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Global Economy

In March, developments in the banking sector affected the course of the stock markets. Concerns, which were initially raised by the failure of two banks in the US, deepened as a result of the negative news flows towards Credit Suisse in Europe.

Contrary to expectations that tightening steps in monetary policy could be slowed down after the developments in the banking sector, major central banks continued to increase interest rates in March, sending a message that they were committed to fighting inflation.

In the US, macroeconomic data releases pointed out that the brisk course in the services sector continued, while the high course of inflation continued despite losing momentum. In the Euro Area, core CPI inflation reached its historic high level.

The People's Bank of China reduced the required reserve ratio of banks by 25 basis points to stimulate economic activity as of March 27.

Oil prices declined sharply in March with expectations that the issues in the banking sector would adversely affect global economic activity. With a surprise decision taken at the beginning of April, OPEC+ countries announced that they will cut daily oil production by an additional 1.66 million barrels from May until the end of the year.

In the report published in March, the World Bank drew attention to the signs of slowdown in the global growth trend for the period 2022-2030.

Turkish Economy

According to seasonally adjusted figures, industrial production rose by 1.9% mom in January.

Manufacturing PMI increased from 50.1 in February to 50.9 in March, indicating a slight improvement in the manufacturing sector's operational conditions following the earthquake.

Seasonally adjusted unemployment rate decreased by 0.5 points to 9.7% in January, and declined back to single digits after 5 months. In this period, the employment rate was realized as 48.9%.

In January, the current account deficit expanded by 43% yoy, reaching a historically high level of 9.8 billion USD on a monthly basis. The record high level of foreign trade deficit due to high energy and gold imports was behind this development. Thus, the 12-month cumulative current account deficit rose to 51.7 billion USD as of January.

Central government budget gave a deficit of 170.6 billion TRY in February. In this period, with the effect of tax deferrals provided to taxpayers due to the earthquake disaster, corporate tax revenues decreased by 94.6% yoy, while current transfers rose by 161.4%.

Annual inflation declined to 50.51% in CPI and 62.45% in D-PPI in March thanks to the high base effect.

The CBRT kept the policy interest rate unchanged at 8.5% at the Monetary Policy Committee meeting in March.

The BIST-100 index declined by 8.1% in March, while the Turkish lira depreciated by 1.5% and 3.9% against the US dollar and the euro, respectively.

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Leading Indicators

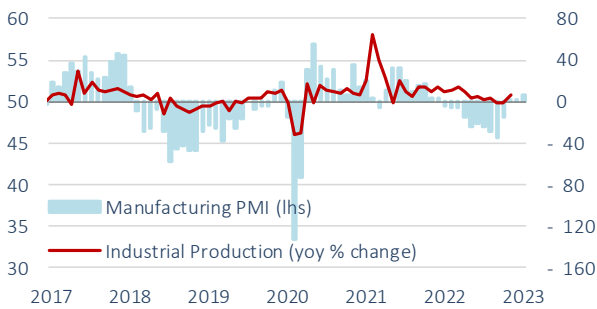
Unemployment rate was 9.7% in January.

According to seasonally adjusted data, employment increased by 354K people in January compared to the previous month. As a result of a more limited increase in the labor force by 188K people, the unemployment rate decreased to 9.7%. Thus, the unemployment rate fell back to single digits after 5 months. Labor underutilization rate, which expresses the ratio of time related underemployment, unemployed and potential labor force increased by 0.6 points on a monthly basis in January to 21.9%, continuing its upward trend since August 2022.

Industrial production increased by 1.9% mom in January.

In the first month of 2023, the industrial production index rose by 1.9% on a monthly basis, according to seasonally adjusted data. In this period, the 8.1% increase in the production of the basic metal sector and the 4.9% rise in the production of intermediate goods came to the fore. According to the calendar adjusted data in January, the annual increase in industrial production was realized as 4.5%. During this period, production increased by 5.8% in the manufacturing industry, while the production of leather and leather products and the production of clothing goods attracted attention with increases of 42.5% and 16.7%, respectively. On the other hand, Turkstat announced that the response rate of the monthly industrial production survey in earthquake regions was 38%. For this reason, they stated that data sources such as e-invoice and e-archive invoice data were used to impute missing observations in the January 2023 calculations.

Manufacturing PMI and Industrial Production



The manufacturing PMI increased to 50.9 in March.

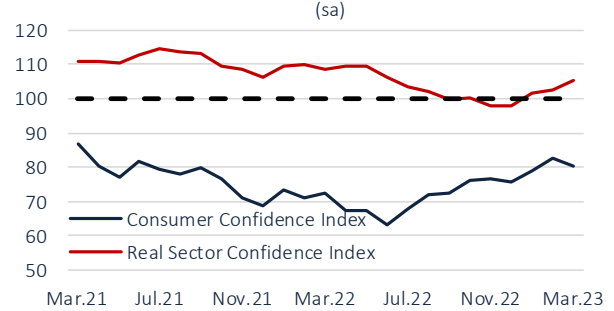
Manufacturing PMI, which was 50.1 in February, increased to 50.9 in March, indicating a moderate improvement in the operating conditions of the manufacturing sector after the earthquake. Considering the sub-items of the index, despite the ongoing effects of the earthquake in February, new orders and production improved in this period with the impact of the reconstruction works. The strengthening in operating conditions was the highest since December 2021, while inflation in input costs and final product prices decreased. On the other hand, employment fell for the

first time in the last five months, due to the impact of both the earthquake and the newly introduced early retirement law.

Confidence indices displayed a mixed outlook in March.

Seasonally adjusted real sector confidence index increased by 1.7 points compared to the previous month and became 104.1 in March thanks to the improvement in the sub-indices reflecting the current situation and expectations for the next three months. According to seasonally and calendar adjusted data, consumer confidence index decreased by 2.9% on a monthly basis to 80.1 in March due to the worsening in consumer expectations for the next 12 months. In the same period, sectoral confidence index decreased by 4.4% in the retail trade sector and by 1.5% in the construction sector on a monthly basis, while it increased by 1.1% in the services sector. Thus, the economic confidence index, which is calculated by combining the real sector, consumer and sectoral confidence indices by weighting, decreased to 98.8 with a limited decrease of 0.2% mom and continued its course below the 100 threshold that has been continuing since January 2021.

Confidence Indices



House sales were at their lowest level since May 2021.

While house sales decreased by 18% on an annual basis in February to 80,031, the lowest level since May 2021, it decreased by 4.4% in the January-February period compared to the same period of the previous year and became 177,739. During this period, sales to foreigners decreased by 27% yoy, while the share of these sales in total housing sales was 4.2%

According to the CBRT data, housing prices rose by 6.9% mom in January. The annual price growth rate of 153.1% was the lowest since June 2022. During this period, the annual real increase in housing prices was 59.1%. In Antalya, Burdur and Isparta, where the housing demand of foreigners was lively, housing prices rose the fastest in nominal terms on an annual basis with 195.3%, while price increases in Istanbul, Ankara and Izmir were realized at 154.4%, 157.0% and 150.0%, respectively.

Foreign Trade and Balance of Payments

Trade deficit reached its historical high in January.

In January, exports increased by 10.3% compared to the same month of the previous year and became 19.4 billion USD, while imports went up by 20.7% on an annual basis to 33.6 billion USD, according to the data announced by TURKSTAT. Thus, the trade deficit expanded by 38.4% yoy in January, reaching its historical high of 14.2 billion USD. The ratio of exports to imports decreased to 57.6%.

Monthly current account deficit was also at its peak with 9.8 billion USD...

In January, the current account deficit expanded by 43% yoy, reaching a historically high level of 9.8 billion USD on a monthly basis. The record high level of foreign trade deficit due to high energy and gold imports was behind this development. In this period, non-monetary gold imports increased by more than 7 times on an annual basis to 4.9 billion USD, while net energy imports amounted to 7.7 billion USD, the highest of the last 12 months. The services balance, which had a surplus of 3.2 billion USD in January, limited the widening in the current account deficit, while 1.2 and 2.5 billion USD net income was recorded in transportation and travel sectors, respectively. Excluding gold and energy, the current account posted a surplus of 2.6 billion USD in January. The 12-month cumulative current account deficit rose to 51.7 billion USD.

The weakest performance of the last 10 months in foreign direct investments...

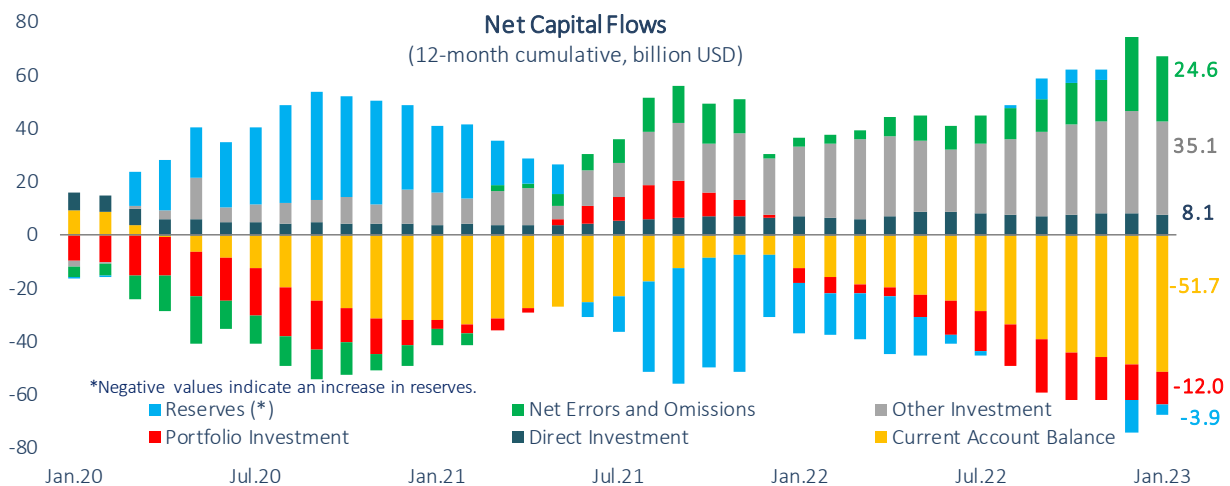
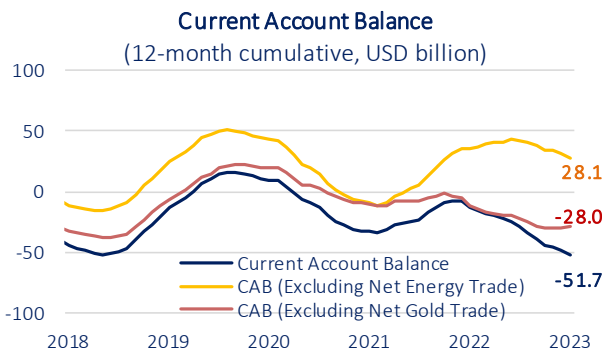
In January, net foreign direct investments to Turkey displayed the weakest performance of the last 10 months with 223 million USD. In this period, net real estate investments of 514 million USD constituted 63% of the direct investments made by non-residents in Turkey. Direct capital investments made by non-residents in Turkey, on the other hand, decreased by 46.5% yoy to 253 million USD.

Portfolio investments posted a net capital inflow of 490 million USD.

The capital inflows that started in November 2022 in portfolio investments, which displayed a negative outlook throughout 2022, continued with 490 million USD in January. In this period, the general government's issuance of 2.75 billion USD of bonds in international markets supported portfolio inflows. Banks and other sectors made net repayments of 690 million USD and 469 million USD, respectively. According to the 12-month cumulative figures, non-residents made net sales of 4.2 billion USD and 2.1 billion USD in the stock and GDDS markets, respectively, while a net capital outflow of 12 billion USD was realized from the portfolio investments.

The first capital outflow of the last 7 months in other investments...

In January 2023, there was a capital outflow for the first time since July 2022, with 71 million USD from other investments. Turkish banks' currency and deposits within their foreign correspondent bank accounts rose by 4.1 billion USD, and non-resident banks' deposit accounts held within domestic banks increased by 1.6 billion USD. In January, the banking sector repaid 1.3 billion USD in loans provided from abroad, while other sectors realized a net use of 548 million USD. In this period, the long-term



Source: Datastream, Turkstat, CBRT

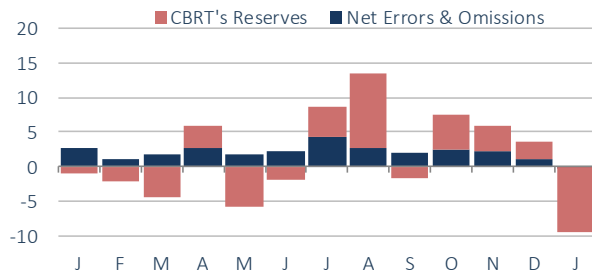
Foreign Trade and Balance of Payments

debt rollover ratio was 73% in the banking sector and 162% in other sectors.

Reserve assets declined by 9.3 billion USD.

Reserve assets, which rose by 11.1 billion USD in the last quarter of 2022, declined by 9.3 billion USD in January. In the net errors and omissions item, which has increased continuously for the last one year, a capital outflow of 119 million USD was recorded in January.

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



Expectations...

According to the preliminary data, exports expanded by 4.4% yoy in March, reaching historically high level of 23.6 billion USD, up from 6.4% yoy decrease in February due to the impact of the earthquake disaster. The foreign trade deficit, on the other hand, rose to a historically high level of 34.9 billion USD in the first quarter of the year, showing that the pressure on the current account deficit remains. Oil prices, which rose sharply in early April following the announcement by OPEC+ members that they will limit production at the beginning of May, suggest that energy related balance of payments concerns may persist.

Balance of Payments	(USD million)			
	2022	January 2023	% Change	12-month Cumulative
Current Account Balance	-6,889	-9,849	43.0	-51,686
Foreign Trade Balance	-8,547	-12,431	45.4	-93,565
Services Balance	2,105	3,164	50.3	50,909
Travel (net)	1,821	2,454	-	37,756
Primary Income	-290	-381	31.4	-8,612
Secondary Income	-157	-201	28.0	-418
Capital Account	0	-15	-	-50
Financial Account	-4,203	-9,983	137.5	-27,115
Direct Investments (net)	-442	-223	-49.5	-7,860
Portfolio Investments (net)	965	-490	-	11,970
Net Acquisition of Financial Assets	714	637	-10.8	4,418
Net Incurrence of Liabilities	-251	1,127	-	-7,552
Equity Securities	-352	-486	38.1	-4,172
Debt Securities	101	1,613	1,497.0	-3,380
Other Investments (net)	-3,784	71	-	-35,137
Currency and Deposits	-2,949	826	-	-29,314
Net Acquisition of Financial Assets	-516	4,003	-	-492
Net Incurrence of Liabilities	2,433	3,177	30.6	28,822
Central Bank	1,129	558	-50.6	6,746
Banks	1,304	2,619	100.8	22,076
Foreign Banks	79	-2	-	7,548
Foreign Exchange	968	1,637	69.1	4,792
Turkish Lira	257	984	282.9	9,736
Non-residents	1,047	1,635	56.2	12,340
Loans	-292	493	-	-3,024
Net Acquisition of Financial Assets	-212	-9	-95.8	-85
Net Incurrence of Liabilities	80	-502	-	2,939
Banking Sector	-158	-947	499.4	-6,358
Non-bank Sectors	275	548	99.3	8,389
Trade Credit and Advances	-541	-1,244	129.9	-2,744
Other Assets and Liabilities	-2	-4	-	-55
Reserve Assets (net)	-942	-9,341	891.6	3,912
Net Errors and Omissions	2,686	-119	-	24,621

Source: CBRT, Datastream

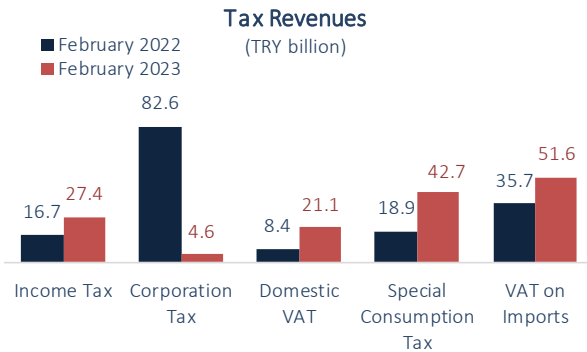
Budget Balance

Central government budget gave a deficit of 170.6 billion TRY in February.

In February, the effects of the earthquake disaster were seen on central government budget. While budget revenues decreased by 19.1% yoy in this period, budget expenditures increased by 93.9% yoy in parallel with the rapid rises in personnel expenses, current transfers and capital transfers. Thus, the budget deficit reached a historically high level of 170.6 billion TRY. In the first two months of the year, the central government budget posted a deficit of 202.8 billion TRY. In February, when interest expenditures decreased, the primary deficit was 136.3 billion TRY, while the deficit in the first two months of the year became 147.2 billion TRY.

Corporate tax revenues decreased by 94.6% on an annual basis.

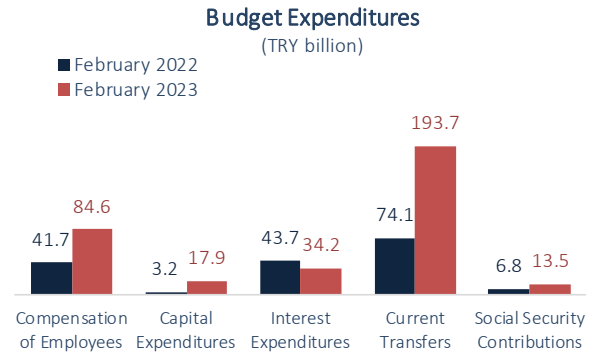
Tax revenues, which made up 82% of total budget revenues in February, decreased by 0.4% yoy to 179.6 billion TRY. In this period, with the effect of tax deferrals provided to corporate taxpayers due to the earthquake disaster, the corporate tax revenues decreased by 94.6% on an annual basis. The rapid annual increases of 152.2% in domestic value added tax and 126.5% in special consumption tax, on the other hand, limited the decline in total tax revenues. In addition, enterprise and ownership revenues, which were at the level of 51.3 billion TRY in February 2022 because of the transfer of CBRT's operating income to the budget, decreased by 90.4% yoy to 4.9 billion TRY in the same month of this year.



Current transfers rose by 161.4% yoy.

Current transfers increased by 161.4% yoy in February and constituted 54.5% of primary budget expenditures. The rapid

rises in the payments to Elektrik Üretim A.Ş. (9 billion TRY) and BOTAŞ (16 billion TRY), as well as the rapid increase in the not-classified Treasury aid item (21.6 billion TRY) were behind the expansion of budget expenditures. In this period, support payments were provided at an amount of 5.6 billion TRY for the transformation of areas under disaster risk, and at 15.9 billion TRY as fertilizer and diesel supports within the scope of field-based agricultural supports. Transfers to households and businesses went up by 38.9 billion TRY (406%) yoy in February, 16.8 billion TRY of this increase was in the form of other transfers to households and businesses that were not included in the classification. In this period, capital expenditures expanded approximately 6 times on an annual basis to 17.9 billion TRY due to the increase in highway construction (5.7 billion TRY) and other contracting expenses (3.9 billion TRY). In February, expenses related to FX-indexed deposit accounts were recorded as 632 million TRY, in line with the relatively flat course in foreign exchange rates.



Expectations...

In February, the central government budget gave a high deficit due to the decline in corporate tax revenues and the rapid rise in budget expenditures because of the earthquake disaster. In this period, CBRT's operating income was not transferred to the budget and this also caused a decline in budget revenues compared to last February. Thus, in the first two months of the year, the budget deficit reached 30.8% of the year-end target which is 659.4 billion TRY.

Central Government Budget

	February		% Change	January-February		% Change	2023 Budget Target	Real./ Budget Target (%)
	2022	2023		2022	2023			
Expenditures	200.8	389.4	93.9	346.8	710.7	104.9	4,469.6	15.9
Interest Expenditures	43.7	34.2	-21.6	57.9	55.6	-4.0	565.6	9.8
Non-Interest Expenditures	157.1	355.2	126.0	288.9	655.1	126.8	3,904.0	16.8
Revenues	270.6	218.8	-19.1	446.6	507.9	13.7	3,810.1	13.3
Tax Revenues	180.3	179.6	-0.4	327.7	432.4	31.9	3,199.5	13.5
Other Revenues	90.2	39.2	-56.5	118.8	75.5	-36.5	610.6	12.4
Budget Balance	69.7	-170.6	-	99.8	-202.8	-	-659.4	30.8
Primary Balance	113.4	-136.3	-	157.7	-147.2	-	-93.8	-

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

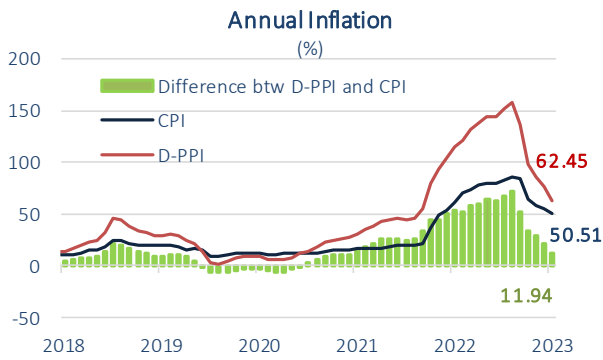
CPI increased below expectations in March.

In March, CPI increased by 2.29% compared to the previous month, below the market expectations. Domestic producer price index (D-PPI) rose by 0.44% mom in this period.

March (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	5.46	2.29	9.19	0.44
Year-to-Date	22.81	12.52	29.31	6.25
Annual	61.14	50.51	114.97	62.45
Annual Average	29.88	70.20	64.30	113.73

Annual CPI inflation fell to 50.51%.

With the effect of the high base, the downward trend in annual inflation indicators continued in March. In this period, annual CPI inflation came in at 50.51%, the lowest level since January 2022, while producer prices recorded the slowest annual increase since November 2021 with 62.45%.



The food group continued to be the determining factor in the monthly CPI increase.

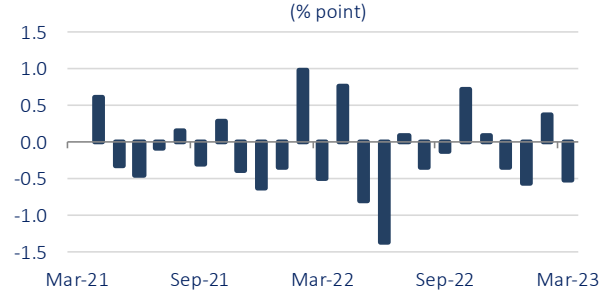
Prices increased in 11 of the 12 main spending groups in March. In this period, the food and non-alcoholic beverages group was the group that increased monthly inflation the most by 102 basis points due to the rapid rise in meat prices. In the same period, although there was no change in the accommodation prices of the restaurants and hotels group, the rapid rise in food prices added to monthly CPI inflation 32 basis points. The housing group pushed monthly consumer prices up by 31 basis points in parallel with the monthly rise of 4.9% in the real rent index. The clothing and footwear group was the only group in which prices declined in March and limited monthly CPI inflation by 11 basis points. Despite the 1.98% rise in goods prices in March, services prices rose by 3.08%.

Core inflation indicators...

Seasonal products limited the CPI increase in March. In this period, monthly CPI inflation, excluding seasonal products, was 2.81%, above the headline inflation. In March, the B

index (CPI excluding unprocessed food products, energy, alcoholic beverages and tobacco and gold) rose by 2.19% on a monthly basis, and the C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) increased by %2.15 mom. B and C indices displayed the most moderate annual increases of the last year with 52.11% and 47.36%, respectively.

Contribution of Seasonal Factors to Monthly CPI Inflation



The downward trend in energy prices continued.

In March, due to the 12.9% price increase in meat and meat products, prices in the food group rose by 4.6% on a monthly basis and increased the monthly D-PPI inflation the most by 80 basis points. Despite the decline in precious base metals, the before-said group was followed by the base metals group, which rose by 3.1% on a monthly basis, pushing the D-PPI inflation up by 30 basis points. On the other hand, the downward trend in global energy prices continued to limit domestic producer inflation in March. In this period, prices in electricity and gas production and distribution group decreased by 13.3% on a monthly basis, limiting D-PPI inflation by 136 basis points. Coke and refined petroleum products also decreased by 4.8% on a monthly basis, pushing the D-PPI inflation down by 24 basis points.

Expectations...

The gap between CPI and D-PPI narrowed in March due to the decrease in global energy prices. While the reduction in electricity and natural gas prices as of April is expected to have a limiting effect on inflation, the reflection of the OPEC+ countries' decision to cut oil production as of May on energy prices will be closely monitored. Although inflation is expected to continue to decline in the short term due to the base effect, the persistence of the rigidity in services prices despite losing momentum and the recent moderate increases in exchange rates indicate that inflationary pressures may continue in the upcoming period.

	28-Feb	31-Mar	Change
5-Y CDS (basis points)	561	519	-43 bp ▼
TR 2-Y Benchmark Yield	%10.49	%11.70	121 bp ▲
BIST-100	5,237	4,813	-%8.1 ▼
USD/TRY	18.8761	19.1582	%1.5 ▲
EUR/TRY	19.9709	20.7882	%4.1 ▲
Currency Basket*	19.4235	19.9732	%2.8 ▲

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

Global risk appetite presented a volatile outlook in March.

At the beginning of March intense sales took place in the US stock markets after Powell's statements that despite the moderate course of inflation in recent months, there is a long way to go to the 2% inflation target. In the second week of the month, in parallel with the concerns created by the problems in the banking sector, the global risk appetite remained under pressure, while investors' demand to safe investment instruments increased. In the second half of March, the global risk appetite followed a fluctuating course due to the new developments in the banking sector, as well as the measures taken and the announcements made for the sector.

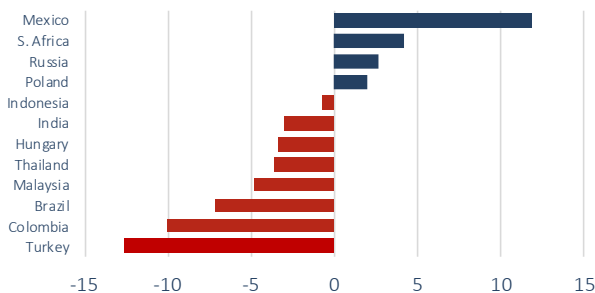


Having tested the 2,000 USD/ounce level on March 20 as investors turned to safe investment instruments, and decreased slightly with the easing of concerns, gold prices increased by 7.7% on a monthly basis. The DXY index decreased by 2.3% mom and closed the month at 102.5.

BIST-100 index diverged negatively from the global stock market indices and closed the month at 4,813 with a decrease of 8.1% mom. Türkiye's 5-year CDS premium, on

Stock Market in Emerging Countries

(12/31/2022-03/31/23, change%)



the other hand, decreased by 43 basis points on a monthly basis to 519 basis points. While the Turkish lira depreciated by 1.5% and 3.9%, respectively, against the USD and EUR in March, the 2-year benchmark bond yield increased rapidly by 121 basis points.

CBRT did not change the policy rate.

In its March meeting, the CBRT kept the policy rate unchanged at 8.5%, in line with market expectations. In the text released after the meeting, CBRT stated that the monetary policy stance was sufficient to support the necessary recovery after the earthquake by maintaining price stability and financial stability. CBRT also stated in the text that although the earthquake is expected to affect the economic activity in the near term, it will not have a permanent effect on the performance of the Turkish economy in the medium term.

S&P changed Türkiye's credit rating outlook to "negative".

In March, the rating statements of international credit rating agencies regarding Türkiye were followed. Fitch affirmed Türkiye's credit rating and outlook as "B" and "negative". Having maintained Türkiye's credit rating as "B" S&P downgraded its credit rating outlook from "stable" to "negative". The agency stated that the downward revision in the rating outlook reflects the risks related to monetary and fiscal policies.

Securities portfolio of non-residents...

According to the securities statistics announced by the CBRT, as of March 24, the stock portfolio of non-residents decreased by 240 million USD since the end of February, adjusted for price and exchange rate movements, while the GDDS portfolio, adjusted for price and exchange rate effects, increased by 47 million USD. Since the end of 2022, there was a foreign capital outflow of 866 million USD in the stock market. In this period, foreign capital inflows amounted to 64 million USD to the bond market.

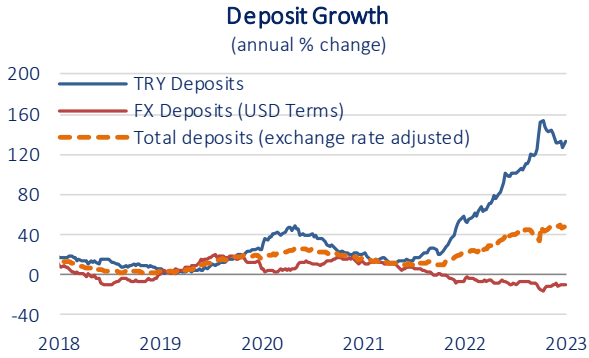
According to the CBRT Market Participants Survey, inflation expectations have increased.

According to Market Participants Survey of the CBRT, expectations regarding macro indicators deteriorated in March compared to the previous survey. CPI inflation expectation for the current year-end rose to 37.72% from 35.76% in February. While the growth expectation of market participants for the end of 2023 decreased from 3.6% to 3.5%, the current account deficit expectation increased from 30.6 billion USD to 36 billion USD. The USD/TRY rate expectations of the participants for the end of the year and for the next 12 months rose to 22.91 and 23.52, respectively.

Source: CBRT, Datastream, Reuters,

Currency protected deposit volume exceeded 1.6 trillion TRY.

According to the weekly data published by the BRSA, as of March 24, the total deposit volume increased by 64.6% on an annual basis and reached 9.9 trillion TRY. The rate of increase in TRY deposits, which peaked at 154.2% in the week of December 30, 2022, lost momentum and was realized as 133.5% as of March 24, while the volume of TRY deposits became 5.9 trillion TRY. Currency-protected deposits (KKM) exceeded 1.6 trillion TRY, reaching a new high as of March 24. On the other hand, FX deposits in USD terms decreased by 10.2% yoy and became 215 billion USD. Thus, the annual increase in total deposit volume, adjusted for exchange rate effects, was 49.5%.



Since the end of March, new regulations regarding the currency-protected deposits (KKM) accounts were announced. Accordingly, CBRT allows domestic companies with foreign currency liabilities to adjust the maturities of their KKM accounts, under the condition that maturities not to be shorter than 1 month. With the regulation, legal entities will commit not to purchase foreign exchange during the maturity of the account. It has been announced that if the commitment is not fulfilled, the loan demands of these companies in question will not be accepted for one year period. Furthermore, interest rate ceiling has been removed in Treasury-protected TRY denominated KKM accounts. Accordingly, minimum interest rate will be the policy rate and ceiling will be determined by the banks. The interest rate ceiling on CBRT-backed KKM accounts had been abolished in January.

The increase in TRY loan volume continues.

As of March 24, the total loan volume of the banking sector expanded by 53% on an annual basis and reached 8.4 trillion TRY. In this period, TRY loan volume increased by 85.6% yoy and exceeded 5.9

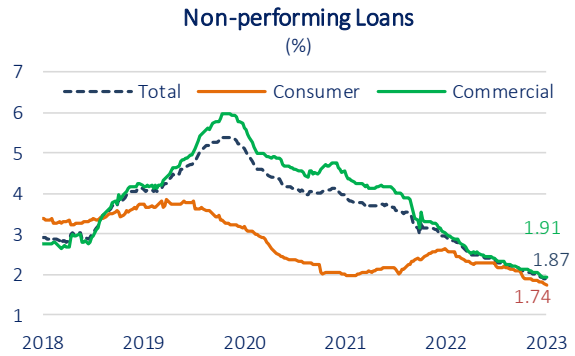
trillion TRY, while FX loan volume in USD terms decreased by 16% yoy to 130.8 billion USD. As of March 25, the annual increase in loan volume, adjusted for exchange rate effects, was 42.8%. In this period, the share of TRY loans in total loans reached 70.2%, the highest level since March 2015.

Consumer loans increased by 57.3% year-on-year.

As of March 24, consumer loans showed the fastest increase since September 2020 with 57.3% yoy, while the annual increase in the balance of individual credit cards reached 146.2%. In this period, although the annual rate of increase in vehicle loans slowed down somewhat, it remained high at 340.3%. Consumer loans recorded the fastest increase since August 2015, with 70.2% yoy.

NPL ratio decreased to 1.87%.

The NPL ratio continues to decline due to the rapid expansion in loan volume. The said ratio decreased to its historical low level with 1.87% as of the week of March 24. In this period, the NPL ratio was 1.74% in retail loans and 1.91% in commercial loans.



Foreign currency net general position...

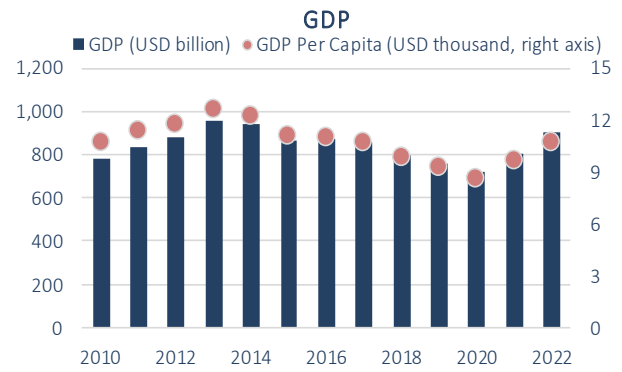
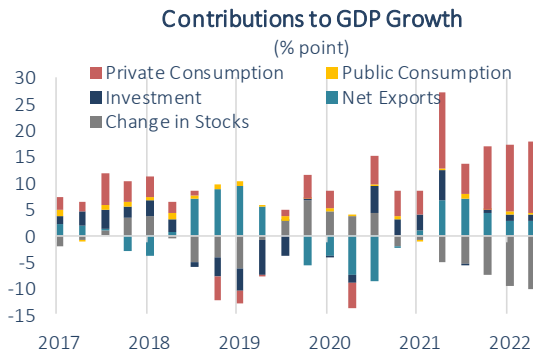
As of March 24, FX net general position was (-) 29.223 million USD in on-balance sheet items and (+) 28.767 million USD in off-balance sheet items. Thus, the net FX position of the banking sector was realized as (-) 456.3 million USD.

Concluding Remarks

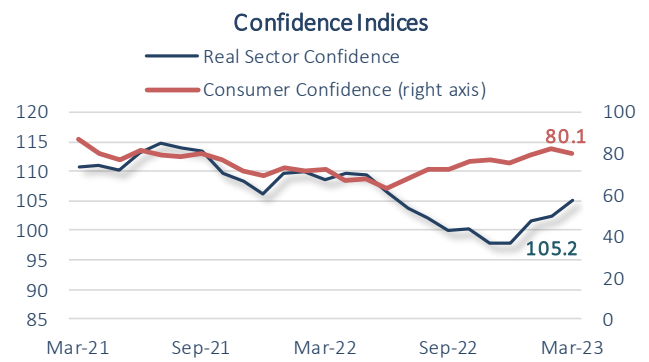
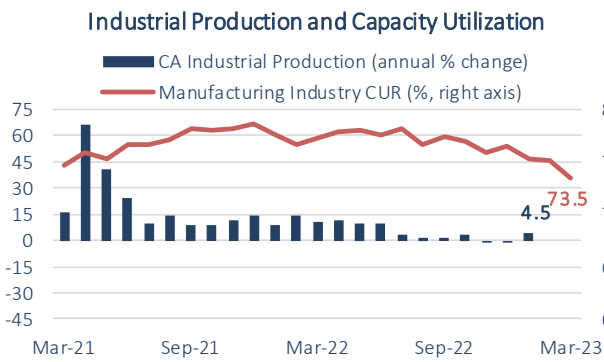
In March, as the bankruptcy of two banks in the United States and the issues experienced by Credit Suisse, Switzerland's second largest bank, raised concerns about the global financial system and the questions of whether bankruptcies pose a systemic risk as well as whether they will spread. The swift participation of regulatory agencies in the United States, as well as comforting statements from US and EU officials, helped to calm the markets. Notwithstanding predictions that central banks would halt their monetary policy tightening actions due to concerns in the banking sector, the major central banks did not adjust their interest rate hike plans and continued to tighten. According to the latest data, inflation indices in the United States continue to improve, but core inflation in the Euro Area remains high. Economic activity is moderate due to the growth in the services sector on a global scale, although the pressure on the manufacturing industry continues.

In Türkiye, preliminary figures point to a moderate recovery in economic activity in March after the earthquake disaster in February. Manufacturing PMI reached its highest level of the last 15 months in March thanks to the rise in production and new orders. In this period, seasonal effects and the decline in energy prices, in addition to the high base, ensured that annual inflation continued to decline. In March, when the negative impact of the earthquake disaster on exports continued to decrease, exports reached a historically high level of 23.6 billion USD. However, the foreign trade deficit amounted to 34.9 billion USD in the first quarter of the year, pointing out that the pressure on the balance of payments continued.

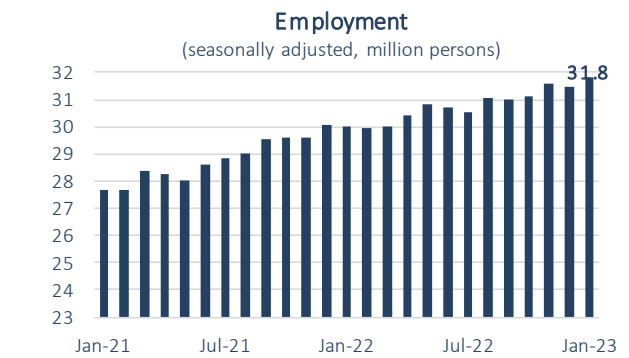
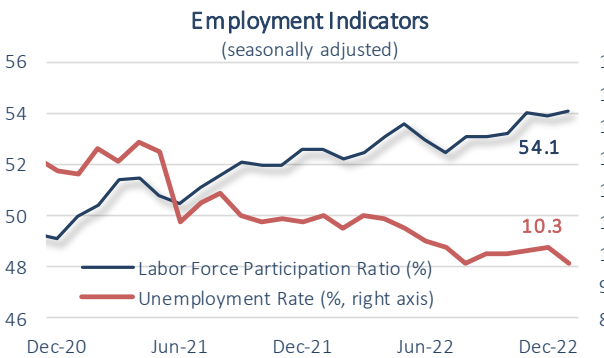
Growth



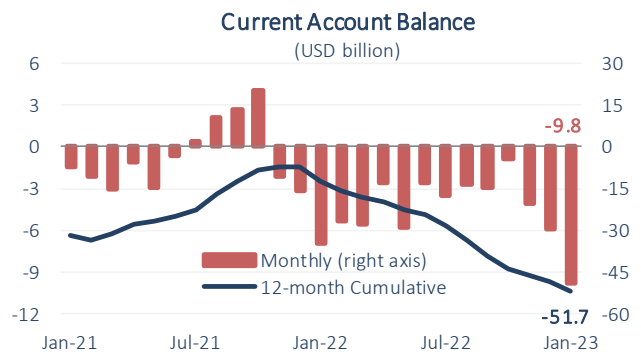
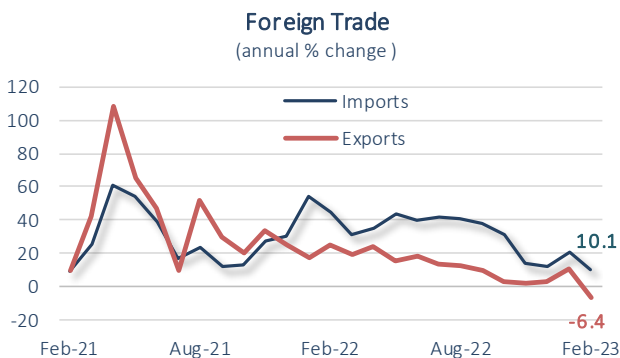
Leading Indicators



Labor Market



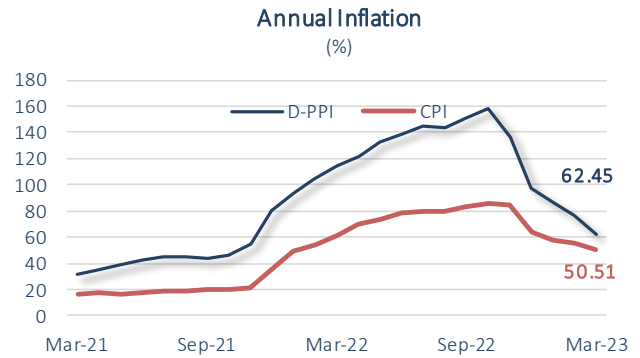
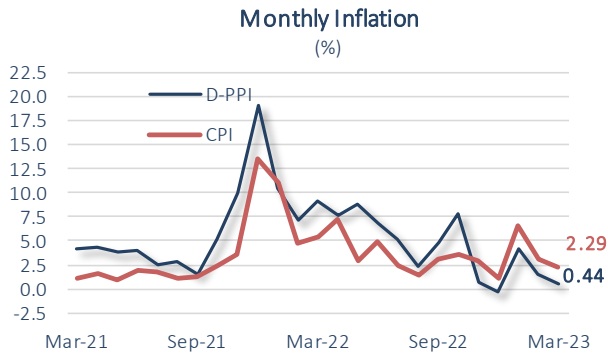
Foreign Trade and Current Account Balance



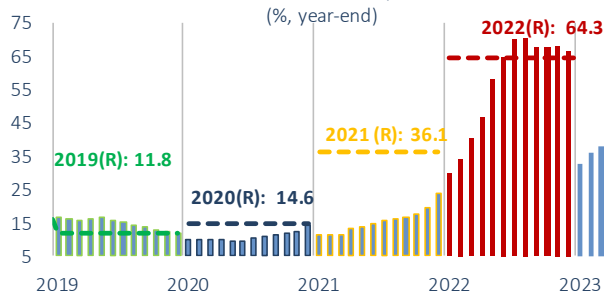
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

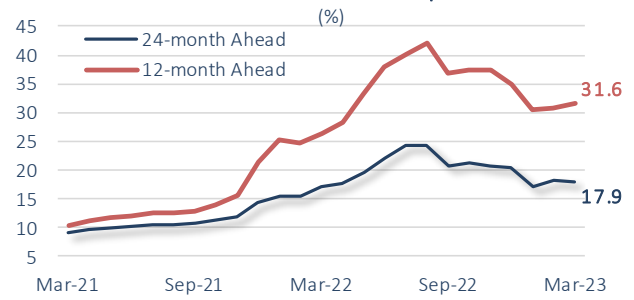
Inflation



CBRT Survey of Market Participants - Annual CPI Inflation Expectations

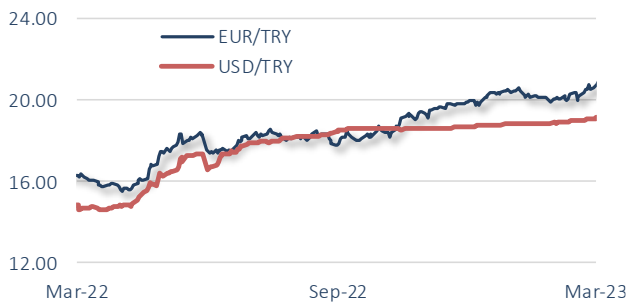


CBRT Survey of Market Participants - 12 & 24-month Ahead CPI Inflation Expectations

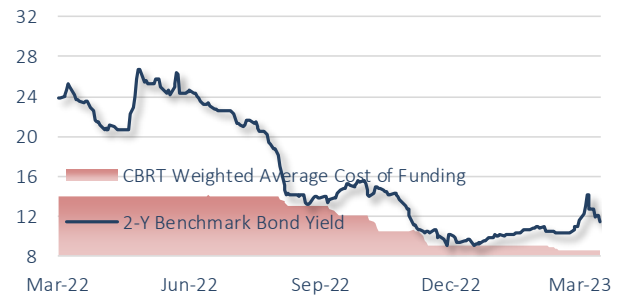


Foreign Exchange and Bond Market

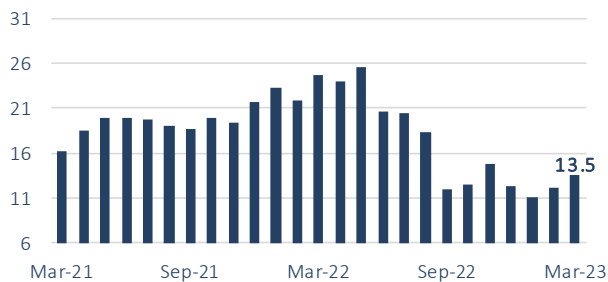
Exchange Rates



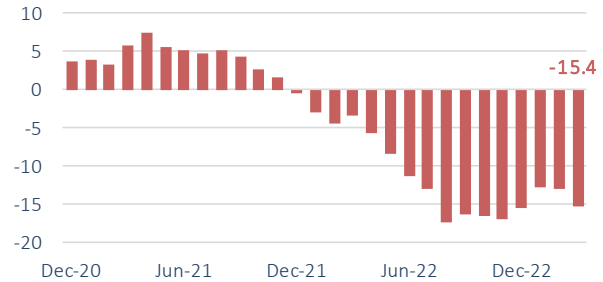
CBRT WACOF and 2-Y Benchmark Bond Yield (%)



Average Compound Yield in Treasury Auctions (%)



Expected Real Yield of TRY GDDIs (%)



Turkish Economy - Macroeconomic Indicators

Growth	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	Feb-23	Mar-23
CPI (annual)	20.30	11.84	14.60	36.08	64.27	57.68	55.18	50.51
Domestic PPI (annual)	33.64	7.36	25.15	79.89	97.72	86.46	76.61	62.45
Seasonally Adjusted Labor Market Figures								Jan-23
Unemployment Rate (%)	12.7	13.4	12.6	11.0	10.2			9.7
Labor Force Participation Rate (%)	53.2	52.6	49.0	52.6	54.1			54.1
FX Rates						Jan-23	Feb-23	Mar-23
CPI Based Real Effective Exchange Rate	76.3	76.1	62.0	47.7	54.8	57.0	58.6	59.4
USD/TRY	5.32	5.95	7.43	13.28	18.72	18.81	18.88	19.20
EUR/TRY	6.08	6.68	9.09	15.10	19.98	20.43	20.02	20.85
Currency Basket (0.5*EUR+0.5*USD)	5.70	6.32	8.26	14.19	19.35	19.62	19.45	20.02
Foreign Trade Balance ⁽¹⁾ (USD billion)							Jan-23	Feb-23
Exports	177.2	180.8	169.6	225.2	254.2		256.0	254.7
Imports	231.2	210.3	219.5	271.4	363.7		369.5	372.3
Foreign Trade Balance	-54.0	-29.5	-49.9	-46.2	-109.5		-113.5	-117.6
Import Coverage Ratio (%)	76.6	86.0	77.3	83.0	69.9		69.3	68.4
Balance of Payments ⁽¹⁾ (USD billion)								Jan-23
Current Account Balance	-20.1	10.8	-31.9	-7.3	-48.8			-51.7
Capital and Financial Accounts	1.1	5.1	-39.5	-6.0	-24.6			-27.1
Direct Investments (net)	-8.9	-6.6	-4.6	-6.9	-8.1			-7.9
Portfolio Investments (net)	0.9	2.8	9.6	-0.8	13.4			12.0
Other Investments (net)	19.4	2.6	-12.6	-21.7	-42.3			-35.1
Reserve Assets (net)	-10.4	6.3	-31.9	23.3	12.3			3.9
Net Errors and Omissions	21.1	-5.8	-7.6	1.4	24.2			24.6
Current Account Balance/GDP (%)	-2.5	1.4	-4.4	-0.9	-5.4			-
Budget ⁽²⁾⁽³⁾ (TRY billion)							Jan-23	Feb-23
Expenditures	830.8	1,000.0	1,203.7	1,603.5	2,941.4		321.3	710.7
Interest Expenditures	74.0	99.9	134.0	180.9	310.9		21.4	55.6
Non-interest Expenditures	756.8	900.1	1,069.8	1,422.7	2,630.5		300.0	655.1
Revenues	758.0	875.3	1,028.4	1,402.0	2,802.4		289.1	507.9
Tax Revenues	621.5	673.9	833.3	1,165.0	2,353.3		252.8	432.4
Budget Balance	-72.8	-124.7	-175.3	-201.5	-139.1		-32.2	-202.8
Primary Balance	1.1	-24.8	-41.3	-20.7	171.8		-10.9	-147.2
Budget Balance/GDP (%)	-1.7	-2.5	-2.4	-1.3	-0.9		-	-
Central Government Debt Stock (TRY billion)							Jan-23	Feb-23
Domestic Debt Stock	586.1	755.1	1,060.4	1,321.2	1,905.3		1,979.0	2,021.1
External Debt Stock	481.0	574.0	752.5	1,426.5	2,127.9		2,199.3	2,190.0
Total Debt Stock	1,067.1	1,329.1	1,812.8	2,747.7	4,033.2		4,178.3	4,211.1

(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	Feb.23	Change ⁽¹⁾
TOTAL ASSETS	3,867	4,491	6,106	9,215	14,344	14,689	15,034	4.8
Loans	2,394	2,656	3,576	4,901	7,581	7,850	8,055	6.3
TRY Loans	1,439	1,642	2,353	2,832	5,110	5,342	5,590	9.4
Share (%)	60.1	61.8	65.8	57.8	67.4	68	69.4	3.0
FX Loans	956	1,015	1,224	2,069	2,471	2,508	2,465	-0.2
Share (%)	39.9	38.2	34.2	42.2	32.6	32	30.6	-6.1
Non-performing Loans	96.6	150.8	152.6	160.1	163.4	162	159.8	-2.2
Non-performing Loan Rate (%)	3.9	5.3	4.1	3.2	2.1	2	1.9	-7.8
Securities	477	660	1,022	1,476	2,370	2,474	2,528	6.7
TOTAL LIABILITIES	3,867	4,491	6,106	9,215	14,344	14,689	15,034	4.8
Deposits	2,036	2,567	3,455	5,303	8,862	9,147	9,438	6.5
TRY Deposits	1,042	1,259	1,546	1,880	4,779	4,966	5,426	13.5
Share (%)	51.2	49.0	44.7	35.5	53.9	54	57.5	6.6
FX Deposits	994	1,308	1,909	3,423	4,083	4,181	4,012	-1.7
Share (%)	48.8	51.0	55.3	64.5	46.1	46	42.5	-7.7
Securities Issued	174	194	224	310	325	319	341	4.8
Payables to Banks	563	533	658	1,048	1,432	1,419	1,450	1.3
Funds from Repo Transactions	97	154	255	587	540	521	430	-20.3
SHAREHOLDERS' EQUITY	421	492	600	714	1,407	1,419	1,488	5.7
Profit (Loss) of the Period	54.1	49.0	58.5	93.0	431.6	39.3	65.6	-84.8
RATIOS (%)								
Loans/GDP	63.7	61.5	70.9	68.0	50.5			
Loans/Assets	61.9	59.1	58.6	53.2	52.8	53.4	53.6	-
Securities/Assets	12.3	14.7	16.7	16.0	16.5	16.8	16.8	-
Deposits/Liabilities	52.7	57.2	56.6	57.5	61.8	62.3	62.8	-
Loans/Deposits	117.6	103.5	103.5	92.4	85.5	85.8	85.3	-
Capital Adequacy (%)	17.3	18.4	18.7	18.4	19.5	17.0	17.1	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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