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Global Economy

In the January update of the World Economic Outlook report, the IMF revised its global growth forecast for 2023 from 2.7% to 2.9%.

According to preliminary data, the US economy grew by 2.1% in 2022. Consumer prices in the country decreased by 0.1% on a monthly basis in December, marking the first decline since May 2020.

Fed increased the policy rate by 25 basis points to 4.5-4.75%. Stating that the downward trend in inflation is a positive development, Fed Chairman Jerome Powell signaled that interest rate hikes would continue.

Euro Area economy grew by 3.5% in 2022. PMI data for January pointed to a recovery in economic activity in the region.

In their last meetings, ECB and BoE increased the policy rates by 50 basis points, in line with market expectations.

Despite the positive expectations regarding the global economic activity, oil prices followed a downward trend in January in line with the evaluations that the oil supply is sufficient.

Turkish Economy

In November 2022, seasonally adjusted unemployment rate was 10.2%. In this period, labor force participation and employment rates reached the highest levels of the 2005-based series with 54.1% and 48.6%, respectively.

Seasonally and calendar adjusted industrial production index decreased by 1.1% mom in November. In this period, calendar adjusted industrial production index declined for the first time since May 2020 falling by 1.3% on an annual basis.

Manufacturing PMI increased by 2 points compared to the previous month and became 50.1 in January, pointing to growth in the sector for the first time since February 2022.

In 2022, exports increased by 12.9% yoy to 254.2 billion USD and imports went up by 34% yoy to 363.7 billion USD. Foreign trade deficit widened by 137% yoy to 109.5 billion USD. In January, according to the preliminary figures, monthly foreign trade deficit reached the historically high level at 14.4 billion USD.

In 2022, central government budget deficit was realized as 139.1 billion TRY, well below the budget target of 278 billion TRY determined at the end of 2021 and the forecast of 461 billion TRY announced in the Medium Term Program in September 2022.

In January, CPI increased by 6.65% mom while D-PPI rose by 4.15% mom. Annual inflation came in at 57.68% in CPI and at 86.46% in D-PPI.

CBRT, which kept the policy rate unchanged at 9% at its January meeting, announced new macroprudential measures within the scope of its liraization strategy.

In the first Inflation Report of the year, CBRT kept its inflation forecasts unchanged at 22.3% and 8.8%, for the end of 2023 and 2024, respectively.

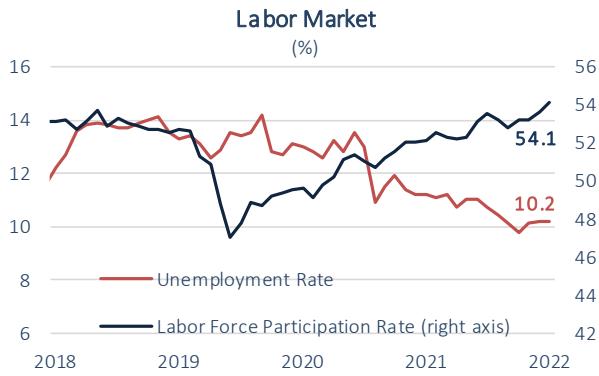
In January, BIST-100 index decreased by 9.7%, while USD/TRY increased by 0.6% on a monthly basis.

Turkish Economy	2
Financial Markets	7
Banking Sector	8
Concluding Remarks	9
Graphs	10
Tables	12

Leading Indicators

In November, labor force participation rate rose to 54.1%.

According to seasonally adjusted data, in November 2022, employment increased by 285K people compared to October. In this period, while the labor force and the total number of unemployed increased by 308K and 23K, respectively, the unemployment rate remained unchanged at 10.2%. In November, labor force participation and employment rates rose to 54.1% and 48.6%, respectively, reaching the highest levels of the 2005-based series. The labor underutilization rate, consisting of time-related underemployment, potential labor force and unemployment increased by 0.5 percentage points compared to October and became 20.8%.



When analyzed on a sectoral basis, the number of paid employees increased by 40K in the trade and services sector each, by 23K in the construction sector and by 19K in the industrial sector, on a monthly basis. Thus, the total number of paid employees rose by 982K compared to November 2021 and became 14,824K.

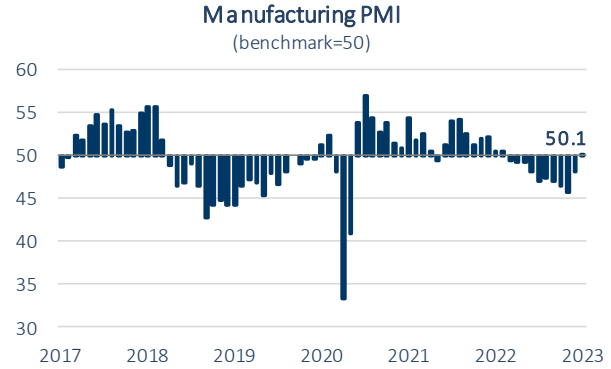
Industrial production index decreased by 1.1% mom in November.

Seasonally and calendar adjusted industrial production index decreased by 1.1% mom in November. In this period, production shrank in all sub-indices except for durable consumer goods and high-tech products. Thus, calendar adjusted industrial production index fell by 1.3% on an annual basis, marking the first decline since May 2020. Among the sub-sectors of the manufacturing industry, production decreased by 18.7% yoy in textile and by 20.5% yoy in basic metals industry. On the other hand, it was noteworthy that the production of computer, electronic and optical products surged by 73.1% on an annual basis. The annual rise in industrial production, which was 9.8% in the first half and 1.3% in the third quarter of 2022, decreased to 0.9% in the October-November period.

Manufacturing PMI rose above the threshold in January.

Rising by 2 points on a monthly basis to 50.1 in January, the manufacturing PMI exceeded the threshold and pointed to growth in the sector for the first time since February 2022. The fact that the production sub-index reached its highest value in the last 14 months and employment remained stable with an increase for three consecutive months was

behind this development signaling the end of the ten-month contraction period. In addition, the limited slowdown in new orders compared to December and some survey participants' evaluations that there were signs of improvement in demand supported the positive picture reflected by the headline PMI. On the other hand, the decline in new export orders, which remained at significant levels despite losing momentum, and the fact that input costs were at the highest level of the last six months, mostly due to the increase in the minimum wage, limited the optimism in the manufacturing sector.



Confidence indices presented a mixed outlook in January.

Seasonally adjusted real sector confidence index rose by 1.8 points compared to the previous month and became 103.4 in January thanks to the increases in the sub indices of current stock of finished products, export orders for the next 3 months and total orders in the last 3 months. On the other hand, confidence decreased in the services and retail trade sectors, while it increased by 0.6% in the construction sector. It was noteworthy that the expectations for the next three months drew a negative outlook in all sectoral confidence indices. The seasonally adjusted consumer confidence index, on the other hand, increased by 4.6% compared to December to 79.1, the highest level since September 2021. Thus, the economic confidence index, which is calculated by combining the real sector, consumer and sectoral confidence indices by weighting, increased by 1.3% compared to the previous month to 99.3, the highest level of the last year, but remained below the 100 threshold.

Housing sales continued to decline on an annual basis in December.

In December, total house sales decreased by 8.2% yoy to 207,963 units. In this period, it was noteworthy that the sales of mortgaged and second-hand houses declined by 51.8% yoy and 13.1% yoy, respectively. In the whole year, house sales decreased by 0.4% to 1,485,622 units. Housing sales to foreigners rose by 15.2% in this period and had a share of 4.5% in total sales.

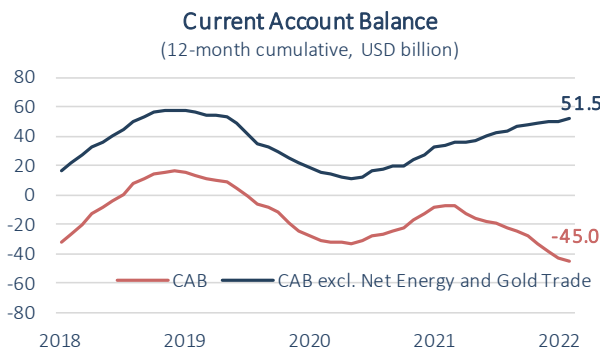
Foreign Trade and Balance of Payments

Foreign trade deficit widened by 60.7% yoy in November.

According to data released by TURKSTAT, exports rose by 2.1% yoy and became 21.9 billion USD, while imports went up by 14.0% yoy to 30.7 billion USD in November. Thus, the foreign trade deficit widened by 60.7% yoy in November and reached 8.8 billion USD. The import coverage ratio, which was 79.8% in November 2021, declined to 71.4% in the same month of 2022.

In November, the current account deficit became 3.7 billion USD.

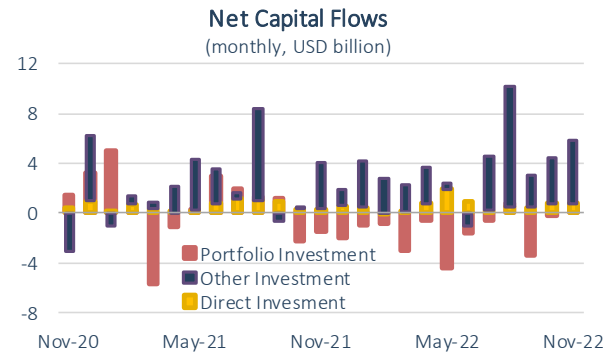
The rapid expansion in the foreign trade deficit continues to play an important role on the current account deficit. In November, the current account deficit rose by 74.2% yoy and reached 3.7 billion USD, its highest level since May. In this period, net energy imports remained high, while net gold imports became 2.4 billion USD. Due to the decline in travel revenues, net services revenues decreased to the lowest level since April with 3.7 billion USD in November.



In the January-November 2022 period, the current account deficit expanded more than 10 times compared to the same period of 2021, reaching 41.8 billion USD. In this period, the increase in average oil prices by 42.8% on an annual basis was behind the widening of the foreign trade deficit, while the rise in net travel and transportation revenues by 17.9 billion USD on an annual basis limited the widening of the current account deficit. In November, the 12-month cumulative current account deficit reached 45 billion USD, the highest level since August 2018.

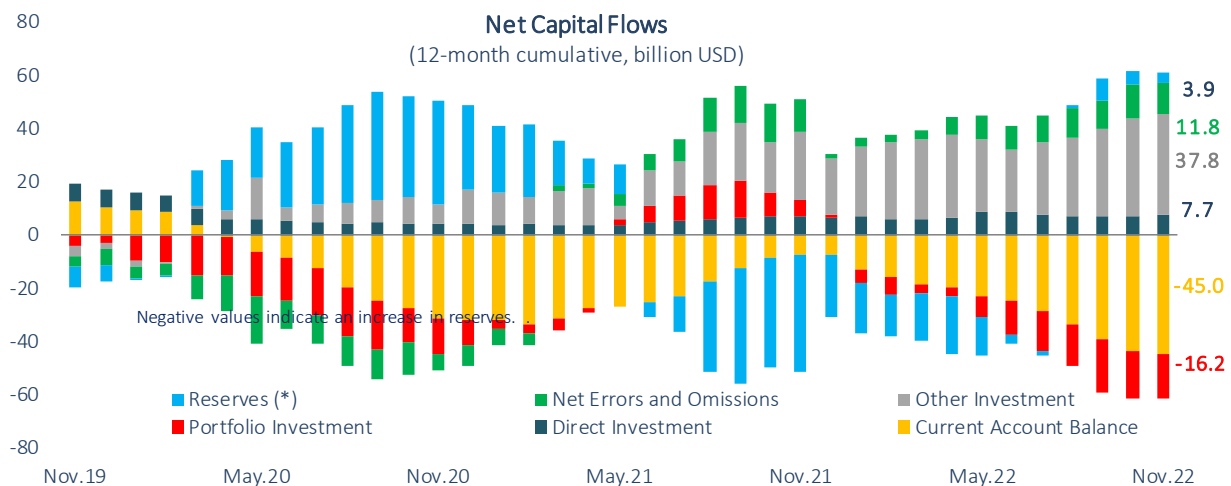
The moderate course of direct investments continued.

Net direct investments continued their moderate course with 775 million USD in November. Direct investments made by non-residents in Türkiye reached 1.2 billion USD in November, the highest level of the last 5 months. In this period, net real estate investments amounted to 487 million USD, while capital investments reached the highest level of the last six months with 949 million USD. According to the sectors, the highest direct capital investment of non-residents was 429 million USD in the wholesale and retail trade sector and in the manufacturing of computers, electrical-electronics and optical products with 121 million USD.



Portfolio investments recorded inflow in November.

Portfolio investments, which recorded outflows throughout 2022, posted the second net capital inflow of the year other than August with 538 million USD in November. In this period, the General Government issued bonds in international markets at the amount of 1.5 billion USD, while banks and other sectors made net repayments of 679 million USD and 180 million USD, respectively. On the other hand, in November, non-residents made a net purchase of 300 million USD in the stock market and a net sale of 65 million USD in the GDDS market. Thus, while the total outflow in portfolio investments reached 14.3 billion USD in the January-November period, 3.5 billion USD of this outflow was from the stock market and 2.2 billion USD from the GDDS market.



Source: Datastream, Turkstat, CBRT

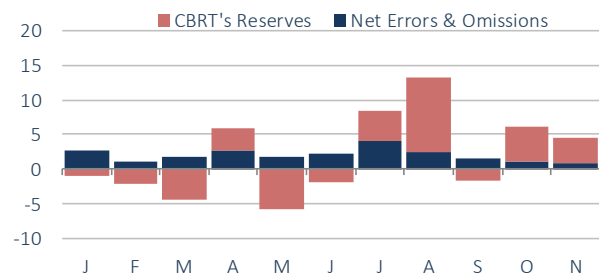
Foreign Trade and Balance of Payments

5.1 billion USD capital inflow in other investments...

Other investments, which recorded high capital inflows since July, posted another high inflow with 5.1 billion USD in November. In this period, deposits of domestic banks at their foreign correspondents decreased by 4.8 billion USD, while deposits of foreign banks in Türkiye showed an increase of 595 million USD. In addition, by increasing 1.5 billion USD non-resident individuals' deposits in Türkiye posted one of the fastest increases in the last 12 years in November. In this period, the banking sector made a net repayment of 1.5 billion USD and the General Government 103 million USD in their loans taken from abroad. In this period, other sectors made a net use of 82 million USD. Thus, as of November, the long-term debt roll-over ratio on a 12-month cumulative basis was 82.3% in the banking sector and 189.4% in other sectors.

Reserve assets increased by 3.6 billion USD.

Despite the decrease in reserve assets in the first half of 2022, the increase in the second half of the year continued with 3.6 billion USD in November. Thus, official reserves went up by 9.9 billion USD in the January-November period. Net errors and omissions recorded a capital inflow of 899 million USD in November. In the first 11 months of the year capital inflows stemming from said item reached 22.3 billion USD.

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

Expectations...

Although the annual growth of exports and imports lost momentum in recent months, the foreign trade deficit continued to be high at 9.7 billion USD in December. Thus, the foreign trade deficit, which was 46.2 billion USD in 2021, expanded by 137% and became 110.2 billion USD in 2022. The fluctuating course in commodity prices, especially in energy, and the historically high level of foreign trade deficit partially due to the high gold imports in January keep the risks on the current account deficit to remain high on the agenda. The continuing tightening steps in monetary policies by the major central banks point to a picture where uncertainties regarding the financing side of the balance of payments will prevail.

Balance of Payments

	Nov. 2022	Jan. - Nov. 2021	2022	% Change
Current Account Balance	-3,666	-4,057	-41,814	930.7
Foreign Trade Balance	-7,122	-24,267	-81,537	236.0
Services Balance	3,683	29,502	48,183	63.3
Travel (net)	2,648	23,313	36,457	56.4
Primary Income	-240	-10,128	-7,925	-21.8
Secondary Income	13	836	-535	-
Capital Account	-1	-66	-28	-57.6
Financial Account	-2,768	7,870	-19,501	-
Direct Investment (net)	-775	-6,185	-7,122	15.1
Portfolio Investment (net)	-538	-2,746	14,253	-
Net Acquisition of Financial Assets	336	1,416	4,597	224.6
Net Incurrence of Liabilities	874	4,162	-9,656	-
Equity Securities	300	-433	-3,458	698.6
Debt Securities	574	4,595	-6,198	-
Other Investment (net)	-5,068	-20,310	-36,509	79.8
Currency and Deposits	-7,108	-12,744	-28,044	120.1
Net Acquisition of Financial Assets	-5,007	1,227	-1,069	-
Net Incurrence of Liabilities	2,101	13,971	26,975	93.1
Central Bank	15	4,751	7,322	54.1
Banks	2,086	9,220	19,653	113.2
Foreign Banks	569	6,453	7,987	23.8
Foreign Exchange	26	2,015	4,092	103.1
Turkish Lira	1,491	752	7,574	907.2
Non-residents	595	8,468	12,079	42.6
Loans	1,529	1,009	-3,668	-
Net Acquisition of Financial Assets	-23	1,658	254	-84.7
Net Incurrence of Liabilities	-1,552	649	3,922	504.3
Banking Sector	-1,531	-3,303	-5,307	60.7
Non-bank Sectors	82	4,347	9,000	107.0
Trade Credit and Advances	516	-2,232	-4,748	112.7
Other Assets and Liabilities	-5	-5	-49	880.0
Reserve Assets (net)	3,613	37,111	9,877	-73.4
Net Errors and Omissions	899	11,993	22,341	86.3

Source: CBRT, Datastream

Budget Balance

Central government budget gave a deficit of 118.6 billion TRY in December.

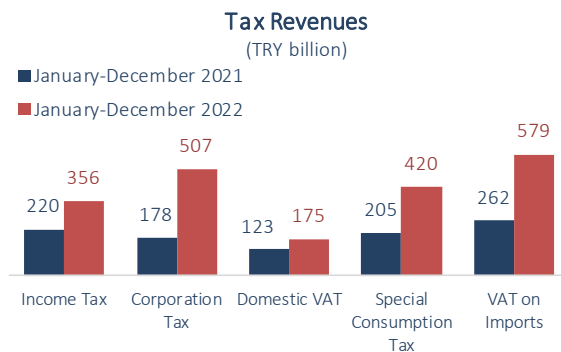
In December, the central government budget deficit declined by 23.5% yoy to 118.6 billion TRY. In this period, budget revenues rose by 96.7% compared to the same month of 2021 and reached 255.2 billion TRY, while budget expenditures increased moderately by 31.3% yoy and became 373.8 billion TRY. In December, the primary balance gave a deficit of 100.4 billion TRY.

Budget deficit was realized as 139.1 billion TRY in 2022.

The central government budget deficit, which was 201.5 billion TRY in 2021, declined to 139.1 billion TRY in 2022 thanks to the positive performance in revenues. Thus, the budget deficit was realized well below the budget target of 278 billion TRY projected at the end of 2021 and the MTP forecast of 461 billion TRY announced in September 2022. In this period, budget revenues surged by 99.9% and budget expenditures increased by 83.4%. The primary balance, which gave a deficit of 20.7 billion TRY in 2021, posted a surplus of 171.8 billion TRY in 2022.

Positive course in tax revenues continued in December.

In December, tax revenues rose by 89.6% yoy and amounted to 211.5 billion TRY. The annual rise of special consumption tax (SCT) by 162.8% played an important role in the positive performance of the tax revenues. In addition, VAT on domestic goods and imports went up by 28.3 billion TRY and contributed 21.8 points to the rise in budget revenues. The interest, shares and fees continued its upward trend in December. This item rose by 111% yoy and amounted to 26.2 billion TRY.

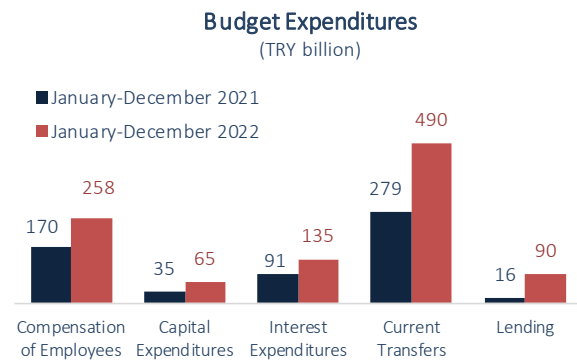


In 2022, tax revenues rose by 102%, well above the annual CPI inflation, and reached 2.4 trillion TRY. The positive performance of tax revenues was driven by the 165% annual increase of the corporate tax revenues which reached 507.5 billion TRY, led by the brisk pace of economic activity especially in the first half of the year as well as the high inflation. SCT revenues from natural gas and petroleum products increased by 145.3% in 2022 thanks to the

ending of the "sliding scale (echelle mobile) system" in March 2022. Interest, shares and fees rose by 93.9% yoy in 2022, in parallel with the rapid increase in interest incomes, and amounted to 236.8 billion TRY.

Budget expenditures rose by 31.3% yoy in December.

In December, compensation of employees and personnel expenses and real estate investment expenses came to the fore in the 31.3% annual increase in budget expenditures. In this period, real estate investments rose by 177.1% yoy and reached 73.6 billion TRY, while personnel expenses doubled on an annual basis to 48.1 billion TRY. Current transfers, which accounted for 31% of budget expenditures in December, recorded a moderate annual rise with 13.8%. In this developments, decreases in debt transfers to PEs and health premium expenses of uninsured people were effective.



In 2022, the current transfers rose by 79.7% to 1.1 trillion TRY. The treasury aids increased by 52.8% yoy to 449.7 billion TRY, and the other transfers to households nearly quadrupled to 157.9 billion TRY. In this period, interest expenses increased by 72% and reached 310.9 billion TRY. In addition, payments made within the scope of domestic debt transfers to PEs throughout the year amounted to 185.5 billion TRY, and expenses related to the FX-protected lira deposits accounts were 92.5 billion TRY.

Expectations...

In 2022, rapid expansion in tax revenues thanks to the brisk pace of economic activity, especially in the first half of the year, as well as the high inflation throughout the year strengthened budget revenues. Furthermore, a slower increase in budget expenditures compared to the revenues supported the budget performance as well. According to the budget deficit realizations and growth projections, the budget deficit to GDP ratio is estimated realize around 1% in 2022.

Central Government Budget

	(billion TRY)								
	December			January-December			2022 Budget	MTP	Real./ Budget
	2021	2022	% Change	2021	2022	% Change	Target	Target	Target (%)
Expenditures	284.7	373.8	31.3	1,603.5	2,941.4	83.4	2,831.5	3,133.7	93.9
Interest Expenditures	9.0	18.2	103.6	180.9	310.9	71.9	329.8	329.8	94.3
Non-Interest Expenditures	275.8	355.6	28.9	1,422.7	2,630.5	84.9	2,501.7	2,803.9	93.8
Revenues	129.7	255.2	96.7	1,402.0	2,802.4	99.9	2,553.1	2,672.5	104.9
Tax Revenues	111.6	211.5	89.6	1,165.0	2,353.3	102.0	2,186.0	2,269.6	103.7
Other Revenues	18.1	43.7	140.9	237.1	449.1	89.4	367.1	402.9	111.5
Budget Balance	-155.0	-118.6	-23.5	-201.5	-139.1	-31.0	-278.4	-461.2	30.2
Primary Balance	-146.0	-100.4	-31.3	-20.7	171.8	-	51.4	-131.4	-

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

In January, monthly CPI increased by 6.65%

In January, CPI showed the fastest monthly increase in the last 9 months with 6.65% and exceeded market expectations. Domestic PPI, which declined for the first time in the last three years in December, recorded an increase of 4.15% in this period.

January (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	11.10	6.65	10.45	4.15
Annual	48.69	57.68	93.53	86.46
Annual Average	22.58	72.45	49.93	125.53

Recovery in annual inflation indicators due to base effect continued.

In January, despite the rapid increase on a monthly basis, annual CPI inflation decreased to its lowest level of last 11 months due to the high base effect and was realized as 57.68%. In this period, thanks to the continuing downward trend of global energy prices the annual domestic PPI inflation was realized as 86.46%, the lowest level since December 2021.

In January, prices in 11 main spending groups increased.

In January, prices increased in 11 out of the 12 main spending groups. In this period, having the highest share in expenditure groups the food and non-alcoholic beverages group increased monthly inflation by 168 basis points due to the rapid rise in meat (16.2%) and vegetable (7.6%) prices. Clothing and footwear group was the only group that limited monthly CPI inflation by 10 basis points. When the prices of goods and services are compared, it is noteworthy that the prices of services surged by 12.70%, despite the rise of 4.47% in the prices of goods in January.

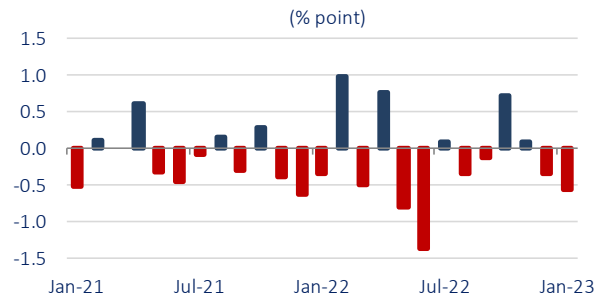
By updating the weights of the main expenditure groups in the inflation basket in January, Turkstat decreased the share of the transportation group in the basket by 1.72 points, while increasing the share of the housing group by 2.5 points.

Weights of expenditure groups (%)			Δ (% point)
	2022	2023	
Food and non-alcoholic beverages	25.32	25.43	0.11
Transport	16.80	15.08	-1.72
Housing, water, electricity, gas	14.12	16.62	2.50
Furnishings and household equipment	8.86	8.67	-0.19
Hotels, cafes and restaurants	7.11	7.82	0.71
Clothing and footwear	6.42	6.41	-0.01
Alcoholic beverages and tobacco	4.31	3.57	-0.74
Miscellaneous goods and services	4.96	4.64	-0.32
Communications	3.78	3.30	-0.48
Health	3.24	3.53	0.29
Recreation and culture	3.06	3.25	0.19
Education	2.03	1.67	-0.36
Total	100	100	-

Core inflation indicators...

Seasonal products limited the increase in monthly inflation in January. Monthly CPI inflation, excluding seasonal products, was 7.23% in this period. The Index B (CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco and gold) rose by 7.07% on a monthly basis. In this period, the Index C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) increased by 7.67%, the fastest rise in the last 13 months. The increases in B and C indices were realized as 57.05% and 52.97%, respectively.

Contribution of Seasonal Factors to Monthly CPI Inflation



Food prices were behind the rise of D-PPI.

While the rise in food prices continued to be determinant in the rise of producer prices in January, energy prices continued to limit the increase in domestic producer prices. In this period; prices in electricity, gas production and distribution, and crude oil and natural gas sectors decreased by 3.1% and 9.0%, respectively, on a monthly basis, pushing the monthly D-PPI inflation down by 42 basis points. The rapid monthly increases in food (7.9%) and beverages (20.4%) prices in January contributed a total of 143 basis points to D-PPI inflation. In addition, the prices of non-metallic mineral products increased by 8.3% mom, pushing the D-PPI inflation up by 44 basis points. Analyzing by industry groups, prices of non-durable goods went up by 8.19% mom, followed by durable goods with a price increase of 7.34%.

Expectations...

In the first Inflation Report of the year published on January 26, the CBRT kept its inflation forecast for the end of 2023 unchanged at 22.3%. The seasonal products limited the increase in monthly inflation in January, while the rapid rises in services prices confirmed the existence of inertia in inflation. In an environment where the increase in energy prices was realized at a relatively low level and the value of the TRY remained flat, the higher-than-expected inflation points to the strong course of demand conditions, with the contribution of recent wage increases.

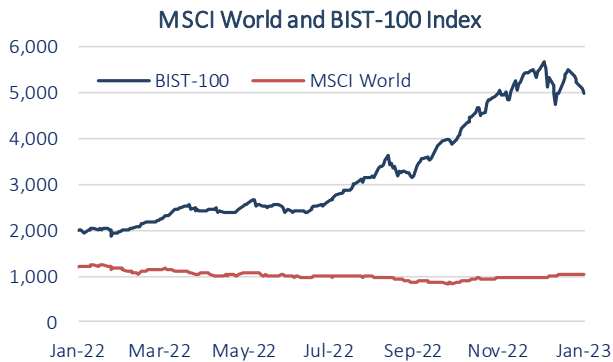
Financial Markets

	30-Dec	31-Jan	Change
5-Y CDS (basis points)	505	546	41 bp ▲
TR 2-Y Benchmark Yield	%9.97	%10.53	56 bp ▲
BIST-100	5,509	4,977	-%9.7 ▼
USD/TRY	18.6883	18.8064	%0.6 ▲
EUR/TRY	20.0002	20.4315	%2.2 ▲
Currency Basket*	19.3443	19.6190	%1.4 ▲

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

BIST-100 index decreased by 9.7% mom in January.

In January, the MSCI World Stock Exchange index rose by 7.9% on a monthly basis due to China's lifting of Covid restrictions and relatively positive PMI and moderate inflation data announced in the USA. While the US 10-year Treasury bond yields continued to decline, the DXY hit its lowest level of the last 10 months.



Financial markets in Türkiye diverged negatively from other emerging markets. BIST-100 index, which reached its historical high level with 5,661 on the first trading day of the year, closed the first month of 2023 at 4,977 with a decrease of 9.7%. Türkiye's 5-year CDS premium ended January with a rise of 41 basis points at 546 basis points and USD/TRY finished the month at 18.81. Parallel to the rise in EUR/USD parity, EUR/TRY increased by 2.2% on a monthly basis and became 20.43.

CBRT did not change its inflation forecasts.

In the Monetary Policy Committee meeting held on January 19, the CBRT kept the policy rate unchanged at 9%, in line with expectations. It was noteworthy that the text published after the meeting did not include the statement "The Board evaluated the current policy rate as sufficient considering the increasing risks regarding global demand", which was in the text of the previous meeting.

Publishing the first Inflation Report of the year, the CBRT kept its year-end inflation forecasts for 2022 and 2023 as 22.3% and 8.8%, respectively. In the report, it was stated that the unusually rising energy and commodity prices

due to the Russia-Ukraine war in 2022 affected all economic indicators, and it was emphasized that there was a current account surplus when energy imports were excluded. CBRT Chairman Şahap Kavcıoğlu pointed out that consumer prices inflation has lost momentum in the November-December 2022 period and added that there is no basis for the continuation of high price increases in an environment where energy prices started to decline, while volatility in exchange rates and inflation expectations decreased.

CBRT Inflation Forecasts	2023
2022-IV (October 2022) Forecast (%)	22.3
2023-I (January 2023) Forecast (%)	22.3
Forecast Revision as Compared to the 2022-III	0.0
Sources of Forecast Revisions (% Points)	
Denominated	+0.1
Administered Prices	-0.2
Output Gap	+1.5
Deviation from the Inflation Forecast / the Underlying Trend of Inflation	-1.4

Inflation expectations of markets declined.

According to the results of the CBRT's Market Participants Survey, the markets' inflation expectation for the next 12 months decreased from 34.9% to 30.4% in January. While market participants' expectations for growth and current account deficit for the end of 2023 remained at the levels of 4.1% and -30.7 billion USD, respectively, the year-end USD/TRY forecast stands at 23.12.

Securities portfolio of non-residents...

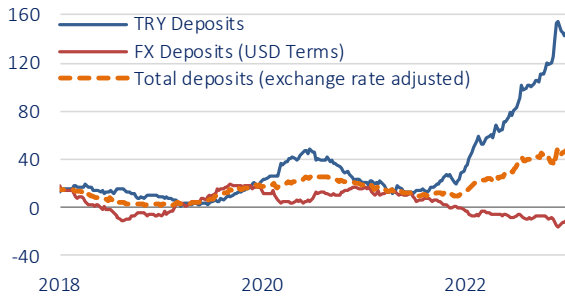
According to the securities statistics announced by the CBRT, as of January 27, the stock portfolio of non-residents, adjusted for price and exchange rate movements, decreased by net 596 million USD compared to the end of 2022; while the government debt securities portfolio increased by a net 9 million USD. In the same period, due to the rise in gold prices, the CBRT's total gross reserves rose to 127.1 billion USD and net international reserves increased to 25.8 billion USD.

Source: CBRT, Datastream, Reuters,

Deposit volume exceeded 9 trillion TRY.

According to the BRSA Weekly Bulletin data, as of January 27, the volume of TRY deposits increased by 144.6% on an annual basis and reached 5 trillion TRY, due partially to high inflation. In this period, FX deposit volume in USD terms decreased by 10.7% yoy to 223.2 billion USD. Thus, the total deposit volume of the banking sector went up by 69.3% yoy and reached 9.2 trillion TRY in the week of 27 January. The annual increase in deposit volume, adjusted for exchange rate effects, was realized as 47.8%. The FX-protected deposit volume, which saw its highest level with 1.47 trillion TRY in November 2022 since it was introduced, stood at 1.41 trillion TRY as of the week of January 27.

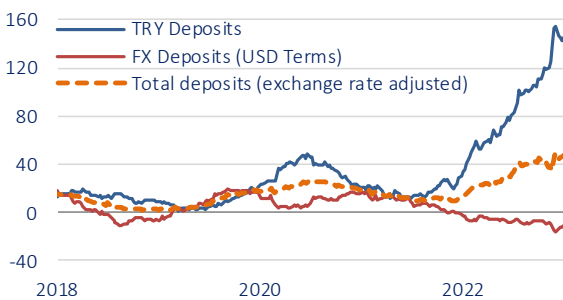
Deposit Growth
(annual % change)



Total loan volume reached 7.8 trillion TRY.

As of January 27, TRY loan volume expanded by 84.1% compared to the same period of the last year and reached 5.3 trillion TRY. On the other hand, FX loan volume in USD terms decreased by 13.8% yoy to 133.8 billion USD. The total loan volume of the banking sector increased by 56.9% yoy and reached 7.8 trillion TRY. Thus, the annual growth rate of loan volume adjusted for exchange rate effects was 42.8%.

Deposit Growth
(annual % change)

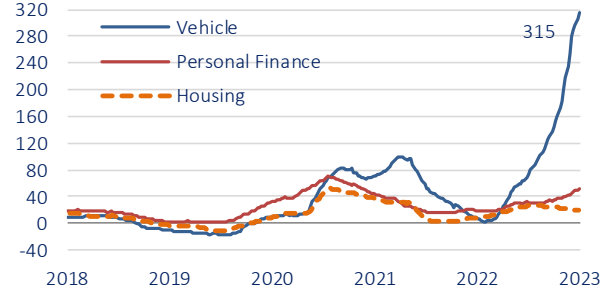


The increase in vehicle loans was 315%...

As of January 27, consumer loan volume increased by 44.2% compared to the same period of last year and reached 1.1 trillion TRY. Expanding by 315% yoy, the accelerated momentum in vehicle loans drew attention in this period. As of January 27, housing and consumer loans grew by 20.4% yoy and 52.1% yoy, respectively.

The annual increase in the balance of individual credit cards reached its historical peak with 127.6%.

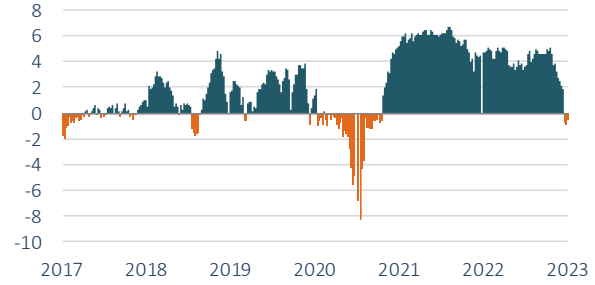
Consumer Loans
(annual % change)



Foreign currency net general position...

As of January 27, the FX net general position was (-) 33.399 million USD in on-balance sheet items and (+) 32.950 million USD in off-balance sheet items. Thus, the banking sector's FX net general position decreased to (-) 450 million USD, the lowest level of the last three years.

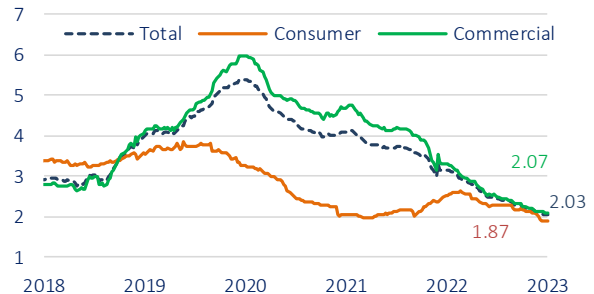
Net FX Position
(USD Billion)



NPL ratio was 2.03%...

With the effect of the rapid increase in loan volume, NPL ratio reached its historical low level with 2.03% as of January 27. NPL ratio, which was 1.87% in retail loans and 2.07% in commercial loans, was realized as 1.37% in public banks and 2.62% in private banks.

Non-performing Loans
(%)



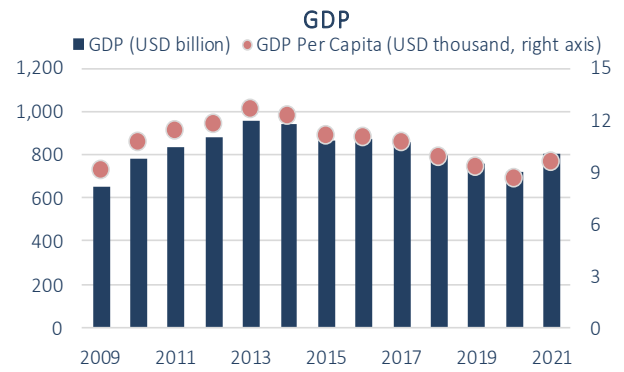
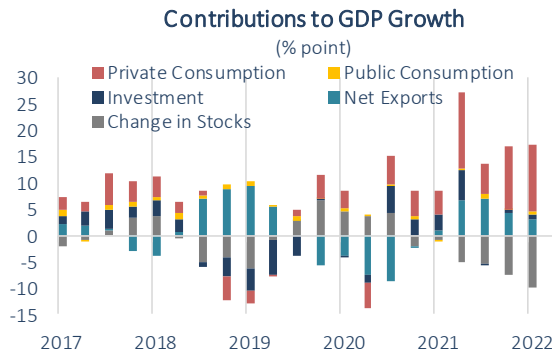
Concluding Remarks

The growth data announced in the leading economies presented a more positive outlook than the expectations regarding the global economic activity in the last quarter of 2022. PMI figures for January also pointed that the recovery in the US and Euro Area continued. Besides, the easing of the covid-19 measures in China is expected to have a positive effect on global demand indicators. In this context, the IMF revised its global growth forecasts upwards. On the other hand, although it has lost momentum in recent months, high levels of inflation indicate that major central banks will continue to tighten their monetary policies, albeit at a slower pace.

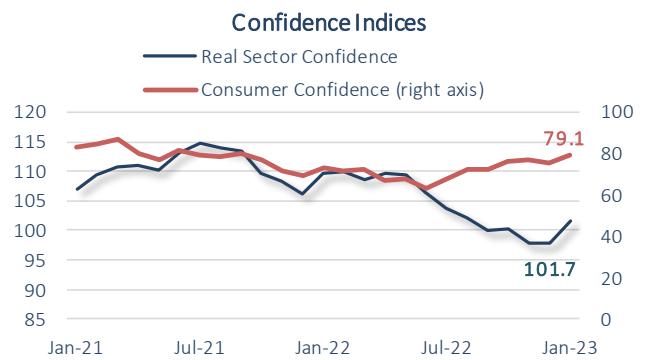
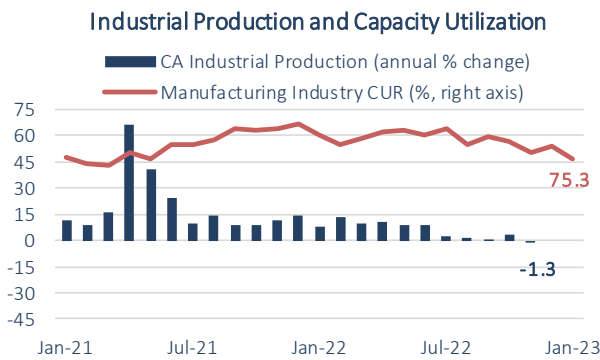
In Türkiye, leading indicators for January signal that economic activity has recovered somewhat, led by strong domestic demand. While CBRT kept its year-end inflation forecast for 2023 at 22.3% in the first Inflation Report of the year, the monthly CPI inflation in January came in at 6.65%, well above the market expectations. Moreover, according to preliminary data, the foreign trade deficit reached its historical high level of 14.4 billion USD in January. Following the positive course in the financial markets in December, a selling pressure prevails in the stock markets since the beginning of the year.

Turkish Economy - Macroeconomic Indicators

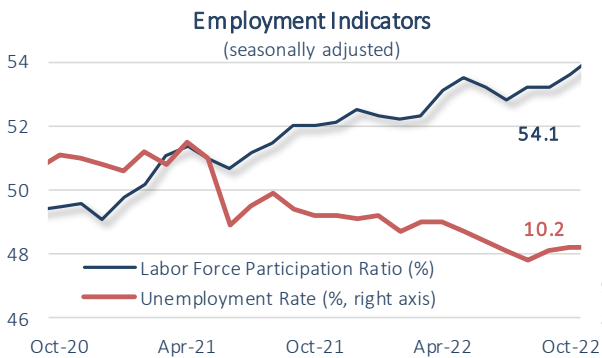
Growth



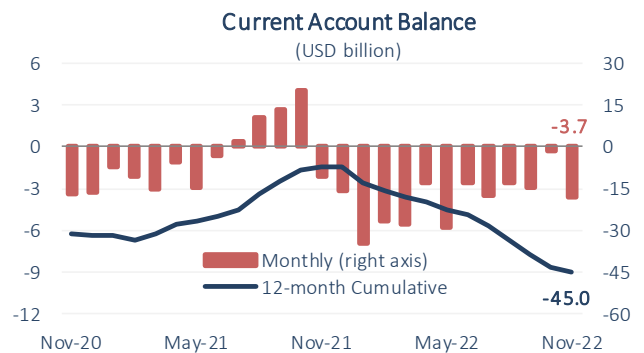
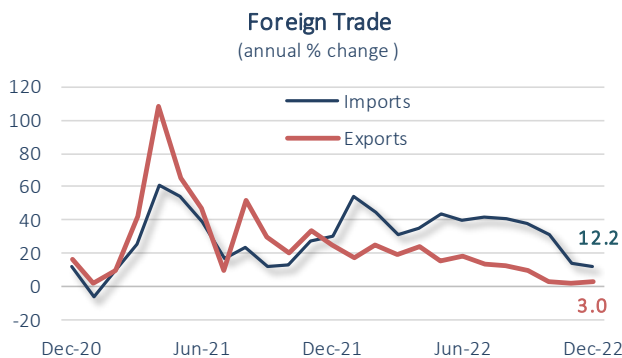
Leading Indicators



Labor Market



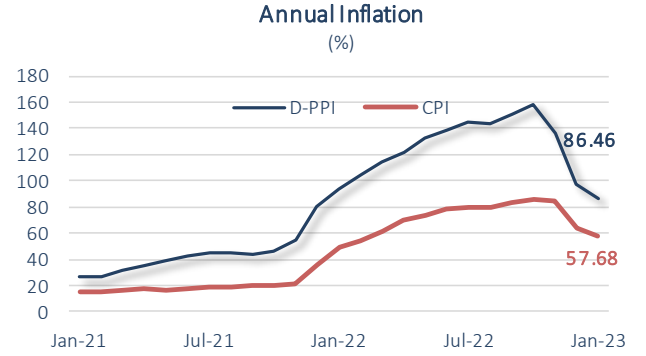
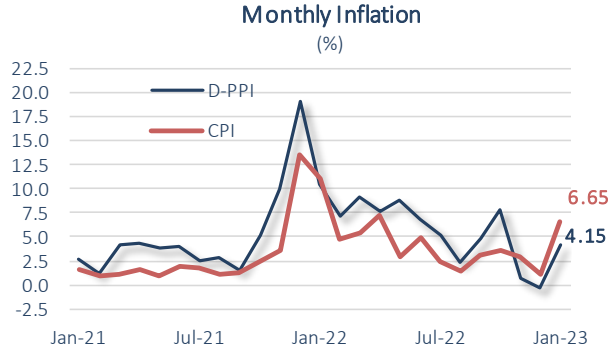
Foreign Trade and Current Account Balance



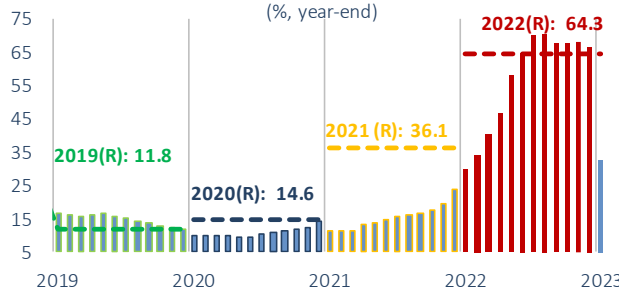
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

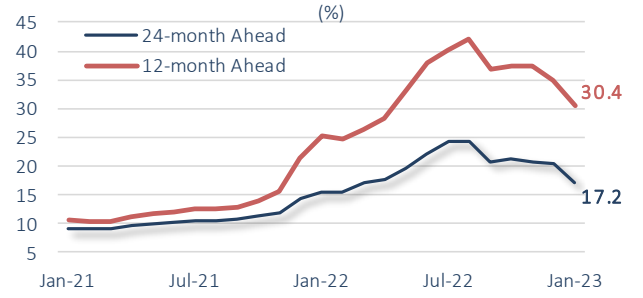
Inflation



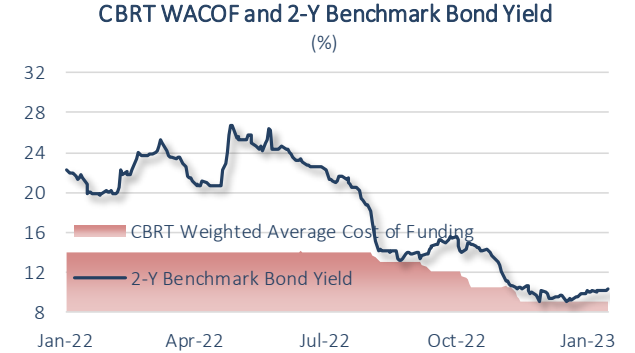
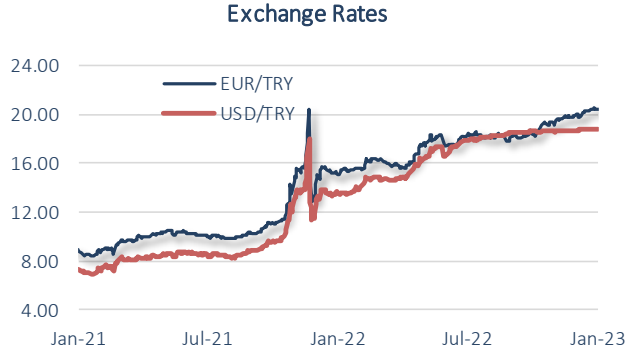
CBRT Survey of Market Participants - Annual CPI Inflation Expectations



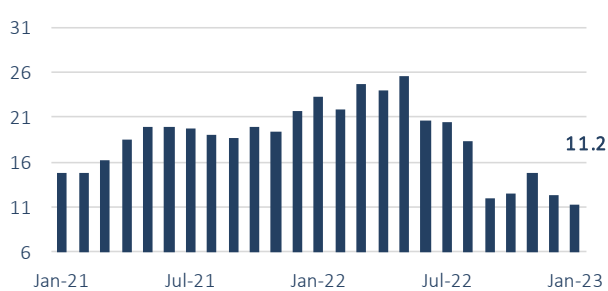
CBRT Survey of Market Participants - 12 & 24-month Ahead CPI Inflation Expectations



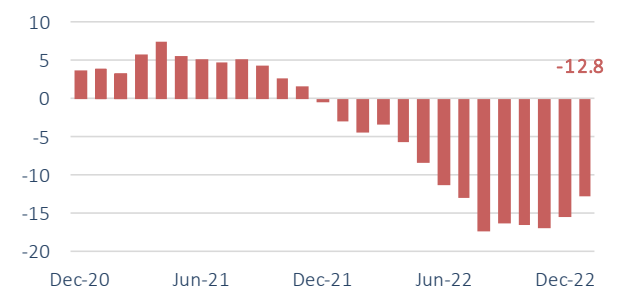
Foreign Exchange and Bond Market



Average Compound Yield in Treasury Auctions (%)



Expected Real Yield of TRY GDDIs (%)



Turkish Economy - Macroeconomic Indicators

Growth	2017	2018	2019	2020	2021	Q1-22	Q2-22	Q3-22
GDP (USD billion)	859	797	760	717	807	181	220	242
GDP (TRY billion)	3,134	3,759	4,312	5,048	7,249	2,508	3,425	4,258
GDP Growth Rate (%)	7.5	3.0	0.8	1.9	11.4	7.5	7.7	3.9
Inflation (%)						Nov-22	Dec-22	Jan-23
CPI (annual)	11.92	20.30	11.84	14.60	36.08	85.51	84.39	57.68
Domestic PPI (annual)	15.47	33.64	7.36	25.15	79.89	157.69	136.02	86.46
Seasonally Adjusted Labor Market Figures						Sep-22	Oct-22	Nov-22
Unemployment Rate (%)	9.9	12.7	13.4	12.8	11.1	10.1	10.2	10.2
Labor Force Participation Rate (%)	52.8	53.2	52.6	49.1	52.5	53.2	53.6	54.1
FX Rates						Nov-22	Dec-22	Jan-23
CPI Based Real Effective Exchange Rate	86.3	76.3	76.1	62.0	47.7	55.7	54.7	
USD/TRY	3.79	5.32	5.95	7.43	13.28	18.59	18.72	18.81
EUR/TRY	4.55	6.08	6.68	9.09	15.10	19.15	19.98	20.43
Currency Basket (0.5*EUR+0.5*USD)	4.17	5.70	6.32	8.26	14.19	18.87	19.35	19.62
Foreign Trade Balance ⁽¹⁾ (USD billion)						Oct-22	Nov-22	Dec-22
Exports	164.5	177.2	180.8	169.6	225.2	253.1	253.5	254.2
Imports	238.7	231.2	210.3	219.5	271.4	356.4	360.2	363.7
Foreign Trade Balance	-74.2	-54.0	-29.5	-49.9	-46.2	-103.4	-106.7	-109.5
Import Coverage Ratio (%)	68.9	76.6	86.0	77.3	83.0	71.0	70.4	69.9
Balance of Payments ⁽¹⁾ (USD billion)						Sep-22	Oct-22	Nov-22
Current Account Balance	-40.0	-20.1	10.8	-31.9	-7.3	-39.0	-43.4	-45.0
Capital and Financial Accounts	-49.7	1.1	5.1	-39.5	-6.0	-27.9	-30.3	-33.2
Direct Investments (net)	-8.5	-8.9	-6.6	-4.6	-6.9	-6.9	-7.3	-7.7
Portfolio Investments (net)	-24.4	0.9	2.8	9.6	-0.8	20.2	18.2	16.2
Other Investments (net)	-8.5	19.4	2.6	-12.6	-21.7	-33.0	-36.5	-37.8
Reserve Assets (net)	-8.2	-10.4	6.3	-31.9	23.3	-8.3	-4.7	-3.9
Net Errors and Omissions	-9.7	21.1	-5.8	-7.6	1.4	11.1	13.2	11.8
Current Account Balance/GDP (%)	-4.7	-2.5	1.4	-4.4	-0.9	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Oct-22	Nov-22	Dec-22
Expenditures	678.3	830.8	1,000.0	1,203.7	1,603.5	2,328.2	2,567.6	2,941.4
Interest Expenditures	50.2	74.0	99.9	134.0	180.9	268.3	292.7	310.9
Non-interest Expenditures	628.0	756.8	900.1	1,069.8	1,422.7	2,059.9	2,274.9	2,630.5
Revenues	630.5	758.0	875.3	1,028.4	1,402.0	2,199.4	2,547.2	2,802.4
Tax Revenues	536.6	621.5	673.9	833.3	1,165.0	1,829.8	2,141.8	2,353.3
Budget Balance	-47.8	-72.8	-124.7	-175.3	-201.5	-128.8	-20.4	-139.1
Primary Balance	8.9	1.1	-24.8	-41.3	-20.7	139.5	272.2	171.8
Budget Balance/GDP (%)	-1.5	-1.9	-2.9	-3.5	-2.8	-	-	-
Central Government Debt Stock (TRY billion)						Oct-22	Nov-22	Dec-22
Domestic Debt Stock	535.4	586.1	755.1	1,060.4	1,321.2	1,800.5	1,854.1	1,905.3
External Debt Stock	341.0	481.0	574.0	752.5	1,426.5	2,007.3	2,053.7	2,127.9
Total Debt Stock	876.5	1,067.1	1,329.1	1,812.8	2,747.7	3,807.8	3,907.9	4,033.2

(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

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2017	2018	2019	2020	2021	Nov.22	Dec.22	Change ⁽¹⁾
TOTAL ASSETS	3,258	3,867	4,491	6,106	9,215	13,807	14,344	55.7
Loans	2,098	2,394	2,656	3,576	4,901	7,275	7,581	54.7
TRY Loans	1,414	1,439	1,642	2,353	2,832	4,796	5,110	80.4
Share (%)	67.4	60.1	61.8	65.8	57.8	66	67.4	-
FX Loans	684	956	1,015	1,224	2,069	2,478	2,471	19.5
Share (%)	32.6	39.9	38.2	34.2	42.2	34	32.6	-
Non-performing Loans	64.0	96.6	150.8	152.6	160.1	162	163.4	2.1
Non-performing Loan Rate (%)	3.0	3.9	5.3	4.1	3.2	2	2.1	-
Securities	401	477	660	1,022	1,476	2,305	2,370	60.6
TOTAL LIABILITIES	3,258	3,867	4,491	6,106	9,215	13,807	14,344	55.7
Deposits	1,711	2,036	2,567	3,455	5,303	8,507	8,862	67.1
TRY Deposits	955	1,042	1,259	1,546	1,880	4,243	4,779	154.1
Share (%)	55.8	51.2	49.0	44.7	35.5	50	53.9	-
FX Deposits	756	994	1,308	1,909	3,423	4,264	4,083	19.3
Share (%)	44.2	48.8	51.0	55.3	64.5	50	46.1	-
Securities Issued	145	174	194	224	310	316	325	4.9
Payables to Banks	475	563	533	658	1,048	1,398	1,432	36.6
Funds from Repo Transactions	99	97	154	255	587	511	540	-7.9
SHAREHOLDERS' EQUITY	359	421	492	600	714	1,330	1,407	97.1
Profit (Loss) of the Period	48.6	54.1	49.0	58.5	93.0	389.0	433.5	-
RATIOS (%)								
Loans/GDP	67.0	63.7	61.5	70.9	68.0			
Loans/Assets	64.4	61.9	59.1	58.6	53.2	52.7	52.8	-
Securities/Assets	12.3	12.4	14.7	16.7	16.0	16.7	16.5	-
Deposits/Liabilities	52.5	52.6	57.1	56.6	57.5	61.6	61.8	-
Loans/Deposits	122.6	117.6	103.5	103.5	92.4	85.5	85.5	-
Capital Adequacy (%)	16.9	17.3	18.4	18.7	18.4	19.4	19.5	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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