

Year-end inflation expectations are on the rise

- Last week, global markets closely monitored tariff-related developments while also focusing on macroeconomic data releases. U.S. President Trump signed an executive order imposing a 25 percent tariff on steel and aluminum imports from all countries, with the tariffs expected to take effect in March. Additionally, new tariffs on several countries remain on the agenda, with final decisions anticipated by April. In the U.S., January inflation data released last week exceeded expectations, with monthly inflation at 0.5 percent and annual inflation at 3.0 percent. Data from the previous week indicated that the labor market remained strong. The persistence of high inflation postponed expectations for a Federal Reserve rate cut to September. Fed Chair Powell stated that inflation is not yet under control and that there is no urgency to cut interest rates. This week's economic calendar includes the FOMC meeting minutes, housing starts, the Philadelphia Fed Manufacturing Index, services and manufacturing PMI indices, and the Michigan inflation expectations in the U.S. In the Eurozone, key releases will include the ZEW economic sentiment index, consumer confidence, manufacturing and services PMI indices, and Germany's producer price index. Meanwhile, in Japan, fourth-quarter GDP data and industrial production figures will be released.
- The Eurozone's GDP grew by 0.9 percent year-on-year in the final quarter of the year. However, industrial production declined by 1.1 percent on a monthly basis in December. ECB President Lagarde highlighted risks associated with global trade and reiterated expectations that inflation would reach the 2 percent target this year.
- No major economic data was released in Asia last week. Instead, market participants focused on official statements. The People's Bank of China (PBoC) expressed expectations for stable economic growth in 2025. In response to rising external challenges and domestic demand concerns, the central bank announced plans to adjust monetary policy to support the economy. Meanwhile, Bank of Japan (BoJ) Governor Kazuo Ueda emphasized that the central bank would manage monetary policy while considering the risks of persistently high food prices and their potential impact on inflation expectations.
- Domestically, the Central Bank, TurkStat, and other institutions released various data:
 - In the CBRT Market Participants Survey, the year-end 2025 inflation forecast was revised upward to 28.30 percent. The 2025 GDP growth expectation remained at 3 percent, while the interbank foreign exchange market USD/TRY forecast was announced at 42.88.
 - Retail sales increased by 13.5 percent year-on-year in December, while industrial production recorded an annual growth of 7 percent.
 - Housing sales across Turkey surged by 39.7 percent year-on-year in January, reaching 112,173 units. In contrast, housing sales in January 2023 and January 2024 remained below 100,000 units. The real estate market started 2025 with robust sales figures.

Weekly Status

	07-02-25	14-02-25	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050	9.499	9.292	-2,2%	-1,1%	23,2%	32,6%	210,3%
Bist100	9.952	9.878	-0,7%	0,5%	31,6%	35,6%	196,6%
USDTRY	35,97	36,24	0,8%	2,4%	20,1%	57,5%	39,6%
DXY	108,04	106,79	-1,2%	-1,6%	7,1%	-2,1%	8,2%
US-10Y	4,50	4,49	-0,2%	-2,1%	18,0%	0,0%	156,3%
TR-10Y	27,60	27,97	1,3%	-2,8%	7,6%	169,4%	-59,2%
TR-2Y	39,00	39,36	0,9%	-3,0%	2,2%	298,0%	-56,1%
CDS (5Y)	250,17	245,21	-2,0%	-5,6%	-6,6%	-45,2%	-10,5%
Gold (Ounce/USD)	2.860,50	2.882,52	0,8%	9,9%	27,2%	13,1%	-0,3%
Gold (Gram/TRY)	3.307,60	3.360,13	1,6%	12,6%	52,1%	78,9%	40,4%
Silver (Gram/TRY)	36,81	37,43	1,7%	13,9%	45,3%	57,1%	44,9%

Global



In January, the U.S. Producer Price Index (PPI) increased by 0.4 percent monthly and 3.5 percent annually, exceeding expectations, while the core PPI rose by 0.3 percent monthly and 3.6 percent annually. According to the Producer Price Index (PPI) data for January released by the U.S. Department of Labor, PPI increased by 0.4 percent on a monthly basis and 3.5 percent on a yearly basis, surpassing expectations. The Core Producer Price Index (Core PPI) increased by 0.3 percent monthly and 3.6 percent annually.

In the U.S., CPI increased by 0.5 percent monthly and 3.0 percent annually, exceeding market expectations. According to the Consumer Price Index (CPI) announced by the U.S. Department of Labor for January, the CPI increased by 0.5 percent on a monthly basis and 3.0 percent annually, exceeding market expectations. During the same period, core CPI, which excludes volatile energy and food prices, recorded a monthly increase of 0.4 percent and an annual rise of 3.3 percent.

Consumer expectations in the U.S. remained unchanged at 3.0 percent for both the 12-month and 3-year inflation expectations. According to the results of the Consumer Expectations Survey published by the New York Fed for January, the median short-term inflation expectation covering the next 12 months remained unchanged at 3.0 percent compared to the previous month. Similarly, the median inflation expectation for the next 3 years also remained unchanged at 3.0 percent. Additionally, the median inflation expectation covering the next 5 years increased by 0.3 percent, reaching 3.0 percent.

The U.S. Small Business Optimism Index declined by 2.3 points to 102.8 compared to the previous month. According to the Small Business Optimism Index published by the National Federation of Independent Business (NFIB) for January, the index fell below expectations, decreasing by 2.3 points to 102.8. This marked the first decline in three months. During the same period, the Uncertainty Index rose by 14 points to 100 after two months of decline.

Industrial production in the U.S. increased by 0.5 percent on a monthly basis. According to the Industrial Production and Capacity Utilization data announced by the Federal Reserve (Fed) for June, industrial production increased by 0.5 percent on a monthly basis, exceeding expectations, while the capacity utilization rate also rose by 0.3 percentage points, reaching 77.8 percent, which was above expectations.

Retail sales in the U.S. contracted by 0.9 percent on a monthly basis. According to the retail sales data for January released by the U.S. Department of Commerce, retail sales nationwide contracted by 0.9 percent on a monthly basis. During the same period, sales excluding automobiles declined by 0.4 percent. The decline in retail sales in January was influenced by the wildfires in Los Angeles.

Fed Chair Powell stated that there is no rush to adjust the stance of monetary policy. Federal Reserve Chairman Jerome Powell made statements regarding the macroeconomic outlook. Powell emphasized that there is no urgency in adjusting the monetary policy stance and stated that inflation is approaching the targeted 2 percent level but still remains slightly high. He also noted that monetary policy is well-positioned against risks and uncertainties.

Federal Reserve Chairman Jerome Powell reiterated that they would not be hasty in cutting interest rates, while also stating that President Donald Trump's calls for lower interest rates would not influence the Fed's rate decisions. Federal Reserve Chairman Jerome Powell, in his presentation to the House Financial Services Committee, reiterated that they would not be hasty in cutting interest rates. He stated, "We are trying to return to a long period of expansion with stable prices. I can say that we are close to the inflation target, but we are not there yet. Today's inflation data says the same thing." Powell also emphasized that President Donald Trump's calls for lower interest rates would not influence the central bank's rate decisions.

Cleveland Fed President Hammack emphasized that keeping interest rates steady would be more appropriate. Cleveland Fed President Beth Hammack made statements regarding monetary policy. Hammack stressed that it would be more appropriate to keep interest rates stable. She stated that while further downward progress in inflation is expected and the economic impacts of new government policies are analyzed, it would be suitable to keep interest rates "steady for a while."

MBA Vice President Joel Kan stated that the limited decline in mortgage interest rates led to an increase in refinancing applications, but a noticeable decline in purchase applications. According to the weekly mortgage application statistics announced by the Mortgage Bankers Association (MBA) in the U.S., mortgage applications for home purchases declined by 2.3 percent, while refinancing applications increased by 9.6 percent. During the same period, the average interest rate for a 30-year mortgage dropped by 2.0 basis points to 6.9 percent. MBA Vice President Joel Kan stated that the limited decline in mortgage interest rates led to an increase in refinancing applications, but there was a noticeable decline in purchase applications.

In December, industrial production in the Euro Area decreased by 1.1 percent on a monthly basis and 2.0 percent on an annual basis. While the annual decline was smaller than expected, the monthly drop exceeded expectations. According to the seasonally adjusted industrial production data for December released by the European Statistical Office (Eurostat), industrial production in the Eurozone declined by 1.1 percent on a monthly basis and by 2.0 percent on a yearly basis. In the same period, market expectations were for a decrease of 0.6

percent monthly and 3.1 percent annually. Among Eurozone countries, the largest monthly declines were observed in Belgium and Portugal, while Austria and Italy recorded the steepest annual declines.

Investor confidence in the Eurozone increased by 5 points on a monthly basis, reaching -12.7, surpassing market expectations. According to the Investor Confidence Index published by Sentix for the Eurozone, investor confidence rose by 5 points to -12.7 on a monthly basis. The index exceeded market expectations of -16.3 and reached its highest level since July 2024. Additionally, the Expectations Index, which measures investors' outlook for the next six months, increased from -5.0 to 1.0.

ECB Executive Board member Vujcic stated that despite the Fed's decision to slow down, the ECB will remain committed to its interest rate cut path and could make three interest rate cuts this year. In an interview, European Central Bank (ECB) Executive Board member Vujcic stated that although the Federal Reserve has slowed down its interest rate cuts in the U.S., the ECB will remain committed to its rate-cut path, adding, "The European Central Bank could reduce interest rates three more times this year, even if its U.S. counterpart moves more slowly." Vujcic also mentioned that the market has priced in three rate cuts this year and noted that these expectations are not unreasonable.

Domestic



The seasonally adjusted unemployment rate decreased by 0.1 points to 8.5 percent on a monthly basis. According to the Labor Force Statistics published by the Turkish Statistical Institute (TURKSTAT) for December, the number of unemployed individuals aged 15 and above in Turkey decreased by 39,000 compared to the previous month, reaching 3.026 million. As a result, the seasonally adjusted unemployment rate dropped by 0.1 points to 8.5 percent. Meanwhile, the unemployment rate among the 15-24 age group increased by 0.5 points to 16.3 percent, while the underemployment rate, which includes time-related underemployment, potential labor force, and unemployed individuals, remained unchanged at 28.2 percent.

Industrial production increased by 5.0 percent on a monthly basis and 7.0 percent annually. According to the Industrial Production Index published by TURKSTAT for December, industrial production increased by 5.0 percent monthly and 7.0 percent annually. Examining the subcategories, significant annual growth was observed in the manufacturing, electricity, gas, and steam sectors. Additionally, strong growth was noted in high-tech and capital goods production. Regarding the data, Trade Minister Ömer Bolat stated that the highest monthly increase in industrial production in the last 21 months had been recorded.

The Export Climate Index reached 51.2, indicating a positive outlook for exporters. According to the Turkey Manufacturing Sector Export Climate Index published by the Istanbul Chamber of Industry (ISO) for January, the index remained above the 50 threshold for the 13th consecutive month, reaching 51.2. This signaled a favorable environment for exporters. The index had stood at 50.9 in December. Among regional breakdowns, the Middle East recorded the highest growth rates.

Trade sales volume increased by 4.7 percent monthly and 8.2 percent annually in December. According to the Trade Sales Volume Index published by TURKSTAT for December, trade sales volume increased by 4.7 percent on a monthly basis and 8.2 percent on an annual basis. Retail sales volume recorded an annual increase of 13.5 percent, while the monthly increase stood at 0.4 percent.

The total turnover index increased by 5.1 percent monthly and 41.3 percent annually. According to the Turnover Indices published by TURKSTAT for December, the total turnover index for the industry, construction, trade, and service sectors increased by 5.1 percent on a monthly basis and 41.3 percent on an annual basis. Examining the annual changes in subcategories, the industry turnover index increased by 32.8 percent, the construction turnover index by 49.3 percent, the trade turnover index by 41.9 percent, and the service turnover index by 49.7 percent. On a monthly basis, the trade turnover index increased by 5.6 percent, the industry turnover index by 5.9 percent, the construction turnover index by 1.4 percent, and the service turnover index by 3.7 percent.

The Construction Cost Index increased by 0.7 percent on a monthly basis and 34.3 percent on an annual basis. According to the Construction Cost Index published by the Turkish Statistical Institute (TurkStat) for December, the index increased by 0.7 percent on a monthly basis and 34.3 percent on an annual basis. When examining the subcategories, the material and labor indices rose by 0.4 percent and 1.3 percent monthly, while they recorded annual increases of 26.2 percent and 54.4 percent, respectively. During the same period, the building construction cost index increased by 0.7 percent monthly and 34.7 percent annually, while the cost index for non-building structures rose by 0.8 percent on a monthly basis and 33.0 percent on an annual basis.

The export unit value index increased by 1.0 percent annually, while the import unit value index rose by 0.7 percent annually. According to the Foreign Trade Indices announced by TurkStat for December, the export unit value index increased by 1.0 percent annually, while the import unit value index rose by 0.7 percent annually. During the same period, the export volume index grew by 1.1 percent annually, whereas the import volume index recorded a 10.2 percent annual increase. Consequently, the terms of trade index, calculated by dividing the export unit value index by the import unit value index, rose by 0.2 points compared to the previous year, reaching 85.0 points.

In December, the current account recorded a deficit of 4 billion 650 million dollars, while the surplus excluding gold and energy was 2 billion 466 million dollars. In the financial account, there was a net inflow in direct investments, a net outflow in portfolio investments, and a decrease in reserve assets. According to the Balance of Payments Statistics published by the Central Bank of the Republic of Turkey (CBRT) for December, the current account recorded a deficit of 4 billion 650 million dollar. In the same period, the current account excluding gold and energy posted a surplus of 2 billion 466 million dollar. On the financial account side, net inflows from direct investments amounted to 1 billion 138 million dollar, while net outflows from portfolio investments were recorded at 1 billion 479 million dollar. Additionally, reserve assets decreased by 1 billion 557 million dollar.

According to the Housing Sales Statistics announced by TurkStat, housing sales in January increased by 39.7 percent on an annual basis, reaching approximately 112 thousand 173 units. When examining the subcategories, mortgaged sales increased by 182.8 percent on an annual basis, reaching about 16 thousand 726 units, while other housing sales increased by 28.3 percent, reaching 95 thousand 447 units. During the same period, the number of new home sales increased by 29.8 percent annually, reaching approximately 32 thousand 785 units.

According to the Service Production Index published by TurkStat for December, service production increased by 1.2 percent on a monthly basis and 1.9 percent on an annual basis. When examining the subcategories, information and communication services increased by 0.3 percent, transportation and storage by 3.8 percent, accommodation and food by 0.3 percent, and real estate by 3.1 percent on a monthly basis. The professional, scientific, and technical group and administrative and support services recorded decreases of 3.8 percent and 1.5 percent, respectively, on a monthly basis.

According to the Market Participants Survey Statistics announced by the Central Bank of the Republic of Turkey (CBRT) for February, market participants' year-end and 12-month ahead consumer inflation (CPI) expectations were recorded at 28.30 percent and 25.26 percent, respectively. Participants' expectations for the CBRT one-week repo auction rate 12 months ahead stood at 28.97 percent. The year-end exchange rate (Dollar/TRY) expectation of participants was 42.89 TRY. Additionally, the growth expectation for 2025 remained at 3.0 percent.

During the week of February 7, foreign investors made a record sale of 1 billion 500 million dollars in bonds, while there was an outflow of 50 million dollars from stocks. During this period, inflation exceeded expectations. According to the statistics released by the Central Bank of the Republic of Turkey (CBRT) for the week of February 7, foreign investors made a record sale of 1 billion 500 million dollar in bonds, marking the highest weekly outflow in the dataset. In the previous week, the inflation data announced by the Turkish Statistical Institute (Turkstat) on February 3 exceeded expectations, coming in at 5.03 percent monthly. In the same period, foreign investors also sold 50 million dollar worth of stocks.

During the week of February 7, total reserve assets increased by 1 billion 517 million dollars, reaching 167 billion 492 million dollars. While gross foreign exchange assets decreased, gold reserves increased. According to the Reserve data released by the Central Bank of the Republic of Turkey (CBRT) for the week of February 7, total reserve assets increased by 1 billion 517 million dollar on a weekly basis, rising from 165 billion 975 million dollar to 167 billion 492 million dollar. When analyzing the subcomponents, gross foreign exchange reserves decreased by 382 million dollar to 96 billion 929 million dollar, while gold reserves increased by 1 billion 899 million dollar, reaching 68 billion 664 million dollar.

CBRT President Karahan stated that tight monetary policy will continue until a permanent decline in inflation is achieved. The President of the Central Bank of the Republic of Turkey (CBRT), Fatih Karahan, stated that tight monetary policy will continue until a lasting decline in inflation is ensured. Inflation is targeted to decline to 24 percent by the end of the year, while the stance of monetary policy has contributed to balancing domestic demand and improving inflation expectations. Additionally, Karahan emphasized that the increased coordination with fiscal policy supports the disinflation process. Karahan said, "The policy rate will be determined

based on actual inflation and expectations. If there is a significant deterioration in inflation, necessary measures will be taken."

Minister of Treasury and Finance Mehmet Şimşek stated that the Turkish lira performed well in terms of the real effective exchange rate. At the 2025 World Governments Summit, Minister of Treasury and Finance Mehmet Şimşek stated that the Turkish lira performed well in terms of the real effective exchange rate. He emphasized that, while high inflation naturally leads to nominal depreciation, implemented disinflation programs have contributed to the lira's appreciation. Şimşek also highlighted that Turkey's current account deficit-to-GDP ratio declined to 0.6 percent and that foreign exchange reserves have increased by 126 billion dollars over the past 1.5 years. He underlined that strong buffers have been built against economic shocks.

Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
New	Industrial Production	December	7,0%	1,5%	
	Manufacturing PMI	January	48,0	49,1	50,0
	Capacity Utilization Rate (seasonally adj.)	January	74,8%	75,6%	
	Import - (capital goods) (annually)	December	-6,4%	-15,5%	
	Import - (intermediate goods) (annually)	December	11,6%	3,9%	
	Import - (consumption goods) (annually)	December	27,0%	15,5%	
New	Credit Growth Weekly	February (Week 1)	0,7%	1,0%	
	Consumer Confidence Index	January	81,0	81,3	100
	Real sector confidence (seasonally adj.)	January	102,6	102,7	100
	Service sector confidence (seasonally adj.)	January	116,5	113,6	100,0
	Retail sector confidence (seasonally adj.)	January	114,5	113,0	100,0
	Construction sector confidence (seasonally adj)	January	91,7	89,4	100,0
	Car Sales (annually)	January	-13,9%	7,3%	
New	House sales - total (annually)	January	39,7%	53,4%	
New	House sales - mortgage (annually)	January	182,8%	285,3%	
	CPI	February	42,1%	44,4%	
New	CPI expectations (year-end)	February	28,3%	27,1%	
New	Current Year Growth Expectations	February	3,0%	3,1%	
New	Retail Sales Volume (annually)	December	13,5%	16,4%	
New	Current Account Balance (billion USD)	December	-4,7	-2,9	
New	Unemployment Rate (seasonally adj.)	December	8,5%	8,6%	
New	Dollarization	February (Week 1)	3,17 Billion (+)	1,19 Billion (-)	

	Indicates decrease
	Indicates stability
	Indicates increase

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