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Global Economy

International organizations are revising down their growth expectations due to the ongoing supply problems led by Ukraine-Russia war and the ongoing quarantine measures in China, while inflation continues to rise on a global scale. The IMF and World Bank cut their global growth forecasts for 2022 to 3.6% and 3.2%, respectively.

In the first quarter of 2022, the US economy contracted by 1.4% on an annualized basis. Leading indicators show that the economic activity made a positive start to the second quarter.

The Fed increased the policy rate by 50 basis points in line with market expectations. After the meeting, Fed Chairman Powell stated that a 75 basis points hike is not on the agenda.

The Bank of England (BoE) hiked the policy rate by 25 basis points to 1%, the highest level in the last 13 years. According to the forecast of BoE, the UK economy will contract in 2023.

The ECB did not change interest rates at its April meeting. President Lagarde announced that the asset purchase program will be terminated in the third quarter of this year, and interest rates may be increased thereafter.

Oil prices continued to rise due to geopolitical developments and supply concerns. Gold prices were supported by inflation concerns, but closed April with a loss due to the rise in the US dollar.

Turkish Economy

Seasonally adjusted unemployment rate increased by 0.4 points on a monthly basis to 11.5% in March.

Calendar adjusted industrial production expanded by 13.3% yoy in February.

In April, manufacturing PMI became 49.2, pointing out that the contraction in the sector continued in the second month. The pressure created by input prices, insufficient demand and the war in Ukraine were behind the decline of the index.

The central government budget, which had a deficit of 69 billion TRY in March due to the rapid increase in expenditures, posted a surplus of 30.8 billion TRY in the first quarter of the year thanks to the positive performance in January and February.

In February, the current account deficit was realized as 5.2 billion USD due to the widening of foreign trade deficit led by rising commodity prices. In this period, the 12-month cumulative current account deficit rose to 21.8 billion USD, despite the recovery trend in transportation and tourism revenues.

The inflation indicators continued to deteriorate in April. In this period, annual CPI and D-PPI increased by 69.97% and 121.82%, respectively.

In the second Inflation Report of the year, the CBRT raised its year-end inflation forecasts for 2022 and 2023 to 42.8% and 12.9%, respectively.

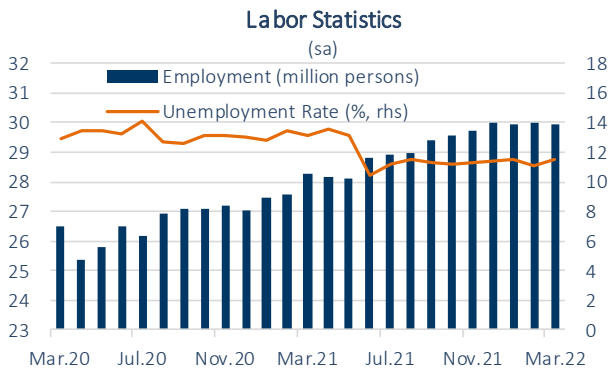
In April, when the USD/TRY parity followed a relatively flat course, the measures taken within the scope of the liraization strategy as well as the regulations regarding the banking sector were followed closely.

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Leading Indicators

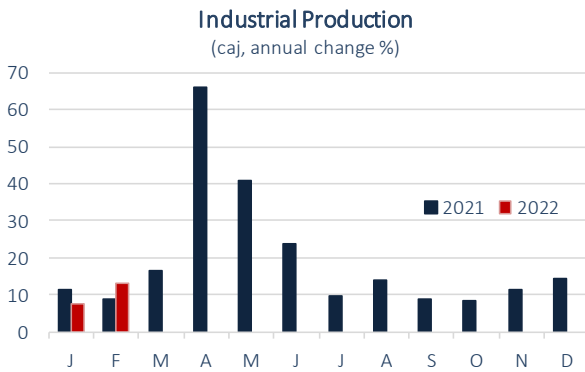
The unemployment rate rose to 11.5% in March.

In March, seasonally adjusted unemployment rate increased by 0.4 points mom to 11.5%. In this period, the employment rate decreased by 0.2 points mom to 46.5%, while the labor force participation rate increased by 0.1 point to 52.6%. Labor underutilization rate consisting of time-related underemployment, potential labor force, and unemployment rose by 0.6 points compared to the previous month and became 22.7%



In February, industrial production expanded by 13.3% yoy.

Industrial production, which contracted by 2.3% mom with the effect of natural gas and electricity cuts in January, increased by 4.4% mom in February. In this period, the annual rise in industrial production became 13.3%, above market expectations. According to the sub-indices, annual growth in the manufacturing, mining & quarrying and the electricity, gas, steam and air conditioning supply were realized as 14.4%, 6.1% and 4.9%, respectively.



Manufacturing PMI declined to 49.2 in April.

Manufacturing PMI decreased from 49.4 in March to 49.2 in April, pointing out that the contraction in sector activities continued. According to sub-indices, high input prices, lack of demand, and the war in Ukraine were behind this decline. While the total new orders fell for the seventh month in a row, the new export orders index decreased for the first time since January of this year.

In April, confidence indices drew a mixed picture.

The seasonally adjusted real sector confidence index decreased by 0.5 points mom to 107.7 in April. In this

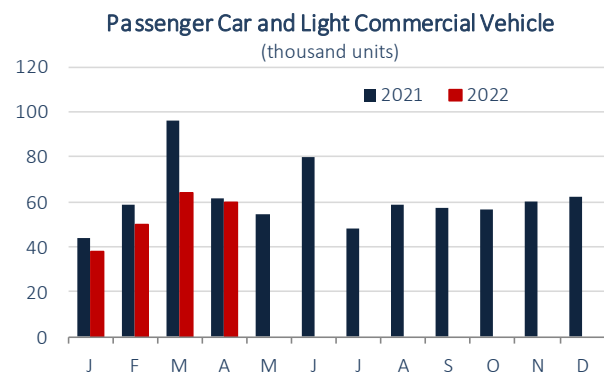
period, monthly increase of the confidence indices for services, retail trade and construction were 3%, 2.9% and 3%, respectively. Consumer confidence index decreased by 7.3% compared to the previous month declining to a historically low level of 67.3. Hence, the economic confidence index decreased by 1.1% mom to 94.7 in April, drawing a negative picture regarding the general economic situation.

House sales reached a new high in March...

House sales, which increased by 20.6% yoy to 134.2K units in March, pointed to the highest March sales since 2013, when the series started to be announced. In this period, mortgaged house sales rose by 38.8% yoy, while other sales, which accounted for approximately 80% of total house sales, increased by 16.2% yoy. House sales to foreigners also expanded by 31% yoy in March. Although, the share of house sales to foreigners in total sales remained low at 4.1%.

The automotive market displayed a negative performance in April.

According to the Automotive Distributors Association (ODD) data, the automobile and light commercial vehicle market decreased by 2.4% yoy to 60,035 units in April. In this period, the automobile market contracted by 5.8% yoy, while the light commercial vehicle sales increased by 10.4% yoy thanks to the rise in logistic sectors investments. In addition to the tightened quarantine measures in China, the difficulties in acquiring cable installation and palladium due to the Russia-Ukraine war affect the sector's expectations for the coming period negatively.



According to the data of the Turkish White Goods Manufacturers Association; domestic sales in six main product groups consisting of refrigerators, washing machines, dishwashers, ovens, freezers and dryers contracted by 9% yoy in the first quarter of this year. In the same period, exports increased by 6%. Sector representatives predict that the ongoing rise in input costs in the upcoming period will put the white goods exports under pressure.

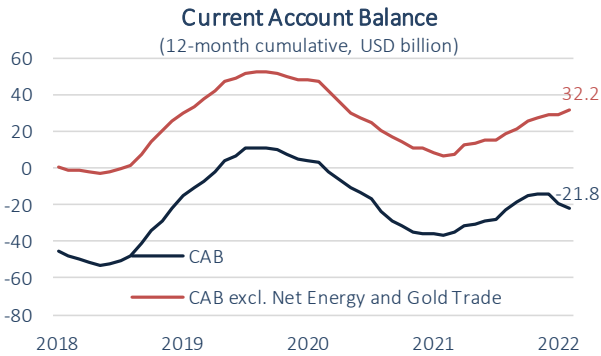
Foreign Trade and Balance of Payments

Foreign trade deficit widened by 75.1% yoy in March.

According to TURKSTAT data, exports increased by 19.8% yoy to 22.7 billion USD in March, while imports rose by 30.7% yoy to 30.9 billion USD. Thus, the foreign trade deficit widened by 75.1% yoy in March and amounted to 8.2 billion USD. Rising energy and commodity prices due to the geopolitical developments continued to trigger the widening of the foreign trade deficit. The ratio of exports to imports, which was 80.2% in March 2021, decreased to 73.5% in the same month of 2022.

Current account deficit became 5.2 billion USD in February.

Current account deficit widened by 110.6% yoy in February, reaching 5.2 billion USD. Net energy imports, which were 2.2 billion USD in February of last year, reached 6.9 billion USD with the effect of rising energy prices and became the determining factor in the widening of the current account deficit. On the other hand, the increase in net services revenues by 874 million USD on an annual basis in parallel with the rise in tourism and transportation revenues limited the widening of the current account deficit.

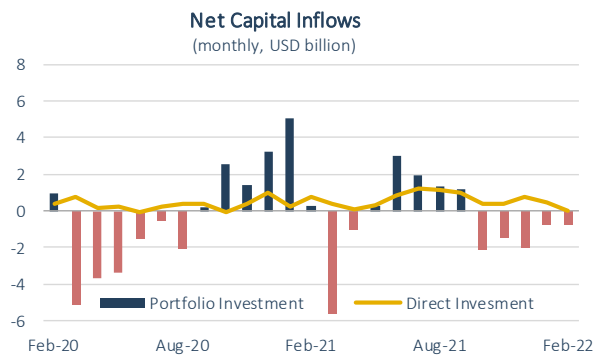


In the first two months of the year, current account deficit expanded by 186% compared to the same period of the previous year and reached 12.1 billion USD. In this period, the annual increase in net travel revenues by 1.5 times supported the current account balance, while the rising oil prices in global markets due to the tension between Russia and

Ukraine put pressure on the foreign trade balance. Excluding net energy imports, the current account balance gave a surplus of 2.9 billion USD in this period. 12-month cumulative current account deficit became 21.8 billion USD in February, reaching its highest level since August 2021.

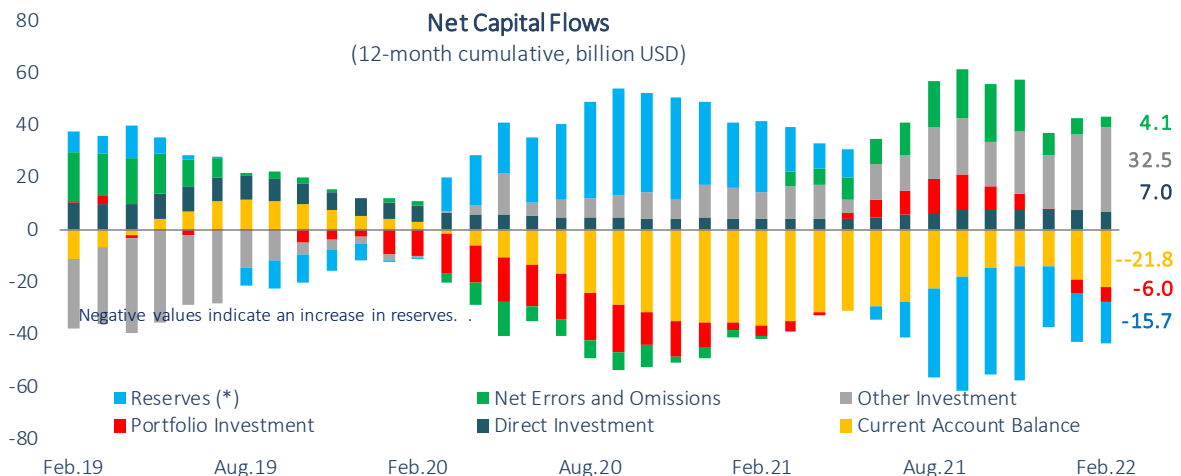
Net FDI displayed a weak outlook in February.

Net direct investments, which were 768 million USD in February of last year, decreased to 4 million USD in the same period of this year. In this period, non-residents' net capital investments declined to 207 million USD, the weakest performance of the last 10 months. Real estate investments became 396 million USD. In the January-February period, net foreign direct investments decreased by 4.8% yoy to 710 million USD. In this period, non-residents' capital investments in the food and wholesale & retail trade sectors increased by 570% and 169%, respectively, on an annual basis.



Portfolio investments recorded 765 million USD outflow in February.

Following an outflow in January, net portfolio investments recorded an outflow in February as well. During this period, non-residents made net sales in the stock and government securities markets of 228 million USD and 573 million USD, respectively. 551 million USD repayments made by the banks for their eurobond issuances limited the portfolio inflows. General Government borrowed a net 1 billion USD through bond issuances. Thus, with the net outflow of 765 million



Source: CBRT, Datastream

Foreign Trade and Balance of Payments

USD in February, a capital outflow of 1.5 billion USD was recorded from the portfolio investments in the first two months of the year.

In February, other investments followed a positive course with 4.2 billion USD worth of net capital inflows. In this period, effective and deposit assets of domestic banks in their foreign correspondents increased by 2.2 billion USD, while domestic deposits of foreign banks increased by 2.5 billion USD. Banks and the General Government made long-term net loan repayments of 1.2 billion USD and 174 million USD, respectively, in February. In this period, the 12-month cumulative long-term debt rollover ratio was 93% in the banking sector and 136% in other sectors.

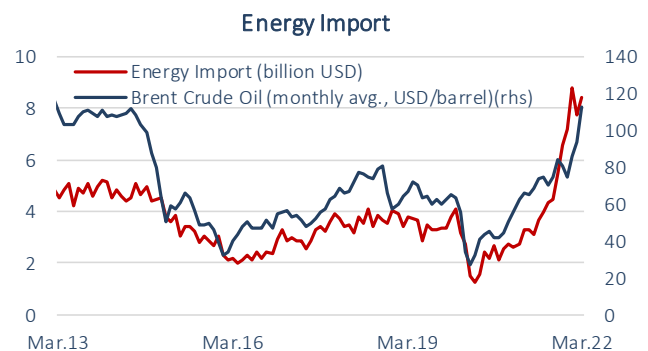
Reserve assets declined by 2.2 billion in February.

Reserve assets, which have been declining since December 2021, decreased by 2.2 billion USD in February. Thus, the decrease in reserve assets reached 3.2 billion USD in the January-February period. In the net errors and omissions, which recorded a capital outflow of 1.5 billion USD in January, posted an outflow of 511 million USD in February.

Expectations...

According to the preliminary foreign trade data released by the Ministry of Commerce, the export volume expanded by 24.6% yoy to 23.4 billion USD in April, reaching the highest

monthly export performance. In this period, import volume became 29.5 billion USD with an annual increase of 34.9% in parallel with the rise in global commodity prices. Thus, the foreign trade deficit doubled on an annual basis and became 6.1 billion USD. The ongoing quarantine measures in China, which has the second largest share in Turkey's import volume, will be closely monitored in terms of their effects on the foreign trade balance. For the remainder of the year, the extent to which European and Gulf countries will compensate for the Turkey's tourism revenue loss from Russia and Ukraine will be significant for the course of the current account deficit. Russian and Ukrainian tourists had accounted for more than 25% of the total foreign visitors in 2021.



Balance of Payments

	Feb. 2022	Jan. - Feb. 2021	2022	% Change
Current Account Balance	-5,154	-4,250	-12,136	185.6
Foreign Trade Balance	-6,003	-4,006	-14,348	258.2
Services Balance	1,608	1,390	3,379	143.1
Travel (net)	1,235	1,101	2,729	147.9
Primary Income	-821	-1,788	-1,194	-33.2
Secondary Income	62	154	27	-82.5
Capital Account	-1	-19	-1	-94.7
Financial Account	-5,666	-1,396	-14,153	913.8
Direct Investment (net)	-4	-994	-477	-52.0
Portfolio Investment (net)	765	-5,289	1,531	-
Net Acquisition of Financial Assets	412	-502	1,126	-
Net Incurrence of Liabilities	-353	4,787	-405	-
Equity Securities	-228	-779	-580	-25.5
Debt Securities	-125	5,566	175	-96.9
Other Investment (net)	-4,209	392	-12,047	-
Currency and Deposits	-3,154	-510	-6,005	1,077.5
Net Acquisition of Financial Assets	2,034	3,914	1,616	-58.7
Net Incurrence of Liabilities	5,188	4,424	7,621	72.3
Central Bank	2,724	1,377	3,853	179.8
Banks	2,464	3,047	3,768	23.7
Foreign Banks	2,476	2,962	3,523	18.9
Foreign Exchange	495	1,329	574	-56.8
Turkish Lira	1,981	1,633	2,949	80.6
Non-residents	-12	85	245	188.2
Loans	583	868	315	-63.7
Net Acquisition of Financial Assets	-258	570	-470	-
Net Incurrence of Liabilities	-841	-298	-785	163.4
Banking Sector	-911	-492	-1,068	117.1
Non-bank Sectors	244	342	505	47.7
Trade Credit and Advances	-1,636	30	-6,353	-
Other Assets and Liabilities	-2	4	-4	-
Reserve Assets (net)	-2,218	4,495	-3,160	-
Net Errors and Omissions	-511	2,873	-2,016	-

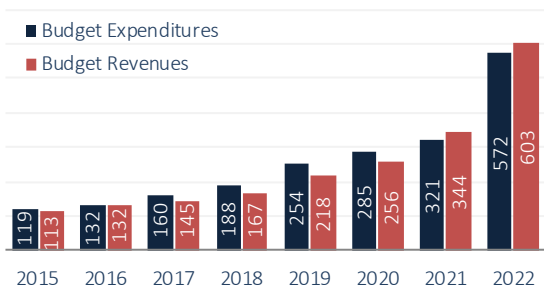
Source: CBRT, Datastream

Budget Balance

Central government budget posted a deficit of 69 billion TRY in March.

According to the data announced by the Ministry of Treasury and Finance, central government budget posted a deficit of 69 billion TRY in March. In this period, the budget outlook was deteriorated by 102.3% annual rise in budget expenditures. In March, budget revenues increased slightly by 15.6%. Due to the positive performance recorded in the first two months of the year, the budget posted a surplus of 30.8 billion TRY in the first quarter of 2022. In this period, the primary balance was 115.6 billion TRY.

Budget Figures
(January-March, TRY billion)



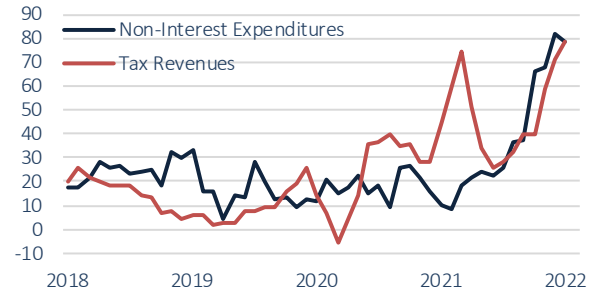
Slowdown in revenue growth in March...

Because CBRT's operating income were transferred to the budget in February instead of March this year, the budget revenues, which had increased rapidly in the first two months of the year, lost momentum in March. Hence, treasury portfolio and subsidiary revenues decreased by 30.8 billion TRY on an annual basis in March, limiting the expansion in budget revenues by 22.8 pts. Tax revenues, on the other hand, increased by 64.5%, pointing rise in revenues in real terms in this period. In March, expansion in foreign trade volume supported tax revenues, while SCT revenues contributed 5.1 pts to the rise in budget revenues, backed by the rise in tax revenues on fuel, petroleum and durable consumption goods.

In the first quarter of the year, budget revenues expanded by 75.1% compared to the same period of 2021, reaching

41% of budget revenue target for end of 2022. In this period, VAT on imports and corporate tax revenues came to the fore, supported by the increase in import volume as well as the increase in exchange rates.

Non-interest Expenditures and Tax Revenues
(3-month ma, annual % change)



Transfers to public enterprises continue.

In March, interest expenditures increased by 89% while non-interest expenditures by 104% yoy. In this period, the rapid increase in budget expenditures continued due to transfers to public enterprises. A total of 39.5 billion TRY of resource transfer to BOTAŞ pushed the annual expansion in budget expenditures by 35.5 pts. Besides, expenditures for the FX-protection of deposit and participation accounts were amounted to 11.7 billion TRY.

In the first quarter of the year, transfers to public enterprises, especially to BOTAŞ, played an important role in the increase in budget expenditures. In this period, 57.5 billion TRY of the 66.3 billion TRY resource transfer was made to PE's was made to BOTAŞ.

Expectations...

Transfers from the central government budget to PE's exceeded the year-end budget target in the first quarter of 2022 due to the increase in natural gas prices in global markets. Tax cuts made in some product groups to limit the inflation also negatively affect the expectations regarding budget revenues.

Central Government Budget

(billion TRY)

	March			January-March			2022 Budget	
	2021	2022	% Change	2021	2022	% Change	Target	Real./ Budget Target (%)
Expenditures	111.2	224.9	102.3	321.3	571.7	77.9	1,751.0	32.7
Interest Expenditures	14.2	26.9	89.3	48.9	84.8	73.4	240.4	35.3
Non-Interest Expenditures	96.9	198.0	104.3	272.4	486.9	78.7	1,510.6	32.2
Revenues	134.9	156.0	15.6	344.1	602.5	75.1	1,472.6	40.9
Tax Revenues	77.4	127.4	64.5	255.1	455.2	78.4	1,258.3	36.2
Other Revenues	57.5	28.6	-50.3	89.0	147.4	65.5	214.3	68.8
Budget Balance	23.8	-69.0	-	22.8	30.8	35.2	-278.4	-
Primary Balance	38.0	-42.0	-	71.7	115.6	61.3	-38.0	-

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

Source: Datastream, Ministry of Treasury and Finance

Inflation

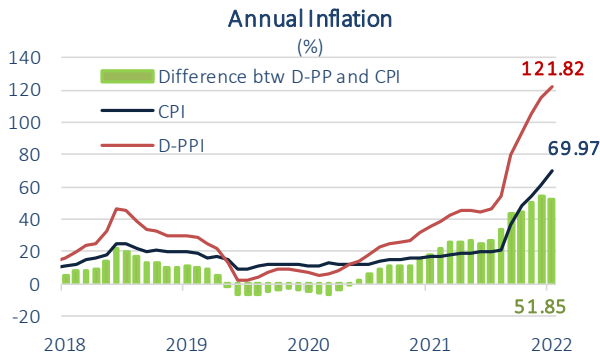
In April, monthly CPI increase was 7.25%.

In April, CPI increased by 7.25% compared to the previous month, rising above the market expectation of 6%. The monthly increase in domestic PPI became 7.67% in April.

April (change %)	CPI		D-PPI	
	2021	2022	2021	2022
Monthly	1.68	7.25	4.34	7.67
Annual	17.14	69.97	35.17	121.82
Annual Average	13.70	34.46	19.44	72.03

Annual D-PPI inflation rose to 121.82%.

Annual CPI inflation, which gained momentum since December of last year, reached its highest level since February 2002 with 69.97% in April. Annual D-PPI inflation, which has been on the rise since September 2021, reached 121.82% in April.



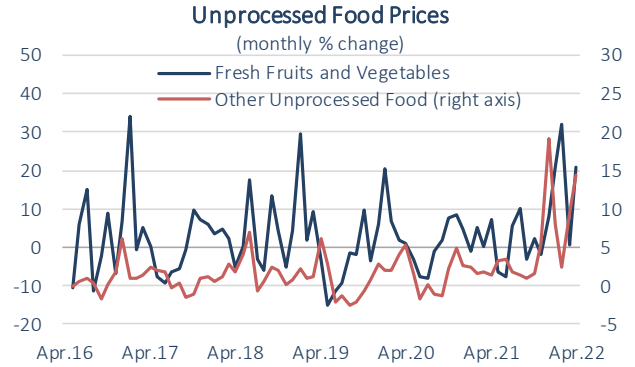
Food, housing and transportation groups came to the fore in the monthly increase in the CPI.

In April, prices in all 12 main spending groups rose compared to the previous month. Food and non-alcoholic beverages group, where prices increased by 13.38% compared to the previous month, pushed monthly inflation up by 347 basis points. In addition to the Ramadan effect, the high course of global fertilizer, feed and energy prices were behind this outlook. Housing group prices, where the rise in natural gas and water prices stood out, also increased by 7.43%, causing inflation to rise by 105 basis points. In this period, the monthly CPI inflation in the transportation group, which was 5.12% mom due largely to the rise in fuel prices, contributed 92 basis points while the prices of the restaurants and hotels group, which increased by 6.95%, added 48 basis points to the monthly CPI inflation.

The annual rise of 89.1% in the food group prices was noteworthy as the group made the highest contribution to annual inflation with 22.6 points. Transportation group, which recorded the fastest increase with 105.9%, pushed up annual inflation by 15.7 points.

The rise in core inflation indicators...

In April, the annual increases in the core inflation indicators B (CPI excluding unprocessed food products, energy, alcoholic beverages and tobacco and gold) and C (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) were 57.2% and 54.2% respectively. Seasonal products had an upward impact on CPI on a monthly basis. Furthermore, fresh fruit and vegetable prices, which increased by 0.7% mom in March, increased rapidly by 20.85% mom in April. Thus, unprocessed food prices, which rose by 16.8% mom, surged by 100.7% yoy, the fastest annual increase in the 2003-based series.



The food group and energy prices made a high contribution to the annual D-PPI inflation.

In April, prices increased in all sub-sectors of D-PPI. The upward trend in global energy prices due to the Russia-Ukraine war strengthened the inflationary pressures. Food products, where prices increased by 13.86% mom, made the largest contribution to the monthly D-PPI inflation with 2.73 points. In this period, electricity, gas production and distribution group also increased by 8% mom, adding 79 basis points to the monthly D-PPI inflation. In addition, coal and lignite product prices increased by 25.4% mom while crude oil and natural gas product prices rose by 23.32% mom.

In April, the annual price increases in coke & refined petroleum product and electricity, gas production & distribution groups were at high levels, with 249.55% and 247.5%, respectively. In this period, the food group, where prices rose by 115.23%, made the highest contribution to D-PPI inflation with 23.9 points. The electricity, gas production & distribution group and the base metal group, where prices rose 2.5 times on an annual basis, contributed to the annual D-PPI inflation by 17.19 points and 11.88 points, respectively.

Expectations...

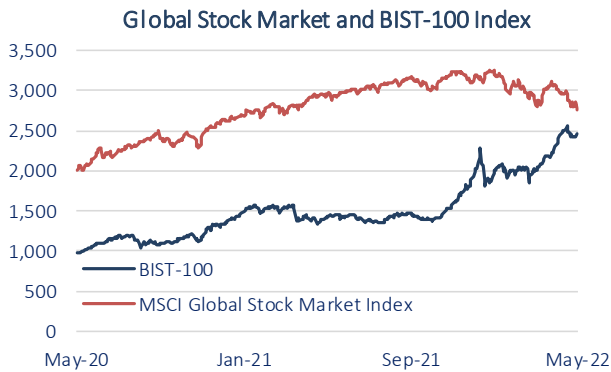
The CBRT raised its year-end inflation forecast from 23.2% to 42.8% in its Inflation Report published on April 28. Considering the course of inflation in the first four months of the year and the ongoing upward trend especially in energy and food prices due to geopolitical developments, we expect inflationary pressures to continue in the upcoming period.

	31-Mar	29-Apr	Change
5-Y CDS (basis points)	548	613	65 bps ▲
TR 2-Y Benchmark Yield	24.97%	21.69%	-328 bps ▼
BIST-100	2,233	2,431	8.8% ▲
USD/TRY	14.6700	14.8416	1.2% ▲
EUR/TRY	16.2387	15.6591	-3.6% ▼
Currency Basket*	15.4544	15.2504	-1.3% ▼

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

In April, global markets followed a negative course.

In April, oil prices followed a volatile course due to the news about sanctions would be imposed on Russian oil, and heightened the concerns regarding the rise in global inflation. The tightening measures taken by central banks to address inflationary pressures had an impact on the course of the financial markets. Global market indices declined due to the Fed's rate hike and quarantine measures implemented in China, which dampened risk appetite.



Turkey's financial markets differed positively from global markets and displayed a positive performance in April. BIST-100 index tested its historical high level with 2,562 points during the month. The 2-year benchmark bond yield decreased by 328 basis points mom to 21.69% in April. On the other hand, Turkey's 5-year CDS premium maintained its high course and closed the month of April at 613 basis points. The USD/TRY parity, which followed a relatively flat course in April, exceeded the level of 15 in early May due to the appreciation of the US dollar in global markets.

The CBRT kept the policy rate at 14%.

In its meeting held on April 14, the CBRT kept the policy rate at 14%, in line with market expectations. In the text published after the meeting, CBRT stated that the effects of inflation were "temporary", while energy-related risks on the current account balance were closely monitored. The CBRT also assesses that the credit growth including the long-term investment loans and targeted usage of accessed funds for real economic activity is important for financial stability. In this context, the CBRT decided to strengthen the macroprudential policy set; and said that the policy instruments will focus on supporting the development of Turkish lira deposits, increasing Turkish lira assets in the collateral structure of OMO funding, gradually reducing the

amount of swaps and strengthening foreign exchange reserves.

The CBRT published the second Inflation Report of the year.

According to the second Inflation Report of the year published by the CBRT, annual inflation is expected to follow a downward trend after approaching 70% in May 2022. The CBRT raised its year-end inflation forecasts from 23.2% to 42.8% for 2022, and from 8.2% to 12.9% for 2023. In the report, CBRT stated that the economic activity lost momentum in the first quarter of 2022 due to domestic demand. CBRT Chairman Kavcıoğlu stated that they expect a growth rate of 7% in the first quarter of the year.

CBRT Inflation Forecasts	2022	2023
2022-I (January 2022) Forecast (%)	23.2	8.2
2022-II (April 2022) Forecast (%)	42.8	12.9
Forecast Revision as Compared to the 2022-I Period	+19.6	+4.7
Sources of Forecast Revisions (% Points)		
Turkish Lira-Denominated Import Prices (Including the Exchange Rate, Oil and Import Prices)	+5.5	+2.2
Food Prices	+2.8	0.7
Administered Prices	+2.1	-
Output Gap	-0.1	-0.1
Deviation from the Inflation Forecast / the Underlying Trend of Inflation	9.3	1.9

Financial regulations were followed closely in April.

According to the decision published in the Official Gazette on April 19, the fulfillment and acceptance of the contract price and other payment obligations arising from the contracts in foreign currency or foreign currency indexed securities sales, except for vehicle sales, between Turkish residents will be in Turkish Lira. Another regulation in April, made the sale of at least 40% of the foreign currency to the CBRT mandatory, in case the revenues obtained from service exports, especially tourism, are sold to banks in foreign currency.

According to the regulation published on April 23, commercial loans (excluding some loan types, such as loans to SMEs, tradesmen loans, export and investment loans, and agricultural loans) in TRY became subject to required reserves. In addition, it was announced that the FX deposit/participation fund required reserve ratios would be differentiated between the banks according to their conversion rate provided in the currency protected deposit product of their retail customers.

With another regulation regarding required reserves, the interest/remuneration rate to required reserves in Turkish Lira was determined as 0%, while the practice of paying additional interest/remuneration to TRY required reserves for the accounts converted to TRY from foreign exchange accounts by resident real persons was terminated.

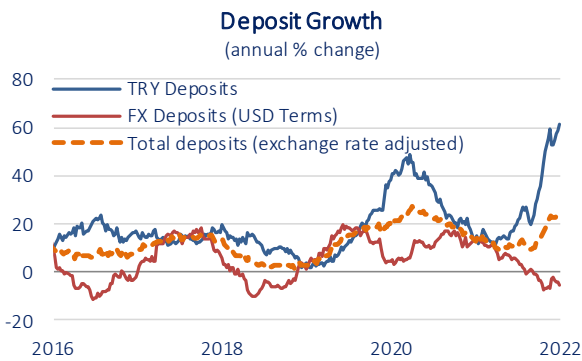
Source: CBRT, Datastream, Reuters,

BRSA changed the CAR calculation.

The Banking Regulation and Supervision Agency has published the board decision regarding the change in the calculation of the capital adequacy ratio (CAR). According to the decision, as of May 1, commercial cash loans' risk weight is determined as 200% (excluding agricultural loans, loans to SMEs, export and investment loans, loans to some public institutions and organizations, loans through corporate credit cards, and loans to banks or financial institutions). The definition of SME was also revised in the decision. The turnover limit, which was previously 220 million TRY, has been increased to 250 million TRY. In addition, CBRT's exchange rate (currency buying) of 31 December 2021 will be used instead of the 252-day exchange rate average for foreign currency in the calculation of CAR.

Deposit volume became 6.132 billion TRY.

According to the BRSA Weekly Bulletin data, as of April 29, TRY deposits expanded by 61.1% yoy and exceeded 2.6 trillion TL, while FX deposits in USD terms decreased by 5.2% yoy to 235.4 billion USD. Thus, with the effect of the increase in foreign exchange rates, the total deposit volume went up by 66.1% yoy as of April 29 and reached 6,132 billion TRY. In this period, the exchange rate adjusted annual rise in deposit volume became 24.5%, the highest level since September 2020. According to BRSA data, FX-Protected TRY Deposit and Participation Accounts stood at 810 billion TRY as of April 29.



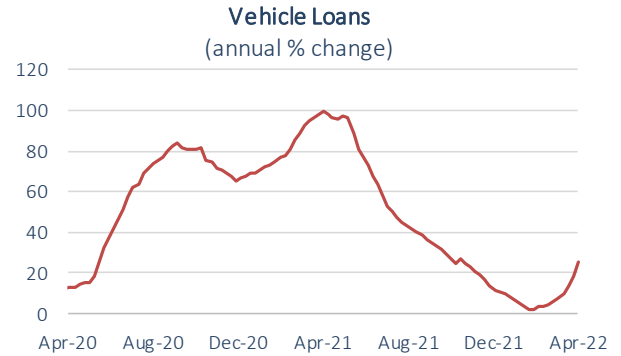
TRY loan volume increased by 40.7% yoy.

As of April 29, the total loan volume of the banking sector increased by 48.4% yoy to 5,639 billion TRY. In this period, the exchange rate adjusted rise in the loan volume was 22.4%, the highest level since February 2021. As of April 29, annual TRY loan growth became 40.7%. In the same period, FX loan volume in USD terms decreased by 9.8% yoy and became 151 billion USD, the lowest level since October 2014.

Vehicle loan growth gained momentum in April.

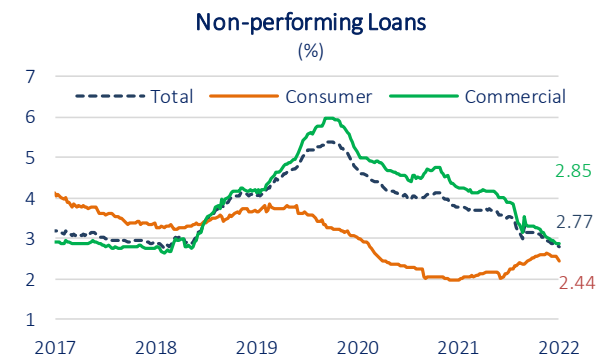
As of April 29, consumer loans increased by 19.2% yoy, while the annual rise in consumer credit cards remained high at 54.7%. In this period, housing loans increased by

16.2% yoy and personal finance loans, which have the largest share in consumer loans, rose by 21.1% yoy. The annual increase in the volume of vehicle loans, which displayed a weak performance in the February-March period, gained momentum in April and rose to 25.1% as of April 29.



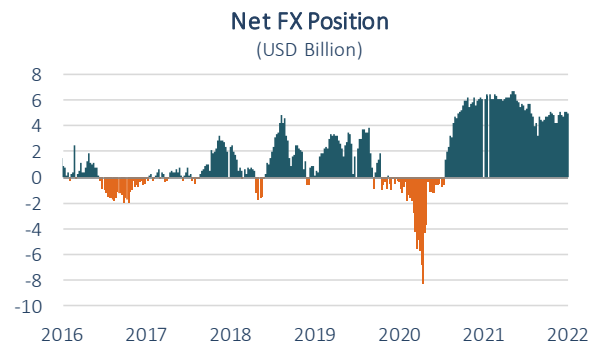
NPL ratio decreased to 2.77%.

As of April 29, NPL ratio declined to 2.77%, the lowest level since June 2014. While the NPL ratio was 2.44% in retail loans, commercial loans displayed the most positive performance of the last 4 years at 2.85%.



Foreign currency net general position...

As of April 29, banks' on-balance sheet FX position was (-) 33,555 million USD, while off-balance sheet FX position was (+) 38,577 million USD. Thus, the net FX position of the banking sector was realized as (+) 5,022 USD.



Concluding Remarks

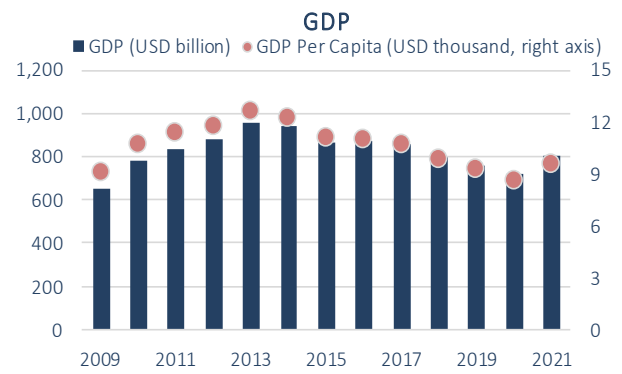
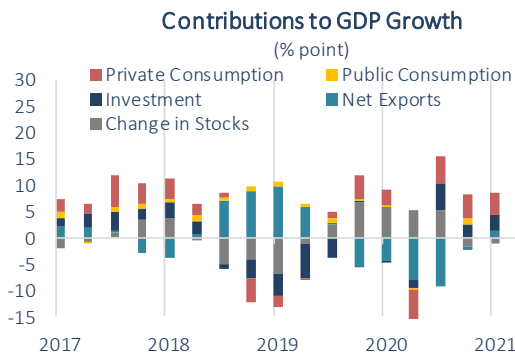
While the deterioration of global inflation indicators continues, central banks are tightening their monetary policies in response. The Fed raised the policy rate by 50 basis points at its meeting in early May, while the Bank of England made another 25 basis points hike. Following its announcement that asset purchases would end in the third quarter of this year, the ECB is expected to begin raising interest rates before the end of the year.

On the other hand, concerns that the tightening steps in response to price increases would put pressure on economic activity and lead to stagflation come to the fore. US economy's contraction in the first quarter, contrary to growth expectations, as well as China's continuous quarantine measures heightens these concerns. Furthermore, the extension of the Ukraine-Russia conflict and the expansion of sanctions against Russia, including an oil embargo, have a negative effect on global growth expectations. In this context, international organizations have revised their global growth forecasts downward.

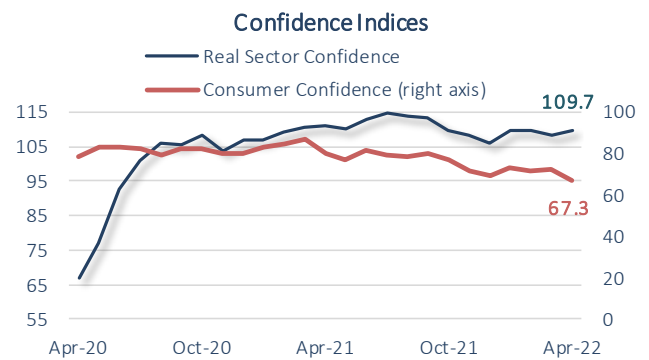
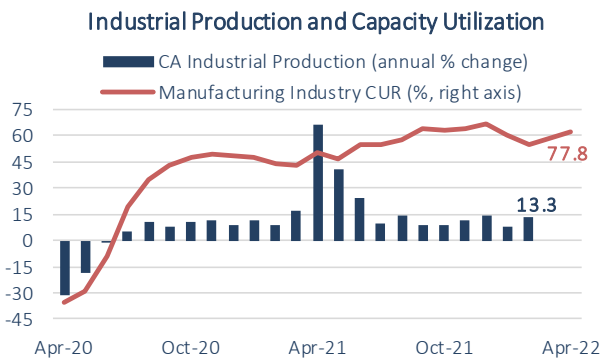
In Turkey, inflation continues to be a challenge. CPI inflation reached 69.97% in April, while the CBRT raised its 2022 year-end CPI inflation forecast from 23.2% to 42.8% in its second Inflation Report of the year, due to the rising commodity prices. On the other hand, the fact that inflation reached 31.7% in January-April period and the continued high level of global commodity prices indicate that this expectation may be exceeded.

According to the preliminary data, the loss of momentum in economic activity continues in Turkey. Although the export volume reached the highest monthly level with 23.4 billion USD in April, sub-indices of the manufacturing PMI, which has been below the threshold level for the last two months, show that there is a decrease in export orders as well as domestic demand. While the increasing import volume in parallel with the rise in global commodity prices causes the foreign trade deficit to widen, the course of the tourism sector will be closely monitored in terms of the current account balance outlook in the coming months.

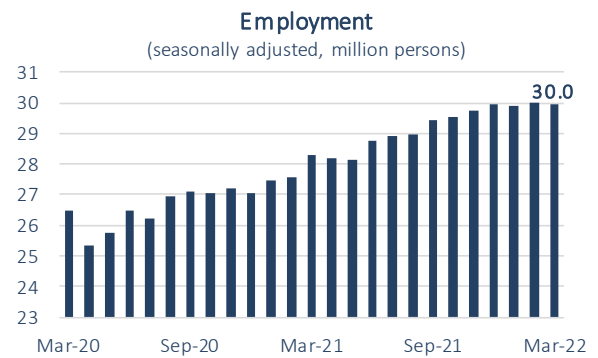
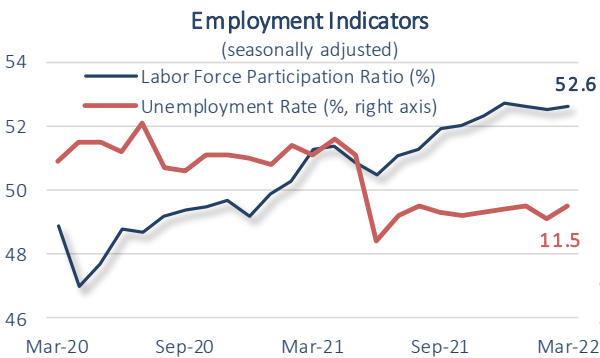
Growth



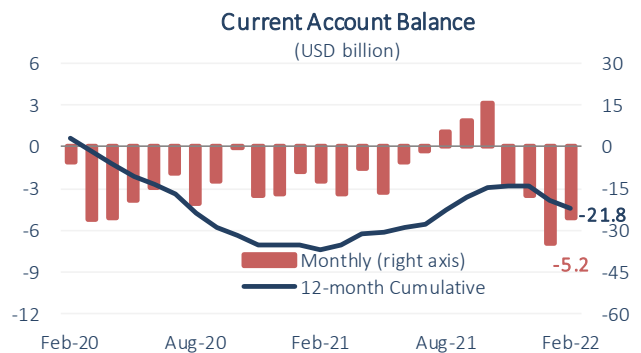
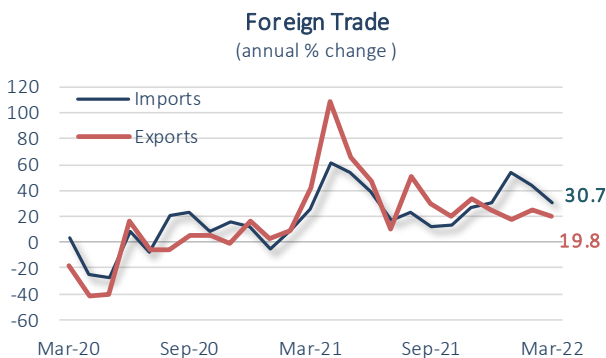
Leading Indicators



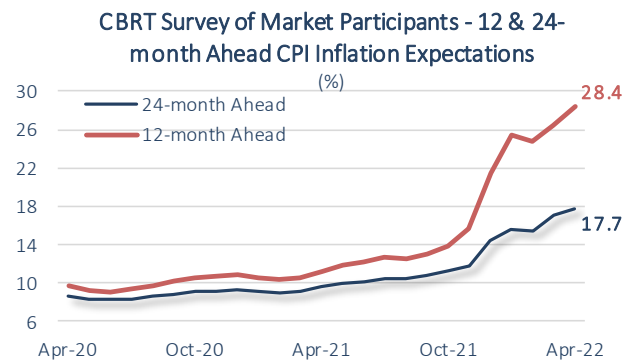
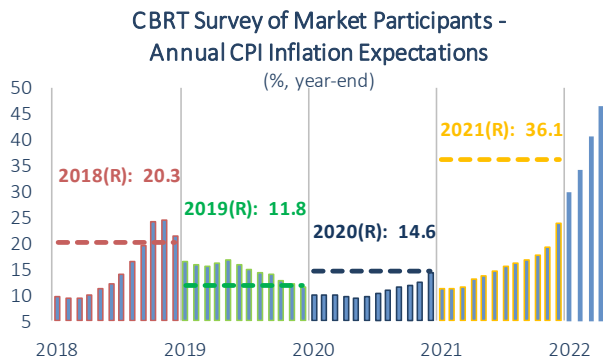
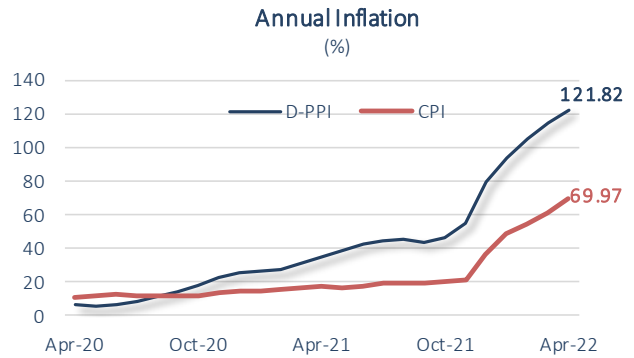
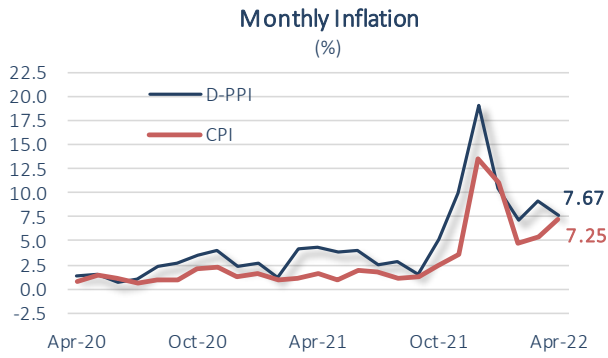
Labor Market



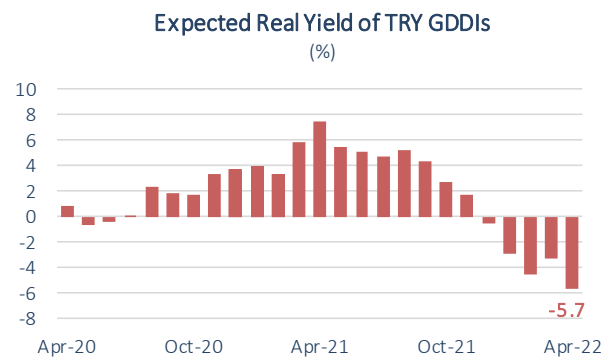
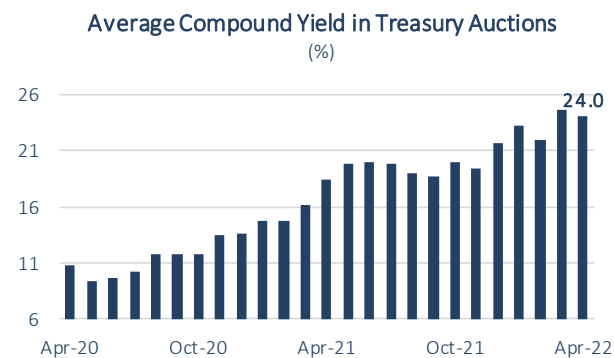
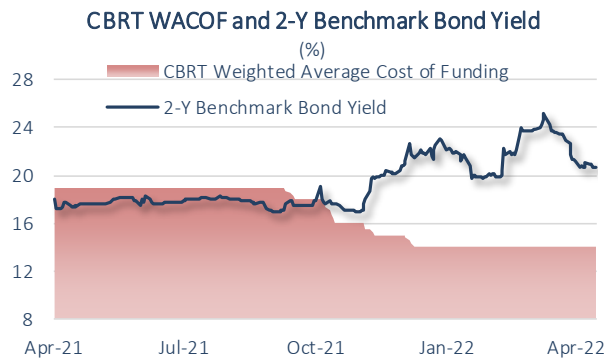
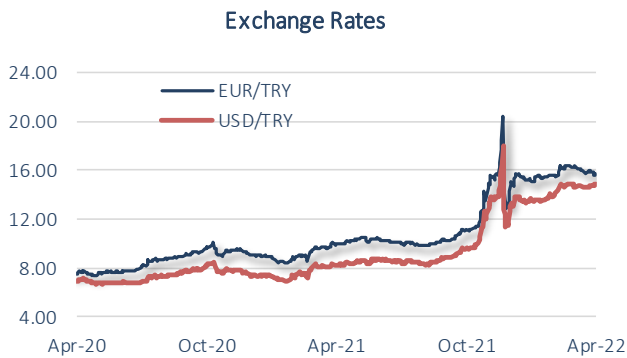
Foreign Trade and Current Account Balance



Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

Growth	2017	2018	2019	2020	2021			
GDP (USD billion)	859	797	760	717	803			
GDP (TRY billion)	3,134	3,758	4,318	5,047	7,209			
GDP Growth Rate (%)	7.5	3.0	0.9	1.8	11.0			
Inflation (%)						Feb-22	Mar-22	Apr-22
CPI (annual)	11.92	20.30	11.84	14.60	36.08	54.44	61.14	69.97
Domestic PPI (annual)	15.47	33.64	7.36	25.15	79.89	105.01	114.97	121.82
Seasonally Adjusted Labor Market Figures						Jan-22	Feb-22	Mar-22
Unemployment Rate (%)	9.9	12.7	13.5	13.0	11.4	11.50	11.10	11.50
Labor Force Participation Rate (%)	52.8	53.2	52.7	49.2	52.7	52.60	52.50	52.60
FX Rates						Feb-22	Mar-22	Apr-22
CPI Based Real Effective Exchange Rate	86.3	76.3	76.0	61.9	47.7	53.8	53.8	57.1
USD/TRY	3.79	5.32	5.95	7.43	13.28	13.86	14.67	14.86
EUR/TRY	4.55	6.08	6.68	9.09	15.10	15.57	16.32	15.67
Currency Basket (0.5*EUR+0.5*USD)	4.17	5.70	6.32	8.26	14.19	14.71	15.49	15.26
Foreign Trade Balance ⁽¹⁾ (USD billion)						Jan-22	Feb-22	Mar-22
Exports	164.5	177.2	180.8	169.6	225.3	227.8	231.8	235.5
Imports	238.7	231.2	210.3	219.5	271.4	281.2	289.8	297.0
Foreign Trade Balance	-74.2	-54.0	-29.5	-49.9	-46.2	-53.4	-58.0	-61.5
Import Coverage Ratio (%)	68.9	76.6	86.0	77.3	83.0	81.0	80.0	79.3
Balance of Payments ⁽¹⁾ (USD billion)							Jan-22	Feb-22
Current Account Balance	-40.9	-21.7	5.3	-35.5	-14.9		-19.1	-21.8
Capital and Financial Accounts	-49.7	1.1	5.1	-39.5	-4.5		-12.8	-17.8
Direct Investments (net)	-8.5	-8.9	-6.6	-4.6	-7.7		-7.8	-7.0
Portfolio Investments (net)	-24.4	0.9	2.8	9.6	-0.8		5.0	6.0
Other Investments (net)	-8.5	19.4	2.6	-12.6	-19.4		-28.9	-32.5
Reserve Assets (net)	-8.2	-10.4	6.3	-31.9	23.3		18.8	15.7
Net Errors and Omissions	-8.8	22.7	-0.3	-3.9	10.5		6.3	4.1
Current Account Balance/GDP (%)	-4.8	-2.7	0.7	-5.0	-1.9		-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Jan-22	Feb-22	Mar-22
Expenditures	678.3	830.8	1000.0	1203.7	1599.6	146.0	346.8	571.7
Interest Expenditures	50.2	74.0	99.9	134.0	180.9	14.2	57.9	84.8
Non-interest Expenditures	628.0	756.8	900.1	1069.8	1418.8	131.7	288.9	486.9
Revenues	630.5	758.0	875.3	1028.4	1407.4	176.0	446.6	602.5
Tax Revenues	536.6	621.5	673.9	833.3	1164.8	147.4	327.7	455.2
Budget Balance	-47.8	-72.8	-124.7	-175.3	-192.2	30.0	99.8	30.8
Primary Balance	8.9	1.1	-24.8	-41.3	-11.4	44.3	157.7	115.6
Budget Balance/GDP (%)	-1.5	-1.9	-2.9	-3.5	-2.7	-	-	-
Central Government Debt Stock (TRY billion)						Jan-22	Feb-22	Mar-22
Domestic Debt Stock	535.4	586.1	755.1	1060.4	1321.2	1,354.8	1,397.1	1,483.0
External Debt Stock	341.0	481.0	574.0	752.5	1426.5	1489.6	1551.3	1626.4
Total Debt Stock	876.5	1067.1	1329.1	1,812.8	2,747.7	2,844.5	2,948.4	3,109.4

(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)	2017	2018	2019	2020	2021	Feb.22	Mar.22	Change ⁽¹⁾
TOTAL ASSETS	3,258	3,867	4,491	6,106	9,215	9,483	10,158	10.2
Loans	2,098	2,394	2,656	3,576	4,901	5,171	5,503	12.3
TRY Loans	1,414	1,439	1,642	2,353	2,832	3,014	3,221	13.7
Share (%)	67.4	60.1	61.8	65.8	57.8	58	58.5	-
FX Loans	684	956	1,015	1,224	2,069	2,158	2,282	10.3
Share (%)	32.6	39.9	38.2	34.2	42.2	42	41.5	-
Non-performing Loans	64.0	96.6	150.8	152.6	160.1	162	162.8	1.7
Non-performing Loan Rate (%)	3.0	3.9	5.3	4.1	3.2	3	2.9	-
Securities	401	477	660	1,022	1,476	1,580	1,711	16.0
TOTAL LIABILITIES	3,258	3,867	4,491	6,106	9,215	9,483	10,158	10.2
Deposits	1,711	2,036	2,567	3,455	5,303	5,539	5,972	12.6
TRY Deposits	955	1,042	1,259	1,546	1,880	2,279	2,502	33.0
Share (%)	55.8	51.2	49.0	44.7	35.5	41	41.9	-
FX Deposits	756	994	1,308	1,909	3,423	3,260	3,471	1.4
Share (%)	44.2	48.8	51.0	55.3	64.5	59	58.1	-
Securities Issued	145	174	194	224	310	307	322	3.7
Payables to Banks	475	563	533	658	1,048	1,070	1,137	8.4
Funds from Repo Transactions	99	97	154	255	587	487	464	-21.0
SHAREHOLDERS' EQUITY	359	421	492	600	714	801	913	27.9
Profit (Loss) of the Period	48.6	54.1	49.0	58.5	93.0	39.0	63.2	-
RATIOS (%)								
Loans/GDP	67.0	63.7	61.5	70.9	68.0			
Loans/Assets	64.4	61.9	59.1	58.6	53.2	54.5	54.2	-
Securities/Assets	12.3	12.4	14.7	16.7	16.0	16.7	16.8	-
Deposits/Liabilities	52.5	52.6	57.1	56.6	57.5	58.4	58.8	-
Loans/Deposits	122.6	117.6	103.5	103.5	92.4	93.4	92.1	-
Capital Adequacy (%)	16.9	17.3	18.4	18.7	18.4	19.1	20.4	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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