

## **Weather Anomalies, Climate Risk, and Inflation Expectations of Households and Firms**

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We show that locally unusual weather leaves a distinct imprint on prices, expectations, real activity, and credit. Linking the Business Tendency Survey (BTS) and the Consumer Tendency Survey (CTS) to province–day records from the Turkish State Meteorological Service, we build province–month anomaly measures and trace their effects over 2015–2024. A one–standard-deviation positive temperature anomaly raises near-term food CPI inflation for several months before mean-reverting. This salient price signal maps into beliefs: households' 12-month CPI expectations rise by about 1.5%, with larger revisions for rural, female, and lower-income respondents, who also report weaker income prospects, a darker macro outlook, lower willingness to buy durables, and higher unemployment concerns. On the food-sector firm side, 12-month CPI beliefs increase by about 0.6%, unit-cost expectations rise, and sales expectations and overall business conditions deteriorate, with stronger responses among SMEs and highly leveraged firms. Beyond prices and beliefs, real outcomes soften at monthly horizons: domestic sales fall by about 0.8%, exports by 1.2%, total purchases by 0.6%, and employment by 0.4%, with larger contractions for SMEs and high-leverage firms. Credit-registry evidence shows an access-amplified working-capital response: total outstanding credit increases by about 1.7%, driven by short-term balances alongside a decline in long-term balances, implying pronounced maturity shortening that is strongest for borrowers with better bank access, though constrained firms also tilt short. Taken together, transient but salient weather shocks raise expected inflation while depressing perceived and realized conditions and shortening debt maturity, temporarily steepening the monetary-policy trade-off and highlighting the value of climate-aware communication and adaptation policies that dampen pass-through to costs, activity, credit, and beliefs.