

NOVEMBER 2025

Türkiye Economic Outlook

Main messages

Economic Policies



We maintain our baseline as a controlled scenario with a somewhat a restrictive policy mix in the short term. On monetary policy, we see a bias toward rate cuts from the CBRT, making it rely mostly on macro-prudential measures and more prone to missing the inflation targets. The negative fiscal impulse of this year (~1pp of GDP) will likely turn neutral in 2026 and only limited support to disinflation might come from tax and administered price adjustments, if it occurs. There is no clear fiscal consolidation except for decelerating quake spending.

Growth Outlook



We have started to observe a slight recovery in GDP momentum as we nowcast a quarterly GDP growth of 0.5-1% in 4Q25 as of November, after a pace of around 0.5% in 3Q25. Following a similar pace compared to our previous expectations, we maintain our GDP forecasts as 3.7% in 2025 and 4% in 2026, assuming that the output gap will remain negative throughout 2026.

Inflation & Rates



After the worsening in inflation trend since August, we now expect year-end CPI to be nearly 32%, which has generated dynamic effects for our 2026 forecast and made us revise it to 25% by year-end (vs. 23%). Recent inflationary pressure requires a stronger currency and higher rates in the short term (we introduce no marginal changes in real rates). We now see USDTRY at 43 by end-2025 (vs. 45) and maintain our call of 52 by end-2026 (<2% m/m nominal depreciation) despite a higher inflation.

Risks



Global financial volatility affecting risk appetite and demand for EM assets, Trump policies particularly impacting Europe, domestic uncertainties and stickier than expected inflation trend are near term risks. We still construct our baseline with a disinflation trend but evaluate the balance of risks evolving to a stickier inflation trend due to the prolonged process with more muted gains on expectations.

Global Economic Outlook

Main messages

The global economy remains unstable but is faring better than expected.

The AI boom is boosting aggregate demand, adding to other tailwinds like fiscal stimulus, lower interest rates, financial wealth effects, and low energy prices. Together, they are offsetting the negative -but so far milder than expected- effects of protectionism, migration curbs, and uncertainty.



Global growth will likely be around 3.2% between 2025 and 2027 -higher than previously anticipated, but slightly below the two-decade average. Growth is projected to stay near 2% in the US, slightly above 1% in the Eurozone, and to slow in China from 5% in 2025 to 4% in 2027. Short-term forecasts have been revised slightly upwards, mainly due to positive incoming data.



Inflation prospects remain broadly unchanged.

In the US, tariffs and other shocks will likely keep inflation near 3%, limiting the Fed's room to further cut rates. In the Eurozone, inflation is expected to stay around 2%, with no further monetary easing anticipated. In China, deflation concerns may prompt some (limited) rate cuts.



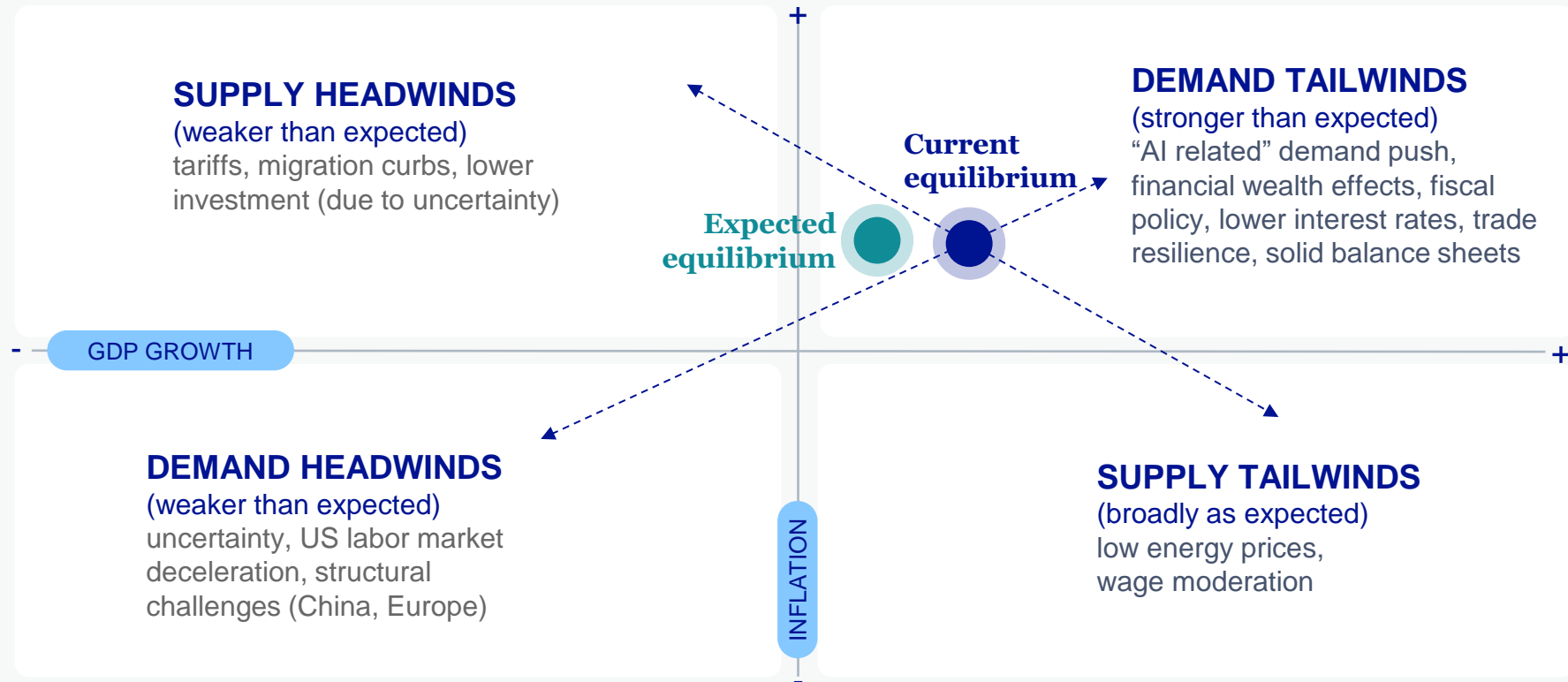
Risks are now somewhat more balanced.

Tariffs, migration policies, US policy uncertainty, and geopolitical tensions remain key concerns. However, upside risks linked to AI are growing. Beyond boosting demand, AI could eventually lift productivity. A stock market correction, however, remains a distinct possibility.



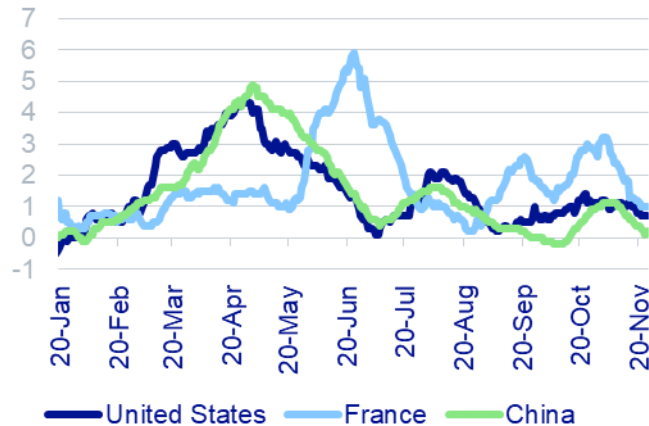
The global economy remains unstable, but is faring better than expected

GLOBAL ECONOMY: KEY DRIVERS OF THE CURRENT EQUILIBRIUM



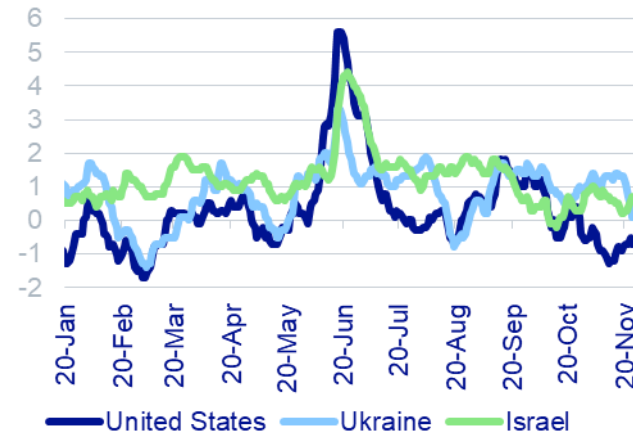
Supply and demand headwinds: uncertainty remains in place, despite recent signs of easing

ECONOMIC POLICY UNCERTAINTY INDEX: 2025
(HISTORICAL AVERAGE = 0; 28-DAY MOVING AVERAGE)



Source: BBVA Research

GEOPOLITICAL RISK INDEX: 2025
(HISTORICAL AVERAGE = 0; 28-DAY MOVING AVERAGE)

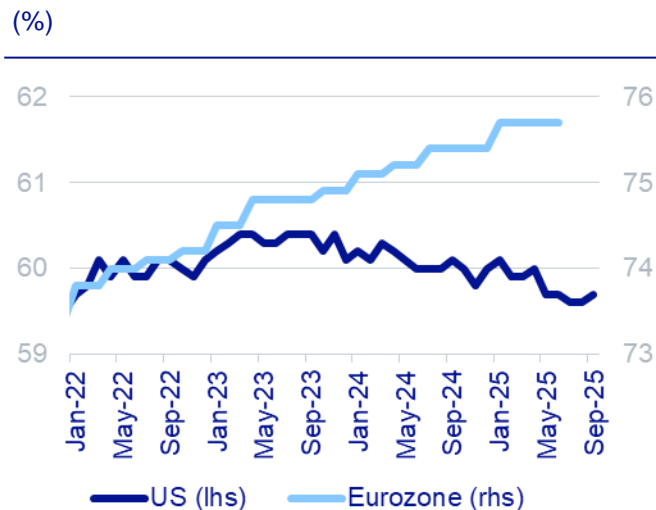


Source: BBVA Research

The US-China trade deal, US tariff cuts (mostly on some agricultural goods), the Gaza ceasefire, talks about a peace deal in Ukraine, among other factors, have contributed to reduce concerns on economic policies and geopolitics in the last few months

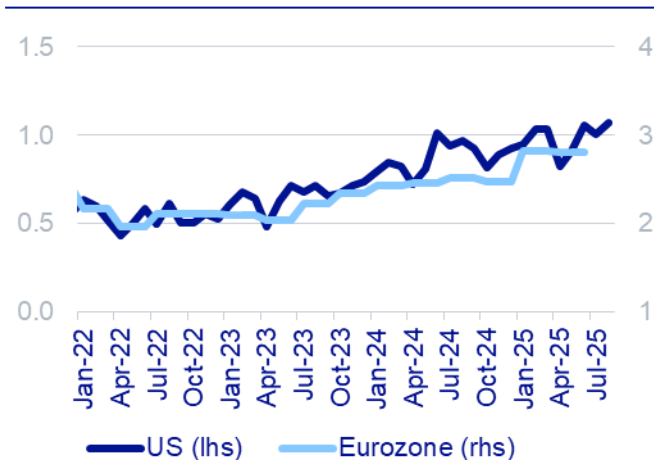
Demand headwinds: labor markets are losing steam, mainly in the US

EMPLOYMENT-POPULATION RATIO (%)



Source: BBVA Research based on data from Fred and Eurostat

UNEMPLOYED PERSONS PER JOB VACANCY (NUMBER OF PERSONS)

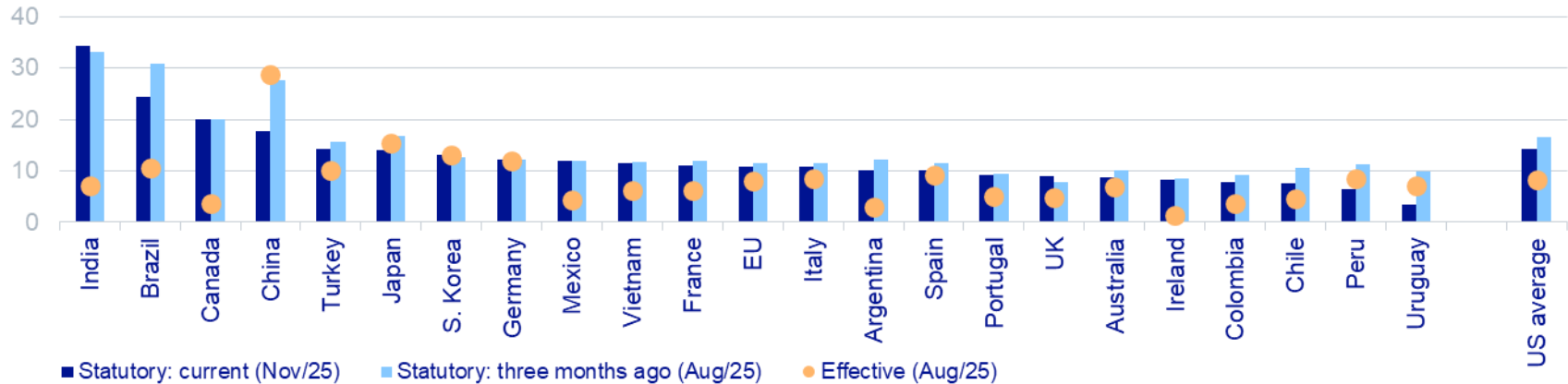


Source: BBVA Research based on data from Fred and Eurostat

The unemployment rate has reached 4.4% in Sep/25 in the US, 1pp higher than the post-pandemic low, but still relatively low; in the Eurozone, it remains close to historical lows (6.3% in Sep/25)

Supply headwinds: US tariffs have recently declined, with effective rates in general below statutory levels

US STATUTORY AND EFFECTIVE TARIFFS: ESTIMATED INCREASE SINCE THE BEGINNING OF 2025^(*) (PP)



(*) Statutory tariffs: BBVA Research calculation following recent trade deals and US announcements. Based on general tariffs set for each country (reciprocal and/or fentanyl), specific tariffs on some sectors (steel, aluminum, automobiles, autoparts, pharma...) and exempted goods (selected electronics, oil...). Considering measures announced until November 26. Sectoral weights are calculated according to 2024 trade flows. Effective tariffs: BBVA Research calculations (total US tariff revenues divided by total US imports, by country) based on data from the USITC. Source: BBVA Research

US trade deals -including with China- and exemptions for some goods (mainly agricultural) imply lower tariff levels; yet uncertainty persists, mainly due to possible legal overruling of reciprocal and fentanyl tariffs

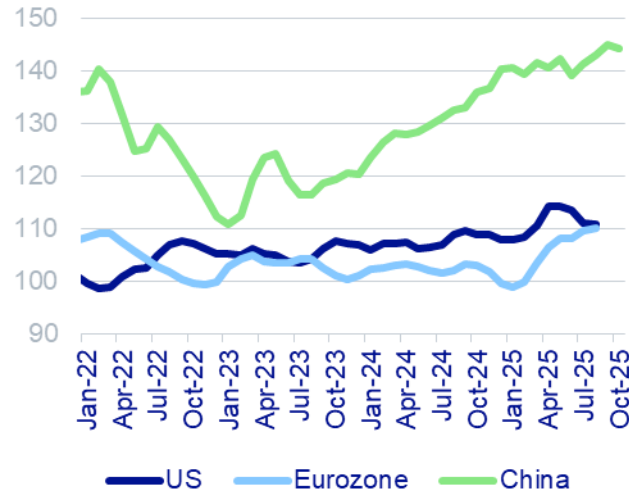
Demand tailwinds: global trade has surged ahead of tariffs; and it remains resilient despite moderation signs

EXPORTS OF GOODS (VOLUME): WORLD
(4Q19=100; THREE-MONTH MOVING AVERAGE)



Source: BBVA Research based on data from Haver

EXPORTS OF GOODS (VOLUME): US, CHINA AND EUROZONE
(4Q19=100; THREE-MONTH MOVING AVERAGE)

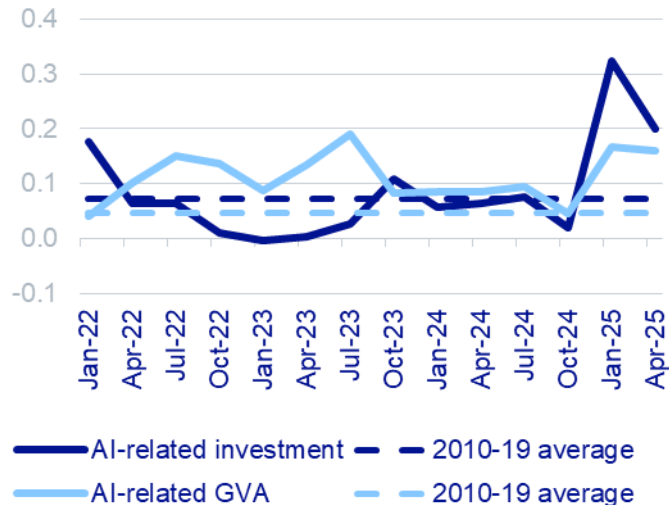


Source: BBVA Research based on data from Haver

Demand tailwinds: the AI boom is supporting US demand

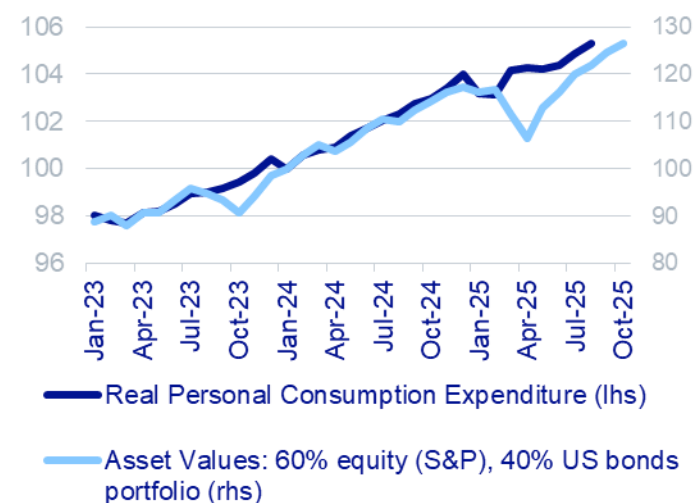
US: AI-RELATED INVESTMENT AND GROSS VALUE ADDED (GVA) (*)

(CONTRIBUTION TO QUARTERLY GDP GROWTH: PP)



US: PERSONAL CONSUMPTION AND ASSET VALUES: IN REAL TERMS (*)

(INDEX: JAN/24=100)

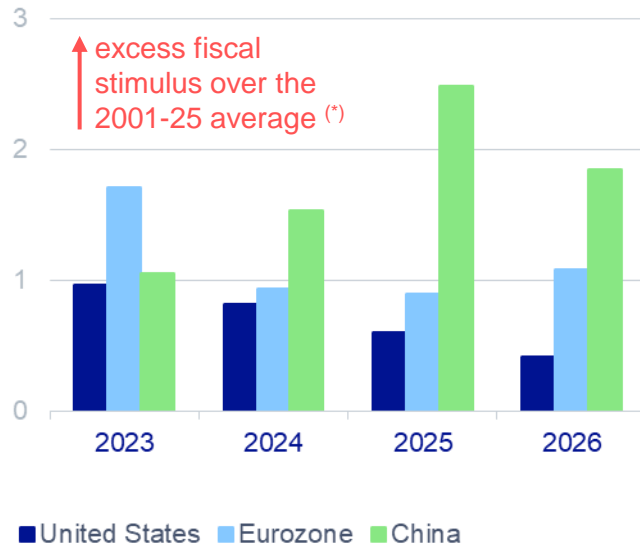


(*) AI-related investment defined as investment in information processing and investment in softwares.
Source: BBVA Research based on data from FRED and US Census Bureau

Source: BBVA Research based on data from FRED and Haver

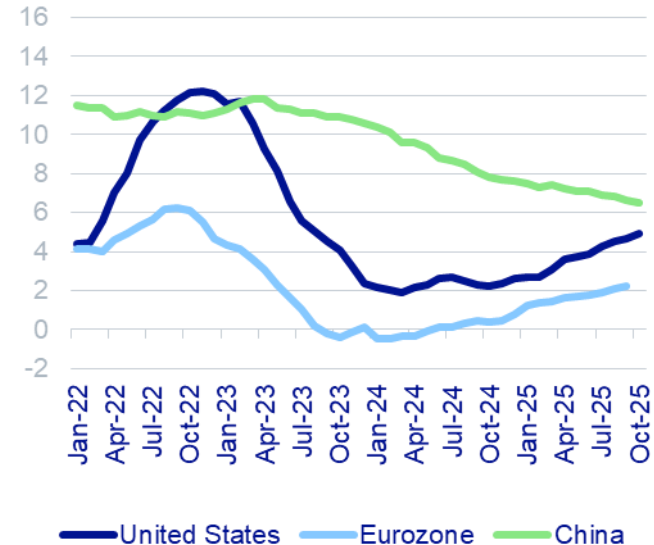
Demand tailwinds: fiscal policy remains supportive, and lower interest rates are now feeding through the economy

CYCLICALLY-ADJUSTED PRIMARY FISCAL BALANCE GAP (*) (% OF GDP)



(*) Deviation of the cyclically-adjusted primary balance (CAPB) from its estimated equilibrium (average relationship between the CAPB and GDP growth over 2001–2025). 2025 and 2026 estimates are based on GDP and fiscal forecasts by the IMF.
Source: BBVA Research based on data from the IMF

BANKING CREDIT: STOCK (Y/Y %)



Source: BBVA Research based on data from FRED and Eurostat

Supply tailwinds: energy prices remain at low levels, while wages continue to slow

BRENT PRICES

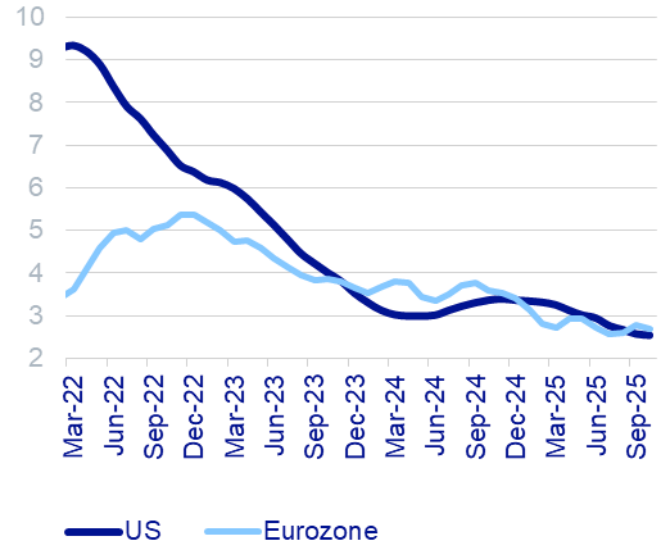
(USD PER BRENT BARREL)



Source: BBVA Research based on data from Haver

NOMINAL WAGES: INDEED WAGE TRACKER

(Y/Y %, 3-MONTH MOVING AVERAGE)

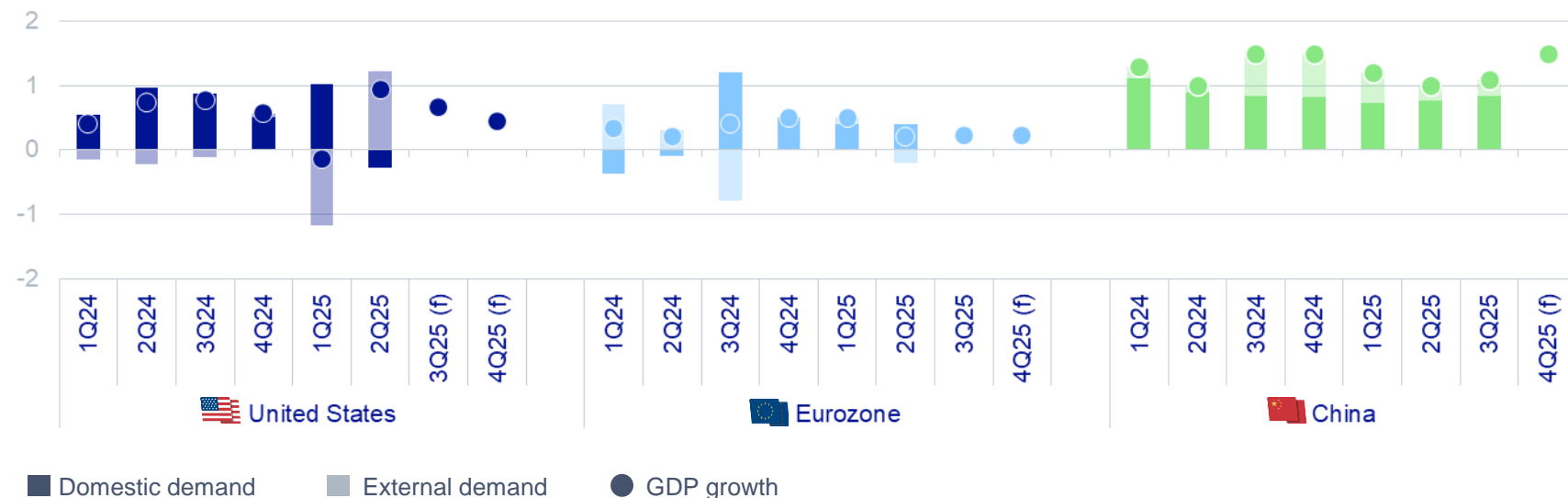


Source: BBVA Research based on data from Indeed

Activity: GDP growth has remained broadly resilient, in general beating expectations

GDP: CONTRIBUTION OF DOMESTIC AND EXTERNAL DEMANDS TO GDP GROWTH (*)

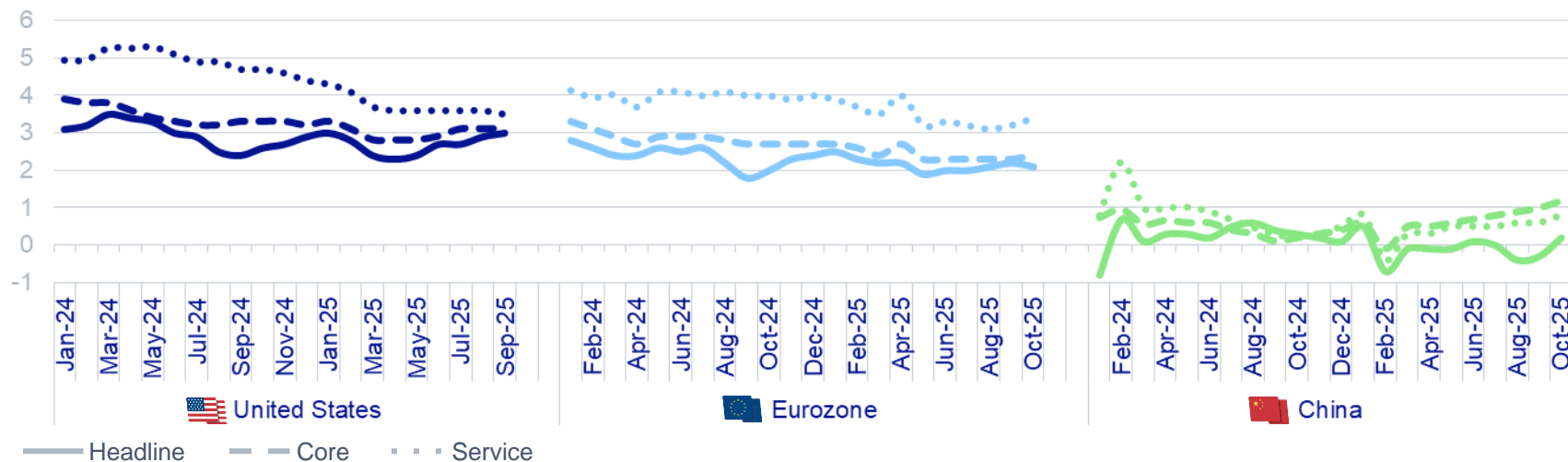
(GDP GROWTH: Q/Q%; CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)



(*) BBVA Research forecast for 3Q25 in the US, and for the 4Q25 in the US, Eurozone and China
Source: BBVA Research based on data from Haver and China's NBS

Inflation: increasing due to tariff effects in the US, stable around 2% in the Eurozone, and still very low in China

CPI INFLATION: HEADLINE, CORE AND SERVICE (Y/Y %)



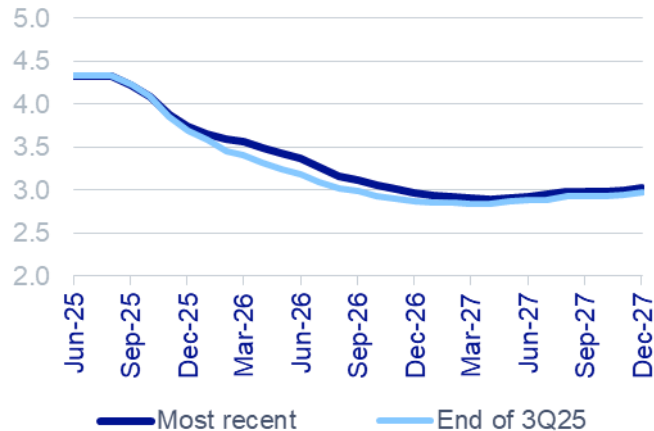
Source: BBVA Research based on data from Haver

In the US, goods inflation is rising amid high tariffs, offsetting the deceleration in services, led by a moderation in shelter prices; in contrast, industrial prices are under control and service prices are increasing at a faster pace in the Eurozone, and to some extent also in China

Rate expectations: a more gradual easing and a higher terminal rate for the Fed and stability for the ECB

US: IMPLICIT RATE IN FED FUND FUTURES

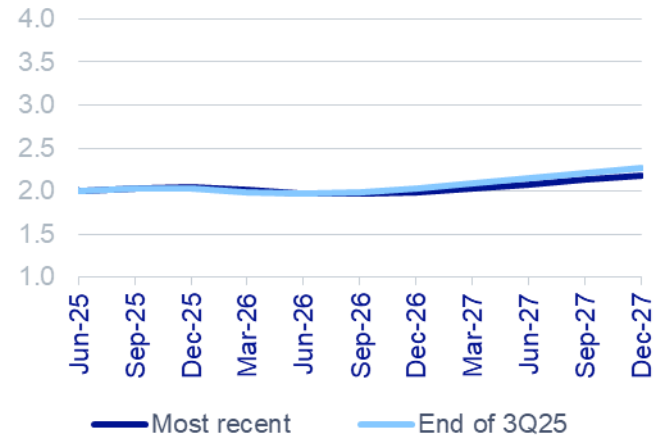
(%)



Source: BBVA Research based on data from Haver

EZ: IMPLICIT RATE IN EURIBOR FUTURES

(%)

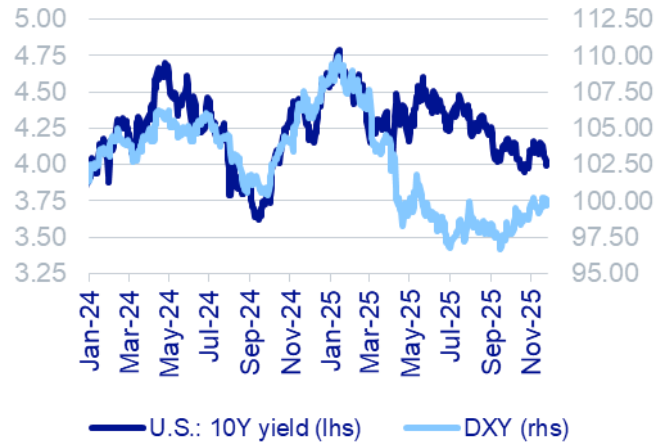


Source: BBVA Research based on data from Haver

The Fed has cut rates by 25 bps in each of its last two meetings to reduce risks of labor market deceleration, but has recently sounded more hawkish due to rising inflation; the ECB has kept rates unchanged at 2% lately and suggested risks are now more balanced

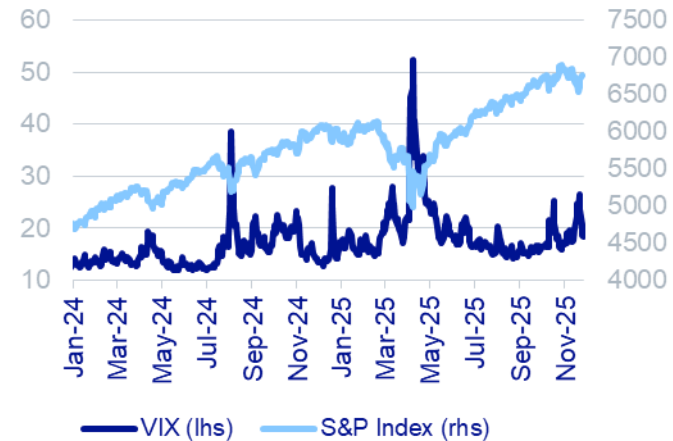
Markets: prospects of higher US rates have driven yields up, backed the USD, and helped triggering an equity correction

US SOVEREIGN YIELDS; US DOLLAR (DXY)
(%)



Source: BBVA Research based on data from Haver

VOLATILITY (VIX); US EQUITY (S&P)
(INDEXES)

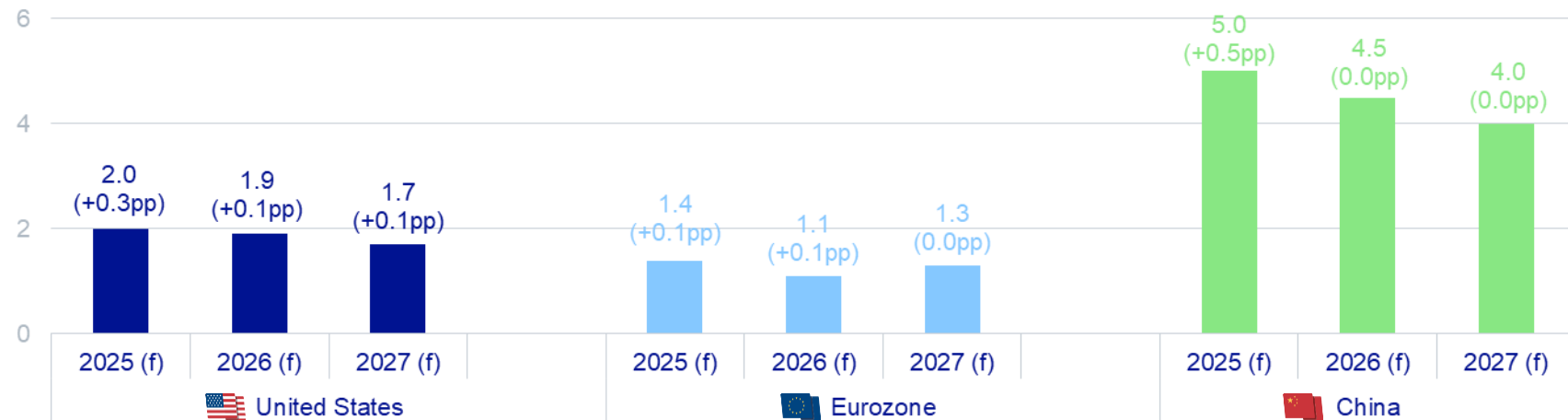


Source: BBVA Research based on data from Haver

Following a rally in US equity markets, driven by AI-related stocks, concerns have recently emerged over excessive valuations, with subsequent market corrections and increased volatility

Growth forecasts have been revised slightly to the upside, mostly on incoming data

GDP GROWTH (*) (%), CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES



(*) Global GDP is forecast to grow 3.2% in 2025, 3.1% in 2026 and 3.2% in 2027, respectively 0.2pp, 0.0pp and 0.0 higher than the previous forecasts.

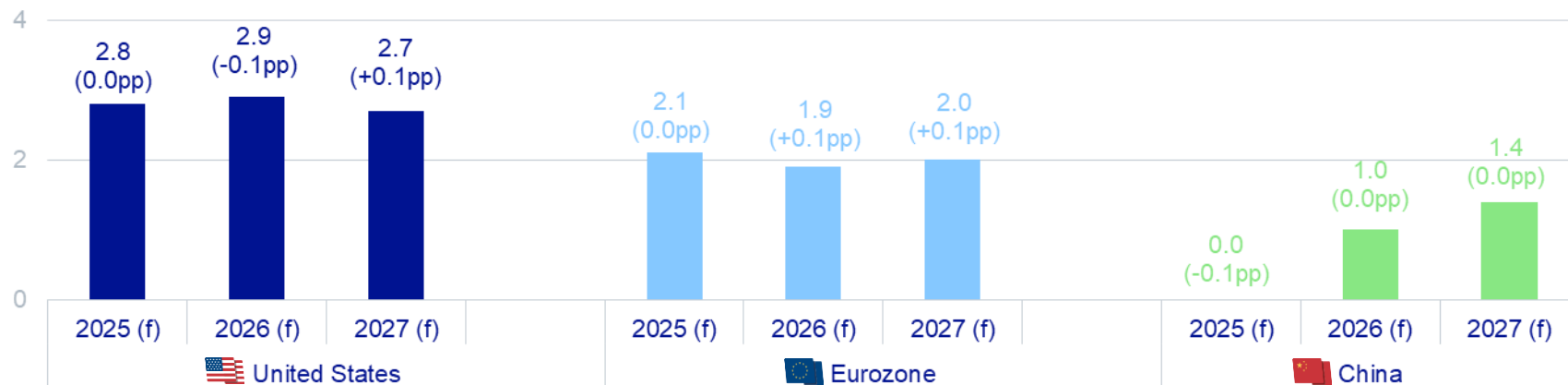
(f): forecast.

Source: BBVA Research

The negative impact of tariffs and other supply shocks is expected to be broadly offset by AI demand (mainly in the US) and fiscal spending (mainly in the Eurozone); higher AI-driven productivity is an upward risk in the medium term; a structural slowdown is still expected in China

Inflation prospects remain broadly unchanged, with smaller downside risks in Europe and upward risks in the US

HEADLINE CPI INFLATION (Y/Y %, PERIOD AVERAGE, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



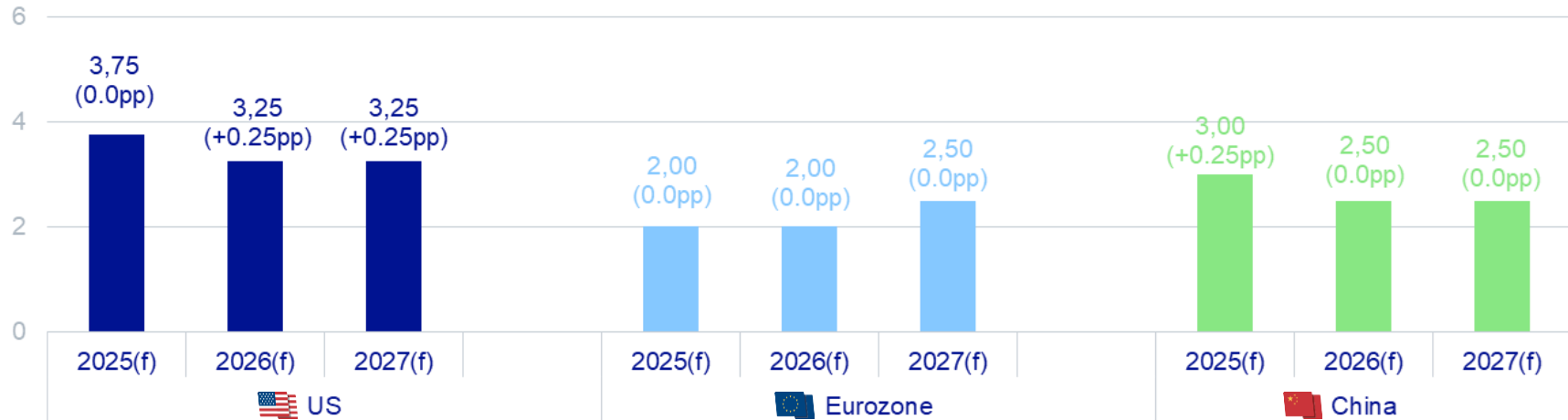
(f): forecast.
Source: BBVA Research

Inflation is still expected to hover around 3% in the US, driven by tariffs, and near 2% in the Eurozone; in China, while further government measures are anticipated to address deflation concerns, risks remain tilted to the downside

Growth resilience and inflation pressures will limit the Fed easing; no additional cuts by the ECB are expected

POLICY INTEREST RATES^(*)

(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(f): forecast.

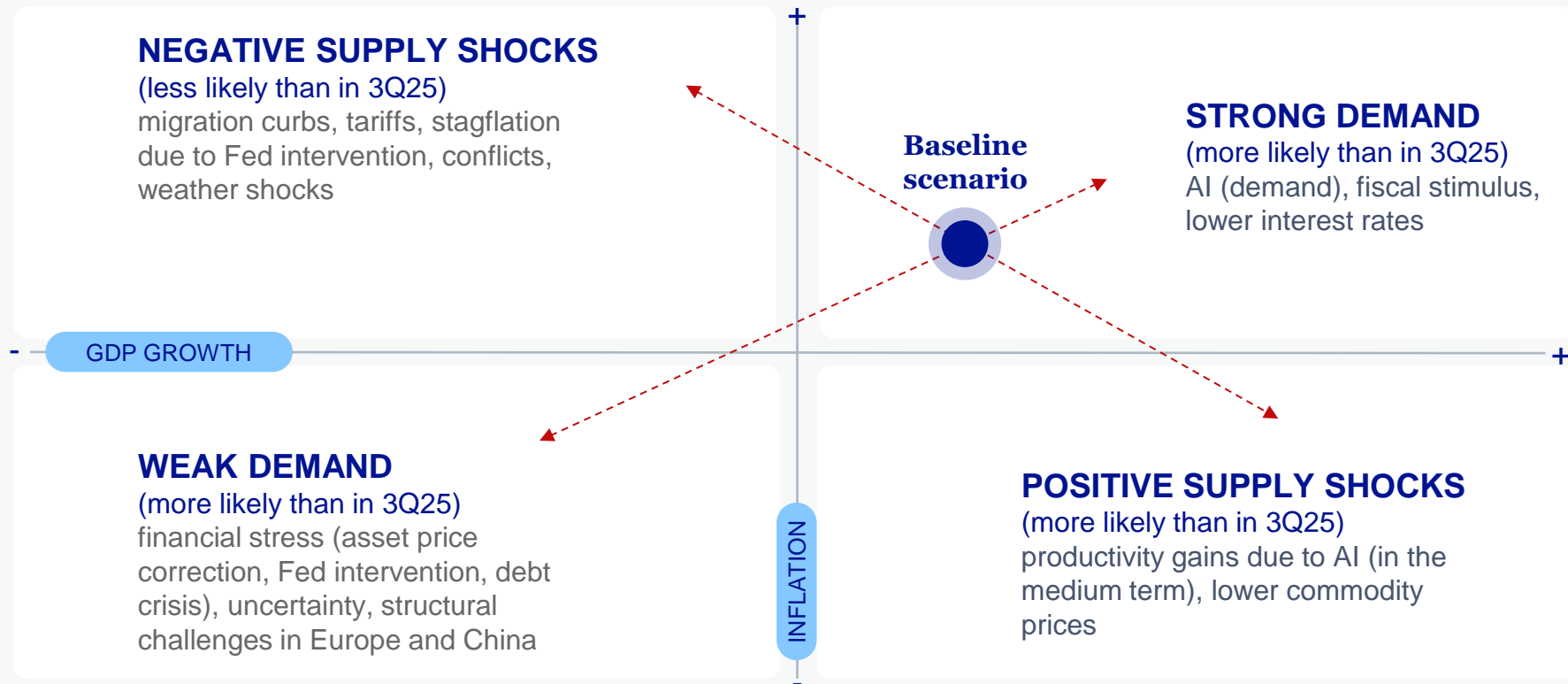
(*) In the case of the Eurozone, interest rates of the deposit facility.

Source: BBVA Research.

US rates are now closer to neutral levels and the convergence to the (higher-than-expected) terminal rate could be more gradual, but there is uncertainty related to the upcoming changes in the Fed board; in the Eurozone, there is room for rates to get closer to the estimated neutral rate in the medium run

More balanced risks: rising odds of medium-term AI productivity gains amid persistent supply concerns

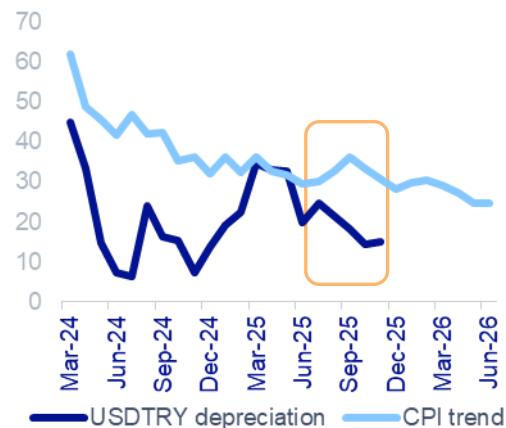
GLOBAL ECONOMY: MAIN RISKS AROUND BBVA RESEARCH BASELINE SCENARIO



Türkiye Economic Outlook

The CBRT has decelerated USDTRY nominal depreciation even below 15% compounded

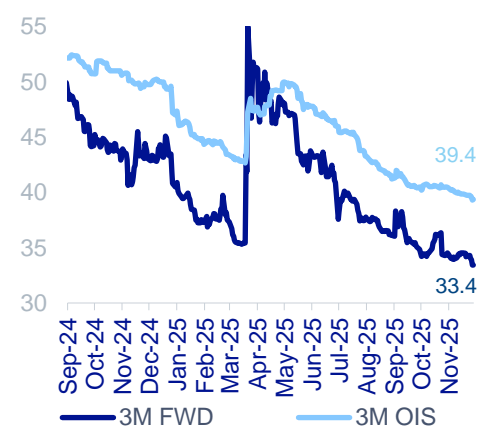
USDTRY NOMINAL DEPRECIATION & CPI TREND (ANNUALIZED)



TÜRKİYE VS. EM 5-YEAR CDS (BASIS POINTS)



OFF-SHORE & ON-SHORE TRY RATES (%)



Source: Bloomberg and Garanti BBVA Research.

Source: Bloomberg and Garanti BBVA Research.

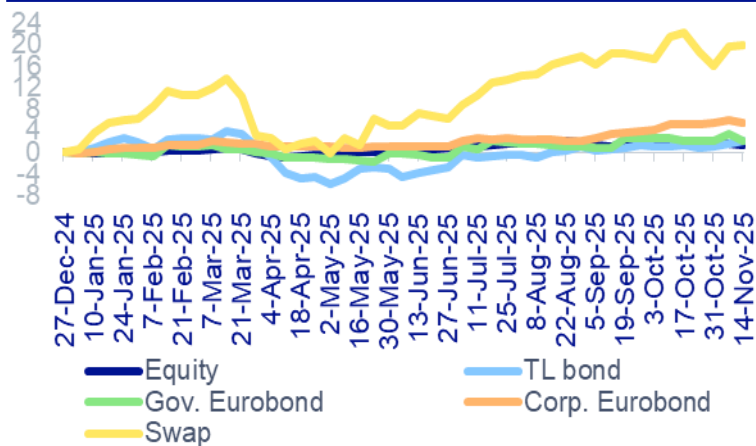
Source: Bloomberg and Garanti BBVA Research.

Inflationary pressure requires a stronger managed currency in the ST. Global risk appetite -despite some reversal of late October- keeps interest for TR assets with a promising carry return.

Foreigners' exposure stay at mainly carry trade swaps with very short term duration

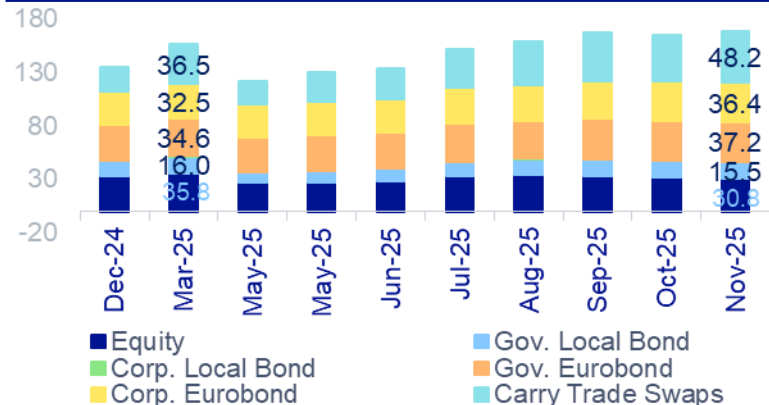
FOREIGNERS FLOWS TO TR ASSETS*

(\$USbn, cumulative year to date)



FOREIGNERS EXPOSURE TO TR ASSETS*

(\$USbn, stock)



* Excluding local banks' external subsidiaries.

* Including only the outright purchases in Government local bonds.

* Carry trade swaps include limitedly the transactions with local corporates.

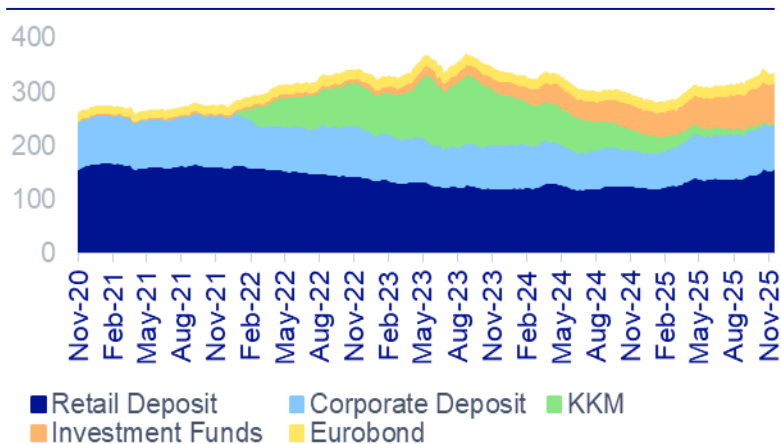
Source: CBRT and Garanti BBVA Research.

Foreign investors remain opportunistic, concentrating on very short term gains.

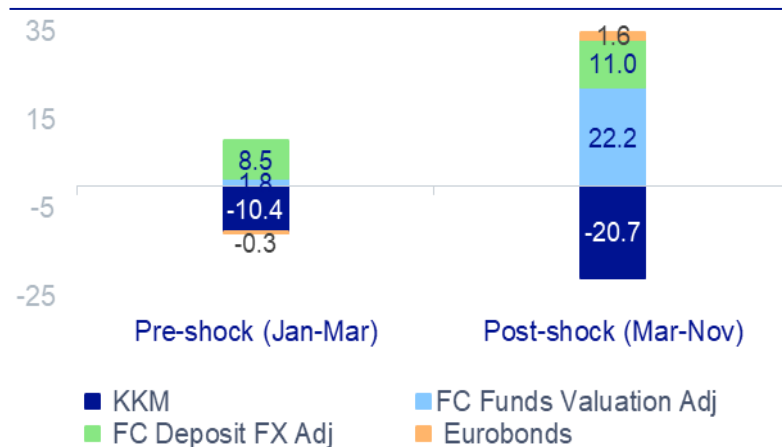
On the residents side, foreign currency demand modestly but steadily continues

FC PRODUCTS OF RESIDENTS

(\$USbn, as of Nov 14th)



YTD CHANGES IN FC PRODUCTS OF RESIDENTS (\$USbn, as of Nov 14th)



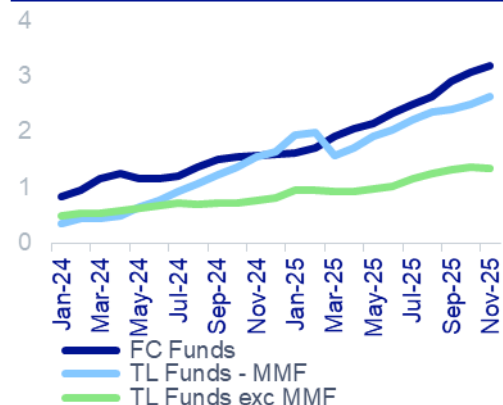
* FC Funds consist of FC Hedge Funds, Eurobond Funds and Precious Metals Funds. TL Funds include Money Market Participation & Hedge Funds, Stock Market Funds, Debt Securities Funds, TL Hedge Funds and TL Variable Funds.

Source: TEFAS, BRSA, CBRT and Garanti BBVA Research.

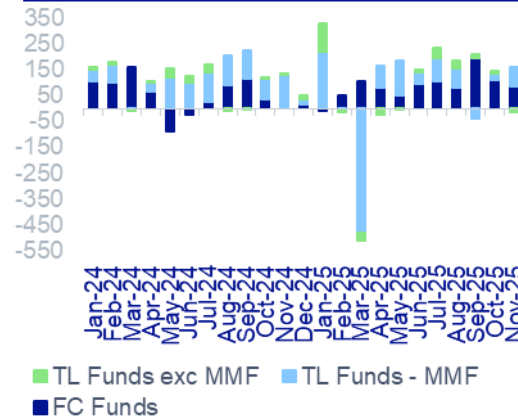
Maturing KMM (existing stock now below 1bn\$) has been most recently transferred into mostly the FC investment funds whose size has grown to 75bn\$ as of mid-November (vs. 45bn\$ by end 2024).

TL rates stay attractive to keep savings mostly in TL, with system wise dollarization ratio closer to 40%

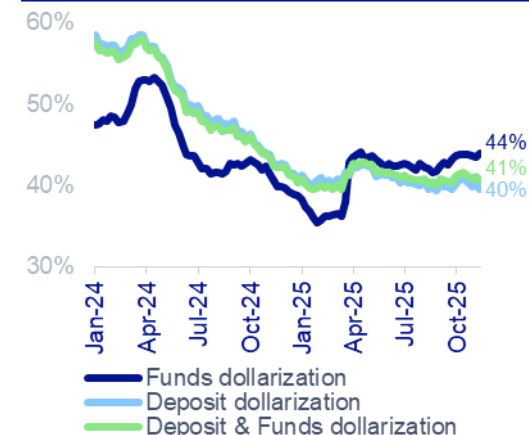
SIZE OF INVESTMENT FUNDS (BN TL)



INVESTMENT FUNDS NET FLOW (BN TL, excluding valuation effects)



DOLLARIZATION RATIO (%)



* FC Funds consist of FC Hedge Funds, Eurobond Funds and Precious Metals Funds. TL Funds include Money Market Participation & Hedge Funds, Stock Market Funds, Debt Securities Funds, TL Hedge Funds and TL Variable Funds.

Source: TEFAS, BRSA, CBRT and Garanti BBVA Research.

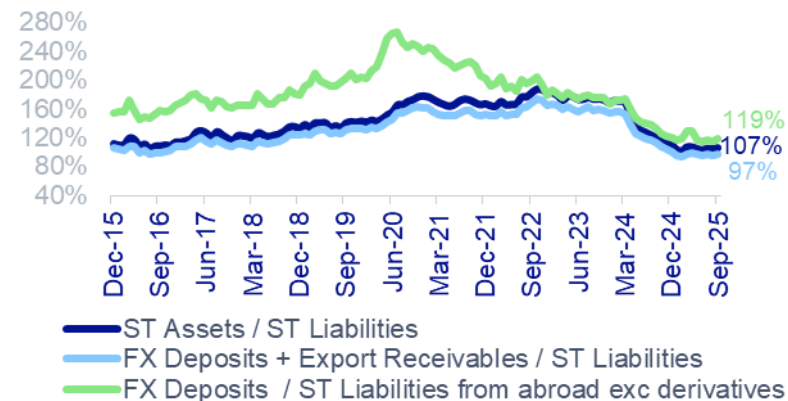
Deposit rules on the banking sector, still attractive ON TL rates and nearly stable currency preserve the tendency for dollarization muted. Yet, the net inflow to the money market funds (MMF) has slowed down since June, led by the declining net return & uncertainties on domestic politics.

Lower ST FX surplus of corporates is a factor to watch but a higher share of domestic debt gives some comfort

SHORT TERM NET FX POSITION OF CORPORATES (\$USbn)



SHORT TERM ASSETS & LIABILITIES OF CORPORATES (AS RATIO)



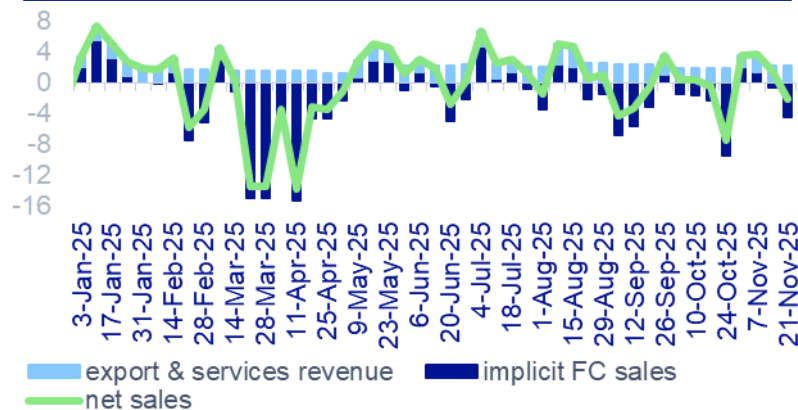
Source: CBRT and Garanti BBVA Research.

The historically low level of short term FX surplus of corporates might be one of the triggers of FC demand. However, above 40% share of ST FC liabilities is domestic and seems to be manageable.

The CBRT struggles to accumulate reserves in net terms since end-Aug due to external and internal volatility... BBVA Research

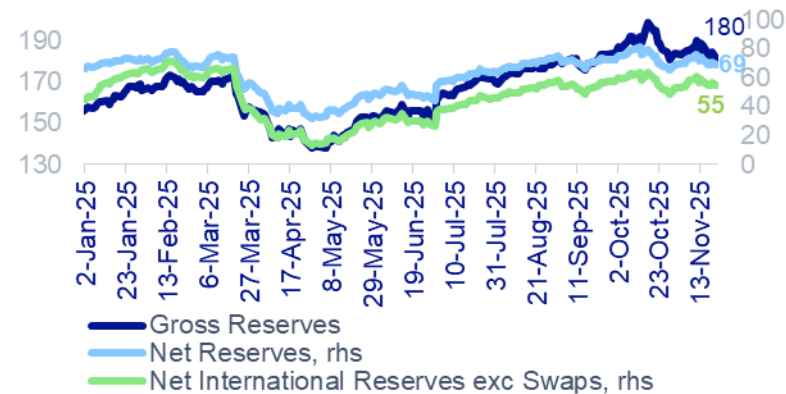
CBRT WEEKLY RESERVES FLOWS*

(\$USbn, as of November 21st)



CBRT INTERNATIONAL RESERVES

(\$USbn, as of 21st of November)



YTD gold price impact:
\$38bn for gross
\$27bn for net

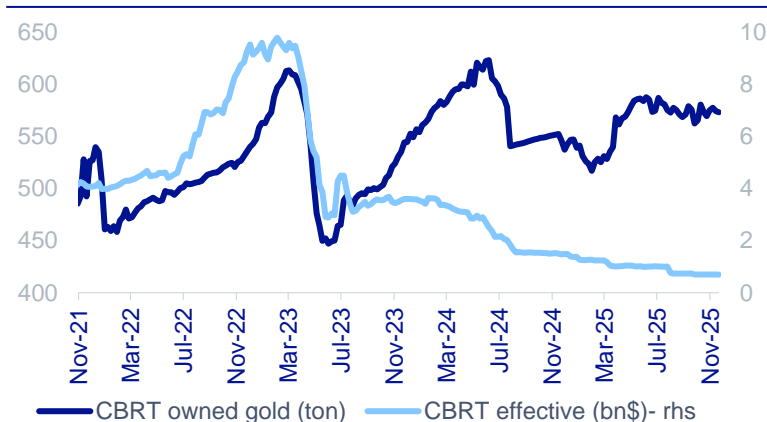
*Adjusted from gold price effects. CBRT payments due from KKM are assumed to have a similar ratio in Garanti BBVA since March 29th 2024.

Source: TURKSTAT, CBRT and Garanti BBVA Research.

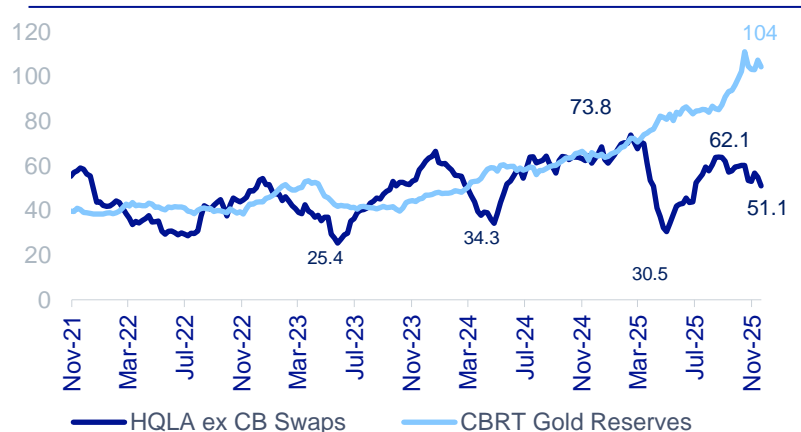
The CBRT remains proactive in the FX market in order to contain FX volatility and nominal depreciation, aiming to ensure a gradual dollarization.

... while recent rise in global gold prices has helped to contain additional volatility in the CBRT reserves

CBRT-OWNED GOLD RESERVES & EFFECTIVE BANKNOTES (\$Usbn, as of Nov 21st)



CBRT GROSS GOLD & HIGH QUALITY LIQUID FOREIGN ASSETS (\$Usbn, as of Nov 21st)

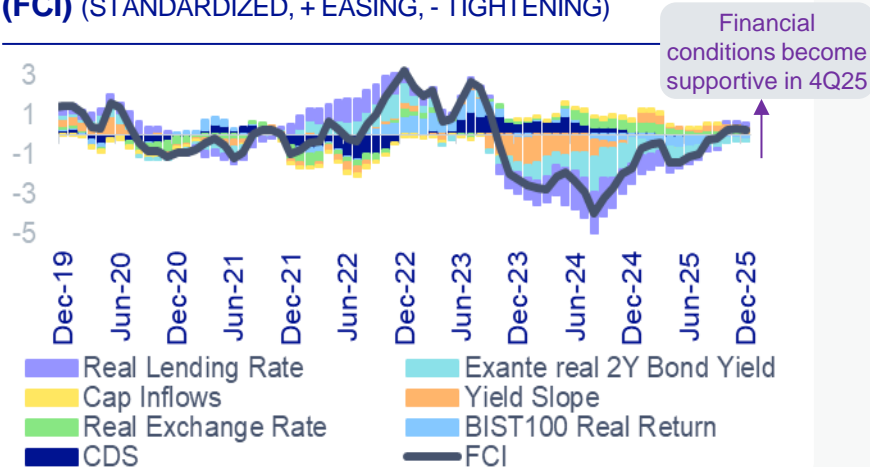


Source: CBRT and Garanti BBVA Research.

The latest increase in global gold prices has led to a boost in the CBRT reserves, which has reversed to some extent with some correction since mid-October.

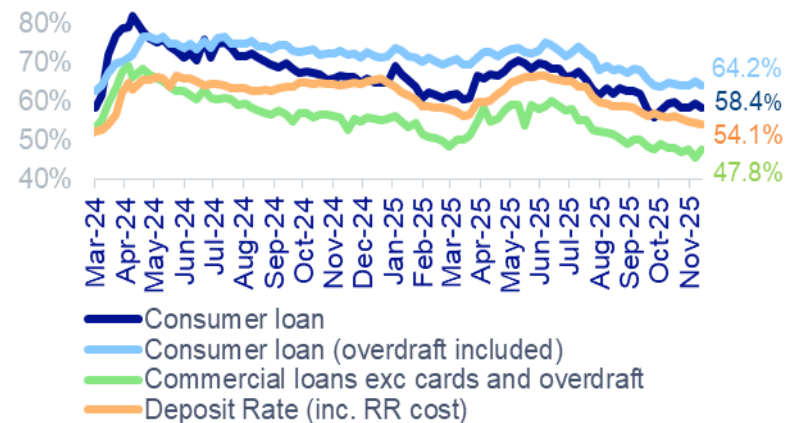
Liquidity policies and deposit rules are key not to allow a speeding up dollarization and demand recovery

GARANTI BBVA FINANCIAL CONDITIONS INDEX (FCI) (STANDARDIZED, + EASING, - TIGHTENING)



Source: CBRT and Garanti BBVA Research.

TL LOAN & DEPOSIT RATES (% WEEKLY, FLOW, SECTOR, COMPOUNDED)

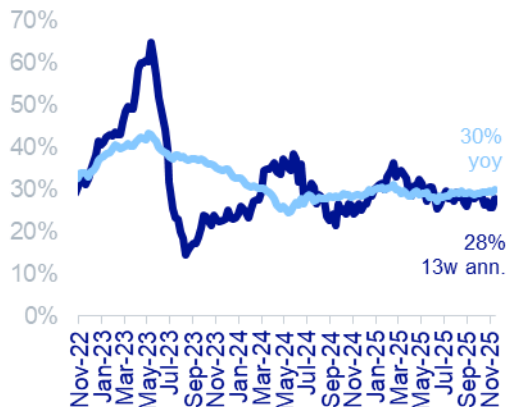


Source: CBRT and Garanti BBVA Research.

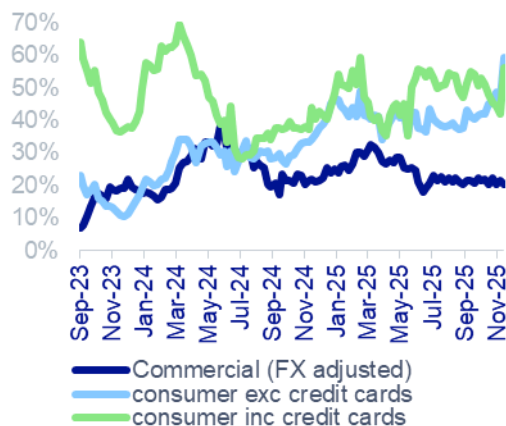
Proactive liquidity management results in ON TL reference rates staying closer to the CBRT policy rate, while TL deposit rates hover above 1-2pp above TL reference rates led by the deposit rules.

Loan growth maintains a moderate momentum but particularly for commercial credits due to mostly caps

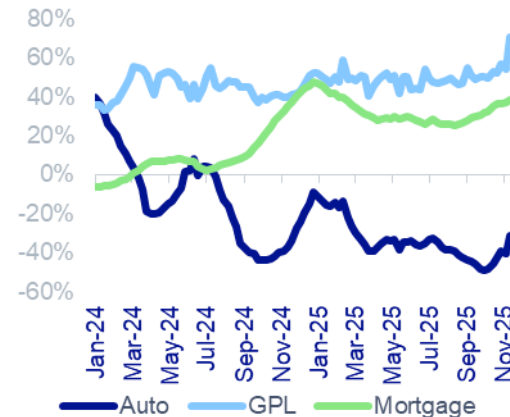
TOTAL CREDIT GROWTH
(FX ADJ) 13 WEEK ANNUALIZED & YOY



CREDIT GROWTH
13 WEEK ANNUALIZED



CONSUMER CREDIT GROWTH
CONSUMER CREDIT GROWTH

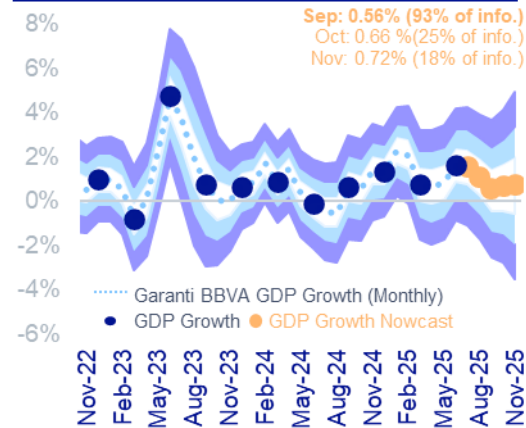


Source: BRSA and Garanti BBVA Research.

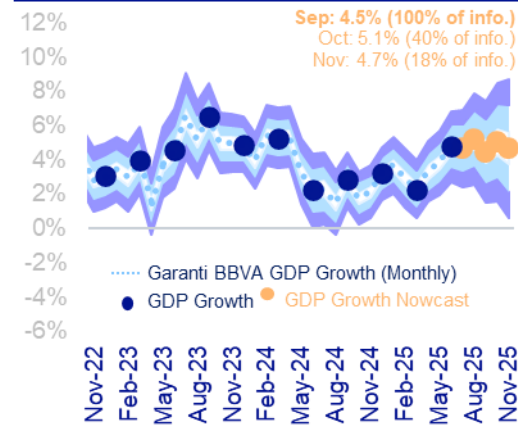
TL credit growth is backed by mainly consumer lending, implying the continuation of a higher growth in non-capped items (around 50% of the credit book in the sector).

Growth momentum so far in line with Sep projections driven by some moderation in demand conditions

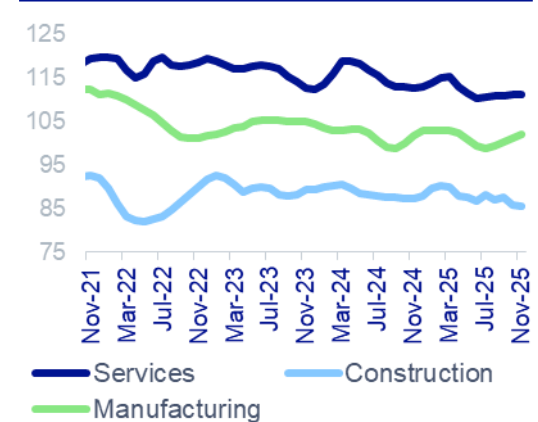
GARANTI BBVA MONTHLY GDP NOWCAST (QoQ, 3M MOV. AVG.)



GARANTI BBVA MONTHLY GDP NOWCAST (YoY, 3M MOV. AVG.)



SECTORIAL CONFIDENCE (LEVEL, 3M AVG.)

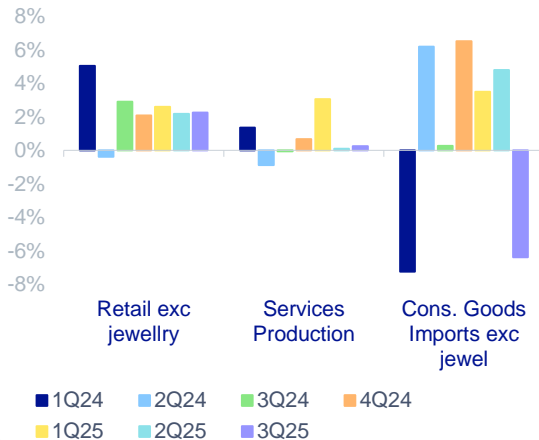


*Source: Garanti BBVA Research and TURKSTAT

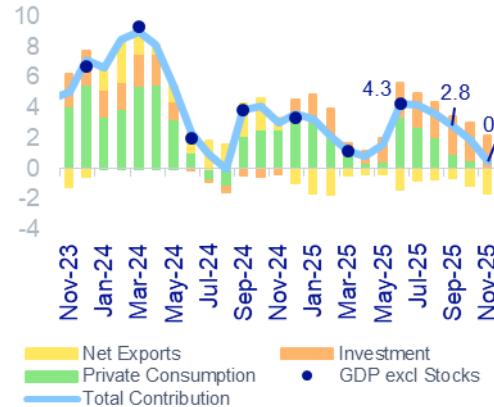
Leading indicators signal a somewhat weak recovery in 4Q25, stemming from the revival of demand conditions. 2025 GDP growth is highly likely to materialize in line with our forecast (3.7%), while 2026 GDP growth will depend on the strength of the policy commitment to disinflation.

Despite some moderation in domestic demand, disinflationary support remains weak as...

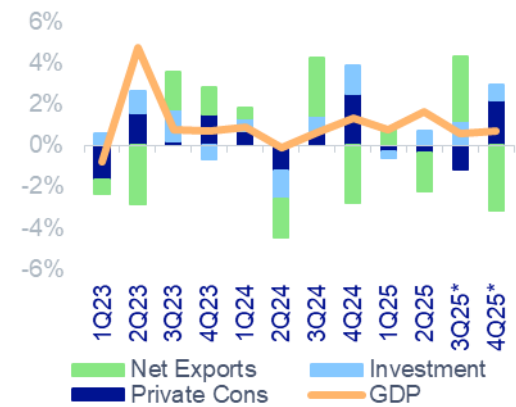
PRIVATE CONSUMPTION INDICATORS (SA, QoQ, %)



GDP DEMAND SUB-COMPONENTS (contribution to annual GDP, pp)



GDP DEMAND SUB-COMPONENTS (contribution to quarterly GDP, pp)

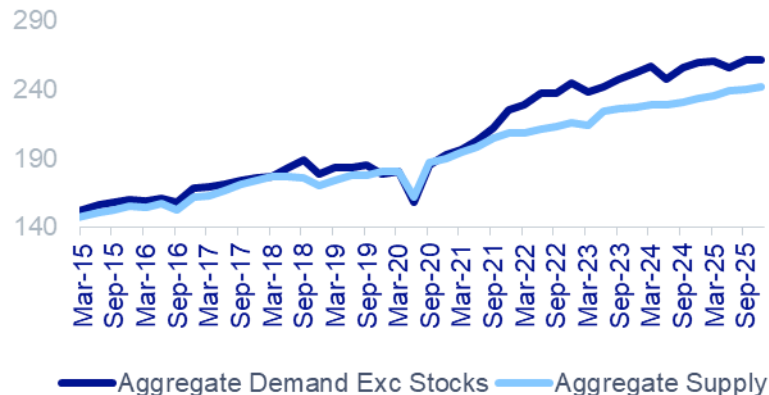


* Based on our nowcasting results.
Source: Garanti BBVA Research, TURKSTAT.

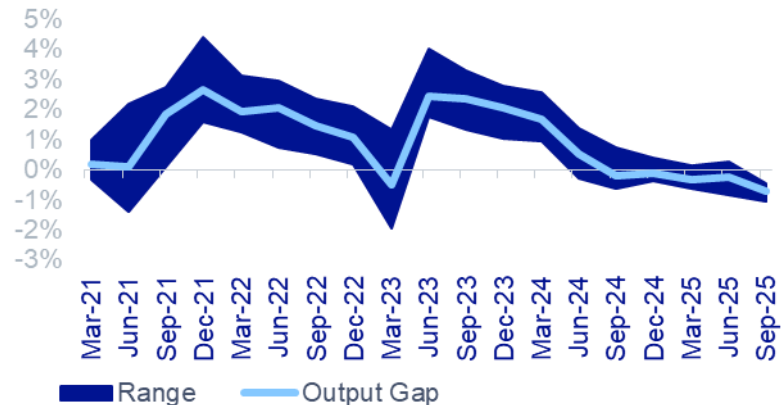
Consumption indicators show a sharper fall in demand for imported goods, while investment maintains a positive contribution. Leading indicators signal that domestic demand could recover in 4Q25, led by the easing in financial conditions and high inflation expectations.

...the imbalance between demand and supply narrowed gradually so far, implied by only weak negative output gap

AGGREGATE DEMAND & AGGREGATE SUPPLY
(SCA, Level)



GARANTI BBVA OUTPUT GAP ESTIMATE
(%, deviation from potential GDP)



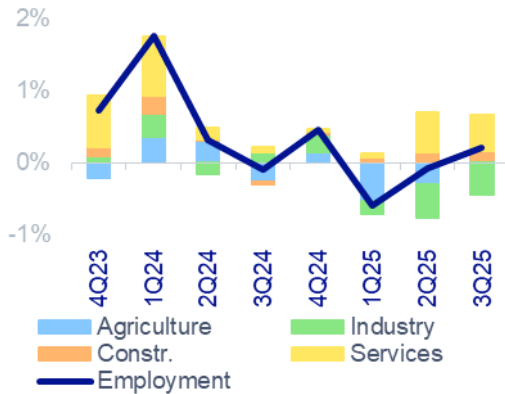
Source: TURKSTAT and Garanti BBVA Research.

The preference for a soft-landing in economic activity has resulted in the demand-supply imbalance to vanish only gradually. As a result, output gap realizations continue to be higher than the levels envisaged by the CBRT for some time, putting upside risks on the inflation targets.

Employment growth remains weak, broad unemployment rate is hovering around historically high levels

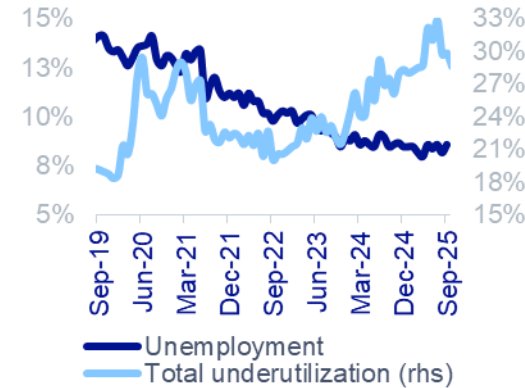
SECTORIAL EMPLOYMENT GROWTH

(contribution to quarterly growth, pp)



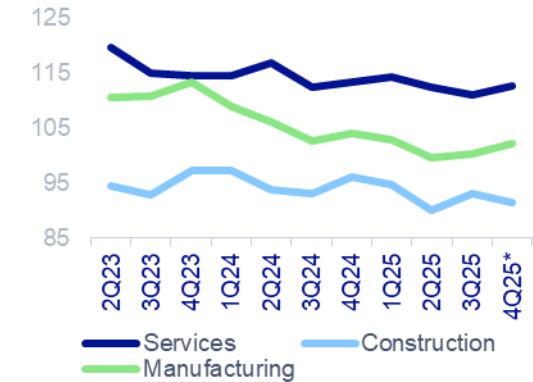
HEADLINE & BROAD BASED UNEMPLOYMENT RATE

(%, monthly)



SECTORIAL EMPLOYMENT EXPECTATION INDICES

(over the next 3 months, 3M Avg., Level)

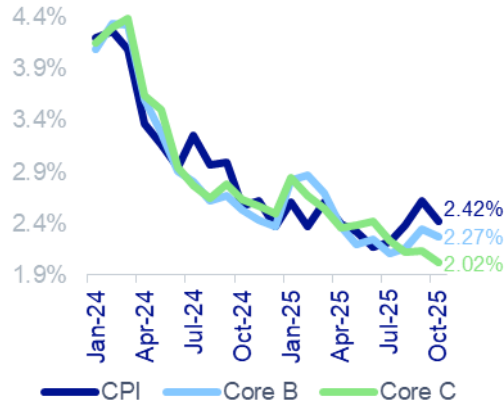


* As of November 2025.
Source: Garanti BBVA Research, TURKSTAT and CBRT.

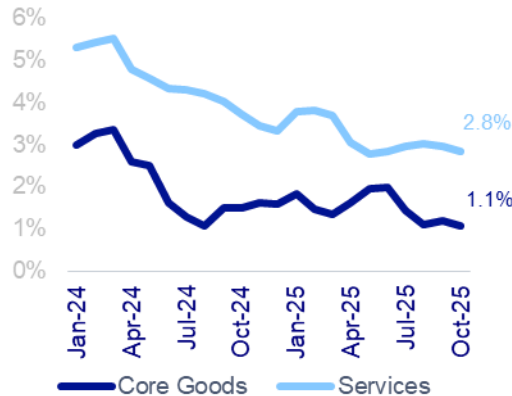
Industrial employment declined, while the rise in services and construction remained broadly flat. Contrary to the low headline unemployment rate, broad unemployment remains elevated in line with the weak activity outlook. Leading indicators point to a slight increase in industrial and services employment, while construction employment may decline in 4Q.

Higher than expected inflation prints in Aug and Sep -with CBRT being dovish- worsen inflation expectations

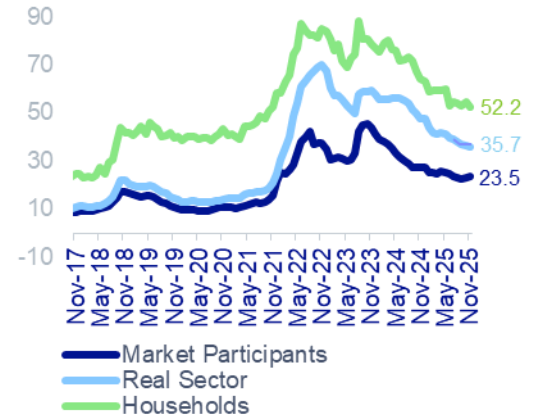
TREND CPI INDICATORS
(SA MoM, 3M AVG)



TREND CORE C INFLATION
(SA MoM, 3M AVG)



**CBRT SURVEY ONE-YEAR AHEAD
INFLATION EXPECTATIONS (% YOY)**



Source: TURKSTAT and Garanti BBVA Research.

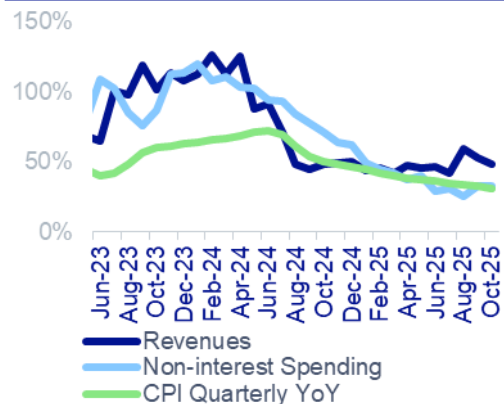
Source: TURKSTAT and Garanti BBVA Research.

Source: TURKSTAT, CBRT and Garanti BBVA Research.

We now forecast year-end inflation closer to 32%. The CBRT revised up 2025 inflation forecast range to 31-33% from 25-29% with no changes for next year (16% point target, 13-19% forecast range).

We expect the negative fiscal impulse of 2Q an 3Q to reverse in 4Q and turn neutral in 2026 compared to 2025

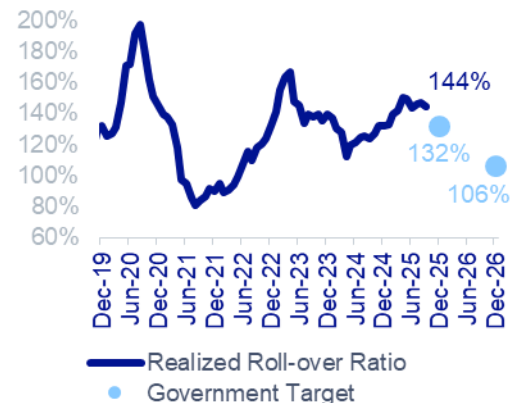
CASH REVENUES & NON-INTEREST SPENDING (% 3M YoY)



BUDGET PRIMARY BALANCE FORECASTS* (% GDP)



DOMESTIC DEBT ROLL-OVER RATIO (%)



* Realizations are cash basis, 2025 and 2026 forecasts are on an accrual basis.
Source: Garanti BBVA Research, TURKSTAT and Treasury

We expect the negative fiscal impulse of this year (nearly 1pp of GDP) to turn neutral at best in 2026. We remain skeptical about the Treasury's budget and borrowing targets.

We assume the baseline as a controlled scenario with the continuation of restrictive policies in the ST

Growth stays moderate, with a somewhat restrictive policy mix (monetary policy not being able to ease much and fiscal policy turning neutral) generating negative output gap throughout 2026.



Disinflation continues but more slowly than our previous expectations, due to the worsening of the trend since August and signals coming from the CBRT that point to a bias toward easing.



On currency, recent inflationary pressure requires a stronger currency in the ST where we maintain our USDTRY call of 52 by end-2026 (<2% m/m nominal depreciation) despite a higher inflation projection.



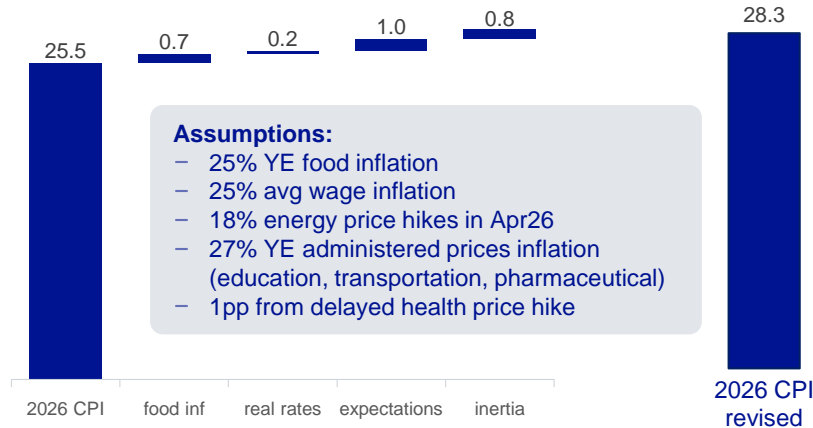
On rates, we expect the CBRT to maintain rate cuts with an ongoing reliance on macro-prudential measures, with no marginal changes in our previous real rate projections.



Given Aug & Sep upward surprises and easing signals from CBRT, we revise our ST CPI forecasts to the upside

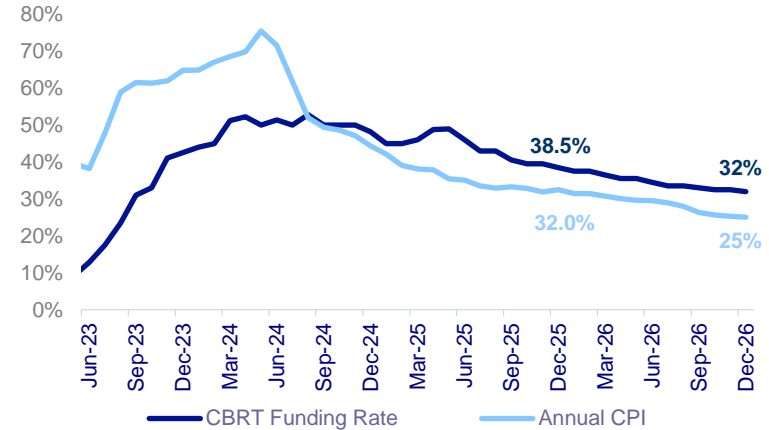
2026 CPI REVISION

(% YOY average)



CPI & CBRT FUNDING RATE FORECASTS

(% YOY)

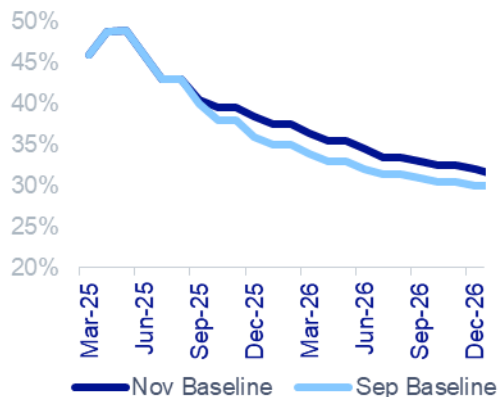


Source: TURKSTAT, CBRT and Garanti BBVA Research.

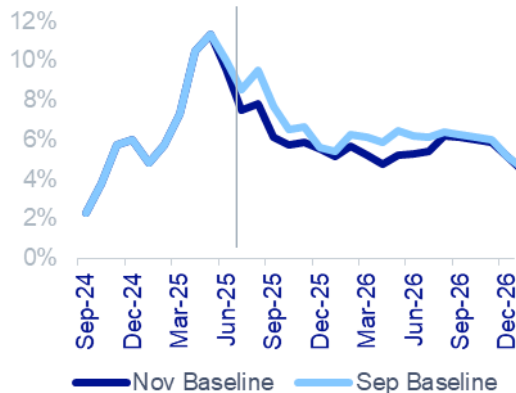
The bias to maintain rate cuts and recent inflationary impact show some exhaustion signals from the CBRT, and we suspect an acceptance of a slower disinflation trend, compared to the more aggressive inflation targets of the coming years.

We expect the CBRT to maintain gradual rate cuts with no marginal changes in our previous real rate projections

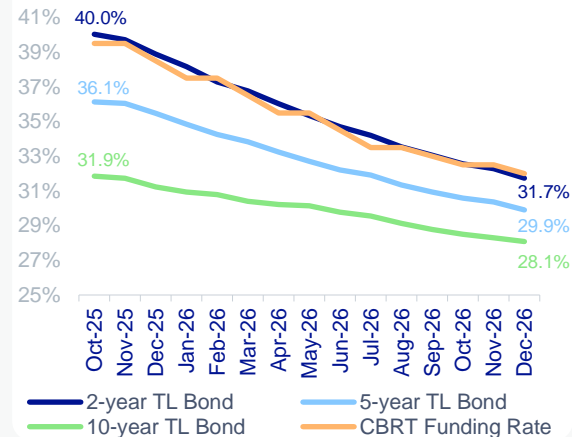
CBRT FUNDING RATE EXPECTATIONS (% SIMPLE)



EX ANTE REAL RATES (% YOY, ADJ BY 3M AHEAD CPI)



TRY YIELD CURVE FORECASTS (% COMPOUND)

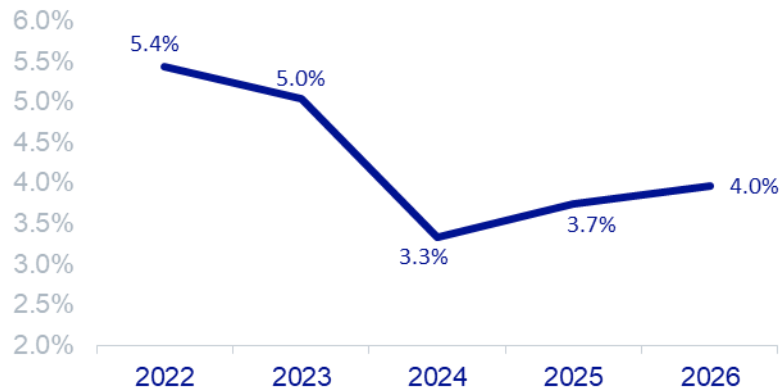


Source: TURKSTAT, Bloomberg, CBRT and Garanti BBVA Research.

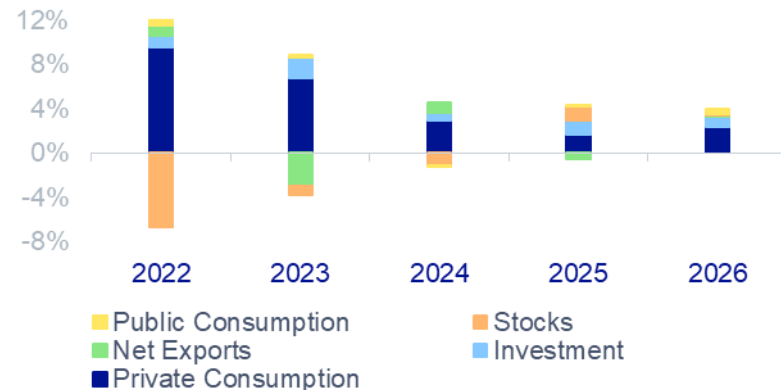
The CBRT has reduced the pace of cuts even earlier than expected. We expect deposit rules & FC credit growth caps to continue throughout 2026, TL credit growth caps to ease only gradually as of 2H26, if we finally observe monthly inflation trend below 2%.

We remain prudent and forecast 4% GDP growth, with a modest contribution from domestic demand

GDP GROWTH FORECASTS
(% YOY)



GDP GROWTH FORECASTS
(PP ANNUAL CONTRIBUTION)

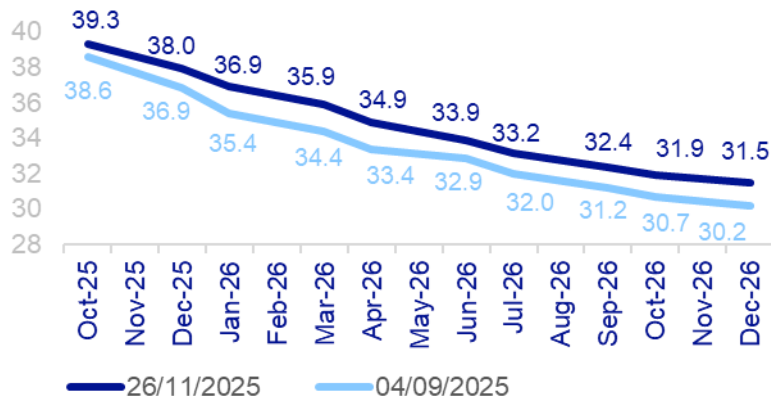


Source: TURKSTAT and Garanti BBVA Research.

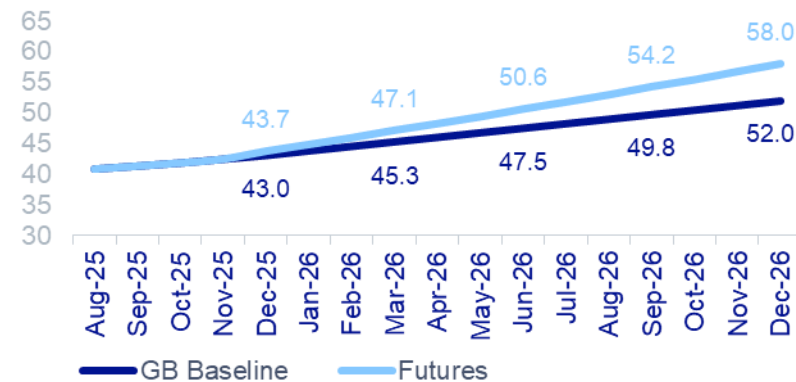
Considering a gradual easing cycle, a potentially neutral fiscal stance, expected resilience in global activity, and the carry-over effect, next year's growth could materialize around 4%, with a more balanced demand composition.

The recent inflationary pressure requires a stronger-than-expected TL in the ST to contain secondary effects

MARKET PRICING ON CBRT FUNDING RATE (%)



USDTRY FUTURES (LEVEL)

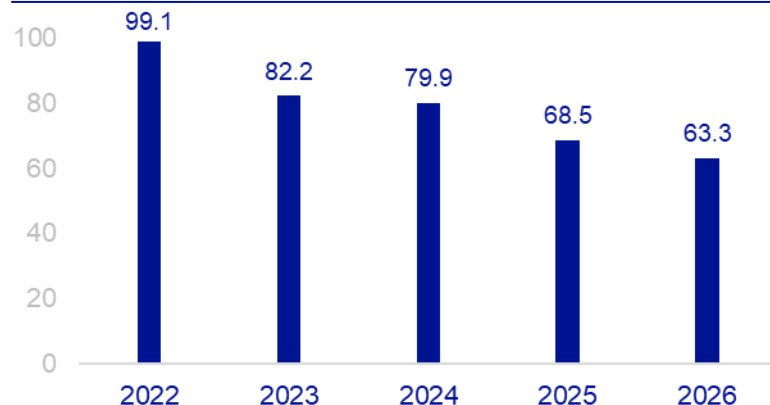


Source: Bloomberg and Garanti BBVA Research.

We expect the CBRT to maintain a gradual easing path, increasing the challenges on inflation outlook and making it more prone to miss the inflation targets. Therefore, decelerating but continuing real appreciation trend will likely continue in 2026.

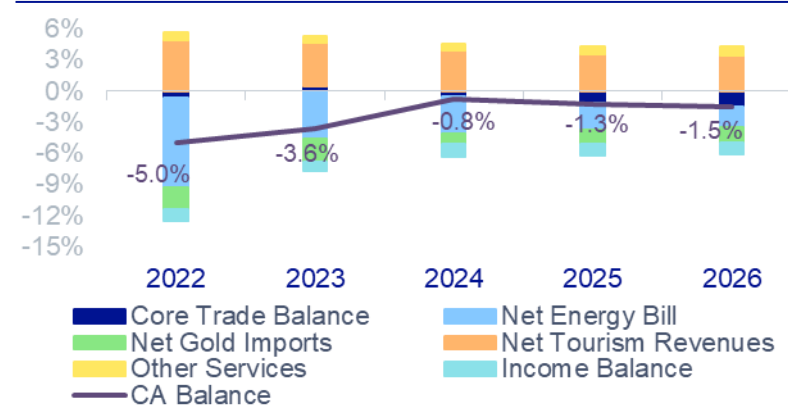
We assume private consumption to stay much lower than its long-term trend, keeping CA deficit moderate

OIL PRICE FORECASTS (\$ BRENT LEVEL)



Source: Bloomberg and Garanti BBVA Research.

CURRENT ACCOUNT DEFICIT FORECASTS (% GDP)



Source: CBRT, TURKSTAT and Garanti BBVA Research.

We forecast current account deficit to be 1.3% of GDP in 2025 and 1.5% of GDP in 2026. We keep our currency forecast of 52 against the US dollar for the end of 2026, with a slower pace of real appreciation compared to 2025.

Garanti BBVA

Baseline Scenario

	2023	2024	2025	2026
GDP growth (avg)	5.0%	3.3%	3.7%	4.0%
Unemployment Rate (avg)	9.4%	8.7%	8.4%	9.2%
Inflation (avg)	53.9%	58.5%	35.0%	28.3%
Inflation (eop)	64.8%	44.4%	32.0%	25.0%
CBRT Cost of Funding (avg)	20.5%	49.6%	43.6%	34.5%
CBRT Cost of Funding (eop)	42.5%	47.5%	38.5%	32.0%
USDTRY (avg)	23.7	32.8	39.5	47.9
USDTRY (eop)	29.4	35.3	43.0	52.0
EURTRY (avg)	25.7	35.5	44.7	56.7
EURTRY (eop)	32.6	36.7	50.0	62.3
Current Account Balance (% GDP)	-3.5%	-0.7%	-1.3%	-1.5%
CG Primary Balance (% GDP)	-2.6%	-1.9%	-0.3%	-0.2%
CG Budget Balance (% GDP)	-5.1%	-4.7%	-3.6%	-3.7%

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