

April 2026

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# Türkiye Economic Outlook

## Economic Policies



The conflict in the Middle East has already led to tighter financial conditions. We calculate a depletion from the CBRT reserves of around \$60bn in March (including inflows from exporters etc.), which started to reverse with inflows since ceasefire negotiations (around \$20bn 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 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 the funding rate at 40% at least through June. If conditions allow, rate cuts might resume in July, bringing the policy rate to 35% at most 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.

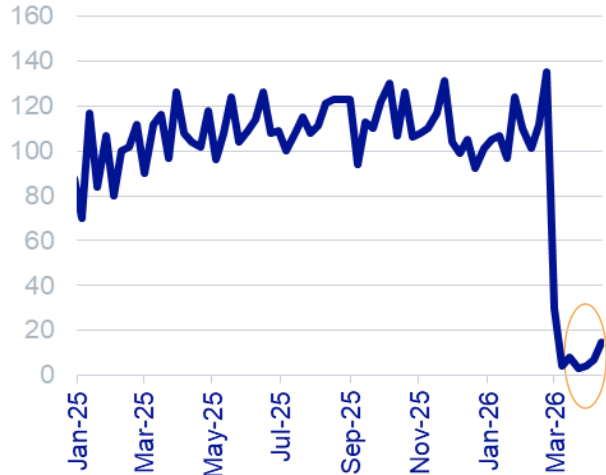
## Risks



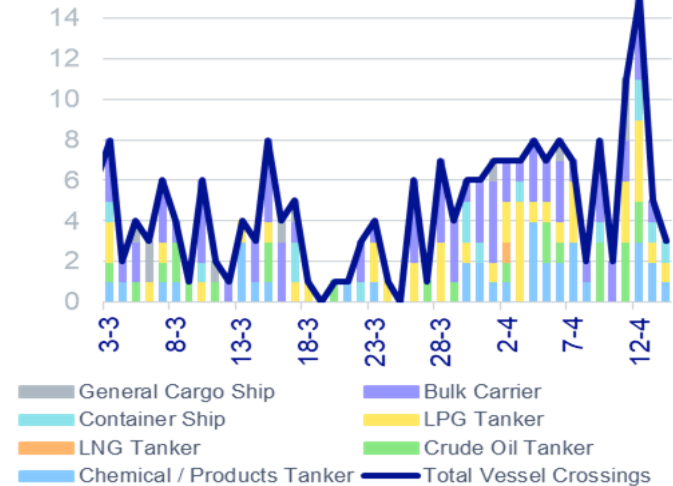
Higher energy prices, tighter external financial conditions, capital outflows and risks on trade & tourism flows weigh down on the current account deficit. The currency remains to be the main anchor for disinflation and a general sentiment factor for the economy, yet if needed, the extent of any adjustment 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)



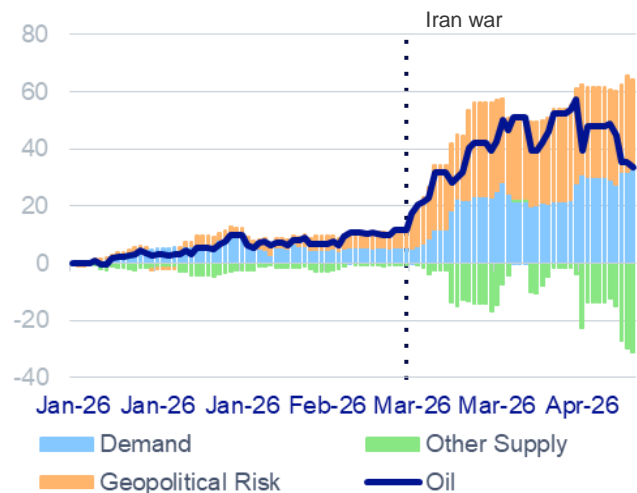
## TANKER TRANSIT THROUGH STRAIT OF HORMUZ BY TYPE OF VESSEL (NUMBER OF VESSELS)



(\*) 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)**

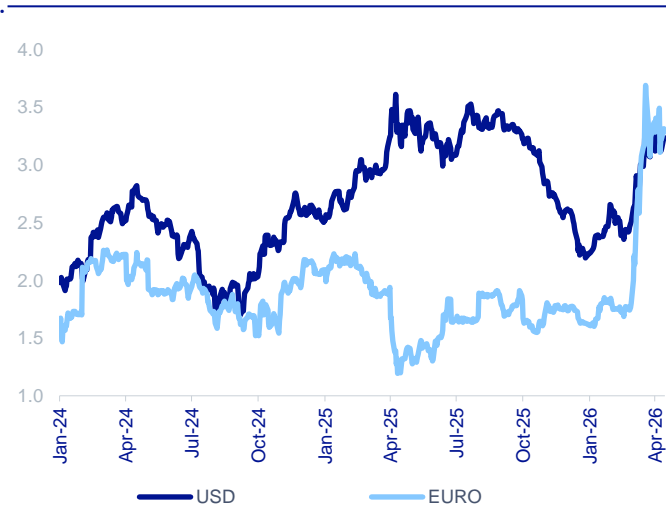


Source: BBVA Research based on Bloomberg

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

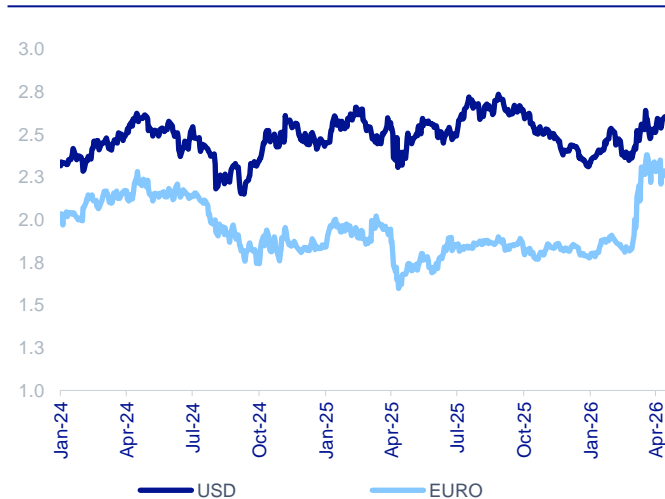
Market based short term inflation expectations have fluctuated visibly on shifts in war sentiment, led by energy price volatility while longer term expectations remain relatively well anchored.

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



Source: BBVA Research based on Bloomberg

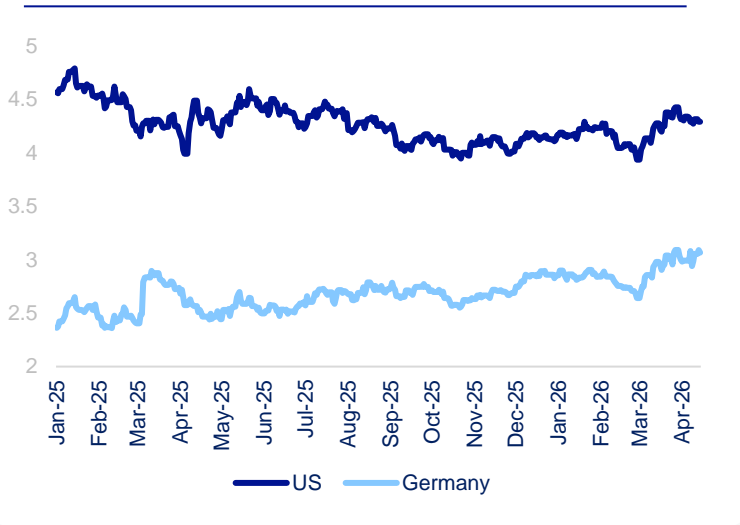
### US AND EZ 5Y5Y INFLATION SWAP (%)



Source: BBVA Research based on Bloomberg

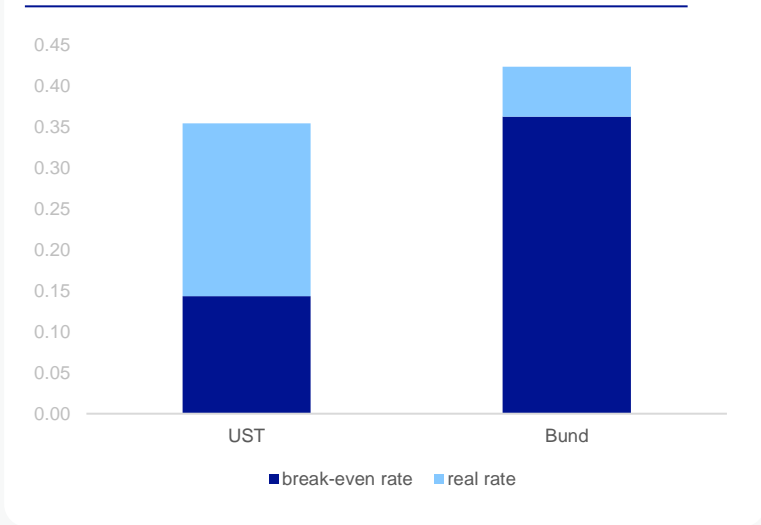
# Sovereign yields trade range-bound amid ceasefire-related volatility, as inflation concerns persist

US AND GERMANY 10Y YIELDS (%)



Source: BBVA Research based on data from Haver.

US, GERMANY 10Y YIELD DECOMPOSITION (% CHANGE SINCE MARCH 1st)

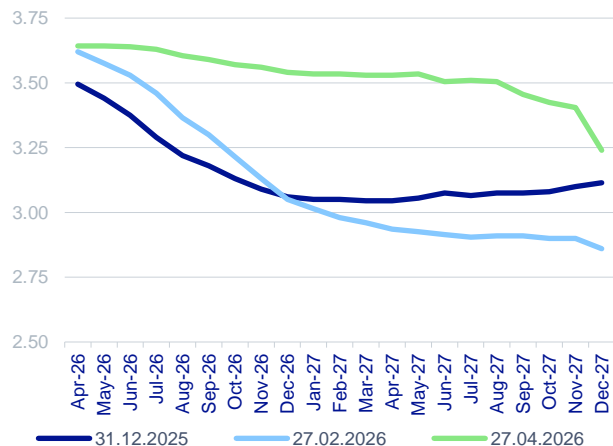


Source: BBVA Research based on data from Haver

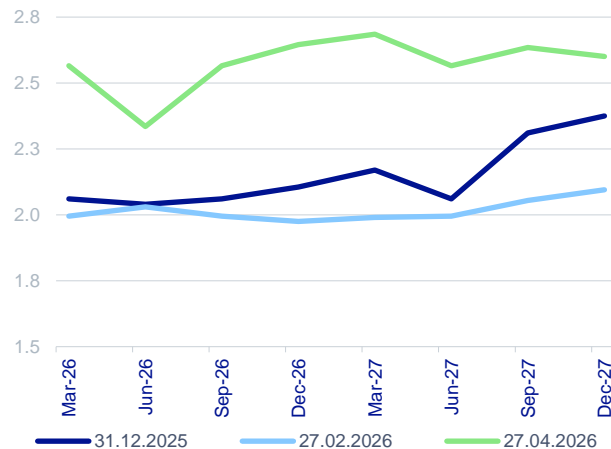
# Fragile ceasefire keeps monetary policy expectations hawkish

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 (%)



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



# 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.

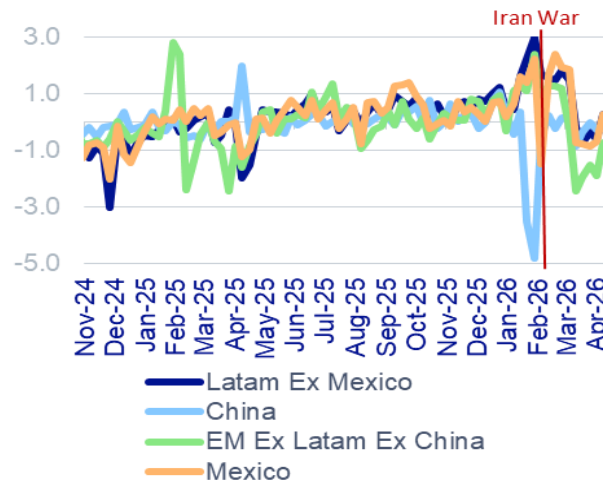
## BBVA GLOBAL MACRO FINANCIAL CONDITIONS INDEX



Source: BBVA Research based on Bloomberg

## EM FLOWS

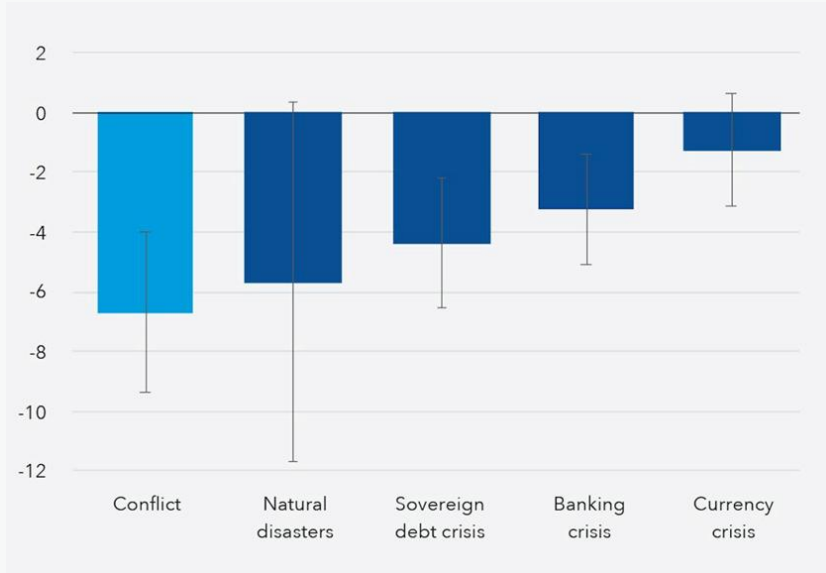
(Z-SCORE, DATA AS OF APRIL 8, 2026)



Source: BBVA Research, EPFR

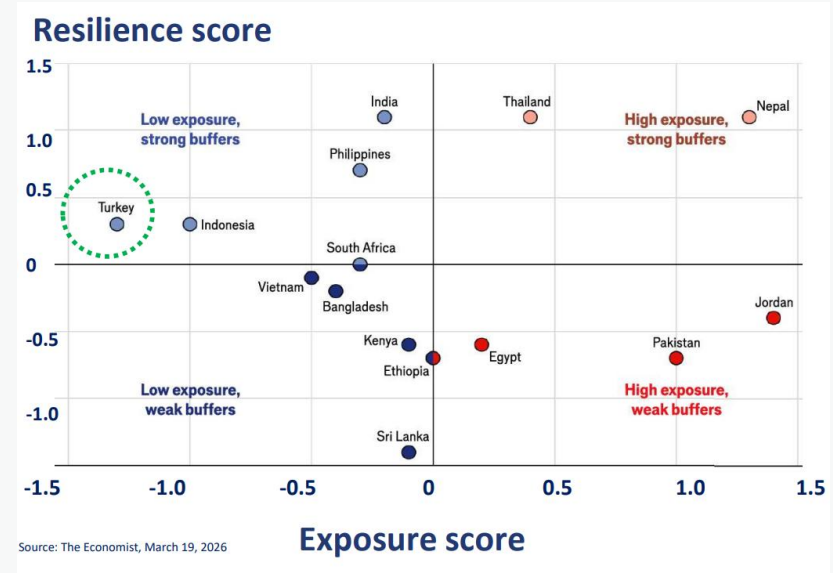
# Türkiye is relatively in a better position but the impact will be huge fueled by her vulnerabilities

## CUMULATIVE REAL GDP LOSS pp five years after onset of shock



Source: IMF & The Economist

## EXPOSURE OF COUNTRIES TO SHOCK Level

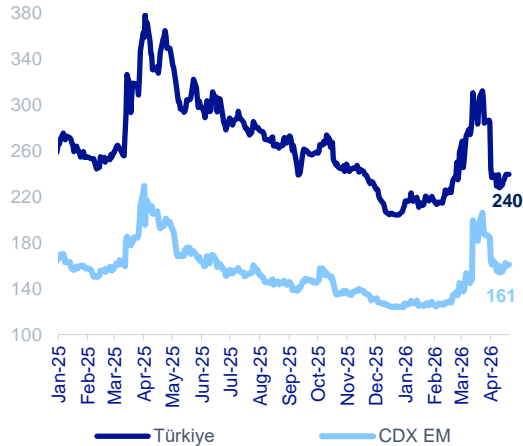


Source: The Economist, March 19, 2026

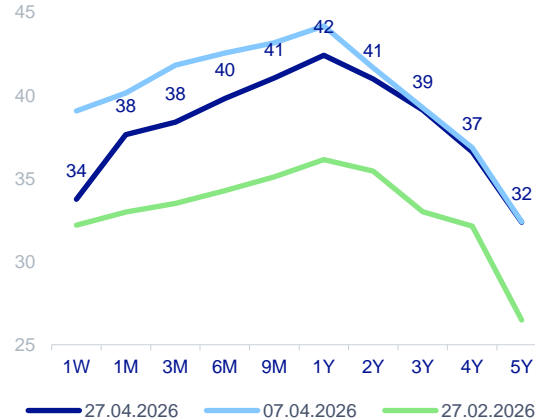
**Components of resilience score:** Foreign-exchange reserves & External government debt  
**Components of exposure score:** Net oil & gas imports & Energy imports from the Middle East

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

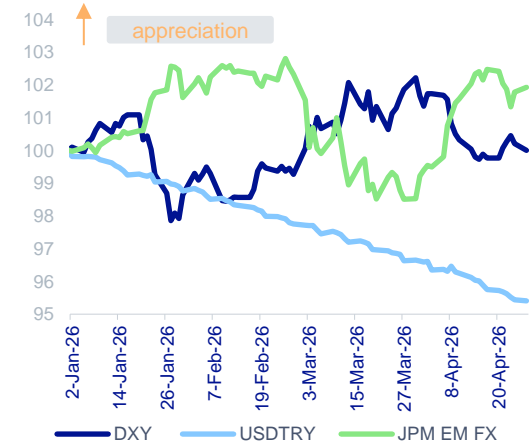
**TÜRKİYE VS. EM 5-YEAR CDS (BASIS POINTS)**



**USDTRY FORWARD IMPLIED RATES (%)**



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



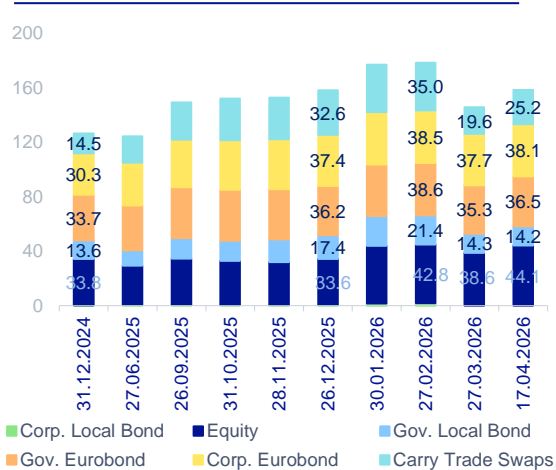
Source: Bloomberg and Garanti BBVA Research

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

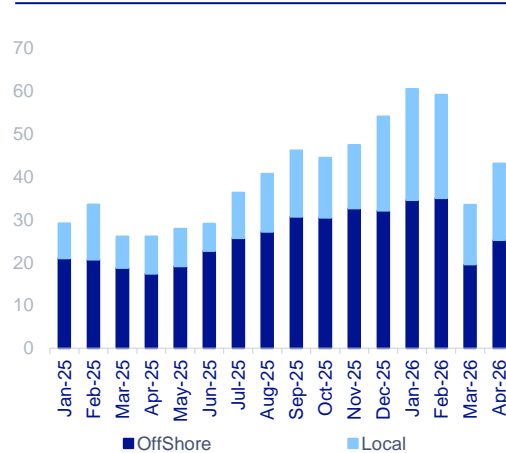


# Sell-off of foreigners reached around \$35bn in March

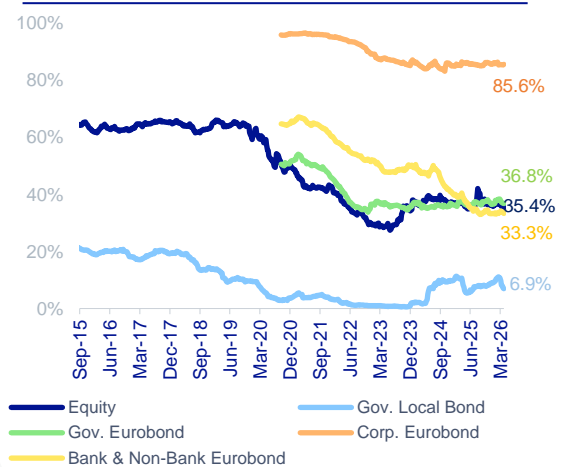
## FOREIGNERS EXPOSURE\* TO TR FINANCIAL ASSETS\*\* (\$USbn)



## TOTAL DERIVATIVE POSITIONS (\$USbn, as of April 17th)



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



\* Excluding local banks' external subsidiaries

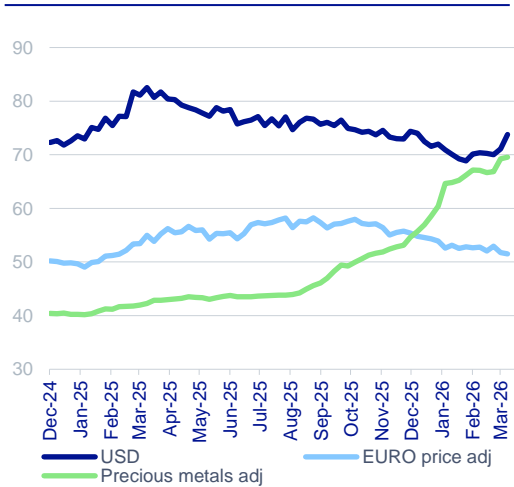
\*\* Including only the outright purchases in Government local bonds

Source: CBRT and Garanti BBVA Research

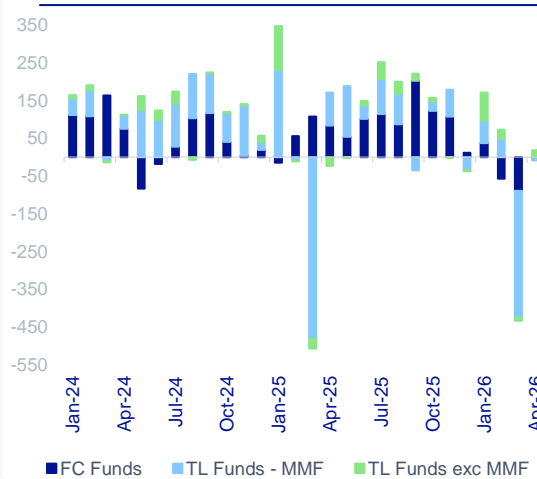
**The total carry position including locals recovered to \$43bn as of April 17th, of which we estimate as \$25bn owned by foreigners. The share of foreigners in local Government bonds fell below 7% in early April from 11% in mid-Feb.**

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

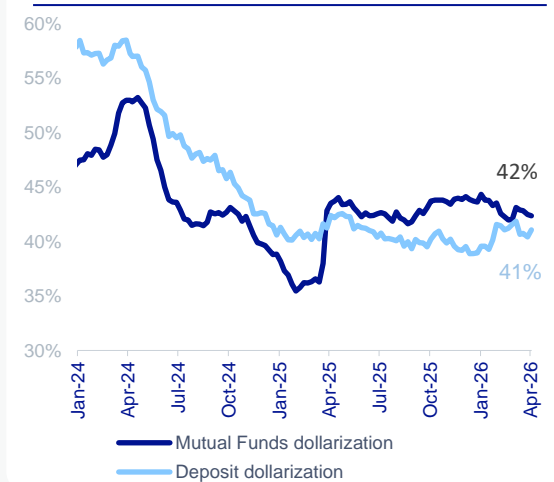
## FC DEPOSITS VOLUME OF RESIDENTS (BN USD)



## NET FLOWS IN INVESTMENT FUNDS (TL BN)



## RESIDENTS' DOLLARIZATION RATIO\* (%)



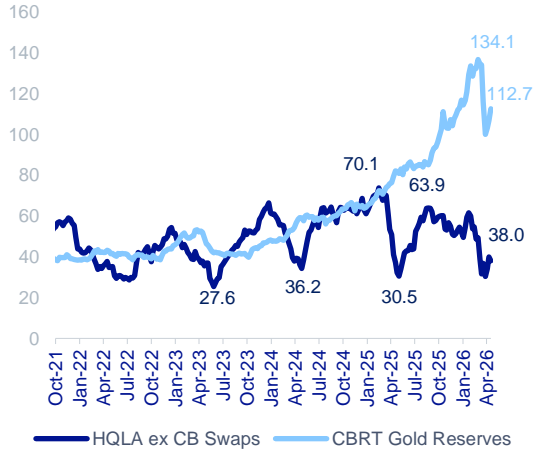
Source: CBRT, TURKSTAT, TEFAS and Garanti BBVA Research

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

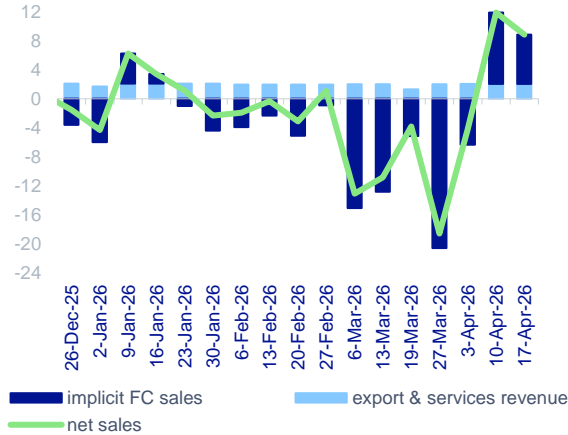
**We calculate net outflows from the money market funds in March, but this time more limited compared to the last year's domestic March shock. We see limited FC deposit demand from corporates, and system-wide precious metal demand from households.**

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

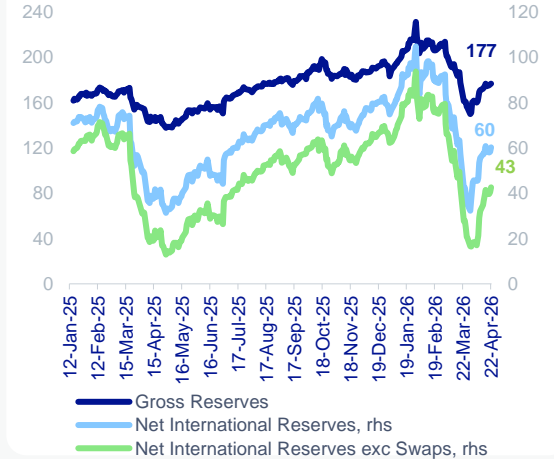
## CBRT GROSS GOLD RESERVES & HQLA\* (\$USbn, as of April 17th)



## CBRT WEEKLY RESERVE FLOWS (\$USbn)



## CBRT INTERNATIONAL RESERVES (\$USbn, as of Apr 22nd)

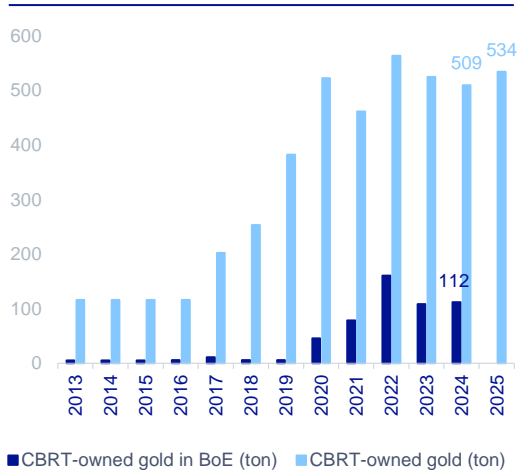


\* High quality liquid foreign assets excluding IMF SDR & CB swaps  
Source: CBRT and Garanti BBVA Research.

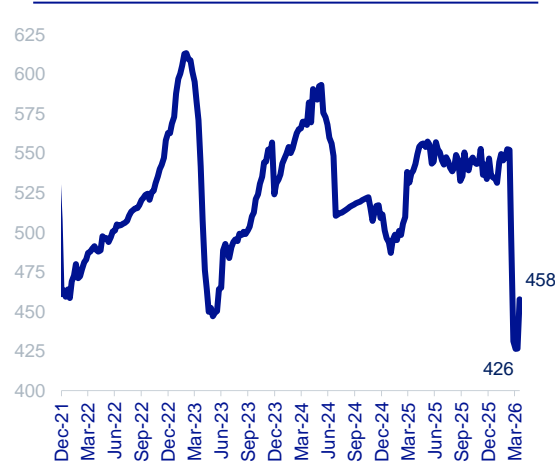
**We see gold as being used as a liquid instrument to support foreign currency liquidity in the system without any trigger in the perception of residents, particularly households.**

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

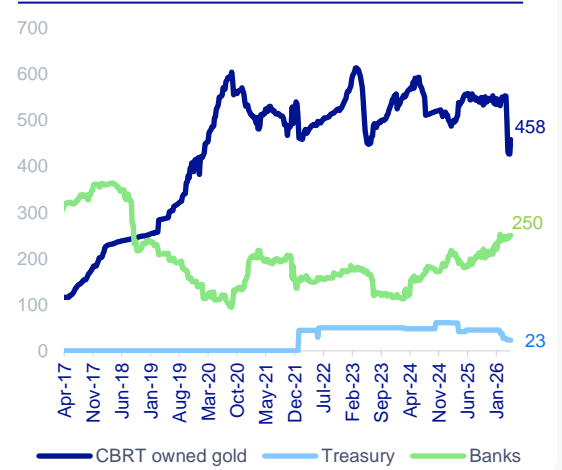
## CBRT-OWNED GOLD RESERVES (ton)



## CBRT-OWNED GOLD RESERVES (ton)



## CBRT GOLD ASSETS (ton)

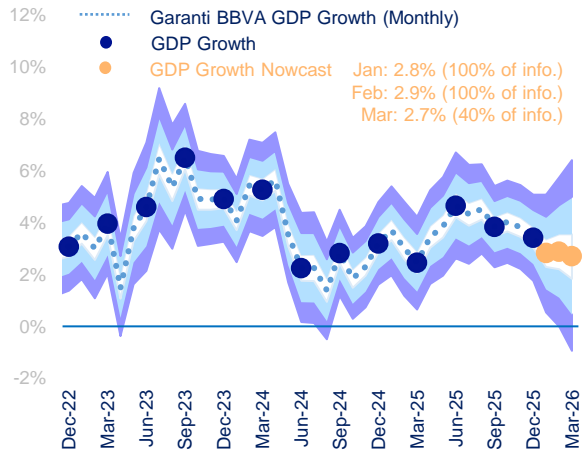


Source: CBRT and Garanti BBVA Research.

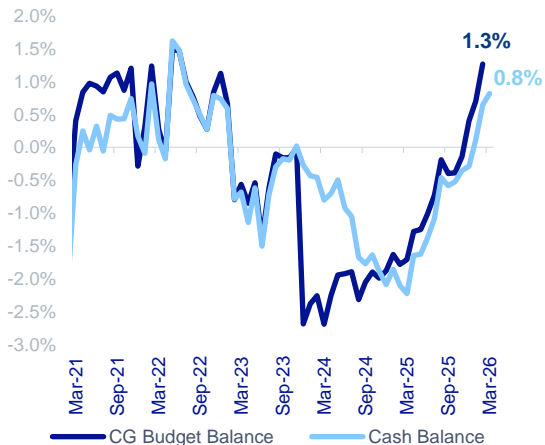
**Gold swaps with London (exchanged for foreign currency) had reached 79 tons in early April, of which 33 tons have returned back as of April 17th.**

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

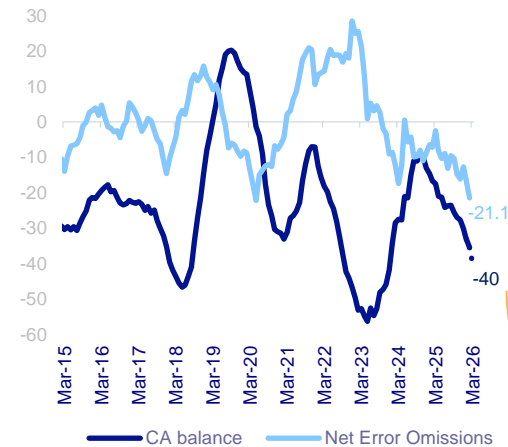
## GARANTI BBVA MONTHLY GDP NOWCAST (YoY, 3M Mov. Avg.)



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



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



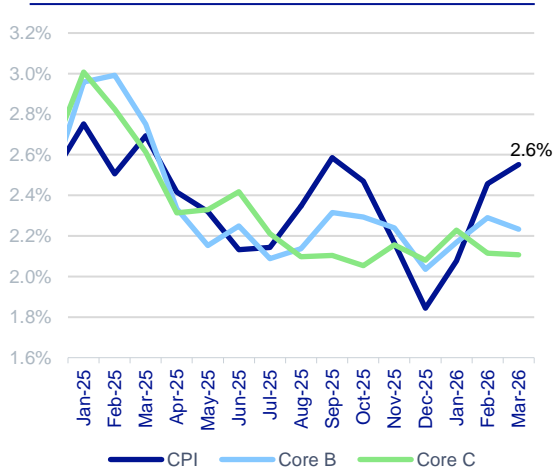
55-60bn\$  
(3-3.5% GDP) CA  
deficit by end 2026

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.**

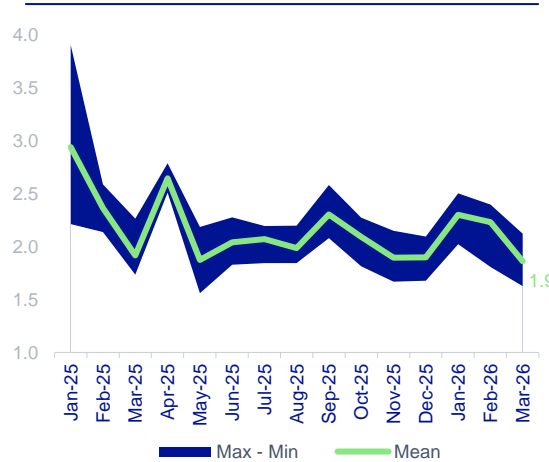
# CPI trend has worsened on food and early year price adjustments even before the conflict

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



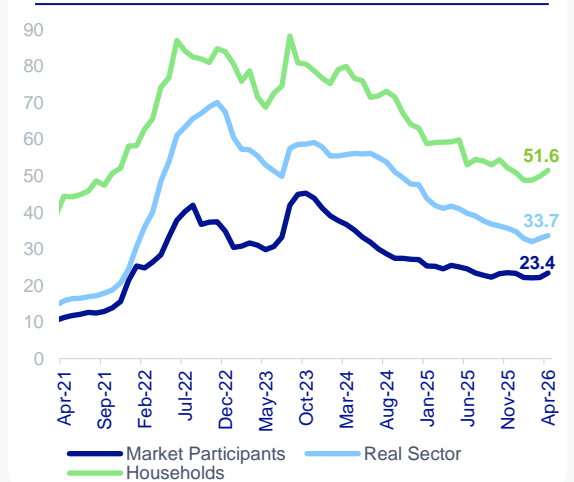
Source: TURKSTAT and Garanti BBVA Research

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



Source: TURKSTAT and Garanti BBVA Research

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

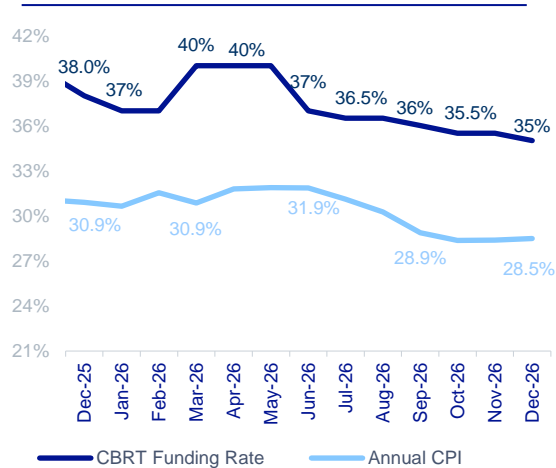


Source: CBRT and Garanti BBVA Research

**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.**

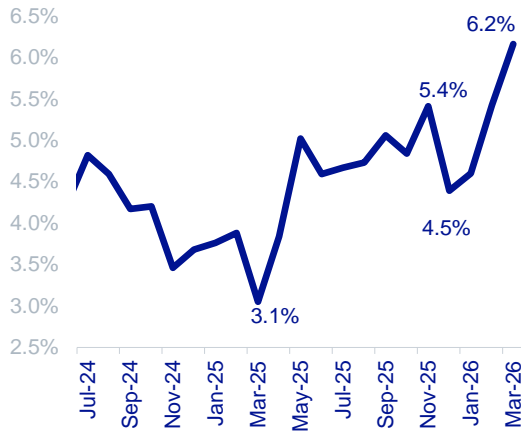
# We expect close to 3.5% m/m Apr CPI and 28.5% y/y 2026 end CPI (85\$ brent & 18\$/MMBtu gas avg in 2026)

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



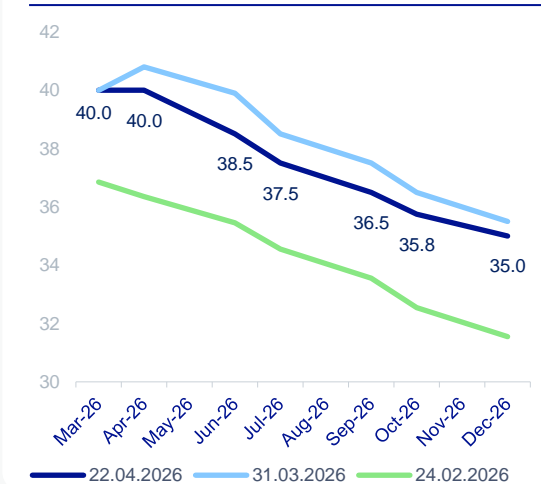
Source: TURKSTAT and Garanti BBVA Research

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



Source: TURKSTAT and Garanti BBVA Research

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

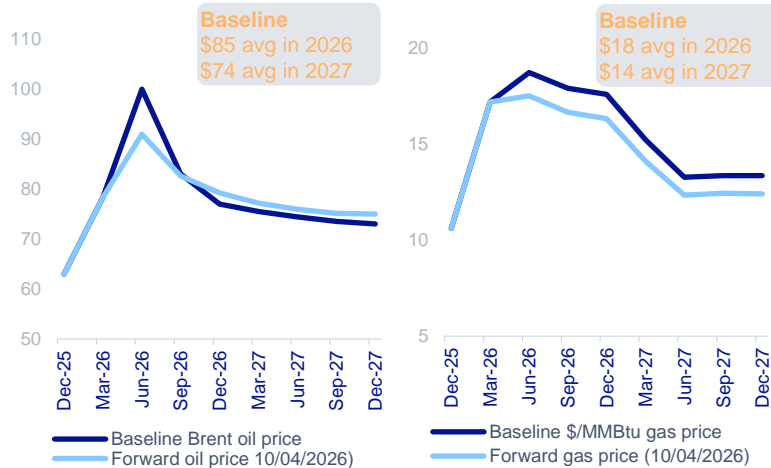


Source: CBRT and Garanti BBVA Research

**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 28.5% 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>37.2%</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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