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Global Economy

In February, the US administration's announcements on new tariffs and negotiations to end the war in Ukraine were high on the global agenda.

Annual CPI inflation in the US rose to 3% in January, while consumer confidence indicators for February displayed a negative outlook.

Chairman Powell's statements and the minutes of the last FOMC meeting showed that the Fed maintained its cautious stance.

Expectations of political stability in Germany after the general elections supported the markets.

In China, monthly CPI inflation was recorded as 0.7%, the highest level in the last 11 months.

Economic growth in Japan in the last quarter of 2024 was realized above the expectations.

In February, Brent crude oil prices declined, while ounce gold prices hit historic highs during the month.

Turkish Economy

According to chain linked volume index, Turkish economy grew by 3% yoy in the last quarter of 2024 and by 3.2% in the whole year. Consumption expenditures contributed 2.9 points to growth throughout the year, while GDP per capita reached a historic high of 15,463 USD.

Seasonally adjusted unemployment rate decreased by 0.1 points mom to 8.4% in January.

Although ISO Türkiye manufacturing PMI increased slightly to 48.3 in February, it remained below the threshold, indicating that operating conditions remained weak in the sector.

Current account deficit, which was realized above market expectations with 4.7 billion USD in December, narrowed by 75% yoy to 10 billion USD in 2024.

Central government budget deficit was realized as 139 billion TRY in January, while primary balance posted a surplus of 24 billion TRY.

In the first Inflation Report of the year, CBRT raised its year-end inflation forecast for 2025 from 21% to 24%.

In February, CPI increased by 2.27% mom, below market expectations, while annual consumer inflation fell to 39.05%. In the same period, D-PPI inflation was realized as 2.12% mom and 25.21% yoy.

In February, BIST-100 index declined by 3.5%, diverging from other emerging market indices.

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GDP Growth

The Turkish economy expanded by 3.2% in 2024.

According to the chain-linked volume index, the Turkish economy grew by 3.0% yoy in the fourth quarter of 2024, and by 3.2% overall in 2024, exceeding market expectations. GDP will reach 1.3 trillion USD in 2024, with a historic high of \$15,463 USD per capita.

Seasonally and calendar-adjusted quarterly growth in the fourth quarter of 2024 was 1.7%, the highest level of the last six quarters, ended the technical recession. Furthermore, the previously reported 0.2% contraction in the third quarter was revised down to 0.1%. We estimate that the carry-over growth effect of last quarter's better-than-expected data will be approximately 1 percentage point in 2025.

Contributions to Growth		2024					(% points)
	2023	Q1	Q2	Q3	Q4	Annual	
Consumption	9.8	5.9	0.9	1.9	3.2	2.9	
Private	9.5	5.5	0.9	1.9	3.0	2.8	
Public	0.3	0.4	0.0	0.0	0.2	0.2	
Investment	2.0	2.3	0.2	0.0	1.5	1.0	
Stock Change	-3.6	-4.6	-0.2	-1.9	-0.9	-1.8	
Net Exports	-3.1	1.9	1.5	2.2	-0.8	1.1	
Exports	-0.7	1.2	0.2	0.2	-0.5	0.2	
Imports	-2.4	0.7	1.3	2.0	-0.4	0.9	
GDP (yoy, %)	5.1	5.4	2.4	2.2	3.0	3.2	

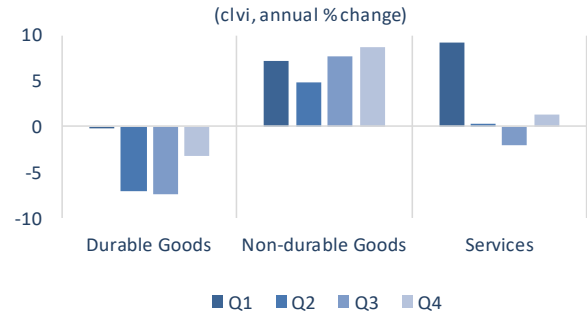
Note: Numbers may not add to total due to rounding.

In the fourth quarter of 2024, consumption expenditures increased while net exports limited growth.

According to the GDP in the chain-linked volume index, private consumption expenditures increased in the fourth quarter of the year and contributed 3.0 percentage points to growth. While durable goods consumption fell further in the fourth quarter, non-durable goods consumption increased significantly. Services consumption, which slowed growth by 0.7 percentage points in the third quarter, contributed 0.5 percentage points to growth in the fourth quarter, confirming the sector's acceleration. Government expenditure, which was relatively flat in the second and third quarters of the year, added 0.2 percentage points to growth in the fourth quarter. During this time period, investment expenditures increased by 6.1% year on year, accounting for 1.5 percentage points of GDP growth. The acceleration in investments was driven by construction activities, which remained positive, as well as an increase in machinery and equipment investments. Net exports, which had a positive outlook in the first three quarters of the year, reduced growth by 0.8 percentage points in the fourth quarter. This development was primarily driven by a 2.0% year-on-year decrease in exports and a 1.6% year-on-year increase in imports in the fourth quarter, while annual changes in export (30.3%) and import (24.0%) deflators diverged in favor of imports.

In 2024, consumption expenditures' contribution to annual growth fell to 2.9 points from 9.8 points in 2023. During this time, investment expenditures also lost momentum and contributed 1.0 point to growth. Net exports, which limited growth by 3.1 points in 2023, contributed 1.1 points to GDP growth in 2024, despite the fact that the TRY appreciated in real terms during the same time period. On the other hand, the negative contribution of stock change to growth (1.8 points) fell to its lowest level in four years as domestic demand rebalanced.

Household Consumption Expenditures

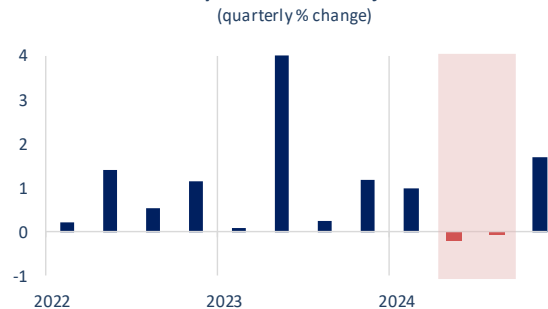


The industry sector made a positive contribution to growth in the last quarter of the year.

The industry sector had limited growth in the second and third quarters due to the tight monetary policy stance. In the last quarter of the year, the sector expanded by 2.6% qoq and 1.4% yoy thanks to the recovery in domestic demand, making a positive contribution of 0.3 percentage points to annual growth. Among the sub-items of GDP by the production approach, taxes and subsidies made the highest contribution to growth in the last quarter of the year with 1.2 percentage points. In this period, services recorded the weakest annual growth since the pandemic period. Thus, the contribution of services to growth declined to 0.9 points in line with the momentum loss in the sector.

Despite losing momentum throughout 2024, the services sector contributed the most to growth, accounting for 1.6 percentage points. Services were followed by taxes and subsidies, which contributed 0.9 percentage points. The industry sector contributed 0.1 percentage points to growth this year, reflecting strong growth in the first quarter and a recovery in the fourth quarter.

Seasonally and Calendar Adjusted GDP



Expectations...

The Turkish economy emerged from a technical recession as consumption and investment expenditures increased in the fourth quarter of the year. In 2025, we anticipate that domestic demand will continue to accelerate, albeit to a limited extent, as rate cuts continue. Under the assumption that fiscal policy will increase its support to the fight against inflation in the upcoming period, we think that the contribution of public spending to growth will remain limited. Although forecasting foreign trade in the midst of trade wars is difficult, we believe net exports will contribute to growth in a balanced manner by 2025. In addition to trade wars, we believe that the direction of EUR/USD parity and the economic outlook in our main export markets will have an impact on growth in 2025 via net exports. As a result, we expect the Turkish economy to grow in 2025 at a rate similar to that of 2024 and lower than its long-term average.

Source: CBRT, Datastream, ICI, TURKSTAT

Leading Indicators

Unemployment rate was 8.4% in January.

According to seasonally adjusted data, unemployment rate decreased by 0.1 point mom to 8.4% in January. In this period, labor force and employment decreased by 219K and 195K people, respectively. In January, labor force participation and employment rates decreased by 0.4 and 0.3 points to 53.7% and 49.2%, respectively. On the other hand, labor underutilization rate, which is the broadest unemployment indicator, increased by 0.1 point to 28.1% in January.

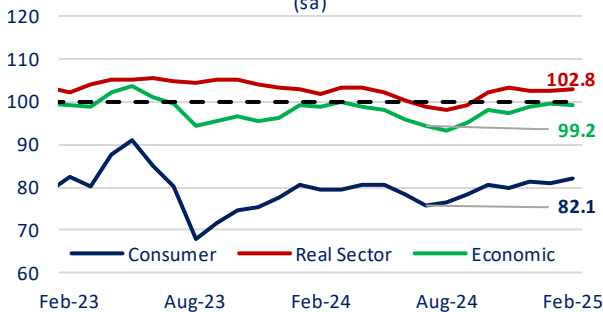
Manufacturing PMI rose slightly in February.

Although ISO Türkiye manufacturing PMI increased slightly to 48.3 in February, it remained below the threshold, indicating that operating conditions in the sector remained weak. Survey participants stated that demand conditions were weak in February, leading to a continued momentum loss in production and new orders. The lack of new orders also led manufacturers to reduce hiring and purchasing activities. Moreover, input cost inflation accelerated for the third consecutive month in February, while the rise in final product prices reached a five-month high.

Confidence indices displayed a mixed outlook in February.

According to seasonally adjusted data, consumer confidence index increased by 1.4% mom in February and reached 82.1, the highest level since June 2023. In this period, all the consumers' assessments regarding the current and future periods improved, while household financial situation expectations for the next 12 months increased the fastest by 3.1%. In February, seasonally adjusted real sector confidence index rose by 0.2 points compared to the previous month and became 102.8. On the other hand, in the same period, sectoral confidence decreased by 1.9% and 2.7% in services and construction sectors, respectively, while it rose by 1.6% in retail trade sector. Thus, economic confidence index decreased by 0.5% to 99.2 in February.

Confidence Indices
(sa)



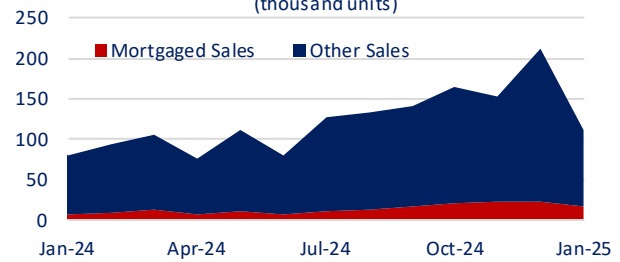
House sales fell to the lowest level of the last 7 months in January.

In January, house sales in Türkiye increased by 39.7% yoy to 112,173 units, the lowest level in the last 7 months. In this period, the share of mortgaged house sales, which surged by 182.8% yoy to 16,726 units, was realized as 14.9% of total sales. In January, house prices rose by 4.7% mom, displaying the fastest monthly rise since September 2023. On the other hand, this increase remained below the monthly CPI inflation, indicating that house prices continued to decline in real terms. The annual increase in house prices was realized as 31.9%, while the real decline in prices was 7.2%. In January, house prices increased by 29.6% in Istanbul and Izmir, below the national average, while they rose by 36.6% in Ankara.

Automotive production decreased on an annual basis in January.

According to data released by the Automotive Manufacturers' Association (AMA), automotive production decreased by 2.8% yoy to 105,397 units in January due to the contraction in commercial vehicles. In this period, automobile production increased. In January, domestic sales decreased by 14.7% yoy while automotive exports increased by 3.5% yoy to 78,191 units.

House Sales
(thousand units)



Source: CBRT, Datastream, ICI, TURKSTAT

Foreign Trade and Balance of Payments

Foreign trade deficit narrowed by 22.7% in 2024.

According to Turkstat, exports increased by 2.1% yoy to 23.4 billion USD in December and rose by 2.4% yoy to 261.9 billion USD in calendar year 2024. On the other hand, imports, which rose by 10.9% yoy to 32.2 billion USD in December, narrowed by 5% yoy to 344 billion USD in 2024 due to the decline in energy prices and gold imports. Thus, foreign trade deficit narrowed by 22.7% yoy to 82.2 billion USD in 2024. The imports coverage ratio increased from 70.6% in 2023 to 76.1% in 2024.

Current account deficit was 10 billion USD in 2024.

In December, current account posted a deficit of 4.7 billion USD, above the market expectations of 4.0 billion USD due to the foreign trade deficit reaching the highest level of the last 8 months in line with the rapid increase in imports. Moreover, the decline in travel revenues to its lowest level since February, due to seasonal factors, limited the contribution of services revenues to the current account balance as well. Although non-monetary net gold imports declined slightly in December, net energy imports reached 5.5 billion USD, the highest level since February 2023. Thus, current account surplus excluding gold and energy declined to 2.5 billion USD.

In 2024, in line with the contraction in foreign trade deficit and the favorable outlook in tourism revenues, the current account deficit decreased by 75% compared to 2023 and came down to 10 billion USD. In this period, gold and energy excluded current account surplus became 52.7 billion USD.

Net direct investments in December were realized at the highest level of the last 2.5 years.

In December, net direct investments in Türkiye were realized as 1.1 billion USD, the highest level since June 2022. In this period, non-residents' capital investments in Türkiye

amounted to 1.2 billion USD, while wholesale and retail trade and manufacturing of food, beverage and tobacco products stood out with 565 million USD and 139 million USD, respectively. On the other hand, net direct investments decreased slightly by 0.7% yoy to 4.7 billion USD in 2024.

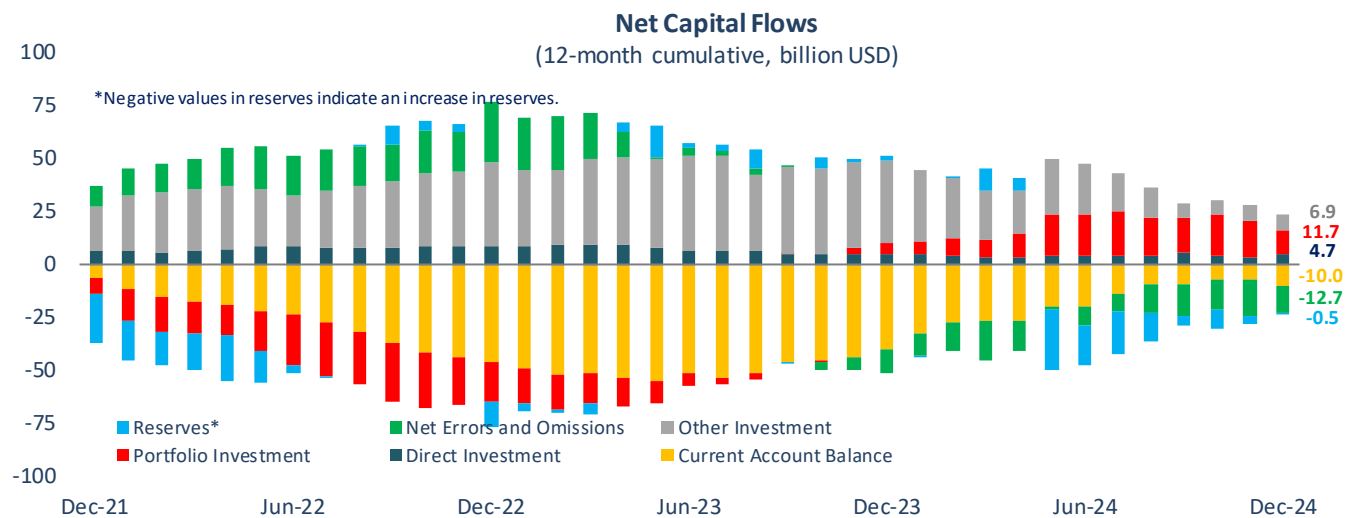
Net capital outflow in portfolio investments in December...

CBRT revised the portfolio investments item by changing the content and presentation of debt securities issued abroad by residents. According to the revised data, portfolio investments posted a capital outflow of 1.5 billion USD in December. In this period, while residents' net asset acquisition abroad increased slightly, the main factor triggering capital outflows was the 627 million USD decline in net liability formation due to the sales in debt securities. In December, debt securities of the general government and non-banking sectors decreased by 639 million USD and 113 million USD, respectively, while net capital inflows in the equity market were limited to 77 million USD.

On the other hand, with the favorable course throughout the year, net capital inflows in portfolio investments were 2.1 times higher than its level in 2023 reaching 11.7 billion USD in 2024. In this period, the approximately quadrupling of net capital inflows to the debt securities market was the main factor supporting portfolio investments.

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

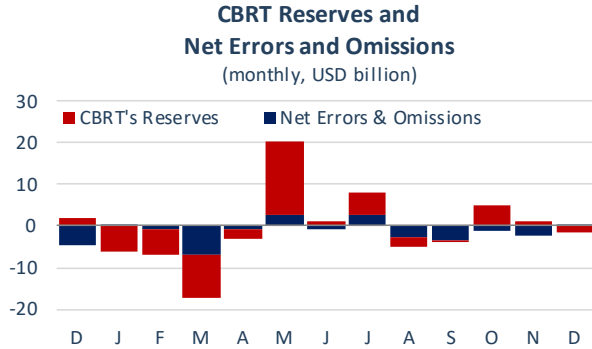
In December, other investments recorded a net capital inflow of 3.4 billion USD. In this period, net capital outflow of 1.6 billion USD in currency and deposits item was noteworthy. This development was mainly driven by the rapid increase in net acquisition of financial assets amid a surge in domestic banks' FX-denominated currency and deposits in their foreign correspondents and the 1.4 billion USD decrease in short-term deposits at the CBRT. On the loans side, net capital inflows continued with 4.1 billion USD in December.



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

On the other hand, net capital inflows in other investments decreased by 82.2% yoy to 6.9 billion USD in 2024. In the same period, while the net capital inflow in the loans item increased approximately 2.5 times, the long-term debt rollover ratio was 140.9% in the banking sector and 117.2% in other sectors.



Reserves and net errors and omissions...

Reserve assets, which decreased by 1.6 billion USD in December, increased by 493 million USD in 2024. Net errors and omissions item, which recorded a capital inflow of 57 million USD in the last month of the year, recorded an outflow of 12.7 billion USD throughout the year.

Expectations

In 2024, when the current account balance outlook improved significantly compared to the previous year, the current account deficit/GDP ratio decreased to 0.8%, considering the GDP forecast announced in the MTP. The economic policies that came to the agenda after Trump was sworn in as the new US president in January 2025 cause uncertainties in terms of the course of global trade as well as commodity prices in the upcoming period. These developments will be closely monitored for the course of imports and the outlook in Türkiye's main export markets.

Balance of Payments

(million USD)

	Dec. 2024	Dec. 2023	Jan. - Dec. 2024	% Change
Current Account Balance	-4,650	-39,877	-9,973	-75.0
Foreign Trade Balance	-6,243	-86,280	-56,258	-34.8
Services Balance	3,148	57,266	61,992	8.3
Travel (net)	2,142	42,157	48,953	16.1
Primary Income	-1,668	-11,420	-15,779	38.2
Secondary Income	113	557	72	-87.1
Capital Account	-9	-204	-126	-38.2
Financial Account	-4,602	-51,406	-22,795	-55.7
Direct Investment (net)	-1,138	-4,694	-4,661	-0.7
Portfolio Investment (net)	1,479	-5,652	-11,680	106.7
Net Acquisition of Financial Assets	852	1,881	9,532	406.8
Net Incurrence of Liabilities	-627	7,533	21,212	181.6
Equity Securities	77	1,387	-2,507	-
Debt Securities	-704	6,146	23,719	285.9
Other Investment (net)	-3,386	-39,033	-6,947	-82.2
Currency and Deposits	1,623	-23,492	13,971	-
Net Acquisition of Financial Assets	1,151	4,167	12,440	198.5
Net Incurrence of Liabilities	-472	27,659	-1,531	-
Central Bank	-1,375	13,512	-11,866	-
Banks	903	14,147	10,335	-26.9
Foreign Banks	244	10,192	6,725	-34.0
Foreign Exchange	512	7,143	2,565	-64.1
Turkish Lira	-268	3,049	4,160	36.4
Non-residents	659	3,955	3,610	-8.7
Loans	-4,138	-10,696	-26,243	145.4
Net Acquisition of Financial Assets	204	-1,660	2,261	-
Net Incurrence of Liabilities	4,342	9,036	28,504	215.4
Banking Sector	2,816	7,465	24,956	234.3
Non-bank Sectors	1,211	910	2,869	215.3
Trade Credit and Advances	-866	-4,898	5,391	-
Other Assets and Liabilities	-5	53	-66	-
Reserve Assets (net)	-1,557	-2,027	493	-
Net Errors and Omissions	57	-11,325	-12,696	12.1

Source: CBRT, Ministry of Trade, Datastream, TURKSTAT

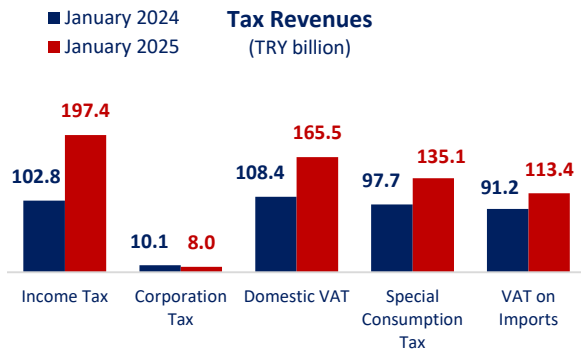
Budget Balance

Central government budget posted a deficit of 139.3 billion TRY in January.

In January, central government budget revenues increased by 48.6% yoy to 917.1 billion TRY, while budget expenditures rose by 37.6% yoy to 1.1 trillion TRY. Thus, in the first month of the year, central government budget deficit narrowed by 7.6% yoy to 139.3 billion TRY. Primary budget posted a surplus of 23.8 billion TRY in January.

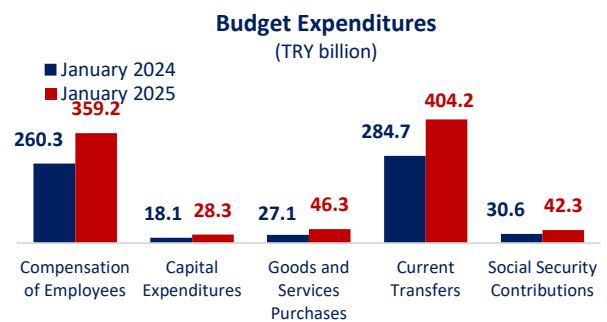
Tax revenues increased by 53.3% yoy.

In January, tax revenues increased by 53.3% yoy to 792.7 billion TRY with the contribution of the tax adjustments at the beginning of the year. The rise in tax revenues was mainly led by income tax, which increased by 91.9% yoy to 197.4 billion TRY. Domestic value-added tax (VAT) recorded an annual rise above the CPI inflation with 52.6% yoy and became 165.5 billion TRY. Special consumption tax (SCT) revenues from petroleum and natural gas products also rose by 53.9% yoy in January. On the other hand, SCT on motor vehicles displayed a limited increase of 31.4% yoy due to the weak outlook in the automotive market and caused the annual rise in total SCT revenues to remain below the CPI inflation with 38.2%. The 20.9% annual decline in corporate tax revenues in January limited the increase in tax revenues.



The rise in interest expenses lost momentum.

Current transfers and personnel expenditures, which increased by 42% yoy and 38% yoy, respectively, constituted 72.3% of total budget expenditures in January. In this period, purchase of goods and services and capital expenditures also recorded annual increases above CPI inflation by 71.3% and 56.4%, respectively. In the same period, 60.8 billion TRY was paid to Social Security Institutions and 35 billion TRY was paid to Pipelines and Petroleum Pipeline Transportation Co. (BOTAŞ) from assignment expenditures, which increased by 72.2% yoy. On the other hand, lending expenditures contracted by 52.4% yoy in January, under which a total of 9.1 billion TRY was paid to public enterprises. In this period, annual increase in interest expenditures lost momentum and was realized as 34.6%.



Expectations...

In the first month of the year, the central government budget deficit constituted 7.2% of the target set for 2025 in the Medium Term Program. In the coming period, a tighter stance in terms of public expenditures and thus fiscal policy compared to 2024 will be important for the fight against inflation in 2025.

Central Government Budget

	January		% Change	(billion TRY)	
	2024	2025		MTP Target	Real./ MTP Target (%)
Expenditures	768.0	1,056.3	37.6	14,731.0	7.2
Interest Expenditures	121.1	163.0	34.6	1,950.0	8.4
Non-Interest Expenditures	646.9	893.3	38.1	12,781.0	7.0
Revenues	617.2	917.1	48.6	12,800.3	7.2
Tax Revenues	517.2	792.7	53.3	11,138.8	7.1
Other Revenues	100.0	124.4	24.4	1,661.6	7.5
Budget Balance	-150.7	-139.3	-7.6	-1,930.7	7.2
Primary Balance	-29.6	23.8	-	19.3	123.1

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

Inflation

CPI increased below expectations in February.

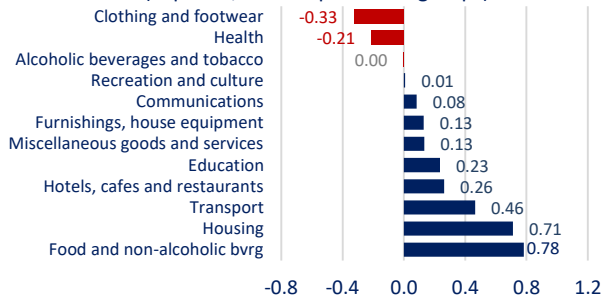
CPI rose 2.27% mom in February, below market expectations of 3%. Thus, annual CPI inflation dropped to 39.05%, its lowest level since June 2023. Domestic PPI also lost momentum in February, rising by 2.12%. Thus, annual producer price inflation reached 25.21%, the lowest level since December 2020.

February	CPI		D-PPI	
(change %)	2024	2025	2024	2025
Monthly	4.53	2.27	3.74	2.12
Year-to-Date	11.54	7.42	8.03	5.24
Annual	67.07	39.05	47.29	25.21
Annual Average	55.91	53.83	45.71	37.55

Food and non-alcoholic beverages was the group that pushed monthly CPI inflation up the most.

Prices increased in 9 out of 12 main expenditure groups on a monthly basis in February. In this period, food and non-alcoholic beverages group, where price increases were realized as 3.17%, was the main expenditure group that pushed monthly inflation up the most by 0.78 points. In February, the monthly increase in processed food prices was realized as 4.70%, while the decline in fresh vegetable prices limited inflation. Among basic headings, real rents made the highest contribution to monthly CPI inflation by 0.36 points in February. Moreover, price hikes in fresh fruits, beef & veal and bread pushed headline CPI inflation up by 0.40 points in total.

Contributions to the Monthly CPI Inflation (% points, main expenditure groups)



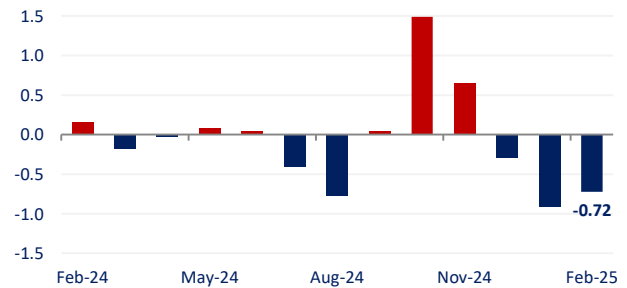
Education had the fastest price increase of any of the major expenditure categories, at 9.92%. Clothing and footwear (5.06%), health (4.38%), and alcoholic beverages and tobacco (0.01%) all experienced price decreases during this time period. In February, outpatient treatment services reduced monthly CPI inflation by 0.15 points, in line with the retrospective reduction in additional contribution fees.

Seasonal products suppressed CPI inflation in February.

In February, the A index excluding seasonal products increased by 3.0% more than headline CPI, indicating that seasonal factors contributed to lower-than-expected CPI inflation. In this period, B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold) and C index (CPI excluding energy,

food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) rose by 2.32% and 1.80%, respectively. The divergence in goods and services inflation, which became apparent in January, persisted in February, albeit with a slightly reduced gap. On a monthly basis, prices of goods and services rose by 1.63% and 3.61%, respectively. In this period, the decline in goods inflation was driven by seasonal falls in clothing and footwear and fresh vegetable prices. In the services index, where all sub-items recorded monthly increases, the highest monthly inflation was recorded in transportation services (7.30%). Among the basic headings of the transportation group, the 10.5% increase in passenger transport by local bus prices contributed 0.19 points to the monthly CPI inflation.

Seasonal Effects on Headline CPI Inflation (% points, mom)



Food products continued to be influential in the increase in domestic PPI.

Food products, whose prices increased by 2.33% in February, continued to be the division that pushed D-PPI inflation up the most by 0.48 points. Almost all divisions of the index experienced price increases during this period. The division that performed the highest price increases was crude petroleum and natural gas, by 6.29%.

Expectations...

Although CPI inflation fell below expectations in February, the data show that the decline in the underlying trend was not significant across products. The rapid decline in fresh vegetable prices due to seasonal effects, the fall in clothing prices due to the end of the winter season, and the withdrawal of the additional contribution payment for outpatient treatment services all contributed to a 0.75 point decrease in monthly CPI inflation. As a result, excluding seasonal effects and administered price adjustments, we calculate that February inflation was close to market expectations as implied by core indicators. However, given that the inflationary pressure caused by price revisions and wage hikes at the start of the year has traditionally lasted into February, we believe that the recovery in headline inflation will contribute to better inflation expectations, which will support the improvement in the underlying trend of inflation in the coming months.

Financial Markets

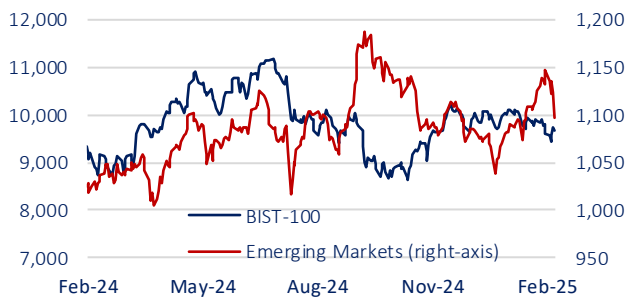
	31-Jan	28-Feb	Change
5-Y CDS (basis points)	252	254	2 bp ▲
TR 2-Y Benchmark Yield	38.16%	38.2%	4 bp ▲
BIST-100	10,004	9,659	-3.5% ▼
USD/TL	35.6977	36.3935	1.9% ▲
EUR/TL	36.9947	37.7656	2.1% ▲
Currency Basket*	36.3462	37.0796	2.0% ▲

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

BIST-100 index fell by 3.5% in February.

BIST-100 index, which followed a volatile course in the first half of February, began to decline in the second half of the month and ended the month with a 3.5% decrease. Therefore, the index diverged negatively from the MSCI Emerging Markets Index, that rose by around 0.4% in February. Türkiye's 5-year CDS risk premium followed a flat course in a narrow band and ended February at 254 basis points. At the end of February, the USD/TRY was 36.39 and the EUR/TRY was 37.77. In the same period, 2-year and 10-year benchmark bond yields increased by 4 basis points and 92 basis points to 38.20% and 27.62%, respectively.

BIST-100 & Emerging Countries Market Index



CBRT released the first Inflation Report of the year.

In its first Inflation Report of the year published on February 7, CBRT raised its year-end annual CPI inflation forecast for 2025 from 21% to 24%. This update stemmed from the revision in CPI weights as well as the revisions in food and administered price hikes forecasts. CBRT kept its inflation forecast for 2026 unchanged at 12%, while its 2027 forecast was set at 8%. CBRT Governor Karahan emphasized that they are not on "autopilot mode" in the interest rate cut process and stated that the data-driven approach will be decisive in the decisions to be taken in the months ahead.

Households' inflation expectations rose in February.

According to the data released by CBRT, inflation expectations of economic agents diverged in February. In this period, 12-month-ahead annual inflation expectations decreased by 0.1 point mom to 25.3% among market participants and by 1.9 points to 41.9% in the real sector. Households' inflation expectations for the same period

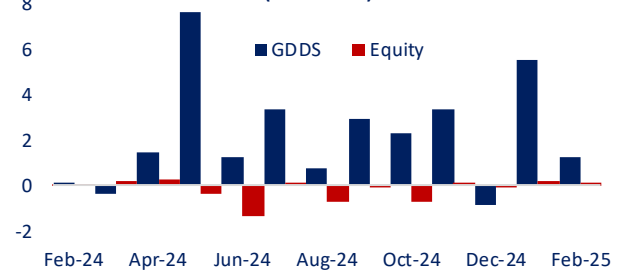
increased for the first time in 5 months (by 0.4 points) to 59.2%. The proportion of households expecting a fall in inflation in the next 12 months decreased by 2.5 points mom to 28.3%.

According to the results of Survey of Market Participants, in February, participants' inflation expectations for end-2025 rose by 1.25 points to 28.30% and for end-2026 by 0.43 points to 19.10%. Participants' USD/TRY exchange rate expectation for the end of 2025 decreased slightly compared to January survey results and became 42.89, while growth expectation decreased by 0.1 points to 3.0%.

Non-residents' portfolio...

According to price and exchange rate adjusted data, as of February 21, non-residents' equity portfolio increased by net 133 million USD and government securities (GDDS) portfolio rose by net 1.2 billion USD compared to the end of January. Thus, since the beginning of the year, equity market recorded a net capital inflow of 330 million USD and GDDS market recorded a net capital inflow of 6.8 billion USD. CBRT's gross total reserves reached 170 billion USD as of February 21, after hitting a historic high of 173.2 billion USD in the week ended on February 14. As of the same date, CBRT's net international reserves were recorded as 72 billion USD.

Non-residents' Securities Portfolio (billion USD)

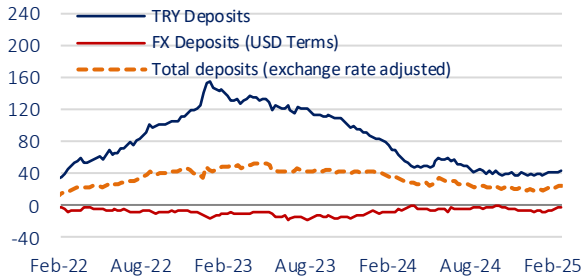


Banking Sector

The share of TL deposits declined to 63.7%.

According to BRSA's weekly data, as of February 21, TL deposits in the banking sector increased by 2.8% compared to the end of January and by 2% compared to the end of 2024, reaching 12.7 trillion TRY. In USD terms, FX deposit volume rose by 5.3% and 5.7% in the same periods and was realized as 199.4 billion USD, respectively. Thus, total deposit volume became 19.9 trillion TRY, while the share of TL deposits in total deposits declined from 64.7% at the end of January to 63.7% as of February 21.

Deposit Growth
(annual % change)

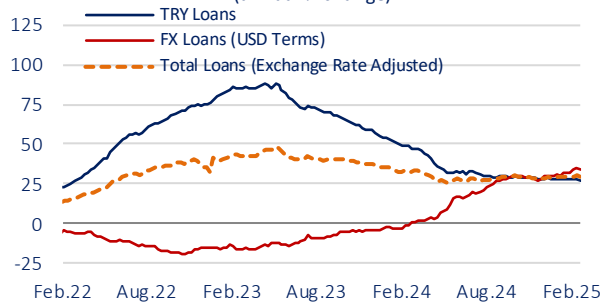


As of February 21, FX-protected deposit accounts (FXPD) volume decreased by 11.7% compared to end-January to 879 billion TRY (USD24.3 billion). Thus, the share of FXPD in TL deposits declined to 6.9%. The CBRT announced that account opening and renewal transactions of legal entities in all FXPD, including YUVAM accounts, were terminated as of February 15, 2025.

TRY loan volume expanded by 1.1% in February.

As of February 21, TL loan volume increased by 1.1% compared to end-January and by 3.3% compared to end-2024, reaching 10.4 trillion TRY. FX loans in USD terms rose by 1.8% compared to the end of January and by 4.2% ytd to 174.8 billion USD. Thus, the total loan volume of the banking sector increased by 5% ytd and reached 16.7 trillion TRY.

Loan Growth
(annual % change)



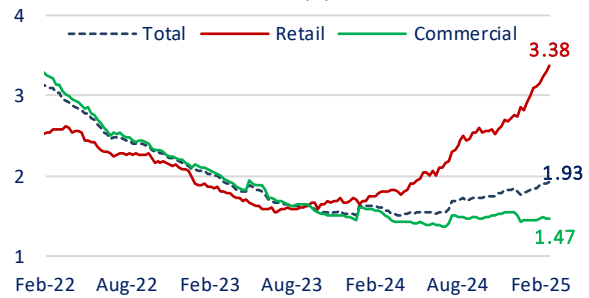
Contraction in vehicle loans continues.

As of February 21, housing and personal finance loans increased by 1.5% and 1.7%, respectively, and vehicle loans decreased by 4% compared to end-January. As of the same date, housing and personal finance loans rose by 4% and 4.8%, respectively, while vehicle loans contracted by 9.5% compared to end-2024. Thus, consumer loans increased by 1.5% compared to the end of January and by 4% ytd. On the other hand, as of February 21, retail credit card volume that decreased by 1.8% compared to the end of January, increased by 4.5% ytd.

NPL ratio...

As of February 21, non-performing loans ratio reached 3.38% for retail loans, the highest level since the end of 2019, and 1.47% for commercial loans. Thus, the banking sector's non-performing loans ratio rose to 1.93% as of February 21 from 1.89% at the end of January. This ratio was 1.78% at the end of 2024.

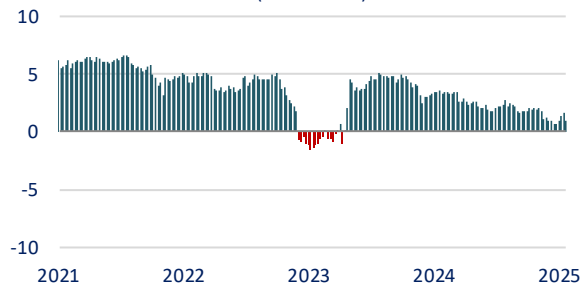
Non-performing Loans
(%)



Foreign currency net general position...

As of February 21, on-balance sheet FX position of the banking sector was (-)19,165 million USD and off-balance sheet FX position was (+)20,116 million USD. Thus, the sector's net foreign currency position was realized as (+) 952 million USD.

Net FX Position
(USD billion)



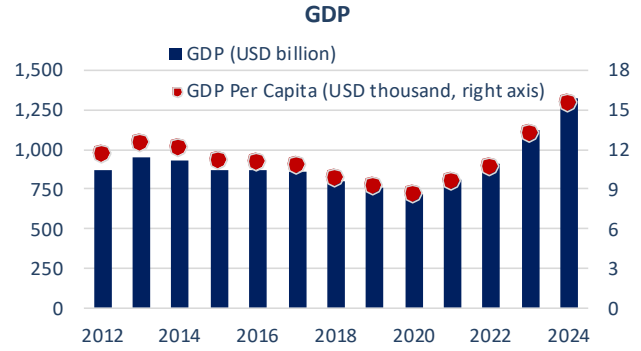
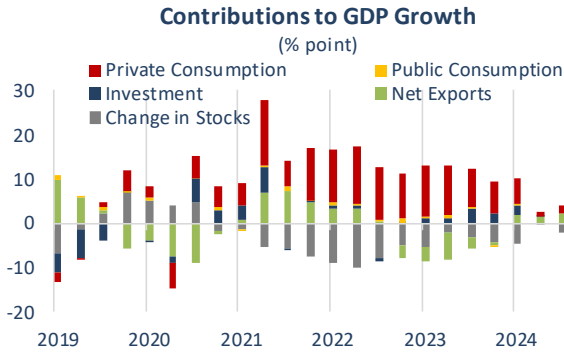
Source: BRSA Weekly Bulletin

Concluding Remarks

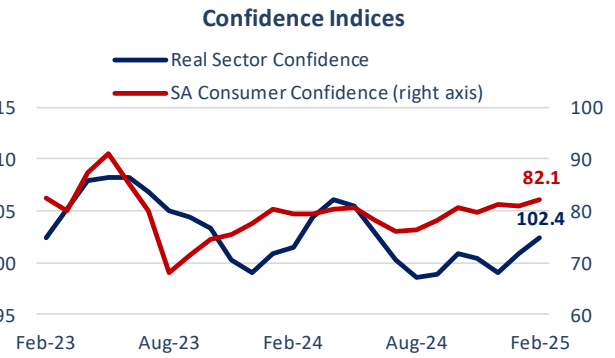
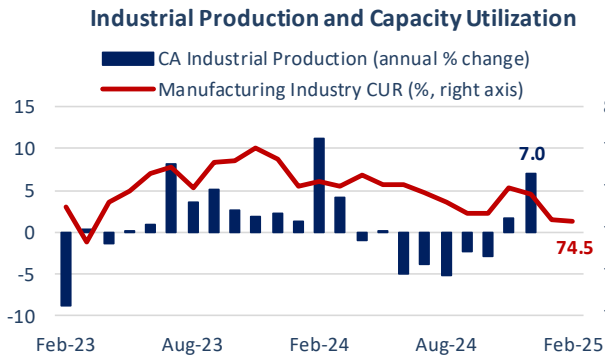
In February, US President Trump's statements on tariffs and negotiations to end the war in Ukraine were high on the agenda. Fed officials' concerns that new trade and immigration policies may lead to higher inflation have increased, while some indicators of inflation expectations in the country have deteriorated. Furthermore, Trump's tariff statement targeting the European Union raise uncertainties for economic growth and EUR/USD parity in Türkiye's main export market. In China, due to the possible restrictive outcomes of the ongoing trade war on economic growth through exports, additional incentives to stimulate domestic demand and measures to protect the market share of new technology products are among the expected developments.

Turkish economy grew by 3.2% in 2024 according to the chain linked volume index, above the market expectations. In this period, the contribution of consumption and investment expenditures to growth increased, but net exports limited growth. On the other hand, leading indicators for February suggest that pressures on manufacturing activity persist due to the weak domestic and external demand conditions. In the same period, consumer inflation presented a more favorable outlook than expected due to the retrospective discount on health additional contribution fees and seasonal factors.

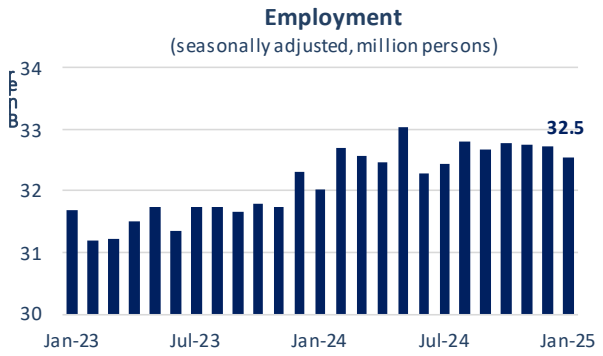
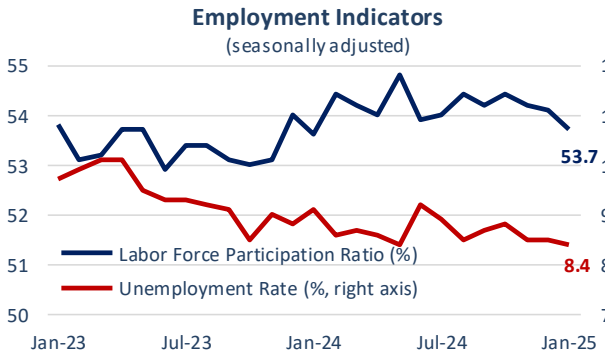
Growth



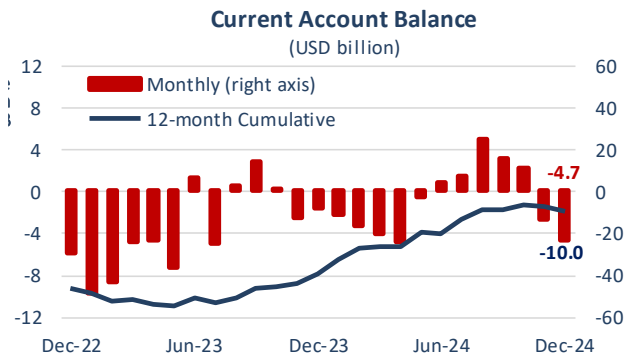
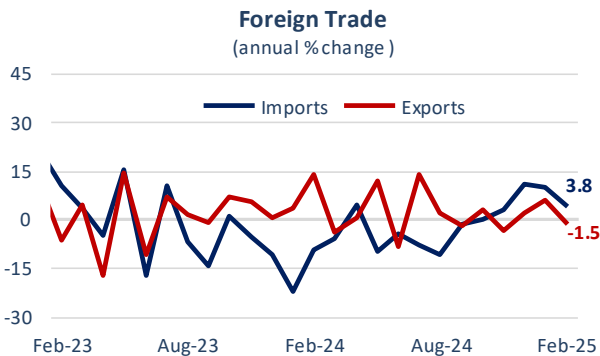
Leading Indicators



Labor Market



Foreign Trade and Current Account Balance

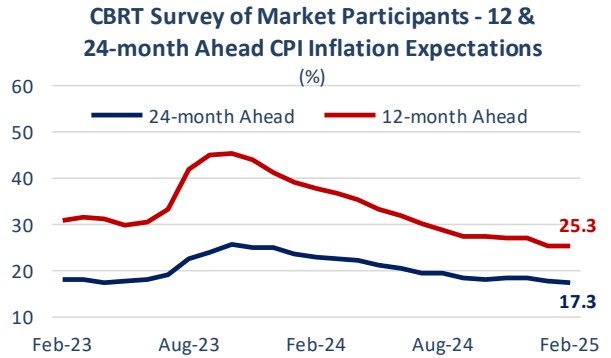
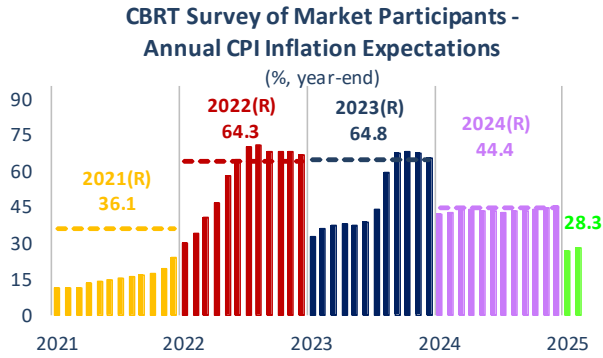
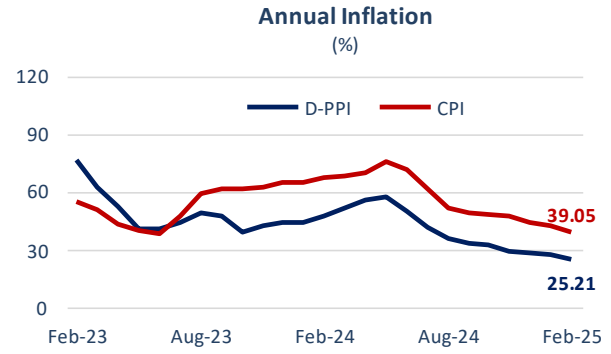
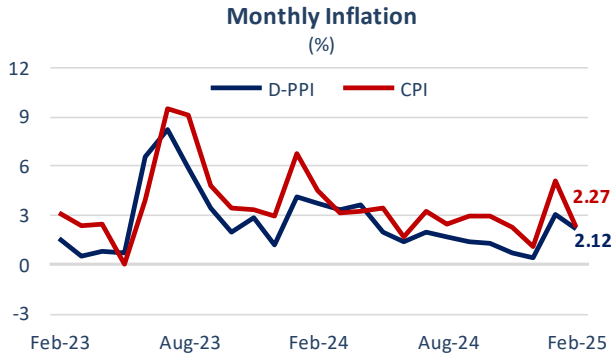


(CA): Calendar adjusted, (SA): Seasonally adjusted

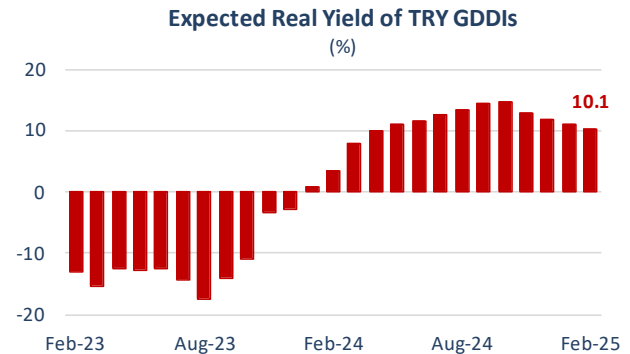
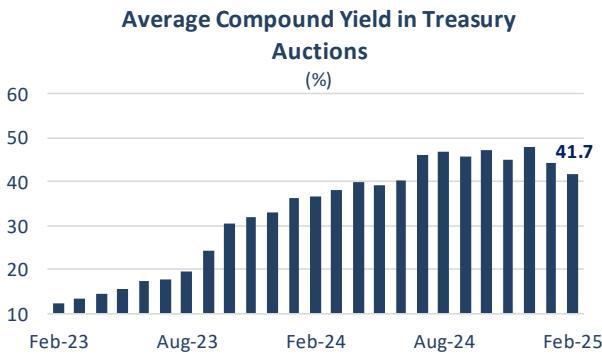
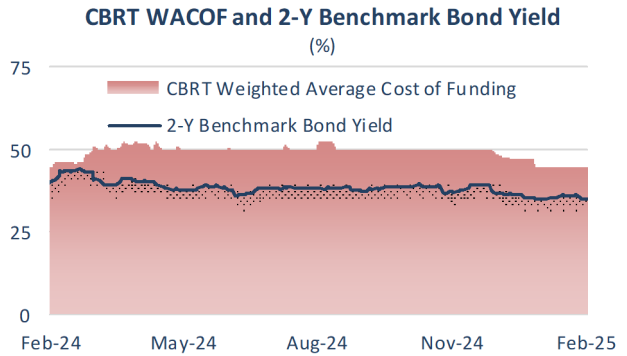
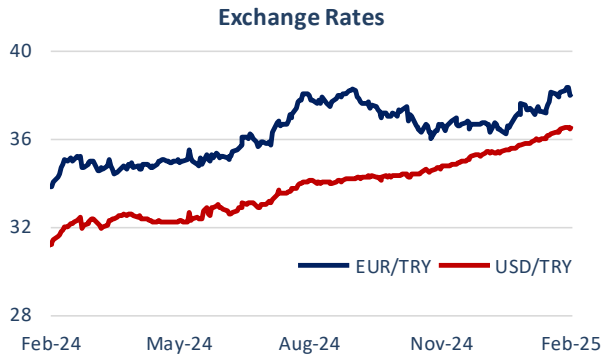
Source: Datastream, CBRT, Turkstat

Turkish Economy - Macroeconomic Indicators

Inflation



Foreign Exchange and Bond Market



(R) Realization

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

Turkish Economy - Macroeconomic Indicators

GROWTH	2020	2021	2022	2023	2024	24-Q2	24-Q3	24-Q4
GDP (USD billion)	717	808	906	1,130	1,322	307	359	369
GDP (TRY billion)	5,049	7,256	15,012	26,546	43,411	9,921	11,916	12,704
GDP Growth Rate (%)	1.9	11.4	5.5	5.1	3.2	2.4	2.2	3.0
INFLATION (%)						Dec-24	Jan-25	Feb-25
CPI (annual)	14.60	36.08	64.27	64.77	44.38	44.38	42.12	39.05
Domestic PPI (annual)	25.15	79.89	97.72	44.22	28.52	28.52	27.20	25.21
SEASONALLY ADJUSTED LABOR MARKET FIGURES						Nov-24	Dec-24	Jan-25
Unemployment Rate (%)	12.6	11.0	10.3	8.8	8.5	8.5	8.5	8.4
Labor Force Participation Rate (%)	49.1	52.6	53.9	54.0	54.1	54.2	54.1	53.7
FX RATES						Dec-24	Jan-25	Feb-25
CPI Based Real Effective Exchange Rate	65.0	50.3	58.6	59.5	72.5	72.46	75.30	74.96
USD/TRY	7.43	13.28	18.72	29.53	35.36	35.36	35.85	36.52
EUR/TRY	9.09	15.10	19.98	32.62	36.62	36.62	37.27	37.98
Currency Basket (0.5*EUR+0.5*USD)	8.26	14.19	19.35	31.08	35.99	35.99	36.56	37.25
FOREIGN TRADE BALANCE ⁽¹⁾ (USD billion)						Nov-24	Dec-24	Jan-25
Exports	169.6	225.2	254.2	255.6	261.8	261.3	261.8	263.0
Imports	219.5	271.4	363.7	362.0	344.0	340.9	344.0	346.5
Foreign Trade Balance	-49.9	-46.2	-109.5	-106.3	-82.2	-79.5	-82.2	-83.6
Import Coverage Ratio (%)	77.3	83.0	69.9	70.6	76.1	76.7	76.1	75.9
BALANCE OF PAYMENTS ⁽¹⁾ (USD billion)						Oct-24	Nov-24	Dec-24
Current Account Balance	-31.0	-6.2	-46.3	-39.9	-10.0	-6.9	-7.0	-10.0
Capital and Financial Accounts	-38.7	3.4	-17.5	-51.4	-22.8	-21.2	-24.4	-22.8
Direct Investments (net)	-4.3	-6.2	-8.9	-4.7	-4.7	-4.3	-3.7	-4.7
Portfolio Investments (net)	9.8	7.6	18.5	-5.7	-11.7	-19.1	-16.7	-11.7
Other Investments (net)	-12.4	-21.3	-39.4	-39.0	-6.9	-7.2	-8.0	-6.9
Reserve Assets (net)	-31.9	23.3	12.3	-2.0	0.5	9.4	4.0	0.5
Net Errors and Omissions	-7.7	9.7	28.8	-11.3	-12.7	-14.1	-17.2	-12.7
Current Account Balance/GDP (%)	-4.3	-0.8	-5.1	-3.6	-0.8	-	-	-
BUDGET ⁽²⁾⁽³⁾ (TRY billion)						Nov-24	Dec-24	Jan-25
Expenditures	1,203.7	1,603.5	2,942.7	6,588.0	10,777.0	9,070.2	10,777.0	1,056.3
Interest Expenditures	134.0	180.9	310.9	674.6	1,270.5	1,195.2	1,270.5	163.0
Non-interest Expenditures	1,069.8	1,422.7	2,631.8	5,913.4	9,506.6	7,875.0	9,506.6	893.3
Revenues	1,028.4	1,402.0	2,800.1	5,207.6	8,670.9	7,793.3	8,670.9	917.1
Tax Revenues	833.3	1,165.0	2,353.4	4,501.1	7,304.9	6,597.1	7,304.9	792.7
Budget Balance	-175.3	-201.5	-142.7	-1,380.4	-2,106.1	-1,276.9	-2,106.1	-139.3
Primary Balance	-41.3	-20.7	168.2	-705.8	-835.7	-81.7	-835.7	23.8
Budget Balance/GDP (%)	-3.5	-2.8	-1.0	-5.2	-4.9	-	-	-
CENTRAL GOVERNMENT DEBT STOCK (TRY billion)						Nov-25	Dec-24	Jan-25
Domestic Debt Stock	1,060.4	1,321.2	1,905.3	3,209.3	4,959.9	4,787.9	4,959.9	5,216.1
External Debt Stock	752.5	1,426.6	2,130.1	3,527.3	4,290.9	4,216.7	4,290.9	4,363.2
Total Debt Stock	1,812.8	2,747.8	4,035.4	6,736.6	9,250.8	9,004.6	9,250.8	9,579.3

(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

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2019	2020	2021	2022	2023	Dec.24	Jan.25	Change ⁽¹⁾
TOTAL ASSETS	4,491	6,106	9,215	14,347	23,550	32,657	33,366	2.2
Loans	2,656	3,576	4,901	7,581	11,677	16,052	16,374	2.0
TRY Loans	1,642	2,353	2,832	5,110	7,894	10,145	10,258	1.1
Share (%)	61.8	65.8	57.8	67.4	67.6	63.2	62.6	-
FX Loans	1,015	1,224	2,069	2,471	3,783	5,907	6,116	3.5
Share (%)	38.2	34.2	42.2	32.6	32.4	36.8	37.4	-
Non-performing Loans	150.8	152.6	160.1	163.4	191.9	293.6	315.0	7.3
Non-performing Loan Rate (%)	5.3	4.1	3.2	2.1	1.6	1.8	1.9	-
Securities	660	1,022	1,476	2,370	3,970	5,226	5,337	2.1
TOTAL LIABILITIES	4,491	6,106	9,215	14,344	23,550	32,657	33,366	2.2
Deposits	2,567	3,455	5,303	8,862	14,852	18,903	19,047	0.8
TRY Deposits	1,259	1,546	1,880	4,779	8,897	12,307	12,320	0.1
Share (%)	49.0	44.7	35.5	53.9	59.9	65.1	64.7	-
FX Deposits	1,308	1,909	3,423	4,083	5,955	6,596	6,727	2.0
Share (%)	51.0	55.3	64.5	46.1	40.1	34.9	35.3	-
Securities Issued	194	224	310	325	584	1,045	1,078	3.1
Payables to Banks	533	658	1,048	1,432	2,384	3,535	3,696	4.6
Funds from Repo Transactions	154	255	587	540	723	2,244	2,403	7.1
SHAREHOLDERS' EQUITY	492	600	714	1,407	2,153	2,898	2,998	3.5
Profit (Loss) of the Period	49.0	58.5	93.0	431.6	620.5	659.0	47.3	-92.8
RATIOS (%)								
Loans/GDP	61.5	70.9	68.0	28.6	26.9			
Loans/Assets	59.1	58.6	53.2	52.8	49.6	49.2	49.1	-
Securities/Assets	14.7	16.7	16.0	16.5	16.9	16.0	16.0	-
Deposits/Liabilities	57.2	56.6	57.5	61.8	63.1	57.9	57.1	-
Loans/Deposits	103.5	103.5	92.4	85.5	78.6	84.9	86.0	-
Capital Adequacy (%)	18.4	18.7	18.4	19.5	19.1	19.7	17.7	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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