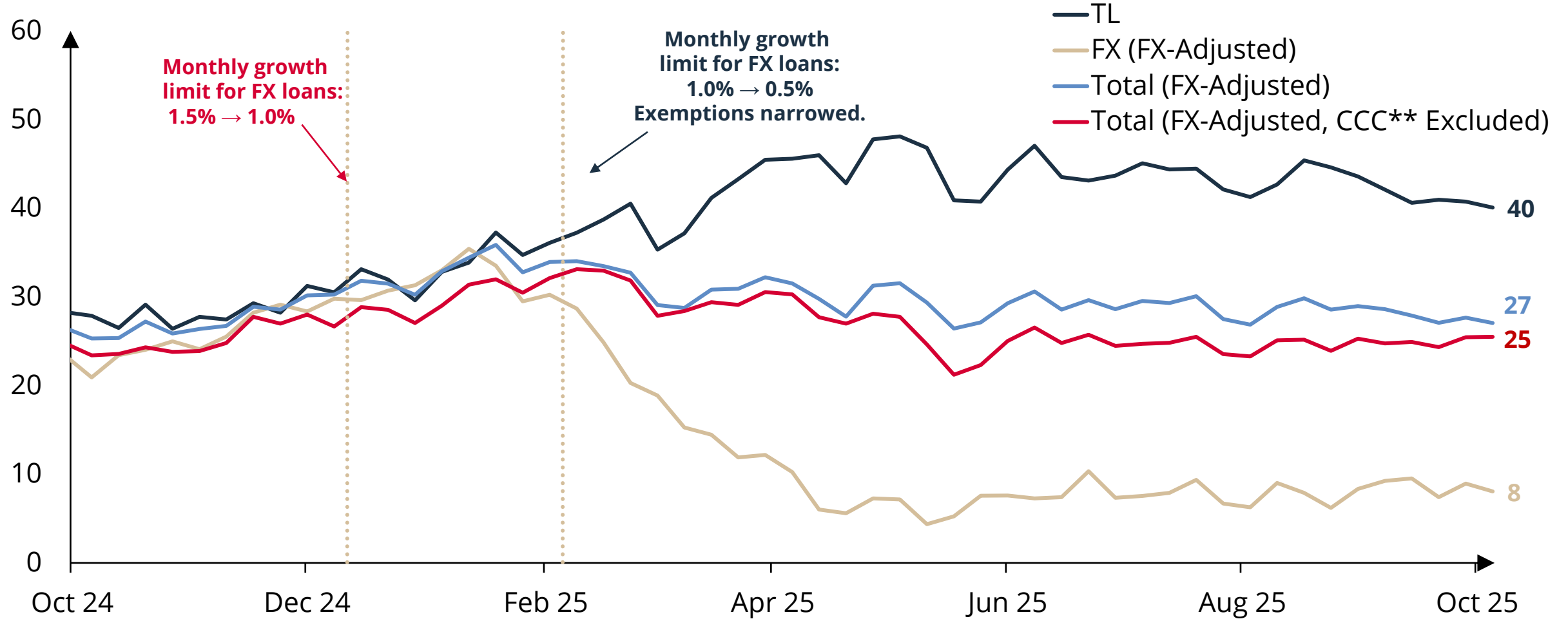


Source: CBRT. Last Observation: October 31, 2025.

\*Deposit rates indicate 1 to 3 month TL deposit interest rate. Commercial and consumer loan interest rates exclude credit cards and overdraft accounts. WACF stands for weighted average cost of funding.

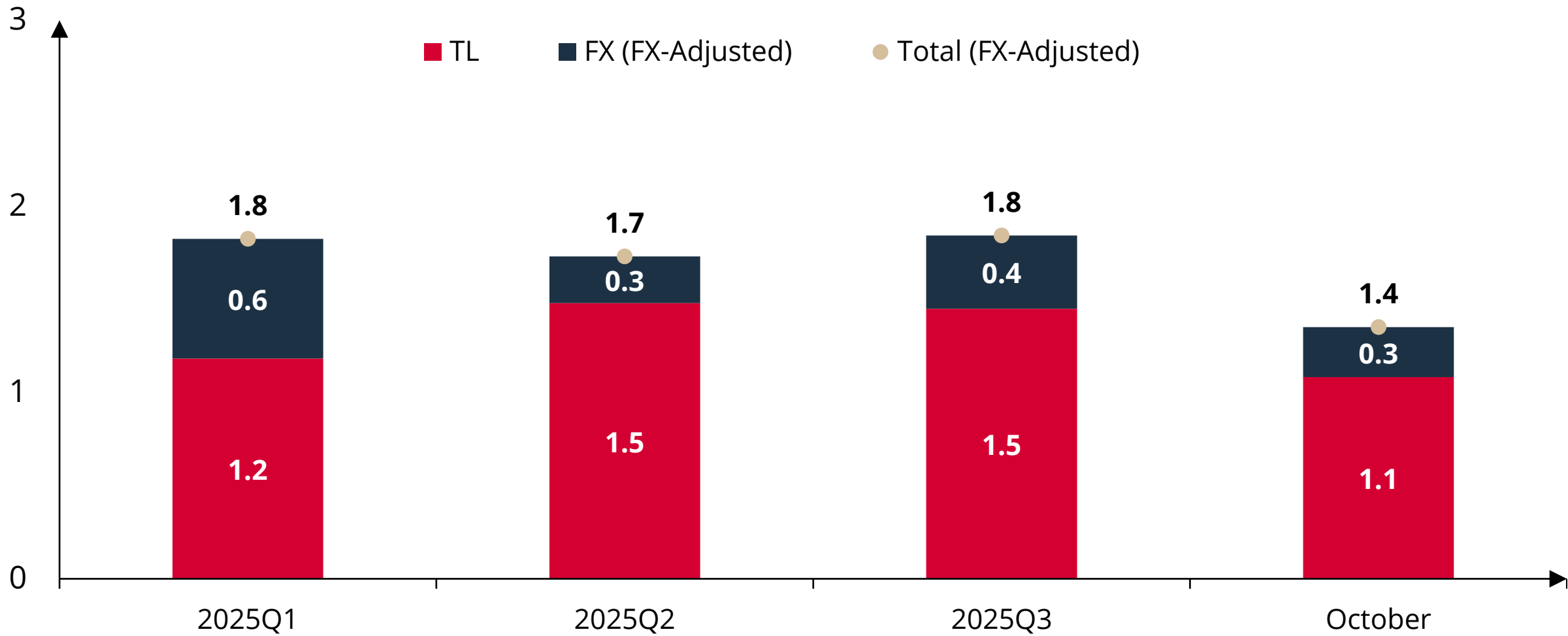
# Loan growth composition remained in favor of TL.

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



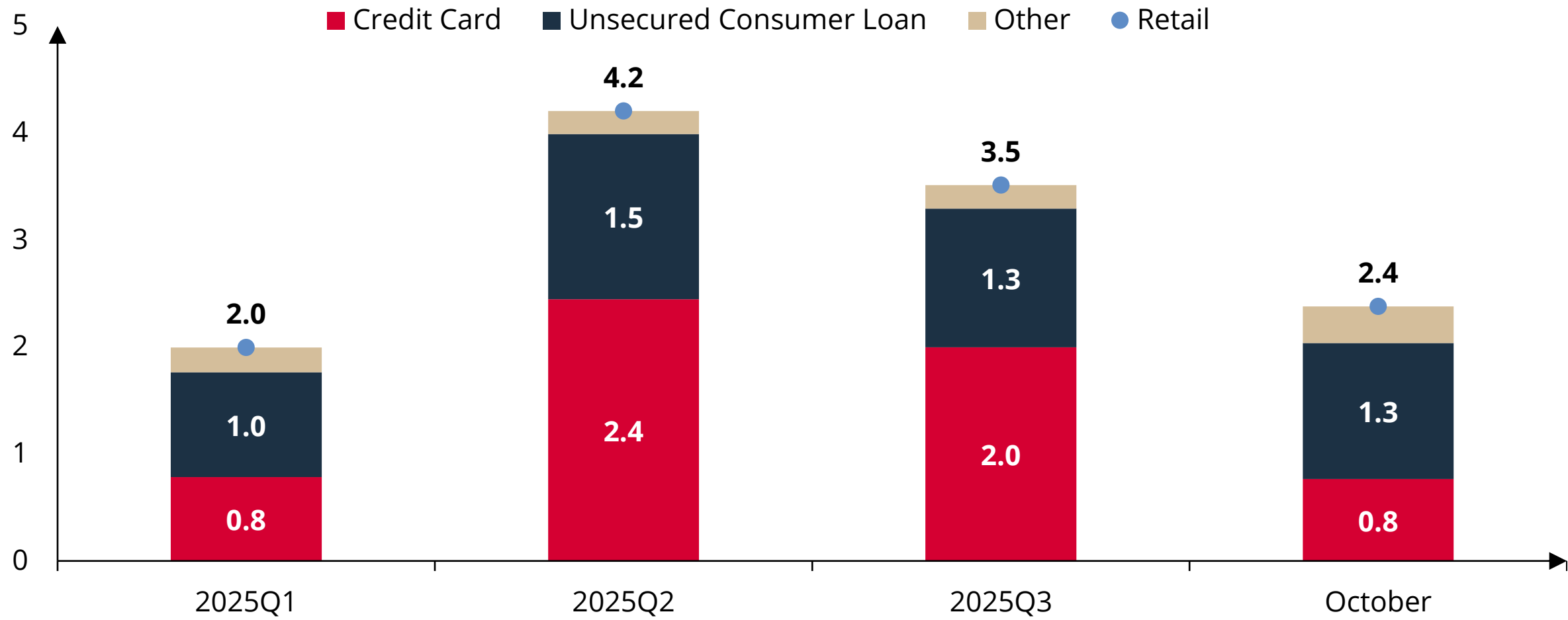
# Commercial loan growth declined in October.

Commercial Loan Growth\* (%)



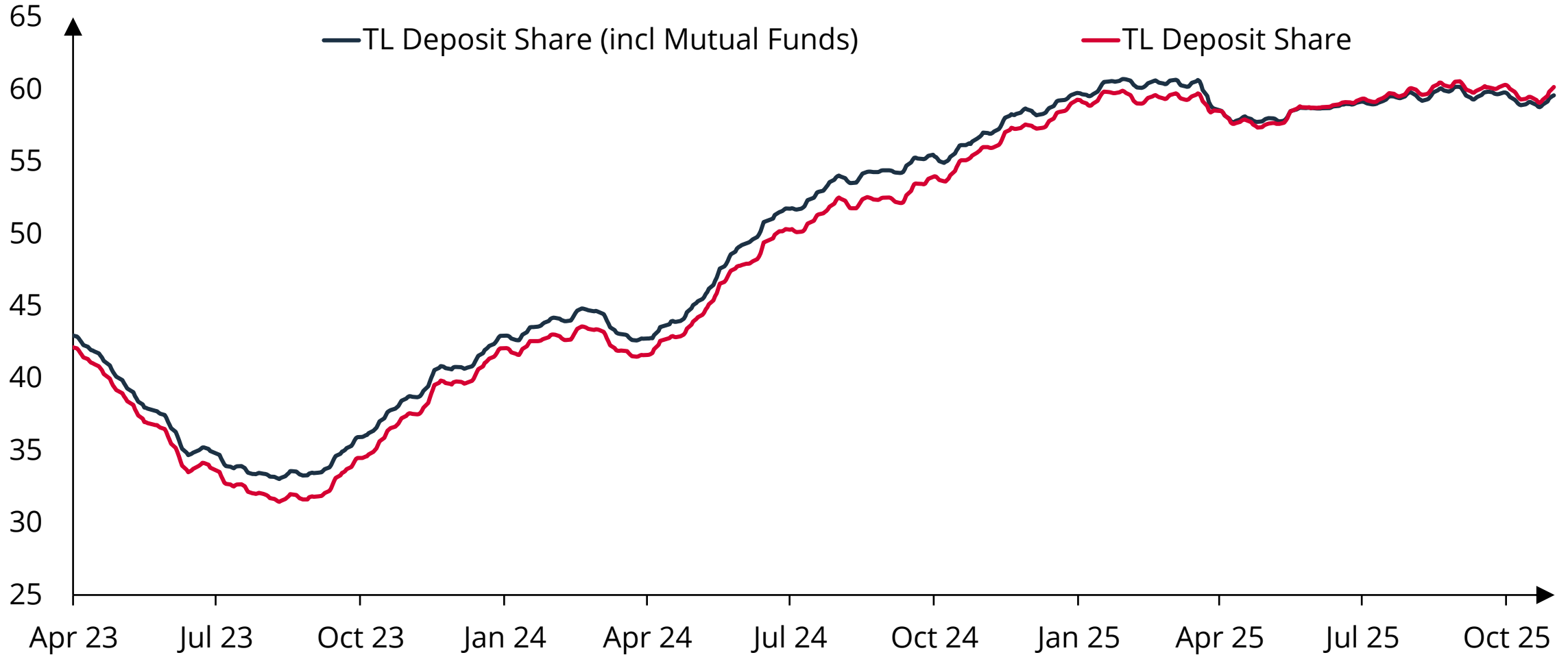
# Retail loan growth declined due to credit cards.

Retail Loan Growth\* (%)



# The share of TL-denominated assets remains close to its historical averages.

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



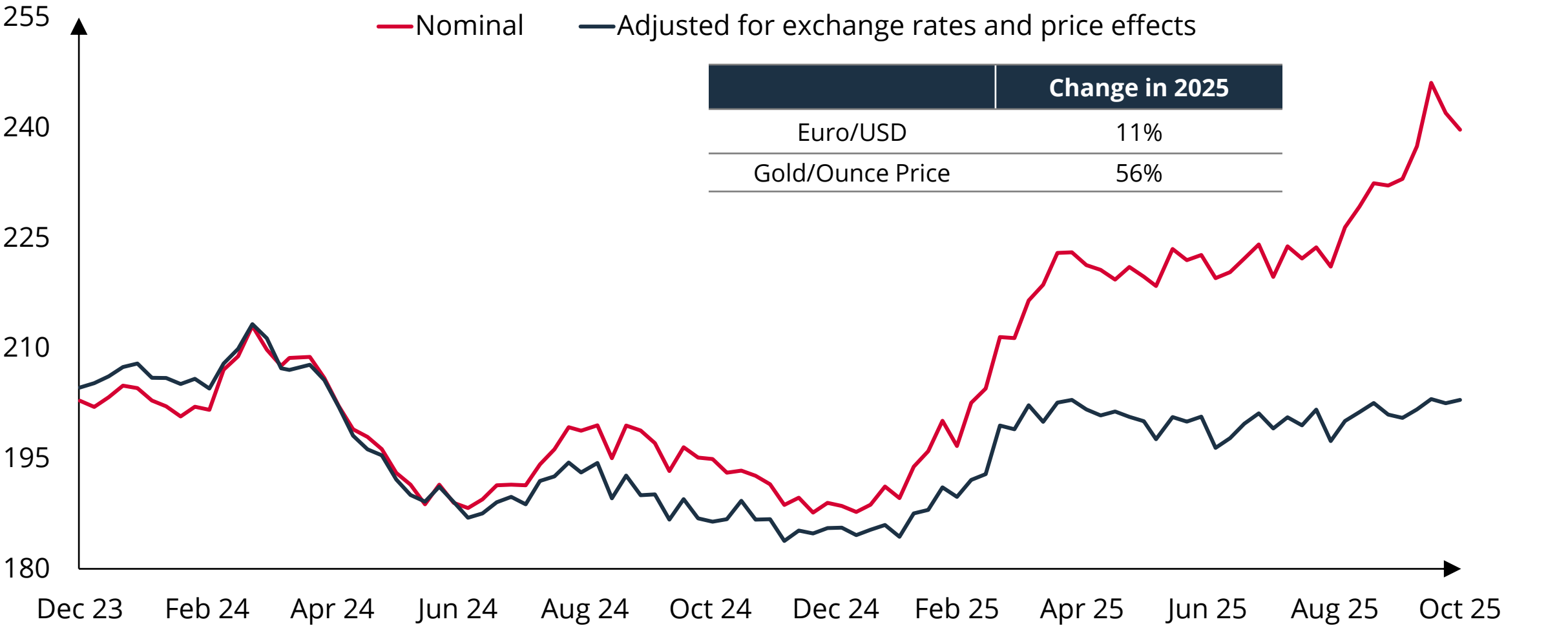
Source: BRSA, CBRT, TEFAS. Last Observation: October 31, 2025.

\*The average share of TL deposits between 2011 and 2017 is 61%. Assets in the portfolio compositions of mutual funds have been categorized as TL and FX and then included in the share. Deposits in mutual funds are deducted from banking sector's deposits. Reverse repo transactions are considered to be TL-denominated.



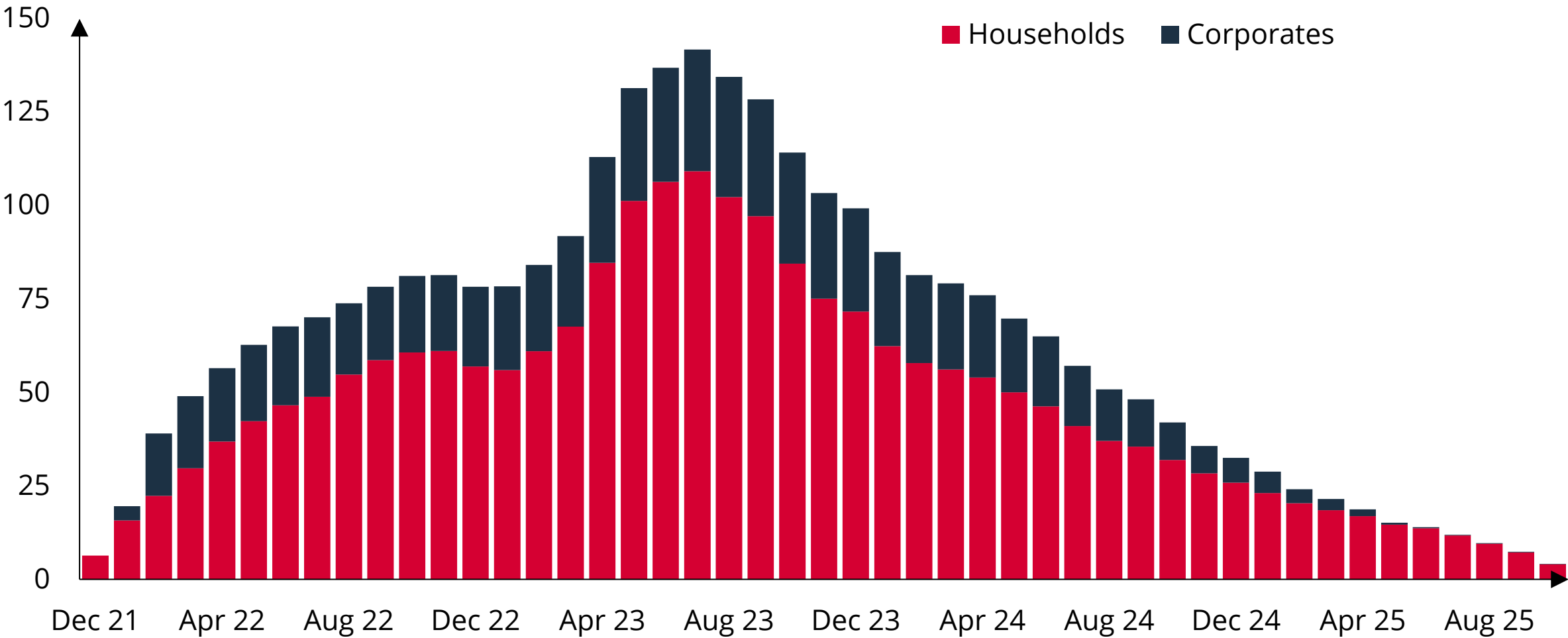
# The recent increase in FX deposits has been driven largely by the rise in gold prices.

FX Deposits\* (Billion USD)



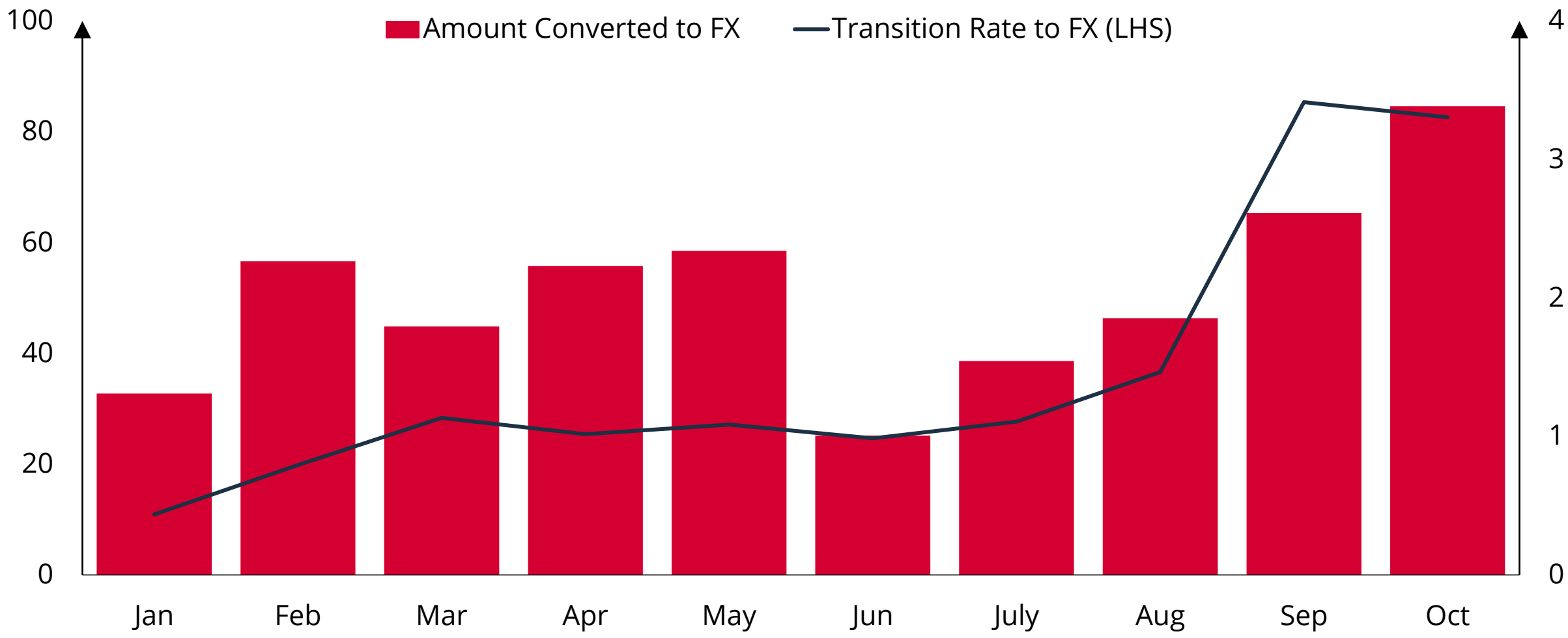
# KKM scheme has been terminated.

Outstanding Balance of KKM Accounts (Billion USD)



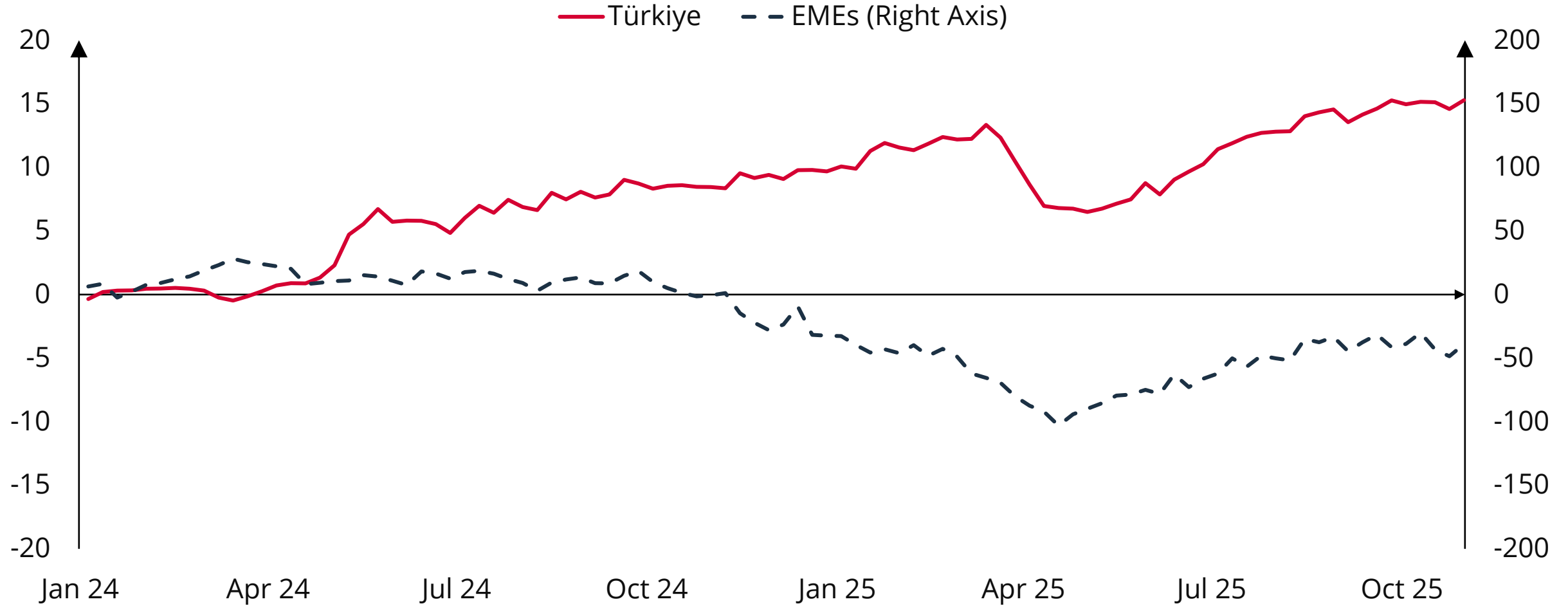
# Transition from KKM accounts to FX has accelerated.

Transition from Maturing KKM to FX (2025, Billion USD, %)



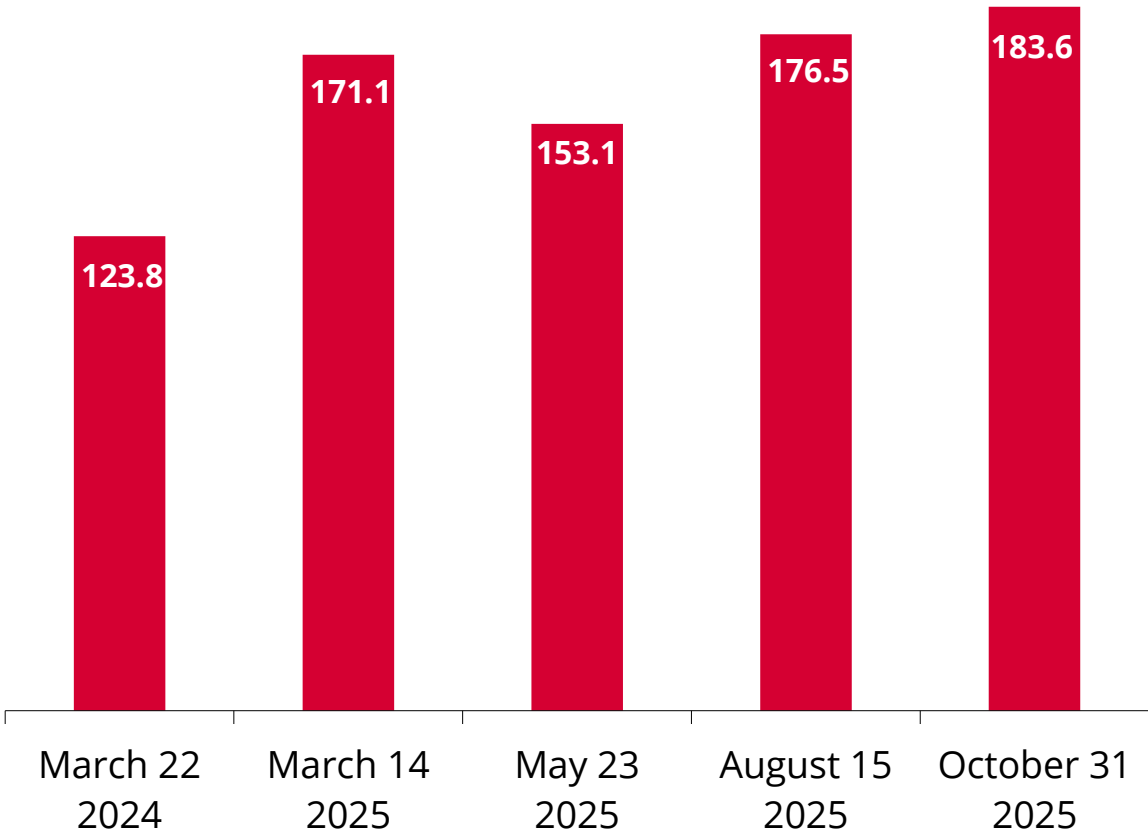
# Capital inflows to Türkiye remain moderate.

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

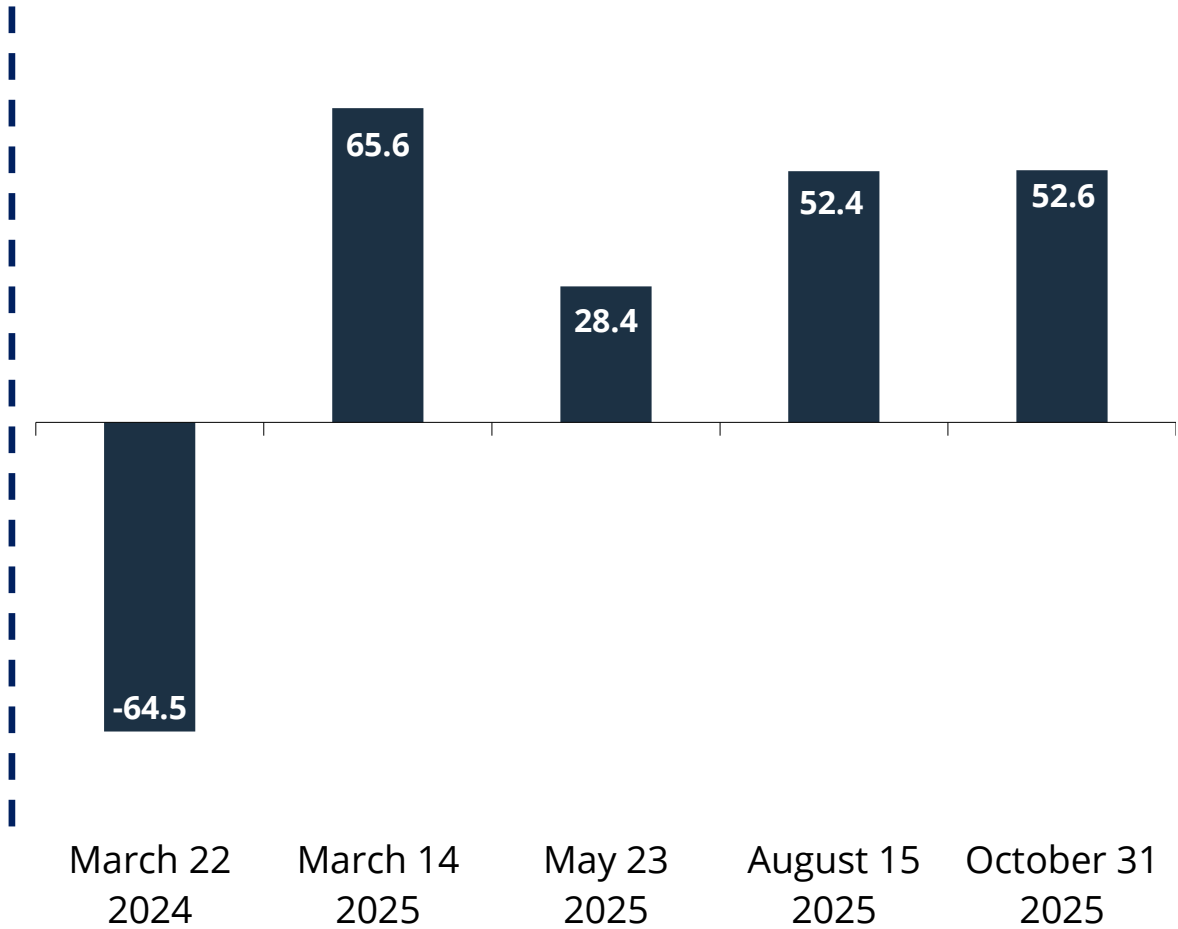


# The positive trend in reserves continues.

Gross International Reserves (Billion USD)

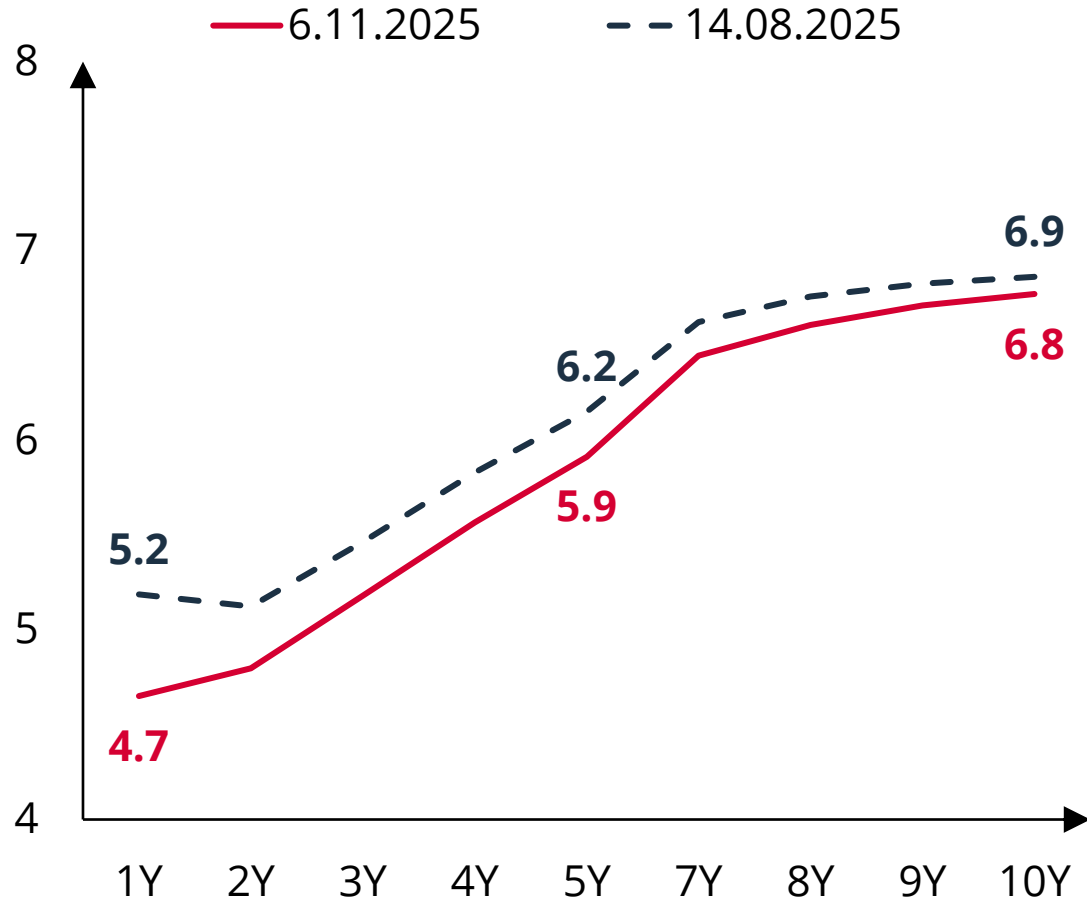


Net Reserves Excluding Swaps (Billion USD)



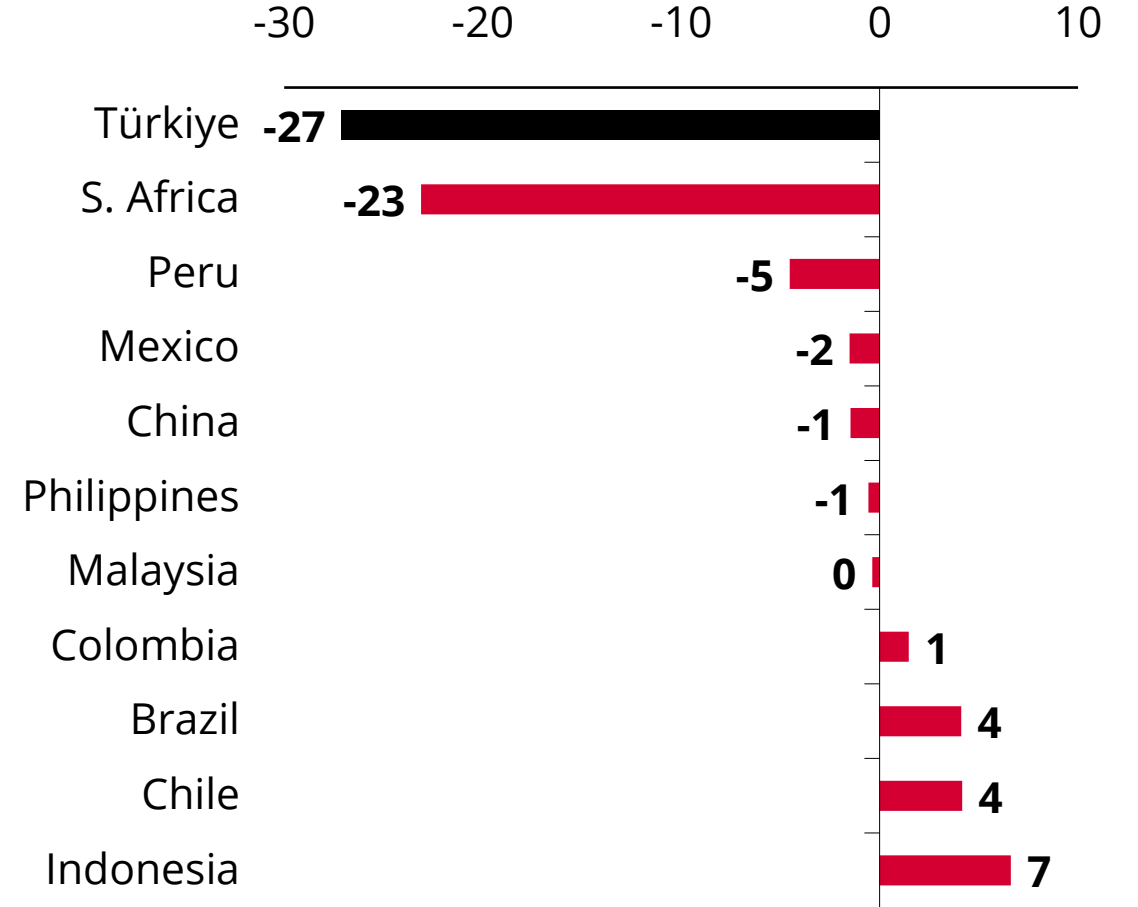
# Eurobond yields have declined, and risk premiums have improved.

**Türkiye Sovereign Eurobond Yield Curve**  
(Percentage)



**EMEs 5Y CDS Premium Change**

(Change Compared to Previous IR Period, Basis Points)



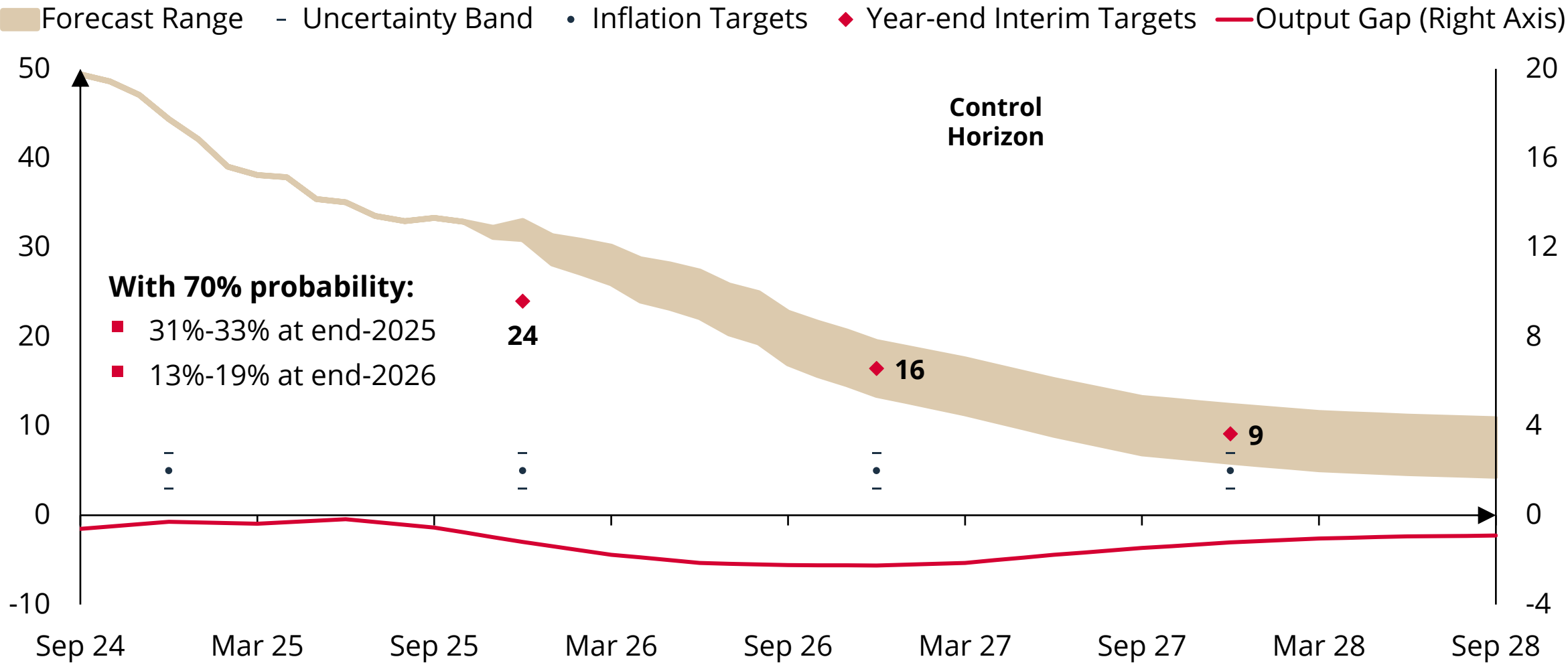
# **MEDIUM-TERM PROJECTIONS**

# Revisions to Main Assumptions

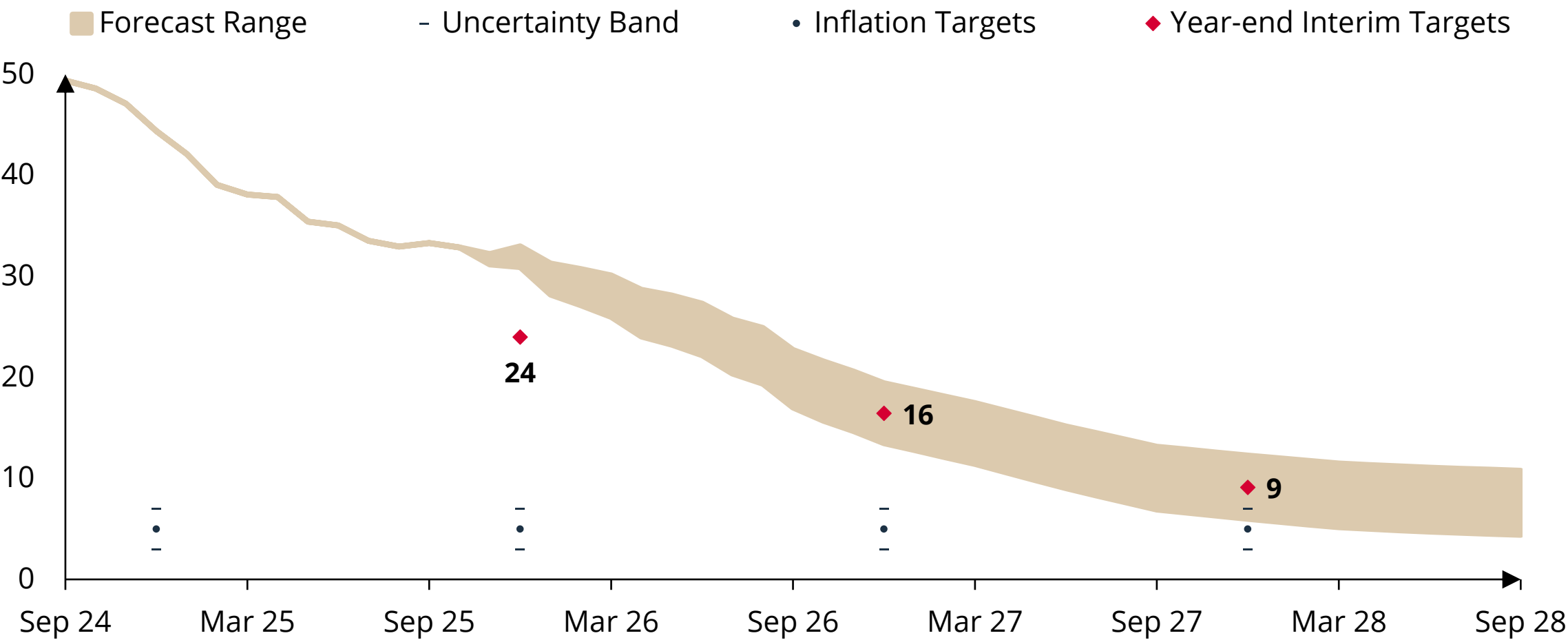
|                                                       |      | IR 2025-III | IR 2025-IV |
|-------------------------------------------------------|------|-------------|------------|
| Global Production Index*<br>(Average Annual % Change) | 2025 | 2.0         | 2.0        |
|                                                       | 2026 | 2.3         | 2.2        |
| Oil Prices<br>(USD, Annual Average)                   | 2025 | 69.8        | 69.0       |
|                                                       | 2026 | 64.4        | 62.4       |
| Import Prices<br>(USD, Average Annual % Change)       | 2025 | 0.3         | 0.8        |
|                                                       | 2026 | -1.3        | -0.6       |
| Food Price Inflation<br>(Year-End % Change)           | 2025 | 26.5        | 32.3       |
|                                                       | 2026 | 17.0        | 18.0       |



Inflation is projected to be between %31 and %33 in 2025, %13 and %19 in 2026.



The tight monetary policy stance will be maintained decisively.



**Inflation  
realizations**

**Underlying  
inflation**

**Inflation  
expectations**



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