



December 2025

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## Global Economy

The US government, which had been shut down for a record 43 days, reopened on November 13.

The Fed is expected to cut interest rates by 25 bps at its meeting on December 9-10. Fed members' forecasts, to be released after the meeting, will be closely monitored.

As data releases were delayed in the US due to the government shutdown, October non-farm payrolls data is expected to be released on December 16 together with the November data. November PMI data gave mixed signals in the country.

The OECD maintained its global growth forecasts for 2025 and 2026 at 3.2% and 2.9%, respectively.

The European Commission raised its 2025 growth forecast for the Euro Area by 0.4 points to 1.3%, while lowering its 2026 forecast by 0.2 points to 1.2%.

China's November PMI data pointed to a deepening slowdown in economic activity.

In Japan, the government announced a new stimulus package. The Bank of Japan is expected to raise interest rates at its December meeting, prioritizing the fight against inflation.

## Turkish Economy

The Turkish economy grew by 1.1% qoq and 3.7% yoy in the third quarter of the year.

The unemployment rate fell marginally by 0.1 pp to 8.5% in October, while the labor underutilization rate rose from 28.5% to 29.6%.

The ICI Türkiye Manufacturing PMI rose to 48 in November, indicating that adverse conditions in the sector had eased slightly.

Despite the widening trade deficit in September, the current account recorded a surplus of 1.1 billion USD, thanks to the tourism revenues. The current account deficit stood at 14.9 billion USD in the first nine months of the year. 12-month cumulative current account deficit became 20.1 billion USD.

In October, central government budget revenues and expenditures rose by 49.1% and 43.4% yoy, respectively. Thus, the central government budget recorded a deficit of 223.2 billion TRY in October and 1.4 trillion TRY in the first 10 months of the year.

CPI rose by 0.87% mom in November, below market expectations and the annual CPI inflation fell to 31.07%. During the same period, D-PPI inflation stood at 0.84% mom and 27.23% yoy.

In its final Inflation Report of the year, the CBRT maintained its annual CPI inflation targets for 2025, 2026, and 2027 at 24%, 16%, and 9%, respectively. It raised its inflation forecast range for the end of this year from 25%-29% to 31%-33%.

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## GDP Growth

### Turkish economy grew by 3.7% yoy in the third quarter.

According to the chain-linked volume index, Turkish economy grew by 3.7% yoy in the third quarter of 2025, below market expectations (4.2%). Turkstat revised the annual growth rates for the first two quarters of 2025 from 2.3% to 2.5% and from 4.8% to 4.9%, respectively. Thus, Turkish economy grew by 3.7% yoy in the first three quarters of the year. On the other hand, seasonally and calendar-adjusted data indicated that Turkish economy showed a resilient growth performance of 1.1% in the third quarter of the year compared to the previous quarter.

As of the third quarter of 2025, the annualized GDP of Türkiye was recorded at 57.6 trillion TRY at current prices and 1.5 trillion USD.

Contributions to Growth		( % points)			
	2024	2025			2025
	Annual	Q1	Q2	Q3	9M
<b>Consumption</b>	<b>2.8</b>	<b>1.8</b>	<b>2.9</b>	<b>3.3</b>	<b>2.7</b>
Private	3.0	1.5	3.0	3.2	2.6
Public	-0.1	0.3	-0.1	0.1	0.1
<b>Investment</b>	<b>0.7</b>	<b>0.5</b>	<b>2.3</b>	<b>2.8</b>	<b>1.9</b>
<b>Stock Change</b>	<b>-1.2</b>	<b>0.7</b>	<b>1.0</b>	<b>-1.5</b>	<b>0.0</b>
<b>Net Exports</b>	<b>1.0</b>	<b>-0.5</b>	<b>-1.3</b>	<b>-1.0</b>	<b>-0.9</b>
Exports	0.0	0.0	0.5	-0.2	0.1
Imports	1.0	-0.5	-1.8	-0.8	-1.0
<b>GDP (yoy, %)</b>	<b>3.3</b>	<b>2.5</b>	<b>4.9</b>	<b>3.7</b>	<b>3.7</b>

Note: Numbers may not add to total due to rounding.

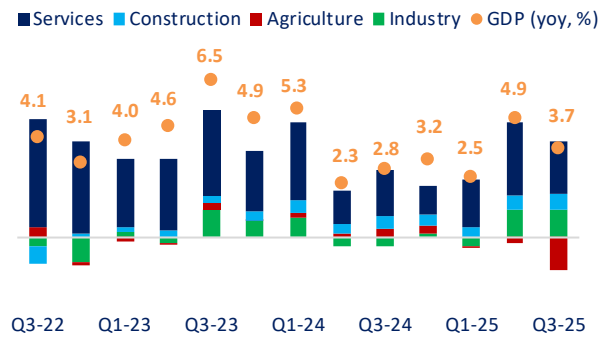
### Private consumption expenditures rose in the third quarter.

According to the chain-linked volume index, private consumption expenditures contributed 3.2 points to annual growth, the highest level this year. Public expenditures, which had contracted annually in the previous quarter, increased in the third quarter, contributing positively to growth by 0.1 points. Investment spending contributed 2.8 points to growth, making the highest contribution since the third quarter of 2023. On the other hand, in the third quarter net exports continued to limit growth (by 1.0 point) since the fourth quarter of 2024. During the same period, the inventory change item, which also includes the statistical error margin, reduced growth by 1.5 points.

### The contraction in agricultural production deepened in the third quarter.

According to production approach, the contraction recorded in the second quarter of the year (-5.5%) in the agriculture sector, due to the impact of agricultural frost, deepened in the third quarter (-12.7%). Thus, the agriculture sector continued to be the only item limiting growth in the third quarter by 1.3 points. During this period, the services sector continued to be the sector contributing most to growth, while the industrial sector contributed 1.1 points to growth, the same as it did in the second quarter. In the same period, the construction sector maintained its positive contribution to growth, which it has provided since the last quarter of 2022, at 0.7 points.

Contributions to Growth, Production Approach (yoy, %)



### Expectations...

Growth data for the third quarter of 2025 showed that Turkish economy remained resilient despite the tight monetary policy. Private consumption expenditures gained momentum compared to the second quarter, indicating that domestic demand remained strong. Leading indicators suggest that economic activity will continue its moderate pace in the final quarter of the year. In this context, we estimate that growth for the whole of 2025 could be in the range of 3.5-4.0%, above the 3.3% level projected in the Medium Term Program.

## Leading Indicators

### Production of technology-intensive products continued to grow rapidly in the third quarter.

Details of industrial production data for the third quarter indicated that production diverged across sectors. While capital goods production recorded a notable 17.7% annual increase, high-technology products continued to be the group with the highest production growth at 30.2% yoy. In the third quarter, production recorded annual increases in 18 of the 24 sectors in the manufacturing industry, with the rise in the manufacture of other transport equipment (46.3%) and computer, electronic, and optical products (26.5%) standing out. In contrast, production in labor-intensive sectors such as wearing apparel, leather and related products, and textiles continued to decline on an annual basis in the third quarter of the year.

### Unemployment rate was 8.5% in October.

According to seasonally adjusted data, the labor force participation rate rose to 53.8% with an increase of 157K persons in the labor force in October. During this period, the number of employed persons rose by 185K, and the employment rate was 49.2%. Thus, the unemployment rate in October came in at 8.5%, with a limited decline of 0.1 percentage points. On the other hand, the unemployment rate among young people aged 15-24 rose from 15.0% in September to 15.6% in October. The labor underutilization rate, the broadest measure of unemployment, rose from 28.5% to 29.6% due to the increase in time-related underemployment.

### ICI Manufacturing PMI rose to 48 in November.

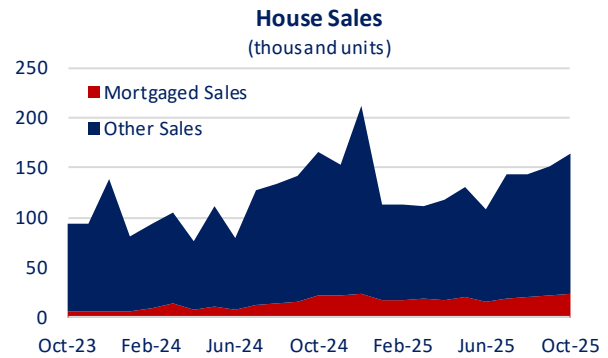
The manufacturing PMI published by the Istanbul Chamber of Industry (ICI) rose to 48 in November. Although the index remained below the threshold value for the 20th consecutive month, it reached its highest level since February, indicating that the adverse conditions in sector activities had eased somewhat. According to sub-indices, declines in production, new orders, and employment slowed in November, while input costs and selling prices rose at their slowest pace since early 2025. Looking at sectors, PMI levels remained below the threshold for all sectors except electronic and electrical products (53.6), non-metallic mineral products (51.4), and wood and paper products (50.0). The PMI value for the textiles, which showed the most negative divergence, fell to 39.4 in November.

### House sales decreased by 0.5% yoy in October.

House sales decreased by a modest 0.5% yoy in October to 164,306 units. Mortgaged house sales, which increased by 11.5% during this period, continued to account for a low share of total sales at 14.3%. On the other hand, total house sales in the January-October period increased by 16.2% compared to the same period of last year, reaching 1,293,033 units.

In line with the moderate outlook in the housing market in

October, residential property price index (RPPI) increased by 1.6% on a monthly basis and 31.6% on an annual basis, below CPI inflation. Thus, the annual real decline in RPPI continued in October at 1%, marking its 21st consecutive month.



### Automotive market remained buoyant in November.

The buoyant trend in the automotive market since March continued in November as well. Thus, total automotive sales increased by 10.2% yoy in the first 11 months of the year. During this period, light commercial vehicle sales rose by 7.1% and passenger car sales by 11%, while the rapid increase in electrical and hybrid vehicle sales was noteworthy.

On the other hand, although domestic white goods sales have been increasing on an annual basis since August, they declined by 5% in the first 10 months compared to the same period of last year. Exports fell by 8.7% on an annual basis in the January-October period. In parallel, the sector's production decreased by 8.7% compared to the same period of last year.

### Confidence indices presented a positive outlook in November.

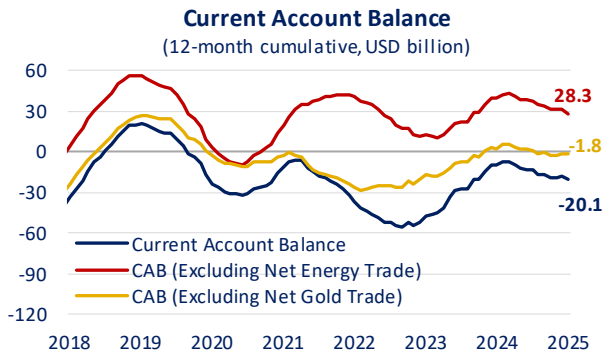
According to seasonally adjusted data, the consumer confidence index rose to 85 in November, marking a 1.6% increase on a monthly basis. The improvement in consumer confidence was generally supported by all sub-indices, primarily assessments of the household's financial situation at present. During the same period, seasonally adjusted real sector confidence index also rose by 1.2 points on a monthly basis to 103.2, like the level seen in March, reaching its highest level in the last one year. In November, sectoral confidence indices recorded increases as well. The index rose by 1.0% in services sector, 0.9% in retail trade sector, and 1.5% in construction sector on a monthly basis. Thus, the economic confidence index went up by 1.3% in November compared to the previous month, reaching 99.5, its highest level since March.

Source: CBRT, Datastream, ICI, TURKSTAT

## Foreign Trade and Balance of Payments

**The current account balance recorded a surplus of 1.1 billion USD in September.**

The current account balance continued to record a surplus of 1.1 billion USD in September, following a historically high surplus of 5.4 billion USD in August. On the other hand, the current account deficit in the January-September period nearly tripled on an annual basis to 14.9 billion USD, while the 12-month cumulative current account deficit was 20.1 billion USD.



**The trade deficit widened on an annual basis in September.**

The trade deficit widened by 72% in September compared to the same month last year, totaling 5.4 billion USD. In September, net non-monetary gold imports surged by 129% yoy to 2.3 billion USD, while net energy imports declined by 10% to 3.4 billion USD. Thus, the current account surplus excluding gold and energy reached 6.8 billion USD in September.

**Net tourism revenues increased by 5.8% yoy in September.**

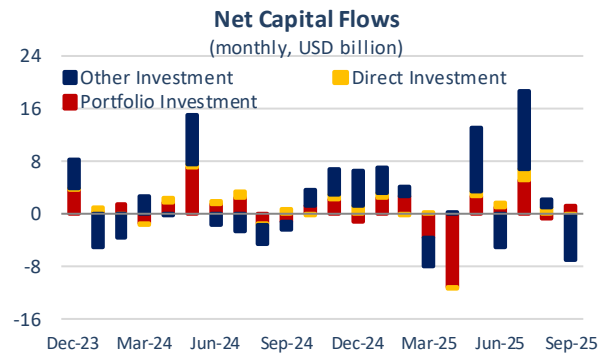
Net service revenues rose by 6.8% yoy in September, reaching 7.7 billion USD. Transportation revenues, which accounted for 30% of service revenues during this period, climbed by 2.8% to reach 3.9 billion USD. Net tourism revenues also recorded a 5.8% increase yoy, reaching 6.3 billion USD. In the first nine months of the year, net tourism revenues expanded by 1.8% yoy to 38.9 billion USD.

**Limited capital outflow in direct investments.**

Net foreign direct investments, which have been volatile since the beginning of the year, recorded a limited net capital outflow of 162 million USD in September. Thus, net direct investment capital inflows fell to 4.3 billion USD in the January-September period. In September, foreign residents made a net direct investment of 722 million USD in Türkiye, 564 million USD of which came from capital investments. Looking at real estate investments, domestic residents purchased 211 million USD worth of real estate abroad, while foreign residents made a net real estate purchase of 180 million USD in Türkiye.

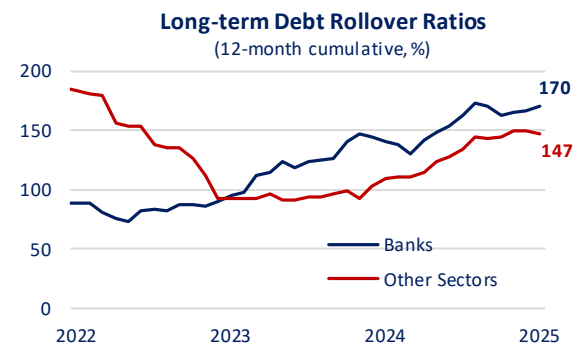
**Portfolio investments recorded a net capital inflow of 1.2 billion USD.**

In September, portfolio investments recorded a net capital inflow of 1.2 billion USD. During this period, while domestic residents acquired 2.9 billion USD in net assets abroad, non-residents made portfolio investments totaling 4 billion USD in Türkiye. In September, domestic banks' and the Treasury's net sales of 1.4 billion USD and 1.7 billion USD, respectively, in bond issuances abroad were decisive in the increase in liabilities. On the other hand, there was a capital outflow of 322 million USD from the domestic stock market in September.



**A rapid capital outflow was recorded in the other investments category.**

Following a total capital inflow of 13.1 billion USD in July and August, the other investments recorded a rapid outflow of 7 billion USD in September. During this period, the currency and deposit item decreased by 2.5 billion USD, while loan outflows totaled 4.1 billion USD. A net acquisition of financial assets of 3.5 billion USD in the loans sub-item was noteworthy, while banks' short-term loan repayments of a net 2.7 billion USD also contributed to the capital outflow in other investments. In September, banks borrowed 3.1 billion USD against 1.7 billion USD of debt repayments in the long term, while real sectors borrowed 1.6 billion USD against 1.1 billion USD of debt payments. Thus, according to 12-month cumulative data, the long-term debt rollover ratios of banks and real sectors remained above their long-term averages at 170% and 147%, respectively.



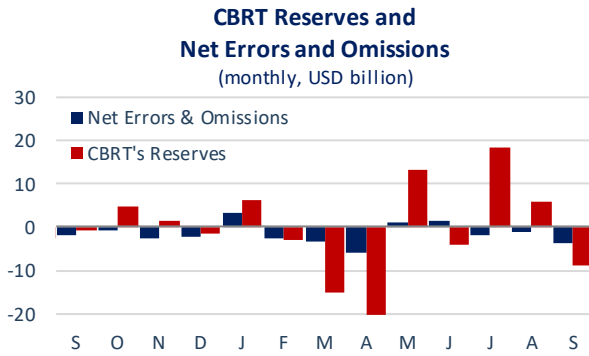
Source: Datastream, Turkstat, CBRT

## Foreign Trade and Balance of Payments

### Reserve assets declined in September.

Reserve assets, which had been expanding over the past two months, declined by 8.7 billion USD in September. Thus, the contraction in reserve assets recorded in the first nine months of the year amounted to 11.5 billion USD.

With the 3.8 billion USD outflow recorded in September, a total outflow of 12.3 billion USD occurred from the net error and omission item in the first nine months of the year.



### Expectations...

In September, despite the continued increase in tourism revenues, the current account surplus was slightly lower than the previous year due to the widening of the foreign trade deficit. According to TURKSTAT data, the foreign trade deficit also widened by 24% yoy in October, reaching 7.4 billion USD. With the end of the summer season, we believe that the course of the foreign trade balance will be more decisive for the current account balance in the coming period. Despite the positive support of low energy prices during this period, we assess that the high course of gold prices may have an expansionary effect on the current account deficit.

### Balance of Payments

(USD million)

	Sep. 2025	Jan. - Sep. 2024	2025	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>1,112</b>	<b>-5,160</b>	<b>-14,894</b>	<b>188.6</b>	<b>-20,146</b>
Foreign Trade Balance	-5,356	-41,009	-49,815	21.5	-64,792
Services Balance	7,707	47,538	48,758	2.6	62,589
Travel (net)	6,259	38,199	38,903	1.8	49,624
Primary Income	-1,330	-11,642	-13,410	15.2	-17,635
Secondary Income	91	-47	-427	808.5	-308
<b>Capital Account</b>	<b>28</b>	<b>-111</b>	<b>-168</b>	<b>51.4</b>	<b>-183</b>
<b>Financial Account</b>	<b>-2,684</b>	<b>-10,564</b>	<b>-27,411</b>	<b>159.5</b>	<b>-38,191</b>
Direct Investment (net)	162	-3,603	-4,274	18.6	-5,747
Portfolio Investment (net)	-1,152	-9,673	300	-	-2,004
Net Acquisition of Financial Assets	2,866	7,125	9,355	31.3	11,762
Net Incurrence of Liabilities	4,018	16,798	9,055	-46.1	13,766
Equity Securities	-322	-1,981	1,344	-	844
Debt Securities	4,340	18,779	7,711	-58.9	12,922
Other Investment (net)	6,998	6,850	-11,922	-	-23,621
Currency and Deposits	2,540	12,581	-212	-	1,105
Net Acquisition of Financial Assets	3,225	12,555	2,294	-81.7	2,106
Net Incurrence of Liabilities	685	-26	2,506	-	1,001
Central Bank	-183	-8,564	-8,507	-0.7	-11,809
Banks	868	8,538	11,013	29.0	12,810
Foreign Banks	935	5,113	10,846	112.1	12,458
Foreign Exchange	612	1,612	6,020	273.4	6,973
Turkish Lira	323	3,501	4,826	37.8	5,485
Non-residents	-67	3,425	167	-95.1	352
Loans	4,112	-10,160	-13,871	36.5	-22,803
Net Acquisition of Financial Assets	3,485	2,968	5,536	86.5	4,829
Net Incurrence of Liabilities	-627	13,128	19,407	47.8	27,632
Banking Sector	-1,335	11,610	9,860	-15.1	16,244
Non-bank Sectors	842	1,373	9,284	576.2	10,591
Trade Credit and Advances	351	4,463	2,184	-51.1	-1,868
Other Assets and Liabilities	-5	-34	-23	-32.4	-55
Reserve Assets (net)	-8,692	-4,138	-11,515	178.3	-6,819
<b>Net Errors and Omissions</b>	<b>-3,824</b>	<b>-5,293</b>	<b>-12,349</b>	<b>133.3</b>	<b>-17,862</b>

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT



## Budget Balance

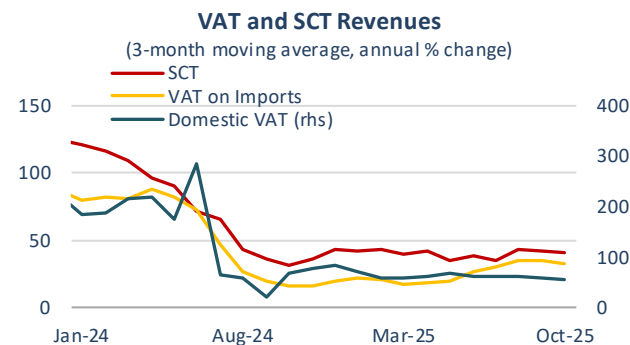
### The central government budget posted a deficit of 223.2 billion TRY in October.

In October, central government budget revenues increased by 49.1% yoy to 1.1 trillion TRY, while budget expenditures rose by 43.4% to 1.4 trillion TRY. Thus, the central government budget posted a deficit of 223.2 billion TRY in October, while primary budget deficit was 65.8 billion TRY.

In January-October period, central government budget deficit increased by 14.3% yoy to 1.4 trillion TRY. The primary budget balance, which recorded a deficit of 211 billion TRY in the same period last year, recorded a surplus of 379.3 billion TRY.

### Tax revenues increased by 51.6% yoy in October.

Tax revenues rose by 51.6% yoy in October, reaching 976 billion TRY. Income tax, which accounts for 31.1% of tax revenues, increased by 90% during this period, rising to 303.4 billion TRY. The annual increase in special consumption tax revenues, which accounted for 19.1% of tax revenues in October, was 33.9%. The increase in special consumption tax revenues was largely driven by special consumption tax collected from motor vehicle sales, which rose 47.7% yoy, in line with the continued positive performance of the automobile market. During this period, the pace of increase in domestic VAT revenues, which accounted for 16.4% of tax revenues, was 52.3%, continuing to remain higher than the annual CPI inflation. VAT collected on imports, which accounted for 16.2% of tax revenues, increased by 33.1% on an annual basis, contributing 158.4 billion TRY to budget revenues.



### Non-tax revenues increased by 36.2% annually.

Non-tax revenues increased by 36.2% yoy in October and by 32.2% yoy in the first 10 months of the year. Interest, shares, and fines, which account for 67% of these revenues, recorded an annual increase of 63.7% during this period. While 787.9 billion TRY in revenue was generated in this category for the whole year of 2024, this figure stands at 833.4 billion TRY for the first 10 months of this year.

### Central Government Budget

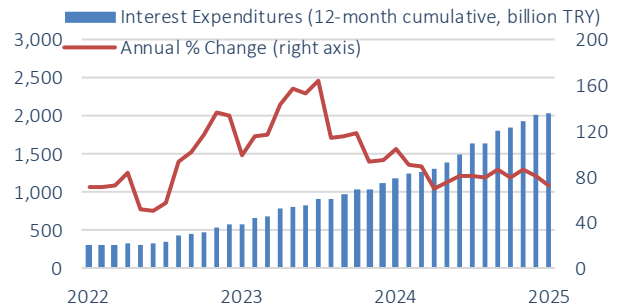
	October		%	January-October		%	(billion TRY)		
	2024	2025	Change	2024	2025	Change	2025 Budget Target	MTP Target	Real./ MTP Target (%)
<b>Expenditures</b>	<b>955.5</b>	<b>1,370.3</b>	<b>43.4</b>	<b>8,114.1</b>	<b>11,592.5</b>	<b>42.9</b>	<b>14,731.0</b>	<b>14,674.1</b>	<b>79.0</b>
Interest Expenditures	136.2	157.4	15.6	1,048.9	1,819.8	73.5	1,950.0	2,052.7	88.7
Non-Interest Expenditures	819.3	1,212.9	48.0	7,065.2	9,772.7	38.3	12,781.0	12,621.4	77.4
<b>Revenues</b>	<b>769.2</b>	<b>1,147.1</b>	<b>49.1</b>	<b>6,853.8</b>	<b>10,152.0</b>	<b>48.1</b>	<b>12,800.3</b>	<b>12,465.9</b>	<b>81.4</b>
Tax Revenues	643.6	976.0	51.6	5,777.7	8,729.5	51.1	11,138.8	10,733.6	81.3
Other Revenues	125.6	171.1	36.2	1,076.2	1,422.5	32.2	1,661.6	1,732.3	82.1
<b>Budget Balance</b>	<b>-186.3</b>	<b>-223.2</b>	<b>19.8</b>	<b>-1,260.3</b>	<b>-1,440.5</b>	<b>14.3</b>	<b>-1,930.7</b>	<b>-2,208.3</b>	<b>65.2</b>
<b>Primary Balance</b>	<b>-50.1</b>	<b>-65.8</b>	<b>31.4</b>	<b>-211.4</b>	<b>379.3</b>	<b>-</b>	<b>19.3</b>	<b>-155.6</b>	<b>-</b>

Numbers may not add up to total value due to rounding.

### Non-interest expenditures increased by 48% in October.

Non-interest budget expenditures rose by 48% in October, recording the fastest annual increase in the last 12 months. Current transfers, which accounted for 42.9% of these expenditures, increased by 48.6% to 520.3 billion TRY, while personnel expenditures, which accounted for 27.4%, reached 332.8 billion TRY with a 37.8% increase on an annual basis. Capital expenditures, which accounted for 11% of non-interest expenditures during this period, increased by 27.9%, while goods and services purchase expenditures, which accounted for 8.3%, increased by 59%.

### Interest Expenditures



The annual increase in interest expenditures in October was 15.6%, a more moderate annual rise compared to the increases recorded throughout the year. Interest expenditures increased by 73.5% yoy in the January-October period and accounted for 15.7% of total expenditures during this period.

### Expectations...

In October, the pace of the increase in tax revenues was close to its average recorded for the first nine months, while non-interest expenditures registered the fastest annual increase recorded in the last 12 months. The course of the budget deficit seen in the first 10 months of the year indicates that the 2.2 trillion TRY realization estimate for 2025 is achievable. In terms of the support of fiscal policy to fight against inflation, the trend in non-interest expenditures will continue to be followed closely in the coming period.

## Inflation

### CPI rose by 0.87% mom in November.

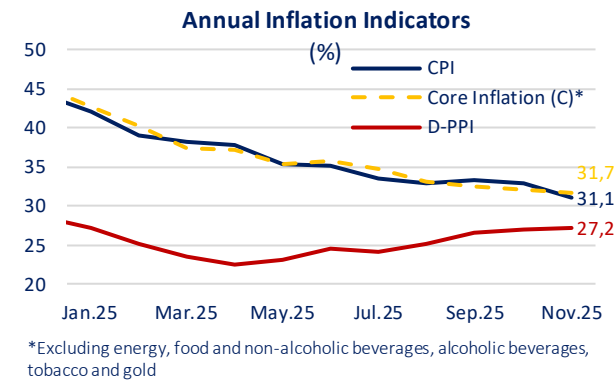
Monthly CPI inflation in November was 0.87%, below market expectations of 1.25%. In November, the lowest monthly CPI inflation since May 2023 was recorded, with seasonal factors and discounts contributing to keep it below expectations. Thus, annual CPI inflation fell to 31.07%, supported by the base effect.

The monthly increase in the D-PPI in November was 0.84%, the lowest level in 2025. Thus, annual inflation in producer prices was realized as 27.23%.

September	CPI		D-PPI	
(change %)	2024	2025	2024	2025
Monthly	2,24	0,87	0,66	0,84
Year-to-Date	42,91	29,74	28,01	26,72
Annual	47,09	31,07	29,47	27,23
Annual Average	60,45	35,91	42,60	25,37

### Prices in the food and non-alcoholic beverages group decreased by 0.69%.

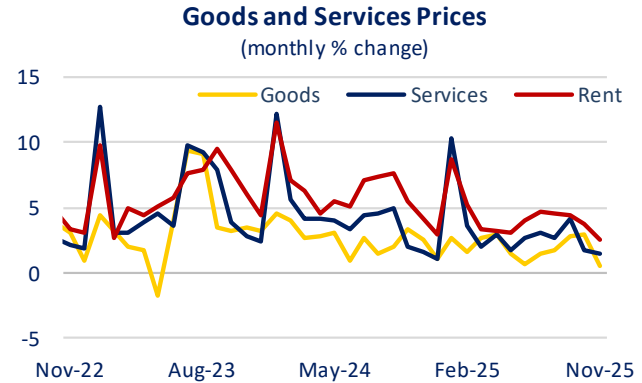
In November, prices in the 11 expenditure groups increased, while only prices in the food and non-alcoholic beverages group declined on a monthly basis. The recreation and culture (3.33%) and alcoholic beverages and tobacco (2.42%) groups recorded the highest monthly price increases during this period. In terms of their contribution to monthly inflation, the monthly increase of 1.70% in housing group prices contributed 0.29 points, while the monthly price increase of 1.78% in the transportation group contributed 0.27 points. The 0.69% monthly decline in prices in the food and non-alcoholic beverages group due to seasonal factors limited the monthly CPI increase.



### Core inflation indicators exceed headline inflation...

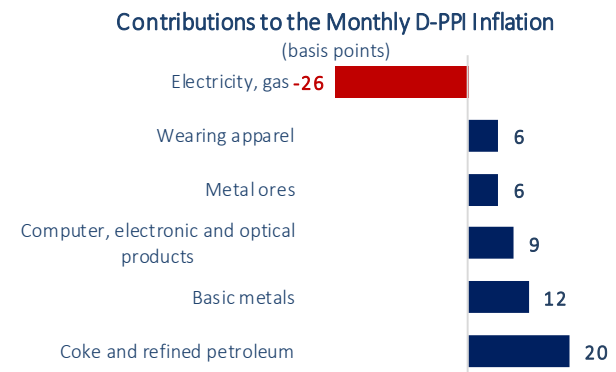
Seasonal factors were disinflationary in November, in line with expectations. While the monthly increase in the A index, which excludes seasonal products, was 1.23%, the increases in the B, C, and D indices, which exclude food products, were also above headline inflation. The monthly increase in goods prices in November was 0.56%, the lowest level since May 2023. This development was driven by a 3.33% decline in unprocessed food prices during this period, as well as relatively low price increases

in other goods groups due to the discount season in the retail sector. With the monthly rent increase in November at 2.49%, the lowest level since May 2022, service prices recorded their lowest increase in 2025 at 1.46%.



### The electricity and gas production and distribution sector limited the D-PPI.

The monthly increase in producer prices in November, at 0.84%, was the lowest level in 2025, emerging as another positive development for inflation. During this period, the 3.10% decline in prices in the electricity, gas production, and distribution sector limited the monthly increase in the D-PPI by 0.26 points. On the other hand, the monthly 7.71% price increase in coke and refined petroleum products contributed 0.20 points to D-PPI inflation. The monthly 1.63% increase in producer prices for basic metals also contributed 0.12 points to the D-PPI. Tobacco products and metal ores, with monthly price increases of 8.88% and 8.03% respectively, were other notable items during this period. The fact that the annual increase in producer prices was 27.23%, below the annual CPI inflation, indicated that there was not an additional pressure on inflation from the costs channel.



### Expectations...

The significant slowdown in service and goods inflation in November stood out as a positive development in terms of inflation expectations. Although core inflation indicators exceeded headline inflation during this period, they also improved significantly. We believe that the factors that kept inflation below expectations in November will continue to contribute to the disinflation process in December, though their impacts will be slightly less pronounced.

## Financial Markets

	31-Oct	28-Nov	Change
<b>5-Y CDS</b> (basis points)	246	238	-7 bp ▼
<b>TR 2-Y Benchmark Yield</b>	40.01%	38.47%	-154 bp ▼
<b>BIST-100</b>	10,972	10,899	-0.7% ▲
<b>USD/TRY</b>	42.0171	42.4732	1.1% ▲
<b>EUR/TRY</b>	48.5208	49.2663	1.5% ▲
<b>Currency Basket*</b>	45.2690	45.8698	1.3% ▲

(\*) (0.5 USD/TRY + 0.5 EUR/TRY)

### CBRT published its final Inflation Report of the year.

In the final Inflation Report of the year, published on November 7, CBRT maintained its annual CPI inflation targets of 24%, 16%, and 9% for 2025, 2026, and 2027, respectively, while raising its inflation forecast range for the end of this year from 25%-29% to 31%-33%. This revision stemmed from increases in assumptions regarding food prices and import prices in TRY. The report also noted that the decline in inflation expectations was more limited than anticipated and that the output gap had been higher than expected in recent periods, which pushed the forecast range upward as well. The inflation forecast range for the end of 2026 was maintained at 13-19%. CBRT reiterated that medium-term forecasts were made based on the assumption that coordinated fiscal policy would contribute to the disinflation process and that tight monetary policy would be maintained until price stability was achieved.

#### CBRT Revisions in Assumptions 2025-IV

	2025	2026
<b>Export-weighted Global Growth Index</b> (annual average % change)	<b>2.0</b>	<b>2.2</b>
2025-III	2.0	2.3
<b>Oil Prices</b> (average, USD)	<b>69.0</b>	<b>62.4</b>
2025-III	69.8	64.4
<b>Import Prices</b> (annual average % change, USD)	<b>0.8</b>	<b>-0.6</b>
2025-III	0.3	-1.3
<b>Food Price Inflation</b> (year-end % change)	<b>32.3</b>	<b>18.0</b>
2025-III	26.5	17.0

### Sectoral inflation expectations presented a mixed picture in November.

According to the "Sectoral Inflation Expectations" report compiled by the CBRT, inflation expectations for 12 months ahead declined by 0.6 percentage points to 35.70% in the real sector and by 2.2 percentage points to 52.24% among households. On the other hand, the share of households expecting inflation to fall in the next 12 months reached a historically low level of 24.83%, presenting a mixed picture of household expectations.

Market participants' inflation expectations for 12 months ahead, which increased in October, continued to rise in November, diverging from the real sector and households.

According to the results of the CBRT's Market Participants Survey for November, participants' inflation expectations for 12 months ahead rose by 0.2 percentage points to 23.49%, while annual CPI inflation expectations for the end of 2025 rose by 0.4 percentage points to 32.20%. According to the survey, the USD/TRY expectation for the end of the current year fell to 43.42, while the expectation for 12 months ahead was 50.62. Participants' growth expectations rose slightly to 3.4% for 2025, while remaining unchanged at 3.8% for 2026.

### IMF has published its preliminary assessment of Türkiye's Article IV report.

The IMF has published its assessment containing the preliminary results of its annual review under the Article IV report on the Turkish economy. The assessment noted that the policies implemented by Türkiye have achieved important successes, with inflation gradually declining and confidence in the TRY being restored. However, the report stated that inflation remains high and that the process of anchoring inflation expectations at the low levels projected by the CBRT is taking longer time than expected.

### Securities portfolios and international reserves of non-residents...

According to data adjusted for price and exchange rate movements, as of November 21, the equities portfolio of non-residents decreased by a net 51 million USD compared to the end of October, while the GDDS portfolio recorded a net increase of 1.1 billion USD based on outright purchases. Thus, since the beginning of the year, net inflows into the stock market have declined to 1.5 billion USD, while net outflows from the government bond market have declined to 2.2 billion USD. As of the week of November 21, the CBRT's gross reserves stood at 180.6 billion USD, down 3.0 billion USD compared to the end of October, while its net international reserves stood at 69.4 billion USD, up 72 million USD.

### BIST-100 index showed a volatile pace in November.

In line with weak global risk appetite in November, losses were seen in the domestic stock market. In addition, the CBRT's upward revision of its year-end inflation forecast contributed to mid-month sell-offs as well. As a result, the BIST-100 index closed November down by 0.7% at 10,899. In November, the yield on the 2-year benchmark bond fell by 154 basis points, while the yield on the 10-year benchmark bond fell by 44 basis points. Türkiye's 5-year CDS premium declined by 7 basis points to 238 basis points. USD/TRY and EUR/TRY rose by 1.1% and 1.5%, respectively, in November.

Source: CBRT, Datastream, Reuters



## Banking Sector

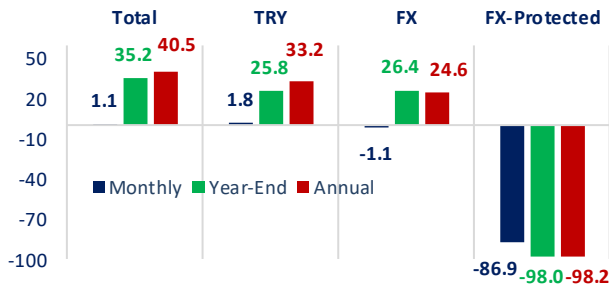
**The volume of foreign currency deposits remained flat in November.**

According to the BRSA data, the volume of foreign currency deposits, which remained relatively flat compared to the end of October, expanded by 26.4% ytd (49.8 billion USD), reaching 238.3 billion USD as of November 21, due to the impact of the exchange rate and the rise in gold prices. Adjusted for parity effects, the total FX deposits of resident households decreased by 490 million USD compared to the end of October but increased by 117 million USD compared to the end of the year. Similarly, FX deposits of corporates decreased by 552 million USD and 743 million USD during the same periods, respectively. As of November 21, the ratio of foreign currency deposits to total deposit volume stood at 39.2%.

The volume of total Turkish lira deposits increased by 1.5% compared to the end of October and by 25.8% compared to the end of 2024, reaching 15.6 trillion TRY as of November 21. During this period, the FX-protected deposits' (KKM) volume decreased to 22.5 billion TRY (531 million USD), while the ratio of KKM to total TL deposits also fell from 9.1% at the end of 2024 to 0.1%. Thus, the total deposit volume in the banking sector expanded by 1.2% compared to the end of October and by 35.2% compared to the end of 2024, reaching 25.7 trillion TRY.

**Deposit Volume as of 21 November**

(% change)

**The total credit volume reached 21.8 trillion TRY.**

As of November 21, the Turkish lira credit volume in the banking sector expanded by 1.3% compared to the end of October and by 35.8% compared to the end of 2024, reaching 13.6 trillion TRY. The volume of foreign currency credit also increased by 0.1% and 16% respectively during the same periods, rising to 194.5 billion USD. Thus, the total credit volume increased by 1.2% compared to the end of October and by 37.4% compared to the end of the year, reaching 21.8 trillion TRY. According to data adjusted for exchange rate effects, the increases recorded in the total credit volume during the same periods were 0.9% and 28.5%, respectively.

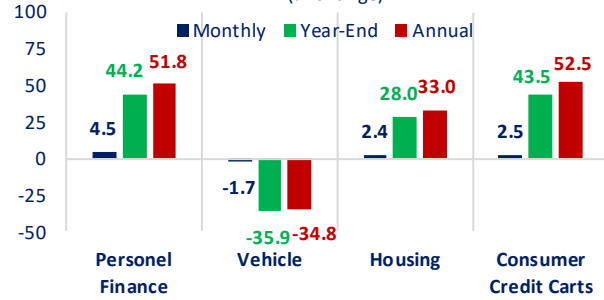
**Retail loans increased by 40.1% compared to the end of the year.**

As of November 21, retail loans rose by 40.1% compared to the end of 2024, driven by increases in housing and personal

finance loans. The consumer credit cards balance, which accounts for 48.3% of the total retail loan volume, increased by 43.5% since the end of the year, while the increase in overdraft accounts reached 62.0% during the same period. During this period, personal finance loans excluding overdraft accounts also recorded an increase of 44.2%. While housing loans expanded by 28.0%, close to the 11-month CPI inflation rate, the contraction trend in vehicle loans continued with a decline of 35.9%.

**Consumer Loans as of 21 November**

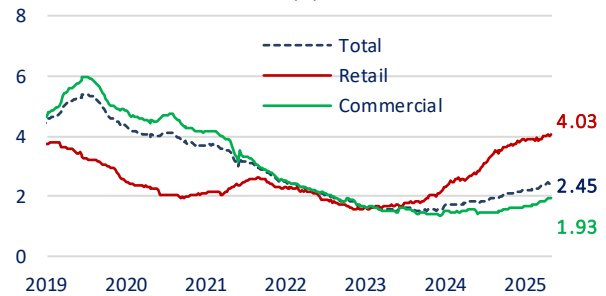
(% change)

**Non-performing loans ratio stood at 2.45%.**

In line with tight financial conditions, the banking sector's NPL ratio continues to rise. As of November 21, the sector's ratio of non-performing loans reached 2.45%, its highest level since July 2022. This ratio was recorded at its highest level since May 2017 at 4.03% for retail loans and since April 2023 at 1.93% for commercial loans. The ratio of non-performing loans is also at its highest level since December 2022 at 3.04% for SME loans.

**Non-performing Loans**

(% )

**FX net general position of the banking sector...**

As of November 21, the banking sector's on-balance sheet FX position was (-)45,632 million USD, while its off-balance sheet FX position was (+) 46,882 million USD. Thus, the sector's net FX position was recorded at (+) 1,249 million USD.

## Concluding Remarks

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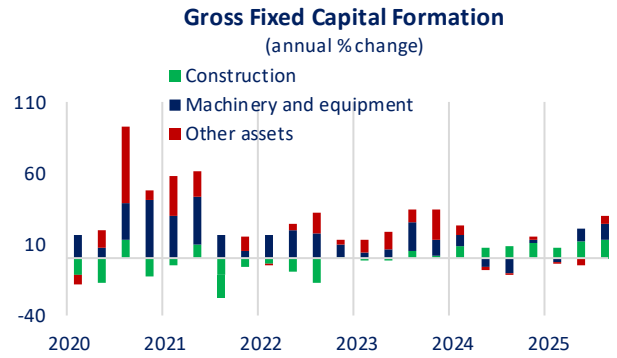
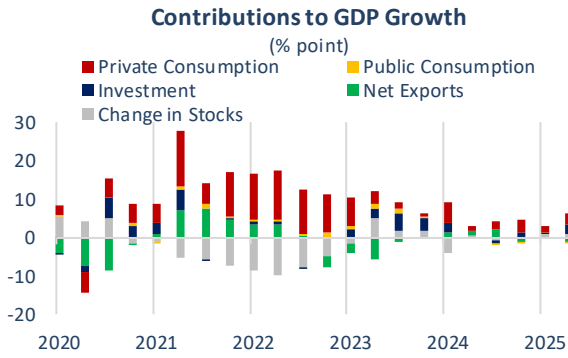
The 43-day government shutdown in the US, which lasted until November 13, disrupted data releases and increased uncertainty about Fed policies. By the last week of November, data releases and statements from Fed officials brought about a rapid rise in expectations for interest rate cuts. This rise somewhat mitigated the negative impact of the recent tech overvaluation concerns in the US and the decline in cryptocurrencies on global risk perception. Members' projections to be released after the Fed meeting on December 9-10 will be closely monitored to find clues on the monetary policy to be pursued next year, when the Fed Chair will change and midterm elections will take place.

Economic indicators in the Euro Area continue to support maintaining the current level of the policy rate, while the European Commission has revised up its 2025 growth forecast for the region. In the UK, the Bank of England is expected to resume cutting interest rates in December after pausing at the last two meetings. In Asia, data released in China signaled a deepening slowdown in the country, while in Japan, where inflation has gained momentum over the past two months, expectations for a December interest rate hike strengthened in line with policymakers' statements.

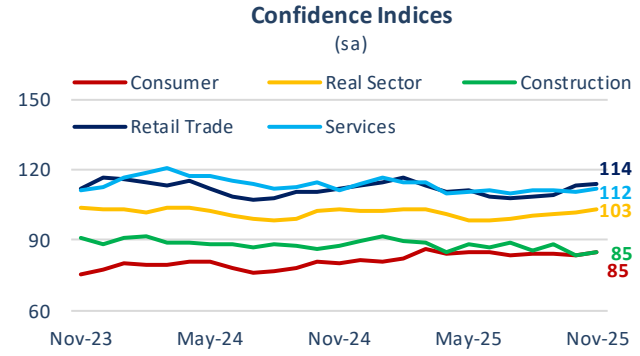
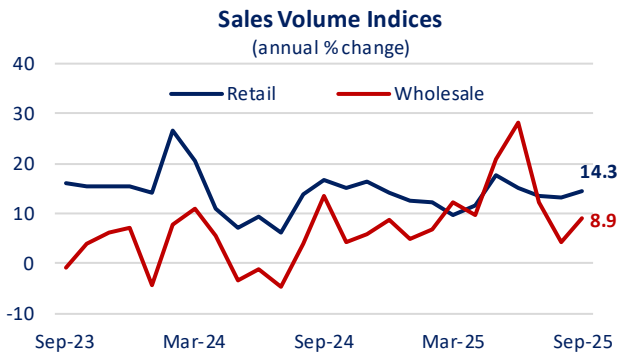
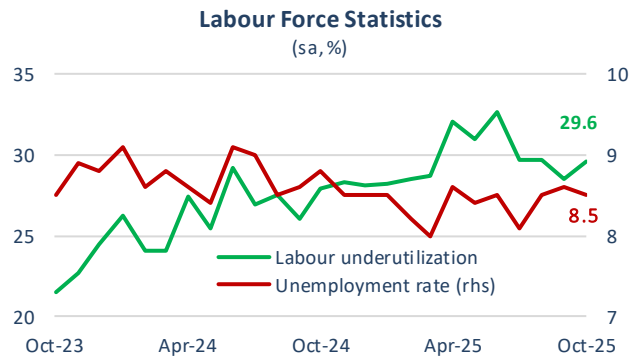
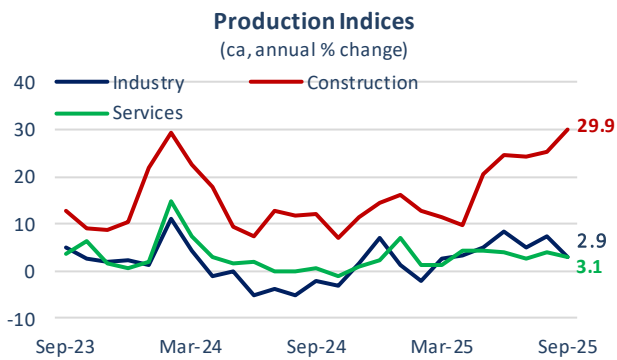
Despite the tight monetary policy stance, Turkish economy maintained its growth momentum in the third quarter of the year. Investment expenditures, which made the highest contribution recorded in the last two years, presented a balanced picture in terms of the composition of construction and machinery equipment investments. The acceleration in private consumption spending indicated that domestic demand remained robust during this period. On the other hand, the fact that monthly inflation in November recorded its lowest November figure in the last six years stood out as a positive development in terms of the disinflation process.

## Turkish Economy - Macroeconomic Indicators

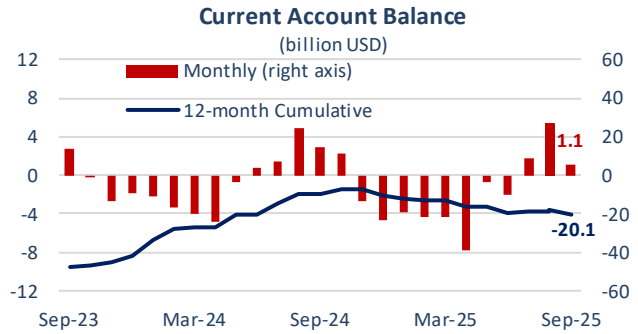
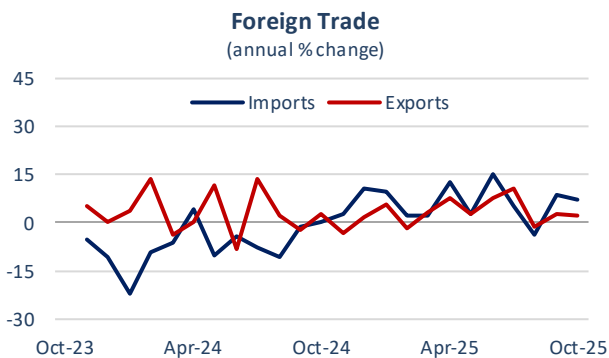
### Growth



### Leading Indicators



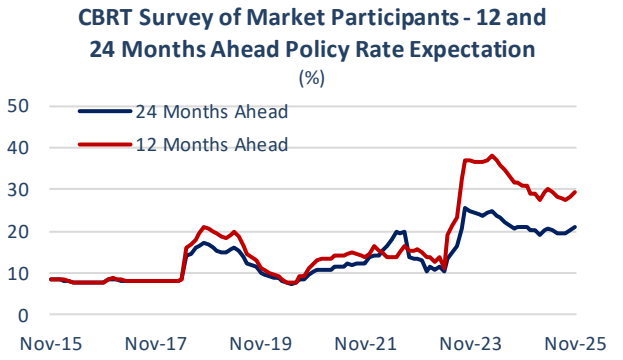
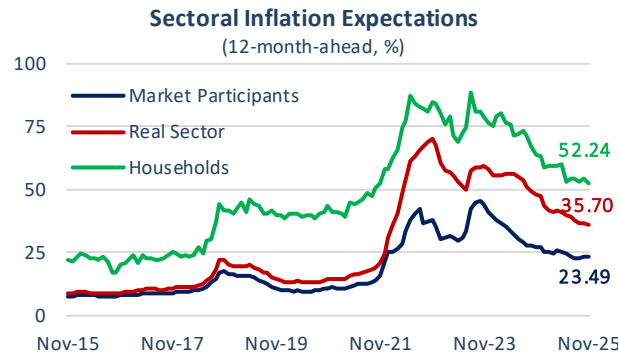
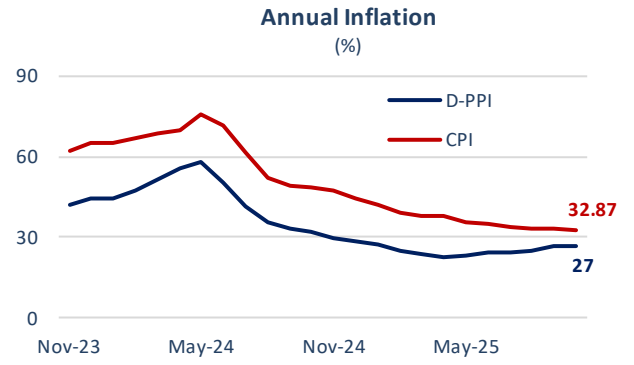
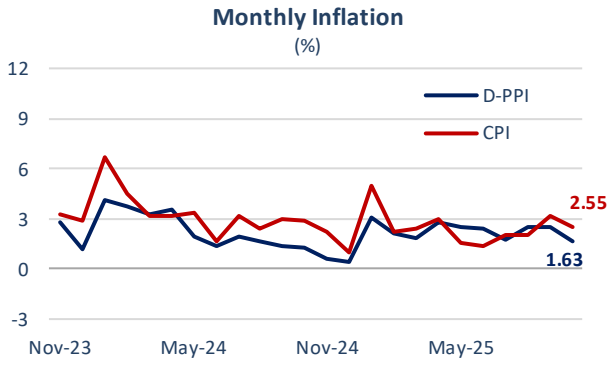
### Foreign Trade and Current Account Balance



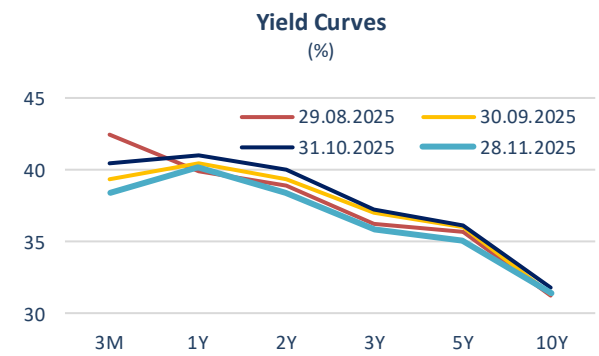
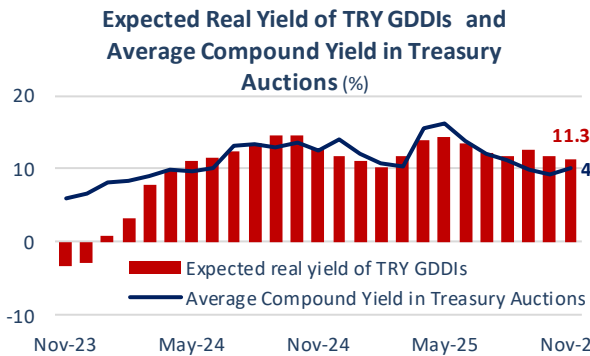
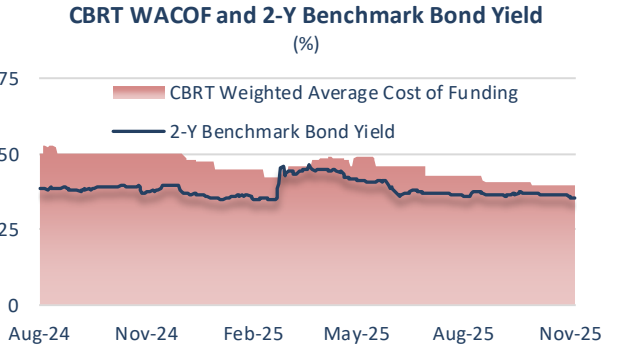
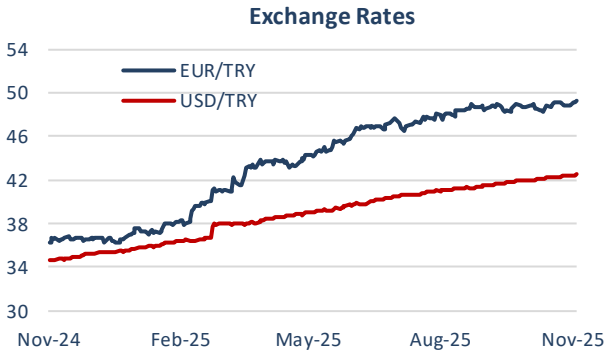
(CA): Calendar adjusted, (SA): Seasonally adjusted

Source: Datastream, CBRT, Turkstat

## Inflation



## Foreign Exchange and Bond Market



Source: BİST, Datastream, Reuters, CBRT, Turkstat, Treasury

## Turkish Economy - Macroeconomic Indicators

GROWTH	2020	2021	2022	2023	2024	Q1-25	Q2-25	Q3-25
GDP (USD billion)	692	560	819	1,153	1,358	347	378	433
GDP (TRY billion)	5,142	7,434	15,326	27,091	43,411	12,538	14,606	17,425
GDP Growth Rate (%)	1.9	11.4	5.5	5.8	3.3	2.5	4.9	3.7
INFLATION (%)						Sep-25	Oct-25	Nov-25
CPI (annual)	14.60	36.08	64.27	64.77	44.38	33.29	32.87	31.07
Domestic PPI (annual)	25.15	79.89	97.72	44.22	28.52	26.59	27.00	27.23
SEASONALLY ADJUSTED LABOR MARKET FIGURES						Aug-25	Sep-25	Oct-25
Unemployment Rate (%)	12.6	11.0	10.3	8.8	8.5	8.5	8.6	8.5
Labor Force Participation Rate (%)	49.1	52.6	53.9	53.9	54.0	53.9	53.6	53.8
FX RATES						Sep-25	Oct-25	Nov-25
CPI Based Real Effective Exchange Rate	65.0	50.3	58.6	59.5	72.4	70.78	71.87	-
USD/TRY	7.43	13.28	18.72	29.53	35.36	41.58	42.05	42.48
EUR/TRY	9.09	15.10	19.98	32.62	36.62	48.86	48.53	49.30
Currency Basket (0.5*EUR+0.5*USD)	8.26	14.19	19.35	31.08	35.99	45.22	45.29	45.89
FOREIGN TRADE BALANCE <sup>(1)</sup> (USD billion)						Aug-25	Sep-25	Oct-25
Exports	169.6	225.2	254.2	255.6	261.8	269.0	269.6	270.1
Imports	219.5	271.4	363.7	362.0	344.0	356.7	359.0	361.1
Foreign Trade Balance	-49.9	-46.2	-109.5	-106.3	-82.2	-87.6	-89.4	-91.0
Import Coverage Ratio (%)	77.3	83.0	69.9	70.6	76.1	75.4	75.1	74.8
BALANCE OF PAYMENTS <sup>(1)</sup> (USD billion)						Jul-25	Aug-25	Sep-25
Current Account Balance	-31.0	-6.2	-46.3	-41.5	-10.4	-19.0	-18.4	-20.1
Financial Account	-38.7	3.4	-17.5	-51.4	-21.3	-36.8	-34.5	-38.2
Direct Investments (net)	-4.3	-6.2	-8.9	-4.7	-5.1	-5.5	-6.6	-5.7
Portfolio Investments (net)	9.8	7.6	18.5	-5.7	-12.0	1.4	0.4	-2.0
Other Investments (net)	-12.4	-21.3	-39.4	-39.0	-4.8	-25.5	-29.5	-23.6
Reserve Assets (net)	-31.9	23.3	12.3	-2.0	0.6	-7.1	1.2	-6.8
Net Errors and Omissions	-7.7	9.7	28.8	-9.7	-10.8	-17.7	-15.8	-17.9
Current Account Balance/GDP (%)	-4.5	-1.1	-5.7	-3.6	-0.8	-	-	-
BUDGET <sup>(2)(3)</sup> (TRY billion)						Aug-25	Sep-25	Oct-25
Expenditures	1,202.2	1,599.6	2,941.4	6,585.5	10,777.0	8,891.2	10,222.2	11,592.5
Interest Expenditures	134.0	180.9	310.9	674.6	1,270.5	1,425.8	1,662.4	1,819.8
Non-interest Expenditures	1,068.3	1,418.8	2,630.5	5,910.8	9,506.6	7,465.4	8,559.8	9,772.7
Revenues	1,029.5	1,407.4	2,802.4	5,210.5	8,670.9	7,983.6	9,004.9	10,152.0
Tax Revenues	833.1	1,165.0	2,353.3	4,500.9	7,304.9	6,871.7	7,753.5	8,729.5
Budget Balance	-172.7	-192.2	-139.1	-1,375.0	-2,106.1	-907.6	-1,217.3	-1,440.5
Primary Balance	-38.8	-11.4	171.8	-700.4	-835.7	518.1	445.1	379.3
Budget Balance/GDP (%)	-3.4	-2.6	-0.9	-5.1	-4.7	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						Aug-25	Sep-25	Oct-25
Domestic Debt Stock	1,060.4	1,321.2	1,905.3	3,209.3	4,959.9	7,251.4	7,593.5	7,739.0
External Debt Stock	752.5	1,426.6	2,130.1	3,527.4	4,297.5	5,213.1	5,373.3	5,432.5
Total Debt Stock	1,812.8	2,747.8	4,035.5	6,736.6	9,257.4	12,464.5	12,966.8	13,171.5

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

Source: CBRT, Datastream, Ministry of Treasury and Finance, Reuters, Turkstat



## Turkish Economy - Banking Sector Outlook

## BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2020	2021	2022	2023	2024	Sep.25	Oct.25	Change <sup>(1)</sup>
<b>TOTAL ASSETS</b>	<b>6,106</b>	<b>9,215</b>	<b>14,347</b>	<b>23,553</b>	<b>32,657</b>	<b>43,579</b>	<b>44,119</b>	<b>35.1</b>
<b>Loans</b>	<b>3,576</b>	<b>4,901</b>	<b>7,581</b>	<b>11,677</b>	<b>16,052</b>	<b>21,244</b>	<b>21,591</b>	<b>34.5</b>
TRY Loans	2,353	2,832	5,110	7,894	10,145	13,153	13,457	32.6
Share (%)	65.8	57.8	67.4	67.6	63.2	61.9	62.3	-
FX Loans	1,224	2,069	2,471	3,783	5,907	8,090	8,134	37.7
Share (%)	34.2	42.2	32.6	32.4	36.8	38.1	37.7	-
Non-performing Loans	152.6	160.1	163.4	191.9	293.6	502.8	533.8	81.8
Non-performing Loan Rate (%)	4.1	3.2	2.1	1.6	1.8	2.3	2.4	-
<b>Securities</b>	<b>1,023</b>	<b>1,477</b>	<b>2,371</b>	<b>3,970</b>	<b>5,226</b>	<b>6,796</b>	<b>6,822</b>	<b>30.5</b>
<b>TOTAL LIABILITIES</b>	<b>6,106</b>	<b>9,215</b>	<b>14,347</b>	<b>23,553</b>	<b>32,657</b>	<b>43,579</b>	<b>44,119</b>	<b>35.1</b>
<b>Deposits</b>	<b>3,455</b>	<b>5,303</b>	<b>8,862</b>	<b>14,852</b>	<b>18,903</b>	<b>24,849</b>	<b>25,367</b>	<b>34.2</b>
TRY Deposits	1,546	1,880	4,779	8,897	12,307	15,220	15,389	25.0
Share (%)	44.7	35.5	53.9	59.9	65.1	61.3	60.7	-
FX Deposits	1,909	3,423	4,083	5,955	6,596	9,629	9,978	51.3
Share (%)	55.3	64.5	46.1	40.1	34.9	38.7	39.3	-
<b>Securities Issued</b>	<b>224</b>	<b>310</b>	<b>325</b>	<b>584</b>	<b>1,045</b>	<b>1,713</b>	<b>1,757</b>	<b>68.1</b>
<b>Payables to Banks</b>	<b>658</b>	<b>1,048</b>	<b>1,432</b>	<b>2,384</b>	<b>3,535</b>	<b>4,815</b>	<b>4,894</b>	<b>38.4</b>
<b>Funds from Repo Transactions</b>	<b>255</b>	<b>587</b>	<b>540</b>	<b>723</b>	<b>2,244</b>	<b>3,027</b>	<b>2,791</b>	<b>24.4</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>600</b>	<b>714</b>	<b>1,406</b>	<b>2,153</b>	<b>2,898</b>	<b>3,707</b>	<b>3,804</b>	<b>31.3</b>
Profit (Loss) of the Period	58.5	93.0	431.6	620.8	659.0	669.7	751.6	14.1
<b>RATIOS (%)</b>								
Loans/GDP	69.6	65.9	49.5	43.1	36.0	-	-	-
Loans/Assets	58.6	53.2	52.8	49.6	49.2	48.7	48.9	-
Securities/Assets	16.7	16.0	16.5	16.9	16.0	15.6	15.5	-
Deposits/Liabilities	56.6	57.5	61.8	63.1	57.9	57.0	57.5	-
Loans/Deposits	103.5	92.4	85.5	78.6	84.9	85.5	85.1	-
Capital Adequacy (%)	18.7	18.4	19.5	19.1	19.7	18.5	18.9	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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