



Global Economy

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At its December meeting, the Fed cut its policy rate by 25 basis points, in line with expectations, to a range of 3.50-3.75%. Fed members revised their growth forecasts for 2025 and 2026 upward and their inflation forecasts downward.

The US economy grew at an annualized rate of 4.3% in the third quarter of 2025, well above expectations of 3.3%.

ECB kept its key interest rates unchanged at its last meeting of 2025, in line with expectations. The statement released after the meeting and officials' comments emphasized that the region's economy is in better shape than expected.

The People's Bank of China kept its 1-year and 5-year lending rates unchanged at 3% and 3.5%, respectively.

In the third quarter of 2025, the Japanese economy contracted for the first time since the first quarter of 2024. However, because of the high inflation in the country, the BoJ, increased the policy rate from 0.50% to 0.75%, which is the first raise since January 2025.

In December, gold and silver prices tested new historic highs at 4,550 USD/ounce and 83.6 USD/ounce, respectively, while oil prices, which followed a volatile course during the month, declined by 2.0% mom. In the first days of 2026, the US intervention in Venezuela affected oil and gold prices.

Turkish Economy

According to seasonally and calendar-adjusted data, industrial production contracted by 0.8% mom in October. During the same period, service and construction production also declined by 0.3% and 0.1%, respectively.

The unemployment rate rose by 0.1 percentage points to 8.6% in November, while the underemployment rate fell from 29.7% to 29.1%.

The ICI Türkiye Manufacturing PMI rose to 48.9 in December, indicating that the weakness in sector's activity conditions reached its mildest level in 2025.

Despite the widening trade deficit in October, the current account recorded a surplus of 457 million USD, supported by service revenues. The current account deficit stood at 14.5 billion USD in the first ten months of 2025 and 22 billion USD based on 12-month cumulative data.

The central government budget posted a surplus of 169.5 billion TRY in November, while the primary budget surplus was 287.4 billion TRY. Thus, the central government budget deficit for the January-November 2025 period declined by 0.5% yoy to 1.3 trillion TRY.

In December, the CPI rose by 0.89% mom, below market expectations, while annual CPI inflation fell to 30.89%, its lowest level since November 2021. During the same period, the D-PPI inflation rate was 0.75% mom and 27.67% yoy.

At its last meeting of 2025, the CBRT cut its policy rate by 150 basis points to 38%.

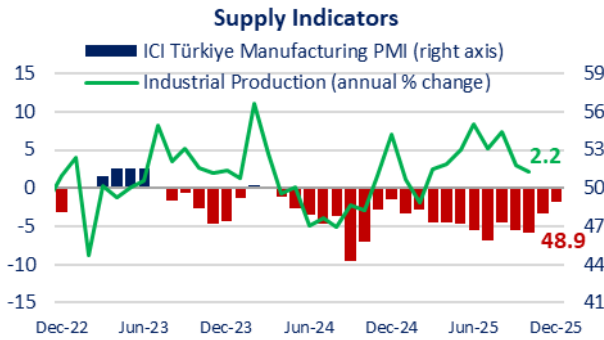
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Leading Indicators

Unemployment rate was 8.6% in November.

According to seasonally adjusted data, the unemployment rate rose marginally by 0.1 percentage points to 8.6% in November, when the number of unemployed increased by 54K. During this period, the number of employed persons increased by 75K and the total labor force rose by 128K. The employment rate became 49.2% and the labor force participation rate was 53.8%, slightly above the annual average. On the other hand, the underemployment rate, a broad measure of unemployment, remained high at 29.1% in November, despite falling by 0.6 percentage points compared to the previous month.

According to paid employee statistics, employment in the construction sector recorded a strong annual increase of 6.2% in October, while it rose moderately by 2.5% in the trade and services sector. On the other hand, the 3.5% decline in the employment of industrial sector during the same period showed that the sector's activities diverged negatively.



Production indices showed a weak performance in October.

According to seasonally and calendar-adjusted data, industrial production, which contracted by 0.6% qoq in the third quarter of 2025, declined by 0.8% mom in October. Production decreased in 16 of the 24 sectors operating under the manufacturing industry, with the most significant decline recorded in the manufacture of computer, electronic, and optical products (-23.5%). Thus, the annual increase in industrial production in October was 2.2%, the lowest level in the last eight months.

In October, the construction production index recorded a monthly decline (by 0.1%) for the first time in five months, while the services production index fell by 0.3% mom. Thus, the annual increases in the relevant indices were 28% and 3.4%, respectively.

The ICI manufacturing PMI rose to 48.9 in December.

Türkiye Manufacturing PMI published by the Istanbul Chamber of Industry (ICI) rose for the second consecutive month in December, climbing from 48.0 in November to 48.9. This indicates that the weakness in the sector's operating conditions in this period was realized at its mildest level in 2025. According to sub-indices, the decline in production continued

in 21st consecutive month but was recorded at the mildest level of the year, while the ongoing slowdown in new orders was realized at its lowest level since March 2024. During this period, declines in purchasing activity and employment slowed down as well. However, input costs and final product price inflation, which had fallen to their lowest levels since the beginning of 2025 in November, gained momentum again in the last month of the year. During this period, the PMI data exceeded the threshold value in only two (food products and electrical and electronic products) of the 10 sectors tracked.

Demand indicators signaled a slowdown in October.

Leading indicators pointed to a loss of momentum in demand in October. During this period, retail sales recorded a limited increase of 0.2% mom, while retail sales except watches and jewelry declined by 0.1%. With wholesale trade volume falling by 6.1% mom in October, total trade sales volume contracted by 3.6%. Thus, the trade sales volume recorded its slowest increase since February 2025, rising by 7.4% yoy. On the other hand, the 6.4% monthly rise in the CPI-adjusted card spending index in November, following its decline in October, signaled a revival in demand due to the impact of discount campaigns held this month.

House sales fell by 7.8% yoy in November.

House sales declined by 7.8% yoy in November to 141,100 units. Mortgage sales, which fell by 1.4% during this period, continued to account for a low share of total sales at 15.2%. Despite the negative outlook of house sales in November, house prices rose by 2.7% mom, 31.4% yoy in nominal terms, and 0.3% yoy in real terms. This marked the first real annual increase in house prices in 21 months. On the other hand, the annual rise in the construction cost index fell from 37.9% in October 2024 to 22.6% in the same month 2025. During this period, the annual increases in the material and labor sub-indices were 18.7% and 30.5%, respectively.

Confidence indices presented a mixed picture in December.

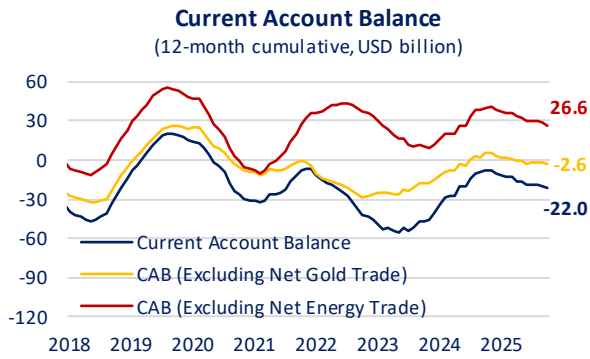
According to seasonally adjusted data, the consumer confidence index declined by 1.8% mom in December, falling to 83.5, its lowest level since February. There was a deterioration in assessments across all sub-indices in general. On the other hand, it was noteworthy that households were more likely to take on debt to finance consumption in the next three months. Meanwhile, the real sector confidence index rose by 0.5 points mom in December to 103.7, its highest level since November 2023. According to sectoral confidence indices, operating conditions in the construction sector deteriorated in December, while the retail trade and services sectors continued to show improvement, reaching their highest levels since the first quarter of the year. Thus, in line with the divergent trends in the sub-indices, the economic confidence index remained unchanged from the previous month at 99.5.

Source: CBRT, Datastream, ICI, TURKSTAT

Foreign Trade and Balance of Payments

The current account balance recorded a surplus of 457 million USD in October.

The current account balance recorded a surplus of 457 million USD in October, close to market expectations. The current account deficit in the January-October period increased fivefold compared to the same period of the previous year and became 14.5 billion USD, while the 12-month cumulative current account deficit reached 22 billion USD, the highest level in the last one and a half year.



The foreign trade deficit continued to widen in October.

The foreign trade deficit widened by 70.2% yoy in October to 6 billion USD. During this period, non-monetary gold imports increased by 63% yoy to 2.8 billion USD, reaching the highest level in more than two years. Energy imports decreased by 3.4% to 4.8 billion USD during the same period. The current account surplus, excluding net gold and energy trade, decreased by 6% yoy to 7 billion USD in October.

In the first 10 months of the year, gold imports increased by 43.4% compared to the same period of the previous year, while energy imports decreased by 2.7%. The current account surplus excluding net gold and energy trade became 40.1 billion USD during this period.

Net services revenues recorded their fastest annual increase in the last 12 months in October.

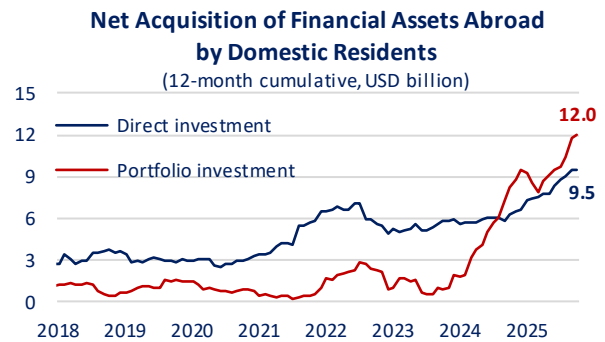
Net services revenues rose by 9.9% yoy in October, reaching 7.6 billion USD. Tourism revenues, which accounted for 53% of total services revenues during this period, increased by 5.3%, while tourism expenditures grew at a faster pace of 14.6%. Thus, net tourism revenues increased by 4% yoy to 5.9 billion USD. Transportation revenues, which accounted for 33% of services revenues, increased by 11%, while transportation expenditures decreased by the same rate. Thus, net transportation revenues rose by 32.9% yoy to 2.5 billion USD.

During the first 10 months of the year, net services revenues increased by 3.4% compared to the same period last year, reaching 56.3 billion USD, a record high level for the January-October periods. During this period, net tourism revenues

increased by 2.2% to 44.8 billion USD, while net transportation revenues increased by 16.7% to 19.5 billion USD.

A net outflow of 838 million USD was recorded in direct investments.

In October, residents acquired net assets worth 966 million USD abroad, while non-residents invested 128 million USD in Türkiye. Thus, net direct investments recorded an outflow of 838 million USD, which is the highest monthly outflow since November 2014. Looking at the composition of direct investments into the country, net outflows of 39 million USD were recorded in the capital investments item during this period. In the real estate item, a net capital inflow of 240 million USD was recorded, which was above this year's average.



In January-October period, net direct investments inflows increased by 3% on an annual basis to 3.5 billion USD. During this period, residents' investments abroad increased by 55.2% yoy to 8.1 billion USD, while non-residents' direct investments in Türkiye increased by 34.7% to 11.6 billion USD.

Residents made a net portfolio investment of 1.2 billion USD abroad in October.

Following a capital inflow of 1.7 billion USD in September, portfolio investments recorded a net capital outflow of 1 billion USD in October. During this period, portfolio investments abroad made by residents increased by 1.2 billion USD, while portfolio investments by non-residents remained limited at 181 million USD. Non-residents made net sales of 44 million USD in the equity securities. In the government domestic debt securities market, non-resident investments, which recorded a net purchase of 978 million USD in September, registered a net sale of 98 million USD in October. With regards to the securities issued in international markets, non-residents made a net purchase of 529 million USD worth of foreign currency bonds issued by banks.

Net capital inflows under the other investments account...

In October, net capital inflows under other investments amounted to 2.9 billion USD. During this period, other sectors realized a net borrowing of 3.1 billion USD in loans,

Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

while banks made a net borrowing of 829 million USD in loans. While other sectors' net credit usage from abroad was at the level of 1.8 billion USD in the first 10 months of last year, this amount became 13.5 billion USD in the same period this year. Banks' net credit usage from abroad declined from 13.6 billion USD to 10.7 billion USD during the same period.

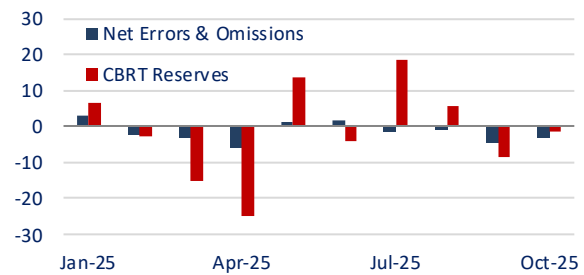
According to 12-month cumulative data, the long-term debt rollover ratios of banks and real sector remained above their long-term averages and became 177% and 168%, respectively.

Reserve assets declined in October.

After falling by 8.7 billion USD in September, reserve assets recorded a decline of 1.6 billion USD in October. Thus, the decline in reserve assets since the beginning of the year amounted to 13.1 billion USD.

With the 3.2 billion USD outflow recorded in October, the total outflows stemming from the net error and omission item in the first ten months of the year reached 15.6 billion USD.

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



Expectations...

Despite the strong increase in the foreign trade deficit, the current account balance continued to record surplus for the fourth consecutive month in October. The rise in services revenues supported this outlook. On the other hand, the upward trend in 12-month cumulative current account deficit persisted. According to the preliminary foreign trade data, foreign trade deficit continued to widen in November. As tourism revenues lose pace following the end of the summer season, we expect the current account balance to record deficits in the last two months of the year.

Balance of Payments				(USD million)	
	Oct. 2025	Jan. - Oct. 2024	2025	% Change	12-month Cumulative
Current Account Balance	457	-2,934	-14,543	395.7	-22,020
Foreign Trade Balance	-5,963	-44,513	-55,823	25.4	-67,296
Services Balance	7,588	54,441	56,318	3.4	63,246
Travel (net)	5,860	43,817	44,763	2.2	49,866
Primary Income	-1,132	-12,800	-14,576	13.9	-17,642
Secondary Income	-36	-62	-462	645.2	-328
Capital Account	13	-118	-155	31.4	-163
Financial Account	-2,683	-9,192	-30,301	229.6	-42,532
Direct Investment (net)	838	-3,388	-3,491	3.0	-5,188
Portfolio Investment (net)	1,023	-10,966	788	-	-223
Net Acquisition of Financial Assets	1,204	8,060	10,567	31.1	12,039
Net Incurrence of Liabilities	181	19,026	9,779	-48.6	12,262
Equity Securities	-44	-2,623	1,300	-	1,442
Debt Securities	225	21,649	8,479	-60.8	10,820
Other Investment (net)	-2,934	4,439	-14,473	-	-23,831
Currency and Deposits	499	11,767	1,784	-84.8	3,915
Net Acquisition of Financial Assets	2,200	12,376	5,267	-57.4	5,258
Net Incurrence of Liabilities	1,701	609	3,483	471.9	1,343
Central Bank	-257	-9,297	-8,764	-5.7	-11,333
Banks	1,958	9,906	12,247	23.6	12,676
Foreign Banks	2,039	6,221	12,161	95.5	12,665
Foreign Exchange	-190	1,317	5,106	287.7	6,354
Turkish Lira	2,229	4,904	7,055	43.9	6,311
Non-residents	-81	3,685	86	-97.7	11
Loans	-5,477	-12,719	-20,443	60.7	-26,886
Net Acquisition of Financial Assets	-659	2,859	4,877	70.6	4,279
Net Incurrence of Liabilities	4,818	15,578	25,320	62.5	31,165
Banking Sector	829	13,614	10,689	-21.5	15,069
Non-bank Sectors	3,139	1,774	13,518	662.0	14,494
Trade Credit and Advances	2,047	5,433	4,212	-22.5	-810
Other Assets and Liabilities	-3	-42	-26	-38.1	-50
Reserve Assets (net)	-1,610	723	-13,125	-	-13,290
Net Errors and Omissions	-3,153	-6,140	-15,603	154.1	-20,349

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

Budget Balance

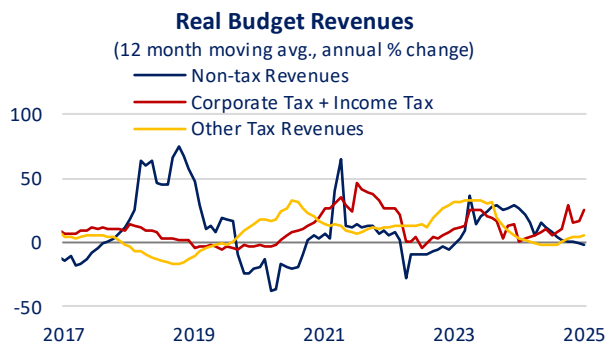
The central government budget posted a surplus of 169.5 billion TRY in November.

In November, central government budget revenues increased by 51.1% yoy to 1.4 trillion TRY, while budget expenditures rose by 30.7% to 1.3 trillion TRY. Thus, the central government budget recorded a surplus of 169.5 billion TRY in November, while the primary budget surplus was 287.4 billion TRY.

The central government budget deficit for the January-November period decreased by 0.5% yoy to 1.3 trillion TRY. The primary budget balance, which recorded a deficit of 81.7 billion TRY in the same period last year, recorded a surplus of 666.7 billion TRY.

Tax revenues rose by 55.3% yoy in November.

Tax revenues rose by 55.3% yoy in November, reaching 1.3 trillion TRY. Corporate tax revenues had the largest share in tax revenues during this period with 25.8%, while income tax revenues, which constituted 22% of total tax revenues, recorded a 66.7% increase compared to the same period of the previous year. The annual increase in special consumption tax revenues gained momentum compared to the previous two months and became 47%. VAT revenues collected on imports increased by 32.5% yoy, contributing 154.1 billion TRY to budget revenues. In line with the loss of momentum in inflation, the pace of increase in domestic VAT revenues, which accounted for 11.7% of tax revenues during this period, continued to slow down recording an annual rise of 42.5% in November.



Based on the main components of tax revenues, the fastest annual increases in the January-November period were recorded in income tax revenues at 88.3% and domestic VAT revenues at 56.5%, while the weakest increase was observed in VAT collected on imports at 27.5%.

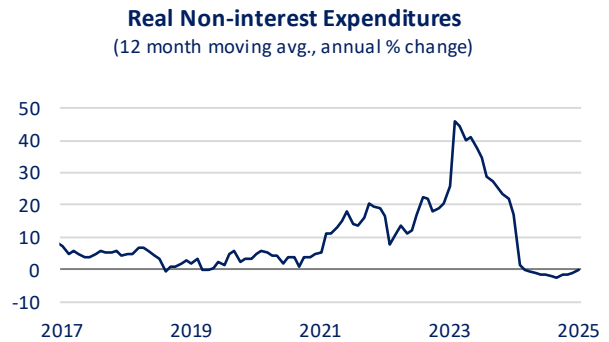
Non-tax revenues increased by 31.2% yoy in the January-November period.

Non-tax revenues increased by 22.6% in November and 31.2% in the January-November period on an annual basis. Interest, shares, and fines, which accounted for nearly 60% of non-tax revenues in the January-November period, recorded an annual increase of 35.8% during this period. Sales of other capital revenues, tracked under the

capital revenues item, increased fivefold during this period. Thus, the capital revenues increased by 145.8% to reach 42.5 billion TRY in January-November period.

Non-interest expenditures increased by 39.8% in November.

Non-interest budget expenditures recorded a 39.8% increase on an annual basis in November. Current transfers, which constitute 40% of non-interest expenditures, increased by 31.6%. Compensation of employees, which constitute 29% of non-interest expenditures, increased by 34.1% on an annual basis. During this period, capital expenditures increased by 28.9% yoy, while purchases of goods and services increased by 32%.



Although the main items of non-interest expenditures recorded similar rates of increases in the January-November period, the fastest annual increase was in purchases of goods and services with a 45.1% increase, while the lowest increase was recorded in compensation of employees, with a 36.4% increase.

Interest expenditures fell by 19.4% yoy in November, declining for the first time since February 2023. In the January-November period, interest expenditures increased by 62.1%, constituting 15.1% of total expenditures. In the same period last year, interest expenditures accounted for 13.2% of total budget expenditures.

Expectations...

In November, tax revenues continued to grow faster than non-interest expenditures on an annual basis. While the real change in non-interest expenditures was close to zero on a 12-month cumulative basis while the rise in real tax revenues supported the budget outlook. As the December budget deficit data, which was 829.2 billion TRY last year, is expected to be recorded at a high level along with the seasonality, we estimate that year-end budget realizations will be in line with the targets. In this context, we expect the budget deficit to GDP ratio to be close to 3.5% at year-end, as foreseen in the Medium-Term Program (MTP). In the MTP, the next year's budget deficit to GDP ratio was also projected at 3.5%.

Central Government Budget

	November		%	January-November		%	2025 Budget	MTP	Real./ MTP
	2024	2025	Change	2024	2025	Change	Target	Target	Target (%)
Expenditures	956.1	1,250.1	30.7	9,070.2	12,842.6	41.6	14,731.0	14,674.1	87.5
Interest Expenditures	146.3	117.9	-19.4	1,195.2	1,937.7	62.1	1,950.0	2,052.7	94.4
Non-Interest Expenditures	809.8	1,132.2	39.8	7,875.0	10,904.9	38.5	12,781.0	12,621.4	86.4
Revenues	939.5	1,419.6	51.1	7,793.3	11,571.6	48.5	12,800.3	12,465.9	92.8
Tax Revenues	819.4	1,272.5	55.3	6,597.1	10,002.0	51.6	11,138.8	10,733.6	93.2
Other Revenues	120.0	147.1	22.6	1,196.2	1,569.6	31.2	1,661.6	1,732.3	90.6
Budget Balance	-16.6	169.5	-	-1,276.9	-1,271.0	-0.5	-1,930.7	-2,208.3	57.6
Primary Balance	129.7	287.4	121.7	-81.7	666.7	-	19.3	-155.6	-

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

CPI rose by 0.89% mom in December.

Monthly CPI inflation, which was recorded at 0.87% in November, remained below 1% in December and became 0.89%. Market expectation was 0.98%. The monthly rise of 0.89% corresponds to the lowest increase recorded in December months since 2019. Monthly inflation in D-PPI also stood at 0.75% in the last month of the year.

December	CPI		D-PPI	
(change %)	2024	2025	2024	2025
Monthly	1.03	0.89	0.40	0.75
Annual	44.38	30.89	28.52	27.67
Annual Average	58.51	34.88	41.10	25.36

Annual CPI inflation ended 2025 at 30.89%, while annual D-PPI inflation was 27.67%. At the end of last year, these figures were 44.38% and 28.52%, respectively.

Price declines in the clothing and footwear and transportation groups limited monthly inflation by a total of 0.34 points.

In December, prices increased on a monthly basis in 10 out of 12 main expenditure categories. The fastest monthly increases were recorded in the communications and food and non-alcoholic beverages groups, at 2.91% and 1.99% respectively, while the two main categories that saw monthly declines were clothing and footwear and transportation. When evaluated by contributions to the monthly inflation figure, food and non-alcoholic beverages stood out with 0.48 points contribution, while the housing, water, electricity, gas and other fuels group made the second largest contribution with 0.24 points. Clothing and footwear and transport items limited monthly CPI inflation by a total of 0.34 points.

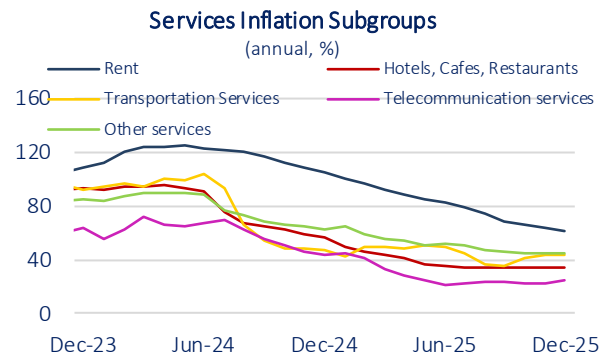
Looking at annual price changes in the said expenditure groups, education (66.27%) and housing, water, electricity, gas and other fuels (49.45%) stand out this year, as it was also the case last year. The lowest annual increases in 2025, on the other hand, were recorded in communications group at 19.04% and the clothing and footwear group at 6.5%. During this period, the housing, water, electricity, gas and other fuels group made the highest contribution with 7.5 points, to the annual inflation of 30.89%, while food and non-alcoholic beverages contributed 7.1 points and transport items contributed 4.4 points.

Monthly inflation rates in the B and C core CPI indicators were below headline inflation...

Fresh fruits and vegetables prices, which fell by 6.09% mom in November, declined by a limited 0.11% in December. In line with this picture, monthly CPI inflation excluding seasonal products exceeded headline CPI inflation in December, as it also did in November. However, B CPI index, excluding unprocessed food, energy, alcoholic beverages, tobacco and gold, increased by 0.78% on a monthly basis. The core inflation indicator C, also increased by 0.63% on a monthly basis, pointing to a momentum below the headline inflation.

Annual rent inflation fell to 61.61%.

December data, which paints a positive picture about the underlying trend in inflation, also shows that the momentum in services inflation has continued to slow. During this period, monthly services group inflation was 0.89%, the lowest level since April 2021, while prices in the rent group, one of the sub-items of the services group, increased by 1.65% on a monthly basis, showing the weakest monthly increase since December 2021. Annual price increases in these two categories fell to 43.99% (2024-end: 65.73%) and 61.61% (2024-end: 105.82%), respectively, during this period.



Electricity, gas sector limited the monthly D-PPI inflation.

In December, the monthly increase in producer prices was 0.75%, the lowest level of the year. During this period, the sectors that contributed most to the monthly D-PPI inflation were food products and basic metals, each contributing 0.14 points. The electricity, gas sector, where prices fell by 3.0% on a monthly basis, became the sector that limited the increase in the D-PPI the most, with 0.25 points. Prices of coke and refined petroleum products also fell by 7.84% on a monthly basis, pulling down the monthly PPI inflation by 0.21 points.

Looking at the annual changes in the producer prices, the fastest price increase was 87.42% in the metal ores sector, while the lowest annual increase was 12.39% recorded in the crude petroleum and natural gas sector. Food products group contributed the most to the annual D-PPI inflation with 6.7 points.

Expectations...

In December, parallel to the loss of momentum in inflation that spread across most sub-items, core inflation indicators pointed to an improvement in the underlying trend of inflation based on 3-month moving averages. Even though monthly CPI inflation in the first month of 2026 is expected to be higher than in the previous months due to updates in administered prices and adjustments in service prices, we expect the inflation print to be below the level seen in January 2025 and therefore we expect the disinflation process to continue.

Source: Datastream, Turkstat

Financial Markets

	28-Nov	31-Dec	Change
5-Y CDS (basis points)	238	205	-33 bp ▼
TR 2-Y Benchmark Yield	38.47%	37.22%	-125 bp ▼
BIST-100	10,899	11,262	3.3% ▲
USD/TRY	42.4732	42.9498	1.1% ▲
EUR/TRY	49.2663	50.2667	2.0% ▲
Currency Basket*	45.8698	46.6083	1.6% ▲

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

CBRT cut its policy rate by 150 basis points.

At its meeting on December 11, the CBRT cut its policy rate by 150 basis points to 38%, while lowering overnight lending rate from 42.5% to 41% and overnight borrowing rate from 38% to 36.5%. The meeting's decision text noted that CPI inflation in November was lower than expected, in line with developments in food prices, and stated that demand conditions continued to support the disinflation process in the last quarter of 2025. On the other hand, it was stated that while inflation expectations and pricing behavior showed signs of improvement, they continued to pose a risk to the disinflation process. The statement retained the phrase that monetary policy stance would be tightened again if the inflation outlook deviated significantly from the main targets.

The CBRT published its 2026 Monetary Policy statement on December 28. Similar to last year, CBRT plans to hold eight meetings in 2026 and emphasizes that monetary policy will be designed to provide the monetary and financial conditions that will bring inflation to the medium-term target. The CBRT plans to hold its first meeting of 2026 on January 22, with no meetings scheduled for February, May, August, and November.

The net minimum wage has been set at 28,075 TRY.

The Minimum Wage Determination Commission, which met three times between December 12 and 23, announced the monthly net minimum wage for 2026 as 28,075.5 TRY, representing a 27% rise. Employer support was increased from 1,000 TRY to 1,270 TRY. Thus, the gross minimum wage rose to 33,030 TRY, and the cost to employers was 39,223 TRY in the manufacturing sector and 40,214 TRY in other sectors.

Inflation and growth expectations improved in December.

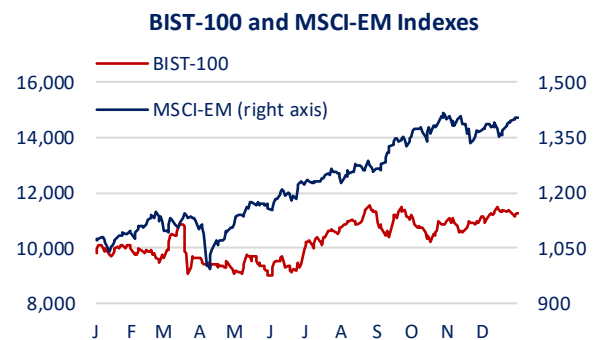
According to the Survey of Market Participants published by the CBRT, participants' economic growth expectations rose from 3.4% in the previous survey period to 3.5% for 2025 and from 3.8% to 3.9% for 2026. Market participants' inflation expectations for the next 12 months, which had risen in October and November, declined in December, falling from 23.49% to 23.35%. Inflation expectations for the same period declined in the real sector from 35.70% to 34.80% and in households from 52.24% to 50.90%.

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

According to data adjusted for price and exchange rate movements, as of December 26, the stock portfolio of non-residents increased by a net 819 million USD compared to the end of November, while the GDDS portfolio rose by a net 1.4 billion USD. Thus, since the beginning of the year, there has been a net capital inflow of 2.3 billion USD into the stock market and a net capital inflow of 73 million USD into the government bond market. The CBRT's gross total reserves increased by 10.6 billion USD compared to the end of November and by 38.8 billion USD compared to the end of 2024, reaching 193.9 billion USD as of December 26. As of the same date, net international reserves became 79.8 billion USD, with an increase of 7.7 billion USD compared to the end of November and 16.2 billion USD ytd.

BIST-100 index ended the year at 11,262.

In the first half of December, the BIST-100 index rose in line with increased expectations of an interest rate cut by the CBRT, following November's inflation data, which came in below expectations. However, the index remained under pressure in the following weeks due to profit sales. Thus, the index rose by 3.3% mom and 14.6% throughout 2025, ending the year at 11,262. Türkiye's 5-year CDS premium, which started the year at 261 basis points, fell from 238 basis points at the end of November to 205 basis points at the end of December. EUR/TRY rose by 2.0% in December, while the USD/TRY showed a relatively moderate increase of 1.1%, in line with the weakening of the US dollar in global markets. Annual increases in exchange rates were 37.4% and 21.6%, respectively.



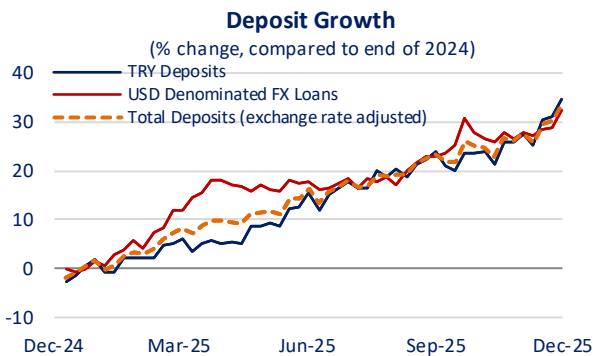
Source: CBRT, Datastream, Reuters

Foreign currency deposit volume reached 249.6 billion USD.

According to the Weekly Bulletin data published by the BRSA, TL deposit volume increased by 5.5% compared to the end of November and by 34.6% compared to the same period of the previous year, reaching 16.7 trillion TRY as of the week of December 26. Foreign currency deposit volume in USD basis rose by 3.6% (8.8 billion USD) compared to the end of November and by 32.4% (61.1 billion USD) yoy, to 249.6 billion USD. Throughout 2025, the exchange rate effect as well as the increase in gold demand and prices were decisive in the course of foreign currency deposits. Indeed, according to the exchange rate-adjusted data announced by the CBRT, foreign currency deposits of domestic residents rose by 1.7 billion USD mom (due to a 2.4 billion USD increase in precious metal accounts) and 9.8 billion USD yoy (due to a 12.4 billion USD increase in precious metal accounts). FX deposits of corporates, which declined by 134 million USD mom during this period, recorded an increase of 11.6 billion USD yoy. As of December 26, the FX-protected deposits' volume was 163 million USD, while the ratio of FX deposits to total deposits in TRY terms stood at 38.9%. The total deposit volume in the banking sector expanded by 5.2% mom and 44.1% yoy, reaching 27.4 trillion TRY. According to data adjusted for exchange rate effects, the rise in total deposit volume recorded in the same periods were 4.8% and 33.9%, respectively.

TL credit volume recorded a 42.6% increase yoy.

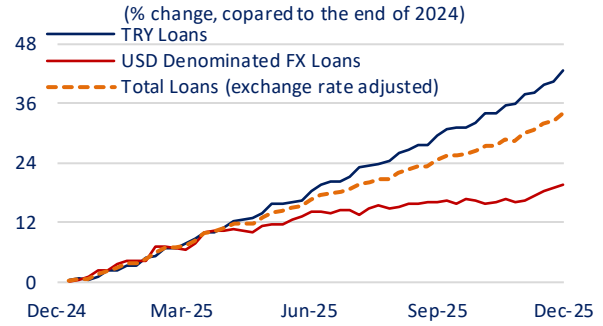
As of December 26, TL credit volume in the banking sector reached 14.3 trillion TRY, expanding by 3.6% compared to the end of November and by 42.6% compared to the same period of the previous year. In USD terms, FX credit volume increased by 2.5% and 19.5% in the same periods, respectively, rising to 200.3 billion USD. Thus, the total credit volume expanded by 3.6% mom and 43.9% yoy, reaching 22.9 trillion TRY. According to data adjusted for exchange rate effects, the increases recorded in the total credit volume during the same periods were 3.2% and 34.1%, respectively.



Annual growth in retail loans stands at 46.5%.

As of December 26, retail loans expanded by 2.8% mom and by 46.5% yoy. The increase in consumer credit cards, which account for 48.3% of the total retail loan balance, was 2.0%

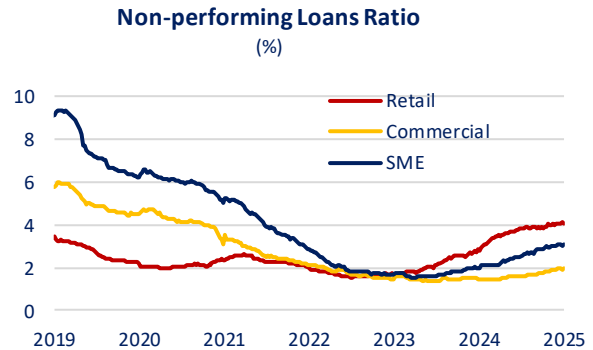
Loan Growth



and 50.1% respectively during the same periods. The annual increase in overdraft accounts, which rose by 3.4% mom, continued to lose momentum in December but was recorded at 68.6%. During this period, consumer loans and housing loans, excluding overdraft accounts, rose by 4.1% mom and 2.3% mom, respectively. Annual increases in the relevant loan items were 51.3% and 31.8%, respectively. Annual contraction in vehicle loans, which rose for the first time on a monthly basis since December 2024 at 3.9%, continued with 32.1%.

Non-performing loans ratio stood at 2.46%.

As of December 26, the balance of non-performing loans increased by 20.7 billion TRY mom, while the NPL ratio remained unchanged at 2.46%, like at the end of November. This ratio stood at 4.07% for retail loans, its highest level since April 2017, while it was recorded at 1.94% for commercial loans. For SME loans, the NPL ratio stood at 3.08%, its highest level since November 2022.



FX net general position of the banking sector...

As of December 26, the banking sector's on-balance sheet FX position was (-) 48,706 million USD, while its off-balance sheet FX position was (+) 49,066 million USD. Thus, the sector's net FX position was recorded at (+) 359 million USD.

Concluding Remarks

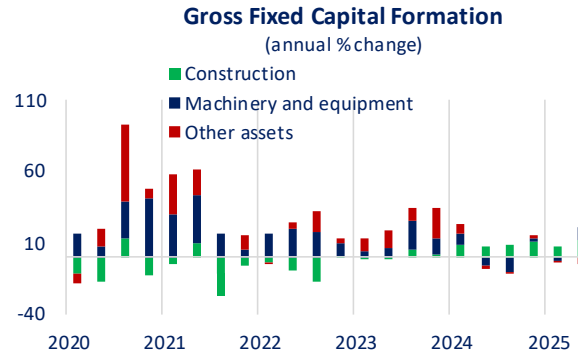
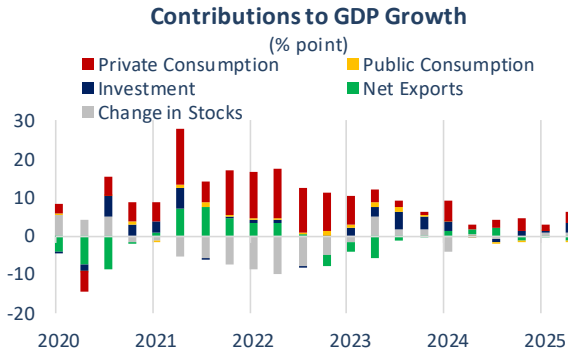
In December, risk appetite generally remained positive amid growing expectations that the Fed would cut interest rates. Although the Fed cut interest rates as expected, its cautious messages regarding the policy path for 2026 caused market expectations for future rate cuts to weaken somewhat. Meanwhile, as divided opinions among Fed members have become more apparent, the policies the institution will pursue after the new appointments in 2026 will be among the most critical issues to watch in the new year. In addition, the impact on global markets of the midterm elections to be held in November 2026 in the US and the policies Trump may pursue to increase his public support ahead of the elections will be monitored, as well.

In the Euro Area, where the ECB completed its interest rate cut cycle in the first half of 2025, the trajectory of economic activity, which is expected to strengthen in line with infrastructure and defense spending, stands out as another issue to be followed. Although the escalating trade war tensions between the US and China in the first half of 2025 appear to have subsided for now, the actions to be taken by both sides to strengthen their positions will be closely monitored until the negotiations which were postponed to November 2026. Peace talks between Russia and Ukraine

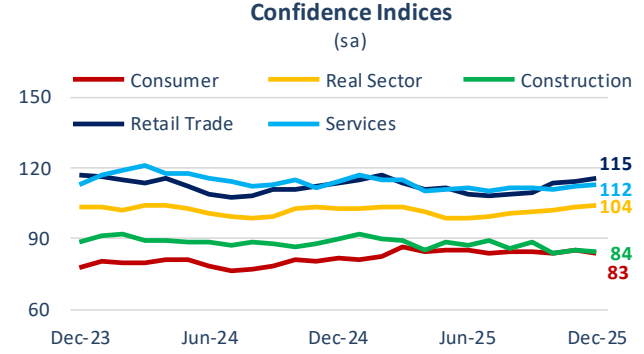
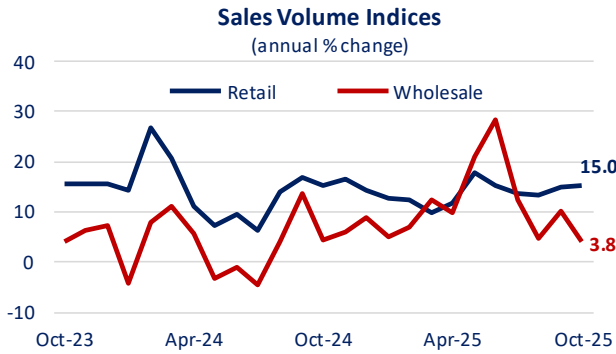
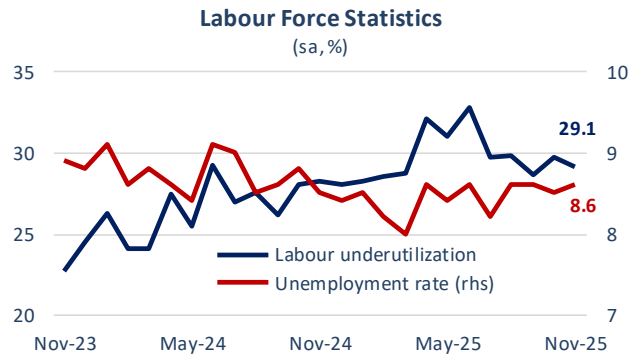
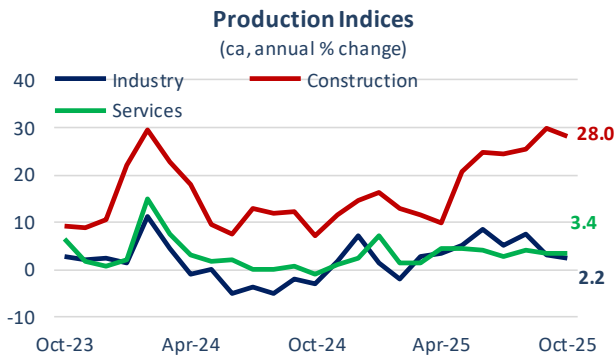
intensified in the last month of 2025, but no solution has been reached yet. The tension between the US and Venezuela, which rose towards the end of the year, continues in the first days of the new year with the US arresting Venezuelan President Nicolas Maduro. In the coming period, geopolitical developments will continue to be closely monitored in terms of their impact on global economic activity and the price trends of commodities, particularly gold and oil.

In Türkiye, the disinflation process continued in December. The fact that monthly CPI inflation remained below expectations and the 1% level in the last month of the year, following November, and the slowdown in service inflation were noted as positive developments for shaping expectations in the coming period. Depending on the course of inflation and the improvement in expectations, in 2026, the CBRT is expected to gradually continue the interest rate cuts that it resumed in July 2025.

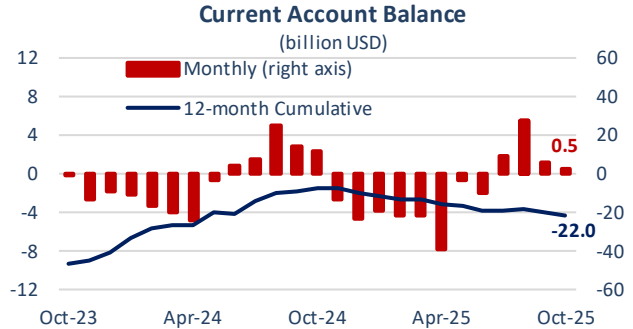
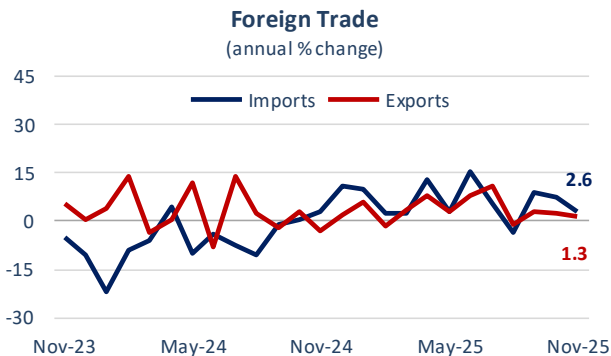
Growth



Leading Indicators



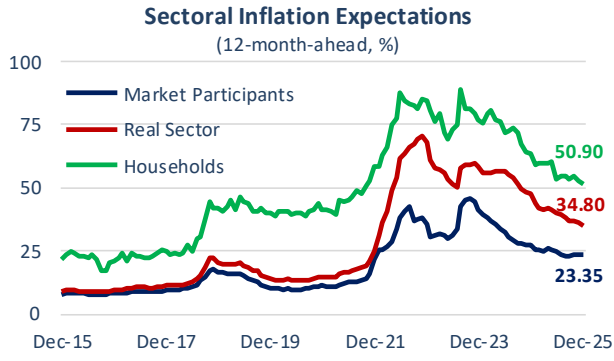
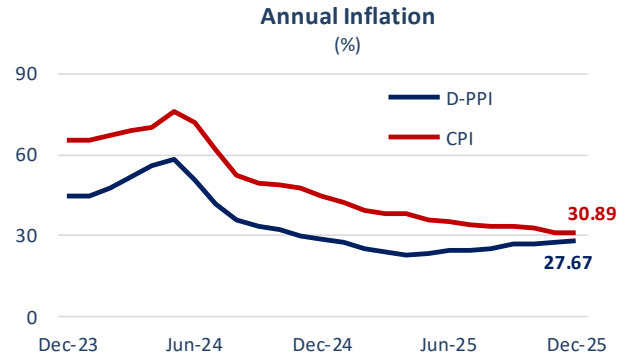
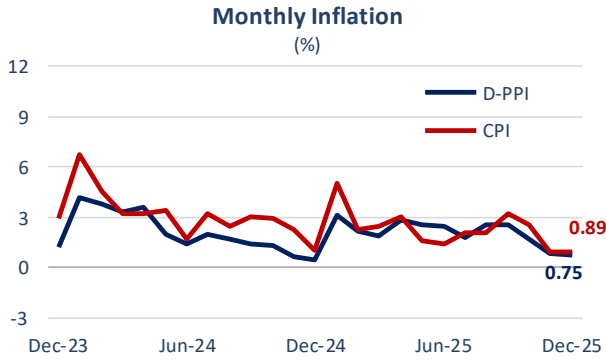
Foreign Trade and Current Account Balance



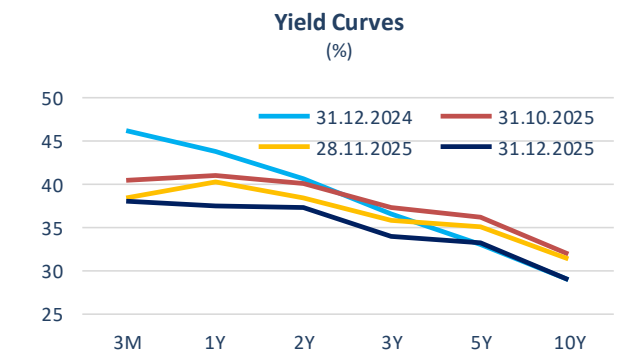
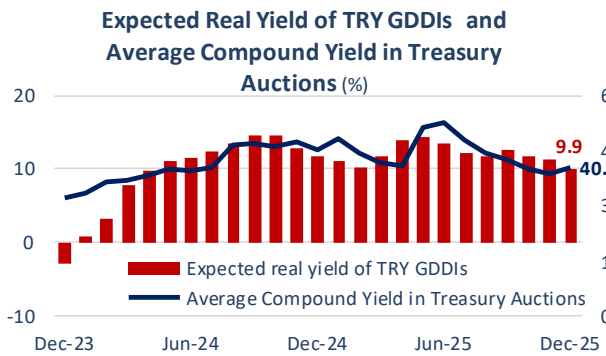
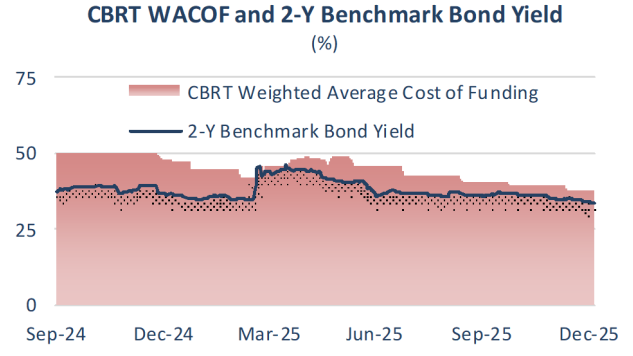
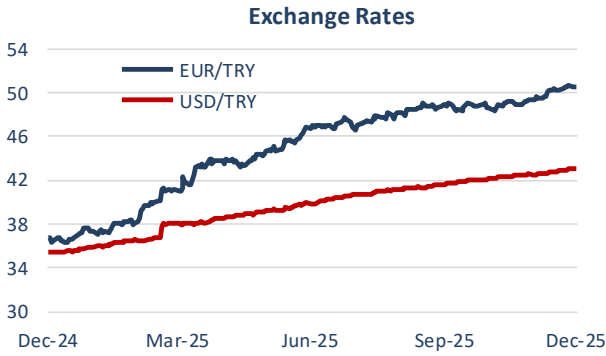
(CA): Calendar adjusted, (SA): Seasonally adjusted

Source: Datastream, CBRT, Turkstat

Inflation



Foreign Exchange and Bond Market



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

Turkish Economy - Macroeconomic Indicators

GROWTH	2020	2021	2022	2023	2024	Q1-25	Q2-25	Q3-25
GDP (USD billion)	730	828	925	1,153	1,358	347	378	433
GDP (TRY billion)	5,142	7,434	15,326	27,091	44,587	12,538	14,606	17,425
GDP Growth Rate (%)	1.8	11.8	5.4	5.0	3.3	2.5	4.9	3.7
INFLATION (%)						Oct-25	Nov-25	Dec-25
CPI (annual)	14.60	36.08	64.27	64.77	44.38	32.87	31.07	30.89
Domestic PPI (annual)	25.15	79.89	97.72	44.22	28.52	27.00	27.23	27.67
SEASONALLY ADJUSTED LABOR MARKET FIGURES						Sep-25	Oct-25	Nov-25
Unemployment Rate (%)	12.6	11.0	10.3	8.8	8.4	8.6	8.5	8.6
Labor Force Participation Rate (%)	49.1	52.6	53.9	53.9	54.0	53.5	53.7	53.8
FX RATES						Oct-25	Nov-25	Dec-25
CPI Based Real Effective Exchange Rate	65.0	50.9	59.2	60.2	72.4	71.89	71.79	-
USD/TRY	7.43	13.28	18.72	29.53	35.36	42.05	42.48	42.96
EUR/TRY	9.09	15.10	19.98	32.62	36.62	48.53	49.30	50.46
Currency Basket (0.5*EUR+0.5*USD)	8.26	14.19	19.35	31.08	35.99	45.29	45.89	46.71
FOREIGN TRADE BALANCE ⁽¹⁾ (USD billion)						Sep-25	Oct-25	Nov-25
Exports	169.6	225.2	254.2	255.6	261.8	269.6	270.1	270.4
Imports	219.5	271.4	363.7	362.0	344.0	359.0	361.1	361.9
Foreign Trade Balance	-49.9	-46.2	-109.5	-106.3	-82.2	-89.4	-91.0	-91.5
Import Coverage Ratio (%)	77.3	83.0	69.9	70.6	76.1	75.1	74.8	74.7
BALANCE OF PAYMENTS ⁽¹⁾ (USD billion)						Aug-25	Sep-25	Oct-25
Current Account Balance	-31.0	-6.2	-46.3	-41.5	-10.4	-18.5	-20.3	-22.0
Financial Account	-38.7	3.4	-17.5	-51.4	-21.4	-34.0	-38.4	-42.5
Direct Investments (net)	-4.3	-6.2	-8.9	-4.7	-5.1	-6.6	-5.8	-5.2
Portfolio Investments (net)	9.8	7.6	18.5	-5.7	-12.0	0.4	-2.5	-0.2
Other Investments (net)	-12.4	-21.3	-39.4	-39.0	-4.9	-29.0	-23.2	-23.8
Reserve Assets (net)	-31.9	23.3	12.3	-2.0	0.6	1.2	-6.8	-13.3
Net Errors and Omissions	-7.7	9.7	28.8	-9.7	-10.9	-15.3	-18.0	-20.3
Current Account Balance/GDP (%)	-4.2	-0.8	-5.0	-3.6	-0.8	-	-	-
BUDGET ⁽²⁾⁽³⁾ (TRY billion)						Sep-25	Oct-25	Nov-25
Expenditures	1,202.2	1,599.6	2,941.4	6,585.5	10,777.0	10,222.2	11,592.5	12,842.6
Interest Expenditures	134.0	180.9	310.9	674.6	1,270.5	1,662.4	1,819.8	1,937.7
Non-interest Expenditures	1,068.3	1,418.8	2,630.5	5,910.8	9,506.6	8,559.8	9,772.7	10,904.9
Revenues	1,029.5	1,407.4	2,802.4	5,210.5	8,670.9	9,004.9	10,152.0	11,571.6
Tax Revenues	833.1	1,165.0	2,353.3	4,500.9	7,304.9	7,753.5	8,729.5	10,002.0
Budget Balance	-172.7	-192.2	-139.1	-1,375.0	-2,106.1	-1,217.3	-1,440.5	-1,271.0
Primary Balance	-38.8	-11.4	171.8	-700.4	-835.7	445.1	379.3	666.7
Budget Balance/GDP (%)	-3.4	-2.6	-0.9	-5.1	-4.7	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						Sep-25	Oct-25	Nov-25
Domestic Debt Stock	1,060.4	1,321.2	1,905.3	3,209.3	4,959.9	7,593.5	7,739.0	7,941.1
External Debt Stock	752.5	1,426.6	2,130.1	3,527.4	4,297.5	5,373.4	5,433.3	5,383.9
Total Debt Stock	1,812.8	2,747.8	4,035.5	6,736.6	9,257.4	12,966.9	13,172.2	13,325.0

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

Source: CBRT, Datastream, Ministry of Treasury and Finance, Reuters, Turkstat

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2020	2021	2022	2023	2024	Oct.25	Nov.25	Change ⁽¹⁾
TOTAL ASSETS	6,106	9,215	14,347	23,553	32,668	44,119	44,968	37.7
Loans	3,576	4,901	7,581	11,677	16,052	21,591	22,175	38.1
TRY Loans	2,353	2,832	5,110	7,894	10,145	13,457	13,906	37.1
Share (%)	65.8	57.8	67.4	67.6	63.2	62.3	62.7	-
FX Loans	1,224	2,069	2,471	3,783	5,907	8,134	8,269	40.0
Share (%)	34.2	42.2	32.6	32.4	36.8	37.7	37.3	-
Non-performing Loans	152.6	160.1	163.4	191.9	293.6	533.8	557.6	89.9
Non-performing Loan Rate (%)	4.1	3.2	2.1	1.6	1.8	2.4	2.5	-
Securities	1,023	1,477	2,371	3,970	5,226	6,822	6,902	32.1
TOTAL LIABILITIES	6,106	9,215	14,347	23,553	32,668	44,119	44,968	37.7
Deposits	3,455	5,303	8,862	14,852	18,903	25,367	26,070	37.9
TRY Deposits	1,546	1,880	4,779	8,897	12,307	15,389	15,893	29.1
Share (%)	44.7	35.5	53.9	59.9	65.1	60.7	61.0	-
FX Deposits	1,909	3,423	4,083	5,955	6,596	9,978	10,176	54.3
Share (%)	55.3	64.5	46.1	40.1	34.9	39.3	39.0	-
Securities Issued	224	310	325	584	1,045	1,757	1,820	74.1
Payables to Banks	658	1,048	1,432	2,384	3,535	4,894	5,018	41.9
Funds from Repo Transactions	255	587	540	723	2,244	2,791	2,569	14.5
SHAREHOLDERS' EQUITY	600	714	1,406	2,153	2,908	3,804	3,920	34.8
Profit (Loss) of the Period	58.5	93.0	431.6	620.8	660.3	751.6	842.8	27.6
RATIOS (%)								
Loans/GDP	69.6	65.9	49.5	43.1	36.0	-	-	-
Loans/Assets	58.6	53.2	52.8	49.6	49.1	48.9	49.3	-
Securities/Assets	16.7	16.0	16.5	16.9	16.0	15.5	15.3	-
Deposits/Liabilities	56.6	57.5	61.8	63.1	57.9	57.5	58.0	-
Loans/Deposits	103.5	92.4	85.5	78.6	84.9	85.1	85.1	-
Capital Adequacy (%)	18.7	18.4	19.5	19.1	19.7	18.9	19.2	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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