



June 2018

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#### Global Economy

Geopolitical risks and political developments have been back on the agenda in recent weeks. US' announcement about re-imposing sanctions on Iran and the formation of a government in Italy were influential on global markets.

Protectionist trade measures have also come to the fore during this period. US trade negotiations with China were mostly positive, however; US announcement to impose tariffs on Chinese goods renewed "trade war" worries. Besides, the declaration that the EU, Canada and Mexico will also be subject to tariffs also supported these worries.

Oil prices rapidly decreased after hitting the highest level since November 2014 as a result of rising geopolitical risks.

Minutes of FOMC's May meeting confirmed the anticipation of a rate hike in June meeting. After the non-farm payrolls, it is almost certain that Fed will raise interest rates in June.

EUR/USD parity was under pressure due to the deceleration signals in economic activity in the Euro Area and the political turmoil in Italy.

While Japanese economy shrank in the first quarter, official manufacturing PMI in China surpassed expectations and signaled positive economic activity.

#### Turkish Economy

Recovery in labor market continued in February period. Unemployment rate decreased by 2 points compared to the same period of the previous year and stood at 10.6%. Seasonally adjusted unemployment rate was flat on a monthly basis at 9.8%.

Calendar adjusted industrial production rose by 9.8% yoy in Q1. Leading indicators in Q2, on the other hand, are weak.

In April, foreign trade deficit increased by 35.6% to 6.7 billion USD. According to the provisional data, annual widening of foreign trade deficit lost momentum in May.

Current account deficit rose by 54.4% yoy to 4.8 billion USD in March, above the market expectations. Rising trend in oil prices and net gold imports played a crucial role in the deterioration of current account balance. 12-month cumulative current account deficit reached 4 year high with 55.4 billion USD.

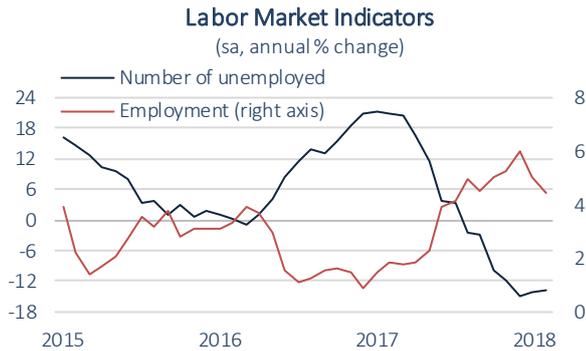
Central government budget deficit surged by 36.9% yoy in April and amounted to 2.8 billion TRY. Tax revenues maintained their solid performance in April, while personnel and capital expenditures continued to put an upward pressure on the budget expenditures

Monthly CPI increase exceeded market expectations and became 1.62% in May. Annual CPI inflation reached 12.15%.

CBRT's Monetary Policy Committee raised its late liquidity window rate by 300 bps on May 23. In addition, CBRT completed its awaited simplification process in monetary policy and raised the policy rate to 16.5%. Central Bank determined the upper and lower bands of interest rate corridor with a margin of 150 basis points around the policy rate.

### Unemployment rate declined to 10.6% in February period.

According to data released by Turkstat, unemployment rate fell by 2 points on an annual basis in February period and became 10.6%. Number of unemployed persons continued to follow a downward trend declining by 546 thousand to 3,354 thousand persons. In the same period, youth unemployment rate, covering the age group 15-24, contracted by 4.3 pp to 19%. On the other hand, seasonally adjusted unemployment rate was flat on a monthly basis at 9.8% while labor force participation rate increased by 0.1 point to 53.2%.



### Industrial production rose by 9.8% in the first quarter.

Calendar adjusted industrial production increased by 7.6% yoy in March. In the first quarter, industrial production surged by 9.8% yoy. Among the main industrial groups, non-durable consumption goods recorded the steepest increase with an annual rise of 12.1%. In this period, manufacturing industry grew by 7.9% while, due to high base effect, durable consumption goods were the only main industrial group in which production experienced a fall. Given the strong correlation between GDP and industrial production, Turkish economy is estimated to grow by about 7% in the first quarter of the year.

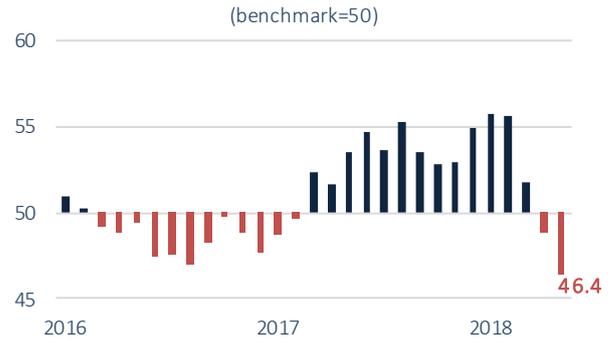
### Manufacturing PMI signaled contraction for the second straight month.

Having declined to 48.9 in April, manufacturing PMI fell to 46.4 in May, the lowest since April 2009. The performances recorded in production and new orders sub-items played a significant role in the decline of the overall index. One of the major factors behind the deterioration in business conditions of the manufacturing industry was cited as the elevated volatility in the markets. Strengthening inflationary pressures due to higher input costs also painted a negative picture for the future price developments.

### Declines in confidence indices...

Real sector confidence index fell by 1.3 point mom to 109.9 in May. While there was an improvement in total amount of orders for the past 3 months, expectations for the next three months and general business situation

### Manufacturing PMI



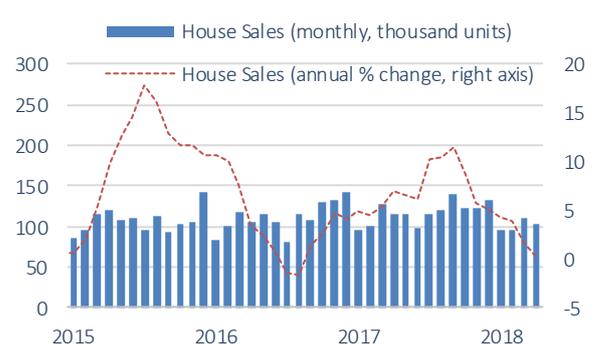
showed a steep deterioration. Being on a downward trend since February, seasonally adjusted real sector confidence index decreased to 106.7 in May. Sectoral confidence indices also indicated that confidence in services, retail trade and construction sectors have weakened.

Consumer confidence declined 2.8% mom to 69.9 in May, the lowest print of this year. The deterioration in assessments of general economic situation as well as the fall in the probability of saving over the next 12 months was noteworthy.

### House sales contracted by 10% yoy in April.

Downward trend in house sales continued also in April. Having decreased by 14% yoy in March, house sales fell by 10% yoy in April and became 103,087. Mortgaged house sales contracted by 35.6% in this period while other sales, which amounted to more than two and a half times the quantity of the mortgaged sales, rose by 5.7%. House sales to foreigners maintained its upward trend and increased by 25.8%.

### Domestic House Sales



### Housing prices fell in real terms.

According to the CBRT's housing price statistics, the rate of growth in housing prices continued to hover below the inflation rate also in March. Hedonic\* house prices rose by 0.9% on a monthly basis and 9.3% yoy in this period. Housing prices increased most in İzmir and Trakya while Istanbul was among the cities that saw the smallest increases in housing prices.

(\*) Prices are adjusted for quality changes related to observed housing characteristics for Turkey in hedonic method

Source: Datastream, Markit, Turkstat, CBRT

**Budget posted a deficit of 2.8 billion TRY in April.**

The central government budget deficit declined by 7% yoy in April and amounted to 2.8 billion TRY. In this period, budget revenues expanded by 21.8% yoy while budget expenditures increased by 20.3% yoy. In the first four months of the year, budget performance seems to have weakened somewhat compared to the same period of the previous year. Central government budget deficit, which was 17.9 billion TRY in January-April 2017, was realized as 23.2 billion TRY in the same period of this year.

**Central Government Budget**

	January-April		%
	2017	2018	
<b>Expenditures</b>	<b>215.7</b>	<b>255.2</b>	<b>18.3</b>
Interest Expenditures	22.0	25.4	15.1
Non-Interest Expenditures	193.6	229.8	18.7
<b>Revenues</b>	<b>197.8</b>	<b>232.0</b>	<b>17.3</b>
Tax Revenues	158.7	190.9	20.3
Other Revenues	39.1	41.2	5.4
<b>Budget Balance</b>	<b>-17.9</b>	<b>-23.2</b>	<b>29.6</b>
<b>Primary Balance</b>	<b>4.2</b>	<b>2.2</b>	<b>-47.0</b>

In the January-April period, budget revenues increased by 34.3 billion TRY compared to the same period of the previous year thanks to the 20.3% annual rise in tax revenues. In this period, SCT and VAT on imports also drove budget revenues up.

**Foreign trade balance continued to deteriorate, while the decline in consumption goods imports was noteworthy.**

Exports increased by 7.8% yoy to 13.9 billion USD in April while imports surged by 15.6% to 20.6 billion USD. In this period, foreign trade deficit became 6.7 billion USD, in line with the provisional data. The annual expansion in foreign trade deficit was 35.6% accelerating compared to previous month. In the first four months of the year, the deficit widened by 56.2% yoy.

**Foreign Trade Balance** (USD billion)

	May		Δ (%)	Jan.- May		Δ (%)
	2017	2018		2017	2018	
	Exports	13.6	14.3	5.6	64.3	69.4
Imports	20.9	22.1	5.5	89.1	104.5	17.2
<b>Foreign Trade Balance</b>	<b>-7.3</b>	<b>-7.7</b>	<b>5.4</b>	<b>-24.9</b>	<b>-35.2</b>	<b>41.2</b>
Import Coverage (%)	64.9	65.0	-	72.1	66.4	-

In April, energy and gold imports remained strong. According to Broad Economic Classification, imports of intermediate goods continued to lose steam, while consumption goods imports fell 1.4% yoy in this period

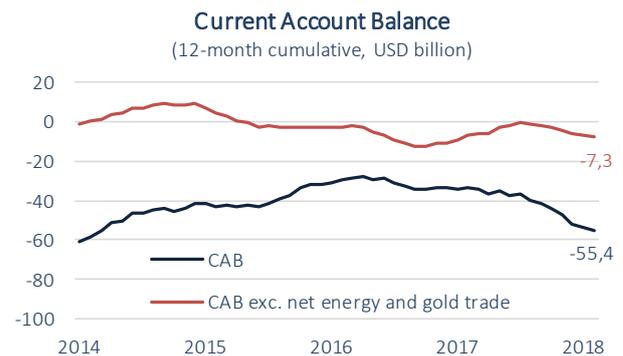
According to the provisional foreign trade data released by the Ministry of Customs and Trade, widening in

foreign trade deficit decelerated in May. During this period, exports increased by 5.6% yoy to 14.3 billion USD, while import volume surged by 5% to 22.1 billion USD. Thus, in the first five months of the year, exports and imports increased by 8% and 17.2%, respectively.

**Current account deficit exceeded expectations in March.**

Current account deficit expanded by 54.4% yoy to 4.8 billion USD in March, above market expectations of 4.1 billion USD. The uprising trend in oil prices and net gold imports played a crucial role in the deterioration of current account balance. Non-monetary gold imports increased by 525 million USD compared to the same month of the previous year in March, while the recovery in tourism revenues continued to limit current account deficit. Net tourism revenues increased approximately 240 million USD in the same period.

12-month cumulative current account deficit continued to follow an upward trend. Having reached 55.4 billion USD in March 12-months current account deficit hovered around 4 year highs. Excluding net energy and gold trade, 12-month CAD realized as 7.3 billion USD, the highest level in last 13 months.



On the financing side, reserve assets and net errors and omissions stood out in March. Reserve assets contributed 4.8 billion USD to the financing of the current account deficit while net errors and omissions recorded an inflow of 2.9 billion USD. Foreign direct investments had recorded a net inflow of 1 billion USD, highest level in last five months. Despite 8.8 billion USD of net inflow from these three items, portfolio and other investments recorded a net outflow of 4 billion USD.

**Annual inflation in D-PPI surpassed 20%.**

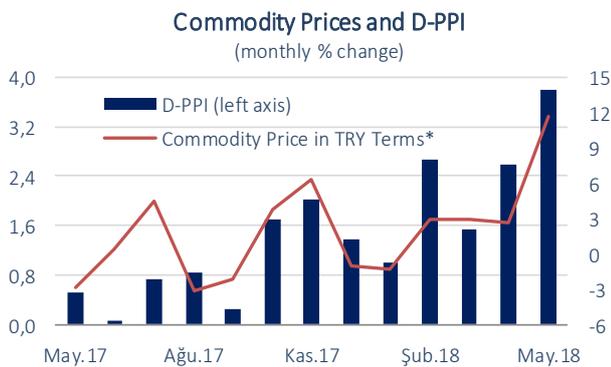
Inflation surprised to the upside in May as was the case in the recent months. Monthly CPI increase was 1.62% as opposed to a market expectation of 1.45%. D-PPI recorded a rapid increase of 3.79% mom in this period.

Annual inflation in CPI in May stood at 12.15%, the highest level in six months. The annual rise in D-PPI gained further momentum and came in at the record high level of the current 2003 based index series with 20.16%.

Source: Turkstat, Datastream, CBRT, Ministry of Customs and Trade

May (change %)	CPI		D-PPI	
	2017	2018	2017	2018
Monthly	0.45	1.62	0.52	3.79
Year-to-Date	6.18	6.39	7.74	12.12
Annual	11.72	12.15	15.26	20.16
Annual Average	9.09	11.10	9.02	15.80

Prices in all main expenditure groups rose in May on a monthly basis. The strongest contribution to the monthly CPI inflation came from transport group with 41 bps. Due to the rise in oil prices, transport prices surged by 20% annually, the highest increase of the current 2003 based index series. The rise in commodity prices, particularly oil prices played a significant part in the surge in D-PPI.



The expected normalization in domestic demand, to be felt in particular during the second half of the year, is positive for inflation expectations. Yet, we believe that the current outlook in exchange rates will continue to exert upward pressure on inflation in the period ahead. Nevertheless, the substantial interest rate hikes of the CBRT and the persistently tight monetary policy have the potential to support an improvement in inflation indicators.

#### Rise in inflation expectations...

According to the CBRT's Survey of Expectations released in May, markets year-end inflation expectation rose by 100 bps mom to 11.07%. 12-months and 24-months ahead inflation expectations have also increased. Besides, expectations of current account deficit and economic growth deteriorated.

#### CBRT took significant measures.

As foreign exchange rates surged, markets eyed CBRT in May. Initially, CBRT preferred to use the instruments other than interest rates before its scheduled Monetary Policy Committee meeting on June 7. With the revision made to reserve requirements on May 7, the upper limit for the FX maintenance facility within the reserve option mechanism was reduced to 45% from 55%. This step meant that around 6.4 billion TRY of liquidity will be withdrawn from the market and, in turn, around 2.2 billion USD of liquidity will be provided to the banks. In

addition, the daily amount of the foreign exchange deposits against TL deposits auctions was raised from 1.25 billion USD to 1.5 billion USD on May 9. The CBRT also noted that the amount of Turkish-lira-settled forward foreign exchange sales position could reach 7.1 billion USD in the second quarter of the year from 5.3 billion USD.

On May 16, CBRT intervened markets through communication strategy, stating that unhealthy price developments in the markets were followed and necessary steps will be taken, considering the impact of these developments on the inflation outlook. On May 23, CBRT raised the late liquidity window (LLW) interest rate by 300 bps to 16.5%. On May 24, CBRT also increased the total amount of Turkish-lira-settled forward foreign exchange sale auctions once again while it fixed FX rates for the repayments of rediscount credits for export and foreign exchange earning services on May 25.

CBRT's simplification process announced on May 28 was the most influential step in recovering the risk perception towards Turkey. CBRT published a press release on the operational framework of the monetary policy and stated that it has decided to complete the simplification process. According to new operational framework which took effect on June 1, O/N funding of the markets via LLW is cancelled, one-week repo rate became the policy rate and was raised to 16.50% (the LLW interest rate and also the "weighted average funding cost" level). CBRT has not been funding markets via weekly repo auction since January 2017. Central Bank determined the upper and lower bands of interest rate corridor with a margin of 150 basis points around the policy rate. Also, LLW interest rate, which returned to its original function in the new period, was defined as 150 basis points above the upper band of the interest rate corridor.

#### Headlines from CBRT's Financial Stability Report...

In the Financial Stability Report published by CBRT, it is stated that domestic financial conditions have tightened compared to the previous report period. Also, it is indicated that macroeconomic policies applied to manage the real sector's risk will increase the resistance of economy to the shocks. It was also emphasized that the measures to reduce FX debt burden of firms without FX income are important for financial stability.

#### Credit rating agencies' assessments on Turkey...

Having indicated that depreciation in TRY and inflationary pressures weighed on economic activity, Moody's revised down Turkey's growth forecasts for 2018 and 2019. Institution pulled down growth forecasts for 2018 and 2019 from 4% to 2.5% and from 3.5% to 2.0%, respectively. In the following days, Moody's put Turkey's rating on review for another downgrade, showing the uncertainty regarding the future direction of macroeconomic policy as reason. Previously on March 7,

Source: Turkstat, Datastream, CBRT

Moody's downgraded Turkey's credit rating one notch to Ba2, two level below investment grade.

In addition, Fitch announced that it placed 25 Turkish banks' rating on negative watch. Institution stated that recent period of increased market volatility could affect banks' performance, asset quality and liquidity conditions negatively. Having expressed that it will end negative watch in 6 months, Fitch stated that any downgrades are likely to be limited to one notch, in most cases unless there is further marked worsening of economic and financial market conditions.

		Turkey's Credit Notes		
		S&P	Fitch	Moody's
Investment Grades		AAA	AAA	Aaa
		AA+	AA+	Aa1
		AA	AA	Aa2
		AA-	AA-	Aa3
		A+	A+	A1
		A	A	A2
		A-	A-	A3
		BBB+	BBB+	Baa1
		BBB	BBB	Baa2
		BBB-	BBB-	Baa3
		BB+	BB+	Ba1
		BB	BB	Ba2
		BB-	BB-	Ba3
		B+	B+	B1
	B	B	B2	
	B-	B-	B2	
	CCC+	CCC+	Caa1	
	CCC	CCC	Caa2	
	CCC-	CCC-	Caa3	
	CC	CC	Ca	
	C	C	C	

	30/Apr	31/May	Change
5-Y CDS (basis points)	196	269	73 bps ▲
TR 2-Y Benchmark Yield	14.29%	17.47%	318 bps ▲
BIST-100	104,283	100,652	-3.5% ▼
USD/TRY	4.0653	4.5375	11.6% ▲
EUR/TRY	4.9117	5.2966	7.8% ▲
Currency Basket*	4.4885	4.9170	9.5% ▲

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

### High volatility in domestic markets...

Growing expectations that the pace of Fed's interest rate hikes could accelerate weighed on the risk perception for emerging countries. Turkey decoupled negatively from its peers due to political and geopolitical developments.

A few weeks after S&P cut Turkey's rating, which had already been two notches below investment grade, one notch on May 1, other international credit rating agencies also offered considerably cautious assessments on Turkish economy. In addition to these, the strengthening of the US dollar in global markets also put downward pressure on the Turkish lira. Following the moderate rate hike decision taken in April, expectations that the CBRT would not take a significant step until the scheduled meeting date of June 7 supported this outlook.

In this environment, market expectations for the size of a possible interest rate increase by the CBRT escalated day by day. On May 23, USD/TL reached 4.92, EUR/TL hit 5.76 in intraday trading. Late on the same day, the Central Bank held an extraordinary meeting and raised the late liquidity window lending rate by 300 basis points. This move provided a temporary relief to the markets. Nevertheless, the impact of the interest rate decision remained limited due to the views that it was a late move and the need for a further interest rate increase on June meeting persisted. Another reason for the only mild improvement was the weakening in capital flows towards emerging countries. On the other hand, CBRT's announcement regarding the end of the simplification process on May 28 had a relatively more lasting and positive impact. In the following days, Turkish lira outperformed its peers in general. This performance

CBRT WACF and USD/TRY



was enhanced by the latest inflation data as it strengthened the expectations for an additional rate hike by the CBRT.

### Rise in domestic borrowing costs...

Parallel to the deterioration in risk perception, bond yields have recently seen steep increases. Interest rates on the re-open auctions of the 2 and 5 year benchmark Treasury bonds carried out on May 15 were 16.61% and 15.96%, respectively. One month before this auction, interest rates for the same bonds on the secondary markets were about 250 basis points below these levels. On May 31, 2-year and 5-year benchmark bond yields ended the day at 17.47% and 15.34%, respectively.

Benchmark Treasury Bond Yields

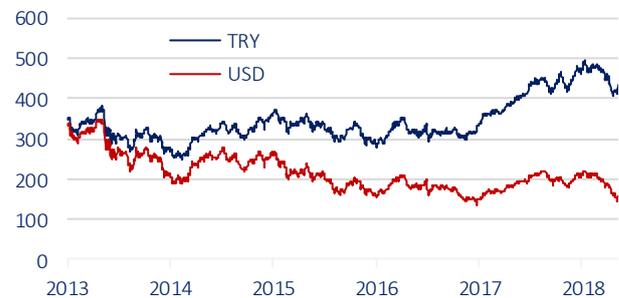


### BIST-100 index fell by 3.5% in May.

Turkey's stock market also showed a weak performance in the recent period. BIST-100 index, which dropped more than 9% mom in April, finished May with a monthly decline of 3.5%. According to the weekly securities statistics published by the CBRT, the equity portfolio of non-residents recorded a total net outflow of 500 million USD in April and May. As of May 25, non-residents' equity stock also fell to the lowest level since January 2017 with 37.5 billion USD.

BIST-100

(02/19/09=100)



Source: CBRT, Datastream, Reuters, BIST

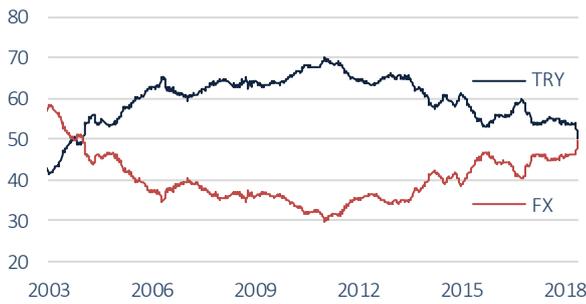
## Banking Sector

### Share of TRY deposit is at the lowest level since 2003.

According to the Weekly Bulletin published by the BRSA, as of May 25, total deposits expanded by 15.3% compared to end of 2017 and reached 2.077 billion TRY. FX developments have been influential on the indicators of the banking sector recently. Indeed, according to the exchange rate adjusted figures, expansion in deposit volume decreases to 4.1%. In this period, the volume of TRY deposits increased by 6.5% to 1,041 billion TRY while the volume of FX deposits on USD basis expanded by 1.3% to reach 221 billion USD.

Analyzing annual figures, the expansion in deposit volume was realized as 24.4% yoy. In this period, TRY deposits increased by 14.6%, while the volume of FX deposits in USD terms rose by 2.9%. Examining the deposit composition of the sector, it is remarkable that the share of TRY deposits has decreased significantly in the recent period and reached the lowest level since 2003 with 50.1%.

**Currency Composition of Deposits**  
(%)

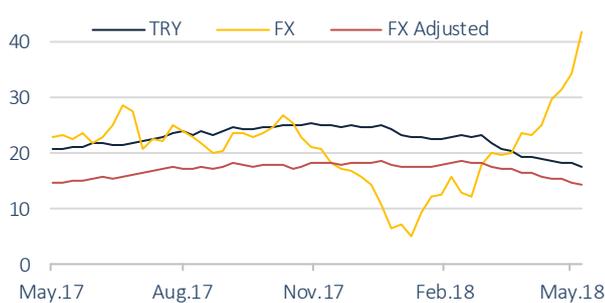


### Annual credit growth was 25.5%

As of May 25, total credit volume expanded by 13.3% compared to the year-end and amounted to 2,418 billion TRY. The expansion in FX adjusted credit volume, on the other hand, was 5.0%. In this period, TRY loans grew by 6.3% while FX loans in USD terms increased by 2.6%.

Credit volume, which has been growing more than 20% on annual basis in recent periods due to FX rate developments, recorded an expansion of 25.5% yoy as of May 25. FX rate adjusted credit volume declines to

**Loan Volume**  
(annual change, %)



14.2%. Downward trend in the rate of increase for the TRY credit volume since the beginning of the year also continued.

### NPL ratio kept declining.

Due to the rapid increase in the credit volume, NPL ratio continued to decrease. As of May 25, the gross non-performing loans rose by 10.6% yoy to 67.5 billion TRY. While NPL ratio of the banking sector was 2.73% as of May 25, NPL ratios for consumer and commercial loans were recorded as 3.37% and 2.64%, respectively.

**NPL Ratio**  
(%)



### Net foreign currency position...

As of May 25, banks' on-balance sheet FX position was (-) 50,254 million USD, while off-balance sheet FX position was (+) 50,748 million USD. Hence, banking sector's net FX position was realized as (+) 494 million USD.

**Net FX Position**  
(USD billion)



Source: BRSA Weekly Bulletin

## Concluding Remarks

Political developments and protectionist measures in foreign trade have begun to find more ground on the global economic agenda. The process of setting up the government in Italy, the negotiations between the US and China, and the concern that the sanctions against Iran would be re-imposed, were influential in the course of international markets.

The positive outlook in the US economy occasionally supported the expectations that the Fed would hike interest rates 4 times this year. Yet, these expectations eased somewhat after the minutes of the May meeting which did not have any such signal. However, Fed's minutes and May nonfarm payrolls backed the June rate hike expectations. Deceleration signals from Euro Area economy and political developments in Italy caused euro to be under pressure. As the political uncertainties eased, region's currency recovered towards the end of May.

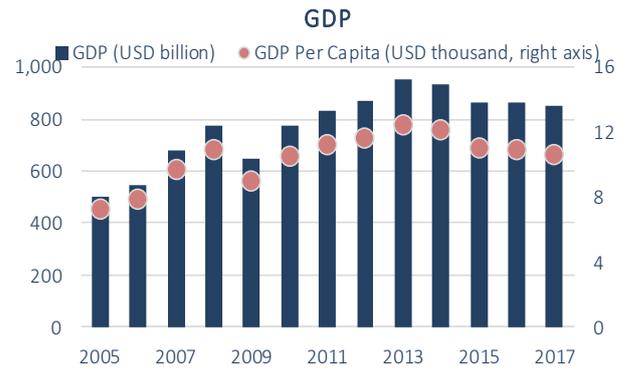
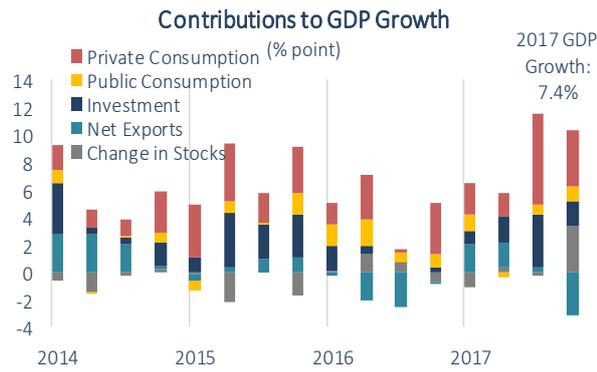
It is observed that domestic economic activity in the first quarter of the year has largely preserved its momentum caught in the last year. Industrial production data confirmed strong performance in Q1. However, in the second quarter of the year, the deceleration signals in economic activity seem to become evident. PMI data in May indicated that the contraction in the manufacturing industry continued, while confidence indexes remained

weak in general. Besides, high inflation levels, deteriorating inflation expectations due to TRY depreciation and widening current account deficit caused the risk perception towards Turkey to worsen. While the said deterioration was deepened after the negative assessments of the international rating agencies, CBRT tried to control the excess volatility in the domestic markets. Further steps of CBRT, which increased policy rate at the extraordinary meeting and completed the simplification of its monetary policy, will be watched closely at its scheduled meeting on June 7. After May inflation figures, markets expect the CBRT to raise interest rates at this meeting.

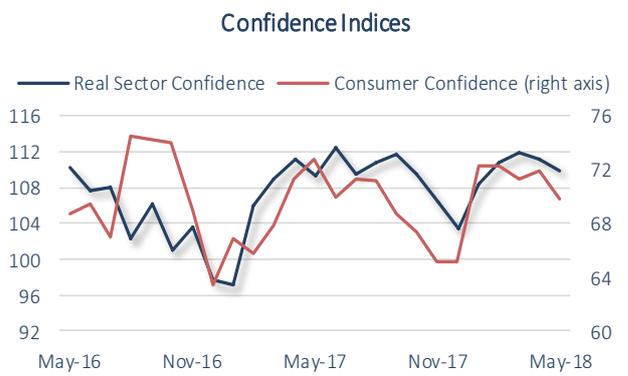
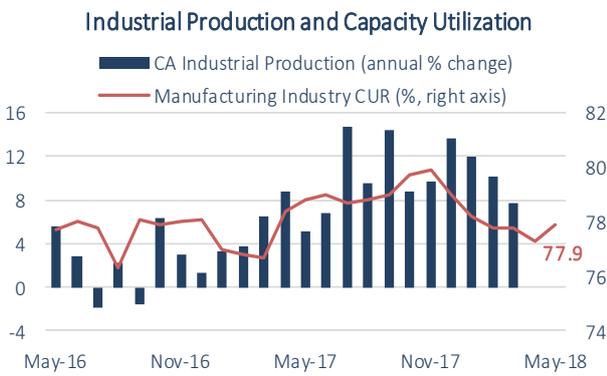
Forecasts (%)	2017 (R)	2018
Growth	7.4	4.1
Current Account Deficit/GDP	5.6	6.0
Inflation (year-end)	11.9	12.0

(R) Realization

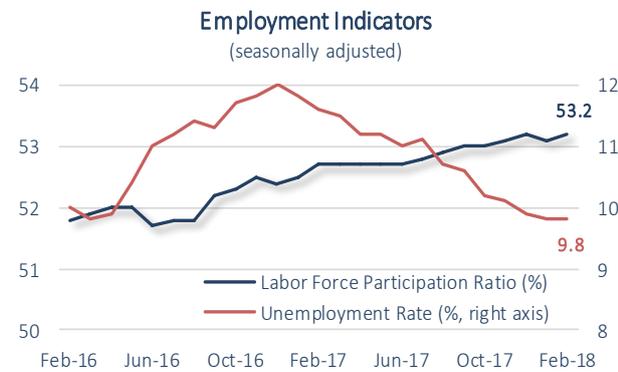
Growth



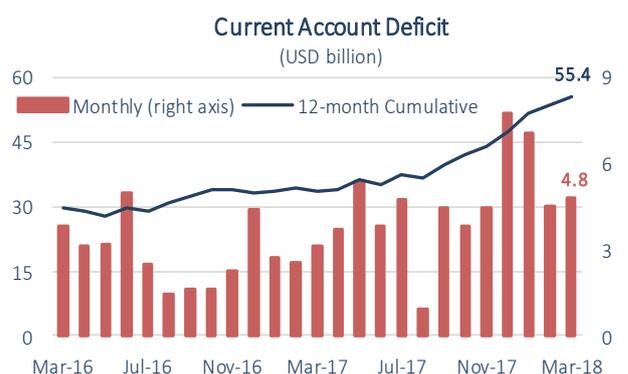
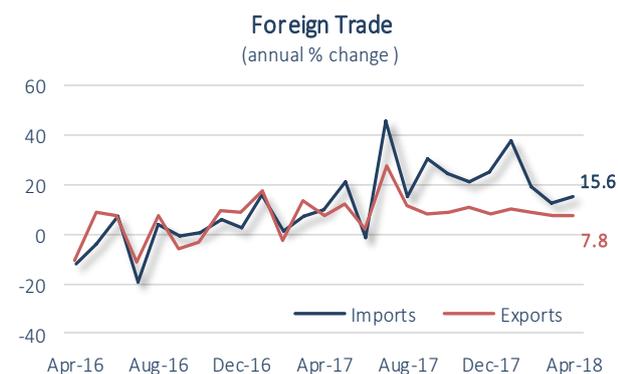
Leading Indicators



Labor Market



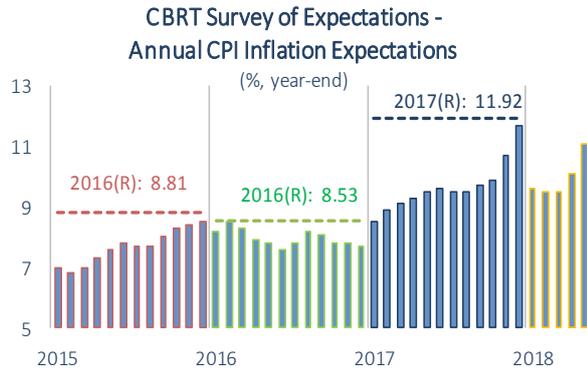
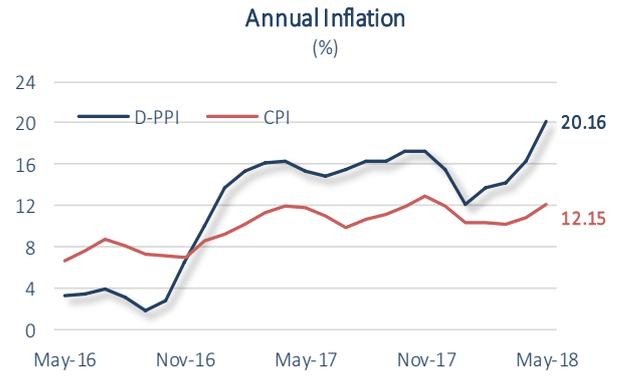
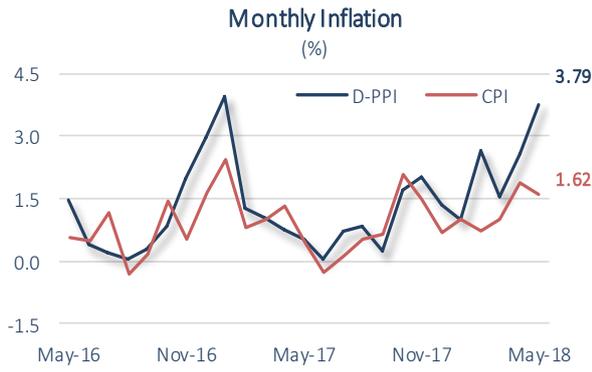
Foreign Trade and Current Account Balance



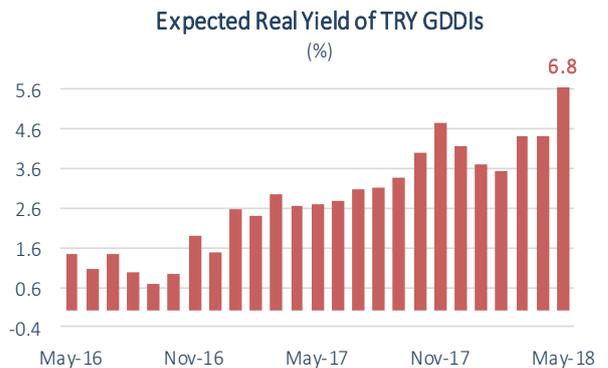
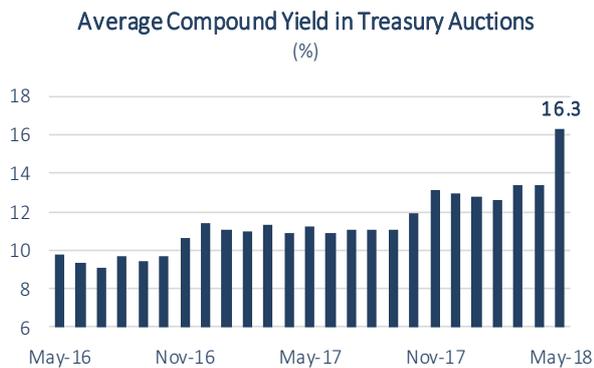
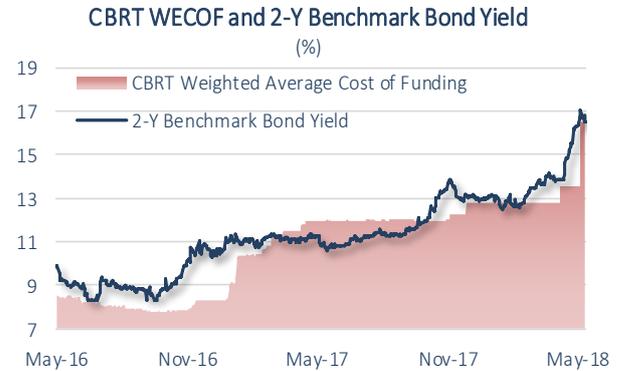
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

Inflation



Foreign Exchange and Bond Market



## Turkish Economy - Macroeconomic Indicators

<b>Growth</b>	2013	2014	2015	2016	2017	18-Q1	18-Q2	18-Q3
GDP (USD billion)	950	935	862	863	851			
GDP (TRY billion)	1,810	2,045	2,339	2,609	3,105			
GDP Growth Rate (%)	8.5	5.2	6.1	3.2	7.4			
<b>Inflation (%)</b>						Mar-18	Apr-18	May-18
CPI (annual)	7.40	8.17	8.81	8.53	11.92	10.23	10.85	12.15
Domestic PPI (annual)	6.97	6.36	5.71	9.94	15.47	14.28	16.37	20.16
<b>Seasonally Adjusted Labor Market Figures</b>						Jan-18	Feb-18	
Unemployment Rate (%)	9.1	10.3	10.2	12.0	9.9		9.80	9.80
Labor Force Participation Rate (%)	48.5	51.0	51.7	52.4	53.2		53.10	53.20
<b>FX Rates</b>						Mar-18	Apr-18	May-18
CPI Based Real Effective Exchange Rate	101.0	105.2	97.9	91.8	84.7	83.4	81.5	77.9
USD/TRY	2.1485	2.3378	2.9189	3.5176	3.7916	3.9614	4.0653	4.5375
EUR/TRY	2.9605	2.8288	3.1708	3.7102	4.5530	4.8719	4.9117	5.2966
Currency Basket (0.5*EUR+0.5*USD)	2.5545	2.5833	3.0448	3.6139	4.1723	4.4167	4.4885	4.9170
<b>Foreign Trade Balance<sup>(1)</sup> (USD billion)</b>						Feb-18	Mar-18	Apr-18
Exports	151.8	157.6	143.8	142.5	157.0	159.3	160.3	161.4
Imports	251.7	242.2	207.2	198.6	233.8	242.8	245.3	248.0
<b>Foreign Trade Balance</b>	<b>-99.9</b>	<b>-84.6</b>	<b>-63.4</b>	<b>-56.1</b>	<b>-76.8</b>	<b>-83.6</b>	<b>-84.9</b>	<b>-86.7</b>
Import Coverage Ratio (%)	60.3	65.1	69.4	71.8	67.2	65.6	65.4	65.1
<b>Balance of Payments<sup>(1)</sup> (USD billion)</b>						Jan-18	Feb-18	Mar-18
<b>Current Account Balance</b>	<b>-63.6</b>	<b>-43.6</b>	<b>-32.1</b>	<b>-33.1</b>	<b>-47.4</b>	<b>-51.7</b>	<b>-53.7</b>	<b>-55.4</b>
<b>Capital and Financial Accounts</b>	<b>-62.7</b>	<b>-42.6</b>	<b>-22.4</b>	<b>-22.1</b>	<b>-46.7</b>	<b>-49.7</b>	<b>-49.2</b>	<b>-47.4</b>
Direct Investments (net)	-9.9	-6.1	-12.9	-10.2	-8.2	-8.1	-7.3	-7.1
Portfolio Investments (net)	-24.0	-20.2	15.7	-6.3	-24.4	-27.8	-26.7	-22.3
Other Investments (net)	-38.7	-15.9	-13.3	-6.5	-5.8	-11.9	-12.6	-13.1
Reserve Assets (net)	9.9	-0.5	-11.8	0.8	-8.2	-1.8	-2.6	-4.9
<b>Net Errors and Omissions</b>	<b>1.0</b>	<b>1.1</b>	<b>9.8</b>	<b>11.0</b>	<b>0.7</b>	<b>2.0</b>	<b>4.4</b>	<b>7.9</b>
<b>Current Account Balance/GDP (%)</b>	<b>-6.7</b>	<b>-4.7</b>	<b>-3.7</b>	<b>-3.8</b>	<b>-5.6</b>	-	-	-
<b>Budget<sup>(2)(3)</sup> (TRY billion)</b>						Feb-18	Mar-18	Apr-18
<b>Expenditures</b>	<b>408.2</b>	<b>448.8</b>	<b>506.3</b>	<b>583.7</b>	<b>677.7</b>	<b>119.4</b>	<b>187.9</b>	<b>255.2</b>
Interest Expenditures	50.0	49.9	53.0	50.2	56.7	12.7	22.3	25.4
Non-interest Expenditures	358.2	398.8	453.3	533.4	621.0	106.7	165.6	229.8
<b>Revenues</b>	<b>389.7</b>	<b>425.4</b>	<b>482.8</b>	<b>554.4</b>	<b>630.3</b>	<b>119.2</b>	<b>167.4</b>	<b>232.0</b>
Tax Revenues	326.2	352.5	407.8	458.7	536.0	104.6	145.8	190.9
<b>Budget Balance</b>	<b>-18.5</b>	<b>-23.4</b>	<b>-22.6</b>	<b>-29.3</b>	<b>-47.4</b>	<b>-0.2</b>	<b>-20.4</b>	<b>-23.2</b>
<b>Primary Balance</b>	<b>31.4</b>	<b>26.5</b>	<b>30.4</b>	<b>21.0</b>	<b>9.3</b>	<b>12.5</b>	<b>1.9</b>	<b>2.2</b>
<b>Budget Balance/GDP (%)</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-1.5</b>	-	-	-
<b>Central Government Debt Stock (TRY billion)</b>						Feb-18	Mar-18	Apr-18
Domestic Debt Stock	403.0	414.6	440.1	468.6	535.4	543.9	550.4	553.1
External Debt Stock	183.2	197.9	238.1	291.3	341.0	353.0	362.7	368.1
<b>Total Debt Stock</b>	<b>586.2</b>	<b>612.5</b>	<b>678.2</b>	<b>760.0</b>	<b>876.5</b>	<b>896.9</b>	<b>913.1</b>	<b>921.1</b>

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2013	2014	2015	2016	2017	Mar.18	Apr.18	Change <sup>(1)</sup>
<b>TOTAL ASSETS</b>	<b>1,732</b>	<b>1,994</b>	<b>2,357</b>	<b>2,731</b>	<b>3,258</b>	<b>3,375</b>	<b>3,436</b>	<b>5.5</b>
<b>Loans</b>	<b>1,047</b>	<b>1,241</b>	<b>1,485</b>	<b>1,734</b>	<b>2,098</b>	<b>2,196</b>	<b>2,240</b>	<b>6.8</b>
TRY Loans	753	881	1,013	1,131	1,414	1,464	1,489	5.3
Share (%)	71.9	71.0	68.2	65.2	67.4	66.7	66.5	-
FX Loans	295	360	472	603	684	732	751	9.9
Share (%)	28.1	29.0	31.8	34.8	32.6	33.3	33.5	-
Non-performing Loans	29.6	36.4	47.5	58.2	64.0	78.2	66.6	4.2
Non-performing Loan Rate (%)	2.8	2.9	3.1	3.2	3.0	3.4	2.9	-
<b>Securities</b>	<b>287</b>	<b>302</b>	<b>330</b>	<b>352</b>	<b>402</b>	<b>407</b>	<b>406</b>	<b>1.2</b>
<b>TOTAL LIABILITIES</b>	<b>1,732</b>	<b>1,994</b>	<b>2,357</b>	<b>2,731</b>	<b>3,258</b>	<b>3,375</b>	<b>3,436</b>	<b>5.5</b>
<b>Deposits</b>	<b>946</b>	<b>1,053</b>	<b>1,245</b>	<b>1,454</b>	<b>1,711</b>	<b>1,777</b>	<b>1,823</b>	<b>6.6</b>
TRY Deposits	594	661	715	845	955	983	1,009	5.7
Share (%)	62.8	62.8	57.4	58.1	55.8	55.3	55.3	-
FX Deposits	352	391	530	609	756	794	814	7.7
Share (%)	37.2	37.2	42.6	41.9	44.2	44.7	44.7	-
<b>Securities Issued</b>	<b>61</b>	<b>89</b>	<b>98</b>	<b>116</b>	<b>145</b>	<b>162</b>	<b>163</b>	<b>12.3</b>
<b>Payables to Banks</b>	<b>254</b>	<b>293</b>	<b>361</b>	<b>418</b>	<b>475</b>	<b>500</b>	<b>532</b>	<b>11.9</b>
<b>Funds from Repo Transactions</b>	<b>119</b>	<b>137</b>	<b>157</b>	<b>138</b>	<b>99</b>	<b>95</b>	<b>88</b>	<b>-10.6</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>194</b>	<b>232</b>	<b>262</b>	<b>300</b>	<b>359</b>	<b>376</b>	<b>381</b>	<b>6.0</b>
Profit (Loss) of the Period	24.7	24.6	26.1	37.5	49.1	14.0	18.8	-
<b>RATIOS (%)</b>								
Loans/GDP	57.9	60.7	63.5	66.5	67.6			
Loans/Assets	60.5	62.2	63.0	63.5	64.4	65.1	65.2	-
Securities/Assets	16.6	15.2	14.0	12.9	12.3	12.1	11.8	-
Deposits/Liabilities	54.6	52.8	52.8	53.2	52.5	52.7	53.1	-
Loans/Deposits	110.7	117.9	119.2	119.3	122.6	123.6	122.8	-
Capital Adequacy (%)	15.3	16.3	15.6	15.6	16.9	16.6	16.4	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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