



July 2020

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Global Economy

The number of coronavirus cases has exceeded 10 million people worldwide, while the death toll surged above 500 thousand people. Rapid increases in the number of new cases in some countries raised the risk of a second wave and, thus, the possibility of reintroduction of restrictions.

Due to the economic damage caused by the outbreak, international organizations revised their forecasts for this year downward. It is estimated that the global economy will shrink around 5% in 2020 and will grow rapidly next year.

In June, contradictory statements regarding the continuation of the trade agreement between the US and China were followed. In addition, the news that the US could impose new tariffs on aviation industry due to the ongoing dispute with the EU was on the agenda.

Economic activity continued to recover on a global scale on the back of the normalization steps in June. Recent data regarding this period in the US and Euro Area showed that the contraction continued albeit at a slower pace. Compared to April, when the two economies hit the bottom, the improvement in indicators is evident.

The Fed did not change its monetary policy at its June meeting and announced that the current expansionary policy would continue.

ECB announced a new repo line to provide euro liquidity to non-Eurozone central banks. BoE added 100 billion GBP to its quantitative easing program at its June meeting.

The Baltic Dry Index, which decreased sharply due to the deterioration in global trade led by virus outbreak, rose rapidly in June and exceeded 1,800 on July 1.

Oil prices rose in June, driven by supply cuts and gradual recovery in global economy. Along with the expansion in global liquidity and the risk aversion tendency, gold price reached 8-year high.

Turkish Economy

Turkey has continued to ease the quarantine measures in June as it has been the case worldwide.

In April, when the impact of the virus outbreak was deeply felt, industrial production contracted at a historically high pace of 31.4% yoy. On the other hand, manufacturing PMI surged above 50 threshold level in June indicating that the sector showed signs of growth following the decent recovery in May.

The absence of tourism revenues and the rapid decline in exports due to pandemic were behind the current account deficit of 5.1 billion USD in April.

Central government budget deficit increased by 43.5% yoy to 17.3 billion TRY in May. In January-May period, budget deficit reached 90.1 billion TRY.

In June, CPI increased by 1.13% mom, while annual CPI inflation became 12.6%. In this period, domestic PPI increased by 0.69% mom and by 6.2% yoy.

Holding the policy rate intact at its June meeting, CBRT put emphasis on rising core inflation indicators signaling that the Central Bank would not change the interest rates unless the downward trend in inflation resumes.

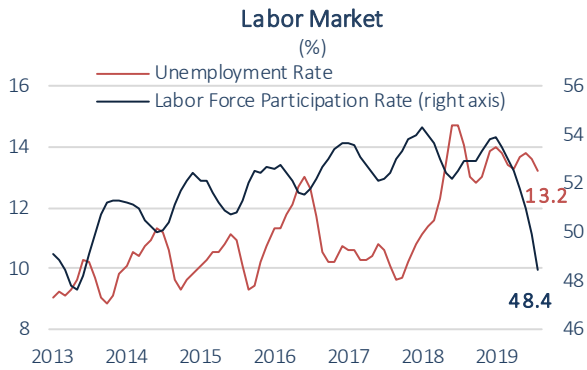
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Leading Indicators

Unemployment rate in March became 13.2%.

Unemployment rate in March period, covering data on February, March and April, declined by 0.9 pp compared to a year ago and became 13.2%. In this period, labor force participation rate fell by 4.5 pp to 48.4%, the lowest level since January 2014.

On the other hand, seasonally adjusted unemployment rate increased by 0.3 pp mom and stood at 13.0%. In this period, employment fell at a record pace of 1 million people due to the impact of the virus outbreak. The sharpest decline was in services sector with 694 thousand people while employment in construction and industrial sector contracted by 202 thousand and 85 thousand people, respectively.



Record fall in industrial production due to the pandemic...

Virus outbreak caused a record decline in industrial production in April. Calendar adjusted industrial production fell by 31.4% yoy in this period. The deepest contraction was in the manufacture of motor vehicles with 77.6% yoy. This was followed by the manufacture of leather (-61% yoy) and textiles (-60% yoy). In the same period, the annual increases were recorded in the extraction of crude petroleum and natural gas and the mining of metal ores which are listed under mining and quarrying sector. According to seasonally and calendar adjusted figures, industrial production index declined by 30.4% mom in April. Turkstat stated that the extension of payment of value added tax declarations of the firms to end-July could be behind some part of this steep fall. Therefore, as new data will be added to the calculations in the coming period, revisions would be made to April figures. Along with the normalization steps, capacity utilization ratio in the manufacturing sector rose by 3.4 pps mom to 66% in June.

Manufacturing PMI climbed to 53.9 in June.

Manufacturing PMI, which fell as low as to 33.4 in April, rose above 50 threshold level in June indicating that the sector showed signs of growth following the decent recovery in May. The output sub-index surged to 55.5 from 32.4 in May. New export orders sub-index rose from 29.8 to 50.5 in this period. However, input costs and final output prices continued to increase. Survey participants

Manufacturing PMI

(threshold=50)



also reported that supply chain disruptions as well as low economic activity in some of export markets persisted.

Non-food retail sales recorded a rapid decline in April.

Non-food retail sales fell sharply in April as it was the case in March. According to calendar adjusted figures, retail sales dropped by 19.3% on an annual basis while non-food retail sales (except automotive fuel) declined by 36.7% in the same period. On the other hand, due to the quarantine measures, food expenditures increased by 12.5% yoy. Retail sales via mail orders and internet doubled on an annual basis and increased by almost 40% mom.

Home sales declined by 44.6% yoy in May.

Due to virus outbreak, home sales in Turkey fell by 44.6% yoy in May and became 50,936 units. Along with the downward trend in interest rates, mortgaged sales increased by 23.9% while other sales fell by 57.9%. In the first five months of the year, mortgaged sales doubled compared to a year ago. Housing price index rose by 16.7% yoy in April while the rise in real terms became 5.2% yoy. Thanks to the relatively low levels of interest rates as well as the release of delayed demand along with the normalization steps, housing market enlivened in June and housing prices moved further upwards.

Confidence indices registered strong recovery in June.

Normalization steps further boosted confidence in June following the recovery seen in May. Seasonally adjusted real sector confidence index picked up by 16.3 points compared to the previous month and reached 89.8 in June. Expectations for exports orders and volume of output in the next three months and assessments on general business situation were largely behind the improvement in real sector confidence. Consumer confidence index also increased by 3.1 points in June and became 62.6, the highest level since April 2019. The rise was largely due to the increases in the probabilities of buying a car and buying or building a home over next 12 months. Looking at the sectoral confidence indices, it is seen that the improvement in expectations was broad-based while the rise in the construction sector confidence stood out.

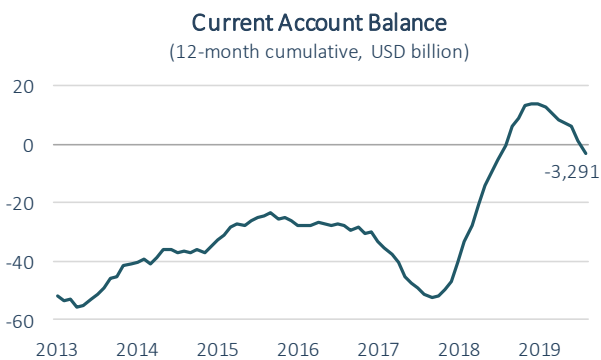
Foreign Trade and Balance of Payments

Foreign trade deficit expanded in May.

According to TURKSTAT data, exports declined by 41% yoy to 10 billion USD in April, while imports dropped by 27.8% yoy to 13.4 billion USD. Thus, foreign trade deficit widened by 102.7% yoy and reached 3.4 billion USD. During January-May 2020, the deficit rose by 102.8% yoy. Import coverage ratio, which was 88.1% in January-May 2019, fell to 74.6% in the same period of this year.

Current account deficit exceeded expectations and became 5.1 billion USD in April.

In April, the current account deficit was realized as 5.1 billion USD which is approximately 11 times higher than the same period of last year. The market expectation was that the current account deficit would be around 4.5 billion USD. In this period, the absence of tourism revenues and the rapid decline in exports were behind the deterioration of the current account balance. In April, 12-month current account deficit has reached its highest level since March 2019 with 3.3 billion USD.



FDI posted capital outflow.

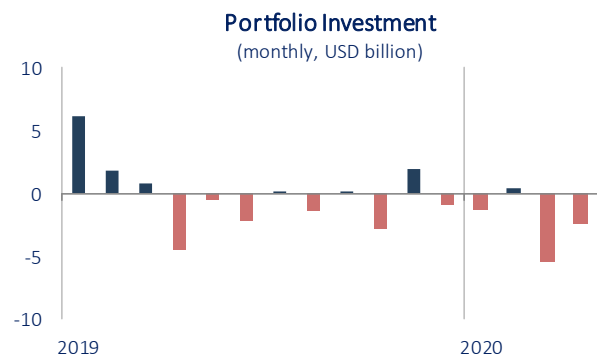
In April, there was 118 million USD net capital outflow in foreign direct investments item. In this period, the outflow in other capital investments became 452 million USD. Real estate investment inflows decreased by 57.1%

yoy in April and became 100 million USD capital inflows.

Capital outflow continued in portfolio investments.

There was a net capital outflow of 2.4 billion USD from the portfolio investments item in April. In this period, nonresidents made net sales of 847 million USD in the stock market and 2.8 billion USD in debt securities market.

Following the outflow of 2.9 billion USD in March, other investments item had a net capital inflow of 192 million USD in April. In this period, deposits of domestic banks at their foreign correspondents rose by 2.3 billion USD, while foreign banks' deposits at domestic banks increased by 742 million USD. On the other hand, both banks and other sectors were net loan repayers in their long-term debts. According to 12-month cumulative figures, the long-term debt roll-over ratios became 73% in the banking sector and 84% in other sectors as of April.



Reserves decreased by 8.6 billion USD in April.

Following a rapid decline of 16.6 billion USD in March, reserve assets declined by 8.6 billion USD in April. In this period, net errors and omissions also posted a capital outflow of 1.2 billion USD.

Net Capital Inflows

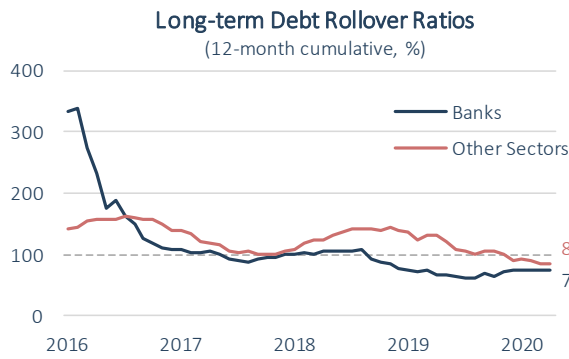
	12-month Cumulative (million USD)		Breakdown of Net Capital Inflows (%)	
	Dec. 2019	Apr. 2020	Dec. 2019	Apr. 2020
Current Account Balance	8.679	-3.291	54,6	-
Total Net Foreign Capital Inflows	5.970	-1.766	-	-
-Direct Investment	5.665	4.714	35,6	15,0
-Portfolio Inflows	-1.246	-14.166	-	-
-Other Investments	1.517	7.693	9,5	24,4
-Other	34	-7	0,2	-
Net Errors and Omissions	-8.325	-14.025	-	-
Reserves(1)	-6.324	19.082	-	60,6

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



June improvement in foreign trade outlook supported optimistic expectations. Even though scheduled international flights started with a limited number of lines in June it seems that it will take time for tourism revenues to recover. On the other hand, lower oil prices compared to a year ago stand out as a factor that will limit the deterioration in the current account balance.

Expectations...

According to preliminary data, exports grew by 15.8% yoy in June. In this period, imports also increased by 8.2% yoy thanks to the recovery in domestic production. Therefore, foreign trade deficit narrowed by 17.3% yoy. In order to support local producers, temporary additional tariffs were imposed on imports of some products also in June after May.

Balance of Payments

(USD million)

	Apr. 2020	Jan. - Apr. 2019	Jan. - Apr. 2020	% Change	12-month Cumulative
Current Account Balance	-5.062	-885	-12.855	1.352,5	-3.291
Foreign Trade Balance	-3.810	-4.249	-13.380	214,9	-25.776
Services Balance	-240	6.769	4.113	-39,2	34.225
Travel (net)	0	4.266	2.694	-36,8	24.147
Primary Income	-1.086	-3.565	-3.421	-4,0	-12.387
Secondary Income	74	160	-167	-	647
Capital Account	-3	25	-16	-	-7
Financial Account	-6.299	1.155	-16.556	-	-17.323
Direct Investment (net)	133	-2.430	-1.479	-39,1	-4.714
Portfolio Investment (net)	2.365	-4.238	8.682	-	14.166
Net Acquisition of Financial Assets	-1.296	2.183	2.069	-5,2	4.540
Net Incurrence of Liabilities	-3.661	6.421	-6.613	-	-9.626
Equity Securities	-847	804	-2.930	-	-3.328
Debt Securities	-2.814	5.617	-3.683	-	-6.298
Other Investment (net)	-192	7.545	1.369	-81,9	-7.693
Currency and Deposits	-662	8.892	-2.446	-	-15.841
Net Acquisition of Financial Assets	1.202	12.948	606	-95,3	-4.517
Net Incurrence of Liabilities	1.864	4.056	3.052	-24,8	11.324
Central Bank	997	-497	989	-	3.981
Banks	867	4.553	2.063	-54,7	7.343
Foreign Banks	742	3.299	1.356	-58,9	4.292
Foreign Exchange	251	2.591	-1.034	-	2.176
Turkish Lira	491	708	2.390	237,6	2.116
Non-residents	125	1.254	707	-43,6	3.051
Loans	936	4.158	3.798	-8,7	15.996
Net Acquisition of Financial Assets	-39	149	-14	-	205
Net Incurrence of Liabilities	-975	-4.009	-3.812	-4,9	-15.791
Banking Sector	-843	-3.933	-3.104	-21,1	-10.503
Non-bank Sectors	-62	119	-571	-	-4.370
Trade Credit and Advances	-466	-5.487	24	-	-7.899
Other Assets and Liabilities	0	-18	-7	-61,1	51
Reserve Assets (net)	-8.605	278	-25.128	-	-19.082
Net Errors and Omissions	-1.234	2.015	-3.685	-	-14.025

Source: CBRT, Datastream

Budget Balance

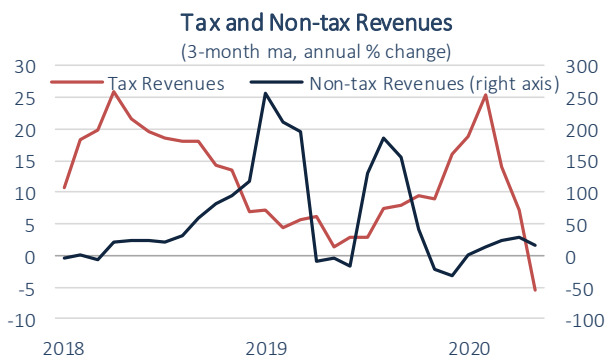
Central government budget posted a deficit of 17.3 billion TRY.

In May, central government budget deficit increased by 43.5% on an annual basis and reached 17.3 billion TRY. In this period, budget revenues contracted by 4.8% yoy and became 68.1 billion TRY, while budget expenditures rose by 2.2% to 85.4 billion TRY. In this period, primary balance gave a deficit of 7.6 billion TL.

In January-May period, budget expenditures increased by 15.7% yoy, while budget revenues expanded by 12.0% yoy. Thus, the budget deficit, which was 66.5 billion TRY in the first five months of last year, became 90.1 billion TRY in the same period of this year.

Tax revenues declined on an annual basis.

In May, tax revenues decreased by 7.6% yoy and was realized as 55.3 billion TRY. In this period, the rapid decline recorded in value added tax (VAT) on imports and income tax items were the main factors that brought down tax revenues. On the other hand, 41.7% increase in corporate tax item limited the contraction in tax revenues. Domestic VAT revenues and SCT revenues have also declined by 42.8% and 5% yoy, respectively. On the other hand, SCT from motor vehicles, which constitutes 13% of SCT revenues, rose by 77.9% and SCT on durable goods & others, which constitutes 5% of SCT revenues, increased by 34.3%. The low base effect stemming from the tax cuts last year played an important role in this development.



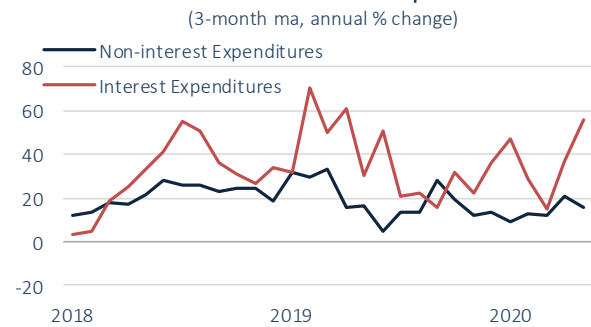
Increase in interest expenditures...

Among the budget expenditures the rises in social security deficit finance and interest expenditures stand

out in May. In this period, the social security deficit finance, which is monitored under the Treasury aids item of current transfers, increased by approximately 4.5 times and became 9.2 billion TRY. On the other hand, having realized at the similar high levels in May 2019 and in April 2020, invoiced payments declined rapidly on an annual basis in May 2020. Thus, the total of current transfers decreased by 6.8% yoy in May.

Interest expenses increased by 21.8% in May to 9.7 billion TRY. In this period, domestic debt interest payments rose by 19% to 6.0 billion TRY, while foreign debt interest payments were up by 30% to 2.6 billion TRY. Compensation of employees has also increased by 7.8% and affected budget expenditures upwards.

Interest and Non-interest Expenditures



Expectations...

Along with the impact of fiscal measures taken to support the economic activity during the pandemic central government budget has presented a negative outlook since March. In the second half of the year, with the expected recovery in domestic demand, we anticipate that tax revenues may support the budget balance. However an upward revision of the year-end budget deficit target seems to be needed.

Central Government Budget

	May		%	January-May		%	2020 Budget		Real./ Target (%)
	2019	2020		2019	2020		Target	Target	
Expenditures	83,6	85,4	2,2	414,0	479,2	15,7	1.095,5	43,7	
Interest Expenditures	7,9	9,7	21,8	46,4	65,0	40,0	138,9	46,8	
Non-Interest Expenditures	75,7	75,8	0,2	367,6	414,3	12,7	956,5	43,3	
Revenues	71,6	68,1	-4,8	347,5	389,1	12,0	956,6	40,7	
Tax Revenues	59,8	55,3	-7,6	262,9	280,5	6,7	784,6	35,8	
Other Revenues	11,7	12,9	9,8	84,6	108,6	28,4	172,0	63,2	
Budget Balance	-12,1	-17,3	43,5	-66,5	-90,1	35,4	-138,9	64,9	
Primary Balance	-4,1	-7,6	85,6	-20,1	-25,1	24,7	0,1	-	

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

Monthly CPI came in at 1.13% in June.

In June, CPI increased by 1.13% mom, above the expectations. The market's CPI expectation for this period was 0.65%. Domestic PPI (D-PPI) posted a monthly rise of 0.69% in this period.

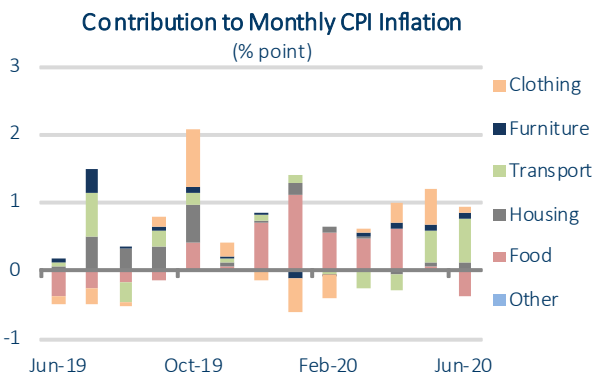
Annual CPI inflation increased to 12.6%.

While the upward trend in annual consumer inflation continued in June, annual rise in CPI reached its highest level since August 2019, with 12.6%. The annual increase in D-PPI came in at 6.2%.

June (change %)	CPI		D-PPI	
	2019	2020	2019	2020
Monthly	0.03	1.13	0.09	0.69
Year-to-date	5.01	5.75	8.09	6.89
Annual	15.72	12.62	25.04	6.17
Annual Average	19.88	11.88	32.81	7.74

Transportation prices were decisive in the CPI increase.

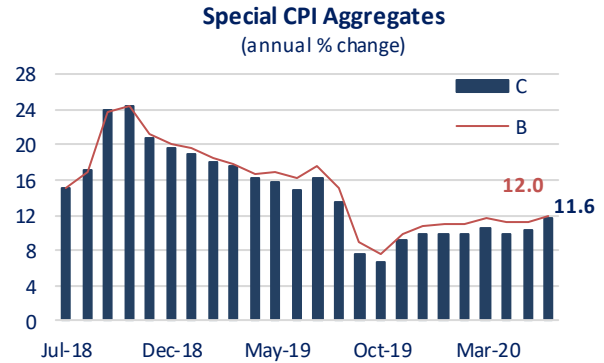
In June, 11 of the 12 main spending groups posted rises on a monthly basis. Food and non-alcoholic beverages, where prices fell by 1.6% compared to the previous month, was the only main group that had a decreasing effect (39 bps) on monthly CPI inflation. The monthly drop in fresh fruit and vegetable prices by 7.5% played a role in this development. The transportation group, in which prices surged by 4.5% mom, made the highest contribution to the monthly CPI inflation with 67 bps. The rise in the transportation group mainly stemmed from the upsurge in automotive and fuel prices. This group was followed by restaurant and hotels group with a contribution of 24 bps to the CPI. Under this group, the 3.1% monthly increase in prices of food and beverage service stood out.



Rise in core inflation indicators...

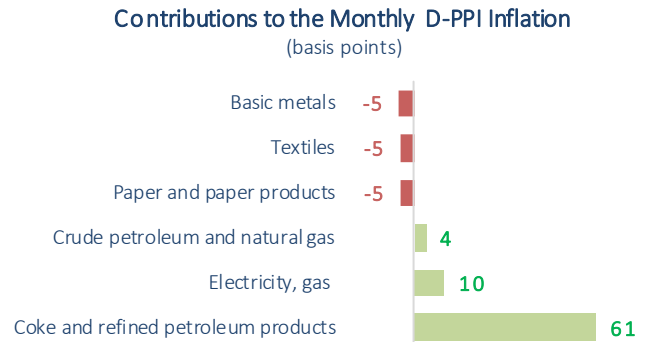
According to annual figures, B and C core inflation indicators, which are monitored closely by the CBRT,

followed an upward trend in June. CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold (B) recorded an annual increase of 12% while CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold (C) posted an annual rise of 11.6%.



Surge in energy prices...

Analysis of the sub-sectors of D-PPI revealed that prices in coke and refined petroleum products and crude petroleum and natural gas rose by more than 20% on a monthly basis. In this period, coke and refined petroleum products made the biggest contribution to the D-PPI inflation by 61 bps, rising by almost 30% mom. On the other hand, paper products, textile products and basic metals dragged monthly D-PPI inflation down by 5 bps each due to the falling prices in these groups.



Expectations...

Although the decline in prices of seasonal products had a limiting effect on CPI inflation in June, inflation displayed an upward trend due to the increase in service prices and the lagged impact of exchange rates. However, in the upcoming period, annual inflation might lose momentum with the support of the base effect. At its meeting in June, CBRT, which has halted easing cycle, referred to the upward trend in core inflation indicators, is expected to maintain its cautious stance until there is a significant improvement in the inflation outlook.

	29-May	30-Jun	Change
5-Y CDS (basis points)	554	486	-68 bps ▼
TR 2-Y Benchmark Yield	9.17%	9.38%	21 bps ▲
BIST-100	105,520	116,525	10.4% ▲
USD/TRY	6.8182	6.8500	0.5% ▲
EUR/TRY	7.5739	7.6959	1.6% ▲
Currency Basket*	7.1961	7.2730	1.1% ▲

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

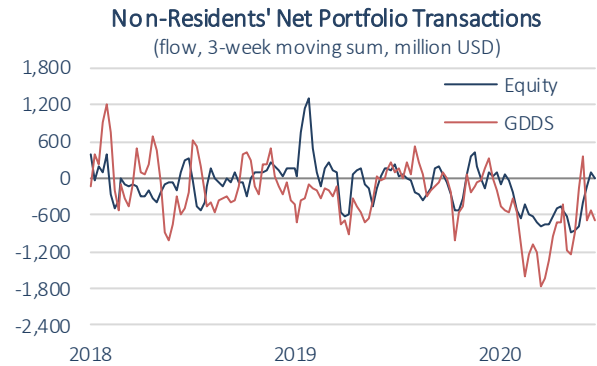
Global markets fluctuated in June.

Global markets showed volatility in June after the recovery in April and May. The easing of the measures taken against the coronavirus outbreak supported global risk appetite while the second wave concerns weighed on it. On the other hand, risk perception towards Turkey improved somewhat during this period. In June, Turkey's 5-year CDS premium fell by 68 bps to 486. USD/TRY, which started June around 6.81, closed the month at 6.85.

BIST-100 index hit the highest level in four months.

BIST-100 index, which is supported by the rising expectations for economic recovery, ended June with an increase of more than 10%. The index reached its highest level since February. It was also noteworthy that daily trading volumes saw record levels in this period. Compared to other emerging market stock exchanges, BIST-100 index seems to be relatively less affected by the Covid-19 crisis thanks to the strong local investor demand.

Government domestic debt securities (GDDS) portfolio of non-residents fell by a net 561 million USD during this period. Compared to the end-2019, non-residents equity and GDDS portfolios declined by 4 billion USD and 7 billion USD, respectively.

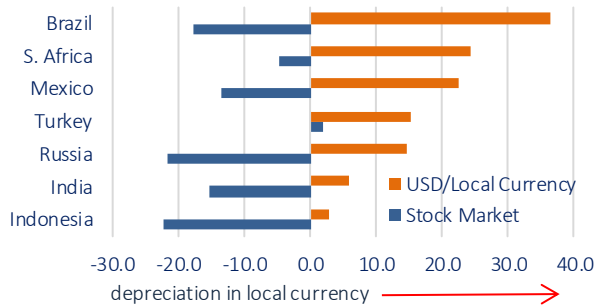


CBRT did not cut the policy rate for the first time after 9 consecutive meetings.

At the Monetary Policy Committee meeting held on June 25, CBRT kept the policy rate at 8.25%. Market expectation was a 25 basis point cut in policy rate. In the note released after the meeting, CBRT stated that the decision was taken considering all the factors affecting inflation outlook. It was also noted that economic activity has started to recover as of May along with the gradual normalization steps. Since July 2019, CBRT had cut the policy rate by a total of 1,575 basis points at the nine consecutive meetings.

Financial Indicators in Emerging Countries

(12/31/19-06/30/20, difference %)

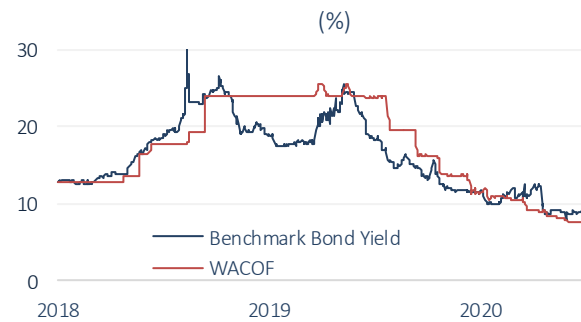


2-year benchmark bond yield, which declined to its lowest level since February 2015 with 8.14% on June 1, was on an upward trend in the following days and ended the month at 9.38% rising by 21 bps compared to the previous month.

Securities portfolio of non-residents...

According to the securities statistics published by the CBRT, the equity portfolio of non-residents recorded a limited net inflow as of June 26 compared to end-May as price and exchange rate adjusted data suggested.

Benchmark Bond Yield and CBRT WACOF



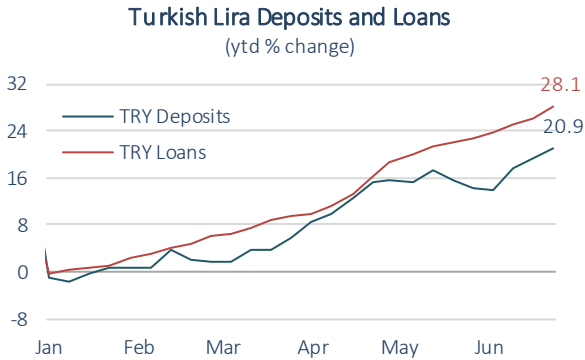
CBRT revised its reserve requirement regulation.

CBRT has decided to temporarily suspend the enforcement of the rule of having adjusted real loan growth rate below 15% for the banks with a real annual loan growth rate above 15% in order to be able to benefit from reserve requirement incentives. The revision, which aims to provide banks with flexibility in meeting the rising loan demand due to coronavirus outbreak, will be effective from the calculation date of 12 June 2020 to the calculation date of 25 December 2020.

Banking Sector

The rapid rise in deposit volume continued.

According to the Weekly Bulletin published by the BRSA, as of June 26, total deposit volume expanded by 35.1% yoy and by 19.5% compared to the end of 2019 reaching 3,071 billion TRY. According to the exchange rate adjusted figures, annual growth in deposit volume was 24.4%. As of June 26, the volume of TRY deposits increased by 20.9% ytd to 1,528 billion TRY while the volume of FX deposits on USD basis expanded by 2.6% ytd reaching 226 billion USD.

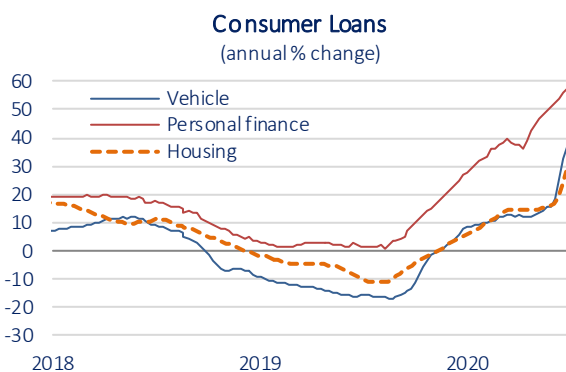


Annual loan growth became 28%.

As of June 26, total credit volume in the banking sector expanded by 28% yoy and 22.4% compared to the year-end reaching 3,247 billion TRY. The annual growth in FX adjusted credit volume, on the other hand, was 20.8%. In this period, TRY loans grew at its fastest pace since April 2007 with 39.4%. Compared to the year-end, TRY loans rose by 28.1% while FX loans in USD terms declined by 1.7% to 168 billion USD.

The rise in consumer loans continued to accelerate.

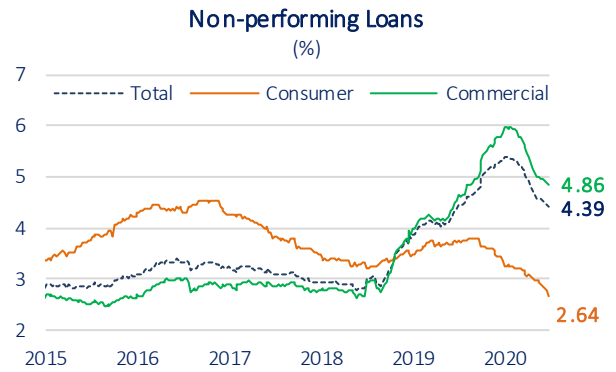
The relatively low levels of interest rates and the release of delayed demand continued to lead the acceleration in the rise of consumer loans. As of June 26, consumer loans surged by 43.7% yoy. Vehicle loans grew by 36.9% yoy in line with the revival in automotive market while housing loans recorded the fastest increase in six and a half years with 27.9% in this period. The annual rise in personal finance loans, which have a share of almost 60% in total consumer loans, reached 57.3%.



Consumer credit cards volume, which followed a downward trend during the first months of virus outbreak until mid-May, recorded strong rises in the recent weeks. As of June 26, consumer credit cards volume went up by 10 billion TRY since mid-May.

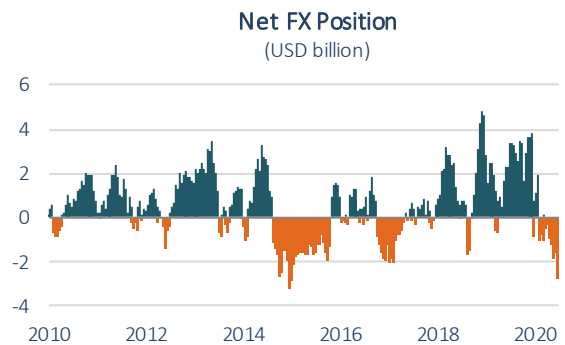
Non-performing loan ratio declined to 4.39%.

NPL ratio, which started the year at 5.39%, was on a downward trend since then and became 4.39% as of June 26. This marked the lowest level in one year. While the said ratio was 2.72% in public banks, it became 5.87% in private banks. Analyzing NPL in terms of loan types, NPL ratios for commercial and consumer loans were 4.86% and 2.64%, respectively.



Net foreign currency position...

As of June 26, banks' on-balance sheet FX position was (-) 52,724 million USD, while off-balance sheet FX position was (+) 49,946 million USD. Hence, banking sector's net FX position became (-) 2,778 million USD during this period.



Source: BRSA Weekly Bulletin

Concluding Remarks

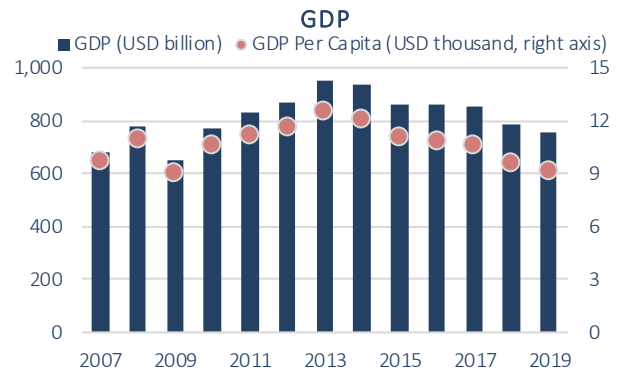
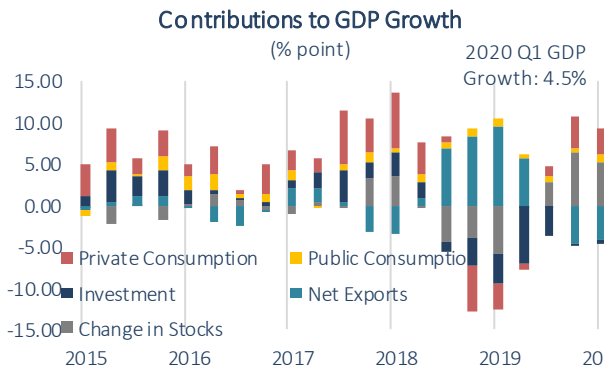
After the worldwide easing of precautionary restrictions taken against the outbreak in May, the signs of recovery in economic activity continued in June as well. Developments indicating that the virus has begun to spread again in many countries due to the normalization steps led to a cautious approach to partial recovery observed in macroeconomic data. In June, international institutions, including the IMF and the World Bank, revised their estimates downward for global economy, while central banks maintained their expansionary monetary policy stance.

In June, the markets displayed a positive outlook thanks to the ample global liquidity. However, in addition to growing outbreak-related concerns, the developments that raised question marks over global trade led demand for risky assets, especially for emerging market assets, to follow a volatile course. In this period, gold prices climbed to the 8-year high on the back of rising demand for safe haven assets.

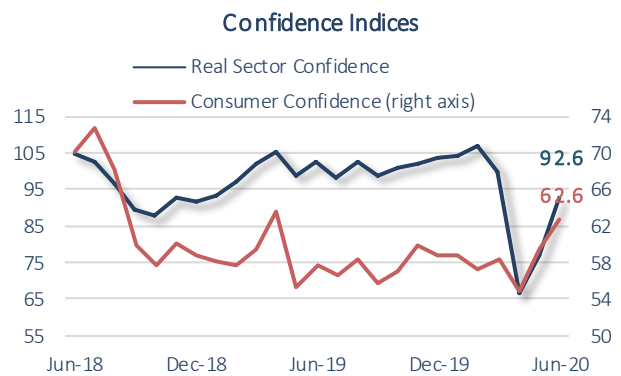
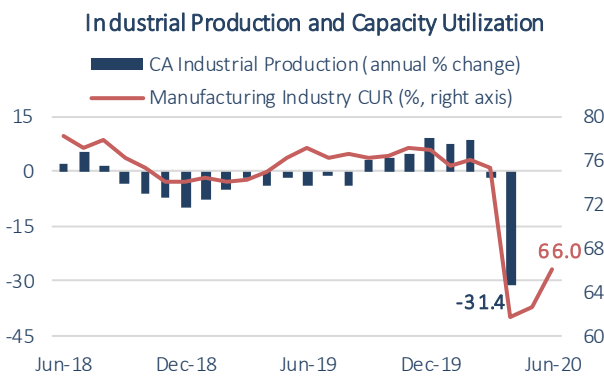
The CBRT, which cut its policy rate in its all meetings since July 2019, decided to keep the interest rate unchanged at its June meeting. The CBRT draw attention to the increase in core inflation indicators due to the rise in unit costs because of outbreak. The Central Bank is expected to maintain its cautious stance until there is a significant downward trend in inflation figures.

With the easing of lockdown measures, there has been a marked recovery in economic activity in recent period after the steep fall recorded in April. Leading data for June, when the businesses were re-opened and the delayed demand was released strongly thanks largely to the fall in interest rates, confirmed this recovery. Although the lack of foreign visitors is expected to affect current account balance adversely in the coming period, oil prices, which remained significantly below the last year's levels, are expected to offset some of this impact.

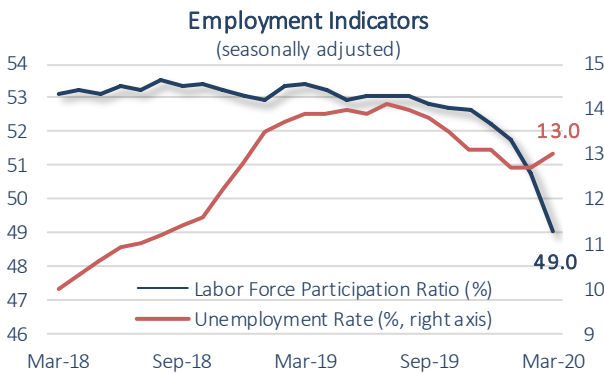
Growth



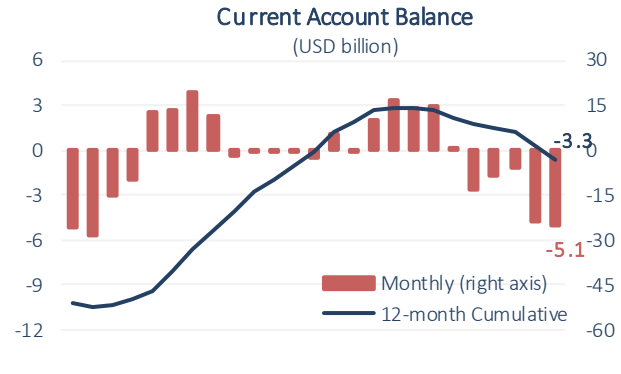
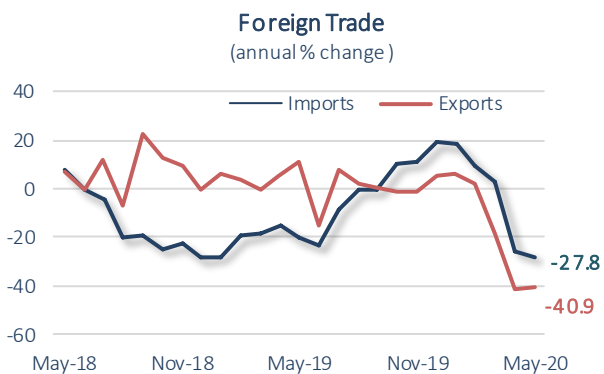
Leading Indicators



Labor Market



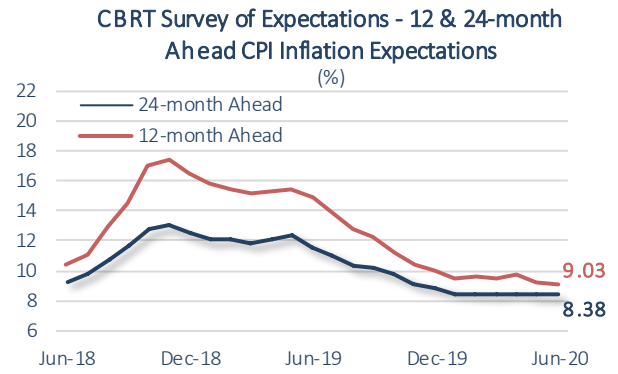
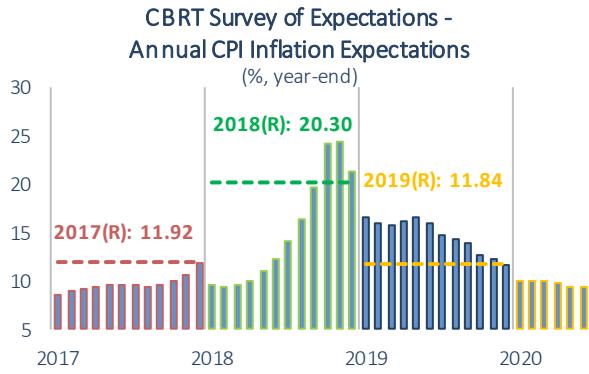
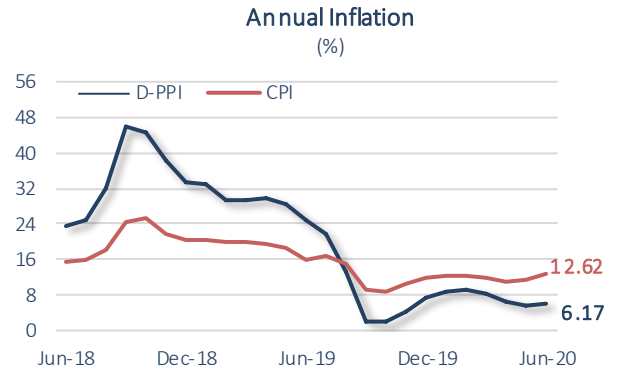
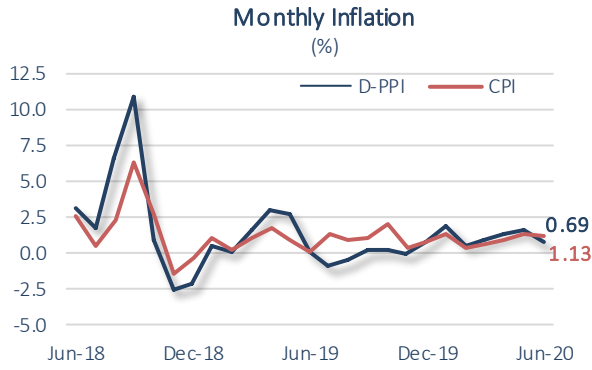
Foreign Trade and Current Account Balance



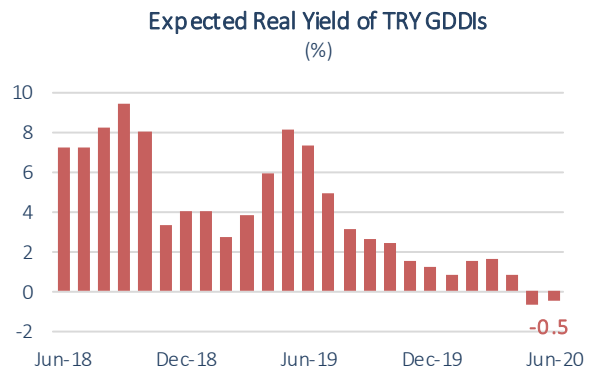
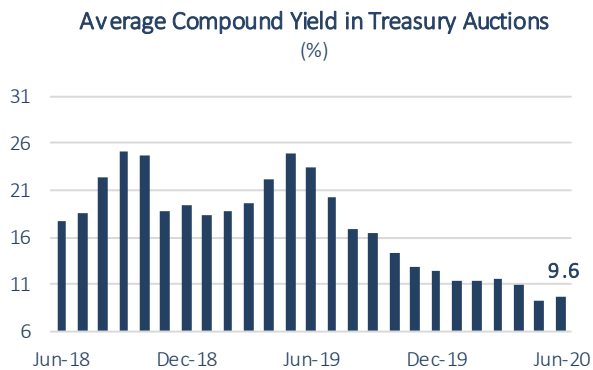
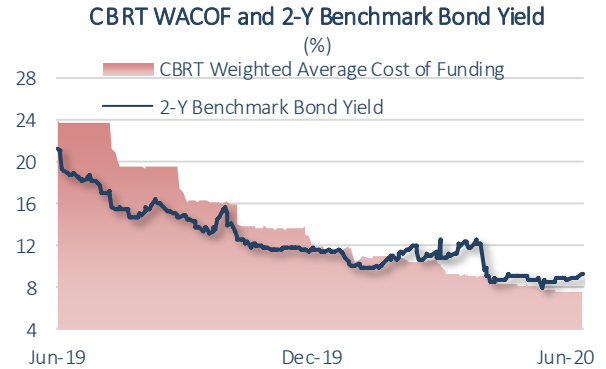
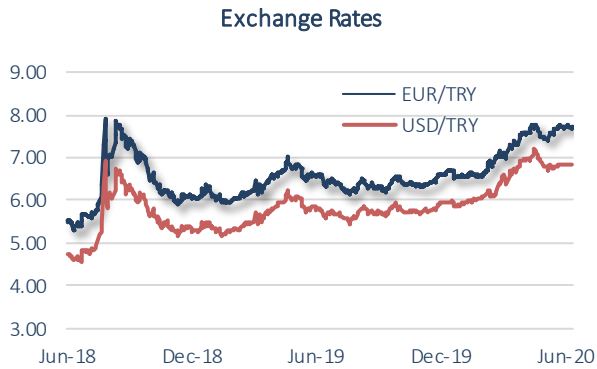
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

Growth	2015	2016	2017	2018	2019	Q1-20		
GDP (USD billion)	862	863	853	789	754	176		
GDP (TRY billion)	2,339	2,609	3,111	3,724	4,280	1,071		
GDP Growth Rate (%)	6.1	3.2	7.5	2.8	0.9	4.5		
Inflation (%)						Apr-20	May-20	Jun-20
CPI (annual)	8.81	8.53	11.92	20.30	11.84	10.94	11.39	12.62
Domestic PPI (annual)	5.71	9.94	15.47	33.64	7.36	6.71	5.53	6.17
Seasonally Adjusted Labor Market Figures						Feb-20		Mar-20
Unemployment Rate (%)	10.2	12.0	9.9	12.8	13.1	12.70		13.00
Labor Force Participation Rate (%)	51.7	52.4	53.1	53.0	52.2	50.70		49.00
FX Rates						Apr-20	May-20	Jun-20
CPI Based Real Effective Exchange Rate	99.2	93.6	86.3	76.4	76.2	69.2	68.6	
USD/TRY	2.9189	3.5176	3.7916	5.3199	5.9510	6.9895	6.8215	6.8548
EUR/TRY	3.1708	3.7102	4.5530	6.0815	6.6800	7.6556	7.5879	7.6989
Currency Basket (0.5*EUR+0.5*USD)	3.0448	3.6139	4.1723	5.7007	6.3155	7.3226	7.2047	7.2768
Foreign Trade Balance ⁽¹⁾ (USD billion)						Mar-20	Apr-20	May-20
Exports	151.0	149.2	164.5	177.2	180.8	178.9	172.6	165.7
Imports	213.6	202.2	238.7	231.2	210.3	215.5	211.0	205.8
Foreign Trade Balance	-62.6	-52.9	-74.2	-54.0	-29.5	-36.6	-38.4	-40.2
Import Coverage Ratio (%)	70.7	73.8	68.9	76.6	86.0	83.0	81.8	80.5
Balance of Payments ⁽¹⁾ (USD billion)						Feb-20	Mar-20	Apr-20
Current Account Balance	-27.3	-26.8	-40.6	-20.7	8.7	6.0	1.3	-3.3
Capital and Financial Accounts	-21.2	-21.7	-46.8	-10.9	0.4	-0.8	-8.2	-17.3
Direct Investments (net)	-14.2	-10.8	-8.4	-9.4	-5.7	-5.4	-5.3	-4.7
Portfolio Investments (net)	15.3	-6.4	-24.1	3.1	1.2	10.0	16.3	14.2
Other Investments (net)	-10.6	-5.3	-6.2	5.7	-1.5	-5.7	-5.9	-7.7
Reserve Assets (net)	-11.8	0.8	-8.2	-10.4	6.3	0.2	-13.3	-19.1
Net Errors and Omissions	6.1	5.1	-6.3	9.8	-8.3	-6.9	-9.5	-14.0
Current Account Balance/GDP (%)	-3.2	-3.1	-4.8	-2.6	1.2	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Mar-20	Apr-20	May-20
Expenditures	506.3	584.1	678.3	830.5	999.5	285.3	393.8	479.2
Interest Expenditures	53.0	50.2	56.7	74.0	99.9	38.2	55.3	65.0
Non-interest Expenditures	453.3	533.8	621.6	756.5	899.5	247.1	338.5	414.3
Revenues	482.8	554.1	630.5	757.8	875.8	255.7	321.0	389.1
Tax Revenues	407.8	459.0	536.6	621.3	673.3	176.1	225.2	280.5
Budget Balance	-23.5	-29.9	-47.8	-72.6	-123.7	-29.6	-72.8	-90.1
Primary Balance	29.5	20.3	8.9	1.3	-23.8	8.7	-17.5	-25.1
Budget Balance/GDP (%)	-1.0	-1.1	-1.5	-1.9	-2.9	-	-	-
Central Government Debt Stock (TRY billion)						Mar-20	Apr-20	May-20
Domestic Debt Stock	440.1	468.6	535.4	586.1	755.1	808.8	879.0	966.0
External Debt Stock	238.1	291.3	341.0	481.0	573.7	653.3	696.6	667.3
Total Debt Stock	678.2	760.0	876.5	1067.1	1,328.8	1,462.0	1,575.6	1,633.4

(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)	2015	2016	2017	2018	2019	Apr.20	May.20	Change ⁽¹⁾
TOTAL ASSETS	2,357	2,731	3,258	3,867	4,492	5,227	5,283	17.6
Loans	1,485	1,734	2,098	2,395	2,657	3,104	3,162	19.0
TRY Loans	1,013	1,131	1,414	1,439	1,642	1,940	2,014	22.6
Share (%)	68.2	65.2	67.4	60.1	61.8	62.5	63.7	-
FX Loans	472	603	684	956	1,015	1,164	1,148	13.1
Share (%)	31.8	34.8	32.6	39.9	38.2	37.5	36.3	-
Non-performing Loans	47.5	58.2	64.0	96.6	150.1	151.6	150.7	0.4
Non-performing Loan Rate (%)	3.1	3.2	3.0	3.9	5.3	4.7	4.5	-
Securities	330	352	402	478	661	842	911	37.8
TOTAL LIABILITIES	2,357	2,731	3,258	3,867	4,492	5,227	5,283	17.6
Deposits	1,245	1,454	1,711	2,036	2,567	2,987	2,974	15.9
TRY Deposits	715	845	955	1,042	1,259	1,463	1,447	14.9
Share (%)	57.4	58.1	55.8	51.2	49.0	49.0	48.6	-
FX Deposits	530	609	756	994	1,308	1,524	1,528	16.8
Share (%)	42.6	41.9	44.2	48.8	51.0	51.0	51.4	-
Securities Issued	98	116	145	174	194	221	230	18.7
Payables to Banks	361	418	475	563	533	587	586	9.8
Funds from Repo Transactions	157	138	99	97	154	230	263	71.0
SHAREHOLDERS' EQUITY	262	300	359	421	492	511	546	10.9
Profit (Loss) of the Period	26.1	37.5	49.1	53.5	49.8	19.7	27.3	-
RATIOS (%)								
Loans/GDP	63.5	66.5	67.6	64.7	62.1			
Loans/Assets	63.0	63.5	64.4	61.9	59.2	59.4	59.8	-
Securities/Assets	14.0	12.9	12.3	12.4	14.8	16.1	17.2	-
Deposits/Liabilities	52.8	53.2	52.5	52.6	57.2	57.1	56.3	-
Loans/Deposits	119.2	119.3	122.6	117.6	103.6	103.9	106.3	-
Capital Adequacy (%)	15.6	15.6	16.9	17.3	18.4	18.7	19.4	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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