

The TUSIAD Cost-Based Competitiveness Index (TUSIAD-CCI), after a year-long decline, rose by 3.0% quarter-on-quarter in the second quarter of 2025, reaching a value of 88.7.

The TUSIAD-CCI, which tracks the relative movement in input costs of Türkiye's exporting manufacturing sectors against those of competitor countries, rose by 3.0% in the second quarter of 2025 compared to the previous quarter, a period characterized by heightened uncertainty in global trade policies. During this time, competitor countries that experienced significant currency appreciations against the US dollar faced notable increases in dollar-based costs, while domestic cost trends in Türkiye remained comparatively moderate. Excluding energy, the rise in other domestic cost components (intermediate goods, labor, and financing) remained below those observed in competitor countries. Meanwhile, labor productivity remained slightly above that of competitor countries, though it had no significant impact on companies' competitiveness.

Although the TUSIAD-CCI pointed to a modest improvement in the second quarter of the year, the cost-based competitiveness of exporting sectors remained weak with the index hovering below its 2015 level.

Cost based competitiveness rose by **3%** compared to the previous quarter

TUSIAD-CCI (2017=100)

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

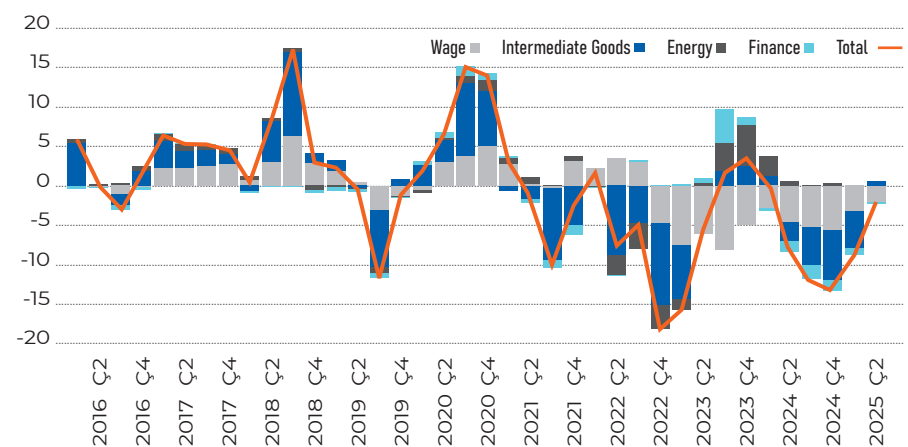


Source: Saha Analytics

Over the past year, the decline in the TUSIAD-CCI was primarily driven by rising labor and financing costs relative to those in competitor countries. Although the index edged up in the second quarter, the contribution of energy costs to this improvement remained limited. At the same time, higher growth in intermediate goods costs abroad compared to domestic markets provided exporting companies with a modest cost advantage.

In light of these developments, the TUSIAD-CCI declined by 1.4 percent year-on-year in the second quarter of 2025, marking an improvement relative to the sharper contraction observed in the previous quarter. The 1.4 percent yoy decline was primarily

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

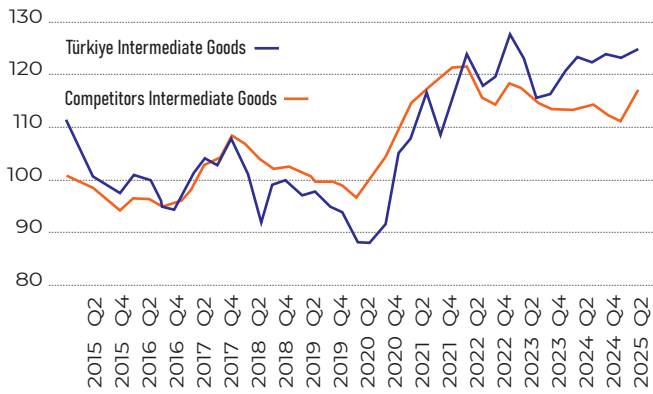


Source: Saha Analytics

driven by labor costs with a negative contribution of 1.5 percentage points, and energy costs with a negative contribution of 0.3 percentage points.

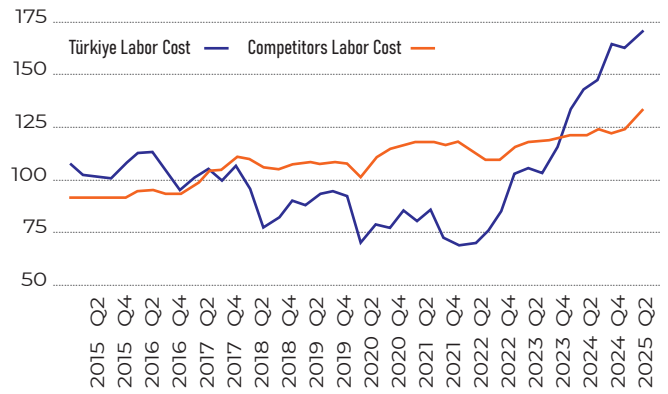
In contrast, intermediate goods and energy costs made positive contributions to the index, adding 0.2 and 0.1 percentage points, respectively.

Cost of Intermediate Goods in Türkiye and Competing Countries



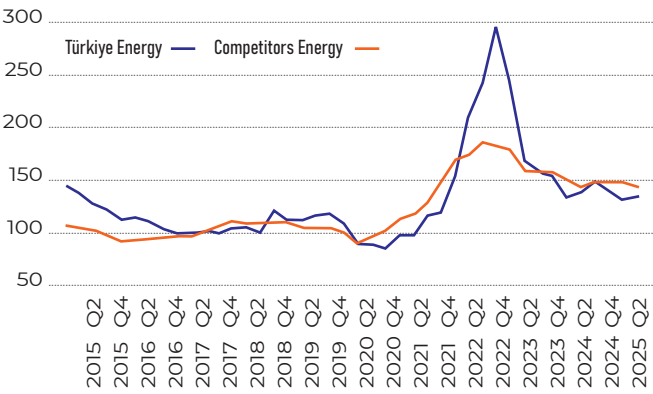
Source: Saha Analytics

Labor Cost in Türkiye and Competing Countries



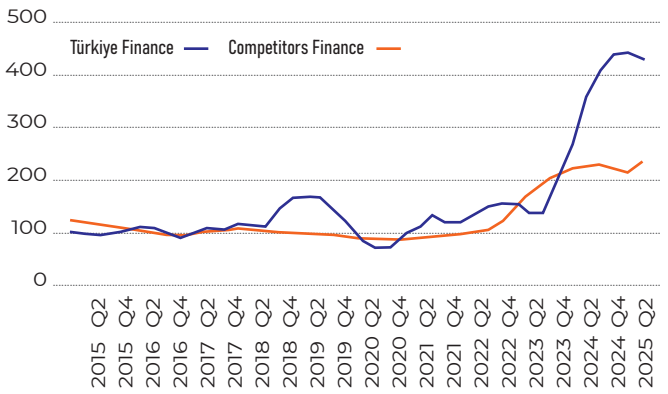
Source: Saha Analytics

Energy Cost in Türkiye and Competing Countries



Source: Saha Analytics

Cost of Financing in Türkiye and Competing Countries



Source: Saha Analytics

COST COMPONENTS

Cost of Intermediate Goods: In the second quarter of 2025, domestic intermediate goods costs remained largely stable compared to the previous quarter, while costs in competitor countries rose significantly, driven primarily by cross-currency effects. During this period, intermediate goods costs across manufacturing sectors in Türkiye increased modestly by 0.7 percent, whereas competitor country costs rose more significantly by 4.7 percent. Although the cumulative increase in domestic intermediate goods costs remained higher than that of competitors, developments in this quarter contributed positively to the relative cost position of Turkish exporting companies.

Labor Costs: Domestic labor costs, measured in USD terms, continued their upward trajectory in the second quarter of 2025, extending a trend that has persisted over the past three years. Although labor costs in competitor countries also rose during this period, partly offsetting the relative cost increases, labor costs remained a key contributor to the overall cost pressures faced by Turkish exporting companies.

Energy Costs: In the second quarter of 2025, energy prices in competitor countries fell by 3.5 percent qoq, reflecting weaker global demand and declining crude oil prices. Domestic energy prices increased during this period, resulting in a modest increase in relative energy costs. The two-year trend shows that this cost component has remained more moderate compared to competitor countries, supporting the cost competitiveness of Türkiye's export-oriented manufacturing sectors.

Financing Costs: Over the past two quarters, the rise in domestic financing costs has partially reversed, supported by the downward trend in commercial loan interest rates. During this period, the domestic financing cost index fell by 1.9 percent compared to the previous quarter. Conversely, the depreciation of the US dollar had an adverse impact on financing costs (in USD terms) in competitor countries. Despite this recent decline in domestic financing costs, the financing cost index continued to exert downward pressure on the TUSIAD-CCI on an annual basis.

TUSIAD-CCIP

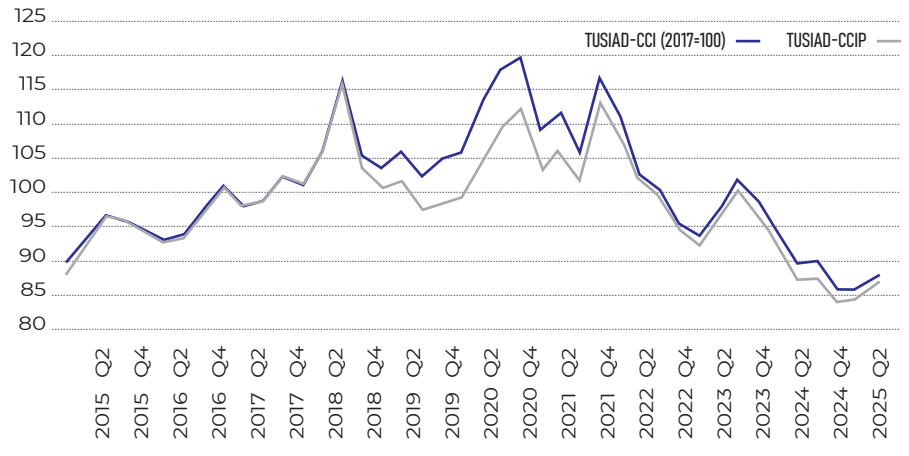
In the second quarter of 2025, TUSIAD-CCIP reached 87.7, remaining below TUSIAD-CCI (88.7).

The productivity-adjusted index (TUSIAD-CCIP), which factors in labor productivity developments, remained consistently below the TUSIAD-CCI throughout the calculation period. This indicates that labor productivity growth in Türkiye’s exporting sectors has lagged behind that of competitor countries, thereby failing to ease cost pressures on companies.

While labor productivity showed a relatively weak trend during the first three quarters of 2024, developments in the final quarter of 2024 and the first quarter of 2025 aligned more closely with those observed in competitor countries.

TUSIAD-CCIP

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



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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