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Global Economy

Generally positive outcomes from negotiations between the US and its major trading partners, excluding China, have alleviated uncertainties regarding global trade policies. However, the tariff rate applicable to imports from Türkiye has been set at 15% instead of 10%.

IMF revised its global growth forecast for the end of 2025 upward compared to its April forecast, while revising its inflation forecast downward. IMF predicts that the world economy will grow by 3.0% in 2025 and that global inflation will be 4.2%.

While GDP growth in the US exceeded expectations at an annualized rate of 3% in the second quarter, June inflation data showed that new tariff rates had a significant upward effect on price levels.

Fed maintained its cautious stance by not changing the policy rate at its July meeting. While two members voted in favor of a rate cut, the lower-than-expected increase in non-farm payrolls in the US in July and significant downward revisions to previous months brought about a rapid increase in the likelihood of a rate cut by the Fed in September.

Euro Area economy grew by 1.4% yoy in the second quarter of 2025, exceeding expectations. At its July meeting, ECB paused its interest rate cuts, keeping reference rates unchanged in line with expectations.

Chinese economy grew by 5.2% yoy in the second quarter of 2025, exceeding expectations.

While Brent crude oil prices ended July with a 7.2% increase, OPEC+ countries announced at their meeting in early August that they would increase production by 547,000 barrels per day as of September.

Turkish Economy

In June, the seasonally adjusted unemployment rate rose by 0.2 pps to 8.6%, while the labor underutilization rate reached 32.9%, the highest level since the data set which began in 2014.

According to seasonally and calendar-adjusted data, the industrial production index rose by 3.1% mom in May, partly due to the low base caused by bridge days in April.

ICI Manufacturing PMI fell to 45.9 in July, indicating that the weakness deepened in the operating conditions of the sector.

In May, the current account posted a deficit of 684 million USD, while the 12-month cumulative current account deficit rose to 16 billion USD.

The central government budget posted a deficit of 330.2 billion TRY in June. Thus, the total budget deficit in the first half of the year expanded by 31.2% yoy to 980.5 billion TRY.

In July, CPI rose by 2.06% mom, below market expectations, while the annual CPI inflation came in at 33.52%. During this period, the D-PPI rose by 1.73% on a monthly and 24.19% on an annual basis.

At its July meeting, the CBRT cut its policy rate by 300 basis points from 46% to 43%, while lowering the overnight lending rate from 49% to 46% and the overnight borrowing rate from 44.5% to 41.5%.

Moody's upgraded Türkiye's credit rating by one notch to Ba3 and updated its credit rating outlook to "stable." Fitch affirmed Türkiye's credit rating and outlook at "BB-" and "stable."

BIST-100 index ended July with an 8% gain, while the USD/TRY exchange rate rose by 2% mom during the same period. Türkiye's 5-year CDS risk premium fell by 7 bps to 278 bps in July.

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Leading Indicators

Employment statistics presented a negative outlook in June.

According to seasonally adjusted data, despite an increase in the labor force (33k people), there was a decrease in employment (18k people) in June. Thus, the employment rate fell by 0.1 ppt to 48.9%, while the unemployment rate rose by 0.2 ppt to 8.6%. In parallel, the unemployment rate among young people aged 15-24 rose by 0.6 ppt to 16.2%, reaching the highest level of last eight months. In addition, the labor underutilization rate, the broadest measure of unemployment, increased by 1.8 ppt in June to 32.9%, reaching the highest level of the data set starting from January 2014.

Production indices increased in May.

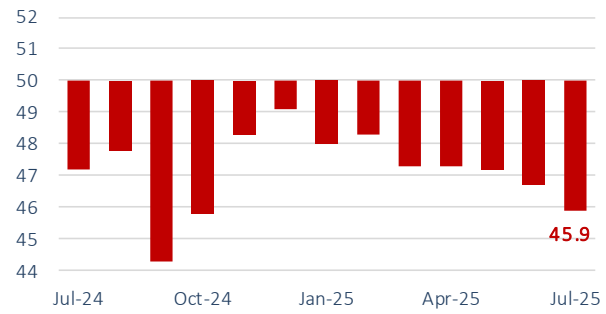
According to seasonally and calendar-adjusted data, the industrial production index, which declined by 3.2% mom in April, rose by 3.1% in May. The low base due to the bridge days following the end of Ramadan Feast on April 1 contributed to this increase as well. Among the main indices, production remained flat in the electricity, gas, steam sector, while rising in mining-quarrying and manufacturing sectors by 5.3% and 3.2%, respectively. During the same period, production increased in 17 of the 24 sub-indices that constitutes the manufacturing industry, with rapid rises in the manufacture of other transport equipment (23.8%) and computers, electronic, and optical products (27.9%) standing out. In May, the annual increase in the calendar-adjusted industrial production index reached its highest level this year at 4.9%.

The services and construction production indices also showed a positive outlook in May. The services production index, which increased by 1.2% mom during this period, rose by 3.9% on an annual basis. Having declined in the previous three months, construction production index rose by 4.8% in May. The annual increase in this index came in at 20.3%, the highest level in the last fourteen months.

Manufacturing PMI fell to its lowest level since October 2024.

In July, the Istanbul Chamber of Industry (ICI) Türkiye Manufacturing PMI declined to 45.9, its lowest value since October 2024. Thus, the index, which has been in the contraction zone since March 2024, indicated that the weak trend in the sector continued to deepen in July. During this period, muted customer demand stood out, while the decline in companies' production volumes gained momentum, as it had in the previous two months. As a result of the slowdown in new orders and the decline in production, employment in the sector continued to decline, albeit at a more moderate pace than in June. On the other hand, input costs rose rapidly due to the depreciation of the Turkish lira during the same period, while sales prices rose relatively moderately due to weak demand. According to sectoral PMI data, business conditions weakened in July in all 10 sectors tracked. The only sector whose production rose during this period was electrical and electronic products.

ICI Türkiye Manufacturing PMI



Retail sales continued to increase in May.

The trade sales volume index rose by 3.3% mom in May, following a decline in April due to the contraction in wholesale trade volume. During this period, wholesale trade increased by 4.3%, while retail sales volume continued to expand with 1.6%. The increase in retail sales was widespread across all groups, except for the computers, books, and telecommunications equipment group, which had a limited decline of 0.2%. In May, retail sales excluding watches and jewelry, which is considered to be the core indicator, rose by 1.4%, in line with the headline indicator. During this period, the trade sales volume index expanded by 19.2% yoy as wholesale trade and retail sales went up by 20.2% and 17.7%, respectively.

Confidence indices presented a mixed outlook in July.

According to seasonally adjusted data, the consumer confidence index fell to 83.5 in July, down 1.8% on a monthly basis, presenting the most negative outlook in the last five months. The decline in consumer confidence spread to the main sub-indices, particularly expectations for the general economic situation over the next 12 months. On the other hand, the real sector confidence index rose by 0.5% mom to 98.9 during the same period. The increase in real sector confidence was mainly driven by the improvement in assessments on the next three months. Sectoral confidence indices also presented a mixed outlook in July. During this period, the confidence index declined in the services sector (0.8%) and the retail trade sector (0.5%), while increasing in the construction sector (2.2%). Thus, the economic confidence index, which decreased by 0.4% mom in July, was realized as 96.3, the lowest value in the last ten months.

The housing market continues its solid course.

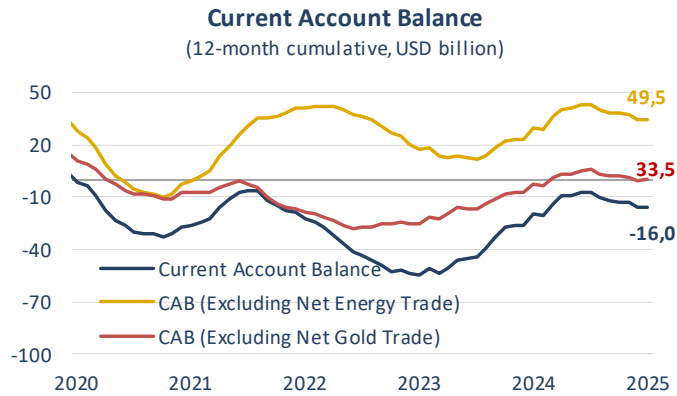
House sales in Türkiye rose by 35.8% yoy in June, indicating that the housing market remains buoyant. Thus, house sales in the first half of the year increased by 26.9% yoy, reaching approximately 692k units. In line with the positive trend in the housing market in June, the housing price index rose by 2% mom, exceeding CPI inflation, while the annual increase in housing prices gained momentum, albeit modestly, rising to 32.8%. As a result, the annual real decline in housing prices continued to slow down in June and became 1.7%.

Source: CBRT, Datastream, ICI, TURKSTAT

Foreign Trade and Balance of Payments

Current account deficit narrowed to 684 million USD in May.

In May, current account posted a deficit of 684 million USD, below the market expectations. Market expectations were shaped around 830 million USD for current account deficit in this period. In January-May period, current account deficit increased by 38.5% yoy to 21 billion USD, while 12-month cumulative current account deficit was realized as 16 billion USD, the highest level since June last year.



Increase in services revenues supported the current account balance outlook.

Net services revenues, which increased by 4.0% yoy to 5.6 billion USD in May, were effective in the favorable outlook of the current account balance. Composition of services revenues suggested that tourism revenues, which had a 49% share in total revenues as of May, increased by 1.7% yoy to 5 billion USD. In the same period, transportation revenues, which accounted for 35% of services revenues, rose by 4.9% yoy.

In May, balance of payments-defined foreign trade deficit increased by 14.6% yoy to 4.8 billion USD. In this period, energy imports declined by 17.6% yoy to 4.3 billion USD due to the annual decline in oil prices, shrinking to its lowest level since July 2021. On the other hand, non-monetary gold

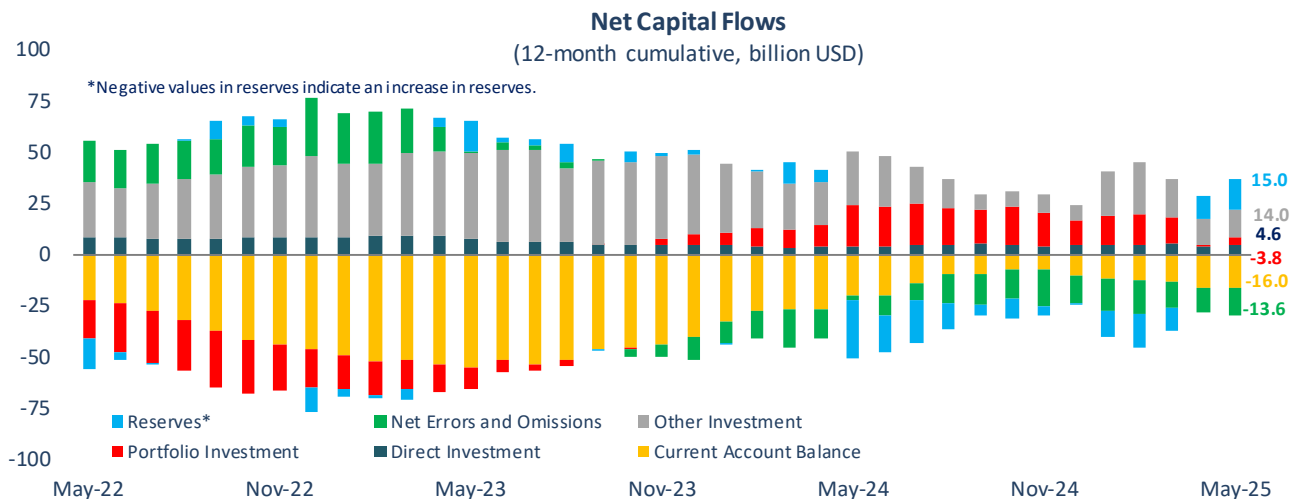
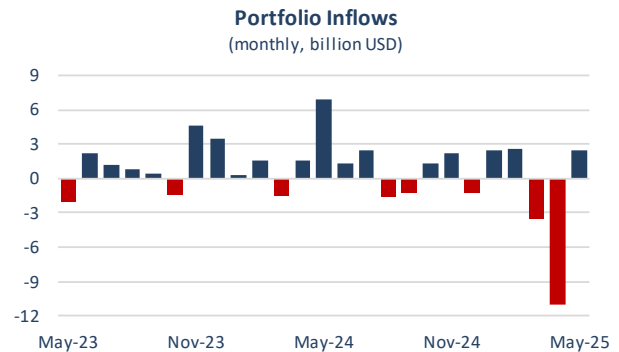
imports surged by 47.8% yoy in May, while other non-energy import items recorded rapid increases as well. In May, the current account surplus excluding net gold trade and the current account surplus excluding net energy and gold trade were realized as 1.1 billion USD and 4.1 billion USD, respectively, reaching their highest levels since October 2024.

Foreign direct investments...

In May, non-residents' direct investments in Türkiye recorded a capital inflow of 1.4 billion USD. In this period, residents' net asset acquisitions abroad continued with 675 million USD, leading to a net capital inflow of 702 million USD in direct investments.

Net portfolio inflows were realized as 2.5 billion USD...

Portfolio investments recorded a net capital inflow of 2.5 billion USD in May, following the high capital outflow in April. In this period, debt securities, mainly government bonds, attracted inflows of 3.2 billion USD. In addition, there was a net capital inflow of 396 million USD in the equity market.



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

The highest net capital inflow in other investments since May 2020...

In May, net capital inflow in other investments was realized as 9.6 billion USD, the highest level since May 2020. In this period, net capital inflow of 7.3 billion USD in currency and deposits was the main factor supporting other investments. Net credit utilization was realized as 3.2 billion USD. As of May, according to 12-month cumulative data, long-term debt rollover ratio was 168% for banks and 145% for other sectors.

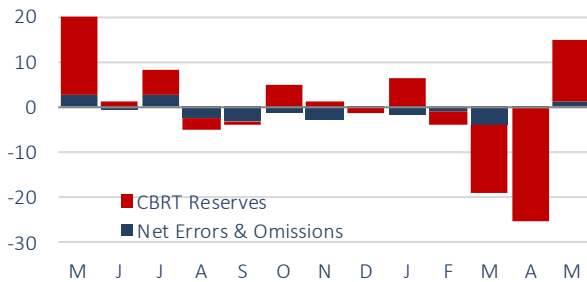
Reserve assets recorded the highest increase in a year.

In May, reserve assets recorded the strongest increase in a year with 13.5 billion USD. In this period, net errors and omissions posted an inflow of 1.3 billion USD.

Expectations...

According to data released by the Turkstat, foreign trade deficit widened by 38.8% yoy to 8.2 billion USD in June. As of the first half of July, geopolitical risks being left behind and weak expectations for global demand due to US' protectionist trade policies caused oil prices to remain flat. In such an environment with high uncertainties, the outlook in our main export markets and the course of tourism revenues with the start of the summer season will be the main factors determining the current account balance outlook in the coming months.

CBRT Reserves and Net Errors & Omissions
(monthly, billion USD)



Balance of Payments (USD million)

	May. 2025	Jan. - May. 2024	2025	% Change	12-month Cumulative
Current Account Balance	-684	-9.731	-12.279	26,2	-16.039
Foreign Trade Balance	-4.804	-14.090	-15.865	12,6	-61.010
Services Balance	5.635	8.231	8.022	-2,5	62.245
Travel (net)	4.368	6.479	6.435	-0,7	49.174
Primary Income	-1.484	-3.386	-4.276	26,3	-17.206
Secondary Income	-31	-486	-160	-67,1	-68
Capital Account	-12	1	20	1.900,0	-103
Financial Account	647	-17.470	-18.947	8,5	-29.763
Direct Investment (net)	-702	-379	-829	118,7	-4.582
Portfolio Investment (net)	-2.498	-215	-1.446	572,6	3.841
Net Acquisition of Financial Assets	1.102	2.905	1.212	-58,3	9.159
Net Incurrence of Liabilities	3.600	3.120	2.658	-14,8	5.318
Equity Securities	396	286	-362	-	-2.711
Debt Securities	3.204	2.834	3.020	6,6	8.029
Other Investment (net)	-9.619	5.842	-5.077	-	-13.980
Currency and Deposits	-7.288	2.647	10.187	284,9	14.532
Net Acquisition of Financial Assets	-4.808	7.247	9.396	29,7	8.184
Net Incurrence of Liabilities	2.480	4.600	-791	-	-6.348
Central Bank	-44	63	-5.103	-	-16.573
Banks	2.524	4.537	4.312	-5,0	10.225
Foreign Banks	2.461	3.041	4.124	35,6	8.562
Foreign Exchange	156	1.152	2.533	119,9	5.075
Turkish Lira	2.305	1.889	1.591	-15,8	3.487
Non-residents	63	1.496	188	-87,4	1.663
Loans	-3.229	-1.628	-13.132	706,6	-25.093
Net Acquisition of Financial Assets	-1.135	147	634	331,3	3.799
Net Incurrence of Liabilities	2.094	1.775	13.766	675,5	28.892
Banking Sector	815	2.424	11.618	379,3	19.897
Non-bank Sectors	1.277	-555	2.179	-	8.274
Trade Credit and Advances	903	4.827	-2.119	-	-3.351
Other Assets and Liabilities	-5	-4	-13	225,0	-68
Reserve Assets (net)	13.466	-22.718	-11.595	-49,0	-15.042
Net Errors and Omissions	1.343	-7.740	-6.688	-13,6	-13.621

Source: CBRT,

Budget Balance

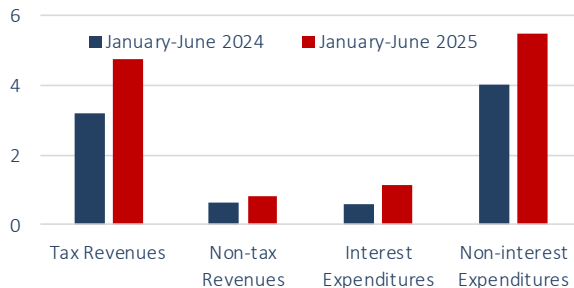
Central government budget posted a deficit of 330.2 billion TRY in June.

In June, central government budget revenues increased by 53.8% yoy to 909.4 billion TRY, while budget expenditures rose by 43.1% yoy to 1.2 trillion TRY. Thus, the central government budget posted a deficit of 330.2 billion TRY in this period. On the other hand, primary budget deficit fell by 69% yoy and became 54.5 billion TRY in June. In the first half of the year, budget deficit was 980.5 billion TRY, while the budget recorded a primary surplus of 131 billion TRY.

The increase in tax revenues gained momentum in June.

Gaining momentum compared to the first five months of the year, tax revenues rose by 58.3% yoy and reached 764.9 billion TRY in June. In this period, the 92.4% annual increase in income tax revenues was notable, partly due to changes made in the circular regarding wage, bonus, and gratuity payments at the beginning of the month. During the same period, corporate tax revenues recorded a limited increase of 5%. These two items together accounted for 28.6% of total tax revenues. Tax revenues from the consumption of goods and services rose by 52% yoy in June. In this period, domestic VAT revenues expanded by 58.6%, exceeding the CPI inflation rate (35.05%), while VAT collected on imports recorded a slower increase of 39.2% due to the moderate trend in foreign exchange rates. Special consumption tax revenues went up by 46.7% yoy in June. Non-tax revenues increased by 33.7% to 144.5 billion TRY.

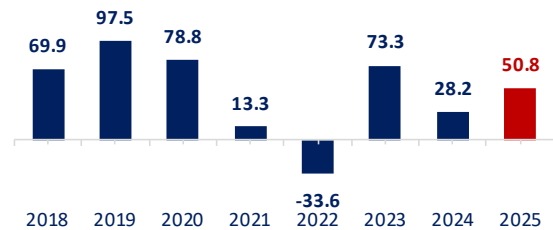
Main Budget Items
(TRY trillion)



Interest expenses surged by 177.7% yoy.

In June, interest expenses rose by 177.7% yoy and reached 276 billion TRY. Thus, the share of interest expenses in total budget expenditures rose from 15.7% in the January-May period to 22.2%. In June, personnel expenses rose by 33.7% yoy, below the CPI inflation rate, while current transfers, which account for approximately half of non-interest expenditures, recorded a moderate annual increase of 24.6%. During this period, it was noteworthy that Treasury assistance, which accounts for 22.4% of current transfers, remained flat with a 1.3% annual rise. In June, when assignment expenses declined by 2% yoy, a payment of 18.2 billion TRY was made to Electricity Generation Inc. During the same period, capital expenditures recorded a moderate increase of 14.6%, while the 51% decrease in capital transfers was noteworthy.

Ratio of Cumulative Budget Deficit to Annual MTP Projection
(January-June, %)



Expectations...

The central government budget deficit in the first half of the year constituted 50.8% of the target set for the whole year, which is in line with the plan. While the expansion in interest expenditures in the first half of the year put pressure on the budget balance, the limited rise in other expenditures seems to have balanced out this pressure. As of the beginning of July, increases in special consumption tax on petroleum products, tobacco products, and alcoholic beverages, as well as the rise in certain withholding tax rates, stand out as factors that could support tax revenues in the coming months. The course of economic activity in the remainder of the year will continue to be decisive for budget performance through tax revenues.

Central Government Budget

							(billion TRY)	
	June 2024	June 2025	% Change	January-June 2024	January-June 2025	% Change	MTP Target	Real./ MTP Target (%)
Expenditures	866.5	1,239.6	43.1	4,578.5	6,579.1	43.7	14,731.0	44.7
Interest Expenditures	99.3	275.7	177.7	574.4	1,111.4	93.5	1,950.0	57.0
Non-Interest Expenditures	767.2	963.9	25.6	4,004.1	5,467.6	36.5	12,781.0	42.8
Revenues	591.2	909.4	53.8	3,831.4	5,598.6	46.1	12,800.3	43.7
Tax Revenues	483.1	764.9	58.3	3,213.4	4,771.5	48.5	11,138.8	42.8
Other Revenues	108.1	144.5	33.7	618.0	827.1	33.8	1,661.6	49.8
Budget Balance	-275.3	-330.2	19.9	-747.2	-980.5	31.2	-1,930.7	50.8
Primary Balance	-176.0	-54.5	-69.0	-172.8	131.0	-	19.3	678.2

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

Source: Datastream, Ministry of Treasury and Finance

Inflation

CPI rose by 2.06% in July.

Monthly CPI inflation reached the highest level in the last three months with 2.06% in July. However, it was still below market expectations of 2.40%. Annual CPI inflation continued to decline due to the high base effect, falling to 33.52%.

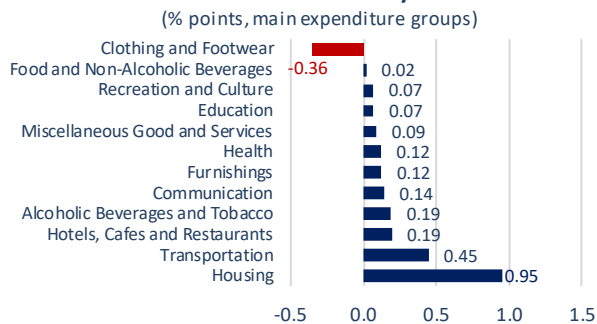
Monthly domestic PPI inflation, which fell from 2.46% to 1.73% in July, dropped below CPI inflation again after two months. In this period, the annual D-PPI inflation came in at 24.19%.

July	CPI		D-PPI	
(change %)	2024	2025	2024	2025
Monthly	3.23	2.06	1.94	1.73
Year-to-Date	28.76	19.08	21.81	17.70
Annual	61.78	33.52	41.37	24.19
Annual Average	65.93	41.13	47.55	27.07

Prices in the clothing and footwear group fell by 5.82%.

In July, prices rose in all main expenditure groups except for the clothing and footwear group. During this period, due to seasonal factors prices in the clothing and footwear group fell by 5.82% mom and limited headline inflation by 0.36 percentage points. On the other hand, prices in seven main expenditure groups rose faster than headline CPI in July. Prices in the housing group rose the fastest by 5.78% and contributed the most to the headline index, with 0.95 points. The transportation group, where prices increased by 2.89%, followed with a contribution of 0.45 points to the CPI increase. The food and non-alcoholic beverages group, which has the highest weight in the CPI basket, increased the CPI only by 0.02 points due to the limited 0.07% increase in prices.

Contributions to the Monthly CPI Inflation



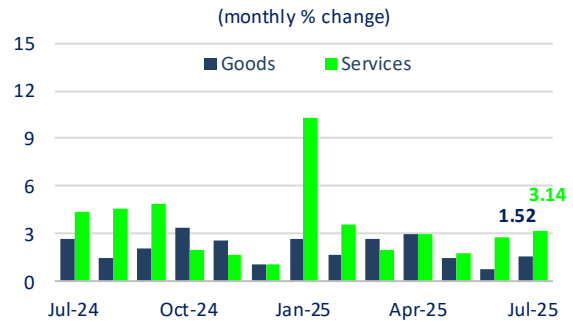
Analysis on a headline basis showed that natural gas fees, which rose by 26.41% due to the increases made in July contributed most to the CPI inflation with 0.5 points. This item was followed by real rent (0.3 percentage points), fuel and oil for personal transportation vehicles (0.2 percentage points), and the tobacco products group (0.2 percentage points). On the other hand, fresh fruits, whose prices fell by 8.75% due to seasonal effects, and women's clothing groups, whose prices dropped by 8.23%, were the items that limited the CPI increase most, each contributing 0.2 percentage points.

B and C indices rose below headline CPI.

In July, the A index, which excludes seasonal products, rose by 2.96%, above headline inflation and confirmed that seasonal products had pulled down inflation during this period. The increases in the B (CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco, and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products, and gold) indices recorded increases of 1.82% and 1.74%, respectively, below headline CPI.

In July, goods inflation stood at 1.52%, as price movements in the energy group (7.35%) and clothing& footwear goods (-6.02%) offset each other. During this period, service inflation was recorded at 3.14%, the highest level in the last five months. In July, price increases were widespread to all sub-indices of the services group.

Goods and Services Prices



The limited increase in food prices was effective in the slowdown of the D-PPI.

In July, electricity, gas production, and distribution (0.18 points) with a 2.21% increase in producer prices, and coke and refined petroleum products (0.17 points) with a 6.44% rise, continued to be the groups that contributed most to the headline D-PPI. The food group, which has the highest weight in producer prices with 20%, contributed only 0.04 points to the headline index due to the moderate 0.22% increase in prices. During this period, price decreases in tobacco (6.61%), paper (0.29%), and pharmaceutical products (0.02%) did not have a significant impact on D-PPI due to the low weights of these groups in the basket.

Expectations...

In July, although consumer inflation gained momentum compared to June due to the increase in administered prices as well as the natural gas price adjustment, it remained below market expectations. The fact that core inflation indicators remained below headline inflation provided positive signals regarding the course of inflation as well. We expect that the high base effect will continue to support disinflation in the coming months, albeit at a slower pace, and that annual CPI inflation will remain around the upper band of the CBRT's forecast range at the end of the year.

Source: Datastream, Turkstat

Financial Markets

	30-Jun	31-Jul	Change
5-Y CDS (basis points)	284	278	-7 bp ▼
TR 2-Y Benchmark Yield	40.13%	40.45%	32 bp ▲
BIST-100	9,949	10,743	8.0% ▲
USD/TRY	39.7825	40.5901	2.0% ▲
EUR/TRY	46.8559	46.2797	-1.2% ▼
Currency Basket*	43.3192	43.4349	0.3% ▲

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

CBRT cut its policy rate by 300 basis points.

At its Monetary Policy Committee meeting on July 24, the CBRT cut its policy rate, which is the one-week repo rate, by 300 basis points to 43%. At the same time, the CBRT lowered the overnight lending rate from 49% to 46% and the overnight borrowing rate from 44.5% to 41.5%. In the note released after the meeting, the CBRT stated that the underlying trend of inflation remained flat in June while leading indicators suggesting a temporary rise in monthly inflation in July due to month-specific factors. CBRT also pointed out that the disinflationary impact of demand conditions has strengthened in the recent period. In addition, the Central Bank emphasized that the magnitude of future steps would be assessed prudently focusing on the inflation outlook and following a meeting-by-meeting approach. In the note, it is also stated that all monetary policy tools will be used effectively in case of a significant and persistent deterioration in inflation. The continued asymmetry in the interest rate corridor was considered as a sign that the CBRT is maintaining its tight policy stance.

The assessments of Moody's and Fitch on the Turkish economy...

In its assessment published on July 25, Moody's upgraded Türkiye's credit rating by one notch from "B1" to "Ba3" and changed its credit rating outlook from 'positive' to "stable." As a result, Moody's credit rating for Türkiye has aligned with Fitch's and S&P's ratings, all three of which are three notches below the investment grade. As to the reason for the rating upgrade, Moody's cited the CBRT's adherence to tight monetary policy that eases inflationary pressures, reduced economic imbalances and gradually restored local depositor and foreign investor confidence in the Turkish lira. The agency added that the upgrade also reflects the eased risk of a policy reversal while noting that this risk remains relevant for the coming years.

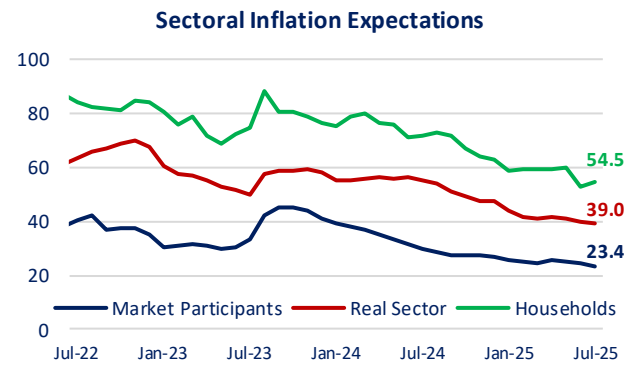
On the same day, Fitch confirmed Türkiye's credit rating and outlook as "BB-" and "stable" in its assessment. In its assessment report, Fitch stated that inflation in Türkiye more than halved over the past year while still being the highest of any sovereign they rate. The agency also underlined the high level of inflation expectations for one year ahead, particularly for the households.

Household inflation expectations rose in July.

According to the "Sectoral Inflation Expectations" report published by the CBRT, households' inflation expectations, which had shown a strong improvement in June, rose again in

July, diverging from other sectors. According to the report, inflation expectations for 12-month ahead decreased by 0.8 points to 39.0% in the real sector and by 1.2 points to 23.4% among market participants, while it increased by 1.5 points to 54.5% among households. In line with the deterioration, the percentage of households expecting a decline in inflation also fell from 30.7% to 26.6%.

On the other hand, according to the results of the Survey of Market Participants, market participants' annual inflation expectations for the year-end fell slightly to 29.66% in July, while the USD/TRY exchange rate expectation rose to 43.72. Participants' economic growth expectations for the current year remained unchanged at 2.9%.



Securities portfolio of non-residents...

According to data adjusted for price and exchange rate movements, as of July 25, the equity portfolio of non-residents increased by a net 828 million USD compared to the end of June, while the Government Domestic Debt Securities portfolio increased by a net 2.2 billion USD based on outright purchases. Thus, while there has been a net inflow of 1.7 billion USD into the equity market since the beginning of the year, there has been a net outflow of 1 billion USD from the GDDS market due to the rapid outflows in March and April.

As of the week of July 25, the CBRT's gross reserves increased by 17.4 billion USD compared to the end of June, reaching 171.8 billion USD, while its net international reserves increased by 18.1 billion USD, reaching 64.4 billion USD.

BIST-100 index rose 8% in July.

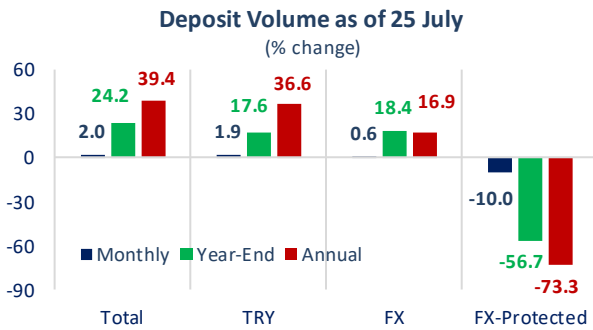
Expectations that the CBRT would resume cutting cycle and the interest rate cut on July 24 supported the BIST-100 index last month. Thus, the index which traded above the critical 10,000 threshold during most of the month, rose 8% mom to 10,743. On the other hand, Turkish lira-denominated Treasury bond yields, which had declined rapidly in June, recorded a limited increase in July. During the same period, the USD/TRY exchange rate rose by 2% on a monthly basis, while the EUR/TRY exchange rate declined by 1.2% due to the weakening of the EUR/USD parity. Türkiye's 5-year CDS premium fell by 7 bps mom to 278 bps.

Banking Sector

FX deposits growth lost momentum in July.

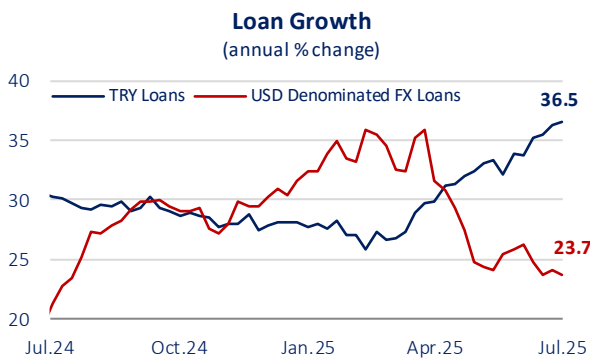
According to weekly data published by the BRSA, the pace of the increase in the volume of FX deposits in USD has decelerated in July, expanding by 0.6% mom and 18.4% ytd and reaching 223.2 billion USD as of July 25. TRY deposit volume increased by 1.9% mom and 17.6% ytd becoming 14.6 trillion TRY as of July 25. Thus, the total deposit volume of the banking sector expanded by 2% mom and 24.2% ytd, standing at 23.6 trillion TRY as of the same period. The year-to-date exchange rate-adjusted increase in total deposit volume was recorded at 17.9%.

TL deposits' share of total deposits in the banking sector fell from 65.4% at the end of 2024 to 61.9% as of July 25. As of the same date, the volume of FX-protected deposits, which declined to 489.2 billion TRY, also fell to 3.3% of total TL deposits.



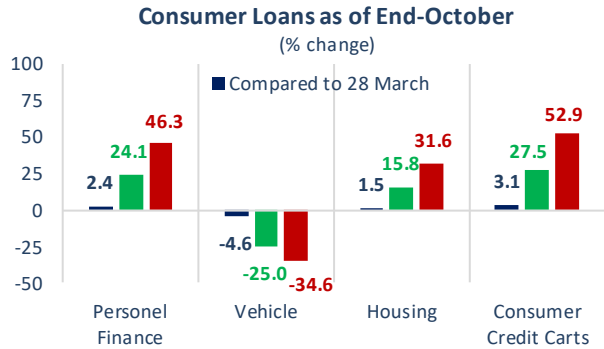
Total credit volume expanded by 25.3% compared to the end of the year.

The banking sector's TL credit volume increased by 2.6% mom and 21.3% compared to the end of the year, reaching 12.2 trillion TL as of July 25. The FX credit volume in USD, which showed a limited increase of 0.5% mom, expanded by 14.6% ytd, reaching 192.1 billion USD. Thus, the total credit volume in the banking sector increased by 2.4% mom and 25.3% ytd, reaching 19.9 trillion TL. The exchange rate-adjusted increase in the total credit volume since the end of the year was recorded at 18.8%.



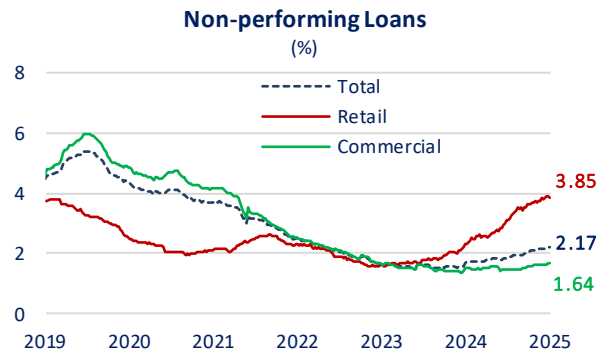
The volume of consumer credit cards rose rapidly in July.

As of July 25, the monthly decline in vehicle loans became 4.6%, while the monthly increase in personal finance loans slowed slightly to 2.4%. The monthly increase in housing loans accelerated modestly to 1.5%. As of July 25, the year to date changes in vehicle, housing, and personal finance loans were -25%, 15.8%, and 24.1%, respectively. During this period, the volume of consumer credit cards, which accounted for 49% of retail loans, showed rapid increases on a monthly and year-to-date basis with 3.1% and 27.5%, respectively.



The increase in the ratio of non-performing loans continued.

The ratio of non-performing loans in the banking sector continued to rise, reaching 2.17% as of July 25. As of the same period, the ratio stood at 3.85% for retail loans, 1.64% for commercial loans, and 2.62% for SME loans.



FX net general position of the banking sector...

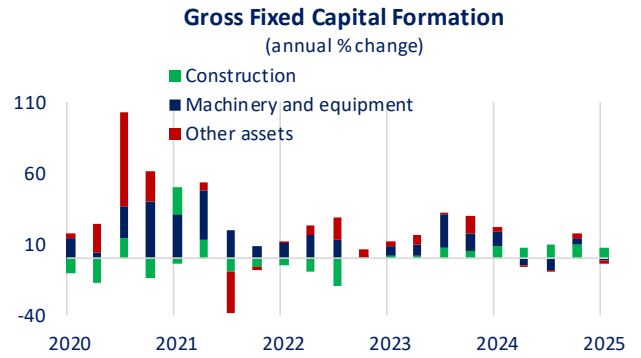
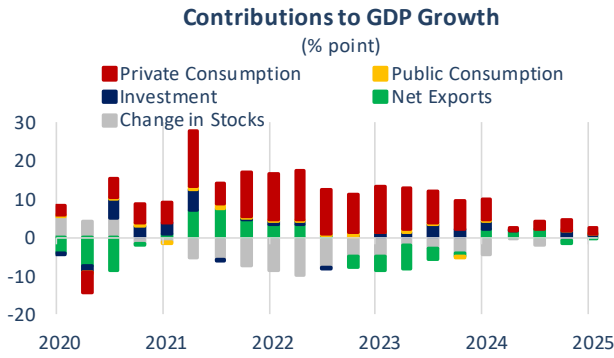
As of July 25, the banking sector's on-balance sheet FX position was (-)32,786 million USD, while its off-balance sheet FX position was (+)34,481 million USD. Thus, the sector's net FX position was recorded at (+)1,695 million USD.

Concluding Remarks

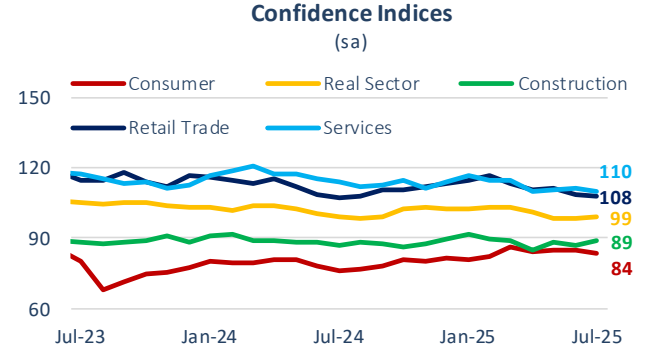
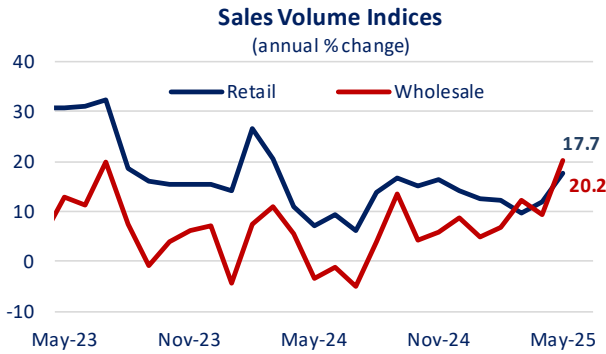
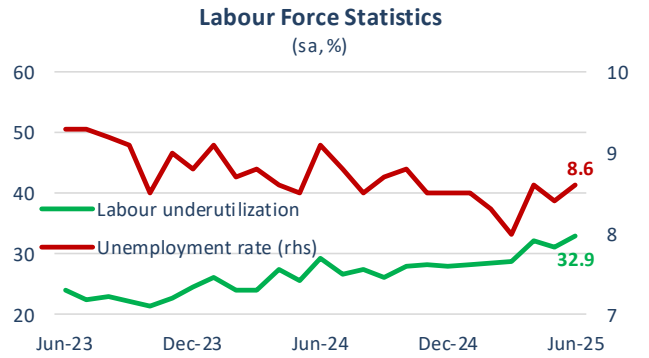
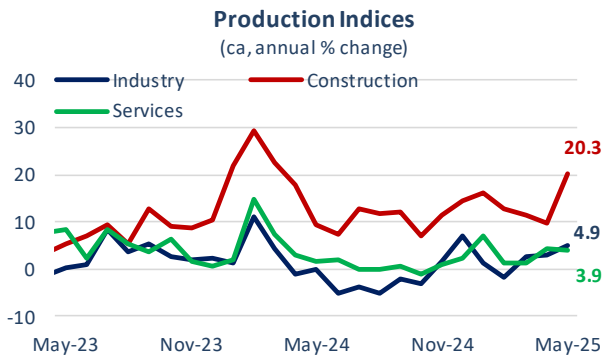
Global risk sentiment has improved in July as concerns over trade policy uncertainty have largely eased. The new tariff rates announced by the US administration for many of the country's key trading partners, particularly for the EU and Japan, were mostly lower than those levels announced on April 2. That said, the tariff rate for Türkiye rose from 10% to 15%. While the negative impact of tariffs on the US inflation began to become apparent with the June data, the July non-farm payrolls came in well below the market expectations and indicated that the labor market is beginning to reflect the negative impact of the uncertainties that have prevailed throughout the year. Following the weak non-farm payrolls data, expectations that the Fed will cut interest rates in September have risen rapidly in the markets. In August, ongoing trade negotiations, particularly between the US and China, will continue to be closely monitored.

At its July meeting, CBRT decided to cut interest rates for the first time in four months, trimming the policy rate by 300 basis points in July. In line with the CBRT's expectation stated in its meeting note, the July inflation marked the highest monthly inflation rate in the last three months with 2.06% due to one-off effects. Despite this uptick in the monthly inflation, the year-end inflation expectations continue to follow a moderate trend. As of the first month of the third quarter, the weak trend has become more pronounced, particularly in the manufacturing industry. We believe that if interest rate cuts continue as anticipated, economic activity will have the opportunity to recover moderately in the remainder of the year. In addition to the upgrade of Türkiye's credit rating by the international credit rating agency Moody's, the steady inflows into the securities portfolios of non-residents since the second half of June confirm the improvement in risk perception towards Türkiye.

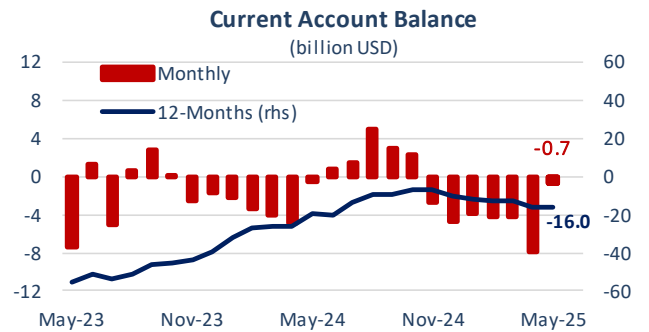
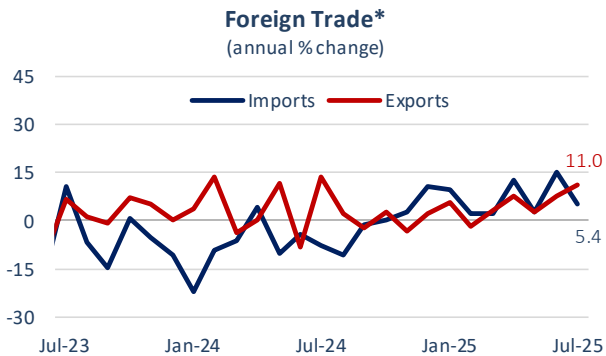
Growth



Leading Indicators



Foreign Trade and Current Account Balance

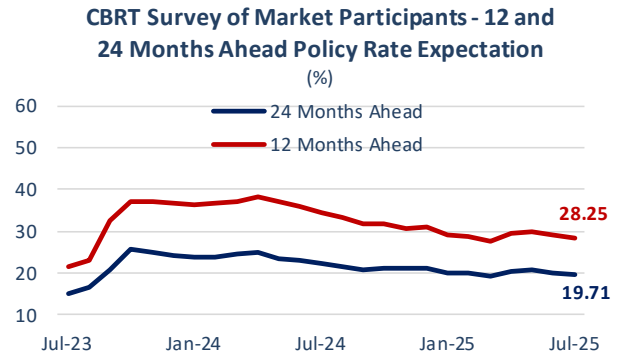
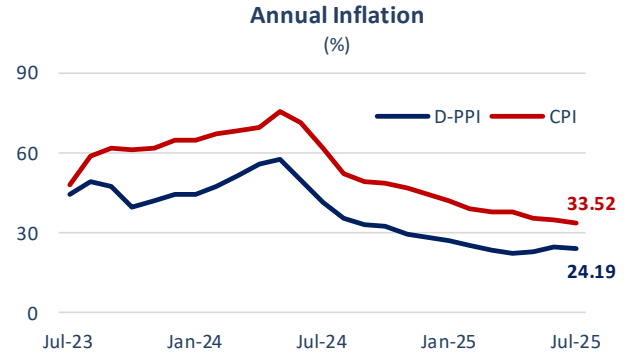
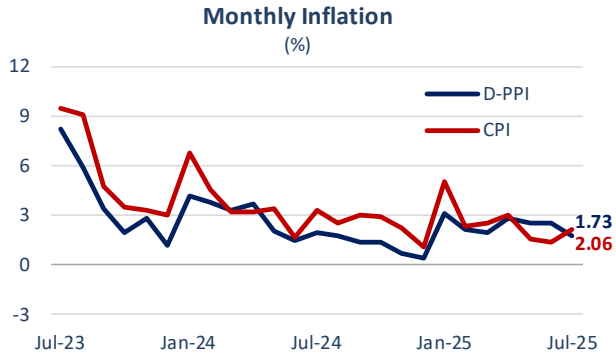


(CA): Calendar adjusted, (SA): Seasonally adjusted

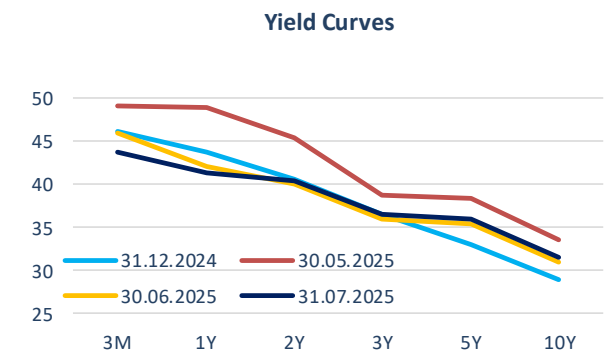
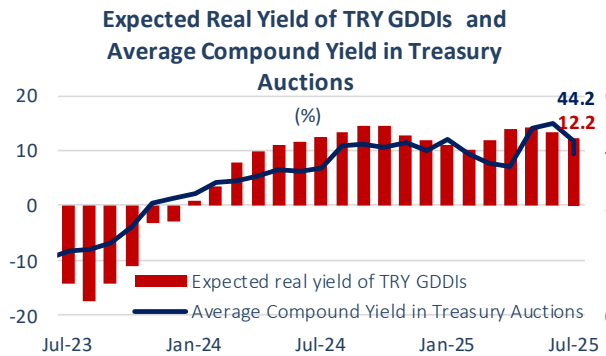
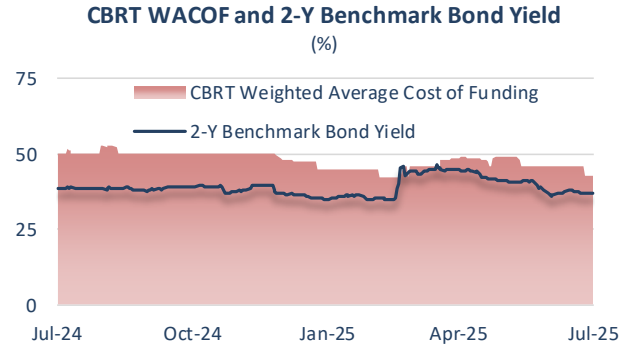
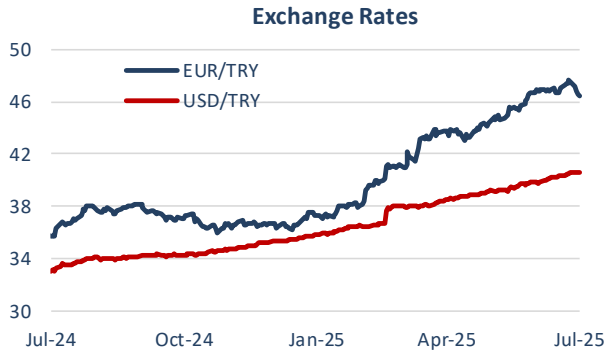
*: Latest data according to preliminary figures of Ministry of Trade

Source: Datastream, CBRT, Turkstat

Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

GROWTH	2020	2021	2022	2023	2024	Ç3-24	Ç4-24	Ç1-25
GDP (USD billion)	717	808	906	1,130	1,322	359	369	336
GDP (TRY billion)	5,049	7,256	15,012	26,546	43,411	11,916	12,704	12,125
GDP Growth Rate (%)	1.9	11.4	5.5	5.1	3.2	2.2	3.0	2.0
INFLATION (%)						May-25	Jun-25	Jul-25
CPI (annual)	14.60	36.08	64.27	64.77	44.38	35.41	35.05	33.52
Domestic PPI (annual)	25.15	79.89	97.72	44.22	28.52	23.13	24.45	24.19
SEASONALLY ADJUSTED LABOR MARKET FIGURES						Apr-25	May-25	Jun-25
Unemployment Rate (%)	12.6	11.0	10.3	8.8	8.5	8.6	8.4	8.6
Labor Force Participation Rate (%)	49.1	52.6	53.9	53.9	54.0	53.5	53.5	53.5
FX RATES						May-25	Jun-25	Jul-25
CPI Based Real Effective Exchange Rate	65.0	50.3	58.6	59.5	72.5	71.16	69.97	
USD/TRY	7.43	13.28	18.72	29.53	35.36	39.24	39.79	40.59
EUR/TRY	9.09	15.10	19.98	32.62	36.62	44.55	46.71	46.46
Currency Basket (0.5*EUR+0.5*USD)	8.26	14.19	19.35	31.08	35.99	41.90	43.25	43.53
FOREIGN TRADE BALANCE ⁽¹⁾ (USD billion)						Apr-25	May-25	Jun-25
Exports	169.6	225.2	254.2	255.6	261.8	264.8	265.5	267.0
Imports	219.5	271.4	363.7	362.0	344.0	351.5	352.3	356.1
Foreign Trade Balance	-49.9	-46.2	-109.5	-106.3	-82.2	-86.7	-86.9	-89.2
Import Coverage Ratio (%)	77.3	83.0	69.9	70.6	76.1	75.3	75.3	75.0
BALANCE OF PAYMENTS ⁽¹⁾ (USD billion)						Mar-25	Apr-25	May-25
Current Account Balance	-31.0	-6.2	-46.3	-39.9	-10.2	-12.9	-15.9	-16.0
Financial Account	-38.7	3.4	-17.5	-51.4	-23.7	-25.6	-28.4	-29.8
Direct Investments (net)	-4.3	-6.2	-8.9	-4.7	-5.1	-5.5	-4.3	-4.6
Portfolio Investments (net)	9.8	7.6	18.5	-5.7	-12.0	-13.2	-0.6	3.8
Other Investments (net)	-12.4	-21.3	-39.4	-39.0	-7.2	-18.6	-12.6	-14.0
Reserve Assets (net)	-31.9	23.3	12.3	-2.0	0.6	11.7	-10.9	-15.0
Net Errors and Omissions	-7.7	9.7	28.8	-11.3	-13.4	-12.6	-12.3	-13.6
Current Account Balance/GDP (%)	-4.3	-0.8	-5.1	-3.5	-0.8	-	-	-
BUDGET ⁽²⁾⁽³⁾ (TRY billion)						Apr-25	May-25	Jun-25
Expenditures	1,203.7	1,603.5	2,942.7	6,588.0	10,777.0	4,249.7	5,339.5	6,579.1
Interest Expenditures	134.0	180.9	310.9	674.6	1,270.5	724.6	835.8	1,111.4
Non-interest Expenditures	1,069.8	1,422.7	2,631.8	5,913.4	9,506.6	3,525.1	4,503.7	5,467.6
Revenues	1,028.4	1,402.0	2,800.1	5,207.6	8,670.9	3,364.2	4,689.2	5,598.6
Tax Revenues	833.3	1,165.0	2,353.4	4,501.1	7,304.9	2,810.1	4,006.5	4,771.5
Budget Balance	-175.3	-201.5	-142.7	-1,380.4	-2,106.1	-885.5	-650.3	-980.5
Primary Balance	-41.3	-20.7	168.2	-705.8	-835.7	-160.9	185.5	131.0
Budget Balance/GDP (%)	-3.5	-2.8	-1.0	-5.2	-4.9	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						Mar-25	Apr-25	May-25
Domestic Debt Stock	1,060.4	1,321.2	1,905.3	3,209.3	4,959.9	5,750.6	6,096.3	6,250.7
External Debt Stock	752.5	1,426.6	4,035.5	3,527.4	4,297.5	4,520.3	4,654.2	4,813.7
Total Debt Stock	1,812.8	2,747.8	4,035.4	6,736.6	9,257.4	10,270.9	10,750.5	11,064.4

(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	May-25	Jun-25	Change ⁽¹⁾
TOTAL ASSETS	6,106	9,215	14,347	23,553	32,657	38,071	39,667	21.5
Loans	3,576	4,901	7,581	11,677	16,052	18,944	19,555	21.8
TRY Loans	2,353	2,832	5,110	7,894	10,145	11,651	11,983	18.1
Share (%)	65.8	57.8	67.4	67.6	63.2	61.5	61.3	-
FX Loans	1,224	2,069	2,471	3,783	5,907	7,293	7,573	28.2
Share (%)	34.2	42.2	32.6	32.4	36.8	38.5	38.7	-
Non-performing Loans	152.6	160.1	163.4	191.9	293.6	408.1	427.2	45.5
Non-performing Loan Rate (%)	4.1	3.2	2.1	1.6	1.8	2.1	2.1	-
Securities	1,023	1,477	2,371	3,970	5,226	6,107	6,267	19.9
TOTAL LIABILITIES	6,106	9,215	14,347	23,553	32,657	38,071	39,667	21.5
Deposits	3,455	5,303	8,862	14,852	18,903	22,100	22,914	21.2
TRY Deposits	1,546	1,880	4,779	8,897	12,307	13,559	14,204	15.4
Share (%)	44.7	35.5	53.9	59.9	65.1	61.4	62.0	-
FX Deposits	1,909	3,423	4,083	5,955	6,596	8,542	8,710	32.0
Share (%)	55.3	64.5	46.1	40.1	34.9	38.6	38.0	-
Securities Issued	224	310	325	584	1,045	1,355	1,449	38.6
Payables to Banks	658	1,048	1,432	2,384	3,535	4,217	4,482	26.8
Funds from Repo Transactions	255	587	540	723	2,244	2,718	2,536	13.0
SHAREHOLDERS' EQUITY	600	714	1,406	2,153	2,898	3,210	3,382	16.7
Profit (Loss) of the Period	58.5	93.0	431.6	620.8	659.0	326.5	422.5	-35.9
RATIOS (%)								
Loans/GDP	70.8	67.5	50.5	44.0	37.0	-	-	-
Loans/Assets	58.6	53.2	52.8	49.6	49.2	49.8	49.3	-
Securities/Assets	16.7	16.0	16.5	16.9	16.0	16.0	15.8	-
Deposits/Liabilities	56.6	57.5	61.8	63.1	57.9	58.0	57.8	-
Loans/Deposits	103.5	92.4	85.5	78.6	84.9	85.7	85.3	-
Capital Adequacy (%)	18.7	18.4	19.5	19.1	19.7	17.5	18.0	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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