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## EXPECTATIONS IN MACROECONOMICS: A THEORETICAL EVALUATION OF THEIR EFFECTS ON MACROECONOMIC INDICATORS

MAKROEKONOMİDE BEKLENTİLER: MAKROEKONOMİK GÖSTERGELER ÜZERİNDEKİ ETKİLERİNİN TEORİK BİR DEĞERLENDİRMESİ

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ARTICLE INFO	ABSTRACT
<p><b>Received</b> 14.12.2025</p> <p><b>Revized</b> 15.01.2026</p> <p><b>Accepted</b> 23.03.2026</p> <p><b>Article Classification:</b> Research Article</p> <p><b>JEL Codes</b> E10 E40 E50</p>	<p>This study aims to evaluate the role of expectations on macroeconomic variables within a theoretical framework. Expectations play a critical role in the formation of macroeconomic indicators by significantly shaping the consumption, investment, and pricing behaviours of economic actors such as households, firms, governments, and international organizations in financial and real markets. In the literature on expectations, the prominent theories of adaptive expectations and rational expectations explain how economic actors form predictions in their decision-making processes by utilizing past experiences or the current knowledge base. In modern macroeconomic approaches, expectations are considered a crucial component, particularly in the monetary policy transmission mechanism. In this context, managing expectations through central banks' communication strategies and forward guidance stands out as one of the key elements that enhance the effectiveness of monetary policy. This study examines the effects of expectations on key macroeconomic indicators such as inflation, interest rates, and economic growth; it also presents concrete assessments based on expectation surveys conducted by the Central Bank of the Republic of Türkiye. In conclusion, it is shown that expectations are not only an element reflecting predictions about the future; they are also a fundamental factor directly influencing current economic decisions and the effectiveness of implemented economic policies.</p> <p><b>Keywords:</b> Expectations, Macroeconomic Indicators, Rational Expectations, Monetary Policy, CBRT.</p>

MAKALE BİLGİSİ	ÖZ
<p><b>Gönderilme Tarihi</b> 14.12.2025</p> <p><b>Revizyon Tarihi</b> 15.01.2026</p> <p><b>Kabul Tarihi</b> 23.03.2026</p> <p><b>Makale Kategorisi</b> Araştırma Makalesi</p> <p><b>JEL Kodları</b> E10 E40 E50</p>	<p>Bu çalışma, beklentilerin makroekonomik değişkenler üzerindeki rolünü teorik bir çerçevede değerlendirmeyi amaçlamaktadır. Beklentiler; hane halkı, firmalar, devlet ve uluslararası kuruluşlar gibi iktisadi aktörlerin reel ve finansal piyasalardaki tüketim, yatırım ve fiyatlama davranışlarını önemli ölçüde şekillendirerek makroekonomik göstergelerin oluşum sürecinde kritik bir rol üstlenmektedir. Beklentiler literatüründe öne çıkan adaptif beklentiler ve rasyonel beklentiler teorileri, ekonomik aktörlerin karar alma süreçlerinde geçmiş deneyimlerden veya mevcut bilgi setinden yararlanarak nasıl öngörüler oluşturduklarını açıklamaktadır. Modern makroekonomik yaklaşımlarda ise beklentiler, özellikle para politikası aktarım mekanizmasının önemli bir bileşeni olarak değerlendirilmektedir. Bu bağlamda merkez bankalarının iletişim stratejileri ve ileriye dönük yönlendirmeleri (forward guidance) aracılığıyla beklentilerin yönetilmesi, para politikasının etkinliğini artıran temel unsurlardan biri olarak öne çıkmaktadır. Çalışmada enflasyon, faiz oranları ve ekonomik büyüme gibi temel makroekonomik göstergeler üzerindeki beklenti etkileri ele alınmakta; ayrıca Türkiye Cumhuriyet Merkez Bankası (TCMB) tarafından yürütülen beklenti anketleri üzerinden somut değerlendirmeler sunulmaktadır. Sonuç olarak, beklentilerin yalnızca geleceğe ilişkin öngörülerini yansıtan bir unsur olmadığı; aynı zamanda cari dönem ekonomik kararlarını ve uygulanan iktisadi politikaların etkinliğini doğrudan etkileyen temel bir faktör olduğu ortaya konulmaktadır.</p> <p><b>Anahtar Kelimeler:</b> Beklentiler, Makroekonomik Göstergeler, Rasyonel Beklentiler, Para Politikası, TCMB</p>

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## Introduction

Expectations have played a significant role in economic decision-making processes throughout history. In this context, expectations are a process, and the transformation of this process into action in the economic world occurs through expectations formed by households, firms, the government, and the outside world. These expectations influence consumption, investment, and pricing behaviours, thus significantly shaping the future of the overall economy. This role of expectations is considered a crucial area of analysis in the literature, particularly when examining the dynamics of key macroeconomic variables such as inflation, growth, and interest rates.

It has been noted that the first unsystematic studies on expectations were conducted by ancient Greek philosophers, and that their development into a theory and reaching analytical dimensions is based on the works of H. Thornton (1802) and E. Cheysson (1887) (Tunalı, 2011: 136). The inclusion of expectations in macroeconomic models gained importance especially with the Phillips curve approach developed in the 1960s. This approach emphasizes that the relationship between inflation and unemployment cannot be evaluated independently of the inflation expectations of economic units. In this context, the studies developed by Milton Friedman (1968) and Edmund Phelps (1967) revealed the impact of inflation expectations on labour market and price dynamics, thus increasing the importance of expectations in macroeconomic analyses.

The rational expectations approach, developed in later periods, emerged as a product of the New Classical School of Economics. This approach argues that economic actors form their expectations about the future by efficiently using the existing information set, and that the effectiveness of economic policies is shaped through these expectations.

One of the pioneers of this approach, John F. Muth (1961), relates the formation process of an economic variable over time to the expectations formed by economic decision-making units based on their observations. Accordingly, by combining all available information, agents are able to form informed expectations about that variable. Under the assumption of symmetric information, these expectations are unbiased and free from systematic errors. Robert Lucas Jr. (1972) also supported Muth's proposition, drawing attention to the importance of expectations in evaluating economic policies.

In the context of modern macroeconomic literature, New Keynesian models are primarily used to evaluate expectations. New Keynesian models consider expectations as a fundamental determinant of inflation dynamics. Furthermore, they explain the effectiveness of monetary policy by relating it to expectation channels. Monetary policies implemented by central banks influence not only current economic conditions but also economic actors through the expectation channel. The expectations channel, which is part of the monetary policy transmission mechanism, provides an analytical framework for all economic policies through the real economy. Therefore, the magnitude of the impact of expectations on economic indicators offers a critical approach to macroeconomic policy analysis.

The role of expectations, extending from historical processes to economic processes, has constituted a significant area of macroeconomic theory, particularly since Keynesian theory in the second half of the 20th century. While the role of expectations offers a limited scope for traditional Keynesian models, their systematic inclusion in the literature provides an adaptable expectation approach in economic analysis. According to the work of Milton Friedman (1968) and Edmund

Phelps (1967), economic actors update their expectations based on past mistakes. This approach also explains the relationship between inflation and unemployment within the framework of the Phillips Curve.

Expectations, incorporated into macroeconomic analysis and policy-making processes, have gained increasing importance, leading to the development of new theories. For example, the rational expectations theory was developed in the 1970s. This theory posits that economic actors utilize all available information to make predictions for the future. Expectations, in this way, are crucial in evaluating economic policies. Furthermore, this approach has significantly altered the structure of macroeconomic models (Lucas, 1972; Muth, 1961). It has also sparked important debates in the literature regarding economic policy analysis, often referred to as a critique of Lucas's theory.

In modern macroeconomic literature, expectations are critical both theoretically and in terms of monetary policy application. Central banks, in particular, guide market expectations using both policy communication and forward guidance strategies. Therefore, the expectations channel represents a fundamental component of the monetary policy transmission mechanism (Woodford, 2003). Changes in future expectations are likely to be reflected in prices, investment decisions, and consequently, financial markets. Based on this, it is accepted that expectations play a significant role in the formation of these factors and the effectiveness of implemented policies.

This study contributes to the literature by presenting a comprehensive overview of the evolution of expectation dynamics in the Turkish economy over time, using up-to-date data from the Central Bank of the Republic of Türkiye (CBRT) expectation surveys. Whilst a significant portion of existing studies analyse expectations through econometric models, this study examines different expectation indicators (inflation, interest rates and growth) together, analysing the co-movements between these variables using a descriptive approach.

Another contribution of the study is that, by highlighting the increased volatility of expectations and their sensitivity to macroeconomic shocks, particularly in the post-pandemic period, it presents an empirically grounded discussion suggesting that the formation of expectations can be explained not only within a rational framework but also through adaptive dynamics. In this respect, the study concretises the distinction between the rational expectations approach developed by Robert Lucas and Milton Friedman's adaptive expectations approach using the Turkish case.

Furthermore, by providing a systematic and visual framework for how policymakers can interpret expectation surveys, the study makes a practical contribution to the use of expectation data in macroeconomic policy analysis. In this context, the study offers both a descriptive and comprehensive analysis to the academic literature and provides a data-driven perspective to policy debates.

### **1. Expectation Formation Theories and Macroeconomic Framework**

It is a well-known fact in the literature that expectations, reflecting the predictions of economic actors about the future, shape consumption, investment, and savings decisions when conducting macroeconomic analyses. Therefore, expectations, as one of the fundamental building blocks of modern macroeconomic theory, provide critical contributions to policymakers, especially in inflation, monetary policy transmission mechanisms, and economic growth processes. Potential changes in forecasts affect pricing behaviour, the functioning of financial markets, and investment decisions, serving as an explanatory indicator of economic fluctuations and macroeconomic instabilities that occur over time.

The systematic treatment of expectations in macroeconomic analysis has become possible, particularly with the development of expectation formation theories. These theories aim to explain the information sets on which economic actors rely when forming their predictions about the future, and how these predictions affect economic processes. Accordingly, the expectation function of economic actors for period  $t$  can be expressed as follows:

$$E_t(X_{t+1}) \tag{1}$$

Here,  $E_t$  represents the expectation function at time  $t$ , while  $X_{t+1}$  denotes the economic variable in the next period. In other words, at period  $t$ ,  $E_t[X_{t+1}]$  reflects the expectation of the macroeconomic variable  $X$  for period  $t+1$ .

In the literature, the most widely recognized approaches to expectation formation are the adaptive expectations and rational expectations theories.

The adaptive expectations approach posits that economic agents update their expectations based on past experiences and observations. According to this approach, agents gradually revise their expectations by taking into account the forecasting errors they made in the past. Widely used in the analysis of inflation dynamics, this approach emphasizes that inflation expectations are influenced by past inflation rates (Milton Friedman, 1968). The classical adaptive expectations model can be expressed as follows:

$$E_t(\pi_{t+1}) = E_{t-1}(\pi_t) + \lambda (\pi_t - E_{t-1}(\pi_t)) \tag{2}$$

The parameter  $\lambda$  represents the learning coefficient and is expected to lie within the interval  $0 < \lambda < 1$ . Economic agents update their expectations by learning from past errors, revising new information, and reprocessing it based on realized outcomes. As shown in equation (2), inflation is used as an example of a macroeconomic variable, and agents update their expectations according to the realized inflation rate. This approach directly corresponds to the models of Friedman and Phelps, which incorporate expectations into the Phillips curve framework.

Throughout the 1970s, the modelling of expectations in the literature attempted to explain expectations for all macroeconomic variables—whether inflation, unemployment, or growth—using this formulation. However, the model faced several criticisms. In adaptive expectations theory, the sluggishness and backward-looking nature of expectations—where agents adjust their expectations solely based on past data—were considered simplifying assumptions that limited the model’s realism.

Adaptive expectations are examined through central bank monetary policies, fiscal policies, and various market-based data sets. Another criticism is that governments create an unexpected perception of inflation by pursuing expansionary monetary policies or temporarily increasing production. This situation is explained by associating it with the potential for systemic policy errors. The emergence of stagflation in the 1970s also directly undermined adaptive expectations models used in the Phillips curve.

Collectively, these criticisms laid the groundwork for the development of the rational expectations theory.

The rational expectations theory assumes that economic agents attempt to form the most accurate forecasts about the future by taking into account all available information and economic policies.

This approach posits that economic agents do not make systematic errors and that their expectations are consistent with the underlying economic models (John F. Muth, 1961; Robert Lucas Jr., 1972).

Rational expectations can be formulated as follows:

$$X_{t+1} = E_t(X_{t+1}) + \varepsilon_{t+1} \quad (3)$$

$\varepsilon_{t+1}$  represents an unanticipated shock, while  $E(\varepsilon_{t+1})$  is assumed to be zero.

The assumption that  $E(\varepsilon_{t+1}) = 0$  confirms that economic agents do not make systematic errors. The expected value of the error term is considered to be zero. In other words, under the rational expectations hypothesis, economic agents utilize all available information at the decision-making stage. Expectations formed based on current information eliminate the possibility of systematic errors. Therefore, the rational expectations hypothesis assumes that economic agents do not make systematic errors, and any deviation is caused solely by random shocks. Here,  $\varepsilon_{t+1}$  represents unanticipated random shocks. Under the rational expectations hypothesis, the expected value of the error term is zero ( $E(\varepsilon_{t+1}) = 0$ ), indicating that economic agents do not commit systematic errors. The rational expectations approach has significant implications, particularly in macroeconomic policy analysis, highlighting the crucial role of expectations in evaluating the effectiveness of economic policies.

Expectations, as a whole, also constitute an important mechanism for the effectiveness of macroeconomic policy instruments. In particular, in the implementation of monetary policy, central banks' policy decisions and communication strategies can shape the expectations of economic agents. This creates a significant effect within the monetary policy transmission mechanism, referred to as the "expectations channel." Through this channel, central banks' forward-looking policy signals can influence financial markets and economic decisions (Woodford, 2003).

In the macroeconomic literature, expectations are primarily examined in terms of inflation expectations, interest rate expectations, and economic growth expectations. Inflation expectations play a crucial role in inflation dynamics by influencing pricing behavior and wage-setting processes. Similarly, expectations regarding interest rates shape investment and saving decisions, while expectations about economic growth can affect firms' production and investment plans.

The way expectations influence economic indicators, in other words, how they enter macroeconomic variables, can be formulated in a general model as follows:

$$Y_t = \alpha + \beta E_t(Y_{t+1}) + \gamma E_t(\pi_{t+1}) + \delta r_t + \theta Z_t + \varepsilon_t \quad (4)$$

In equation (4),  $Y_t$  represents the macroeconomic indicator in period  $t$ , such as investment, growth, or output;  $E_t(Y_{t+1})$  denotes the expectation of economic activity for the next period;  $E_t(\pi_{t+1})$  represents the expectation of inflation for the next period;  $r_t$  is the interest rate;  $Z_t$  includes other macroeconomic control variables, such as government spending and unemployment; and  $\varepsilon_t$  represents random economic shocks.

The theoretical basis represented by equation (4) is that economic agents form expectations about the future, and these expectations are translated into current economic decisions, making them direct determinants of macroeconomic indicators. This approach particularly validates the influence of economic agents' expectations on macroeconomic variables through the theories of Muth, Lucas, and Sargent. Accordingly, the relationship between expectations and macroeconomic outcomes can be summarized through a generalized macroeconomic function extended to include expectations.

The fact that expectations play a role in economic actors' predictions about the future, in current pricing, and in investment and production decisions confirms that they have a significant impact on today's macroeconomic outcomes. In this context, expectations play a central role in the formation of economic indicators and policy measures. A theoretical analysis of the effects of expectations makes macroeconomic dynamics more understandable.

## **2. Literature Review**

Expectations occupy a significant place in the macroeconomic literature, both theoretically and empirically. This literature can generally be organized around three main dimensions: inflation expectations, the monetary policy transmission mechanism, and its effects on financial markets.

It is important for economic actors to shape their inflation expectations within the framework of their pricing and wage-setting behaviours. Adaptive expectations, formulated by Friedman (1968) and Phelps (1967), also explain that economic actors' expectations are formed based on past inflation data. In the literature on rational expectations, developed by Muth (1961) and Lucas (1972), inflation is predicted using all available information; in other words, expectations are argued to be used as a tool. These predictions then influence prices in the market through pricing behaviour. On the other hand, empirical studies explain this by modelling expectations as a force in the forecasting process (Ball, 1994; Coibion and Gorodnichenko, 2012).

Expectations are of critical importance in the monetary policy transmission mechanism. Woodford (2003) draws attention to how central banks can influence the behaviour of economic actors through the expectations channel. Similarly, Gürkaynak, Sack, and Swanson (2005) empirically examined the effects of monetary policy communication on market interest rates and economic activity, confirming the effectiveness of the expectations channel.

Expectations are also crucial for the functioning of financial markets and the flow of investment decisions. All instruments operating in financial markets—including derivative prices, stock returns, and bond yields—reflect economic agents' expectations about the future (Campbell and Shiller, 1988). The influence of expectations on investment and consumption behaviour is particularly pronounced during periods of uncertainty (Bekaert, Engstrom, and Ermolov, 2020).

Fuest and Torsten (2020) analyzed the impact of uncertainty on inflation expectations in the US economy between 1983 and 2017. The macroeconomic consequences of this uncertainty were examined from both empirical and theoretical perspectives. Downward pressure on inflation rates and the output gap was identified. In their analysis, uncertainty was modelled as a shock. The analysis was conducted using a VAR approach and a structural DSGE model. The findings show that a loss of confidence in expectations slows economic activity through the demand channel. Accordingly, the study argues that central banks aiming for price stability should design policies that consider both the expectation level of economic actors and the uncertainty surrounding them.

Czudaj (2024) investigates the extent to which professional forecasters adhere to the propositions of the Phillips curve when forming their expectations. The study uses quarterly ECB data from 1999Q1 to 2023Q1. It finds that forecasters rely on the Phillips curve propositions in the short term, while in the long term they tend to deviate from them. Additionally, it is confirmed that the degree of anchoring of inflation expectations affects the relationship in a nonlinear manner, with lower anchoring further strengthening the link. By focusing not only on point forecasts but also on probability distributions, the study finds that Phillips curve indicators move in a coordinated manner.

Furthermore, it confirms that past influences, individual differences, and fixed effects play a primary role in the formation of expectations.

Hakim and Bustaram (2018) analyzed the relationship between household consumption expenditures and inflation expectations in Indonesia over the period 2003–2018. Contrary to some prior findings, they found that even when consumption accounted for more than 50% of the national economy, households with expectations of future price increases did not significantly alter their consumption behaviour. The study divided the 2003–2018 period into sub-periods to account for structural breaks, such as the 2008 global financial crisis, and examined interactions between consumption expenditures, but no significant effects were observed. The study concluded that inflation expectations are not an effective indicator for guiding public consumption policies. Instead, macroeconomic factors such as household income levels play a more decisive role than expectations in shaping household spending decisions in Indonesia.

Born et al. (2020) conducted a study to measure how stock markets are influenced by expectations and uncertainty through macroeconomic news, aiming to reveal the market's responses. Their findings indicate that when disagreement among analysts increases, the market responds less to new data, whereas when uncertainty rises, the market response is stronger. This was explained by the assumption that high disagreement diminishes the informational content of data, resulting in weaker reactions, while in a high-uncertainty environment, information is more valuable, leading to stronger market responses. Analyses using S&P 500 futures data across six key indicators confirmed the existence of these opposing effects. Therefore, market sensitivity depends on the quality of the informational environment.

### **3. The Effects of Expectations on Economic Indicators**

Expectations are not merely treated as a theoretical concept in economic literature; rather, they play an active role in the formulation of macroeconomic policies supported by theories and in shaping indicators. As examined in detail in this study, the consumption, investment, and saving decisions of economic actors are shaped in the market according to their expectations about future inflation, interest rates, growth, and income. Consequently, expectations have both direct and indirect effects on macroeconomic indicators.

Pricing and wage setting behaviour occurs through inflation expectations. If future inflation expectations are high, households increase their consumption today assuming it will be more expensive in the future, and firms tend to increase their prices and wages in advance based on this expectation. This shows that expectations can create a self-fulfilling effect (Friedman, 1968). From the same perspective, rational expectations also lead economic actors to evaluate central bank policies and current economic conditions and form future inflation forecasts. Therefore, all these forecasts find their place in the market through pricing behaviour (Muth, 1961; Lucas, 1972).

Investment and savings decisions are shaped by expectations regarding interest rates. The expectations of companies and individuals regarding potential future interest rate increases influence current investment and savings decisions. Furthermore, savings rates are optimized by consumers according to their interest rate expectations. This, by influencing overall economic activity through the monetary transmission mechanism, shapes the market and allows the central bank to manage expectations in this way (Woodford, 2003).

The impact of expectations on economic growth plays a central role in firms' production, investment, and employment. Economic actors with high growth expectations expand their capacities, invest in

new projects, and contribute to economic expansion. On the other hand, those with low growth expectations shape the market with cautious consumption behaviours that reduce investment and saving decisions (Blanchard & Fischer, 1989).

Expectations are considered a fundamental tool in economic decision-making processes. Consumers' expectations of future income growth lead them to increase their current consumption spending. On the other hand, firms' expectations of high future demand encourage them to increase their production and investment. Therefore, expectations play a proactive role in economic activity and create a direct chain reaction effect on macroeconomic variables (Keynes, 1936; Woodford, 2003).

Central banks and governments also have expectations of economic actors. They guide macroeconomic stability by managing these expectations. They do this by influencing economic behaviour through forward guidance and communication strategies. Therefore, the effectiveness of economic policies depends on their capacity to accurately manage the expectations of economic actors.

#### **4. Data and Measurement of Expectations: Türkiye Example**

This study is a descriptive analysis conducted using data obtained from expectation surveys published by the Central Bank of the Republic of Türkiye (CBRT). Within the scope of the analysis, data on inflation, interest rate, and growth expectations are examined through graphs, and trends over time are revealed. The findings are addressed using an interpretive approach within the framework of the relevant literature and evaluated in the context of macroeconomic developments. However, the study does not include any empirical modelling, econometric tests, or causality analysis; its main purpose is to provide a conceptual basis for policy discussions by describing the direction and dynamics of changes in economic expectations.

To monitor the above expectations and trends and thus provide guidance for macroeconomic policies, the Central Bank of the Republic of Türkiye (CBRT) reports the expectations of economic actors through various surveys (CBRT, 2024). These surveys provide a data source for both researchers and economists to measure their expectations regarding macroeconomic indicators (Coibion, Gorodnichenko, and Kamdar, 2018). The Bank Lending Trends Survey, the Financial Services Survey, the Household Expectations Survey, the Economic Trends Survey, the Real Sector Confidence Index, and the Market Participants Survey are among the main surveys (CBRT, 2024). These surveys systematize the expectations of economic actors regarding inflation, interest rates, growth, exchange rates, and other macroeconomic variables (Mankiw, Reis, and Wolfers, 2003). The Market Participants Survey reflects the future expectations of financial market professionals regarding inflation, interest rates, and growth. Consumer expectations are measured by the Household Expectations Survey (CBRT, 2024).

This study provides a concrete framework for understanding how these data sets, based on the Market Participants Survey, shape the expectations of economic actors, and presents a descriptive analysis with graphs (Branch, 2024). These expectations play a critical role in influencing the effectiveness of monetary and fiscal policies through the direction and magnitude of economic fluctuations (Lucas, 1976 and Friedman, 1957). Policymakers value public opinion and consider public needs through expectation surveys. Surveys support the making of correct decisions in the selection of policy tools to achieve the desired effect (Woodford, 2003). Expectation surveys

conducted by institutions such as the Central Bank of the Republic of Türkiye (CBRT) provide important data sources for closely monitoring these dynamics in policy design (Bernanke, 2007), and accurate measurement and analysis of economic expectations are indispensable for effective policy formulation (Blanchard, 2017).

Figure 1 shows the percentage change in the year-end annual CPI expectation, revealing dramatic jumps from 12.28% in June 2018 to 24.22% in October 2018 (CBRT, 2018). Similarly, in the 2021-2022 period, expectations, which were 23.85% in December, rose sharply to 69.94% in July 2022 due to pandemic-related uncertainty (CBRT, 2022). As seen in the data from the Market Participants Survey (Coibion et al., 2020), this confirms that inflation shocks contributed to the rise in expectations.

The surveys of market participants published by the Central Bank of the Republic of Türkiye (CBRT) calculate not only year-end CPI expectations but also inflation expectations for different time periods (CBRT, 2024). Whether stemming from demand or supply shocks, sharp increases in inflation expectations are generally interpreted as a reflection of rising costs or a loss of confidence in monetary policy (Blanchard, 2017).

**Figure 1:** Current Year-End Annual CPI Expectation (% Change)

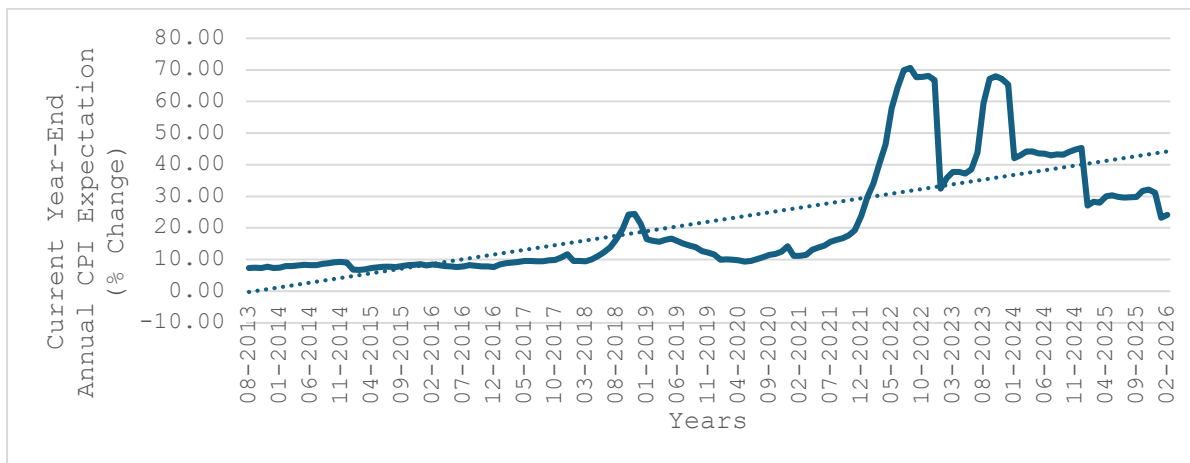


Figure 2, showing expectations for one-week repo auction interest rates between August 2013 and February 2025, indicates that expectations were relatively stable in the 5-10% range between 2013 and 2017 (CBRT, 2024). The rise to 20-25% observed in mid-2018 points to a rapid deterioration in expectations amidst financial market uncertainty and high inflation (Erol & Doğan, 2024). The fluctuations in the 2020-2021 period reflect the impact of pandemic-related uncertainty on market expectations (IMF, 2021). By 2023, interest rate expectations had risen to 50%, which can be interpreted as a result of tight monetary policies (CBRT, 2023).

**Figure 2:** Expected End of Current Month CBRT One-Week Repo Auction Interest Rate (%)

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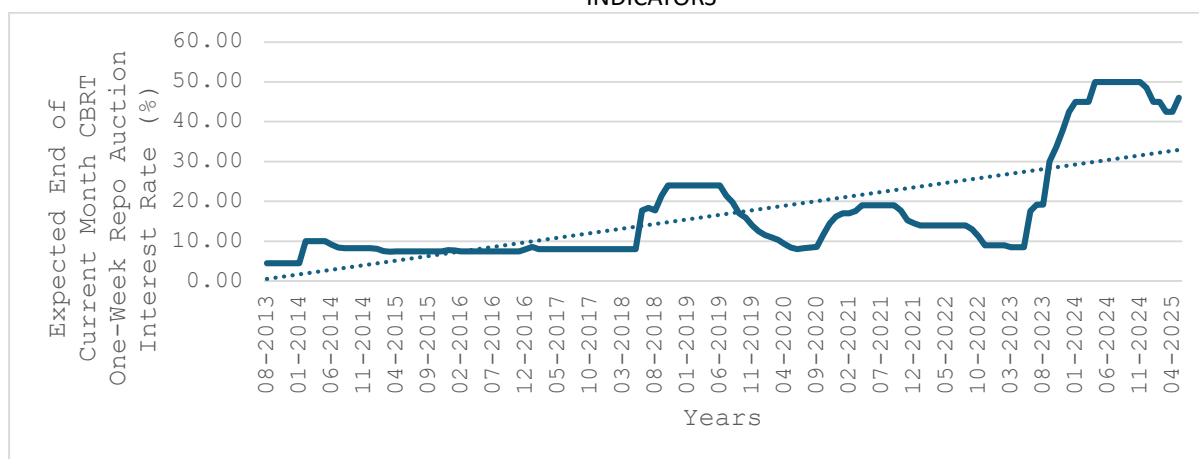
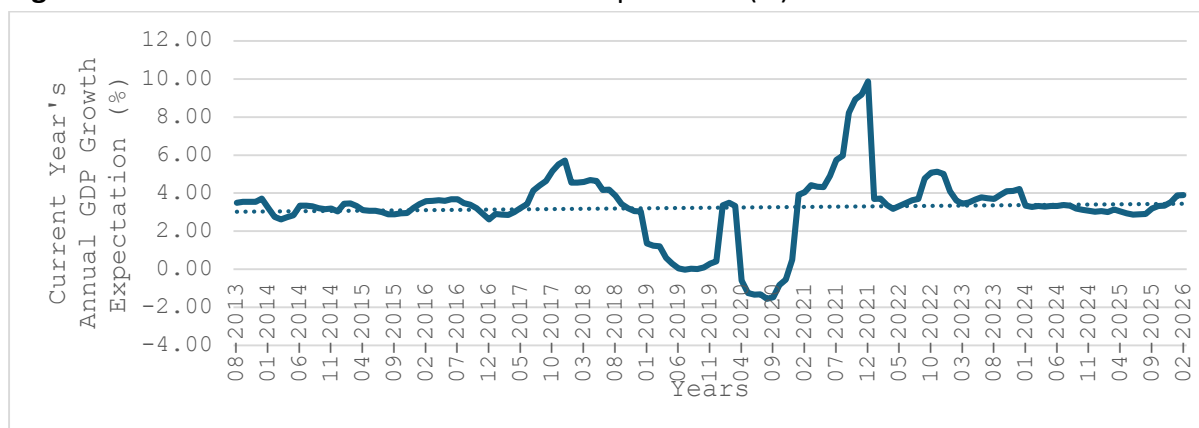


Figure 3 examines current GDP growth expectations between 2013 and 2025. While expectations showed a relatively stable trend between 3% and 3.5% between 2013 and 2015, a significant decline was observed in 2018-2019 (World Bank, 2020). In 2020, pandemic-related shocks caused sharp fluctuations in expectations reflecting economic vulnerabilities (OECD, 2021). Growth expectations reached 10% in 2021, indicating a strong recovery, and expectations followed a more stable course in subsequent years as the economy normalized (IMF, 2022).

**Figure 3:** Current Year's Annual GDP Growth Expectation (%)



Based on this, it can be stated that current annual growth expectations have been shaped not entirely within the framework of rational expectations, but rather more in line with adaptive expectations. In particular, it is observed that expectations became fragile in the post-pandemic period and exhibited high sensitivity to macroeconomic shocks (Malmendier & Nagel, 2016).

### 5. Conclusion and Discussion

As classical economists argued, the invisible hand theory cleanses the entire market by balancing supply and demand, thus determining prices, and unemployment spontaneously disappears, or in other words, is balanced. Based on the theories above, it can be inferred that expectations, similarly, create price equilibrium in the market like an invisible hand through the expectation channel of the monetary transmission mechanism. Findings confirming the direct impact of expectations on the future of macroeconomic variables have necessitated the use of surveys developed by central banks for policy-making and measuring expectations. In this way, expectations become a critical tool for policymakers in direct decision-making. Historically established theories such as adaptive expectations, rational expectations, and Keynesian investment expectations constitute a formal

extension of this framework. Even J.M. Keynes's statement, "In the long run, we will all die," is directly related to expectations. According to Keynes, the long-term process is inherently uncertain, and uncertainty is immeasurable. Because they are immeasurable, economic actors cannot establish a systematic basis for expectations. An expectation-free process also hinders price formation. In other words, the absence of expectations, which is the preceding stage of the decision-making process, disrupts the price formation chain. On the other hand, long-term expectations are only possible through immeasurable animal instincts that cannot be included in economic modelling. This leads to significant fluctuations in macroeconomic variables.

The Central Bank of the Republic of Türkiye (CBRT) maintains a transparent policy regarding interest rates, managing market expectations on a monthly basis and stating its policy target. This confirms that expectations are a constantly fluctuating and changing indicator in light of economic developments. The trend lines in the graphs also reflect the ongoing economic uncertainty and continuing inflationary pressures in expectations.

The Central Bank of the Republic of Turkey (CBRT) has been measuring expectations since 2013, and these surveys aim to both determine the forecasts of market actors and increase the effectiveness of economic policies. Particularly in economic shocks such as the 2008 crisis or extraordinary, unexpected shocks like the pandemic, the statistical tables obtained through these surveys once again demonstrate how sudden fluctuations in expectations trigger shocks. Policymakers also emphasize that accurately managing societal expectations through these surveys is indispensable for the success of implemented monetary and fiscal policies. In conclusion, this study comprehensively reveals the rational and adaptable nature of the forecasting processes of economic actors in the Turkish economy through statistical graphs.

Finally, the findings confirm that the expectations of economic actors are not always purely rational and are subject to cyclical variation. Particularly in extraordinary circumstances, such as economic or political crises and periods of heightened uncertainty like pandemics, these expectations transform into adaptive expectations, shaped by past inflation experiences. This suggests that the findings represent a transitional area between Friedman's adaptive expectations approach and rational expectations theory. In this sense, this study does not test the validity of theories developed on expectations, but rather offers a complementary perspective that questions the validity of these theories, highlighting their limitations with real-world data from a Turkish perspective. Therefore, rather than providing an analysis that confirms or refutes market participation surveys, this study plays a complementary role in the literature by revealing the convergences and deviations between predictions derived from theories and observed expectations in behavior.

**Author Contributions (Yazar Katkı Oranı):** Yağmur RENÇBER (%100)

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**Conflicts of Interest (Çıkar Çatışması):** There is no conflict of interest with any institution related to the study.

**Plagiarism Checking (İntihal Denetimi):** This study has been checked for plagiarism using a plagiarism scanning programme.

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