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Global Economy

In the US, the Fed made the highest rate hike in 28 years at its June meeting, raising the policy rate by 75 basis points. The Bank is expected to continue hiking interest rates at its following meetings.

In addition to the Fed, Bank of England and Swiss National Bank were among the main central banks that raised policy rates in June. The European Central Bank is planning to raise interest rates at its July meeting.

In the US economy, which contracted by 1.6% on an annualized basis in the first quarter of the year, leading figures point to a mixed outlook for the second quarter. While inflation in the country has reached its highest level in more than 40 years, PMI data indicate that economic activity has lost momentum despite an ongoing expansion.

In the Euro Area, which completed the first quarter with an annual growth of 5.4%, PMI figures point to a loss of pace in economic activity.

In line with the loss of momentum in global economic activity, international organizations revised their global growth expectations for 2022 and 2023 downwards in June.

In June, oil prices fell on a monthly basis for the first time since the beginning of the year, due to the global recession concerns and the OPEC+ countries' plan to increase oil supply in July and August.

Turkish Economy

In April, calendar adjusted industrial production increased by 10.8% on an annual basis.

The manufacturing industry PMI, which has been below the threshold since March decreased to 48.1 in June and indicated that the loss of momentum in the sector became more evident.

The 12-month cumulative current account deficit reached 25.7 billion USD as of April, the highest level since July 2021.

With the support of the rapid increase in tax revenues, the budget balance posted a surplus of 144 billion TRY in May and 124.6 billion TRY in the January-May period. The additional budget was accepted at the General Assembly of the Turkish Grand National Assembly.

In June, CPI increased by 4.95% on a monthly basis, while annual CPI inflation became 78.62%. In this period, the domestic PPI increase was 6.77% mom and 138.31% yoy.

The CBRT did not change the policy rate at its June meeting. BRSA and CBRT announced new macroprudential measures.

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

Leading Indicators

The unemployment rate rose to 11.3% in April.

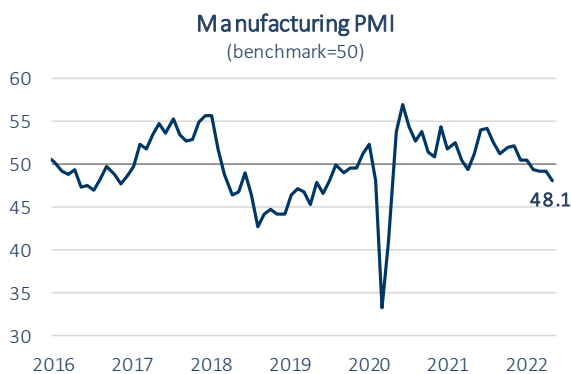
According to the data announced by TURKSTAT, seasonally adjusted unemployment rate increased by 0.1 point on a monthly basis to 11.3% in April. In this period, the employment rate rose by 0.6 points to 47.1%, reaching its highest level since September 2018. The fact that the labor force participation rate reached the highest level of the last 3 years was behind the increase in the unemployment rate. 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, decreased by 0.7 points on a monthly basis to 21.7% in April.

Industrial production expanded by 10.8% yoy in April.

In April, calendar and seasonally adjusted industrial production index did not change on a monthly basis. In this period, the annual rise in industrial production was 10.8%, above market expectations. According to the sub-sectors, annual growth in the manufacturing industry, mining and quarrying sectors was 11.9% and 7.4%, respectively, while the electricity, gas, steam and air-conditioning production and distribution sectors contracted by 0.4% yoy.

Manufacturing PMI is at the lowest level in the last 2 years...

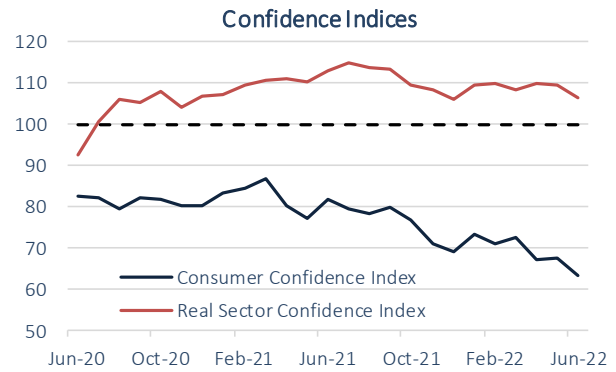
The manufacturing PMI, which has been below the threshold value since March, pointed out that the contraction in the sector became more apparent with 48.1 in June. In this period, the slowdown in the sector has been the most significant since the second quarter of 2020, when the effects of the Covid-19 pandemic on the economy were most intense. According to sub-indices; new orders, production and purchasing activities slowed down, and inflationary pressures on input costs and final product prices continued, albeit losing momentum. However, the rise in employment limited the decline in PMI.



Confidence indices drew a negative picture in June.

Seasonally adjusted real sector confidence index decreased by 2.4 points mom to 104.6 in June. In this period, services and retail trade sectors confidence indices decreased by 1.7% and 2.3% mom, respectively, while construction sector confidence went up by 1.7% mom. In June, the consumer confidence index decreased by 6.2% compared to the

previous month and declined to historically low level of 63.4. Thus, the economic confidence index decreased by 3.3% mom to 93.6 in June, the lowest value since May 2021.

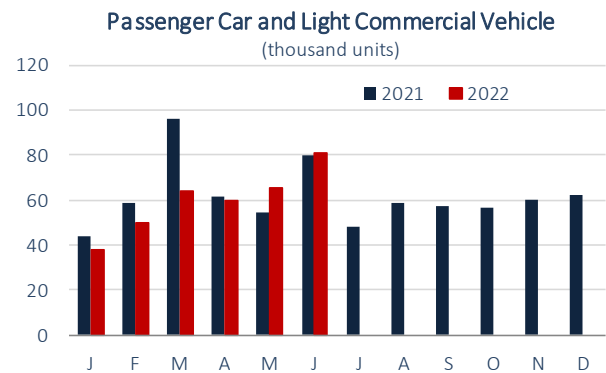


In May, house sales performed positively.

In Turkey, house sales surged by 107.5% yoy to 122.8K units in May, displaying the highest May performance since 2013. Mortgage sales increased nearly three times during this period, while other sales, which accounted for 76% of house sales, went up by 92.2% yoy. House sales to foreigners, recorded a rapid rise by 235.7% yoy in May and had a share of 4.9% in total house sales.

Automotive sales rose 1% yoy in June.

According to the data of the Turkish White Goods Manufacturers Association (TÜRKBEŞD); domestic white goods sales in six main product groups increased by 6% yoy, while production decreased by 9% yoy. In the same period, exports also decreased by 6%. Domestic white goods sales contracted by 5% yoy in the January-May period.



According to the Automotive Distributors Association (ODD) data, the automobile and light commercial vehicle market reached 80,652 units in June with an increase of 1% compared to the same period of the previous year. In this period, while the automobile market expanded by 2.9% yoy, light commercial vehicle sales decreased by 5.5%. Thus, in the first 6 months of the year the automotive market contracted by 9.3% on an annual basis.

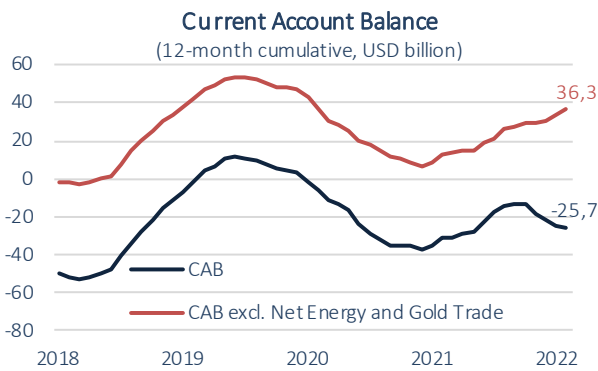
Foreign Trade and Balance of Payments

Foreign trade deficit widened by 155% yoy in May.

According to TURKSTAT data, exports increased by 15.3% yoy to 19 billion USD in May, while imports went up by 43.5% to 29.6 billion USD. In this period, the foreign trade deficit widened by 155.2% and became 10.6 billion USD. Energy and commodity prices, which kept increasing due to geopolitical developments, continued to play a role in the widening of the foreign trade deficit. The import coverage ratio, which was 79.8% in May 2021, decreased to 64.2% in the same month of 2022.

Current account deficit was 2.7 billion USD in April.

The current account deficit expanded by 80.7% yoy in April and became 2.7 billion USD. Net energy imports, which were 2.7 billion USD in April 2021, reached 6.3 billion USD in the same month of this year and played a decisive role in deterioration of the current account balance. Despite decreasing compared to March, annual expansion in non-monetary gold imports in April also led current account deficit to widen in this period. On the other hand, the continuation of the recovery in transportation and travel revenues kept up to limit the deterioration in the current account balance.



The 12-month cumulative current account deficit also reached its highest level since July 2021 with 25.7 billion USD. The 12-month cumulative current account surplus, excluding net energy imports, approached its highest level since February 2020 with 35.2 billion USD.

Real estate investments came to the fore in direct investments.

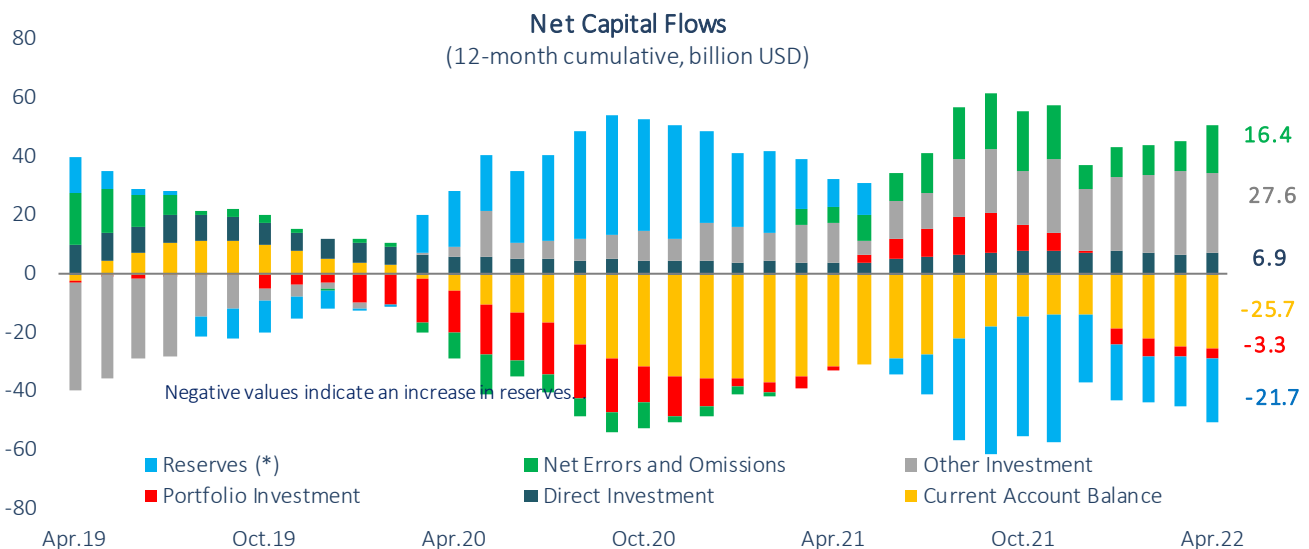
Direct investments posted an inflow of 323 million USD in April. In this period, it was noteworthy that non-residents went into liquidation with a net worth of 124 million USD in their capital investments. The majority of non-residents' direct investments in the country were real estate investments.

Outflow in portfolio investments continues.

The capital outflow in portfolio investments since October 2021 continued with an amount of 606 million USD in April. In this period, non-residents bought 139 million USD worth of equities in the stock market and sold 136 million USD in the GDDS market. The repayment of 606 million USD by banks for bonds issued abroad played an important role in the outflow of portfolio investments.

In April, there was a capital inflow of 1.7 billion USD via other investments. In this period, the effective and deposits held by domestic banks at their foreign correspondents decreased by 1.5 billion USD, while the effective and deposits held by foreign banks at their domestic correspondents increased by 1.1 billion USD in total.

In April, banks and other sectors used foreign loans of 280 and 248 million USD, respectively. Thus, as of April, 12-month cumulative long-term debt rollover ratio was 92% in the banking sector and 147% in other sectors.

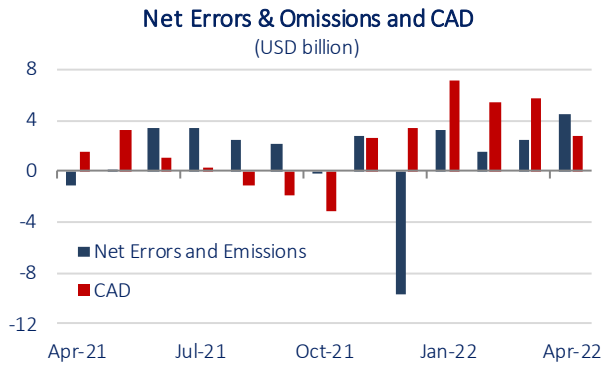


Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

Reserve assets increased after 4 months.

Reserve assets, which have been declining since December 2021, increased by 3.2 billion USD in April. Thus, the total decrease in reserve assets in the first 4 months of the year was realized as 4.4 billion USD. Net errors and omissions, on the other hand, played an important role in financing of the current account deficit with a capital inflow of 4.5 billion USD in April. In the said item, a capital inflow of 11.8 billion USD was recorded in the January-April 2022 period.



Expectations...

According to the preliminary foreign trade figures released by the Ministry of Commerce, the export volume expanded by 18.5% yoy to 23.4 billion USD, while the import volume increased by 39.6% to 31.6 billion USD in June. In this period, the foreign trade deficit widened by 184.3% on an annual basis to 8.2 billion USD. Thus, the foreign trade deficit in the January-June period rose by 142.5% compared to the same period of the previous year and reached 51.4 billion USD.

The pressure on current account balance, stemming from rapid expansion of the foreign trade deficit prevails. The effects of commodity prices and the expected deceleration in global economic activity on foreign trade balance in coming months will be closely monitored. In the case that tourism revenues, which were not adversely affected by geopolitical developments in the first five months of the year by contraries, continue this course, the pressures on the current outlook may ease somewhat.

Balance of Payments

	(USD million)				
	Apr. 2022	Jan. - Apr. 2021	2022	% Change	12-month Cumulative
Current Account Balance	-2,737	-9,059	-21,073	132.6	-25,710
Foreign Trade Balance	-4,433	-8,733	-25,505	192.1	-46,053
Services Balance	2,699	3,479	8,236	136.7	31,308
Travel (net)	1,599	2,509	5,484	118.6	22,152
Primary Income	-970	-4,309	-3,568	-17.2	-11,291
Secondary Income	-33	504	-236	-	326
Capital Account	-3	-22	-6	-72.7	-48
Financial Account	1,768	-5,478	-9,328	70.3	-9,531
Direct Investment (net)	-323	-1,474	-1,010	-31.5	-6,948
Portfolio Investment (net)	606	1,372	5,442	296.6	3,274
Net Acquisition of Financial Assets	278	-453	2,969	-	5,682
Net Incurrence of Liabilities	-328	-1,825	-2,473	35.5	2,408
Equity Securities	139	-1,935	-1,185	-38.8	-684
Debt Securities	-467	110	-1,288	-	3,092
Other Investment (net)	-1,732	-2,519	-9,311	269.6	-27,595
Currency and Deposits	-2,876	-1,293	-8,538	560.3	-16,680
Net Acquisition of Financial Assets	-1,448	4,833	2,336	-51.7	2,735
Net Incurrence of Liabilities	1,428	6,126	10,874	77.5	19,415
Central Bank	-4	1,377	3,848	179.4	7,219
Banks	1,432	4,749	7,026	47.9	12,196
Foreign Banks	1,125	3,950	5,963	51.0	11,319
Foreign Exchange	958	2,651	3,025	14.1	8,191
Turkish Lira	167	1,299	2,938	126.2	3,128
Non-residents	307	799	1,063	33.0	877
Loans	-547	1,221	-1,952	-	-3,148
Net Acquisition of Financial Assets	15	1,255	-539	-	467
Net Incurrence of Liabilities	562	34	1,413	4,055.9	3,615
Banking Sector	280	-214	-843	293.9	-4,161
Non-bank Sectors	248	576	1,726	199.7	7,153
Trade Credit and Advances	1,697	-2,450	1,196	-	-1,401
Other Assets and Liabilities	-6	3	-17	-	-28
Reserve Assets (net)	3,217	-2,857	-4,449	55.7	21,738
Net Errors and Omissions	4,508	3,603	11,751	226.1	16,227

Source: CBRT, Datastream

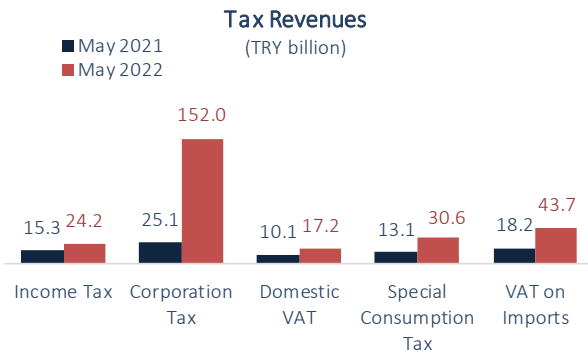
Budget Balance

The central government budget posted a surplus of 144 billion TRY in May.

The central government budget, which gave a deficit of 13.4 billion TRY in May 2021, posted a surplus of 144 billion TRY in the same period of this year. Budget revenues tripled on an annual basis and amounted to 317.8 billion TRY, while expenditures rose by 47.3% yoy to 173.8 billion TRY. The primary budget gave a surplus of 161.9 billion TRY in May. In the January-May period, budget revenues doubled on an annual basis, while budget expenditures surged by 74.5% yoy. Thus, the central government budget posted a surplus of 124.6 billion TRY in the first five months of the year.

Tax revenues increased by 214% yoy.

In May, tax revenues expanded by 213.9% yoy and reached to 289.7 billion TRY. The corporate tax, which increased five-fold on an annual basis and reached 152 billion TRY, made highest contribution to the increase in tax revenues. In addition, VAT on imports and domestic VAT revenues contributed 60.9 billion TRY to the budget figures.

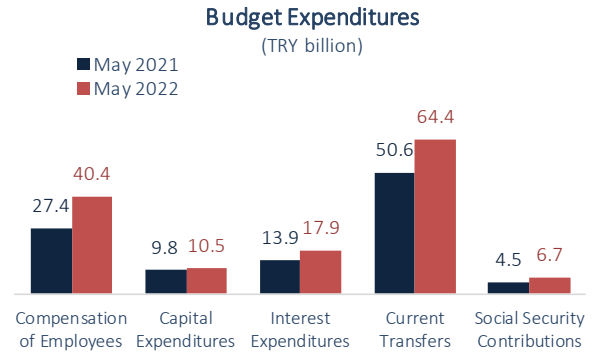


Goods and services purchases have nearly tripled.

Budget expenditures recorded a moderate increase in May. Current transfers increased by 27.4% yoy and reached 64.4 billion TRY. Goods and services purchase expenditures expanded by 169.4% yoy due to the rise in expenditures on energy and national defense. In this period, the annual surge in non-interest expenditures was 49.9%, below the inflation rate. The decrease of 11.2 billion TRY in the invoiced payments item, classified under Treasury aids, positively

supported the budget performance.

The 10.3 billion TRY domestic debt transfers to public enterprises was noteworthy in May. Due to the increase in natural gas prices, a total of 8.2 billion TRY payments were made to BOTAŞ as the influential factor in the said expense. Thus, the amount of payments made to BOTAŞ in the January-May period, including the assignment expenses, reached 71.4 billion TRY. In the March-May period, expenses related to the FX-protected Turkish Lira deposit were realized as 21.1 billion TRY.



Expectations...

In 2022, negative effects of the rise in inflation on budget expenditures began to be revealed, especially in goods and services purchases. However, pulled-forward demand due to the high inflation expectations and a low-interest-rate environment that supports profitability, resulted in a higher expansion in tax revenues. Although this situation allowed the central government budget to present a more positive outlook than expected in the first five months of the year, we consider that the risks on budget performance will be persisted in the forthcoming period.

In June, an additional appropriation of 1.080 billion TRY for the general and special administrative budgets proposed for 2022 was approved at the Grand National Assembly. In this context, an additional budget of 120.5 billion TRY will be allocated for capital transfers to SOEs and 40 billion TRY will be allocated for expenses related to FX-protected deposit.

Central Government Budget

	May		% Change	January-May			2022 Budget		Real./ Budget Target (%)
	2021	2022		2021	2022	% Change	Target	Target (%)	
Expenditures	117.9	173.8	47.3	550.0	959.8	74.5	1,751.0	54.8	
Interest Expenditures	13.9	17.9	28.4	81.5	121.9	49.6	240.4	50.7	
Non-Interest Expenditures	104.0	155.9	49.9	468.5	837.9	78.8	1,510.6	55.5	
Revenues	104.6	317.8	203.9	542.5	1,084.4	99.9	1,472.6	73.6	
Tax Revenues	92.3	289.7	213.9	423.7	881.2	108.0	1,258.3	70.0	
Other Revenues	12.3	28.0	128.2	118.8	203.2	71.1	214.3	94.8	
Budget Balance	-13.4	144.0	-	-7.5	124.6	-	-278.4	-	
Primary Balance	0.6	161.9	28,060.6	73.9	246.5	233.3	-38.0	-	

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

In June, the monthly CPI increase was 4.95%.

The monthly rise in CPI, which slowed down in May, gained momentum in June and became 4.95%. The market expectation was that the CPI would increase by 5.4% mom. The monthly increase in domestic PPI, on the other hand, was 6.77% in June, marking the slowest rise in the last 8 months.

June (change %)	CPI		D-PPI	
	2021	2022	2021	2022
Monthly	1.94	4.95	4.01	6.77
Year-to-Date	8.45	42.35	22.04	61.68
Annual	17.53	78.62	42.89	138.31
Annual Average	14.55	44.54	25.38	88.77

Annual CPI inflation became 78.6% in June.

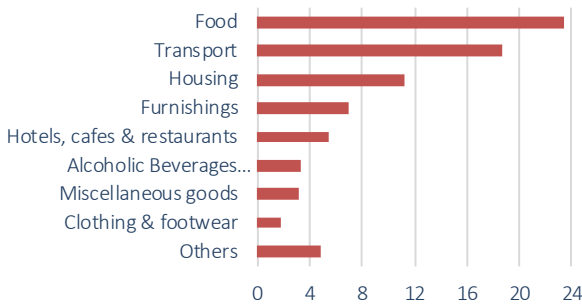
While the CPI increase reached 42.35% in the first half of 2022, annual CPI inflation continued to increase in June and became 78.62%. In the first 6 months of the year, the rise in the general producer price level reached 61.68%, and annual D-PPI inflation climbed to 138.31% in June. Thus, the gap between CPI and D-PPI rose to 59.7 points, indicating that the cost pressure on CPI continues.

Rapid price rises came to the fore in transportation and housing groups.

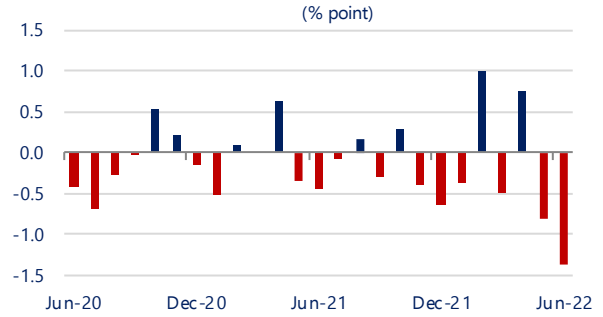
Prices increased on a monthly basis in all main expenditure groups of the CPI. In this period, the transportation group prices surged the fastest with 10.59% and contributed 1.88 points to the monthly rise in CPI. Housing group, ranking second among expenditure groups with 8.34% monthly price increase, also pushed CPI inflation up by 1.17 points in this period. The slowest price increase among the expenditure groups was recorded in the clothing and footwear group.

The effects of the main expenditure groups on annual consumer inflation were similar to the previous months. The transportation group, which saw the fastest price rise by 123.37% on an annual basis, pushed up the annual CPI inflation by 18.68 points. Prices in the food and non-alcoholic beverages group, which had the biggest impact on the annual CPI inflation by 23.41 points, rose by 93.93% on an annual basis.

Contributions to Annual CPI Inflation
(June 2022, % points)



Contribution of Seasonal Factors to Monthly CPI Inflation



Seasonal products limited the CPI increase.

In June, 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) increased by 64.42% yoy and 57.26% yoy, respectively. Even if the core indicators remained below the headline inflation rate, they maintained to have upward trend. Seasonal factors continued to limit the rise in CPI inflation in June. The annual CPI increase, excluding seasonal products, was 82.37% in this period.

In D-PPI, price increase continued in all sub-sectors.

In June, energy sector posted the fastest price increase on both a monthly and annual basis. Energy group prices went up by 12% on a monthly basis, while the monthly price rise in durable consumer goods was 4%.

Analyzing sub-sectors reveal that cost increases continue in all sub-sectors of D-PPI. In June, electricity, gas production and distribution group, where prices rose by 9.5% on a monthly basis, was the sector that contributed the most to the monthly D-PPI increase with 1.21 points. In this period, the food group prices increased by 5.5% and pushed the producer inflation up by 1.14 points on a monthly basis.

While the fastest annual rise in D-PPI was recorded in the electricity, gas, steam and air conditioning subgroup with 369.20%, the annual increases in all energy related groups were over 250%. Food and electricity, gas production and distribution sectors played an important role in the increase in producer prices, with a total contribution of 52.53 points to the annual D-PPI increase of 138.31%.

Expectations...

In addition to the deterioration in inflation expectations, volatility in financial markets leads inflationary pressures to continue in Turkey. Minimum wage increase and inflation adjustments to be made in wages are expected to increase inflationary pressures. On the other hand, while annual inflation is expected to maintain its high course in the upcoming period, seasonal factors may limit inflation on monthly basis during the summer months.

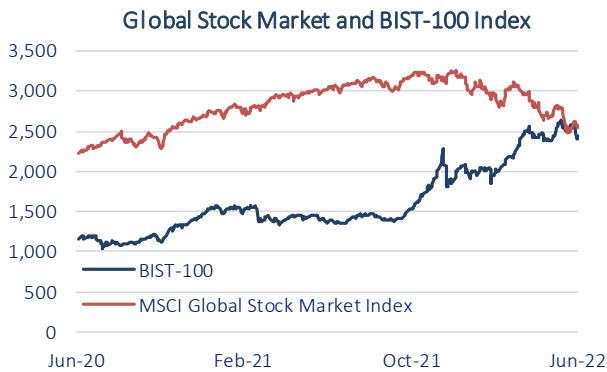
Financial Markets

	31-May	30-Jun	Change
5-Y CDS (basis points)	707	839	132 bps ▲
TR 2-Y Benchmark Yield	25.56%	24.48%	-108 bps ▼
BIST-100	2,547	2,405	-5.6% ▼
USD/TRY	16.3748	16.6933	1.9% ▲
EUR/TRY	17.6060	17.5054	-0.6% ▼
Currency Basket*	16.9904	17.0994	0.6% ▲

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

In June, the financial markets showed a negative outlook.

In June, the global risk appetite remained under pressure due to the concerns that the major central banks' rapid rate hikes to fight inflation may lead to a recession. The MSCI World Stocks index rebounded as recession concerns eased after hitting its lowest level in nearly 20 months on June 17. Oil prices followed a fluctuating course throughout the month due to the recession concerns, the G7 countries' decision to work on banning the import of Russian oil sold above a certain price, and the announcements that temporary tax exemptions could be provided in the US to combat the rising fuel prices.



In June, Turkish markets also displayed a negative performance in line with the global markets. BIST-100 index decreased by 5.6% mom in June to 2,405. Although Turkey's 5-year CDS premium fell below 800 basis points during June, it closed the month at 839 basis points. While the USD/TRY parity increased to 17.5 in the first half of the month due to the rise in the DXY index, it decreased slightly after the announcement of macroprudential measures. The 2-year benchmark bond yield declined by 108 basis points mom to 24.48% in June.

CBRT did not change the policy rate.

In its meeting held on June 23, the CBRT kept the policy rate unchanged at 14%, in line with market expectations. In the minutes of the meeting, CBRT stated that the share of sustainable components in the composition of

growth increased and the risks arising from energy prices continued in the current account balance despite the tourism-related improvements. The rise in inflation was driven by the rise in energy costs caused by geopolitical developments and the increases in food and agricultural commodity prices. In this process, CBRT underlined that 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 announced new macroprudential measures to increase the demand for TRY assets in June. Commission rate was risen from 1.5% to 5% for required reserves for FX deposits. CBRT decided that the value of the securities in the TRY-denominated security facility that banks keep with the CBRT in return for their FX liabilities will be calculated by the CBRT. The CBRT also increased the discount rate for CPI-indexed assets from 30% to 50%, and updated the GDDS collateral requirement from 45% to 50% for interbank money market transactions.

Securities portfolio of non-residents...

According to the securities statistics announced by the CBRT, as of June 24, non-residents' adjusted for price and exchange rate movements stock portfolio decreased by net 477 million USD and GDDS portfolio by net 509 million USD since the end of May. Since the beginning of the year, net outflows have been recorded by 3.3 billion USD from the stock market and by 2 billion USD from the bond market.

Source: CBRT, Datastream, Reuters,

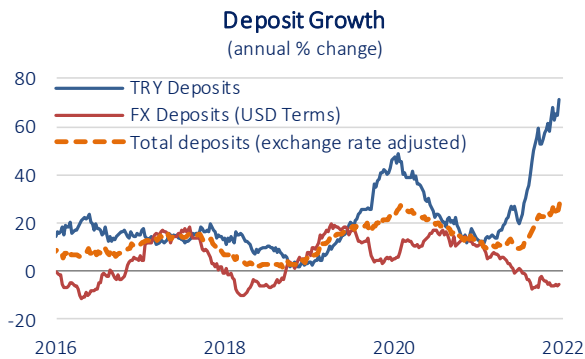
BRSA made regulations regarding loans.

The Banking Regulation and Supervision Agency (BRSA) made a regulation aiming to differentiate the loan value ratio in housing loans based on amount. The BRSA also decided to apply a 500% risk weight to the TRY and FX commercial loans used by residents in case they have derivative transactions with non-residents. With another regulation, companies subject to independent auditing were introduced an FX asset limit for the use of TRY-denominated loans.

With the decision published in the Official Gazette, the duration of the discounted withholding tax rates on income and earnings from deposit interests have been extended to be applied to accounts opened or whose maturity is renewed until 31 December.

Currency-protected deposits exceeded 1 trillion TRY.

According to the BRSA Weekly Bulletin data, as of June 24, the TRY deposit volume expanded by 71.3% on an annual basis, approaching to 3 trillion TRY. FX deposit volume in USD terms, on the other hand, decreased by 5.3% yoy and became 237 billion USD thanks to conversion of deposit owners to currency-protected deposit. In this period, the annual increase in FX rate adjusted total deposit volume was 28.7%, which is the highest level since July 2006. According to the figures revealed by the BRSA, the total currency protected deposit volume exceeded 1 trillion TRY as of June 24.



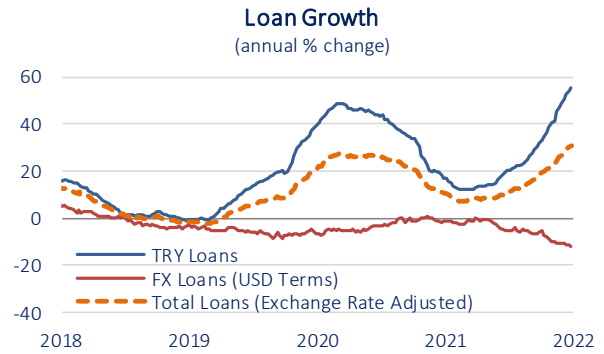
FX loan volume contracted by 11.7% yoy.

As of June 24, the total loan volume of the banking sector surged by 62.6% yoy to 6.344 billion TRY. In this period, FX rate adjusted increase in loan volume was 30.8%, the highest level since September 2011. As of June 24, annual TRY loan growth was 55.8%. On the other hand, FX loan volume in USD terms diminished by 11.7% on an annual basis and became 147 billion USD, the lowest level of the last 8 years.

Annual increase in vehicle loans reached 58% in June.

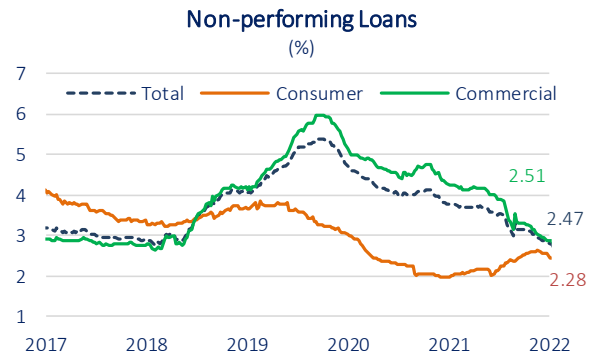
As of June 24, the annual rise in consumer loans was 28.6%, while the annual expansion in consumer credit

cards remained high with 69.5%. While housing loans increased by 24.6% yoy, personal finance loans, which have the largest share in consumer loans, increased by 30.2% in same period. The annual rise in vehicle loans continued to accelerate, reaching 58% as of June 24. In this period, annual increase in commercial loan volume also gained momentum with 29.2% yoy rise in FX rate adjusted figures.



NPL ratio decreased to 2.47%.

As of June 24, the NPL ratio in the banking sector was 2.47%, the lowest level of the last 20 years. While the said ratio was 2.28% in consumer loans, it came in at 2.51% in commercial loans, the lowest level of the last 7 years.



Foreign currency net general position...

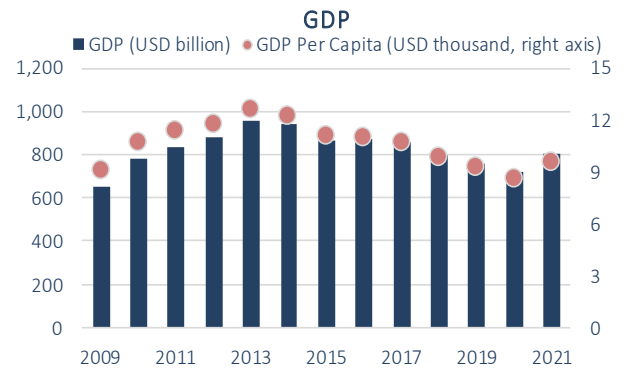
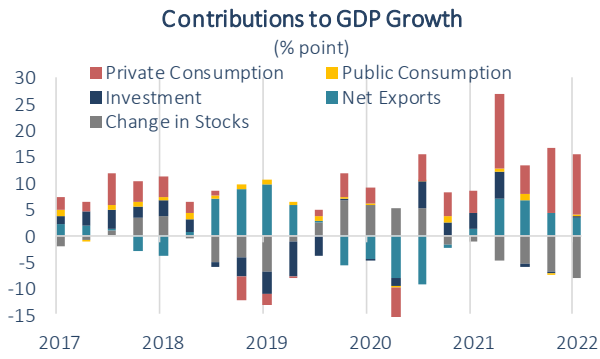
As of June 24, banks' on-balance sheet FX position was (-) 30.098 million USD, while off-balance sheet FX position was (+) 34.152 million USD. Thus, the net FX position of the banking sector was realized as (+) 4,054 million USD.

Concluding Remarks

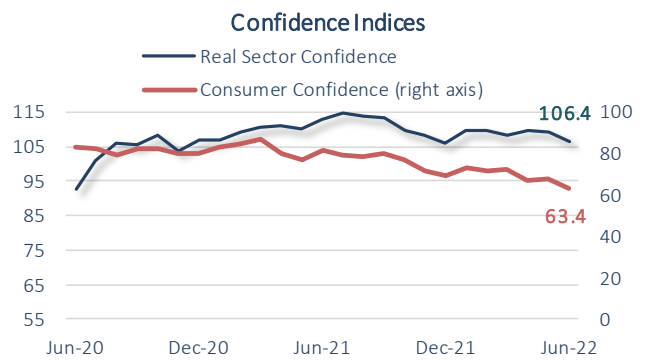
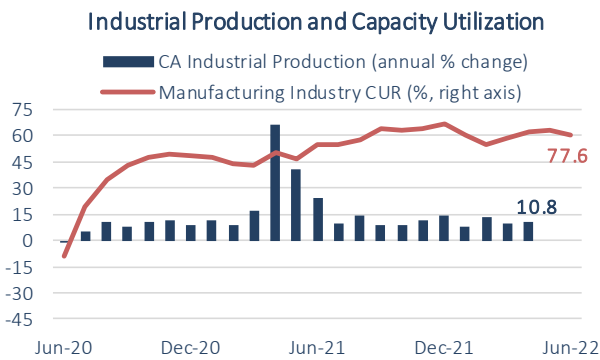
While inflation continues to be at the top of the global economic agenda, faster than expected pace of tightening of monetary policies by major central banks feeds the concerns about the course of economic activity. In addition to the tightening steps of central banks, the deepening of the supply chain disruptions with the Russia-Ukraine war increases the risks on the global economy. In this context, international organizations are revising their growth expectations for 2022 and 2023, and the expectation of weakening demand leads oil prices to remain under pressure.

In June, Turkey Great National Assembly approved the additional budget and announcements of various macroprudential measures by the CBRT and the BRSA were closely followed. While deterioration in inflation expectations as well as the volatility in financial markets led inflationary pressures to continue, the minimum wage was risen at the beginning of July. The continuation of the widening of the foreign trade deficit due to the high energy prices is closely monitored in terms of the course of the current account balance. On the other hand, the decline of consumer confidence, to historically low level, as well as the fact that the manufacturing PMI, pointing to contraction in the sector, fell to the lowest level of the last 2 years in June create uncertainty regarding the course of economic activity in the country.

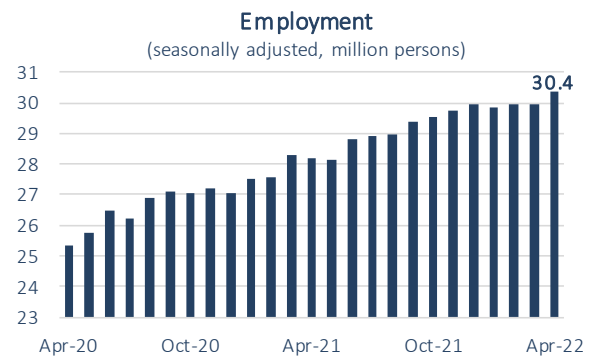
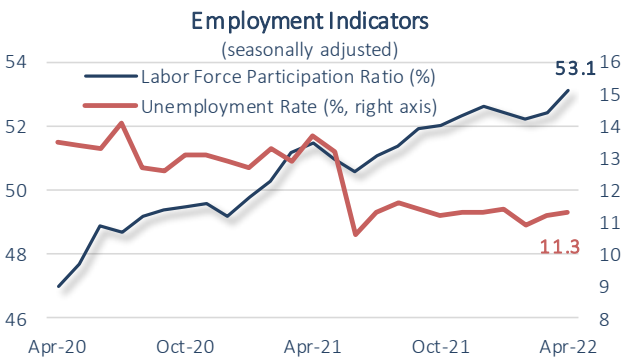
Growth



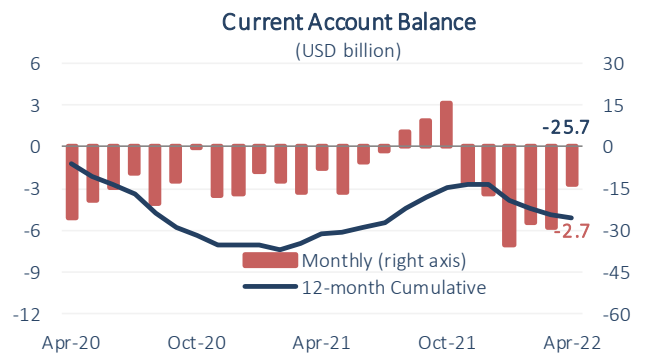
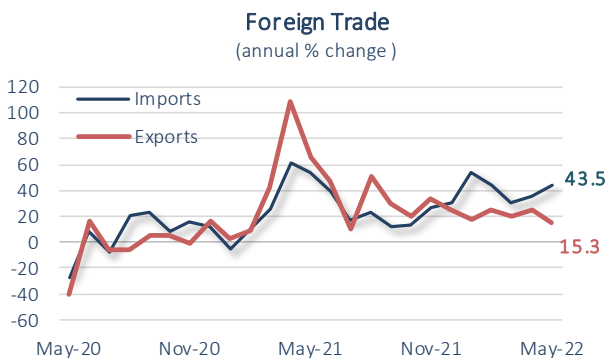
Leading Indicators



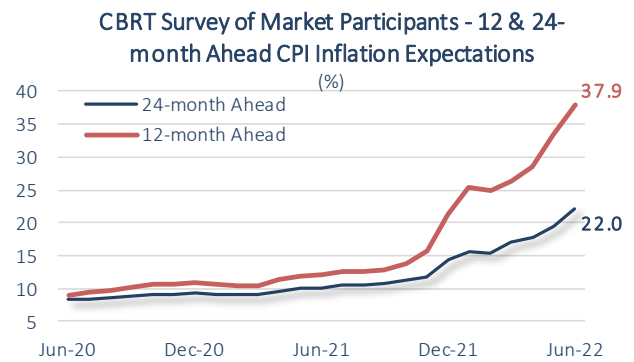
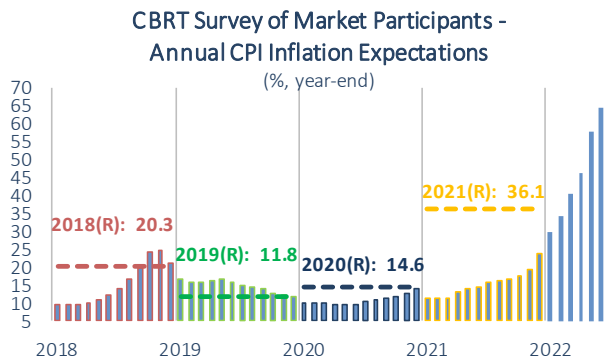
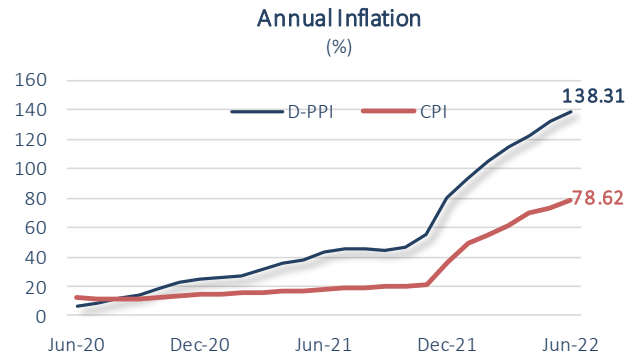
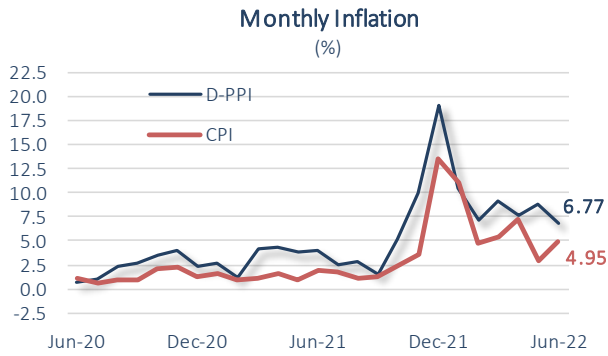
Labor Market



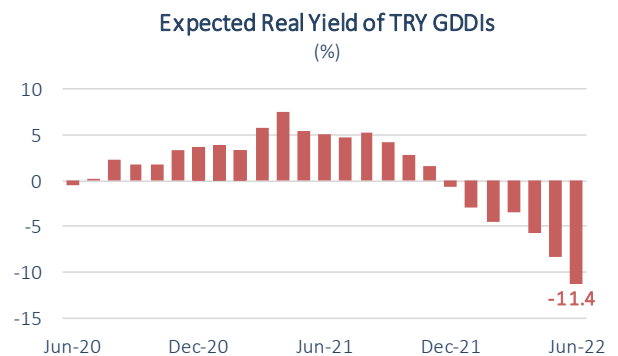
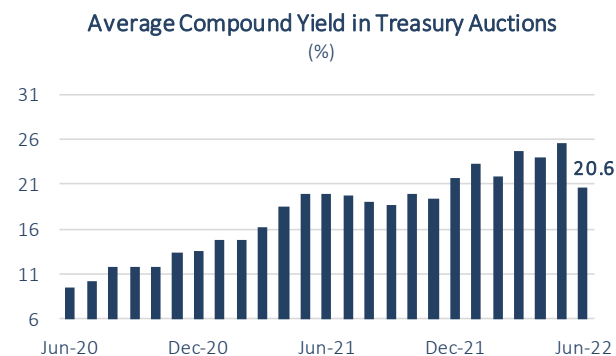
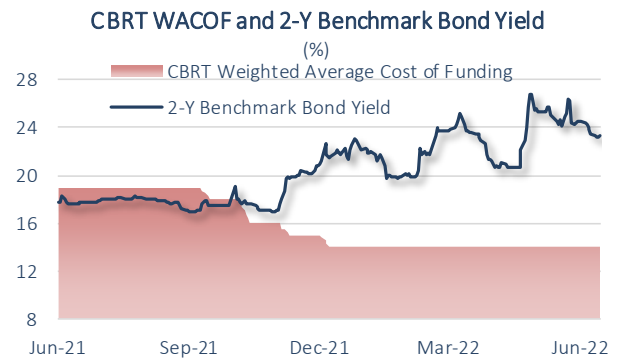
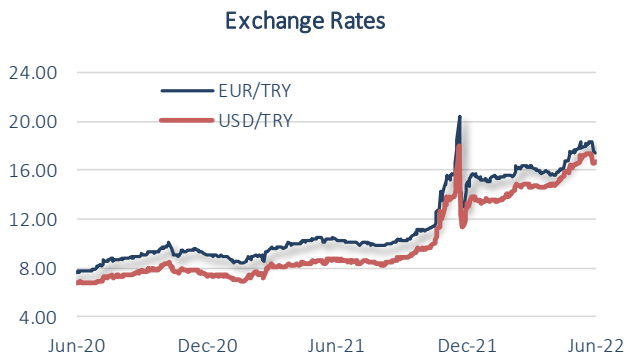
Foreign Trade and Current Account Balance



Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

Growth	2017	2018	2019	2020	2021	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 (%)						Apr-22	May-22	Jun-22
CPI (annual)	11.92	20.30	11.84	14.60	36.08	69.97	73.50	78.62
Domestic PPI (annual)	15.47	33.64	7.36	25.15	79.89	121.82	132.16	138.31
Seasonally Adjusted Labor Market Figures						Feb-22	Mar-22	Apr-22
Unemployment Rate (%)	9.9	12.7	13.4	12.9	11.3	10.90	11.20	11.30
Labor Force Participation Rate (%)	52.8	53.2	52.7	49.2	52.6	52.20	52.40	53.10
FX Rates						Apr-22	May-22	Jun-22
CPI Based Real Effective Exchange Rate	86.3	76.3	76.1	62.0	47.8	56.9	55.6	53.3
USD/TRY	3.79	5.32	5.95	7.43	13.28	14.86	16.38	16.70
EUR/TRY	4.55	6.08	6.68	9.09	15.10	15.67	17.55	17.46
Currency Basket (0.5*EUR+0.5*USD)	4.17	5.70	6.32	8.26	14.19	15.26	16.97	17.08
Foreign Trade Balance ⁽¹⁾ (USD billion)						Mar-22	Apr-22	May-22
Exports	164.5	177.2	180.8	169.6	225.3	215.5	227.8	231.9
Imports	238.7	231.2	210.3	219.5	271.4	259.0	281.2	289.8
Foreign Trade Balance	-74.2	-54.0	-29.5	-49.9	-46.2	-43.5	-53.4	-57.9
Import Coverage Ratio (%)	68.9	76.6	86.0	77.3	83.0	83.2	81.0	80.0
Balance of Payments ⁽¹⁾ (USD billion)						Feb-22	Mar-22	Apr-22
Current Account Balance	-40.9	-21.7	5.3	-35.5	-14.9	-22.0	-24.5	-25.7
Capital and Financial Accounts	-49.7	1.1	5.1	-39.5	-4.5	-12.0	-13.9	-9.5
Direct Investments (net)	-8.5	-8.9	-6.6	-4.6	-7.7	-6.9	-6.7	-6.9
Portfolio Investments (net)	-24.4	0.9	2.8	9.6	-0.8	6.3	3.7	3.3
Other Investments (net)	-8.5	19.4	2.6	-12.6	-19.4	-27.1	-28.2	-27.6
Reserve Assets (net)	-8.2	-10.4	6.3	-31.9	23.3	15.7	17.3	21.7
Net Errors and Omissions	-8.8	22.7	-0.3	-3.9	10.5	10.0	10.7	16.2
Current Account Balance/GDP (%)	-4.8	-2.7	0.7	-5.0	-1.9	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Mar-22	Apr-22	May-22
Expenditures	678.3	830.8	1000.0	1203.7	1599.6	571.7	786.0	959.8
Interest Expenditures	50.2	74.0	99.9	134.0	180.9	84.8	104.0	121.9
Non-interest Expenditures	628.0	756.8	900.1	1069.8	1418.8	486.9	682.0	837.9
Revenues	630.5	758.0	875.3	1028.4	1407.4	602.5	766.6	1084.4
Tax Revenues	536.6	621.5	673.9	833.3	1164.8	455.2	591.4	881.2
Budget Balance	-47.8	-72.8	-124.7	-175.3	-192.2	30.8	-19.4	124.6
Primary Balance	8.9	1.1	-24.8	-41.3	-11.4	115.6	84.6	246.5
Budget Balance/GDP (%)	-1.5	-1.9	-2.9	-3.5	-2.7	-	-	-
Central Government Debt Stock (TRY billion)						Mar-22	Apr-22	May-22
Domestic Debt Stock	535.4	586.1	755.1	1060.4	1321.2	1,483.0	1,503.8	1,564.8
External Debt Stock	341.0	481.0	574.0	752.5	1426.5	1627.8	1621.6	1798.8
Total Debt Stock	876.5	1067.1	1329.1	1,812.8	2,747.7	3,110.8	3,125.4	3,363.6

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2017	2018	2019	2020	2021	Apr.22	May.22	Change ⁽¹⁾
TOTAL ASSETS	3,258	3,867	4,491	6,106	9,215	10,375	11,304	22.7
Loans	2,098	2,394	2,656	3,576	4,901	5,648	6,079	24.0
TRY Loans	1,414	1,439	1,642	2,353	2,832	3,417	3,635	28.3
Share (%)	67.4	60.1	61.8	65.8	57.8	61	59.8	-
FX Loans	684	956	1,015	1,224	2,069	2,231	2,445	18.2
Share (%)	32.6	39.9	38.2	34.2	42.2	39	40.2	-
Non-performing Loans	64.0	96.6	150.8	152.6	160.1	161	163.9	2.4
Non-performing Loan Rate (%)	3.0	3.9	5.3	4.1	3.2	3	2.6	-
Securities	401	477	660	1,022	1,476	1,750	1,854	25.6
TOTAL LIABILITIES	3,258	3,867	4,491	6,106	9,215	10,375	11,304	22.7
Deposits	1,711	2,036	2,567	3,455	5,303	6,131	6,581	24.1
TRY Deposits	955	1,042	1,259	1,546	1,880	2,659	2,730	45.2
Share (%)	55.8	51.2	49.0	44.7	35.5	43	41.5	-
FX Deposits	756	994	1,308	1,909	3,423	3,473	3,851	12.5
Share (%)	44.2	48.8	51.0	55.3	64.5	57	58.5	-
Securities Issued	145	174	194	224	310	312	311	0.1
Payables to Banks	475	563	533	658	1,048	1,150	1,260	20.2
Funds from Repo Transactions	99	97	154	255	587	496	659	12.4
SHAREHOLDERS' EQUITY	359	421	492	600	714	957	1,012	41.7
Profit (Loss) of the Period	48.6	54.1	49.0	58.5	93.0	98.2	132.1	-
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	54.4	53.8	-
Securities/Assets	12.3	12.4	14.7	16.7	16.0	16.9	16.4	-
Deposits/Liabilities	52.5	52.6	57.1	56.6	57.5	59.1	58.2	-
Loans/Deposits	122.6	117.6	103.5	103.5	92.4	92.1	92.4	-
Capital Adequacy (%)	16.9	17.3	18.4	18.7	18.4	20.4	18.2	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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