



March 2026

Economic Research Division

Alper Gürler
Division Head
alper.gurler@isbank.com.tr

H. Erhan Gül
Unit Manager
erhan.gul@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Büşra Ceylan
Asst. Economist
busra.ceylan@isbank.com.tr

Nurgül Türkmen
Asst. Economist
nurgul.turkmen@isbank.com.tr

Onuray Günaydın
Asst. Economist
onuray.gunaydin@isbank.com.tr

Global Economy

The military activity along with diplomatic negotiations between the US and Iran throughout February, turned into a battle in Middle East on the last day of the month.

US Supreme Court struck down the additional tariffs imposed by Trump on US imports in 2025.

The US economy grew by 2.2% in 2025 according to preliminary data.

Minutes of the Fed's latest meeting showed that members' views on the interest rate path for the coming period diverged.

Central banks of Europe, England, and China did not change their benchmark interest rates at their February meetings.

Expectations that Japan would pursue an expansionary fiscal policy following early general elections supported the markets.

Geopolitical tensions and uncertainties regarding tariffs dampened risk appetite in global stock markets, while the ounce gold prices ended February up 8.5% due to the shift towards safe-haven assets.

The price of Brent crude oil rose above 80 USD/ barrel in the first week of March amid rising concerns that tensions in the Middle East would negatively affect global oil supply.

Turkish Economy

According to the chain linked volume index, the Turkish economy grew by 3.4% yoy in the last quarter of 2025 and by 3.6% in the whole of 2025.

The unemployment rate rose by 0.3 points to 8.1% in January, while the underemployment rate rose from 29% to 29.9%.

The ICI Türkiye manufacturing PMI rose to 49.3 in February, its highest level in 22 months.

The current account deficit, which came in above the market expectations at 7.3 billion USD in December, increased 2.4-fold to 25.2 billion USD in the whole 2025.

The central government budget deficit stood at 214.5 billion TRY in January, while the primary balance posted a surplus of 241.9 billion TRY.

In February, CPI increased by 2.96% mom, in line with market expectations, while annual consumer inflation rose to 31.53%. During the same period, D-PPI inflation was 2.43% mom and 27.56% yoy.

In its first Inflation Report of the year, the CBRT maintained its interim target for the end of 2026 at 16% while rising its inflation forecast range from 13%-19% to 15%-21%.

BIST-100 index declined by 0.9% in February, underperforming other emerging market stock exchanges.

Turkish Economy.....	2
Financial Markets	7
Banking Sector.....	8
Concluding Remarks.....	9
Graphs.....	10
Tables.....	12

GDP Growth

The Turkish economy grew by 3.6% in 2025.

According to the chain-volume index, the Turkish economy grew by 3.4% yoy in the last quarter of 2025, close to market expectations (3.5%). TurkStat revised its growth figures for the second and third quarters of 2025 from 4.9% to 4.7% and from 3.7% to 3.8%, respectively. Thus, the Turkish economy grew by 3.6% in 2025, exceeding the 3.3% growth rate projected in the Medium-Term Program.

According to seasonally and calendar-adjusted data, the Turkish economy, which grew by 1.0% qoq in the third quarter, lost momentum in the last quarter and expanded by 0.4%. In 2025, GDP at current prices rose to 63.0 trillion TRY, or 1.6 trillion USD, while GDP per capita reached 18,040 USD.

Contributions to Growth		(% points)				
	2024	2025				
	Annual	Q1	Q2	Q3	Q4	Annual
Consumption	2.8	1.5	3.1	3.2	3.5	2.9
Private	3.0	1.3	3.1	2.8	3.7	2.8
Public	-0.1	0.3	0.0	0.3	-0.1	0.1
Investment	0.7	0.5	2.3	2.8	1.4	1.8
Stock Change	-1.2	0.9	0.6	-1.1	-0.2	0.0
Net Exports	1.0	-0.5	-1.3	-1.0	-1.4	-1.1
Exports	0.0	0.1	0.4	-0.2	-0.5	-0.1
Imports	1.0	-0.5	-1.8	-0.8	-0.9	-1.0
GDP (yoy, %)	3.3	2.5	4.7	3.8	3.4	3.6

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

In the last quarter of the year, consumption expenditures accelerated, while net exports continued to limit growth.

According to the chain-volume index, public expenditures limited annual growth by 0.1 percentage points in the last quarter of the year, while private consumption expenditures gained momentum and contributed 3.7 percentage points to growth. While non-durable goods consumption accelerated in the last quarter, durable goods consumption maintained its strong performance despite losing momentum. On the other hand, the contribution of investment to growth, which was 2.3 and 2.8 percentage points in the second and third quarters, respectively, slowed down in the last quarter to 1.4 percentage points. Net exports continued to limit growth (by 1.4 points) in the last quarter, as they did in the first three quarters of the year.

Household Consumption Expenditures

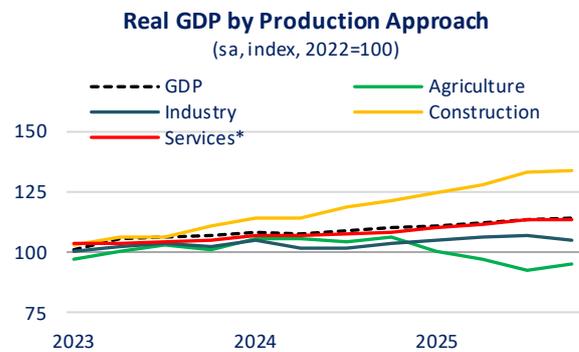
(civi, annual % change)



Thus, similar to 2024, consumption expenditures contributed 2.9 points to growth in 2025 as a whole. The contribution of investment expenditures to growth rose from 0.7 points in 2024 to 1.8 points in 2025. Net exports limited growth by 1.1 points throughout 2025.

All sectors except agriculture contributed positively to growth.

According to the production approach, the annual contraction recorded in the third quarter of the year (-12.4%) in the agriculture sector due to the impact of frost continued in the last quarter, albeit at a lower rate (-7.2%), thus limiting annual growth by 0.3 percentage points during this period. The industrial sector, which contributed 1.1 points to growth in both the second and third quarters, contributed only 0.2 points to growth in the last quarter. During the same period, the construction sector continued to contribute to growth (0.4 points). Among the sectors, the sector that contributed the most to growth in the last quarter of the year was the services* sector with 2.0 points.



Looking at 2025 as a whole, the agriculture sector, which recorded its fastest contraction since 2001, was the only item that limited growth in 2025 as a whole, with 0.5 points. The industrial sector, due to its performance in the second and third quarters, and the construction sector, which grew by 10.8% in 2025 as a whole, each contributed 0.5 points to growth throughout the year. The services* sector was the sector that supported growth the most, with 2.2 points.

Expectations...

While the contraction in agricultural production continued in the last quarter of 2025, the slowdown in industrial production indicated that pressures on production activities persisted. On the other hand, despite the continued tight stance in monetary policy, consumption expenditures continued to gain momentum in the last quarter of the year, indicating that domestic demand remained robust during this period, while net exports continued to limit growth. Although investment spending lost momentum, it continued to contribute to growth, which was recorded as a positive development. In 2026, the effects of geopolitical developments on commodity prices and global demand conditions will be closely monitored in terms of the course of growth.

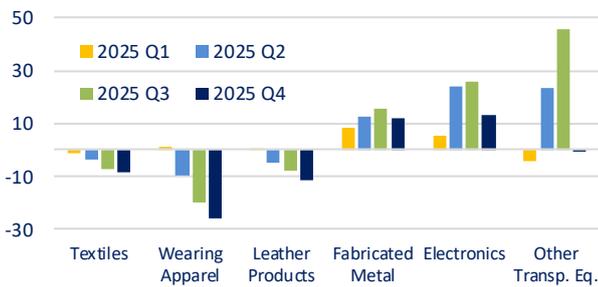
Source: CBRT, Datastream, ICI, TURKSTAT

Leading Indicators

Annual growth in industrial production lost momentum in the final quarter of 2025.

Industrial production, which performed well in the second and third quarters of 2025, lost momentum in the final quarter, recording a 0.6% increase on an annual basis. Thus, industrial production ended 2025 with a 2.8% annual growth. Looking at the sub-sectors of the manufacturing industry, computers, electronic and optical products (16.7%), other transport equipment (12.9%), and fabricated metal products (12.3%) stood out as the fastest growing sectors in 2025. On the other hand, production declines in the clothing (-14.0%), leather and related products (-5.9%), and textile products (-5.4%) sectors were notable during the same period.

Sectors with the Highest and Lowest Production Growth (annual % change)



Unemployment rate rose to 8.1% in January.

According to seasonally adjusted data, the unemployment rate rose from 7.8% in December to 8.1% in January. During this period, the labor force and employment decreased by 443K and 516K people, respectively. Thus, the labor force participation rate and employment rate declined by 0.8 points mom to 52.1% and 47.9%, respectively. During this period, the unemployment rate among young people increased slightly by 0.1 points to 14.3%, while the underemployment rate, the broadest measure of unemployment, rose from 29% to 29.9%.

According to statistics on paid employees, employment in 2025 increased at an annual rate of 5.8% in construction and 3.0% in trade and services, while contracting by 3.0% in the industrial sector.

ICI manufacturing PMI at its highest level in 22 months...

The Türkiye manufacturing PMI published by the Istanbul Chamber of Industry (ICI) rose to 49.3 in February, its highest level since April 2024, indicating that adverse conditions in the sector's activities eased during this period. The report noted that the decline in new orders was the mildest in two years, in line with the recovery trend in demand conditions. As a result, companies reduced their production, employment, purchasing, and inventory levels at a lower rate than in the previous month. On the other hand, in February, when input cost inflation reached its highest level in the last two years, final product prices increased at their

fastest pace since April 2024. Looking at the data by sector, the PMI was above the threshold value only in the food products as well as electrical and electronic products sectors. Production and new orders increased only in these sectors, while the sharp decline in the main metal industry production sub-index was noteworthy.

Mortgaged house sales rose by 15.7% yoy in January.

According to TurkStat data, house sales fell by 4.7% yoy in January to 111,480 units. Having increased by 15.7% yoy in January, the share of mortgage sales in total sales rose to 18.2% but remained below the long-term average (2013-2023 Avg.: 27.8%). This month, commercial property sales were also added to TurkStat's housing sales statistics press release. Mortgaged sales accounted for 4.3% (2013-2025 Avg.: 7.0) of commercial property sales, which decreased by 13.2% yoy to 13,267 in January.

Meanwhile, the monthly increase in the housing price index published by the CBRT accelerated to 3.7% in January. During this period, housing prices rose by 27.7% yoy in nominal basis, while declining by 2.3% in real terms. The New Tenant Rent Index, which the CBRT began publishing for the first time this month, increased by 3.5% mom in January, while rising by 34.2% yoy and 2.7% yoy on a nominal and real basis, respectively.

In February, confidence indices generally presented a positive outlook.

The consumer confidence index rose by 2 points compared to the previous month to 85.7 in February, reaching its highest level in the last 11 months. During the same period, the seasonally adjusted real sector confidence index increased by 1.1 points to 104.1, its highest level since October 2023. Looking at the sectoral breakdown, confidence indices rose by 3.3 points in the retail trade sector, remained unchanged in the services sector, and declined by 1.8 points in the construction sector, showing a negative divergence. Thus, in line with the increases recorded in most sub-indices, the economic confidence index rose by 1.4 points in February to 100.7.

Sectoral Confidence Indices



Source: CBRT, Datastream, ICI, TURKSTAT

Foreign Trade and Balance of Payments

Current account deficit was 25.2 billion USD in 2025.

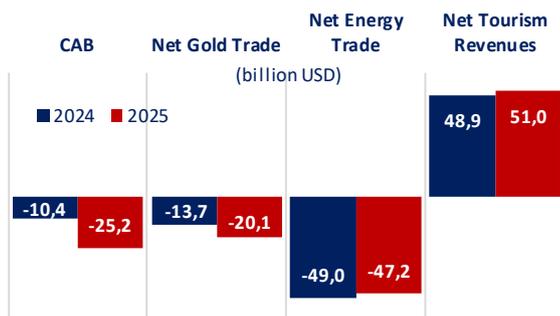
In December, the current account balance posted a deficit of 7.3 billion USD, exceeding market expectations of 5.2 billion USD. This development was driven by the decline in service revenues alongside falling travel revenues, the expansion in the primary income deficit, and the widening in balance of payments-defined trade deficit to its highest level in the last eight months.

Despite the increase in tourism revenues in 2025, the current account deficit widened by 142% yoy to 25.2 billion USD, in line with the rapid rise in trade deficit.

Trade deficit widened by 24.5% in 2025.

In December, the balance of payments-defined trade deficit widened by 19.4% yoy to 7.4 billion USD. During this period, non-monetary gold imports remained parallel to its level in December 2024, while net energy imports declined by 10% yoy to 4.9 billion USD. In December, the current account balance excluding gold and energy posted a deficit of 691 million USD for the first time in seven months. Thus, the core current account balance posted a deficit for the third time in the last three years, following May 2023 and April 2025.

The balance of payments-defined trade deficit widened by 24.5% yoy to 69.7 billion USD in 2025. Net non-monetary gold imports amounted to 20.1 billion USD and net energy imports to 47.2 billion USD. Thus, in 2025, the current account surplus excluding gold and energy declined by 19.5% compared to the previous year and became 42.1 billion USD.



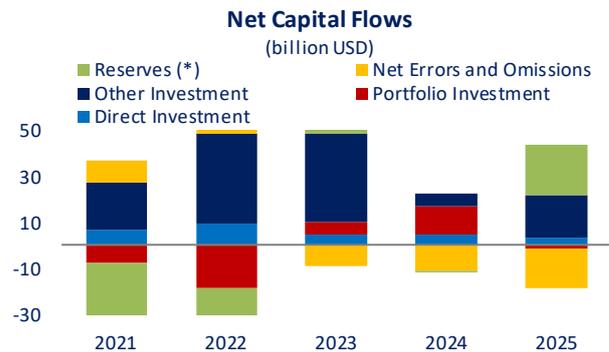
Net service revenue was 63.5 billion USD in 2025.

Net travel and transportation revenues in December were at their lowest level since March. In parallel, net service revenues declined by 12.5% yoy to 2.7 billion USD, the lowest level in the last 10 months. On the other hand, in 2025, net service revenues increased by 3.5% compared to the previous year, reaching its historical high at 63.5 billion USD. During this period, net travel revenues increased by 4.3% yoy to 51 billion USD, while net passenger transportation revenues rose by 11.7% yoy to 21.8 billion USD.

Net direct investments are at their lowest level in 20 years...

In December, net direct investments recorded an outflow of 465 million USD. During this period, domestic residents made capital investments of 838 million USD abroad, while non-residents made capital investments of 593 million USD in Türkiye. On the other hand, real estate purchases of domestic residents abroad and by foreign residents in Türkiye amounted to 252 million USD and 287 million USD, respectively, remaining at similar levels.

In the whole of 2025, net direct investments decreased by 36% yoy to 3.3 billion USD, the lowest level in the last 20 years.



Limited capital outflow in portfolio investments in 2025...

Following two consecutive months of capital outflow, there was a limited capital inflow of 73 million USD in portfolio investments in December. During this period, portfolio investments by domestic residents abroad amounted to 1.7 billion USD, while portfolio investments by foreign residents in Türkiye amounted to 1.8 billion USD. Foreign residents purchased 839 million USD in the stock market and continued to purchase 501 million USD in the government bond market.

In 2025, a net capital outflow of 1.7 billion USD was recorded from portfolio investments, due to the net acquisition of 14 billion USD in domestic residents' assets abroad, compared to 12.3 billion USD in non-residents' investments in Türkiye. In 2024, there was a net capital inflow of 12 billion USD in this category.

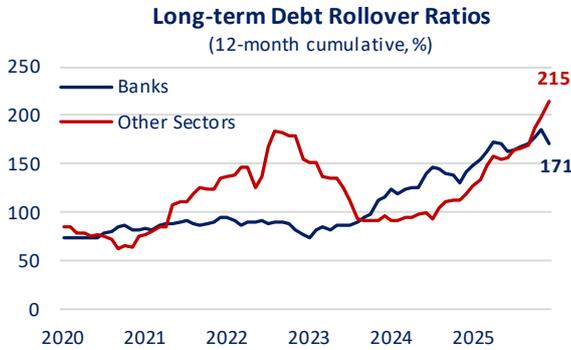
Other investments surged by 244% yoy.

In December, capital inflows into other investments continued for the third consecutive month with 2.5 billion USD. During this period, the 5.4 billion USD outflow in this category, due to the increase in domestic residents' foreign currency deposits abroad, limited capital inflows into other investments. In December, other sectors utilized net credit of 4.3 billion USD, while banks used 1.3 billion USD.

Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

In 2025, net capital inflows in other investments increased by 244% compared to the previous year, reaching 18.5 billion USD. While banks' credit usage decreased by 25% yoy in this period, the 7.4 times surge in credit usage of other sectors was noteworthy. In 2025, the long-term debt rollover ratios of banks and other sectors continued to exceed their long-term averages, at 171% and 215%, respectively.



Reserves and net errors and omissions...

Reserve assets continued to decline in December (by 4.1 billion USD), and decreased by 22 billion USD over the whole of 2025. In the net errors and omissions item, where a capital inflow of 1 billion USD was recorded in the last month of the year, an outflow of 16.6 billion USD occurred in 2025.

Expectations...

Despite the positive effect from the services balance in 2025, the current account deficit reached 25.2 billion USD due to the increase in the foreign trade deficit and the expansion in the primary income balance. Thus, the current account deficit was above the MTP estimate of 22.6 billion USD as a result of net gold imports exceeding expectations. Whether the increases recorded in commodity prices, particularly energy, at the beginning of 2026 due to rising geopolitical concerns will be permanent, will be closely monitored in terms of the current balance outlook.

Balance of Payments	(million USD)			
	Dec. 2025	Dec. 2024	Jan. - Dec. 2025	% Change
Current Account Balance	-7,253	-10,415	-25,207	142.0
Foreign Trade Balance	-7,439	-55,987	-69,688	24.5
Services Balance	2,651	61,369	63,508	3.5
Travel (net)	2,533	48,920	51,028	4.3
Primary Income	-2,368	-15,869	-18,499	16.6
Secondary Income	-97	72	-528	-
Capital Account	-3	-126	-148	17.5
Financial Account	-6,215	-21,838	-42,002	92.3
Direct Investment (net)	465	-5,050	-3,255	-35.5
Portfolio Investment (net)	-73	-11,977	1,739	-
Net Acquisition of Financial Assets	1,685	9,532	14,048	47.4
Net Incurrence of Liabilities	1,758	21,509	12,309	-42.8
Equity Securities	839	-2,481	2,080	-
Debt Securities	919	23,990	10,229	-57.4
Other Investment (net)	-2,471	-5,369	-18,459	243.8
Currency and Deposits	5,367	13,898	15,602	12.3
Net Acquisition of Financial Assets	3,039	12,367	13,171	6.5
Net Incurrence of Liabilities	-2,328	-1,531	-2,431	58.8
Central Bank	-505	-11,866	-11,808	-0.5
Banks	-1,823	10,335	9,377	-9.3
Foreign Banks	-1,940	6,725	9,186	36.6
Foreign Exchange	109	2,565	3,396	32.4
Turkish Lira	-2,049	4,160	5,790	39.2
Non-residents	117	3,610	191	-94.7
Loans	-7,315	-19,603	-36,243	84.9
Net Acquisition of Financial Assets	-1,098	2,261	2,726	20.6
Net Incurrence of Liabilities	6,217	21,864	38,969	78.2
Banking Sector	1,317	17,994	13,469	-25.1
Non-bank Sectors	4,333	3,191	23,630	640.5
Trade Credit and Advances	-521	402	2,212	450.2
Other Assets and Liabilities	-2	-66	-30	-54.5
Reserve Assets (net)	-4,136	558	-22,027	-
Net Errors and Omissions	1,041	-11,297	-16,647	47.4

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

Budget Balance

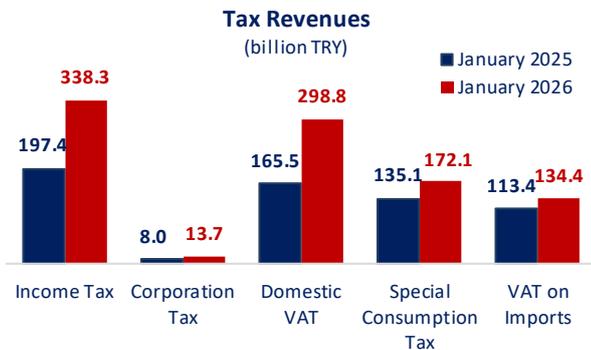
The central government budget posted a deficit of 214.5 billion TRY in January.

In January, central government budget revenues rose by 55% yoy to 1.4 trillion TRY, while budget expenditures recorded a similar increase with 54.9% to 1.6 trillion TRY. Thus, in the first month of the year, the central government budget deficit widened by 54% yoy to 214.5 billion TRY. During the same period, the Treasury cash balance showed a deficit of 246.2 billion TRY. In January, the primary surplus increased tenfold on an annual basis to 241.9 billion TRY.

Tax revenues increased by 49% yoy in January.

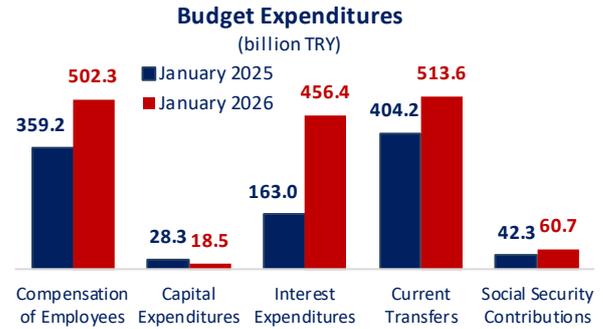
In January, due to the impact of adjustments at the beginning of the year, tax revenues recorded an increase of 49% yoy and reached 1.2 trillion TRY, accounting for 83.1% of total budget revenues. Income tax stood out in the increase in tax revenues, rising by 71.4 yoy to reach 338.3 billion TRY, while domestic value added tax recorded a rapid rise of 80.6% to 298.8 billion TRY. On the other hand, due to the moderate trend in foreign exchange rates, the value added tax collected on imports and the special consumption tax recorded annual increases below the annual consumer inflation rate with 18.5% and 27.4%, respectively.

In January, the interest, dividends, and penalties item continued its rise above the inflation at 58.2%, reaching 104.9 billion TRY. During this period, capital income surged approximately eightfold to 30 billion TRY, while business and property income rose approximately 3.5-fold to 70 billion TRY.



Interest expenses surged by 180% yoy in January.

Non-interest budget expenditures increased by 32% yoy in January, reaching 1.2 trillion TRY. Current transfers, which accounted for 44% of non-interest expenditures during this period, went up by 27% yoy, while personnel expenses, which accounted for 43%, rose by 40% yoy. In January, the 35% annual contraction in capital expenditures somewhat eased the pressure on expenditures. On the other hand, the 180% annual rise in interest expenditures during this period was noteworthy.



Expectations...

In January, the budget deficit widened rapidly on an annual basis as budget revenues and expenditures rose above the CPI inflation. Considering the support provided by the increase in VAT collected domestically to tax revenues during this period, we believe that the course of domestic economic activity in the coming months and the audit of tax revenues will continue to be important. On the other hand, the relatively limited real increase of non-interest budget expenditures in January indicates that there has been no significant deterioration in budget discipline. Interest expenditures, which accounted for nearly 28% of total expenditures in January (compared to 14% in 2025), remain the main factor putting pressure on the budget balance.

Central Government Budget

	January		% Change	2026 Budget Target	Real/ Budget Target (%)
	2025	2026			
Expenditures	1,056.3	1,635.8	54.9	18,978.8	8.6
Interest Expenditures	163.0	456.4	180.0	2,741.7	16.6
Non-Interest Expenditures	893.3	1,179.4	32.0	16,237.2	7.3
Revenues	917.1	1,421.2	55.0	16,266.1	8.7
Tax Revenues	792.7	1,181.2	49.0	13,833.1	8.5
Other Revenues	124.4	240.0	92.9	2,433.0	9.9
Budget Balance	-139.3	-214.5	54.1	-2,712.7	7.9
Primary Balance	23.8	241.9	918.0	29.0	835.1

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

Source: Datastream, Ministry of Treasury and Finance

Inflation

The CPI increased by 2.96% mom in February.

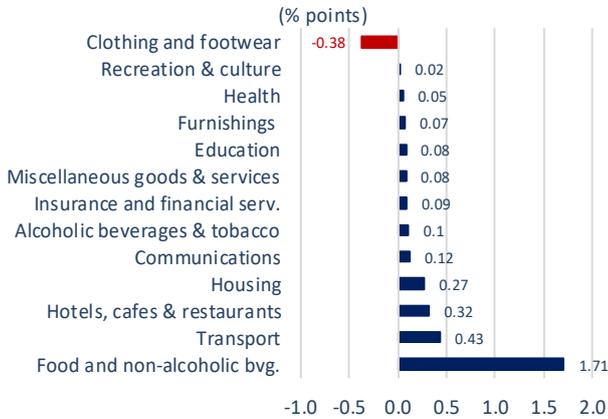
Consumer prices increased by 2.96% on a monthly basis in February, broadly in line with market estimates (3.0%). According to the Market Participants Survey, released mid-month, the market expectation was 2.54%. With annual inflation rising to 31.53% in February, the disinflationary process that began in June 2024 was disrupted for the second time since September 2025. Domestic producer prices increased by 2.43% on a monthly basis during February. Thus, annual inflation in the D-PPI increased to 27.56%.

February (change %)	CPI		D-PPI	
	2025	2026	2025	2026
Monthly	2.27	2.96	2.12	2.43
Year-to-Date	7.42	7.95	5.24	5.16
Annual	39.05	31.53	25.21	27.56
Annual Average	53.85	33.39	37.55	25.60

The acceleration in food prices continued in February.

Prices in the food and non-alcoholic beverages group, which also grew substantially in January, continued to rise as a result of Ramadan as well. The food and non-alcoholic beverages group contributed 1.71 points to monthly inflation, with the largest monthly increase since February 2024 at 6.9%. The 17.55% monthly increase in fresh fruit and vegetable prices had an impact on this development.

Contributions of main expenditure groups to monthly CPI



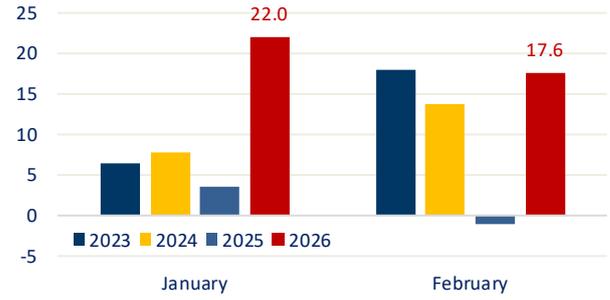
In February, the other subgroups that contributed most to monthly inflation were transportation and hotels, cafes, and restaurants. Prices in the transportation group rose by 2.58% on a monthly basis, increasing monthly inflation by 0.43 points. The 2.82% monthly price increase in the hotels, cafes, and restaurants group contributed 0.32 points to monthly CPI inflation.

The clothing and footwear group, where prices fell by 5.3% on a monthly basis due to the impact of end-of-season discounts, limited monthly inflation by 0.38 points.

Core inflation is below headline inflation.

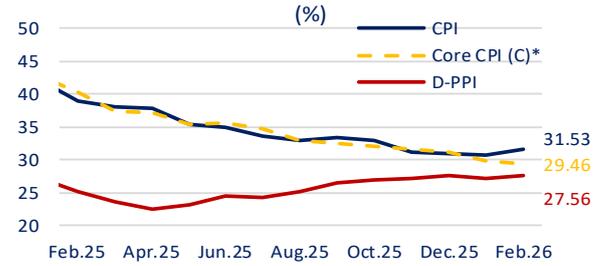
The monthly increase in the sub-index excluding seasonal products

Fresh Fruit and Vegetable Prices (monthly % change)



in February was 2.89%, close to headline inflation, indicating that seasonal factors were not the driving force behind the relatively high monthly inflation. On the other hand, the CPI (B index), excluding unprocessed food products, energy, alcoholic beverages, tobacco, and gold, increased by 2.16%, and the C index increased by 1.53%, remaining below headline inflation. In the services group, monthly inflation was 3.19% during this period, below the February figures for the last two years, while the monthly increase in rent prices was 3.46%, a significant decline compared to the previous month.

Annual Inflation Indicators



*Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold

Food products contributed to the increase in D-PPI.

Food products, which recorded a 3.61% monthly increase in D-PPI in February, continued to be the group that contributed most to monthly inflation, with 0.72 points. The sector that recorded the fastest increase in prices during this period was coke and refined petroleum products, with 8.33%. The 3.04% decline in the electricity, gas, steam and air conditioning sub-index limited the increase in the D-PPI by 0.27 points.

Expectations...

CPI inflation in the first two months of 2026 was generally higher than the market's forecast path at the start of the year. Thus, the cumulative inflation for the January-February period rose to 7.95% in 2026, exceeding last year's level (7.42%). The deterioration in inflation dynamics during this period was largely driven by increases in food prices. We believe that the end of Ramadan and seasonal factors could support the inflation outlook in March. On the other hand, permanent energy price increases and additional inflationary pressures, both of which may result from recent geopolitical developments stand out as key risks to the inflation outlook.

Financial Markets

	30-Jan	27-Feb	Change
5-Y CDS (basis points)	219	235	16 bp ▲
TR 2-Y Benchmark Yield	%34.61	%36.53	192 bp ▲
BIST-100	13,838	13,718	-0.9% ▼
USD/TL	43.4771	43.9204	1.0% ▲
EUR/TL	51.5328	51.8834	0.7% ▲
Currency Basket*	47.5050	47.9019	0.8% ▲

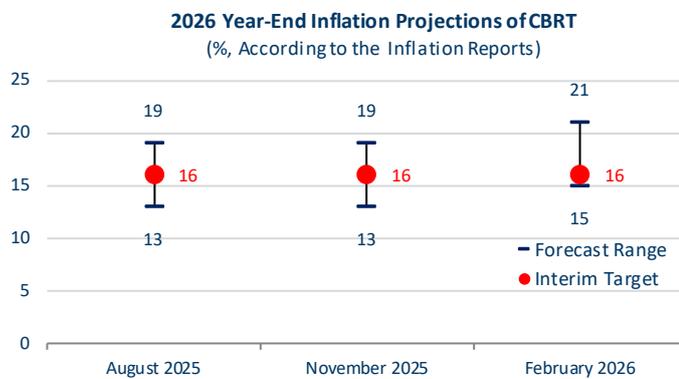
(*) (0.5 USD/TRY + 0.5 EUR/TRY)

BIST-100 index closed February flat.

After testing historic highs in mid-February, BIST-100 index ended the month at 13,718, close to its level at the end of January, due to profit sales towards the end of the month. In February, Türkiye's 5-year CDS premium rose by 16 basis points to 235 basis points, while USD/TRY and EUR/TRY increased by 1.0% and 0.7%, respectively. The interest rate of 2-year bonds rose for the first time since October 2025 on a monthly basis, and became 36.53% at the end of February. The interest rate on 10-year bonds rose by 62 basis points during the same period to 30.12%.

CBRT raised the inflation forecast range for 2026.

In the first Inflation Report of the year published on February 12, the CBRT maintained its interim targets for the years 2026 and 2027 at 16% and 9%, respectively. On the other hand, the CBRT raised the inflation forecast range for 2026 from 13%-19% to 15%-21%. According to the report, the increase in the share of service group within the CPI basket, the updates in the Turkish lira-denominated import price assumption depending on the increase in non-energy commodity prices, and -albeit limited- the updates in the food price assumption were effective. Additionally, CBRT stated that the improvement in expectations and the main trend being more limited than predicted affected the forecasts upwards as well. The CBRT Governor reiterated that the cautious tight monetary policy stance will continue until price stability is achieved, and expressed that the threshold required to increase the size of interest rate cut steps in the short term appears to be slightly high.



CBRT started to publish the Household Expectations Survey.

The Household Expectations Survey (HES) published for the first time by the CBRT, includes questions about households'

inflation expectations, as well as their views on price changes experienced and expected in selected product groups and their investment preferences. Furthermore, in order to determine the effects of demographic factors on expectations, the survey participants' responses were broken down by gender, age group, average monthly income and education level. According to the survey results, households' inflation expectations for the next 12 months stood at 48.81% in February. Backward-looking data showed that households' expectations remained unchanged compared to January. In the January results of the previous data series created using the Consumer Sentiment Survey, households' inflation expectations for the same period were 52.08%. According to the HES results, as of February, the product group for which households felt the most price increases over the past year and expect to see the highest increases over the next 12 months was food. On the other hand, households' expectations for increases in housing prices in the coming 12 months fell by 3.82 points mom to 35.41% in February. Within the framework of current exchange rates and inflation expectations, 55.5% of households would choose gold as a potential investment, while 30% would choose real estate.

Expectations of the real sector and market participants...

According to the sectoral inflation expectations announced by the CBRT, the inflation expectations for 12 months ahead decreased by 0.9 points to 32.0% in the real sector, and receded to 22.10% with a limited 0.1 point decrease among market participants. Market participants' annual inflation expectation for 2026-end was recorded at 24.11%, and the USD/TRY expectation at 51.09.

CBRT's gross reserves fell from record levels.

As of February 20, the CBRT's total gross reserves decreased by 12.1 billion USD compared to the end of January, partly due to the decline in gold prices, and became 206.1 billion USD, while its net reserves fell to 89.2 billion USD. During this period, gold reserves accounted for 132.4 billion USD of the CBRT's total gross reserves, while foreign exchange reserves accounted for 73.6 billion USD. On the other hand, according to data adjusted for price and exchange rate movements, as of February 20, the stock portfolio of non-residents abroad recorded a net increase of 866 million USD compared to the end of January, while the GDDS portfolio (based on the total of outright purchases, reverse repos, collateral, and loans) recorded a net increase of 834 million USD.

IMF has completed its Article IV consultation.

Having completed its Article IV consultation and published its assessment on the Turkish economy, the IMF stated that the ongoing disinflation program is yielding positive results. The organization forecasts that the year-end CPI inflation rate for 2026 will be 23%. IMF maintained its 2026 growth forecast for the Turkish economy at 4.2%, as published in its January update of the World Economic Outlook Report.

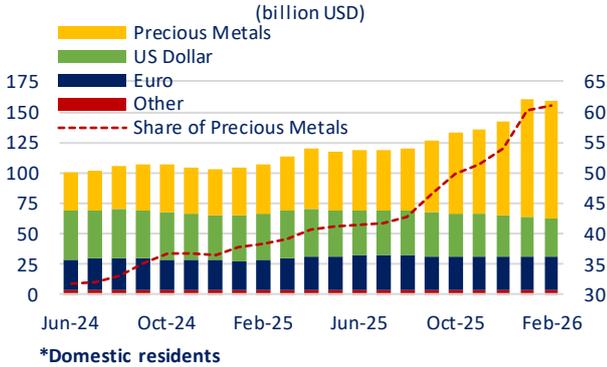
Source: CBRT, Datastream, Reuters

Banking Sector

FX deposit volume declined in February.

According to the Weekly Bulletin data published by the BRSA, as of the week of February 20, TL deposit volume decreased by 1.4% compared to the end of 2025, while increasing by 30.2% yoy to 16.5 trillion TRY. Despite the increase in gold prices in February, FX deposit volume in USD terms decreased by 0.9% (2.3 billion USD) compared to the end of January, but increased by 32.8% (15.2 billion USD) yoy and became 264.8 billion USD. According to parity adjusted data released by the CBRT, precious metal accounts of domestic resident real persons, which recorded a total increase of 7.8 billion USD in January, rose by 1.3 billion USD in the first three weeks of February. During the same period, deposits of US dollars and other currencies continued to decline by 1.1 billion USD. On the other hand, total parity adjusted FX deposits of legal entities, decreased by 351.8 million USD in the first three weeks of February. As of the week of February 20, the FX-Protected Deposit (KKM) balance fell to 50 million USD (2.2 billion TRY). Thus, the ratio of the TRY equivalent of FX deposits to total deposits stood at 41.2% during this period. The total deposit volume in the banking sector reached 28 trillion TRY as of February 20, with an increase of 0.8% compared to the end of January and 41.1% on an annual basis. According to exchange rate adjusted data, the increases in total deposits during the same periods were recorded as 0.5% and 31.2%, respectively.

FX Deposit Composition of Households*



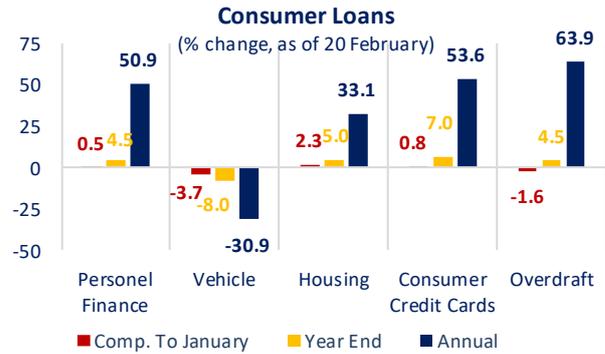
FX credit loan volume in USD terms remained at the same level in February.

As of February 20, TL credit volume in the banking sector expanded by 2.0% compared to the January-end and by 45.1% yoy, reaching 15 trillion TRY. Having remained flat compared to the end of January at 204.1 billion USD, FX loan volume in USD terms rose by 16.8% on an annual basis. Thus, driven by the increase in TL credit volume, total credit volume expanded by 1.5% mom and 43.5% yoy, reaching 24 trillion TRY. According to exchange rate adjusted data, the increases recorded in total credit volume during the same periods were 1.3% and 34.4%, respectively.

Slowdown in retail loans...

As of February 20, growth in consumer credit cards, which account for approximately half of retail loan balance, and

consumer loans, which account for 38%, lost momentum. Compared to the end of January, the volume of these credits rose only by 0.8% and 0.5%, respectively. During this period, vehicle loans continued to decline (-3.7%), while housing loans continued to increase at a similar pace to the previous month (2.3%). Thus, consumer loans, which recorded a limited rise of 0.8% compared to the end of January, expanded by 48.4% yoy. As of February 20, the balance of overdraft accounts (KMH) decreased by 1.6% compared to the end of January, but was recorded at 63.9% above the level of the same period last year.



NPL ratio stood at 2.63%.

As of February 20, the balance of non-performing loans (NPL) increased by 17.2 billion TRY compared to the end of January, while the NPL ratio rose to 2.63%. This ratio reached its highest level since November 2016 at 4.38% for retail loans. Although the ratio of non-performing loans remained relatively low at 2.04% for commercial loans, it stood at 3.27% for SME loans, indicating that the pressure of tight financial conditions is more apparent on this segment.



Net foreign currency position...

As of February 20, the banking sector's on-balance sheet foreign currency position stood at (-) 54,588 million USD, while its off-balance sheet foreign currency position was (+) 54,352 million USD. Consequently, the sector's net general foreign currency position was recorded at (-) 236 million USD.

Concluding Remarks

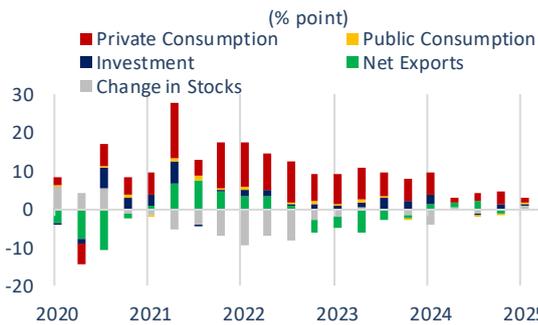
Geopolitical tension between the US and Iran and the ongoing negotiations were the main focus of the markets in February. The tension, which remained high throughout the month, turned into a war affecting almost all Middle Eastern countries at the end of the month. This development increased concerns about global energy supply, while demand for safe investment instruments strengthened. In the coming period, depending on the course of the war, increases in commodity prices, particularly oil and natural gas, pose a significant risk to overall price levels. Amid the uncertainty surrounding the global economic outlook and inflation caused by these developments, the monetary policy decisions of major central banks will be closely monitored.

Turkish economy grew by 3.6% in 2025 according to the chain linked volume index, exceeding the 3.3% level projected in the Medium Term Program. Despite the tight monetary policy stance maintained in 2025, the acceleration in consumption expenditures indicated that domestic demand remained robust, while net exports, which contributed positively to growth in 2024, limited growth by 1.1 percentage points during this period. On the other hand, leading indicators for February signaled that pressures on the manufacturing industry eased somewhat. During the same period, annual consumer inflation accelerated slightly, partly due to the effect of Ramadan. Expectations of an interest rate cut at the CBRT's March meeting weakened amid inflationary risks created by the recent rise in commodity prices. The pace of gold and oil prices in the coming period will be closely monitored in terms of their impact on domestic inflation as well as the current account balance outlook.

Turkish Economy - Macroeconomic Indicators

Growth

Contributions to GDP Growth

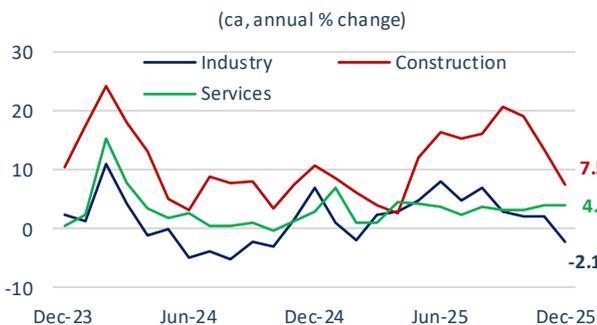


Gross Fixed Capital Formation

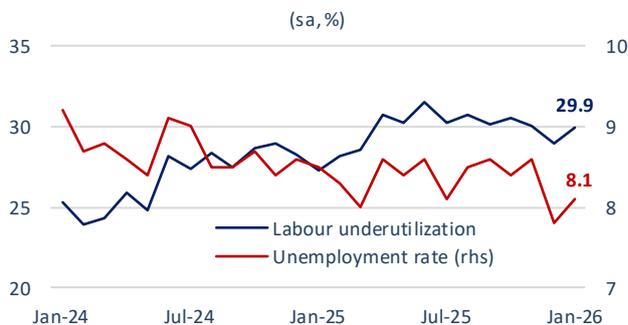


Leading Indicators

Production Indices



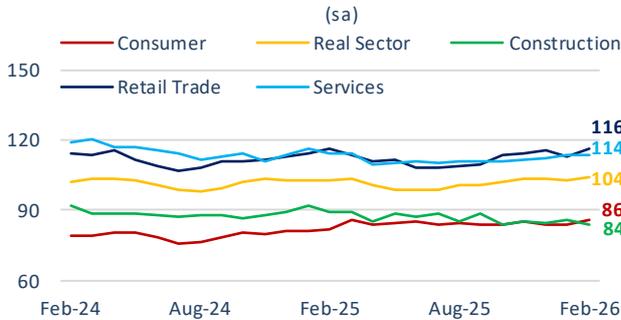
Labour Force Statistics



Sales Volume Indices



Confidence Indices



Foreign Trade and Current Account Balance

Foreign Trade



Current Account Balance

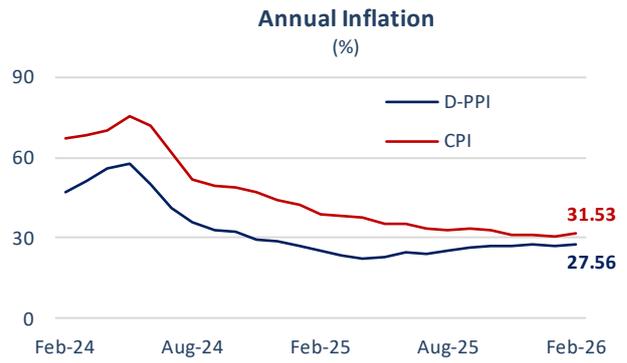
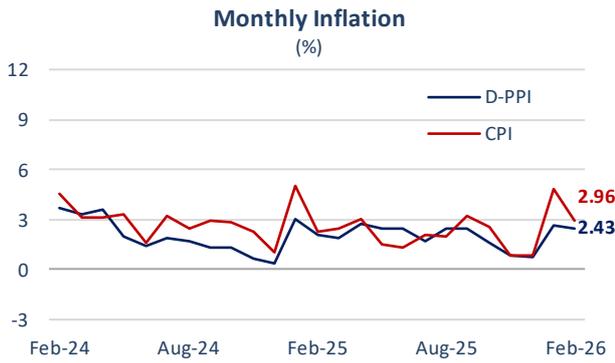


(CA): Calendar adjusted, (SA): Seasonally adjusted

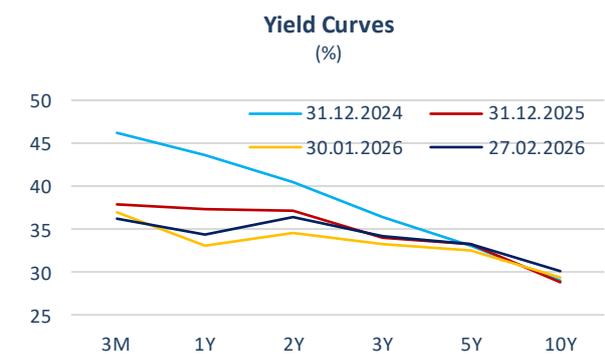
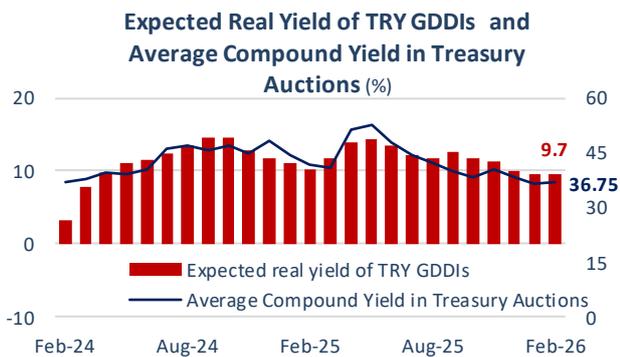
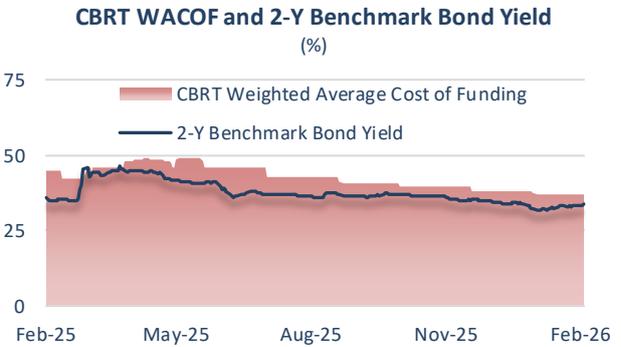
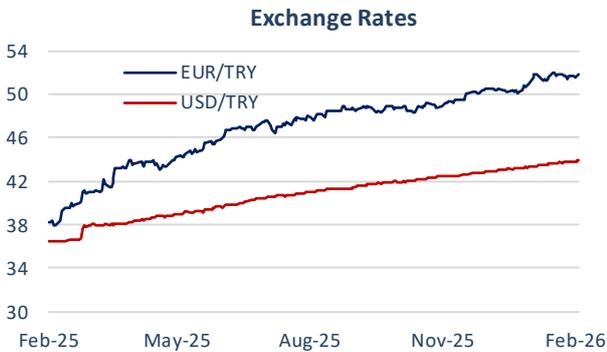
Source: Datastream, CBRT, Turkstat

Turkish Economy - Macroeconomic Indicators

Inflation



Foreign Exchange and Bond Market



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

Turkish Economy - Macroeconomic Indicators

GROWTH	2021	2022	2023	2024	2025	Q2-25	Q3-25	Q4-25
GDP (USD billion)	828	925	1,153	1,358	1,596	377	434	439
GDP (TRY billion)	7,434	15,326	27,091	44,587	63,021	14,557	17,472	18,467
GDP Growth Rate (%)	11.8	5.4	5.0	3.3	3.6	4.7	3.8	3.4
INFLATION (%)						Dec-25	Jan-26	Feb-26
CPI (annual)	36.08	64.27	64.77	44.38	30.89	30.89	30.65	31.53
Domestic PPI (annual)	79.89	97.72	44.22	28.52	27.67	27.67	27.17	27.56
SEASONALLY ADJUSTED LABOR MARKET FIGURES						Nov-25	Dec-25	Jan-26
Unemployment Rate (%)	11.0	10.4	8.9	8.6	7.8	8.6	7.8	8.1
Labor Force Participation Rate (%)	52.6	54.0	54.0	54.1	52.9	53.4	52.9	52.1
FX RATES						Dec-25	Jan-26	Feb-26
CPI Based Real Effective Exchange Rate	70.8	82.5	83.8	100.7	99.0	99.00	102.15	103.17
USD/TRY	13.28	18.72	29.53	35.36	42.96	42.96	43.49	43.95
EUR/TRY	15.10	19.98	32.62	36.62	50.46	50.46	51.74	51.89
Currency Basket (0.5*EUR+0.5*USD)	14.19	19.35	31.08	35.99	46.71	46.71	47.62	47.92
FOREIGN TRADE BALANCE ⁽¹⁾ (USD billion)						Nov-25	Dec-25	Jan-26
Exports	225.2	254.2	255.6	261.8	273.3	270.4	273.3	272.5
Imports	271.4	363.7	362.0	344.0	365.4	361.9	365.4	365.5
Foreign Trade Balance	-46.2	-109.5	-106.3	-82.2	-92.1	-91.5	-92.1	-93.0
Import Coverage Ratio (%)	83.0	69.9	70.6	76.1	74.8	74.7	74.8	74.6
BALANCE OF PAYMENTS ⁽¹⁾ (USD billion)						Oct-25	Nov-25	Dec-25
Current Account Balance	-6.2	-46.3	-41.5	-10.4	-25.2	-21.7	-22.7	-25.2
Financial Account	3.4	-18.2	-51.1	-21.8	-42.0	-40.9	-42.7	-42.0
Direct Investments (net)	-6.5	-9.8	-4.5	-5.1	-3.3	-5.1	-4.8	-3.3
Portfolio Investments (net)	7.6	18.5	-5.7	-12.0	1.7	-0.2	3.0	1.7
Other Investments (net)	-21.1	-39.2	-38.9	-5.4	-18.5	-22.3	-21.5	-18.5
Reserve Assets (net)	23.3	12.3	-2.0	0.6	-22.0	-13.3	-19.4	-22.0
Net Errors and Omissions	9.6	28.1	-9.3	-11.3	-16.6	-19.0	-19.9	-16.6
Current Account Balance/GDP (%)	-0.8	-5.0	-3.6	-0.8	-1.6	-	-	-
BUDGET ⁽²⁾⁽³⁾ (TRY billion)						Nov-25	Dec-25	Jan-26
Expenditures	1,603.5	2,942.7	6,588.0	10,780.6	14,634.6	12,842.6	14,634.6	1,635.8
Interest Expenditures	180.9	310.9	674.6	1,270.5	2,054.4	1,937.7	2,054.4	456.4
Non-interest Expenditures	1,422.7	2,631.8	5,913.4	9,510.2	12,580.2	10,904.9	12,580.2	1,179.4
Revenues	1,402.0	2,800.1	5,207.6	8,672.8	12,835.5	11,571.6	12,835.5	1,421.2
Tax Revenues	1,165.0	2,353.4	4,501.1	7,305.3	11,049.5	10,002.0	11,049.5	1,181.2
Budget Balance	-201.5	-142.7	-1,380.4	-2,107.8	-1,799.1	-1,271.0	-1,799.1	-214.5
Primary Balance	-20.7	168.2	-705.8	-837.3	255.3	666.7	255.3	241.9
Budget Balance/GDP (%)	-2.6	-0.9	-5.1	-4.7	-2.9	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						Nov-25	Dec-25	Jan-26
Domestic Debt Stock	1,321.2	1,905.3	3,209.3	4,959.9	8,152.8	7,941.1	8,152.8	8,597.1
External Debt Stock	1,426.6	2,130.1	3,527.4	4,297.5	5,509.3	5,392.1	5,509.3	5,667.1
Total Debt Stock	2,747.8	4,035.5	6,736.6	9,257.4	13,662.1	13,333.2	13,662.1	14,264.2

(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	Dec.25	Jan.26	Change ⁽¹⁾
TOTAL ASSETS	6,106	9,215	14,347	23,553	32,668	46,947	48,574	3.5
Loans	3,576	4,901	7,581	11,677	16,052	23,128	23,646	2.2
TRY Loans	2,353	2,832	5,110	7,894	10,145	14,560	14,806	1.7
Share (%)	65.8	57.8	67.4	67.6	63.2	63.0	62.6	-
FX Loans	1,224	2,069	2,471	3,783	5,907	8,568	8,840	3.2
Share (%)	34.2	42.2	32.6	32.4	36.8	37.0	37.4	-
Non-performing Loans	152.6	160.1	163.4	191.9	293.6	593.6	629.9	6.1
Non-performing Loan Rate (%)	4.1	3.2	2.1	1.6	1.8	2.5	2.6	-
Securities	1,023	1,477	2,371	3,970	5,226	7,013	7,053	0.6
TOTAL LIABILITIES	6,106	9,215	14,347	23,553	32,668	46,947	48,574	3.5
Deposits	3,455	5,303	8,862	14,852	18,903	27,226	27,829	2.2
TRY Deposits	1,546	1,880	4,779	8,897	12,307	16,587	16,271	-1.9
Share (%)	44.7	35.5	53.9	59.9	65.1	60.9	58.5	-
FX Deposits	1,909	3,423	4,083	5,955	6,596	10,639	11,559	8.6
Share (%)	55.3	64.5	46.1	40.1	34.9	39.1	41.5	-
Securities Issued	224	310	325	584	1,045	1,890	1,966	4.0
Payables to Banks	658	1,048	1,432	2,384	3,535	5,177	5,328	2.9
Funds from Repo Transactions	255	587	540	723	2,244	2,575	2,759	7.1
SHAREHOLDERS' EQUITY	600	714	1,406	2,153	2,908	4,156	4,260	2.5
Profit (Loss) of the Period	58.5	93.0	431.6	620.8	660.3	940.2	87.2	-90.7
RATIOS (%)								
Loans/GDP	69.6	65.9	49.5	43.1	36.0	36.7	-	-
Loans/Assets	58.6	53.2	52.8	49.6	49.1	49.3	48.7	-
Securities/Assets	16.7	16.0	16.5	16.9	16.0	14.9	14.5	-
Deposits/Liabilities	56.6	57.5	61.8	63.1	57.9	58.0	57.3	-
Loans/Deposits	103.5	92.4	85.5	78.6	84.9	84.9	85.0	-
Capital Adequacy (%)	18.7	18.4	19.5	19.1	19.7	19.7	16.8	-

(1) Year-to-date % change

Source: BRSA, Turkstat

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.