

Macro: No significant change in expectations

After domestic and global developments affected the results of the April survey, changes in expectations were limited in the May survey as volatilities decreased. Exchange rate and inflation expectations increased slightly across all maturities, while the CBRT is expected to maintain its tight stance. The CBRT is expected to continue cutting interest rates over the next three months, albeit moderately. On the other hand, changes in expectations for growth and current account balance remained limited. This signals that the possible effects of the reciprocal tariffs on global growth, commodity prices and exchange rates are not sufficiently reflected in growth and current account balance forecasts.

The details of the Survey is as follows:

- **Exchange Rate (\$/TL):** Year-end exchange rate expectations increased slightly compared to the previous survey period. The year-end forecast increased by 0.1 TRY to 43.7 (Table 1). Based on the current value (≈ 38.8), the exchange rate is expected to increase by 12.6% until the end of the year. This implies a depreciation trend of around 1.7% on average on a monthly basis, as was the case last month. The 2025 year-end pricing in the futures market, on the other hand, remains high at 48.5.

- **Inflation:** April inflation came in at 3.0%, slightly lower than the April survey expectations. There was no significant change in the year-end exchange rate assumption and the annual growth forecast. Yet, the year-end inflation forecast increased from 30% to 30.35%.

Monthly inflation expectation for May rose from 2.20% to 2.36%, and for June from 1.70% to 1.77%. July monthly inflation expectation was 1.94%. According to these forecasts, annual inflation is expected to be 36.5% in May, 36.7% in June and 35.0% in July. This monthly inflation path does not imply an improvement in the underlying trend in May and June. However, we believe that current trends and the determinants of inflation point to an improvement. Therefore, we expect lower monthly inflation rates in May and June than in the survey.

Inflation expectations also increased slightly in other maturities. The year-end inflation expectation for 2026 increased by 0.3 points to 20.6%, the 24-month ahead inflation expectation increased by 0.1 point to 17.8% and the 5-year ahead inflation expectation increased by 0.1 point to 11.2%.

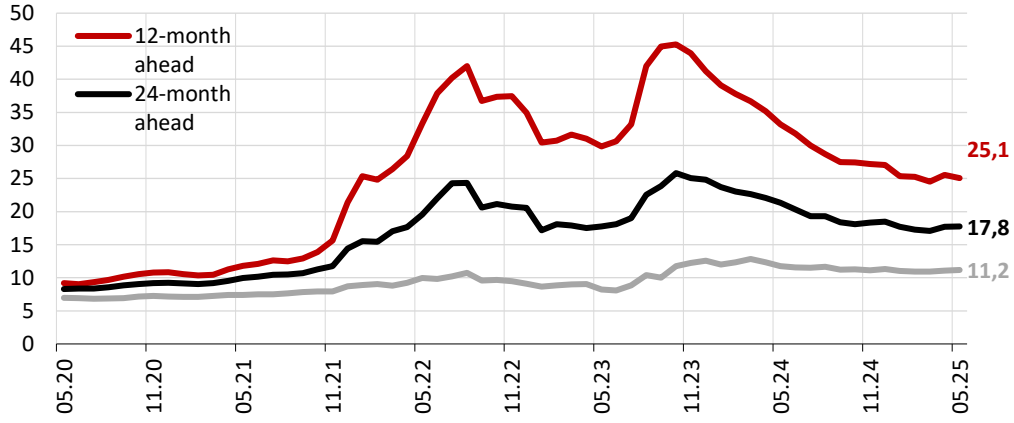
- **Policy Rate:** While the policy rate for the current month is 46.0% as there will be no meeting this month, the interest rate expectation for 3 months ahead is 43.0%, indicating that the CBRT is expected to continue interest rate cuts within 3 months.

The 12- and 24-month policy rate expectations of survey participants are 30.1% and 20.8%, respectively, which is an increase from last month's survey. The stronger increase in policy rate expectations than in inflation expectations suggests that the CBRT is expected to adopt a tighter stance throughout the forecast period. Developments in the CBRT's reserve position and the direction of capital flows appear to have influenced this expectation.

- **Growth:** Growth expectations for 2025 and 2026 decreased by 0.1 points to 2.9% and 3.7%, respectively. Considering the tightening domestic financial conditions and deteriorating expectations for the global economic activity, we assess the change in growth expectations limited. We believe that respondents have not yet adequately reflected these factors in their forecasts.

- **Current Account Balance:** Current account deficit expectations are similar to the previous survey period. A current account deficit of \$19.2 billion is expected for 2025 and \$24.4 billion for 2026. Our forecasts are at similar levels.

Chart 1. Inflation Expectations (%)



Source: CBRT

Table 1. Results of the Survey

	May.25	Apr.25	Mar.25	Feb.25
CPI (Monthly Inflation, %)				
Current month	2.36	3.07	2.3	3.2
Next month	1.77	2.20	2.3	2.3
2-month ahead	1.94	1.70	1.9	2.2
CPI (Annual Inflation, %)				
End of current year	30.4	30.0	28.0	28.3
12-month ahead	25.1	25.6	24.6	25.3
End of next year	20.6	20.3	19.1	19.1
24-month ahead	17.8	17.7	17.1	17.3
5-year ahead	11.2	11.1	11.0	11.0
Policy Rate (%)				
Current month	46.0	42.5	42.5	45.0
3-month ahead	43.0	39.2	37.7	40.0
12-month ahead	30.1	29.4	27.6	28.9
24-month ahead	20.8	20.3	19.3	20.2
Exchange Rate (\$/TL)				
Current month	39.0	38.4	37.0	36.4
End of current year	43.7	43.6	42.8	42.9
12-month ahead	46.6	45.9	44.4	44.0
Current Account Balance (Million \$)				
Current year	-19.2	-19.1	-19.4	-18.8
Next year	-24.4	-24.1	-24.5	-24.6
Growth (%)				
Current year	2.93	3.04	3.1	3.0
Next year	3.73	3.80	4.0	3.9

Source: CBRT

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