



June 2026

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## Global Economy

In May, negotiations between the U.S. and Iran remained the main agenda of the global markets.

In the U.S., annualized first quarter growth data was revised to 1.6%, while annual consumer inflation reached 3.8% in April, the highest level in nearly three years.

Minutes of the Fed's latest meeting indicated that members had adopted a more cautious stance regarding the inflation outlook.

Data released in May showed that consumer inflation in the Euro Area rose to its highest level since September 2023 and economic activity presented a weak outlook.

Japan's economy grew by 2.1% on an annualized basis in the first quarter of 2026.

Driven in part by the gradual resumption of traffic through the Strait of Hormuz, the price of Brent crude oil fell by 19.3% in May compared to the previous month. Prices continued their volatile pace in the first days of June.

The continued positive performance of AI-themed stocks and expectations of a peace agreement supported global risk appetite in May, while gold prices continued to decline.

## Turkish Economy

According to the chain linked volume index, the Turkish economy grew by 2.5% yoy in the first quarter of 2026. Based on seasonally and calendar adjusted data, quarterly growth slowed to 0.1%.

In April, the unemployment rate stood at 8.2%, while the composite measure of labor underutilization rate remained high at 30.1%.

The Istanbul Chamber of Industry (ICI) Türkiye Manufacturing PMI reached 49.8 in May, its highest level since March 2024.

The current account deficit came in at 9.7 billion USD in March. Consequently, the current account deficit, which stood at 23.7 billion USD in the first quarter of the year, rose to 39.7 billion USD based on 12-month cumulative data.

The central government budget deficit stood at 338.7 billion TRY in April, while the primary balance posted a deficit of 81.1 billion TRY. In the January-April period, the budget deficit decreased by 14.3% yoy to 758.8 billion TRY.

In May, CPI rose by 1.71% mom, while annual CPI inflation rose to 32.61%. The D-PPI inflation rate stood at 2.75% mom and 28.93% yoy.

In its second Inflation Report of the year, the CBRT suspended its communication of the forecast range and raised its intermediate targets for 2026 and 2027 to 24% and 15%, respectively.

BIST-100 index underperformed emerging market stock exchanges in May, declining by 5.4%.

## Economic Growth

### Turkish economy grew by 2.5% yoy in the first quarter.

According to the chain linked volume index, the Turkish economy grew by 2.5% yoy (2.6% calender adjusted) in the first quarter of 2026, close to market expectations of 2.7%. According to seasonally and calendar adjusted data, the Turkish economy lost momentum in the first quarter, recording a limited growth of 0.1% on a quarterly basis. Quarterly growth had been 0.4% in the fourth quarter of 2025.

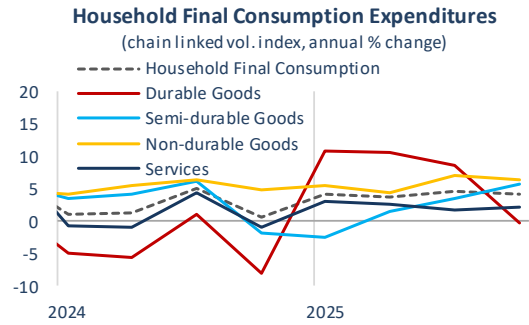
As of the first quarter of 2026, the annualized GDP of the Turkish economy reached 67.5 trillion TRY at current prices and approximately 1.6 billion USD.

Contributions to Growth	(% points)					
	2025					2026
	Q1	Q2	Q3	Q4	Annual	Q1
<b>Consumption</b>	<b>1.5</b>	<b>3.1</b>	<b>3.2</b>	<b>3.5</b>	<b>2.9</b>	<b>3.7</b>
Private	1.3	3.1	2.8	3.7	2.8	3.4
Public	0.3	0.0	0.3	-0.1	0.1	0.3
<b>Investment</b>	<b>0.5</b>	<b>2.3</b>	<b>2.8</b>	<b>1.4</b>	<b>1.8</b>	<b>0.8</b>
<b>Stock Change</b>	<b>0.9</b>	<b>0.6</b>	<b>-1.1</b>	<b>-0.2</b>	<b>0.0</b>	<b>0.5</b>
<b>Net Exports</b>	<b>-0.5</b>	<b>-1.3</b>	<b>-1.0</b>	<b>-1.4</b>	<b>-1.1</b>	<b>-2.5</b>
Exports	0.1	0.4	-0.2	-0.5	-0.1	-2.9
Imports	-0.5	-1.8	-0.8	-0.9	-1.0	0.4
<b>GDP (yoy, %)</b>	<b>2.5</b>	<b>4.7</b>	<b>3.8</b>	<b>3.4</b>	<b>3.6</b>	<b>2.5</b>

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

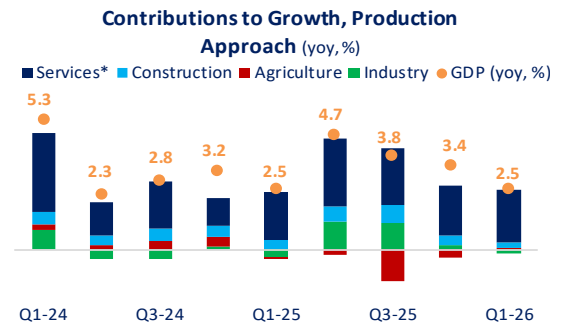
### The decline in net exports deepened.

According to the chain linked volume index, private consumption expenditures, which increased by 4.8% yoy in the first quarter, contributed 3.4 percentage points to growth, while public expenditures contributed 0.3 percentage points. Thus, the contribution of total consumption expenditures to growth reached its highest level since the first quarter of 2024. Analysis of household consumption expenditures revealed that spending on durable goods contracted by 0.2% yoy, while the annual increase in demand was primarily driven by spending on non-durable and semi-durable goods. Additionally, investment expenditures continued to make positive contribution to growth with 0.8 percentage points in the first quarter. On the other hand, despite a 2% decline in imports of goods and services during the same period, the 12.7% annual decline in exports caused the limiting effect of net exports on growth to rise to 2.5 percentage points -the highest level since the third quarter of 2023. In the first quarter, the contribution of inventory changes to growth was 0.5 percentage points.



### Sectors except for industry made positive contributions to growth.

According to production approach, contracting by 0.8% yoy in the first quarter (contribution to growth: -0.2 percentage points) due to the 1.4% decline in manufacturing output, the industrial sector was the only sector limiting growth. During this period, the services sector grew by 3.5%. The construction sector, losing momentum compared to previous quarters, grew by 3.2% in the first quarter and contributed 0.2 percentage points to growth, marking its lowest contribution since the first quarter of 2023. The agriculture sector, which contracted by 8.8% in 2025 due to the effects of frost and drought, grew by 4.6% in the first quarter, making a positive contribution of 0.1 percentage points to growth for the first time since the fourth quarter of 2024.



### Expectations...

In the first quarter of 2026, household consumption expenditures continued its strong growth and the contraction in net exports deepened. While industrial production declined on an annual basis during this period, all other sectors supported the growth. For the remainder of the year, the growth outlook will continue to be influenced by the effects of geopolitical developments on domestic and external demand, as well as the trajectory of domestic monetary policy. On the other hand, as indicated by the crop production estimates released by the TurkStat, we expect the agricultural sector's positive contribution to growth to increase in the coming months.

Source: CBRT, Datastream, ICI, TURKSTAT

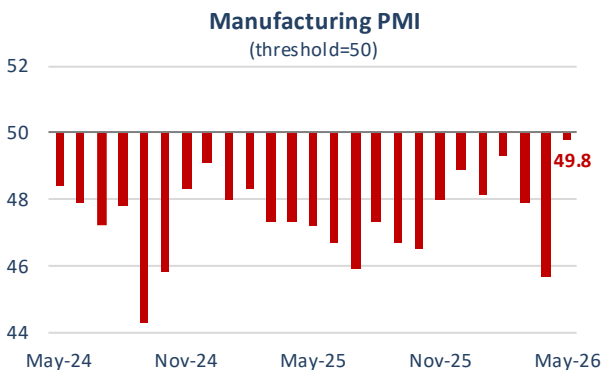
## Leading Indicators

### Sectoral divergence in industrial production continued.

While the industrial production index pointed to a 0.3% yoy contraction in the first quarter of 2026, a closer look at the data revealed that production continued to diverge across product groups, technology intensity, and sectors. During this period, when durable consumer goods production declined by 10% yoy, production in labor-intensive sectors such as textiles, wearing apparel, and leather goods continued to decline on an annual basis. On the other hand, significant production increases were noted in high technology sectors such as the manufacture of computers, electronic, and optical products (23.4%) and the manufacture of pharmaceutical products (17.1%).

### ICI Manufacturing PMI rose to 49.8 in May.

Türkiye Manufacturing PMI, published by the Istanbul Chamber of Industry (ICI), rose from 45.7 in April to 49.8 in May, reaching its highest level since March 2024. Thus, the index -which had remained below the 50-point threshold for 26 consecutive months- signaled a marked recovery in sector's activity as it approached the threshold. In May, the production sub-index pointed to growth, while new export orders grew for the first time in 20 months. However, the report noted that part of the increase observed in production and purchasing activities during this period stemmed from companies' efforts to build stocks in response to price hikes and supply chain issues caused by tensions in the Middle East. It also highlighted that geopolitical uncertainties were contributing to continued rises in input costs and longer delivery times. According to the index's sub-components, the decline in employment continued, albeit at a slower pace, reaching its 18th consecutive month in May. When examined by sector, the apparel and leather sector remained the only sector to maintain a PMI reading above the threshold in May (51.2), following April, while the lowest PMI reading was recorded in the textile sector (44.8).



### Unemployment rate rose slightly in April.

According to seasonally adjusted data, the labor force decreased by 361K people and employment by 356K people in April. As a result, the labor force participation rate stood at 52.4%, the lowest level in the past 50 months, while the employment rate was 48.1%, the lowest level in the past 34 months. During this period, the unemployment rate rose slightly by 0.1 percentage points to 8.2%. The unemployment rate remained flat at 6.8% among men, while it rose by 0.3 percentage points to 11% among women. Among the young population aged between 15–24, employment fell by 24K people while the labor force decreased by 75K. Thus, the unemployment rate fell from 15.3% to 14.5%. The labor underutilization rate, the broadest measure of unemployment, remained high at 30.1% in April.

### House sales rose by 2.6% yoy in April.

While house sales remained relatively flat in the first quarter of the year, declining by 0.3% compared to the same period of last year, and commercial property sales contracted by 8.3%, both categories recorded annual increases of 2.6% and 10.2%, respectively, in April. In addition to the rapid increases in mortgaged house sales (40.5%) and commercial property sales (102.1%) during this period, the 9.6% yoy rise in new house sales stood out.

In April, the housing price index rose by 1.77% mom, which was lower than the previous month's increase (1.91%) and the monthly CPI inflation rate (4.18%). Consequently, the index rose by 26.6% on a nominal annual basis, but continued to decline by 4.3% yoy in real terms.

### Confidence indices presented a mixed picture in May.

In May, the consumer confidence index rose by a modest 0.3% mom to 85.8. While assessments of households' current financial situation deteriorated during this period, expectations of financial and economic conditions over the next 12 months improved. During the same period, the real sector confidence index also rose by 2.4 points mom to 101. Thus, the index reached its highest level in the past three months, with improvements observed in all sub-indices except for the current period's finished goods inventory. In May, sectoral confidence indices declined by 1.7% in the construction sector and 0.6% in the services sector, while increasing by 0.8% in the retail trade sector. Consequently, although the economic confidence index rose by 0.8% in May following two consecutive months of decline, it remained below the threshold value at 97.2.

Source: CBRT, Datastream, ICI, TURKSTAT

## Foreign Trade and Balance of Payments

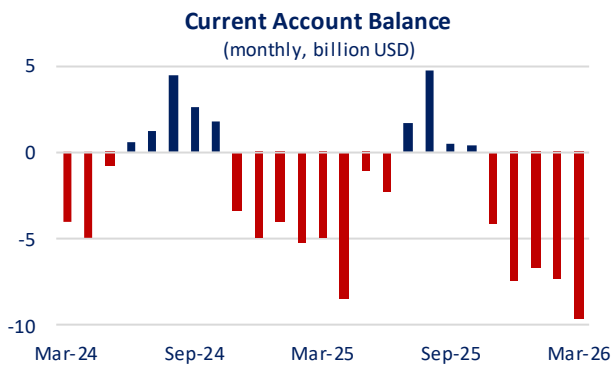
### The current account deficit was 9.7 billion USD in March.

In March, the current account deficit reached its highest level since January 2023 at 9.7 billion USD. During this period, the rapid expansion of the balance of payments defined trade deficit, caused the current account deficit to nearly double on an annual basis. Thus, the current account deficit, which stood at 23.7 billion USD in the first quarter of the year, rose to 39.7 billion USD as of March, according to 12-month cumulative data.

### The trade deficit increased by 96.1% yoy.

In March, when exports fell by 7.4% yoy while imports rose by 10.4%, the trade deficit widened by 96.1% yoy and reached 9.5 billion USD. During the same period, net service revenues decreased by 3.4% yoy to 2.6 billion USD, while the primary income account posted a deficit of 2.5 billion USD.

In March, net non-monetary gold imports amounted to 1.6 billion USD, and net energy imports were 4.2 billion USD. Excluding net gold and energy trade, the current account balance recorded a deficit of 3.9 billion USD, marking its highest deficit since March 2011.



### Capital outflows in net direct investment continued.

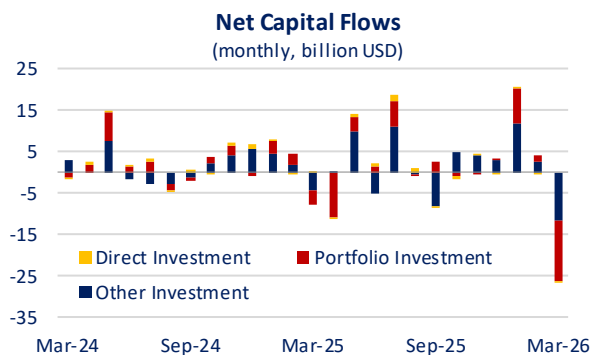
The capital outflow in net direct investment in February (84 million USD) continued in March with 212 million USD. During this period, net liabilities amounted to 1.0 billion USD, while domestic residents' net asset acquisitions abroad reached 1.2 billion USD, the highest level since August 2021. While non-residents made 711 million USD capital investments in Türkiye, residents made 1.2 billion USD capital investments abroad. In March, net real estate purchases by non-residents within Türkiye and by residents from abroad were recorded at 243 million USD and 187 million USD, respectively.

### Rapid capital outflow from portfolio investments...

Following a total net capital inflow of 10.2 billion USD in the first two months of the year, portfolio investments recorded a rapid capital outflow of 14.8 billion USD in March as geopolitical developments negatively impacted global risk appetite. During this period, domestic residents' net acquisition of foreign assets reached 3.4 billion USD, the highest level in the data set. In March, a total outflow of 7.3 billion USD was recorded in the debt securities market, parallel to the 7.6 billion USD outflow from general government debt securities. While there was a limited outflow of 817 million USD from non-banking sector debt securities, a limited inflow of 865 million USD was observed into banking sector debt securities. This month, the CBRT began reporting liabilities arising from investment fund shares held by non-residents, along with equity shares, under a separate subheading. Accordingly, a capital outflow of 1.1 billion USD from equity shares and 3.1 billion USD from investment fund shares was recorded in March.

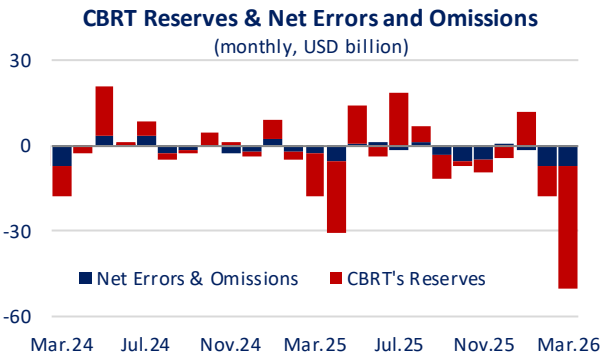
### The highest outflow from other investments since August 2018...

Following a total net capital inflow of 14.5 billion USD in January and February, other investments recorded a net capital outflow of 11.7 billion USD in March, the highest since August 2018. In March, non-residents reduced their holdings of domestic cash and deposits by 6.5 billion USD, while residents increased their holdings of foreign cash and deposits by 10.6 billion USD, reaching a historic high. During this period, non-banking sectors utilized 1.2 billion USD net credit from abroad, while banks utilized 1 billion USD. According to 12-month cumulative data, the long-term debt rollover ratio stood at 151.5% in the banking sector and 213.6% in other sectors.



Source: Datastream, Turkstat, CBRT

## Foreign Trade and Balance of Payments



### Reserves and net errors&omissions...

In March, reserve assets recorded their largest-ever monthly decline of 43.4 billion USD. During this period, capital outflows via the net errors and omissions item continued at 7.0 billion USD.

### Expectations...

In March, as geopolitical tensions escalated rapidly, the current account balance recorded a deficit of 9.7 billion USD, the highest in over three years. On the other hand, according to preliminary foreign trade data from the Ministry of Trade, exports rose sharply by 22.3% yoy in April, partly driven by front-loaded demand, while the increase in imports remained limited at 3.1%. Thus, the trade deficit remained high at 8.5 billion USD, although declining by approximately 30% yoy. Despite the peace talks that began between the U.S. and Iran in April, the lack of a consensus is causing oil prices to remain elevated. In this environment, the effects of geopolitical developments on energy prices, global economic activity, and tourism will continue to be closely monitored.

### Balance of Payments

(million USD)

	Mar. 2026	Jan. - Mar. 2025	Jan. - Mar. 2026	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-9,672</b>	<b>-14,141</b>	<b>-23,696</b>	<b>67.6</b>	<b>-39,724</b>
Foreign Trade Balance	-9,515	-15,865	-23,905	50.7	-77,845
Services Balance	2,592	7,992	7,578	-5.2	63,084
Travel (net)	2,246	6,477	7,159	10.5	51,710
Primary Income	-2,503	-6,113	-6,611	8.1	-23,818
Secondary Income	-246	-155	-758	389.0	-1,145
<b>Capital Account</b>	<b>-11</b>	<b>20</b>	<b>-74</b>	<b>-</b>	<b>-235</b>
<b>Financial Account</b>	<b>-16,679</b>	<b>-16,398</b>	<b>-39,936</b>	<b>143.5</b>	<b>-73,235</b>
Direct Investment (net)	212	-748	274	-	-2,103
Portfolio Investment (net)	14,800	-2,135	4,648	-	3,303
Net Acquisition of Financial Assets	3,351	1,215	6,348	422.5	19,181
Net Incurrence of Liabilities	-11,449	3,350	1,700	-49.3	15,878
Equity Securities	-4,173	330	-798	-	6,172
Debt Securities	-7,276	3,020	2,498	-17.3	9,706
Other Investment (net)	11,729	-1,920	-2,804	46.0	-21,949
Currency and Deposits	17,128	9,095	14,520	59.6	19,715
Net Acquisition of Financial Assets	10,648	7,013	11,461	63.4	16,294
Net Incurrence of Liabilities	-6,480	-2,082	-3,059	46.9	-3,421
Central Bank	124	-5,103	-1,335	-73.8	-8,040
Banks	-6,604	3,021	-1,724	-	4,619
Foreign Banks	-6,915	2,833	-2,729	-	3,624
Foreign Exchange	-2,784	1,242	-3,097	-	-943
Turkish Lira	-4,131	1,591	368	-76.9	4,567
Non-residents	311	188	1,005	434.6	995
Loans	-4,256	-12,588	-13,778	9.5	-38,611
Net Acquisition of Financial Assets	-2,062	626	-6,635	-	-4,538
Net Incurrence of Liabilities	2,194	13,214	7,143	-45.9	34,073
Banking Sector	1,026	8,810	2,641	-70.0	8,433
Non-bank Sectors	1,190	4,435	4,367	-1.5	23,459
Trade Credit and Advances	-1,140	1,581	-3,543	-	-3,028
Other Assets and Liabilities	-3	-8	-3	-62.5	-25
Reserve Assets (net)	-43,420	-11,595	-42,054	262.7	-52,486
<b>Net Errors and Omissions</b>	<b>-6,996</b>	<b>-2,277</b>	<b>-16,166</b>	<b>610.0</b>	<b>-33,276</b>

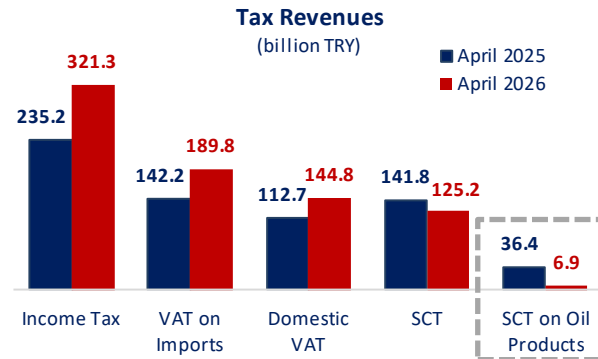
Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

## Budget Balance

### Central government budget deficit was 338.7 billion TRY in April.

In April, central government budget expenditures rose by 34.7% yoy to 1.5 trillion TRY, while budget revenues increased more moderately by 23.9% yoy to 1.2 trillion TRY. Thus, the central government budget deficit nearly doubled on an annual basis reaching 338.7 billion TRY in April. In this period, Treasury cash flows indicated a deficit of 251.2 billion TRY. Meanwhile, the primary budget balance, which had recorded a surplus in the first three months of the year, posted a deficit of 81.1 billion TRY in April.

The budget deficit, which amounted to 758.8 billion TRY in the January-April period, declined by 14.3% yoy. The primary budget balance, which posted a deficit of 160.9 billion TRY in the first four months of 2025, recorded a surplus of 374.9 billion TRY in the same period of this year.



#### The sliding-scale system limited the increase in tax revenues.

In April, tax revenues, which accounted for 85.3% of central government budget revenues, increased by 28.5% yoy (March: 63.9%), below the annual inflation, and became 1.0 trillion TRY. Due to the delayed collection structure of special consumption tax (SCT) on oil products, the impact of the sliding-scale system introduced on March 5 became evident in April. During this period, SCT revenues from petroleum and natural gas products declined by 81.2% yoy to 6.9 billion TRY. Meanwhile, SCT revenues from tobacco products decreased by 4.0% yoy, while the increase in SCT revenues from motor vehicles was limited to 9.5%. On the other hand, income tax rose by 36.6% yoy to 321.3 billion TRY in April, while corporate tax increased by 12.4% to 33.4 billion TRY. During this period, annual increases in value added tax (VAT) on domestic sales and imports were 28.5% and 33.5%, respectively.

#### Central Government Budget

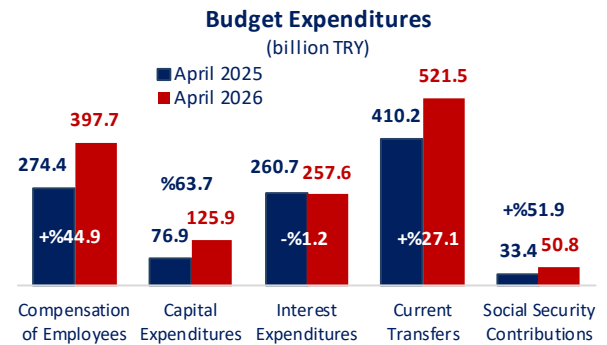
	April			January-April			2026 Budget Target	Real/ Budget Target (%)
	2025	2026	% Change	2025	2026	% Change		
<b>Expenditures</b>	<b>1,132.1</b>	<b>1,524.9</b>	<b>34.7</b>	<b>4,249.7</b>	<b>5,950.3</b>	<b>40.0</b>	<b>18,978.8</b>	<b>31.4</b>
Interest Expenditures	260.7	257.6	-1.2	724.6	1,133.7	56.5	2,741.7	41.4
Non-Interest Expenditures	871.5	1,267.3	45.4	3,525.1	4,816.6	36.6	16,237.2	29.7
<b>Revenues</b>	<b>957.4</b>	<b>1,186.2</b>	<b>23.9</b>	<b>3,364.2</b>	<b>5,191.5</b>	<b>54.3</b>	<b>16,266.1</b>	<b>31.9</b>
Tax Revenues	787.4	1,012.2	28.5	2,810.1	4,372.6	55.6	13,833.1	31.6
Other Revenues	170.0	174.0	2.3	554.1	819.0	47.8	2,433.0	33.7
<b>Budget Balance</b>	<b>-174.7</b>	<b>-338.7</b>	<b>93.9</b>	<b>-885.5</b>	<b>-758.8</b>	<b>-14.3</b>	<b>-2,712.7</b>	<b>28.0</b>
<b>Primary Balance</b>	<b>85.9</b>	<b>-81.1</b>	<b>-</b>	<b>-160.9</b>	<b>374.9</b>	<b>-</b>	<b>29.0</b>	<b>-</b>

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

Source: Datastream , Ministry of Treasury and Finance

### Interest expenses declined yoy in April.

In April, interest expenses fell by 1.2% yoy, marking the first decline in four months. Consequently, the share of interest expenses in total budget expenditures, which stood at 23% in April 2025, declined to 17% in the same month this year. In this period, non-interest expenditures rose by 45.4% yoy to 1.3 trillion TRY. Current transfers, which accounted for 41% of non-interest expenditures, increased by 27.1% yoy, while the three categories comprising 22% of total expenditures, Social Security Institution state premium expenditures, goods and services procurement expenditures, and capital expenditures rose by 51.9%, 60.9%, and 63.7%, respectively, exceeding inflation and putting pressure on the budget. When examined by growth rate, the highest annual increases in expenditures were in capital transfers and lending, at 750% and 396%, respectively. In April, 24.7 billion TRY was transferred to public enterprises and 91.2 billion TRY to social security institutions under current transfers.



#### Expectations...

In April, the budget deficit widened on an annual basis, partly due to the impact of the sliding-scale system on tax revenues. On the other hand, as interest expenses slowed down during this period, the cumulative budget deficit remains below the level recorded in the same period last year. As of the first four months of the year, the budget deficit accounted for 28% of the target for the full year 2026. The continued pressure on tax revenues from the sliding-scale system due to high oil prices, along with potential pressures on economic activity in the coming period, remain the most significant risk factors for the central government budget outlook.

## Inflation

### Monthly CPI inflation stood at 1.71% in May.

In May, the CPI rose by 1.71% on a monthly basis, exceeding market expectations (1.63%). During this period, annual CPI inflation also rose to 32.61%.

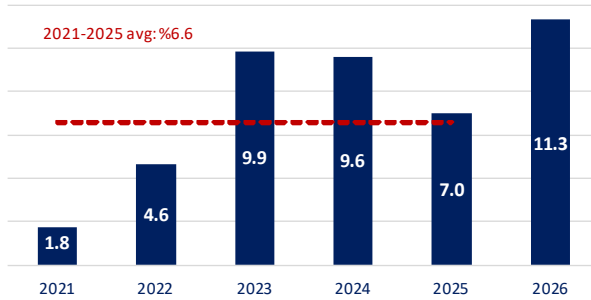
In May, the monthly increase in the D-PPI was relatively high at 2.75%. Consequently, annual D-PPI inflation reached 28.93%, extending the upward trend into the fifth consecutive month.

May	CPI		D-PPI	
(change %)	2025	2026	2025	2026
Monthly	1.53	1.71	2.48	2.75
Year-to-Date	15.09	16.61	12.92	14.04
Annual	35.41	32.61	23.13	28.93
Annual Average	45.80	32.24	30.17	26.96

### Seasonal factors were the key driver behind the rise in the CPI.

In May, the clothing and footwear category, where prices rose by 11.29% on a monthly basis due to the new season, was the subcategory that contributed the most to the main index, adding 0.75 pps. In addition to the lagged effects of high global energy prices, the increases in airfare and bus ticket prices recorded in May, driven by the Republic Day and Eid holidays, led to a 2.03% rise in transportation group prices, lifting the main index by 0.35 pps. During this period, the monthly increase in housing group prices also reached 2.28%, contributing 0.27 pps to inflation.

**Clothing and Footwear May Inflation**  
(mom, %)



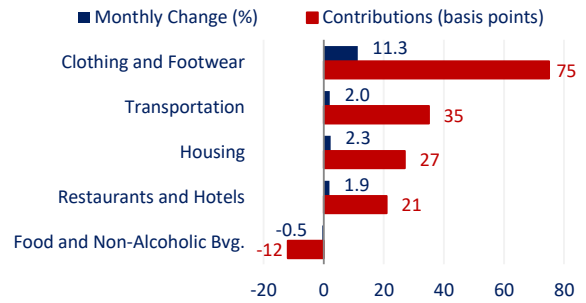
While the impact of other sub-indices remained relatively limited in May, a positive development was the 0.48% monthly decline in prices within the food and non-alcoholic beverages group, which reduced the main index by 0.12 pps. The 9.34% decline in fresh fruit and vegetable prices was the key factor behind the drop in the food and non-alcoholic beverages index.

Another notable positive development in May was that energy prices recorded their sharpest monthly decline since May 2023, falling by 0.17%. In particular, the drop in diesel prices limited the rise in the CPI by 0.11 pps during this period. On the other hand, the decline in both energy and food prices in May caused the monthly increases in the B (2.87%) and C (2.92%) core indices—which exclude energy and food groups—to diverge significantly from headline inflation. The fact that the A index, which excludes seasonal products, rose by 1.63% monthly, below headline inflation, confirmed the impact of price

developments in seasonal products, particularly in the clothing and footwear group, on inflation.

Service prices, which have shown high inertia during the disinflation process, rose by 2.30% on a monthly basis in May; although this increase marked a slowdown compared to the previous month, the increase remained above the level recorded in May of the previous year. On the other hand, the continued deceleration in rent prices, which rose by 2.15% during this period, was noted as another positive development.

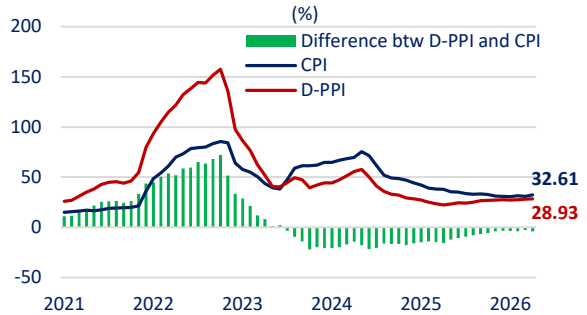
### Contributions of Major Expenditure Groups



### The rise in annual producer price inflation continues.

In May, the “electricity, gas production, and distribution” category was the subcategory that contributed the most (0.85 pps) to the PPI, with a monthly increase of 12.04%. During this period, the 1.55% increase in food products also contributed 0.31 pps to monthly inflation, supporting the acceleration of producer prices. Crude and refined petroleum products, which recorded a record increase in April, fell by 1.82% on a monthly basis in May, becoming the main category limiting the core index.

### Annual Inflation



### Expectations...

In the first five months of 2026, when the disinflation process stalled, annual inflation exhibited a more resilient rigidity than expected. In June, price developments in basic expenditure groups such as food and clothing are expected to present a positive picture for the inflation outlook. However, it is observed that the delayed effects of high energy prices on inflation and the increasing global inflationary pressures have negatively impacted domestic inflation expectations. In this context, it is expected that the course of energy prices and the effectiveness of the measures taken in the fight against inflation will continue to be decisive in the course of inflation in the upcoming period.

Source: Datastream, Turkstat

## Financial Markets

	30/Apr	29/May	Change
5-Y CDS (basis point)	249	241	-9 bp ▲
2-Y Benchmark Bond Yield (%)*	41.22%	43.74%	252 bp ▲
BIST-100**	14,443	13,663	-5.4% ▼
USD/TRY	45.1825	45.7418	-1.2% ▲
EUR/TRY	52.9628	53.4573	-0.9% ▼
Currency Basket***	49.0727	49.5996	-1.1% ▲

(\*) (25 May's closing), (\*\*) (26 May's closing)

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

### Sectoral inflation expectations presented a mixed picture in May

According to data published by the CBRT, market participants' 12-month-ahead annual inflation expectations rose by 0.43 percentage points to 23.82% in May. On the other hand, inflation expectations for the same period decreased by 2.05 percentage points to 49.51% among households and by 0.60 percentage points to 33.10% in the real sector. Thus, while inflation expectations among market participants extended their upward trend into a third month, reaching their highest level in the past 11 months in May, they declined after two consecutive months of increases among households and in the real sector.

### CBRT released its second Inflation Report of the year.

In its second Inflation Report of the year, published on May 14, the CBRT suspended its communication of the inflation forecast range due to high volatility stemming from geopolitical developments and external shocks since March, and instead shared the point estimates under the baseline scenario. In this context, the CBRT raised its interim targets for 2026, 2027, and 2028 from 16%, 9%, and 8%, respectively, to 24%, 15%, and 9%. The Bank announced its inflation forecast for the end of 2026 at 26%, which is 2 percentage points above the interim target. While the report highlighted upward risks to the inflation outlook, the annual average oil price assumption for 2026 was raised from 60.9 USD in the previous report to 89.4 USD, and the annual inflation forecast for food prices was also increased from 19% to 26.3%. The CBRT's messages that the tight monetary stance would be maintained and that all options remain on the table for use when necessary supported expectations that the fight against inflation would be pursued with determination. Meanwhile, in its May 23 announcement, the CBRT stated that it had made changes to the reserve requirement system to support the tight monetary stance and strengthen macrofinancial stability, taking into account developments in credit growth. Under the new regulation, the eight-week growth limit for consumer and vehicle loans extended to consumers was reduced from 4% to 3%,

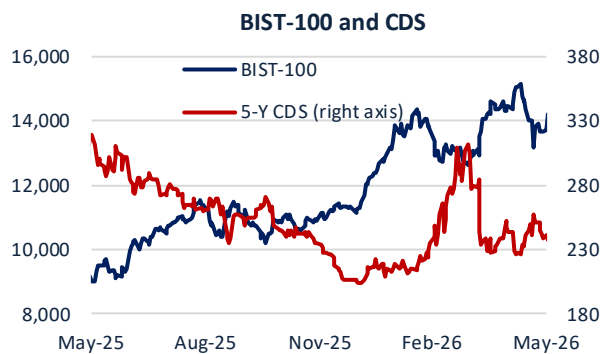
and the limit for credit deposit accounts was lowered from 2% to 1%. The growth limit for TL loans extended to SMEs was reduced by 0.5 percentage points to 4.5%, while the limit for loans extended to other businesses was lowered by 1 percentage point to 2%. Changes were also made to the scope of loans exempt from the foreign currency loan growth policy.

### BIST-100 index fell by 5.4% in May.

While the BIST-100 index rose in the first week of May in line with the optimism observed in global markets, it generally showed a bearish trend in the following weeks. Increased domestic volatility in the third week of May also put selling pressure on the index. Consequently, the BIST-100 index underperformed the MSCI Emerging Markets Index in May, closing the month at 13,663 after a 5.4% monthly decline. Meanwhile, Türkiye's 5-year CDS spread decreased by 8.6 basis points during this period, falling to 241 basis points. In May, the USD/TRY and EUR/TRY exchange rates rose by 1.2% and 0.9%, respectively, while the yield on the 2-year government bond increased by 252 basis points to 43.74%, and the yield on the 10-year government bond rose by 176 basis points to 35.65% by the end of the month.

### CBRT's gross reserves declined in May.

As of April 24, the CBRT's total gross reserves rose by 15.7 billion USD compared to the end of March to 171.1 billion USD, while its net reserves increased by 19.1 billion USD to 54.2 billion USD. 110.1 billion USD of the CBRT's total gross reserves consisted of gold, while 61 billion USD consisted of foreign exchange reserves. Meanwhile, according to data adjusted for price and exchange rate movements, as of April 24, the equities portfolio of non-residents increased by a net 1.1 billion USD compared to the end of March, while the government securities portfolio (based on the total of outright purchases, reverse repos, collateral, and loans) increased by a net 231 million USD.

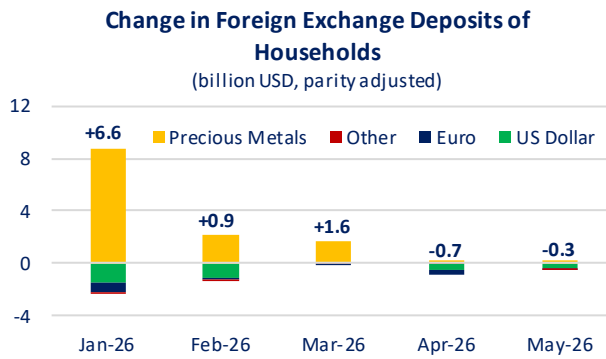


Source: CBRT, Datastream, Reuters

## Banking Sector

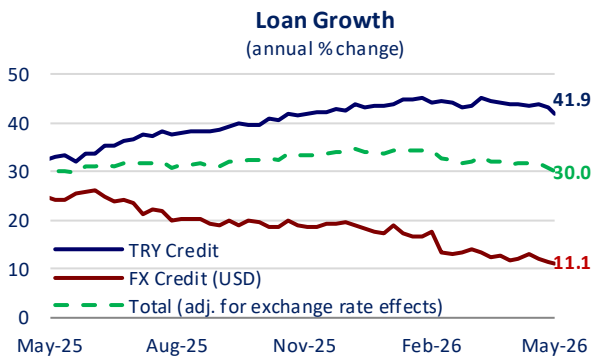
### The volume of USD deposits remained flat in May.

According to data from the BRSA's Weekly Bulletin, in the week ending May 26, the volume of TL deposits increased by 1.1% mom and 31.0% yoy, reaching 17.8 trillion TRY. During this period, foreign currency deposits in USD basis displayed a limited increase of 0.3% on a monthly basis, while rising 18.3% yoy, driven in part by higher gold prices, to reach 259.2 billion USD. In May, the volume of foreign currency deposits in USD basis decreased by 0.5% mom (24.3% increase yoy) for individuals, while it increased by 2.2% (6.8% increase yoy) for commercial accounts. In this context, the total deposit volume in May rose by 1.3% compared to the end of April and by 33.8% yoy, reaching 29.6 trillion TRY. According to data adjusted for exchange rate effects, the annual increase in total deposits was 26.1%, while the ratio of TL deposits to total deposits stood at 60.1%.



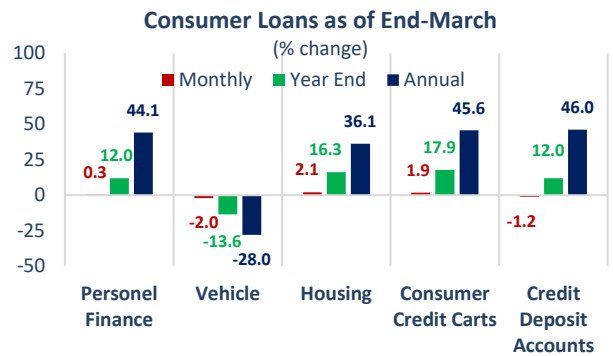
### The growth in TL loans lost momentum in May

Increasing by 1.5% mom (April: 4.4%) and 41.9% yoy (April: 44.0%), the volume of TL loans marked a slowdown compared to previous months and stood at 16.5 trillion TRY as of May 26. During this period, the volume of foreign currency loans in USD basis, which showed no change on a monthly basis, increased by 11.1% yoy to reach 207.5 billion USD. Consequently, the total credit volume expanded by 1.5% mom and 37.2% yoy, and became 25.9 trillion TRY. Adjusted for exchange rate effects, the annual increase in the total credit volume stood at 30.0% as of May 26.



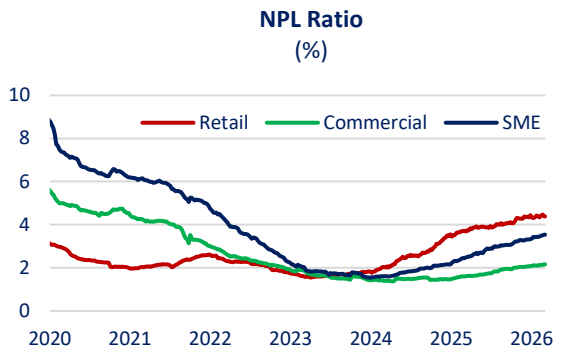
### Consumer loans...

As of May 26, the volume of consumer loans expanded by 1.3% mom and 42.8% yoy. During this period, the increase in consumer credit card balances -which accounted for nearly half (49.5%) of consumer loans- stood at 1.9% mom and 45.6% yoy. During the same period, while consumer loans, which had a limited increase of 0.3% mom, grew by 44.1% yoy, mortgage loans expanded by 2.1% mom and 36.1% yoy. On the other hand, in May, vehicle loans contracted by 2% mom, and the balance in overdraft accounts decreased by 1.2% mom. Consequently, the annual contraction in vehicle loans continued at 28%, while the annual increase in the overdraft account balance was recorded at 46%.



### NPL ratio rose to 2.72%.

As the balance of non performing loans (NPL) in the sector increased by 20 billion TRY on a monthly basis, the NPL ratio rose to 2.72% by the end of May. While this ratio remained relatively low at 2.16% for commercial loans, it stood at 3.54% for the SME segment and 4.38% for consumer loans.



### Net foreign currency position...

As of May 26, the banking sector's on-balance-sheet foreign currency position stood at (-) 47.325 billion USD, while its off-balance-sheet foreign currency position was (+) 48.829 billion USD. Consequently, the sector's net foreign currency position was recorded at (+) 1.504 billion USD.

Source: BRSA Weekly Bulletin

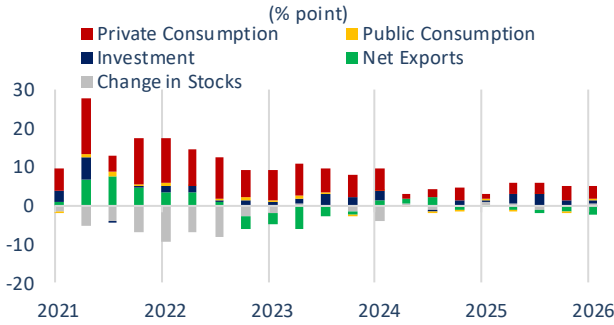
## Concluding Remarks

In May, as negotiations between the US and Iran continued, uncertainties surrounding the ceasefire remained a key issue on the agenda. Tensions in the Middle East were also a major topic of discussion at the long-awaited Trump-Xi meeting on May 14-15, where the two leaders reportedly agreed on keeping the Strait of Hormuz open and preventing Iran from acquiring nuclear weapons. Oil prices fluctuated throughout May, and the continued high levels of energy and commodity prices led the production costs and consumer prices to rise rapidly in major economies. Indeed, the minutes of the latest meeting showed that Fed officials adopted a more cautious stance on inflation outlook. In June, the actions of global central banks in response to inflationary pressures will be closely watched. While European and Japanese central banks are expected to raise interest rates, no change in interest rates is anticipated at the Fed meeting on June 16-17, which will be chaired for the first time by newly sworn-in Kevin Warsh.

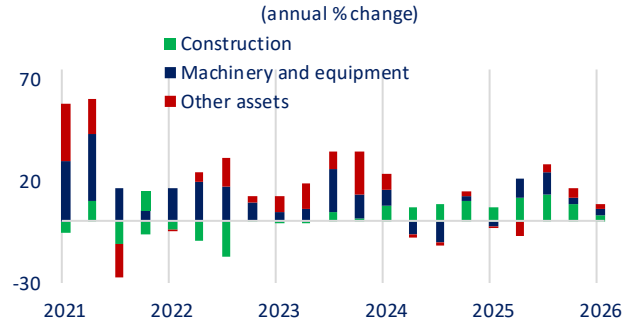
The Turkish economy, which grew by 2.5% yoy in the first quarter of 2026, recorded its slowest quarterly growth since the second quarter of 2024, according to seasonally and calendar adjusted data. During this period, the continued increase in the contribution of private consumption expenditures to growth indicates that domestic demand remained strong despite the tight monetary stance, while the contraction in industrial production was noteworthy. Leading indicators for the second quarter signal a recovery in manufacturing, it is assessed that part of this recovery stems from firms bringing forward their demand as a precaution against uncertainties. In the coming period, the effects of geopolitical and domestic developments on inflation, as well as the CBRT's meeting on June 11th, will be closely monitored.

Growth

Contributions to GDP Growth

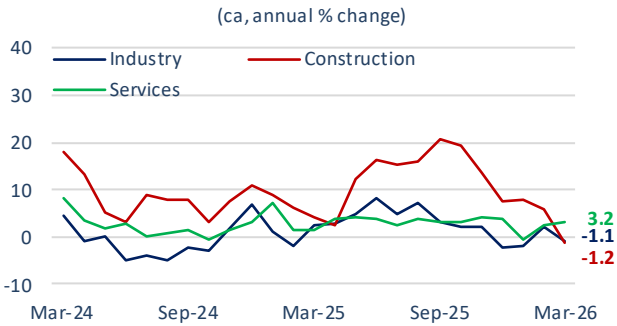


Gross Fixed Capital Formation

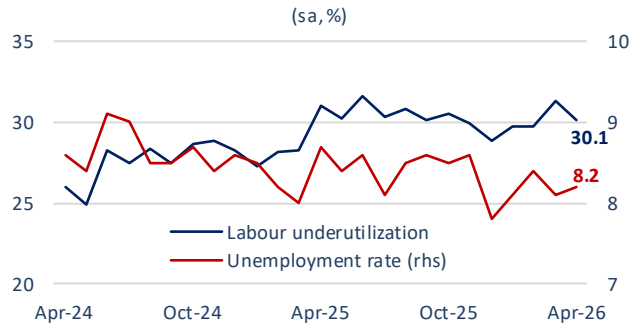


Leading Indicators

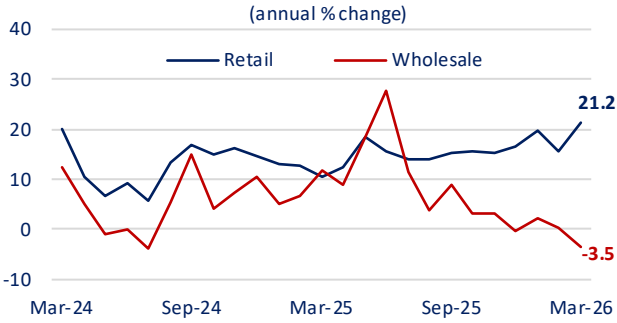
Production Indices



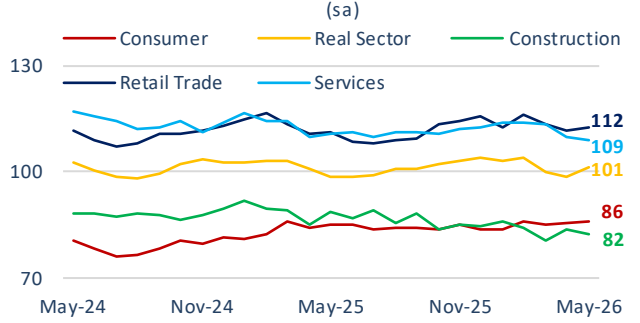
Labour Force Statistics



Sales Volume Indices

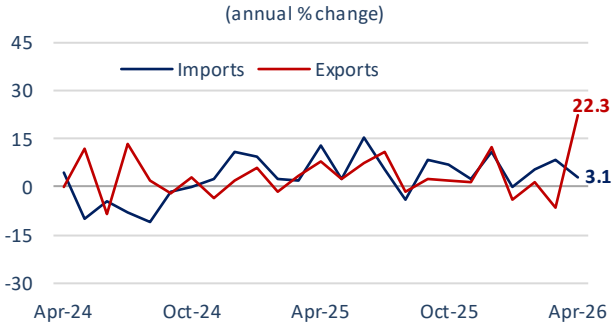


Confidence Indices

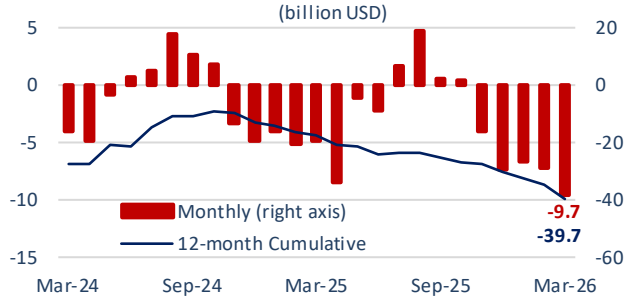


Foreign Trade and Current Account Balance

Foreign Trade



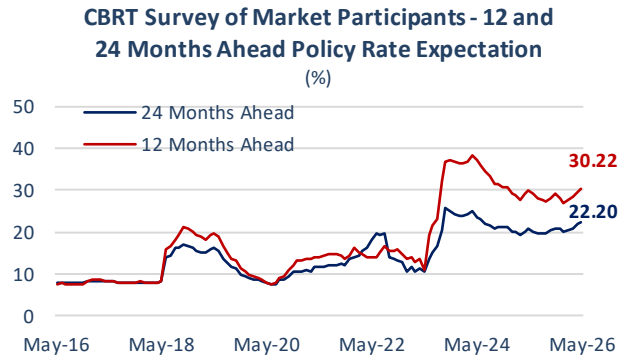
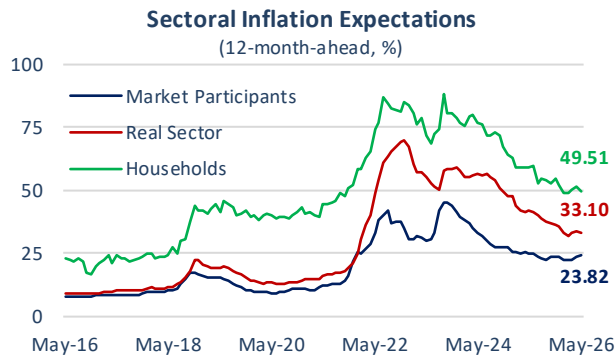
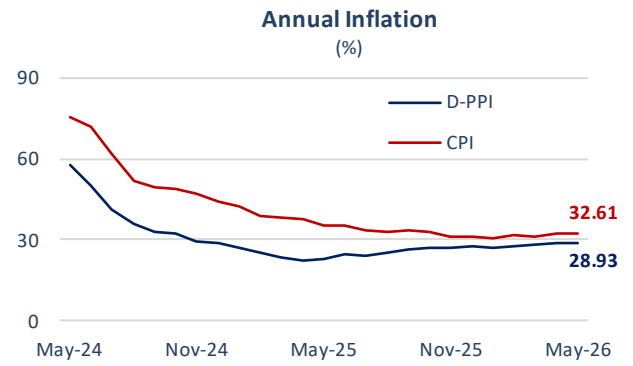
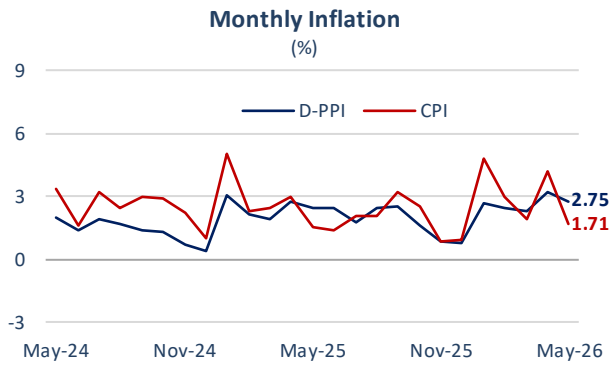
Current Account Balance



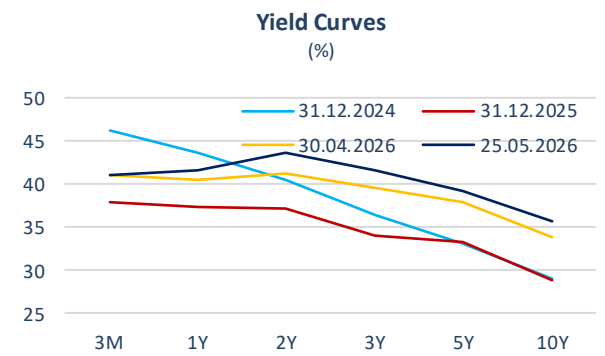
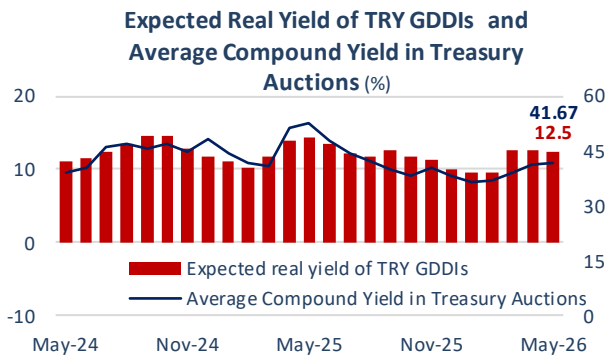
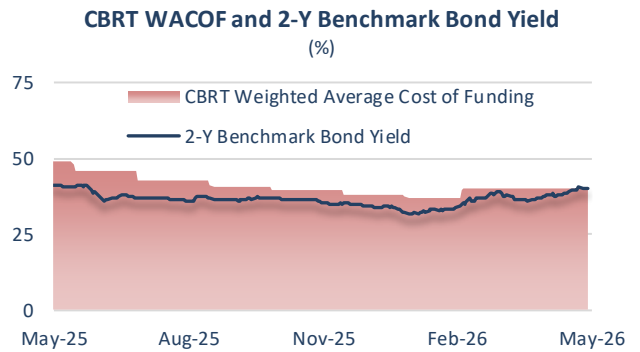
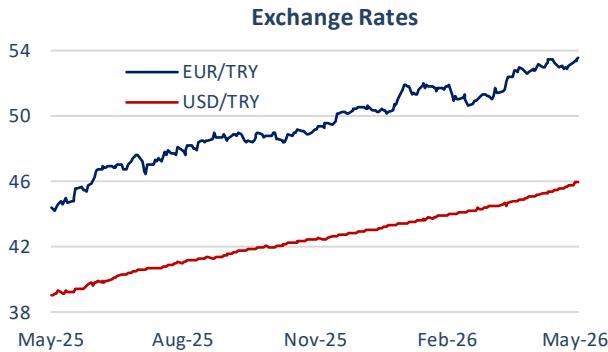
Source: Datastream, CBRT, Turkstat

## Macroeconomic Indicators

### Inflation



### Foreign Exchange and Bond Market



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

## Macroeconomic Indicators

<b>GROWTH</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Q3-25</b>	<b>Q4-25</b>	<b>Q1-26</b>
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
<b>INFLATION (%)</b>						<b>Mar-26</b>	<b>Apr-26</b>	<b>May-26</b>
CPI (annual)	36.08	64.27	64.77	44.38	30.89	30.87	32.37	32.61
Domestic PPI (annual)	79.89	97.72	44.22	28.52	27.67	28.08	28.59	28.93
<b>SEASONALLY ADJUSTED LABOR MARKET FIGURES</b>						<b>Feb-26</b>	<b>Mar-26</b>	<b>Apr-26</b>
Unemployment Rate (%)	11.0	10.4	8.9	8.6	7.8	8.4	8.1	8.2
Labor Force Participation Rate (%)	52.6	54.0	54.1	54.1	53.0	52.8	53.0	52.4
<b>FX RATES</b>						<b>Mar-26</b>	<b>Apr-26</b>	<b>May-26</b>
CPI Based Real Effective Exchange Rate	70.0	81.5	82.8	100.8	98.9	103.17	106.30	-
USD/TRY	13.28	18.72	29.53	35.36	42.96	44.48	45.18	45.89
EUR/TRY	15.10	19.98	32.62	36.62	50.46	51.25	53.00	53.55
Currency Basket (0.5*EUR+0.5*USD)	14.19	19.35	31.08	35.99	46.71	47.86	49.09	49.72
<b>FOREIGN TRADE BALANCE<sup>(1)</sup> (USD billion)</b>						<b>Feb-26</b>	<b>Mar-26</b>	<b>Apr-26</b>
Exports	225.2	254.2	255.6	261.8	273.3	272.7	271.2	275.8
Imports	271.4	363.7	362.0	344.0	365.4	367.0	369.5	370.5
<b>Foreign Trade Balance</b>	<b>-46.2</b>	<b>-109.5</b>	<b>-106.3</b>	<b>-82.2</b>	<b>-92.1</b>	<b>-94.3</b>	<b>-98.3</b>	<b>-94.7</b>
Import Coverage Ratio (%)	83.0	69.9	70.6	76.1	74.8	74.3	73.4	74.4
<b>BALANCE OF PAYMENTS<sup>(1)</sup> (USD billion)</b>						<b>Jan-26</b>	<b>Feb-26</b>	<b>Mar-26</b>
<b>Current Account Balance</b>	<b>-7.1</b>	<b>-46.7</b>	<b>-41.8</b>	<b>-13.0</b>	<b>-30.2</b>	<b>-32.9</b>	<b>-35.0</b>	<b>-39.7</b>
<b>Financial Account</b>	<b>3.4</b>	<b>-18.8</b>	<b>-51.9</b>	<b>-23.7</b>	<b>-49.7</b>	<b>-56.7</b>	<b>-64.1</b>	<b>-73.2</b>
Direct Investments (net)	-6.5	-9.8	-4.5	-5.1	-3.1	-2.6	-2.6	-2.1
Portfolio Investments (net)	7.6	17.9	-6.5	-13.9	-3.5	-9.4	-8.0	3.3
Other Investments (net)	-21.1	-39.2	-38.9	-5.4	-21.1	-28.3	-29.3	-21.9
Reserve Assets (net)	23.3	12.3	-2.0	0.6	-22.0	-16.5	-24.2	-52.5
<b>Net Errors and Omissions</b>	<b>10.5</b>	<b>27.9</b>	<b>-9.9</b>	<b>-10.6</b>	<b>-19.4</b>	<b>-23.7</b>	<b>-28.9</b>	<b>-33.3</b>
<b>Current Account Balance/GDP (%)</b>	<b>-0.9</b>	<b>-5.0</b>	<b>-3.6</b>	<b>-1.0</b>	<b>-1.9</b>	-	-	-
<b>BUDGET<sup>(2)(3)</sup> (TRY billion)</b>						<b>Feb-26</b>	<b>Mar-26</b>	<b>Apr-26</b>
<b>Expenditures</b>	<b>1,603.5</b>	<b>2,942.7</b>	<b>6,588.0</b>	<b>10,780.6</b>	<b>14,634.6</b>	<b>2,965.0</b>	<b>4,425.4</b>	<b>5,950.3</b>
Interest Expenditures	180.9	310.9	674.6	1,270.5	2,054.4	640.1	876.1	1,133.7
Non-interest Expenditures	1,422.7	2,631.8	5,913.4	9,510.2	12,580.2	2,324.9	3,549.4	4,816.6
<b>Revenues</b>	<b>1,402.0</b>	<b>2,800.1</b>	<b>5,207.6</b>	<b>8,672.8</b>	<b>12,835.5</b>	<b>2,774.8</b>	<b>4,005.4</b>	<b>5,191.5</b>
Tax Revenues	1,165.0	2,353.4	4,501.1	7,305.3	11,049.5	2,303.2	3,360.4	4,372.6
<b>Budget Balance</b>	<b>-201.5</b>	<b>-142.7</b>	<b>-1,380.4</b>	<b>-2,107.8</b>	<b>-1,799.1</b>	<b>-190.2</b>	<b>-420.0</b>	<b>-758.8</b>
<b>Primary Balance</b>	<b>-20.7</b>	<b>168.2</b>	<b>-705.8</b>	<b>-837.3</b>	<b>255.3</b>	<b>449.9</b>	<b>456.0</b>	<b>374.9</b>
<b>Budget Balance/GDP (%)</b>	<b>-2.7</b>	<b>-0.9</b>	<b>-5.1</b>	<b>-4.7</b>	<b>-2.9</b>	-	-	-
<b>CENTRAL GOVERNMENT DEBT STOCK (TRY billion)</b>						<b>Feb-26</b>	<b>Mar-26</b>	<b>Apr-26</b>
Domestic Debt Stock	1,321.2	1,905.3	3,209.3	4,959.9	8,152.8	8,663.9	8,671.3	8,845.9
External Debt Stock	1,426.6	2,130.1	3,527.4	4,297.5	5,509.3	5,732.2	5,784.7	5,919.4
<b>Total Debt Stock</b>	<b>2,747.8</b>	<b>4,035.5</b>	<b>6,736.6</b>	<b>9,257.4</b>	<b>13,662.1</b>	<b>14,396.1</b>	<b>14,456.0</b>	<b>14,765.3</b>

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

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

(TRY billion)	2021	2022	2023	2024	2025	Mar-26	Apr-26	Change <sup>(1)</sup>
<b>TOTAL ASSETS</b>	<b>9,215</b>	<b>14,347</b>	<b>23,553</b>	<b>32,668</b>	<b>46,947</b>	<b>49,735</b>	<b>50,410</b>	<b>7.4</b>
<b>Loans</b>	<b>4,901</b>	<b>7,581</b>	<b>11,677</b>	<b>16,052</b>	<b>23,128</b>	<b>24,907</b>	<b>25,564</b>	<b>10.5</b>
TRY Loans	2,832	5,110	7,894	10,145	14,560	15,841	16,233	11.5
Share (%)	57.8	67.4	67.6	63.2	63.0	63.6	63.5	-
FX Loans	2,069	2,471	3,783	5,907	8,568	9,066	9,330	8.9
Share (%)	42.2	32.6	32.4	36.8	37.0	36.4	36.5	-
Non-performing Loans	160.1	163.4	191.9	293.6	593.6	679.3	704.1	18.6
Non-performing Loan Rate (%)	3.2	2.1	1.6	1.8	2.5	2.7	2.7	-
<b>Securities</b>	<b>1,477</b>	<b>2,371</b>	<b>3,970</b>	<b>5,226</b>	<b>7,013</b>	<b>7,465</b>	<b>7,393</b>	<b>5.4</b>
<b>TOTAL LIABILITIES</b>	<b>9,215</b>	<b>14,347</b>	<b>23,553</b>	<b>32,668</b>	<b>46,947</b>	<b>49,735</b>	<b>50,410</b>	<b>7.4</b>
<b>Deposits</b>	<b>5,303</b>	<b>8,862</b>	<b>14,852</b>	<b>18,903</b>	<b>27,226</b>	<b>28,261</b>	<b>29,167</b>	<b>7.1</b>
TRY Deposits	1,880	4,779	8,897	12,307	16,587	16,716	17,568	5.9
Share (%)	35.5	53.9	59.9	65.1	60.9	59.1	60.2	-
FX Deposits	3,423	4,083	5,955	6,596	10,639	11,546	11,600	9.0
Share (%)	64.5	46.1	40.1	34.9	39.1	40.9	39.8	-
<b>Securities Issued</b>	<b>310</b>	<b>325</b>	<b>584</b>	<b>1,045</b>	<b>1,890</b>	<b>1,911</b>	<b>1,959</b>	<b>3.6</b>
<b>Payables to Banks</b>	<b>1,048</b>	<b>1,432</b>	<b>2,384</b>	<b>3,535</b>	<b>5,177</b>	<b>5,285</b>	<b>5,509</b>	<b>6.4</b>
<b>Funds from Repo Transactions</b>	<b>587</b>	<b>540</b>	<b>723</b>	<b>2,244</b>	<b>2,575</b>	<b>3,343</b>	<b>2,664</b>	<b>3.5</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>714</b>	<b>1,406</b>	<b>2,153</b>	<b>2,908</b>	<b>4,156</b>	<b>4,320</b>	<b>4,421</b>	<b>6.4</b>
Profit (Loss) of the Period	93.0	431.6	620.8	660.3	940.2	288.8	363.6	-
<b>RATIOS (%)</b>								
Loans/GDP	65.9	49.5	43.1	36.0	36.7	36.9	-	-
Loans/Assets	53.2	52.8	49.6	49.1	49.3	50.1	50.7	-
Securities/Assets	16.0	16.5	16.9	16.0	14.9	15.0	14.7	-
Deposits/Liabilities	57.5	61.8	63.1	57.9	58.0	56.8	57.9	-
Loans/Deposits	92.4	85.5	78.6	84.9	84.9	88.1	87.6	-
Capital Adequacy (%)	18.4	19.5	19.1	19.7	19.7	16.5	16.4	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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