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Global Economy

The Fed cut policy rate by 25 basis points in December in line with expectations, and projections indicated that Fed members foresee two rate cuts in 2025.

In the US, headline CPI gained momentum on monthly and annual basis in November, but core PCE price index increased below expectations.

In the Euro Area, political developments were high on the agenda and ECB cut benchmark interest rates by 25 basis points in line with expectations. ECB President Lagarde stated that they are very close to bring inflation sustainably to 2% in the medium term.

In December, PBoC, BoJ and BoE left policy rates unchanged.

Although the data released in China gave positive signals regarding the real sector, the weak course in consumption continued.

Global risk appetite remained under pressure after the Fed meeting, and commodity prices declined amid strengthening US dollar.

Turkish Economy

According to seasonally adjusted figures, in October, the unemployment rate and the labor underutilization rate rose to 8.8% and 27.6% respectively.

In October, decreasing by 3.1% yoy, industrial production continued to contract for the fifth month in a row. In the same period, annual increase in retail sales volume lost momentum compared to the previous month and was realized as 15%.

ICI Türkiye manufacturing PMI came in at 49.1 in December, the highest level of the last 8 months, indicating that the slowdown in sectoral activities has eased.

Current account posted a surplus of 1.9 billion USD in October. Thus, 12-month cumulative current account deficit narrowed to 7.7 billion USD.

Central government budget posted a deficit of 16.6 billion TRY in November. Thus, in January-November period, the cumulative budget deficit was realized as 1.3 trillion TRY and constituted 59.4% of the Medium term Program forecast for the whole year.

In December, CPI increased by 1.03% mom, below market expectations, and annual CPI inflation fell to 44.38%. Domestic PPI inflation was realized as 0.40% mom and 28.52% yoy.

The net minimum wage for 2025 was set at 22,104 TL with a 30% increase.

CBRT cut the policy rate by 250 bps to 47.5% and narrowed the interest rate corridor from -/+300 bps to -/+ 150 bps.

In 2025, the number of Monetary Policy Committee meetings was reduced to 8 from 12.

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Leading Indicators

Manufacturing Industrial production decreased by 3.1% yoy in October.

According to calendar adjusted figures, industrial production index decreased by 3.1% yoy in October, continuing the contraction trend for the fifth month in a row. In this period, production in manufacturing industry and mining & quarrying sectors decreased by 3.3% yoy and 14.2% yoy, respectively. On the other hand, the 7.6% annual increase in the production of electricity, gas, steam and air conditioning sector limited the decline in the main index. While 14 out of 24 sectors operating under the manufacturing industry posted annual losses, the sharpest decline was in the manufacture of coke and refined petroleum products sector with 21.1%. On the other hand, the 11% increase in the production of apparel industry was noteworthy. Seasonally and calendar adjusted industrial production decreased by 0.9% mom in October. On the other hand, services production index recorded a limited monthly increase of 0.2%, while it declined by 2% yoy in the same period.

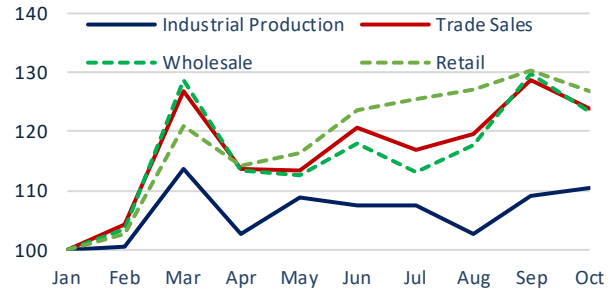
Unemployment rate was 8.8% in October.

According to seasonally adjusted figures, unemployment rate increased by 0.1 point mom to 8.8% in October. This was mainly driven by the increase in the number of employed people by 156K persons, despite the 219K person rise in the labor force. Labor force participation and employment rates rose to 54.7% and 49.9%, respectively. In October, labor underutilization rate, which is considered as the broadest defined unemployment rate, went up by 1.9 points to 27.6% and indicated that the weak course of production was reflected in the employment market.

Manufacturing PMI rose to 49.1 in December.

Türkiye manufacturing PMI data released by Istanbul Chamber of Industry (ICI) came in at 49.1 in December, the highest level of the last eight months, indicating that the slowdown in the sector lost pace. According to the sub-items of the index, the decline in production was the mildest in the last nine months due to the easing contraction in export orders as well as domestic demand. The ongoing weak demand conditions, albeit at milder levels, pushed firms to reduce employment and purchasing activities. On the other hand, input cost inflation remained below the average of 2024, allowing some firms to cut prices in December. Accordingly, the increase in final product prices was realized at the lowest level in more than five years. On sectoral basis, food sector's PMI remained above the threshold for the third month in a row. It was noteworthy that the chemicals, plastics and rubber products sector, which had been in the contraction zone since March, shifted to the expansion zone in the last month of the year. While the remaining eight sectors remained below the threshold, the sector with the weakest operating conditions was the base metal sector, whose PMI decreased by 4.7 points to 42.8.

Industrial Production and Sales Volume (01.2024=100)



Retail sales volume growth lost momentum in October.

According to seasonally and calendar adjusted figures, trade sales volume contracted by 1.9% mom in October. In this period, wholesale trade volume decreased by 3.4% mom, while retail sales volume recorded the slowest increase in the last five months with 0.2%. In October, sales of food, beverages & tobacco products and automotive fuel increased by 0.9% and 0.7%, respectively, while the decline in sales of pharmaceutical, medical and cosmetic products (2.1%) limited the increase in retail sales volume. Calendar adjusted annual changes revealed that both wholesale (3.8%) and retail (15.0%) sales growth decelerated compared to September. Thus, the annual rise in trade sales volume slowed down to 7.2% in October.

Rise of house prices accelerated in November.

In November, house sales increased by 63.6% yoy to 153K units. In this period, although the rapid annual rise of 315.7% in mortgaged house sales was noteworthy, the share of these sales in total house sales remained limited at 14.2%. In January-November period, house sales increased by 16.4% yoy to 1.3 million units. In November, house prices gained some momentum in line with the positive course of house sales. In this period, prices rose by 2.8% mom, above the CPI inflation. Thus, the annual nominal increase in house prices reached 29.4% and the annual real decline in prices decreased to 12%.

Confidence indices...

After rising for three consecutive months, seasonally adjusted real sector confidence index decreased by 0.7 points mom to 102.7 in December. In this period, confidence indices in services, retail trade and construction sectors rose by 2.4%, 1.2% and 1.9%, respectively, indicating a general improvement in sectoral confidence indices. In December, consumer confidence index increased by 1.9% mom to 81.3, the highest level in the last 18 months. While all sub-items of the index improved except for the assessment of household's financial situation in the current period, the increases in expectations for spending on durable goods in the coming 12-month period and the general economic situation were noteworthy. Thus, economic confidence index increased by 1.7 points to 98.8 in December.

Source: CBRT, Datastream, ICI, TURKSTAT

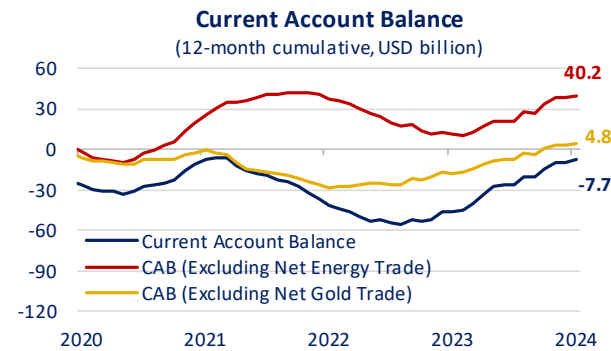
Foreign Trade and Balance of Payments

Foreign trade deficit became 5.9 billion USD in October.

According to foreign trade statistics released by Turkstat, exports increased by 3.1% yoy to 23.5 billion USD in October while imports remained unchanged at 29.4 billion USD. In this period, foreign trade deficit narrowed by 10.5% yoy to 5.9 billion USD. In October, exports coverage ratio increased by 2.4 points compared to the same month of last year and became 79.9%.

Current account continued to post surplus in October.

In October, current account posted a surplus of 1.9 billion USD, above market expectations. According to the Reuters poll, current account surplus was expected to be 1.3 billion USD in this period. The decline in foreign trade deficit on an annual basis as well as the ongoing favorable course in passenger transportation and tourism revenues was behind the better-than expected current account surplus. Thus, current account deficit narrowed by 90.9% yoy to 3.3 billion USD in January-October period while the 12-month cumulative deficit decreased to 7.7 billion USD.

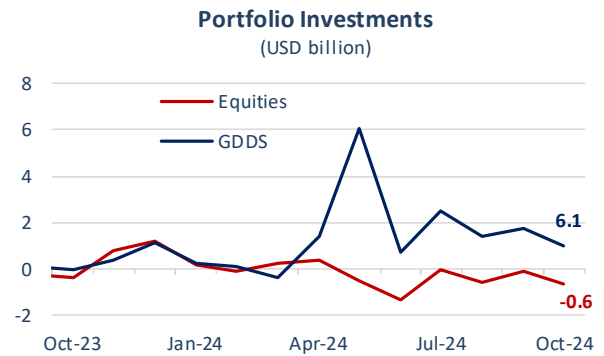


In October, net non-monetary gold imports became 1.6 billion USD, the highest level of the last 14 months. In the same period, net energy imports remained flat on a monthly and on an annual basis and became 3.7 billion USD. Thus, the current account surplus excluding gold and energy, which was 7.2

billion USD in October, was realized as 52.7 billion USD according to 12-month cumulative figures.

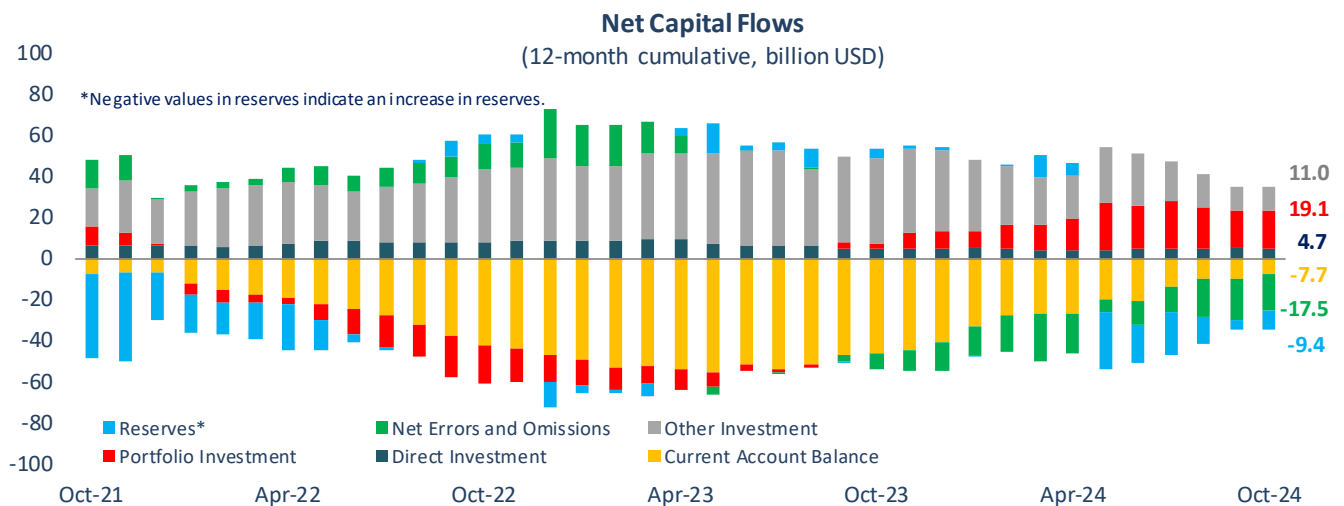
Net capital outflow in foreign direct investments...

In October, foreign direct investments recorded a net capital outflow of 204 million USD. In line with the acceleration in residents' direct investments abroad, net acquisitions reached 974 billion USD, the highest level since December 2021. In October, net incurrence of liabilities declined to 770 million USD due to the slowdown in foreign direct capital inflows.



Foreigners' purchases of debt securities supported portfolio investments.

Following the capital outflows in August and September, portfolio investments recorded a net capital inflow of 587 million USD in October. In this period, non-residents' purchases in the debt securities market that reached 6.1 billion USD, were the main factor supporting the relatively favorable outlook in portfolio investments. The details of capital flows in debt securities reveals that borrowing by the general government were the determining factor in capital inflows. Non-residents' net sales in the equity market, which have been continuing uninterrupted since May, continued with 642 million USD in October. Moreover, in line with the rapid rise in residents' portfolio investments abroad, the net acquisitions reached a historic high of 4.9 billion USD.



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

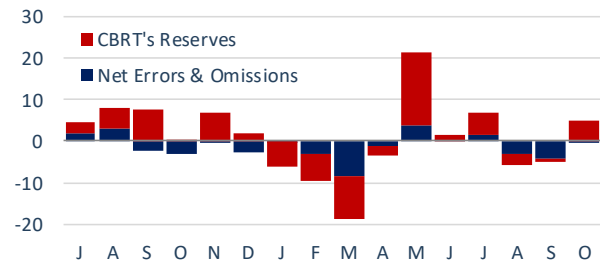
Positive outlook in other investments...

In October, net capital inflow in other investments was realized as 2.8 billion USD, the highest level since May. In this period, the decrease in domestic banks' deposits in foreign correspondent banks and the rise in non-resident banks' deposits in Türkiye contributed a total of 744 million USD to the net capital inflow in other investments item. On the other hand, the net capital inflow of 4.3 billion USD in loans, led by the increased short-term borrowings of domestic banks, was the main factor behind the favorable outlook in other investments. As of October, according to 12-month cumulative data, the long-term debt rollover ratio was 138.7% in the banking sector and 113.4% in other sectors.

Reserves and net errors and omissions...

In October, reserve assets increased by 4.9 billion USD. Thus, reserve assets rose by 723 million USD in the first 10 months of the year. Capital outflows in net errors and omissions continued with 184 million USD in October. Thus, the total outflow in this item became 14.7 billion USD in January-October period.

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



Expectations...

The favorable current account outlook continued in October in line with the contraction in foreign trade deficit and the strong course of tourism revenues. On the other hand, according to preliminary data released by Ministry of Trade, following November the foreign trade deficit widened rapidly in December as well. Thus, we foresee that the improvement in current account balance outlook had slowed down in the last months of 2024 as the tourism season ended.

Balance of Payments	(USD million)				
	Oct. 2024	Jan. - Oct. 2023	Jan. - Oct. 2024	% Change	12-month Cumulative
Current Account Balance	1,880	-36,052	-3,295	-90.9	-7,685
Foreign Trade Balance	-3,542	-77,265	-44,777	-42.0	-53,792
Services Balance	6,450	50,632	53,995	6.6	60,066
Travel (net)	5,116	37,814	42,879	13.4	46,659
Primary Income	-1,048	-9,848	-12,572	27.7	-14,146
Secondary Income	20	429	59	-86.2	187
Capital Account	-7	-182	-118	-35.2	-140
Financial Account	1,689	-47,450	-18,145	-61.8	-25,353
Direct Investment (net)	204	-3,617	-3,258	-9.9	-4,672
Portfolio Investment (net)	-587	-1,082	-12,018	1,010.7	-19,075
Net Acquisition of Financial Assets	4,863	2,565	21,474	737.2	21,981
Net Incurrence of Liabilities	5,450	3,647	33,492	818.3	41,056
Equity Securities	-642	-553	-2,623	374.3	-683
Debt Securities	6,092	4,200	36,115	759.9	41,739
Other Investment (net)	-2,789	-32,040	-3,592	-88.8	-11,013
Currency and Deposits	-744	-21,046	8,669	-	6,223
Net Acquisition of Financial Assets	-109	3,759	9,278	146.8	9,686
Net Incurrence of Liabilities	635	24,805	609	-97.5	3,463
Central Bank	-733	13,508	-9,297	-	-9,293
Banks	1,368	11,297	9,906	-12.3	12,756
Foreign Banks	1,108	7,924	6,221	-21.5	8,489
Foreign Exchange	-295	5,081	1,317	-74.1	3,379
Turkish Lira	1,403	2,843	4,904	72.5	5,110
Non-residents	260	3,373	3,685	9.2	4,267
Loans	-4,343	-5,819	-19,413	233.6	-24,716
Net Acquisition of Financial Assets	-109	-1,442	2,859	-	2,641
Net Incurrence of Liabilities	4,234	4,377	22,272	408.8	27,357
Banking Sector	3,877	3,859	19,855	414.5	23,573
Non-bank Sectors	312	773	2,227	188.1	2,678
Trade Credit and Advances	2,307	-5,123	7,211	-	7,434
Other Assets and Liabilities	-9	-52	-59	13.5	46
Reserve Assets (net)	4,861	-10,711	723	-	9,407
Net Errors and Omissions	-184	-11,216	-14,732	31.3	-17,528

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

Budget Balance

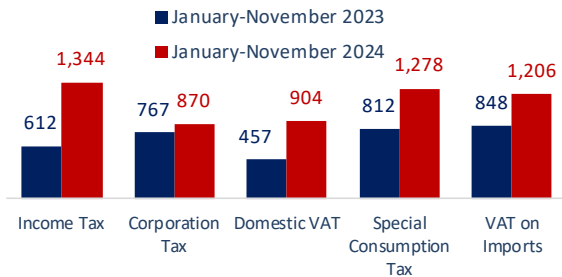
Central government budget posted a deficit of 16.6 billion TRY in November.

In November, central government budget posted the lowest deficit of the last 6 months with 16.6 billion TRY. Treasury cash deficit for this period was realized as 62.2 billion TRY. In November, budget expenditures increased by 42.5% yoy to 956.1 billion TRY, while budget revenues displayed a more moderate rise by 25.8% yoy and became 939.5 billion TRY. In this period, primary budget balance posted a surplus of 129.7 billion TRY. Thus, in the first 11 months of the year, the budget deficit reached 1.3 trillion TRY, approximately 2.4 times higher than its level in the same period of the previous year.

In November, tax revenues increased by 22.6% yoy.

In November, tax revenues increased by 22.6% yoy to 819.4 billion TRY. In this period, the 30.5% annual decline in corporate tax revenues was the main factor limiting tax revenues. In November, the rise in special consumption tax (SCT) revenues was limited to 37%. On the other hand, revenues from income tax (117.9%), domestic value-added tax (101.5%) and banking and insurance transaction tax (133.3%) increased above the annual CPI inflation in November. In the same period, rising by 53.3% yoy, revenues from interest, shares and fines supported the budget revenues as well.

Tax Revenues
(TRY billion)



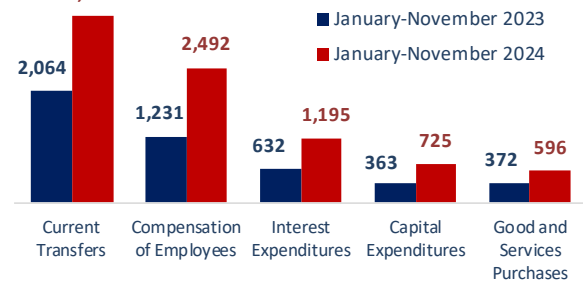
Personnel expenses increased by 81.8% yoy.

In November, compensation of employees recorded the highest annual rise by 81.8% yoy, while social security contributions followed this expenditure group with an increase of 74.5%. In the same period, current transfers, which

went up by 44.6% yoy in line with the shares from revenues (91.9 billion TRY) and Treasury aids (85.8 billion TRY) as well as the payments made to special security agencies (60.7 billion TRY) and public enterprises (45.7 billion TRY) under duty losses expenditures, had the highest share in budget expenditures with 35.9%. In November, interest expenditures increased by 54.6% yoy to 146.3 billion TRY due to the rise in interest expenditures on TL Treasury Bonds. In this period, capital expenditures increased by 32.5% yoy and became 88.3 billion TRY. In November, the only item that decreased on an annual basis was capital transfers, which declined by 82.1% yoy to 10 billion TRY.

Budget Expenditures

(TRY billion)



Expectations...

In November, budget revenues increased well below the annual CPI inflation due to the decline in corporate tax and property revenues. In this period, budget expenditures displayed a higher rise compared to revenues by 42.5%. Nevertheless, the cumulative budget deficit, which was realized as 1.3 trillion TRY in the January-November period, constituted 59.4% of the target set for the whole year in the Medium Term Program. The realization in the first 11 months of the year indicates that the budget deficit will be below the targeted level of 2.1 trillion TRY at the end of 2024.

Central Government Budget

(billion TRY)

	November		%	January-November		%	MTP Target	Real./ MTP Target (%)
	2023	2024		2023	2024			
Expenditures	671.2	956.1	42.5	5,193.0	9,070.2	74.7	11,213.1	80.9
Interest Expenditures	94.6	146.3	54.6	632.3	1,195.2	89.0	1,297.8	92.1
Non-Interest Expenditures	576.6	809.8	40.5	4,560.7	7,875.0	72.7	9,915.4	79.4
Revenues	746.8	939.5	25.8	4,660.5	7,793.3	67.2	9,064.7	86.0
Tax Revenues	668.5	819.4	22.6	4,060.0	6,597.1	62.5	7,605.5	86.7
Other Revenues	78.3	120.0	53.2	600.6	1,196.2	99.2	1,459.2	82.0
Budget Balance	75.6	-16.6	-	-532.4	-1,276.9	139.8	-2,148.5	59.4
Primary Balance	170.2	129.7	-23.8	99.8	-81.7	-	-850.7	9.6

Source: Datastream , Ministry of Treasury and Finance

Inflation

Consumer prices rose below expectations in December.

In December, CPI increased by 1.03% mom, below market expectations. According to the Reuters survey, consumer prices were expected to rise by 1.61% in this period. Thus, annual CPI inflation continued its downward trend for the seventh month in a row and fell to 44.38%, the lowest level since June 2023. In December, domestic PPI increased by 0.40% mom, while annual D-PPI inflation came in at 28.52%, the lowest level since February 2021.

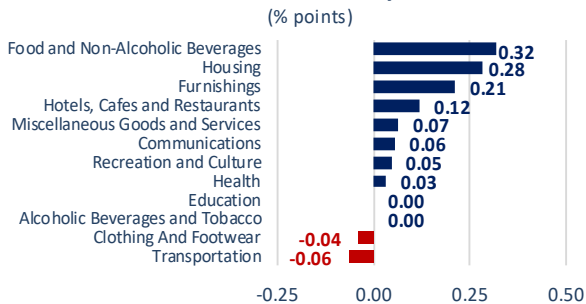
December (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	2.93	1.03	1.14	0.40
Annual	64.77	44.38	44.22	28.52
Annual Average	53.86	58.51	49.93	41.10

Furnishing and household equipment prices displayed the fastest rise in December.

Prices decreased in alcoholic beverages & tobacco (-0.02%), clothing & footwear (-0.67%) and transportation (-0.42%) groups in December. On a monthly basis, the highest price increase was recorded in the furnishing and household equipment group with 2.78%. This group was followed by communication group (1.82%) and housing group (1.71%). Food and non-alcoholic beverages group, where prices rose by 1.29% mom, continued to increase CPI the most by 0.32 points due to its weight in the expenditure basket. On the other hand, price increases in health (0.88%) and education (0.07%) were relatively moderate.

In 2024, education group displayed the fastest year-on-year price increase with 91.64%. Price increases in housing (69.03%); hotels, cafes and restaurants (57.13%) and health (47.63%) were above the headline inflation as well. In 2024, price increases in transportation (25.88%) and clothing and footwear (32.32%) were relatively limited. Analyzed by contributions, food & non-alcoholic beverages and housing groups pushed annual inflation up by 10.89 and 9.80 points, respectively.

Contributions to the Monthly CPI Inflation



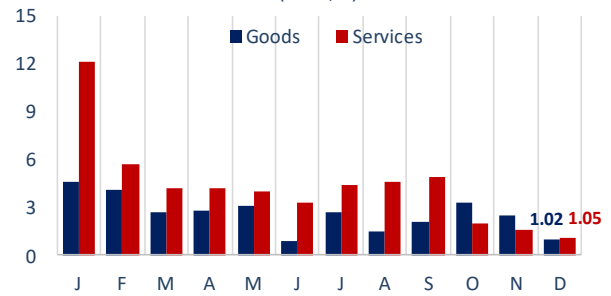
Seasonal products limited inflation in December.

In December, the monthly price increase excluding seasonal products was realized as 1.32%, above the headline inflation, indicating that seasonal products limited the monthly CPI inflation. In this period, monthly increases in 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) were realized as 1.17% and 1.06%, respectively, presenting the most positive outlook since August 2021. Moreover, B and C indices recorded the most moderate annual increases since the beginning of 2022 with 43.94% and 45.34%, respectively.

In December, services inflation continued to lose momentum. Among the services, where prices increased by 1.05% mom, rental prices recorded the most moderate rise since February 2023 with 2.89%, while transportation services' prices decreased by 3.02%. Annual inflation in goods and services was realized as 36.14% and 65.73%, respectively.

Monthly CPI (2024, %)



Food products stood out in D-PPI inflation.

After November, food products continued to be the group that increased monthly D-PPI inflation the most with a contribution of 0.27 points in December. In this period, beverages group, which displayed the fastest monthly price increase with 4.71%, pushed the monthly D-PPI inflation up by 0.05 points. On the other hand, prices in electricity, gas production and distribution group decreased by 5.84% mom and limited monthly D-PPI inflation down by 0.49 pp.

In 2024, prices in the beverages group recorded the fastest increase with 61.18%. Food products, where prices rose by 37.96% in this period, was the sub-item that increased the annual D-PPI inflation the most with 6.93 points. On the other hand, prices in coke and refined petroleum products and electricity, gas production and distribution groups recorded relatively moderate annual increases of 5.77% and 11.21%, respectively.

Expectations...

In December, CPI inflation recorded a relatively moderate increase, while the slowdown in core inflation indicators continued to support positive expectations for the disinflation process. With the start of the new year, we expect CPI inflation to rise faster on a monthly basis in January compared to the remaining months of the year due to the increases in minimum wages and salaries as well as the revisions in administered prices.

Source: Datastream, Turkstat

Financial Markets

	29-Nov	31-Dec	Change
5-Y CDS (basis points)	254	261	8 bp ▲
TR 2-Y Benchmark Yield	40.80%	40.56%	-24 bp ▼
BIST-100	9.652	9.831	1.8% ▲
USD/TL	34.6913	35.335	1.9% ▲
EUR/TL	36.5648	36.5878	0.1% ▲
Currency Basket*	35.62805	35.9614	0.9% ▲

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

BIST-100 index ended the year at 9,831.

BIST-100 index that rose in line with global stock market indices in the first week of December, remained under pressure in the following weeks due to the decline in global risk appetite. The index rose by 1.8% on a monthly basis and by 31.6% in 2024, ending the year at 9,831. Türkiye's 5-year CDS premium rose to 261 basis points at the end of December from 254 basis points at the end of November. In parallel to the strengthening of the US dollar in global markets, USD/TRY increased by 1.9% in December, while EUR/TRY decreased by 0.1% and presented a flat outlook.

BIST-100 & Emerging Countries Market Index



The net minimum wage became 22,104 TL.

The Minimum Wage Determination Commission announced the net minimum wage for 2025 as 22,104 TL with a 30% increase, after four meetings between December 10 and December 24. Employer support was increased from 700 TL to 1,000 TL as well. Thus, the gross minimum wage became 26,005.50 TL and the cost of a minimum wage employee to the employer became 30,621.48 TL.

CBRT cut the policy rate by 250 basis points.

At its last meeting of the year on December 26, CBRT cut the policy rate by 250 basis points to 47.5% in line with the expectations that strengthened following the minimum wage announcement. CBRT narrowed the interest rate corridor from -/+300 bps to -/+ 150 bps. In the decision text published after the meeting, CBRT emphasized that the decline in services inflation became more evident and unprocessed food inflation, which was high in the previous 2 months, appeared moderate in December. In the text, CBRT reiterated that inflation expectations and pricing behavior continue to pose risks to the

disinflation process. The bank added that the tight monetary policy stance will be maintained until the underlying trend of monthly inflation displays a significant and lasting decline and inflation expectations converge to the projected forecast range. The Committee also stated that it would take its decisions in a cautious and meeting-based approach with a focus on the inflation outlook.

CBRT published the Monetary Policy for 2025 text on December 25. In the statement, it was announced that 8 meetings will be held this year instead of 12 and that the aim is to end the practice of FX-protected deposits. The meeting calendar does not include meetings in February, May, August and November.

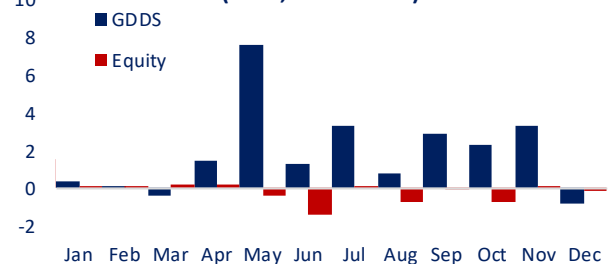
Sectoral inflation expectations declined in December.

According to the data released by CBRT, inflation expectations declined across sectors in December. Accordingly, 12-month-ahead annual inflation expectations decreased by 0.1 point to 27.1% for market participants, by 0.2 point to 47.6% for the real sector and by 1 point to 63.1% for households. On the other hand, the rate of households expecting a fall in inflation in the next 12 months remained unchanged compared to the previous month at 26.3%.

Non-residents' portfolio and reserves...

According to price and exchange rate adjusted data, as of December 27, non-residents' equity portfolio decreased by net 109 million USD and government securities portfolio decreased by net 853 million USD compared to the end of November. Thus, since the beginning of the year, equity market recorded a net outflow of 2.7 billion USD, while government securities market recorded a net capital inflow of 22.2 billion USD. As of December 27, CBRT's total gross reserves increased by 14 billion USD compared to end-2023 and reached 155.1 billion USD. Net international reserves rose by 28.7 billion USD to 63.6 billion USD in the same period.

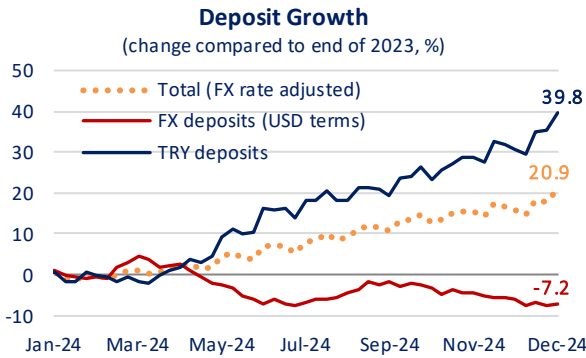
Non-residents' Securities Portfolio (2024, billion USD)



Banking Sector

The share of TRY deposits in total deposits reached 65.4%.

According to the weekly data released by BRSA, as of December 27, TRY deposits in the banking sector expanded by 6.9% mom and 39.8% ytd to 12.4 trillion TRY, and reached 12.4 trillion TRY. As of the same date, FX deposit volume in USD terms decreased by 1.1% mom and 7.2% ytd to 188.5 billion USD. Thus, total deposit volume in the sector increased by 4.6% mom and 28% ytd to 19 trillion TRY. The share of TRY deposits, including FX-protected deposits (FXPD), in total deposits rose to 65.4% from 59.8% at the end-2023.



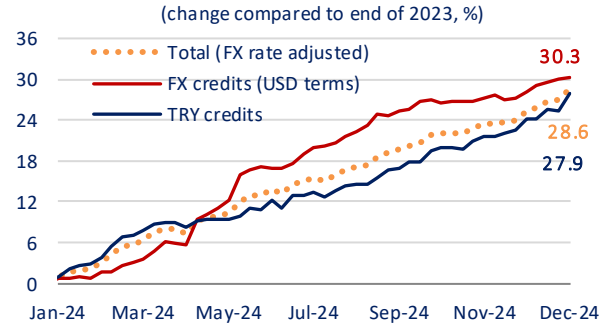
The decline in the volume of FX-protected deposit (FXPD) continued in the last week of the year. As of December 27th, the share of the FXPD in TRY deposits decreased by 5.7% compared to end-November to 1.1 trillion TRY (32.4 billion USD), while its share in TRY deposits declined to 9.1%. In its 2025 Monetary Policy Statement, CBRT stated that it aims to terminate the FXPD practice and made a series of arrangements regarding FXPD accounts in December.

Total loan volume increased by 36.7% in 2024.

As of December 27, TRY loan volume increased by 3% compared to end-November and by 27.9% compared to end-2023, reaching 10 trillion TRY. FX loans in USD terms, which increased by 1.7% mom, rose by 30.3% ytd and reached 167.7 billion USD. Thus, the sector's total loan volume expanded by 36.7% yoy to 15.9 trillion TRY.

In its press release dated 04.01.2025, the CBRT announced that it amended the reserve requirement based on loan growth in order to ensure that loan growth and composition remain in line with the disinflation path. Accordingly, the monthly growth limit for FX commercial loans was lowered from 1.5% to 1%. The monthly growth limit of 2% for TRY commercial loans was set as 2.5% for SME loans and 1.5% for other commercial loans.

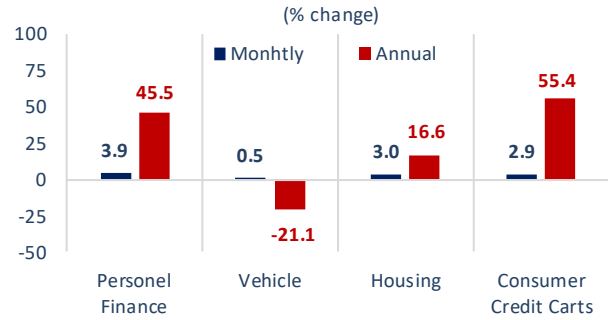
Credit Growth



The expansion in housing loans continued in December.

As of December 27, vehicle loans remained relatively flat compared to end-November, while housing and personal finance loans increased by 3% and 3.9%, respectively. Thus, as of the same date, vehicle loans contracted by 21.1% compared to end-2023, while housing and personal finance loans expanded by 16.6% and 45.5%, respectively. As of December 27, the balance of consumer credit card expenditures, which increased by 2.9% mom, rose by 55.4% compared to the year-end.

Consumer Loans as of End-October



Non-performing loans ratio was 1.78% at the end of 2024.

As of December 27, non-performing loans ratio rose to 2.83% in retail loans and decreased to 1.44% in commercial loans. Thus, the banking sector's non-performing loans ratio declined to 1.78% as of December 27 from 1.83% at the end of November. The ratio was 1.62% at the end of 2023.

Foreign currency net general position...

As of December 27, on-balance sheet FX position of the banking sector was (-)19.177 million USD while off-balance sheet FX position was (+)20.380 million USD. Thus, foreign currency net position was realized as (+)1.203 million USD.

Source: BRSA Weekly Bulletin

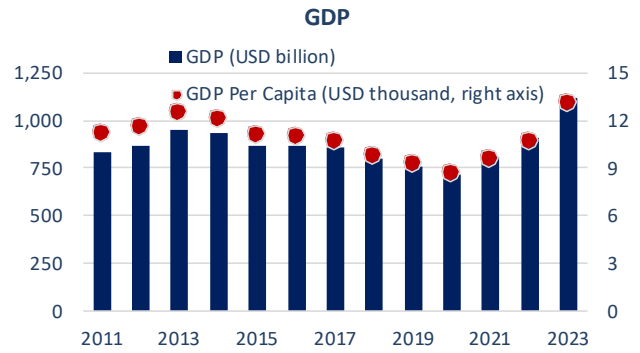
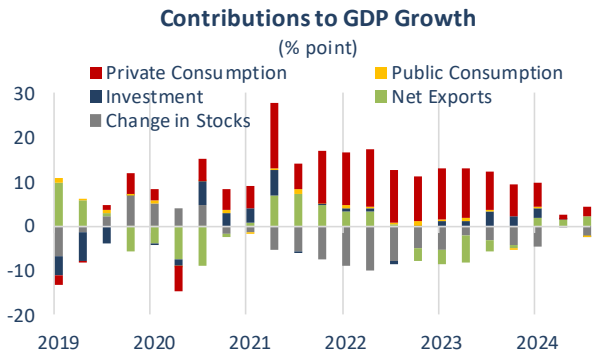
Concluding Remarks

Data releases in the US indicate that economic activity remains resilient and inflationary pressures have not yet fully disappeared. Moreover, the risk of increased inflationary pressures in case the Trump administration implements policies to support growth in line with expectations and raises tariffs remains strong. In addition, the new administration's possible immigration and border policy may restrict the labor force in the near term, which may narrow the room for further rate cuts. In line with these developments, the Fed is expected to cut its policy rate by a total of 50 basis points in the new year. On the other hand, the ECB's interest rate cuts are expected to continue in 2025, due to the fact that weakness in economic activity is still prominent and annual inflation is approaching the target rate. In China, recent supply indicators signalled a limited recovery, and the central bank's statements regarding the financial support to encourage consumption are closely monitored. In this environment, the policies of the Trump administration stand out as the main factor that will determine the course of global inflation as well as the global economic outlook.

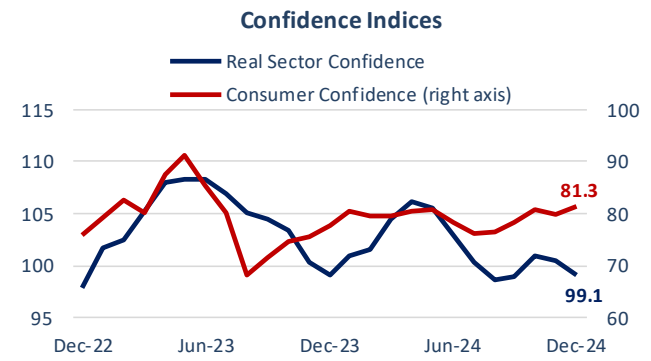
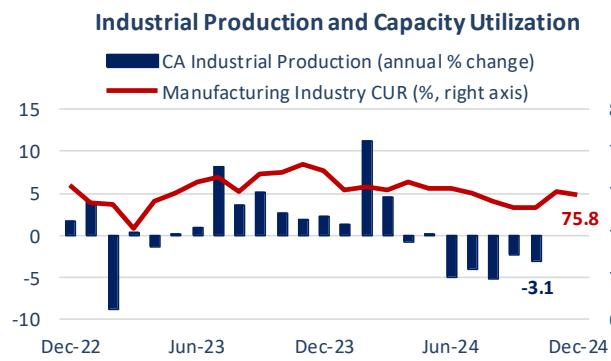
In Türkiye, leading indicators suggest that the effects of the tight monetary policy have become more evident, while the loss of momentum in services inflation and the slowdown in core inflation indicators are positive developments for the disinflation process. Depending on the course of inflation and the improvement in expectations, the CBRT is anticipated to continue the interest rate cuts gradually, that started in December.

Turkish Economy - Macroeconomic Indicators

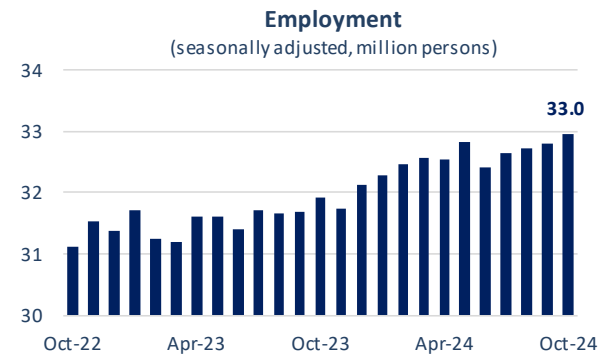
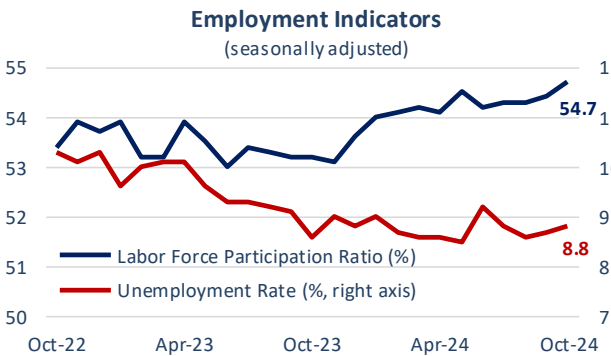
Growth



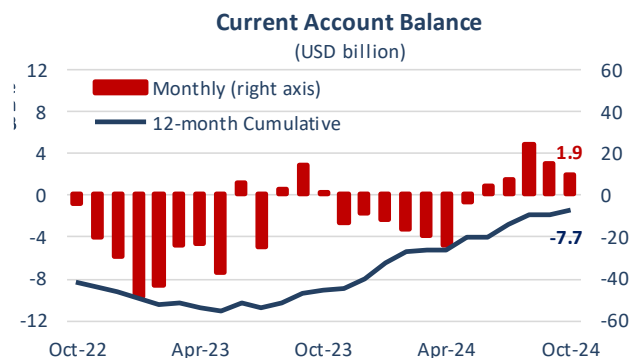
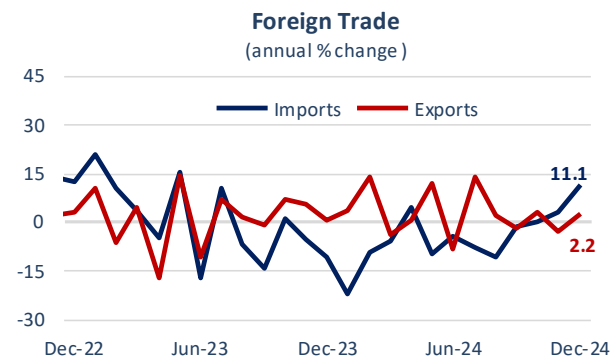
Leading Indicators



Labor Market



Foreign Trade and Current Account Balance

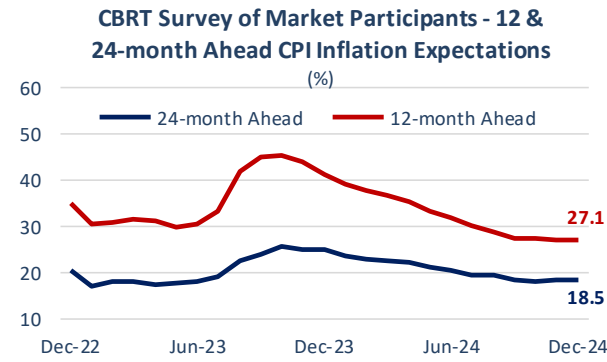
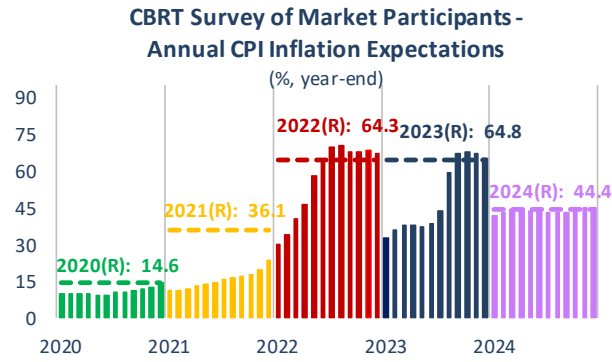
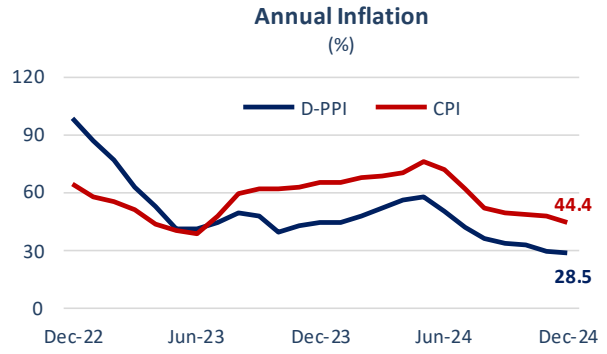
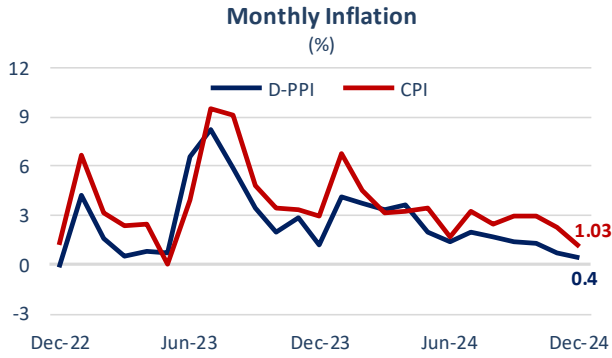


(CA) Calendar adjusted

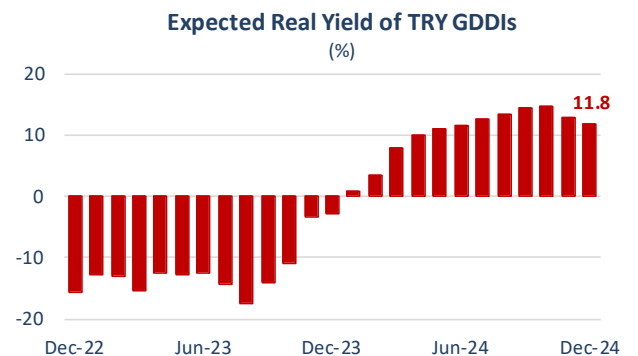
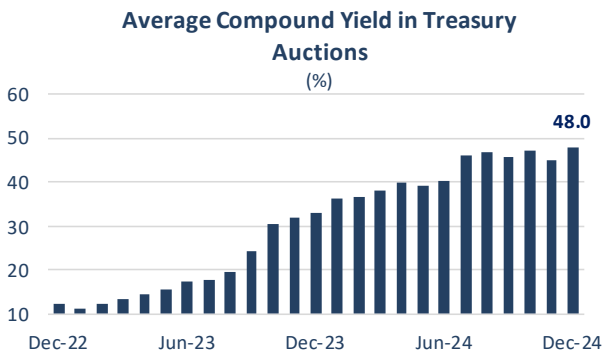
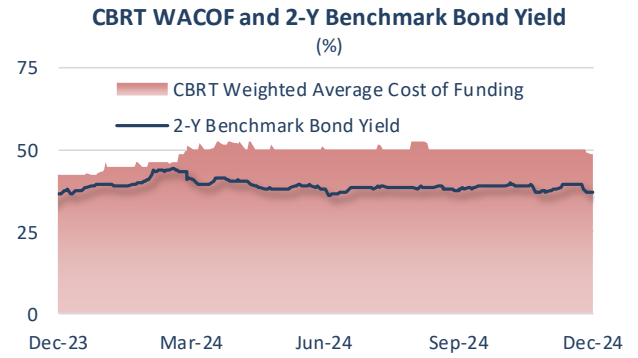
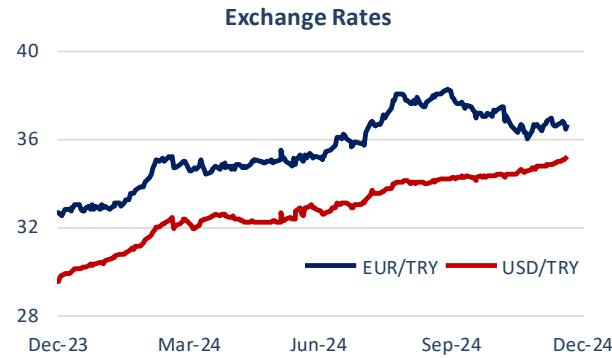
Source: Datastream, CBRT, Turkstat

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	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 (%)						Oct-24	Nov-24	Dec-24
CPI (annual)	11.84	14.60	36.08	64.27	64.77	48.58	47.09	44.38
Domestic PPI (annual)	7.36	25.15	79.89	97.72	44.22	32.24	29.47	28.52
Seasonally Adjusted Labor Market Figures						Aug-24	Sep-24	Oct-24
Unemployment Rate (%)	13.4	12.6	11.0	10.3	8.8	8.6	8.7	8.8
Labor Force Participation Rate (%)	52.6	49.1	52.6	53.7	53.6	54.3	54.4	54.7
FX Rates						Oct-24	Nov-24	Dec-24
CPI Based Real Effective Exchange Rate	76.0	61.9	47.6	54.9	55.5	64.81	67.02	67.12
USD/TRY	5.95	7.43	13.28	18.72	29.53	34.29	34.70	35.36
EUR/TRY	6.68	9.09	15.10	19.98	32.62	37.23	36.65	36.62
Currency Basket (0.5*EUR+0.5*USD)	6.32	8.26	14.19	19.35	31.08	35.76	35.68	35.99
Foreign Trade Balance ⁽¹⁾ (USD billion)						Sep-24	Oct-24	Nov-24
Exports	180.8	169.6	225.2	254.2	255.6	261.5	262.1	261.4
Imports	210.3	219.5	271.4	363.7	362.0	340.1	340.1	340.9
Foreign Trade Balance	-29.5	-49.9	-46.2	-109.5	-106.3	-78.6	-77.9	-79.4
Import Coverage Ratio (%)	86.0	77.3	83.0	69.9	70.6	76.9	77.1	76.7
Balance of Payments ⁽¹⁾ (USD billion)						Aug-24	Sep-24	Oct-24
Current Account Balance	15.0	-31.1	-6.4	-46.6	-40.5	-9.8	-9.5	-7.7
Capital and Financial Accounts	5.3	-39.2	-5.4	-22.9	-54.8	-28.4	-30.0	-25.4
Direct Investments (net)	-6.5	-4.4	-6.4	-8.7	-5.0	-4.7	-5.7	-4.7
Portfolio Investments (net)	2.8	9.6	-0.8	13.7	-8.1	-20.3	-17.8	-19.1
Other Investments (net)	2.7	-12.5	-21.5	-40.2	-39.6	-16.6	-11.2	-11.0
Reserve Assets (net)	6.3	-31.9	23.3	12.3	-2.0	13.2	4.8	9.4
Net Errors and Omissions	-9.7	-8.1	1.1	23.7	-14.1	-18.5	-20.3	-17.5
Current Account Balance/GDP (%)	2.0	-4.3	-0.8	-5.1	-3.6	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Sep-24	Oct-24	Nov-24
Expenditures	1,000.0	1,203.7	1,603.5	2,942.7	6,588.0	7,158.6	8,114.1	9,070.2
Interest Expenditures	99.9	134.0	180.9	310.9	674.6	912.7	1,048.9	1,195.2
Non-interest Expenditures	900.1	1,069.8	1,422.7	2,631.8	5,913.4	6,246.0	7,065.2	7,875.0
Revenues	875.3	1,028.4	1,402.0	2,800.1	5,207.6	6,084.6	6,853.8	7,793.3
Tax Revenues	673.9	833.3	1,165.0	2,353.4	4,501.1	5,134.1	5,777.7	6,597.1
Budget Balance	-124.7	-175.3	-201.5	-142.7	-1,380.4	-1,074.0	-1,260.3	-1,276.9
Primary Balance	-24.8	-41.3	-20.7	168.2	-705.8	-161.3	-211.4	-81.7
Budget Balance/GDP (%)	-2.9	-3.5	-2.8	-1.0	-5.2	-	-	-
Central Government Debt Stock (TRY billion)						Sep-24	Oct-24	Nov-24
Domestic Debt Stock	755.1	1,060.4	1,321.2	1,905.3	3,209.3	4,374.2	4,594.4	4,787.9
External Debt Stock	574.0	752.5	1,426.6	2,130.1	3,527.3	4,280.4	4,203.1	4,216.7
Total Debt Stock	1,329.1	1,812.8	2,747.8	4,035.4	6,736.6	8,654.6	8,797.5	9,004.6

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA'S MONTHLY BULLETIN FIGURES

(TRY billion)	2019	2020	2021	2022	2023	Oct.24	Nov.24	Change ⁽¹⁾
TOTAL ASSETS	4,491	6,106	9,215	14,347	23,550	30,885	31,160	32.3
Loans	2,656	3,576	4,901	7,581	11,677	15,143	15,459	32.4
TRY Loans	1,642	2,353	2,832	5,110	7,894	9,570	9,780	23.9
Share (%)	61.8	65.8	57.8	67.4	67.6	63.2	63.3	-
FX Loans	1,015	1,224	2,069	2,471	3,783	5,574	5,679	50.1
Share (%)	38.2	34.2	42.2	32.6	32.4	36.8	36.7	-
Non-performing Loans	150.8	152.6	160.1	163.4	191.9	275.1	286.3	49.2
Non-performing Loan Rate (%)	5.3	4.1	3.2	2.1	1.6	1.8	1.8	-
Securities	660	1,022	1,476	2,370	3,970	5,009	5,086	28.1
TOTAL LIABILITIES	4,491	6,106	9,215	14,344	23,550	30,885	31,160	32.3
Deposits	2,567	3,455	5,303	8,862	14,852	18,106	18,175	22.4
TRY Deposits	1,259	1,546	1,880	4,779	8,897	11,501	11,625	30.7
Share (%)	49.0	44.7	35.5	53.9	59.9	63.5	64.0	-
FX Deposits	1,308	1,909	3,423	4,083	5,955	6,605	6,550	10.0
Share (%)	51.0	55.3	64.5	46.1	40.1	36.5	36.0	-
Securities Issued	194	224	310	325	584	962	990	69.5
Payables to Banks	533	658	1,048	1,432	2,384	3,329	3,354	40.7
Funds from Repo Transactions	154	255	587	540	723	1,903	2,136	195.4
SHAREHOLDERS' EQUITY	492	600	714	1,407	2,153	2,660	2,749	27.7
Profit (Loss) of the Period	49.0	58.5	93.0	431.6	620.5	515.6	583.1	-6.0
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	49.0	49.6	-
Securities/Assets	14.7	16.7	16.0	16.5	16.9	16.2	16.3	-
Deposits/Liabilities	57.2	56.6	57.5	61.8	63.1	58.6	58.3	-
Loans/Deposits	103.5	103.5	92.4	85.5	78.6	83.6	85.1	-
Capital Adequacy (%)	18.4	18.7	18.4	19.5	19.1	18.1	18.3	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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