

TUSIAD COST-BASED COMPETITIVENESS INDEX (TUSIAD-CCI)

2025 3rd QUARTER

Following the increase recorded in the second quarter of 2025, the TUSIAD Cost-Based Competitiveness Index (TUSIAD-CCI) rose by a further 1.5 percent quarter-on-quarter in the third quarter, reaching a value of 90.1.

In the third quarter of the year, the TUSIAD-CCI increased by 1.5 percent quarter-on-quarter. This quarterly increase was primarily driven by rising costs in competitor countries measured in U.S. dollar terms. Domestic costs continued to remain moderate; aside from a pronounced increase in energy costs, the growth in other cost components remained below that of competitor countries. Although labor productivity outpaced that of competitor countries, it did not have a significant impact on firms' competitiveness.

The increases observed in the TUSIAD-CCI over the past two quarters indicate a modest improvement in the cost-based competitiveness of exporting firms.

On an annual basis, the index declined by 0.3 percent in the third quarter. Over the course of the year, relative labor and financing costs continued to contribute negatively to the annual change in the competitiveness index, albeit at a lower extent. These two components contributed -0.8 and -0.1 percentage points, respectively, to the annual decline in the TUSIAD-CCI. By contrast, intermediate goods costs maintained a favorable trajectory relative to competitor countries, contributing +0.7 percentage points and thereby mitigating the overall decline.

TUSIAD-CCI (2017=100)

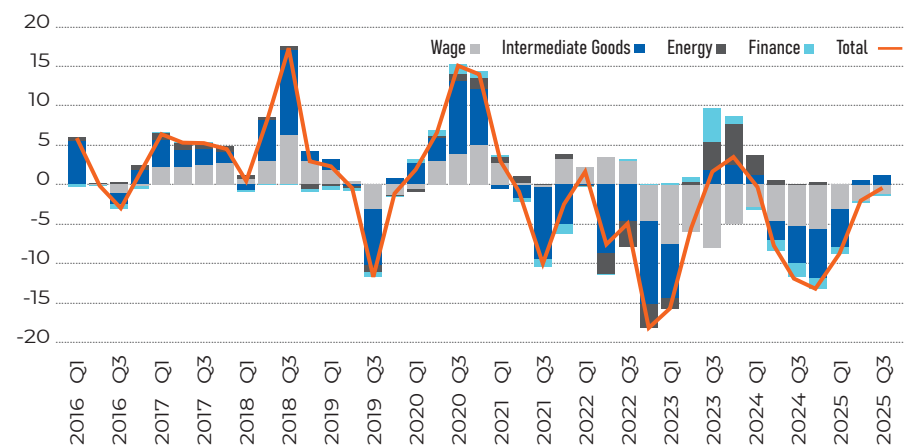
An increase in the index signals a gain in Türkiye's cost-based competitiveness, while a decrease indicates a loss.



Source: SAHA Analytics

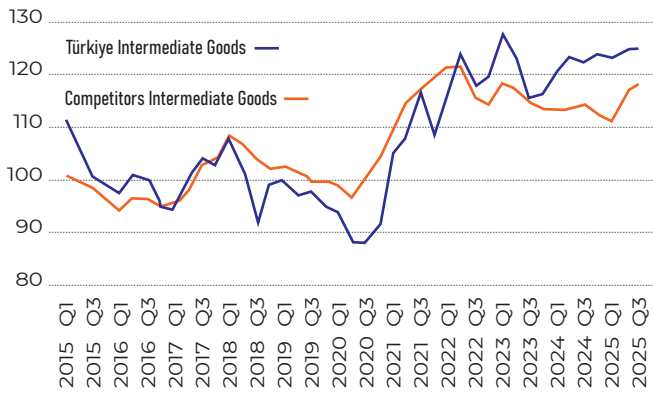
Cost based competitiveness rose by **1.5%** compared to the previous quarter

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



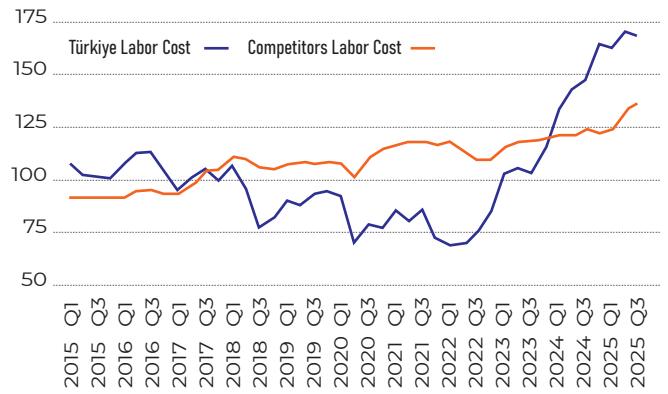
Source: SAHA Analytics

Cost of Intermediate Goods in Türkiye and Competitor Countries



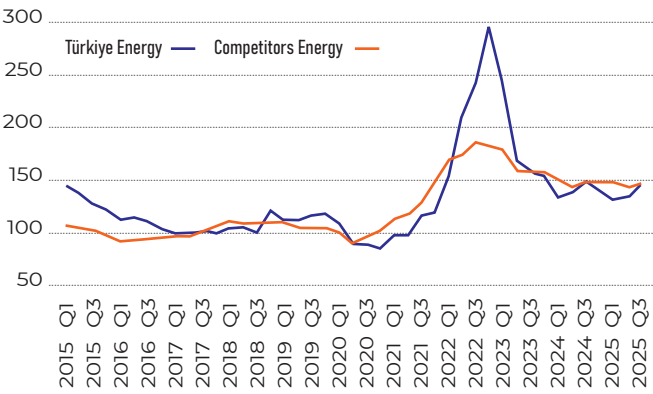
Source: SAHA Analytics

Labor Cost in Türkiye and Competitor Countries



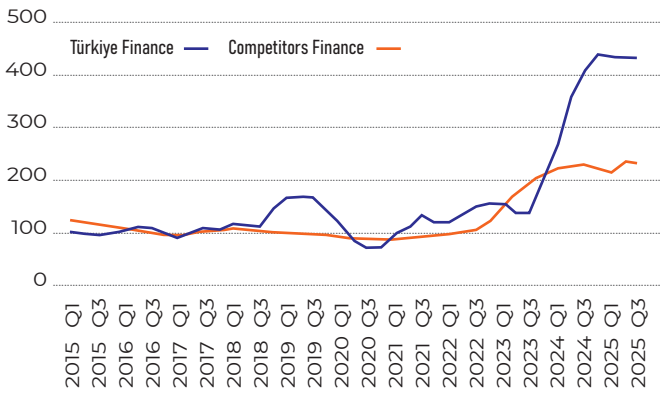
Source: SAHA Analytics

Energy Cost in Türkiye and Competitor Countries



Source: SAHA Analytics

Cost of Financing in Türkiye and Competitor Countries



Source: SAHA Analytics

COST COMPONENTS

Intermediate Goods Costs: Domestic intermediate goods costs have remained relatively stable over the past year. Supported by moderate trends across a significant share of global commodity prices and ongoing efforts to restore price stability, domestic intermediate goods costs recorded a limited 1.7 percent increase over the past year. By contrast, a significant 6.2 percent increase in competitor countries' costs in the last two quarters, largely driven by cross-currency effects, positively affected the relative costs of Turkish exporting firms during this period.

Labor Costs: Over the past two quarters, domestic labor costs measured in U.S. dollar terms have evolved more favorably than those of competitor countries. In the third quarter, domestic labor costs declined by 0.9 percent quarter-on-quarter, while labor costs abroad increased by 3.1 percent. Although rising foreign labor costs partially narrowed the cost differentials, cumulative labor cost increases continued to exert pressure on total production costs for exporting firms.

Energy Costs: Weak global demand continued to exert downward pressure on crude oil prices during the third quarter; however, energy costs in competitor countries rose by 3.5 percent compared to the previous quarter largely due to cross-currency movements. Over the same period, rising domestic energy prices led to a pronounced 11.6 percent increase in domestic energy costs, effectively eliminating the annual energy cost advantage previously held relative to competitors.

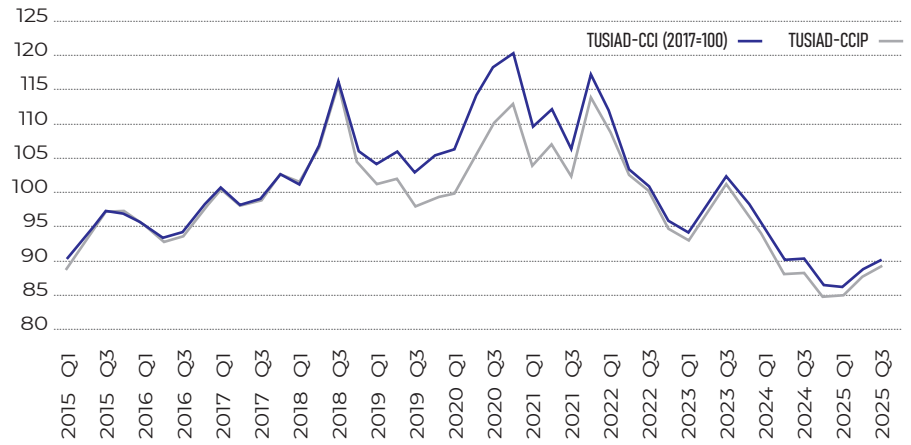
Financing Costs: Domestic financing costs showed no significant change in the third quarter, declining by 0.4 percent compared to the previous quarter. In competitor countries, ongoing interest rate cuts contributed to a 0.8 percent reduction in financing costs; however, the appreciation of local currencies against the U.S. dollar limited the decline in financing costs in dollar terms. As a result of these developments, the downward impact of financing costs on the TUSIAD Cost-Based Competitiveness Index eased on an annual basis.

TUSIAD-CCIP

The productivity-adjusted index (TUSIAD-CCIP), which incorporates labor productivity developments, continued to remain below the headline CCI. Although labor productivity improved modestly relative to competitor countries, its contribution to firms' overall competitiveness remained limited.

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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