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Global Economy

In the January update of its Global Economic Outlook report, IMF raised its global growth forecast for 2024 to 3.1%.

In the last quarter of 2023, US economy grew by 3.3% on an annualized basis, above the forecasts.

Fed kept its policy rate unchanged between 5.25%-5.50% at its meeting ended on January 31st, while markets' expectations for a rate cut were postponed in line with Fed Chairman Powell's statements.

According to preliminary data, Euro Area economy presented a flat outlook in the last quarter of 2023. Core CPI data for January signaled a slowdown in inflation in the region.

While ECB kept its benchmark interest rates unchanged, Lagarde's statements signaled that interest rate cuts will not start anytime soon.

Chinese economy grew by 5.2% in 2023, slightly below expectations. In order to support the recovery, economy management decided to lower reserve requirement ratios.

In January, oil prices rose in line with geopolitical risks and favorable data flow regarding the US economy.

Turkish Economy

Seasonally adjusted unemployment rate increased by 0.4 points mom to 9% in November 2023. In this period, labor force participation rate fell to 52.9%, the lowest level in the last 16 months.

In November, industrial production index decreased by 1.4% mom according to seasonally and calendar adjusted figures, while it recorded a limited rise of 0.2% yoy according to calendar adjusted figures.

Although ISO Türkiye Manufacturing PMI rose to 49.2 in January, it remained below the threshold for the seventh consecutive month, indicating that the weak course in the sector's activities continued.

In November, current account deficit was realized as 2.7 billion USD due to the decline in transportation and travel revenues, while the 12-month cumulative deficit narrowed to 49.6 billion USD.

In 2023, the central government budget deficit was realized as 1.4 trillion TRY, constituting 84.2% of the year-end budget deficit target set in the Medium-Term Program (MTP).

In January, CPI increased by 6.70% mom, while annual consumer inflation came in at 64.86%. D-PPI rose by 4.14% mom and 44.20% yoy, respectively, below the headline CPI inflation.

In its first meeting of the year, CBRT raised the policy rate by 250 basis points to 45% in line with market expectations.

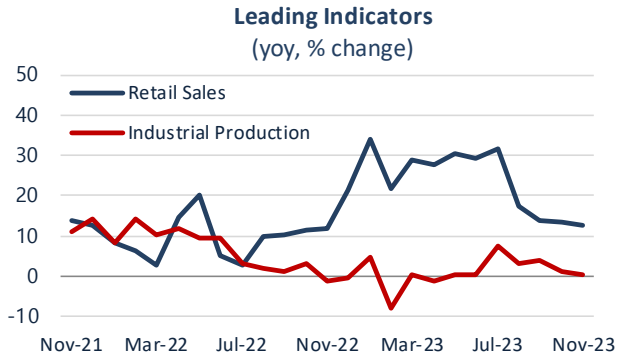
With the decision published on February 3 in the Official Gazette, Dr. Fatih Karahan was appointed as the Governor of the CBRT.

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Leading Indicators

Annual increase in retail sales continued to lose momentum in November.

In November, calendar adjusted retail sales volume recorded the slowest increase in a year with 12.8% yoy. According to seasonally and calendar adjusted data, the monthly rise in retail sales volume slowed down to 0.2% in November from 1.9% in October. On the other hand, according to the data released by CBRT, monthly CPI-adjusted average debit and credit card expenditures of households rose by 3.9% in December, following the 4.5% monthly increase in November. Data indicated that domestic demand remained strong despite a limited slowdown.



Monthly decline in industrial production index accelerated in November.

Seasonally and calendar adjusted industrial production index decreased by 1.4% mom in November, indicating that the contraction that has been going on since July gained momentum. In this period, production decreased by 4.5% mom in the mining and quarrying sector, while it declined by 1.3% mom in manufacturing industry and 1% mom in electricity, gas and steam sector. In November, production in 16 out of 24 sub-sectors of the manufacturing industry contracted on a monthly basis. The double-digit declines in computer, electrical and optical products (11.3% and 12.7%, respectively) and the 9.8% decline in printing and reproduction of recorded media stood out. According to calendar adjusted figures, industrial production index recorded a limited increase of 0.2% yoy in November. It was noteworthy that durable goods production, which declined sharply by 7.3% mom, contracted on an annual basis for the first time in 9 months. After all, the annual increase in industrial production, that averaged 4.9% in the third quarter of 2023, declined to 0.7% in October-November period.

Unemployment rate rose to 9% in November.

Seasonally adjusted unemployment rate, which has been displaying a downward trend since early 2023, increased by 0.4 points to 9% in November. In this period, labor force participation rate decreased by 0.2 points to 52.9%, the lowest level of the last 16 months, and the 0.4 point decline in employment rate was behind the increase in unemployment rate. In November, youth unemployment rate covering the 15-24 age group increased by 0.3 points compared to the previous month and was realized as 16.5%. Labor underutilization rate, the broadest defined unemployment rate, also increased by 1.3

points mom to 22.7%. On sectoral basis, seasonally adjusted figures showed that the number of paid employees increased by 0.2% mom in construction sector in November, while it remained unchanged in trade and services sectors. In this period, the number of paid employees decreased by 0.5% in industrial sector. Thus, total number of paid employees decreased by 0.2% mom, but increased by 1.8% yoy to 15,107 thousand according to calendar adjusted figures.

Istanbul Chamber of Industry Manufacturing PMI rose to 49.2 in January.

Türkiye Manufacturing PMI released by Istanbul Chamber of Industry increased by 1.8 points mom to 49.2 in January. Although the index signaled that the deterioration in the sector's operating conditions eased with the highest reading of the last four months, it remained below the threshold for the seventh month in a row. Regarding the sub-items of the index, the contraction in new orders reached its seventh month due to the ongoing fragility in demand, and new export orders continued to slow down. On the production side, the increase in minimum wage led to an acceleration in final product prices through input cost inflation, while delivery times were significantly extended due to geopolitical developments. Sectoral PMI data were realized below the threshold in 8 out of 10 sectors, indicating that demand and production remained under pressure in a significant portion of sectors. In this period, the sector with the weakest operating conditions was the clothing and leather products sector, which recorded a PMI of 40.3.

Confidence indices presented a mixed outlook in January.

In January, seasonally adjusted real sector confidence index decreased by 0.5 points to 102.9. The decline in the index was mainly driven by the deterioration in expectations for the next three months despite the positive evaluations for the current period and last three months. Sectoral confidence in services and construction sectors increased by 4% mom and 3.3% mom, respectively, and it decreased by 1% mom in retail trade sector. On the other hand, consumer confidence index rose by 3.9% mom to 80.4 in January. The index maintained its upward trend in the first month of 2024 and reached the highest level of last 7 months. Thus, economic confidence index rose by 3.1% mom to 99.4 in January.

House sales contracted by 17.5% yoy in 2023.

In December 2023, house sales contracted by 33.3% yoy to 138,577 units. In this period, mortgaged sales declined by 72.3% yoy, while the share of these sales in total sales hit a historic low of 4.4%. Total house sales contracted by 17.5% in 2023 compared to 2022, falling to 1.2 million units, the lowest level in the last 9 years. On the other hand, according to data released by CBRT, house price index rose by 1.9% mom and 82.8% yoy in November. In the same period, the annual real increase in house prices was 12.4%. House price increases in Istanbul continued to lose momentum and remained at 69.2% yoy, below the rises in Ankara (96.3%) and Izmir (76.9%).

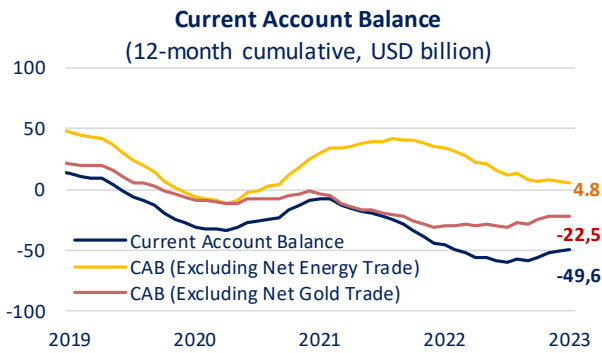
Foreign Trade and Balance of Payments

Foreign trade deficit narrowed by 32.6% yoy in November.

According to data released by Turkstat, exports increased by 5.2% yoy to 23 billion USD in November and imports decreased by 5.7% to 28.9 billion USD. Thus, foreign trade deficit narrowed by 32.6% yoy to 5.9 billion USD in this period. The import coverage ratio rose from 71.3% in November 2022 to 79.5% in the same month of 2023.

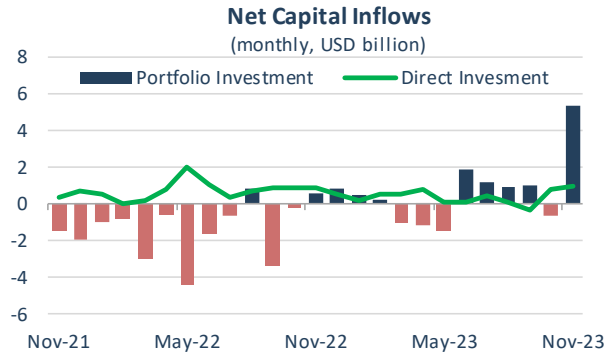
Current account deficit became 2.7 billion USD in November.

Having posted surpluses in September and October, current account posted a deficit of 2.7 billion USD in November, above market expectations. According to the Reuters poll, current account deficit was expected to be 1.7 billion USD in this period. This was mainly driven by the declines in travel revenues due to the end of tourism season and in transportation revenues. In this period, net gold imports continued to decline and was realized as 1.2 billion USD, the lowest level of the last 7 months, and the current account surplus excluding gold and energy became 2.2 billion USD. After all, current account deficit widened by 1.2% yoy to 43.6 billion USD in January-November period, but narrowed to 49.6 billion USD according to 12-month cumulative figures.



Foreign direct investments are at their highest level in 17 months...

In November, net foreign direct investments were realized as 921 million USD, the highest level since June 2022. This development was mainly driven by the decline in residents' acquisition of financial assets abroad. In November, net real estate investments in Türkiye remained weak but were realized as 256 million USD, the highest level since May. In January-November period, net direct investments decreased by 51% yoy to 4 billion USD.

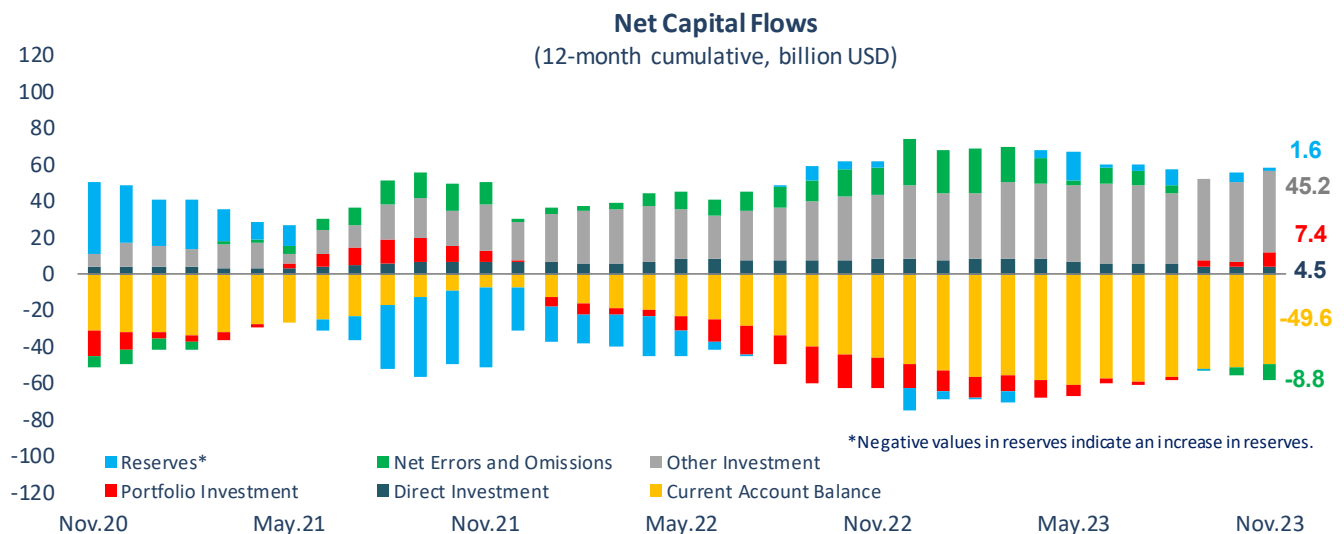


Portfolio inflows gained momentum in November.

In November, portfolio investments recorded the highest capital inflow since May 2017 with 5.4 billion USD. In this period, non-residents' equity portfolio increased by 753 million USD, while their net purchases in debt securities market reached 5.5 billion USD. Thus, total capital inflow in portfolio investments became 6.6 billion USD in January-November period.

5.1 billion USD capital inflow in other investments...

Other investments, which has been recording uninterrupted capital inflows since June 2022, recorded an inflow of 5.1 billion USD in November. In this period, foreign banks' currency and

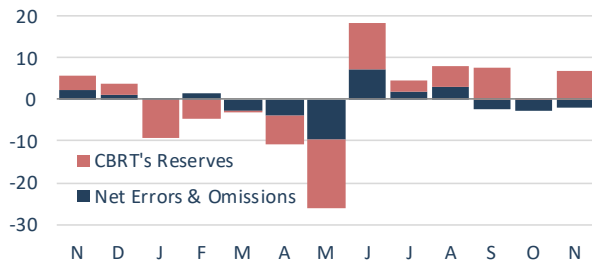


Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

deposits in Türkiye increased by 591 million USD, while domestic banks' currency and deposits with foreign correspondents decreased by 182 million USD. In November, banks realized a net loan utilization of 4 billion USD, the highest since March 2013. In this period, general government borrowed 79 million USD worth of loans, while other sectors realized net 51 million USD loan repayments. As of November, according to 12-month cumulative figures, long-term debt rollover ratio was 112% in the banking sector and 98.6% in other sectors.

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



Reserve assets and net errors and omissions...

The increase in reserve assets in the second half of the year continued in November with 6.7 billion USD. Thus, the total decline in reserve assets in January-November period came down to 4 billion USD. Net errors and omissions, which had an outflow of 2 billion USD in November, decreased 10 billion USD in the first 11 months of the year.

Expectations...

In December, exports increased by 0.4% yoy, while imports fell by 11% yoy. Although economic activity remains weak in Türkiye's major export markets, exports have continued to grow in recent months, albeit moderately, while imports have declined in line with the decrease in oil prices. On the other hand, geopolitical developments keep the risks on energy prices alive. In 2024, we think that the positive outlook on the financing side of the balance of payments will continue if the expectations that the major central banks will start to cut interest rates.

Balance of Payments

(USD million)

	Nov. 2023	Jan. - Nov. 2022	2023	% Change	12-month Cumulative
Current Account Balance	-2,722	-43,070	-43,605	1.2	-49,621
Foreign Trade Balance	-4,412	-81,522	-81,808	0.4	-89,886
Services Balance	3,002	47,256	48,857	3.4	51,266
Travel (net)	2,347	35,823	39,105	9.2	40,599
Primary Income	-1,325	-8,222	-10,980	33.5	-11,538
Secondary Income	13	-582	326	-	537
Capital Account	-14	-28	-197	603.6	-204
Financial Account	-4,710	-18,390	-53,848	192.8	-58,653
Direct Investment (net)	-921	-8,194	-3,988	-51.3	-4,461
Portfolio Investment (net)	-5,367	14,356	-6,619	-	-7,447
Net Acquisition of Financial Assets	881	4,597	3,359	-26.9	3,257
Net Incurrence of Liabilities	6,248	-9,759	9,978	-	10,704
Equity Securities	753	-3,458	165	-	-415
Debt Securities	5,495	-6,301	9,813	-	11,119
Other Investment (net)	-5,128	-34,429	-39,236	14.0	-45,174
Currency and Deposits	-769	-29,918	-22,308	-25.4	-28,288
Net Acquisition of Financial Assets	-138	-1,868	3,128	-	-1,500
Net Incurrence of Liabilities	631	28,050	25,436	-9.3	26,788
Central Bank	27	7,322	13,535	84.9	13,530
Banks	604	20,728	11,901	-42.6	13,258
Foreign Banks	591	12,072	8,515	-29.5	5,159
Foreign Exchange	429	7,980	5,510	-31.0	3,036
Turkish Lira	162	4,092	3,005	-26.6	5,063
Non-residents	13	8,656	3,386	-60.9	8,195
Loans	-4,106	-2,900	-10,431	259.7	-11,368
Net Acquisition of Financial Assets	-121	254	-1,563	-	-2,105
Net Incurrence of Liabilities	3,985	3,154	8,868	181.2	9,263
Banking Sector	3,957	-5,483	7,658	-	7,389
Non-bank Sectors	-51	8,269	1,386	-83.2	1,248
Trade Credit and Advances	-250	-1,562	-6,443	312.5	-5,460
Other Assets and Liabilities	-3	-49	-54	10.2	-58
Reserve Assets (net)	6,706	9,877	-4,005	-	-1,571
Net Errors and Omissions	-1,974	24,708	-10,046	-	-8,828

Source: CBRT, Datastream

Budget Balance

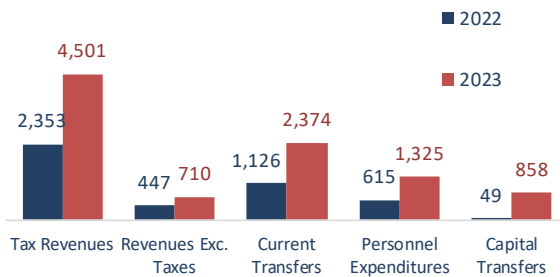
Central government budget posted a deficit of 842.5 billion TRY in December.

In December, central government budget deficit increased nearly 6-fold on an annual basis to 842.5 billion TRY. In this period, budget revenues increased by 117.4% yoy to 549.9 billion TRY, while budget expenditures rose by 271.2% yoy to 1.4 trillion TRY. In December, the primary deficit widened nearly 8-fold yoy to 800.2 billion TRY.

In 2023, the budget deficit was realized as 1.4 trillion TRY.

The central government budget deficit, which stood at 142.7 billion TRY in 2022, rose to 1.4 trillion TRY in 2023 due to the rapid increase in expenditures despite the positive performance in revenues. Thus, the budget deficit was realized slightly below the Medium Term Programme forecast of 1.6 trillion TRY announced in September 2023. In this period, budget revenues and budget expenditures increased by 86.1% and 123.8%, respectively. The primary balance, which posted a surplus of 168.2 billion TRY in 2022, gave a deficit of 700.4 billion TRY in 2023.

Leading Budget Items
(billion TRY)



Tax revenues amounted to 440.9 billion TRY in December.

Rising by 108.3% yoy in December, tax revenues surpassed annual consumer inflation and was realized as 440.9 billion TRY, accounting for 80.2% of total budget revenues. In this period, special consumption tax (SCT) revenues rose by 122.3% yoy (64.2 billion TRY) thanks to the increase in automobile and light commercial vehicle sales, and domestic value-added tax (VAT) revenues increased by 225% yoy (33.8 billion TRY), supporting budget revenues. In the same period, corporate tax revenues rose by 124.9% (10.9 billion TRY). In December, revenues from

interest, shares and fines went up by 168.7% yoy to TRY72.8 billion.

In 2023, tax revenues increased by 91.2% and reached 4.5 trillion TRY. The favorable performance of tax revenues was driven by high inflation as well as the increases in tax rates in the second half of the year. Throughout the year, high increases in SCT (508.4 billion TRY), import VAT (370.5 billion TRY) and domestic VAT (330.3 billion TRY) and income taxes (337.6 billion TRY) supported budget revenues. Interest, shares and penalties item increased by 72% yoy in 2023 and was realized as 409 billion TRY.

Budget expenditures rose by 271.2% yoy in December.

The 271.2% rise in budget expenditures in December was mainly driven by the rapid increases in capital transfers and current transfers. In this period, capital transfers increased 38-fold to 639.4 billion TRY, and transfers to other unclassified institutions, enterprises and households amounting to 622.7 billion TRY were the main drivers of this increase. Current transfers also increased by 167.4% yoy to 309.6 billion TRY in December. In this period, 14.5 billion TRY was paid to the Electricity Generation Corporation (EÜAŞ) and 65.6 billion TRY was paid to social security institutions under assignment expenditures, while 14.2 billion TRY was paid to State Railways under the lending item. In this period, interest expenditures increased by 132% yoy to 42.3 billion TRY.

In 2023, current transfer expenditures rose by 110.7% (1.2 trillion TRY), while personnel expenditures increased by 115.3% (709.2 billion TRY). The capital transfers item was realized as 858.1 billion TRY, almost 18 times higher compared to 2022. In 2023, interest expenditures increased by 117% to 674.6 billion TRY.

Expectations...

In 2023, despite the favorable performance of budget revenues, particularly tax revenues, the high budget expenditures due to the earthquake disaster caused the budget deficit to widen rapidly. Thus, the budget deficit for 2023 was realized as TL 1.4 trillion, 84.2% of the Medium Term Program forecast. Considering the actual budget deficit and growth forecasts for 2023, the budget deficit to GDP ratio is estimated to be 5.4% in 2023, below the Medium Term Program's projection of 6.4%.

Central Government Budget

	December			January-December			(billion TRY)	
	2022	2023	%	2022	2023	%	MTP	Real./ MTP
			Change			Change	Target	Target (%)
Expenditures	375.1	1,392.5	271.2	2,942.7	6,585.5	123.8	6,562.6	100.3
Interest Expenditures	18.2	42.3	132.0	310.9	674.6	117.0	646.1	104.4
Non-Interest Expenditures	356.9	1,350.1	278.3	2,631.8	5,910.8	124.6	5,916.5	99.9
Revenues	252.9	549.9	117.5	2,800.1	5,210.5	86.1	4,929.7	105.7
Tax Revenues	211.7	440.9	108.3	2,353.4	4,500.9	91.2	4,270.7	105.4
Other Revenues	41.3	109.0	164.0	446.7	709.6	58.9	659.0	107.7
Budget Balance	-122.2	-842.5	589.5	-142.7	-1,375.0	863.5	-1,633.0	84.2
Primary Balance	-104.0	-800.2	669.4	168.2	-700.4	-	-986.8	-

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

In January, monthly CPI inflation was realized as 6.70%.

In January, rising by 6.70% on a monthly basis, CPI displayed the fastest increase in the last 5 months. Thus, annual CPI inflation came in at 64.86%, the highest level since November 2022. In January, D-PPI inflation was realized as 4.14% on a monthly and 44.20% on an annual basis.

January (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	6.65	6.70	4.15	4.14
Annual	57.68	64.86	86.46	44.20
Annual Average	72.45	54.72	125.53	47.35

Prices in the health group increased by 17.68% mom.

In January, prices rose in all main expenditure groups excluding clothing and footwear. In this period, prices surged by 17.68% mom in the health group due to the rapid rise in health insurance and medicine prices, while the prices in hotels, cafes and restaurants as well as miscellaneous goods and services recorded double-digit increases of 12.17% and 10.25%, respectively. Food and non-alcoholic beverages group prices rose by 5.19% mom, below the headline inflation, but pushed the monthly CPI up by 1.30 points due to its high share in the consumption basket. Transportation group, where prices increased by 6.53% mom, was the second group that pushed the monthly CPI up by 1.13 points.

Food and non-alcoholic beverages and transportation were the groups that increased annual CPI the most, with 17.60 and 11.77 points, respectively. Education and communication groups continued to make the lowest contribution to annual CPI inflation with 1.30 and 1.54 points, respectively.

Weights of Expenditure Groups (%)			
	2023	2024	Δ (% point)
Food and non-alcoholic beverages	25,43	24,98	-0,45
Transport	15,08	17,35	2,27
Konut	16,62	14,20	-2,41
Hotels, cafes and restaurants	7,82	8,17	0,35
Furnishings and household equipment	8,67	8,12	-0,55
Clothing and footwear	6,41	6,94	0,53
Miscellaneous goods and services	4,64	4,30	-0,34
Alcoholic beverages and tobacco	3,57	3,76	0,18
Health	3,53	3,71	0,18
Communications	3,30	3,34	0,04
Recreation and culture	3,25	3,33	0,08
Education	1,67	1,80	0,12
Total	100	100	-

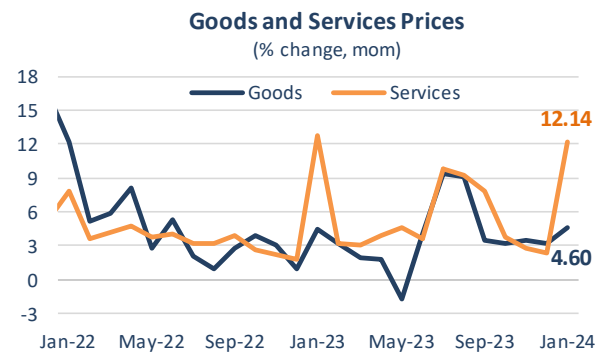
In January, TURKSTAT revised the weights of the main expenditure groups in the inflation basket and increased the shares of 8 out of 12 expenditure groups in the basket. It was noteworthy that the share of the transportation group was

increased by 2.27 points in the revision, while the share of the housing group was decreased by 2.42 points.

Core CPI rose above the headline inflation.

In January, monthly and annual increases in the index excluding seasonal products were realized as 7.29% and 65.77%, respectively, above the headline CPI, indicating that seasonal factors limited inflation slightly. In January, B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco products and gold) rose by 6.85% mom and 67.68% yoy, respectively. The increase in the C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) in the same periods were 7.58% and 70.48%, respectively.

The divergence between goods and services inflation was noteworthy in January. In this period, prices of goods increased by 4.60% mom, below the headline inflation, while prices of services rose by 12.14% mom. The double-digit increases in all service prices, except for communication services, pointed to the rigidity in inflation



Domestic PPI...

In January, prices of essential pharmaceutical products rose rapidly by 16.14% mom, while food products pushed the monthly PPI inflation up the most by 0.89 points. In this period, electricity, gas production and distribution prices fell by 6.32% mom and pulled the monthly D-PPI down by 0.59 points. As of January, the annual decline in electricity, gas production and distribution was 32%.

Expectations...

The increases in wages and revisions in administered prices in the new year led to high CPI inflation in January. In this period, the continued price rigidity in services pointed out that domestic demand was still alive. The first Inflation Report of the year to be released by CBRT on February 8 and the messages of the new CBRT Governor will be closely monitored in terms of shaping inflation expectations.

Source: Datastream, Turkstat

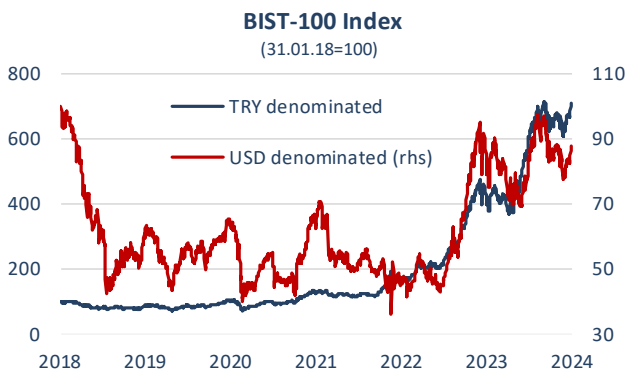
Financial Markets

	29-Dec	31-Jan	Change
5-Y CDS (basis points)	279	329	50 bps ▲
TR 2-Y Benchmark Yield	39.68%	43.27%	359 bps ▲
BIST-100	7,470	8,497	13.7% ▲
USD/TRY	29.4766	30.3151	2.8% ▲
EUR/TRY	32.5389	32.8211	0.9% ▲
Currency Basket*	31.0078	31.5681	1.8% ▲

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

Global risk appetite presented a mixed outlook in January.

Higher-than-expected data releases on US economic activity and the statements in the Fed minutes weakened the expectations that the Fed would cut interest rates in March and had a negative impact on global risk appetite in the first half January. On the other hand, in the second half of the month, developed markets displayed a relatively positive outlook thanks to the start of balance sheet announcements period. In this context, MSCI global stock index rose by 2.1% during the month, while MSCI emerging markets index declined by 4.2%. US 10-year bond yield, which tested 4.18% during the month, ended January at 4.01%. DXY index also rose by 2% to 103.4 in January. In line with the strengthening of US dollar, EUR/USD parity fell to 1.0819. On the other hand, the price of gold ounce, which hit a historic high of 2,077 USD on December 27, declined by 1.5% mom in January closing the month at 2,037 USD.



BIST-100 index rose by 13.7% mom to 8,497 in January. Thus, the index recorded its highest monthly increase since July 2023 and exceeded the 8,000 level for the first time since early December. In January, USD/TRY increased by around 3%, while the rise in EUR/TRY was realized as 1% due to the decline in EUR/USD parity. Türkiye's 5-year CDS premium, which generally followed a downward trend in the second half of 2023, increased by 50 bps to 329 bps in January. The yield on the 2-year benchmark bond reached 43.27% at the end of January.

CBRT raised its policy rate to 45%.

At its meeting held on January 25, CBRT raised the policy rate by 250 basis points to 45% in line with market expectations. Thus, the CBRT's total policy rate hike after the elections amounted to 3,650 basis points in total. In the text released after the meeting, CBRT stated that the level of monetary tightness required for disinflation had been reached, and that monetary tightness would be reviewed in case of significant and persistent risks to the inflation outlook. CBRT also emphasized that the current policy rate level will be maintained until the underlying trend of monthly inflation declines significantly and inflation expectations converge to the projected forecast range. In the text, it was also stated that in line with the simplification process, the monetary transmission mechanism will be supported by macroprudential decisions against possible volatility in credit supply and deposit rates.

Dr. Fatih Karahan was appointed as the Governor of the CBRT.

Dr. Fatih Karahan was appointed as the Governor of the CBRT with the decision published in the Official Gazette dated February 3. According to the press release published by CBRT, Dr. Karahan stated that monetary tightness will be maintained until inflation falls to levels consistent with CBRT's target.

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 66 million USD and GDDS portfolio rose by 333 million USD as of January 26 compared to end-2023. In the same period, CBRT's gross and net international reserves were realized as 137.2 billion USD and 30.7 billion USD, respectively.

Moody's revised Türkiye's credit rating outlook to "positive".

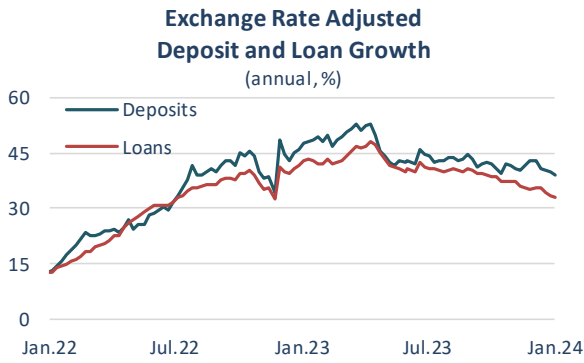
On January 12, Moody's kept Türkiye's "B3" credit rating unchanged, while revising its outlook from "stable" to "positive". The main reason for the revision was stated to be the tight monetary policy which increases the likelihood of bringing inflation down to sustainable levels. The statement also indicated that inflation may rise in the first half of the year, but will start to decline in the second half of the year and end the year at 45%. Türkiye's credit rating could be upgraded if the country continues its tight monetary policy, inflation falls to reasonable levels and macroeconomic imbalances diminish.

Source: CBRT, Datastream, Reuters,

Banking Sector

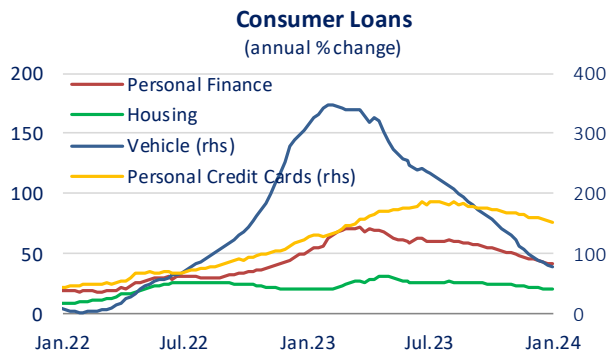
FX-protected deposit volume declined to 2.5 trillion TRY.

According to BRSA data, as of January 26, TRY deposits in the banking sector increased by 78.6% yoy to 8.9 trillion TRY, while FX deposits in USD terms contracted by 8.2% yoy to 204.9 billion USD. Thus, total deposit volume rose by 64.3% yoy to 15.1 trillion TRY. In this period, FX rate-adjusted annual increase in total deposit volume was 39%, while the share of TRY deposits in total deposit volume was realized as 59.2% as of January 26. On the other hand, FX-protected deposit volume, which has been declining for the last 23 weeks, dropped to 2.5 trillion TRY as of January 26. Thus, since August 18th, FX-protected deposit volume decreased by 27.9% (949.4 billion TRY).



Total loan volume reached 11.8 trillion TRY.

As of January 26, total loan volume in the banking sector increased by 51.7% yoy to 11.8 trillion TRY. In this period, TL loans, which increased by 49.9% yoy, reached 7.9 trillion TRY and accounted for 67% of total loan volume. In USD terms, FX loans decreased by 3.1% yoy to 129.6 billion USD. FX rate-adjusted annual increase in total loan volume continued to lose momentum and declined to 32.9% as of January 26.



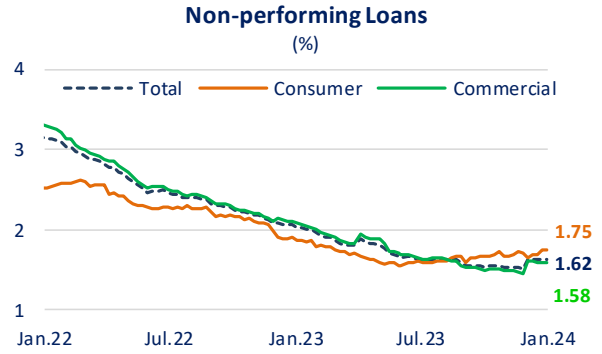
Consumer loans continue to lose momentum.

As of January 26, housing loans decreased by 1.6 billion TRY compared to the end of December and became 436.7 billion TRY. Thus, annual increase in housing loans was

realized as 20.6%, the lowest level of the last one year. In this period, annual rise in personal finance loans, which increased by 16.5 billion TRY on a monthly basis, decreased to 41.4%, while the annual increase in vehicle loans fell to 78.3%, the lowest level since July 2022. Despite losing momentum, annual growth in consumer credit card expenditures remained strong at 151.7%.

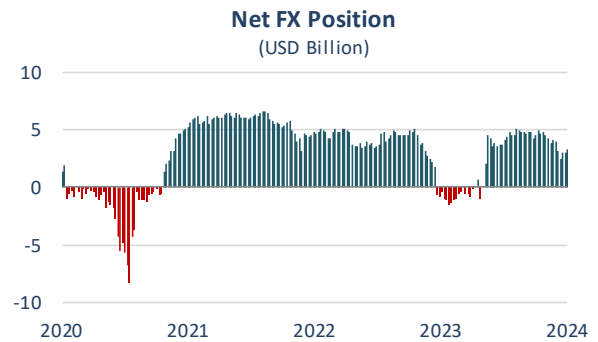
Non-performing loans ratio was 1.62%.

Non-performing loans ratio in the banking sector remained unchanged on a monthly basis and was realized as 1.62% as of January 26. In this period, NPL ratios in retail and commercial loans were 1.58% and 1.75%, respectively.



Foreign currency net general position...

As of January 26, on-balance sheet FX position of the banking sector was (-) 44,645 million USD while off-balance sheet FX position was (+) 47,946 million USD. Thus, net foreign currency position was realized as (+) 3,301 million USD.



Source: BRSA Weekly Bulletin

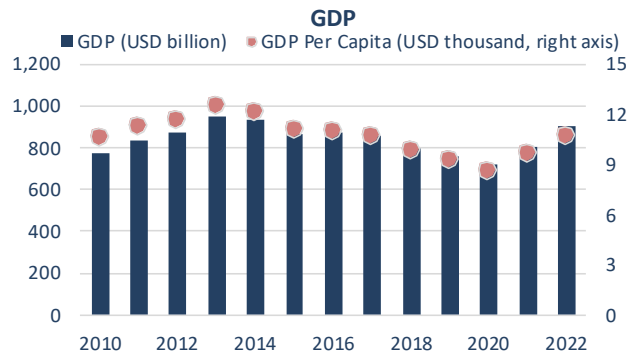
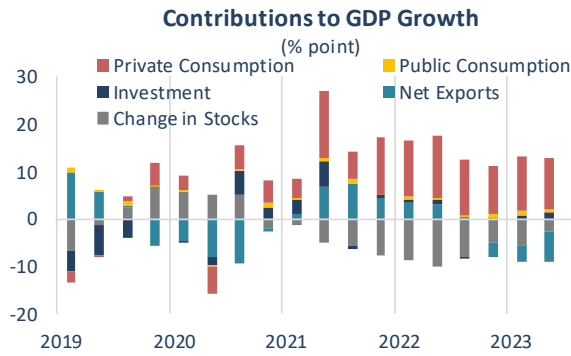
Concluding Remarks

Fed and ECB kept policy rates unchanged in the first month of the year. Data releases indicated that economic activity in the US continued to be strong, while the weak outlook in the Euro Area persisted. The divergence in economic activity data suggests that the timing of interest rate cuts may differ among leading economies. On the other hand, the course of economic activity in China, which posted lower-than-expected growth in 2023 and faces downside risks in 2024, particularly in the real estate market, remains a risk factor for global economy. Geopolitical uncertainties, particularly in the Middle East, continue to pose risks to inflation through energy and freight prices, making it difficult to forecast the course of the world economy.

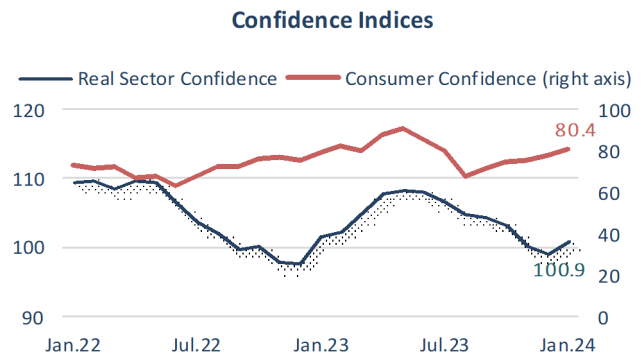
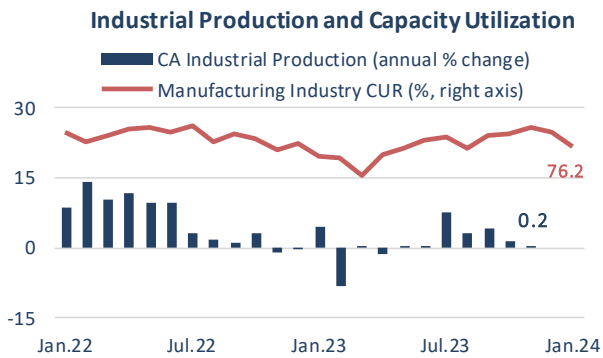
Inflation, which was realized high in January due to increased labor payments, especially the minimum wage, as well as rise in administered prices, continues to be the most important item on the agenda in Türkiye. In its first meeting of the year, CBRT stated that the level of monetary tightness required for disinflation has been reached and that the tightness will be reviewed in case of significant and persistent risks to the inflation outlook. On the other hand, preliminary indicators as well as high increases in services prices suggest that domestic demand, although losing momentum, may not have reached the desired level yet. Manufacturing PMI data showed that the deterioration in operating conditions in the sector continued in the first month of the year, albeit at a slightly slower pace, indicating that supply-side pressures persisted. In this context, the CBRT's first Inflation Report of the year to be released on February 8 and the messages of the new CBRT Governor will be closely monitored in terms of shaping inflation expectations.

Turkish Economy - Macroeconomic Indicators

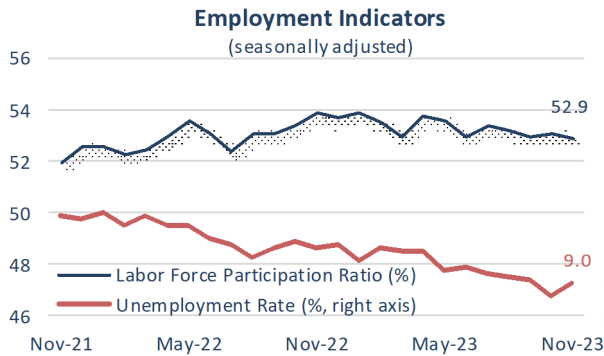
Growth



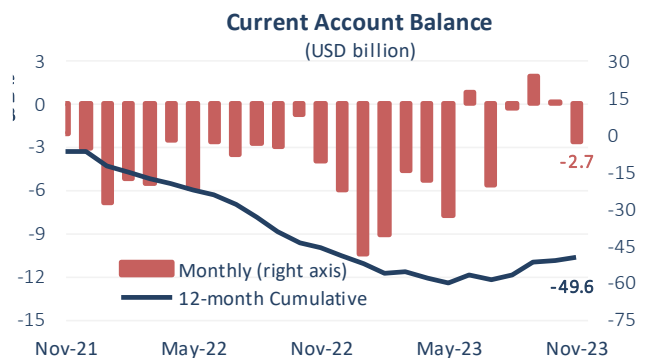
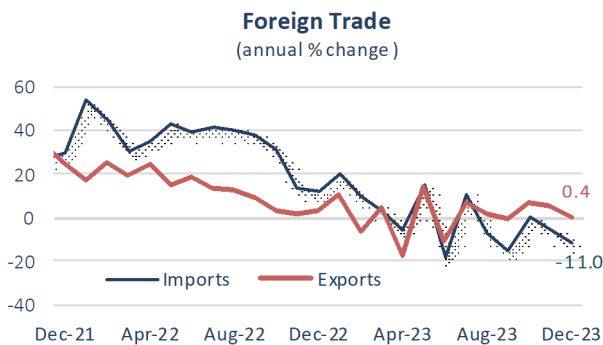
Leading Indicators



Labor Market



Foreign Trade and Current Account Balance

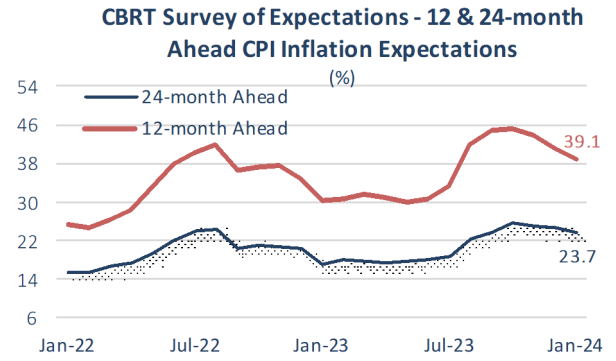
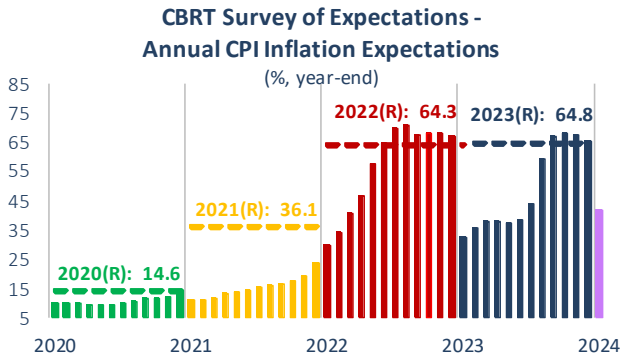
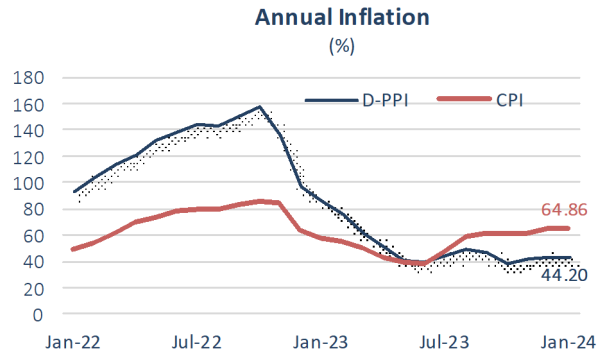
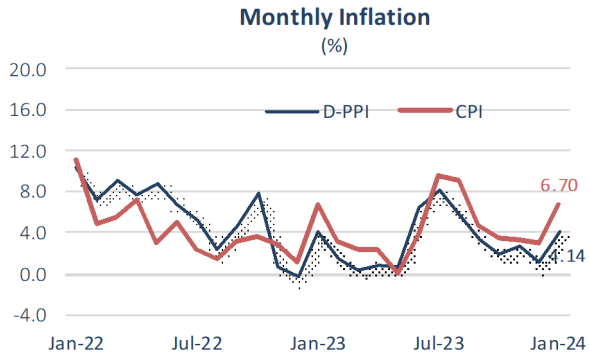


(CA) Calendar adjusted

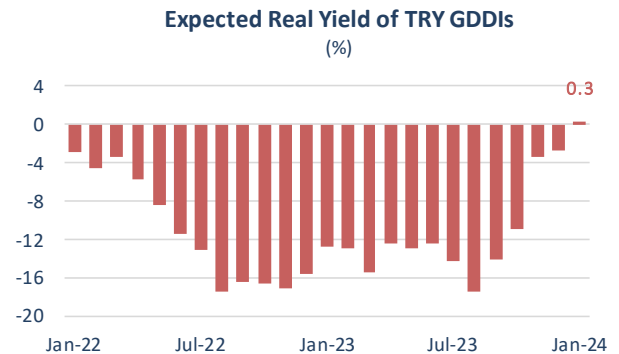
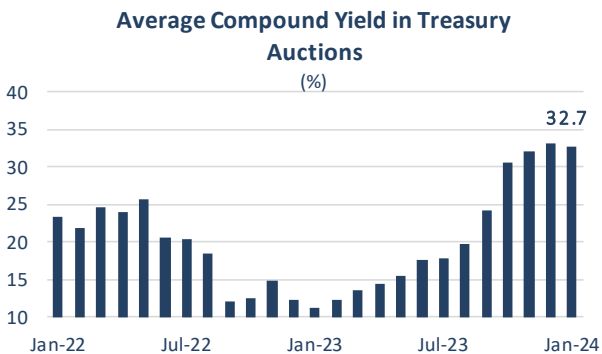
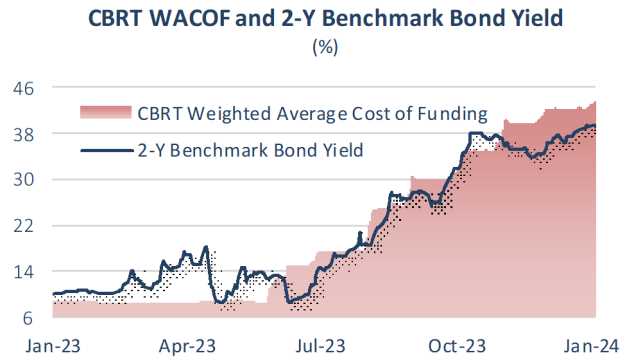
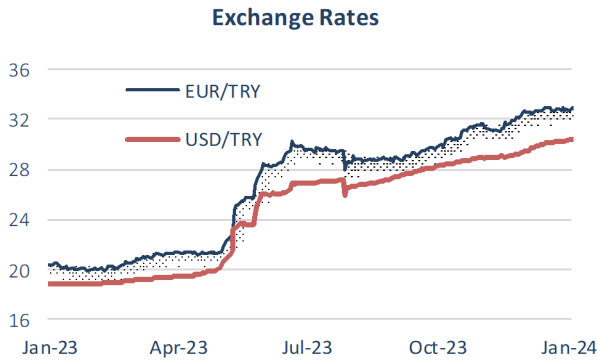
Source: Datastream, CBRT, Turkstat

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 (%)						Oct.23	Nov.23	Dec.23
CPI (annual)	20.30	11.84	14.60	36.08	64.27	61.98	64.77	64.86
Domestic PPI (annual)	33.64	7.36	25.15	79.89	97.72	42.25	44.22	44.20
Seasonally Adjusted Labor Market Figures						Sep.23	Oct.23	Oct.23
Unemployment Rate (%)	12.7	13.4	12.6	11.0	10.3	9.1	8.6	9.0
Labor Force Participation Rate (%)	53.2	52.6	49.1	52.6	53.7	53.0	53.1	52.9
FX Rates						Nov.23	Dec.23	Jan.24
CPI Based Real Effective Exchange Rate	76.3	76.0	61.9	47.6	54.9	55.3	55.2	57.0
USD/TRY	5.32	5.95	7.43	13.28	18.72	28.85	29.53	30.10
EUR/TRY	6.08	6.68	9.09	15.10	19.98	31.48	32.62	32.96
Currency Basket (0.5*EUR+0.5*USD)	5.70	6.32	8.26	14.19	19.35	30.17	31.08	31.53
Foreign Trade Balance ⁽¹⁾ (USD billion)						Sep.23	Oct.23	Nov.23
Exports	177.2	180.8	169.6	225.2	254.2	253.8	255.0	255.8
Imports	231.2	210.3	219.5	271.4	363.7	365.6	363.9	361.8
Foreign Trade Balance	-54.0	-29.5	-49.9	-46.2	-109.5	-111.8	-108.9	-106.0
Import Coverage Ratio (%)	76.6	86.0	77.3	83.0	69.9	69.4	70.1	70.7
Balance of Payments ⁽¹⁾ (USD billion)						Sep.23	Oct.23	Nov.23
Current Account Balance	-20.2	10.8	-31.9	-7.2	-48.9	-51.8	-50.9	-49.6
Capital and Financial Accounts	1.2	5.2	-39.4	-29.0	-23.0	-52.0	-55.7	-58.7
Direct Investments (net)	-8.8	-6.6	-4.5	-6.9	-8.4	-4.5	-4.4	-4.5
Portfolio Investments (net)	0.9	2.8	9.6	-0.8	13.5	-3.1	-2.6	-7.4
Other Investments (net)	19.6	2.6	-12.7	-21.4	-40.4	-44.5	-44.0	-45.2
Reserve Assets (net)	-10.4	6.3	-31.9	23.3	12.3	0.1	-4.7	-1.6
Net Errors and Omissions	21.3	-5.7	-7.5	1.6	26.0	-0.1	-4.6	-8.8
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	4,521.8	5,193.0	6,585.5
Interest Expenditures	74.0	99.9	134.0	180.9	310.9	537.7	632.3	674.6
Non-interest Expenditures	756.8	900.1	1,069.8	1,422.7	2,631.8	3,984.1	4,560.7	5,910.8
Revenues	758.0	875.3	1,028.4	1,402.0	2,800.1	3,913.7	4,660.5	5,210.5
Tax Revenues	621.5	673.9	833.3	1,165.0	2,353.4	3,391.5	4,060.0	4,500.9
Budget Balance	-72.8	-124.7	-175.3	-201.5	-142.7	-608.1	-532.4	-1,375.0
Primary Balance	1.1	-24.8	-41.3	-20.7	168.2	-70.4	99.8	-700.4
Budget Balance/GDP (%)	-1.9	-2.9	-3.5	-2.8	-1.0	-	-	-
Central Government Debt Stock (TRY billion)						Oct.23	Nov.23	Dec.23
Domestic Debt Stock	586.1	755.1	1,064.3	1,354.8	1,905.3	2,966.8	3,086.5	3,209.3
External Debt Stock	481.0	574.0	773.4	1,490.0	2,127.9	3,312.0	3,489.5	3,513.2
Total Debt Stock	1,067.1	1,329.1	1,837.6	2,844.9	4,033.2	6,278.8	6,576.0	6,722.5

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2018	2019	2020	2021	2022	Nov.23	Dec.23	Change ⁽¹⁾
TOTAL ASSETS	3,867	4,491	6,106	9,215	14,347	22,540	23,519	63.9
Loans	2,394	2,656	3,576	4,901	7,581	11,327	11,677	54.0
TRY Loans	1,439	1,642	2,353	2,832	5,110	7,623	7,894	54.5
Share (%)	60.1	61.8	65.8	57.8	67.4	67.3	67.6	-
FX Loans	956	1,015	1,224	2,069	2,471	3,704	3,783	53.1
Share (%)	39.9	38.2	34.2	42.2	32.6	32.7	32.4	-
Non-performing Loans	96.6	150.8	152.6	160.1	163.4	175.8	191.9	17.4
Non-performing Loan Rate (%)	3.9	5.3	4.1	3.2	2.1	1.5	1.6	-
Securities	477	660	1,022	1,476	2,370	3,816	3,970	67.5
TOTAL LIABILITIES	3,867	4,491	6,106	9,215	14,344	22,540	23,519	64.0
Deposits	2,036	2,567	3,455	5,303	8,862	14,131	14,852	67.6
TRY Deposits	1,042	1,259	1,546	1,880	4,779	8,323	8,897	86.2
Share (%)	51.2	49.0	44.7	35.5	53.9	58.9	59.9	-
FX Deposits	994	1,308	1,909	3,423	4,083	5,808	5,955	45.9
Share (%)	48.8	51.0	55.3	64.5	46.1	41.1	40.1	-
Securities Issued	174	194	224	310	325	561	584	79.5
Payables to Banks	563	533	658	1,048	1,432	2,332	2,384	66.5
Funds from Repo Transactions	97	154	255	587	540	738	723	33.9
SHAREHOLDERS' EQUITY	421	492	600	714	1,407	1,968	2,122	50.8
Profit (Loss) of the Period	54.1	49.0	58.5	93.0	431.6	535.5	603.6	39.9
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	50.3	49.6	-
Securities/Assets	12.3	14.7	16.7	16.0	16.5	16.9	16.9	-
Deposits/Liabilities	52.7	57.2	56.6	57.5	61.8	62.7	63.1	-
Loans/Deposits	117.6	103.5	103.5	92.4	85.5	80.2	78.6	-
Capital Adequacy (%)	17.3	18.4	18.7	18.4	19.5	18.3	18.8	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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