Macro: Signals on strengthening demand in manufacturing, services and retail

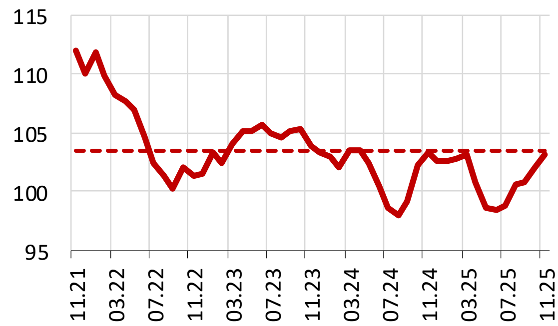
November's BTS, CUR, and sectoral confidence indices indicated that weak trend across sectors remained. However, the current state and 3-month ahead expectations for demand indicators (orders, business volume, sales, etc.) pointed to an improving outlook for demand in manufacturing, services, and retail sectors. On the other hand, there were no significant changes in indicators such as capacity utilization, production, investment, and employment trends that would change our overall assessments. However, there is also no deterioration compared to October. Sectoral data point that the relatively negative outlook for non-durable consumer goods remains. While assessments of cost realizations indicate a slight easing of inflationary pressure, the cost increase expectations for the next three months appear to reflect an assessment of the wage and other administered price adjustments that will be incurred in early 2026.

Confidence Indices

Real Sector Confidence Index (RSCI): RSCI (s.a.) rose by 1.2 points to 103.2, reaching its highest value since March 2025 (Chart 1). The index converged to its historical average, signaling a recovering outlook in the manufacturing industry. The increase in RSCI was driven by improving assessments for orders over the past 3 months, registered orders and expectations for next three months.

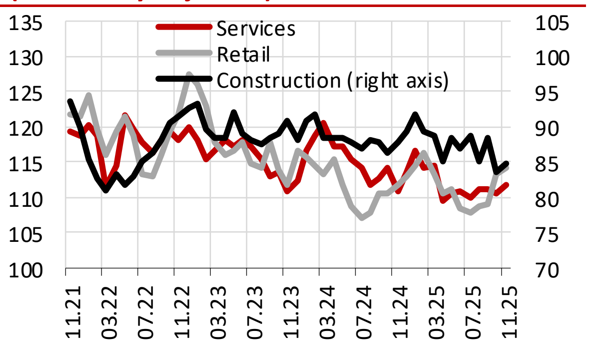
Sectoral Confidence Indices (SCI): While confidence indices across all sectors increased in November, they remained below their historical averages. The **services** sector confidence index increased by 1.1 points m-o-m, reaching its highest level since March, as did the RSCI. The **retail** sector confidence index also increased by a total of 6.3 points over the last four months, reaching its highest level since February (Chart 2). Similar to the improvement in indicators for orders in the RSCI, the monthly improvement in services and retail confidence was driven by increases in questions about business volume and sales. Therefore, a demand-driven recovery seems to be underway in manufacturing, services, and retail. The **construction** sector confidence index rose by 1.3 points in November, but failed to offset the previous month's decline.

Chart 1. Real Sector Confidence Index (seasonally adjusted)*



* Dashed line shows 2007-2019 average.
Source: CBRT

Chart 2. Sectoral Confidence Indices (seasonally adjusted)



Source: TURKSTAT

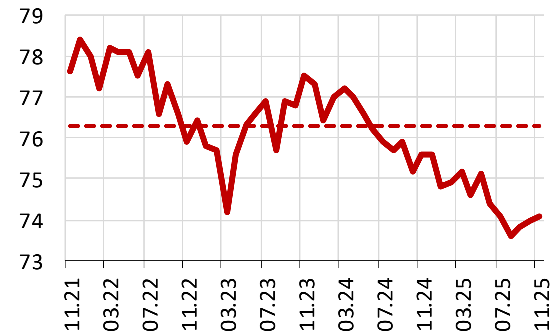
Capacity Utilization Rate (CUR)

CUR (s.a.) increased by a limited 0.1 points in November to 74.1%. Thus, it remained 0.4 points below the first 10-month average, 2.1 points below the 2024 average, and 2.2 points below the historical average, indicating that the weak course in production continued in the fourth quarter (Chart 3).

There was generally no significant change in the sectoral composition of the CUR compared to October. While there were limited monthly increases in the **food**, **textile**, **clothing** and **machinery and equipment** manufacturing sectors, which we have highlighted as having been relatively weaker recently, their weak outlook compared to historical averages and values at the beginning of the year remains. Monthly increases in **chemical** products, **basic metals**, **furniture**, **mineral products**, and **electrical equipment** manufacturing were slightly stronger. Conversely, **paper products**, **wood and cork**, and **fabricated metals**, which had followed a relatively positive monthly trend in October, saw a correction in November. Following a 1.4-point decline in October, the CUR for **other transport vehicles** decreased by 1.7 points in November, reaching 76.2%.

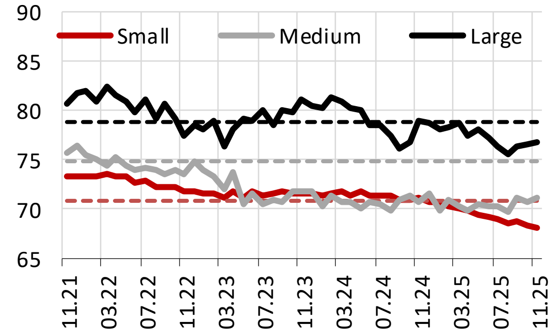
In terms of firm-scale, CUR increased in medium-sized companies, remained flat in large-sized companies, and continued to decline in small-sized companies (Chart 4). **Across goods groups**, CUR remained nearly flat in all commodity groups except for consumer durables (Charts 5 and 6).

Chart 3. Capacity Utilization Rate (seasonally adjusted, %)*



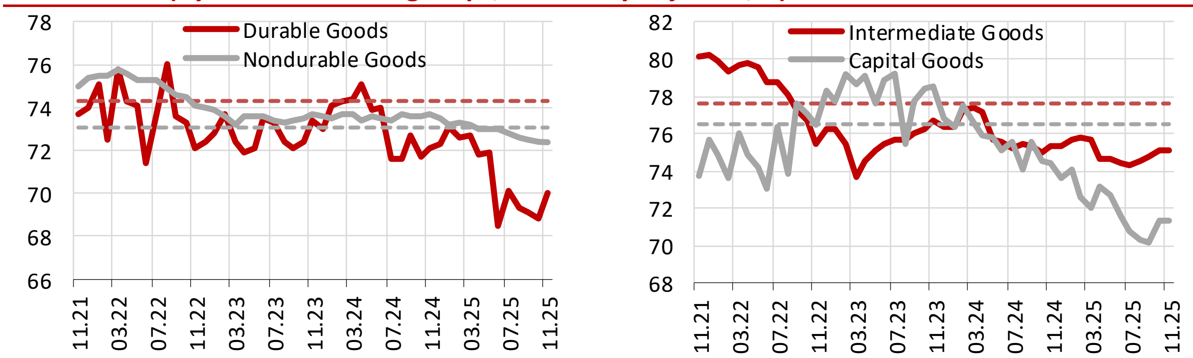
* Dashed line shows 2007-2019 average.
Source: CBRT

Chart 4. Capacity Utilization Rate (by firm-scale, seasonally adjusted, %)*



* Dashed lines show 2007-2019 average of each series.
Source: CBRT, Akbank

Chart 5 CUR (by main industrial groups, seasonally adjusted, %)*



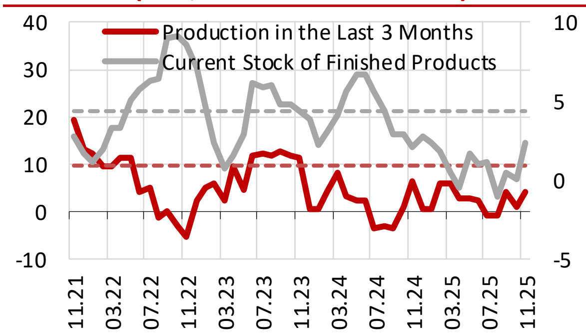
* Dashed lines show 2007-2019 average of each series.
Source: CBRT, Akbank

Business Tendency Survey

The production volume over the last three months increased by 2.8 points in November, a correction for the significant decline in October, but remained 5.7 points below the long-term average, indicating a continued weak outlook for manufacturing activity (Chart 6). Increases were prominent in medium- and large-scale companies by size, and in intermediate goods and capital goods by product group. **Stocks of finished goods** also increased strongly in November. Large and small-scale companies, and durable consumer goods and capital goods, led the way in this increase. While stocks of non-durable consumer goods decreased for the fifth consecutive month, they increased in intermediate goods.

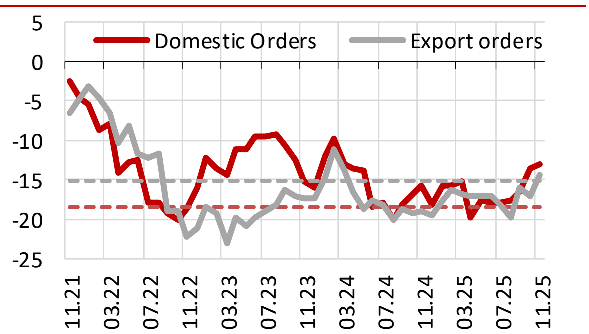
Registered orders increased in both the domestic market and exports, exceeding historical averages, signaling no slowdown in demand (Chart 7). The recovery in export orders was concentrated in small and large-scale companies, while capital goods were the driving force in terms of product groups. Domestic orders, which have been recovering for four consecutive months, saw a broad increase in terms of size. By product group, the increase was strong in capital goods, moderate in intermediate goods and non-durable consumer goods, while domestic orders for durable consumer goods declined significantly.

Chart 6. Production in the Last 3 Months (s.a., increase-decrease) and Stocks of Finished Products (s. a., above-below normal)*



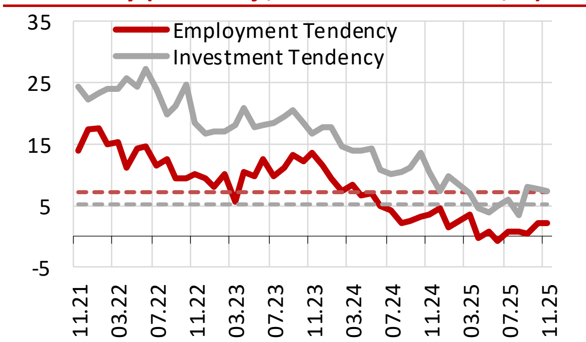
* Dashed lines show 2007-2019 average of each series.
Source: CBRT, Akbank

Chart 7. Registered Orders (seasonally adjusted, above-below normal, %)*



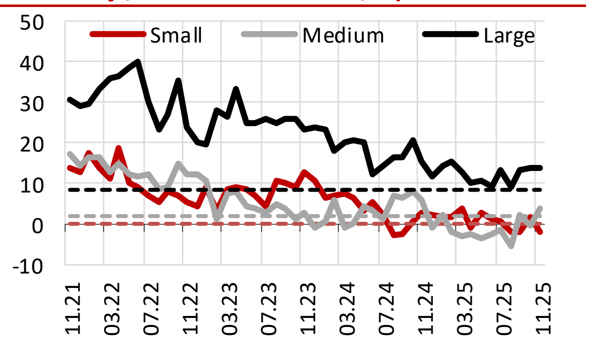
* Dashed lines show 2007-2019 average of each series.
Source: CBRT, Akbank

Chart 8. Employment and Investment Tendency (seas. adj., increase-decrease, %)



* Dashed lines show 2007-2019 average of each series.
Source: CBRT, Akbank

Chart 9. Investment Tendency (by firm-scale, seas. adj., increase-decrease, %)



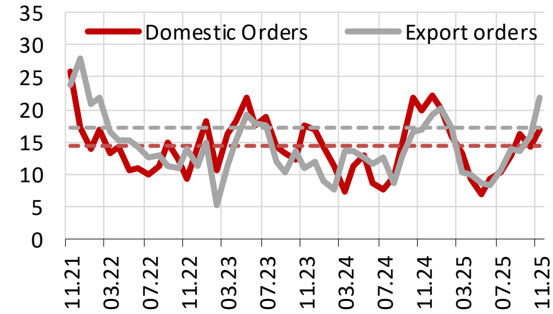
Source: CBRT, Akbank

Employment tendency reached its highest level in eight months, but still remained weak compared to its long-terml average (Chart 8). The **investment** tendency, which reached its highest level in the last seven months in September, declined slightly in October and November (Chart 9). While investment tendencies increased strongly in medium-sized firms, it remained flat in large-sized firms and declined in small-sized firms (Chart 9). By commodity group, investment tendencies increased only in durable consumer goods, while declining in all other sectors.

Manufacturing firms' expectations for **export orders** rose strongly in November. **Domestic order expectations**, which had only decreased in October during the last six months, increased again in November (Chart 10). While **expectations for export orders** rose across all sectors by commodity group, strong increases in durable goods pushed expectations above historical averages. Domestic order expectations declined in non-durable goods sectors. However, increases in other sectors were modest.

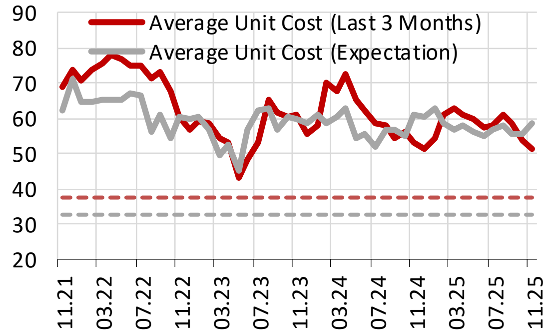
Regarding, the questions on **costs and pricing,** the decline in the average unit cost question for the last three months continued for the third month. Meanwhile, expectations for the next three months increased significantly in November (Chart 11). Wage and other administered price adjustments expected at the beginning of 2026 may have contributed to this increase. The decline in the manufacturing industry's annual inflation expectation for the next 12 months continued for the seventh consecutive month, falling by 0.8 points to 33.5%. Expectations remain above the current annual PPI inflation rate (26.6%)

Chart 11. Expectations for Orders in the next 3 Months (seas. adj., increase-decrease, %)*



* Dashed lines show 2007-2019 average of each series.
Source: CBRT, Akbank

Chart 12. Average Unit Labor Cost (seas. adj., increase-decrease, %)*



* Dashed lines show 2007-2019 average of each series.
Source: CBRT, Akbank

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