TÜRKİYE CUMHURİYET MERKEZ BANKASI

INFLATION AND MACROECONOMIC OUTLOOK

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Governor

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İSTANBUL

Outline

1. What is driving short-term inflation dynamics?
2. What factors will shape inflation going forward?
3. How is geopolitics reshaping the current account?
4. Is re-dollarization a potential risk?

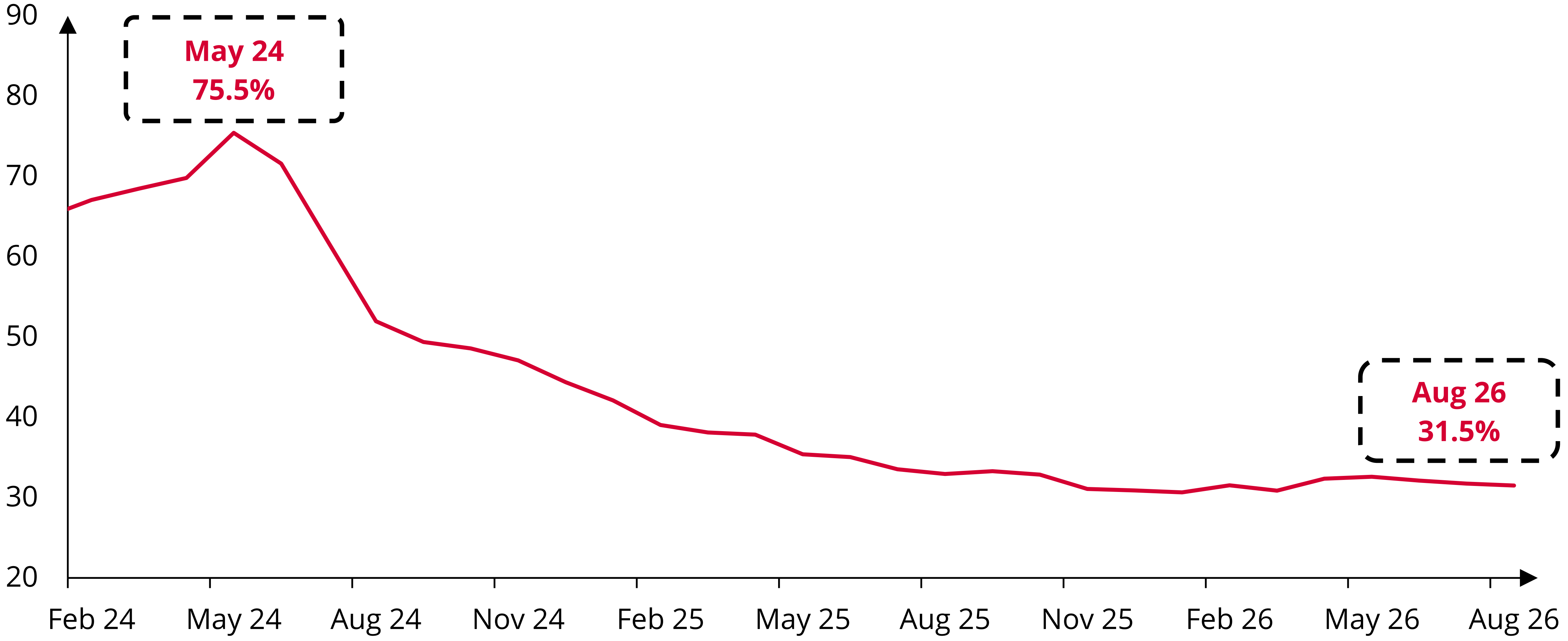
1

What is driving short-term inflation dynamics?

- Supply issues in food and energy
- Uneven inertia in services
- Moderating demand

Annual inflation declined to 31.5 percent in August.

CPI (Annual % Change)



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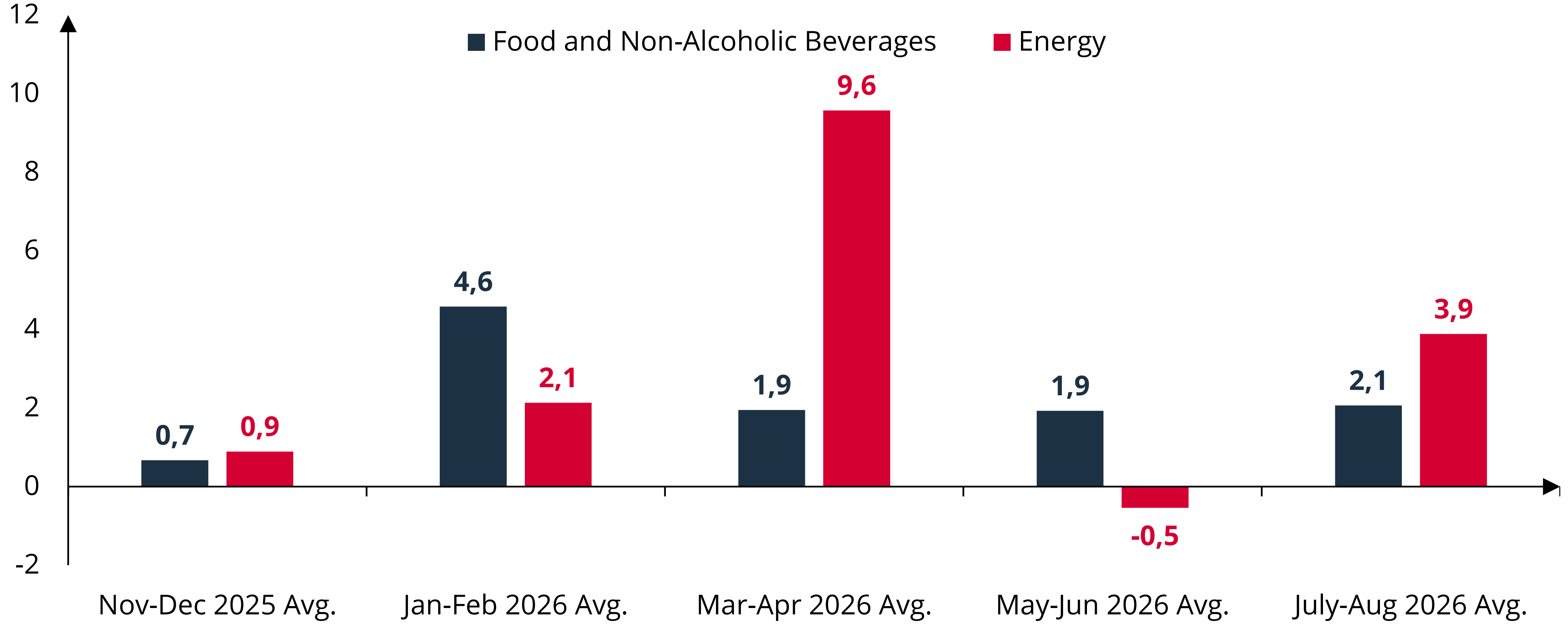
Source: TURKSTAT.

Supply shocks pushed up headline inflation.

Inflation (Seasonally Adjusted, Monthly % Change)



Source: TURKSTAT.

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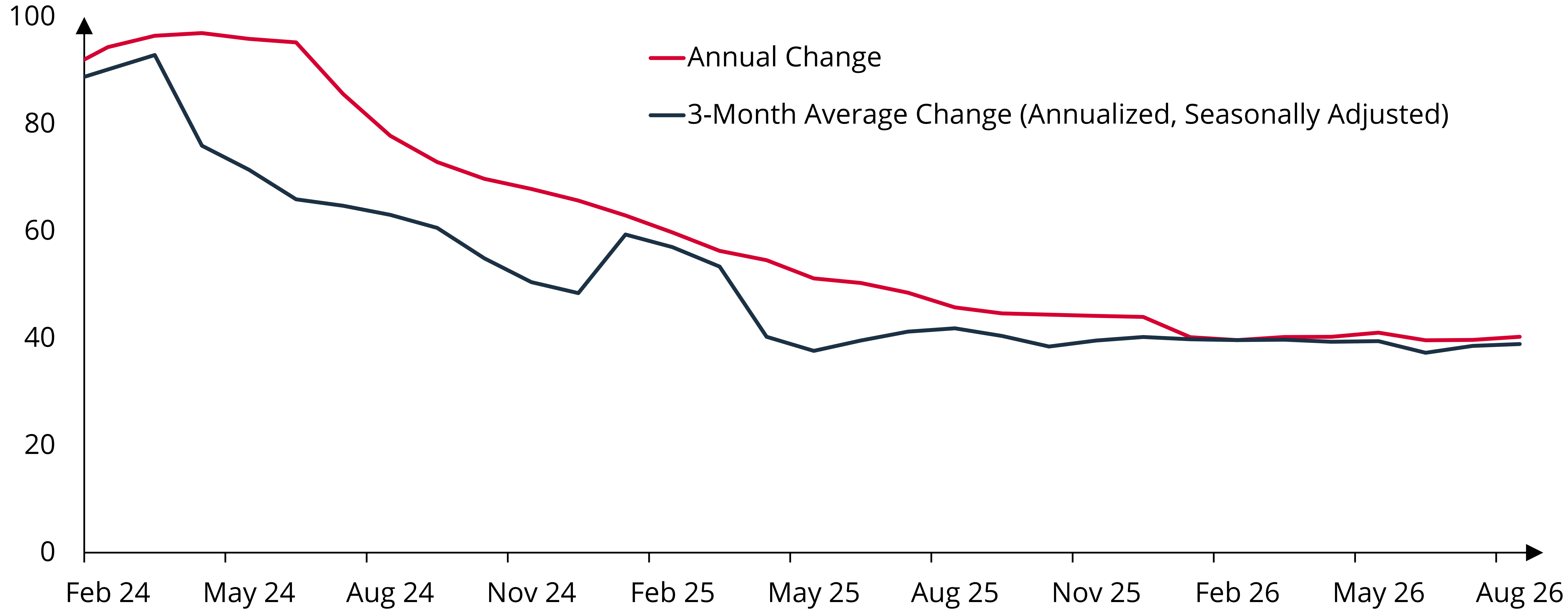
Is there a reemergence of inertia in services inflation?

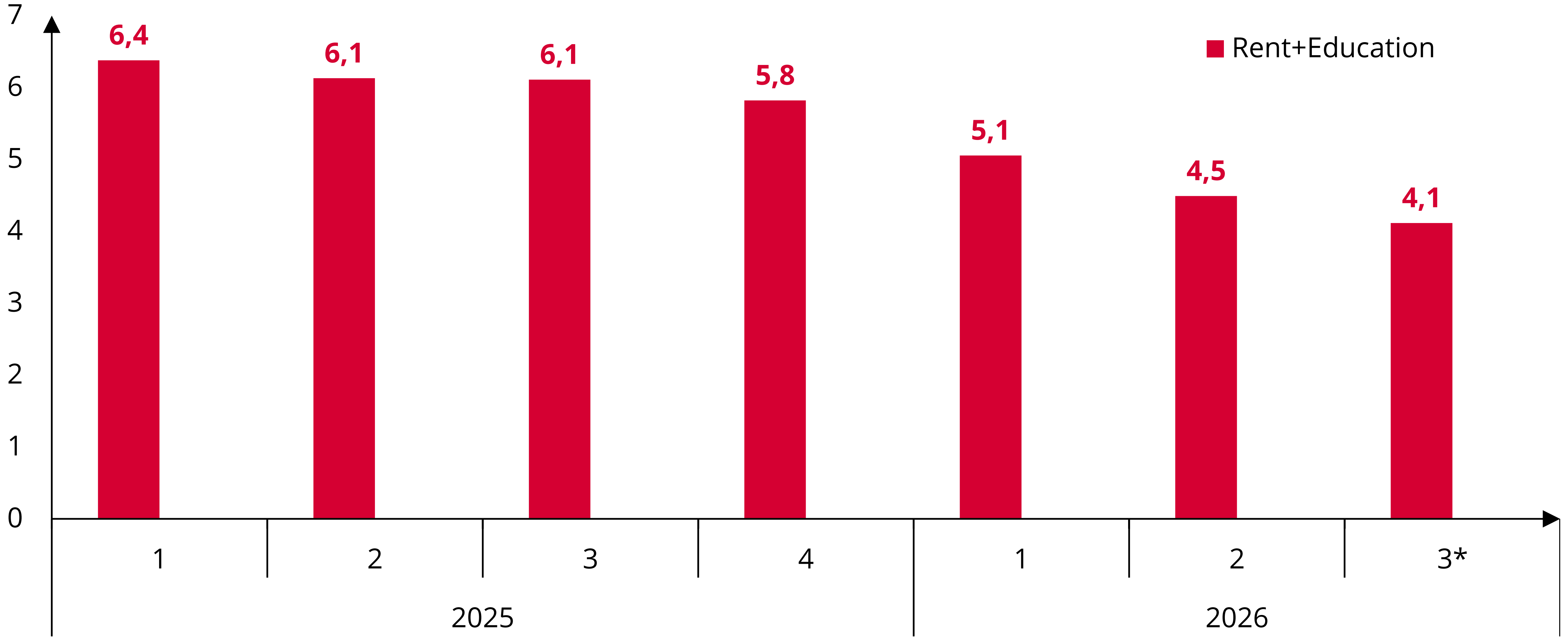
Services Prices (Annualized Monthly Change and Annual Change, %)



Source: CBRT, TURKSTAT.

Rent and education are driving services disinflation

Contribution to Headline Annual Inflation (Averages of Monthly Contributions)

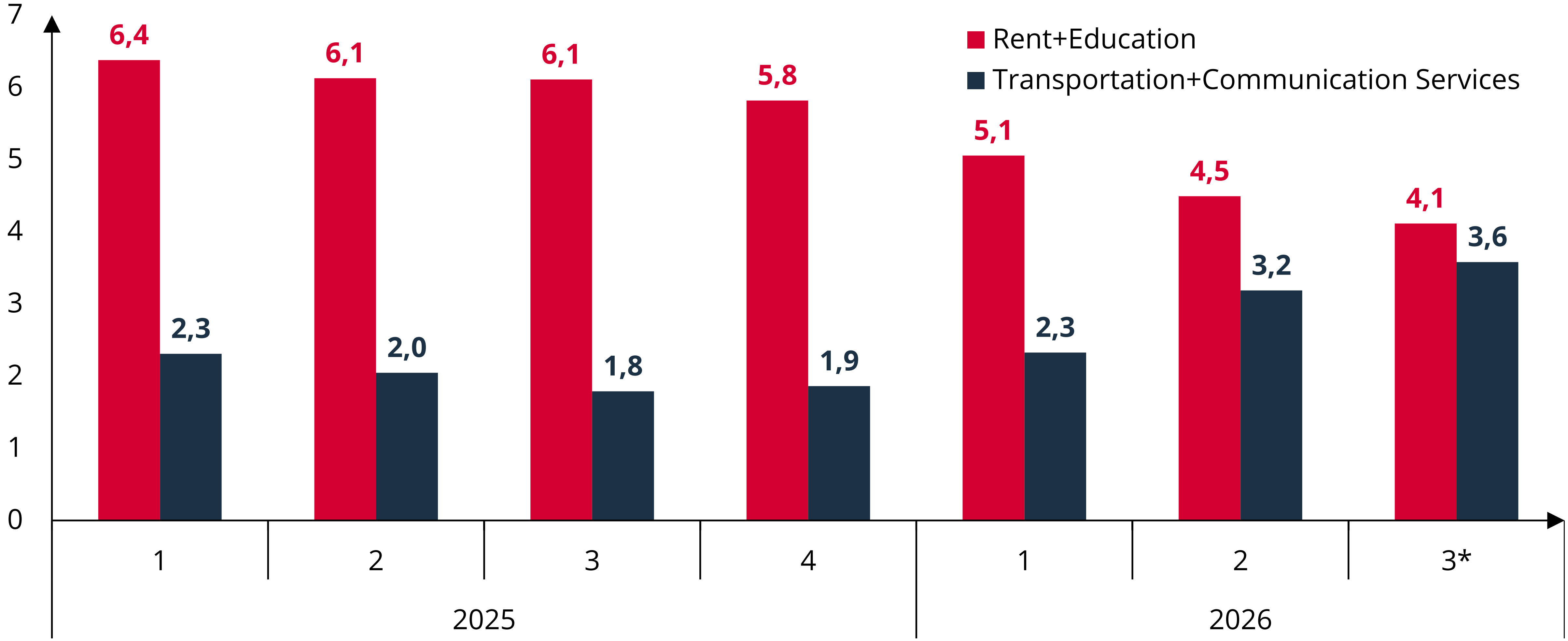


Source: CBRT, TURKSTAT.

*Averages of July-August data.

Transportation and communication services are offsetting these gains.

Contribution to Headline Annual Inflation (Averages of Monthly Contributions)

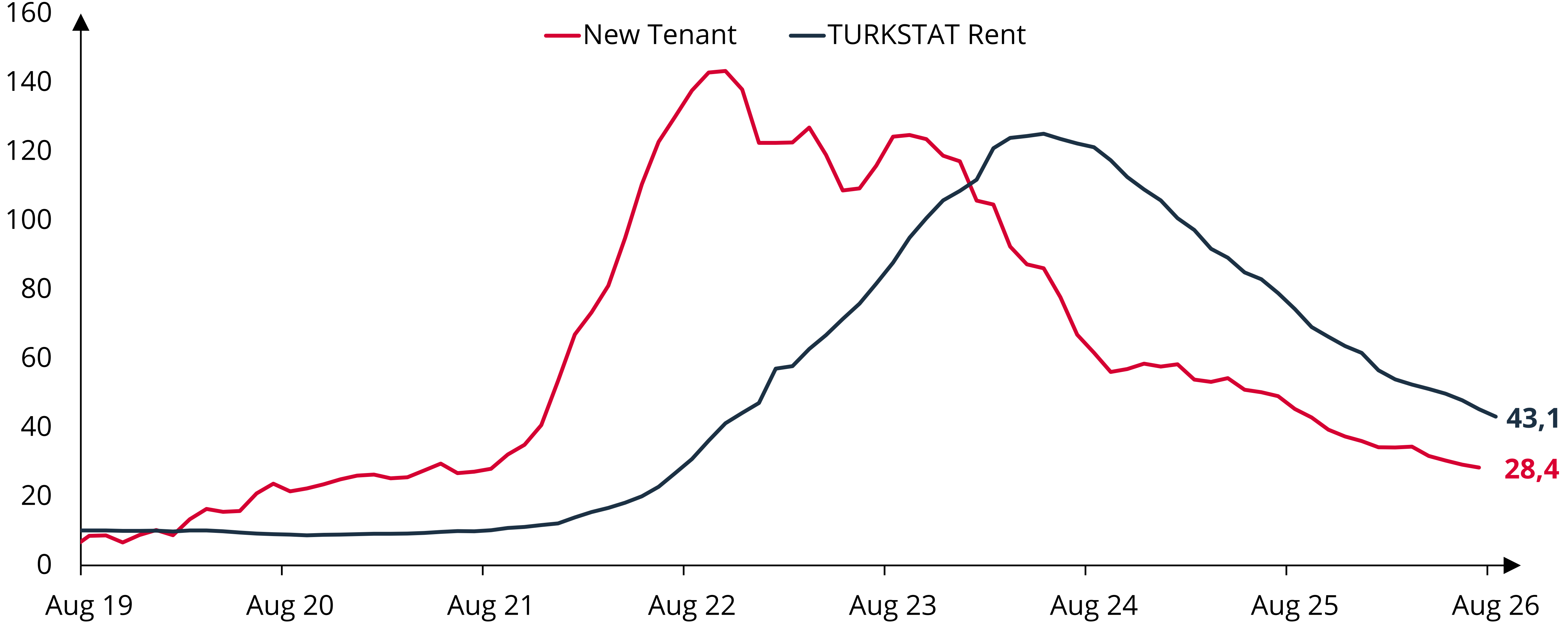


Source: CBRT, TURKSTAT.

*Averages of July-August data.

Leading indicators point to further room for disinflation in rents.

New Tenants and TURKSTAT Actual Rent Indices* (Annual % Change)

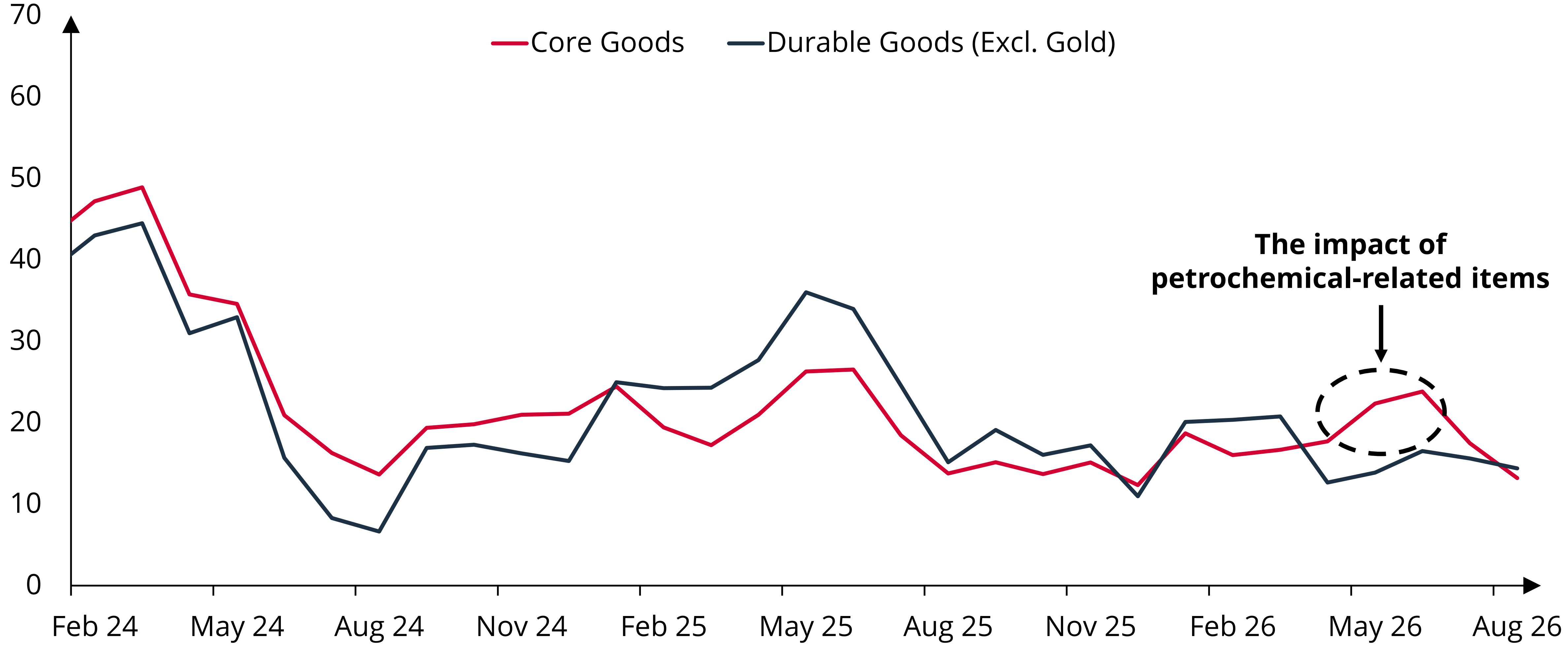


Source: CBRT, TURKSTAT.

*The July data for the new tenant rent index.

Core goods inflation remains moderate despite strong headwinds.

Core Goods and Durable Goods* (Seasonally Adjusted and Annualized 3-Month Moving Average, %)

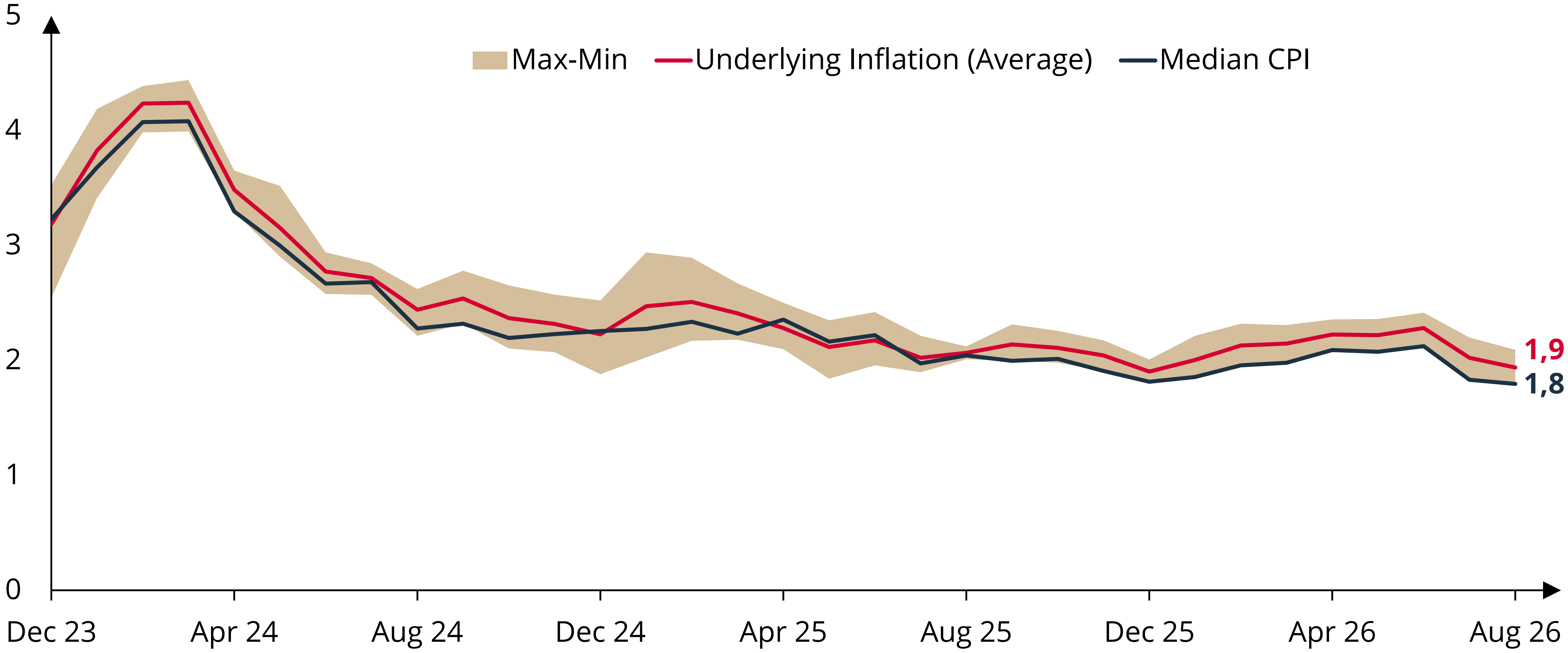


Source: TURKSTAT.

*No seasonal effect in the durable goods group.

Underlying inflation edged down.

Median and Underlying Inflation* (Monthly % Change, 3-Month Average)



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Source: CBRT, TURKSTAT.

*Underlying inflation is calculated as the 3-month average of monthly changes based on six different indicators, namely seasonal adjusted B, C, SATRIM, median, indicators excluding volatile items and a dynamic factor model.

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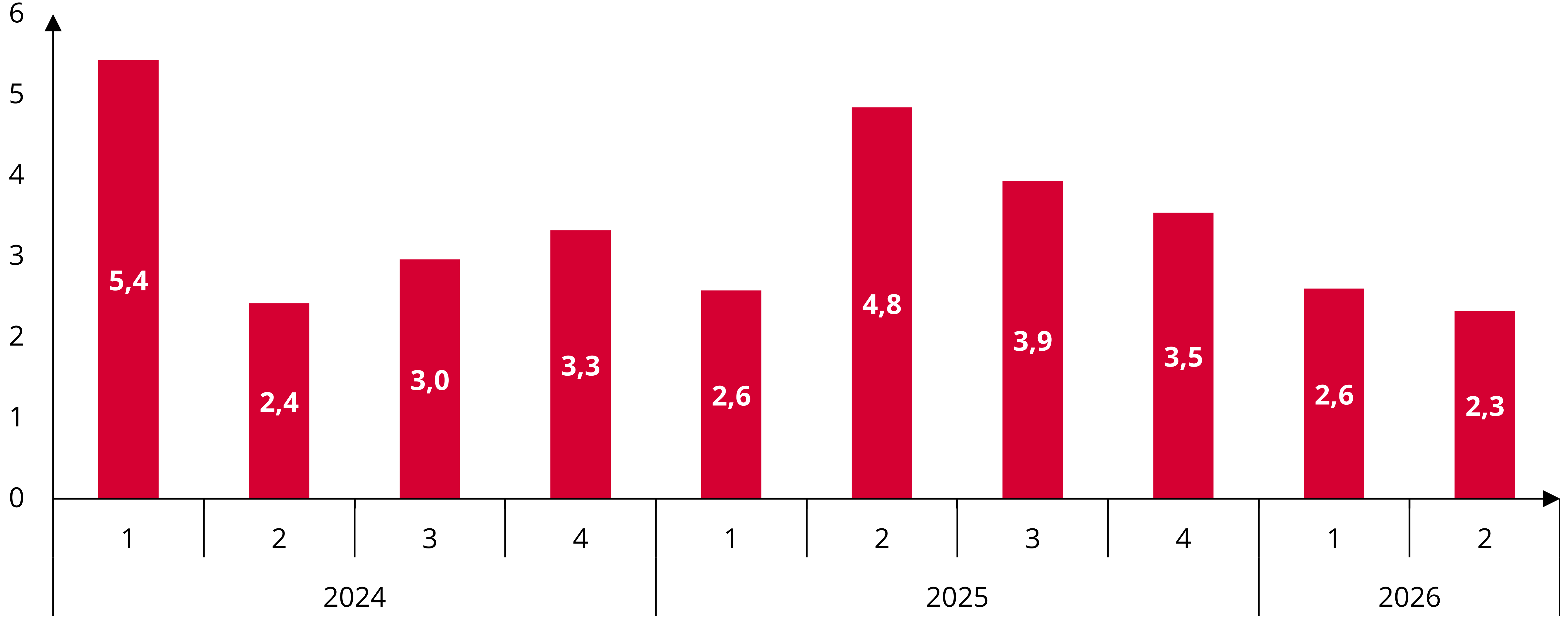
What factors will shape inflation going forward?

- Weak domestic demand in Q2
- Further weakening in Q3
- Moderate credit growth

Economic activity is slowing down.

GDP (Annual % Change)



Source: TURKSTAT.

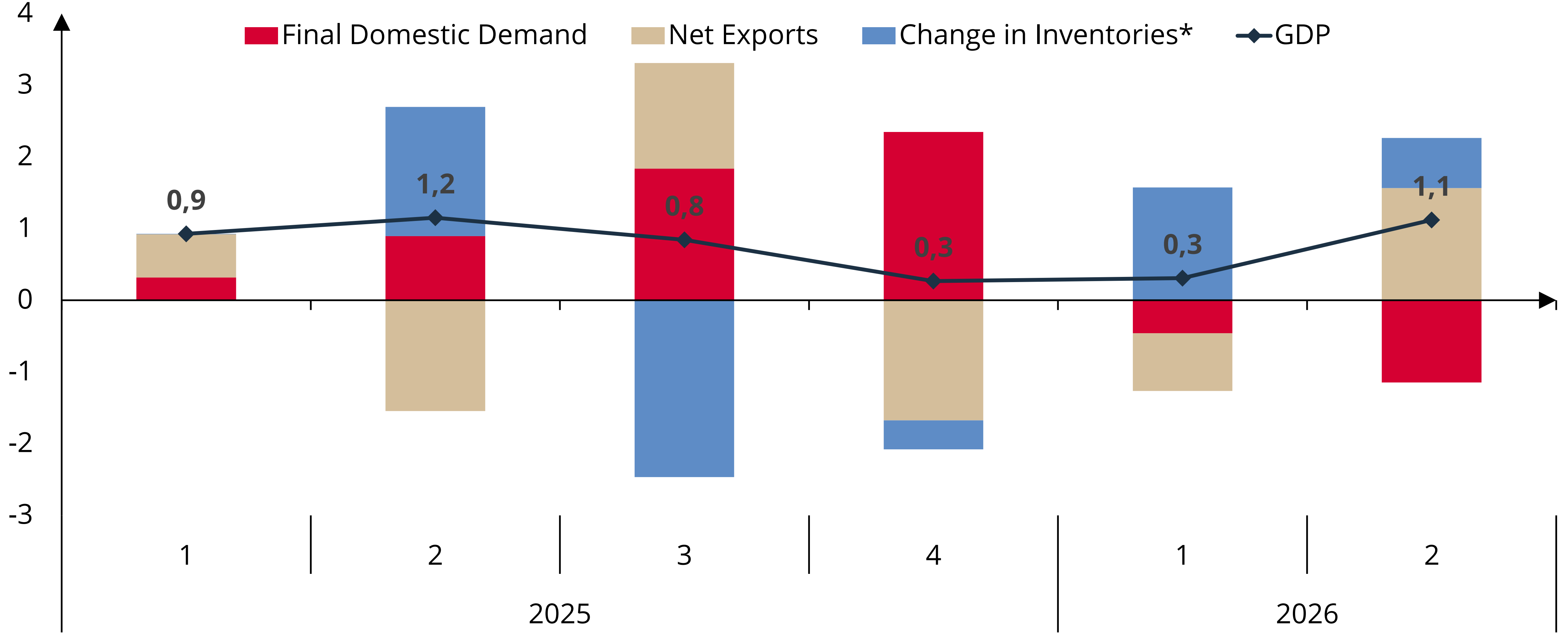
But quarterly growth picked up in Q2.

Contributions to Quarterly GDP Growth by Expenditure (Seasonally Adjusted, % Points)

Source: TURKSTAT.

Led by external demand…

Contributions to Quarterly GDP Growth by Expenditure (Seasonally Adjusted, % Points)

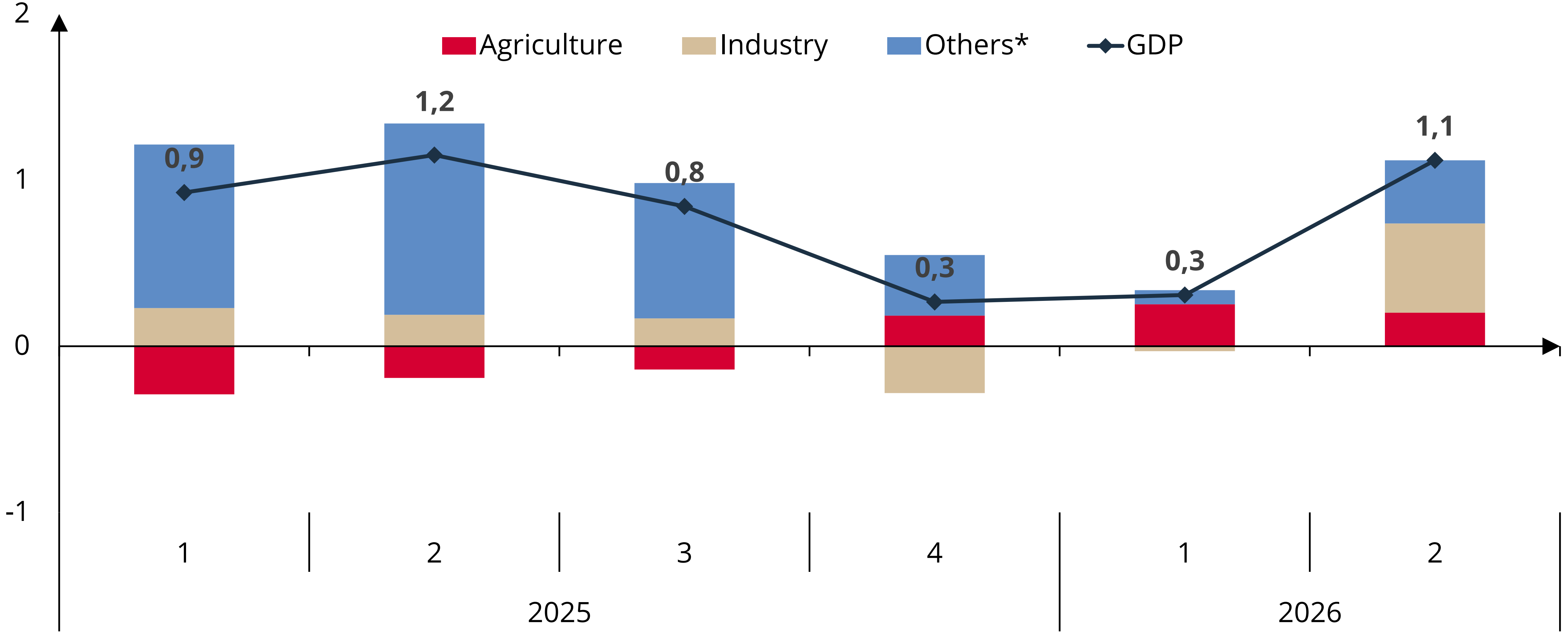


Source: TURKSTAT.

*Includes change in inventories and statistical discrepancy due to chain-linking.

...which boosted industrial output.

Contributions to Quarterly GDP Growth by Production (Seasonally Adjusted, % Points)

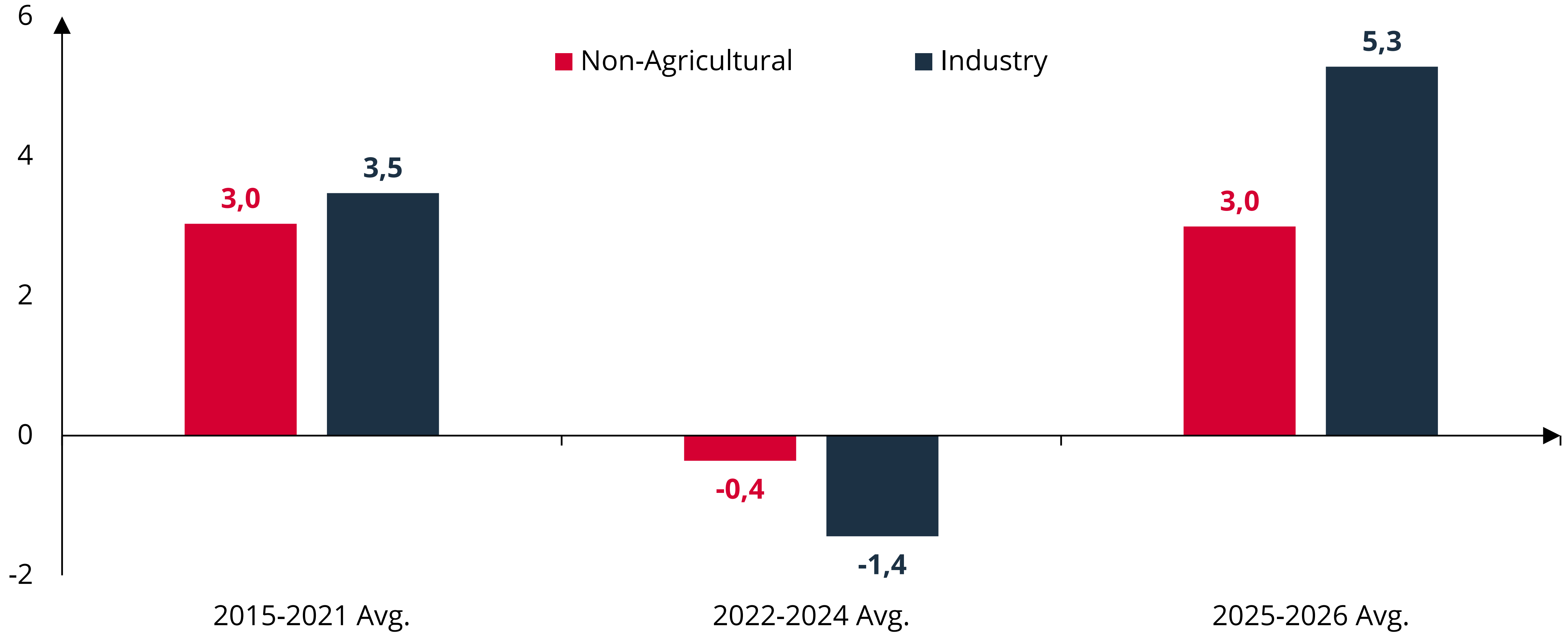


Source: TURKSTAT.

*Others include construction, services and net taxes.

Productivity growth has picked up during disinflation.

Output per Worker* (Annual % Change)

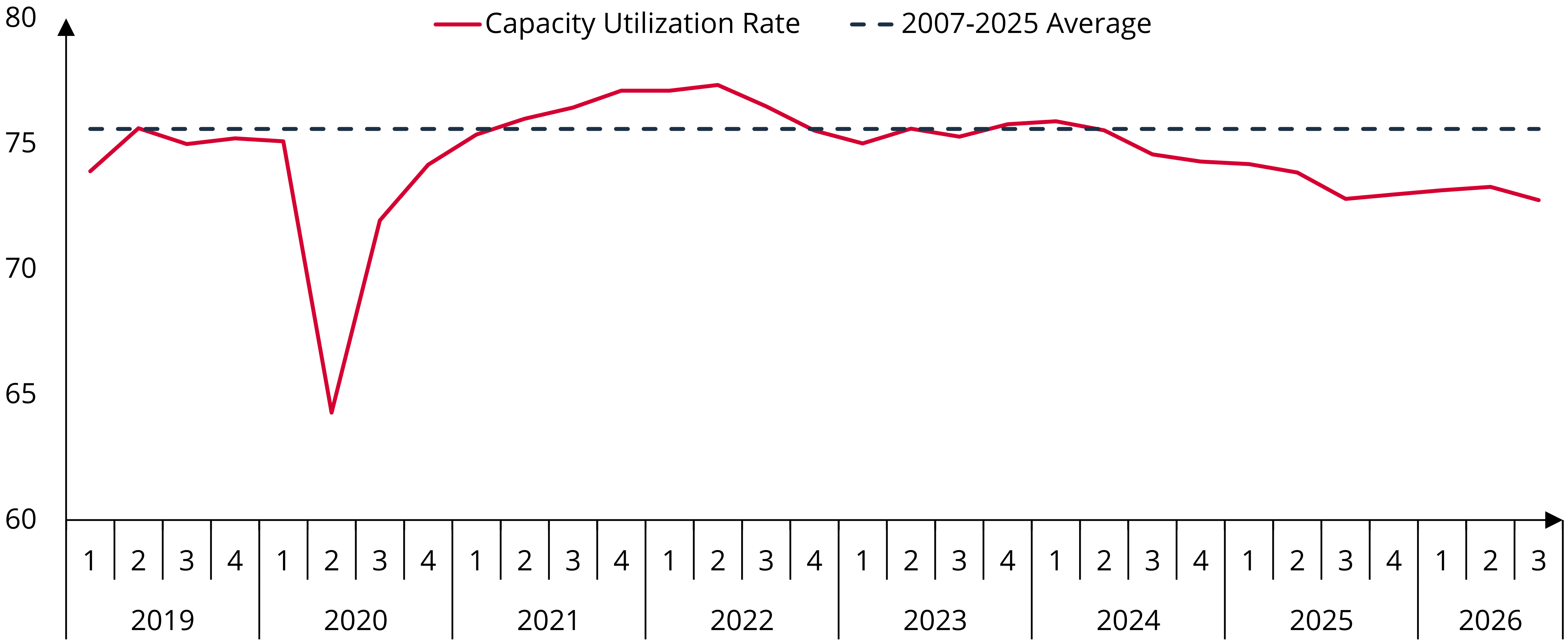


Source: CBRT, TURKSTAT.

*Value Added/Employment.

Capacity utilization remains below historical averages.

Capacity Utilization Rate* (Seasonally Adjusted, %)

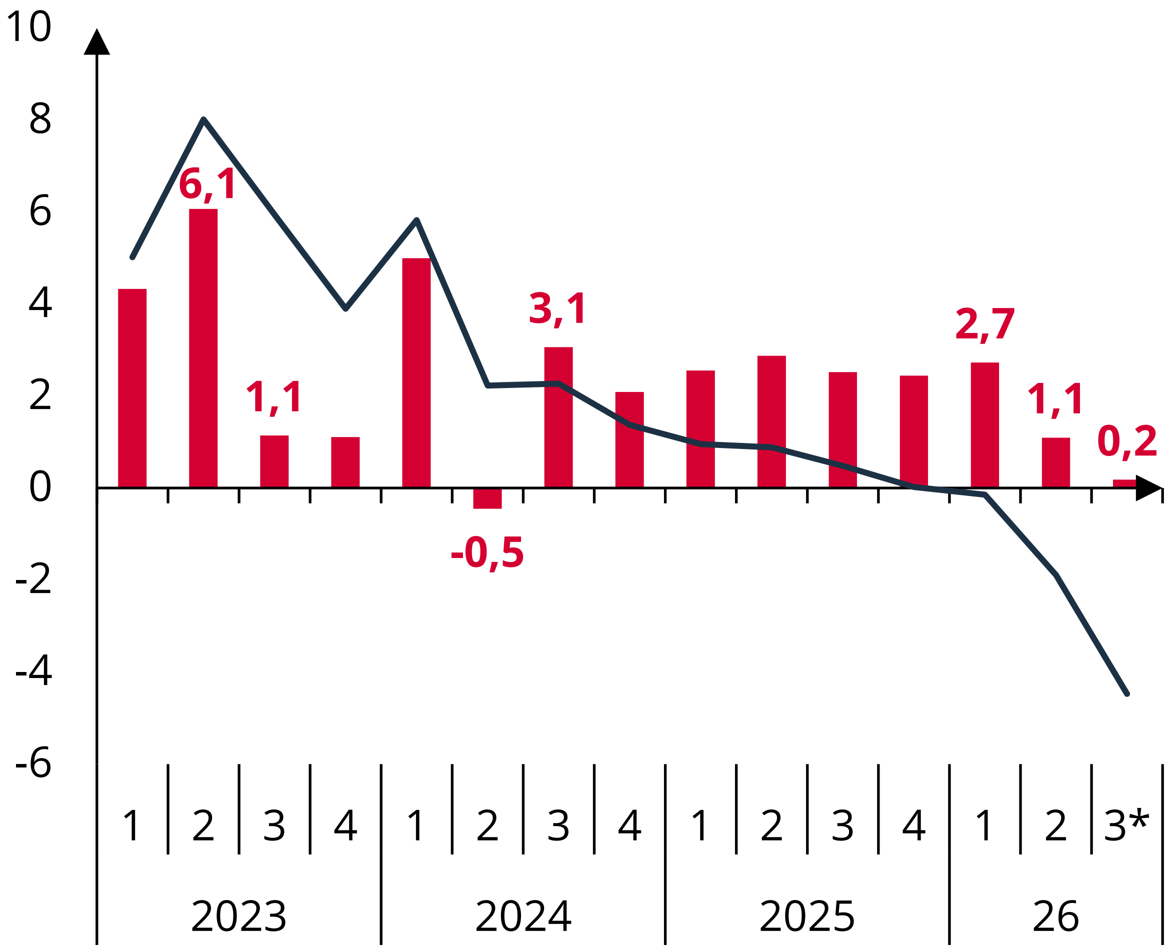


Source: CBRT. As of August.

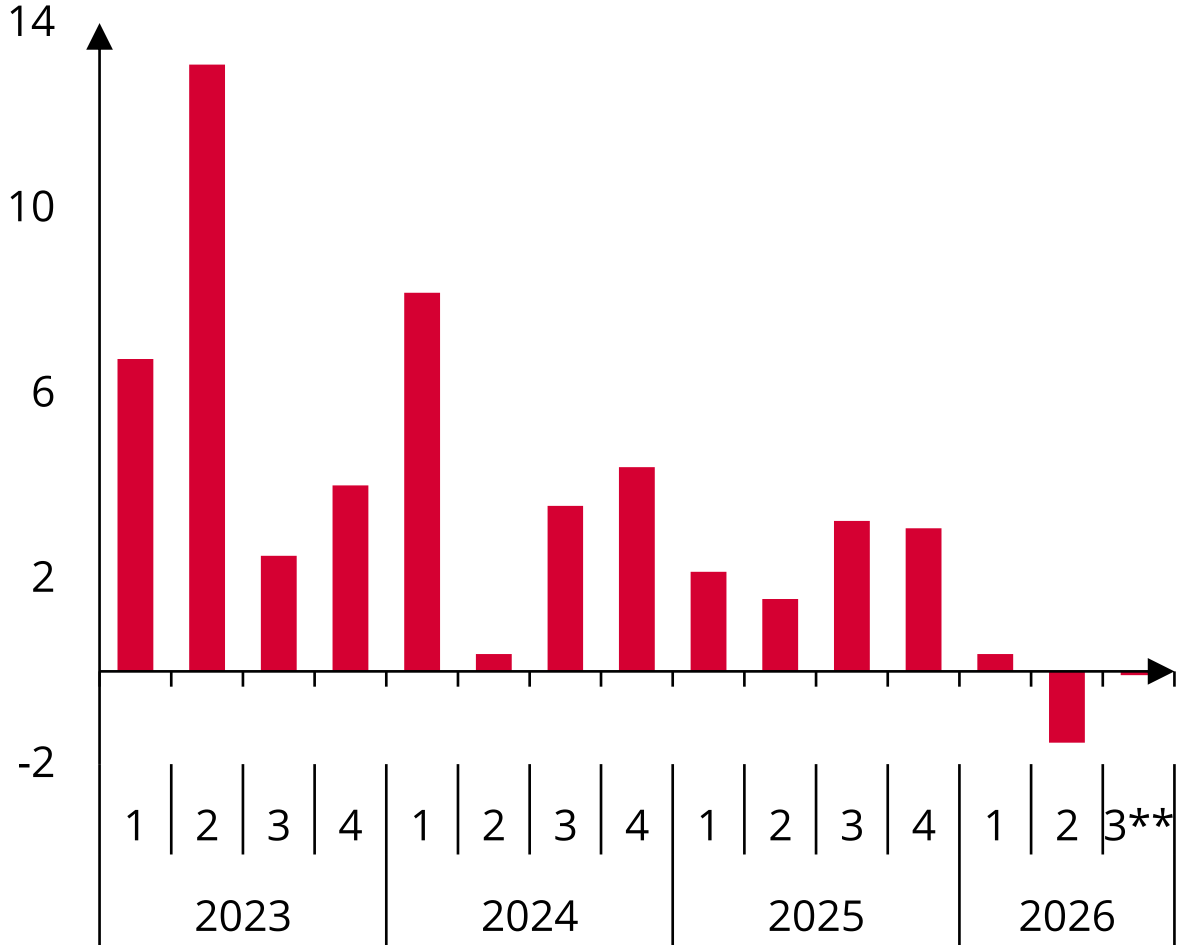
*Manufacture of coke and refined petroleum products is excluded.

High frequency indicators point to further softening in Q3.

Retail Sales Volume Index* (Excl. Gold, SA, Quarterly % Change, Deviation from HP Trend, %)



Total Card Spending (Real, QoQ % Change)



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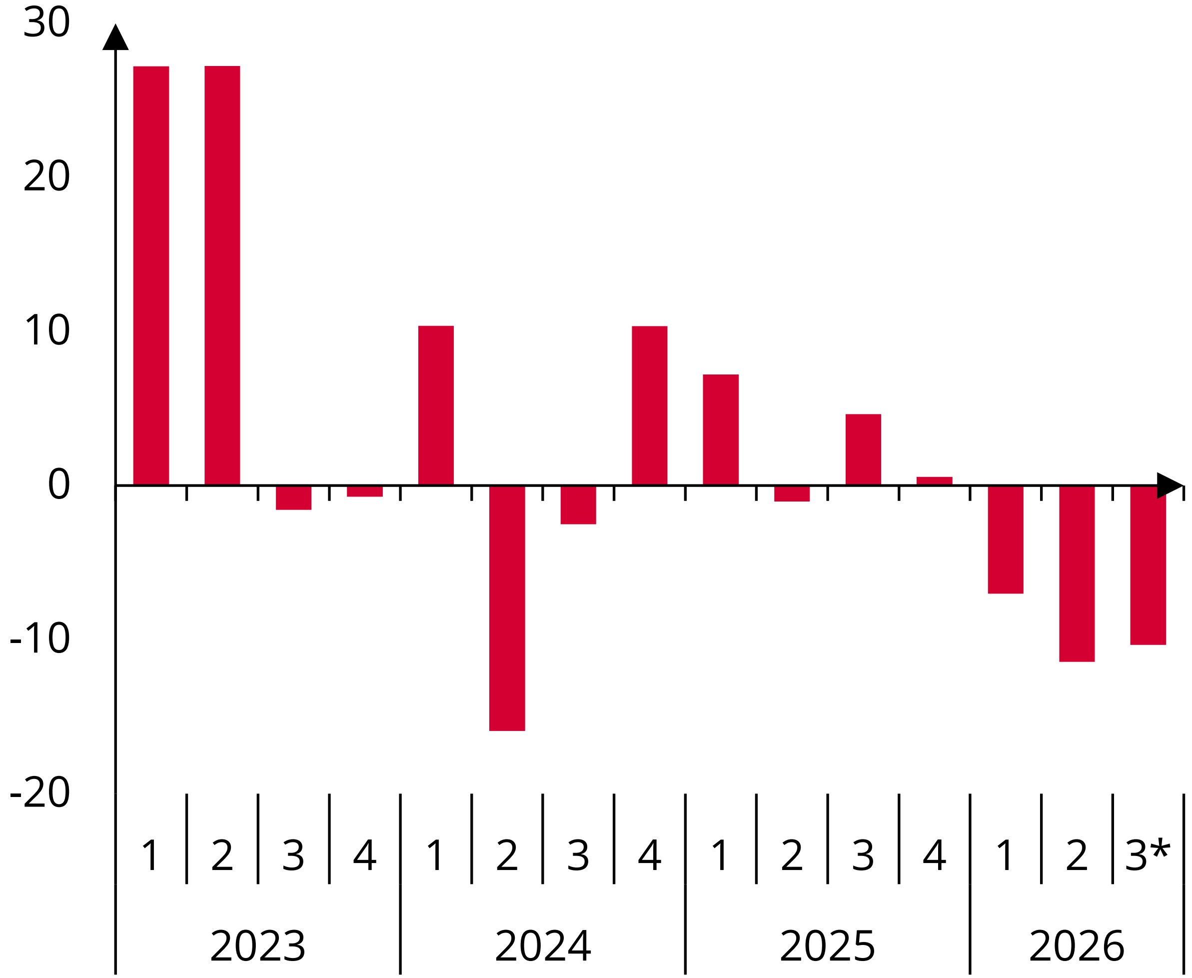
*The dark line indicates deviation from the trend. SA: Seasonally and calendar adjusted. Retail sales are as of July.

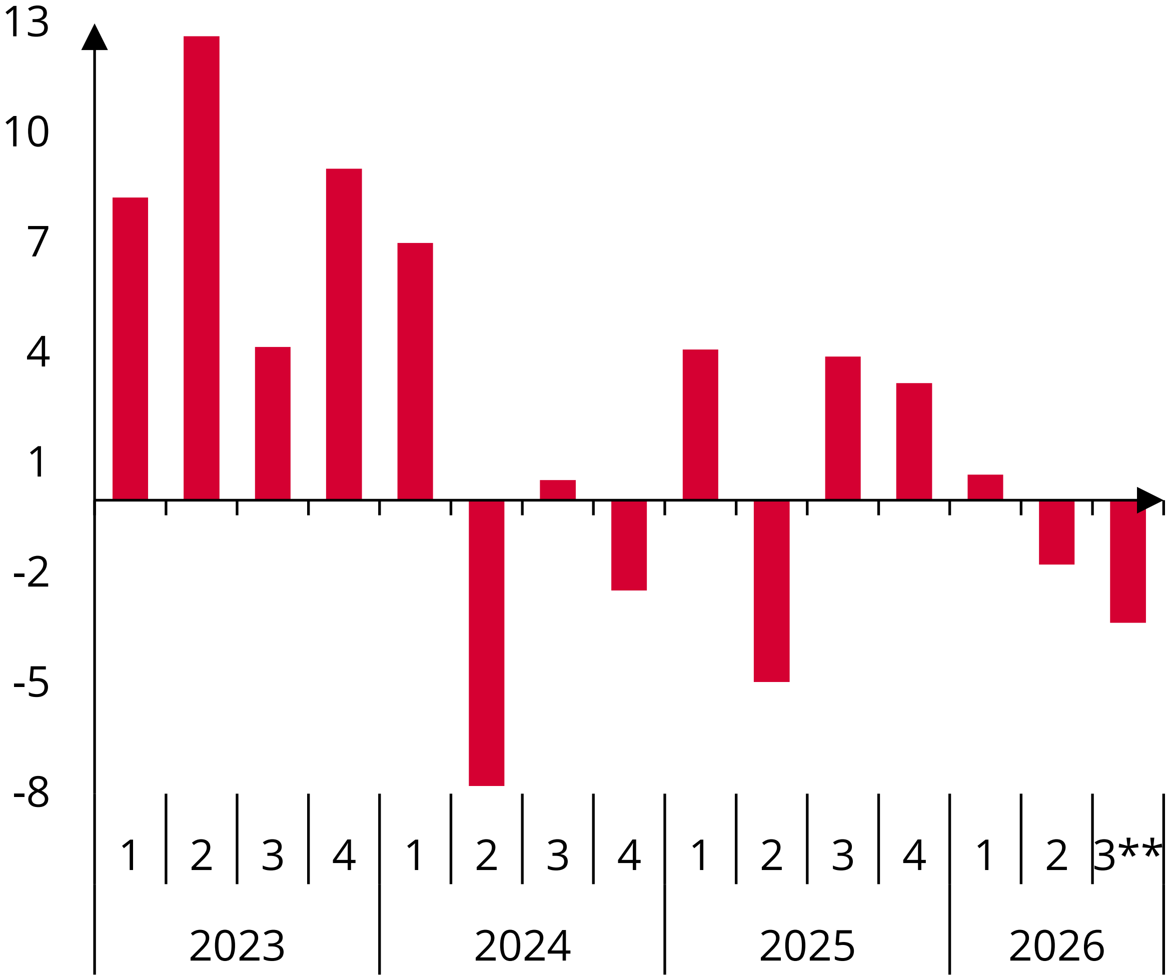
**Total card spending data are as of August 30, 2026. Excluding public and individual pension payments.

High frequency indicators point to further softening in Q3.

Automobile Sales (Quarterly % Change)



Card Spending on Durable Goods (Real, QoQ % Change)

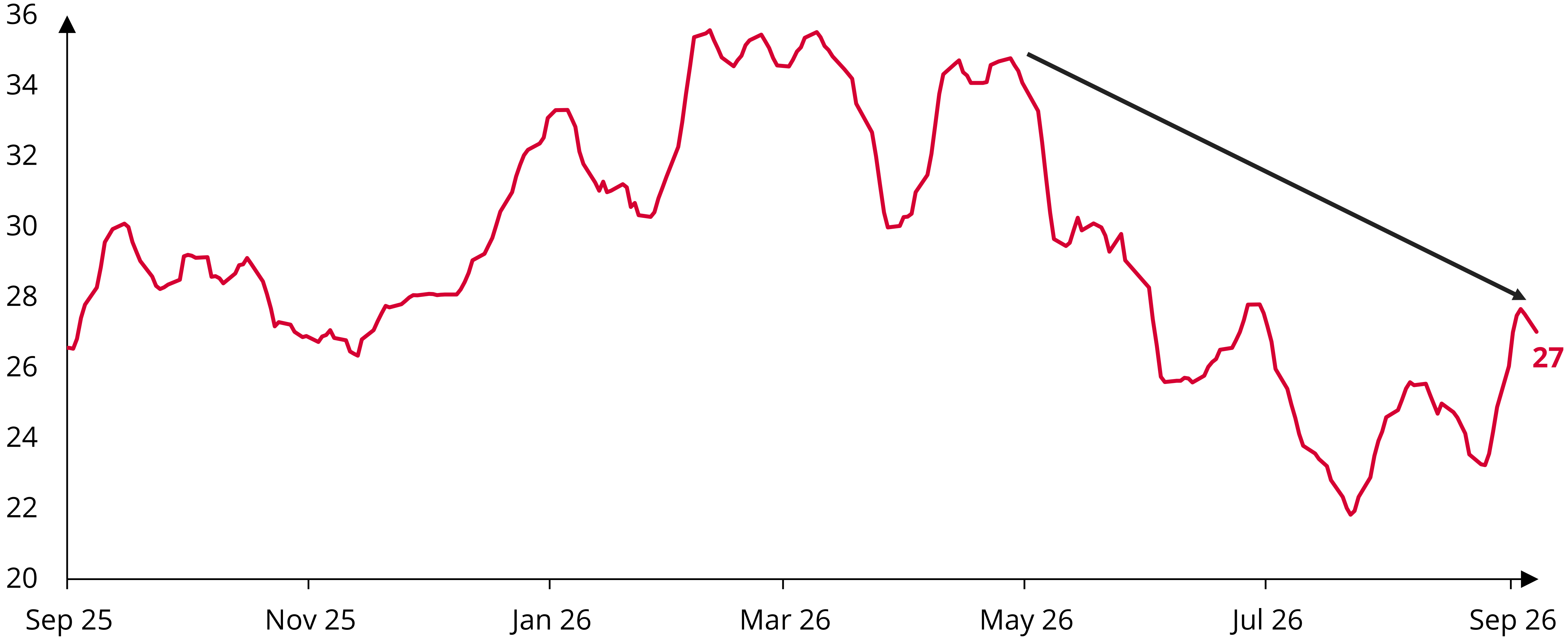


*Automobile sales are as of August 2026.

**Card spending data are as of August 30, 2026.

Credit growth has moderated significantly since spring.

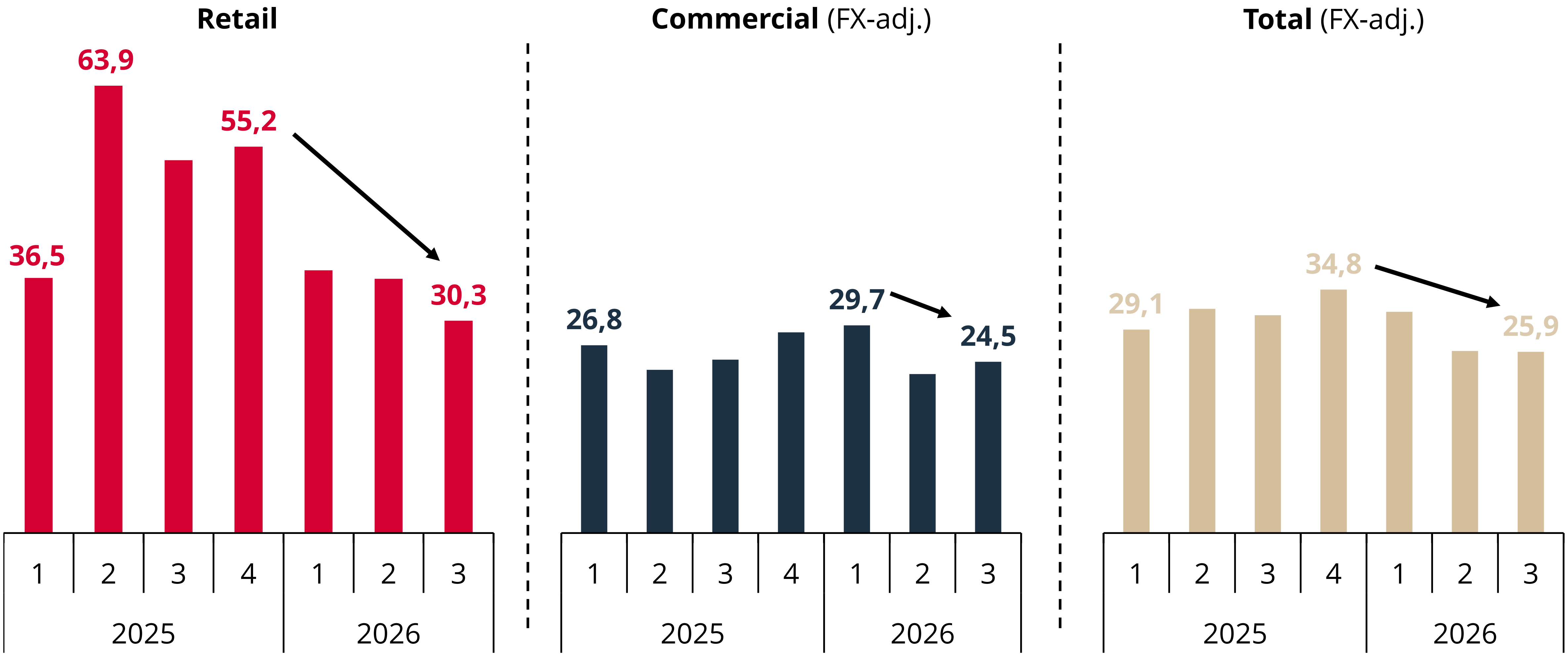
Credit Growth (13 Week, Annualized, FX-Adjusted, 5-Day Moving Average, %)



Source: CBRT. As of September 7, 2026.

Credit growth has moderated across all segments.

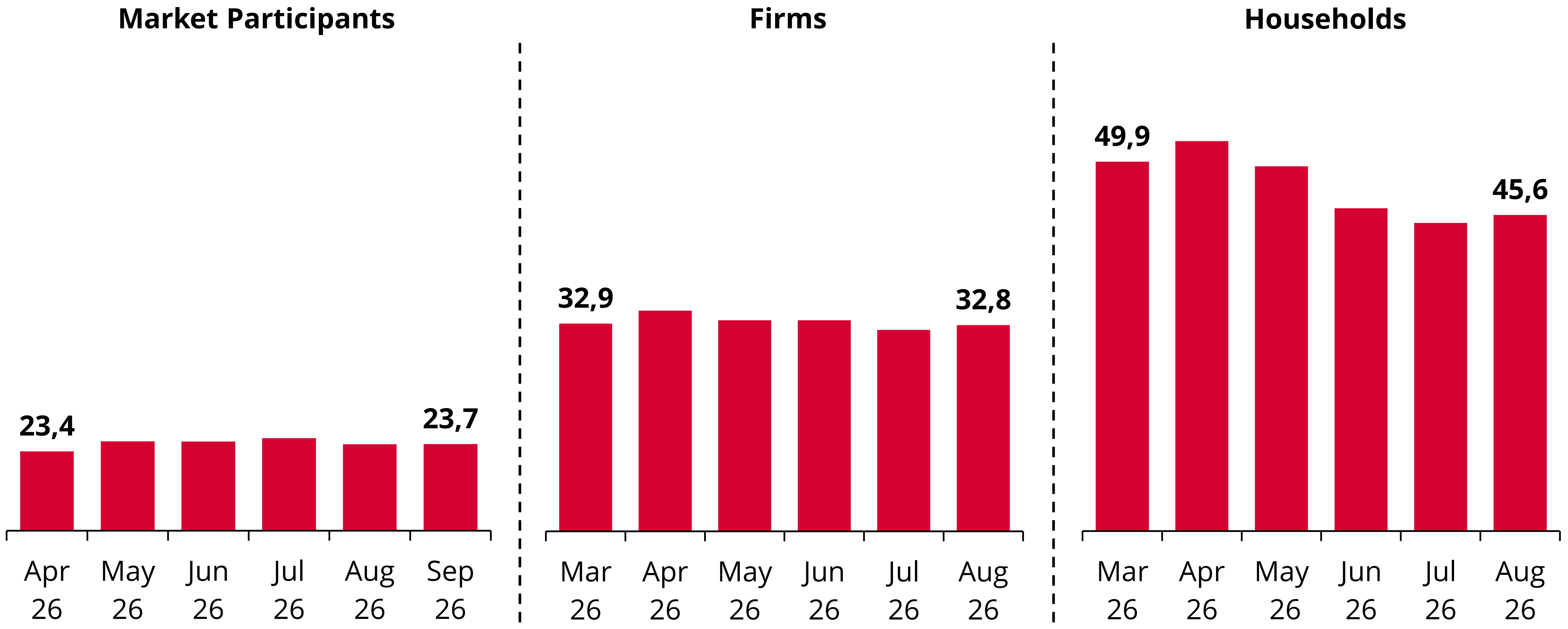
Credit Growth (13 Week, Annualized, FX-Adjusted, %)



Source: CBRT. As of September 7, 2026.

Inflation expectations warrant continued caution.

12-Month-Ahead Annual CPI Inflation Expectations (%)



Source: CBRT.

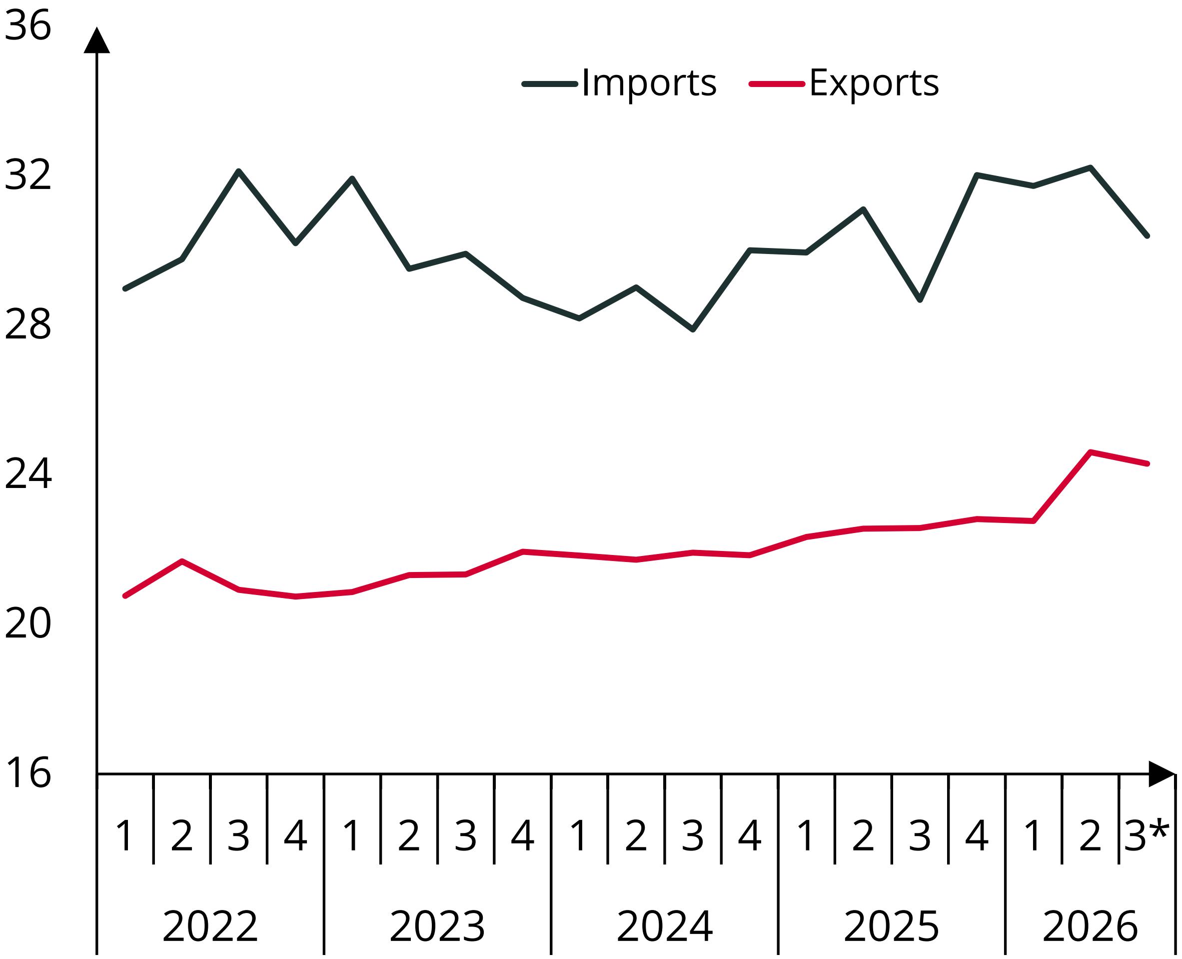
3

How is geopolitics reshaping the current account?

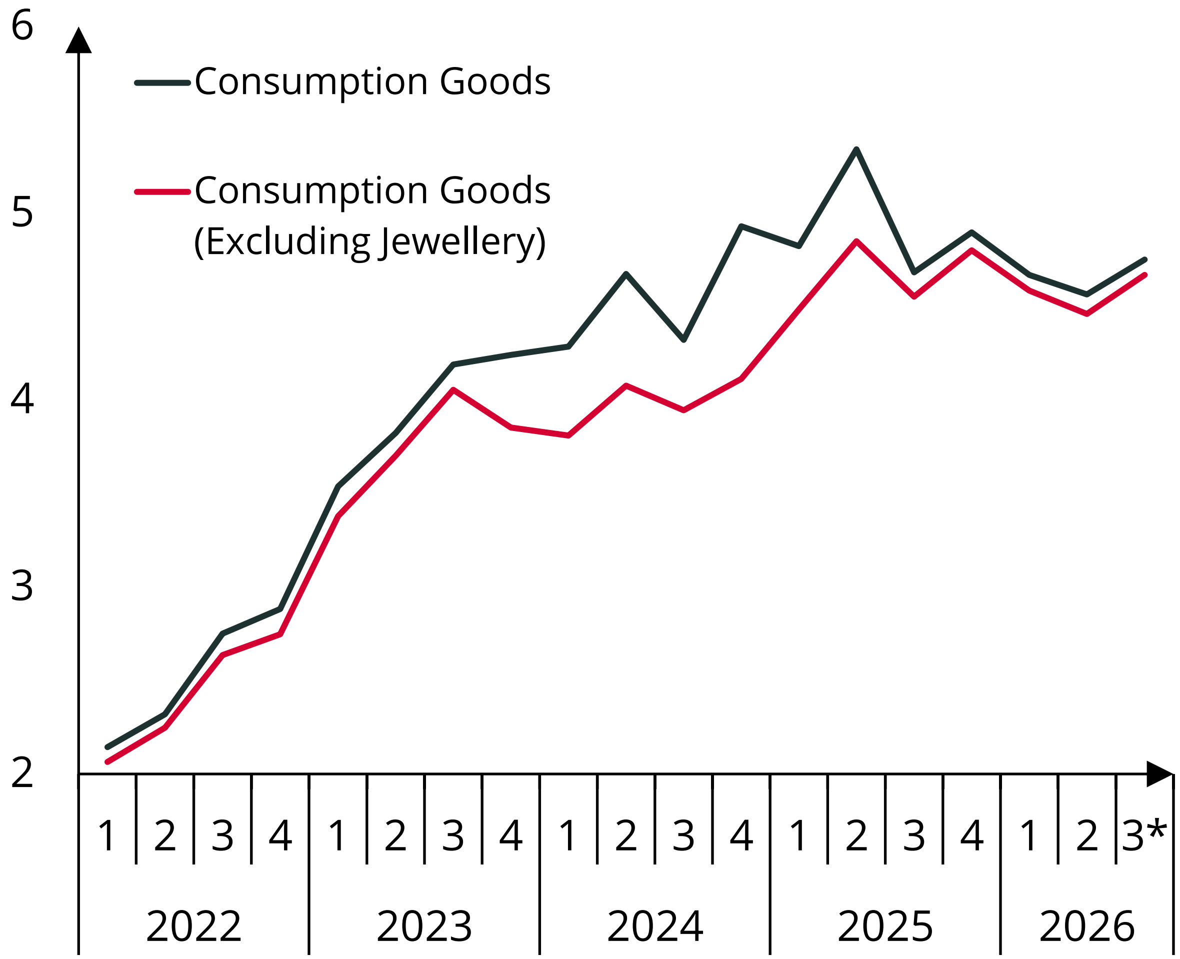
- Resilient exports
- Stable tourism revenues
- Manageable current account deficit

Trade balance improved further in the third quarter.

Exports and Imports**
(Average, Billion USD, Seasonally Adjusted)



Consumption Goods Imports**
(Average, Billion USD, Seasonally Adjusted)



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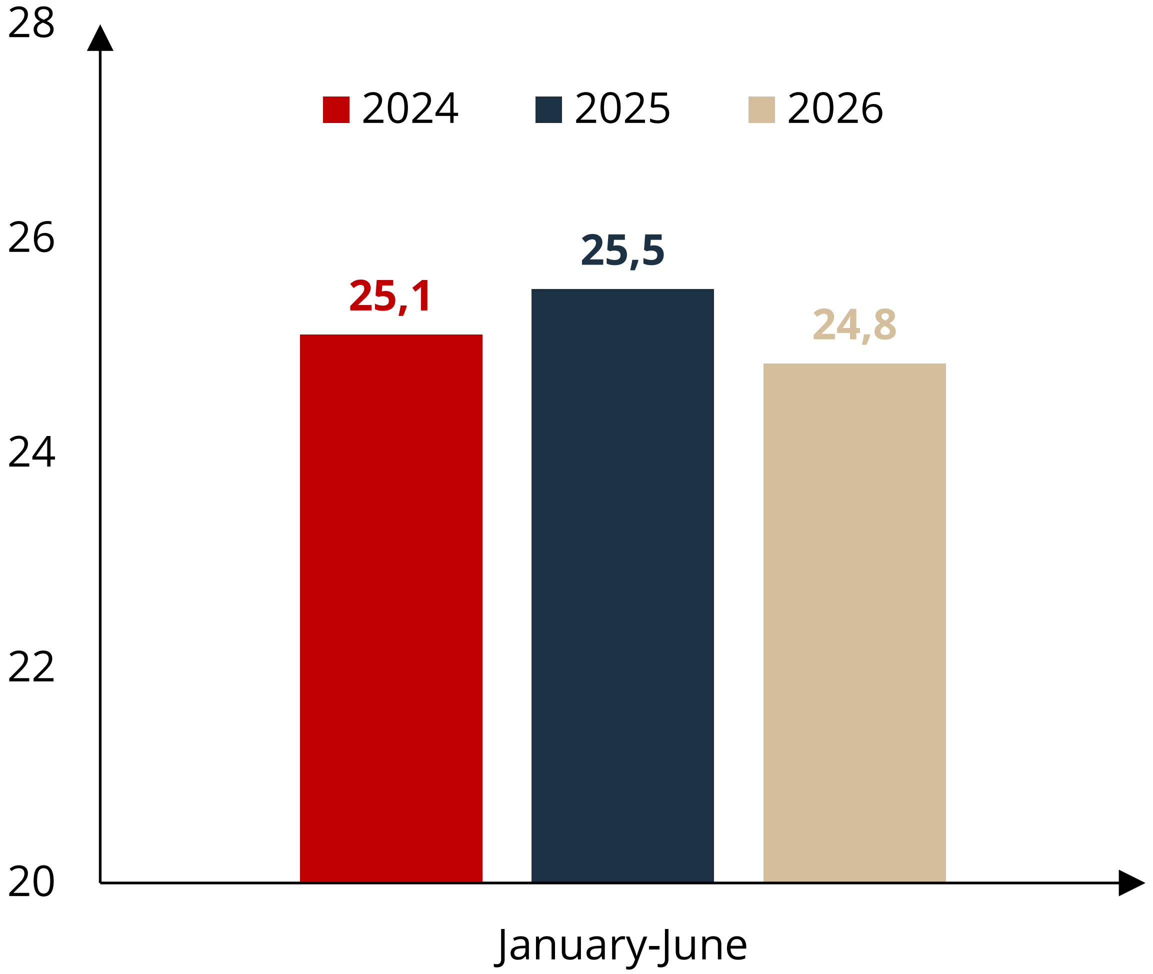
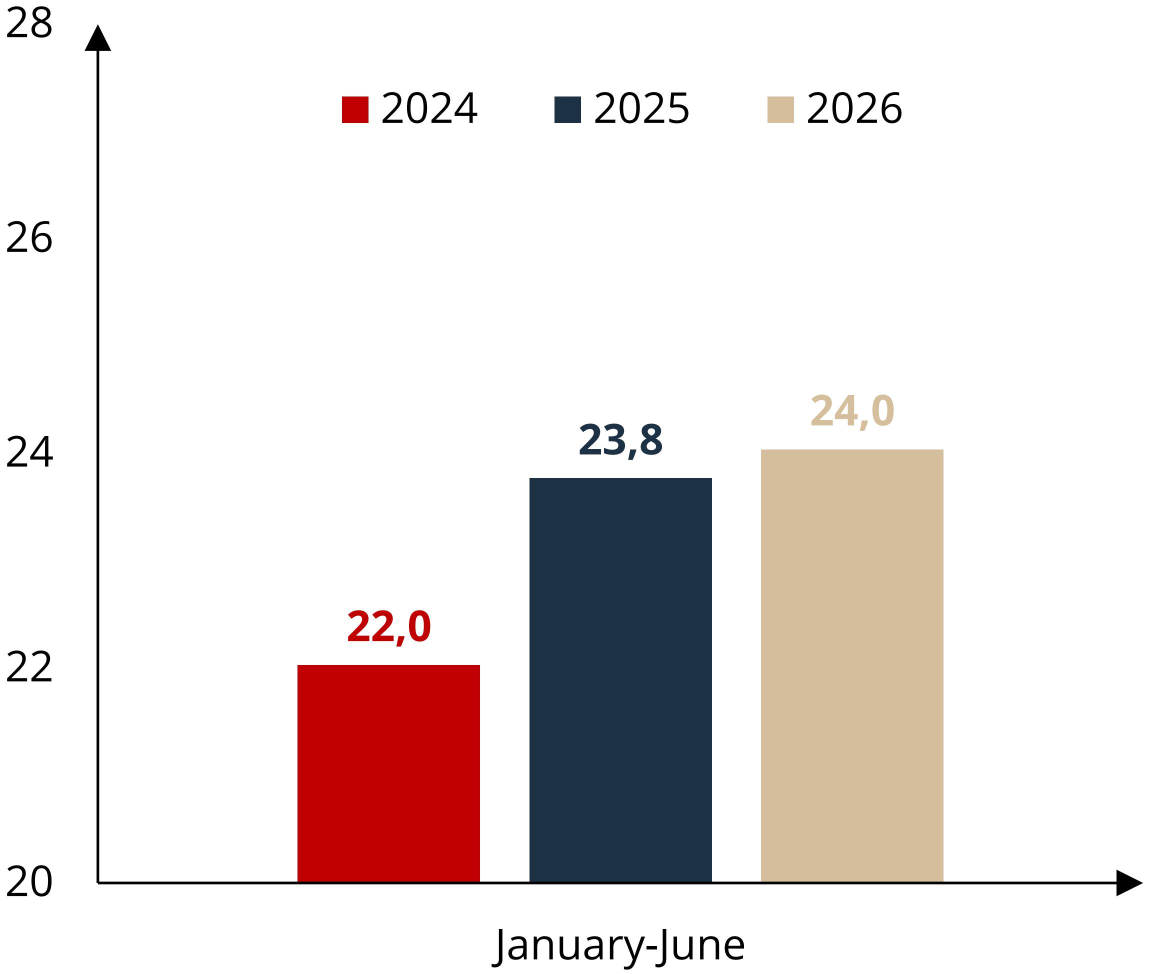
Sources: TURKSTAT, Ministry of Trade, CBRT.
*The August data is a monthly figure based on the Ministry of Trade's provisional data.
** Figures show average monthly values for the respective quarters.

Tourism revenues remained resilient.

Monthly Visitor Arrivals (January-June, Total, Million Persons)



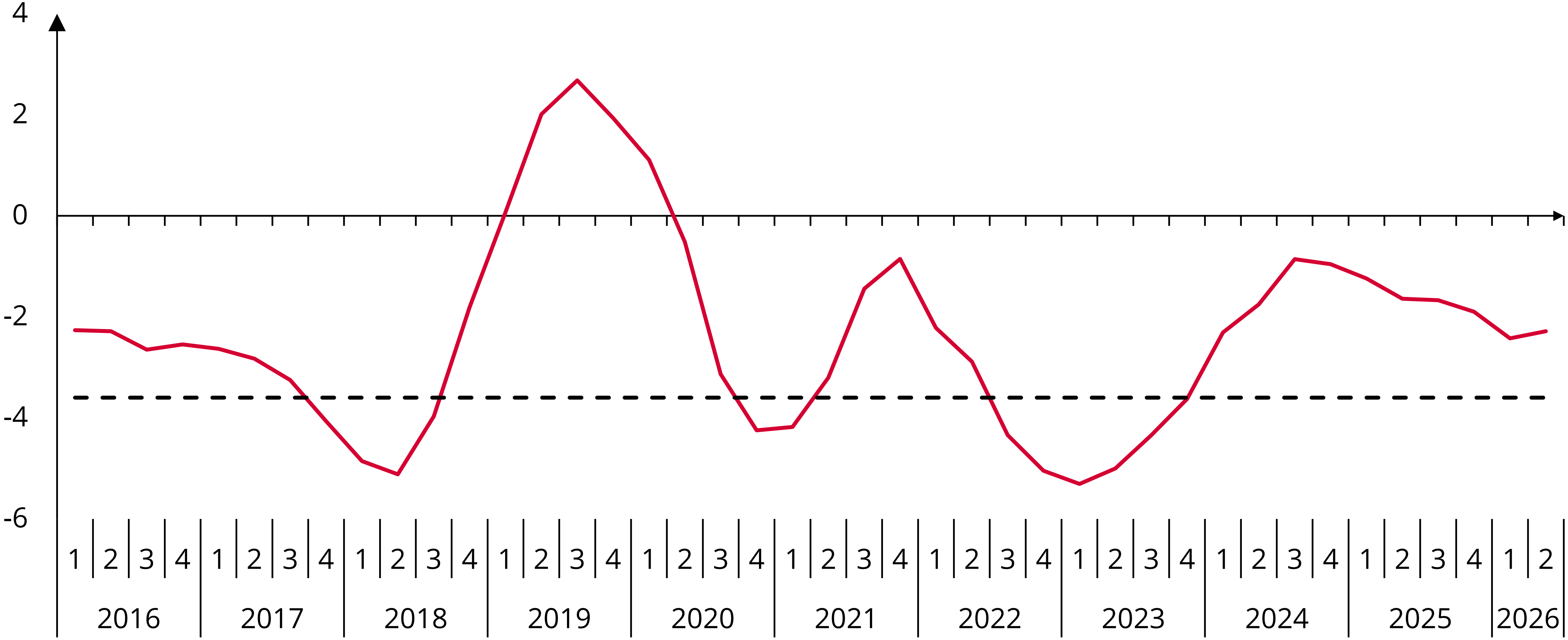
Monthly Travel Revenues (January-June, Total, USD Billion)



Source: CBRT.

Current account deficit moved sideways despite unfavorable external backdrop.

Current Account Balance/GDP* (%)



Source: CBRT, TURKSTAT.

*The dashed line represents the 2005-2025 average.

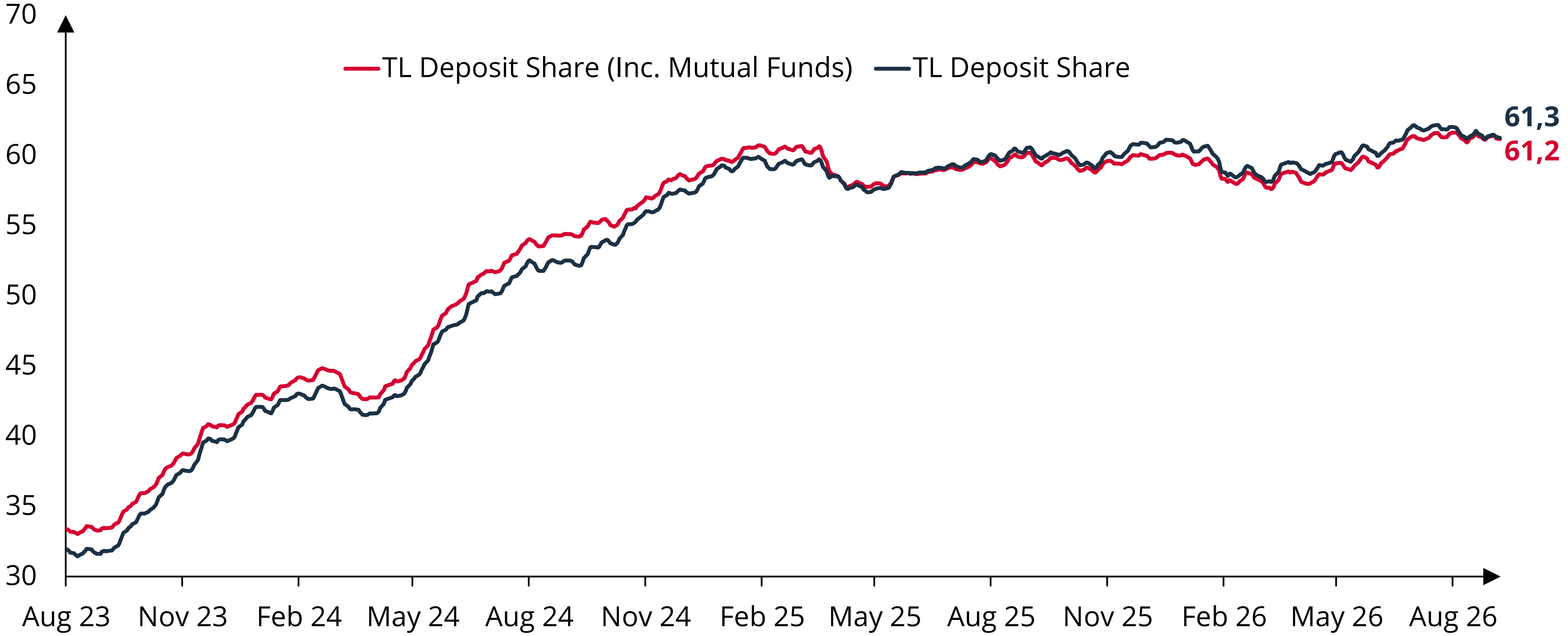
4

Is re-dollarization a potential risk?

- Robust demand for TL
- Tight policy stance
- Strong reserve buffers

Residents' demand for Turkish lira remains robust.

TL Share in Deposits and Mutual Funds* (Including Official Deposits, 5 Day Moving Average, %)



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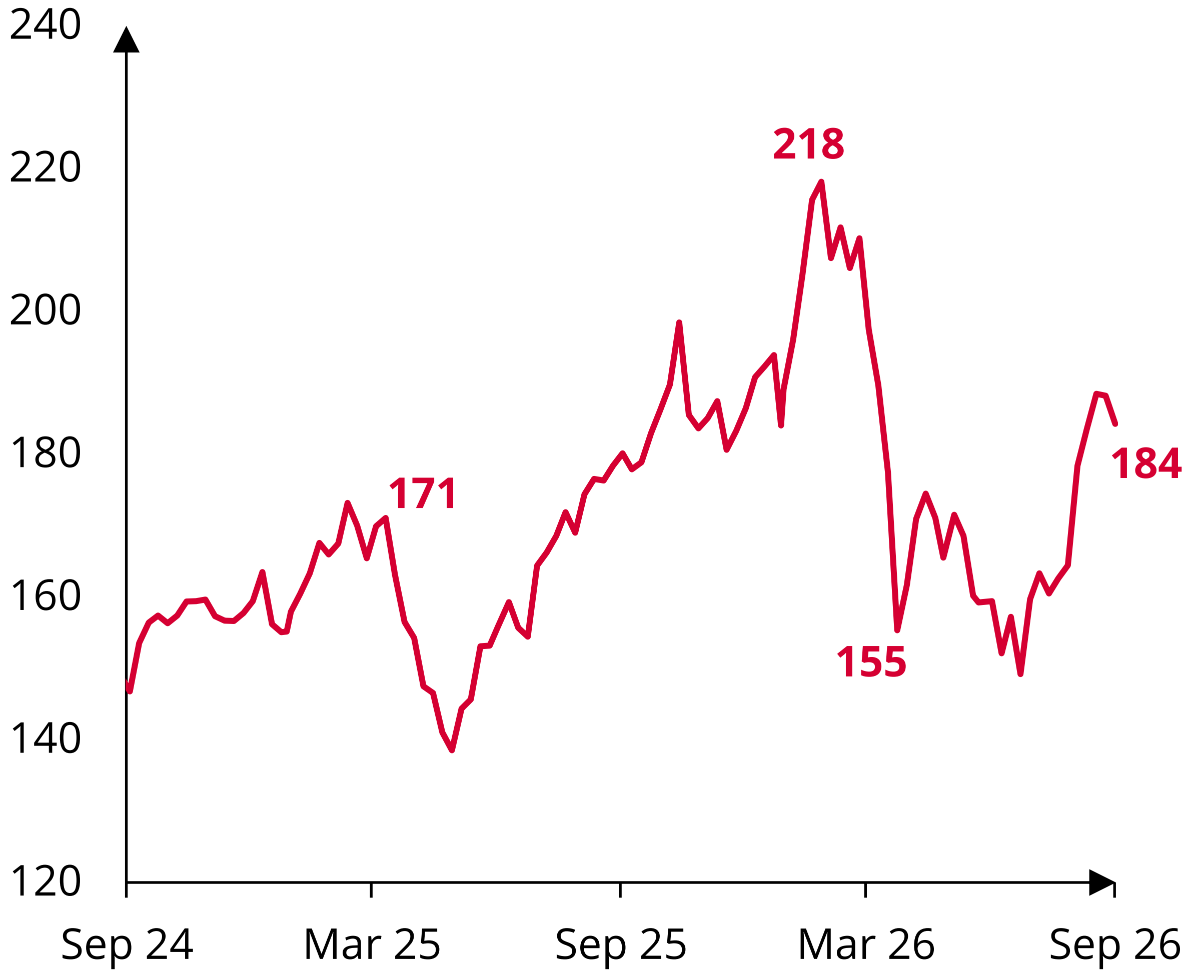
Source: BRSA, TEFAS, CBRT. As of September 7, 2026.

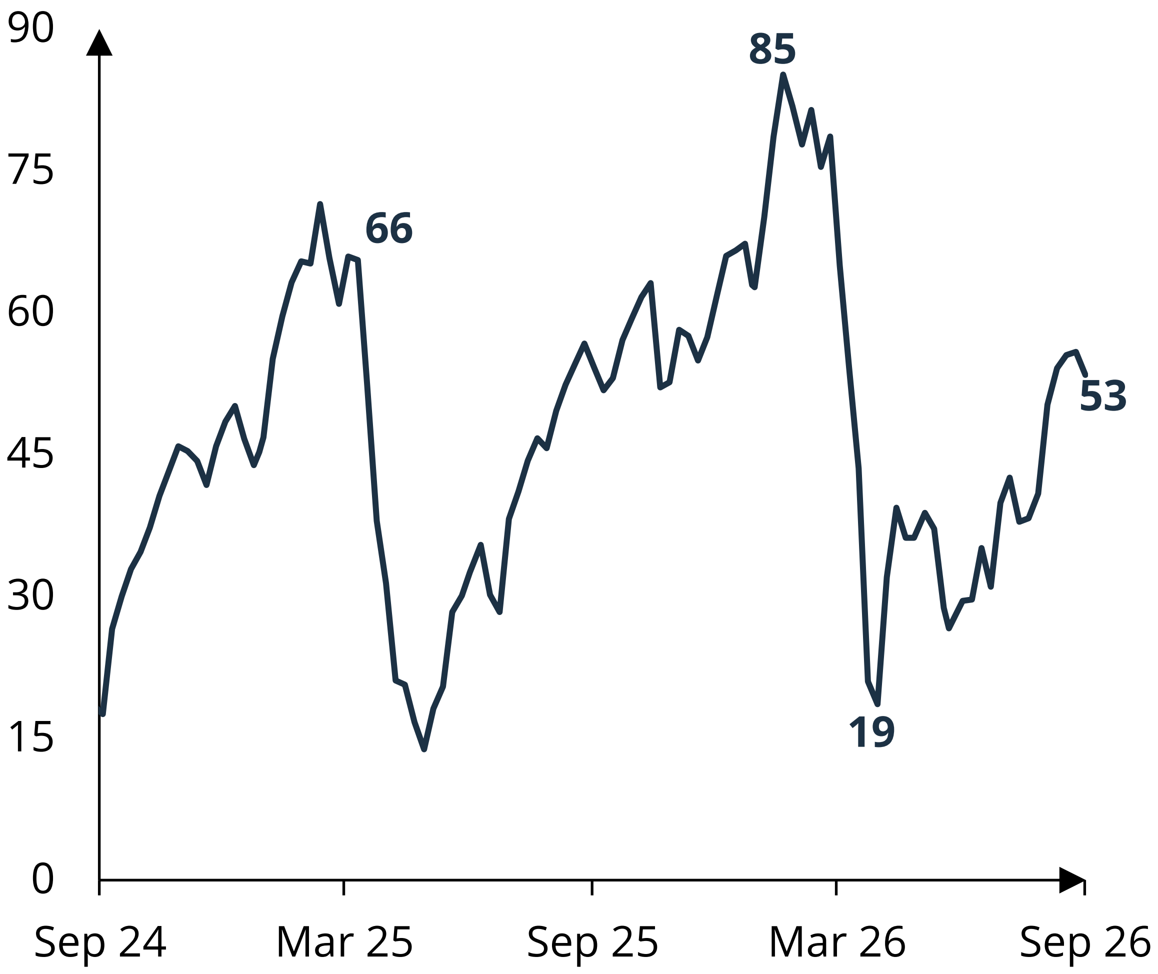
*TL Deposit Share (Including Mutual Funds): All mutual funds are broken down into TL and FX based on the portfolio's asset allocation and included in the ratio. Deposits in mutual funds are deducted from banking sector's deposits. All reverse repo transactions are assumed to be in TL.

International reserve buffers remain strong.

Gross International Reserves (Billion USD)



Net Reserves Excluding Swaps (Billion USD)



Source: CBRT. As of September 4, 2026.

Conclusion

- Despite monthly fluctuations, recent inflation figures and leading indicators suggest that the underlying trend of inflation is decelerating.
- Data on economic activity as well as the limited pass-through of supply shocks to domestic prices confirm the weakness in domestic demand.
- Elevated energy prices amid geopolitical developments pose an upward risk to the inflation outlook.
- The tight monetary policy stance, which will be maintained until price stability is achieved, will strengthen the disinflation process through demand, exchange rate, and expectation channels.
- The Committee will determine the policy rate by taking into account realized and expected inflation and its underlying trend in a way to ensure the tightness required by the projected disinflation path in line with the interim targets.
- Monetary policy decisions are made prudently on a meeting-by-meeting basis with a focus on the inflation outlook.
- Monetary policy stance will be tightened in case of a significant deviation in inflation outlook from the interim targets.

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