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## Economic Research Division

İzlem Erdem  
Chief Economist  
izlem.erdem@isbank.com.tr

Alper Gürler  
Unit Manager  
alper.gurler@isbank.com.tr

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

İlker Şahin  
Economist  
ilker.sahin@isbank.com.tr

Gamze Can  
Economist  
gamze.can@isbank.com.tr

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## Global Economy

As the coronavirus epidemic worsened in Europe and the US in March, the possibility of a global economic crisis has strengthened. While international organizations have started to revise their estimations downwards, expectations for a global economic contraction in 2020 became widespread.

Governments and central banks on a global scale are announcing comprehensive measures to support the real sector and financial system. Financial support packages of 2.2 trillion USD and 750 billion EUR announced by governments in the US and Germany, respectively, stood out.

In March, Fed cut the policy rate by 150 bps to the range of 0-0.25%. Announcing that it will make unlimited bond purchases, Fed also cooperated with other central banks to increase global dollar liquidity by means of swap lines and repos.

While BoE expanded its current bond purchase program by 200 billion pound in the past month and made interest rate cuts to a total of 65 bps with two extraordinary meetings, ECB announced an emergency bond purchase program of 750 billion EUR. Bank of China made a rapid rate cut of 20 bps, exceeding the expectations.

The momentum loss in real economy became evident. PMI data in developed economies indicate that the slowdown in the service sector is much sharper than in manufacturing.

The fact that the March PMI data in China gave a return signal from the record low levels in February is seen as a promising development.

Despite the comprehensive measures taken, the concern of the global crisis put the stock markets under pressure. DXY index has peaked since January 2017, as the need for dollar liquidity remains high.

Oil prices fell sharply due to the concerns regarding global demand and the price wars.

## Turkish Economy

While the economic activity in Turkey slowed down significantly due to the coronavirus outbreak in March, the authorities are taking various measures to limit the effects of the virus. The CBRT held an unscheduled meeting on March 17, two days before the scheduled one, and cut the policy rate by 100 bps. The CBRT also took additional measures to secure uninterrupted credit flow to the corporate sector. BRSA made a series of new decisions to support the banking sector. The government has announced the "Economic Stability Shield" package worth of 100 billion TRY.

In 2019, the unemployment rate rose by 2.7 points compared to the previous year and became 13.7%. In this period, youth unemployment reached 25.4%.

The calendar adjusted industrial production expanded by 7.9% yoy in January. In this period, when the limiting effect of the virus outbreak has not been observed yet, the expansion in production has spread across all sub-sectors. On the other hand, following a two-month expansion period, manufacturing PMI data fell to 48.1 in March.

In January, the revisions in foreign trade statistics based on general trade system and the inclusion of international trade in services by Turkstat have been started to be reflected to balance of payments figures. While backward revisions were made for 2013-2019 period, according to new calculations the current account balance gave a deficit of 1.8 billion USD in January.

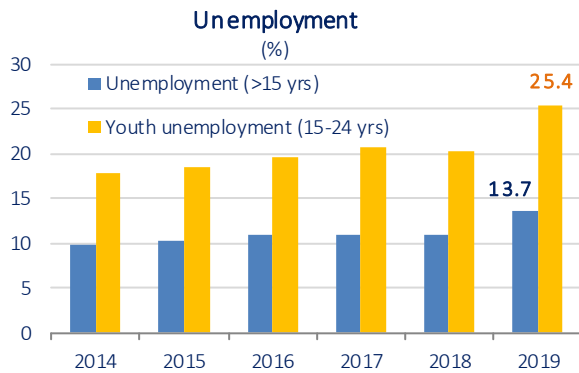
In February, the central government budget deficit narrowed by 56.1% on an annual basis to 7.4 billion TRY.

In March, while monthly CPI increased by 0.57%, annual CPI inflation became 11.86%. In the same period, monthly and annual domestic PPI (DPPI) increased by 0.87% and 8.5%, respectively.

## Leading Indicators

### Unemployment rate rose to 13.7% in 2019.

According to the annual data released by TURKSTAT, unemployment rate increased by 2.7 points yoy in 2019 and became 13.7%. Although the number of labor force increased by 275K people on an annual basis in 2019, the number of unemployed people increased by 932K as the employment declined by 658K people. In this period, depending on the course of economic activity, employment loss occurred in all the main sectors except the service sector. While the number of employed persons decreased by 200K in the agricultural sector, 113K in the industrial sector, 442K in the construction sector; it increased by 98K in the service sector. The rapid increase in the unemployment rate especially among the young population, covering the 15-24 age group, was remarkable last year. While the number of people participating in the workforce in the relevant age group did not change significantly during this period, the increase in the number of unemployed people by 264K caused the unemployment rate to increase by 5.1 points to 25.4%.

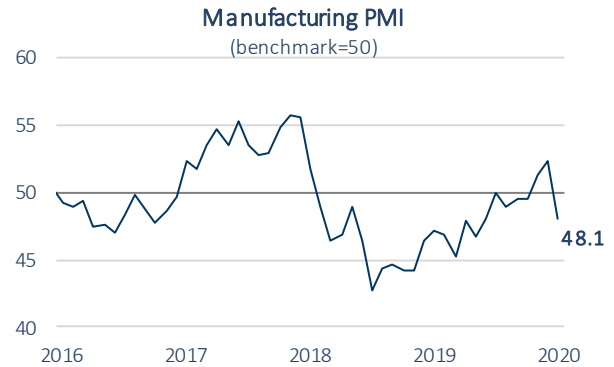


### Industrial production expanded by 7.9% yoy in January.

The recovery in industrial production continued in January, when the effects of the coronavirus epidemic were not yet observed. In this period, industrial production increased by 7.9% yoy according to calendar adjusted data. On the basis of product groups, the production of intermediate goods and non-durable consumption goods increased rapidly by 10.4% and 8.4%, respectively. On the other hand, capital goods manufacturing, which displayed a strong performance in the last quarter of 2019, started the year 2020 with a limited expansion of 3.5%, indicating a loss of momentum in investment expenditures. Manufacturing industry production, which contracted by 0.7% in the whole year of 2019, increased by 8.2% in January. The increase recorded in the manufacturing industry spread across all the sub-sectors in this period. On the other hand, according to leading indicators, the negative effects of the coronavirus outbreak have started to be reflected on industrial production in March.

### In March, manufacturing PMI deteriorated rapidly.

The manufacturing PMI, which reached the highest level in two years with 52.4 in February dropped to 48.1 in March and indicated a contraction in the sector as Turkey also started to be affected from the coronavirus epidemic. While production sub-index of PMI lost momentum for the first time in the last five months, new orders expanding in January and February declined in March. The rapid fall in new export orders was particularly effective in this decline. While the purchasing activities in the manufacturing industry also decreased in March, the continuation of the increase in the employment sub-index drew attention.



### Decline in the economic confidence index...

Since the confidence index is calculated according to the data compiled in the first half of every month, March index could only display a part of the deterioration in markets caused by epidemic concerns. In this period, the economic confidence index declined by 5.9% and fell to 91.8. This decline was caused mainly by the real sector and service sector confidence indices in which the expectations for the upcoming period deteriorated significantly. The consumer confidence and the construction sector confidence improved somewhat in this period.

### House sales continued to increase in February.

The strong rise in house sales continued in February thanks to the delayed demand and falling interest rates together with the low base effect. In this period, domestic sales increased by 51.4% on an annual basis and became 118,753. While mortgaged house sales increased by approximately 5 times, the increase in other house sales became 7.8%.

### Automotive and white goods markets...

Domestic sales of white goods expanded by 13% yoy in February. On the other hand, as the effects of the virus outbreak were felt relatively earlier in Turkey's export markets, the export volume decreased by 6% in the same period. Both the domestic market and exports are expected to contract significantly in the coming period. The domestic automotive market, which expanded around 90% in the first two months of the year, slowed down in March and grew only by 1.6%.

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

## Foreign Trade and Balance of Payments

### Foreign trade deficit increased by 72% yoy in February.

According to TURKSTAT data, the volume of exports increased by 2.3% yoy and reached 14.7 billion USD in February, while imports rose by 9.8% yoy to 17.6 billion USD. Thus, the foreign trade deficit widened by 72% yoy and reached 3 billion USD. In the period of January-February 2020, exports and imports expanded by 4.1% yoy and by 14.3% yoy, respectively. The exports coverage imports ratio, which was 87.5% in January-February 2019, declined to 76.8% in the same period of this year.

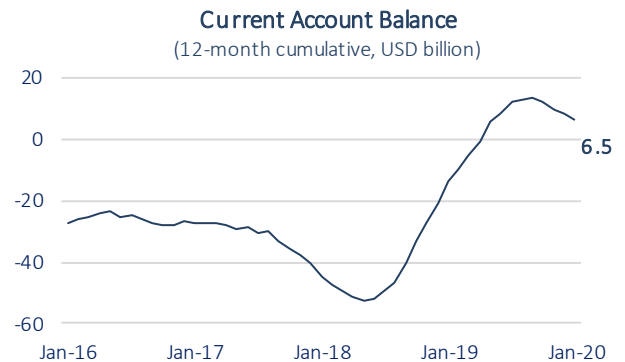
### Balance of payments data has been revised.

In January, the revisions in foreign trade statistics based on general trade system and the inclusion of international trade in services by Turkstat have been started to be reflected to balance of payments figures. In this framework, backward revisions were also made for 2013-2019 period. Accordingly, the current account surplus which was announced earlier at the level of 1.7 billion USD for 2019 was revised to 8 billion USD. Current account deficit for the end of 2018 was also decreased from 28.3 billion USD to 20.7 billion USD. The ratio of current account surplus to GDP at the end of 2019, which was 0.2% with the previous data, was increased to 1.1% after the revision.

	Current Account Balance (USD billion)			% of GDP		
	Old	Revised	Difference	Old	Revised	Difference (pp)
2013	-64.3	<b>-55.9</b>	8.4	-6.8	<b>-5.9</b>	0.9
2014	-44.9	<b>-38.8</b>	6.1	-4.8	<b>-4.2</b>	0.7
2015	-32.4	<b>-27.3</b>	5.0	-3.8	<b>-3.2</b>	0.6
2016	-31.5	<b>-26.8</b>	4.7	-3.7	<b>-3.1</b>	0.5
2017	-46.6	<b>-40.6</b>	6.0	-5.5	<b>-4.8</b>	0.7
2018	-28.3	<b>-20.7</b>	7.5	-3.6	<b>-2.6</b>	1.0
2019	1.7	<b>8.0</b>	6.3	0.2	<b>1.1</b>	0.8

### Current account posted a deficit of 1.8 billion USD.

In the first month of the year, the current account deficit rose nearly 7 times compared to the same period of the previous year and reached 1.8 billion USD. While the foreign trade deficit nearly tripled in this period reaching 3.2 billion USD, the upward trend in net travel revenues continued to be a development that limited the deterioration in the current balance. According to 12-month cumulative data, the current surplus fell to USD 6.5 billion in this period.



### Foreign direct investments continued to contribute to the financing of the current account deficit.

Foreign direct investments in Turkey became 932 million USD in January. In line with the previous months, around 60% of this amount came from real estate investments.

Portfolio investments recorded capital outflows as it was the case in December. In this period, nonresidents' equity securities and government domestic debt securities transactions recorded net sales of 333 million USD and 498 million USD, respectively.

Other investments recorded a net capital outflow of 1.2 billion USD in January. This was largely due to net loan repayments of the banking sector. Banks and other sectors made a total net repayment of 1.5 billion USD and 219 million USD, respectively. In January, 12-month cumulative long-term debt rollover ratios became 74% in banking sector and 91% in other sectors.

### Net Capital Inflows

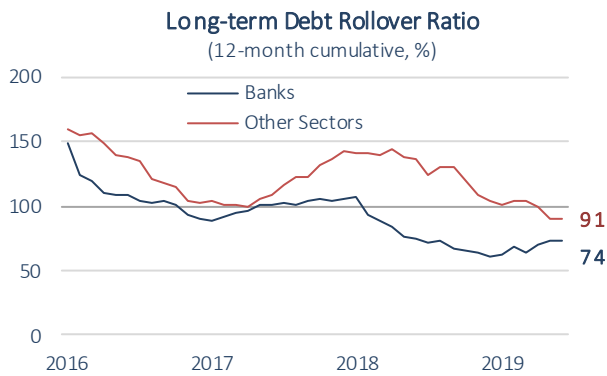
	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2019	Jan. 2020	Dec. 2019	Jan. 2020
<b>Current Account Balance</b>	<b>8,022</b>	<b>6,494</b>	<b>58.2</b>	<b>52.7</b>
<b>Total Net Foreign Capital Inflows</b>	<b>4,508</b>	<b>-2,763</b>	-	-
-Direct Investment	5,540	5,514	40.2	44.7
-Portfolio Inflows	-1,246	-8,597	-	-
-Other Investments	180	322	1.3	2.6
-Net Errors and Omissions	34	-2	0.2	-
<b>-Other</b>	<b>-6,206</b>	<b>-3,609</b>	-	-
<b>Reserves(1)</b>	<b>-6,324</b>	<b>-122</b>	-	-

Note: The numbers may not add up total due to rounding.

(1) (-) sign indicates an increase in reserves, while (+) sign indicates decrease.

Source: CBRT, Datastream

## Foreign Trade and Balance of Payments



### CBRT reserves declined by 2.9 billion USD.

In January, CBRT reserves recorded their strongest decline since March 2019 at 2.9 billion USD. In this period, a capital inflow of 574 million USD was experienced in net errors and omissions item.

### Expectations ...

The current account balance started the year with a deficit as the foreign trade deficit continued to widen thanks to the recovery in economic activity. According to the preliminary data released by the Ministry of Commerce, the coronavirus outbreak led the exports to decline by 17.8% in March, and the foreign trade deficit to expand rapidly by 181.8%. We estimate that the uncertainties created by the epidemic on a global scale will continue to put pressure on foreign trade and tourism revenues in the coming period.

	(USD million)			
	January		%	12-month
	2019	2020	Change	cumulative
<b>Balance of Payments</b>				
<b>Current Account Balance</b>	<b>-276</b>	<b>-1,804</b>	<b>553.6</b>	<b>6,494</b>
Foreign Trade Balance	-1,251	-3,245	159.4	-18,611
Services Balance	1,508	1,586	5.2	36,282
Travel (net)	988	1,100	11.3	25,831
Primary Income	-633	-340	-46.3	-12,246
Secondary Income	100	195	95.0	1,069
<b>Capital Account</b>	<b>28</b>	<b>-8</b>	-	<b>-2</b>
<b>Financial Account</b>	<b>-2,271</b>	<b>-1,238</b>	<b>-45.5</b>	<b>2,883</b>
Direct Investments (net)	-791	-765	-3.3	-5,514
Portfolio Investments (net)	-6,129	1,222	-	8,597
Net Acquisition of Financial Assets	-490	575	-	5,719
Net Incurrence of Liabilities	5,639	-647	-	-2,878
Equity Securities	1,300	-333	-	-1,227
Debt Securities	4,339	-314	-	-1,651
Other Investments (net)	1,381	1,239	-10.3	-322
Currency and Deposits	811	-472	-	-4,485
Net Acquisition of Financial Assets	3,170	2,068	-34.8	8,017
Net Incurrence of Liabilities	2,359	2,540	7.7	12,502
Central Bank	0	1	-	2,496
Banks	2,359	2,539	7.6	10,006
Foreign Banks	2,215	2,193	-1.0	6,206
Foreign Exchange	370	644	74.1	6,069
Turkish Lira	1,845	1,549	-16.0	137
Non-residents	144	346	140.3	3,800
Loans	2,545	1,724	-32.3	15,547
Net Acquisition of Financial Assets	-37	6	-	411
Net Incurrence of Liabilities	-2,582	-1,718	-33.5	-15,136
Banking Sector	-2,212	-1,503	-32.1	-10,621
Non-bank Sectors	-275	-219	-20.4	-3,638
Trade Credit and Advances	-1,971	-22	-98.9	-11,437
Other Assets and Liabilities	-4	9	-	53
Reserve Assets (net)	3,268	-2,934	-	122
<b>Net Errors and Omissions</b>	<b>-2,023</b>	<b>574</b>	-	<b>-3,609</b>

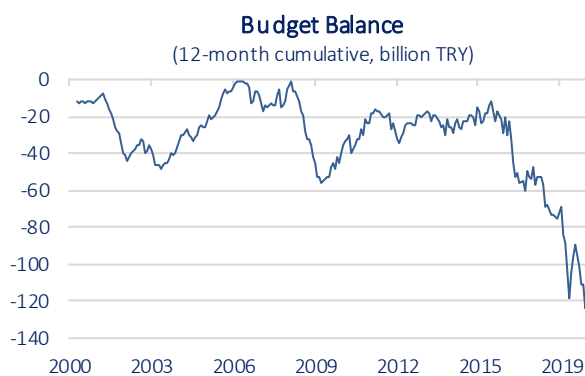
Source: CBRT, Datastream

## Budget Balance

In February, central government budget gave a deficit of 7.4 billion TRY.

In February, the central government budget deficit narrowed by 56.1% on an annual basis to 7.4 billion TRY. In this period, budget revenues expanded by 28.6% yoy to 86.1 billion TRY, while budget expenditures increased by 11.7% yoy to 93.5 billion TRY. The primary balance, which gave a deficit of 2.1 billion TRY in February 2019, posted a surplus of 6.8 billion TRY in the same month of this year.

Budget expenditures increased by 10.6% yoy in January-February period, while revenues expanded by 27.1% yoy. Thus, the budget, which posted a deficit of 11.7 billion TRY in the first two months of 2019, gave a surplus of 14.1 billion TRY in the same period of this year.



Tax revenues expanded by 24.7% yoy.

Tax revenues increased by 24.7% in the second month of the year, contributing 21.3 pts to the rise in budget revenues. 7.7 billion TRY expansion (42.8% yoy) recorded in provisional corporation tax played an important role in this development. In addition, VAT on imports expanded by 1.6 billion TRY (18.6%), driven also by the recovery in economic activity. The SCT from motor vehicles increased by 1.3 billion TRY (232.5%), thanks to the revival in automotive market as well as the low base driven from last year's tax incentive.

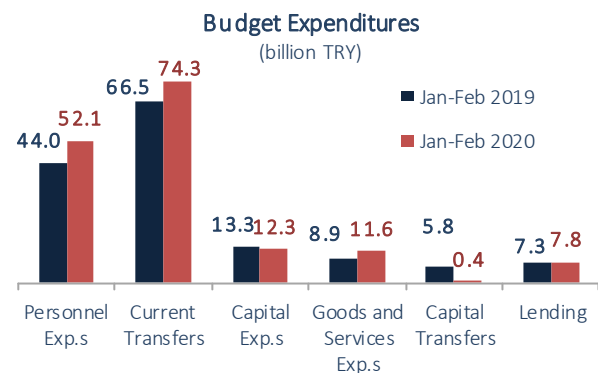
In January-February period, besides tax revenues, the rise in property revenues played a positive role in the budget performance thanks to the transfer of CBRT's

profit to the budget in the first month of the year. In this period, 379.4% yoy increase in interest revenues came to the fore in the expansion of budget revenues.

Interest expenditures declined in February.

The increase of 165.5% in lending, with the effect of fund transfers to TCDD (Turkish State Railways) stands out within budget expenditures in February. In addition, the expansion in goods and services expenditures, due to the annual increase in contracting expenditures, also played an important role in budget expenditures increase. Interest expenditures, on the other hand, fell by 3.7% in this period.

Capital transfers contracted by 93.9% in the first two months of this year, due to the high base effect led by 5.8 billion TRY capital transfer made in the January-February 2019 period. Thus, the decline in capital transfers limited the increase in budget expenditures by 3.1 pts.



Expectations...

In line with the concerns of the coronavirus outbreak, uncertainties regarding the course of global economic activity are rising. Although Turkey is one of the less infected countries, the support to economic activity through fiscal policies might be necessary if the global supply and demand shock limits the growth in Turkey. In such a situation we consider that the budget indicators would be affected in a negative way.

### Central Government Budget

(billion TRY)

	February			January-February			2020 Budget	
	2019	2020	% change	2019	2020	change	Target	Real/Target (%)
<b>Expenditures</b>	<b>83.7</b>	<b>93.5</b>	<b>11.7</b>	<b>175.6</b>	<b>194.2</b>	<b>10.6</b>	<b>1,095.5</b>	<b>17.7</b>
Interest Expenditures	14.7	14.2	-3.7	22.0	26.9	22.4	138.9	19.4
Non-Interest Expenditures	69.0	79.3	14.9	153.6	167.3	8.9	956.5	17.5
<b>Revenues</b>	<b>67.0</b>	<b>86.1</b>	<b>28.6</b>	<b>163.9</b>	<b>208.3</b>	<b>27.1</b>	<b>956.6</b>	<b>21.8</b>
Tax Revenues	57.5	71.7	24.7	113.2	139.1	22.9	784.6	17.7
Other Revenues	9.5	14.4	52.2	50.7	69.2	36.3	172.0	40.2
<b>Budget Balance</b>	<b>-16.8</b>	<b>-7.4</b>	<b>-56.1</b>	<b>-11.7</b>	<b>14.1</b>	<b>-</b>	<b>-138.9</b>	<b>-</b>
<b>Primary Balance</b>	<b>-2.1</b>	<b>6.8</b>	<b>-</b>	<b>10.3</b>	<b>41.0</b>	<b>298.6</b>	<b>0.1</b>	<b>-</b>

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

Source: Datastream, Ministry of Treasury and Finance

## Inflation

### In March, annual CPI declined to 11.86%.

In March, monthly CPI increased by 0.57%, in line with market expectations. In the same period, domestic PPI (D-PPI) increased by 0.87%. Annual consumer inflation, which has been following upward trend since November 2019, declined to 11.86% in March. Similarly, annual D-PPI inflation decreased slightly compared to February and became 8.5% in this period.

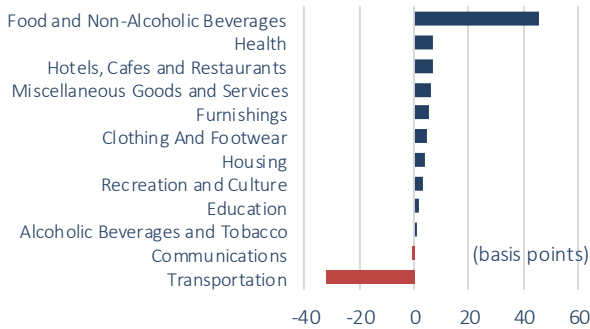
March (change %)	CPI		D-PPI	
	2019	2020	2019	2020
Monthly	1.03	0.57	1.58	0.87
Year-to-Date	2.27	2.29	2.14	3.22
Annual	19.71	11.86	29.64	8.50
Annual Average	18.70	13.33	31.17	12.61

### Rapid fall in fuel prices...

Prices increased in 10 out of 12 main expenditure groups in March compared to the previous month. The highest price increase (2.8%) was in health group due to the rise in pharmaceutical and healthcare prices. The mentioned group affected the monthly CPI inflation upwards by 8 bps. Food group, where prices rose by 2% in this period, also pushed monthly CPI up by 47 bps. The increase in unprocessed food prices, especially fresh fruits and vegetables, was effective in food inflation. Out of the top 10 selected items, which posted the highest increases on a monthly basis, 8 products were from food group.

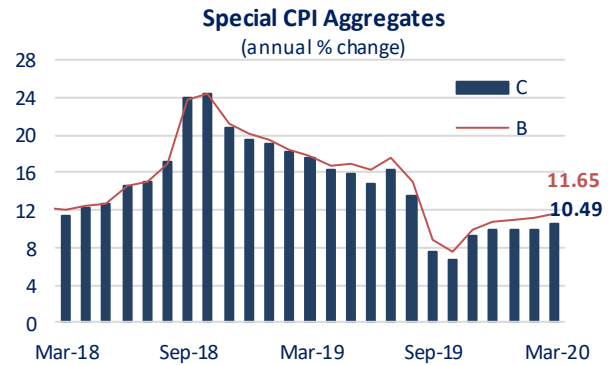
In March, weak oil demand caused by virus outbreak, and the increase of oil production of Saudi Arabia and Russia, resulted in a drop in oil prices on the global scale. In this period, gasoline and diesel prices in Turkey decreased by 14.3% and 9.9%, respectively. The said decreases refer to the highest monthly declines of the said items on 2003-based series. In line with these developments, the transport group limited monthly CPI inflation by 29 bps in March.

### Contributions to the Monthly CPI Inflation



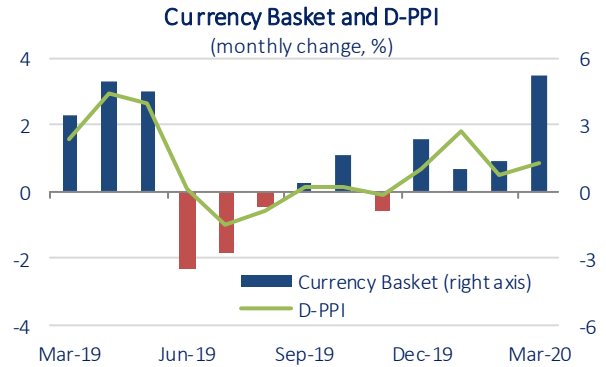
### Core inflation indicators...

The gradual rise in core inflation indicators B and C, which are closely monitored by the CBRT, continued in March. The annual increases in the B and C indices were realized as 11.65% and 10.49%, respectively.



### Exchange rate developments pushed D-PPI upwards.

Despite the fall in energy prices in March, the rise in exchange rates played a role in the course of D-PPI. The coke and refined petroleum products sub-sector, where prices dropped by 22.5% mom, limited the monthly increase in D-PPI by 95 bps, while the crude oil and natural gas sub-sector, where prices dropped by 14.8%, drew monthly producer prices 6 bps down. In March, food and main metals sub-sectors continued to stand out in the rise of D-PPI. The said two groups contributed 40 and 36 bps to the monthly D-PPI inflation, respectively.



### Expectations...

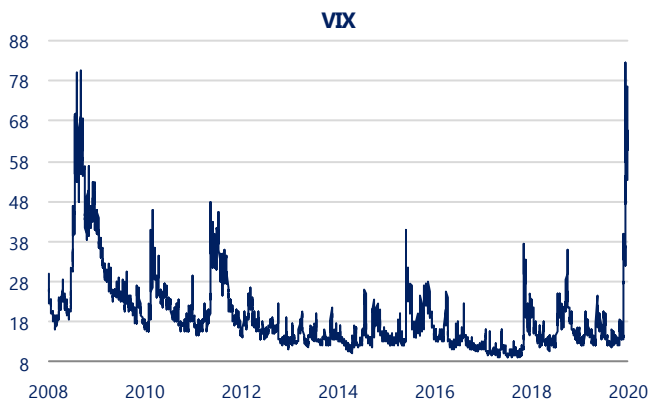
It is clear that uncertainties caused by virus outbreak will continue to be effective in the course of the global economy for a while. This outlook would also be influential on both commodity prices and exchange rate levels. Despite the taken measures, concerns regarding how and when production activities would gain stability increase the uncertainties for the level of prices in the upcoming period.

	28-Feb	31-Mar	Change
5-Y CDS (basis points)	373	541	167 bps ▲
TR 2-Y Benchmark Yield	12.41%	11.22%	-119 bps ▼
BIST-100	105,994	89,644	-15.4% ▼
USD/TRY	6.2493	6.5903	5.5% ▲
EUR/TRY	6.8645	7.2312	5.3% ▲
Currency Basket*	6.5569	6.9107	5.4% ▲

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

### High volatility in domestic markets...

Due to the coronavirus outbreak in March, the sales pressure in the global markets was also effective in the domestic markets. Although the measures announced by governments and central banks to combat the economic effects of the virus provided some relief, the volatility in the markets remained high.



### Measures taken in Turkey...

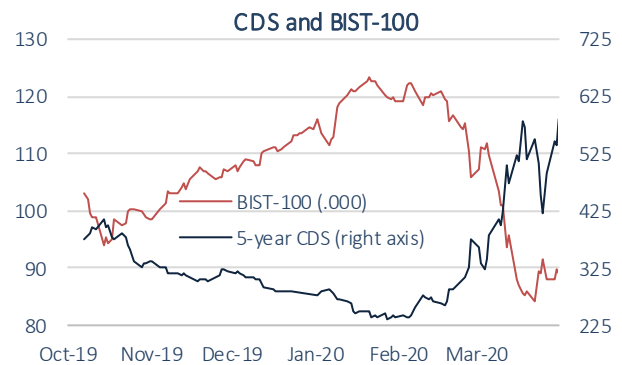
Holding an unscheduled meeting on March 17, two days before the scheduled one, the CBRT Monetary Policy Committee cut the policy interest rate by 100 basis points to 9.75%. On March 17 and 31, the CBRT also took a series of measures aiming to enhance banks' flexibility in TRY and FX liquidity management, to secure uninterrupted credit flow to the corporate sector, and broadly to support the goods and services exporting firms, which are affected by the pandemic, with an SME-focused approach. Within this framework, the CBRT has set a rediscount loan limit of 60 billion TRY for the companies having export and foreign currency earning services.

A support package titled "Economic Stability Shield" was announced on March 18. It was stated that approximately 100 billion TRY (approximately 2% of the GDP) will be used in order to reduce the negative effects of the virus outbreak on the economy. Within the scope of the package, it was announced that the Credit Guarantee Fund limit will be increased from 25 billion TRY to 50 billion TRY, financing support and 6-month deferral of tax payments will be provided to companies which are negatively affected and stock financing will be provided to exporters.

### Sharp fall in the stock market...

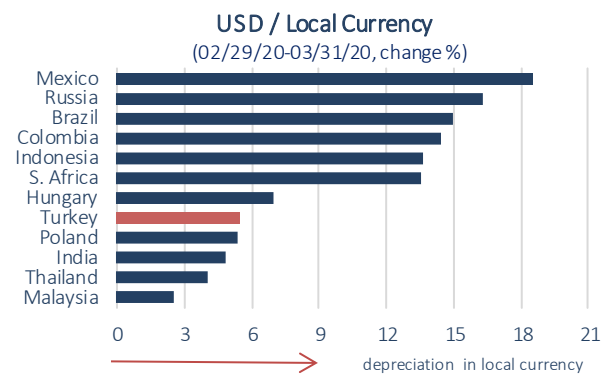
With the deterioration of the risk perception, Turkey's 5-year CDS premium increased to the level of 580 basis points in the first half of the month. Although it decreased to 541 basis points at the end of month with the support of the measures taken, it displayed a volatile outlook within a wide band throughout the month.

The BIST-100 index had a similar course in line with the global markets. The index, which declined sharply in the first half of the month and fell to its lowest level for more than 3 years, having a volatile performance in the second half. BIST-100 closed March at 89,644 with a 15.4% mom loss.



### Depreciation in TRY ...

Despite the expansionary monetary policies implemented by the main central banks, the Turkish lira depreciated in March along with other emerging market currencies. In this period, USD/TRY and EUR/TRY increased by 5.5% mom and by 5.3% mom, respectively. The compound interest rate of the 2-year benchmark bond decreased by 119 basis points mom and closed the month at 11.22%.



### Treasury increased the amount of domestic borrowing.

The Ministry of Treasury and Finance increased the amount of domestic borrowing for April and May. In the March-May period internal borrowing program, which was announced at the end of February, the Ministry envisaged 21.2 billion TRY and 19.3 billion TRY borrowing for April and May respectively. However, due to the recent developments, the amount of borrowing was increased to 30 billion TRY for both months.

Source: CBRT, Datastream, Reuters, BIST

### New regulations from the BRSA...

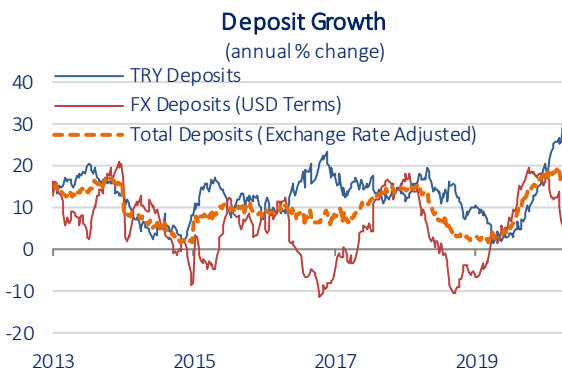
On March 17, the BRSA announced that the 90-day delay period for the classification of non-performing loans will be applied as 180 days until the end of this year. BRSA also made a facilitating arrangement for repayment of restructured loans. The Agency announced that the requirement for the loans having delayed principal and/or interest payments more than 30 days within one-year monitoring period or being restructured once again within this period to be classified as third group loans has been removed. BRSA also allowed a grace period until 31 December 2020 for the credit card debts including the minimum payment amount due.

BRSA, which also provided banks some ease of calculations regarding capital adequacy and net FX position until December 31, 2020 extended the specified deadlines for the first quarter reports by 60 days for financial institutions.

### Strong tendency to TRY deposits...

According to BRSA weekly data, expanding by 25.6% yoy and by 7.8% ytd, the deposit volume reached 2.770 billion TRY as of March 27. Annual increase of FX rate adjusted deposit volume was realized as 17.2%.

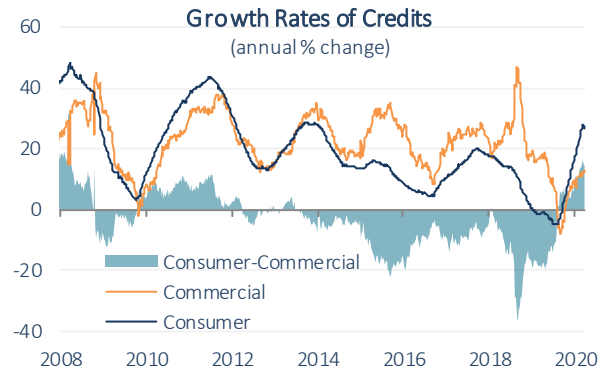
TRY deposit volume rose by 52.6 billion TRY since February 28, while FX deposit volume decreased by 2.9 billion USD in the same period. The annual increase in TRY deposit volume reached the peak of more than 14 years with 30.9%. Annual expansion rate of FX deposits in USD terms fell to 5.4%, the lowest level of this year.



### Total loan volume expanded by 14.2% yoy.

As of March 27, the total loan volume of the banking sector increased by 14.2% yoy and reached 2.871 billion TRY. TRY loan volume increased by 19.1% yoy thanks to the strong outlook in personal loan demand. FX loans in USD terms decreased by 6.9% in the same period. Thus, FX rate adjusted loan volume expanded by 17.19% yoy.

Analysis of loan types revealed that the volume of consumer loans grew by 26.5% yoy and reached 510 billion TRY as of March 27. In the same period, commercial loan volume increased by 11.9% to 2.247 billion TRY.

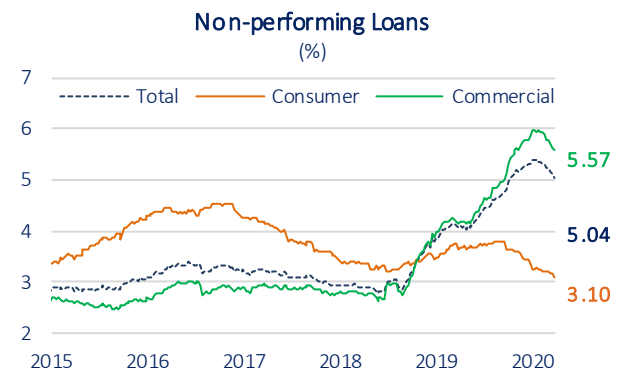


### Personal finance loans increased by 37.3% yoy.

Demand for personal finance loans, which have a significant share in consumer loans, remained strong in March. The growth in these loans was realized as 37.3% yoy. Vehicle loan volume expansion became 12.8% yoy, while the rise in housing loans was 14.5% yoy.

### Non-performing loan ratio became 5%.

As of March 27, the non-performing loan (NPL) ratio was realized as 5.04%. In this period, NPL ratio became 5.57% in commercial loans and 3.10% in retail loans.



### Net foreign currency position...

As of March 27, banks' on-balance sheet FX position was (-) 44,332 million USD, while off-balance sheet FX position was (+) 44,353 million USD. Hence, banking sector's net FX position was realized as (-)78 million USD.



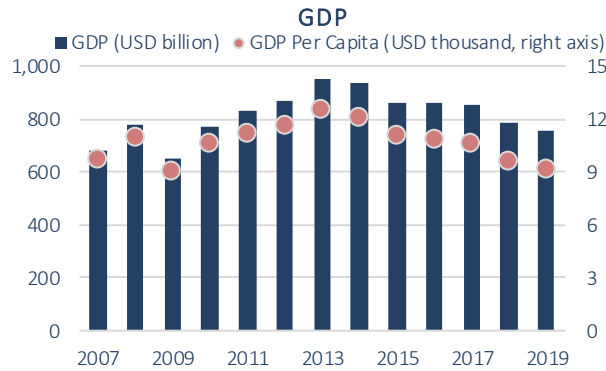
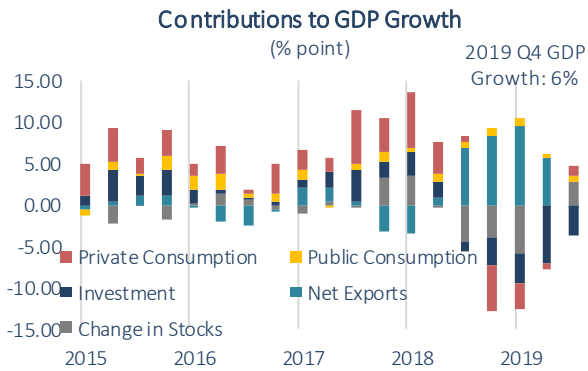
## Concluding Remarks

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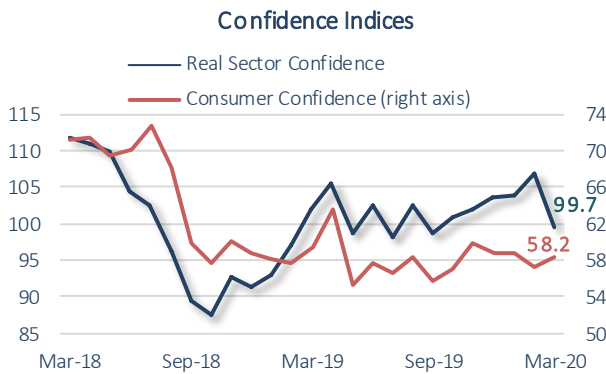
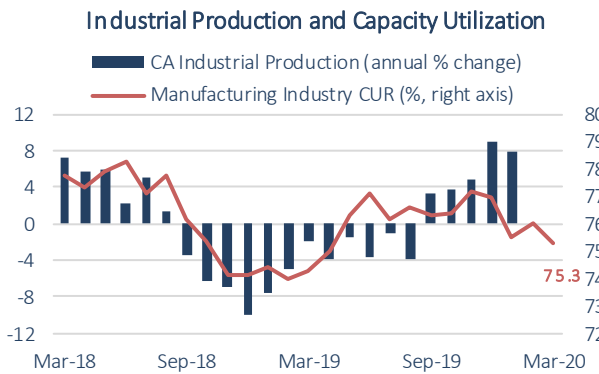
Uncertainty about when the coronavirus epidemic can be controlled on a global basis makes it difficult to predict the outlook for the coming period. That being said, expectations that the global economy will contract in 2020 are becoming more and more widespread. Despite the measures taken by both the governments and the central banks, it seems that the confidence in the real economy and market reactions are still far from normalizing. On the other hand, the fact that the epidemic remained relatively regional in China and the number of cases is kept under control for weeks stands out as developments that can feed optimism. The signal of China's manufacturing PMI data that the production activities are recovering is also interpreted as an important development. However, it is understood that it will take time to return to pre-epidemic levels in terms of service sector and consumption habits globally.

In such a global environment, the economic activity in Turkey, where the number of coronavirus cases is increasing, also suffers from the outbreak. Epidemic's rapid spread in Europe, where Turkey's economy is highly sensitive to, also affects the forecasts for the coming period negatively. Financial markets showed a weak performance. While the rise in Turkey's 5-year CDS premium continues, TRY assets remain under significant selling pressure. In this context, the measures taken by the government and legal authorities are of great importance in terms of supporting economic activity and ensuring financial stability.

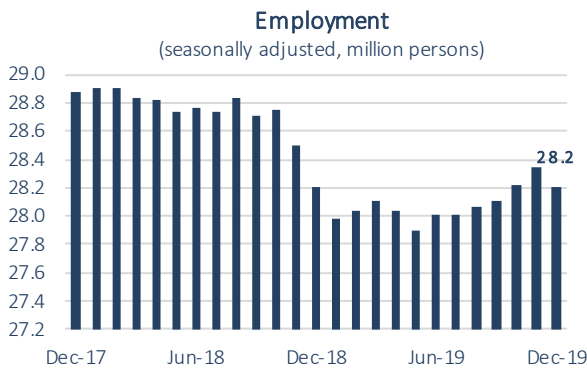
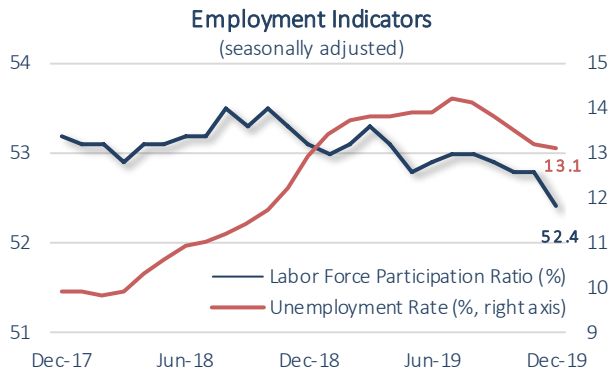
Growth



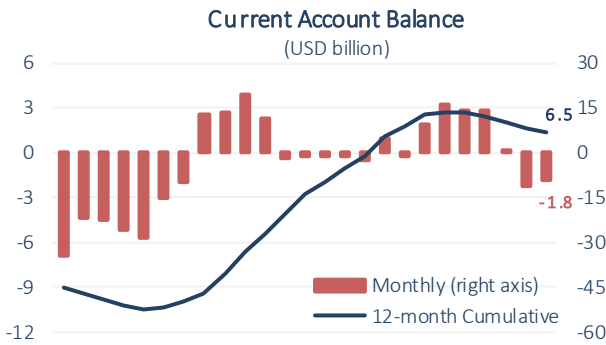
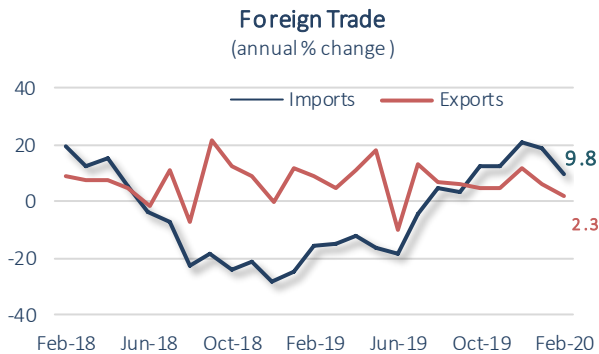
Leading Indicators



Labor Market



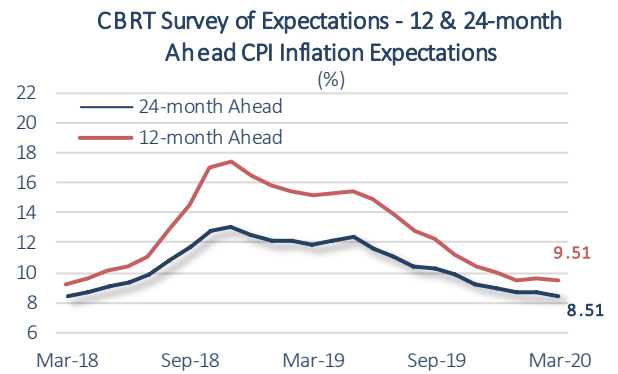
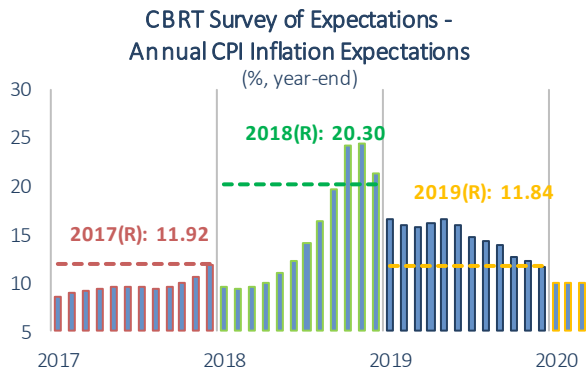
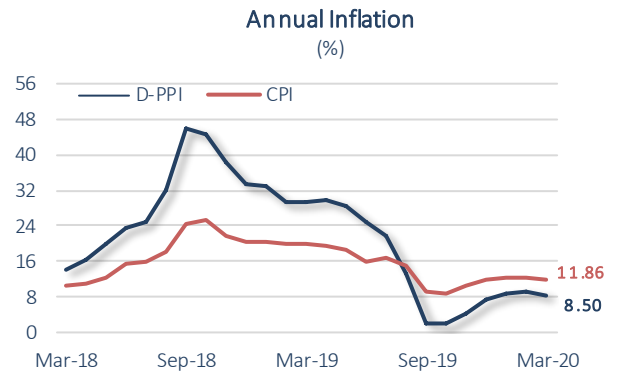
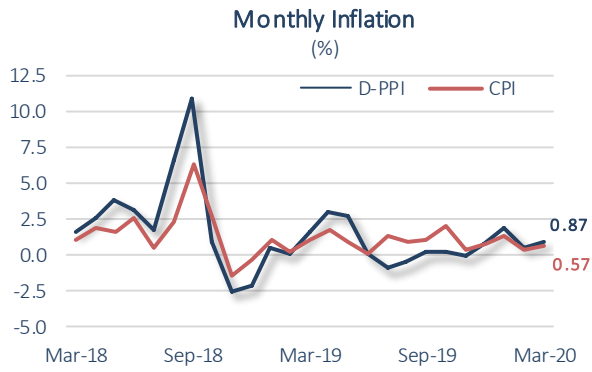
Foreign Trade and Current Account Balance



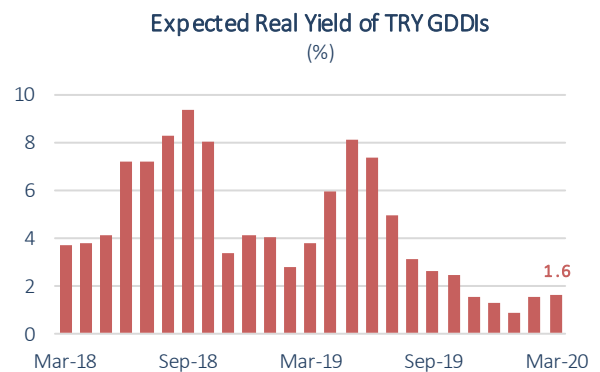
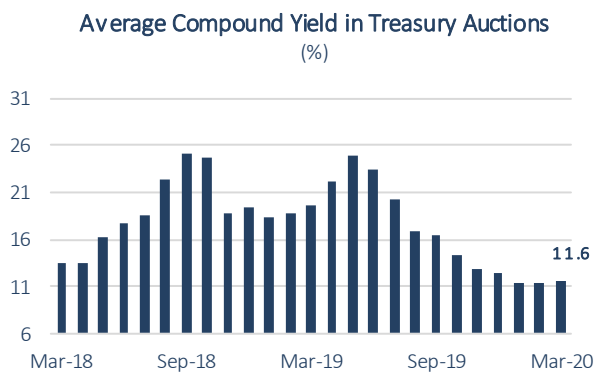
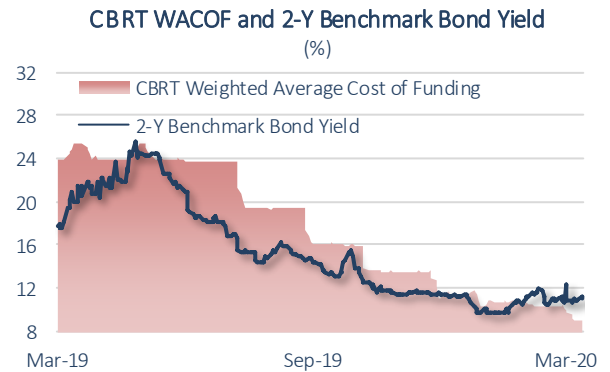
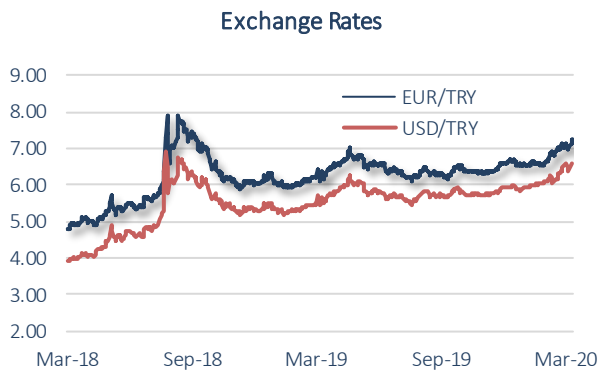
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

Inflation



Foreign Exchange and Bond Market



## Turkish Economy - Macroeconomic Indicators

<b>Growth</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>			
GDP (USD billion)	862	863	853	789	754			
GDP (TRY billion)	2,339	2,609	3,111	3,724	4,280			
GDP Growth Rate (%)	6.1	3.2	7.5	2.8	0.9			
<b>Inflation (%)</b>						<b>Jan-20</b>	<b>Feb-20</b>	<b>Mar-20</b>
CPI (annual)	8.81	8.53	11.92	20.30	11.84	12.15	12.37	11.86
Domestic PPI (annual)	5.71	9.94	15.47	33.64	7.36	8.84	9.26	8.50
<b>Seasonally Adjusted Labor Market Figures</b>								
Unemployment Rate (%)	10.2	12.0	9.9	12.9	13.1			
Labor Force Participation Rate (%)	51.7	52.4	53.2	53.1	52.4			
<b>FX Rates</b>						<b>Jan-20</b>	<b>Feb-20</b>	<b>Mar-20</b>
CPI Based Real Effective Exchange Rate	99.2	93.6	86.3	76.4	76.1	75.7	75.2	
USD/TRY	2.9189	3.5176	3.7916	5.3199	5.9510	5.9850	6.2493	6.5903
EUR/TRY	3.1708	3.7102	4.5530	6.0815	6.6800	6.6326	6.8645	7.2312
Currency Basket (0.5*EUR+0.5*USD)	3.0448	3.6139	4.1723	5.7007	6.3155	6.3088	6.5569	6.9107
<b>Foreign Trade Balance<sup>(1)</sup> (USD billion)</b>							<b>Jan-20</b>	<b>Feb-20</b>
Exports	143.8	142.5	157.0	167.9	180.8		181.7	182.0
Imports	207.2	198.6	233.8	223.0	210.3		213.4	215.0
<b>Foreign Trade Balance</b>	<b>-63.4</b>	<b>-56.1</b>	<b>-76.8</b>	<b>-55.1</b>	<b>-29.5</b>		<b>-31.7</b>	<b>-33.0</b>
Import Coverage Ratio (%)	69.4	71.8	67.1	75.3	86.0		85.1	84.7
<b>Balance of Payments<sup>(1)</sup> (USD billion)</b>								<b>Jan-20</b>
<b>Current Account Balance</b>	<b>-27.3</b>	<b>-26.8</b>	<b>-40.6</b>	<b>-20.7</b>	<b>8.0</b>			<b>6.5</b>
<b>Capital and Financial Accounts</b>	<b>-21.2</b>	<b>-21.7</b>	<b>-46.8</b>	<b>-10.9</b>	<b>1.9</b>			<b>2.9</b>
Direct Investments (net)	-14.2	-10.8	-8.4	-9.4	-5.5			-5.5
Portfolio Investments (net)	15.3	-6.4	-24.1	3.1	1.2			8.6
Other Investments (net)	-10.6	-5.3	-6.2	5.7	-0.2			-0.3
Reserve Assets (net)	-11.8	0.8	-8.2	-10.4	6.3			0.1
<b>Net Errors and Omissions</b>	<b>6.1</b>	<b>5.1</b>	<b>-6.3</b>	<b>9.8</b>	<b>-6.2</b>			<b>-3.6</b>
<b>Current Account Balance/GDP (%)</b>	<b>-3.2</b>	<b>-3.1</b>	<b>-4.8</b>	<b>-2.6</b>	<b>1.1</b>			<b>-</b>
<b>Budget<sup>(2)(3)</sup> (TRY billion)</b>							<b>Jan-20</b>	<b>Feb-20</b>
<b>Expenditures</b>	<b>506.3</b>	<b>584.1</b>	<b>678.3</b>	<b>830.5</b>	<b>999.5</b>		<b>100.7</b>	<b>194.2</b>
Interest Expenditures	53.0	50.2	56.7	74.0	99.9		12.7	26.9
Non-interest Expenditures	453.3	533.8	621.6	756.5	899.5		87.9	167.3
<b>Revenues</b>	<b>482.8</b>	<b>554.1</b>	<b>630.5</b>	<b>757.8</b>	<b>875.8</b>		<b>122.2</b>	<b>208.3</b>
Tax Revenues	407.8	459.0	536.6	621.3	673.3		67.4	139.1
<b>Budget Balance</b>	<b>-23.5</b>	<b>-29.9</b>	<b>-47.8</b>	<b>-72.6</b>	<b>-123.7</b>		<b>21.5</b>	<b>14.1</b>
<b>Primary Balance</b>	<b>29.5</b>	<b>20.3</b>	<b>8.9</b>	<b>1.3</b>	<b>-23.8</b>		<b>34.2</b>	<b>41.0</b>
<b>Budget Balance/GDP (%)</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-1.5</b>	<b>-1.9</b>	<b>-2.9</b>		<b>-</b>	<b>-</b>
<b>Central Government Debt Stock (TRY billion)</b>							<b>Jan-20</b>	<b>Feb-20</b>
Domestic Debt Stock	440.1	468.6	535.4	586.1	755.1		761.9	786.0
External Debt Stock	238.1	291.3	341.0	481.0	573.7		574.3	623.5
<b>Total Debt Stock</b>	<b>678.2</b>	<b>760.0</b>	<b>876.5</b>	<b>1067.1</b>	<b>1,328.8</b>		<b>1,336.2</b>	<b>1,409.5</b>

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

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

## Turkish Economy - Banking Sector Outlook

### BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2015	2016	2017	2018	2019	Jan.20	Feb.20	Change <sup>(1)</sup>
<b>TOTAL ASSETS</b>	<b>2,357</b>	<b>2,731</b>	<b>3,258</b>	<b>3,867</b>	<b>4,492</b>	<b>4,534</b>	<b>4,713</b>	<b>4.9</b>
<b>Loans</b>	<b>1,485</b>	<b>1,734</b>	<b>2,098</b>	<b>2,395</b>	<b>2,657</b>	<b>2,683</b>	<b>2,772</b>	<b>4.4</b>
TRY Loans	1,013	1,131	1,414	1,439	1,642	1,678	1,738	5.9
Share (%)	68.2	65.2	67.4	60.1	61.8	62.5	62.7	-
FX Loans	472	603	684	956	1,015	1,006	1,034	1.9
Share (%)	31.8	34.8	32.6	39.9	38.2	37.5	37.3	-
Non-performing Loans	47.5	58.2	64.0	96.6	150.1	151.9	152.6	1.7
Non-performing Loan Rate (%)	3.1	3.2	3.0	3.9	5.3	5.4	5.2	-
<b>Securities</b>	<b>330</b>	<b>352</b>	<b>402</b>	<b>478</b>	<b>661</b>	<b>672</b>	<b>711</b>	<b>7.6</b>
<b>TOTAL LIABILITIES</b>	<b>2,357</b>	<b>2,731</b>	<b>3,258</b>	<b>3,867</b>	<b>4,492</b>	<b>4,534</b>	<b>4,713</b>	<b>4.9</b>
<b>Deposits</b>	<b>1,245</b>	<b>1,454</b>	<b>1,711</b>	<b>2,036</b>	<b>2,567</b>	<b>2,591</b>	<b>2,688</b>	<b>4.7</b>
TRY Deposits	715	845	955	1,042	1,259	1,273	1,285	2.1
Share (%)	57.4	58.1	55.8	51.2	49.0	49.2	47.8	-
FX Deposits	530	609	756	994	1,308	1,317	1,403	7.3
Share (%)	42.6	41.9	44.2	48.8	51.0	50.8	52.2	-
<b>Securities Issued</b>	<b>98</b>	<b>116</b>	<b>145</b>	<b>174</b>	<b>194</b>	<b>192</b>	<b>201</b>	<b>4.1</b>
<b>Payables to Banks</b>	<b>361</b>	<b>418</b>	<b>475</b>	<b>563</b>	<b>533</b>	<b>529</b>	<b>551</b>	<b>3.2</b>
<b>Funds from Repo Transactions</b>	<b>157</b>	<b>138</b>	<b>99</b>	<b>97</b>	<b>154</b>	<b>135</b>	<b>185</b>	<b>20.6</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>262</b>	<b>300</b>	<b>359</b>	<b>421</b>	<b>492</b>	<b>505</b>	<b>511</b>	<b>3.9</b>
Profit (Loss) of the Period	26.1	37.5	49.1	53.5	49.8	7.9	15.1	-
<b>RATIOS (%)</b>								
Loans/GDP	63.5	66.5	67.6	64.7	62.1			
Loans/Assets	63.0	63.5	64.4	61.9	59.2	59.2	58.8	-
Securities/Assets	14.0	12.9	12.3	12.4	14.8	14.8	15.1	-
Deposits/Liabilities	52.8	53.2	52.5	52.6	57.2	57.2	57.0	-
Loans/Deposits	119.2	119.3	122.6	117.6	103.6	103.6	103.1	-
Capital Adequacy (%)	15.6	15.6	16.9	17.3	18.4	18.4	17.7	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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