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### Economic Research Division

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

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

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

Berkay Arık  
Asst. Economist  
berkay.arik@isbank.com.tr

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

### Global Economy

OECD lowered its global economic growth forecast from 3% to 2.9% for 2023 and kept it unchanged at 2.7% for 2024.

PMI data for November pointed out that the weak course of manufacturing activity in the US and Euro Area continued.

Data flow pointing to a cooling in the US economy and lower-than-expected inflation indicators strengthened expectations that the Fed may have ended its interest rate hikes.

Annual CPI inflation in the Euro Area was realized as 2.4% in November according to preliminary data, the lowest level since July 2021.

Although supply and demand indicators pointed to a recovery in economic activity in China, inflation data showed that deflation continued in the country.

The expectations of a global economic slowdown caused oil prices to decline in November.

### Turkish Economy

According to chain linked volume index, Turkish economy grew by 5.9% yoy in the third quarter of 2023. In this period, contribution of private consumption expenditures to growth was realized at the lowest level of the last two years.

In September, seasonally adjusted unemployment rate fell to 9.1%, the lowest level since December 2013.

ISO Türkiye manufacturing PMI decreased by 1.2 points mom to 47.2 in November and remained below the threshold for the fifth month in a row.

In September, current account posted a surplus of 1.9 billion USD thanks to the decline in foreign trade deficit and the strong outlook in tourism revenues. Thus, 12-month cumulative current account deficit narrowed to 51.7 billion USD.

In October, central government budget posted a deficit of 95.5 billion TRY, while the budget deficit became 608.1 billion TRY in January-October period.

In November, CPI increased by 3.28% mom, below market expectations. In this period, annual CPI inflation was realized as 61.98%. D-PPI inflation came in at 2.81% mom and 42.25% yoy, respectively.

CBRT raised the policy rate to 40% at November meeting, above the market expectations.

BIST-100 index rose by 5.8% mom to 7,949 in November. Türkiye's 5-year CDS premium hit its lowest level since March 2021 with 331 basis points.

S&P affirmed Türkiye's credit rating as "B" and revised its credit rating outlook from "stable" to "positive" in its off-calendar assessment on November 30.

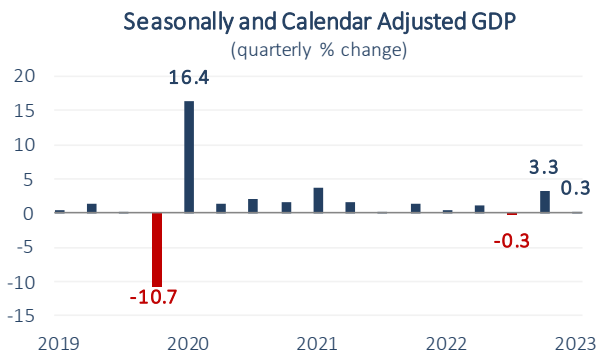
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## GDP Growth

### Turkish economy grew by 5.9% yoy in the third quarter.

According to chain linked volume index, Turkish economy grew by 5.9% yoy in the third quarter of 2023, slightly above market expectations. Annual growth rates for the first two quarters of the year were revised upwards from 3.9% to 4.0% and from 3.8% to 3.9%, respectively. Thus, in the first nine months of the year, Turkish economy grew by 4.7% compared to the same period of the previous year. On the other hand, seasonally and calendar adjusted GDP posted a moderate growth of 0.3% on a quarterly basis.

Due to high inflation, Turkish economy expanded by 79.8% yoy at current prices in the third quarter of 2023. Thus, annualized GDP exceeded 22.6 trillion TRY at current prices and reached approximately 1.1 trillion USD.



### The contribution of private consumption expenditures to growth declined in the third quarter.

According to the chain linked volume index, the contribution of private consumption expenditures to growth was 7.7 points in the third quarter, the lowest level of the last two years. In this period, public expenditures contributed 0.7 points to growth. Construction and machinery & equipment investments, that increased after the earthquake disaster, continued to support growth in the third quarter. In this period, investment expenditures recorded the fastest annual growth of the last nine quarters with 14.7%, and contributed 3.4 points to growth. Thus, consumption and investment expenditures contributed a total of 11.8 points to growth in the third quarter of the

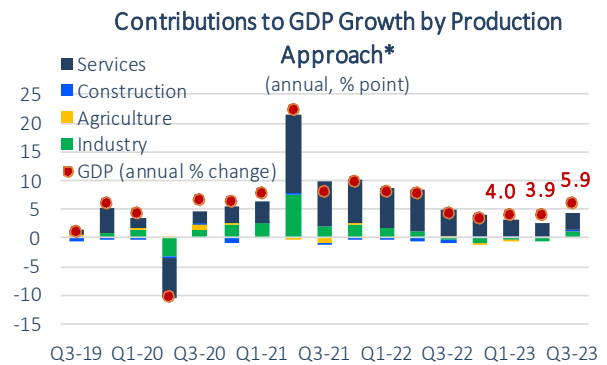
Contributions to Growth	(% points)				
	2022		2023		
	Annual	Q1	Q2	Q3	9M
<b>Consumption</b>	12.2	12.1	11.4	8.4	10.5
Private	11.7	11.4	10.6	7.7	9.8
Public	0.6	0.8	0.8	0.7	0.7
<b>Investment</b>	0.3	0.9	1.4	3.4	2.0
<b>Stock Change</b>	-7.7	-5.7	-2.6	-3.2	-3.8
<b>Net Exports</b>	0.7	-3.4	-6.3	-2.6	-4.1
Exports	2.4	-0.8	-2.5	0.3	-1.0
Imports	-1.7	-2.6	-3.8	-2.9	-3.1
<b>GDP (yoy, %)</b>	5.5	4.0	3.9	5.9	4.7

Numbers may not add to total due to rounding.  
(\*) Taxes and subsidies excluded.

year. The restraining effect of net exports on growth continued but decreased to 2.6 points in the third quarter, due to the fact that the contribution of exports to growth turned positive by 0.3 points. Moreover, the stock change item, that has been dragging down growth since the last quarter of 2020, limited growth by 3.2 points in the third quarter of the year.

### Industrial production recovered, while growth in the construction sector accelerated.

In the third quarter of the year, industrial production grew (5.7%) on a yearly basis for the first time following 4 quarters of contraction. In this period, industrial production contributed 1.0 point to growth. The construction sector, which gained momentum thanks to the reconstruction efforts following the earthquake disaster, recorded its fastest annual growth (8.1%) since the third quarter of 2017. Construction activities contributed 0.4 percentage points to growth. Expanding by 5.0% yoy in the third quarter, services sector contributed 2.8 points to growth. On the other hand, agricultural sector posted a moderate growth of 0.3% yoy in the third quarter.



### Expectations...

In the third quarter of the year, private consumption expenditures slowed down slightly, while investment expenditures supported growth due to post-earthquake reconstruction activities. The restraining effect of net exports on growth continued, albeit at a slightly reduced pace. On the production side, the recovery in industrial output and the expansion in the construction sector were noteworthy. This suggests that the divergence between consumption and production started to be balanced to some extent in the third quarter. In the last quarter of the year, we expect private consumption expenditures to continue to lose momentum due to the tightening steps taken in monetary policy.

Source: Datastream, Turkstat

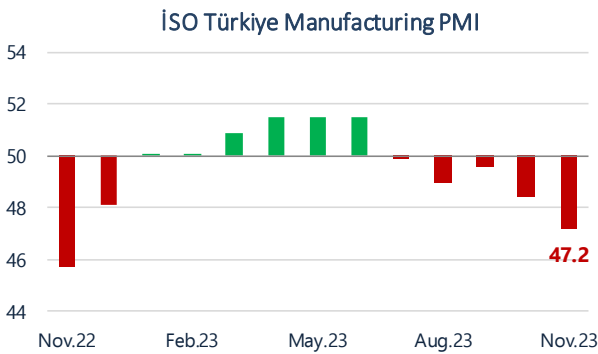
## Leading Indicators

### Unemployment rate fell to 9.1% in September.

Seasonally adjusted unemployment rate fell to 9.1% in September, the lowest level since December 2013. In this period, employment decreased by 59K persons and the decline in the labor force by 105K was effective in the limited improvement in unemployment rate. Thus, employment and labor force participation rates decreased by 0.2 points mom each and became 48.3% and 53.2%, respectively. Youth unemployment rate, which covers the 15-24 age group, decreased from 16.9% in August to 16.7% in September, the lowest level in the last 10 months. The labour underutilization rate, the broadest defined unemployment rate, decreased by 1.2 points mom to 21.8%.

### ISO Türkiye Manufacturing PMI fell to 47.2 in November.

Türkiye Manufacturing PMI published by Istanbul Chamber of Industry, decreased by 1.2 points mom to 47.2 in November. The index remained below the threshold level for the fifth month in a row, and signaled that the slowdown in operating conditions of the manufacturing industry became more pronounced. According to the sub-items of the index, new orders slowed down at the fastest pace since November 2022 due to the weak course of domestic and external demand conditions. On the production side, manufacturing declined at the fastest pace in a year due to weakening demand as well as geopolitical developments and difficulties in raw material supply. Moreover, the fall in output led to a second consecutive month of contraction in employment. Sectoral PMI data remained below the threshold in 6 out of 10 sectors, indicating that challenging conditions persisted.



### Demand indicators continue to lose momentum.

According to seasonally and calendar adjusted figures, retail sales volume at constant prices, which decreased by 4.7% mom in August, contracted by 0.7% in September. In this period, sales of food, beverages and tobacco products remained unchanged on a monthly basis. However, non-food expenditures excluding automotive fuel decreased by 1.2%. Computers, books and communication devices were the product group with the highest monthly decrease in

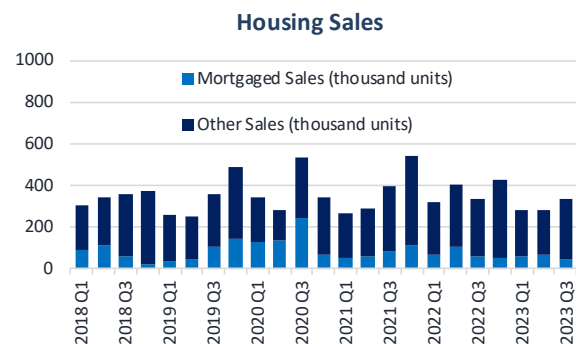
sales by 3.5%. In September, the annual increase in retail sales volume was realized as 13.8%, the lowest level in the last 10 months. According to CBRT data, CPI-adjusted monthly average debit and credit card expenditures of households decreased by 3.6% mom in October. Data confirmed the ongoing loss of momentum in domestic demand.

### Confidence indices showed a mixed picture in November.

According to seasonally adjusted figures, consumer confidence index rose by 1.1% mom to 75.5 in November. Thus, the index continued its upward trend for the fourth month. Consumers' expectations regarding the economic activity and household's financial situation in the next 12 months improved. On the other hand, seasonally adjusted real sector confidence index decreased by 1.4 points mom to 103.9 in November due to the deterioration of evaluations regarding the last three months, current orders and general outlook. On a sectoral basis, confidence indices increased by 2.2% in the construction sector, but decreased by 1.9% and 2.4% in retail trade and services sectors, respectively. Thereby, economic confidence index became 95.3 in November.

### House sales decreased by %8.7 yoy in October.

In October, total house sales in Türkiye decreased by 8.7% yoy to 93.8K units. In this period, due to higher borrowing cost, mortgaged sales contracted by 58% yoy to 5,577 units, the lowest level since November 2018. Consequently, the share of mortgaged sales decreased to 5.9%. House sales to foreigners also decreased by 52.9% yoy in October. Thus, total sales contracted by 14.3% in January-October period compared to the same period of 2022. On the other hand, according to the data released by CBRT, house price index rose by 4.3% mom and 89.2% yoy in September. In this period, the annual real increase in house prices was 17.8%.



Source: CBRT, Datastream, ISO, Turkstat

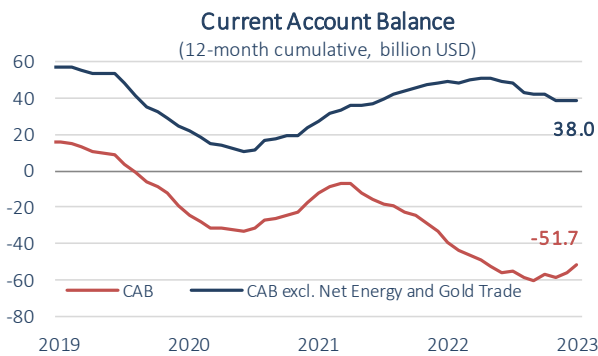
## Foreign Trade and Balance of Payments

### Imports decreased by 14.6% yoy in September.

According to data released by Turkstat, exports decreased by 0.5% yoy to 22.5 billion USD in September, while imports declined by 14.6% yoy to 27.5 billion USD in the same period. Thus, foreign trade deficit contracted by 47.8% yoy to 5 billion USD in this period. In September, import coverage ratio reached 81.8%, the highest level since October 2021.

### Current account posted a surplus of 1.9 billion USD.

In September, current account posted a surplus of 1.9 billion USD, the highest since October 2021. This development was mainly driven by the balance of payments-defined foreign trade balance, which posted the lowest deficit since November 2021 with 3.7 billion USD. In this period, the favorable outlook in tourism revenues despite the end of the season also supported the current account balance outlook. In September, non-monetary gold imports were realized as 1.4 billion USD, the lowest level since April, while the current account excluding gold and energy (7.1 billion USD) posted the highest surplus in the last one year. Thus, 12-month cumulative current account deficit declined to 51.7 billion USD in September.

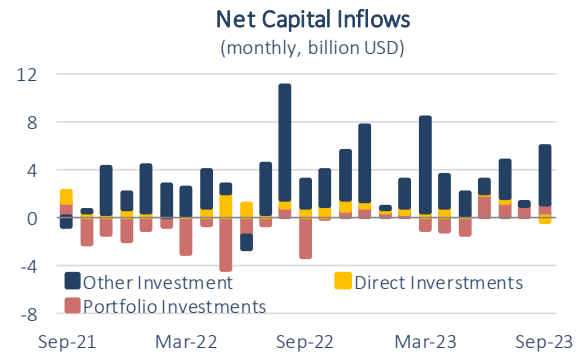


### Capital outflows were recorded in foreign direct investments.

In September, net inward direct investments recorded a capital outflow of 337 million USD for the first time since October 2020. In this period, inward real estate investments decreased by 50.7% yoy to 232 million USD. Thus, in the first 9 months of the year, net foreign direct investments declined by 64.7% yoy to 2.3 billion USD.

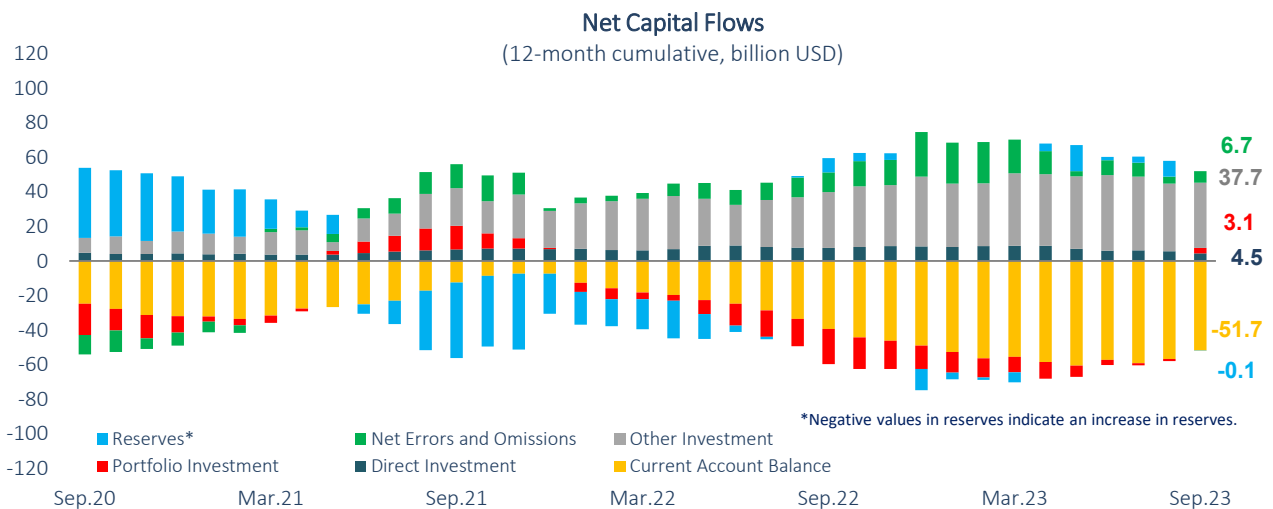
### Portfolio investments continued to follow a favorable course.

Net capital inflows in portfolio investments, that started in June, continued with 1 billion USD in September. In this period, net incurrence of liabilities in portfolio investments (1.7 billion USD) was realized at the highest level since September 2021. In September, non-residents made net purchases of 1.9 billion USD in the debt securities market and net sales of 263 million USD in the equity market. Thus, the divergence between equity and debt securities markets continued.



### Net capital inflows in other investments gained momentum.

In September, other investments recorded the highest capital inflow of the last 6 months with 4.9 billion USD. Thus, total net capital inflow in other investments reached 24.4 billion USD in the first 9 months of the year.

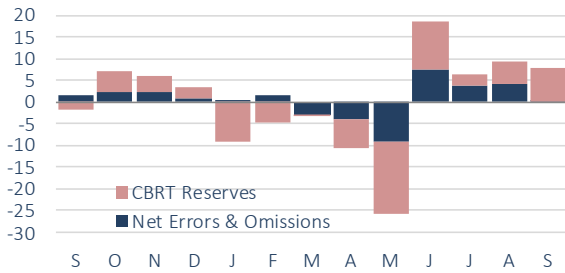


Source: Datastream, Turkstat, CBRT

## Foreign Trade and Balance of Payments

In September, domestic banks' currency and deposits with foreign correspondents decreased by 3.3 billion USD, while foreign banks' currency and deposits in Turkey increased by 414 million USD. In this period, banking sector, other sectors and the general government realized net borrowings of 1.6 billion USD, 354 million USD and 152 million USD from abroad, respectively. According to 12-month cumulative figures, long-term debt rollover ratios of the banking sector and other sectors were 93.5% and 99%, respectively.

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



### Reserve assets and net errors and omissions...

In September, reserve assets increased by 7.7 billion USD, the fastest increase in the last 3 months. Thus, the total decline in reserve assets since the year-end came down to 11 billion USD. In September, capital inflow in net errors and omissions item was 208 million USD.

### Expectations...

In September, current account posted a surplus in line with the decline in foreign trade deficit and the strong outlook in tourism revenues. According to the preliminary data released by the Ministry of Trade, foreign trade deficit was realized as 6.7 billion USD in October. The export climate index, which shows the course of economic activity in Turkey's export markets, fell to its lowest level this year in October, indicating that the weak course in export markets continues. The course of oil prices -that have declined recently due to concerns over global demand despite geopolitical developments, and gold imports will continue to be closely monitored in terms of the current account balance outlook.

### Balance of Payments

	2023	2022	2023	% Change	12-month Cumulative
<b>Current Account Balance</b>	<b>1,876</b>	<b>-38,212</b>	<b>-40,835</b>	<b>6.9</b>	<b>-51,709</b>
Foreign Trade Balance	-3,657	-67,898	-72,260	6.4	-93,962
Services Balance	6,253	37,551	39,769	5.9	51,883
Travel (net)	5,033	28,579	32,010	12.0	40,748
Primary Income	-851	-7,263	-8,653	19.1	-10,170
Secondary Income	131	-602	309	-	540
<b>Capital Account</b>	<b>-23</b>	<b>-23</b>	<b>-167</b>	<b>626.1</b>	<b>-179</b>
<b>Financial Account</b>	<b>2,061</b>	<b>-17,638</b>	<b>-39,596</b>	<b>124.5</b>	<b>-45,150</b>
Direct Investment (net)	337	-6,449	-2,279	-64.7	-4,508
Portfolio Investment (net)	-1,018	14,703	-1,947	-	-3,122
Net Acquisition of Financial Assets	639	3,481	1,870	-46.3	2,884
Net Incurrence of Liabilities	1,657	-11,222	3,817	-	6,006
Equity Securities	-263	-3,341	-165	-95.1	-862
Debt Securities	1,920	-7,881	3,982	-	6,868
Other Investment (net)	-4,921	-27,097	-24,412	-9.9	-37,668
Currency and Deposits	-3,600	-18,557	-18,233	-1.7	-35,574
Net Acquisition of Financial Assets	-3,251	5,616	4,446	-20.8	-7,666
Net Incurrence of Liabilities	349	24,173	22,679	-6.2	27,908
Central Bank	-53	7,292	13,488	85.0	13,513
Banks	402	16,881	9,191	-45.6	14,395
Foreign Banks	414	10,045	6,637	-33.9	5,159
Foreign Exchange	162	6,462	3,992	-38.2	3,185
Turkish Lira	252	3,583	2,645	-26.2	6,051
Non-residents	-12	6,836	2,554	-62.6	8,344
Loans	-3,181	-4,738	-5,702	20.3	-4,777
Net Acquisition of Financial Assets	-1,043	425	-1,273	-	-1,986
Net Incurrence of Liabilities	2,138	5,163	4,429	-14.2	2,791
Banking Sector	1,632	-3,373	3,207	-	827
Non-bank Sectors	354	8,177	1,548	-81.1	1,479
Trade Credit and Advances	1,851	-3,764	-432	-88.5	2,743
Other Assets and Liabilities	9	-38	-45	18.4	-60
Reserve Assets (net)	7,663	1,205	-10,958	-	148
<b>Net Errors and Omissions</b>	<b>208</b>	<b>20,597</b>	<b>1,406</b>	<b>-93.2</b>	<b>6,738</b>

Source: CBRT, Datastream

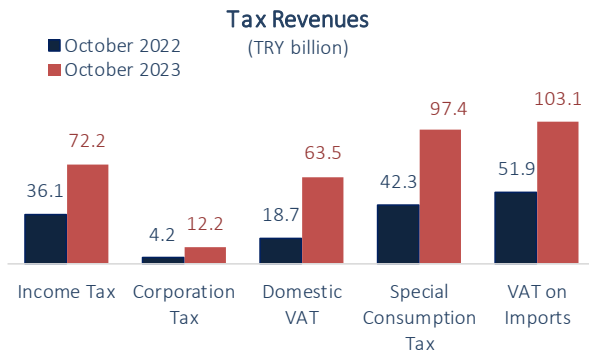
## Budget Balance

### Central government budget gave a deficit of 95.5 billion TRY in October.

Central government budget deficit was realized as 95.5 billion TRY in October. In this period, budget revenues increased by 111.3% yoy to 473.8 billion TRY, while budget expenditures rose by 85.2% yoy to 569.2 billion TRY. In October, primary budget balance posted a deficit of 28.7 billion TRY, increasing by 29.6% yoy. Thus, budget deficit in the first 10 months of the year widened almost 5 times compared to the same period of the previous year and became 608.1 billion TRY. In this period, primary deficit was realized as 70.4 billion TRY.

### In October, SCT and VAT on imports supported the budget.

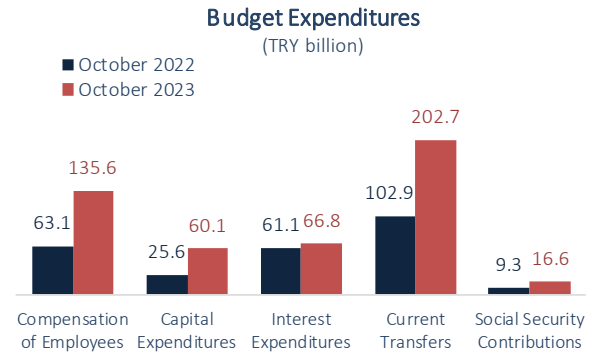
In October, tax revenues rose by 125.2% yoy to 409.4 billion TRY. In this period, VAT on imports and SCT revenues increased by 98.5% yoy and 130.3% yoy, respectively, and accounted for nearly half of the whole tax revenues. The rise in SCT revenues was mainly driven by the favorable course in automotive sales. Income tax revenues, which doubled on an annual basis in October, contributed 36.1 billion TRY to the budget, while corporate tax revenues, which nearly tripled, contributed 8 billion TRY. In this period, interest, shares and penalties increased by 192% yoy to 44.8 billion TRY.



### Current transfers expanded by 97.1% yoy in October.

In October, primary expenditures continued to rise above inflation by 104% yoy. Current transfers, which rose by 97.1% in this period, increased budget expenditures by around 100

billion TRY. In October, under the duty expenses, 16 billion TRY and 10.6 billion TRY were paid to Petroleum Pipeline Corporation (BOTAS) and The Electricity Generation Corporation (EUAS) respectively, while 6.6 billion TRY was paid to Turkish State Railways (TCDD) under the lending item. Compensation of employees rose by 115% yoy in October, and accounted for about 24% of budget expenditures. On the other hand, it was noteworthy that capital transfers increased more than 6-fold and capital expenditures rose by 135.3% in this period. Interest expenditures, on the other hand, recorded a relatively moderate increase of 9.3% yoy.



### Expectations...

Following September, the central government budget balance posted a deficit in October due to high expenditures despite rapid increases in tax revenues. Thus, in the January-October 2023 period, the budget deficit was realized as 608.1 billion TRY, and amounted to 37.2% of the Medium Term Programme's projected level for this year. Accordingly, there is a room for a budget deficit of around 1 trillion TRY in the remaining 2 months of the year. In the upcoming period, we think that the loss of momentum in economic activity may limit the increase in budget revenues to some extent, while current transfers may continue to put pressure on budget expenditures.

### Central Government Budget

							(billion TRY)	
	October 2022	October 2023	% Change	January-October 2022	January-October 2023	% Change	MTP Target	Real./ MTP Target (%)
<b>Expenditures</b>	307.4	569.2	85.2	2,328.2	4,521.8	94.2	6,562.6	68.9
Interest Expenditures	61.1	66.8	9.3	268.3	537.7	100.4	646.1	83.2
Non-Interest Expenditures	246.3	502.4	104.0	2,059.9	3,984.1	93.4	5,916.5	67.3
<b>Revenues</b>	224.2	473.8	111.3	2,199.4	3,913.7	77.9	4,929.7	79.4
Tax Revenues	181.8	409.4	125.2	1,829.8	3,391.5	85.3	4,270.7	79.4
Other Revenues	42.4	64.3	51.9	369.7	522.3	41.3	659.0	79.3
<b>Budget Balance</b>	-83.3	-95.5	14.7	-128.8	-608.1	372.3	-1,633.0	37.2
<b>Primary Balance</b>	-22.1	-28.7	29.6	139.5	-70.4	-	-986.8	-

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

Source: Datastream , Ministry of Treasury and Finance

## Inflation

### Monthly CPI inflation came in at 3.28%.

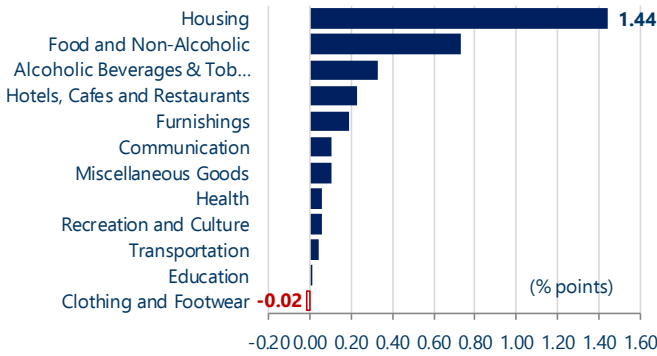
In November, monthly CPI inflation came in at 3.28%, the lowest level of the last 6 months and below market expectations. According to the Reuters survey, market expectation was 3.90% for monthly CPI. Thus, annual CPI inflation rose to 61.98%. In November, D-PPI inflation was realized as 2.81% on a monthly and 42.25% on an annual basis.

November (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	2.88	3.28	0.74	2.81
Year-to-Date	62.35	60.09	98.20	42.59
Annual	84.39	61.98	136.02	42.25
Annual Average	70.36	53.40	128.94	53.15

### Prices in the housing group rose by 11.17% mom.

In November, prices increased in all 12 main expenditure groups except clothing and footwear, where prices decreased by 0.31% mom. In this period, housing group prices soared by 11.17% mom due to higher natural gas consumption, and increased monthly inflation the most by 1.44 points. Food and non-alcoholic beverages group made the second highest contribution to monthly inflation by 0.73 points because of its weight in the index. Alcoholic beverages and tobacco prices, which increased by 9.16% mom due to the hike in tobacco product prices in early November, rose by 71.35% on an annual basis. On the other hand, due to the relatively flat course of fuel prices transportation prices rose by 0.21% mom, well below the headline inflation.

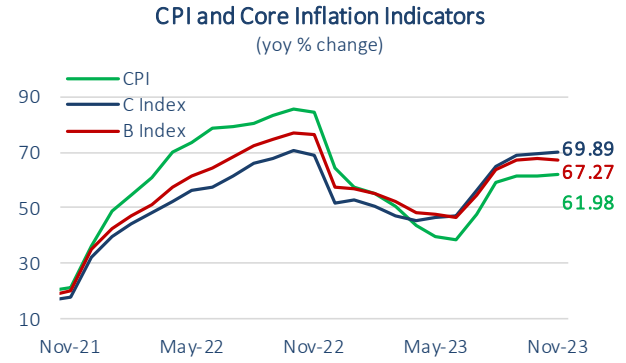
#### Contributions to the Monthly CPI Inflation



### Seasonal products had a downward impact on inflation in November.

In November, CPI excluding seasonal products increased by 3.81% mom and 63.66% yoy, respectively. Thus, core inflation regained momentum after 3 months and was realized above the headline inflation. On the other hand, B index (CPI excluding unprocessed food, energy, alcoholic beverages,

tobacco products and gold) and C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) recorded monthly increases of 2.53% and 1.96%, respectively, below the headline inflation. The annual increases in these indices were realized as 67.27% and 69.89%, respectively. In November, services inflation recorded its slowest monthly increase in a year with 2.76%, while the rapid increases in rents continued to stand out in this group.



### Domestic PPI...

Prices in electricity, gas production and distribution group increased by 11% mom in November, and increased the monthly PPI inflation the most with 0.68 points. In this period, food products continued to make high contribution to monthly PPI inflation by 0.55 points. In November, coke and refined petroleum products were the only item that pulled PPI inflation down by 0.21 points on a monthly basis.

### Expectations...

As the weather got colder in November, households' natural gas consumption exceeded the free usage amount of 25 cubic meters, causing energy prices to increase rapidly. On the other hand, the decline in commodity prices, particularly oil prices, in line with the weak outlook in global economic activity; the relatively flat course of TRY and leading indicators signaling that domestic demand has lost some momentum, suggest that annual inflation in December 2023 may be realized in line with CBRT's year-end expectations.

	31-Oct	30-Nov	Change
5-Y CDS (basis points)	396	336	-61 bps ▼
TR 2-Y Benchmark Yield	35.16%	38.86%	370 bps ▲
BIST-100	7,514	7,949	5.8% ▲
USD/TRY	28.2928	28.8520	2.0% ▲
EUR/TRY	29.9055	31.4804	5.3% ▲
Currency Basket*	29.0991	30.1662	3.7% ▲

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

### Recovery in global risk appetite...

Signals of easing global inflationary pressures and the expectations that the tightening steps of major central banks are coming to an end affected the risk appetite in November positively. US 10-year bond yield, which tested the 5% level in October, declined to 4.35%, whereas the gradual depreciation of the USD that began in October accelerated in November. Thus, the DXY index, declined by 3.4% compared to its October peak and closed November at 103.4. EUR/USD parity, hitting its highest level since August with 1.0990 during the month, ended November with an increase of 2.9%. Thanks to the increase in risk appetite, MSCI global stock index and MSCI emerging markets index rose by 9.2% and 7.9%, respectively. On the other hand, after falling to 1,937 USD during the month, the price of gold ounce tested its peak in May, when the debt ceiling issues in the US were on the agenda, and ended November at 2,036 USD.

The effects of the recovery in global risk appetite were also seen in Türkiye. BIST-100 index rose by 5.8% mom to 7,949 in November. Thus, although the index recovered some of its 9.8% decline in October, it remained below the resistance level of 8,000. In November, USD/TRY rose by 2%, while EUR/TRY increased by 5.3%, due to the rise in EUR/USD parity. Türkiye's 5-year CDS premium hit its lowest level since March 2021 with 331 basis points on November 29.

### CBRT raised the policy rate to 40%.

At its meeting held on November 23rd, CBRT raised the policy rate by 500 bps to 40%, above the market expectations. Thus, since the appointment of the new economy management, the policy rate was raised by 31.5 points in total. In the decision text, CBRT stated that headline inflation, which declined slightly in October, followed a consistent course with the outlook presented in the last Inflation Report and that the inflation expectations as well as the pricing behavior started to improve slightly. On the other hand, CBRT added that the current level of domestic demand, the rigidity in services prices and geopolitical risks keep inflationary pressures alive. Loan rates were assessed to be consistent with the targeted level of financial tightness, while the importance of the share of Turkish lira deposits was emphasized. In the text, it was stated that the level of monetary tightness required for disinflation was considerably approached, the pace of monetary tightening

would be slowed down and that the tightening steps would be completed in a short period of time.

In addition to the interest rate decision, CBRT announced a set of regulations on November 23rd. An upper limit was set on the total interest cost of rediscount credits for export and FX-earning services, and the upper limit was set at 25.93%. In the announcement regarding advance loans against investment commitment, it was announced that banks will be able to allocate loans to projects with an investment amount exceeding 1 billion TRY, taking into account the Technology/Strategy score that companies will receive for their investment projects. Credit card maximum interest rates and commercial client maximum commission rates will remain unchanged until the end of the year.

### CBRT published the Financial Stability Report.

In the Financial Stability Report published on November 16, CBRT stated that the increase in the share of Turkish lira deposits and the decline in the share of FX-protected and FX deposits strengthened monetary transmission as well as financial stability. Emphasizing that credit growth is stabilizing thanks to selective credit and quantitative tightening steps, the report pointed out that Türkiye's household indebtedness continues to decline and hovers well below the average of emerging economies. On the other hand, it was noted that the asset quality of the banking sector maintained its strong outlook and banks have a strong balance sheet structure that can manage interest rate and exchange rate risks.

### 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 427 million USD and GDDS portfolio by 1.8 billion USD as of November 24 compared to the end of October. Thus, while foreign capital outflows from the equity market reached 160 million USD since the beginning of the year, non-residents' net purchases in the government securities market became 3.2 billion USD. CBRT's gross reserves rose to 136.5 billion USD as of November 24, whereas net international reserves reached 35.8 billion USD, the highest level since 2019.

### S&P revised Türkiye's credit rating outlook to "positive".

International credit rating agency S&P revised Türkiye's credit rating outlook from "stable" to "positive" with an out-of-schedule assessment and affirmed Türkiye's credit rating as "B" on November 30. The agency made positive evaluations regarding the steps taken by the economy management and announced that the long-term sovereign rating could be raised by one grade if the balance of payments improves further, FX reserves increase more rapidly and dollarization declines in the next 12 months.

Source: CBRT, Datastream, Reuters,

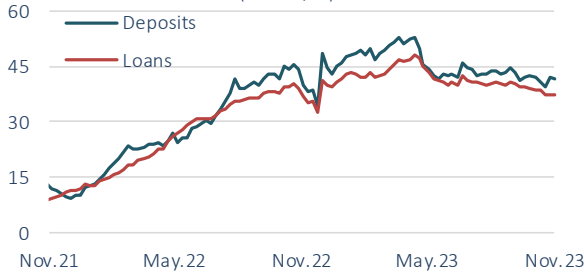


## Banking Sector

### The decline in the volume of FX-protected deposit accounts continues.

According to the weekly data released by BRSA, as of November 24, TL deposits in the banking sector increased by 96.1% yoy to 8.4 trillion TRY, while FX deposits in USD terms contracted by 12.5% yoy to 202.6 billion USD. Thus, total deposit volume increased by 65.6% yoy to 14.2 trillion TRY. In this period, FX rate-adjusted annual increase in total deposit volume was 41.6%. On the other hand, the volume of FX-protected deposits accounts, which has been declining for the last 14 weeks, dropped to 2.7 trillion TRY as of November 24. Thus, since August 18th, the volume of the FX-protected deposit accounts has declined by 19.6% (by 669 billion TRY).

### Exchange Rate Adjusted Deposit and Loan Growth (annual, %)



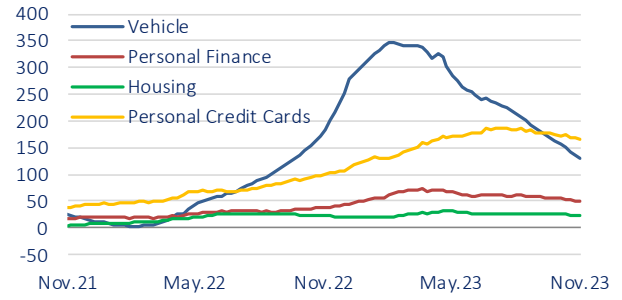
### Total loan volume reached 11.2 trillion TRY.

As of November 24, total loan volume in the banking sector increased by 55.5% yoy to 11.2 trillion TRY. The FX rate-adjusted annual increase in total loan volume was 37.4%. In this period, annual growth rate of TL loans fell to 59%, the lowest level since July 29, 2022. Thus, TL loans accounted for 67.1% of total loan volume. On the other hand, FX loan volume contracted by 3.9% yoy, and posted a limited increase compared to the end of October and became 128.7 billion USD.

### Consumer loans continue to lose momentum.

As of November 24, housing loans decreased by 2.6 billion TRY compared to the end of October and became 440.7 billion TRY. Thus, the annual increase in housing loans was realized as 23.9%, the lowest level since March. The growth rate of vehicle and personal loans, that lost momentum in this period, was 130.6% and 121.3%, respectively. In the same period, the annual increase in retail credit card expenditures lost momentum but remained strong at 166.5% yoy.

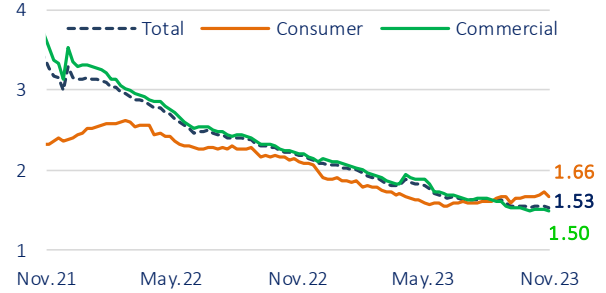
### Consumer Loans (annual % change)



### Non-performing loans ratio at 1.53%...

Non-performing loans ratio continued to decline and was realized as 1.53% as of November 24. In this period, NPL ratios in retail and commercial loans were 1.66% and 1.50%, respectively.

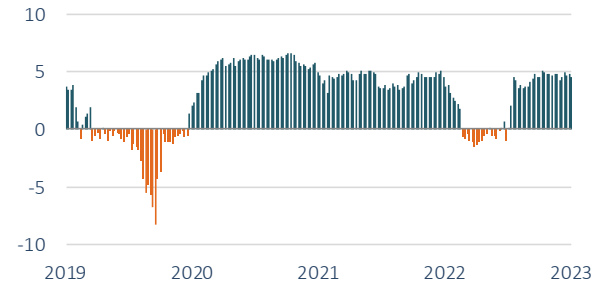
### Non-performing Loans (%)



### Foreign currency net general position...

As of November 24, on-balance sheet FX position was (-) 47,969 million USD and off-balance sheet FX position was (+) 52,464 million USD. Thus, net foreign currency position was realized as (+) 4,494 million USD.

### Net FX Position (USD Billion)



Source: BRSA Weekly Bulletin

## Concluding Remarks

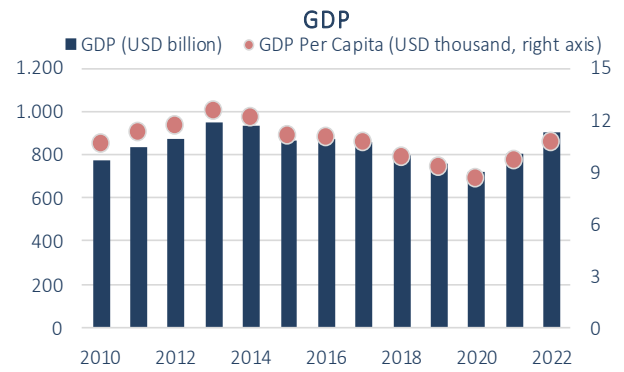
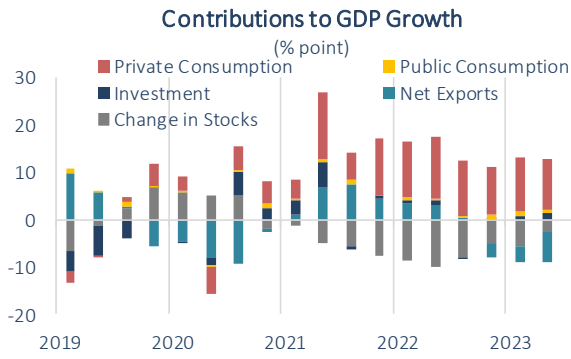
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In November, inflationary pressures eased in major economies. Thanks to almost unchanged oil prices and the long-standing tight monetary policy, annual consumer inflation converged to ECB's target level in the Euro Area, and it was realized below market expectations in the US. On the other hand, data on economic activity indicated that the two economies continued to diverge somehow. The statements reflected in the Fed minutes and the speeches of ECB officials signal that interest rate hikes in both economies may have come to an end, but the tight monetary policy stance may continue for a long time.

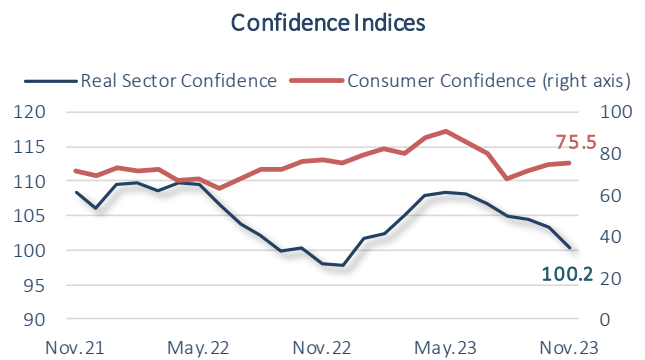
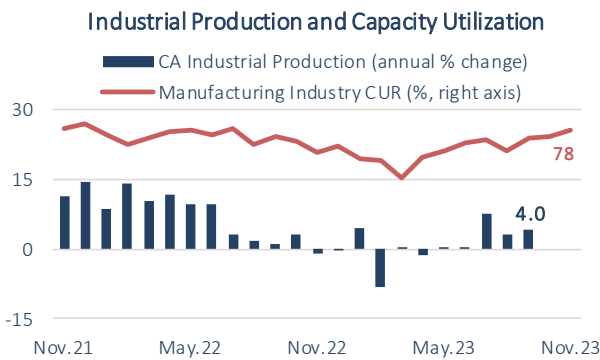
According to the chain linked volume index, Turkish economy grew by 5.9% yoy in the third quarter of 2023. In this period, the contribution of private consumption expenditures lost momentum, while investment expenditures continued to support growth. The sub-details of the data indicated that the divergence between consumption and production started to rebalance somewhat in the third quarter. CBRT continued its tightening steps by raising the policy rate above market expectations at November meeting. In the last quarter of the year, we expect the contribution of private consumption expenditures to growth to continue losing momentum due to the tightening steps taken in monetary policy.

## Turkish Economy - Macroeconomic Indicators

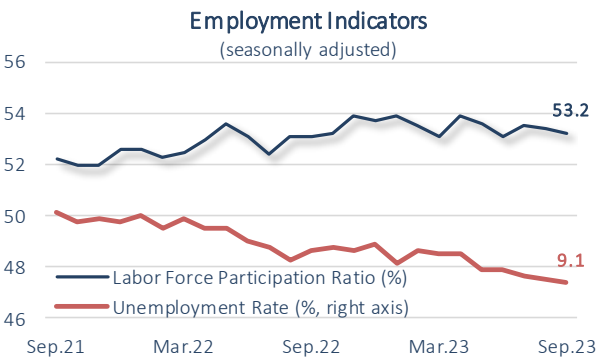
### Growth



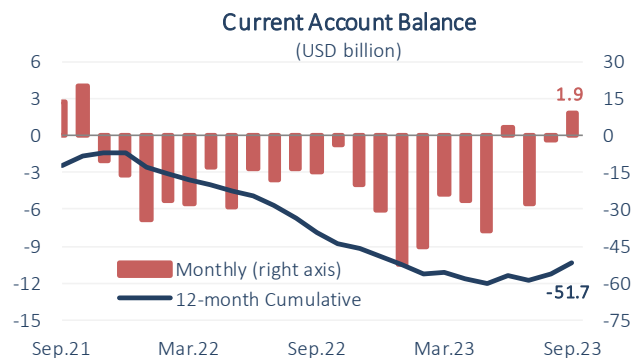
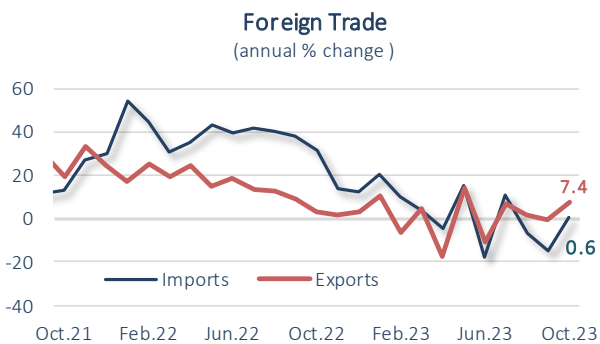
### Leading Indicators



### Labor Market



### Foreign Trade and Current Account Balance

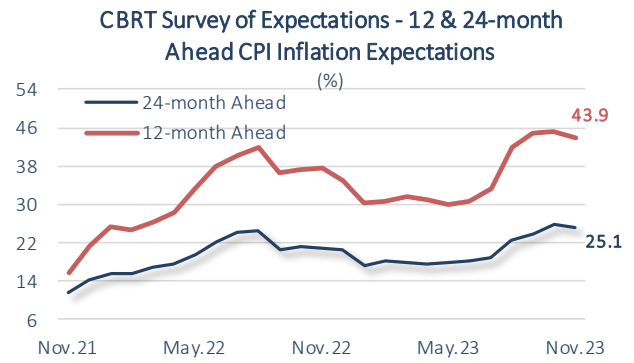
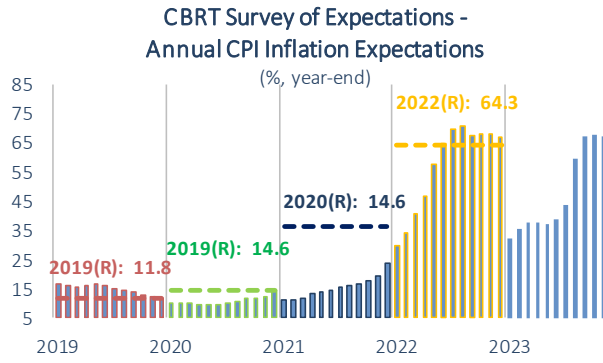
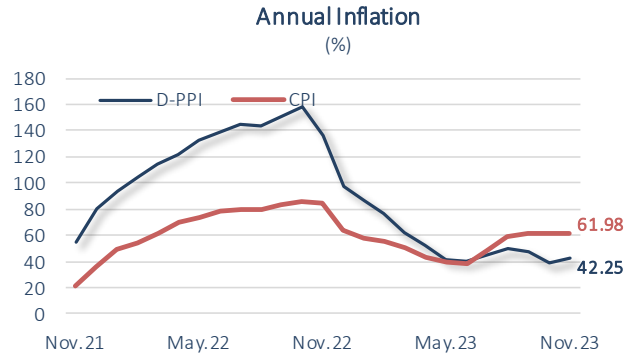
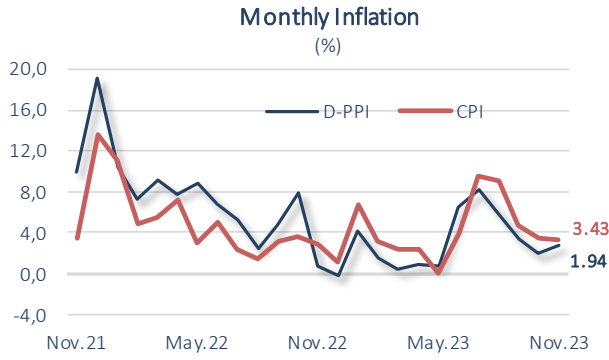


(CA) Calendar adjusted

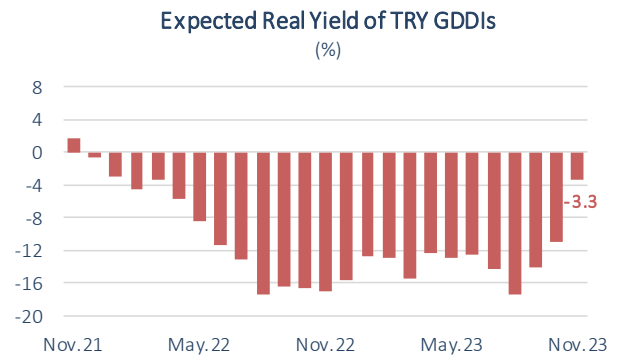
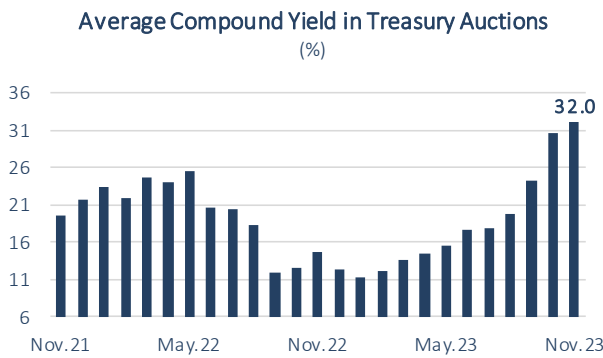
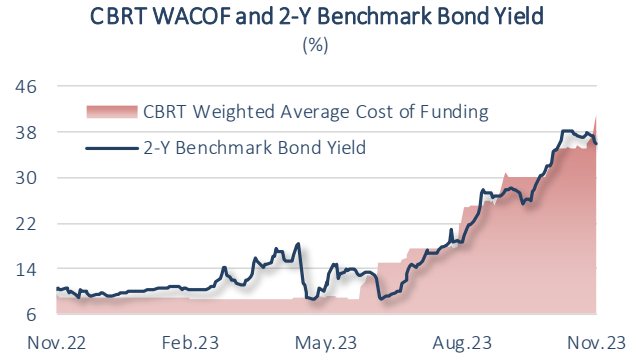
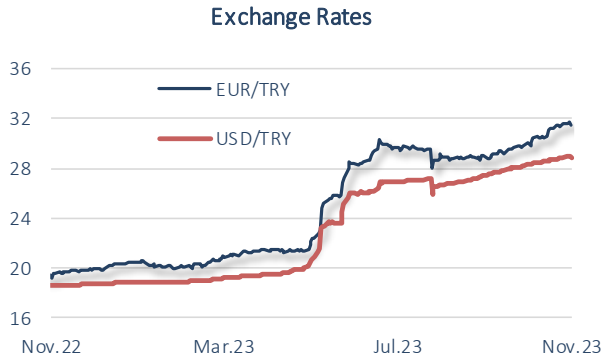
Source: Datastream, CBRT, Turkstat

## Turkish Economy - Macroeconomic Indicators

### Inflation



### Foreign Exchange and Bond Market



(R) Realization

Source: BİST, Datastream, Reuters, CBRT, Turkstat, Treasury

## Turkish Economy - Macroeconomic Indicators

Growth	2018	2019	2020	2021	2022	23-Q1	23-Q2	23-Q3
GDP (USD billion)	798	760	717	808	906	246	271	295
GDP (TRY billion)	3,761	4,318	5,049	7,256	15,012	4,643	5,505	7,681
GDP Growth Rate (%)	3.0	0.8	1.9	11.4	5.5	4.0	3.9	5.9
Inflation (%)						Sep.23	Oct.23	Nov.23
CPI (annual)	20.30	11.84	14.60	36.08	64.27	61.53	61.36	61.98
Domestic PPI (annual)	33.64	7.36	25.15	79.89	97.72	47.44	39.39	42.25
Seasonally Adjusted Labor Market Figures						Jul.23	Aug.23	Sep.23
Unemployment Rate (%)	12.7	13.4	12.6	11.0	10.3	9.3	9.2	9.1
Labor Force Participation Rate (%)	53.2	52.6	49.1	52.6	53.7	53.5	53.4	53.2
FX Rates						Sep.23	Oct.23	Nov.23
CPI Based Real Effective Exchange Rate	76.3	76.0	61.9	47.6	54.9	55.5	55.9	
USD/TRY	5.32	5.95	7.43	13.28	18.72	27.42	28.29	28.85
EUR/TRY	6.08	6.68	9.09	15.10	19.98	29.03	29.91	31.48
Currency Basket (0.5*EUR+0.5*USD)	5.70	6.32	8.26	14.19	19.35	28.22	29.10	30.17
Foreign Trade Balance <sup>(1)</sup> (USD billion)						Aug.23	Sep.23	Oct.23
Exports	177.2	180.8	169.6	225.2	254.2	252.6	252.3	252.7
Imports	231.2	210.3	219.5	271.4	363.7	371.8	372.5	370.3
<b>Foreign Trade Balance</b>	<b>-54.0</b>	<b>-29.5</b>	<b>-49.9</b>	<b>-46.2</b>	<b>-109.5</b>	<b>-119.2</b>	<b>-120.2</b>	<b>-117.6</b>
Import Coverage Ratio (%)	76.6	86.0	77.3	83.0	69.9	67.9	67.7	68.2
Balance of Payments <sup>(1)</sup> (USD billion)						Jul.23	Aug.23	Sep.23
<b>Current Account Balance</b>	<b>-20.2</b>	<b>10.8</b>	<b>-31.9</b>	<b>-7.2</b>	<b>-48.9</b>	<b>-59.0</b>	<b>-56.6</b>	<b>-51.7</b>
<b>Capital and Financial Accounts</b>	<b>1.2</b>	<b>5.2</b>	<b>-39.4</b>	<b>-5.7</b>	<b>-23.0</b>	<b>-52.6</b>	<b>-48.6</b>	<b>-45.2</b>
Direct Investments (net)	-8.8	-6.6	-4.5	-6.9	-8.4	-6.3	-5.7	-4.5
Portfolio Investments (net)	0.9	2.8	9.6	-0.8	13.5	1.3	1.2	-3.1
Other Investments (net)	19.6	2.6	-12.7	-21.4	-40.4	-44.1	-34.9	-37.7
Reserve Assets (net)	-10.4	6.3	-31.9	23.3	12.3	-3.5	-9.2	0.1
<b>Net Errors and Omissions</b>	<b>21.3</b>	<b>-5.7</b>	<b>-7.5</b>	<b>1.6</b>	<b>26.0</b>	<b>6.5</b>	<b>8.2</b>	<b>6.7</b>
<b>Current Account Balance/GDP (%)</b>	<b>-2.5</b>	<b>1.4</b>	<b>-4.4</b>	<b>-0.9</b>	<b>-5.4</b>	<b>-</b>	<b>-</b>	<b>-</b>
Budget <sup>(2)(3)</sup> (TRY billion)						Aug.23	Sep.23	Oct.23
<b>Expenditures</b>	<b>830.8</b>	<b>1,000.0</b>	<b>1,203.7</b>	<b>1,603.5</b>	<b>2,942.7</b>	<b>3,382.1</b>	<b>3,952.6</b>	<b>4,521.8</b>
Interest Expenditures	74.0	99.9	134.0	180.9	310.9	400.1	470.9	537.7
Non-interest Expenditures	756.8	900.1	1,069.8	1,422.7	2,631.8	2,982.0	3,481.7	3,984.1
<b>Revenues</b>	<b>758.0</b>	<b>875.3</b>	<b>1,028.4</b>	<b>1,402.0</b>	<b>2,800.1</b>	<b>2,998.7</b>	<b>3,440.0</b>	<b>3,913.7</b>
Tax Revenues	621.5	673.9	833.3	1,165.0	2,353.4	2,595.8	2,982.0	3,391.5
<b>Budget Balance</b>	<b>-72.8</b>	<b>-124.7</b>	<b>-175.3</b>	<b>-201.5</b>	<b>-142.7</b>	<b>-383.4</b>	<b>-512.6</b>	<b>-608.1</b>
<b>Primary Balance</b>	<b>1.1</b>	<b>-24.8</b>	<b>-41.3</b>	<b>-20.7</b>	<b>168.2</b>	<b>16.7</b>	<b>-41.7</b>	<b>-70.4</b>
<b>Budget Balance/GDP (%)</b>	<b>-1.9</b>	<b>-2.9</b>	<b>-3.5</b>	<b>-2.8</b>	<b>-1.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
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	2,575.6	2,643.1	2,759.0
External Debt Stock	481.0	574.0	773.4	1,490.0	2,127.9	3,041.8	3,179.9	3,124.1
<b>Total Debt Stock</b>	<b>1,067.1</b>	<b>1,329.1</b>	<b>1,837.6</b>	<b>2,844.9</b>	<b>4,033.2</b>	<b>5,617.4</b>	<b>5,823.0</b>	<b>5,883.0</b>

(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	Sep.23	Oct.23	Change <sup>(1)</sup>
<b>TOTAL ASSETS</b>	<b>3,867</b>	<b>4,491</b>	<b>6,106</b>	<b>9,215</b>	<b>14,347</b>	<b>21,098</b>	<b>21,758</b>	<b>51.7</b>
<b>Loans</b>	<b>2,394</b>	<b>2,656</b>	<b>3,576</b>	<b>4,901</b>	<b>7,581</b>	<b>10,710</b>	<b>10,991</b>	<b>45.0</b>
TRY Loans	1,439	1,642	2,353	2,832	5,110	7,268	7,428	45.4
Share (%)	60.1	61.8	65.8	57.8	67.4	67.9	67.6	-
FX Loans	956	1,015	1,224	2,069	2,471	3,442	3,564	44.2
Share (%)	39.9	38.2	34.2	42.2	32.6	32.1	32.4	-
Non-performing Loans	96.6	150.8	152.6	160.1	163.4	168.2	173.2	6.0
Non-performing Loan Rate (%)	3.9	5.3	4.1	3.2	2.1	1.5	1.6	-
<b>Securities</b>	<b>477</b>	<b>660</b>	<b>1,022</b>	<b>1,476</b>	<b>2,370</b>	<b>3,574</b>	<b>3,698</b>	<b>56.1</b>
<b>TOTAL LIABILITIES</b>	<b>3,867</b>	<b>4,491</b>	<b>6,106</b>	<b>9,215</b>	<b>14,344</b>	<b>21,098</b>	<b>21,758</b>	<b>51.7</b>
<b>Deposits</b>	<b>2,036</b>	<b>2,567</b>	<b>3,455</b>	<b>5,303</b>	<b>8,862</b>	<b>13,306</b>	<b>13,848</b>	<b>56.3</b>
TRY Deposits	1,042	1,259	1,546	1,880	4,779	7,885	8,182	71.2
Share (%)	51.2	49.0	44.7	35.5	53.9	59.3	59.1	-
FX Deposits	994	1,308	1,909	3,423	4,083	5,421	5,666	38.8
Share (%)	48.8	51.0	55.3	64.5	46.1	40.7	40.9	-
<b>Securities Issued</b>	<b>174</b>	<b>194</b>	<b>224</b>	<b>310</b>	<b>325</b>	<b>488</b>	<b>515</b>	<b>58.3</b>
<b>Payables to Banks</b>	<b>563</b>	<b>533</b>	<b>658</b>	<b>1,048</b>	<b>1,432</b>	<b>2,105</b>	<b>2,189</b>	<b>52.9</b>
<b>Funds from Repo Transactions</b>	<b>97</b>	<b>154</b>	<b>255</b>	<b>587</b>	<b>540</b>	<b>790</b>	<b>600</b>	<b>11.1</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>421</b>	<b>492</b>	<b>600</b>	<b>714</b>	<b>1,407</b>	<b>1,896</b>	<b>1,935</b>	<b>37.5</b>
Profit (Loss) of the Period	54.1	49.0	58.5	93.0	431.6	438.7	486.0	-
<b>RATIOS (%)</b>								
Loans/GDP	63.7	61.5	70.9	68.0	50.5			
Loans/Assets	61.9	59.1	58.6	53.2	52.8	50.8	50.5	-
Securities/Assets	12.3	14.7	16.7	16.0	16.5	16.9	17.0	-
Deposits/Liabilities	52.7	57.2	56.6	57.5	61.8	63.1	63.6	-
Loans/Deposits	117.6	103.5	103.5	92.4	85.5	80.5	79.4	-
Capital Adequacy (%)	17.3	18.4	18.7	18.4	19.5	18.7	18.4	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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