



TÜRKİYE CUMHURİYET  
MERKEZ BANKASI

# INFLATION AND MACROECONOMIC OUTLOOK

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# Key Takeaways

## INFLATION

### 1 What is driving short-term inflation dynamics?

- Supply shocks pushed up food and energy inflation, which could fade with easing geopolitical tensions.
- Moderating demand and easing inertia support disinflation in durable goods and services.

### 2 What factors will shape inflation going forward?

- Deterioration in inflation expectations remained limited despite geopolitical backdrop.
- Cooling demand will improve pricing behavior.

## MACRO-FINANCIAL

### 3 How is geopolitics reshaping the current account?

- Higher energy prices raise the import bill, while softer demand contains pressures on the CA.
- Exports remain resilient, driven in part by relocation demand.
- Impact on tourism remains limited.

### 4 Is re-dollarization a potential risk?

- Demand for Turkish lira assets remains robust.
- Tight monetary policy, macroprudential measures, and strong FX reserves support TL demand.

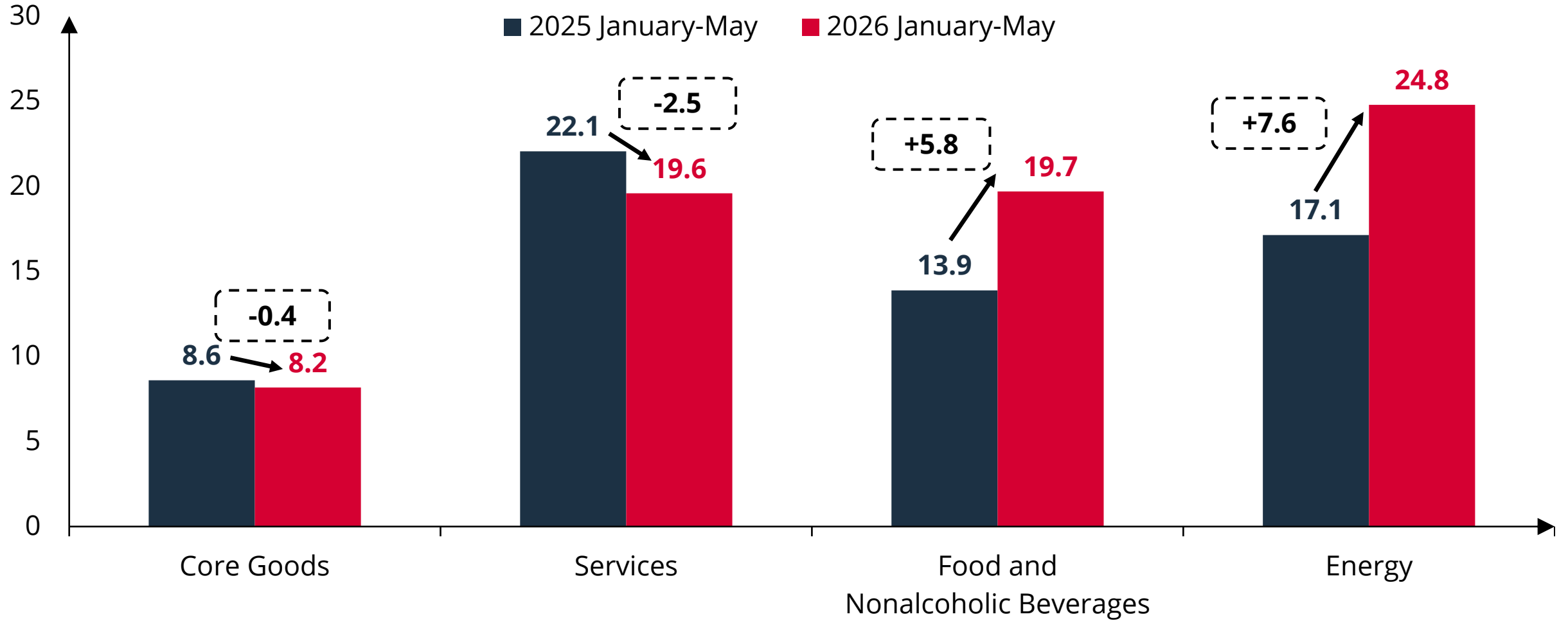
# 1

## **What is driving short-term inflation dynamics?**

- Supply issues in food and energy
- Easing inertia in services
- Moderating demand

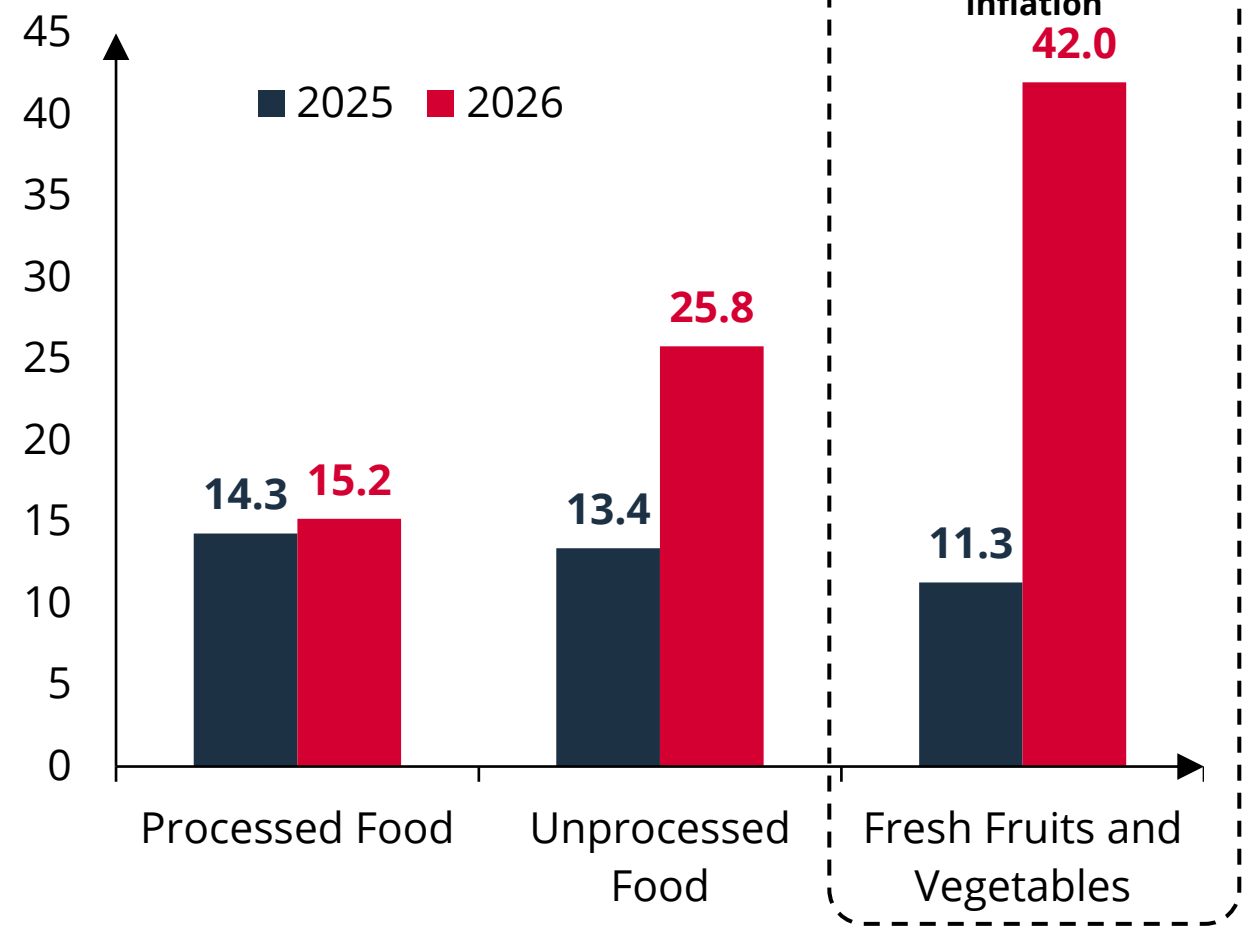
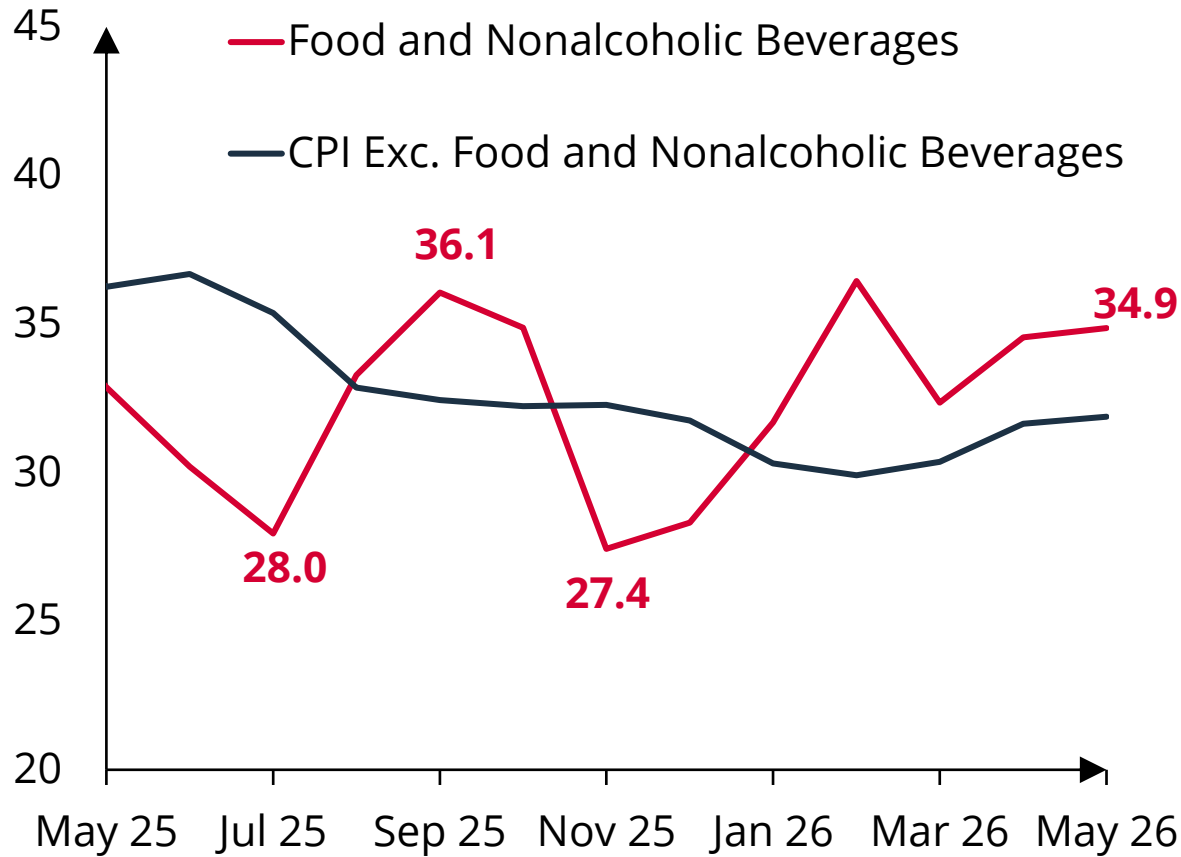
# Inflation rose in food and energy, but fell in core groups.

Cumulative Inflation of CPI Subgroups over the First 5 Months (%)



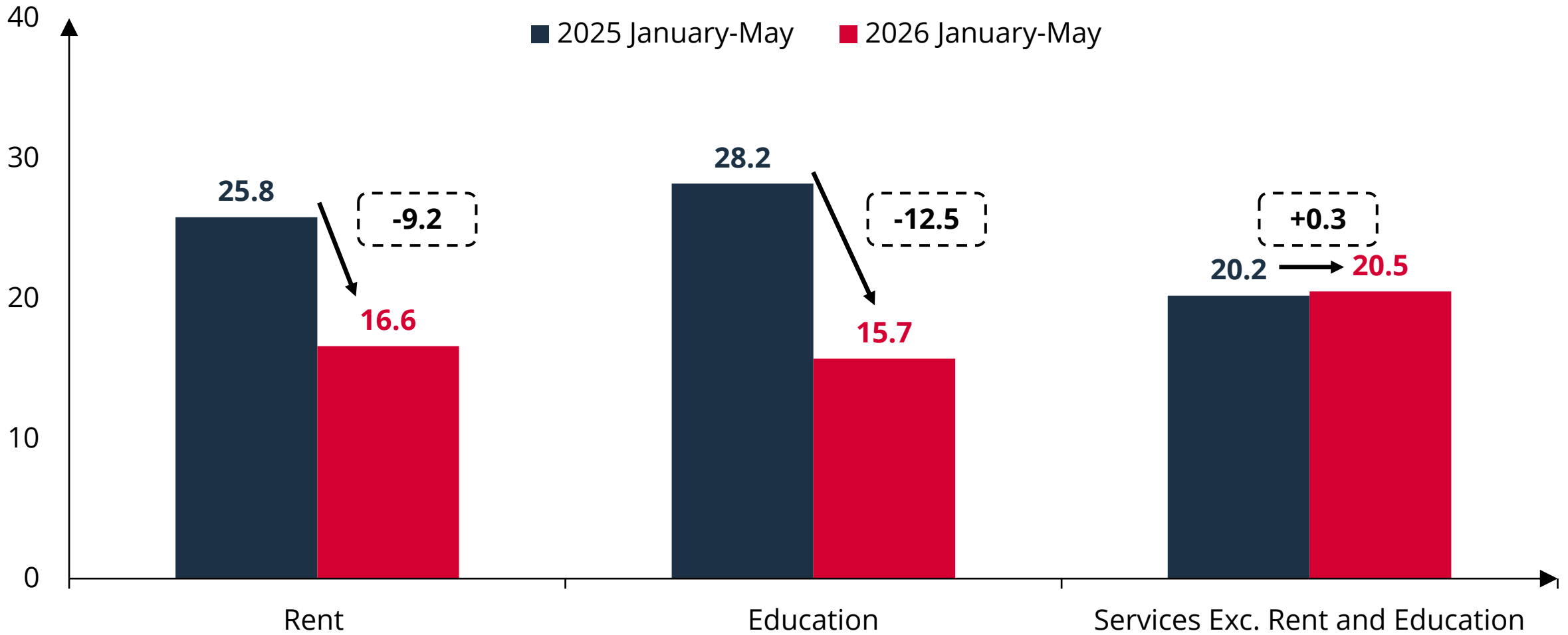
# Food inflation has been volatile and recently on a high trajectory.

**Food and Non-Food Consumer Inflation** (Annual % Change) **Food Prices** (Cumulative % Change for the First 5 Months)



# Easing inertia in rent and education has supported disinflation.

Services Subcategories (Cumulative % Change for the First 5 Months)



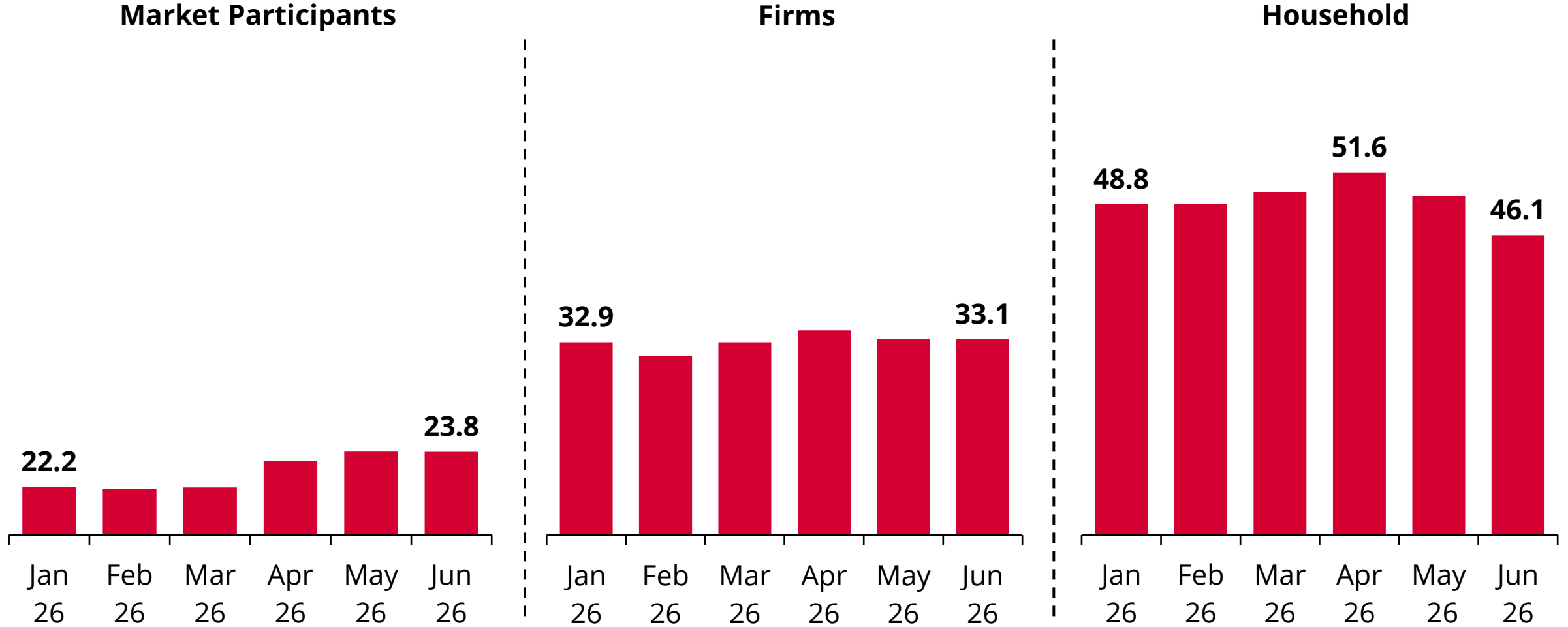
# 2

## **What factors will shape inflation going forward?**

- Inflation expectations
- Cooling demand

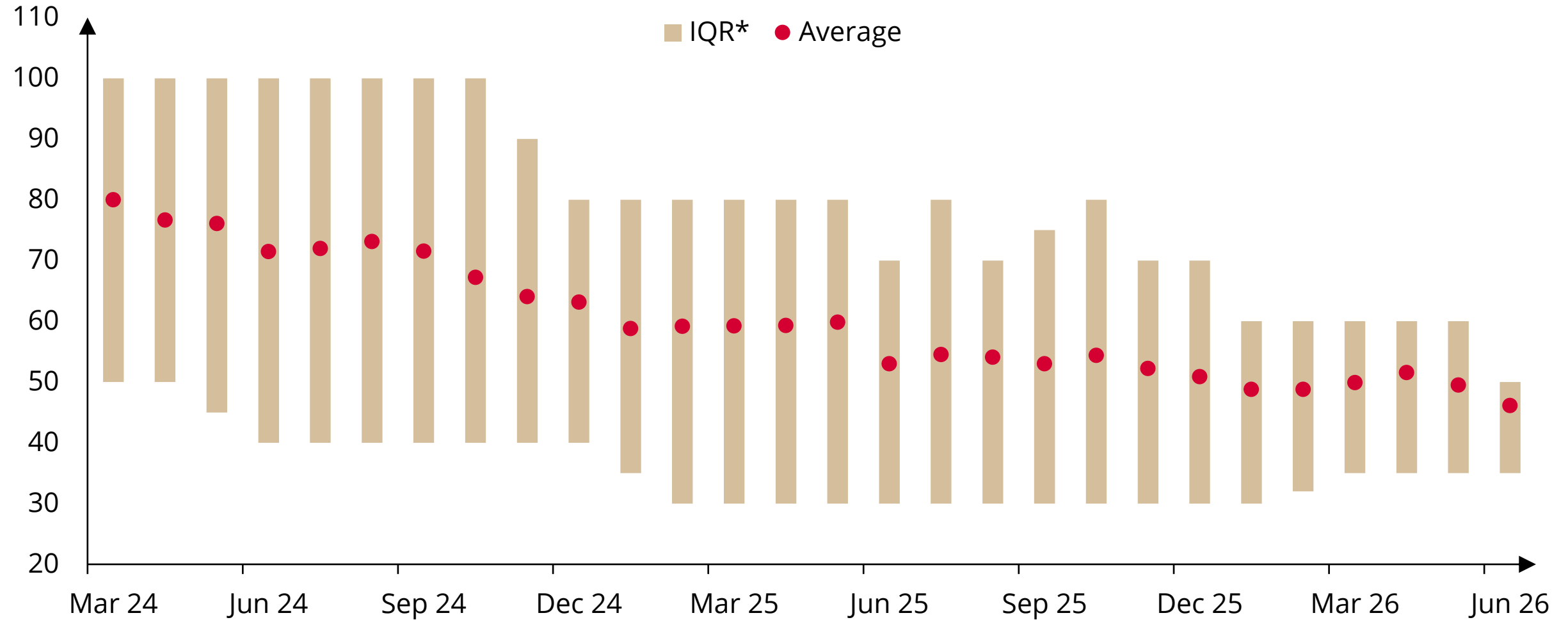
# Deterioration in inflation expectation remains limited.

## 12-Month-Ahead Annual CPI Inflation Expectations (%)



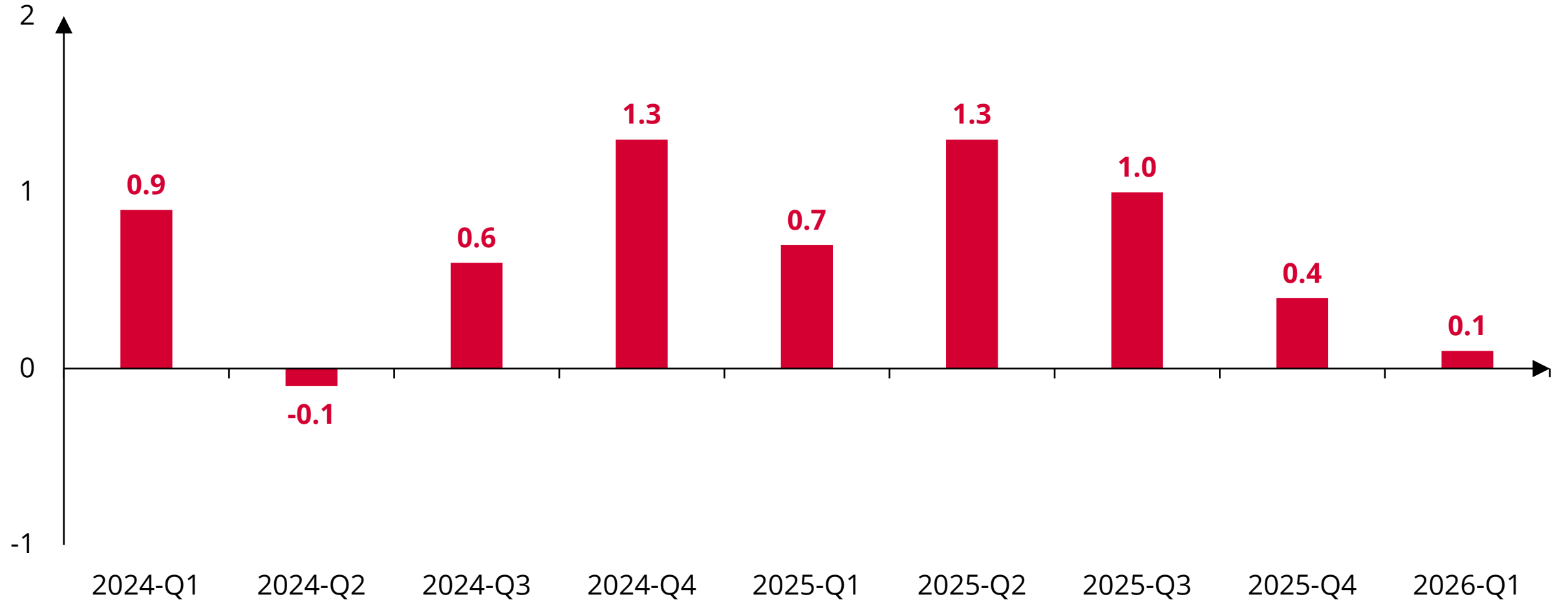
# The decline in household expectations is broad based.

Households Inflation Expectations (12-Month Ahead, %)



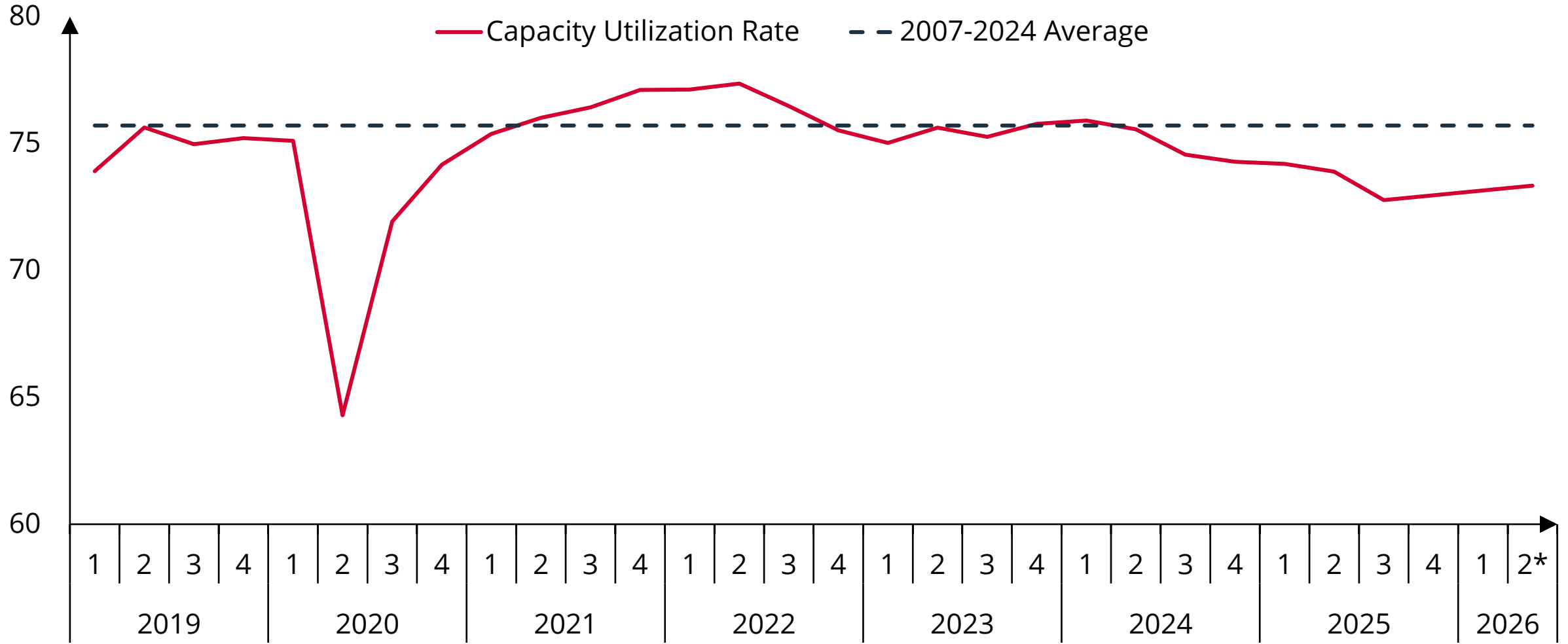
# Economic activity is slowing down.

GDP (Seasonally and Calendar Adjusted, Quarterly % Change)



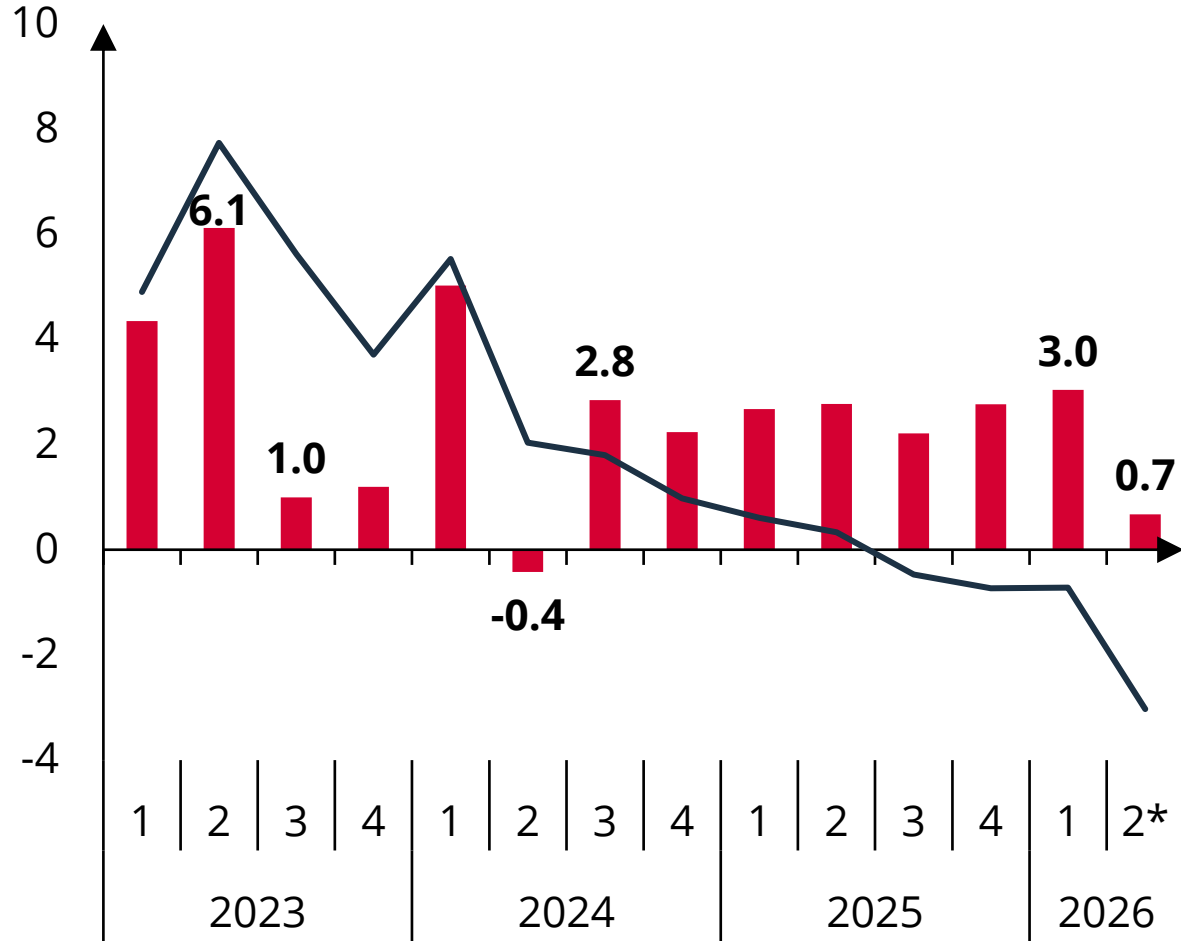
# Capacity utilization remains weak.

Capacity Utilization Rate\*\* (Seasonally Adjusted, %)

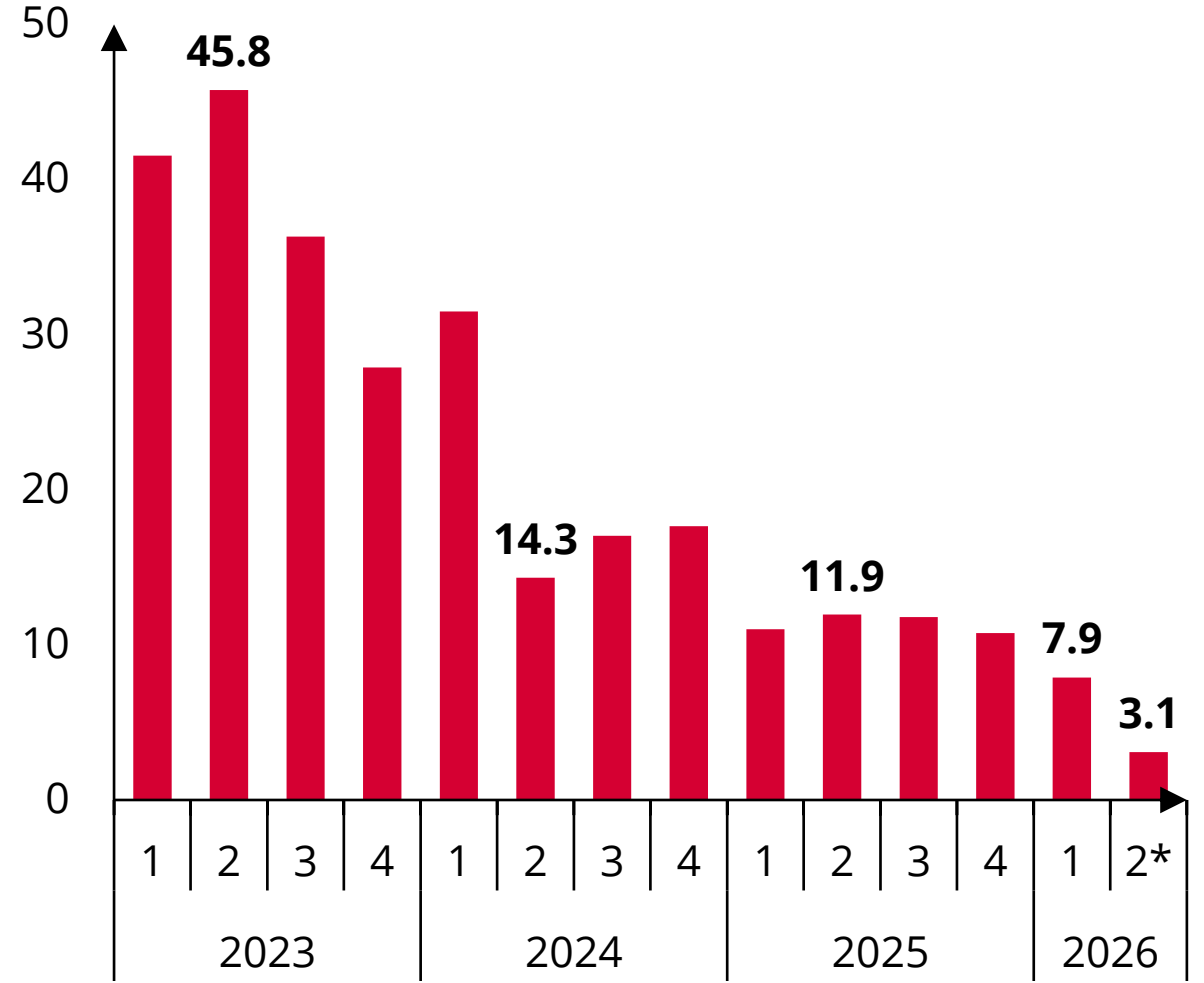


# Demand indicators point to a slowdown in economic activity.

**Retail Sales Volume Index\*** (Excl. Gold, SA, Quarterly % Change, Deviation from HP Trend, %)

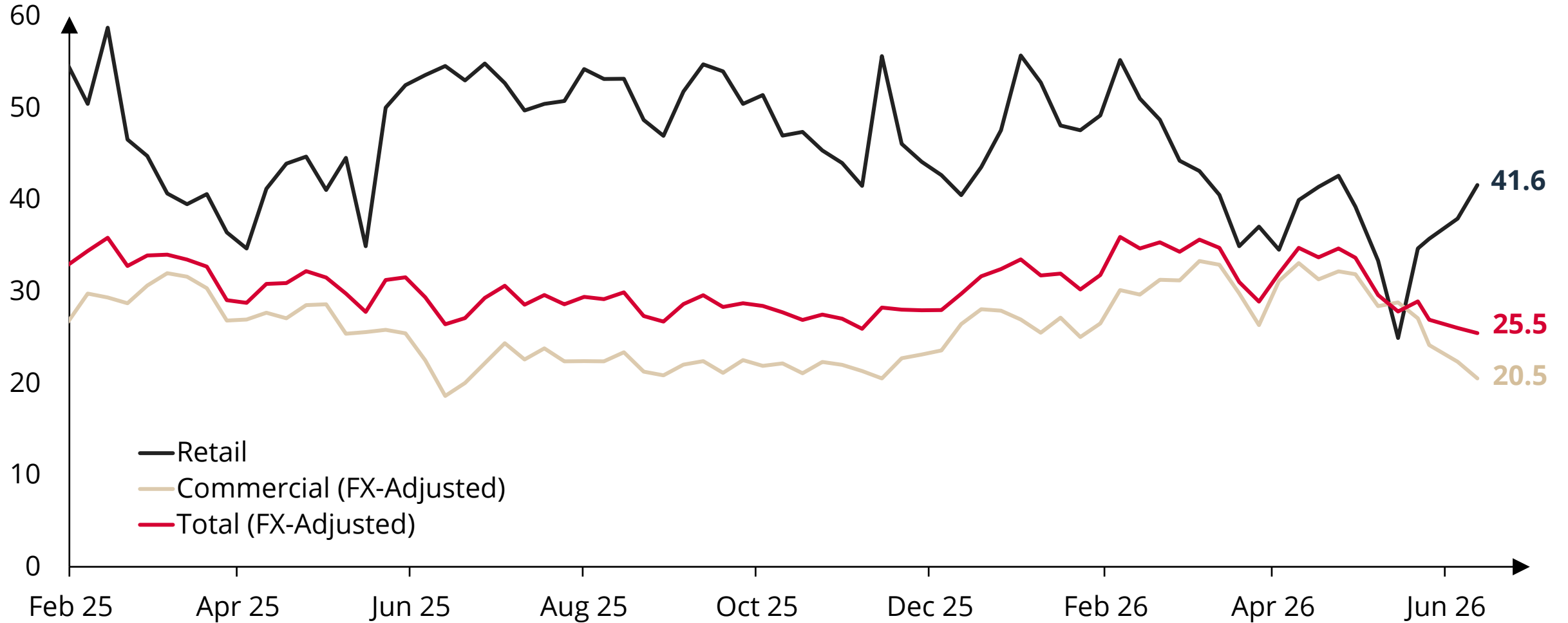


**Total Card Spending\*\*** (Real, Annual % Change)



# Loan growth has slowed down.

Loan Growth (13 Week, Annualized, %, FX-Adjusted)



# 3

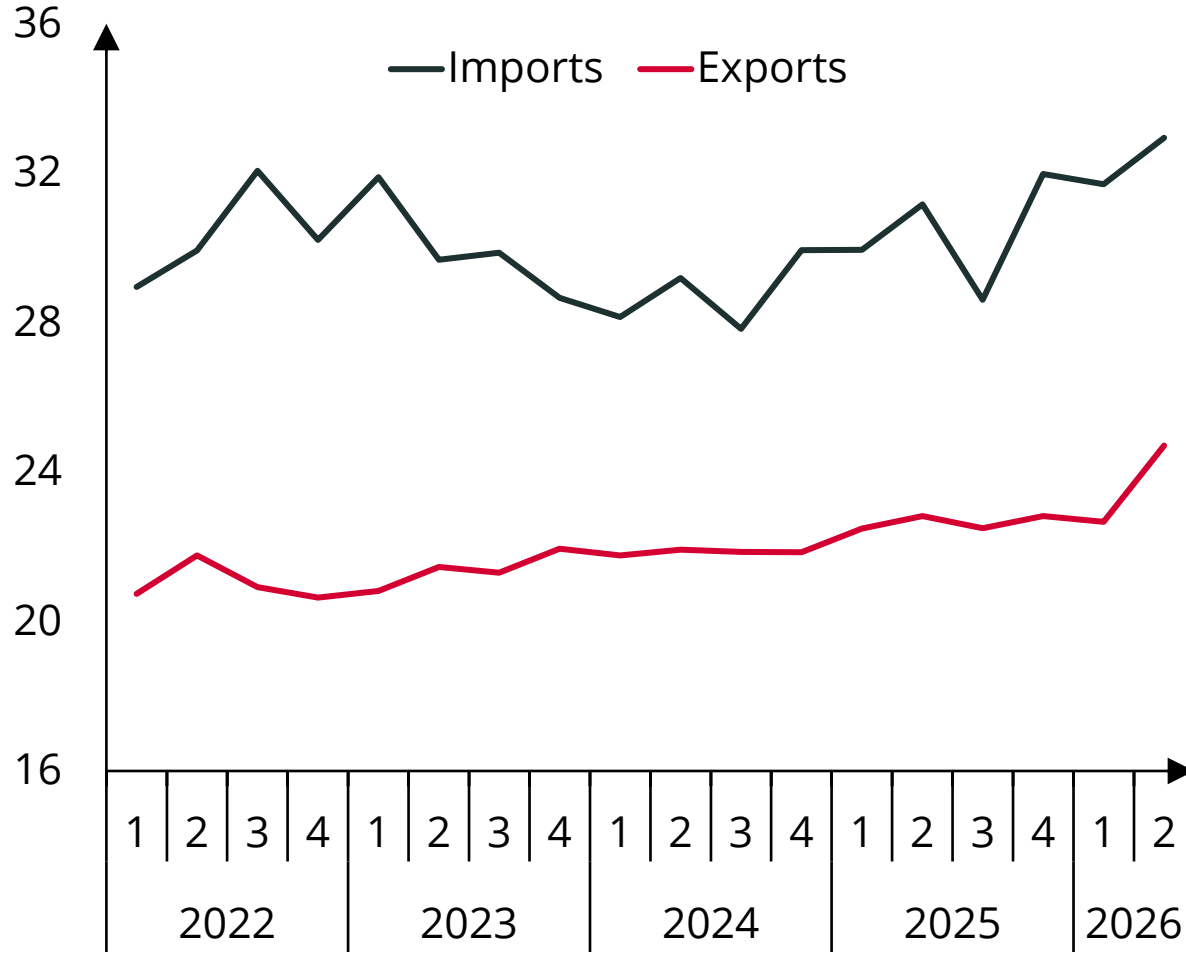
## **How is geopolitics reshaping the current account?**

- Rising energy imports
- Resilient exports
- Contained core imports

# Trade deficit is narrowing in the second quarter.

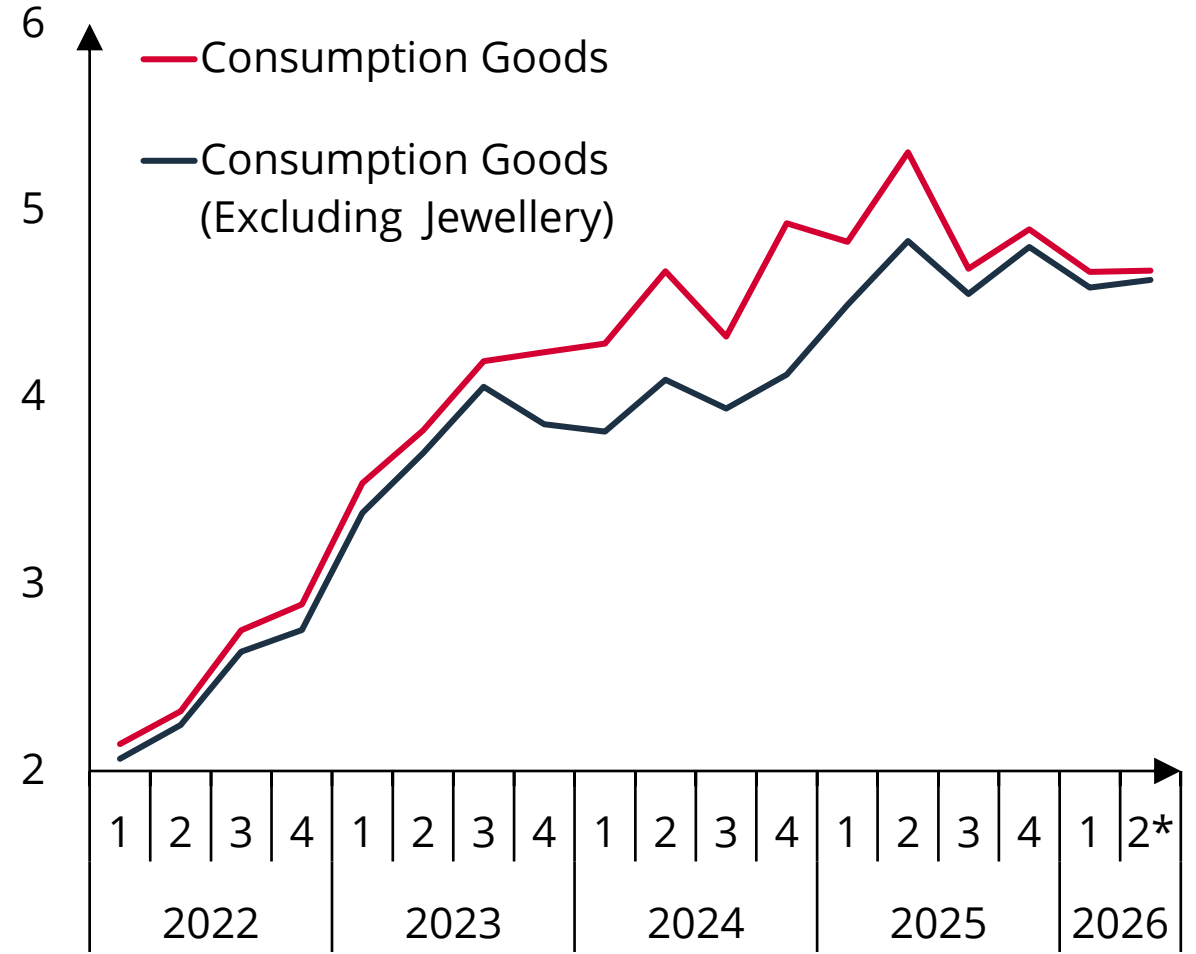
## Exports and Imports\*

(Average, Billion USD, Seasonally Adjusted)



## Consumption Goods Imports\*

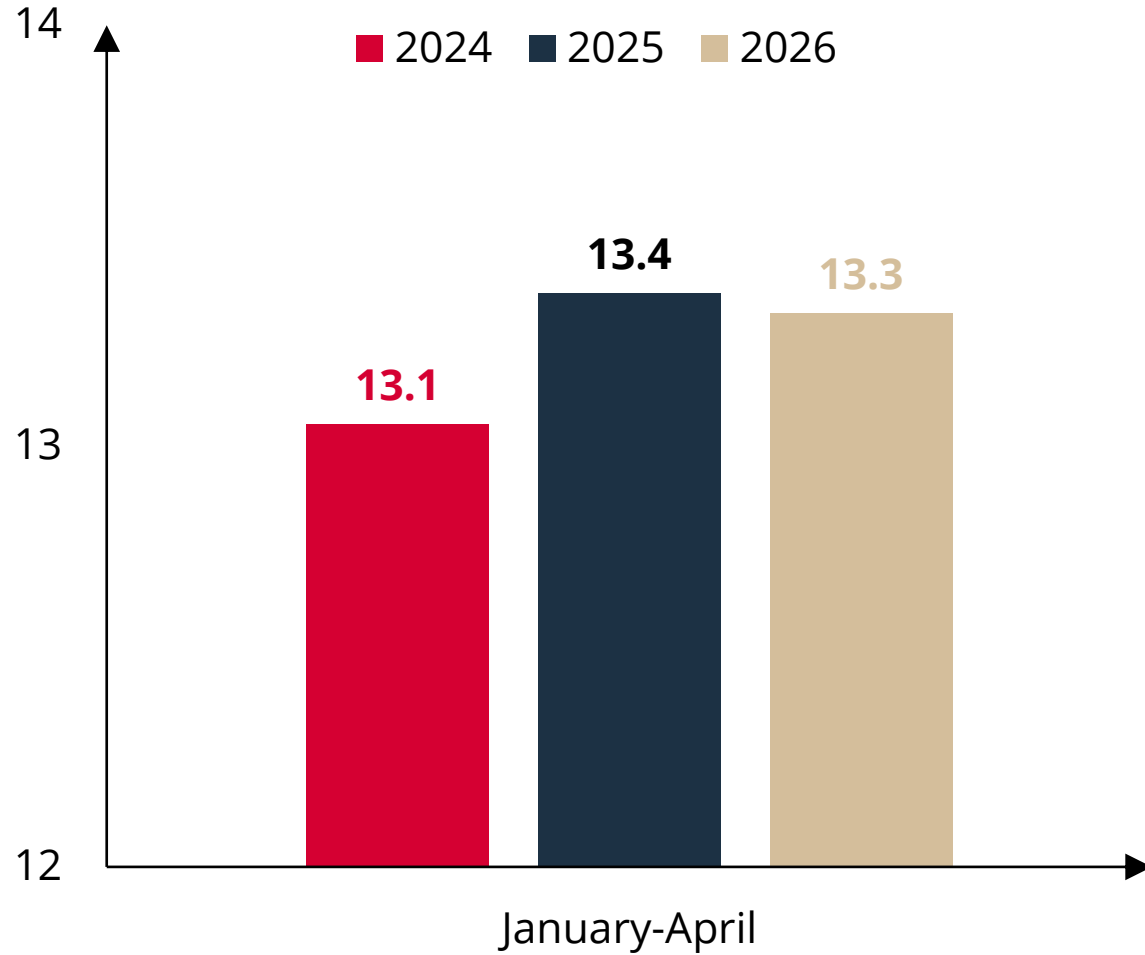
(Average, Billion USD, Seasonally Adjusted)



# Impact on tourism remains limited.

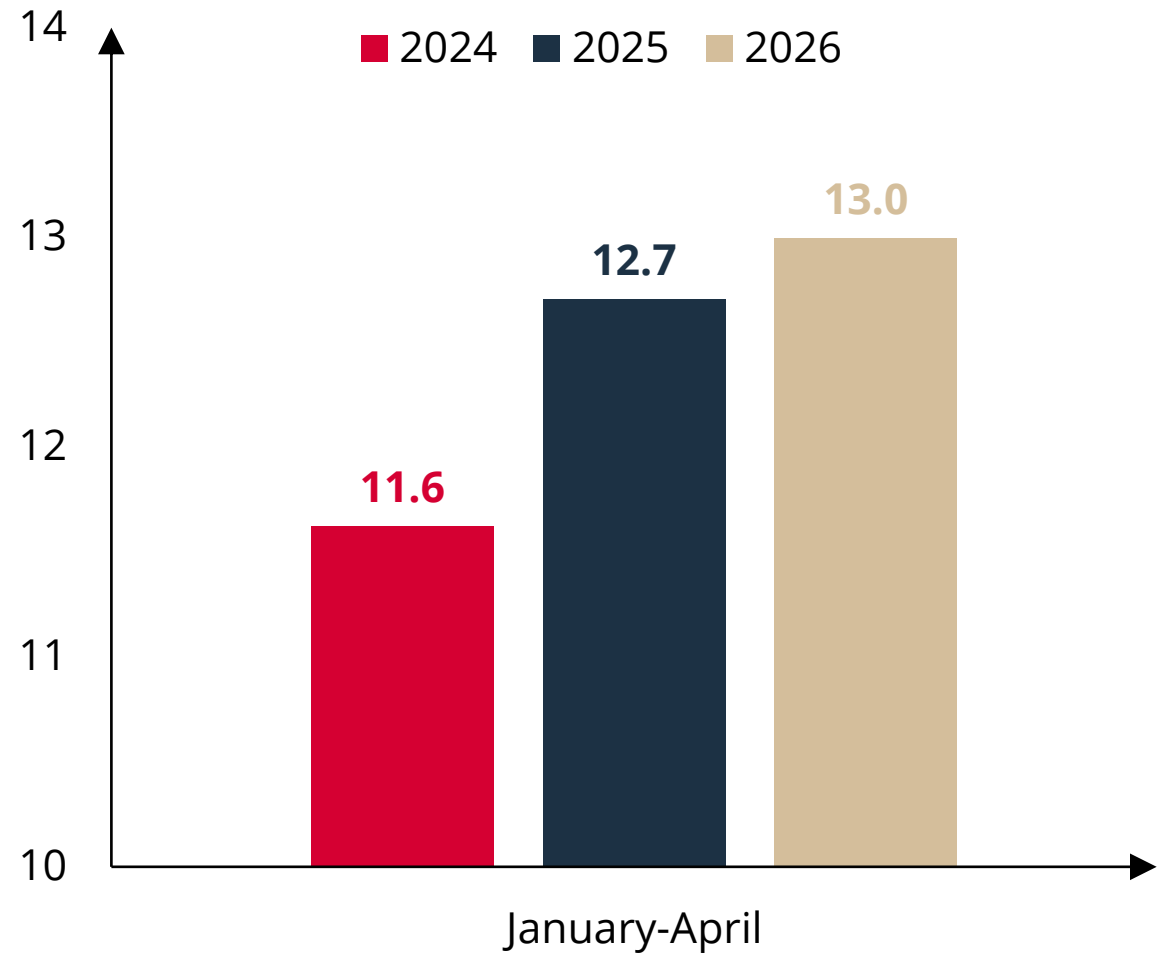
## Monthly Visitor Arrivals

(January-April, Total, Million persons)



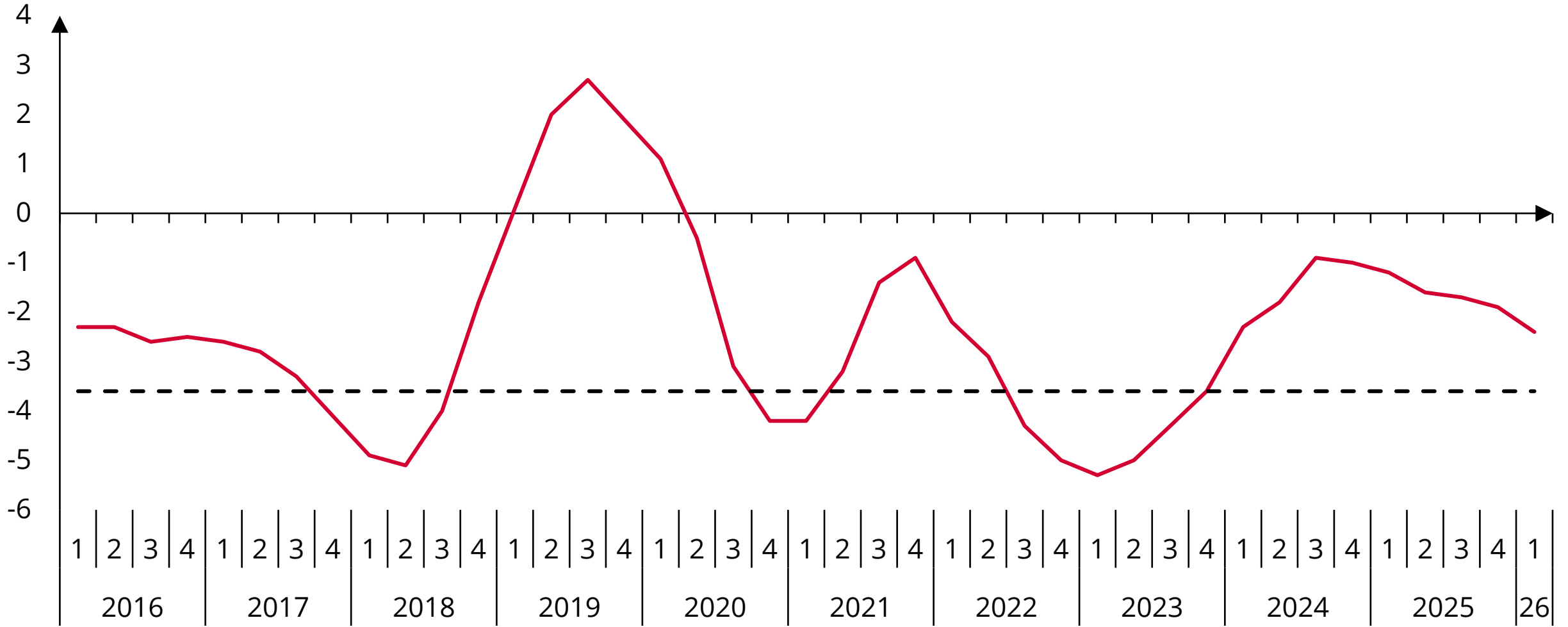
## Monthly Travel Revenues

(January-April, Total, USD Billion)



# Current account deficit is moderate compared to its historical average.

Current Account Balance/GDP\* (%)



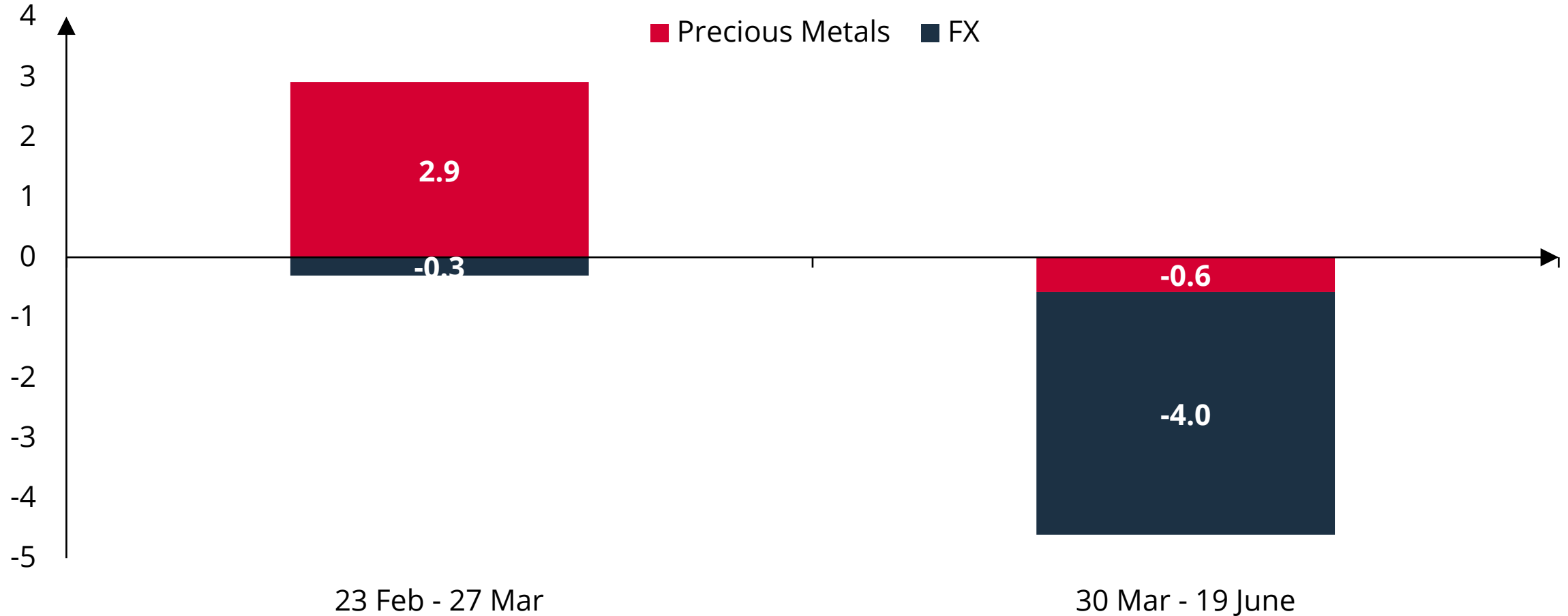
# 4

## Is re-dollarization a potential risk?

- Robust demand for TL
- Tight policy stance
- Enhanced macroprudential safeguards

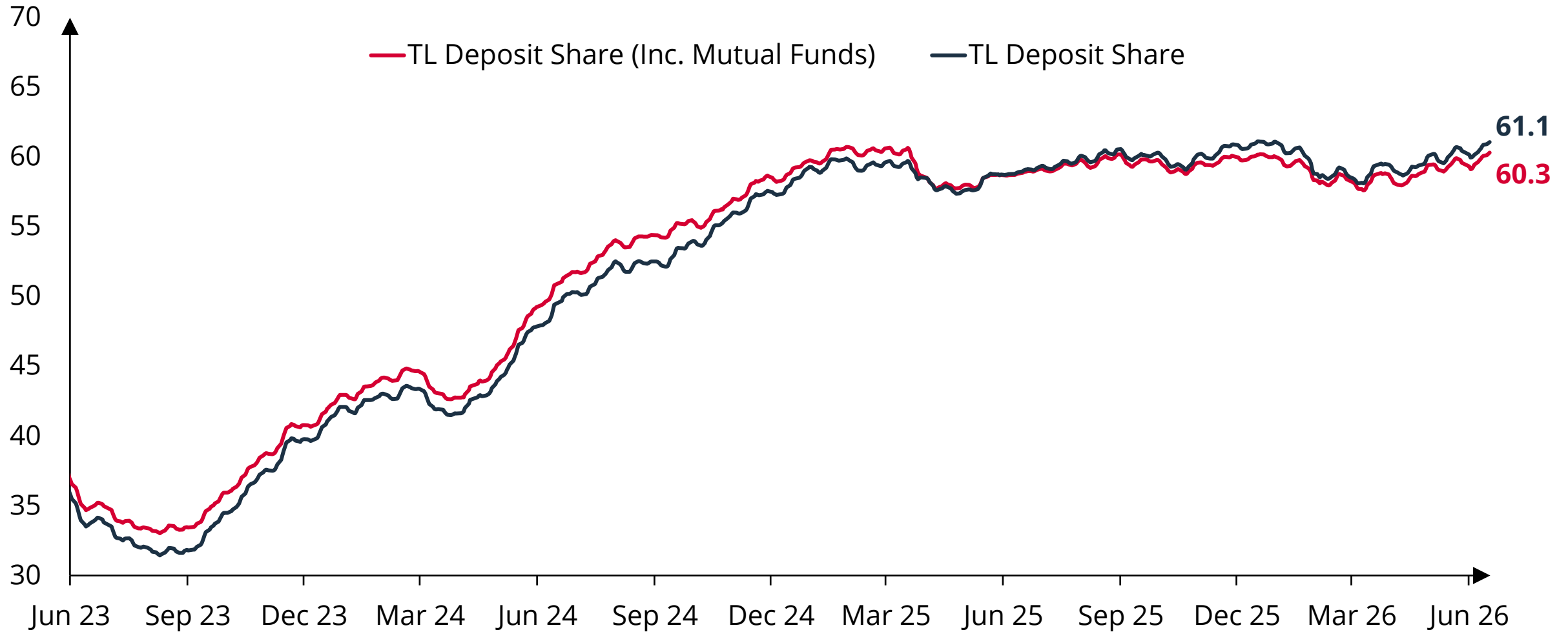
# Households' FX demand has been limited.

Households' Net FX and Precious Metals Purchases (Totals, Billion USD)



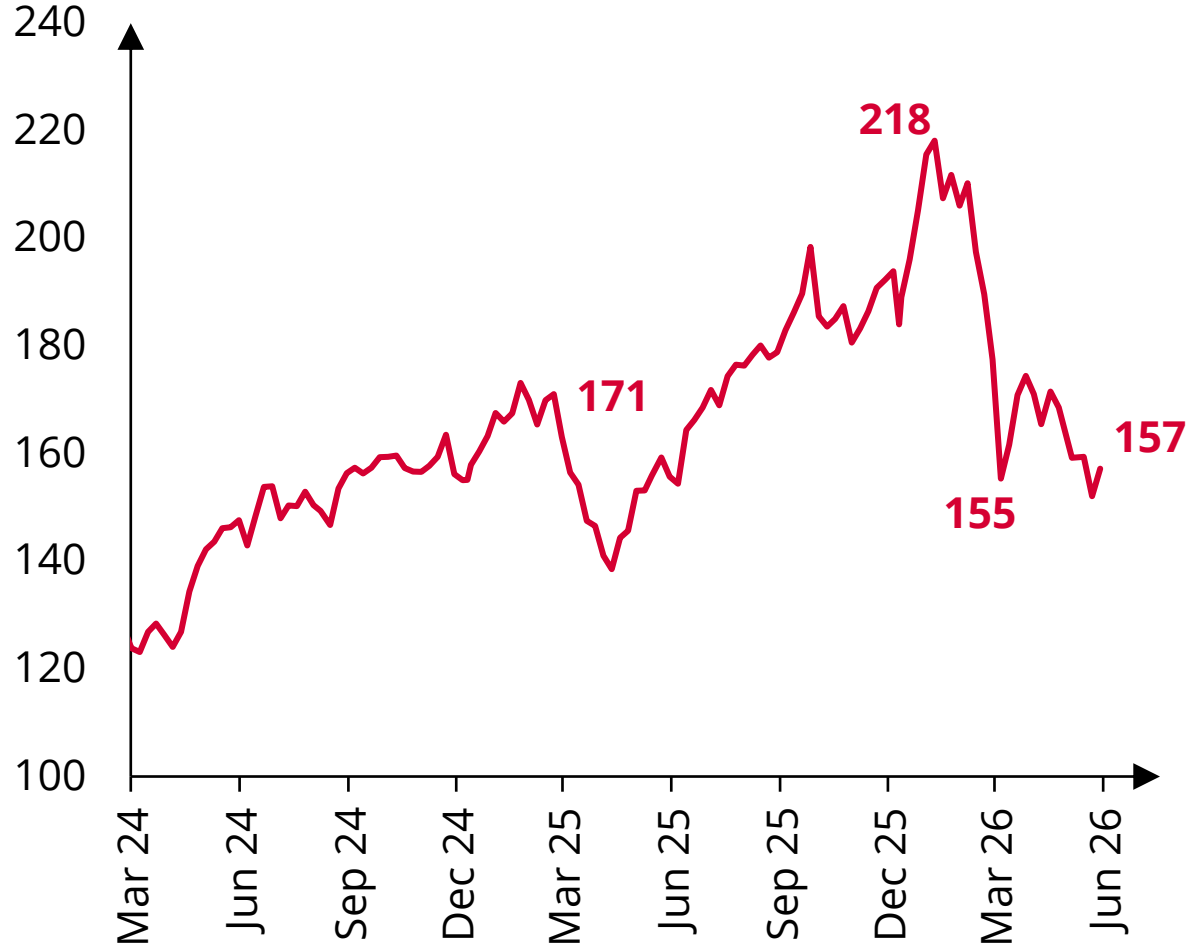
## Residents' demand for Turkish lira remains robust.

TL Share in Deposits and Mutual Funds\* (Including official deposits, 5-Day Moving Average, %)

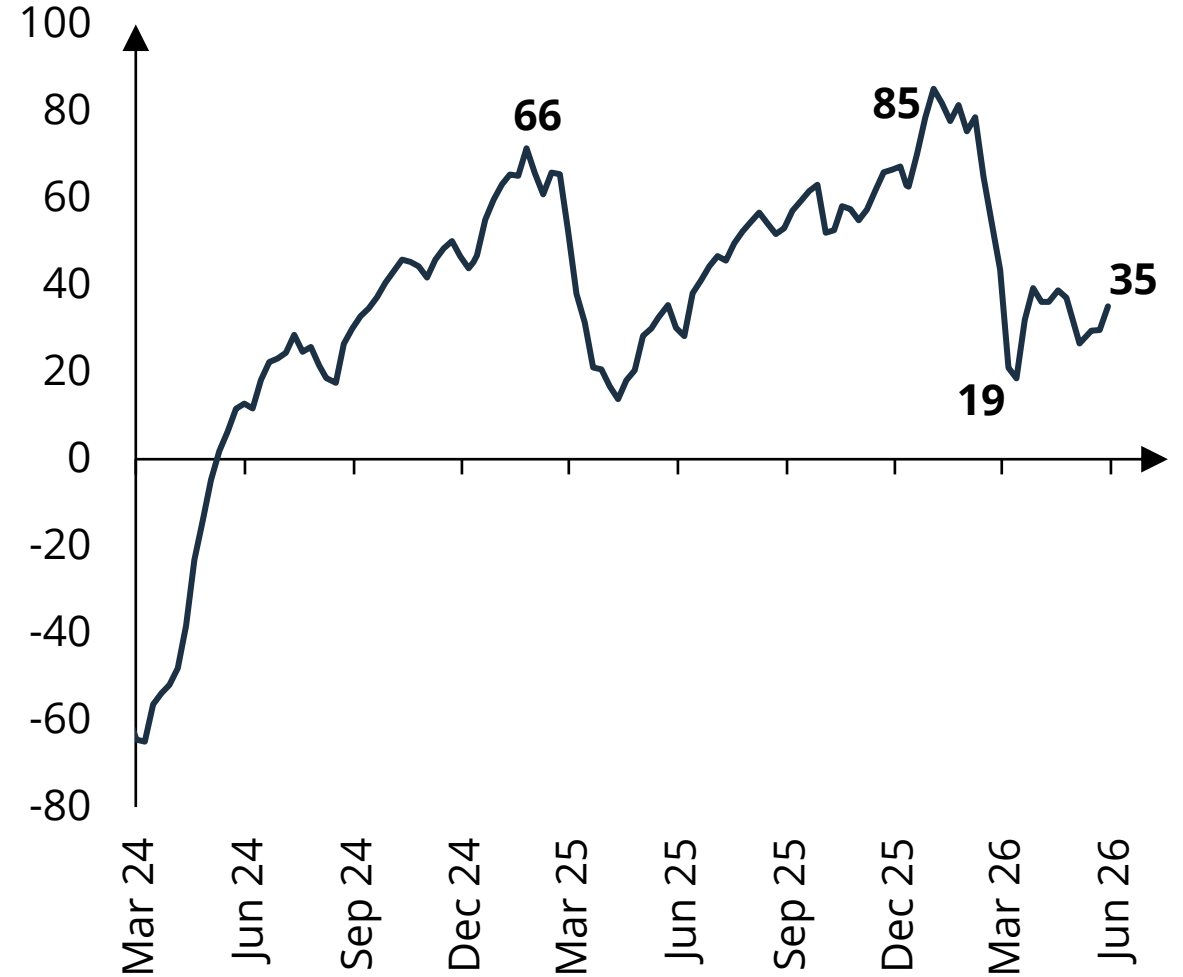


# FX reserves are strong.

## Gross International Reserves (Billion USD)



## Net Reserves Excluding Swaps (Billion USD)





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