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Global Economy

In the US economy, whereas the employment market maintains its strong outlook, PMI figures point to a slowdown in the manufacturing and services sectors.

Backing by limited improvement in inflation, Fed lowered the pace of interest rate hikes at its December meeting. Fed, which raised the policy rate by 50 basis points to 4.25-4.50%, is expected to continue rate hikes in 2023.

ECB and BoE also raised interest rates by 50 basis points each in December. Thus, while ECB raised the policy rate from 0% to 2.5% at the second half of 2022, BoE gradually increased its policy rate from 0.25% to 3.5% throughout 2022.

Concerns that taken monetary tightening steps may lead to a global recession, especially in developed economies, remain alive.

Economic activity in China, where pandemic measures were eased in December, shows a weak performance in line with the slowdown in global economy. In addition to the loss in export volume, import volume is also under pressure due to the negative course of domestic demand in the country.

Oil prices, which began 2022 with a rapid rise due to geopolitical developments, had a downward trend since the middle of the year because of raising concerns on demand. Thus, the average price of Brent oil increased by 39.8% in 2022.

Turkish Economy

Seasonally adjusted unemployment rate increased by 0.1 points compared to the previous month to 10.2% and underutilized labour rate to 20.3% in October. In December minimum wage was increased to 8,507 TRY for 2023 and the details of early retirement regulation were announced.

Calendar adjusted industrial production increased by 2.5% yoy in October. Thus, the annual expansion in industrial production for January-October period was 6.4%.

In December manufacturing PMI increased by 2.4 points to 48.1, the highest level since June. However, the index remained below the threshold level for the tenth consecutive month.

The current account deficit was 359 million USD in October. The 12-month cumulative current account deficit reached 43.5 billion USD in October, the highest level since August 2018.

Central government budget posted a surplus of 108.3 billion TRY in November. The budget deficit in the January-November period came in at 20.4 billion TRY.

Due to the high base effect annual CPI inflation fell to the lowest level of the last 9 months with 64.27% at the end of 2022. Annual D-PPI inflation declined also to its lowest level since January 2022 with 97.72% in December 2022.

The CBRT kept the policy rate at 9% at its December meeting, and announced new macroprudential measures.

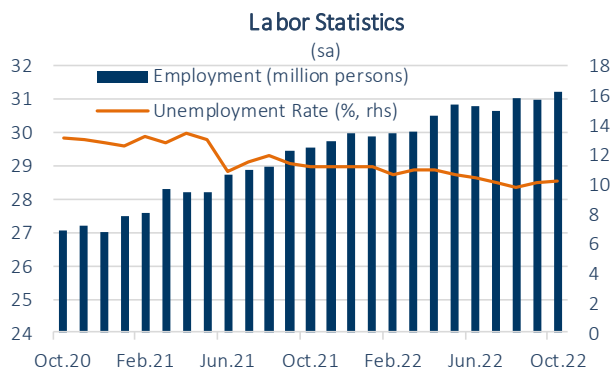
In 2022, while BIST-100 index increased by 196.6%, USD/TRY rose by 40.3% on an annual basis.

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Leading Indicators

Unemployment rate was 10.2% in October.

According to the seasonally adjusted data, the labor force increased by 287K persons and employment rose by 229K persons in October compared to September. Thus, the number of unemployed went up by 57K persons while the unemployment rate rose to 10.2%. In this period, employment rate was 48% and labor force participation rate became 53.5%. On the other hand, 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, remained unchanged at 20.3% in October. In this period, according to seasonally adjusted figures, the number of paid employees in the industry, construction and services & trade sectors rose by 295K, 80K and 647K persons, respectively. The share of the services sector in total employment increased from 55% in October 2021 to 55.6% in October 2022.



In December, the regulations regarding the labor markets were followed closely. For 2023, the net minimum wage was increased to 8,507 TRY and the gross minimum wage became 10,008 TRY. Accordingly, the increase in the net minimum wage reached 100% compared to January 2022, and 54.7% according to the last change made in July 2022. The details of the regulation on Early Retirement Eligibility (EYT), which has been on the public agenda for a while, have also been announced. According to this, those who were employed before 8 September 1999 and had 5,000 premium days and an insurance period of 20 years for women and 25 years for men could use their right to retirement without the age limit, and approximately 2 million 250 thousand citizens could benefit from the regulation.

Industrial production increased by 2.4% mom in October.

Seasonally and calendar adjusted industrial production increased by 2.4% mom in October. In this period, double-digit increases in the production of other transportation vehicles (53.2%), computer, electronic and optical products (27.5%) and tobacco products (14.7%) came to the fore. Thus, the calendar adjusted annual rise in industrial production was 2.5%, well above the market expectations of 0.1%. In the January-October period, industrial production went up by 6.4% compared to the same period of the previous year, while retail sales volume increased by 9.5% yoy.

Manufacturing PMI

(benchmark=50)



Manufacturing PMI pointed out that the weak course in the sector continued.

Manufacturing PMI increased by 2.4 points to 48.1 in December, reaching its highest level since June, but carried its course below the threshold value for the tenth month. In this period, while the contraction in new orders and production decelerated, the rise in employment was at the highest level of the last ten months. Supplier delivery times improved in the last month of the year, close to the record in the survey history. Industry representatives stated that the alleviation of the rise in input costs and the improvement of supply chain conditions will support the industry.

Confidence indices followed a generally positive course in December.

In December, the seasonally adjusted real sector confidence index increased by 0.3 points to 101.6 thanks to the rapid rise in the total order index for the last three months, despite the deterioration in expectations for the next three months. In this period, service, retail trade and construction sector confidence indices increased by 1.7%, 4.5% and 1.2%, respectively, on a monthly basis. The consumer confidence index, on the other hand, declined by 1.3% mom to 75.6 in December, for the first time since June. The economic confidence index, which consists of the combination of consumer, real sector and sectoral confidence indices by weighing, rose by 0.7 points compared to the previous month and became 97.6 in December.

The housing market continued to lose momentum in November.

Housing sales decreased by 34.1% yoy in November to 118K units. In this period, the share of mortgaged house sales, which decreased by 57.7% on an annual basis, in total house sales was realized as 14.1%. In the January-November period, total house sales increased by 1% yoy to 1.3 million units, thanks to the support of the positive outlook in the first half of the year.

According to CBRT data, Residential Property Price Index (RPPI) increased by 5.4% mom and by 188.2% on an annual basis in October. In this period, the annual real increase in RPPI was 56.3%. The city group with the fastest annual rise in RPPI was Antalya, Burdur and Isparta with 237%, where foreigners' demand for housing is vibrant, the lowest index increase was observed in the Bingöl, Elazığ, Malatya and Tunceli city group with 121.9%.

Source: CBRT, Datastream, ISO, Turkstat

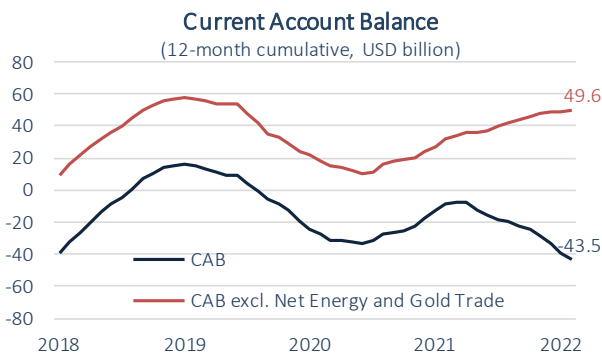
Foreign Trade and Balance of Payments

Foreign deficit increased by 421.7% yoy in October.

According to data released by TURKSTAT, exports increased by 3% yoy and became 21.3 billion USD in October, while imports rose by 31.4% to 29.2 billion USD. Thus, the foreign trade deficit widened by 421.7% on an annual basis and reached 7.9 billion USD in October. The import coverage ratio, which was 93.2% in October 2021, decreased to 73% in the same month of 2022.

Current account deficit became 359 million USD in October.

The current account, which had posted a surplus of 4.1 billion USD in October 2021, gave the lowest deficit of the last one-year with 359 million USD in October 2022. According to the Reuters survey, the market expectation was that the current account deficit would be 1.6 billion USD in this period.



In October, net energy imports were at the lowest level of the last 5 months due to the fall in energy prices. With the continued positive course in tourism and transportation revenues, the increase in net services revenues by 1.8 billion USD on an annual basis continued to support the current account outlook. On the other hand, the acceleration in the increase in non-monetary gold imports in October limited the improvement in the current account deficit.

While the current account deficit was 38.1 billion USD in the first 10 months of the year, the 12-month cumulative current account deficit reached its highest level since August 2018 with 43.5 billion USD. In this period, the current account balance,

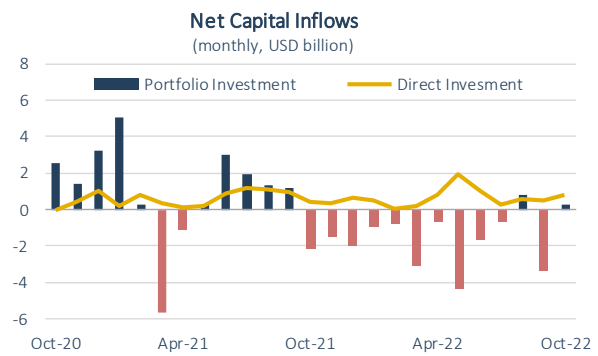
excluding net energy and gold trade, posted a surplus of 49.6 billion USD.

Foreign direct investments...

In October, net foreign direct investments amounted to 743 million USD. In this period, direct investments made by non-residents in Turkey reached the highest level of the last 4 months with 1.02 billion USD. Capital investments pointed to a limited improvement of 432 million USD, while real estate investments, realized at the level of 389 million USD, lost some momentum compared to the previous months.

Net inflows were recorded in portfolio investments in October.

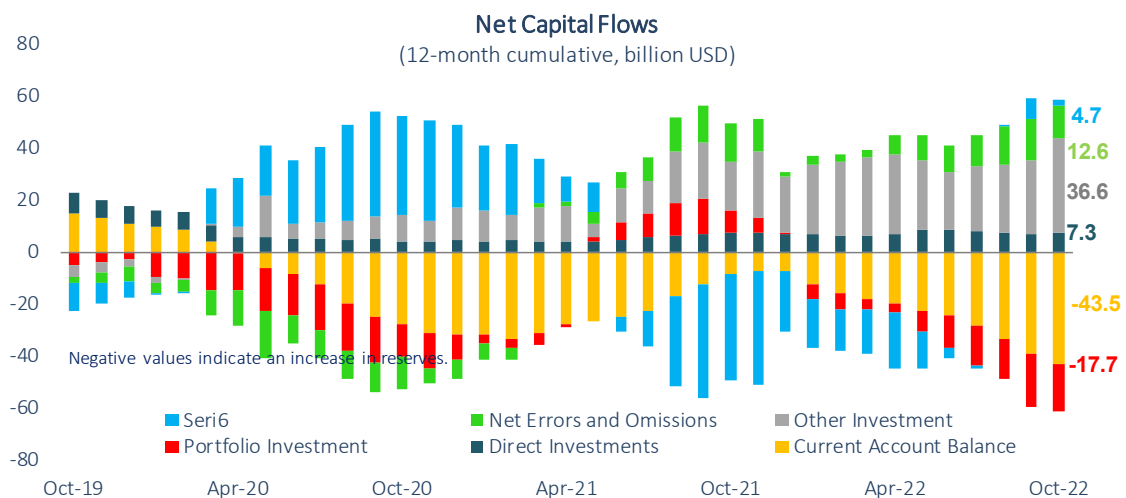
Net portfolio inflows amounted to 302 million USD in October. During this period, non-residents made net sales of 417 million USD and 125 million USD, respectively, in the stock and GDDS markets. In October, banks made repayments of approximately 1.4 billion USD for bonds issued abroad. On the other hand, the General Government's foreign bond issuance of 2.5 billion USD enabled net portfolio investments to register an inflow in October.



In the first 10 months of the year, an outflow of 3.8 billion USD from the stock market and 2.1 billion USD from the GDDS market was realized, while the total outflow in portfolio investments was 14.3 billion USD.

Net capital inflow of 3.7 billion USD in other investments...

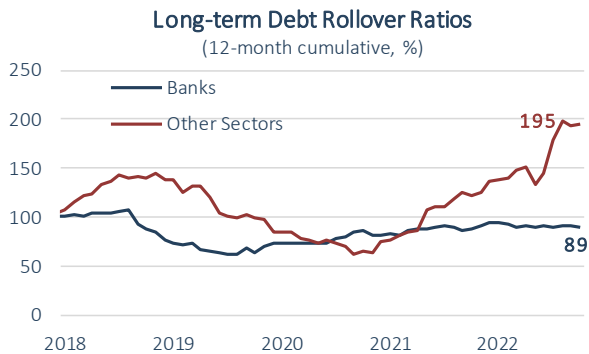
The net capital inflow recorded in other investments contributed 3.7 billion USD to the financing of the current account deficit



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

in October. In this period, the effective and deposits held by domestic banks at their correspondents abroad decreased by 1.65 billion USD, while the effective and deposits held by foreign banks at their domestic correspondents increased by 1.4 billion USD.



In October, banks repaid 557 million USD in loans taken from abroad. The General Government and other sectors became net loan users of 93 million USD and 133 million USD, respectively. According to the 12-month cumulative data, as of October, the long-term debt rollover ratio was 88.9% in the banking sector and 194.8% in other sectors.

Reserve assets increased by 5.1 billion USD in October.

Reserve assets, which recorded a rapid increase by 5.1 billion USD in October, rose by 6.3 billion USD as of the first 10 months of the year. In the net errors and omissions item, an inflow of 660 million USD was recorded in October and 21 billion USD since the beginning of the year.

Expectations...

Although the annual rate of increase in exports and imports lost momentum in November according to the preliminary data, the foreign trade deficit was realized as 8.8 billion USD. In addition to the relatively high level of the foreign trade deficit, the slow-down in economic activity in the main export markets and the uncertainties regarding commodity prices, especially energy, keep the risks on the current account deficit on the agenda.

Balance of Payments	(USD million)				
	Oct. 2022	Jan. - Oct. 2021	Oct. 2022	% Change	% 12-month Cumulative
Current Account Balance	-359	-1,953	-38,176	1,854.7	-43,454
Foreign Trade Balance	-6,463	-20,639	-74,416	260.6	-83,090
Services Balance	6,702	26,983	44,467	64.8	49,296
Travel (net)	5,184	21,371	33,809	58.2	37,422
Primary Income	-652	-9,239	-7,679	-16.9	-9,118
Secondary Income	54	942	-548	-	-542
Capital Account	-4	-64	-27	-57.8	-27
Financial Account	297	7,688	-17,233	-	-30,851
Direct Investment (net)	-743	-5,832	-6,321	8.4	-7,266
Portfolio Investment (net)	-302	-4,192	14,298	-	17,739
Net Acquisition of Financial Assets	287	951	3,768	296.2	5,077
Net Incurrence of Liabilities	589	5,143	-10,530	-	-12,662
Equity Securities	-417	-1,371	-3,758	174.1	-3,821
Debt Securities	1,006	6,514	-6,772	-	-8,841
Other Investment (net)	-3,717	-16,568	-31,474	90.0	-36,638
Currency and Deposits	-3,010	-10,574	-20,936	98.0	-19,798
Net Acquisition of Financial Assets	-1,403	2,133	3,938	84.6	7,036
Net Incurrence of Liabilities	1,607	12,707	24,874	95.8	26,834
Central Bank	15	4,755	7,307	53.7	7,300
Banks	1,592	7,952	17,567	120.9	19,534
Foreign Banks	935	5,820	7,418	27.5	9,415
Foreign Exchange	483	1,765	4,066	130.4	3,790
Turkish Lira	174	367	6,083	1,557.5	6,329
Non-residents	1,418	7,585	11,484	51.4	13,205
Loans	183	1,329	-5,230	-	-7,218
Net Acquisition of Financial Assets	-148	2,132	277	-87.0	406
Net Incurrence of Liabilities	-331	803	5,507	585.8	7,624
Banking Sector	-557	-3,031	-3,776	24.6	-4,277
Non-bank Sectors	133	4,093	8,951	118.7	11,547
Trade Credit and Advances	-884	-985	-5,264	434.4	-9,570
Other Assets and Liabilities	-6	0	-44	-	-52
Reserve Assets (net)	5,059	34,280	6,264	-81.7	-4,686
Net Errors and Omissions	660	9,705	20,970	116.1	12,630

Source: CBRT, Datastream

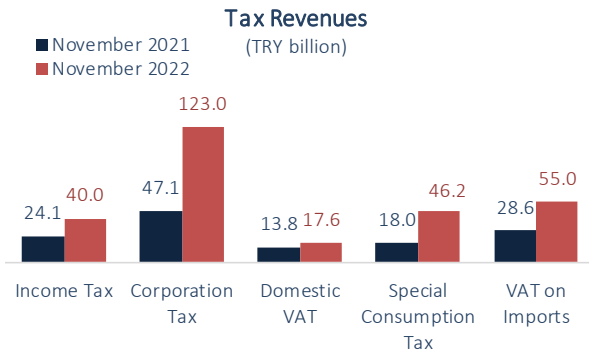
Budget Balance

Central government budget posted a surplus of 108.3 billion TRY in November.

The central government budget posted a surplus of 108.3 billion TRY in November thanks to the rapid increase in revenues as well as the decline in expenditures in real terms. In November, budget revenues surged by 107.3% compared to the same month of the previous year and reached 347.7 billion TRY, while budget expenditures rose by 76.4% yoy, below the inflation rate, to 239.4 billion TRY. In this period, the primary balance gave a surplus of 132.7 billion TRY. In the January-November period, budget expenditures expanded by 94.7% on an annual basis, while revenues doubled in the same period. Thus, in the first 11 months of the year, the budget deficit was realized as 20.4 billion TRY.

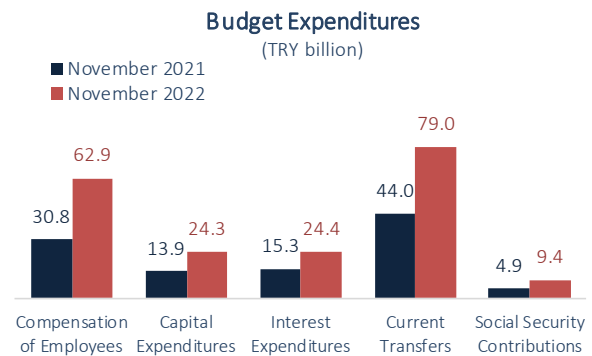
Tax revenues amounted to 312 billion TRY in November.

In November, tax revenues increased by 109.6% on an annual basis and were recorded as the highest monthly tax revenues on a monthly basis with 312 billion TRY. This development was driven by provisional corporation tax, which went up by 189.7% yoy and contributed 48.1 points to the annual increase in budget revenues. In addition, SCT revenues, which expanded by 156.7% yoy in November with the support of the rises in SCT's from petroleum and natural gas as well as motor vehicles, contributed significantly to the rise in budget revenues with 16.8 points. While domestic VAT increased slightly in November, the contribution of VAT on imports remained at a high level with 15.7 points. Interest incomes, which increased more than 6 times on an annual basis in November, also contributed 9.4 billion TRY to the annual rise in budget revenues.



There were no budget payment for KKM in November.

Non-interest expenditures climbed by 76.4% yoy in November, below the inflation rate for the first time since May. In this period, increasing by 79.6% on an annual basis, current transfers raised budget expenditures by 25.8 points. Current transfers rose due to increases in health, retirement, and social assistance costs, as well as the amounts allocated to local governments. Compensation of employees nearly doubled on an annual basis in November, reaching 62.9 billion TRY. The annual decline in payments made to PEs within the scope of domestic debt transfers and the absence of expenditure on Currency Protected Deposits (KKM) accounts restrained the expansion in budget expenditures. In November, interest expenses increased by 59.3% and reached 24.4 billion TRY.



Expectations...

The central government budget posted a surplus in November thanks to the rapid rise in budget revenues, especially in corporate taxes, and the low increase in budget expenditures compared to the first 10 months of the year. In the January-November period, the central government budget deficit was realized as 20.4 billion TRY, well below the year-end forecast of 461 billion TRY in the Medium Term Program. Although the budget posts generally high deficits in the month of December, the realization in the first 11 months of the year indicates that the budget deficit may remain slightly below the targeted level in the whole year of 2022.

Central Government Budget

	November		%	January-November		%	2022 Budget Target	MTP Target	Real./ Budget Target (%)
	2021	2022		Change	2021				
Expenditures	135.8	239.4	76.4	1,318.8	2,567.6	94.7	2,831.5	3,133.7	81.9
Interest Expenditures	15.3	24.4	59.3	171.9	292.7	70.3	329.8	329.8	88.7
Non-Interest Expenditures	120.4	215.0	78.5	1,146.9	2,274.9	98.3	2,501.7	2,803.9	81.1
Revenues	167.8	347.7	107.3	1,272.3	2,547.2	100.2	2,553.1	2,672.5	95.3
Tax Revenues	148.9	312.0	109.6	1,053.4	2,141.8	103.3	2,186.0	2,269.6	94.4
Other Revenues	18.9	35.7	89.1	218.9	405.4	85.2	367.1	402.9	100.6
Budget Balance	32.0	108.3	238.5	-46.5	-20.4	-56.0	-278.4	-461.2	4.4
Primary Balance	47.3	132.7	180.5	125.4	272.2	117.1	51.4	-131.4	-

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

Source: Datastream, Ministry of Treasury and Finance

Inflation

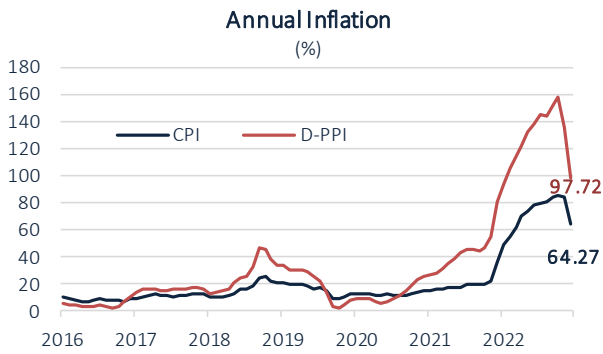
In December, monthly CPI increase was 1.18%.

In December, CPI increased by 1.18% compared to the previous month, below market expectations, and recorded the lowest increase in the last 16 months. According to the Reuters poll, the market expectation was that the CPI would increase by 2.58% on a monthly basis. In this period, monthly domestic PPI (D-PPI) decreased for the first time since November 2019, by 0.24%.

December (change %)	CPI		D-PPI	
	2021	2022	2021	2022
Monthly	13.58	1.18	19.08	-0.24
Annual	36.08	64.27	79.89	97.72
Annual Average	19.60	72.31	43.86	128.47

High base effect in annual inflation indicators...

Annual CPI inflation recorded a rapid decline in December due to the high base and became 64.27%, the lowest level of the last nine months. Thus, annual CPI inflation remained below the CBRT's year-end forecast. In this period, the annual D-PPI inflation fell to 97.72%, the lowest level since January, thanks to the base effect as well as the downward trend in energy prices.



In December, transportation group prices fell sharply on a monthly basis.

In December, prices in 10 out of the 12 main spending groups increased on a monthly basis. In this period, prices in the health group went up rapidly by 5.91% due to the adjustments in pharmaceutical prices. Having the highest share among the expenditure groups, the food and non-alcoholic beverages group increased the monthly CPI inflation the most by 50 basis points in December. In this period, due to the rapid decline in average fuel prices, the transportation group pulled monthly CPI inflation down by 69 basis points. The clothing and footwear group, where prices decreased by 1.34% mom, also limited CPI inflation by 7 basis points. On an annual basis, the groups that pushed up the CPI the most were the food and non-alcoholic beverages group with 19.71 points and the housing group with 11.27 points.

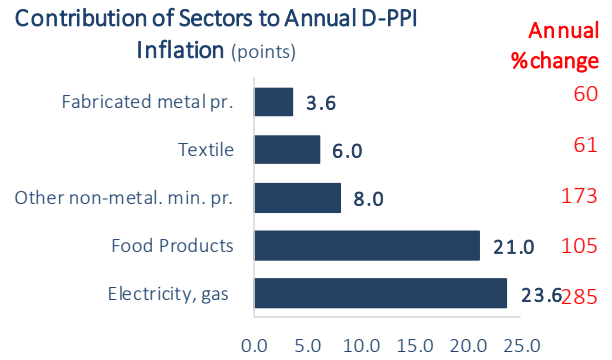
Core inflation indicators...

The fall in fresh fruit and vegetable prices in December limited the price increase in the food group. In this period, monthly CPI inflation, excluding seasonal products, was 1.54%, above the

headline inflation. B index (CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco and gold) and C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) rose by 57.68% and 51.93%, respectively, on an annual basis in December.

The fall in energy prices pulled the D-PPI down.

The decline in average energy prices on a global scale was behind the decrease of D-PPI by 0.24% mom in December. The biggest contribution to the decrease in D-PPI was from electricity and gas production and distribution group (214 bps), where prices fell by 11.78% compared to the previous month. The decrease in producer prices of coke and refined petroleum products, and crude oil and natural gas also pulled the D-PPI inflation down by 33 basis points. On the other hand, prices in all sectors except energy increased in December. In this period, with two different adjustments in pharmaceutical prices, the basic pharmaceutical products sector came to the fore, where prices surged by 23.5% compared to November.



Significant price increases were experienced in all sectors throughout 2022. While the highest price increase was realized in electricity and gas production and distribution sector with 285% throughout the year, this sector pushed up the annual D-PPI inflation by 23.64 points. The second largest contribution to D-PPI inflation came from food products (21.02 bps), where prices rose by 105.3%. In the mining and non-metallic mineral products sector, prices surged by 180% in 2022. It was noteworthy that the annual inflation in the basic metal sector, which exceeded 150% in 2022 due to the rise in global metal prices, came down to 33.1% in December because of the decline in metal prices in relation to global recession concerns.

Expectations...

In the first half of 2023, we expect inflation indicators to follow a downward trend due to the high base effect as well as the reduction in the prices of electricity and natural gas used in industrial production. On the other hand, the developments in the USD/TRY and global commodity prices are important for the inflation outlook. In this framework, the course of global economic activity, geopolitical developments and the impact of climate conditions on commodity prices will be closely monitored in terms of inflation developments in Türkiye.

	30-Nov	30-Dec	Change
5-Y CDS (basis points)	522	505	-17 bps ▼
TR 2-Y Benchmark Yield	10.71%	9.97%	-74 bps ▼
BIST-100	4,978	5,509	10.7% ▲
USD/TRY	18.5895	18.6883	0.5% ▲
EUR/TRY	19.3682	20.0002	3.3% ▲
Currency Basket*	18.9789	19.3443	1.9% ▲

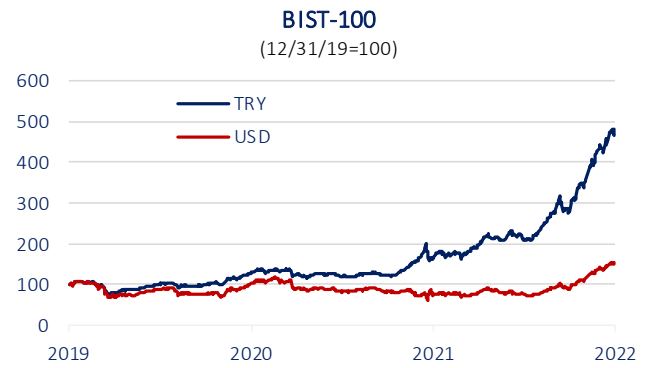
(*) (0.5 USD/TRY + 0.5 EUR/TRY)

Global stock markets ended 2022 with a decline.

In December, there was a downward trend in global stock markets in general, due to the messages given by the Fed that it would continue to raise interest rates. Despite China's easing in its strict "zero-Covid" measures and data indicating that the strong course of the labor markets in the US has lost some momentum in recent weeks, the MSCI World Stock Exchange index decreased by 4.3% mom. Thus, the index decreased by 19.2% yoy in 2022. With the effect of the tightening steps taken by the Fed, the 10-year Treasury bond yield of the US, which saw its highest level since 2008 with 4.23% during the year, closed the year at the level of 3.83%. In addition, the DXY index increased by 7.9% yoy in 2022.



In Türkiye, financial markets followed a relatively positive course in December. In this period, while the BIST-100 index increased by 10.7% mom, reaching its historical high level, Türkiye's 5-year CDS premium decreased slightly. The BIST-100 index differed positively from global markets on an annual basis as well, and completed 2022 with an increase of 196.6%. In this period, the transportation sector recorded the highest rise in stock markets with 534.9%, while the banking sector displayed a positive performance with an increase of 209.2%. While the interest rate of the 2-year benchmark bond decreased to 9.97% with a decline of 12.8 points yoy, the annual rises in USD/TL and EUR/TL rates were 40.3% and 32.1%, respectively.



CBRT did not change the policy rate.

In the Monetary Policy Committee meeting held on December 22, CBRT kept the policy rate unchanged at 9%, in line with expectations. In the text published after the meeting, CBRT stated that supply-side factors and demand developments such as increases in energy costs caused by geopolitical risks, increases in global energy, food and agricultural commodity prices, and disruptions in supply processes were effective in the high levels of inflation.

CBRT announced its Monetary Policy and Liraization Strategy.

In its "Monetary Policy and Liraization Strategy" published on December 30, CBRT stated that policies supporting the effectiveness of the monetary transmission mechanism will be maintained and announced that the target for liraization in deposits for the first half of 2023 has been determined as 60%. In addition, within the scope of new macroprudential measures, the CBRT announced that the period of securities facility applications according to the loan interest rate and loan growth rate was extended until December 29, 2023, and the scope of assets and liabilities subject to securities facility has been expanded. In addition, other financial institutions were also included in the securities regulation and at the first stage, factoring companies were obliged to establish securities based on the interest rate applied to factoring receivables in TRY. While the facility of establishing TRY required reserves in gold will be terminated as of June 23, 2023 the interest rates to be applied in rediscount and advance transactions have been redefined.

Securities portfolio of non-residents...

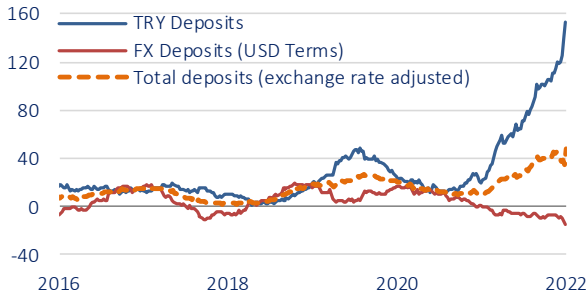
According to the securities statistics announced by the CBRT, as of December 23, the stock portfolio of non-residents, adjusted for price and exchange rate movements, decreased by net 501 million USD and the GDDS portfolio by net 47 million USD since the end of November. Thus, a net foreign capital outflow of 4 billion USD from the stock market and 2.5 billion USD from the GDDS market has been realized since the end of 2021.

Source: CBRT, Datastream, Reuters,

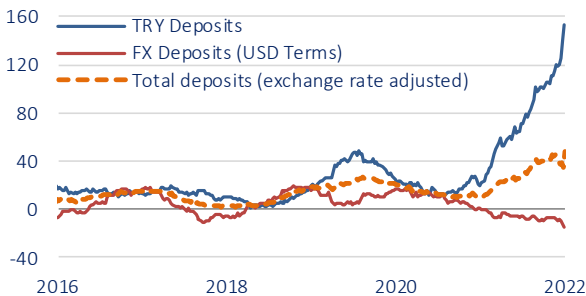
Banking Sector

Currency Protected Deposit volume stood at 1.5 trillion TRY.

According to the BRSA Weekly Bulletin figures, as of December 23, the TRY deposit volume expanded by 152.6% yoy to 4.7 trillion TRY due to the effect of high inflation as well as the currency protected deposit accounts. In the same period, FX deposit volume in USD terms declined by 15.2% to 221 billion USD. Thus, the total deposit volume increased by 80.5% yoy and reached 8.8 trillion TRY. The annual rise in deposit volume, adjusted for exchange rate effects, was 48.5%. According to the data announced by the BRSA, the total currency protected deposit accounts volume stood at 1.5 trillion TRY as of December 23.

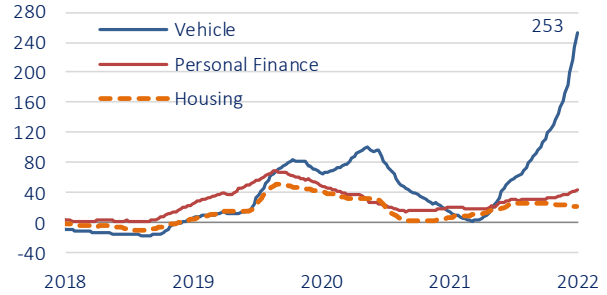
Deposit Growth
(annual % change)**Total loan volume reached 7.5 trillion TRY.**

As of December 23, the total loan volume of the banking sector rose by 61.7% yoy to 7.5 trillion TRY. In this period, TRY loan volume expanded by 78% yoy and exceeded the level of 5 trillion TRY, while FX loan volume in USD terms contracted by 15.4% yoy and was realized as 133.4 billion USD, the lowest level of the last 9 years. As of December 23, the exchange rate adjusted increase in loan volume was 41.4% yoy.

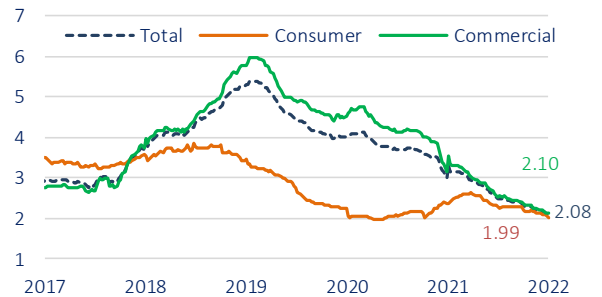
Deposit Growth
(annual % change)**The rise in vehicle loans gained momentum in December.**

As of December 23, consumer loans showed the fastest annual increase in the last two years with 37.7%, while consumer credit cards volume continued to expand at a record high with 107.4%. In this period, the annual rise in

housing loans continued to lose momentum and was realized as 20.5%, due to the weak course in housing sales. Consumer loans, which have the largest share in consumer loans, expanded by 42.6% yoy as of December 23. In the same period, vehicle loans surged by 253.1%, fastest increase since 2004, thanks to the rapid rise in vehicle prices, and reached the level of 46.6 billion TRY.

Consumer Loans
(annual % change)**NPL ratio was realized as 2.08%.**

Non-performing loans ratio continued to decrease mainly due to the expansion in loan volume and declined to its historical low level of 2.08% as of December 23. NPL ratio was 1.99% in consumer loans and 2.10% in commercial loans.

Non-performing Loans
(%)**Foreign currency net general position...**

As of December 23, FX net general position was (-) 26,775 million USD in on-balance sheet and (+) 29,256 million USD off-balance sheet. Thus, the banking sector's net FX position was realized as (+) 2,480 million USD as of December 23. According to the BRSA's decision published in the Official Gazette, the upper limit applied for the ratio of banks' FX net general position to own funds was reduced from 20% to 5%, effective from 9 January 2023.

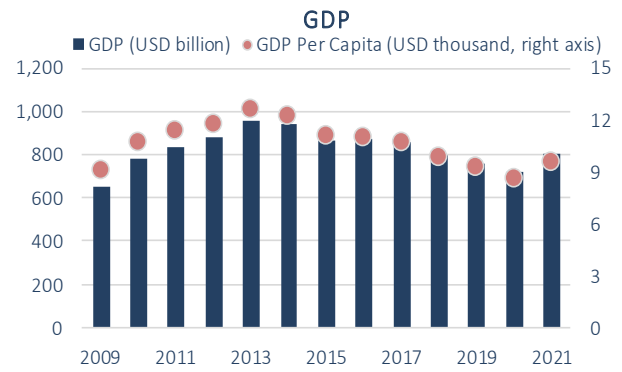
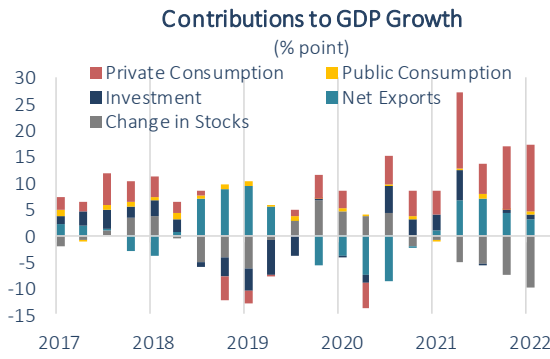
Source: BRSA Weekly Bulletin

Concluding Remarks

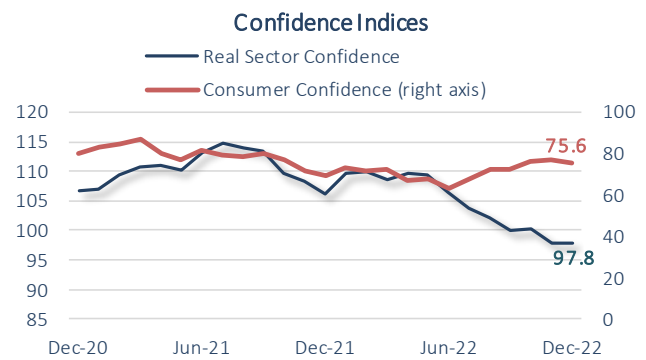
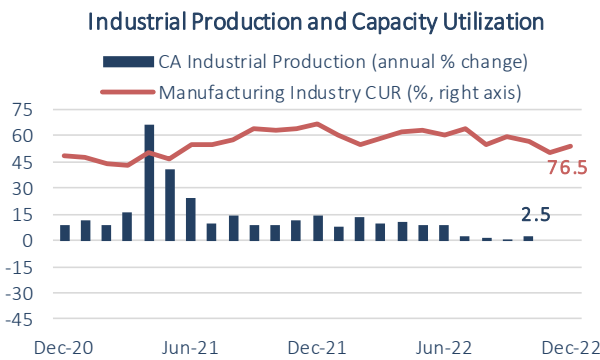
In the last month of 2022, inflation developments and taken steps by major central banks against inflation continued to stand out in global economic agenda. In parallel to recent improvements in inflation outlook, Fed, ECB and BoE slowed the pace of the tightening steps compared to the previous months and each of them hiked policy interest rates by 50 basis points at their December meetings. The messages given by the central bank officials indicate that the tight monetary stance will be preserved until a permanent decrease in inflation is achieved. The views that said tightening may result with a global recession, especially in developed economies, remained high on the agenda as well.

In Türkiye, while the manufacturing PMI pointed out that the contraction in the sector continued in December, albeit at a slower pace, the limited improvement in sectoral confidence indices drew attention in this period. Inflation declined rapidly on an annual basis in December due to the high base effect as well as the fall in energy costs driven by global price developments. On the other hand, the slowdown in the main export markets puts pressure on the export volume and limits the performance of the manufacturing sector. The effects of regulations in minimum wage increase, the early retirement, and the new housing campaign for middle-income people on inflation, the employment market and the central government budget will be closely monitored in the New Year.

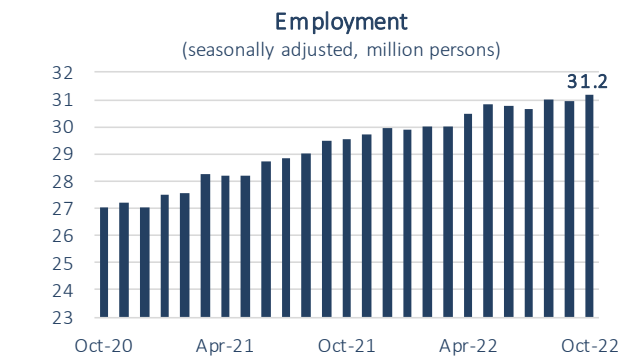
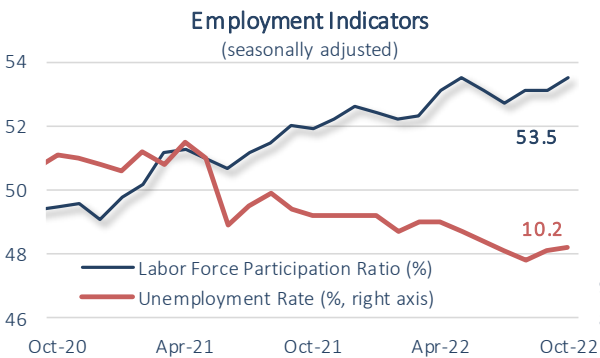
Growth



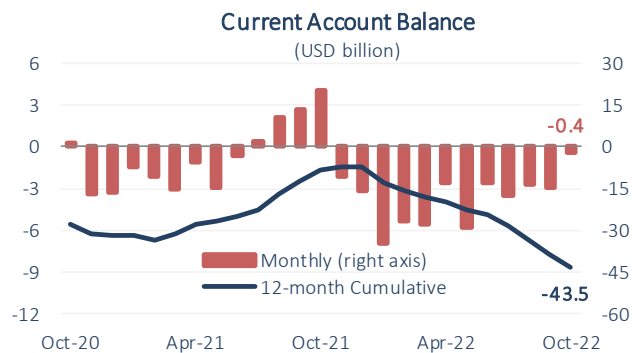
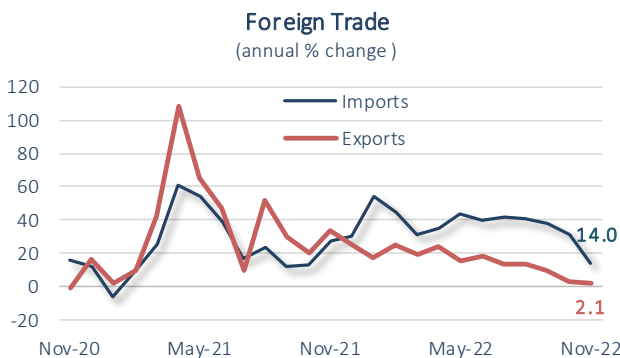
Leading Indicators



Labor Market



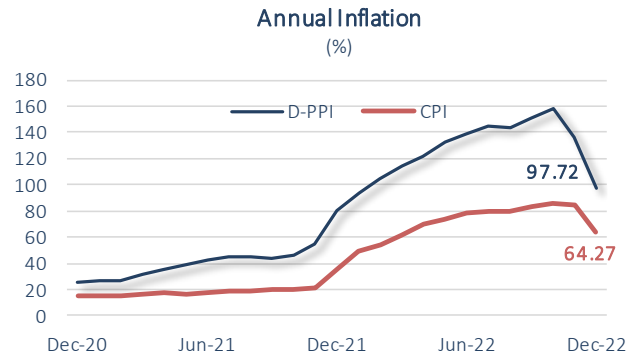
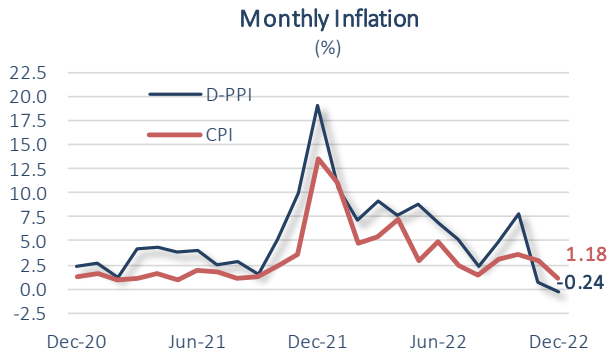
Foreign Trade and Current Account Balance



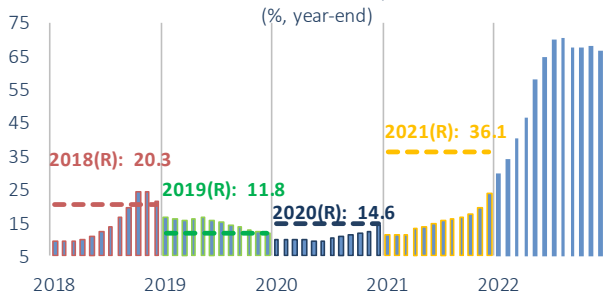
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

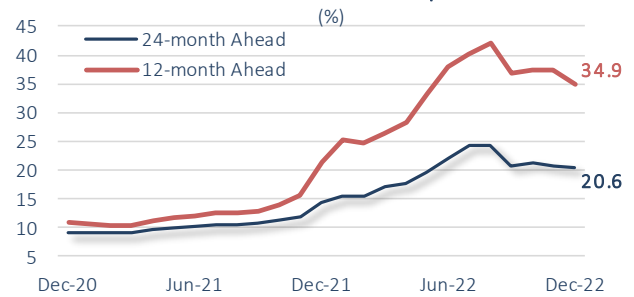
Inflation



CBRT Survey of Market Participants - Annual CPI Inflation Expectations

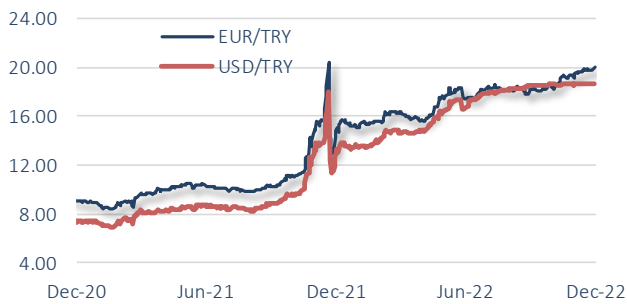


CBRT Survey of Market Participants - 12 & 24-month Ahead CPI Inflation Expectations

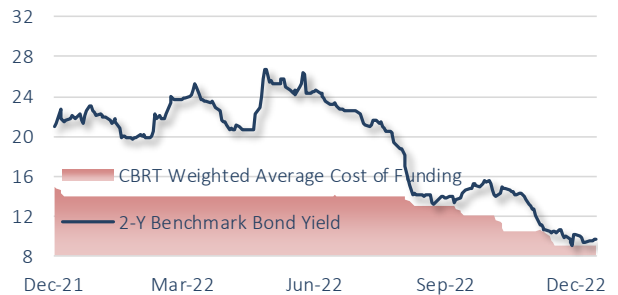


Foreign Exchange and Bond Market

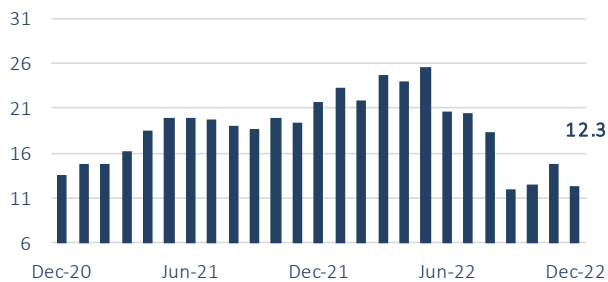
Exchange Rates



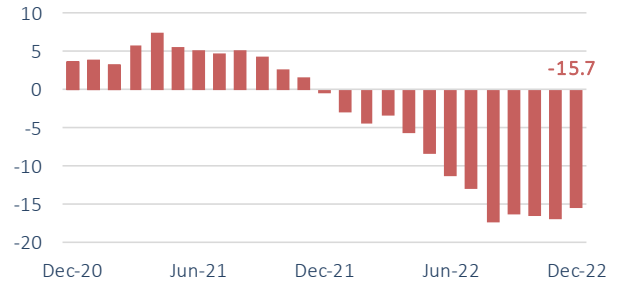
CBRT WACOF and 2-Y Benchmark Bond Yield (%)



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	Q3-22
GDP (USD billion)	859	797	760	717	807	181	220	242
GDP (TRY billion)	3,134	3,759	4,312	5,048	7,249	2,508	3,425	4,258
GDP Growth Rate (%)	7.5	3.0	0.8	1.9	11.4	7.5	7.7	3.9
Inflation (%)						Oct-22	Nov-22	Dec-22
CPI (annual)	11.92	20.30	11.84	14.60	36.08	85.51	84.39	64.27
Domestic PPI (annual)	15.47	33.64	7.36	25.15	79.89	157.69	136.02	97.72
Seasonally Adjusted Labor Market Figures						Aug-22	Sep-22	Oct-22
Unemployment Rate (%)	9.9	12.7	13.4	12.8	11.2	9.8	10.1	10.2
Labor Force Participation Rate (%)	52.8	53.2	52.6	49.1	52.6	53.1	53.1	53.5
FX Rates						Oct-22	Nov-22	Dec-22
CPI Based Real Effective Exchange Rate	86.3	76.3	76.1	62.0	47.7	55.5	55.7	
USD/TRY	3.79	5.32	5.95	7.43	13.28	18.60	18.59	18.72
EUR/TRY	4.55	6.08	6.68	9.09	15.10	18.39	19.15	19.98
Currency Basket (0.5*EUR+0.5*USD)	4.17	5.70	6.32	8.26	14.19	18.49	18.87	19.35
Foreign Trade Balance ⁽¹⁾ (USD billion)						Sep-22	Oct-22	Nov-22
Exports	164.5	177.2	180.8	169.6	225.2	252.5	253.1	253.5
Imports	238.7	231.2	210.3	219.5	271.4	349.4	356.4	360.2
Foreign Trade Balance	-74.2	-54.0	-29.5	-49.9	-46.2	-97.0	-103.3	-106.6
Import Coverage Ratio (%)	68.9	76.6	86.0	77.3	83.0	72.3	71.0	70.4
Balance of Payments ⁽¹⁾ (USD billion)						Aug-22	Sep-22	Oct-22
Current Account Balance	-40.0	-20.1	10.8	-31.9	-7.3	-33.4	-39.0	-43.5
Capital and Financial Accounts	-49.7	1.1	5.1	-39.5	-6.0	-22.5	-28.0	-30.9
Direct Investments (net)	-8.5	-8.9	-6.6	-4.6	-6.9	-7.3	-6.9	-7.3
Portfolio Investments (net)	-24.4	0.9	2.8	9.6	-0.8	15.7	20.2	17.7
Other Investments (net)	-8.5	19.4	2.6	-12.6	-21.7	-29.8	-33.1	-36.6
Reserve Assets (net)	-8.2	-10.4	6.3	-31.9	23.3	-1.0	-8.3	-4.7
Net Errors and Omissions	-9.7	21.1	-5.8	-7.6	1.4	10.9	11.0	12.6
Current Account Balance/GDP (%)	-4.7	-2.5	1.4	-4.4	-0.9	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Sep-22	Oct-22	Nov-22
Expenditures	678.3	830.8	1000.0	1203.7	1599.6	2020.8	2328.2	2567.6
Interest Expenditures	50.2	74.0	99.9	134.0	180.9	207.1	268.3	292.7
Non-interest Expenditures	628.0	756.8	900.1	1069.8	1418.8	1813.6	2059.9	2274.9
Revenues	630.5	758.0	875.3	1028.4	1407.4	1975.3	2199.4	2547.2
Tax Revenues	536.6	621.5	673.9	833.3	1164.8	1648.0	1829.8	2141.8
Budget Balance	-47.8	-72.8	-124.7	-175.3	-192.2	-45.5	-128.8	-20.4
Primary Balance	8.9	1.1	-24.8	-41.3	-11.4	161.6	139.5	272.2
Budget Balance/GDP (%)	-1.5	-1.9	-2.9	-3.5	-2.7	-	-	-
Central Government Debt Stock (TRY billion)						Sep-22	Oct-22	Nov-22
Domestic Debt Stock	535.4	586.1	755.1	1060.4	1321.2	1,738.3	1,800.5	1,854.1
External Debt Stock	341.0	481.0	574.0	752.5	1426.5	1936.5	2007.3	2053.7
Total Debt Stock	876.5	1067.1	1329.1	1,812.8	2,747.7	3,674.7	3,807.8	3,907.9

(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	Oct.22	Nov.22	Change ⁽¹⁾
TOTAL ASSETS	3,258	3,867	4,491	6,106	9,215	13,453	13,807	49.8
Loans	2,098	2,394	2,656	3,576	4,901	7,035	7,275	48.4
TRY Loans	1,414	1,439	1,642	2,353	2,832	4,569	4,796	69.3
Share (%)	67.4	60.1	61.8	65.8	57.8	65	65.9	-
FX Loans	684	956	1,015	1,224	2,069	2,466	2,478	19.8
Share (%)	32.6	39.9	38.2	34.2	42.2	35	34.1	-
Non-performing Loans	64.0	96.6	150.8	152.6	160.1	161	161.6	0.9
Non-performing Loan Rate (%)	3.0	3.9	5.3	4.1	3.2	2	2.2	-
Securities	401	477	660	1,022	1,476	2,218	2,305	56.2
TOTAL LIABILITIES	3,258	3,867	4,491	6,106	9,215	13,453	13,807	49.8
Deposits	1,711	2,036	2,567	3,455	5,303	8,348	8,507	60.4
TRY Deposits	955	1,042	1,259	1,546	1,880	3,951	4,243	125.6
Share (%)	55.8	51.2	49.0	44.7	35.5	47	49.9	-
FX Deposits	756	994	1,308	1,909	3,423	4,396	4,264	24.6
Share (%)	44.2	48.8	51.0	55.3	64.5	53	50.1	-
Securities Issued	145	174	194	224	310	312	316	2.0
Payables to Banks	475	563	533	658	1,048	1,406	1,398	33.3
Funds from Repo Transactions	99	97	154	255	587	404	511	-13.0
SHAREHOLDERS' EQUITY	359	421	492	600	714	1,266	1,330	86.2
Profit (Loss) of the Period	48.6	54.1	49.0	58.5	93.0	335.9	389.0	-
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	52.3	52.7	-
Securities/Assets	12.3	12.4	14.7	16.7	16.0	16.5	16.7	-
Deposits/Liabilities	52.5	52.6	57.1	56.6	57.5	62.1	61.6	-
Loans/Deposits	122.6	117.6	103.5	103.5	92.4	84.3	85.5	-
Capital Adequacy (%)	16.9	17.3	18.4	18.7	18.4	19.2	19.3	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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