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### Global Economy

In its September Interim Report on Economic Outlook, OECD announced its global growth forecast as 3.2% for 2024 and 2025.

In the US, in line with the strengthening soft landing scenarios, annual CPI inflation fell to 2.5% in August, the lowest level since February 2021.

In the Euro Area, September PMI data showed that the contraction in manufacturing sector continued while the expansion in services sector lost momentum.

In September, the Fed cut its policy rate by 50 basis points, while the ECB cut its benchmark interest rates for the second time this year.

PBoC announced the most comprehensive stimulus package since the pandemic in order to achieve China's 5% growth target.

In September, Brent crude oil prices decreased by 6.8% mom to 71.7 USD per barrel, while metal prices followed an upward trend. At the beginning of October, oil prices rose sharply due to rising geopolitical risks in the Middle East.

### Turkish Economy

Seasonally adjusted unemployment rate decreased by 0.4 points mom to 8.8% in July, while the labour underutilization rate declined to 26.5%.

According to calendar adjusted figures, industrial production contracted by 3.9% yoy in July.

ICI Türkiye Manufacturing PMI declined to 44.3 in September, indicating that the challenging operating conditions in the sector became more apparent.

In July, current account balance posted a surplus of 566 million USD, while 12-month cumulative current account deficit narrowed to 19.1 billion USD.

Central government budget deficit was realized as 129.6 billion TRY in August and 973.6 billion TRY in January-August period.

In September, CPI increased by 2.97% mom, above market expectations, while annual CPI inflation fell to 49.38%. In the same period, domestic PPI increased by 1.37% mom and 33.09% yoy.

At its meeting held on September 19, CBRT kept the policy interest rate unchanged at 50% in line with expectations.

In September, BIST-100 index fell by 1.7% and USD/TRY increased slightly by 0.3% mom.

Fitch upgraded Turkey's credit rating by one notch to "BB-" and revised its credit rating outlook from "positive" to "stable".

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## Leading Indicators

### Unemployment rate fell to 8.8% in July.

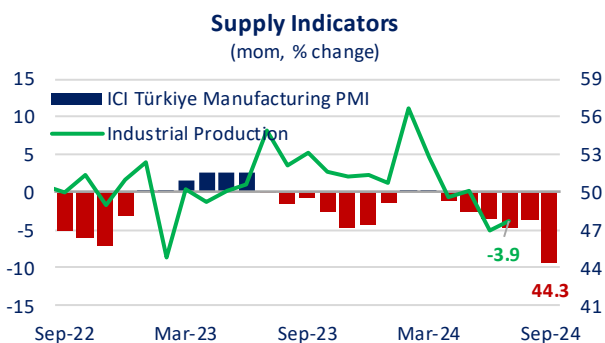
According to seasonally adjusted data, the unemployment rate decreased by 0.4 points to 8.8% in July, following a sharp rise in June. This development was driven by the 112K decrease in the number of unemployed persons against the 123K persons increase in the labor force. Thus, labor force participation and employment rates rose to 54.4% and 49.6% in July, respectively. In this period, labour underutilization rate, the broadest defined unemployment rate, decreased by 2.7 points compared to the previous month and became 26.5%.

### Industrial production decreased by 3.9% yoy in July.

According to calendar adjusted figures, industrial production contracted by 3.9% yoy in July. Production in manufacturing industry declined by 5.1% yoy; but annual increases in mining and quarrying, and electricity, gas, steam, air conditioning sectors by 3.3% and 8.2%, respectively, limited the decline in the main index. While 16 out of 24 sectors operating under the manufacturing industry posted annual losses, the sharpest decline was in the manufacture of basic pharmaceutical products with 23.3%. In the same period, according to seasonally and calendar adjusted figures, industrial production posted a moderate monthly rise of 0.4%. This limited increase is attributed to the low base effect of the bridge days between Eid and weekend holidays in June. In July, services production index also declined by 0.2% mom and 0.1% yoy.

### According to preliminary data, the weakness in the manufacturing industry deepened in September.

Türkiye manufacturing PMI data released by the Istanbul Chamber of Industry (ICI) fell to 44.3 in September, indicating the sharpest slowdown in sector's activity since May 2020. Demand conditions led to the sharpest decline in new orders in nearly 4.5 years, while export orders slowed down compared to the previous month, indicating that foreign demand conditions also deteriorated. Production volumes continued to decline for the sixth consecutive month, while employment also recorded its most significant contraction since April 2020. Sectoral PMI data indicated that all 10 sectors contracted for the third consecutive month.



### Retail trade volume showed a limited increase in July.

According to seasonally and calendar adjusted data, trade sales volume contracted by 0.6% in July compared to the previous month. In this period, wholesale trade sales volume decreased by 1.0% mom, while retail trade sales volume posted a limited increase by 0.8%. Fall in automotive fuel sales (3.7%) suppressed retail sales volume growth in July. Regarding the annual developments, it was noteworthy that retail sales volume increased by 5.4% yoy in July despite the 3.4% contraction in trade sales volume.

### Confidence indices recorded a general increase in September.

According to seasonally adjusted figures, consumer confidence index increased by 2.4% mom to 78.2 in September. Analyzing the sub-items of the index, it was noteworthy that evaluations regarding the change in consumer prices in the last 12 months showed the fastest improvement with 24.6%. After four consecutive months of decline, seasonally adjusted real sector confidence index rose by 1.2 points mom to 99.2 in September. In September, sectoral confidence index recorded a slight monthly decline of 0.2% in construction, while rising by 2.5% and 0.6% in retail trade and in services sectors, respectively. Thus, economic confidence index increased by 1.9 points to 95 in September. In this period, seasonally adjusted manufacturing industry capacity utilization rate displayed a limited monthly rise by 0.2 points for the first time in five months and became 75.9%.

### Home sales increased by 9.9% yoy in August.

House sales rose by 9.9% yoy to 134,155 units in August, following the increase in July, despite the general weak outlook since the second half of 2022. In this period, mortgaged sales continued their weak course decreasing by 17.1% yoy, while other sales increased by 14.1%. In the January-August period, house sales posted a limited rise of 1.1% yoy. In August, house prices rose by 3.6%, recording the highest rise in the last 3 months and above the monthly CPI inflation. On the other hand, the annual increase in house price index was realized as 34.3% in August, the slowest level in the last 3 years. Thus, house prices fell by 11.6% yoy in real terms.

According to data released by the Automotive Distributors and Mobility Association (ODMD), the automotive market contracted again in September after a limited expansion (0.8%) in August. In this period, the automobile and light commercial vehicle market contracted by 11.6% compared to the same month of last year, and the total market in January-September period shrank by 1.2% yoy, thus the cumulative numbers were realized in the contraction zone for the first time in 2024.

Source: CBRT, Datastream, ICI, TURKSTAT, ODMD

## Foreign Trade and Balance of Payments

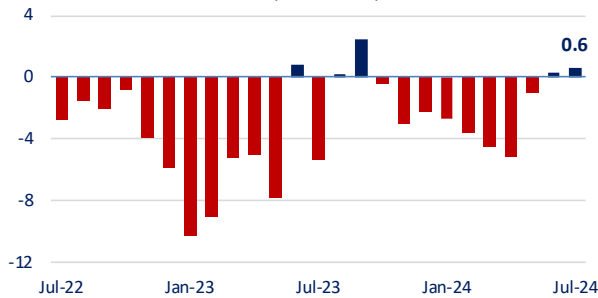
### In July, foreign trade deficit narrowed by 41.8% yoy.

According to data released by Turkstat, exports increased by 13.8% yoy to 22.5 billion USD in July, while imports contracted by 7.8% yoy to 29.8 billion USD. Thus, foreign trade deficit narrowed by 41.8% on an annual basis and became 7.3 billion USD. Import coverage ratio increased from 61.2% in July 2023 to 75.5% in the same month of this year.

### Current account posted a surplus of 566 million USD in July in line with expectations.

Current account balance posted a surplus in July as in June. In this period, current account surplus was realized as 566 million USD, in line with market expectations, while 12-month cumulative current account deficit narrowed to 19.1 billion USD, the lowest level since April 2022. In July, the decline in the balance of payments-defined foreign trade deficit (-52.7% yoy) and passenger transportation and travel revenues, which displayed a positive outlook thanks to the tourism season, were the main items supporting the current account balance. In the first 7 months of the year, decreasing by 61.8% yoy current account deficit was recorded as 16 billion USD.

**Monthly Current Account Balance**  
(billion USD)



In July, net non-monetary gold imports fell sharply by 89.1% yoy to 267 million USD, the lowest level since December 2021. On the other hand, net energy imports increased by

9.5% yoy to 4 billion USD in the same period. Thus, current account balance excluding gold and energy posted a monthly surplus of 4.9 billion USD and a 12-month cumulative surplus of 43.4 billion USD as of July.

### Capital inflows in foreign direct investments continued in July.

Capital inflows in net foreign direct investments, which have been continuing since April, increased by 39% yoy to 670 million USD in July. In this period, non-residents' direct investments in Türkiye and residents' direct investments abroad were realized as 1.2 billion USD and 510 million USD, respectively. In July, real estate investments reached 289 million USD, the highest level since April. On the other hand, according to the brand new data released by CBRT, residents' real estate investments abroad were realized as 1.2 billion USD in the first 7 months of the year.

### In the first 7 months of the year, net portfolio inflows reached 15.9 billion USD.

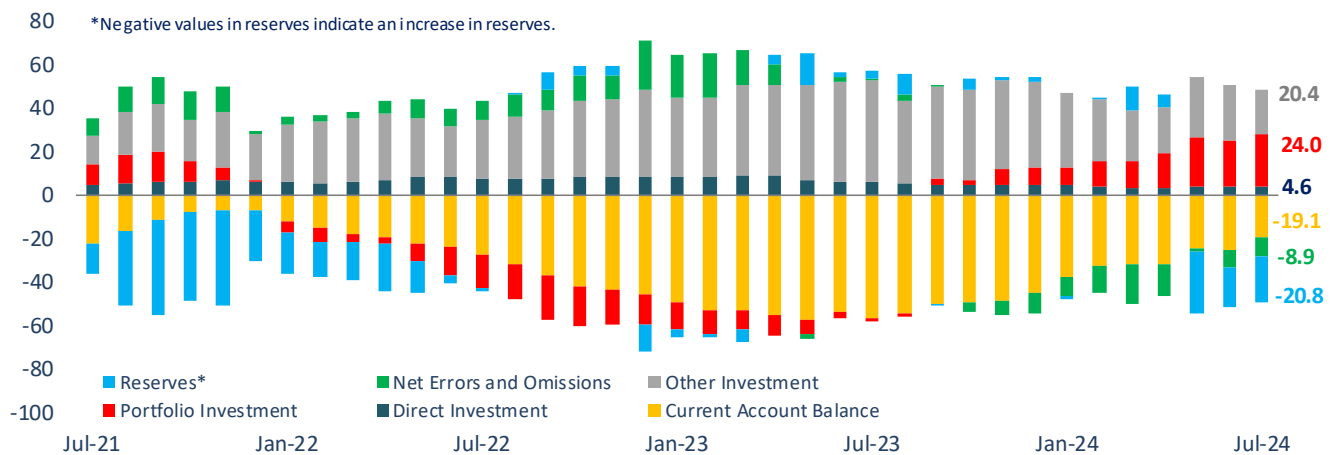
In July, net portfolio inflows were realized as 3.7 billion USD and gained momentum compared to the previous month. In this period, non-residents' sales in the equity market were realized as 21 million USD, the mildest level of the last 3 months, while their purchases in debt securities market were realized as 6.4 billion USD. Capital inflows in debt securities market were mainly driven by bond issues in domestic (2.5 billion USD) and foreign (1.8 billion USD) markets by the general government. Thus, net portfolio inflows amounted to 15.9 billion USD in the first 7 months of the year.

### Capital outflows in other investments continued in July.

Net capital outflow in other investments continued in July with 705 million USD. In this period, the main factor that deteriorated the positive outlook in other investments was the 2.6 billion USD capital outflow in currency and deposits item. The CBRT's termination of the deposit purchase transaction

**Net Capital Flows**

(12-month cumulative, billion USD)

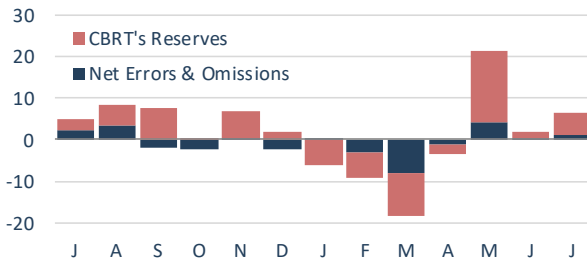


Source: Datastream, Turkstat, CBRT

## Foreign Trade and Balance of Payments

with Saudi Arabia played a key role in this development. In July, domestic banks' currency and deposits in foreign correspondent banks decreased by 1.8 billion USD, while foreign banks' deposits in Türkiye increased by 1.3 billion USD. In the same period, loans item recorded a net capital inflow of 1.7 billion USD due to the drawings of domestic banks. According to 12-month cumulative figures, long-term debt rollover ratio was realized as 147.2% in the banking sector and 93.1% in other sectors as of July. In the first 7 months of the year, net capital inflow recorded in other investments decreased by 87.8% yoy to 2.7 billion USD.

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



### Reserves and net errors & omissions...

Reserve assets, which have been increasing since May, rose by 5.4 billion USD in July. Thus, total reserve assets that decreased by 23.8 billion USD in the first 7 months of 2023, declined by 909 million USD in the same period of this year. Despite the fact that capital inflows in the net errors and omissions item continued with 1.2 billion USD in July, the item recorded a net outflow of 6 billion USD in the first 7 months of the year.

### Expectations...

Foreign trade data show that the annual decline in foreign trade deficit, which was recorded in July, accelerated slightly in August. Despite the difficulties in Türkiye's major markets, ICI export climate index in August provided relatively positive assessments of external demand conditions, while the increase in travel revenues thanks to the tourism season indicates that the current account deficit continued to decline in this period.

### Balance of Payments

	(USD million)				
	Jul.	Jan. - Jul.		%	12-month
	2024	2023	2024	Change	Cumulative
<b>Current Account Balance</b>	<b>566</b>	<b>-41,991</b>	<b>-16,048</b>	<b>-61.8</b>	<b>-19,085</b>
Foreign Trade Balance	-5,102	-61,752	-35,738	-42.1	-60,874
Services Balance	6,873	26,468	28,254	6.7	54,345
Travel (net)	5,601	21,116	23,808	12.7	44,286
Primary Income	-1,271	-6,903	-8,588	24.4	-12,941
Secondary Income	66	196	24	-87.8	385
<b>Capital Account</b>	<b>-77</b>	<b>-110</b>	<b>-105</b>	<b>-4.5</b>	<b>-200</b>
<b>Financial Account</b>	<b>1,675</b>	<b>-48,255</b>	<b>-22,121</b>	<b>-54.2</b>	<b>-28,201</b>
Direct Investment (net)	-670	-2,749	-2,663	-3.1	-4,597
Portfolio Investment (net)	-3,726	-47	-15,891	33,710.6	-23,983
Net Acquisition of Financial Assets	2,681	1,714	9,202	436.9	10,560
Net Incurrence of Liabilities	6,407	1,761	25,093	1,324.9	34,543
Equity Securities	-21	229	-1,271	-	-113
Debt Securities	6,428	1,532	26,364	1,620.9	34,656
Other Investment (net)	705	-21,704	-2,658	-87.8	-20,440
Currency and Deposits	2,616	-14,532	8,357	-	-601
Net Acquisition of Financial Assets	-1,894	7,391	9,074	22.8	5,852
Net Incurrence of Liabilities	-4,510	21,923	717	-96.7	6,453
Central Bank	-6,123	13,667	-7,710	-	-7,865
Banks	1,613	8,256	8,427	2.1	14,318
Foreign Banks	1,260	6,203	5,124	-17.4	9,113
Foreign Exchange	326	3,689	1,008	-72.7	4,462
Turkish Lira	934	2,514	4,116	63.7	4,651
Non-residents	353	2,053	3,303	60.9	5,205
Loans	-1,686	-1,632	-13,170	707.0	-22,691
Net Acquisition of Financial Assets	31	86	334	288.4	-1,412
Net Incurrence of Liabilities	1,717	1,718	13,504	686.0	21,279
Banking Sector	1,693	453	13,251	2,825.2	20,406
Non-bank Sectors	82	1,625	145	-91.1	-256
Trade Credit and Advances	-213	-5,499	2,182	-	2,785
Other Assets and Liabilities	-12	-41	-27	-34.1	67
Reserve Assets (net)	5,366	-23,755	-909	-96.2	20,819
<b>Net Errors and Omissions</b>	<b>1,186</b>	<b>-6,154</b>	<b>-5,968</b>	<b>-3.0</b>	<b>-8,916</b>

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

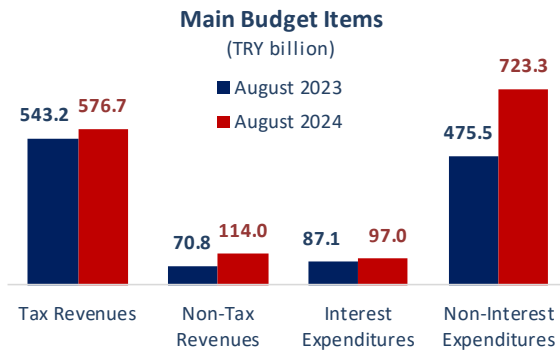
## Budget Balance

### Central government budget posted a deficit of 129.6 billion TRY in August.

In August, central government budget revenues recorded a limited increase by 12.5% yoy and became 690.7 billion TRY, while budget expenditures rose by 45.8% yoy to 820.3 billion TRY. Thus, central government budget posted a deficit of 129.6 billion TRY in August. In this period, primary budget deficit was realized as 32.5 billion TRY. In January-August period, central government budget deficit widened by 153.9% yoy to 973.5 billion TRY.

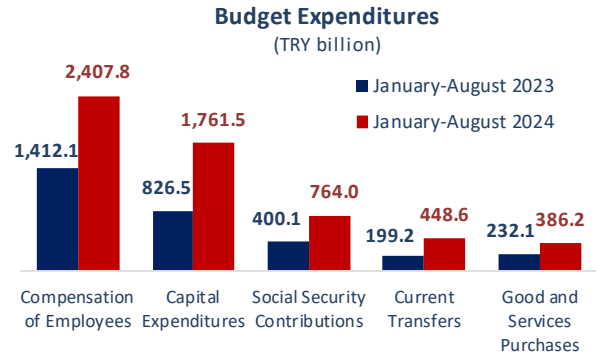
### Tax revenues posted a limited annual increase in August.

In August, tax revenues increased slightly by 6.2% yoy to 576.7 billion TRY. In this period, banking and insurance transaction tax (197.5%), income tax (99.6%) and domestic value-added tax (71.7%) continued to rise rapidly, while corporate tax revenues declined by 87.3% yoy due to the differences in collection periods. Analysis of the sub-items of domestic value-added tax (VAT) reveals that VAT collection based on declaration decreased by 51.1% yoy, while VAT collection through excises from payments surged by 23 times in the same period. In August, special consumption tax (SCT) on tobacco products nearly doubled on an annual basis, while SCT on petroleum and natural gas products increased by 42.3% yoy, below the consumer inflation. On the other hand, the annual decline in SCT on motor vehicles caused the rise in total SCT revenues to be limited by 23.2% yoy.



### Capital expenditures rose by 106.5% yoy in August.

Capital expenditures, which increased by 195.6% yoy in July, rose by 106.5% yoy to 75.9 billion TRY in August, due to the rise in real estate capital production expenditures. In this period, personnel expenditures (77.7%), social security premium expenditures (71.4%) and current transfers (61.5%) increased above the annual CPI inflation. In August, interest expenditures rose moderately by 11.4% yoy to 97 billion TRY. On the other hand, it was noteworthy that capital transfers and lending items decreased by 56.1% and 46.1% yoy, respectively.



### Expectations...

In August, expenditures recorded a relatively moderate rise compared to the annual CPI inflation, while tax revenues increased only slightly, leading the central government budget deficit to widen further. On the other hand, the cumulative budget deficit, which rose to 973.6 billion TRY in the January-August period, constituted 45.3% of the 2,149 billion TRY forecast for the whole year in the Medium-Term Program covering the 2025-2027 period, indicating that realizations continued to be in line with the plan.

### Central Government Budget

	August			January-August			(billion TRY)	
	2023	2024	% Change	2023	2024	% Change	MTP Target	Real./ MTP Target (%)
<b>Expenditures</b>	<b>562.7</b>	<b>820.3</b>	<b>45.8</b>	<b>3,382.1</b>	<b>6,226.6</b>	<b>84.1</b>	<b>11,213.1</b>	<b>55.5</b>
Interest Expenditures	87.1	97.0	11.4	400.1	764.0	91.0	1,297.8	58.9
Non-Interest Expenditures	475.5	723.3	52.1	2,982.0	5,462.6	83.2	9,915.4	55.1
<b>Revenues</b>	<b>614.0</b>	<b>690.7</b>	<b>12.5</b>	<b>2,998.7</b>	<b>5,253.0</b>	<b>75.2</b>	<b>9,064.7</b>	<b>58.0</b>
Tax Revenues	543.2	576.7	6.2	2,595.8	4,401.8	69.6	7,605.5	57.9
Other Revenues	70.8	114.0	61.1	402.9	851.2	111.3	1,459.2	58.3
<b>Budget Balance</b>	<b>51.3</b>	<b>-129.6</b>	<b>-</b>	<b>-383.4</b>	<b>-973.6</b>	<b>153.9</b>	<b>-2,148.5</b>	<b>45.3</b>
<b>Primary Balance</b>	<b>138.4</b>	<b>-32.5</b>	<b>-</b>	<b>16.7</b>	<b>-209.5</b>	<b>-</b>	<b>-850.7</b>	<b>24.6</b>

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

Source: Datastream , Ministry of Treasury and Finance

## Inflation

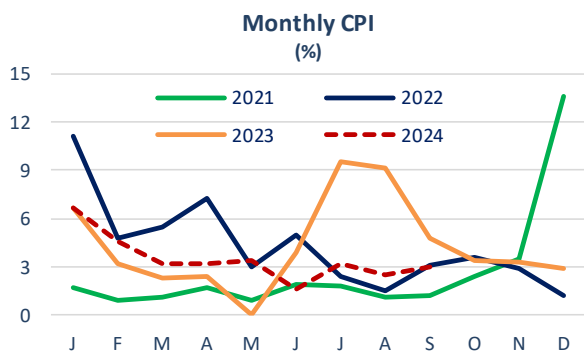
### CPI increased by 2.97% mom in September.

In September, CPI increased by 2.97% mom, above market expectations. According to CBRT Market Participants and Reuters surveys, consumer prices were expected to rise by 2.2% mom. However, due to the high base effect, annual CPI inflation continued its downward trend for the fourth month in a row, falling to 49.38%, the lowest level since July 2023. The D-PPI experienced a 1.37% increase in September, resulting in an annual D-PPI inflation of 33.09%, the lowest since March 2021.

September (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	4.75	2.97	3.40	1.37
Year-to-Date	49.86	35.86	36.06	25.55
Annual	61.53	49.38	47.44	33.09
Annual Average	55.30	63.47	65.55	44.81

### Prices in the education group rose by 14.21% mom.

All expenditure groups, except communication, recorded price increases in September. The education group experienced the highest monthly price increase of 14.21% during this time period, owing to an increase in tertiary education fees. The housing sector, where prices rose rapidly by 3.86% in September, remained the largest contributor to monthly CPI inflation (0.63 points). In the same period, the food and non-alcoholic beverages (2.48%) and transportation (2.44%) groups had prices rise below the monthly headline inflation, pushing the monthly CPI up by 0.99 points in total. Prices for alcoholic beverages and tobacco products increased by 4.16% in September as a result of tobacco product price increases. The price increases for furnishings, household equipment, routine house maintenance (1.98%), and health (1.51%) were relatively moderate.

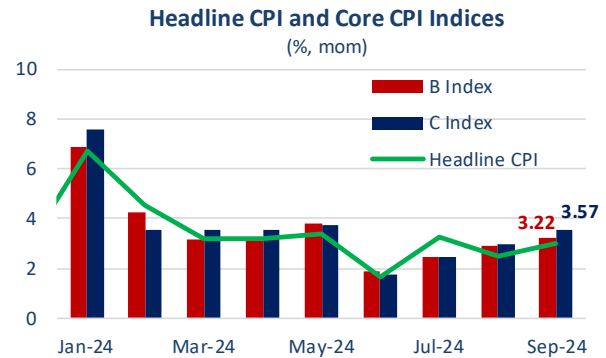


### B and C indices rose above headline inflation.

In September, the CPI index excluding seasonal products rose 2.92%, in line with headline inflation. During this time, other core indicators rose above headline inflation and sent negative signals about the inflation outlook. In this context, monthly increases of 3.22% in the B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco

products, and gold) and 3.57% in the C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products, and gold) were the highest in the previous four months.

In September, goods prices rose by 2.06%, with unprocessed food and alcoholic beverages, tobacco, and gold subgroups leading the way. During the same period, monthly service inflation reached a seven-month high of 4.90%. Rent and transportation services were the items that drove service inflation the most in September, with price increases in other services reaching 5.47%, the highest since February.



### Impact of food products on D-PPI...

Food products was the group that pushed domestic PPI up the most on a monthly basis in September by 0.33 points. Moreover, the electricity, gas production, and distribution group continued to make a high contribution to monthly inflation by 0.21 points in this period. The fastest price increases in September were recorded in tobacco products (8.30%), coal and lignite (4.90%), and metal ores (3.76%). In this period, the group with the highest monthly price decline was coke and refined petroleum products (5.51%).

### Expectations...

Although annual CPI inflation continued to decline in September, falling below 50% for the first time since July 2023, monthly CPI inflation and core indicators indicated that the underlying inflation trend has yet to fully recover. In this context, the September data increased the importance of the course of inflation in October and November. In the coming months, the extent to which the CBRT's projected improvement in high service inflation will materialize in the fourth quarter of the year, as well as the impact of the recent increase in geopolitical risks on oil prices, will be closely monitored.

Source: Datastream, Turkstat

## Financial Markets

	30-Agu	30-Sep	Change
5-Y CDS (basis points)	275	266	-9 bp ▼
TR 2-Y Benchmark Yield**	42,1%	41,16%	-94 bp ▼
BIST-100**	9.833	9.666	-1,7% ▼
USD/TL	34,0711	34,1605	0,3% ▲
EUR/TL	37,4873	38,0011	1,4% ▲
Currency Basket*	35,7792	36,0808	0,8% ▲

(\*) (0.5 USD/TRY + 0.5 EUR/TRY), (\*\*) (compared to 29-Agu)

### In September, Fed's rate decision supported global risk appetite.

Global risk appetite, which was under pressure in the first half of September due to investors' cautious approach ahead of the Fed's decision, followed a favorable course after the Fed's rapid rate cut. Thus, in September, MSCI World and Emerging Markets indices rose by 1.7% mom and 6.4% mom, respectively. S&P 500 and Dow Jones indices were closed at historically high levels in September, while US 10-year Treasury bond yield and DXY index fell by 13 bps and 0.90% mom, respectively. The price of ounce of gold, which tested its historical high of 2,670 USD during the month, increased by 5.3% to 2,634.49 USD.

Domestic markets followed a volatile course in September and diverged negatively from global markets. BIST 100 index fell by 1.70% mom to 9,665.78. In September, 2-year benchmark bond yield declined to 42.1% while 5-year CDS risk premium decreased by 9 bps to 266 bps.

### The Medium Term Program covering the 2025-2027 period was published.

The Medium Term Program (MTP) covering the 2025-2027 period was announced on September 5. In the program, where achieving price stability was set as the primary objective, GDP growth forecasts for 2024-2026 were revised downwards by 0.5 percentage points compared to the last year's MTP forecasts and were announced as 3.5%, 4.0% and 4.5%, respectively. The year-end CPI inflation forecasts for the same period were revised upwards to 41.5%, 17.5% and 9.7%, respectively, staying within the forecast range announced by CBRT in the last Inflation Report. The program projects budget deficit to GDP ratios of 4.9%, 3.1% and 2.8% in this period, respectively.

### In September, 12-month-ahead inflation expectations decreased.

According to CBRT's Sectoral Inflation Expectations report, 12-month-ahead annual inflation expectations decreased by 1.2 points to 27.5% in market participants, by 2.7 points to 51.1% in the real sector and by 1.5 points to 71.6% in households. Thus, households' inflation expectations, although still at high levels, declined again in September after two months of increase. On the other hand, the

proportion of households expecting a fall in inflation in the next 12 months decreased by 0.6 points compared to the previous month and became 29.0%.

### CBRT kept the policy rate unchanged.

CBRT kept the policy rate unchanged at 50% at its meeting held on September 19th in line with the expectations. In the decision text published after the meeting, CBRT stated that the underlying trend of monthly inflation did not display a significant change in August, while the services inflation is expected to improve in the last quarter. The assessment that inflation expectations and pricing behavior continue to pose risks to the disinflation process was perceived as CBRT's would maintain its cautious stance. On the other hand, the change of the statement "monetary policy stance will be tightened in case of a significant and persistent deterioration in inflation" to "monetary policy tools will be used effectively" supported the expectations that the CBRT may revise its current stance in the upcoming period. On September 21, CBRT made some changes in the required reserve ratios in order to support the monetary transmission mechanism. Accordingly, required reserve ratios were raised from 12% to 15% for short-term TL deposits and from 8% to 10% for long-term TL deposits, while the TL facility rate for FX deposits was reduced from 8% to 5%.

### Non-residents' securities portfolio...

Non-residents' equity portfolio, which is adjusted for price and exchange rate movements, decreased by net 69 million USD as of September 27 compared to the end of August, while GDDS portfolio increased by 2.9 billion USD. Thus, since the end of 2023, foreign capital outflow from the stock market was 2.0 billion USD, while foreign capital inflow to the bond market was 17.4 billion USD. As of September 27, CBRT's gross reserves and net reserves were recorded as 157.4 billion USD and 54.1 billion USD, respectively.

### Fitch raised Türkiye's credit rating to "BB-".

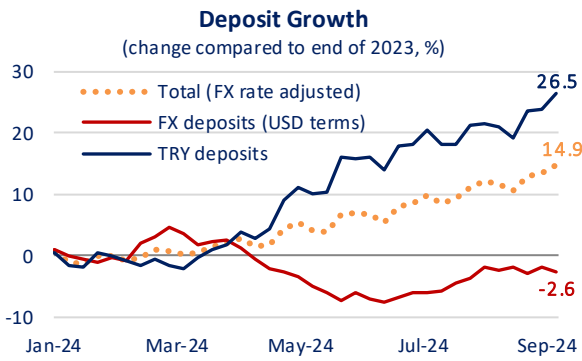
International credit rating agency Fitch raised Türkiye's sovereign credit rating by one notch to "BB-" and revised its outlook from "positive" to "stable" on September 6. Stating that Türkiye's international reserve composition has strengthened due to decreasing dollarization and capital inflows, Fitch emphasized that a possible early interest rate cut and a return from tight monetary policy would increase inflationary pressures and this could have a negative impact on the credit rating.

## Banking Sector

### The share of TL deposits in total deposits reached 62.7%.

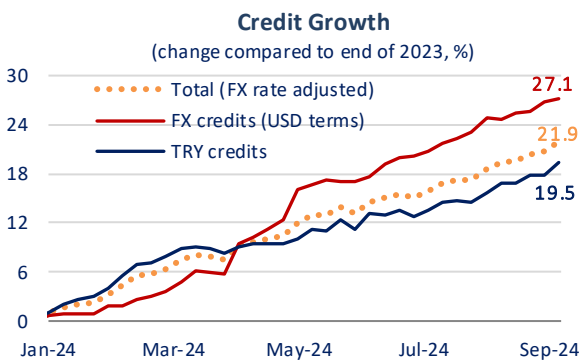
According to the weekly data released by BRSA, as of September 27, TRY deposits in the banking sector expanded by 4.5% compared to the end of August and by 26.5% compared to the end of 2023 reaching 11.2 trillion TRY. As of the same date, FX deposit volume in USD terms decreased by 0.2% mom and 2.6% ytd to 197.9 billion USD. Thus, total deposits in the sector increased by 20.9% ytd and reached 17.9 trillion TRY. As of September 27, the share of TRY deposits including FX-protected deposits (FXPD) in total deposits rose to 62.7% from 59.8% at end-2023.

The volume of FX protected deposits (FXPD) decreased by 5.2% compared to end-August to 1.5 trillion TRY (44.6 billion USD) as of September 27. Thus, the share of FXPD in TRY deposits declined to 13.4%. According to the data released by the CBRT, as of August, FX-/gold- converted deposit/participation accounts amounted to 51 billion USD (37.3 billion USD for real persons and 13.7 billion USD for legal entities) and TRY deposit/participation accounts amounted to 3.9 billion TRY.



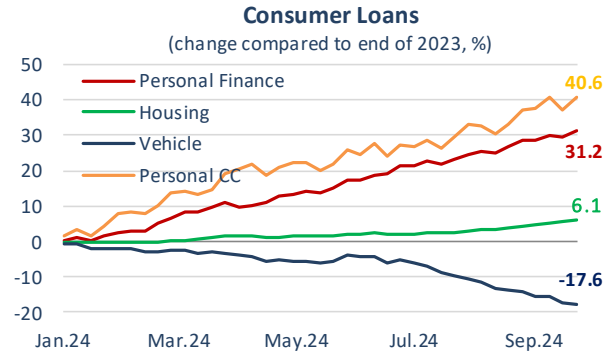
### TRY loan volume increased by 19.5% compared to end-2023.

As of September 27, TRY loan volume increased by 2.3% compared to end-August and 19.5% compared to end-2023, reaching TRY 9.4 trillion. As of the mentioned date, FX loans in USD terms rose by 1.9% mom and 27.1% ytd to 163.6 billion USD. In this context, the sector's total loan volume increased by 28.3% ytd and reached 14.9 trillion TRY.



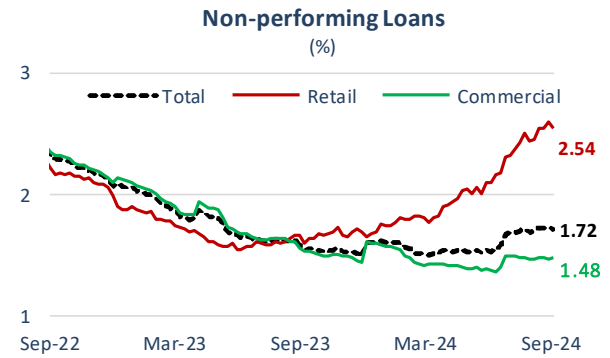
### Contraction in vehicle loans continued in September.

As of September 27, vehicle loans contracted by 4.0% compared to end-August, while housing and general purpose loans increased by 1.8% and 2.1%, respectively. Thus, as of the same date, vehicle loans contracted by 17.6% compared to end-2023, while housing and general purpose loans went up by 6.1% ytd and 31.2% ytd, respectively. As of September 27, retail credit card balances, which increased by 2.4% on a monthly basis, rose by 40.6% compared to year-end.



### Non-performing loans ratio rose to 1.72% in September.

As of September 27, non-performing loans ratio was recorded as 2.54% for retail loans and 1.48% for commercial loans. Thus, the banking sector's non-performing loans ratio was realized as 1.72%.



### Foreign currency net general position...

As of September 27, on-balance sheet FX position of the banking sector was (-)20,324 million USD while off-balance sheet FX position was (+)22,567 million USD. Thus, net foreign currency position was realized as (+)2,243 million USD.

Source: BRSA Weekly Bulletin



## Concluding Remarks

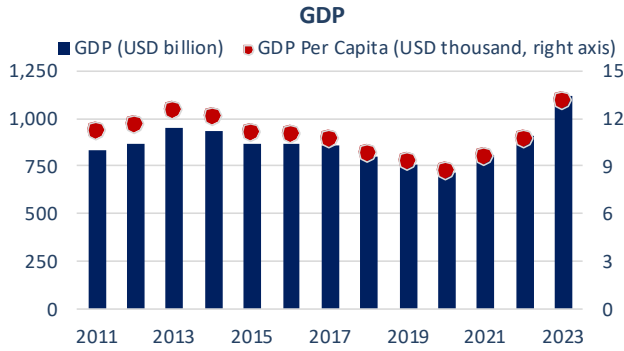
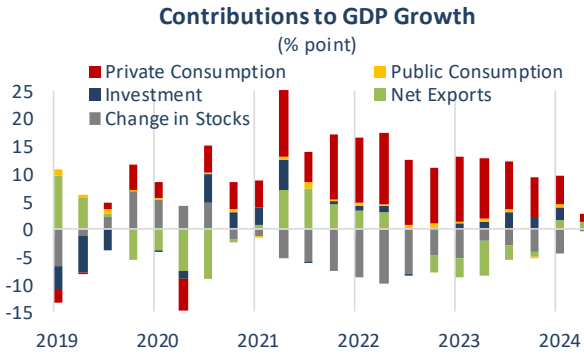
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Leading indicators released in major economies indicate that global growth remains resilient in line with the favorable outlook in services sector, while the weakness in manufacturing sector continues. This weakness, accompanied by the decline in inflation, allows major central banks to take easing steps in their monetary policies. In September, the ECB cut interest rates for the second time of the year, while the Fed kicked off its monetary policy easing cycle with a rapid rate cut. In addition to these steps, the effects of the comprehensive stimulus package announced by the People's Bank of China in order to overcome the weak course of domestic and external demand conditions and the problems in the real estate market on the country and the world economy will be closely monitored in the coming period. In such an environment, the BoJ, whose policies differ from those of other major central banks, may follow a different path after the change in the leadership of Japan's ruling party. On the other hand, oil prices, which have recently turned upwards due to rising geopolitical risks, indicate that the risks to inflation are still alive.

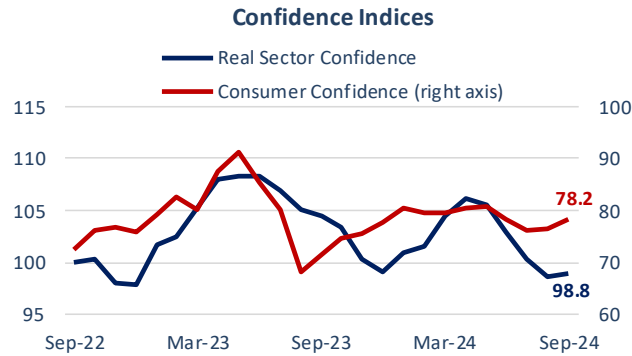
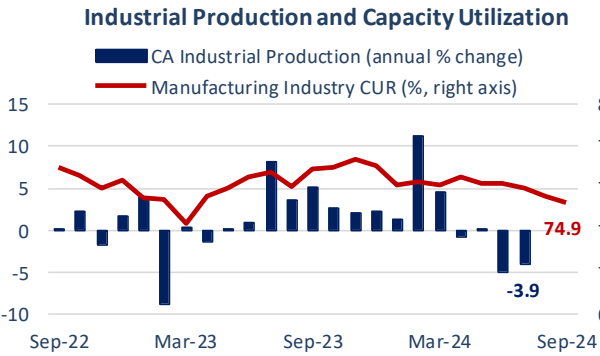
In Türkiye, where inflation continues to be the most important agenda item, leading indicators signal that the effects of the tightening steps on economic activity have become more evident. On the other hand, the favorable outlook in the tourism sector sustained the improvement in the current account deficit, while the positive course on the financing side also continued with the ongoing inflow of foreign investors to domestic markets through government domestic debt securities. Although the decline in annual inflation continued in September due to the base effect, monthly realizations indicate that expectations and pricing behavior continue to be a risk factor on inflation. In addition to the course of global energy prices, the pace of services inflation in the last quarter of the year will be closely monitored in terms of the inflation outlook.

# Turkish Economy - Macroeconomic Indicators

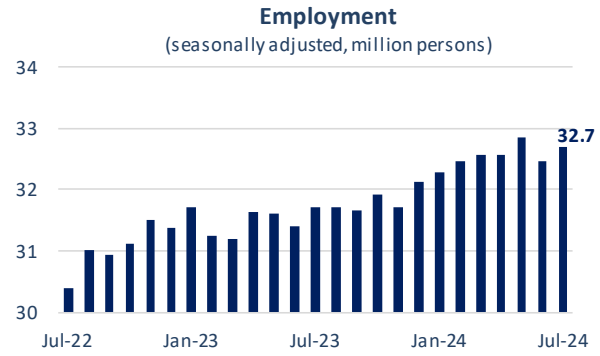
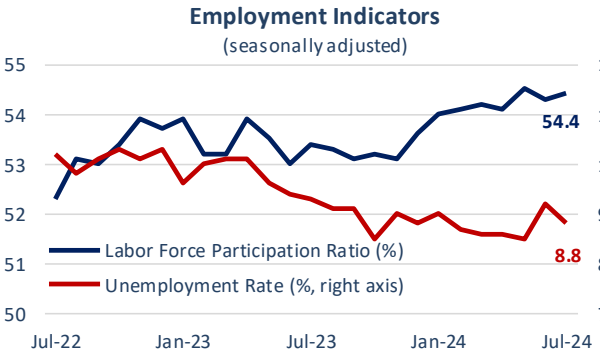
## Growth



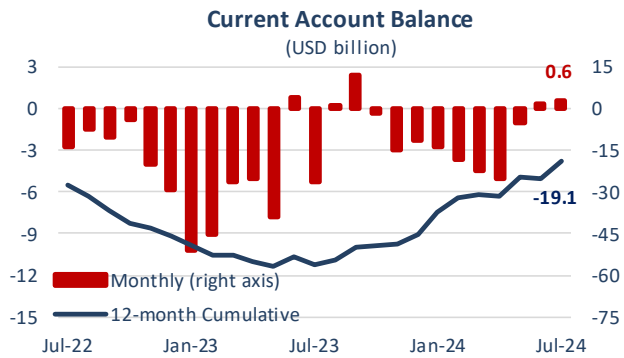
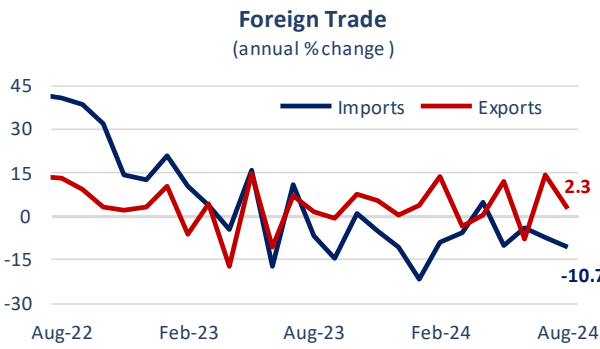
## Leading Indicators



## Labor Market



## Foreign Trade and Current Account Balance

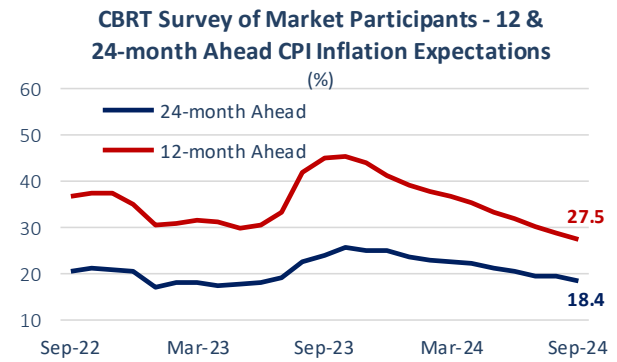
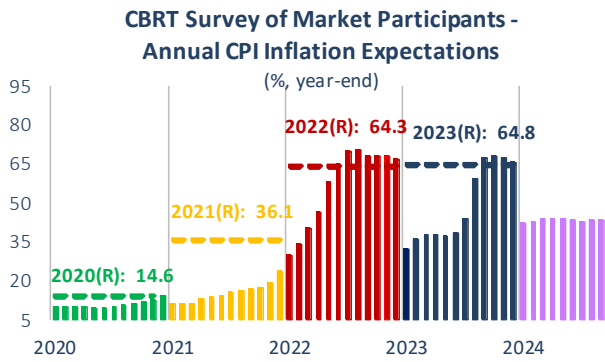
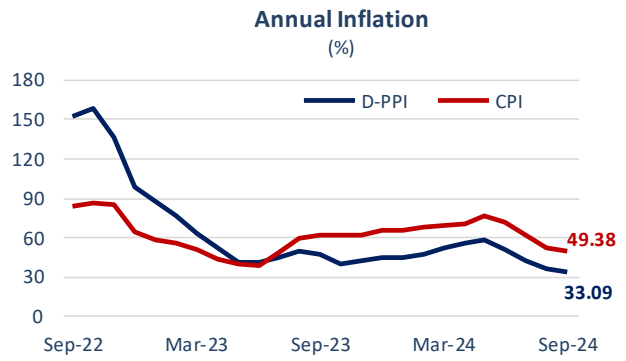
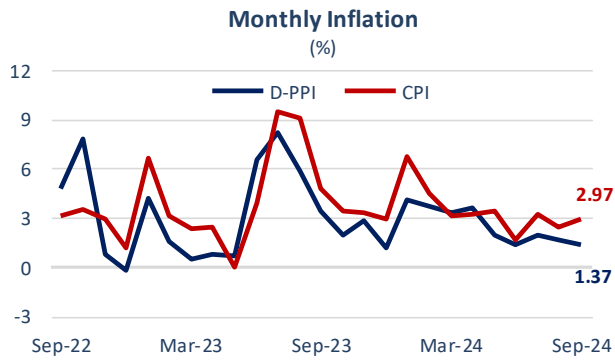


(CA) Calendar adjusted

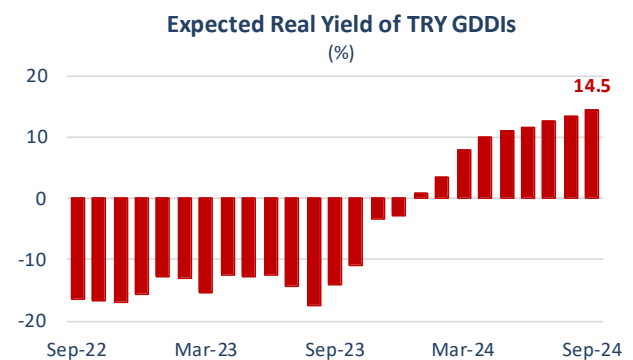
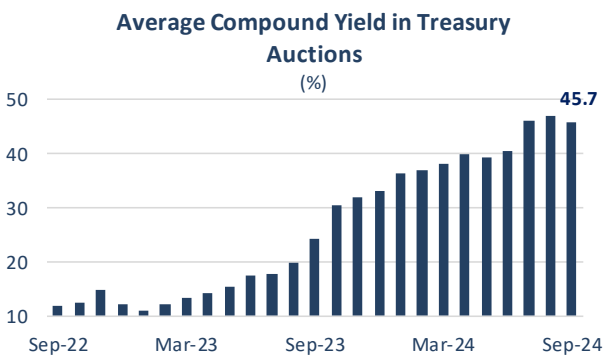
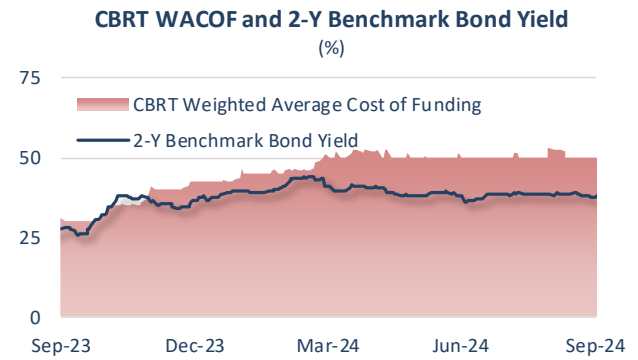
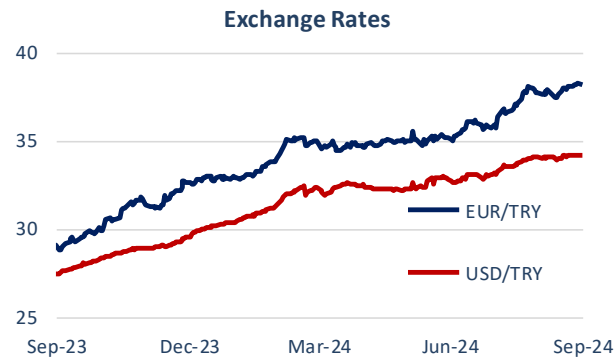
Source: Datastream, CBRT, Turkstat

## Turkish Economy - Macroeconomic Indicators

### Inflation



### Foreign Exchange and Bond Market



## Turkish Economy - Macroeconomic Indicators

Growth	2019	2020	2021	2022	2023	23-Q4	24-Q1	24-Q2
GDP (USD billion)	760	717	808	906	1,130	308	287	308
GDP (TRY billion)	4,318	5,049	7,256	15,012	26,546	8,528	8,858	9,950
GDP Growth Rate (%)	0.8	1.9	11.4	5.5	5.1	4.6	5.3	2.5
Inflation (%)						Jul-24	Aug-24	Sep-24
CPI (annual)	11.84	14.60	36.08	64.27	64.77	61.78	51.97	49.38
Domestic PPI (annual)	7.36	25.15	79.89	97.72	44.22	41.37	35.75	33.09
Seasonally Adjusted Labor Market Figures						May-24	Jun-24	Jul-24
Unemployment Rate (%)	13.4	12.6	11.0	10.3	8.8	8.5	9.2	8.8
Labor Force Participation Rate (%)	52.6	49.1	52.6	53.7	53.6	54.5	54.3	54.4
FX Rates						Jul-24	Aug-24	Sep-24
CPI Based Real Effective Exchange Rate	76.0	61.9	47.6	54.9	55.5	62.97	62.34	
USD/TRY	5.95	7.43	13.28	18.72	29.53	33.11	34.07	34.19
EUR/TRY	6.68	9.09	15.10	19.98	32.62	35.83	37.71	38.15
Currency Basket (0.5*EUR+0.5*USD)	6.32	8.26	14.19	19.35	31.08	34.47	35.89	36.17
Foreign Trade Balance <sup>(1)</sup> (USD billion)						Jun-24	Jul-24	Aug-24
Exports	180.8	169.6	225.2	254.2	255.6	258.8	261.5	262.0
Imports	210.3	219.5	271.4	363.7	362.0	346.4	343.9	340.7
<b>Foreign Trade Balance</b>	<b>-29.5</b>	<b>-49.9</b>	<b>-46.2</b>	<b>-109.5</b>	<b>-106.3</b>	<b>-87.6</b>	<b>-82.4</b>	<b>-78.7</b>
Import Coverage Ratio (%)	86.0	77.3	83.0	69.9	70.6	74.7	76.0	76.9
Balance of Payments <sup>(1)</sup> (USD billion)						May-24	Jun-24	Jul-24
<b>Current Account Balance</b>	<b>15.0</b>	<b>-31.1</b>	<b>-6.4</b>	<b>-45.8</b>	<b>-45.0</b>	<b>-24.5</b>	<b>-25.0</b>	<b>-19.1</b>
<b>Capital and Financial Accounts</b>	<b>-1.0</b>	<b>-7.3</b>	<b>-28.7</b>	<b>-35.2</b>	<b>-52.3</b>	<b>-26.2</b>	<b>-33.1</b>	<b>-28.2</b>
Direct Investments (net)	-6.5	-4.4	-6.4	-8.7	-4.7	-4.1	-4.4	-4.6
Portfolio Investments (net)	2.8	9.6	-0.8	13.7	-8.1	-22.7	-21.4	-24.0
Other Investments (net)	2.7	-12.5	-21.5	-40.2	-39.5	-27.7	-25.5	-20.4
Reserve Assets (net)	6.3	-31.9	23.3	12.3	-2.0	28.2	18.2	20.8
<b>Net Errors and Omissions</b>	<b>-9.7</b>	<b>-8.1</b>	<b>1.1</b>	<b>22.9</b>	<b>-9.1</b>	<b>-1.5</b>	<b>-8.0</b>	<b>-8.9</b>
<b>Current Account Balance/GDP (%)</b>	<b>2.0</b>	<b>-4.3</b>	<b>-0.8</b>	<b>-5.1</b>	<b>-4.0</b>	-	-	-
Budget <sup>(2)(3)</sup> (TRY billion)						Jun-24	Jul-24	Aug-24
<b>Expenditures</b>	<b>1,000.0</b>	<b>1,203.7</b>	<b>1,603.5</b>	<b>2,942.7</b>	<b>6,588.0</b>	<b>4,578.5</b>	<b>5,406.3</b>	<b>6,226.6</b>
Interest Expenditures	99.9	134.0	180.9	310.9	674.6	574.4	667.0	764.0
Non-interest Expenditures	900.1	1,069.8	1,422.7	2,631.8	5,913.4	4,004.1	4,739.3	5,462.6
<b>Revenues</b>	<b>875.3</b>	<b>1,028.4</b>	<b>1,402.0</b>	<b>2,800.1</b>	<b>5,207.6</b>	<b>3,831.4</b>	<b>4,562.3</b>	<b>5,253.0</b>
Tax Revenues	673.9	833.3	1,165.0	2,353.4	4,501.1	3,213.4	3,825.1	4,401.8
<b>Budget Balance</b>	<b>-124.7</b>	<b>-175.3</b>	<b>-201.5</b>	<b>-142.7</b>	<b>-1,380.4</b>	<b>-747.2</b>	<b>-844.0</b>	<b>-973.6</b>
<b>Primary Balance</b>	<b>-24.8</b>	<b>-41.3</b>	<b>-20.7</b>	<b>168.2</b>	<b>-705.8</b>	<b>-172.8</b>	<b>-177.0</b>	<b>-209.5</b>
<b>Budget Balance/GDP (%)</b>	<b>-2.9</b>	<b>-3.5</b>	<b>-2.8</b>	<b>-1.0</b>	<b>-5.2</b>	-	-	-
Central Government Debt Stock (TRY billion)						Jun-24	Jul-24	Aug-24
Domestic Debt Stock	755.1	1,060.4	1,321.2	1,905.3	3,209.3	3,891.7	4,017.6	4,191.5
External Debt Stock	574.0	752.5	1,426.6	2,130.1	3,527.3	3,992.4	4,088.7	4,147.3
<b>Total Debt Stock</b>	<b>1,329.1</b>	<b>1,812.8</b>	<b>2,747.8</b>	<b>4,035.4</b>	<b>6,736.6</b>	<b>7,884.0</b>	<b>8,106.3</b>	<b>8,338.8</b>

(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	Jul.24	Aug.24	Change <sup>(1)</sup>
<b>TOTAL ASSETS</b>	<b>4,491</b>	<b>6,106</b>	<b>9,215</b>	<b>14,347</b>	<b>23,550</b>	<b>28,551</b>	<b>29,690</b>	<b>26.1</b>
<b>Loans</b>	<b>2,656</b>	<b>3,576</b>	<b>4,901</b>	<b>7,581</b>	<b>11,677</b>	<b>14,134</b>	<b>14,639</b>	<b>25.4</b>
TRY Loans	1,642	2,353	2,832	5,110	7,894	9,009	9,211	16.7
Share (%)	61.8	65.8	57.8	67.4	67.6	63.7	62.9	-
FX Loans	1,015	1,224	2,069	2,471	3,783	5,125	5,427	43.5
Share (%)	38.2	34.2	42.2	32.6	32.4	36.3	37.1	-
Non-performing Loans	150.8	152.6	160.1	163.4	191.9	243.8	253.5	32.1
Non-performing Loan Rate (%)	5.3	4.1	3.2	2.1	1.6	1.7	1.7	-
<b>Securities</b>	<b>660</b>	<b>1,022</b>	<b>1,476</b>	<b>2,370</b>	<b>3,970</b>	<b>4,691</b>	<b>4,790</b>	<b>20.7</b>
<b>TOTAL LIABILITIES</b>	<b>4,491</b>	<b>6,106</b>	<b>9,215</b>	<b>14,344</b>	<b>23,550</b>	<b>28,551</b>	<b>29,690</b>	<b>26.1</b>
<b>Deposits</b>	<b>2,567</b>	<b>3,455</b>	<b>5,303</b>	<b>8,862</b>	<b>14,852</b>	<b>16,942</b>	<b>17,461</b>	<b>17.6</b>
TRY Deposits	1,259	1,546	1,880	4,779	8,897	10,694	10,775	21.1
Share (%)	49.0	44.7	35.5	53.9	59.9	63.1	61.7	-
FX Deposits	1,308	1,909	3,423	4,083	5,955	6,248	6,686	12.3
Share (%)	51.0	55.3	64.5	46.1	40.1	36.9	38.3	-
<b>Securities Issued</b>	<b>194</b>	<b>224</b>	<b>310</b>	<b>325</b>	<b>584</b>	<b>805</b>	<b>860</b>	<b>47.3</b>
<b>Payables to Banks</b>	<b>533</b>	<b>658</b>	<b>1,048</b>	<b>1,432</b>	<b>2,384</b>	<b>3,095</b>	<b>3,208</b>	<b>34.6</b>
<b>Funds from Repo Transactions</b>	<b>154</b>	<b>255</b>	<b>587</b>	<b>540</b>	<b>723</b>	<b>1,515</b>	<b>1,847</b>	<b>155.3</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>492</b>	<b>600</b>	<b>714</b>	<b>1,407</b>	<b>2,153</b>	<b>2,517</b>	<b>2,547</b>	<b>18.3</b>
Profit (Loss) of the Period	49.0	58.5	93.0	431.6	620.5	348.7	382.8	-38.3
<b>RATIOS (%)</b>								
Loans/GDP	61.5	70.9	68.0	50.5	44.4			
Loans/Assets	59.1	58.6	53.2	52.8	49.6	49.5	49.3	-
Securities/Assets	14.7	16.7	16.0	16.5	16.9	16.4	16.1	-
Deposits/Liabilities	57.2	56.6	57.5	61.8	63.1	59.3	58.8	-
Loans/Deposits	103.5	103.5	92.4	85.5	78.6	83.4	83.8	-
Capital Adequacy (%)	18.4	18.7	18.4	19.5	19.1	17.0	17.0	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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