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Global Economy

In the US, annualized growth data for the first quarter of 2024 was revised down from 1.6% to 1.3%.

The first interest rate cut expectations were postponed to some extent with the impact of Fed officials' statements that there should be no rush for monetary easing.

In Euro Area, services PMI came in at 53.2, presenting a positive outlook for the sector's activity in May while manufacturing PMI was realized as 47.3, indicating that the weak course in the sector continued. In the same period, annual CPI inflation in the region rose to 2.6%.

In China, where data pointed to a recovery in domestic demand, comprehensive measures were announced for the real estate sector.

Having displayed a volatile outlook in May, Brent oil prices decreased by 7.1% mom to 81.6 USD per barrel. In this period, the rise in metal prices continued, albeit at a slower pace.

Turkish Economy

Turkish economy grew by 5.7% yoy in the first quarter of 2024. In this period, net exports made a positive contribution to growth for the first time since the third quarter of 2022.

In March, seasonally adjusted unemployment rate decreased by 0.1 points to 8.6%.

ICI Türkiye manufacturing PMI came in below the threshold value with 48.4 in May, indicating that operating conditions in the sector slowed down for two consecutive months.

In March, current account posted a deficit of 4.5 billion USD, and 12-month cumulative current account deficit narrowed to 31.2 billion USD.

Central government budget deficit was 177.8 billion TRY in April and 691.3 billion TRY in the first four months of the year. In May, economy officials announced a package of efficiency and savings in public sector.

In May, CPI increased by 3.37% mom and annual CPI inflation reached 75.45%, the highest level since November 2022. Domestic PPI inflation was realized as 1.96% mom and 57.68% yoy, respectively.

At May meeting, CBRT kept the policy rate unchanged at 50% in line with market expectations, and took new decisions to support the monetary transmission mechanism and to sterilize excess liquidity.

USD/TRY declined in May, and BIST-100 index hit its all time high during the month. 2-year benchmark bond yield fell to 41.61%.

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GDP Growth

Turkish economy grew by 5.7% in the first quarter of 2024.

According to chain linked volume index, Turkish economy grew by 5.7% yoy in the first quarter of 2024, in line with market expectations. Having grown by 1.0% qoq in the last quarter of 2023 according to seasonally and calendar adjusted figures, Turkish economy gained momentum and expanded by 2.4% qoq in 2024 Q1.

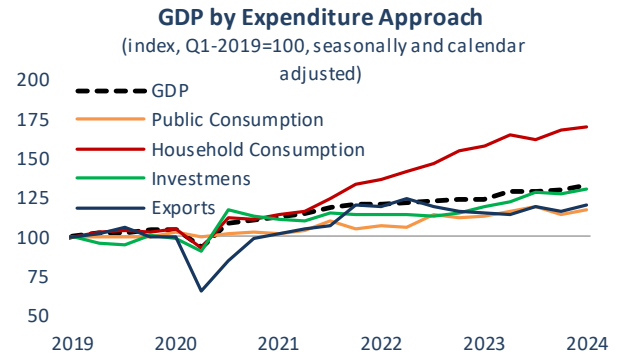
As of the first quarter of 2024, the annualized GDP of Türkiye reached 30.5 trillion TRY at current prices and approximately 1.2 trillion in USD terms.

Contributions to Growth	2023					2024
	Q1	Q2	Q3	Q4	Annual	Q1
Consumption	12.0	11.3	8.6	7.0	9.6	6.0
Private	11.2	10.5	7.7	6.7	8.9	5.5
Public	0.8	0.8	1.0	0.2	0.7	0.5
Investment	0.9	1.4	3.4	2.6	2.2	2.6
Stock Change	-5.5	-2.5	-3.4	-5.0	-4.1	-4.4
Net Exports	-3.4	-6.3	-2.6	-0.6	-3.1	1.6
Exports	-0.8	-2.5	0.3	0.1	-0.7	0.9
Imports	-2.6	-3.8	-2.9	-0.6	-2.4	0.6
GDP (yoy, %)	4.0	3.9	6.1	4.0	4.5	5.7

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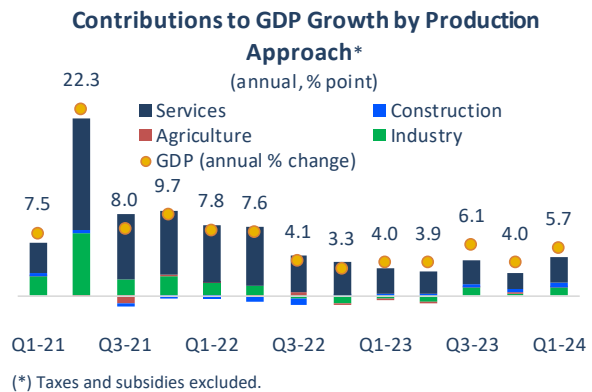
Net exports made a positive contribution to growth.

According to chain linked volume index, the contribution of private consumption expenditures to growth continued to decelerate gradually in the first quarter of the year and became 5.5 points, the lowest level since the first quarter of 2021. In this period, the contribution of public expenditures to growth was realized as 0.5 points. Construction as well as machinery and equipment investments continued to support growth in the first quarter of the year due to ongoing effects of the earthquake disaster. In this period, investment expenditures, which increased by 10.3% yoy in real terms, made a contribution of 2.6 points to growth. Thus, consumption and investment expenditures made a total contribution of 8.5 points to growth in the first quarter of the year. Net exports also made a positive contribution to growth (by 1.6 points) for the first time since 2022 Q3. The positive contribution was driven by the increase in exports as well as the relatively weak outlook in imports.



Services sector made a strong contribution to growth.

According to production approach, services sector expanded by 4.8% yoy and made the highest contribution to growth by 2.9 points in the first quarter of the year. In this period, industrial sector grew by 4.9% yoy and contributed 1.0 point to annual GDP growth. It was also noteworthy that construction sector's production grew by 11.1% yoy. Thus, the sector recorded double-digit growth for two consecutive quarters, and contributed 0.5 points to growth in the first quarter. Agriculture sector made a limited contribution of 0.1 points, hence, all sectors contributed positively to growth in the first quarter of the year.



Expectations...

Due to the lagged effects of the monetary tightening steps taken to fight inflation, we anticipate that domestic demand will remain under pressure as of the second quarter of the year, thus the contribution of private consumption to growth will continue to decline. Considering the limited real appreciation of Turkish lira and the acceleration of imports in April, we believe that net exports' effect on growth will be more determinant.

Leading Indicators

Favorable outlook in labor market continued in March.

According to seasonally and calendar adjusted figures, unemployment rate decreased by 0.1 point mom to 8.6% in March. In this period, the increase in employment surpassed the rise in labor force participation, leading unemployment rate to slightly improve. In March, youth unemployment rate, which covers the 15-24 age group, decreased by 0.4 points mom to 15.1%. Labor underutilization rate, which is considered as the broadest defined unemployment rate, declined to 24.1%.

Card expenditures fell by 2% in real terms in April.

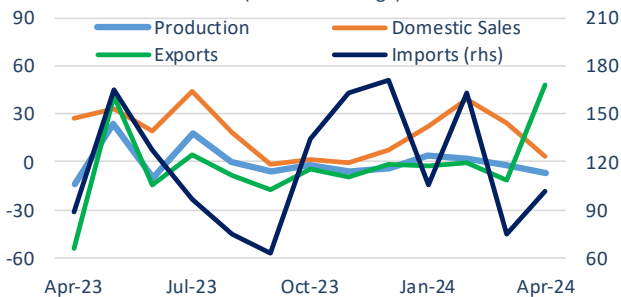
Consumption expenditures, whose contribution to growth declined gradually in the first quarter of the year, started the second quarter with a significant weakening. In April, card expenditures published by CBRT declined by 2% mom in real terms, indicating that the monetary tightening measures might have started to limit domestic demand.

House sales declined by 11.8% yoy in April.

In April, mortgaged house sales contracted by 67.5% yoy, while other sales rose by 7.2% yoy. Thus, total house sales declined by 11.8% yoy in April. In this period, house sales to foreigners also contracted by 50.3% yoy, constituting only 1.7% of total sales. In line with the negative outlook in house sales, the increase in house prices continued to lose momentum. The house price index continued to decrease in real terms for the second consecutive month in March, with a decline by 9.8% yoy.

According to data released by White Goods Manufacturers Association of Türkiye, domestic sales, which increased rapidly in the first quarter of the year, lost momentum in April and posted a limited increase of 3.4% yoy. In the same period, White goods production declined by 6.9% yoy.

Major Appliance Data
(annual % change)



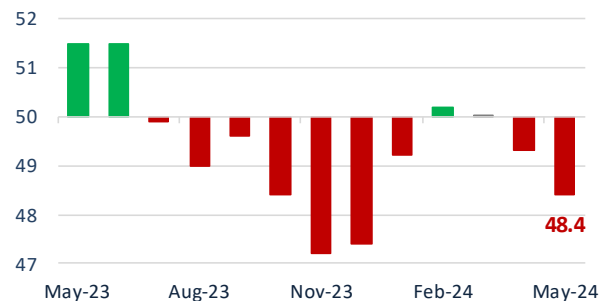
Manufacturing PMI declined to 48.4 in May.

Manufacturing PMI data indicated that the weakening in demand conditions was reflected on the sector's activities. Türkiye Manufacturing PMI released by Istanbul Chamber of Industry (ICI) declined to 48.4 in May from 49.3 in April and remained below the threshold for the second consecutive month. In May, new orders recorded the sharpest decline since January, while new orders for exports fell for the eleventh consecutive month. The decline in new orders led production and employment volume to decline, too. Sectoral PMI data remained below the threshold in 6 out of 10 sectors in May, while basic metal industry was the sub-sector with the weakest operating conditions.

Confidence indices presented a negative outlook in May.

In May, seasonally adjusted consumer confidence index remained unchanged compared to the previous month and was realized as 80.5. In the same period, real sector confidence index fell by 1.1 points to 102.4. The decline in real sector confidence was mainly driven by the deterioration in total orders and production expectations for the current period and next three months compared to April, despite the generally positive evaluations for the last three months.

ICI Türkiye Manufacturing PMI



In May, construction sector confidence index recorded a limited monthly decline of 0.3%, while services sector confidence remained unchanged. On the other hand, retail trade sector confidence index declined by 3.3% mom in May. Thus, economic confidence index fell by 0.8% mom to 98.2 in May, the lowest level of the last 5 months.

Source: CBRT, Datastream, ICI, TURKSTAT, MoTF

Foreign Trade and Balance of Payments

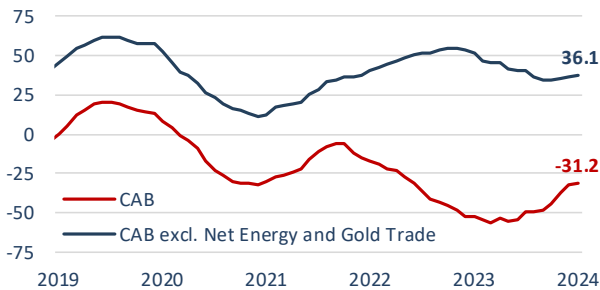
Foreign trade deficit became 7.3 billion USD in March.

According to Turkstat figures, exports decreased by 4.1% yoy to 22.6 billion USD, while imports declined by 6.3% yoy to 29.9 billion USD in March. Thus, foreign trade deficit narrowed by 12.4% yoy to 7.3 billion USD. The import coverage ratio rose from 73.8% in March 2023 to 75.5% in the same month of this year.

Current account deficit was 4.5 billion USD in March.

In March, current account deficit decreased by 13.4% yoy to 4.5 billion USD. The annual decline in current account deficit was mainly driven by the 18.5% contraction in balance of payments-defined foreign trade deficit compared to the same month of last year. However, in the same period, net inflows from services balance declined by 6.5% yoy despite the rise in travel revenues (10%) and limited the improvement in the current account deficit. Net energy imports, which were 4.6 billion USD in March 2023, were realized as 3.8 billion USD in the same month of this year, the lowest level of the last 4 months. On the other hand, net gold imports, which declined continuously between September 2023-February 2024, increased by 20.4% yoy to 1.5 billion USD in March. Thus, the current account deficit became 10.9 billion USD in the first quarter of 2024. According to 12-month cumulative data, current account deficit declined to 31.2 billion USD, the lowest level since July 2022.

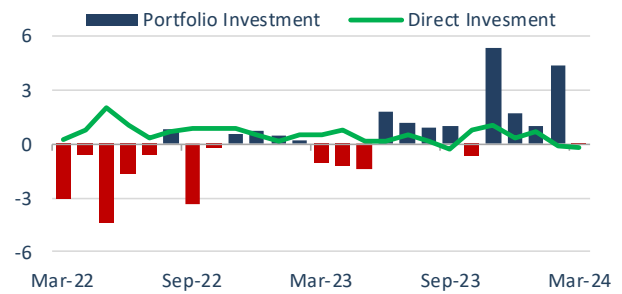
Current Account Balance
(12-month cumulative, USD billion)



Foreign direct investments recorded a net outflow of 224 million USD.

Following the net outflow of 143 million USD in February, foreign direct investments recorded a net capital outflow of 224 million USD in March. In this period, residents' net acquisition of financial assets abroad was 560 million USD, while non-residents' net incurrence of liabilities was 336 million USD, 70% of which was composed of real estate investments. Thus, in the first quarter of the year, net capital inflow in foreign direct investments displayed a weak outlook with 287 million USD.

Net Capital Inflows
(monthly, USD billion)

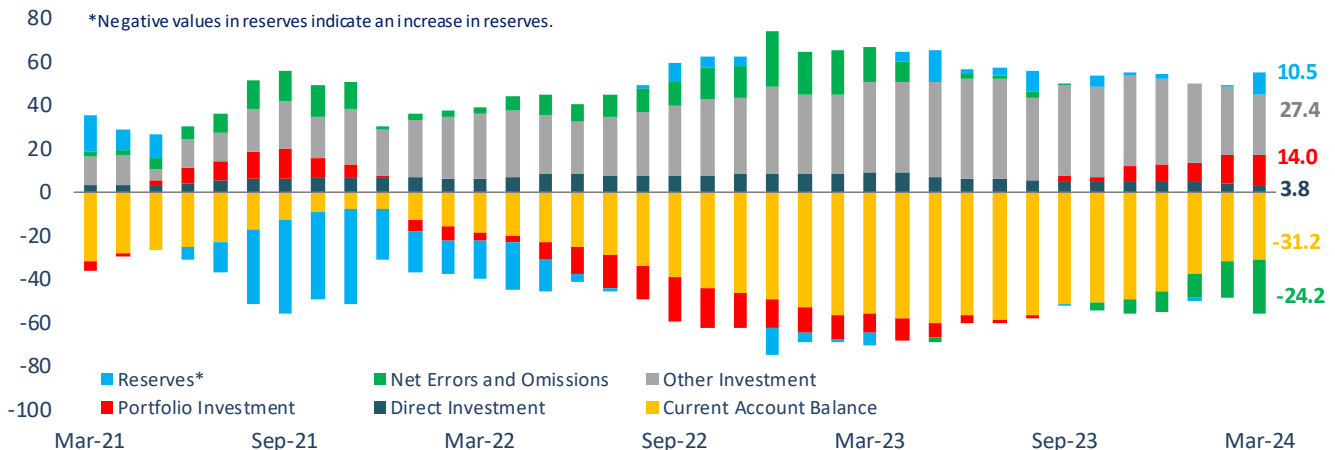


Portfolio investments posted a net outflow of 96 million USD.

In March, portfolio investments suggested the first net capital outflow since October 2023 with 96 million USD. In this period, non-residents made 236 million USD net purchases in the equity market and 361 million USD net sales in the government debt securities market in Türkiye. In March, banks borrowed net 1.9 billion USD through bond issues, while general government and other sectors made net debt payments of 675 million USD and 70 million USD, respectively. In the first quarter of the year, portfolio investments recorded a net capital inflow of 5.3 billion USD.

Net Capital Flows

(12-month cumulative, billion USD)

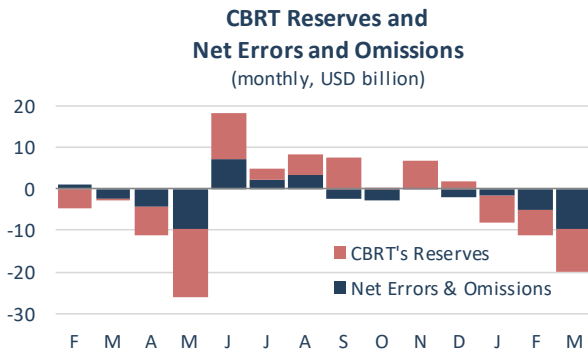


Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

First capital inflow in other investments since the beginning of the year...

In March, other investments recorded the first capital inflow since December 2023 with 4.2 billion USD. 2 billion USD of this inflow stemmed from currency and deposits, which posted the strongest net capital inflow in the last 5 months. In this period, banking sector, other sectors and general government utilized net credits of 1.1 billion USD, 385 million USD and 27 million USD from abroad, respectively. As of March, 12-month cumulative long-term debt rollover ratio was 122.6% in the banking sector and 96.5% in other sectors.



Reserve assets decreased by 10.3 billion USD in March.

The decline in reserve assets which started in January, accelerated in March and continued with 10.3 billion USD. In this period, net errors and omissions item recorded the highest capital outflow since May 2023 with 9.5 billion USD. Thus, in the first quarter of 2024, reserve assets contributed 22.7 billion USD to the financing of the current account deficit. In the same period, capital outflows in net errors and omissions item amounted to 16.1 billion USD.

Expectations...

In April, exports followed a flat course with an annual increase of 0.1%, while imports rose by 4% yoy. Thus, foreign trade deficit, which had contracted for eight months in a row, widened by 12.9% yoy in April to almost 10 billion USD, indicating that the current account deficit may reveal high in this period. In the following months, recent monetary tightening steps are expected to support the current account balance outlook by limiting domestic demand and imports; anticipated increase in tourism revenues with the start of summer season would support the current account as well. In a case that data on inflation and economic activity in advanced economies enable monetary easing, possible interest rate cuts by major central banks may support portfolio inflows to Türkiye and contribute to the financing of the current account deficit.

Balance of Payments

	Mar. 2024	Jan. - Mar. 2023	2024	% Change	12-month Cumulative
Current Account Balance	-4,544	-24,584	-10,855	-55.8	-31,232
Foreign Trade Balance	-5,193	-29,527	-14,428	-51.1	-71,790
Services Balance	2,241	7,509	7,123	-5.1	52,189
Travel (net)	2,104	5,955	6,197	4.1	41,836
Primary Income	-1,604	-2,572	-3,314	28.8	-11,961
Secondary Income	12	6	-236	-	330
Capital Account	-13	-48	11	-	-146
Financial Account	-14,114	-25,691	-26,961	4.9	-55,563
Direct Investment (net)	224	-1,186	-287	-75.8	-3,763
Portfolio Investment (net)	96	331	-5,277	-	-13,950
Net Acquisition of Financial Assets	1,518	1,406	4,252	202.4	5,833
Net Incurrence of Liabilities	1,422	1,075	9,529	786.4	19,783
Equity Securities	236	-927	286	-	2,600
Debt Securities	1,186	2,002	9,243	361.7	17,183
Other Investment (net)	-4,153	-10,554	1,321	-	-27,387
Currency and Deposits	-2,033	-7,056	1,449	-	-14,882
Net Acquisition of Financial Assets	307	3,659	6,049	65.3	6,662
Net Incurrence of Liabilities	2,340	10,715	4,600	-57.1	21,544
Central Bank	-42	6,376	63	-99.0	7,199
Banks	2,382	4,339	4,537	4.6	14,345
Foreign Banks	1,402	2,675	3,041	13.7	10,558
Foreign Exchange	938	489	1,152	135.6	7,806
Turkish Lira	464	2,186	1,889	-13.6	2,752
Non-residents	980	1,664	1,496	-10.1	3,787
Loans	-1,683	-814	-1,924	136.4	-12,119
Net Acquisition of Financial Assets	-217	-187	182	-	-1,291
Net Incurrence of Liabilities	1,466	627	2,106	235.9	10,828
Banking Sector	1,054	309	2,429	686.1	9,514
Non-bank Sectors	385	562	-229	-	503
Trade Credit and Advances	-432	-2,667	1,805	-	-447
Other Assets and Liabilities	-5	-17	-9	-47.1	61
Reserve Assets (net)	-10,281	-14,282	-22,718	59.1	-10,463
Net Errors and Omissions	-9,557	-1,059	-16,117	1,421.9	-24,185

Source: CBRT, Datastream

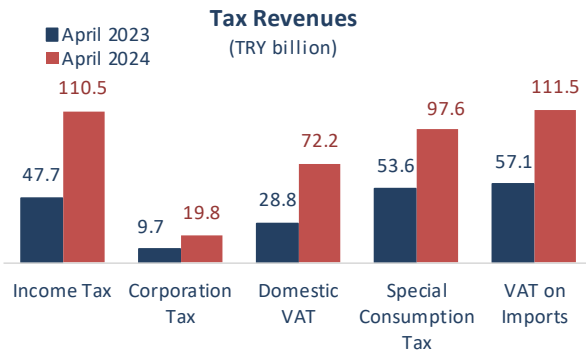
Budget Balance

Central government budget deficit became 177.8 billion TRY in April.

In April, central government budget deficit increased by 34.2% yoy to 177.8 billion TRY. In this period, expenditures rose by 93.2% yoy to 773.6 billion TRY, while budget revenues surged by 122.3% yoy to 595.8 billion TRY. In April, primary budget deficit narrowed by 34.9% yoy to 63.8 billion TRY. Hence, in the first 4 months of the year, cumulative budget deficit widened by 80.7% yoy and became 691.3 billion TRY.

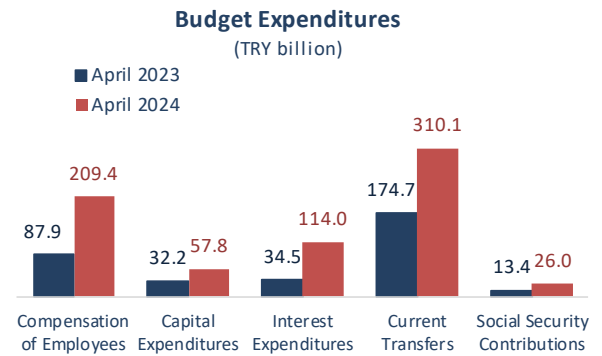
Domestic VAT recorded a rapid increase.

The course of strong annual increases in tax revenues, caused by inflationary environment and tax rate hikes imposed from June 2023 onwards, continued in April. In this period, total tax revenues surged by 109.6% yoy to 487.9 billion TRY. The annual increase in domestic value-added tax (VAT) and income tax by 150.7% and 131.7%, respectively, led the rise in tax revenues. In April, special consumption tax (SCT) revenues increased by 82% yoy, at a relatively moderate pace, while SCT on petroleum and natural gas products went up more than 3-times on an annual basis, and SCT on tobacco products rose by 174.7% yoy. In this period, banking and insurance transaction tax increased by 213% on an annual basis.



Interest expenditures were the main driver of budget expenditures.

In April, central government interest expenditures more than doubled compared to the same period of last year and reached 114 billion TRY, while non-interest expenditures increased by 80.2% to 659.6 billion TRY. In this period, while personnel expenditures remained high with a rise of 138.3%, current transfers increased by a relatively moderate pace with 77.5% to 310.1 billion TRY. On the other hand, it was noteworthy that the Expenses for the Transformation of Areas under Disaster Risk item under current transfers increased to 19.7 billion TRY. In April, capital transfers and lending expenditures fell by 78.6% and 19.7% yoy, respectively. In this period, State Railways (TCDD) was paid 4.8 billion TRY from the lending item, while the Turkish Grain Board (TMO) repaid 2 billion TRY. From the assignment expenses item, 93.3 billion TRY was paid to Social Security Institutions and 20.2 billion TRY to Electricity Generation Corporation (EÜAŞ).



Expectations...

In the first four months of the year, budget deficit constituted 26.1% of the annual target set for 2024 in the Medium Term Program (MTP), presenting a relatively positive outlook. The impact of the public savings measures, announced in May, on budget expenditures will be monitored in the upcoming period. The rise in interest expenditures stands out as a factor that may increase budget expenditures.

Central Government Budget

	April		%	January-April		%	MTP Target	Real./ MTP Target (%)
	2023	2024		2023	2024			
Expenditures	400.4	773.6	93.2	1,445.2	2,924.3	102.3	11,089.0	26.4
Interest Expenditures	34.5	114.0	230.5	135.2	364.5	169.7	1,254.0	29.1
Non-Interest Expenditures	365.9	659.6	80.2	1,310.0	2,559.8	95.4	9,835.0	26.0
Revenues	268.0	595.8	122.3	1,062.7	2,233.0	110.1	8,437.1	26.5
Tax Revenues	232.7	487.9	109.6	863.7	1,831.8	112.1	7,407.7	24.7
Other Revenues	35.3	108.0	206.1	199.0	401.2	101.6	1,029.4	39.0
Budget Balance	-132.5	-177.8	34.2	-382.5	-691.3	80.7	-2,651.9	26.1
Primary Balance	-98.0	-63.8	-34.9	-247.3	-326.8	32.1	-1,397.9	23.4

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

Source: Datastream, Ministry of Treasury and Finance

Inflation

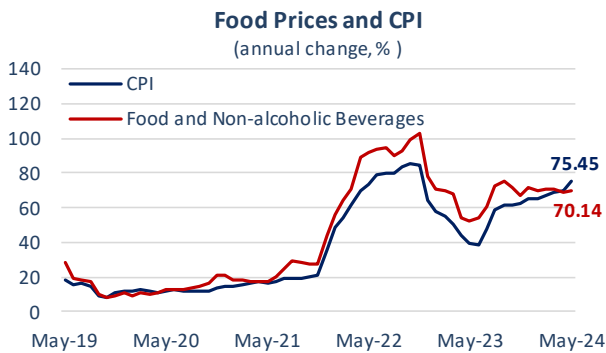
CPI increased by 3.37% mom in May.

In May, CPI increased by 3.37% mom, exceeding market expectations. According to the Reuters poll, market expectations were that consumer prices would increase by 3.00% mom in this period. Thus, annual CPI inflation reached 75.45%, the highest level since November 2022. In this period, domestic producer price index (D-PPI) recorded the slowest monthly rise in the last 5 months with 1.96%, while annual D-PPI inflation rose to 57.68%.

May (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	0.04	3.37	0.65	1.96
Year-to-Date	15.26	22.72	7.81	17.87
Annual	39.59	75.45	40.76	57.68
Annual Average	63.72	62.51	95.80	47.24

Prices in clothing and footwear group rose by 9.60% mom.

In May, prices in all 12 main expenditure groups increased on a monthly basis as it was in April. In this period, clothing and footwear group recorded the highest monthly price increase by 9.60% mom. The highest contribution to the monthly CPI inflation was from housing group, where prices rose by 7.08% mom. Education (5.63%) and hotels, cafes and restaurants (5.52%) also recorded price increases above the headline CPI. On the other hand, as in April, price increases in food and non-alcoholic beverages remained below the headline CPI inflation in May. However, due to its weight in the consumption basket, this expenditure group made the highest contribution to monthly inflation by 0.43 points after housing and clothing&footwear groups.

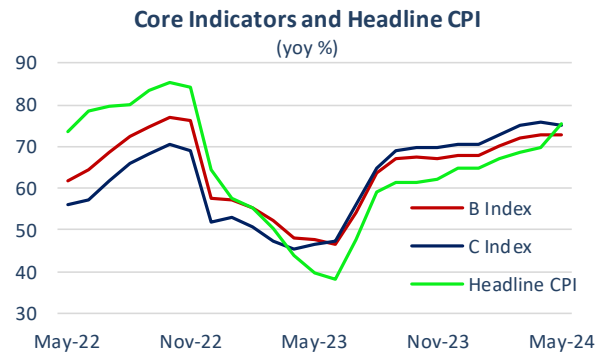


In May, seasonal products slightly increased CPI inflation.

In May, CPI excluding seasonal products, the A index, rose slightly below the headline CPI by 3.29% mom. In this period, B index (CPI excluding unprocessed food, energy, alcoholic beverages and tobacco products and gold) increased by 3.77% mom, the fastest in 3 months; and C index (CPI excluding energy, food and non-alcoholic

beverages, alcoholic beverages, tobacco products and gold) rose by 3.76%, the fastest in 4 months. On an annual basis, headline CPI inflation was realized above the B and C indices for the first time in 15 months.

In May, goods prices recorded the fastest monthly increase in the last 3 months with 3.08%,; and services inflation was realized as 4.03%, the lowest level of this year. Besides the price increases in clothing and footwear group, the 4.91% rise in energy prices was noteworthy in May. In this period, unprocessed food prices fell by 0.45%. Among the service prices, inflation remained high in rents and restaurants and hotels, while it decreased by 0.11% in transportation services.



Domestic PPI fell to its lowest level of the year in May.

In May, domestic PPI increased by 1.96% mom and fell to its lowest level in 2024 so far. Electricity, gas production and distribution sub-group was the item with the fastest price increase of 7.32% in May, and made the highest contribution to monthly PPI inflation with 0.57. In this period, coke and refined petroleum products showed the fastest monthly price decline by 5.16%.

Expectations...

In May, annual inflation reached the highest level since November 2022 as expected, due to the low base effect created by the discount on the natural gas tariffs last year in May. In the following period, we expect disinflationary trend in annual CPI inflation to start in line with market expectations. We believe that the ongoing real appreciation in TL and the CBRT's tightening steps, whose effects started to be felt in April, will contribute to this trend.

Financial Markets

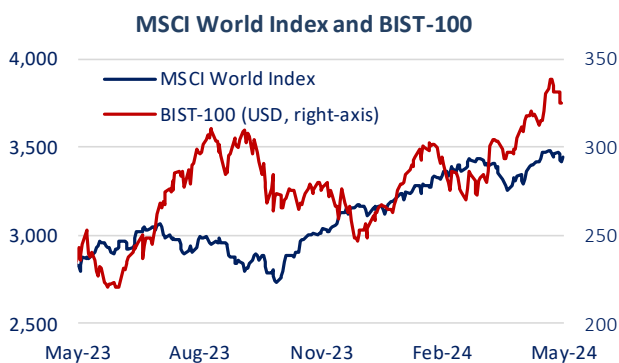
	30-Apr	31-May	Change
5-Y CDS (basis points)	295	259	-35 bps ▼
TR 2-Y Benchmark Yield	44.49%	41.61%	-288 bps ▼
BIST-100	10,046	10,400	3.5% ▲
USD/TRY	32.4007	32.2322	-0.5% ▼
EUR/TRY	34.5716	34.9699	1.2% ▲
Currency Basket*	33.4862	33.6011	0.3% ▲

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

Risk appetite followed a favorable course in May.

In May, MSCI World and MSCI Emerging Markets indices rose by 4.2% mom and 0.3% mom, respectively. The favorable course in US stock markets was led by the continued positive performance of technology companies, while S&P 500 and Nasdaq indices hit historic closing highs in May. The moderate increase in global risk appetite combined with geopolitical risks falling relatively behind on the agenda, ounce gold price recorded a limited rise to 2,327 USD in May. In line with these developments, DXY and the US 10-year bond yield declined slightly.

In May, domestic markets also followed a favorable course in line with the accelerated portfolio investments towards Türkiye. BIST-100 closed the month with a 3.5% premium, led by the banking index, while reaching daily closing of 338.7 in USD terms, the highest daily closing level in the last 9 years. In this period, 2-year benchmark bond yield also declined to 41.61%. In line with these developments, 5-year CDS risk premium ended May at 259 bps, the lowest level since January 2020.



CBRT kept the policy rate unchanged.

CBRT kept the policy rate unchanged at 50% at its meeting held on May 23rd in line with the expectations. In the press release, CBRT noted that the underlying trend of monthly inflation weakened slightly in April, while recent indicators pointed out that domestic demand slowed down in the second quarter compared to the first quarter. The Committee maintained its cautious stance and reiterated that monetary tightness will be maintained until the

monthly inflation outlook displays a permanent improvement. On the other hand, CBRT took new decisions to support the monetary transmission mechanism and sterilize excess liquidity. As part of the simplification in the macroprudential framework, the repeal of the regulation regarding securities maintenance and the increase in the reserve requirement ratios for both FX-protected deposits and TRY deposits stood out as important steps taken by the CBRT. The Central Bank maintained the target for banks to switch from FX-protected deposits to standard TRY deposits, while lowering the total target to 75% including renewals. FX loan growth, which has been increasing rapidly in recent weeks, was capped at 2% per month.

Market's inflation expectations improved slightly in May.

According to the results of the CBRT's Survey of Market Participants, expectations for CPI inflation for the end of 2024 decreased slightly to 43.64% in May. In this period, similarly, participants' inflation expectations for the end of 2025 declined to 25.61%. In the survey, growth forecasts for 2024 and 2025 remained unchanged, while the year-end USD/TRY expectation for 2024 declined significantly compared to April and became 38.77.

Economy officials announced a package of savings and efficiency in the public sector.

In May, economy officials announced a saving and efficiency package targeting the efficient use of public resources. Within the scope of the package, which includes measures in various areas including vehicles, public buildings and employment, it was stated that goods and services allowances will be cut by 10% and investment allowances by 15% to ensure spending discipline in the budget. Within the scope of the package, not only non-essential expenditures will be reduced, but also efficiency in public consumption and investment expenditures will be targeted. It was also stated that the aim was to increase the effectiveness of monetary policy by maintaining fiscal discipline and to provide strong support to the fight against inflation.

Non-residents' securities portfolio...

According to the price and exchange rate adjusted securities statistics released by CBRT, as of May 24, non-residents' net GDDS portfolio increased by 7.3 billion USD since the end of April. Thus, non-residents' GDDS portfolio recorded the historical fastest monthly increase. As of the same date, non-residents' equity portfolio rose by 135 million USD compared to April. Thus, total portfolio inflows in GDDS and equity markets since the end of 2023 became 8.8 billion USD and 646 million USD, respectively.

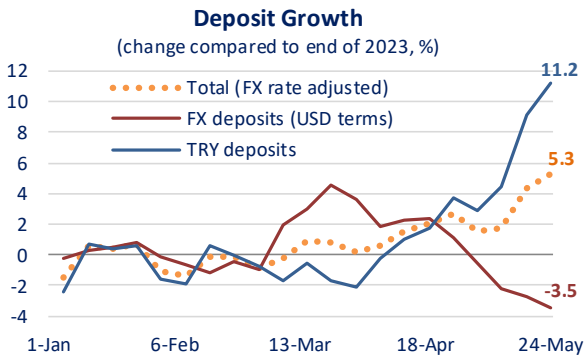
Source: CBRT, Datastream, Reuters,

Banking Sector

FX deposit volume decreased to 196.1 billion USD.

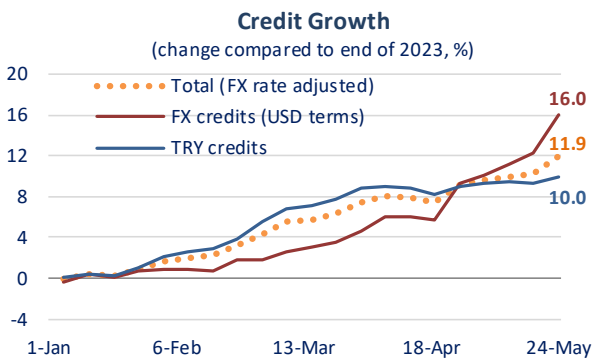
According to the weekly data released by BRSA, as of May 24, TRY deposits in the banking sector expanded by 11.2% compared to the end of 2023 and reached 9.9 trillion TRY. FX deposit volume in USD terms, which recorded a monthly decline of 4.5%, decreased by 3.5% yoy to 196.1 billion USD, the lowest level since July 2023.

The momentum lost in March and April in the decline in FX-protected deposit volume was regained in May. As of May 24, the volume of FX-protected deposits decreased by 4.3% compared to end-April and stood at 2.2 trillion TRY. According to the data that CBRT started to publish as of May 31, the FX-protected deposits composition was 72.8 billion USD in FX-/gold-converted deposit/participation accounts and 65.1 billion TRY in Turkish lira deposit/participation accounts as of April. As of the same period, 51.4 billion USD of the 72.8 billion USD in FX-/gold-converted deposit/participation accounts was held by real persons and 21.3 billion USD by legal persons.



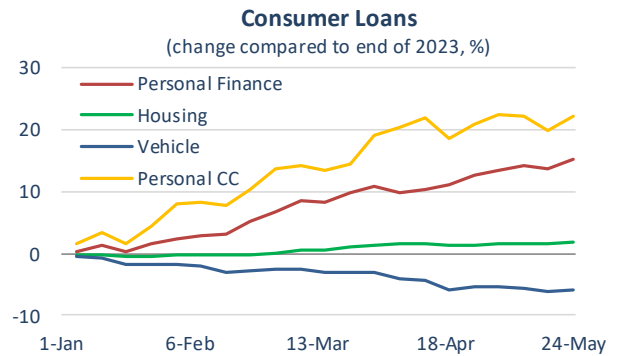
The increase in FX loan volume gained momentum in May.

As of May 24, TRY loan volume in the banking sector increased by 10% compared to end-2023 and reached 8.6 trillion TRY. In the same period, the total loan volume in the sector reached 13.4 trillion TRY while FX loan volume in USD terms increased by 16% to 149.3 billion USD.



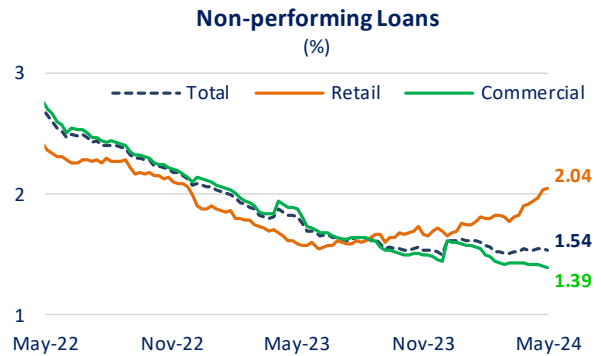
Vehicle and housing loans remained relatively flat in May.

Vehicle and housing loans remained relatively flat in May compared to the previous month. As of May 24, housing loans recorded a limited increase of 1.8% while vehicle loans contracted by 5.8% compared to end-2023. In the same period, personal finance loans expanded by 15.3%. Personal credit card expenditures also continued to grow relatively fast by 22.0% compared to end-2023.



Non-performing loans ratio was 1.54%.

As of May 24, non-performing loans ratio rose to 2.04% for retail loans and was realized as 1.39% for commercial loans. Thus, non-performing loans ratio of the banking sector stood at 1.54%.



Foreign currency net general position...

As of May 24, balance sheet FX position of the banking sector was (-)34,019 million USD while off-balance sheet FX position was (+)36,534 million USD. Thus, net foreign currency position was realized as (+)2,515 million USD.

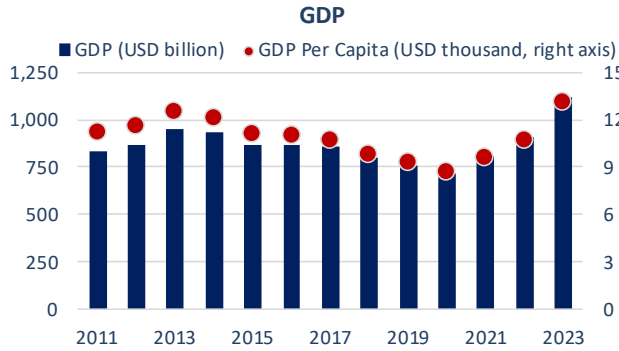
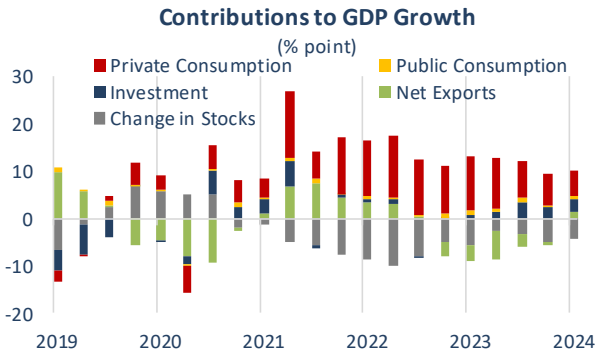
Concluding Remarks

Data released in May indicated that global economic activity, particularly in the services sector, displayed a more favorable outlook than expected. In the US, where inflation is still above the Fed's long-term target, the debate over the timing of interest rate cuts remains on the agenda. Following ECB's 25-basis points rate cut at the meeting on June 6th in the Euro Area, where economic activity is weaker and inflation is closer to the targets, another rate cut is expected during the year. On the other hand, signs of recovery in the global economy, particularly in China, and geopolitical risks signal that the upward pressure on commodity prices may continue. Moreover, US announcement in May regarding the tax hikes on imports from China in strategic sectors indicates that protectionism in foreign trade remains at the forefront.

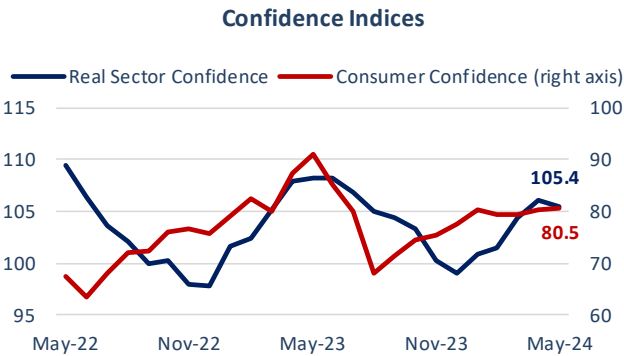
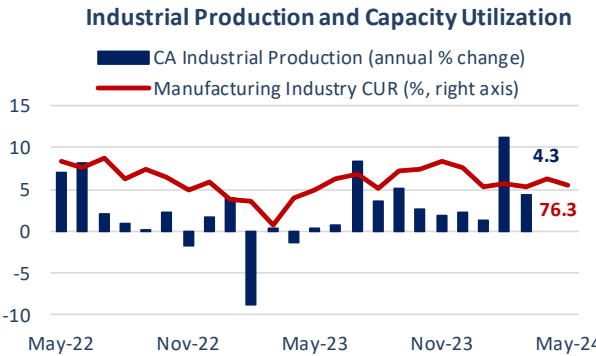
In Türkiye, where data for the first quarter of the year pointed to a strong growth performance, leading indicators suggest that consumption and economic activity slowed slightly in the second quarter in line with the additional tightening steps taken in monetary policy. Annual inflation, which is estimated to have peaked in May, is expected to start declining as of June due to weak demand conditions and the high base effect. Moreover, capital inflows towards Türkiye strengthened after the local elections, and supported the real appreciation in TRY.

Turkish Economy - Macroeconomic Indicators

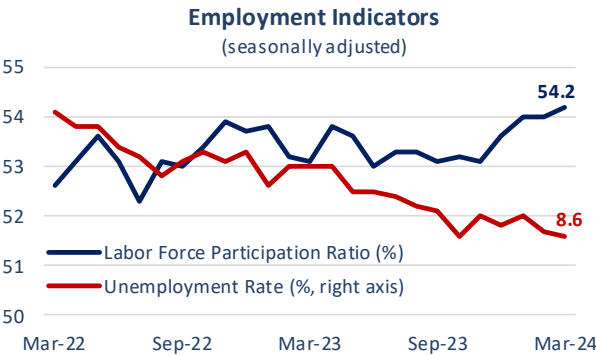
Growth



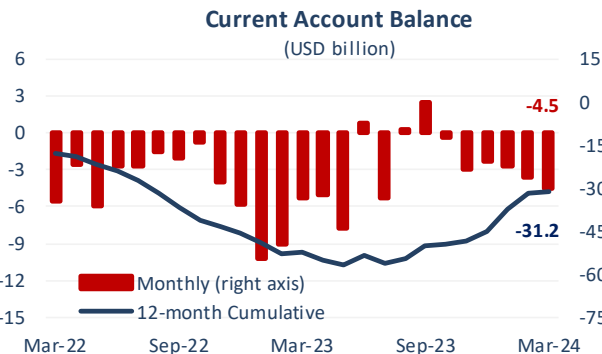
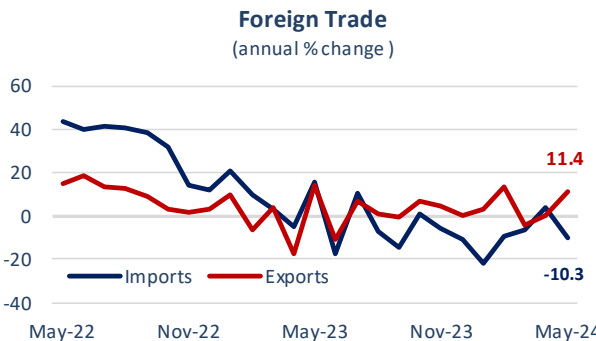
Leading Indicators



Labor Market



Foreign Trade and Current Account Balance

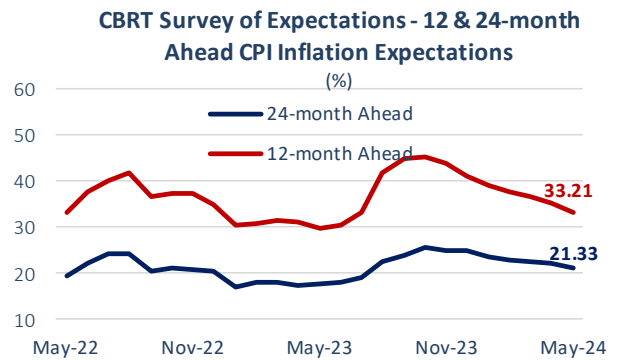
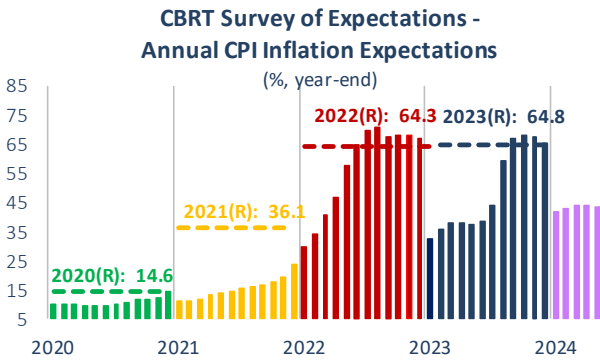
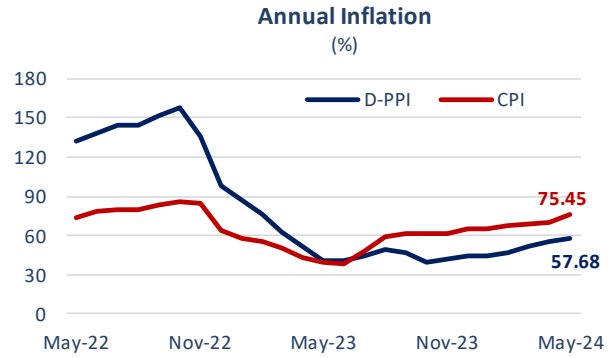
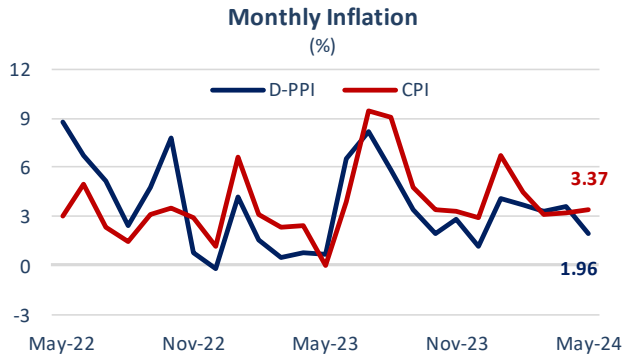


(CA) Calendar adjusted

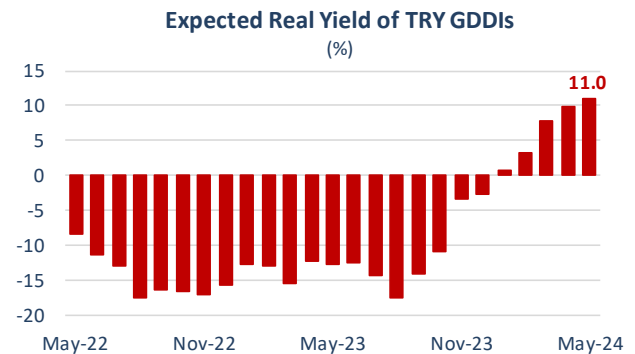
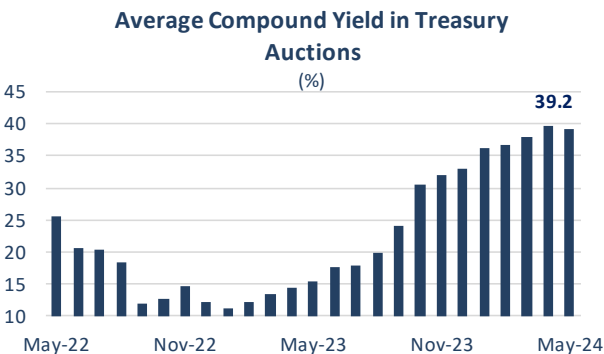
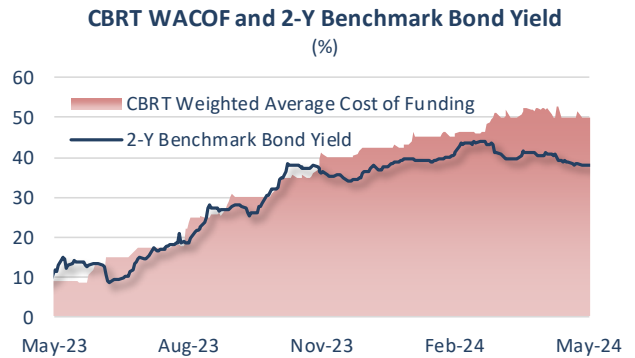
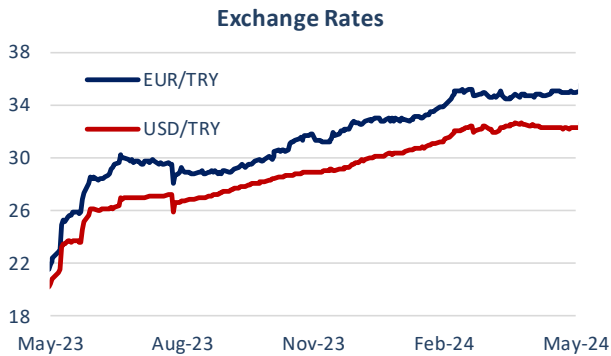
Source: Datastream, CBRT, Turkstat

Turkish Economy - Macroeconomic Indicators

Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

Growth	2019	2020	2021	2022	2023	23-Q3	23-Q4	24-Q1
GDP (USD billion)	760	717	808	906	1,119	297	304	286
GDP (TRY billion)	4,318	5,049	7,256	15,012	26,276	7,697	8,431	8,822
GDP Growth Rate (%)	0.8	1.9	11.4	5.5	4.5	6.1	4.0	5.7
Inflation (%)						Mar.24	Apr.24	May.24
CPI (annual)	11.84	14.60	36.08	64.27	64.77	68.50	69.80	75.45
Domestic PPI (annual)	7.36	25.15	79.89	97.72	44.22	51.47	55.66	57.68
Seasonally Adjusted Labor Market Figures						Jan.24	Feb.24	Mar.24
Unemployment Rate (%)	13.4	12.6	11.0	10.3	8.8	9.0	8.7	8.6
Labor Force Participation Rate (%)	52.6	49.1	52.6	53.7	53.6	54.0	54.0	54.2
FX Rates						Mar.24	Apr.24	May.24
CPI Based Real Effective Exchange Rate	76.0	61.9	47.6	54.9	55.4	58.1	59.8	61.4
USD/TRY	5.95	7.43	13.28	18.72	29.53	32.35	32.38	32.21
EUR/TRY	6.68	9.09	15.10	19.98	32.62	34.94	34.62	34.97
Currency Basket (0.5*EUR+0.5*USD)	6.32	8.26	14.19	19.35	31.08	33.65	33.50	33.59
Foreign Trade Balance⁽¹⁾ (USD billion)						Feb.24	Mar.24	Apr.24
Exports	180.8	169.6	225.2	254.2	255.4	258.6	257.6	257.6
Imports	210.3	219.5	271.4	363.7	361.8	351.5	349.5	350.6
Foreign Trade Balance	-29.5	-49.9	-46.2	-109.5	-106.3	-92.9	-91.9	-93.0
Import Coverage Ratio (%)	86.0	77.3	83.0	69.9	70.6	73.6	73.7	73.5
Balance of Payments⁽¹⁾ (USD billion)						Jan.24	Feb.24	Mar.24
Current Account Balance	15.0	-31.1	-6.4	-45.8	-45.0	-37.4	-31.9	-31.2
Capital and Financial Accounts	-1.0	-7.3	-28.7	-35.2	-52.3	-48.4	-49.0	-55.6
Direct Investments (net)	-6.5	-4.4	-6.4	-8.7	-4.7	-5.2	-4.5	-3.8
Portfolio Investments (net)	2.8	9.6	-0.8	13.7	-8.3	-8.9	-13.0	-14.0
Other Investments (net)	2.7	-12.5	-21.5	-40.2	-39.3	-35.5	-31.1	-27.4
Reserve Assets (net)	6.3	-31.9	23.3	12.3	-2.0	1.1	-0.4	-10.5
Net Errors and Omissions	-9.7	-8.1	1.1	22.9	-9.1	-10.9	-16.9	-24.2
Current Account Balance/GDP (%)	2.0	-4.3	-0.8	-5.4	-4.0	-	-	-
Budget⁽²⁾⁽³⁾ (TRY billion)						Feb.24	Mar.24	Apr.24
Expenditures	1,000.0	1,203.7	1,603.5	2,942.7	6,585.5	1,457.9	2,150.7	2,924.3
Interest Expenditures	99.9	134.0	180.9	310.9	674.6	175.9	250.5	364.5
Non-interest Expenditures	900.1	1,069.8	1,422.7	2,631.8	5,910.8	1,282.0	1,900.2	2,559.8
Revenues	875.3	1,028.4	1,402.0	2,800.1	5,210.5	1,153.4	1,637.2	2,233.0
Tax Revenues	673.9	833.3	1,165.0	2,353.4	4,500.9	923.5	1,344.0	1,831.8
Budget Balance	-124.7	-175.3	-201.5	-142.7	-1,375.0	-304.5	-513.5	-691.3
Primary Balance	-24.8	-41.3	-20.7	168.2	-700.4	-128.6	-263.0	-326.8
Budget Balance/GDP (%)	-2.9	-3.5	-2.8	-1.0	-5.2	-	-	-
Central Government Debt Stock (TRY billion)						Feb.24	Mar.23	Apr.24
Domestic Debt Stock	755.1	1,060.4	1,354.8	1,905.3	3,209.3	3,440.8	3,572.4	3,563.0
External Debt Stock	574.0	752.5	1,426.5	2,127.9	3,513.2	3,799.1	3,927.1	3,929.6
Total Debt Stock	1,329.1	1,812.8	2,747.7	4,033.2	6,722.5	7,239.9	7,499.5	7,492.6

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2019	2020	2021	2022	2023	Mar.24	Apr.24	Change ⁽¹⁾
TOTAL ASSETS	4,491	6,106	9,215	14,347	23,550	25,887	26,243	1.4
Loans	2,656	3,576	4,901	7,581	11,677	12,933	13,147	1.7
TRY Loans	1,642	2,353	2,832	5,110	7,894	8,594	8,617	0.3
Share (%)	61.8	65.8	57.8	67.4	67.6	66.4	65.5	-
FX Loans	1,015	1,224	2,069	2,471	3,783	4,339	4,530	4.4
Share (%)	38.2	34.2	42.2	32.6	32.4	33.6	34.5	-
Non-performing Loans	150.8	152.6	160.1	163.4	191.9	197.9	204.4	3.3
Non-performing Loan Rate (%)	5.3	4.1	3.2	2.1	1.6	1.5	1.5	-
Securities	660	1,022	1,476	2,370	3,970	4,442	4,375	-1.5
TOTAL LIABILITIES	4,491	6,106	9,215	14,344	23,550	25,887	26,243	1.4
Deposits	2,567	3,455	5,303	8,862	14,852	15,472	15,642	1.1
TRY Deposits	1,259	1,546	1,880	4,779	8,897	8,715	9,166	5.2
Share (%)	49.0	44.7	35.5	53.9	59.9	56.3	58.6	-
FX Deposits	1,308	1,909	3,423	4,083	5,955	6,756	6,477	-4.1
Share (%)	51.0	55.3	64.5	46.1	40.1	43.7	41.4	-
Securities Issued	194	224	310	325	584	775	753	-2.9
Payables to Banks	533	658	1,048	1,432	2,384	2,670	2,759	3.3
Funds from Repo Transactions	154	255	587	540	723	1,228	1,157	-5.8
SHAREHOLDERS' EQUITY	492	600	714	1,407	2,153	2,307	2,321	0.6
Profit (Loss) of the Period	49.0	58.5	93.0	431.6	620.5	160.1	190.7	19.1
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	50.0	50.1	-
Securities/Assets	14.7	16.7	16.0	16.5	16.9	17.2	16.7	-
Deposits/Liabilities	57.2	56.6	57.5	61.8	63.1	59.8	59.6	-
Loans/Deposits	103.5	103.5	92.4	85.5	78.6	83.6	84.0	-
Capital Adequacy (%)	18.4	18.7	18.4	19.5	19.1	17.0	17.2	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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