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Economic Research Division

Alper Gürler
Division Head
alper.gurler@isbank.com.tr

H. Erhan Gül
Unit Manager
erhan.gul@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Ahmet Berat Ocak
Asst. Economist
berat.ocak@isbank.com.tr

Utkan İnam
Asst. Economist
utkan.inam@isbank.com.tr

Oğulcan Delil
Asst. Economist
ogulcan.delil@isbank.com.tr

Global Economy

Annualized growth data for the last quarter of 2022 in the US was revised from 2.9% to 2.7% in line with the decrease in global demand. In the first month of the new year, personal consumption expenditures recorded the fastest increase in nearly two years, drawing a positive picture of economic activity.

While the services PMI showed a strong recovery in the Euro Area in February, the manufacturing PMI dropped to 48.5 indicating a contraction in the sector for the eighth consecutive month.

In the US, inflation data for January came in above the market expectations. Annual core CPI inflation in the Euro Area reached its historical high in February.

In China, consumer inflation rose to 2.1% in January parallel with the lifting of the pandemic restrictions and the Chinese New Year holiday supporting consumption expenditures.

While the data releases showed that inflationary pressures persisted around the world, the statements of Fed and ECB officials pointed out that the fight against inflation will continue.

According to the IIF report, global debt stock decreased by 4 trillion USD to 299 trillion USD in 2022. The share of debt stock in global GDP was 337.3%.

In February, commodity prices followed a downward trend. Industrial metal prices fell sharply due to concerns about demand conditions, while oil prices decreased by 0.7% on a monthly basis.

Turkish Economy

On February 6th, Türkiye was hit by several earthquakes in Kahramanmaraş. Public institutions announced various measures to mitigate the effects of the disaster.

Turkish economy grew by 3.5% yoy in the last quarter of 2022 and by 5.6% in 2022. While consumption expenditures contributed 12.8 points to growth throughout the year, the contribution of investments and net exports remained relatively limited.

Seasonally adjusted unemployment rate increased by 0.1 points compared to the previous month and became 10.3% in December, while employment rate was 48.5%.

Manufacturing PMI, which remained unchanged at 50.1 on a monthly basis, pointed out that the operating conditions in the sector was flat in February.

In 2022, the current account deficit rose to 48.8 billion USD, the highest level since 2013.

Due to the rapid increase in expenditures, central government budget posted a deficit of 32.2 billion TRY in January.

At the Monetary Policy Committee meeting held on February 23, the CBRT lowered the policy rate by 50 basis points to 8.5%.

In February, with the effect of high base, annual inflation decreased to 55.18% in CPI, while it declined to 76.61% in D-PPI, the lowest level since November 2021.

Borsa İstanbul, which was closed in the period of 8-15 February after the earthquake, increased by 5.2% throughout the month with the support of the measures taken, and completed February at 5,237.

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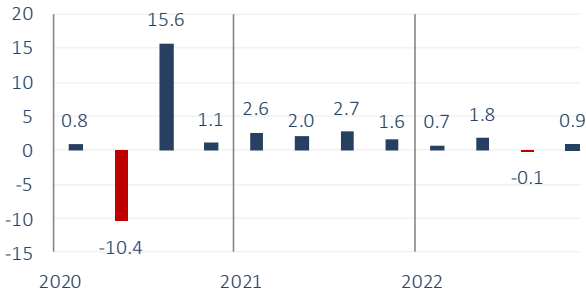
Türkiye was hit by the earthquake disaster in February.

Türkiye was hit by severe earthquakes in Kahramanmaraş on February 6. Due to the disaster, a state of emergency was declared in 10 provinces, lasting for 3 months. While nearly 46 thousand people lost their lives in the earthquakes, 212K buildings consisting of 604,856 sections in the region were found to be heavily damaged and demolished, requiring urgent demolition. According to the province-based GDP data for 2021, 11 provinces affected by the earthquake have a share of 9.8% in Türkiye's total national income. The public authorities announced various measures such as allocating 100 billion TRY for the use of institutions in the region that was damaged, increasing the credit guarantee fund by 100 billion TRY, providing subsidies to households through payments, and deferring tax collections. In addition, while the short-time working allowance was introduced in order to alleviate the impact of the disaster on the labor markets, a ban on termination of employment contracts was introduced during the state of emergency, except for certain circumstances. The CBRT and the BRSA also made various arrangements for institutions and households in the disaster-affected region.

Turkish economy grew by 5.6% in 2022.

According to chain linked volume index, Turkish economy grew by 3.5% in the last quarter of 2022 compared to the same period of the previous year. According to seasonally and calendar adjusted figures, GDP, which contracted by 0.1% in the third quarter compared to the previous quarter, expanded by 0.9% qoq in the last quarter. Thus, after the 11.4% growth in 2021, Turkish economy outperformed the expectations with 5.6% in 2022.

Seasonally and Calendar Adjusted GDP
(quarterly % change)



In 2022, Turkish economy expanded by 107% yoy at current prices, exceeding 15 trillion TRY. Thus, GDP in USD terms reached 905.5 billion, while GDP per capita rose to 10,655 USD. According to the released data, the budget deficit/GDP ratio for this year became 0.9%, the current account deficit/GDP ratio was realized as 5.4%, and the central government debt stock/GDP ratio was 27.8%.

The pressure of the stock change on growth continued.

According to chain linked volume index, the contribution of private consumption expenditures to growth remained high with 10.4 points in the last quarter. In this period, public expenditures made the highest contribution to GDP growth in the last 18 quarters with 1.2 points. In the last quarter of the year, due to the rapid expansion in imports as well as the weak course of exports, net exports limited growth for the

first time in nearly two years with -3.1 points. On the other hand, investment expenditures contributed 0.6 points to growth in this period. In addition, increase in construction investments, which had contracted for the last 1.5 years, drew attention. In this period, the weakest increase of the last ten quarters was recorded in machinery-equipment investments.

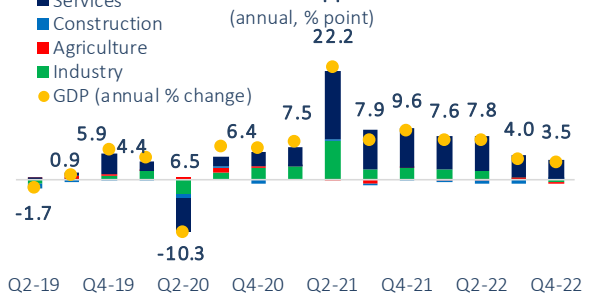
Contributions to GDP Growth (% points)

	2021		2022			
	Annual	Q1	Q2	Q3	Q4	Annual
Consumption	9.5	13.1	13.8	12.9	11.6	12.8
Private	9.1	12.5	13.5	12.3	10.4	12.1
Public	0.4	0.6	0.2	0.6	1.2	0.7
Investment	1.9	1.2	1.4	-0.2	0.6	0.7
Change in Stock	-4.9	-9.5	-10.1	-9.3	-5.6	-8.5
Net Export	4.8	2.9	2.7	0.6	-3.1	0.6
Exports	5.3	3.4	3.9	2.8	-0.8	2.2
Imports	-0.5	-0.4	-1.1	-2.2	-2.3	1.6
GDP	11.4	7.6	7.8	4.0	3.5	5.6

The industrial sector contracted by 3% yoy in the last quarter.

Analyzing contributions to growth figures by production approach reveals that agriculture and industry sectors suppressed growth in the last quarter of the year. The industrial sector, which has been growing since the second half of 2020, contracted by 3% on an annual basis in the last quarter of 2022, limiting the growth by 0.6 points. In this period, the services sector maintained its strong performance by contributing 3.9 points to growth. According to chain linked volume index, the construction sector, which grew (by 2% yoy) for the first time following the contraction in the last 5 quarters, contributed to the growth by 0.1 points.

Contributions to GDP Growth by Production Approach*
(annual, % point)



Expectations...

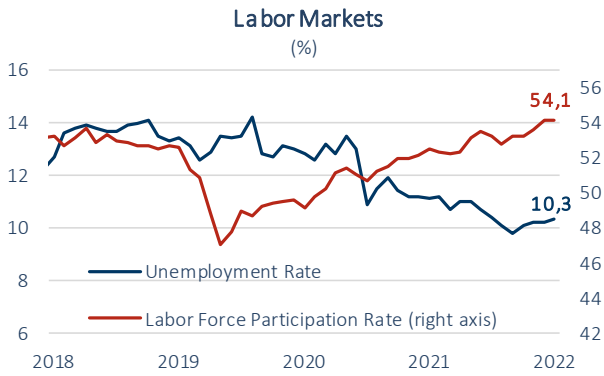
In 2022, pulled-forward demand in the high inflationary environment supported the growth. We estimate that consumption expenditures will continue to contribute to GDP growth in 2023, albeit losing some momentum. On the other hand, we anticipate that the expected slowdown in our export markets, especially in the Euro Area, may put pressure on growth through net exports. We consider that the impact of public expenditures on growth may increase in this period when the effects of the earthquake on economic growth will be closely monitored.

Source: Datastream, Turkstat

Leading Indicators

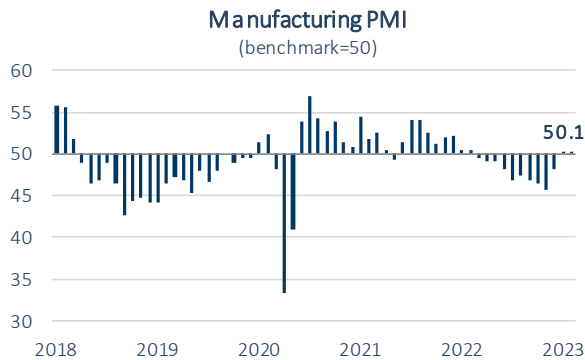
Unemployment rate became 10.3% in December.

According to seasonally adjusted data, in December 2022, compared to November, the workforce increased by 80K people and employment increased by 18K people. Thus, while the number of unemployed increased by 62K, the unemployment rate rose from 10.2% to 10.3% in December. In this period, employment rate was 48.5% and labor force participation rate was 54.1%. Labor underutilization rate, which expresses the ratio of time related underemployment, unemployed and potential labor force increased to 21.4%. In this period, the annual increase in employment was 321K, 135K and 538K people in the industry, construction, service and trade sectors, respectively.



Manufacturing PMI remained unchanged in February.

Manufacturing PMI, which remained unchanged at 50.1 in February, pointed out that the operating conditions in the sector was flat. The interruption of the operations of some companies due to the earthquake disaster shrank the production volume in the sector. On the other hand, the highest increase in the last 10 months was recorded in the delivery times of the suppliers due to the difficulties caused by the earthquake in the supply and delivery of inputs. In February, when the slowdown in new orders accelerated due to the earthquakes, new export orders also lost momentum. The halt in the production lines and the difficulties experienced in the supply of products caused the manufacturers to reduce their purchasing activities and decrease their input stocks. Stocks of



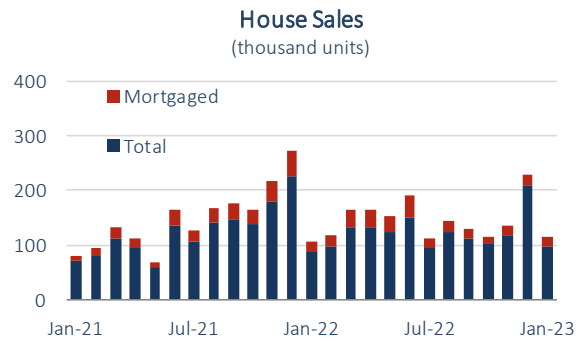
finished products also decreased at the highest rate since December 2021. Production contracted in 9 out of 10 sectors in February, while it increased in the basic metal industry.

Confidence indices generally declined in February.

Seasonally adjusted real sector confidence index decreased by 1 point compared to the previous month and became 102.4 in February due to the decrease in the sub-items of export orders for the next three months, production volume and general outlook. Seasonally adjusted consumer confidence index, in which most of the data was collected before the earthquake disaster, increased by 4.3% mom in February, reaching 82.5, the highest level since March 2021. In the same period, sectoral confidence index decreased by 2.2% in services sector, 2.4% in retail trade sector and 3.6% in construction sector on a monthly basis. Thus, the economic confidence index, which is calculated by combining real sector, consumer and sectoral confidence indices by weighting, decreased from 99.3 to 99.1 with a limited decrease of 0.3% compared to the previous month and continued its course under threshold of 100.

Housing sales increased on a yearly basis for the first time since June 2022.

Housing sales rose by 10.6% yoy in January and became 97,708 units. Thus, house sales recorded an annual increase for the first time since June 2022. In this period, second-hand sales exceeded the level of 70K with an increase of 14.8% compared to January 2022, while first-hand sales recorded a limited increase by 1.2% yoy. While sales to foreigners decreased by 0.6% yoy in January, the share of these sales in total house sales was 4.3%.



According to the CBRT data, housing prices increased by 5.3% mom in December and recorded the lowest annual rise in the last six months with 167.8% yoy. In this period, the annual real increase in housing prices was 58.7%. Housing prices in Antalya, Burdur and Isparta, where the housing demand of foreigners is strong, rose the fastest (212.6%) in nominal terms on an annual basis. Annual price increases in Istanbul, Ankara and İzmir were 174.2%, 172.7% and 168.3%, respectively.

Foreign Trade and Balance of Payments

Foreign trade deficit increased by 42% yoy in December.

According to data released by TURKSTAT, exports increased by 3% yoy and became 22.9 billion USD in December, while imports rose by 12.2% and reached 32.6 billion USD. Thus, the foreign trade deficit widened by 42% yoy and amounted to 9.7 billion USD. In 2022, exports and imports expanded by 12.9% yoy and 34% yoy, respectively, while the foreign trade deficit surged by 137% yoy and reached 109.5 billion USD. The import coverage ratio, which was 83% in 2021, declined to 69.9% in 2022.

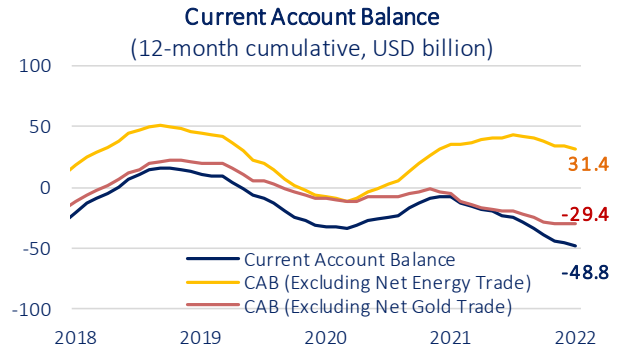
Balance of payments data was revised.

The CBRT announced that various revisions have been made in the balance of payments statistics starting from 2018, mainly in the primary income, direct investments and other investments items. As a result of aforementioned revisions, the net errors and omissions item was revised upwards totally by 585 million USD in 2018-2021 period, and by 1.4 billion USD in the January-November period of 2022.

Current account deficit was 48.8 billion USD in 2022.

The current account deficit rose by 86.2% yoy to 5.9 billion USD in December, above market expectations and the highest level of the last 11 months. The widening of foreign trade deficit defined by the balance of payments by 60.3% yoy to 8.1 billion USD was behind the said expansion, while net service revenues declined to its lowest level since April 2022 with 2.5 billion USD.

In 2022, the current account deficit increased 7 times on an annual basis and reached 48.8 billion USD. In this period, net energy imports nearly doubled to 80.2 billion USD, while the 21.5 billion USD rise in net services revenues, which displayed a positive performance with the impact of the recovery in transportation and travel sectors, limited the widening in the current account deficit.

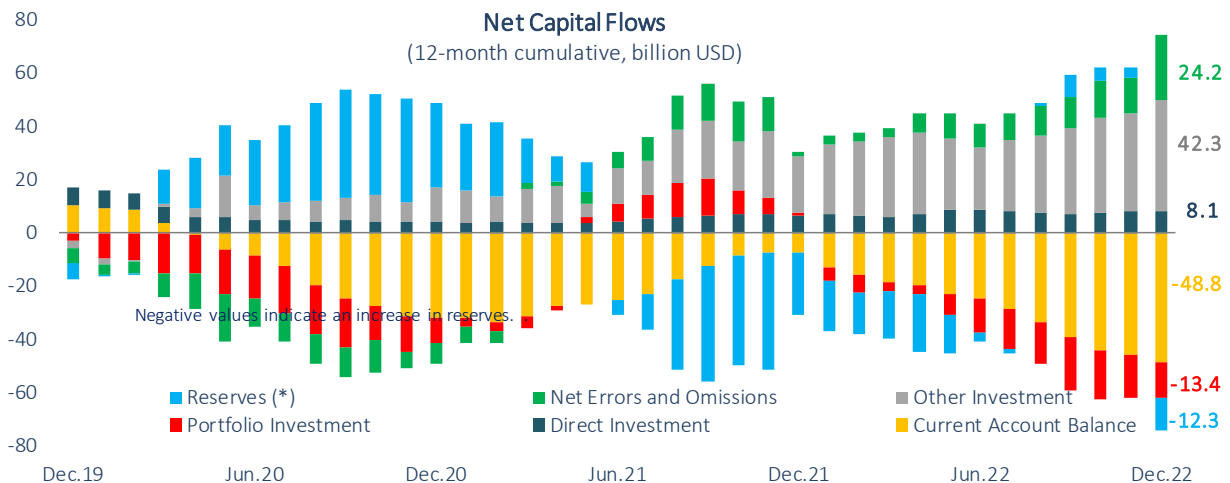


Moderate course of direct investments continued.

In the direct investments, a net inflow of 374 million USD was recorded in December. In this period, net real estate investments reached 605 million USD, the highest level of the last 6 months. In 2022, net direct investments went up by 17.1% yoy to a total of 8.1 billion USD. In this period, direct investments made by non-residents in Türkiye declined by 14.2% yoy to 5.9 billion USD. According to the sectors, the highest direct capital investment of non-residents was 1.8 billion USD in the financial and insurance activities sector in 2022, followed by the wholesale and retail trade sector with 1.6 billion USD.

Net capital inflows continued in portfolio investments.

In the portfolio investments, after the inflow in November, 828 million USD inflow was recorded in December. In this period, while the General Government issued 2 billion USD of bonds in international markets, banks made a net repayment of 694 million USD. In December, non-residents made net sales of 580 million USD in the stock market and net purchases of 16 million USD in the GDDS market. Thus, a net capital outflow of 13.4 billion USD was realized in the portfolio investments in 2022, when net sales of 4 billion USD and 2.2 billion USD were realized in the stock and government securities markets, respective-



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

ly.

6.7 billion USD net capital inflow in other investments...

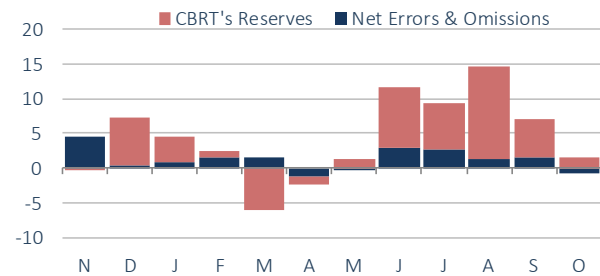
The positive trend followed in the other investments throughout 2022 continued in December as well. In this period, net capital inflows rose by 5 times on an annual basis and amounted to 6.7 billion USD. Turkish banks' currency and deposits within their foreign correspondent bank accounts decreased by 4.1 billion USD, and non-resident banks' deposit accounts held within domestic banks recorded a net decline of by 320 million USD. In December, the banking sector repaid 3 billion USD in loans provided from abroad, while other sectors realized a net use of 2 billion USD. Thus, net capital inflows in other investments doubled on an annual basis and reached 42.3 billion USD in 2022. In this period, the long-term debt roll-over ratio was 75% in the banking sector and 163% in other sectors.

Reserve assets increased by 2.4 billion USD.

The rise in official reserves, which increased by 2.4 billion USD in December, became 12.3 billion USD in 2022. In the net errors and omissions item, a capital inflow of 428 mil-

lion USD in December and 24.2 billion USD in 2022 was recorded.

CBRT Reserves and Net Errors and Omissions
(monthly, USD billion)



Expectations...

Despite the downward trend in global energy prices, the foreign trade deficit widened by 52.8% yoy and remained high at 14.4 billion USD in February, due to high energy and gold imports, according to preliminary data. It was stated that the impact of the earthquake on exports was 1.5 billion USD. Leading foreign trade data showed that the pressure on the current account deficit continued.

Balance of Payments

	Dec. 2022	Jan. - Dec. 2021	2022	% Change
Current Account Balance	-5,910	-7,232	-48,769	574.4
Foreign Trade Balance	-8,089	-29,313	-89,719	206.1
Services Balance	2,498	31,812	49,804	56.6
Travel (net)	1,468	24,984	37,123	48.6
Primary Income	-533	-10,679	-8,497	-20.4
Secondary Income	214	948	-357	-
Capital Account	-7	-64	-35	-45.3
Financial Account	-5,489	-5,652	-24,604	335.3
Direct Investment (net)	-374	-6,874	-8,052	17.1
Portfolio Investment (net)	-828	-751	13,425	-
Net Acquisition of Financial Assets	-102	2,260	4,495	98.9
Net Incurrence of Liabilities	726	3,011	-8,930	-
Equity Securities	-580	-1,434	-4,038	181.6
Debt Securities	1,306	4,445	-4,892	-
Other Investment (net)	-6,721	-21,357	-42,288	98.0
Currency and Deposits	-5,394	-9,436	-33,092	250.7
Net Acquisition of Financial Assets	-4,174	5,231	-5,014	-
Net Incurrence of Liabilities	1,220	14,667	28,078	91.4
Central Bank	-5	4,748	7,317	54.1
Banks	1,225	9,919	20,761	109.3
Foreign Banks	-351	7,817	7,629	-2.4
Foreign Exchange	31	1,489	4,123	176.9
Turkish Lira	1,545	613	9,009	1,369.7
Non-residents	-320	9,306	11,752	26.3
Loans	-736	-238	-3,799	1,496.2
Net Acquisition of Financial Assets	-542	2,261	-288	-
Net Incurrence of Liabilities	194	2,499	3,511	40.5
Banking Sector	-250	-3,734	-5,567	49.1
Non-bank Sectors	-301	6,470	8,104	25.3
Trade Credit and Advances	-587	-5,337	-5,344	0.1
Other Assets and Liabilities	-4	-8	-53	562.5
Reserve Assets (net)	2,434	23,330	12,311	-47.2
Net Errors and Omissions	428	1,644	24,200	1,372.0

Source: CBRT, Datastream

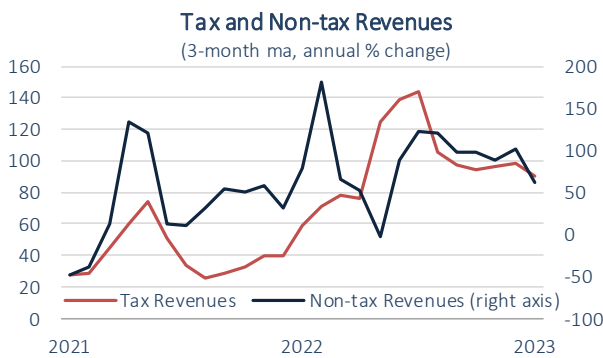
Budget Balance

Central government budget gave a deficit of 32.2 billion TRY in January.

In January, the central government budget gave a deficit of 32.2 billion TRY. The budget expenditures expanded by 120.1% yoy to 321.3 billion TRY due to the rapid increase in personnel expenditures and current transfers. In this period, budget revenues rose by 64.2% yoy and amounted to 289.1 billion TRY. In January, the primary balance gave a deficit of 10.9 billion TRY.

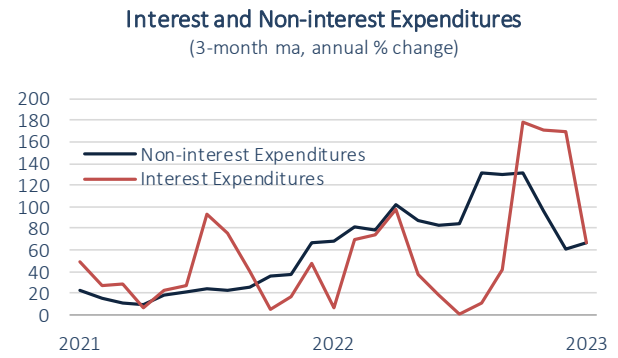
Tax revenues rose by 71.5% yoy.

In January, tax revenues rose by 71.5% yoy and amounted to 252.8 billion TRY. In this period, the rapid increase in value added tax (VAT) collected in domestic and imported goods due to high inflation and exchange rate developments supported tax revenues. Both tax items went up by 39.7 billion TRY in total, contributing 22.5 points to the expansion in budget revenues. The special consumption tax also increased the budget revenues by 12.8 points with a rise of 101.7% in parallel with the 3.5-fold increase in the motor vehicles item on an annual basis. On the other hand, corporate tax revenues declined by 5.3 billion TRY on an annual basis. Interests, shares and fines decreased by 11.3% yoy due to the rapid decline in interest incomes on an annual basis (44.3%) in January. According to the 2023 budget targets, budget and tax revenues are expected to rise by 49.2% and 46.4%, respectively.



Duty losses came to the fore in budget expenditures.

The current transfers, which had a 48.8% share in primary budget expenditures in January, rose by 128.2% yoy, above the inflation rate, to 146.4 billion TRY. With the effect of 16 billion TRY transferred to BOTAŞ, the duty losses, which expanded approximately ten times on an annual basis, were behind this rise. In this period, the health, pension and social aid expenditures also pushed budget expenditures up by 17.9 points with an increase of 26.1 billion TRY. In January, defense and other good and services purchases rose by 14 billion TRY yoy, while real estate capital production expenses went up by 122.4% yoy and amounted to 9.1 billion TRY. In January, when exchange rates followed a relatively flat course, expenses related to FX-protected lira deposit accounts were recorded at a limited level of 1.5 billion TRY. In this period, interest expenses rose by 50.1% yoy and reached 21.4 billion TRY.



Expectations...

The central government budget started 2023 with a high deficit in parallel with the rapid rise in budget expenditures. In addition to the economic activity throughout the year, the course of global energy prices and exchange rates will continue to be effective on the budget balance.

Central Government Budget				(billion TRY)	
	January		%	2023 Budget	Real./ Budget
	2022	2023	Change	Target	Target (%)
Expenditures	146.0	321.3	120.1	4,469.6	7.2
Interest Expenditures	14.2	21.4	50.1	565.6	3.8
Non-Interest Expenditures	131.7	300.0	127.7	3,904.0	7.7
Revenues	176.0	289.1	64.2	3,810.1	7.6
Tax Revenues	147.4	252.8	71.5	3,199.5	7.9
Other Revenues	28.6	36.3	26.8	610.6	5.9
Budget Balance	30.0	-32.2	-	-659.4	4.9
Primary Balance	44.3	-10.9	-	-93.8	11.6

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

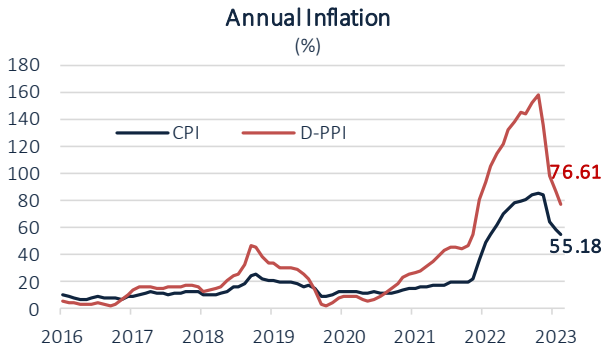
In February, monthly CPI came in at 3.15%.

In February, CPI increased by 3.15% on a monthly basis, slightly below the market expectations. Domestic PPI (D-PPI), which had risen by 4.15% mom in January, increased by 1.56% mom in February. Turkstat stated that due to the earthquakes in Türkiye, "field prices" could not be gathered in February 2023 within the provinces where Gaziantep, Malatya and Hatay Regional Directorates of TurkStat are located. On the other side, in the provinces affiliated to these three Regional Directorates, the use of "workplace barcode scanner data" and "price data compiled from the internet via web scraping techniques" have been continued to be used.

February (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	4.81	3.15	7.22	1.56
Year-to-Date	16.45	10.00	18.43	5.78
Annual	54.44	55.18	105.01	76.61
Annual Average	25.98	71.83	56.83	120.72

Annual PPI inflation was at its lowest level since November 2021.

Consumer and producer prices continued their downward trend due to high base effect. In February, CPI inflation was at its lowest level of last one year with 55.18%. In this period, the annual D-PPI inflation fell to 76.61%, the lowest level since November 2021.



Food group came to the fore in monthly CPI inflation.

Prices increased in 10 out of 12 main spending groups in February. In this period, the food and non-alcoholic beverages group made the highest contribution to monthly inflation with 187 basis points due to the rapid increase in the prices of vegetables and animal products. In the same period, despite the double-digit decline in the sub-indices of maritime and airline passenger transport due to the reductions made after the earthquake disaster, the transportation group pushed up the monthly CPI inflation by 39 basis points because of the rise in automobile prices. The restaurants and hotels sub-group prices rose by 7.82% mom and was the third group that had the most impact on the CPI increase with 34 basis points. In February, clothing&shoes and alcoholic beverages&tobacco

groups brought monthly CPI inflation down by 10 basis points and 2 basis points, respectively.

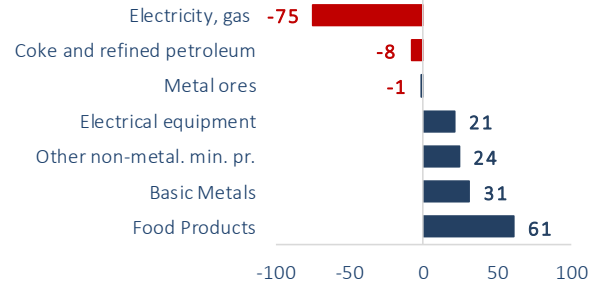
Core inflation indicators...

In February, monthly CPI inflation excluding seasonal products was 2.78%, below the headline inflation. In this period, 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 2.62% mom and 2.13% mom, respectively. B and C indices increased by 55.16% yoy and by 50.58% yoy, respectively, displaying their most moderate increases since March.

Energy prices limited the rise in D-PPI.

In February, by increasing 3.6% on a monthly basis food products made the highest contribution to the monthly D-PPI inflation with 61 basis points. This group was followed by the base metals group, which pushed D-PPI inflation up by 31 basis points. In this period, in parallel with the rapid increase in the demand for concrete, cement and plaster goods; other non-metallic mineral products used in the construction sector also increased the D-PPI inflation by 24 basis points. On the other hand, energy prices continued to limit the D-PPI inflation in February. In this period, prices in electricity, prices in gas production and distribution group decreased by 6.78% mom and limited D-PPI inflation by 75 points.

Contribution of Sectors to Monthly D-PPI Inflation (points)



Expectations...

In February, while the rise in food prices continued to be effective in the deterioration in inflation indicators, the downward trend in energy prices limited the increase in inflation. However, the removal of pandemic measures in China keeps the risks related to global commodity prices alive. In the upcoming period, the effects of the earthquake disaster and the Ramadan, which will start on March 23, on inflation will be closely monitored. In addition, the fact that precipitation remains below the seasonal averages increases the upside risks on food inflation.

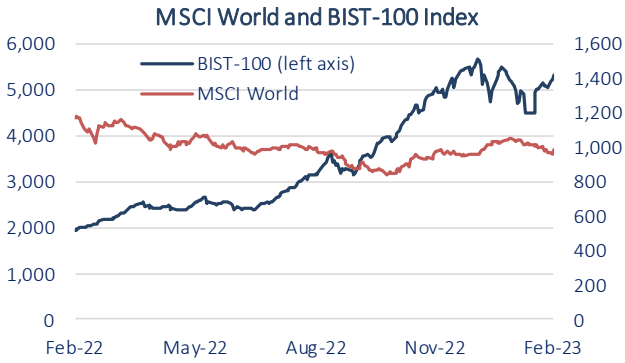
Financial Markets

	31-Jan	28-Feb	Change
5-Y CDS (basis points)	546	561	15 bp ▲
TR 2-Y Benchmark Yield	%10.53	%10.49	-4 bp ▼
BIST-100	4,977	5,237	%5.2 ▲
USD/TRY	18.8064	18.8761	%0.4 ▲
EUR/TRY	20.4315	19.9709	-%2.3 ▼
Currency Basket*	19.6190	19.4235	-%1.0 ▼

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

Global risk appetite remained under pressure in February.

The data indicating that inflationary pressures continued in the US, strengthened the expectations that the Fed could continue with more determined steps in monetary tightening and caused the global risk appetite to remain under pressure in February. In this period, the MSCI World Stock Exchange index decreased by 2.5% on a monthly basis, while the MSCI Developing Countries index declined by 6.5% mom. Due to the decline in risk appetite, the price of ounce gold also fell by 5.2%, giving back most of its gains in the new year. DXY index increased by 2.7% mom and closed the month at 104.9.



The earthquake disaster and the measures taken by the economy management afterwards affected the course of the markets in Türkiye. Borsa Istanbul, which was closed on February 8 due to the heavy losses after the earthquake and started trading again on February 15, compensated its losses with the tax exemption introduced to encourage share buybacks and the increase of the share purchase obligation to a minimum of 30% in the BES state contribution funds. BIST-100 index went up by 5.2% throughout the month, closing the month at 5,237. Türkiye's 5-year CDS premium increased by 15 basis points to 561 bps. USD/TRY, which reached its historical high level of 18.96 in February, rose by 0.4% compared to the end of the previous month and closed the month at 18.88. EUR/TRY on the other hand, depreciated by 2.3% mom in line with the developments in the DXY index.

CBRT cut the policy rate by 50 basis points.

At the Monetary Policy Committee meeting held on February 23, CBRT lowered the policy rate by 50 basis

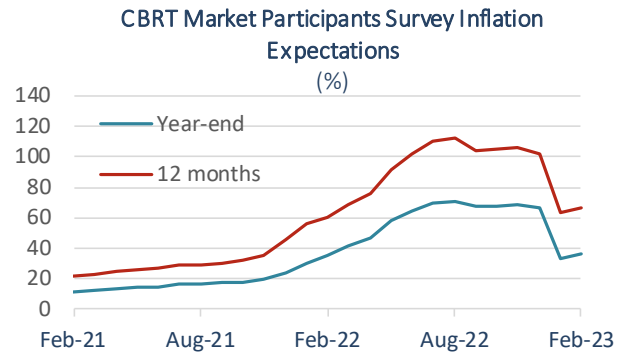
points to 8.5%. According to the text published after the meeting, the earthquakes in Türkiye would cause a supply-demand imbalance in the short term, and would not have a permanent effect on the Turkish economy in the medium term. Expressing that this limited interest rate cut is sufficient to support the necessary recovery after the earthquake, the Board stated that the effects of the earthquake in the first half of 2023 will be closely monitored. CBRT also added that the effects of high global inflation on inflation expectations and international financial markets were closely monitored. It was noteworthy that the statement regarding the possibility a recession in Türkiye's main export markets was removed from the part on global developments of the text.

Securities portfolio of non-residents...

According to the securities statistics announced by the CBRT, as of February 24, the stock portfolio of non-residents, adjusted for price and exchange rate effects, decreased by 28 million USD since the end of January, while the GDDS portfolio increased by only 9 million USD. Looking at the cumulative change since the end of 2022, there was an outflow of foreign capital at an amount of 624 million USD in the stock market, while there was a foreign capital inflow of 18 million USD in the bond market.

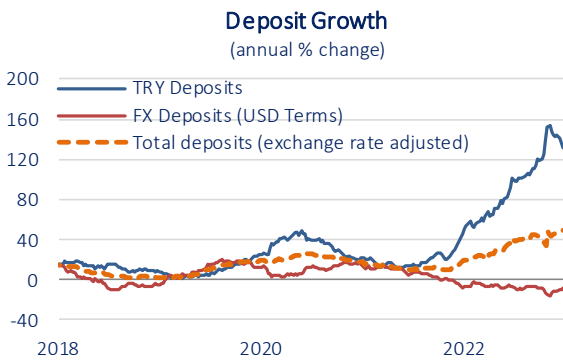
Market Participants' inflation expectations increased.

According to the CBRT's Survey of Market Participants, consumer inflation expectations showed a limited deterioration compared to the previous survey. The current year-end CPI inflation expectation increased from 32.46% in January to 35.76% in February. Consumer inflation expectations for the next 12 months increased from 30.44% to 30.75%. While market participants' 2023 GDP growth forecast decreased from 4.1% to 3.6%, the economic growth expectation for 2024 remained unchanged at 4.1%. USD/TRY expectations of the participants for the end of the year and for the next 12 months decreased from 23.12 and 23.43 to 22.84 and 23.10, respectively.



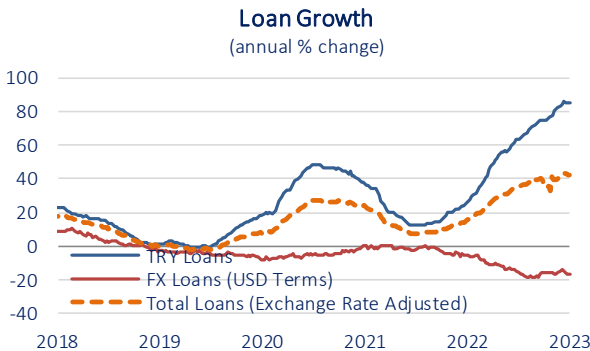
Deposit volume reached 9.4 trillion TRY.

According to BRSA weekly data, total deposit volume expanded by 67% yoy to 9.4 trillion TRY as of February 24. In this period, increase in TRY deposits became 131.3% due to steps taken as part of Liraization Strategy. Thus, as of February 24, the volume of TRY deposits rose to 5.4 trillion, while the volume of FX-protected deposits exceeded 1.5 trillion TRY, reaching its peak since its implementation. FX deposits in USD terms decreased by 10.7% yoy to 212.5 billion USD, the lowest level since May 17, 2019. The annual increase in exchange rate effects adjusted total deposit volume was 48.3%.



The share of TRY loans continued to increase.

As of February 24, the total loan volume of the banking sector increased by 54.4% yoy and approached 8 trillion TRY. In this period, TRY loan volume rose by 84.7% yoy and exceeded 5.5 trillion TRY, while FX loan volume in USD terms decreased by 16.8% yoy to 130.5 billion USD. As of February 24, the exchange rate adjusted annual increase in loan volume was 42%, while the share of TRY loans in total loans reached its highest level since July 16, 2015 with 69.3%.

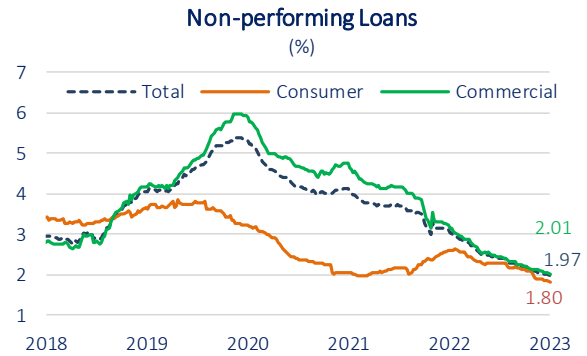


The strong increase in consumer credit card volume continues.

As of February 24, the increase in consumer loans was 51.2% yoy, while the consumer credit card balance expanded by 130.3% in the same period. Automotive loans also recorded the fastest annual increase since 2014 with 346.5% yoy. In this period, the annual growth rates of housing and consumer loans were 20.9% and 62.9%, respectively.

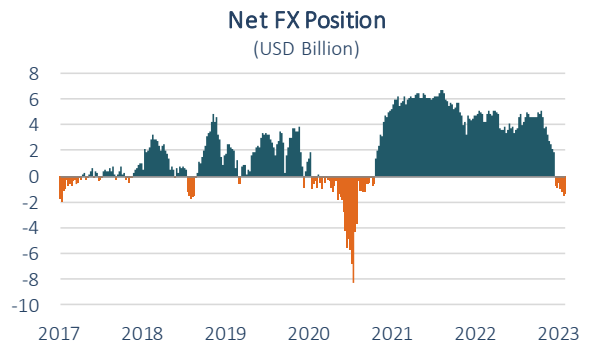
NPL ratio is at its historical low level...

NPL ratio continued to decline due to the rapid expansion in loan volume. The ratio decreased to 1.97% as of the week of February 24, reaching its historical low level. In this period, NPL ratio was 1.80% in consumer loans and 2.01% in commercial loans.



Foreign currency net general position...

As of February 24, FX net general position was realized as (-) 30,732 million USD in on-balance sheet and (+) 29.339 million USD in off-balance sheet. Thus, net FX position of the banking sector became (-) 1,393 million USD.



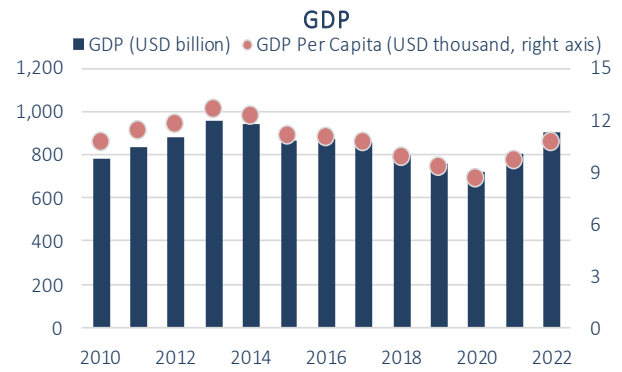
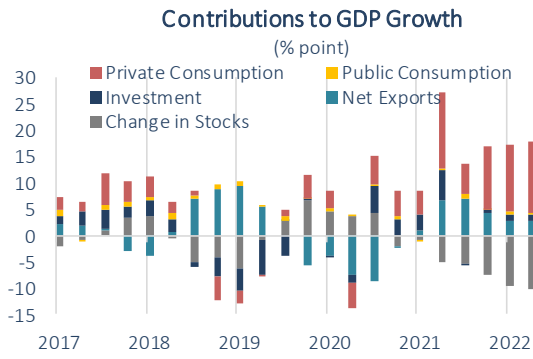
Source: BRSA Weekly Bulletin

Concluding Remarks

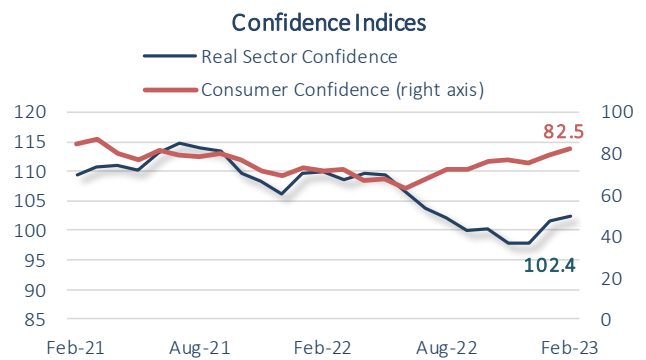
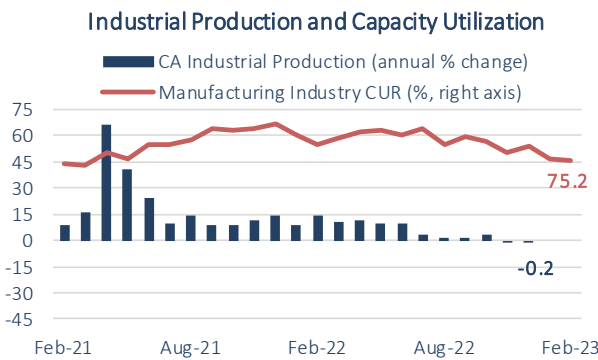
In February, PMI data indicated that global economic activity performed better than expected with the support of rapid recovery in the services sector. While inflationary pressures continue on a global scale, the Russia-Ukraine war, which has completed one year, and the lifting of Covid-19 measures in China signal that the upside risks regarding inflation will remain on the agenda in the coming period. In this context, the expectations that the major central banks will continue determinedly their monetary tightening steps caused the stock markets to remain under pressure throughout February.

Following the strong growth performance in the first half of 2022, Turkish economy lost momentum in the second half, and grew by 5.6% throughout the year, with strong contribution of consumption expenditures and moderate contributions of investments and net exports. After the earthquake disaster at the beginning of February, which affected a region that has a share of approximately 10% in the Turkish economy, public institutions announced various arrangements in order to mitigate the pain of the disaster. Having limited the exports volume by 1.5 billion USD in February according to preliminary foreign trade data, other effects of the disaster on growth, central government budget, balance of payments and inflation figures will be closely monitored in the coming period.

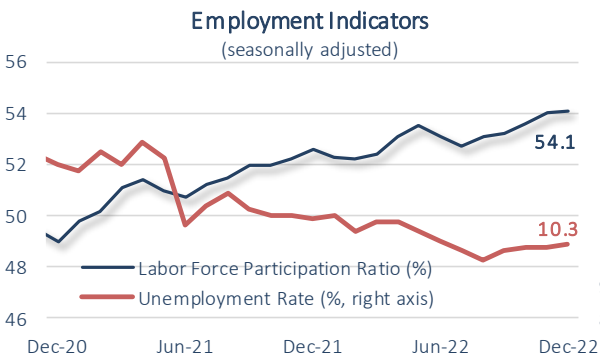
Growth



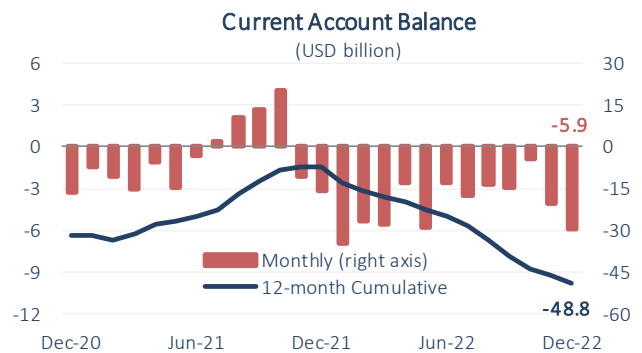
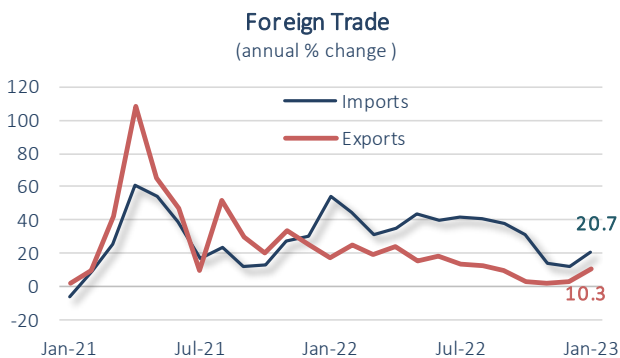
Leading Indicators



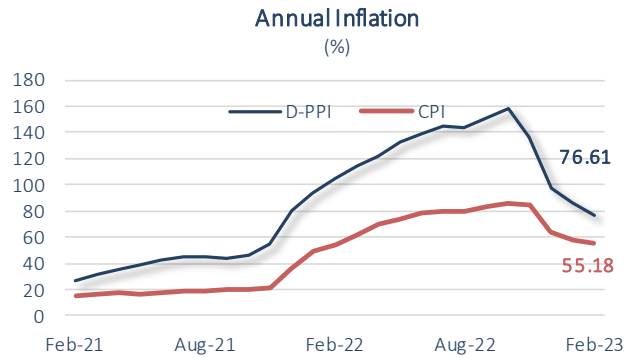
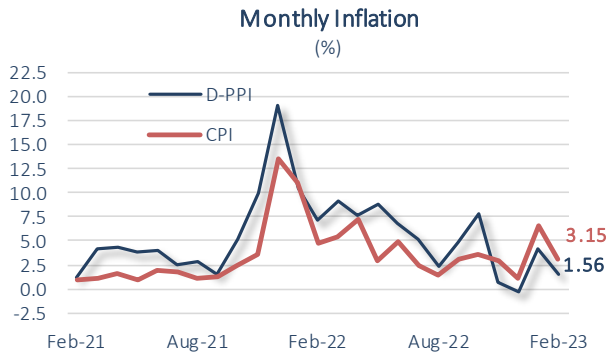
Labor Market



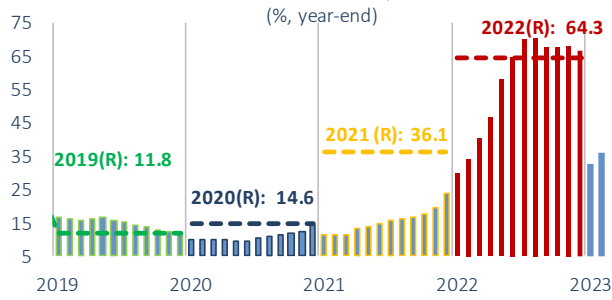
Foreign Trade and Current Account Balance



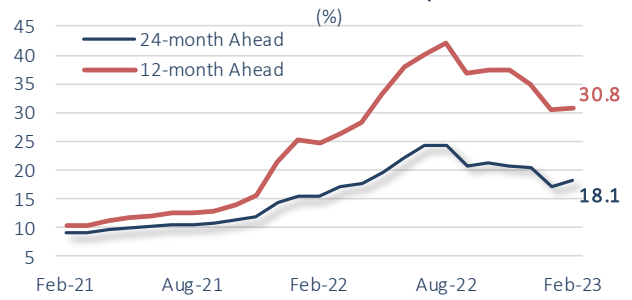
Inflation



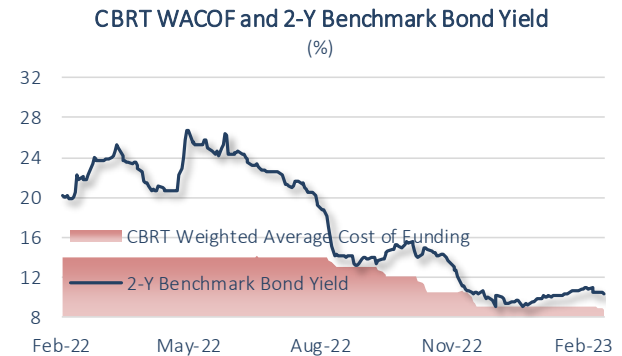
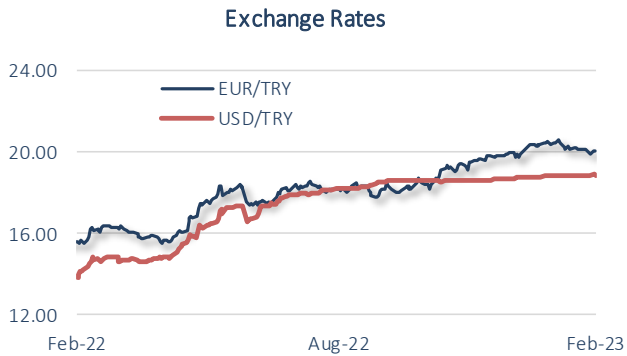
CBRT Survey of Market Participants - Annual CPI Inflation Expectations



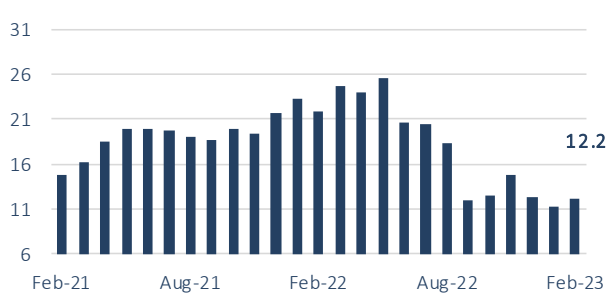
CBRT Survey of Market Participants - 12 & 24-month Ahead CPI Inflation Expectations



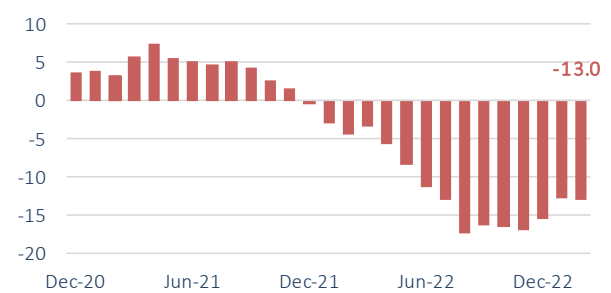
Foreign Exchange and Bond Market



Average Compound Yield in Treasury Auctions (%)



Expected Real Yield of TRY GDDIs (%)



Turkish Economy - Macroeconomic Indicators

Growth	2018	2019	2020	2021	2022	
GDP (USD billion)	797	760	717	807	906	
GDP (TRY billion)	3,759	4,312	5,048	7,249	15,007	
GDP Growth Rate (%)	3.0	0.8	1.9	11.4	5.6	
Inflation (%)						Jan-23
CPI (annual)	20.30	11.84	14.60	36.08	64.27	57.68
Domestic PPI (annual)	33.64	7.36	25.15	79.89	97.72	86.46
						Feb-23
						55.18
						86.46
						76.61
Seasonally Adjusted Labor Market Figures						
Unemployment Rate (%)	12.7	13.4	12.8	11.1	10.3	
Labor Force Participation Rate (%)	53.2	52.6	49.0	52.6	54.1	
FX Rates						Jan-23
CPI Based Real Effective Exchange Rate	76.3	76.1	62.0	47.7	54.8	57.0
USD/TRY	5.32	5.95	7.43	13.28	18.72	18.81
EUR/TRY	6.08	6.68	9.09	15.10	19.98	20.43
Currency Basket (0.5*EUR+0.5*USD)	5.70	6.32	8.26	14.19	19.35	19.62
						Feb-23
						18.88
						20.02
						19.45
Foreign Trade Balance ⁽¹⁾ (USD billion)						Jan-23
Exports	177.2	180.8	169.6	225.2	254.2	256.0
Imports	231.2	210.3	219.5	271.4	363.7	369.5
Foreign Trade Balance	-54.0	-29.5	-49.9	-46.2	-109.5	-113.5
Import Coverage Ratio (%)	76.6	86.0	77.3	83.0	69.9	69.3
Balance of Payments ⁽¹⁾ (USD billion)						
Current Account Balance	-20.1	10.8	-31.9	-7.3	-48.8	
Capital and Financial Accounts	1.1	5.1	-39.5	-6.0	-24.6	
Direct Investments (net)	-8.9	-6.6	-4.6	-6.9	-8.1	
Portfolio Investments (net)	0.9	2.8	9.6	-0.8	13.4	
Other Investments (net)	19.4	2.6	-12.6	-21.7	-42.3	
Reserve Assets (net)	-10.4	6.3	-31.9	23.3	12.3	
Net Errors and Omissions	21.1	-5.8	-7.6	1.4	24.2	
Current Account Balance/GDP (%)	-2.5	1.4	-4.4	-0.9	-5.4	
Budget ⁽²⁾⁽³⁾ (TRY billion)						Jan-23
Expenditures	830.8	1,000.0	1,203.7	1,603.5	2,941.4	321.3
Interest Expenditures	74.0	99.9	134.0	180.9	310.9	21.4
Non-interest Expenditures	756.8	900.1	1,069.8	1,422.7	2,630.5	300.0
Revenues	758.0	875.3	1,028.4	1,402.0	2,802.4	289.1
Tax Revenues	621.5	673.9	833.3	1,165.0	2,353.3	252.8
Budget Balance	-72.8	-124.7	-175.3	-201.5	-139.1	-32.2
Primary Balance	1.1	-24.8	-41.3	-20.7	171.8	-10.9
Budget Balance/GDP (%)	-1.7	-2.5	-2.4	-1.3	-0.9	-
Central Government Debt Stock (TRY billion)						Jan-23
Domestic Debt Stock	586.1	755.1	1,060.4	1,321.2	1,905.3	1,979.0
External Debt Stock	481.0	574.0	752.5	1,426.5	2,127.9	2,199.3
Total Debt Stock	1,067.1	1,329.1	1,812.8	2,747.7	4,033.2	4,178.3

(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

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2018	2019	2020	2021	2022	Jan.23	Change ⁽¹⁾
TOTAL ASSETS	3,867	4,491	6,106	9,215	14,344	14,689	2.4
Loans	2,394	2,656	3,576	4,901	7,581	7,850	3.5
TRY Loans	1,439	1,642	2,353	2,832	5,110	5,342	4.5
Share (%)	60.1	61.8	65.8	57.8	67.4	68.1	-
FX Loans	956	1,015	1,224	2,069	2,471	2,508	1.5
Share (%)	39.9	38.2	34.2	42.2	32.6	31.9	-
Non-performing Loans	96.6	150.8	152.6	160.1	163.4	162.1	-0.8
Non-performing Loan Rate (%)	3.9	5.3	4.1	3.2	2.1	2.0	-
Securities	477	660	1,022	1,476	2,370	2,474	4.4
TOTAL LIABILITIES	3,867	4,491	6,106	9,215	14,344	14,689	2.4
Deposits	2,036	2,567	3,455	5,303	8,862	9,147	3.2
TRY Deposits	1,042	1,259	1,546	1,880	4,779	4,966	3.9
Share (%)	51.2	49.0	44.7	35.5	53.9	54.3	-
FX Deposits	994	1,308	1,909	3,423	4,083	4,181	2.4
Share (%)	48.8	51.0	55.3	64.5	46.1	45.7	-
Securities Issued	174	194	224	310	325	319	-1.9
Payables to Banks	563	533	658	1,048	1,432	1,419	-0.9
Funds from Repo Transactions	97	154	255	587	540	521	-3.6
SHAREHOLDERS' EQUITY	421	492	600	714	1,407	1,419	0.8
Profit (Loss) of the Period	54.1	49.0	58.5	93.0	431.6	39.3	-
RATIOS (%)							
Loans/GDP	63.7	61.5	70.9	68.0			
Loans/Assets	61.9	59.1	58.6	53.2	52.8	53.4	-
Securities/Assets	12.4	14.7	16.7	16.0	16.5	16.8	-
Deposits/Liabilities	52.6	57.1	56.6	57.5	61.8	62.3	-
Loans/Deposits	117.6	103.5	103.5	92.4	85.5	85.8	-
Capital Adequacy (%)	17.3	18.4	18.7	18.4	19.5	17.0	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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