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Global Economy

Geopolitical tensions remained elevated in September amid continued attacks on energy facilities and trade routes, while the price of Brent crude oil rose by 14.4% compared with the end of August to 103.5 USD/barrel.

Following the meeting between US President Trump and Chinese President Xi on September 24, the two sides agreed to extend the trade truce by two months.

Inflation data for August indicated that rising energy prices continued to keep price pressures elevated across major economies.

The Fed raised its policy rate by 25 basis points, in line with market expectations, to a range of 3.75%-4.00%. According to the projections, Fed members expected one more rate hike this year.

The ECB and the BoJ also raised interest rates at their September meetings, in line with expectations, while the BoE and the PBoC left their policy rates unchanged.

The OECD revised its global growth forecasts to 2.9% for 2026 and to 3.0% for 2027, while also making upward revisions to its inflation projections.

PMI data for September indicated that economic activity in major advanced economies remained resilient.

In September, the US 10-year Treasury yield reached its highest level since 2007 amid expectations that major central banks would keep policy rates higher for longer, while gold prices declined by 6.6% mom.

Turkish Economy

The Medium Term Program (MTP) covering the 2027-2029 period was announced on September 6.

The seasonally adjusted unemployment rate declined by 0.3 pps mom to 7.8% in August, while the labor underutilization rate rose to 31.0%.

The ICI Türkiye Manufacturing PMI declined to 47.9 in September, indicating that the weakness in sector's activity continued for the 30th consecutive month.

The current account posted a limited surplus of 36 million USD in July. 12-month cumulative deficit was realized as 40.7 billion USD.

In August, the central government budget posted a surplus of 12.9 billion TRY.

At its meeting on September 10, the CBRT kept its policy rate unchanged at 37%.

CPI rose by 1.84% mom in September, below market expectations, while annual CPI inflation stood at 29.73%. In the same period, D-PPI increased by 2.07% mom and 27.38% yoy.

Credit and liquidity problems experienced by some investment funds in mid-September weighed on domestic financial markets. The BIST-100 index fell by 16.7%, marking its sharpest monthly decline since October 2008, and ended September at 11,947.

Leading Indicators

Unemployment rate fell to 7.8% in August.

According to seasonally adjusted data, the labor force participation rate remained steady at 52.5% in August, while the employment rate rose to 48.4% due to an increase of 136K in the number of employed people. Consequently, the unemployment rate fell by 0.3 pps to 7.8% in August, and the unemployment rate among the youth population aged between 15-24 fell by 1.1 pps to 13%. On the other hand, in the same period, the labor underutilization rate -the broadest measure of unemployment- rose to 31.0% in line with the increase in the potential labor force.

The weak trend in industrial production persisted.

According to seasonally and calendar adjusted data, the industrial production index contracted by 1% mom in July. Production fell by 2.2% in the mining and quarrying, and electricity, gas, and steam sectors, while declining by 0.8% in the manufacturing sector. In July, when production contracted in 12 out of the 24 subsectors operating under the manufacturing sector, the declines in the manufacturing of other transportation equipment (-11.6%), beverages (-8.4%), and basic pharmaceutical products (-5.4%) stood out. According to seasonally adjusted data, the industrial production index, which had risen modestly by 0.6% yoy in the first half of the year, declined by 0.3% yoy in July. In this period, the services production index rose by 1.0% mom and by 3.0% yoy. Meanwhile, the construction production index, which rose by 1.1% mom in the same period, fell by 4.7% yoy due to the high base effect, extending its annual contraction into a 3rd consecutive month. In the first half of the year, the services production index had risen by 1.4% yoy and the construction production index by 0.9% yoy.

ICI Manufacturing PMI fell to 47.9 in September.

Türkiye Manufacturing PMI, published by the Istanbul Chamber of Industry (ICI), fell by 0.2 points to 47.9 in September, indicating that the weak trend in sector's activities continued for the 30th consecutive month. In this period, contraction in both domestic demand and export orders persisted, partly due to the uncertainty caused by ongoing tensions in the Middle East. As production declined in line with weak demand during this period, companies scaled back their employment, purchasing activities, and inventories. According to sectoral data, only the food products PMI (51.5) among 10 sectors remained in the expansion zone in September. It was notable that new export orders increased not only in the food products sector but also in the land and sea vehicles sectors.

Trade sales volume continued to decline annually.

According to seasonally and calendar adjusted data, while retail sales recorded a modest 0.2% mom increase in July, total trade sales volume contracted by 2.5%, in line with the 4.5% decline in wholesale trade. In this period when retail sales posted their slowest annual growth in the past 16 months at 10.4%, wholesale trade volume declined by 4.2%. Thus, although the annual contraction in total trade sales volume lost momentum and slowed to 0.6%, it continued for the 3rd consecutive month, confirming that the momentum loss in domestic demand became more evident.

Housing market continued to be weak.

In August, total house sales fell by 14.7% yoy to 127,410 units, marking the lowest August figure since 2019. During the same period, mortgaged sales rose by 7.2%, accounting for 17.4% of total sales. The real decline in housing price index, which rose by 23.0% yoy in nominal terms, continued in August. The annual decline in the automotive market, which has been ongoing since February, reached 24.3% in September. In the January-September period, total sales fell by 13.4% yoy, while sales of passenger cars and light commercial vehicles declined by 15.5% and 5.1%, respectively.

Limited improvement in confidence indices...

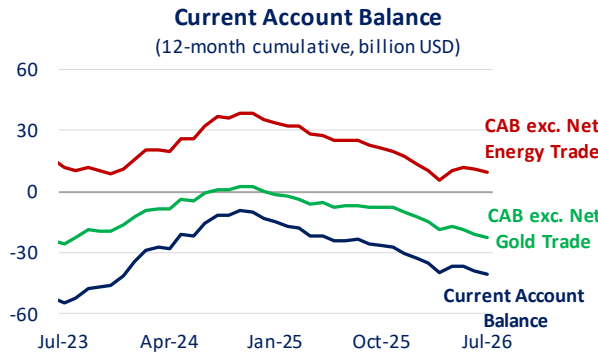
According to the survey results conducted in the first half of the month, the consumer confidence index rose by 1.3% mom, reaching 91.9 in September. Thus, the index extended its upward trend to a 6th consecutive month, reaching its highest level since July 2018. While increases were recorded in 12 out of the 18 sub-indices, the most significant improvements were in "the probability of buying a car over next 12 months", "the probability of buying or building a home over next 12 months" and "the probability of saving over next 12 months". The seasonally adjusted real sector confidence index was realized as 102.5 in the same period. While assessments of the current period supported the index, the negative outlook for all expectations, except for domestic market order volume and total employment over the next three months, limited the increase in the index. In September, sectoral confidence remained flat in the services sector, while the construction sector recorded a slight 0.2% decline and the retail trade sector presented a 1.1% increase. Thus, the economic confidence index rose by 0.7% in September to 101.3, reaching its highest level since June 2023.

Foreign Trade and Balance of Payments

The current account posted a limited surplus in July.

The current account recorded a surplus of 36 million USD in July, marking the first surplus since October 2025, supported by the seasonal increase in services revenues. Nevertheless, the rapid widening in the foreign trade deficit kept the current account surplus at its lowest July level in the past three years. In July 2025, the current account had posted a surplus of 1.8 billion USD.

In the January–July period, the current account deficit increased by 43.6% yoy to 34.8 billion USD, while the 12-month cumulative current account deficit rose from 39.0 billion USD in June to 40.7 billion USD. Thus, the cumulative current account deficit exceeded the 40 billion USD level for the first time since the end of 2023.



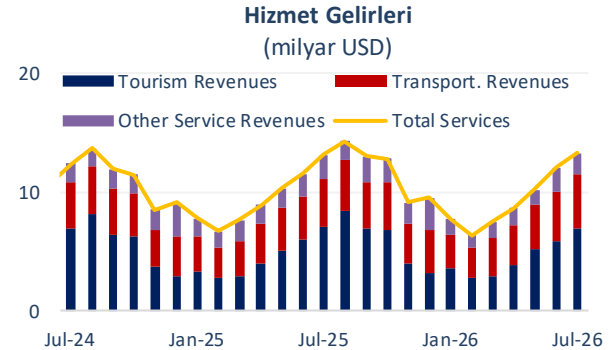
The foreign trade deficit stood at 5.6 billion USD in July.

In July, when imports increased by 5.4% yoy and exports rose by 2.3%, the balance of payments defined foreign trade deficit widened by 22.3% yoy to 5.6 billion USD. During this period, net non-monetary gold imports declined to 462 million USD, their lowest level since July 2024, while net energy imports increased by 19.0% yoy to 4.5 billion USD. In the first seven months of the year, the foreign trade deficit increased by 19.4% yoy to 49.4 billion USD, while the combined deficit in the primary and secondary income balances rose by 21.6% yoy to 17.3 billion USD.

Net services revenues rose to 8.2 billion USD in July.

Continuing to increase on the back of the summer season, net services revenues supported the current account balance by reaching 8.2 billion USD in July. During this period, net transportation revenues hit a historical high of 2.9 billion USD, supported by an 11.7% yoy increase in passenger transportation revenues as well as the strong contribution from freight revenues. Meanwhile, tourism revenues declined slightly on an annual basis in July, while tourism expenditures increased by 21.6%. Accordingly, net tourism revenues declined by 3.8% yoy to 6.0

billion USD. In the first seven months of the year, net tourism revenues remained broadly flat at 25.1 billion USD, while net services revenues increased by 1.7% yoy to 31.8 billion USD.



Net capital inflow of 514 million USD in direct investments...

In July, direct investments by non-residents amounted to 1.2 billion USD, while net acquisition of financial assets abroad by residents stood at 640 million USD. Accordingly, the direct investment account recorded a net capital inflow of 514 million USD following two consecutive months of net outflows. Regarding direct investments in Türkiye, an inflow of 865 million USD was recorded under the equity capital component, while net real estate purchases amounted to 322 million USD. Direct investments, which generally displayed a weak performance in the first seven months of the year, posted a cumulative net outflow of 166 million USD during this period.

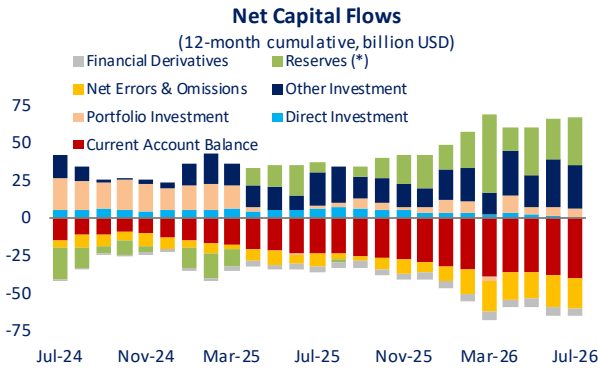
Net portfolio investments recorded the highest capital inflow since January...

Portfolio investments posted a net capital inflow of 5.8 billion USD in July, the highest level since January. This development was driven by non-residents' net investments of 8.6 billion USD in Türkiye, despite residents' net acquisition of 2.8 billion USD in assets abroad. Out of non resident's investments, approximately 6.6 billion USD was recorded in debt securities, while 2.0 billion USD was invested in equities and investment fund shares. Thus, the net capital inflow from portfolio investments reached 4.7 billion USD in the first seven months of the year.

Net capital inflows under other investments continued.

In July, net capital inflows under other investments continued at 7.6 billion USD. During this period, deposits held abroad by domestic banks declined by 3.4 billion USD, while deposits of foreign banks in Türkiye increased by 1.7 billion USD. Accordingly, the currency and deposits item recorded an inflow of 5.5 billion USD in July. Meanwhile, the loans item posted a net inflow of 3.0 billion USD.

Source: Datastream, Turkstat, CBRT



According to 12-month cumulative data, long-term external debt rollover ratios stood at 147.9% for the banking sector and 228.2% for other sectors. In the first seven months of the year, net capital inflows under other investments totaled 29.8 billion USD, up 119.0% yoy.

Reserves and net errors & omissions...

Reserve assets increased by 14.3 billion USD in July, marking the largest monthly rise in the past year. Thus, the cumulative decline in reserve assets in the

January–July period narrowed to 18.1 billion USD. Net errors and omissions recorded a capital inflow of 620 million USD in July, while the cumulative outflow from this item reached 14.4 billion USD in the first seven months of the year.

Expectations...

The foreign trade deficit continued to widen in August, increasing by 22.3% yoy to 5.2 billion USD. Although the ongoing tourism season is expected to support the current account balance in August, we expect the rapid increase in the foreign trade deficit to limit this positive contribution. In the Medium-Term Program announced on September 6, the current account deficit for 2026 was projected at 47.5 billion USD, corresponding to 2.6% of GDP. Looking ahead, the impact of geopolitical developments on energy prices and the course of domestic demand conditions are expected to remain key determinants of the balance of payments outlook.

Balance of Payments

Balance of Payments	(million USD)				
	Jul.	Jan. - Jul.		%	12-month
	2026	2025	2026	Change	Cumulative
Current Account Balance	36	-24,254	-34,830	43.6	-40,706
Foreign Trade Balance	-5,579	-41,342	-49,365	19.4	-77,166
Services Balance	8,228	31,278	31,797	1.7	63,515
Travel (net)	5,968	25,050	25,132	0.3	51,153
Primary Income	-2,557	-13,671	-15,418	12.8	-25,186
Secondary Income	-56	-519	-1,844	255.3	-1,869
Capital Account	-107	-125	-210	68.0	-226
Financial Account	549	-24,999	-49,390	97.6	-60,900
Direct Investment (net)	-514	-3,335	166	-	325
Portfolio Investment (net)	-5,841	-2,233	-4,713	111.1	-5,960
Net Acquisition of Financial Assets	2,770	5,314	14,868	179.8	23,602
Net Incurrence of Liabilities	8,611	7,547	19,581	159.5	29,562
Equity Securities and Investment Funds	1,969	4,410	5,572	26.3	8,462
Debt Securities	6,642	3,137	14,009	346.6	21,100
Other Investment (net)	-7,648	-13,616	-29,815	119.0	-28,817
Currency and Deposits	-5,456	3,638	3,952	8.6	22,475
Net Acquisition of Financial Assets	-3,299	6,254	7,520	20.2	20,983
Net Incurrence of Liabilities	2,157	2,616	3,568	36.4	-1,492
Central Bank	3	-6,878	-1,639	-76.2	-6,569
Banks	2,154	9,494	5,207	-45.2	5,077
Foreign Banks	1,679	8,888	2,625	-70.5	2,923
Foreign Exchange	1,605	3,377	331	-90.2	350
Turkish Lira	74	5,511	2,294	-58.4	2,573
Non-residents	475	606	2,582	326.1	2,154
Loans	-2,990	-17,329	-31,048	79.2	-50,863
Net Acquisition of Financial Assets	591	1,980	-6,355	-	-5,612
Net Incurrence of Liabilities	3,581	19,309	24,693	27.9	45,251
Banking Sector	1,713	9,219	11,966	29.8	17,349
Non-bank Sectors	1,998	9,613	12,551	30.6	26,188
Trade Credit and Advances	805	89	-2,694	-	-386
Other Assets and Liabilities	-7	-14	-25	78.6	-43
Reserve Assets (net)	14,252	-8,570	-18,056	110.7	-31,513
Net Errors and Omissions	620	-620	-14,350	2,215	-19,968

Source: CBRT, Ministry of Trade, Datastream, Turkstat

Budget Balance

Central government budget posted a surplus of 12.9 billion TRY in August.

In August, central government budget revenues increased by 28.5% yoy to 1,655 billion TRY, while budget expenditures rose by 37.8% to 1,642 billion TRY. Accordingly, the central government budget posted a surplus of 12.9 billion TRY, while the primary balance recorded a surplus of 209.9 billion TRY.

In the January–August period, the budget deficit increased by 44.1% compared to the same period of last year and became 1.3 trillion TRY, while the primary surplus rose by 31.2% to 680 billion TRY.

Main Budget Items
(trillion TRY)



Tax revenues increased by 28.1% yoy in August.

In August, tax revenues, which accounted for 89% of central government budget revenues, increased by 28.1% yoy to 1.5 trillion TRY. In a month when collections related to the second provisional tax period were made, corporate tax revenues rose by 37.7% yoy to 403.3 billion TRY, constituting the main item supporting tax revenues. Income tax revenues increased by 42.8% yoy to 351.2 billion TRY in August. In the January–August period, the increases in these items were 46.9% and 51.8%, respectively.

Regarding consumption based taxes, domestic value added tax (VAT) revenues and VAT revenues on imports increased by 26.6% and 32.4% yoy, respectively, in August. During the same period, partly due to the impact of the sliding scale mechanism, special consumption tax (SCT) revenues collected from petroleum and natural gas products fell by 64.9% yoy to 17.8 billion TRY. Meanwhile, reflecting the ongoing weakness in the automotive sector, SCT revenues from motor vehicles declined by 8.1% to

Central Government Budget

	August			January-August			(billion TRY)	
	2025	2026	% Change	2025	2026	% Change	MTP Target	Real/ Budget Target (%)
Expenditures	1,191.4	1,642.1	37.8	8,891.2	12,162.7	36.8	19,660.1	61.9
Interest Expenditures	179.7	197.1	9.7	1,425.8	1,988.1	39.4	2,824.9	70.4
Non-Interest Expenditures	1,011.6	1,445.0	42.8	7,465.4	10,174.6	36.3	16,835.2	60.4
Revenues	1,288.1	1,654.9	28.5	7,983.6	10,854.7	36.0	17,028.2	63.7
Tax Revenues	1,150.4	1,473.3	28.1	6,871.7	9,327.9	35.7	14,585.7	64.0
Other Revenues	137.7	181.6	31.9	1,111.9	1,526.8	37.3	2,442.5	62.5
Budget Balance	96.7	12.9	-86.7	-907.6	-1,308.1	44.1	-2,631.9	49.7
Primary Balance	276.4	209.9	-24.1	518.1	680.0	31.2	193.0	352.3

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

Source: Datastream , Ministry of Treasury and Finance

60.4 billion TRY. In the January–August period, SCT revenues recorded a limited increase of 4.7%, while total consumption based tax revenues increased by 22.9% yoy.

The annual increase in interest expenditures slowed.

In August, interest expenses, whose annual growth rate decelerated to 9.7%, became 197.1 billion TRY. Accordingly, the share of interest expenses in total budget expenditures stood at 12% in August, below the 15.1% recorded in August 2025. Having averaged 17% in the first seven months of the year, this ratio declined to 16.3% in the January–August period.

Non-interest expenditures increased by 42.8% yoy to 1.4 trillion TRY in August. Personnel expenses and current transfers, which rose by 42% and 39%, respectively, both above CPI inflation, continued to account for the bulk of non-interest expenditures, with a combined share of 73%. Purchases of goods and services, which accounted for 8% of non-interest expenditures and increased by 32.6% yoy, and social security expenditures, with a 4% share and an annual increase of 47.9%, also expanded at rates above inflation. By contrast, capital expenditures, accounting for 9% of non-interest expenditures, posted a relatively limited increase of 17.3%. In addition, the share of capital transfers in non-interest expenditures increased from 2% in July to 4% in August.

Expectations...

In August, the central government budget posted a modest surplus, supported by provisional tax collections and the slowdown in interest expenditures. In the Medium Term Program announced on September 6, budget deficit target for the end of 2026 was revised down from 2.7 trillion TRY to 2.6 trillion TRY, and as a percentage of GDP, from 3.5% to 3.1%. Within this framework, the cumulative budget deficit of 1.3 trillion TRY recorded in the first eight months of the year corresponded to 49.7% of the target set in the MTP for the whole year. The course of energy prices will remain important for tax revenues, given the regulations concerning SCT revenues collected on fuel products. In the remainder of the year, the impact of domestic economic activity on tax collections will also be a key determinant of the budget outlook.

Inflation

CPI inflation came in below expectations in September.

Monthly CPI inflation came in at 1.84% in September, parallel to its August level and below the expectations in both the Reuters poll (2.30%) and the Survey of Market Participants (2.12%). Accordingly, annual CPI inflation declined from 31.51% to 29.73%, falling below the 30% level for the first time since November 2021. Meanwhile, cumulative CPI inflation, which stood at 25.43% in January-September 2025, was recorded at 24.32% in the same period of this year. D-PPI inflation was 2.07% mom and 27.38% yoy.

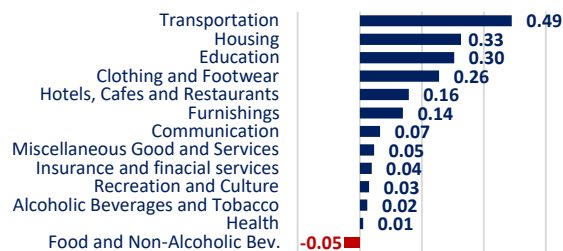
September	CPI		D-PPI	
(change %)	2025	2026	2025	2026
Monthly	3.23	1.84	2.52	2.07
Year-to-Date	25.43	24.32	23.66	23.38
Annual	33.29	29.73	26.59	27.38
Annual Average	38.36	31.49	25.83	27.81

Prices increased across all groups except food.

In September, prices rose in all groups except food and non-alcoholic beverages. The sharpest increases were recorded in education, by 14.2% in line with the start of the new academic year, and in clothing and footwear, by 4.0%. Each of these groups contributed 0.3 pps to the monthly increase in CPI. Meanwhile, although transportation (2.8%) and housing (2.7%) posted relatively moderate monthly price increases, their high weights in the CPI basket (28% combined) lifted monthly inflation by 0.5 and 0.3 pps, respectively. By contrast, prices in the food and non-alcoholic beverages group declined by 0.2% mom, limiting inflation by 0.05 pps.

Contributions to the Monthly CPI Inflation

(% points, main expenditure groups)



At the item level, the largest contributions to the monthly CPI increase came from actual rentals for housing (0.21 pps), tertiary education (0.20 pps), and diesel fuel (0.18 pps). Seasonal price increases were influential in rents and education, while the rise in diesel prices mainly reflected the reintroduction, at 3 TRY, of the special consumption tax on certain types of

diesel fuel, which had been reduced to zero in August.

Core indicators rose faster than headline CPI.

In September, the A index, which excludes seasonal products, increased by 2.30% mom, outpacing headline inflation and pointing to a limiting effect of seasonal products on inflation in September, as it was also the case in August. During the same period, the B index (CPI excluding unprocessed food, energy, alcoholic beverages and tobacco, and gold) and the C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages and tobacco products, and gold) rose by 2.01% and 2.14% mom, respectively.

In September, unprocessed food prices declined by 2.33%, in parallel with the continued monthly fall of 8.93% in fresh fruit and vegetable prices. Meanwhile, goods inflation rose to 1.63%, its highest level in the last five months, partly reflecting the fastest monthly rise since April with 6.25%. Services inflation, which had remained above 3% in July and August, eased to 2.15% in September amid a loss of momentum in the prices of transportation and communication services.

Energy prices stood out in the increase in D-PPI.

Coke and refined petroleum products, whose prices rose by 13.25% mom in September, made the largest contribution to monthly D-PPI inflation, at 0.51 pps. The other groups making the highest contributions to the monthly increase in D-PPI were food products (monthly increase: 1.79%, contribution: 0.34 pps) and basic metals (monthly increase: 2.42%, contribution: 0.19 pps). By contrast, prices of crude petroleum and natural gas as well as beverages declined by 9.44% and 2.21%, respectively, limiting monthly D-PPI inflation by 0.13 pps in total.

Expectations...

In September, the decline in fresh fruit and vegetable prices offset the seasonal increases in rents and education, resulting in a moderate monthly rise in CPI, while annual consumer inflation fell to its lowest level in nearly five years. Nevertheless, seasonal factors played an important role in the favorable inflation reading, while the improvement was not reflected in monthly core indicators. Looking ahead, we expect the course of inflation to remain influenced by the upward pressure on energy prices stemming from the ongoing tensions in the Middle East. In addition, the impact of recent developments in the investment fund market on domestic demand will be closely monitored in terms of their implications for the inflation outlook.

Source: Datastream, Turkstat

Financial Markets

	31-Aug	30-Sep	Change
5-Y CDS (basis point)	218	248	30 bp ▼
2-Y Benchmark Bond Yield (%)	%39.94	%40.46	52 bp ▼
BIST-100	14,334	11,947	-%16.7 ▲
USD/TRY	48.1600	49.0060	%1.8 ▲
EUR/TRY	56.0080	55.5513	-%0.8 ▼
Currency Basket*	52.0840	52.2787	%0.4 ▲

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

CBRT kept its policy rate at 37%.

At its meeting on September 10, the CBRT kept its policy rate unchanged at 37%, in line with market expectations. The overnight lending rate was kept at 40%, and the overnight borrowing rate at 35.5%. The decision statement noted that, despite monthly fluctuations, recent inflation figures and leading indicators point to a decline in the underlying trend of inflation. CBRT emphasized that data on economic activity, along with the limited impact of supply shocks on domestic prices, confirmed the weak trend in domestic demand, but noted that high energy prices resulting from geopolitical developments pose an upward risk to the inflation outlook. However, the statement reaffirmed that the monetary policy stance would be tightened in the event of a significant and persistent deterioration in inflation outlook.

Medium Term Program Estimates

(annual, %)	2026 (RE)	2027 (P)	2028 (P)	2029 (P)
GDP Growth	3.3	4.2	4.6	5.0
Previous MTP	3.8	4.3	5.0	
CPI Inflation	28.4	21.0	13.5	9.0
Previous MTP	16.0	9.0	8.0	
Unemployment %	8.1	8.0	7.8	7.6
Previous MTP	8.4	8.2	7.8	
C.A. Balance/GDP	-2.6	-1.9	-1.8	-1.6
Previous MTP	-1.3	-1.2	-1.0	
Budget Bal./GDP	-3.1	-3.5	-3.1	-2.8
Previous MTP	-3.5	-3.1	-2.8	

RE: Realization Estimate, P: Program

The Medium Term Program has been published.

The Medium Term Program (MTP) for the 2027-2029 period was published on September 6. The Program's key objectives were defined as strengthening macroeconomic and financial stability, maintaining fiscal discipline, and establishing sustainable price stability in the medium term. In terms of macroeconomic forecasts, when compared to the program announced last year, the new MTP generally projects slower growth, a lower unemployment rate, higher inflation, and larger current account and

budget deficits. It was emphasized that the revisions to the forecasts were largely driven by supply-side increases in commodity prices, particularly energy, resulting from geopolitical developments, as well as the slowdown in global economic activity.

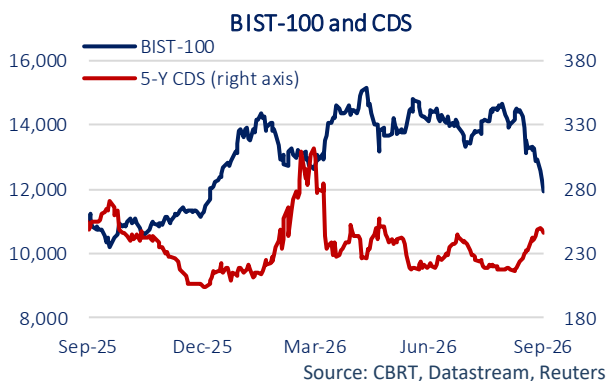
Sectoral inflation expectations...

According to the Survey of Market Participants published by the CBRT, participants' inflation expectations for the end of this year rose for the 8th consecutive month, reaching 29.61% in September. In this period, inflation expectations for 12 months ahead remained largely flat among market participants and households, standing at 23.70% and 45.60%, respectively, while in the real sector, they recorded a slight decline of 0.3 pps to 32.50%.

The results of the Household Expectations Survey showed that the percentage of households expecting inflation to decline over the next 12 months continued to fall in September following August, dropping to 16.25%. Meanwhile, participants' expectations for a rise in housing prices 12 months ahead fell for the 5th consecutive month, dropping to 30.69%. Although this rate remains below households' headline inflation expectations for the next 12 months, it is higher than the 23% increase in housing prices recorded as of August.

BIST-100 index fell by 16.7% in September.

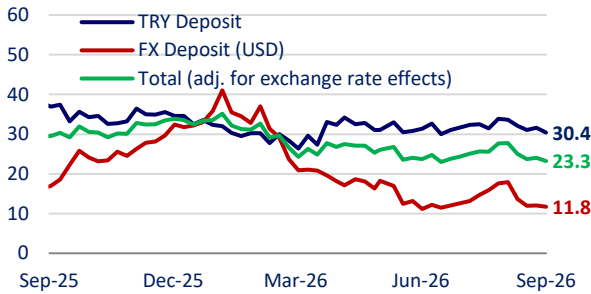
Credit and liquidity issues in some investment funds in mid-September weighed on domestic financial markets. The BIST-100 index, which fluctuated throughout the month, closed September with a 16.7% loss. The index, which recorded its sharpest monthly decline since October 2008, fell also by 18% mom in USD terms to 244 USD level. In September, when Türkiye's 5-year CDS spread rose by 30 bps to 248 bps, the USD/TRY rose by 1.8%, while the EUR/TRY fell by 0.8%.



FX deposit volume contracted on a monthly basis.

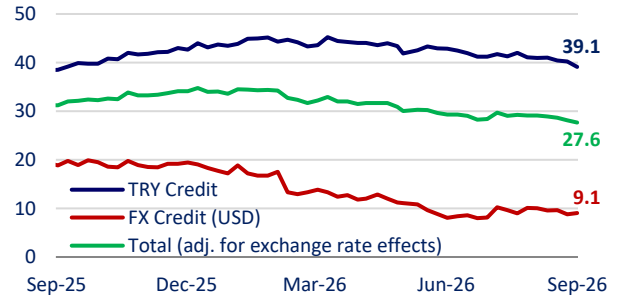
According to the BRSA's Weekly Bulletin data, as of September 25, TL deposits increased by 0.6% mom and 30.4% yoy to 20.1 trillion TRY. During this period, TL deposits held by individuals increased by 2.1% mom, while corporate TL deposits rose by 0.7%. Partly due to the decline in gold prices, FX deposits contracted by 0.7% mom to 258.7 billion USD, while their annual growth rate eased to 11.8%. FX deposits held by individuals decreased by 3.1% mom, whereas corporate's FX deposits increased by 4.0%. On an annual basis, these two items rose by 12.2% and 7.3%, respectively.

Accordingly, total deposits reached 32.7 trillion TRY as of September 25, increasing by 0.7% mom and 30.9% yoy. Adjusted for exchange rate movements, annual growth in total deposits stood at 23.3% in September, while the share of TL deposits in total deposits remained at 61.5%.

Deposit Growth
(annual % change)**Annual growth in total loans stood at 35%.**

TL loans, whose annual growth rate continued to lose momentum, increased by 1.3% mom and 39.1% yoy to 18.1 trillion TRY as of September 25. FX loans in USD terms remained broadly flat compared with the previous month and rose by 9.1% yoy to 212 billion USD. Accordingly, total loans increased by 1.3% mom and 35.0% yoy in September, reaching 28.4 trillion TRY. Adjusted for FX rate effects, annual growth in total loans declined from 29.1% at end-August to 27.6%.

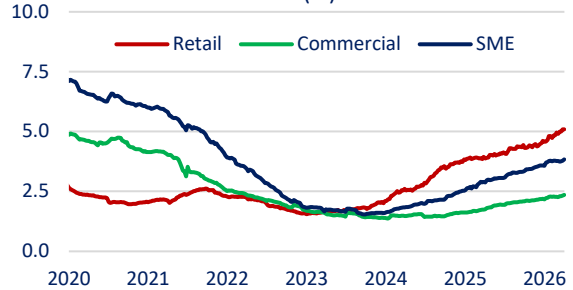
In its announcement dated October 1, the CBRT stated that the eight-week growth limit for SME loans was raised from 4.5% to 5%. In the same announcement, the CBRT also stated that the blocked reserve requirement ratios for TRY required reserves were lowered to support banks' liquidity management.

Loan Growth
(annual % change)**Vehicle loans rose for the first time since end-2025.**

Consumer credit cards, which account for 50% of retail loans, and personal finance loans, with a share of 37%, both recorded monthly increases of less than 1% in September, following similar increases in August. Their annual growth rates stood at 38.8% and 36.2%, respectively. In the same period, housing loans increased by 1.4% mom and 34.8% yoy, while vehicle loans, despite contracting by 15.9% yoy, rose by 1.3% mom, marking their first monthly increase since end-2025. Overdraft accounts increased by 1.4% mom in September, bringing their annual growth rate to 45.6%. Accordingly, retail loan volume rose by 0.7% mom and 36.8% yoy as of September 25, while the share of TL retail loans in total TL loans stood at 38.4%.

NPL ratio for consumer loans exceeded 5%.

As of September 25, the non-performing loan (NPL) ratio rose to 3.03%, its highest level since February 2022. The ratio stood at 2.35% for commercial loans and 3.84% for SME loans, while it increased to 5.09% for retail loans, exceeding the 5% level for the first time since August 2010.

NPL Ratio
(%)**Net foreign currency position...**

As of September 25, the banking sector's on-balance sheet foreign currency position stood at (-) 56.323 billion USD, while its off-balance sheet foreign currency position was (+) 56.097 billion USD. Accordingly, the sector's net foreign currency position posted a deficit of 226 million USD.

Source: BRSA Weekly Bulletin

Concluding Remarks

Although the resumption of indirect talks between the US and Iran through mediators in the second half of September supported expectations for a diplomatic solution, disagreements over key issues persisted. During this period, elevated energy prices increased pressures on the global inflation outlook, while leading indicators pointed to a continued rise in input costs. Against this backdrop, the Fed, the ECB and the BoJ raised their policy rates at their September meetings, while central banks drew attention to increasing inflationary risks. In September, rising bond yields weighed on risk appetite in global equity markets, while continued investor interest in AI-related technology stocks limited losses.

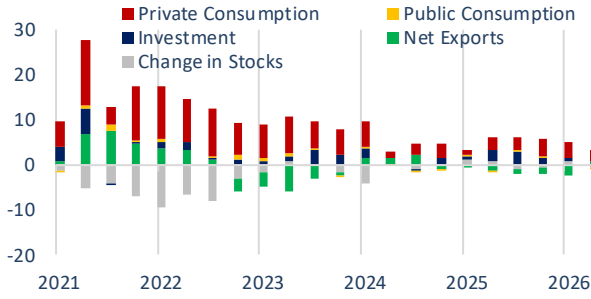
Meanwhile, leading indicators released in September suggest that global economic activity remained resilient, supported by the positive impact of AI-related investments on production and trade, and that the global economy is set to enter the final quarter of the year on a strong footing. In the period ahead, the pass-through of persistently high energy prices to consumer prices will remain a key factor shaping the global inflation outlook and central banks' policy decisions.

In Türkiye, leading indicators on production pointed to the continuation of weak operating conditions in the industrial sector in the third quarter, while the slowdown in domestic demand became more pronounced. The Medium Term Program published on September 6 showed as well that the projections made last year for 2026 were revised to slower growth and higher inflation, current account deficit and budget deficit. Looking ahead, depending on the course and persistence of tensions in the Middle East, the level of energy prices and the domestic demand outlook, which may be affected by the liquidation process of some investment funds, will remain among the key factors determining the course of macroeconomic indicators, particularly inflation. The messages to be delivered by the CBRT at its next meeting on October 22 will be closely monitored following its decision to maintain a tight monetary stance at the September meeting. In addition, having displayed a volatile course in September due to liquidity problems at some investment funds, the pace of financial markets will be closely watched.

Growth

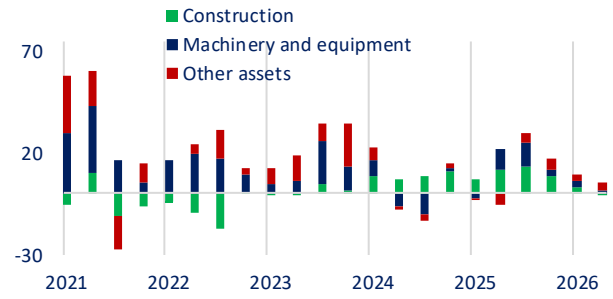
Contributions to GDP Growth

(% point)



Gross Fixed Capital Formation

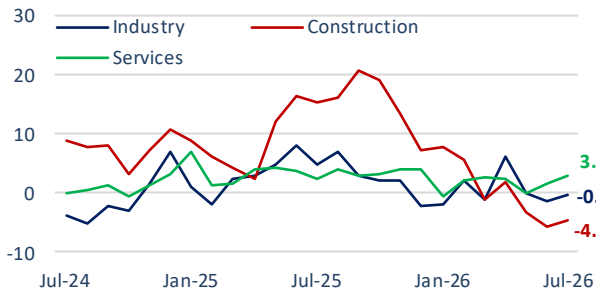
(annual % change)



Leading Indicators

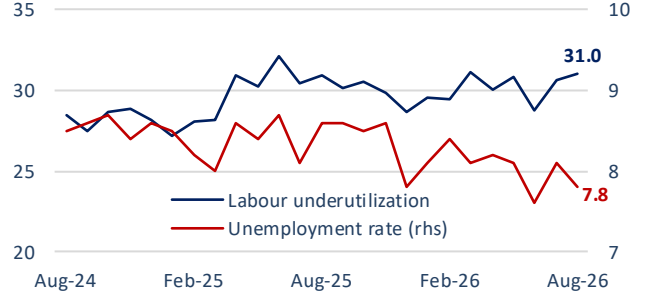
Production Indices

(ca, annual % change)



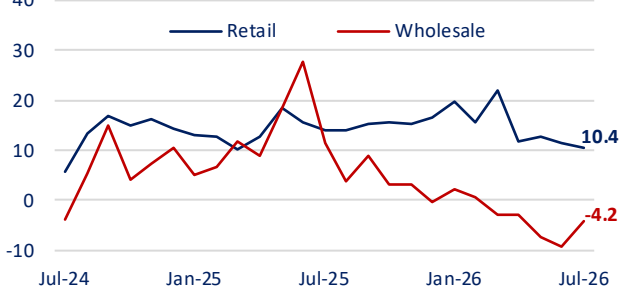
Labour Force Statistics

(sa, %)



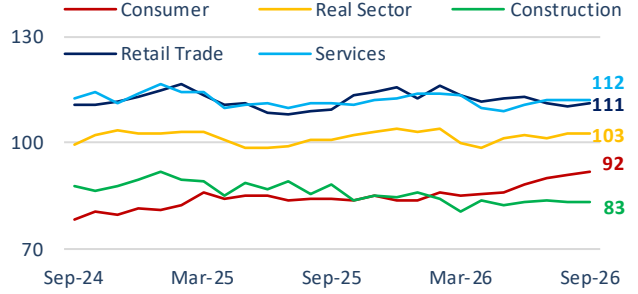
Sales Volume Indices

(annual % change)



Confidence Indices

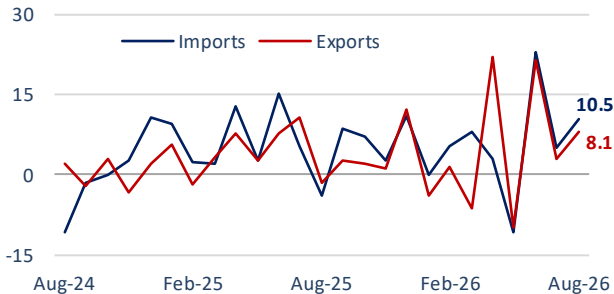
(sa)



Foreign Trade and Current Account Balance

Foreign Trade

(annual % change)



Current Account Balance

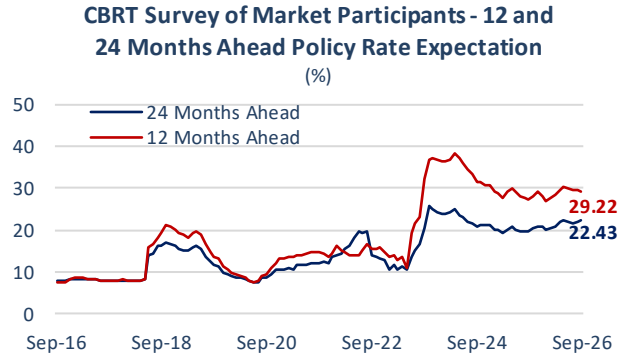
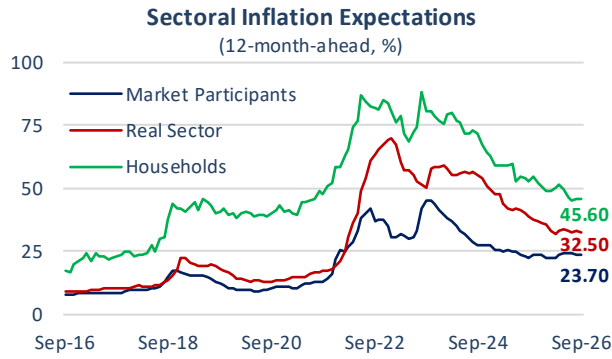
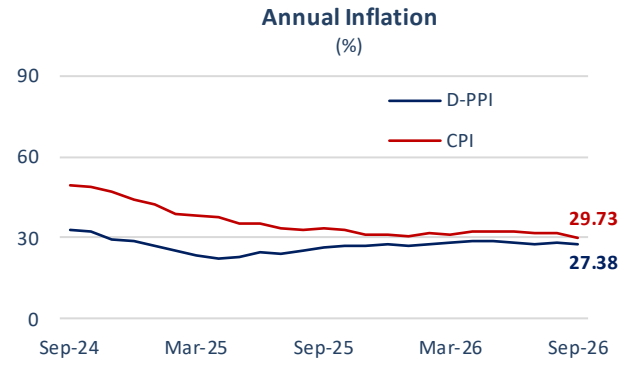
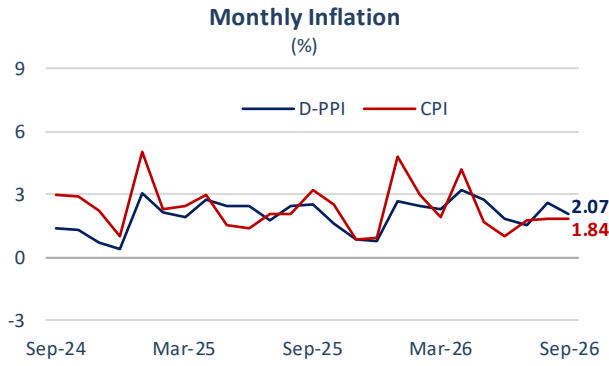
(billion USD)



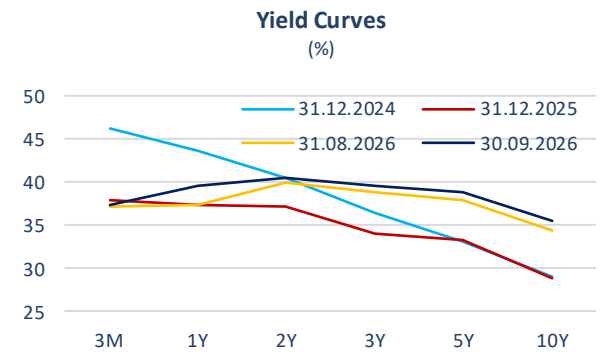
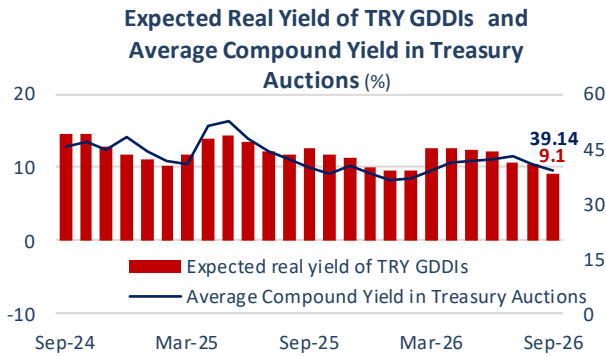
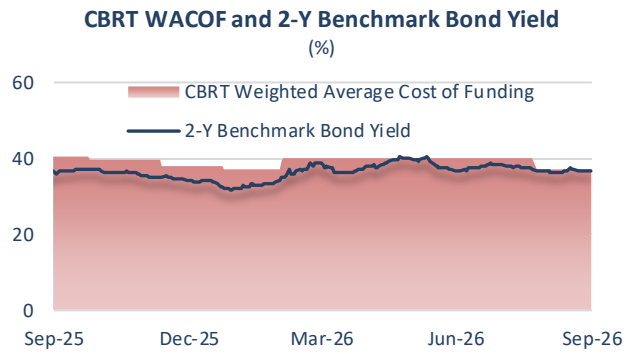
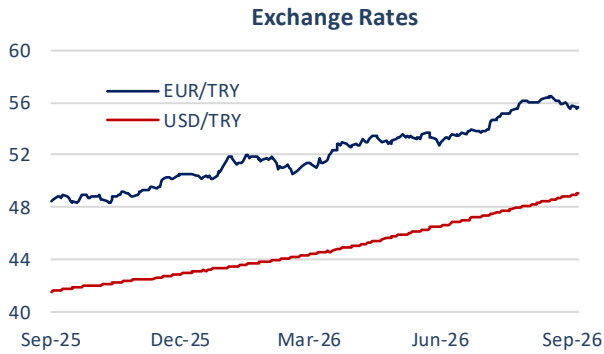
Source: Datastream, CBRT, Turkstat

Macroeconomic Indicators

Inflation



Foreign Exchange and Bond Market



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

Macroeconomic Indicators

GROWTH	2021	2022	2023	2024	2025	Q4-25	Q1-26	Q2-26
GDP (USD billion)	828	925	1,153	1,361	1,602	440	392	438
GDP (TRY billion)	7,434	15,326	27,091	44,676	63,241	18,527	17,098	19,870
GDP Growth Rate (%)	11.8	5.4	5.0	3.5	3.7	3.5	2.6	2.3
INFLATION (%)						Jul-26	Aug-26	Sep-26
CPI (annual)	36.08	64.27	64.77	44.38	30.89	31.75	31.51	29.73
Domestic PPI (annual)	79.89	97.72	44.22	28.52	27.67	27.83	27.95	27.38
SEASONALLY ADJUSTED LABOR MARKET FIGURES						Jun-26	Jul-26	Aug-26
Unemployment Rate (%)	11.0	10.4	8.9	8.6	7.8	7.6	8.1	7.8
Labor Force Participation Rate (%)	52.6	54.0	54.0	54.1	53.0	52.9	52.5	52.5
FX RATES						Jul-26	Aug-26	Sep-26
CPI Based Real Effective Exchange Rate	70.0	81.5	82.8	100.7	98.9	106.11	105.04	-
USD/TRY	13.28	18.72	29.53	35.36	42.96	47.52	48.25	49.02
EUR/TRY	15.10	19.98	32.62	36.62	50.46	54.68	56.05	55.68
Currency Basket (0.5*EUR+0.5*USD)	14.19	19.35	31.08	35.99	46.71	51.10	52.15	52.35
FOREIGN TRADE BALANCE ⁽¹⁾ (USD billion)						Jun-26	Jul-26	Aug-26
Exports	225.2	254.2	255.6	261.8	273.2	277.8	278.5	280.3
Imports	271.4	363.7	362.0	344.0	365.4	373.7	375.3	378.0
Foreign Trade Balance	-46.2	-109.5	-106.3	-82.2	-92.2	-95.9	-96.8	-97.8
Import Coverage Ratio (%)	83.0	69.9	70.6	76.1	74.8	74.3	74.2	74.1
BALANCE OF PAYMENTS ⁽¹⁾ (USD billion)						May-26	Jun-26	Jul-26
Current Account Balance	-7.1	-46.7	-41.8	-13.6	-30.1	-36.8	-39.0	-40.7
Financial Account	-5.6	-23.4	-37.4	-20.9	-36.5	-54.6	-60.2	-60.9
Direct Investments (net)	-6.5	-9.8	-4.5	-5.1	-3.2	-1.9	-0.8	0.3
Portfolio Investments (net)	7.6	17.9	-6.5	-13.9	-3.5	-5.3	-6.4	-6.0
Other Investments (net)	-27.8	-44.1	-24.8	-4.3	-12.6	-20.6	-31.2	-28.8
Reserve Assets (net)	23.3	12.3	-2.0	0.6	-22.0	-32.3	-27.2	-31.5
Net Errors and Omissions	1.5	23.3	4.6	-7.2	-6.2	-17.5	-21.0	-20.0
Current Account Balance/GDP (%)	-0.9	-5.0	-3.6	-1.0	-1.9	-	-	-
BUDGET ⁽²⁾⁽³⁾ (TRY billion)						Jun-26	Jul-26	Aug-26
Expenditures	1,603.5	2,942.7	6,588.0	10,780.6	14,640.4	8,730.2	10,520.7	12,162.7
Interest Expenditures	180.9	310.9	674.6	1,270.5	2,054.4	1,464.2	1,791.0	1,988.1
Non-interest Expenditures	1,422.7	2,631.8	5,913.4	9,510.2	12,586.0	7,265.9	8,729.7	10,174.7
Revenues	1,402.0	2,800.1	5,207.6	8,672.8	12,826.9	7,787.3	9,199.7	10,854.7
Tax Revenues	1,165.0	2,353.4	4,501.1	7,305.3	11,049.8	6,619.7	7,854.6	9,327.9
Budget Balance	-201.5	-142.7	-1,380.4	-2,107.8	-1,813.5	-942.8	-1,320.9	-1,308.1
Primary Balance	-20.7	168.2	-705.8	-837.3	240.8	521.4	470.1	680.0
Budget Balance/GDP (%)	-2.7	-0.9	-5.1	-4.7	-2.9	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						Jun-26	Jul-26	Aug-26
Domestic Debt Stock	1,321.2	1,905.3	3,209.3	4,959.9	8,152.8	9,013.9	9,244.1	9,545.4
External Debt Stock	1,426.6	2,130.1	3,527.4	4,298.6	5,515.2	5,989.1	6,227.2	6,348.5
Total Debt Stock	2,747.8	4,035.5	6,736.6	9,258.5	13,667.9	15,002.9	15,471.3	15,893.8

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

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

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2021	2022	2023	2024	2025	Jul-26	Aug-26	Change ⁽¹⁾
TOTAL ASSETS	9,215	14,347	23,553	32,668	46,947	53,817	55,746	18.7
Loans	4,901	7,581	11,677	16,052	23,128	27,448	28,157	21.7
TRY Loans	2,832	5,110	7,894	10,145	14,560	17,535	17,955	23.3
Share (%)	57.8	67.4	67.6	63.2	63.0	63.9	63.8	-
FX Loans	2,069	2,471	3,783	5,907	8,568	9,913	10,202	19.1
Share (%)	42.2	32.6	32.4	36.8	37.0	36.1	36.2	-
Non-performing Loans	160.1	163.4	191.9	293.6	593.6	818.6	857.8	44.5
Non-performing Loan Rate (%)	3.2	2.1	1.6	1.8	2.5	2.9	3.0	-
Securities	1,477	2,371	3,970	5,226	7,013	7,790	7,957	13.5
TOTAL LIABILITIES	9,215	14,347	23,553	32,668	46,947	53,817	55,746	18.7
Deposits	5,303	8,862	14,852	18,903	27,226	30,924	32,157	18.1
TRY Deposits	1,880	4,779	8,897	12,307	16,587	19,170	19,792	19.3
Share (%)	35.5	53.9	59.9	65.1	60.9	62.0	61.5	-
FX Deposits	3,423	4,083	5,955	6,596	10,639	11,754	12,366	16.2
Share (%)	64.5	46.1	40.1	34.9	39.1	38.0	38.5	-
Securities Issued	310	325	584	1,045	1,890	2,106	2,098	11.0
Payables to Banks	1,048	1,432	2,384	3,535	5,177	6,266	6,375	23.1
Funds from Repo Transactions	587	540	723	2,244	2,575	2,715	2,828	9.8
SHAREHOLDERS' EQUITY	714	1,406	2,153	2,908	4,156	4,650	4,772	14.8
Profit (Loss) of the Period	93.0	431.6	620.8	660.3	940.2	596.4	676.4	-
RATIOS (%)								
Loans/GDP	65.9	49.5	43.1	35.9	36.6	-	-	-
Loans/Assets	53.2	52.8	49.6	49.1	49.3	51.0	50.5	-
Securities/Assets	16.0	16.5	16.9	16.0	14.9	14.5	14.3	-
Deposits/Liabilities	57.5	61.8	63.1	57.9	58.0	57.5	57.7	-
Loans/Deposits	92.4	85.5	78.6	84.9	84.9	88.8	87.6	-
Capital Adequacy (%)	18.4	19.5	19.1	19.7	19.7	16.6	16.6	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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