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Global Economy

In the World Economic Outlook Report published in April, IMF raised its global economic growth forecast for 2024 to 3.2%, while maintaining its forecast for 2025 at 3.2%.

Fed, kept its policy rate between 5.25%-5.50%, and decided to slow down the pace of balance sheet reduction starting from June.

In the first quarter of 2024, US economy grew by 1.6% on an annualized basis, below the market forecasts. In March, CPI inflation in the country was realized as 0.4% on a monthly and 3.5% on an annual basis.

According to preliminary data Euro Area grew above the expectations by 0.4% yoy in the first quarter of 2024. Annual CPI inflation in the region came in at 2.4% in April.

In the first quarter of the year, Chinese economy outperformed forecasts and grew by 1.6% qoq and 5.3% yoy.

The Japanese yen fell to a 34-year low against the US dollar amid uncertainty over the BoJ's rate hike path.

Having displayed a volatile outlook, Brent oil price rose by 0.4% mom to 87.9 USD per barrel in April, while rapid increases in metal prices stood out.

Turkish Economy

According to seasonally adjusted figures, unemployment rate declined to 8.7% in February, while employment rate hit a historic high in this period.

In February, retail sales volume and industrial production recorded rapid monthly increases, indicating that economic activity remained strong.

ICI Türkiye Manufacturing PMI declined to 49.3 in April, showing that operating conditions slowed down compared to March.

Current account deficit was realized as 3.3 billion USD in February, and narrowed to 31.8 billion USD according to 12-month cumulative figures.

In March, the central government budget posted a deficit of 209 billion TRY. Thus, total budget deficit widened by 105.4% yoy to 513.5 billion TRY in the first quarter of the year.

In April, CPI increased by 3.18% mom, while annual CPI inflation reached 69.80%. In this period, D-PPI inflation was realized as 3.60% mom and 55.66% yoy, respectively.

CBRT kept the policy rate unchanged at 50% at its April meeting in line with market expectations.

In April, USD/TRY rate followed a flat course while BIST-100 index, which hit its historical high during the month, recorded a monthly increase of 9.9%.

On May 3, S&P upgraded Türkiye's credit rating from "B" to "B+" with a "positive" outlook.

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Leading Indicators

Employment rate was at a historic high in February.

According to seasonally adjusted figures, unemployment rate decreased by 0.3 points mom to 8.7% in February, the lowest level in the last 4 months. The rise in employment by 147K persons despite the limited increase in labor force by 38K persons, was behind this improvement. The employment rate reached a historic high of 49.3% in February. In this period, youth unemployment rate that covers the 15-24 age group, decreased by 0.8 points to 15.6%, and labour underutilization rate, which is considered as the broadest defined unemployment rate, decreased to 24.5%.

Industrial production displayed a positive outlook in February.

In February, seasonally and calendar adjusted industrial production index rose by 3.2% mom, recording the fastest monthly increase since March 2023. In this period, the positive outlook in industrial production was led by the manufacturing sector that production activities expanded by 3.8% mom, while mining and quarrying sector's production contracted by 3.2% mom. Regarding the sub-items of the manufacturing industry, production increased in 18 out of 24 sectors in February. In this period, production of other transportation vehicles increased the fastest with 50.6%, and made the highest contribution to the monthly rise of industrial production index with 2.1 points. In February, the fastest decline in production was in basic metal industry with 3.5%. On the other hand, according to calendar adjusted figures, industrial production surged by 11.5% yoy in February due to the base effect caused by the earthquake disasters in the same period last year.

ICI Manufacturing PMI fell below the threshold in April.

Türkiye Manufacturing PMI data released by the Istanbul Chamber of Industry showed a decline to 49.3 in April, indicating that operating conditions slowed down compared to March. This development was mainly driven by the slowdown in production in April in line with the weakening demand following two months of expansion. The unfavorable course of demand was also the main factor in the slowdown of new orders for the tenth month in a row. In April, employment was almost unchanged compared to the previous month, and inflation remained high but at its lowest level since the beginning of the year. On the other hand, despite the negative outlook of new orders and demand, firms increased their purchasing activities for the third consecutive month. In April, sectoral PMI data remained below the threshold in 7 out of 10 sectors, indicating that the weakness in operating conditions spread across all sectors. Food products sector continued to offer the most favorable assessment in this period, while machinery and metal products was the sector with the weakest operating conditions.

Retail trade volume increased by 3.5% mom in February.

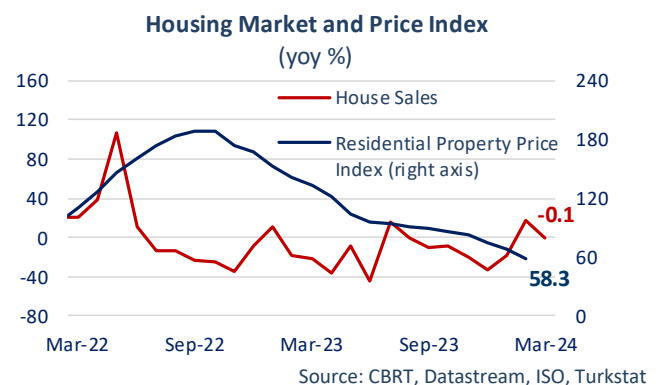
According to seasonally and calendar adjusted data, trade sales volume index that decreased by 2.8% mom in January, rose by 2.3% in February. In this period, retail sales recorded the fastest monthly increase in 11 months by 3.5% and indicated that demand conditions remained strong. In February, sales in all sub-items of retail trade increased compared to the previous month, while the monthly rise in wholesale trade remained below that of retail trade with 1.6%. Due to the low base effect caused by the earthquake disaster in February 2023, trade sales volume and retail sales posted rapid annual increases of 11.3% and 25.1% in February.

Confidence indices...

According to seasonally and calendar adjusted data, consumer confidence index rose by 1.4% mom to 80.5 in April. Thus, consumer confidence recorded the most positive outlook since June 2023. In this period, expectations regarding the next 12 months had a positive impact on consumer confidence, in general. In April, seasonally adjusted real sector confidence index remained unchanged on a monthly basis at 103.5. According to details of the index, evaluations regarding the general outlook and fixed capital investment expenditures improved, while evaluations for the next 3 months displayed a mixed outlook. On a sectoral basis, confidence indices increased by 1.9% mom in retail trade sector and decreased by 2.8% mom in services sector in April. In the same period, construction confidence index remained unchanged. Thus, the economic confidence index, which was 100.0 in March, dropped to 99.0 in April due to the decline in services sector confidence.

House sales presented a flat outlook in March.

House sales were realized as 105,394 units in March, and presented a flat outlook compared to the same period of last year. In this period, mortgaged sales contracted by 49.0% yoy, while other sales increased by 15.3% yoy. Amid the weak outlook of house sales, house price increases lose momentum. CBRT's residential property price index rose by 58.3% yoy in February, below the CPI inflation for the first time since December 2019. In this period, the rise in house prices in Istanbul (45.6%) continued to remain below Ankara (72.9%) and Izmir (57.4%).



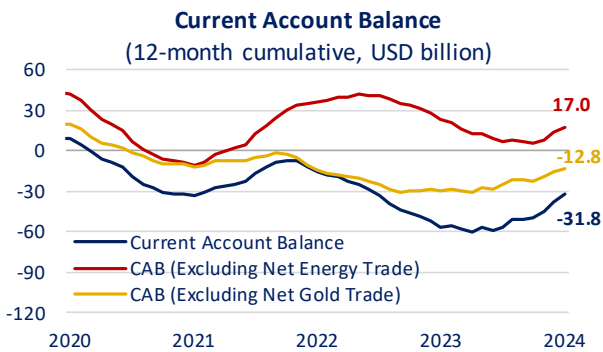
Foreign Trade and Balance of Payments

In February, foreign trade deficit narrowed by 44.2% yoy.

According to Turkstat data, exports increased by 13.6% yoy to 21.1 billion USD in February, while imports decreased by 9.2% yoy to 27.9 billion USD. Thus, foreign trade deficit narrowed by 44.2% yoy to 6.8 billion USD. The import coverage ratio, which was 60.5% in February 2023, rose to 75.7% in the same month of this year.

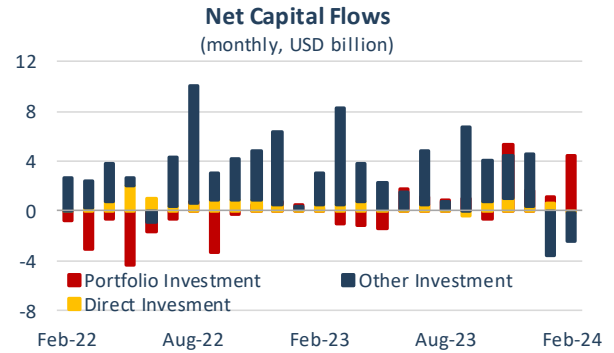
Current account deficit became 3.3 billion USD in February.

In February, current account posted a deficit of 3.3 billion USD, slightly below market expectations. According to the Reuters survey, the current account deficit expectation for this period was 3.7 billion USD. In February, balance of payments-defined foreign trade deficit narrowed by 55% yoy, while services revenues rose by 10% yoy on the back of travel revenues, improving the current account balance outlook. In this period, current account surplus excluding gold and energy was realized as 2.1 billion USD. 12-month cumulative current account deficit continued to decline in February, falling to 31.8 billion USD, the lowest level since July 2022.



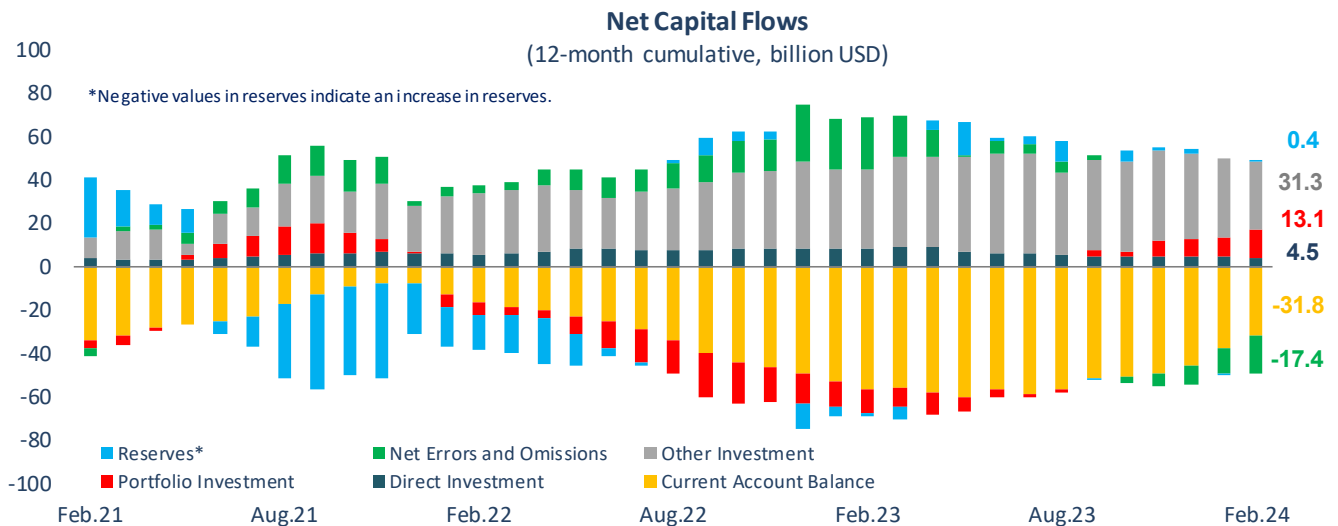
Net direct investments recorded an outflow of 142 million USD.

In February, net direct investments recorded a capital outflow of 142 million USD for the first time since September 2023. It was noteworthy that net liability in direct investments was realized as 240 million USD, the lowest level since June 2020. This development was mainly driven by the fact that net real estate investments realized as 152 million USD, the lowest level since June 2020, and net capital investments in Türkiye realized as 202 million USD, the lowest level of the last 5 months.



Capital inflows in portfolio investments accelerated in February.

In February, portfolio investments recorded the highest capital inflow since November 2023 with 4.4 billion USD. Bond issuances abroad of 3 billion USD by general government, 2.7 billion USD by banks and 500 million USD by other sectors were the main drivers of the favorable outlook in portfolio investments in this period. On the other hand, non-residents made 136 million USD net sales in the equity market in February.



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

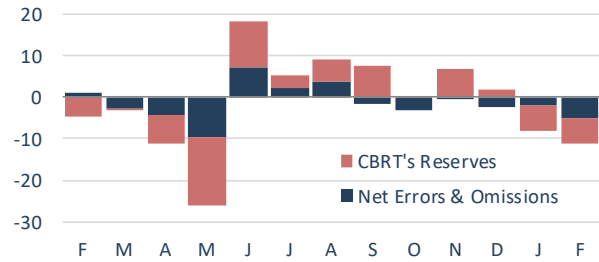
Capital outflows continued in other investments.

Net capital outflow in other investments item that was initially seen in January, continued in February with 2.2 billion USD. In this period, currency and deposits recorded a capital outflow of 1.6 billion USD and nonresident banks' currency and deposits in domestic correspondents decreased by 54 million USD for the first time since May 2023. In February, domestic banks' currency and deposits in foreign correspondent banks increased by 1.7 billion USD. In this period, banking sector and other sectors utilized net credits of 115 million USD and 265 million USD from abroad respectively, and general government realized net repayment of 138 million USD. As of February, 12-month cumulative long-term debt rollover ratio was 118% in the banking sector and 92.8% in other sectors.

Reserve assets decreased by 6.2 billion USD.

The decline in reserve assets that started in January, continued in February with 6.2 billion USD. Net errors and omissions recorded the highest capital outflow since May 2023 with 5 billion USD.

CBRT Reserves and Net Errors and Omissions
(monthly, USD billion)



Expectations...

The course of domestic demand will continue to determine the current account balance outlook in the coming months. Amid the recent geopolitical tensions, possible surges in energy and gold prices stand out as the most remarkable risk factors for current account outlook. On the other hand, recent data pointing to a recovery in portfolio inflows and reserves as well as positive assessments by international credit rating agencies suggest that the improvement in the financing of the current account deficit may continue.

Balance of Payments	(USD million)			
	Jan. - Feb. 2023	2024	% Change	12-month Cumulative
Current Account Balance	-19,461	-5,787	-70.3	-31,839
Foreign Trade Balance	-23,157	-9,157	-60.5	-72,885
Services Balance	4,980	5,172	3.9	52,207
Travel (net)	3,909	4,152	6.2	41,267
Primary Income	-1,219	-1,710	40.3	-11,709
Secondary Income	-65	-92	41.5	548
Capital Account	-38	24	-	-143
Financial Account	-18,127	-12,648	-30.2	-49,350
Direct Investment (net)	-695	-519	-25.3	-4,489
Portfolio Investment (net)	-705	-5,505	680.9	-13,127
Net Acquisition of Financial Assets	1,400	2,602	85.9	4,189
Net Incurrence of Liabilities	2,105	8,107	285.1	17,316
Equity Securities	-671	50	-	2,108
Debt Securities	2,776	8,057	190.2	15,208
Other Investment (net)	-2,709	5,813	-	-31,288
Currency and Deposits	577	3,478	502.8	-21,039
Net Acquisition of Financial Assets	4,867	5,738	17.9	4,590
Net Incurrence of Liabilities	4,290	2,260	-47.3	25,629
Central Bank	1,084	105	-90.3	12,533
Banks	3,206	2,155	-32.8	13,096
Foreign Banks	1,907	1,639	-14.1	7,468
Foreign Exchange	-111	214	-	2,456
Turkish Lira	2,018	1,425	-29.4	3,172
Non-residents	1,299	516	-60.3	9,924
Loans	-931	85	-	-9,990
Net Acquisition of Financial Assets	-8	399	-	-1,253
Net Incurrence of Liabilities	923	314	-66.0	8,737
Banking Sector	268	1,072	300.0	8,198
Non-bank Sectors	909	-637	-	-255
Trade Credit and Advances	-2,346	2,258	-	-313
Other Assets and Liabilities	-9	-8	-11.1	54
Reserve Assets (net)	-14,018	-12,437	-11.3	-446
Net Errors and Omissions	1,372	-6,885	-	-17,368

Source: CBRT, Datastream

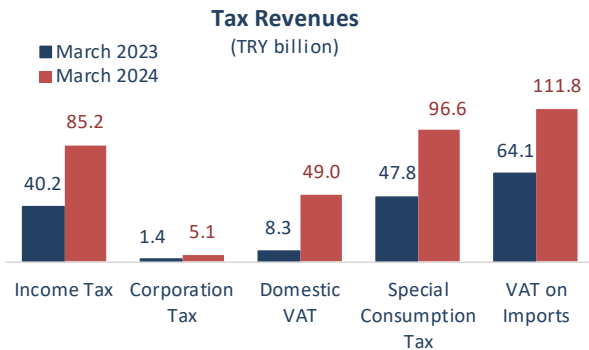
Budget Balance

Central government budget posted a deficit of 209 billion TRY in March.

In March, the central government budget deficit increased by 3.5 times yoy to 209 billion TRY due to the rapid rise in expenditures. In this period, budget expenditures increased by 107.4% yoy, while budget revenues rose by 68.7% yoy. In March, primary budget deficit was realized as 134.4 billion TRY. Thus, in the first quarter of the year, total budget deficit became 513.5 billion TRY and primary deficit was 263 billion TRY.

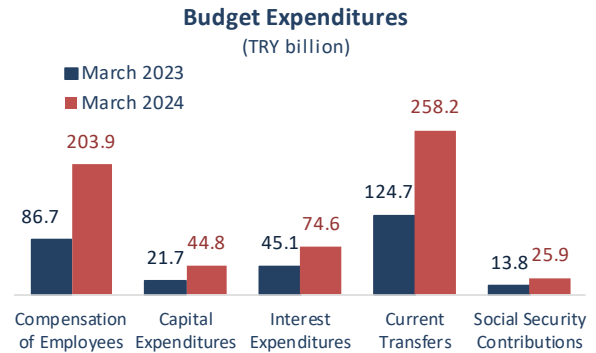
Tax revenues rose rapidly in March.

In March, tax revenues increased by 111.7% yoy to 420.5 billion TRY. In this period, domestic value added tax revenues surged by 491.7% yoy to 49 billion TRY, while special consumption tax revenues from petroleum and natural gas products rose by 3.6 times yoy. In addition, income tax increased by 111.9% compared to the same period of last year and reached 85.2 billion TRY. Corporate tax revenues went up by 3.5 times on an annual basis with the effect of the base created by the postponement of tax collections due to the earthquake disaster last year. Due to the base effect created by the activity income transfer of the CBRT to the Treasury in March 2023, enterprises and ownership revenues decreased by 89.3% yoy to 6.1 billion TRY in the same month of this year.



In March, personnel expenditures increased by 135.3% yoy.

In March, personnel expenditures increased by 135.3% yoy to 203.9 billion TRY, and current transfers rose by 107.1% yoy to 258.2 billion TRY. In this period, 49.7 billion TRY was paid to Social Security Institutions and 18.4 billion TRY to Electricity Generation Corporation (EÜAŞ) under the item of duty losses. In March, domestic lending increased more than 5 times compared to the same month of last year and reached 33.6 billion TRY, and under this item 18.4 billion TRY was paid to the Produce of Soil Office (TMO). Capital expenditures increased by 106.5% yoy to 44.8 billion TRY due to the 20.8 billion TRY rise in real estate capital production expenditures. On the other hand, capital transfers item that were high last year due to earthquake expenditures, declined by 65.5% yoy in March, following the 85.2% drop in February. In the same period, interest expenditures recorded a relatively moderate increase of 65.4% yoy.



Expectations...

In the first quarter of the year, budget deficit was realized as 513.5 billion TRY and constituted 19.4% of the target set for the whole 2024, thus presented a relatively positive outlook. In the upcoming period, the course of domestic demand and the steps to be taken to cool inflation down will continue to be decisive on the budget outlook.

Central Government Budget

	March			January-March			(billion TRY)	
	2023	2024	% Change	2023	2024	% Change	MTP Target	Real./ MTP Target (%)
Expenditures	334.0	692.8	107.4	1,044.8	2,150.7	105.9	11,089.0	19.4
Interest Expenditures	45.1	74.6	65.4	100.7	250.5	148.8	1,254.0	20.0
Non-Interest Expenditures	289.0	618.3	114.0	944.1	1,900.2	101.3	9,835.0	19.3
Revenues	286.8	483.8	68.7	794.7	1,637.2	106.0	8,437.1	19.4
Tax Revenues	198.6	420.5	111.7	631.0	1,344.0	113.0	7,407.7	18.1
Other Revenues	88.2	63.4	-28.2	163.7	293.2	79.1	1,029.4	28.5
Budget Balance	-47.2	-209.0	342.5	-250.0	-513.5	105.4	-2,651.9	19.4
Primary Balance	-2.1	-134.4	6,158.6	-149.4	-263.0	76.1	-1,397.9	18.8

Numbers may not add up to total value due to rounding.

Source: Datastream , Ministry of Treasury and Finance

Inflation

CPI increased by 3.18% in April.

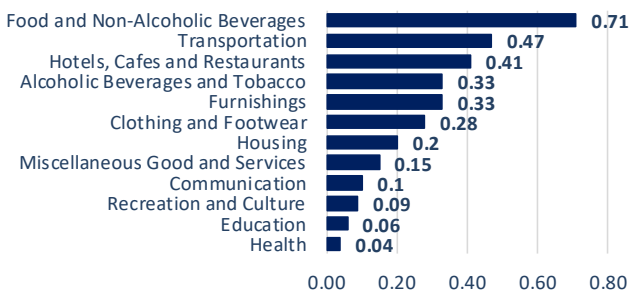
In April, CPI increased by 3.18% compared to the previous month. According to the Reuters survey, market participants were expecting CPI to rise by 3.40% mom in this period. Thus, annual CPI inflation rose to 69.80%, the highest level since November 2022. In this period, domestic producer price index (D-PPI) increased by 3.60% mom, while annual D-PPI inflation was realized as 55.66%, the highest level of the last 13 months.

April (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	2.39	3.18	0.81	3.60
Year-to-Date	15.21	18.72	7.11	15.61
Annual	43.68	69.80	52.11	55.66
Annual Average	67.20	59.64	105.50	45.83

Prices in alcoholic beverages and tobacco products group rose by 9.56% mom.

Prices in all 12 main expenditure groups increased in April on a monthly basis. In this period, alcoholic beverages and tobacco products group posted the highest monthly price increase by 9.56% due to the rapid rise in cigarette prices (10.53%). Clothing and footwear (4.58%) and hotels, cafes and restaurants (4.69%) also recorded price increases above the headline CPI. On the other hand, food and non-alcoholic beverages group prices increased below the headline inflation with 2.78% mom and pushed the monthly inflation up the most by 0.71 points due to its high weight in consumption basket. In line with the increase in demand for intercity travel due to the feast, the transportation group increased the monthly CPI by 0.47 points. In April, health and housing groups recorded relatively moderate price increases of 1.03% and 1.38%, respectively.

Contributions to the Monthly CPI (% points)



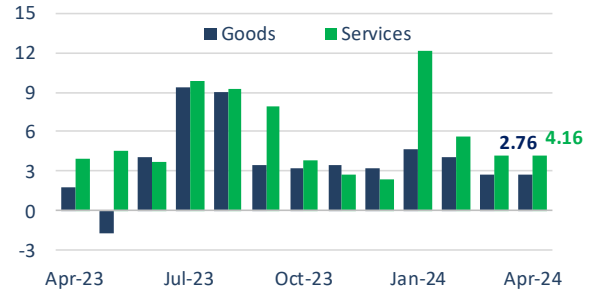
Core inflation indicators presented a mixed outlook in April.

In April, A index, which excludes seasonal products, rose by 3.21% mom, in line with the headline CPI inflation. In this

period, increases in B (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco products and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) indices accelerated on a monthly basis to 3.24% and 3.56%, respectively.

The divergence between goods and services inflation continued in April. In this period, prices increased by 4.16% in services, while they rose relatively milder by 2.76% in goods. In the goods group, energy prices remained unchanged compared to the previous month; alcoholic beverages, tobacco and gold prices surged by 8.76% in the same period. In the services group, transportation recorded the highest monthly price increase by 6.44%.

Goods and Services Prices (monthly % change)



Prices increased in all items of D-PPI in April.

In April, prices increased in all 29 items that are included in D-PPI, on a monthly basis. In this period, tobacco products recorded the fastest monthly rise in costs (11.86%). Food products prices went up by 5.38% mom and pushed the monthly D-PPI up the most by 1.02 points.

Expectations...

In April, services inflation remained rigid, and rising prices of tobacco products had an impact on the course of inflation. In this period, the moderate rise in FX rates limited cost-side price increases to some extent. Annual CPI inflation is expected to hit its peak in May, due to the base effect stemming from scheduled ending of natural gas subsidies to households and CPI inflation is expected to start declining in the second half of the year. On the other hand, due to the course of annual inflation in the first four months of the year, CBRT's assessments regarding the year-end forecast in the second Inflation Report to be released on May 9, will be closely monitored. We believe that CBRT may revise its year-end expectation of 36% to converge towards the upper band of the forecast range (42%).

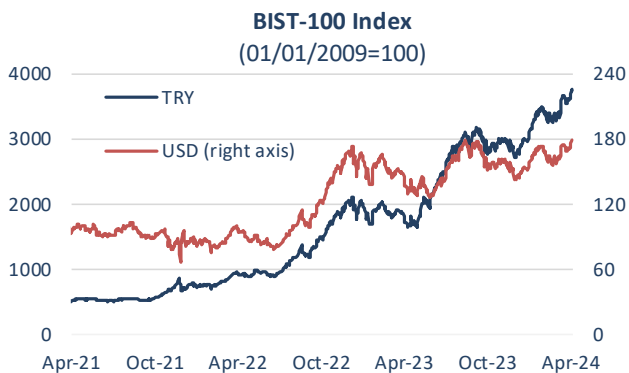
Financial Markets

	29-Mar	30-Apr	Change
5-Y CDS (basis points)	303	295	-8 bps ▼
TR 2-Y Benchmark Yield	45.44%	44.49%	-95 bps ▼
BIST-100	9,142	10,046	9.9% ▲
USD/TRY	32.3460	32.4007	0.2% ▲
EUR/TRY	34.9195	34.5716	-1.0% ▼
Currency Basket*	33.6328	33.4862	-0.4% ▼

(*) (0.5 USD/TRY + 0.5 EUR/TRY)

In April, BIST-100 index diverged positively from global markets.

Global risk appetite remained under pressure in April as rising geopolitical risks in the Middle East and higher-than-expected inflation indicators in the US postponed expectations for interest rate cuts. VIX reached its highest level in nearly 6 months during April, while MSCI global stock index fell by 3.9% mom. Despite the reaction purchases in the last week of the month, US stock markets ended April with losses due to the rapid declines in technology stocks. As expectations for the timing of the Fed's first rate cut were postponed, the US 10-year bond yield and DXY tested their highest levels since November 2023 with 4.70% and 106.3, respectively, in April. EUR/USD fell by 1.2% on a monthly basis, while USD/JPY rose to 157.4 during the month, its highest level since 1990. Gold price, which reached its historical peak of 2,390 USD/ounce in April, fell to 2,286 USD/ounce at the end of the month as geopolitical risks partially eased.



BIST-100 index, which displayed a positive outlook after the local election agenda was left behind in Türkiye, ended April with a monthly increase of 9.9% and hit an all-time high closing value of 10,083 during the month. The monthly increase in the banking index reached 22.1% in April. In this period, the yield of 2-year benchmark bond decreased slightly to 44.50%.

CBRT kept its policy rate unchanged and maintained its cautious stance.

At its Monetary Policy Committee meeting on April 25, CBRT kept the policy rate unchanged at 50% in line with market expectations. In the decision text of the meeting, CBRT stated that financial conditions tightened significantly as a result of the steps taken in March and the Committee kept the policy rate unchanged considering the lagged effects of the tightening steps. However, CBRT said that monthly inflation was higher than expected despite the weakening of its main trend in March, while the assessment that the rigidity in services inflation, high inflation expectations, geopolitical developments and the increase in food prices were the main factors deteriorating the inflation outlook was maintained in the decision text. CBRT emphasized that the Committee maintained its cautious stance against upside risks to inflation.

The market's year-end inflation expectations remained flat in April.

According to the results of the CBRT's Survey of Market Participants, the year-end CPI expectation for 2024 was realized as 44.16% in April, presenting a flat outlook compared to the previous month. In this period, 12 and 24-month-ahead CPI expectations continued to decline due to the base effect and were realized as 35.17% and 22.05%, respectively. Market participants' year-end USD/TRY expectations also decreased slightly compared to the previous month and became 40.01 in April. Participants' growth expectations for 2024 remained unchanged at 3.3%, while those for 2025 declined to 3.7%.

Securities portfolio of non-residents'...

According to price and FX rate movements adjusted data, as of April 26, non-residents' equity and government securities portfolio increased by 225 million USD and 1.4 billion USD, respectively, compared to the end of March. Thus, as of the said date, net capital inflows compared to end-2023 were 512 million USD in the equity market and 1.5 billion USD in the bond market.

S&P upgraded Türkiye's credit rating to "B+".

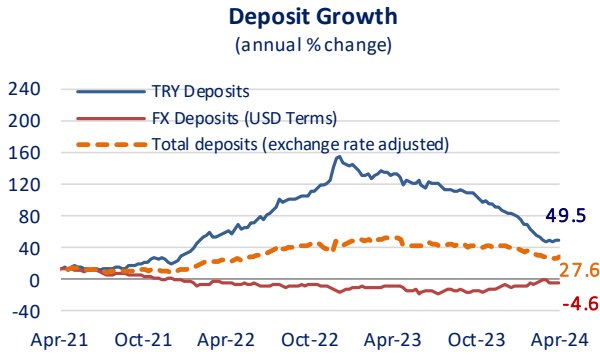
S&P upgraded Türkiye's credit rating by one notch to "B+" and maintained its credit rating outlook as "positive". S&P predicted that the coordination between monetary, fiscal and incomes policies will improve with the effect of external rebalancing, portfolio inflows to the country will increase, inflation and dollarization will decrease in the next two years. S&P's economic growth expectation for 2024 and 2025 is 3%, while average CPI expectations for the same years are 55.8% and 27.3%, respectively.

Source: CBRT, Datastream, Reuters,

Banking Sector

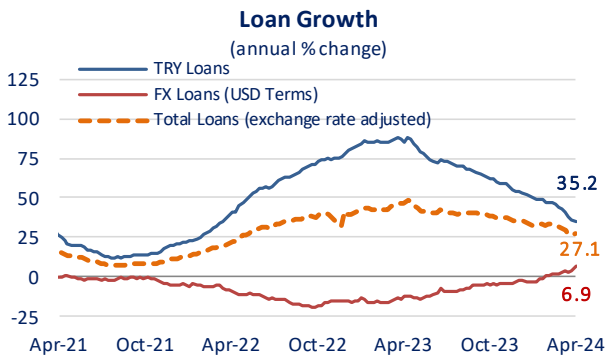
The share of TRY deposits in total deposits increased in April.

According to weekly data released by BRSA, as of April 26, TL deposits in the banking sector increased by 6% compared to the end of March and reached 9.2 trillion TRY. On the other hand, the volume of FX deposits in USD terms decreased by 2.4% compared to the end of March to 205.4 billion USD, the lowest level in almost two months. Thus, total deposit volume increased by 2.3% compared to end-March and reached 15.8 trillion TRY, while the share of TRY deposits in total deposits rose to 58.2% from 56.2% at the end of March. The volume of FX-protected deposits, which decreased by 18.8 billion TRY compared to end-March to 2.3 trillion TRY as of April 26, accounted for 24.5% of TL deposits in this period. As of April 26, annual changes revealed that TL deposits increased by 49.5% while FX deposits in USD terms declined by 4.6%.



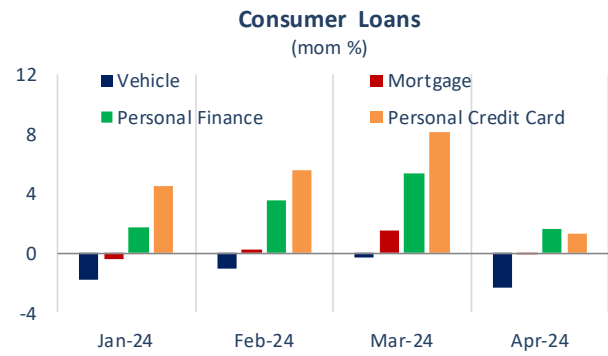
FX loan volume in USD terms expanded rapidly in April.

As of April 26, TL loan volume in the banking sector increased by 0.2% yoy and 35.2% yoy to 8.6 trillion TRY. In this period, FX loan volume in USD terms expanded by 4.5% compared to end-March and reached 140.7 billion USD, while the annual growth of FX loan volume in USD terms was realized as 6.9%, the highest level since June 2018. The sector's total loan volume rose by 1.7% compared to end-March and reached 13.1 trillion TRY.



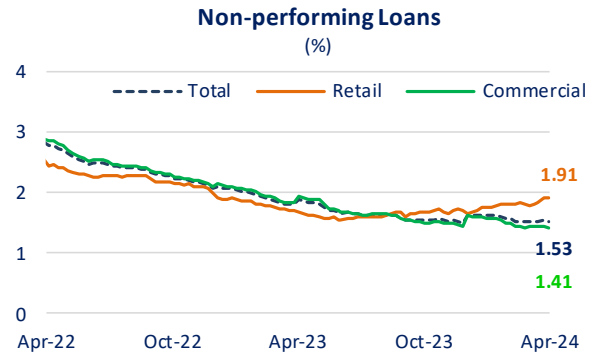
In April, vehicle and housing loans declined on a monthly basis.

As of April 26, consumer loans, which grew by 24.2% yoy, posted a monthly increase of 1.0%, the lowest level of the last 3 months. The monthly increase in consumer credit card expenditures, which was 8.1% at the end of March, slowed down significantly to 1.3% in April. As of the said date, the growth of personal finance loans' also decelerated to 1.7%. On the other hand, housing loans contracted slightly as of April 26 compared to the end of March, while vehicle loans continued to decline for the fourth month in a row with a 2.3% decrease.



Non-performing loans ratio is at 1.53%...

As of April 26, non-performing loans ratio was 1.91% for retail loans and 1.41% for commercial loans. Thus, the banking sector's NPL ratio rose to 1.53%.



Foreign currency net general position...

As of April 26, on-balance and off-balance sheet FX positions of the banking sector were (-) 40,812 million USD and (+) 43,446 million USD, respectively, while net general currency position stood at (+) 2,633 million USD.

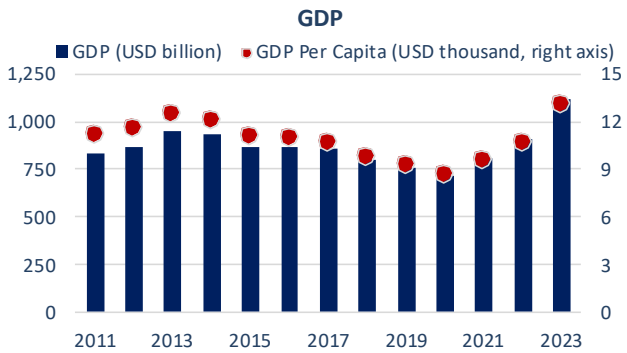
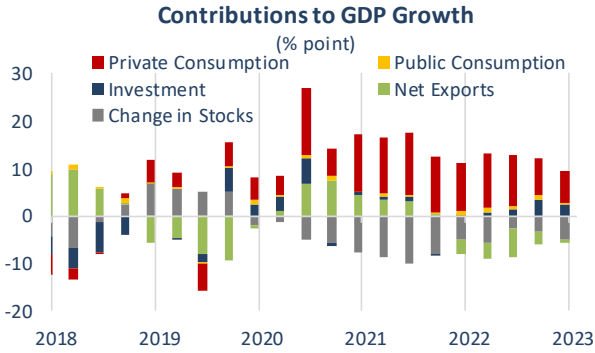
Concluding Remarks

In April, growth data for the first quarter of the year in leading economies were followed, while expectations regarding the decisions of major central banks continued to be the most important item on the agenda. In the US, where growth data for the first quarter fell well below expectations, the stagnation in inflation in recent months has led the Fed to take a cautious approach to the interest rate cut process. In the Euro Area, the easing in inflationary pressures and weak manufacturing activity despite the partial recovery in the first quarter, support the expectations that the ECB will cut interest rates in June. On the other hand, although the weak domestic demand conditions in China continue to exert deflationary pressures, leading indicators in the country, which grew above expectations in the first quarter thanks to external demand, provide positive signals, boosting optimism about the global economy. In this environment, international organizations have recently revised their growth expectations for the global economy upwards in their reports. However, a possible tightening in public finances due to high public indebtedness in many economies is considered as a factor that may put pressure on global growth. Energy prices, which are volatile due to geopolitical tensions, also stand out as a risk factor for global inflation.

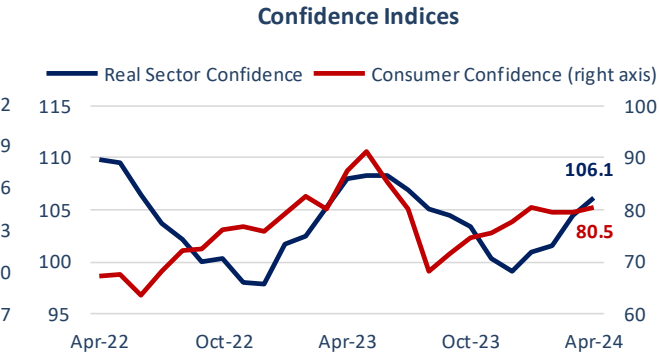
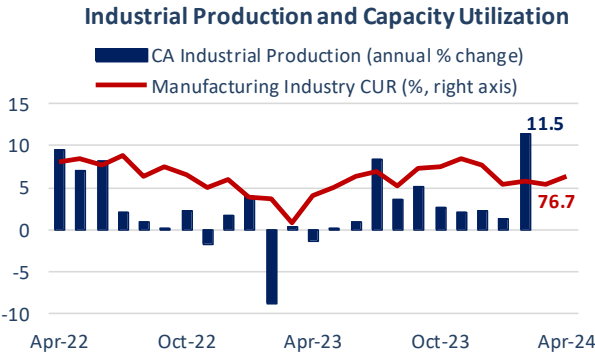
Having left local elections behind, domestic markets focused on the economic agenda in April. While the data released in this period indicate that the effects of monetary tightening steps on domestic demand, production and employment remained limited in February, more recent data suggest that the CBRT's rapid interest rate hike in March started to have an impact on demand. April ICI Türkiye manufacturing PMI data signaled a slowdown in operating conditions for the first time in three months, while the rapid contraction in the automotive market on an annual basis and the slowdown in consumer loans on a monthly basis support the assessment that domestic demand may have started to lose momentum. For the inflation outlook to improve in the upcoming period, it is important that the rigidity in services inflation should be broken, energy prices should follow a flat course and fiscal policy should support monetary policy. International credit rating agency S&P's rate upgrade in early May and the positive rating outlook of all three rating agencies support the expectations that further rating upgrades may be realized during the year.

Turkish Economy - Macroeconomic Indicators

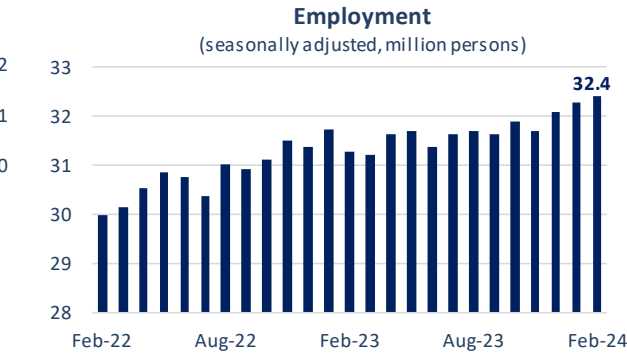
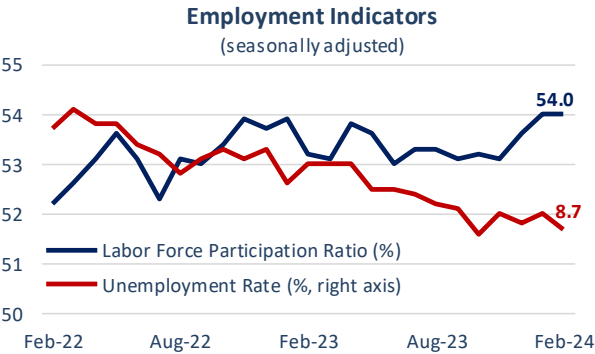
Growth



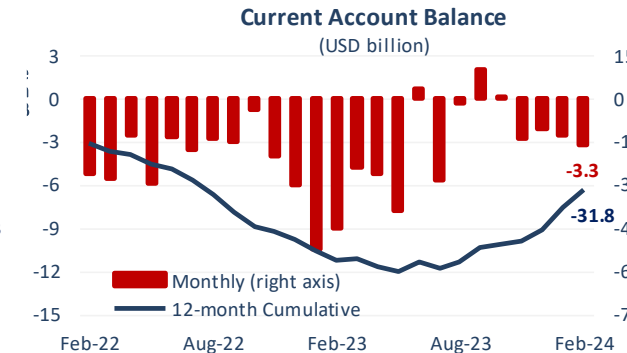
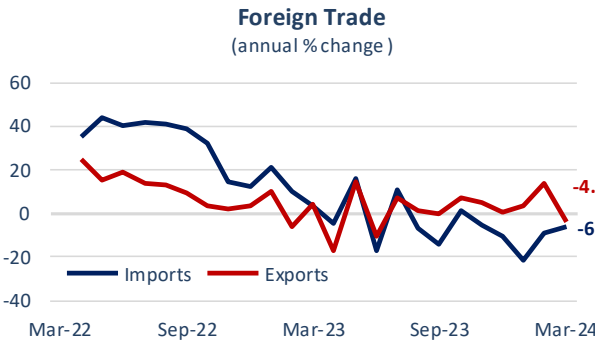
Leading Indicators



Labor Market



Foreign Trade and Current Account Balance

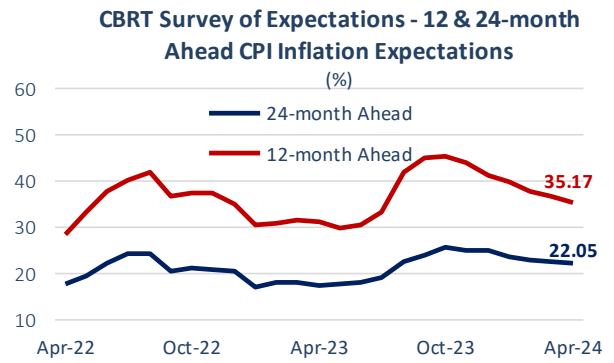
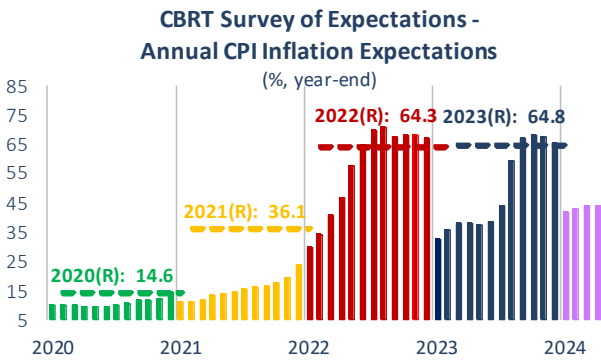
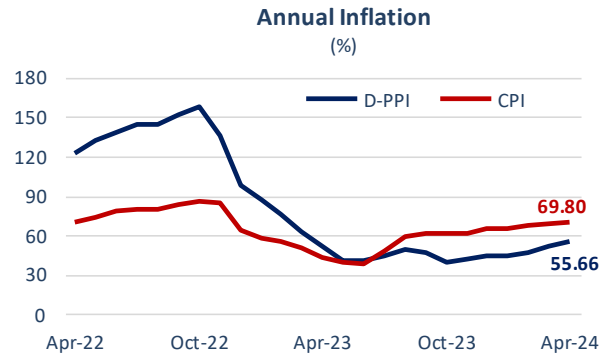
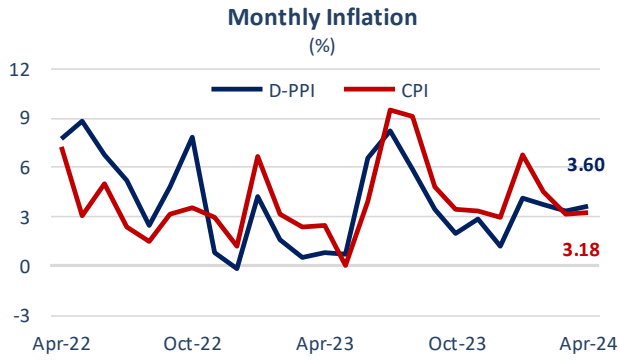


(CA) Calendar adjusted

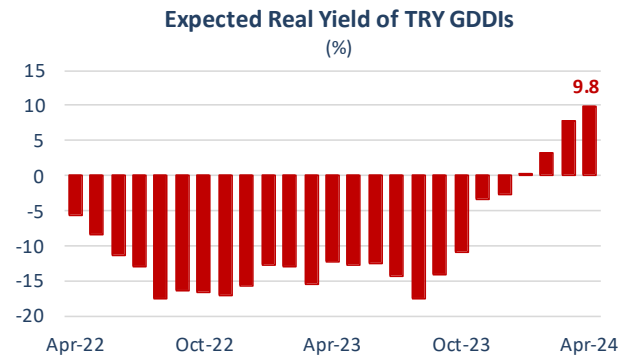
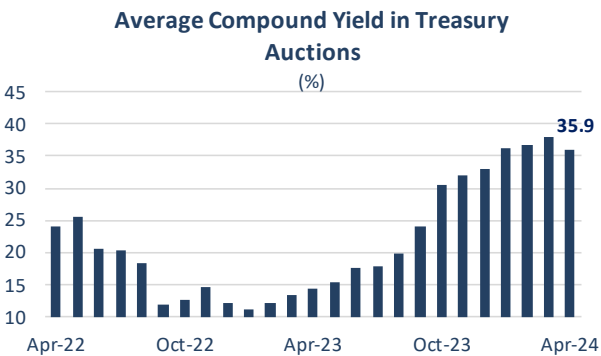
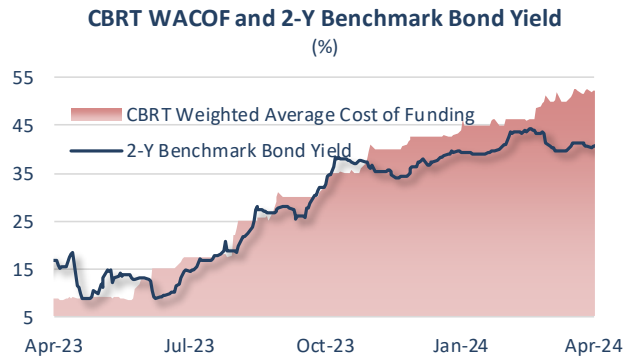
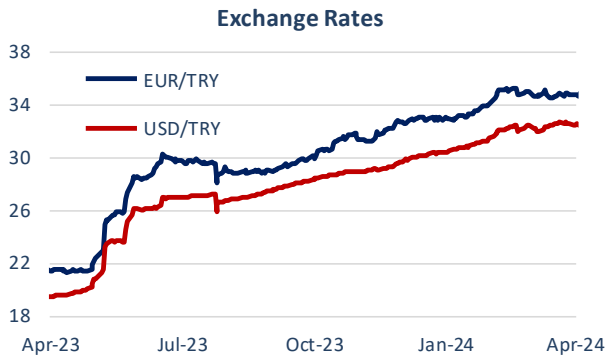
Source: Datastream, CBRT, Turkstat

Turkish Economy - Macroeconomic Indicators

Inflation



Foreign Exchange and Bond Market



(R) Realization

Source: BİST, Datastream, Reuters, CBRT, Turkstat, Treasury

Turkish Economy - Macroeconomic Indicators

Growth	2019	2020	2021	2022	2023	23-Q2	23-Q3	23-Q4
GDP (USD billion)	760	717	808	906	1,119	272	297	304
GDP (TRY billion)	4,318	5,049	7,256	15,012	26,276	5,506	7,697	8,431
GDP Growth Rate (%)	0.8	1.9	11.4	5.5	4.5	3.9	6.1	4.0
Inflation (%)						Feb.24	Mar.24	Apr.24
CPI (annual)	11.84	14.60	36.08	64.27	64.77	67.07	68.50	69.80
Domestic PPI (annual)	7.36	25.15	79.89	97.72	44.22	47.29	51.47	55.66
Seasonally Adjusted Labor Market Figures						Dec.23	Jan.24	Feb.24
Unemployment Rate (%)	13.4	12.6	11.0	10.3	8.8	8.8	9.0	8.7
Labor Force Participation Rate (%)	52.6	49.1	52.6	53.7	53.6	53.6	54.0	54.0
FX Rates						Feb.24	Mar.24	Apr.24
CPI Based Real Effective Exchange Rate	76.0	61.9	47.6	54.9	55.4	58.5	58,1	59.8
USD/TRY	5.95	7.43	13.28	18.72	29.53	31.22	32.35	32.38
EUR/TRY	6.68	9.09	15.10	19.98	32.62	33.78	34.94	34.62
Currency Basket (0.5*EUR+0.5*USD)	6.32	8.26	14.19	19.35	31.08	32.50	33.65	33.50
Foreign Trade Balance⁽¹⁾ (USD billion)						Jan.24	Feb.24	Mar.24
Exports	180.8	169.6	225.2	254.2	255.4	256.1	258.6	257.6
Imports	210.3	219.5	271.4	363.7	361.8	354.3	351.5	349.5
Foreign Trade Balance	-29.5	-49.9	-46.2	-109.5	-106.3	-98.3	-92.9	-91.9
Import Coverage Ratio (%)	86.0	77.3	83.0	69.9	70.6	72.3	73.6	73.7
Balance of Payments⁽¹⁾ (USD billion)						Dec.23	Jan.24	Feb.24
Current Account Balance	10.8	-31.9	-7.4	-49.1	-45.5	-45.5	-37.6	-31.8
Capital and Financial Accounts	-1.0	-7.3	-28.7	-35.2	-52.8	-54.8	-49.0	-49.4
Direct Investments (net)	-6.5	-4.4	-6.4	-8.7	-4.7	-4.7	-5.2	-4.5
Portfolio Investments (net)	2.8	9.6	-0.8	13.7	-8.3	-8.3	-8.9	-13.1
Other Investments (net)	2.7	-12.5	-21.5	-40.2	-39.8	-39.8	-36.0	-31.3
Reserve Assets (net)	6.3	-31.9	23.3	12.3	-2.0	-2.0	1.1	-0.4
Net Errors and Omissions	-5.5	-7.3	2.1	26.2	-9.1	-9.1	-11.2	-17.4
Current Account Balance/GDP (%)	1.4	-4.4	-0.9	-5.4	-4.1	-4.1	-	-
Budget⁽²⁾⁽³⁾ (TRY billion)						Jan.24	Feb.24	Mar.24
Expenditures	1,000.0	1,203.7	1,603.5	2,942.7	6,585.5	768.0	1,457.9	2,150.7
Interest Expenditures	99.9	134.0	180.9	310.9	674.6	121.1	175.9	250.5
Non-interest Expenditures	900.1	1,069.8	1,422.7	2,631.8	5,910.8	646.9	1,282.0	1,900.2
Revenues	875.3	1,028.4	1,402.0	2,800.1	5,210.5	617.2	1,153.4	1,637.2
Tax Revenues	673.9	833.3	1,165.0	2,353.4	4,500.9	517.2	923.5	1,344.0
Budget Balance	-124.7	-175.3	-201.5	-142.7	-1,375.0	-150.7	-304.5	-513.5
Primary Balance	-24.8	-41.3	-20.7	168.2	-700.4	-29.6	-128.6	-263.0
Budget Balance/GDP (%)	-2.9	-3.5	-2.8	-1.0	-5.2	-	-	-
Central Government Debt Stock (TRY billion)						Jan.24	Feb.23	Mar.24
Domestic Debt Stock	755.1	1,060.4	1,354.8	1,905.3	3,209.3	3,366.5	3,440.8	3,572.4
External Debt Stock	574.0	752.5	1,426.5	2,127.9	3,513.2	3,614.8	3,799.3	3,927.4
Total Debt Stock	1,329.1	1,812.8	2,747.7	4,033.2	6,722.5	6,981.2	7,240.1	7,499.8

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

Source: CBRT, Datastream, Ministry of Treasury and Finance, Reuters, Turkstat

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2019	2020	2021	2022	2023	Feb.24	Mar.24	Change ⁽¹⁾
TOTAL ASSETS	4,491	6,106	9,215	14,347	23,550	24,662	25,873	4.9
Loans	2,656	3,576	4,901	7,581	11,677	12,366	12,930	4.6
TRY Loans	1,642	2,353	2,832	5,110	7,894	8,287	8,592	3.7
Share (%)	61.8	65.8	57.8	67.4	67.6	67.0	66.4	-
FX Loans	1,015	1,224	2,069	2,471	3,783	4,079	4,339	6.4
Share (%)	38.2	34.2	42.2	32.6	32.4	33.0	33.6	-
Non-performing Loans	150.8	152.6	160.1	163.4	191.9	196.0	197.9	0.9
Non-performing Loan Rate (%)	5.3	4.1	3.2	2.1	1.6	1.6	1.5	-
Securities	660	1,022	1,476	2,370	3,970	4,259	4,441	4.3
TOTAL LIABILITIES	4,491	6,106	9,215	14,344	23,550	24,662	25,873	4.9
Deposits	2,567	3,455	5,303	8,862	14,852	15,140	15,470	2.2
TRY Deposits	1,259	1,546	1,880	4,779	8,897	8,881	8,714	-1.9
Share (%)	49.0	44.7	35.5	53.9	59.9	58.7	56.3	-
FX Deposits	1,308	1,909	3,423	4,083	5,955	6,259	6,756	7.9
Share (%)	51.0	55.3	64.5	46.1	40.1	41.3	43.7	-
Securities Issued	194	224	310	325	584	715	775	8.4
Payables to Banks	533	658	1,048	1,432	2,384	2,552	2,670	4.6
Funds from Repo Transactions	154	255	587	540	723	833	1,228	47.4
SHAREHOLDERS' EQUITY	492	600	714	1,407	2,153	2,231	2,294	2.8
Profit (Loss) of the Period	49.0	58.5	93.0	431.6	620.5	74.7	153.5	105.4
RATIOS (%)								
Loans/GDP	61.5	70.9	68.0	50.5	44.4			
Loans/Assets	59.1	58.6	53.2	52.8	49.6	50.1	50.0	-
Securities/Assets	14.7	16.7	16.0	16.5	16.9	17.3	17.2	-
Deposits/Liabilities	57.2	56.6	57.5	61.8	63.1	61.4	59.8	-
Loans/Deposits	103.5	103.5	92.4	85.5	78.6	81.7	83.6	-
Capital Adequacy (%)	18.4	18.7	18.4	19.5	19.1	16.8	17.0	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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