

	8-May	14-May	Change		8-May	14-May	Change
BIST-100 Index	15.063	14.645	-2,8 % ▼	EUR/USD	1,1784	1,1668	-1,0 % ▼
TRY 2 Year Benchmark Rate	40,65 %	42,37 %	172 bp ▲	USD/TRY	45,3448	45,4269	0,2 % ▲
Türkiye 5-Year CDS Premium	228	233	6 bp ▲	EUR/TRY	53,4451	53,0419	-0,8 % ▼
MSCI EM Equity Index	1.711	1.717	0,3 % ▲	Gold (USD/ounce)	4.714	4.649	-1,4 % ▼
US 10-Year Bond Rate	4,36 %	4,46 %	9 bp ▲	Brent Oil (USD/barrel)	101,3	105,7	4,4 % ▲

bp: basis point

The CBRT revised up its interim inflation targets in its second Inflation Report of the year. The Survey of Market Participants released today indicated that the deterioration in inflation expectations continued. The current account deficit stood at 9.7 billion USD in March, while the central government budget deficit amounted to 338.7 billion TRY in April. On the global front, developments regarding the ceasefire process and the Trump-Xi meeting were closely monitored, while April data in the U.S. pointed to strengthening inflationary pressures. In the Euro Area, first-quarter growth figures indicated that the regional economy lost momentum. Next week, domestic confidence indices and preliminary May PMI data for the US and the Euro Area will stand out on the data agenda.

The CBRT released the second Inflation Report of the year.

In its second Inflation Report of the year, the CBRT suspended the communication of forecast ranges due to heightened volatility stemming from geopolitical uncertainties and the global outlook, and instead shared point forecasts based on its baseline scenario. Within this framework, the CBRT revised upward its interim targets for 2026, 2027, and 2028 from 16%, 9%, and 8% to 24%, 15%, and 9%, respectively. The Bank also announced a year-end inflation forecast of 26% for 2026, at a level different from its interim target for the same period. The report highlighted upside risks to the inflation outlook, while the assumption for the average annual oil price in 2026 was revised upward from 60.9 USD/barrel to 89.4 USD/barrel. The annual inflation forecast for food prices was also updated from 19% to 26.3% for 2026. In addition, Governor Karahan's messages emphasizing that the tight monetary stance would be maintained and that all policy options remain on the table supported expectations that the fight against inflation would continue decisively.

Market's year-end inflation expectation for 2026 rose to 28.94%.

The Survey of Market Participants published today by the CBRT showed that the overall deterioration in inflation expectations has continued for the fourth consecutive month. The year-end inflation expectation for this year rose by 1.41 pps from the previous month to 28.94% in May, while the year-end inflation expectation for 2027 increased by 0.94 pps to 21.07%. Participants' monthly inflation expectation for May was recorded at 1.89%. In May 2025, the monthly CPI inflation rate stood at 1.53%. The market's USD/TRY expectations also rose to 51.57 for the end of the current year and to 54.69 for 12 months ahead. In the survey, market participants also revised their current account deficit expectations upward. The market expects the current account deficit to become 47.8 billion USD by the end of this year. While growth expectations for 2026 have declined from 3.5% to 3.3%, participants largely expect that the CBRT will keep the policy rate unchanged at its next two meetings (June 11 and July 23), and that the policy rate could decline to as low as 34% by the year-end with the cuts to be conducted in the remaining three meetings.

Current account deficit stood at 9.7 billion USD in March.

The current account recorded a deficit of 9.7 billion USD in March, reaching its highest level since January 2023 in Türkiye. The expansion of the current account deficit was driven by the balance of payments-defined trade deficit, which nearly doubled yoy to 9.5 billion USD during this period. Consequently, the current account deficit stood at 23.7 billion USD in the first quarter of the year, while the 12-month cumulative current account deficit rose to 39.7 billion USD as of March [\[our Balance of Payments report\]](#).

Central government budget posted a deficit of 338.7 billion TRY in April.

In April, central government budget revenues reached 1.2 trillion TRY, marking a 23.9% increase compared to the same month last year—a rise that was below the inflation rate—while budget expenditures rose by 34.7% yoy to 1.5 trillion TRY. Consequently, the central government budget deficit stood at 338.7 billion TRY in April. The primary budget balance, which had recorded a surplus in the first three months of the year, posted a deficit of 81.1 billion TRY in April. Consequently, the budget deficit for the first four months of the year stood at 758.8 billion TRY, a 14.3% decrease compared to the same period last year, while the non-interest budget balance—which had recorded a deficit of 160.9 billion TRY in the same period last year—posted a surplus of 374.9 billion TRY [\[our Budget Balance Report\]](#).

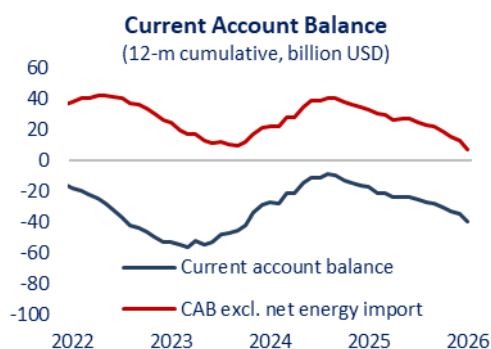
Inflation Report (2026-II)

Revisions in Assumptions	Current		Previous (Feb. 26)	
	2026	2027	2026	2027
Food Price Inflation (Year-End % Chg.)	26,3	19,0	19,0	11,0
Oil Prices (annual avg., USD/barrel)	89,4	75,4	60,9	56,0
Global Growth Index (annual avg. % chg.)	1,7	2,5	2,3	2,2
Import Prices (USD, annual avg. % chg)	6,3	-0,2	2,0	-0,9

CBRT Survey of Market Participants

	Feb	Mar	Apr	May
CPI (%)				
Year-End	24,1	25,4	27,5	28,9
12 Months Ahead	22,1	22,2	23,4	23,8
Next Year-End	18,4	18,7	20,1	21,1
Current Account Balance (billion USD)*	-26,3	-31,6	-44,3	-47,8
Growth (%)*	3,9	3,8	3,5	3,3

* Current year



Source: Datastream

Trade sales volume index rose on a monthly basis in March.

According to seasonally adjusted data, the trade sales volume increased by 1.9% mom in March, marking the strongest monthly increase in the last six months. During this period, while wholesale trade volume rose by 2.4% and retail sales volume by 2.6%, a 2.9% decline in the trade and repair of motor vehicles limited the overall index's rise. Looking at the quarterly changes according to seasonally adjusted data, wholesale trade volume increased by 1.1% as of the first quarter (change in 2025Q4: -1.9%), while retail sales volume rose by 5.4% (change in 2025Q4: 4.3%). During this period, the total trade index recorded an increase of 1.8% (change in Q4 2025: -0.1%).

Developments regarding the ceasefire process and the Trump-Xi meeting were closely monitored.

While diplomatic channels between the US and Iran have remained open this week, tensions have remained high. Trump's rejection of Iran's peace proposal weakened expectations for a lasting settlement, statements made midweek regarding the progress in negotiations showed that the possibility of a diplomatic solution had not entirely disappeared. However, Trump's remarks on Thursday that his patience with Iran was running out signaled that the ceasefire remains fragile.

Positive messages were given in the long-awaited Trump-Xi meeting. The two leaders appeared to agree that the Strait of Hormuz should remain open and that Iran should not possess nuclear weapons, while China agreed to purchase more oil from the US in the coming period.

Inflationary pressures are intensifying in the US.

In the week that Kevin Warsh was approved as Fed chair by the Senate, US inflation data for April pointed to a significant deterioration in the inflation outlook. In April, the CPI rose by 0.6% mom, in line with expectations, while annual inflation reached 3.8%, the highest level since May 2023. While the rapid rise in energy prices contributed to the acceleration in headline inflation, the core CPI's annual increase of 2.8%, the fastest in the past seven months, showed that upward price pressures were not solely driven by energy. On the producer price front, the picture pointed to a stronger deterioration. While the headline PPI came in well above expectations at 1.4% mom and 6.0% yoy, the core PPI was seen rising by 1%, marking its fastest increase since March 2022. Following the inflation data, the likelihood of the Fed -which conducted its latest rate cut in December 2025- taking any easing steps in monetary policy for the remainder of the year has further diminished.

GDP and industrial production data for the Eurozone were monitored.

Industrial production in the Euro Area rose by 0.2% mom in March, slightly below the market expectation of 0.3%. On an annual basis, the decline in industrial production was -2.1%, larger than the expected figure of -1.7%.

GDP growth rate for the first quarter, in line with the initial estimate, stood at 0.1% on a quarterly basis—the lowest level in the past three quarters. Annual growth was reported at 0.8% (Q4 2025: 1.3%), in line with the previous forecast and market expectations. On the other hand, a quarterly rise of 0.1% in the employment during the same period indicated that the labor market maintained a modest but positive outlook.

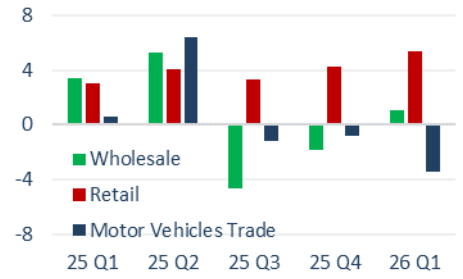
Financial markets...

As of Thursday's close, the price of Brent crude oil rose by 4.4% to reach 105.7 USD/barrel amid heightened geopolitical risks this week. The DXY index, which measures the value of the US dollar against a basket of advanced economies' currencies, rose 0.9% on a weekly basis to close at 98.9 on Thursday, while the price of gold per ounce ended the week down 1.4% at 4,649 USD. The MSCI World and Emerging Markets stock indices rose by 1.0% and 0.3%, respectively. The BIST-100 index, meanwhile, fell by 2.8% over the same period. Türkiye's 5-year CDS spread rose by 6 basis points to 237.

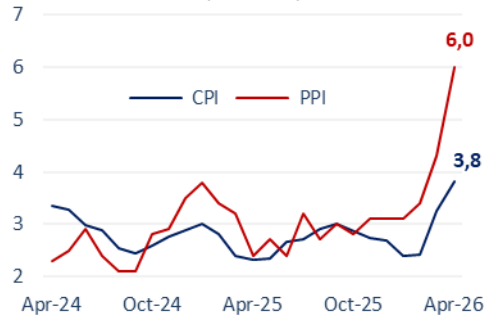
Next week's agenda...

Next week, developments regarding the Middle East ceasefire process and the minutes of the Fed meeting will be high on the global markets' agenda. Regarding the data releases, confidence indices are in the spotlight in Türkiye, while on the global front, preliminary PMI data for May from the US and the Euro Area will be followed.

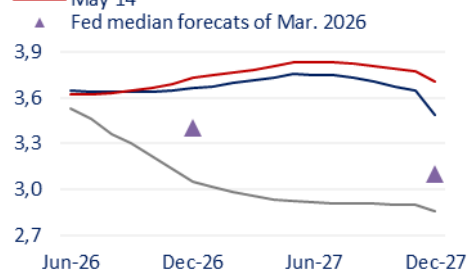
Trade Sales Volume Index
(qoq % change)



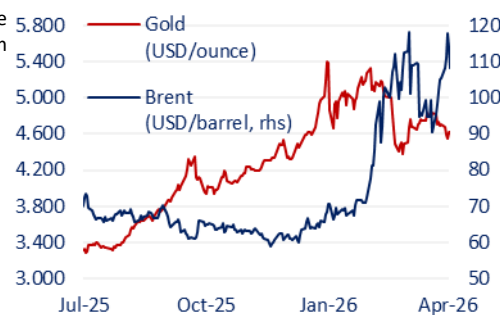
US Inflation Indicators
(annual, %)



Market Expectations for Fed Policy Rate
(%)



Gold and Oil Prices



Source: Datastream, Turkstat, ICI

Data Releases

		Period	Consensus	Prior
May 18	TR Consumer Confidence Index	May	-	85.5
	China Retail Sales, yoy	April	2.0%	1.7%
	China Industrial Production, yoy	April	5.9%	5.7%
May 19	Japan GDP Growth, qoq	2026 Q1	0.4%	0.3%
May 20	TR Housing Price Index, yoy	April	-	26.4%
	TR Central Government Gross Debt Stock	April	-	14.4 trillion TRY
	Fed Minutes	May	-	-
	Euro Area HICP Inflation, final, yoy	April	3.0%	3.0%
May 21	China Central Bank Meeting	May	-	3.0%
	TR Sectoral Confidence Indices	May	-	-
	US Manufacturing PMI, flash	May	-	54.5
	US Services PMI, flash	May	-	51.0
	US Philadelphia Fed Business Index	May	-	26.7
	Euro Area Manufacturing PMI, flash	May	51.6	52.2
	Euro Area Services PMI, flash	May	47.5	47.6
May 22	Euro Area Consumer Confidence, flash	May	-20.0	-20.6
	TR Capacity Utilization Rate, sa	May		74.0%
	TR Real Sector Confidence Index, sa	May		98.6
	TR Foreign Visitors, yoy	April	-	5.0%
	TR Trade Balance	April	-	-11.2 billion USD
	US Michigan Consumer Confidence, final	May	-	48.2

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Gamze Can
Asst. Manager
gamze.can@isbank.com.tr

H. Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Ođulcan Delil
Asst. Economist
ogulcan.delil@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>.

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