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Global Economy

IMF revised down global growth forecasts for 2023 and 2024 in its April World Economic Outlook Report, due to high inflation, uncertainties regarding the financial sector and the ongoing effects of the Russia-Ukraine war.

US economy grew by 1.1% on an annualized basis in the first quarter of 2023, while leading indicators pointed to a positive start in the second quarter. Annual core CPI inflation in the country rose to 5.6% in March.

In the US, where concerns over the debt ceiling and financial stability persisted, the Fed continued to raise interest rates at its May meeting.

Euro Area grew by 1.3% yoy in the first quarter of the year. According to preliminary data, annual CPI inflation in the region was realized as 7% in April.

The data releases showing a mixed picture of global economic activity caused a fluctuating course in the commodity markets as well.

Turkish Economy

According to seasonally adjusted figures, unemployment rate increased by 0.2 points to 10.0% in February 2023. In this period, the labor force participation rate was 53.6% and the 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 was 23.4%.

According to seasonally and calendar adjusted data, industrial production index decreased by 6% mom in February and 8.2% yoy, the fastest decline since May 2020, when the effects of the pandemic were felt intensely.

Manufacturing PMI became 51.5 in April. In this period, the production sub-index was realized at the highest level since August 2021, while the increase in exports and total new orders gained momentum.

In February, current account deficit became 8.8 billion USD, while 12-month cumulative current account deficit reached 55.4 billion USD, the highest level since August 2012.

Central government budget gave a deficit of 250 billion TRY in the first quarter of the year due to the earthquake disaster, reaching 38% of the 659 billion TRY budget deficit target for the whole year.

In April, consumer prices rose by 2.39% mom, while annual CPI inflation fell to 43.68% due to the base effect. D-PPI also posted its slowest annual increase since October 2021 with 52.11%.

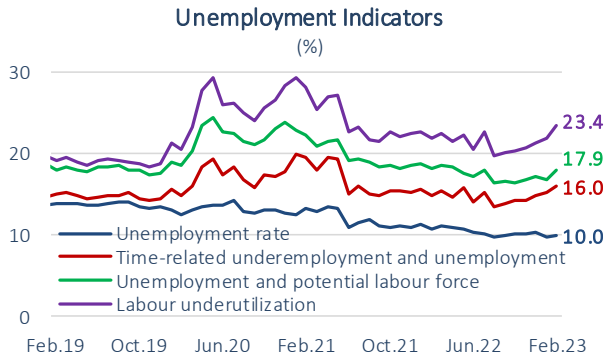
CBRT kept the policy rate unchanged at 8.5% at the Monetary Policy Committee meeting in April in line with market expectations and did not revise inflation expectations in the second Inflation Report of the year.

BIST-100 index, which displayed a volatile outlook throughout April, recorded a 4.1% decline compared to the end of March. In this period, Turkish lira continued to depreciate against the USD and the EUR.

Leading Indicators

Unemployment rate was 10.0 % in February.

In February, labour force and employment decreased by 295K and 361K people respectively, according to seasonally adjusted figures. Thus, the labour force participation rate regressed from 54.1% to 53.6% and the employment rate from 48.8% to 48.2%, while the unemployment rate increased by 0.2 points on a monthly basis to 10.0% in February. The labour underutilization rate, consisting of the sum of time-related underemployment, potential labour force and unemployed reached 23.4%, continuing its upward trend since August 2022. Turkstat announced that due to the earthquake disaster the Household Labour Force Survey for February could not be conducted in seven provinces that had a share of 7.8% in the sample. Turkstat also added that the results were calculated by weighting over the provinces where the survey could be applied to give an estimate on the basis of Türkiye.



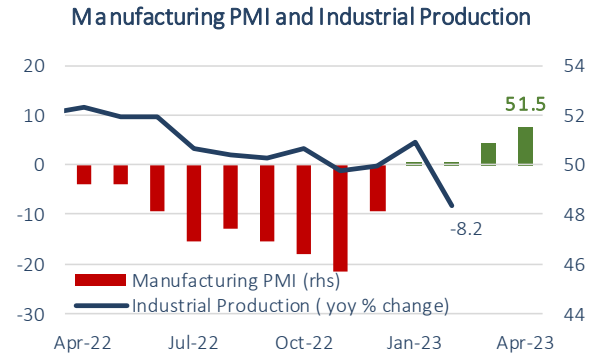
Industrial production declined 6% mom in February.

According to seasonally and calendar adjusted data, the industrial production index declined by 6% on a monthly basis in February. In this period, production of the mining and quarrying sector narrowed by 11.2% mom due to the effect of the 24.5% decrease in the output of coal and lignite. Among the sub-sectors, the production of base metal and textile products, where the effects of the earthquake were felt, contracted by 13.8% and 11.9% on a monthly basis, respectively. In addition, declines in the production of refined petroleum products and other non-metallic mineral products drew attention. In February, industrial production displayed the fastest annual narrowing with 8.2% since May 2020, when the impact of Covid-19 were heavily felt. On the other hand, retail sales volume, which decreased by 6.5% mom in February, displayed an increase of 21.5% on an annual basis.

Manufacturing PMI rose to 51.5 in April.

Manufacturing PMI, which was 50.9 in March, rose to 51.5 in April, marking the most significant improvement in the sector since December 2021. According to sub-indices, the recovery of new orders and exports after the earthquake

gained momentum in April, while the expansion in production was the highest in the last 20 months. On the other hand, difficulties in the supply of raw materials due to earthquake led delivery times to increase in the fourth month in a row. Some companies started the second quarter by increasing the number of employees, but layoffs because of the early retirement law caused employment to stay flat in April.



Confidence indices generally presented positive outlook in April.

According to seasonal and calendar adjusted data, consumer confidence index increased by 9,2 points on a monthly basis and reached 87.5, the highest level since August 2018. All the sub-indices showed improvement in this period, while the high increases in expectations for the next 12 months stood out. In the same period, the real sector confidence index rose by 1 point to 105.1 thanks to the improving prospects for the next 3 months. In April, sectoral confidence index increased in the services sector, while declining in the retail trade and construction sectors. Thus, economic confidence index which is calculated by weighting consumer, real sector and sectoral confidence indices, rose to 102.2 in April, exceeding the threshold value of 100 for the first time since January 2022.

House sales decreased by 21.4% yoy in March.

Following the annual decline in February, house sales in Türkiye decreased by 21.4% on an annual basis to 105,476 units in March. Thus, in the first quarter of the year, house sales declined by %11.5 yoy. In March, first-hand sales decreased by 14.2% yoy, while second-hand sales declined by 24.3% yoy and accounted for 68.8% of total sales. House sales to foreigners decreased by 38.7% yoy as well, as the share of these sales in total house sales became 3.2%.

Foreign Trade and Balance of Payments

In February, the foreign trade deficit remained high.

According to TURKSTAT figures, exports declined by 6.4% yoy and became 18.6 billion USD in February due to the earthquake disaster, while imports rose by 10.1% yoy to 30.7 billion USD. Thus, the foreign trade deficit reached 12.1 billion USD with a rapid increase of 51.4% yoy. The import coverage ratio, which was 71.4% in February 2022 declined to 60.7%.

Current account deficit was 8.8 billion USD.

In February, the current account deficit widened by 65.5% yoy and became 8.8 billion USD. The widening in the foreign trade deficit continued to put pressure on the balance of payments, while the annual increase of the transportation and travel revenues limited the widening in the current account deficit. Net energy imports declined to the lowest level of the 9 months with 5.8 billion USD in February, in line with the decline in energy prices on an annual basis. Excluding gold and energy, the current account surplus decreased to the lowest level of the last 21 months with 834 million USD. The 12-month cumulative current account deficit reached 55.4 billion USD as of February, the highest level since August 2012.

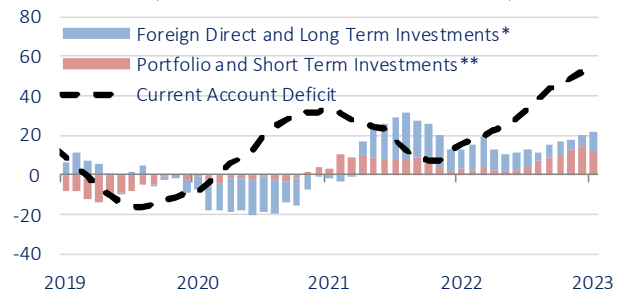
The weak course in direct investments continued.

In February, net foreign direct investments remained weak at 505 million USD. During this period, real estate investments accounted for 80% of direct investments. Non-residents' direct capital investments in Türkiye climbed by 36.2% yoy to 256 million USD.

Portfolio investments recorded 240 million USD capital inflow.

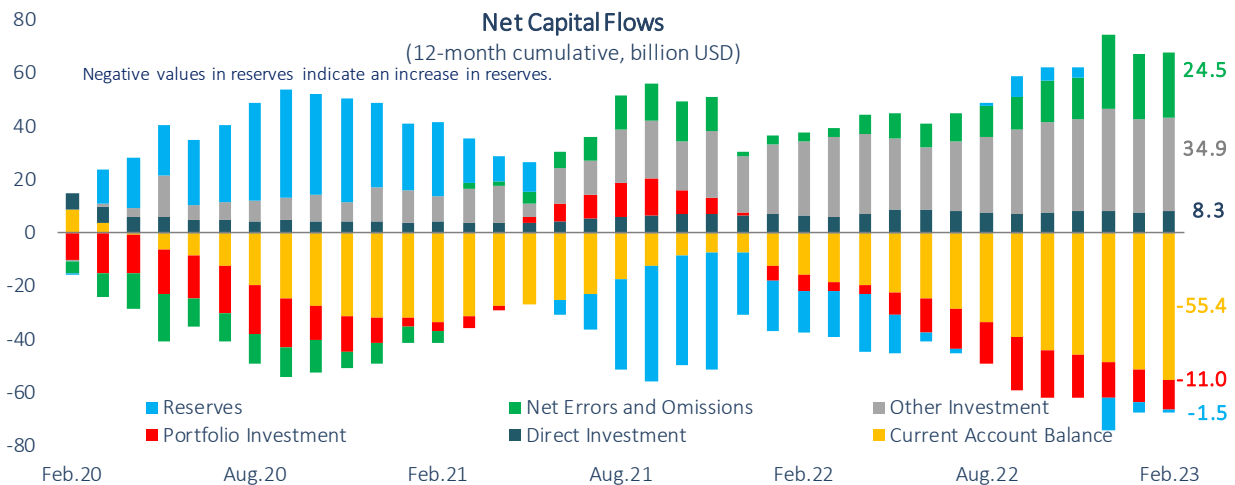
Portfolio investments continued to record inflows for the fourth month in a row albeit moderately with 240 million USD in February. During this period, banks' issuance of 1.2 billion USD worth of bonds abroad supported portfolio inflows. According to the 12-month cumulative data, a net capital outflow of 4.1 billion USD and 1.5 billion USD was recorded in the stock and GDDS markets, respectively, while a net capital outflow of 11 billion USD was recorded in the portfolio investments item.

Financing of Current Account Deficit
(12-month cumulative, USD billion)



Other investments performed well in February.

In February, a net capital inflow of 2.4 billion USD was recorded in other investments item. In this period, non-resident banks' deposit accounts held within domestic banks increased by net 272 million USD, while the banking sector and other sectors used net loans of 1.1 billion USD and 338 million USD from abroad, respectively. In February, the general government made a net loan repayment of 222 million USD. According to the 12-month cumulative

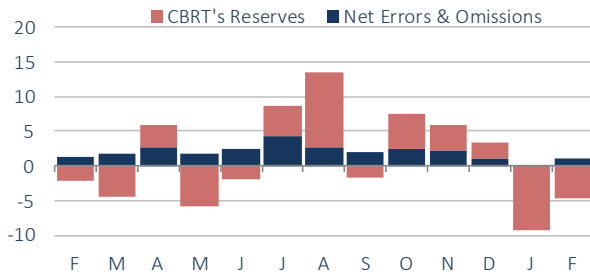


Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

data, the long-term debt rollover ratio was 82% in the banking sector and 162% in other sectors.

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



Reserve assets decreased by 4.7 billion USD.

Reserve assets, which decreased by 9.3 billion USD in January, declined by 4.7 billion USD in February. Thus, as of the first two months of the year, the decrease in reserve assets reached 14 billion USD. In this period, net errors and omissions item recorded a capital inflow of 1 billion USD.

Expectations...

Exports, which were at a historically high level of 23.6 billion USD in March, recorded the fastest annual contraction since the pandemic by regressing 17.2% with the effects of the high base as well as long festive holiday. In this period, imports also decreased by 4.5% yoy in parallel with the decline in global commodity prices, while foreign trade deficit stayed high at 8.9 billion USD. The fact that manufacturing sector in our main export markets displays a weak outlook indicates that the risks are alive on balance of foreign trade. Although losing momentum the continuing tightening steps of monetary policies of major central banks show that the difficulties will remain on the financing side.

Balance of Payments

	Feb.	Jan. - Feb.		(USD million)	
	2023	2022	2023	% Change	
Current Account Balance	-8,783	-12,192	-18,803	54.2	12-month Cumulative
Foreign Trade Balance	-10,401	-14,839	-22,860	54.1	-97,705
Services Balance	2,334	3,869	5,364	38.6	51,367
Travel (net)	1,652	3,298	4,106	24.5	37,931
Primary Income	-815	-1,022	-1,205	17.9	-8,748
Secondary Income	99	-200	-102	-49.0	-276
Capital Account	-25	-1	-40	3,900.0	-74
Financial Account	-7,797	-8,291	-17,842	115.2	-30,888
Direct Investment (net)	-505	-463	-645	39.3	-8,348
Portfolio Investment (net)	-240	1,842	-730	-	10,956
Net Acquisition of Financial Assets	738	1,126	1,375	22.1	4,744
Net Incurrence of Liabilities	978	-716	2,105	-	-6,212
Equity Securities	-185	-580	-671	15.7	-4,129
Debt Securities	1,163	-136	2,776	-	-2,083
Other Investment (net)	-2,375	-6,510	-2,449	-62.4	-34,949
Currency and Deposits	-936	-6,165	-125	-98.0	-27,049
Net Acquisition of Financial Assets	-88	1,456	3,900	167.9	-2,567
Net Incurrence of Liabilities	848	7,621	4,025	-47.2	24,482
Central Bank	526	3,853	1,084	-71.9	4,548
Banks	322	3,768	2,941	-21.9	19,934
Foreign Banks	-109	574	-111	-	6,944
Foreign Exchange	381	2,949	2,018	-31.6	3,192
Turkish Lira	50	245	1,034	322.0	9,798
Non-residents	272	3,523	1,907	-45.9	10,136
Loans	-1,238	330	-870	-	-5,027
Net Acquisition of Financial Assets	2	-470	-7	-98.5	175
Net Incurrence of Liabilities	1,240	-800	863	-	5,202
Banking Sector	1,124	-1,176	273	-	-4,205
Non-bank Sectors	338	593	866	46.0	8,423
Trade Credit and Advances	-197	-670	-1,446	115.8	-2,817
Other Assets and Liabilities	-4	-5	-8	60.0	-56
Reserve Assets (net)	-4,677	-3,160	-14,018	343.6	1,453
Net Errors and Omissions	1,011	3,902	1,001	-74.3	24,548

Source: CBRT, Datastream

Budget Balance

Central government budget posted a deficit of 47.2 billion TRY in March.

In March, budget revenues increased by 83.9% yoy and reached 286.8 billion TRY due to the rapid rise in property incomes, while budget expenditures dispelled a relatively moderate increase with 48.5% and became 334 billion TRY. Thus, the budget deficit, which reached its historical high level of 170.6 billion TRY in February, was realized as 47.2 billion TRY in March. In this period, interest expenditures increased by 67.3% yoy to 45.1 billion TRY and the primary budget balance gave a deficit of 2.1 billion TRY. In the first quarter of the year, budget deficit was 250 billion TRY and the primary deficit was 149.4 billion TRY.

Enterprise and ownership revenues increased rapidly.

The rapid annual rise in budget revenues in March was driven by the increase in enterprise and ownership revenues by more than 7 times. CBRT's transfer of operating income to the Treasury, which was in February last year, was behind this development. In March, tax revenues increased by 55.9% yoy and reached 198.6 billion TRY. In this period, in parallel with the brisk pace of consumption expenditures, special consumption tax and value added tax revenues on imports increased by 92.8% and 42.3% respectively, on an annual basis. Corporate tax revenues, on the other

hand, decreased by 75% yoy with the effect of deferred tax collections in the earthquake region after the disaster. In the first quarter of the year, budget revenues increased by 31.9% yoy and reached 794.7 billion TRY.

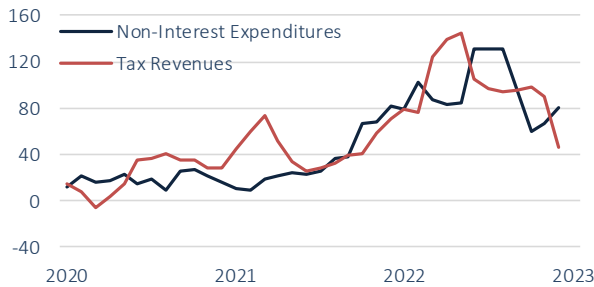
Budget expenditures rose relatively moderately in March.

In March, budget expenditures rose by 48.5% yoy, below the inflation rate. The 90.9% annual decrease in debt transfers to Public Enterprises to 3.5 billion TRY thanks to the decline in energy prices limited the expansion of budget expenditures. On the other hand, compensation of employees nearly doubled on an annual basis and increased the budget expenditures the most. In this period, current transfers went up by 45.4% yoy and reached 124.7 billion TRY. The rise of 14.5 billion TRY in Treasury aids and 10.2 billion TRY in assignment expenses to social security institutions, came to the fore under the current transfers. Parallel to the relatively flat course in foreign exchange rates, there were no expenses related to FX-protected deposit accounts in March. In the first quarter of the year, the annual increase in budget expenditures was realized as 82.7%.

Expectations...

In March, transfer of the CBRT's operating income to the budget supported the budget revenues, while the relatively moderate rise in budget expenditures limited the expansion of budget deficit. On the other hand, as a result of the earthquake disaster, the budget deficit reached 250 billion TRY in the first quarter of the year, accounting for almost 40% of the year-end target of 659 billion TRY. Exchange rate developments and rising global energy costs as a result of OPEC+ countries' decision to restrict oil production in early April signal that risks on the budget balance will persist.

Non-interest Expenditures and Tax Revenues
(3-month ma, annual % change)



Central Government Budget

	March			January-March			(billion TRY)	
	2022	2023	% Change	2022	2023	% Change	2023 Budget Target	Real./ Budget Target (%)
Expenditures	224.9	334.0	48.5	571.7	1,044.8	82.7	4,469.6	23.4
Interest Expenditures	26.9	45.1	67.3	84.8	100.7	18.6	565.6	17.8
Non-Interest Expenditures	198.0	289.0	45.9	486.9	944.1	93.9	3,904.0	24.2
Revenues	156.0	286.8	83.9	602.5	794.7	31.9	3,810.1	20.9
Tax Revenues	127.4	198.6	55.9	455.2	631.0	38.6	3,199.5	19.7
Other Revenues	28.6	88.2	209.0	147.4	163.7	11.1	610.6	26.8
Budget Balance	-69.0	-47.2	-31.5	30.8	-250.0	-	-659.4	37.9
Primary Balance	-42.0	-2.1	-94.9	115.6	-149.4	-	-93.8	-

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

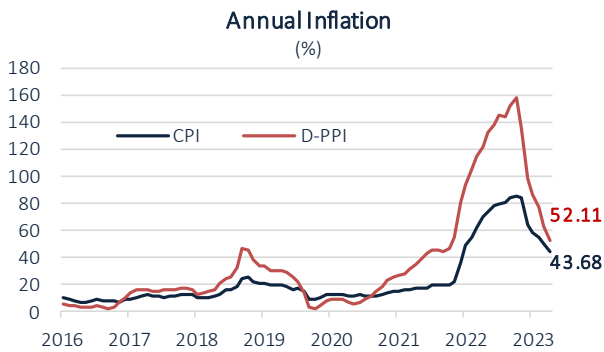
In April, CPI rose by 2.39% mom.

In April, CPI rose by 2.39% mom, below the market expectations. In this period, domestic producer price index (D-PPI) increased by 0.81%.

April (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	7.25	2.39	7.67	0.81
Year-to-Date	31.71	15.21	39.23	7.11
Annual	69.97	43.68	121.82	52.11
Annual Average	34.46	67.20	72.03	105.50

Annual inflation indicators continued to decline.

In April, annual CPI inflation continued to decline due to the high base effect and was realized as 43.68%, the lowest level since December 2021. In this period, producer prices also recorded the slowest annual increase since October 2021 with 52.11%. The gap between annual CPI and D-PPI inflation continued to narrow, falling to single digits as of April.



Food prices put pressure on consumer prices.

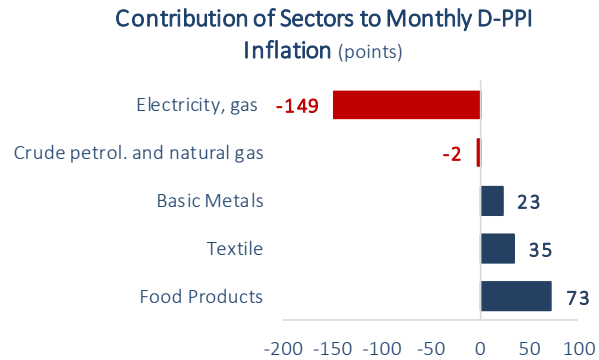
In April, prices rose in 11 out of 12 main expenditure groups. In this period, food and non-alcoholic beverages group increased the monthly inflation the most by 106 basis points due to the rapid rise in meat and fruit prices. In line with the rise in food prices, restaurants and hotels group also contributed 36 basis points to monthly inflation. Transportation group pushed the monthly CPI inflation up by 37 bps as well because of the increase in demand for intercity travel by road due to the holiday season. Housing prices fell by 1.47% mom in April, thanks to the 15% decrease in electricity prices, and limited the increase of monthly CPI inflation. In April, despite the 1.80% increase in goods prices, prices of services rose by 3.89% mom, indicating that the rigidity in prices continued.

Core inflation indicators...

In April, monthly CPI inflation excluding seasonal products was realized as 2.25%, below the headline inflation. On the other hand, B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold) and C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) were realized above the headline inflation as 2.74% and 3.21% mom, respectively. Annual increases in B and C indices were 48.02% and 45.48%, respectively.

Energy group continued to limit the PPI increase in April.

Food group prices rose by 4.1% mom in April and pushed up the monthly D-PPI inflation the most by 73 bps. This group was followed by textile manufacturing, which increased D-PPI inflation up by 35 bps. Despite the decline in global metal prices, prices in base metal (2.3%) and metal ores (4.7%) production increased, pushing monthly PPI inflation up by 27 bps in total. On the other hand, the downward course in energy prices continued to limit the increase in producer prices. In this period, prices in electricity, gas production and distribution group declined by 17% mom, pulling D-PPI inflation down by 149 bps.



Expectations...

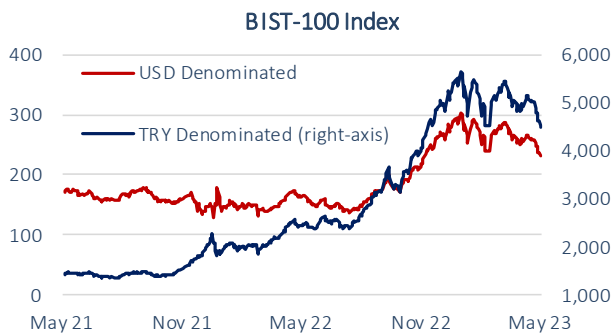
Although the relative improvement in inflation indicators continued in April due to the electricity tariff cuts, core inflation and services prices continued to rise. In the coming months, the downward impact of high base on inflation will diminish, while the course of global energy prices and exchange rates will continue to be influential on the inflation outlook.

	31-Mar	28-Apr	Change
5-Y CDS (basis points)	519	532	13 bp ▲
TR 2-Y Benchmark Yield	%11.70	%17.14	544 bp ▲
BIST-100	4,813	4,618	-%4.1 ▼
USD/TRY	19.1582	19.4478	%1.5 ▲
EUR/TRY	20.7882	21.4250	%3.1 ▲
Currency Basket*	19.9732	20.4364	%2.3 ▲

(*) (0,5 USD/TRY + 0,5 EUR/TRY)

Global markets followed a volatile course in April.

Global financial markets presented a mixed outlook in April. In addition to the data indicating that the global inflation rigidity may last longer than anticipated, the expectations that interest rate hikes in developed countries may continue, repressed the global risk appetite. Moreover, developments regarding the debt ceiling and financial stability in the US were also influential on the course of the markets. MSCI global stock index ended the month up by 1.5% at 2,834, while MSCI emerging markets index fell by 1.4% to 977. In April, the US dollar depreciated slightly in global markets. DXY index became 102.2 and the EUR/USD parity rose to 1.0975.



BIST-100 index, which struggled to find direction due to the upcoming elections and increasing demand for foreign exchange, declined by 4.1% in April and closed the month at 4,618. The 5-year CDS premium increased by 13 basis points to 532, while the Turkish lira continued to depreciate against the US dollar and euro. USD/TRY increased by 1.5% mom to 19.44 and EUR/TRY rose by 3.1% mom to 21.42. In April, the 2-year bond interest rate rose by 544 basis points to 17.14%.

Market participants' expectations remained relatively flat.

According to CBRT's Market Participants' Survey, year-end expectations for USD/TRY deteriorated slightly in April compared to the previous survey. Survey participants' current year-end USD/TRY exchange rate expectations rose to 23.15 TRY in April from 22.91 TRY in the March survey. Participants' expectations for GDP growth remained unchanged at 3.5% and 4.4% for 2023 and 2024, respectively, while the current year-end inflation

expectation increased from 37.72% to 37.77%. Current account deficit expectation for end-2023 stands at 37.8 billion USD.

CBRT kept the policy rate unchanged.

At its April Monetary Policy Committee meeting, CBRT kept one-week repo rate unchanged at 8.5% in line with market expectations. In the text released after the meeting, CBRT stated that economic activity in the earthquake area recovered faster than expected according to leading indicators, while assessments in the March meeting text were largely maintained. CBRT also reiterated that the earthquake disaster will not have a lasting impact on the Turkish economy in the medium and long term.

CBRT did not revise inflation forecasts.

In the second inflation report of the year, CBRT kept its CPI inflation forecasts for 2023 and 2024 unchanged at 22.3% and 8.8%, respectively. The report emphasized that import prices will fall in line with the improvement in global supply conditions, while the higher-than-expected increases in food prices are expected to lead inflationary pressures. Accordingly, the average crude oil price assumption for 2023 was lowered from 80.8 USD to 78.1 USD, while the food inflation forecast was increased from 22% to 27.9%.

CBRT Inflation Forecasts	2023
2023-I (January 2023) Forecast(%)	22.3
2023-II (May 2023) Forecast(%)	22.3
Forecast Revision as Compared to the 2023-I	0
Sources of Forecast Revisions (% Points)	
TRY Denominated Import Prices	-2.3
Food Prices	+1.5
Output Gap	+0.2
Deviation from the Inflation Forecast/the Underlying Trend of Inflation	+0.6

Securities portfolio of non-residents...

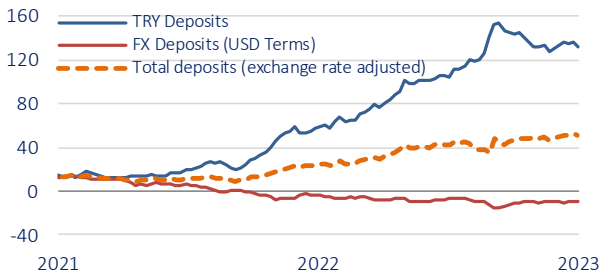
According to the securities statistics released by CBRT, non-residents' equity portfolio adjusted for price and exchange rate movements increased by 141 million USD as of April 20 compared to the end of March, while price and exchange rate adjusted GDDS portfolio decreased by 7 million USD. Thus, since the beginning of the year, price and exchange rate adjusted foreign capital outflows from the equity market amounted to 785 million USD, while foreign capital inflows to the government securities market were 73 million USD. As of April 20, CBRT's gross and net international reserves declined to 116.1 billion USD and 8.3 billion USD, respectively.

Source: CBRT, Datastream, Reuters,

Volume of currency protected deposits reached 2 trillion TRY.

According to BRSA's weekly banking data, as of April 20, total deposit volume increased by 68% yoy to 10.3 trillion TRY. In this period, TRY deposits rose by 131.2% yoy to 6.1 trillion TRY, while FX deposits in USD terms decreased by 8.8% yoy to 217 billion USD. Thus, the exchange rate-adjusted annual increase in total deposit volume was 51.3%. The volume of currency-protected deposits reached 2 trillion TRY as of April 20, the highest level since its introduction. Since the year-end, TRY deposits increased by 27%, while FX deposits in USD terms contracted by 0.8%.

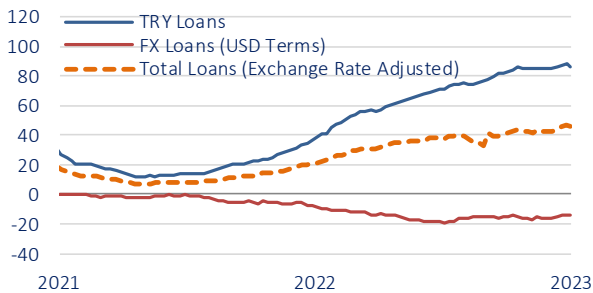
Deposit Growth
(annual % change)



Total loan volume stands at 8.8 trillion TRY...

Total loan volume of the banking sector increased by 57.3% yoy and reached 8.8 trillion TRY as of April 20. In this period, TL loan volume rose by 86.8% yoy to 6.2 trillion TRY, while the share of TL loans in total loans became 71%, the highest level since January 2015. In this period, FX loan volume in USD terms contracted by 14.1% yoy to 131.6 billion USD. Thus, the exchange rate-adjusted annual increase in total loan volume was 46.2%. While the year-to-date increase in TRY loans was 22.2%, FX loans in USD terms recorded a limited decline of 0.5% in this period.

Loan Growth
(annual % change)



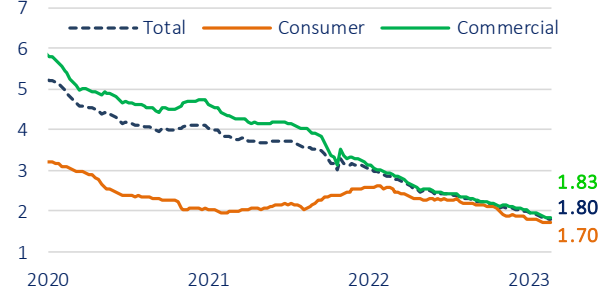
The rapid increase in vehicle loans continued.

Consumer loans increased by 58.4% yoy to 1.3 trillion TRY as of April 20. In this period, vehicle loans continued to rise rapidly by 327.8% yoy, while the annual increase in housing loans remained below the inflation rate with 26.2%. As of April 20, the annual increase in retail credit card balances reached 157%.

NPL ratio continued to decline.

Non-performing loans ratio, which continued to decline in line with the rapid expansion in loan volume, came down to a historical low of 1.80% as of April 20. In this period, the non-performing loans ratio was 1.70% for retail loans and 1.83% for commercial loans.

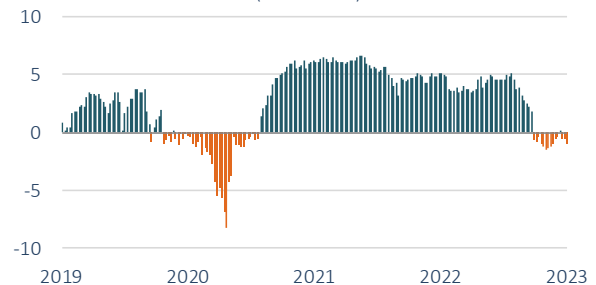
Non-performing Loans
(%)



Foreign currency net general position...

As of April 20, on-balance sheet FX position was (-) 28,613 million USD, while off-balance sheet FX position was (+) 27,702 million USD. Thus, banking sector's net foreign currency position became (-) 910.1 million USD as of April 20.

Net FX Position
(USD Billion)



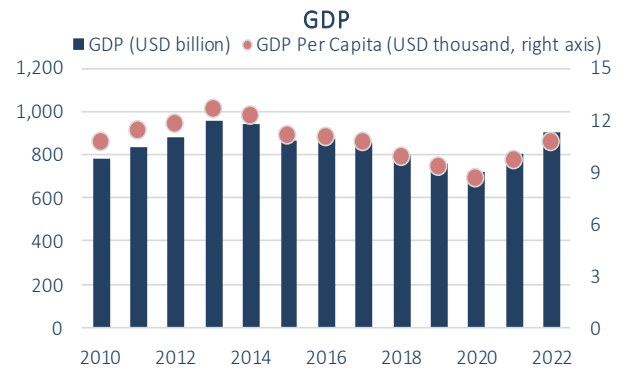
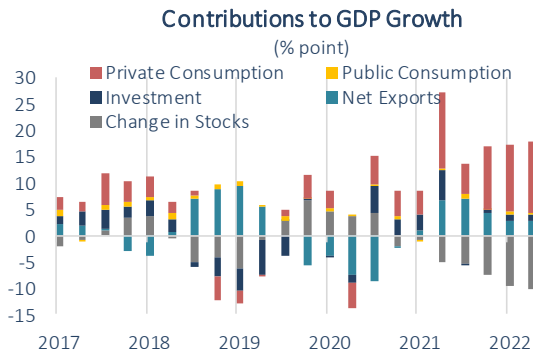
Source: BRSA Weekly Bulletin

Concluding Remarks

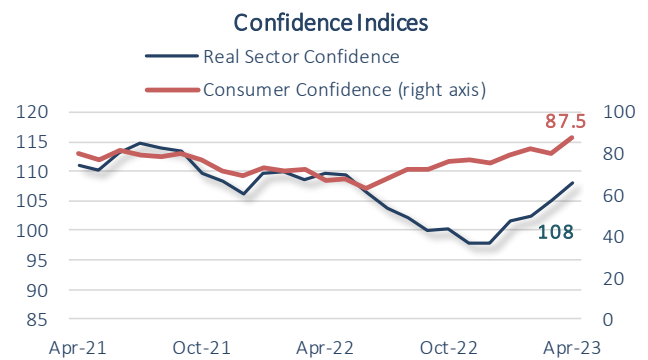
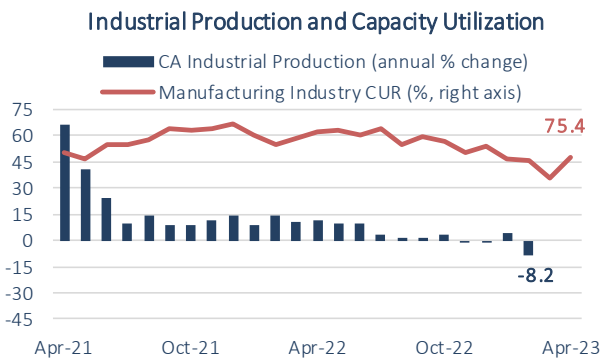
While the downward trend in energy prices has provided a relatively favorable outlook for global inflation, core indicators released in the US and the Euro Area suggest that inflation inertia may last longer than expected. In this context, the Fed raised its policy rate by 25 basis points in line with expectations at its meeting in early May and signaled that it may pause the rapid tightening cycle, which started in March 2022, for a while to observe the results. The ECB also continued its tightening steps at its May meeting. The continued contraction in the manufacturing sector in the Euro Area and China reinforced concerns over global growth while the US economy grew below expectations in the first quarter of the year. International organizations have revised their global growth forecasts downwards, in an environment where the lingering effects of the Russia-Ukraine war and uncertainties regarding the financial sector put pressure on growth expectations.

In Türkiye, leading indicators point out that the recovery in economic activity gained momentum in April. On the other hand, exports contracted at the fastest pace since the pandemic due to the high base and the long holiday period in April, while foreign trade deficit remained high despite the decline in global commodity prices. Inflation indicators continued to decline due to the downward trend in global energy prices, the cuts in electricity tariffs in Türkiye as well as the high base effect. CBRT kept the policy rate unchanged at the Monetary Policy Committee meeting in April and did not revise its inflation forecasts in the second Inflation Report of the year. With the elections just days away, the domestic agenda is focused on political developments.

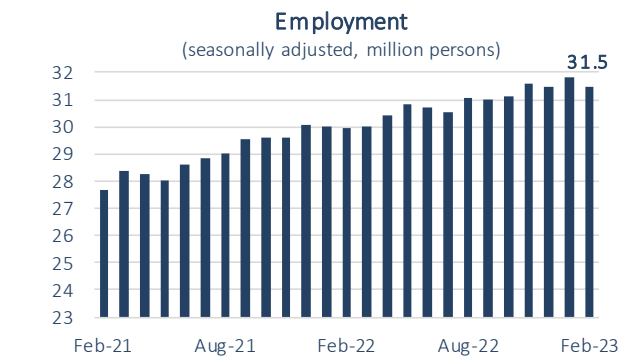
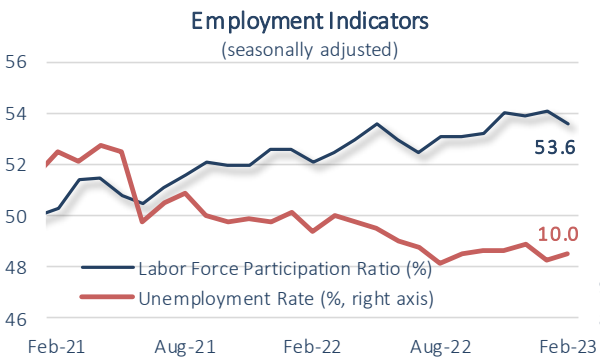
Growth



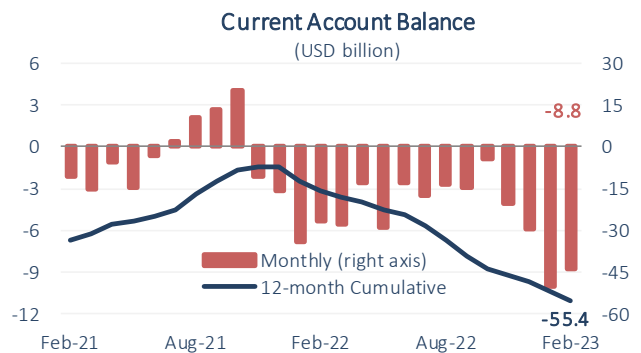
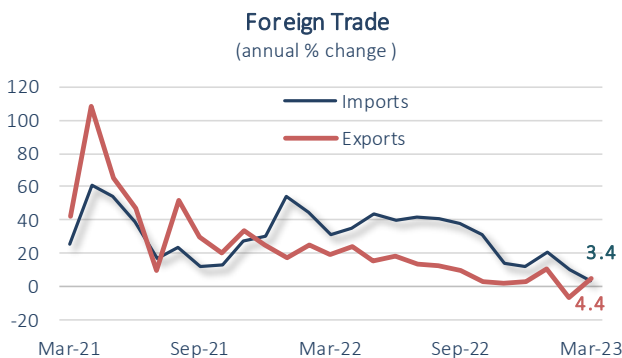
Leading Indicators



Labor Market



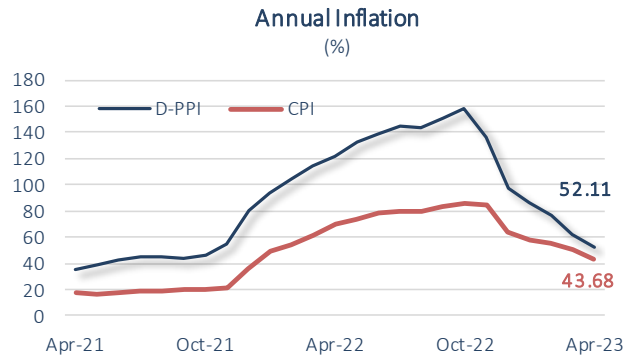
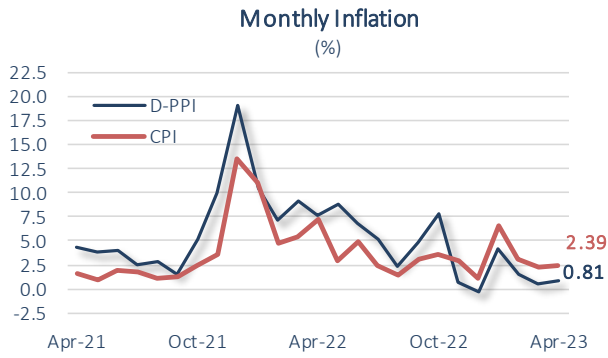
Foreign Trade and Current Account Balance



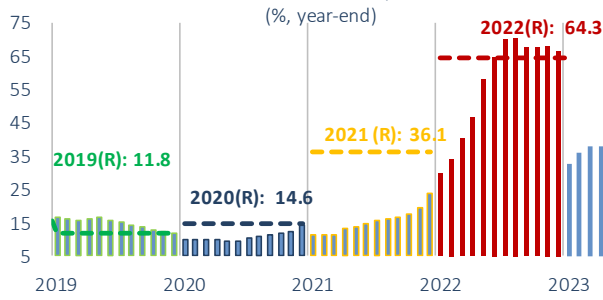
(CA) Calendar adjusted

Source: Datastream, CBRT, Turkstat

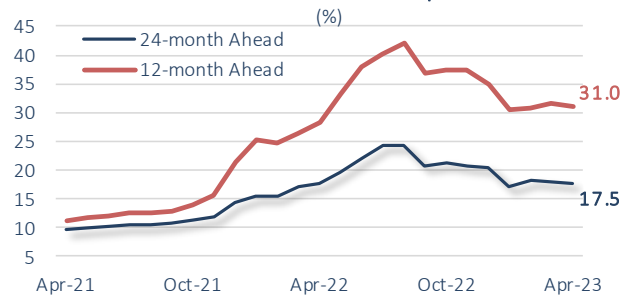
Inflation



CBRT Survey of Market Participants - Annual CPI Inflation Expectations

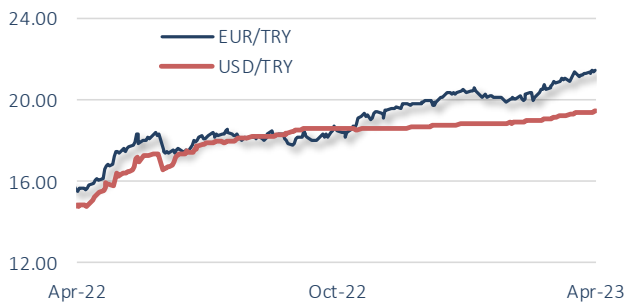


CBRT Survey of Market Participants - 12 & 24-month Ahead CPI Inflation Expectations

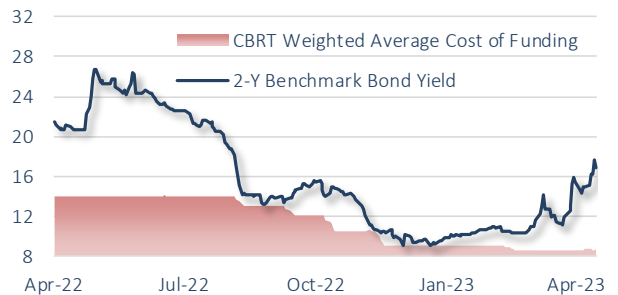


Foreign Exchange and Bond Market

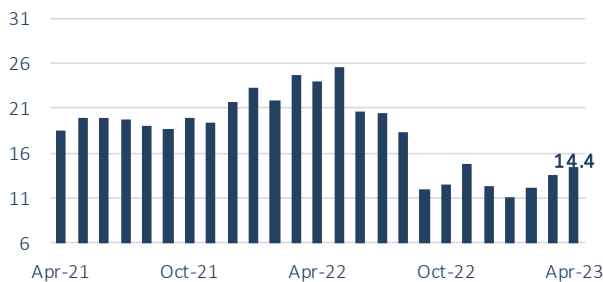
Exchange Rates



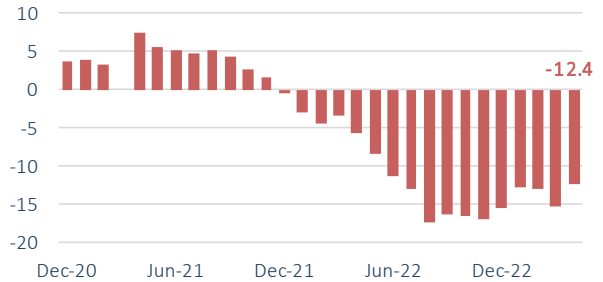
CBRT WACOF and 2-Y Benchmark Bond Yield (%)



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 (%)						Feb-23	Mar-23	Apr-23
CPI (annual)	20.30	11.84	14.60	36.08	64.27	55.18	50.51	43.68
Domestic PPI (annual)	33.64	7.36	25.15	79.89	97.72	76.61	62.45	52.11
Seasonally Adjusted Labor Market Figures							Jan-23	Feb-23
Unemployment Rate (%)	12.7	13.4	12.6	11.0	10.3		9.8	10.0
Labor Force Participation Rate (%)	53.2	52.6	49.1	52.6	53.9		54.1	53.6
FX Rates						Feb-23	Mar-23	Apr-23
CPI Based Real Effective Exchange Rate	76.3	76.1	62.0	47.7	54.9	58.7	59.6	58.9
USD/TRY	5.32	5.95	7.43	13.28	18.72	18.88	19.20	19.45
EUR/TRY	6.08	6.68	9.09	15.10	19.98	20.02	20.85	21.47
Currency Basket (0.5*EUR+0.5*USD)	5.70	6.32	8.26	14.19	19.35	19.45	20.02	20.46
Foreign Trade Balance ⁽¹⁾ (USD billion)						Jan-23	Feb-23	Mar-23
Exports	177.2	180.8	169.6	225.2	254.2	256.0	254.7	255.7
Imports	231.2	210.3	219.5	271.4	363.7	369.5	372.3	373.4
Foreign Trade Balance	-54.0	-29.5	-49.9	-46.2	-109.5	-113.5	-117.6	-117.7
Import Coverage Ratio (%)	76.6	86.0	77.3	83.0	69.9	69.3	68.4	68.5
Balance of Payments ⁽¹⁾ (USD billion)							Jan-23	Feb-23
Current Account Balance	-20.1	10.8	-31.9	-7.3	-48.8		-51.9	-55.4
Capital and Financial Accounts	1.1	5.1	-39.5	-6.0	-24.6		-27.2	-30.9
Direct Investments (net)	-8.9	-6.6	-4.6	-6.9	-8.1		-7.9	-8.3
Portfolio Investments (net)	0.9	2.8	9.6	-0.8	13.4		12.0	11.0
Other Investments (net)	19.4	2.6	-12.6	-21.7	-42.3		-35.2	-34.9
Reserve Assets (net)	-10.4	6.3	-31.9	23.3	12.3		3.9	1.5
Net Errors and Omissions	21.1	-5.8	-7.6	1.4	24.2		24.8	24.5
Current Account Balance/GDP (%)	-2.5	1.4	-4.4	-0.9	-5.4		-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Jan-23	Feb-23	Mar-23
Expenditures	830.8	1,000.0	1,203.7	1,603.5	2,941.4	321.3	710.7	1,044.8
Interest Expenditures	74.0	99.9	134.0	180.9	310.9	21.4	55.6	100.7
Non-interest Expenditures	756.8	900.1	1,069.8	1,422.7	2,630.5	300.0	655.1	944.1
Revenues	758.0	875.3	1,028.4	1,402.0	2,802.4	289.1	507.9	794.7
Tax Revenues	621.5	673.9	833.3	1,165.0	2,353.3	252.8	432.4	631.0
Budget Balance	-72.8	-124.7	-175.3	-201.5	-139.1	-32.2	-202.8	-250.0
Primary Balance	1.1	-24.8	-41.3	-20.7	171.8	-10.9	-147.2	-149.4
Budget Balance/GDP (%)	-1.7	-2.5	-2.4	-1.3	-0.9	-	-	-
Central Government Debt Stock (TRY billion)						Jan-23	Feb-23	Mar-23
Domestic Debt Stock	586.1	755.1	1,064.3	1,354.8	1,905.3	1,979.0	2,021.1	2,233.4
External Debt Stock	481.0	574.0	773.4	1,490.0	2,127.9	2,199.3	2,190.0	2,253.5
Total Debt Stock	1,067.1	1,329.1	1,837.6	2,844.9	4,033.2	4,178.3	4,211.1	4,487.0

(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	Feb.23	Mar.23	Change ⁽¹⁾
TOTAL ASSETS	3,867	4,491	6,106	9,215	14,344	15,034	15,844	10.5
Loans	2,394	2,656	3,576	4,901	7,581	8,055	8,517	12.4
TRY Loans	1,439	1,642	2,353	2,832	5,110	5,590	5,995	17.3
Share (%)	60.1	61.8	65.8	57.8	67.4	69	70.4	4.4
FX Loans	956	1,015	1,224	2,069	2,471	2,465	2,522	2.1
Share (%)	39.9	38.2	34.2	42.2	32.6	31	29.6	-9.2
Non-performing Loans	96.6	150.8	152.6	160.1	163.4	160	158.7	-2.9
Non-performing Loan Rate (%)	3.9	5.3	4.1	3.2	2.1	2	1.8	-13.3
Securities	477	660	1,022	1,476	2,370	2,528	2,740	15.6
TOTAL LIABILITIES	3,867	4,491	6,106	9,215	14,344	15,034	15,844	10.5
Deposits	2,036	2,567	3,455	5,303	8,862	9,438	9,956	12.3
TRY Deposits	1,042	1,259	1,546	1,880	4,779	5,426	5,900	23.5
Share (%)	51.2	49.0	44.7	35.5	53.9	57	59.3	9.9
FX Deposits	994	1,308	1,909	3,423	4,083	4,012	4,057	-0.6
Share (%)	48.8	51.0	55.3	64.5	46.1	43	40.7	-11.6
Securities Issued	174	194	224	310	325	341	324	-0.3
Payables to Banks	563	533	658	1,048	1,432	1,450	1,469	2.6
Funds from Repo Transactions	97	154	255	587	540	430	539	-0.2
SHAREHOLDERS' EQUITY	421	492	600	714	1,407	1,488	1,596	13.4
Profit (Loss) of the Period	54.1	49.0	58.5	93.0	431.6	65.6	107.2	-75.2
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	53.6	53.8	-
Securities/Assets	12.3	14.7	16.7	16.0	16.5	16.8	17.3	-
Deposits/Liabilities	52.7	57.2	56.6	57.5	61.8	62.8	62.8	-
Loans/Deposits	117.6	103.5	103.5	92.4	85.5	85.3	85.5	-
Capital Adequacy (%)	17.3	18.4	18.7	18.4	19.5	17.1	17.7	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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