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Global Economy

Revising down its global growth forecast for 2021 by 0.1 pp in October, IMF noted that rising global inflation poses a significant downside risk to the economic outlook.

In the third quarter of the year, the US economy lost momentum due to supply chain problems and the increase in cases related to the delta variant recording a less-than-expected growth of 2.0% on an annualized basis.

In its meeting, which ended on November 3, Fed decided to reduce its monthly asset purchase program of 120 billion USD, in line with the expectations.

Euro Area economy grew by 3.7% on an annual basis in the third quarter of the year. While inflationary pressures persist in the fourth quarter, leading indicators showed that economic activity decelerated.

While ECB did not change its monetary policy at its October meeting, ECB President Lagarde stated that they would not be in a hurry to tighten the monetary policy.

In the third quarter of the year, the Chinese economy grew below expectations by 4.9% yoy. Energy constraints, supply chain disruptions and fluctuations in the real estate market were behind this slowdown.

Oil prices hover around their highest levels in recent years due to concerns that the current production increase plan of OPEC+ countries will not be able to meet the global oil demand.

Turkish Economy

Calendar adjusted industrial production expanded by 13.8% yoy in August, well above the market expectations. Although the manufacturing PMI declined to 51.2 in September, it showed growth in the sector, in its 5th consecutive month.

In August, seasonally adjusted unemployment rate remained unchanged compared to the previous month with 12.1%, while the employment rate decreased by 0.1 percentage points to 45%. In this period, the labor underutilization rate decreased by 1.7 points mom to 22%.

The current account balance posted a surplus of 528 million USD in August. The 12-month cumulative current account deficit continued its downward trend and fell to 23 billion USD in August, the lowest level in more than a year.

The central government budget gave a deficit of 23.6 billion TRY in September. The budget deficit, which was 140.6 billion TRY in the January-September 2020 period, stood at 61.1 billion TRY in the same period of this year.

In October, CPI increased by 2.39% mom, while annual CPI inflation rose to 19.89%. The D-PPI increase was 5.4% mom and 46.31% yoy.

CBRT cut the policy rate by 200 bps from 18% to 16% at its meeting on October 21. On the other hand, in the last Inflation Report of the year, CBRT raised its current year-end inflation forecast from 14.1% to 18.4%.

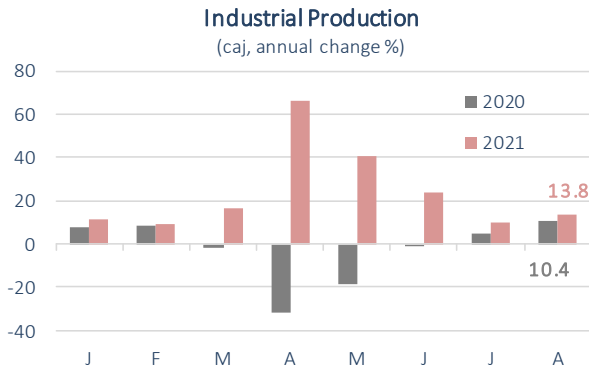
Turkish Economy	2
Financial Markets	7
Banking Sector	8
Concluding Remarks	9
Graphs	10
Tables	12

Unemployment rate became 12.1% in August.

According to the data announced by TURKSTAT, seasonally adjusted unemployment rate remained unchanged compared to the previous month and became 12.1%, while employment rate decreased by 0.1 point to 45%. In this period, employment increased by 217K people in the industry sector, while it decreased by 341K people in the services sector. The labor underutilization rate consisting of time related underemployment, potential labor force and unemployment decreased by 1.7 points on a monthly basis to 22%.

Industrial production expanded by 13.8% yoy in August.

The calendar adjusted industrial production expanded by 13.8% yoy in August, well above the expectations. In this period, durable consumer goods production increased by 8.3%, while the annual increase of 20.5% in the production of capital goods drew attention. According to seasonally and calendar adjusted data, industrial production rose by 5.4% mom in August. Thus, the monthly increase in industrial production became at the highest level of the last 13 months. Retail sales volume with constant prices, which went up by 15% yoy in August, showed that also demand remained strong in this period. Announced figures has pointed out that the strong growth performance has continued in the third quarter of the year.



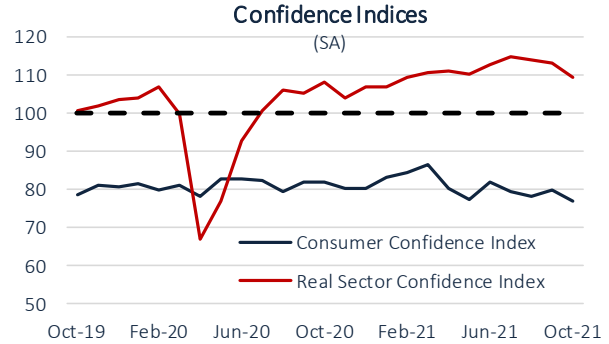
Manufacturing PMI became 51.2 in October.

In October, manufacturing PMI was realized above the 50 threshold level for the fifth month in a row and became 51.2. However it has declined compared to the level of 52.5 in September. Signs of a slowdown were evident in the data covering output and new orders. According to the statement of Istanbul Chamber of Industry, production was scaled back for the first time in five months, along with the difficulties securing inputs and unfavourable currency fluctuations constraining output. These issues led new orders to slow down, albeit at a moderate level.

Confidence indices presented mixed outlook.

The seasonally adjusted real sector confidence index in Turkey decreased by 2.0 points compared to the previous month and became 111.3 in October. Under the sub-indices, the current general business situation and total

amount of orders together with the expectations of the total employment and volume of output for the next 3 months had a negative impact on real sector confidence. Sectoral confidence indices rose in October, while consumer confidence index decreased by 3.6% mom to 76.8. Even though the economic confidence index declined by 1.0% on a monthly basis to 101.4 in October, it remained above the 100 threshold level, introducing optimism regarding the general economic situation.



House sales increased 7.6% yoy in September.

House sales, which contracted by 17% yoy in August due to the high base effect, expanded by 7.6% yoy in September. The share of mortgage sales in total house sales, which contracted by 16.4% yoy became 20.2% in September. First time house sales increased by 6.3% on an annual basis and became 44K in September, while second-hand house sales rose by 8.2% yoy to 103K in the same period. On the other hand, the upward trend in house prices has continued in August. In this period, house prices increased by 3.9% compared to the previous month, while the annual real rise in house prices became 11.9%.

The rise in white goods sales has continued in September.

According to the data of the Turkish White Goods Manufacturers Association, domestic sales of white goods expanded by 12% on an annual basis in September. In the first nine months of the year, domestic sales rose by 12% yoy and exports increased by 28% yoy. On the other hand, the deepening chip crisis and disruptions in the supply chain had limited the production in the white goods sector.

According to the data released by the Automotive Manufacturers Association (OSD), total automotive production shrank by 24.7% on a unit basis in September compared to the same month of last year due to the semiconductor crisis. According to the data of Automotive Distributors Association (ODD), the total automotive market contracted by 40.1% yoy in October. On the other hand, total domestic sales increased by 4.5% yoy in the January-October period. While the semi-conductor crisis continue to be effective on the automotive market on a global scale, the volatility of exchange rates are expected to put pressure on domestic sales in the automotive market.

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

Foreign Trade and Balance of Payments

Foreign trade deficit narrowed by 47.5% in September.

According to TurkStat data, in September, exports increased by 30% yoy and reached 20.8 billion USD, while imports increased by 11.9% yoy to 23.3 billion USD. Thus, in September, the foreign trade deficit narrowed by 47.5% yoy and amounted to 2.5 billion USD. In the first 9 months of the year, the foreign trade deficit decreased by 14.6% compared to the same period of last year to 32.4 billion USD. The ratio of exports to imports, which was 75.8% in the January-September 2020 period, rose to 83.3% in the same period of this year.

International services trade statistics have been revised.

Balance of Payments Statistics was revised within the framework of the "International Services Trade Statistics 2020" bulletin published by TURKSTAT on September 28. With the revision, the services balance surplus for 2020 increased by 2.4 billion USD and became 11.5 billion USD. In this development, the increases in the transportation sub-item freight (1.7 billion USD), insurance and pension services (489 million USD) and financial services (376 million USD) net incomes stood out. On the other hand, net revenues from telecommunications, computer and information services were revised down by 838 million USD.

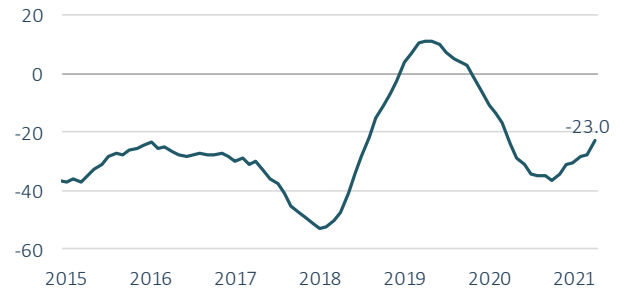
Current account balance posted a surplus of 528 million USD in August.

The current account balance, which gave a deficit of 4.1 billion USD in August 2020, posted a surplus of 528 million USD in the same period of this year. Thus, the current account balance posted a monthly surplus for the first time since October 2020. The rise in net transportation revenue continued to support the improvement of the current account balance. In addition, the decrease in the balance of payments defined foreign trade deficit by 2.6 billion USD yoy to 2.8 billion USD thanks to the decline in net gold imports by 3.6 billion USD on an annual basis, also supported the current account balance.

In the January-August period, the current account deficit narrowed by 46% yoy and became 14 billion USD. In this period, foreign trade deficit decreased by 25% yoy, while net tourism revenues doubled compared to the same period of last year and reached 9.6 billion USD. The 12-month

cumulative current account deficit continued its downward trend since March and declined to 23 billion USD in August, the lowest level of more than a year.

Current Account Balance
(12-month cumulative, USD billion)



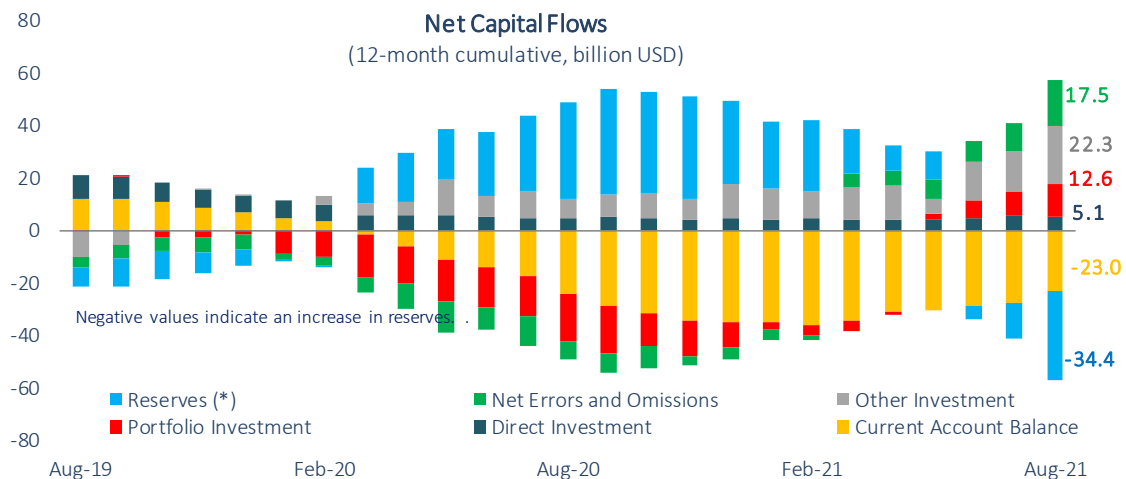
Capital outflow in direct investments...

In August, net direct investments had a capital outflow (319 million USD) for the first time since October 2020. The monthly increase in net asset acquisition by 1.2 billion USD due to the capital transfers of domestic companies to their foreign subsidiaries was behind this development. In this period, domestic capital investments of non-residents amounted to 264 million USD and real estate investments amounted to 724 million USD. Net direct investments were realized as 3.4 billion USD in the January-August period and 5.1 billion USD according to 12-month cumulative figures as of August.

Other investments rose rapidly in August.

Portfolio investments, which recorded a net capital inflow of 1.9 billion USD in July, posted an inflow of 1.3 billion USD in August. Non-residents made net purchases of 336 million USD in the GDDS market and 523 million USD in the equity market.

IMF made a general Special Drawing Rights (SDR) allocation to all IMF members in proportion to their existing quotas in the Fund. Accordingly, withdrawal of 4.5 billion SDR equivalent to 6.3 billion USD was instrumental in the rapid rise of the other investments. In this period, net capital inflow in other investments was 7.3 billion USD, the highest level since May 2020. In August, the effective and deposit assets of domestic banks in their foreign correspondents

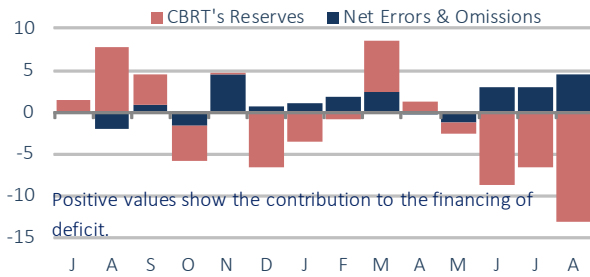


Source: CBRT, Datastream

Foreign Trade and Balance of Payments

decreased by 318 million USD, while the domestic deposits of foreign banks increased by 1.5 billion USD. While banks and the General Government made long-term loan repayments of 555 and 57 million USD, respectively in August; other sectors used a net long-term loan of 953 million USD. According to the 12-month cumulative data, the long-term debt rollover ratio was realized as 89% in the banking sector and 120% in other sectors.

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



Reserve assets increased by 13.2 billion USD in August.

Rising by 13.2 billion USD in August, reserve assets recorded the fastest monthly increase since data began to be released in 1992. Thus, according to 12-month cumulative data, the rise in reserve assets reached 34.4 billion USD. The capital

inflow in the net errors and omissions item were recorded as 4.5 billion USD in August and 13.5 billion USD in January-August period.

Expectations...

According to the preliminary foreign trade data released by the Ministry of Commerce, the export volume, which increased by 20.2% yoy in October, continued to hover at the historical high levels after September, at 20.8 billion USD. In this period, import volume also rose by 13% to 22.3 billion USD. Thus, in October, the foreign trade deficit decreased by 39% yoy to 1.5 billion USD. We believe that the downward trend in the foreign trade deficit continues thanks to the positive performance in exports, as well as the support of the increase in tourism and transportation revenues. On the other hand, the ongoing hike in global commodity prices, especially oil, stand out as risk factors that will put pressure on the current account balance in the coming period.

Balance of Payments	(USD million)				
	Aug. 2021	Jan. - Aug. 2020	Jan. - Aug. 2021	% Change	12-month Cumulative
Current Account Balance	528	-25,977	-13,992	-46.1	-23,033
Foreign Trade Balance	-2,757	-25,597	-19,158	-25.2	-31,424
Services Balance	4,076	6,059	12,542	107.0	18,021
Travel (net)	3,397	4,482	9,602	114.2	14,300
Primary Income	-850	-6,264	-8,103	29.4	-10,651
Secondary Income	59	-175	727	-	1,021
Capital Account	-22	-27	-60	122.2	-69
Financial Account	4,956	-34,766	-553	-98.4	-5,650
Direct Investment (net)	319	-3,033	-3,433	13.2	-5,099
Portfolio Investment (net)	-1,339	16,973	-5,224	-	-12,632
Net Acquisition of Financial Assets	285	1,551	-80	-	1,271
Net Incurrence of Liabilities	1,624	-15,422	5,144	-	13,903
Equity Securities	523	-5,444	-1,378	-74.7	-189
Debt Securities	1,101	-9,978	6,522	-	14,092
Other Investment (net)	-7,271	-9,703	-19,107	96.9	-22,271
Currency and Deposits	-1,772	-14,490	-9,258	-36.1	-13,650
Net Acquisition of Financial Assets	-429	2,870	3,372	17.5	-533
Net Incurrence of Liabilities	1,343	17,360	12,630	-27.2	13,117
Central Bank	70	12,154	4,769	-60.8	5,276
Banks	1,273	5,206	7,861	51.0	7,841
Foreign Banks	1,500	3,893	6,559	68.5	8,694
Foreign Exchange	798	-692	4,720	-	7,277
Turkish Lira	702	4,585	1,839	-59.9	1,417
Non-residents	-227	1,313	1,302	-0.8	-853
Loans	292	5,626	-597	-	-2,273
Net Acquisition of Financial Assets	156	-1,240	2,040	-	899
Net Incurrence of Liabilities	-136	-6,866	2,637	-	3,172
Banking Sector	-838	-1,930	-1,729	-10.4	-1,627
Non-bank Sectors	759	-4,512	4,446	-	4,868
Trade Credit and Advances	549	-824	-2,899	251.8	-8
Other Assets and Liabilities	-2	-15	-15	0.0	-2
Special drawing rights (Net incur. of lia)	6,338	0	6,338.0	-	6,338
Reserve Assets (net)	13,247	-39,003	27,211	-	34,352
Net Errors and Omissions	4,450	-8,762	13,499	-	17,452

Source: CBRT, Datastream

Budget Balance

Central government budget posted a deficit of 23.6 billion TRY in September.

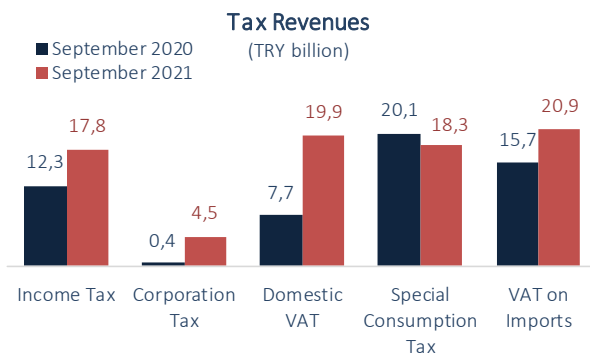
In September, central government budget deficit narrowed by 20.5% yoy thanks to the positive performance of budget revenues and was realized as 23.6 billion TRY. In this period, budget revenues increased by 49.4% yoy to 117.9 billion TRY, while expenditures expanded by 30.3% to 141.5 billion TRY. The primary deficit decreased by approximately 4 billion TRY yoy to 9.5 billion TRY in September.

The improvement in the budget outlook in the January-September period is notable.

Central government budget deficit, which was 140.6 billion TRY in the first 3 quarters of last year, narrowed by 56.5% yoy to 61.1 billion TRY in the same period of this year. The strong trend in economic activity appears to have been positively reflected in budget performance by supporting budget revenues.

Tax revenues rose rapidly in September.

Tax revenues showed a positive performance in September thanks to the low base of the tax collections that were postponed due to the pandemic conditions in September 2020, as well as the strong course of domestic economic activity this year. In this period, the first three items that made the highest contribution to the 40% increase in tax revenues were respectively; domestic VAT, income tax and VAT on imports. The rise in interest, shares and fines in August also continued in September. The said item contributed to the rise in budget revenues by 11.3 points. On the other hand, annual decline in special consumption tax (SCT) on motor vehicles (due to the base effect and the regulation changes), and annual decline in SCT on petroleum and natural gas products due to the 'échelle mobile' system limited budget revenues by 4.4 points in September.



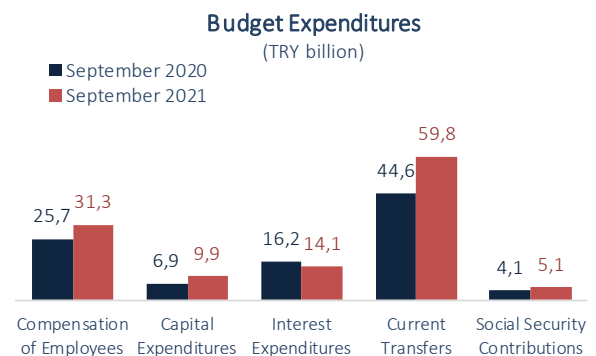
In the first nine months of the year, domestic VAT and VAT on imports revenues displayed a strong outlook, while SCT revenues,

suppressed by the "échelle mobile" system, expanded at a limited rate of 5.6% on an annual basis. In January-September, the strong trend in economic activity reflected positively on tax revenues. The tax reductions applied in some services have expired as of the beginning of October. We think that "échelle mobile" system which is applied on diesel and LPG taxes and limits total tax revenues, has also come to its limit with the effect of increasing energy prices and exchange rate developments.

Budget expenditures...

In September, budget expenditures expanded by 30.3% yoy, while significant portion of the increase in expenditures stemmed from the rise in current transfers and compensation of employees. Said items pushed up budget expenditures by 14 and 5.2 points, respectively. In addition, due to the rise of 2.6 billion TRY in medical supplies purchases, the purchase of goods and services item increased budget expenditures by 4.6 points in this month. On the other hand, the 13% annual decline in interest expenditures in September limited the expansion of budget expenditures.

In January-September period budget expenditures expanded by 20.9% yoy, while current transfers and the rise in interest expenditures played an important role in this increase. Moreover, in the third quarter of the year, capital transfers, which went up by 79.3% yoy, increased budget expenditures.



Expectations...

In general, budget realizations show a better performance compared to the year-end budget targets in the Medium-Term Program announced in September. The data shows that the central government has sufficient room to support the economy if needed, without exceeding the 3.5% budget deficit/GDP target for the full year.

Central Government Budget

	September			January-September			2021 Budget		
	2020	2021	% Change	2020	2021	% Change	Target	MTP Target	Real./MTP Target (%)
Expenditures	108.6	141.5	30.3	681.1	1,051.6	54.4	1,346.1	1,506.3	69.8
Interest Expenditures	16.2	14.1	-13.0	79.7	142.3	78.5	179.5	179.5	79.3
Non-Interest Expenditures	92.4	127.4	37.9	762.2	909.4	19.3	1,166.6	1,326.7	68.5
Revenues	78.9	117.9	49.4	729.4	990.6	35.8	1,101.1	1,276.3	77.6
Tax Revenues	68.3	95.6	40.0	578.7	808.4	39.7	922.7	1,057.9	76.4
Other Revenues	10.6	22.3	110.3	150.7	182.1	20.9	178.4	218.4	83.4
Budget Balance	-29.7	-23.6	-20.5	-140.6	-61.1	-56.5	-245.0	-230.0	26.6
Primary Balance	-13.5	-9.5	-29.6	-32.8	81.2	-	-65.5	-50.5	-

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

Source: Datastream, Ministry of Treasury and Finance

Inflation

In October, inflation rose below expectations.

CPI increased by 2.39% mom in October, below the market expectation of 2.76% according to the Reuters survey. Although the monthly increase in CPI remained below market expectations, it reached the highest level since October 2018. In the CBRT's Market Participants Survey published in mid-October, the current month-end inflation expectation of the market was 1.94%. Domestic PPI (D-PPI) also increased by 5.24% mom, recording the fastest monthly rise since September 2018.

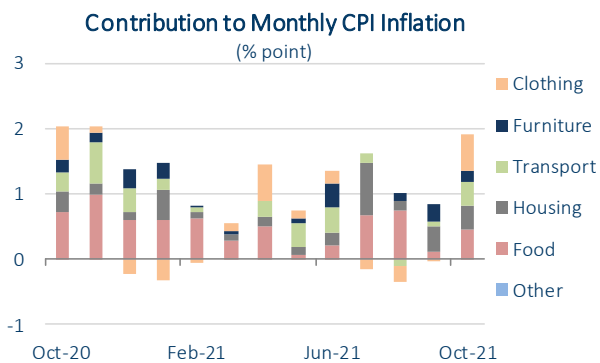
The annual increase in CPI rose to 19.89%.

Annual CPI inflation rose to 19.89% in October and reached the highest level since January 2019. Following a limited decline in September, annual D-PPI inflation reached the highest level of the 2003-based series with 46.31% in October.

October (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	2.13	2.39	3.55	5.24
Year-to-Date	10.64	15.75	17.48	37.34
Annual	11.89	19.89	18.20	46.31
Annual Average	11.74	17.09	9.11	36.20

In October, the prices of clothing and footwear group increased rapidly.

In October, prices increased across all the main spending groups. During this period, the prices in the clothing and footwear group went up fastest by 7.6% mom and raised monthly CPI inflation by 40 basis points. The food group made the highest contribution (52 bps) to monthly CPI inflation. In October, price increases in the transportation group gained momentum. During this period, transportation group prices pushed up monthly inflation by 36 bps due to the increases in fuel oil prices, where the limits of the échelle mobile system were used up.

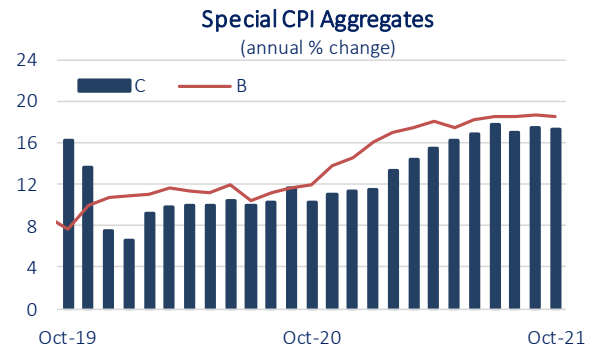


In terms of the contribution of the main expenditure groups to annual CPI inflation, food group pushed up the annual inflation by 677 bps in October. The housing group increased annual inflation by 330 bps, while the transportation group, where prices rose by 20.67% yoy, became the third group with the highest contribution to annual consumer inflation with 316 bps. In the same period, the annual increase in the prices of alcoholic beverages and tobacco group reached 7.9%, the highest level of the last 15 months.

Core inflation indicators..

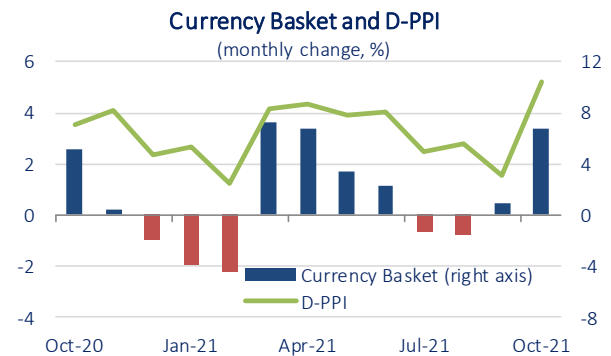
The monthly increase in CPI excluding seasonal products was below

headline inflation at 2.11% in October, while the annual rise became 20.43 and reached the highest level in nearly 3 years. Annual increases in the B and C core indices, which are closely monitored by the CBRT, lost momentum in October. In this period, annual inflation in B and C indices were realized as 18.50% and 16.82%, respectively.



The rise in D-PPI gained momentum.

D-PPI, which rose by 1.55% mom in September, gained momentum in October due to exchange rate developments and went up by 5.24% mom. During this period, prices increased in all sub-sectors. In line with the ongoing upward trend on a global scale, price increases in the energy and intermediate goods groups accelerated in October. In this period, the coke and refined petroleum products group prices rose by 20.85% mom and made the highest contribution (99 bps) to the monthly D-PPI inflation. In October, textile group gave the second highest contribution to the monthly D-PPI increase with 63 bps.



In October, annual increases in basic metal and food prices contributed to the rise in the annual D-PPI by 14.85 points in total. In this period, price hikes in natural gas used in domestic industrial production put upward pressure on the D-PPI.

Expectations...

The ongoing upward trend in energy and food prices on a global scale continues to put upward pressure on inflation. The depreciation in TRY also negatively affects the inflation outlook due to the exchange rate pass-through. We believe that recent increases in gas and fuel prices will continue to put pressure on inflation in the coming months. In this context, we expect that the annual CPI inflation could complete this year above the 18.4% forecast in the CBRT's Inflation Report published on October 28.

	30-Sep	29-Oct	Change
5-Y CDS (basis points)	427	444	17 bps ▲
TR 2-Y Benchmark Yield	18.17%	18.37%	20 bps ▲
BIST-100*	1,406	1,522	8.2% ▲
USD/TRY	8.8862	9.6030	8.1% ▲
EUR/TRY	10.2899	11.1060	7.9% ▲
Currency Basket**	9.5881	10.3545	8.0% ▲

(*) Last figure as of October 28

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

CBRT cut the policy rate by 200 bps in October.

CBRT, which cut the policy rate by 100 basis points in September, lowered the policy rate by 200 basis points to 16% at its meeting held on October 21. In the note published after the meeting, CBRT stated that supply-side factors such as increases in import prices, especially in food and energy, and supply chain disruptions, increases in administered prices and demand developments due to reopening were effective in the recent rise in inflation and added that these effects were due to transitory factors. On the other hand, as stated in the previous MPC decision, the change in monetary policy stance and the policy rate was due to the fact that the tight monetary stance had a higher than envisaged contractionary effect on commercial loans. The Committee assessed that, till the end of the year, supply-side transitory factors leave limited room for the downward adjustment to the policy rate. In addition, CBRT decided to support sustainable finance initiatives as a long-term policy without prejudice to the main objectives of monetary policy in order to limit climate and other environmental risks.

CBRT raised its inflation forecasts.

In the Inflation Report released on October 28, CBRT raised 2021 year-end inflation forecast from 14.1% to 18.4%. The inflation forecast for 2022 was also revised up from 7.8% to 11.8%. The rises in food and import prices as well as the revision of output gap caused these upward revisions. CBRT raised its food inflation forecast for 2021 from 15% to 23.4%. In his presentation on the report, CBRT Governor Kavcıoğlu stated that Turkey was positively affected by the change in global supply chains during the pandemic, and the investment appetite in the

CBRT Inflation Forecasts

	2021	2022
July Inflation Report (%)	14.1	7.8
October Inflation Report (%)	18.4	11.8
Revision	+4.3	+4.0
Contributions to the Revision (% point)		
Import prices	+1.5	-
Food prices	+2.1	+1.0
Administered prices	+0.3	-
Output gap	+0.4	+0.8
Main trend in inflation	-	+2.2

real sector increased. Stating that they act with a selective approach in monetary policy with the aim of preventing the slowdown in commercial loans without causing monetary expansion, Kavcıoğlu pointed out that the improvement to be achieved in the current account balance within this framework would ensure financial stability and price stability.

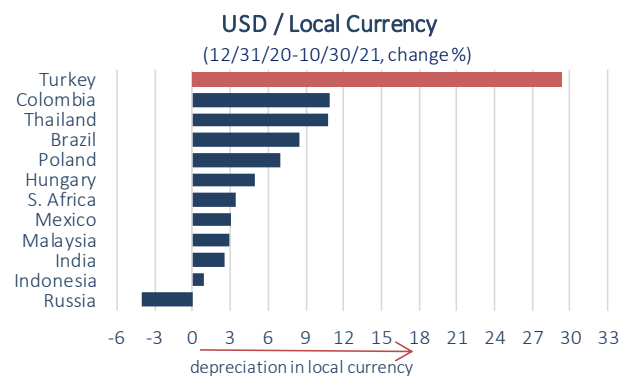
Securities portfolio of non-residents...

According to the securities statistics published by the CBRT, as of October 28, the equity portfolio of non-residents, adjusted for price and exchange rate movements, declined by net 154 million USD and the government domestic debt securities (GDDS) fell by net 412 million USD compared to the end of September. Thus, since the end of 2020, capital outflow in non-residents equity portfolio reached 1.4 billion USD while capital inflow in GDDS portfolio became 1.5 billion USD.

USD/TRY recorded a rapid rise in October.

In October, concerns about inflation and supply chain problems weighed on global risk appetite, strong balance sheet announcements supported the global markets.

The depreciation trend of the Turkish lira, which started in September, accelerated in October due to the CBRT's rate cut decisions and geopolitical developments. USD/TRY, which saw its historical high level of 9.85 on October 25, closed the month at 9.60 with an increase of 8.1% compared to the end of September. EUR/TRY also increased by 7.9% to 11.1 at the end of the month. Turkey's 5-year CDS premium rose by 17 basis points to 444 basis points in October. On the other hand, BIST-100 index displayed its best monthly performance since January with a rise of 8.2% mom.

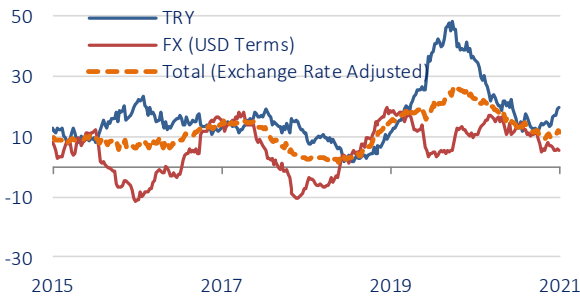


Banking Sector

Deposit volume stood at 4,355 billion TRY.

According to the Weekly Bulletin data published by the BRSA, as of the week of October 22, the total deposit volume increased by 23.5% compared to the same period of last year and by 26.1% compared to the end of 2020, reaching 4,355 billion TRY. In the same period, TRY deposit volume expanded by 19.7% yoy and by 23.4% ytd. The annual rise in total deposit volume gained momentum due to the increase in FX deposits deriving from exchange rate developments. In this period, the annual rise of FX deposits in USD terms was 5.2%, while the TRY equivalent of FX deposits went up by 26.7%. The increase in total deposit volume stood at 11.8% yoy, when adjusted for the exchange rate effect.

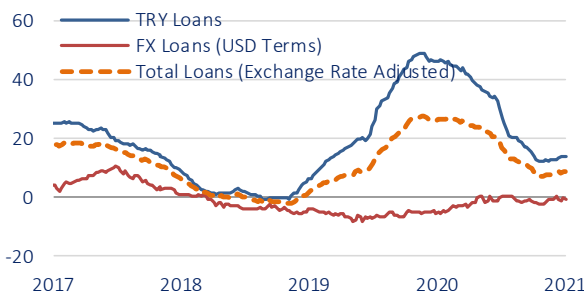
Deposit Growth
(annual % change)



Loan volume expanded by 15.7% yoy.

The annual loan growth, which was 35.1% at the end of 2020, decreased to 15.7% as of the week of October 22, and the total loan volume in this period became 4,158 billion TRY. As of October 22, TRY loan volume increased by 13.6% yoy, while FX loan volume in USD terms decreased by 0.8% yoy to 163.5 billion USD in the same period. Adjusted for the exchange rate effect, the annual rise in total loan volume was 6.5% as of October 22. Compared to the end of 2020, the increase in total loan volume was 16.3% as of October 22. In this period, TRY loan volume rose by 10.6%, while FX loan volume in USD terms remained almost flat.

Loan Growth
(annual % change)

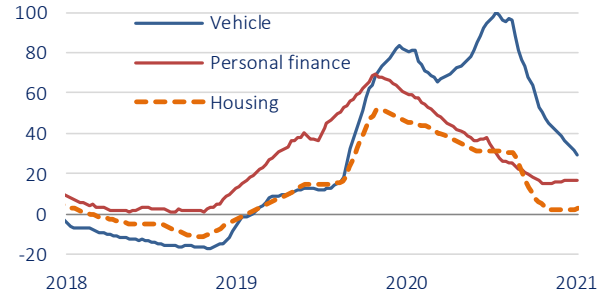


The annual increase in consumer loans was realized as 10.9%.

With the effect of macroprudential measures taken, the rate of increase in consumer loans continues to lose momentum. As of October 22, consumer loans rose by

10.9% yoy and 9.5% ytd. In this period, annual growth in housing and consumer loans were realized as 2.5% and 16.7%, respectively. The annual rate of increase in vehicle loans, which has been strong since last year, declined to 29.1% as of October 22.

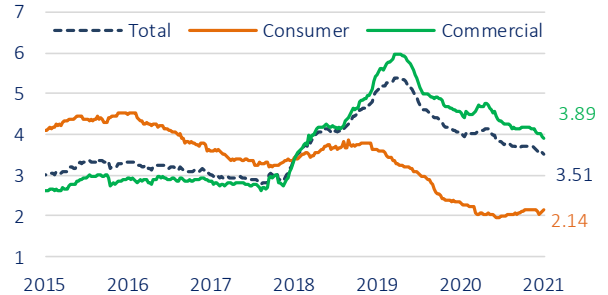
Consumer Loans
(annual % change)



NPL ratio stood at 3.51%.

The NPL ratio, which has followed a downward trend since July, stood at 3.51% as of October 22. While the relevant rate is 2.32% in public banks, it is 4.51% in private banks. According to loan types, the NPL ratio of the sector in this period is 3.89% in commercial loans and 2.14% in retail loans.

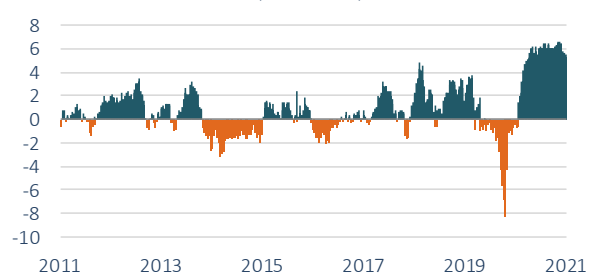
Non-performing Loans
(%)



Foreign currency net general position...

As of October 22, banks' on-balance sheet FX position was (-) 49,264 million USD, while off-balance sheet FX position was (+) 54,493 million USD. Thus, the net FX position of the banking sector was realized as (+) 5,228 million USD.

Net FX Position
(USD billion)



Source: BRSA Weekly Bulletin

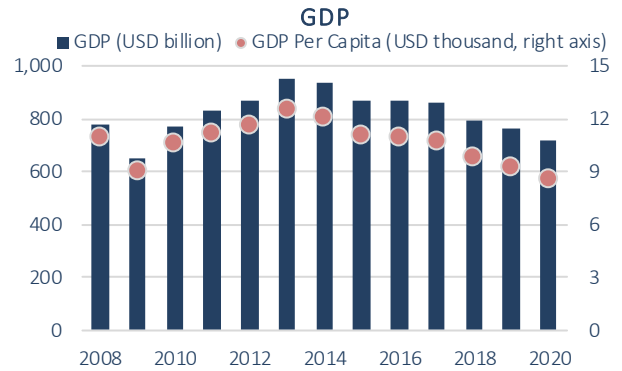
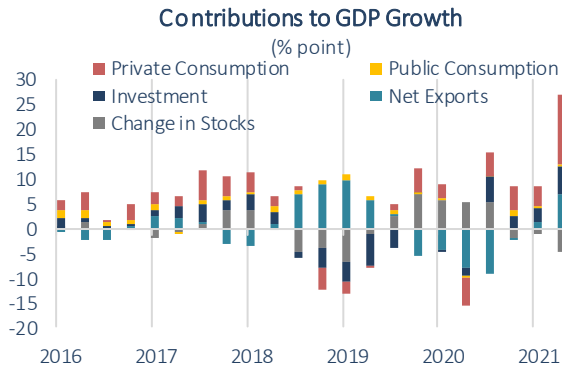
Concluding Remarks

Due to the concerns that inflationary pressures may persist longer than expected, the ongoing energy crisis, supply chain disruptions and uncertainties regarding the course of the pandemic, economic activity has lost momentum on a global scale. The third quarter economic growth data announced in the US, Euro Area and China confirmed this outlook. In its latest World Economic Outlook Report, the IMF drew attention to the increasing downside risks and stated that the uncertainties affecting the global economy weighed on the recovery.

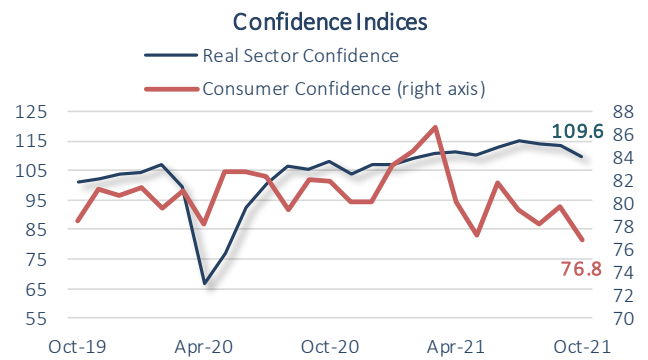
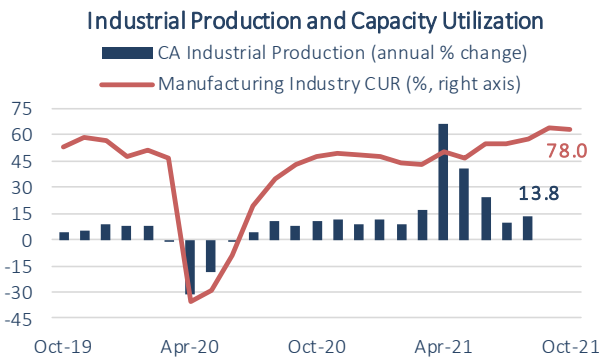
Under the current inflationary environment, monetary policy decisions and forward guidance of major central banks are closely followed in the recent period. In its meeting at the beginning of November, the Fed decided to reduce its asset purchase program, as signaled earlier. On the other hand, the ECB, holding its monetary policy steady, reiterated that asset purchases will continue at a more moderate pace, at least until March 2022. In addition, while the Bank of Canada ended asset purchases, new steps are being taken towards tightening on the side of emerging economies.

In line with the uncertain outlook in the global economy, domestic supply and demand indicators in Turkey point out that the recovery in economic activity continues, albeit at a slower pace. Following the 100 bps cut in September, the Central Bank lowered the policy rate further by 200 bps to 16% in October meeting and stated that the improvement in the current account balance is prioritized in order to ensure financial stability and price stability. On the other hand, the recent rapid rise in exchange rates poses a risk to the inflation outlook. While the year-end CPI inflation forecast, which was 16.2% in the Medium-Term Program published in early September, rose to 18.4% in the Inflation Report published by the CBRT on October 28, the deterioration in inflation expectations continues.

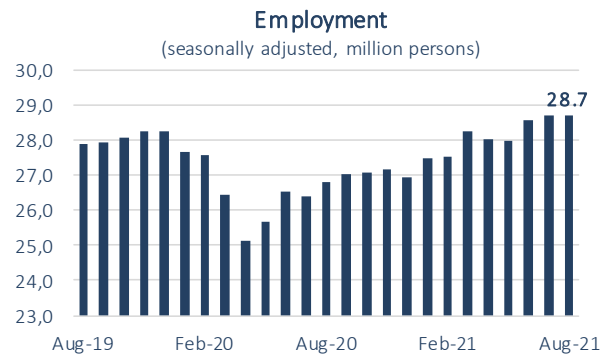
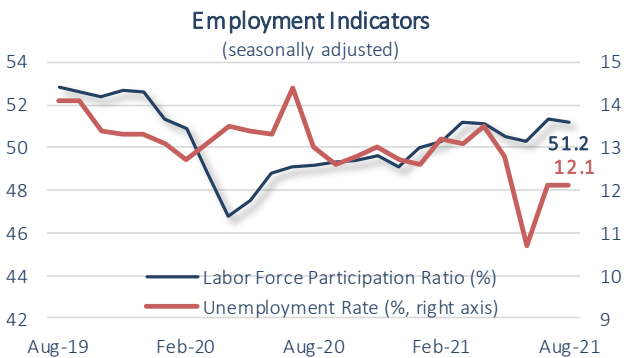
Growth



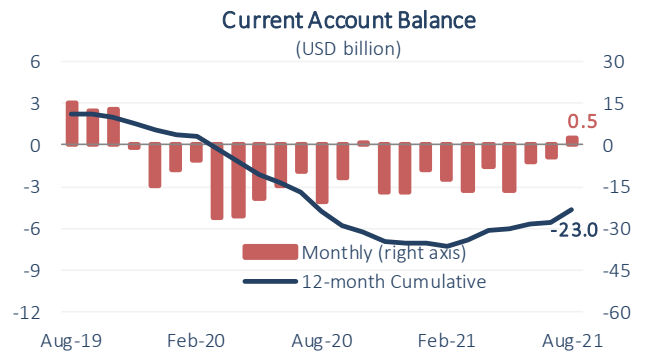
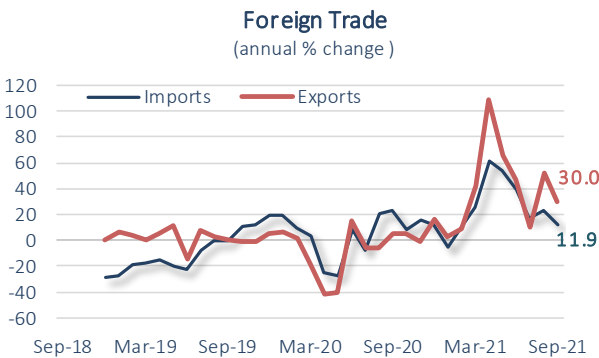
Leading Indicators



Labor Market



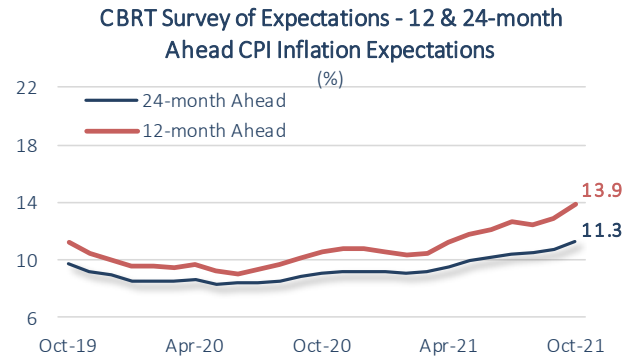
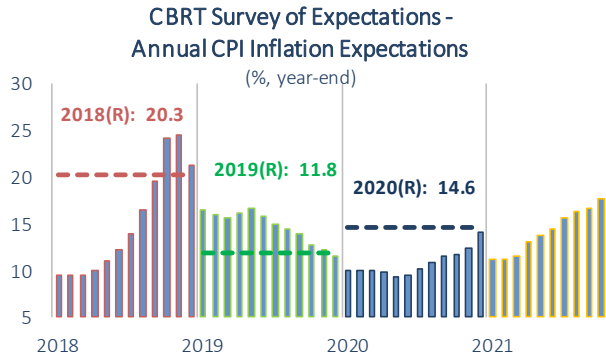
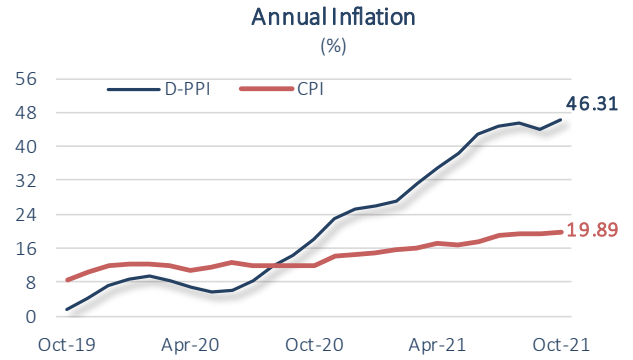
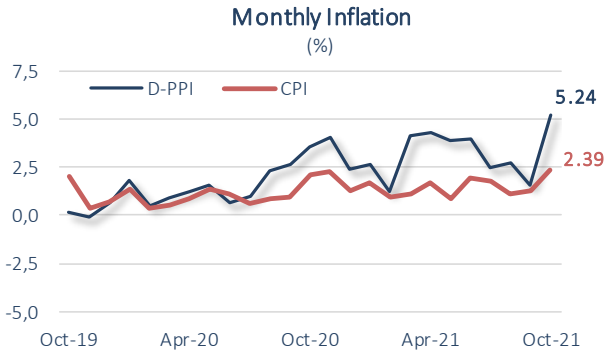
Foreign Trade and Current Account Balance



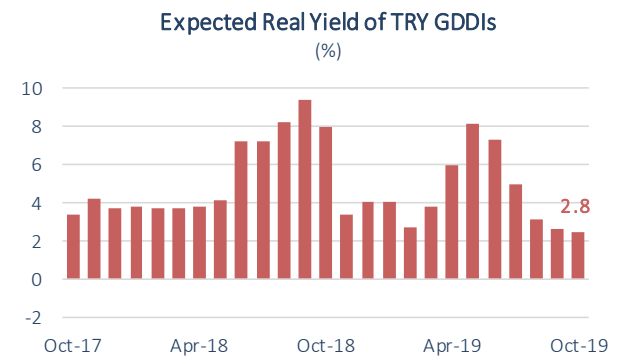
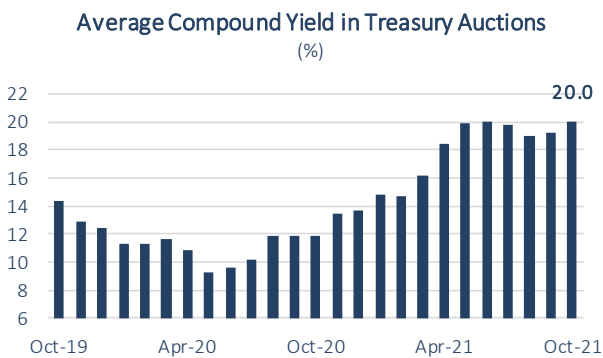
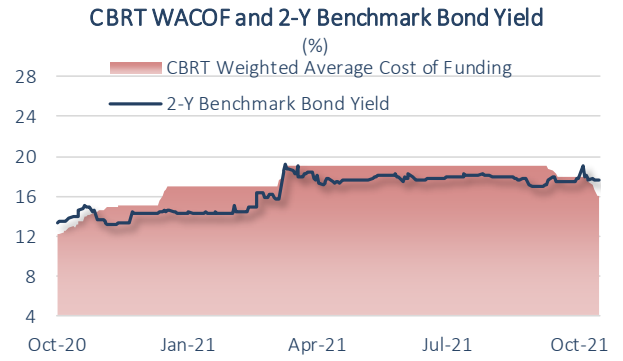
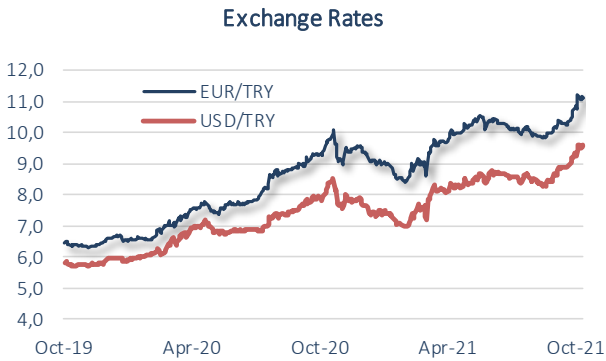
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

Growth	2016	2017	2018	2019	2020	Q1-21	Q2-21	
GDP (USD billion)	869	859	797	761	717	188	189	
GDP (TRY billion)	2,627	3,134	3,758	4,318	5,047	1,389	1,581	
GDP Growth Rate (%)	3.3	7.5	3.0	0.9	1.8	7.2	21.7	
Inflation (%)						Aug-21	Sep-21	Oct-21
CPI (annual)	8.53	11.92	20.30	11.84	14.60	19.25	19.58	19.89
Domestic PPI (annual)	9.94	15.47	33.64	7.36	25.15	45.52	43.96	46.31
Seasonally Adjusted Labor Market Figures						Jun-21	Jul-21	Aug-21
Unemployment Rate (%)	12.1	9.9	12.8	13.3	12.7	10.60	12.10	12.10
Labor Force Participation Rate (%)	52.4	53.1	53.0	52.3	48.9	51.20	50.70	50.20
FX Rates						Aug-21	Sep-21	Oct-21
CPI Based Real Effective Exchange Rate	93.5	86.3	76.4	76.2	62.2	62.8	63.1	60.4
USD/TRY	3.52	3.79	5.32	5.95	7.43	8.3	8.88	9.62
EUR/TRY	3.71	4.55	6.08	6.68	9.09	9.8	10.30	11.13
Currency Basket (0.5*EUR+0.5*USD)	3.61	4.17	5.70	6.32	8.26	9.1	9.59	10.38
Foreign Trade Balance⁽¹⁾ (USD billion)						Jul-21	Aug-21	Sep-21
Exports	149.2	164.5	177.2	180.8	169.7	201.0	207.4	212.2
Imports	202.2	238.7	231.2	210.3	219.5	249.6	254.1	256.5
Foreign Trade Balance	-52.9	-74.2	-54.0	-29.5	-49.8	-48.6	-46.7	-44.4
Import Coverage Ratio (%)	73.8	68.9	76.6	86.0	77.3	80.5	81.6	82.7
Balance of Payments⁽¹⁾ (USD billion)						Jun-21	Jul-21	Aug-21
Current Account Balance	-27.0	-40.8	-21.7	6.8	-36.7	-28.6	-27.6	-23.0
Capital and Financial Accounts	-21.7	-47.0	-10.9	1.3	-40.0	-20.7	-16.7	-5.7
Direct Investments (net)	-10.7	-8.3	-9.2	-6.3	-4.6	-5.0	-5.9	-5.1
Portfolio Investments (net)	-6.6	-24.3	3.1	1.4	5.5	-6.7	-9.2	-12.6
Other Investments (net)	-5.3	-6.2	5.6	-0.1	-9.0	-14.5	-15.1	-22.3
Reserve Assets (net)	0.8	-8.2	-10.4	6.3	-31.9	5.5	13.5	34.4
Net Errors and Omissions	5.3	-6.2	10.8	-5.5	-3.3	8.0	11.0	17.5
Current Account Balance/GDP (%)	-3.1	-4.8	-2.7	0.9	-5.1	-	-	-
Budget⁽²⁾⁽³⁾ (TRY billion)						Jul-21	Aug-21	Sep-21
Expenditures	584.1	678.3	830.5	999.5	1,202.2	804.4	910.1	1051.7
Interest Expenditures	50.2	56.7	74.0	99.9	134.0	114.5	128.2	142.3
Non-interest Expenditures	533.8	621.6	756.5	899.5	1,068.3	689.9	781.9	909.4
Revenues	554.1	630.5	757.8	875.8	1,029.5	726.1	872.6	990.6
Tax Revenues	459.0	536.6	621.3	673.3	833.1	581.7	712.8	808.4
Budget Balance	-29.9	-47.8	-72.8	-123.7	-172.7	-78.3	-37.5	-61.1
Primary Balance	20.3	8.9	1.3	-23.8	-38.8	36.2	90.7	81.2
Budget Balance/GDP (%)	-1.1	-1.5	-1.9	-2.9	-3.4	-	-	-
Central Government Debt Stock (TRY billion)						Jul-21	Aug-21	Sep-21
Domestic Debt Stock	468.6	535.4	586.1	755.1	1,060.4	1,152.4	1,169.1	1,186.7
External Debt Stock	291.3	341.0	481.0	574.0	752.5	879.9	925.9	994.3
Total Debt Stock	760.0	876.5	1,067.1	1,329.1	1,812.8	2,032.3	2,095.0	2,181.1

(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)	2016	2017	2018	2019	2020	Aug.21	Sep.21	Change ⁽¹⁾
TOTAL ASSETS	2,731	3,258	3,867	4,492	6,106	6,800	7,047	15.4
Loans	1,734	2,098	2,395	2,657	3,576	3,910	4,038	12.9
TRY Loans	1,131	1,414	1,439	1,642	2,353	2,542	2,593	10.2
Share (%)	65.2	67.4	60.1	61.8	65.8	65.0	64.2	-
FX Loans	603	684	956	1,015	1,224	1,368	1,445	18.1
Share (%)	34.8	32.6	39.9	38.2	34.2	35.0	35.8	-
Non-performing Loans	58.2	64.0	96.6	150.1	152.6	149.6	148.8	-2.5
Non-performing Loan Rate (%)	3.2	3.0	3.9	5.3	4.1	3.7	3.6	-
Securities	352	402	478	661	1,023	1,152	1,191	16.5
TOTAL LIABILITIES	2,731	3,258	3,867	4,492	6,106	6,800	7,047	15.4
Deposits	1,454	1,711	2,036	2,567	3,455	3,912	4,107	18.9
TRY Deposits	845	955	1,042	1,259	1,546	1,756	1,849	19.6
Share (%)	58.1	55.8	51.2	49.0	44.7	44.9	45.0	-
FX Deposits	609	756	994	1,308	1,909	2,156	2,258	18.3
Share (%)	41.9	44.2	48.8	51.0	55.3	55.1	55.0	-
Securities Issued	116	145	174	194	224	231	243	8.5
Payables to Banks	418	475	563	533	658	709	735	11.8
Funds from Repo Transactions	138	99	97	154	255	409	413	61.8
SHAREHOLDERS' EQUITY	300	359	421	492	600	648	655	9.2
Profit (Loss) of the Period	37.5	49.1	53.5	49.8	58.5	48.5	57.0	-
RATIOS (%)								
Loans/GDP	66.5	67.6	64.7	61.5	70.8			
Loans/Assets	63.5	64.4	61.9	59.1	58.6	57.5	57.3	-
Securities/Assets	12.9	12.3	12.4	14.7	16.7	16.9	16.9	-
Deposits/Liabilities	53.2	52.5	52.6	57.1	56.6	57.5	58.3	-
Loans/Deposits	119.3	122.6	117.6	103.5	103.5	100.0	98.3	-
Capital Adequacy (%)	15.6	16.9	17.3	18.4	18.7	17.3	17.3	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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