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Global Economy

The IMF predicted that the world economy will grow by 3.2% in 2024 and 2025.

US economy grew slightly below expectations in the third quarter of the year. September core CPI data indicated that inflationary pressures may still be valid in the country.

In the US, non-farm payrolls increased at the lowest level in nearly 4 years in October due to strikes and hurricanes, keeping downside risks to the labor market on the front burner.

Euro Area economy grew by 0.4% qoq and 0.9% yoy in the third quarter of the year, above the expectations.

ECB cut reference interest rates by 25 basis points each at its October meeting. On the other hand, the BoJ left its policy rate unchanged at 0.25%.

PMI data for October in China, which grew by 4.6% yoy in the third quarter of the year, was realized above the threshold level.

While industrial metal prices declined in October, demand for safe havens supported gold and silver prices. Oil prices, which followed a volatile course, presented a flat outlook compared to the end of September.

Turkish Economy

Seasonally adjusted unemployment rate decreased by 0.3 points mom to 8.5% in August, while the labour underutilization rate rose by 0.7 points to 27.2%.

According to calendar adjusted figures, decreasing by 5.3% yoy industrial production continued to contract in August after June and July. In the same period, wholesale and retail sales volumes increased by 3.5% and 2.2% mom, respectively.

Although ICI Türkiye Manufacturing PMI rose by 1.5 points mom to 45.8 in October, it pointed to a contraction in the sector for the seventh consecutive month.

In August, current account posted a surplus of 4.3 billion USD. 12-month cumulative current account deficit narrowed to 11.3 billion USD, the lowest level since December 2021.

Central government budget deficit was realized as 100.5 billion TRY in September and 1.1 trillion TRY in January-September period.

In October, CPI increased by 2.88% mom, above market expectations, while annual CPI inflation fell to 48.58% due to the base effect. In the same period, D-PPI increased by 1.29% mom and 32.24% yoy.

At its meeting held on October 17, CBRT kept the policy rate unchanged at 50% for the seventh straight month in line with expectations.

BIST-100 index fell by 8.3% to 8,864 in October. In this period, USD/TRY increased slightly by 0.3% while EUR/TRY fell by 1.9%.

S&P upgraded Türkiye's credit rating by one notch to "BB-" and revised its credit rating outlook from "positive" to "stable".

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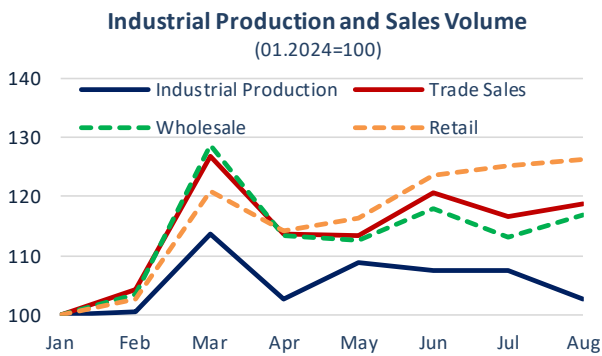
Leading Indicators

Unemployment rate fell to 8.5% in August.

According to seasonally adjusted figures, unemployment rate declined to 8.5% in August. The decline in the unemployment rate in August was mainly driven by the increase in the number of employed people by 78K, despite the decrease of 10K people in the labor force. In this period, employment rate rose to 49.7% while labor force participation rate became 54.3%. On the other hand, labour underutilization rate, the broadest defined unemployment rate, increased by 0.7 points in August compared to July and became 27.2%.

Industrial production contracted by 5.3% yoy in August.

According to calendar adjusted figures, industrial production contracted by 5.3% yoy in August following the declines in June (-5%) and July (-4%). In this period, production decreased by 5.4% yoy in both manufacturing industry and mining and quarrying sectors, while the rise by 1.6% in electricity, gas, steam and air conditioning sector limited the decline in the main index. Production in 17 out of 24 manufacturing industry sectors declined on an annual basis, and the sharpest decline was in the manufacture of motor vehicles, which has been contracting since April. According to seasonally and calendar adjusted figures, industrial production fell by 1.6% mom in August. The details of the index showed that the contraction was widespread across all main sectors.



ICI Türkiye Manufacturing PMI rose to 45.8 in October.

Turkish manufacturing PMI data released by Istanbul Chamber of Industry (ICI) rose to 45.8 in October, however, it remained below the threshold for the seventh consecutive month, indicating that challenging conditions persisted in the sector. In this period, declines in production and new orders caused employment and purchasing activities to slow down as well. It was noteworthy that input stocks recorded the sharpest decline since May 2020. On the other hand, according to the index, the fact that inflationary pressures continued to ease at the beginning of the last quarter of the year, was a positive development. Sectoral PMI data indicated that the PMI in food products manufacturing sec-

tor rose above the 50-threshold value again after three months, while the course in the contraction zone continued in other sectors.

Retail sales volume increased by 2.2% mom in August.

In August, seasonally and calendar adjusted trade sales volume rose by 2.9% mom, recording the fastest increase in the last 5 months. Wholesale and retail sales volumes rose by 3.5% mom and 2.2% mom, respectively. In August, retail sales volume increased on a monthly basis in all sub-items including automotive fuel. The annual rise in retail sales was realized as 13.3%, the highest level since March. Wholesale sales volume, which had been contracting on an annual basis since May, rose by 3.1% yoy in August.

Confidence indices presented a positive outlook in October.

According to seasonally adjusted figures, consumer confidence index rose by 3% mom to 80.6 in October. Thus, the index, which continued its rise for the third month, was recorded at its highest level since June 2023. The details of the index showed that evaluations regarding the expectations of households financial situation in the next 12 months improved by 6.1%, while the rapid increases in the probability of buying or having a house built (15.6%) and buying a car (12.3%) were noteworthy. In October, seasonally adjusted real sector confidence index went up by 3 points mom to 102.2. In this period, sectoral confidence increased by 1.5% and 0.1% in services and retail trade sectors, respectively, while it declined by 1.7% in construction sector. Thus, economic confidence index rose by 3.2% to 98 in October. In the same period, seasonally adjusted manufacturing industry capacity utilization rate decreased by 0.7 points mom to 75.2%.

House sales surged by 37.3% yoy in September.

The annual increase in house sales in July and August gained momentum in September. In this period, sales rose by 37.3% yoy to 140,919 units. In the same period, mortgaged sales went up by 87.4% yoy for the first time this year, while other sales rose by 32.8%. Thus, despite the gradual increase in the share of mortgaged sales in total sales since June, it remained limited at 9.7%. In September, the share of first-hand sales in total house sales was realized as 31.8%. In January-September period, house sales increased by 5.2% yoy to 947,236 units.

In September, house prices rose by 1% mom, while the annual increase in the index was recorded at 27.4%, the lowest level since June 2020. Thus, the annual real decline in house prices deepened to 14.7%.

Foreign Trade and Balance of Payments

In August, foreign trade deficit contracted by 42.7% yoy.

According to data released by Turkstat, exports increased by 2.3% yoy to 22 billion USD in August, while imports declined by 10.7% yoy to 27 billion USD. Thus, foreign trade deficit narrowed by 42.7% yoy to 5 billion USD. The import coverage, which was 71.2% in August 2023, reached 81.5% in the same month of this year, the highest level of 2024.

Services balance-driven revision...

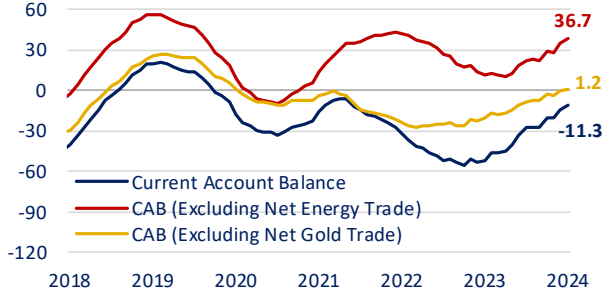
According to the CBRT's announcement, the balance of services data for 2022, 2023 and the first 7 months of 2024 were revised in line with the international trade in services statistics released by Turkstat. Thus, the current account deficit for 2023 was revised down from 45 billion USD to 40.5 billion USD. On the other hand, the current account deficit for the January-July 2024 period was revised down from 16 billion USD to 14 billion USD.

Current account posted a surplus of 4.3 billion USD in August.

After June and July, current account posted a surplus in August as well. In this period, current account surplus was realized as 4.3 billion USD, in line with market expectations and at the highest level of the last 5 years. The annual decline in foreign trade deficit and passenger transportation revenues, which displayed a positive outlook thanks to the tourism season, were the main items supporting the current account balance outlook in August. In the first 8 months of the year, current account deficit narrowed by 75.2% yoy to 9.7 billion USD, while the 12-month cumulative deficit narrowed to 11.3 billion USD, the lowest level since December 2021.

Current Account Balance

(12-month cumulative, USD billion)



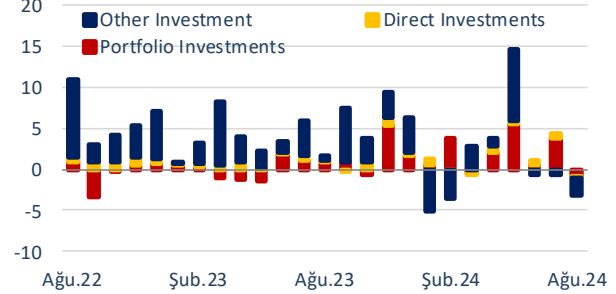
In August, net non-monetary gold imports fell sharply by 75.5% yoy to 750 million USD. In this period, net energy imports increased by 6.9% to 3.9 billion USD. Thus, while the current account surplus excluding gold and energy was recorded at a historic high level of 9 billion USD in August, 12-month cumulative data showed the most favorable outlook of the last 1.5 years with 49.2 billion USD.

Foreign direct investments recorded net capital outflows for the first time since March.

In August, foreign direct investments recorded a capital outflow for the first time since March by 62 million USD. In this period, residents' net asset acquisition abroad became 559 million USD, while non-residents' net capital investments in Türkiye were realized as 261 million USD, the lowest level of the last 5 months. In August, non-residents' net real estate purchases also slowed down slightly compared to July and were realized as 201 million USD.

Net Capital Inflows

(monthly, billion USD)

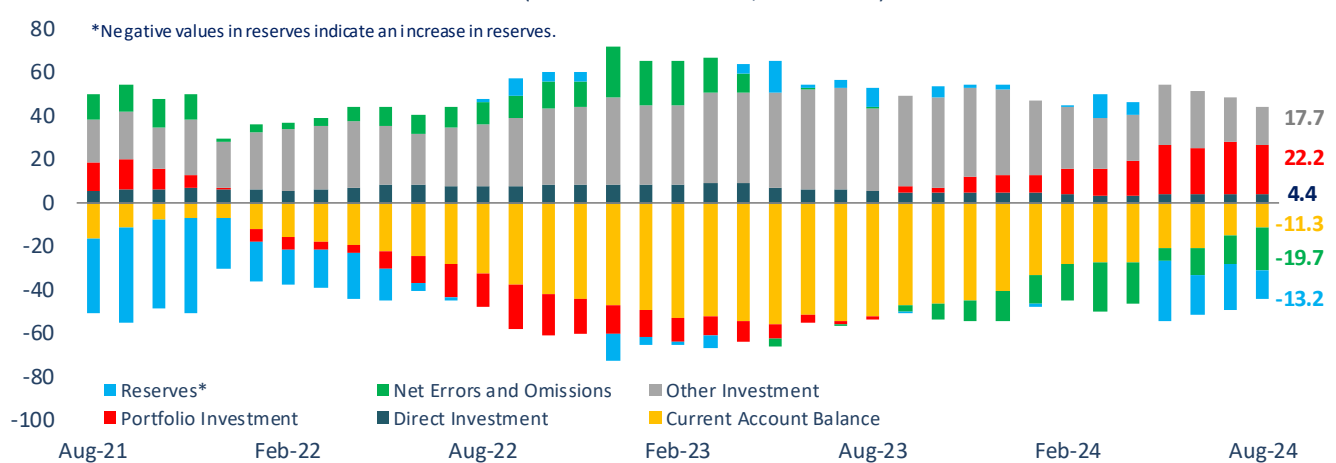


Portfolio investments recorded the fastest net capital outflow in the last 15 months.

In August, net capital outflow in portfolio investments were realized as 881 million USD, the highest level since May 2023. In line with the volatility in global markets in early August, non-residents sold net 627 million USD worth of equities. In August, net capital inflow recorded in debt securities was 413 million USD, the lowest level of this year. In this period, the general government's net repayment of 2.3 billion USD abroad limited the net capital inflow in the debt securities item.

Net Capital Flows

(12-month cumulative, billion USD)



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

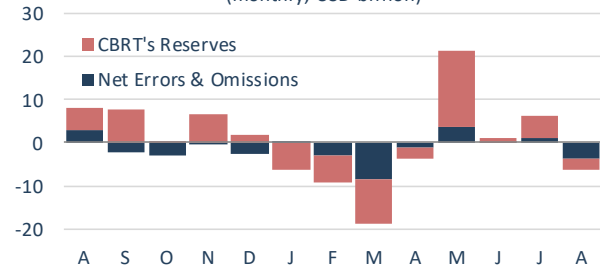
Net capital outflow accelerated in other investments.

Net capital outflow in other investments since June, accelerated in August and was realized as 2.2 billion USD. In this period, currency and deposits item decreased by 1.8 billion USD. Net capital outflow in loans item was realized as 292 million USD, the highest level since January 2023. In August, the banking sector and the general government repaid net amounts of 626 million USD and 133 million USD respectively, and other sectors borrowed a net amount of 561 million USD from abroad. According to 12-month cumulative figures, long-term debt rollover ratio became 144.7% in the banking sector and 105.4% in other sectors.

Reserves and net errors & omissions...

Having increased since May, reserve assets decreased by 2.5 billion USD in August in line with the capital outflows in financing items. Thus, reserve assets declined by 3.4 billion USD in January-August period due to the outflows in the first months of the year. Net errors and omissions recorded a capital outflow of 3.7 billion USD in August and 11.8 billion USD in the first 8 months of the year.

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



Expectations...

According to data released by TURKSTAT, in September, exports and imports contracted by 1.9% and 1.4% yoy, respectively. Thus, foreign trade deficit, that has been on a narrowing trend since the beginning of the year, increased slightly by 0.7% yoy to 5.1 billion USD in September. With the tourism season coming to an end, we expect services revenues to decline in the following months and the current account balance to start posting a deficit again. According to CBRT's Survey of Market Participants, analysts expect the current account deficit to be 20.2 billion USD at the end of the year.

Balance of Payments

	Aug. 2024	Jan. - Aug. 2023	Jan. - Aug. 2024	% Change	12-month Cumulative
Current Account Balance	4,324	-38,925	-9,665	-75.2	-11,250
Foreign Trade Balance	-2,911	-68,629	-38,550	-43.8	-56,265
Services Balance	8,696	37,387	39,205	4.9	58,521
Travel (net)	6,793	27,859	30,601	9.8	44,336
Primary Income	-1,475	-7,968	-10,365	30.1	-13,823
Secondary Income	14	285	45	-84.2	317
Capital Account	-15	-144	-120	-16.7	-181
Financial Account	645	-44,842	-21,552	-51.9	-31,169
Direct Investment (net)	62	-2,869	-2,617	-8.8	-4,436
Portfolio Investment (net)	881	-927	-15,010	1,519.2	-22,222
Net Acquisition of Financial Assets	667	1,115	9,869	785.1	11,826
Net Incurrence of Liabilities	-214	2,042	24,879	1,118.4	34,048
Equity Securities	-627	98	-1,898	-	-609
Debt Securities	413	1,944	26,777	1,277.4	34,657
Other Investment (net)	2,212	-22,425	-506	-97.7	-17,686
Currency and Deposits	1,786	-14,582	10,143	-	1,235
Net Acquisition of Financial Assets	891	7,748	9,965	28.6	6,386
Net Incurrence of Liabilities	-895	22,330	-178	-	5,151
Central Bank	-817	13,541	-8,527	-	-8,556
Banks	-78	8,789	8,349	-5.0	13,707
Foreign Banks	-374	6,223	4,750	-23.7	8,719
Foreign Exchange	786	3,830	1,794	-53.2	5,107
Turkish Lira	-1,160	2,393	2,956	23.5	3,612
Non-residents	296	2,566	3,599	40.3	4,988
Loans	292	-2,379	-12,977	445.5	-21,867
Net Acquisition of Financial Assets	94	-233	428	-	-999
Net Incurrence of Liabilities	-198	2,146	13,405	524.7	20,868
Banking Sector	-626	1,795	12,641	604.2	18,454
Non-bank Sectors	561	814	789	-3.1	1,315
Trade Credit and Advances	144	-5,410	2,365	-	2,876
Other Assets and Liabilities	-10	-54	-37	-31.5	70
Reserve Assets (net)	-2,510	-18,621	-3,419	-81.6	13,175
Net Errors and Omissions	-3,664	-5,773	-11,767	103.8	-19,738

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

Budget Balance

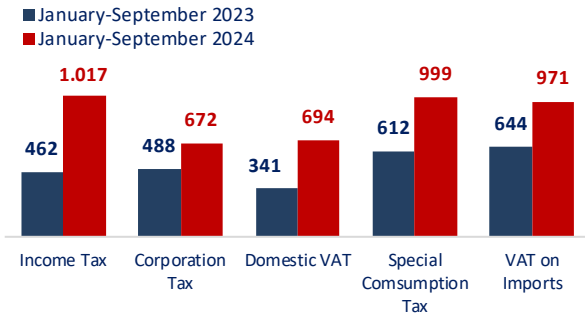
Central government budget posted a deficit of 100.5 billion TRY in September.

In September, budget revenues increased by 88.5% yoy to 831.6 billion TRY, while budget expenditures rose by 63.4% yoy to 932.1 billion TRY due to the increases in personnel expenditures and current transfers. Central government budget deficit narrowed by 22.3% yoy to 100.5 billion TRY in September, while the primary deficit was realized as 48.2 billion TRY. The budget deficit more than doubled to 1.1 trillion TRY in the first 9 months of the year, while the primary deficit reached 161.3 billion TRY.

The annual increase in tax revenues gained momentum in September.

In September, tax revenues increased by 89.6% yoy to 732.2 billion TRY. While the rapid increase in corporate tax was the main driver of this surge, income tax (119%) and domestic value-added tax (62.4%) contributed 140.8 billion TRY and 90.8 billion TRY, respectively. Analysis of the sub-items of domestic value added tax (VAT) reveals that VAT collection based on declaration decreased by 47.4% yoy, while VAT collection through excises from payments continued to increase rapidly by 1.610% yoy. On the other hand, special consumption tax (SCT) on motor vehicles contracted by 5.8% yoy due to the ongoing negative course in the automobile market, causing the annual increase in total SCT revenues to be limited to 28.7%.

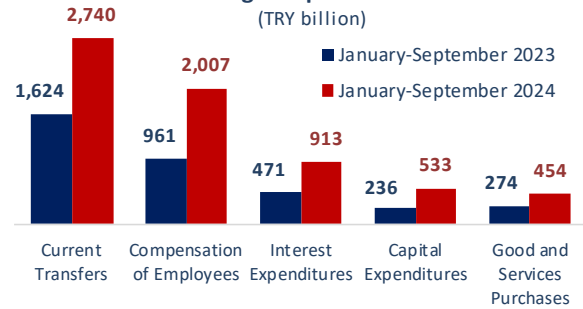
Tax Revenues
(billion TRY)



Interest expenditures rose by 110.1% yoy in September.

Interest expenditures surged by 110.1% yoy in September. In September, capital expenditures increased by 127% compared to the same month of the previous year and reached 84.3 billion TRY due to the rapid increase in immovable capital produce expenditures. In this period, compensation of employees (82.5%), social security contributions (75.5%), and current transfers (56.9%) also increased above the annual CPI inflation rate. On the other hand, it was noteworthy that capital transfers and lending items decreased by 79.2% yoy and 33.8% yoy, respectively.

Budget Expenditures
(TRY billion)



Expectations...

In September, budget expenditures increased at a slower pace than revenues on an annual basis, pointing to a favorable outlook. Moreover, the cumulative budget deficit, which reached 1.1 trillion TRY in the January-September period, constituted 50% of the 2,149 TRY billion target set for the whole year in the Medium Term Program. In this framework, according to the MTP target, there is enough room in the last 3 months of the year to cover the budget deficit recorded in the first 9 months.

Central Government Budget

(billion TRY)

	September			January-September			MTP Target	Real./ MTP Target (%)
	2023	2024	% Change	2023	2024	% Change		
Expenditures	570.5	932.1	63.4	3,952.6	7,158.6	81.1	11,213.1	63.8
Interest Expenditures	70.8	148.7	110.1	470.9	912.7	93.8	1,297.8	70.3
Non-Interest Expenditures	499.7	783.4	56.8	3,481.7	6,246.0	79.4	9,915.4	63.0
Revenues	441.3	831.6	88.5	3,440.0	6,084.6	76.9	9,064.7	67.1
Tax Revenues	386.2	732.2	89.6	2,982.0	5,134.1	72.2	7,605.5	67.5
Other Revenues	55.0	99.4	80.5	457.9	950.6	107.6	1,459.2	65.1
Budget Balance	-129.2	-100.5	-22.3	-512.6	-1,074.0	109.5	-2,148.5	50.0
Primary Balance	-58.5	48.2	-	-41.7	-161.3	286.5	-850.7	19.0

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

CPI increased above expectations in October.

In October, CPI increased by 2.88% mom, above the market expectations. According to the Reuters survey, consumer prices were expected to rise by 2.61% mom. On the other hand annual CPI inflation continued its downward trend for the fifth month in a row due to the high base effect, falling to 48.58%, the lowest level since July 2023. In October, D-PPI inflation came in at 1.29% mom, while realizing as 32.24% annually, the lowest level since March 2021.

October (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	3.43	2.88	1.94	1.29
Year-to-Date	55.00	39.77	38.70	27.17
Annual	61.36	48.58	39.39	32.24
Annual Average	54.26	62.02	58.46	43.93

In October, clothing and footwear prices rose by 14.32% mom.

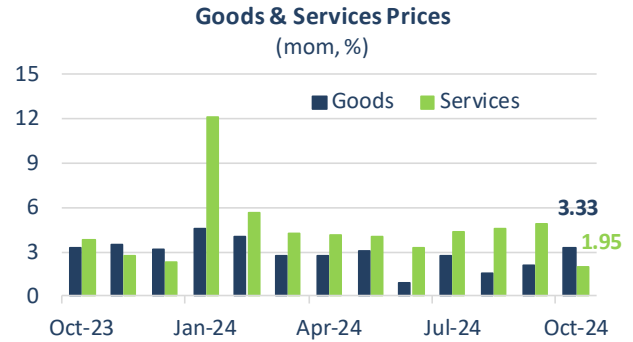
In October, prices increased in all expenditure groups except transportation and alcoholic beverages and tobacco. In this period, the highest monthly price increase was in clothing and footwear group with 14.32%. Food and non-alcoholic beverages, which followed this group with a 4.33% rise, was the expenditure group that increased CPI the most by 1.03 points due to its high weight in expenditure basket. Housing group, where prices rose by 2.93% mom, pushed the monthly inflation up by 0.48 points. On the other hand, prices of communication and health groups went up by 3.52% and 2.88% mom in October, respectively, due to the hikes in mobile phone prices, mobile network tariffs and the rise in EUR/TRY parity used in medicine pricing. Price increases in recreation and culture (0.62%) and education (0.33%) were relatively moderate.

In annual CPI inflation, the 93.66% rise in education group stood out, while price increases in housing and food&non-alcoholic beverages groups pushed annual CPI inflation up by 22.84 points in total. In the same period, price increases in clothing&footwear (31.37%) and transportation (26.14%) groups were relatively limited.

Seasonal products had a negative impact on the inflation outlook.

In October, A index that excludes seasonal products increased by 1.39% mom, well below the headline CPI and at its lowest level since May 2023, when the cut in natural gas prices were introduced. Thus, A index indicated that seasonal factors elevated inflation in October. In this period, B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco products and gold) and C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) rose slightly below the headline CPI by 2.69% and 2.79% mom, respectively. Thus, monthly inflation in these two indices fell to the lowest levels of the last 3 months.

The analysis of data on goods' and services' prices showed that monthly inflation in goods prices (3.33%) exceeded services inflation (1.95%) for the first time this year in October. In this period, the main driver of goods inflation was the prices of fresh fruits and vegetables, which recorded the highest monthly increase since April 2022 with 19.20%, while clothing and footwear prices also accelerated significantly. In services group, monthly inflation was realized at its lowest level in almost 2 years, but rent was the main item where the rigidity in price increases continued. On the other hand, monthly price changes in other service items were below the headline CPI inflation and were down in transportation services.



Food prices pushed D-PPI inflation upwards.

Although the fastest monthly price increase in October was in other manufactured goods (5.21% mom), the items that pushed the PPI up the most were food products (0.44 pp) and basic metals (0.19 pp), where prices rose by 2.32% and 2.33%, respectively. In October, the 7.39% decline in crude petroleum and natural gas prices limited D-PPI inflation by 0.03 points, while electricity and gas was the item that pulled producer prices down the most with 0.14 points.

Expectations...

More-than-expected course in CPI inflation continued in October. The ongoing flat course in exchange rates and energy prices; and the D-PPI inflation's course below the CPI in recent months signal that the increase in final product prices is not cost-driven. On the other hand, the slowdown in services inflation, one of the key elements for disinflation, and the seasonal nature of the acceleration in goods inflation leave room for assessments that the disinflation process will continue in the coming months. In this framework, anchoring inflation expectations, the sustained cooling in services inflation and the decisions to be taken regarding administered prices will be important for the course of inflation.

Source: Datastream, Turkstat

Financial Markets

	30-Sep	31-Oct	Change
5-Y CDS (basis points)	266	266	0 bps ▲
TR 2-Y Benchmark Yield	41.42%	42.98%	156 bps ▲
BIST-100	9,666	8,864	-8.3% ▼
USD/TRY	34.1605	34.2540	0.3% ▲
EUR/TRY	38.0011	37.2799	-1.9% ▼
Currency Basket*	36.0808	35.7670	-0.9% ▼

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

Global risk appetite followed a volatile course in October.

Global risk appetite increased in the first half of October thanks to the stimulus package announced by China in late September. In this period MSCI World Index reached its historical high level according to daily closes. Similarly, MSCI Emerging Markets index hit its highest level since February 2022 in the same period. However, in the second half of the month, investor appetite cooled due to the uncertainties caused by upcoming presidential election in the US and the geopolitical tensions. Thus, MSCI World and Emerging Markets indices decreased by 0.4% and 3.8%, respectively at the end of the October, compared to the end of September. During October, US 10-year Treasury bond yields rose to 4.28% and the DXY to 104.4. Despite the appreciation in the US dollar, the uncertainty created by the US election and geopolitical developments increased the demand for safe havens. The price of ounce gold hit a record high of 2,786 USD during October, ending the month at 2,782 USD with an increase of 5.6%.

Following a downward trend since early August, BIST-100 index fell by 8.3% mom to 8,864 in October, and the rapid decline in the banking index (-16.3%) was noteworthy. In October, the yield on the 2-year benchmark bond rose to 42.95%. 5-year CDS risk premium remained flat and ended the month at 266 basis points. In the same period, USD/TRY increased by 0.3% while EUR/TRY fell by 1.9% in line with the decline in EUR/USD parity.

BIST-100 and Precious Metals (USD)
(01.01.2024=100)



CBRT kept the policy rate unchanged.

At the meeting held on October 17, CBRT kept the policy rate unchanged at 50% for the seventh straight month, in line with expectations. In the decision text of the meeting, CBRT stated that the underlying trend of inflation increased slightly in September, while pointing out that uncertainties regarding the pace of improvement in inflation have increased with the

recent data, and inflation expectations and pricing behavior continue to be a risk factor for the disinflation process. CBRT reiterated that the tight monetary policy stance will be maintained until the underlying trend of monthly inflation declines significantly and permanently and inflation expectations converge to the projected forecast range.

Annual inflation expectations continued to decline in October.

According to CBRT's Sectoral Inflation Expectations report, inflation expectations continued to decline in October following September. In this period, 12-month-ahead annual inflation expectations of market participants and the real sector decreased to 27.4% and 49.5%, respectively. Households' annual inflation expectation decreased by 4.4 points to 67.2%, the lowest level since March 2022. On the other hand, the proportion of households expecting a fall in inflation in the next 12 months decreased by 0.7 points compared to the previous month and became 28.3%.

Non-residents' securities portfolio...

Non-residents' equity portfolio adjusted for price and exchange rate movements decreased by net 570 million USD as of October 25 compared to the end of September, while GDDS portfolio increased by 2.4 billion USD. Thus, since the end of 2023, foreign capital outflows from the stock market amounted to 2.5 billion USD, while foreign capital inflows to the bond market became 19.5 billion USD. As of October 25, CBRT's gross reserves and net reserves were recorded as 159.4 billion USD and 60.9 billion USD, respectively.

IMF published its Article 4 assessment for Türkiye.

In October, the IMF finalized and published its assessment on Türkiye under Article 4 Consultation. Referring to the transformation in economic policies, the report stated that the tight policies being implemented have reduced economic imbalances and restored confidence. The organization forecasts real GDP growth for 2024 and 2025 as 3.0% and 2.7%, respectively, while the year-end CPI forecasts are 43% and 24%.

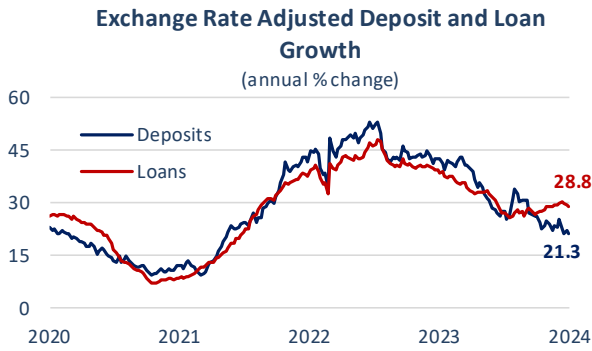
S&P upgraded Turkey's credit rating to "BB-".

International credit rating agency S&P Global raised Türkiye's credit rating by one notch to "BB-" in its assessment on November 1, following May. S&P stated that the improvement in reserves and the disinflation that is taking place thanks to the tight monetary policy were effective in credit rating upgrade, while the lack of a scheduled election calendar until 2028 may create space for the implementation of policies that will reduce demand and inflation. The report assessed that the decline in dollarization would lead to a decline in inflation expectations, assuming that the tight monetary policy stance would be maintained and savings would increase. Moreover, S&P revised its credit rating outlook from "positive" to "stable" and signaled that further rating upgrades are likely if there is further progress in bringing inflation down to single digit levels and restoring long-term confidence in the Turkish lira.

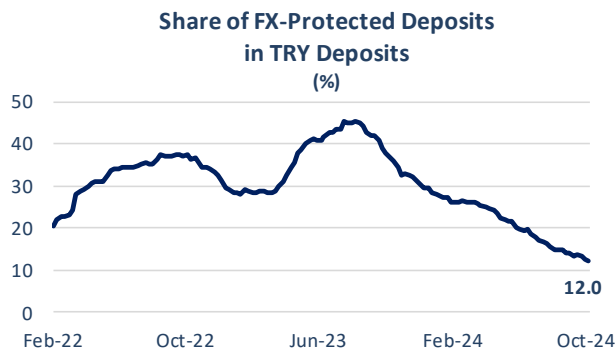
Banking Sector

Deposit volume increased by 21.4% in the first 10 months of the year.

According to the weekly data released by BRSA, as of October 25, TRY deposits in the banking sector expanded by 1.6% compared to the end of September and by 28.6% compared to the 2023 year-end, and reached 11.4 trillion TRY. As of the same date, FX deposit volume in USD terms decreased by 1.9% mom and 4.4% yoy to 194.1 billion USD. Thus, total deposits in the sector increased by 21.4% ytd and reached 18 trillion TRY. The share of TRY deposits, including FX-protected deposits (FXPD), in total deposits rose to 63.4% from 59.8% at end-2023.



The volume of FX-protected deposit (FXPD) decreased by 9% compared to end-September to 1.4 trillion TRY (40.5 billion USD) as of October 25. Thus, the share of FXPD in TRY deposits decreased by 1.4 points to 12% compared to end-September. According to the data released by the CBRT, as of September, FX-/gold- converted deposit/participation accounts amounted to 48.4 billion USD (35.8 billion USD for real persons and 12.6 billion USD for legal entities) and TRY deposit/participation accounts were 2.8 billion TRY.

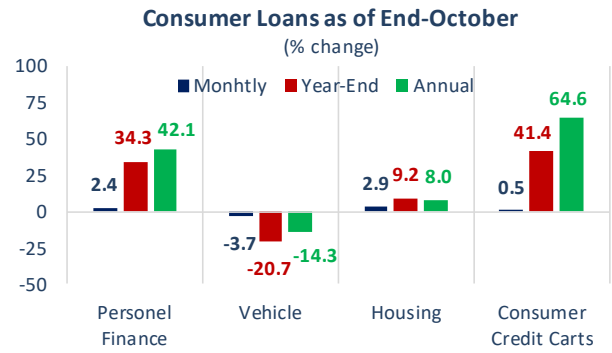


TRY loan volume increased by 1.2% in October.

As of October 25, TRY loan volume increased by 1.2% compared to end-September and by 20.9% compared to end-2023, reaching 9.5 trillion TRY. FX loans in USD terms declined by 0.2% mom, but rose by 26.8% ytd to 163.2 billion USD. Thus, the sector's total loan volume increased by 29.3% ytd and reached 15 trillion TRY.

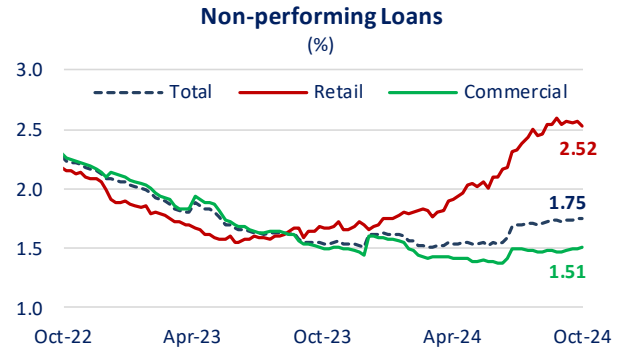
Vehicle loans continued to contract in October.

As of October 25, vehicle loans contracted by 3.7% compared to end-September, while housing loans and personal finance loans increased by 2.9% and 2.4%, respectively. Thus, as of the said date, housing and personal finance loans expanded by 9.2% and 34.3%, respectively, against 20.7% contraction in vehicle loans compared to end-2023. As of October 25, the balance of consumer credit card expenditures, which rose by 0.5% on a monthly basis, increased by 41.4% compared to the year-end.



Non-performing loans ratio rose to 1.75% in October.

As of October 25, non-performing loans ratio was recorded as 2.52% for retail loans and 1.51% for commercial loans. Thus, the banking sector's non-performing loans ratio was realized as 1.75%.



Foreign currency net general position...

As of October 25, on-balance sheet FX position of banking sector was (-)19.323 million USD while off-balance sheet FX position was (+)21.134 billion USD. Thus, foreign currency net position was realized as (+)1.811 million USD.

Source: BRSA Weekly Bulletin

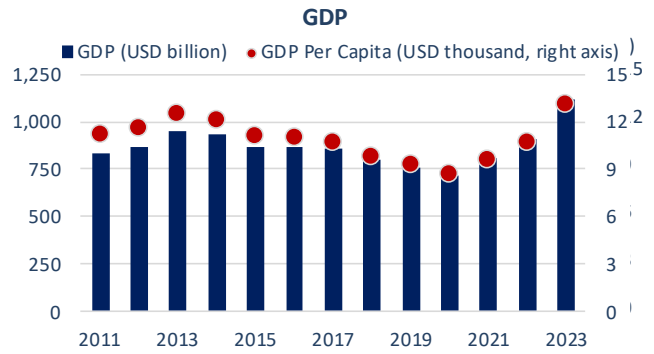
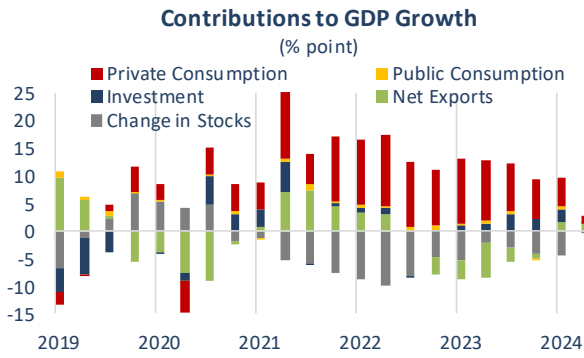
Concluding Remarks

In a global environment, where the fight against inflation has been largely won, economic activity maintains a resilient course in the US, particularly. Key indicators monitored in the US during October pointed to a slight slowing in the downward trend in inflation, while economic activity remained relatively buoyant. Data flow in the Euro Area, particularly the leading GDP growth, signaled some recovery in the region. In China, the effects of the comprehensive stimulus package announced by the government on economic activity are being monitored. On the other hand, geopolitical developments, lagged effects of tight monetary policy and rising trade protectionism stand out as risk factors to the course of global economic activity, financial markets and inflation in the short and medium term. In this context, the outcome of the US presidential election will be closely monitored, especially with respect to the last of these concerns.

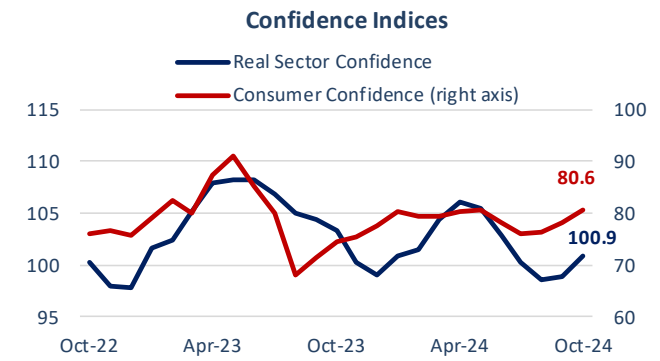
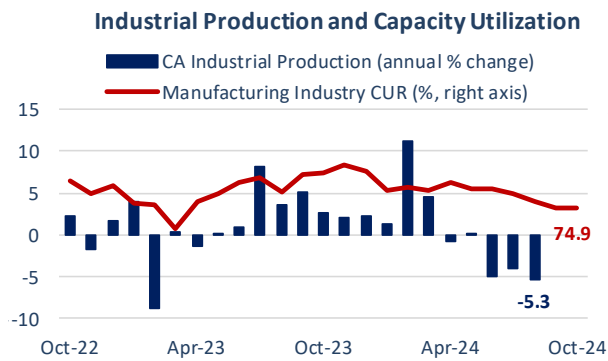
Despite the tight monetary policy in Türkiye, the expected improvement in monthly inflation realizations has not been achieved yet. While the slowdown in services inflation is noted as a positive development, the fact that there is not enough improvement in inflationary expectations and pricing behavior to the desired extent despite the flat course of exchange rates and energy prices, causes inflation to exhibit a rigid outlook. On the other hand, the decline in annual inflation due to the high base effect as well as the improvement in the current account deficit supported by the narrowing in the foreign trade deficit and tourism revenues are positively reflected in the assessments of credit rating agencies.

Turkish Economy - Macroeconomic Indicators

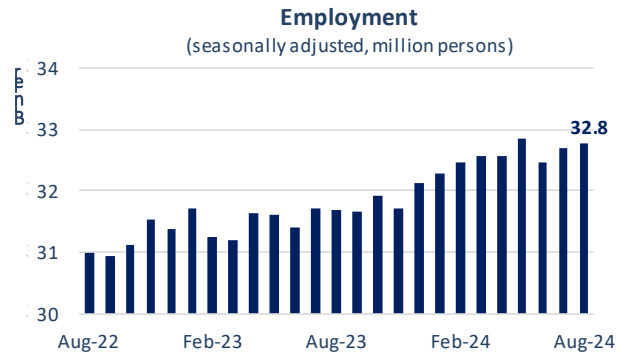
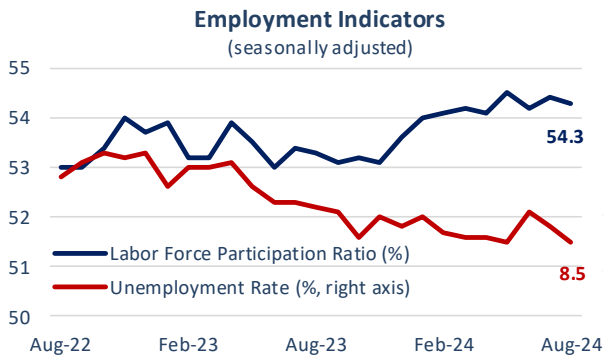
Growth



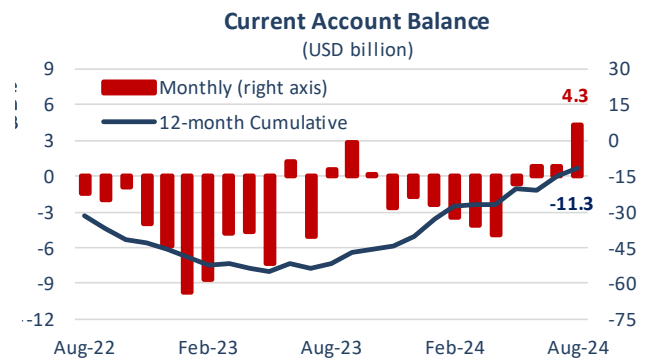
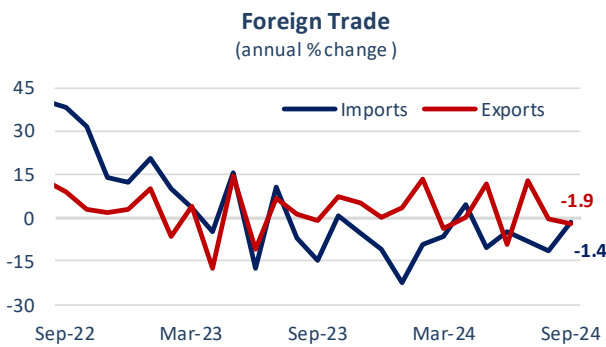
Leading Indicators



Labor Market



Foreign Trade and Current Account Balance

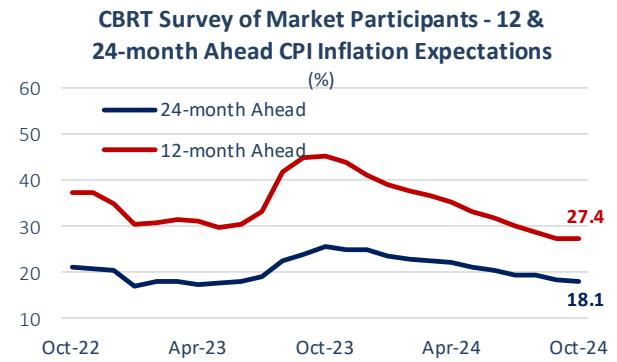
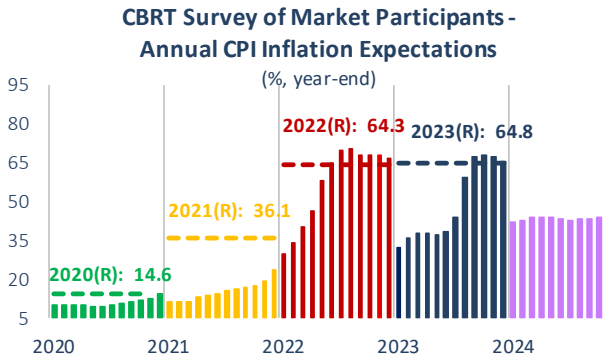
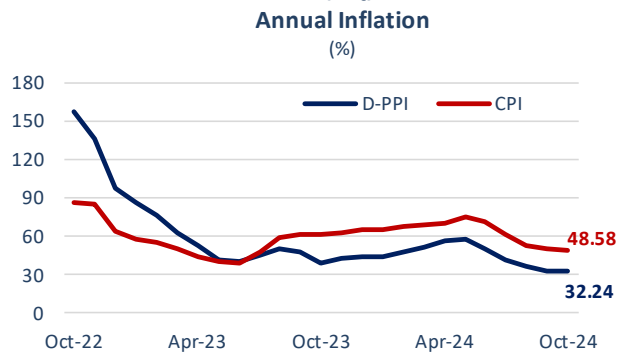
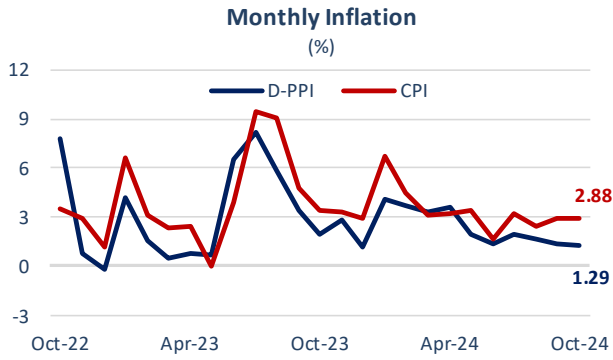


(CA) Calendar adjusted

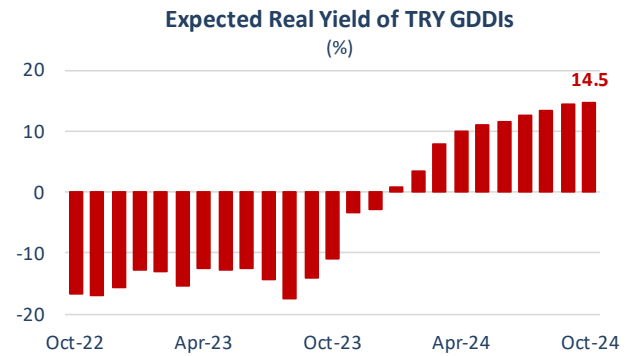
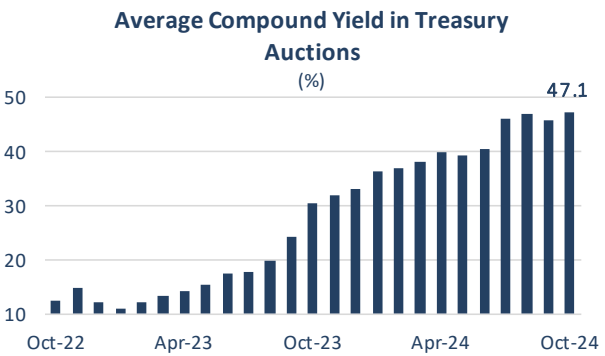
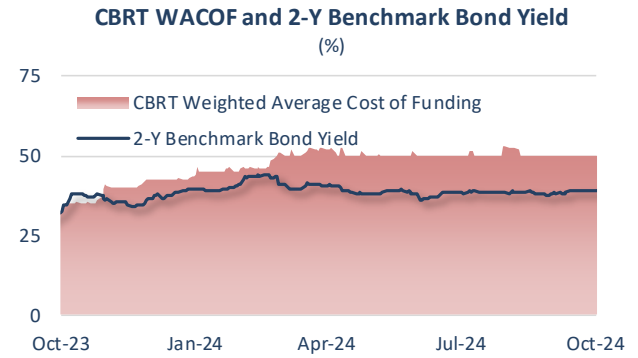
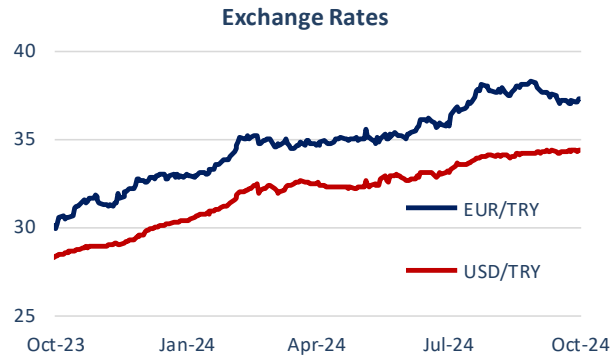
Source: Datastream, CBRT, Turkstat

Turkish Economy - Macroeconomic Indicators

Inflation



Foreign Exchange and Bond Market



(R) Realization

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

Turkish Economy - Macroeconomic Indicators

Growth	2019	2020	2021	2022	2023	23-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 (%)						Aug-24	Sep-24	Oct-24
CPI (annual)	11.84	14.60	36.08	64.27	64.77	51.97	49.38	48.58
Domestic PPI (annual)	7.36	25.15	79.89	97.72	44.22	35.75	33.09	32.24
Seasonally Adjusted Labor Market Figures						Jun-24	Jul-24	Aug-24
Unemployment Rate (%)	13.4	12.6	11.0	10.3	8.8	9.1	8.8	8.5
Labor Force Participation Rate (%)	52.6	49.1	52.6	53.7	53.6	54.2	54.4	54.3
FX Rates						Aug-24	Sep-24	Oct-24
CPI Based Real Effective Exchange Rate	76.0	61.9	47.6	54.9	55.5	62.36	62.86	64.82
USD/TRY	5.95	7.43	13.28	18.72	29.53	34.07	34.19	34.29
EUR/TRY	6.68	9.09	15.10	19.98	32.62	37.71	38.15	37.23
Currency Basket (0.5*EUR+0.5*USD)	6.32	8.26	14.19	19.35	31.08	35.89	36.17	35.76
Foreign Trade Balance ⁽¹⁾ (USD billion)						Jul-24	Aug-24	Sep-24
Exports	180.8	169.6	225.2	254.2	255.6	261.0	260.9	260.5
Imports	210.3	219.5	271.4	363.7	362.0	343.5	340.0	339.6
Foreign Trade Balance	-29.5	-49.9	-46.2	-109.5	-106.3	-82.5	-79.1	-79.1
Import Coverage Ratio (%)	86.0	77.3	83.0	69.9	70.6	76.0	76.7	76.7
Balance of Payments ⁽¹⁾ (USD billion)						Jun-24	Jul-24	Aug-24
Current Account Balance	15.0	-31.1	-6.4	-46.6	-40.5	-20.9	-15.1	-19.1
Capital and Financial Accounts	5.3	-39.2	-5.4	-22.9	-54.5	-33.3	-28.4	-28.2
Direct Investments (net)	-6.5	-4.4	-6.4	-8.7	-4.7	-4.4	-4.6	-4.6
Portfolio Investments (net)	2.8	9.6	-0.8	13.7	-8.1	-21.4	-24.0	-24.0
Other Investments (net)	2.7	-12.5	-21.5	-40.2	-39.6	-25.7	-20.6	-20.4
Reserve Assets (net)	6.3	-31.9	23.3	12.3	-2.0	18.2	20.8	20.8
Net Errors and Omissions	-9.7	-8.1	1.1	23.7	-13.7	-12.2	-13.1	-8.9
Current Account Balance/GDP (%)	2.0	-4.3	-0.8	-5.1	-4.0	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Jul-24	Aug-24	Sep-24
Expenditures	1,000.0	1,203.7	1,603.5	2,942.7	6,588.0	5,406.3	6,226.6	7,158.6
Interest Expenditures	99.9	134.0	180.9	310.9	674.6	667.0	764.0	912.7
Non-interest Expenditures	900.1	1,069.8	1,422.7	2,631.8	5,913.4	4,739.3	5,462.6	6,246.0
Revenues	875.3	1,028.4	1,402.0	2,800.1	5,207.6	4,562.3	5,253.0	6,084.6
Tax Revenues	673.9	833.3	1,165.0	2,353.4	4,501.1	3,825.1	4,401.8	5,134.1
Budget Balance	-124.7	-175.3	-201.5	-142.7	-1,380.4	-844.0	-973.6	-1,074.0
Primary Balance	-24.8	-41.3	-20.7	168.2	-705.8	-177.0	-209.5	-161.3
Budget Balance/GDP (%)	-2.9	-3.5	-2.8	-1.0	-5.2	-	-	-
Central Government Debt Stock (TRY billion)						Jul-24	Aug-24	Sep-24
Domestic Debt Stock	755.1	1,060.4	1,321.2	1,905.3	3,209.3	4,017.6	4,191.5	4,374.2
External Debt Stock	574.0	752.5	1,426.6	2,130.1	3,527.3	4,087.6	4,147.1	4,275.1
Total Debt Stock	1,329.1	1,812.8	2,747.8	4,035.4	6,736.6	8,105.2	8,338.5	8,649.3

(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	Aug.24	Sep.24	Change ⁽¹⁾
TOTAL ASSETS	4,491	6,106	9,215	14,347	23,550	29,690	30,519	29.6
Loans	2,656	3,576	4,901	7,581	11,677	14,639	15,014	28.6
TRY Loans	1,642	2,353	2,832	5,110	7,894	9,211	9,453	19.8
Share (%)	61.8	65.8	57.8	67.4	67.6	62.9	63.0	-
FX Loans	1,015	1,224	2,069	2,471	3,783	5,427	5,561	47.0
Share (%)	38.2	34.2	42.2	32.6	32.4	37.1	37.0	-
Non-performing Loans	150.8	152.6	160.1	163.4	191.9	253.5	263.7	37.4
Non-performing Loan Rate (%)	5.3	4.1	3.2	2.1	1.6	1.7	1.7	-
Securities	660	1,022	1,476	2,370	3,970	4,790	4,894	23.3
TOTAL LIABILITIES	4,491	6,106	9,215	14,344	23,550	29,690	30,519	29.6
Deposits	2,567	3,455	5,303	8,862	14,852	17,461	17,835	20.1
TRY Deposits	1,259	1,546	1,880	4,779	8,897	10,775	11,173	25.6
Share (%)	49.0	44.7	35.5	53.9	59.9	61.7	62.6	-
FX Deposits	1,308	1,909	3,423	4,083	5,955	6,686	6,662	11.9
Share (%)	51.0	55.3	64.5	46.1	40.1	38.3	37.4	-
Securities Issued	194	224	310	325	584	860	913	56.4
Payables to Banks	533	658	1,048	1,432	2,384	3,208	3,286	37.9
Funds from Repo Transactions	154	255	587	540	723	1,847	1,849	155.7
SHAREHOLDERS' EQUITY	492	600	714	1,407	2,153	2,547	2,644	22.8
Profit (Loss) of the Period	49.0	58.5	93.0	431.6	620.5	382.8	460.4	-25.8
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	49.3	49.2	-
Securities/Assets	14.7	16.7	16.0	16.5	16.9	16.1	16.0	-
Deposits/Liabilities	57.2	56.6	57.5	61.8	63.1	58.8	58.4	-
Loans/Deposits	103.5	103.5	92.4	85.5	78.6	83.8	84.2	-
Capital Adequacy (%)	18.4	18.7	18.4	19.5	19.1	17.0	18.2	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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