



## Tracking Turkey's policy shift

**Capital Economics view (December 2024):** The shift to orthodox economic policymaking in Turkey has continued to rebalance the economy and sustain investor optimism. GDP growth has slowed, inflation has declined and the current account deficit has narrowed sharply.

It's unlikely to take until at least 2030 for inflation to fall to single digits and the process will be bumpier than most expect. A key risk for 2025 is that interest rates are cut too quickly. But if we're right that disinflation will gather pace, local currency bonds have the potential to deliver comparatively high returns among EMs over the next couple of years.

Turkey's sovereign risk premia could remain at historically low levels as the rebalancing continues. We think the country could follow a path towards an investment grade credit rating before the end of this decade.

**EVENT**

## **EM Drop-In: Turkey's 2025 – Will policymakers get the job done?**

**9th January 2025, 2:00PM GMT**

Turkey's shift back to macro orthodoxy made it a key EM success story last year, with inflation falling, the currency holding up and its financial markets delivering outsized returns. But the job of...



## DATA & CHARTS

### Data: Turkey's policy shift

Explore this interactive dashboard showing the most important and timely variables to gauge whether Turkey's policy shift is for real.

[Explore the data](#)

# Is Turkey's policy U-turn the real deal?

In this *Focus* we set out our thoughts on Turkey's policy shift so far, what more needs to be done and our forecasts for Turkish bonds and equities over the next five years.

[Read the in-depth report](#)

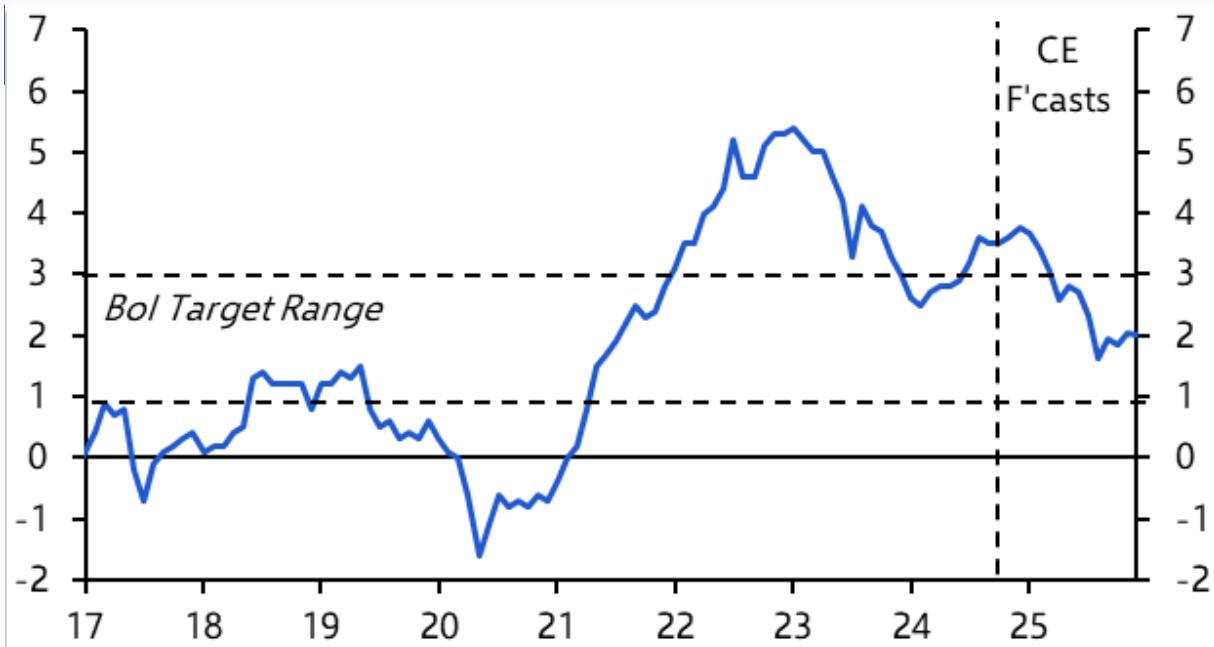


**EMERGING EUROPE ECONOMICS UPDATE**

## Turkey: disinflation now gathering pace

The latest inflation figures out of Turkey have given us more encouragement that the disinflation process is underway and that the central bank could lower interest rates towards 30% by year-end. Even...

7th January 2025 · 2 mins read



EMERGING EUROPE ECONOMICS WEEKLY

## Russia-Ukraine escalation, CBRT rate cut approaching?

Tensions between Russia and Ukraine escalated this week, with Ukraine using Western-provided long-range weapons on Russian territory and Russia launching an “experimental” ballistic missile against...

22nd November 2024 · 8 mins read



EMERGING EUROPE ECONOMICS WEEKLY

## Turkey's optimistic projections, Glapinski's guidance

Turkey's medium-term economic programme unveiled this week showed that the government remains committed to the orthodox policy shift. But its projections for a "goldilocks" scenario in which the...

6th September 2024 · 7 mins read



## EMERGING EUROPE ECONOMICS UPDATE

### Is Turkey losing external competitiveness?

Turkey's economy has maintained strong external price competitiveness since the pandemic (mirrored by rapid export growth). But measures of competitiveness have shown a noticeable decline in the past...

9th July 2024 · 4 mins read

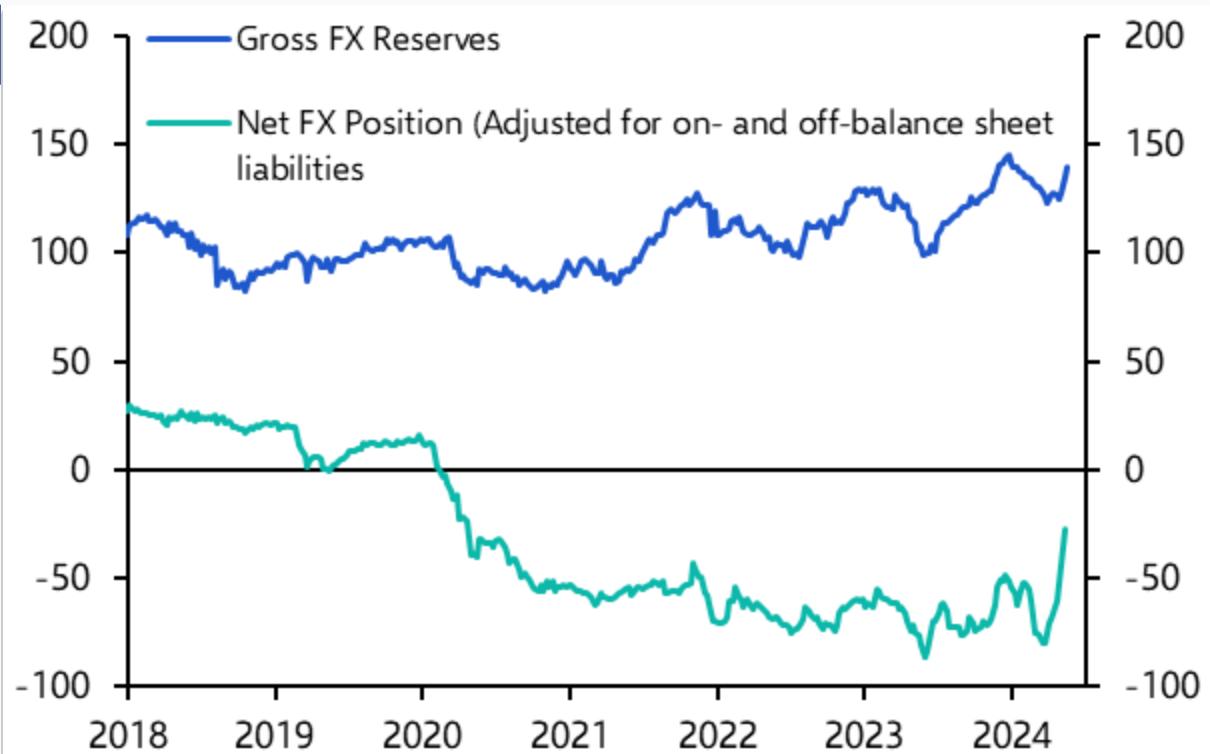


EMERGING EUROPE ECONOMICS WEEKLY

## Turkey FX reserves, CEE rebound, ECB starts easing

The rebound in Turkey's FX reserves, with one key measure (net reserves excluding FX swaps) turning positive for the first time in four years, is a necessary part of the policy shift underway and...

7th June 2024 · 6 mins read

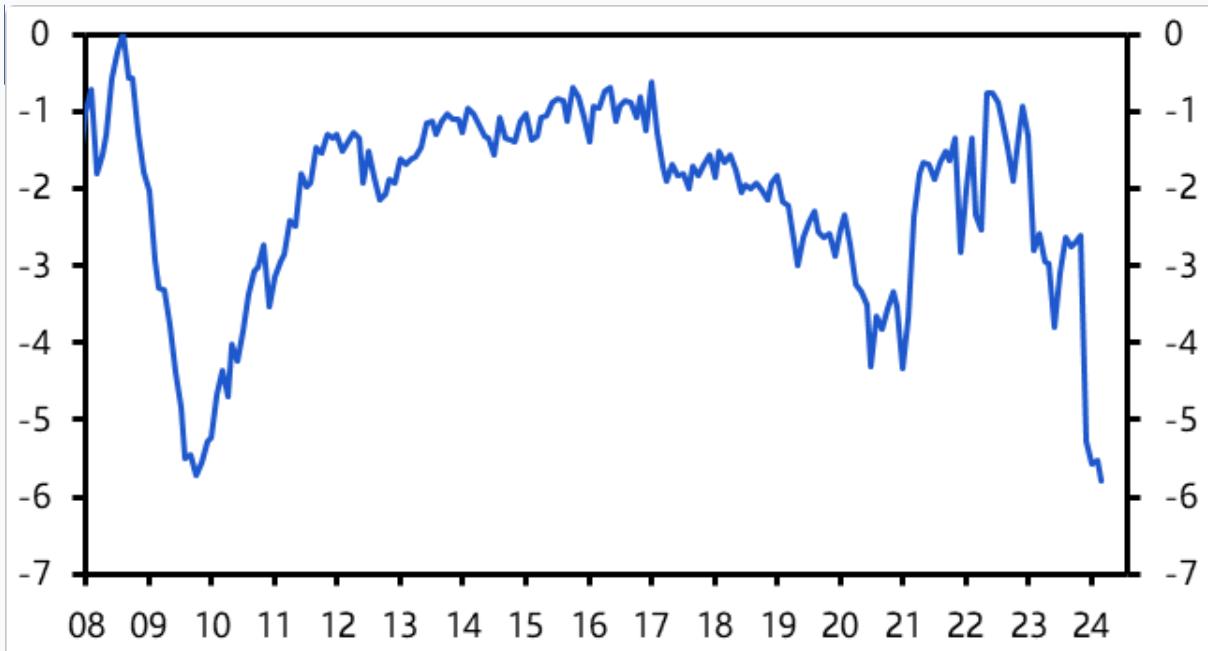


EMERGING EUROPE ECONOMICS WEEKLY

## Is the Turkish lira turning a corner?

Turkish policymakers have this week been extolling the lira's recent stability. And the surge in foreign capital inflows after March's rate hike suggests that there is a growing risk that the currency...

24th May 2024 · 8 mins read

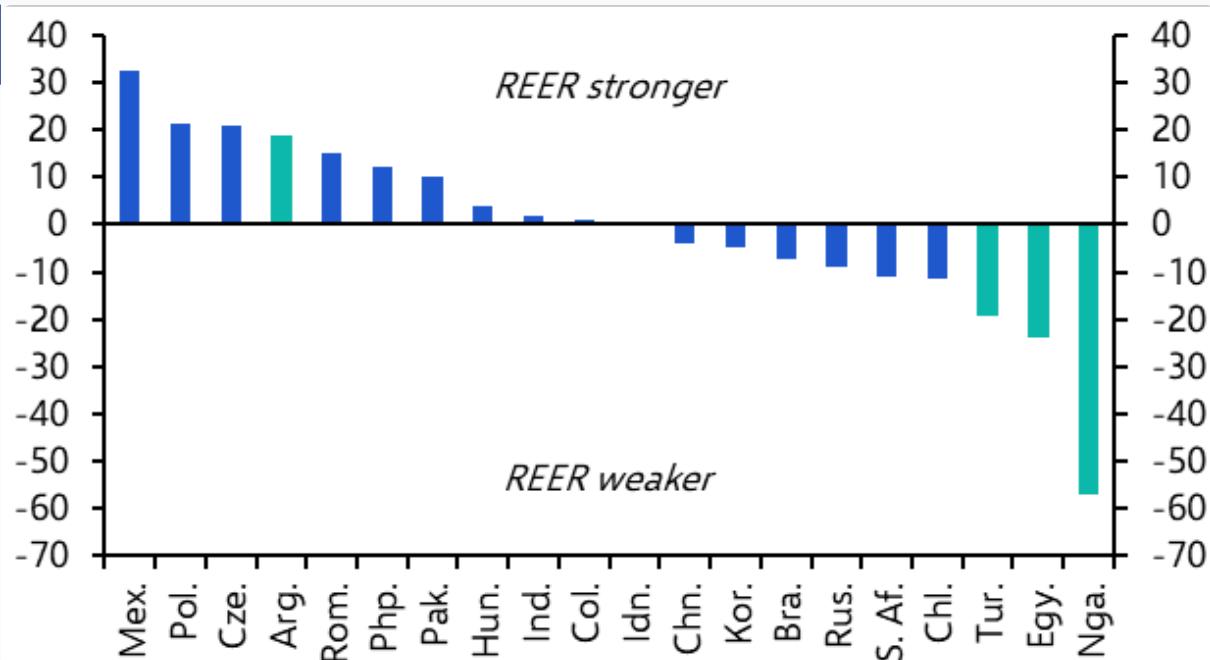


## EMERGING EUROPE ECONOMICS UPDATE

### Turkey: fiscal tightening an important step forwards

The fiscal tightening steps announced by Turkey's finance ministry today, which include a freeze on most public sector construction projects, will help to prevent the large budget deficit from...

13th May 2024 · 3 mins read

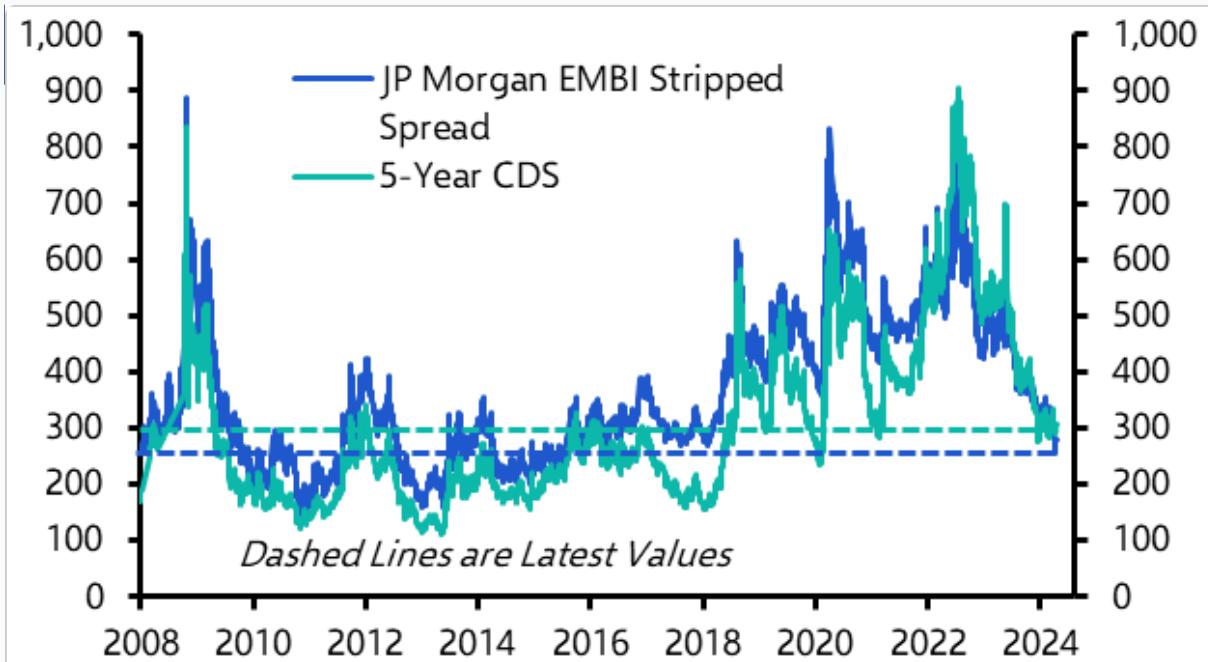


## EMERGING MARKETS ECONOMICS UPDATE

### “Turnaround EMs”: good start but plenty more to do

The policy shifts underway in Turkey, Nigeria, Argentina and Egypt have ticked a lot of the right boxes so far, but it will take years for the full economic benefits to materialise and require...

24th April 2024 · 5 mins read



## GLOBAL MARKETS UPDATE

### Risk premia on Turkish assets may stay low

The risk premia on Turkish assets are now low relative to the past decade or so. We think that will remain the case over the coming quarters, given the positive global risk-on attitude and the ongoing...

18th April 2024 · 6 mins read

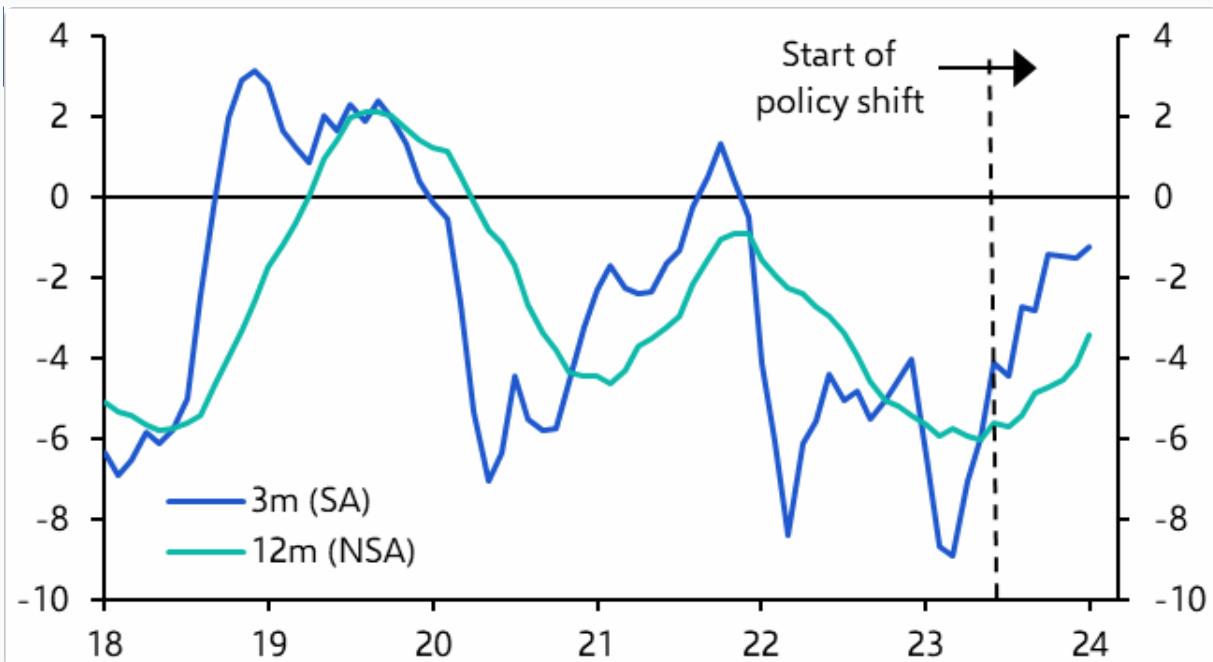


## EMERGING EUROPE ECONOMICS UPDATE

### **Turkey election: AKP defeat = good news for investors**

The strong showing for the opposition in Turkey's local elections on Sunday highlights the extent of voter frustration with high inflation and we think that it should be interpreted as a positive for...

2nd April 2024 · 3 mins read

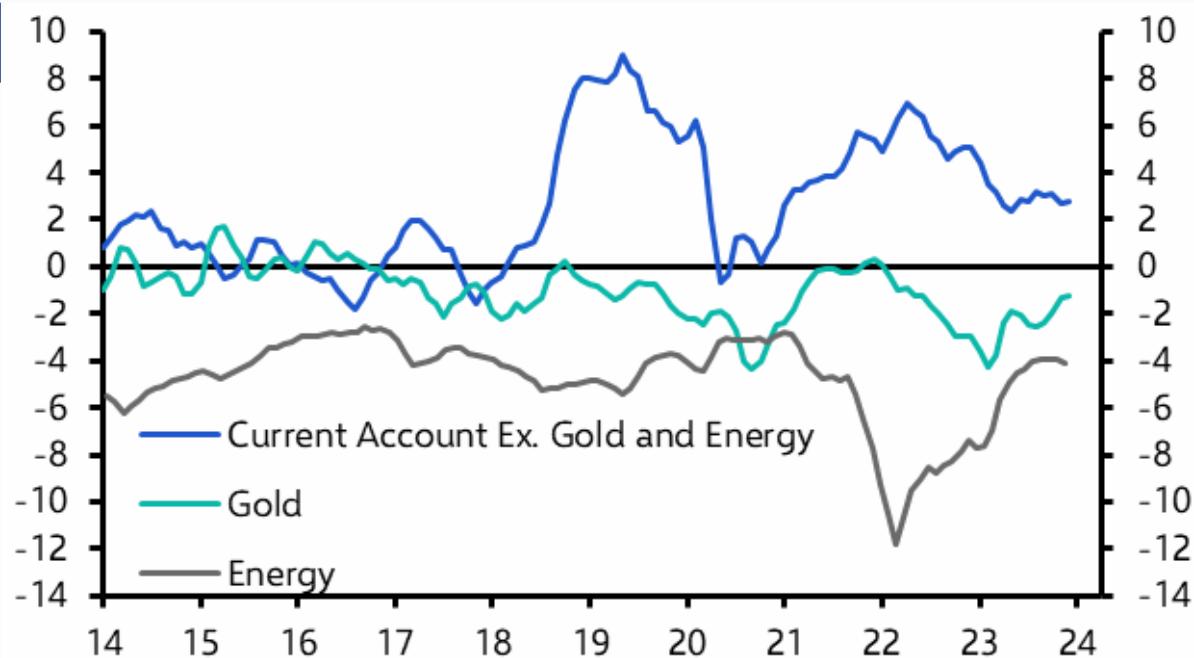


## EMERGING EUROPE ECONOMICS UPDATE

### Three key stories from Turkey's balance of payments

Turkey's balance of payments figures for January showed that the current account deficit continued to narrow, but the drop in capital inflows in recent months is a concern and it appears that this...

12th March 2024 · 3 mins read



EMERGING EUROPE ECONOMICS WEEKLY

## Is Turkey's economy getting the medicine it needs?

The unexpected re-acceleration in Turkish GDP growth in Q4 challenges the view that aggressive monetary tightening delivered over the second half of last year is rebalancing the economy. If inflation...

1st March 2024 · 8 mins read



## EMERGING EUROPE ECONOMICS UPDATE

### A closer look at the rebound in Turkey's FX reserves

Turkey's gross international reserves have hit a record high recently which, on the face of it, suggests that the policy U-turn since May has helped to diminish the country's balance of payments...

14th December 2023 · 5 mins read



## EMERGING EUROPE ECONOMICS UPDATE

### **Turkey's policy shift: promising start, but a lot more to do**

Turkey's policy shift has ticked a lot of the right boxes so far and the central bank's large rate hike this month will go a long way to rebuilding confidence among investors. But there are still...

31st August 2023 · 4 mins read



## EMERGING EUROPE ECONOMICS UPDATE

### Turkey needs a significant adjustment in the lira

Signs that newly re-elected Turkish president Erdogan is willing to move away from unorthodox economic policies has led to an increase in investor optimism towards his country. These developments are...

7th June 2023 · 4 mins read



## EMERGING EUROPE ECONOMICS UPDATE

### **Turkey's U-turn: action will speak louder than words**

Optimism about a shift towards more orthodox economic policymaking in Turkey has taken hold following the appointment of Mehmet Simsek to the cabinet this weekend. Recent developments look encouraging...

5th June 2023 · 4 mins read

# Latest GDP and CPI analysis

## EMERGING EUROPE RAPID RESPONSE

### Emerging Europe Manufacturing PMIs (Jan.)

The manufacturing PMIs out of Emerging Europe all came in below 50 which suggests that industrial sectors across the region started the year on the back foot. We think that demand conditions in...

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## Turkey Interest Rate Announcement (Jan. 2026)

The Turkish central bank unexpectedly slowed the pace of its easing cycle today with a 100bp cut, to 37.00%. We think this was a response to a likely temporary rise in inflation this month and we are...

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## Turkey Interest Rate Announcement (Dec. 2025)

The decision by the Turkish central bank to accelerate the pace of its easing cycle today with a 150bp cut to its one-week repo rate, to 38.00%, was accompanied by relatively hawkish communications...

11th December 2025 · 2 mins read

# Latest interest rate announcements

## EMERGING EUROPE RAPID RESPONSE

### **Turkey Interest Rate Announcement (Jan. 2026)**

The Turkish central bank unexpectedly slowed the pace of its easing cycle today with a 100bp cut, to 37.00%. We think this was a response to a likely temporary rise in inflation this month and we are...

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The decision by the Turkish central bank to accelerate the pace of its easing cycle today with a 150bp cut to its one-week repo rate, to 38.00%, was accompanied by relatively hawkish communications...

11th December 2025 · 2 mins read

## Turkey Interest Rate Announcement (Oct. 2025)

The decision by the Turkish central bank (CBRT) to further slow the pace of its easing cycle today with a 100bp cut to its one-week repo rate, to 39.50%, seems to reflect policymakers' growing...

23rd October 2025 · 2 mins read

# Key Turkey Forecasts

## Main Economic & Market Forecasts

	2021	2022	2023	2024	2025	2026	2027 – 31
GDP	11.4	5.5	5.1	<b>2.8</b>	<b>2.0</b>	<b>2.5</b>	<b>2.8</b>
Unemployment Rate (%)	12.0	10.5	9.4	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>	<b>8.3</b>
CPI Inflation (Avg.)	19.6	72.3	53.9	58.8	<b>31.5</b>	<b>20.5</b>	<b>12.5</b>
CPI Inflation (End-Period)	36.1	64.3	64.8	44.4	<b>25.0</b>	<b>17.5</b>	<b>9.5</b>
General Gov't Bal <sup>1), 2)</sup>	-4.0	-1.1	-5.4	<b>-5.3</b>	<b>-3.5</b>	<b>-2.5</b>	-
General Gov't Debt <sup>1)</sup>	41.8	30.8	29.3	<b>27.5</b>	<b>27.5</b>	<b>29.5</b>	-
Current Account <sup>1)</sup>	-0.9	-5.2	-3.6	<b>-0.8</b>	<b>0.0</b>	<b>-0.3</b>	-
1-week Repo Rate (End-Period)	14.00	9.00	42.50	47.5	<b>32.00</b>	<b>26.00</b>	<b>12.00</b>
10-year Bond Yield (End-Period)	23.10	9.90	23.70	27.20	<b>20.00</b>	<b>20.00</b>	<b>12.50</b>
TRY/USD (End-Period)	13.3	18.7	29.5	35.3	<b>45.0</b>	<b>53.0</b>	<b>65.0</b>

Sources: CEIC, Refinitiv, Capital Economics. 1) % of GDP. 2) IMF definition of government budget balance

Correct as of 10th January 2025