

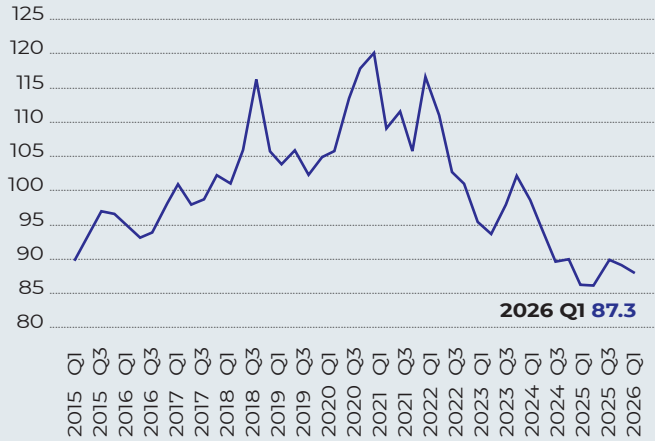
TUSIAD COST-BASED COMPETITIVENESS INDEX (TUSIAD-CCI)

2026 1st QUARTER

The TUSIAD Cost-Based Competitiveness Index (TUSIAD-CCI) declined by 1.7 percent quarter-on-quarter, reaching 87.3 in the first quarter of 2026.

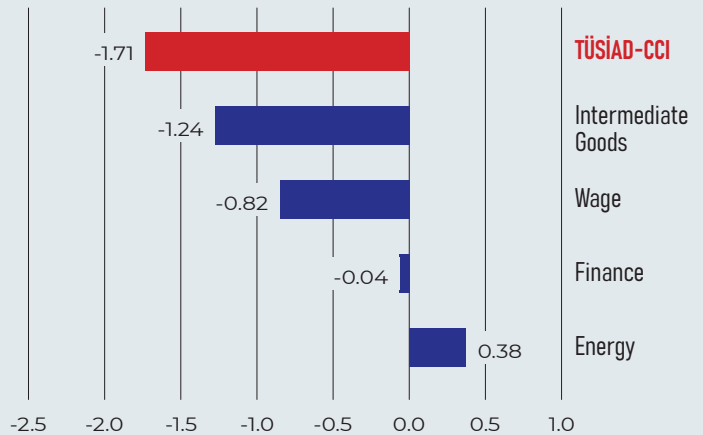
TUSIAD-CCI (2017=100)

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



Source: SAHA Analytics

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

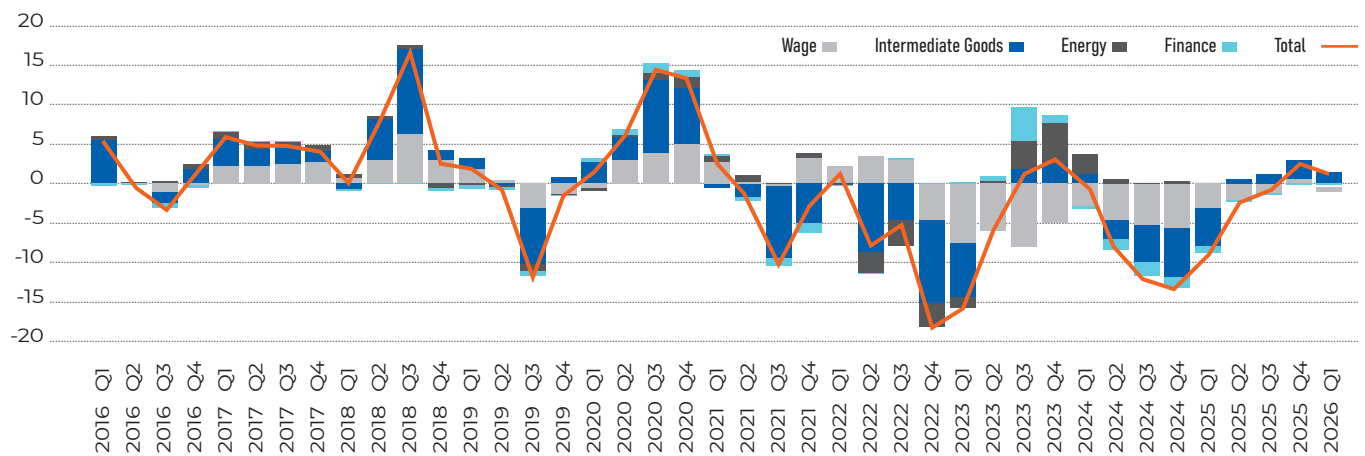


Source: SAHA Analytics

In the first quarter of the year, the TUSIAD-CCI declined by 1.7 percent compared to the previous quarter, remaining near its historical lows.

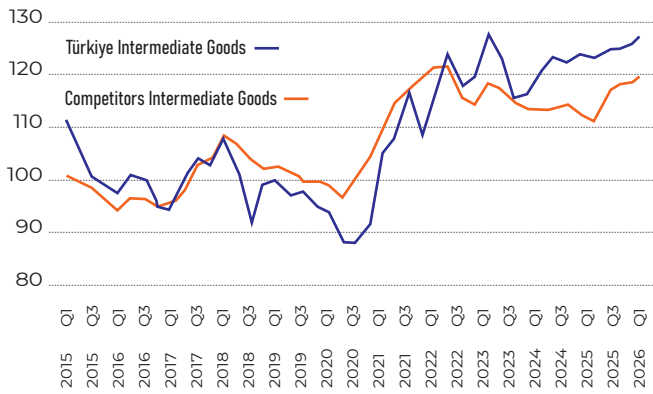
Despite the favorable contribution of domestic energy costs, the increase in intermediate goods and labor costs relative to competitor countries exerted downward pressure on the index in the first quarter of 2026. Meanwhile, labor productivity evolved broadly in line with competitor countries and did not have a significant impact on competitiveness.

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



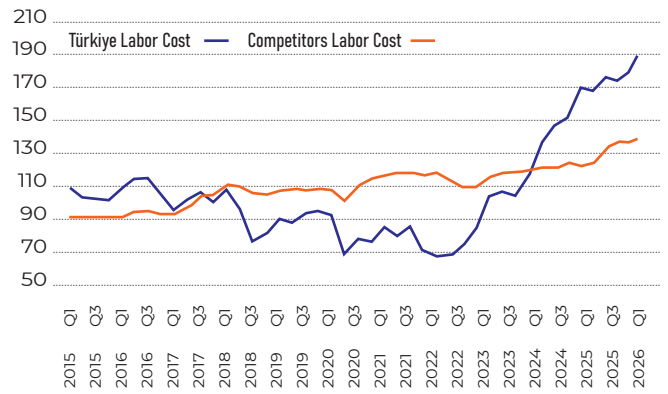
Source: SAHA Analytics

Cost of Intermediate Goods in Türkiye and Competitor Countries



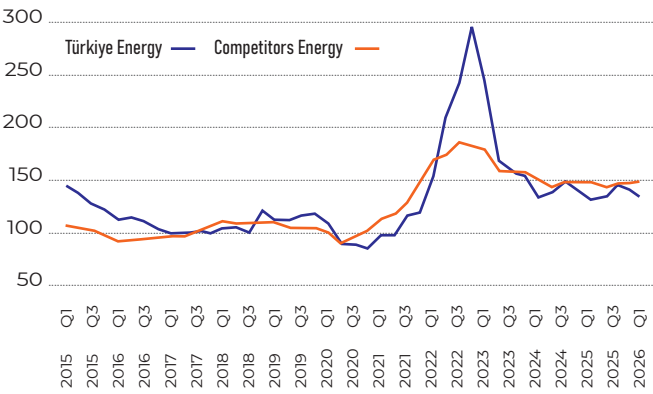
Source: SAHA Analytics

Labor Cost in Türkiye and Competitor Countries



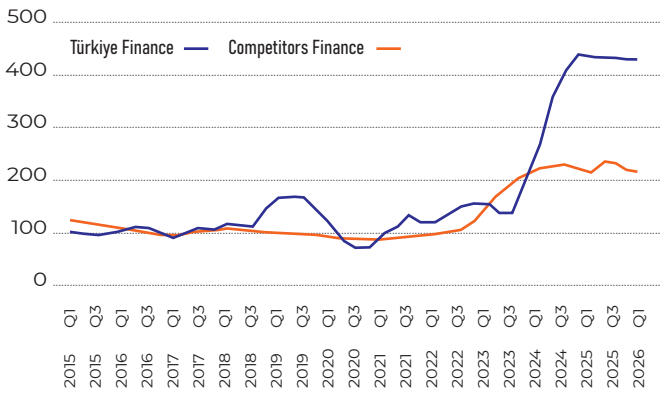
Source: SAHA Analytics

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 first quarter of 2026, intermediate goods costs measured in U.S. dollar terms increased significantly both in Türkiye and in competitor countries. During the quarter, domestic intermediate goods costs rose by 3.4 percent quarter-on-quarter, while costs in competitor countries increased by 1.8 percent.

Labor Costs: Domestic labor costs also increased markedly in U.S. dollar terms in the first quarter of the year. During the quarter, domestic labor costs rose by 8.5 percent compared to the previous quarter, while the increase in competitor countries remained more limited at 2.1 percent.

Energy Costs: The favorable trajectory in energy costs, driven by lower electricity prices in the final quarter of 2025, continued into the first quarter of 2026. During this period, domestic energy costs declined by 6.0 percent quarter-on-quarter in U.S. dollar terms, while energy costs in competitor countries increased by 1.1 percent.

That said, the notable increase observed in global energy prices in the second quarter of 2026 is expected to push production costs upward both in Türkiye and in competitor countries going forward.

Financing Costs: Domestic financing costs increased by 0.2 percent in U.S. dollar terms in the first quarter of the year, while financing costs in competitor countries declined by 1.6 percent.

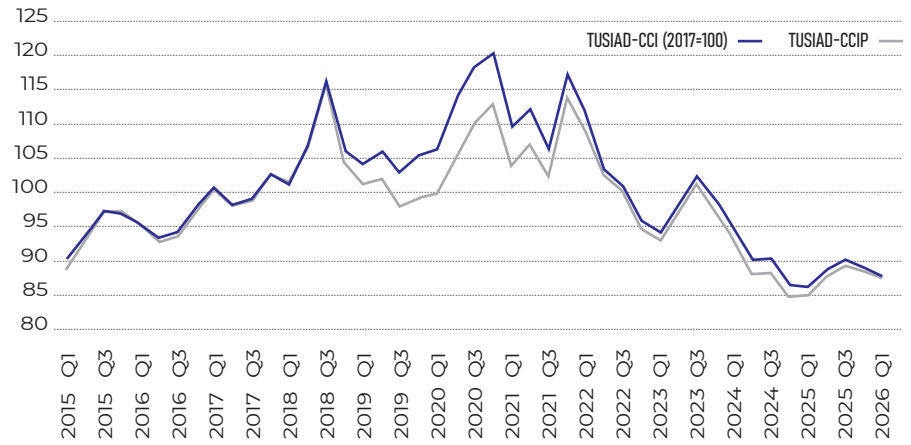
TUSIAD-CCIP

The productivity-adjusted index (TUSIAD-CCIP), which incorporates developments in labor productivity, continued to gradually converge toward the TUSIAD-CCI during the first quarter of 2026.

Labor productivity followed a similar trend to that of competitor countries in the first quarter of the year and did not have a significant impact on firms' competitiveness.

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

TUSIAD-CCIP



Source: 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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