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Global Economy

At its meeting on December 13, Fed kept its policy rate unchanged between 5.25%-5.50% in line with market expectations. The median forecast of FOMC members pointed to three rate cuts of 25 basis points each in 2024.

In the US economy, the final growth data for the third quarter of 2023 was revised up to 4.9%, while the data for last quarter gave mixed signals.

ECB kept the reference interest rates unchanged at its December meeting. Annual CPI inflation in the Euro Area was realized as 2.4% in November, converging to the ECB's target.

Euro appreciated against the US dollar following the statements that interest rate cuts were not discussed at the ECB meeting.

Oil prices followed a volatile course in December and ended the month with a 7% decline. Iron ore prices rose sharply in December as the steps taken to accelerate economic recovery in China positively affected expectations for manufacturing and real estate sectors.

Turkish Economy

Seasonally adjusted unemployment rate decreased to 8.5% in October, the lowest level since November 2012. Net minimum wage for 2024 was raised by 49% to 17,002 TRY.

Calendar-adjusted industrial production increased by 1.1% yoy in October. Seasonally and calendar-adjusted index, on the other hand, decreased by 0.4% mom continuing its downward trend for the fourth consecutive month.

ISO Türkiye manufacturing PMI came in at 47.4 in December, indicating that operating conditions in the sector remained weak in the last month of 2023.

Current account posted a surplus of 186 million USD in October. Current account deficit, which widened by 4.2% yoy to 40.7 billion USD in January–October period, narrowed to 50.7 billion USD according to 12-month cumulative figures.

Central government budget posted a surplus of 75.6 billion TRY in November, while the budget deficit was realized as 532.4 billion TRY in January–November period.

In December, CPI increased by 2.93% mom, while D-PPI rose by 1.14%. Annual inflation was realized as 64.77% in CPI and 44.22% in D-PPI.

CBRT raised the policy rate by 250 basis points to 42.50% at its December meeting in line with market expectations.

BIST-100 index increased by 35.6% at the end of 2023 compared to the end of 2022, well below consumer inflation. Annual increases in USD/TRY and EUR/TRY exchange rates were 57.7% and 63.3%, respectively.

Turkish Economy	2
Financial Markets	7
Banking Sector.....	8
Concluding Remarks.....	9
Graphs.....	10
Tables.....	12

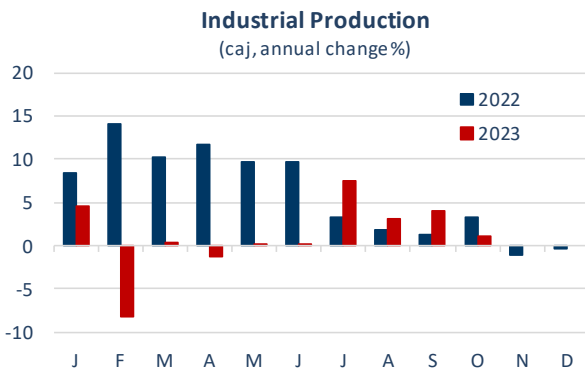
Leading Indicators

Unemployment rate fell to 8.5% in October.

According to seasonally adjusted figures, unemployment rate decreased by 0.5 points mom to 8.5% in October, the lowest level since November 2012. The decline in unemployment rate was driven by the increase in the number of employed citizens more than the number of labor force participants. In this period, employment and labor force participation rates increased by 0.3 and 0.1 points to 48.5% and 53.1%, respectively. Youth unemployment rate, which covers the 15-24 age group, decreased by 0.4 points mom to 16.3% in October, the lowest level since September 2013. The labour underutilization rate that is considered as the broadest defined unemployment rate, decreased by 0.5% mom to 21.3%. The net minimum wage for 2024 was set at 17,002 TRY with an increase of 49%.

Industrial production index continued to decline on a monthly basis in October.

Seasonally and calendar adjusted industrial production index decreased by 0.4% mom in October, continuing its downward trend for the fourth consecutive month. In this period, production increased by 3.2% in the mining and quarrying sector and decreased by 0.3% and 2.3% in the manufacturing industry and electricity, gas and steam sectors, respectively. While production in 12 out of 24 sub-sectors of the manufacturing industry declined on a monthly basis, double-digit declines in the manufacturing of transportation vehicles (16.3%) and computer, electronic and optical products (11.4%) stood out. According to calendar adjusted figures, industrial production increased by 1.1% yoy in October.



Manufacturing PMI indicated that the weak course in the sector continued in December.

Türkiye Manufacturing PMI released by Istanbul Chamber of Industry increased by 0.2 points mom to 47.4 in December, however data showed that operating

conditions in the sector remained weak in the last month of 2023. Thus, contrary to the improvement in the manufacturing sector in the first half of the year, business climate deteriorated in the last six months. This was mainly due to the difficult domestic and foreign market conditions, which led to a slowdown in new orders and a decline in production. According to sub-items of the index, despite the decline in workloads in the last month of the year, employment volume left the contraction zone and displayed a flat outlook. On the other hand, depreciation in Turkish lira, rising wages and raw material prices caused input prices to increase in December. While sectoral PMI data remained below the threshold in 7 out of 10 sectors in December, food products was the only sector where production, new orders, exports, purchasing activity and inventories all recorded increases throughout the year.

The annual increase in retail sales volume slowed to 13.7%.

According to seasonally and calendar adjusted figures, retail sales volume that declined on a monthly basis in August and September, increased by 2.0% in October. In this period, computers, books and communication devices recorded the highest monthly increase in sales by 6.5%, while automotive fuel sales volume contracted by 0.2%. According to calendar adjusted figures, annual increase in retail sales volume was realized as 13.7%, the lowest level of the last 11 months. On the other hand, CPI-adjusted average monthly debit and credit card expenditures of households released by CBRT rose by 4.5% in November due to the discount campaigns, after having declined on a monthly basis in August, September and October, and indicated a revival in demand.

House sales continued to decline in November.

In November, house sales contracted by 20.6% yoy to 93,514 units. In this period, mortgaged house sales, which decreased by 68.5% yoy, fell to the historic low level of the data set that started in 2013. The share of these sales in total sales decreased to 5.6%. Total house sales contracted by 14.9% in January-November period compared to the same period of 2022. On the other hand, according to the data released by CBRT, house price index rose by 3.8% mom and 86.5% yoy in October. In the same period, annual real increase was recorded as 15.4%. The fastest annual rise in house prices was recorded in Ağrı, Ardahan, Kars and Iğdır (127.1%), while price increases in Istanbul (74.4%) remained below those in Ankara (101.5%) and Izmir (80.1%).

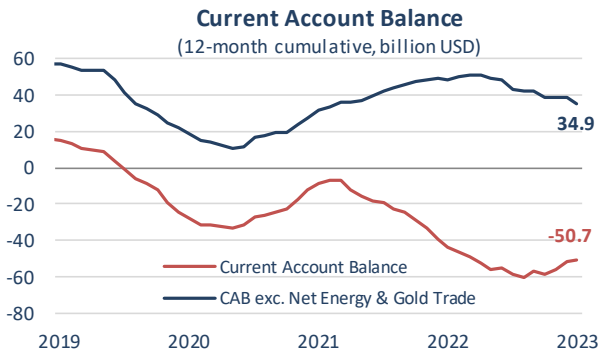
Foreign Trade and Balance of Payments

Foreign trade deficit was 6.5 billion USD in October.

According to data released by Turkstat, exports increased by 7.4% yoy to 22.9 billion USD in October, while imports rose by 0.6% yoy to 29.4 billion USD. In this period, foreign trade deficit contracted by 17.5% yoy to 6.5 billion USD. In October, import coverage ratio increased by 4.9 points compared to the same period of the previous year and was realized as 77.8%.

Current account continued to post surplus in October.

Current account posted a surplus of 186 million USD in October, below market expectations. According to the Reuters survey, current account surplus was expected to be 750 million USD in this period. The relatively low level of foreign trade deficit and the ongoing favorable course in passenger transportation and tourism revenues were behind the current account surplus. In October, net gold imports continued to decline and became 1.2 billion USD, the lowest level of the last 6 months, while the current account surplus excluding gold and energy was realized as 5.1 billion USD. Thus, current account deficit, which widened by 4.2% yoy to 40.7 billion USD in January-October period, declined to 50.7 billion USD according to 12-month cumulative figures.

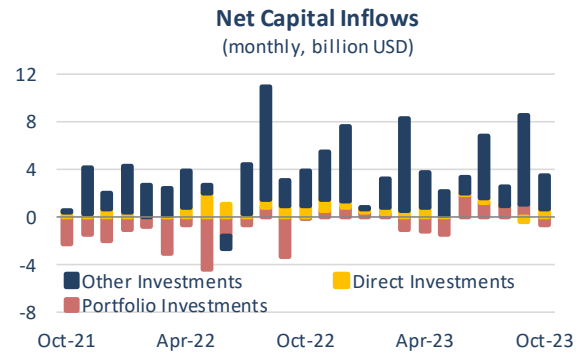


Moderate course in foreign direct investments...

In October, real estate investments remained weak, but net foreign direct investments recorded an inflow of 638 million USD thanks to capital investments. Thus, inflow from foreign direct investments recorded the highest level of the last 6 months. In January-October period, net foreign direct investments decreased by 60% yoy to 2.9 billion USD.

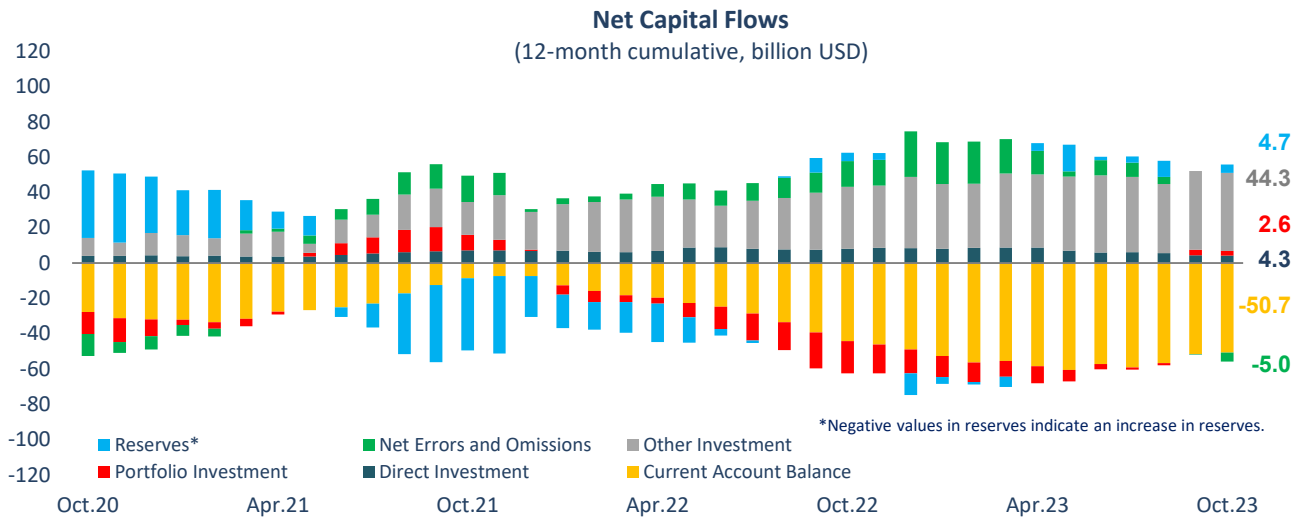
Capital outflows in portfolio investments for the first time since May...

In October, portfolio investments recorded the first capital outflow since May, with an amount of 689 million USD. In this period, non-residents' stock market portfolio decreased by 423 million USD, while their net purchases in debt securities market continued with 336 million USD. Thus, total capital inflows in portfolio investments declined to 1.3 billion USD in January-October period.



Capital inflows in other investments continued in October.

Net capital inflow in other investments continued with 2.8 billion USD in October. In this period, foreign banks' currency and deposits in Türkiye increased by 1.3 billion USD, while domestic banks' currency and deposits with foreign correspondents decreased by 1.3 billion USD. In October, banks and the general government borrowed net 509 million USD and 50 million USD from abroad, respectively; while



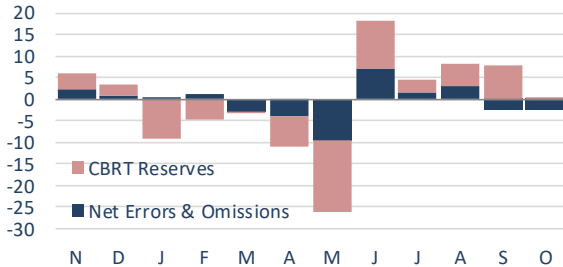
*Negative values in reserves indicate an increase in reserves.

Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

other sectors realized net 301 million USD loan repayments. According to 12-month cumulative figures, long-term debt rollover ratios of the banking sector and other sectors were 97.8% and 99.4%, respectively.

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



Reserve assets and net errors and omissions...

In October, reserve assets increased by 247 million USD, recording the lowest increase in the last 5 months. Thus, the total decline in reserve assets since the year-end was realized as 10.7 billion USD. Net errors and omissions recorded a

capital outflow of 2.7 billion USD in October and 8.1 billion USD in the first 10 months of the year.

Expectations...

In October, current account continued to post a surplus in line with the mild course of foreign trade balance and services revenues. After contracting by 32.6% yoy in November, foreign trade deficit narrowed by 37.1% yoy in December according to preliminary data. Although the economic activity in Türkiye's main export markets remains weak, the decline in imports due to the downward course in energy prices in recent months enabled the contraction of trade deficit. In the upcoming period, the course of oil prices, gold imports and domestic demand will continue to be closely monitored regarding the current account balance outlook.

Balance of Payments	(USD million)				
	Oct. 2023	Jan. - Oct. 2022	2023	% Change	12-month Cumulative
Current Account Balance	186	-39,027	-40,684	4.2	-50,743
Foreign Trade Balance	-4,866	-74,348	-77,307	4.0	-92,559
Services Balance	6,035	43,837	45,912	4.7	51,740
Travel (net)	4,748	33,385	36,758	10.1	40,690
Primary Income	-1,001	-7,948	-9,655	21.5	-10,487
Secondary Income	18	-568	366	-	563
Capital Account	-16	-27	-183	577.8	-191
Financial Account	-2,511	-16,264	-48,962	201.0	-55,903
Direct Investment (net)	-638	-7,306	-2,922	-60.0	-4,272
Portfolio Investment (net)	689	14,894	-1,252	-	-2,618
Net Acquisition of Financial Assets	602	4,261	2,478	-41.8	2,712
Net Incurrence of Liabilities	-87	-10,633	3,730	-	5,330
Equity Securities	-423	-3,758	-588	-84.4	-868
Debt Securities	336	-6,875	4,318	-	6,198
Other Investment (net)	-2,809	-30,116	-34,077	13.2	-44,349
Currency and Deposits	-3,417	-22,482	-21,604	-3.9	-35,020
Net Acquisition of Financial Assets	-1,291	3,444	3,201	-7.1	-6,739
Net Incurrence of Liabilities	2,126	25,926	24,805	-4.3	28,281
Central Bank	20	7,307	13,508	84.9	13,518
Banks	2,106	18,619	11,297	-39.3	14,763
Foreign Banks	1,287	11,477	7,924	-31.0	5,299
Foreign Exchange	1,089	7,411	5,081	-31.4	2,900
Turkish Lira	198	4,066	2,843	-30.1	6,564
Non-residents	819	7,142	3,373	-52.8	8,199
Loans	-424	-4,503	-6,253	38.9	-5,598
Net Acquisition of Financial Assets	-166	277	-1,439	-	-2,004
Net Incurrence of Liabilities	258	4,780	4,814	0.7	3,594
Banking Sector	509	-3,913	3,701	-	1,862
Non-bank Sectors	-301	8,241	1,376	-83.3	1,277
Trade Credit and Advances	1,038	-3,087	-6,169	99.8	-3,671
Other Assets and Liabilities	-6	-44	-51	15.9	-60
Reserve Assets (net)	247	6,264	-10,711	-	-4,664
Net Errors and Omissions	-2,681	22,790	-8,095	-	-4,969

Source: CBRT, Datastream

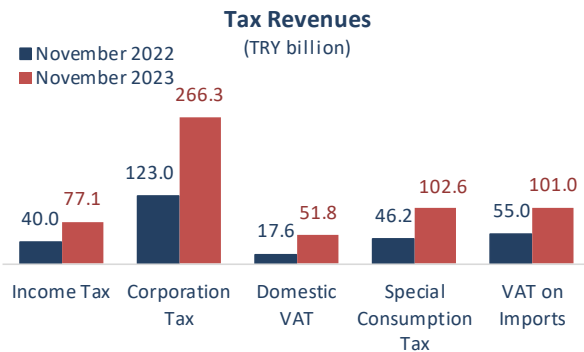
Budget Balance

Central government budget posted a surplus of 75.6 billion TRY in November.

In November, budget revenues increased by 114.8% yoy to 746.8 billion TRY, while expenditures rose by 180.3% yoy to 671.2 billion TRY. Thus, the central government budget posted a surplus of 75.6 billion TRY in this period. In January-November period, central government budget deficit was realized as 532.4 billion TRY. In this period, primary balance posted a surplus of 99.8 billion TRY.

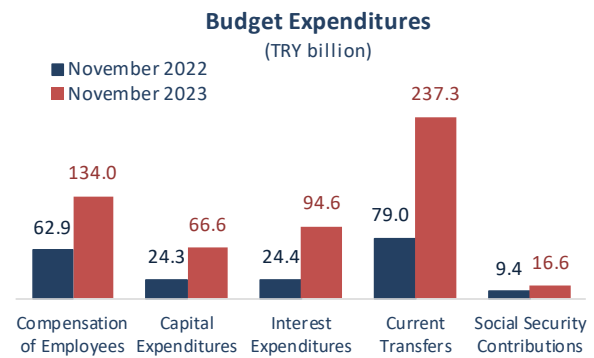
Tax revenues were realized as 668.5 billion TRY.

In November, tax revenues increased by 114.3% yoy to 668.5 billion TRY. The rapid increase in tax revenues was mainly driven by the provisional corporate tax, which more than doubled compared to the same period of the previous year and reached 261.6 billion TRY. In addition, special consumption tax (SCT) revenues, which reached 102.6 billion TRY due to the rapid increases in SCT on petroleum and natural gas products and motor vehicles, also supported tax revenues in this period. In November, domestic value added tax (VAT) increased almost 2-fold compared to the same period of the previous year, while VAT on imports rose by 83.9% yoy to 101 billion TRY.



Budget expenditures were mainly driven by the rise in current transfers.

In November, primary budget expenditures increased by 168.1% yoy. This development was mainly driven by current transfers, which tripled on an annual basis. The 10-fold increase in capital transfers on a yearly-basis in November was noteworthy. Under the lending item, 7.2 billion TRY was paid to State Railways, while under the assignment item, Social Security Institutions (SGK), Petroleum Pipeline Corporation (BOTAŞ) and Electricity Generation Corporation (EÜAŞ) were paid 75.8 billion TRY, 12 billion TRY and 10.1 billion TRY, respectively. Interest expenditures also quadrupled on a yearly-basis in November. Thus, budget expenditures increased by 102.2% yoy to 5.2 trillion TRY in January-November period.



Expectations...

Central government budget posted a surplus in November thanks to the high realizations in budget revenues, particularly corporate tax revenues. Thus, in January-November 2023 period, the budget deficit was 32.6% of the Middle Term Programme's projected level for the year-end. Although the budget deficit is usually realized at higher levels in December; the cumulative deficit in the first 11 months of the year indicates that calendar years' total budget deficit will be below the targeted level of 1.6 trillion TRY at the year-end.

Central Government Budget

	November			January-November			(billion TRY)	
	2022	2023	% Change	2022	2023	% Change	MTP Target	Real./ MTP Target (%)
Expenditures	239.4	671.2	180.3	2,567.6	5,193.0	102.2	6,562.6	79.1
Interest Expenditures	24.4	94.6	287.7	292.7	632.3	116.0	646.1	97.9
Non-Interest Expenditures	215.0	576.6	168.1	2,274.9	4,560.7	100.5	5,916.5	77.1
Revenues	347.7	746.8	114.8	2,547.2	4,660.5	83.0	4,929.7	94.5
Tax Revenues	312.0	668.5	114.3	2,141.8	4,060.0	89.6	4,270.7	95.1
Other Revenues	35.7	78.3	119.2	405.4	600.6	48.2	659.0	91.1
Budget Balance	108.3	75.6	-30.2	-20.4	-532.4	2,503.8	-1,633.0	32.6
Primary Balance	132.7	170.2	28.3	272.2	99.8	-63.3	-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 2.93% in December.

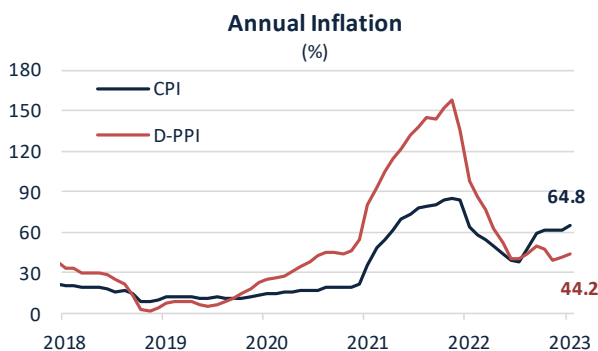
In December, CPI increased by 2.93% mom, slightly below market expectations and recorded the lowest rise in the last 7 months. According to the Reuters survey, market expectation for monthly CPI inflation was 3.13% in this period. Thus, annual CPI inflation came in at 64.77%, close to CBRT's year-end forecast. In December, D-PPI inflation was realized as 1.14% mom, the lowest level since May, and 44.22% yoy.

December (change %)	CPI		D-PPI	
	2022	2023	2022	2023
Monthly	1.18	2.93	-0.24	1.14
Annual	64.27	64.77	97.72	44.22
Annual Average	72.31	53.86	128.47	49.93

Prices in recreation and culture group rose by 5.30% mom.

In December, prices increased in 10 out of 12 main expenditure groups on a monthly basis. In this period, prices in recreation and culture group rose sharply by 5.30%. Food and non-alcoholic beverages group, which has the highest share in expenditure basket, was the group that increased monthly CPI inflation the most by 1.26 points in December. In the same period, prices in housing group rose by 4.97% mom, pushing monthly inflation up by 0.69 points. Clothing and footwear group that prices decreased by 1.33% mom and transportation group that prices decreased due to the fall in fuel prices, were the two subgroups that had a downward impact on CPI inflation.

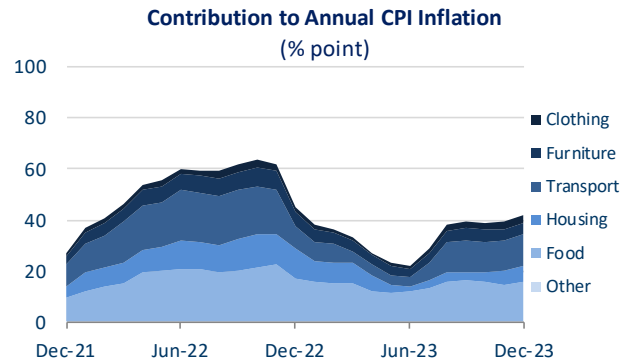
On an annual basis, food and non-alcoholic beverages (18.31 points) and transportation (11.63 points) were the groups that increased inflation the most. Education and communication groups made the lowest contributions to annual CPI inflation with 1.37 points and 1.68 points, respectively.



Seasonal products pushed inflation up in December.

In December, the monthly increase excluding seasonal products was realized as 2.80%, below the headline inflation, indicating that seasonal products pushed inflation up. In this

period, 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) increased by 2.39% mom and 2.31% mom, respectively. Annual increases in these 2 indices were 68.02% and 70.64%, respectively. Following November, the rise in services prices remained below the increases in goods prices in December as well. While rent hikes continued to be the main driver of services inflation, the rise in goods prices was driven by the increase in unprocessed food prices.



Domestic PPI...

In December, prices of essential pharmaceutical products increased by 7.35% mom due to the exchange rate adjustment in medicine prices. Food products prices rose by 2.58% mom and increased D-PPI the most by 0.47 points. In the same period, electricity, gas production and distribution prices fell by 11.40% and limited domestic PPI inflation by 0.76 points.

In 2023 as a whole, prices of other mining and quarrying products increased the fastest by 84.96%. Food products, where prices rose by 63.75% in 2023, was the sector that increased annual D-PPI inflation the most with 10.45 points. In this period, prices in electricity, gas production and distribution sector decreased by 29.69%, limiting annual D-PPI inflation by 3.55 points.

Expectations...

With the start of new year, we expect CPI to rise faster in January compared to remaining months of the year due to increases in minimum wages and salaries as well as revisions in administered prices. In the following months, effects of the CBRT's tight monetary policy on domestic demand will be closely monitored. In this period, under the assumptions that the slowdown in global economy will put pressure on commodity prices and possible capital inflows will prevent the depreciation of TL in real terms, we think that annual inflation will enter a downward trend in the second half of the year after peaking in May.

Financial Markets

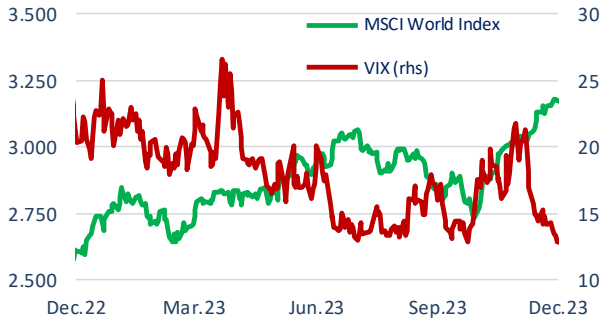
	30-Nov	29-Dec	Change
5-Y CDS (basis points)	336	280	-55 bps ▼
TR 2-Y Benchmark Yield	38.86%	39.68%	82 bps ▲
BIST-100	7,949	7,470	-6.0% ▼
USD/TRY	28.8520	29.5340	2.4% ▲
EUR/TRY	31.4804	32.6248	3.6% ▲
Currency Basket*	30.1662	31.0794	3.0% ▲

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

Global equity markets rose sharply in 2023.

Global equity markets followed an upward trend in the last month of the year in general, as the Fed kept its policy rate unchanged and signaled that interest rates would fall starting from next year. MSCI World Index ended December at 3.169 level with a rise of 4.8% compared to the end of November. Thus, the index increased by 21.8% in calendar year 2023. MSCI Emerging Markets Index rose by 3.7% on a monthly and 7.0% on an annual basis. US 10-year Treasury bond yield that tested the highest level of the last 16 year with 5% in October, ended the year at 3.86%. On the other hand, DXY that peaked at 107 in October, declined by 2.7% yoy in 2023, indicating a limited depreciation of the USD against other major currencies.

World Stock Markets and VIX



BIST-100 index that had diverged positively from global stock markets in 2022 with a 196.6% annual gain, displayed a relatively weak performance in 2023, due to the political uncertainty before general elections in the first half of the year and the rise in deposit rates afterwards. The index declined by 6.2% in December, thus displayed an increase of 35.6% in 2023, below the consumer inflation. On the other hand, Türkiye's 5-year CDS premium continued its downward trend started in June and ended the year at 279 basis points. 2-year benchmark bond yield increased by 29.3 points compared to the end of 2022 and reached 39.3% at the end of 2023. Annual increases in USD/TRY and EUR/TRY

exchange rates were realized as 57.7% and 63.3%, respectively.

CBRT raised the policy rate to 42.50%.

In the last meeting of the year, CBRT raised the policy rate by 250 basis points to 42.50% in line with market expectations. Thus the CBRT slowed down the pace of monetary tightening as stated in the decision text of November meeting and raised the policy rate by a total of 34.0 points since June. In the text released after the meeting, CBRT stated that the level of monetary tightness required for the establishment of disinflation was significantly approached and monetary tightening steps were to be completed as soon as possible. Committee members reiterated that the current level of domestic demand, the rigidity in services prices and geopolitical risks keep inflation pressures alive. In addition to interest rate decisions, CBRT stated that it will continue its quantitative tightening policy by increasing the variety of sterilization tools used to support the monetary tightening process.

CBRT published the Monetary Policy for 2024.

In the Monetary Policy text for 2024 published by the CBRT, it was emphasized that the simplification steps in micro and macroprudential policy framework will continue in 2024. In addition, it was stated that the quantitative tightening steps will be continued by increasing the variety of sterilization tools used. The text reiterated the message that the CBRT will continue to accumulate reserves in 2024. It was emphasized that the CBRT will formulate its monetary policy in a way to bring inflation to the 5% target in the medium term, while it was underlined that the forecasts announced in the Inflation Report will be used as intermediate targets to serve as a reference for inflation expectations.

Securities portfolio of non-residents...

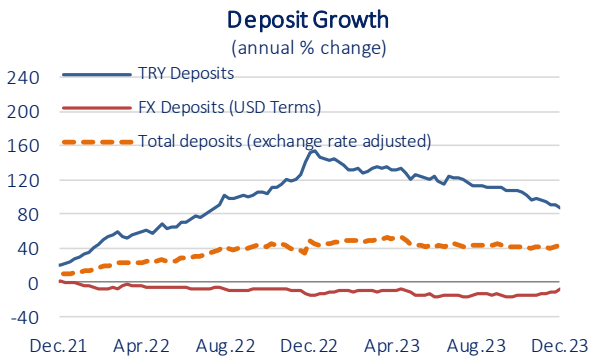
According to the securities statistics released by CBRT, as of December 22, non-residents' equity portfolio increased by 1.5 billion USD and GDSS portfolio by 1.7 billion USD since the end of November, according to price and exchange rate movements adjusted data. Thus, since the beginning of the year, foreign capital inflows to the stock market and GDSS market amounted to net 1.3 billion USD and 4.9 billion USD, respectively. As of December 22, CBRT's gross reserves reached a historic high of 145.5 billion USD, while net international reserves were realized as 40.1 billion USD.

Source: CBRT, Datastream, Reuters,

Banking Sector

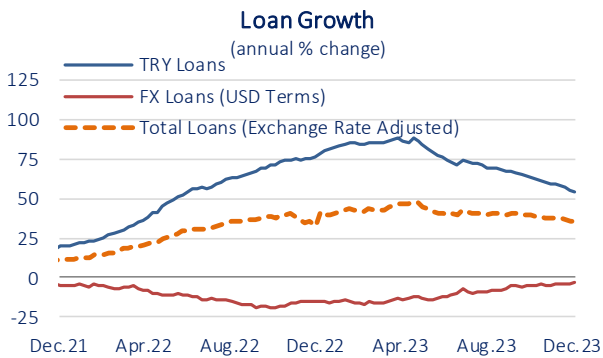
The decline in the volume of FX-protected deposit accounts continues.

According to BRSA's weekly data, as of December 22, total deposit volume increased by 67% yoy to 14.7 trillion TRY. In this period, the FX rate-adjusted annual increase in total deposits was 42.9%. As of December 22, the ratio of TL deposits to total deposits, which reached 8.8 trillion TRY, was realized as 59.7%. In this period, FX deposit volume in USD terms declined by 8% yoy to 203.8 billion USD. After 17 weeks of uninterrupted decline, the volume of FX-protected deposit accounts dropped to 2.7 trillion TRY as of December 22. Thus, since the week of August 18, FX-protected deposit accounts volume has declined by 22.2% (a total of 756.1 billion TRY).



Total loan volume stands at 11.5 trillion TRY...

As of December 22, total loan volume of the banking sector recorded the slowest growth of the last 7 months with 53.4% yoy, while the FX rate adjusted increase in loan volume was realized as 35.2%. As of the same date, the total loan volume in the banking sector reached 11.5 trillion TRY. TL loans, whose annual growth rate has lost momentum since March, reached 7.7 trillion TRY as of December 22, while FX loans in USD terms were realized as 129.1 billion USD. Thus, the ratio of TL loans to total loan volume was 67.3%.

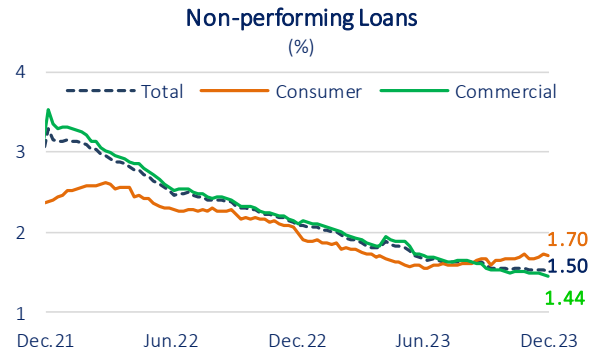


Housing and consumer loans continue to lose momentum.

As of December 22, housing loans decreased by 2.4 billion TRY compared to the end of November to 438.3 billion TRY. Thus, the annual increase in housing loans was realized as 22.2%, the lowest level of the last 10 months. The annual rise in vehicle loans, which continued to increase slightly on a monthly basis, fell to 99.8%, the lowest level since August 2022. In this period, the annual growth rate of consumer loans lost momentum and became 46.1%, while the annual growth in retail credit card expenditures lost momentum but remained high at 160.4%.

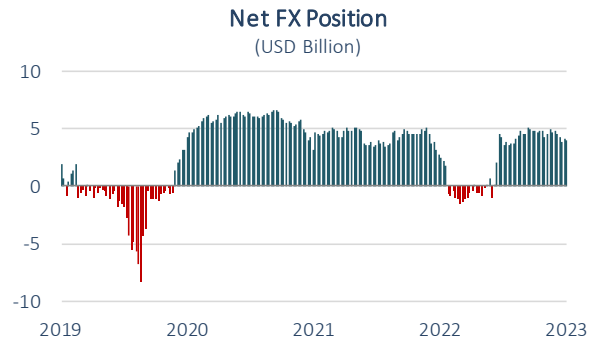
Non-performing loans ratio decreased to 1.50%.

Non-performing loans ratio in the banking sector declined to 1.5% as of December 22, maintaining its historically low course. In this period, non-performing loans ratio was realized at 1.7% in retail loans, the highest level since March 2023, while it decreased to 1.44% in commercial loans.



Foreign currency net general position...

As of December 22, on-balance sheet FX position was (-) 44.225 billion USD and off-balance sheet FX position was (+) 48.166 billion USD. Thus, net foreign currency position was realized as (+) 3.941 billion USD.



Source: BRSA Weekly Bulletin

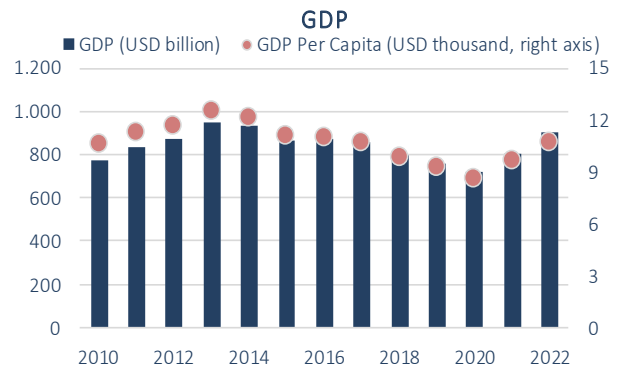
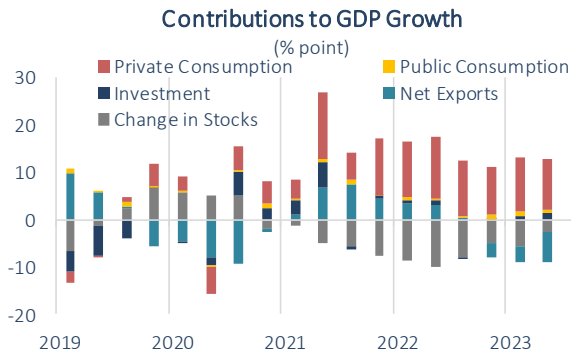
Concluding Remarks

In the last month of the year, global markets closely monitored the decisions and statements of major central banks. In line with the data releases indicating that inflationary pressures have eased, the perception that interest rate hikes have come to the end strengthened, and major central banks kept policy rates unchanged in December as expected. In addition to Fed Chair Powell's statements, Fed's projections reflecting the possibility of rate cuts in 2024 had a positive impact on global risk appetite. On the other hand, the labor market in the US, which maintains its strong outlook, indicates that domestic demand in the country may not be suppressed enough to open the door to interest rate cuts. On the other hand, recent data releases in the Euro Area indicate that the weak economic outlook persists. Despite the interest rate cuts and the support provided, domestic demand in China also failed to significantly recover. In this environment where economic activity displays a divergent outlook across regions, geopolitical developments stand out among the most important risk factors for 2024 due to their impact on energy prices. If the ongoing tensions in the Middle East and the Red Sea worsen the inflation outlook through energy prices, it is possible that the global economic outlook may be different from the common projections.

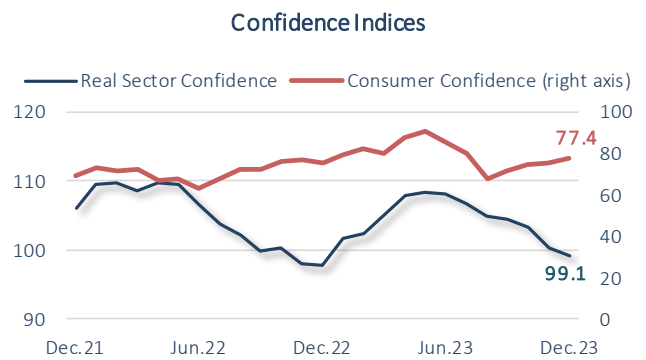
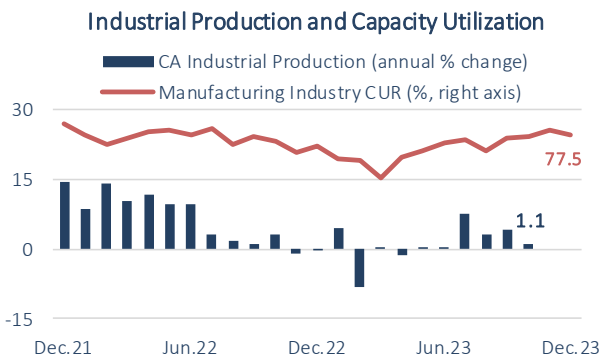
Annual growth in Türkiye's industrial production lost momentum in October, while manufacturing PMI data showed that operating conditions in the sector remained weak in the last month of the year. Closely monitored indicators for domestic demand suggest that the momentum loss in domestic demand may have been interrupted by discount campaigns in November and newyear shopping in December. CBRT, which slowed down the pace of monetary tightening at its last meeting of the year as it had signaled earlier, also stated that price discounts and campaigns limited the slowdown in domestic demand. Having ended 2023 at 64.77%, annual consumer inflation is expected to continue to rise in the first months of the new year due to the increases in labor payments, especially the minimum wage, as well as the revisions in administered and directed prices.

Turkish Economy - Macroeconomic Indicators

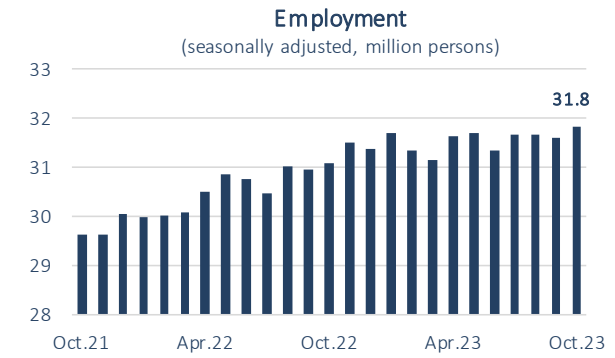
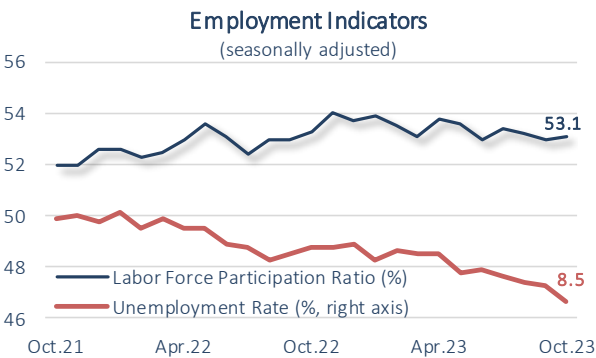
Growth



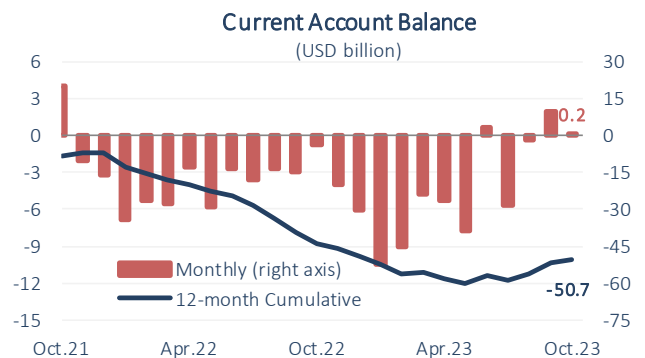
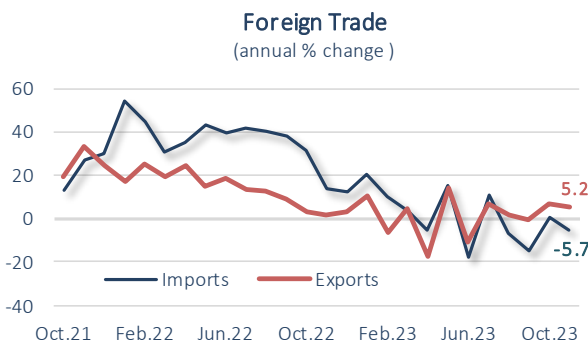
Leading Indicators



Labor Market

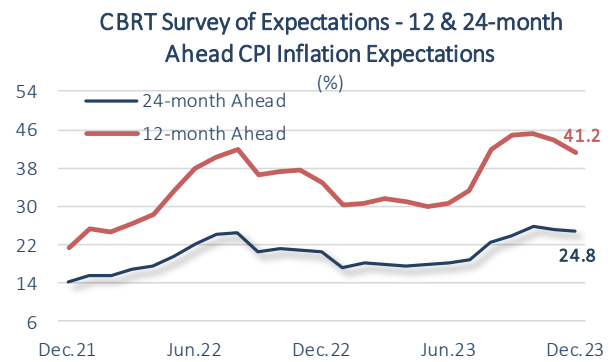
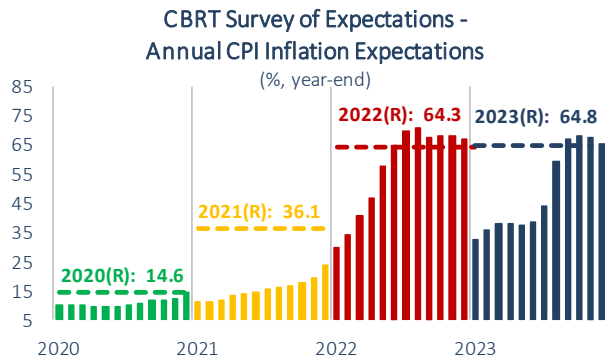
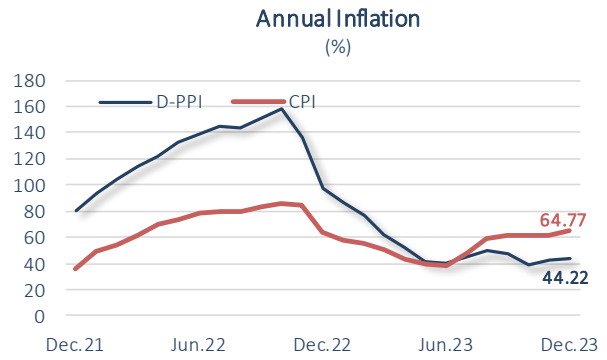
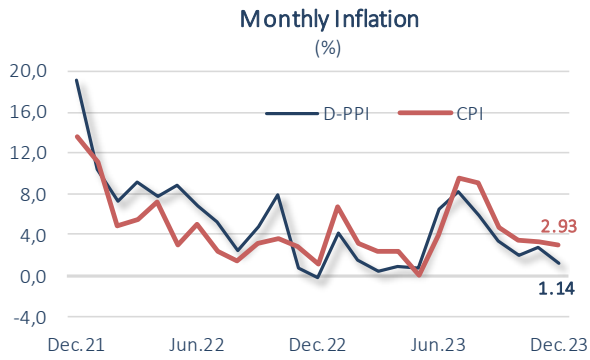


Foreign Trade and Current Account Balance

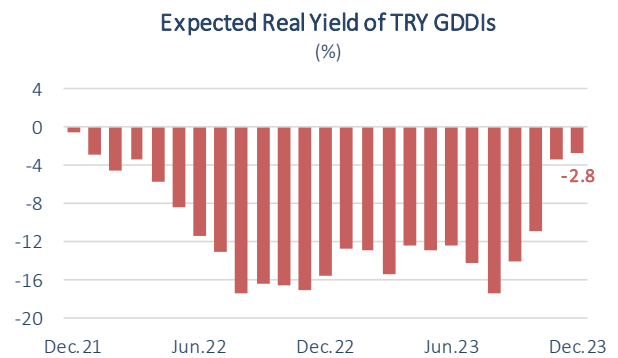
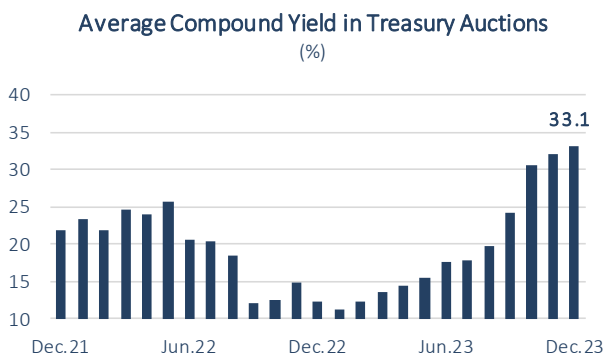
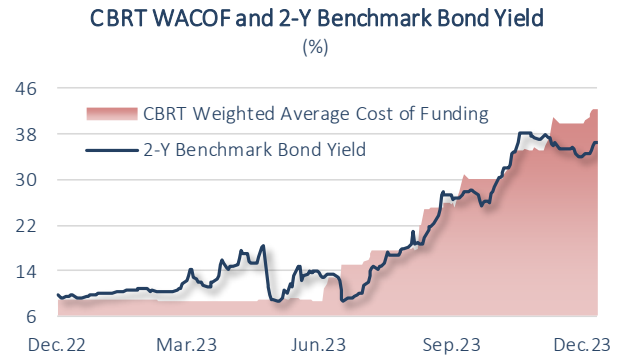
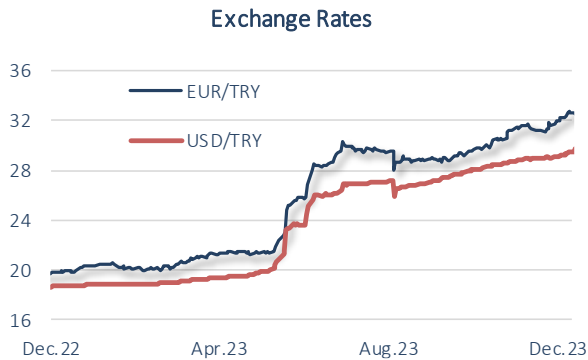


Turkish Economy - Macroeconomic Indicators

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 (%)						Oct.23	Nov.23	Dec.23
CPI (annual)	20.30	11.84	14.60	36.08	64.27	61.36	61.98	64.77
Domestic PPI (annual)	33.64	7.36	25.15	79.89	97.72	39.39	42.25	44.22
Seasonally Adjusted Labor Market Figures						Aug.23	Sep.23	Oct.23
Unemployment Rate (%)	12.7	13.4	12.6	11.0	10.3	9.1	9.0	8.5
Labor Force Participation Rate (%)	53.2	52.6	49.1	52.6	53.7	53.2	53.0	53.1
FX Rates						Oct.23	Nov.23	Dec.23
CPI Based Real Effective Exchange Rate	76.3	76.0	61.9	47.6	54.9	56.0	55.0	
USD/TRY	5.32	5.95	7.43	13.28	18.72	28.29	28.85	29.53
EUR/TRY	6.08	6.68	9.09	15.10	19.98	29.91	31.48	32.62
Currency Basket (0.5*EUR+0.5*USD)	5.70	6.32	8.26	14.19	19.35	29.10	30.17	31.08
Foreign Trade Balance ⁽¹⁾ (USD billion)						Sep.23	Oct.23	Nov.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
Foreign Trade Balance	-54.0	-29.5	-49.9	-46.2	-109.5	-119.2	-120.2	-117.6
Import Coverage Ratio (%)	76.6	86.0	77.3	83.0	69.9	67.9	67.7	68.2
Balance of Payments ⁽¹⁾ (USD billion)						Aug.23	Sep.23	Oct.23
Current Account Balance	-20.2	10.8	-31.9	-7.2	-48.9	-56.7	-51.7	-50.7
Capital and Financial Accounts	1.2	5.2	-39.4	-5.7	-23.0	-52.8	-52.0	-55.9
Direct Investments (net)	-8.8	-6.6	-4.5	-6.9	-8.4	-5.7	-4.5	-4.3
Portfolio Investments (net)	0.9	2.8	9.6	-0.8	13.5	1.2	-3.1	-2.6
Other Investments (net)	19.6	2.6	-12.7	-21.4	-40.4	-39.2	-44.5	-44.3
Reserve Assets (net)	-10.4	6.3	-31.9	23.3	12.3	-9.2	0.1	-4.7
Net Errors and Omissions	21.3	-5.7	-7.5	1.6	26.0	4.0	-0.1	-5.0
Current Account Balance/GDP (%)	-2.5	1.4	-4.4	-0.9	-5.4	-	-	-
Budget ⁽²⁾⁽³⁾ (TRY billion)						Sep.23	Oct.23	Nov.23
Expenditures	830.8	1,000.0	1,203.7	1,603.5	2,942.7	3,952.6	4,521.8	5,193.0
Interest Expenditures	74.0	99.9	134.0	180.9	310.9	470.9	537.7	632.3
Non-interest Expenditures	756.8	900.1	1,069.8	1,422.7	2,631.8	3,481.7	3,984.1	4,560.7
Revenues	758.0	875.3	1,028.4	1,402.0	2,800.1	3,440.0	3,913.7	4,660.5
Tax Revenues	621.5	673.9	833.3	1,165.0	2,353.4	2,982.0	3,391.5	4,060.0
Budget Balance	-72.8	-124.7	-175.3	-201.5	-142.7	-512.6	-608.1	-532.4
Primary Balance	1.1	-24.8	-41.3	-20.7	168.2	-41.7	-70.4	99.8
Budget Balance/GDP (%)	-1.9	-2.9	-3.5	-2.8	-1.0	-	-	-
Central Government Debt Stock (TRY billion)						Sep.23	Oct.23	Nov.23
Domestic Debt Stock	586.1	755.1	1,064.3	1,354.8	1,905.3	2,859.8	2,966.8	3,086.5
External Debt Stock	481.0	574.0	773.4	1,490.0	2,127.9	3,209.8	3,310.1	3,486.8
Total Debt Stock	1,067.1	1,329.1	1,837.6	2,844.9	4,033.2	6,069.6	6,276.8	6,573.2

(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	Oct.23	Nov.23	Change ⁽¹⁾
TOTAL ASSETS	3,867	4,491	6,106	9,215	14,347	21,759	22,540	57.1
Loans	2,394	2,656	3,576	4,901	7,581	10,991	11,327	49.4
TRY Loans	1,439	1,642	2,353	2,832	5,110	7,428	7,623	49.2
Share (%)	60.1	61.8	65.8	57.8	67.4	67.6	67.3	-
FX Loans	956	1,015	1,224	2,069	2,471	3,564	3,704	49.9
Share (%)	39.9	38.2	34.2	42.2	32.6	32.4	32.7	-
Non-performing Loans	96.6	150.8	152.6	160.1	163.4	173.2	175.8	7.6
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	3,699	3,816	61.0
TOTAL LIABILITIES	3,867	4,491	6,106	9,215	14,344	21,759	22,540	57.1
Deposits	2,036	2,567	3,455	5,303	8,862	13,848	14,131	59.5
TRY Deposits	1,042	1,259	1,546	1,880	4,779	8,182	8,323	74.2
Share (%)	51.2	49.0	44.7	35.5	53.9	59.1	58.9	-
FX Deposits	994	1,308	1,909	3,423	4,083	5,666	5,808	42.2
Share (%)	48.8	51.0	55.3	64.5	46.1	40.9	41.1	-
Securities Issued	174	194	224	310	325	515	561	72.5
Payables to Banks	563	533	658	1,048	1,432	2,189	2,332	62.9
Funds from Repo Transactions	97	154	255	587	540	600	738	36.7
SHAREHOLDERS' EQUITY	421	492	600	714	1,407	1,936	1,968	39.9
Profit (Loss) of the Period	54.1	49.0	58.5	93.0	431.6	486.2	535.5	-
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	50.5	50.3	-
Securities/Assets	12.3	14.7	16.7	16.0	16.5	17.0	16.9	-
Deposits/Liabilities	52.7	57.2	56.6	57.5	61.8	63.6	62.7	-
Loans/Deposits	117.6	103.5	103.5	92.4	85.5	79.4	80.2	-
Capital Adequacy (%)	17.3	18.4	18.7	18.4	19.5	18.4	18.3	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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