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Economic Research Division

Alper Gürler
Division Head
alper.gurler@isbank.com.tr

H. Erhan Gül
Unit Manager
erhan.gul@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Utkan İnam
Asst. Economist
utkan.inam@isbank.com.tr

Büşra Ceylan
Asst. Economist
busra.ceylan@isbank.com.tr

Global Economy

Republican candidate Donald Trump won the US presidential election. Republicans also won the majority in the Senate and in the House of Representatives.

At its November meeting, the Fed cut its policy rate by 25 basis points to 4.50%-4.75% in line with expectations.

The Bank of England cut its policy rate by 25 basis points to 4.75% in line with expectations.

In the Euro Area, manufacturing PMI fell to 45.2 in November, while services PMI fell below the threshold for the first time in nine months.

Japan grew by 0.2% qoq and 0.9% on an annualized basis in the third quarter.

In China, CPI fell faster than expectations by 0.3% mom in October, while it increased below the expectations and the previous month with 0.3% yoy.

While the USD appreciated after the presidential elections in the US, gold and silver prices fell sharply.

Oil prices, which followed a volatile course throughout the month, ended November with a 0.3% decline.

Turkish Economy

Turkish economy slipped into a mild technical recession contracting by 0.2% qoq in the third quarter of 2024. In the same period, annual GDP growth was realized as 2.1%.

Although ICI Türkiye manufacturing PMI rose to the highest level of the last 6 months with 48.3 in November, it remained below the threshold, indicating that the deterioration in operating conditions continued.

Current account posted a surplus of 3 billion USD in September. Thus, 12-month cumulative current account deficit narrowed to 9.7 billion USD, the lowest level since December 2021.

Central government budget posted a deficit of 186.3 billion TRY in October. In January-October period, the total budget deficit was realized as 1.3 trillion TRY and constited 58.7% of the MTP forecast for the whole year.

In November, CPI increased by 2.24% mom, above market expectations, while annual CPI inflation fell to 47.09% thanks to the high base effect. D-PPI inflation was realized as 0.66% mom and 29.47% yoy, respectively.

In the last Inflation Report of the year, CBRT raised its inflation forecasts from 38% to 44% for 2024 and from 14% to 21% for 2025.

In November, 12-month-ahead annual inflation expectations of market participants (27.2%), real sector (47.8%) and households (64.1%) continued to decline.

CBRT kept the policy rate at 50% at its November meeting.

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GDP Growth

Turkish economy grew by 2.1% yoy in the third quarter.

According to chain linked volume index, in the third quarter of 2024, the Turkish economy grew below market expectations by 2.1% yoy, recording the weakest performance since the second quarter of 2020. According to the Reuters poll, GDP was estimated to have grown by 2.6% in this period. Turkstat revised the growth data for the second quarter of 2024 from 2.5% to 2.4%. Thus, Turkish economy grew by 3.2% yoy in the first 9 months of the year.

According to seasonally and calendar adjusted data, the Turkish economy contracted by 0.2% in the third quarter, as it did in the second quarter of the year, and slipped into a technical recession for the first time since 2018.

As of the third quarter of 2024, the size of the Turkish economy on an annualized basis was recorded as 39.2 trillion TRY at current prices and 1.3 trillion in USD terms.

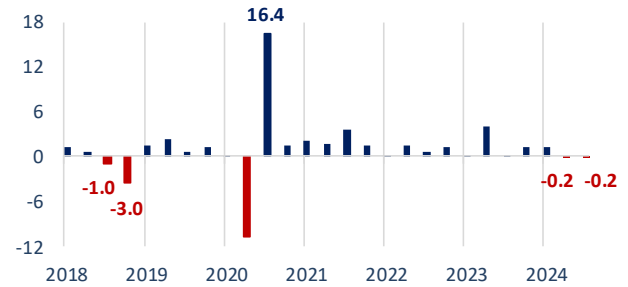
	Contributions to Growth (% points)				
	2023 Annual	2024			2024 9M
		Q1	Q2	Q3	
Consumption	9.8	5.7	1.1	2.1	2.9
Private	9.5	5.3	1.1	2.2	2.8
Public	0.3	0.4	0.0	-0.1	0.1
Investment	2.0	2.2	0.2	-0.2	0.7
Stock Change	-3.6	-4.5	-0.3	-2.0	-2.2
Net Exports	-3.1	1.9	1.5	2.2	1.9
Exports	-0.7	1.2	0.2	0.2	0.5
Imports	-2.4	0.7	1.3	2.0	1.4
GDP (yoy, %)	5.1	5.3	2.4	2.1	3.2

Note: Numbers may not add to total due to rounding.

Contribution of consumption expenditures to growth increased in the third quarter.

According to the chain linked volume index, in the third quarter the contribution of private consumption expenditures to growth increased to 2.2 points from 1.1 points in the second quarter. In the same period, the contribution of public expenditures to growth declined to -0.1 points, falling to negative zone for the first time since 2021. Investment expenditures, which made positive contributions to growth since the last quarter of 2022, pulled growth down by 0.2 points in the third quarter of this year due to the rapid contraction in machinery and equipment investments (8.6%). On the other hand, net exports gained momentum compared to the previous quarter and made a positive contribution to growth by 2.2 points. This development was driven by the rapid decline in imports despite the moderate increase in exports. On the other hand, the inventory change item, which has been dragging down growth since the third quarter of 2020, continued to restrain growth by 2 points in the third quarter of the year.

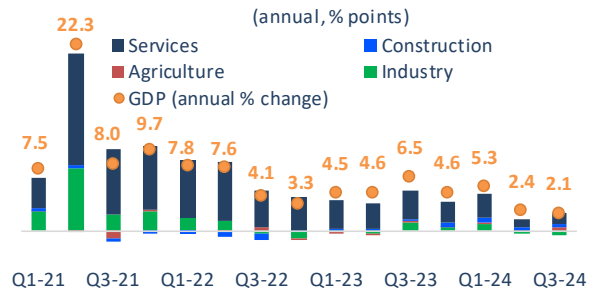
Seasonally and Calendar Adjusted GDP (quarterly % change)



Contraction in industrial sector and contribution of construction came to the fore.

According to GDP figures calculated by production method, services sector, which grew by 2.4% yoy in the third quarter of the year, made the highest contribution to annual growth by 1.3 points. Agriculture sector, which grew by 4.6% yoy in this period, made the highest contribution of the last 4 years to annual growth by 0.5 points. The construction sector, which maintained its positive outlook thanks to the ongoing reconstruction activities in the earthquake area, also expanded rapidly by 9.2% yoy in the third quarter, contributing 0.4 points to growth. In the third quarter of the year, industrial sector contracted by 2.2% yoy, showing the weakest performance in the last 7 quarters. In this period, the sector pulled growth down by 0.4 points.

Contributions to GDP Growth by Production Approach (annual, % points)



Expectations...

The effects of tight monetary policy on production became more evident in the third quarter of the year. Moreover, the rapid contraction in machinery and equipment investments caused gross fixed capital formation to pull annual growth down. On the other hand, well-performing construction sector due to the investments in the earthquake area and the favorable outlook in foreign trade were the factors that supported annual growth in the third quarter. Leading indicators suggest that the composition of growth is likely to remain unchanged in the last quarter of the year.

Source: CBRT, Datastream, ICI, TURKSTAT

Leading Indicators

ICI manufacturing PMI indicated that pressures in the sector eased.

Manufacturing PMI data released by the Istanbul Chamber of Industry (ICI) came in at 48.3 in November, presenting the most positive assessment of the last 6 months. Although remaining below the threshold value in this period, the index indicated that the slowdown in sector's activities lost pace. According to the sub-items of the index, the contraction in production was recorded at its lowest level since April, while employment increased again after 9 months. The slowest monthly increase in final product prices since December 2019 and the slowest monthly rise in input prices in the last two years allowed for optimistic assessments regarding the inflation outlook. Sectoral analysis showed that the contraction in business conditions continued in all sectors except food products in November, while the PMI increased in all sectors except textiles compared to October.

Unemployment rate remained unchanged in September.

According to seasonally adjusted figures, unemployment rate remained unchanged compared to the previous month and was realized as 8.6% in September. In this period, labor force and employment increased by 131K and 95K persons, respectively. Labor force participation and employment rates reached the highest levels of the last 4 months with 54.4% and 49.7%, respectively. In September, the labor underutilization rate, the broadest defined unemployment rate, confirmed the positive course in the labor market by declining to 25.6%, the lowest level since May.

Confidence indices for real sector presented a positive outlook in general.

According to the data released by CBRT, seasonally adjusted real sector confidence index rose to 103.4 in November, the highest level since April. In November, all sub-items except production volume and fixed capital investment expenditures for the next 3 months improved compared to the previous month, while the export orders sub-item reached its highest level since July 2023. In this period, capacity utilization rate in manufacturing industry rose to 75.6% according to seasonally adjusted figures. In November, confidence in retail and construction sectors increased by 0.9% and 1.7% mom, respectively. On the other hand, confidence in the services sector fell by 2.9% mom, recording the fastest decline since March 2022, and limited the positive outlook in sectoral assessments.

Annual increase in retail sales volume gained momentum in September.

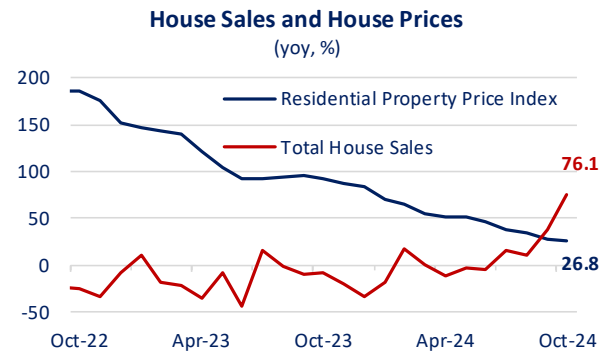
According to seasonally and calendar adjusted figures, trade sales volume increased by 3.2% in September, in line with the previous month. In this period, wholesale sales volume increased by 4.1% mom, displaying the highest rise in the last 6 months, while retail sales volume rose by 2.3%.

The increase in retail sales volume was led by computers, books and communication devices (6.6%) due to the beginning of the academic year. Automotive fuel was the only item that contracted on a monthly basis. Calendar-adjusted annual changes in sales volume indices showed that the expansion accelerated in both wholesale (13.0%) and retail (15.9%) sales.

House sales in October were at the highest level in the last 22 months.

In October, house sales increased by 76.1% yoy to 165,138 units, the highest level since December 2022. In this period, it was noteworthy that mortgaged sales almost quadrupled on an annual basis. On the other hand, in October, the share of foreigners in house sales fell to 1.3%, the lowest level since July 2020. In January-October period, total house sales increased by 11.9% yoy to 1 million 112 thousand units.

Analysis of price developments in the housing sector showed that the decline in real prices continued in October. In this period, house price index continued to increase below the headline CPI inflation by 2.1% mom and 26.8% yoy. Thus, as of October, house prices fell by 14.7% yoy in real terms. In October, the annual increase in house prices in Istanbul was 21.2%, below that in Ankara (32.5%) and in Izmir (28.7%). Despite the acceleration in house sales for the fourth month in a row, prices remain weak, suggesting that the supply of houses for sale may have increased.



Consumer confidence index declined for the first time in three months.

Consumer confidence index, which had been rising since July, declined by 1% to 79.8 in November according to seasonally adjusted figures. In this period, sub-indices presented a mixed outlook, with the probability of purchasing durable goods rising the fastest. On the other hand, it was noteworthy that the probability of buying or building a house in the next 12 months declined the fastest on a monthly basis by 11.4%. Moreover, the rapid deterioration in the assessment of the change in consumer prices over the next 12 months indicated that households' inflation expectations remained high. Thus, the economic confidence index, which includes real sector, sectoral and consumer assessments, dropped to 97.1 in November.

Source: CBRT, Datastream, ICI, TURKSTAT

Foreign Trade and Balance of Payments

In September, foreign trade deficit widened by 0.7% yoy.

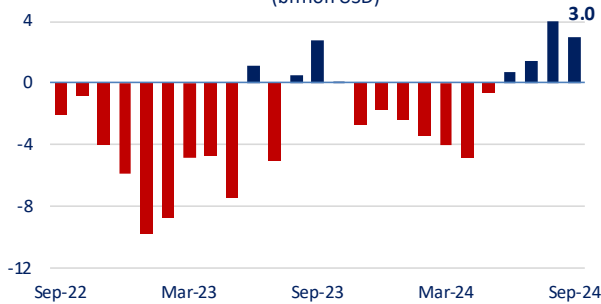
According to foreign trade statistics released by TURKSTAT, exports decreased by 1.9% yoy to 22 billion USD in September, while imports declined by 1.4% yoy to 27.1 billion USD. Thus, foreign trade deficit widened slightly by 0.7% yoy to 5.1 billion USD. In this period, import coverage ratio was realized as 81.1%.

Current account posted a surplus of around 3 billion USD in September.

In September, current account came in parallel to market expectations and posted a surplus for the fourth consecutive month. The positive outlook of services revenues, particularly travel revenues, supported the current account surplus to realize approximately 3 billion USD. Thus, current account deficit narrowed by 85.4% yoy to 5.3 billion USD in the first 3 quarters of the year, while the 12-month cumulative deficit narrowed to 9.7 billion USD, the lowest level since December 2021.

In September, net non-monetary gold imports fell by 25% yoy to 1 billion USD. In this period, net energy imports decreased by 5.2% yoy to 3.7 billion USD. Thus, current account surplus excluding gold and energy was realized as 7.7 billion USD in September and 50.3 billion USD according to 12-month cumulative figures.

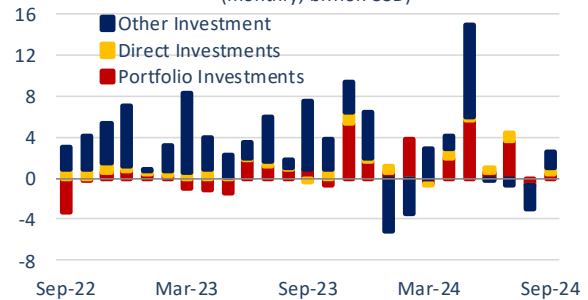
Monthly Current Account Balance
(billion USD)



Net capital inflows in foreign direct investments...

Foreign direct investments posted a net capital inflow of 649 million USD in September. The improvement in foreign direct investments compared to the previous month was mainly driven by the decline in residents' net capital investments abroad and the rapid increase in net incurrence of liabilities led by the net other capital item which is non-residents' loans to their domestic partners. Wholesale and retail trade sector (118 million USD) and manufacture of chemical products and basic pharmaceutical products (101 million USD) stood out in non-residents' direct capital investments in Türkiye. In September, non-residents' net real estate investments were realized at the lowest level of the last 3 months.

Net Capital Inflows
(monthly, billion USD)

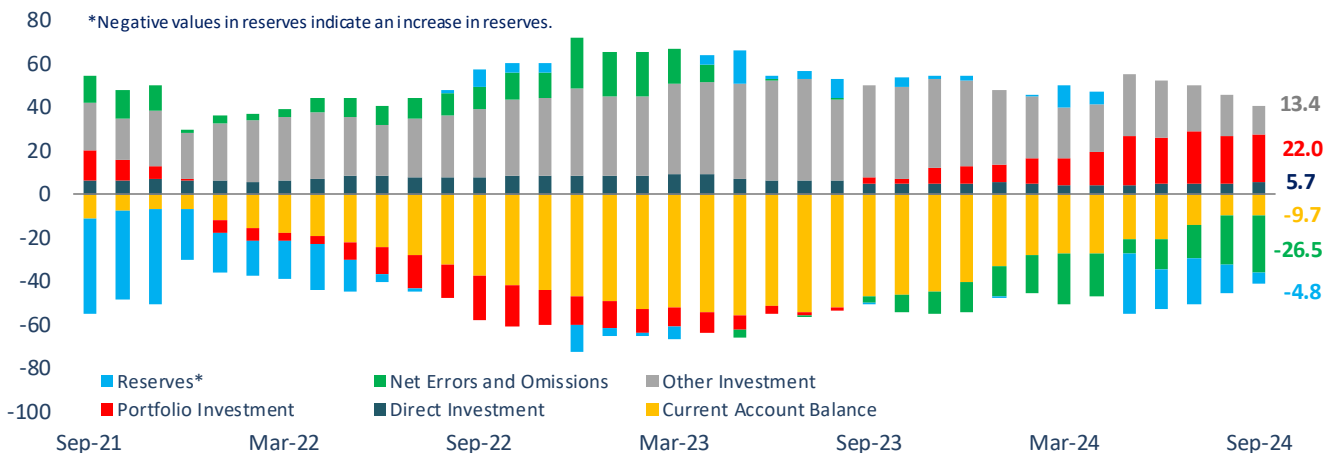


Portfolio investments presented a moderate outlook.

Portfolio investments posted a net capital inflow of 370 million USD in September, following the capital outflow of 693 million USD in August. In this period, the capital inflow of 3 billion USD in debt securities market was noteworthy. On the other hand, the equity market continued to diverge from the debt securities market in September, with net capital outflow. Therefore, in the January-September period, equity market recorded a net capital outflow of 2 billion USD, while GDDS market recorded a capital inflow of 13.7 billion USD.

Net Capital Flows

(12-month cumulative, billion USD)

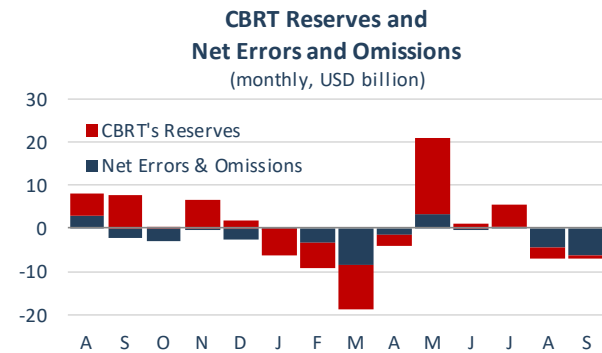


Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

1.5 billion USD net capital inflow in other investments...

Other investments, which posted capital outflows in June-August period, posted a net capital inflow of 1.5 billion USD in September. In this period, net capital inflow was supported by the 4.8 billion USD net incurrence of liabilities in loans. 3.3 billion USD of this liability was composed of loans utilized by banks and 1.3 billion USD by other sectors. According to 12-month cumulative figures, as of September, long-term debt rollover ratio was 140.6% in the banking sector and 111.8% in other sectors.



Reserves and net errors and omissions...

Having started to decline in August, reserve assets decreased by 719 million USD in September. Thus, reserve assets declined by 4.1 billion USD in the first nine months of the year. Net errors and omissions recorded a capital outflow of 6.2 billion USD in September and 20.7 billion USD in the first 9 months of the year.

Expectations...

According to preliminary data released by the Ministry of Trade, foreign trade deficit narrowed by 13% yoy in October, indicating that the favorable outlook in the current account balance continued. In the upcoming period, recovery in economic activity in our main export markets will be important for the continuation of the favorable course in the current account balance. In the longer term, the effects of protectionist trade policy, which is expected to escalate following the US presidential elections, will also be monitored. On the other hand, the policies of major central banks, especially the Fed, will be closely watched in terms of the course of investment appetite, which recovered slightly in September.

Balance of Payments	(USD million)				
	Sep. 2024	Jan. - Sep. 2023	Jan. - Sep. 2024	% Change	12-month Cumulative
Current Account Balance	2,988	-36,122	-5,271	-85.4	-9,652
Foreign Trade Balance	-3,113	-72,330	-41,470	-42.7	-55,484
Services Balance	7,390	44,558	47,718	7.1	59,863
Travel (net)	5,970	33,338	37,763	13.3	46,019
Primary Income	-1,230	-8,832	-11,521	30.4	-14,108
Secondary Income	-59	482	2	-99.6	77
Capital Account	-6	-167	-111	-33.5	-149
Financial Account	-3,257	-44,602	-26,105	-41.5	-36,273
Direct Investment (net)	-649	-2,772	-3,443	24.2	-5,659
Portfolio Investment (net)	-370	-1,738	-15,568	795.7	-21,969
Net Acquisition of Financial Assets	2,573	1,961	12,454	535.1	13,565
Net Incurrence of Liabilities	2,943	3,699	28,022	657.6	35,534
Equity Securities	-83	-165	-1,981	1,100.6	-429
Debt Securities	3,026	3,864	30,003	676.5	35,963
Other Investment (net)	-1,519	-29,134	-2,956	-89.9	-13,438
Currency and Deposits	260	-17,874	9,419	-	3,803
Net Acquisition of Financial Assets	351	4,805	9,332	94.2	8,696
Net Incurrence of Liabilities	91	22,679	-87	-	4,893
Central Bank	-37	13,488	-8,564	-	-8,540
Banks	128	9,191	8,477	-7.8	13,433
Foreign Banks	363	6,637	5,113	-23.0	8,668
Foreign Exchange	-182	3,992	1,612	-59.6	4,763
Turkish Lira	545	2,645	3,501	32.4	3,905
Non-residents	-235	2,554	3,364	31.7	4,765
Loans	-2,234	-5,521	-15,149	174.4	-20,908
Net Acquisition of Financial Assets	2,540	-1,276	2,968	-	2,584
Net Incurrence of Liabilities	4,774	4,245	18,117	326.8	23,492
Banking Sector	3,348	3,390	15,978	371.3	20,196
Non-bank Sectors	1,256	1,166	1,994	71.0	2,179
Trade Credit and Advances	467	-5,694	2,824	-	3,619
Other Assets and Liabilities	-12	-45	-50	11.1	48
Reserve Assets (net)	-719	-10,958	-4,138	-62.2	4,793
Net Errors and Omissions	-6,239	-8,313	-20,723	149.3	-26,472

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

Budget Balance

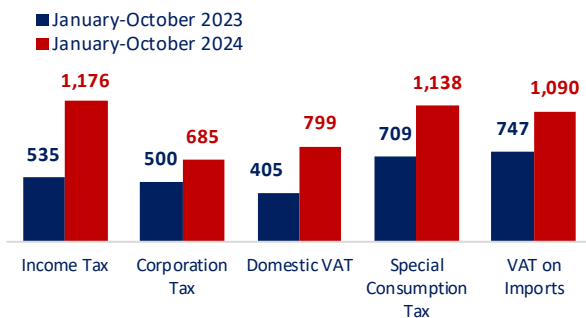
Central government budget posted a deficit of 186.3 billion TRY in October.

Central government budget deficit increased by 95.1% yoy in October and was realized as 186.3 billion TRY. In this period, budget revenues increased by 62.4% yoy to 769.2 billion TRY, while budget expenditures rose by 67.9% yoy to 955.5 billion TRY. In October, primary budget balance rose by 74.7% yoy and recorded a deficit of 50.1 billion TRY. Thus, in the first 10 months of the year, budget deficit expanded by 107.3% yoy to 1.3 trillion TRY, while primary deficit nearly tripled to 211.4 billion TRY.

Tax revenues increased by 57.2% yoy in October.

In October, tax revenues increased by 57.2% yoy to 643.6 billion TRY. Income taxes, which rose by 121.2% yoy to 159.7 billion TRY, were the main driver of this increase, while domestic value added tax and special consumption tax contributed 105.4 billion TRY and 139 billion TRY to the budget, respectively. It was noteworthy that the annual increases in SCT revenues from durable goods and motor vehicles remained below the annual CPI inflation in this period, at 15.4% and 28.3%, respectively. In addition, the weak course in VAT revenues on imports continued in this period.

Tax Revenues
(billion TRY)

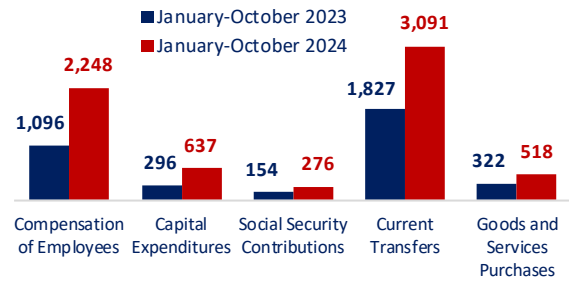


Interest expenditures rose by 103.9% yoy in October.

In October, interest expenditures increased by 103.9% yoy to 136.2 billion TRY. During this period, the rapid increase in immovable capital produce expenditures led to a 72.8% year-over-year increase in capital expenditures to 103.9 billion TRY.

Personnel expenditures, which increased by 78.2% yoy in October, accounted for 25.3% of budget expenditures. In October, the annual increase in current transfers reached 72.7%, surpassing the annual CPI inflation. This was mainly driven by the increases in social assistance expenditures and revenue allocations. On the other hand, the lending expenditures, which had declined on an annual basis last month, increased by 123.1% year-over-year in October, resulting in a total increase in budget expenditures of 22.3 billion TRY. In the same period, the 68.3% decline in capital transfers compared to the same month of the previous year limited the increase in budget expenditures by 3.5 point. During this period, the assignment item paid 18.7 billion TRY to Electricity Generation Corporation and 62.7 billion TRY to Social Security Institutions, while the lending item paid a total of 15.6 billion TRY to TCDD and Turkish Sugar Factories Inc.

Budget Expenditures
(billion TRY)



Expectations

Although the budget deficit continued to widen in October, budget indicators remained in line with the targets throughout the year. The cumulative budget deficit, which reached 1.3 trillion TRY in the January–October period, was only 58.7% of the 2,149 billion TRY target set for the whole year in the medium-term program. The fact that there is ample room in the budget for the rest of the year supports the view that the budget deficit will remain below the targeted level at the end of the year.

Central Government Budget

	October		%	January-October		%	(billion TRY)	
	2023	2024		Change	2023		2024	Change
Expenditures	569.2	955.5	67.9	4,521.8	8,114.1	79.4	11,213.1	72.4
Interest Expenditures	66.8	136.2	103.9	537.7	1,048.9	95.1	1,297.8	80.8
Non-Interest Expenditures	502.4	819.3	63.1	3,984.1	7,065.2	77.3	9,915.4	71.3
Revenues	473.8	769.2	62.4	3,913.7	6,853.8	75.1	9,064.7	75.6
Tax Revenues	409.4	643.6	57.2	3,391.5	5,777.7	70.4	7,605.5	76.0
Other Revenues	64.3	125.6	95.3	522.3	1,076.2	106.1	1,459.2	73.8
Budget Balance	-95.5	-186.3	95.1	-608.1	-1,260.3	107.3	-2,148.5	58.7
Primary Balance	-28.7	-50.1	74.7	-70.4	-211.4	200.3	-850.7	24.8

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

CPI increased by 2.24% mom in November.

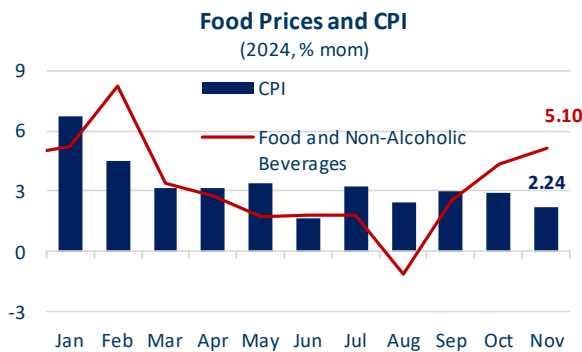
In November, CPI recorded its mildest increase in the last 5 months with 2.24% mom, but was realized above the market expectations. According to Reuters survey, consumer prices were expected to rise by 1.91% mom. Due to the high base effect, annual CPI inflation continued its downward trend for the sixth month and fell to 47.09%, the lowest level since June 2023. In November, D-PPI also posted the slowest monthly increase of the last 18 months with 0.66%, while annual D-PPI inflation fell to 29.47%.

October (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	3.28	2.24	2.81	0.66
Year-to-Date	60.09	42.91	42.59	28.01
Annual	61.98	47.09	42.25	29.47
Annual Average	53.40	60.45	53.15	42.60

Prices in the food and non-alcoholic beverages group rose by 5.10% mom.

In November, prices increased in all expenditure groups except clothing and footwear (-0.25%) and alcoholic beverages and tobacco (-0.04%). In this period, prices in the food and non-alcoholic beverages group rose by 5.10% due to the rapid increase in prices of fresh fruits and vegetables (18.08%). Thus, the mentioned expenditure group increased the monthly CPI the most (by 1.23 points). Housing and household goods, where prices rose above the headline CPI inflation with 2.40% and 2.81% in November, respectively, also pushed the monthly CPI inflation up by 0.61 points in total. Due to the relatively flat fuel prices, price increases in transportation group (0.29%) and education group (0.01%) were realized below the headline CPI inflation.

On the other hand, annual CPI inflation continued to be driven by the rapid increases of 92.49% and 74.45% in education and housing groups, respectively. In the same period, price increases in transportation (26.24%) and clothing and footwear (31.45%) groups remained relatively limited.



Monthly services inflation is at its lowest level since October 2021...

Following October, price increases in seasonal products deteriorated the inflation outlook in November as well. In this period, CPI index excluding seasonal products rose by 1.59% mom, remaining below the headline consumer inflation. In November, core inflation indicators were also below headline inflation. The monthly increases in the B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco products and gold) and the C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) were 1.54% and 1.53%, respectively. Thus, monthly price developments in both indices presented the most positive outlook since September 2021.

In November, both goods inflation (2.54%) and services inflation (1.61%) decreased. In this period, monthly services inflation fell to its lowest level since October 2021. Although the increase in rents maintained its high course with 4.18% in November, it was realized at the lowest level of the last 21 months. Communication services price increases gained some momentum in this period, pushing services inflation upwards. However, prices in the remaining services subcategories posted moderate increases.

Food products also stood out in D-PPI inflation.

In November, food products continued to be the group that pushed monthly D-PPI inflation up the most with 0.33 points. Basic pharmaceutical products group, which displayed the fastest monthly price rise with 13.71%, also increased monthly D-PPI inflation by 0.15 points. In this period, prices decreased in coke and refined petroleum products (-0.01%) and electricity, gas production and distribution (-0.32%).

Expectations...

After October, headline CPI inflation was realized above expectations in November as well due to seasonal price increases. On the other hand, the slowdown in core inflation indicators supported the positive expectations for the disinflation process. Based on the announced data, we expect inflation to be slightly higher than CBRT's 44% expectation for the whole of 2024.

Source: Datastream, Turkstat

Financial Markets

	31-Oct	29-Nov	Change
5-Y CDS (basis points)	266	254	-13 bp ▼
TR 2-Y Benchmark Yield	%42.95	%40.80	-215 bp ▼
BIST-100	8,864	9,652	%8.9 ▲
USD/TRY	34.2540	34.6913	%1.3 ▲
EUR/TRY	37.2799	36.5648	-%1.9 ▼
Currency Basket*	35.7670	35.6281	-%0.4 ▼

(*) (0,5 USD/TRY + 0,5 EUR/TRY)

US election results shaped the course of the markets.

The US election, which resulted with the victory of the Republicans and Donald Trump, was the main factor shaping the pace of the markets in November. While the political uncertainty has reduced, the expectation that the new administration would support the real sector led to an increasing interest in US assets throughout the month. In this context, the DXY index tested the highest value of the last 2 years with 107.6 in November and recorded a rise of 1.7% mom. EUR/USD parity declined by 2.8% and ended November at 1.0575. In November, the MSCI World stock market index went up by 4.5% on the back of the rise in the US stock markets. On the other hand, stock market indices in other advanced and emerging economies declined as capital flows shifted towards the US and expectations that trade protectionism may increase in the coming period. With the elections behind us, the decline in interest in safe havens caused ounce gold price to fall by 3.3% in November.

BIST-100 index diverged positively from other emerging markets in November due to reaction buying as well as the perception that CBRT's interest rate cuts were imminent and ended the month at 9,652, up 8.9% mom. In this period, banking index rose by 17.1%. Türkiye's 5-year CDS premium declined to 254 basis points at the end of November. Turkish lira depreciated against the US dollar and appreciated against the euro in line with global developments.

CBRT kept its policy rate unchanged in November.

CBRT kept the policy rate unchanged at 50% at its meeting held on November 21. In the decision text of the meeting, CBRT stated that the underlying trend of inflation decreased in October and indicators for the last quarter implied a slowdown in domestic demand. In the text, CBRT reiterated that goods inflation remained low, while signals for an improvement in services inflation became more evident compared to the previous meeting texts. In addition, CBRT stated that inflation expectations and pricing behavior continued to pose risks to the disinflation process, yet improved, and that the coordination of fiscal policy would contribute to the process. The addition of the statement that the policy rate will be set at a level that will ensure the tightness indicated by inflation realizations and expectations supported the expectations in the markets that the CBRT may start interest rate cuts at the December meeting.

CBRT revised its inflation forecasts upwards.

In the last Inflation Report of the year, CBRT raised its inflation forecasts for 2024, 2025 and 2026. Accordingly, inflation forecasts were revised upwards from 38% to 44% for 2024, from 14% to 21% for 2025 and from 9% to 12% for 2026. CBRT revised its forecasts for food prices upwards and oil prices downwards for 2024 and 2025. Accordingly, the main drivers of the revision in inflation forecasts for these periods were food prices, as well as the underlying trend and inertia of inflation.

On the other hand, in its Financial Stability Report published on November 29, CBRT stated that the tight monetary policy stance continued to be supported by macroprudential policies and credit growth was in line with the disinflation path. Stating that the monetary transmission mechanism has strengthened, CBRT added that the interest and confidence in Turkish lira assets have increased along with the disinflation process. The report also stated that indebtedness ratios in the public and corporate sectors have decreased by 14 and 30 percentage points since the end of 2021, respectively, while household indebtedness remains low compared to other emerging economies.

12-month-ahead inflation expectations continued to decline.

According to CBRT data, annual inflation expectations of economic agents for the next 12 months continued to decline in November. In this context, inflation expectations decreased from 27.4% to 27.2% among market participants, from 49.5% to 47.8% in the real sector and from 67.2% to 64.1% among households. On the other hand, the percentage of households expecting consumer prices to remain the same, fall or increase at a lower rate in the next 12 months decreased to 26.3%, the lowest level since March.

Non-residents' portfolio and reserves...

According to price and exchange rate adjusted data, as of November 22, non-residents' equity portfolio decreased by net 187 million USD compared to the end of October, while GDDS portfolio increased by net 2.5 billion USD. Thus, since the beginning of the year, equity market recorded a net outflow of 2.9 billion USD, while GDDS market recorded a net capital inflow of 22.2 billion USD. CBRT's gross and net reserves were 156.6 billion USD and 60.9 billion USD, respectively, as of November 22.

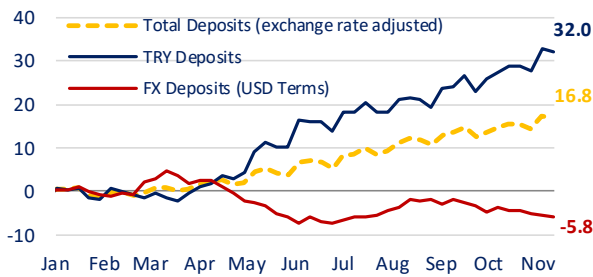
Banking Sector

The share of TRY deposits in total deposits reached 64.2%.

According to the weekly data released by BRSA, as of November 22, TL deposits increased by 2.6% compared to the end of October and by 32% since the end of 2023, reaching 11.7 trillion TRY. As of the same date, FX deposit volume in USD terms decreased by 1.4% compared to the end of October and by 5.8% ytd to 191.3 billion USD. Thus, in the week of November 22, total deposits in the sector increased by 23.1% ytd to 18.3 trillion TRY. The share of TRY deposits including FX-protected deposits (FXPD) in total deposits continued to rise and reached 64.2%.

As of November 22, the volume of FXPD decreased by 11.0% compared to the end of October and by 53.4% ytd to 1.2 trillion TRY. Thus, the share of FXPD in TL deposits declined from 12% at the end of October to 10.4% as of November 22.

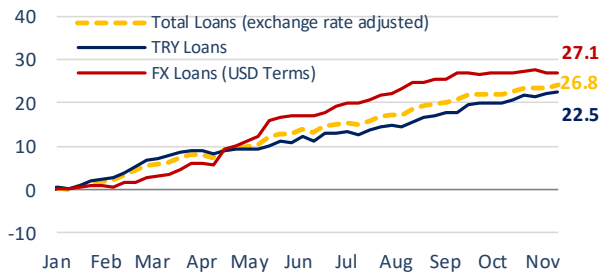
Deposit Growth
(compared to end-2023, %)



Total loan volume reached 15.2 trillion TRY.

As of November 22, TL loan volume increased by 1.4% compared to the end of October and 22.5% ytd to 9.6 trillion TRY. As of the same date, FX loans in USD terms increased by 0.2% compared to October-end and 27.1% ytd to 163.6 billion USD. Thus, the sector's total loan volume rose by 31% ytd to 15.2 trillion TRY in the week of November 22.

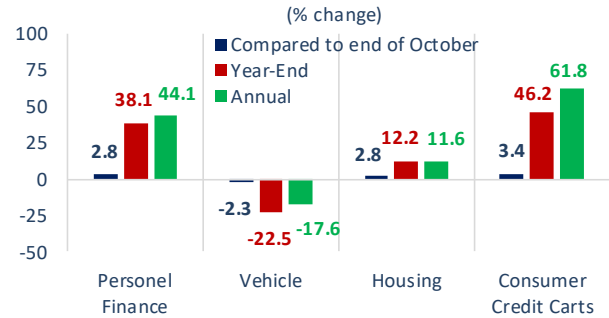
Loan Growth
(compared to end-2023, %)



Consumer credit cards' expenditures accelerated in November.

As of November 22, compared to end-October, housing loans increased by 2.8% to 492.1 billion TRY and general-purpose loans expanded by 2.8% to 1.4 trillion TRY. The rise in personal credit card volume gained momentum in November. The said balance rose by 3.4% compared to end-October and reached 1.7 trillion TRY as of November 22. In the same period, contraction in vehicle loans continued with 2.3%.

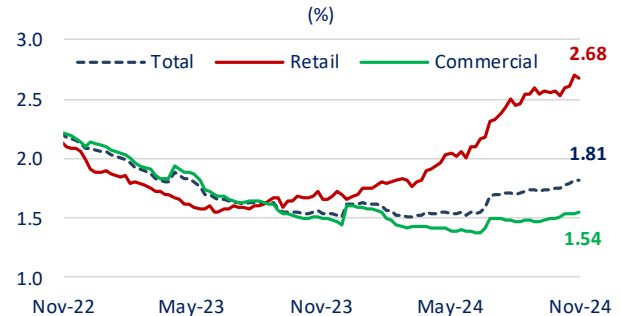
Consumer Loans as of end-November



Non-performing loans ratio is 1.81%.

Non-performing loans ratio, which was 1.75% at the end of October, rose to 1.81% in the week ended on November 22. As of this date, the NPL ratio was 2.68% for retail loans and 1.54% for commercial loans.

Non-performing Loans



Foreign currency net general position...

As of November 22, on-balance sheet FX position of banking sector was (-)19.413 million USD while off-balance sheet FX position was (+)21.409 million USD. Thus, foreign currency net position was realized as (+)1.996 million USD.

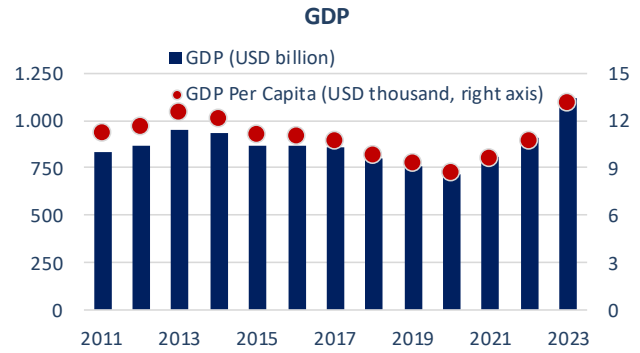
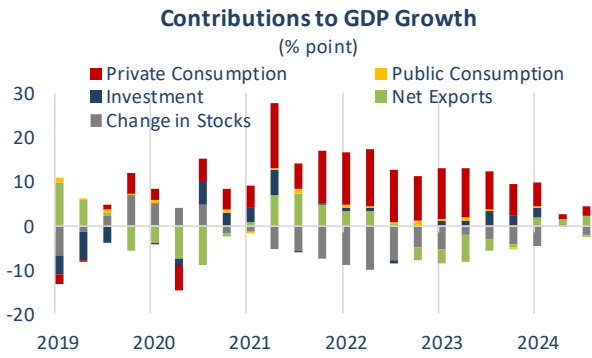
Concluding Remarks

The US presidential elections held in early November resulted in Trump's victory, which removed the uncertainty in global markets stemming from the elections, but raised new question marks for the period ahead. Regarding the possible new tariffs that were on the agenda during the campaign of the President-elect, the possibilities that the already flatten inflation might regain momentum and Fed could slow down the pace of monetary easing came to the agenda. Euro depreciated rapidly against the US dollar after the US elections, and weak economic activity conditions in the Euro Area that spread across all sectors keep the pressure on the ECB to continue interest rate cuts. In China, weak domestic demand conditions persist, while manufacturing PMI data for November point to a moderate recovery in economic activity. In the upcoming period, the actions to be taken by other countries in the face of possible protectionist policies of the US and the effects of all these on global trade will be closely monitored. Another Trump policy to extract more oil, is expected to cause a decline in energy prices.

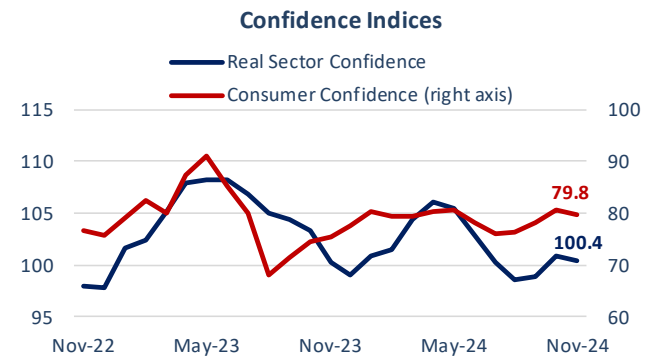
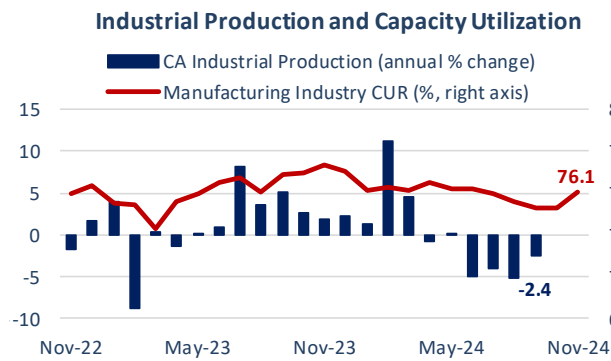
In Türkiye, growth data for the third quarter of the year showed that the effects of the tight monetary policy stance started to become more evident. In this period, total consumption expenditures contracted quarter-on-quarter, while industrial production continued to decline. Leading indicators for the last quarter of the year suggest that the slowdown in the economy continues. In November, manufacturing PMI data showed that the contraction in the sector's operating conditions eased somewhat, but remained below the 50 threshold value, indicating that the weakness in the sector prevailed. The current data set showing that the manufacturing industry remains fragile, as well as the limited improvement in the underlying trend of inflation and the CBRT's statements in the text of the last meeting suggest that interest rate cuts may start in the upcoming meetings and continue gradually in 2025.

Turkish Economy - Macroeconomic Indicators

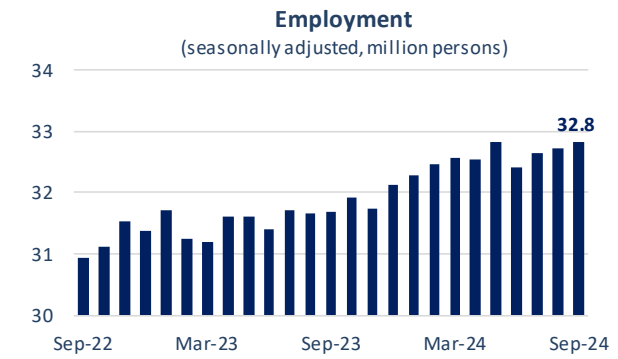
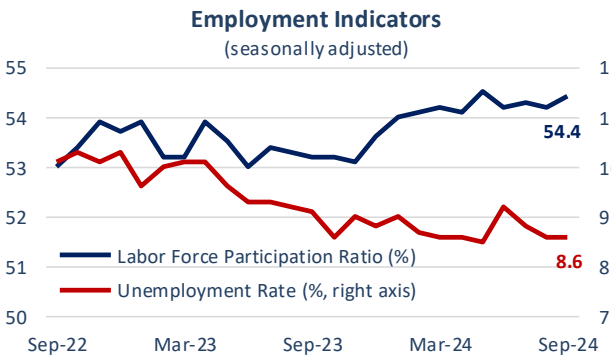
Growth



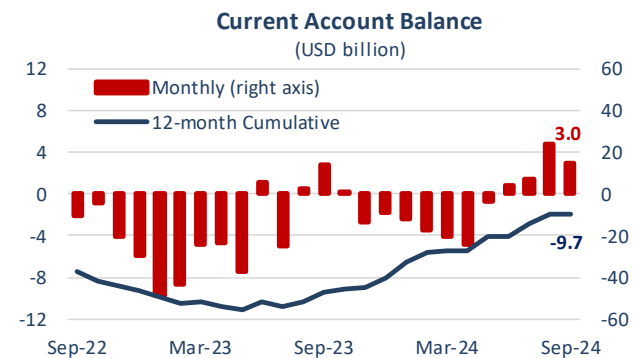
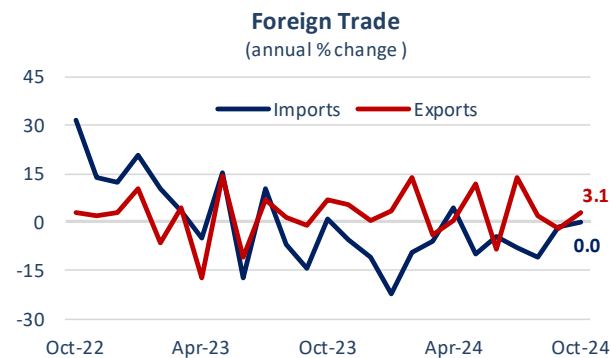
Leading Indicators



Labor Market



Foreign Trade and Current Account Balance

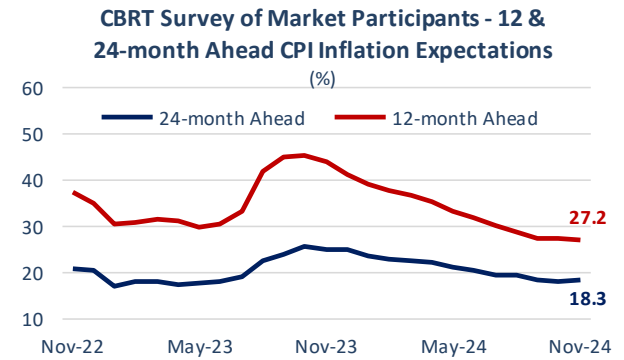
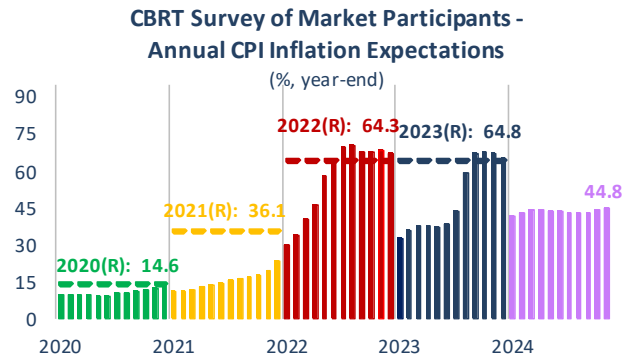
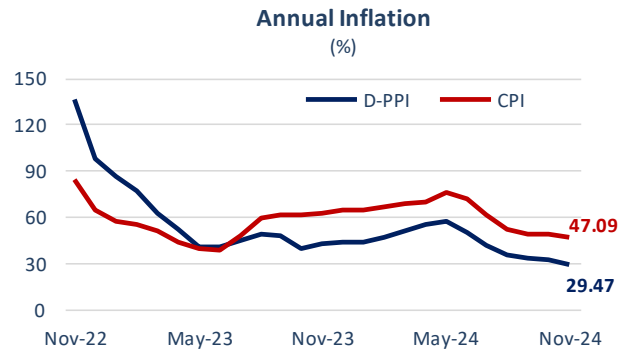
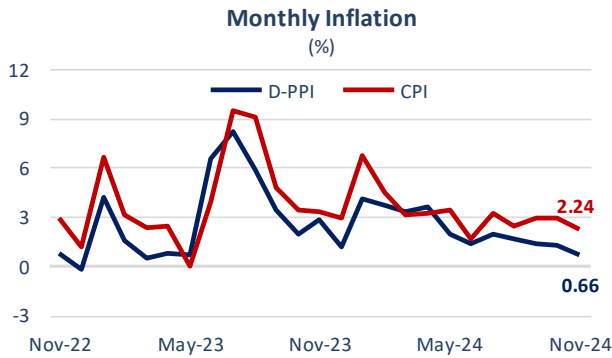


(CA) Calendar adjusted

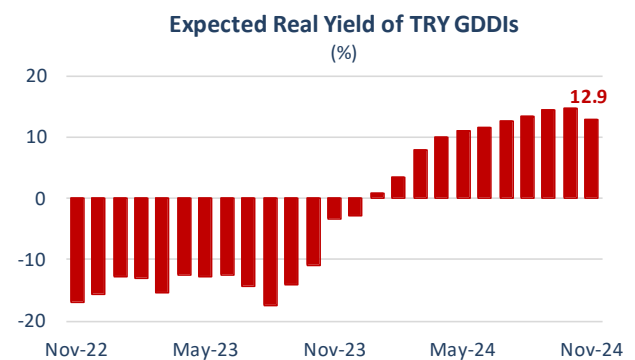
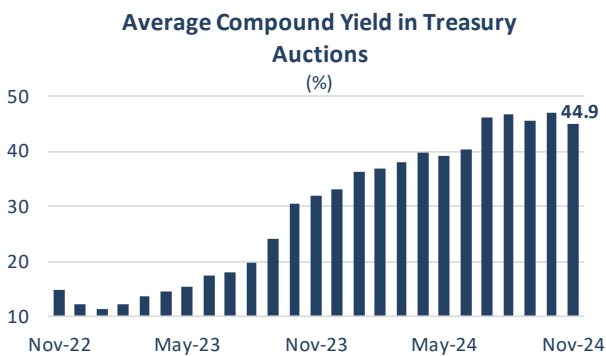
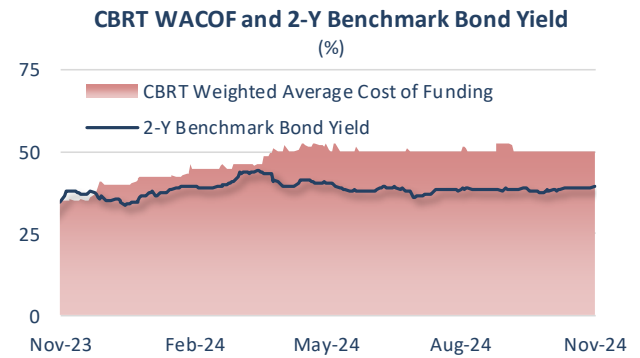
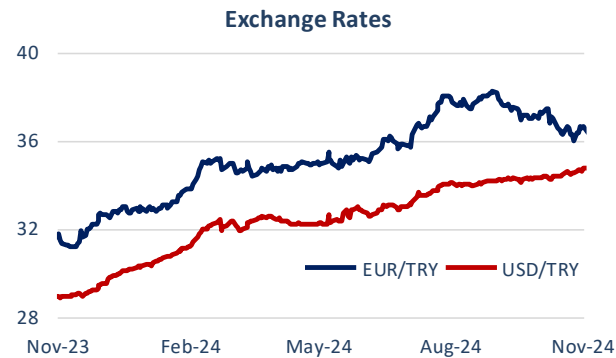
Source: Datastream, CBRT, Turkstat

Turkish Economy - Macroeconomic Indicators

Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

Growth	2019	2020	2021	2022	2023	24-Q1	24-Q2	24-Q3
GDP (USD billion)	760	717	808	906	1.130	287	307	358
GDP (TRY billion)	4.318	5.049	7.256	15.012	26.546	8.858	9.926	11.893
GDP Growth Rate (%)	0,8	1,9	11,4	5,5	5,1	5.3	2.4	2.1
Inflation (%)						Sep-24	Oct-24	Nov-24
CPI (annual)	11,84	14,60	36,08	64,27	64,77	49,38	48,58	47,09
Domestic PPI (annual)	7,36	25,15	79,89	97,72	44,22	33,09	32,24	29,47
Seasonally Adjusted Labor Market Figures						Jul-24	Aug-24	Sep-24
Unemployment Rate (%)	13,4	12,6	11,0	10,3	8,8	8,8	8,6	8,6
Labor Force Participation Rate (%)	52,6	49,1	52,6	53,7	53,6	54,3	54,2	54,4
FX Rates						Oct-24	Nov-24	Dec-24
CPI Based Real Effective Exchange Rate	76,0	61,9	47,6	54,9	55,5	64,84	67,03	
USD/TRY	5,95	7,43	13,28	18,72	29,53	34,29	34,70	34,74
EUR/TRY	6,68	9,09	15,10	19,98	32,62	37,23	36,65	36,54
Currency Basket (0.5*EUR+0.5*USD)	6,32	8,26	14,19	19,35	31,08	35,76	35,67	35,64
Foreign Trade Balance ⁽¹⁾ (USD billion)						Aug-24	Sep-24	Oct-24
Exports	180,8	169,6	225,2	254,2	255,6	261,9	261,5	262,2
Imports	210,3	219,5	271,4	363,7	362,0	340,5	340,1	340,1
Foreign Trade Balance	-29,5	-49,9	-46,2	-109,5	-106,3	-78,6	-78,6	-77,9
Import Coverage Ratio (%)	86,0	77,3	83,0	69,9	70,6	76,9	76,9	77,1
Balance of Payments ⁽¹⁾ (USD billion)						Jul-24	Aug-24	Sep-24
Current Account Balance	15,0	-31,1	-6,4	-46,6	-40,5	-14,2	-9,8	-9,7
Capital and Financial Accounts	5,3	-39,2	-5,4	-22,9	-54,8	-29,6	-32,6	-36,3
Direct Investments (net)	-6,5	-4,4	-6,4	-8,7	-5,0	-4,9	-4,7	-5,7
Portfolio Investments (net)	2,8	9,6	-0,8	13,7	-8,1	-24,0	-22,4	-22,0
Other Investments (net)	2,7	-12,5	-21,5	-40,2	-39,6	-21,6	-18,6	-13,4
Reserve Assets (net)	6,3	-31,9	23,3	12,3	-2,0	20,8	13,2	4,8
Net Errors and Omissions	-9,7	-8,1	1,1	23,7	-14,1	-15,2	-22,6	-26,5
Current Account Balance/GDP (%)	2,0	-4,3	-0,8	-5,1	-3,6	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Aug-24	Sep-24	Oct-24
Expenditures	1.000,0	1.203,7	1.603,5	2.942,7	6.588,0	6.226,6	7.158,6	8.114,1
Interest Expenditures	99,9	134,0	180,9	310,9	674,6	764,0	912,7	1.048,9
Non-interest Expenditures	900,1	1.069,8	1.422,7	2.631,8	5.913,4	5.462,6	6.246,0	7.065,2
Revenues	875,3	1.028,4	1.402,0	2.800,1	5.207,6	5.253,0	6.084,6	6.853,8
Tax Revenues	673,9	833,3	1.165,0	2.353,4	4.501,1	4.401,8	5.134,1	5.777,7
Budget Balance	-124,7	-175,3	-201,5	-142,7	-1.380,4	-973,6	-1.074,0	-1.260,3
Primary Balance	-24,8	-41,3	-20,7	168,2	-705,8	-209,5	-161,3	-211,4
Budget Balance/GDP (%)	-2,9	-3,5	-2,8	-1,0	-5,2	-	-	-
Central Government Debt Stock (TRY billion)						Aug-24	Sep-24	Oct-24
Domestic Debt Stock	755,1	1.060,4	1.321,2	1.905,3	3.209,3	4.191,5	4.374,2	4.594,4
External Debt Stock	574,0	752,5	1.426,6	2.130,1	3.527,3	4.147,9	4.279,0	4.201,2
Total Debt Stock	1.329,1	1.812,8	2.747,8	4.035,4	6.736,6	8.339,4	8.653,3	8.795,7

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

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

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA'S MONTHLY BULLETIN FIGURES

(TRY billion)	2019	2020	2021	2022	2023	Sep.24	Oct.24	Change ⁽¹⁾
TOTAL ASSETS	4.491	6.106	9.215	14.347	23.550	30.519	30.885	31,1
Loans	2.656	3.576	4.901	7.581	11.677	15.014	15.143	29,7
TRY Loans	1.642	2.353	2.832	5.110	7.894	9.453	9.570	21,2
Share (%)	61,8	65,8	57,8	67,4	67,6	63,0	63,2	-
FX Loans	1.015	1.224	2.069	2.471	3.783	5.561	5.574	47,3
Share (%)	38,2	34,2	42,2	32,6	32,4	37,0	36,8	-
Non-performing Loans	150,8	152,6	160,1	163,4	191,9	263,7	275,1	43,3
Non-performing Loan Rate (%)	5,3	4,1	3,2	2,1	1,6	1,7	1,8	-
Securities	660	1.022	1.476	2.370	3.970	4.894	5.009	26,2
TOTAL LIABILITIES	4.491	6.106	9.215	14.344	23.550	30.519	30.885	31,1
Deposits	2.567	3.455	5.303	8.862	14.852	17.835	18.106	21,9
TRY Deposits	1.259	1.546	1.880	4.779	8.897	11.173	11.501	29,3
Share (%)	49,0	44,7	35,5	53,9	59,9	62,6	63,5	-
FX Deposits	1.308	1.909	3.423	4.083	5.955	6.662	6.605	10,9
Share (%)	51,0	55,3	64,5	46,1	40,1	37,4	36,5	-
Securities Issued	194	224	310	325	584	913	962	64,7
Payables to Banks	533	658	1.048	1.432	2.384	3.286	3.329	39,7
Funds from Repo Transactions	154	255	587	540	723	1.849	1.903	163,2
SHAREHOLDERS' EQUITY	492	600	714	1.407	2.153	2.644	2.660	23,6
Profit (Loss) of the Period	49,0	58,5	93,0	431,6	620,5	460,4	515,6	-16,9
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	49,2	49,0	-
Securities/Assets	14,7	16,7	16,0	16,5	16,9	16,0	16,2	-
Deposits/Liabilities	57,2	56,6	57,5	61,8	63,1	58,4	58,6	-
Loans/Deposits	103,5	103,5	92,4	85,5	78,6	84,2	83,6	-
Capital Adequacy (%)	18,4	18,7	18,4	19,5	19,1	18,2	18,1	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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