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Global Economy

In its World Economic Outlook report released in October, the IMF revised its global economic growth forecast for 2025 upward by 0.2 percentage points to 3.2%, while maintaining its forecast for 2026 at 3.1%.

Tensions between the US and China, which rose in mid-October, eased with moderate statements by officials and ongoing negotiations. The two parties gave positive messages after the meeting between Trump and Xi Jinping on October 30.

At its meeting on October 28-29, the Fed cut its policy rate by 25 basis points to a range of 3.75-4.00%, in line with expectations. The disruptions in data releases due to the ongoing government shutdown in the US create uncertainties regarding the economic outlook. In parallel to the related uncertainties, Fed Chair Powell said that another rate cut in December is far from certain.

According to preliminary data, Euro Area economy grew by 1.3% yoy in the third quarter, exceeding expectations. Chinese economy grew by 4.8% during the same period, losing momentum in line with expectations.

ECB, PBoC and BoJ did not change their policy rates at their October meetings.

In October, the US Treasury Department's decision to add Russia's two largest oil producers to its sanctions list put some pressure on oil prices. However, amid continued expectations of oversupply, the price of Brent crude oil fell by 3.1% in October.

The rise in gold prices slowed in October, partly due to easing tensions between the US and China. After rising by 11.9% in September, ounce gold prices recorded a relatively moderate increase of 3.7% in October.

Turkish Economy

According to seasonally and calendar adjusted data, industrial production index increased by 0.4% in August. ICI Türkiye manufacturing PMI was 46.5 in October.

The unemployment rate stood at 8.6% in September, remaining unchanged compared to the previous month. The labor underutilization rate, a broad measure of unemployment, fell by 1.2 pps to the 28.6%.

The current account surplus reached a historic high of 5.5 billion USD in August on a monthly basis. The current account deficit for the January-August period increased by 98.2% yoy to 15.9 billion USD.

In September, central government budget revenues increased by 22.8% yoy and reached 1.0 trillion TRY, while budget expenditures rose by 42.8% to 1.3 trillion TRY.

In October, the annual inflation expectations for 12 months ahead rose to 23.26% for market participants and 54.36% for households. The real sector's expectation, on the other hand, fell to 36.30%.

CBRT cut its policy rate by 100 basis points to 39.5%, in line with expectations.

The CPI rose by 2.55% mom in October, below market expectations, while annual CPI inflation fell to 32.87%.

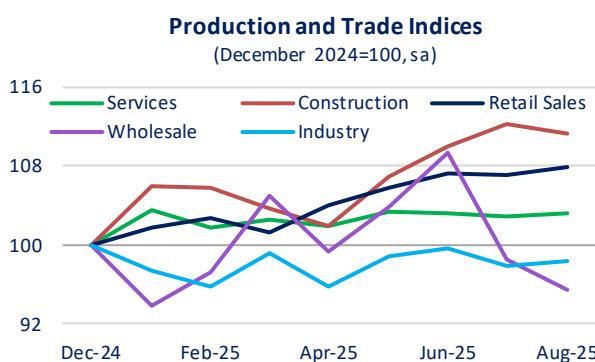
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Leading Indicators

Industrial production rose by 7.1% yoy in August.

According to calendar-adjusted data, the industrial production index showed a strong increase of 7.1% yoy in August. The seasonally and calendar-adjusted index, which declined by 1.7% mom in July, recorded a 0.4% increase in August.

According to seasonally adjusted data, the service production index, which declined in June and July on a monthly basis, increased by 0.4% mom and 3.6% yoy in August. Wholesale trade volume decreased by 3.1% during this period, while retail trade volume increased by 0.9% mom. Although the annual increase in the construction production index remained at high levels with 25% in August, the index registered a decline on a monthly basis.

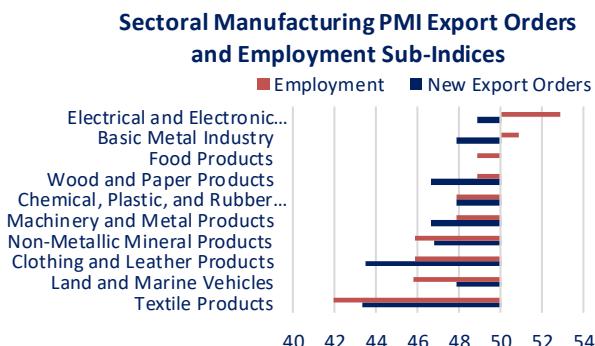


The unemployment rate remained flat in September.

The unemployment rate stood at 8.6% in September, remaining unchanged compared to the previous month. The number of unemployed people increased by 12K during this period. Following an increase of 198K in employment in August, there was a decline of 200K in September. During this period, seasonally adjusted labor force participation rate declined by 0.3 pp mom during this period, reaching 53.5%, close to its annual average this year. In May of last year, the labor force participation rate had reached a historic high of 54.7%. In September, the labor underutilization rate, a broad measure of unemployment, fell by 1.2 pps compared to the previous month but remained at high levels with 28.6%.

ICI Türkiye manufacturing PMI was 46.5 in October.

The ICI manufacturing PMI, which stood at 46.7 in September, declined to 46.5 in October, signaling continued contraction in the sector. While new orders and output sub-indices



pointed to rapid contraction, increase in input cost slowed slightly. The employment sub-index remained below the 50 threshold level for the 11th consecutive month in October. That said, the level in October marked the mildest pace of contraction since July. Looking at the sectoral breakdown, textiles, land and sea vehicles, non-metallic mineral products, and clothing and leather sectors saw the lowest levels of employment sub-index. In the sectors included in the index, new export orders sub-indices were below 50 in October, excluding food.

Real sector confidence index at its highest level since March...

According to seasonally adjusted data, the real sector confidence index rose by 1.2 points mom in October to reach 102.0, its highest level since March, extending its upward trend above the threshold value for the third consecutive month. On the other hand, sectoral confidence indices presented a mixed picture during this period. The confidence index rose by 4 points to 113.2 in retail trade, while it fell by 4.7 points to 83.7 in the construction sector. The services confidence index remained close to its almost flat trajectory since the second quarter of the year, registering at 110.7.

The consumer confidence index declined by 0.3 points mom in October and became 83.6, close to the annual average of 83.8. Sub-indices for the period indicated to a fragile outlook in consumers' inflation expectations. While the buying time condition of durable goods at present reached its highest level of the year, the sub-index for the assessment on spending money on durable goods over next 12 months compared to the past 12 months declined 1.6% mom. Saving time condition at present, on the other hand, reached its lowest level since August 2022.

Home sales rose 6.9% yoy in September.

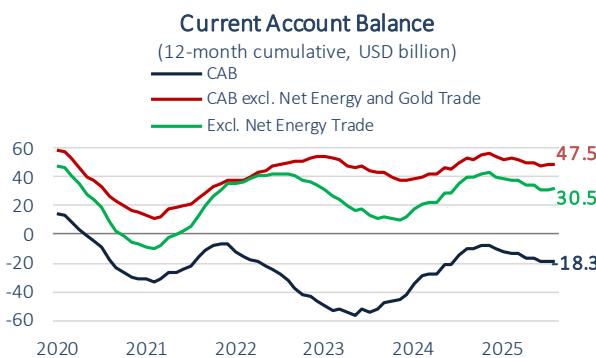
Home sales rose 6.9% yoy in September, reaching 150,657, the highest level this year. Mortgage sales, which accounted for 14.1% of total sales during this period, increased by 34.4% yoy to 21,266. Thus, total home sales in the January-September period increased by 19.2% compared to the same period last year, reaching 1,128,727 units. Home prices maintained their nominal growth momentum, rising by 32.2% yoy in September. In real terms, however, home prices declined at a limited pace by 0.8% yoy. With September figures, home prices index reached its 20th consecutive month of decline in real terms in September.

Construction cost index registered an annual rise of 22.8% in August. In the same period last year, the annual increase in the construction cost index was 41.5%. Material and labor sub-indices of the construction cost index increased by 19.2% yoy and 30.2% yoy, respectively, in August.

Foreign Trade and Balance of Payments

Current account surplus reached 5.5 billion USD in August.

The current account surplus, which stood at 1.8 billion USD in July, reached a historic high of 5.5 billion USD in August. Meanwhile, the current account deficit for the January-August period increased by 98.2% yoy to 15.9 billion USD, while the 12-month cumulative current account deficit stood at 18.3 billion USD.



Trade deficit narrowed on an annual basis.

The balance of payments-defined trade deficit fell by 2.8% in August compared to the same month of last year and became 2.8 billion USD. In this period, net non-monetary gold imports increased by 31.6% yoy to 987 million USD, while net energy imports decreased by 10.1% to 3.6 billion USD. Thus, the current account surplus excluding gold and energy reached 10 billion USD.

Net tourism revenues increased by 1.5% yoy in August.

Net service revenues rose by 2.9% yoy in August to 9.5 billion USD, contributing to the current account surplus. Transportation revenues, which accounted for 30% of service revenues during this period, increased by 5.3% yoy and reached 4.3 billion USD. Tourism revenues, which accounted for 59% of service revenues during the same period, increased by 1.8% yoy to 8.3 billion USD, while tourism expenditures increased by 5.7% yoy to 647 million USD. Thus, net tourism revenues recorded a moderate rise of 1.5% yoy, reaching 7.7 billion USD. In the first eight months of the year, tourism revenues went up by 4.9% yoy to 38.9 billion USD, while net tourism revenues increased by 1.4% yoy to 32.7 billion USD.

Net foreign direct investments recorded a capital inflow of 986 million USD.

Net foreign direct investments, which have been volatile since the beginning of the year, recorded a net capital inflow of 986 million USD in August. Thus, the 12-month cumulative foreign direct investment capital inflow was 6.5 billion USD.

In August, foreign residents made net direct investments of 1.8 billion USD in Türkiye, of which 1.5 billion USD was net

capital investment and 202 million USD was real estate investment.

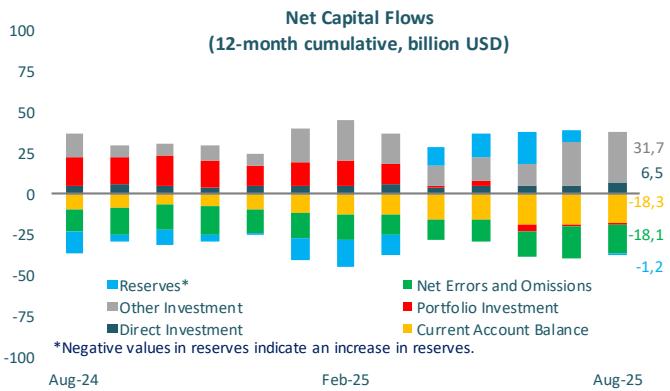
Net capital outflow in portfolio investments...

In August, there was a net capital outflow of 662 million USD in portfolio investments. During this period, net liabilities amounted to 513 million USD, while domestic residents acquired net financial assets worth of 1.2 billion USD abroad. In August, a moderate capital inflow of 279 million USD was recorded into the stock market and a capital inflow of 1.6 billion USD into the Government Domestic Debt Securities market. On the other hand, non-residents made net sales of 940 million USD in the Treasury's Eurobond securities.

Capital inflows slowed in the other investments item.

Net capital inflows in the other investments item, which stood at 12.5 billion USD in July, continued with 1.6 billion USD in August. While net capital inflows of 3.9 billion USD were recorded in the loans item during this period, the currency and deposits item had a net decrease of 1.3 billion USD.

In August, banks borrowed 2.6 billion USD against 1.4 billion USD in long-term debt repayments, while other sectors borrowed 2.3 billion USD against 1.2 billion USD repayments. According to 12-month cumulative data, the long-term debt rollover ratios of banks and other sectors continued to exceed their long-term averages at 167% and 150%, respectively.

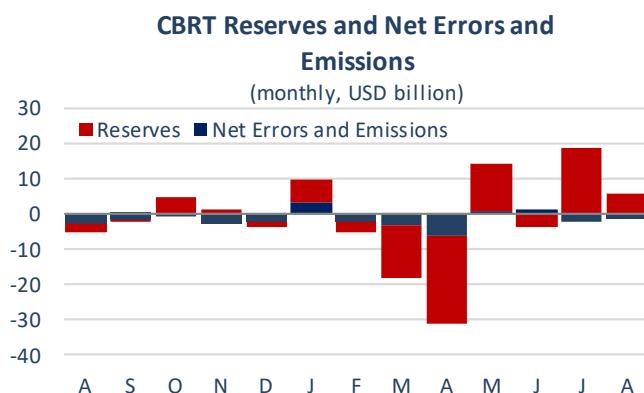


Reserve assets continued to increase in August.

After recording a rapid increase of 18.6 billion USD in July, reserve assets rose by 5.7 billion USD in August. Thus, the decline in reserve assets, which had fallen rapidly in March and April, amounted to 2.8 billion USD in the first eight months of the year. With the 1.5 billion USD outflow recorded in August, a total of 10.8 billion USD flowed out of the net error and omissions item in the first eight months of the year.

Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments



Expectations...

According to preliminary data published by the Ministry of Trade, the foreign trade deficit widened by 33.4% yoy to 6.9 billion USD in September. In addition to the widening trade deficit, we believe that pressure on the current account balance may increase due to the expected decline in tourism revenues as the summer season comes to an end. However, we expect the downward trend in energy prices, particularly in oil, to continue alleviating the pressures on the current account deficit. The recent rise in gold prices, developments related to protectionist trade policies, and the course of economic activity in Türkiye's largest export markets will be closely monitored for their impact on the current account balance outlook.

Balance of Payments

| | Aug. 2025 | Jan - Aug 2024 | 2025 | % Change | 12-month Cumulative |
|-------------------------------------|---------------|-------------------|----------------|--------------|------------------------|
| Current Account Balance | 5.455 | -7.998 | -15.854 | 98,2 | -18.282 |
| Foreign Trade Balance | -2.806 | -37.901 | -44.528 | 17,5 | -62.613 |
| Services Balance | 9.516 | 40.325 | 41.235 | 2,3 | 62.279 |
| Travel (net) | 7.665 | 32.282 | 32.722 | 1,4 | 49.360 |
| Primary Income | -1.232 | -10.394 | -12.062 | 16,0 | -17.549 |
| Secondary Income | -23 | -28 | -499 | 1.682,1 | -399 |
| Capital Account | -71 | -105 | -196 | 86,7 | -217 |
| Financial Account | 3.841 | -11.624 | -26.867 | 131,1 | -36.610 |
| Direct Investment (net) | -986 | -2.947 | -4.394 | 49,1 | -6.546 |
| Portfolio Investment (net) | 662 | -10.962 | 1.452 | - | 437 |
| Net Acquisition of Financial Assets | 1.175 | 5.614 | 6.489 | 15,6 | 10.407 |
| Net Incurrence of Liabilities | 513 | 16.576 | 5.037 | -69,6 | 9.970 |
| Equity Securities | 279 | -1.898 | 1.666 | - | 1.083 |
| Debt Securities | 234 | 18.474 | 3.371 | -81,8 | 8.887 |
| Other Investment (net) | -1.582 | 5.704 | -21.102 | - | -31.655 |
| Currency and Deposits | 1.301 | 11.120 | -4.180 | - | -1.402 |
| Net Acquisition of Financial Assets | -885 | 10.942 | -2.359 | - | -934 |
| Net Incurrence of Liabilities | -2.186 | -178 | 1.821 | - | 468 |
| Central Bank | -1.446 | -8.527 | -8.324 | -2,4 | -11.663 |
| Banks | -740 | 8.349 | 10.145 | 21,5 | 12.131 |
| Foreign Banks | -368 | 4.750 | 9.911 | 108,7 | 11.886 |
| Foreign Exchange | 640 | 1.794 | 5.408 | 201,4 | 6.179 |
| Turkish Lira | -1.008 | 2.956 | 4.503 | 52,3 | 5.707 |
| Non-residents | -372 | 3.599 | 234 | -93,5 | 245 |
| Loans | -3.898 | -9.378 | -17.621 | 87,9 | -27.335 |
| Net Acquisition of Financial Assets | 71 | 428 | 2.051 | 379,2 | 3.884 |
| Net Incurrence of Liabilities | 3.969 | 9.806 | 19.672 | 100,6 | 31.219 |
| Banking Sector | 2.798 | 9.696 | 10.834 | 11,7 | 19.133 |
| Non-bank Sectors | 1.239 | 135 | 8.441 | 6.152,6 | 10.985 |
| Trade Credit and Advances | 1.020 | 3.985 | 717 | -82,0 | -2.857 |
| Other Assets and Liabilities | -5 | -23 | -18 | -21,7 | -61 |
| Reserve Assets (net) | 5.747 | -3.419 | -2.823 | -17,4 | 1.154 |
| Net Errors and Omissions | -1.543 | -3.521 | -10.817 | 207,2 | -18.111 |

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

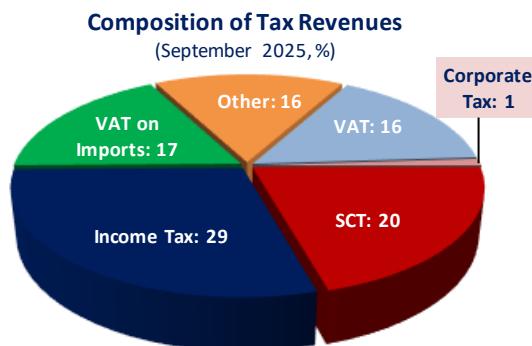
Budget Balance

Central government budget posted a deficit of 309.6 billion TRY in September.

In September, central government budget revenues increased by 22.8% yoy to 1.0 trillion TRY, while budget expenditures rose by 42.8% yoy to 1.3 trillion TRY. Thus, the central government budget posted a deficit of 309.6 billion TRY in September, while the primary budget deficit was 73.0 billion TRY. In the January-September period, the central government budget deficit increased by 13.3% yoy to 1.2 trillion TRY.

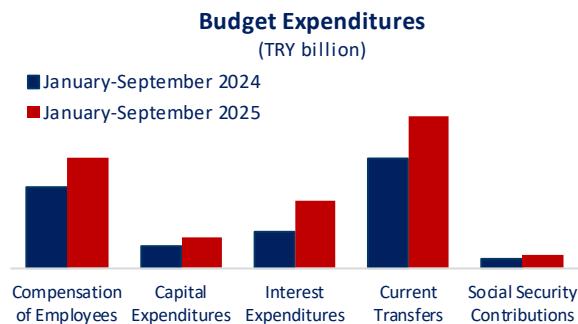
The increase in tax revenues slowed in September.

The strong increase in tax revenues since the second half of the year lost momentum in September, falling to 20.4%. This development was driven by the 90.5% annual contraction of corporate tax, which declined to 16.3 billion TRY. On the other hand, income tax rose rapidly by 81.2% yoy in September, reaching 255.1 billion TRY. Thus, taxes on income and earnings amounted to 271.3 billion TRY, accounting for 30.8% of total tax revenues. In September, tax revenues from the consumption of goods and services increased above CPI inflation. Special consumption tax, which accounted for 20.5% of tax revenues during this period, increased by 41.9% yoy, reaching 180.4 billion TRY. The increase in special consumption tax revenues was driven by special consumption tax collected from motor vehicle sales, which expanded by 75.7% yoy in September, in line with the buoyant automotive market. Value-added tax collected on imports increased by 38% on an annual basis, contributing 152.5 billion TRY to tax revenues. Domestic VAT revenues, which maintained their strong growth in September with a 53.2% increase, as they did throughout the year, amounted to 139.1 billion TRY.



Interest expenses rose by 59.2% yoy.

Interest expenses, which rose by 86.6% in the first eight months of the year compared to the same period of last year, recorded a relatively slower increase of 59.2% in September, reaching 236.6 billion TRY. On the other hand, the share of interest expenses in total expenditures rose from 16% in the January-August period to 17.8% in September. Current transfers, which constituted 41.8% of non-interest budget expenditures in September, increased by 37.4% to 457 billion TRY, while personnel expenditures, which constituted 33.4%, reached 365.9 billion TRY with a 49.2% annual increase. During this period, state premium expenditures to social security institutions recorded a rapid increase of 62.2%. Although capital transfers (42.9%) and lending items (59.7%) also showed increases above the CPI, these expenditures did not have a significant impact on total expenditures due to their low weight. Capital expenditures as well as goods and services purchase expenditures, which rose moderately by 22.0% yoy and 23.5% yoy respectively, accounted for 17.1% of the total, pushing non-



interest expenditures up by 187.1 billion TRY.

Expectations...

In September, while the increase in tax revenues lost momentum, budget expenditures rose rapidly, primarily due to interest expenditures. However, the cumulative budget deficit of 1.2 trillion TRY in the January-September period represented 55.1% of the 2.2 trillion TRY target set for 2025 in the Medium Term Program, indicating that the full-year realizations could remain within the targets. In the coming period, the trend in domestic demand will continue to be closely monitored in terms of tax revenues, while the trend in non-interest expenditures will be followed in terms of budget discipline.

| | Central Government Budget | | | | | | (billion TRY) | | |
|---------------------------|---------------------------|----------------|--------------|------------------------|-----------------|-------------|--------------------|-----------------|-----------------------|
| | September 2024 | 2025 | % Change | January-September 2024 | 2025 | % Change | 2025 Budget Target | MTP Target | Real./ MTP Target (%) |
| Expenditures | 932.1 | 1,331.0 | 42.8 | 7,158.6 | 10,222.2 | 42.8 | 14,731.0 | 14,674.1 | 69.7 |
| Interest Expenditures | 148.7 | 236.6 | 59.2 | 912.7 | 1,662.4 | 82.1 | 1,950.0 | 2,052.7 | 81.0 |
| Non-Interest Expenditures | 783.4 | 1,094.4 | 39.7 | 6,246.0 | 8,559.8 | 37.0 | 12,781.0 | 12,621.4 | 67.8 |
| Revenues | 831.6 | 1,021.4 | 22.8 | 6,084.6 | 9,004.9 | 48.0 | 12,800.3 | 12,465.9 | 72.2 |
| Tax Revenues | 732.2 | 881.8 | 20.4 | 5,134.1 | 7,753.5 | 51.0 | 11,138.8 | 10,733.6 | 72.2 |
| Other Revenues | 99.4 | 139.5 | 40.4 | 950.6 | 1,251.4 | 31.7 | 1,661.6 | 1,732.3 | 72.2 |
| Budget Balance | -100.5 | -309.6 | 208.2 | -1,074.0 | -1,217.3 | 13.3 | -1,930.7 | -2,208.3 | 55.1 |
| Primary Balance | 48.2 | -73.0 | - | -161.3 | 445.1 | - | 19.3 | -155.6 | - |

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

Source: Datastream, Ministry of Treasury and Finance

Inflation

CPI rose by 2.55% on a monthly basis in October.

Monthly CPI inflation in October came in at 2.55%, below market expectations of 2.83%. Annual CPI inflation, which had paused its declining trend in September due to higher-than-expected monthly inflation, decreased again in October to 32.87%, with the support of the favorable base effect.

The monthly increase in the D-PPI in October was 1.63%, the lowest level in 2025. Thus, annual producer price inflation was 27% during this period. In October, the 12-month average D-PPI inflation rate, which will be taken for the 2026 revaluation rate, was 25.49%. Meanwhile, Treasury and Finance Minister Mehmet Şimşek announced that increases in taxes and fees for 2026 may be below the revaluation rate.

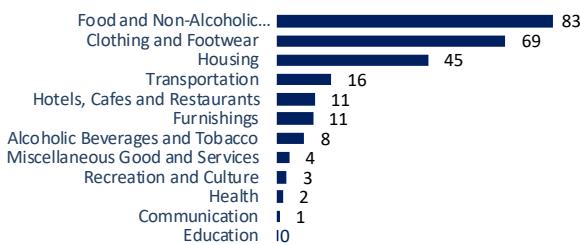
| October | CPI | | D-PPI | |
|----------------|-------|-------|-------|-------|
| | 2024 | 2025 | 2024 | 2025 |
| (change %) | | | | |
| Monthly | 2.88 | 2.55 | 1.29 | 1.63 |
| Year-to-Date | 39.77 | 28.63 | 27.17 | 25.67 |
| Annual | 48.58 | 32.87 | 32.24 | 27.00 |
| Annual Average | 62.02 | 37.15 | 43.93 | 25.49 |

Prices in the clothing and footwear group increased by 12.42% on a monthly basis.

In October, prices rose across all 12 main expenditure groups in the CPI. With seasonal effects evident as of October, the monthly price increase in the clothing and footwear group was 12.42%, contributing 0.69 points to monthly inflation. In this period, prices in the food and non-alcoholic beverages group, which has the highest weight in the CPI basket, rose by 3.41% compared to the previous month, adding 0.83 points to the monthly inflation. The contribution of the housing group, which recorded a monthly increase of 2.66%, was also 0.45 points. Following the rapid increase in September, it was noteworthy that prices in the education registered a limited monthly rise with 0.08% in October.

Contributions to the Monthly CPI Inflation

(% points, main expenditure groups)

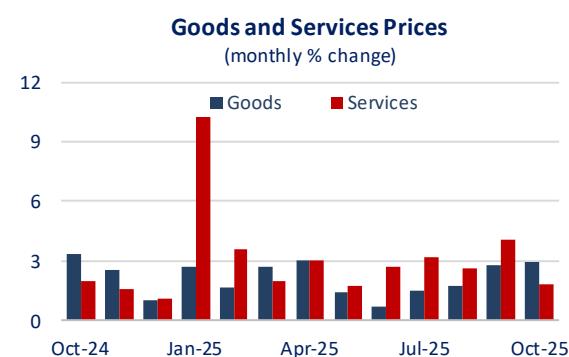


Seasonal factors were influential in the CPI outlook.

Price increases in the clothing and footwear group in October highlighted the impact of seasonal factors on inflation. In this context, the A index, which excludes seasonal products, recorded an increase of 1.81% on a monthly basis in October, below headline inflation. During this period, the monthly 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) recorded monthly increases of 2.43% and 2.41%, respectively.

The monthly increase in the energy group prices in October was relatively limited at 1.28%. The 5.49% monthly increase in fresh fruit and vegetable prices during this period was noteworthy. Thus, monthly goods inflation in October stood at 2.94%, above headline inflation. However, services prices recorded their second-lowest monthly increase in 2025 at 1.79% in October (the lowest was recorded in May with 1.74%), keeping the headline inflation below expectations. This development was driven by a slower monthly increase in the rent (3.74%), as well as the moderate price increases in other service items.



The electricity, gas production, and distribution sector limited the monthly D-PPI inflation.

The relatively limited monthly increase in producer prices in October came to the fore as another positive development for the inflation outlook. In this period, electricity, gas production and distribution prices declined by 1.16% on a monthly basis, limiting the monthly D-PPI inflation by 0.10 points. Except for this sector, the price increases were widespread among other sub-sectors. During this period, the 2.87% monthly increase in food prices contributed 0.60 points to the D-PPI inflation rate. The 2.62% monthly price increase in base metals pushed the headline D-PPI up by 0.20 points. Also, other manufactured goods and metal ores, rising by 9.21% mom and 10.69% mom respectively, have an upward impact on the monthly inflation.

Expectations...

In October, seasonal factors led to price increases in food, clothing, and footwear, which were decisive in the course of consumer inflation. After a higher-than-expected September inflation, the significant slowdown in services inflation and the moderate increase in producer prices in October stood out as positive developments in terms of inflation expectations. On the other hand, the widespread price increases and the relatively high levels of core inflation point to continued inflation inertia. Against this backdrop, we expect the downward trend in annual inflation to continue at a limited pace in the last two months of the year, supported by the loss of momentum in services inflation and a continued favorable base effect.

Financial Markets

| | 30-Sep | 31-Oct | Change | |
|-------------------------------|---------|---------|--------|---|
| 5-Y CDS Premium (basis point) | 249 | 243 | -6 bp | ▼ |
| 2-Y Benchmark Bond Yield (%) | 39.38 | 40.01 | 63 bp | ▲ |
| BIST-100 | 11,012 | 10,972 | -0.4 | ▼ |
| USD/TRY | 41.5658 | 42.0171 | 1.1 | ▲ |
| EUR/TRY | 48.7213 | 48.5208 | -0.4 | ▼ |
| Currency Basket* | 45.1436 | 45.2690 | 0.3 | ▲ |

(*) (0,5 USD/TRY + 0,5 EUR/TRY)

CBRT cut its policy rate by 100 basis points, in line with expectations.

At its meeting on October 23, the CBRT cut its policy rate by 100 basis points to 39.5%, in line with expectations. The overnight lending rate was reduced from 43.5% to 42.5%, and the overnight borrowing rate was reduced from 39% to 38%. In the statement released after the meeting, the CBRT pointed out that the underlying trend of inflation rose in September and stated that the deterioration in food inflation, in particular, has created significant risks to the disinflation process through expectations and pricing behavior channels. The statement that the macroeconomic framework envisaged in the Medium-Term Program will contribute to the tight monetary policy until price stability is achieved was removed from the meeting note, while the statement that monetary policy stance will be tightened again in the event of a significant deviation of the inflation outlook from the intermediate targets was retained.

Sectoral inflation expectations presented a mixed picture in October.

According to the Sectoral Inflation Expectations published by the CBRT, the annual inflation expectation for 12 months ahead rose by 1.01 and 1.40 points to 23.26% and 54.36% for the market participants and households, respectively. On the other hand, real sector's inflation expectation declined by 0.5 points to 36.30%. Parallel to the deterioration in household expectations, the percentage of households expecting inflation to fall over the next 12 months declined by 0.85 points mom to 26.5%, the lowest level this year. This rate had risen to as high as 31.3% in March this year.

12-Month-Ahead Inflation Expectations

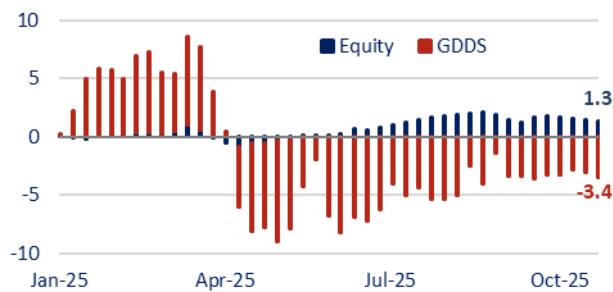


According to the results of the CBRT's Survey of Market Participants for October, inflation expectations of the participants for the end of this year rose by 1.91 points to 31.77%, while the USD/TRY exchange rate expectation fell to 43.56. Participants' growth expectations for the current year rose by 0.1 points to 3.3%.

Securities portfolio of non-residents and international reserves...

According to data adjusted for price and exchange rate movements, as of October 24, the equities portfolio of non-residents decreased by a net 490 million USD compared to the end of September, and the GDDS portfolio (based on outright purchases) decreased by a net 342 million USD. Thus, since the beginning of the year, the net inflows into the stock market declined to 1.3 billion USD, while net outflows into the GDDS market amounted to 3.4 billion USD. As of the week of October 24, the CBRT's gross reserves increased by 2.6 billion USD compared to the end of September, reaching 185.5 billion USD, while its net international reserves fell by 5 billion USD to 67.8 billion USD.

Non-residents Securities Portfolio (YTD cumulative, billion USD)



BIST-100 index declined by 0.4% in October.

The MSCI Emerging Markets Index rose by 4.1% mom, partly due to the easing of the uncertainties surrounding global trade policies during the month, while the BIST-100 index remained relatively flat, falling 0.4%. While higher-than-expected September inflation weighed on investor appetite during most of the month, the CBRT's interest rate decision on October 23, which was aligned with expectations, boosted risk perception. The yield on the 2-year benchmark bond rose 63 basis points compared to the end of the previous month, while the 5-year CDS premium fell by 4 basis points to 245 basis points. During this period, the USD/TRY rose 1.1%, while the EUR/TRY fell 0.4%.

Banking Sector

FX deposits expanded by 52.4 billion USD since the end of 2024.

According to data published by the BRSA, as of October 24, the volume of FX deposits in USD terms increased by 52.4 billion USD compared to the end of 2024, and FX deposits accounted for 39.6% of total deposits. During this period, FX deposits rose by 9.4 billion USD compared to the end of September. According to the CBRT's weekly money and banking statistics, as of October 24, the total FX deposits of resident households, adjusted for parity effects, increased by 2.3 billion USD compared to the end of September. During this period, precious metal accounts rose by 2.8 billion USD, while the volume of FX deposits in USD terms decreased by 508 million USD. According to data adjusted for exchange rate effects, FX deposits of corporates recorded a limited increase of 395 million USD compared to the end of September. Since the beginning of the year, resident households' FX deposits have increased by 6.4 billion USD (the rise in precious metals accounts was 7.5 billion USD) and corporates' FX deposits have risen by 12.5 billion USD, adjusted for exchange rate effects.

On the other hand, the FX-protected deposits volume, for which account opening and renewal transactions for real persons were terminated as of August 23, declined to 171 billion TRY (4.1 billion USD) as of the week of October 24. In the same period, the volume of total TL deposits increased by 23.6% compared to the end of 2024 and by 34.3% on an annual basis, reaching 15.3 trillion TRY. Thus, total deposit volume in the banking sector expanded by 33.7% ytd and became 25.4 trillion TRY.

Change in Domestic Resident Individuals' FX Deposits

(billion USD, adjusted for parity effects)



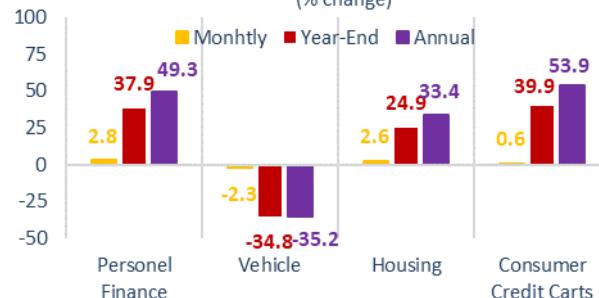
TL credit growth stands at 32.1% year-to-date...

As of October 24, the total credit volume in the banking sector expanded by 34.6% compared to the end of 2024, reaching 21.4 trillion TRY. TL credit volume increased by 32.1% during this period, reaching 13.3 trillion TRY. The annual growth in TL loans remained close to its highest levels in approximately the last 18 months at 39.7%, while the USD-based FX credit volume expanded by 16.3% ytd and 19.5% yoy, reaching 195 billion USD.

Annual growth in retail loans reached 47.5%.

As of October 24, annual growth in retail loans reached 47.5% (35.7% compared to the end of 2024) due to increases in consumer credit cards and personal finance loans. The rise in consumer credit cards, which account for 48.6% of retail loans, was 53.9%, while the annual increase in overdraft accounts was 80.3%. During this period, consumer loans and mortgage loans, excluding overdraft accounts, expanded by 37.2% and 33.4%, respectively, while the downward trend in vehicle loans continued.

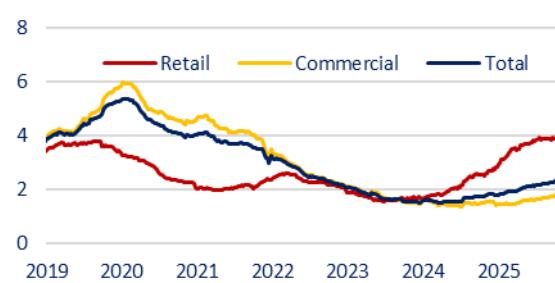
Consumer Loans as of End-September (% change)



The upward trend in NPL ratio continues.

In line with tight financial conditions, the banking sector's NPL ratio continues to rise. As of October 24, the sector's NPL ratio stood at 2.37%, the highest level since September 2022. This ratio stood at 4.01% for retail loans, its highest level since June 2017, while it was recorded at 1.83% for commercial loans. For SME loans, NPL ratio stood at 2.98%, its highest level since December 2022.

Non-performing Loans Ratio (%)



FX net general position of the banking sector...

As of October 24, the banking sector's on-balance sheet FX position was (-) 40,505 million USD, while its off-balance sheet FX position was (+) 42,777 million USD. Thus, the sector's net FX position was recorded at (+) 2,272 million USD.

Concluding Remarks

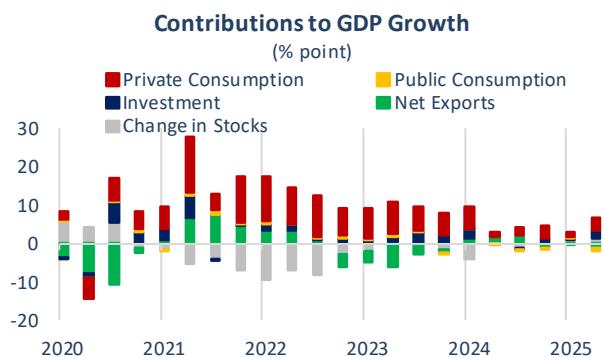
In October, developments in US-China trade relations have driven the market sentiment. The meeting between the leaders of the two country at the end of the month has yielded positive outcomes. Meanwhile, the Fed, which had adopted a dovish stance since the Jackson Hole meeting by highlighting downside risks on employment, cut interest rates in line with expectations at its October meeting. Yet, differing views among members and Powell's statements after the meeting caused uncertainty regarding the rate decision to be made at the December meeting. In the US, where high public debt levels are causing concern and the flow of data on the country's economy has stalled, the impact of the government shutdown process and the expectations regarding the Fed's rate decision at its final meeting of the year on the markets will be closely monitored in November.

Growth data for Q3 in the Euro Area exceeded expectations, pointing to a resilient performance. On the Asian side, despite the tariffs, China and Japan's exports remained resilient thanks to the diversification of export markets, yet a fragile economic outlook persists. The impact of the Chinese government's new five-year plan and Japan's new Prime Minister Takaichi's stimulus package plans on the two countries' economic policies will be followed in the coming period.

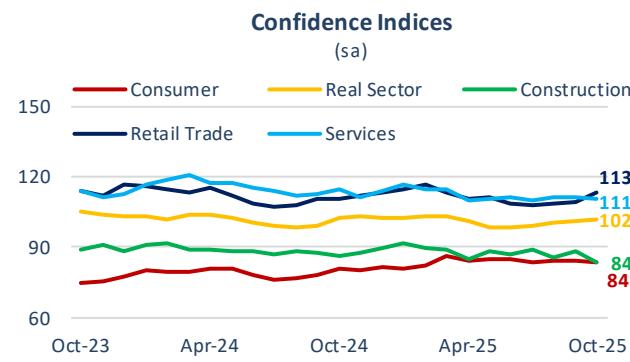
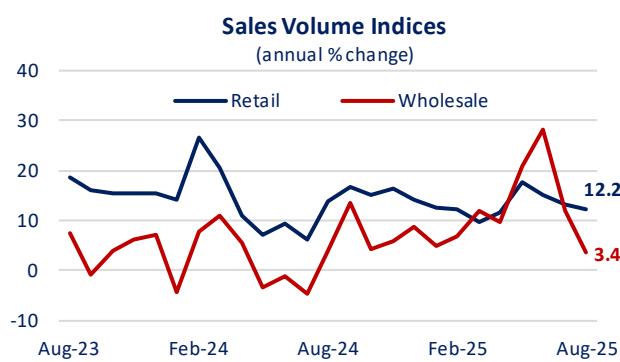
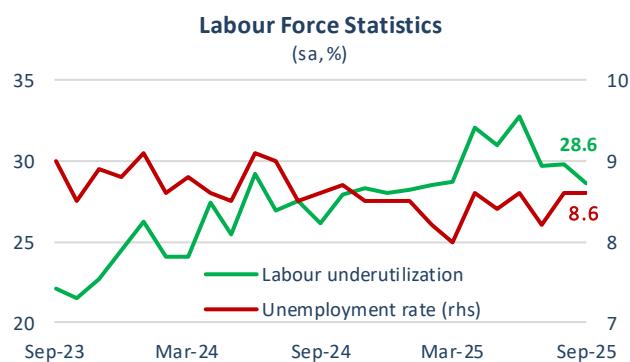
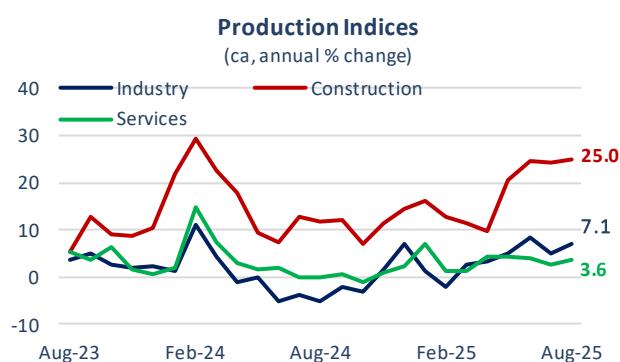
Following the September inflation figure that pointed to a deterioration in the underlying trend of inflation, the CBRT slowed its pace of interest rate cuts in October, implementing a 100 basis point cut in line with market expectations. In the statement released after the meeting, it was noted that the risks on the disinflation process through inflation expectations and pricing behavior channels had become apparent. On the other hand, as the October CPI inflation came in at below expectations on the back of the loss of momentum in services inflation and the moderate increase in producer prices, the risks highlighted by the CBRT have eased somewhat. With no meeting scheduled for November, the CBRT's Inflation Report and the messages delivered by the Governor Karahan at the report's briefing meeting will be closely monitored on November 7.

Turkish Economy - Macroeconomic Indicators

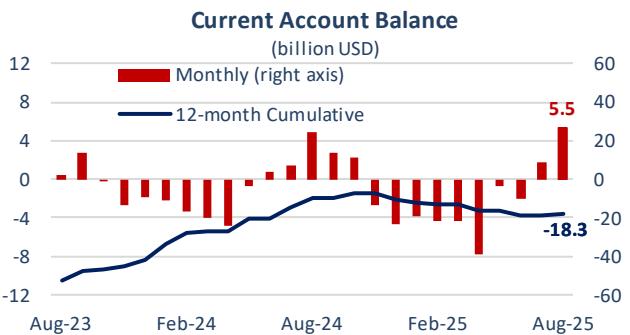
Growth



Leading Indicators



Foreign Trade and Current Account Balance

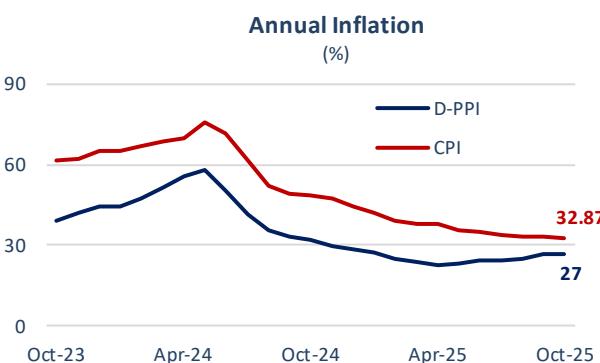
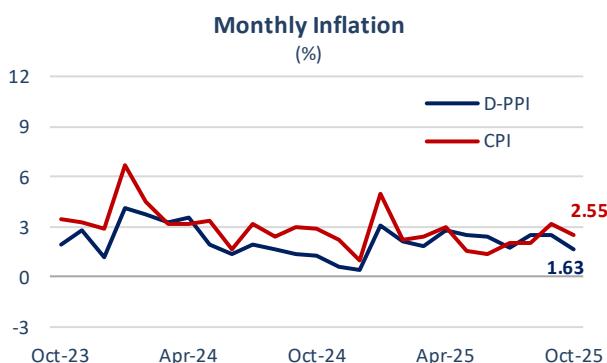


(CA): Calendar adjusted, (SA): Seasonally adjusted

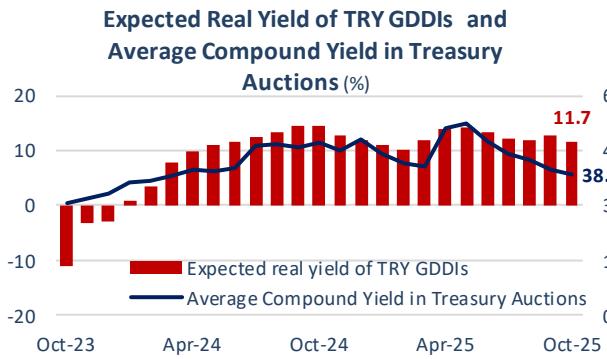
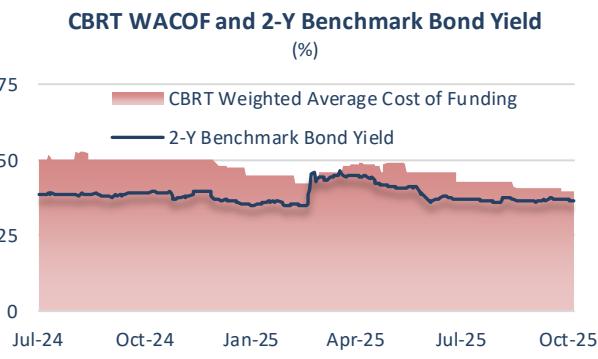
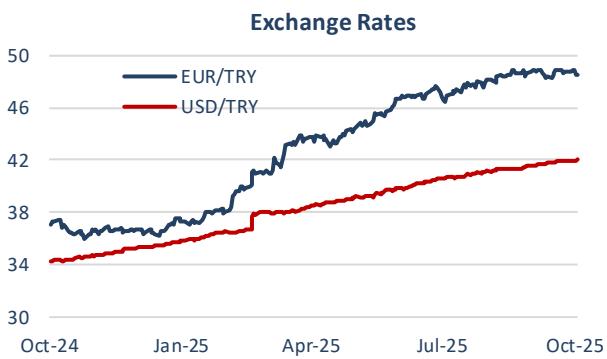
*: Latest data according to preliminary figures of Ministry of Trade

Source: Datastream, CBRT, Turkstat

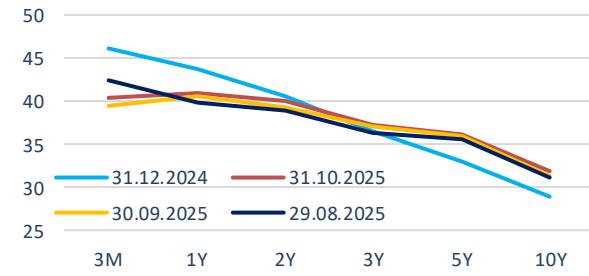
Inflation



Foreign Exchange and Bond Market



Yield Curves (%)



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

Turkish Economy - Macroeconomic Indicators

| GROWTH | 2020 | 2021 | 2022 | 2023 | 2024 | Q4-24 | Q1-25 | Q2-25 |
|--|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| GDP (USD billion) | 692 | 560 | 819 | 1,153 | 1,358 | 380 | 346 | 378 |
| GDP (TRY billion) | 5,142 | 7,434 | 15,326 | 27,091 | 43,411 | 13,061 | 12,493 | 14,579 |
| GDP Growth Rate (%) | 1.9 | 11.4 | 5.5 | 5.8 | 3.3 | 3.2 | 2.3 | 4.8 |
| INFLATION (%) | | | | | | Aug-25 | Sep-25 | Oct-25 |
| CPI (annual) | 14.60 | 36.08 | 64.27 | 64.77 | 44.38 | 32.95 | 33.29 | 32.87 |
| Domestic PPI (annual) | 25.15 | 79.89 | 97.72 | 44.22 | 28.52 | 25.16 | 26.59 | 27.00 |
| SEASONALLY ADJUSTED LABOR MARKET FIGURES | | | | | | Jul-25 | Aug-25 | Sep-25 |
| Unemployment Rate (%) | 12.6 | 11.0 | 10.3 | 8.8 | 8.5 | 8.2 | 8.6 | 8.6 |
| Labor Force Participation Rate (%) | 49.1 | 52.6 | 53.9 | 53.9 | 54.0 | 53.3 | 53.8 | 53.5 |
| FX RATES | | | | | | Aug-25 | Sep-25 | Oct-25 |
| CPI Based Real Effective Exchange Rate | 65.0 | 50.3 | 58.6 | 59.5 | 72.4 | 69.87 | 70.78 | 71.87 |
| USD/TRY | 7.43 | 13.28 | 18.72 | 29.53 | 35.36 | 41.15 | 41.58 | 42.05 |
| EUR/TRY | 9.09 | 15.10 | 19.98 | 32.62 | 36.62 | 48.17 | 48.86 | 48.53 |
| Currency Basket (0.5*EUR+0.5*USD) | 8.26 | 14.19 | 19.35 | 31.08 | 35.99 | 44.66 | 45.22 | 45.29 |
| FOREIGN TRADE BALANCE ⁽¹⁾ (USD billion) | | | | | | Jul-25 | Aug-25 | Sep-25 |
| Exports | 169.6 | 225.2 | 254.2 | 255.6 | 261.8 | 269.4 | 269.1 | 269.7 |
| Imports | 219.5 | 271.4 | 363.7 | 362.0 | 344.0 | 357.7 | 356.7 | 359.0 |
| Foreign Trade Balance | -49.9 | -46.2 | -109.5 | -106.3 | -82.2 | -88.4 | -87.6 | -89.3 |
| Import Coverage Ratio (%) | 77.3 | 83.0 | 69.9 | 70.6 | 76.1 | 75.3 | 75.4 | 75.1 |
| BALANCE OF PAYMENTS ⁽¹⁾ (USD billion) | | | | | | Jun-25 | Jul-25 | Aug-25 |
| Current Account Balance | -31.0 | -6.2 | -46.3 | -41.5 | -10.4 | -19.2 | -18.8 | -18.3 |
| Financial Account | -38.7 | 3.4 | -17.5 | -51.4 | -21.4 | -33.2 | -38.4 | -36.6 |
| Direct Investments (net) | -4.3 | -6.2 | -8.9 | -4.7 | -5.1 | -4.8 | -5.5 | -6.5 |
| Portfolio Investments (net) | 9.8 | 7.6 | 18.5 | -5.7 | -12.0 | 4.0 | 1.4 | 0.4 |
| Other Investments (net) | -12.4 | -21.3 | -39.4 | -39.0 | -4.8 | -12.0 | -27.2 | -31.7 |
| Reserve Assets (net) | -31.9 | 23.3 | 12.3 | -2.0 | 0.6 | -20.3 | -7.1 | 1.2 |
| Net Errors and Omissions | -7.7 | 9.7 | 28.8 | -9.7 | -10.8 | -13.9 | -19.4 | -18.1 |
| Current Account Balance/GDP (%) | -4.5 | -1.1 | -5.7 | -3.6 | -0.8 | - | - | - |
| BUDGET ⁽²⁾⁽³⁾ (TRY billion) | | | | | | Jul-25 | Aug-25 | Sep-25 |
| Expenditures | 1,203.7 | 1,603.5 | 2,942.7 | 6,588.0 | 10,777.0 | 7,699.8 | 8,891.2 | 10,222.2 |
| Interest Expenditures | 134.0 | 180.9 | 310.9 | 674.6 | 1,270.5 | 1,246.0 | 1,425.8 | 1,662.4 |
| Non-interest Expenditures | 1,069.8 | 1,422.7 | 2,631.8 | 5,913.4 | 9,506.6 | 6,453.8 | 7,465.4 | 8,559.8 |
| Revenues | 1,028.4 | 1,402.0 | 2,800.1 | 5,207.6 | 8,670.9 | 6,695.5 | 7,983.6 | 9,004.9 |
| Tax Revenues | 833.3 | 1,165.0 | 2,353.4 | 4,501.1 | 7,304.9 | 5,721.3 | 6,871.7 | 7,753.5 |
| Budget Balance | -175.3 | -201.5 | -142.7 | -1,380.4 | -2,106.1 | -1,004.3 | -907.6 | -1,217.3 |
| Primary Balance | -41.3 | -20.7 | 168.2 | -705.8 | -835.7 | 241.7 | 518.1 | 445.1 |
| Budget Balance/GDP (%) | -3.4 | -2.7 | -0.9 | -5.1 | -4.7 | - | - | - |
| CENTRAL GOVERNMENT DEBT STOCK (TRY billion) | | | | | | Jul-25 | Aug-25 | Sep-25 |
| Domestic Debt Stock | 1,060.4 | 1,321.2 | 1,905.3 | 3,209.3 | 4,959.9 | 6,885.1 | 7,251.4 | 7,593.5 |
| External Debt Stock | 752.5 | 1,426.6 | 2,130.1 | 3,527.4 | 4,297.5 | 5,161.4 | 5,212.6 | 5,370.5 |
| Total Debt Stock | 1,812.8 | 2,747.8 | 4,035.5 | 6,736.6 | 9,257.4 | 12,046.5 | 12,464.0 | 12,964.0 |

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

Turkish Economy - Banking Sector Outlook

| BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES | | | | | | | | |
|---|--------------|--------------|---------------|---------------|---------------|---------------|---------------|-------------|
| (TRY billion) | 2020 | 2021 | 2022 | 2023 | 2024 | Aug.25 | Sep.26 | Change(1) |
| TOTAL ASSETS | 6,106 | 9,215 | 14,347 | 23,553 | 32,657 | 41,887 | 43,579 | 33.4 |
| Loans | 3,576 | 4,901 | 7,581 | 11,677 | 16,052 | 20,631 | 21,244 | 32.3 |
| TRY Loans | 2,353 | 2,832 | 5,110 | 7,894 | 10,145 | 12,732 | 13,153 | 29.6 |
| Share (%) | 65.8 | 57.8 | 67.4 | 67.6 | 63.2 | 61.7 | 61.9 | - |
| FX Loans | 1,224 | 2,069 | 2,471 | 3,783 | 5,907 | 7,900 | 8,090 | 37.0 |
| Share (%) | 34.2 | 42.2 | 32.6 | 32.4 | 36.8 | 38.3 | 38.1 | - |
| Non-performing Loans | 152.6 | 160.1 | 163.4 | 191.9 | 293.6 | 472.9 | 502.8 | 71.2 |
| Non-performing Loan Rate (%) | 4.1 | 3.2 | 2.1 | 1.6 | 1.8 | 2.2 | 2.3 | - |
| Securities | 1,023 | 1,477 | 2,371 | 3,970 | 5,226 | 6,700 | 6,796 | 30.0 |
| TOTAL LIABILITIES | 6,106 | 9,215 | 14,347 | 23,553 | 32,657 | 41,887 | 43,579 | 33.4 |
| Deposits | 3,455 | 5,303 | 8,862 | 14,852 | 18,903 | 24,002 | 24,849 | 31.5 |
| TRY Deposits | 1,546 | 1,880 | 4,779 | 8,897 | 12,307 | 14,974 | 15,220 | 23.7 |
| Share (%) | 44.7 | 35.5 | 53.9 | 59.9 | 65.1 | 62.4 | 61.3 | - |
| FX Deposits | 1,909 | 3,423 | 4,083 | 5,955 | 6,596 | 9,028 | 9,629 | 46.0 |
| Share (%) | 55.3 | 64.5 | 46.1 | 40.1 | 34.9 | 37.6 | 38.7 | - |
| Securities Issued | 224 | 310 | 325 | 584 | 1,045 | 1,652 | 1,713 | 63.8 |
| Payables to Banks | 658 | 1,048 | 1,432 | 2,384 | 3,535 | 4,730 | 4,815 | 36.2 |
| Funds from Repo Transactions | 255 | 587 | 540 | 723 | 2,244 | 2,899 | 3,027 | 34.9 |
| SHAREHOLDERS' EQUITY | 600 | 714 | 1,406 | 2,153 | 2,898 | 3,576 | 3,707 | 27.9 |
| Profit (Loss) of the Period | 58.5 | 93.0 | 431.6 | 620.8 | 659.0 | 563.4 | 669.7 | 1.6 |
| RATIOS (%) | | | | | | | | |
| Loans/GDP | 69.6 | 65.9 | 49.5 | 43.1 | 36.0 | - | - | - |
| Loans/Assets | 58.6 | 53.2 | 52.8 | 49.6 | 49.2 | 49.3 | 48.7 | - |
| Securities/Assets | 16.7 | 16.0 | 16.5 | 16.9 | 16.0 | 16.0 | 15.6 | - |
| Deposits/Liabilities | 56.6 | 57.5 | 61.8 | 63.1 | 57.9 | 57.3 | 57.0 | - |
| Loans/Deposits | 103.5 | 92.4 | 85.5 | 78.6 | 84.9 | 86.0 | 85.5 | - |
| Capital Adequacy (%) | 18.7 | 18.4 | 19.5 | 19.1 | 19.7 | 18.3 | 18.5 | - |

(1) Year-to-date % change

Source: BRSA, Turkstat

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