

April 2026

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# Türkiye Economic Outlook

## Economic Policies



The conflict in the Middle East has already led to tighter financial conditions, where the monetary policy might be required to tighten further, depending on the pressure on the CBRT reserves. We calculate a depletion from the CBRT reserves of around \$60bn in March, which started to reverse with inflows last week (\$9-10bn net inflows). Based on the duration and the depth of the impact from the war, we can see limited monetary easing and only mild fiscal support going ahead in the short term.

## Growth Outlook



The economy grew by 3.6% in 2025. We nowcast a moderate annual GDP growth of 2.5-3% in 1Q26. Assuming ups and down in the ceasefire in 2Q26 with a moderate stabilization thereafter, we evaluate downside risk on our 4% GDP growth forecast for 2026 (likely to see a level of around 3%). Longer and deeper the conflict, depending on the increasing external financing needs, a more severe trade-off on growth could happen.

## Inflation & Rates



Based on current forward prices on Brent oil & NYMEX gas (\$85 and \$18, respectively, for 2026) and recently announced higher than expected energy price hikes for both households and producers as of April, we now forecast 28.5% year-end CPI, with risks to the upside. We expect the CBRT to keep 40% funding rate till July. Rate cuts might resume in July, bringing the policy rate to 35% at best by year-end. We keep our USD/TRY forecast at 52 for end-2026 despite risks from a higher inflation and a wider current account deficit.

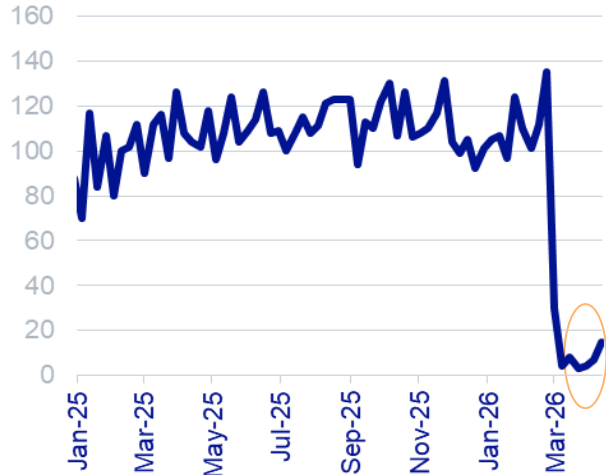
## Risks



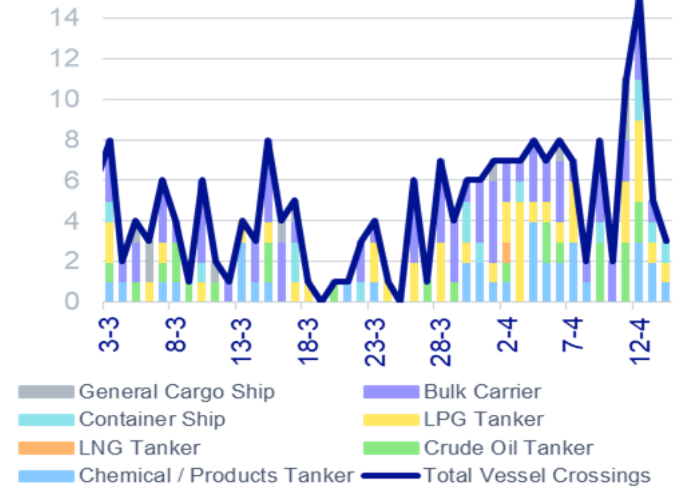
Much higher energy prices, tighter external financial conditions, capital outflows and risks on trade & tourism flows weigh down on the current account deficit. The recent depletion from the CBRT reserves and any unexpected trigger on dollarization of residents could fuel the pressure on the currency. The currency remains to be the main anchor for disinflation and a general sentiment factor for the economy, yet if needed, the extent of any adjustment will be based on external balance pressure and growth trade-offs.

# Traffic through the Strait of Hormuz remains minimal, with oil tanker flows close to zero

**TANKER TRANSIT THROUGH STRAIT OF HORMUZ (\*) (NUMBER OF VESSELS)**



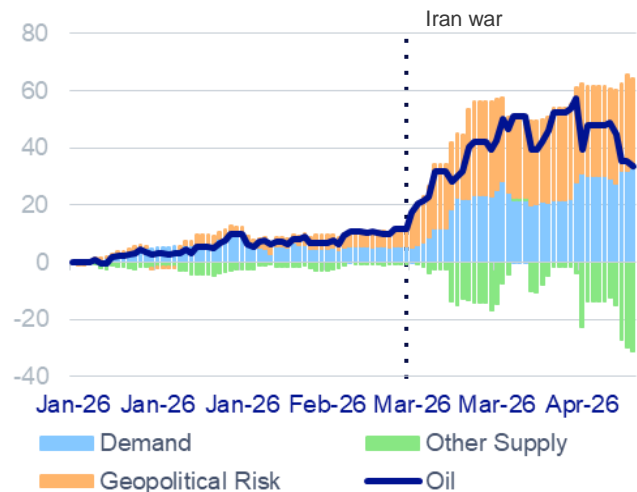
**TANKER TRANSIT THROUGH STRAIT OF HORMUZ BY TYPE OF VESSEL (NUMBER OF VESSELS)**



(\*) Total commercial vessel crossings.  
Source: BBVA Research based on Bloomberg

# Geopolitical risk premium keeps oil prices high, EZ gas prices remain volatile after ceasefire talks fail

**OIL BRENT DECOMPOSITION**  
(CUMULATIVE CHANGE SINCE JANUARY 2026, \$/B)



Source: Bloomberg model

**EUROPEAN NATURAL GAS AND GERMANY ELECTRICITY PRICES (EUR/MWh)**

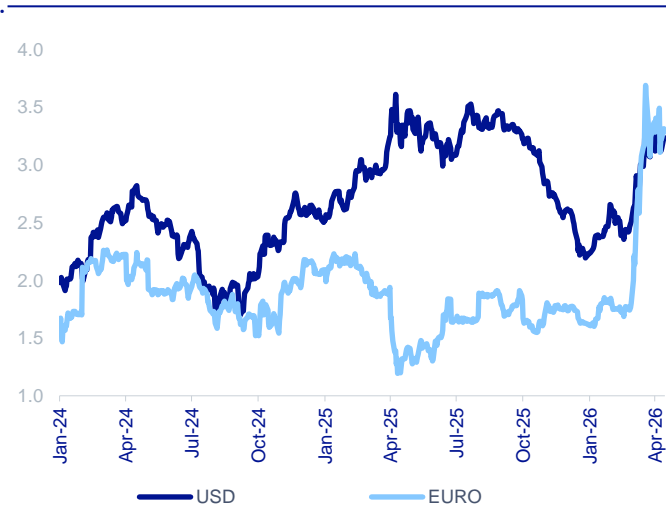


Source: BBVA Research based on Bloomberg

# Short term inflation expectations remain skewed to the upside, while long term expectations are well anchored

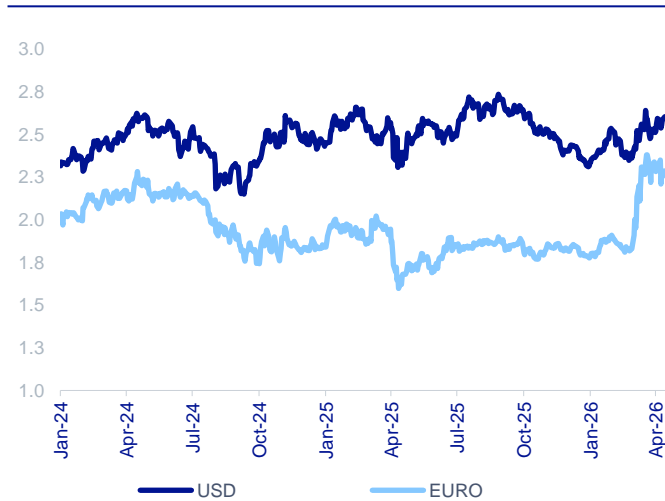
Market based short term inflation expectations have fluctuated visibly on shifts in war sentiment, led by energy price volatility while longer term expectations remain relatively well anchored.

### US AND EZ 1Y INFLATION SWAP (%)



Source: BBVA Research based on Bloomberg

### US AND EZ 5Y5Y INFLATION SWAP (%)

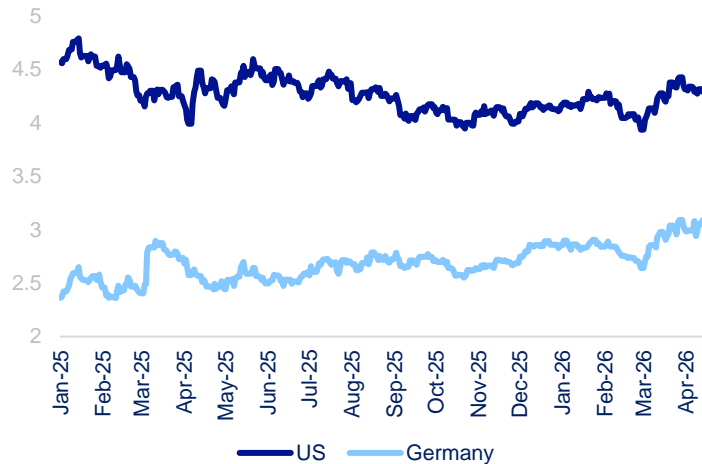


Source: BBVA Research based on Bloomberg

# Sovereign yields trade range-bound amid ceasefire-related volatility, as inflation concerns persist

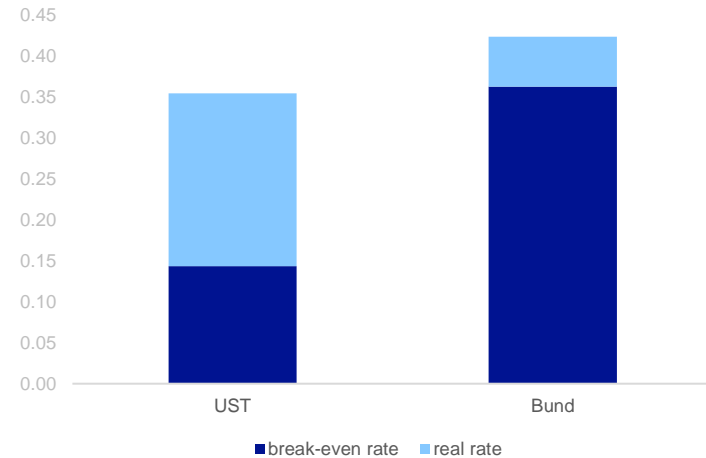
## US AND GERMANY 10Y YIELDS

(%)



## US, GERMANY 10Y YIELD DECOMPOSITION

(%, CHANGE SINCE MARCH 1st)



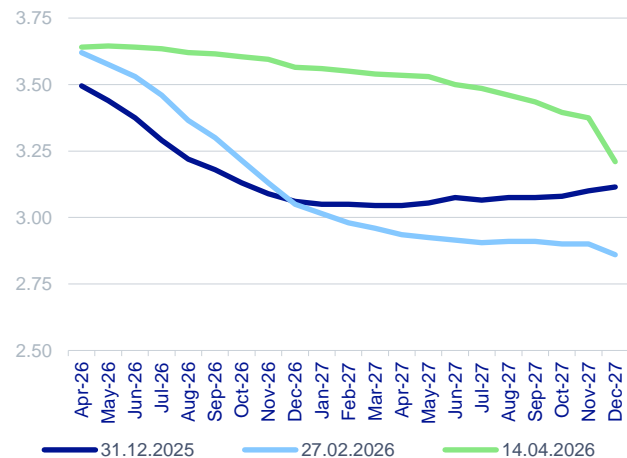
Source: BBVA Research based on data from Haver.

Source: BBVA Research based on data from Haver

# Fragile ceasefire keeps monetary policy expectations hawkish

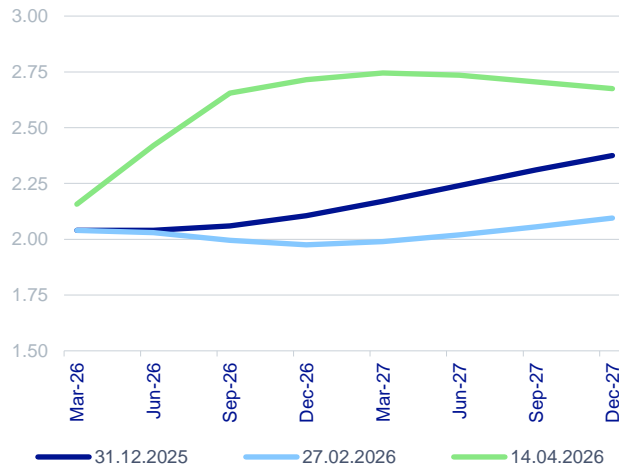
Markets expect Fed to hold rates unchanged in 2026 and lean towards one 25 bps cut by mid-2027. For the ECB, the market expects two 25 bps hikes this year with a bias towards a third.

**US IMPLIED RATES IN FED FUND FUTURES (%)**



Source: BBVA Research based on Bloomberg

**EZ: IMPLIED RATES IN EURIBOR FUTURES (%)**



Source: BBVA Research based on Bloomberg

# Weak recovery in flows on fragile ceasefire deal; relative underperformance of Euro Area and EM, mainly Asia

Uncertainty surrounding the crisis has tightened global macro financial conditions since the start of the war, with limited easing since the ceasefire announcement.

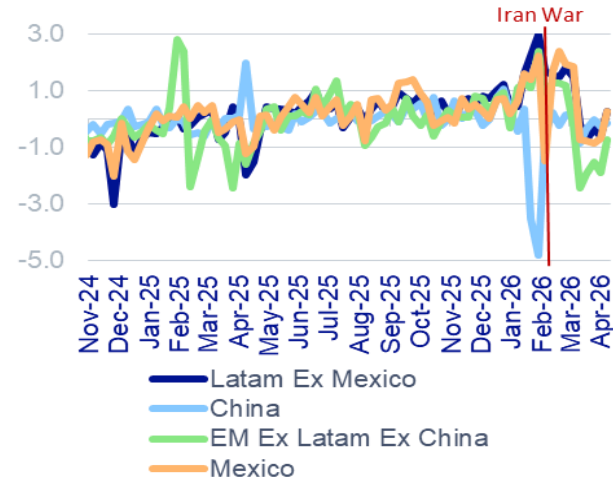
## BBVA GLOBAL MACRO FINANCIAL CONDITIONS INDEX



Source: BBVA Research based on Bloomberg

## EM FLOWS

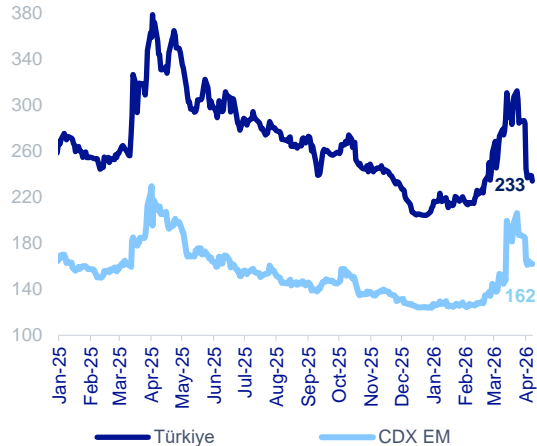
(Z-SCORE, DATA AS OF APRIL 8, 2026)



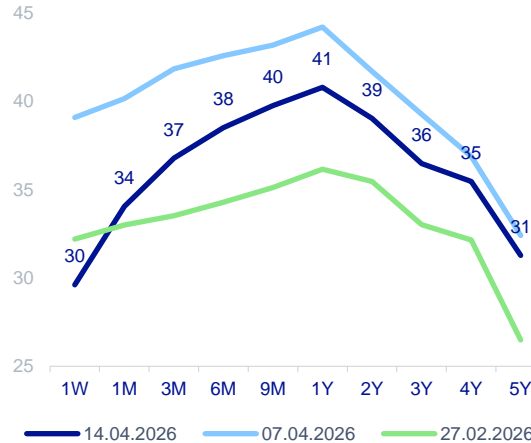
Source: BBVA Research, EPFR

# Two-week ceasefire has boosted financial markets with a positive differentiation in the risk premium

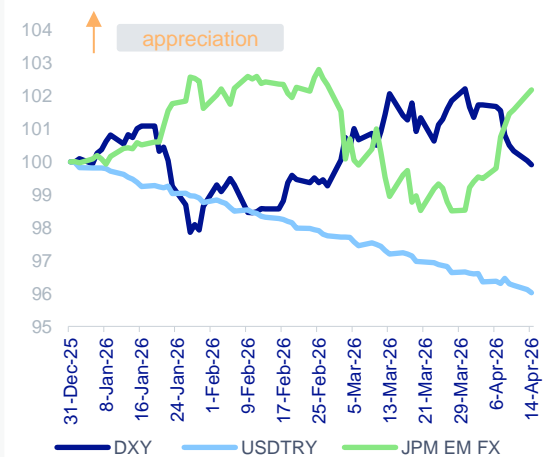
## TÜRKİYE VS. EM 5-YEAR CDS (BASIS POINTS)



## USDTRY FORWARD IMPLIED RATES (%)



## DXY INDEX vs. USDTRY & EM CURRENCIES (31.12.2025=100)

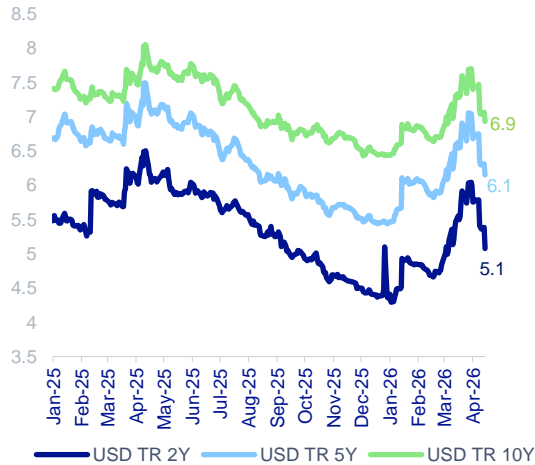


Source: Bloomberg and Garanti BBVA Research

**Türkiye's 5-year CDS premium has most recently come back below 250 bps, while appetite for carry trade flows has again resumed.**

# The sovereign bonds still stay worse than pre-conflict levels; equities have recovered fast in USD terms

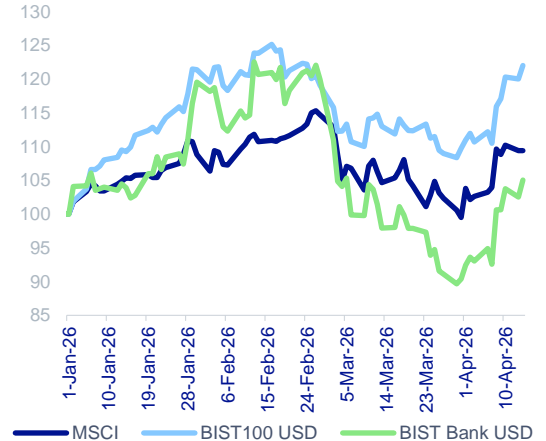
## USD SOVEREIGN YIELD CURVE (%)



## TRY SOVEREIGN YIELD CURVE (%)



## MSCI & BIST INDEX (IN USD) (31.12.2025=100)

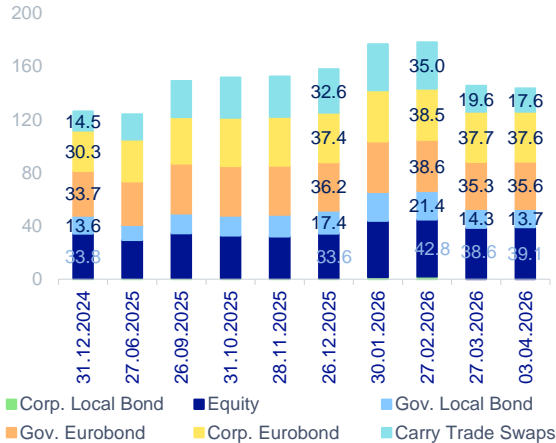


Source: Bloomberg and Garanti BBVA Research

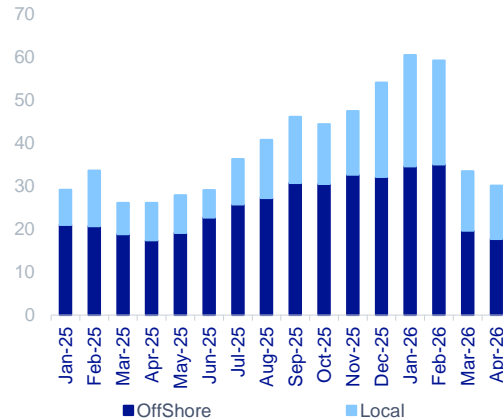
**Ceasefire news have helped but concerns about its effectiveness and duration, together with inflation uncertainties weigh down on appetite for real money flows to Türkiye.**

# Sell-off of foreigners reached around \$35bn in March

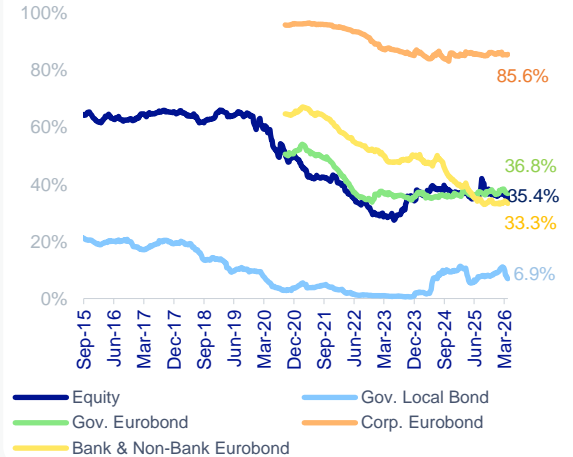
## FOREIGNERS EXPOSURE\* TO TR FINANCIAL ASSETS\*\* (\$USbn)



## TOTAL DERIVATIVE POSITIONS (\$USbn, as of April 3rd)



## FOREIGNERS' SHARE IN TR FINANCIAL ASSETS (% in total)



\* Excluding local banks' external subsidiaries

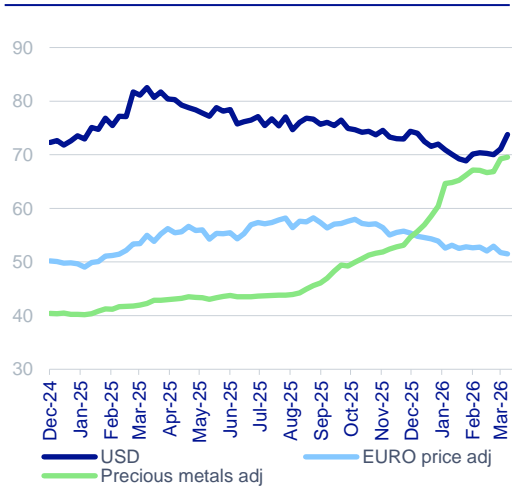
\*\* Including only the outright purchases in Government local bonds

Source: CBRT and Garanti BBVA Research

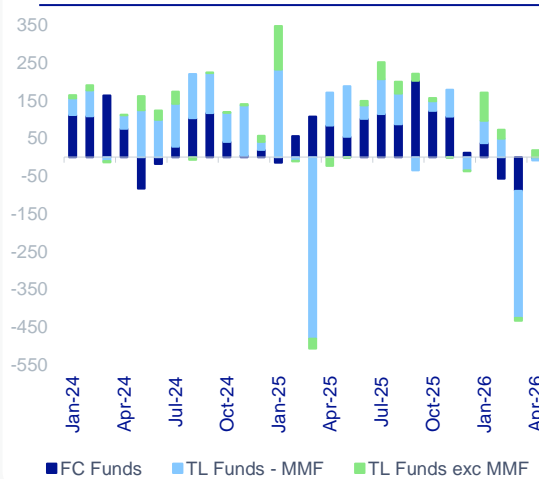
**The total carry position including locals declined to \$30bn as of April 3rd (close to \$59bn by end Feb), of which we estimate as \$17-18bn owned by foreigners. The share of foreigners in local Government bonds fell below 7% in early April from 11% in mid-Feb.**

# The timely reaction of the authorities has prevented a domestic sentiment shock so far

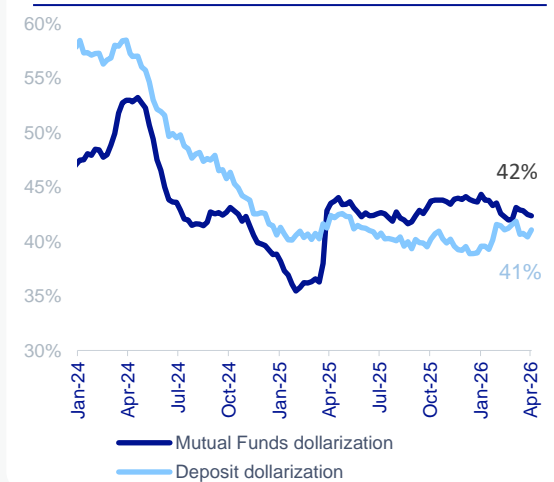
## FC DEPOSITS VOLUME OF RESIDENTS (BN USD)



## NET FLOWS IN INVESTMENT FUNDS (TL BN)



## RESIDENTS' DOLLARIZATION RATIO\* (%)



Source: CBRT, TURKSTAT, TEFAS and Garanti BBVA Research

\* FC Funds consist of FC Hedge Funds, Eurobond Funds and Precious Metals Funds

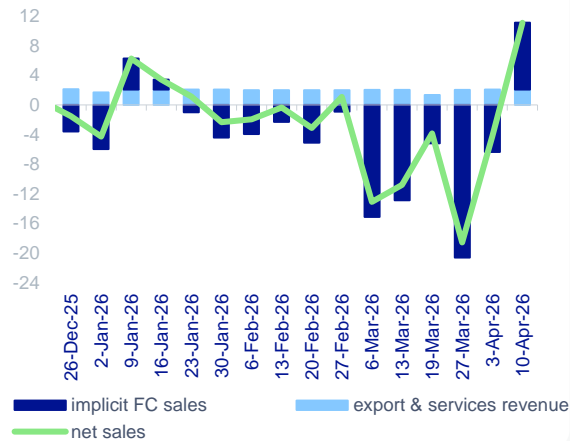
**We calculate net outflows from the money market funds in March (close to 340bn TL), but this time more limited compared to the last year's domestic March shock. We see limited FC deposit demand from corporates, and system-wise precious metal demand from households.**

# The depletion from the CBRT has reversed last week after around \$60bn implicit sales in March

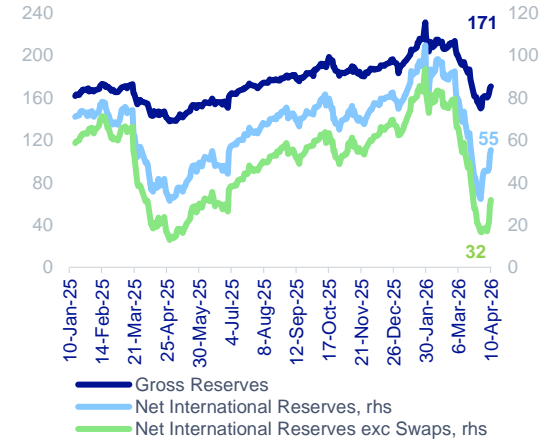
**CBRT GROSS GOLD RESERVES & HQLA\*** (\$USbn, as of April 3rd)



**CBRT WEEKLY RESERVE FLOWS** (\$USbn)



**CBRT INTERNATIONAL RESERVES** (\$USbn, as of Apr 10th)

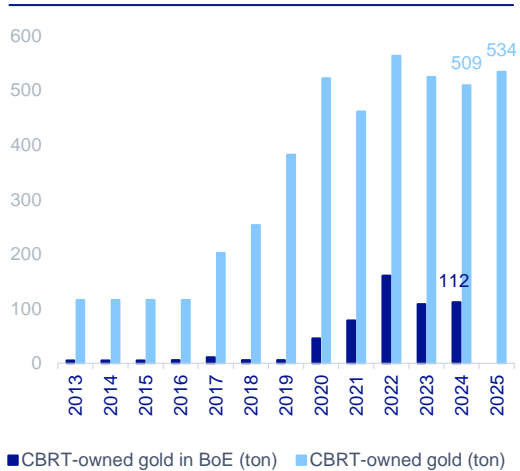


\* High quality liquid foreign assets excluding IMF SDR & CB swaps  
Source: CBRT and Garanti BBVA Research.

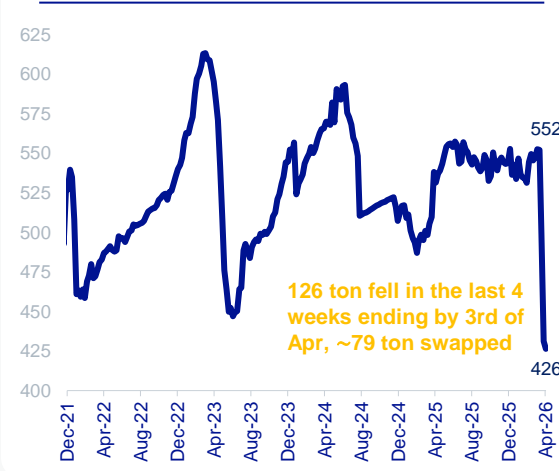
**We see gold as being used as a liquid instrument to support foreign currency liquidity in the system without any trigger in the perception of residents, particularly households. The pressure on the reserves has calmed down further last week (\$9-10bn net inflows).**

# The CBRT uses gold as a liquid instrument for foreign currency interventions

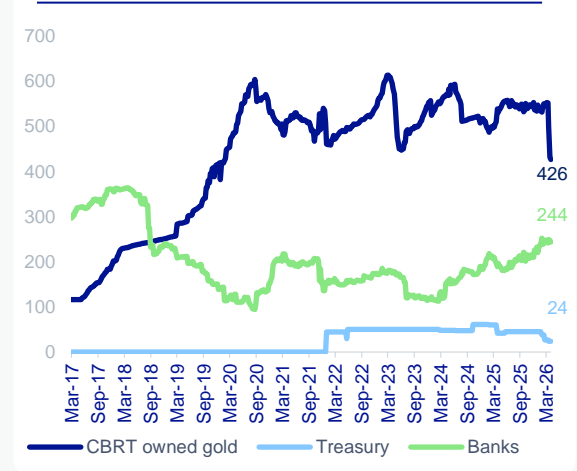
**CBRT-OWNED GOLD RESERVES**  
(ton)



**CBRT-OWNED GOLD RESERVES**  
(ton)



**CBRT GOLD ASSETS**  
(ton)

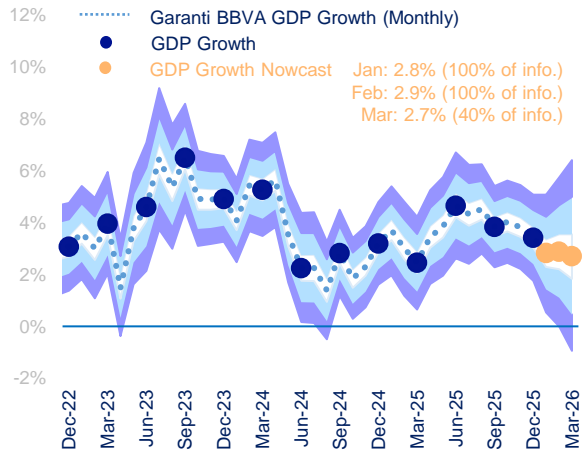


Source: CBRT and Garanti BBVA Research.

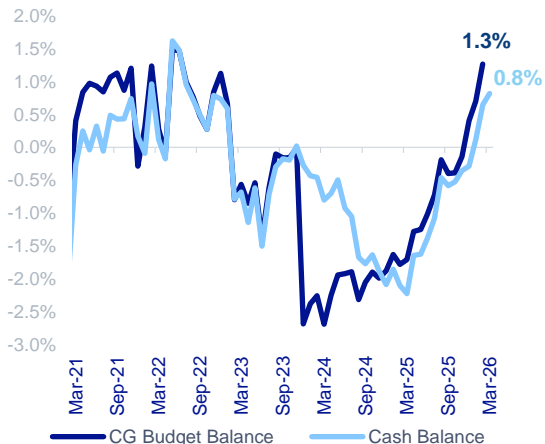
**CBRT reserves: Gold swaps with London (exchanged for foreign currency) reached 79 tons (\$11-12bn) in the last four weeks ending by 3rd of April. Gold assets had declined by 126 tons in the same period, so it seems (126-79) 47 tons of gold (\$9-10bn) had been sold (mostly in Istanbul gold exchange).**

# Fiscal room will be used to mitigate adverse effects (up to 0.6pp of GDP from sliding scale system)

## GARANTI BBVA MONTHLY GDP NOWCAST (YoY, 3M Mov. Avg.)



## CASH & ACCRUAL BASIS PRIMARY BALANCE (% GDP)



## CURRENT ACCOUNT BALANCE & NET ERROR OMISSIONS (\$USbn)



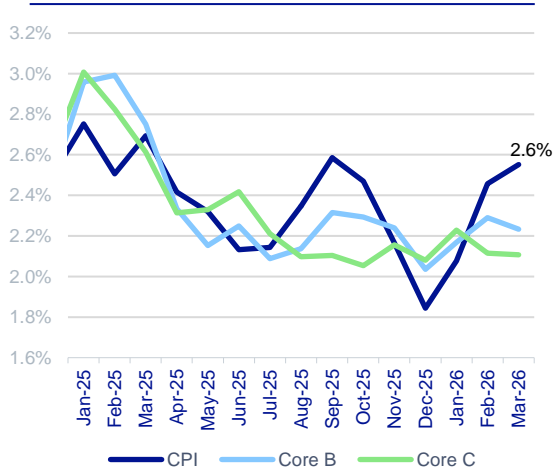
55-60bn\$  
(3-3.5% GDP) CA  
deficit by end 2026

Source: TURKSTAT and Garanti BBVA Research

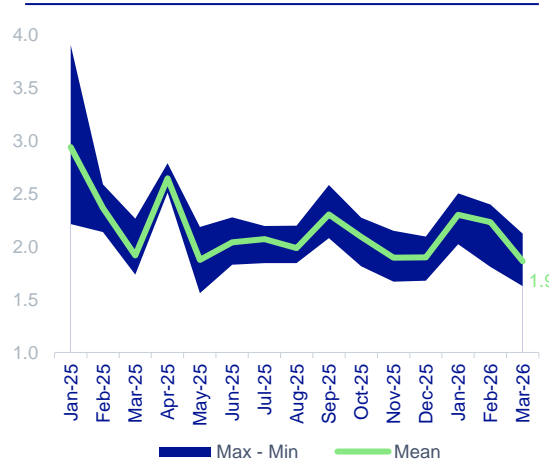
**The conflict in Iran poses downside risks to economic activity, exerting pressure on trade and current account balance. Longer and deeper the conflict, depending on the increasing external financing needs, a more severe trade-off on growth could happen, despite the available fiscal room.**

# CPI trend has worsened on food and early year price adjustments even before the conflict

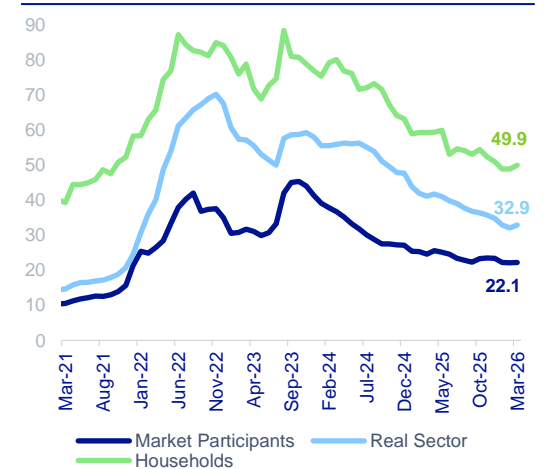
**CPI SA ADJUSTED INDICATORS**  
(SA MoM, 3M AVG)



**CPI UNDERLYING TREND INDICATORS**  
(SA MoM, 3M AVG)



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



Source: TURKSTAT and Garanti BBVA Research

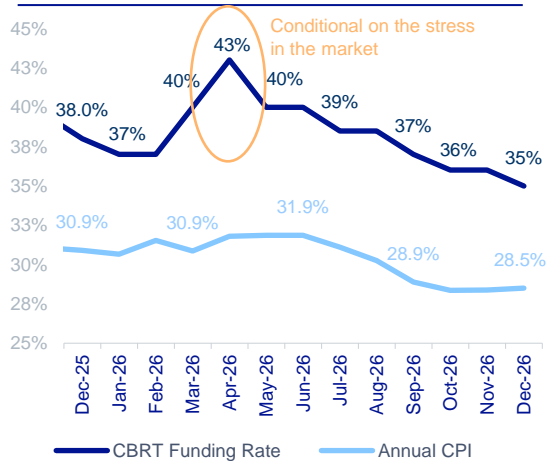
Source: TURKSTAT and Garanti BBVA Research

Source: CBRT and Garanti BBVA Research

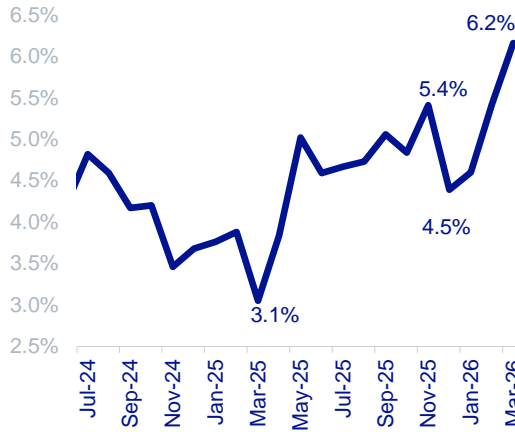
**Persistent inflation trend above 2%, high inflation expectations, pressure on supply chains and still distorted pricing behavior add challenges on inflation outlook. Treasury has implemented a price mechanism on fuel prices by reducing the tax burden to partially offset its inflationary impact.**

# We expect 3.5-4% m/m Apr CPI and 28.5% y/y 2026 end CPI wrt fwd prices (85\$ brent & 18\$/MMBtu gas)

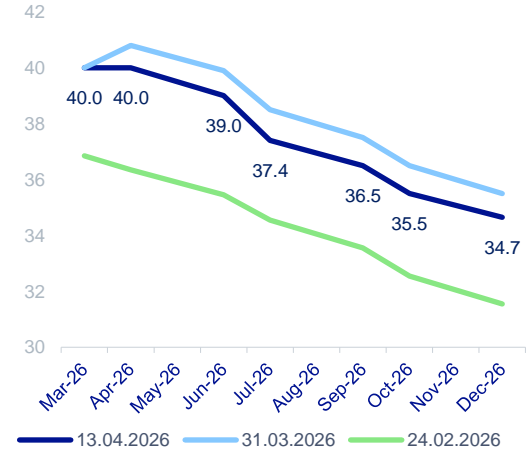
## GARANTI BBVA CPI & CBRT FUNDING RATE FCASTS (% YOY, EOP)



## MARKET PARTICIPANTS 12M AHEAD REAL POLICY RATE EXPECTATION (%)



## OIS MARKET PRICING ON CBRT FUNDING RATE (%)



Source: TURKSTAT and Garanti BBVA Research

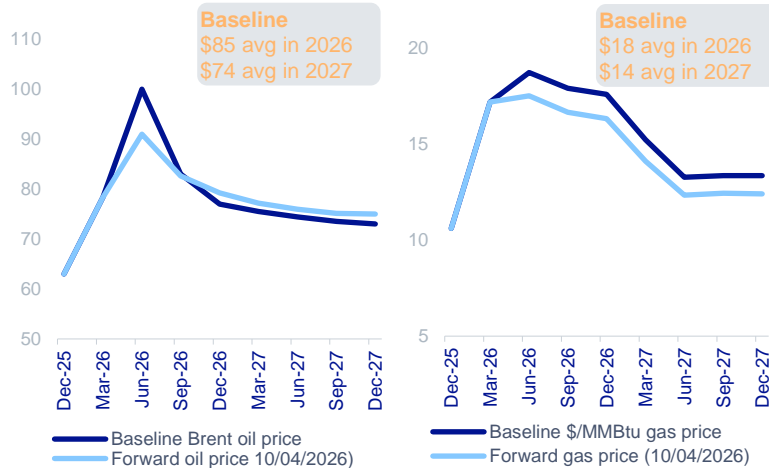
Source: TURKSTAT and Garanti BBVA Research

Source: CBRT and Garanti BBVA Research

**We expect the CBRT to raise the policy rate to the current ON lending rate of 40% in April MPC meeting. We now forecast 28.5% year end CPI, given the current forward prices and the latest administered price hikes, with still upside risks, resulting in a year-end policy rate of 35% at best.**

# Based on sensitivities, depending on duration & depth, impact will be subdued activity with higher inflation

## GB ENERGY PRICE FORECASTS & FORWARD PRICES (LEVEL, USD)



## SENSITIVITIES WITH RESPECT TO ENERGY PRICE SHOCK\* (%)

The cumulative impact of %10 energy price shock in one year	
CPI	1-1.5pp (half of the impact with scale sliding pricing on fuel**)
CAB	0.3-0.4% of GDP (\$5-7bn)
Industrial Production**	0.9-1.7pp (0.2-0.3pp on GDP)

Source: TURKSTAT and Garanti BBVA Research,

\* Energy Prices include Brent and Natural Gas Prices with a weighted average according to consumption

\*\* We calculate that the scale sliding mechanism could partially absorb the pressure up to \$110 per barrel Brent oil price for diesel, \$120 per barrel for gasoline

\*\* Increase in oil price is caused by a negative oil supply shock, which could be translated into a GDP impact with 20% value-added share of IP

**Depending on the conflict, lower growth, higher inflation, and a further deterioration in the external balance are becoming likely. April baseline energy prices assumptions imply downside risk on our 4% GDP growth, with 28-29% year-end CPI and 55-60bn\$ CA deficit (3-3.5% of GDP).**

# Garanti BBVA Baseline Scenario\*

	2023	2024	2025	2026	2026 BIAS
GDP growth (avg)	5.0%	3.3%	3.6%	<b>4.0%</b>	↓
Unemployment Rate (avg)	9.4%	8.7%	8.4%	<b>9.0%</b>	↑
Inflation (avg)	53.9%	58.5%	34.9%	<b>30.3%</b>	↑
Inflation (eop)	64.8%	44.4%	30.9%	<b>28.5%</b>	↑
CBRT Cost of Funding (avg)	20.5%	49.6%	43.6%	<b>38.2%</b>	↑
CBRT Cost of Funding (eop)	42.5%	47.5%	38.0%	<b>35.0%</b>	↑
USDTRY (avg)	23.7	32.8	39.5	<b>47.2</b>	↔
USDTRY (eop)	29.4	35.3	42.8	<b>52.0</b>	↔
EURTRY (avg)	25.7	35.5	44.7	<b>55.6</b>	↓
EURTRY (eop)	32.6	36.7	50.3	<b>62.2</b>	↓
Current Account Balance (\$USbn)	-41.8	-13.0	-30.1	<b>-58.3</b>	↓
Current Account Balance (% GDP)	-3.6%	-1.0%	-1.9%	<b>-3.2%</b>	↓
CG Primary Balance (% GDP)	-2.6%	-1.9%	0.4%	<b>0.1%</b>	↓
CG Budget Balance (% GDP)	-5.1%	-4.7%	-2.9%	<b>-3.5%</b>	↓

\*Baseline assumptions: \$85 average brent price in 2026, \$74 brent in 2027 (\$77 & \$73 year-end in 2026 & 2027); 18\$/MMBtu avg gas price in 2026, 14\$/MMBtu in 2027

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