Monthly Economic Review

TÜRKİYE İŞ BANKASI | research.isbank

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Global Economy

A memorandum of understanding was signed between the U.S. and Iran aimed at ending tensions in the Middle East and reopening the Strait of Hormuz.

In the U.S., the annualized growth figure for the first quarter was finally revised to 2.1%, while annual consumer inflation reached 4.2% in May, its highest level since April 2023.

At its first meeting under Chair Kevin Warsh, the Fed kept its policy rate unchanged at the 3.50%-3.75% range, in line with market expectations.

The ECB and the BoJ each raised their policy rates by 25 basis points, in line with expectations, while the BoE and the PBoC left their rates unchanged.

According to final data, the Euro Area economy contracted by 0.2% qoq in the first quarter, marking its first contraction since the last quarter of 2022, while the annual growth rate stood at 0.3%.

Japan's annualized growth rate for the first quarter was revised downward from 2.1% to 1.8% in the final reading.

With the reopening of the Strait of Hormuz to traffic, the price of Brent crude oil fell by 20.8% mom in June, returning to pre-tension levels.

As expectations of a tighter monetary policy by the Fed grew, the DXY index rose to its highest level in over a year in June, while gold prices continued to trend downward against the strengthening dollar.

Turkish Economy

In May, the unemployment rate remained unchanged mom at 8.2%, while the labor force underutilization rate rose to 31%.

According to seasonally adjusted data, industrial production rose by 6.0% yoy in April, marking the fastest increase in the last eight months. During the same period, service sector output increased by 2.2%, and construction output rose by 2.1%.

The ICI Türkiye Manufacturing PMI fell from 49.8 in May to 47.1 in June, extending its run below the threshold value to a 27th consecutive month.

The current account recorded a deficit of 5.7 billion USD in April. The 12-month cumulative current account deficit declined compared to the previous month, to 37 billion USD.

In May, when the central government budget recorded a deficit of 298.2 billion TRY, the primary deficit stood at 169.3 billion TRY. During the January–May period, the budget deficit rose by 62.5% yoy to 1.1 trillion TRY.

In June, the CPI rose by 0.99% mom, while annual CPI inflation fell to 32.11%. D-PPI inflation rate stood at 1.80% mom and 28.09% yoy.

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

BIST-100 index outperformed other emerging market stock exchanges in June, ending the month with a 3.4% gain at 14,122.

Unemployment rate remained unchanged in May.

According to seasonally adjusted data, the number of employed people in May rose by 285K, marking the strongest increase since March 2025. During this period, the labor force increased by 293K compared to the previous month, while the number of unemployed rose only slightly by 9K, and the unemployment rate remained flat at 8.2%. In May, among the youth population aged between 15–24, the labor force increased by 102K and employment rose more modestly by 63K. In parallel with a 38K increase in the number of unemployed, the unemployment rate rose from 14.4% to 14.8%. Additionally, the labor underutilization rate, the broadest measure of unemployment, rose by 0.9 percentage points to 31% in May.

Industrial production gained momentum in April.

According to seasonally and calendar adjusted data, industrial production recorded its highest monthly increase since December 2024, rising by 3.7% in April. During this period, production rose in the manufacturing industry (4.4%) and the mining and quarrying sector (0.8%), while it contracted in the electricity, gas, steam, and air conditioning supply sector (-2.8%). During this period, production increased in 19 of the 24 sectors operating under the manufacturing industry. The manufacture of other transport equipments displayed the fastest growth in production, rising by 83.8% mom (92.2% yoy). Consequently, according to seasonally adjusted data, industrial production recorded its highest annual increase in the past year at 6.0% in April. The index had contracted by 0.3% in the first quarter of 2026 compared to the same period last year.

Meanwhile, the services production index declined by 0.6% mom in April but increased by 2.2% yoy. During the same period, the construction production index, which rose by 0.7% mom, recorded an increase of 2.1% yoy. These sectors had grown by 1.7% and 4.4%, respectively, in the first quarter of the year compared to the same period last year.

ICI Manufacturing PMI fell to 47.1 in June.

The Türkiye Manufacturing PMI, published by the Istanbul Chamber of Industry (ICI), fell to 47.1 in June from 49.8 in May. Thus, the index, which remained below the 50-point threshold for the 27th consecutive month, signaled a marked slowdown in business conditions during this period. Production, which had recorded a slight increase in May, declined again in June due to a drop in new orders, rising prices, and uncertainties stemming from geopolitical tensions, while employment and purchasing activity also decreased. Although companies continued to face difficulties in sourcing raw materials in June, input cost inflation fell to its lowest level since November 2025 and final product price inflation to its lowest level since the beginning of the year, in line with the easing of tensions in the Middle East. When examined by sector, the chemicals, plastics, and rubber products sector was the only one to post a PMI reading above the threshold in June, while the textile products sector continued to record the lowest PMI reading at 45.2. The most pronounced weakening in business conditions during this period was in the food products sector, which recorded its sharpest contraction in production since July 2025.

Sales volume declined mom in April.

According to seasonally and calendar adjusted data, the sales volume index contracted by 2.7% mom in April. During this period, wholesale trade sales volume fell by 3.7% mom, while retail trade sales volume recorded its sharpest decline since March 2025, dropping by 1.7% mom. On the other hand, retail sales, excluding watches and jewelry, showed a relatively modest decline of 0.1% mom in April. On a year-over-year basis, the growth in retail sales lost momentum in April compared to the previous month, slowing to 11.4%, while the volume of wholesale trade sales decreased by 3.3%. Thus, it was notable that the volume of trade sales, which had expanded by 4.6% in the first quarter compared to the same period last year, recorded its slowest annual growth in the past 21 months in April, at 0.1%.

The holiday effect on house sales in May…

House sales in May fell by 31.2% yoy to 93,333 units, largely due to the reduced number of working days resulting from the public holiday. Consequently, total house sales for the January–May period fell by 6.6% yoy to 569,537 units, with 31% of sales consisting of new house sales. Although the share of mortgage-backed sales in total house sales rose to 20.5%, it remained below its long-term average.

Meanwhile, in May, the housing price index rose by 1.7% mom, in line with the previous month and CPI inflation (1.71%). The index, which rose by 24.5% yoy in nominal terms, fell by 6.1% in real terms, continuing its downward trend.

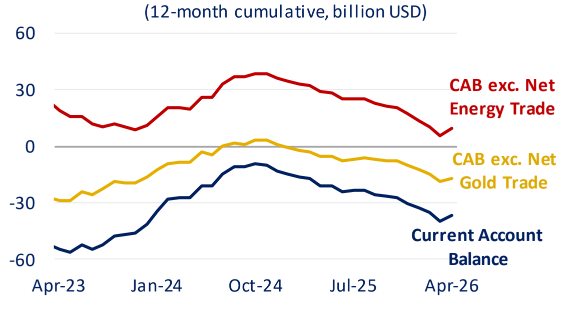
Confidence indices painted a positive picture in June.

In June, the consumer confidence index rose by 2.5% mom to 87.9. Thus, the index, which has continued its upward trend for the third consecutive month, reached its highest level since May 2023. While the sub-index for households' current financial situation, which had declined in May, rose sharply during this period, improvements were also recorded in assessments of financial and economic conditions for the coming period. In June, the real sector confidence index also rose by 1 point mom to 102, reaching its highest level since February. During the same period, sectoral confidence increased by 1.4% in the services sector, 0.3% in the retail trade sector, and 1.1% in the construction sector. Consequently, the economic confidence index rose by 1.8% in June to 98.9.

Source: CBRT, Datastream, ICI, TURKSTAT

Current account deficit stood at 5.7 billion USD in April.

The current account deficit in April came in at 5.7 billion USD, close to market expectations. In the same period last year, the current account deficit was 8.4 billion USD. Front-loaded demand for exports due to geopolitical uncertainties and a relatively mild increase in imports supported the current account outlook. Excluding net gold and energy trade, the current account balance posted a surplus for the first time in five months and the 12-month current account deficit, which was 39.7 billion USD in March, fell to 37 billion USD in April.

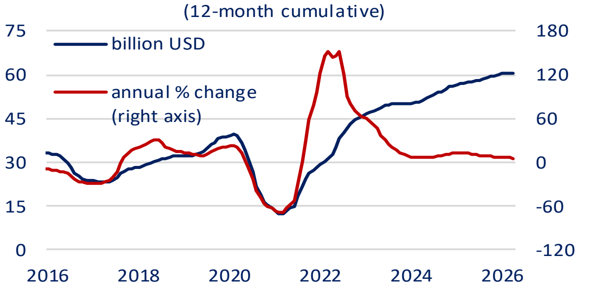


The trade deficit narrowed by 31% yoy.

In April, according to the balance of payments defined foreign trade data, exports rose by 19.5% yoy, while imports increased by 3.2%. Therefore, the trade deficit narrowed by 31.1% yoy to 6.8 billion USD. In April, net non-monetary gold imports fell by 62.3% yoy to 824 million USD, while net energy imports expanded by 38.9% to 5.2 billion USD. During the same period, services revenues declined by 2.8% yoy. Tourism revenues, which accounted for 44.1% of total services revenues, fell by 4.7% yoy. While the annual increase in tourism expenditures was 1.6%, net tourism revenues fell by 5.8% yoy in April, reaching 2.9 billion USD.

In January-April 2026 period, the trade deficit widened by 19.1% yoy. During this period, net non-monetary gold imports fell by 8.4% yoy, while net energy imports also declined by 2.2%.

While net services revenues fell by 5.8% in January-April 2026 period, net tourism revenues rose by 5.3% to reach 10 billion USD. Based on 12-month cumulative data, tourism revenues continued its almost flat trend hovering around 60 billion USD.



In April, the “other investments” account stood out in financing the current account deficit.

In April, a record-high net capital inflow of 14.7 billion USD was recorded under the “other investments” account. Of this net inflow, 9.6 billion USD came from the “currency and deposits” account, while 4.7 billion USD originated from loans used from abroad. During this period, non-residents increased their deposits held within domestic banks by 4.2 billion USD, while residents reduced their foreign currency and deposits by 5.4 billion USD. Non-banking sectors borrowed a net 3.3 billion USD from abroad, while banks also utilized a net 1.4 billion USD in credit from abroad. According to 12-month cumulative data, the long-term debt rollover ratio remained at high levels, standing at 150% in the banking sector and 224% in other sectors.

Portfolio investments recorded a net capital inflow in April…

Following a capital outflow of 14.8 billion USD in March due to geopolitical developments, portfolio investments saw a capital inflow of 4.1 billion USD in April. During this period, non-residents made net purchases of 4.3 billion USD in the equity securities and investment fund shares, while in the debt securities market, they made net purchases totaling 2.2 billion USD, 2 billion USD of which was the inflows stemming from the Treasury’s eurobond issuance.

The moderate trend in direct investment continues.

In April, non-residents direct investments in Türkiye became 1.1 billion USD. Total inflows for the January-March period was 2.6 billion USD. During this period, a capital outflow of 640 million USD was recorded due to domestic residents’ net asset acquisitions abroad, resulting in a net capital inflow of 447 million USD under the direct investments account.

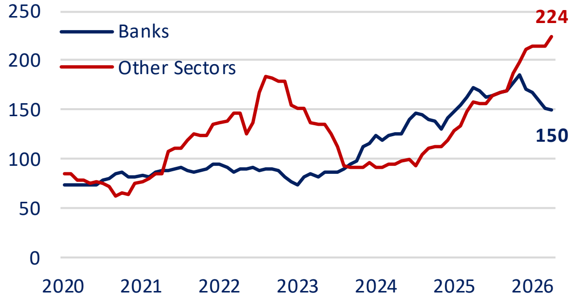
Looking at real estate investments covered under the direct investment category, it was observed that in April, net real estate purchases by non-residents in Türkiye and by domestic residents from abroad stood at moderate levels with 164 million USD and 187 million USD, respectively.

Reserves and net errors and omissions...

Reserve assets, which declined by 43.4 billion USD in March, increased by 12 billion USD in April. Capital outflows recorded in the net error and omission item during the same period amounted to 1.5 billion USD. While the decline in reserves during the January-April period was 30 billion USD, outflows recorded in the net error and omission item stood at 17.7 billion USD.

Source: Datastream, Turkstat, CBRT

Long-term Debt Rollover Ratios
(12-month cumulative, %)



Expectations…

While risks to the trade deficit continue to be on the upside due to geopolitical tensions, data suggest that the trade deficit narrowed in May, as was also the case in April. During this period, energy imports rose by 43.4% yoy. On the other hand, gold imports fell by 55.5% yoy supporting the trade balance. Consequently, while total imports declined by 10.8%, the decline in imports excluding energy and gold was 16.2%, driven by also moderate domestic demand and calendar effects.

Looking at the first five months of the year, exports recorded a mild increase of 0.2% yoy, while the imports registered an increase of 1.1% yoy. During this period, the trade deficit widened by 3.6% to 42.7 billion USD.

Despite ongoing geopolitical tensions in the Middle East, we anticipate that the expected increase in tourism revenues during the summer months will somewhat limit the upward risks on the current account deficit in the coming period. The current account deficit-to-GDP ratio, which stood at 1.9% at the end of last year, has reached 2.4% in the first quarter when calculated based on the four-quarter cumulative totals. In the CBRT's latest Survey of Market Participants published in June, the year-end current account deficit forecast stands at 49.2 billion USD and we believe that the current account deficit-to-GDP ratio could hover around 3% by the year-end.

Balance of Payments (million USD)

	Apr.	Jan. - Apr.		%	12-month
	2026	2025	2026	Change	Cumulative
Current Account Balance	**-5,695**	**-22,586**	**-29,372**	**30.0**	**-36,984**
Foreign Trade Balance	-6,819	-25,760	-30,690	19.1	-74,767
Services Balance	3,670	11,930	11,241	-5.8	62,814
Travel (net)	2,882	9,535	10,041	5.3	51,534
Primary Income	-2,399	-8,497	-9,024	6.2	-23,847
Secondary Income	-147	-259	-899	247.1	-1,184
Capital Account	**-11**	**13**	**-85**	**-**	**-239**
Financial Account	**-7,170**	**-30,580**	**-47,144**	**54.2**	**-66,303**
Direct Investment (net)	-447	-469	-195	-58.4	-2,870
Portfolio Investment (net)	-4,053	8,777	596	-93.2	-11,661
Net Acquisition of Financial Assets	2,368	2,601	8,717	235.1	20,164
Net Incurrence of Liabilities	6,421	-6,176	8,121	-	31,825
Equity Securities	4,267	312	3,469	1,011.9	10,457
Debt Securities	2,154	-6,488	4,652	-	21,368
Other Investment (net)	-14,689	-2,305	-17,510	659.7	-36,293
Currency and Deposits	-9,631	6,529	4,824	-26.1	12,598
Net Acquisition of Financial Assets	-5,435	4,100	5,961	45.4	13,720
Net Incurrence of Liabilities	4,196	-2,429	1,137	-	1,122
Central Bank	-309	-6,081	-1,644	-73.0	-7,371
Banks	4,505	3,652	2,781	-23.8	8,493
Foreign Banks	4,035	3,368	1,306	-61.2	7,124
Foreign Exchange	1,790	2,104	-1,307	-	-15
Turkish Lira	2,245	1,264	2,613	106.7	7,139
Non-residents	470	284	1,475	419.4	1,369
Loans	-4,651	-7,633	-18,394	141.0	-48,180
Net Acquisition of Financial Assets	311	2,528	-6,324	-	-6,129
Net Incurrence of Liabilities	4,962	10,161	12,070	18.8	42,051
Banking Sector	1,445	4,180	4,073	-2.6	14,495
Non-bank Sectors	3,345	6,009	7,690	28.0	25,206
Trade Credit and Advances	-402	-1,206	-3,932	226.0	-666
Other Assets and Liabilities	-5	6	-8	-	-45
Reserve Assets (net)	12,019	-36,583	-30,035	-17.9	-15,479
Net Errors and Omissions	**-1,464**	**-8,007**	**-17,687**	**120.9**	**-29,080**

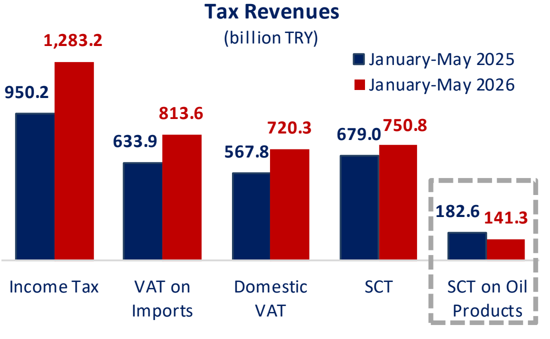
Source: CBRT, Ministry of Trade, Datastream, Turkstat

Budget Balance

The central government budget posted a deficit of 298.2 billion TRY in May.

In May, central government budget expenditures rose by 27% compared to the same month of last year, reaching 1.4 trillion TRY, while budget revenues fell by 18% to 1.1 trillion TRY. Consequently, the central government budget, which had recorded a surplus of 235.2 billion TRY in May 2025, posted a deficit of 298.2 billion TRY in the same month this year. During the same period, Treasury cash flows indicated a deficit of 252.3 billion TRY. Meanwhile, the primary budget balance, which had recorded a surplus in the first quarter, continued to post a deficit of 169.3 billion TRY in May, following April.

While the budget deficit increased by 62.5% yoy, reaching 1.1 trillion TRY in the first five months of the year, the primary budget balance recorded a surplus of 205.6 billion TRY, driven by the positive performance in the first quarter.

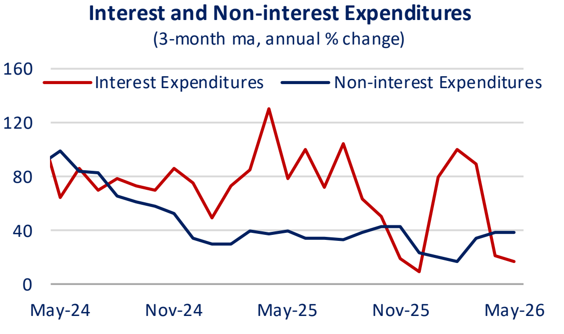


Tax revenues fell by 22.1% yoy in May.

Tax revenues, which accounted for 85.8% of the central government's budget revenues in May, decreased by 22.1% yoy to 931.5 billion TRY. Due to the impact of the sliding scale system implemented in March, special consumption tax (SCT) revenues from petroleum and natural gas products fell by 89.3% yoy in May, dropping to 4.4 billion TRY. Parallel to the annual decline in automotive sales during this period, partly because of public holidays, the increase in SCT on motor vehicles was limited to 7.9%. Consequently, total SCT revenues decreased by 9.5% yoy in May. Additionally, the postponement of certain filing and payment deadlines to June due to the holiday period led to a significant annual decline in income tax and domestic value added tax (VAT) collections. In May, income tax revenues fell by 57.4% yoy, and corporate tax revenues decreased by 21.9%. During this period, VAT on domestic sales decreased by 66.1% yoy, while VAT on imports recorded a limited increase of 17.5%.

Non-interest expenses rose by 28.3% yoy in May.

In May, interest expenses increased by 16.0% yoy, while non-interest expenses rose by 28.3%. Consequently, the share of interest expenses in total expenses fell from 10.2% in May 2025 to 9.3% in May 2026. During this period, personnel expenses, which accounted for 32.5% of non-interest expenditures, recorded the fastest increase in the last eight months at 48.1%, while current transfers, which accounted for 41.8%, expanded by 14.8%, below the annual CPI inflation rate, contributing to the deceleration in the growth of budget expenditures compared to the previous month. Purchases of goods and services, which accounted for 8% of non-interest expenditures, recorded an increase of 18.5%, remaining below inflation, while Social Security Institution expenditures, which accounted for 4.1%, rose by 52.6%. Meanwhile, among the items that recorded triple-digit increases in March and April, capital transfers continued this trend with a 444% annual increase, while the lending expenditures rose by 38% yoy.



Expectations…

In May, the ongoing effects of the sliding-scale mechanism, coupled with the postponement of tax payments to June due to the holiday season, led to a decline in tax revenues and caused the budget deficit recorded since the beginning of the year to rise from 759 billion TRY in April to 1.1 trillion TRY in May. Consequently, the budget deficit in January–May period accounted for 39% of the target for the full year 2026. Following the preliminary agreement reached between the U.S. and Iran, developments in the Middle East in the coming period will be closely monitored in terms of the sliding scale mechanism, economic activity, and consequently the pace of the central government budget.

Central Government Budget (billion TRY)

	May		%	January-May		%	2026 Budget	Real/ Budget
	2025	2026	Change	2025	2026	Change	Target	Target (%)
Expenditures	**1,089.7**	**1,384.4**	**27.0**	**5,339.5**	**7,334.7**	**37.4**	**18,978.8**	**38.6**
Interest Expenditures	111.2	128.9	16.0	835.8	1,262.6	51.1	2,741.7	46.1
Non-Interest Expenditures	978.6	1,255.5	28.3	4,503.7	6,072.1	34.8	16,237.2	37.4
Revenues	**1,325.0**	**1,086.2**	**-18.0**	**4,689.2**	**6,277.7**	**33.9**	**16,266.1**	**38.6**
Tax Revenues	1,196.4	931.5	-22.1	4,006.5	5,304.1	32.4	13,833.1	38.3
Other Revenues	128.6	154.6	20.3	682.6	973.6	42.6	2,433.0	40.0
Budget Balance	**235.2**	**-298.2**	**-**	**-650.3**	**-1,057.0**	**62.5**	**-2,712.7**	**39.0**
Primary Balance	**346.4**	**-169.3**	**-**	**185.5**	**205.6**	**10.9**	**29.0**	**-**

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

Source: Datastream , Ministry of Treasury and Finance

Monthly CPI inflation stood at 0.99% in June.

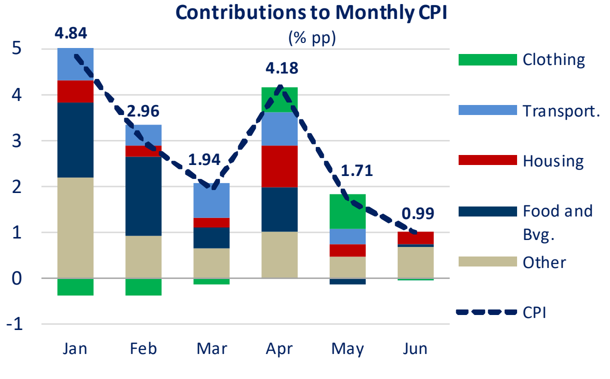
Monthly CPI inflation in June came in at 0.99%, in line with market expectations and at its lowest level this year. Thus, annual inflation rate fell from 32.61% in May to 32.11% in June. The total CPI increase for the first half of the year, which stood at 16.67% in 2025, was recorded at 17.76% this year.

The monthly increase in the Domestic Producer Price Index (D-PPI) fell from 2.75% in May to 1.8% in June. Therefore, after four consecutive months of increases, annual D-PPI inflation dropped to 28.09% in June. The increase in the D-PPI for the first half of the year stood at 16.09%.

June	CPI		D-PPI	
(change %)	2025	2026	2025	2026
Monthly	1.37	0.99	2.46	1.80
Year-to-Date	16.67	17.76	15.71	16.09
Annual	35.05	32.11	24.45	28.09
Annual Average	43.23	32.03	28.34	27.26

Prices fell in the clothing & footwear and transportation categories in June.

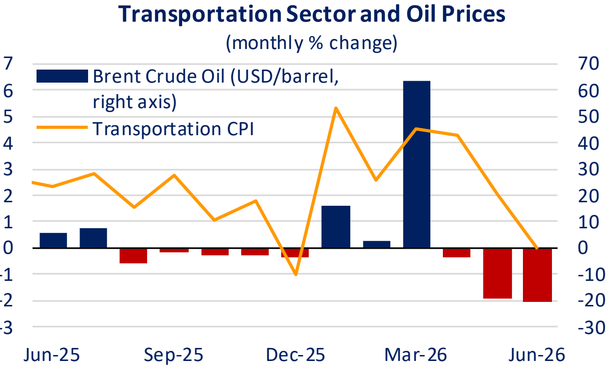
In June, prices rose in all expenditure groups that make up the CPI, except for the clothing and footwear group (-0.18%) and the transportation group (-0.05%). The monthly increase in housing group prices stood at 2.30%, contributing the most to monthly inflation at 0.27 pps. During this period, prices in the hotels and restaurants services group rose by 2.11% mom, pushing the headline index up by 0.23 pps, while the furniture group, where prices increased by 1.98% mom, contributed 0.15 pps to inflation. The food and non-alcoholic beverages group, where prices rose by 19.69% in the first five months of the year, recorded a moderate increase of 0.16% in June due to a 10.22% monthly decline in fresh fruit and vegetable prices. Accordingly, this group's contribution to the headline index was limited to 0.04 pps.



Core indicators rose faster than the headline CPI in June.

In June, energy prices recorded their sharpest monthly decline since May 2023, falling by 0.91%. During this period, when food prices rose moderately, the increases in the B (CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco, and gold) and C (CPI excluding energy, food, non-alcoholic beverages, alcoholic beverages, tobacco products, and gold) indicies diverged from headline inflation, rising by 1.66% and 1.46%, respectively. The A index, which excludes seasonal products, rose by 1.48% in June, exceeding headline inflation as well.

The monthly increase in service prices in June lost momentum compared to previous months, coming in at 1.69%. This development was driven by a more modest 0.58% increase in transportation service prices compared to previous months. However, the fact that service prices continued to rise above headline inflation indicated that stickiness in service inflation remained high.



The upward trend in producer prices stopped in June.

The most significant contributors to the headline D-PPI in June were the electricity, gas production, and distribution sector, where producer prices rose by 7.10% (0.55 pps); crude oil and natural gas, which increased by 26.7% (0.31 pps); and base metals, which rose by 3.08% (0.24 pps). The food products group, where prices rose by a limited 0.88% (0.17 pps), ranked fourth among the items driving up the PPI due to its high weight in the basket. During this period, coke and refined petroleum products -the group in which producer prices fell the fastest at 12.62%- limited the D-PPI by 0.50 points. Other transportation vehicles (-1.34%), metal ores (-2.17%), and other manufactured goods (-2.85%) were the other three groups where prices fell. Due to their low weights, these groups reduced the D-PPI by only 0.08 points in total.

Expectations…

In June, annual inflation decreased again after two months, thanks to the positive outlook on the unprocessed food, clothing and footwear, and transportation categories. In addition to the diminishing impact of tensions in the Middle East on energy prices, favorable seasonal conditions lowering unprocessed food prices stand out as factors that could positively influence the deflation process in the coming period, both directly through prices and expectations. On the other hand, we believe that adjustments made as of July to administered and guided prices, such as increases in medical examination fees as well as bridge and highway tolls, could limit the decline in annual inflation.

Source: Datastream, Turkstat

	29-May	30-Jun	Change	
5-Y CDS (basis point)	241	221	-19 bp	▼
2-Y Benchmark Bond Yield (	%43.74	%39.96	-378 bp	▼
BIST-100	13,663	14,122	%3.4	▲
USD/TRY	45.7418	46.6440	%2.0	▲
EUR/TRY	53.4573	53.3032	-%0.3	▼
Currency Basket*	49.5996	49.9736	%0.8	▲

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

Sectoral inflation expectations presented a mixed picture in May

According to data published by the CBRT, households' inflation expectations for the next 12 months continued to decline in June, falling by 3.38 points to 46.13%. Additionally, the percentage of households expecting inflation to decline over the next 12 months rose slightly to 15.7%. Inflation expectations for the same period remained unchanged in the real sector at 33.10% and remained relatively flat among market participants at 23.81%. Market participants' inflation expectations for the end of this year, however, continued to deteriorate for the fifth consecutive month, rising to 29.14%.

CBRT kept its policy rate at 37%.

At its fourth Monetary Policy Committee meeting of the year, held on June 11, the CBRT kept the policy rate unchanged at 37%, in line with market expectations. The Committee also maintained the overnight lending rate at 40% and the overnight borrowing rate at 35.5%. The decision statement noted that the underlying trend of inflation, which had risen in April due to higher energy prices following an increase in the first months of the year, moderated in May. It also emphasized that first quarter data indicated a continued slowdown in economic activity, while leading indicators for the following period pointed to a persistent weak trend in domestic demand. However, the statement retained the phrase indicating that the monetary policy stance would be tightened in the event of a significant and persistent deterioration in the inflation outlook. The CBRT, which has not changed interest rates at its last three 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.

CBRT has adjusted its reserve requirement ratios.

In an announcement made on July 1, the CBRT stated that it had taken certain simplification steps to strengthen macrofinancial stability and support the monetary transmission mechanism. Accordingly, it was announced that the requirement for the additional Turkish lira reserve requirement ratio for FX deposits and participation funds, which was introduced in 2023 and is currently applied at a rate of 2.5%, has been terminated. In addition, the reserve requirement ratio for demand and foreign currency deposits/participation funds with maturities of up to one month was raised from 30% to 32%, and for longer-term funds, from 26% to 28%. The CBRT stated that the reserve requirement based on the new rates would take effect as of July 17.

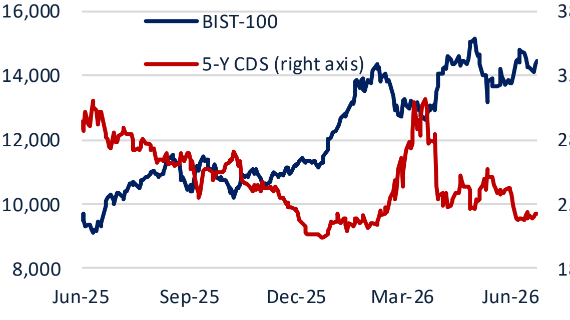
BIST-100 Index rose by 3.4% in June.

The BIST-100 Index, which rose in the first half of June on the back of increased risk appetite driven by a decline in geopolitical risks, came under selling pressure in the second half of the month due to hawkish monetary policy signals from global central banks. Nevertheless, the BIST-100 index outperformed the MSCI Emerging Markets Index, closing June at 14,122 with a 3.4% monthly gain. In June, Türkiye's 5-year CDS spread fell by 19 basis points from the end of the previous month to 221 basis points, and the USD/TRY rose by 2.0%, while the EUR/TRY remained relatively flat. The yield on the 2-year bond fell by 378 basis points on a monthly basis to 39.96%, while the yield on the 10-year bond fell by 248 basis points to 33.17%.

CBRT's gross reserves continued to decline in June

As of June 26, the CBRT's total gross reserves fell by 10.0 billion USD from the end of May to 149.2 billion USD, due partly to the decline in gold prices, while its net reserves decreased by 0.4 billion USD to 45.4 billion USD. Of the CBRT's total gross reserves, 95 billion USD consisted of gold, while 54.3 billion USD consisted of foreign exchange reserves. Meanwhile, according to data adjusted for price and exchange rate movements, as of June 26, the stock portfolio of non-residents decreased by a net 306 million USD compared to the end of May, while the government securities portfolio (based on the total of outright purchases, reverse repos, collateral, and loans) increased by a net 2.3 billion USD.

BIST-100 and CDS



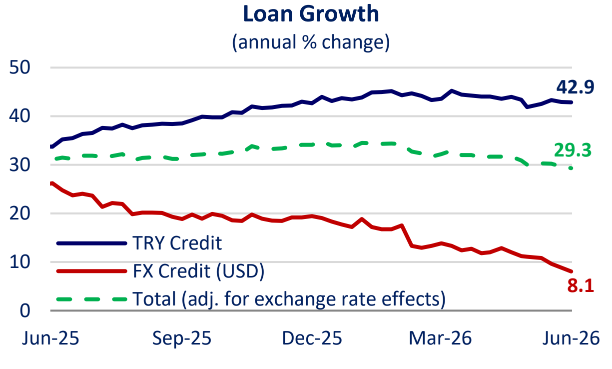
Source: CBRT, Datastream, Reuters

In June, while TL deposits gained momentum, the volume of USD deposits declined.

According to data from the BRSA's Weekly Bulletin, during the week of June 26, the volume of TL deposits rose by 6.0% mom and 31.4% yoy, reaching 18.8 trillion TRY. During this period, the volume of foreign currency deposits in USD terms declined by 4.8% mom, due partly to the decrease in gold prices. Therefore, the volume of foreign currency deposits, whose annual growth rate fell to 11.1% (previously: 18.3%), stood at 246.6 billion USD. In June, the volume of foreign currency deposits in USD terms declined by 7.0% mom (annual increase: 14.8%) for retail customers, while the decline was more limited at 0.9% (annual increase: 3.3%) for commercial accounts. In this regard, the total deposit volume in June increased by 2.4% compared to the end of May and by 30.9% yoy, reaching 30.3 trillion TRY. According to exchange rate adjusted data, the annual increase in total deposits was 23.7%, while the ratio of TL deposits to total deposits stood at 62.2%.

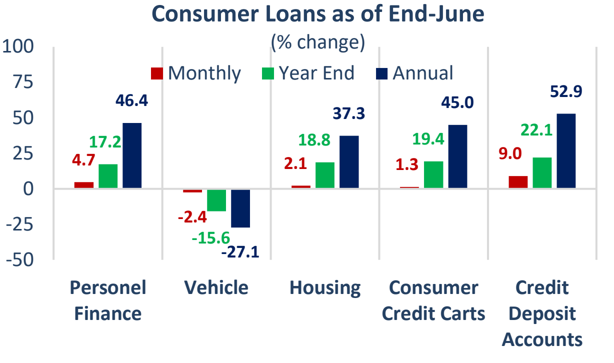
The growth in TL loans gained momentum in June.

Gaining momentum compared to the previous month, the volume of TL loans increased by 2.9% mom (previous: 1.5%) and 42.9% yoy (previous: 41.9%) in June, reaching 17.0 trillion TRY as of June 26. During this period, the volume of foreign currency loans in USD terms, which declined by 0.5% mom, increased by 8.1% yoy (previous: 11.1%) to reach 206.6 billion USD. Consequently, the total loan volume expanded by 2.4% on a monthly basis and 36.4% on an annual basis, reaching 26.5 trillion TRY. Adjusted for exchange rate effects, the annual increase in total credit volume stood at 29.3% as of June 26.



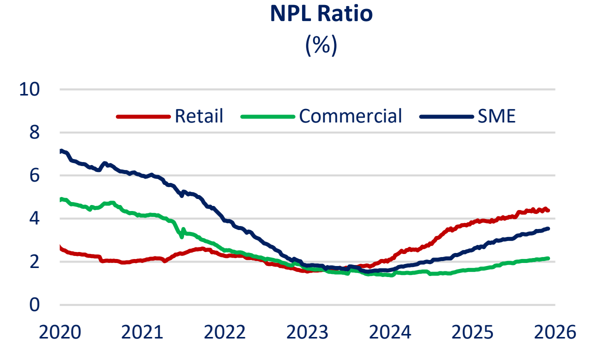
Retail loans…

As of June 26, the volume of retail loans continued to grow by 2.7% on a monthly basis and expanded by 43.6% on a yearly basis. During this period, the increase in retail credit card balances, which accounted for nearly half (48.8%) of retail loans, stood at 1.3% mom and 45.0% yoy. The balance in overdraft accounts, which had contracted by 1.2% in May, recorded its highest monthly increase since August 2024 at 9.0% in June, while the annual increase in this balance stood at 52.9%. During the same period, retail loans increased by 4.7% mom and grew by 46.4% yoy, while housing loans expanded by 2.1% mom and 37.3% yoy. Meanwhile, vehicle loans, which declined by 2.4% mom in June, recorded an annual contraction of 27.1%.



NPL ratio rose to 2.78%.

As the balance of non-performing loans (NPL) in the sector increased by 34 billion TRY on a monthly basis, the NPL ratio rose to 2.78% at the end of June. Although this ratio remained relatively low at 2.17% for commercial loans, it stood at 3.56% for the SME segment and 4.57% for retail loans.



Net foreign currency position…

As of June 26, the banking sector's on-balance-sheet foreign currency position stood at (-) 51.177 billion USD, while its off-balance-sheet foreign currency position was (+) 52.080 billion USD. Consequently, the sector's net foreign currency position was recorded at (+) 903 million USD.

Source: BRSA Weekly Bulletin

Concluding Remarks

The negotiations between the U.S. and Iran, which have been ongoing since April, took on a concrete form with the memorandum of understanding signed in June. Following this official move, which demonstrated that the parties had reached an agreement on ending tensions in the Middle East, the ensuing process strengthened expectations for a lasting peace. In line with the reopening of the Strait of Hormuz to traffic following the negotiations that began after the signing of the memorandum of understanding, oil prices fell rapidly to pre-March levels. On the other hand, conflicting statements regarding the issues still under negotiation are limiting optimism about the process.

While concerns over global inflationary pressures appeared to ease following the drop in oil prices, the U.S. nonfarm payrolls data coming in below expectations led to a slight decline in expectations that the Fed would raise interest rates in 2026.

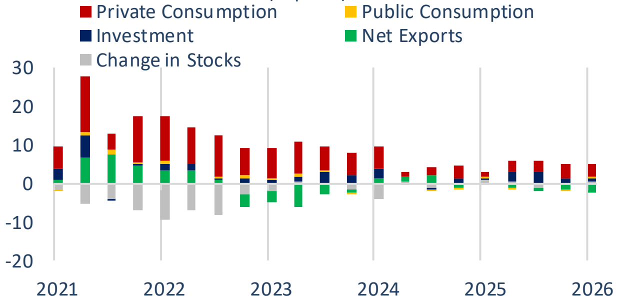
The decline in global energy prices is limiting upward risks to inflation and the current account deficit in Türkiye. On the other hand, the tightening of global financial conditions and the persistence of geopolitical concerns are keeping uncertainties regarding the coming period alive.

In July, with a busy agenda, the NATO Leaders' Summit in Ankara, credit rating assessments of Türkiye by Fitch and Moody's, and the CBRT meeting scheduled for July 23 will be closely monitored.

Growth

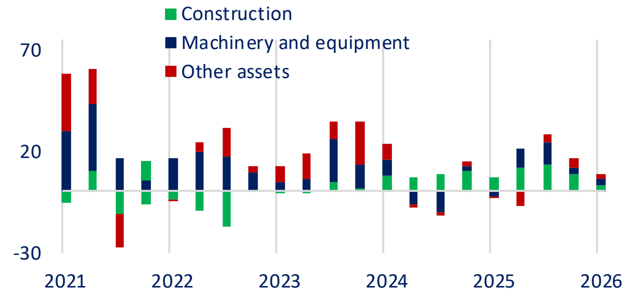
Contributions to GDP Growth

(% point)



Gross Fixed Capital Formation

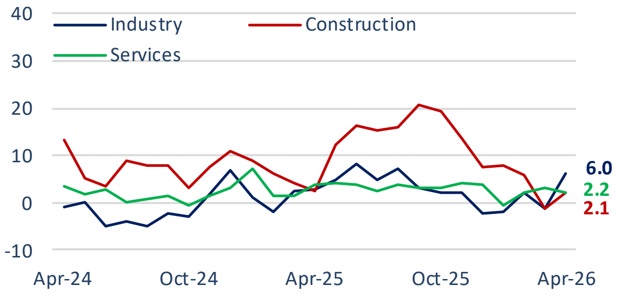
(annual % change)



Leading Indicators

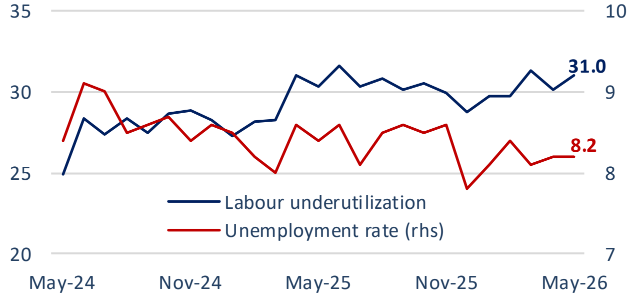
Production Indices

(ca, annual % change)



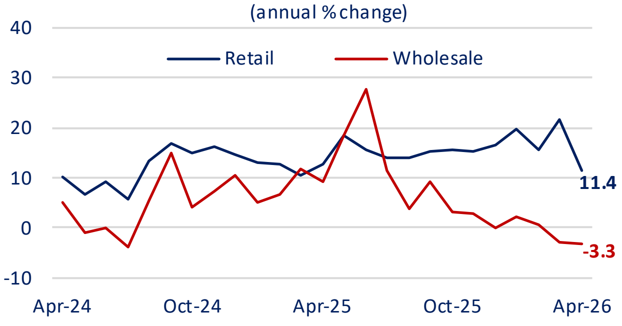
Labour Force Statistics

(sa, %)



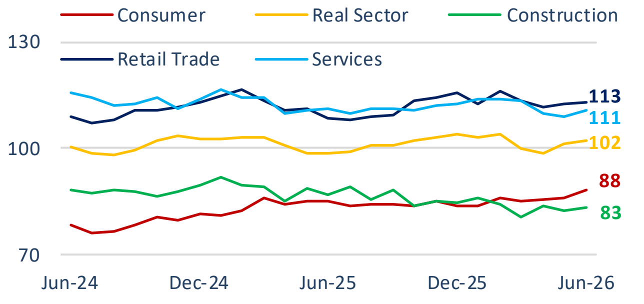
Sales Volume Indices

(annual % change)



Confidence Indices

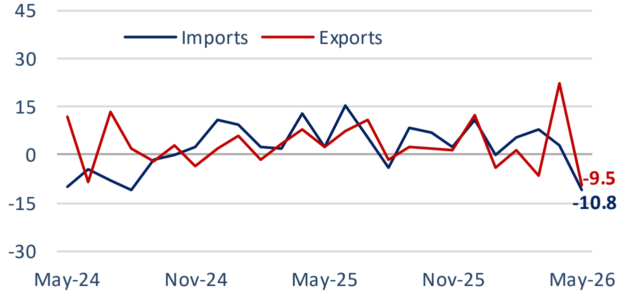
(sa)



Foreign Trade and Current Account Balance

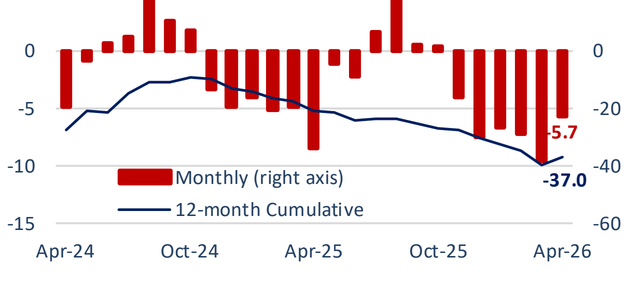
Foreign Trade

(annual % change)



Current Account Balance

(billion USD)

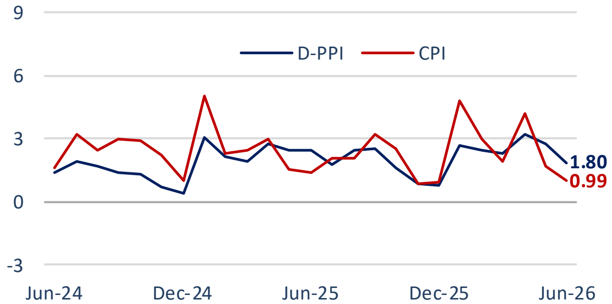


Source: Datastream, CBRT, Turkstat

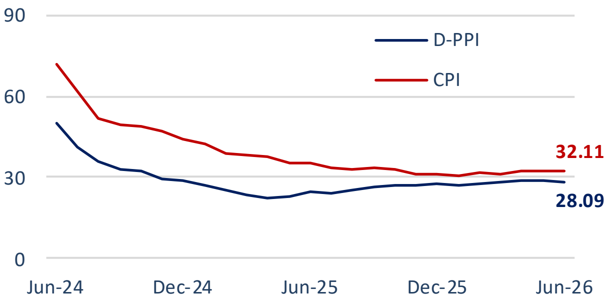
Macroeconomic Indicators

Inflation

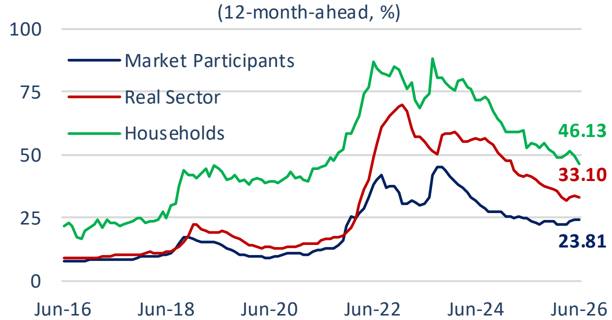
Monthly Inflation
(%)



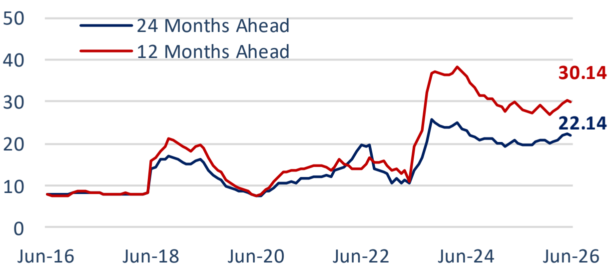
Annual Inflation
(%)



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

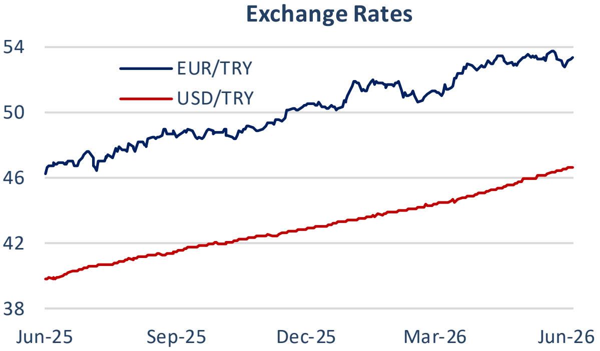


CBRT Survey of Market Participants - 12 and 24 Months Ahead Policy Rate Expectation
(%)

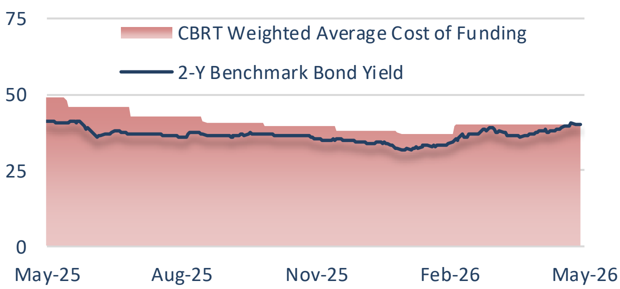


Foreign Exchange and Bond Market

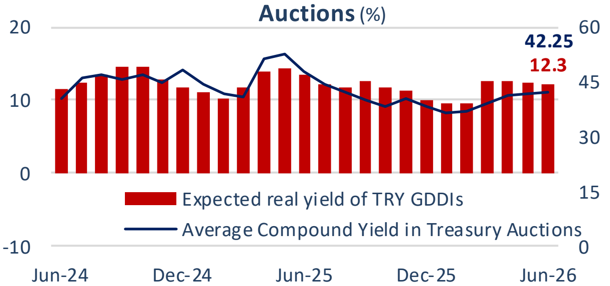
Exchange Rates



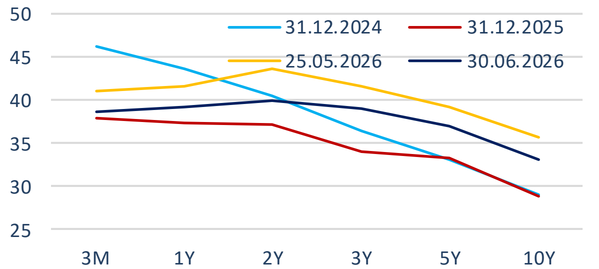
CBRT WACOF and 2-Y Benchmark Bond Yield
(%)



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 (%)						**Nis.26**	**May.26**	**Haz.26**
CPI (annual)	36.08	64.27	64.77	44.38	30.89	32.37	32.61	32.11
Domestic PPI (annual)	79.89	97.72	44.22	28.52	27.67	28.59	28.93	28.09
SEASONALLY ADJUSTED LABOR MARKET FIGURES						**Mar.26**	**Nis.26**	**May.26**
Unemployment Rate (%)	11.0	10.4	8.9	8.6	7.8	8.1	8.2	8.2
Labor Force Participation Rate (%)	52.6	54.0	54.0	54.1	53.1	53.0	52.4	52.8
FX RATES						**Nis.26**	**May.26**	**Haz.26**
CPI Based Real Effective Exchange Rate	70.0	81.5	82.8	100.8	98.9	105.99	105.55	-
USD/TRY	13.28	18.72	29.53	35.36	42.96	45.18	45.89	46.66
EUR/TRY	15.10	19.98	32.62	36.62	50.46	53.00	53.55	53.34
Currency Basket (0.5*EUR+0.5*USD)	14.19	19.35	31.08	35.99	46.71	49.09	49.72	50.00
FOREIGN TRADE BALANCE(1) (USD billion)						**Mar.26**	**Nis.26**	**May.26**
Exports	225.2	254.2	255.6	261.8	273.2	271.2	275.8	273.5
Imports	271.4	363.7	362.0	344.0	365.4	369.5	370.5	367.1
Foreign Trade Balance	**-46.2**	**-109.5**	**-106.3**	**-82.2**	**-92.2**	**-98.3**	**-94.7**	**-93.6**
Import Coverage Ratio (%)	83.0	69.9	70.6	76.1	74.8	73.4	74.4	74.5
BALANCE OF PAYMENTS(1) (USD billion)						**Şub.26**	**Mar.26**	**Nis.26**
Current Account Balance	**-7.1**	**-46.7**	**-41.8**	**-13.0**	**-30.2**	**-35.0**	**-39.7**	**-37.0**
Financial Account	**3.4**	**-18.8**	**-51.9**	**-23.7**	**-49.7**	**-64.1**	**-73.3**	**-66.3**
Direct Investments (net)	-6.5	-9.8	-4.5	-5.1	-3.1	-2.6	-2.1	-2.9
Portfolio Investments (net)	7.6	17.9	-6.5	-13.9	-3.5	-8.0	3.3	-11.7
Other Investments (net)	-21.1	-39.2	-38.9	-5.4	-21.1	-29.3	-22.0	-36.3
Reserve Assets (net)	23.3	12.3	-2.0	0.6	-22.0	-24.2	-52.5	-15.5
Net Errors and Omissions	**10.5**	**27.9**	**-9.9**	**-10.6**	**-19.4**	**-28.9**	**-33.3**	**-29.1**
Current Account Balance/GDP (%)	**-0.9**	**-5.0**	**-3.6**	**-1.0**	**-1.9**	-	-	-
BUDGET(2)(3) (TRY billion)						**Mar.26**	**Nis.26**	**May.26**
Expenditures	**1,603.5**	**2,942.7**	**6,588.0**	**10,780.6**	**14,634.6**	**4,425.4**	**5,950.3**	**7,334.7**
Interest Expenditures	180.9	310.9	674.6	1,270.5	2,054.4	876.1	1,133.7	1,262.6
Non-interest Expenditures	1,422.7	2,631.8	5,913.4	9,510.2	12,580.2	3,549.4	4,816.6	6,072.1
Revenues	**1,402.0**	**2,800.1**	**5,207.6**	**8,672.8**	**12,835.5**	**4,005.4**	**5,191.5**	**6,277.7**
Tax Revenues	1,165.0	2,353.4	4,501.1	7,305.3	11,049.5	3,360.4	4,372.6	5,304.1
Budget Balance	**-201.5**	**-142.7**	**-1,380.4**	**-2,107.8**	**-1,799.1**	**-420.0**	**-758.8**	**-1,057.0**
Primary Balance	**-20.7**	**168.2**	**-705.8**	**-837.3**	**255.3**	**456.0**	**374.9**	**205.6**
Budget Balance/GDP (%)	**-2.7**	**-0.9**	**-5.1**	**-4.7**	**-2.9**	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						**Mar.26**	**Nis.26**	**May.26**
Domestic Debt Stock	1,321.2	1,905.3	3,209.3	4,959.9	8,152.8	8,671.3	8,845.9	8,991.1
External Debt Stock	1,426.6	2,130.1	3,527.4	4,297.5	5,509.3	5,785.6	5,920.9	5,998.1
Total Debt Stock	**2,747.8**	**4,035.5**	**6,736.6**	**9,257.4**	**13,662.1**	**14,456.9**	**14,766.8**	**14,989.1**

(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	Apr-26	May-26	Change [1]
TOTAL ASSETS	**9,215**	**14,347**	**23,553**	**32,668**	**46,947**	**50,410**	**51,761**	**10.3**
Loans	**4,901**	**7,581**	**11,677**	**16,052**	**23,128**	**25,564**	**26,053**	**12.6**
TRY Loans	2,832	5,110	7,894	10,145	14,560	16,233	16,587	13.9
Share (%)	57.8	67.4	67.6	63.2	63.0	63.5	63.7	-
FX Loans	2,069	2,471	3,783	5,907	8,568	9,330	9,466	10.5
Share (%)	42.2	32.6	32.4	36.8	37.0	36.5	36.3	-
Non-performing Loans	160.1	163.4	191.9	293.6	593.6	704.1	728.8	22.8
Non-performing Loan Rate (%)	3.2	2.1	1.6	1.8	2.5	2.7	2.7	-
Securities	**1,477**	**2,371**	**3,970**	**5,226**	**7,013**	**7,393**	**7,554**	**7.7**
TOTAL LIABILITIES	**9,215**	**14,347**	**23,553**	**32,668**	**46,947**	**50,410**	**51,761**	**10.3**
Deposits	**5,303**	**8,862**	**14,852**	**18,903**	**27,226**	**29,167**	**29,651**	**8.9**
TRY Deposits	1,880	4,779	8,897	12,307	16,587	17,568	17,832	7.5
Share (%)	35.5	53.9	59.9	65.1	60.9	60.2	60.1	-
FX Deposits	3,423	4,083	5,955	6,596	10,639	11,600	11,819	11.1
Share (%)	64.5	46.1	40.1	34.9	39.1	39.8	39.9	-
Securities Issued	**310**	**325**	**584**	**1,045**	**1,890**	**1,959**	**1,987**	**5.1**
Payables to Banks	**1,048**	**1,432**	**2,384**	**3,535**	**5,177**	**5,509**	**5,807**	**12.2**
Funds from Repo Transactions	**587**	**540**	**723**	**2,244**	**2,575**	**2,664**	**3,076**	**19.5**
SHAREHOLDERS' EQUITY	**714**	**1,406**	**2,153**	**2,908**	**4,156**	**4,421**	**4,467**	**7.5**
Profit (Loss) of the Period	93.0	431.6	620.8	660.3	940.2	363.6	421.8	-
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	50.7	50.3	-
Securities/Assets	16.0	16.5	16.9	16.0	14.9	14.7	14.6	-
Deposits/Liabilities	57.5	61.8	63.1	57.9	58.0	57.9	57.3	-
Loans/Deposits	92.4	85.5	78.6	84.9	84.9	87.6	87.9	-
Capital Adequacy (%)	18.4	19.5	19.1	19.7	19.7	16.4	16.3	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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