



TÜRKİYE CUMHURİYET  
MERKEZ BANKASI

# MACROECONOMIC OUTLOOK AND MONETARY POLICY IN TÜRKİYE

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Governor

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ISTANBUL



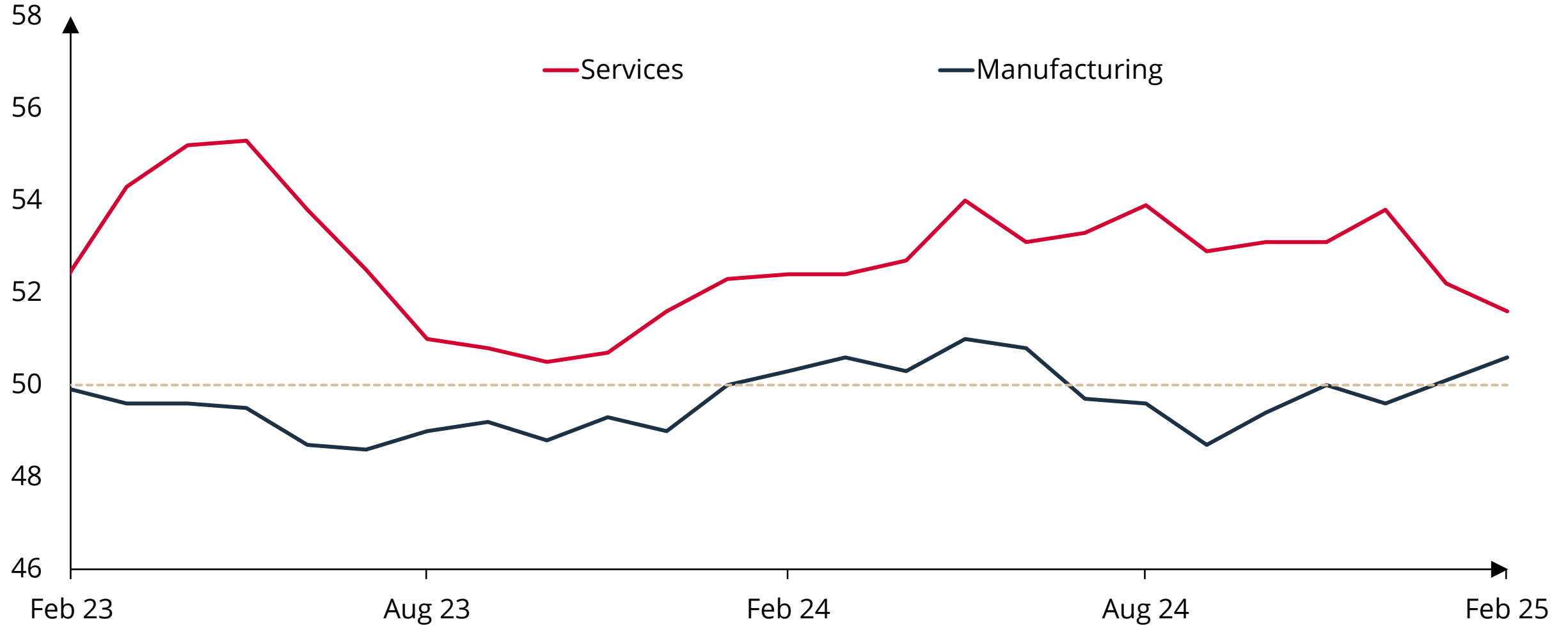
# Outline

- Global Economy
- Economic Activity
- Inflation
- Recent Developments and Monetary Policy

# GLOBAL ECONOMY

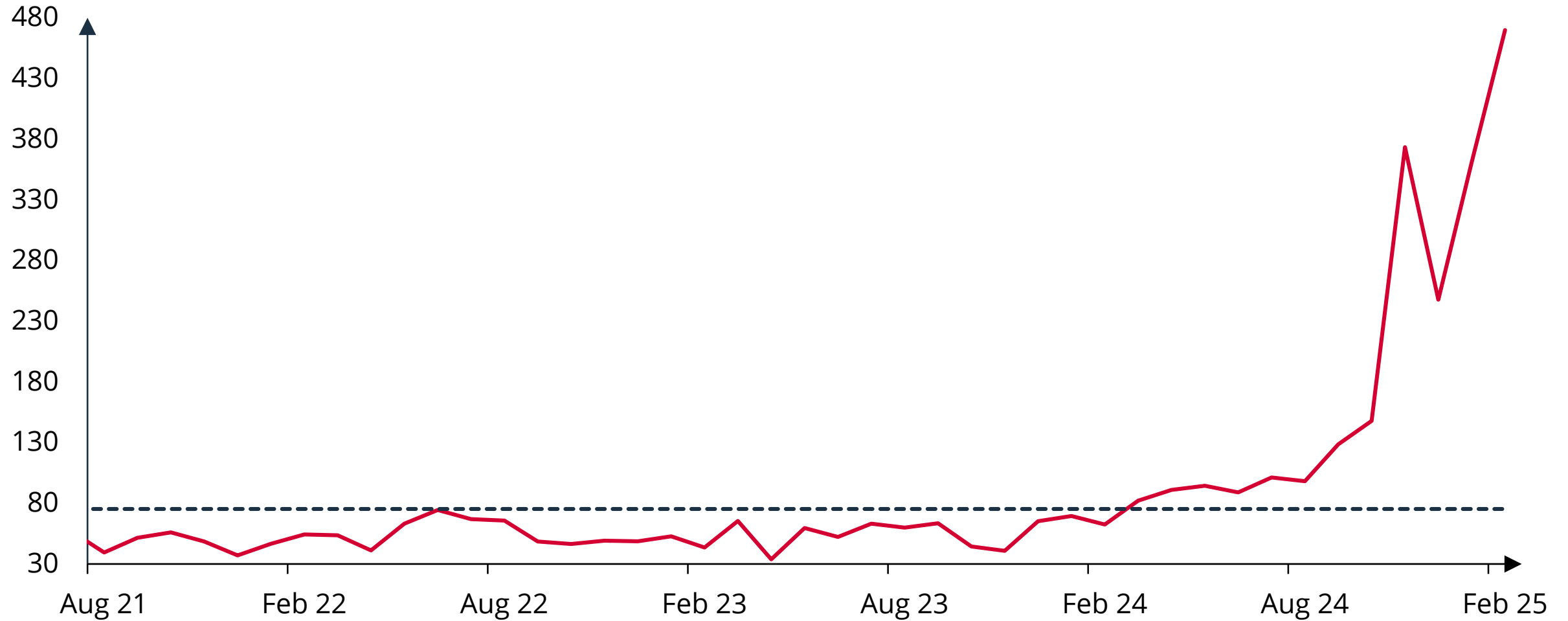
# Global growth is projected to recover gradually.

Global PMI (Level)\*



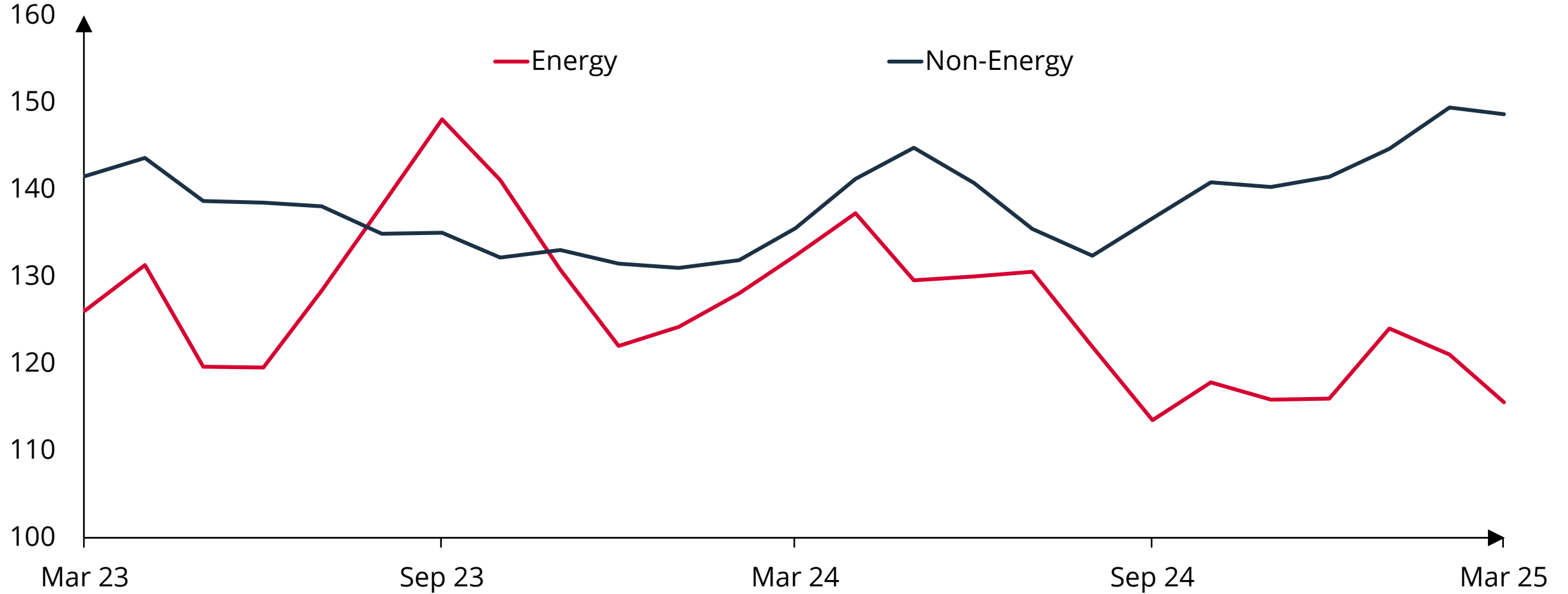
# Uncertainties over global trade policy have been elevated recently.

Trade Policy Uncertainty Index (Monthly)\*



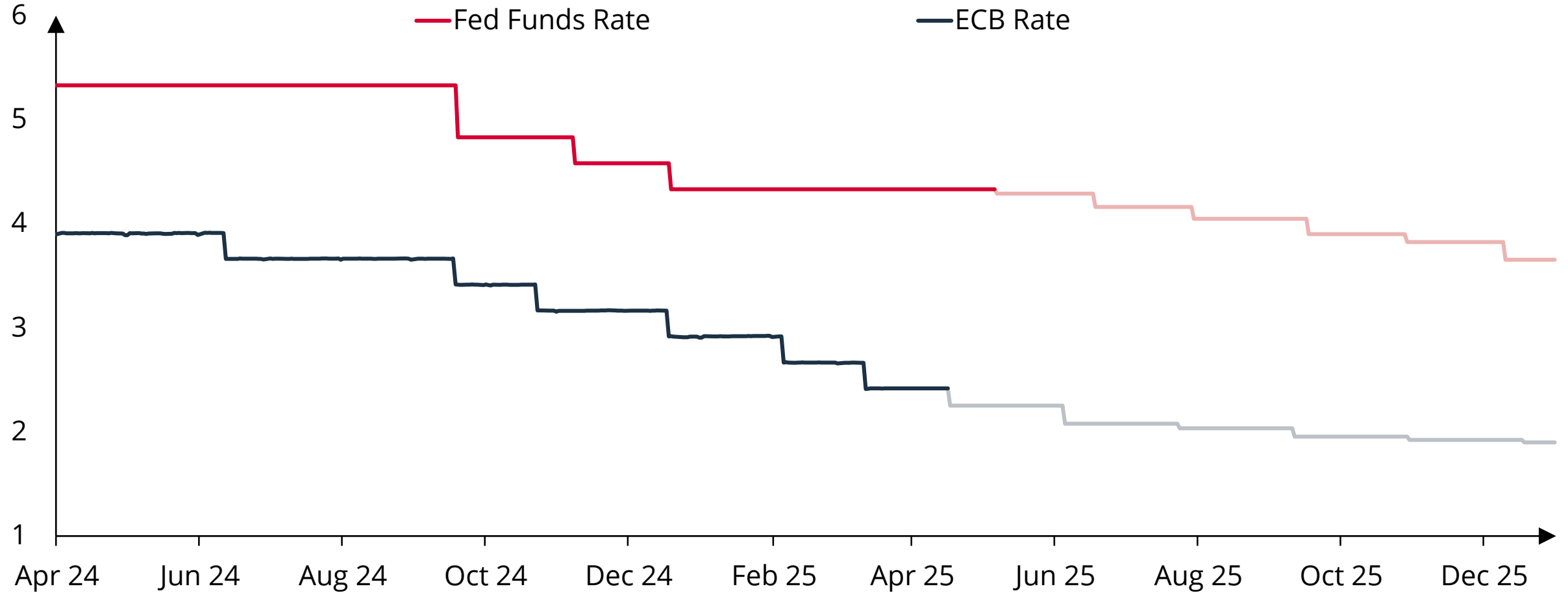
# Energy prices have been volatile recently.

Commodity Price Indices\*



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

Market Implied Policy Rates (% Effective)

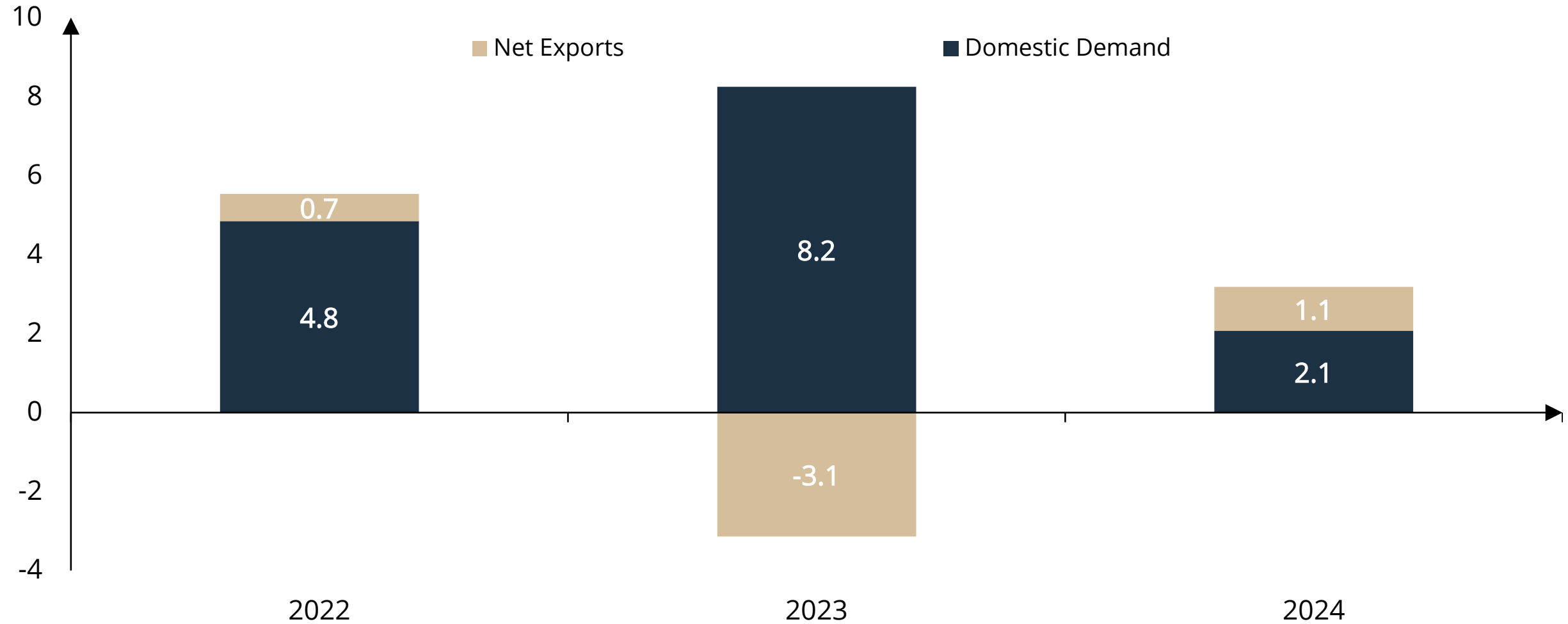


# ECONOMIC ACTIVITY



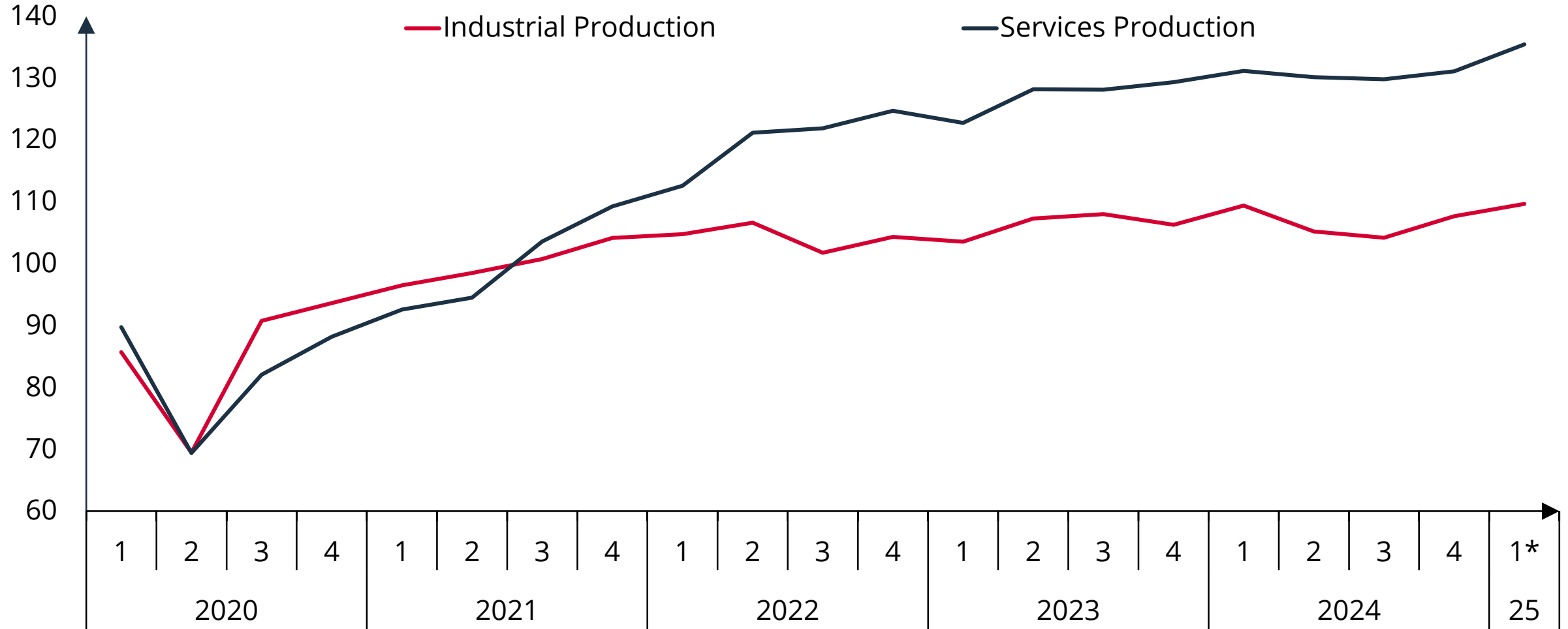
# Demand composition has been more balanced in 2024.

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



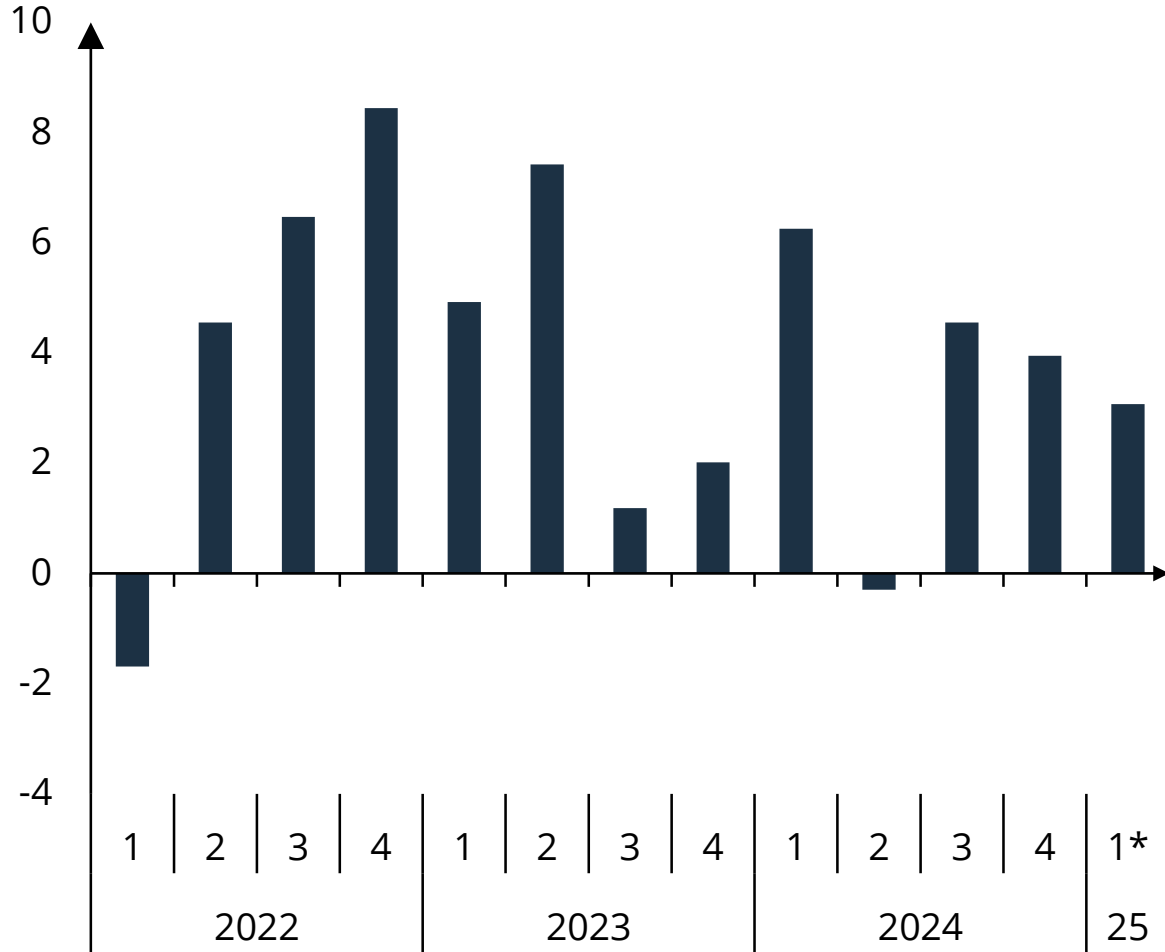
# Production indicators point to a recovery in economic activity.

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

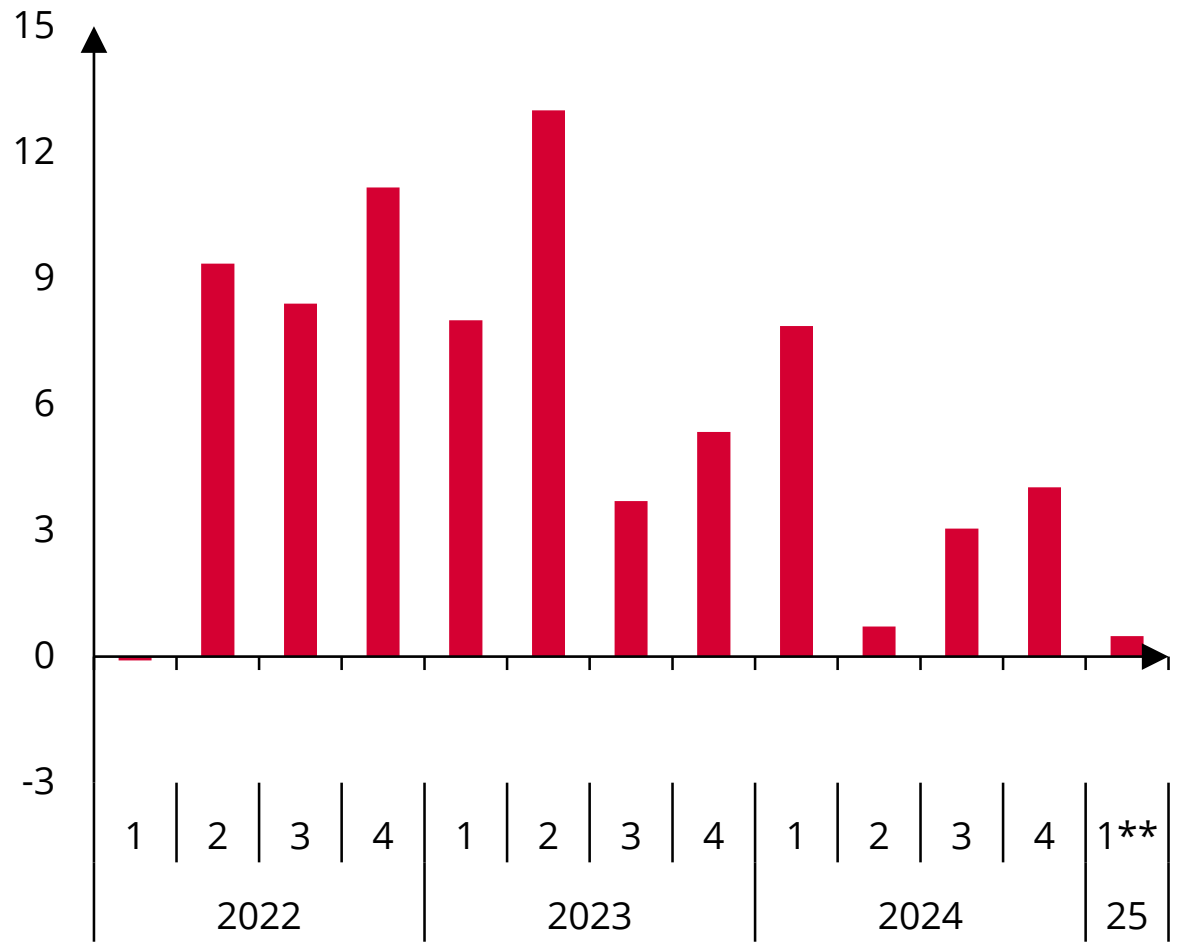


# Domestic demand remains moderate, yet shows some resilience.

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

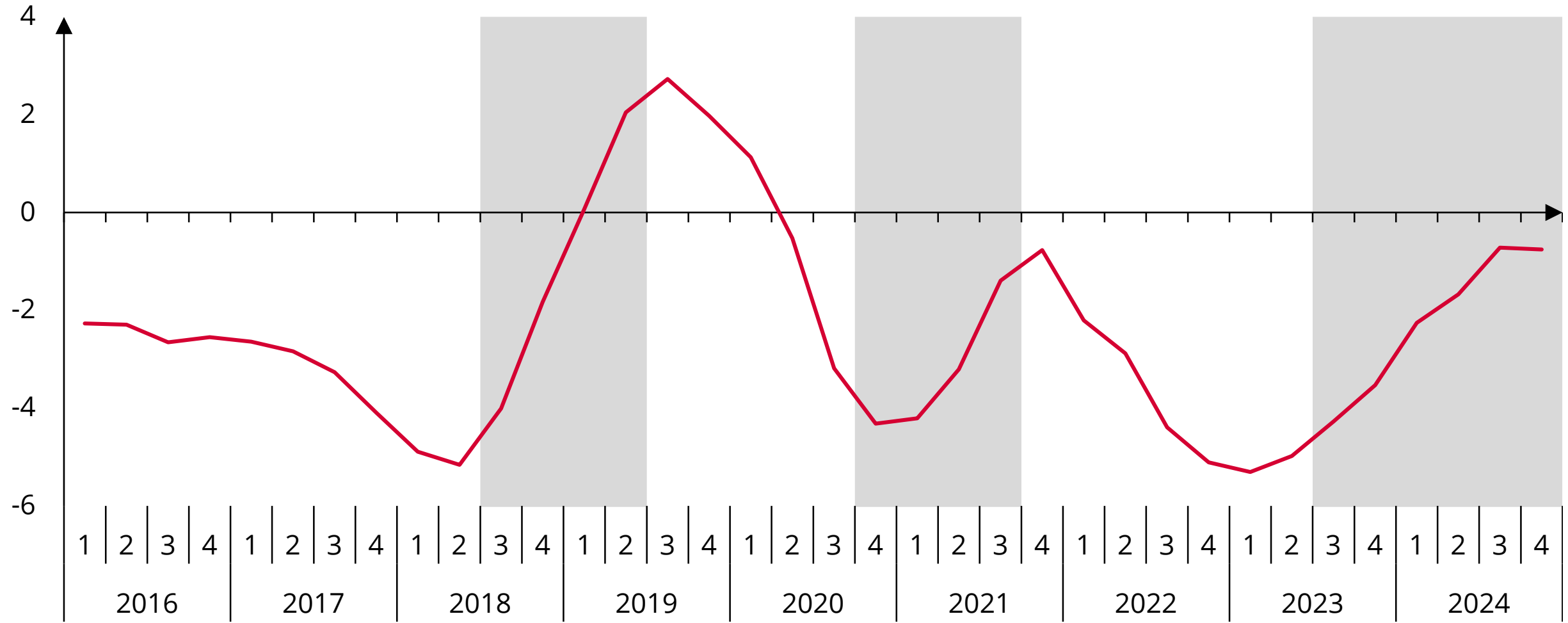


Card Spending  
(Real, Seas. Adj., Quarterly % Change)



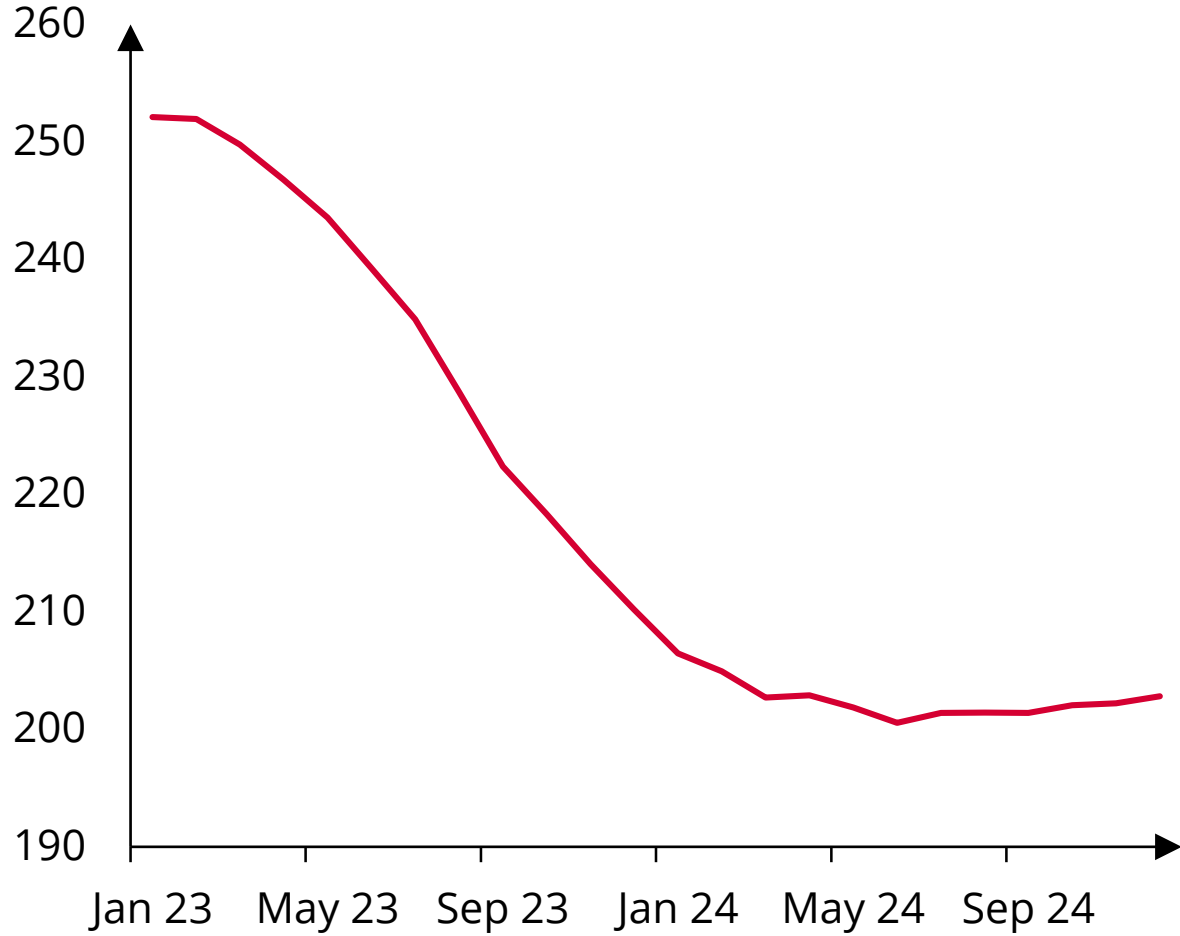
# Current account deficit is at historically low levels.

Current Account Balance/GDP\* (%)

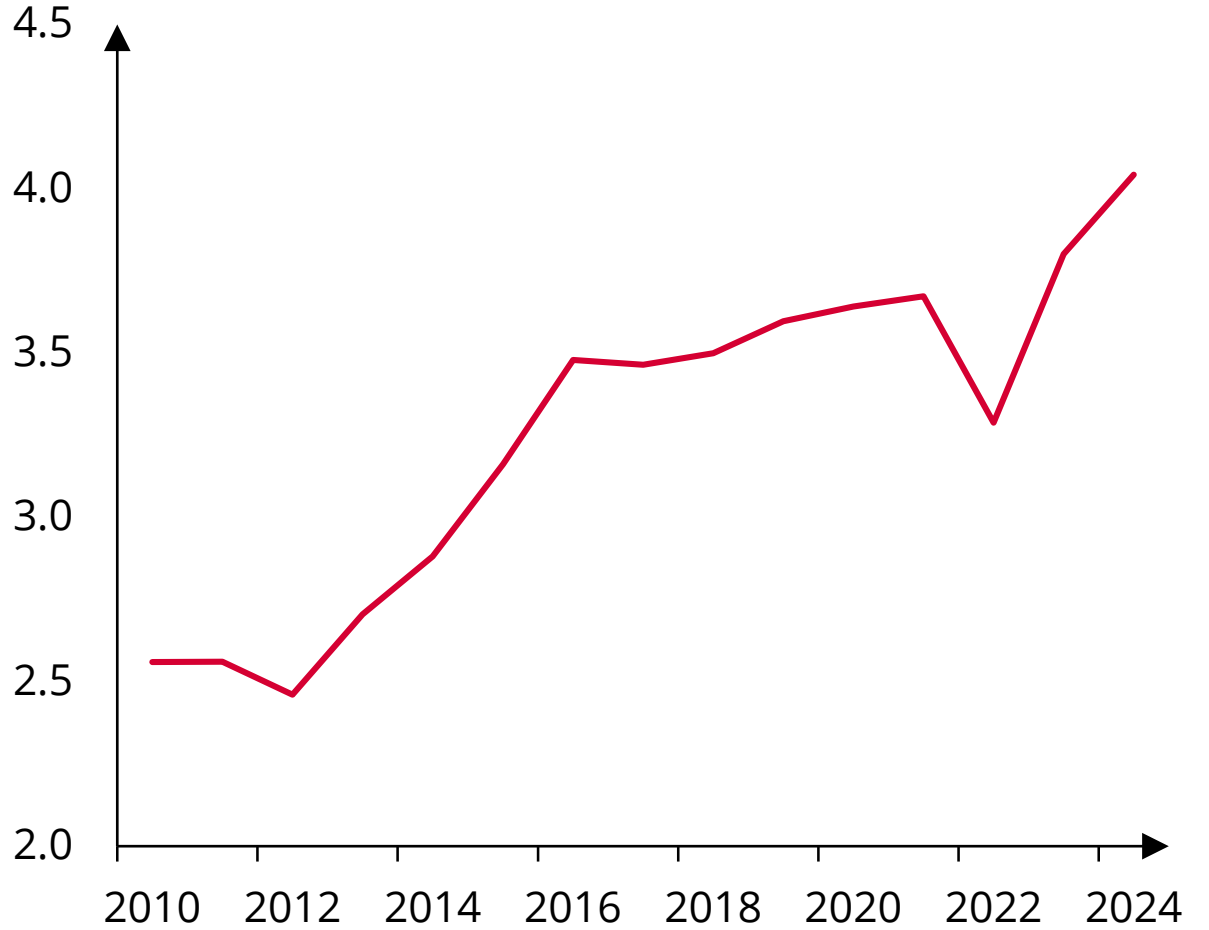


# Despite weak external demand, export market share is increasing.

EU's Imports from Extra-EU  
(12-Month Moving Average, Billion Euro)

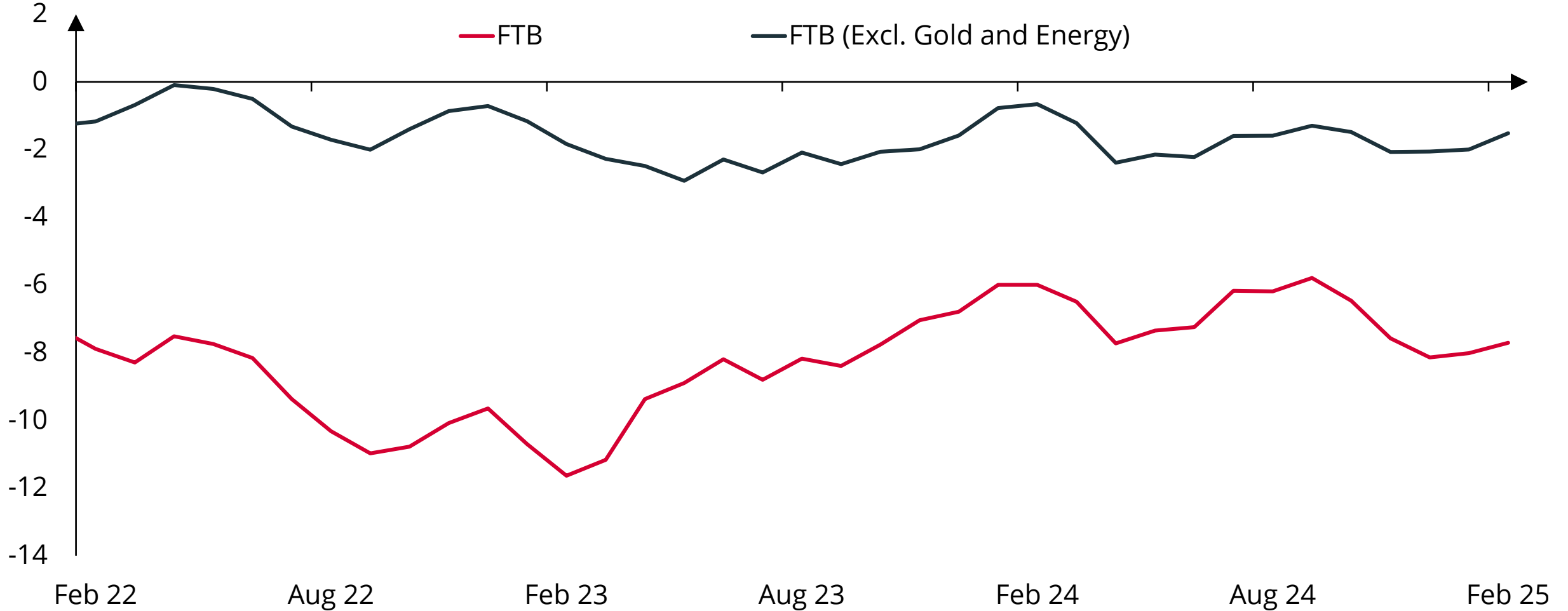


Türkiye's Share in EU's Imports (%)



# Trade balance excluding gold and energy remains stable.

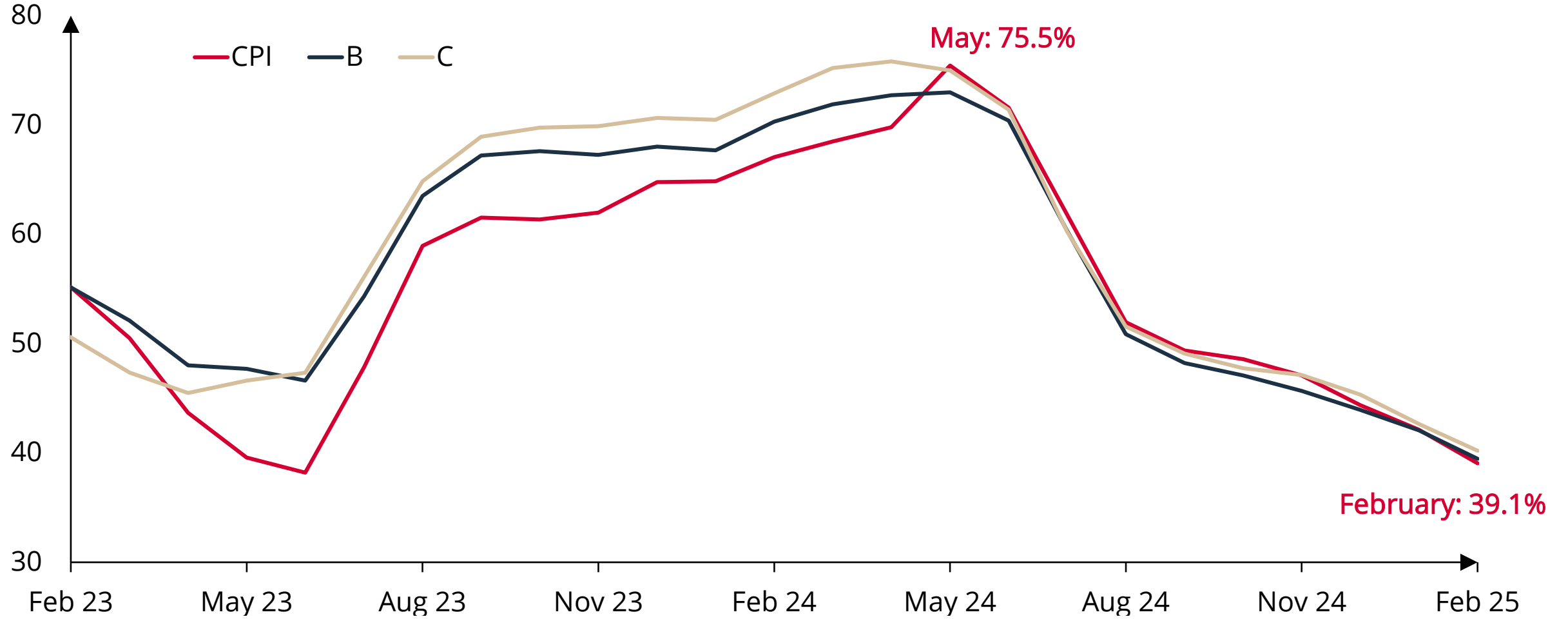
Foreign Trade Balance (FTB) (Seas. Adj., 3-Month Moving Average, Billion Dollar)



# INFLATION

# The disinflation process continues.

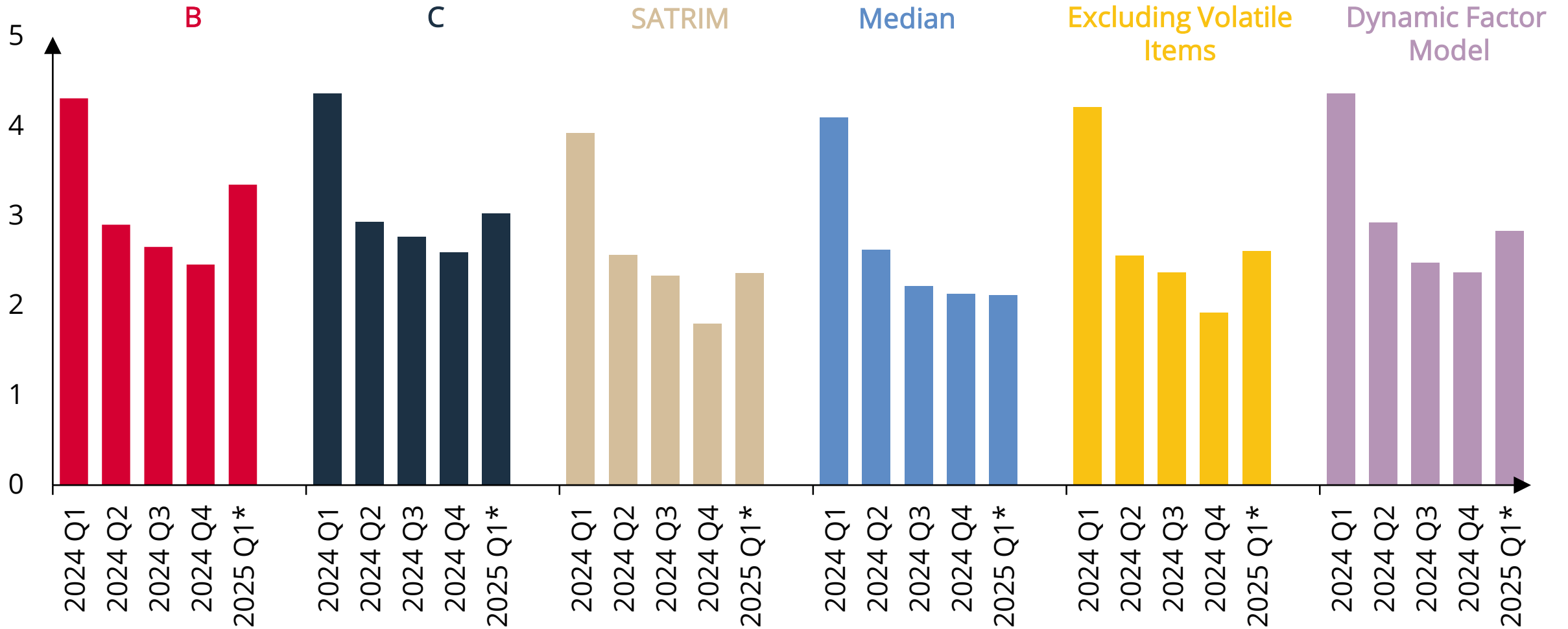
CPI, B and C Index (Annual % Change)





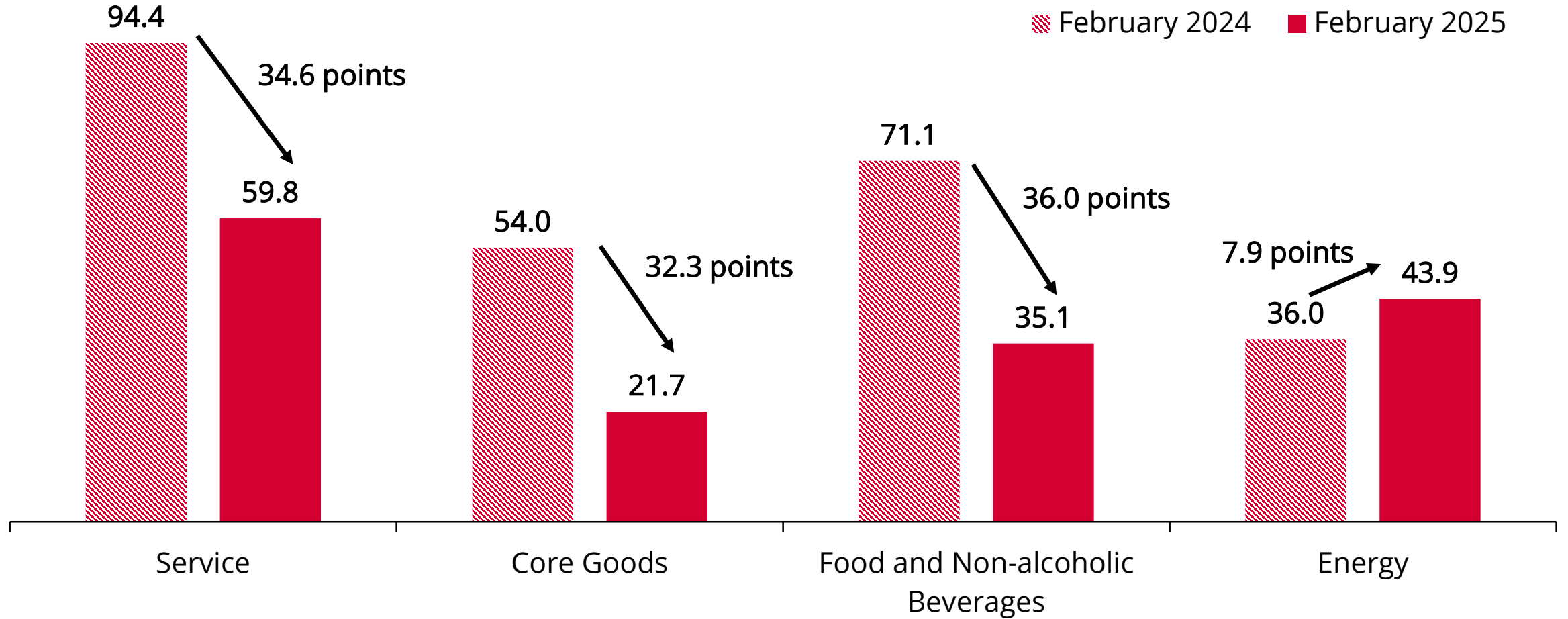
# The underlying inflation posted a temporary rise specific to the first quarter.

Monthly Underlying Inflation Indicators (% , Seas. Adj., Quarterly Average)



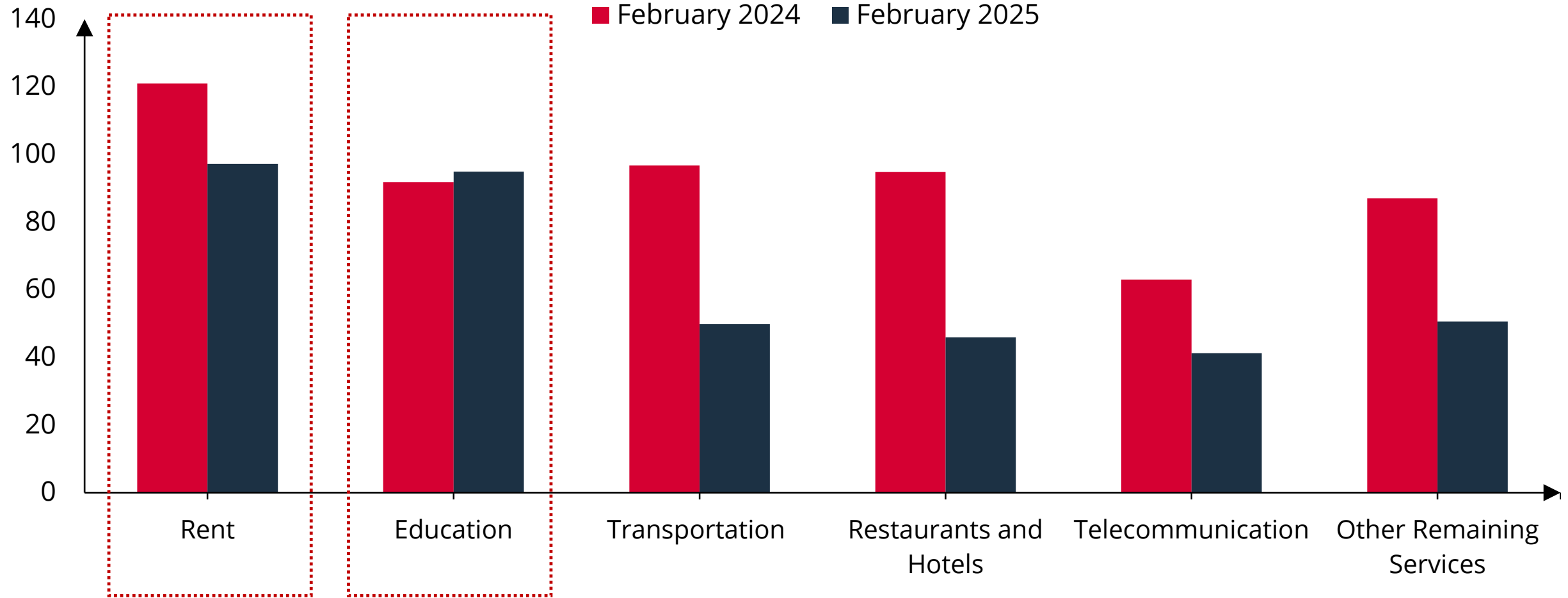
# While goods inflation has been low, the fall in services inflation has been more gradual.

CPI Subcategories (Annual % Change)



# Items with backward indexation are pushing up services inflation.

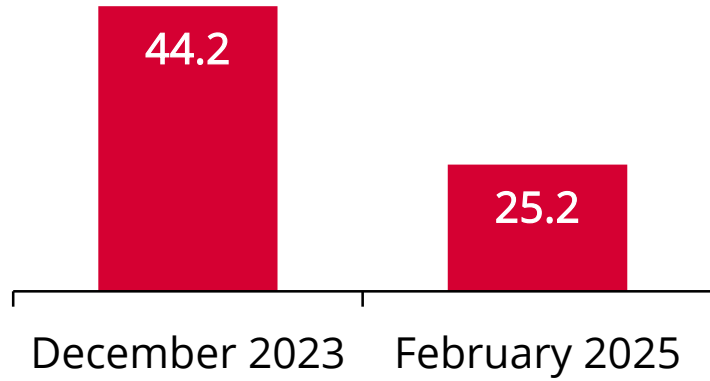
Services Prices (Annual % Change)



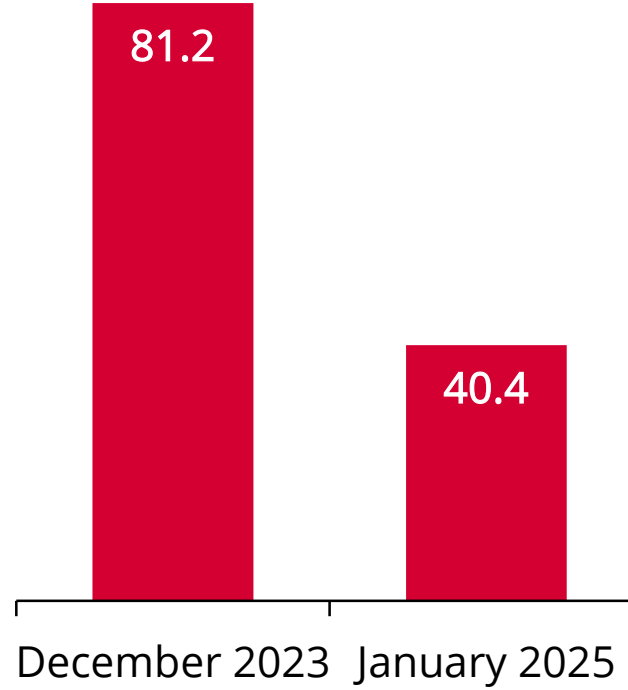
# Cost increases are slowing down.

Cost Indices (Annual % Change)

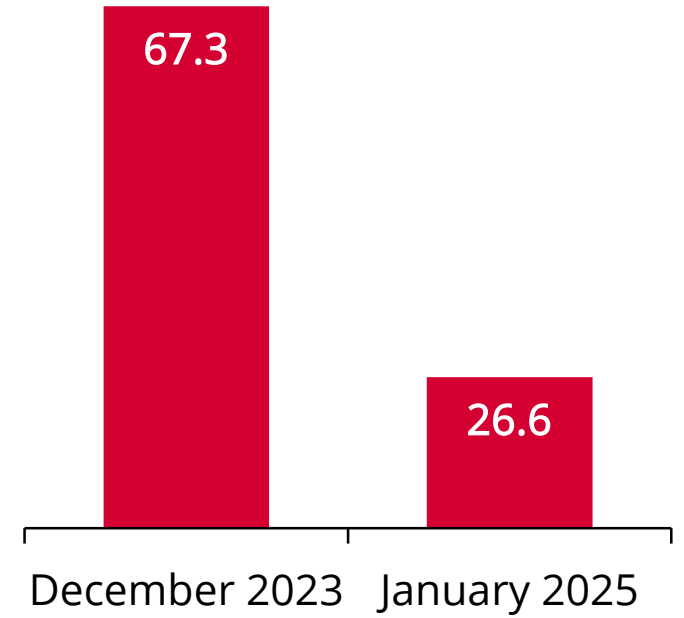
Domestic Producer Price Index (D-PPI)



Services Producer Price Index

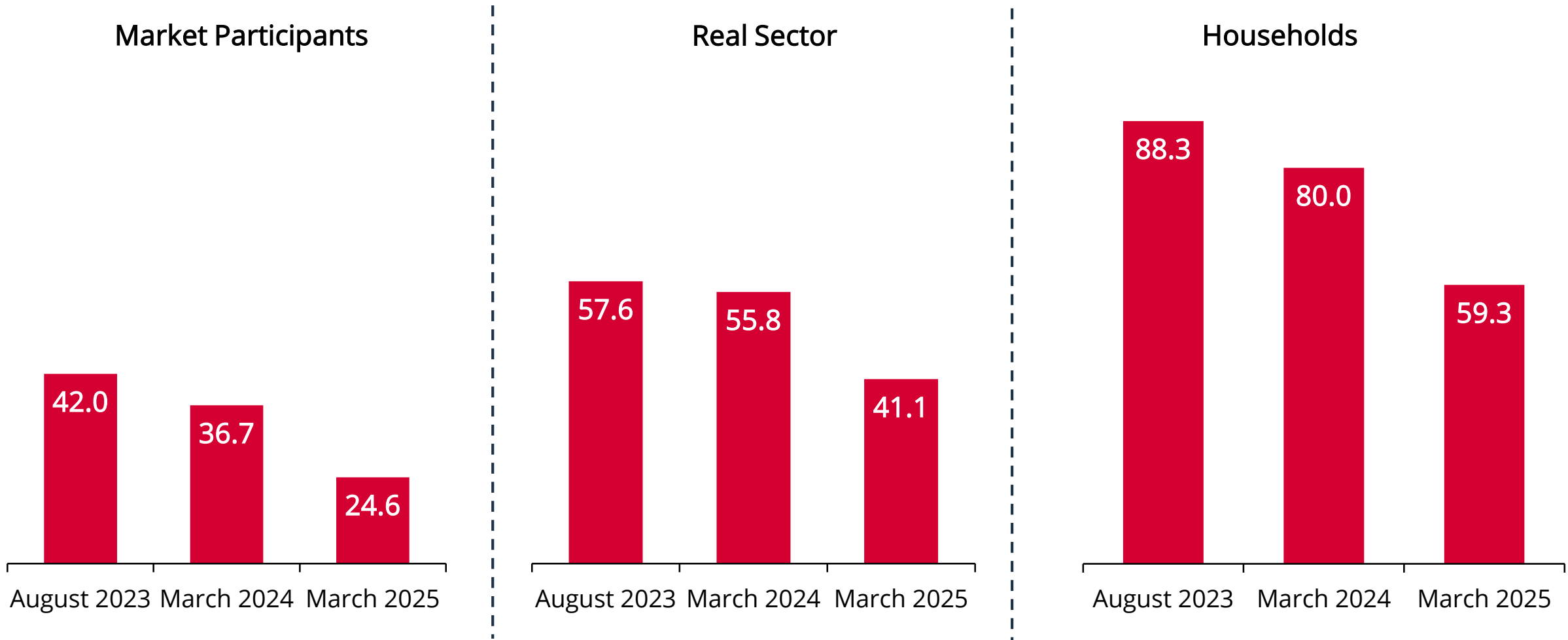


Construction Cost Index



# Inflation expectations are on a downward trend.

Expectations of 12-Month Annual CPI Inflation (%)



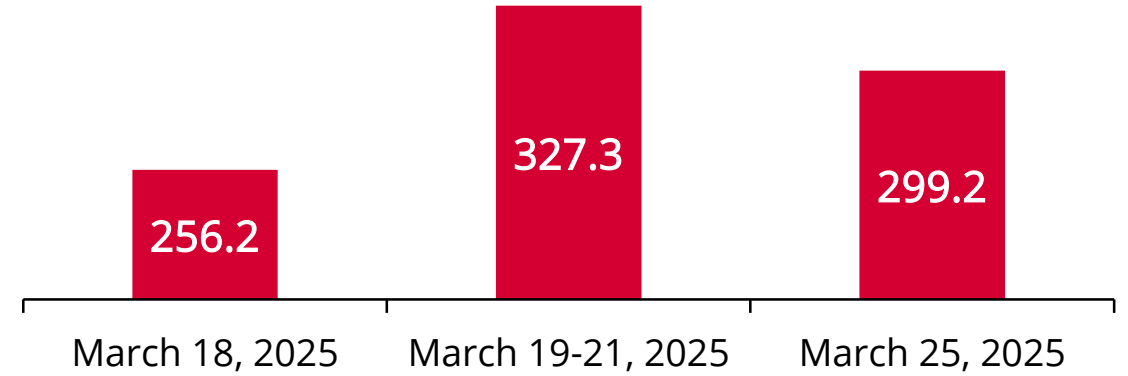
# RECENT DEVELOPMENTS AND MONETARY POLICY

# The financial markets have recently displayed volatility.

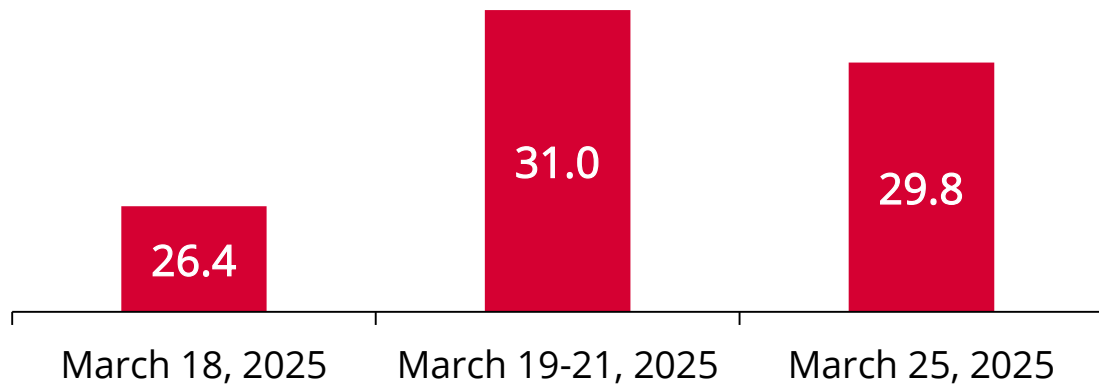
USD/TRY Exchange Rate



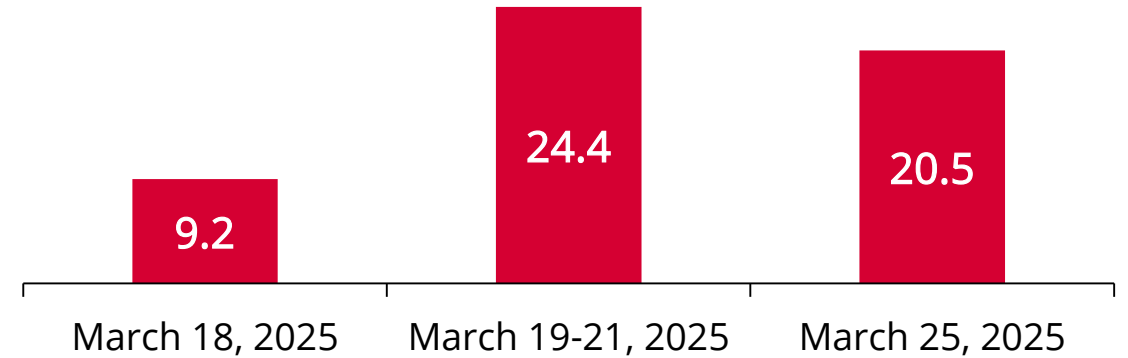
5-Year CDS Premium



10-Year Bond Yield



Implied Volatility of FX Options (Against USD, 1-Month Maturity)



# Our measures in response to recent financial market developments

## 1 In the Interim MPC Meeting decision, we have

- raised the Central Bank overnight lending rate to 46 percent from 44 percent
- kept the policy rate (the one-week repo auction rate) at 42.5 percent.

## 2 For TL and FX liquidity management, we have

- suspended the one-week repo auctions for a period of time
- extended the maturity of TL depo auctions
- started issuing liquidity bills with maturities up to 91 days
- initiated Turkish lira-settled foreign exchange forward selling transactions at the CBRT.





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