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## Global Economy

In August, when the major US tariff measures have come into force, suspension of additional tariffs on China for another 90 days was welcomed by the markets.

The minutes of the Fed meeting held on July 29-30 showed that the vast majority of members assessed that inflationary risks outweighed employment-related risks.

In his speech at the Jackson Hole Symposium, Fed Chair Powell indicated that a possible slowdown in the labor market could alleviate inflation concerns, signaling that the Fed could cut interest rates at its September meeting.

US GDP growth figure for the second quarter was revised upward by 0.3 percentage points to 3.3% on an annualized basis. Additional tariffs in July were reflected in producer prices.

In Euro Area, the manufacturing PMI data, which rose above the threshold value for the first time since July 2022 with 50.7, pointed to a revival in sector's activity in the second half of the year.

While deflationary pressures persisted in China, leading indicators pointed to a slowdown in economic activity in the second half of the year.

In August, oil prices fell on OPEC+ countries' decision to increase production and expectations of peace between Russia and Ukraine. Gold prices rose in line with the decline in US dollar's value and expectations of interest rate cuts.

## Turkish Economy

Turkish economy grew by 1.6% qoq and 4.8% yoy in the second quarter of the year, exceeding expectations.

The seasonally adjusted unemployment rate fell by 0.4 percentage points mom to 8% in July, while the underemployment rate declined to 29.6%.

ICI Türkiye Manufacturing PMI rose to 47.3 in August, indicating that the weakness in sector's activity conditions was at its mildest level since April.

The current account deficit was realized as 2 billion USD in June and 23.1 billion USD in the first half of the year, driven by a rapid increase in trade deficit.

The central government budget recorded a deficit of 23.9 billion TRY in July. The budget deficit, which reached 1 trillion TRY in the first seven months of the year, constituted 52% of the target set for the whole year.

In August, CPI rose by 2.04% on a monthly basis, exceeding market expectations, while annual CPI inflation fell to 32.95%. D-PPI rose by 2.48% on a monthly and 25.16% on an annual basis.

In its third Inflation Report of the year, the CBRT changed its medium-term forecast communication strategy and defined an "interim target" for each year-end in addition to its forecast path. The CBRT set its interim target at 24% for this year and at 16% for 2026.

BIST-100 index ended August with a 5.1% increase. During this period, USD/TRY rose by 1.3% mom and EUR/TRY by 3.8% mom.

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## GDP Growth

### Turkish economy grew by 4.8% yoy in the second quarter.

According to chain-linked volume index, Turkish economy grew by 4.8% yoy in the second quarter of 2025, exceeding market expectations. Turkstat revised annual growth for 2024 from 3.2% to 3.3% and for the first quarter of 2025 from 2% to 2.3%. Thus, Turkish economy grew by 3.6% yoy in the first half of the year.

In the second quarter of the year, calendar-adjusted annual growth was realized as 4.6%. According to seasonally and calendar-adjusted figures Turkish economy grew by 1.6% qoq in the second quarter of the year. On the other hand, GDP growth was revised down from 1% to 0.7% in the first quarter of the year as a result of the upward revision to last year's figures.

As of the second quarter of 2025, the annualized GDP of Türkiye was recorded at 52.4 trillion TRY at current prices and approximately 1.5 trillion USD.

Contributions to Growth		(% points)			
	2023	2024	2025		
	Annual	Annual	Q1	Q2	H1
<b>Consumption</b>	<b>7.1</b>	<b>2.8</b>	<b>1.4</b>	<b>2.8</b>	<b>2.1</b>
Private	6.8	3.0	1.1	3.4	2.3
Public	0.3	-0.1	0.2	-0.6	-0.2
<b>Investment</b>	<b>1.8</b>	<b>0.7</b>	<b>0.5</b>	<b>2.2</b>	<b>1.4</b>
<b>Stock Change</b>	<b>-0.9</b>	<b>-1.2</b>	<b>0.9</b>	<b>1.2</b>	<b>1.0</b>
<b>Net Exports</b>	<b>-3.0</b>	<b>1.0</b>	<b>-0.5</b>	<b>-1.4</b>	<b>-0.9</b>
Exports	-0.6	0.0	0.0	0.4	0.2
Imports	-2.4	1.0	-0.5	-1.8	-1.2
<b>GDP (yoy, %)</b>	<b>5.0</b>	<b>3.3</b>	<b>2.3</b>	<b>4.8</b>	<b>3.6</b>

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

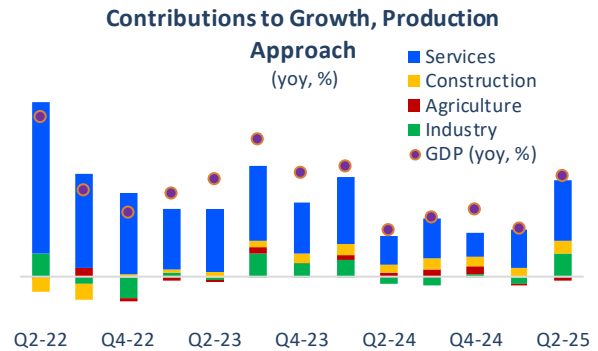
### Private consumption expenditures rose rapidly in the second quarter.

According to the chain-linked volume index, private consumption expenditures expanded by 5.1% yoy in the second quarter of the year, contributing 3.4 points to growth, the highest level since the first quarter of 2024. The increase in private consumption expenditures was driven by the rapid rise in durable goods and service expenditures in the second quarter. During this period, public consumption expenditures decreased by 5.2% yoy, limiting growth by 0.6 points. Investment spending, which was weak in the first quarter of the year, contributed 2.2 points to growth in the second quarter, the highest record since the second quarter of 2023. Construction and machinery&equipment investments contributed equally to growth with 1.1 points each, indicating that investment spending was balanced well during this period. Thus, consumption and investment expenditures contributed a total of 5.0 points to growth in the second quarter of the year. On the other hand, although ex-

ports gained some momentum in the second quarter compared to the first quarter, increasing by 1.7% on an annual basis, net exports had a limiting effect on growth by 1.4 points due to imports accelerating more rapidly during the same period, rising by 8.8%. Thus, net exports continued to limit the growth since the last quarter of 2024. The inventory change item, which also includes the statistical error margin, contributed positively to growth (by 1.2 points) in the second quarter, as it did in the first quarter.

### In the second quarter, all sectors contributed positively to growth, except agriculture.

According to production approach, the services sector, whose annual production growth accelerated to 4.7%, continued to be the sector with the highest contribution to growth with 2.8 points. Additionally, the contribution of the services sector to growth reached its highest level since the first quarter of 2024. On the other hand, industrial production, which contracted by 1.7% yoy in the first quarter of 2025, expanded rapidly by 6.1% in the second quarter. Thus, the industrial production made a positive contribution of 1.2 points to growth in the second quarter. During this period, the construction sector, whose production surged by 10.9% yoy, continued its positive contribution to growth, which has been ongoing since the last quarter of 2022, with 0.6 points. On the other hand, in the second quarter agriculture sector limited growth (by 0.1 points) for the first time since the first quarter of 2023.



### Expectations...

The acceleration in private consumption expenditures in the second quarter of the year indicated that domestic demand remained robust despite the tight monetary policy stance. During this period, the annual decline in public consumption expenditures was noteworthy for the disinflation process, while the balanced contribution of construction and machinery&equipment investments to growth was a positive development for sustainable growth performance. In the upcoming period, the effects of disinflationary policies on demand conditions will be the key determinant of growth performance.

Source: CBRT, Datastream, ICI, TURKSTAT

## Leading Indicators

### There was a diversification in the composition of industrial production.

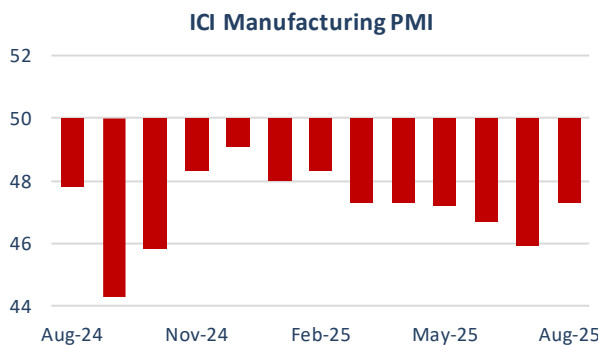
Details of industrial production data that contributed positively to growth in the second quarter of the year, showed rapid increases in the production of capital goods (14.8%) and high-tech products (40.1%). During this period, production increased in 19 of the 24 sectors operating under the manufacturing industry, while the rise in the manufacture of computers, electronic and optical products (27.8%) and other transport equipment (23.1%) stood out. On the other hand, production in labor-intensive sectors such as textiles, wearing apparel and leather products contracted on an annual basis in the second quarter of the year.

### Labor underutilization rate was 29.6% in July.

According to seasonally adjusted data, the unemployment rate fell by 0.4 points mom to 8% in July. During this period, when the labor force decreased by 146k people, the labor force participation rate fell by 0.3 points to 53.3%, while the employment rate remained at 49.1% for the third consecutive month. In July, the labor underutilization rate, the broadest measure of unemployment, fell by 3.1 points to 29.6%, dropping from its peak of 32.7% in June. Details of the components of underutilization showed that the largest decrease was in time-related underemployment.

### ICI Türkiye manufacturing PMI rose to 47.3 in August.

Türkiye's manufacturing PMI, published by Istanbul Chamber of Industry, rose to 47.3 in August from 45.9 in July. Although the index remained below the threshold value for the 17th month, it reached its highest level since April. In August, the decline in production and new orders was the weakest in the last six months, while employment recorded its sharpest contraction since April 2020. Input cost inflation accelerated slightly during this period, while product prices recorded their most limited increase since the beginning of the year. According to sectoral data, PMI remained below the threshold value in August in all sectors except basic metals, with the weakest activity conditions was seen in the textile sector.



### House sales increased by 12.4% yoy in July.

According to TurkStat data, house sales in Türkiye increased by 12.4% yoy in July, reaching 142,858 units. Mortgaged sales, which recorded a rapid rise of 60.3% during this period, continued to have a low share of total sales at 12.9%. Other house sales went up by 7% yoy to 124,433 units. House sales to foreigners in July recorded an 18.6% decline on an annual basis, while the share of these sales in the total was 1.4%. In the first seven months of the year, total house sales rose by 24.2% compared to the same period of last year, partly due to the low base effect. Despite the robust performance of the housing market, house prices rose by 0.95% mom in July, below CPI inflation. During this period, house prices rose nominally by 32.82% yoy, while the real decline was 0.5%.

### White goods sales were weak, while the automotive market showed strong performance.

The decline in white goods sales continued in July. Thus, domestic sales of six major white goods products declined by 9% yoy and exports fell by 7% in the January-July period. In parallel, the sector's production decreased by 9% compared to the same period last year.

On the other hand, the automotive market continued its robust trend with the rapid growth in automobile sales in August. As a result, total automotive sales rose by 7.2% yoy in the first eight months of the year. During this period, light commercial vehicle sales increased by 4.1% yoy and automobile sales by 8.1% yoy, with the rapid growth in electric and hybrid vehicle sales particularly noteworthy.

### Confidence indices presented generally positive outlook in August.

According to seasonally adjusted data consumer confidence index rose by 0.9% yoy to 84.3 in August. During this period, among the sub-indices, the increase in assessments of the household's financial situation in the current period was noteworthy, while expectations regarding the household's financial situation and the general economic situation for the next 12 months presented a more pessimistic outlook, limiting the increase in the index. In August, the real sector confidence index also rose by 0.4 mom, rising above the threshold value again after a three-month break. During the same period, sectoral confidence indices increased by 0.8% and 1.1% on a monthly basis in the retail and service sectors, respectively, while it recorded a 4% decline in construction sector. Thus, the economic confidence index increased by 1.7% in August and became 97.9, the highest level in the last five months.

Source: CBRT, Datastream, ICI, TURKSTAT

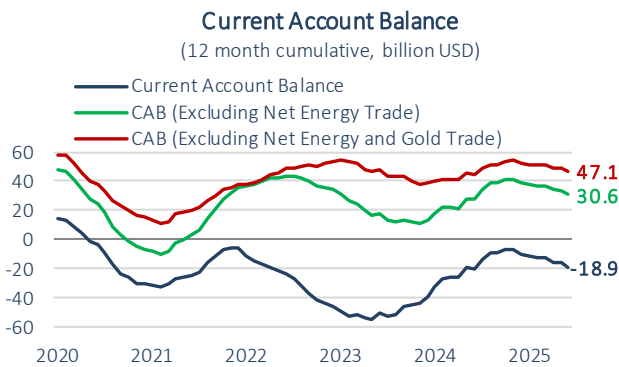
## Foreign Trade and Balance of Payments

### The current account deficit was 2 billion USD in June.

The current account balance posted a deficit of 2 billion USD in June, exceeding market expectations. Market expectations were around 1.38 billion USD. In the January-June period, the current deficit increased by 60.8% yoy to 23 billion USD, while the 12-month cumulative current account deficit reached 19 billion USD, the highest level in one year.

### The foreign trade deficit increased by 23.1% yoy in the first half of the year.

The foreign trade deficit, as defined by the balance of payments methodology, increased by 56.6% yoy in June to 6.5 billion USD. During this period, the general merchandise trade balance increased by 57.4%, while net non-monetary gold imports increased by 53.1%. The current account deficit excluding net gold trade was 582 million in June. During this period, net energy imports decreased by 1.3% yoy to 3.2 billion USD, while the current account balance excluding net energy and gold trade recorded a surplus of 2.58 billion USD.



In the first half of the year, the current account deficit defined by the balance of payments methodology increased by 23.1% yoy, while net gold imports rose by 44.1% and net energy imports increased by 2% during this period.

### Net tourism revenues reached a historic high level in June.

Net services revenues decreased by 1.3% yoy in June, reaching USD 6.0 billion. While services revenues increased by 5.7%, services expenses showed a rapid increase of 15.2%.

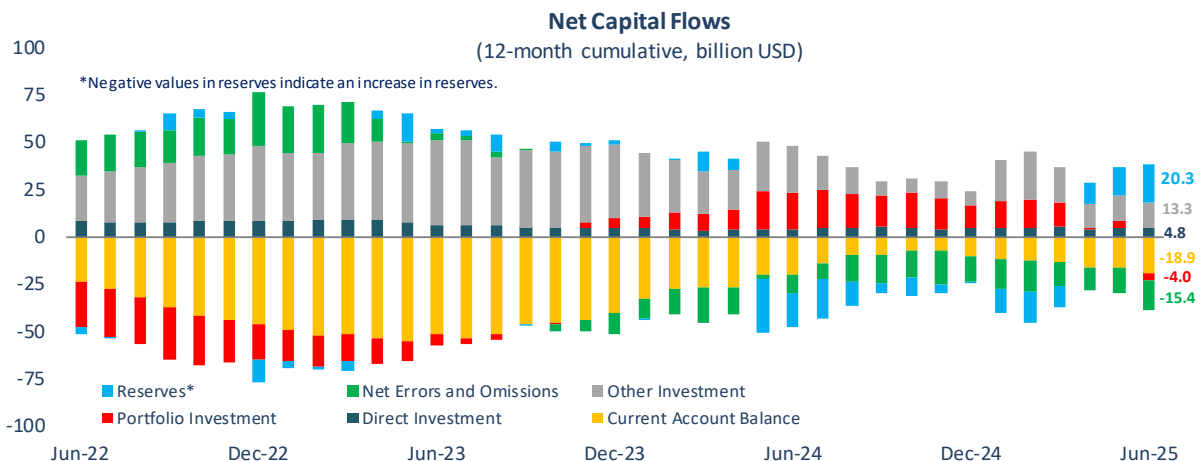
Tourism revenues, which accounted for 53% of service revenues during this period, increased by 7.7% yoy, reaching 6 billion USD. Tourism expenses increased by 36% yoy to 938 million USD. As a result, net tourism revenues rose by 3.6% to 5 billion USD. This level was the highest recorded for June. During the same period, transportation revenues, which accounted for 31% of services revenues, increased by 2.3%, while the increase in related expenses was 1.3%.

### Reserve assets and portfolio investments played a major role in the financing the current account deficit in June.

Reserve assets contributed 4.1 billion USD to the financing of the current account deficit in June. Reserve assets had seen a record increase of 13.5 billion USD in May. Another significant support to the financing of the current account deficit came from portfolio investments, with a net capital inflow of 1.0 billion USD recorded in this category. During the same period, net foreign capital inflows into the bond market amounted to 928 million USD, while the stock market saw the highest net foreign capital inflow since December 2023, at 641 million USD.

### Equity capital investments saw the highest monthly inflow since May 2022.

In June, non-residents' net direct investments in Turkey reached 1.6 billion USD, the highest level since the beginning of the year. Looking at the sub-items of foreign direct investments, that are equity capital, other capital and real estate capital investments, we see that equity capital inflows reached their highest level since May 2022 at 1.2 billion USD during this period. Other capital investments showed a net inflow of 262 million USD, while net real estate investments amounted to 133 million USD. In the Janu-



Source: Datastream, Turkstat, CBRT

## Foreign Trade and Balance of Payments

ary-June period, net real estate investments was 859 million USD, the lowest level for the same periods since 2009.

In June, net asset acquisitions abroad by residents amounted to 950 million USD. Thus, net direct investment inflows became 616 million USD.

### A capital outflow of 3.7 billion USD was recorded in the net errors and omissions item in the first half of the year.

While the net errors and omissions item recorded a net capital inflow of 628 million USD in June, contributing to the financing of the current account deficit, recorded an outflow of 3.7 billion USD in the first half of the year.

### Net capital outflow in other investments...

In June, net capital outflow in other investments was 4.3 billion USD, the highest level in June since 2020. Net capital outflow of 5.7 billion USD in the currency and deposits items was behind this outflow. Banks and the real sector continued to show a strong performance in terms of obtaining loans from abroad. In June, banks borrowed 10 billion USD abroad against a repayment of 7.1 billion USD in long-term loans, while other sectors borrowed 2.5 billion USD abroad against a repayment of 2.2 billion USD in long-term loans. According to 12-month cumulative data, the long-term debt rollover ratios of banks and other sectors continued to ex-

ceed their long-term averages at 161% and 141%, respectively.

### Expectations...

According to the preliminary data published by the Ministry of Trade, the foreign trade deficit narrowed by 12.1% on an annual basis in July, reaching 6.4 billion USD. In addition to the yearly increase recorded in the EUR/USD parity, a lower level of oil prices compared to last year's average supports the foreign trade balance. In the third quarter of the year, economic activity in our main export markets, particularly in Europe, and the course of tourism revenues with the ongoing summer season will be significant for the current account balance outlook. Although concerns over the uncertainties regarding global trade policies largely eased as of the first weeks of August, the impact of the rise in the US effective tariff rates on global trade will be closely monitored.

### Balance of Payments (USD million)

	Jun. 2025	Jan. - Jun. 2024	Jan. - Jun. 2025	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>-2.006</b>	<b>-14.359</b>	<b>-23.092</b>	<b>26,2</b>	<b>-18.926</b>
Foreign Trade Balance	-6.476	-30.110	-37.058	12,6	-63.330
Services Balance	5.989	23.438	23.548	-2,5	62.102
Travel (net)	5.015	18.513	18.848	-0,7	49.288
Primary Income	-1.454	-7.572	-9.281	26,3	-17.584
Secondary Income	-65	-115	-301	-67,1	-114
<b>Capital Account</b>	<b>-6</b>	<b>-28</b>	<b>-5</b>	<b>1.900,0</b>	<b>-103</b>
<b>Financial Account</b>	<b>-1.384</b>	<b>-20.714</b>	<b>-26.797</b>	<b>8,5</b>	<b>-34.451</b>
Direct Investment (net)	-616	-2.251	-1.874	118,7	-4.754
Portfolio Investment (net)	-1.049	-10.067	5.887	572,6	3.977
Net Acquisition of Financial Assets	520	4.291	4.223	-58,3	9.464
Net Incurrence of Liabilities	1.569	14.358	-1.664	-14,8	5.487
Equity Securities	641	-1.250	528	-	-703
Debt Securities	928	15.608	-2.192	6,6	6.190
Other Investment (net)	4.331	-2.121	-3.643	-	-13.340
Currency and Deposits	5.715	4.800	3.231	284,9	12.329
Net Acquisition of Financial Assets	6.022	10.027	4.980	29,7	7.320
Net Incurrence of Liabilities	307	5.227	1.749	-	-5.009
Central Bank	-250	-1.587	-6.375	-	-16.654
Banks	557	6.814	8.124	-5,0	11.645
Foreign Banks	494	3.864	7.714	35,6	10.575
Foreign Exchange	675	682	4.326	119,9	6.209
Turkish Lira	-181	3.182	3.388	-15,8	4.366
Non-residents	63	2.950	410	-87,4	1.070
Loans	-748	-10.883	-5.904	706,6	-21.124
Net Acquisition of Financial Assets	1.759	303	3.152	331,3	5.110
Net Incurrence of Liabilities	2.507	11.186	9.056	675,5	26.234
Banking Sector	2.098	11.521	3.839	379,3	17.384
Non-bank Sectors	445	-501	5.279	-	8.399
Trade Credit and Advances	-630	3.965	-965	-	-4.477
Other Assets and Liabilities	-6	-3	-5	225,0	-68
Reserve Assets (net)	-4.050	-6.275	-27.167	-49,0	-20.334
<b>Net Errors and Omissions</b>	<b>628</b>	<b>-6.327</b>	<b>-3.700</b>	<b>-13,6</b>	<b>-15.422</b>

Source: CBRT,



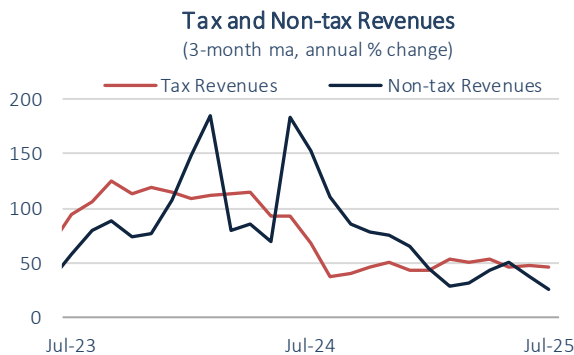
## Budget Balance

### Budget deficit was 23.9 billion TRY in July.

In July, central government budget revenues and expenditures increased by 50.1% and 35.4% yoy, respectively. Central government budget posted a deficit of 23.9 billion TRY in this period. On the other hand, primary budget balance, which posted a deficit of 4.2 billion TRY in July of last year, recorded a surplus of 110.7 billion TRY in this period. Thus, budget deficit was 1 trillion TRY in the first seven months of the year, while the budget recorded a primary surplus of 241.7 billion TRY.

### Tax revenues continued to record strong rises in July.

Tax revenues maintained their strong performance in July, increasing 55.3% yoy to 949.8 billion TRY. Income tax revenues, which accounted for 31% of tax revenues, reached 292.1 billion TRY recording an annual increase of 91.9%. Corporate tax revenues, on the other hand, contracted by 16.5% annually and contributed 12 billion TRY to the budget revenues. In July, tax revenues from the consumption of goods and services recorded increases above the CPI inflation rate. During this period, special consumption tax revenues, which accounted for nearly 20% of tax revenues, increased by 34.6% on an annual basis, while VAT collected on imports, which had the third-highest share in tax revenues with 17.4%, increased by 38.3%. Domestic VAT revenues continued to record strong rises increasing by 59.5% on an annual basis.

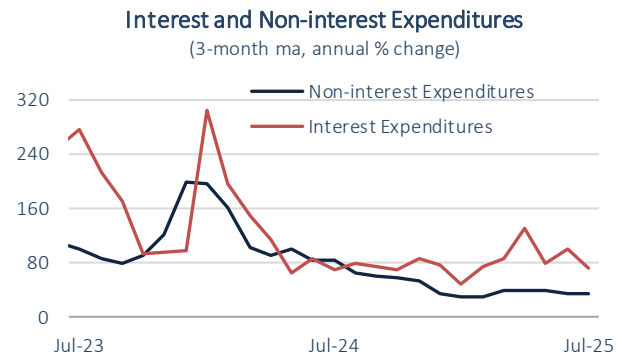


In July, non-tax revenues increased by 23.4% yoy, reaching 147.1 billion TRY, which marks a slower increase than tax revenues, as has been the case in the recent periods. Interest, shares and fines item, which accounted for 68% of

non-tax revenues during this period, rose to 100.5 billion TRY, making up 9.2% of total budget revenues.

### Non-interest expenditures increased by 34.1%.

The annual growth rate of non-interest expenditures remained below the growth rate of tax revenues in July at 34.1%. Current transfers, which is the main expenditure item contributing most to this increase, rose by 40.5% on an annual basis, while the second highest contributor, personnel expenses, increased by 30.7%. Capital expenditures, which account for 10% of total budget expenditures, also increased by 37.3%.



### Interest expenditures accounted for 16.2% of total budget expenditures in the first seven months of the year.

In July, interest expenditures increased by 45.4% yoy to 134.6 billion TRY. As of the first 7 months of the year, the said item accounted for 16.2% of total budget expenditures. In the same period last year, this ratio was 12.3%.

### Expectations...

The budget deficit in the first seven months of the year constituted 52% of the target set for the whole year. A higher rate of increase in the tax revenues compared to non-interest expenditures and the primary budget surplus of 241.7 billion TRY recorded in the first seven months of the year present a positive outlook in terms of budget discipline. The targets to be set for fiscal policy in the Medium-Term Program, which is expected to be announced in September, and the Program's potential signals regarding the monetary and fiscal policy coordination in fighting against inflation will be closely followed.

### Central Government Budget

							(billion TRY)	
	July 2024	2025	% Change	January-July 2024	2025	% Change	MTP Target	Real./ MTP Target (%)
<b>Expenditures</b>	<b>827.7</b>	<b>1,120.8</b>	<b>35.4</b>	<b>5,406.3</b>	<b>7,699.8</b>	<b>42.4</b>	<b>14,731.0</b>	<b>52.3</b>
Interest Expenditures	92.5	134.6	45.4	667.0	1,246.0	86.8	1,950.0	63.9
Non-Interest Expenditures	735.2	986.2	34.1	4,739.3	6,453.8	36.2	12,781.0	50.5
<b>Revenues</b>	<b>730.9</b>	<b>1,096.9</b>	<b>50.1</b>	<b>4,562.3</b>	<b>6,695.5</b>	<b>46.8</b>	<b>12,800.3</b>	<b>52.3</b>
Tax Revenues	611.7	949.8	55.3	3,825.1	5,721.3	49.6	11,138.8	51.4
Other Revenues	119.2	147.1	23.4	737.2	974.2	32.2	1,661.6	58.6
<b>Budget Balance</b>	<b>-96.8</b>	<b>-23.9</b>	<b>-75.3</b>	<b>-844.0</b>	<b>-1,004.3</b>	<b>19.0</b>	<b>-1,930.7</b>	<b>52.0</b>
<b>Primary Balance</b>	<b>-4.2</b>	<b>110.7</b>	<b>-</b>	<b>-177.0</b>	<b>241.7</b>	<b>-</b>	<b>19.3</b>	<b>1,252.3</b>

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

Source: Datastream , Ministry of Treasury and Finance

## Inflation

### CPI increased by 2.04% on a monthly basis in August.

Monthly CPI inflation in August came in at 2.04%, exceeding market expectations of 1.79%. Annual CPI inflation continued its downward trend due to the high base effect, falling to 32.95%. In August, the monthly increase in the D-PPI gained momentum at 2.48%, thus annual producer price inflation rose to 25.16%.

August	CPI		D-PPI	
(change %)	2024	2025	2024	2025
Monthly	2.47	2.04	1.68	2.48
Year-to-Date	31.94	21.50	23.86	20.62
Annual	51.97	32.95	35.75	25.16
Annual Average	64.91	39.62	46.23	26.28

### Prices in the food and non-alcoholic beverages group increased by 3.02% mom.

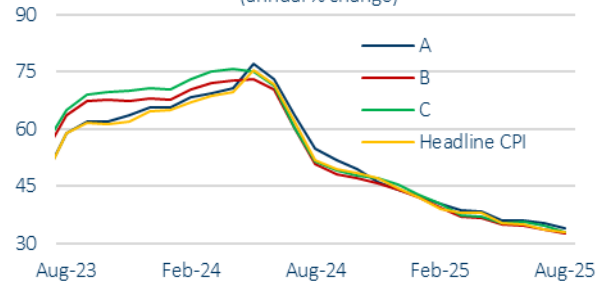
In August, prices climbed in all but one of the 12 major CPI spending groupings, rising faster than headline CPI in four of them. During this time, prices in the food and beverage group, which has the highest weight in the CPI basket, increased by 3.02% compared to the previous month, raising monthly CPI inflation by 0.72 points. The alcoholic beverages and tobacco group experienced its largest monthly increase since March, rising 6.04%, pushing monthly inflation up by 0.21 points. The housing group contributed 0.46 points, with a monthly rise of 2.66%. Transportation prices increased at a relatively moderate rate of 1.55%, contributing 0.24 points to monthly inflation. Clothing and footwear prices declined by 0.71% mom, limiting monthly CPI inflation to 0.04 points.

According to basic headings data, the real rentals paid by tenants item, which increased by 4.61% mom in August, was the most major driver to the CPI increase, contributing 0.31 points. Rent was ranked first, followed by cigarettes (0.21 points), bread (0.18 points), and restaurants and food services (0.11 points).

### The A and B indices rose above the headline CPI.

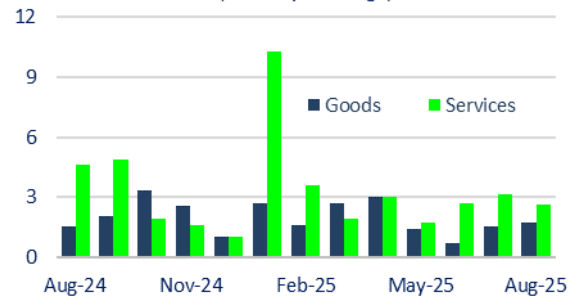
The A index, which excludes seasonal products, increased by 2.19% in August, surpassing headline inflation, indicating that seasonal products were not a driving force in inflation exceeding expectations. During this time, the monthly increases in the B (CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco, and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products, and gold) indices were 2.07% and 1.69%, respectively.

Core CPI Indices and Headline CPI  
(annual % change)



August, energy prices rose by a limited 0.64% mom, while processed food prices recorded its fastest increase since February, rising by 3.83%. During this period, goods inflation was recorded at 1.72% and services inflation at 2.65%. The increase in service inflation was driven by price increases in rent and transportation services.

Goods and Services Prices  
(monthly % change)



### Energy sector was the main driver in D-PPI inflation.

In August, the upward trend in producer prices spread across all sectors. During this period, electricity and gas (0.84 points), where producer prices rose by 10.09% mom, and food products (0.70 points), where prices jumped by 3.52%, stood out as the items contributing most to headline D-PPI inflation. During this period, while prices of the furniture remained relatively stable, the 1.83% decline in the prices of coke and refined petroleum products limited the D-PPI by 0.05 points.

### Expectations...

Consumer inflation in August exceeded market estimates due to price rises in alcoholic beverages, tobacco, food, and non-alcoholic beverages. Price increases were widespread during this period, and core inflation remained relatively high, indicating inflation rigidity. In this context, we believe that the high base effect will continue to support the downward trend in annual inflation in the next months, but that the likelihood of annual CPI inflation remaining above the 25-29% forecast range updated by the CBRT in its most recent Inflation Report has increased.

Source: Datastream, Turkstat

## Financial Markets

	31-Jul	29-Aug	Change
5-Y CDS Primi (baz puan)	278	261	-17 bp ▼
2-Y Benchmark Bond Yield (%)	%40.45	%38.93	-152 bp ▼
BIST-100	10,743	11,288	%5.1 ▲
USD/TRY	40.5901	41.1005	%1.3 ▲
EUR/TRY	46.2797	48.0272	%3.8 ▲
Currency Basket*	43.4349	44.5639	%2.6 ▲

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

### CBRT published third Inflation Report of the year.

CBRT revised its medium-term forecast communication in its Inflation Report published on August 14. In addition to its forecast path, the CBRT defined an interim target for each year-end. For this year, CBRT set the interim target at 24%, which was the midpoint of the inflation forecast range in the previous report. CBRT updated the forecast range from 19%–29% in the previous report to 25%–29%. The interim target for 2026 was set at 16%, which is 4 percentage points above the 12% inflation forecast in the previous report, while the 2026 forecast range was revised from 6%–18% to 13%–19%. The CBRT announced that it has revised its 2027 year-end interim target upward by 1 percentage point compared to the previous report's forecast, setting it at 9%, while maintaining its medium-term inflation target at 5%. CBRT stated that the forecast revisions were largely driven by the upward revision in oil prices, which is expected to increase import prices, as well as the main trend in inflation and updates in food prices.

#### CBRT Inflation Forecasts and Targets (year-end, %)

	IR-II Forecast Ranges	IR-III Forecast Ranges	IR-III Interim Targets
2025	19-24-29	25-27-29	24
2026	6-12-18	13-16-19	16
2027	8	9	9

### CBRT has terminated FX-protected deposit accounts opening and renewal for real persons.

CBRT announced that, as of August 23, FX-protected deposit accounts opening and renewal for real persons, excluding YUVAM accounts, have been terminated. It was stated that accounts opened prior to this date will remain valid until their maturity and that the relevant Communiqués will be repealed when the maturity date of open accounts expires. In parallel, the goals regarding the transition from FX-protected deposits to TL accounts have been lifted.

### Inflation expectations improved in August.

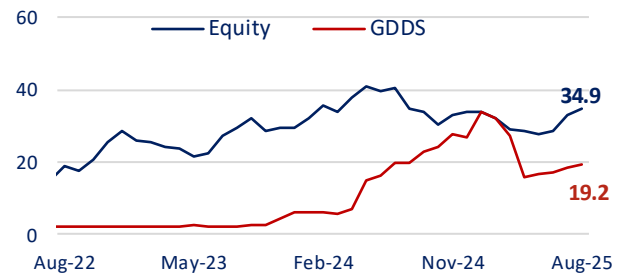
According to the Sectoral Inflation Expectations data released by the CBRT, annual inflation expectations for 12 months ahead declined in August. Expectations fell by 0.6 points to 22.8% for market participants, by 1.3 points to

37.7% in real sector, and by 0.4 points to 54.1% among households. The fact that the percentage of households expecting inflation to fall over the next 12 months rose by 1 percentage point on a monthly basis to 27.6% supported this positive picture as well. On the other hand, according to the August results of Market Participants Survey, participants' annual inflation expectation for the end of this year was 29.69%, while the USD/TRY exchange rate expectation rose to 43.96. Participants' growth expectation for the current year remained unchanged at 2.9%.

### Securities portfolio of non-residents...

According to data adjusted for price and exchange rate movements, as of August 22, the equity portfolio of non-residents increased by a net 428 million USD compared to the end of July, while the GDDS portfolio rose by a net 788 million USD. Thus, there has been a net inflow of 2.1 billion USD into the equity market since the beginning of the year, and the net outflow from GDDS market declined to 4.0 billion USD due to purchases in August. As of the week of August 22, rising by 4.5 billion USD compared to the end of July the CBRT's gross reserves reached its record high of 176.3 billion USD. Net international reserves also rose to a record high of 71.8 billion USD, with an increase of 7.3 billion USD.

#### Non-residents Securities Portfolio (stock, billion USD)



### BIST-100 index rose by 5.1% in August.

BIST-100 index was under pressure in the first two weeks of the month due to uncertainties regarding trade policies. Thereafter the statements reducing uncertainties regarding trade wars and optimism for expected interest rate cuts by the Fed and the CBRT in the coming period supported the index and it rose by 5.1% mom in the whole August. BIST-100 index rose above the 11,000 level for the first time since July 2024 during this period, rising to 274.7 USD, up 3.8% mom in USD terms. In this period, yields on 2-year and 10-year benchmark bonds fell by 152 bps and 39 bps, respectively, while Türkiye's 5-year CDS risk premium also fell by 17 bps to 261 bps. USD/TRY and EUR/TRY rose by 1.3% and 3.8%, respectively. As of September 3, BIST-100 index fell by 4.9% compared to the end of August, while the CDS risk premium increased by 8 bps.

Source: CBRT, Datastream, Reuters



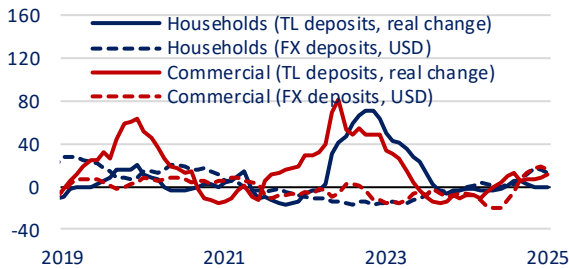
## Banking Sector

**FX deposits expanded by 35.1 billion USD since the end of 2024.**

According to data published by the BRSA, as of the week of August 22, the total deposit volume in the banking sector expanded by 25.6% year-to-date, reaching 23.9 trillion TRY. TL deposit volume increased by 18.8% ytd and became 14.8 trillion TRY. Annual growth in TL deposit volume declined from 38.9% in the first half of the year to 36.7%. FX-protected deposits volume, for which account opening and renewal transactions for real persons were terminated as of August 23, declined to 427.1 billion TRY, while the FX-protected deposits' share in total TL deposits declined from 9% at the end of 2024 to 2.9%. The foreign exchange equivalent of FX-protected deposits volume, which reached 127.6 billion USD in August 2023, stood at 10.5 billion USD as of August 22.

As of August 22, the volume of FX deposits in USD terms increased by 35.1 billion USD compared to the end of 2024. During this period, FX deposits rose by 468 million USD compared to the end of July. As of August 22, parity-adjusted changes in FX deposits of resident households decreased by 263 million USD, while FX deposits of corporates increased by 1.2 billion USD. Since the beginning of the year, FX deposits of resident households went up by 3 billion USD and FX deposits of corporates increased by 13 billion USD on parity-adjusted basis. As of August 22, FX deposits accounted for 38.2% of total deposits (the ratio including FX-protected deposits was 40%).

**Households and Commercials Deposits**  
(annual % change)

**TL credit growth was 24.3% year-to-date...**

As of August 22, the total credit volume in the banking sector expanded by 27.8% compared to the end of 2024, reaching 20.3 trillion TRY. TL credit volume increased by 24.3% during this period, and became 12.5 trillion TRY. While the annual growth in TL loans remained close to its highest levels in approximately the last 16 months at 37.5% during this period, the annual growth in total credit volume declined to 40.3% due to the partial slowdown in FX credit growth. The FX credit volume in USD terms expanded by 14.8% ytd and by 19.8% yoy, reaching 192.5 billion USD.

**Annual growth in retail loans was above the inflation.**

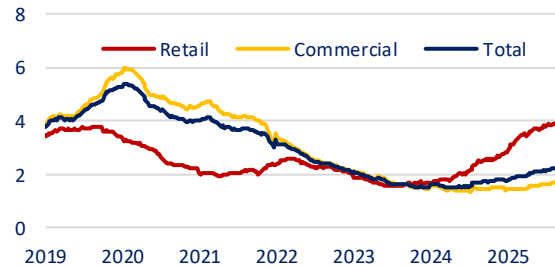
As of August 22, annual growth in retail loans was 46.1% due to increases in consumer credit cards and personal finance loans. The rise in consumer credit cards, which account for approximately half of the retail loans, was 54.3%, while the annual increase in personal finance loans, which account for 37% of retail loans, was 46.1%. Housing loans went up by 32.8% during this period, while the downward trend in vehicle loans continued.

Compared to the end of 2024, the growth recorded in retail loans was 27.4% as of August 22. During this period, consumer credit cards, personal finance loans, and housing loans expanded by 32.3%, 27.5%, and 18.3%, respectively.

**The upward trend in NPL ratio continues.**

In line with tight financial conditions, the banking sector's non-performing loans ratio continues to rise. As of August 22, the sector's NPL ratio stood at 2.22%, close to its highest level since November 2022. This ratio stood at 3.90% for retail loans, its highest level since June 2017, while it was 1.69% for commercial loans. For SME loans, NPL ratio stood at 2.78%, its highest level since December 2022.

**Non-performing Loans Ratio**  
(%)

**FX net general position of the banking sector...**

As of August 22, the banking sector's on-balance sheet FX position was (-)35,981 million USD, while its off-balance sheet FX position was (+)37,514 million USD. Thus, the sector's net FX position was recorded at (+)1,533 million USD.

Source: BRSA Weekly Bulletin

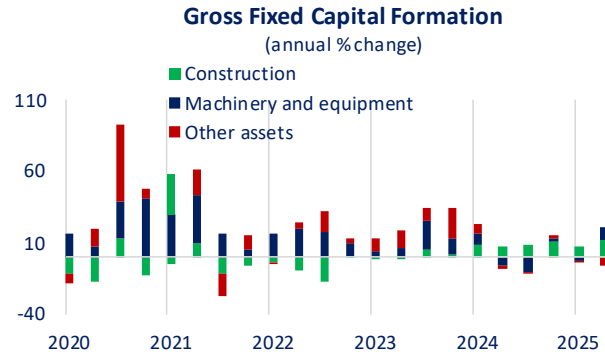
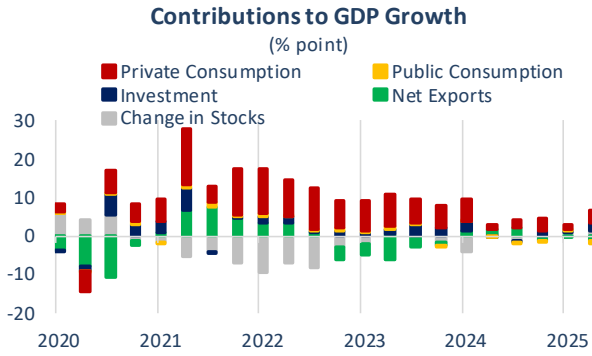
## Concluding Remarks

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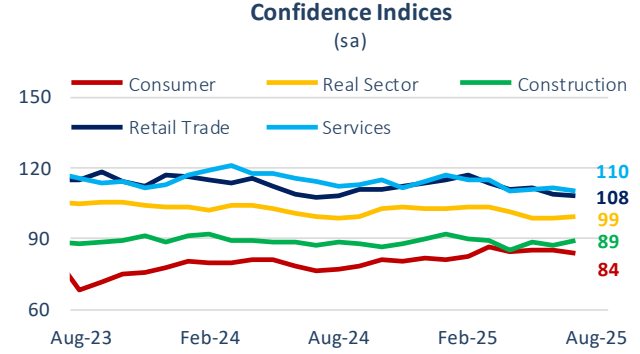
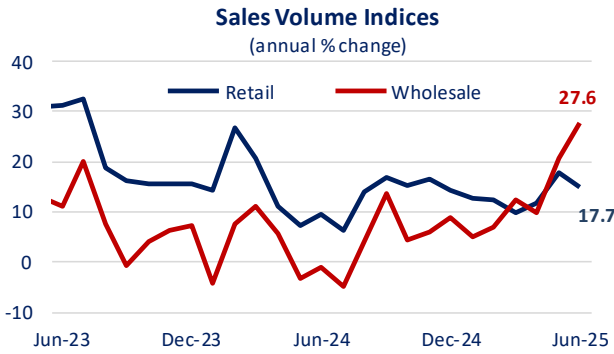
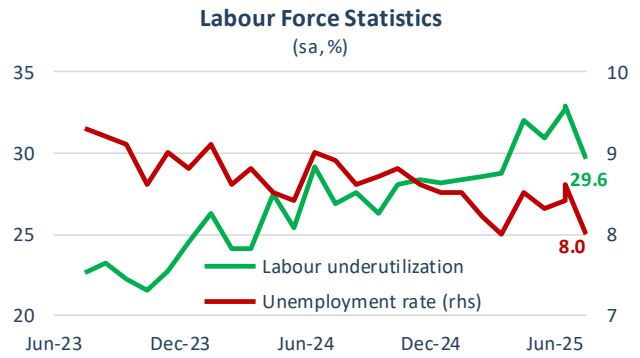
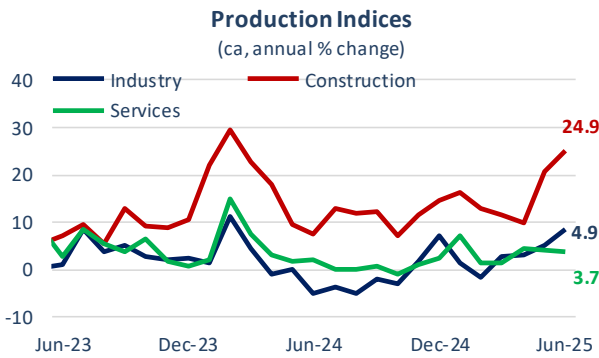
In August, when global uncertainties relatively subsided, concerns about the trade war were replaced by concerns about the Fed's independence. During this period, Trump accelerated his efforts to gain a majority on the Fed's board of governors, both by deciding to remove a Fed member on corruption grounds and by planning new appointments. Powell's decision to focus on risks in the labor market in his Jackson Hole speech, which signaled an interest rate cut at the September meeting, became a topic of debate as to whether it was data-dependent. In this economic climate, US dollar continued to lose value while the easing uncertainties and stronger expectations of interest rate cuts supported the stock markets. On the other hand, PMI data signaling a recovery in Europe was a positive development. In the upcoming period, the Fed's interest rate cuts, the effects of tariffs on inflation and the labor market, geopolitical developments, and the pace of European economy will remain high on the agenda.

Turkish economy, where the tight monetary policy measures continue, grew above expectations in the second quarter of the year, with the industrial sector making a positive contribution to growth and a balanced outlook for investment spending noted as positive developments. On the other hand, the acceleration in private consumption spending indicated that domestic demand remained robust despite the tight monetary stance. Inflation data for August exceeding market expectations also indicates that inflation remains sticky. These developments increase the likelihood that annual CPI inflation will remain above the forecast range defined by the CBRT for this year. Developments regarding the Medium-Term Program, expected to be announced in September, will be closely monitored.

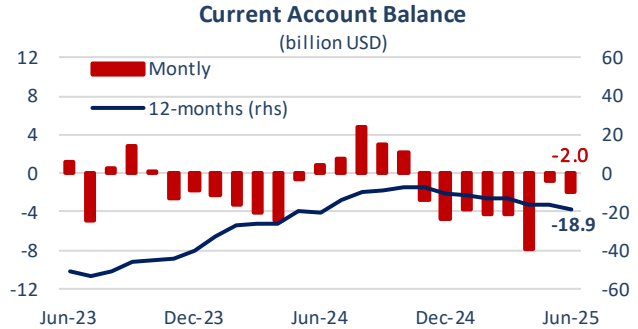
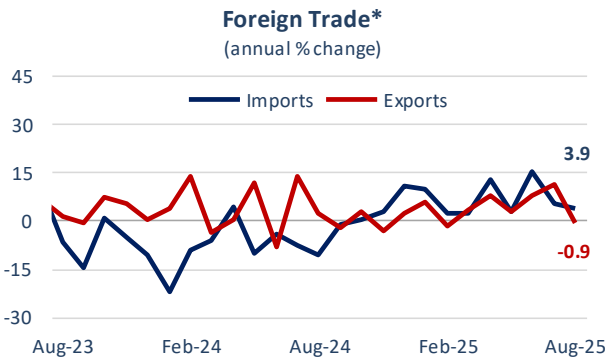
## Growth



## Leading Indicators



## Foreign Trade and Current Account Balance

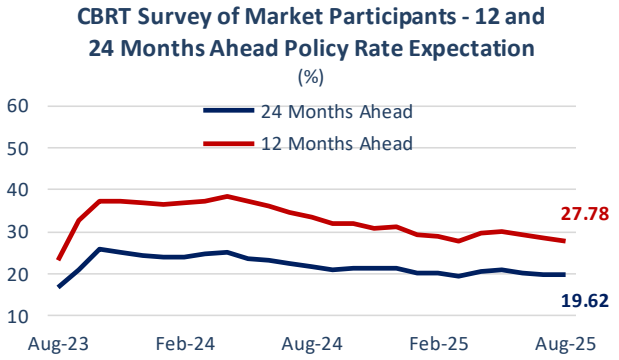
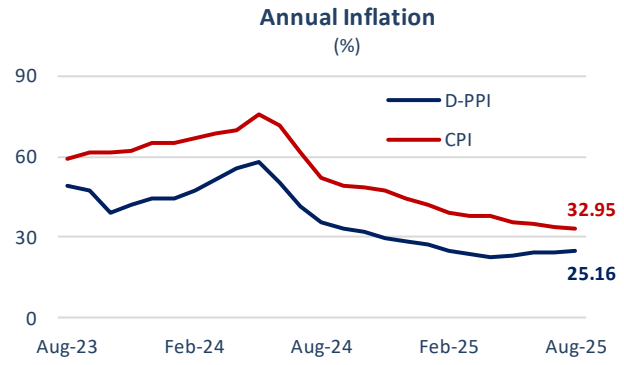
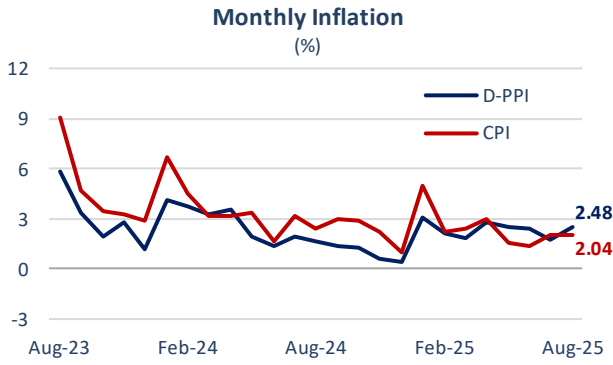


(CA): Calendar adjusted, (SA): Seasonally adjusted

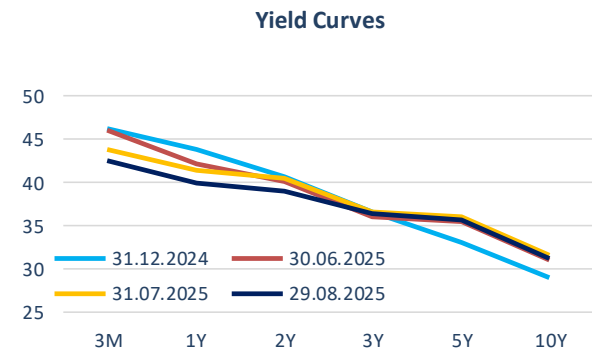
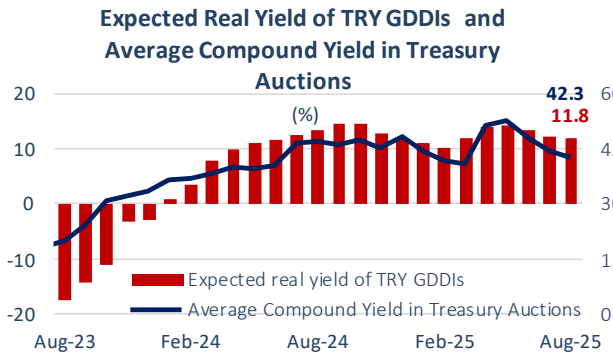
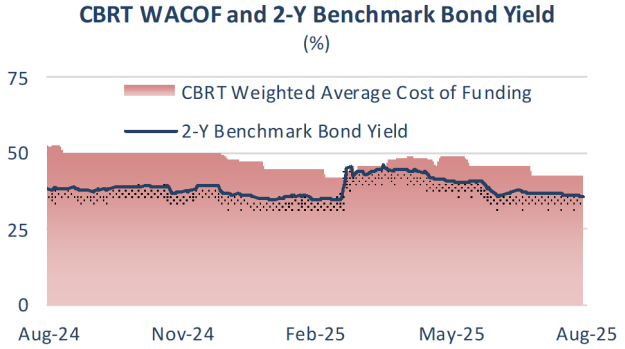
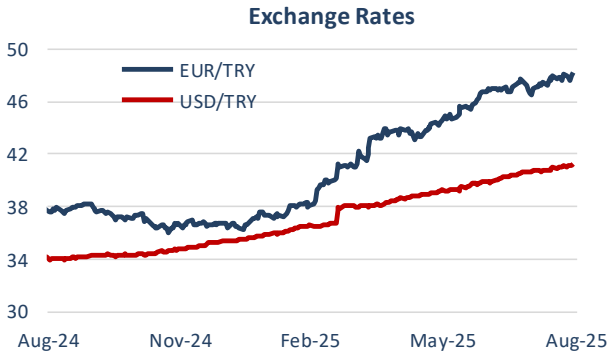
\*: Latest data according to preliminary figures of Ministry of Trade

Source: Datastream, CBRT, Turkstat

## Inflation



## Foreign Exchange and Bond Market



## Turkish Economy - Macroeconomic Indicators

GROWTH	2020	2021	2022	2023	2024	Q4-24	Q1-25	Q2-25
GDP (USD billion)	692	560	819	1,153	1,358	380	346	378
GDP (TRY billion)	5,142	7,434	15,326	27,091	43,411	13,061	12,493	14,579
GDP Growth Rate (%)	1.9	11.4	5.5	5.8	3.3	3.2	2.3	4.8
INFLATION (%)						Jun-25	Jul-25	Aug-25
CPI (annual)	14.60	36.08	64.27	64.77	44.38	35.05	33.52	32.95
Domestic PPI (annual)	25.15	79.89	97.72	44.22	28.52	24.45	24.19	25.16
SEASONALLY ADJUSTED LABOR MARKET FIGURES						May-25	Jun-25	Jul-25
Unemployment Rate (%)	12.6	11.0	10.3	8.8	8.5	8.3	8.4	8.0
Labor Force Participation Rate (%)	49.1	52.6	53.9	53.9	54.0	53.6	53.6	53.3
FX RATES						Jun-25	Jul-25	Aug-25
CPI Based Real Effective Exchange Rate	65.0	50.3	58.6	59.5	72.4	70.00	69.29	69.84
USD/TRY	7.43	13.28	18.72	29.53	35.36	39.79	40.59	41.15
EUR/TRY	9.09	15.10	19.98	32.62	36.62	46.71	46.46	48.17
Currency Basket (0.5*EUR+0.5*USD)	8.26	14.19	19.35	31.08	35.99	43.25	43.53	44.66
FOREIGN TRADE BALANCE <sup>(1)</sup> (USD billion)						May-25	Jun-25	Jul-25
Exports	169.6	225.2	254.2	255.6	261.8	265.5	266.9	269.4
Imports	219.5	271.4	363.7	362.0	344.0	352.3	356.1	357.7
Foreign Trade Balance	-49.9	-46.2	-109.5	-106.3	-82.2	-86.9	-89.2	-88.3
Import Coverage Ratio (%)	77.3	83.0	69.9	70.6	76.1	75.3	75.0	75.3
BALANCE OF PAYMENTS <sup>(1)</sup> (USD billion)						Apr-25	May-25	Jun-25
Current Account Balance	-31.0	-6.2	-46.3	-39.9	-10.2	-15.9	-16.1	-18.9
Financial Account	-38.7	3.4	-17.5	-51.4	-28.4	-31.3	-32.9	-34.5
Direct Investments (net)	-4.3	-6.2	-8.9	-4.7	-5.1	-4.3	-4.6	-4.8
Portfolio Investments (net)	9.8	7.6	18.5	-5.7	-12.0	-0.6	3.7	4.0
Other Investments (net)	-12.4	-21.3	-39.4	-39.0	-11.8	-15.5	-16.9	-13.3
Reserve Assets (net)	-31.9	23.3	12.3	-2.0	0.6	-10.9	-15.0	-20.3
Net Errors and Omissions	-7.7	9.7	28.8	-11.3	-18.0	-15.3	-16.7	-15.4
Current Account Balance/GDP (%)	-4.5	-1.1	-5.7	-3.5	-0.8	-	-	-
BUDGET <sup>(2)(3)</sup> (TRY billion)						May-25	Jun-25	Jul-25
Expenditures	1,203.7	1,603.5	2,942.7	6,588.0	10,777.0	5,339.5	6,579.1	7,699.8
Interest Expenditures	134.0	180.9	310.9	674.6	1,270.5	835.8	1,111.4	1,246.0
Non-interest Expenditures	1,069.8	1,422.7	2,631.8	5,913.4	9,506.6	4,503.7	5,467.6	6,453.8
Revenues	1,028.4	1,402.0	2,800.1	5,207.6	8,670.9	4,689.2	5,598.6	6,695.5
Tax Revenues	833.3	1,165.0	2,353.4	4,501.1	7,304.9	4,006.5	4,771.5	5,721.3
Budget Balance	-175.3	-201.5	-142.7	-1,380.4	-2,106.1	-650.3	-980.5	-1,004.3
Primary Balance	-41.3	-20.7	168.2	-705.8	-835.7	185.5	131.0	241.7
Budget Balance/GDP (%)	-3.4	-2.7	-0.9	-5.1	-4.7	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						May-25	Jun-25	Jul-25
Domestic Debt Stock	1,060.4	1,321.2	1,905.3	3,209.3	4,959.9	6,250.7	6,568.7	6,885.1
External Debt Stock	752.5	1,426.6	2,130.1	3,527.4	4,297.5	4,817.3	4,893.1	5,160.1
Total Debt Stock	1,812.8	2,747.8	4,035.5	6,736.6	9,257.4	11,068.0	11,461.8	12,045.3

(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	Jun.25	Jul.25	Change(1)
<b>TOTAL ASSETS</b>	<b>6,106</b>	<b>9,215</b>	<b>14,347</b>	<b>23,553</b>	<b>32,657</b>	<b>39,667</b>	<b>40,705</b>	<b>24.6</b>
<b>Loans</b>	<b>3,576</b>	<b>4,901</b>	<b>7,581</b>	<b>11,677</b>	<b>16,052</b>	<b>19,555</b>	<b>20,059</b>	<b>25.0</b>
TRY Loans	2,353	2,832	5,110	7,894	10,145	11,983	12,388	22.1
Share (%)	65.8	57.8	67.4	67.6	63.2	61.3	61.8	-
FX Loans	1,224	2,069	2,471	3,783	5,907	7,573	7,670	29.9
Share (%)	34.2	42.2	32.6	32.4	36.8	38.7	38.2	-
Non-performing Loans	152.6	160.1	163.4	191.9	293.6	427.2	452.4	54.1
Non-performing Loan Rate (%)	4.1	3.2	2.1	1.6	1.8	2.1	2.2	-
<b>Securities</b>	<b>1,023</b>	<b>1,477</b>	<b>2,371</b>	<b>3,970</b>	<b>5,226</b>	<b>6,267</b>	<b>6,490</b>	<b>24.2</b>
<b>TOTAL LIABILITIES</b>	<b>6,106</b>	<b>9,215</b>	<b>14,347</b>	<b>23,553</b>	<b>32,657</b>	<b>39,667</b>	<b>40,705</b>	<b>24.6</b>
<b>Deposits</b>	<b>3,455</b>	<b>5,303</b>	<b>8,862</b>	<b>14,852</b>	<b>18,903</b>	<b>22,914</b>	<b>23,490</b>	<b>24.3</b>
TRY Deposits	1,546	1,880	4,779	8,897	12,307	14,204	14,593	18.6
Share (%)	44.7	35.5	53.9	59.9	65.1	62.0	62.1	-
FX Deposits	1,909	3,423	4,083	5,955	6,596	8,710	8,897	34.9
Share (%)	55.3	64.5	46.1	40.1	34.9	38.0	37.9	-
<b>Securities Issued</b>	<b>224</b>	<b>310</b>	<b>325</b>	<b>584</b>	<b>1,045</b>	<b>1,449</b>	<b>1,552</b>	<b>48.5</b>
<b>Payables to Banks</b>	<b>658</b>	<b>1,048</b>	<b>1,432</b>	<b>2,384</b>	<b>3,535</b>	<b>4,482</b>	<b>4,572</b>	<b>29.3</b>
<b>Funds from Repo Transactions</b>	<b>255</b>	<b>587</b>	<b>540</b>	<b>723</b>	<b>2,244</b>	<b>2,536</b>	<b>2,556</b>	<b>13.9</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>600</b>	<b>714</b>	<b>1,406</b>	<b>2,153</b>	<b>2,898</b>	<b>3,382</b>	<b>3,461</b>	<b>19.4</b>
Profit (Loss) of the Period	58.5	93.0	431.6	620.8	659.0	422.5	479.2	-27.3
<b>RATIOS (%)</b>								
Loans/GDP	69.6	65.9	49.5	43.1	36.0	-	-	-
Loans/Assets	58.6	53.2	52.8	49.6	49.2	49.3	49.3	-
Securities/Assets	16.7	16.0	16.5	16.9	16.0	15.8	15.9	-
Deposits/Liabilities	56.6	57.5	61.8	63.1	57.9	57.8	57.7	-
Loans/Deposits	103.5	92.4	85.5	78.6	84.9	85.3	85.4	-
Capital Adequacy (%)	18.7	18.4	19.5	19.1	19.7	18.0	18.2	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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