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Global Economy

In its October World Economic Outlook Report, IMF kept its global growth forecast unchanged at 3% for 2023, while lowering it from 3% to 2.9% for 2024.

In the third quarter of 2023, US economy recorded an annualized growth rate of 4.9% qoq, above market expectations. The composite PMI data in the country came in at 50.7 in October.

At its meeting held in early November, Fed kept the policy rate unchanged at 5.25%-5.50% in line with market expectations.

Euro Area economy contracted by 0.1% in the third quarter compared to the previous quarter, painting a negative outlook for economic activity. Annual CPI inflation in the region fell to 2.9% in October due to the high base effect.

China grew by 4.9% yoy in the third quarter of the year. The People's Bank of China kept its benchmark interest rates unchanged in October.

Oil prices, which presented a volatile outlook in October, declined rapidly due to concerns over global demand amid geopolitical developments.

Turkish Economy

In August, seasonally adjusted unemployment rate was realized as 9.2%, the lowest level since the beginning of 2014.

According to calendar adjusted figures, industrial production increased by 3.1% yoy in August. In this period, retail sales decreased by 4.7% on a monthly basis and recorded the lowest rise of the last 9 months on an annual basis.

Istanbul Chamber of Industry Türkiye Manufacturing PMI fell to 48.4 in October, the lowest level of this year and remained below the threshold for the fourth month in a row.

Current account deficit, which was realized as 619 million USD in August thanks to the strong outlook in services revenues, became 57 billion USD according to 12-month cumulative figures.

In September, central government budget posted a deficit of 129.2 billion TRY. Budget deficit reached 512.6 billion TRY in January-September period.

In October, CPI increased by 3.43% mom and 61.36% yoy, respectively. Domestic PPI inflation came in at 1.94% on a monthly and 39.39% on an annual basis.

At its October meeting, CBRT raised the policy rate by 500 basis points to 35% in line with market expectations and continued the simplification steps.

In the last Inflation Report of the year, CBRT raised its inflation forecast from 58% to 65% for end-2023 and from 33% to 36% for end-2024.

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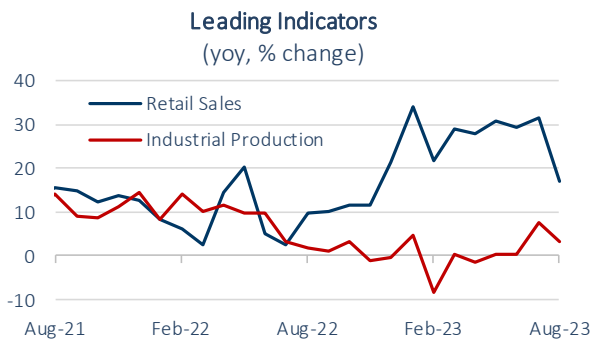
Leading Indicators

Unemployment rate dropped to 9.2% in August.

According to seasonally adjusted data released by Turkstat, unemployment rate was realized as 9.2% in August, the lowest level since early 2014. In this period, employment rate remained unchanged compared to the previous month, and the 0.1 point decline in the labor force participation rate was the factor that lowered the unemployment rate. Youth unemployment rate, which covers the 15-24 age group, decreased from 17.9% in July to 17.2% in August. On the other hand, the labour underutilization rate, the broadest defined unemployment rate, rose by 0.4 points mom to 23%.

Industrial production continued to decline on monthly basis in August.

Seasonally and calendar adjusted industrial production index decreased by -0.8% mom in August, continuing its downward trend for the second month in a row. In this period, production decreased by 1.3% in manufacturing industry, and increased in electricity, gas and steam sector and in mining and quarrying sector by 2.4% and 0.2% respectively. The monthly decline in production in 17 out of 24 sub-sectors of the manufacturing industry indicated that the slowdown spread across the sector, with the fastest contractions in furniture (9.6%) and motor vehicles (8.4%). On the other hand, the 22.7% monthly increase in the production of other transportation vehicles in August was noteworthy. According to calendar adjusted figures, industrial production increased by 3.1% yoy in August. In this period, production increased by 1.8% in the manufacturing industry, by 5.1% in the mining and quarrying sector, and by 4.9% in the electricity, gas and steam sector.



ISO Türkiye manufacturing PMI declined to 48.4.

Istanbul Chamber of Industry Türkiye Manufacturing PMI fell to 48.4 in October, the lowest level of this year, and remained below the threshold level for the fourth month in a row. According to the sub-items of the index, new orders slowed down at the fastest pace since November 2022 due to weak domestic and external demand conditions. Production fell for the fourth consecutive month, while employment declined for the first time after a five-month streak of increases.

However, input costs and selling prices increased at lower rates in October compared to September. On a sectoral basis, PMI data continued to remain below the threshold value in all sectors except food products in October, as it was in September.

Indicators for domestic demand pointed to a slowdown in consumption.

According to seasonally and calendar adjusted data, retail sales volume at constant prices contracted by 4.7% mom in August, the first contraction since February when the earthquake disaster had a negative impact on consumption. In this period, automotive fuel sales declined by 9%, while sales of electrical appliances and furniture fell by 17.2%. In August, the annual increase in retail sales volume was realized as 17.2%, the lowest level of the last 9 months. On the other hand, CPI-adjusted data indicated that expenditures made with debit and credit cards declined in real terms on a monthly basis in September as in August.

Confidence indices presented a relatively positive outlook.

According to seasonally adjusted figures, consumer confidence index rose by 4.4% mom to 74.6 in October. Analyzing the sub-items that make up the index, it was seen that the evaluations regarding the financial situation of the households in the current period improved by 6.1%, while the expectations for the financial situation of the households and the general economic situation in the next 12 months improved by 5.4% and 7.2%, respectively. In October, seasonally adjusted real sector confidence index increased slightly by 0.2 points compared to the previous month and was realized as 105.3. In this period, confidence indices increased in construction and services sectors, while retail trade was the only sub-index where confidence decreased. Thus, economic confidence index rose by 1.2% mom to 96.5 in October.

House sales decreased by 9.5% yoy in September.

In September, total house sales in Türkiye decreased by 9.5% yoy to 102.7K units. Mortgage sales, which declined by 50.2% yoy due to the monetary tightening in this period, were realized as 8.4K units, the lowest level since June 2019. Thus, the share of mortgaged sales in total sales decreased to 8.2%. In September, house sales to foreigners declined by 42% yoy.

Loss of momentum in automotive and white goods sales...

Although automotive and white goods sales remain high compared to historical averages, the rate of increase in sales has lost momentum in recent months. The annual increase in automobile and light commercial vehicle sales, which reached 118.3% in July, lost momentum in the following months and was realized as 55.4% in October. Likewise, annual rise in white goods sales also lost momentum and became 21% in October.

Source: CBRT, Datastream, ISO, Turkstat

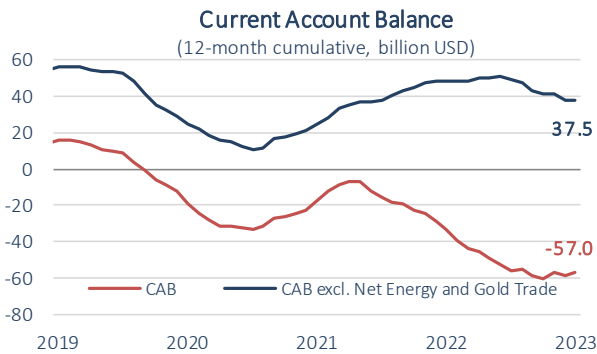
Foreign Trade and Balance of Payments

Imports fell by 6.9% yoy in August.

According to data released by TURKSTAT, exports increased by 1.6% yoy to 21.6 billion USD in August, while imports decreased by 6.9% yoy to 30.3 billion USD. Thus, foreign trade deficit contracted by 23.1% yoy to 8.7 billion USD in August. Import coverage ratio rose to 71.4% in this period.

Current account deficit became 619 million USD in August.

In August, current account deficit was realized as 619 million USD, in line with market expectations. In this period, net tourism revenues and services revenues were realized as 5.7 billion USD and 11 billion USD, respectively, at historically high levels. In August, non-monetary gold imports increased by 41.8% yoy to 3.3 billion USD and the current account excluding gold posted a surplus of 2.4 billion USD, the highest level since October 2021. 12-month cumulative current account deficit became 57 billion USD as of August.



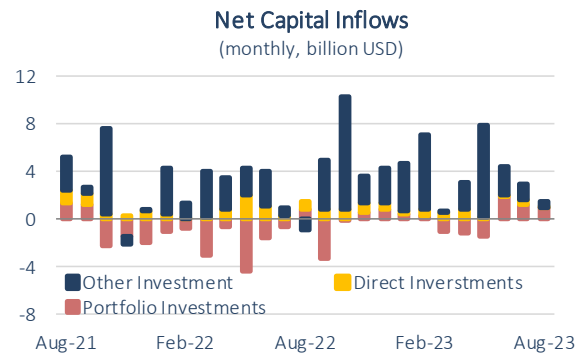
Limited capital inflows in direct investments...

In August, net foreign direct investments were realized as 106 million USD, the lowest level of the last 3 months. Hence, net foreign direct investments in the first 8 months of the year decreased by 51.6% yoy to 2.6 billion USD. In August, residents' net direct capital investments abroad were realized as

536 million USD, the highest level since January. In this period, foreigners real estate investments in Türkiye amounted to 255 million USD.

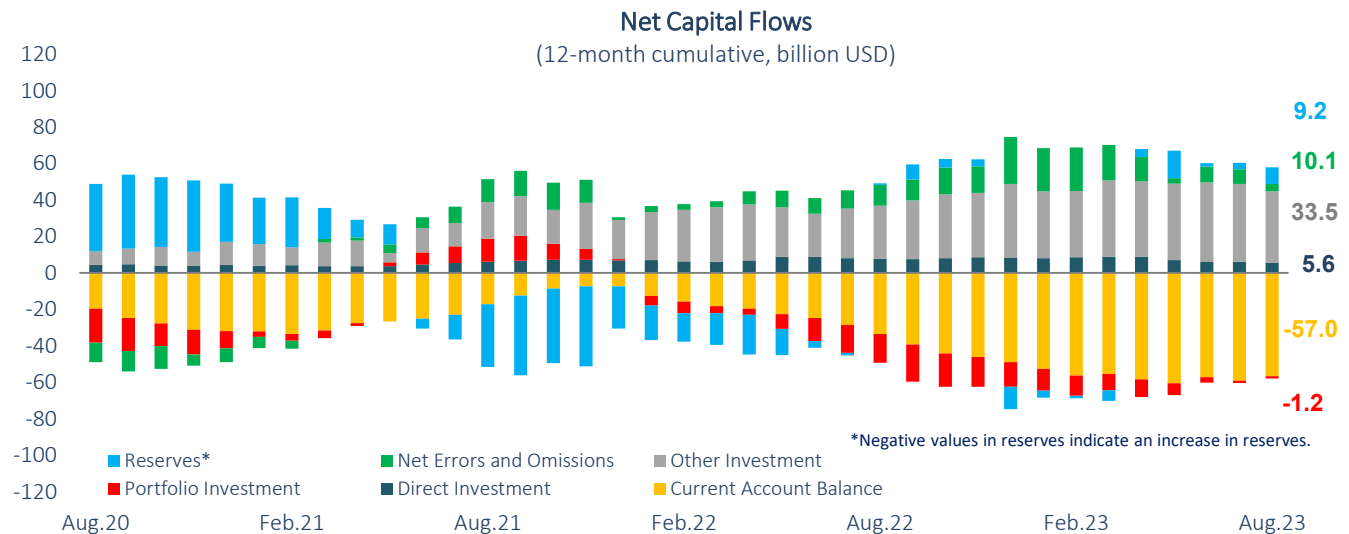
Stock and bond markets diverged in portfolio investments.

Although net capital inflows in portfolio investments continued to increase in August, total amount of inflows were realized as 880 million USD, the lowest level of the last 3 months. In this period, non-residents made net sales of 131 million USD in the equity market and net purchases of 530 million USD in the debt securities market. Thus, equity markets recorded capital outflows for the first time since May, while net capital inflows in debt securities continued to increase and reached the highest level since February. After all, total portfolio investments recorded a net capital inflow of 929 million USD in January-August period.



Net capital inflows in other investments lost momentum.

In August, net capital inflow in other investments was realized as 218 million USD, the lowest level since January. In this period, banking sector borrowed a net amount of 1.3 billion USD from abroad, while general government and other sectors repaid 122 million USD and 679 million USD, respectively. As of August, according to 12-month cumulative data, long-term debt rollover ratio was 88.5% in the banking sector, while it

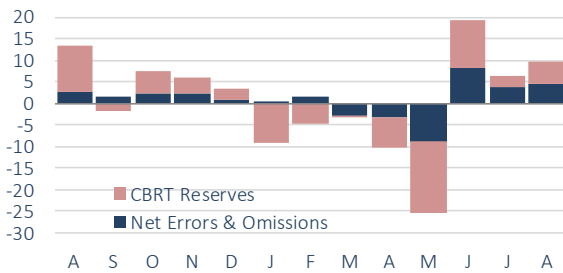


Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

declined to 99.9% in other sectors, the lowest level since April 2021. In the January-August period, other investments recorded a net capital inflow of 18 billion USD.

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



Reserve assets and net errors & omissions...

Reserve assets increased by 5.1 billion USD in August. Thus, the total decline in reserve assets in the first 8 months of the year came down to 18.6 billion USD. Capital inflows in the net errors and omissions item continued in August with 4.6 billion USD.

Expectations...

In August, the current account deficit posted a significant decline compared to July thanks to the strong outlook in tourism and other services revenues. According to preliminary data released by the Ministry of Trade, foreign trade deficit narrowed to 5 billion USD in September, the lowest level since October 2021. We forecast that the current account balance and the financing of the deficit will continue to show signs of improvement if the slowdown in imports continues along with the gradual monetary tightening, and capital inflows from abroad accelerate. On the other hand, a decline in tourism revenues due to seasonal effects, the ongoing geopolitical risks in the Middle East and Ukraine, and the weak economic activity in the Euro Area, Türkiye's main export market, stand out as risk factors on the current account balance in the upcoming period.

Balance of Payments

	Aug.	Jan. - Aug.			(USD million)
	2023	2022	2023	%	12-month
				Change	Cumulative
Current Account Balance	-619	-35,060	-43,132	23.0	-56,964
Foreign Trade Balance	-7,104	-59,861	-68,675	14.7	-98,414
Services Balance	7,266	31,567	33,094	4.8	51,192
Travel (net)	5,749	24,046	26,509	10.2	39,780
Primary Income	-922	-6,168	-7,818	26.8	-10,236
Secondary Income	141	-598	267	-	494
Capital Account	-34	-21	-144	585.7	-158
Financial Account	3,930	-16,132	-40,182	149.1	-47,009
Direct Investment (net)	-106	-5,445	-2,634	-51.6	-5,631
Portfolio Investment (net)	-880	11,356	-929	-	1,243
Net Acquisition of Financial Assets	-481	4,397	1,231	-72.0	1,329
Net Incurrence of Liabilities	399	-6,959	2,160	-	86
Equity Securities	-131	-2,819	98	-	-1,121
Debt Securities	530	-4,140	2,062	-	1,207
Other Investment (net)	-218	-24,904	-17,998	-27.7	-33,450
Currency and Deposits	-279	-17,404	-13,173	-24.3	-31,667
Net Acquisition of Financial Assets	128	3,502	9,136	160.9	-862
Net Incurrence of Liabilities	407	20,906	22,309	6.7	30,805
Central Bank	-126	6,494	13,541	108.5	14,364
Banks	533	14,412	8,768	-39.2	16,441
Foreign Banks	20	9,312	6,202	-33.4	5,381
Foreign Exchange	141	6,078	3,830	-37.0	3,261
Turkish Lira	-121	3,234	2,372	-26.7	7,799
Non-residents	513	5,100	2,566	-49.7	8,642
Loans	-807	-4,524	-2,526	-44.2	-1,818
Net Acquisition of Financial Assets	-314	793	-225	-	-1,306
Net Incurrence of Liabilities	493	5,317	2,301	-56.7	512
Banking Sector	1,294	-3,122	1,601	-	-1,030
Non-bank Sectors	-679	7,987	1,188	-85.1	1,312
Trade Credit and Advances	882	-2,926	-2,248	-23.2	89
Other Assets and Liabilities	-14	-50	-51	2.0	-54
Reserve Assets (net)	5,134	2,861	-18,621	-	-9,171
Net Errors and Omissions	4,583	18,949	3,094	-83.7	10,113

Source: CBRT, Datastream

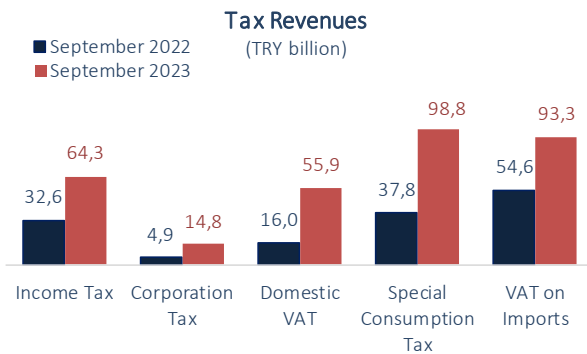
Budget Balance

Central government budget gave a deficit of 129.2 billion TRY in September.

In September, budget revenues increased by 113.2% yoy to 441.3 billion TRY, while budget expenditures went up by 99.8% yoy to 570.5 billion TRY due to the increases in personnel expenditures and current transfers. Thus, central government budget deficit widened by 64.3% yoy to 129.2 billion TRY in September. In this period, interest expenditures increased by 113.7% yoy to 70.8 billion TRY, while primary budget deficit rose by 28.4% yoy to 58.5 billion TRY. In the first 9 months of the year, the budget deficit widened 11-fold to 512.6 billion TRY and the primary deficit became 41.7 billion TRY.

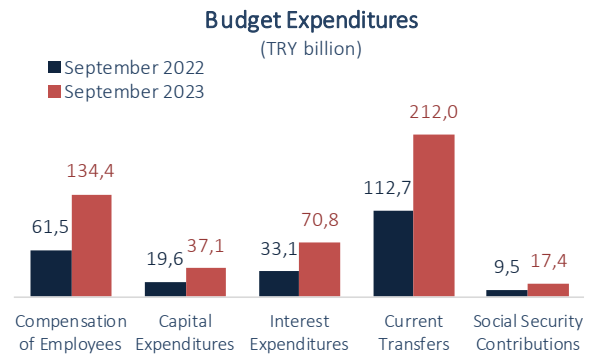
In September, SCT revenues increased by 161.5% yoy.

Tax revenues, which more than doubled (122.7% yoy) to 386.2 billion TRY in September, accounted for 87.5% of total budget revenues. The rise in tax revenues was led by SCT revenues, which increased by 161.5% yoy (61 billion TRY) thanks to the ongoing favorable course in the automobile market. In this period, domestic VAT revenues surged by nearly 3.5 times (39.9 billion TRY) yoy, while VAT revenues on imports rose by 71% (38.7 billion TRY), supporting tax revenues. Income tax revenues, which nearly doubled on an annual basis in September, contributed 31.7 billion TRY to the budget, while corporate tax revenues, which nearly tripled, contributed 9.9 billion TRY. In this period, interest, shares and penalties increased by 70.7% (15.5 billion TRY) compared to the same period of the previous year.



In September, current transfers increased by 88.1% yoy.

In September, the annual increase in non-interest expenditures was realized as 97.9%, above the annual CPI inflation. Current transfers, which accounted for 42.4% of primary expenditures, increased by 88.1% yoy (99.3 billion TRY) and were the main driver of the expansion in budget expenditures. In September, personnel expenditures continued to increase rapidly by 118.5% yoy (72.9 billion TRY), while interest expenditures rose by 113.7% yoy to 70.8 billion TRY. In this period, capital transfers increased by nearly 16 times and reached 33.3 billion TRY. On the other hand, while 14 billion TRY was paid to Petroleum Pipeline Corporation (BOTAŞ) and 6.8 billion TRY to The Electricity Generation Corporation (EÜAŞ) within the scope of duty losses, 16 billion TRY was paid to Produce of Soil Office (TMO) under the lending item.



Expectations...

The budget balance, which presented a favorable outlook in July and August, posted a deficit in September due to the high levels of budget expenditures despite the rapid increases in tax revenues. Thus, the budget deficit, which was realized as 512.6 billion TRY in the January-September 2023 period, constituted 31.4% of the deficit projected by the Medium Term Program (MTP) for this year. According to the MTP target, there is room for a budget deficit of 1.1 trillion TRY in the last 3 months of the year. On the other hand, the increase in tax revenues may lose momentum in the upcoming period in line with the expected moderate slowdown in economic activity.

Central Government Budget

	September			January-September			(billion TRY)	
	2022	2023	% Change	2022	2023	% Change	MTP Target	Real./ MTP Target (%)
Expenditures	285.6	570.5	99.8	2,020.8	3,952.6	95.6	6,562.6	60.2
Interest Expenditures	33.1	70.8	113.7	207.1	470.9	127.3	646.1	72.9
Non-Interest Expenditures	252.5	499.7	97.9	1,813.6	3,481.7	92.0	5,916.5	58.8
Revenues	206.9	441.3	113.2	1,975.3	3,440.0	74.2	4,929.7	69.8
Tax Revenues	173.5	386.2	122.6	1,648.0	2,982.0	81.0	4,270.7	69.8
Other Revenues	33.5	55.0	64.4	327.3	457.9	39.9	659.0	69.5
Budget Balance	-78.6	-129.2	64.3	-45.5	-512.6	1,026.6	-1,633.0	31.4
Primary Balance	-45.5	-58.5	28.4	161.6	-41.7	-	-986.8	-

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

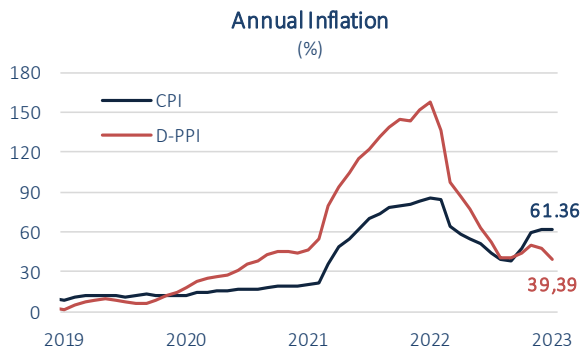
Monthly CPI inflation was 3.43% in October.

In October, CPI increased by 3.43% mom, below market expectations. Thus, annual CPI inflation fell to 61.36%, while the increase in the first 10 months of the year was realized as 55.0%. D-PPI inflation was realized as 1.94% in October, the lowest level in the last 5 months. In this period, D-PPI inflation fell to 39.39% yoy.

October (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	3.54	3.43	7.83	1.94
Year-to-Date	57.80	55.00	96.74	38.70
Annual	85.51	61.36	157.69	39.39
Annual Average	65.26	54.26	122.93	58.46

Prices in the clothing and footwear group increased by 13.73% mom.

In October, prices increased in all main expenditure groups except transportation, where prices decreased by 0.18% mom. Clothing and footwear group, in which prices increased by 13.73% mom due to seasonal factors in October, contributed 0.74 points to monthly inflation. In the same period, housing prices rose by 7.54% mom, pushing monthly inflation up by 0.93 points. In the restaurants and hotels group, where prices rose by 3.51% mom, the annual price increase was realized as 94.12%. This item remained its position as the main group where prices increased the most yoy.

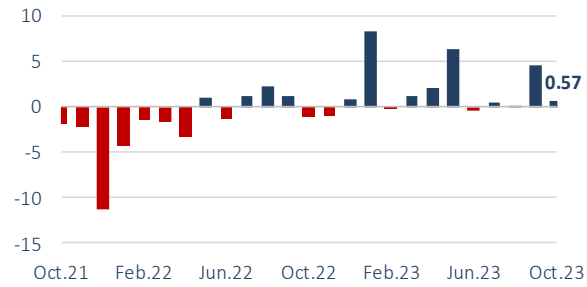


Seasonal products were also effective in the rise in CPI.

In October, CPI excluding seasonal products rose by 2.98% mom, below the headline inflation. In this period, 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) increased by 3.48% and 3.72% mom, respectively. Annual increases in B and C indices were realized as 67.61% and 69.76%, respectively. In October, prices of goods and services increased by 3.26% and 3.83% mom, respectively.

Gap Between Services and Goods Inflation

(monthly, % points)



Food prices continue to be influential in the increase in domestic PPI in October.

In October, food products group, where prices rose by 4.20% mom, was the main driver of the monthly D-PPI inflation with 0.75 points. Coke and refined petroleum products, where prices decreased by 3.20% mom, and electricity, gas production and distribution, where prices decreased by 4.38% mom, limited the monthly D-PPI inflation by 0.20 and 0.29, respectively.

Expectations...

In the last Inflation Report of the year published on November 2, CBRT raised its inflation forecast to 65% for end-2023 and from 33% to 36% for end-2024, widening the forecast range. With the onset of winter, the increase in natural gas consumption is expected to increase the pressure on CPI in November. The course of domestic demand and the impact of geopolitical developments on energy prices will continue to be determinant for inflation.

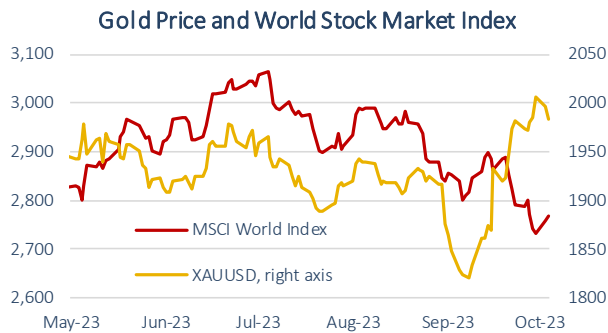
	29-Sep	31-Oct	Change
5-Y CDS (basis points)	397	400	3 bps ▲
TR 2-Y Benchmark Yield*	29.74%	35.16%	542 bps ▲
BIST-100*	8,335	7,514	-9.8% ▼
USD/TRY	27.3712	28.2752	3.3% ▲
EUR/TRY	28.9453	29.8999	3.3% ▲
Currency Basket**	28.1583	29.0876	3.3% ▲

(*) (The latest data is for June 27th.)

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

Geopolitical developments had a negative impact on global risk appetite.

The ongoing tension in the Middle East was influential on the course of global markets in October. Due to the decline in risk appetite, MSCI World and Emerging Markets indices fell by 3.0% and 3.9%, respectively. In parallel with geopolitical developments, volatility index VIX hit its highest level since March 2023, when concerns over the US banking sector were on the agenda. The US 10-year bond yield, which has been hovering around 16-year highs, tested the 5% level in October. On the other hand, ounce price of gold, which fell as low as 1,820 USD during the month due to the expectations that interest rates would remain high for a long time, rose rapidly and ended the month at 1,983 USD as geopolitical risks triggered the search for safe investment instruments.



BIST-100 index fell by 9.8% in October, recording its first monthly decline since April. Having hit a historical high of 8,513 during the month, the index gave back the gains of the last 2 months due to profit sales as well as the deterioration in global stock markets due to geopolitical risks. During this period, Turkish lira depreciated by around 3% against USD and EUR. 5-year CDS premium, which fluctuated during the month, ended October with 400 basis points, close to its level at the end of September.

CBRT raised the policy rate to 35%.

CBRT raised the policy rate by 500 basis points to 35% in line with market expectations. In the text released after the meeting, CBRT stated that inflation was realized above the projections in the third quarter of the year and the strong course of domestic demand, the rigidity in services prices

and the deterioration in inflation expectations continued to put pressure on inflation. It was also highlighted that geopolitical developments pose risks to inflation due to oil prices. On the other hand, the text stated that the disruptive effects of wage and exchange rate pressures and tax adjustments on inflation have been largely completed. Accordingly, CBRT reiterated its projections that inflation will be realized at the upper bound of the forecast range in the third Inflation Report at the end of the year, but the underlying trend of monthly inflation will decline. Moreover, in addition to the rate hikes, CBRT will maintain the selective credit and quantitative tightening decisions that will support the monetary tightening process.

Expectations for CPI inflation posted a limited increase.

On October 11, CBRT announced that the participant list of the Market Participants Survey was revised in order to increase the representativeness of the survey. According to the results of the survey conducted in October with the new participant list, expectations for CPI inflation increased slightly. Year-end and 12-month-ahead CPI inflation expectations, which were 67.22% and 44.94% in September, respectively, rose to 68.01% and 45.28% in October. In this period, year-end USD/TRY exchange rate expectations slightly decreased to 30.04 TRY. On the other hand, it was noteworthy that the growth forecasts of the participants increased to 4.1% for 2023 and decreased to 3.4% for 2024.

CBRT published the last Inflation Report of the year.

CBRT revised its inflation forecasts in the last Inflation Report of the year. The annual CPI inflation forecast for end-2023 was revised upwards from 58% to 65%, while annual inflation was projected to peak between 70-75% in May 2024 and then decline to 36% by the end of 2024 with the disinflation process expected to start in the second half of 2024. CBRT widened its forecast range for this period due to rising geopolitical tensions and risks to administered prices. The report also stated that leading indicators point that domestic demand has started to rebalance and monetary tightening steps will continue with a holistic approach.

CBRT Inflation Forecasts	2023	2024
2023-III (July 2023) Forecast (%)	58	33
2023-IV (November 2023) Forecast (%)	65	36
Forecast Revision as Compared to the 2023-III	+7	+3
Sources of Forecast Revisions (% Points)		
Import Prices	+2.0	+1.8
Administered Prices	-	+1.5
Output Gap	+0.8	-0.7
Deviation from the Inflation Forecast/the Underlying Trend of Inflation	+2.9	+1.4

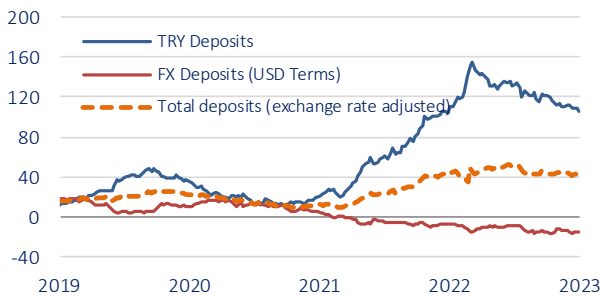
Source: CBRT, Datastream, Reuters,

Banking Sector

FX protected deposit volume declined to 3 trillion TRY.

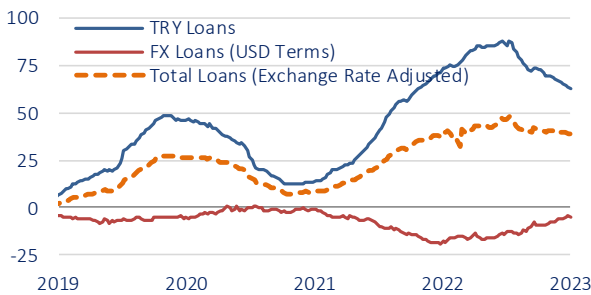
According to BRSA's weekly data, as of October 27, total deposit volume increased by 65% yoy to 13.9 trillion TRY. On this date, FX-rate adjusted annual increase in total deposits were 42.3%. As of October 27, reaching 8.2 trillion TRY TL deposits' share in total deposits was realized as 59.3%. In this period, FX deposit volume in USD terms declined by 15% yoy to 202.2 billion USD. On the other hand, the volume of FX-protected deposits, which has been declining for the last 10 weeks, dropped to 3 trillion TRY as of October 27. Thus, the volume of FX-protected deposits has declined by 11.7% since August 20.

Deposit Growth
(annual % change)

**Total loan volume stands at 10.9 trillion TRY...**

As of October 27, total loan volume of the banking sector reached 10.9 trillion TRY. As of this date, TL loans and FX loans were recorded as 7.4 trillion TRY and 126.5 billion USD, respectively, while the ratio of TL loans to total loan volume was 67.6%. While the annual increase in total loan volume was 55.7%, the FX-rate adjusted increase was realized as 38.6%.

Loan Growth
(annual % change)

**Housing and vehicle loans lost momentum.**

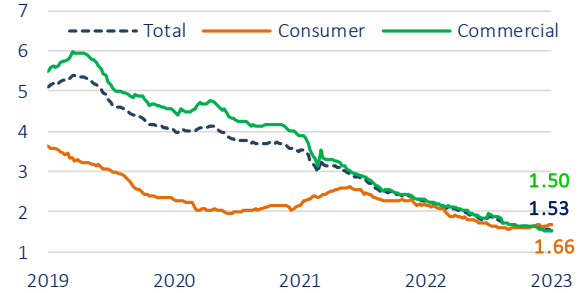
As of October 27, housing loans decreased compared to end of September and became 443.3 billion TRY. Thus, the annual increase in housing loans was realized as 24.9%, the lowest level since March. Vehicle loans continued to

increase slightly on a monthly basis but the annual rise in these loans fell to 156%, the lowest level of the last one year. On the other hand, the annual rise in personal credit card balances remained high at 172.6% yoy.

NPL ratio decreased to 1.53%.

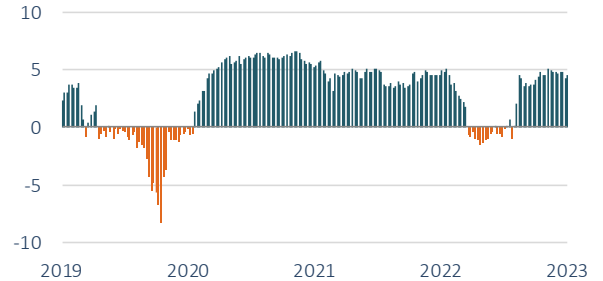
As of October 27, non-performing loans ratio in the banking sector declined to 1.53%, maintaining its historically low level. NPL ratios in retail and commercial loans were 1.66% and 1.50%, respectively.

Non-performing Loans
(%)

**Foreign currency net general position...**

As of October 27, on-balance sheet FX position was (-) 42,217 million USD while off-balance sheet FX position was (+) 46,744 million USD. Thus, net foreign currency position became (+) 4,526.5 million USD.

Net FX Position
(USD Billion)

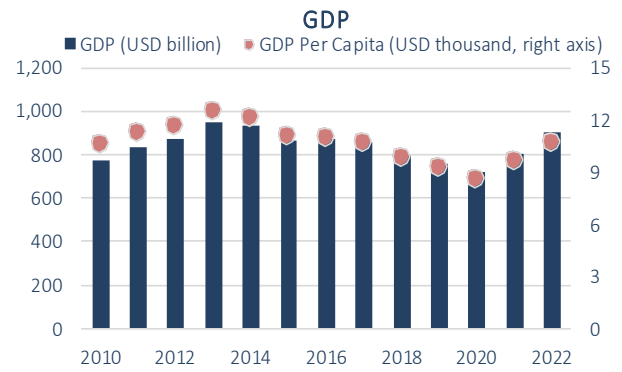
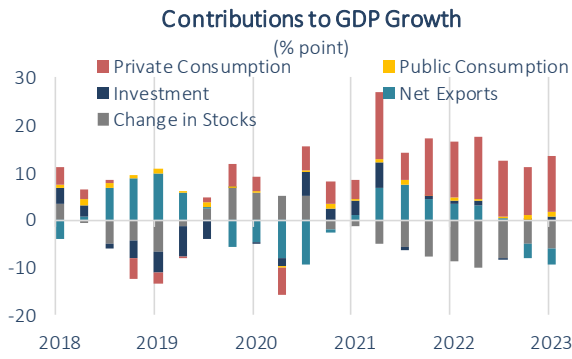


Concluding Remarks

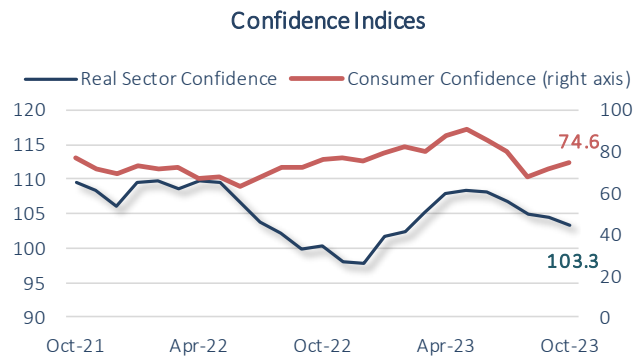
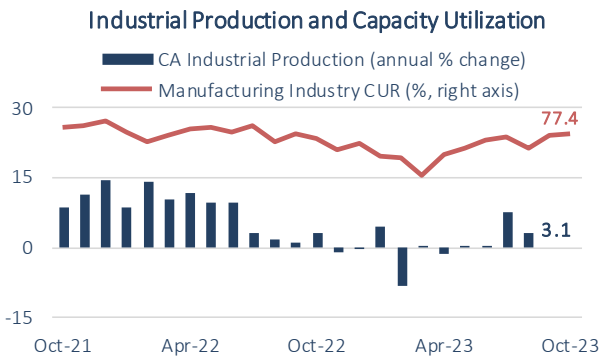
In October, global risk appetite was under pressure due to geopolitical developments and the rise in US long-term bond yields to 16-year highs. In this period, Fed and ECB kept policy rates unchanged in line with market expectations in order to monitor the effects of the tightening steps taken. Officials' statements indicated that the tight monetary stance will be maintained due to still high inflationary pressures despite the downward trend and that a rate cut is not on the agenda in the short term. On the other hand, growth data showed that the divergence in economic activity in major economies continued in the third quarter of the year. While third-quarter growth in the US, where the labor market remained strong, exceeded expectations, the negative outlook in the Euro Area economy persisted. In this environment, IMF kept its global growth forecast for 2023 at 3% in its World Economic Outlook Report, but pointed out that the effects of tight monetary policy and the weaker-than-expected recovery in China may put pressure on the global economy in 2024.

In Türkiye, where inflation remained high on the agenda, CBRT continued to raise interest rates and simplify macroprudential measures in October. CBRT's last Inflation Report of the year published in early November was also closely monitored. In the report, annual inflation forecasts for end-2023 and end-2024 were revised upwards, while leading indicators signaled some slowdown in domestic demand. Retail sales volume contracted by 4.7% mom in August and CPI inflation was realized below expectations in October, confirming these assessments. On the other hand, ISO Türkiye Manufacturing PMI signaled the sharpest slowdown in new orders in nearly a year in October.

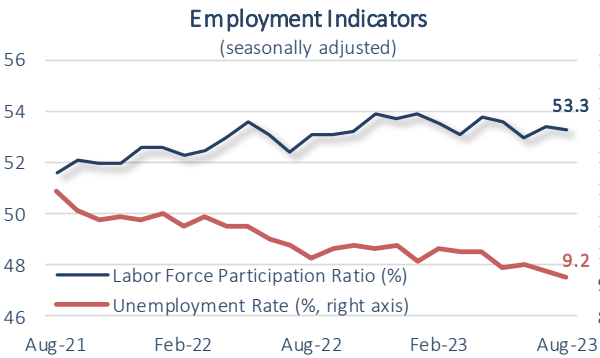
Growth



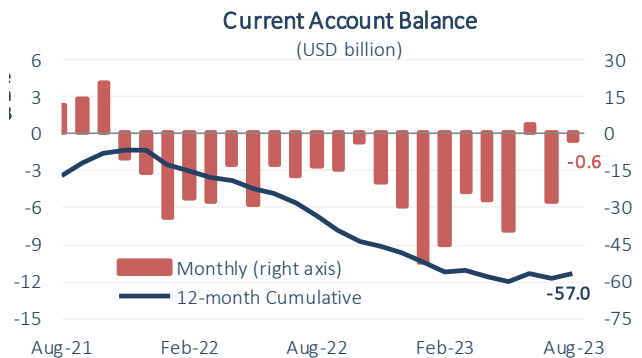
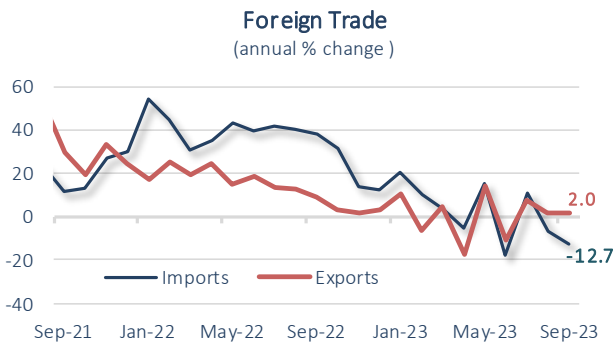
Leading Indicators



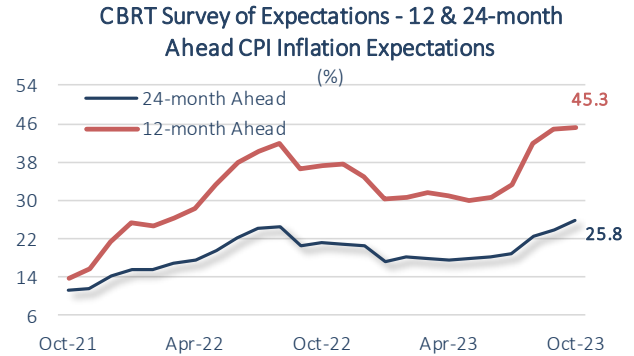
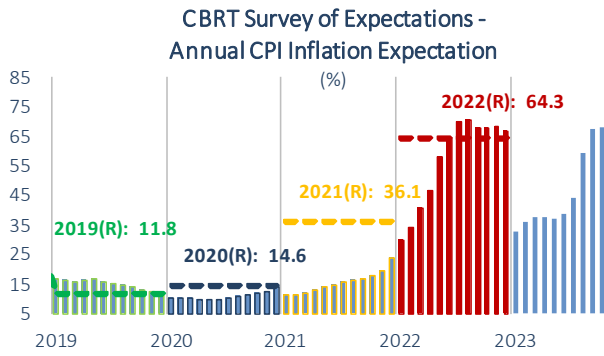
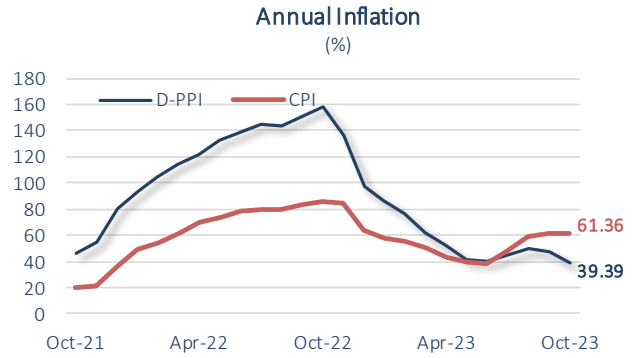
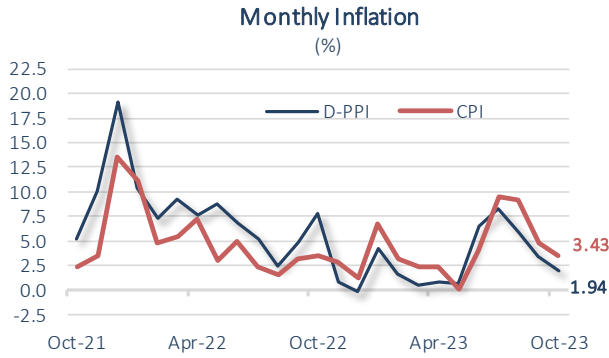
Labor Market



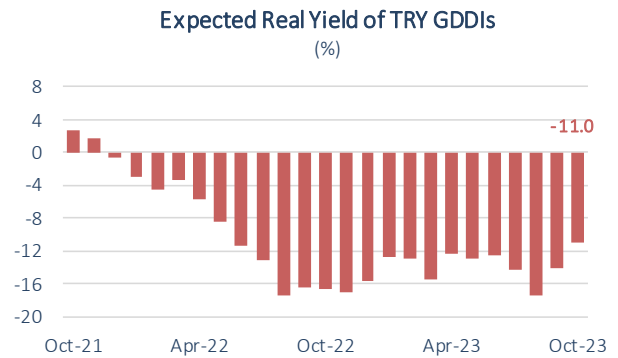
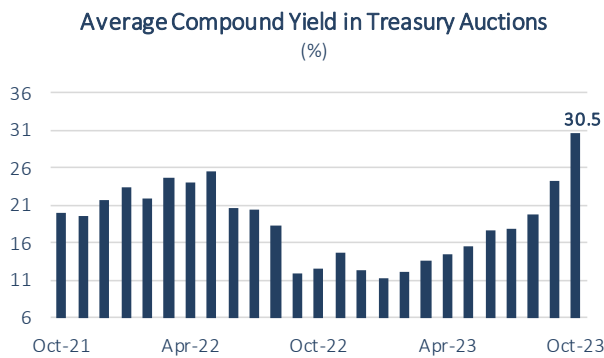
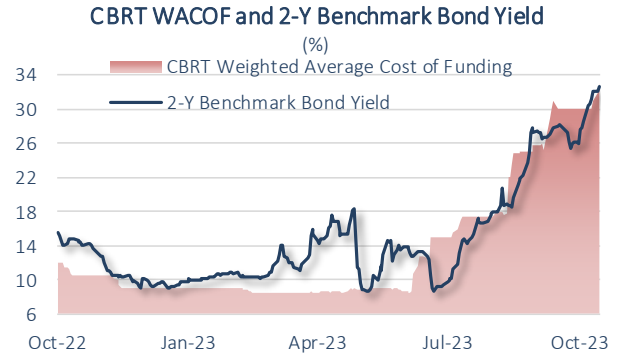
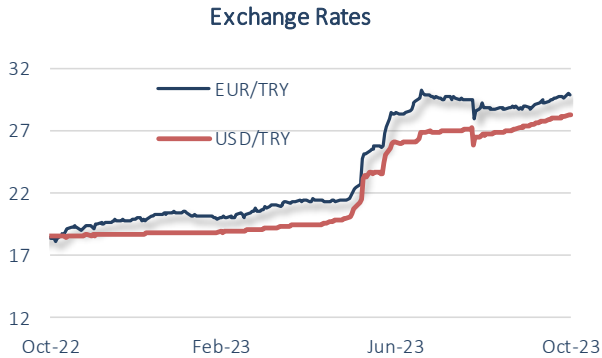
Foreign Trade and Current Account Balance



Inflation



Foreign Exchange and Bond Market



Turkish Economy - Macroeconomic Indicators

Growth	2018	2019	2020	2021	2022	23-Q1	23-Q2	
GDP (USD billion)	798	760	717	808	906	246	271	
GDP (TRY billion)	3,761	4,318	5,049	7,256	15,012	4,642	5,502	
GDP Growth Rate (%)	3.0	0.8	1.9	11.4	5.5	3.9	3.8	
Inflation (%)						Aug.23	Sep.23	Oct.23
CPI (annual)	20.30	11.84	14.60	36.08	64.27	58.94	61.53	61.36
Domestic PPI (annual)	33.64	7.36	25.15	79.89	97.72	49.41	47.44	39.39
Seasonally Adjusted Labor Market Figures						Jun.23	Jul.23	Aug.23
Unemployment Rate (%)	12.7	13.4	12.6	11.0	10.2	9.6	9.4	9.2
Labor Force Participation Rate (%)	53.2	52.6	49.1	52.6	53.7	52.9	53.4	53.3
FX Rates						Aug.23	Sep.23	Oct.23
CPI Based Real Effective Exchange Rate	76.3	76.0	61.9	47.6	54.9	52.4	55.5	
USD/TRY	5.32	5.95	7.43	13.28	18.72	26.66	27.42	28.29
EUR/TRY	6.08	6.68	9.09	15.10	19.98	28.93	29.03	29.91
Currency Basket (0.5*EUR+0.5*USD)	5.70	6.32	8.26	14.19	19.35	27.80	28.22	29.10
Foreign Trade Balance ⁽¹⁾ (USD billion)						Jul.23	Aug.23	Sep.23
Exports	177.2	180.8	169.6	225.2	254.2	253.1	253.4	253.3
Imports	231.2	210.3	219.5	271.4	363.7	373.9	371.6	366.9
Foreign Trade Balance	-54.0	-29.5	-49.9	-46.2	-109.5	-120.8	-118.2	-113.6
Import Coverage Ratio (%)	76.6	86.0	77.3	83.0	69.9	67.7	68.2	69.0
Balance of Payments ⁽¹⁾ (USD billion)						Jun.23	Jul.23	Aug.23
Current Account Balance	-20.2	10.8	-31.9	-7.2	-48.9	-57.1	-59.1	-57.0
Capital and Financial Accounts	1.2	5.2	-39.4	-5.7	-23.0	-48.5	-51.0	-47.0
Direct Investments (net)	-8.8	-6.6	-4.5	-6.9	-8.4	-6.1	-6.2	-5.6
Portfolio Investments (net)	0.9	2.8	9.6	-0.8	13.5	3.1	1.3	1.2
Other Investments (net)	19.6	2.6	-12.7	-21.4	-40.4	-43.6	-42.6	-33.5
Reserve Assets (net)	-10.4	6.3	-31.9	23.3	12.3	-1.9	-3.5	-9.2
Net Errors and Omissions	21.3	-5.7	-7.5	1.6	26.0	8.8	8.2	10.1
Current Account Balance/GDP (%)	-2.5	1.4	-4.4	-0.9	-5.4	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Jul.23	Aug.23	Sep.23
Expenditures	830.8	1,000.0	1,203.7	1,603.5	2,942.7	2,819.4	3,382.1	3,952.6
Interest Expenditures	74.0	99.9	134.0	180.9	310.9	313.0	400.1	470.9
Non-interest Expenditures	756.8	900.1	1,069.8	1,422.7	2,631.8	2,506.5	2,982.0	3,481.7
Revenues	758.0	875.3	1,028.4	1,402.0	2,800.1	2,384.8	2,998.7	3,440.0
Tax Revenues	621.5	673.9	833.3	1,165.0	2,353.4	2,052.6	2,595.8	2,982.0
Budget Balance	-72.8	-124.7	-175.3	-201.5	-142.7	-434.7	-383.4	-512.6
Primary Balance	1.1	-24.8	-41.3	-20.7	168.2	-121.7	16.7	-41.7
Budget Balance/GDP (%)	-1.9	-2.9	-3.5	-2.8	-1.0	-	-	-
Central Government Debt Stock (TRY billion)						Jul.23	Aug.23	Sep.23
Domestic Debt Stock	586.1	755.1	1,064.3	1,354.8	1,905.3	2,643.1	2,759.0	2,859.8
External Debt Stock	481.0	574.0	773.4	1,490.0	2,127.9	3,182.1	3,124.1	3,209.8
Total Debt Stock	1,067.1	1,329.1	1,837.6	2,844.9	4,033.2	5,825.2	5,883.0	6,069.6

(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	Aug.23	Sep.23	Change ⁽¹⁾
TOTAL ASSETS	3,867	4,491	6,106	9,215	14,347	20,332	21,099	47.1
Loans	2,394	2,656	3,576	4,901	7,581	10,450	10,710	41.3
TRY Loans	1,439	1,642	2,353	2,832	5,110	7,085	7,268	42.2
Share (%)	60.1	61.8	65.8	57.8	67.4	67.8	67.9	-
FX Loans	956	1,015	1,224	2,069	2,471	3,365	3,442	39.3
Share (%)	39.9	38.2	34.2	42.2	32.6	32.2	32.1	-
Non-performing Loans	96.6	150.8	152.6	160.1	163.4	173.0	168.2	2.9
Non-performing Loan Rate (%)	3.9	5.3	4.1	3.2	2.1	1.6	1.5	-
Securities	477	660	1,022	1,476	2,370	3,486	3,574	50.8
TOTAL LIABILITIES	3,867	4,491	6,106	9,215	14,344	20,332	21,099	47.1
Deposits	2,036	2,567	3,455	5,303	8,862	12,932	13,306	50.2
TRY Deposits	1,042	1,259	1,546	1,880	4,779	7,450	7,885	65.0
Share (%)	51.2	49.0	44.7	35.5	53.9	57.6	59.3	-
FX Deposits	994	1,308	1,909	3,423	4,083	5,481	5,421	32.8
Share (%)	48.8	51.0	55.3	64.5	46.1	42.4	40.7	-
Securities Issued	174	194	224	310	325	441	488	50.0
Payables to Banks	563	533	658	1,048	1,432	2,059	2,105	47.0
Funds from Repo Transactions	97	154	255	587	540	534	790	46.3
SHAREHOLDERS' EQUITY	421	492	600	714	1,407	1,861	1,898	34.9
Profit (Loss) of the Period	54.1	49.0	58.5	93.0	431.6	350.6	439.7	-
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	51.4	50.8	-
Securities/Assets	12.3	14.7	16.7	16.0	16.5	17.1	16.9	-
Deposits/Liabilities	52.7	57.2	56.6	57.5	61.8	63.6	63.1	-
Loans/Deposits	117.6	103.5	103.5	92.4	85.5	80.8	80.5	-
Capital Adequacy (%)	17.3	18.4	18.7	18.4	19.5	18.7	18.5	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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