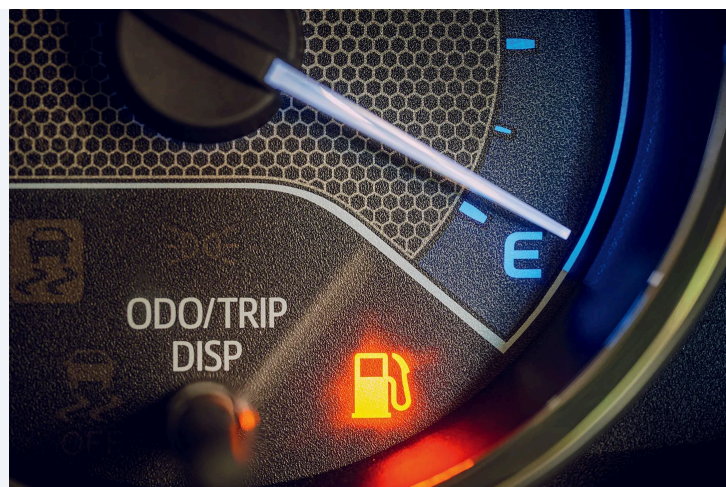


OECD Economic Outlook, Volume 2026 Issue 1

Under Pressure

Report

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Summary

Full report

Support materials

Türkiye

Growth is projected at 3.1% in 2026 and 3.8% in 2027. Higher energy and commodity prices are depressing domestic demand amid tight financial conditions. By late 2026, improving consumer sentiment and lower interest rates will underpin stronger consumption and investment. The decline in inflation will see annual headline inflation falling below 20% in the first half of 2027. A key risk is that the evolving conflict in the Middle East and the resulting price pressures slow the disinflationary process further.

Interest rate cuts have been kept on hold since the start of the Middle East conflict. Maintaining tight monetary policy is key to lower inflation expectations, which remain far above the central bank's inflation target. Future rate increases should not be ruled out. Contractionary fiscal policy should continue to complement monetary policy efforts to tame inflation. Accelerating the deployment of renewable energy

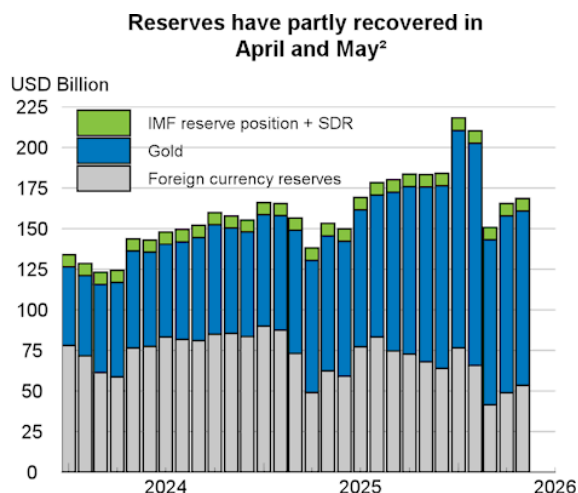
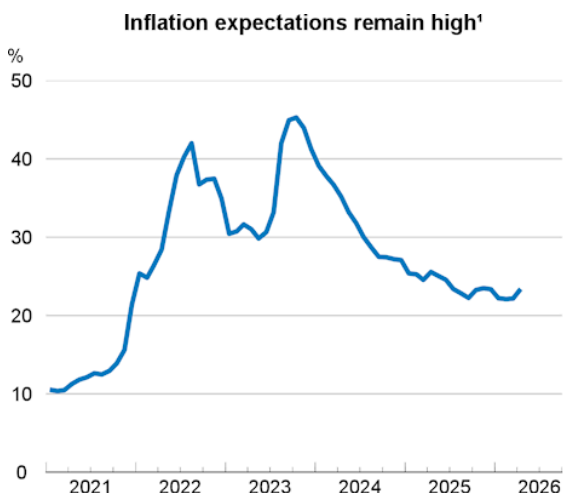
would help bolster energy security and curb emissions. Better tax incentives to encourage female labour force participation, improving skills and reducing barriers to entry in services can support current efforts to raise long-term growth potential.

Domestic demand remains resilient

Declining inflation and lower policy rates supported domestic demand in the last quarter of 2025. Household consumption increased by 4.2% quarter-on-quarter. Strong private consumption more than offset a decline in net exports, as imports increased by 4.3% and exports fell by 4.5%. Following substantial disinflation between mid-2024 and mid-2025, progress has slowed recently. Year-on-year headline inflation was 32.4% in April, compared with 30.7% in January, while core inflation only declined marginally and producer price inflation was 6 percentage points higher than a year ago. Short-term indicators point to slowing momentum, with the manufacturing purchasing managers' index becoming increasingly contractionary in April 2026, and an indicator of industrial confidence has also fallen. Amid a current account deficit, including before the escalation of the conflict in March, the central bank has sold significant currency and gold reserves to support the currency. Reserves have partly recovered in April.

As a net energy and fertiliser importer, Türkiye's current account and inflation are affected by higher energy prices. However, direct supply risks are limited as most oil, gas and fertiliser imports do not originate from the Persian Gulf. Türkiye also remains vulnerable to a slowdown in European demand and competition from China on third markets, notably in manufacturing.

🔗 Türkiye



1. Data correspond to 12-month ahead inflation expectations of market participants.

2. Refers to the latest available data (8 May).

Source: Central Bank of the Republic of Türkiye.

Statlink 

Türkiye: Demand, output and prices

Statlink 

Fiscal policy will become more supportive, while monetary policy will remain tight

Fiscal support measures in the context of the Middle East conflict include a reduced petrol excise tax, which has offset 75% of the price increases since 2 March. After some

consolidation in 2025, increasing interest costs and energy support measures will raise the headline deficit from 2.9% in 2025 to 3.4% in 2027. Public debt, at 24% of GDP, is set to increase modestly. Policy rate cuts initiated in July 2025 have been halted and the policy rate is likely to remain on hold while commodity prices are high, before decreasing to 20% by the end of 2027. Amid falling inflation, the real interest rate will remain high but the policy mix will be only mildly contractionary and the output gap will not fall by much.

Growth will pick up once the Middle East conflict dissipates

After some initial weakness in the first half of 2026, domestic demand is expected to pick up once the economic fallout from the Middle East conflict diminishes, leading to an expected annual growth of 3.1% for 2026. After slowing earlier in the year, disinflation is set to regain momentum in the second half of 2026 and during 2027, with year-on-year headline inflation expected to reach 15% by the end of 2027. This will underpin stronger private consumption and help bring annual output growth to 3.8% in 2027. Key risks include a stalling of the disinflation process if high energy and commodity prices turn out more persistent, and a durable increase in inflation expectations, especially if monetary policy were slow to react to rising price pressures. High commodity prices in the second quarter of 2026 will continue to put pressure on the current account deficit, which could trigger rapid currency depreciation that fuels imported inflation.

Achieving disinflation remains the policy priority

Achieving rapid disinflation will require continuously tight macroeconomic policies. The central bank should increase the policy rate if progress towards disinflation proves insufficient. Accelerating the rollout of renewable energy, including solar and wind, would bolster energy security and reduce carbon emissions, and contain energy prices. Moving towards more targeted and time-bound energy cost support measures could be more effective while limiting their fiscal cost and supporting the need for continuously tight fiscal policy. Simplifying insolvency regulations and making labour contracts more flexible could foster capital and labour reallocation towards better-performing businesses. Reducing the tax wedge on families, would boost female labour force participation. Improving skills and easing occupational licensing in services could further support ongoing efforts to raise long-term growth potential.