



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

BRIEFING ON 2025-I INFLATION REPORT

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Governor

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ISTANBUL



Outline

- **Global Economy**
- **Macroeconomic Outlook**
- **Monetary Policy**
- **Medium-Term Projections**
- **Overview**

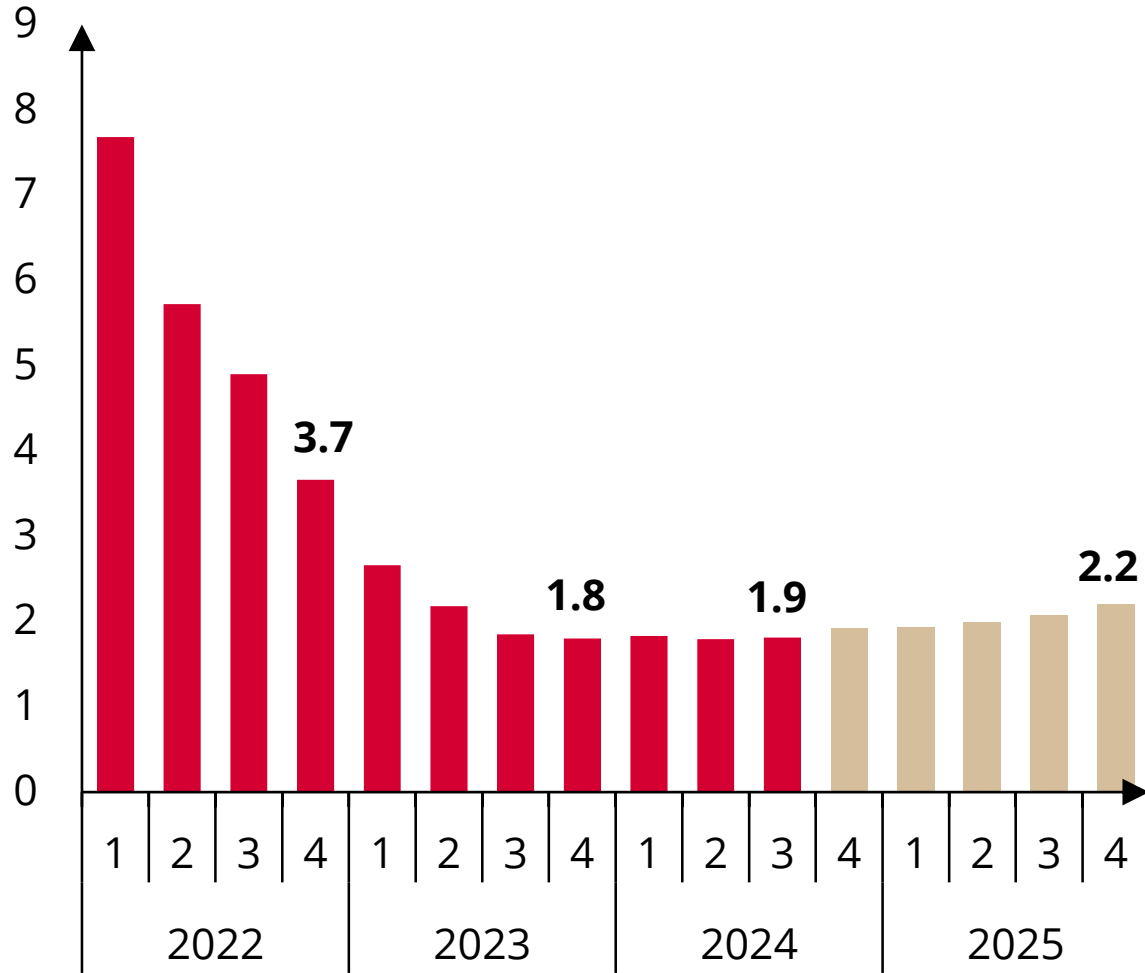
Boxes

- Recent Inflation Trend from a Pricing Behavior Perspective
- The Relationship Between Producer and Consumer Prices in Services
- Findings from Interviews with Firms
- Valuation Effect on Household Assets
- Foreign Trade Effects of Changes in Euro-Dollar Exchange Rate

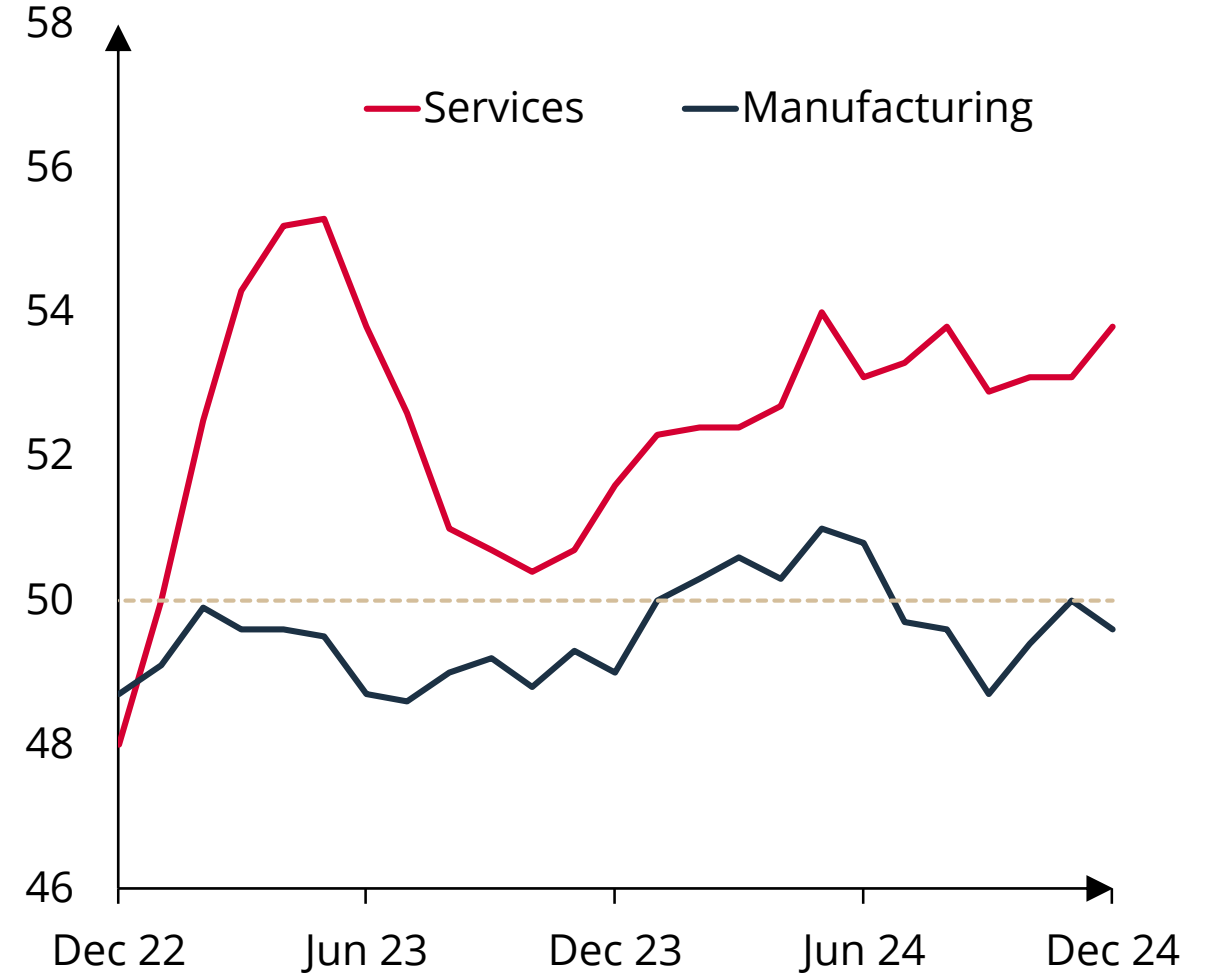
GLOBAL ECONOMY

Gradual recovery outlook for global growth remains intact.

Export Weighted Global Growth (%)*

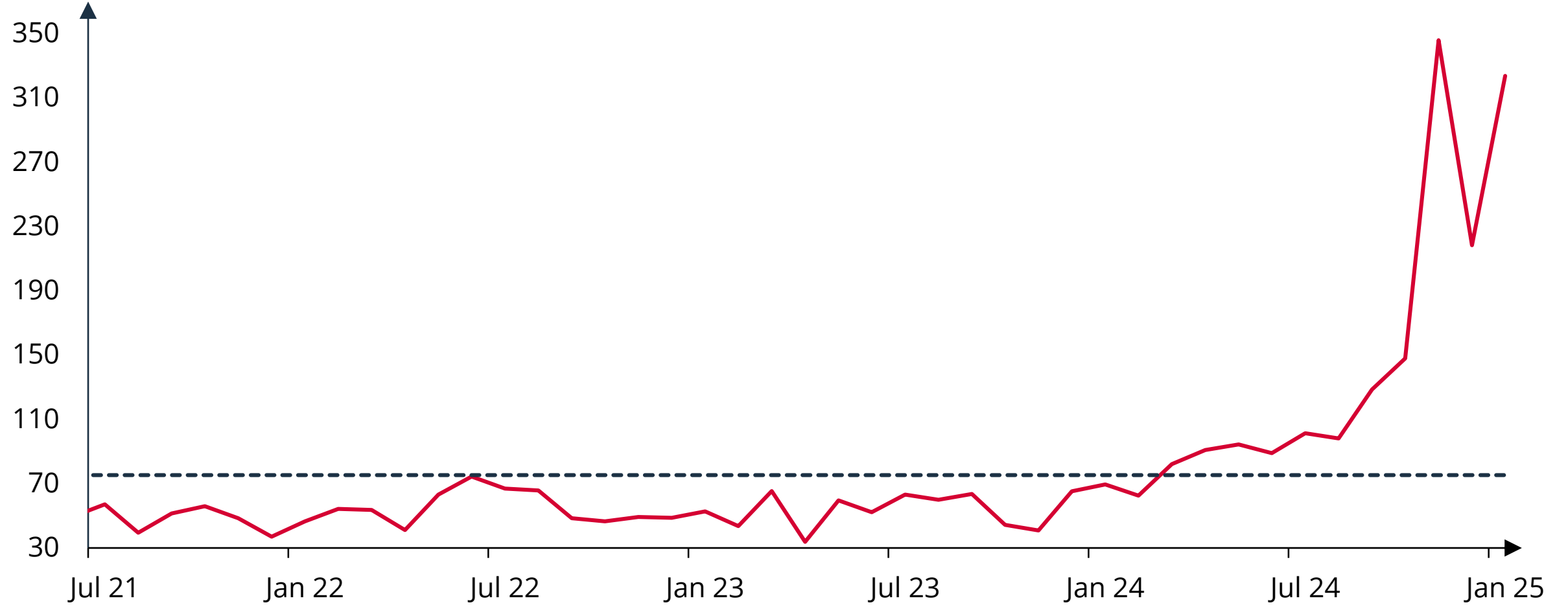


Global PMI (Level)**



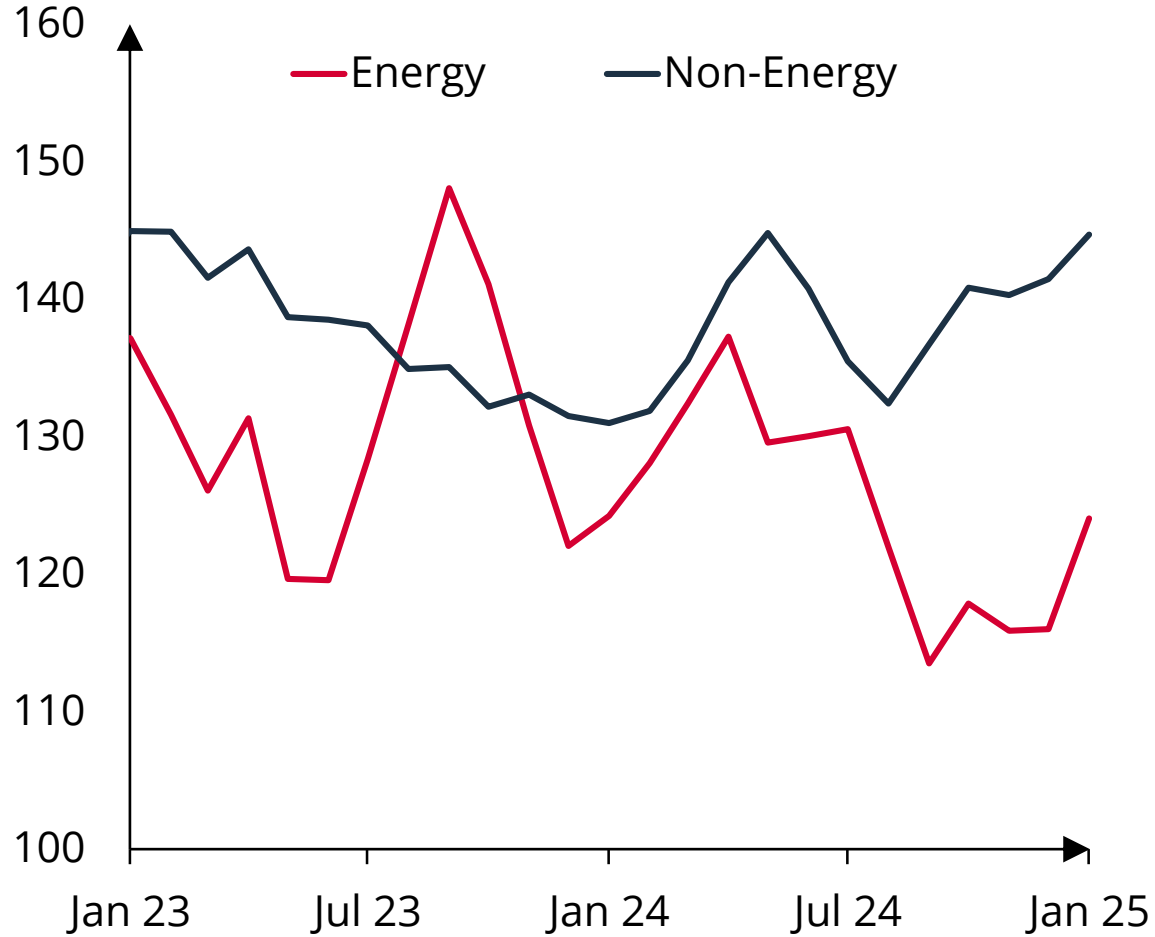
Global trade policy uncertainty has been elevated in the recent period.

Trade Policy Uncertainty Index (Monthly)*

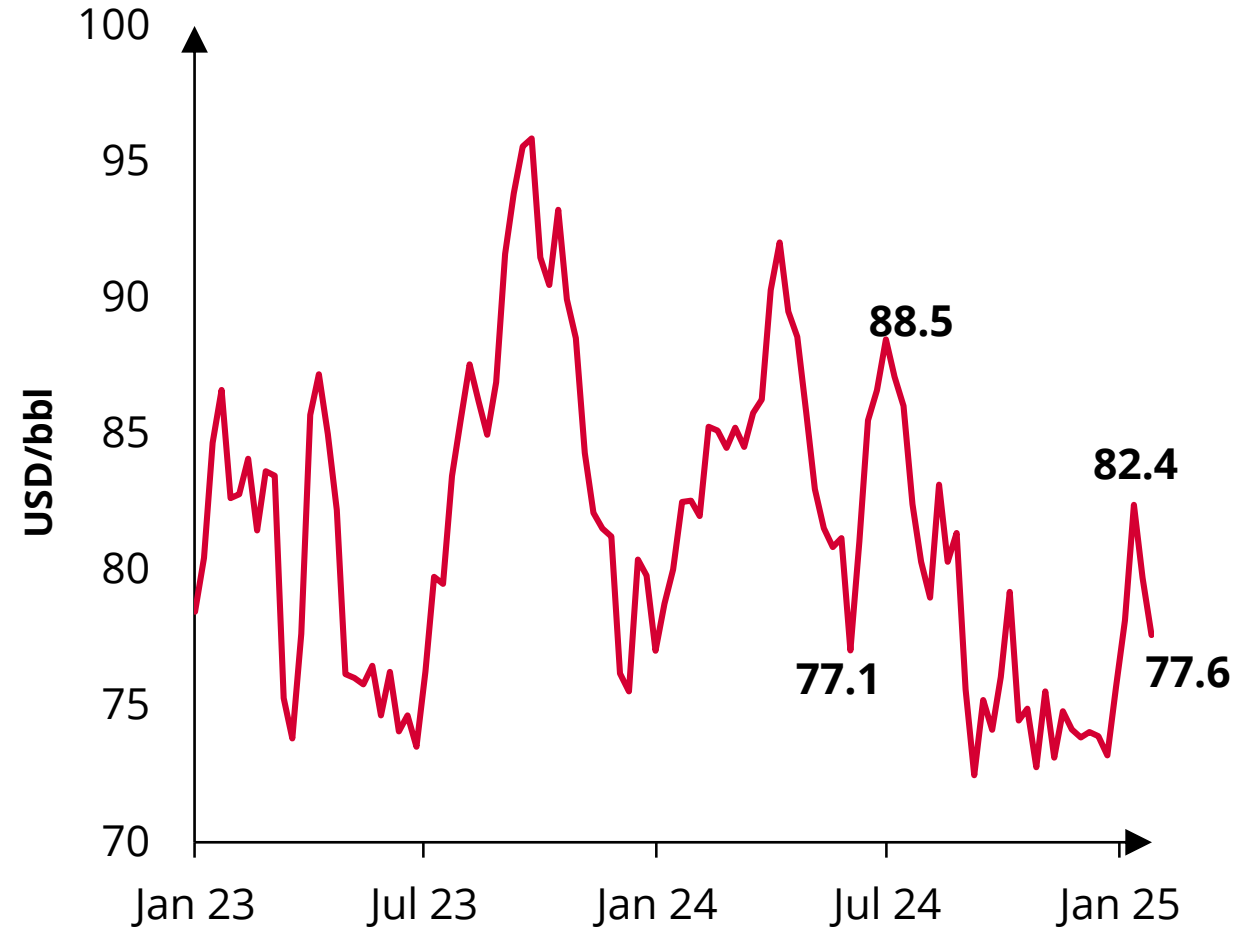


Energy prices have been volatile recently.

Commodity Price Indices*

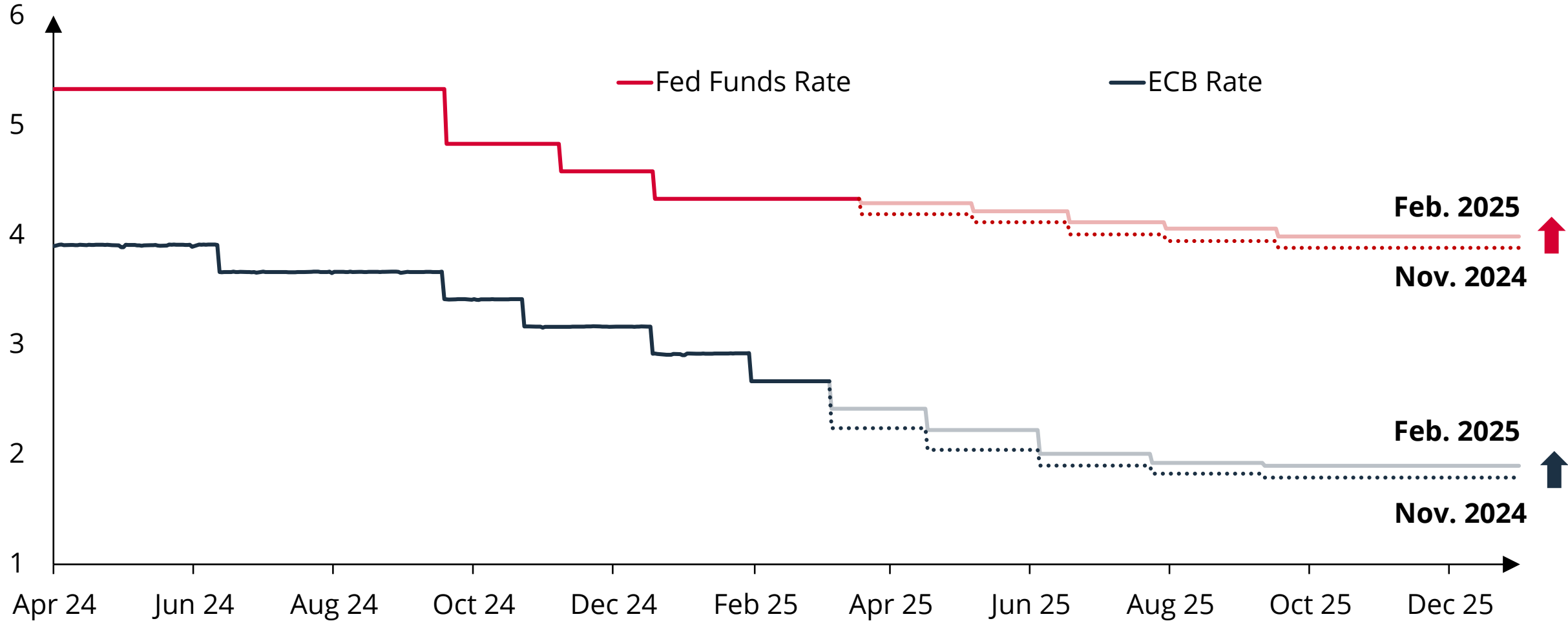


Brent Oil Price**



Central banks are easing monetary policy, taking into account the inflation outlook.

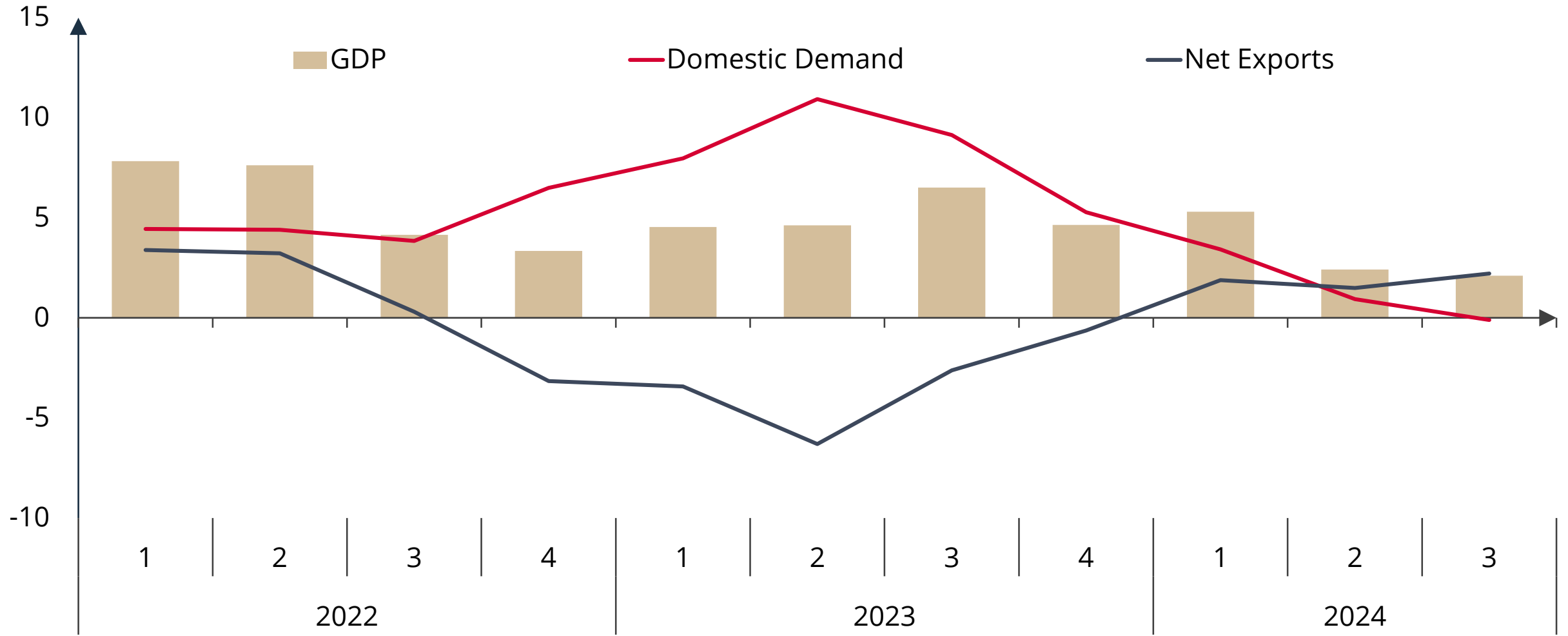
Market Implied Policy Rates (% Effective)



ECONOMIC ACTIVITY

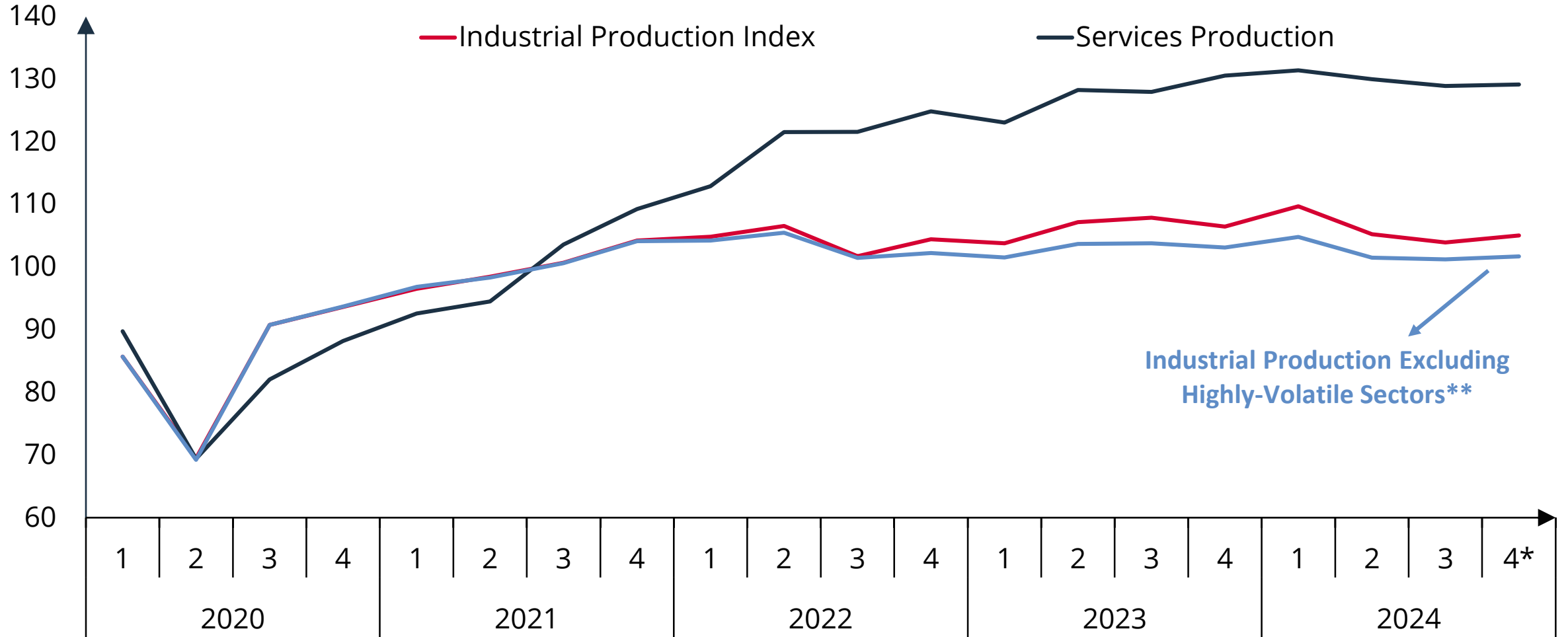
Demand composition remained balanced.

Contributions to Annual Growth from the Expenditure Side (% Points)



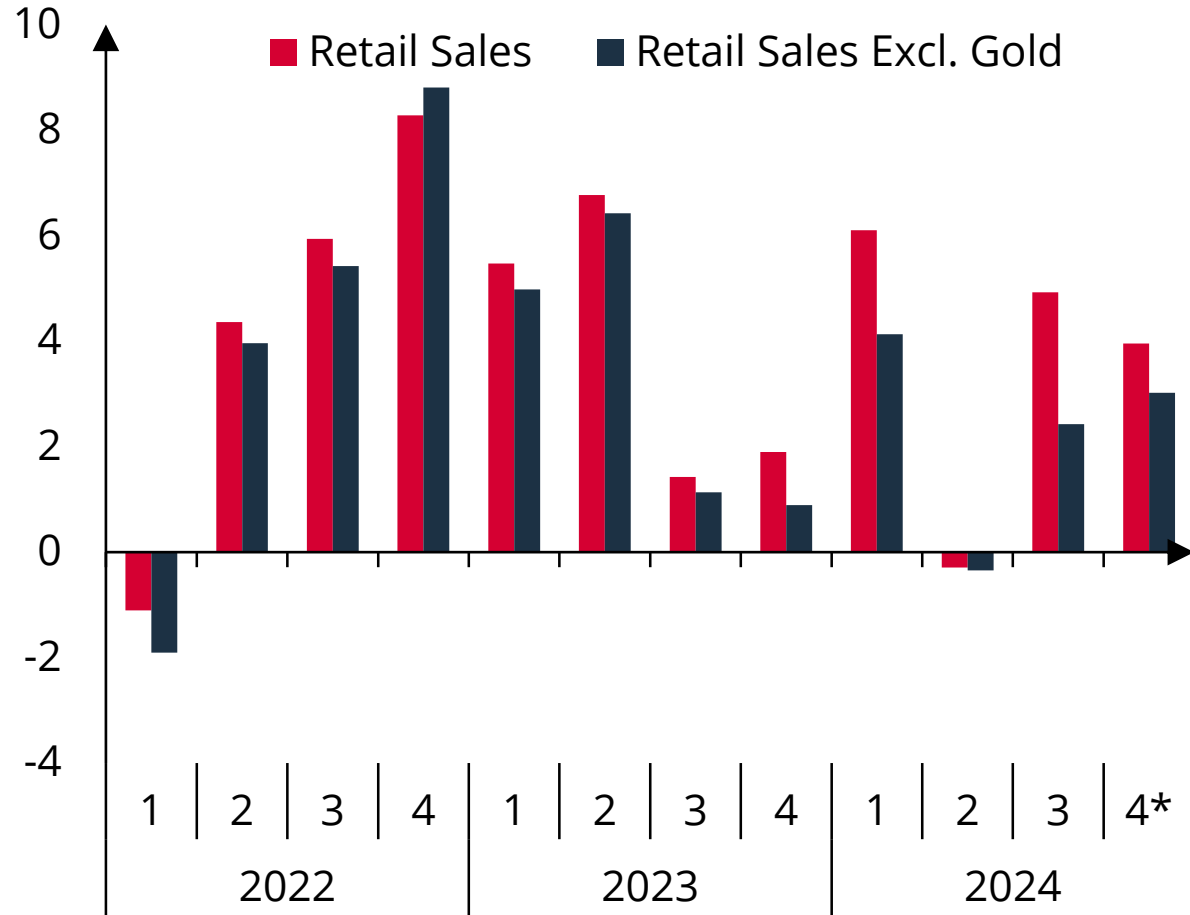
Production indicators point to recovery in economic activity.

Industrial Production and Services Production Indices (Seasonally and Calendar Adjusted, 2021=100)

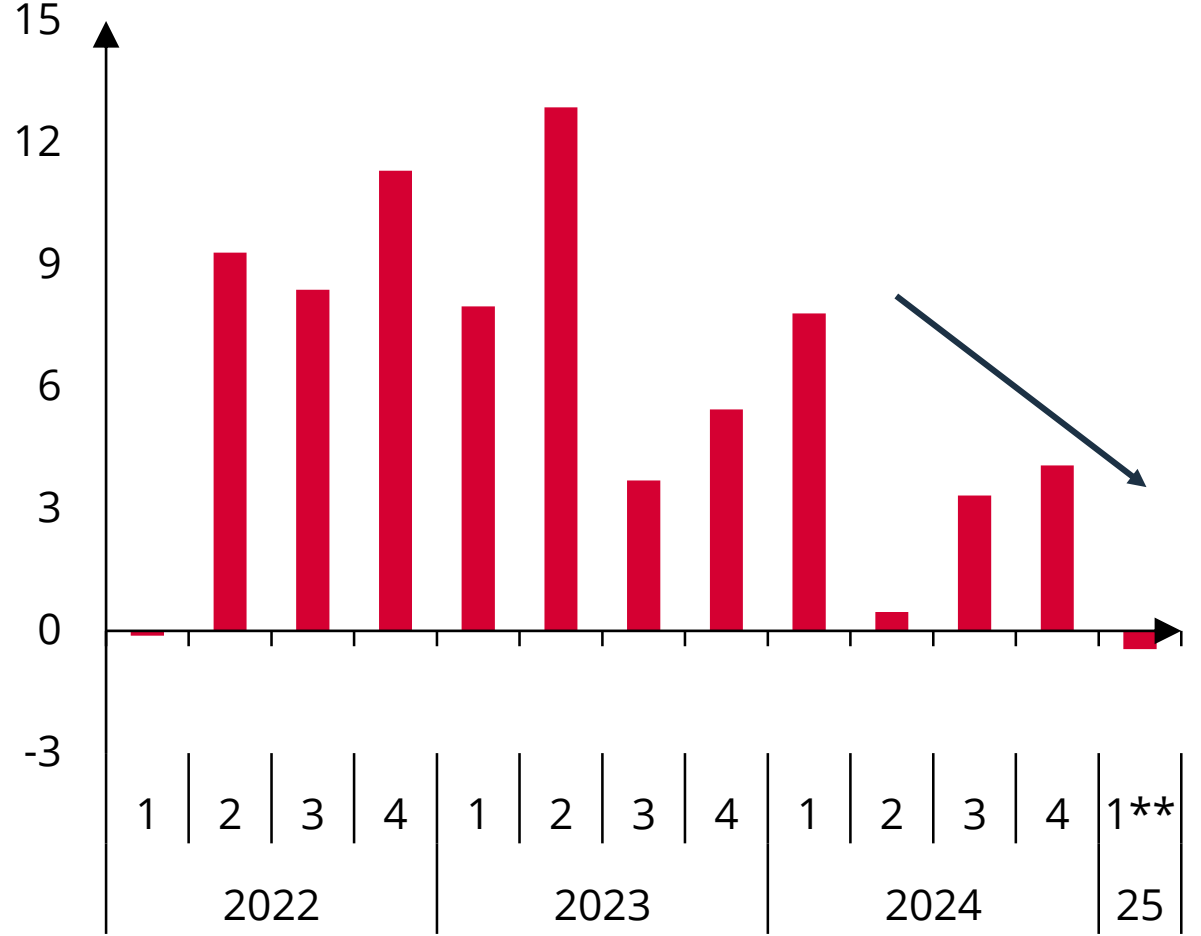


Moderate course in domestic demand continues.

Retail Sales Volume Index (Seas. Adj., Quarterly % Change)

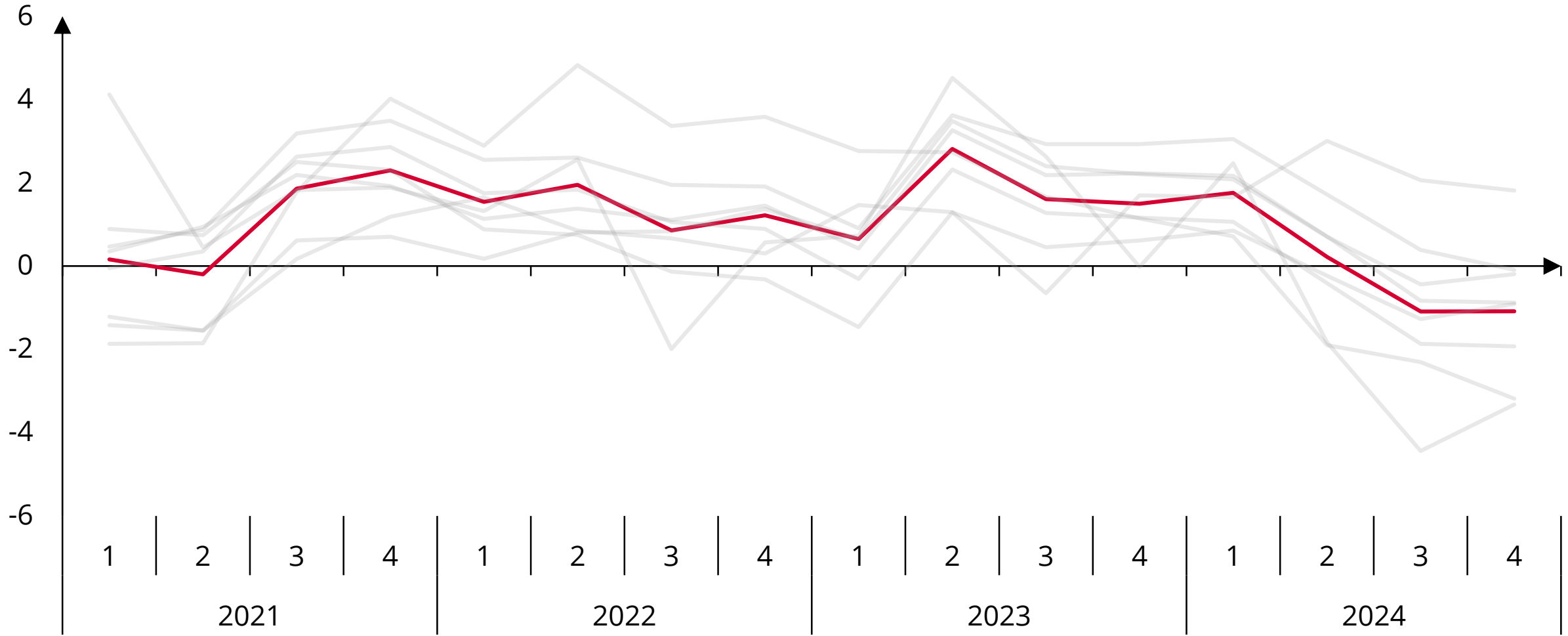


Card Spending (Real, Seas. Adj., Quarterly % Change)



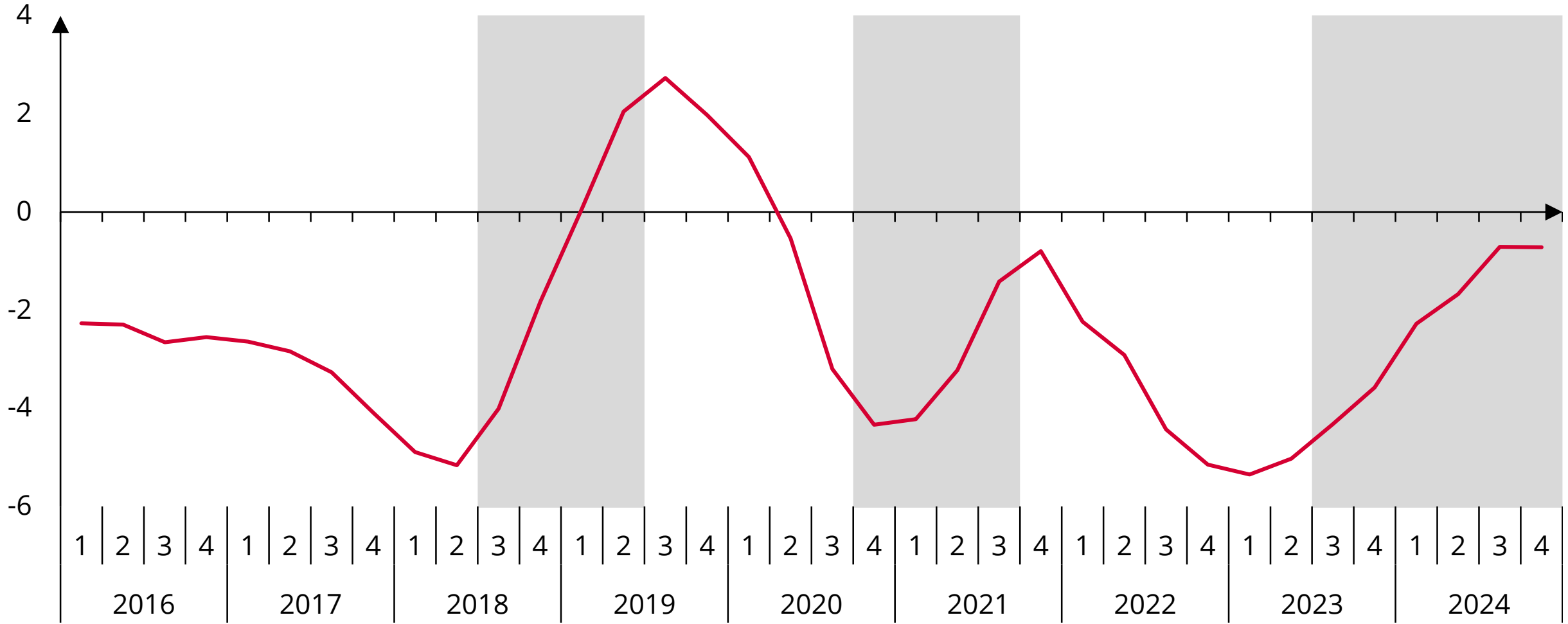
Demand conditions stand at disinflationary levels.

Output Gap*



Current account balance continues to follow a favorable course.

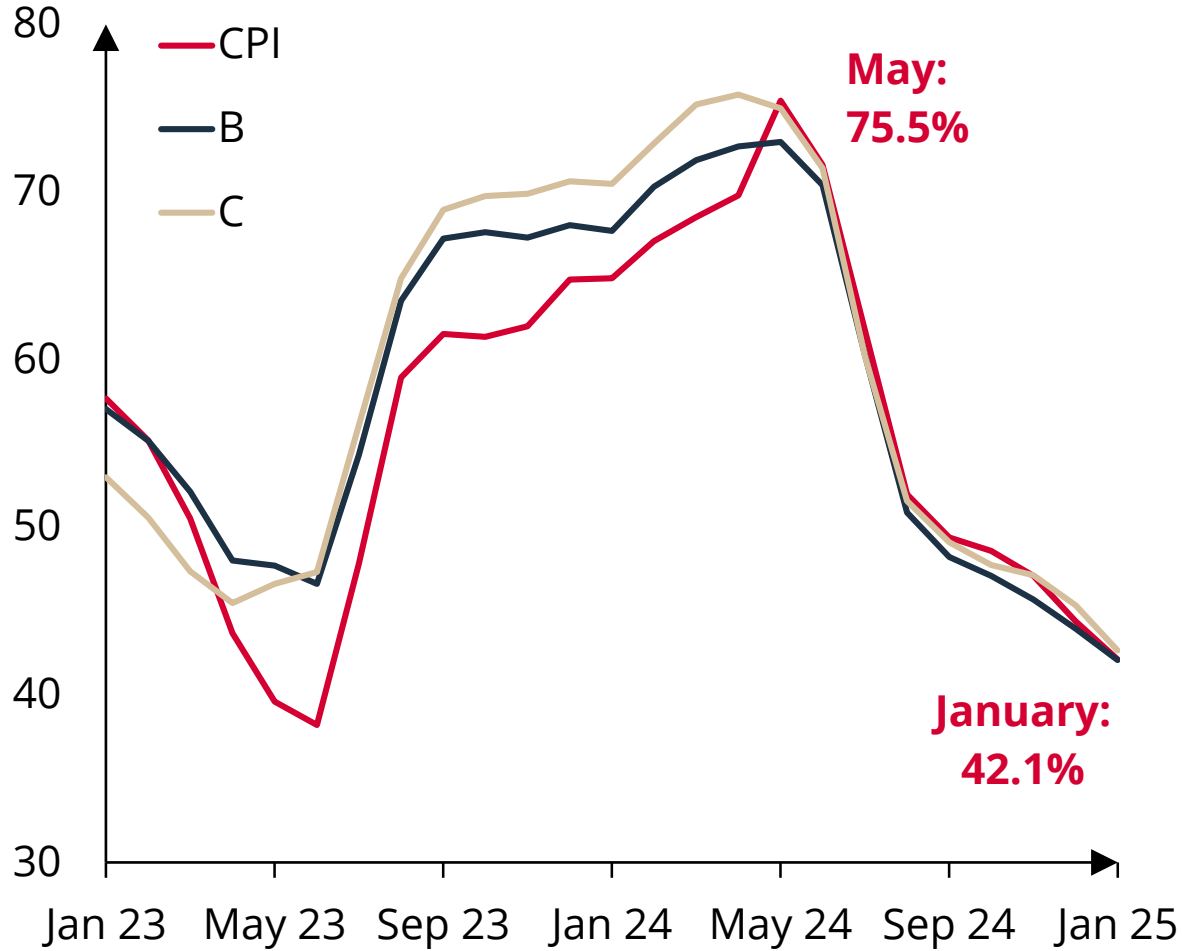
Current Account Balance/GDP* (%)



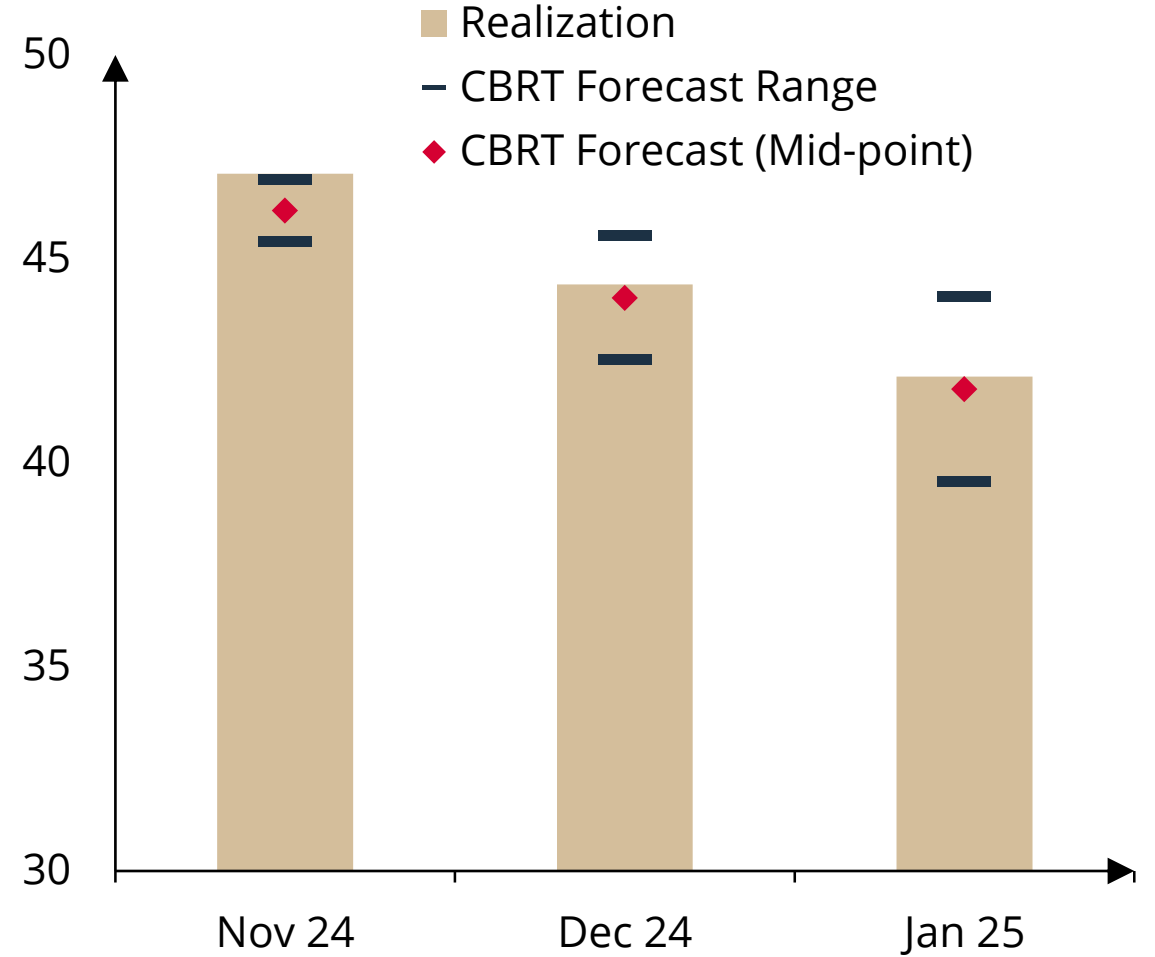
INFLATION

Disinflation process is on track.

CPI and Core Indicators (Annual % Change)

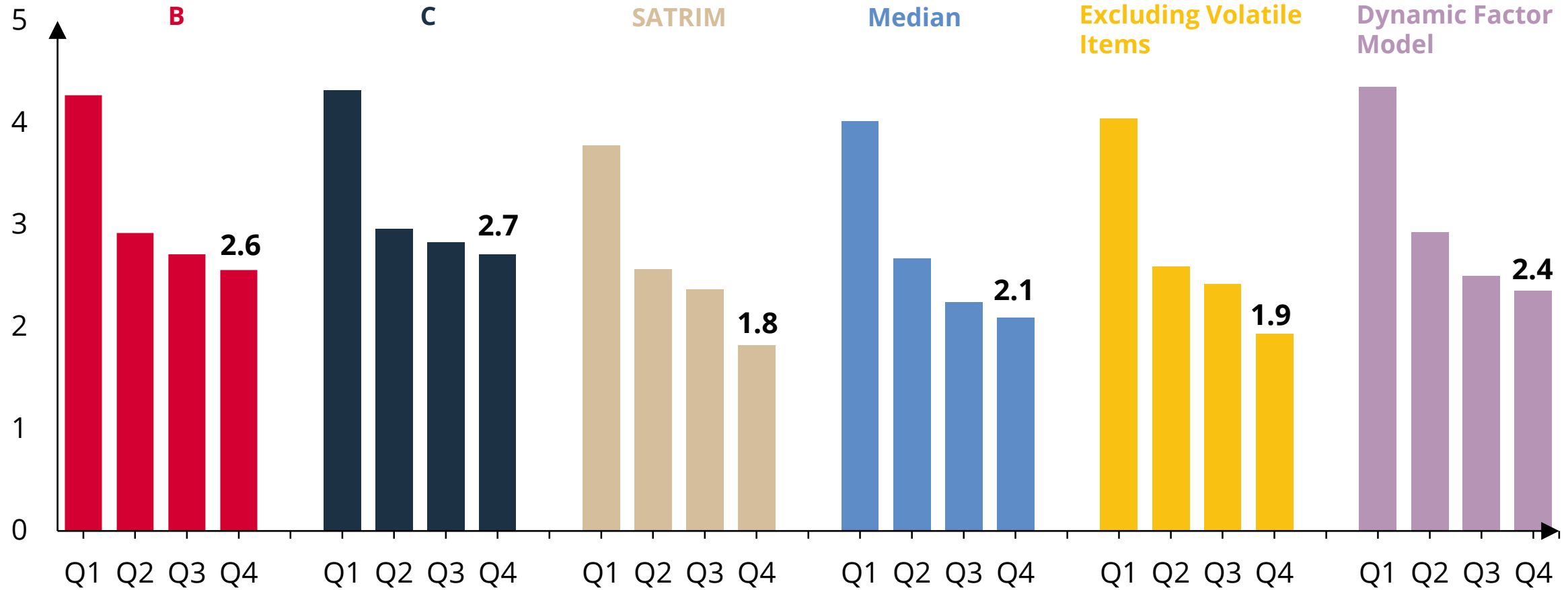


Actual CPI and CBRT Forecast (IR 2024-IV) (Annual % Change)



Slowdown in the underlying inflation continued in the last quarter.

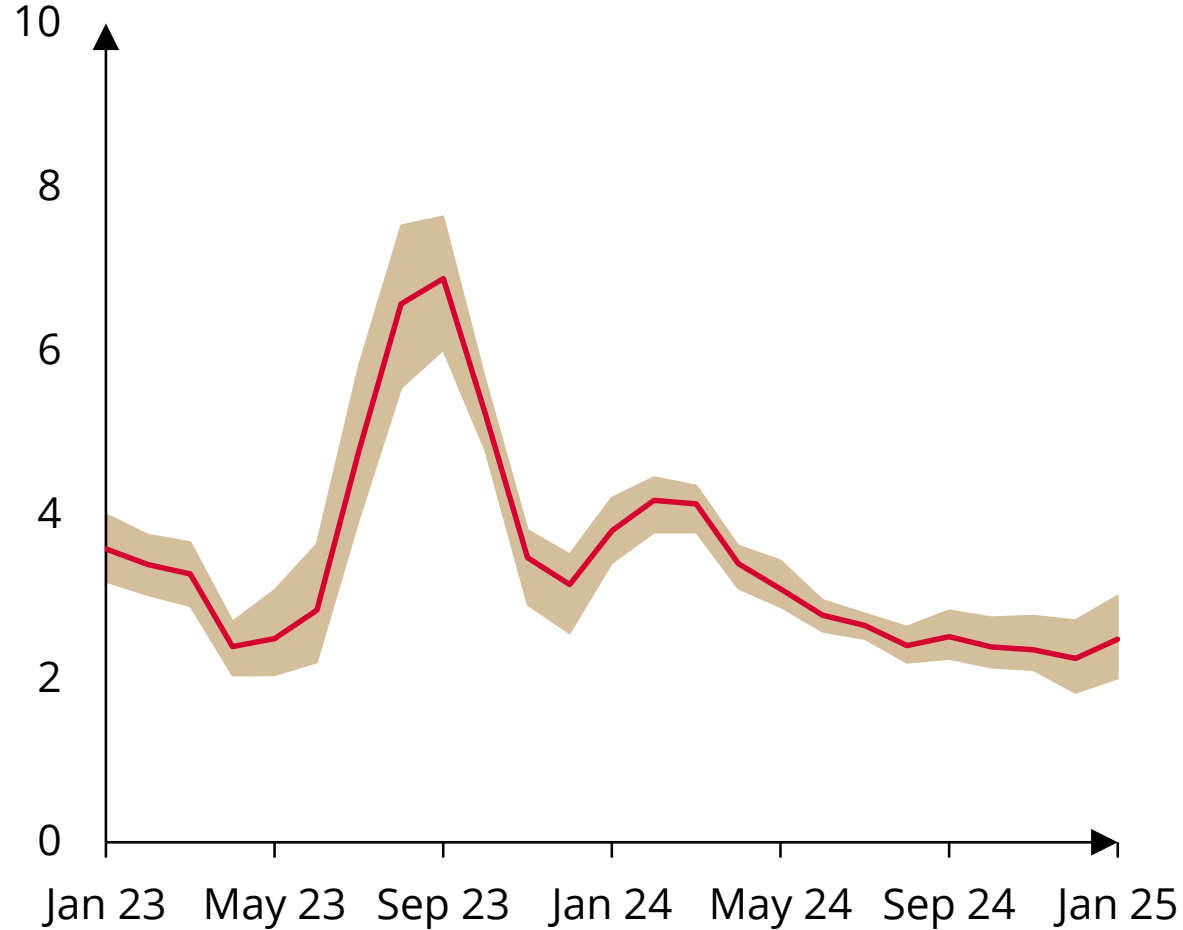
Underlying Inflation Indicators of Monthly Inflation (% , Seasonally Adjusted, Quarterly Average, 2024)



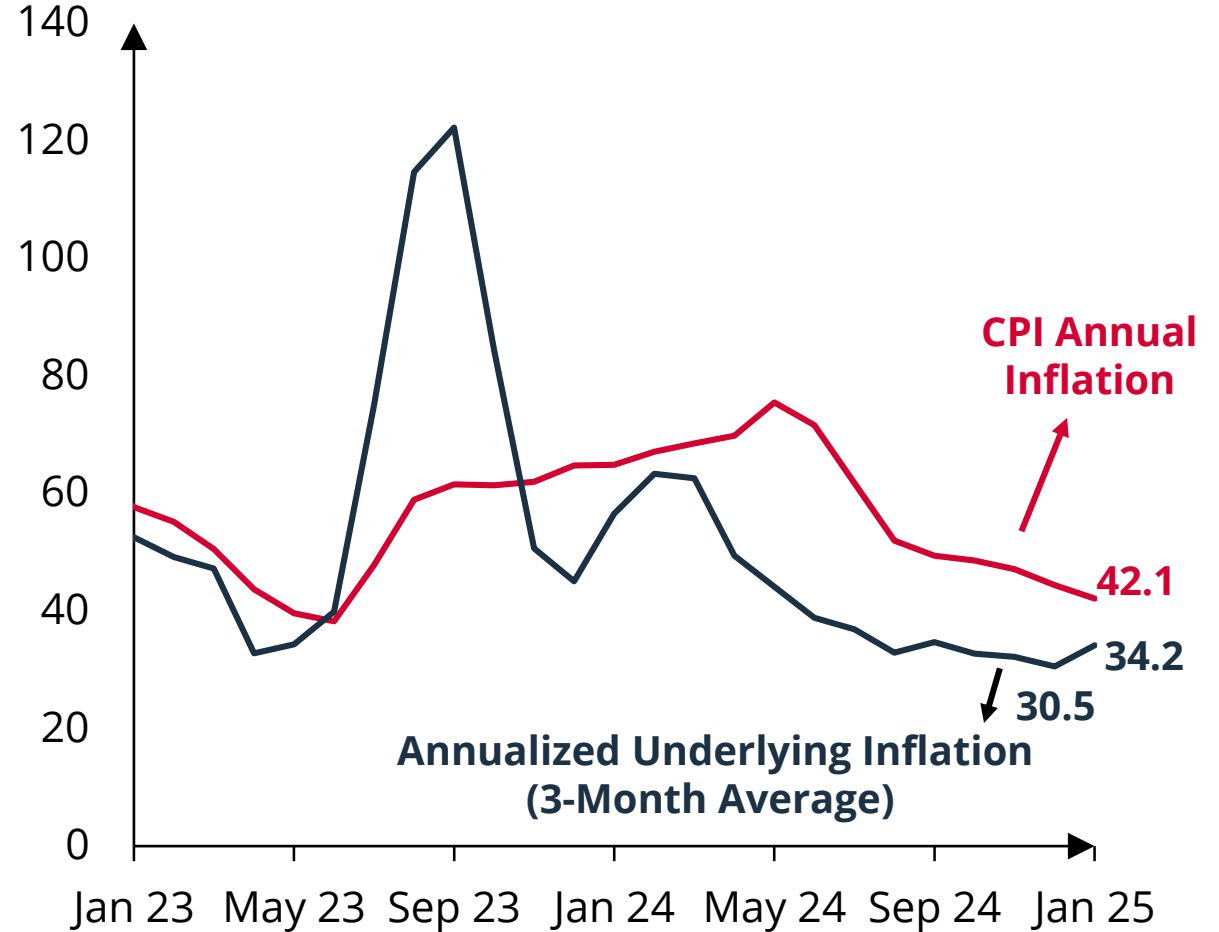
The underlying inflation increased in January in line with projections.

Underlying Inflation Indicators*

(Seasonally Adjusted, Monthly % Change, 3-Month Average)

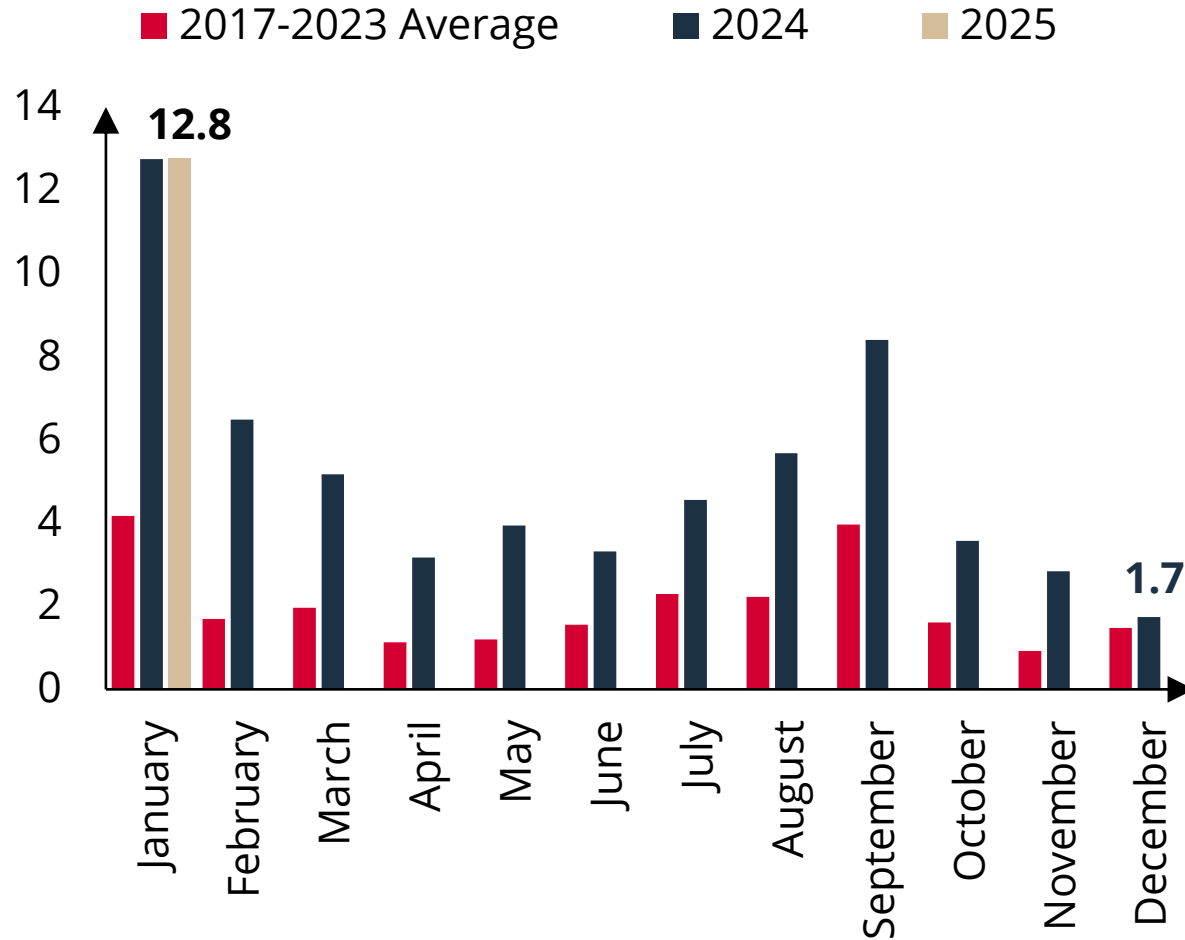


CPI and Underlying Inflation (%)

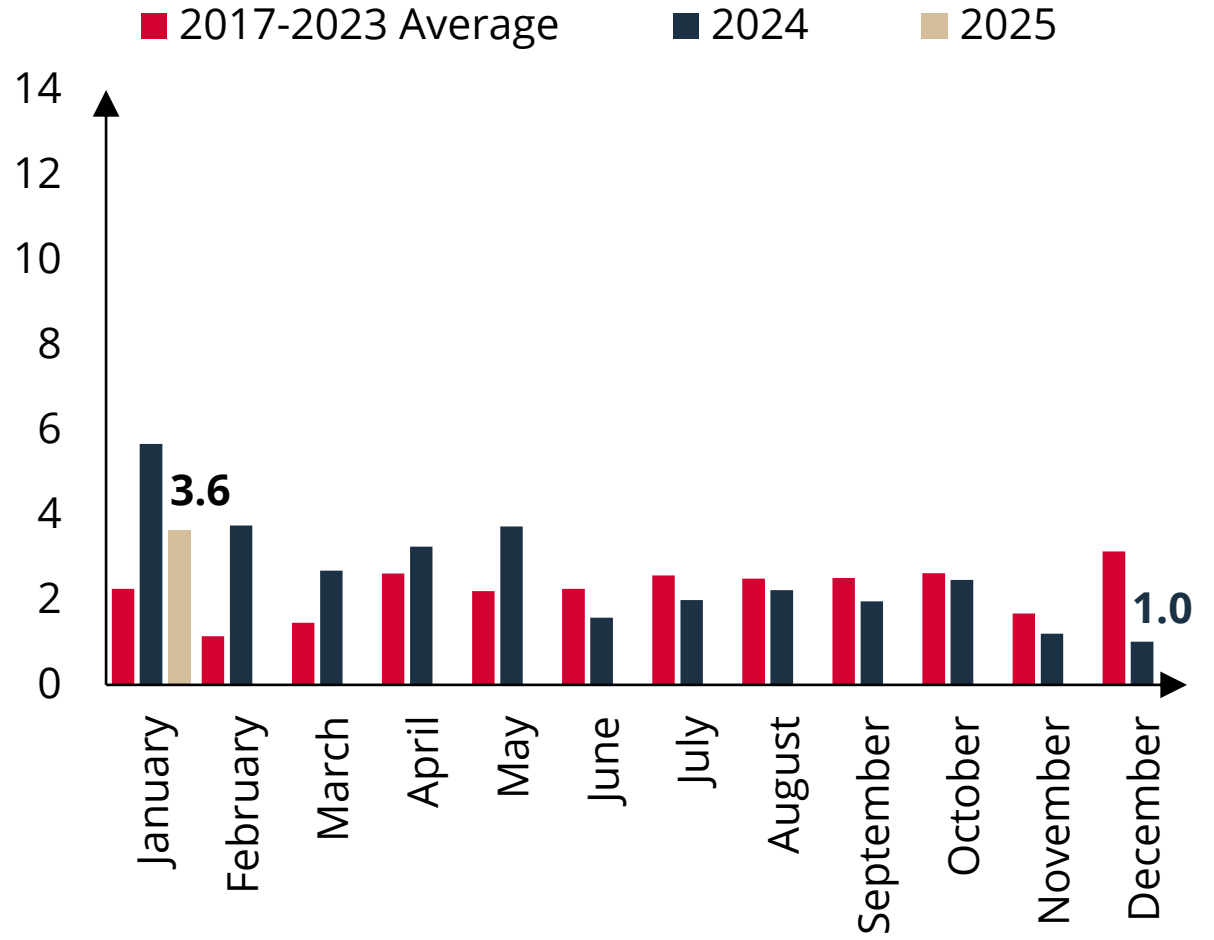


In January, inflation was evident in items with time-dependent price setting.

Time-Dependent Priced Index* (Monthly % Change)

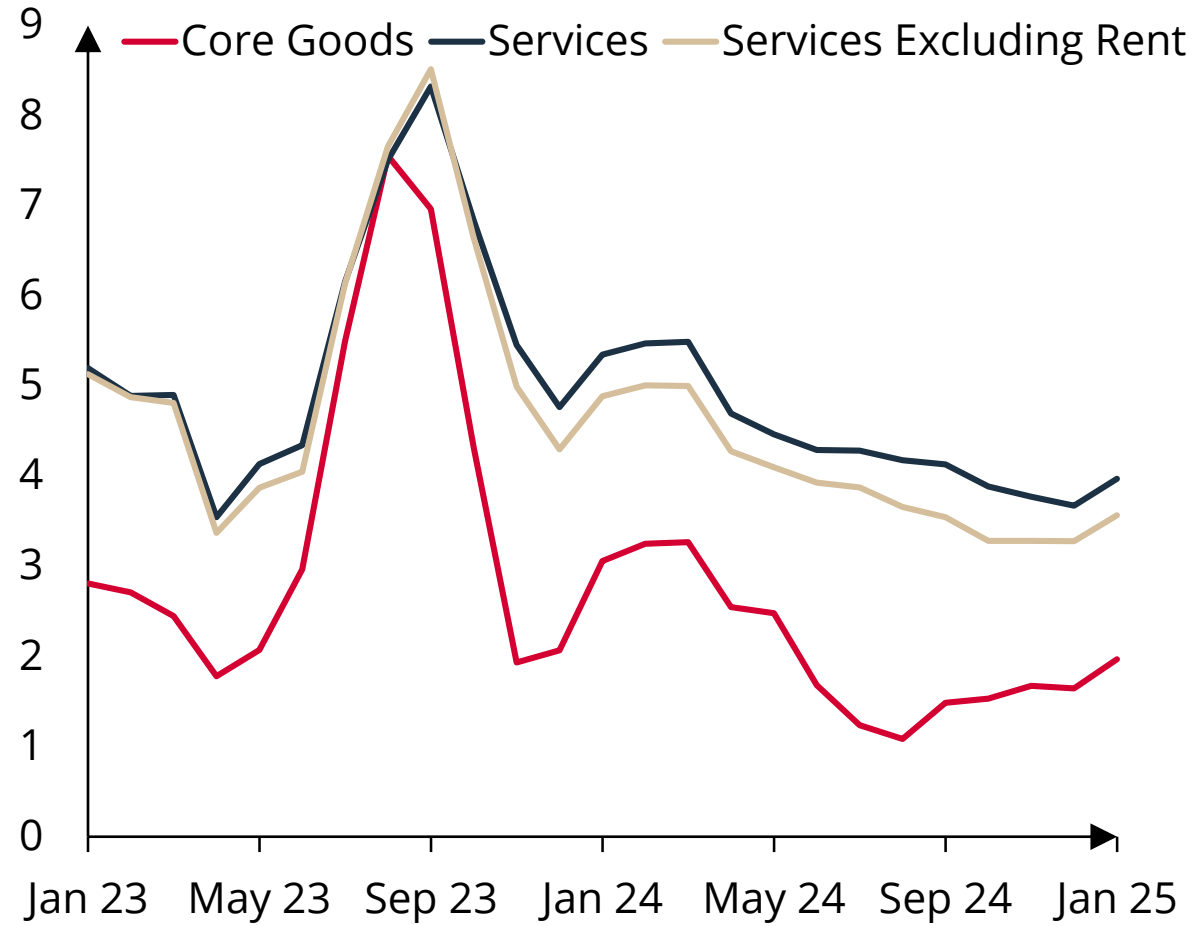


State-Dependent Priced Index (Monthly % Change)

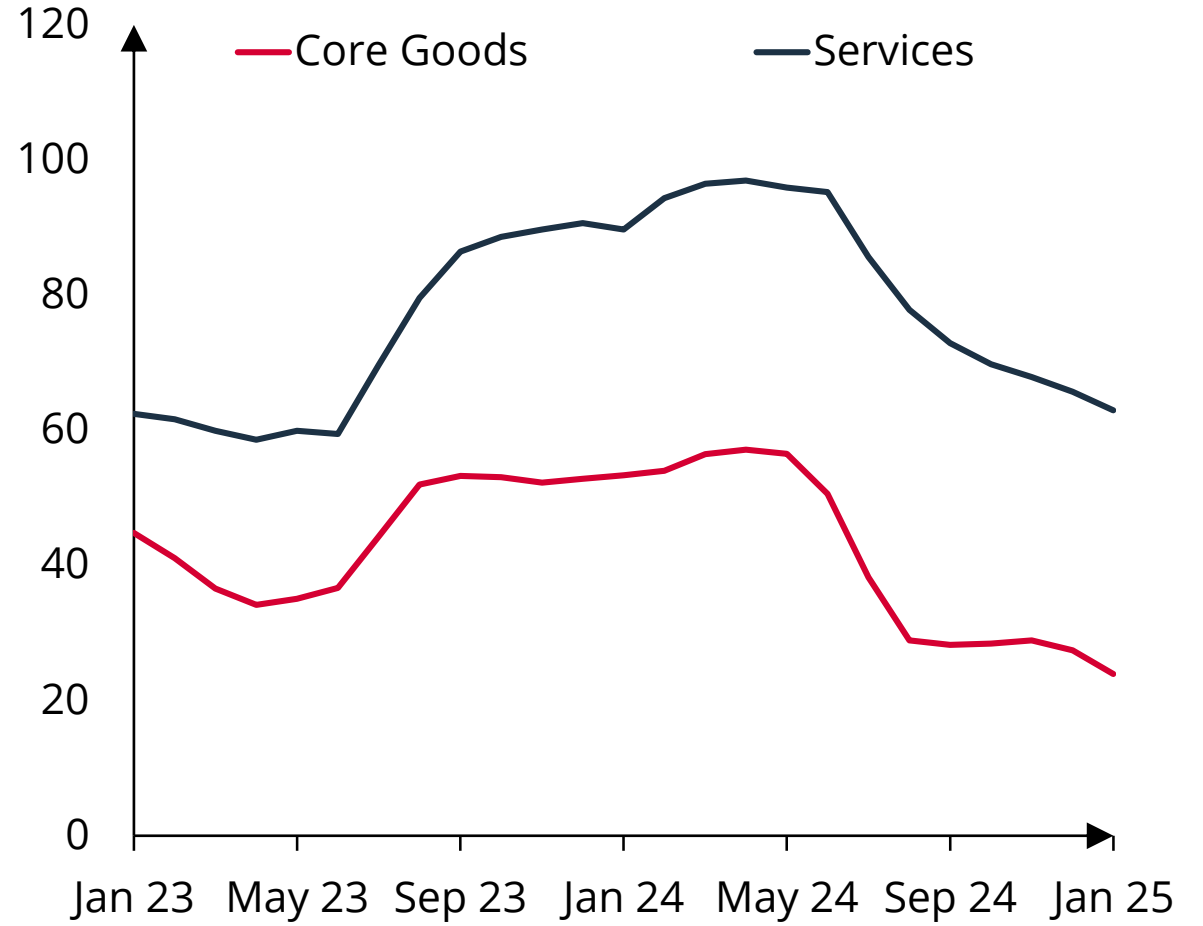


Services inflation is gradually losing momentum.

Core Goods, Services and Services Excluding Rent
(Seasonally Adjusted, Monthly % Change, 3-Month Average)



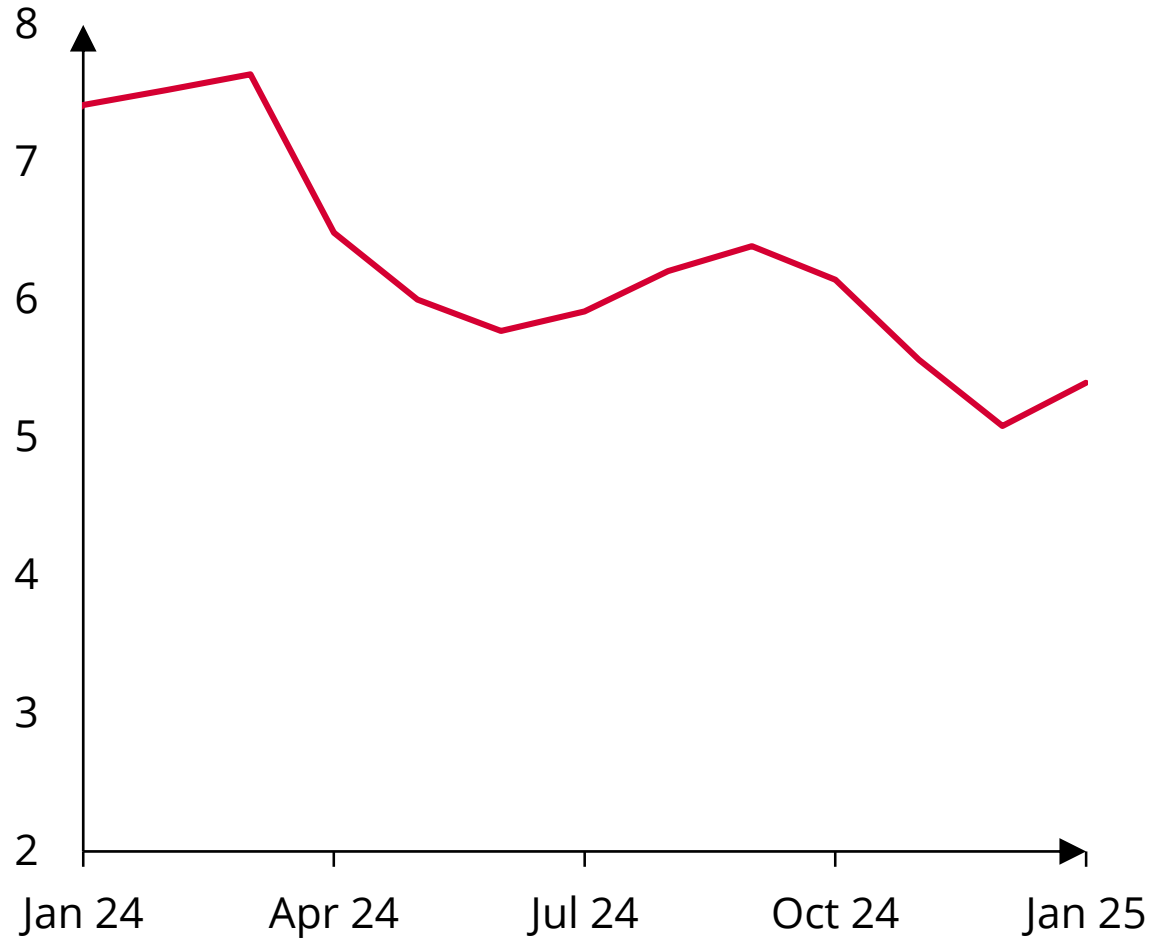
Core Goods and Services Prices (Annual % Change)



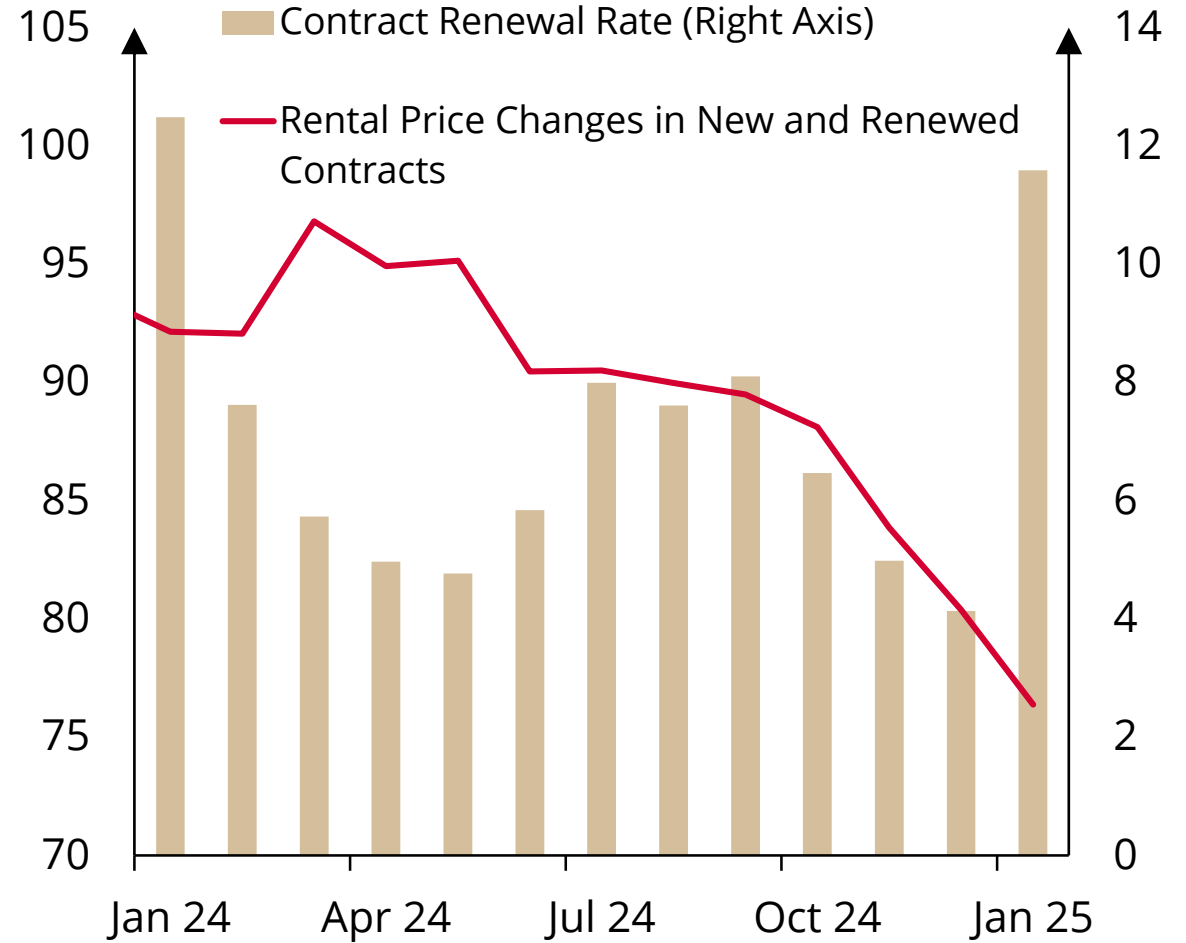
Rent inflation is slowing down.

Rent

(Seasonally Adjusted, Monthly % Change, 3-Month Average)

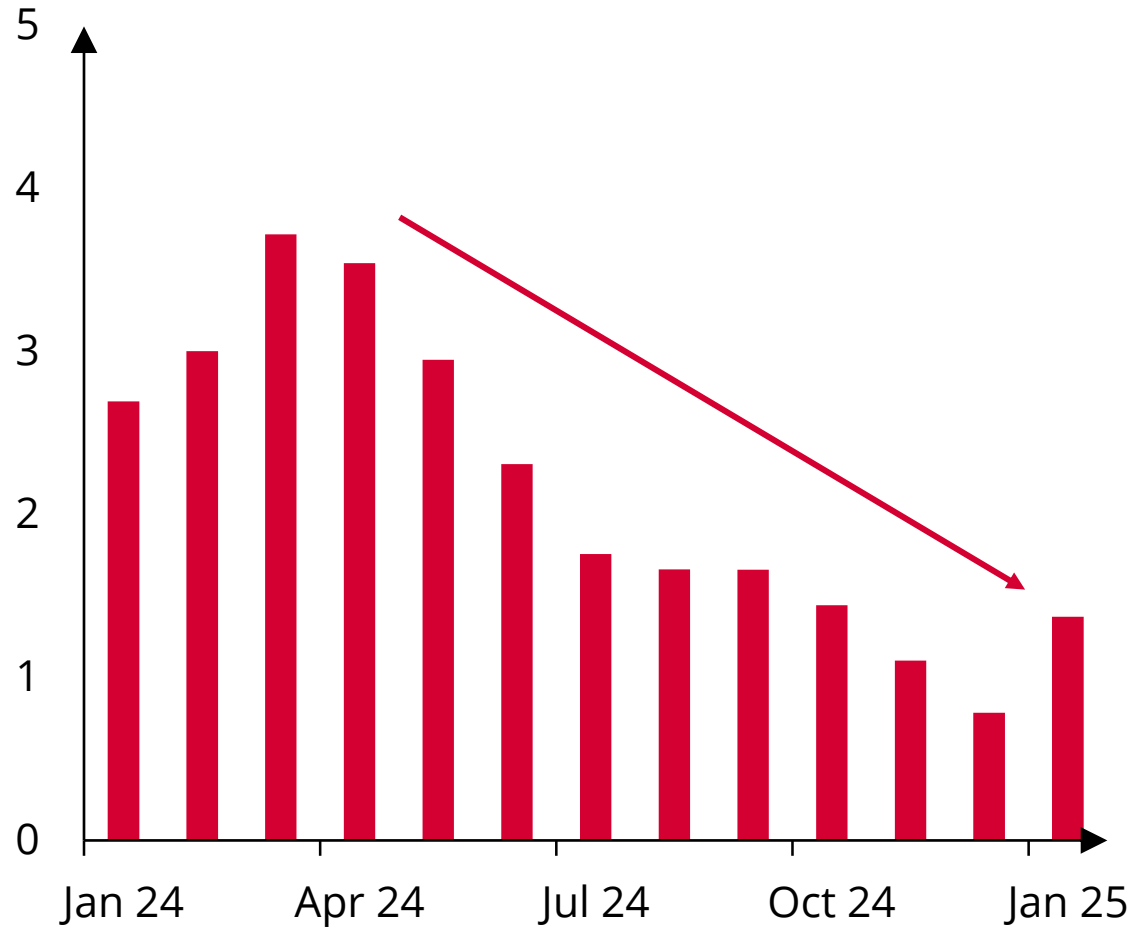


Contract Renewal Rate and Rental Price Changes in Contracts* (%)

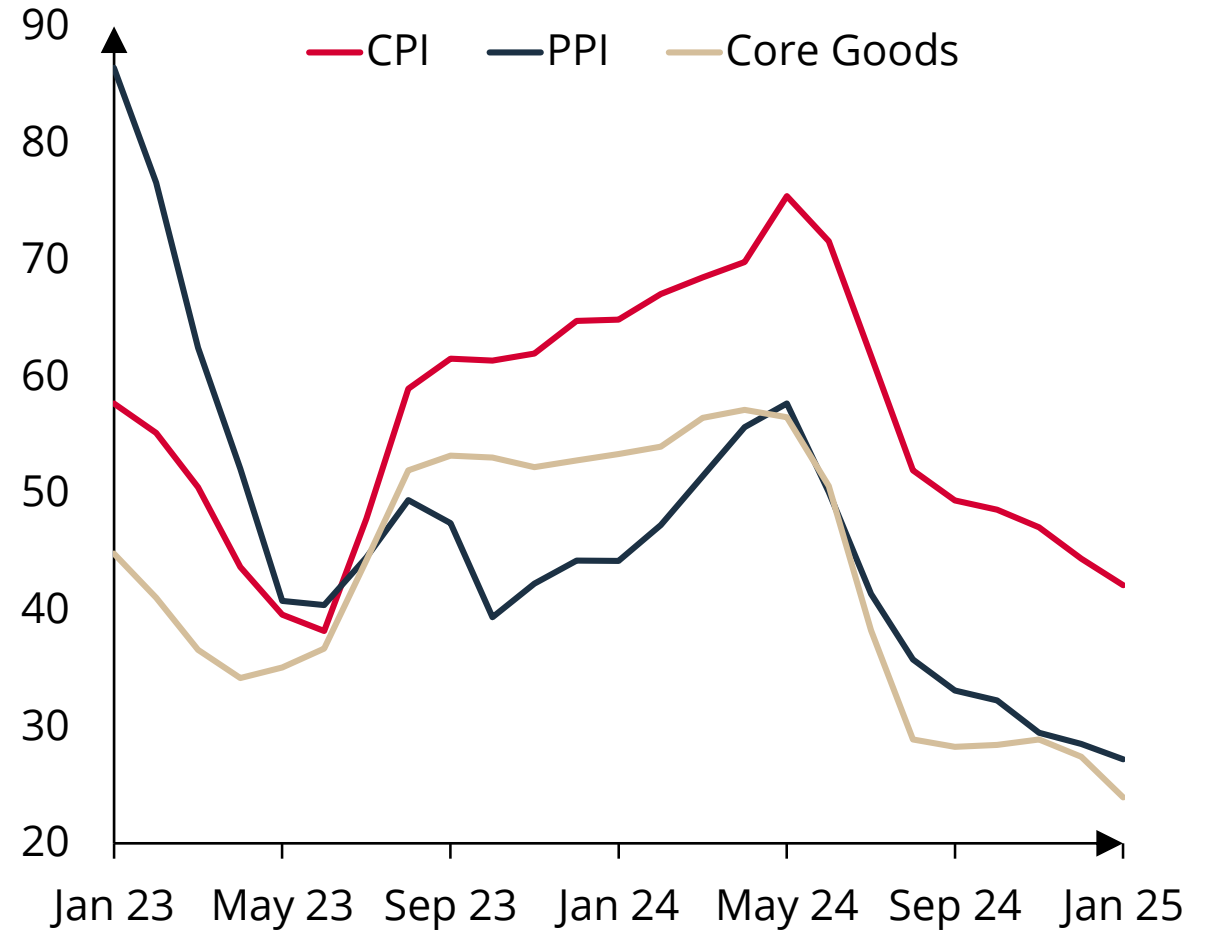


The decline in producer inflation has a favorable impact on core goods inflation.

PPI (Monthly % Change, 3-Month Average)

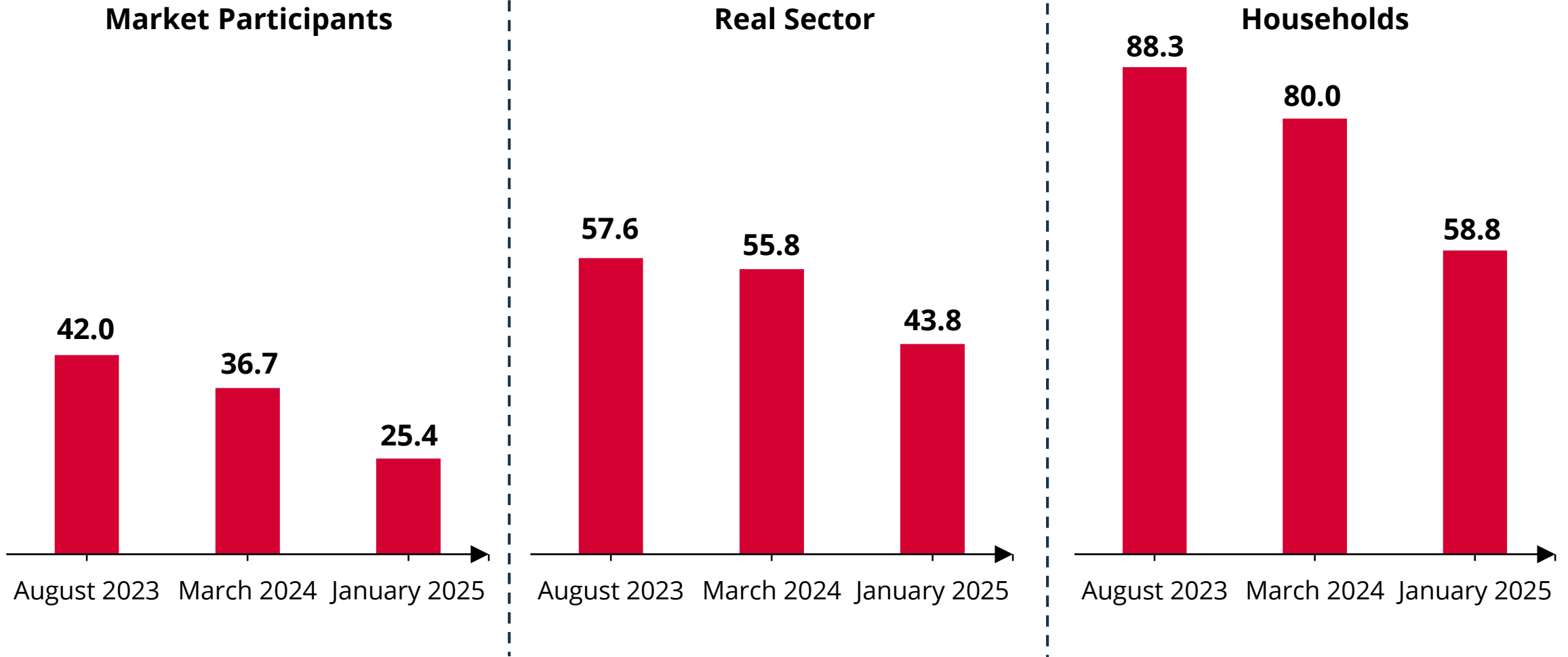


PPI, CPI and Core Goods (Annual % Change)



Inflation expectations of households and firms are on a downward trend.

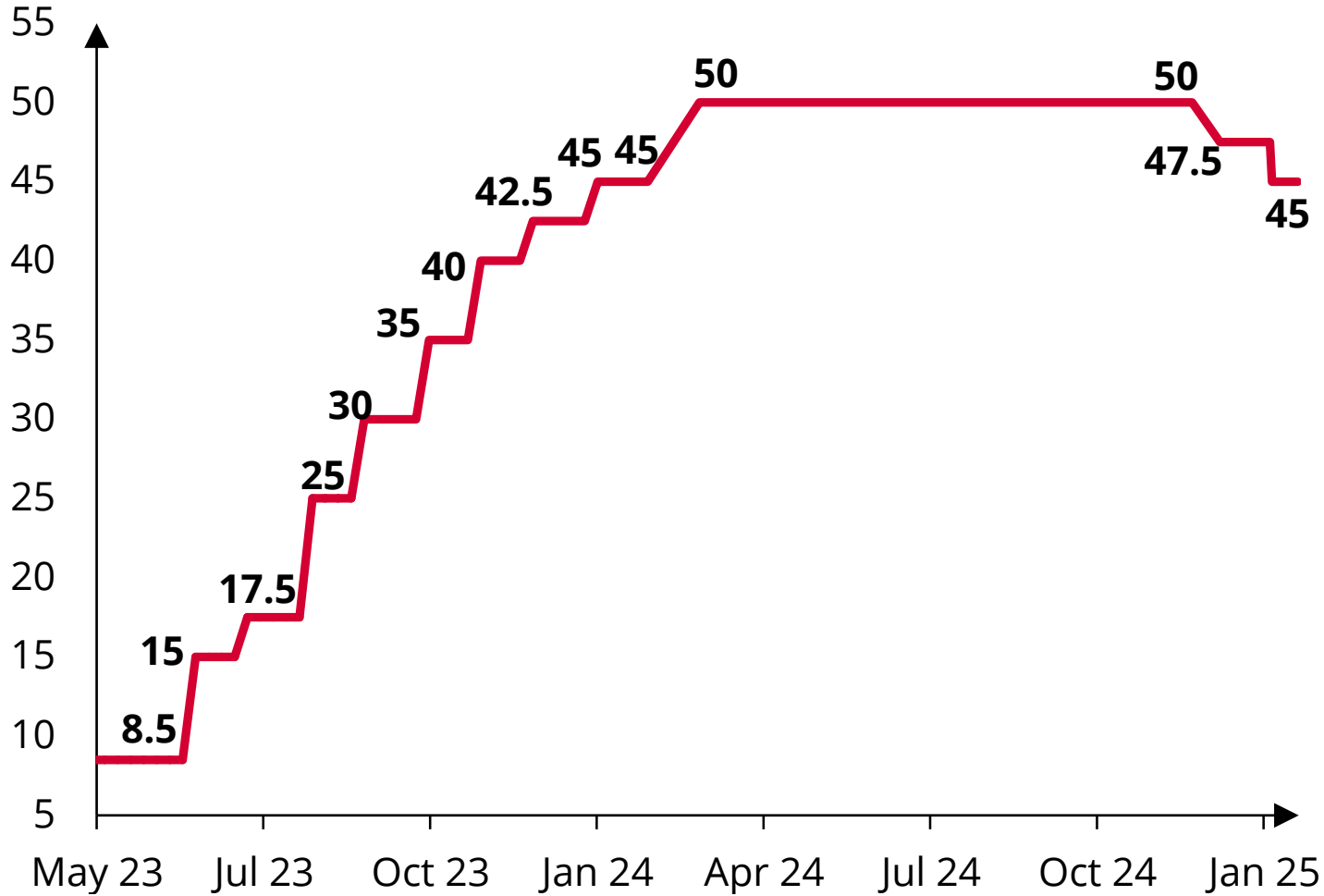
12-Month Ahead Annual CPI Inflation Expectations (%)



MONETARY POLICY

The tight monetary stance is maintained.

Policy Rate (%)



Macroprudential Framework

Liquidity Management

Macprudential measures and liquidity management support the tight stance.

1 Regulations for TL deposit share and KKM

- Targets for TL deposit share
- Targets for KKM's gradual reduction

2 Loan growth caps

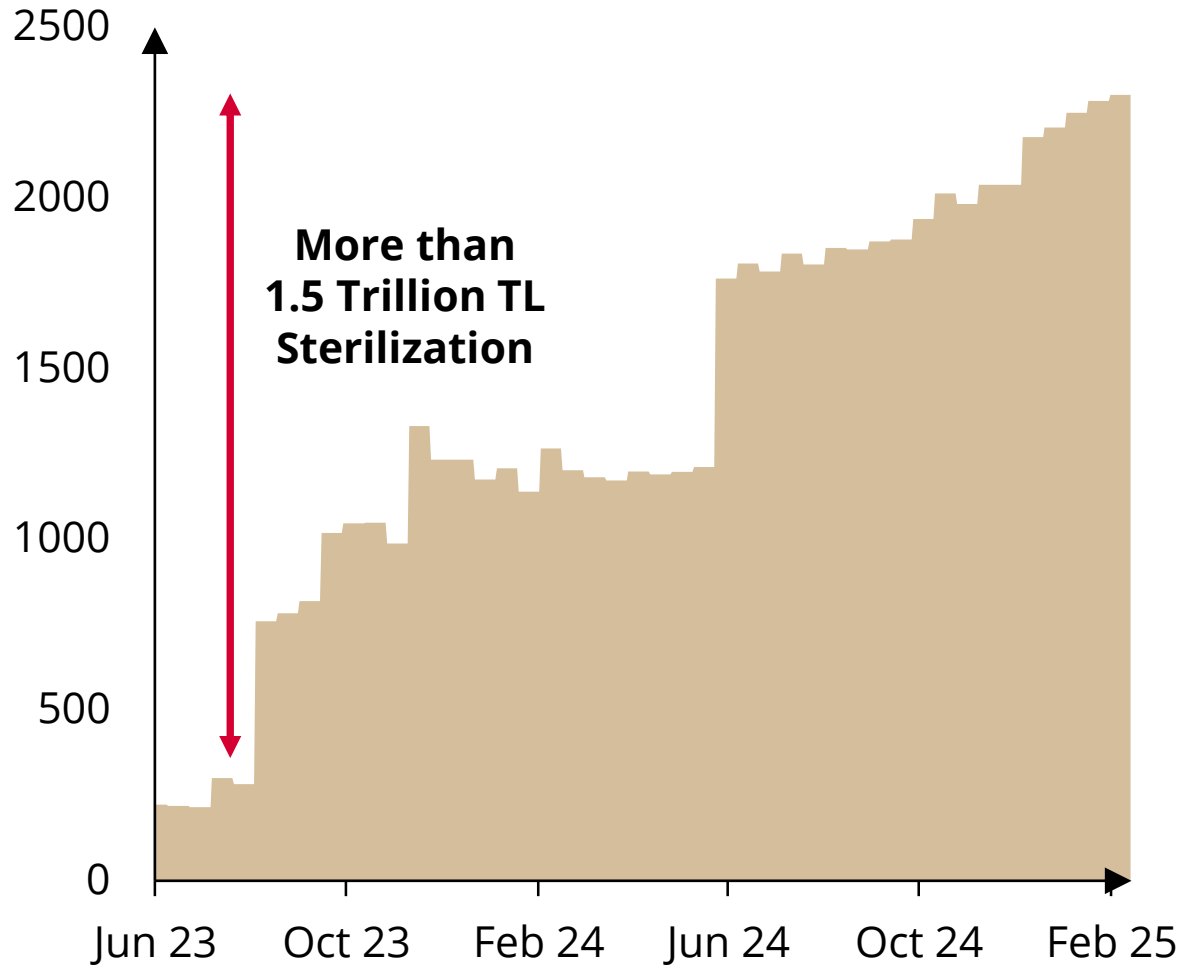
- Limits on TL and FX loan growth

3 Liquidity management

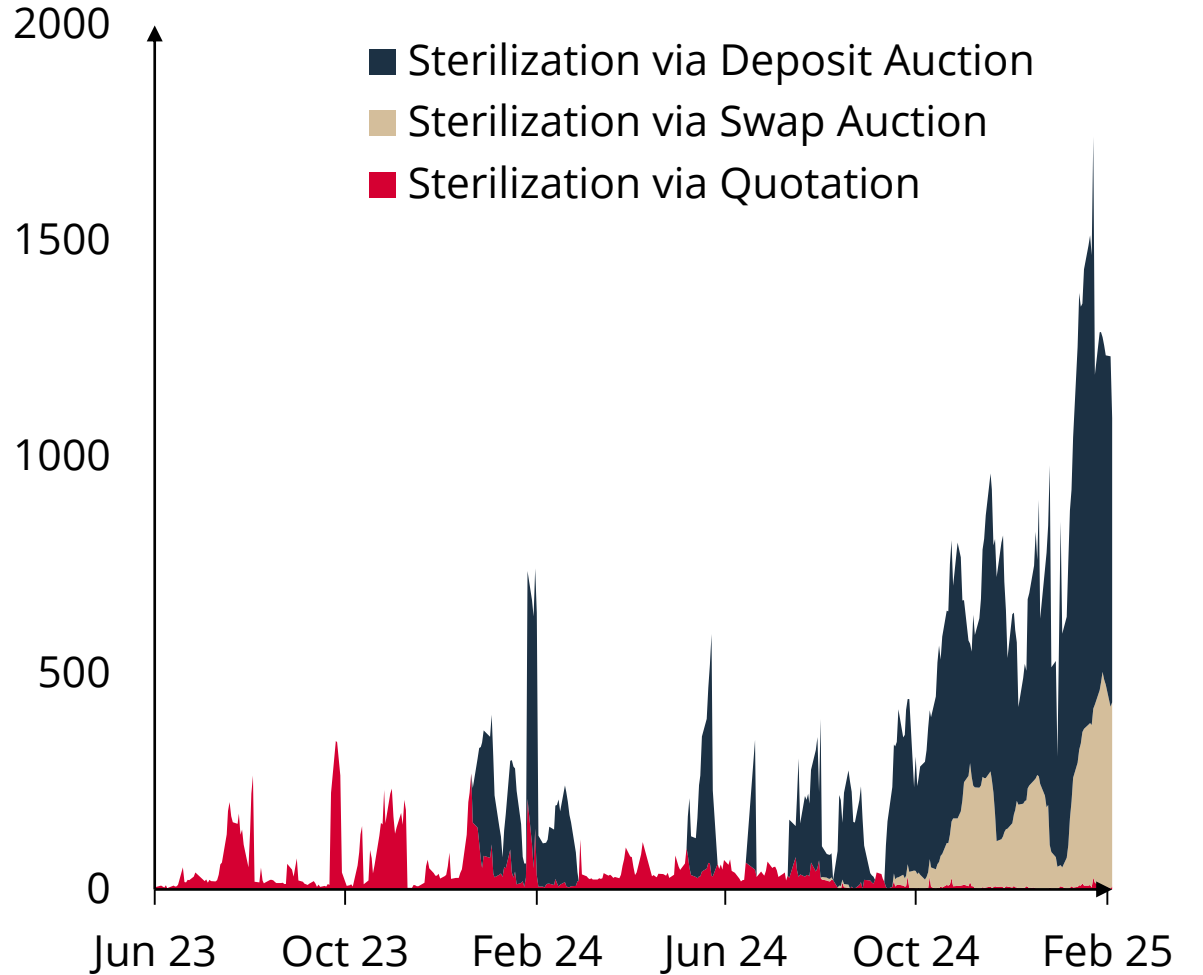
- Reserve requirements
- TL deposit auctions
- Sell-side swap auctions

Excess liquidity is sterilized.

Required Reserves (Billion TL)



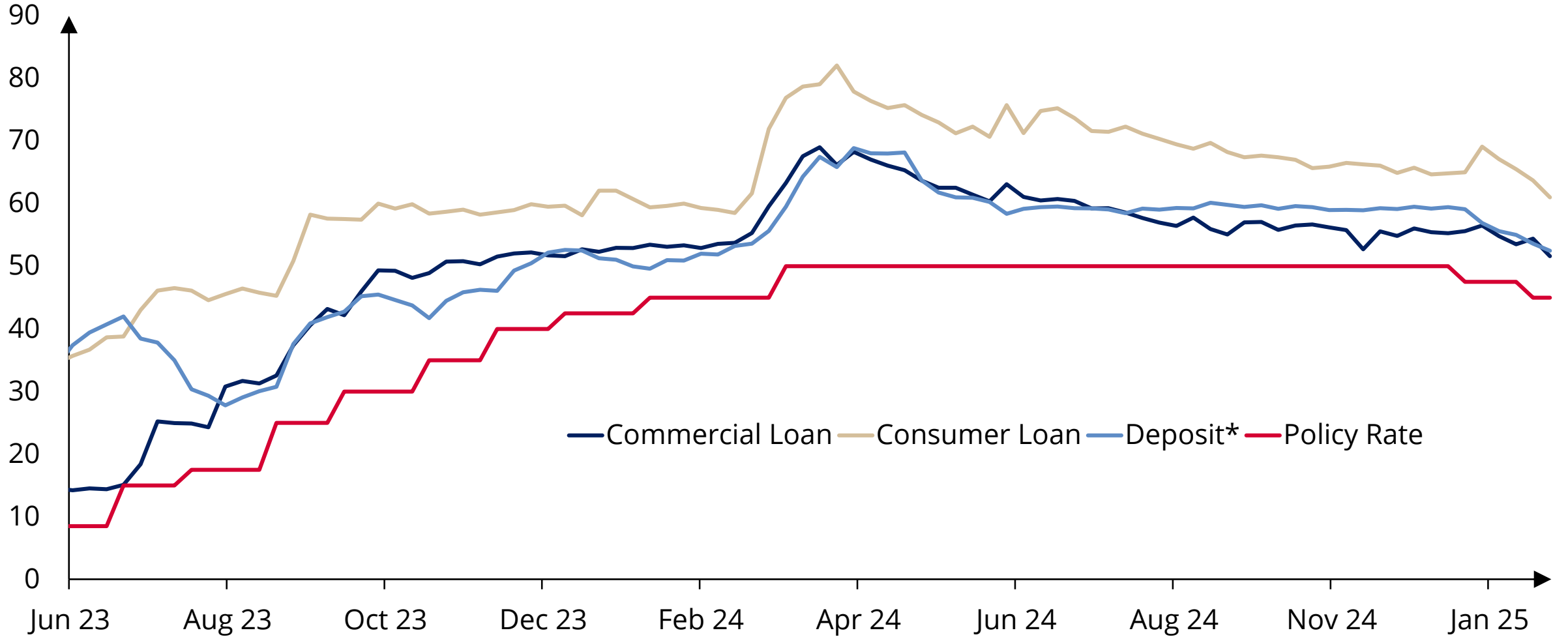
Sterilization via Quotation and Auctions (Billion TL)



FINANCIAL CONDITIONS

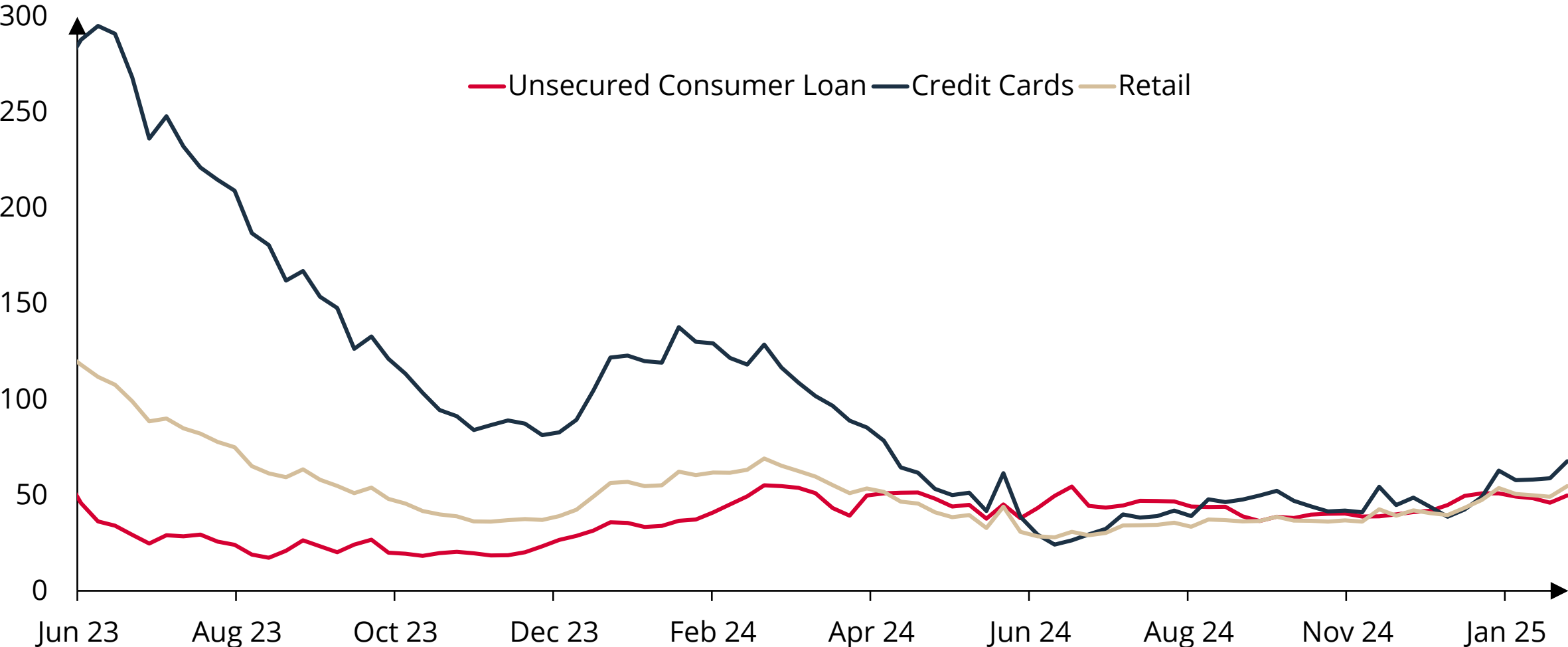
Financial conditions remain tight.

Interest Rates (%)



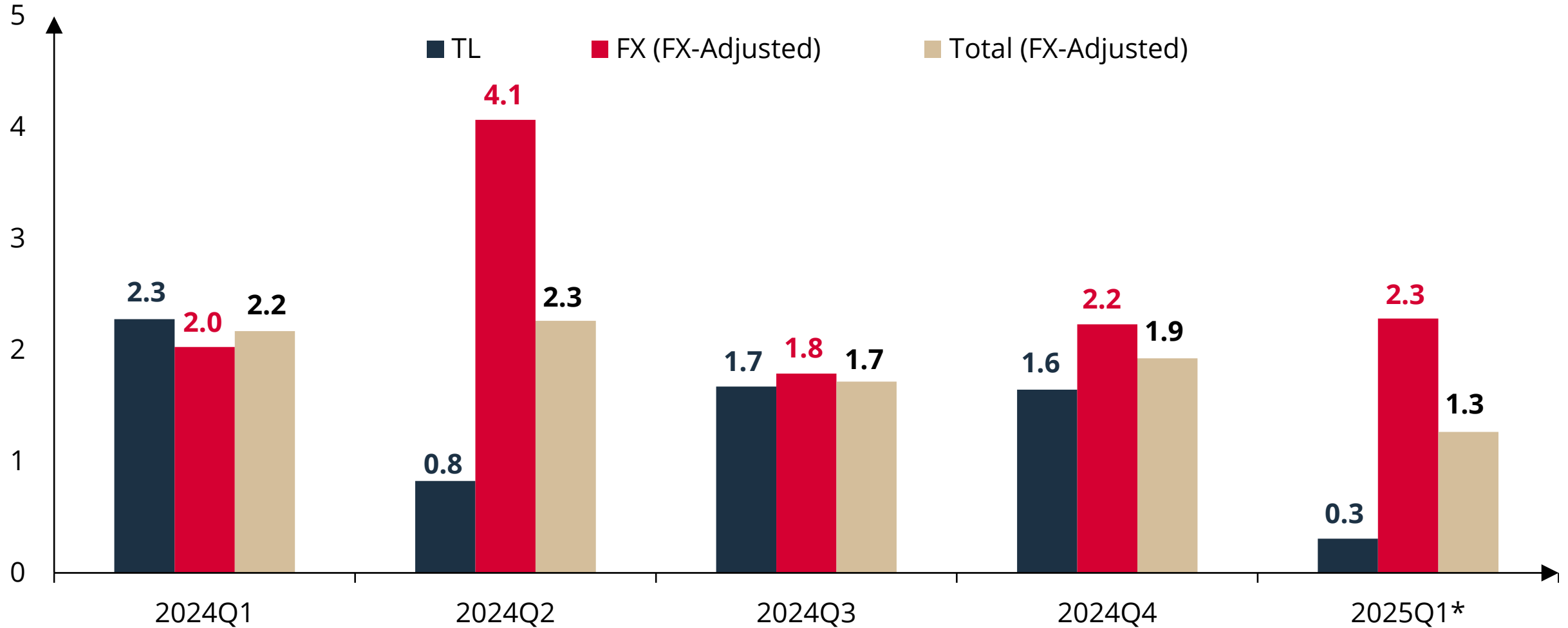
Retail loan growth moderated in January after a rise in December.

Retail Loan Growth (13 Week, Annualized, %)



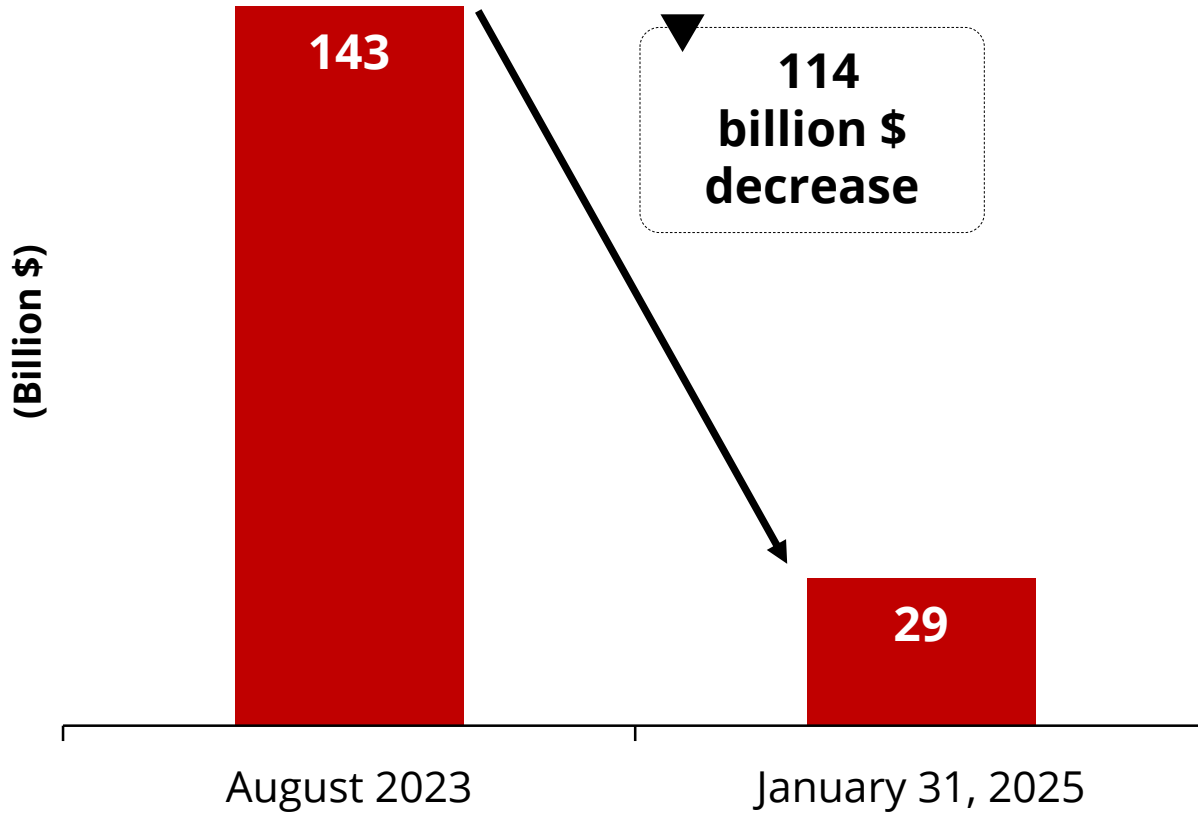
Commercial loan growth is in line with the caps.

Commercial Loan Growth* (%)

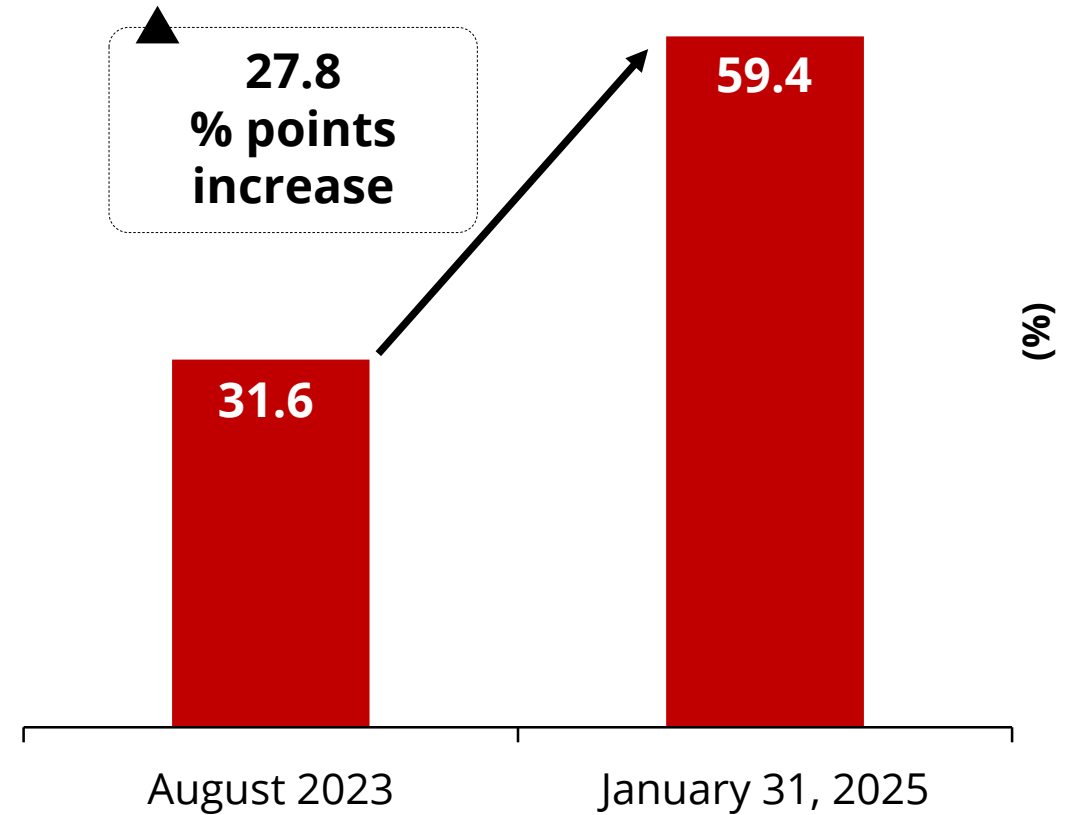


FX-protected deposits continue to decline, while TL demand remains strong.

FX-Protected Deposit Volume

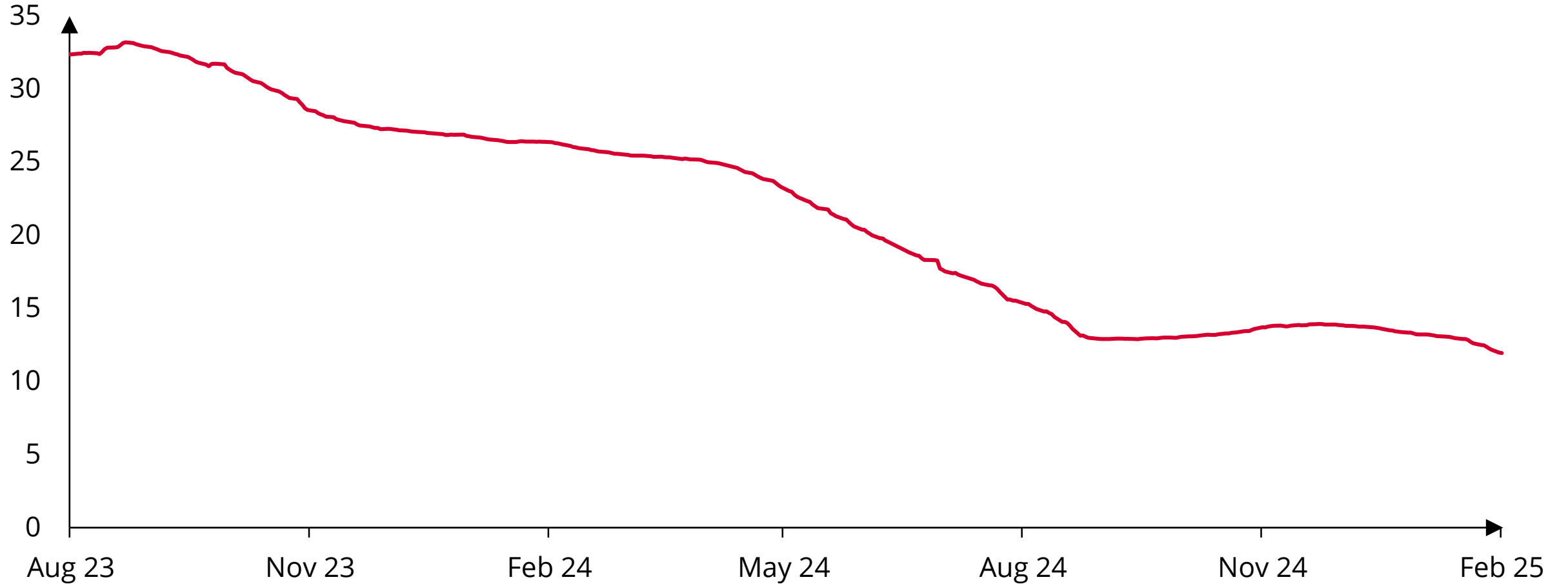


TL Deposit Share



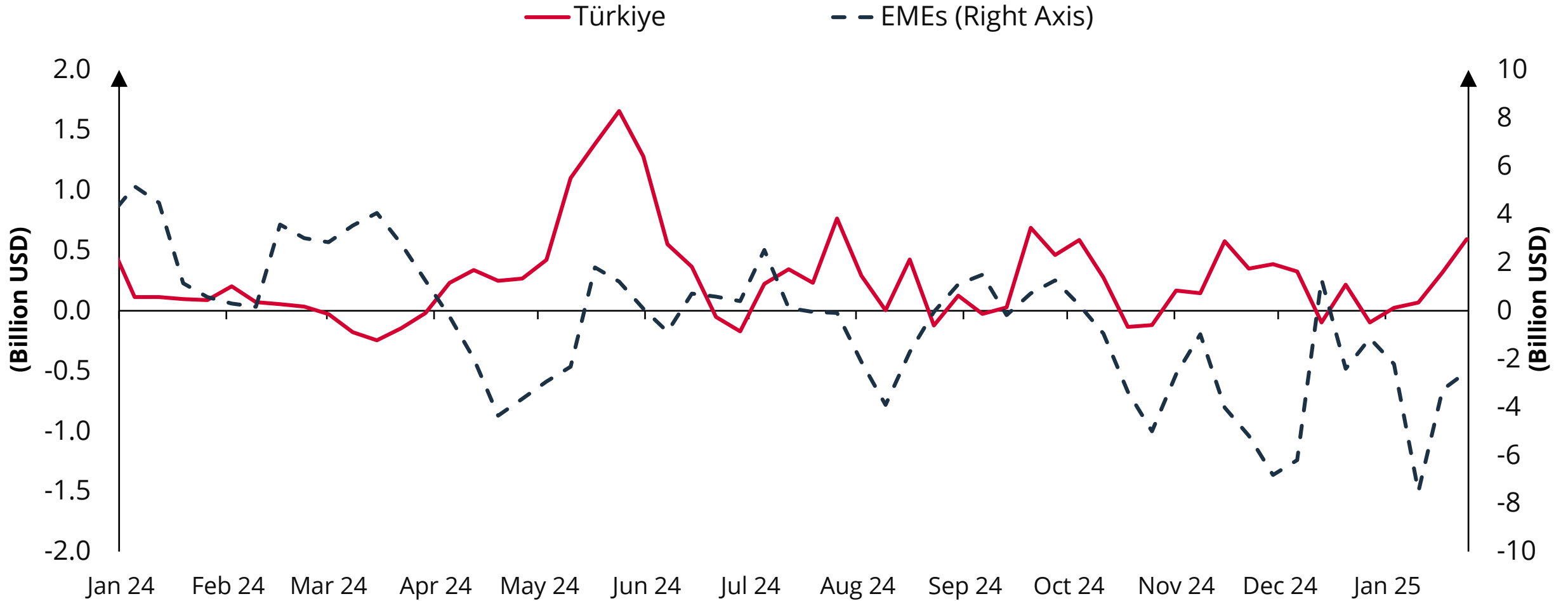
Transition to FX from FX-protected accounts is limited.

Transition to FX from Maturing FX-protected Accounts* (% , 12-Month Average Rate)



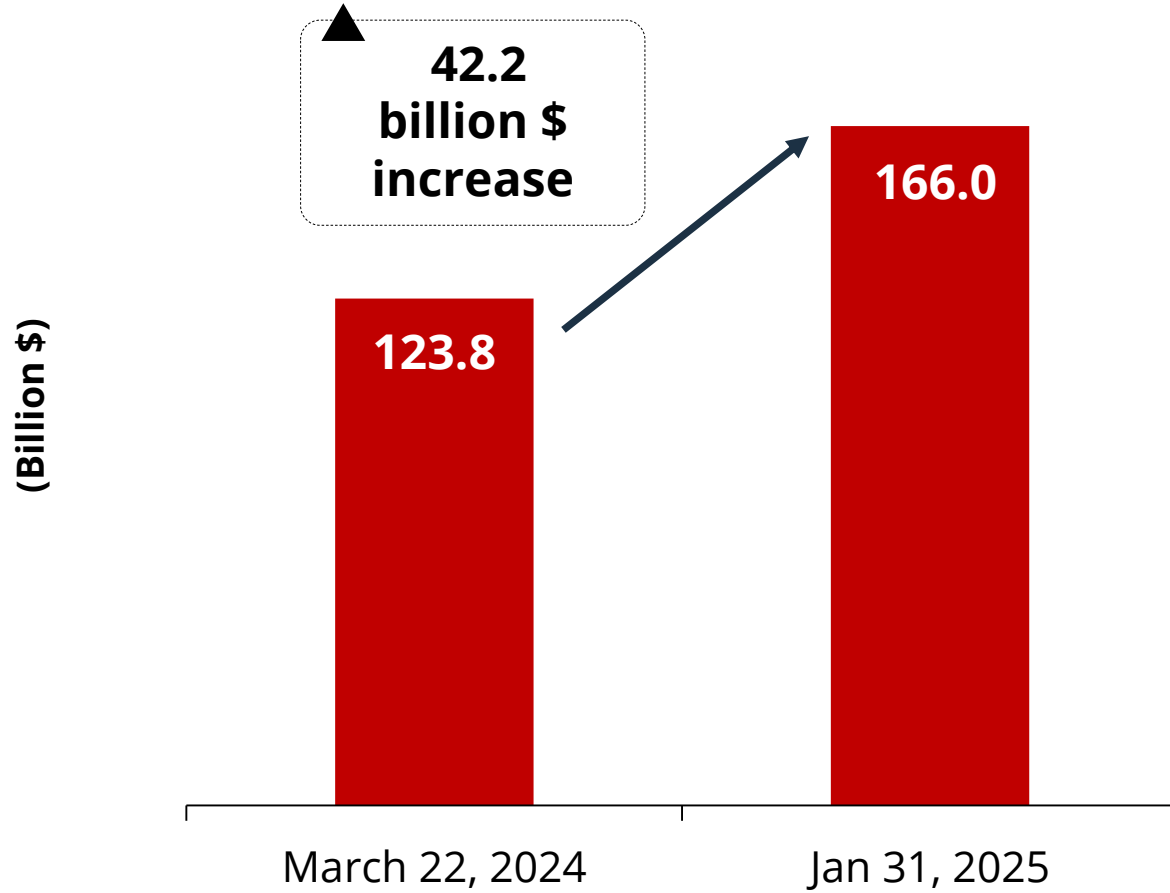
The favorable course of capital inflows continues.

Capital Flows to Türkiye and EMEs (4-Week Average)

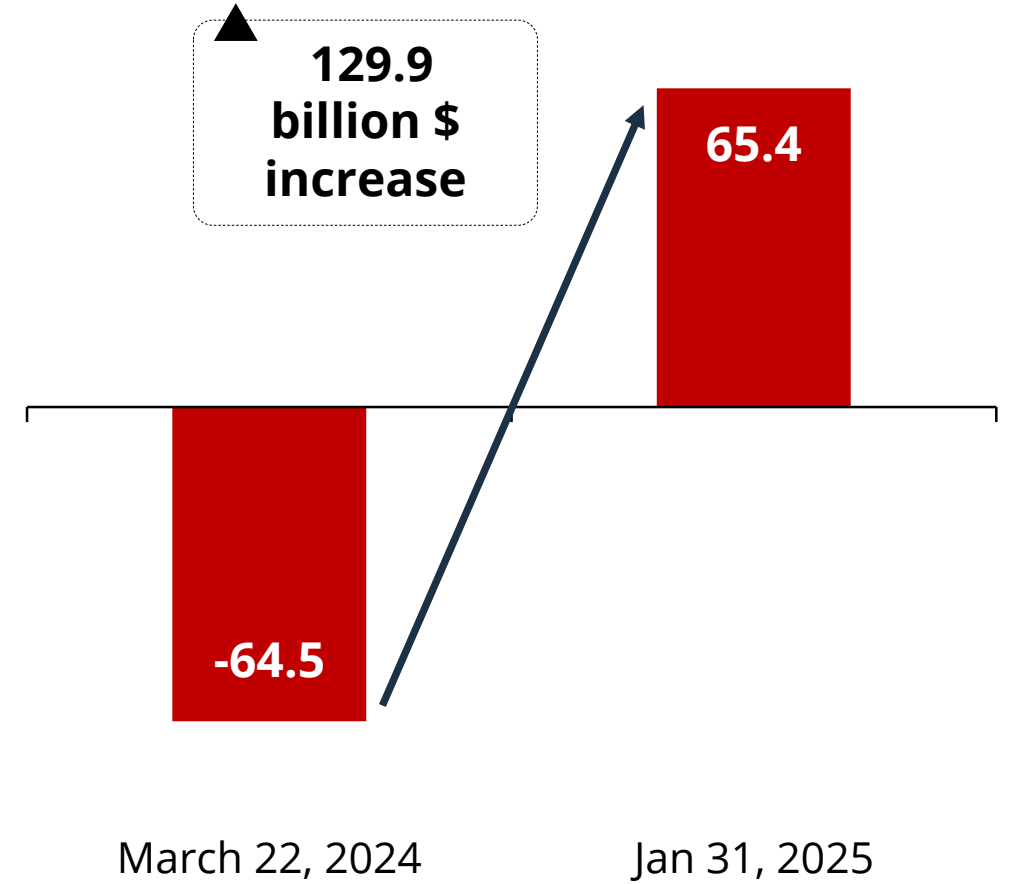


The tight monetary policy stance has positive effects on international reserves.

Gross International Reserves

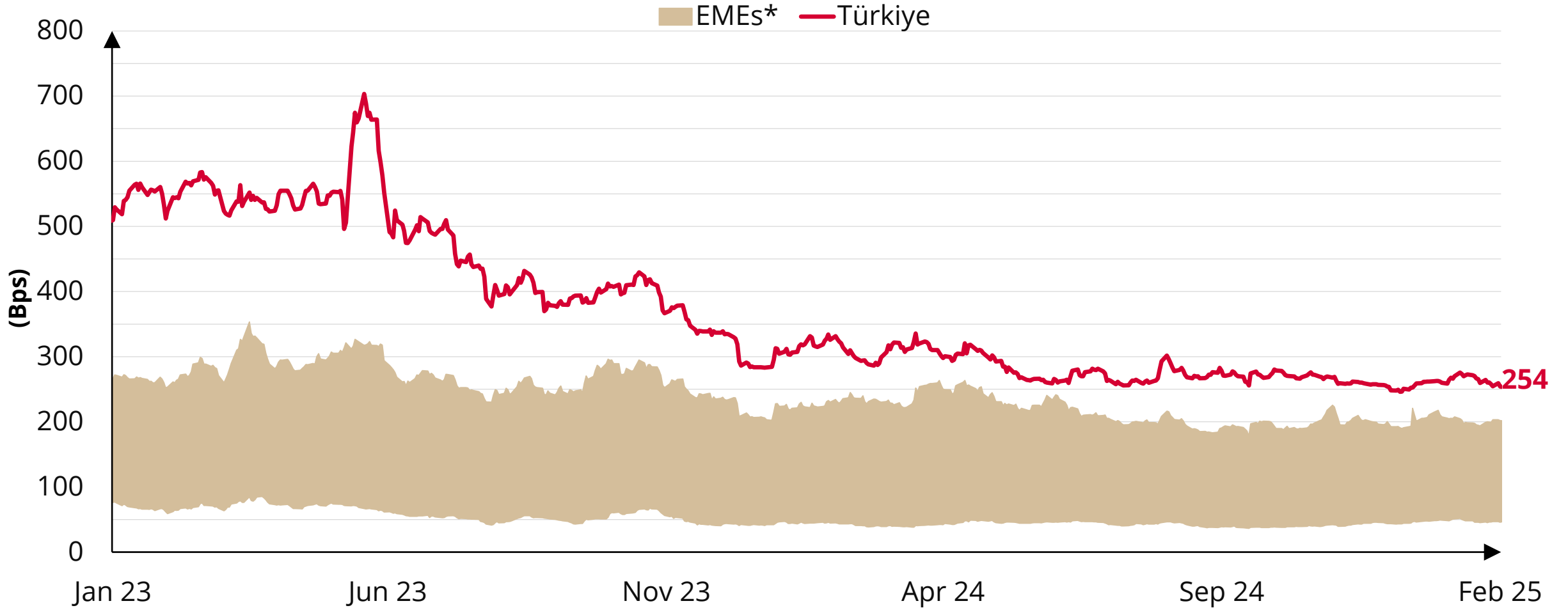


Net Reserves exc. Swaps



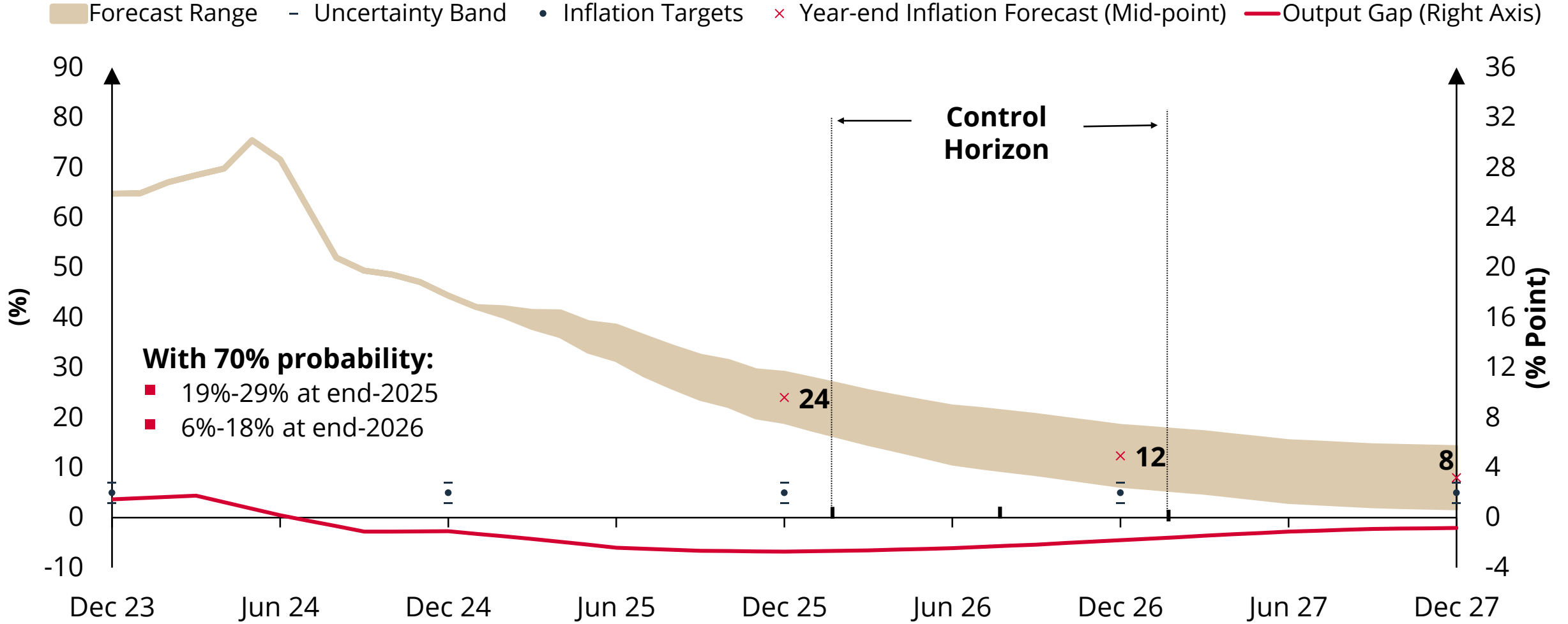
Risk premium remains moderate.

5-Year CDS Premium



MEDIUM TERM PROJECTIONS

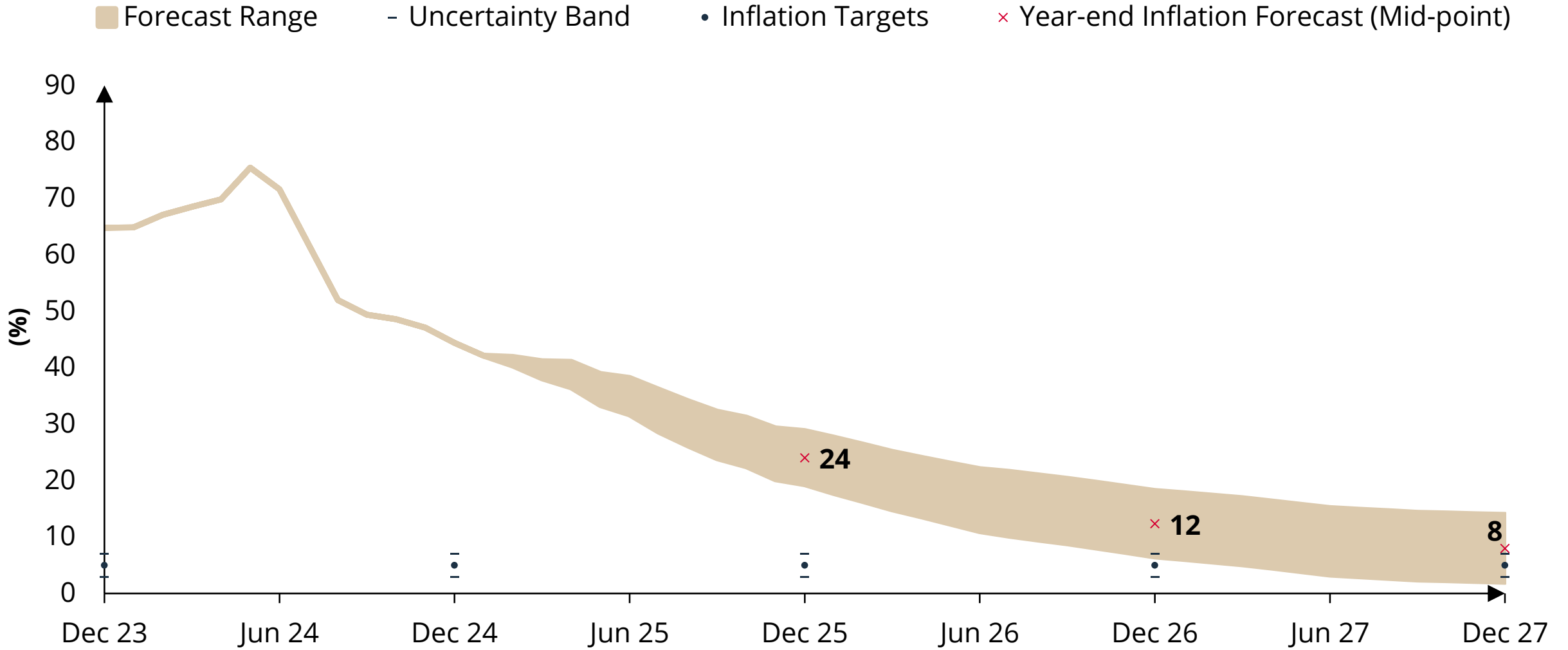
Inflation forecasts are set as 24% for 2025, 12% for 2026 and 8% for 2027.



Food and administered prices played a prominent role in the forecast update.

	2025
IR 2024-IV Year End Forecast (%)	21.0
IR 2024-IV Year End Forecast (Updated CPI Weights , %)	21.8
IR 2025-I Year End Forecast (%)	24.0
Forecast Revision as Compared to IR 2024-IV Period (% Point)	2.2
Sources of Forecast Revision (% Point)	
Food Prices	+0.5
Administered Prices	+1.7

The tight monetary policy stance will be maintained decisively.



The tight monetary stance will be maintained until price stability is achieved via a sustained decline in inflation.

Inflation realizations

Underlying trend of inflation

Inflation expectations

The tightness required by the projected disinflation path will be ensured.



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