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Global Economy

In January, geopolitical tensions related to Venezuela, Iran, and Greenland dominated the global market's agenda.

IMF raised its global economic growth forecast for 2026 to 3.3% in its January update to the World Economic Outlook report.

At its meeting ending on January 28, the Fed kept its policy rate unchanged at 3.50-3.75%, in line with expectations. US President Trump nominated Kevin Warsh, a former member of the Fed's Board of Governors, for the Fed Chair.

According to preliminary data, the Euro Area economy expanded by 0.3% qoq in the last quarter of 2025, growing by 1.5% in 2025.

The Chinese economy grew by 5% in 2025, in line with targets. The PBoC kept interest rates unchanged for the eighth consecutive time at its January meeting.

In Japan, where an early election was scheduled for February 8, government bond yields rose sharply. The BoJ did not change its policy rate at its January meeting.

Gold and silver prices, which reached historic highs in January due to rising geopolitical tensions, concerns about the Fed's independence, and the depreciation of the US dollar, fell sharply on the last trading day of the month amid profit-taking and expectations that Kevin Warsh might pursue a tighter monetary policy than other Fed nominees.

Turkish Economy

With the decline in labor force participation, the unemployment rate fell to 7.7% in December, the lowest level in the data set, while the underemployment rate declined to 28.6%.

According to seasonally and calendar-adjusted data, the industrial production index rose by 2.5% mom in November. During the same period, the services production index showed a limited increase of 0.2%, while the construction production index declined by 0.1%.

The ICI Türkiye Manufacturing PMI fell to 48.1 in January, signaling a deterioration in the sector's operating conditions in the first month of the year.

In November, the current account recorded a deficit of 4 billion USD for the first time in four months, due to the widening of the trade deficit and the decline in support from service revenues. Thus, the current account deficit reached 18.5 billion USD in the first 11 months of 2025 and 23.2 billion USD according to 12-month cumulative data.

The central government budget deficit was 528 billion TRY in December. Thus, the budget deficit in 2025 was realized as 1.8 trillion TRY, below the 2.2 trillion TRY forecast for the year in the Medium-Term Program.

In January, CPI rose by 4.84% mom, exceeding market expectations, while annual CPI inflation continued to decline due to the high base effect, to 30.65%. During the same period, PPI inflation came in at 2.67% mom and 27.17% yoy.

At its first meeting of the year, the CBRT cut its policy rate by 100 basis points to 37%.

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Leading Indicators

Unemployment rate fell to 7.7% in December.

According to seasonally adjusted data, the unemployment rate fell from 8.5% in November to 7.7% in December, reaching its lowest level since 2005, the beginning of the data set released by the Turkish Statistical Institute (Turkstat). In December, the decline in the labor force by 328K people compared to the previous month, coupled with a decrease of only 42K in the number of employed people, contributed to the drop in the unemployment rate. Thus, the labor force participation rate fell by 0.5 points mom to 53.2%, while the employment rate remained unchanged at 49.1%. Youth unemployment rate covering those aged between 15-24 fell to 14.1% , the lowest level in the data set. On the other hand, the underemployment rate, the broadest measure of unemployment, continued to remain high at 28.6%, despite a 0.3 percentage point decrease in December.

According to paid employee statistics, employment in November continued to increase in the construction and trade&services sectors at rates of 6.4% and 2.4%, respectively, while continuing to diverge negatively in the industrial sector, contracting by 3.6%.

Industrial production recorded a monthly increase in November.

According to seasonally and calendar-adjusted data, the industrial production index recorded a 2.5% increase mom in November after two months of decline. During this period, production contracted in the mining and quarrying (-4.8%) and electricity, gas, steam (-0.5%) sectors, while the manufacturing industry recorded a notable 3.1% increase. In November, production expanded in 19 of the 24 sectors operating under the manufacturing industry. Rapid rises in the manufacture of the items with high volatility such as other transportation equipment (23.4%) and computers, electronic, and optical products (15.7%) drew attention. On the other hand, the services production index showed a moderate increase of 0.2% mom in November, while the construction production index declined by 0.1%. During the same period, annual increases in production indices were 2.4% in the industrial sector, 4.0% in the services sector, and 22.3% in the construction sector. Thus, data for the October-November period indicated that production continued to increase at a relatively moderate pace in the services and industrial sectors yoy, while rising rapidly in the construction sector.

ICI manufacturing PMI fell to 48.1 in January.

Türkiye Manufacturing PMI published by the Istanbul Chamber of Industry (ICI), which rose to 48.9 in December, fell to 48.1 in January, indicating that pressure on sector's activity continued in the first month of the year. Due to weak demand conditions, the contraction in new orders accelerated somewhat, causing companies to slow down production, employment, and purchasing activities, while also reducing input and finished product inventories. Thus, the contraction in production volume entered its 22nd month. In January input cost inflation reached its highest level since April 2024, while final product prices recorded their fastest increase in the last 21 months. On the other hand, it was noted as a positive development that the PMI data, which was above the threshold value in December for only food products and

electrical&electronic equipment out of the 10 sectors tracked, was also above the threshold value in January for chemicals, plastics and rubber products, as well as textiles.

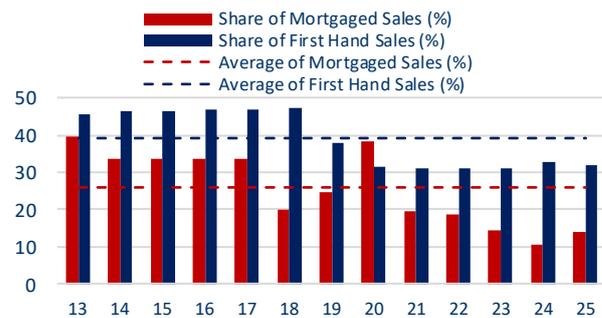
Retail sales increased by 14.2% yoy.

As a result of the 0.1% and 1.5% monthly increases recorded in the wholesale and retail trade sales indices in November, the trade sales volume index rose by 0.5%. Annual increases in wholesale and retail trade volumes lost momentum, falling to 3.3% and 14.2%, respectively. Thus, total trade sales volume recorded its slowest annual increase in the last nine months with 7.1%. Despite the positive outlook in the headline index, the retail sales volume excluding watches and jewellery, which is followed as a core indicator in terms of inflation, rose at the highest rate in the last 21 months mom at 2.2% and in the last 6 months yoy at 11.7%. Discount campaigns held in November also contributed to this development. Furthermore, with the same effect, CPI-adjusted card spending index which rose by 6.4% mom in November, continued to increase by 1.8% in December despite the high base effect, indicating that demand remained buoyant.

House sales remained strong in December.

House sales in December increased by 19.8% yoy to 254,777 units. Thus, house sales for the whole of 2025 rose by 14.3% yoy to 1.7 million units, reaching a historic high (2013-2024 average: 1.4 million). Among the houses sold in 2025, the share of mortgaged sales (14%) and first hand sales (32%) remained below their historical averages. Despite the buoyant appearance of house sales in December, housing prices recorded their slowest increase since April 2020, rising by 0.2% mom. Thus, while housing prices increased nominally by 29% yoy, they declined by 1.4% in real terms. In November, housing prices had recorded its first real annual increase in 21 months, albeit limited.

House Sales by Type and State



Confidence indices presented a mixed picture in January.

In January, the consumer confidence index rose marginally by 0.3% mom to 83.7. During the same period, the seasonally adjusted real sector confidence index declined for the first time in six months, falling by 0.7 points to 103. The construction sector confidence index, which declined by 0.5% mom in December, rose by 1.5% in January, indicating an improvement in sector's activity in the first month of the year. During the same period, sectoral confidence continued to rise in the services sector by 1.3%, while declining in the retail trade sector by 2.4% for the first time in five months. Thus, in line with the divergent trends in the sub-indices, the economic confidence index remained unchanged from the previous month, standing at 99.4.

Source: CBRT, Datastream, ICI, TURKSTAT

Foreign Trade and Balance of Payments

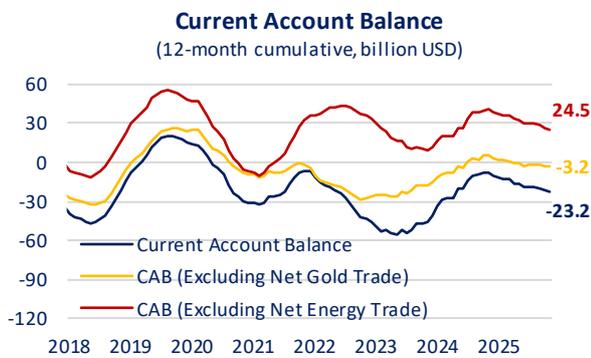
Current account posted a deficit for the first time in four months.

In November, the current account deficit exceeded market expectations of 3.3 billion USD and was realized as 4 billion USD. Thus, the current account deficit increased by 2.3 times yoy to 18.5 billion USD in the January-November period, while reaching its highest level in the last 19 months at 23.2 billion USD according to 12-month cumulative data. In addition to the balance of payments defined trade deficit reaching its highest level in the last five months, the end of the summer season caused passenger transportation and tourism revenues to fall to their lowest levels since March, contributing to the high current account deficit in November.

Trade deficit widened to 6.4 billion USD in November.

In November, exports increased by 2.4% yoy to 22.1 billion USD, while imports rose by 4.1% to 26.1 billion USD. Thus, the trade deficit widened by 21.8% yoy to 6.4 billion USD in this period. During the same period, non-monetary gold imports went up by 18.5% yoy to 2.5 billion USD, while energy imports decreased by 16.2% to 4.8 billion USD. Excluding net gold and energy trade, the current account surplus narrowed by 40.1% yoy to 2.1 billion USD in November.

In the first 11 months of 2025, exports increased by 4.8% yoy to 242 billion USD, while imports went up by 6.4% to 286 billion USD. Thus, the balance of payments defined trade deficit rose by 25% yoy to 62.2 billion USD during this period.



Net service revenues narrowed to their lowest level since March.

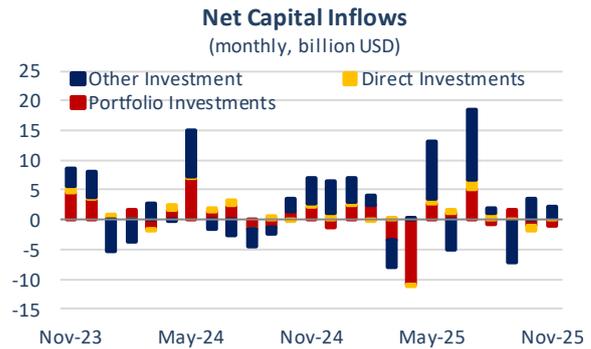
With the end of the summer season in tourism, net service revenues fell to their lowest level since March, to 3.9 billion USD in November. During this period, annual increases in net passenger transportation and travel revenues were recorded at 16.3% and 5.0%, respectively.

Net service revenues for the first 11 months of the year rose by 3.3% compared to the same period of last year, reaching 60.3 billion USD, the highest level ever recorded for this period. During this period, net travel revenues went up by 2.3% to 47.9 billion USD, while net passenger transportation revenues rose by 11.3% to 20.1 billion USD.

Net capital inflows in direct investments...

Direct investments, which showed a fluctuating pace in the January-October period, recorded a net capital inflow of 343 million USD in November. During this period, domestic residents acquired net assets worth of 647 million USD abroad, while non-residents made net investments of 990 million USD in Türkiye. It was noteworthy that net capital investments abroad by domestic residents reached their highest level since December 2021 at 899 million USD, with real estate acquisitions accounting for 201 million USD of these investments. Looking at the composition of direct investments by non-residents in Türkiye, capital inflows of 258 million USD (January-October average: USD 714 million) were observed in the capital item and 218 million USD (January-October average: 184 million USD) in the real estate item in November.

Net capital inflows from direct investments in the January-November period decreased by 6.5% yoy to 3.7 billion USD. During this period, domestic residents' investments abroad went up by 51% yoy to 8.7 billion USD, while foreign residents' investments in Türkiye increased by 27.6% to 12.4 billion USD.



Net capital outflows from portfolio investments continued.

Following the decline in portfolio investments in October, there was a net capital outflow of 1 billion USD in November. During this period, portfolio investments abroad by domestic residents rose by 1.8 billion USD, while portfolio investments in Türkiye by non-residents increased only slightly, by 772 million USD. Non-residents continued to make net sales of 59 million USD in the stock market, while they made their highest purchase since July, amounting to 1.6 billion USD in the government bond market.

In the January-November period, a net capital outflow of 1.8 billion USD was recorded from portfolio investments due to the net acquisition of 12.4 billion USD in assets abroad by domestic residents, compared to 10.6 billion USD investments in Türkiye by non-residents. In the same period of 2024, there was a net capital inflow of 13.2 billion USD in this category.

Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

Net capital inflows of USD 1.8 billion under other investments...

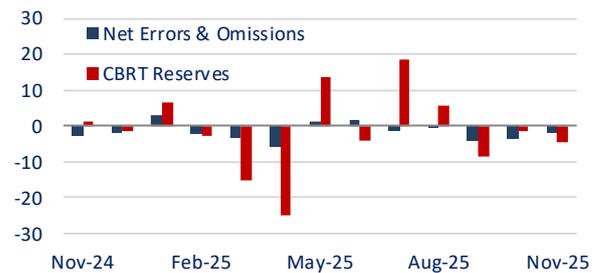
Net capital inflows of 1.8 billion USD were recorded under other investments in November. Net capital outflows of 3.3 billion USD recorded under effective and deposit item during this period limited the positive outlook in other investments. In November, other sectors used 2 billion USD net credit, while banks used 1.5 billion USD from abroad.

In the first 11 months of 2024, other sectors' credit utilization from abroad was 1.7 billion USD, while in the same period last year, this figure was 16.1 billion USD. Banks' net credit utilization from abroad declined from 14.7 billion USD to 12.1 billion USD in the same period. According to 12-month cumulative data as of November, the long-term debt rollover ratios of banks and other sectors continued to remain above their long-term averages at 185% and 181%, respectively.

Reserve assets continued to decline in November.

Reserve assets, which fell by 1.6 billion USD in October, recorded a decline of 4.8 billion USD in November. Thus, the decline in reserve assets since the beginning of the year amounted to 17.9 billion USD. With the 1.9 billion USD outflow recorded in November, the net error and omission

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



item pointed to an outflow of 18 billion USD in the first 11 months of the year.

Expectations...

The rapid increase in the foreign trade deficit, coupled with the impact of seasonal factors, led to a decline in service revenues, resulting in a current account deficit for the first time in four months in November. According to preliminary data released by the Ministry of Trade, exports rose by 12.8% yoy in December, while imports rose by 11.2%. Considering the preliminary data indicating a 600 million USD annual increase in the trade deficit, we estimate that the current account deficit will close 2025 at a level close to the 22.6 billion USD projected in the Medium-Term Program.

Balance of Payments	(million USD)				
	Nov. 2025	Nov. 2024	Jan. - Nov. 2025	% Change	12-month Cumulative
Current Account Balance	-3,996	-5,695	-18,510	225.0	-23,226
Foreign Trade Balance	-6,385	-49,755	-62,215	25.0	-68,446
Services Balance	3,926	58,338	60,283	3.3	63,314
Travel (net)	3,108	46,778	47,871	2.3	50,013
Primary Income	-1,557	-14,237	-16,137	13.3	-17,766
Secondary Income	20	-41	-441	975.6	-328
Capital Account	10	-117	-145	23.9	-154
Financial Account	-5,915	-14,754	-36,684	148.6	-43,472
Direct Investment (net)	-343	-3,973	-3,716	-6.5	-4,832
Portfolio Investment (net)	1,024	-13,158	1,812	-	2,993
Net Acquisition of Financial Assets	1,796	8,680	12,363	42.4	13,215
Net Incurrence of Liabilities	772	21,838	10,551	-51.7	10,222
Equity Securities	-59	-2,584	1,241	-	1,344
Debt Securities	831	24,422	9,310	-61.9	8,878
Other Investment (net)	-1,830	327	-16,889	-	-22,250
Currency and Deposits	3,274	12,361	5,000	-59.6	6,537
Net Acquisition of Financial Assets	1,077	11,302	6,288	-44.4	7,353
Net Incurrence of Liabilities	-2,197	-1,059	1,288	-	816
Central Bank	-2,539	-10,491	-11,303	7.7	-12,678
Banks	342	9,432	12,591	33.5	13,494
Foreign Banks	356	6,481	12,517	93.1	12,761
Foreign Exchange	-428	2,053	4,678	127.9	5,190
Turkish Lira	784	4,428	7,839	77.0	7,571
Non-residents	-14	2,951	74	-97.5	733
Loans	-4,631	-14,751	-25,597	73.5	-30,114
Net Acquisition of Financial Assets	-1,053	2,057	3,824	85.9	4,028
Net Incurrence of Liabilities	3,578	16,808	29,421	75.0	34,142
Banking Sector	1,467	14,746	12,115	-17.8	15,363
Non-bank Sectors	2,017	1,698	16,099	848.1	17,257
Trade Credit and Advances	-472	2,778	3,736	34.5	1,360
Other Assets and Liabilities	-1	-61	-28	-54.1	-33
Reserve Assets (net)	-4,766	2,050	-17,891	-	-19,383
Net Errors and Omissions	-1,929	-8,942	-18,029	101.6	-20,092

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

Budget Balance

Central government budget posted a deficit of 528 billion TRY in December.

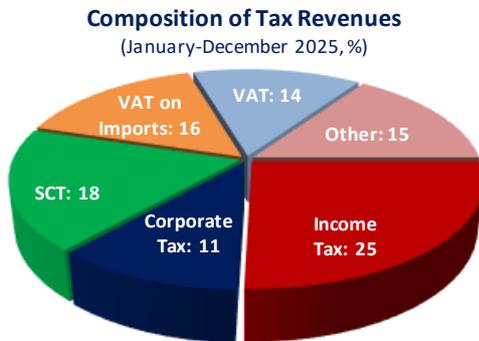
The central government budget deficit in December was 528 billion TRY, 36.4% below the level in December 2024. During this period, budget revenues increased by 43.7% yoy to 1.26 trillion TRY, while budget expenditures recorded a limited rise of 4.8% yoy to 1.79 trillion TRY. In December, the primary deficit narrowed by 45.5% yoy to 411.5 billion TRY.

Budget deficit was 1.8 trillion TRY in 2025.

The central government budget deficit, which stood at 2.1 trillion TRY in 2024, declined to 1.8 trillion TRY in 2025 thanks to the impact of strong increase in tax revenues as well as the limited rise in non-interest expenditures. Thus, the budget deficit fell below the target of 1.9 trillion TRY set at the beginning of the year and the 2.2 trillion TRY forecast in the Medium-Term Program. In 2025, budget revenues went up by 48.0%, while budget expenditures increased by 35.7%. The primary balance, which recorded a deficit of 837.3 billion TRY in 2024, posted a surplus of 255.3 billion TRY in 2025.

Tax revenues reached 1.05 trillion TRY in December.

Increasing above the annual CPI inflation with 47.9% yoy in December, tax revenues amounted to 1.05 trillion TRY and accounted for 82.9% of total budget revenues. During this period, value-added tax collected domestically went up by 59.5% to 142.2 billion TRY, and income tax rose by 53.9% to 282.2 billion TRY, becoming the main items supporting tax revenues. In the same period, VAT collected on imports recorded a 46.0% increase. In



December, special consumption tax and corporate tax revenues recorded remained relatively moderate increases compared to other items at 37.3% and 37.0%, respectively.

In 2025, when tax revenues increased by 51.3% yoy to 11.0 trillion TRY, income tax recorded the fastest increase at 84.2% and accounted for the highest share of tax revenues at 25.5%. Special

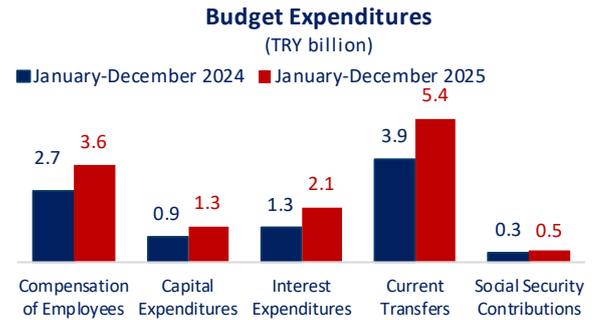
consumption tax revenues, which recorded a 39.5% annual increase, followed this item with an 18.3% share of total tax revenues. Value added tax collected on imports recorded an increase of 29.3%, below the annual inflation.

Non-interest expenditures increased by 2.5% yoy in December.

Non-interest budget expenditures recorded their lowest increase since April 2021 in December, rising by 2.5% yoy. Current transfers, which accounted for 37.5% of these expenditures, increased by 46.2%, while capital expenditures, which accounted for 19.9%, rose by 52.6% yoy. During this period, personnel expenses went up by 35.4% yoy, while goods and services purchases increased by 35.7%. It was noteworthy that the top four items with the largest share of non-interest budget expenditures rose above inflation.

In 2025, current transfers increased by 40% and personnel expenses by 36.3% on an annual basis. In this period, the rise in capital expenditures and purchases of goods and services were 42.3% and 43.2%, respectively.

Interest expenditures, which rose by 55.0% yoy in December, increased by 61.7% yoy in the January-December period. The share of interest expenditures in total expenditures was 14% in 2025. This ratio was 11.8% in 2024.



Expectations...

In 2025, the rapid increase in tax revenues and the relatively moderate rise in non-interest expenditures led the central government budget to perform better than expected. Thus, we calculate that the budget deficit to GDP ratio, which was 4.7% in 2024, will remain below 3% in 2025. On the other hand, taking into account that the Treasury cash balance posted a deficit of 2.1 trillion TRY in 2025, the effect of the difference on the budget performance in 2026 will be one of the determining factors regarding the fiscal policy's support to the fight against inflation.

Central Government Budget

	December		%	January-December		%	2025 Budget		Real./ MTP
	2024	2025		Change	2024		2025	Change	
Expenditures	1,710.4	1,792.0	4.8	10,780.6	14,634.6	35.7	14,731.0	14,674.1	99.7
Interest Expenditures	75.3	116.7	55.0	1,270.5	2,054.4	61.7	1,950.0	2,052.7	100.1
Non-Interest Expenditures	1,635.1	1,675.4	2.5	9,510.2	12,580.2	32.3	12,781.0	12,621.4	99.7
Revenues	879.5	1,263.9	43.7	8,672.8	12,835.5	48.0	12,800.3	12,465.9	103.0
Tax Revenues	708.2	1,047.5	47.9	7,305.3	11,049.5	51.3	11,138.8	10,733.6	102.9
Other Revenues	171.4	216.4	26.3	1,367.6	1,786.0	30.6	1,661.6	1,732.3	103.1
Budget Balance	-830.8	-528.1	-36.4	-2,107.8	-1,799.1	-14.6	-1,930.7	-2,208.3	81.5
Primary Balance	-755.6	-411.5	-45.5	-837.3	255.3	-	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 4.84% in January.

CPI inflation in January came in at 4.84%, exceeding market expectations of 4.32%. Despite the higher-than-expected realization, because the 2026 figure was lower than January 2025, the disinflation process continued in this period. Thus, annual CPI inflation declined from 30.89% in December to 30.65%. In the first month of the year, domestic producer prices increased by 2.67% on a monthly basis and 27.17% on an annual basis.

January (change %)	CPI		D-PPI	
	2025	2026	2025	2026
Monthly	5.03	4.84	3.06	2.67
Annual	42.12	30.65	27.20	27.17
Annual Average	56.35	33.98	39.50	25.39

In the new CPI basket, weights decreased in the housing group while increased in the restaurants and hotels group.

In 2026, a new sub-group was added to the CPI index—which previously consisted of 12 main expenditure groups—and the base year was updated from 2003 to 2025. The group formerly known as "miscellaneous goods and services" has been split into two: "insurance and financial services" and "personal care, social protection and miscellaneous goods and services."

Additionally taking into account both methodological changes and current consumption behaviors, the weights of the main expenditure groups were updated. When compared to the 2025 weights calculated with the new methodology, it was observed that the weights of the restaurants-hotels and recreation-culture groups in the CPI basket increased rapidly, while the decline in the weight of the housing group was particularly prominent.

The monthly rise in food prices marked the highest January increase in the last three years.

In January, food prices continued to be the primary contributor to inflation. Prices for food and non-alcoholic beverages rose by 6.59% compared to the previous month, while the increase in

Weights of expenditure groups (%)	2025		2026	Diff. (% point)
	Old	New		
Food and non-alcoholic beverages	24.97	24.97	24.44	-0.53
Alcoholic beverages and tobacco	3.52	3.52	2.75	-0.77
Clothing and footwear	7.16	7.16	7.90	0.74
Housing, water, electricity, gas	15.22	15.26	11.40	-3.82
Furnishings and household equipment	7.67	7.62	7.92	0.25
Health	4.09	4.09	2.79	-1.30
Transport	15.34	15.53	16.62	1.28
Communications	3.62	4.81	3.10	-0.52
Recreation and culture	3.36	2.13	4.34	0.98
Education	2.31	2.31	2.02	-0.29
Hotels, cafes and restaurants	8.32	8.32	11.13	2.81
Insurance and financial services		0.26	1.07	0.81
Personal care, social protection and miscellaneous goods and services	4.43	4.03	4.49	0.46
Total	100	100	100	-

fresh fruit and vegetable prices reached 22.03% which represents the highest level recorded since February 2022.

Meanwhile, New Year price adjustments were most significantly felt in the transportation and health sub-groups. Besides, the highest monthly increase was recorded in the health category at 14.85%.

Food and Non-Alcoholic Beverages January Inflation (monthly, %)



The increase in the B and C indices remained below headline inflation...

In January, the B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco, and gold) rose by 4.22% mom, while the C index increased by 4.55%, indicating a lower inflation than the headline. The A index (calculated by excluding seasonal products) rose by 4.91% monthly, suggesting that the net impact of seasonal items on the rapid spike in January's headline inflation was limited.

In the services sector, monthly inflation hit 7.39%, reaching its highest level in the last 12 months. Among the sub-items of the services group, rent prices also exhibited a sharp increase, rising by 5.26% on a monthly basis.

Food products were also the determining factor in D-PPI.

In January, food products—where prices rose by 4.24% mom—became the leading item pushing monthly D-PPI inflation upward, contributing 0.83 percentage points. During this period, the sector recording the fastest price growth was other manufactured goods (which includes gold, silver, and other jewelry), increasing by 9.23%.

Expectations...

While the disinflation process continued in January, higher-than-expected inflation realization's impact on inflation expectations will be important. We believe that the upward trend in food prices, which played a major role in inflation surpassing expectations in January, is likely to persist in February, partly due to the influence of Ramadan. On the other hand, we anticipate that the increase in service prices will follow a more moderate pace in February.

Source: Datastream, Turkstat

Financial Markets

	31-Dec	30-Jan	Change
5-Y CDS (basis points)	205	219	14 bp ▲
TR 2-Y Benchmark Yield	37.22%	34.61%	-261 bp ▼
BIST-100	11,262	13,838	22.9% ▲
USD/TL	42.9498	43.4771	1.2% ▲
EUR/TL	50.2667	51.5328	2.5% ▲
Currency Basket*	46.6083	47.5050	1.9% ▲

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

CBRT lowered its policy rate to 37%.

At its first Monetary Policy Committee meeting of the year on January 22, the CBRT adopted a more cautious stance than market expectations. The Committee reduced the one-week repo auction rate by 100 basis points to 37%, against expectations of a 150 basis point cut. The Board also lowered the overnight lending rate from 41% to 40% and the overnight borrowing rate from 36.5% to 35.5%. The decision text stated that the underlying trend of inflation declined in December, but leading indicators pointed to an increase in monthly CPI inflation in January, led by rising food prices. The statement also implied that indicators for the last quarter suggested that demand conditions continued to support the disinflation process, despite a decline in that support. The text maintained the statement that monetary policy would be tightened if the inflation outlook diverged significantly from the intermediate targets.

Fitch and Moody's published their assessments of Türkiye's credit rating.

International credit rating agencies Fitch and Moody's published their assessments of Türkiye's credit rating on January 23. Fitch affirmed Türkiye's credit rating at "BB-" while changing the credit rating outlook from 'stable' to "positive". The assessment stated that the revision in the rating outlook was driven by factors such as the faster-than-expected increase in foreign exchange reserves since the last rating upgrade in September 2024, the improvement in reserve quality, the decline in foreign exchange liabilities, and the continuation of tight macroeconomic policy, which have contributed to a continued reduction in external vulnerabilities. However, the assessment also noted that the inflation level remains as a constraining factor for the rating, projecting that monetary policy will remain relatively tight in 2026, with annual average inflation expected to decline to 27.1% by year-end and GDP growth projected at 3.5%.

Moody's, in its assessment published on the same day, maintained Türkiye's credit rating and outlook unchanged at "Ba3" and "stable". The agency stated that there is a possibility of a rating upgrade if the effectiveness of current policies continues and structural reforms are implemented, but that a rating downgrade could occur in the event of a policy change or a decline in reserves. Fitch and Moody's are expected to issue their next assessments on July 17 and July 24, respectively.

Sectoral inflation expectations presented a mixed picture in January.

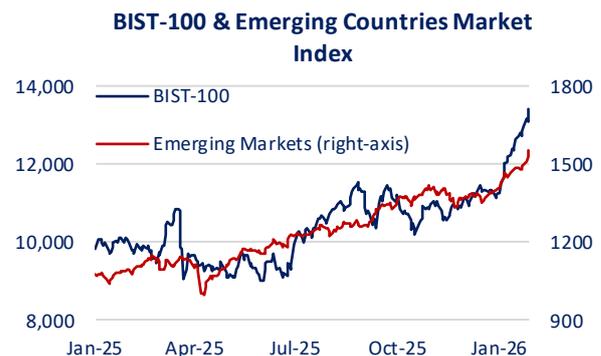
According to the "Sectoral Inflation Expectations" report compiled by the CBRT, households' annual inflation expectations for 12 months ahead rose by 1.2 points to 52.08% in January after two months of decline, signaling a deterioration in expectations. The real sector's inflation expectations for the same period continued their uninterrupted decline since April, falling to 32.90%. According to the results of the CBRT Survey of Market Participants, the annual inflation expectation for 12 months ahead declined by 1.2 points to 22.20%. Market participants' inflation expectations for 24 months ahead also fell by 0.5 points to 16.94%. Survey participants expect the policy rate to be 28.02% and the USD/TRY exchange rate to be 51.17 at the end of 2026.

CBRT's gross reserves reached a historic high.

According to data adjusted for price and exchange rate movements, as of January 23, the stock portfolio of non-residents increased by a net 1 billion USD compared to the end of 2025, while the GDDS portfolio increased by a net 3.3 billion USD during the same period. As of the same date, the CBRT's gross total reserves reached a historic high of 215.6 billion USD, partly due to the rise in gold prices. The CBRT's net international reserves rose from 79.8 billion USD at the end of December to 97.4 billion USD.

BIST-100 index reached a new record high in January.

Reflecting the global market trend in the first month of the year, the BIST-100 index displayed a positive performance and reached new historic highs, supported by the risk appetite boosted by CBRT's interest rate cut. Thus, the index reached a record level of 13,838 at the end of the month, rising 22.9% mom and significantly outperforming the MSCI Emerging Markets Index (8.8%). In January, Türkiye's 5-year CDS premium rose by 14 basis points to 219 basis points, USD/TRY and EUR/TRY increased by 1.2% and 2.5%, respectively. The interest rate on 2-year bonds fell by 261 basis points compared to the end of 2025, closing January at 34.61%, its lowest level since October 2023. The interest rate on 10-year bonds rose by 54 basis points during the same period to 29.50%.



Source: CBRT, Datastream, Reuters

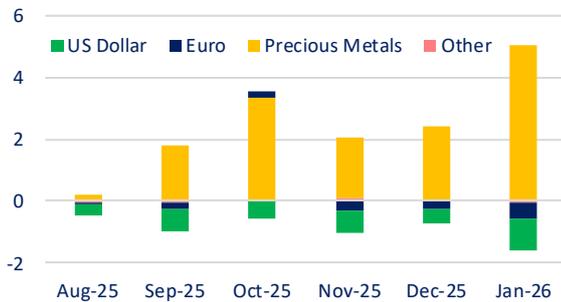
Banking Sector

FX deposit volume continued to rise, driven by the surge in gold prices.

According to the Weekly Bulletin data published by the BRSA, as of the week of January 23, TRY deposit volumes remained flat at 16.7 trillion TRY compared to the end of 2025, but recorded an annual increase of 32.4%. Meanwhile, FX deposit volumes in USD terms rose by 3.9% (9.8 billion USD) compared to the end of December and 35.8% (68.4 billion USD) yoy, reaching 259.4 billion USD. The impact of gold demand and rising prices on the pace of FX deposits observed throughout 2025 continued in the first month of 2026 as well. According to parity-adjusted data released by the CBRT, the precious metals accounts of domestic resident real persons increased by 5 billion USD. During the same period, the deposits of real persons in USD and other currencies contracted by 1.6 billion USD. On the other hand, the total parity-adjusted FX deposits of legal entities declined by 1.5 billion USD mom in January. As of January 23, with the FX-Protected Deposit (KKM) balance dropping to 73 million USD (3.1 billion TRY), the ratio of the TRY equivalent of FX deposits to total deposits stood at 40.1%. Total deposit volumes in the banking sector reached 27.9 trillion TRY, increasing by 1.9% mom and 43.9% yoy. According to exchange rate-adjusted data, the increases in total deposits for the same periods were recorded as 1.5% and 33.6%, respectively.

Change in Foreign Exchange Deposits of Households*

(billion USD, parity adjusted)



*Domestic residents

TRY loan volume recorded an annual increase of 43.4%.

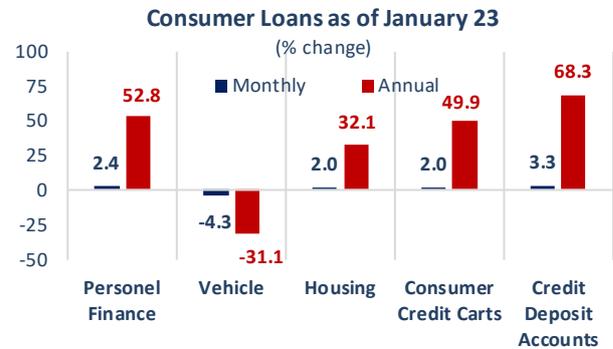
As of January 23, the TRY loan volume in the banking sector reached 14.5 trillion TRY, expanding by 1.4% on a monthly basis and 43.4% compared to the same period last year. In USD terms, FX loan volume rose by 0.4% mom and 17.2% yoy, reaching 201.1 billion USD. Consequently, the total loan volume stood at 23.2 trillion TRY, reflecting a monthly increase of 1.4% and an annual rise of 43.2%. According to exchange rate-adjusted data, the increases recorded in total loan volume for the same periods were 1.1% and 33.6%, respectively.

Annual growth in retail loans stands at 47.1%...

As of January 23, retail loans increased by 2.1% mom, bringing the annual growth rate to 47.1%. During this period, consumer credit cards, which account for 48.3% of the total retail loan balance, recorded a monthly increase of 2.0% and an annual

increase of 49.9%. Growth in overdraft accounts (KMH) continued its high trend, although losing some momentum, with a monthly increase of 3.3% and an annual surge of 68.3%. Meanwhile, personal finance loans and housing loans rose by 2.4% and 2.0% mom, respectively, bringing their annual growth rates to 52.8% and 32.1%.

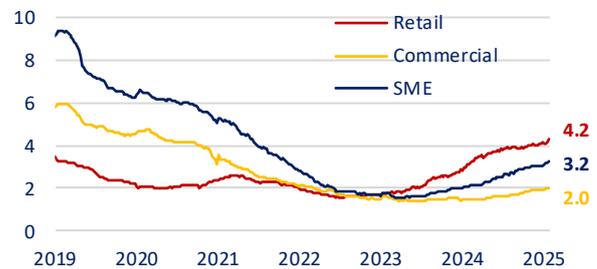
At the end of January, the CBRT introduced new regulations aimed at supporting the tight monetary stance and strengthening macro-financial stability. As part of these measures, the growth limit for FX loans -previously set at 1% for eight-week periods- was reduced to 0.5%. Furthermore, a growth cap was introduced for overdraft accounts limits allocated to consumers, set at 2% for eight-week periods. In addition, the BRSA announced various regulations concerning the collateral structure of housing loans, limits on credit cards and overdrafts, and the restructuring of consumer credit card debts and personal finance loans.



Non-Performing Loans ratio stood at 2.59%.

As of January 23, the balance of non-performing loans (NPL) increased by 37.9 billion TRY on a monthly basis, pushing the NPL ratio up to 2.59%. This ratio reached 4.30% for retail loans, marking its highest level since December 2016. While the NPL ratio for commercial loans maintained a relatively low course at 2.01%, the 3.33% level in SME loans indicated that the pressure of tight financial conditions is more apparent on this segment.

Non-performing Loans Ratio (%)



Foreign currency net general position...

As of January 23, the banking sector's on-balance sheet foreign currency position stood at (-)55,841 million USD, while the off-balance sheet foreign currency position was (+)56,051 million USD. Consequently, the sector's net general foreign currency position was recorded at (+)209 million USD.

Source: BRSA Weekly Bulletin

Concluding Remarks

The first month of 2026 was a period in which the risk of “geoeconomic confrontation”, highlighted as the most significant short-term risk factor in the World Economic Forum’s Global Risks Report, became even more apparent. Throughout January, geopolitical tensions originating in Venezuela, Iran, and Greenland, accompanied by rhetoric regarding trade policies, increased demand for safe haven assets, leading to an upward trend in metal markets that tested historic highs. Global equity markets continued to show a risk appetite, supported by a weak US dollar and ongoing interest in AI-themed stocks. On the other hand, the volatility in financial markets at the end of the month, partly due to the more hawkish perception of the candidate announced by US President Trump for the Fed chair compared to others, highlighted the fragility of markets in the face of policy changes by the US administration.

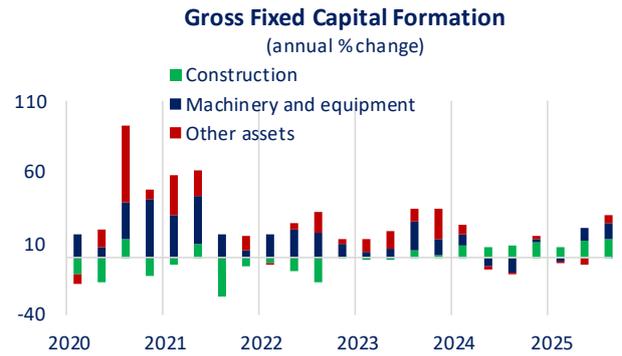
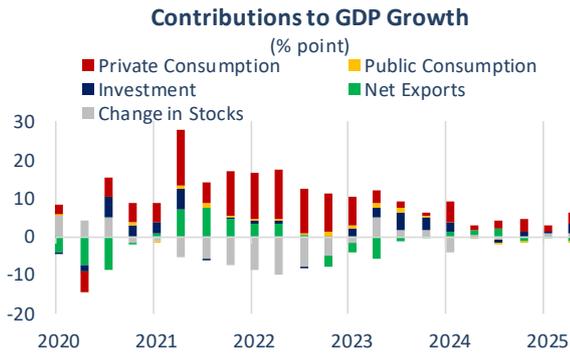
Data released in January indicated that economic activity in the US was stronger than expected, while maintaining its moderate pace albeit with some acceleration in the Euro Area. Chinese economy maintained its resilient growth performance as well, posting a record trade surplus in 2025 by shifting toward alternative markets despite intense tariff pressure from its largest trading partner, the US, throughout the year. In this environment of high uncertainty regarding global trade and economic policies,

the impact of the trade agreement reached between the European Union and India and its impact on Türkiye will be closely monitored in the coming period.

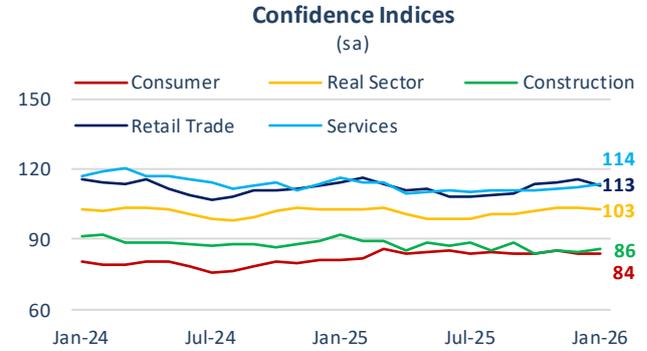
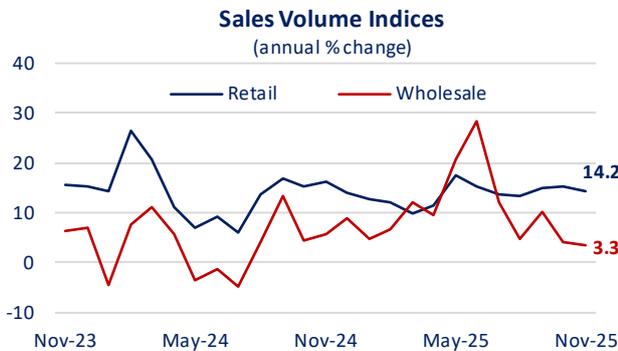
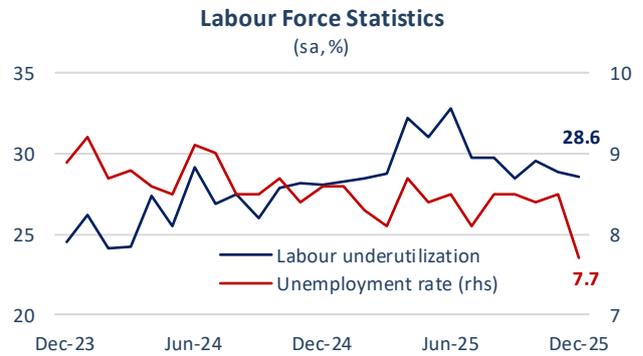
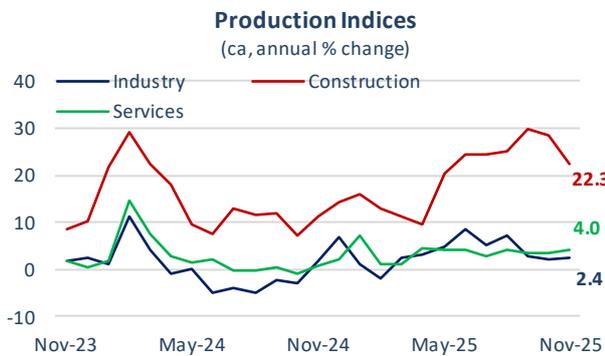
In Türkiye, leading indicators point to continued pressures on industrial production, while demand may be losing momentum but has not yet fallen to desired levels. Fluctuations in global markets, particularly in gold and oil prices, are being closely monitored domestically as well in terms of their impact on the current account deficit, CBRT reserves, and household wealth. These developments are also being closely monitored in terms of the course of inflation, which is the most important issue on the agenda. In January, the rapid increase in food prices, along with updates in labor payments, particularly the minimum wage, and administered/guided prices, led to higher-than-expected monthly inflation. Although the deterioration observed in core goods inflation during this period is considered specific to the first months of the year, curbing the rigidity of expectations and the stickiness of services inflation are important for the future course of inflation. In this context, the first Inflation Report of the year to be announced by the CBRT on February 12 and the messages delivered by the CBRT Governor will be closely monitored in terms of shaping inflation expectations.

Turkish Economy - Macroeconomic Indicators

Growth



Leading Indicators



Foreign Trade and Current Account Balance

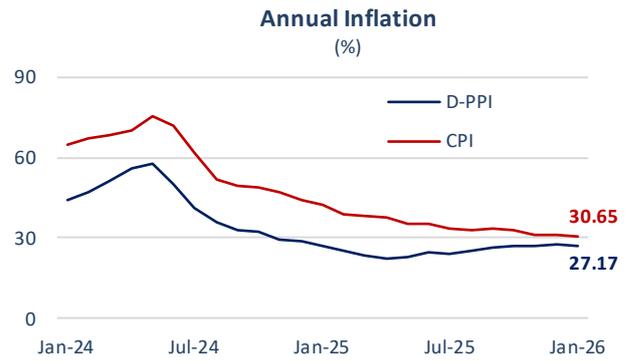
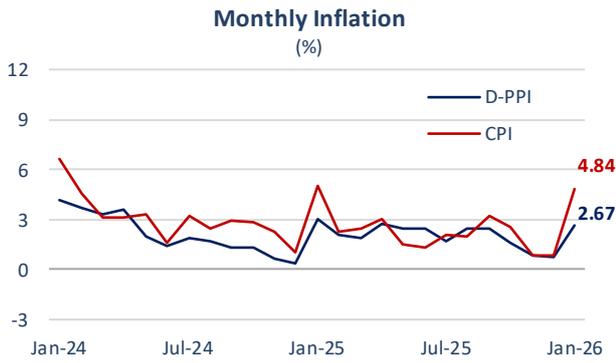


(CA): Calendar adjusted, (SA): Seasonally adjusted

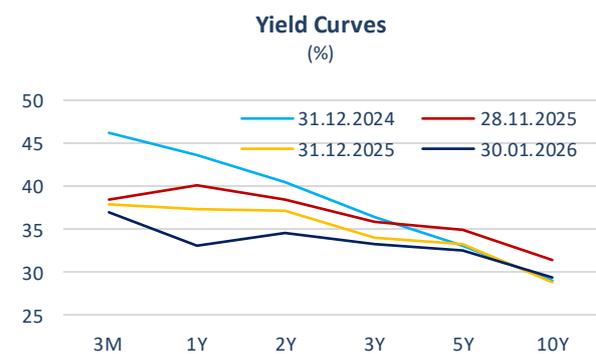
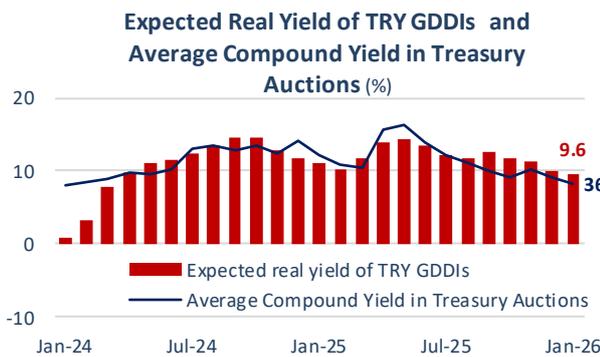
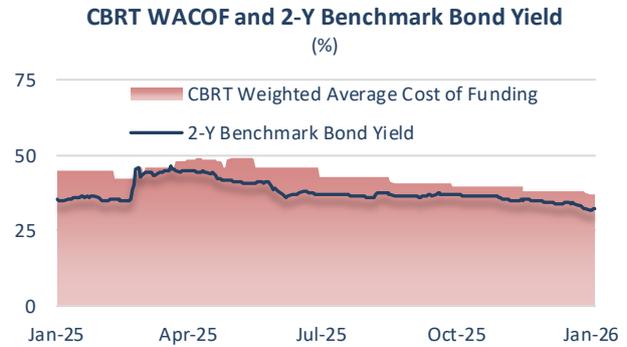
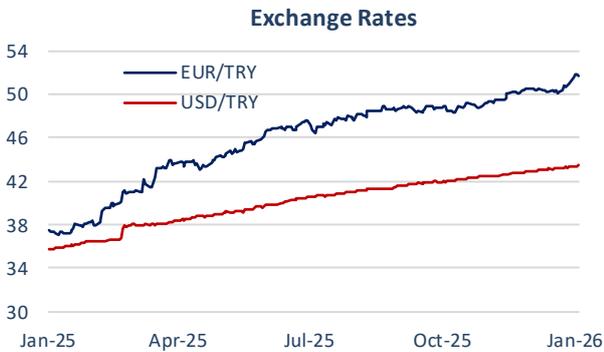
Source: Datastream, CBRT, Turkstat

Turkish Economy - Macroeconomic Indicators

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 (%)						Nov-25	Dec-25	Jan-26
CPI (annual)	14.60	36.08	64.27	64.77	44.38	31.07	30.89	30.65
Domestic PPI (annual)	25.15	79.89	97.72	44.22	28.52	27.23	27.67	27.17
SEASONALLY ADJUSTED LABOR MARKET FIGURES						Oct-25	Nov-25	Dec-25
Unemployment Rate (%)	12.6	11.0	10.4	8.9	8.6	8.4	8.5	7.7
Labor Force Participation Rate (%)	49.1	52.6	54.0	54.0	54.2	53.5	53.7	53.2
FX RATES						Nov-25	Dec-25	Jan-26
CPI Based Real Effective Exchange Rate	65.0	50.9	59.2	60.2	72.4	71.79	71.11	-
USD/TRY	7.43	13.28	18.72	29.53	35.36	42.48	42.96	43.49
EUR/TRY	9.09	15.10	19.98	32.62	36.62	49.30	50.46	51.74
Currency Basket (0.5*EUR+0.5*USD)	8.26	14.19	19.35	31.08	35.99	45.89	46.71	47.62
FOREIGN TRADE BALANCE⁽¹⁾ (USD billion)						Oct-25	Nov-25	Dec-25
Exports	169.6	225.2	254.2	255.6	261.8	270.1	270.4	273.4
Imports	219.5	271.4	363.7	362.0	344.0	361.1	361.9	365.4
Foreign Trade Balance	-49.9	-46.2	-109.5	-106.3	-82.2	-91.0	-91.5	-92.0
Import Coverage Ratio (%)	77.3	83.0	69.9	70.6	76.1	74.8	74.7	74.8
BALANCE OF PAYMENTS⁽¹⁾ (USD billion)						Sep-25	Oct-25	Nov-25
Current Account Balance	-31.0	-6.2	-46.3	-41.5	-10.4	-20.3	-22.0	-23.2
Financial Account	-38.7	3.4	-17.5	-51.4	-21.5	-38.3	-43.1	-43.5
Direct Investments (net)	-4.3	-6.2	-8.9	-4.7	-5.1	-5.7	-5.1	-4.8
Portfolio Investments (net)	9.8	7.6	18.5	-5.7	-12.0	-2.5	-0.2	3.0
Other Investments (net)	-12.4	-21.3	-39.4	-39.0	-5.0	-23.3	-24.5	-22.3
Reserve Assets (net)	-31.9	23.3	12.3	-2.0	0.6	-6.8	-13.3	-19.4
Net Errors and Omissions	-7.7	9.7	28.8	-9.7	-11.0	-17.9	-20.9	-20.1
Current Account Balance/GDP (%)	-4.2	-0.8	-5.0	-3.6	-0.8	-	-	-
BUDGET⁽²⁾⁽³⁾ (TRY billion)						Oct-25	Nov-25	Dec-25
Expenditures	1,202.2	1,599.6	2,941.4	6,585.5	10,777.0	11,592.5	12,842.6	14,634.6
Interest Expenditures	134.0	180.9	310.9	674.6	1,270.5	1,819.8	1,937.7	2,054.4
Non-interest Expenditures	1,068.3	1,418.8	2,630.5	5,910.8	9,506.6	9,772.7	10,904.9	12,580.2
Revenues	1,029.5	1,407.4	2,802.4	5,210.5	8,670.9	10,152.0	11,571.6	12,835.5
Tax Revenues	833.1	1,165.0	2,353.3	4,500.9	7,304.9	8,729.5	10,002.0	11,049.5
Budget Balance	-172.7	-192.2	-139.1	-1,375.0	-2,106.1	-1,440.5	-1,271.0	-1,799.1
Primary Balance	-38.8	-11.4	171.8	-700.4	-835.7	379.3	666.7	255.3
Budget Balance/GDP (%)	-3.4	-2.6	-0.9	-5.1	-4.7	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						Oct-25	Nov-25	Dec-25
Domestic Debt Stock	1,060.4	1,321.2	1,905.3	3,209.3	4,959.9	7,739.0	7,941.1	8,152.8
External Debt Stock	752.5	1,426.6	2,130.1	3,527.4	4,297.5	5,437.7	5,389.9	5,503.4
Total Debt Stock	1,812.8	2,747.8	4,035.5	6,736.6	9,257.4	13,176.7	13,331.1	13,656.1

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2020	2021	2022	2023	2024	Nov.25	Dec.25	Change ⁽¹⁾
TOTAL ASSETS	6,106	9,215	14,347	23,553	32,668	44,968	46,947	43.7
Loans	3,576	4,901	7,581	11,677	16,052	22,175	23,128	44.1
TRY Loans	2,353	2,832	5,110	7,894	10,145	13,906	14,560	43.5
Share (%)	65.8	57.8	67.4	67.6	63.2	62.7	63.0	-
FX Loans	1,224	2,069	2,471	3,783	5,907	8,269	8,568	45.0
Share (%)	34.2	42.2	32.6	32.4	36.8	37.3	37.0	-
Non-performing Loans	152.6	160.1	163.4	191.9	293.6	557.6	593.6	102.2
Non-performing Loan Rate (%)	4.1	3.2	2.1	1.6	1.8	2.5	2.5	-
Securities	1,023	1,477	2,371	3,970	5,226	6,902	7,013	34.2
TOTAL LIABILITIES	6,106	9,215	14,347	23,553	32,668	44,968	46,947	43.7
Deposits	3,455	5,303	8,862	14,852	18,903	26,070	27,226	44.0
TRY Deposits	1,546	1,880	4,779	8,897	12,307	15,893	16,587	34.8
Share (%)	44.7	35.5	53.9	59.9	65.1	61.0	60.9	-
FX Deposits	1,909	3,423	4,083	5,955	6,596	10,176	10,639	61.3
Share (%)	55.3	64.5	46.1	40.1	34.9	39.0	39.1	-
Securities Issued	224	310	325	584	1,045	1,820	1,890	80.8
Payables to Banks	658	1,048	1,432	2,384	3,535	5,018	5,177	46.4
Funds from Repo Transactions	255	587	540	723	2,244	2,569	2,575	14.8
SHAREHOLDERS' EQUITY	600	714	1,406	2,153	2,908	3,920	4,156	42.9
Profit (Loss) of the Period	58.5	93.0	431.6	620.8	660.3	842.8	940.2	42.4
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	49.3	49.3	-
Securities/Assets	16.7	16.0	16.5	16.9	16.0	15.3	14.9	-
Deposits/Liabilities	56.6	57.5	61.8	63.1	57.9	58.0	58.0	-
Loans/Deposits	103.5	92.4	85.5	78.6	84.9	85.1	84.9	-
Capital Adequacy (%)	18.7	18.4	19.5	19.1	19.7	19.2	19.7	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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