TÜRKİYE CUMHURİYET
MERKEZ BANKASI



BRIEFING ON 2026-IV INFLATION REPORT

Fatih Karahan

Governor

NOVEMBER 12, 2026

İSTANBUL

Outline

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

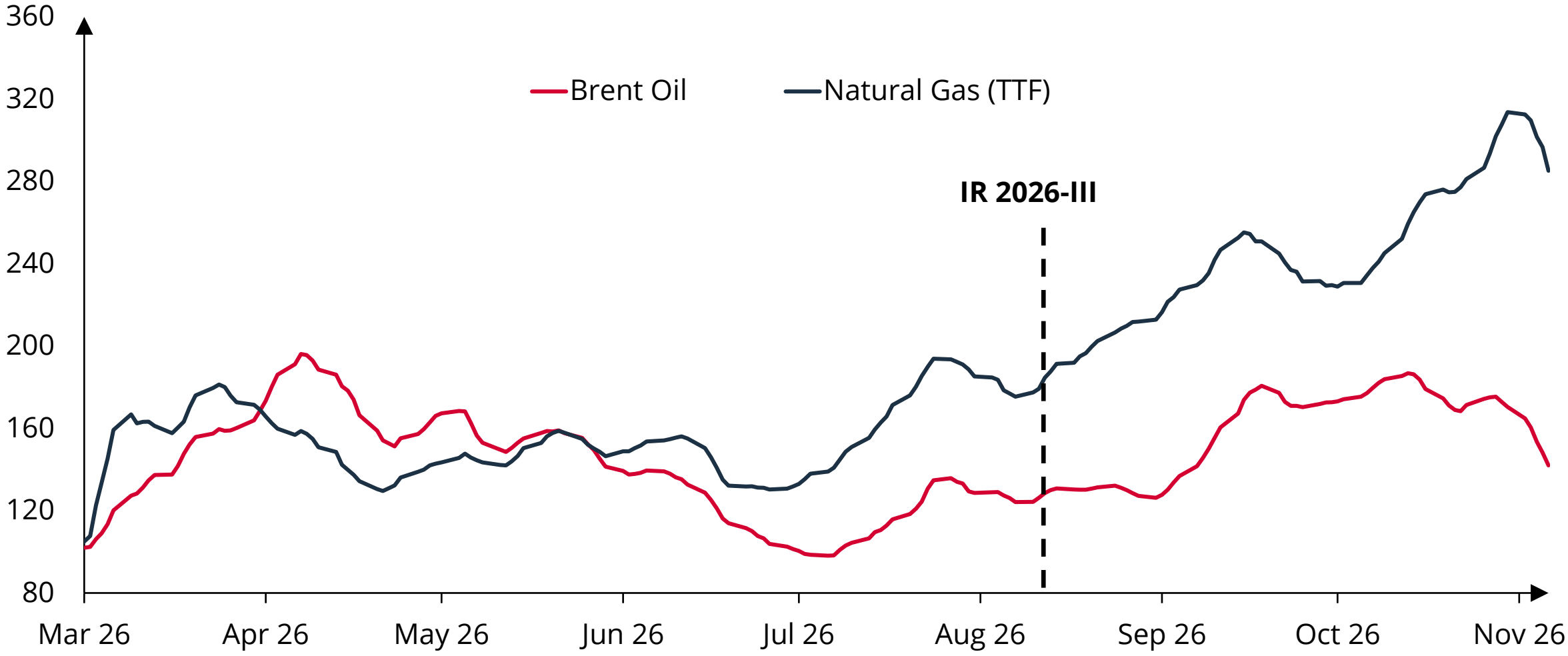
Boxes

- Outright Purchases and Bond Markets
- The Role of Bank Heterogeneity in Monetary Transmission
- Recent Developments in Mutual Funds
- Findings from Interviews with Firms
- Türkiye's Market Share Performance in Export Markets Shared with China
- The Effect of the Decline in Mortgage Debt Burden on Consumption

GLOBAL ECONOMY

Energy prices remain volatile due to geopolitical developments.

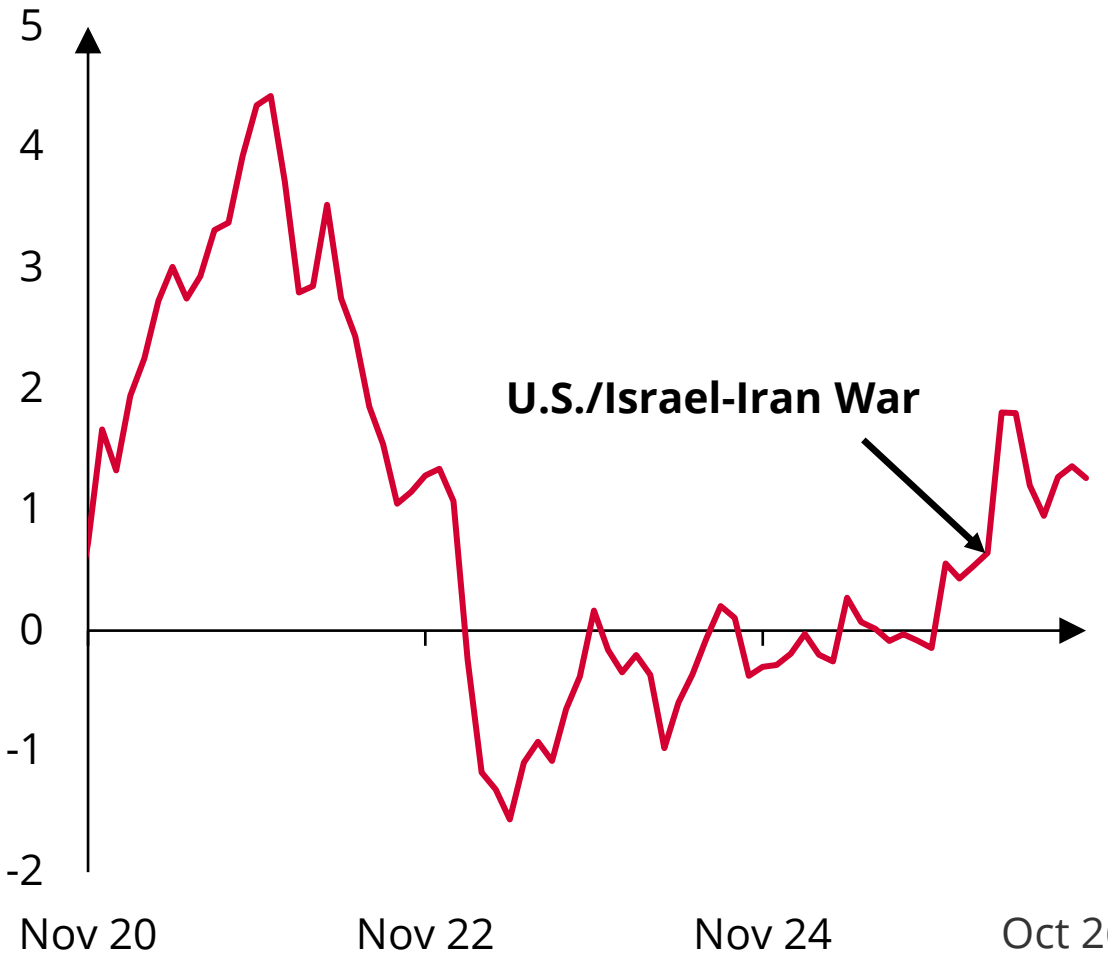
Brent Oil and Natural Gas (TTF) Prices (5-Day Moving Average, February 27, 2026=100)



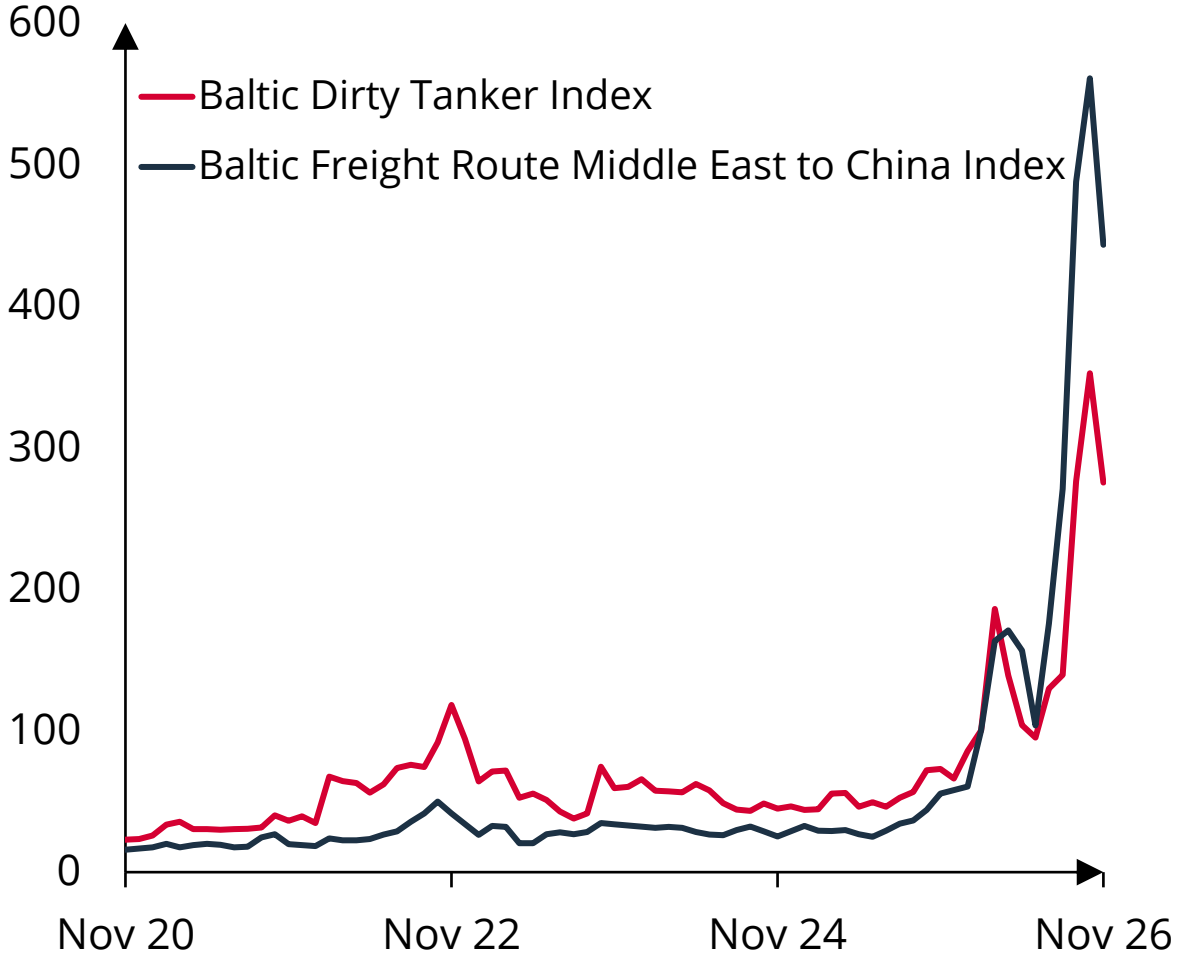
Source: Bloomberg. As of November 6, 2026.

Freight costs have risen significantly while supply constraints persist.

Global Supply Chain Pressure Index



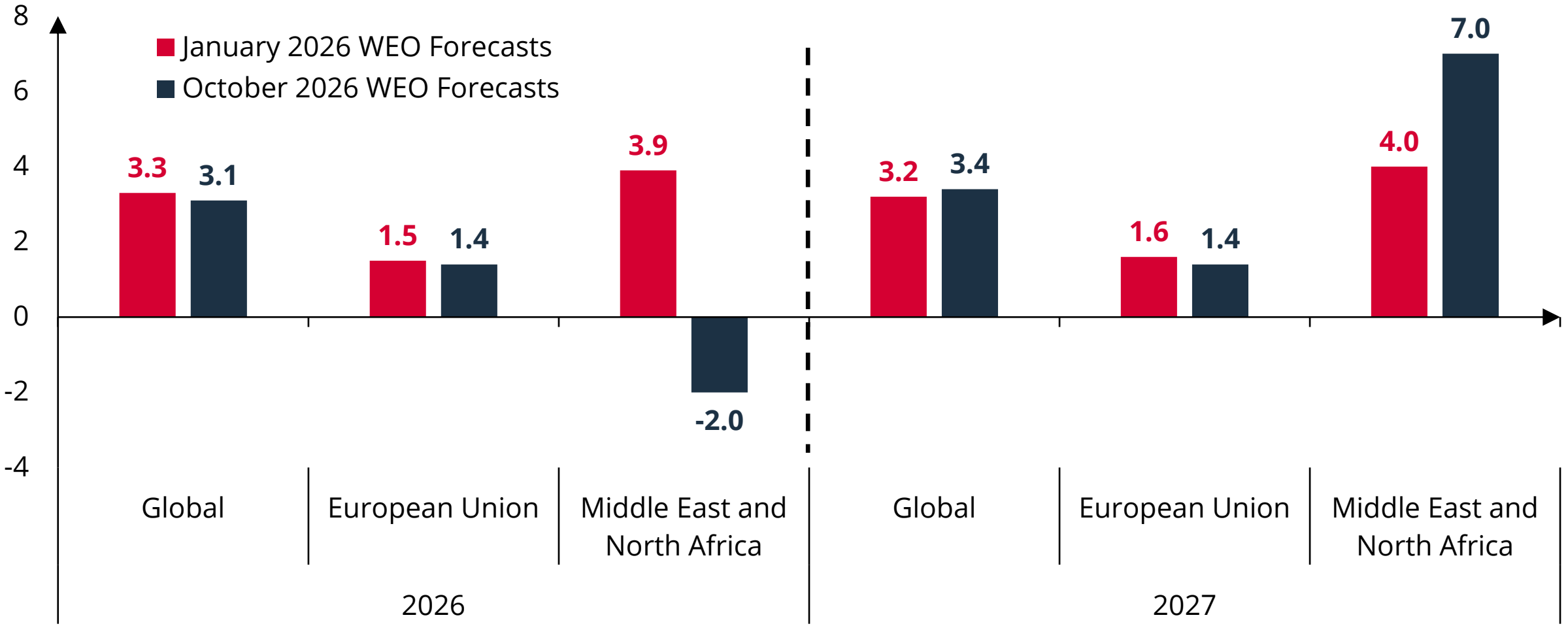
Freight Indices (February 2026=100)



Source: New York Fed (Left-hand Chart), Bloomberg (Right-hand Chart). As of October 30, 2026 (Left-hand Chart) and November 6, 2026 (Right-hand Chart).

War-related developments have negatively affected growth in the Middle East.

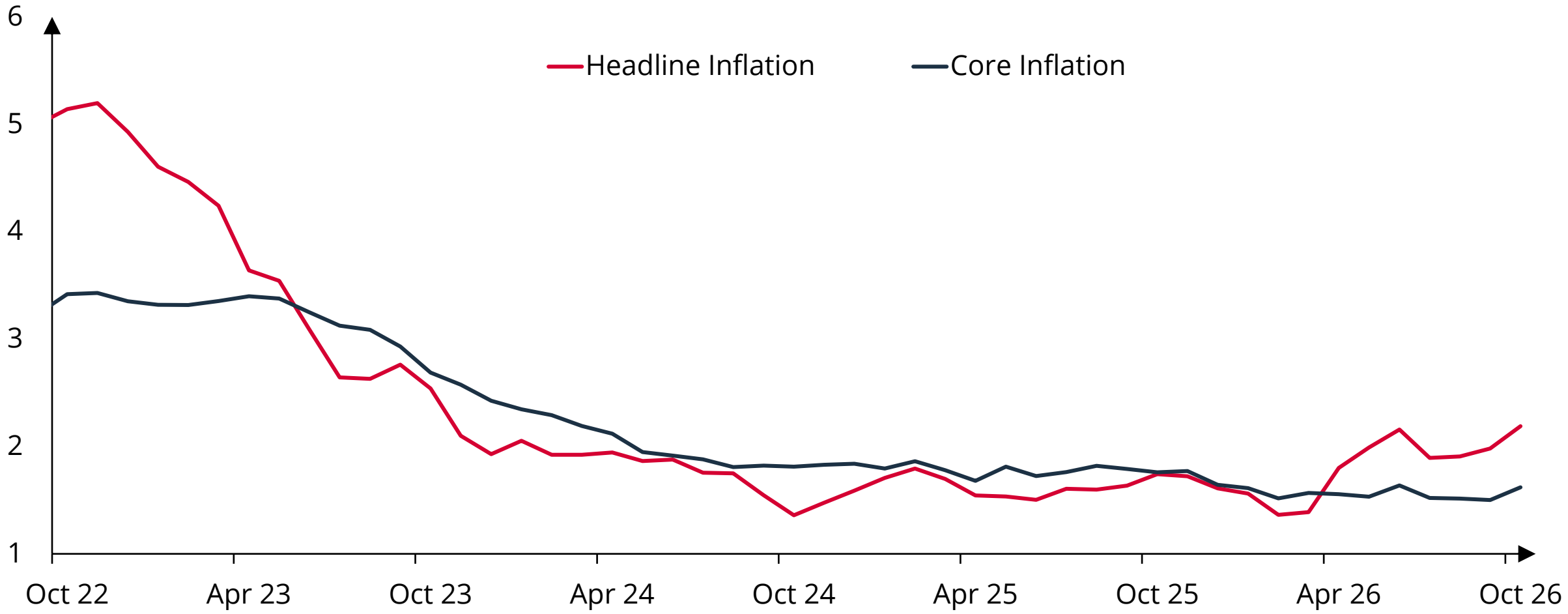
Global and Regional Growth Forecasts (Annual, %)



Source: IMF WEO.

Headline inflation has risen globally.

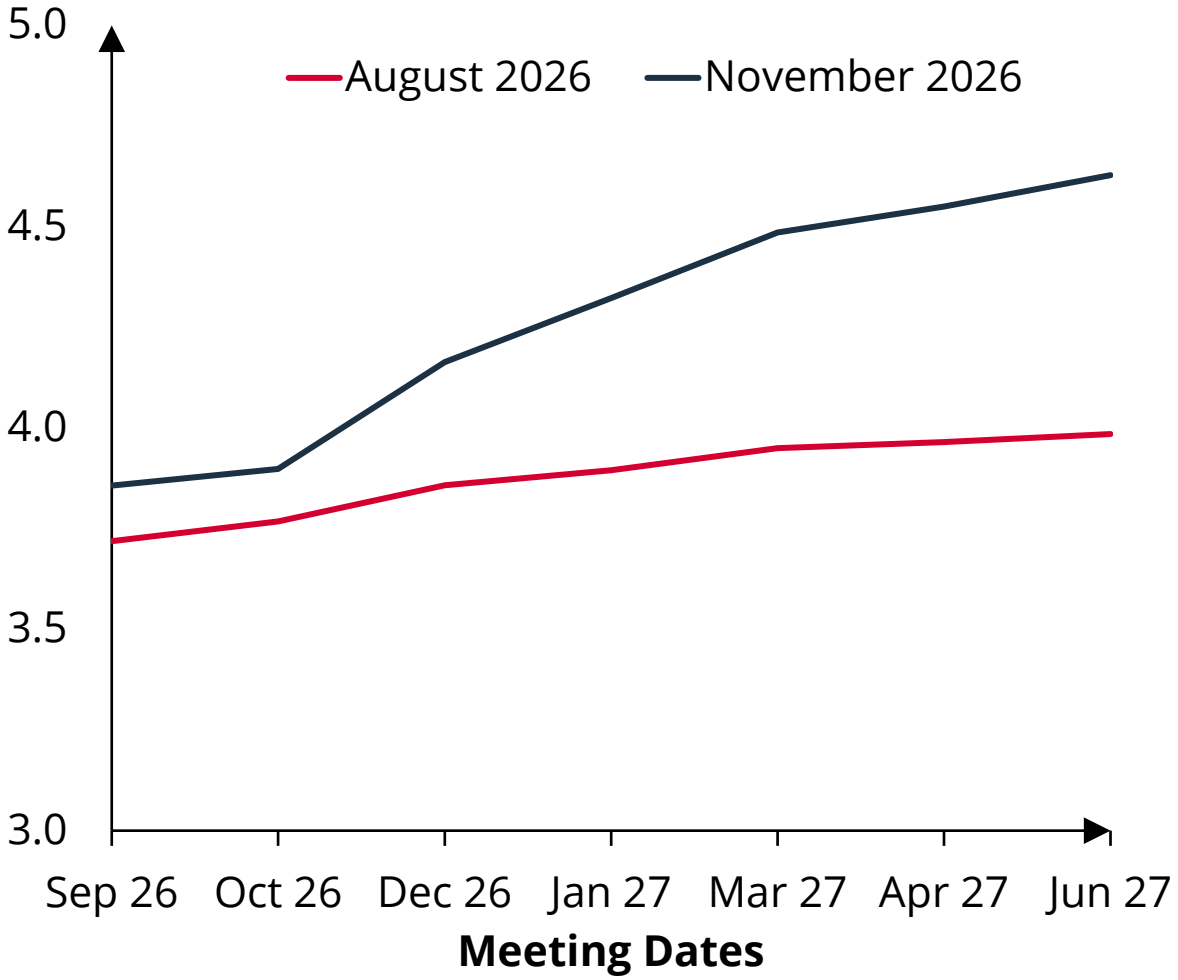
Global Inflation Rates (Annual, %)



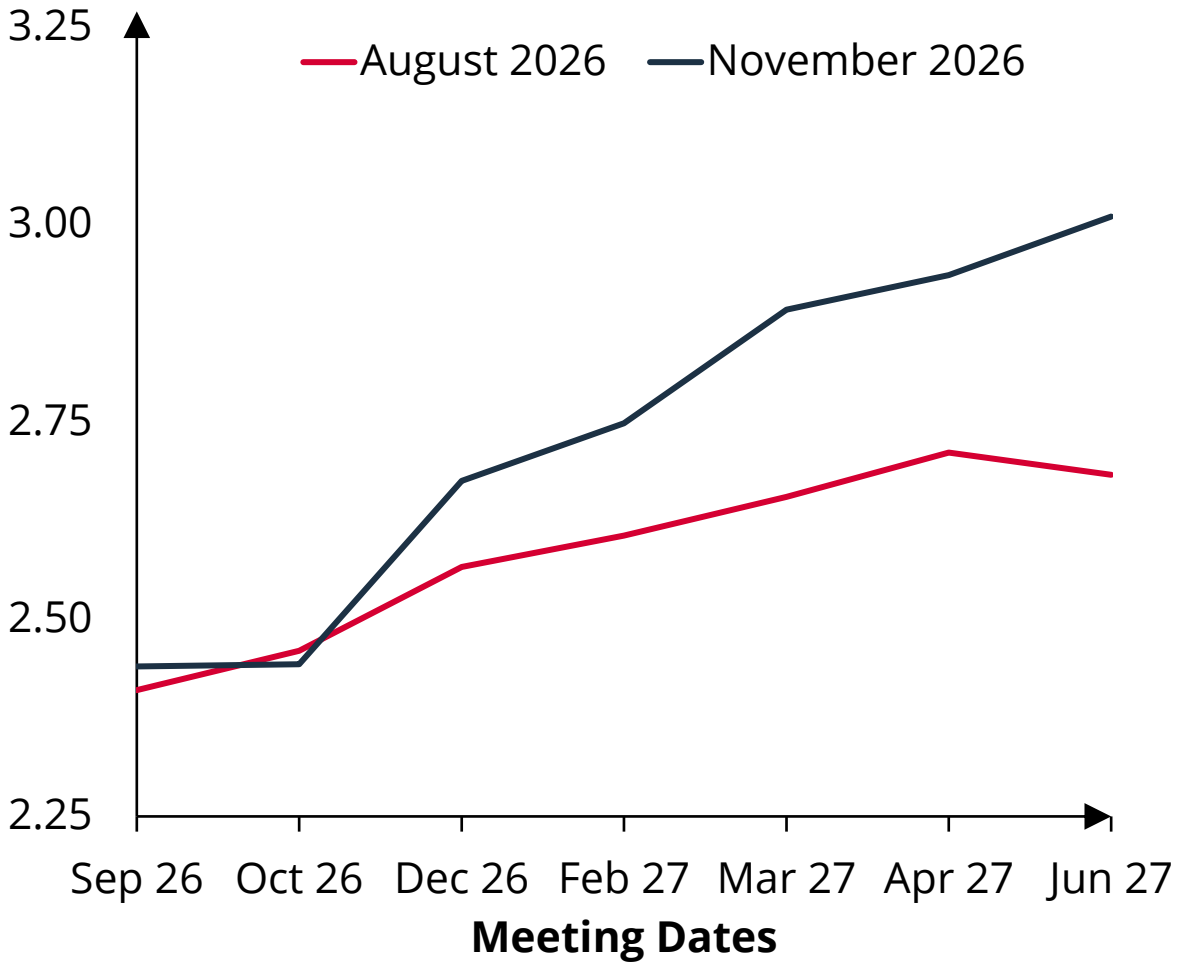
Source: Bloomberg, CBRT. As of October 2026.

Policy rate market pricing for the Fed and the ECB have shifted upward.

Fed Policy Rate Market Pricing (%)



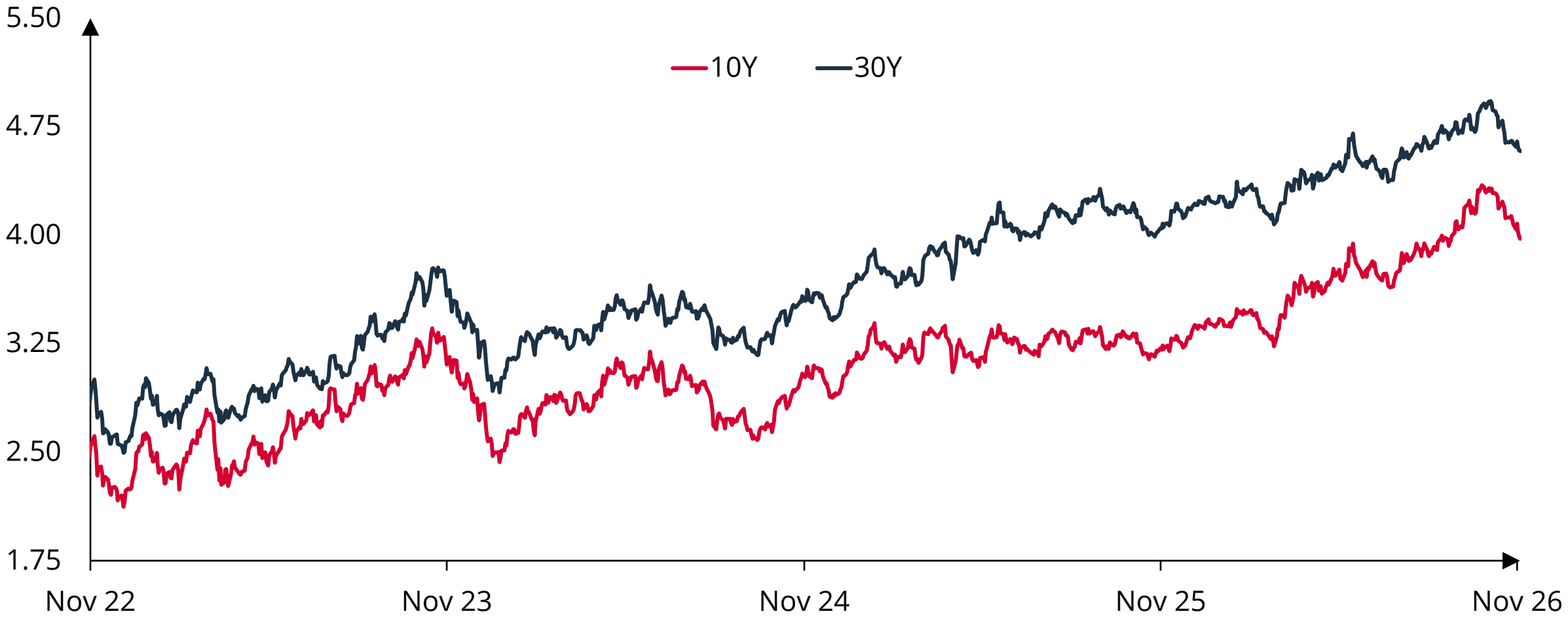
ECB Policy Rate Market Pricing (%)



Source: Bloomberg. As of November 11, 2026.

Long-term bond yields in advanced economies remain elevated.

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



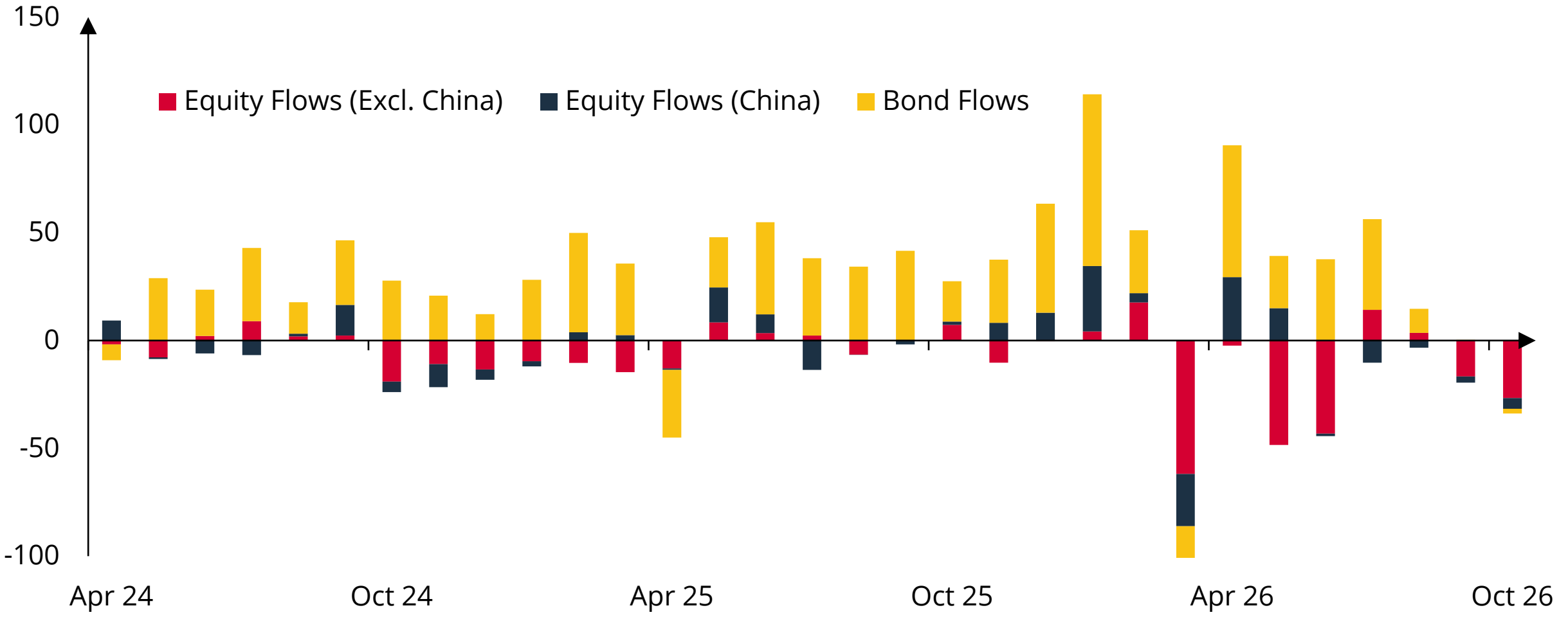
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Source: Bloomberg. As of November 6, 2026.

*Advanced Economies: The USA, Germany, Japan and the United Kingdom.

Volatility in portfolio flows to emerging markets persists.

Portfolio Flows to Emerging Markets (Monthly, Billion USD)

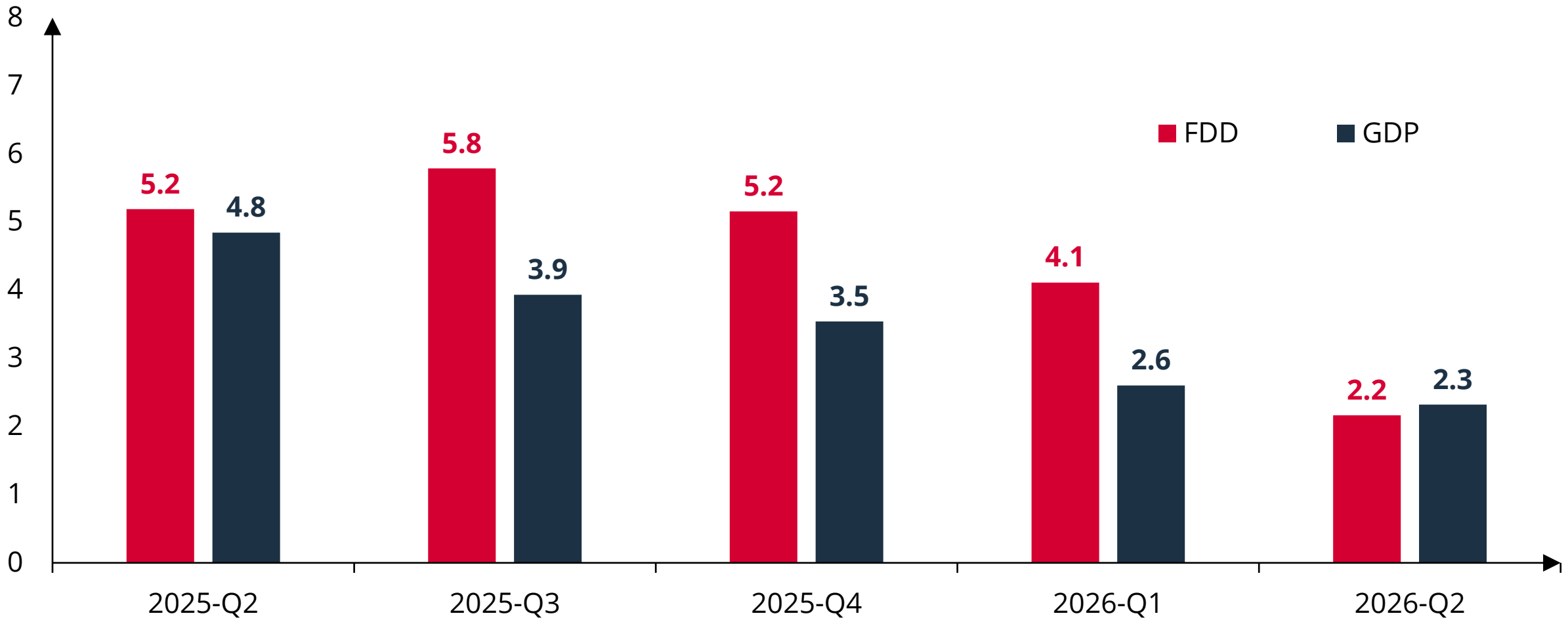


Source: IIF. As of October 2026.

ECONOMIC ACTIVITY

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

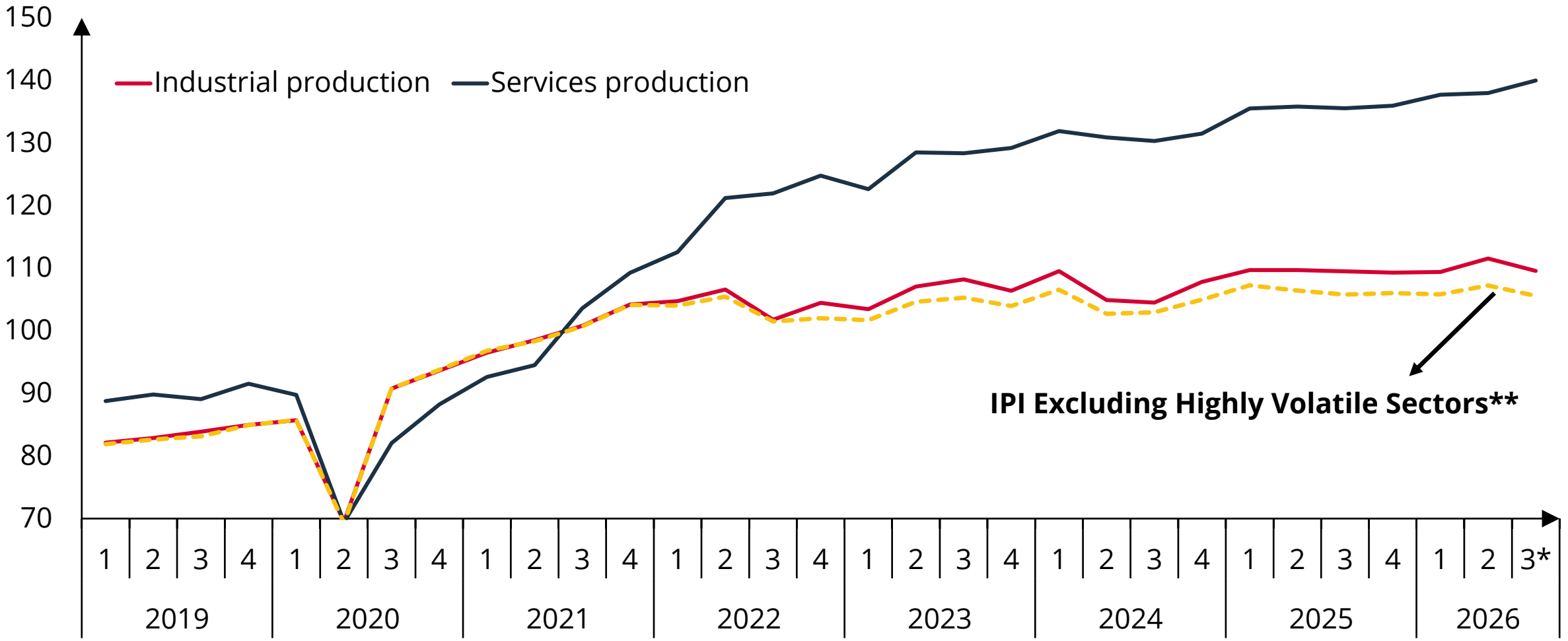
GDP and Final Domestic Demand (FDD) (Annual % Change)



Source: TURKSTAT, CBRT.

In the third quarter, production increased in services while it declined in industry.

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

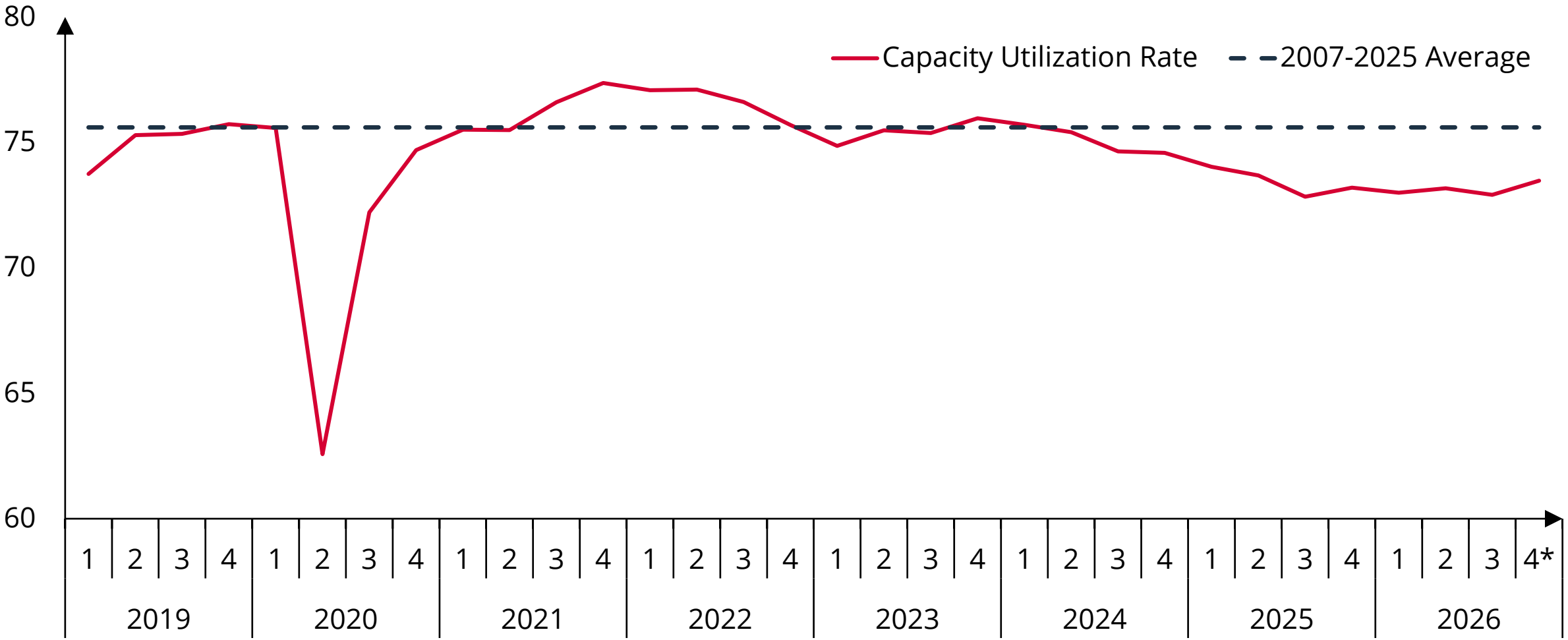


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Source: CBRT, TURKSTAT.
*Services production is as of August.
**Industrial production excluding the typically volatile sectors: recorded media, computer-optics, basic pharmaceuticals and other transportation.

Capacity utilization rate remains below historical averages.

Capacity Utilization Rate* (Seasonally Adjusted, %)



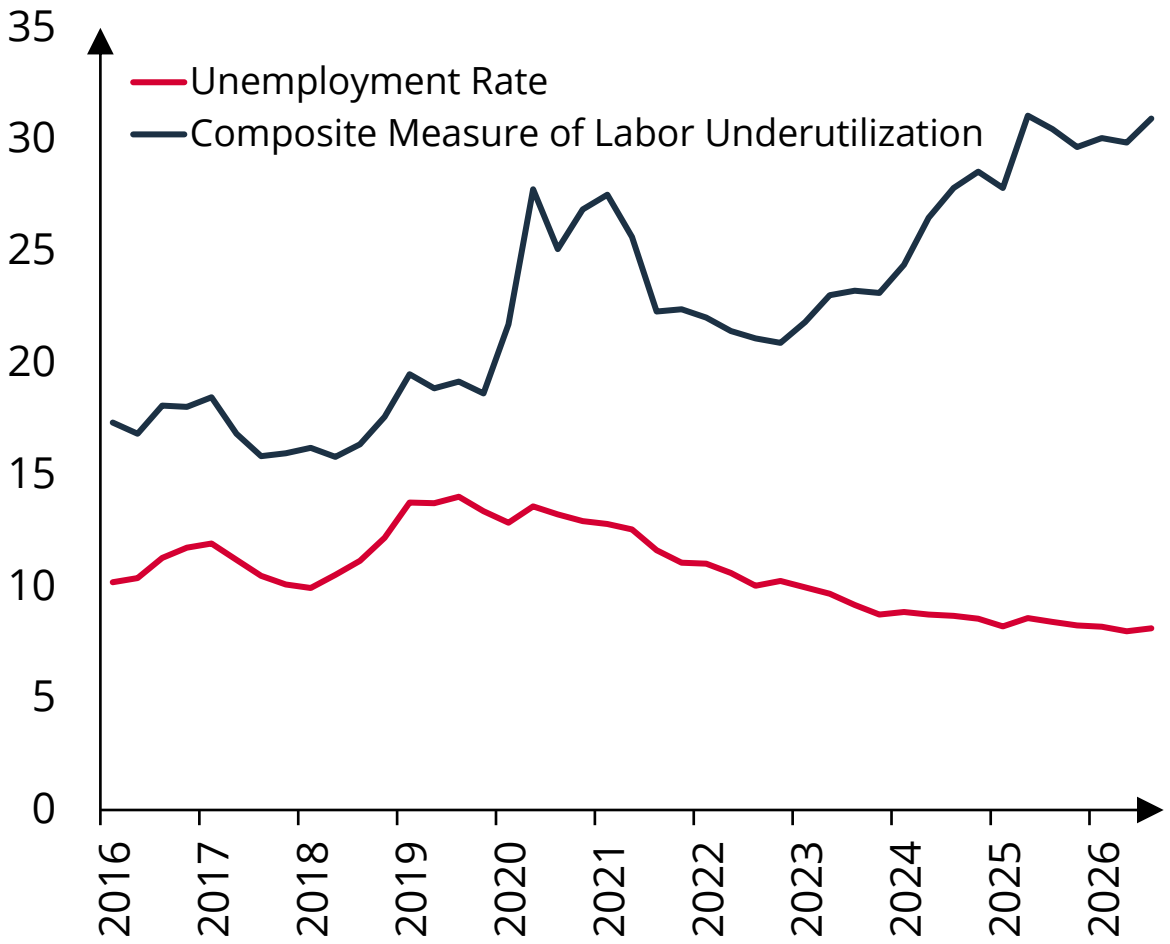
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Source: CBRT.

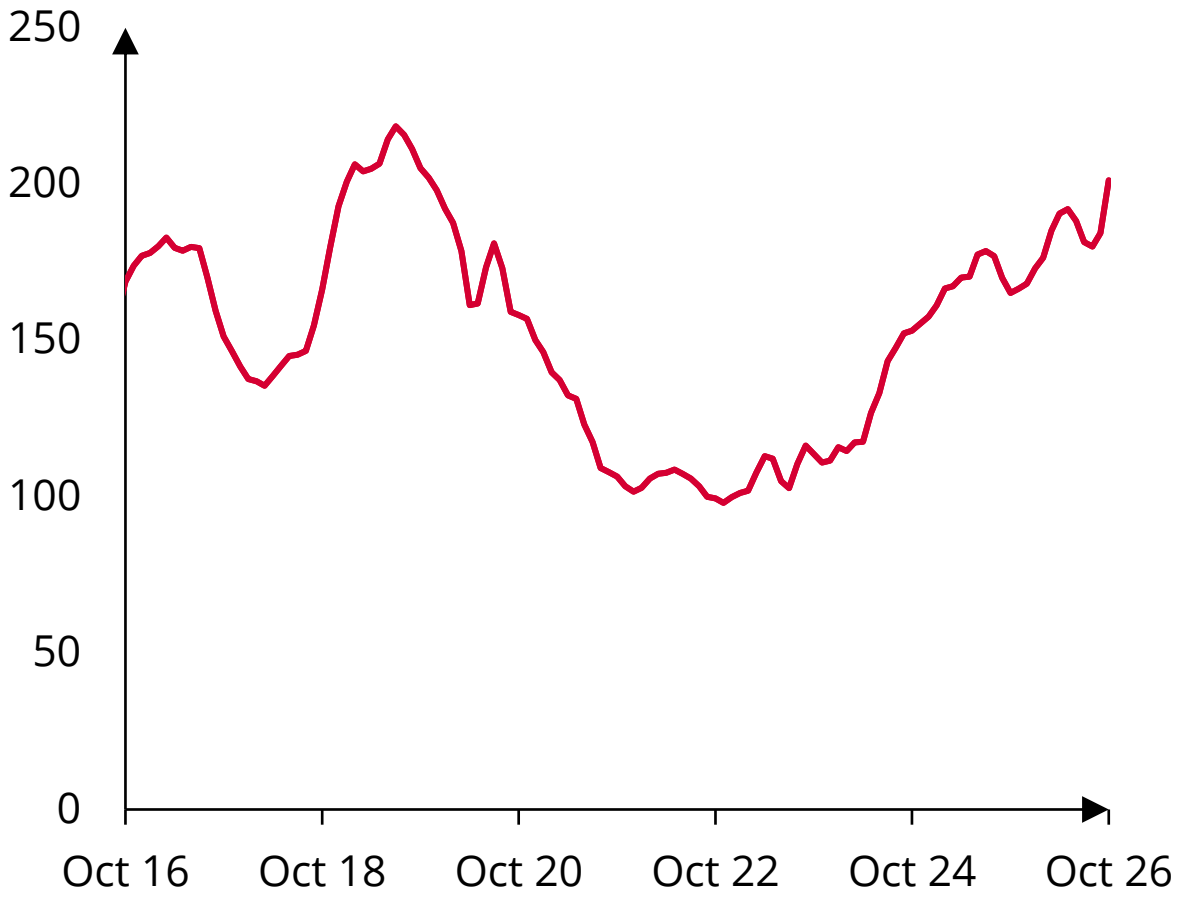
*Manufacture of coke and refined petroleum products is excluded. As of October.

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

Labor Market Indicators
(Seasonally Adjusted, %)



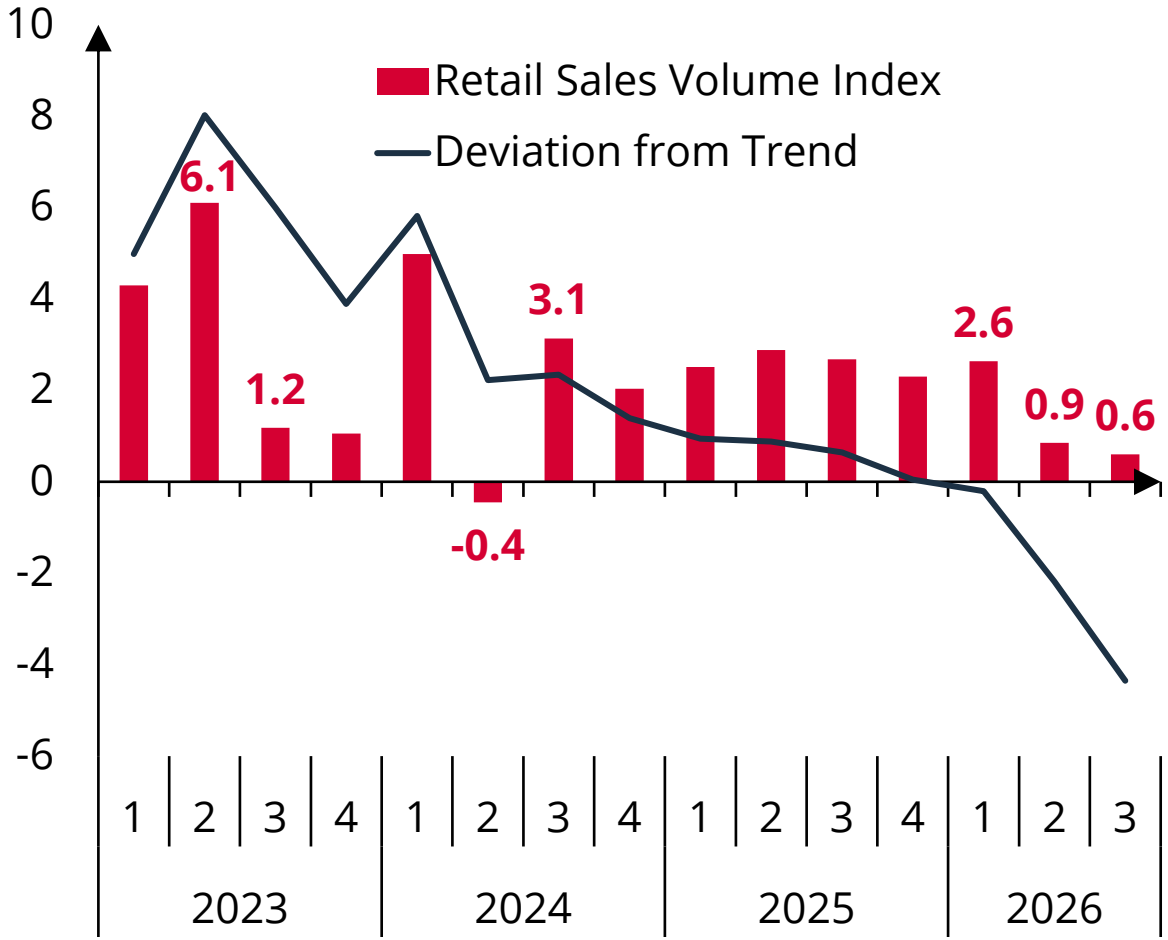
Applications per Job Postings
(Seasonally Adjusted, 3-Month Moving Average)



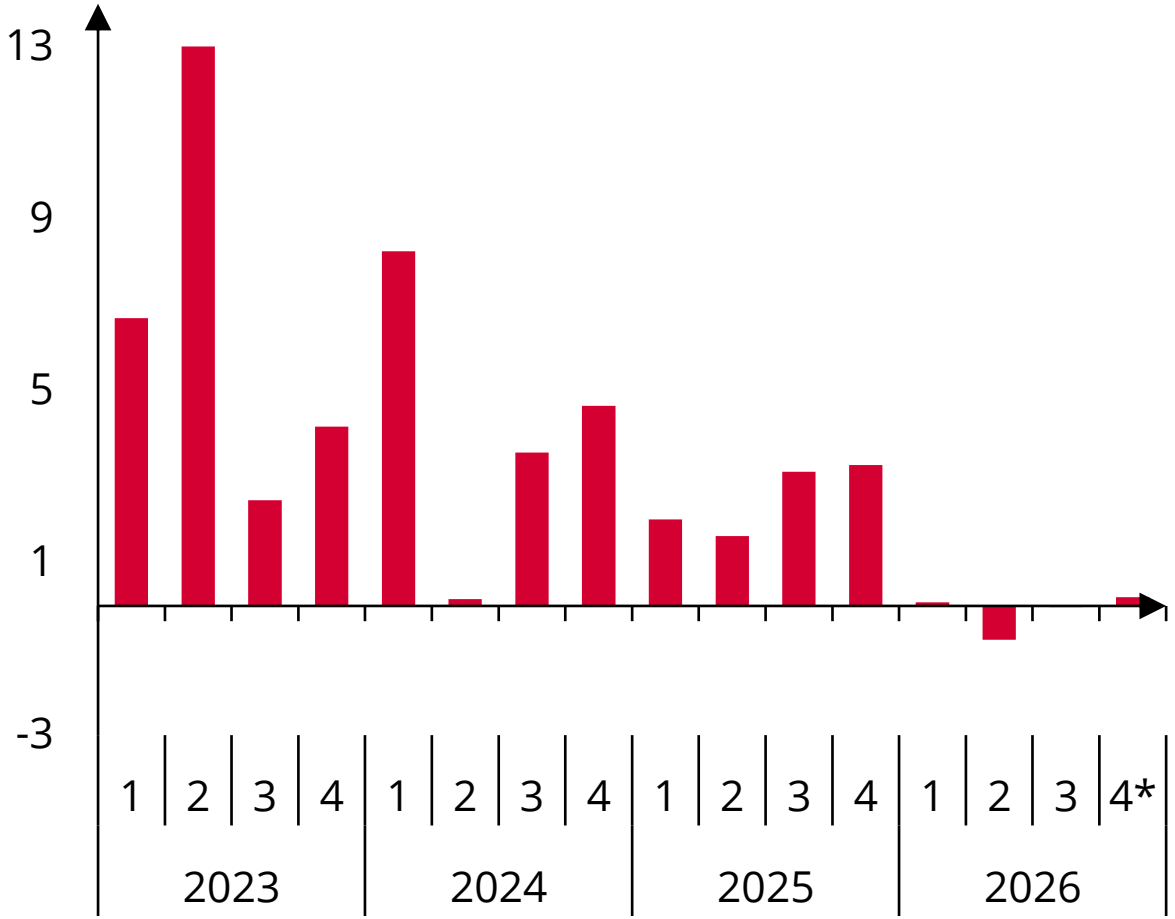
Source: TURKSTAT, Kariyer.net, CBRT.

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)



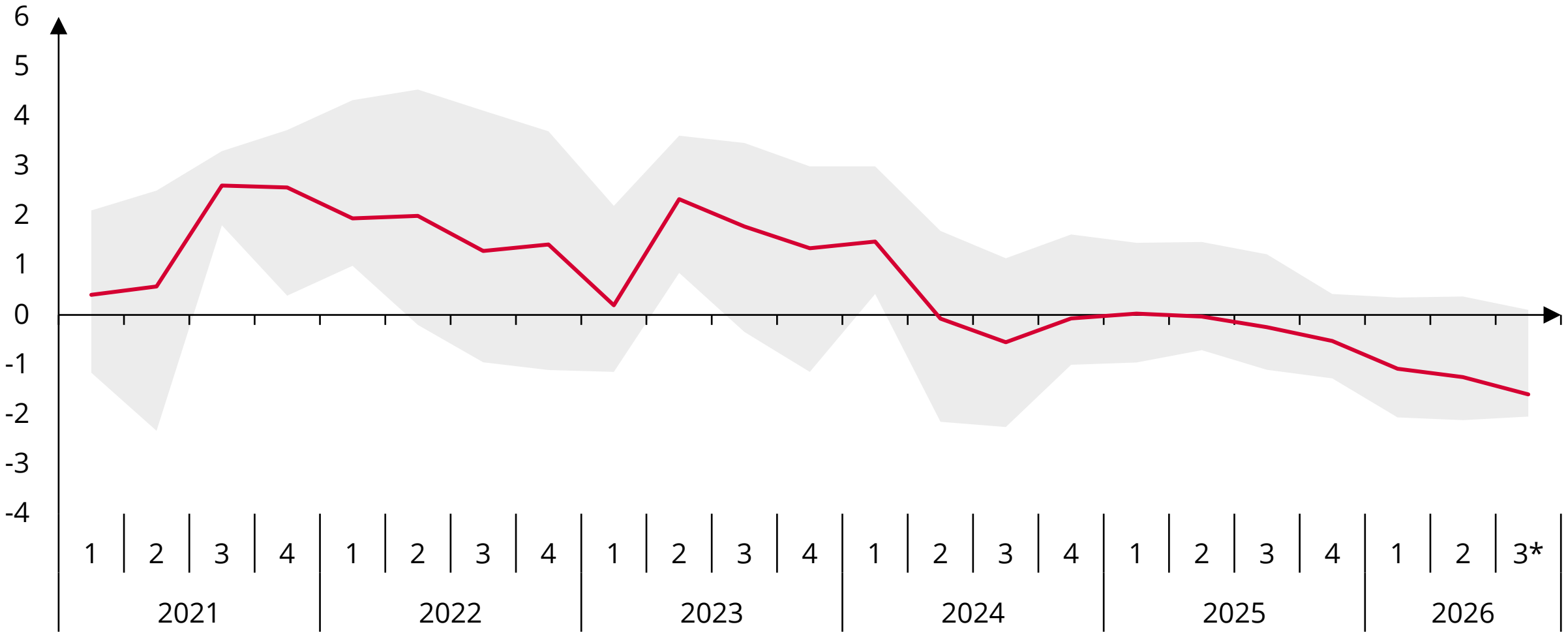
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*Seasonally and calendar adjusted .

**Excluding public and individual pension payments. Seasonally and calendar adjusted. As of October 31, 2026.

Demand conditions are at disinflationary levels.

Output Gap* (%)

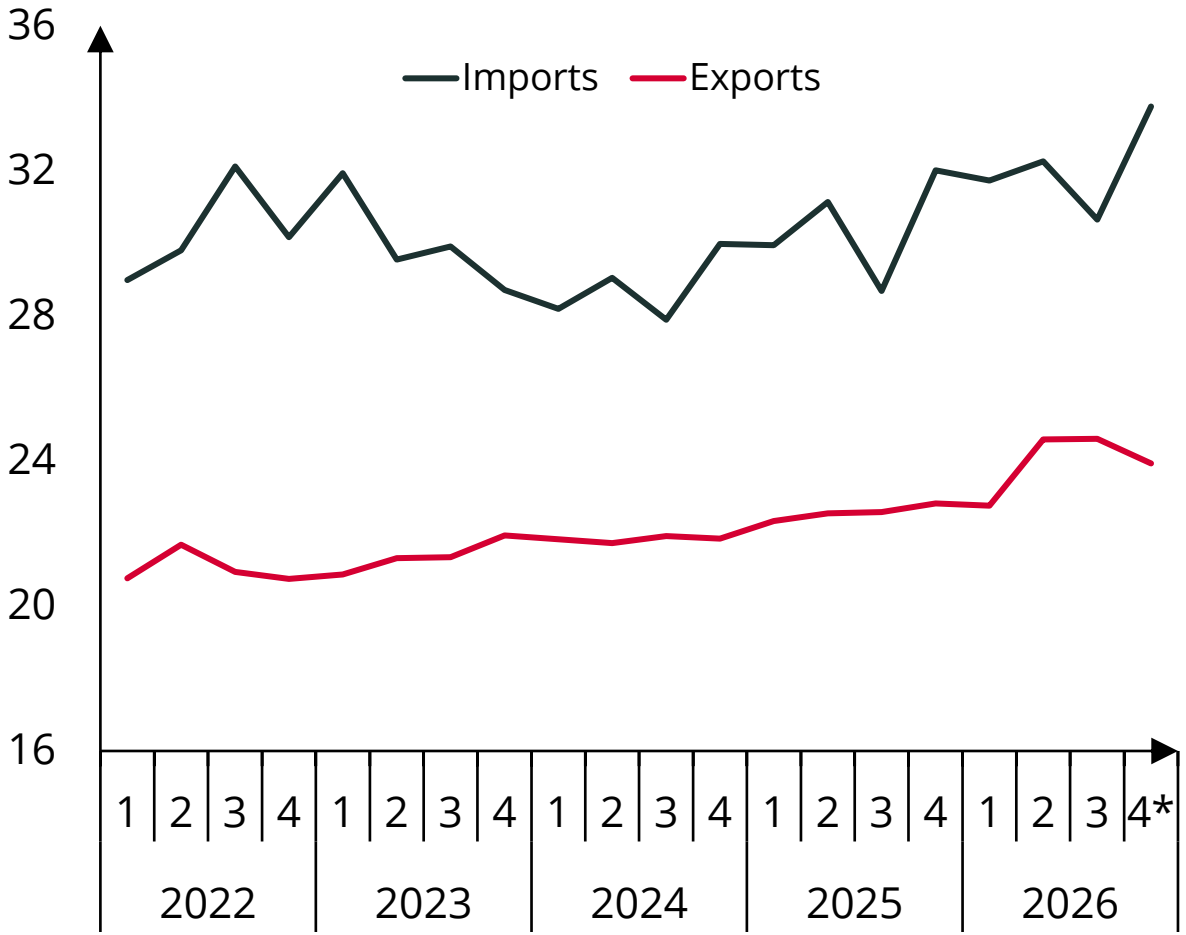


Source: CBRT.

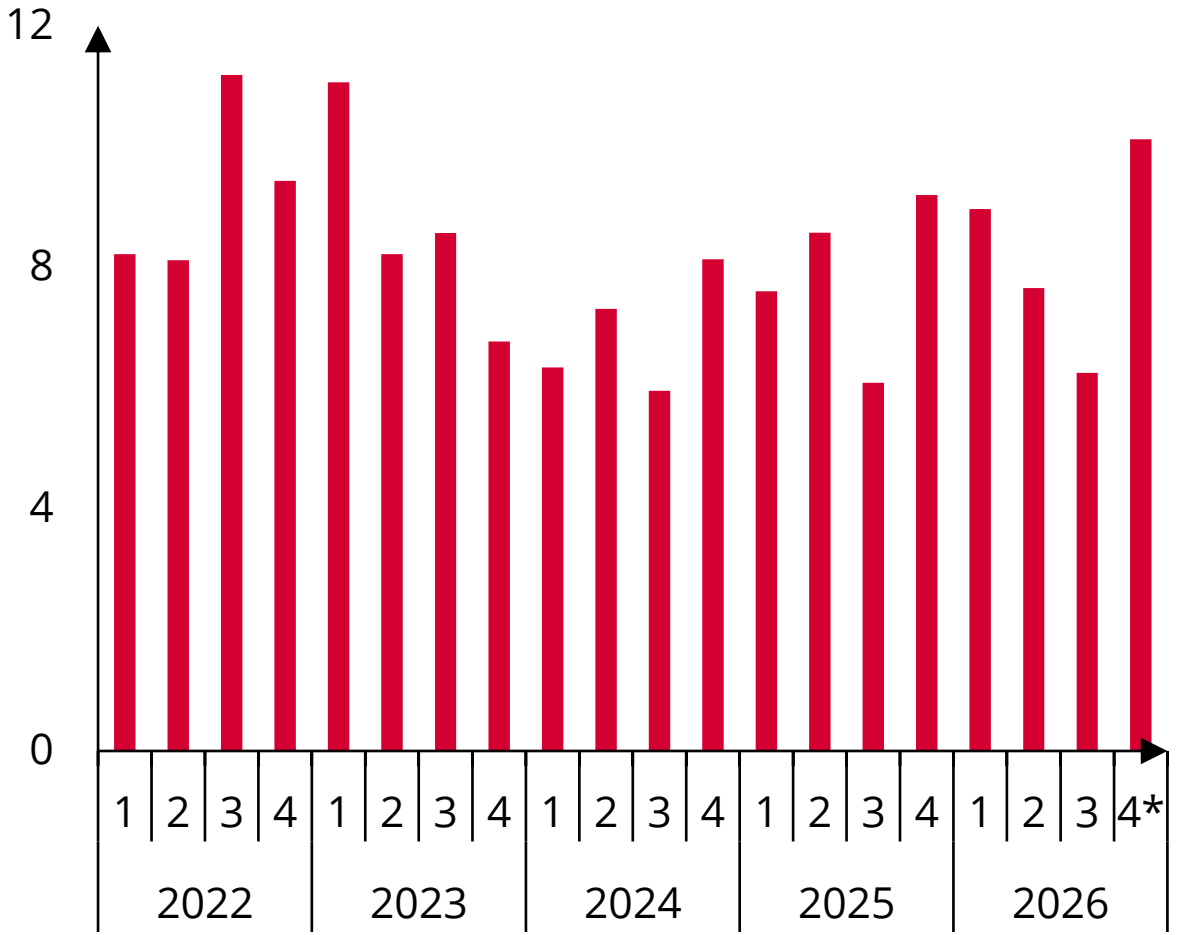
*The dark red line represents the average of output gap estimates calculated using different methods, while the band shows the difference between the lowest and highest estimates for the relevant period. The value for 2026-3 is an estimate.

The foreign trade deficit widened in October due to higher energy prices.

Exports and Imports*
(Average, Billion USD, Seasonally Adjusted)



Foreign Trade Deficit*
(Average, Billion USD, Seasonally Adjusted)



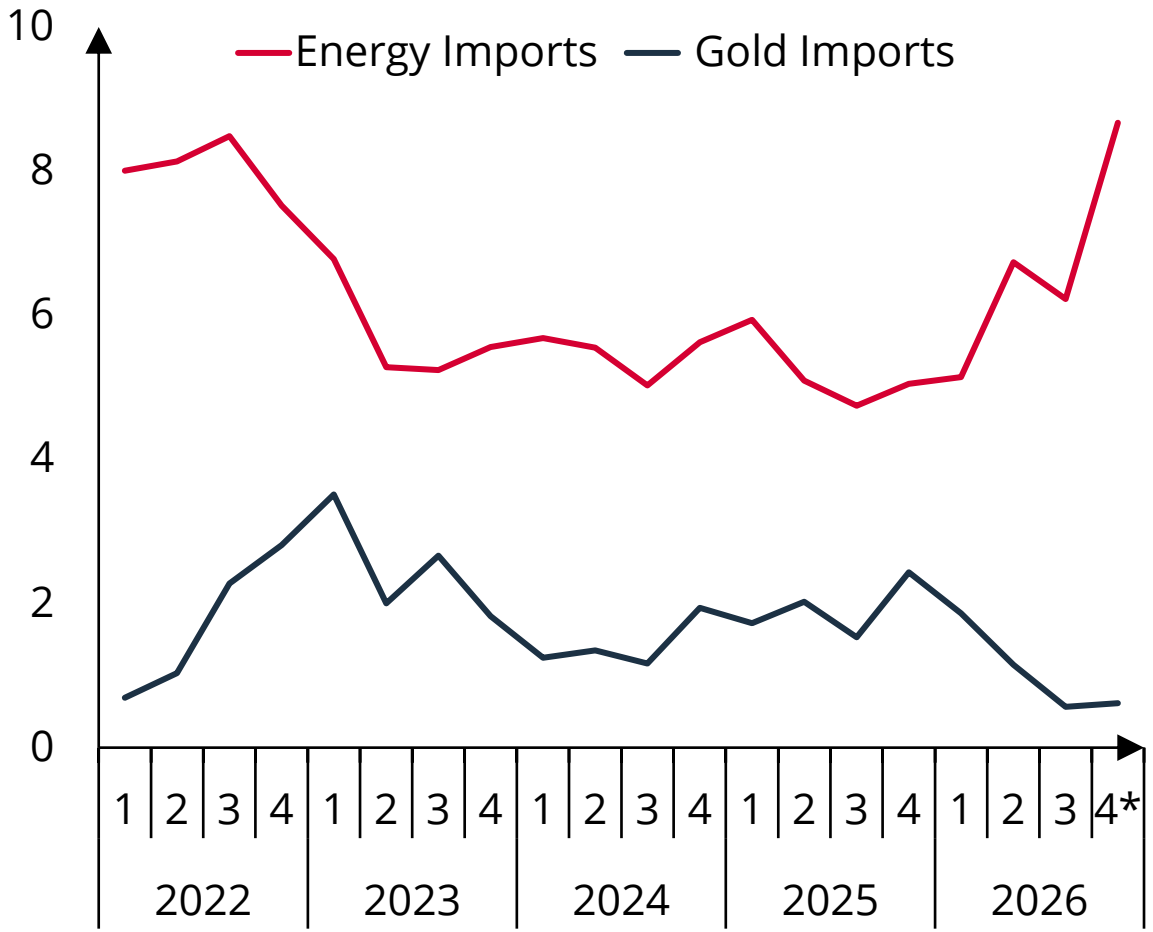
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Sources: TURKSTAT, Ministry of Trade, CBRT.

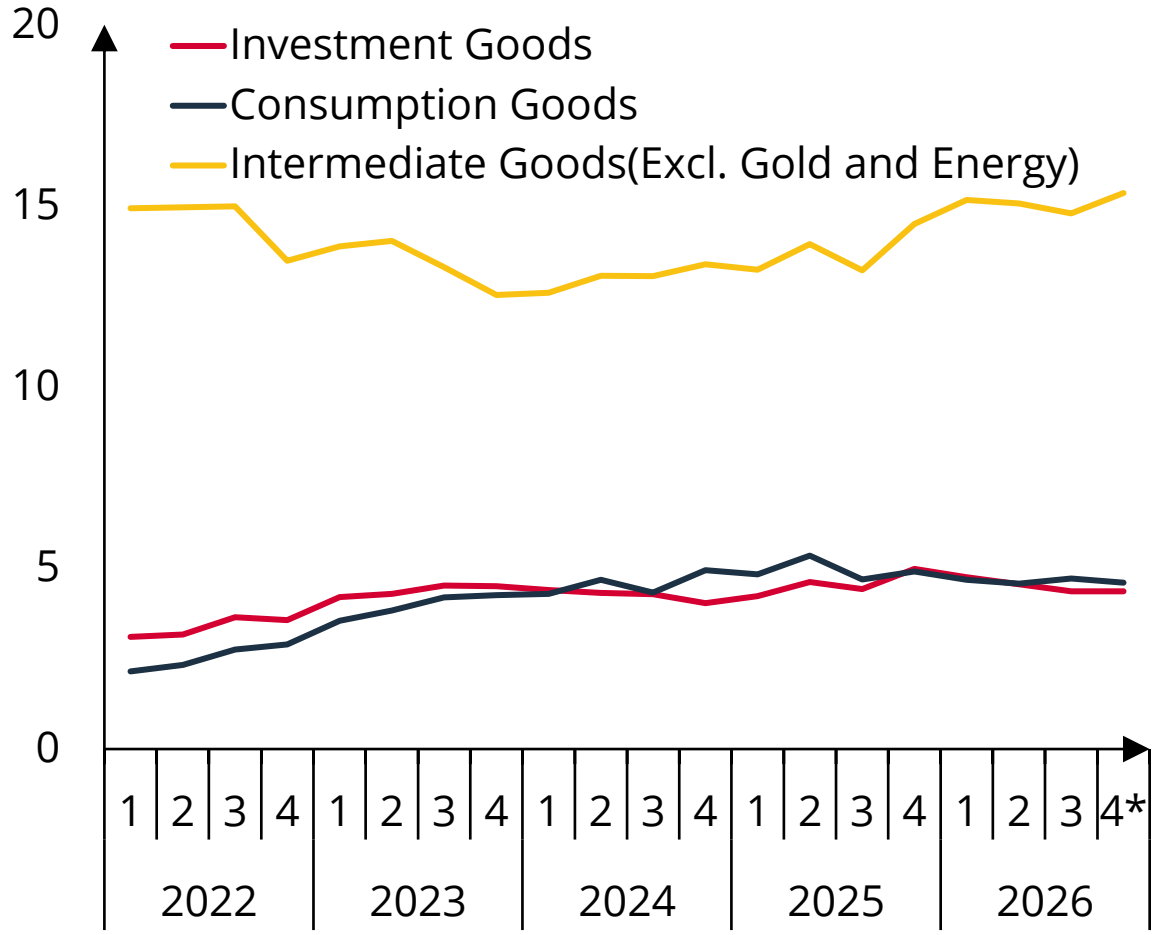
*Figures show average monthly values for the respective quarters. The October data is a monthly figure based on the Ministry of Trade's provisional data.

Imports excluding gold and energy remains relatively flat.

Gold and Energy Imports
(Average, Billion USD, Seasonally Adjusted)



Imports Excluding Gold and Energy
(Average, Billion USD, Seasonally Adjusted)



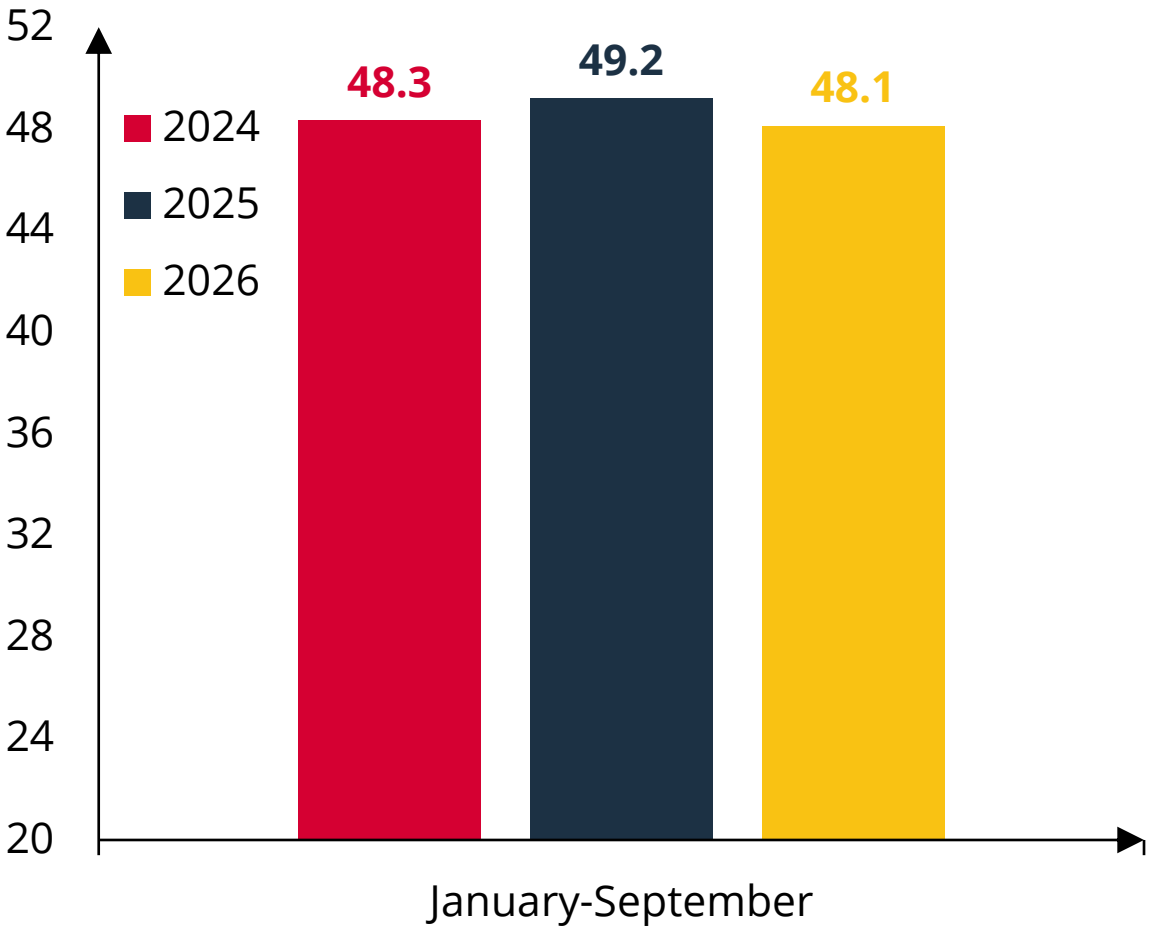
TÜRKİYE CUMHURİYET MERKEZ BANKASI

Sources: TURKSTAT, Ministry of Trade, CBRT.

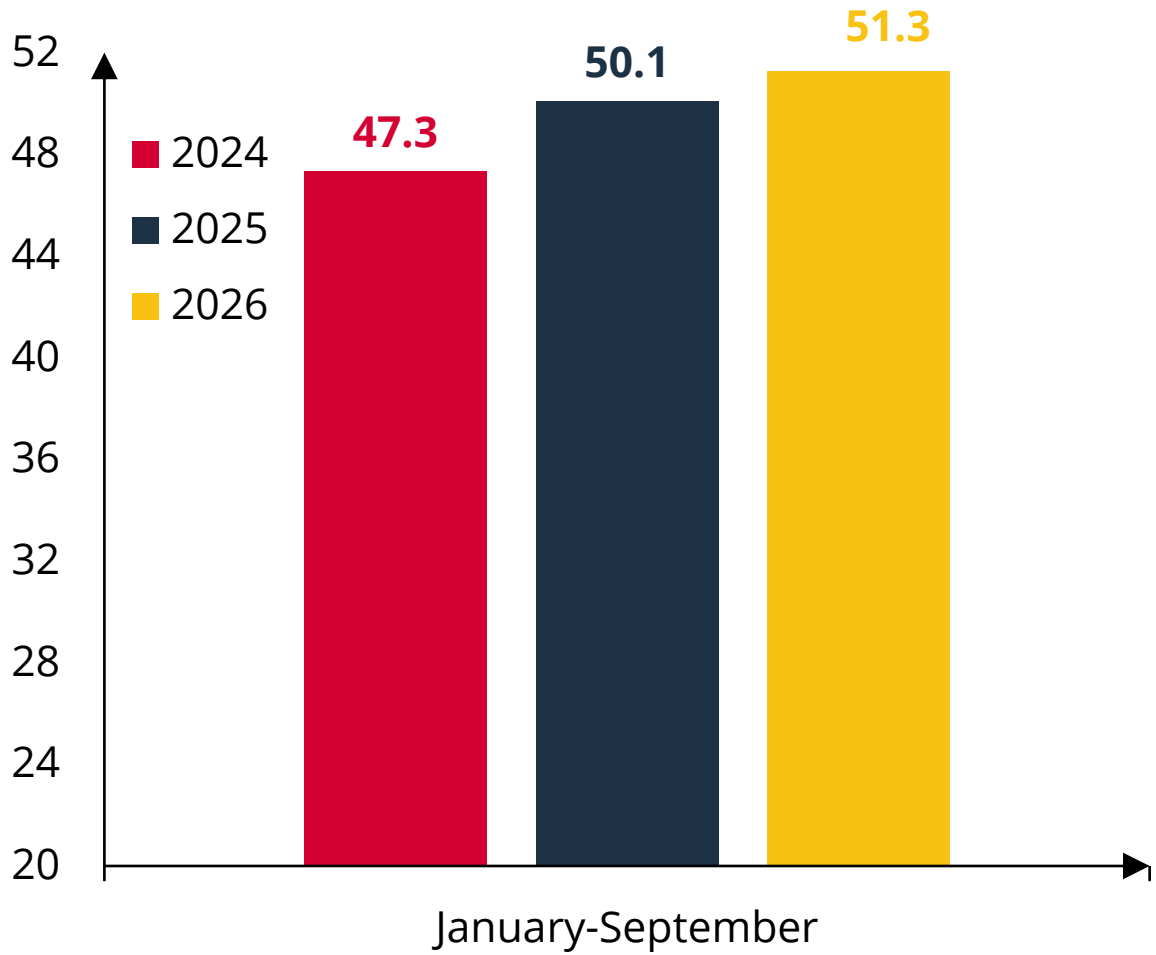
*2026-Q4 as of October.

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

Number of Visitors
(January-September, Total, Million People)



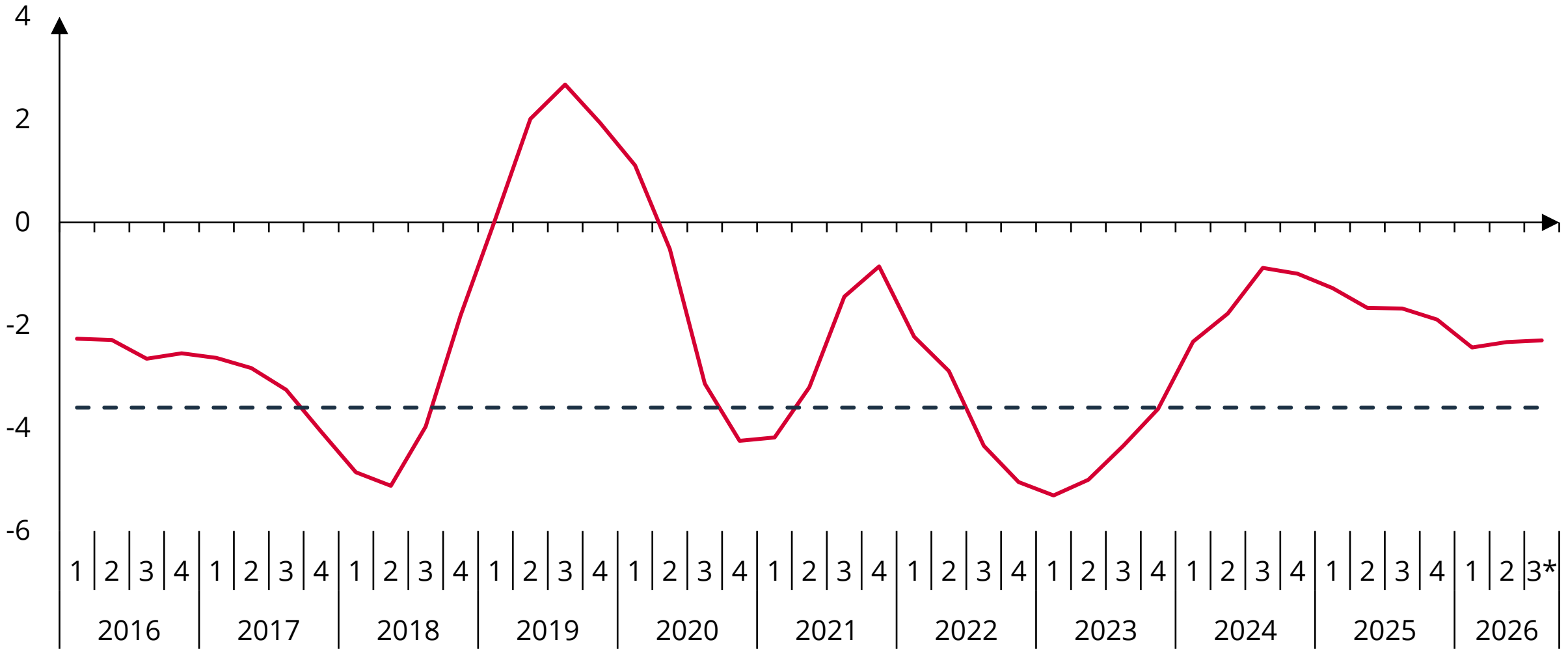
Tourism Revenues
(January-September, Total, Billion US Dollars)



Source: TURKSTAT, CBRT.

Current account deficit remains flat despite geopolitical developments.

Current Account Balance/GDP* (%)



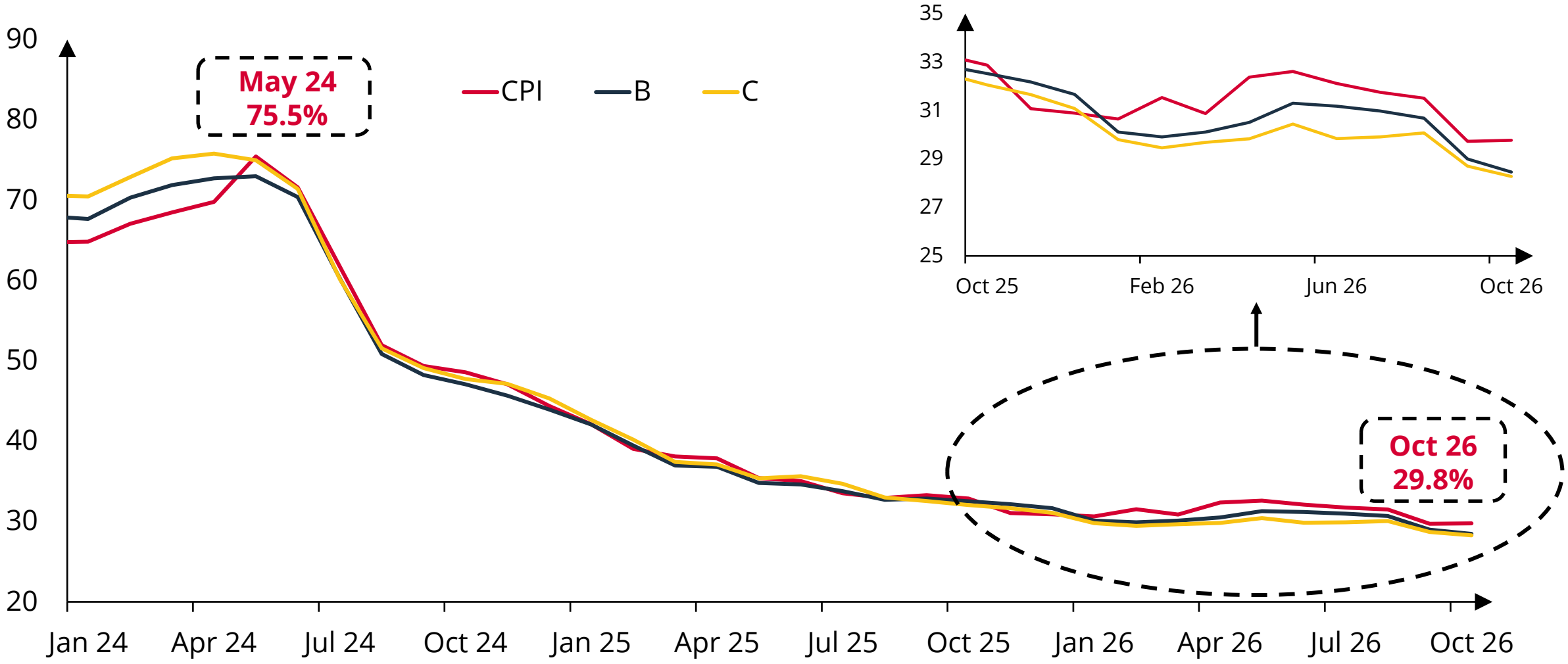
Source: CBRT, TURKSTAT.

*The dashed line represents the 2005-2025 average. 2026-Q3 is an estimate.

INFLATION

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

CPI and Core Indicators* (Annual % Change)



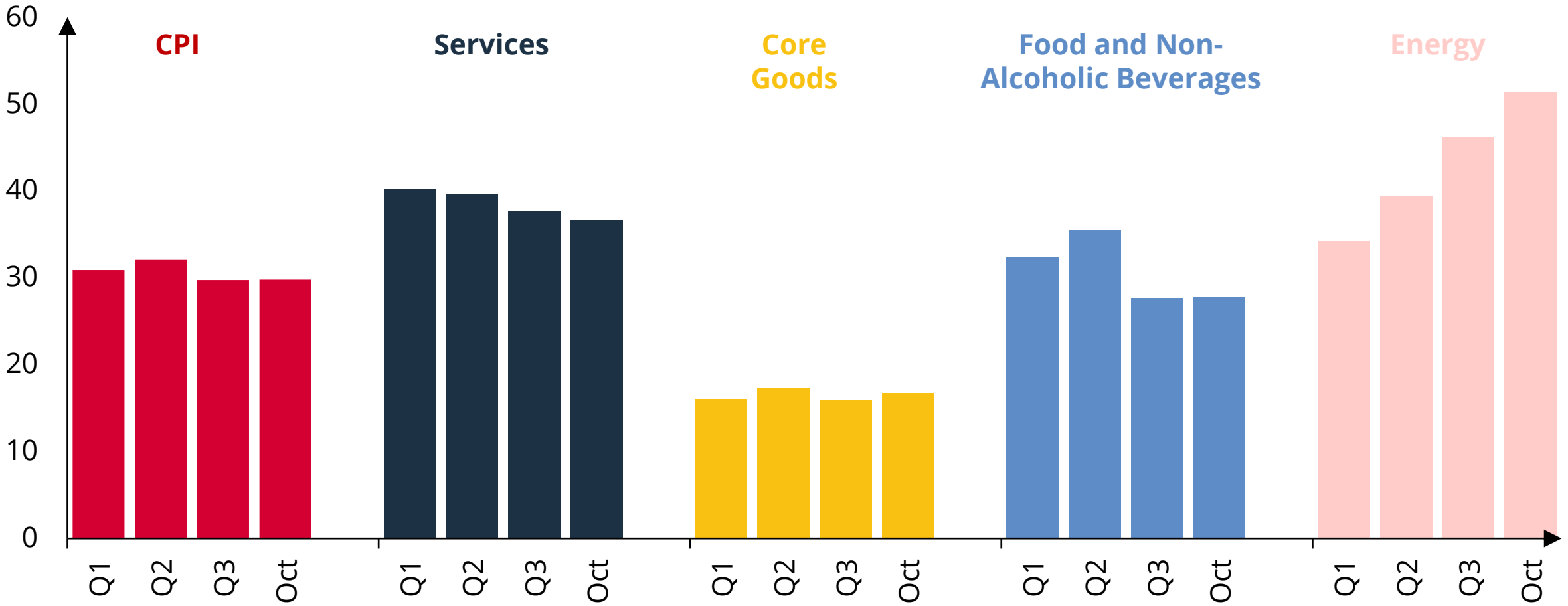
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Source: TURKSTAT.

*B Index: CPI excluding energy, unprocessed food, alcoholic beverages-tobacco and gold.
C Index: CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages-tobacco and gold.

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

Annual Inflation* (2026)

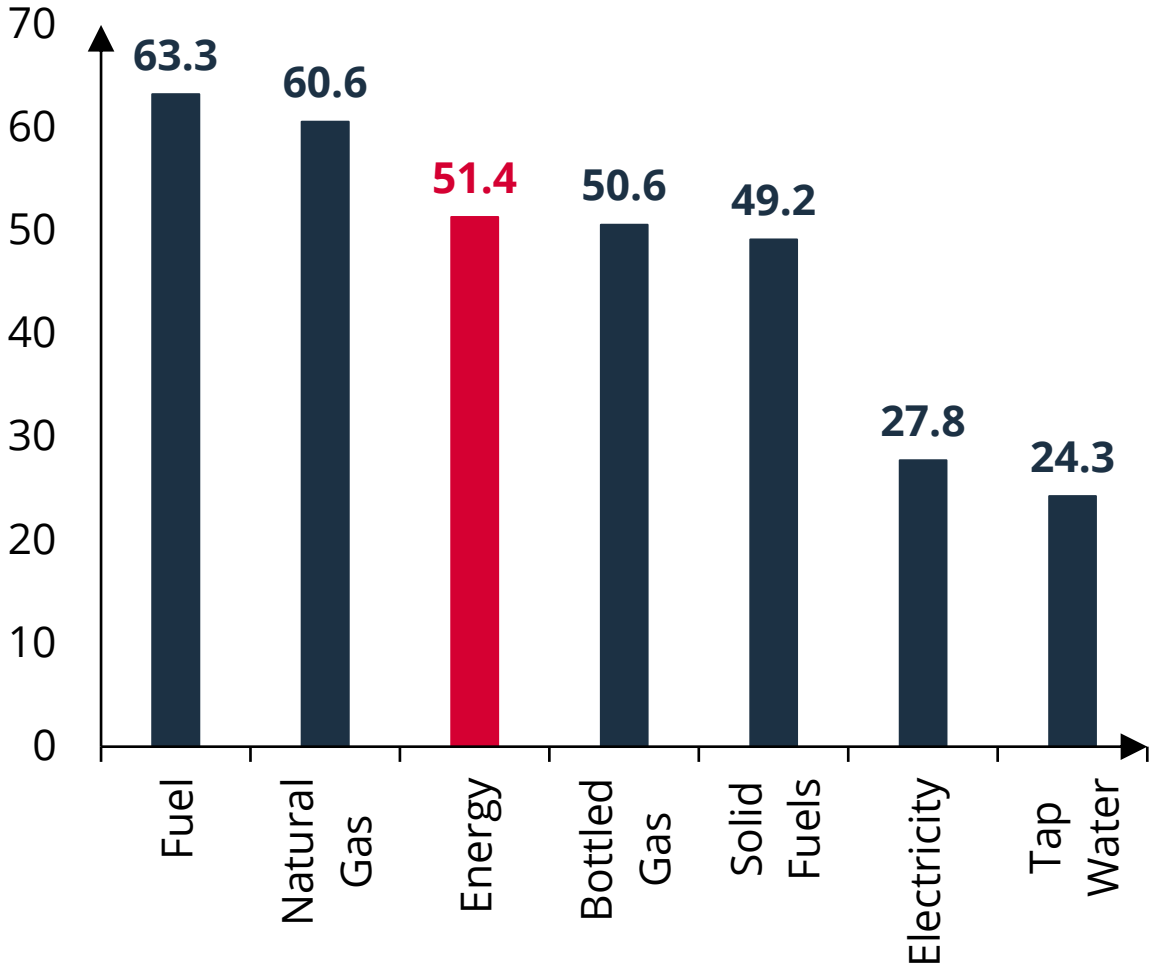


Source: TURKSTAT.

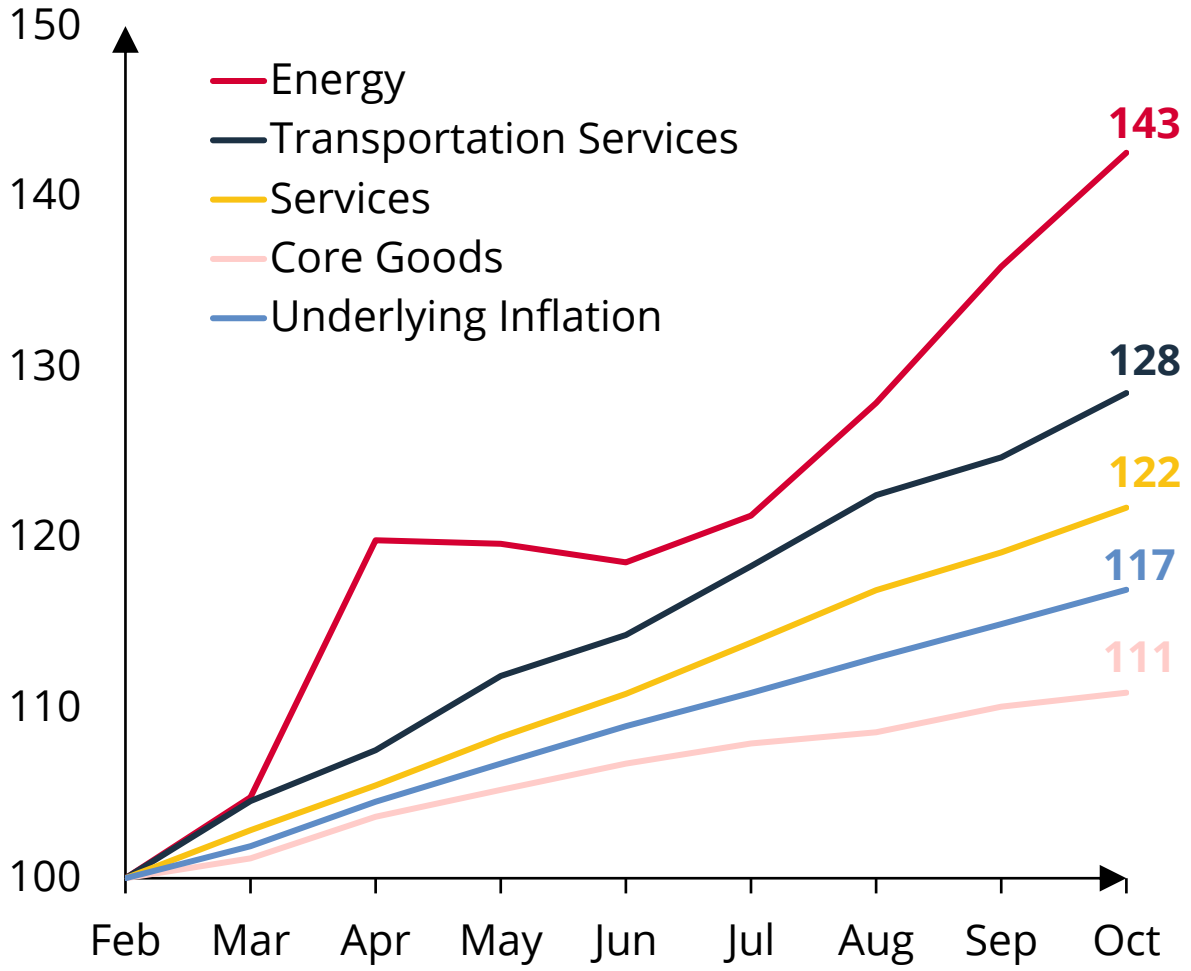
*Q1, Q2 and Q3 values refer to annual inflation at the end of each quarter.

Supply shocks' effects on the inflation outlook are closely monitored.

CPI Energy Prices (Annual % Change, October 2026)



Price Indices* (Seasonally Adjusted, February 2026=100)



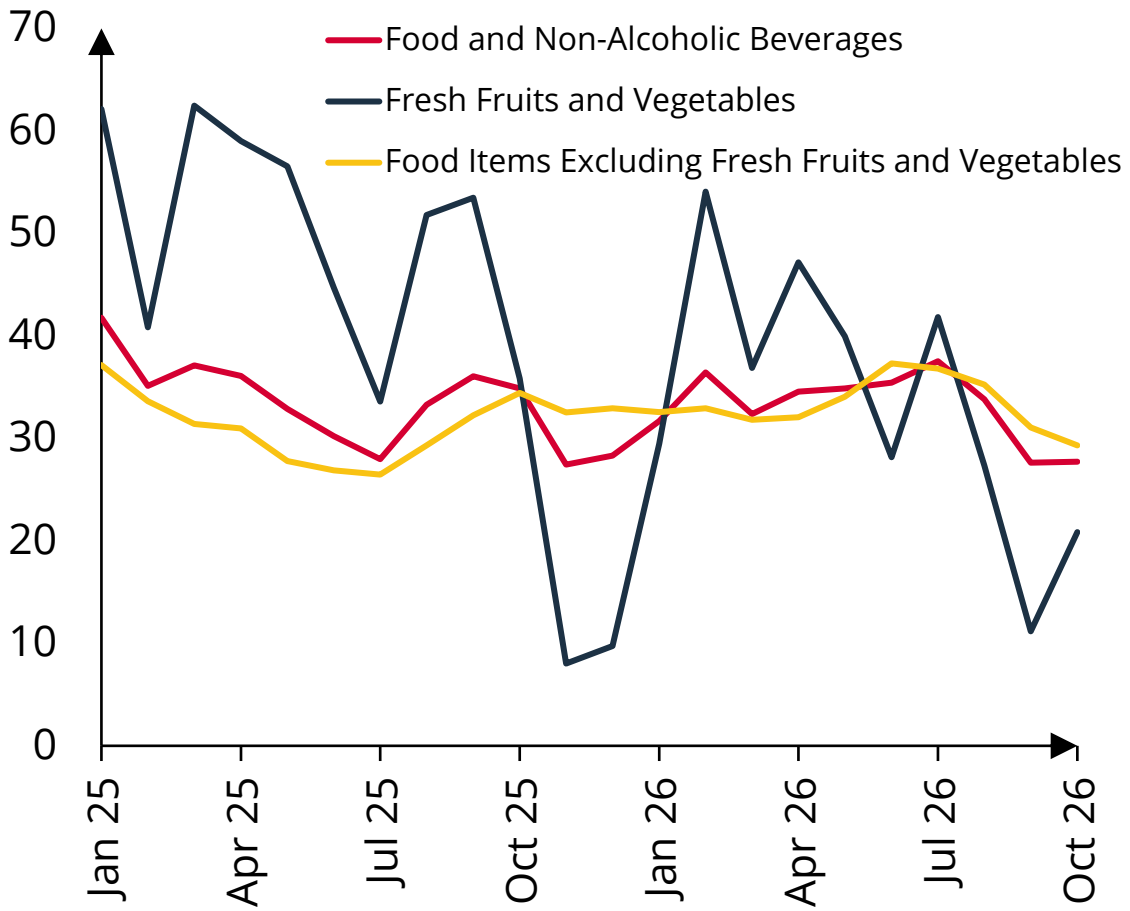
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Source: CBRT, TURKSTAT.

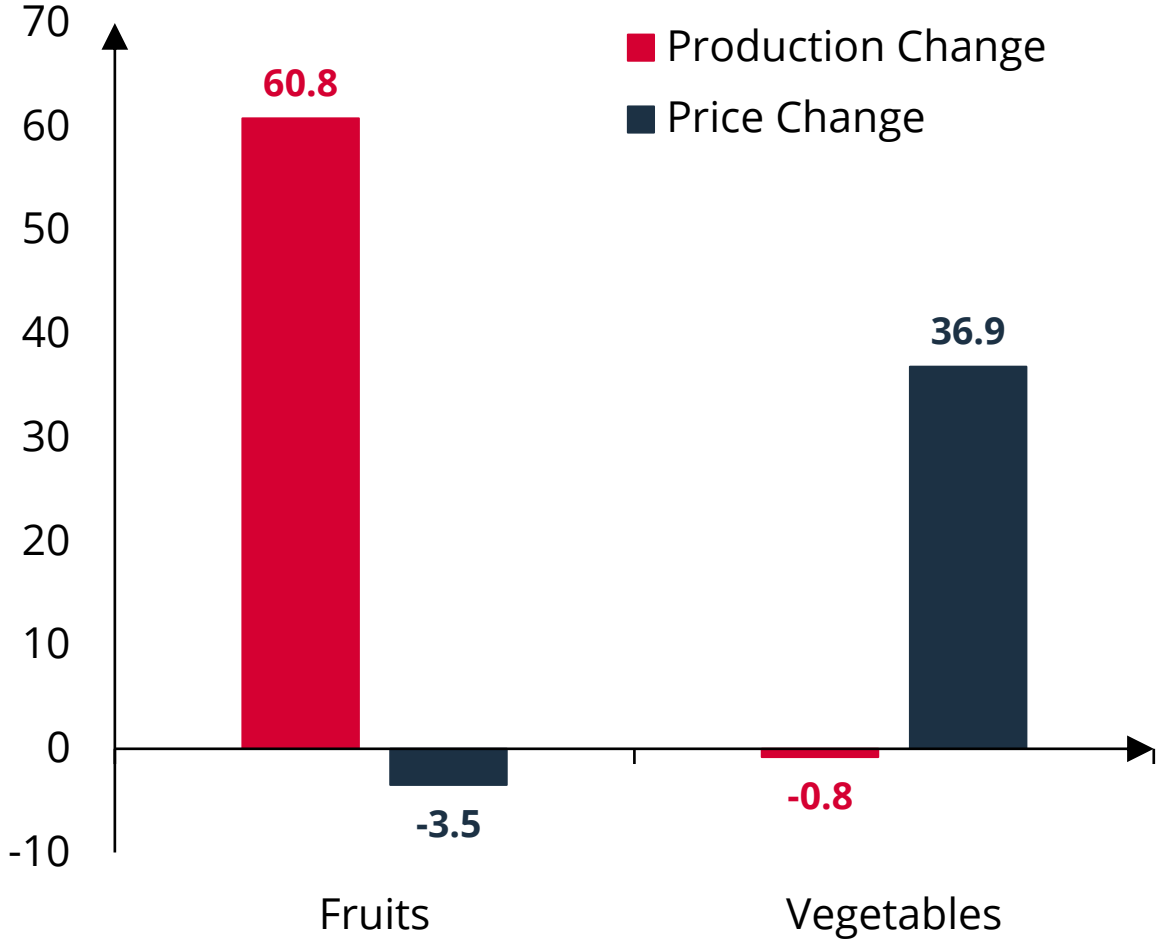
*No seasonal effect in energy group. Underlying inflation is the average of six different indicators.

Although food inflation has eased due to improvements in supply conditions, it remains volatile.

Food and Non-Alcoholic Beverage Prices
(Annual % Change)



Fruits and Vegetables: Production Volume and Prices*
(2026, Annual % Change)



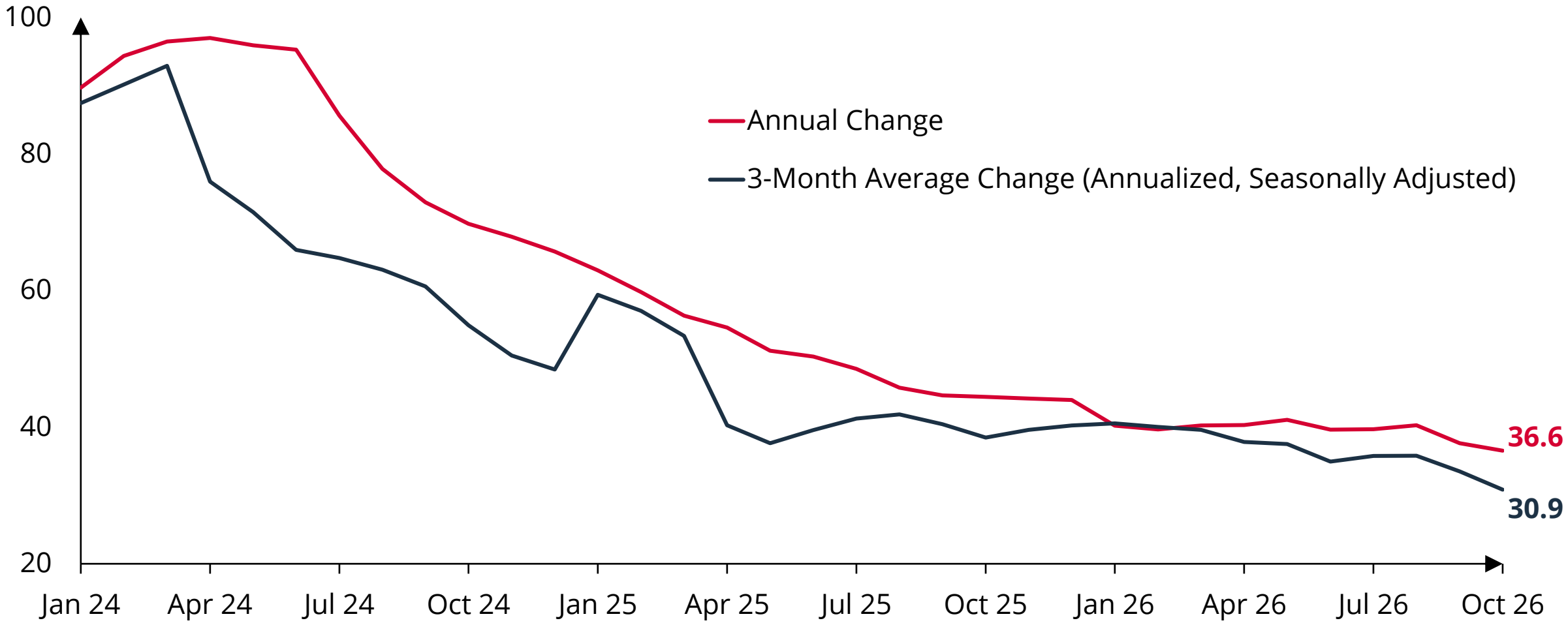
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Source: TURKSTAT, CBRT.

*The prices reflect the annual change as of October 2026, while the production quantities represent the change in the second crop production forecasts for 2026 compared to the actual figures for 2025.

Disinflation continues in the services sector.

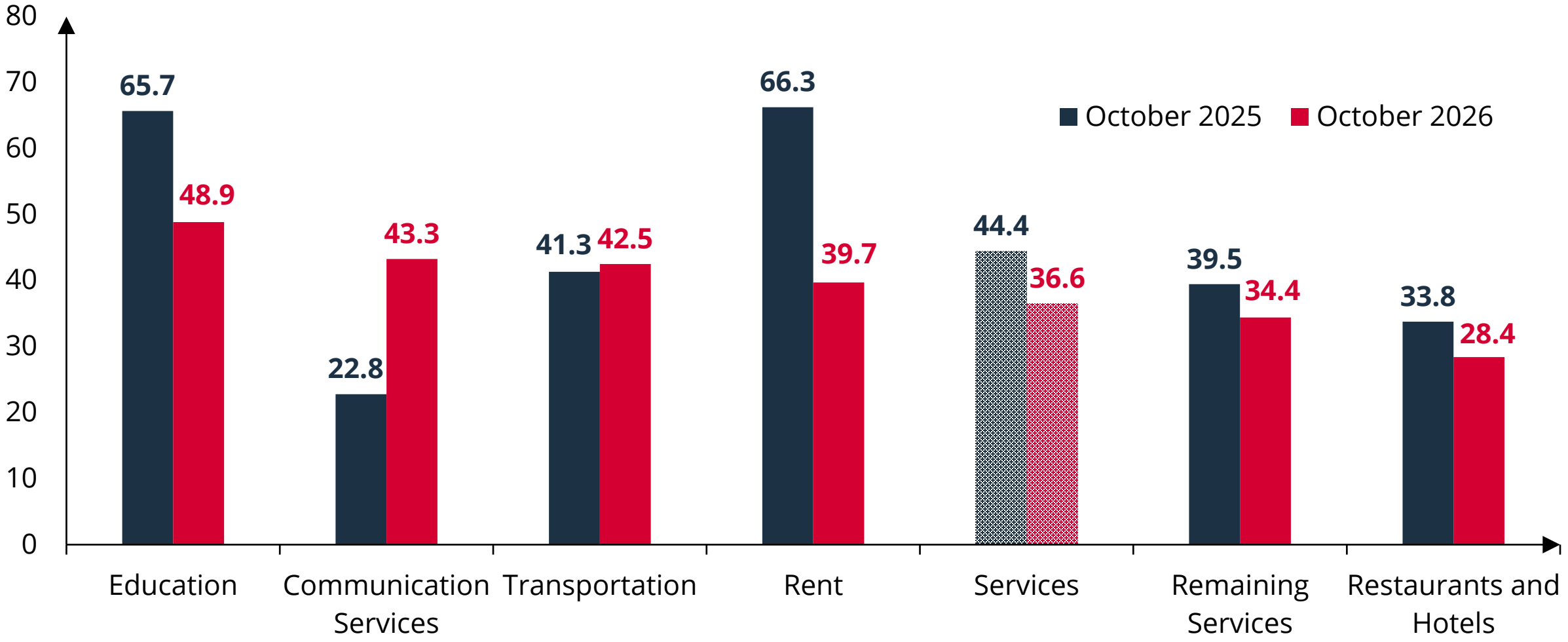
Services Prices (%)



Source: TURKSTAT, CBRT.

Divergence is observed within the sub-items of the services group.

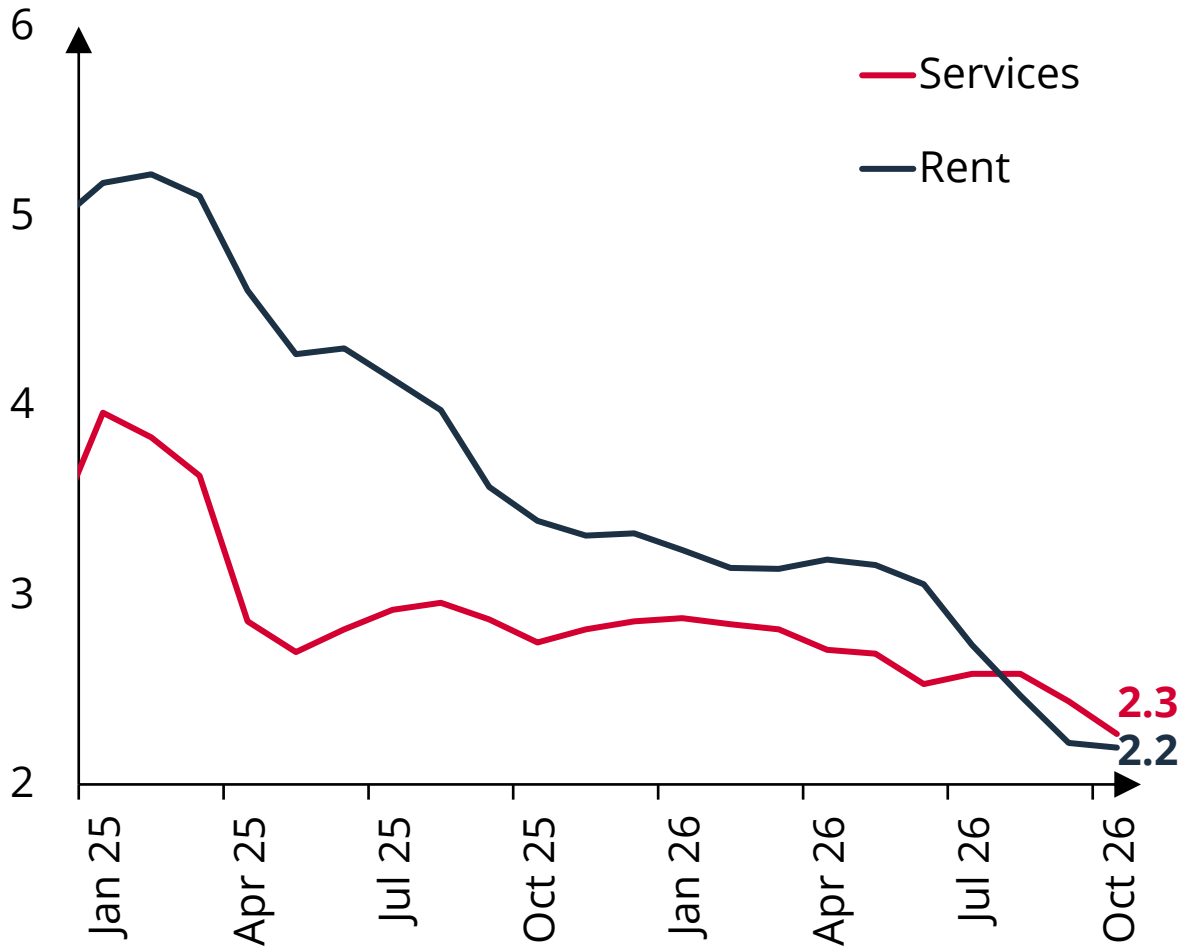
Services Prices (Annual % Change)



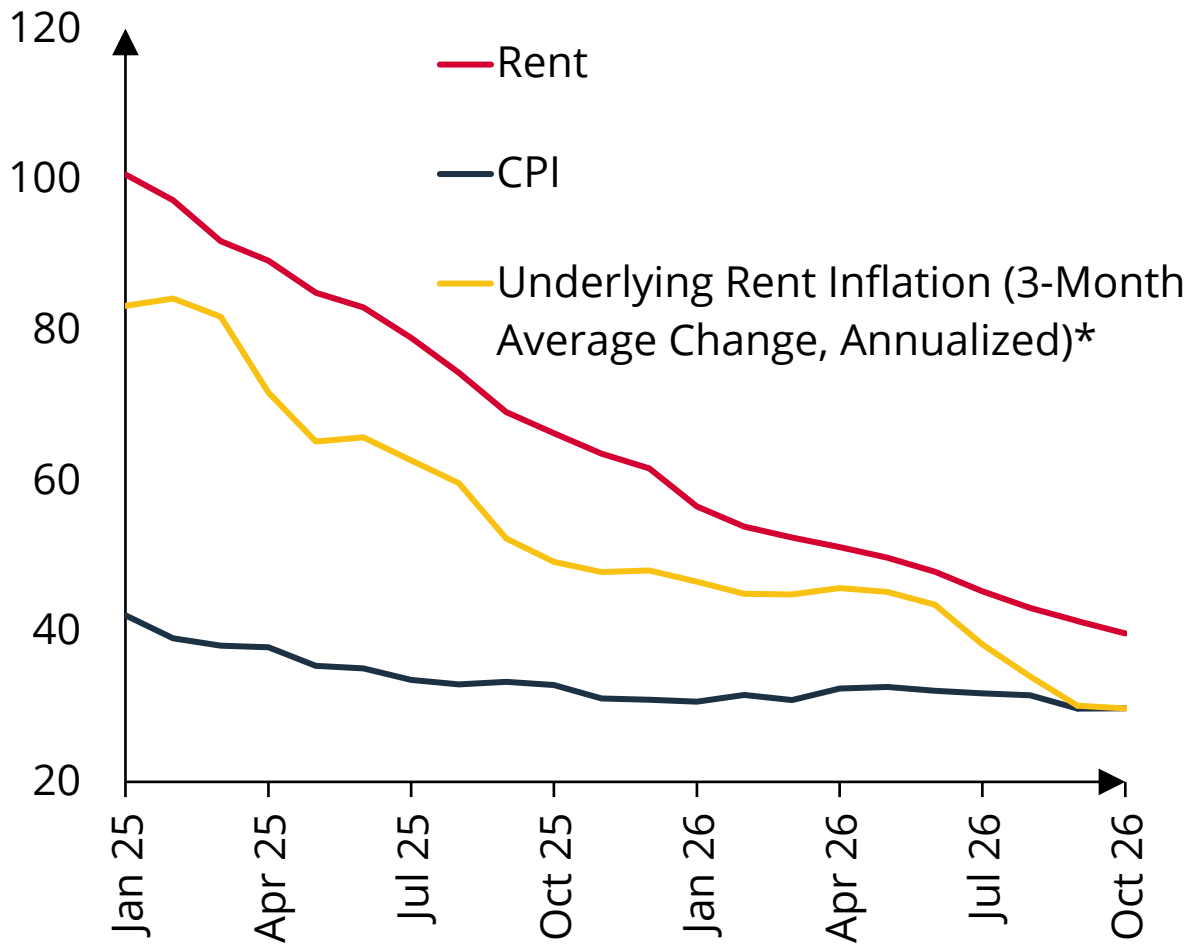
Source: TURKSTAT, CBRT.

The deceleration trend in rent inflation is becoming more pronounced.

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



Rent and CPI
(Annual % Change)



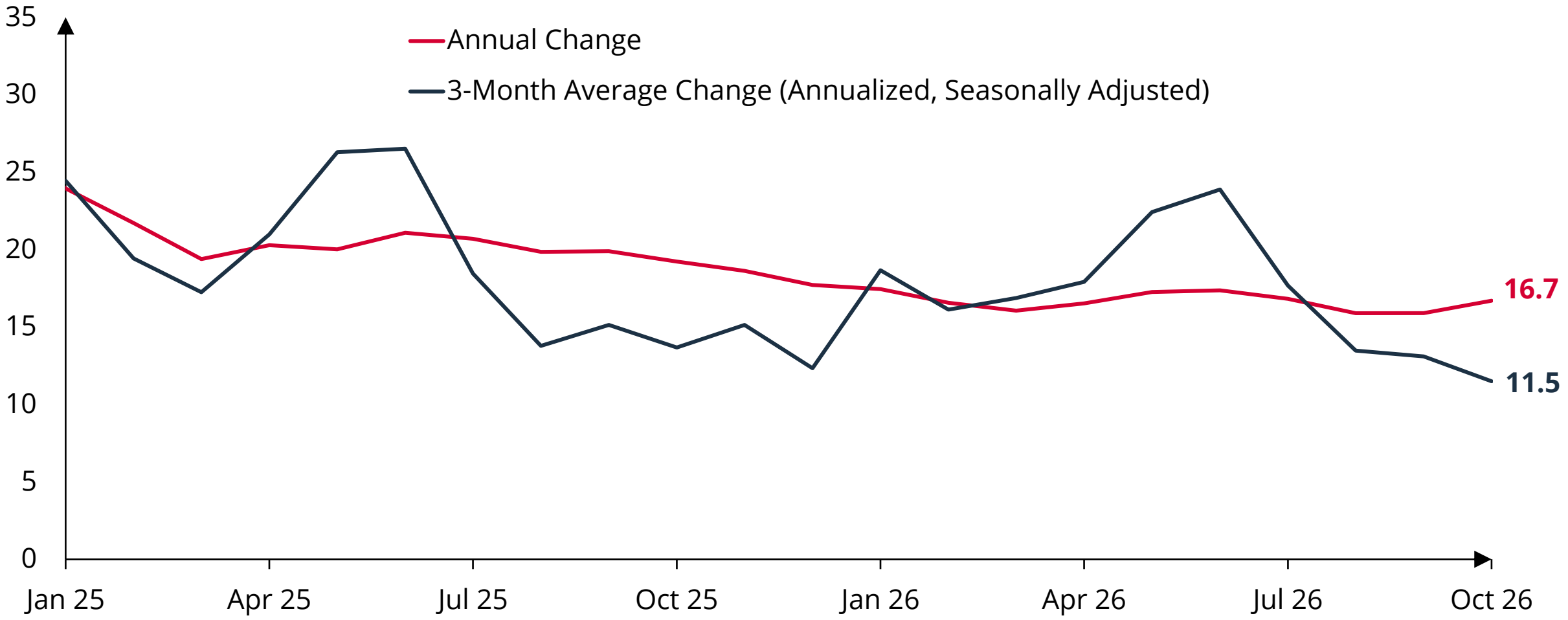
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Source: TURKSTAT, CBRT.

*Calculated using seasonally adjusted monthly rent inflation.

The slowdown in demand conditions is supporting disinflation in core goods.

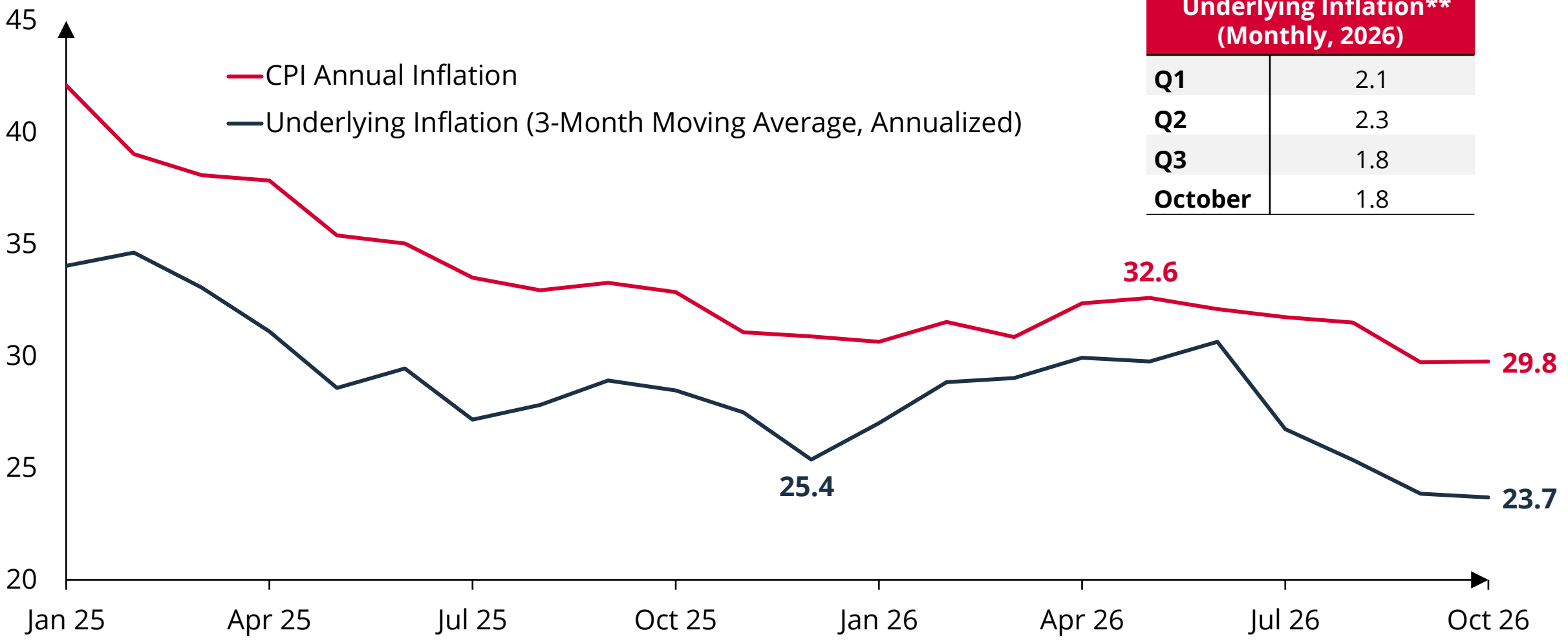
Core Goods Prices (%)



Source: TURKSTAT, CBRT.

The underlying inflation has declined.

CPI Inflation and Underlying Inflation* (% Change)



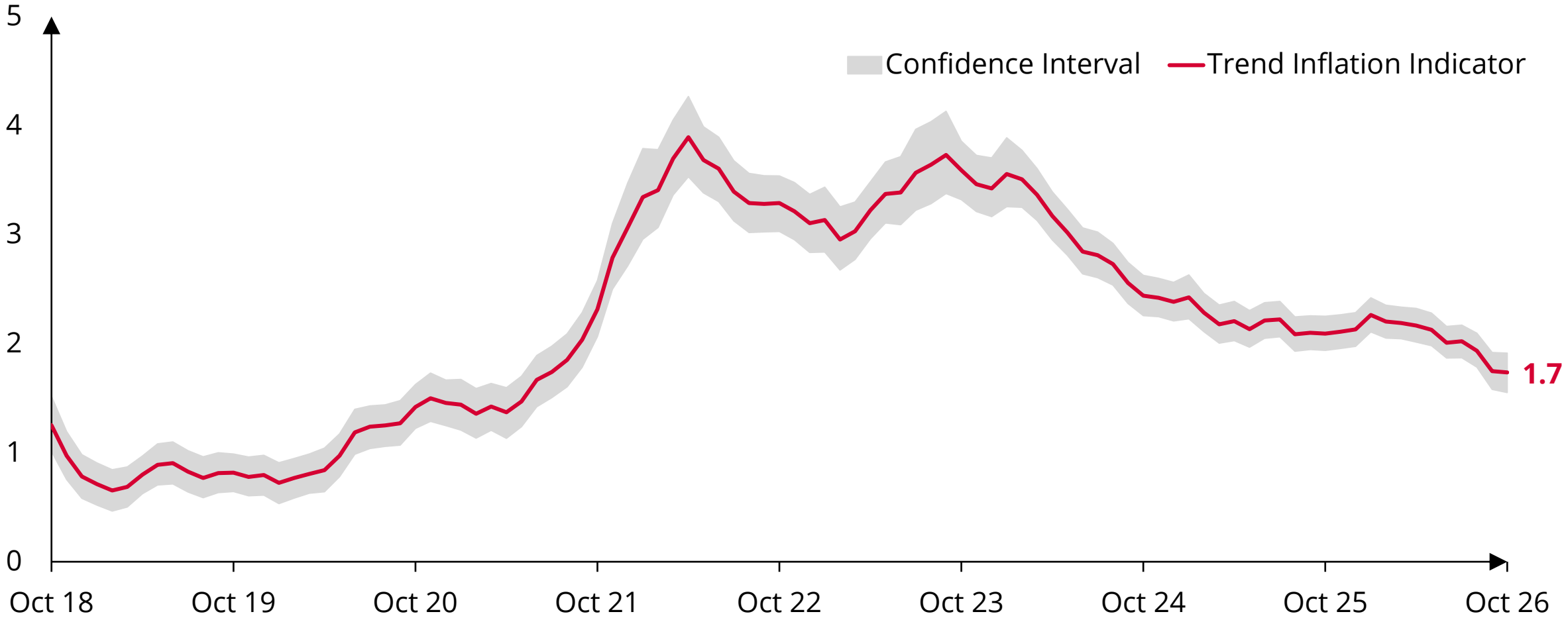
Underlying Inflation** (Monthly, 2026)	
Q1	2.1
Q2	2.3
Q3	1.8
October	1.8

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Sources: TURKSTAT, CBRT.
*Average of six different indicators adjusted for seasonal effects.
**Q1, Q2, and Q3 values denote quarterly averages.

The trend inflation indicator shows a similar trend.

Multivariate Trend Inflation Indicator* (%)

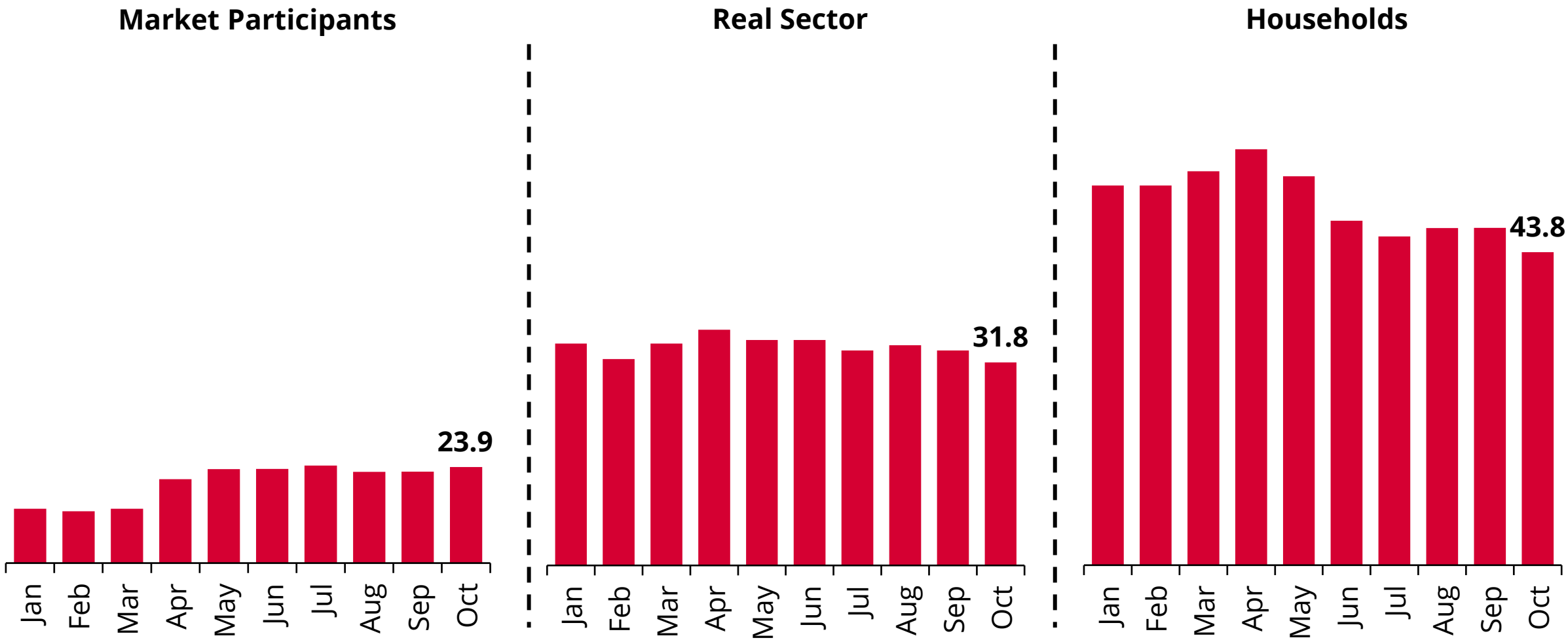


Sources: TURKSTAT, CBRT.

*The shaded area denotes the 68% confidence interval. For further details, IR 2025-II, Box 2.2.

Inflation expectations require maintaining a prudent monetary policy stance.

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



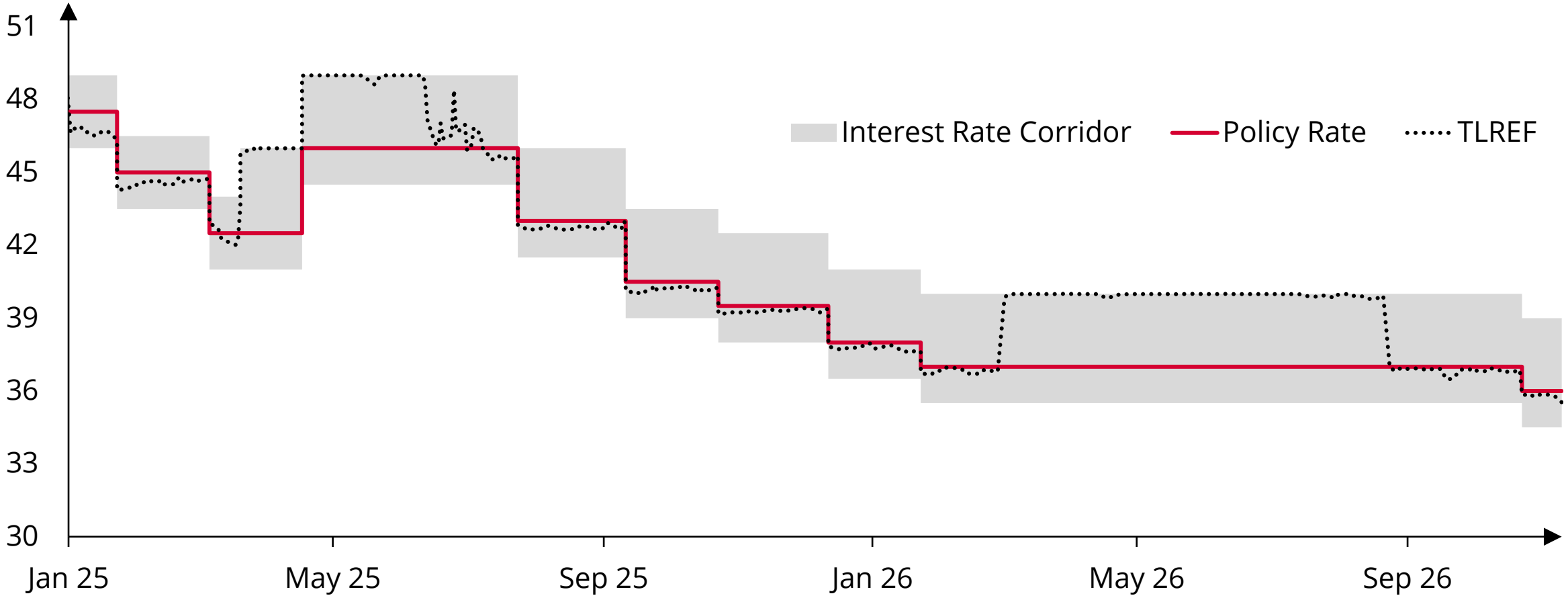
Source: CBRT.

MONETARY POLICY AND FINANCIAL CONDITIONS

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The tight monetary policy stance is being maintained.

Interest Rate Corridor and TLREF (%)



Source: CBRT. As of November 10, 2026.

Additonal measures have been taken to support financial stability.

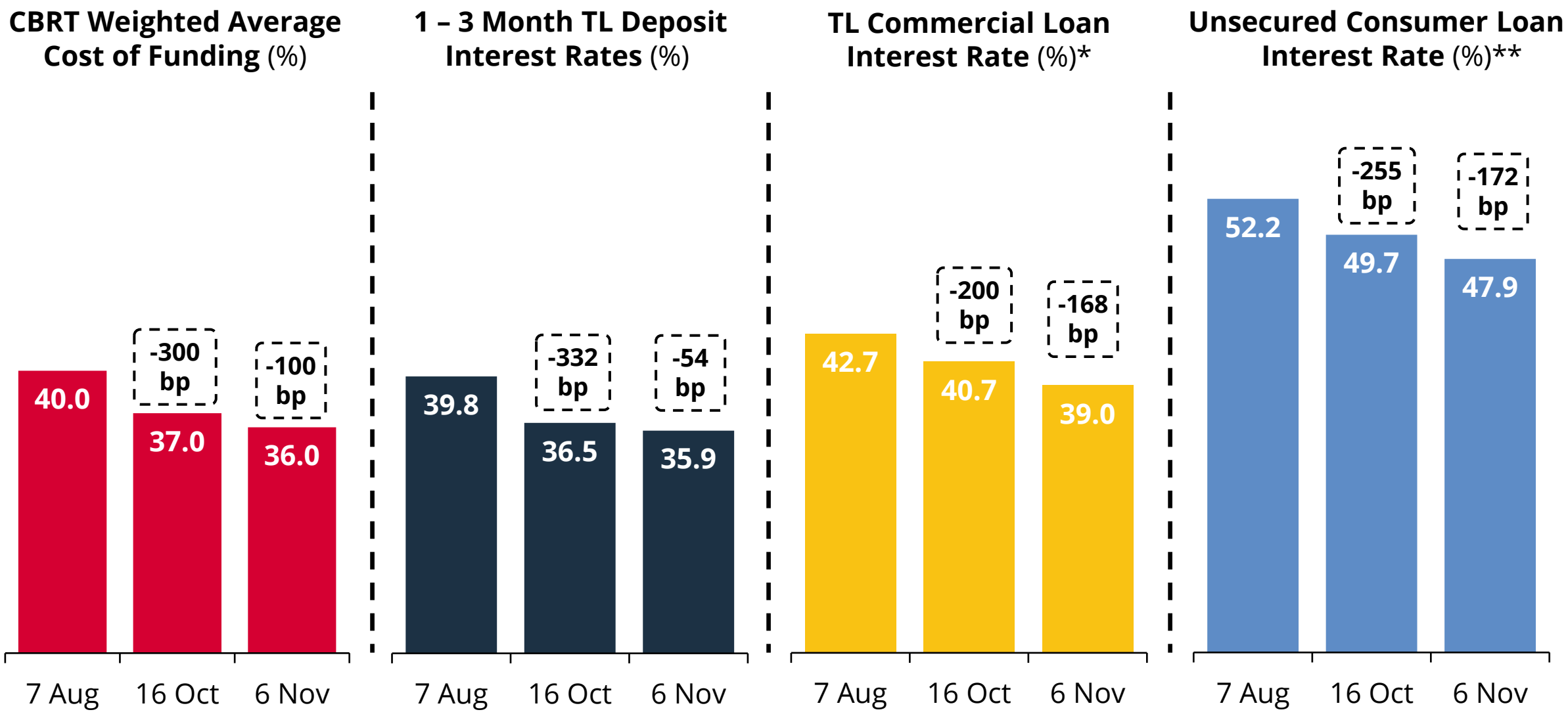
1 Fund Market Developments

- **Access to liquidity eased**
  - Increasing amount of repo funding
  - Revising borrowing limits
  - Lowering collateral haircuts
  - Lowering ratios for TL required reserve in blocked accounts
- **New loan growth exemptions**
  - Loans for corporate bond redemptions
- **Outright purchases of TLREF-indexed bonds**

2 Loan and Debt Market Developments

- **Raising the loan growth caps (8 week)**
  - SME loans: 4.5% to **5.5%**
  - Non-SME loans: 2% to **2.5%**
  - Unsecured consumer loans: 3% to **3.5%**
  - Vehicle loans: 3% to **3.5%**
- **RR remuneration for long term non-core funding**

The fall in funding costs transmitted to deposit and lending rates.

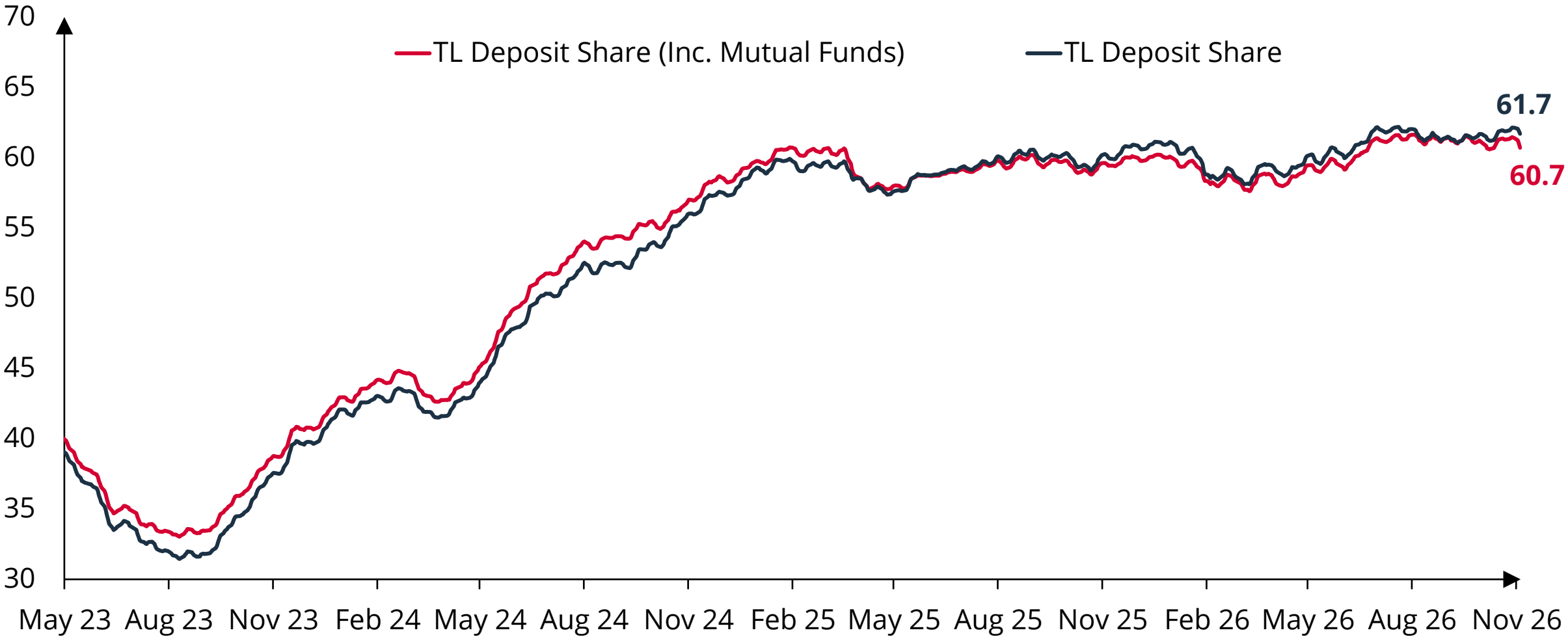


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Source: CBRT.
Calculated using simple interest rates.
*Excluding credit cards, overdraft accounts and zero-interest loans. **Excluding overdraft accounts and zero-interest loans.

Residents' Turkish lira preference remains strong.

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

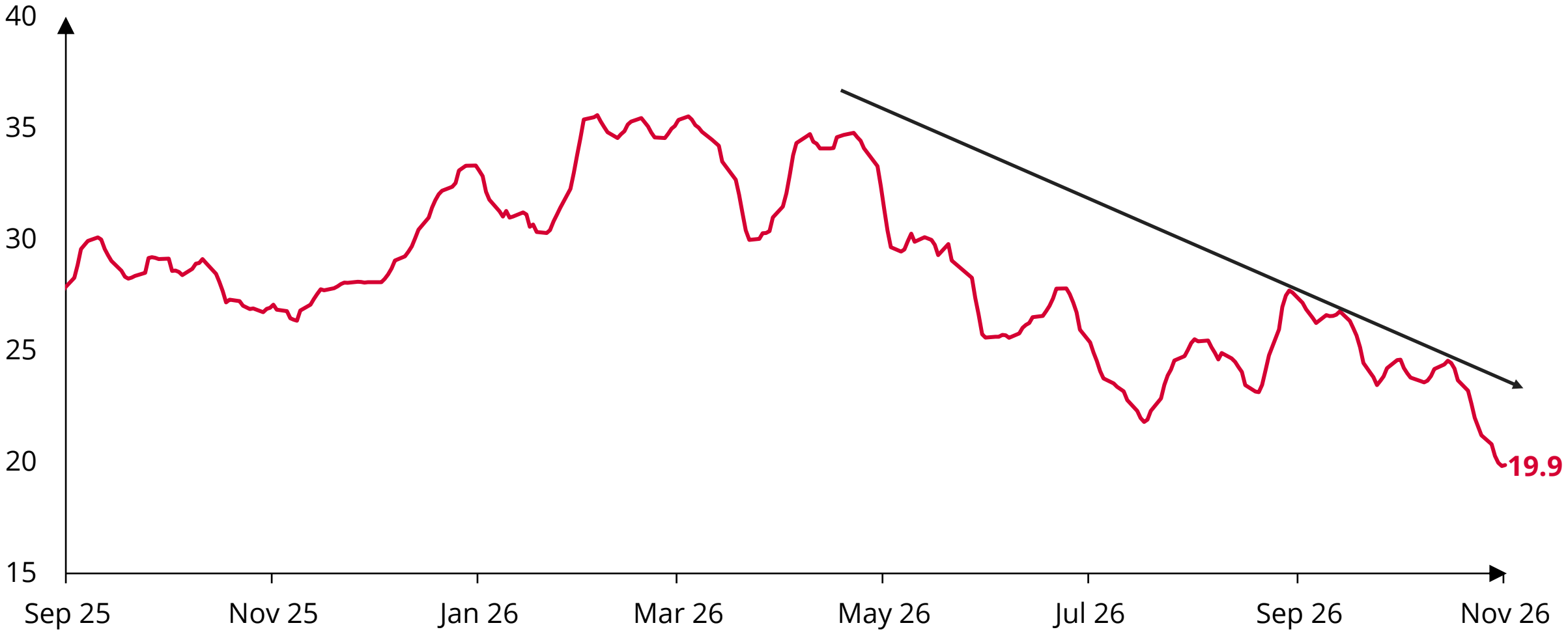


Source: BRSA, TEFAS, CBRT. As of November 4, 2026.

*TL Deposit Share (Including Mutual Funds): All mutual funds are broken down into TL and FX based on the portfolio's asset allocation and included in the ratio. Deposits in mutual funds are deducted from banking sector's deposits. All reverse repo transactions are assumed to be in TL.

Loan growth has decelerated in the recent period.

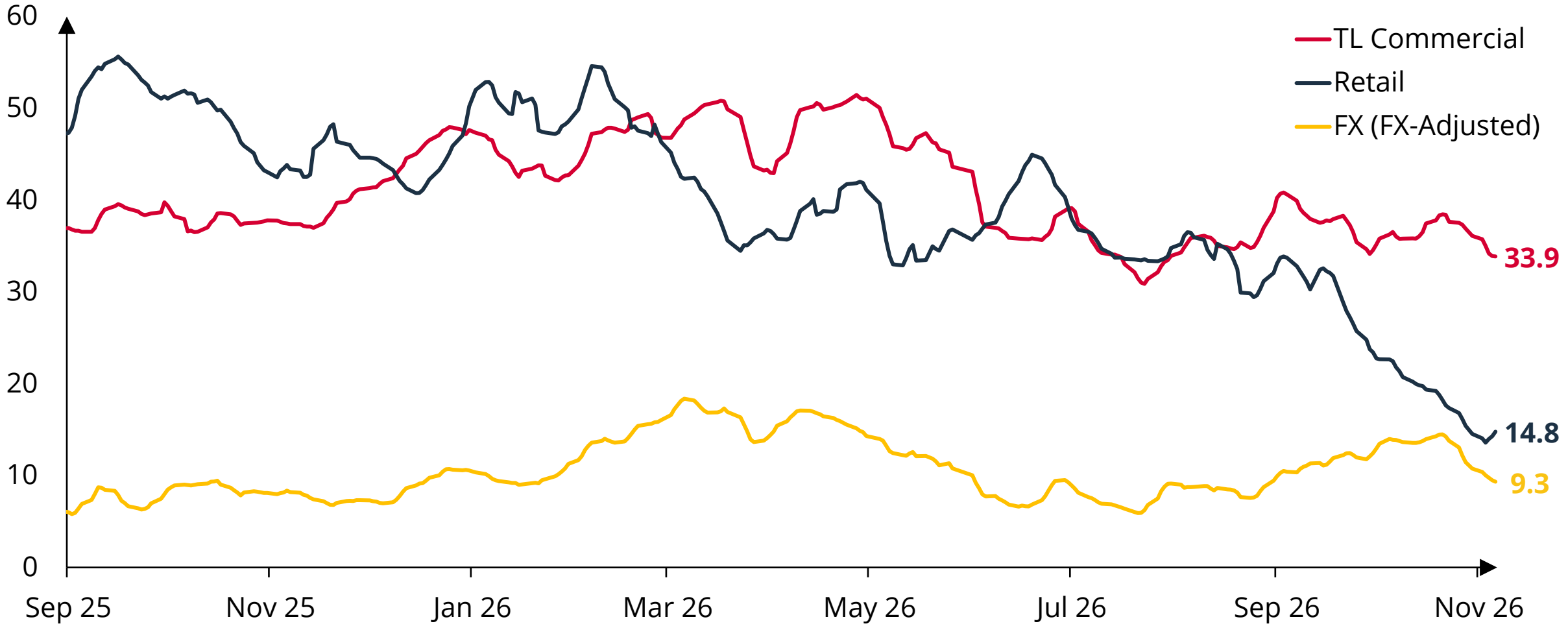
Total Loan Growth (13 Week, Annualized, FX-Adjusted, 5-Day Moving Average, %)



Source: CBRT. As of November 6, 2026.

There is a notable slowdown in retail loan growth.

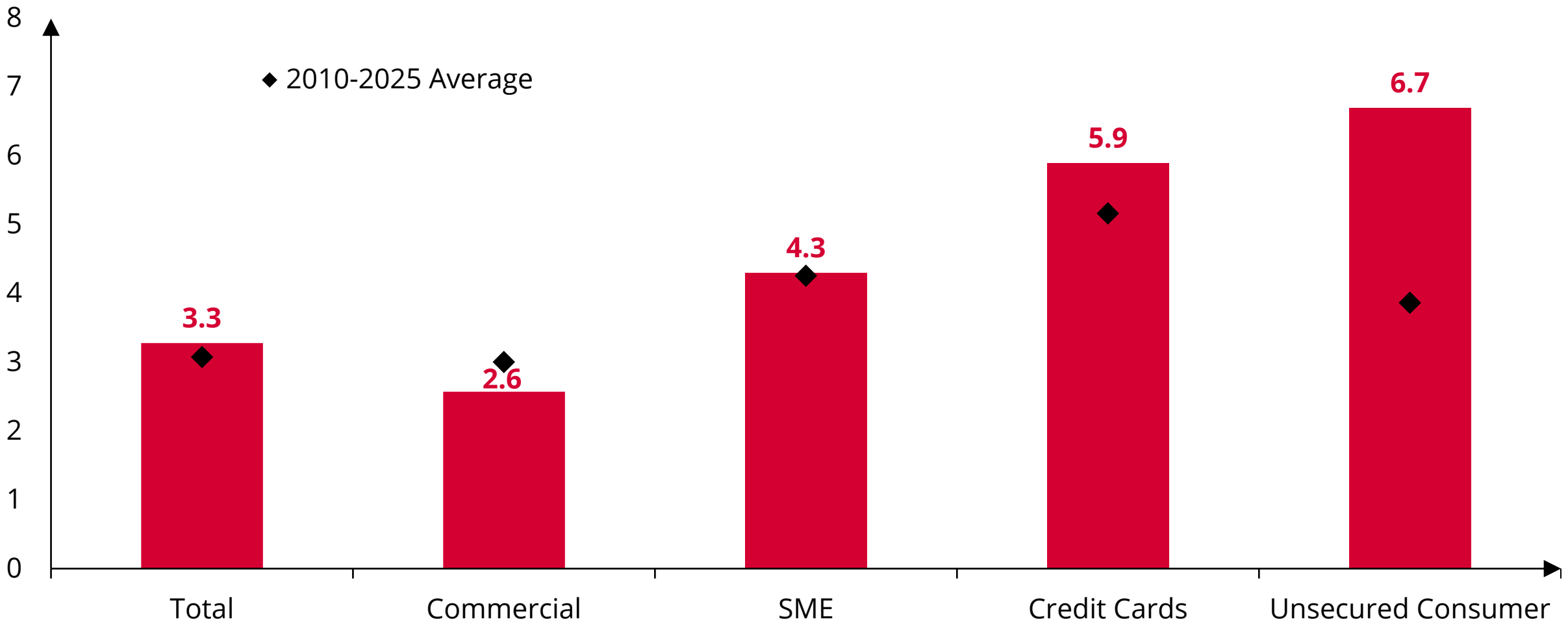
Loan Growth Rates (13 week, Annualized, 5-Day Moving Average, %)



Source: CBRT. As of November 6, 2026.

The total NPL ratio is close to its historical average.

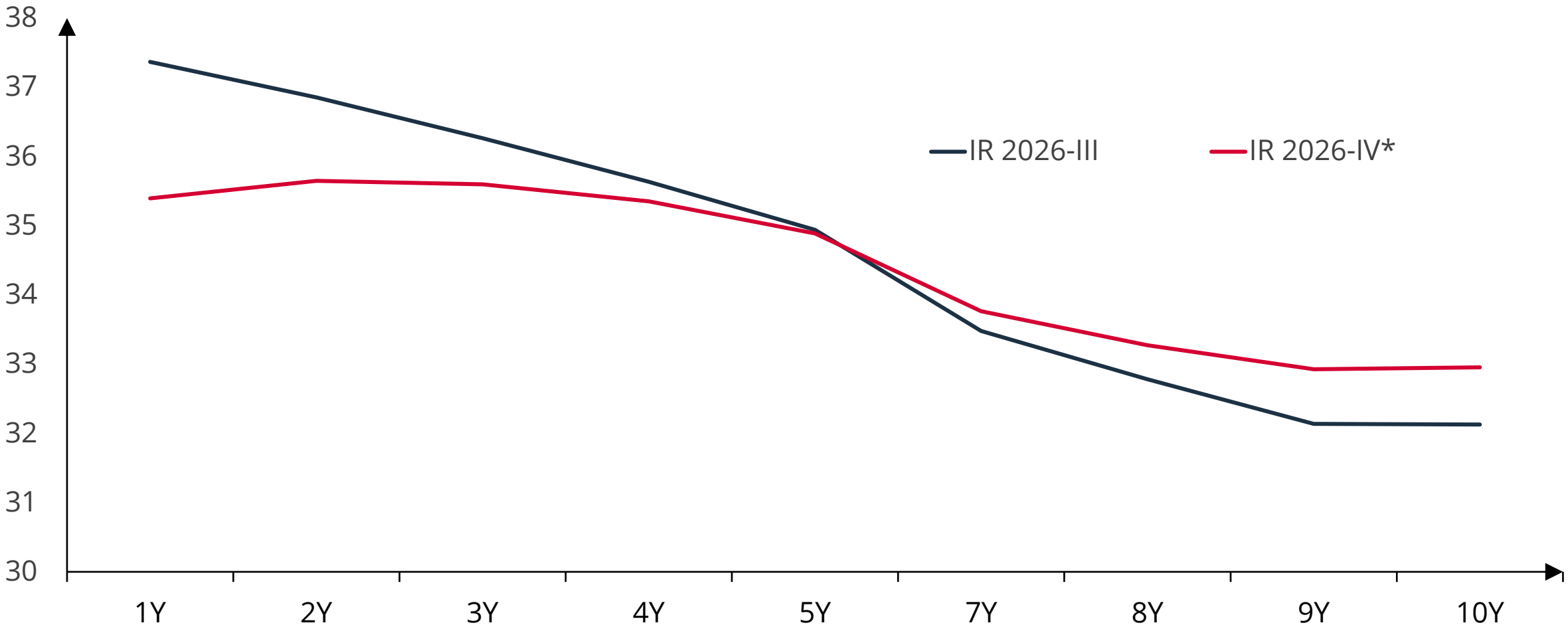
NPL Ratios (%)



Source: CBRT, BRSA. As of November 6, 2026.

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

Yield Curve (Simple Yield, %)

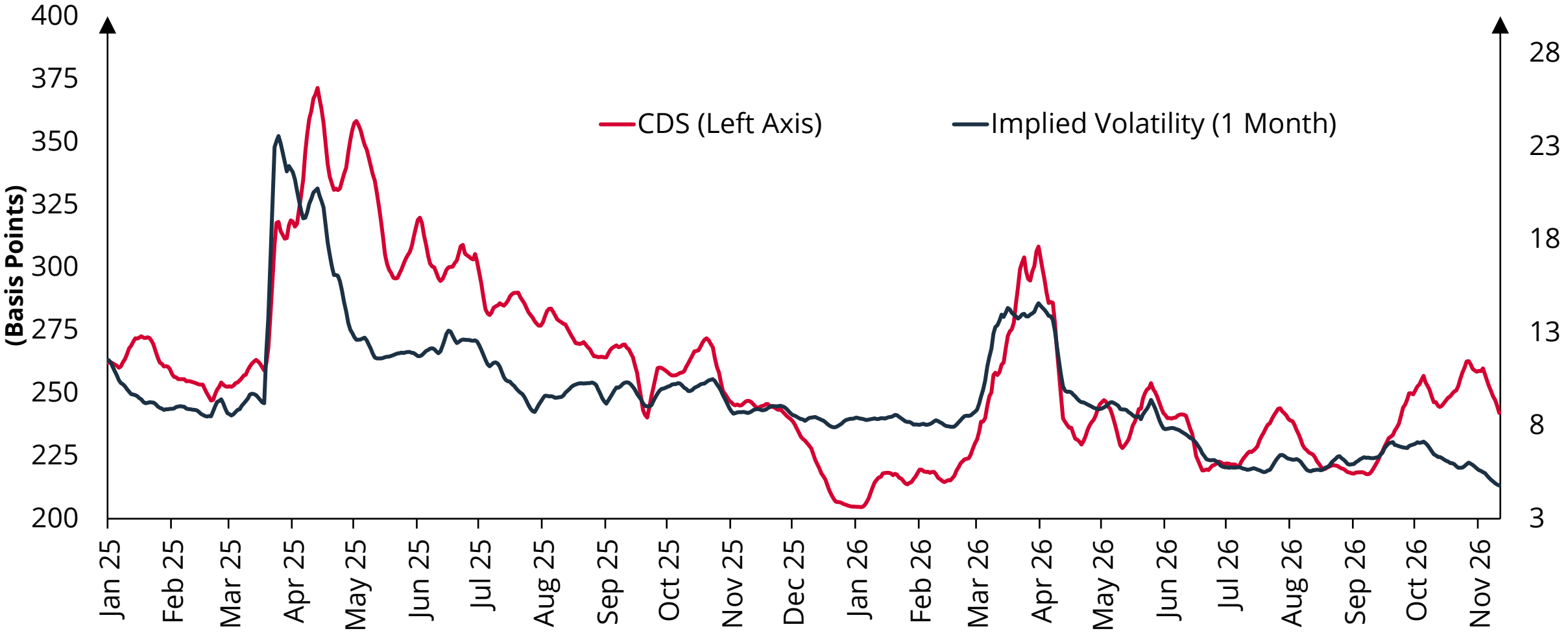


Source: Bloomberg. As of November 11, 2026.

*Data as of November 11, 2026, the latest available at the time of publication of Inflation Report 2026-IV, are used.

Implied volatility declined, while the risk premium increased slightly.

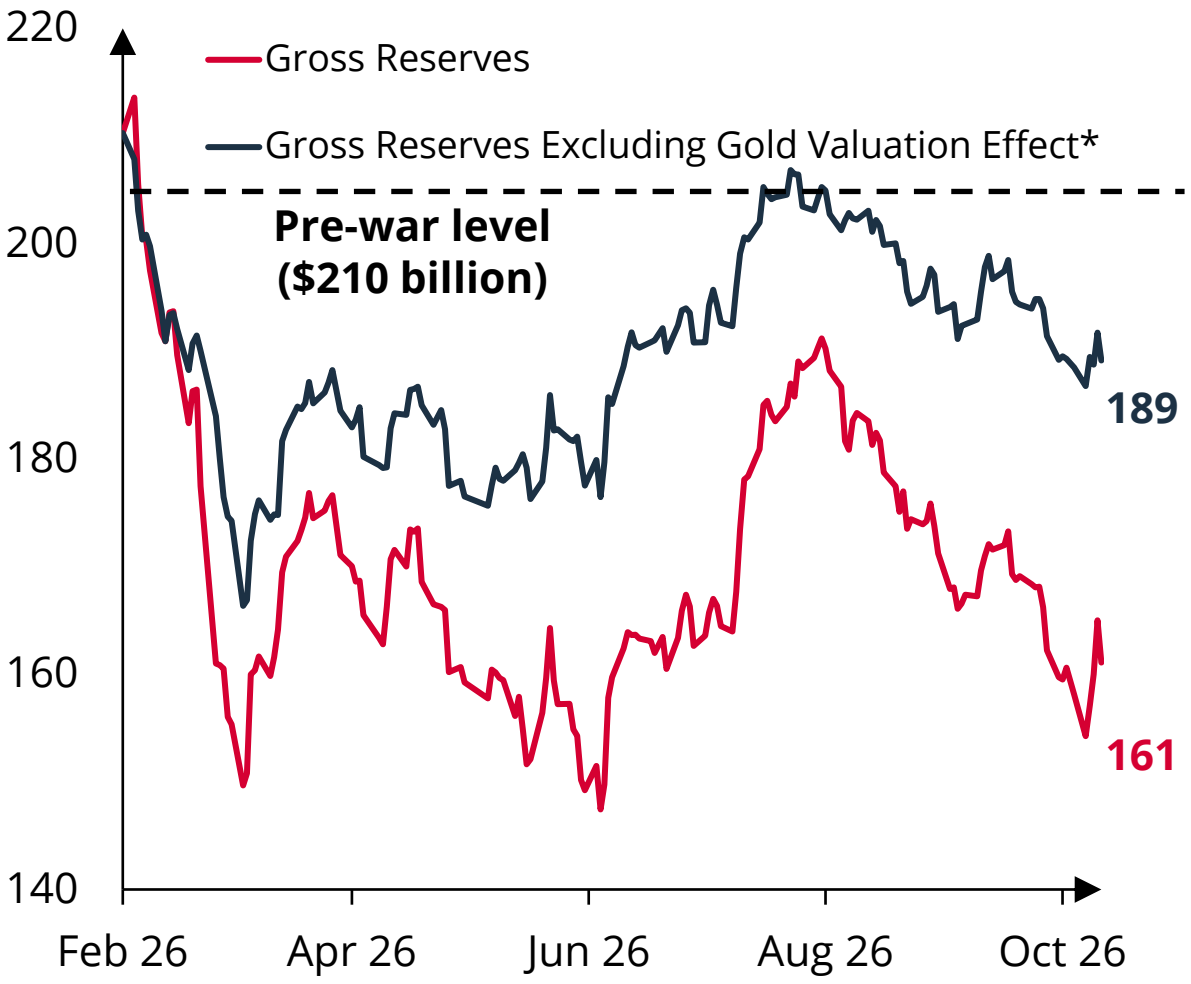
CDS Premium and Implied Volatility (5-Day Moving Average)



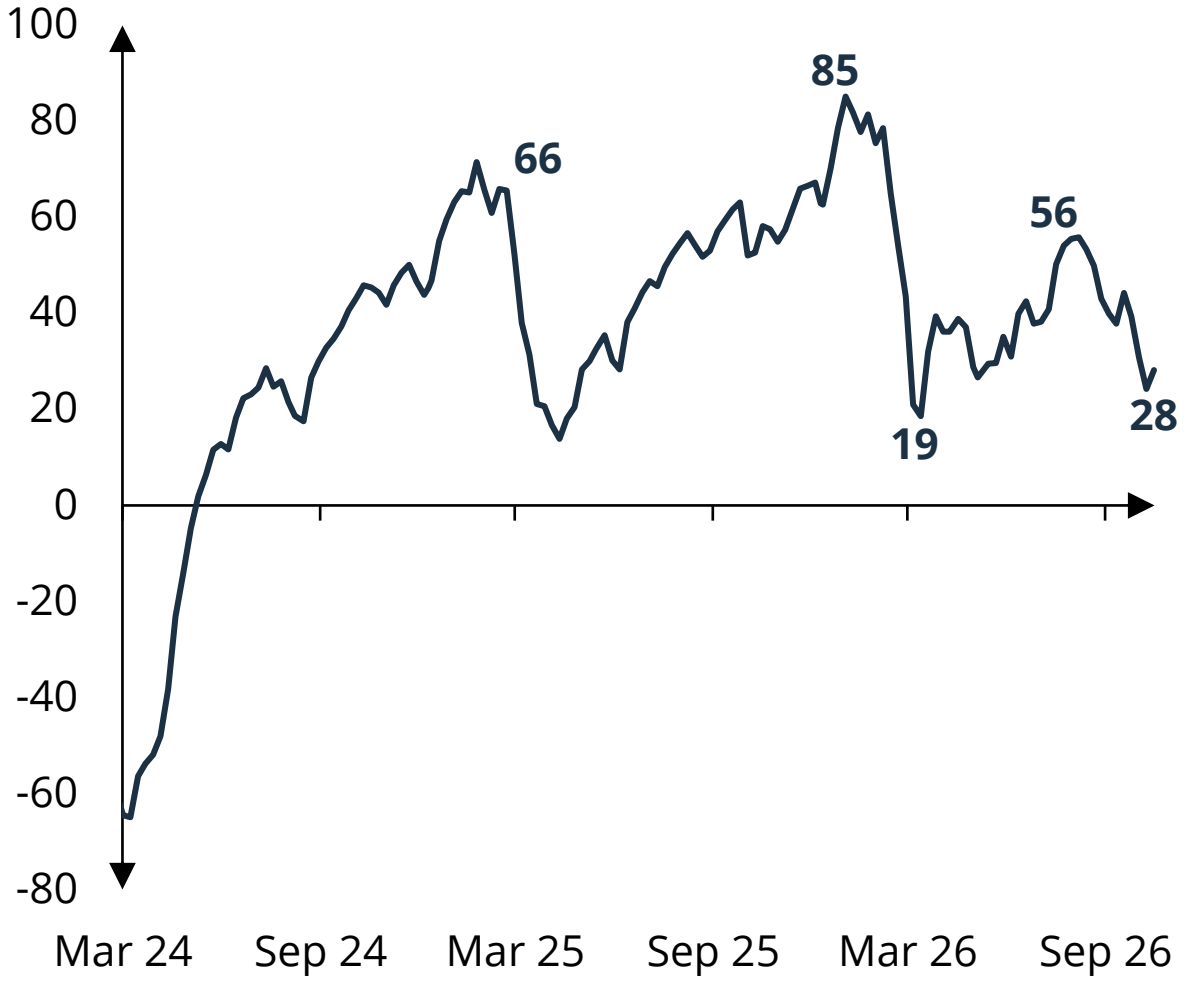
Source: Bloomberg, as of November 11, 2026.

Fluctuations in gold prices and risk appetite are affecting reserves.

Gross International Reserves (Billion USD)



Net Reserves Excluding Swaps (Billion USD)



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Source: CBRT. As of November 6, 2026

*The price of gold as of February 27, 2026.

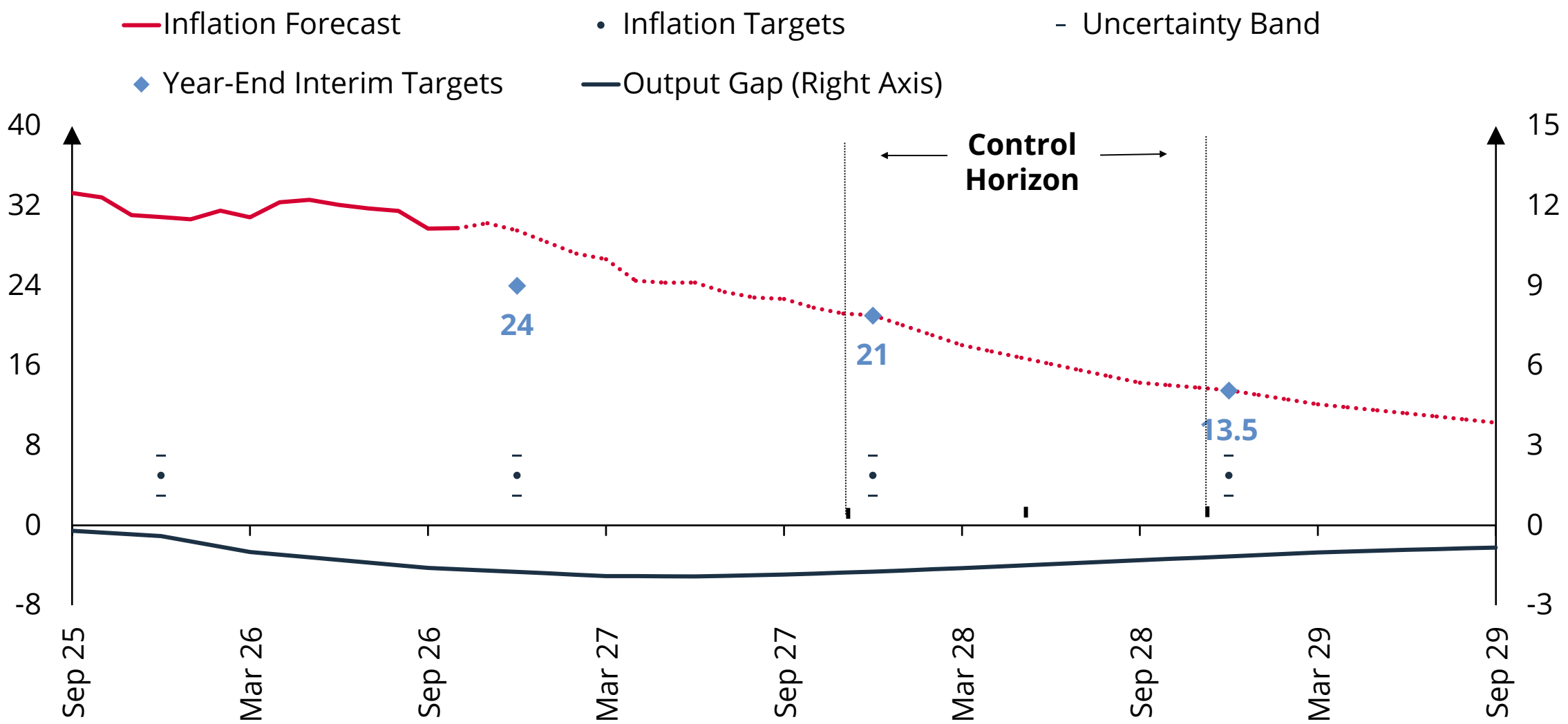
MEDIUM-TERM PROJECTIONS

Revisions to Main Assumptions

		IR 2026-III	IR 2026-IV
Global Growth Index* (Average Annual % Change)	2026	1.6	1.6
	2027	2.5	2.5
Oil Prices (USD, Annual Average)	2026	87.8	97.2
	2027	76.4	86.7
Import Prices (USD, Average Annual % Change)	2026	6.9	10.6
	2027	-0.4	-0.1
Food Prices (Year-End, % Change)	2026	28.5	31.3
	2027	19.0	24.0

*Based on growth rates and export shares of 110 countries to which Türkiye exports.

Inflation is projected to be 29.5% at end-2026, 21.0% at end-2027 and 13.5% at end-2028.



In a highly uncertain environment, certain risk factors are highlighted.

Risks	Upside	Downside
Energy prices	• Depending on the course of the war, oil prices remaining higher for longer relative to the baseline assumptions • Ongoing security threats to global energy infrastructure • Contraction in global natural gas supply and higher LNG demand in Europe	• Depending on the course of the war, oil prices remaining lower relative to the baseline assumptions
Food prices	• Increases in agricultural commodity and input prices driven by the war and global weather conditions • Negative supply shock in fruit and vegetable • Realization of delayed price increases in administered items	• Positive supply shock in fruit and vegetable
Frequency of supply-side shocks and inflation inertia	• High inflation inertia driven by heightened uncertainty about the economic outlook and prolonged supply shocks	
Demand conditions		• Weaker domestic demand than projected, driven by lagged monetary policy effects and faster tightening in financial conditions

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

- **Inflation realizations**
- **Underlying inflation**
- **Inflation expectations**

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

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MERKEZ BANKASI



BRIEFING ON 2026-IV INFLATION REPORT

Fatih Karahan

Governor

NOVEMBER 12, 2026

İSTANBUL