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Global Economy

In December, developments regarding the course of the pandemic, as well as monetary policy decisions of the major central banks, were influential on global markets.

Increasing the policy rate to 0.25% at its December meeting, the Bank of England became the first major central bank to raise interest rates since the beginning of the outbreak.

At its last meeting of the year, the Fed did not change its policy rate in line with market expectations, but decided to increase the pace of monthly asset purchases reduction. Fed members expect three 25 basis points interest rate hikes in 2022.

The US economy's growth rate for the Q3 was revised from 2.1% to 2.3%. While the economic activity in the US continued its strong performance in the last quarter, the rise in inflation figures continued.

The ECB did not change the interest rates at its meeting held on December 16, but announced that the Pandemic Emergency Asset Purchase Program would end in March 2022

PMI data released in the Euro Area indicated that the positive trend in economic activity continued in December.

Economic data released in China displayed a mixed outlook. Industrial production rose above expectations in November, while retail sales remained under pressure due to measures taken against the pandemic in the country.

The rise in oil prices continued in December amid ongoing supply-side concerns. In 2021, the barrel price of Brent crude oil increased by 50.2% compared to the previous year.

Turkish Economy

In October, seasonally adjusted unemployment rate decreased by 0.2 mom to 11.2%, while the employment rate increased by 0.2 points to 46.2%. In this period, the labor underutilization rate increased by 1 point mom to 22.8%

Industrial production started the last quarter of the year by maintaining its strength. The calendar adjusted industrial production index increased by 8.5% yoy in October.

Manufacturing PMI rose to 52.1 in December, exceeding the 50 threshold for the 7th consecutive month. On the other hand, rapid increases in input costs and final product prices came to the fore in this period.

According to the 12-month cumulative data, the current account deficit decreased to 15.4 billion USD in October, the lowest level of the last 16 months.

In the January-November period, the budget deficit narrowed by 64.8% yoy to 46.5 billion TRY.

The annual CPI inflation reached the highest level of the last 19 years with 36.1% at the end of 2021. Annual D-PPI also recorded its highest annual increase since February 2002 with 79.89% in this period.

The CBRT lowered the policy rate by 100 basis points to 14% at its December meeting.

While the depreciation of TRY accelerated in December, in addition to "FX-linked TRY deposit instrument", various measures were announced to encourage TRY deposits. The USD/TRY parity increased by 79.2% at the end of 2021 compared to the end of the previous year.

Leading Indicators

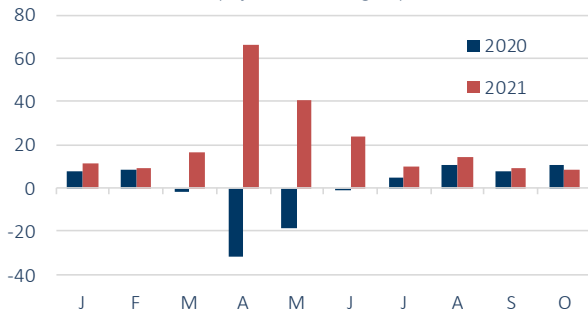
Unemployment rate became 11.2% in October.

According to the data announced by TURKSTAT, seasonally adjusted unemployment rate decreased by 0.2 points compared to the previous month to 11.2%, while the employment rate increased by 0.2 points to 46.2% in October. In this period, the number of employed persons increased by 211K and 33K in the services and agriculture sectors, respectively, while it decreased by 58K and 4K in the industry and construction sectors, respectively. The labor underutilization rate consisting of time-related underemployment, potential labor force, and unemployment rose by 1 point compared to the previous month and was realized as 22.8%.

Industrial production expanded by 8.5% yoy in October.

The calendar adjusted industrial production index increased by 8.5% yoy in October. When classified according to technology levels, the production of high-tech products decreased by 2.4% yoy in this period, while production in other groups increased. According to seasonally and calendar adjusted data, industrial production expanded by 0.6% in October compared to the previous month. While the production of durable consumer goods did not change significantly in this period, the production of non-durable consumer goods gained momentum with an increase of 3.6% mom.

Industrial Production
(caj, annual change %)



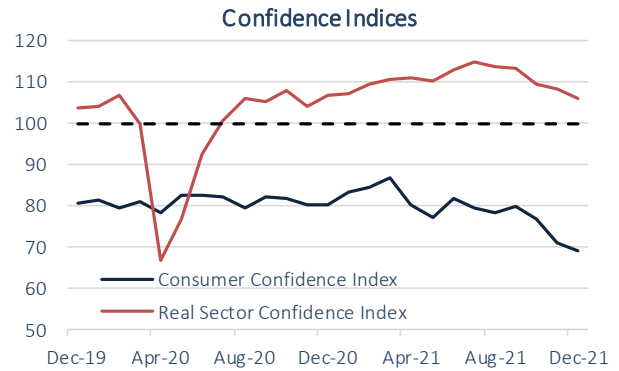
Manufacturing PMI rose to 52.1 in December.

Manufacturing industry PMI rose to 52.1 in December, exceeding the 50 threshold for the 7th consecutive month. According to the sub-items of the index, input costs reached the highest level since 2005 in December, while rapid increases were recorded in final product prices. In addition, there was a slowdown in production and new orders rates in parallel with the increase in prices. On the other hand, employment in the sector recorded the fastest rise since August, drawing a positive picture.

Confidence indices displayed a negative outlook in December.

Seasonally adjusted real sector confidence index decreased by 1.9 points mom to 110.1 in December. While the expectations for the next three months

affected the index positively, the expectations for the general business situation decreased by 13.6 points mom to the lowest level of the last 19 months, drawing attention. The sectoral confidence indices also showed a weak outlook in December, while the consumer confidence index decreased by 3.1% compared to the previous month and fell to 68.9, the lowest level since 2004 when the data started to be published. The economic confidence index also decreased by 1.8% mom to 97.6 in December.



Housing sales rose by 59% yoy in November.

House sales increased by 59% yoy in November and reached the highest level of November in the data series that started in 2013, with approximately 179K units. In this period, while mortgage sales increased by 61% yoy and other sales by 58.4% yoy, first time house sales rose by 52% yoy and second hand house sales went up by 62.4% yoy. Housing sales to foreigners increased by 48.4% yoy and reached the highest level of the last 8 years with 7,363 units. In the first 11 months of the year, total sales decreased by 9.2% compared to the same period of the previous year, while mortgage sales decreased by 55.4% yoy due to the relatively high course of interest rates.

White goods sales increased by 7.1% yoy in November.

According to the data of the Turkish White Goods Manufacturers Association, domestic white goods sales, which contracted by 13.3% yoy in October, increased by 7.1% yoy in November. In the first 11 months of the year, domestic sales increased by 9.3% and exports by 20.6% compared to the same period of the previous year. However, the ongoing global semiconductor crisis continued to limit production in the white goods industry.

According to the data released by the Automotive Manufacturers Association, total automotive production shrank by 19.7% yoy on a unit basis in November, due to the ongoing microchip shortage and the depreciation in TRY, which increased the input costs.

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

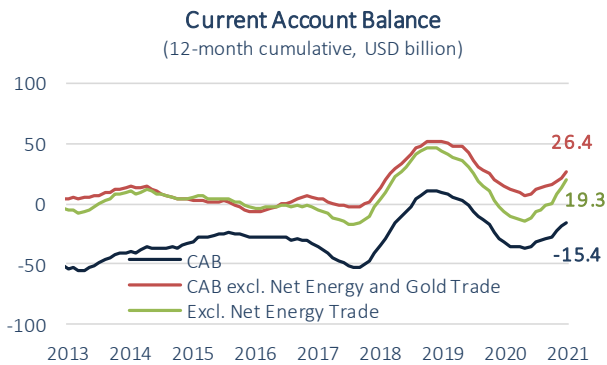
Foreign Trade and Balance of Payments

Foreign trade deficit widened by 6.9% yoy in November.

According to TURKSTAT data, in November, exports increased by 33.7% yoy to 21.5 billion USD, while imports expanded by 27.3% to 26.9 billion USD. Thus, in this period, the foreign trade deficit increased by 6.9% yoy to 5.4 billion USD. In the January-November 2021 period, the foreign trade deficit narrowed by 13.2% compared to the same period of the previous year to 39.4 billion USD. The ratio of exports to imports rose from 77% in January-November 2020 to 83.8% in the same period of 2021.

Current account balance posted a surplus of 3.2 billion USD in October.

The current account balance, which gave a deficit of 93 million USD in October 2020, posted a surplus of 3.2 billion USD in the same period of this year. Thus, the monthly current account surplus reached its highest level since October 2018. Increases in travel and transportation revenues continued to support the current account balance outlook in October. In addition, the balance of payments defined foreign trade balance, which gave a deficit of 1.3 billion USD in October 2020, backed the current account balance by giving a surplus of 146 million USD in October 2021, thanks to the annual decrease of 1.7 billion USD in net gold imports.



In the January-October period, the current account deficit narrowed by 71% yoy and became 8.4 billion USD. The 33% annual decrease in the balance of payments defined foreign

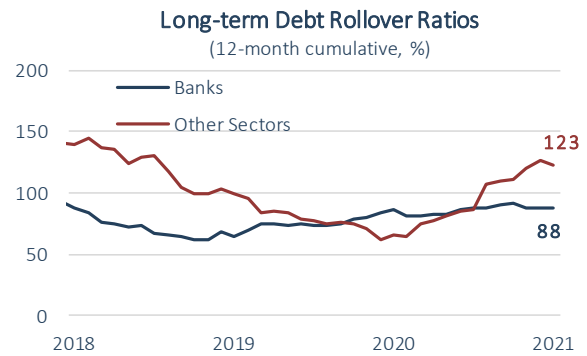
trade deficit, as well as the increase in net tourism revenues by 111% yoy to 16.3 billion USD were effective in this development. The 12-month cumulative current account deficit continued its downward trend since March and declined to 15.4 billion USD in October, the lowest level of the last 16 months.

Limited capital inflows were recorded in direct investments.

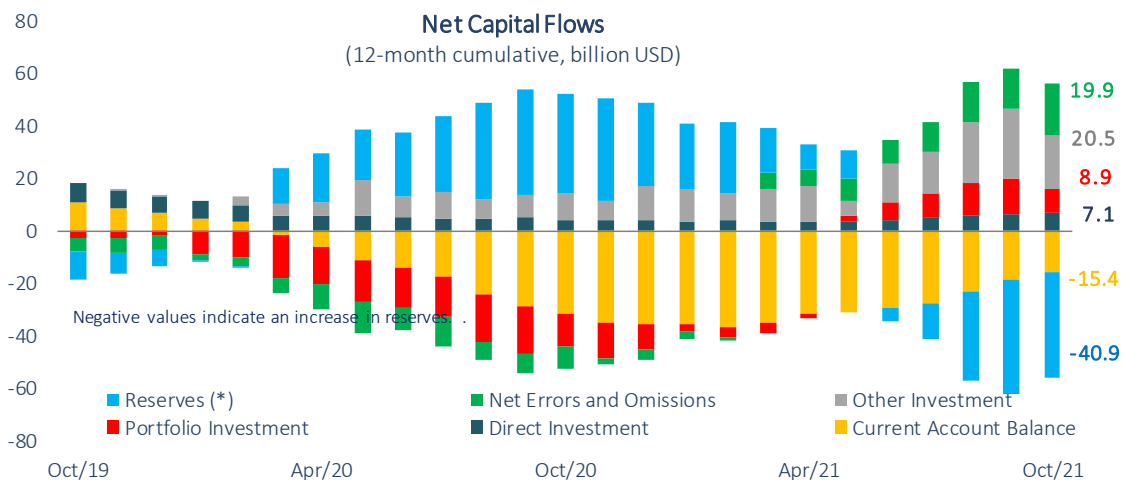
In October, direct investments recorded a net capital inflow of 337 million USD, the lowest level since May 2021. Likewise throughout the year, most of the direct investments were real estate investments in October. In January-October period, real estate investments accounted for 4.6 billion USD (78%) of the total 5.9 billion USD foreign direct investments. As of October 2021, 12-month cumulative net direct investments became 7.1 billion USD, the highest level of the last 2 years.

Rapid decline in other investments...

Portfolio investments recorded a net outflow of 2.2 billion USD in October. During this period, non-residents made net sales of 55 million USD and 400 million USD in equity and GDDS market, respectively. In addition, the 1.2 billion USD repayment made by banks for their bond issuances abroad was also behind the capital outflow recorded in the portfolio investments.



In October, the other investments item recorded a capital outflow of 2.4 billion USD, the fastest capital outflow since November 2020. In this period, currency and deposits of domestic banks at their foreign correspondents declined by

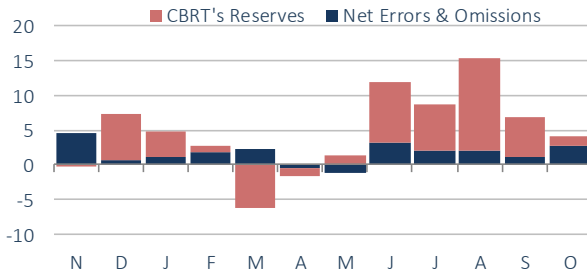


Source: CBRT, Datastream

Foreign Trade and Balance of Payments

806 million USD, while foreign banks' deposits at domestic banks increased by 1.4 billion USD. On the other hand, domestic deposit accounts of non-residents recorded the fastest decline since July 2012 by 1.25 billion USD, and affected other investments negatively. In October, banks, the general government and other sectors made net loan repayments of 575 million USD, 61 million USD and 328 million USD, respectively. Thus, according to 12-month cumulative figures, the long-term debt rollover ratio was realized as 88% in the banking sector and 123% in other sectors.

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



Reserve assets increased by 1.5 billion USD in October.

Reserve assets expanded by 1.5 billion USD in October, lowest

monthly increase since May. According to the 12-month cumulative data, the increase in reserve assets became 40.9 billion USD. Net errors and omissions recorded a capital inflow of 2.7 billion USD in October. Total inflow in this item reached 14.7 billion USD as of the first ten months of the year.

Expectations...

According to the preliminary foreign trade data released by the Ministry of Commerce, the widening in the foreign trade deficit in November continued in December as well. In this period, the export volume continued to increase by 25% yoy to 22.3 billion USD, while the import volume expanded by 29% to 28.9 billion USD. Thus, the foreign trade deficit rose by 46% yoy and reached 6.6 billion USD in December. In the whole year of 2021 on the other hand, the foreign trade deficit decreased by 7.8% yoy to 46 billion USD. Despite the expansion of the foreign trade deficit in November and the summer season that ended, the ongoing activity in the tourism sector in this period supported the current account balance. On the other hand, the effects of possible disruptions in economic activity due to the rapid depreciation of the Turkish lira in the recent period and the impact of omicron variant that emerged at the end of November on the current account balance will be closely monitored in the coming period.

Balance of Payments

	Oct. 2021	Jan. - Oct. 2020	2021	% Change	12-month Cumulative
Current Account Balance	3,156	-28,601	-8,426	-70.5	-15,425
Foreign Trade Balance	146	-30,639	-20,411	-33.4	-27,635
Services Balance	3,863	9,828	21,183	115.5	22,893
Travel (net)	3,025	7,726	16,307	111.1	17,761
Primary Income	-985	-7,783	-10,125	30.1	-11,736
Secondary Income	132	-7	927	-	1,053
Capital Account	-1	-26	-63	142.3	-73
Financial Account	5,807	-37,758	6,199	-	4,422
Direct Investment (net)	-337	-3,136	-5,884	87.6	-7,063
Portfolio Investment (net)	2,220	14,251	-4,216	-	-8,910
Net Acquisition of Financial Assets	509	2,112	971	-54.0	1,753
Net Incurrence of Liabilities	-1,711	-12,139	5,187	-	10,663
Equity Securities	-55	-5,803	-1,371	-76.4	177
Debt Securities	-1,656	-6,336	6,558	-	10,486
Other Investment (net)	2,444	-10,422	-17,981	72.5	-20,474
Currency and Deposits	-836	-16,130	-10,772	-33.2	-13,523
Net Acquisition of Financial Assets	-695	641	1,919	199.4	243
Net Incurrence of Liabilities	141	16,771	12,691	-24.3	13,766
Central Bank	-6	12,549	4,755	-62.1	4,867
Banks	147	4,222	7,936	88.0	8,899
Foreign Banks	1,399	3,373	7,585	124.9	10,240
Foreign Exchange	708	-351	5,820	-	8,036
Turkish Lira	691	3,724	1,765	-52.6	2,204
Non-residents	-1,252	849	351	-58.7	-1,341
Loans	987	5,487	720	-86.9	-866
Net Acquisition of Financial Assets	23	-2,853	2,132	-	2,604
Net Incurrence of Liabilities	-964	-8,340	1,412	-	3,470
Banking Sector	-575	-3,425	-3,032	-11.5	-1,399
Non-bank Sectors	-328	-4,399	4,676	-	4,998
Trade Credit and Advances	2,295	220	-1,591	-	256
Other Assets and Liabilities	-2	1	0	-100.0	-3
Reserve Assets (net)	1,480	-38,451	34,280	-	40,869
Net Errors and Omissions	2,652	-9,131	14,688	-	19,920

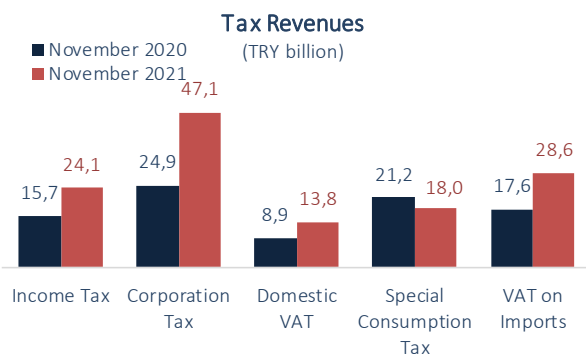
Source: CBRT, Datastream

Budget Balance

The central government budget posted a surplus of 32 billion TRY in November.

In November, budget revenues increased by 52.9% yoy and became 167.8 billion TRY, while budget expenditures expanded by 40.9% yoy to 135.8 billion TRY. Thus, the central government budget surplus, which was 13.4 billion TRY in November 2020, rose to 32 billion TRY in the same period of this year. In November 2021, interest expenditures surged by 61.4% compared to the same period of 2020, while primary surplus increased by 24.4 billion TRY yoy to 47.3 billion TRY.

In January-November period, budget revenues and expenditures rose by 36.5% yoy and 24% yoy, respectively. In this period, the budget deficit narrowed by 64.8% yoy to 46.5 billion TRY. The primary balance, which gave a deficit of 3 billion TRY in the January-November 2020 period, posted a surplus of 125.4 billion TRY in the same period of this year.



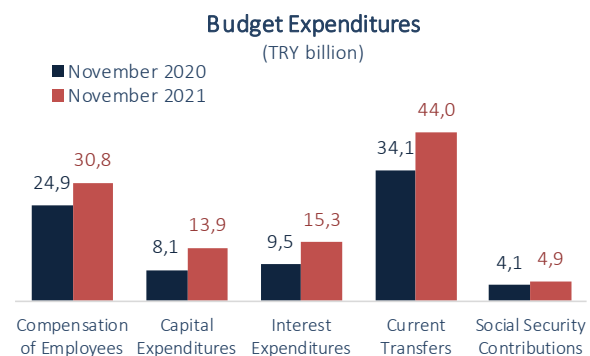
Tax revenues increased by 50% yoy in November.

Tax revenues expanded by 50% yoy in November. Despite the loss in SCT revenues, the increase in tax revenues in November was driven by the rise in corporate tax and VAT on imports. Corporate tax revenues went up rapidly thanks to the recovery in economic activity and due to the low base created by the same period of 2020 and pushed the increase in tax revenues up by 22.3 points. With the effect of the rapid rise in exchange rates in recent months, VAT revenues on imports surged by 62.4% yoy in November, contributing 11.1 points to the increase in tax revenues. The 55.3% rise in domestic VAT revenues also supported tax revenues by 4.9 points. On the other hand, SCT revenues, which narrowed by 15% yoy in line with the decrease (96.5%) in SCT revenues from petroleum and natural gas products, was the only item

that limited the increase in tax revenues.

Interest expenditures rose by 61.4% in November.

Current transfers continued to be influential in the increase in budget expenditures in November as well. The said item rose by 29% yoy and made the highest contribution to the increase in budget expenditures with 10.3 points. In this period, transfers to state-owned enterprises rose by 5 times compared to 2020, increasing expenditures by 6.3 points. In the same period, capital expenditures surged by 71.4% yoy due to the rapid increase in real estate capital and production expenditures. The annual 61.4% rise in interest expenditures also put upward pressure on expenditures in November. The rapid increase in interest expenditures was mostly (96%) due to bond interest payments.



Expectations...

Budget indicators, which followed a positive course for most of the year in parallel with the recovery in economic activity, maintained their positive outlook also in November thanks to the strong increase in tax revenues. As of November, the 12-month cumulative budget deficit became 89.7 billion TRY, the lowest level since March 2019, while it is well below the 2021 year-end central government budget deficit forecast of 230 billion TRY in the Medium Term Program. In this context, considering the rapid depreciation of the TRY in the last period, we can say that there is room in the fiscal policy for steps to support the economy in December.

Central Government Budget

	November		%	January-November		%	2021 Budget Target	MTP Target	Real./MTP Target (%)
	2020	2021		Change	2020				
Expenditures	96.3	135.8	40.9	681.1	1,318.8	93.6	1,346.1	1,506.3	87.6
Interest Expenditures	9.5	15.3	61.4	79.7	171.9	115.7	179.5	179.5	95.8
Non-Interest Expenditures	86.8	120.4	38.7	934.9	1,146.9	22.7	1,166.6	1,326.7	86.5
Revenues	109.7	167.8	52.9	931.9	1,272.3	36.5	1,101.1	1,276.3	99.7
Tax Revenues	99.2	148.9	50.0	754.6	1,053.4	39.6	922.7	1,057.9	99.6
Other Revenues	10.5	18.9	80.0	177.3	218.9	23.4	178.4	218.4	100.2
Budget Balance	13.4	32.0	138.3	-132.1	-46.5	-64.8	-245.0	-230.0	20.2
Primary Balance	22.9	47.3	106.4	-3.0	125.4	-	-65.5	-50.5	-

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

In 2021, annual CPI inflation was realized as 36.08%.

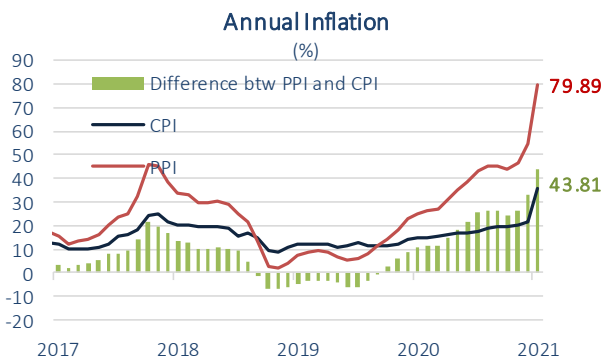
According to the data announced by TURKSTAT, consumer prices recorded the highest increase since April 1994 with 13.58% mom in the last month of 2021. In the same period, D-PPI also recorded the fastest rise in more than 27 years, increasing by 19.08% compared to the previous month.

December (change %)	CPI		D-PPI	
	2020	2021	2020	2021
Monthly	1.25	13.58	2.36	19.08
Annual	14.60	36.08	25.15	79.89
Annual Average	12.28	19.60	12.18	43.86

Thus, annual CPI inflation rapidly increased in December and rose to 36.08%, reaching the highest level of the last 19 years. The annual D-PPI inflation went up from 54.62% in November to 79.89% in December, recording the highest annual increase since February 2002.

Prices in all main spending groups increased.

In December, prices in all 12 main expenditure groups increased compared to the previous month, pointing out that the rise in consumer prices spread to the whole. With the effect of the increases in fuel prices, the transportation group became the main expenditure group with the fastest rise in prices with 28.49% mom in December and pushed monthly CPI inflation up by 441 basis points. In this period, the prices of food and non-alcoholic beverages group, which has the highest share in expenditure groups, went up by 15.99% mom, increasing CPI inflation by 429 basis points. The prices of household goods rose by 16.54% mom, and pushed up monthly CPI inflation by 144 basis points. Thus, the effect of the 3 main expenditure groups on monthly CPI inflation was 10.1 points in total.



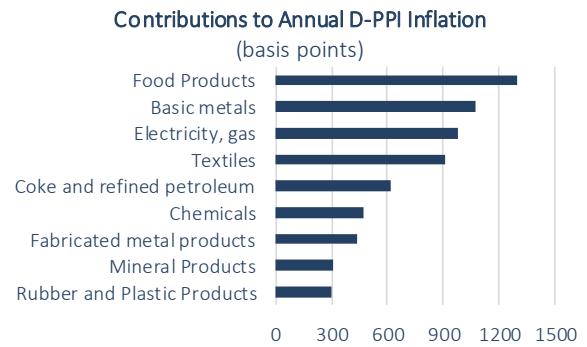
In terms of the contribution of the main expenditure groups to annual CPI inflation, transportation group in which prices rose the fastest by 53.66%, increased the annual CPI inflation by 831 basis points in 2021. The food group prices went up by 43.8% yoy and had the highest impact on annual consumer inflation with 1,136 basis points, while the housing group prices rose by 28.57% in the same period and increased the annual CPI inflation by 439 basis points.

Core inflation indicators...

In December, the monthly rise in CPI excluding seasonal products was above headline inflation at 14.2%, while the annual increase reached 38.05%. Inflation indicators B index (CPI excluding unprocessed food products, energy, alcoholic beverages and tobacco and gold) and C index (CPI excluding energy, food and nonalcoholic beverages, alcoholic beverages and tobacco and gold), which are closely monitored by the CBRT, went up by 13.90% mom and 13.23% mom, respectively. Thus, annual increases in the B and C indices reached the peak levels of the 2003-based series with 34.89% and 31.88%, respectively.

Food and basic metals stood out in annual D-PPI inflation.

The rise in D-PPI inflation gained momentum in December due to the increase in global commodity prices and high volatility in foreign exchange rates. In the last month of 2021, price increases in the basic metals and electricity gas production and distribution sectors stood out with 24.73% and 24.41% mom, respectively. In this period, the sectors that pushed D-PPI inflation up the most were food products with 365 basis points and basic metals with 248 basis points.



On an annual basis, the highest price increases were in the coke and refined petroleum products, and crude oil and natural gas sectors with 161.88% and 138.51%, respectively. In this period, food group made the highest contribution to the annual D-PPI inflation of 79.89% by 1,297 bps, while the contribution of basic metals, which recorded an annual rise of 130.91%, was 1,702 bps.

Expectations...

CPI inflation exceeded expectations with 36.08% in 2021 due to the rapid increases in November and December. The upward trend in inflation is expected to continue at the beginning of 2022 due to the increase in wages with the New Year, as well as the hikes announced by the public in several products and services. In addition, increases in commodity and energy prices in global markets could strengthen inflationary pressures. Thus, we anticipate that the rise in inflation will continue in the first half of 2022, while the course in the following period will be shaped by the course of volatility in financial markets.

	30-Nov	31-Dec	Change
5-Y CDS (basis points)	507	558	51 bps ▲
TR 2-Y Benchmark Yield	20.82%	22.74%	192 bps ▲
BIST-100	1,810	1,858	2.7% ▲
USD/TRY	13.4732	13.3161	-%1.2 ▼
EUR/TRY	15.2809	15.1402	-%0.9 ▼
Currency Basket*	14.3771	14.2282	-%1.0 ▼

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

CBRT lowered the policy rate by 100 bps at its December meeting.

At its meeting held on 16 December, CBRT lowered the policy rate by 100 bps to 14%. Thus, CBRT has reduced interest rate by 500 bps in four successive meetings since September. In the text of the meeting, CBRT stated that the use of the area implied by the temporary effects of supply-side and incidental factors outside the monetary policy impact on price increases was completed, with the 100 bps reduction. The text also highlighted that the cumulative effects of the decisions taken will be closely monitored in the first quarter of 2022 and the policy framework will be broadly re-evaluated in order to reshape price stability on a sustainable basis in this period. In addition, CBRT said that the current account balance is expected to have a surplus in 2022, thanks to the strengthening of the upward trend in exports, that the continuation of the improvement trend in the current account balance is important for the price stability target, and in this context, commercial and individual loans are closely monitored.

A fluctuating course had prevailed in domestic financial markets in December.

The depreciation of Turkish lira since September continued also in December. USD/TRY parity touched its historical high level with 18.4 on December 20 after CBRT lowered the policy rate at its December meeting. Turkey's 5-year CDS premium became 614 bps within the month, reaching its highest level since May 2020. The stock market, which had a record index level with 2,279 before the CBRT meeting, also saw rapid sales subsequent to the meeting. As circuit breakers were applied in the market for the first time since March, CBRT intervened directly to the currency market, by selling foreign currency, in response to the unhealthy price formations in exchange rates. Total intervention amount to the market in the period between the 1st and 13th December was 5.155 million USD. With the effect of these interventions, the gross international reserves of the CBRT decreased to 110.9 billion USD with a decline of 15.2 billion USD compared to the end of November, while its net reserves decreased from 24.7 billion USD at the end of November to 8.6 billion as of December 24.

After the Cabinet meeting held on 20 December, the "FX-indexed Turkish Lira deposit" product was announced in order to encourage TRY deposits. According to its details, which were announced by the Ministry of Treasury and Finance, TRY time deposit accounts can only be opened by real persons. The interest rate to be accrued will be compared to the exchange rate change between the

opening and the maturity dates of the account, and the account will be profited over the higher of these rates. The minimum interest rate to be applied by the banks to the accounts that can be opened with 3, 6, 9 and 12-month maturities is the CBRT policy rate, and the maximum interest rate may be 300 bps above the policy rate. If the change in the exchange rate at the end of the maturity period is above the interest rate applied to TRY deposits, the difference that may occur will be reflected in the customer account in Turkish Lira. Also CBRT announced its product for the one-time conversion of FX deposit accounts, opened before December 20, to TRY in order to contribute to the TRY-conversion application of the Treasury. With the Official Gazette decision published on 29.12.2021, the communiqué on supporting the conversion from gold accounts to TRY deposit and participation accounts entered into force. In addition, in order to enable the exporters and importers to manage their exchange rate risk CBRT decided to offer TRY-settled forward foreign exchange sales in the BIST Futures and Options Market.

Depending on the developments during the month, USD/TRY increased by 23.4% compared to November according to monthly averages, and completed the year at 13.32. EUR/TRY rose by 22.3% mom according to monthly averages and became 15.14 at the end of 2021. Thus, in 2021, annual increases in USD/TRY and EUR/TRY were 79.2% and 66.7%, respectively. BIST-100 index, on the other hand, increased by 2.7% mom due to the rapid purchases recorded in the first half of the month, and closed the year at 1,858. Turkey's 5-year CDS risk premium went up by 51 bps on a monthly basis due to the developments that increased the volatility in the markets, and completed the year at 558 bps.

According to the regulation made at the beginning of January, 25% of the export prices tied to the Export Value Acceptance Certificate or the Foreign Exchange Purchase-Sale Certificate will be sold to the bank that issued the document to be sold to CBRT at the transaction rate on the date of issue.

Fitch downgraded Turkey's rating outlook to negative.

While affirming Turkey's credit rating as BB-, the international credit rating agency Fitch changed the rating outlook from "stable" to "negative", citing the increased risks that would destabilize the economy. Fitch announced that it has raised Turkey's growth expectation for 2021 from 9.2% to 10.5%. Moody's has kept Turkey's credit rating at "B2" and its outlook as "negative". Moody's has raised Turkey's growth expectation for 2021 from 9.2% to 11%.

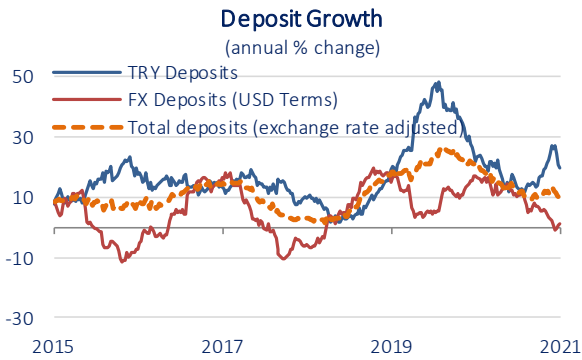
Securities portfolio of non-residents...

According to the securities statistics announced by CBRT, as of December 24, the stock portfolio of non-residents, adjusted for price and exchange rate movements, decreased by net 905 million USD and GDDS portfolio decreased by net 273 million USD since the end of November. Since the beginning of the year, a net outflow of 1.2 billion USD occurred in the stock market, while a net foreign capital inflow of 688 million USD was recorded in the bond market.

TRY deposit volume increased by 19.5% compared to the end of 2020.

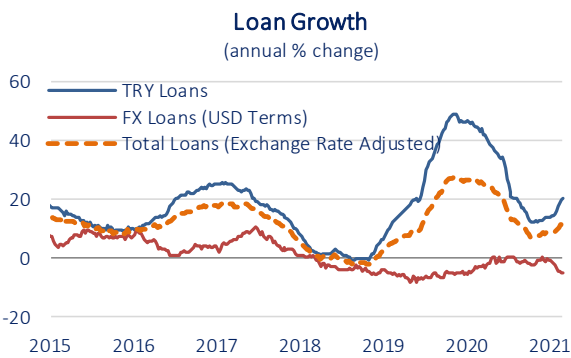
According to the Weekly Bulletin data published by the BRSA, the total deposit volume decreased by 1,225 billion TRY on a weekly basis to 4,868 billion TRY at the week ending in December 24. Decrease in FX deposits volume in TRY terms, due to the decline in exchange rates on December 20 and the following days played role in this development. Indeed, despite the 1.18 billion USD increase in FX deposits in USD terms, the TRY equivalent of FX deposits decreased by 1.189 billion TRY in the given week.

In the week of December 24, total deposit volume expanded by 39.5% compared to the same period of the previous year. In this period, the annual rise in TRY deposit volume was 19.7%, while the FX deposit volume in USD terms increased slightly by 1.1%. The annual growth in FX rate adjusted deposit volume was 9.3%.



TRY loan volume expanded by 20.2% on an annual basis.

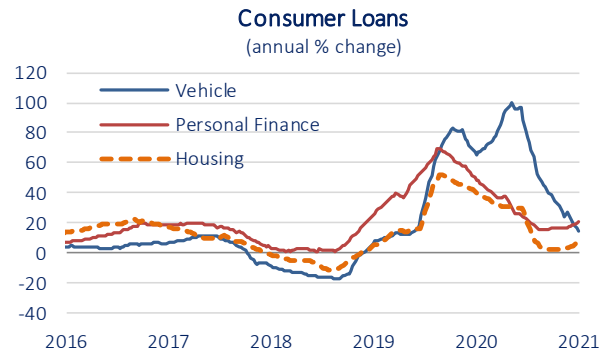
Due to the decline in exchange rates, the loan volume decreased by 712 billion TRY in the week ending December 24 compared to the previous week and became 4.636 billion TRY. While the total loan volume of the banking sector expanded by 29% on an annual basis as of December 24, the said increase was realized as 11.4% in FX rate adjusted figures. Annual TRY loan growth was 20.2%, FX loans in USD terms, on the other hand decreased by 4.9% to 158 billion USD in the same period.



Annual increase in consumer loans was 14.8%.

Along with the ongoing decline in interest rates in

December, the increase in consumer loans' and personal credit cards' volume gained some momentum. As of December 24, consumer loans increased by 14.8% yoy. In this period, annual rises in housing and personal finance loans were realized as 6.9% and 20.5%, respectively. The rate of increase in vehicle loans, on the other hand, continued to decline on an annual basis and became 14% due to the shrinkage in the automotive market. As of December 24, the annual rise in the balance of individual credit cards was realized as 44.0%.

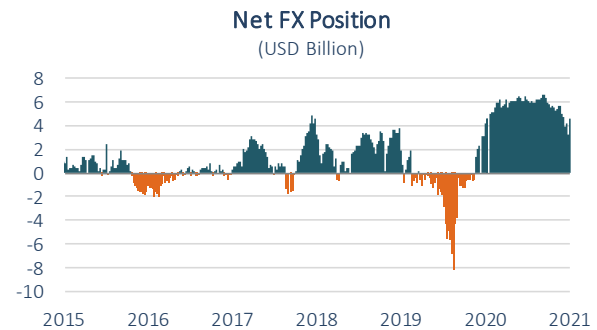


NPL ratio was realized as 3.3%.

Along with the expansion in the total loan volume thanks to ongoing effects of the regulations made by the BRSA during the pandemic and the exchange rate developments, the NPL ratio, which was 4.1% at the end of 2020, declined to 3.3% as of December 24. As of this date, the said ratio was 2.2% in public banks and 4.4% in private banks. According to loan types, the NPL ratio of the sector was 3.5% in commercial loans and 2.4% in retail loans in this period.

Net foreign currency position...

As of December 24, banks' on-balance sheet FX position was (-) 42,408 million USD, while off-balance sheet FX position was (+) 47,090 million USD. Thus, the net FX position of the banking sector was realized as (+) 4,682 million USD.

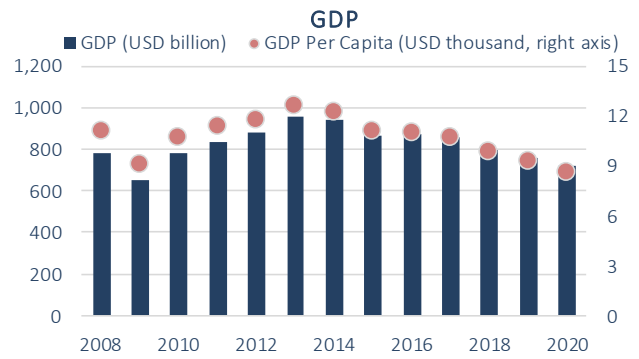
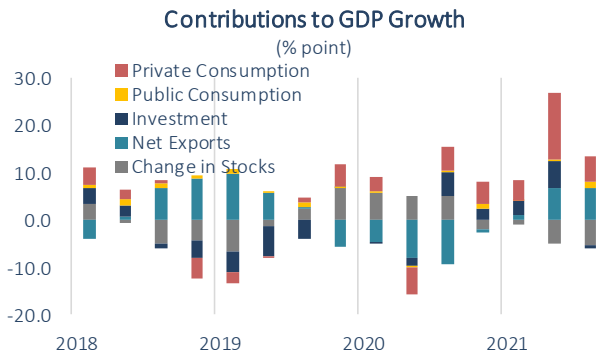


Concluding Remarks

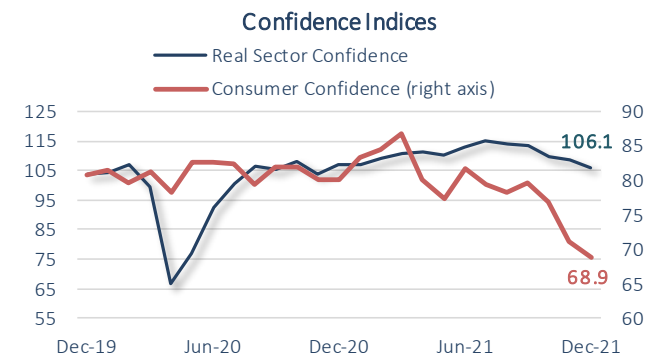
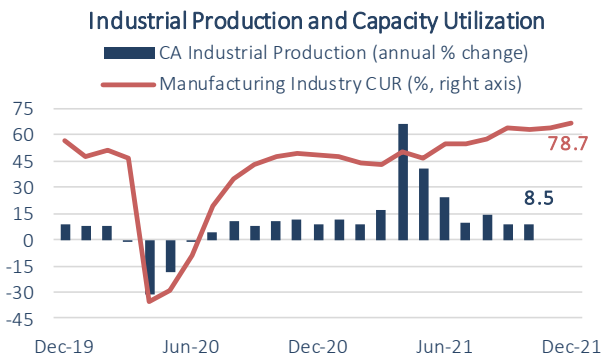
In December, the developments regarding the pandemic and the monetary policy decisions of the major central banks were high on the global economic agenda. In the UK, where consumer inflation hit a 10-year high, the BoE increased the policy rate and became the first major central bank to raise interest rates since the beginning of the outbreak. The Fed and ECB did not change their interest rates at their December meetings, but announced that the asset purchases, which started during the pandemic, would end in March 2022. The policy steps to be taken by the Fed and ECB in 2022 will continue to be decisive in the course of the markets in the coming period. The impact of the rapid increase in the number of cases amid the Omicron variant surge since November, on economic activity and the decisions of policy makers will be monitored closely. As the number of new cases rose, many countries, especially EU countries, have started to implement measures to limit human mobility.

Leading indicators for the last quarter of 2021 in Turkey pointed to a strong course of economic activity despite losing some momentum due to fluctuations in the financial markets. On the other hand, the deterioration in the risk perception towards the country has become more evident since mid-November. While the annual CPI inflation reached the highest level of the last 19 years with 36.1% at the end of 2021, the upward trend in inflation is expected to continue at the beginning of 2022 due to the increase in global commodity and energy prices as well as the hikes in wages, several products and services with the New Year.

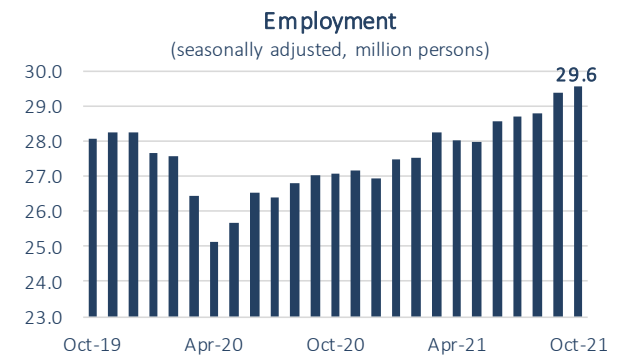
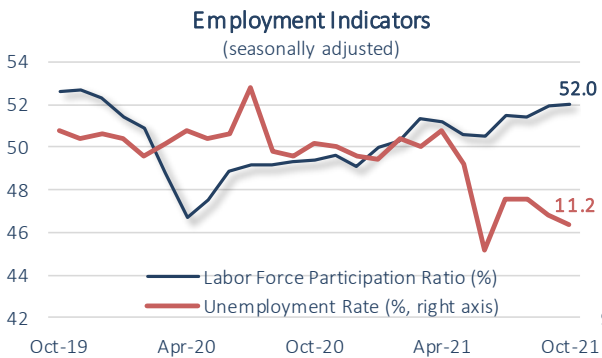
Growth



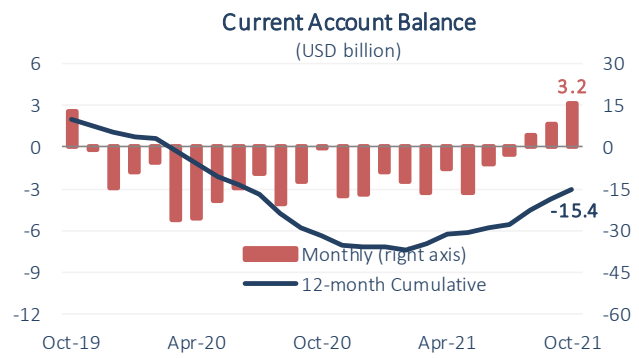
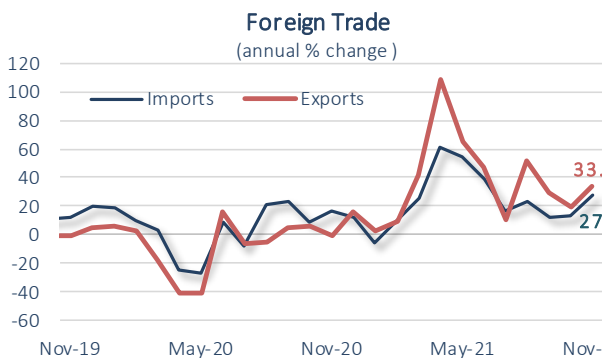
Leading Indicators



Labor Market



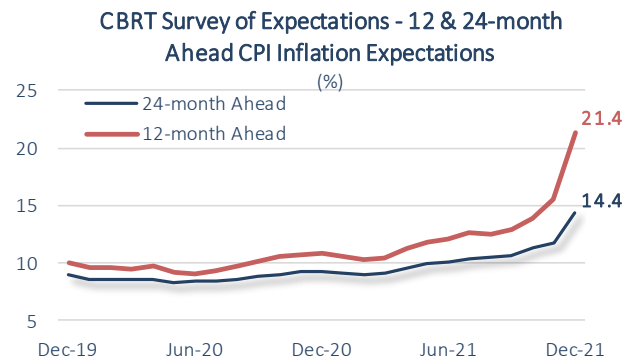
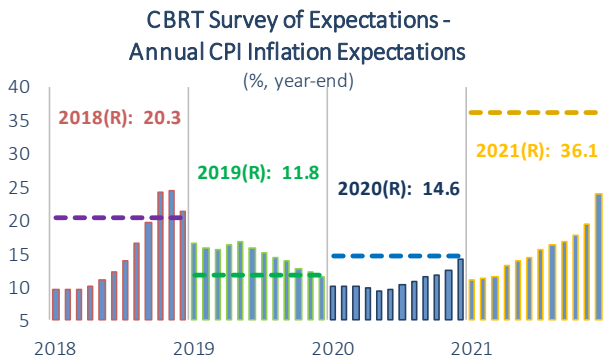
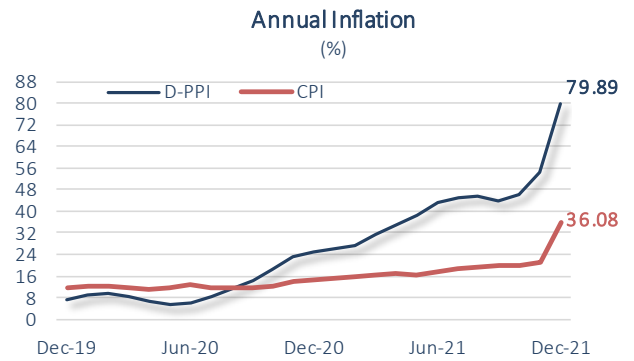
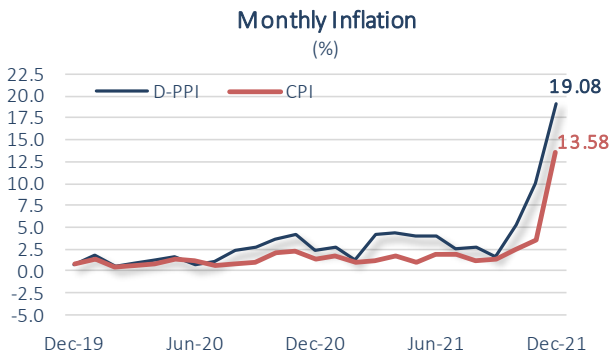
Foreign Trade and Current Account Balance



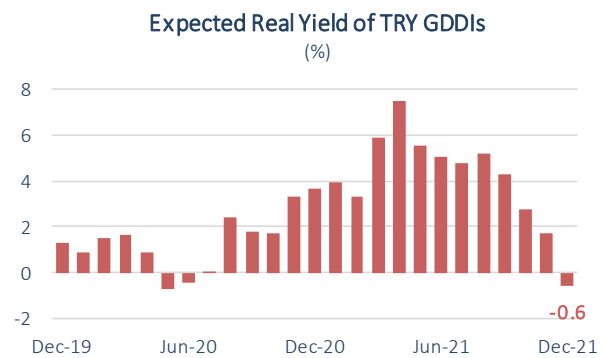
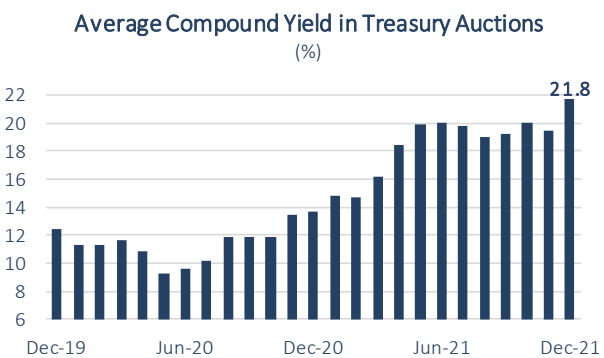
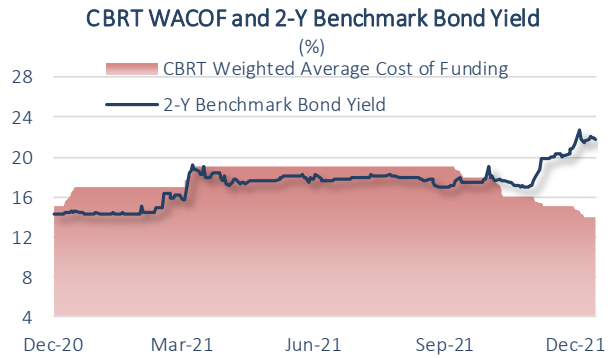
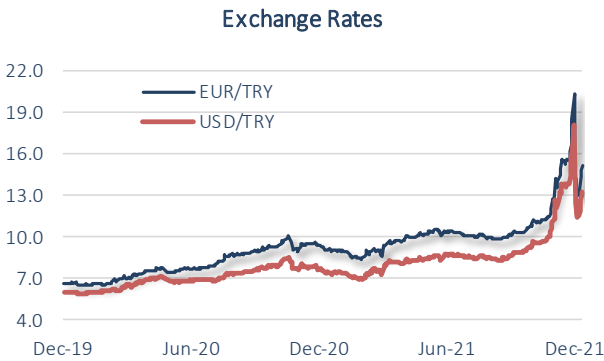
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

Growth	2016	2017	2018	2019	2020	Q1-21	Q2-21	Q3-21
GDP (USD billion)	869	859	797	761	717	189	189	225
GDP (TRY billion)	2,627	3,134	3,758	4,318	5,047	1,393	1,586	1,915
GDP Growth Rate (%)	3.3	7.5	3.0	0.9	1.8	7.4	22.0	7.4
Inflation (%)						Oct-21	Nov-21	Dec-21
CPI (annual)	8.53	11.92	20.30	11.84	14.60	19.89	21.31	36.08
Domestic PPI (annual)	9.94	15.47	33.64	7.36	25.15	46.31	54.62	79.89
Seasonally Adjusted Labor Market Figures						Aug-21	Sep-21	Oct-21
Unemployment Rate (%)	12.1	9.9	12.7	13.4	12.8	11.80	11.40	11.20
Labor Force Participation Rate (%)	52.4	52.8	53.2	52.6	49.1	51.40	51.90	52.00
FX Rates						Oct-21	Nov-21	Dec-21
CPI Based Real Effective Exchange Rate	93.5	86.3	76.4	76.2	62.2	60.2	54.1	47.8
USD/TRY	3.52	3.79	5.32	5.95	7.43	9.6	13.28	13.28
EUR/TRY	3.71	4.55	6.08	6.68	9.09	11.1	14.95	15.10
Currency Basket (0.5*EUR+0.5*USD)	3.61	4.17	5.70	6.32	8.26	10.4	14.11	14.19
Foreign Trade Balance⁽¹⁾ (USD billion)						Sep-21	Oct-21	Nov-21
Exports	149.2	164.5	177.2	180.8	169.6	212.1	215.5	220.9
Imports	202.2	238.7	231.2	210.3	219.5	256.5	259.1	264.8
Foreign Trade Balance	-52.9	-74.2	-54.0	-29.5	-49.9	-44.4	-43.6	-43.9
Import Coverage Ratio (%)	73.8	68.9	76.6	86.0	77.3	82.7	83.2	83.4
Balance of Payments⁽¹⁾ (USD billion)						Aug-21	Sep-21	Oct-21
Current Account Balance	-27.0	-40.8	-21.7	5.3	35.6	-22.9	-18.7	-15.4
Capital and Financial Accounts	16.7	-49.9	1.2	5.2	-39.5	-7.5	-3.0	4.4
Direct Investments (net)	-10.7	-8.3	-9.2	-6.3	-4.3	-6.0	-6.7	-7.1
Portfolio Investments (net)	-8.4	-24.4	0.9	2.8	9.6	-12.6	-13.7	-8.9
Other Investments (net)	1.6	-8.9	19.9	2.4	-12.9	-23.2	-26.2	-20.5
Reserve Assets (net)	0.8	-8.2	-10.4	6.3	-31.9	34.4	43.6	40.9
Net Errors and Omissions	10.3	-9.1	22.9	-0.1	-3.9	15.5	15.8	19.9
Current Account Balance/GDP (%)	-3.1	-4.8	-2.7	0.7	5.0	-	-	-
Budget⁽²⁾⁽³⁾ (TRY billion)						Sep-21	Oct-21	Nov-21
Expenditures	584.1	678.3	830.8	1000.0	1203.7	1051.7	1183.1	1318.8
Interest Expenditures	50.2	56.7	74.0	99.9	37.1	142.3	156.6	171.9
Non-interest Expenditures	533.8	621.6	756.8	900.1	1166.6	909.4	1026.5	1146.9
Revenues	554.1	630.5	758.0	875.3	1028.4	990.6	1104.6	1272.3
Tax Revenues	459.0	536.6	621.5	673.9	833.3	808.4	904.5	1053.4
Budget Balance	-29.9	-47.8	-72.9	-124.7	-175.3	-61.1	-78.5	-46.5
Primary Balance	20.3	8.9	1.1	-24.8	-41.3	81.2	78.1	125.4
Budget Balance/GDP (%)	-1.1	-1.5	-1.9	-2.9	-3.5	-	-	-
Central Government Debt Stock (TRY billion)						Sep-21	Oct-21	Nov-21
Domestic Debt Stock	468.6	535.4	586.1	755.1	1,060.4	1,186.7	1,205.0	1,316.3
External Debt Stock	291.3	341.0	481.0	574.0	752.5	994.3	1063.8	1391.5
Total Debt Stock	760.0	876.5	1,067.1	1,329.1	1,812.8	2,181.1	2,268.7	2,707.8

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

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

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2016	2017	2018	2019	2020	Oct.21	Nov.21	Change ⁽¹⁾
TOTAL ASSETS	2,731	3,258	3,867	4,492	6,106	7,374	8,949	46.6
Loans	1,734	2,098	2,395	2,657	3,576	4,182	4,788	33.9
TRY Loans	1,131	1,414	1,439	1,642	2,353	2,631	2,734	16.2
Share (%)	65.2	67.4	60.1	61.8	65.8	62.9	57.1	-
FX Loans	603	684	956	1,015	1,224	1,551	2,054	67.8
Share (%)	34.8	32.6	39.9	38.2	34.2	37.1	42.9	-
Non-performing Loans	58.2	64.0	96.6	150.1	152.6	152.4	160.0	4.9
Non-performing Loan Rate (%)	3.2	3.0	3.9	5.3	4.1	3.5	3.2	-
Securities	352	402	478	661	1,023	1,243	1,446	41.4
TOTAL LIABILITIES	2,731	3,258	3,867	4,492	6,106	7,374	8,949	46.6
Deposits	1,454	1,711	2,036	2,567	3,455	4,341	5,204	50.6
TRY Deposits	845	955	1,042	1,259	1,546	1,909	1,924	24.5
Share (%)	58.1	55.8	51.2	49.0	44.7	44.0	37.0	-
FX Deposits	609	756	994	1,308	1,909	2,432	3,280	71.8
Share (%)	41.9	44.2	48.8	51.0	55.3	56.0	63.0	-
Securities Issued	116	145	174	194	224	247	310	38.5
Payables to Banks	418	475	563	533	658	780	1,024	55.8
Funds from Repo Transactions	138	99	97	154	255	453	520	103.7
SHAREHOLDERS' EQUITY	300	359	421	492	600	665	687	14.5
Profit (Loss) of the Period	37.5	49.1	53.5	49.8	58.5	66.1	75.3	-
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	56.7	53.5	-
Securities/Assets	12.9	12.3	12.4	14.7	16.7	16.9	16.2	-
Deposits/Liabilities	53.2	52.5	52.6	57.1	56.6	58.9	58.1	-
Loans/Deposits	119.3	122.6	117.6	103.5	103.5	96.3	92.0	-
Capital Adequacy (%)	15.6	16.9	17.3	18.4	18.7	17.3	17.8	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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