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Global Economy

Statements of major central banks regarding interest rate hikes and sanctions against Russia remained high on the agenda of global markets.

In the US, preliminary indicators showed that economic activity remained brisk despite a loss of momentum in May. According to the minutes of the May meeting, the Fed may raise interest rates by 50 basis points in the next two meetings.

In the Euro Area, annual inflation reached record high with 8.1% in CPI and 37.2% in PPI. In their statements during the month, ECB officials hinted at an interest rate hike in July.

The quarantine measures, which have been implemented in China for about two months and adversely affected the economic activity, were eased as of 1 June. The People's Bank of China decreased borrowing rate by 15 basis points.

According to an IIF report, the global debt stock reached 305 trillion USD in the first quarter of 2022. The debt stock to GDP ratio was 348%.

The EU has agreed to reduce the vast majority of Russian oil imports by the end of this year. In May, the barrel price of Brent crude oil rose by 12.3% mom. At the beginning of June, OPEC+ countries increased their daily oil production planned for July and August to 648K barrels.

Turkish Economy

In the first quarter of 2022, the Turkish economy grew by 7.3% yoy due to the continued buoyancy in private consumption demand. According to the seasonally and calendar adjusted data, quarterly growth was 1.2%.

Seasonally adjusted unemployment rate rose by 0.4 points compared to the previous month and became 11.5% in March. Despite the increase in labor force participation in March, the decline in employment and the rise in the number of unemployed people by 153K played a role in the increase of unemployment rate.

Manufacturing PMI became 49.2 in May, indicating that the sector's activity remained weak in the third consecutive month.

The current account deficit, which rose to 5.6 billion USD in March, reached 18.1 billion USD in the first quarter of the year. The foreign trade deficit continued to widen in April and May.

Central government budget posted a deficit of 50.2 billion TRY in April. In this period, primary deficit was 31 billion TRY.

In May, the deterioration in inflation indicators continued. In this period, CPI and D-PPI increased by 73.5% and 132.2%, respectively, on an annual basis.

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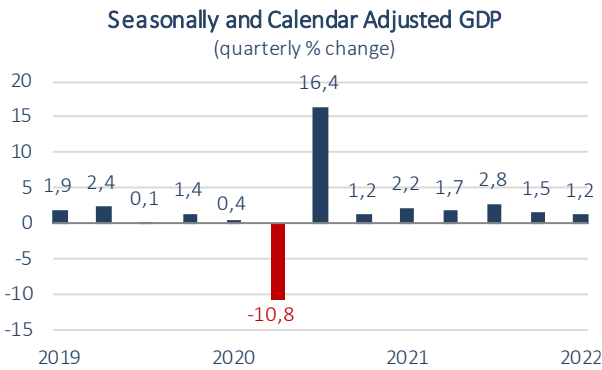
GDP Growth

The Turkish economy grew by 7.3% in the first quarter.

According to the chain-linked volume index, the Turkish economy grew by 7.3% on an annual basis in the first quarter of 2022, in line with market expectations. Thus, strong performance of economic activity since the past year continued, albeit losing some momentum in the first quarter of this year.

Contributions to Growth	2021					2022
	Q1	Q2	Q3	Q4	Annual	Q1
Consumption	4.2	14.5	6.4	12.2	9.3	11.7
Private	4.2	14.0	5.5	12.5	9.0	11.6
Public	0.0	0.5	1.0	-0.3	0.3	0.1
Investment	3.1	5.5	-0.5	-0.2	1.7	0.3
Stock Change	-1.2	-5.1	-5.4	-7.0	-4.8	-8.1
Net Exports	1.2	7.0	6.9	4.2	4.9	3.5
Exports	0.9	11.0	5.0	4.8	5.3	3.9
Imports	0.2	-4.0	1.9	-0.6	-0.4	-0.5
GDP (yoy, %)	7.3	21.9	7.5	9.1	11.0	7.3

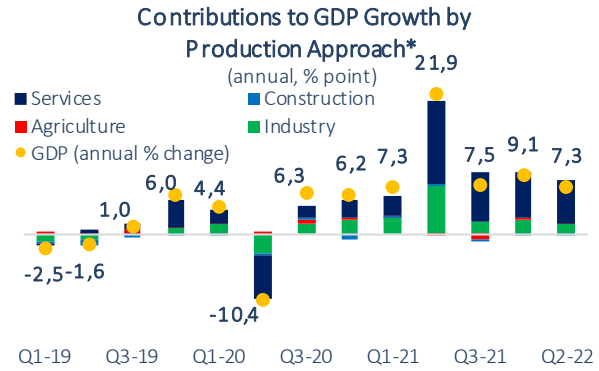
According to the seasonally and calendar adjusted figures, the Turkish economy grew by 1.2% in the first quarter of 2022 compared to the previous quarter. Economic activity had expanded by 1.5% qoq in the last quarter of 2021.



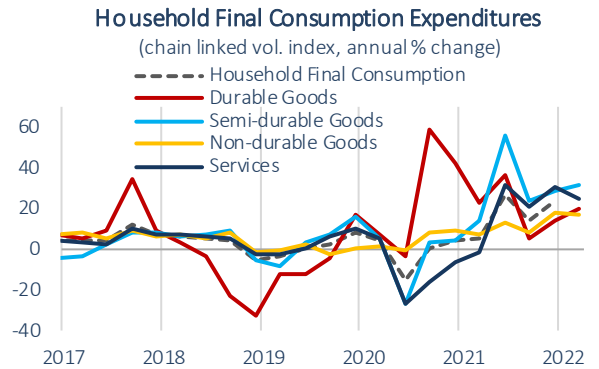
Due to the rapid rise in inflation, in the first quarter of 2022, the Turkish economy expanded by 79.5% at current prices compared to the same period of the previous year. Thus, at current prices, the cumulative size of the Turkish economy for 4 quarters exceeded 8.3 trillion TRY as of the first quarter. In this period, GDP in USD was 793.8 billion USD.

The strong contribution of private consumption continued.

The contribution of private consumption expenditures came to the fore in the strong growth performance recorded in the first quarter of 2022. Pulled-forward demand due to the deterioration in inflation expectations also played an important role in this development. In the first quarter of the year, the annual increase in expenditures on durable and semi-durable goods accelerated compared to the last quarter of 2021, while consumption expenditures on non-durable goods and services lost momentum.



According to the chain-linked volume index, the contribution of net exports to growth remained strong with 3.5 points due to the expansion in export volume in the first quarter of the year. Investment expenditures, which limited growth in the second half of last year, supported growth in the first quarter of 2022 with the increase in machinery-equipment investments. The stock change, including the statistical error margin, limited the growth by 8.1 points in the first quarter of the year.



The construction industry continued to limit growth.

Analyzing the contributions by production method, in the first quarter of the year services and industry sectors contributed to growth by 6.6 and 1.6 points, respectively. The construction sector, which had limited growth since the second half of last year, maintained the same course and reduced GDP growth by 0.4 points.

Analyzing growth figures in accordance with economic activity reveal that 24.2% annual increase in finance and insurance activities and the 7.2% contraction in construction sector activities in the first quarter of the year drew attention.

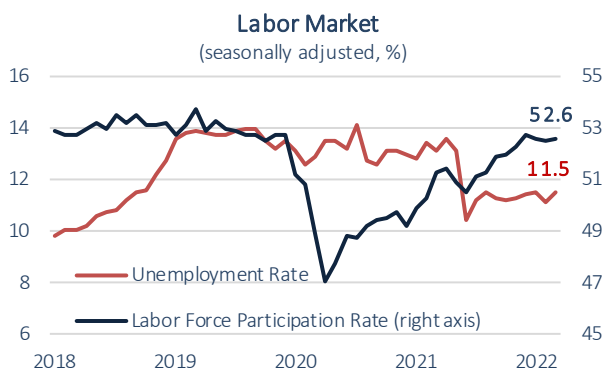
Expectations...

Leading indicators point out that the economic activity, which displayed a rapid growth in the first quarter of the year due to the pulled-forward consumption demand and strong export performance, lost some momentum in the second quarter. Domestic price developments may also put pressure on growth in the following period.

Leading Indicators

The unemployment rate rose in March.

In March, seasonally adjusted unemployment rate increased by 0.4 points on a monthly basis to 11.5%. The increase in labor force by 96K people, the decrease in employment by 59K people and the increase in the number of unemployed people by 153K led unemployment rate to rise in March. Labor underutilization rate, which expresses the ratio of time-related underemployment, unemployed and potential labor force to the sum of labor force and potential labor force, rose by 0.6 points on a monthly basis to 22.7% in March. In the first quarter of the year, employment in the agriculture and construction sectors decreased compared to the end of 2021 due to the loss of activity, while it increased in the industry and services sectors.



Contraction in the manufacturing industry continued in May.

Manufacturing industry PMI was realized as 49.2 in May, parallel to April, pointing out that the contraction in the sector continued for the third consecutive month. While low demand and price pressures played a role in contraction of the sector in May, impact of disruptions in the supply chain and cost increases moderated compared to April. Because of the deceleration in economic activity in the Euro Area, new export orders recorded the fastest decline in the last two years in May.

The economic confidence index rose in May.

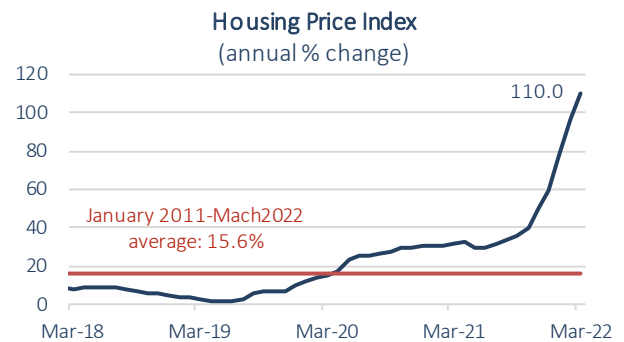
The mixed outlook in confidence indices continued in May. The consumer confidence index, which fell to a historical low in April, recovered slightly in May and rose to 67.6. In this period, the seasonally adjusted real sector confidence index continued to decline and fell to 107. Confidence in the construction sector declined in May due to the decrease in construction orders, while the retail and services sector confidence indices increased thanks to contribution of foreign visitors to turnover volumes. In this context, the economic confidence index improved by 2.1% in May compared to the previous month and became 96.7.

Rapid increase in the number of foreign visitors...

According to the data of the Ministry of Culture and Tourism, in April, the number of foreign visitors to Turkey went up by 226% on an annual basis and amounted to 2.6 million people. In April, the number of visitors from Germany increased 6 times compared to the same period of the previous year. Germany, which rose to the first place in number of foreign visitors to Turkey, was followed by Bulgaria and UK. On the other hand, visitors from Russia and Ukraine decreased by 16.6% yoy and 43.7% yoy, respectively. While the number of foreign visitors coming to Turkey in the January-April period rose by 172.5% yoy with approximately 7.5 million people, it was 14.4% lower than the same period of 2019, before the pandemic.

Housing sales increased 38.8% yoy in April.

Expanding by 38.8% on an annual basis, housing sales posted the best April performance since 2013, and became 133.1K units in April. In this period, the number of houses sold for the first time increased by 24.7% yoy to 36.4K, while second-hand house sales expanded by 45% yoy to 96.6K units. The share of first-hand house sales in total sales declined to a historically low level with 24.7%. Housing sales to foreigners went up by 58.1% yoy in April. In this period, it was noteworthy that the house sales to Russian citizens increased by 186.6%. Thus, Russia's share in house sales to foreigners, which was 9.1% at the end of 2021, rose to 17.7% in April.



As of March, house prices in Turkey surged by 110% on an annual basis. While the said increase rate approached 140% in the southern provinces where the housing demand of foreigners is high, it was realized as 122% in Istanbul. As well as the high increase in selling prices, the rapid rise in rental housing prices in recent months raises concerns about the supply shortage in the housing market.

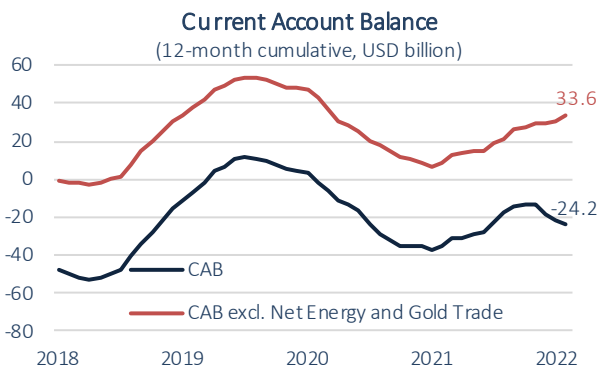
Foreign Trade and Balance of Payments

The foreign trade deficit nearly doubled in April on an annual basis.

According to figures announced by TURKSTAT, exports increased by 24.6% yoy to 23.4 billion USD in April, while imports went up by 35% to 29.5 billion USD. Thus, the foreign trade deficit widened by 98.5% yoy in April and became 6.1 billion USD. In this period, the rise in energy and commodity prices continued to play a role in the widening of the foreign trade deficit. Import coverage ratio, which was 85.9% in April 2021, decreased to 79.3% in the same month of 2022.

Current account deficit was 5.6 billion USD in March.

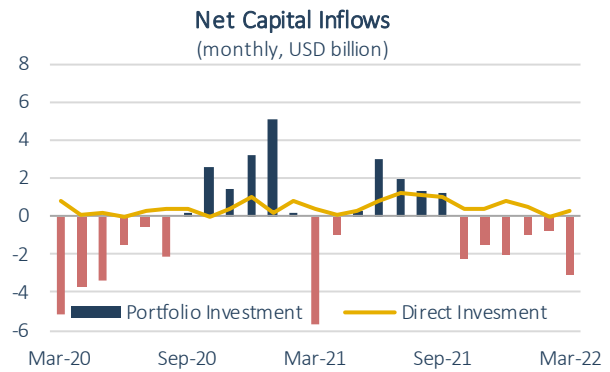
In March, the current account deficit widened by 67% yoy and became 5.6 billion USD. Net energy imports, which were 2.7 billion USD in March 2021, reached 7.1 billion USD in the same month of this year, and became the leading factor in the widening of the current account deficit. The rise in non-monetary gold imports in this period also played a role in the expansion of the current account deficit. On the other hand, the 1.5 billion USD increase in net inflows stemming from the services balance thanks to the recovery in transportation and travel revenues limited the widening in the current account deficit.



In the first quarter of 2022, the current account deficit became 18.1 billion USD due to the net energy imports, which were 22.1 billion USD in the same period. In March, the 12-month cumulative current account deficit reached 24.2 billion USD, the highest level of the last 8 months. In this period, net energy imports were at a historically high level of 57.2 billion USD.

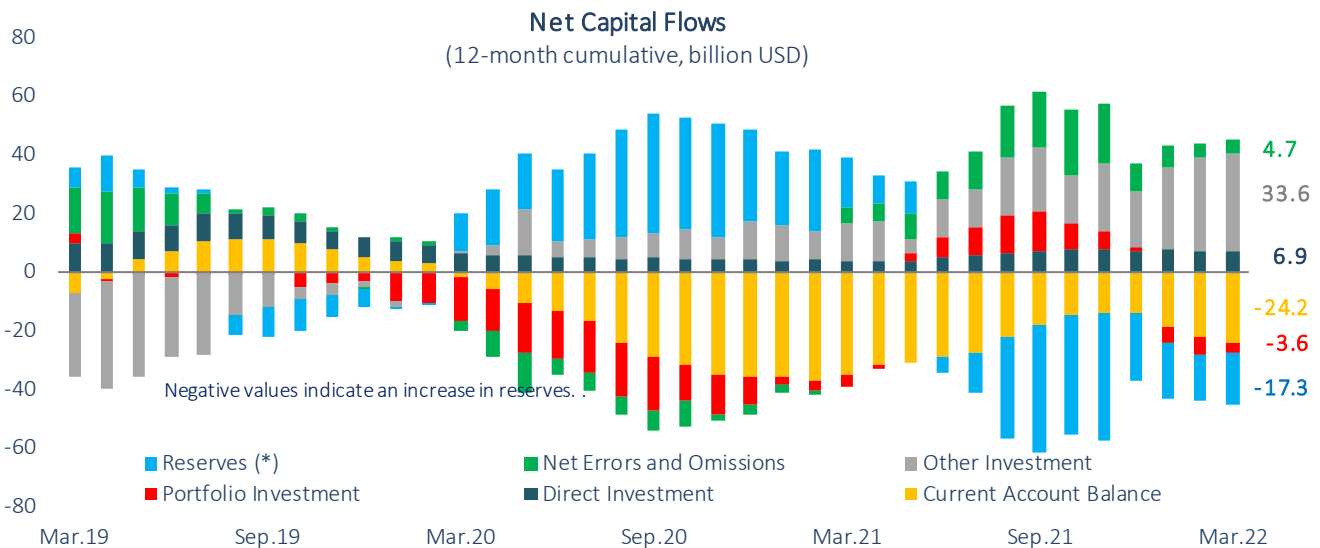
Weakness in net direct investments persists.

Net direct investments decreased by 23.3% yoy in March to 296 million USD. In this period, real estate investments of non-residents amounted to 392 million USD. The rapid increase of 101.8% in direct investments abroad by residents drew attention. Investments in food production abroad continued in March following February.



The exit from portfolio investments continues.

The capital outflow in portfolio investments since the beginning of the year gained momentum in March and reached 3.1 billion USD. Thus, the total portfolio outflow in the first quarter realized as 4.8 billion USD. In March, non-residents sold 744 million USD in the stock market and 201 million USD in the government domestic debt securities market. The General Government, which made



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

a repayment of 1.78 billion USD for the bond issuances abroad in March, realized a new bond issuance of 2 billion USD in this period, thus providing a net capital inflow of 219 million USD. In this period, banks repaid 758 million USD for their bond issuances abroad. On the other hand, portfolio investments of residents abroad recorded the highest amount in the last 2 years with 1.6 billion USD in March.

In March, there was a capital inflow of 2.2 billion USD through other investments. In this period, the effective and deposits held by foreign banks at their domestic correspondents increased by 1.3 billion USD, while the effective and deposits held by domestic banks abroad rose by 2.3 billion USD. In March, banks made a net repayment of 54 million USD in loans obtained from abroad, while the General Government and other sectors realized a net use of 718 million USD and 943 million USD, respectively.

Reserve assets decreased by 7.7 billion USD in the first quarter.

The decline in reserve assets accelerated in March, reaching 4.5 billion USD. Thus, reserve assets decreased by 7.7 billion USD in the first quarter of the year. Net errors and omissions figure, which posted a capital outflow of 1.5

billion USD in the first two months of the year, recorded a capital inflow of 1.58 billion USD in March.

Expectations...

According to the preliminary foreign trade figures revealed by the Ministry of Commerce, the widening in the foreign trade deficit gained momentum in May. In this period, the export volume expanded by 15.2% yoy and became 19 billion USD, while the import volume rose rapidly by 43.8% yoy to 29.7 billion USD. In May, the foreign trade deficit widened by 157% yoy and reached 10.7 billion USD. Thus, the foreign trade deficit in the January-May period went up by 136.1% compared to the same period of last year and became 43.2 billion USD. The rapid expansion in foreign trade deficit have negative impacts on the current account balance. In that respect, the course of tourism revenues as well as global commodity prices will be monitored closely in the coming period.

Balance of Payments	(USD million)				
	Mar. 2022	Jan. - 2021	Mar. 2022	% 12-month Change	% 12-month Cumulative
Current Account Balance	-5,554	-7,544	-18,074	139.6	-24,223
Foreign Trade Balance	-6,342	-6,992	-21,042	200.9	-43,328
Services Balance	2,329	2,262	5,751	154.2	30,040
Travel (net)	1,450	1,843	3,885	110.8	21,219
Primary Income	-1,397	-3,011	-2,589	-14.0	-11,610
Secondary Income	-144	197	-194	-	675
Capital Account	-2	-21	-3	-85.7	-46
Financial Account	-3,977	-2,889	-17,994	522.8	-19,549
Direct Investment (net)	-296	-1,380	-781	-43.4	-6,948
Portfolio Investment (net)	3,051	352	4,782	1,258.5	3,634
Net Acquisition of Financial Assets	1,565	-843	2,691	-	5,794
Net Incurrence of Liabilities	-1,486	-1,195	-2,091	75.0	2,160
Equity Securities	-744	-1,812	-1,324	-26.9	-946
Debt Securities	-742	617	-767	-	3,106
Other Investment (net)	-2,226	-187	-14,329	7,562.6	-33,573
Currency and Deposits	343	1,024	-5,662	-	-16,121
Net Acquisition of Financial Assets	2,168	7,214	3,784	-47.5	1,802
Net Incurrence of Liabilities	1,825	6,190	9,446	52.6	17,923
Central Bank	-1	1,378	3,852	179.5	7,222
Banks	1,826	4,812	5,594	16.3	10,701
Foreign Banks	1,315	3,889	4,838	24.4	10,255
Foreign Exchange	1,493	2,976	2,067	-30.5	6,908
Turkish Lira	-178	913	2,771	203.5	3,347
Non-residents	511	923	756	-18.1	446
Loans	-1,691	594	-1,375	-	-1,844
Net Acquisition of Financial Assets	-84	1,089	-554	-	618
Net Incurrence of Liabilities	1,607	495	821	65.9	2,462
Banking Sector	-54	190	-1,122	-	-4,857
Non-bank Sectors	943	592	1,441	143.4	6,765
Trade Credit and Advances	-872	-1,810	-7,281	302.3	-9,246
Other Assets and Liabilities	-6	5	-11	-	-24
Reserve Assets (net)	-4,506	-1,674	-7,666	357.9	17,338
Net Errors and Omissions	1,579	4,676	83	-98.2	4,720

Source: CBRT, Datastream

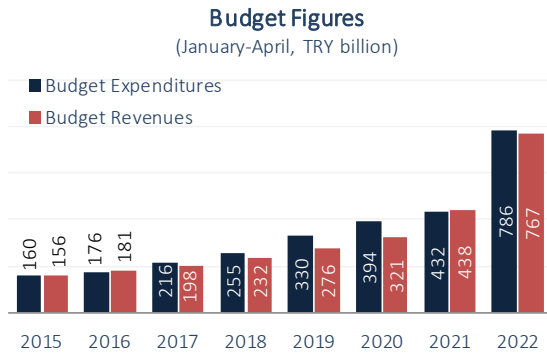
Budget Balance

Central government budget gave a deficit of 50.2 billion TRY in April.

In April, budget revenues increased by 75% yoy and became 164.1 billion TRY, while the budget expenditures nearly doubled and amounted to 214.3 billion TRY. Thus, the central government budget deficit widened rapidly by 197% yoy and reached 50.2 billion TRY. In this period, interest expenditures did not show a significant change compared to the same period of last year, while the primary balance, which posted a surplus of 1.7 billion TRY in April 2021, gave a deficit of 31 billion TRY. In the first four months of the year, budget revenues increased by 75.1% yoy and budget expenditures by 81.9% yoy. Thus, the budget balance, which gave a surplus of 5.9 billion TRY in the January-April 2021 period, posted a deficit of 19.4 billion TRY in the same period of this year.

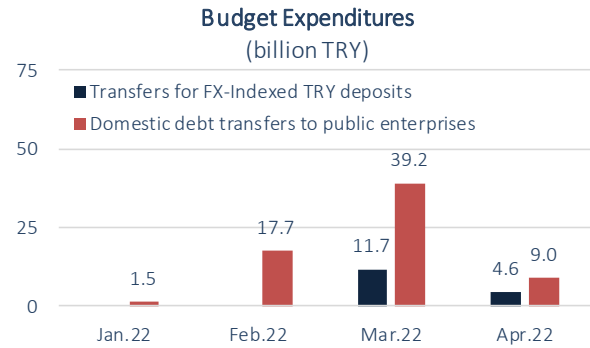
VAT on imports increased rapidly.

Tax revenues expanded by 78.6% yoy in April and reached 136.3 billion TRY. The value added tax on imports, which rose by 131.3% yoy due to the rapid increase in import volume and exchange rate developments, contributed the most to the increase in tax revenues. In addition, despite the limiting effect of the contraction in the domestic automotive market in April, in parallel with the increase in vehicle prices, the SCT taken from motor vehicles went up by 126% on an annual basis. The annual increase in the SCT taken from oil and natural gas products by 3.9 billion TRY also supported the tax revenues. Interest incomes, which were at the level of 6 billion TRY in April 2021, increased by 4 billion TRY on an annual basis.



Current transfers increased by 128% yoy.

In April, current transfers went up by 128% yoy and amounted to 95 billion TRY. The treasury aid, which rose by 2.4 times due to the rapid increase in health, retirement and social aid expenditures, played an important role in this expansion. In this period, the annual rise in non-interest expenditures was 111.8%, above the annual CPI inflation. While the fertilizer and diesel support made within the scope of area-based agricultural supports decreased by 4.4 billion TRY in April compared to March, domestic debt transfers to public enterprises pushed up the budget expenditures by 11.5 points. Due to the increase in natural gas prices, a total of 7.6 billion TRY payments were made to BOTAŞ and Elektrik Üretimi A.Ş. Thus, in the January-April period, domestic debt transfers to PEs increased approximately 11 times on an annual basis and reached 75.2 billion TRY. In the March-April period, expenses related to the FX-indexed Turkish Lira deposit product were realized as 16.3 billion TRY.



Expectations...

In April, the increase in budget expenditures above the revenues led by the continued high rise in energy prices affected the central government budget negatively. The loss of impetus in domestic demand in the face of rising inflation is expected to put pressure on budget revenues in the upcoming period.

Central Government Budget

	April		%	January-April		%	2022 Budget	
	2021	2022		Change	2021		2022	Change
Expenditures	110.7	214.3	93.6	432.0	786.0	81.9	1,751.0	44.9
Interest Expenditures	18.6	19.1	3.0	67.5	104.0	54.0	240.4	43.3
Non-Interest Expenditures	92.1	195.1	111.8	364.5	682.0	87.1	1,510.6	45.1
Revenues	93.8	164.1	75.0	437.9	766.6	75.1	1,472.6	52.1
Tax Revenues	76.3	136.3	78.6	331.4	591.4	78.5	1,258.3	47.0
Other Revenues	17.5	27.8	59.3	106.5	175.2	64.5	214.3	81.8
Budget Balance	-16.9	-50.2	196.6	5.9	-19.4	-	-278.4	7.0
Primary Balance	1.7	-31.0	-	73.4	84.6	15.3	-38.0	-

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

Source: Datastream, Ministry of Treasury and Finance

Inflation

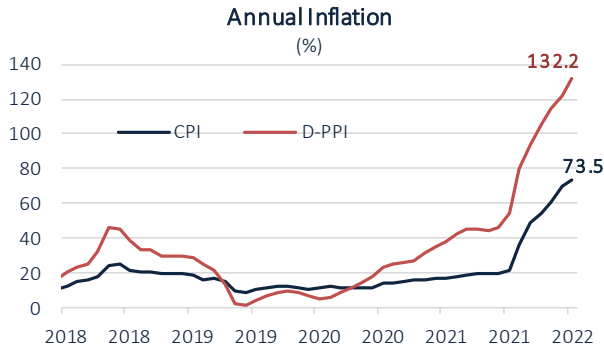
In May, monthly CPI increase was 2.98%.

In May, CPI increased by 2.98% mom, the slowest pace in the last 7 months. Market expectation was 4.8%. Besides, monthly increase in domestic PPI, remained high and became 8.76%.

May (change %)	CPI		D-PPI	
	2021	2022	2021	2022
Monthly	0.89	2.98	3.92	8.76
Year-to-Date	6.39	35.64	17.34	51.43
Annual	16.59	73.50	38.33	132.16
Annual Average	14.13	39.33	22.24	80.38

Annual CPI inflation rose to 73.5%.

Annual CPI inflation reached 73.5% in May, the highest level since October 1998. In this period, annual D-PPI inflation continued to rise and became 132.16%, the highest in the last 28 years.



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

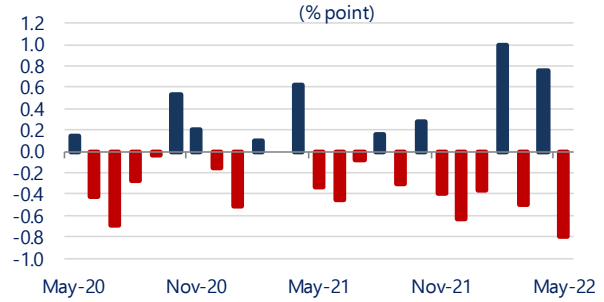
As has been the case since February, prices increased in all 12 main expenditure groups in May as well. The transportation group, in which prices increased by 3.43% compared to the previous month, made the highest contribution to the monthly CPI inflation by 61 basis points. The food group, which recorded a limited increase by 1.63% on a monthly basis, thanks to decline in vegetable prices, also led CPI inflation to increase by 45 basis points. Prices in the service sectors, where demand remained robust in May, rose rapidly on a monthly basis.

Annual inflation figures of main expenditure groups reveals that food group, in which the prices increased by 91.6% yoy, contributed the most to CPI inflation with 23.1 points. The transportation group contributed to the annual CPI inflation by 16.2 points due to the impact of geopolitical tensions on fuel prices.

Fresh fruit and vegetable prices decreased by 11.1% on a monthly basis.

In May, annual increases in 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 realized below the headline inflation by 61.6% and 56%, respectively. In this period, it was noteworthy that the prices of fresh fruits and vegetables decreased by 11.1% on a monthly basis. Thus, unprocessed food prices decreased by 1.8% compared to the previous month.

Contribution of Seasonal Factors to Monthly CPI Inflation



Food group and energy prices continue to make a high contribution to the annual D-PPI increase.

Prices kept rising in all sub-sectors of D-PPI. Analyzing the main industrial groups, prices in the energy group increased by 27.7% on a monthly basis and by 300.2% yoy in May. In this context, electricity and gas production and distribution prices increased by 38.5% on a monthly basis, making the highest contribution to monthly D-PPI inflation with 3.82 points. In this period, food group prices rose by 8% on a monthly basis, contributing 1.66 points to inflation. In addition, inflation in the textile sector increased by 4.9% compared to the previous month due to rise in cotton prices.

The food group, in which prices increased by 128% yoy, made the highest contribution to the annual D-PPI with 26.1 points. Electricity, gas production and distribution group posted the highest annual increase in prices with 360%, made the second highest contribution to D-PPI with 24.4 points. In the intermediate goods group, which constitutes the majority of the manufacturing industry, prices rose by 122.2% on an annual basis and by 106.8% in non-durable consumer goods.

Expectations...

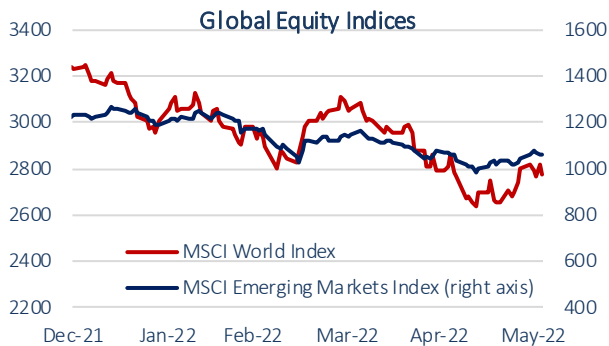
Recent depreciation of the Turkish lira, the increases in natural gas, electricity and fuel prices and the SCT regulations indicate that the increase in inflation will continue in the coming period. The widening gap between producer and consumer prices also indicates that there may be additional pressure on the CPI. Moreover, the ongoing war between Russia and Ukraine is putting pressure on wheat supply on a global scale, and concerns for prices.

	29-Apr	31-May	Change	
5-Y CDS (basis points)	613	707	94 bps	▲
TR 2-Y Benchmark Yield	21.69%	25.56%	387 bps	▲
BIST-100	2,431	2,547	4.8%	▲
USD/TRY	14.8416	16.3748	10.3%	▲
EUR/TRY	15.6591	17.6060	12.4%	▲
Currency Basket*	15.2504	16.9904	11.4%	▲

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

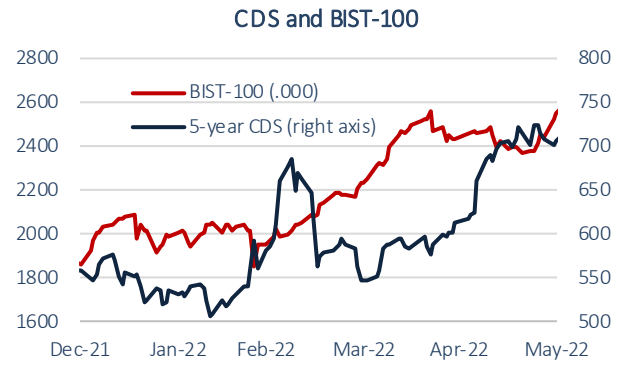
Global markets had a mixed course in May.

The high global inflation led the developments regarding the central banks' policies to be at the forefront in May. While Fed is expected to continue to hike interest rates by 50 basis points in at least two following meetings, the expectation that ECB will hike its policy interest rates in July gained weight as inflation rose to historically high levels in the Euro Area. On the other hand, developments pointing to the loss of momentum in global economic activity were also on the agenda of the markets. In addition to the risks posed by the continuation of the Ukraine-Russia war, as well as the oil embargo announced by the EU countries against Russia was closely followed by the markets. Backing by these developments, global stock market indices followed a volatile course throughout the month.



The depreciation of TRY continued.

While the risk perception towards Turkey remained under pressure in May, the 5-year CDS risk premium reached its historical high level with 726 basis points within the month. In this period, the rise in interest rates of TRY denominated debt instruments continued. The compound interest rate of the 2-year benchmark bond ended May at 25.56% with an increase of 387 basis points on a monthly basis. The USD/TRY rate, which completed April at 14.84, rose by 10.3% mom and reached 16.37 in May. EUR/TRY also increased by 12.4% to 17.61. Depreciation of TRY continued in the first days of June as well. On the other hand, the BIST-100 index maintained its upward trend and closed May with a monthly rise of 4.8% to 2,547 points.



The CBRT kept the policy rate at 14%.

At its meeting on May 26, CBRT kept the policy rate unchanged at 14%, in line with expectations. In the text published after the meeting, CBRT highlighted that the macroprudential policy set will be implemented decisively with additional measures, a comprehensive review of the policy framework continues with the aim of encouraging permanent and strengthened liraization in all policy tools and the collateral and liquidity policy actions, of which the review process is finalized, will be implemented.

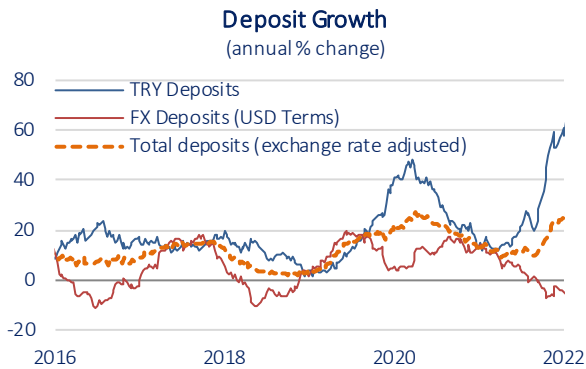
In its' first Financial Stability Report of the year, published on May 27, CBRT stated that the rise in global commodity prices delayed the improvement in the current account deficit despite the boom in exports and the recovery in the tourism sector. The report also mentioned that the indebtedness ratio of the real sector diverged favorably from peer countries. In addition, according to the report, increasing working capital needs due to rising input costs led the recent acceleration in loan growth.

The year-end inflation expectation of the market rose to 57.92%.

The continuation of the deterioration in inflation indicators raises the inflation expectations of market actors. According to the results of the CBRT's Survey of Market Participants for May, the year-end inflation expectation rose from 46.44% to 57.92%, and the 12-month CPI inflation expectation increased from 28.41% to 33.28%. According to the survey, market participants' year-end USD/TRY forecast went up from 16.85 to 17.57, and current account deficit expectation rose from 27.2 billion USD to 32.7 billion USD.

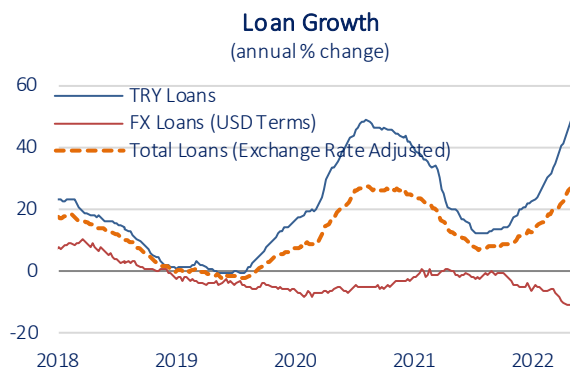
The annual increase in TRY deposit volume continues.

According to the BRSA Weekly Bulletin data, as of May 27, TRY deposit volume expanded by 62.7% yoy and reached 2,764 billion TRY, while FX deposit volume in USD terms decreased by 5.9% yoy to 237 billion USD. Thus, the total deposit volume went up by 72% on an annual basis and reached 6.605 billion TRY. In this period, FX rate adjusted deposit volume expanded by 24.5% yoy. As of May 27, the volume of FX-Protected TRY Deposit and Participation Accounts increased by approximately 96 billion TRY compared to the end of the previous month and reached 904 billion TRY.



The annual increase in total loan volume is 56.8%...

As of May 27, the total loan volume of the banking sector expanded by 56.8% yoy and reached 6.035 billion TRY. In this period, FX rate adjusted increase in loan volume was 26.8% yoy, the highest level since September 2020. Annual TRY loan growth, which was 40.7% in April, gained momentum in May and reached 49% as of May 27. The annual decline in FX loan volume in USD terms, which was under pressure due to exchange rate developments, was 10.9% in May, at a historically high level. FX loan volume in USD terms, which was 149.8 billion USD as of May 27, is at its lowest level since 2014.

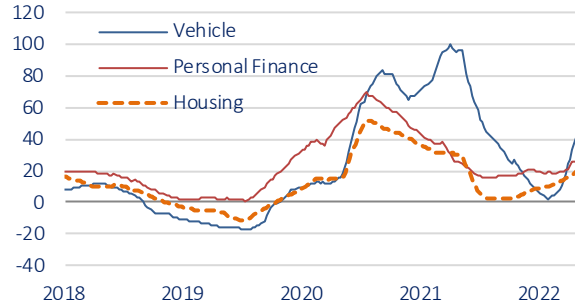


The increase in vehicle loans accelerated in May.

Following the annual expansion at around 2-5% in February and March, the increase in vehicle loans gained momentum with the effect of BRSA's revision of limits for

vehicle prices and maturity periods in vehicle loans at various levels in April and reached 46.2% as of May 27. During this period, housing loans and personal finance loans expanded by 20% yoy and 27.4% yoy, respectively. Thus, as of May 27, the annual increase in consumer loans rose to 24.8%, the highest level in nearly a year. Backing by high inflation, consumer credit card balance surged by a historically high level of 68% yoy, in the week of May 27.

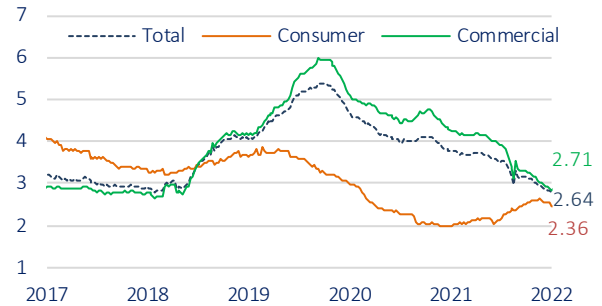
Consumer Loans (annual % change)



NPL ratio decreased to 2.64%.

With the effect of the rapid expansion in loan volume, non-performing loan ratio decreased to 2.64% as of 27 May, the lowest level since July 2012. The said ratio was 2.36% in consumer loans and 2.71% in commercial loans.

Non-performing Loans (%)



Foreign currency net general position...

As of May 27, banks' on-balance sheet FX position was (-) 33,397 million USD, while off-balance sheet FX position was (+) 36,991 million USD. Thus, the net FX position of the banking sector was realized as (+) 3,593 million USD.

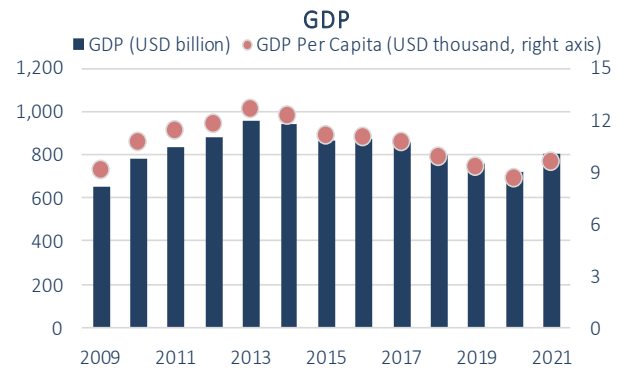
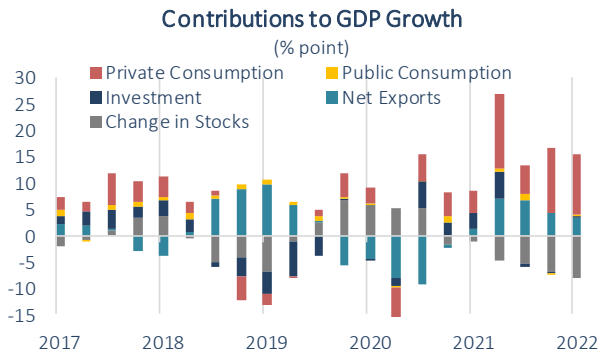
Concluding Remarks

The global economic activity lost momentum in May due to the Russia-Ukraine war and the quarantine measures implemented in China, while the increasing trend of interest rates all over the world, especially in the US, indicates that growth concerns will continue in the upcoming period. The introduction of delayed demand after the pandemic along with the easing of quarantine measures by China and the rising trend in travels around the world may alleviate these concerns to some extent. High inflation continues to remain high on the agenda as a common problem on a global scale. With the EU countries' announcement that they will impose an embargo on Russian oil, oil prices increased rapidly, and OPEC+ countries tried to balance this upward pressure with an increase in production. On the other hand, concerns about food supply due to geopolitical developments and measures taken by various countries also reinforce inflationary pressures. In such an environment, in which the tightening monetary policy steps of central banks to control inflation are closely followed, financial markets are struggling to find direction.

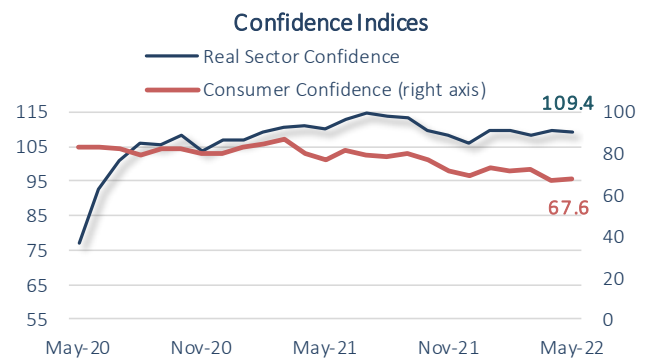
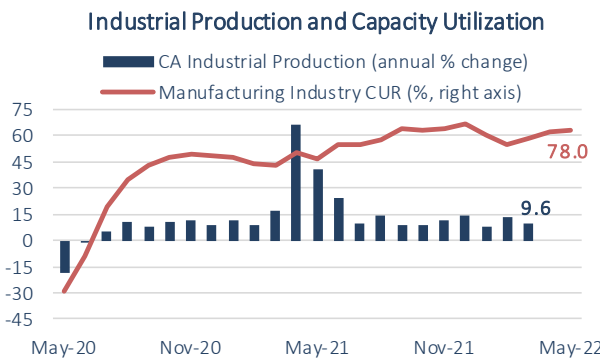
In the first quarter of the year, the Turkish economy showed a rapid growth performance of 7.3%, with the effect of pulled-forward domestic demand in the high inflationary environment. The leading indicators for the second quarter point out that the economic activity in the country decelerated compared to the first quarter, while price developments may also have an impact on growth in the upcoming period. In addition to the recent depreciation in TRY, the increases in global commodity prices indicate that the risks regarding inflation will continue in the upcoming period. Despite the strong course in exports, the widening foreign trade deficit due to the increase in global commodity prices, especially in energy, causes the expectations regarding the current account balance to deteriorate despite the expected positive performance in tourism.

Turkish Economy- Macroeconomic Indicators

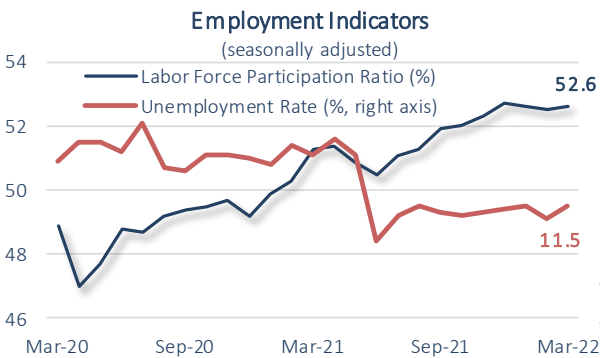
Growth



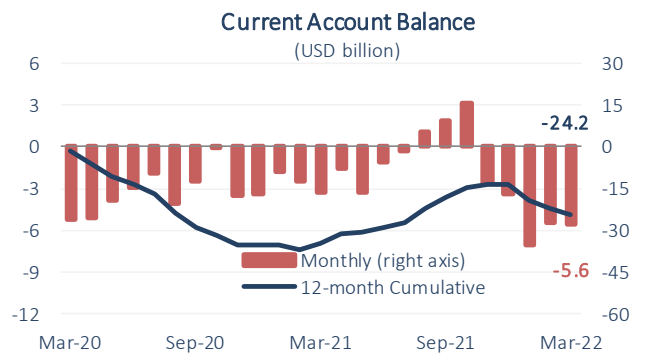
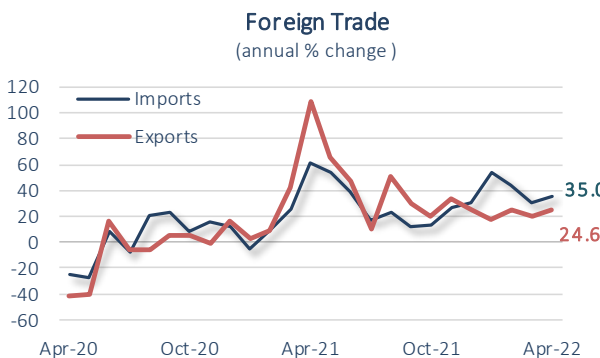
Leading Indicators



Labor Market



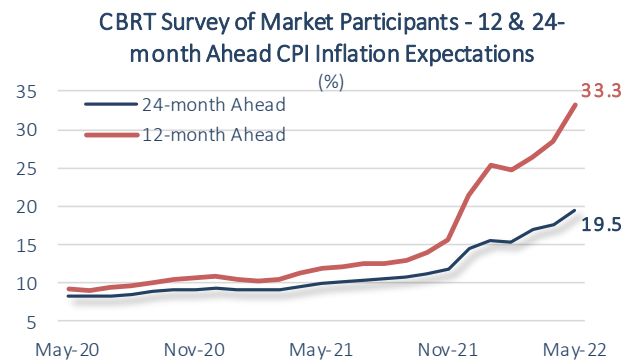
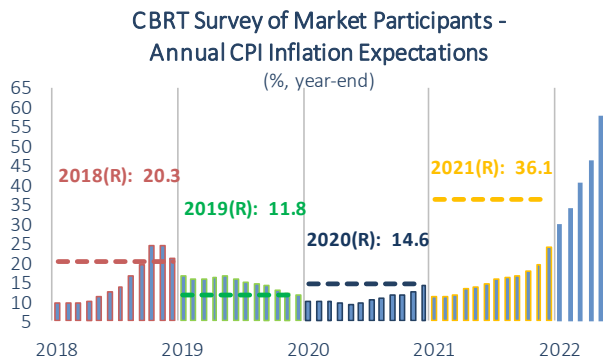
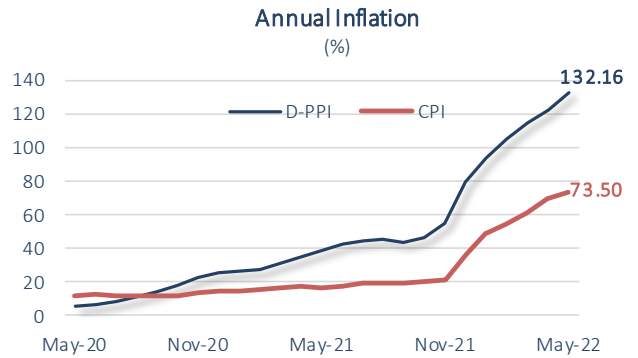
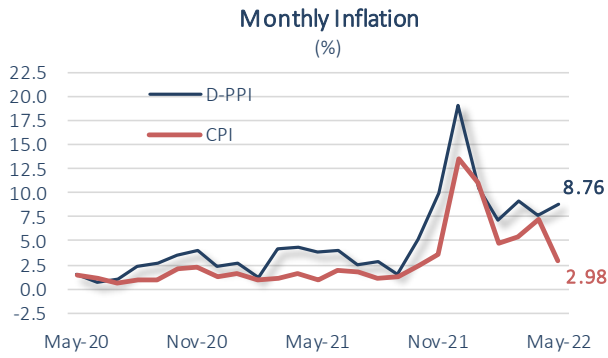
Foreign Trade and Current Account Balance



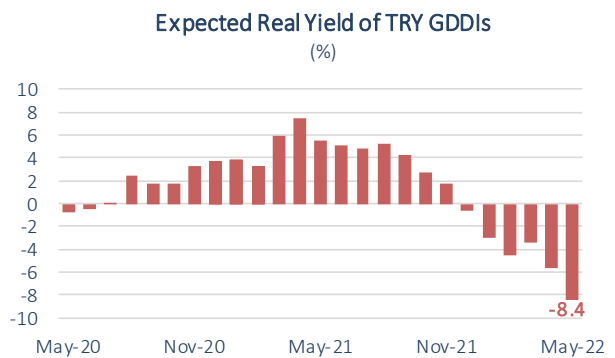
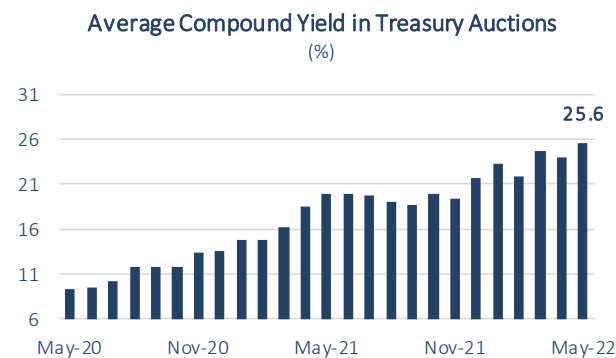
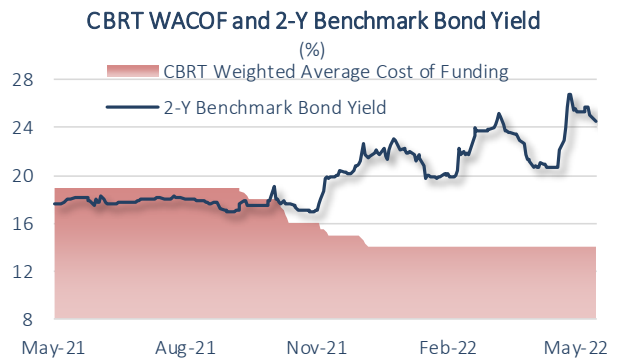
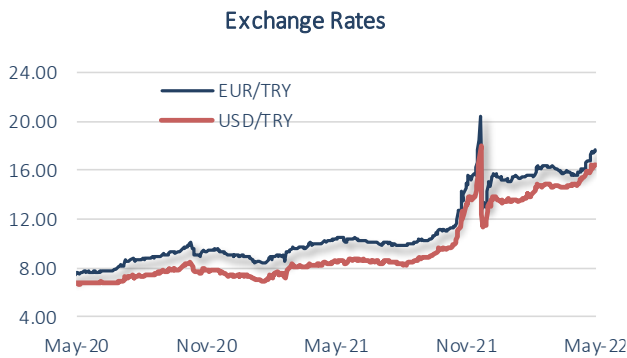
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

Growth	2017	2018	2019	2020	2021	Q1-22		
GDP (USD billion)	859	797	760	717	803			180
GDP (TRY billion)	3,134	3,758	4,318	5,047	7,209			2,496
GDP Growth Rate (%)	7.5	3.0	0.9	1.8	11.0			7.3
Inflation (%)						Mar-22	Apr-22	May-22
CPI (annual)	11.92	20.30	11.84	14.60	36.08	54.44	61.14	73.50
Domestic PPI (annual)	15.47	33.64	7.36	25.15	79.89	105.01	114.97	132.16
Seasonally Adjusted Labor Market Figures						Jan-22	Feb-22	Mar-22
Unemployment Rate (%)	9.9	12.7	13.4	12.9	11.4	11.40	11.10	11.50
Labor Force Participation Rate (%)	52.8	53.2	52.6	49.2	52.7	52.60	52.20	52.60
FX Rates						Mar-22	Apr-22	May-22
CPI Based Real Effective Exchange Rate	86.3	76.3	76.0	61.9	47.7	53.7	56.8	55.6
USD/TRY	3.79	5.32	5.95	7.43	13.28	14.67	14.86	16.38
EUR/TRY	4.55	6.08	6.68	9.09	15.10	16.32	15.67	17.55
Currency Basket (0.5*EUR+0.5*USD)	4.17	5.70	6.32	8.26	14.19	15.49	15.26	16.97
Foreign Trade Balance ⁽¹⁾ (USD billion)						Feb-22	Mar-22	Apr-22
Exports	164.5	177.2	180.8	169.6	225.3	231.7	235.5	240.1
Imports	238.7	231.2	210.3	219.5	271.4	289.8	297.0	304.7
Foreign Trade Balance	-74.2	-54.0	-29.5	-49.9	-46.2	-43.5	-61.5	-64.6
Import Coverage Ratio (%)	68.9	76.6	86.0	77.3	83.0	83.2	79.3	78.8
Balance of Payments ⁽¹⁾ (USD billion)						Jan-22	Feb-22	Mar-22
Current Account Balance	-40.9	-21.7	5.3	-35.5	-14.9	-19.0	-22.0	-24.2
Capital and Financial Accounts	-49.7	1.1	5.1	-39.5	-4.5	-12.1	-17.1	-19.5
Direct Investments (net)	-8.5	-8.9	-6.6	-4.6	-7.7	-7.8	-7.0	-6.9
Portfolio Investments (net)	-24.4	0.9	2.8	9.6	-0.8	5.2	6.2	3.6
Other Investments (net)	-8.5	19.4	2.6	-12.6	-19.4	-28.3	-31.9	-33.6
Reserve Assets (net)	-8.2	-10.4	6.3	-31.9	23.3	18.8	15.7	17.3
Net Errors and Omissions	-8.8	22.7	-0.3	-3.9	10.5	7.0	5.0	4.7
Current Account Balance/GDP (%)	-4.8	-2.7	0.7	-5.0	-1.9	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Feb-22	Mar-22	Apr-22
Expenditures	678.3	830.8	1000.0	1203.7	1599.6	346.8	571.7	786.0
Interest Expenditures	50.2	74.0	99.9	134.0	180.9	57.9	84.8	104.0
Non-interest Expenditures	628.0	756.8	900.1	1069.8	1418.8	288.9	486.9	682.0
Revenues	630.5	758.0	875.3	1028.4	1407.4	446.6	602.5	766.6
Tax Revenues	536.6	621.5	673.9	833.3	1164.8	327.7	455.2	591.4
Budget Balance	-47.8	-72.8	-124.7	-175.3	-192.2	99.8	30.8	-19.4
Primary Balance	8.9	1.1	-24.8	-41.3	-11.4	157.7	115.6	84.6
Budget Balance/GDP (%)	-1.5	-1.9	-2.9	-3.5	-2.7	-	-	-
Central Government Debt Stock (TRY billion)						Feb-22	Mar-22	Apr-22
Domestic Debt Stock	535.4	586.1	755.1	1060.4	1321.2	1,397.1	1,483.0	1,503.8
External Debt Stock	341.0	481.0	574.0	752.5	1426.5	1551.3	1627.8	1621.5
Total Debt Stock	876.5	1067.1	1329.1	1,812.8	2,747.7	2,948.4	3,110.8	3,125.3

(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	Mar.22	Apr.22	Change ⁽¹⁾
TOTAL ASSETS	3,258	3,867	4,491	6,106	9,215	10,158	10,375	12.6
Loans	2,098	2,394	2,656	3,576	4,901	5,503	5,648	15.2
TRY Loans	1,414	1,439	1,642	2,353	2,832	3,221	3,417	20.7
Share (%)	67.4	60.1	61.8	65.8	57.8	59	60.5	-
FX Loans	684	956	1,015	1,224	2,069	2,282	2,231	7.8
Share (%)	32.6	39.9	38.2	34.2	42.2	41	39.5	-
Non-performing Loans	64.0	96.6	150.8	152.6	160.1	163	160.9	0.5
Non-performing Loan Rate (%)	3.0	3.9	5.3	4.1	3.2	3	2.8	-
Securities	401	477	660	1,022	1,476	1,711	1,750	18.6
TOTAL LIABILITIES	3,258	3,867	4,491	6,106	9,215	10,158	10,375	12.6
Deposits	1,711	2,036	2,567	3,455	5,303	5,972	6,131	15.6
TRY Deposits	955	1,042	1,259	1,546	1,880	2,502	2,659	41.4
Share (%)	55.8	51.2	49.0	44.7	35.5	42	43.4	-
FX Deposits	756	994	1,308	1,909	3,423	3,471	3,473	1.5
Share (%)	44.2	48.8	51.0	55.3	64.5	58	56.6	-
Securities Issued	145	174	194	224	310	322	312	0.6
Payables to Banks	475	563	533	658	1,048	1,137	1,150	9.7
Funds from Repo Transactions	99	97	154	255	587	464	496	-15.5
SHAREHOLDERS' EQUITY	359	421	492	600	714	913	957	34.1
Profit (Loss) of the Period	48.6	54.1	49.0	58.5	93.0	63.2	98.2	-
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	54.2	54.4	-
Securities/Assets	12.3	12.4	14.7	16.7	16.0	16.8	16.9	-
Deposits/Liabilities	52.5	52.6	57.1	56.6	57.5	58.8	59.1	-
Loans/Deposits	122.6	117.6	103.5	103.5	92.4	92.1	92.1	-
Capital Adequacy (%)	16.9	17.3	18.4	18.7	18.4	20.4	20.4	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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