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### Global Economy

Major central banks continued to tighten their monetary policies at their September meetings. The Fed and ECB increased the policy rate by 75 basis points, while the statements pointed out that the tight monetary policies would be maintained in order to fight inflation.

US inflation indicators improved in August thanks to the high base effect. Leading indicators show that the moderate course of economic activity continued in September.

In the Euro Area, PMI pointed out that the slowdown in economic activity became more evident in September. In this period, annual CPI inflation reached record high with 10%.

In China, retail sales and industrial production for August drew a relatively positive picture. On the other hand, foreign trade indicators worsened in line with the slowdown in global demand.

OECD kept its global growth forecast at 3% for 2022, while reducing 2023 forecast from 2.8% to 2.2%.

In September, gold prices declined in line with the strengthening of the US dollar, while oil prices followed a downward trend due to the weakness in the macroeconomic outlook.

### Turkish Economy

In July, the seasonal and calendar adjusted industrial production index decreased by 6.2% compared to the previous month. On the other hand, calendar adjusted industrial production recorded the slowest annual rise with 2.4%.

Manufacturing PMI was realized as 46.9 in September, showing that the contraction in the sector continued in the seventh month. According to the sub-indices, employment declined in September for the first time in more than two years.

According to seasonally adjusted data, both labor force and employment declined in July. Thus, the seasonally adjusted unemployment rate decreased to 10.1% in this period.

In July, current account deficit was 4 billion USD. Continuing its upward trend, 12-month cumulative current account deficit reached 36.6 billion USD.

Central government budget posted a surplus of 3.6 billion TRY in August. Thus, the budget surplus in the first 8 months of the year was 33.1 billion TRY. The Medium Term Program, announced at the beginning of September, foresees a budget deficit of 461 billion TRY for the whole year.

In September, annual inflation rose to 83.45% in CPI and 151.5% in D-PPI.

Following the rate cut in August, CBRT lowered the policy rate by 100 basis points in September.

In Turkey, there was a high volatility in the stock markets throughout September.

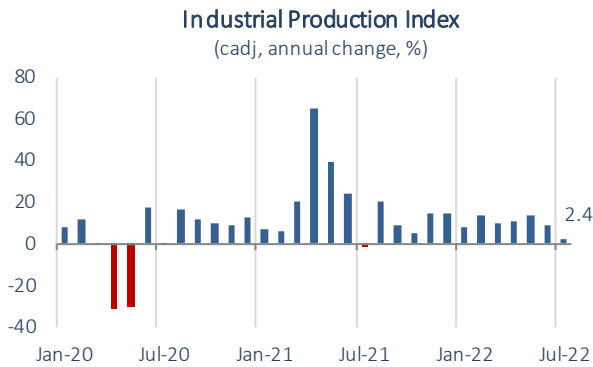
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## Leading Indicators

### In July, industrial production contracted by 6.2% mom.

In July, the seasonal and calendar adjusted industrial production index declined by 6.2% mom, showing the fastest contraction since April 2020. The production decrease in 22 out of the 24 sectors in the manufacturing industry pointed a widespread weakness in production. In this period, the decline in the production of textile, wearing apparel and basic metal sectors drew attention. Monthly production decline in durable and non-durable consumer goods were at high levels with 8% and 7.2%, respectively, with the effect of the decrease in purchasing power due to price developments.

According to the annual figures, the calendar adjusted index expanded by 2.4% in July and showed the weakest performance since June 2020. In addition, the slowest annual increase (2%) of the last two years in the retail sales volume at constant prices pointed out that the demand also weakened in this period.



### Manufacturing PMI pointed out that the contraction in the sector continued in September as well.

In September, the manufacturing PMI decreased by 0.5 points on a monthly basis to 46.9. Thus, the index continued its course below the 50 threshold, pointing out that the contraction in the sector remained in the seventh month. According to the sub-items of the index, the decline in production, new orders and purchasing activities continued. In addition, companies cut employment for the first time since June 2020. Moreover, the increase in final product prices gained momentum in September.

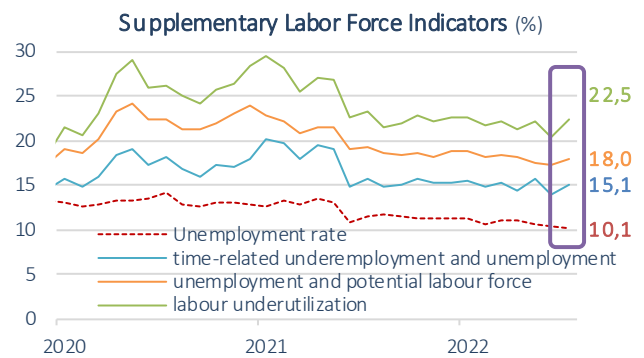
### In September, the economic confidence index remained unchanged.

In September, all confidence indices except for the real sector confidence index increased. Despite the negative expectations regarding the current period, the improvement in expectations for the next period was behind this development. In this period, seasonally adjusted consumer confidence index increased by 0.3 points mom to 72.4. The expectation of the general economic situation for the next 12 months and the

improvement in the assessment of spending on durable goods increased the consumer confidence index, while the worsening of the current and future expectations of the financial situation of the household limited the rise in the index. Seasonally adjusted confidence indices rose by 1.7% in the services sector, 2.7% in the retail trade sector and 2.1% in the construction sector on a monthly basis in September. On the other hand, seasonally adjusted real sector confidence index declined by 1.2 points mom to 100.2 in the same period. Thus, the economic confidence index did not change in September, displaying a flat outlook compared to August.

### In July, employment decreased by 148K people.

According to the seasonally adjusted data announced by TURKSTAT, the labor force aged 15 and over decreased by 262K persons in July to 34.1 million. In this period, employment declined by 148K persons to 30.6 million. The unemployment contracted by 113K persons to 3.4 million due to the decline in the labor force. Thus, seasonally adjusted unemployment rate decreased by 0.3 points mom to 10.1%. 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 2 pts compared to the previous month to 22.5% in July.



### House sales decreased by 12.7% yoy in August.

In Turkey, house sales decreased by 12.7% yoy to 123.5K in August. In this period, the number of houses sold for the first time declined by 8.5% yoy to 39K, while second-hand house sales decreased by 14.5% yoy to 84.5K. Unlike previous periods, house sales to foreigners decreased by 10.1% yoy in August. In the first 8 months of the year, house sales increased by 17.7% compared to the same period of the previous year, while second-hand houses accounted for 70.7% of the sales. The Residential Property Price index announced by the CBRT rose by 8% on a monthly basis and by 173.8% on an annual basis in July. The annual real increase in the index was 52.6% in this period.

Source: Turkstat, Datastream, HMB, ODD

## Foreign Trade and Balance of Payments

### Foreign trade deficit widened by 147% yoy in July.

According to TURKSTAT data, exports increased by 13.4% yoy to 18.6 billion USD, while imports went up by 41.4% to 29.2 billion USD in July. Parallel to the high energy and commodity prices, foreign trade deficit widened by 147% yoy in this period. In the first seven months of the year, foreign trade deficit increased by 143.7% compared to the same period of last year and reached 62.2 billion USD. Import coverage ratio, which was 82.6% in January-July 2021, decreased to 69.9% in the same period of 2022.

### In July, current account deficit was 4 billion USD.

In July, current account deficit expanded by 3.7 billion USD compared to the same month of the last year and became 4 billion USD. According to the Reuters survey, current account deficit was expected to be 3.6 billion USD in this period. Net non-monetary gold and energy imports continued to be the leading factor in the widening of current account deficit. According to balance of payments figures, foreign trade deficit was 9.3 billion USD in July, 6.1 billion USD of which stemmed from net energy imports and 1.7 billion USD of which was net non-monetary gold imports. On the other hand, the positive trend in transportation and tourism revenues significantly limited the increase in

the current account deficit. In July, the total net income from those two items was 6.3 billion USD..

12-month cumulative current account deficit reached the highest level of the last 1.5 years with 36.6 billion USD in July. Excluding net energy and gold imports, 12-month cumulative current account surplus exceeded 40 billion USD..

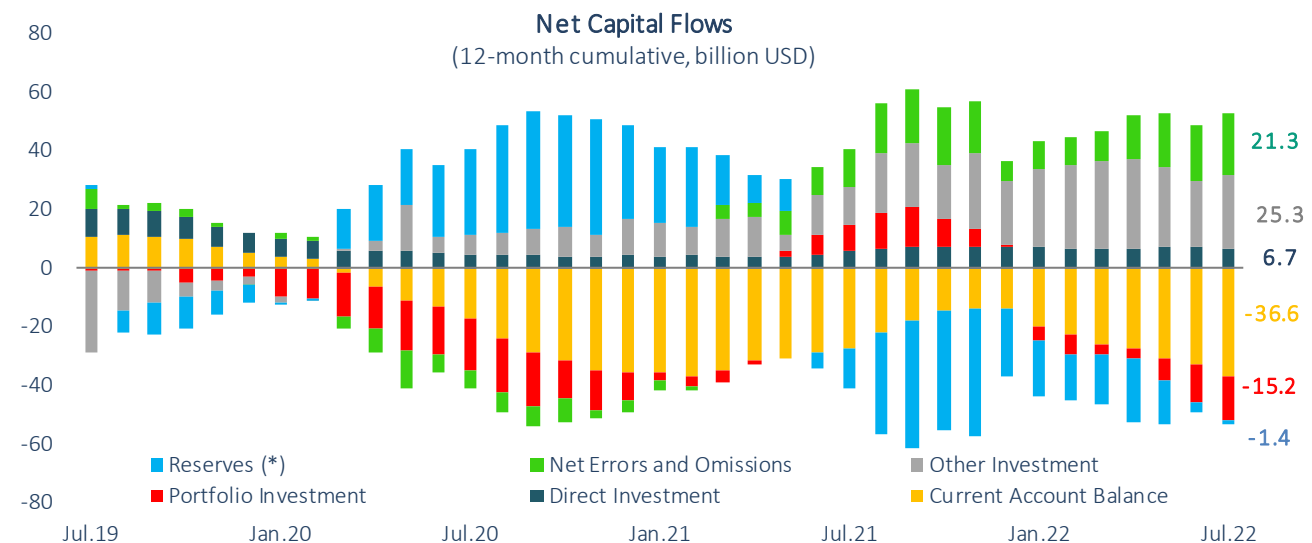
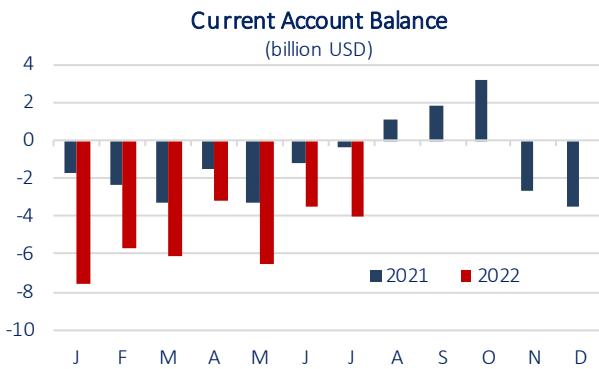
### Weak course in foreign direct investments...

In July, foreign direct investments FDI showed a poor performance. In this period, FDI declined by 79.4% yoy to 252 million USD. In this period, non-residents' net capital investments became 387 million USD, while net real estate investments decreased to 306 million USD, the lowest level of the last 14 months. In the January-July period, net FDI contracted by 17.6% yoy and became 3.2 billion USD. As of the first 7 months of the year, investments in the food sector rose by 339% on an annual basis.

### Other investments posted a net capital inflow of 3.4 billion USD.

In July, portfolio investments gave a net capital outflow of 631 million USD. During this period, non-residents made net sales of 222 million USD and 173 million USD, from the equity and government securities markets, respectively. As of January-July period, a capital outflow of 12.1 billion USD was recorded in the portfolio investments.

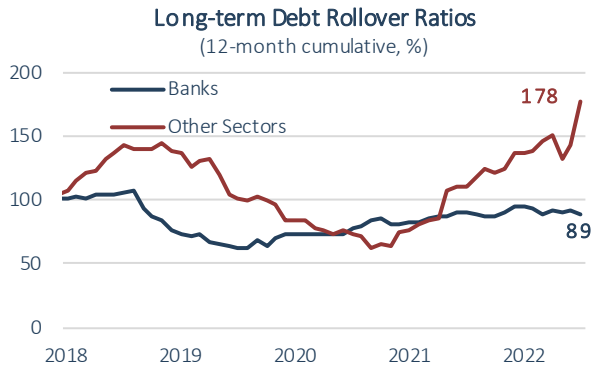
In July, net capital inflows in other investments was 3.4 billion USD. In this period, Turkish banks' currency and deposits within their foreign correspondent bank accounts rose by 983 million USD, while non-resident banks' deposit accounts held within domestic banks increased by 698 million USD in total. In addition, the effective and deposits held by non-residents in Turkish banks went up by 1 billion USD. In July, banks realized a net repayment of 801 million USD in total for the loans they used from abroad, while



Source: Datastream, Turkstat, CBRT

## Foreign Trade and Balance of Payments

other sectors realized a net loan use of 3.5 billion USD. Thus, in July, the 12-month cumulative long-term debt rollover ratio was 89% in the banking sector and 178% in other sectors.



### Official reserves rose by 4.4 billion USD in July.

In July, official reserves increased by 4.4 billion USD. Thus, the decline in official reserves since the beginning of the year decreased to 7.9 billion USD. Net errors and omissions, which recorded a capital inflow of 5.5 billion USD in July, posted a capital inflow of 24.3 billion USD in the first seven months of the year.

### Expectations...

Although the deceleration in global economic activity limits the upward pressures to some extent, energy prices remain high due to the increasing supply concerns. According to the preliminary data released by the Ministry of Trade, the rapid expansion in the foreign trade deficit continued in August. In this period, exports rose by 13.2% on an annual basis, while the imports increased by 40.8% yoy. Thus, the foreign trade deficit, which expanded by 161.8% yoy to 11.3 billion USD in August, reached 73.5 billion USD in the January-August period with an annual increase of 146.4%.

In the upcoming period, besides energy prices, the course of economic activity in EU countries and the EUR/USD parity will be closely monitored in terms of the current account balance outlook. The positive performance in tourism revenues despite geopolitical developments is expected to continue in the winter months due to the energy crisis in European countries and will continue to support the current account balance.

### Balance of Payments

	Jul. 2022	Jan. - Jul. 2021	2022	% 12-month Change	% 12-month Cumulative
<b>Current Account Balance</b>	<b>-4,010</b>	<b>-13,677</b>	<b>-36,672</b>	<b>168.1</b>	<b>-36,585</b>
Foreign Trade Balance	-9,308	-16,565	-50,367	204.1	-63,089
Services Balance	5,778	9,534	20,163	111.5	37,301
Travel (net)	4,090	6,599	14,400	118.2	26,978
Primary Income	-559	-7,431	-5,984	-19.5	-10,585
Secondary Income	79	785	-484	-	-212
<b>Capital Account</b>	<b>-17</b>	<b>-38</b>	<b>-31</b>	<b>-18.4</b>	<b>-57</b>
<b>Financial Account</b>	<b>1,446</b>	<b>-3,507</b>	<b>-12,356</b>	<b>252.3</b>	<b>-15,368</b>
Direct Investment (net)	-252	-3,880	-3,197	-17.6	-6,710
Portfolio Investment (net)	631	-3,886	12,066	-	15,156
Net Acquisition of Financial Assets	207	-365	4,421	-	7,046
Net Incurrence of Liabilities	-424	3,521	-7,645	-	-8,110
Equity Securities	-222	-1,901	-3,580	88.3	-3,113
Debt Securities	-202	5,422	-4,065	-	-4,997
Other Investment (net)	-3,356	-9,705	-13,300	37.0	-25,255
Currency and Deposits	-1,284	-7,683	-11,326	47.4	-13,087
Net Acquisition of Financial Assets	867	3,604	4,857	34.8	6,476
Net Incurrence of Liabilities	2,151	11,287	16,183	43.4	19,563
Central Bank	457	4,699	4,434	-5.6	4,483
Banks	1,694	6,588	11,749	78.3	15,080
Foreign Banks	698	5,059	8,443	66.9	12,690
Foreign Exchange	411	3,922	5,131	30.8	9,026
Turkish Lira	287	1,137	3,312	191.3	3,664
Non-residents	996	1,529	3,306	116.2	2,390
Loans	-2,432	-471	-2,604	452.9	-2,709
Net Acquisition of Financial Assets	295	1,884	958	-49.2	1,335
Net Incurrence of Liabilities	2,727	2,355	3,562	51.3	4,044
Banking Sector	-801	-906	-2,710	199.1	-5,336
Non-bank Sectors	3,525	3,288	5,942	80.7	9,260
Trade Credit and Advances	367	-1,539	660	-	-3,095
Other Assets and Liabilities	-7	-12	-30	150.0	-26
Reserve Assets (net)	4,423	13,964	-7,925	-	1,441
<b>Net Errors and Omissions</b>	<b>5,473</b>	<b>10,208</b>	<b>24,347</b>	<b>138.5</b>	<b>21,274</b>

Source: CBRT, Datastream

## Budget Balance

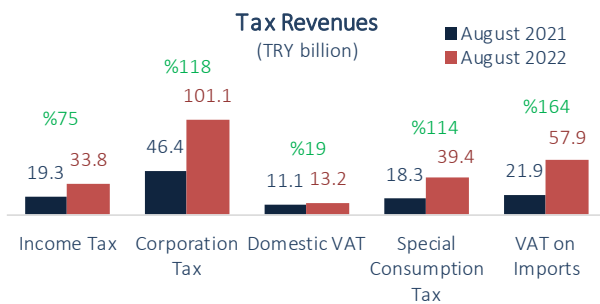
The central government budget posted a surplus of 3.6 billion TRY in August.

In August, central government budget expenditures increased by 186% compared to the previous year and reached 302 billion TRY . Despite the high increase in expenditures, the central government budget gave a surplus of 3.6 billion TRY as the budget revenues increased by 108.8% on an annual basis and reached the level of 306 billion TRY . Primary surplus, on the other hand, contracted by 51.9% yoy and became 26.2 billion TRY .

In the first eight months of the year, budget revenues exhibited a strong performance in general. In this period, budget revenues doubled compared to the same period of the previous year, while the surge in budget expenditures fell behind the increase in revenues by 90.7%. Thus, the central government budget, which had a deficit of 37.5 billion TRY in the first eight months of 2021, posted a surplus of 33.1 billion TRY in the same period of this year. In this period, the primary surplus exceeded the level of 200 billion TRY .

### Increase in revenues from corporate tax and VAT on imports...

The increase in corporate tax revenues in August contributed 41.7 points to the 107.3% yoy expansion in tax revenues. VAT on imports, which remained high levels throughout the year thanks to the depreciation of the TRY and the expansion in foreign trade volume, contributed 27.5 points to the increase in tax revenues by increasing 164.4% yoy in August. In this period, SCT revenues from motor vehicles and petroleum and natural gas products made a contribution of 10.9 points to the increase in tax revenues. Thus, corporate tax, VAT on



imports, SCT revenues from motor vehicles and petroleum and natural gas products accounted for approximately 3/4 of the increase in total tax revenues in August.

### In August, a debt transfer of 50.3 billion TRY was made to PEs.

In August, the 203.9% increase in primary expenditures was the key determinant of the expansion in budget expenditures. The lower-than-inflation increase in interest expenditures with 65.8% had a positive effect on the budget performance. Thus, the share of interest expenditures in budget expenditures, which was 12.9% in August 2021, decreased to 7.5% in August 2022.

Current transfers, which accounted for about one third of budget expenditures, increased by 144.2 percent year-on-year. In addition to the increase in health, retirement and social aid expenditures, the 15 billion TRY expenses related to FX protected deposit accounts was also influential in this development. Thus, total expenditure amount for FX protected deposits reached 75.6 billion TRY in the March-July period.

Domestic debt transfers to PEs were 87.6 billion TRY in the first seven months of the year while the aforesaid expenditure amount came in 50.3 billion TRY only in August. 26 billion TRY of this amount was transferred to BOTAŞ. As of the first 8 months of the year, the total resources transferred to aforementioned institution exceeded 100 billion TRY, including transfers.

### Expectations...

Central Government Budget indicators displayed a positive outlook in August, supported by the increase in tax revenues. On the other hand, we think that the slowdown in economic activity indicated by leading indicators, may limit the increase in tax revenues for the rest of the year. We consider that transfers to PEs and expenditures related to FX protected deposits accounts may also put pressure on budget performance in the upcoming period. In the Medium Term Program for the 2023-2025 period released on September 4, budget expenditures and revenues targets for 2022 were revised upwards by 302 billion TRY and 119 billion TRY, respectively. Thus, the budget deficit target for 2022 was revised from 278.4 billion TRY to 461.2 billion TRY.

### Central Government Budget

	(billion TRY)								
	August			January-August			2022 Budget	MTP	Real./ MTP
	2021	2022	Ch.(%)	2021	2022	Ch.(%)	Target	Target	Target (%)
<b>Expenditures</b>	<b>105.7</b>	<b>302.3</b>	<b>186.0</b>	<b>910.1</b>	<b>1,735.2</b>	<b>90.7</b>	<b>2,831.5</b>	<b>3,133.7</b>	<b>55.4</b>
Interest Expenditures	13.7	22.6	65.8	128.2	174.0	35.8	329.8	329.8	52.8
Non-Interest Expenditures	92.0	279.7	203.9	782.0	1,561.2	99.6	2,501.7	2,803.9	55.7
<b>Revenues</b>	<b>146.5</b>	<b>305.9</b>	<b>108.8</b>	<b>872.6</b>	<b>1,768.3</b>	<b>102.6</b>	<b>2,553.1</b>	<b>2,672.5</b>	<b>66.2</b>
Tax Revenues	131.1	271.9	107.3	712.8	1,474.5	106.9	2,186.0	2,269.6	65.0
Other Revenues	15.4	34.1	121.0	159.8	293.8	83.8	367.1	402.9	72.9
<b>Budget Balance</b>	<b>40.8</b>	<b>3.6</b>	<b>-91.2</b>	<b>-37.5</b>	<b>33.1</b>	<b>-</b>	<b>-278.4</b>	<b>-461.2</b>	<b>-</b>
<b>Primary Balance</b>	<b>54.5</b>	<b>26.2</b>	<b>-51.9</b>	<b>90.7</b>	<b>207.1</b>	<b>128.5</b>	<b>51.4</b>	<b>-131.4</b>	<b>-</b>

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

Source: Datastream , Ministry of Treasury and Finance

## Inflation

### CPI increased by 3.08% mom in September.

According to the data announced by TURKSTAT, consumer prices rose by 3.08% mom in September, below the market expectations of 3.80%. In this period, domestic PPI (D-PPI) increased by 4.78% mom.

September (change %)	CPI		D-PPI	
	2021	2022	2021	2022
Monthly	1.25	3.08	1.55	4.78
Year-to-Date	13.04	52.40	30.50	82.45
Annual	19.58	83.45	43.96	151.50
Annual Average	16.42	59.91	33.83	114.02

### Annual CPI inflation rose to 83.45%.

Annual CPI inflation continued to rise in September and reached its highest level since July 1998 with 83.45%. In this period, annual D-PPI also maintained its upward trend, recording the fastest increase in the last 28 years with 151.5%. The gap between D-PPI and CPI inflation rose to 68.1 points and indicated that the cost pressure on consumer prices continued to widen.

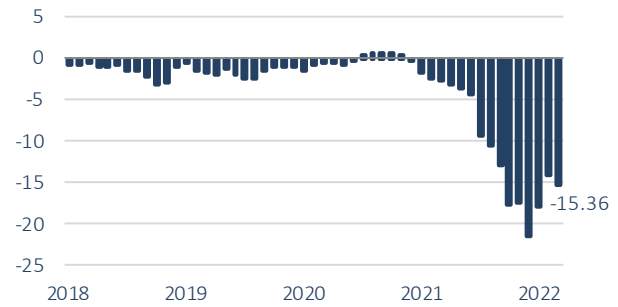
### Housing group came to the fore in CPI increase.

In September, prices in all main spending groups increased on a monthly basis. In this period, the highest increase was recorded in the housing group, where prices increased by 9.99% mom due to the rise in the natural gas and electricity tariffs at the beginning of September. Thus, the housing group made the highest contribution to monthly CPI inflation with 1.45 points. The food and non-alcoholic beverages group, where prices increased by 1.97% mom, was the second group that pushed up monthly inflation the most by 52 basis points. Prices in the education group went up by 6.99% mom in line with the rise in university tuition fees, while the said group contributed 12 basis points to monthly CPI inflation. According to the annual figures, the highest increase was recorded in the transportation group with 117.66%. Food and non-alcoholic beverages group followed the transportation, with prices increasing by 93.05%. In September, these two groups increased annual CPI inflation by 40.79 points in total.

### Core inflation indicators...

In September, 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) rose by 74.63% yoy and 68.09% yoy, respectively. The annual increase in the said indices continued, while the monthly rise in the indices was at its lowest level since October 2021.

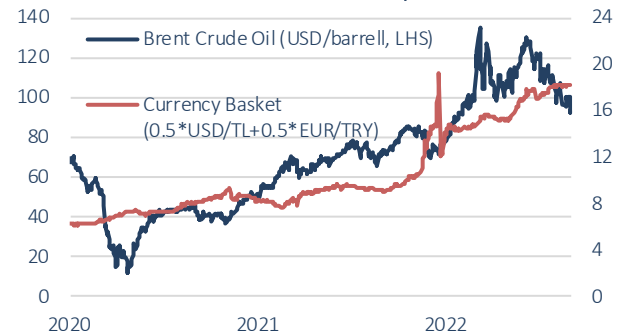
Gap Between Core (C) and Headline Inflation  
(annual, % point)



### Global recession concerns limited the increase in D-PPI.

The pressure exerted on commodity prices by the increasing recession concerns regarding the global economy had a favorable impact on the D-PPI increase in September. In this period, prices in the sectors of crude oil and natural gas, metal ores as well as coke and refined petroleum products decreased compared to August. On the other hand, producer prices in all other sub-sectors recorded increases on a monthly basis. Due to domestic price adjustments the prices in electricity, gas, steam and air conditioning group surged by 16.8% on a monthly basis and this sector contributed the most to the monthly D-PPI increase with 237 bps. In this period, prices of food group increased by 3.5% mom and pushed up producer inflation by 71 bps on a monthly basis.

Oil Prices and Currency Basket



As of September, annual price increases in 18 of 29 sectors exceeded 100%, while the fastest annual rise in D-PPI was recorded in the electricity, gas, steam and air conditioning group, with 416.6% yoy. In this period, the food, electricity, gas, steam and air conditioning sectors had a total impact of 62.52 points on the annual increase in D-PPI.

### Expectations...

The widening of the gap between annual producer and consumer inflation in September indicates that the cost pressure on CPI will continue in the upcoming period. In addition, the rise of USD on global scale, with the expectation that the Fed will continue its monetary tightening steps, stands out as a factor that puts upward pressure on inflation.

Source: Datastream, Turkstat

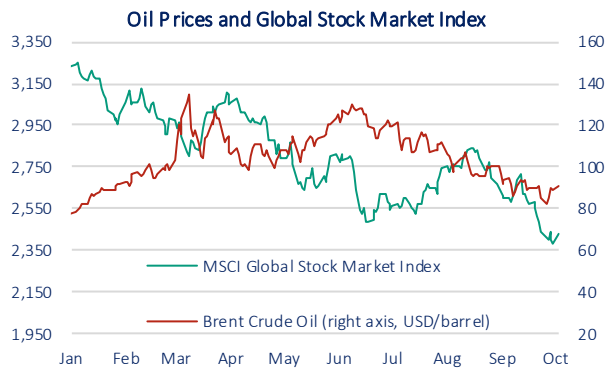
## Financial Markets

	31-Aug	30-Sep	Change
5-Y CDS (basis points)	772	774	2 bps ▲
TR 2-Y Benchmark Yield	14.58%	15.06%	48 bps ▲
BIST-100	3,171	3,180	0.3% ▲
USD/TRY	18.1868	18.5000	1.7% ▲
EUR/TRY	18.2946	18.1329	-0.9% ▼
Currency Basket*	18.2407	18.3165	0.4% ▲

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

### Global markets...

The steps taken by the major central banks to fight against inflationary pressures as well as concerns about global economic activity continued to affect the course of the markets in September. USD appreciated rapidly against other major currencies and hit more than 20-year high due to continued rate hikes and Fed officials' messages on monetary tightening. These developments caused the selling pressure on global markets to continue.



### CBRT lowered the policy rate to 12%.

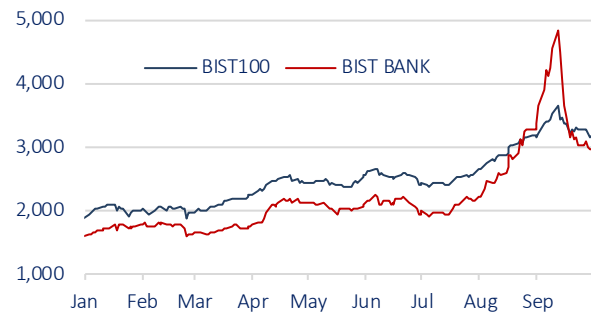
Following the rate cut in August, CBRT cut the policy rate by another 100 basis points to 12% at its September meeting. In the text released after the meeting, CBRT stated that the leading indicators for the third quarter continue pointing to loss of momentum in economic activity due to the decreasing foreign demand and emphasized the necessity of supporting financial conditions in order to preserve the growth momentum in industrial production and the positive trend in employment. CBRT also underlined that the growth rate of loans and the use of financing resources in accordance with their intended purpose are closely monitored and added that the instruments to support the effectiveness of the monetary transmission mechanism will continue to be strengthened.

### Domestic markets...

Domestic stock markets displayed a highly volatile outlook in September. The rise in the BIST banking index,

which showed a strong outlook throughout August, accelerated in the first half of September. BIST banking index, which increased by 47.6% as of September 12 compared to the end of August, ended September with a monthly loss of 9.7%, due to strong sales in the following days. Having had an upward trend until the middle of the month with the acceleration in the banking index and reaching a historically high level of 3,715 on September 12, BIST-100 index lost its gains in the following days and closed the month with a limited rise of 0.3% at 3,180 points.

### BIST100 & BIST BANK



Despite the high volatility in the stock market, TRY displayed a relatively stable outlook in September compared to previous months. However, due to the rapid appreciation of the USD in global markets, USD/TRY rose by 1.7% on a monthly basis and reached new historical levels in September. EUR/TRY, on the other hand, ended the month with a 0.9% loss in parallel with the decrease in EUR/USD parity. Despite the CBRT's ongoing interest rate cuts, the compound interest rate of the 2-year benchmark bond closed September at 15.06% with a monthly increase of 48 basis points.

### The year-end inflation expectation of the market decreased to 67.73%.

According to the CBRT's Market Participants Survey for September, the year-end inflation expectation decreased to 67.73% from 70.6%, and the 12-month ahead inflation expectation decreased from 41.99% to 36.74%. According to the survey, GDP growth forecast for 2022 increased from 3.7% to 4.8%, while the current account deficit expectation rose from 39.3 billion USD to 45.9 billion USD.

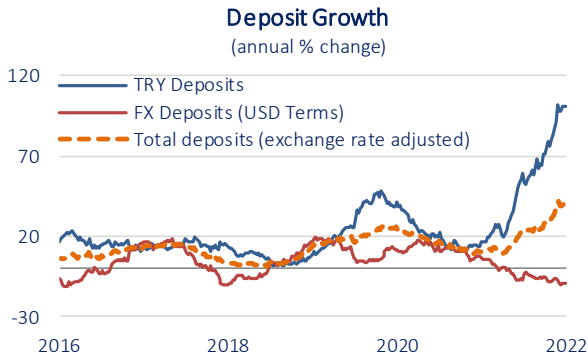
### S&P downgraded Turkey's credit rating.

S&P downgraded Turkey's credit rating from "B+" to "B", citing its low net foreign exchange reserve level as well as the loose monetary and fiscal policy that prioritizes growth. S&P changed the rating outlook from "negative" to "stable".

Source: CBRT, Datastream, Reuters,

### Deposit volume reached 8 trillion TRY.

According to BRSA Weekly Bulletin figures, TRY deposit volume increased by more than 100% on an annual basis and exceeded the level of 3.7 trillion TRY as of September 23. FX deposit volume in USD terms decreased by 9.3% as of September 23 and became 234 billion USD. Thus, as of September 23, the total deposit volume went up by 94.3% yoy and reached 8 trillion TRY. In this period, the annual rise in FX rate adjusted total deposits accelerated to 40%.

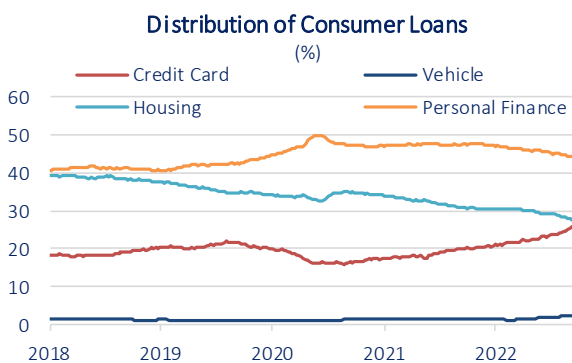


### The increase in TRY loan volume is gaining momentum.

The loan volume displayed a more moderate upward trend in comparison to the deposit volume and increased by 68.2% yoy as of September 23. Thus, the total loan volume exceeded 6.7 trillion TRY. FX rate adjusted annual increase in loan volume was 36.5% in this period. While TRY loans rose by 67.6% yoy as of September 23, FX loan volume in USD terms posted the fastest annual decline of the data set with 18.8% and became 133.8 billion USD.

### Weakness in consumer loans continues.

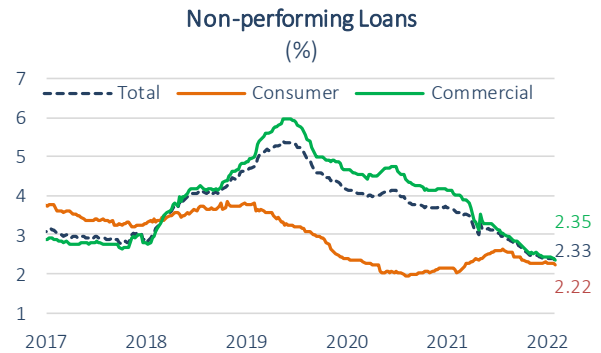
Rising annually by 30.5% as of September 23, consumer loans expanded well below the annual CPI inflation and contracted in real terms. On the other hand, while the annual expansion in the consumer credit card balance reached a historically high level of



82.4%, the share of consumer credit cards in total personal loans (consumer loans and consumer credit cards) increased significantly from 16% to 26% since mid-2020. Looking at the change in consumer loans by types, the annual rise in vehicle loans reached 111.8% as of September 23, with the support of the increase in prices. In this period, housing and consumer loans rose by 25.4% and 31.1%, respectively.

### NPL ratio is at 2.40%.

With the effect of the rapid growth in loan volume, NPL ratio continued to decline and reached the historically low level with 2.33% as of September 23. The said ratio was 2.22% in retail loans and 2.35% in commercial loans.



### Foreign currency net general position...

As of September, banks' on-balance sheet FX position was (-) 30,358 million USD, while off-balance sheet FX position was (+) 34,898 million USD. Thus, the net FX position of the banking sector was realized as (+) 4,540 million USD.



## Concluding Remarks

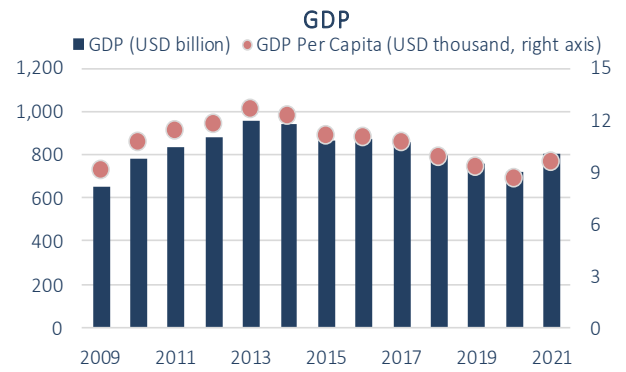
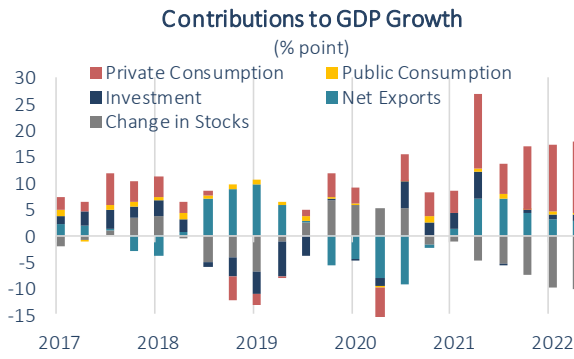
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In the face of persistent global inflationary pressures, major central banks accelerated their monetary tightening steps. While the Fed and ECB increased their policy rates by 75 basis points in September, their statements that they would continue to raise interest rates in the coming period despite recession concerns have caused global financial markets to remain volatile. In this framework, the US dollar continued to appreciate, while the global stock and bond markets were under pressure.

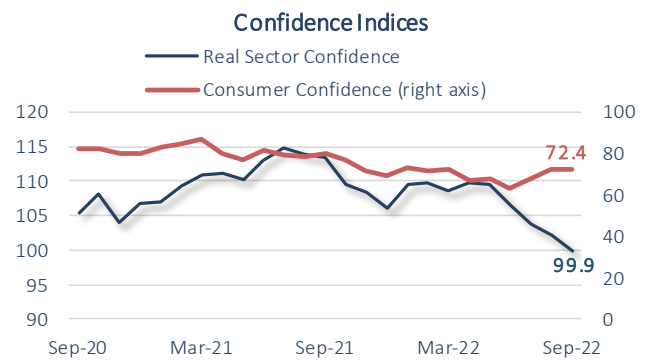
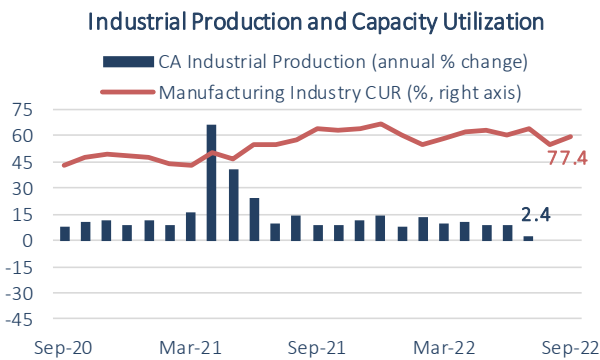
On the other hand, the strong monetary tightening process by the leading central banks, as well as the supply-side disruptions caused by geopolitical developments, are raising global recession concerns. In this context, OECD revised its global growth expectations downwards in its September update, emphasizing the downside risks that could be caused by possible interruptions in gas supply from Russia to Europe. The global PMI data in September indicated that the activity in the manufacturing and services sectors remained under pressure due to weakening of consumption expenditures in an inflationary environment. Some European countries announced support packages in order to protect households and businesses from high energy costs.

In Turkey, leading indicators for the third quarter point to a loss of momentum in economic activity. In July, when industrial production displayed its weakest annual increase since June 2020, retail sales volume also recorded the slowest rise in the last two years, signaling a weakening in demand conditions. The manufacturing industry PMI in September showed that the contraction in the sector continued in the seventh month, while employment in the sector declined for the first time in the last 28 month according to sub-index. In addition to domestic and international demand conditions and movements in commodity prices, especially energy, the course of the US dollar will continue to be closely monitored in terms of inflation, current account and budget balance indicators.

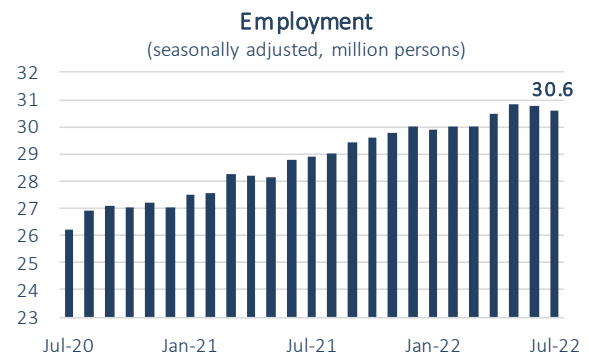
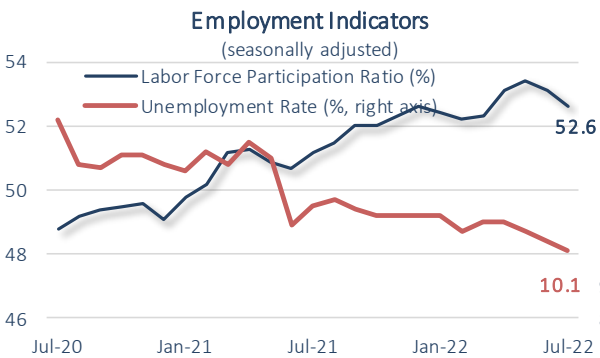
Growth



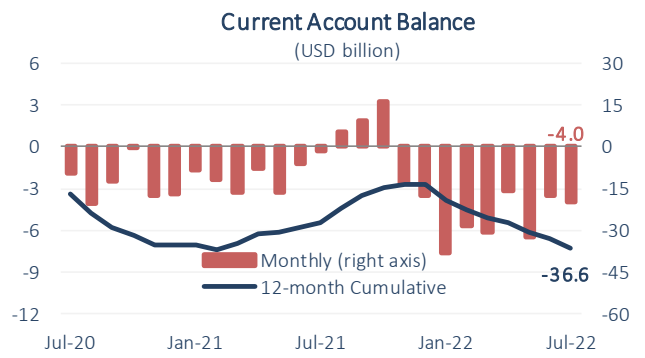
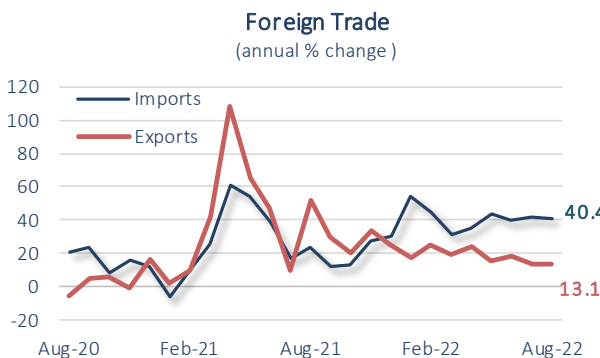
Leading Indicators



Labor Market



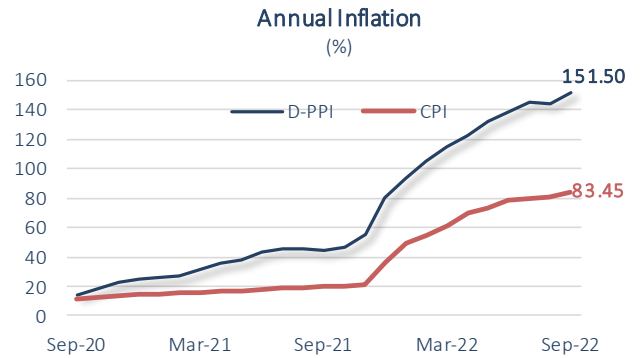
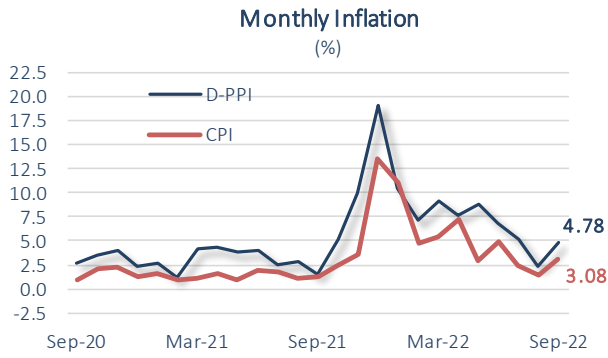
Foreign Trade and Current Account Balance



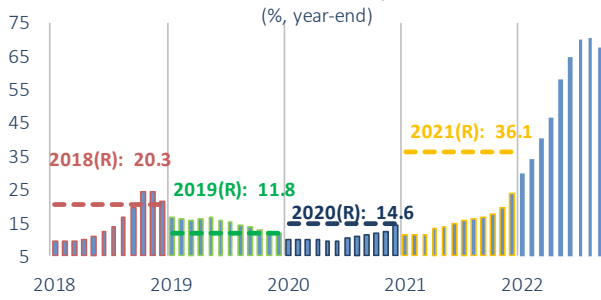
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

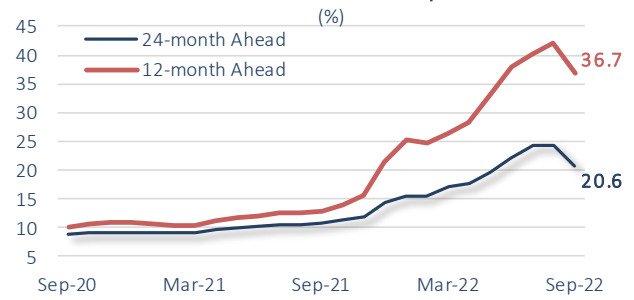
Inflation



CBRT Survey of Market Participants - Annual CPI Inflation Expectations

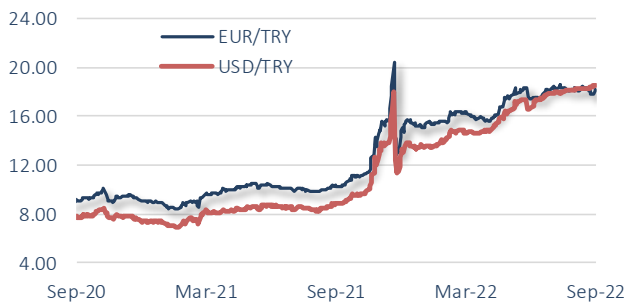


CBRT Survey of Market Participants - 12 & 24-month Ahead CPI Inflation Expectations

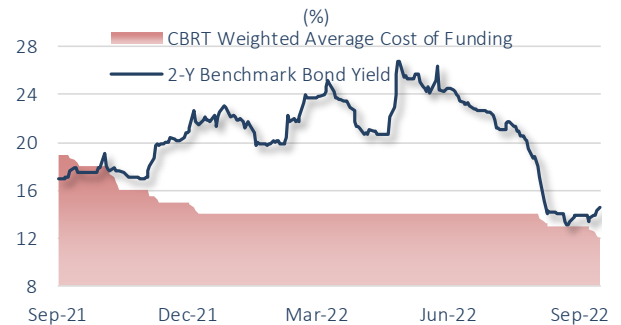


Foreign Exchange and Bond Market

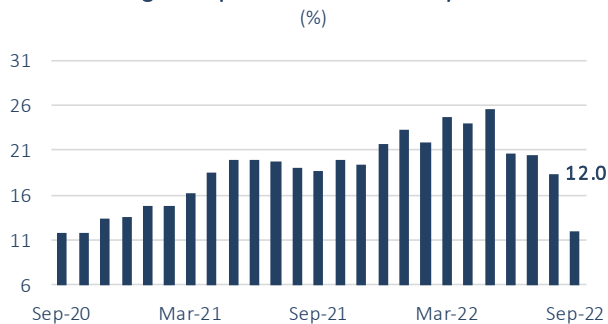
Exchange Rates



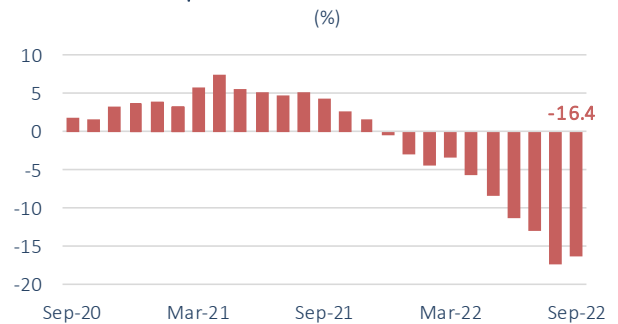
CBRT WACOF and 2-Y Benchmark Bond Yield



Average Compound Yield in Treasury Auctions



Expected Real Yield of TRY GDDIs



## Turkish Economy - Macroeconomic Indicators

Growth	2017	2018	2019	2020	2021	Q1-22	Q2-22	
GDP (USD billion)	859	797	760	717	807	181	219	
GDP (TRY billion)	3,134	3,759	4,312	5,048	7,249	2,508	3,419	
GDP Growth Rate (%)	7.5	3.0	0.8	1.9	11.4	7.5	7.6	
Inflation (%)						Jul-22	Aug-22	Sep-22
CPI (annual)	11.92	20.30	11.84	14.60	36.08	79.60	80.21	83.45
Domestic PPI (annual)	15.47	33.64	7.36	25.15	79.89	144.61	143.75	151.50
Seasonally Adjusted Labor Market Figures						May-22	Jun-22	Jul-22
Unemployment Rate (%)	9.9	12.7	13.4	12.8	11.2	10.7	10.4	10.1
Labor Force Participation Rate (%)	52.8	53.2	52.6	49.1	52.6	53.4	53.1	52.6
FX Rates						Jul-22	Aug-22	Sep-22
CPI Based Real Effective Exchange Rate	86.3	76.3	76.1	62.0	47.8	53.9	52.8	
USD/TRY	3.79	5.32	5.95	7.43	13.28	17.92	18.19	18.54
EUR/TRY	4.55	6.08	6.68	9.09	15.10	18.27	18.30	18.16
Currency Basket (0.5*EUR+0.5*USD)	4.17	5.70	6.32	8.26	14.19	18.09	18.25	18.35
Foreign Trade Balance <sup>(1)</sup> (USD billion)						Jun-22	Jul-22	Aug-22
Exports	164.5	177.2	180.8	169.6	225.2	246.1	248.2	250.7
Imports	238.7	231.2	210.3	219.5	271.4	322.6	331.2	340.6
<b>Foreign Trade Balance</b>	<b>-74.2</b>	<b>-54.0</b>	<b>-29.5</b>	<b>-49.9</b>	<b>-46.2</b>	<b>-76.5</b>	<b>-82.9</b>	<b>-89.8</b>
Import Coverage Ratio (%)	68.9	76.6	86.0	77.3	83.0	76.3	75.0	73.6
Balance of Payments <sup>(1)</sup> (USD billion)						May-22	Jun-22	Jul-22
<b>Current Account Balance</b>	<b>-40.9</b>	<b>-21.7</b>	<b>5.3</b>	<b>-35.5</b>	<b>-13.6</b>	<b>-30.6</b>	<b>-32.9</b>	<b>-36.6</b>
<b>Capital and Financial Accounts</b>	<b>-49.7</b>	<b>1.1</b>	<b>5.1</b>	<b>-39.5</b>	<b>-6.5</b>	<b>-12.1</b>	<b>-13.8</b>	<b>-15.4</b>
Direct Investments (net)	-8.5	-8.9	-6.6	-4.6	-7.4	-7.6	-7.7	-6.7
Portfolio Investments (net)	-24.4	0.9	2.8	9.6	-0.8	7.9	12.6	15.2
Other Investments (net)	-8.5	19.4	2.6	-12.6	-21.7	-27.0	-22.4	-25.3
Reserve Assets (net)	-8.2	-10.4	6.3	-31.9	23.3	14.5	3.7	1.4
<b>Net Errors and Omissions</b>	<b>-8.8</b>	<b>22.7</b>	<b>-0.3</b>	<b>-3.9</b>	<b>7.1</b>	<b>18.6</b>	<b>19.2</b>	<b>21.3</b>
<b>Current Account Balance/GDP (%)</b>	<b>-4.8</b>	<b>-2.7</b>	<b>0.7</b>	<b>-5.0</b>	<b>-1.7</b>	-	-	-
Budget <sup>(2)(3)</sup> (TRY billion)						Jun-22	Jul-22	Aug-22
<b>Expenditures</b>	<b>678.3</b>	<b>830.8</b>	<b>1000.0</b>	<b>1203.7</b>	<b>1599.6</b>	<b>1171.9</b>	<b>1432.9</b>	<b>1735.2</b>
Interest Expenditures	50.2	74.0	99.9	134.0	180.9	134.7	151.3	174.0
Non-interest Expenditures	628.0	756.8	900.1	1069.8	1418.8	1037.2	1281.5	1561.2
<b>Revenues</b>	<b>630.5</b>	<b>758.0</b>	<b>875.3</b>	<b>1028.4</b>	<b>1407.4</b>	<b>1265.4</b>	<b>1462.4</b>	<b>1768.3</b>
Tax Revenues	536.6	621.5	673.9	833.3	1164.8	1033.8	1202.6	1474.5
<b>Budget Balance</b>	<b>-47.8</b>	<b>-72.8</b>	<b>-124.7</b>	<b>-175.3</b>	<b>-192.2</b>	<b>93.6</b>	<b>29.5</b>	<b>33.1</b>
<b>Primary Balance</b>	<b>8.9</b>	<b>1.1</b>	<b>-24.8</b>	<b>-41.3</b>	<b>-11.4</b>	<b>228.2</b>	<b>180.9</b>	<b>207.1</b>
<b>Budget Balance/GDP (%)</b>	<b>-1.5</b>	<b>-1.9</b>	<b>-2.9</b>	<b>-3.5</b>	<b>-2.7</b>	-	-	-
Central Government Debt Stock (TRY billion)						Jun-22	Jul-22	Aug-22
Domestic Debt Stock	535.4	586.1	755.1	1060.4	1321.2	1,610.8	1,676.2	1,689.5
External Debt Stock	341.0	481.0	574.0	752.5	1426.5	1820.3	1944.5	1961.9
<b>Total Debt Stock</b>	<b>876.5</b>	<b>1067.1</b>	<b>1329.1</b>	<b>1,812.8</b>	<b>2,747.7</b>	<b>3,431.1</b>	<b>3,620.7</b>	<b>3,651.4</b>

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

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

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2017	2018	2019	2020	2021	Jul.22	Aug.22	Change <sup>(1)</sup>
<b>TOTAL ASSETS</b>	<b>3,258</b>	<b>3,867</b>	<b>4,491</b>	<b>6,106</b>	<b>9,215</b>	<b>12,304</b>	<b>12,699</b>	<b>37.8</b>
<b>Loans</b>	<b>2,098</b>	<b>2,394</b>	<b>2,656</b>	<b>3,576</b>	<b>4,901</b>	<b>6,512</b>	<b>6,661</b>	<b>35.9</b>
TRY Loans	1,414	1,439	1,642	2,353	2,832	3,981	4,168	47.1
Share (%)	67.4	60.1	61.8	65.8	57.8	61	62.6	-
FX Loans	684	956	1,015	1,224	2,069	2,531	2,493	20.5
Share (%)	32.6	39.9	38.2	34.2	42.2	39	37.4	-
Non-performing Loans	64.0	96.6	150.8	152.6	160.1	162	163.4	2.0
Non-performing Loan Rate (%)	3.0	3.9	5.3	4.1	3.2	2	2.4	-
<b>Securities</b>	<b>401</b>	<b>477</b>	<b>660</b>	<b>1,022</b>	<b>1,476</b>	<b>2,037</b>	<b>2,079</b>	<b>40.9</b>
<b>TOTAL LIABILITIES</b>	<b>3,258</b>	<b>3,867</b>	<b>4,491</b>	<b>6,106</b>	<b>9,215</b>	<b>12,304</b>	<b>12,699</b>	<b>37.8</b>
<b>Deposits</b>	<b>1,711</b>	<b>2,036</b>	<b>2,567</b>	<b>3,455</b>	<b>5,303</b>	<b>7,458</b>	<b>7,739</b>	<b>45.9</b>
TRY Deposits	955	1,042	1,259	1,546	1,880	3,248	3,477	84.9
Share (%)	55.8	51.2	49.0	44.7	35.5	44	44.9	-
FX Deposits	756	994	1,308	1,909	3,423	4,210	4,262	24.5
Share (%)	44.2	48.8	51.0	55.3	64.5	56	55.1	-
<b>Securities Issued</b>	<b>145</b>	<b>174</b>	<b>194</b>	<b>224</b>	<b>310</b>	<b>335</b>	<b>340</b>	<b>9.6</b>
<b>Payables to Banks</b>	<b>475</b>	<b>563</b>	<b>533</b>	<b>658</b>	<b>1,048</b>	<b>1,369</b>	<b>1,386</b>	<b>32.2</b>
<b>Funds from Repo Transactions</b>	<b>99</b>	<b>97</b>	<b>154</b>	<b>255</b>	<b>587</b>	<b>522</b>	<b>455</b>	<b>-22.4</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>359</b>	<b>421</b>	<b>492</b>	<b>600</b>	<b>714</b>	<b>1,048</b>	<b>1,144</b>	<b>60.2</b>
Profit (Loss) of the Period	48.6	54.1	49.0	58.5	93.0	207.9	252.2	-
<b>RATIOS (%)</b>								
Loans/GDP	67.0	63.7	61.5	70.9	68.0			
Loans/Assets	64.4	61.9	59.1	58.6	53.2	52.9	52.5	-
Securities/Assets	12.3	12.4	14.7	16.7	16.0	16.6	16.4	-
Deposits/Liabilities	52.5	52.6	57.1	56.6	57.5	60.6	60.9	-
Loans/Deposits	122.6	117.6	103.5	103.5	92.4	87.3	86.1	-
Capital Adequacy (%)	16.9	17.3	18.4	18.7	18.4	18.0	18.7	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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