Monthly Economic Review

TÜRKİYE İŞ BANKASI | research.isbank

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Global Economy

IMF revised its global economic growth forecasts to 3.0% for 2026 and 3.4% for 2027, while revising its inflation forecasts upwards.

The memorandum of understanding signed between the US and Iran in June became ineffective in July.

In line with expectations, the Fed kept its policy rate unchanged within the 3.50%–3.75% range.

ECB, BoE, BoJ and PBoC left their policy rates unchanged at their July meetings as well, in line with expectations.

In the second quarter of the year, the US economy grew by 1.5% yoy, below expectations, while annual CPI inflation in the country fell from 4.2% in May to 3.5% in June.

Euro Area economy grew by 1.0% yoy in the second quarter, exceeding expectations.

Amid renewed tensions in the Middle East and heightened concerns over energy supply, the price of Brent crude oil rose by 23.6% in July compared to end-June.

Turkish Economy

In June, the unemployment rate fell to 7.6%, and the labor underutilization rate decreased to 28.8%.

According to calendar-adjusted data, industrial production showed a flat yoy performance in May, while service production contracted by 0.2% and construction production by 3.0%.

Although the ICI Türkiye manufacturing PMI rose from 47.1 in June to 47.7 in July, it remained below the threshold for the 28th month, indicating that the weak outlook in the sector continues.

The current account deficit was 1.5 billion USD in May. Having realized at 30.7 billion USD in the January-May period the current account deficit, reached 37.3 billion USD according to 12-month cumulative data.

In June, the central government budget posted a surplus of 114.2 billion TRY, and the primary balance posted a surplus of 315.8 billion TRY.

In July, CPI increased by 1.78% mom, while annual CPI inflation fell to 31.75%. Annuall PPI inflation came in at 27.83%.

CBRT, which kept the policy interest rate unchanged at 37% in its fifth meeting of the year, continued to ensure that the weighted average funding cost remained at 40% by not holding weekly repo auctions throughout June.

Fitch confirmed Türkiye's credit rating at "BB-" and its outlook as "stable".

The BIST-100 index ended the month at 13,458, down by 4.7%, in line with the global risk appetite that remained under pressure in July.

Unemployment rate declined to 7.6% in June.

According to seasonally adjusted data, the unemployment rate declined from 8.1% to 7.6% in June. During this period, the number of unemployed people fell to approximately 2.7 million, its lowest level since 2014, as the number of employed people increased by 227K. The unemployment rate among the youth population aged between 15–24 declined to 12.8%. Thus, both the headline unemployment rate and the youth unemployment rate reached their lowest levels since the beginning of the data series in 2005. In June, the labor underutilization rate, the broadest measure of unemployment, stood at 28.8%, its lowest level in the past six months.

Production indices presented a weak outlook in May.

Following a strong start to the second quarter, industrial production contracted by 2.9% in May compared to April, according to seasonally and calendar adjusted data, partly due to the high base. During this period, production increased in the mining and quarrying sector (1.5%), while it declined in manufacturing (-3.3%) and electricity, gas, steam and air conditioning supply sector (-0.9%). Production contracted on a monthly basis in 19 of the 24 sectors operating under the manufacturing industry, while the 46.4% decline in the manufacture of other transport equipment, which displays high month-to-month volatility, stood out. According to calendar-adjusted data, industrial production remained broadly flat on an annual basis. In May, the services and construction production indices also declined by 0.4% mom. While services production decreased by 0.2% yoy during this period, the construction production index fell by 3.0%, recording its sharpest decline since the end of 2022.

ICI Manufacturing PMI rose to 47.7 in July.

Although the Türkiye Manufacturing PMI, published by the Istanbul Chamber of Industry (ICI), increased from 47.1 in June to 47.7 in July, it remained below the threshold for the 28th consecutive month, indicating a continued weak outlook for the sector. During this period, firms reduced production, employment, and purchasing activities due to slowing new orders, partly influenced by developments in the Middle East. On the other hand, the fact that the rise in input costs came down to its lowest level since November 2025, and final product price inflation to its lowest level since the beginning of the year, showed that inflationary pressures continued to ease. In July, among the 10 sectors monitored, clothing and leather products (54.2), electrical and electronic products (52.5), and non-metallic mineral products (50.3) posted PMI values above the threshold. The wood and paper products sector, with a PMI value of 45.0, experienced the sharpest deterioration in operating conditions.

Retail sales accelerated in May.

According to seasonally and calendar adjusted data, the trade sales volume index increased moderately by 0.7% mom in May. During this period, wholesale trade sales volume declined by 0.6%, while retail trade sales volume, which was boosted by the holiday effect, recorded its fastest increase in the last four months at 2.4%. Retail sales excluding watches and jewelry also posted their fastest monthly increase in the last six months, rising by 1.9%. On an annual basis, the decline in wholesale trade sales volume accelerated to 7.8% in May, while the increase in retail sales rose to 13.7%. Accordingly, trade sales volume contracted by 1.4% yoy, driven by the decline in wholesale trade sales volume. On the other hand, the monthly increase in the CPI-adjusted card spending index, eased from 6.0% in May to 3.6% in June.

The housing market revived in June with postponed transactions.

House sales, which declined sharply in May as official and religious holidays reduced the number of working days, increased by 15.8% yoy in June to 129,979 units. During this period, new house sales accounted for 33.4% of total sales, while mortgaged sales, which rose by 72.1% yoy partly due to the low base, accounted for 20% of total sales. Meanwhile, cumulative data indicate that the increase in sales in June was not sufficient to offset the weakness in previous months. Indeed, the number of houses sold in the first half of the year was 3.1% below the same period of last year. Similarly, the adverse performance observed in the automotive and white goods markets in the first half of the year is considered to have been driven largely by the impact of the tight monetary policy stance and the decline in gold prices on household wealth.

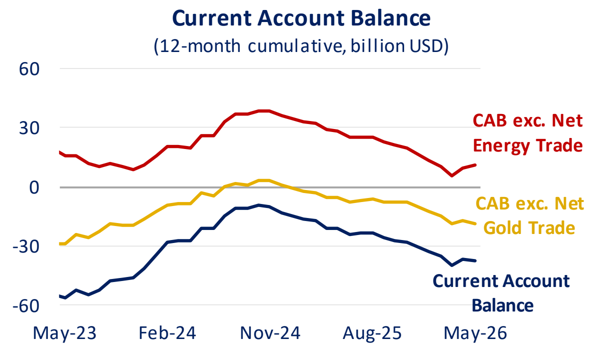
Confidence indices presented a mixed picture in July.

In July, the consumer confidence index increased by 2.2% mom to 89.8. Extending its upward trend into the fourth consecutive month, the index reached its highest level since May 2023. In the same period, the seasonally adjusted real sector confidence index decreased by 0.8 points mom to 101.2. Positive assessments and expectations regarding the past and current state of export orders, expectations for the next three months, as well as average unit costs and selling prices supported the index, while assessments and expectations regarding the volume of domestic market orders were the main factor weighing on the index. In July, sectoral confidence continued to increase in the services (1.4%) and construction (0.6%) sectors, while it declined by 1.6% in the retail trade sector. Thus, the economic confidence index increased by 0.9% in July to 99.8, reaching its highest level since February.

Source: CBRT, Datastream, ICI, TURKSTAT

Current account deficit stood at 1.5 billion USD in May.

In May, the current account posted a deficit of 1.5 billion USD, exceeding market expectations. During the same period last year, the current account deficit was 1.1 billion USD. Rising by 29.3% yoy to 30.7 billion USD during the January-May period, the current account deficit increased to 37.3 billion USD based on 12-month cumulative data. Meanwhile, excluding net gold and energy trade, the current account balance posted a surplus of 3.6 billion USD in May, marking the second consecutive month of surplus.



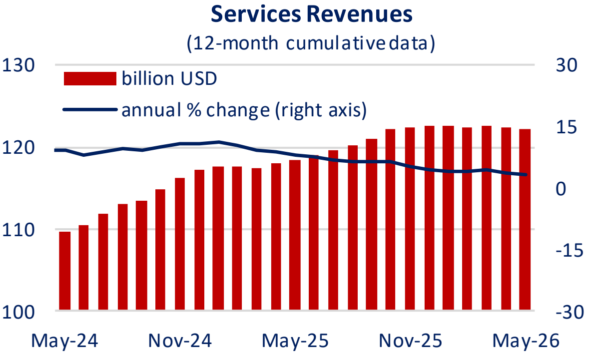
Foreign trade deficit narrowed by 9.2% yoy.

In May, the current account-defined trade deficit decreased by 9.2% yoy to 4.3 billion USD. During this period, driven in part by the decline in gold prices, net non-monetary gold imports fell by 68.3% yoy to 563 million USD, while net energy imports expanded by 53.3% to 4.5 billion USD. During the same period, service revenues fell by 1.2%, while tourism revenues, which account for approximately half of service revenues, declined by 3.2%. On the other hand, tourism expenditures gained momentum during the same period, rising by 39.7% yoy to reach a historic high of 1.1 billion USD. Consequently, net tourism revenues fell by 11.2% yoy in May, to 3.8 billion USD. In the first five months of the year, the trade deficit widened by approximately 15% compared to the same period last year to 35.1 billion USD, while net service revenues declined by approximately 6% yoy to 16.4 billion USD.

Capital outflow in net direct investment…

In the direct investment account, there was a net capital outflow of 455 million USD in May. During this period, a capital inflow of 296 million USD was realized from direct investments made by non-residents, while a capital outflow of 751 million USD was recorded due to domestic residents' net asset acquisitions abroad.

In May, net real estate purchases by non-residents in Türkiye totaled 184 million USD. In the first five months of the year, a net capital outflow of 220 million USD was observed in direct investments.

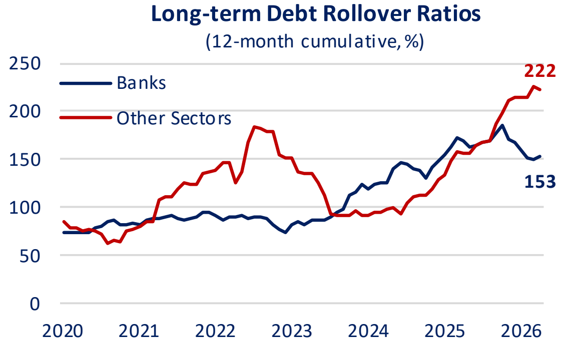


Portfolio investments…

In May, non-residents made net sales of 2.8 billion USD in the stock and investment fund markets and net purchases of 983 million USD in the debt securities market, resulting in a net decrease of 1.8 billion USD in portfolio investments towards Türkiye. During this period, while domestic residents acquired 1.3 billion USD in net assets abroad, there was a net capital outflow of 3.1 billion USD in the portfolio investments account. In the first five months of the year, a total outflow of 3.7 billion USD was recorded in the portfolio investments account.

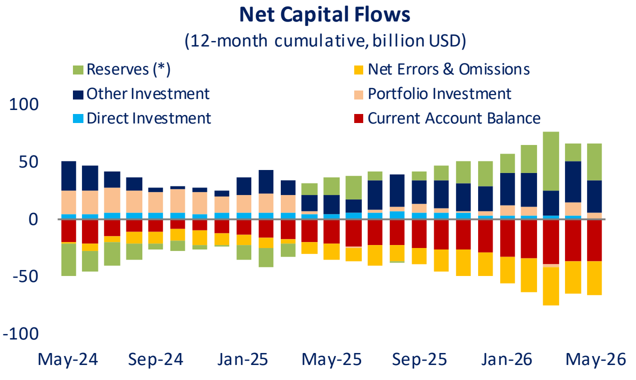
Capital inflows under the other investments account slowed in May.

Capital inflows under the other investments accounts, which reached a record high of 14.9 billion USD in April, continued at 1.8 billion USD in May. During this period, inflows of 2.4 billion USD under the "loans" account were the main factor supporting the other investments account. Banks utilized 2.7 billion USD in net loans from abroad, while the non-banking sectors utilized 755 million USD. According to 12-month cumulative data, long-term debt rollover ratios remained at high levels as of May, standing at 153% in the banking sector and 222% in other sectors.



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments



*Negative values in reserves indicate an increase in reserves.

Reserves and net errors & omissions...

With a decline of 3.3 billion USD recorded in May, reserve assets fell by 33.3 billion USD in the first five months of the year. While capital outflows were limited to 77 million USD under the net errors and omissions account in May, total outflows recorded during the January–May period amounted to 18.5 billion USD.

Expectations...

In May, when the trade deficit narrowed on an annual basis, a sharp decline in net service revenues caused the current account deficit to widen on a yearly basis. Foreign trade data for June also indicated that the trade deficit rose by 26.2% yoy to 10.4 billion USD. Although service revenues are expected to provide more support to the current account balance in the coming months due to seasonal effects, the ongoing geopolitical tensions in the Middle East and the trend in energy prices will continue to be decisive factors in terms of their direct and indirect effects on the current account balance.

Balance of Payments (million USD)

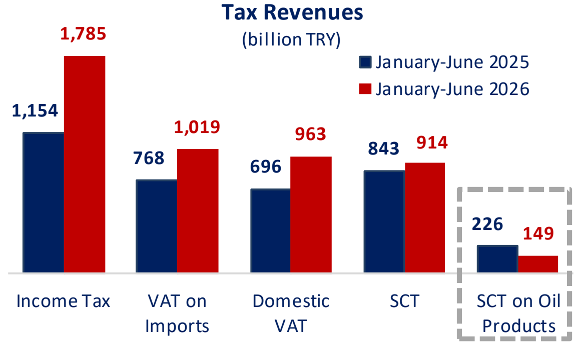
	May.	Jan. - May.		%	12-month
	2026	2025	2026	Change	Cumulative
Current Account Balance	**-1,459**	**-23,728**	**-30,679**	**29.3**	**-37,287**
Foreign Trade Balance	-4,340	-30,542	-35,050	14.8	-74,363
Services Balance	5,207	17,475	16,448	-5.9	62,476
Travel (net)	3,815	13,833	13,856	0.2	51,051
Primary Income	-2,165	-10,377	-11,017	6.2	-24,080
Secondary Income	-161	-284	-1,060	273.2	-1,320
Capital Account	**-5**	**1**	**-90**	**-**	**-232**
Financial Account	**-1,541**	**-31,097**	**-49,247**	**58.4**	**-67,447**
Direct Investment (net)	455	-1,208	220	-	-1,755
Portfolio Investment (net)	3,069	5,480	3,665	-33.1	-5,295
Net Acquisition of Financial Assets	1,266	3,703	9,983	169.6	20,328
Net Incurrence of Liabilities	-1,803	-1,777	6,318	-	25,623
Equity Securities	-2,786	1,343	683	-49.1	6,640
Debt Securities	983	-3,120	5,635	-	18,983
Other Investment (net)	-1,765	-12,252	-19,785	61.5	-28,140
Currency and Deposits	-187	-157	4,373	-	18,833
Net Acquisition of Financial Assets	3,724	-106	9,421	-	21,386
Net Incurrence of Liabilities	3,911	51	5,048	9,798.0	2,553
Central Bank	10	-6,125	-1,634	-73.3	-7,317
Banks	3,901	6,176	6,682	8.2	9,870
Foreign Banks	3,529	5,829	4,835	-17.1	8,192
Foreign Exchange	1,754	2,260	447	-80.2	1,583
Turkish Lira	1,775	3,569	4,388	22.9	6,609
Non-residents	372	347	1,847	432.3	1,678
Loans	-2,389	-11,680	-21,044	80.2	-46,727
Net Acquisition of Financial Assets	839	1,393	-5,485	-	-4,155
Net Incurrence of Liabilities	3,228	13,073	15,559	19.0	42,572
Banking Sector	2,653	5,949	6,806	14.4	15,459
Non-bank Sectors	755	7,150	8,632	20.7	24,951
Trade Credit and Advances	816	-415	-3,101	647.2	-201
Other Assets and Liabilities	-5	0	-13	-	-45
Reserve Assets (net)	-3,300	-23,117	-33,347	44.3	-32,257
Net Errors and Omissions	**-77**	**-7,370**	**-18,478**	**151**	**-29,928**

Source: CBRT, Ministry of Trade, Datastream, Turkstat

Budget Balance

The central government budget posted a surplus of 114.2 billion TRY in June.

In June, central government budget revenues increased by 66% yoy to 1.5 trillion TRY, while budget expenditures rose at a more moderate pace of 12.6% to 1.4 trillion TRY. As a result, the central government budget, which had recorded a deficit of 330.2 billion TRY in June 2025, posted a surplus of 114.2 billion TRY in the same month of 2026. In this period, the Treasury cash surplus was 50.8 billion TRY. The primary budget balance, which had posted a deficit of 54.5 billion TRY in June 2025, recorded a surplus of 315.8 billion TRY in June 2026. Consequently, in the first half of the year, the cumulative budget deficit declined by 3.8% yoy to 942.8 billion TRY, while the cumulative primary surplus increased fourfold to 521.4 billion TRY.

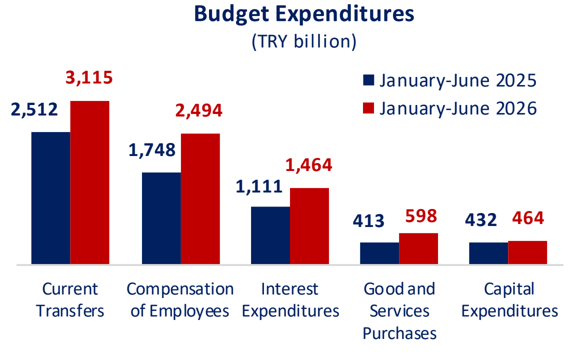


Tax revenues expanded by 72% yoy in June.

Tax revenues, which accounted for 87.2% of central government budget revenues in June, increased by 72% yoy to 1.3 trillion TRY. Due to the postponement of certain payment deadlines from the end of May to June due to the holiday period, income tax revenues surged by 145.7% yoy in this period, while corporate tax revenues increased by 31.8%. Value added tax (VAT) collections on domestic sales rose by 89.6% yoy in June, while VAT on imports continued to accelerate, increasing by 53.1%. On the other hand, special consumption tax (SCT) revenues from petroleum and natural gas products continued to decline, falling by 82.6% yoy in June, reflecting the impact of the sliding scale system. As a result, despite increases in SCT revenues from durable goods (57.5%), beverages (31.0%), and tobaccos (27.6%), total SCT revenues remained flat on an annual basis. In the first half of the year, total tax revenues increased by 38.7% yoy. Taxes on income and profits rose by 54.6%, while the increase in indirect taxes on consumption remained relatively moderate at around 27%, partly due to the impact of the sliding scale system.

Interest expenditures declined by 26.9% yoy in June.

Interest expenditures fell by 26.9% yoy in June, while non-interest expenditures increased by 23.9%. As a result, the share of interest expenditures in total budget expenditures declined from 22.2% in June 2025 to 14.4% in June 2026. Current transfers, which accounted for 39% of non-interest expenditures in June, increased by only 0.7% yoy, remaining the main factor behind the slowdown in non-interest expenses. Meanwhile, personnel expenditures, which made up 33% of non-interest expenditures, rose by 40.3%, outpacing annual CPI inflation. Expenditures on the purchase of goods and services, accounting for 11% of non-interest expenditures, increased by 67.7% yoy, while capital expenditures, which represented 9% of non-interest expenditures, rose by 32.6%. In the first half of the year, total budget expenditures increased by 32.7% yoy, in line with CPI inflation. Over the same period, interest expenditures rose by 31.7%, while non-interest expenditures increased by 32.9%, indicating similar rates of growth.



Expectations…

In the first half of the year, tax revenues from income and profits recorded strong growth, while the increase in indirect taxes on consumption remained limited due to the impact of the sliding scale system. Meanwhile, interest and non-interest expenditures exhibited similar growth rates. During this period, the cumulative budget deficit accounted for 34.8% of the target for the full year 2026, pointing to a favorable fiscal performance. Looking ahead, the volatility in oil prices stemming from the recent escalation of tensions in the Middle East, together with the impact of these developments and the continued tight monetary policy stance on economic activity, will continue to be closely monitored in terms of their effects on budget performance.

Central Government Budget (billion TRY)

	June		%	January-June		%	2026 Budget	Real/ Budget
	2025	2026	Change	2025	2026	Change	Target	Target (%)
Expenditures	**1,239.6**	**1,395.5**	**12.6**	**6,579.1**	**8,730.2**	**32.7**	**18,978.8**	**46.0**
Interest Expenditures	275.7	201.6	-26.9	1,111.4	1,464.2	31.7	2,741.7	53.4
Non-Interest Expenditures	963.9	1,193.9	23.9	5,467.6	7,265.9	32.9	16,237.2	44.7
Revenues	**909.4**	**1,509.6**	**66.0**	**5,598.6**	**7,787.3**	**39.1**	**16,266.1**	**47.9**
Tax Revenues	764.9	1,315.7	72.0	4,771.5	6,619.7	38.7	13,833.1	47.9
Other Revenues	144.5	194.0	34.2	827.1	1,167.6	41.2	2,433.0	48.0
Budget Balance	**-330.2**	**114.2**	**-**	**-980.5**	**-942.8**	**-3.8**	**-2,712.7**	**34.8**
Primary Balance	**-54.5**	**315.8**	**-**	**131.0**	**521.4**	**298.1**	**29.0**	**-**

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

Source: Datastream , Ministry of Treasury and Finance

CPI increased by 1.78% in July.

Monthly CPI inflation came in at 1.78% in July, slightly below market expectations. Annual CPI inflation continued to decline due to the high base effect, falling to 31.75%.

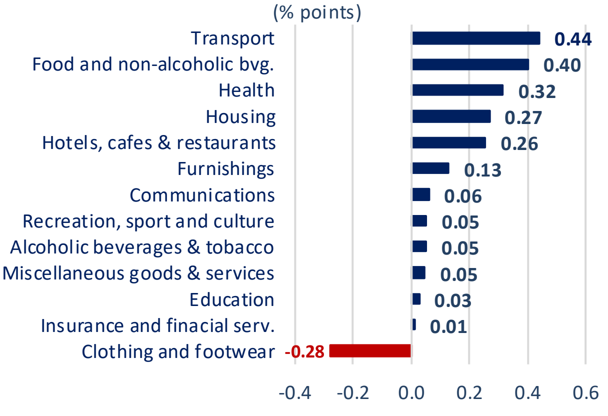
Meanwhile, Domestic Producer Price Index (D-PPI) rose by 1.50% on a monthly basis in July, recording its lowest monthly increase of the year, while annual D-PPI inflation declined to 27.83%.

July	CPI		D-PPI	
(change %)	2025	2026	2025	2026
Monthly	2.06	1.78	1.73	1.52
Year-to-Date	19.08	19.86	17.70	17.86
Annual	33.52	31.75	24.19	27.83
Annual Average	41.13	31.90	27.07	27.54

Prices declined in the clothing and footwear group in July.

In July, prices increased across all groups except clothing and footwear, where prices declined by 3.93% mom and limited monthly inflation by 0.28 pps. During this period, the health group recorded the highest price increase at 10.74%, driven by the rise in medical examination fees, contributing 0.32 pps to monthly inflation. This group was followed by transportation, with a 2.59% increase (contribution: 0.44 pps), hotels and restaurants, with a 2.28% increase (0.26 pps), and housing, with a 2.25% increase (0.27 pps). Meanwhile, having lost momentum in June following its high pace in the first five months of the year, inflation in the food and non-alcoholic beverages group accelerated to 1.61% in July due to higher fresh fruit and vegetable prices. Given the group's high weight of 24.4% in the CPI basket, it was the second-largest contributor to monthly inflation, adding 0.40 percentage points.

Contributions of main expenditure groups to monthly CPI
(% points)

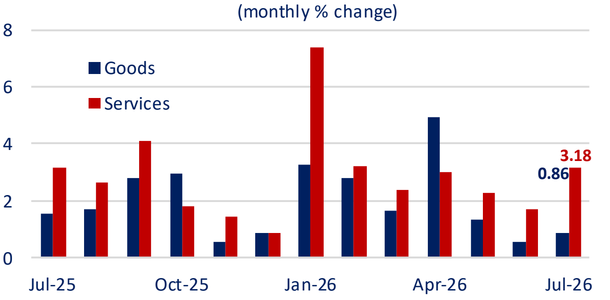


Services inflation accelerated in July.

Goods inflation stood at 0.86% in July, while services inflation rose to 3.18%, its highest level in the past five months.

In July, energy prices increased by 2.30% following two consecutive months of decline. The B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold) increased by 1.66%, below headline inflation, confirming the upward pressure from energy and unprocessed food prices on monthly inflation. Meanwhile, the C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) increased by 1.80%, broadly in line with headline inflation, while the A index, which excludes seasonal products, rose by 1.93%, above headline inflation.

Goods & Services Prices
(monthly % change)



The decline in producer price inflation continued.

In July, electricity, gas production, and distribution prices increased by 9.65% mom, making this group the largest contributor to monthly producer price inflation at 0.78 pps. Other major contributors to the monthly increase in D-PPI were textiles and basic metals, each contributing 0.12 percentage points, with prices rising by 2.13% and 1.44%, respectively. Meanwhile, the monthly price increase in the food products group, which accounts for 19.62% of the basket, remained limited at 0.47%.

Expectations…

Adjustments made to administered and guided prices, along with the increase in energy prices amid heightened uncertainty and supply concerns in the Middle East, led to an acceleration in monthly inflation in July. In the coming period, the level of energy prices will continue to affect the inflation outlook depending on the course and persistence of tensions in the Middle East. The messages to be delivered in the Inflation Report to be published on August 13 by the CBRT, as well as at the accompanying briefing, will be closely monitored for their implications on the course of the disinflation program and inflation expectations. The CBRT's next Monetary Policy Committee meeting is going to be held on September 10.

Source: Datastream, Turkstat

	30-Jun	31-Jul	Change	
5-Y CDS (basis point)	221	238	17 bp	▼
2-Y Benchmark Bond Yield (	%39,96	%42,11	215 bp	▼
BIST-100	14.122	13.458	-%4,7	▲
USD/TRY	46,6440	47,5078	%1,9	▲
EUR/TRY	53,3032	54,7713	%2,8	▼
Currency Basket*	49,9736	51,1396	%2,3	▲

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

Households' inflation expectations continued to improve in July.

According to data published by the CBRT, households' inflation expectations for the next 12 months declined by 1.19 percentage points to 44.94% in July. Thus, household inflation expectations extended their decline into the third consecutive month, reaching their lowest level since June 2021. According to the Household Expectations Survey, the share of households expecting inflation to decline in the next 12 months increased by 1.93 percentage points to 17.63%. "Food" and "fuel and energy" remained the product/service groups for which participants expected the highest price increases in the next 12 months, while expectations for housing price increases 12 months ahead declined to 32.49%, coming close to the current annual CPI inflation rate. Meanwhile, in parallel with the decline in gold prices, the share of participants stating that they would "buy gold" among their investment preferences decreased by 4.0 percentage points from the previous month to 40.3%, while the share stating that they would "buy a house/shop/land, etc." increased by 1.4 percentage points to 38.5%.

In July, inflation expectations of the real sector for the next 12 months also declined moderately to 32.50%, while those of market participants edged up by 0.14 percentage points to 23.95%. Market participants' year-end inflation expectations continued to rise for the sixth consecutive month, reaching 29.21%. Participants' USD/TRY exchange rate expectations for 12 months ahead increased from 55.72 to 56.69, while their growth expectations for 2026 declined from 3.2% to 3.1%.

Fitch published its assessment on Turkish economy.

In its assessment published on July 17, Fitch affirmed Türkiye's credit rating at "BB-" with a "stable" outlook. The report stated that Türkiye's record of very high inflation, low external liquidity relative to high financing requirements, weak governance, and repeated episodes of political interference in monetary policy that precipitated crises marked by dollarisation and capital flight were factors constraining the rating. On the other hand, low government debt, large and diversified economy, high GDP per capita relative to the 'BB' peer group median, its record of sustaining access to external financing through periods of stress, and resilient banking sector were listed as factors supporting Türkiye's rating. The agency noted that a sizeable decline in international reserves, deterioration of international relations, a destabilizing or unconventional policy easing cycle, or a pre-election political shock triggering widespread public unrest were among the risks that could lead to a rating downgrade. Meanwhile, a sustained reduction in external financing requirements and greater confidence in the maintenance of policy settings that are sufficiently tight to support a marked decline in inflation over time could lead to an upgrade. The report projected that inflation would decline to 29.5% and economic growth to 2.8% by the end of 2026. In its report published on July 24, Moody's stated that Türkiye's large, diversified and dynamic economy and its low government debt burden supported the credit rating, while noting that these strengths were balanced by institutional and governance challenges and elevated domestic political risks.

CBRT kept its policy rate at 37%.

At its Monetary Policy Committee meeting held on July 23, the CBRT kept the policy rate unchanged at 37%, in line with market expectations, while keeping the overnight lending rate at 40% and the overnight borrowing rate at 35.5%. The decision statement noted that the underlying trend of inflation decreased slightly in June while leading indicators suggested that the underlying trend would rise temporarily in July. It also noted that energy prices started trending up again as a result of the growing uncertainty amid geopolitical developments. It also emphasized that recent data confirm the ongoing weakening in domestic demand. Besides, the statement retained the phrase indicating that the monetary policy stance would be tightened in the event of a significant and persistent deterioration in inflation outlook. The CBRT, which has not changed interest rates at its last four meetings, has continued to ensure that the weighted average funding cost remains at 40% by not holding weekly repo auctions since the end of February.

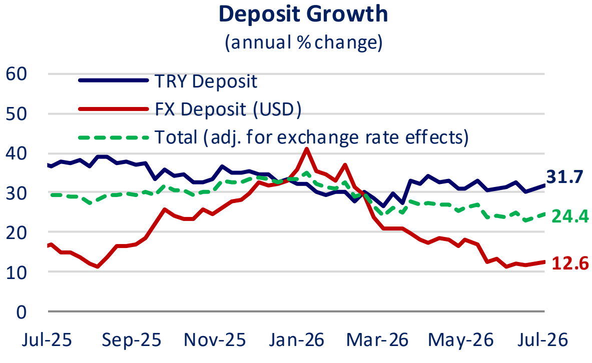
The BIST-100 index declined by 4.7% in July.

After rising 3.4% in June -driven by growing expectations that geopolitical tensions in the Middle East would subside- the BIST-100 index fell by 4.7% in July, in tandem with a renewed rise in regional tensions and oil prices and closed the month at the 13,458. During July, when Türkiye's 5-year CDS spread rose by 17 basis points from the previous month-end to 238 basis points, the USD/TL increased by 1.9% and the EUR/TL by 2.8%. In this period, the interest rate on 2-year bonds rose by 215 basis points on a monthly basis to 42.11%, while the yield on 10-year bonds increased by 176 basis points to 34.93%.

Source: CBRT, Datastream, Reuters

TL deposit volume increased by 31.7% yoy.

According to data from the BRSA's Weekly Bulletin, as of the week of July 24, TL deposit volume increased by 2.1% mom to 19.2 trillion TRY, while the volume of foreign currency deposits in USD terms, which contracted by 4.8% in June partly due to the decline in gold prices, rose by 1.9% to 251.3 billion USD. Annual increases in the respective items stood at 31.7% and 12.6%. Accordingly, as of July 24, the total deposit volume increased by 2.6% mom and 31.6% yoy, reaching 31.1 trillion TRY. According to exchange rate adjusted data, annual growth in total deposit volume stood at 24.4%, while the share of TL deposits in total deposits was 61.9%.

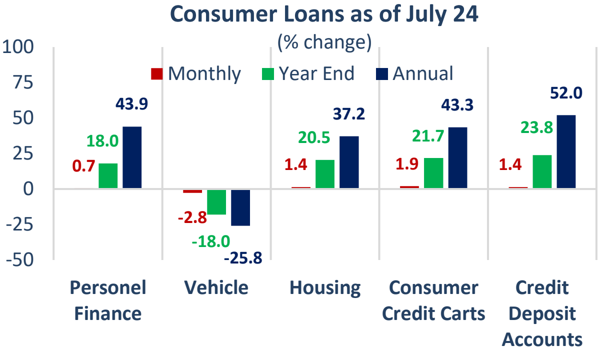


TL loan growth lost momentum in July.

In July, growth in TL loan volume lost momentum compared to the previous month, increasing by 1.4% mom and 41.2% yoy. Accordingly, TL loan volume reached 17.2 trillion TRY as of July 24. The volume of foreign currency loans in USD terms, which declined by 0.5% mom in June, increased by 0.5% mom and 8.1% yoy during this period, to 207.7 billion USD. Thus, total loan volume expanded by 1.6% mom and 35.4% yoy, reaching 27 trillion TRY. Adjusted for exchange rate effects, annual growth in total loan volume stood at 28.4%.

Retail loans…

As of July 24, retail loan volume increased by 1.4% mom, losing some momentum compared to the previous month, while the outstanding balance of retail credit cards, which accounted for 49% of retail loans, grew by 1.9% mom. Annual growth rates in the respective items stood at 41.9% and 43.3%. The monthly increase in overdraft accounts, which stood at 9% in June, slowed to 1.4% as of July 24. Annual growth in this balance stood at 52%. During the same period, housing and consumer loans increased by 1.4% and 0.7% mom, respectively, while automotive loans continued to contract, declining by 2.8%. Annual growth in consumer loans stood at 37.2% for housing loans and 43.9% for consumer loans. On the other hand, vehicle loans contracted by 25.8% yoy.

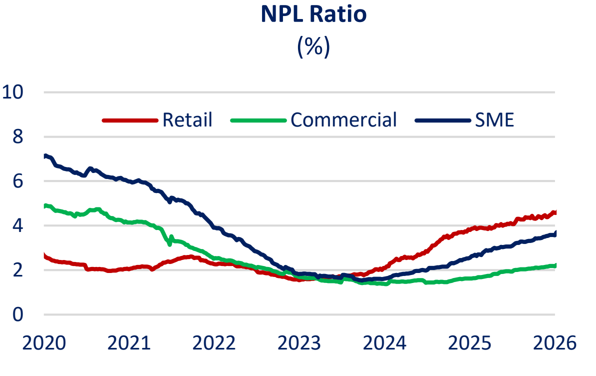


NPL ratio rose to 2.92%.

As the balance of non-performing loans (NPLs) increased by 52.5 billion TRY month-on-month, the NPL ratio rose to 2.92% as of July 24. The ratio went up to its highest level since 2022 in commercial loans (2.28%) and SME loans (3.78%), while it reached its highest level since 2010 in retail loans (4.80%).

Net foreign currency position…

As of July 24, the banking sector's on-balance-sheet foreign currency position stood at (-) 54.139 billion USD, while its off-balance-sheet foreign currency position stood at (+) 54.982 billion USD. Accordingly, the sector's net foreign currency general position was recorded at (+) 843 million USD.



Source: BRSA Weekly Bulletin

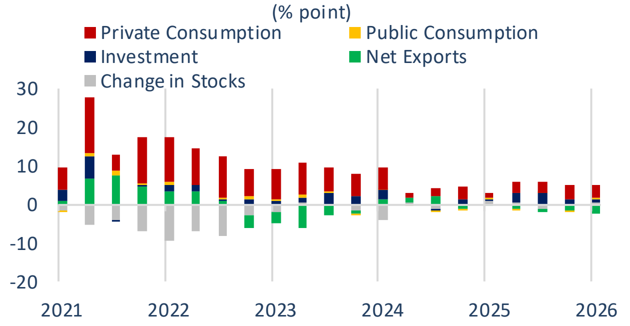
Concluding Remarks

The memorandum of understanding signed between Iran and the US in June lost its effectiveness in July, and the renewed intensification of the conflict increased uncertainties surrounding the global economy. Rising security risks in the Strait of Hormuz and the Red Sea also led energy prices to increase again. This outlook raised questions over the future trajectory of inflation, which had declined in many economies in June with the support of lower energy prices. Against this backdrop, leading central banks adopted a wait-and-see approach at their meetings in July, while a growing number of policymakers advocated interest rate hikes in response to rising inflationary risks. Meanwhile, second-quarter growth data indicated that global economic activity remained resilient despite the tensions in the Middle East, and preliminary PMI data suggested that this outlook broadly continued at the beginning of the third quarter. The new month began amid optimism that negotiations between the US and Iran would resume. The course of developments and the global inflation outlook will remain key determinants of major central banks' policy decisions in September.

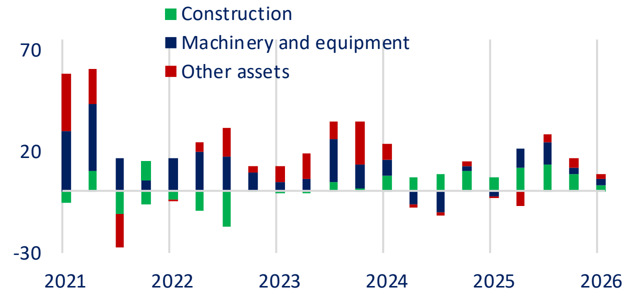
In Türkiye, recently released data indicated that the weak outlook on the production side persisted, while the extent of the slowdown in domestic demand continued to be closely monitored. Meanwhile, as also highlighted in the statement following the CBRT's latest Monetary Policy Committee meeting, the course of the underlying trend of inflation remains important for inflation expectations. In this context, depending on the course and persistence of the tensions in the Middle East, the level of energy prices stands out as the most significant factor for Türkiye's inflation outlook in the coming period. In this environment, the Inflation Report to be published by the CBRT on August 13th and the messages to be given at the briefing meeting will be closely followed. Developments in the Middle East and the course of oil prices will also be monitored in terms of the current account balance and the growth outlook.

Growth

Contributions to GDP Growth
(% point)

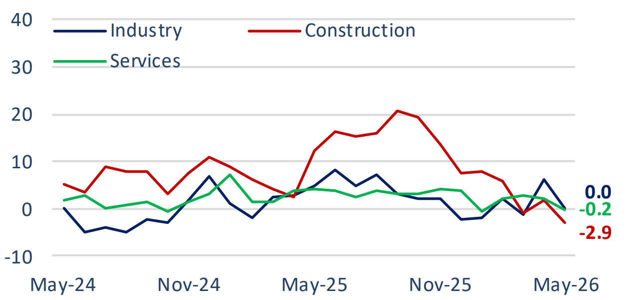


Gross Fixed Capital Formation
(annual % change)

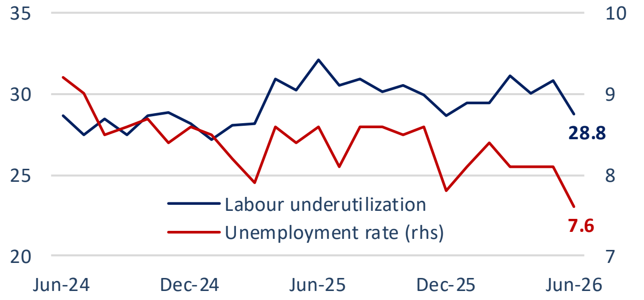


Leading Indicators

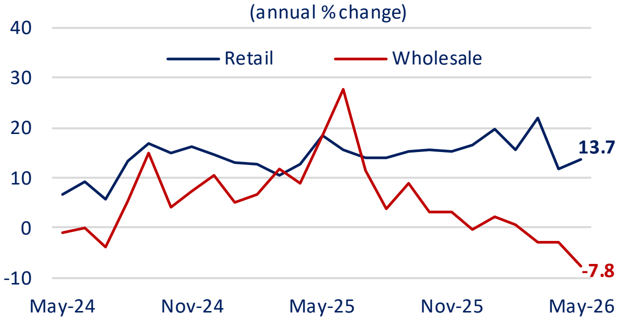
Production Indices
(ca, annual % change)



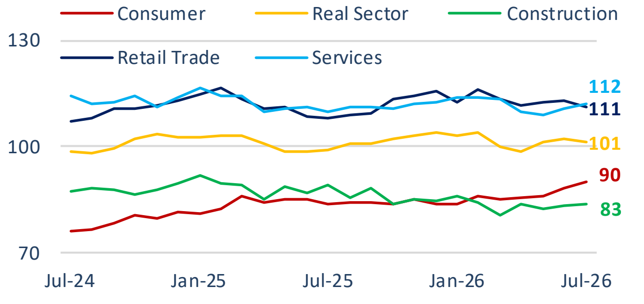
Labour Force Statistics
(sa, %)



Sales Volume Indices
(annual % change)

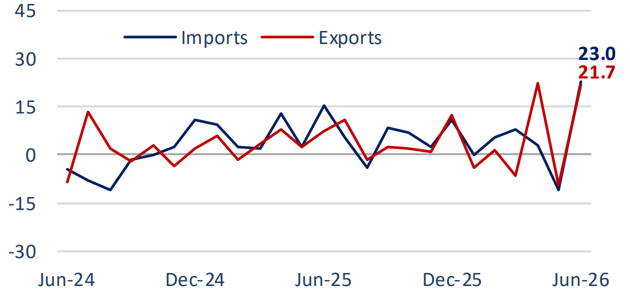


Confidence Indices
(sa)

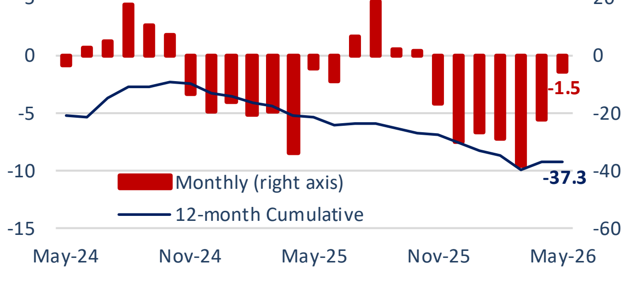


Foreign Trade and Current Account Balance

Foreign Trade
(annual % change)



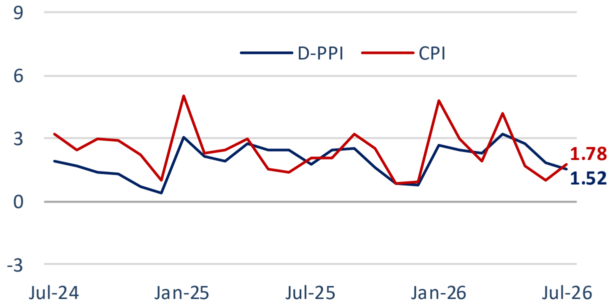
Current Account Balance
(billion USD)



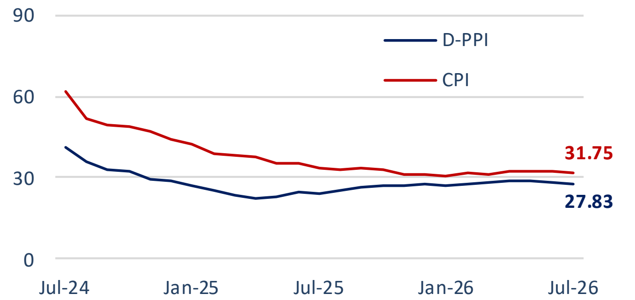
Source: Datastream, CBRT, Turkstat

Inflation

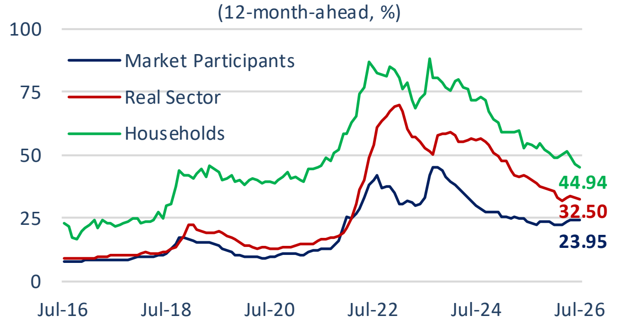
Monthly Inflation
(%)



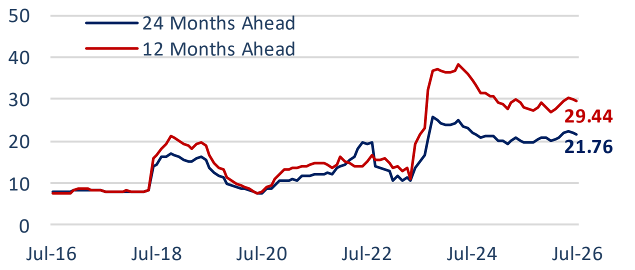
Annual Inflation
(%)



Sectoral Inflation Expectations
(12-month-ahead, %)

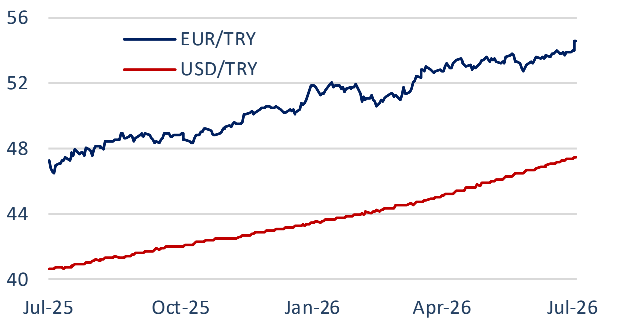


CBRT Survey of Market Participants - 12 and 24 Months Ahead Policy Rate Expectation
(%)

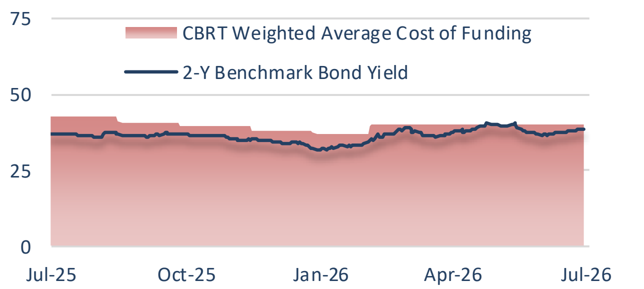


Foreign Exchange and Bond Market

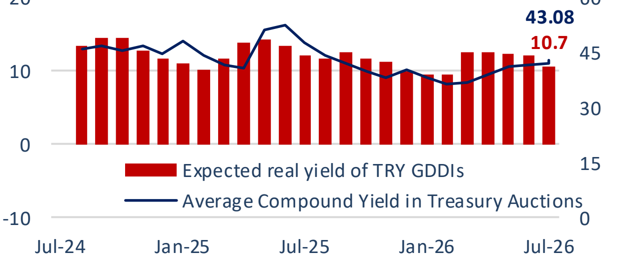
Exchange Rates



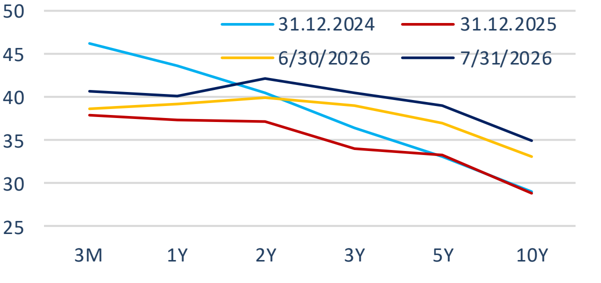
CBRT WACOF and 2-Y Benchmark Bond Yield
(%)



Expected Real Yield of TRY GDDIs and Average Compound Yield in Treasury Auctions (%)



Yield Curves
(%)



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

Macroeconomic Indicators

GROWTH	2021	2022	2023	2024	2025	Q3-25	Q4-25	Q1-26
GDP (USD billion)	828	925	1,153	1,358	1,596	434	439	390
GDP (TRY billion)	7,434	15,326	27,091	44,587	63,021	17,472	18,467	17,000
GDP Growth Rate (%)	11.8	5.4	5.0	3.3	3.6	3.8	3.4	2.5
INFLATION (%)						**May-26**	**Jun-26**	**Jul-26**
CPI (annual)	36.08	64.27	64.77	44.38	30.89	32.61	32.11	31.75
Domestic PPI (annual)	79.89	97.72	44.22	28.52	27.67	28.93	28.09	27.83
SEASONALLY ADJUSTED LABOR MARKET FIGURES						**Apr-26**	**May-26**	**Jun-26**
Unemployment Rate (%)	11.0	10.4	8.9	8.6	7.8	8.1	8.1	7.6
Labor Force Participation Rate (%)	52.6	54.0	54.0	54.1	53.0	52.4	52.8	52.9
FX RATES						**May-26**	**Jun-26**	**Jul-26**
CPI Based Real Effective Exchange Rate	70.0	81.5	82.8	100.8	98.9	105.70	104.90	-
USD/TRY	13.28	18.72	29.53	35.36	42.96	45.89	46.66	47.52
EUR/TRY	15.10	19.98	32.62	36.62	50.46	53.55	53.34	54.68
Currency Basket (0.5*EUR+0.5*USD)	14.19	19.35	31.08	35.99	46.71	49.72	50.00	51.10
FOREIGN TRADE BALANCE(1) (USD billion)						**Apr-26**	**May-26**	**Jun-26**
Exports	225.2	254.2	255.6	261.8	273.2	275.8	273.4	277.9
Imports	271.4	363.7	362.0	344.0	365.4	370.5	367.1	373.7
Foreign Trade Balance	**-46.2**	**-109.5**	**-106.3**	**-82.2**	**-92.2**	**-94.7**	**-93.7**	**-95.9**
Import Coverage Ratio (%)	83.0	69.9	70.6	76.1	74.8	74.4	74.5	74.4
BALANCE OF PAYMENTS(1) (USD billion)						**Mar-26**	**Apr-26**	**May-26**
Current Account Balance	**-7.1**	**-46.7**	**-41.8**	**-13.0**	**-30.3**	**-39.8**	**-36.9**	**-37.3**
Financial Account	**3.4**	**-18.8**	**-51.9**	**-23.7**	**-49.3**	**-73.2**	**-66.5**	**-67.4**
Direct Investments (net)	-6.5	-9.8	-4.5	-5.1	-3.2	-2.2	-2.9	-1.8
Portfolio Investments (net)	7.6	17.9	-6.5	-13.9	-3.5	3.3	-11.7	-5.3
Other Investments (net)	-21.1	-39.2	-38.9	-5.4	-20.6	-21.8	-36.4	-28.1
Reserve Assets (net)	23.3	12.3	-2.0	0.6	-22.0	-52.5	-15.5	-32.3
Net Errors and Omissions	**10.5**	**27.9**	**-9.9**	**-10.6**	**-18.8**	**-33.2**	**-29.3**	**-29.9**
Current Account Balance/GDP (%)	**-0.9**	**-5.0**	**-3.6**	**-1.0**	**-1.9**	-	-	-
BUDGET(2)(3) (TRY billion)						**Apr-26**	**May-26**	**Jun-26**
Expenditures	**1,603.5**	**2,942.7**	**6,588.0**	**10,780.6**	**14,634.6**	**5,950.3**	**7,334.7**	**8,730.2**
Interest Expenditures	180.9	310.9	674.6	1,270.5	2,054.4	1,133.7	1,262.6	1,464.2
Non-interest Expenditures	1,422.7	2,631.8	5,913.4	9,510.2	12,580.2	4,816.6	6,072.1	7,265.9
Revenues	**1,402.0**	**2,800.1**	**5,207.6**	**8,672.8**	**12,835.5**	**5,191.5**	**6,277.7**	**7,787.3**
Tax Revenues	1,165.0	2,353.4	4,501.1	7,305.3	11,049.5	4,372.6	5,304.1	6,619.7
Budget Balance	**-201.5**	**-142.7**	**-1,380.4**	**-2,107.8**	**-1,799.1**	**-758.8**	**-1,057.0**	**-942.8**
Primary Balance	**-20.7**	**168.2**	**-705.8**	**-837.3**	**255.3**	**374.9**	**205.6**	**521.4**
Budget Balance/GDP (%)	**-2.7**	**-0.9**	**-5.1**	**-4.7**	**-2.9**	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						**Apr-26**	**May-26**	**Jun-26**
Domestic Debt Stock	1,321.2	1,905.3	3,209.3	4,959.9	8,152.8	8,845.9	8,991.1	9,013.9
External Debt Stock	1,426.6	2,130.1	3,527.4	4,297.5	5,509.3	5,922.1	6,001.5	5,978.6
Total Debt Stock	**2,747.8**	**4,035.5**	**6,736.6**	**9,257.4**	**13,662.1**	**14,768.0**	**14,992.6**	**14,992.5**

(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

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2021	2022	2023	2024	2025	May-26	Jun-26	Change [1]
TOTAL ASSETS	**9,215**	**14,347**	**23,553**	**32,668**	**46,947**	**51,761**	**52,728**	**12.3**
Loans	**4,901**	**7,581**	**11,677**	**16,052**	**23,128**	**26,053**	**26,791**	**15.8**
TRY Loans	2,832	5,110	7,894	10,145	14,560	16,587	17,164	17.9
Share (%)	57.8	67.4	67.6	63.2	63.0	63.7	64.1	-
FX Loans	2,069	2,471	3,783	5,907	8,568	9,466	9,627	12.4
Share (%)	42.2	32.6	32.4	36.8	37.0	36.3	35.9	-
Non-performing Loans	160.1	163.4	191.9	293.6	593.6	728.8	773.3	30.3
Non-performing Loan Rate (%)	3.2	2.1	1.6	1.8	2.5	2.7	2.8	-
Securities	**1,477**	**2,371**	**3,970**	**5,226**	**7,013**	**7,554**	**7,695**	**9.7**
TOTAL LIABILITIES	**9,215**	**14,347**	**23,553**	**32,668**	**46,947**	**51,761**	**52,728**	**12.3**
Deposits	**5,303**	**8,862**	**14,852**	**18,903**	**27,226**	**29,651**	**30,109**	**10.6**
TRY Deposits	1,880	4,779	8,897	12,307	16,587	17,832	18,695	12.7
Share (%)	35.5	53.9	59.9	65.1	60.9	60.1	62.1	-
FX Deposits	3,423	4,083	5,955	6,596	10,639	11,819	11,415	7.3
Share (%)	64.5	46.1	40.1	34.9	39.1	39.9	37.9	-
Securities Issued	**310**	**325**	**584**	**1,045**	**1,890**	**1,987**	**2,007**	**6.2**
Payables to Banks	**1,048**	**1,432**	**2,384**	**3,535**	**5,177**	**5,807**	**6,079**	**17.4**
Funds from Repo Transactions	**587**	**540**	**723**	**2,244**	**2,575**	**3,076**	**2,854**	**10.8**
SHAREHOLDERS' EQUITY	**714**	**1,406**	**2,153**	**2,908**	**4,156**	**4,467**	**4,612**	**11.0**
Profit (Loss) of the Period	93.0	431.6	620.8	660.3	940.2	421.8	527.4	-
RATIOS (%)								
Loans/GDP	65.9	49.5	43.1	36.0	36.7	-	-	-
Loans/Assets	53.2	52.8	49.6	49.1	49.3	50.3	50.8	-
Securities/Assets	16.0	16.5	16.9	16.0	14.9	14.6	14.6	-
Deposits/Liabilities	57.5	61.8	63.1	57.9	58.0	57.3	57.1	-
Loans/Deposits	92.4	85.5	78.6	84.9	84.9	87.9	89.0	-
Capital Adequacy (%)	18.4	19.5	19.1	19.7	19.7	16.3	16.6	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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