TÜRKİYE CUMHURİYET
MERKEZ BANKASI

MONETARY POLICY AND INFLATION OUTLOOK IN TÜRKİYE

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SEPTEMBER 24, 2025

NEW YORK

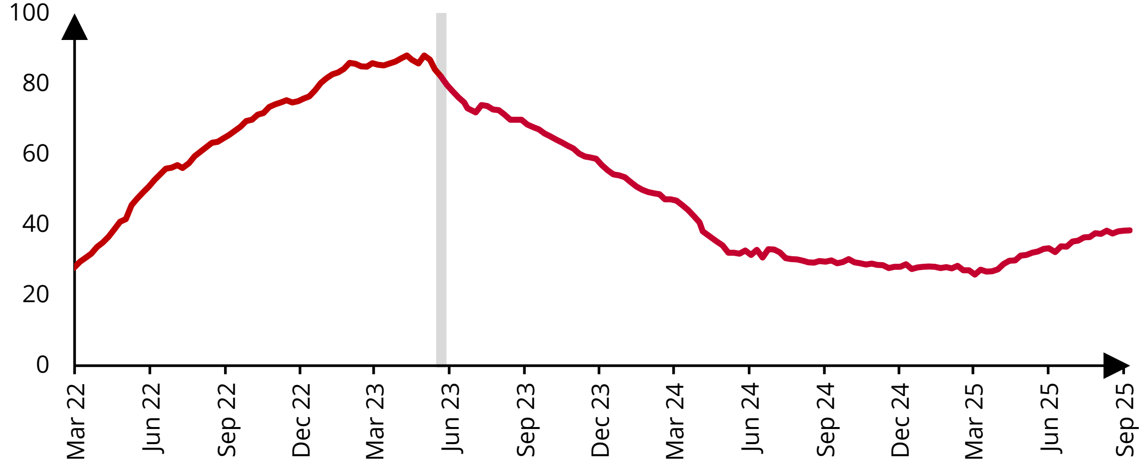
Outline

- Overview
- Monetary Policy and Financial Conditions
- Inflation Outlook

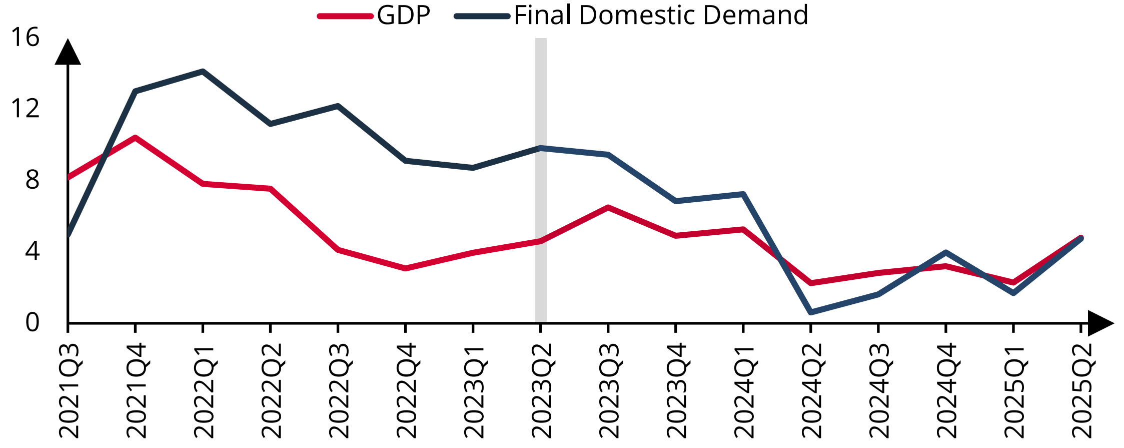
OVERVIEW

Macroeconomic indicators at a glance:

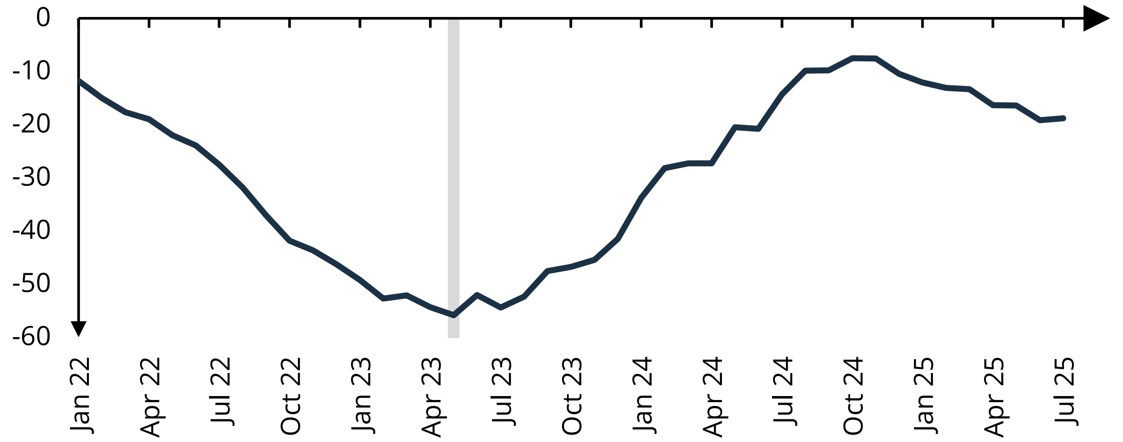
TL Loan Growth (Annual % Change)



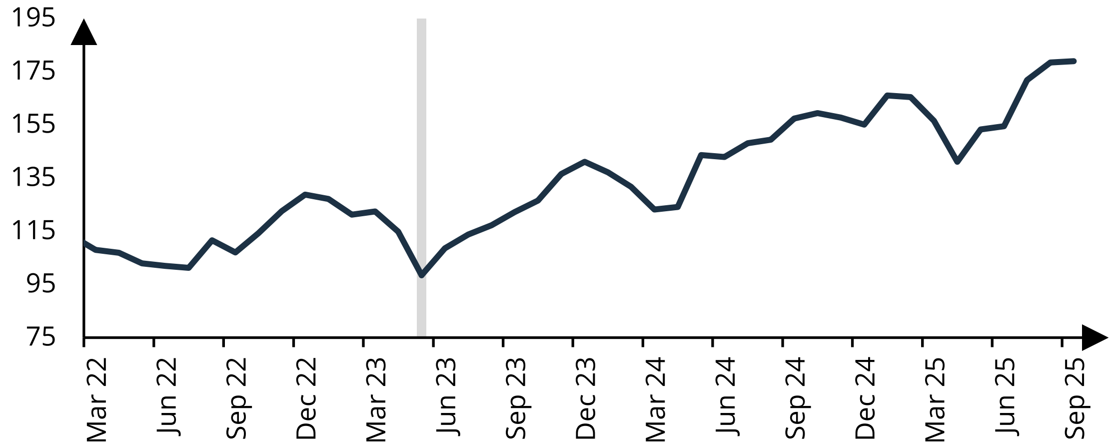
GDP and Final Domestic Demand Growth (Annual % Change)



Current Account Balance (12-month-accumulated, Billion Dollars)

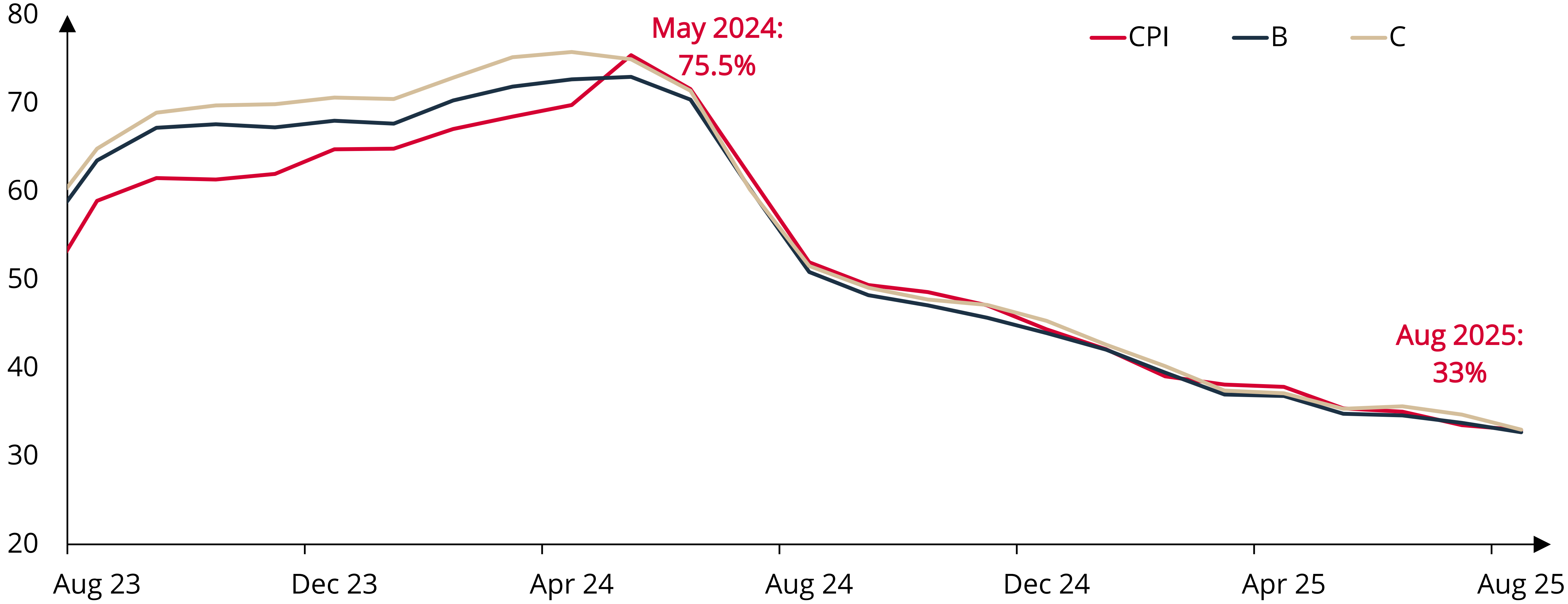


Reserves (Billion Dollars)



Disinflation continues, but risks are alive.

CPI and Core Indicators (Annual % Change)

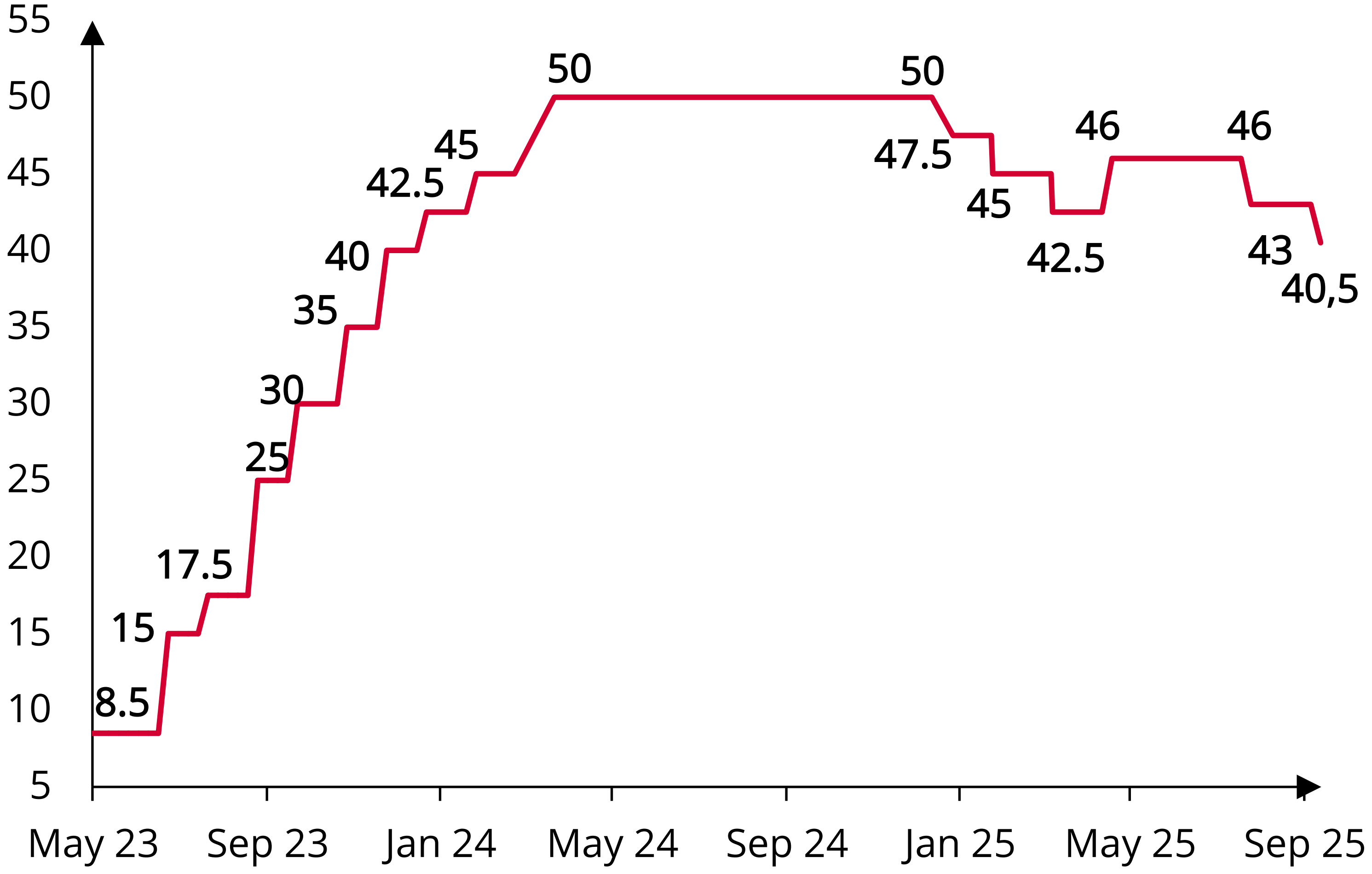


Source: TURKSTAT.

MONETARY POLICY AND FINANCIAL CONDITIONS

Tight monetary policy stance is maintained.

Policy Rate (%)



Macroprudential Framework

Liquidity Management

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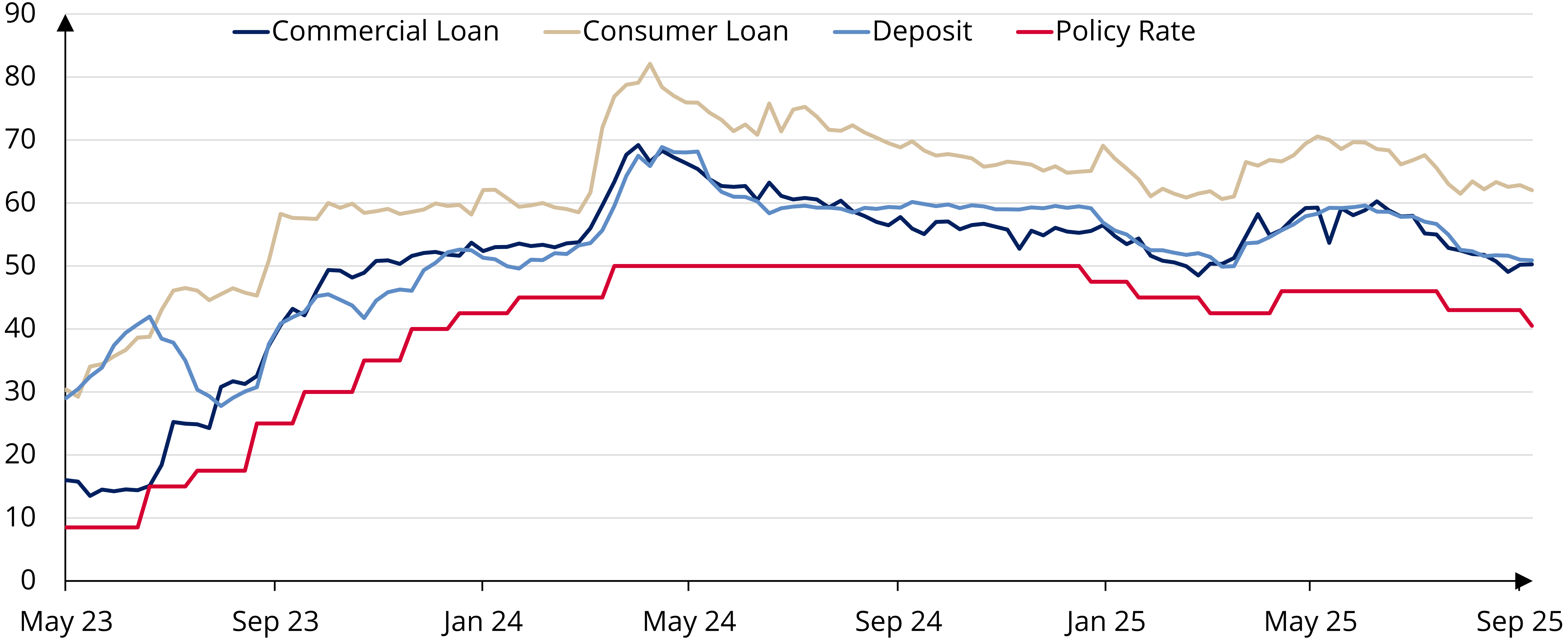
Source: CBRT.

Financial conditions remain tight.

Interest Rates* (%)

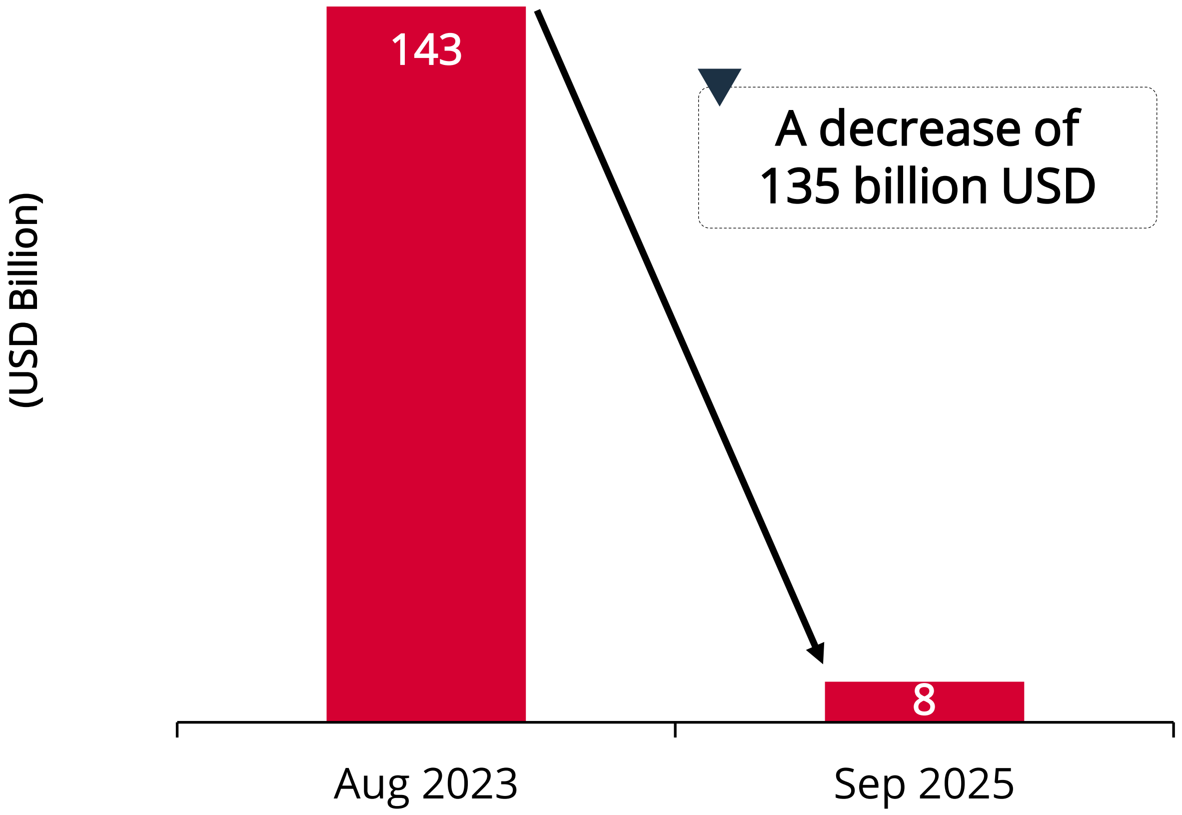


Source: CBRT, as of September 12, 2025.

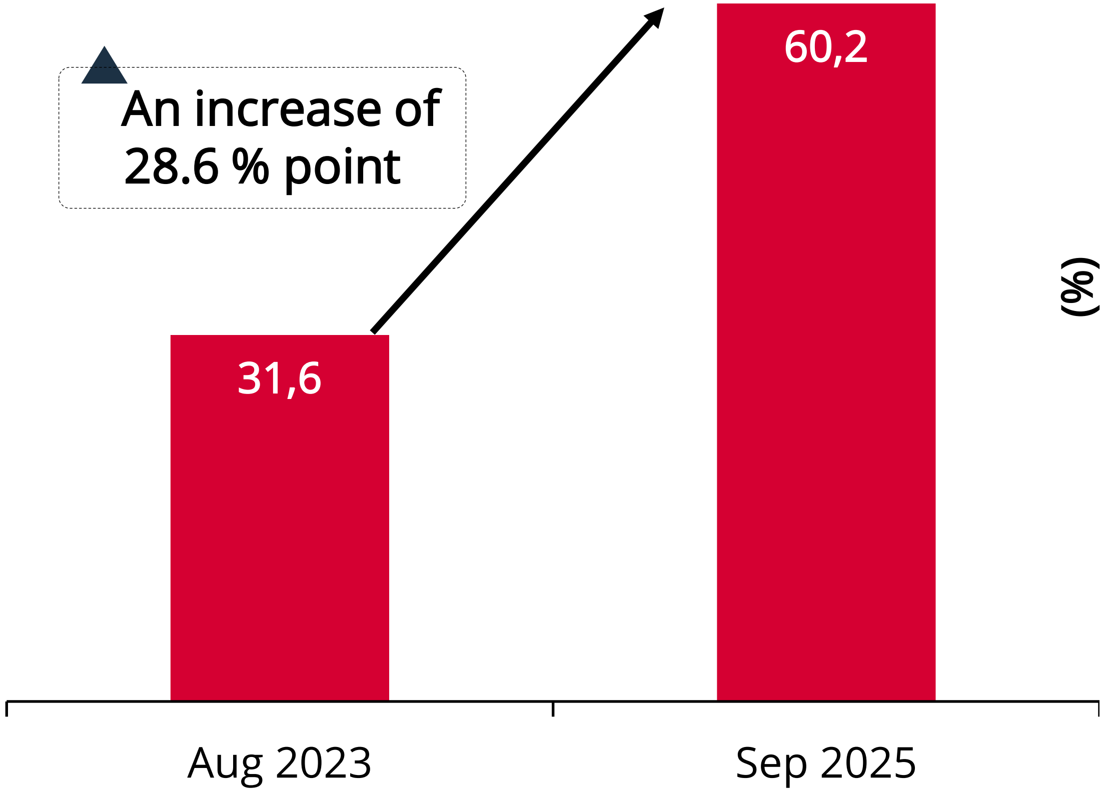
*Deposit rates indicate 1 to 3 month TL deposit interest rate. Commercial and consumer loan interest rates exclude credit cards and overdraft accounts.

FX-protected accounts have been terminated with robust TL demand.

FX-protected Balance



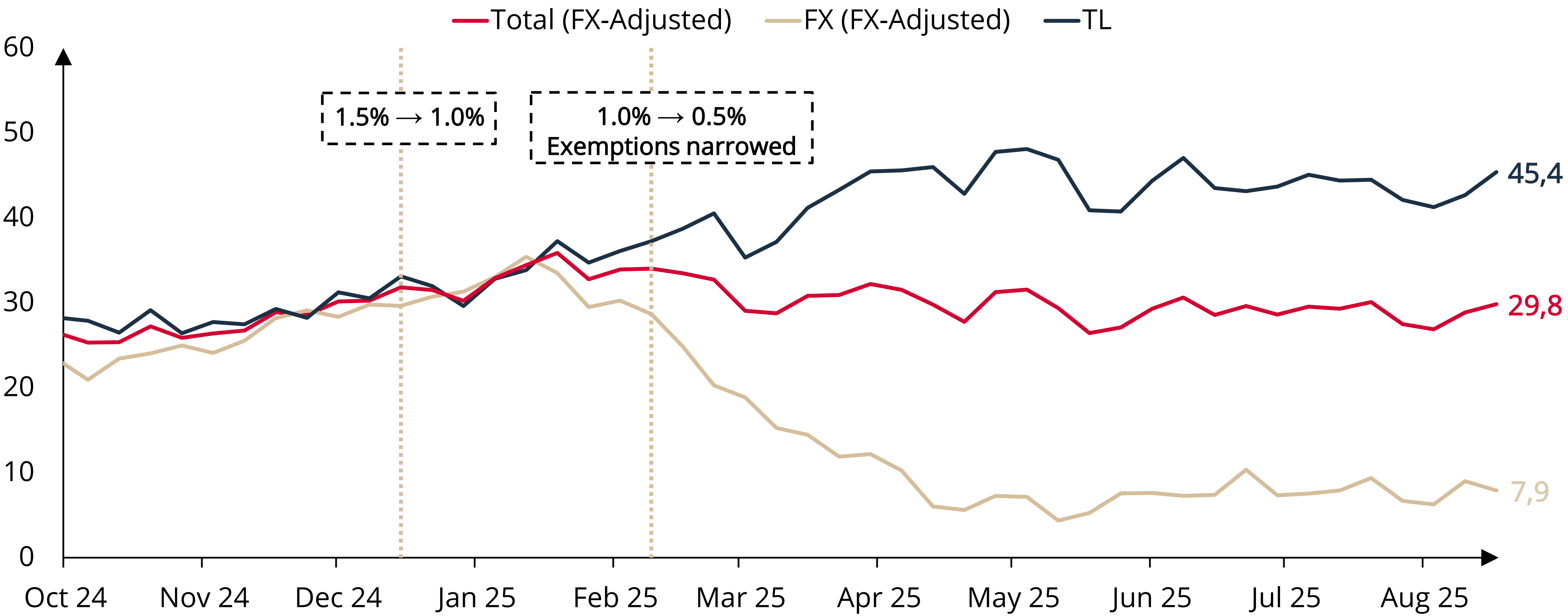
TRY Deposits in Total Deposits



Source: CBRT, BRSA.
FX-protected accounts balance is as of September 19, 2025, while TRY deposit share is as of September 17, 2025.

Loan growth remained stable but the composition shifted in favor of TL.

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

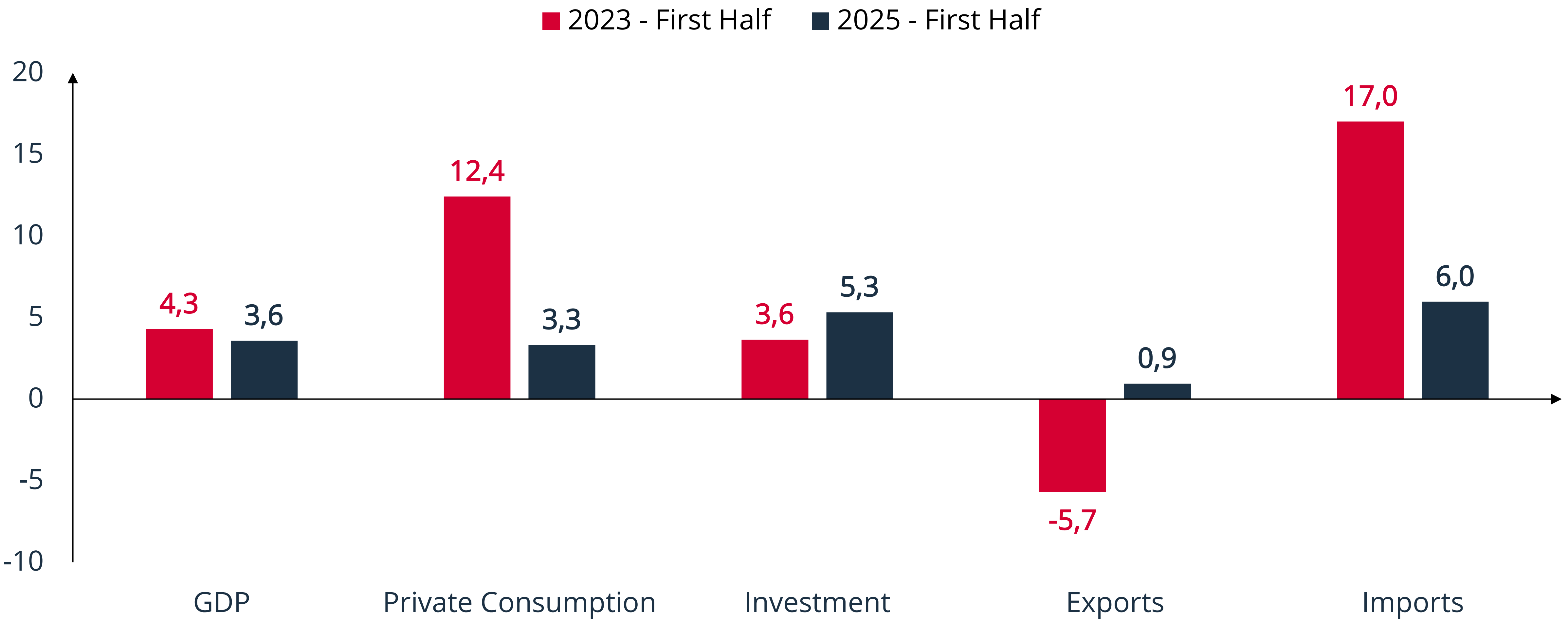


Source: CBRT.

*As of September 12, 2025. FX credit growth threshold changes are shown with dashed lines.

There has been rebalancing in demand.

Growth Rate of Expenditure Items (Annual % Change)



Source: TURKSTAT.

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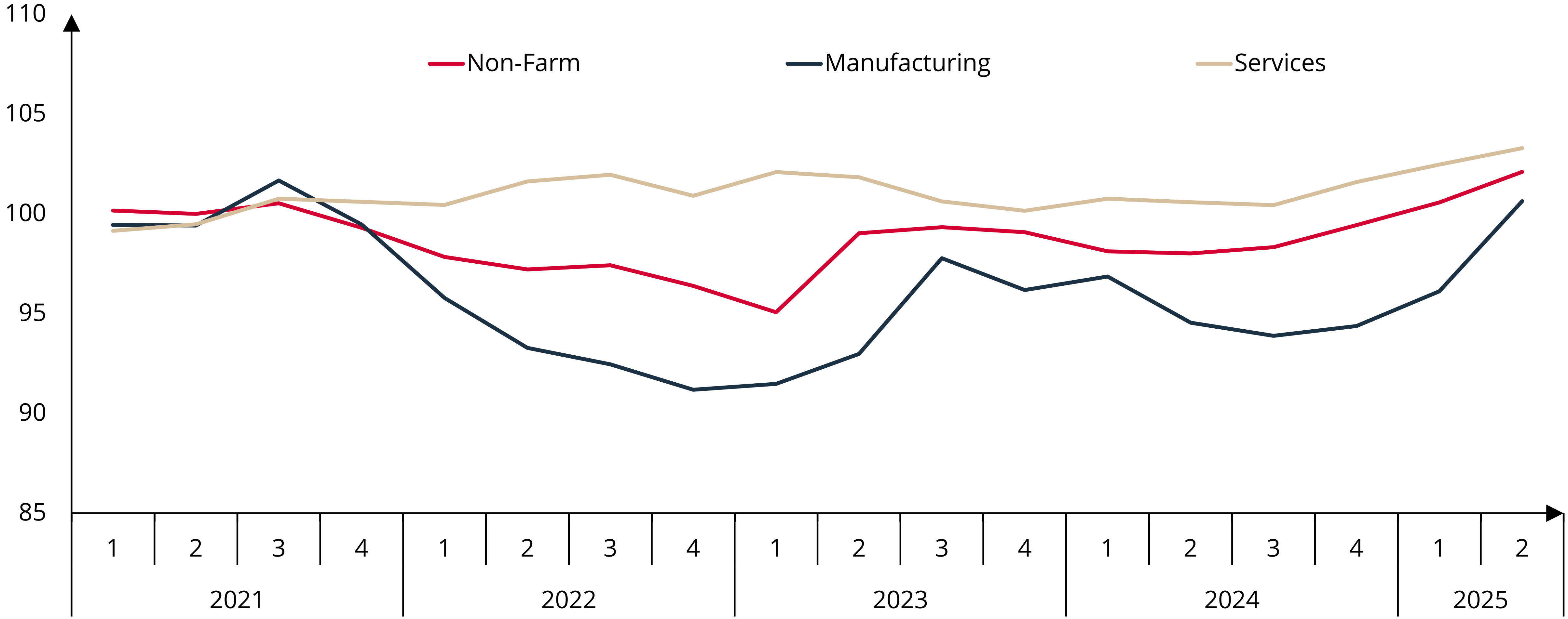
Labor productivity is increasing.

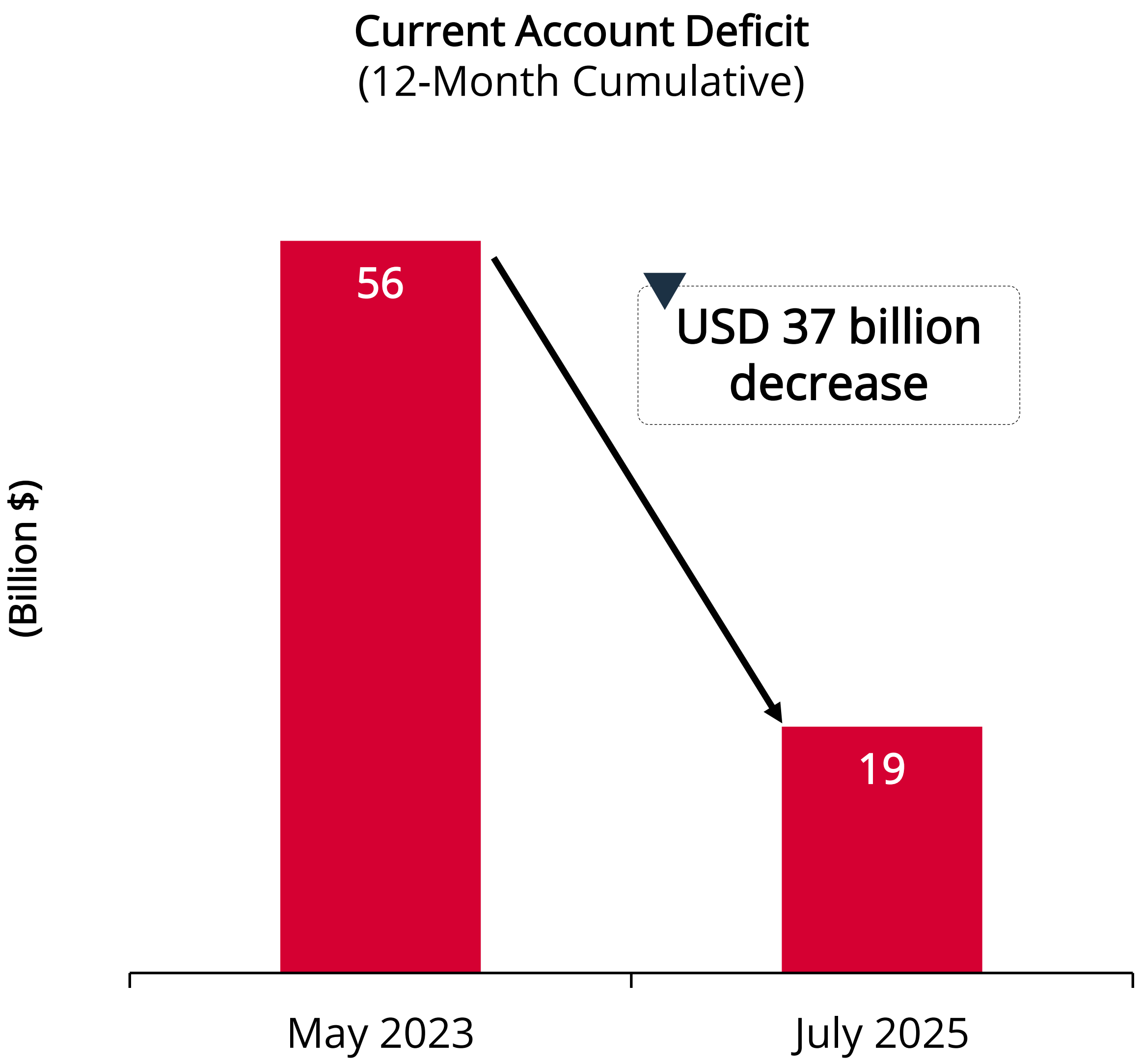
Output per Worker* (Seasonally Adjusted, 2021=100)

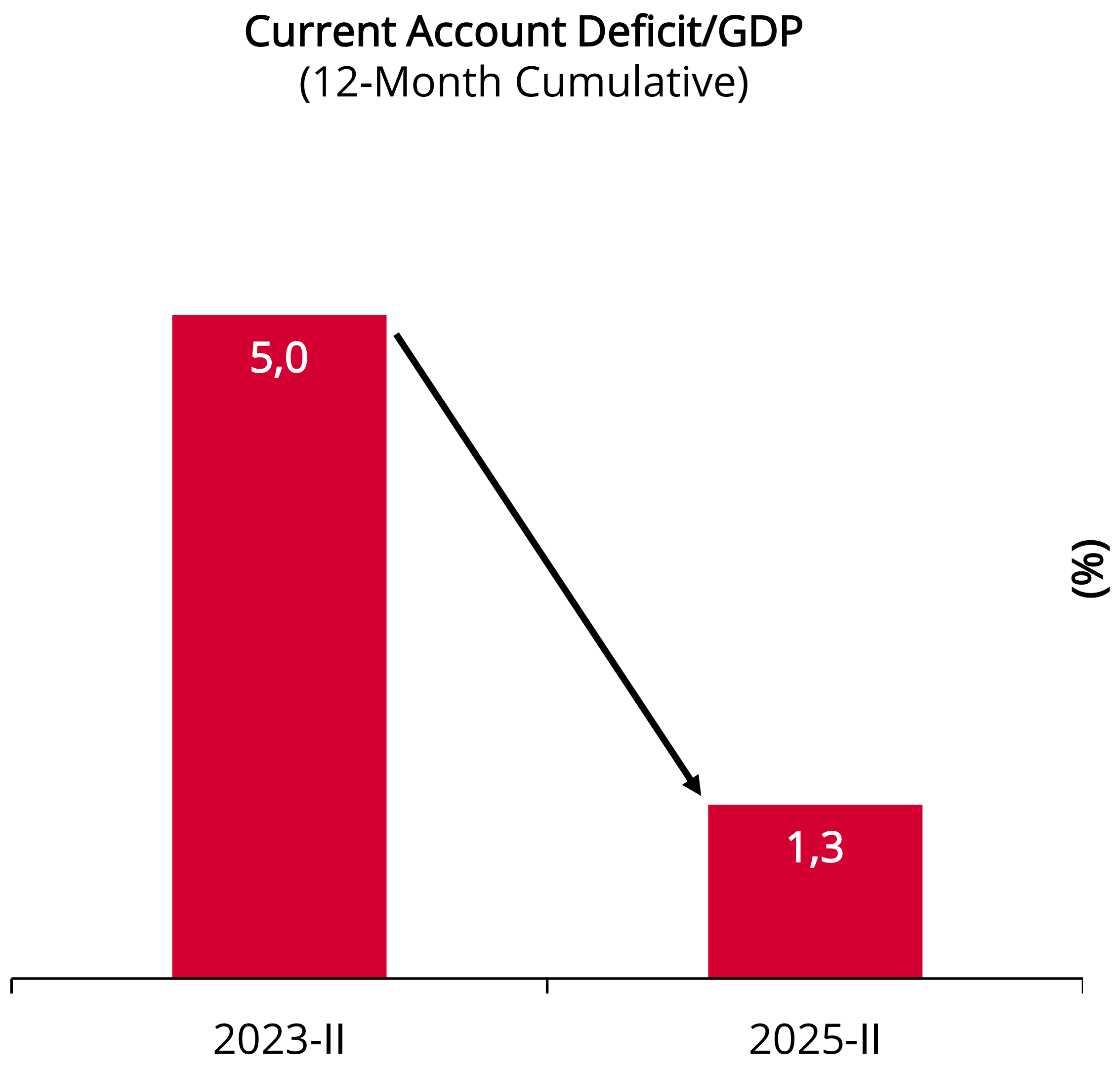


Source: CBRT, TURKSTAT.

* Value added/Employment.

Improvement in current account balance reduces the need for external financing.

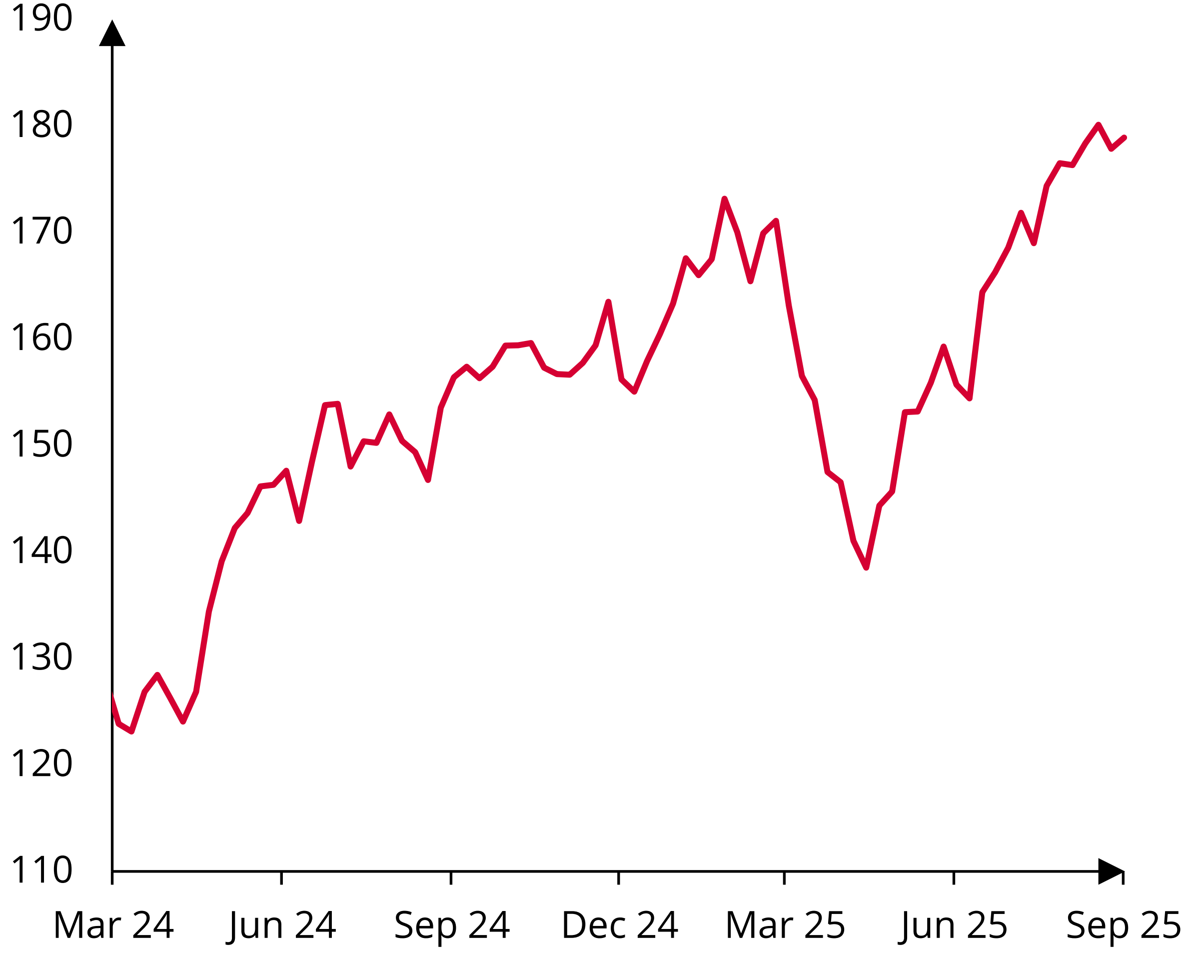




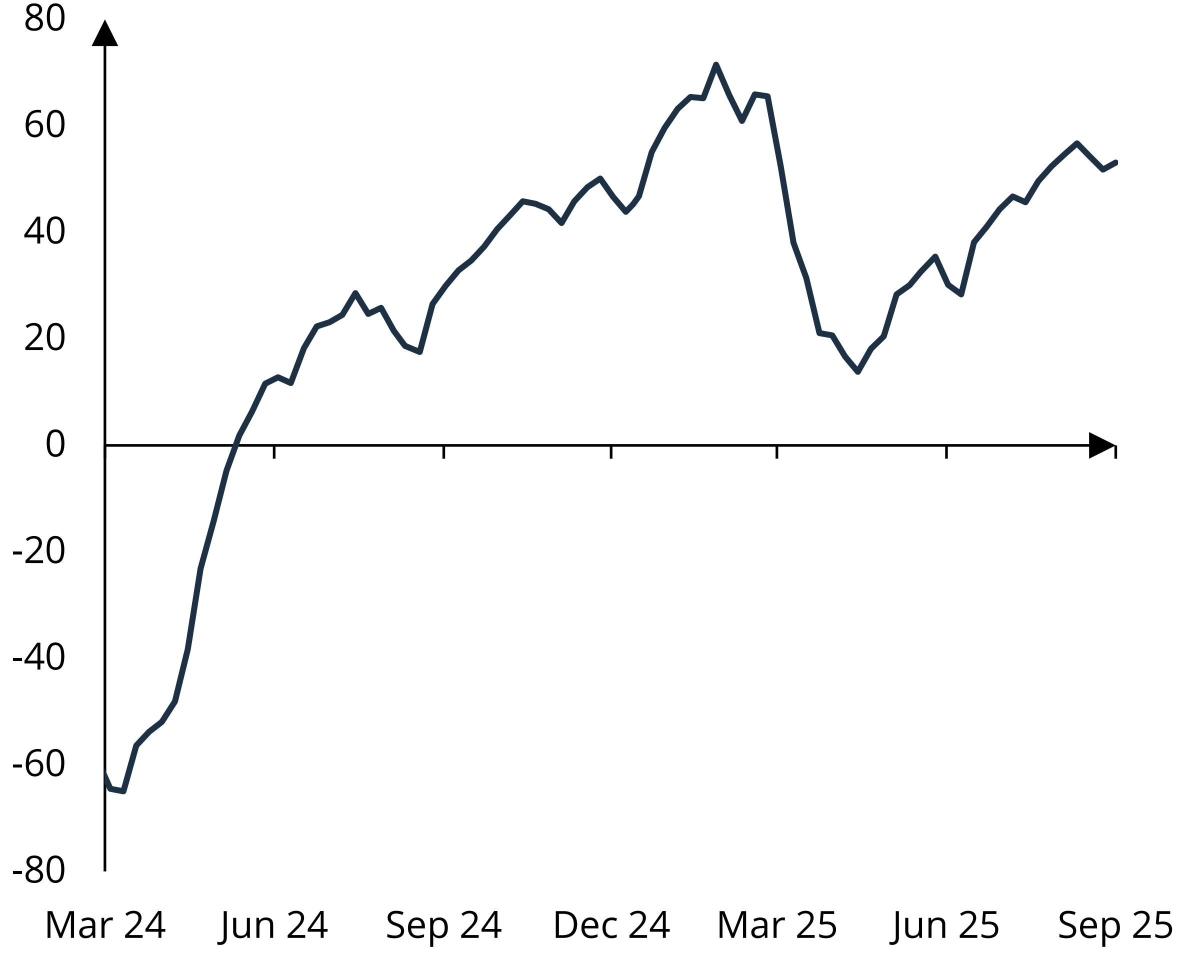
Source: CBRT.

Tight monetary policy stance supports reserves.

Gross International Reserves* (Billion USD)



Net Reserves Excluding Swaps* (Billion USD)

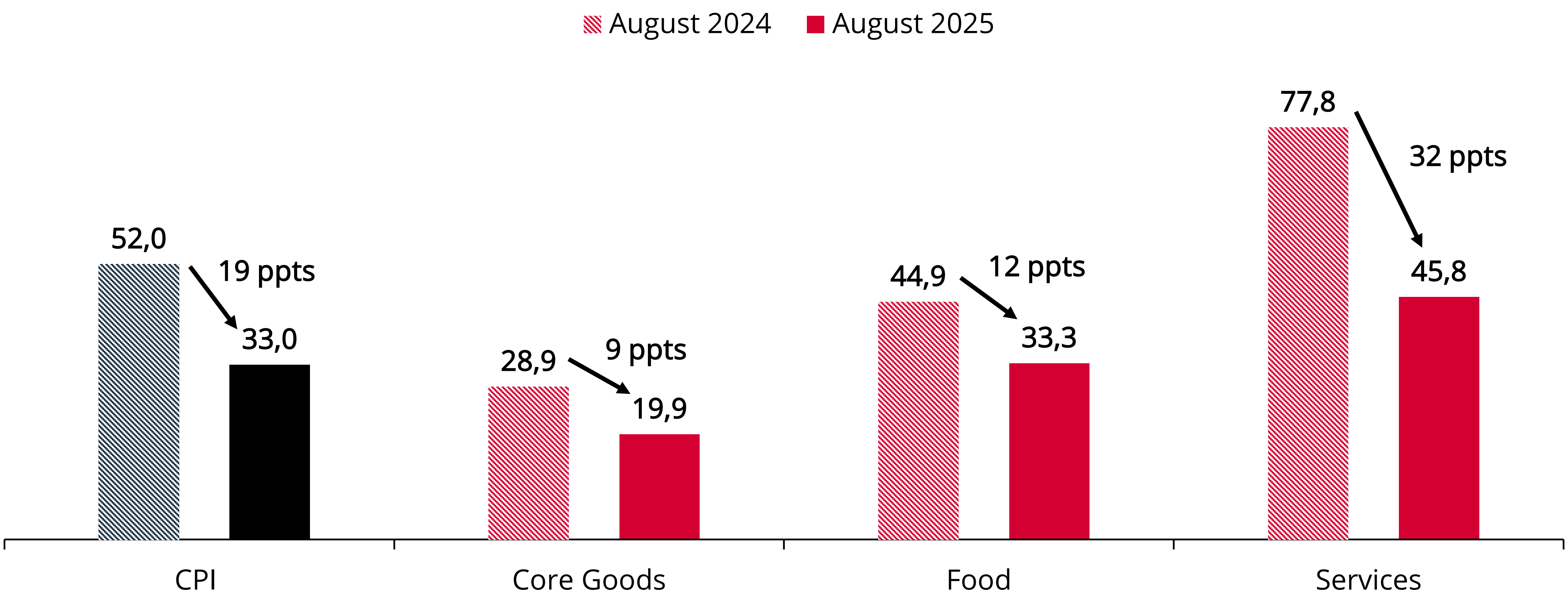


Source: CBRT.
*As of September 19, 2025.

INFLATION OUTLOOK

Inflation continues to decline but services inflation remains elevated.

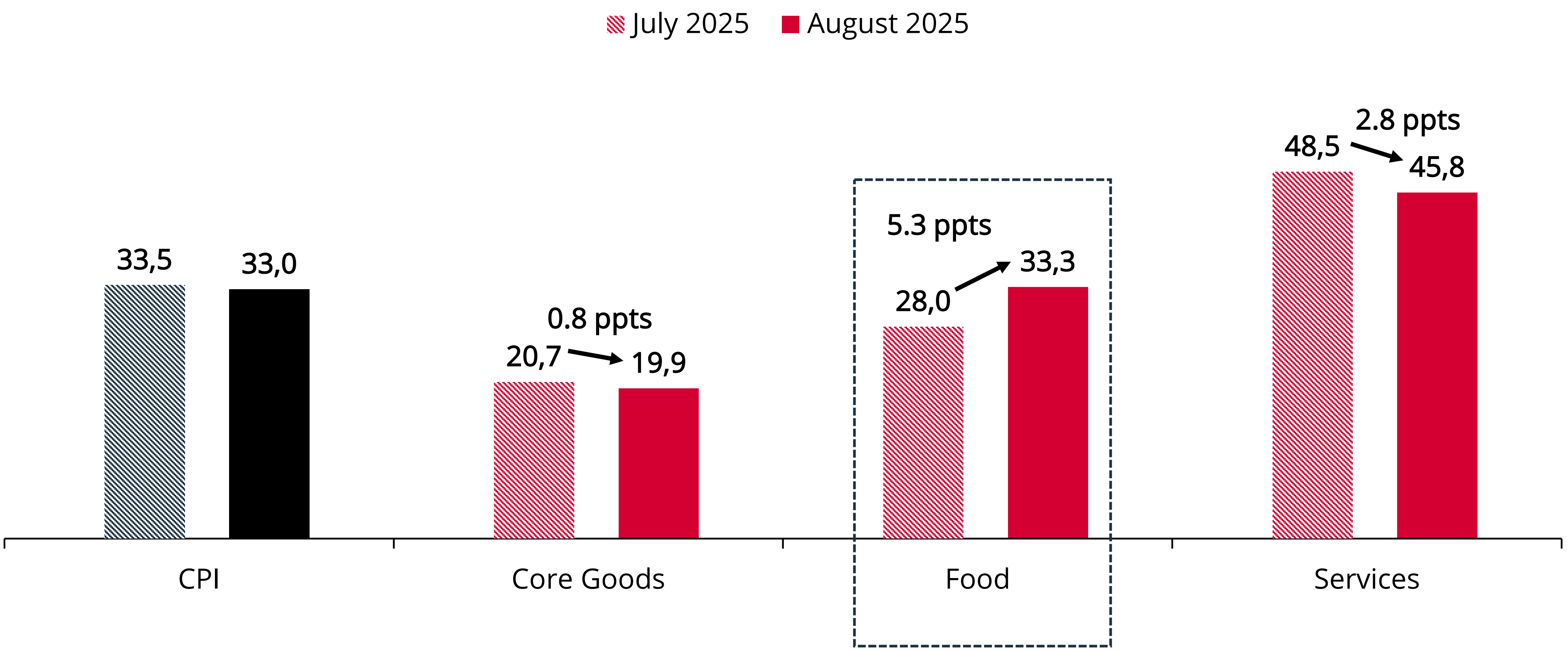
CPI Sub-Items (Annual % Change)



Source: TURKSTAT.

Adverse weather conditions have a negative impact on food prices.

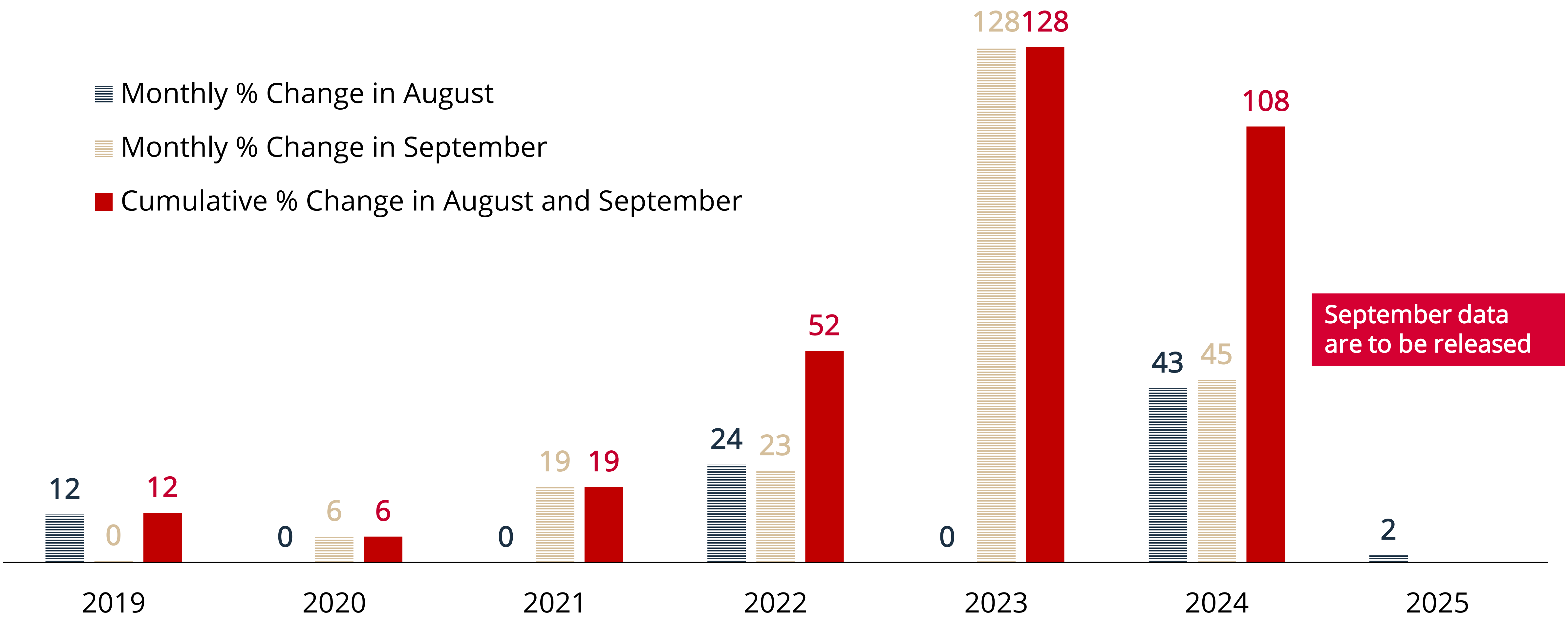
CPI Sub-Items (Annual % Change)



Source: TURKSTAT.

Monthly services inflation is anticipated to increase as the school season is back.

Tertiary Education Inflation (% Change)



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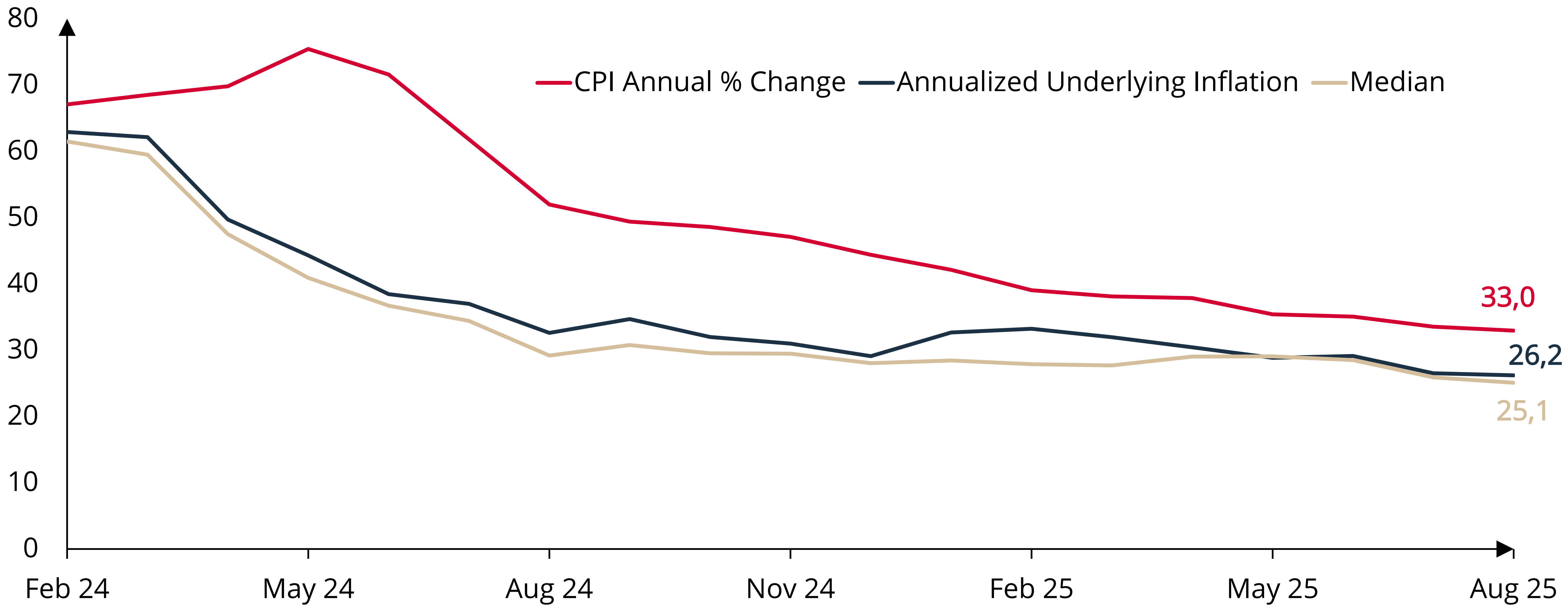
Source: TURKSTAT.

Underlying inflation indicators point to further disinflation going forward.

CPI, Median and Underlying Inflation* (% Change)



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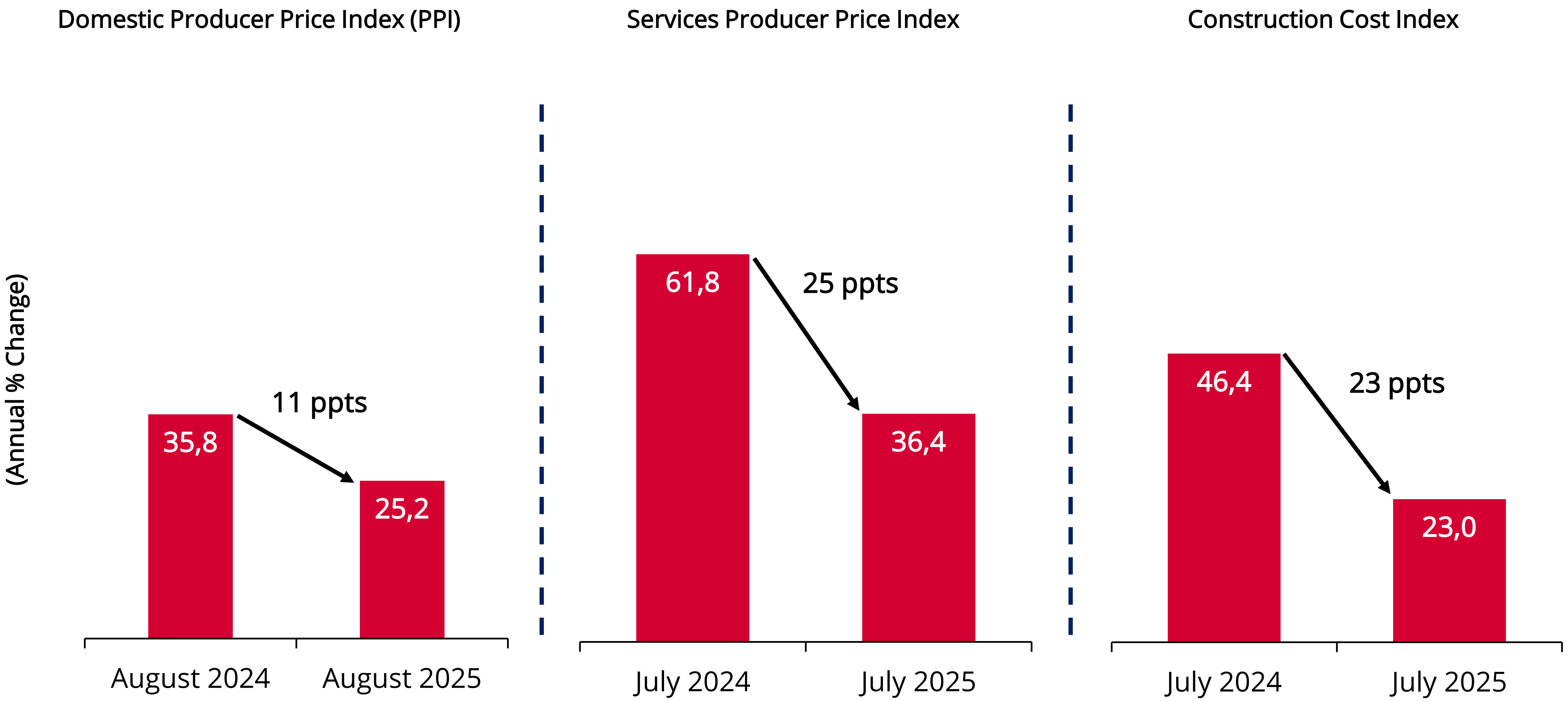
Source: CBRT, TURKSTAT.

*Annualized underlying inflation refers to the annualized value of the 3-month average of 6 different indicators (seasonally adjusted B, C, SATRIM, Median, Excluding Volatile Items and Dynamic Factor Model). The annualized value of the 3-month average of the monthly value is used for the median.

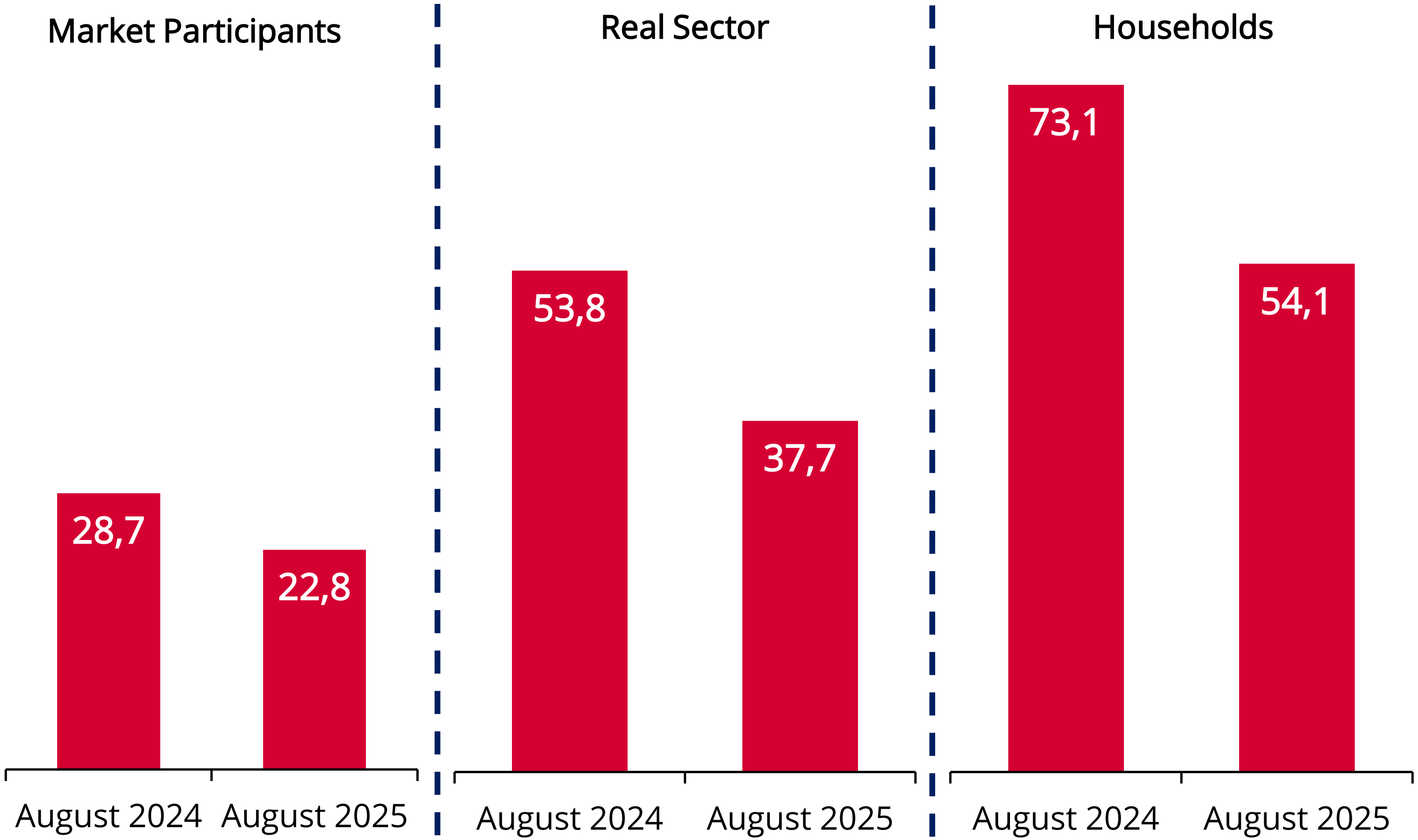
Cost pressures have subsided.



Source: TURKSTAT.

Inflation expectations have improved, but are still elevated.

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



Market Participants Inflation Expectations (%)	
September 2025	31.8
October 2025	30.7
December 2025	29.9
September 2026	22.3
December 2026	20.8

Source: CBRT.

Inflation expectations and pricing behavior continue to pose upside risks.

Upside risks

- Food prices (frost and drought)
- Stickiness in services
- Inflation expectations

Downside risks

- Global growth
- Commodity prices

Conclusions

- 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 macroeconomic framework outlined in the Medium-Term Program will contribute to this process.
- 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.
- The step size will be reviewed 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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