Türkiye Economic Outlook

Garanti BBVA Research

October 2024

Creating Opportunities

Key messages

- On global economy, we maintain our view of a soft landing and forecast a gradual rate cutting cycle. We expect 3% and 2.5% terminal rates from FED and ECB, respectively, to be reached before the end of 2025.

- In Türkiye, we forecast a smooth transition with 3.2% GDP growth rate in 2024 (vs. 3.5% prev.) and 2.7% in 2025 (vs. 3.5% prev.). We also upgrade our long run GDP growth forecasts to 4% (vs. 3.5% prev.), assuming the recent reversal towards orthodoxy will contain the pre-assumed further deterioration.

- Given looser external financial conditions and weaker domestic economic activity, we maintain our call of a moderate first rate cut in Dec24 but define risks as staying high for longer. We forecast a gradual rate cutting cycle by reaching 30% by end 2025. Yet, credit growth caps might continue for some time not to allow any inflationary impact.

- Medium Term Program (MTP) shows efforts to keep budget deficit to GDP below 5% by end 2024 and closer to 3% by end 2025. A clearer fiscal consolidation next year is expected to help disinflation.

- We slightly reduce our 2024 end USDTRY expectation to 37 (vs. 38 prev.) on weaker activity & CBRT delayed cut and maintain next years almost the same (45.5 USDTRY by end 2025). We forecast inflation to finish the year annually at 43% in 2024 and 25% in 2025.

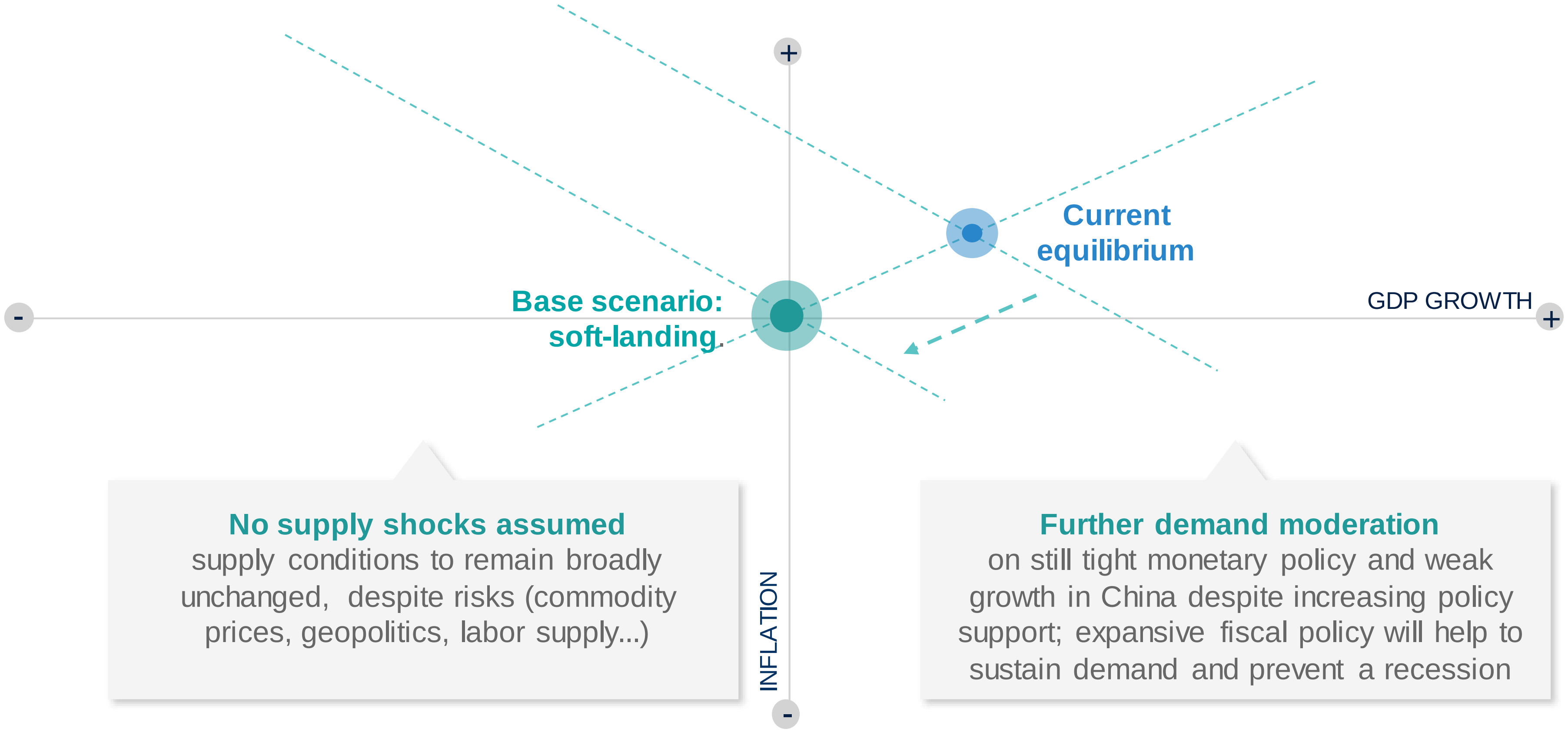
- Driven by weak domestic demand and lower energy prices, current account outlook will further improve in the short term. We forecast current account deficit to GDP ratio of 1.3% for 2024 and %1.6% for 2025.

Research

01

Global Economic Outlook

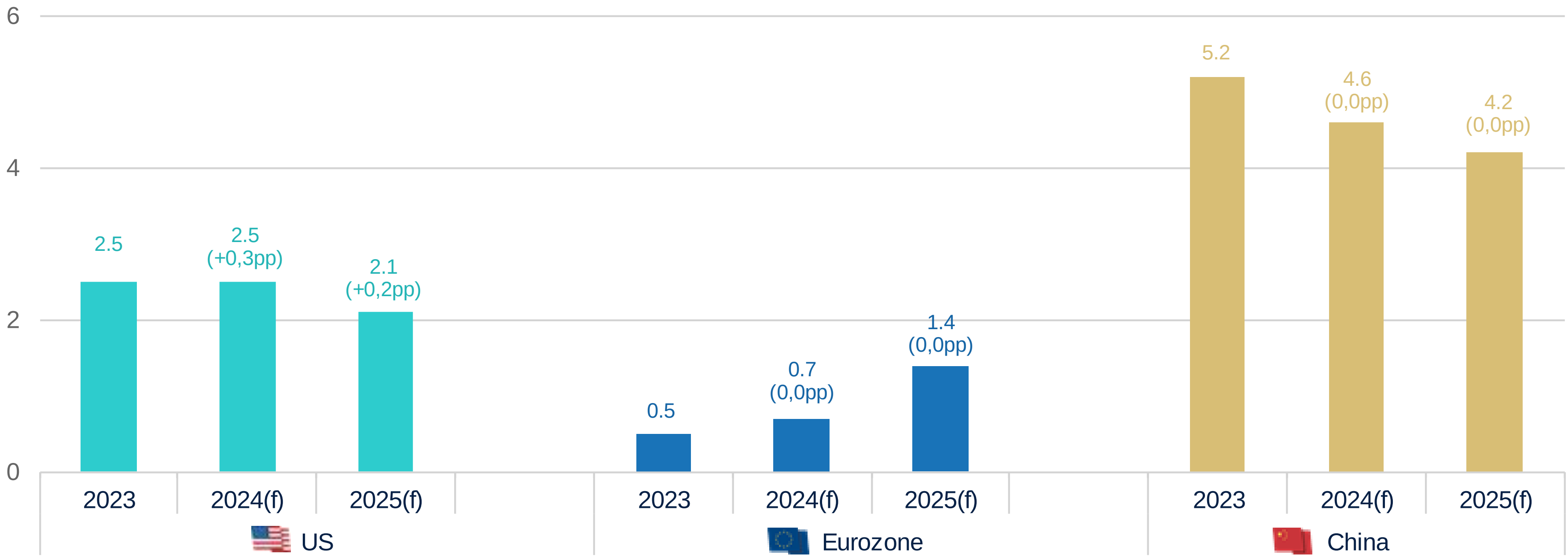
Global baseline: controlled inflation and demand slowdown will pave the way for more aggressive rate cuts; growth is likely to converge to moderate levels



GDP forecasts: growth revised up on resilient demand in the US; cyclical recovery in Eurozone; policy stimulus will help to sustain growth in China

GDP GROWTH (*)

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



(*) Global GDP growth: 3.1% in 2023, 3.1% (unchanged in comparison to the previous forecast) in 2024 and 3.3% (unchanged in comparison to the previous forecast) in 2025.

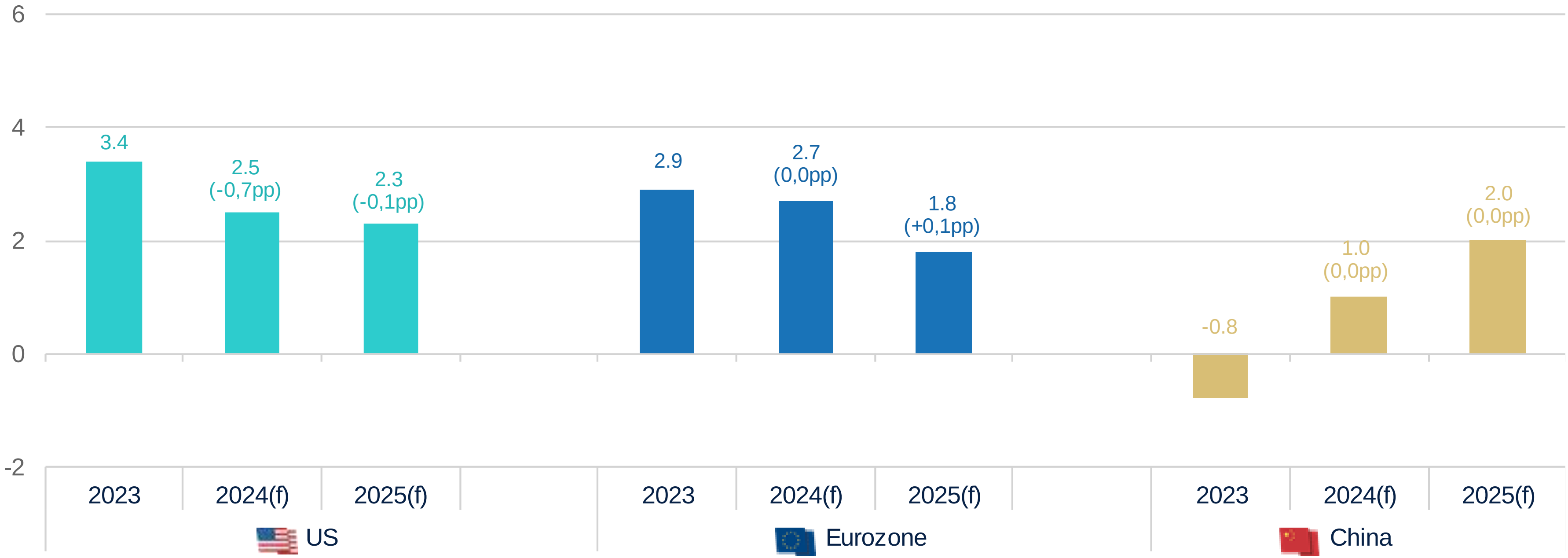
(f): forecast.

Source: BBVA Research.

Inflation forecasts: downward revision in the US on clearer labor market easing and favorable incoming data; no significant changes in Eurozone and China

HEADLINE CPI INFLATION

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



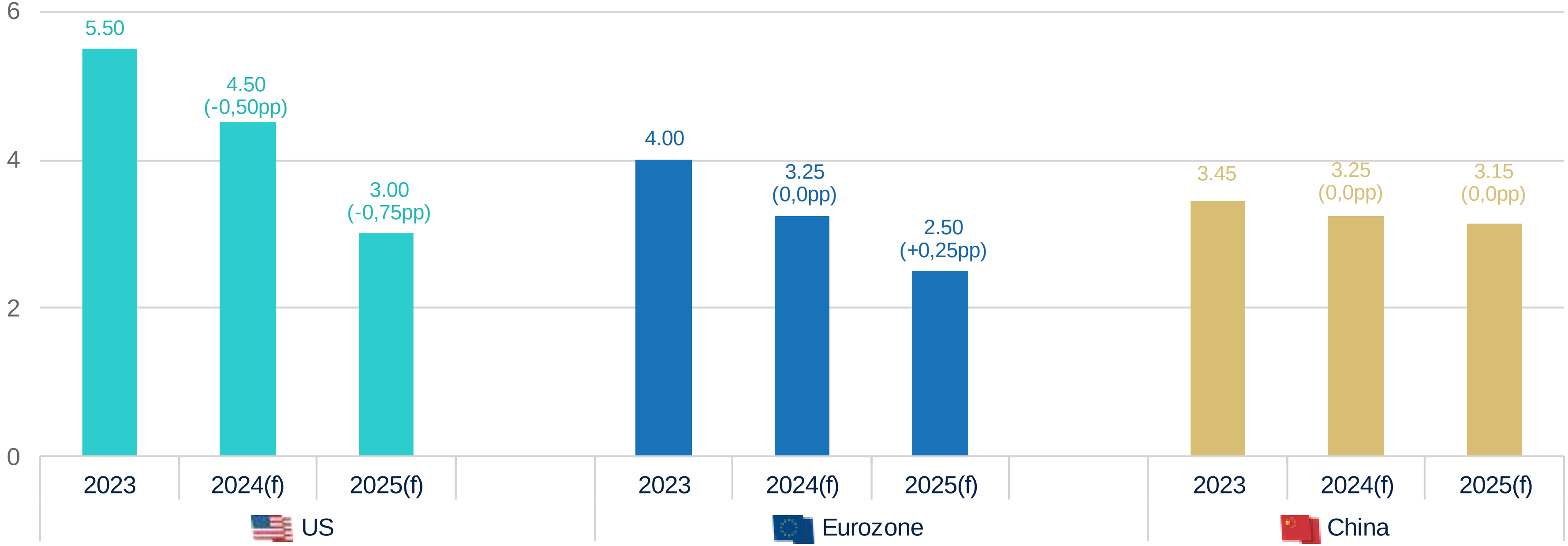
(f): forecast.

Source: BBVA Research.

Rate forecasts: further monetary easing is expected; the Fed is likely to cut rates at a 25bps pace till mid-2025; slightly higher long-term ECB rates

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.

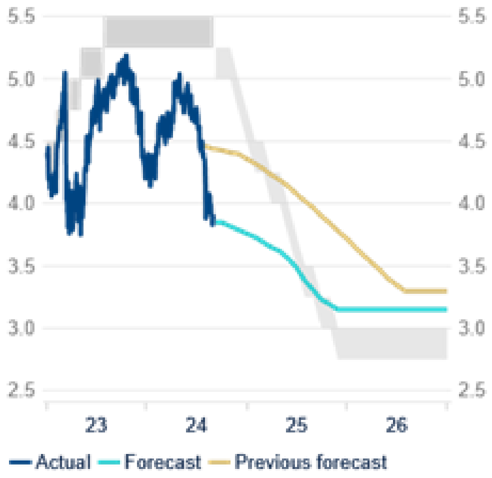
Source: BBVA Research.

Fed starts big but points to smaller rate cuts ahead. Fed aims to guarantee a soft landing with minimal impact on employment outlook

FED FUNDS RATE OUTLOOK
(UPPER LIMIT OF THE TARGET RANGE, %)

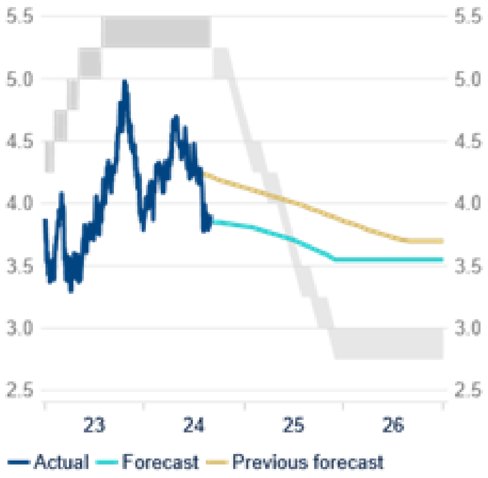
Policy rate	2024	2025	2026
Forecast	**4.50**	**3.00**	**3.00**
Prev. fcst.	5.00	3.75	3.00

2-YEAR US TREASURY YIELD
(%)



2y yield	2024	2025	2026
Forecast	**3.8**	**3.2**	**3.2**
Prev. fcst.	4.4	3.7	3.3

10-YEAR US TREASURY YIELD
(%)

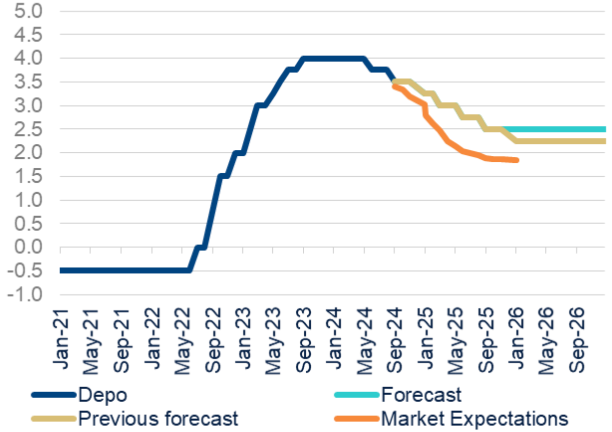


10y yield	2024	2025	2026
Forecast	**3.8**	**3.6**	**3.6**
Prev. fcst.	4.1	3.9	3.7

Source: BBVA Research and Haver

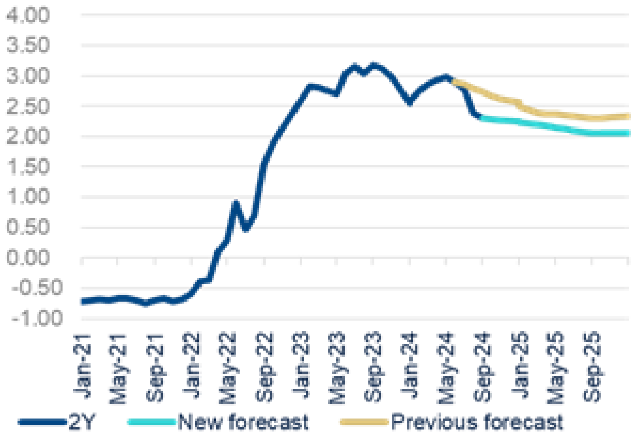
In Eurozone, we still expect one more rate cut in 2024, and three cuts next year, with a higher terminal rate, given the structural risks on inflation

ECB DEPO RATE (%)



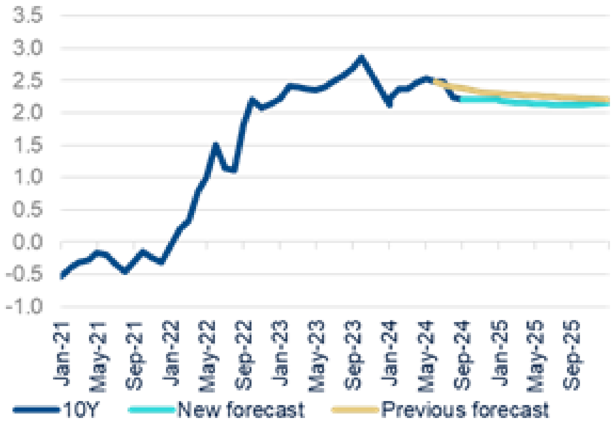
Depo rate	2024	2025	2026
Forecast	**3.25**	**2.50**	**2.50**
Prev. fcst.	3.25	2.25	2.25

2Y BUND YIELD (%)



2Y	24	25
New forecast	**2.25**	**2.05**
Previous forecast	2.56	2.34

10Y BUND YIELD (%)

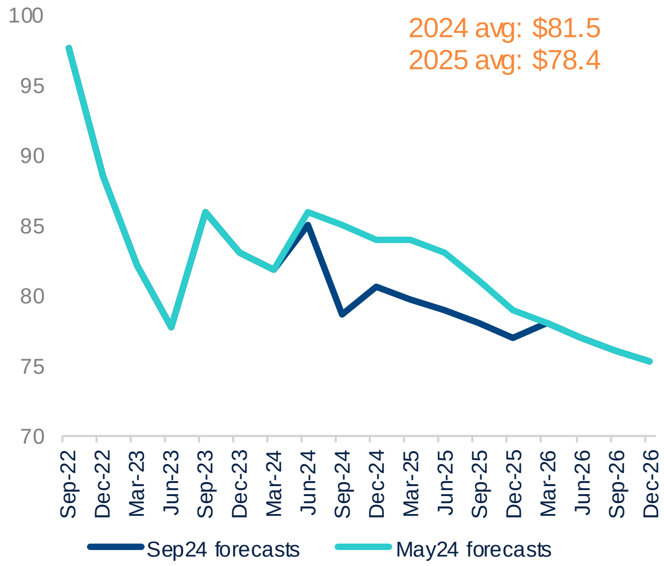


10Y	24	25
New forecast	**2.20**	**2.15**
Previous forecast	2.30	2.20

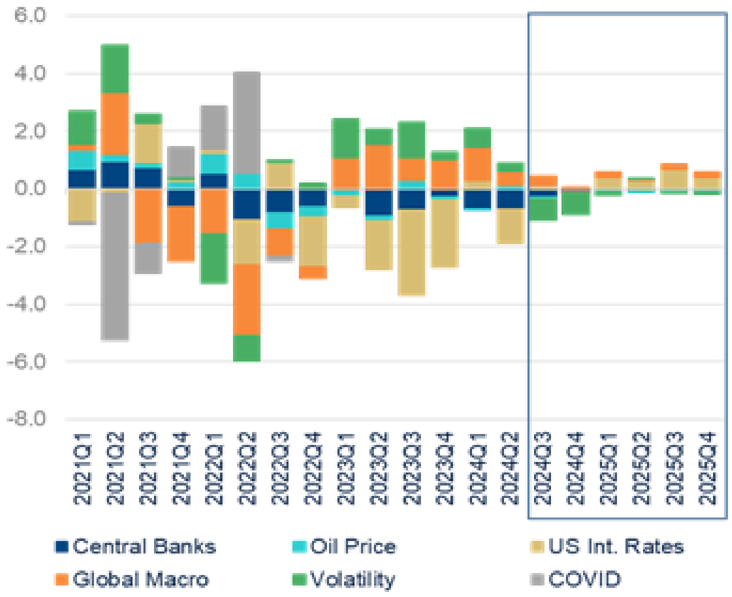
Source: Bloomberg and BBVA Research

Demand concerns have paved the way for lower commodity prices, despite geopolitical tensions; while EM flows are expected to be positively affected on global monetary easing

OIL PRICES
(USD/ BARREL, QUARTERLY AVG.)



EM CAPITAL INFLOWS PROJECTIONS
(% of AUM; QUARTERLY CUMULATIVE BASIS)

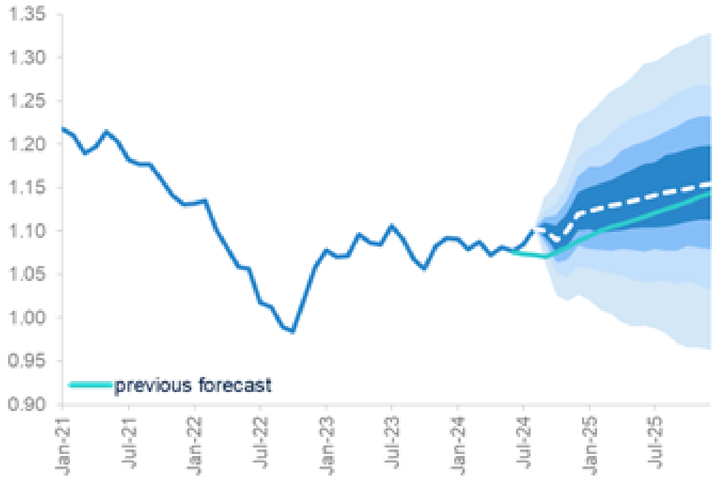


Source: BBVA Research

EURUSD is revised upward as the US rate cut cycle is brought forward, though risks remain to the downside for the euro

EURUSD PROJECTIONS

LEVEL



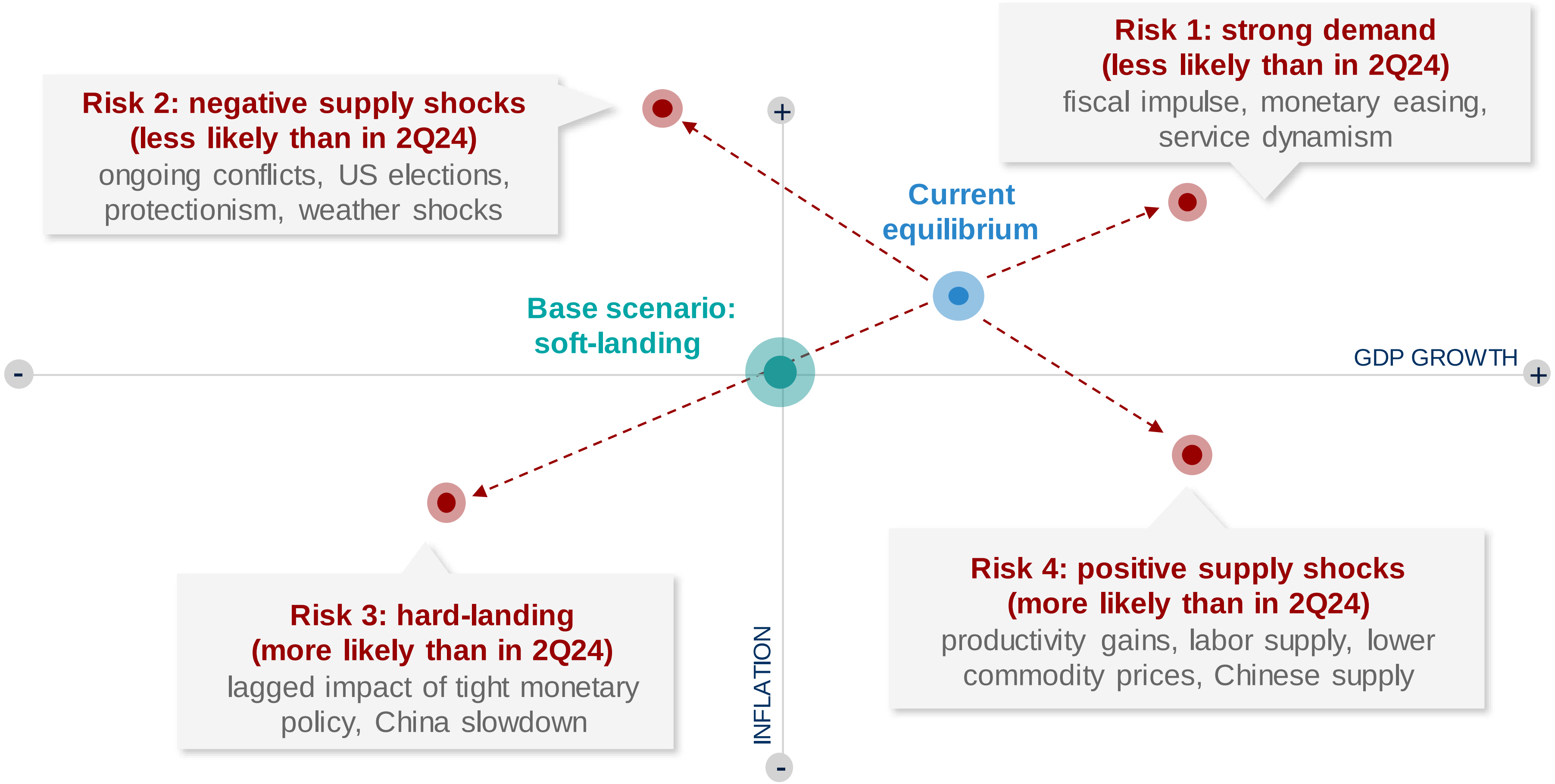
		Probability						
		-70%	-50%	-25%	Base	25%	50%	70%
New	Dec-24	1.06	1.08	1.10	1.12	1.14	1.16	1.18
previous					1.09			
New	Dec-25	1.03	1.08	1.11	1.15	1.20	1.23	1.27
previous					1.14			

Source: BBVA Research and Bloomberg

- Our medium-term baseline scenario continues to support a very gradual appreciation: narrowing rate spreads, contained volatility, EUR's undervaluation (equilibrium around 1.20)

- The euro continues to face important risks ahead:
  - Geopolitics (the EZ and the US stand at the opposite ends of energy independence)
  - Fed rate cut cycle pausing before than expected;
  - US elections (initially dollar-positive if Trump wins), although this risk has diminished
  - Slower EZ and global growth

Risks: still sizeable, but more balanced than before



BBVA Research

02

Türkiye Economic Outlook

Fitch upgraded one notch further but revised the outlook to stable with a warning on potential premature monetary easing of the CBRT. We expect the CBRT to reach an attractive ex post positive real yield to incentivize TL savings

SOVEREIGN RATINGS*

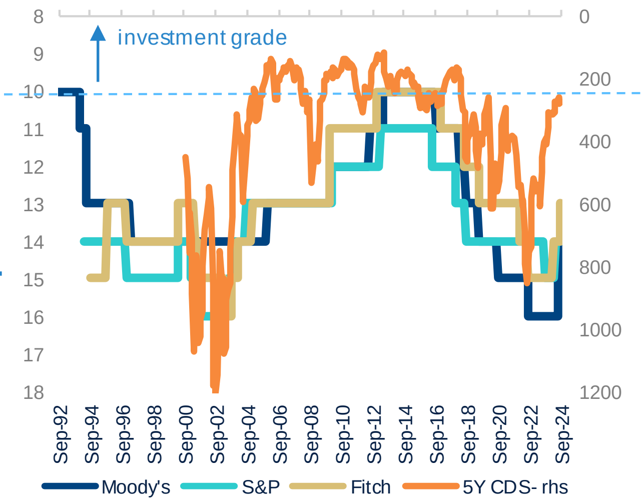
Inv. grade

No	S&P	Moody's	Fitch	Meaning and Color
1	AAA	Aaa	AAA	Prime
2	AA+	Aa1	AA+	High Grade
3	AA	Aa2	AA	
4	AA-	Aa3	AA	
5	A+	A1	A+	Upper Medium Grade
6	A	A2	A	
7	A-	A3	A-	
8	BBB+	Baa1	BBB+	Lower Medium Grade
9	BBB	Baa2	BBB	
10	BBB-	Baa3	BBB-	
11	BB+	Ba1	BB+	Non Investment Grade Speculative
12	BB	Ba2	BB	
13	BB-	Ba3	BB-	
14	B+	B1	B+	Highly Speculative
15	B	B2	B	
16	B-	B3	B-	
17	CCC+	Caa1	CCC+	Substantial Risks
18	CCC	Caa2	CCC	Extremely Speculative

** Türkiye's current sovereign rating is shown in circles*

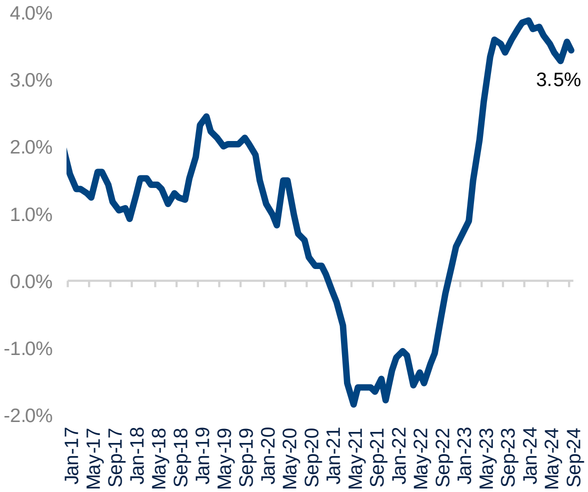
TÜRKİYE SOVEREIGN RATING & 5-YEAR CDS

1 – 18 RATING LEVEL, BPS



EM EX POST REAL POLICY RATE*

%



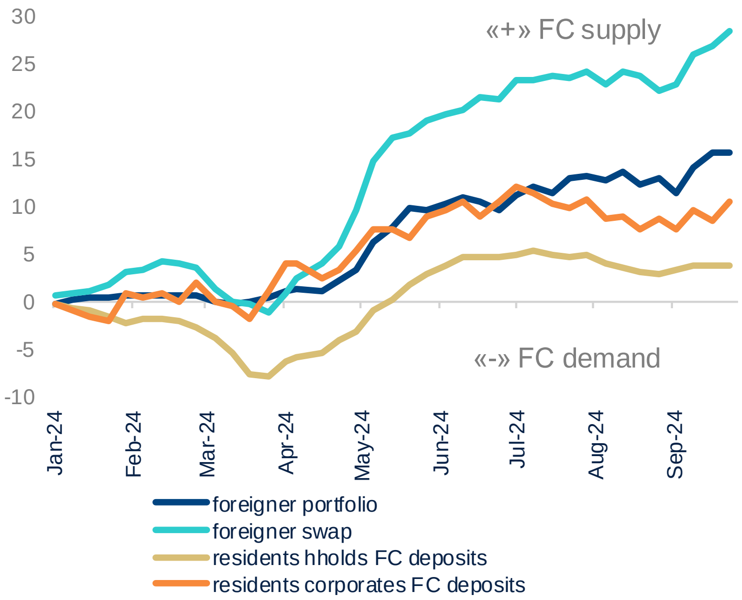
** The CBRT's EM coverage in its presentations as Brazil, Indonesia, Philippines, South Africa, Colombia, Malaysia, Mexico and Chili*

Source: Bloomberg & Garanti BBVA Research

After the global sell-off and resignation rumors of the Minister Simsek in August, foreigners again increased their exposure and residents reduced their dollarization tendency as of September

FOREIGN CURRENCY FLOWS

US$BN, YEAR TO DATE CUMULATIVE



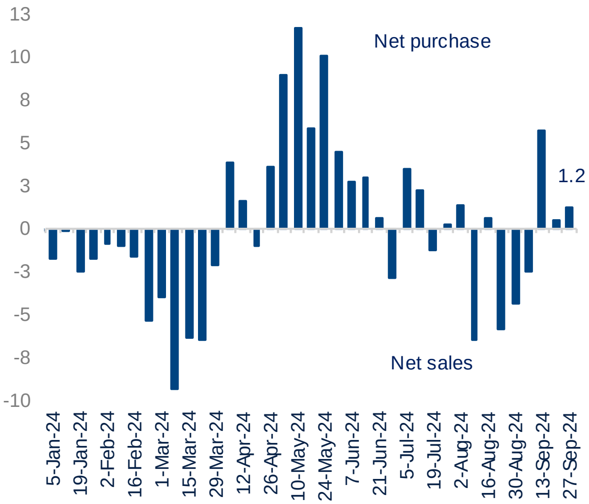
FC flows and Contibution to CBRT Reserves (bn USD)	29/03 - 28/06	28/06- 27/09
foreigner swap flows*	22.4	7.2
foreigner TL Bond flows*	10.6	6.9
foreigner TL equity flows*	-1.5	-0.7
households' FC deposit flows**	12.5	-0.7
corporates' FC deposit flows**	9.4	-0.1
contribution to CBRT reserves by data (a)	**53.4**	**12.6**
current account balance (b)	**-5.7**	**5.7**
CBRT net FX position exc gold price impact (c)	**76.7**	**16.6**
CBRT net FX position	78.6	22.3
gold price impact	1.9	5.7
residual as contribution from exporters & effective flows (c-a-b)	**29.0**	**-1.7**

** Positive sign refers to inflows as FC supply for the CBRT reserves*
*** Positive sign refers to dedollarization as FC supply for the CBRT reserves*

Source: Bloomberg, CBRT & Garanti BBVA Research

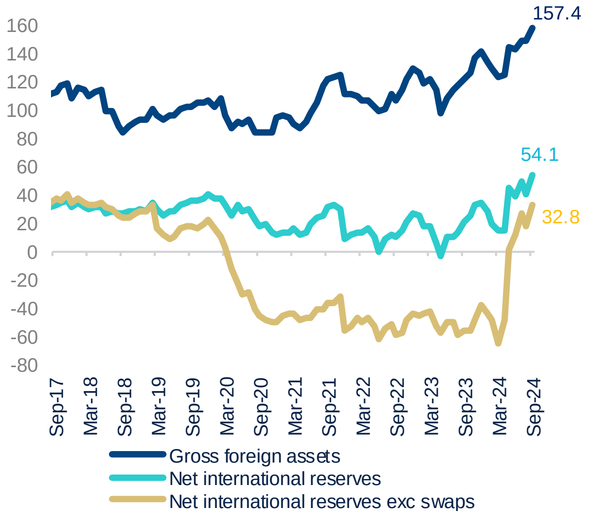
The CBRT has started to improve its reserves and become again a net FC buyer, and added new measures to absorb excess TL liquidity from the market

CBRT INDIRECT RESERVES FLOWS*
US$BN, weekly flow

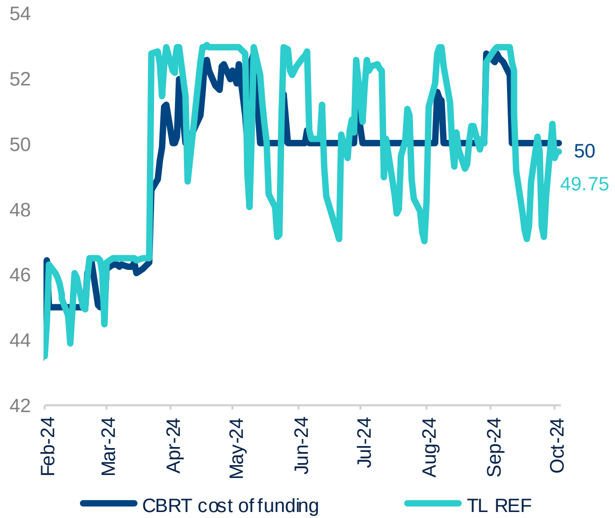


** Including the assumption of 30% of exports and services income inflows as of June 10th, and rediscount loans. CBRT payments due from KKM are assumed to have a similar ratio in Garanti BBVA since March 29th.*

CBRT INTERNATIONAL RESERVES
US$BN as of Sep 27



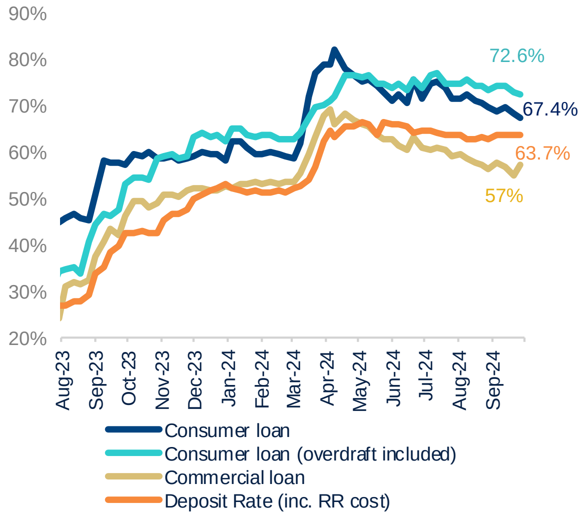
CBRT FUNDING & BIST TL REF RATE
%



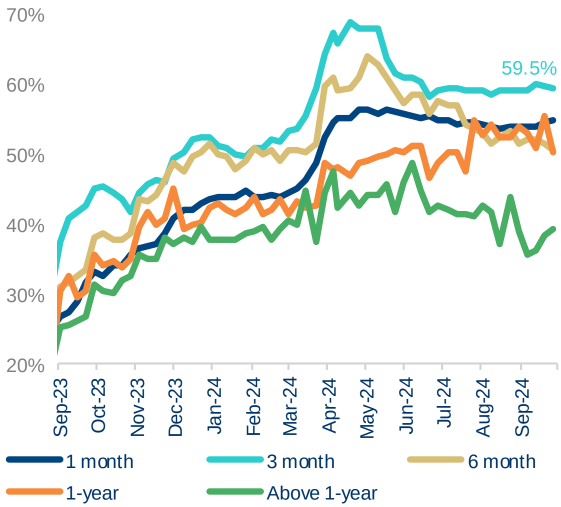
Source: CBRT & Garanti BBVA Research

TL commercial lending rates maintain negative margins, resulting in banks' efforts for extension of credit maturities and lower TL deposit rates. FC lending remains competitive

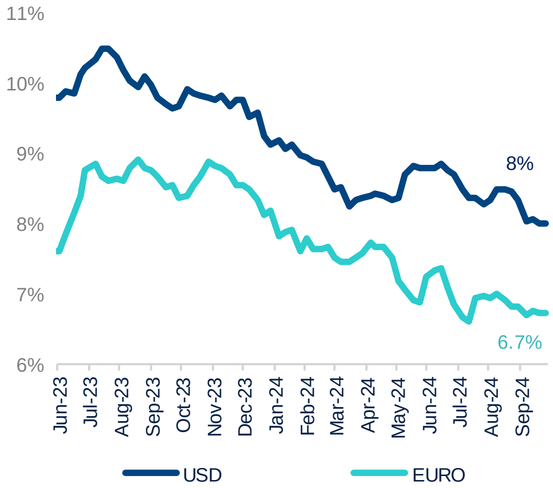
CONSUMER & TL COMMERCIAL RATES
%, flow , sector



TL DEPOSIT RATES
%, flow , compounded



FC LENDING RATES
%, flow , sector

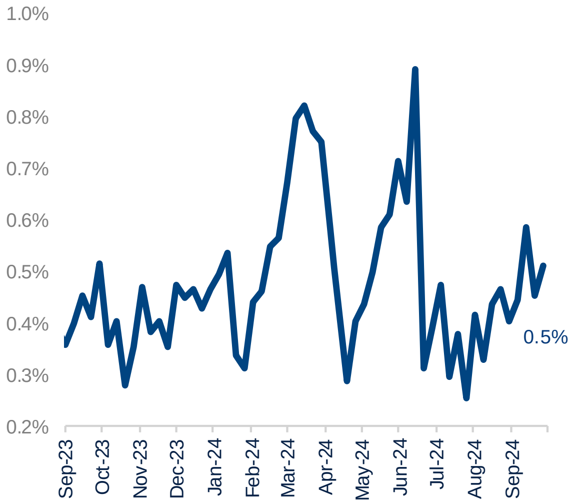


Source: CBRT & Garanti BBVA Research

Credit conditions have been squeezed further by lending growth limitations. Caps help maintain a tighter monetary stance still with some weeks of overflows

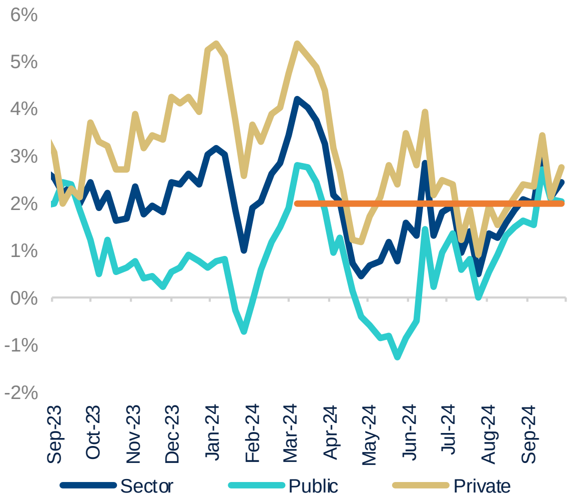
TOTAL CREDIT GROWTH

4-week average, FX adjusted, sector



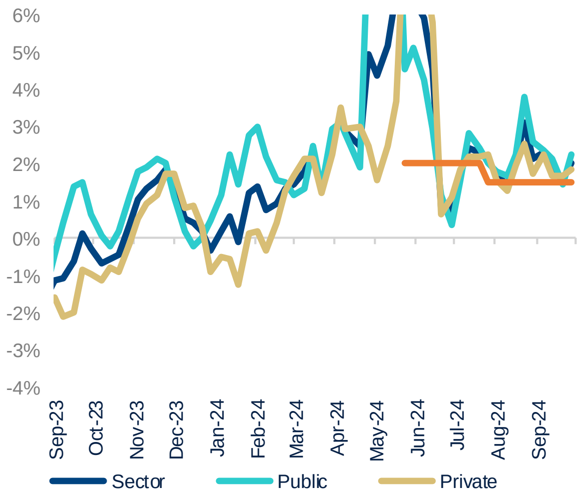
TL CREDIT GROWTH

4-week rolling, deposit banks



FC CREDIT GROWTH

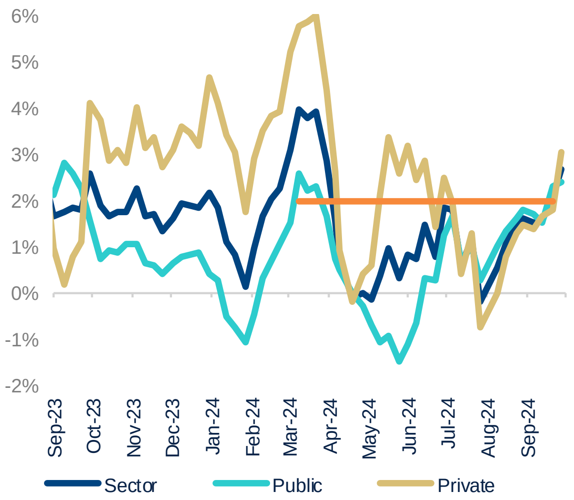
USD, 4-week rolling, deposit banks



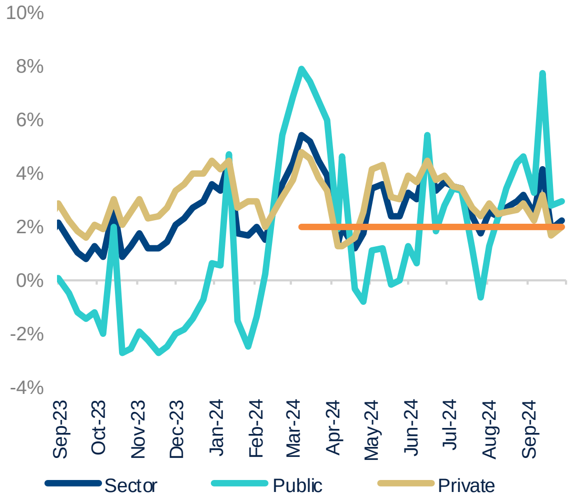
Source: BRSA, CBRT & Garanti BBVA Research

Retailer lending being stronger than commercial lending remains to be a challenge on the fight against inflation

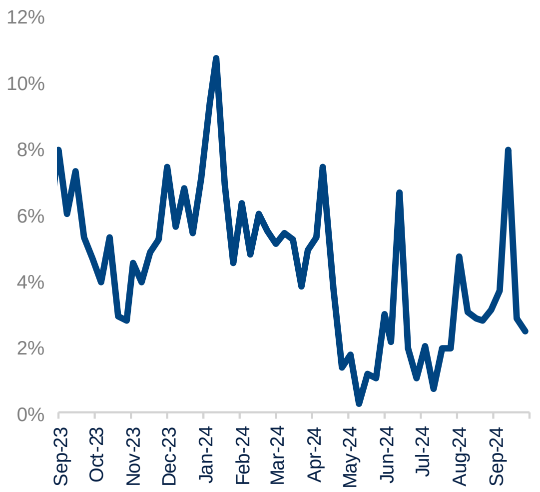
TL COMMERCIAL LENDING
4-week rolling, deposit banks



CONSUMER GPL LOANS GROWTH
4-week rolling, deposit banks



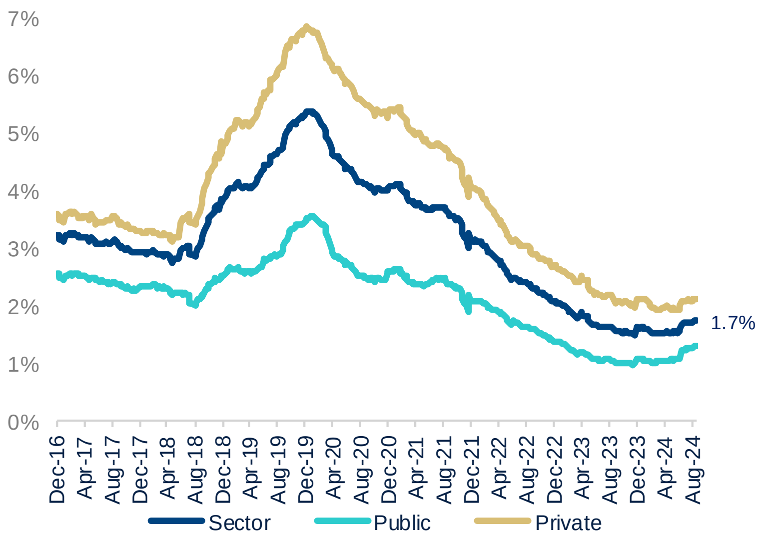
RETAILER CREDIT CARD SPENDING
4-week rolling, deposit banks



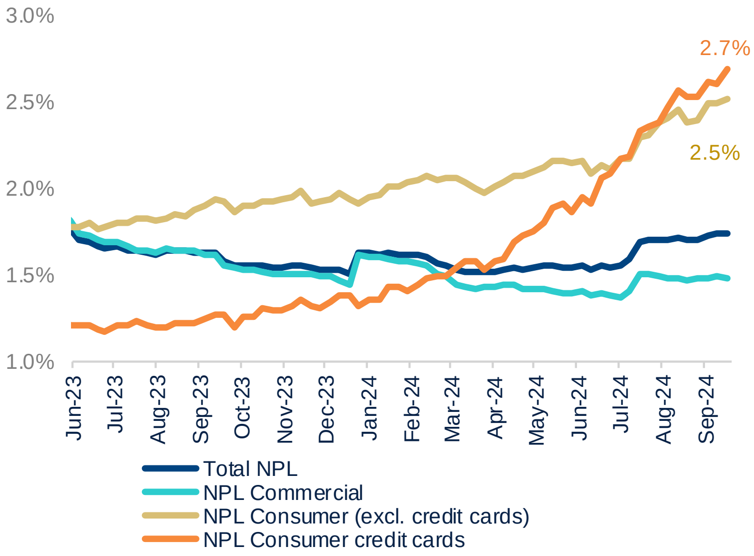
Source: BRSA, CBRT & Garanti BBVA Research

Restructuring credit card & GPLs up to 5 years and lowering minimum payment in lower card limits will slow down NPL inflows. Also, by differentiating interest rates on card limits and segments, the CBRT aims to squeeze consumption among high card limits and reduce the payment pressure on low limits

NPL RATIO %



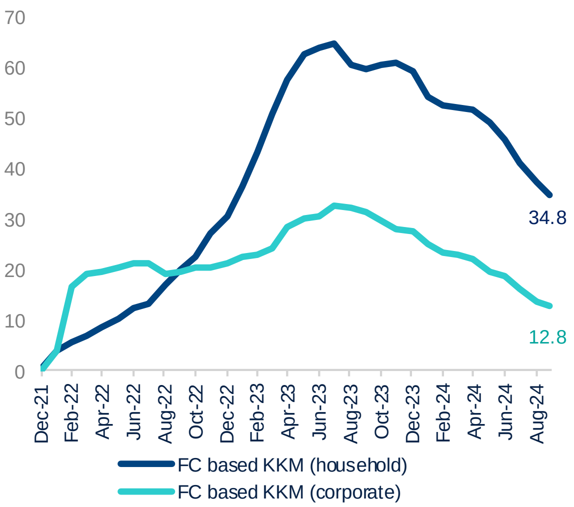
NPL RATIO IN SUB-SEGMENTS %



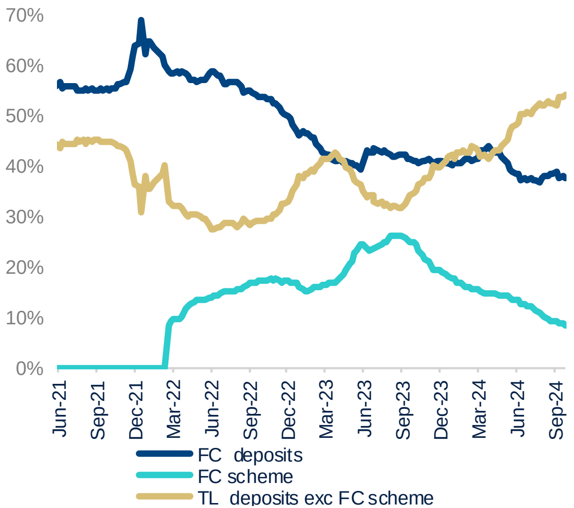
Source: CBRT, BRSA and Garanti BBVA Research

The CBRT aims to make KKM rules more encouraging for banks in order to maintain an orderly exit from KKM accounts. Banks' CARs remain well above legal requirements

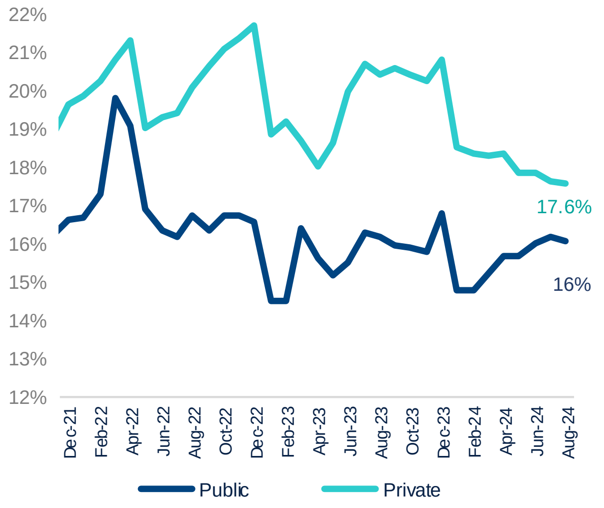
FC PROTECTED SCHEME (KKM)
US$bn, with original FX rate



BANKING SECTOR DEPOSITS
%, share in total



BANKS CAPITAL ADEQUACY RATIO (CAR)
%



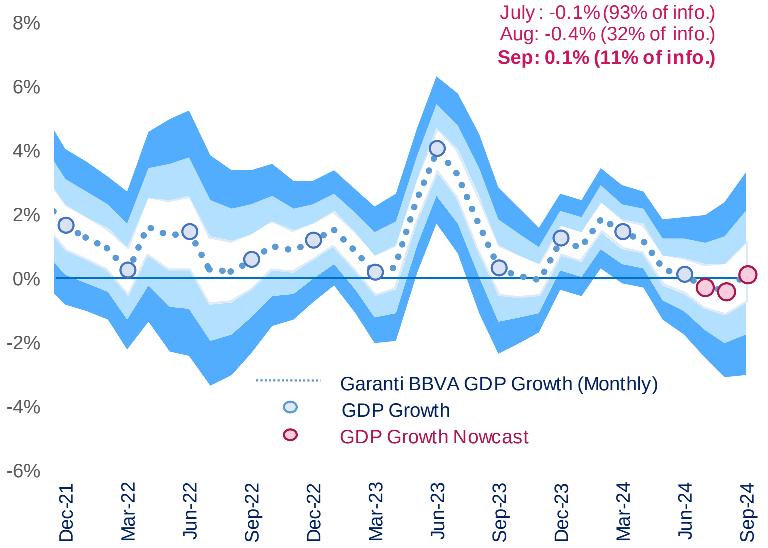
The CBRT removed the TL conversion rate condition in interest payment on RR for TL deposits. The maximum commission rate applied according to the TL conversion rate was also raised from 5% to 8%.

Source: CBRT, BRSA and Garanti BBVA Research

After the limited quarterly GDP growth of 0.1% in 2Q24, we expect a mild negative quarterly growth in 3Q24 with additional hard data from Aug-Sep

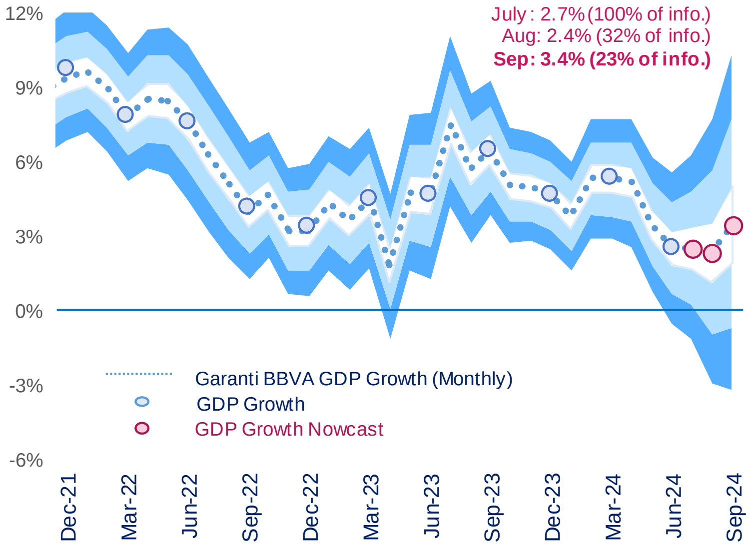
GARANTI BBVA MONTHLY GDP INDICATOR*

QOQ, 3M MOVING AVERAGE



GARANTI BBVA MONTHLY GDP INDICATOR*

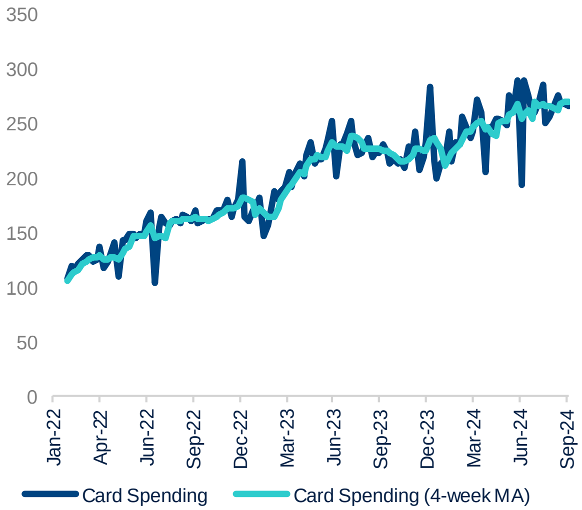
YOY, 3M MOVING AVERAGE



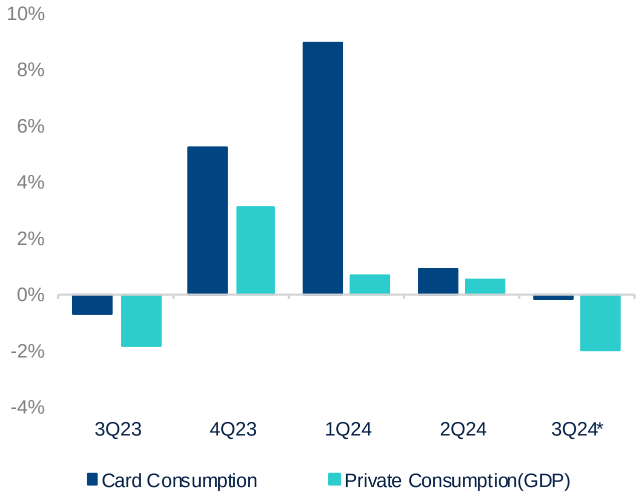
Source: TURKSTAT, CBRT & Garanti BBVA Research

The adjustment in real card spending is still limited, which is explained by the changes in consumer behavior after the pandemic. Given other high frequency data, we nowcast private consumption to contract QoQ in 3Q24

CARD SPENDING VOLUME
REAL, JAN22=100

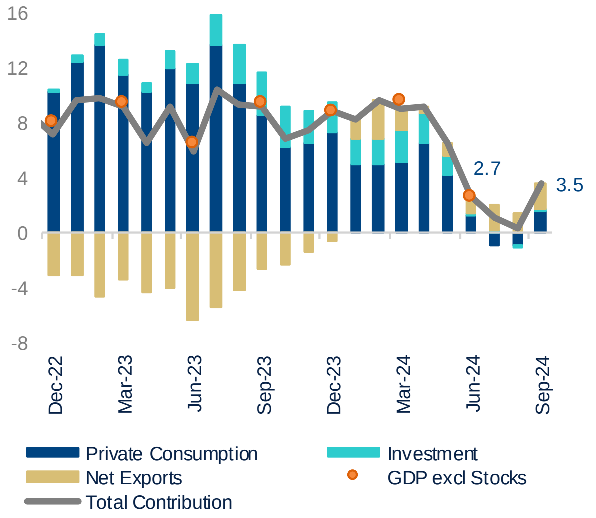


CARD SPENDING & PRIVATE CONSUMPTION
REAL, SA CAL ADJ., QoQ



* Weekly cards data, private consumption growth according to our latest nowcast

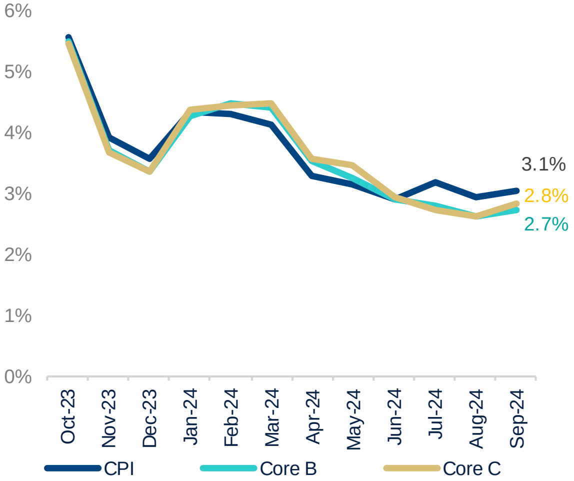
GDP DEMAND SUBCOMPONENT NOWCASTS
PP, CONT. TO ANNUAL GDP



Source: TURKSTAT, CBRT & Garanti BBVA Research

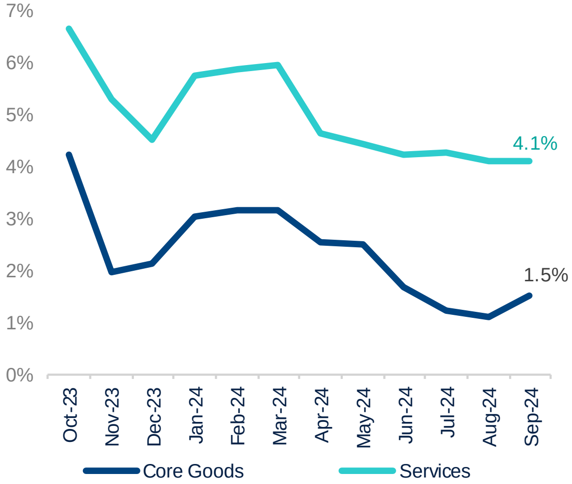
Sep inflation surprised to the upside. Yet, we still expect monthly inflation trend to decline to slightly below 2% by end 2024 on deeper negative output gap and elimination of lagged effects of 3Q administerative price hikes

TREND CPI INDICATORS*
SA MoM, 3M AVG

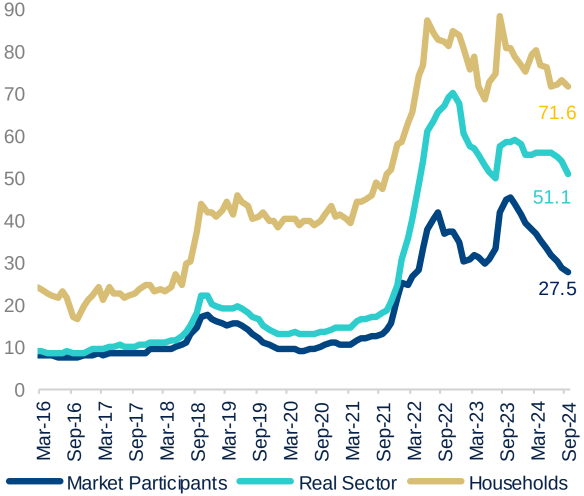


* *As released by TURKSTAT & CBRT*

TREND CORE C INFLATION DETAILS*
SA MoM, 3M AVG



CBRT SURVEY ONE-YEAR AHEAD INFLATION EXPECTATIONS, %



TWO KPIs of the CBRT

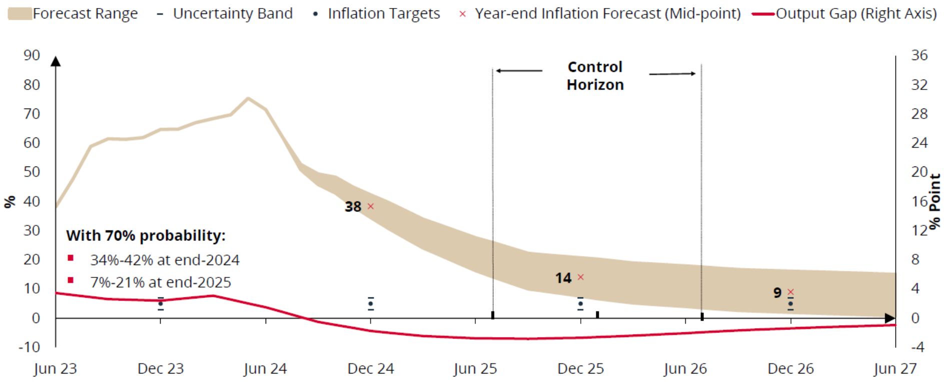
- Monthly inflation trend of below 1.5% in 4Q24 (vs. 3% in 3Q24)
- Inflation expectations converging to the projected inflation range (34-42% for 2024 and 7-21% for 2025)

Source: TURKSTAT, CBRT & Garanti BBVA Research

New MTP confirms the political will of a soft-landing, keeping inconsistency with the CBRT projections

	Medium Term Program (2025-2027)				
	2023	2024	2025	2026	2027
GDP Growth (% annual)	5.1%	3.5%	4.0%	4.5%	5.0%
Unemployment Rate	9.4%	9.3%	9.6%	9.2%	8.8%
USDTRY (avg.)	23.7	33.2	41.9	44.4	46.9
Consumer Inflation (eop)	64.8%	41.5%	17.5%	9.7%	7.0%
Exports (goods, bn$)	255	264	280	296	320
Imports (goods, bn$)	362	345	369	391	418
Foreign Trade Balance (bn$)	-106	-81	-89	-95	-98
Foreign Trade Balance/GDP	-9.5%	-6.1%	-6.1%	-5.8%	-5.5%
Current Account Balance (bn$)	-45.0	-22.6	-29.3	-26.3	-23.1
Current Account Balance/GDP	-4.0%	-1.7%	-2.0%	-1.6%	-1.3%
CG Budget Balance/GDP	-5.2%	-4.9%	-3.1%	-2.8%	-2.5%
EU Defined Public Debt/GDP	29.3%	25.6%	25.3%	25.1%	24.8%

CBRT INFLATION PROJECTIONS, Y/Y

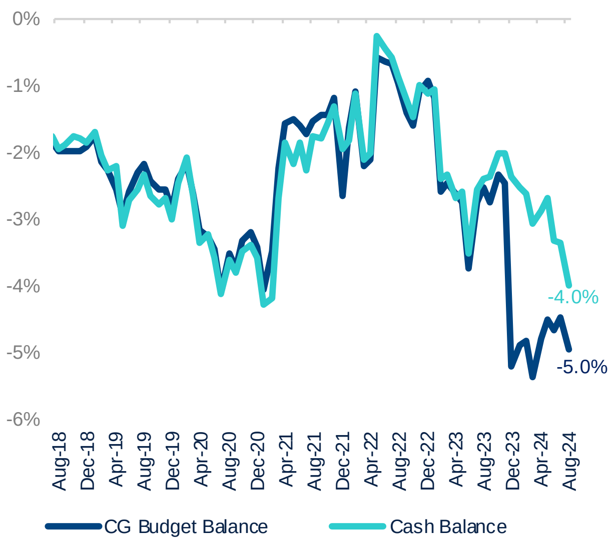


- MTP growth forecasts are inconsistent with the deeper recession assumed by the CBRT (MTP 2025 GDP 4.0% vs. 1-1.5% of CBRT).
- MTP inflation forecasts are within the CBRT's inflation forecast range. When the CBRT slightly updates the end-2025 point inflation target (currently 14%), i.e. closer to the 17.5% stated in the MTP; the new inflation forecast range can be updated to 10-25%.
- MTP targets imply that a significant fiscal consolidation is projected for 2025 (0% primary balance vs. 2% of GDP in 2024). The expected tight fiscal stance 2025 onwards will be accompanied by some easing in monetary stance.

Source: Treasury, CBRT & Garanti BBVA Research

Fiscal consolidation will be more clearly seen 2025 onwards with savings in capital expenditures and transfers. New revenue sources might be added

CENTRAL GOVERNMENT BUDGET & CASH BALANCE, % GDP



MEDIUM TERM PROGRAM (MTP) DETAILS

% GDP

Limited increase in tax revenues despite moderate growth

	2022	2023	2024	2025	2026
Revenues	**18.7%**	**19.8%**	**20.5%**	**20.2%**	**20.4%**
Tax	15.7%	17.1%	17.2%	17.5%	17.6%
Non-Tax	3.0%	2.7%	3.3%	2.7%	2.8%
Expenditures	**19.6%**	**25.1%**	**25.4%**	**23.5%**	**23.3%**
Non-Interest	17.5%	22.5%	22.5%	20.3%	20.2%
Personnel	4.1%	5.0%	6.1%	5.7%	5.6%
Social security	0.6%	0.7%	0.8%	0.7%	0.7%
Goods & services	1.7%	1.7%	1.7%	1.7%	1.6%
Current transfers	7.5%	8.6%	9.1%	9.5%	9.5%
Capital expenditures	1.8%	2.1%	2.5%	1.8%	1.8%
Capital transfers	0.3%	0.2%	1.6%	0.5%	0.4%
Debt	1.4%	0.7%	0.7%	0.5%	0.4%
Other	0.0%	0.0%	0.0%	0.5%	0.5%
Interest	2.1%	2.6%	2.9%	3.2%	3.1%
Primary Balance	**1.1%**	**-2.7%**	**-1.9%**	**0.0%**	**0.3%**
Budget Balance	**-0.9%**	**-5.2%**	**-4.9%**	**-3.1%**	**-2.8%**

Earthquake spending will be lower
Subsidies are aimed to decline

Source: Treasury and Garanti BBVA Research

We maintain our baseline as a smooth transition to stabilize the economy with a slower disinflation path than the CBRT targets

A smooth transition to a rule-based approach

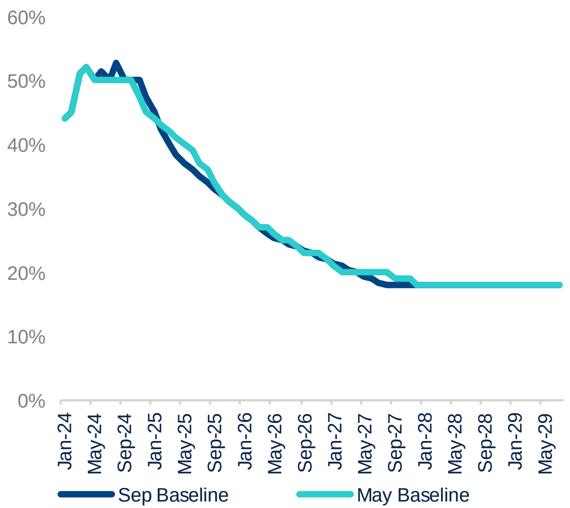
- A mild recession is likely with fiscal impulse on quake recovery and support from foreign capital inflow (~3% growth in both 2024 and 2025)
- We introduce a gradual rate cutting cycle in Dec with 250 bps and keep credit growth caps during 1Q25 not to allow any inflationary impact (47.5% policy rate by end 2024 and 30% policy rate by end 2025)
- Domestic demand slows down more clearly in 2H24 (capped credit growth, below inflation wage hikes and lower subsidies)
- Steady nominal depreciation of TL, which will reduce the pace of real appreciation, particularly in 2025
- Inflation declines to 43% by 2024 year end and 25% by 2025 year end. LT convergence maintained as 15%, assuming low contribution from expected structural reforms
- We upgrade our long run GDP growth forecasts to 4% (vs. 3.5%), assuming the recent reversal towards orthodoxy will help and contain the pre-assumed further deterioration

GARANTI BBVA BASELINE FORECASTS

	2023	2024	2025	2026	2027
GDP growth (avg)	5.1%	3.2%	2.7%	5.2%	4.3%
Unemployment Rate (avg)	9.4%	9.3%	10.8%	10.7%	10.6%
Inflation (avg)	53.9%	58.0%	30.2%	20.6%	17.2%
Inflation (eop)	64.8%	43.0%	25.0%	18.5%	16.0%
CBRT Cost of Funding (avg)	20.5%	49.5%	36.2%	25.0%	19.2%
CBRT Cost of Funding (eop)	42.5%	47.5%	30.0%	22.0%	18.0%
USDTRY (avg)	23.74	33.26	41.60	48.75	56.10
USDTRY (eop)	29.44	37.00	45.50	51.50	60.00
Current Account Balance (bn$)	-45.0	-16.4	-22.2	-30.9	-34.4
Current Account Balance (% GDP)	-4.0%	-1.3%	-1.6%	-2.0%	-2.1%
Primary Balance (% GDP)	-2.7%	-2.0%	-0.1%	0.2%	0.5%
Fiscal Balance (% GDP)	-5.2%	-4.9%	-3.3%	-2.9%	-2.7%

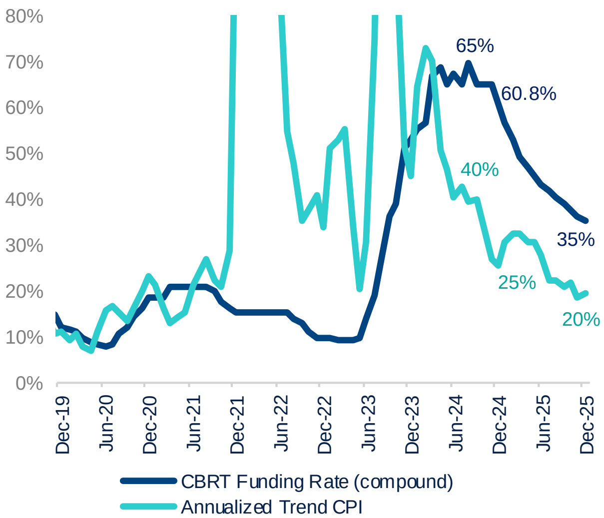
We remain cautious ahead of the US election (end of tourism season and profit realization of carry trade investors). We introduce a gradual rate cutting cycle in Dec with 250 bps and keep credit growth caps at least during 1Q25

CBRT FUNDING RATE FORECASTS
%



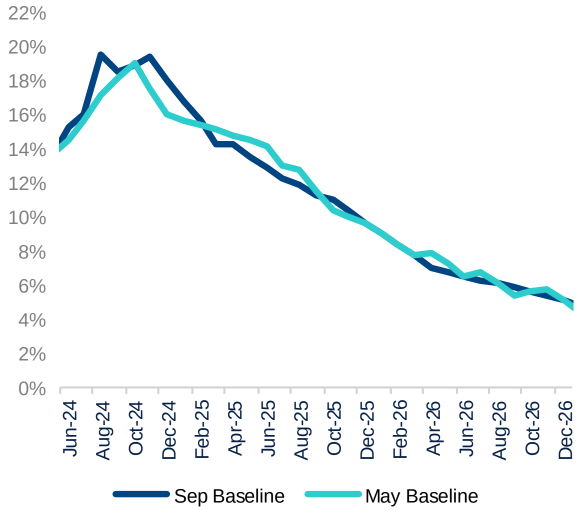
We maintain a very gradual rate cutting cycle but this time starting from Dec24 (vs. previous Nov24), resulting in 47.5% by end 2024 and 30% by end 2025

CBRT FUNDING RATE & CPI UNDERLYING TREND, %



We keep monetary stance historically restrictive in order to help gain credibility & confidence

EX ANTE REAL POLICY RATE
%, ADJ BY 12M AHEAD CPI

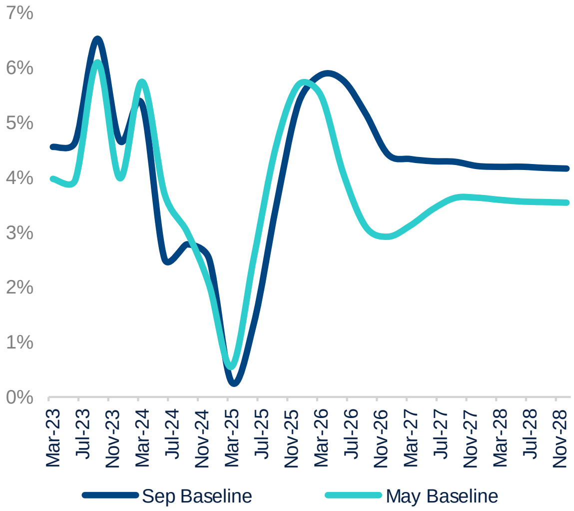


Marginally higher real rates till 2H25 and continuation of credit growth caps till at least end 1Q25 weigh on 2025 GDP growth

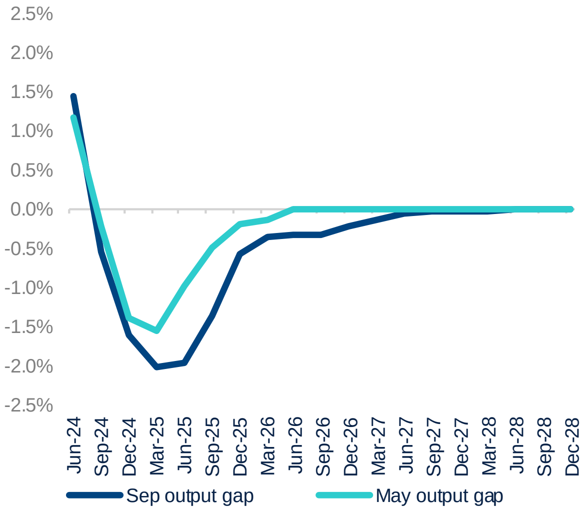
Source: Garanti BBVA Research

We reduce 2024 GDP growth to 3.2% (vs. 3.5%) due to revised GDP path and to 2.7% in 2025 (vs. 3.5%) on more restrictive monetary stance. We upgrade our long run GDP growth forecasts to 4% (vs. 3.5% previously)

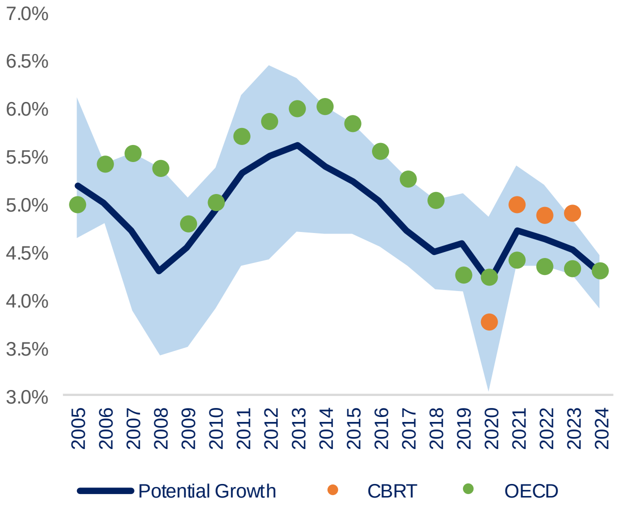
GDP GROWTH FORECASTS
% YoY



OUTPUT GAP FORECASTS
DIFF W/ POTENTIAL



POTENTIAL GROWTH VIA DIFFERENT METHODS*

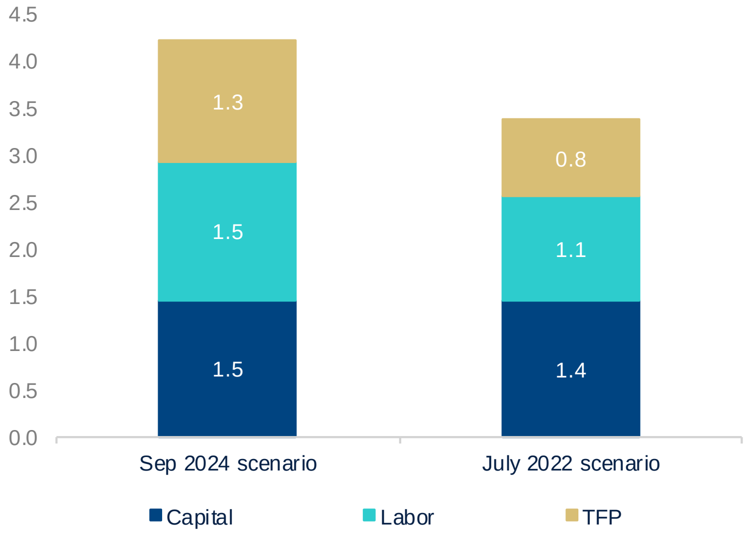


** an average of OECD estimate, BBVA Project, multivariate filter, GDP growth accounting via production function, HP filter and BP filter*

Source: Garanti BBVA Research

The maintenance of ultra loose economic policies for longer than expected & gradual approach towards normalization so far have helped to contain the negative impact on investment so the total factor productivity. We currently estimate 4-4.5% potential growth rate

GARANTI BBVA POTENTIAL GROWTH COMPOSITION
pp contribution



Source: Garanti BBVA Research

- Much longer than expected extension of loose policies have kept above potential growth rates till 3Q24

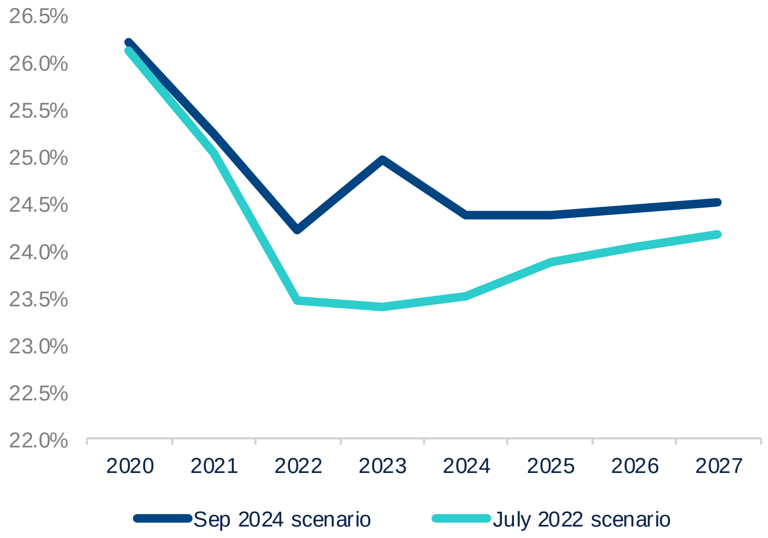
- Companies benefited from low interest rates and strong private consumption, and renewed their capital stock to some extent despite unpredictability and availability of very short term loans

- We were assuming inefficient distribution of resources to particularly SMEs which will end up with lower value-added after a sharp adjustment. However, the preference for a gradual normalization & soft landing has helped the SMEs continue their businesses and reduced asset quality risks of the banking sector

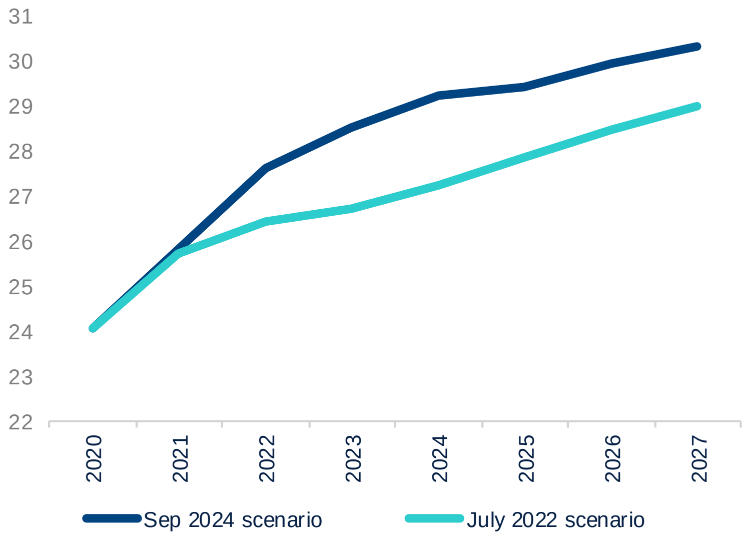
- Simplification of regulations, success over unwinding majority of KKM and accumulation of reserves in a short period of time resulted in a very rapid decline in Türkiye’s risk premium. Easier access to cheaper external funding helped reduce vulnerabilities (vs. our previous assumption of a recession resulting in a current account surplus)

Growing above potential in the post-pandemic period until 2024 also supported a much higher increase in the number of employed

SHARE OF INVESTMENT IN GDP
%



NUMBER OF EMPLOYED
mn people out of 15-65 age group

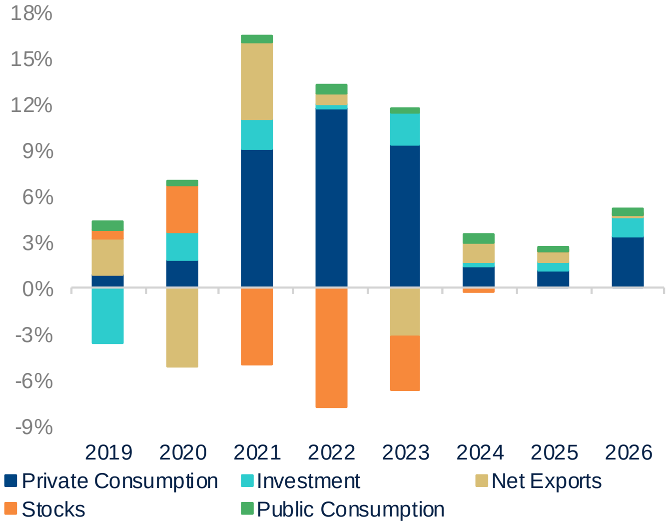


Source: Garanti BBVA Research

We forecast private consumption to weaken further in 2025, while investment might pick up compared to 2024. Overall, domestic demand contribution will be contained

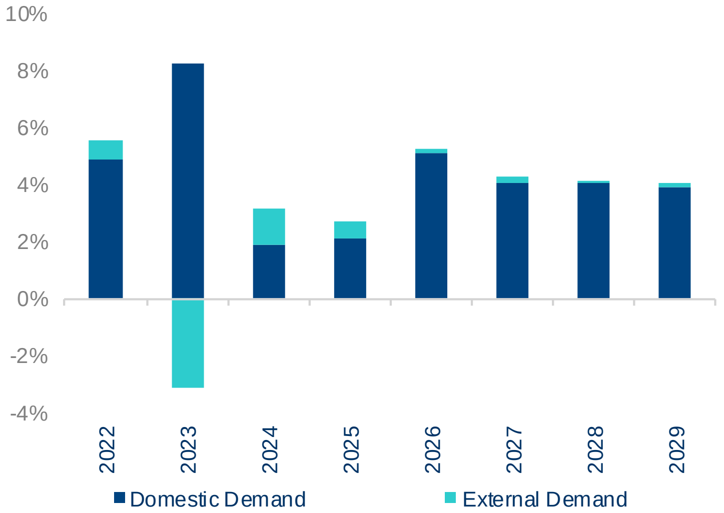
GDP GROWTH DECOMPOSITION FORECASTS

Annual pp



GDP GROWTH DECOMPOSITION FORECASTS

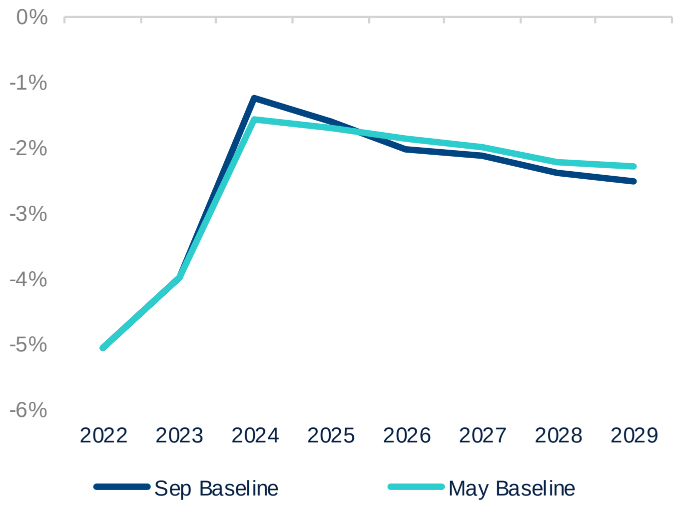
Annual pp, domestic demand inc stocks



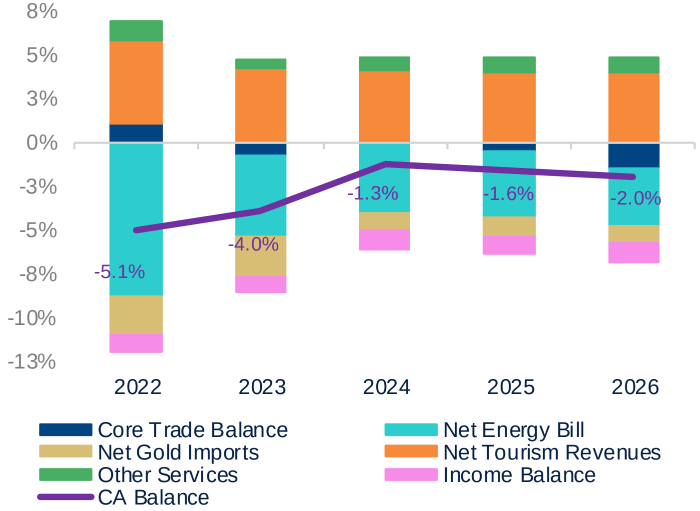
	Annual GDP Contributions					
	Private C	**Public C**	**Investment**	**Exports**	**Imports**	**GDP**
2015-2017	3.0%	0.8%	1.9%	1.0%	1.1%	**5.6%**
2018-2020	1.0%	0.5%	-0.6%	-0.1%	-0.4%	**1.9%**
2021-2023	10.1%	0.4%	1.4%	2.4%	1.5%	**7.4%**
2024	1.5%	0.5%	0.2%	0.2%	-1.1%	**3.2%**
2025	1.1%	0.3%	0.7%	1.4%	0.8%	**2.7%**
2026	3.3%	0.4%	1.4%	1.3%	1.1%	**5.2%**
2027-2029	2.9%	0.4%	1.1%	1.0%	0.9%	**4.1%**

Driven by weak domestic demand and lower energy prices, current account outlook will further improve in the short term

CURRENT ACCOUNT BALANCE FORECASTS
% GDP

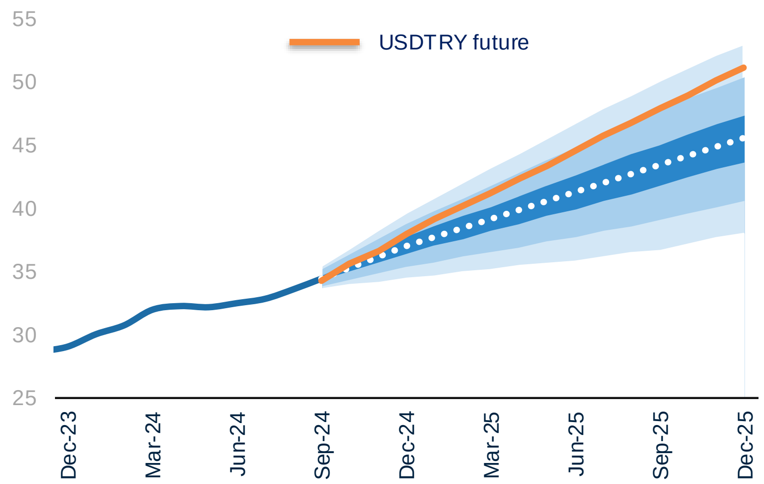


CURRENT ACCOUNT BALANCE FORECASTS
% GDP



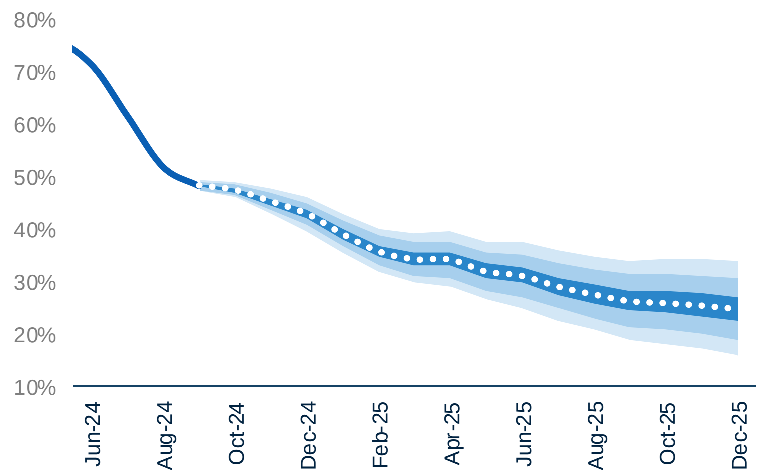
We expect USDTRY to keep a steady nominal depreciation without a major shock in 2024-2025 and a slower disinflation path compared to CBRT. Risks are to the upside on inflation outlook

USDTRY FORECASTS
Nominal level



	Probability Distribution Levels						
	-70%	-50%	-20%	Base	20%	50%	70%
Dec-24	34.36	35.28	36.35	37.00	37.65	38.72	39.64
Dec-25	37.99	40.61	43.66	45.50	47.34	50.39	53.01

CONSUMER INFLATION FORECASTS
YoY

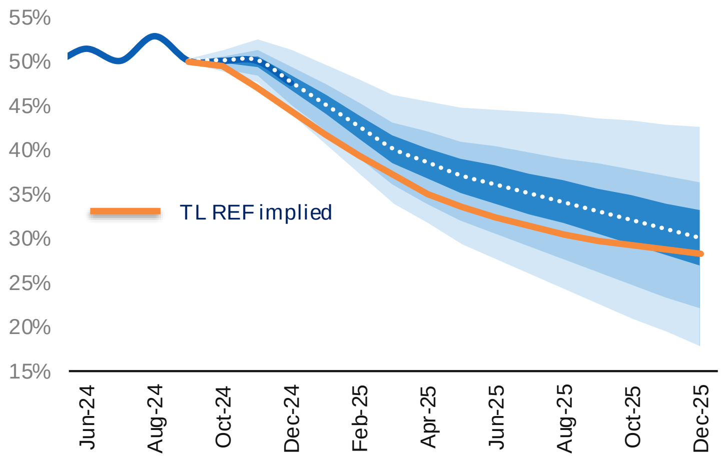


	Probability Distribution Levels						
	-70%	-50%	-20%	Base	20%	50%	70%
Dec-24	39.6%	40.8%	42.2%	43.0%	43.8%	45.2%	46.4%
Dec-25	15.9%	19.1%	22.8%	25.0%	27.2%	30.9%	34.1%

Source: Garanti BBVA Research

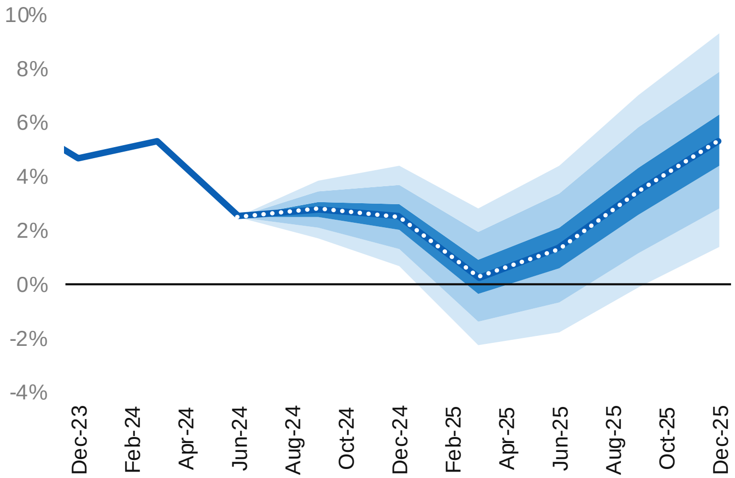
The pace of rate cutting cycle & the degree of fiscal austerity will be decisive on the growth outlook

CBRT FUNDING RATE FORECASTS
%



	Probability Distribution Levels						
	-70%	-50%	-20%	Base	20%	50%	70%
Dec-24	43.8%	45.1%	46.6%	47.5%	48.4%	49.4%	51.2%
Dec-25	17.6%	21.9%	27.0%	30.0%	33.0%	36.3%	42.4%

GDP GROWTH FORECASTS
YoY



	Probability Distribution Levels						
	-70%	-50%	-20%	Base	20%	50%	70%
2024	2.5%	2.8%	3.1%	3.2%	3.3%	3.6%	3.9%
2025	-0.7%	0.4%	1.8%	2.7%	3.6%	5.0%	6.1%

Source: Garanti BBVA Research

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Türkiye Economic Outlook

Garanti BBVA Research

October 2024

Creating Opportunities