

Türkiye



	2021	2022	2023	2024	2025	Forecast	
						2026	2027
GDP growth (%)	11.8	5.4	5.0	3.3	3.6	3.4	3.5
CPI inflation (%)	19.6	72.3	53.9	58.5	34.9	28.6	21.4
Fiscal balance (% of GDP)	-3.0	-1.1	-5.2	-4.5	-2.8	-3.4	-3.7
Public debt (% of GDP)	38.9	29.4	28.2	23.6	23.5	25.5	26.9
Reference rate (%)*	17.6	12.6	20.7	49.0	42.8	37.0	29.1
Exchange rate (TRY/USD)*	9.0	16.6	23.5	32.8	39.5	49.6	62.4
Current balance (% of GDP)	-0.9	-5.0	-3.6	-1.0	-1.9	-2.8	-2.5
External debt (% of GDP)	44.2	37.0	35.4	30.4	29.7	31.0	32.2

Notes: * Annual average.

Source: CaixaBank Research, based on data from LSEG and IMF forecasts (WEO, April 2026).

Outlook

The Turkish economy is experiencing sustained growth, albeit at a **more moderate pace since 2024, reflecting the tightening of economic policies** aimed at tackling high inflation and the fiscal and external imbalances that emerged following the post-pandemic expansion.

GDP grew by 3.6% in 2025, supported by strong private consumption and a gradual recovery in investment. The unemployment rate has fallen to its lowest level in the last two decades (8.3%), but this trend may be losing momentum in the absence of structural reforms to improve productivity and labour force participation.

The **conflict in the Middle East** is having a negative impact on the Turkish economy due to the country's status as a net importer of energy and its reliance on supplies from the region, and it remains highly exposed to international financial conditions. In April, **the IMF revised its growth forecast for 2026 downwards to 3.4%**.¹

Economic policies

Monetary tightening, fiscal adjustments and the slowdown in domestic demand helped to **bring inflation down to around 30%-35% in 2025**, following two consecutive years above 50%. Persistent inflation in the services sector, the energy *shock* and currency weakness are the main upside risks.

The steady decline in inflation has **enable the start of a gradual normalisation of the central bank policy rate**, which fell from 50% in 2024 to 37% by mid-2026. The real borrowing cost has risen significantly over this period and has moderated the strong credit expansion seen in previous years.

Higher tax revenues and wage moderation in the public sector helped to **reduce the fiscal deficit to below 3% of GDP in 2025**, following two consecutive years at around 5%. Public debt continued to fall and stands at moderate levels (23% of GDP in 2025, down from around 40% in 2021).

The slowdown in domestic demand and resilient international tourism have significantly reduced the **current account deficit** (from 4%-5% of GDP in 2022-2023 to around 1%-2% in 2024-2025). However, the trade balance remains vulnerable to commodity price *shocks* and shifts in global demand.

¹ IMF (2026), "World Economic Outlook: Global Economy in the Shadow of War".

The external imbalance continues to be financed **predominantly through short-term instruments**, with direct foreign investment playing a limited role. Risks also remain due to sensitivity to the global financial cycle, the private sector's foreign exchange position and international reserves, which remain below prudential levels.

The Turkish economy's potential growth stands at around 4%, weighed down by a fading demographic dividend and stagnant productivity. The IMF and the OECD have stressed the need for further progress on human capital, governance, the business environment and competition in order to sustain growth in the medium term.²

The shift towards more orthodox economic policies since 2024 continues to be viewed positively by **rating agencies**, although long-term sovereign debt continues to be constrained by high inflation, external vulnerabilities and institutional uncertainty.

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
STANDARD & POOR'S	BB-	01/11/24	Stable	01/11/24
MOODY'S	Ba3	25/07/25	Stable	25/07/25
FitchRatings	BB-	06/09/24	Stable	10/04/26

Note: *A shaded cell indicates "investment grade" and an unshaded cell indicates "speculative grade".

Exchange rate

High inflation and external vulnerabilities continue to exert **significant downward pressure, leading to the depreciation of the Turkish lira** (annual average of 25% in 2026, according to IMF projections), although this is expected to be gradual against a backdrop of tighter monetary policy. Improving macroeconomic conditions and confidence have boosted capital inflows, although sensitivity to international financial conditions remains high.

Risks

The risk outlook is **tilted to the downside**, with high external vulnerability, persistent macro-financial imbalances, institutional weaknesses and potential flashpoints of social tension. The credibility of the country's economic policies is growing stronger, although there is a risk of a feedback loop between depreciation, inflation and growth expectations.

Owing to its dependence on energy imports, high external funding needs and a significant share of short-term liabilities, the economy is **vulnerable to global risks** such as tightening international financial conditions, increased risk aversion and *shocks* to commodity prices. **Geopolitical risks** remain high due to the country's exposure and proximity to conflict hotspots in the Middle East and the war in Ukraine, with implications for energy prices, tourism and trade routes.

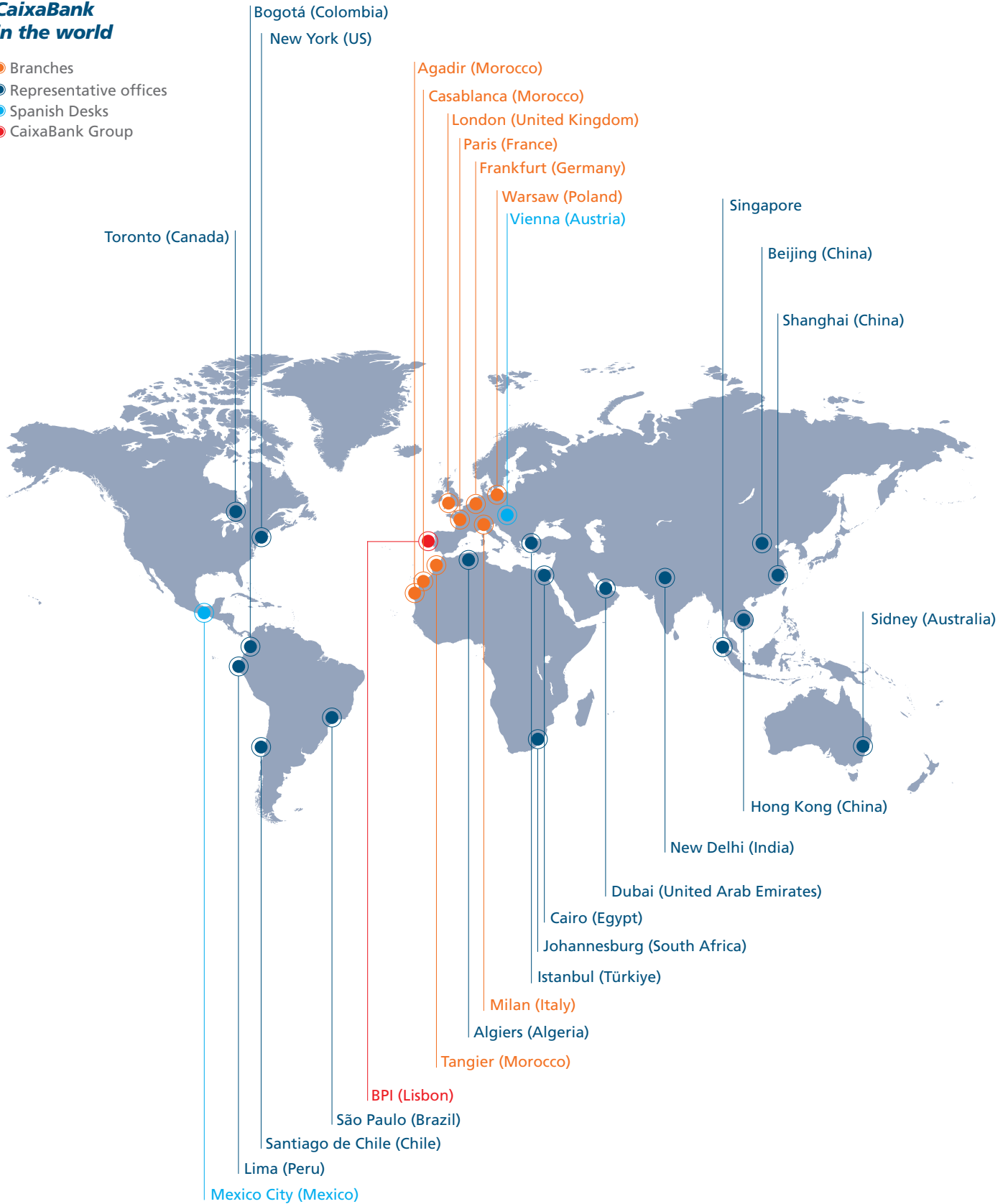
Additionally, we identified the following idiosyncratic risks:

- Although resilient, the **financial system** is highly exposed to domestic sovereign debt and has a significant degree of balance sheet dollarisation, while also depending on short-term external financing, which may compound vulnerabilities in the event of currency depreciation or financial stress and limit its ability to channel credit to the private sector.
- The **credibility of its economic policy** has improved following the shift towards orthodox policies since 2024, but there remains the risk that these measures may be reversed or only partially implemented, against a backdrop of perceived institutional weakness and limited independence in economic policy-making, which could undermine investor confidence and macro-financial stability.
- On the **social front**, high cumulative inflation has significantly eroded the purchasing power of households, particularly among the most vulnerable groups, given the high levels of informal employment and persistent inequalities, which may lead to social tensions and pressure to prematurely ease restrictive policies.

² IMF (2026) "Republic of Türkiye: Staff Report for the 2025 Article IV Consultation", OECD (2025), "OECD Economic Surveys: Türkiye 2025" and OECD (2026), "Foundations for Growth and Competitiveness 2026".

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