

TUSIAD COST-BASED COMPETITIVENESS INDEX (TUSIAD-CCI)

2025 4th QUARTER

In the fourth quarter of 2025, the TUSIAD Cost-Based Competitiveness Index (TUSIAD-CCI) declined by 1.5 percent quarter-on-quarter to a value of 88.8, after two consecutive quarters of increase.

In the final quarter of the year, the TUSIAD-CCI fell by 1.5 percent compared to the previous quarter. This decrease was mainly driven by intermediate goods and labor costs rising more rapidly than those of competitor countries, despite the favorable course of domestic energy costs. Although labor productivity continued to improve relative to competitor countries, this improvement did not translate into a significant gain in firms' competitiveness.

TUSIAD-CCI (2017=100)

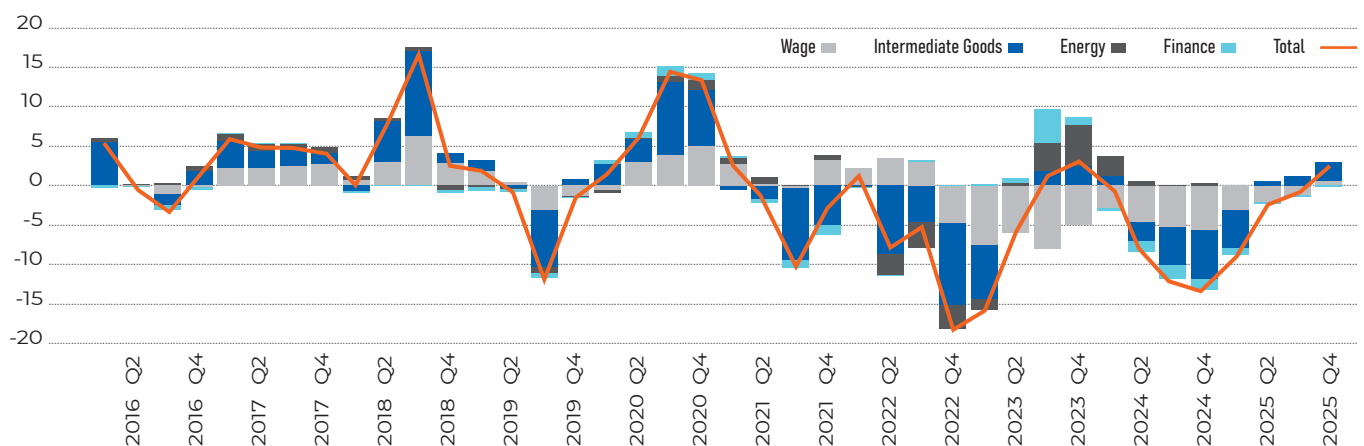
An increase in the index signals a gain in Türkiye's cost-based competitiveness, while a decrease indicates a loss.



Source: SAHA Analytics

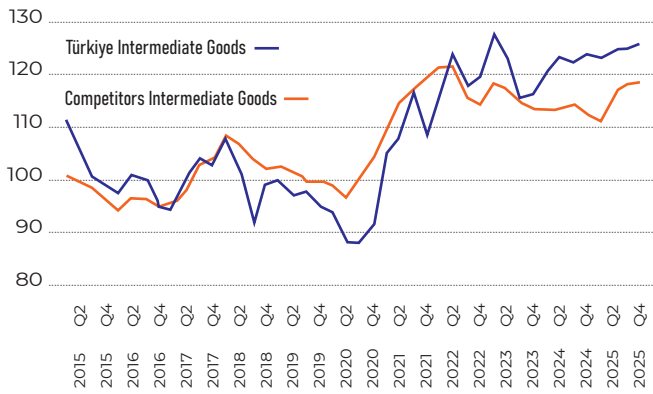
On an annual basis, the index increased by 2.9 percent. Despite this modest improvement in the cost-based competitiveness of exporting firms over the past year, the TUSIAD-CCI remains close to its historical lows.

TUSIAD-CCI Cost Components (Contribution to Annual Change, ppt)



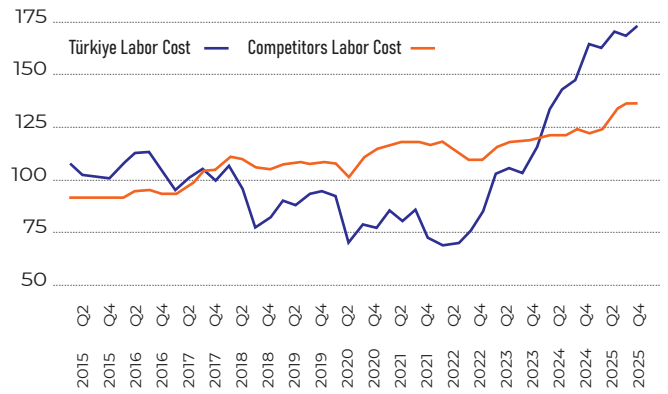
Source: SAHA Analytics

Cost of Intermediate Goods in Türkiye and Competitor Countries



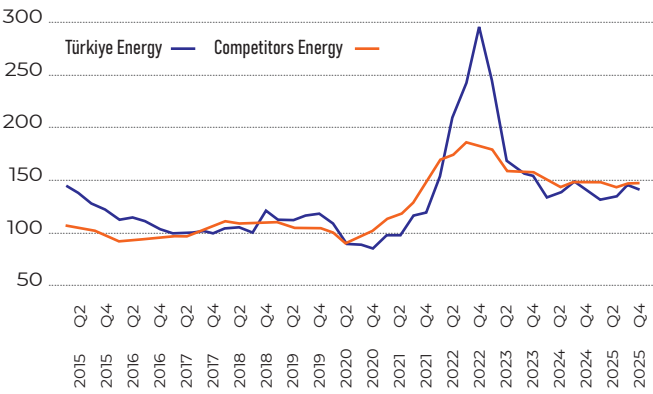
Source: SAHA Analytics

Labor Cost in Türkiye and Competitor Countries



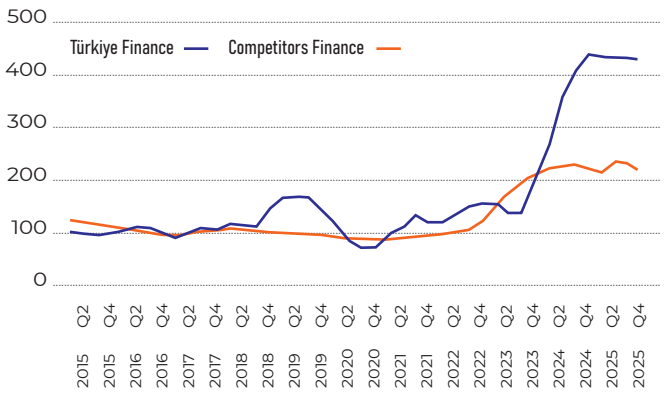
Source: SAHA Analytics

Energy Cost in Türkiye and Competitor Countries



Source: SAHA Analytics

Cost of Financing in Türkiye and Competitor Countries



Source: SAHA Analytics

COST COMPONENTS

Cost of Intermediate Goods: In the fourth quarter of 2025, domestic intermediate goods costs in U.S. dollar terms increased by 1.2 percent compared with the previous quarter. Over the same period, the increase in costs in competitor countries remained more limited at 0.3 percent.

Labor Costs: Domestic labor costs in U.S. dollar terms increased markedly in the fourth quarter of 2025. During this period, domestic labor costs rose by 4.4 percent quarter-on-quarter, while the increase in competitor countries remained limited to 0.1 percent. In addition to increases in nominal wages, employment losses, particularly in labor-intensive sectors, contributed to the increase in the average wage level.

Energy Costs: In the fourth quarter of 2025, the relatively weak trend in global energy prices helped contain energy costs. During this period, domestic energy costs in U.S. dollar terms declined by 3.2 percent compared with the

previous quarter, while energy costs in competitor countries increased only marginally by around 0.1 percent. On the other hand, the notable increase in global energy prices since the beginning of 2026 is expected to push production costs upward both in Türkiye and in competitor countries. How developments in global energy prices will be reflected in domestic costs will be an important factor shaping the trajectory of the index.

Financing Costs: Domestic financing costs declined slightly in the fourth quarter of 2025, with the index falling by 0.5 percent compared with the previous quarter. In competitor countries, financing costs in U.S. dollars declined more substantially by 4.3 percent over the same period.

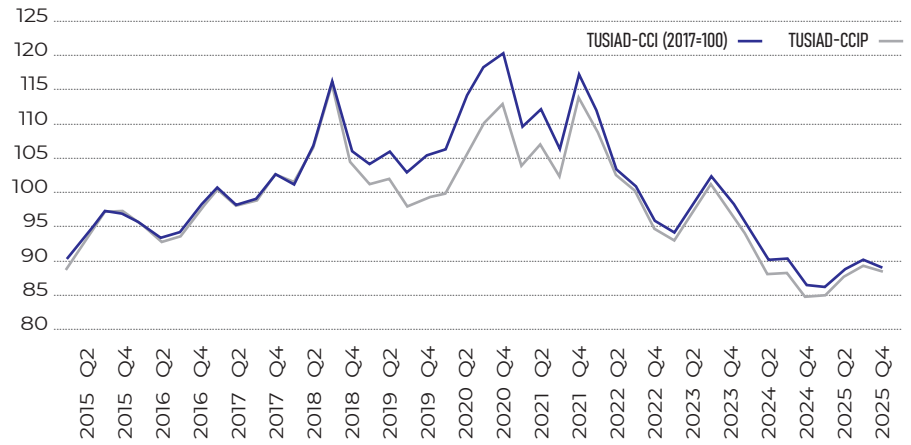
On an annual basis, domestic financing costs posted a modest decline (-1.9 percent), implying that the negative impact of financing costs on the TUSIAD-CCI has eased compared to previous periods.

TUSIAD-CCIP

The productivity-adjusted index (TUSIAD-CCIP), which is calculated by incorporating labor productivity, moved broadly in parallel with the TUSIAD-CCI. Although labor productivity continued to improve relative to competitor countries during this period, it did not have a significant impact on firms' competitiveness.

TUSIAD-CCIP

An increase in the index signals a gain in Türkiye's cost-based competitiveness, while a decrease indicates a loss.



Kaynak: SAHA Analytics

The TUSIAD Cost-Based Competitiveness Index (TUSIAD-CCI)

is a cost-based competitiveness index that compares the course of input prices (costs) used in exporting manufacturing industry sectors over time with those of competitor countries. The index is calculated using up-to-date data sets provided by national and international organizations. The index consists of four cost components: intermediate goods, labor costs (average gross wages), energy, and financing costs. These production costs are measured in current US dollars for each country and compared on a quarterly basis. An increase in the index indicates a decrease in the unit cost of production relative to competitor countries (cost-based competitiveness gain), while a decrease in the index indicates an increase

in the unit cost of production relative to competitor countries (cost-based competitiveness loss). The productivity-adjusted index (TUSIAD-CCIP) is constructed by incorporating labor productivity developments in exporting sectors and competitor countries into the calculations. The TUSIAD-CCI and TUSIAD-CCIP indices are compared to provide information on how labor productivity affects cost developments compared to competitor countries. A higher increase (decrease) in the TUSIAD-CCIP index compared to the TUSIAD-CCI index signifies that labor productivity in exporting manufacturing industry sectors has increased (decreased) at a higher rate than in competitor countries, thereby enhancing (weakening) cost-based relative competitiveness.

CALCULATION METHOD

The TUSIAD Cost-Based Competitiveness Index (TUSIAD-CCI) is an index developed to monitor trends in production costs (intermediate goods, energy, labor, and financing) across Türkiye's 10 exporting manufacturing sectors in comparison to those of competitor nations. The sectors encompassed by the index include food, textile-clothing-leather, chemicals, plastics and rubber, other non-metallic minerals, basic metals, fabricated metals, electrical equipment, machinery manufacturing, and motor vehicles. The identification of competitor countries is based on Türkiye's primary export markets. In this context, 15 competitor countries were identified for each of the sectors analyzed and 35 competitor countries were identified across all sectors, of which 31 countries with available data were included in the index calculations.

For competitor countries and Türkiye, cost components and their weights in terms of "intermediate goods, energy, financing and labor costs" were calculated using input-output tables provided by national and international organizations. The cost items were calculated using data on producer price indices, average gross wage levels, energy prices, private sector loan interest rates, and exchange rates of the relevant countries. Using these data and the weights calculated from the input-output tables, a production cost index in local currency is constructed for each country. To make the indices comparable across countries, the index values calculated in local currency are divided by the US dollar exchange rate for the respective country. The TUSIAD-CCI index is derived by dividing the aggregated index for competitor countries by the cost index for Türkiye. The productivity-adjusted index (TUSIAD-CCIP) is obtained by incorporating the labor productivity calculated for competitor countries and Türkiye into the index.

The calculation of the intermediate goods cost index is based on the input prices of the pertinent sector from agriculture, hunting, forestry, fisheries and aquaculture, mining and quarrying (non-energy products), and manufacturing industries, utilized for production. The calculation of the energy cost index involves the utilization of input prices procured by sectors from mining and quarrying, energy-yielding products (coal, lignite), coke, and refined petroleum products, as well as electricity, gas, steam, and air conditioning sectors. The calculation of the financing cost index is based on the interest rates of commercial loans utilized by the real sector and the amount of financing required. The calculation of the labor cost index is predicated on the gross labor payments per employee indicator.

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