Outlook for Türkiye

January 2026 | London

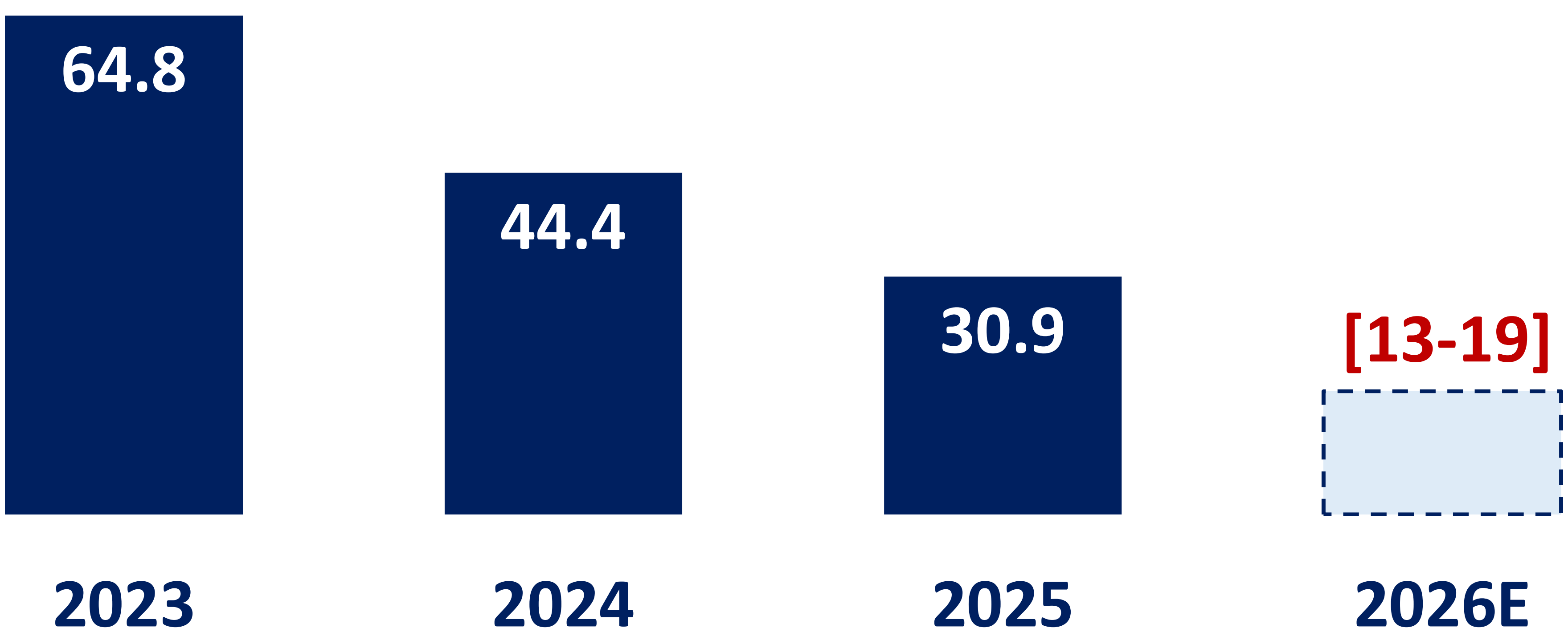
Top priorities

- Attaining price stability
- Maintaining fiscal discipline
- Sustainable current account balance
- Enhancing competitiveness, governance & institutional strength through structural reforms

Drivers of sustained disinflation

- Tight monetary policy stance
- Supportive fiscal & incomes policies
- Supply side measures (housing, food, energy)
- Favorable base effects (rents, food, education)
- Improving inflation expectations
- Negative output gap
- More favorable external conditions

Disinflation: Annual inflation (%)



Source: TURKSTAT, CBRT, E: Estimate

Disinflation: Supportive administrative price adjustment

Petroleum products

Diesel, gasoline

CPI weight: 3.3%

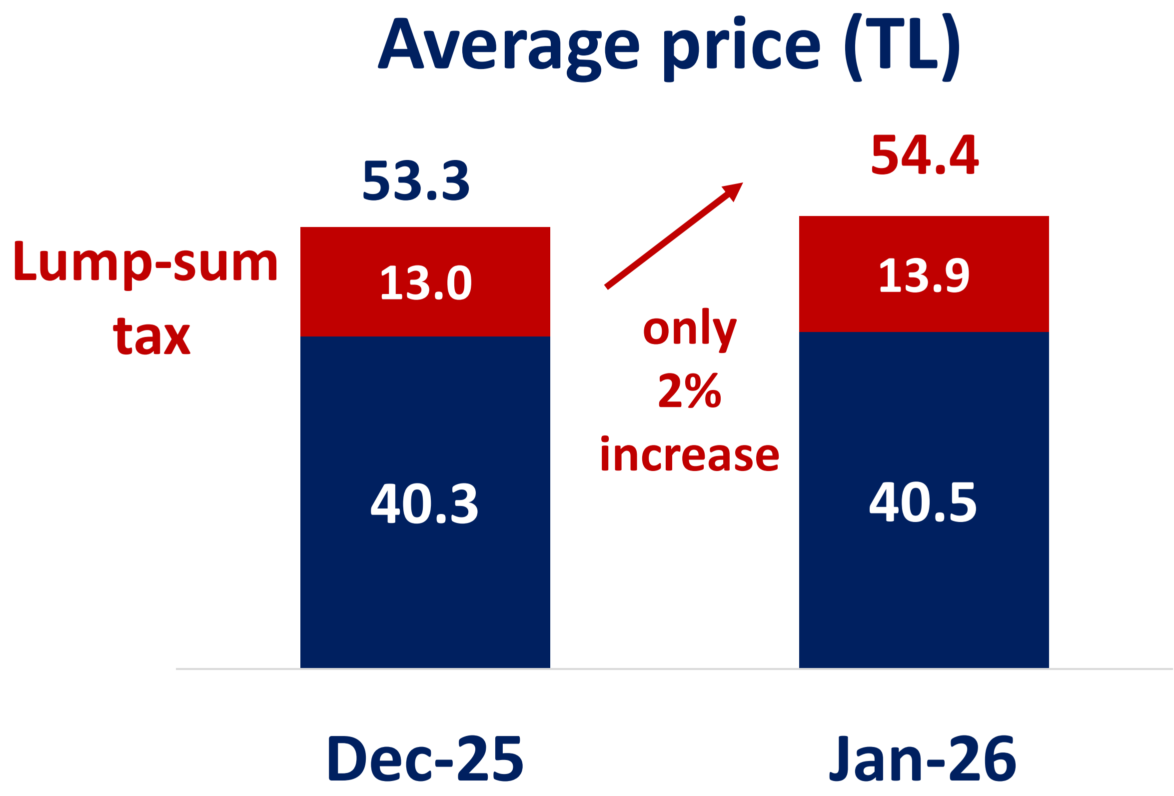
Price adjustment

=(Lump-sum tax)x(PPI*)

=(12.9)x(6.95%)=0.90TL

July-December 2025 PPI: 10.34%

Applied PPI: 6.95%



Disinflation: Supportive administrative price adjustment

Tobacco products

CPI weight: 3.2%

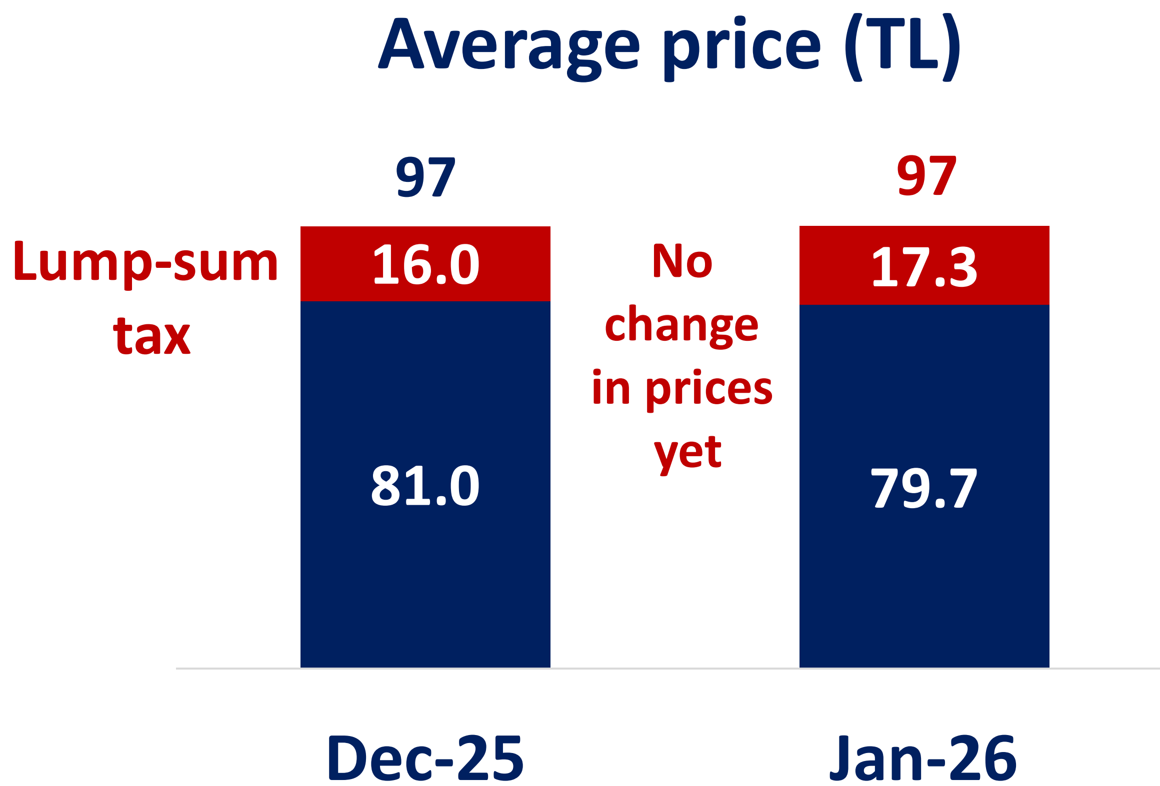
Price adjustment

=(Lump-sum tax)x(PPI*)

=(16)x(7.95%)=1.27TL

July-December 2025 PPI: 10.34%

Applied PPI: 7.95%



Disinflation: Supportive administrative price adjustment

Alcoholic beverages

CPI weight: 0.1%

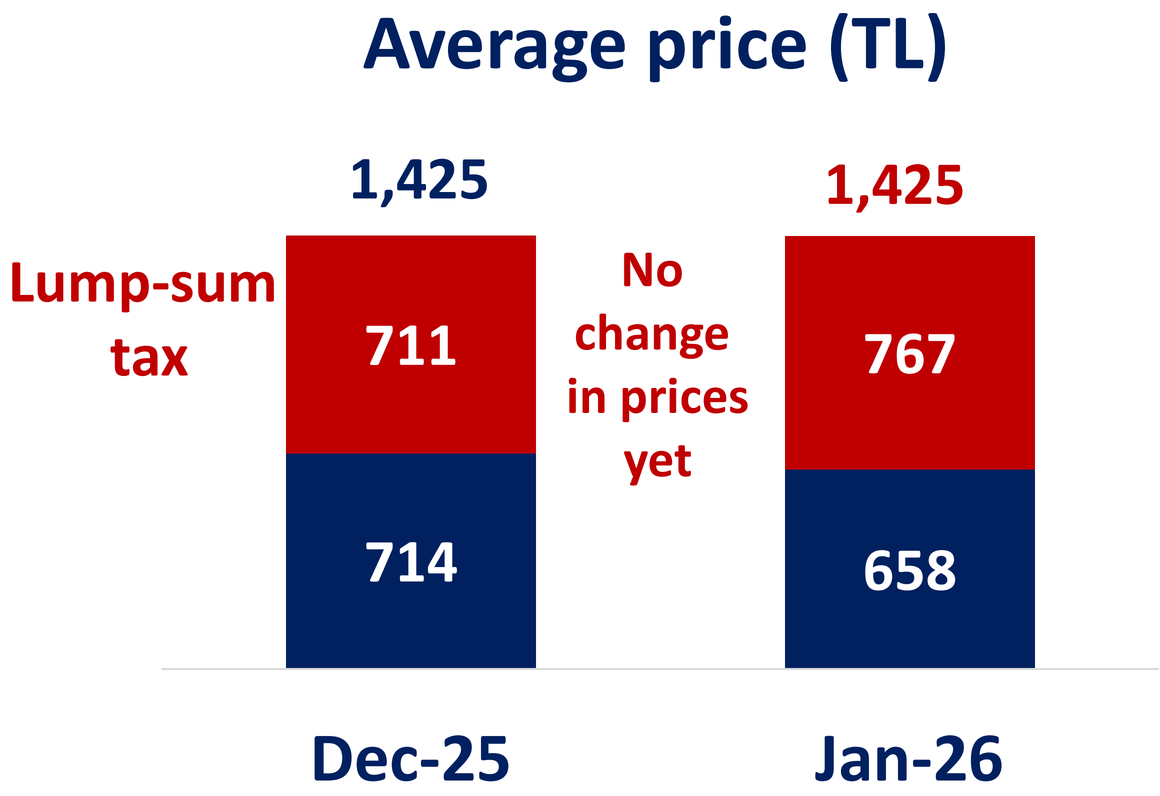
Price adjustment

=(Lump-sum tax)x(PPI*)

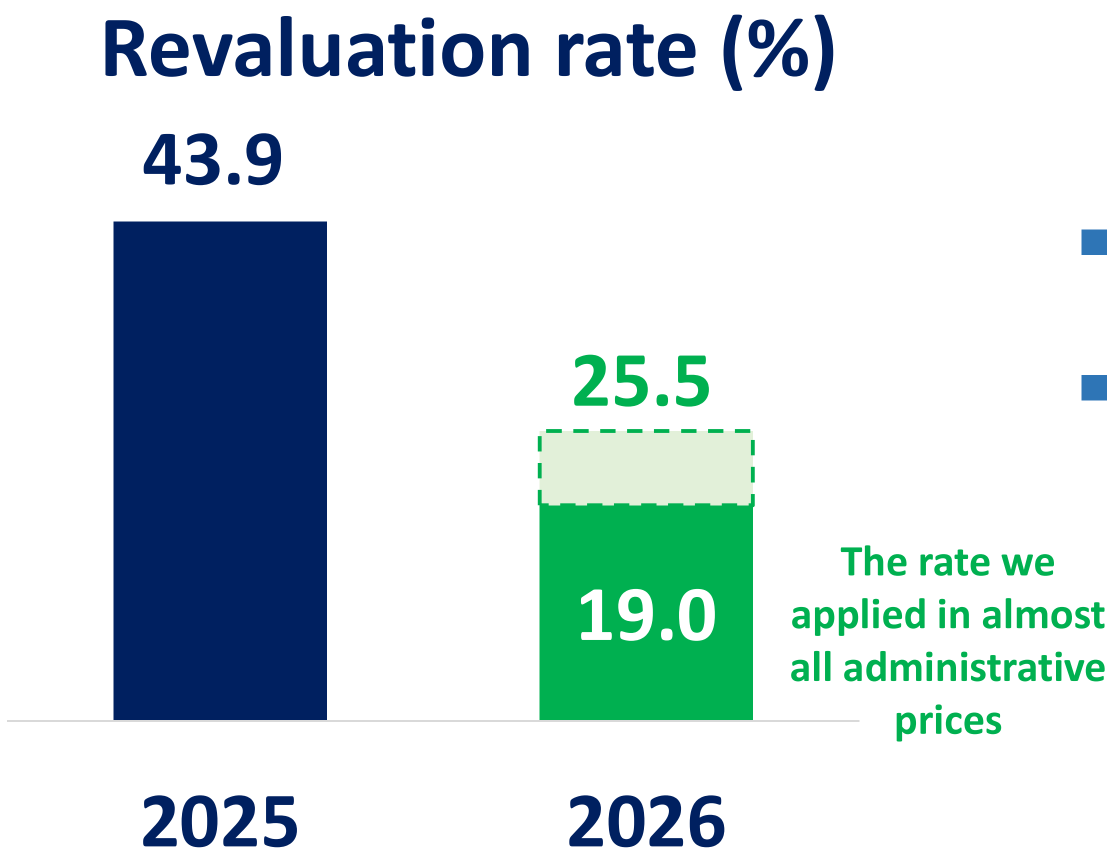
=(711)x(7.95%)=56TL

July-December 2025 PPI: 10.34%

Applied PPI: 7.95%



Disinflation: Lower revaluation rate



- CPI weight: 0.35%
- Likely to help lower inflation expectations

Disinflation: Supply side measures

Housing

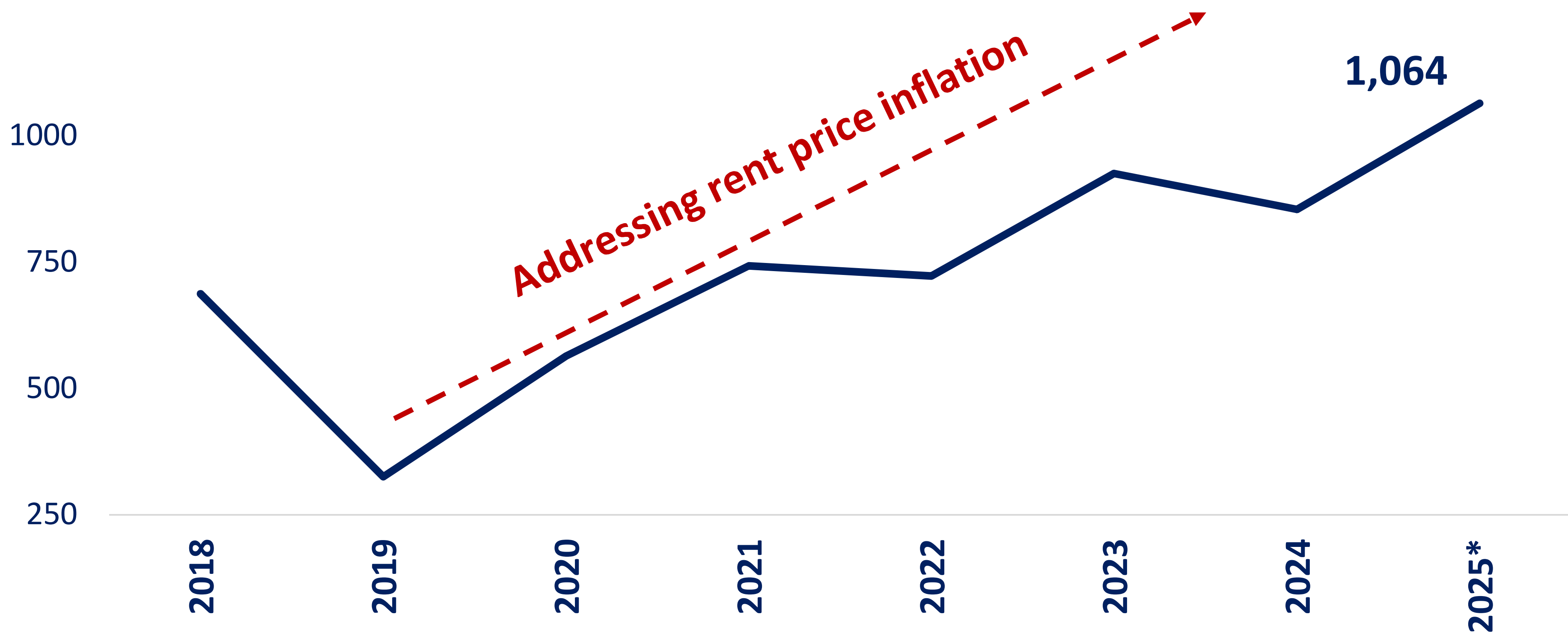
- ✓ **Housing units in earthquake area**
  - 455K completed
  - 150K under construction
- ✓ **Social housing**
  - 250K under units construction
  - 500K planned for 2026-28
- ✓ **Urban renewal**
  - 180K units under construction

Food

- ✓ **Irrigation**
- ✓ **Land consolidation to scale up farm size**
- ✓ **Basin based production**
- ✓ **Improving food supply chain and logistics**

Disinflation: Housing supply

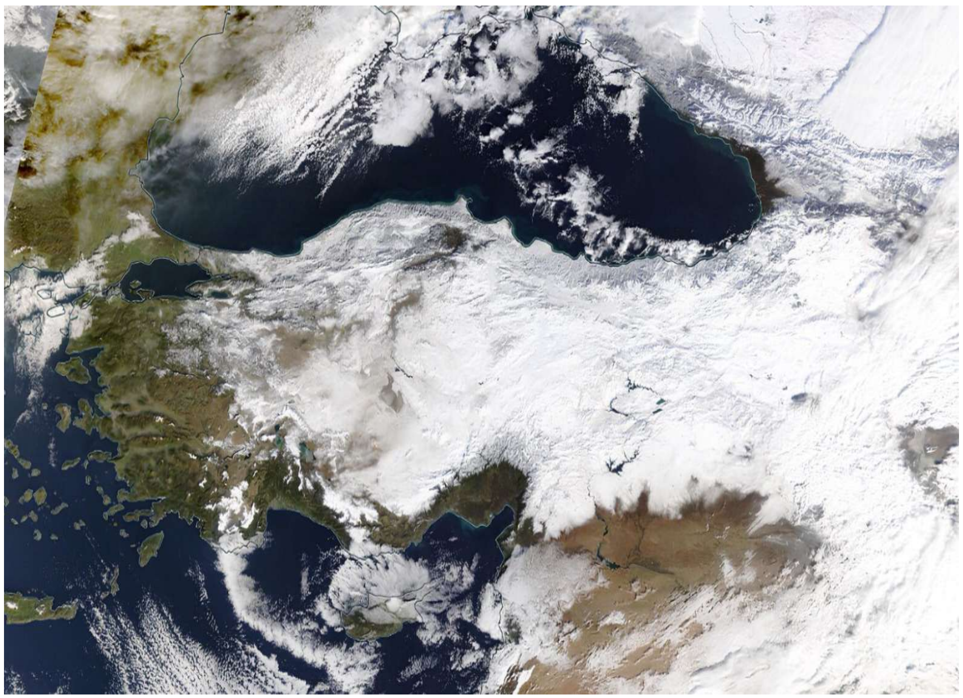
Record building permits (dwelling units, thousand)



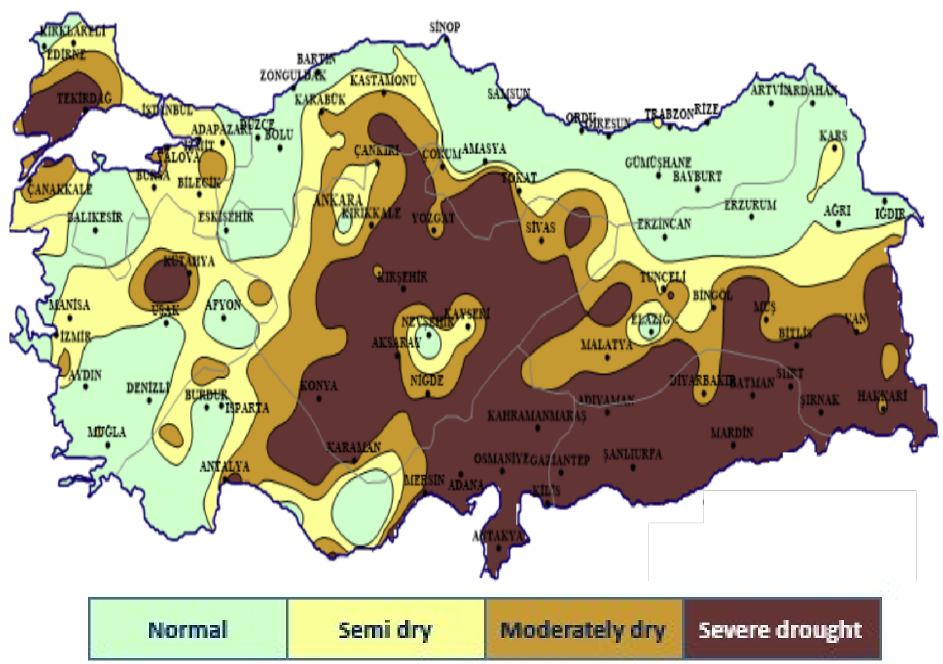
Source: TURKSTAT, *Annualized as of September

Disinflation: Low risk of agricultural frost & drought repeating in 2026

As of Jan 2, 86% is snow-covered



Drought (Nov’24-Oct’25)



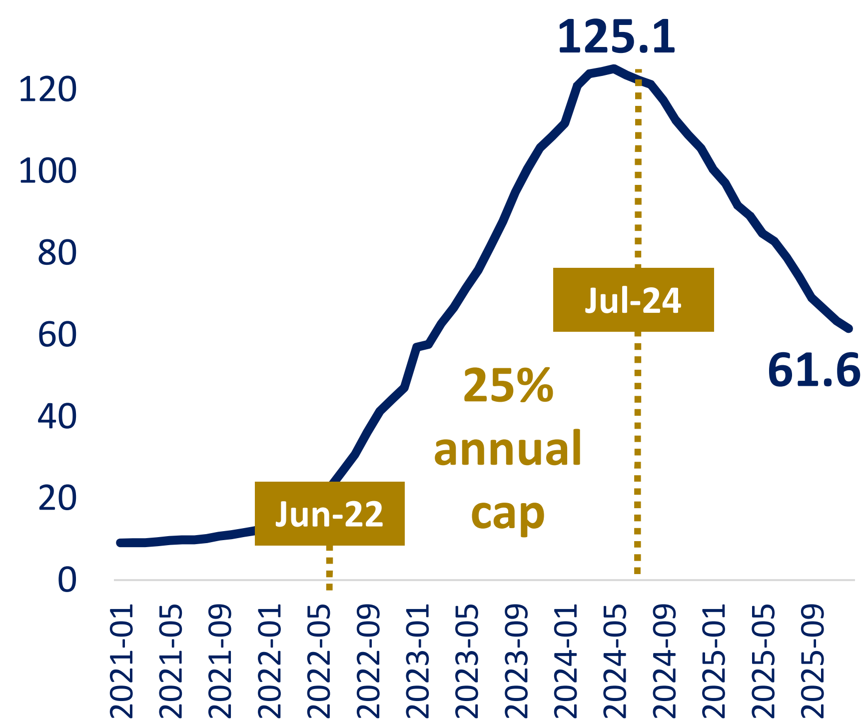
Source: General Directorate of Meteorology

Disinflation: Rents have largely caught up with house prices

Cumulative inflation (%)

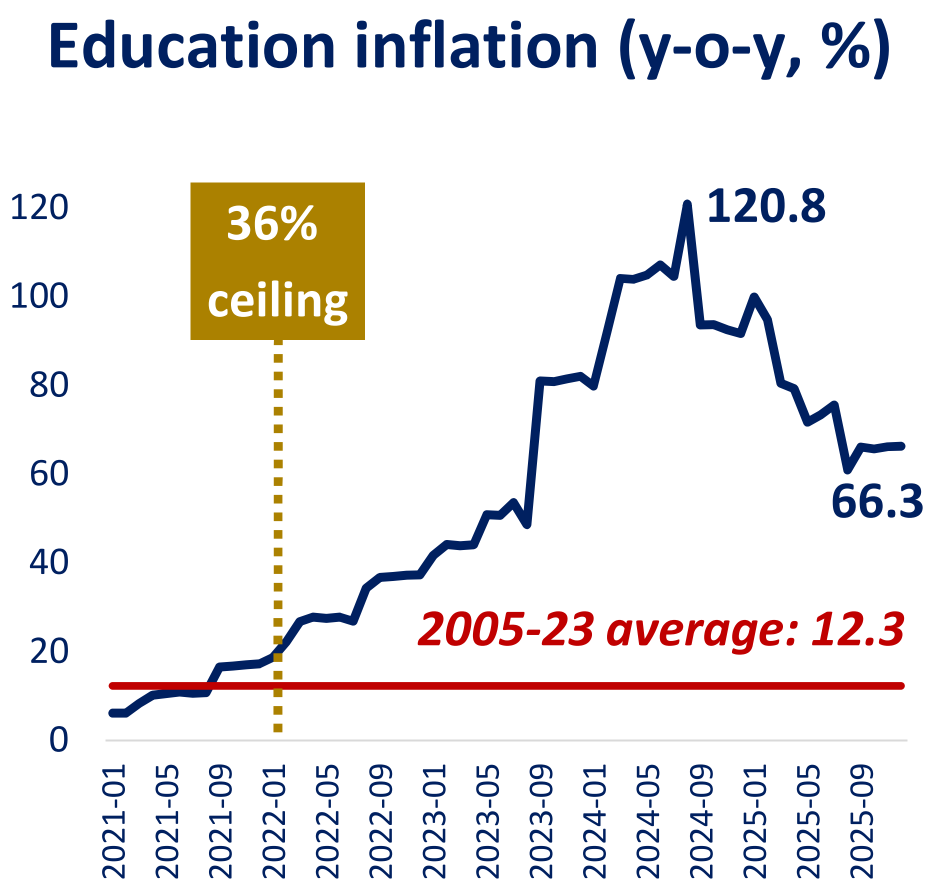
	Jan'18-May'23	Jun'23-Dec'25
House price	759	118*
CPI	297	170
Rent inflation	182	435

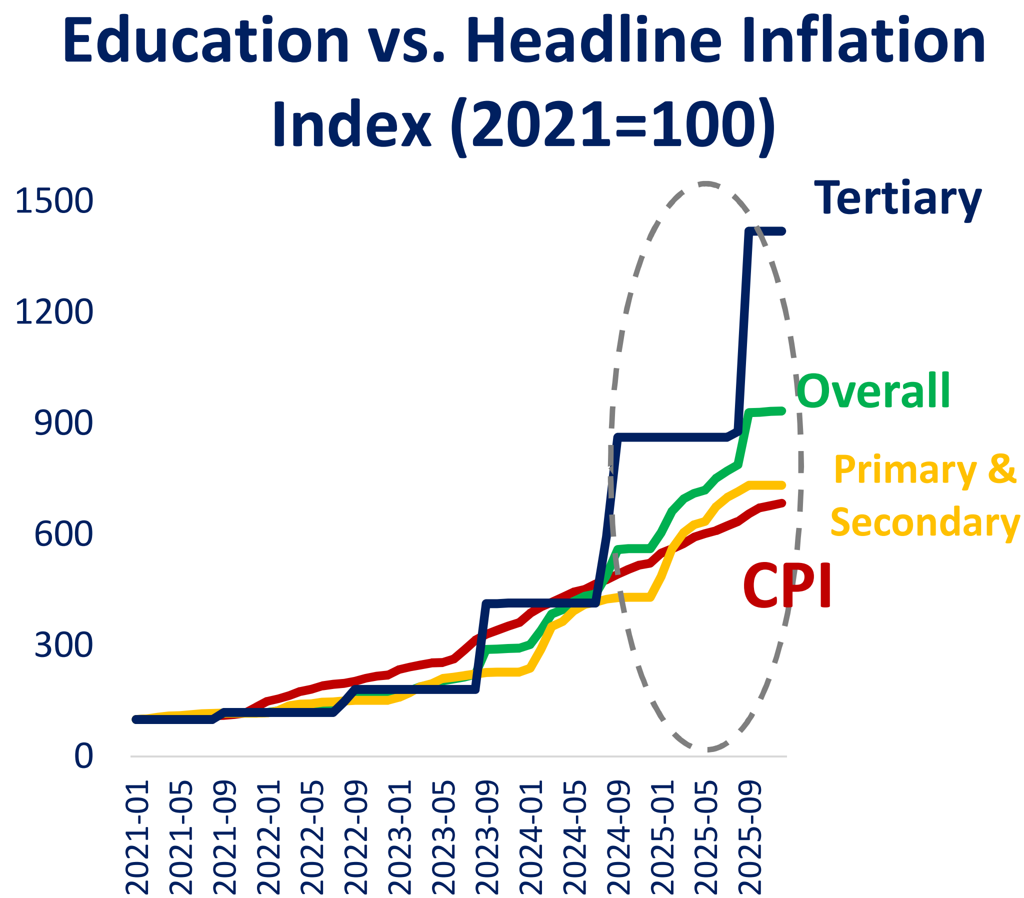
Rent inflation (y-o-y, %)



Source: TURKSTAT, shows cumulative inflation between June 2023 and November 2025.

Disinflation: Rule based private school pricing





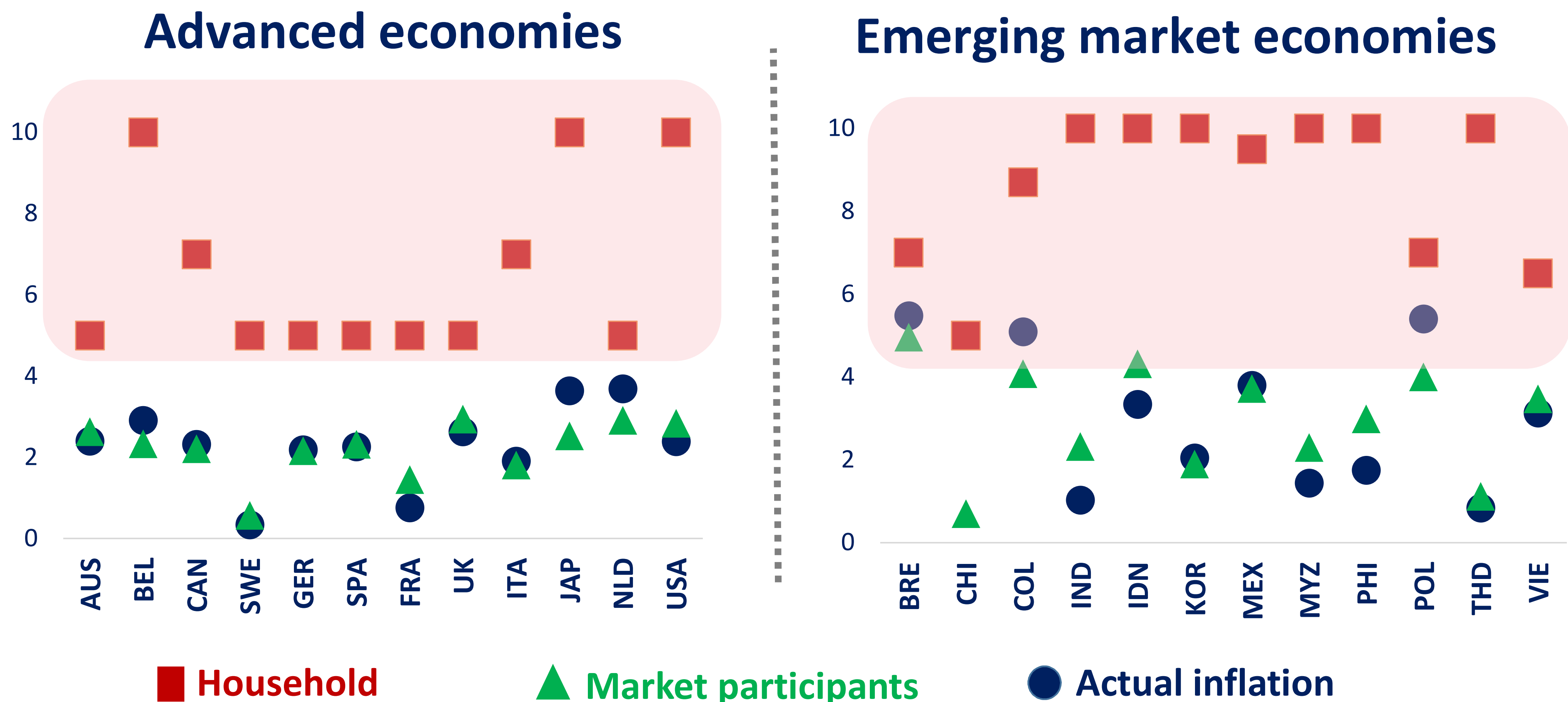
Source: TURKSTAT

Disinflation: Improving inflation expectations

12-month-ahead annual inflation expectations (%)

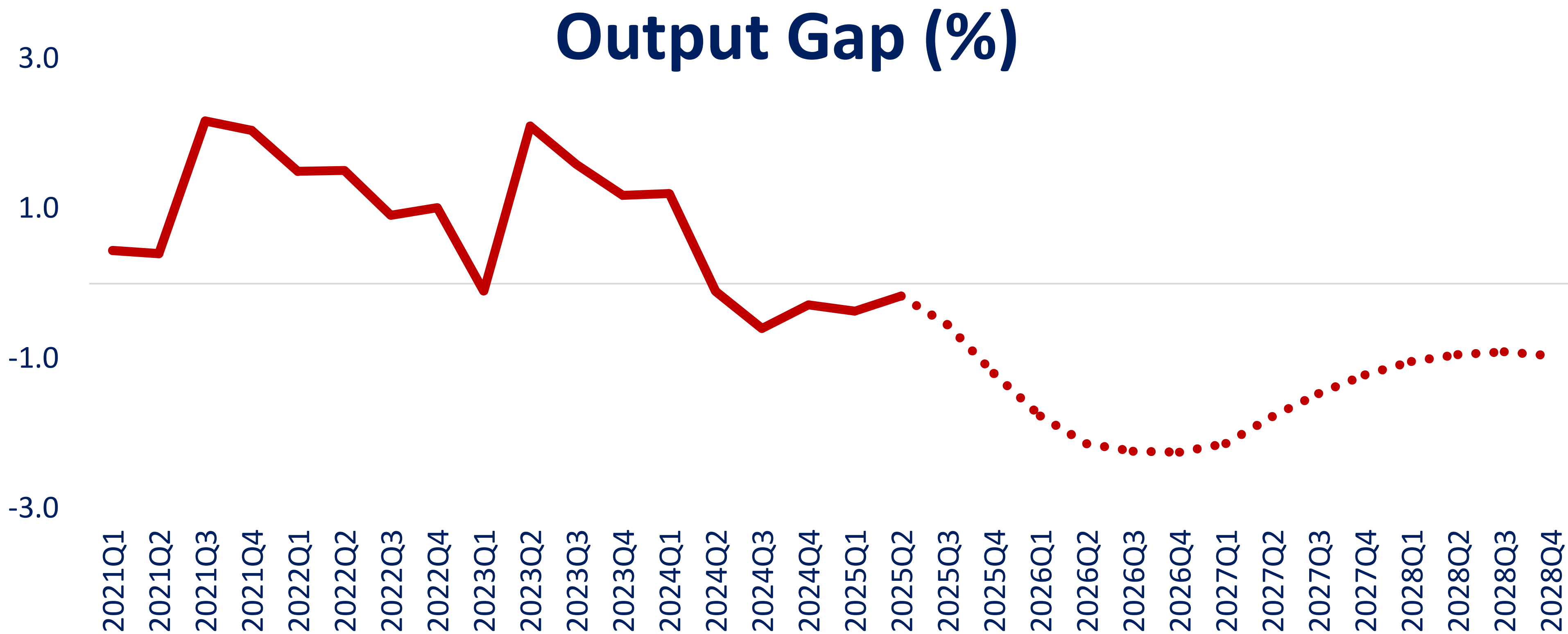
source: CBRT

Disinflation: Household inflation expectations



Source: BIS

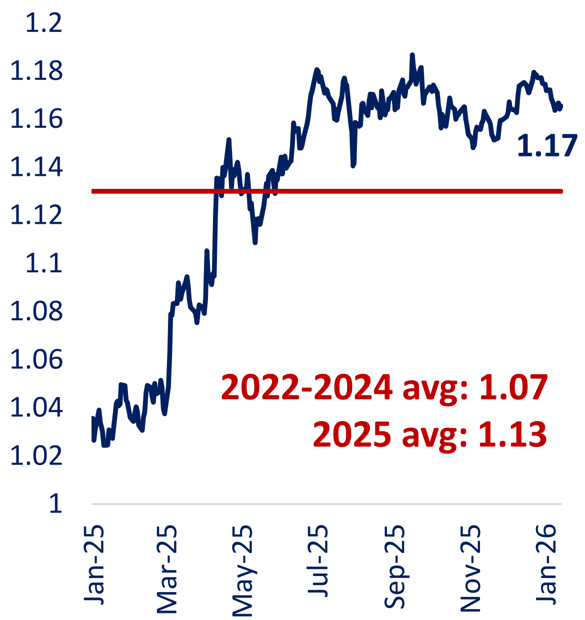
Disinflation: Negative output gap looks set to persist



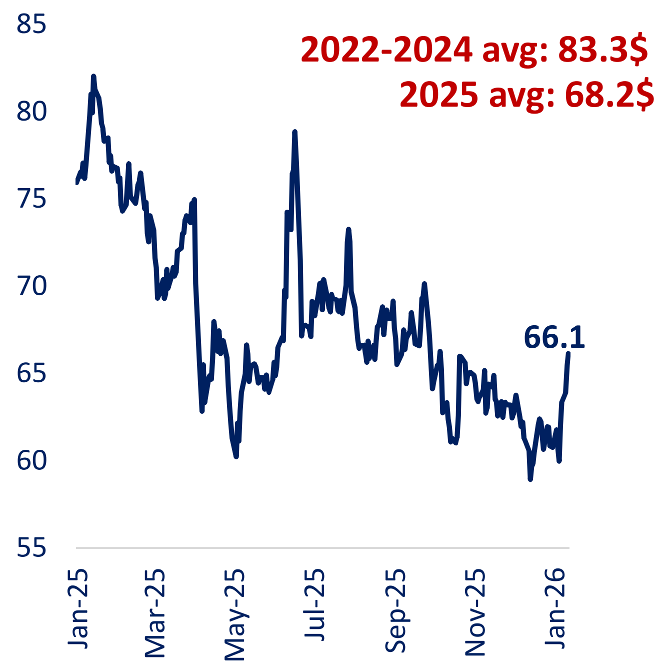
Source: CBRT Inflation Report-IV (7 November 2025)

Disinflation: More favorable external conditions?

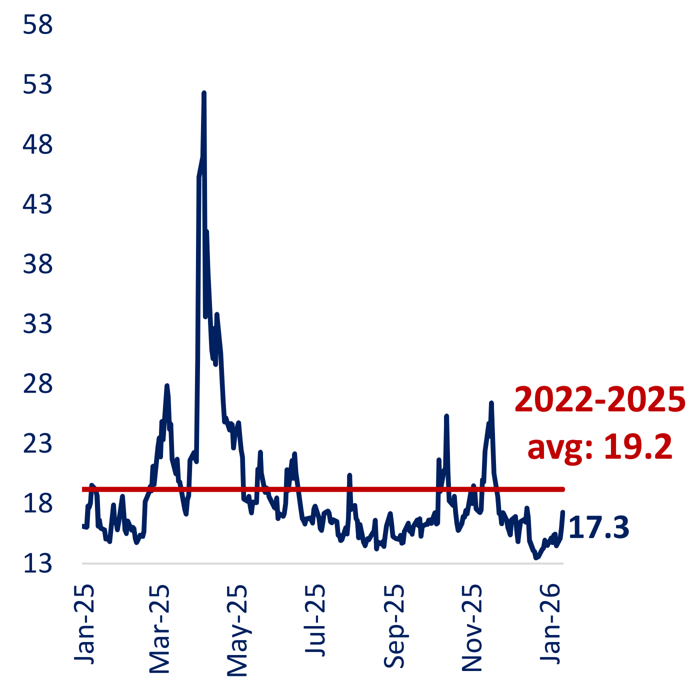
1) EURUSD parity



2) Oil prices (brent)



3) VIX Index (risk appetite)



Source: Bloomberg

Disinflation: Risks

- **Persistent inflation inertia (low probability*)**
- **A reversal in global risk appetite (?)**
- **A major oil price shock (**)**
- **Extreme weather events**

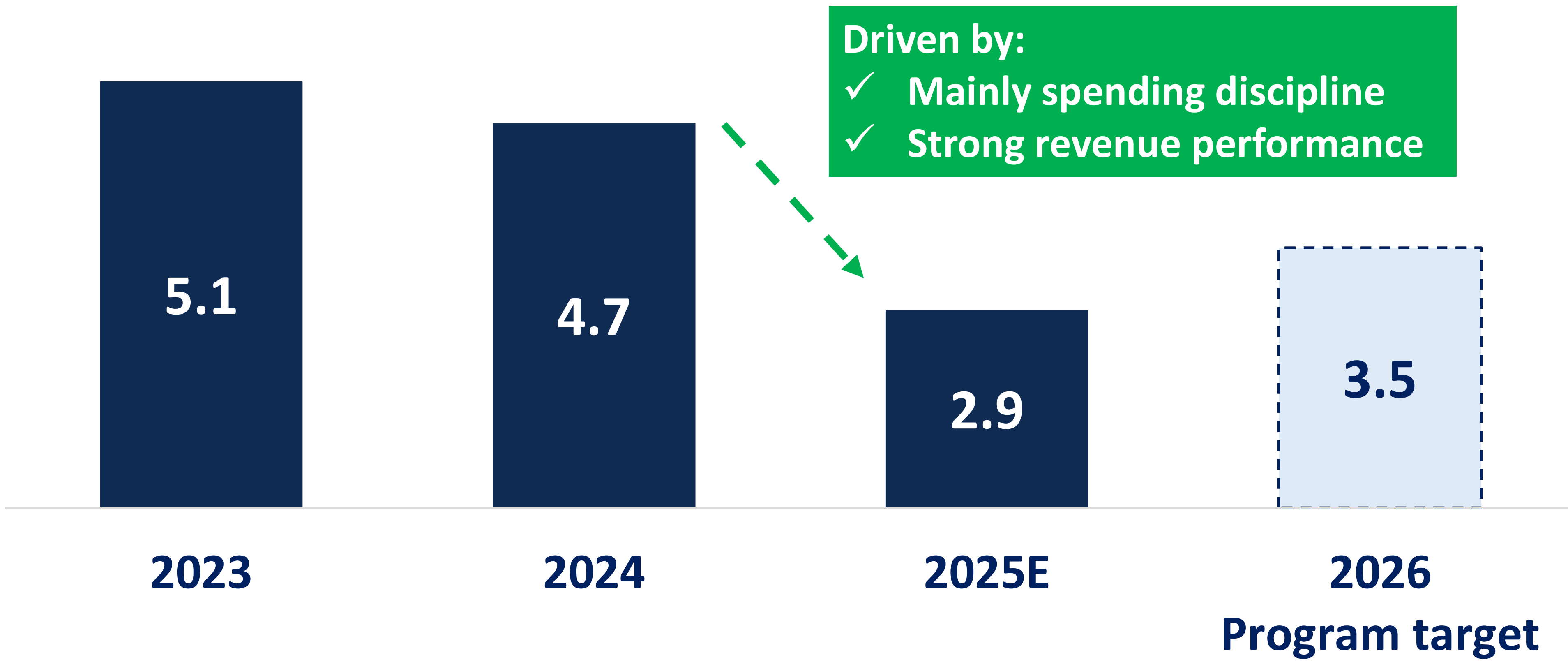
(*) Services inflation has declined from 90.7% in 2023 to 44% in 2025; therefore, this is unlikely to be the case
(**) According to the IMF (October WEO), the average Brent oil price is projected to decline to USD 65.84 in 2026, from USD 68.9 in 2025

Fiscal discipline: Sustaining outperformance

- Maintain strong spending controls
- Continue to reduce tax expenditures
- Further reductions in energy subsidies
- Boost revenues via combatting informality
- Implement public finance reforms

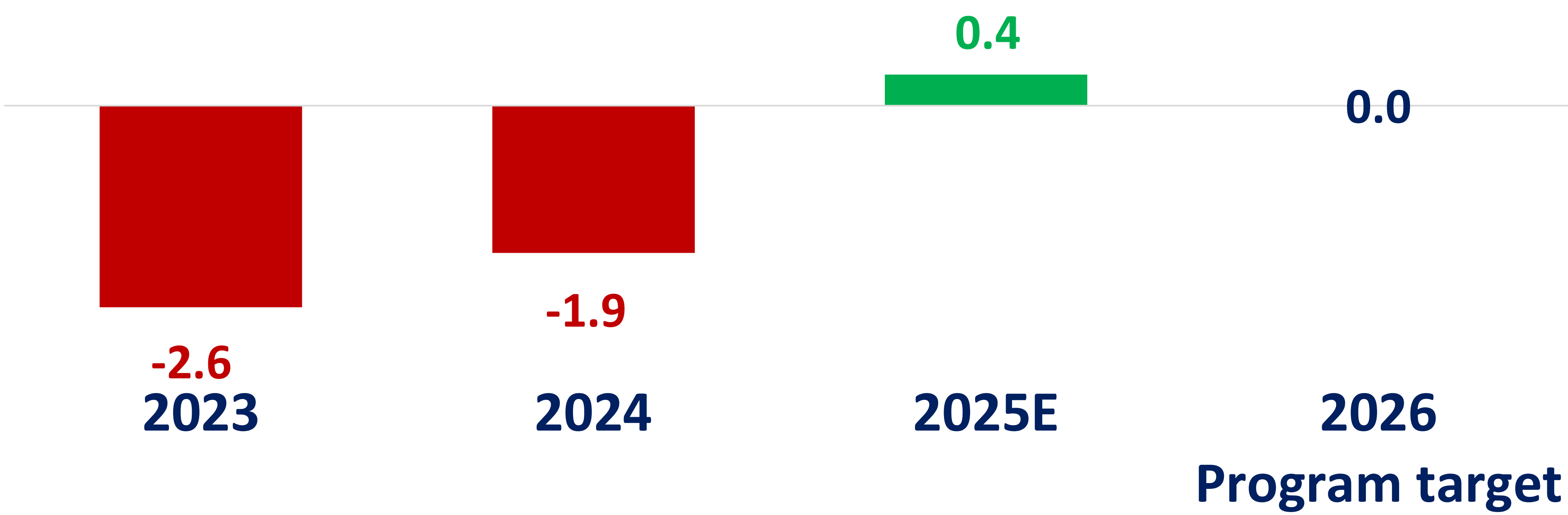
Achieve primary surplus, reduce domestic debt rollover ratios, crowd in private sector

Fiscal discipline: Budget deficit (%, GDP)



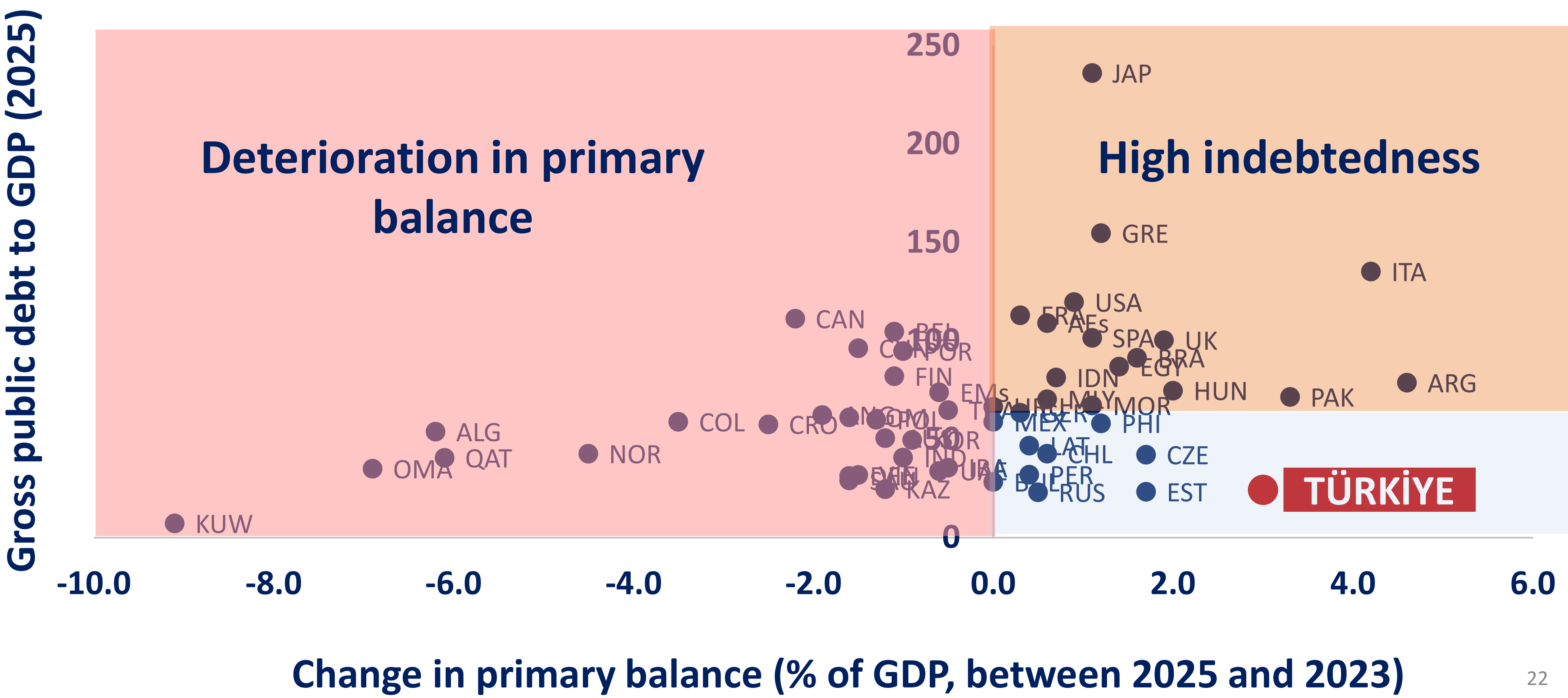
E: Estimate
Source: Medium Term Program (2026-28)

Fiscal discipline: Primary balance (%, GDP)



E: Estimate
Source: Medium Term Program (2026-28)

Fiscal discipline: One of the top fiscal performers



Source: IMF Fiscal Monitor, MOTF, calculated by MOTF

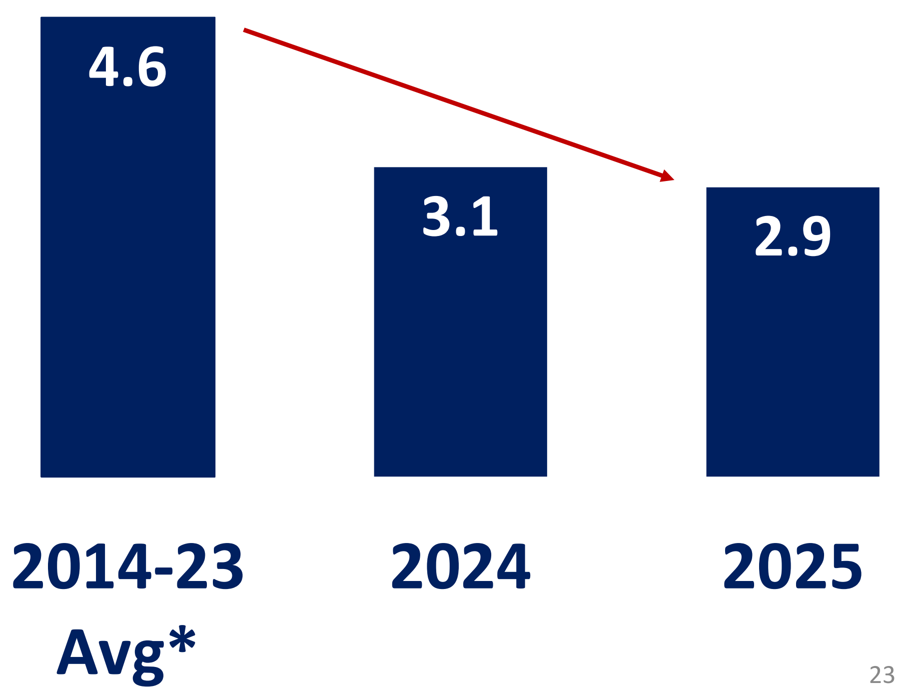
Fiscal discipline: Türkiye’s successful DOGE scheme

Expenditures covered by the scheme

Current expenditures such as:

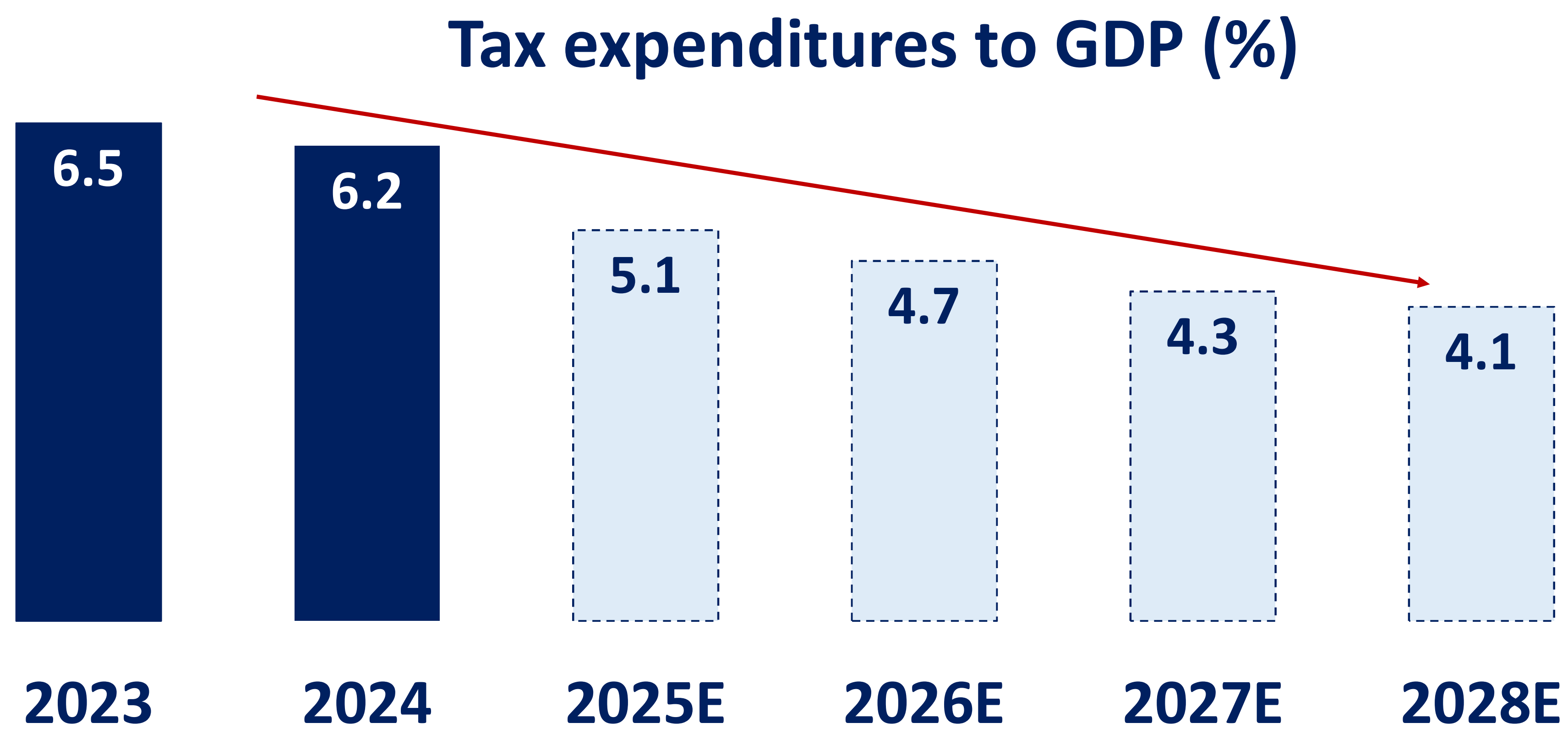
- Transportation vehicles
- New construction/ renovations
- Cost of telecom, postal services
- Utility bills
- Office supplies
- Equipment, furniture

% share of budget



Source: MoTF, *exc’l interest and earthquake spending

Fiscal discipline: Rationalizing tax expenditures



E: Estimate
Source: TURKSTAT, MoTF, Medium Term Program (2026-28)

Fiscal discipline: Privatization implementations

Recent big ticket deals (2025)

- Sale of 5G licenses ($3.5 bn)
- Türk Telecom concession ($3 bn)
- Concession of vehicle inspections ($1.7 bn)
- Çayırhan Thermal Power Plant ($525 mn)
- İstanbul Kalamış Marina ($504 mn)
- Hydroelectric power plants ($230 mn)
- Others ($750 mn)

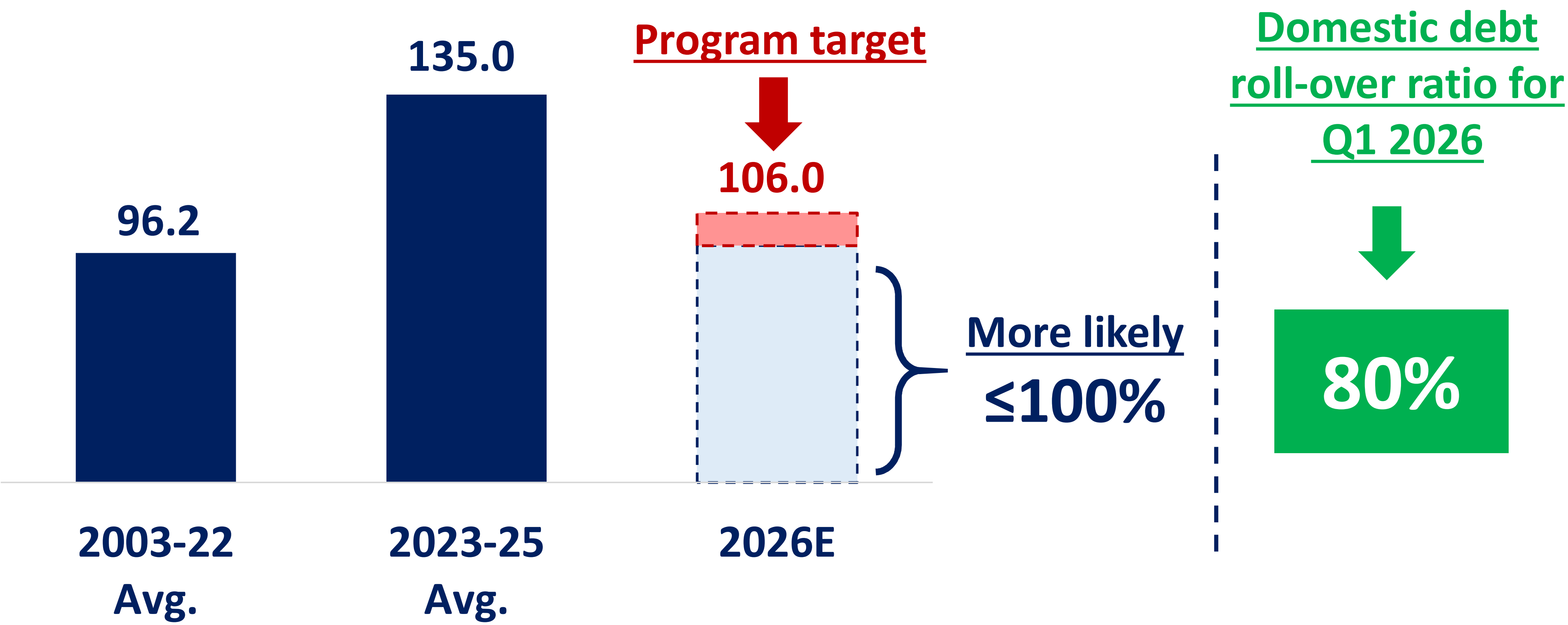
Budget target
$685 mn

Privatization implementations
$10.2 bn

Realized cash flow
$855 mn

Source: MoTF, Privatization Administration

Fiscal discipline: Domestic debt roll-over ratios (%)



Source: MoTF, E: Estimate

Fiscal discipline: Public finance reforms

- Public procurement reform
- Strengthening fiscal rules
- SOE governance reform
- Tax reform (simplification)
- Strengthening social safety net
- Enhancing fiscal transparency

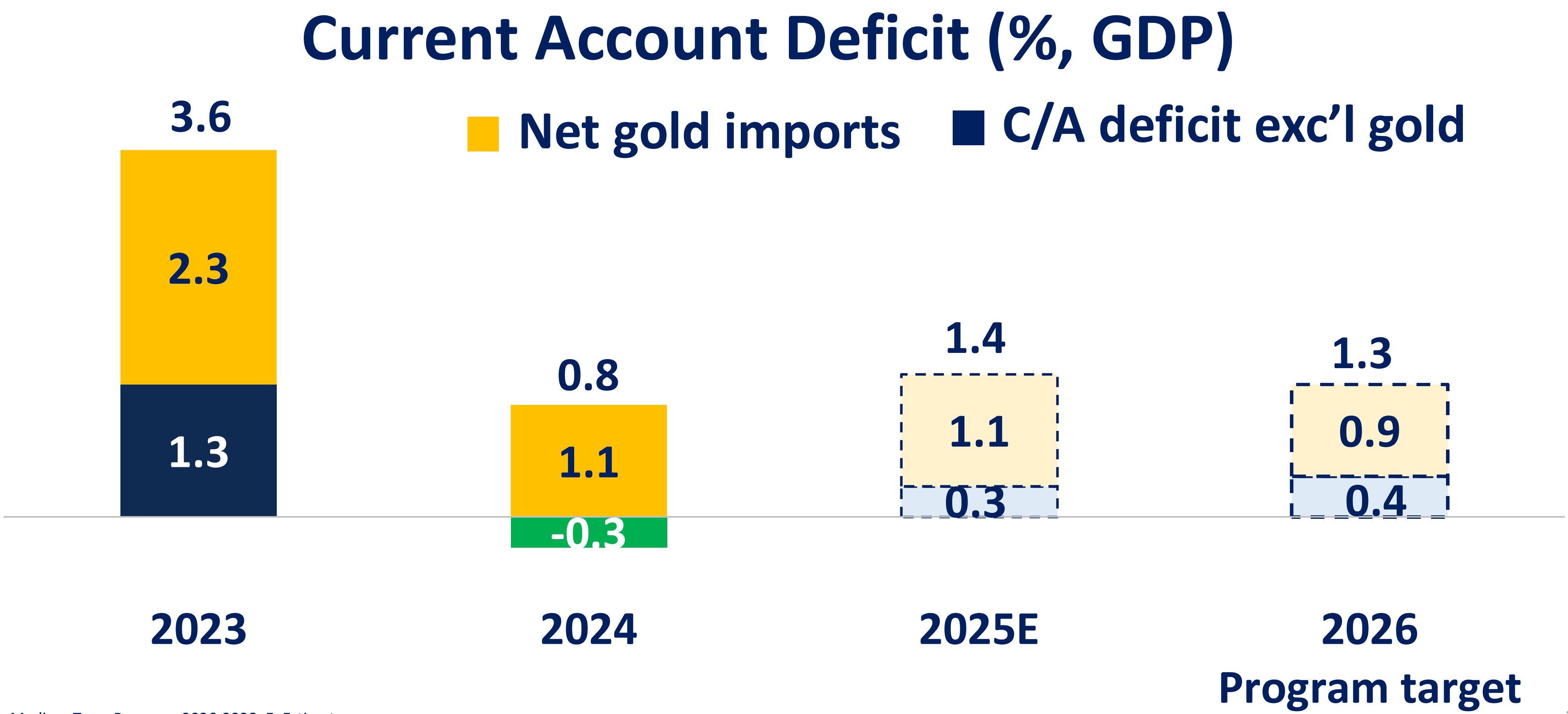
Fiscal discipline: Risks

- Lower than expected growth
- Higher inflation or interest rates
- Exchange rate depreciation
- Commodity price shocks

External balance: Drivers of sustainable current account balance

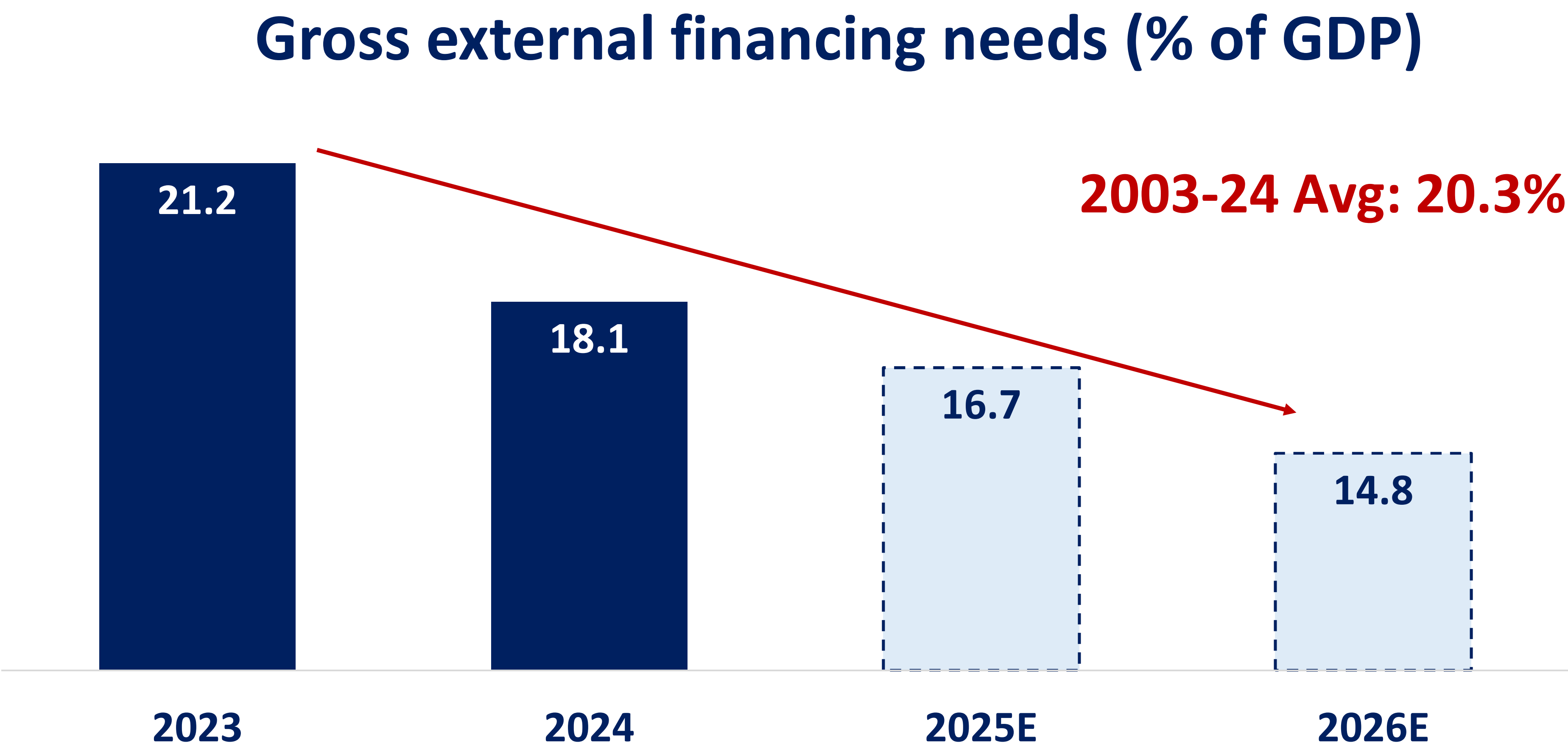
- Boosting domestic oil & gas output
- Accelerating green transition, reducing import dependency
- Expanding services surplus
- Moving up the value chains via industrial policy initiatives
- Investing in resilience & competitiveness

External balance: Structural improvement in C/A



Source: Medium Term Program, 2026-2028, E: Estimate

External balance: Falling gross external financing needs

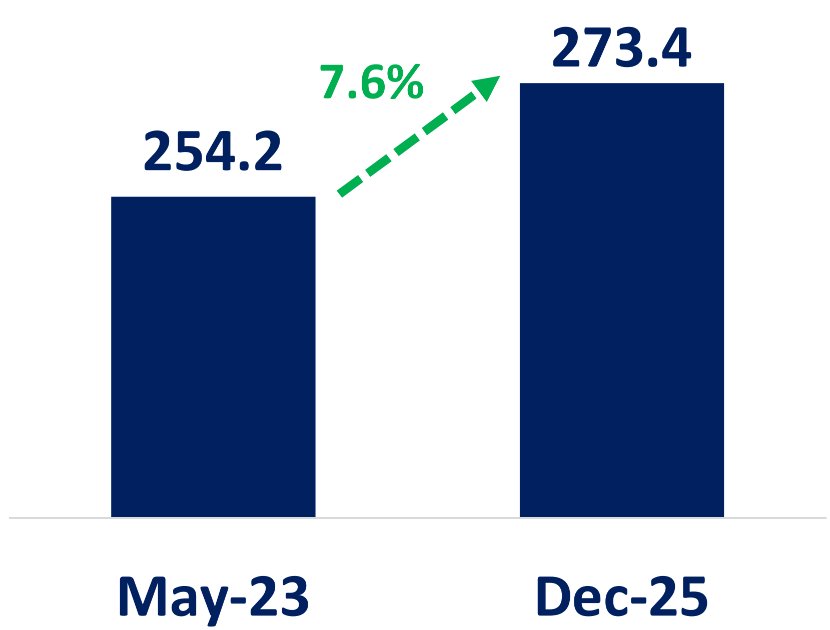


Note: Gross external financing needs are calculated by summation of current account deficit and external debt payments within one year or less regardless of the original maturity
Source: CBRT, TURKSTAT, MoTF calculations, Medium Term Program (2026-28) E: Estimated with MTP figures by MoTF

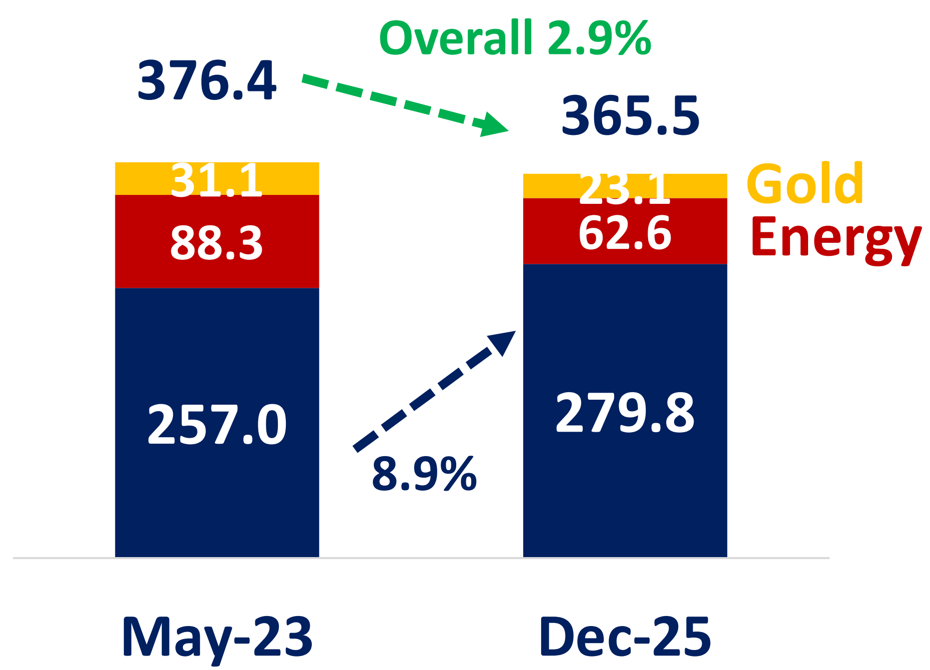
External balance: No evidence of a broad based deterioration in competitiveness

Exports remain resilient, while imports show a limited decline

Exports (annual, bn $)



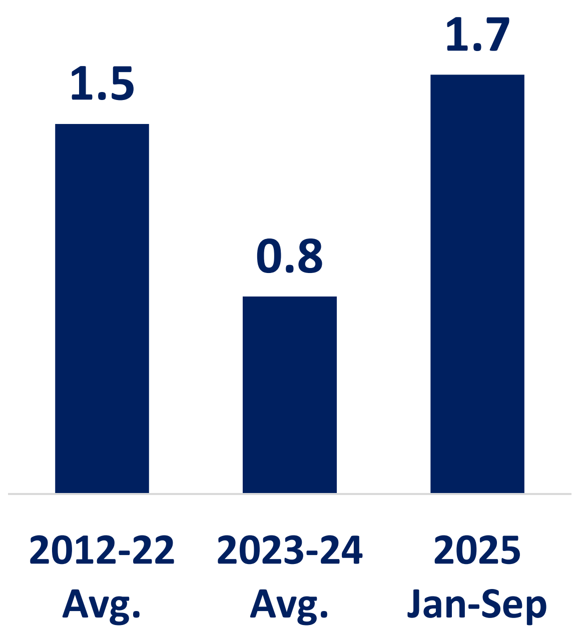
Imports (annual, bn $)



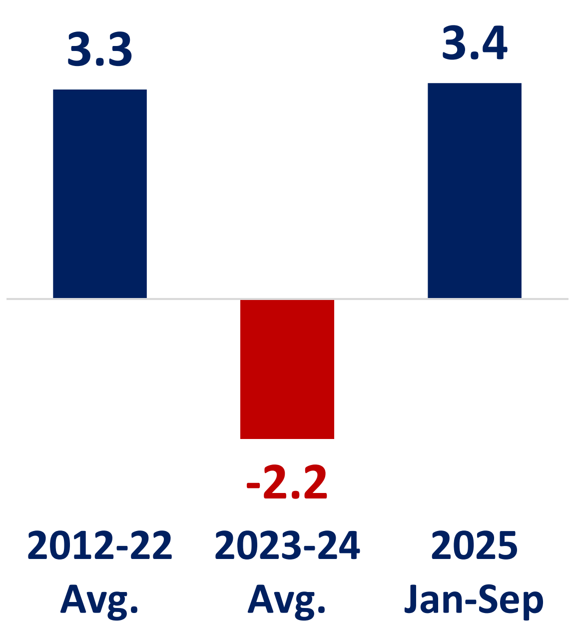
Source: TURKSTAT, Ministry of Trade

External balance: No evidence of a broad based deterioration in competitiveness

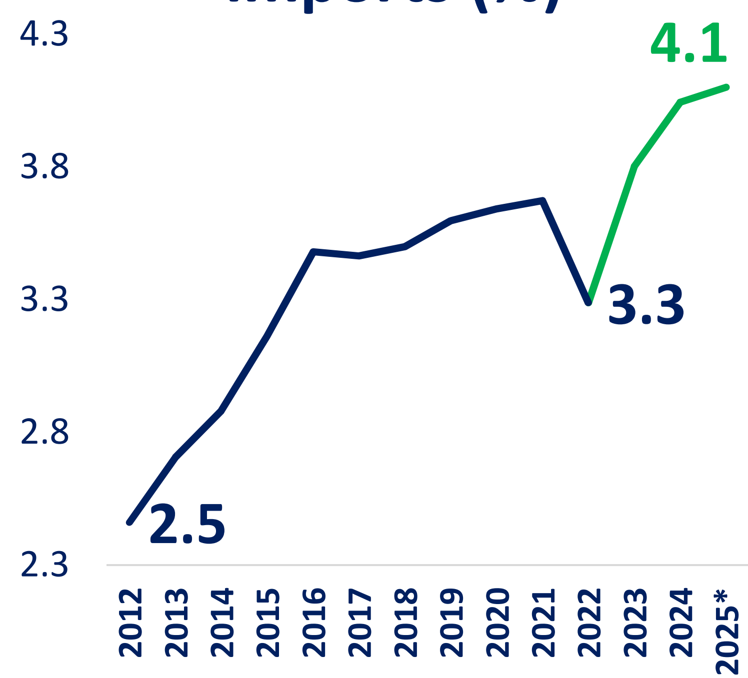
EU growth (%)



EU Import (%)



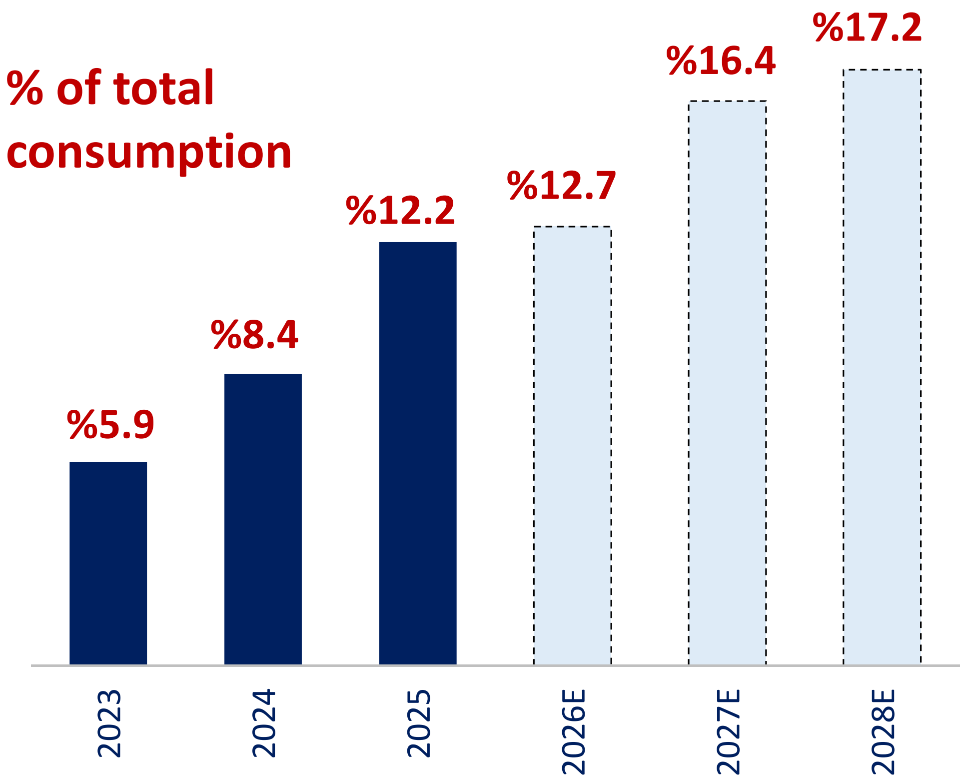
Türkiye's share of EU imports (%)



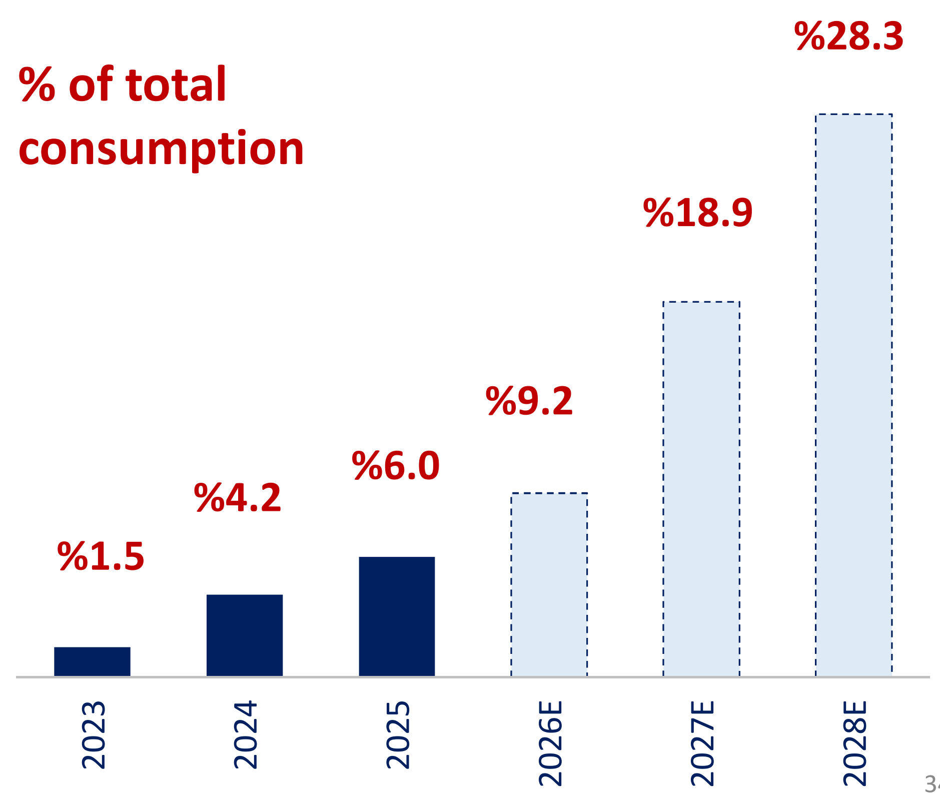
Source: EUROSTAT, TURKSTAT, IMF, Annualized as of October data

Structural improvement: Rising domestic oil & gas output

Oil Production

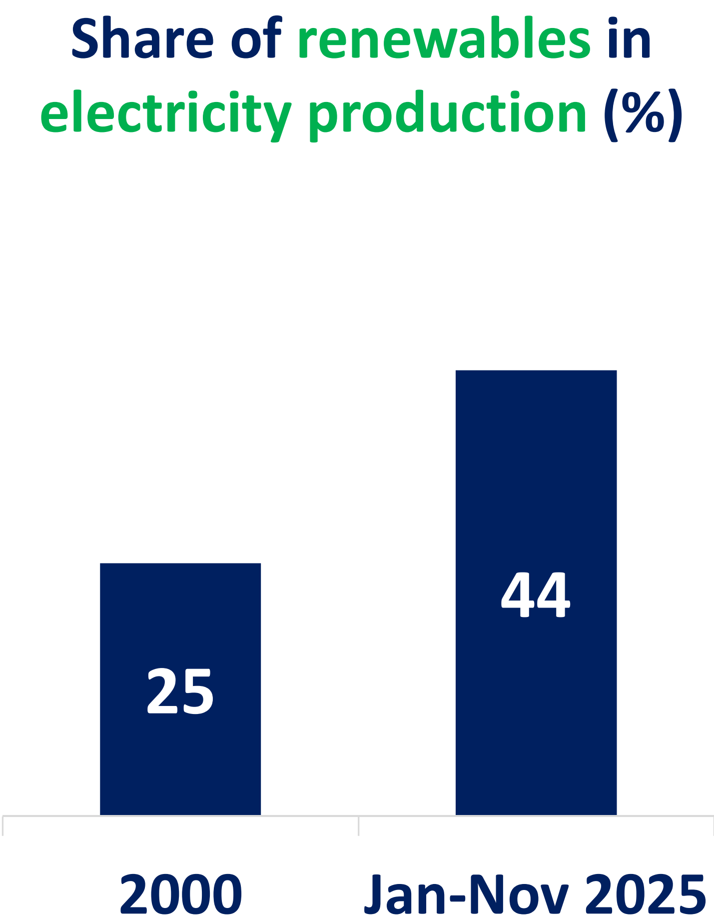


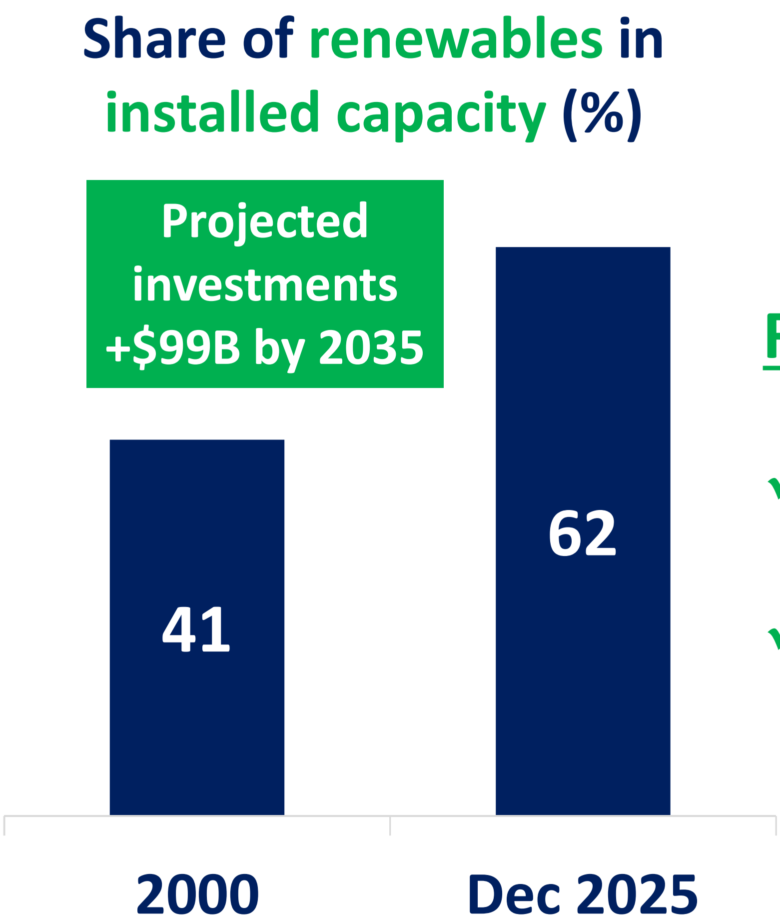
Gas Production



Source: Ministry of Energy, E: estimate

Structural improvement: Green transition



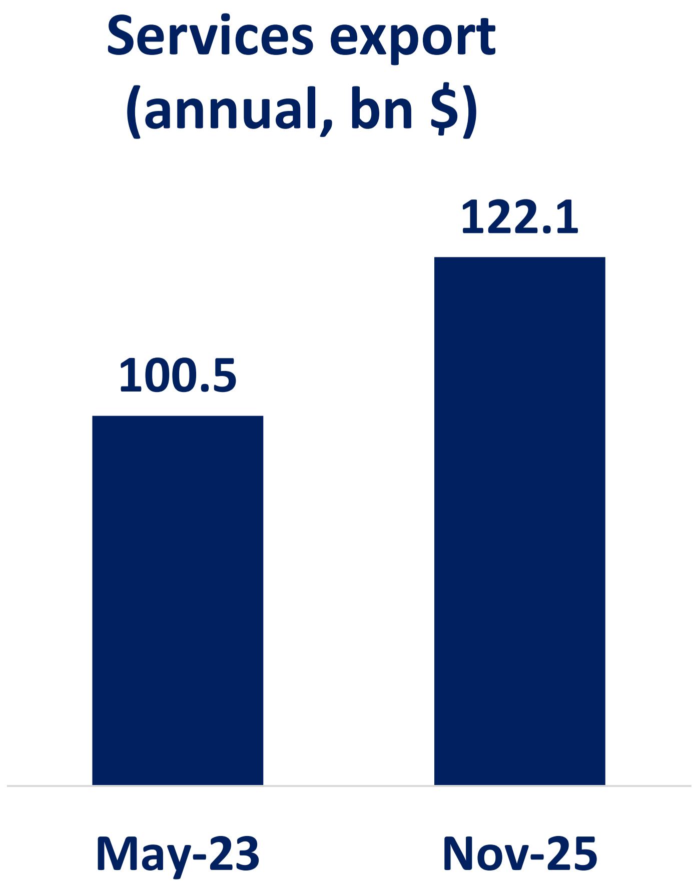


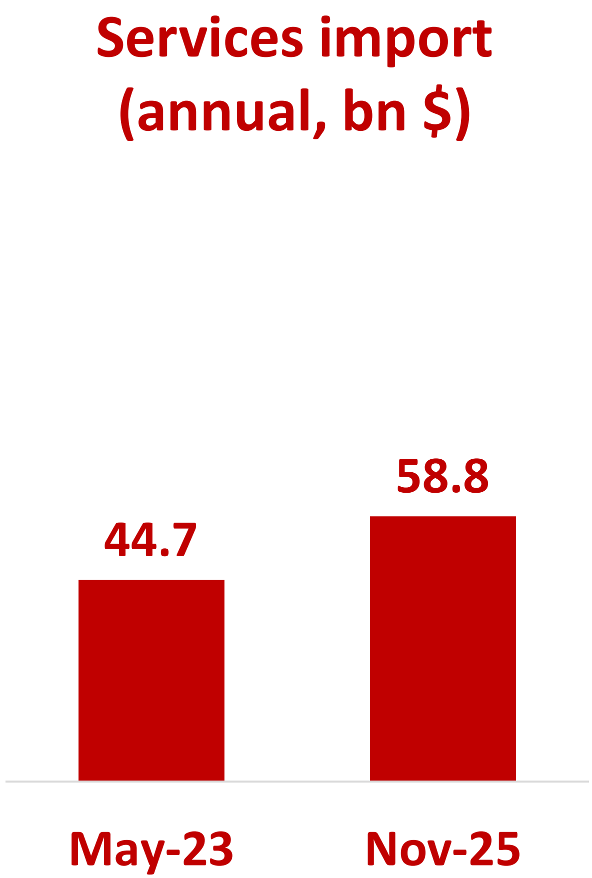
Recent steps

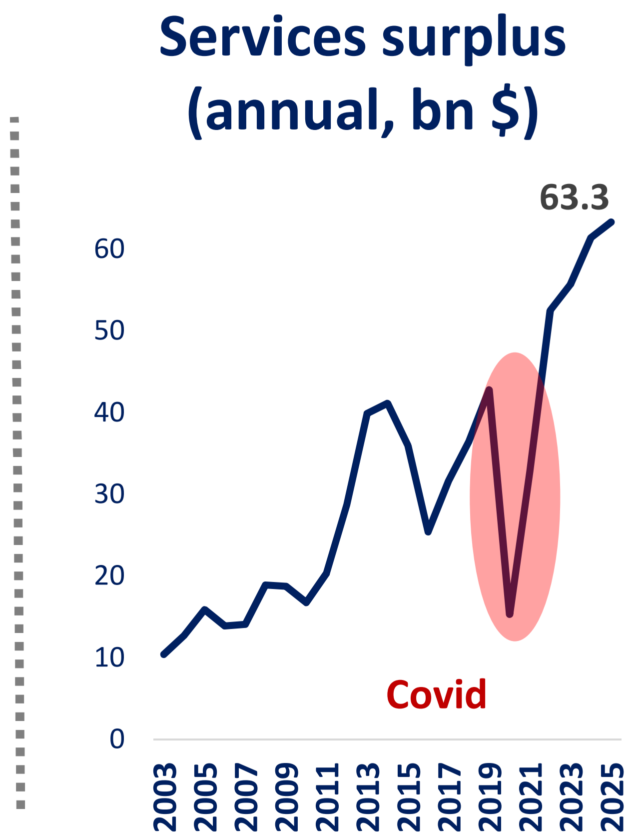
- ✓ Climate Act
- ✓ Renewables & Mining Act

Source: Ministry of Energy and Natural Resources

Structural improvement: Improving services exports



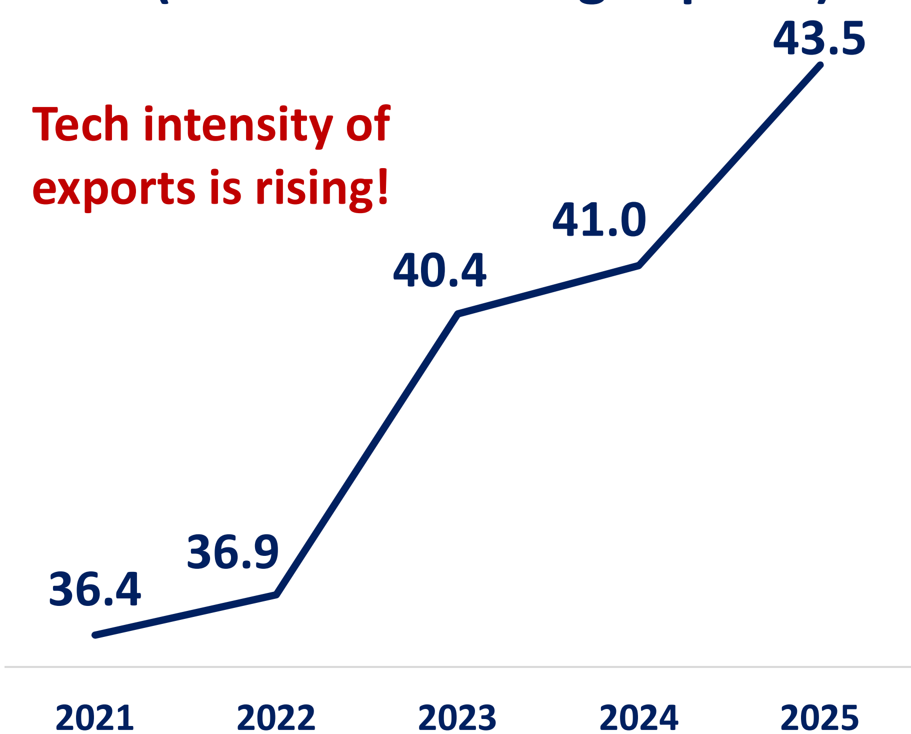




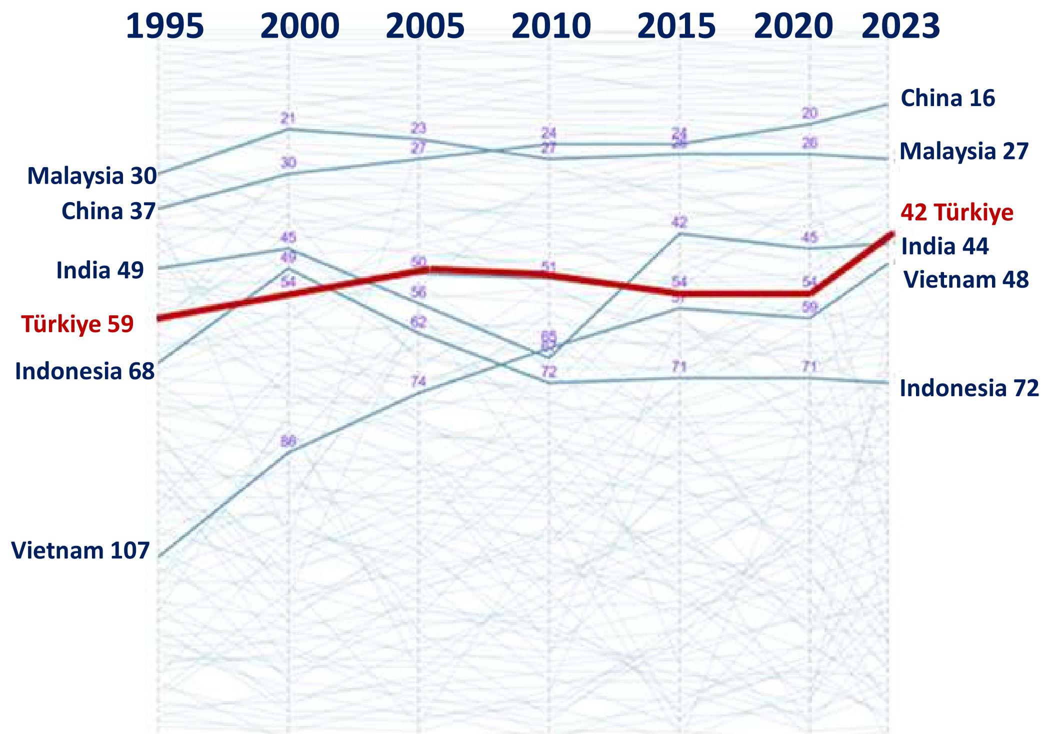
Source: CBRT

Structural improvement: Moving up the value chain

High and medium-high tech exports (% manufacturing exports)



Economic Complexity Index Ranking



The Economic Complexity Index is a ranking of countries based on the diversity and complexity of their export basket

Source: TURKSTAT, Harvard University Growth Lab, Atlas of Economic Complexity

External balance: External demand is the main driver of exports

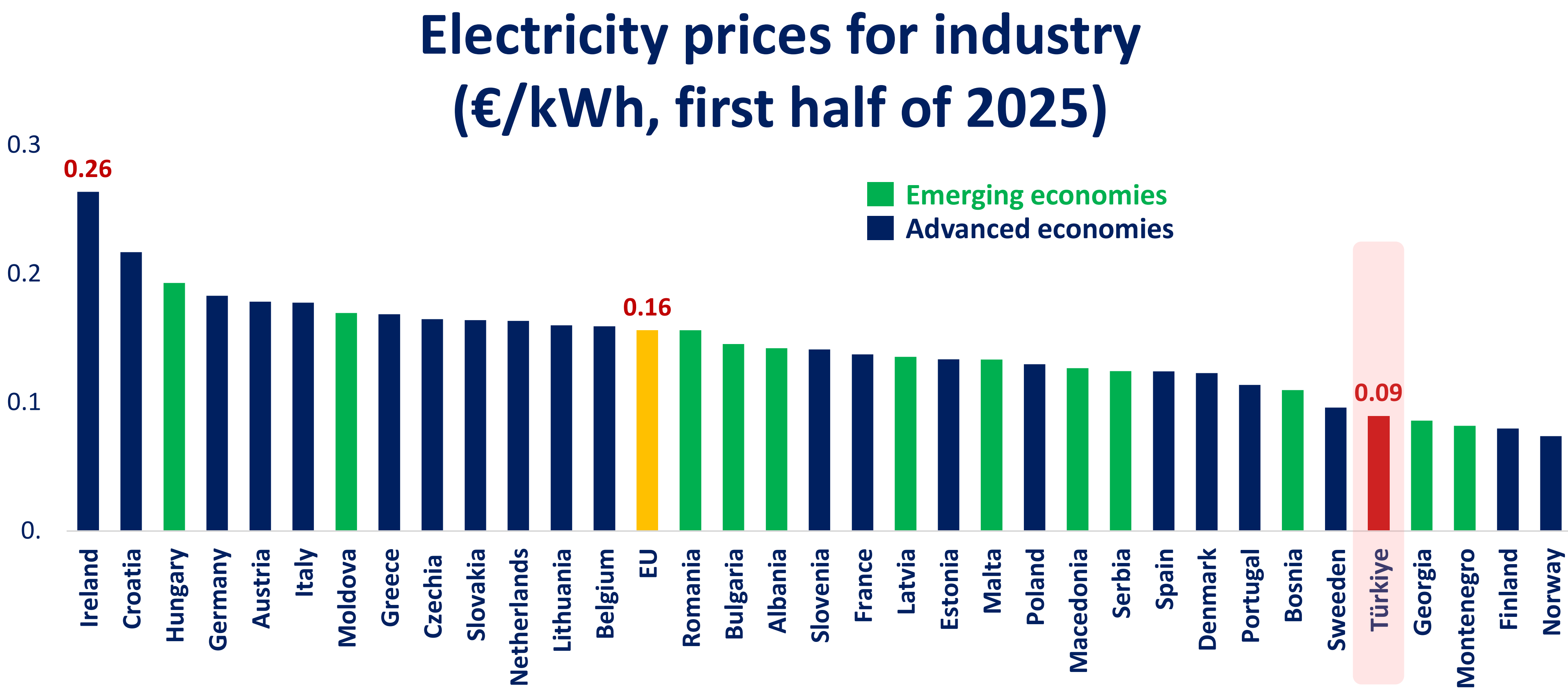
Long-run elasticities. Coefficient estimates are based on 2005–2024 data. A decline in the real exchange rate denotes a real depreciation

Source: CBRT

Competitiveness: Main drivers

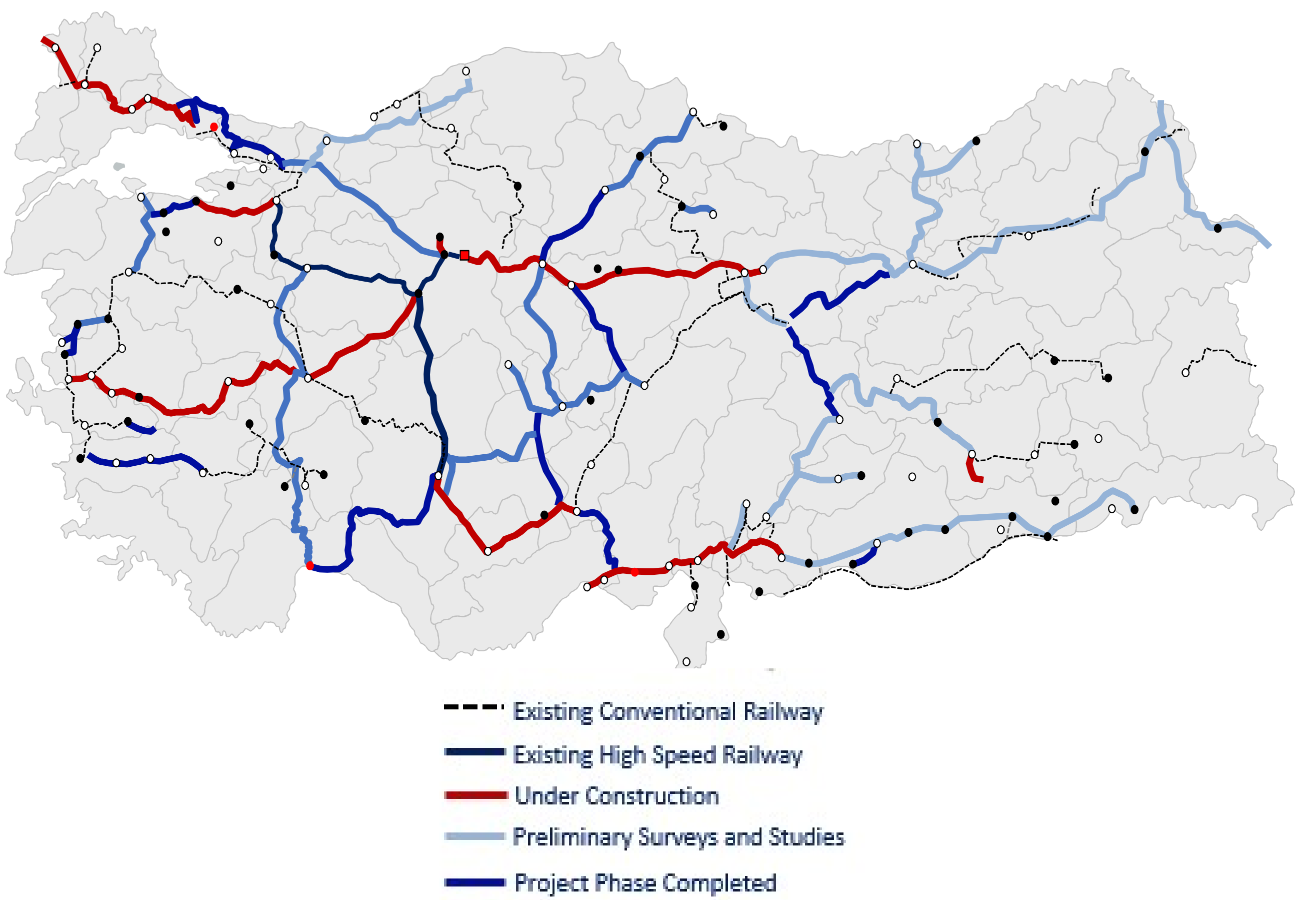
- **Energy costs (highly competitive)**
- **Raw materials**
- **Labor costs**
- **Logistics (investing in railways)**
- **Productivity**
  - **Digital transformation**
  - **Green transition**

Competitiveness: Industry electricity prices



Source: European Commission, Eurostat

Competitiveness: High-speed rail network



Source: Ministry of Transportation and Infrastructure

	2003	2025
Conventional railway (km)	10.959	11.668
High-speed railway (km)	-	2.251
Total (km)	**10.959**	**13.919**

2024-53: $70bn

By 2053, we will be fully connected by 48-hour high-speed rail

Connecting manufacturing hubs to ports via railway

EXISTING
287 lines
446 km

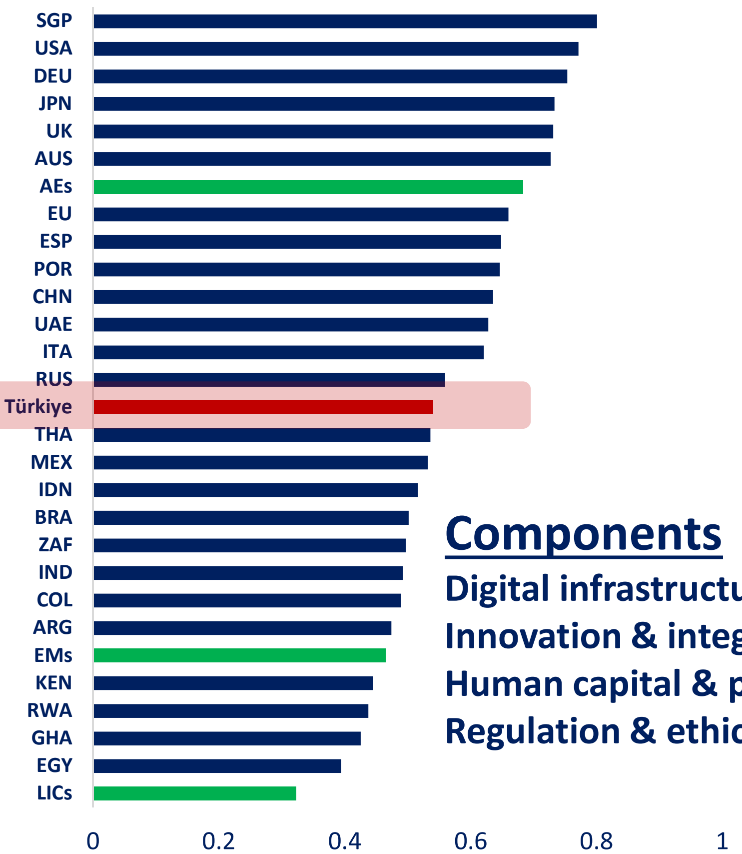
UNDER CONSTRUCTION
9 lines
151 km

READY TO BE BUILT
10 lines
82 km

PLANNED
17 lines
189 km

Competitiveness: Digital transformation roadmap

IMF AI Preparedness Index



Components

Digital infrastructure
Innovation & integration
Human capital & policies
Regulation & ethics

- Expanding fiber capacity
- Investing in 5G+
- Hyperscaler data centers
- Investing in nuclear power plants
- Incentivizing apps using LLM models

Competitiveness: Industrial policy initiatives

Hit-30: 8 areas, 30+ priority investments

1st investment call
- Green tech

Total investment
- ✓ 5 companies
- ✓ $2.6bn

2nd call (still open)
- EVs
- Battery
- Chip

Total investment
- ✓ 5 companies
- ✓ $2.0bn

New calls
- Data
- Quantum
- Industrial robots
- AI

Preferential Credit Line

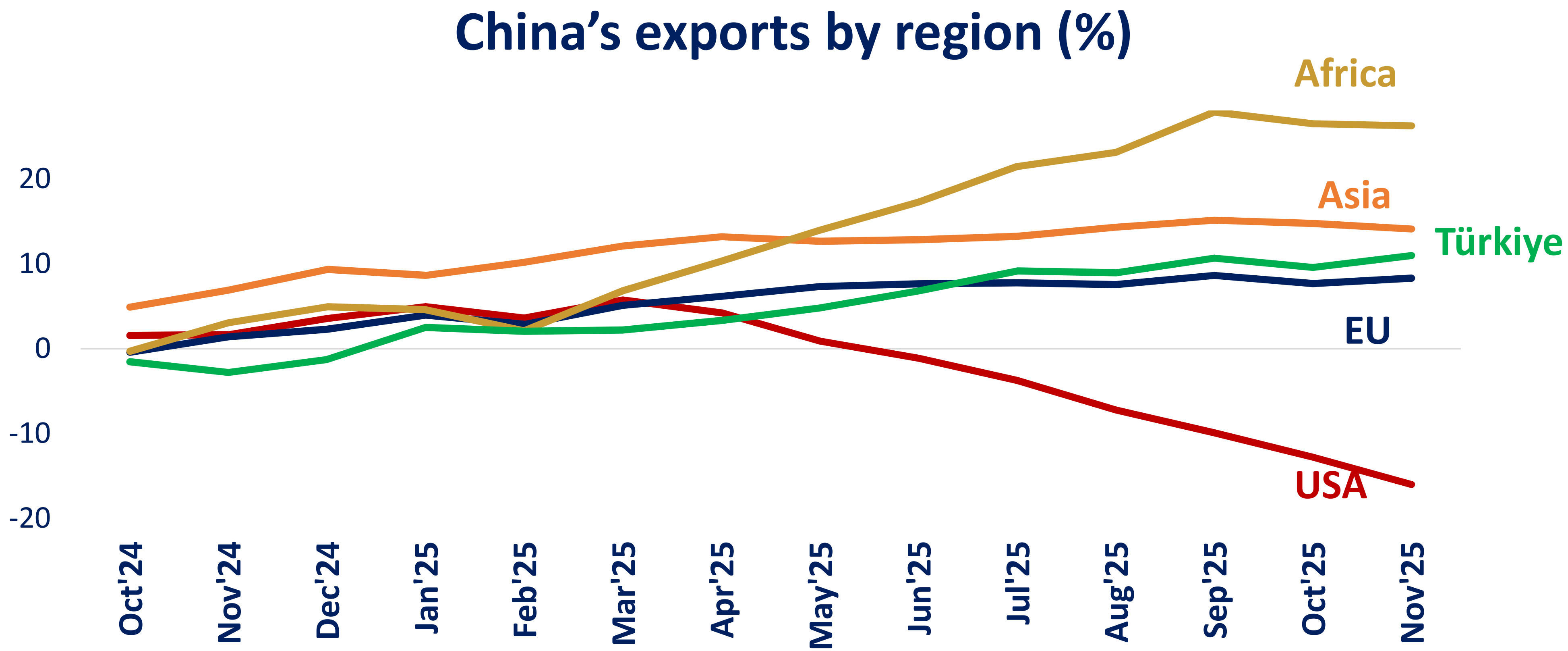
- 284 medium-high & high-tech product
- TRY 500bn, 10Y maturity
- 2Y grace period
- 1/3 of market rate

Total investment
- ✓ 22 companies
- ✓ $4.1bn

External balance: Risks

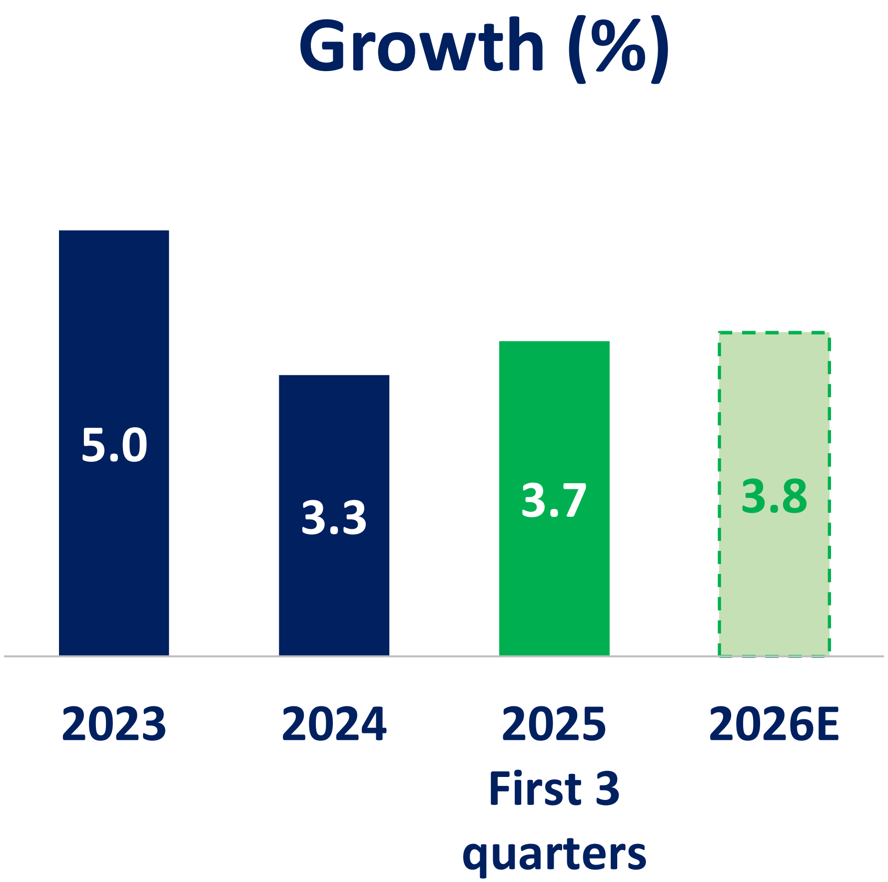
- Re-routing of China/Asia trade flows
- Geopolitical tensions & energy price shocks
- Protectionism in Europe (“Made in Europe”)
- A surge in demand for gold

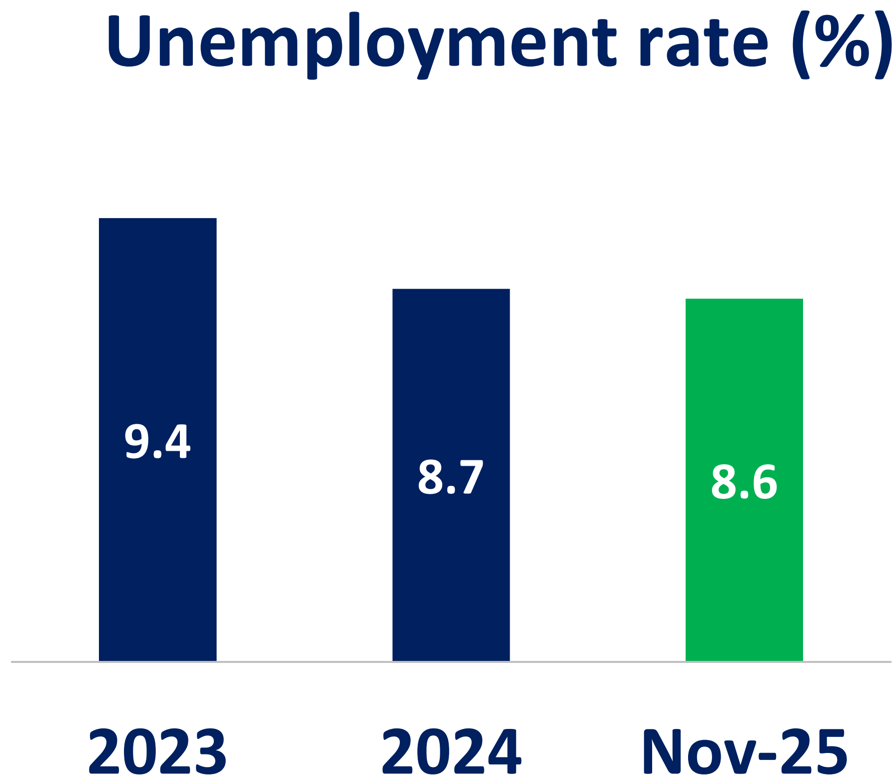
Risk: China re-routing is real



Source: Macro China, TURKSTAT, *Annualized as of November

Growth: Moderate growth, low unemployment rate

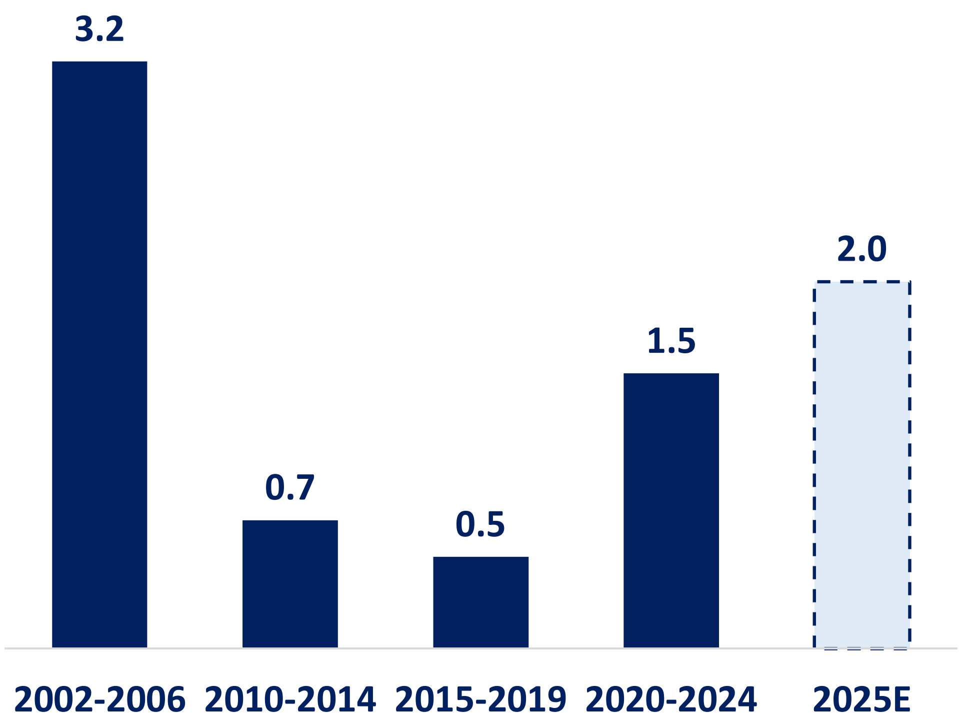




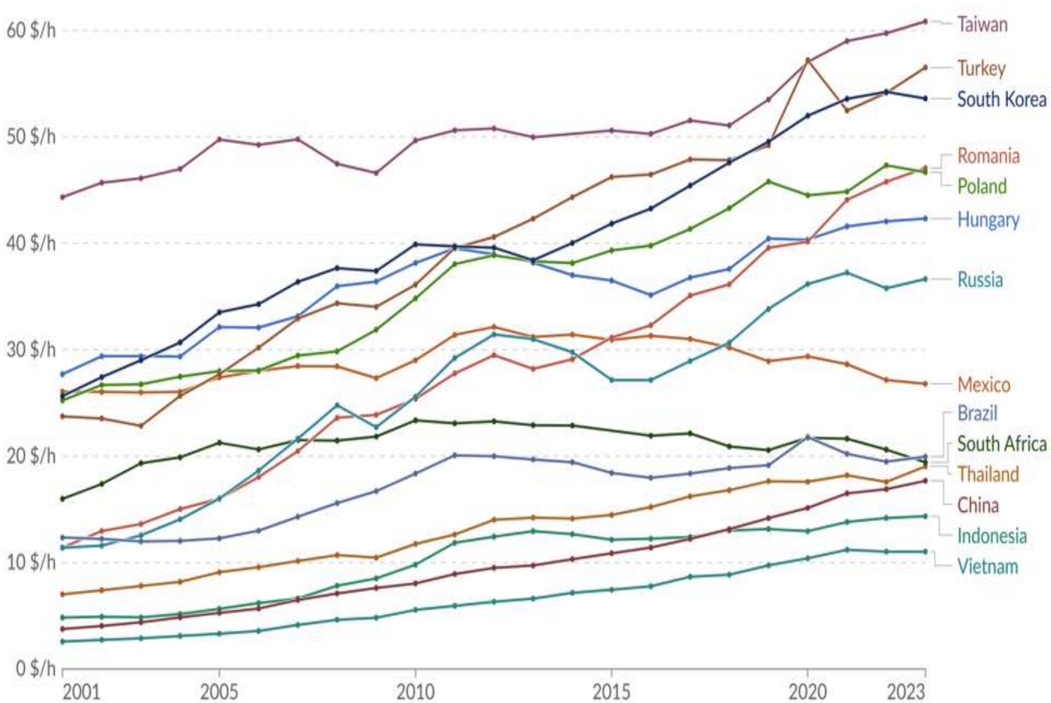
Source: TURKSTAT, E: Estimate (MTP; 2026-2028)

Growth: Reviving productivity growth

Productivity growth (%)



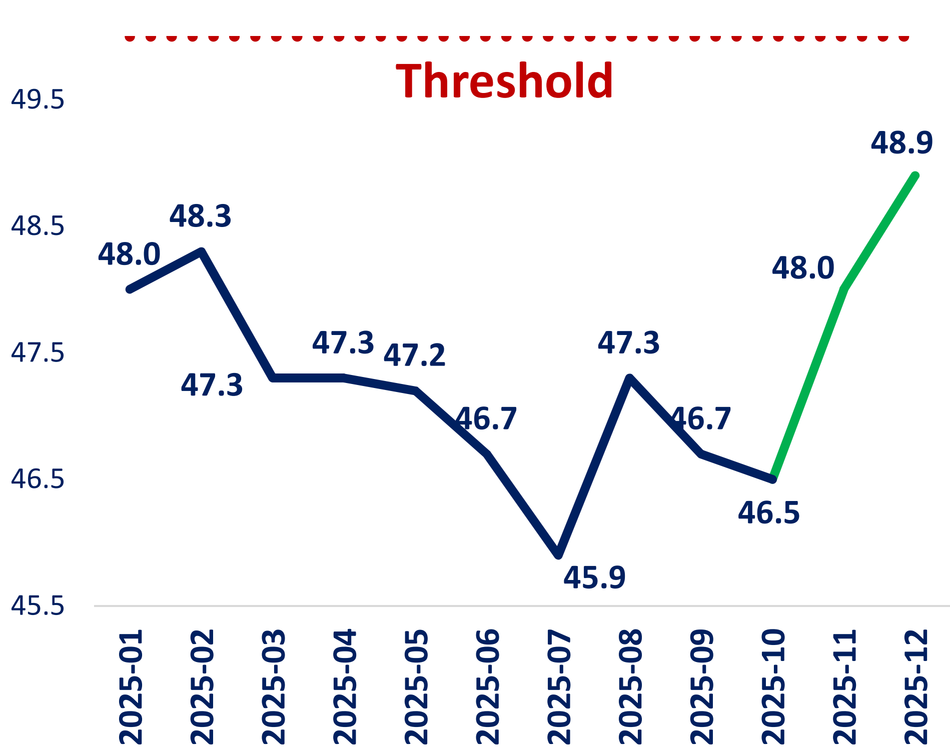
Output per hour worked



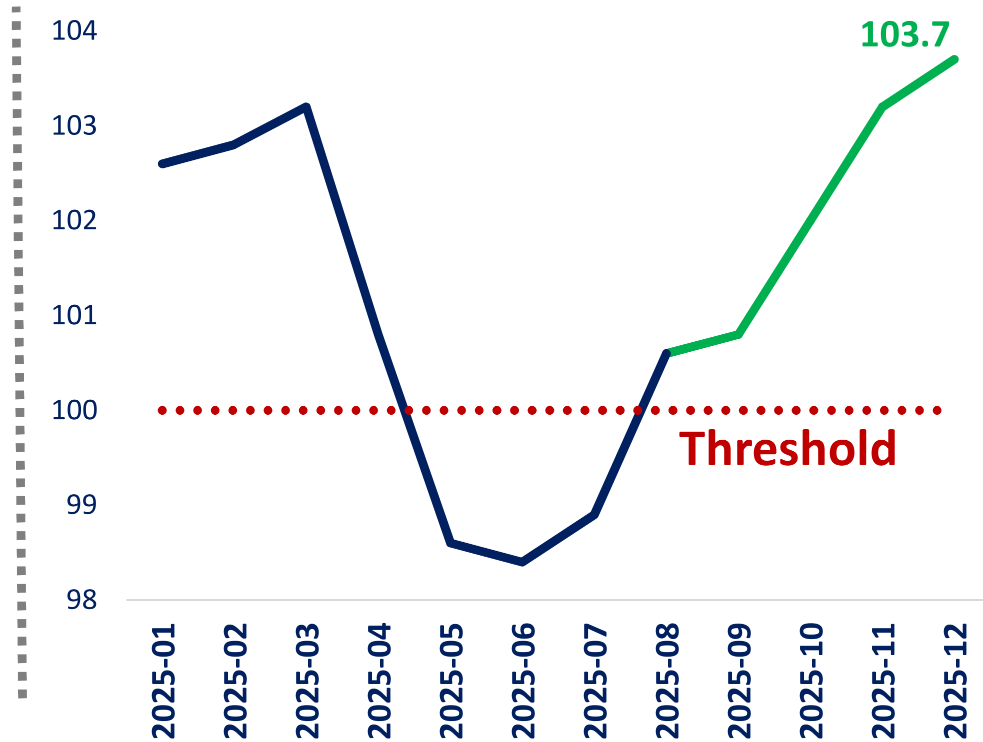
Source: Presidency Strategy and Budget Office, E: Estimate, Feenstra et al. - Penn World Table (2025)

Reel sector: Signs of recovery in manufacturing

Manufacturing PMI



Real sector confidence index

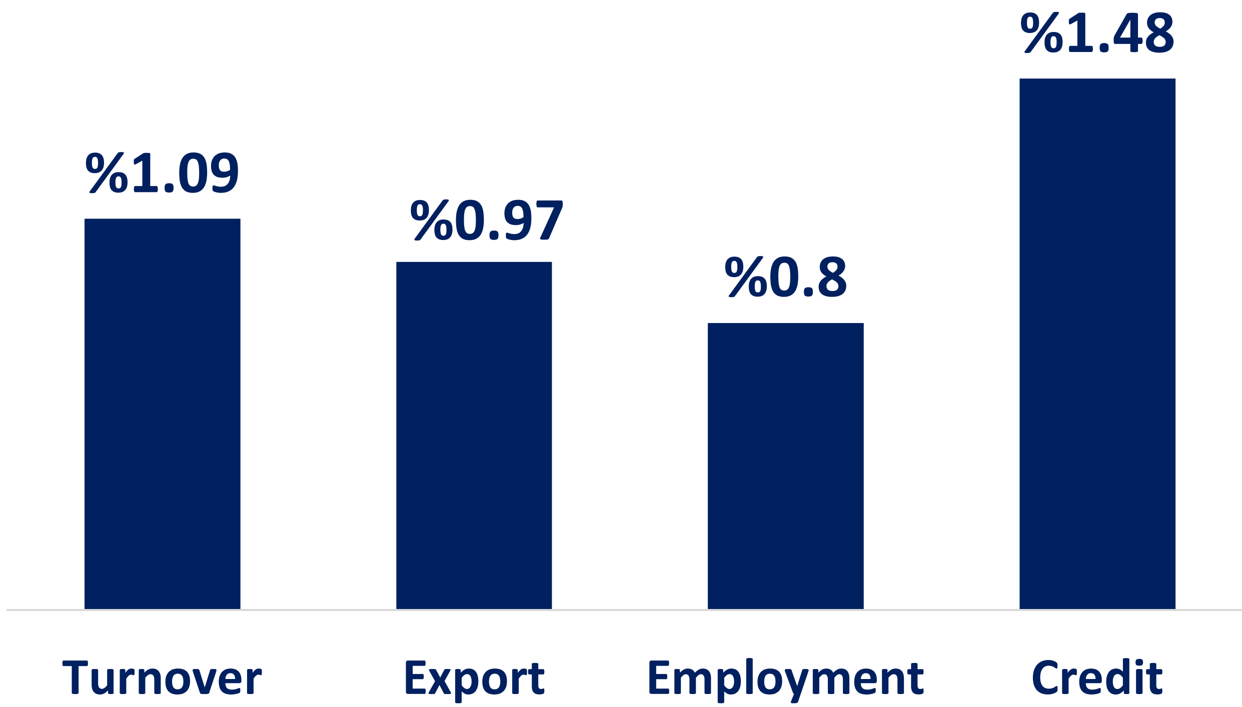


Source: İSO, TURKSTAT

Real sector: How significant is financial stress?

Chapter 11 applications (June 2023 – December 2025)

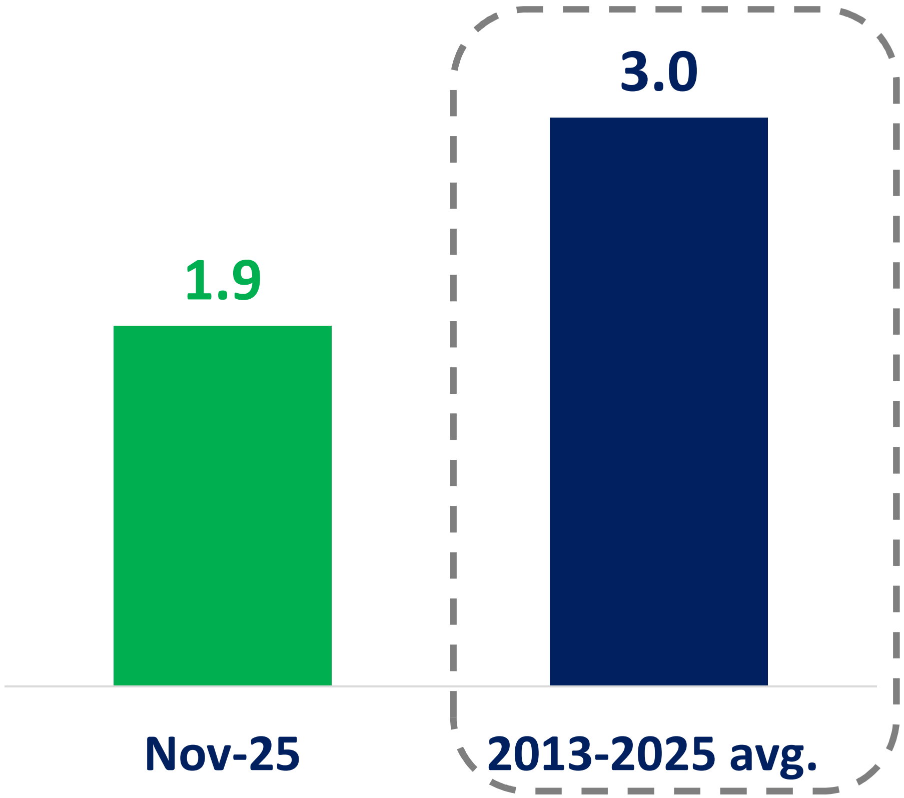
Share of firms applying Chapter 11



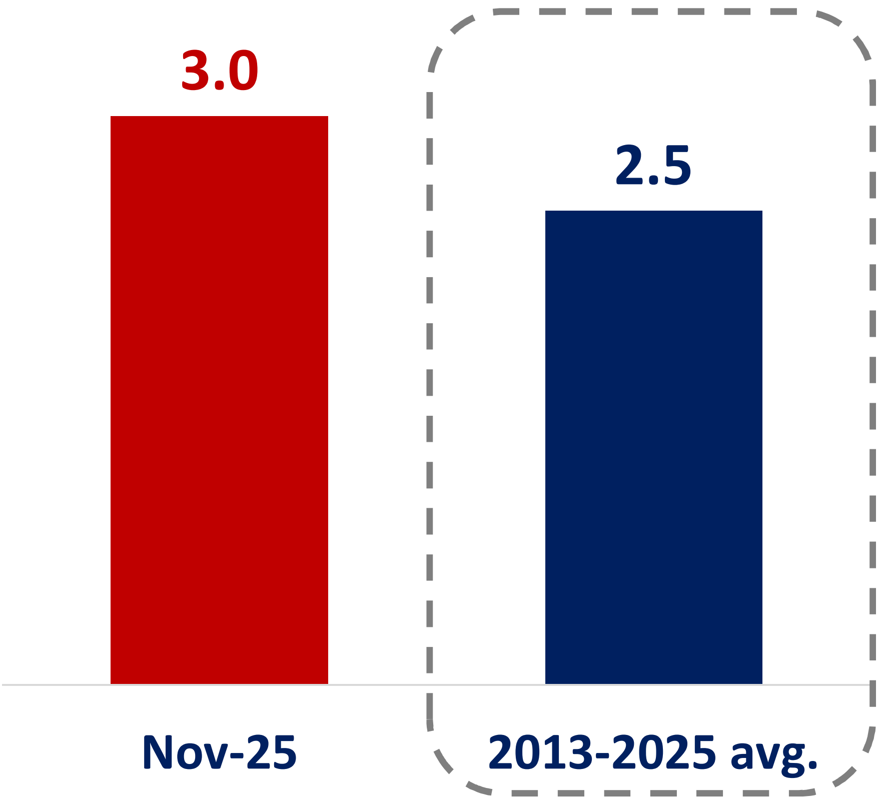
Source: CBRT, TOBB, UYAP, TCMB, GİB, TBB

Real sector: How significant is financial stress?

Non-performing commercial loans (%)



Bounced checks (%)



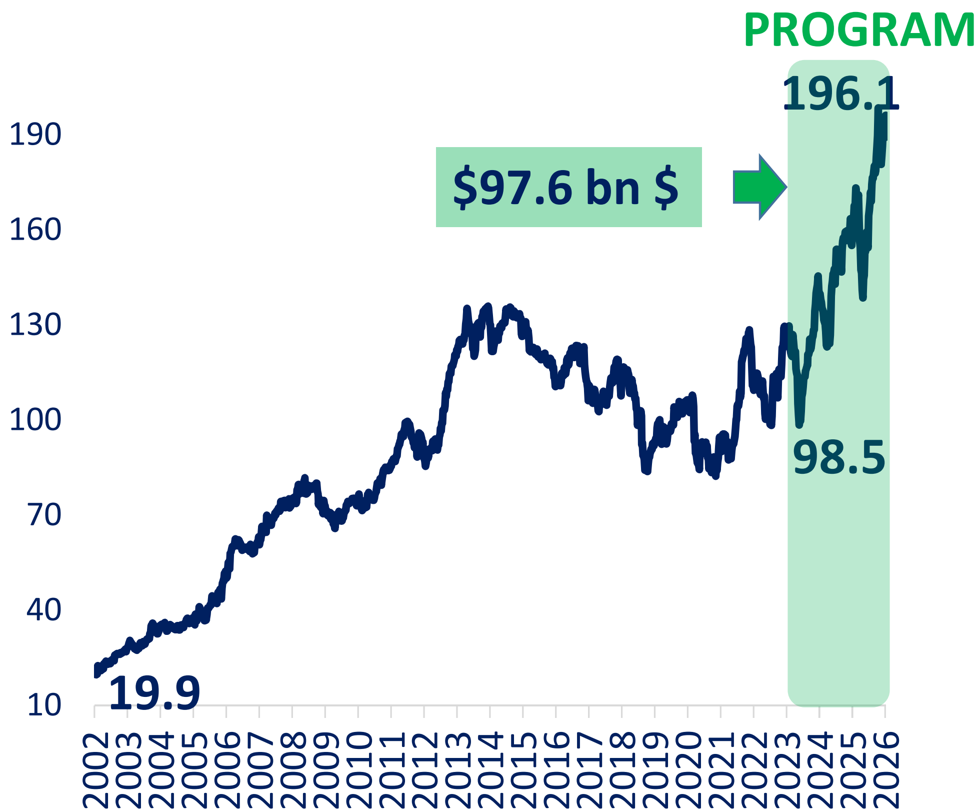
Source: CBRT

Investing in resilience & rebuilding buffers

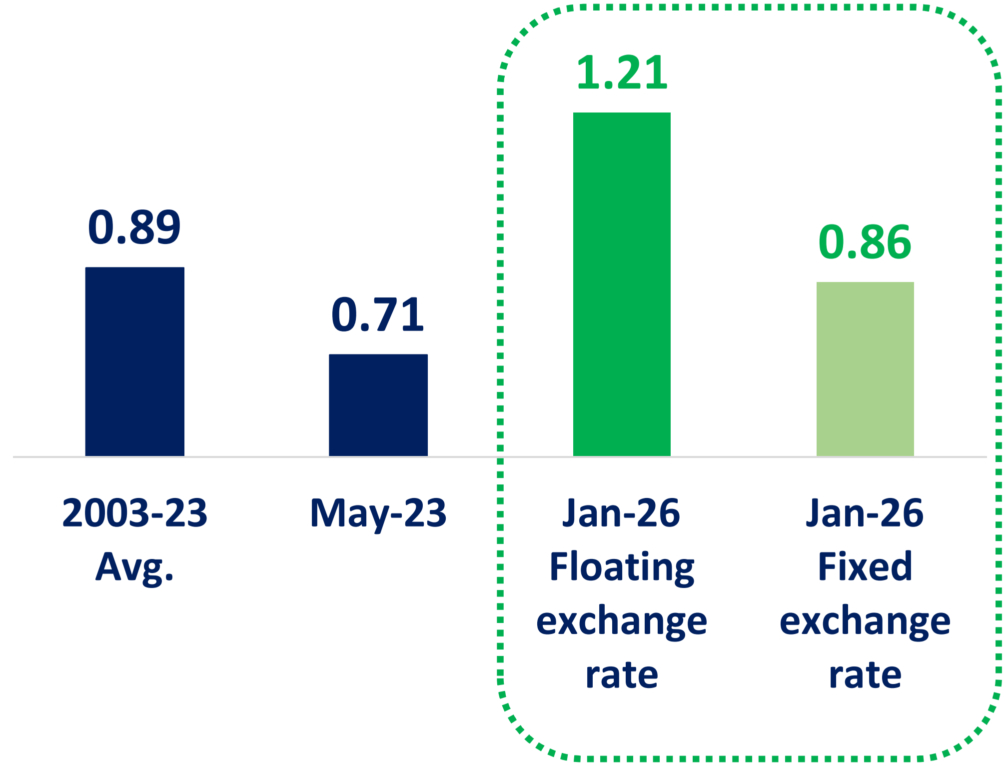
- **Strengthen buffers through fiscal & current account adjustments**
- **Improve reserve adequacy**
- **Reduce contingent liabilities**
- **Healthier banking sector**
- **Strengthen prudential tools to reduce corporate FX risks**

Financial stability: Reserve adequacy

Gross international reserves (bn $)



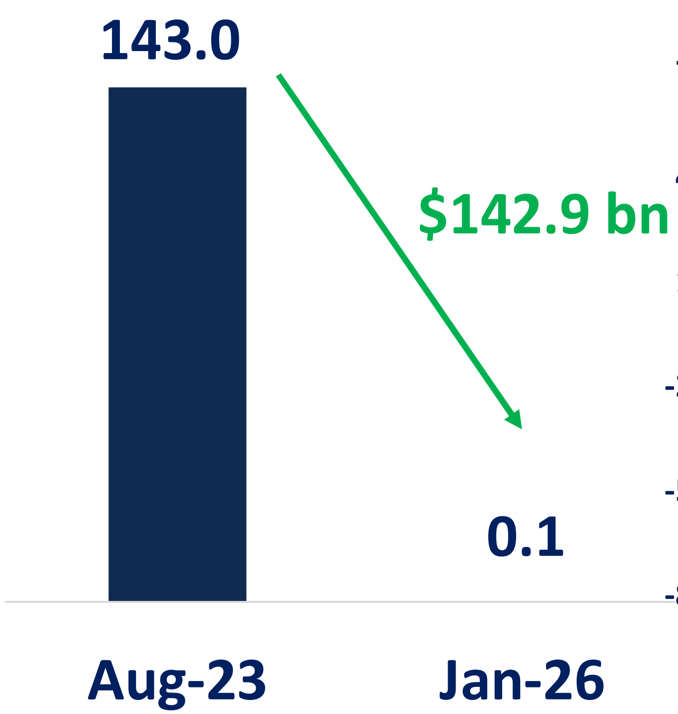
Ratio of Gross Reserves/ARA Metric*



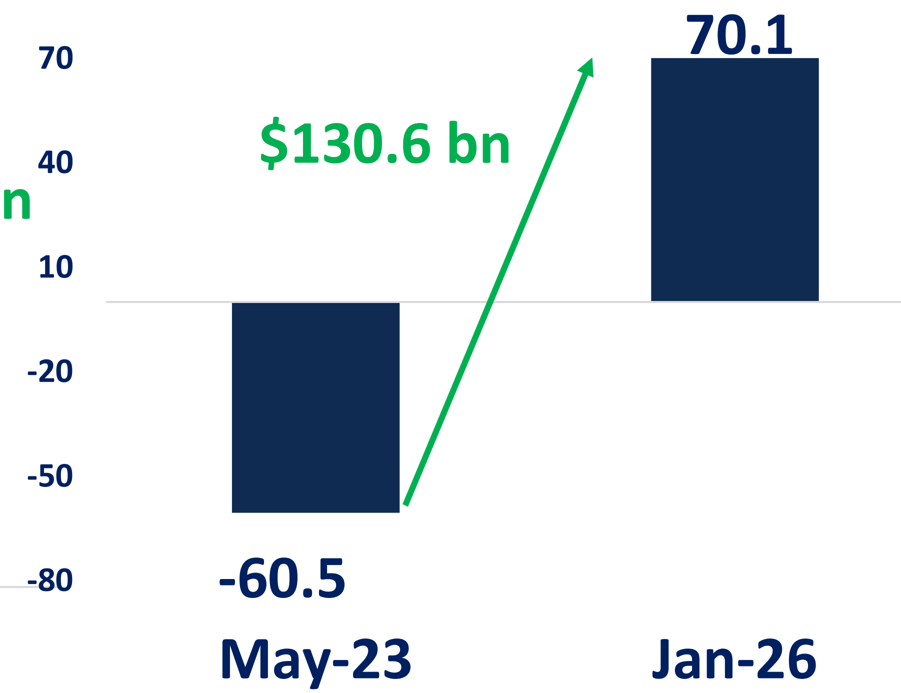
(*) Calculated by summing up 30% of short term external debt, 15% of other liabilities, 5% of export and service revenue and 5% of broad money supply
Source: IMF, CBRT, MoTF calculations, As of Jan 9, 2026

Financial stability: Reducing contingent liabilities

FX-protected Lira deposits (bn $)



Net (excl. swaps, bn $)

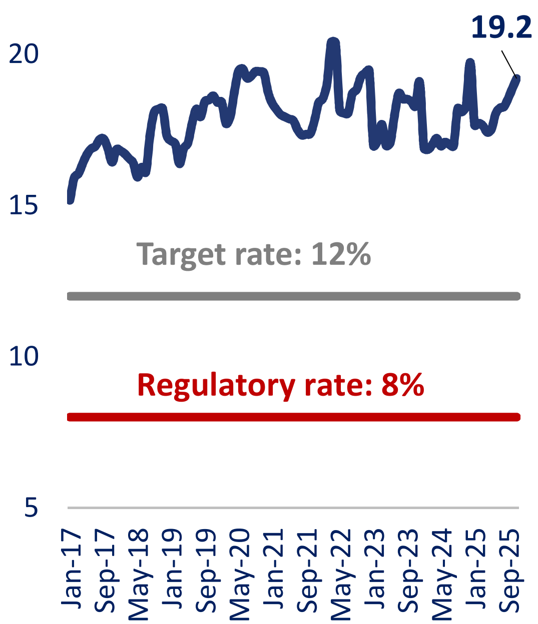


$274 bn improvement in the country's balance sheet

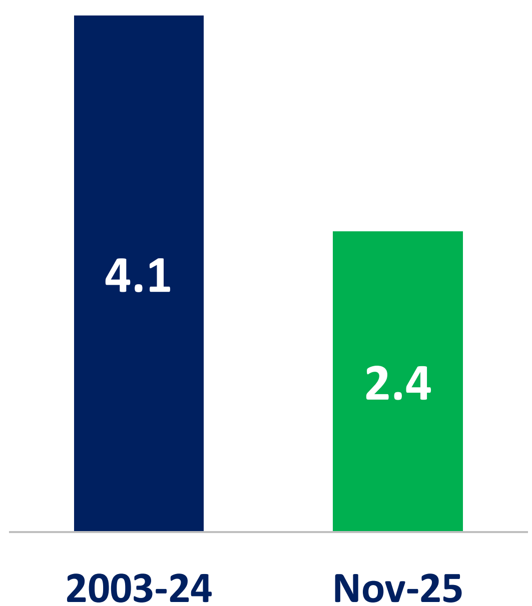
Source: CBRT, as of January 9, 2026

Financial stability: Outlook for banking sector is improving

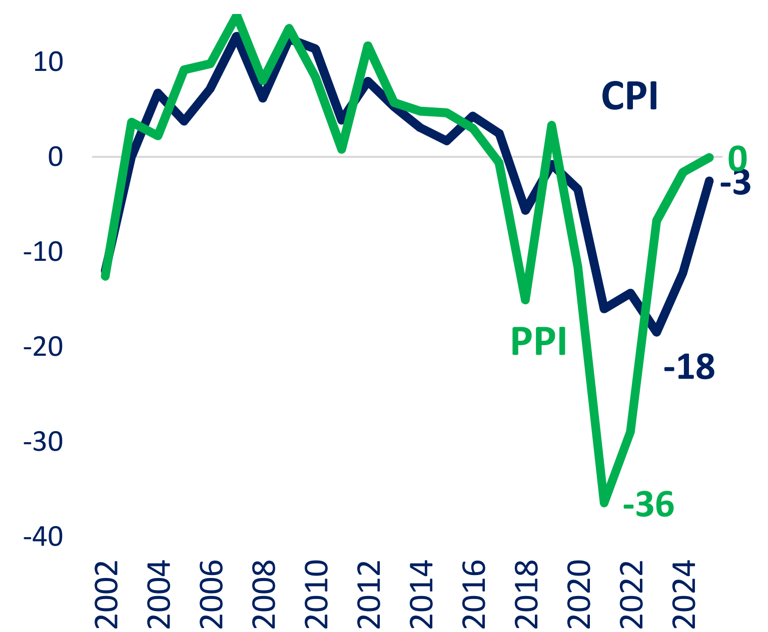
Well-capitalized
(Capital Adequacy Ratio, %)



Strong asset quality
(NPL Ratio, %)



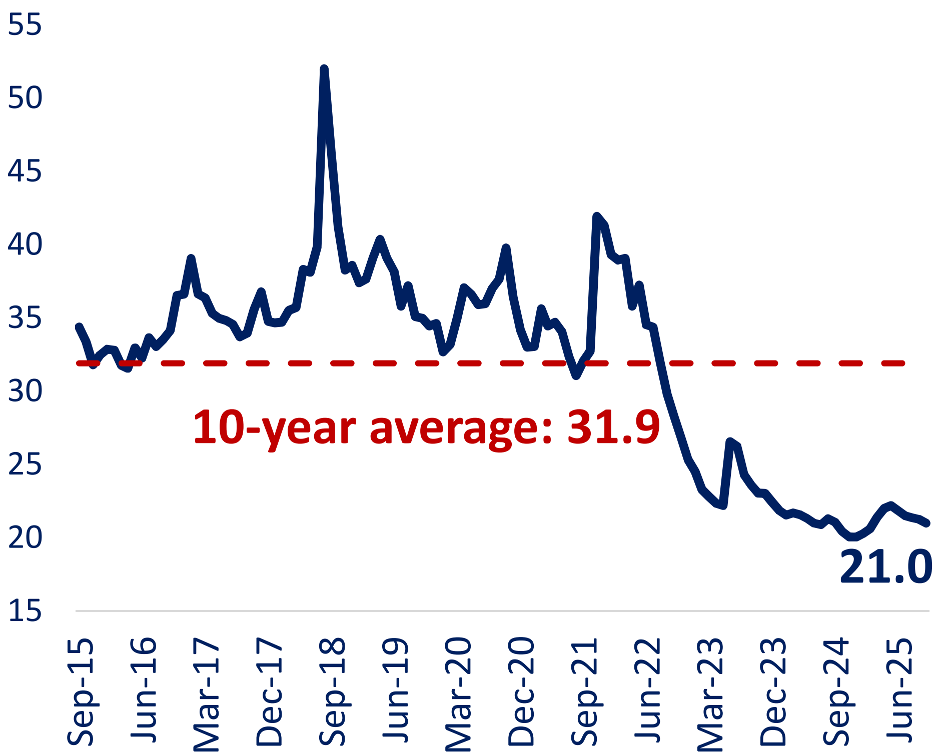
Real Return on Equity
(annual, adjusted by CPI & PPI, %)



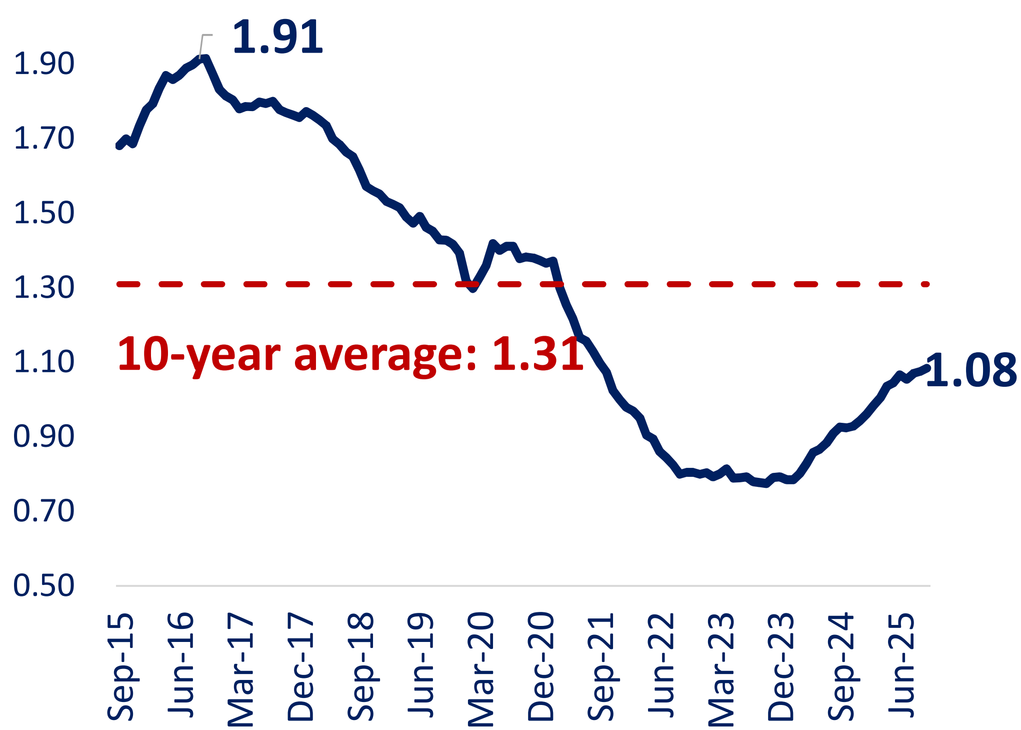
Source: BRSA

Financial stability: Corporate FX exposure

Corporate FX debt (%, GDP)

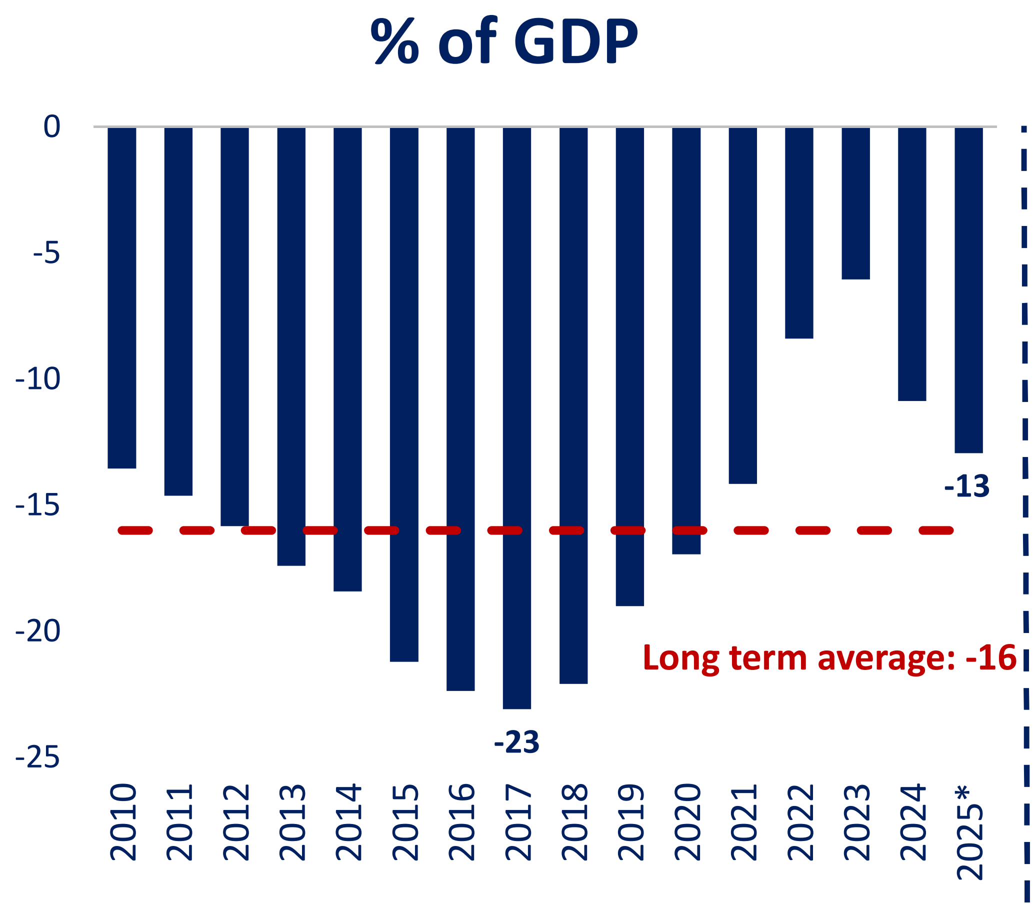


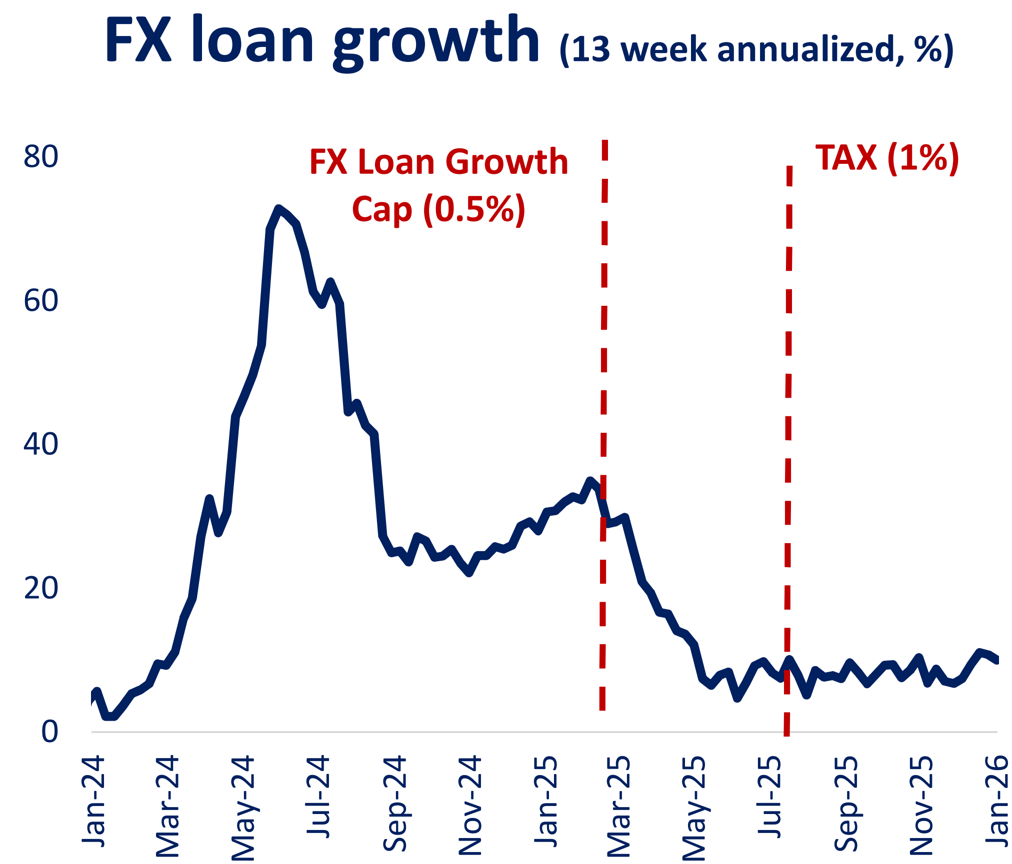
Corporate FX debt to exports (%)



Source: CBRT, Export values are the sum of 12-month cumulative amounts.

Financial stability: Net FX position of corporate sector



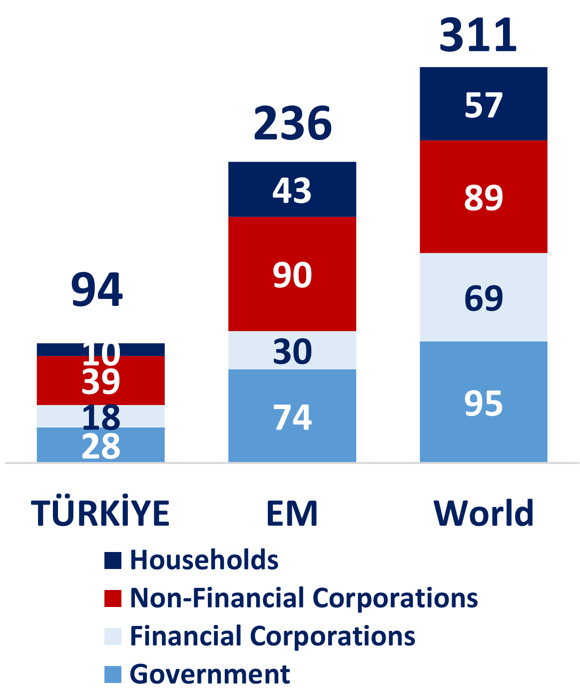


(*) As of September. GDP is calculated using a 4-quarter rolling basis, and Q3 is estimated.
Source: CBRT, TURKSTAT, MoTF

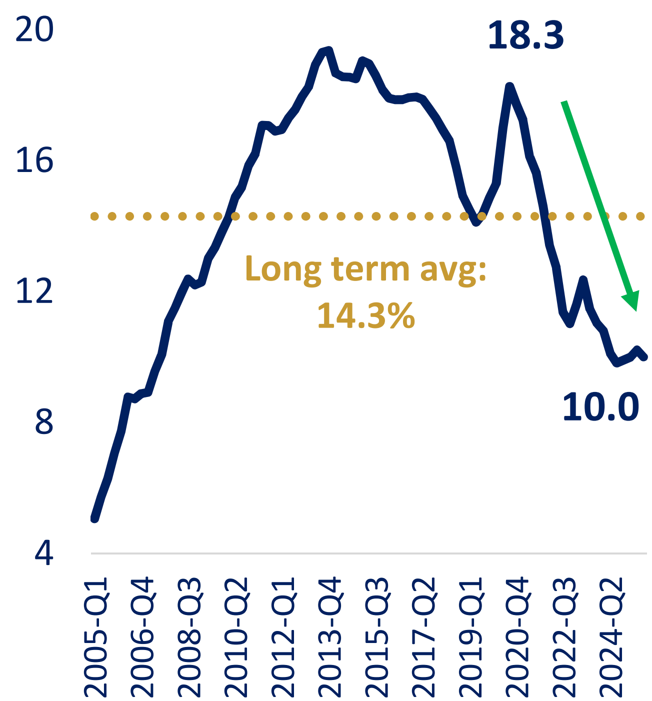
FX-adjusted FX loan growth is the ratio of the sum of the Turkish lira equivalent of change in FX loans, measured by multiplying one-year FX (basket) loan change with the one-year average basket exchange rate, to the total loan balance one-year (13 weeks for the black series) ago.

Financial stability: Low indebtedness

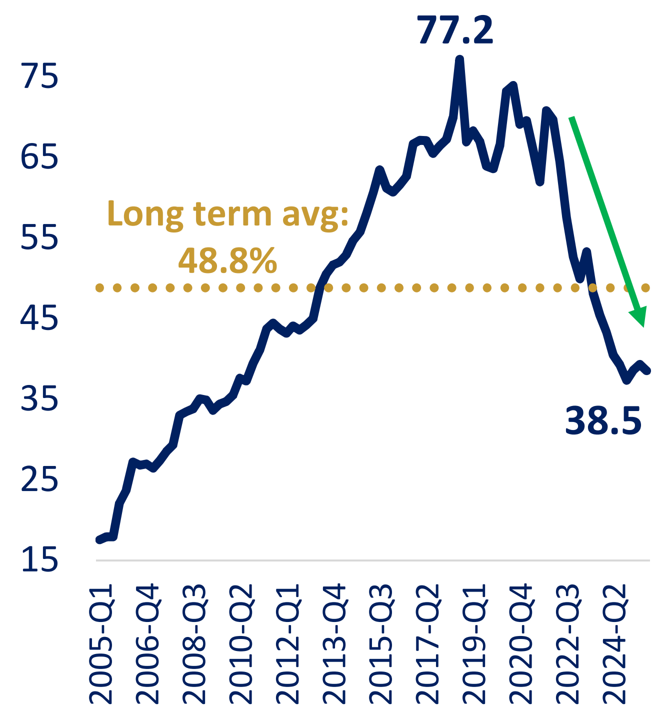
Debt to GDP (2025-Sep, %)



Households (%, GDP)



Corporates (%, GDP)



Source: CBRT, IIF

Political and geopolitical outlook

- **Program ownership remains strong**
- **Strengthening of reform ownership**
- **Kurdish reconciliation**
- **Improving geopolitical outlook**

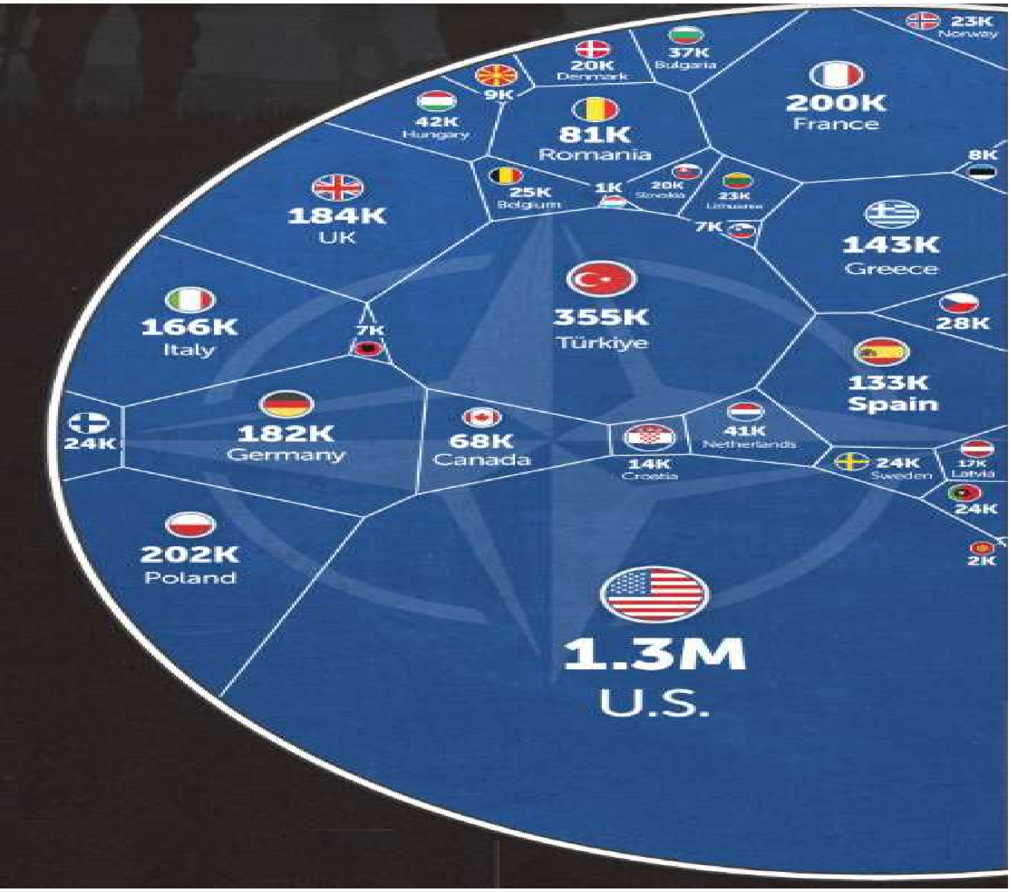
Geopolitical outlook

- Reconnecting with the West (improving relations with USA, rising Europe’s reliance on Türkiye in defense)
- Syria appears to be stabilizing
- Ceasefire in Gaza appears to be holding
- Armenia-Azerbaijan peace deal
- End of the Russia-Ukraine war in sight?

Hosting NATO & COP31 Summits in 2026

Geopolitical importance: Türkiye has been a reliable partner

Active military personnel across NATO



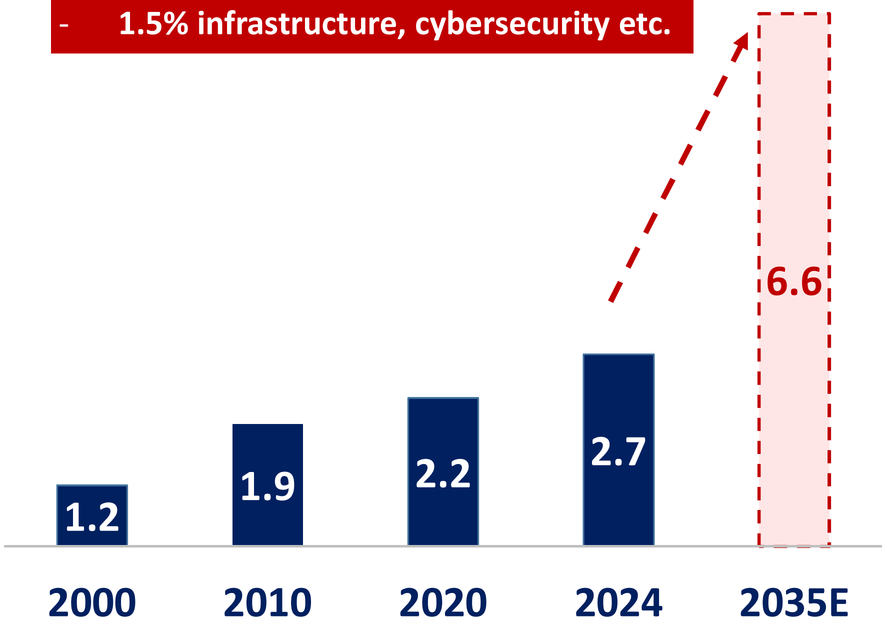
- 2^{nd} largest army within NATO
- Ranked 9^{th} out of 145 countries in military strength*
- Large technological and military industrial base
- Achieved >80% self sufficiency

Source: Visual Capitalist, *Global Firepower Index, 2025

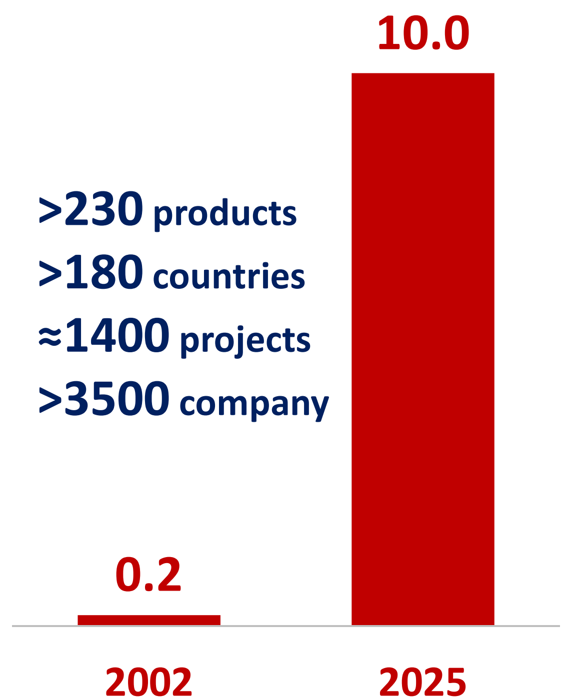
Geopolitical importance: Growing defense capabilities

Global defense expenditures

2035 NATO target
Spending equivalent to 5% of GDP
- **3.5% directly on military**
- **1.5% infrastructure, cybersecurity etc.**



Türkiye's Exports (bn $)

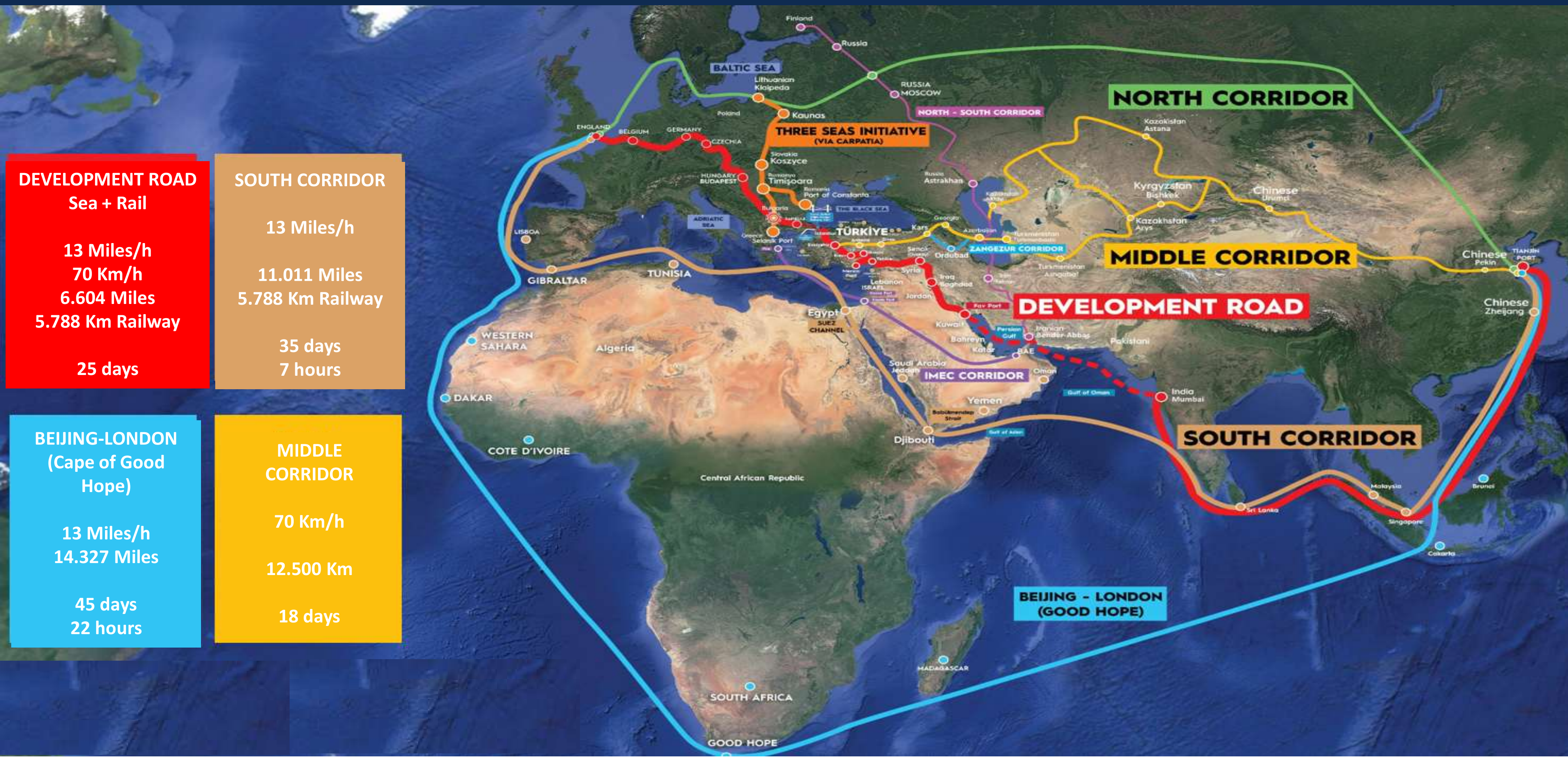


>230 products
>180 countries
≈1400 projects
>3500 company

Turkish defense companies among World's Top 100

Source: SIPRI, Atlantic Council, Lowy Institute, European Council, E: Estimate, Turkish Exporters Assembly

Geopolitical importance: Regional integration & connectivity



DEVELOPMENT ROAD
Sea + Rail

13 Miles/h
70 Km/h
6.604 Miles
5.788 Km Railway

25 days

SOUTH CORRIDOR

13 Miles/h

11.011 Miles
5.788 Km Railway

35 days
7 hours

BEIJING-LONDON (Cape of Good Hope)

13 Miles/h
14.327 Miles

45 days
22 hours

MIDDLE CORRIDOR

70 Km/h

12.500 Km

18 days

Geopolitical importance: Countries with more GDP than all their neighbors combined

Yes

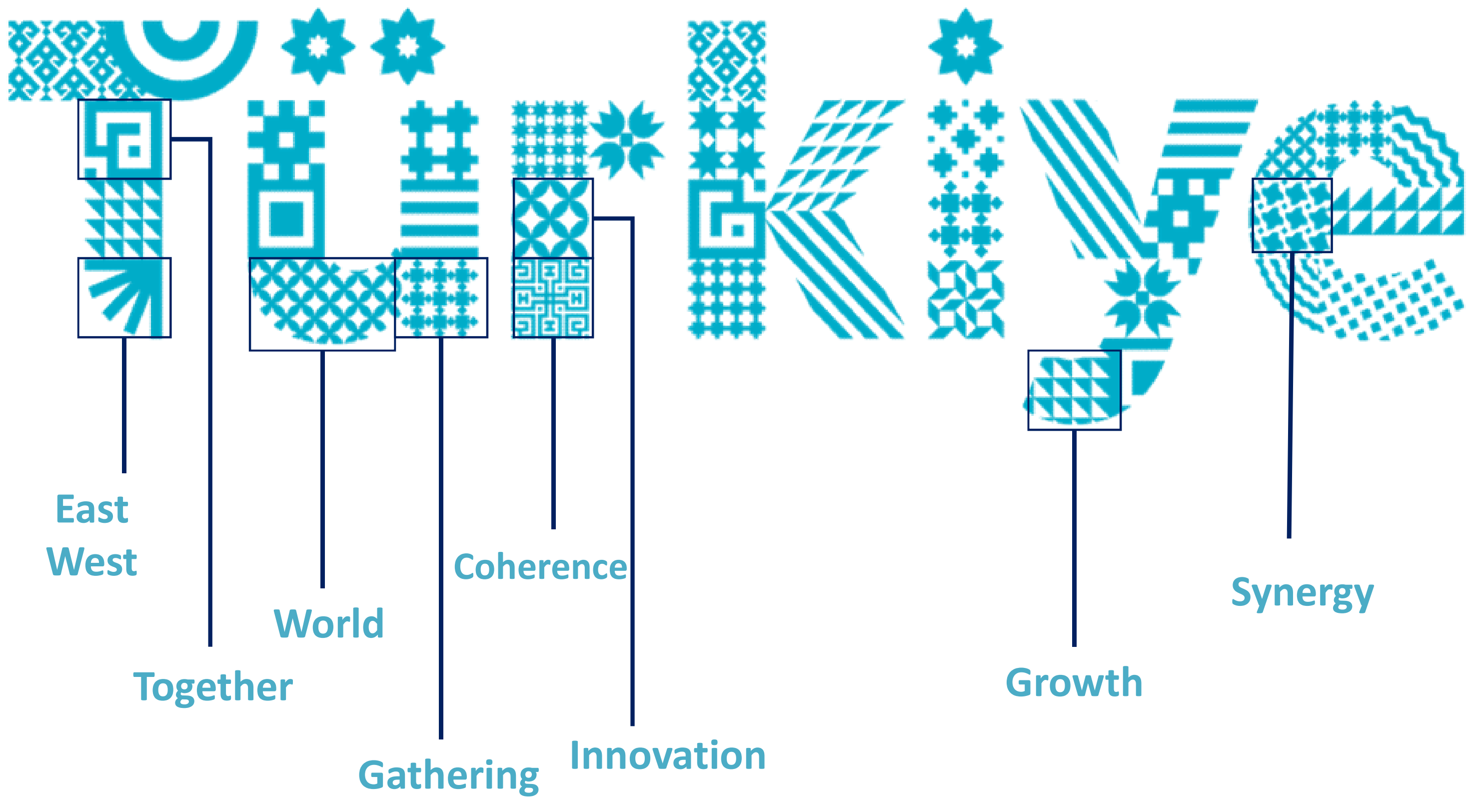
No

No neighbors

Türkiye: $1.6 trillion

8 neighbors: $1.3 trillion

Source: IMF WEO, Medium Term Program (2026-2028)


East
West
Together
World
Gathering
Coherence
Innovation
Growth
Synergy

THANK YOU