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Global Economy

In the US, inflation data for January came in above market expectations and the minutes of the Fed meeting ended on January 31st pointed out that Fed will not be in a hurry to cut interest rates.

Revised GDP data for the last quarter of 2023 in the Euro Area showed that stagnant outlook continued in the region, while Japan and the UK entered a technical recession as of the last quarter of 2023.

In its February meeting, the People's Bank of China kept the 1-year loan prime rate unchanged and cut the 5-year loan prime rate to 3.95%.

Brent crude oil price rose by 2.3% mom to 83.6 USD/barrel in February.

Turkish Economy

According to GDP calculated with chain linked volume index, Turkish economy grew by 4.0% yoy in the last quarter of 2023 and by 4.5% in the whole 2023. Total consumption expenditures contributed 9.6 points to growth throughout the year, while GDP per capita reached a historic high of 13,110 USD.

Seasonally adjusted unemployment rate decreased by 0.1 point mom to 8.8% in December.

ISO Türkiye Manufacturing PMI was realized as 50.2 in February and exceeded the threshold value for the first time since June 2023, pointing out that the operating conditions of the sector improved, albeit at a moderate level.

Current account deficit, was realized below market expectations with 2.1 billion USD in December, and narrowed by 8% yoy to 45.2 billion USD in calendar year 2023.

Central government budget posted a deficit of 150.7 billion TRY in January due to the rapid increase in expenditures.

CBRT kept the policy rate unchanged at 45% at its meeting on February 22nd in line with market expectations. In its first Inflation Report of the year, the CBRT kept its inflation forecasts unchanged.

In February, CPI increased by 4.53% mom, above market expectations, and annual CPI inflation was realized as 67.07%. Domestic PPI rose by 3.74% mom and 47.29% yoy.

BIST-100 index rose by 8.2% mom to 9,194 in February. Türkiye's 5-year CDS Premium reached its lowest level since the end of 2023 with 288 basis points.

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GDP Growth

Turkish economy grew by %4,5 in 2023.

According to chain-linked volume index, Turkish economy grew by 4.0% in the last quarter of 2023 compared to the same period of the previous year. The annual growth rate for the third quarter of the year was revised upwards from 5.9% to 6.1%. According to seasonally and calendar adjusted figures, Turkish economy, which grew by 0.3% qoq in the third quarter of the year, gained momentum in the last quarter and expanded by 1.0% qoq. Thus, following 5.5% growth in 2022, the Turkish economy outperformed expectations with 4.5% growth in 2023.

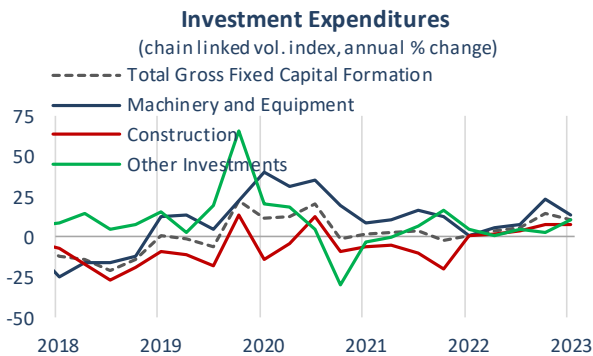
In 2023, GDP in USD terms exceeded USD 1.1 trillion, while GDP per capita hit a historic high of USD 13,110.

Contributions to Growth	(% points)					
	2022	2023				
	Annual	Q1	Q2	Q3	Q4	Annual
Consumption	12.2	12.0	11.3	8.6	7.0	9.6
Private	11.7	11.2	10.5	7.7	6.7	8.9
Public	0.6	0.8	0.8	1.0	0.2	0.7
Investment	0.3	0.9	1.4	3.4	2.6	2.2
Stock Change	-7.7	-5.5	-2.5	-3.4	-5.0	-4.1
Net Exports	0.7	-3.4	-6.3	-2.6	-0.6	-3.1
Exports	2.4	-0.8	-2.5	0.3	0.1	-0.7
Imports	-1.7	-2.6	-3.8	-2.9	-0.6	-2.4
GDP (yoy, %)	5.5	4.0	3.9	6.1	4.0	4.5

Numbers may not add to total due to rounding.

The contribution of private consumption expenditures to annual growth continued to decline.

According to the chain-linked volume index, the contribution of private consumption expenditures to growth continued to decline and realized as 6.7 points in the last quarter of the year, the lowest level in the last 9 quarters. The contribution of public expenditures to growth also declined from 1.0 point in the third quarter to 0.2 point in the last quarter.

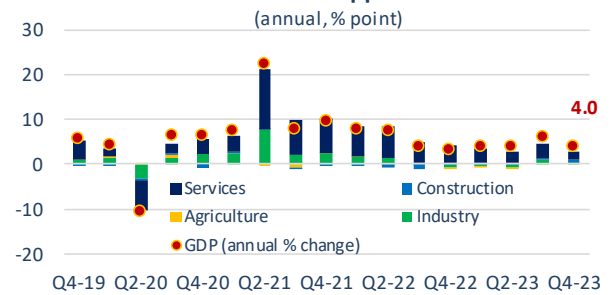


Construction and machinery-equipment investments, which increased after the earthquake disaster, continued to support growth in the last quarter of the year. Investment expenditures, which rose by 10.7% yoy in this period, contributed 2.6 points to growth. Thus, consumption and investment expenditures made a total contribution of 9.6 points to growth in the fourth quarter of the year. On the other hand, the contractionary effect of net exports on growth decreased to 0.6 points in the last quarter.

Construction sector grew by 10.8% yoy.

Analyzing contributions to growth figures by production approach reveals that the construction sector continued to support economic growth in the last quarter of 2023 thanks to the restructuring activities following the earthquake disaster. In this period, construction sector grew by 10.8% yoy, the fastest since Q3 2017; and contributed 0.5 points to annual growth. The annual growth in industrial production, which was 5.5% in the third quarter, lost momentum and decelerated to 1.9% in the last quarter, while the contribution of the sector to growth was 0.4 percentage points. In this period, the services sector displayed its lowest growth since the 2nd quarter of 2020, when the effects of the pandemic were felt severely, remained the main driver of growth with a contribution of 1.9 points.

Contributions to GDP Growth by Production Approach*



(*) Taxes and subsidies excluded.

Expectations...

In 2024, we expect the composition of growth to be similar to that in the second half of 2023, and the contribution of consumption expenditures to decline due to the tightening in monetary policy. In 2024, we anticipate that the contribution of investment expenditures to growth will continue due to the earthquake disaster.

Source: Datastream, Turkstat

Leading Indicators

Unemployment rate was 8.8% in December.

In December 2023, according to seasonally adjusted figures, labor force increased by 387K persons and employment increased by 399K persons compared to November. Therefore, the number of unemployed people decreased by 12K on a monthly basis in December, and the unemployment rate fell by 0.1 point to 8.8%. Youth unemployment rate that covers the 15-24 age group, decreased by 0.8 points mom to 15.5%, the lowest level since September 2012. On the other hand, the labour underutilization rate, which is considered as the broadest defined unemployment rate, rose by 2.1 points mom to 24.7%, the highest level since May 2021.

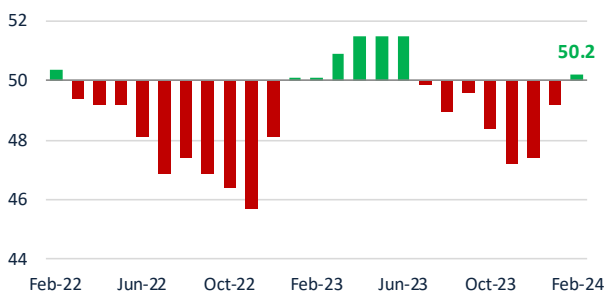
Industrial production index rose by 2.4% mom in December.

According to seasonally and calendar adjusted figures, industrial production index increased by 2.4% mom in December after contracting continuously on a monthly basis in July-November 2023 period. In this period, production rose by 2.9% in manufacturing industry, but decreased by 0.7% and 0.1% in mining and quarrying sector and electricity, gas and steam sector, respectively. While production increased in 21 out of the 24 sub-sectors of the manufacturing industry on a monthly basis, double-digit rises in the manufacture of computer, electronic and optical products (23.3%) and manufacture of basic pharmaceutical products (10.0%) stood out. According to calendar adjusted figures, industrial production rose by 1.6% yoy in December, extending its course in positive territory for the seventh month in a row.

Manufacturing PMI rose to 50.2 in February.

Türkiye Manufacturing PMI, published by Istanbul Chamber of Industry, rose by 1.0 point mom to 50.2 in February. The index was realized above the threshold value for the first time since June 2023, and indicated that the sector's operating conditions improved, despite at a moderate level. This development was driven by the first increase in production in eight months in line with the recovery in demand conditions. According to the details of the index, although firms increased their purchasing activities, the employment level and input stocks decreased due to personnel shortages and difficulties in the supply of raw materials. On the other hand, input prices continued to rise due to the depreciation in the Turkish lira and the hike in the minimum wage, while final product price inflation reached its highest level in six months. Sectoral PMI data remained below

ICI Türkiye Manufacturing PMI



the threshold in 7 out of 10 sectors in February and the improvement in the manufacturing industry was mainly driven by the food products sector, thanks to increases in production and new orders.

The annual increase in retail sales volume slowed to 11.4%.

Calendar adjusted retail sales volume displayed the slowest annual rise in the last 15 months by 11.4% in December. According to seasonally and calendar adjusted data, retail sales volume continued to increase on a monthly basis in December after October and November. In this period, sales volume rose in all product groups except medical products and cosmetics (-2.5%). On the other hand, monthly average debit and credit card expenditures of households adjusted for the CPI decreased by 0.4% in January, marking the first decline since October 2023.

Confidence indices declined generally in February.

Seasonally adjusted real sector confidence index decreased by 0.9 points mom to 102 in February due to the deterioration in expectations for the upcoming period despite the positive evaluations for the current and recent period. In the same period, sectoral confidence indices showed mixed outlook. Accordingly, confidence in services and construction sectors increased by 1.6% and 1.0%, respectively, while it decreased by 1.0% in retail trade sector. The seasonally adjusted consumer confidence index, which has been rising for the last 5 months, decreased by 1.3% mom to 79.3 in February. Thus, the economic confidence index, that is calculated by weighting the real sector, consumer and sectoral confidence indices, declined by 0.4% to 99.0 in February.

House sales declined by 17.8% yoy in January.

The decline in house sales continued in the first month of 2024. In this period, sales contracted by 17.8% yoy to 80,308 units. In this period, mortgaged house sales decreased by 63.5% yoy, while the annual loss in other sales was 8.7%. In January, house sales to foreigners also declined by 50.5%, to the lowest level since May 2021. Although the ongoing slowdown in housing demand is limiting the rise in prices, annual price increases continue to realize above CPI inflation. According to data released by CBRT, house prices rose by 1.1% mom in December 2023, displaying the slowest monthly increase since November 2019. In December, annual rise in house prices in nominal and real terms was realized as 75.5% and 7.1%, respectively. Most rapid annual increase in house prices was recorded in Ağrı, Ardahan, Kars and Iğdır region with 118.7%, while price increases in Istanbul (61.8%) remained below those in Ankara (92.3%) and Izmir (75.6%).

CBRT started to publish Commercial Property Price Index (TGFE) data as of February 26. Accordingly, in the fourth quarter of 2023, country-wide prices increased by 12.5% quarter-on-quarter. The annual rise in the index was 98.2% in nominal terms. The index went up by 21.8% yoy in real terms in the last quarter of 2023. Regarding the sub-items, shop and office prices, rose by 22.2% and 19.3% in real terms, respectively.

Source: CBRT, Datastream, ISO, Turkstat

Foreign Trade and Balance of Payments

Foreign trade deficit narrowed by 3.2% in 2023.

According to TurkStat data, export volume increased slightly to 23 billion USD in December and rose by 0.6% yoy to 255.8 billion USD in the whole 2023. On the other hand, import volume, in which the annual decline has been evident in recent months, decreased by 11% yoy to 29 billion USD in December, and fell by 0.5% yoy to 361.8 billion USD in the whole year. Thus, foreign trade deficit in 2023 decreased by 3.2% yoy to 106 billion USD. The imports coverage ratio increased from 69.9% in 2022 to 70.7% in 2023.

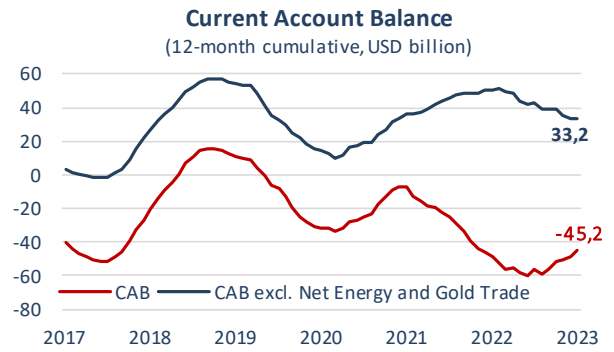
Balance of payments data was revised.

CBRT announced that it has made various revisions starting from 2019 on the balance of payments statistics, mainly in the services, primary income, direct investments, portfolio investments and other investments items. In this context, the net errors and omissions item was revised as 1.1 billion USD for 2019-2022 and 434 million USD for the January-November period of 2023.

Current account deficit was 45.2 billion USD in 2023.

Current account posted a deficit of 2.1 billion USD in December, below market expectations. In December, net gold imports continued to decline and were realized as 1.1 billion USD, and the current account surplus excluding gold and energy became 4.2 billion USD.

In calendar year 2023, current account deficit narrowed by 8% yoy to 45.2 billion USD. This development was mainly driven by the contraction in foreign trade deficit and by a 9.9% yoy increase in net travel revenues. In 2023, net energy imports decreased by 34.2% yoy to 52.7 billion USD due to the decline in energy prices. On the other hand, the current account surplus excluding gold and energy, that was realized as 50.4 billion USD in 2022, declined to 33.2 billion USD in 2023.



Moderate course in foreign direct investments continued.

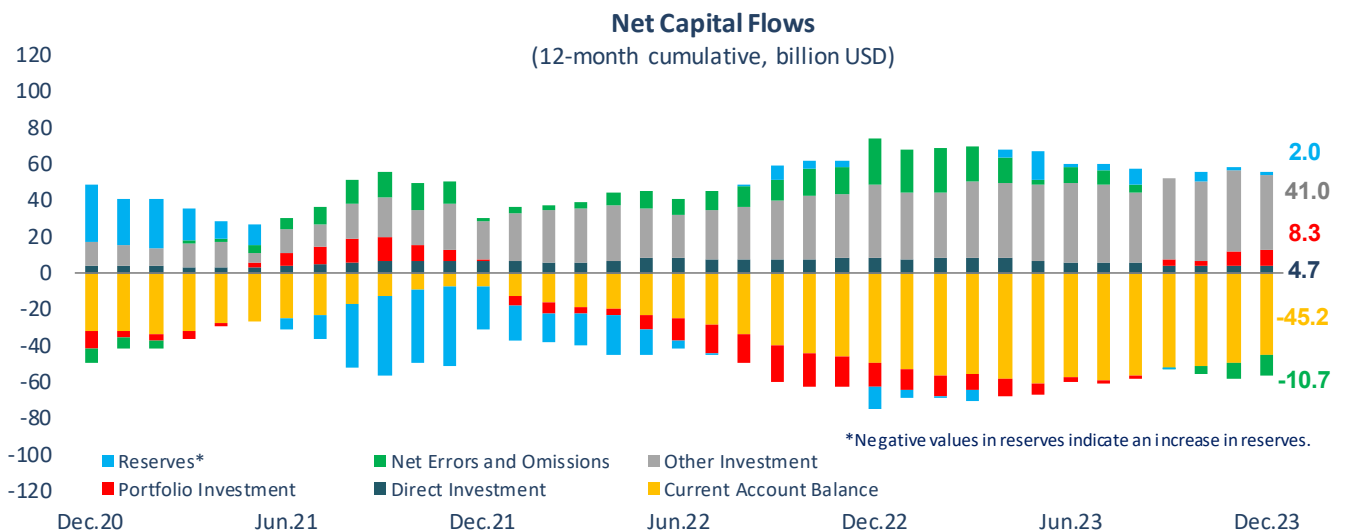
Foreign direct investments recorded a limited capital inflow of 317 million USD in December. In this period, residents' net acquisition of financial assets abroad were realized as 721 million USD, the highest level since June 2022. In December, net real estate investments in Türkiye remained weak with 214 million USD. In the whole 2023, net foreign direct investments decreased by 46.4% yoy to 4.7 billion USD. In this period, non-residents' net capital investments in Türkiye decreased by 18.6% yoy to 5.2 billion USD.

Net portfolio inflows continued in December.

Portfolio investments recorded a net inflow of 1.7 billion USD in December, following the high inflow in November. In December, non-residents' equity portfolio recorded the highest capital inflow of the last 3 years with 1.2 billion USD, while their net purchases in the debt securities market were 139 million USD. Thus, portfolio investments recorded a net capital inflow of 8.3 billion USD in 2023.

3.2 billion USD net capital inflow in other investments...

The favorable course in other investments throughout 2023 continued in December with a net capital inflow of 3.2 billion USD. In this period, foreign banks' currency and deposits in Türkiye recorded the highest increase of the last 6 months



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

with 1.7 billion USD, while domestic banks' currency and deposits with foreign correspondents rose by 199 million USD. In December, the banking sector repaid 401 million USD in loans obtained from abroad, while other sectors and the general government realized net credit utilization of 686 million USD and 369 million USD, respectively. Thus, net capital inflows from other investments increased by 2% yoy to 41 billion USD in 2023. In this period, long-term debt rollover ratio was realized as 115.3% in the banking sector and 100.4% in other sectors.

Reserve assets increased by 2 billion USD in December.

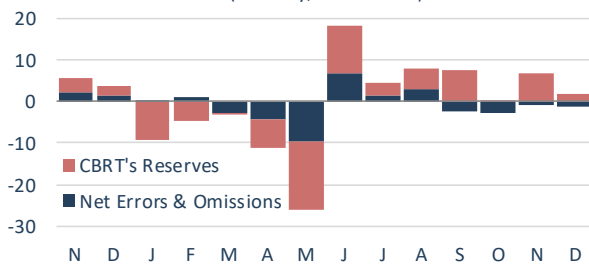
The rise in reserve assets since June continued in December with 2 billion USD. Thus, the total decline in reserve assets in 2023 came down to 2 billion USD. Net errors and omissions

recorded a capital outflow of 1.1 billion USD in December and 10.7 billion USD in 2023.

Expectations...

In 2023, the current account deficit/GDP ratio became 4%. According to the data announced by Ministry of Commerce, foreign trade deficit decreased by approximately 50% on an annual basis in the January-February period. This data indicated that the favorable impact of foreign trade balance on the current account deficit continued in the first two months of the year. In 2024, in addition to the expected rebalancing in domestic demand, the course of economic activity in Türkiye's main export markets and the impact of geopolitical developments on commodity prices will continue to be determinant for the current account balance.

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



Balance of Payments

(USD million)

	Dec. 2023	Jan. - Dec. 2022	Jan. - Dec. 2023	% Change
Current Account Balance	-2,091	-49,085	-45,150	-8.0
Foreign Trade Balance	-4,586	-89,600	-86,559	-3.4
Services Balance	2,574	49,665	52,029	4.8
Travel (net)	1,696	37,317	41,024	9.9
Primary Income	-233	-8,779	-11,213	27.7
Secondary Income	154	-371	593	-
Capital Account	-8	-35	-205	485.7
Financial Account	-3,182	-22,936	-56,050	144.4
Direct Investment (net)	-317	-8,731	-4,678	-46.4
Portfolio Investment (net)	-1,690	13,672	-8,344	-
Net Acquisition of Financial Assets	-364	4,495	2,995	-33.4
Net Incurrence of Liabilities	1,326	-9,177	11,339	-
Equity Securities	1,187	-4,038	1,387	-
Debt Securities	139	-5,139	9,952	-
Other Investment (net)	-3,153	-40,188	-41,001	2.0
Currency and Deposits	-1,892	-35,898	-24,178	-32.6
Net Acquisition of Financial Assets	331	-6,496	3,481	-
Net Incurrence of Liabilities	2,223	29,402	27,659	-5.9
Central Bank	-23	7,317	13,512	84.7
Banks	2,246	22,085	14,147	-35.9
Foreign Banks	1,677	11,752	10,192	-13.3
Foreign Exchange	1,633	7,629	7,143	-6.4
Turkish Lira	44	4,123	3,049	-26.0
Non-residents	569	10,333	3,955	-61.7
Loans	-751	-3,656	-10,749	194.0
Net Acquisition of Financial Assets	-97	-288	-1,660	476.4
Net Incurrence of Liabilities	654	3,368	9,089	169.9
Banking Sector	-401	-5,752	7,248	-
Non-bank Sectors	686	7,950	1,628	-79.5
Trade Credit and Advances	-618	-581	-6,127	954.6
Other Assets and Liabilities	108	-53	53	-
Reserve Assets (net)	1,978	12,311	-2,027	-
Net Errors and Omissions	-1,083	26,184	-10,695	-

Source: CBRT, Datastream

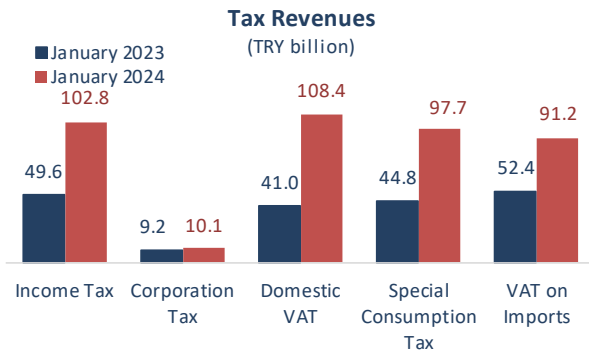
Budget Balance

Central government budget deficit was realized as 150.7 billion TRY in January.

In January, central government budget revenues increased by 113.5% yoy to 617.2 billion TRY, while budget expenditures rose by 139% yoy to 768 billion TRY. Thus, in the first month of the year, central government budget deficit increased nearly as fivefold on an annual basis to 150.7 billion TRY. In this period, primary budget deficit rose more than 1.5 times yoy to 29.6 billion TRY.

Special Consumption Tax and domestic VAT revenues increased rapidly.

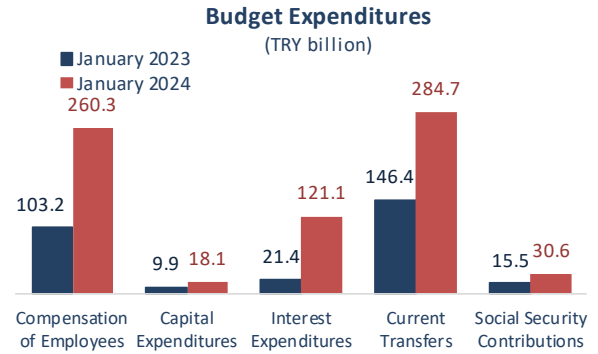
In January, tax revenues increased by 104.6% yoy to 517.2 billion TRY. In this period, special consumption tax (SCT) and domestic value-added tax (VAT) revenues went up above CPI inflation by 118.2% and 164.6% on a yearly basis, respectively. Therefore, SCT and domestic-VAT revenues reached 97.7 billion TRY and 108.4 billion TRY. The rise in SCT revenues was mainly driven by a 292.3% annual increase in revenues from petroleum and natural gas products. In January, interest, shares and fines item tripled compared to the same month of the last year and reached 59.5 billion TRY.



Interest expenditures reached to fivefold on a yearly basis.

In January, interest expenditures surged by 466.9% yoy to 121.1 billion TRY. Thus, the share of interest expenditures in total budget expenditures rose to 15.8%, the highest level

since May 2023. In this period, compensation of employees increased by 152.1% yoy and reached 260.3 billion TRY, while current transfers rose by 94.5% yoy. The 39-fold increase in capital transfers in January was also noteworthy. In this period, 46.1 billion TRY was paid to social security institutions and 18.7 billion TRY to the Electricity Generation Corporation (EÜAŞ) under the duty losses item. From the domestic lending item, 20 billion TRY was paid to the Produce of Soil Office (TMO).



Expectations...

In January, the central government budget posted a deficit due to a more rapid rise in budget expenditures than the increase in tax revenues. Thus, in the first month of the year, the central government budget deficit was realized as 5.7% of the budget deficit set as 2,652 billion TRY for 2024 in the Medium Term Program (MTP). We think that the expected rebalancing in domestic demand in the upcoming period may limit budget revenues to some extent, while the course of budget expenditures within the framework of disinflation targets will also have an impact on the central government budget.

Central Government Budget

	January		%	2024 Budget Target	Real./Budget Target (%)
	2023	2024			
Expenditures	321.3	768.0	139.0	11,089.0	6.9
Interest Expenditures	21.4	121.1	466.9	1,254.0	9.7
Non-Interest Expenditures	300.0	646.9	115.7	9,835.0	6.6
Revenues	289.1	617.2	113.5	8,437.1	7.3
Tax Revenues	252.8	517.2	104.6	7,407.7	7.0
Other Revenues	36.3	100.0	176.0	1,029.4	9.7
Budget Balance	-32.2	-150.7	367.5	-2,651.9	5.7
Primary Balance	-10.9	-29.6	172.2	-1,397.9	2.1

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

In February, CPI increased by 4.53% on a monthly basis.

In February, CPI increased by 4.53% mom, above the market expectations. According to the Reuters survey, market expectation for monthly CPI inflation was 3.70% in this period. Thus, annual CPI inflation reached 67.07%, the highest level since November 2022. In February, domestic producer price index (D-PPI) also increased by 3.74% mom, and annual PPI inflation was realized as 47.29%, the highest level of the last 5 months.

February (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	3.15	4.53	1.56	3.74
Year-to-Date	10.00	11.54	5.78	8.03
Annual	55.18	67.07	76.61	47.29
Annual Average	71.83	55.91	120.72	45.71

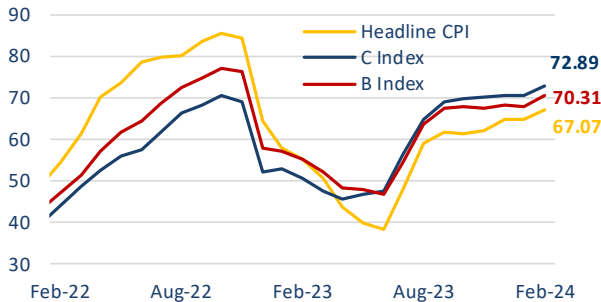
Prices in the education group rose by 12.76%.

Prices increased in all 12 main expenditure groups in February. In this period, the fastest monthly price increase was recorded in the education group with 12.76%. The monthly price increase in the hotels, cafes and restaurants group also remained above the headline inflation. On the other hand, having increased by 8.25% mom, food and non-alcoholic beverages group had the highest contribution to the monthly inflation by 2.03 points.

Seasonal products fueled monthly CPI inflation in February.

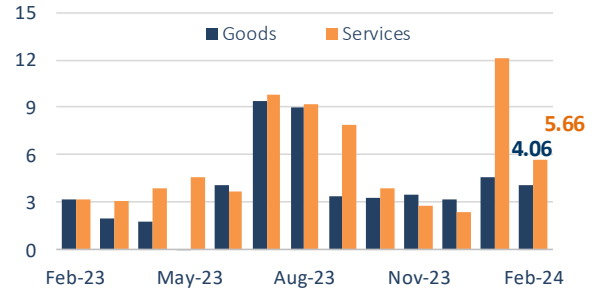
In February, CPI excluding seasonal products increased by 4.37% mom and 68.33% yoy. In this period, annual inflation in the B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco products and gold) was 70.31%, the highest since November 2022; and annual inflation in the C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold) was 72.89%, the highest since January 2005.

Headline and Core CPI Indicators
(yoy % change)



In February, it was observed that the divergence between goods and services inflation narrowed compared to the previous month. Despite a deceleration, services inflation remained relatively high due to the increase in communication prices. Services inflation was realized as 5.66% in this period, while goods prices rose by 4.06% mom. In goods basket, fresh fruits and vegetables sub-item recorded an increase of 13.74% compared to the previous month. In the services group, the monthly increase in rent prices remained high with 7.06%.

Goods and Services Prices
(monthly % change)



Food prices pushed up domestic PPI.

In February, the highest contribution to monthly PPI inflation came from the price increases in food products by 1.11 points. In this period, the fastest price increase was realized in coke and refined petroleum products with 10.32%. On the other hand; electricity, gas, steam and air conditioning was the only sector that prices decreased on a monthly basis in February.

Expectations...

In the upcoming period, we anticipate that the downtrend in monthly inflation may continue due to the fading effects of wage hikes and the lagged effects of monetary tightening. The course of exchange rates and fluctuations in energy prices will continue to be the main determinants of the inflation outlook.

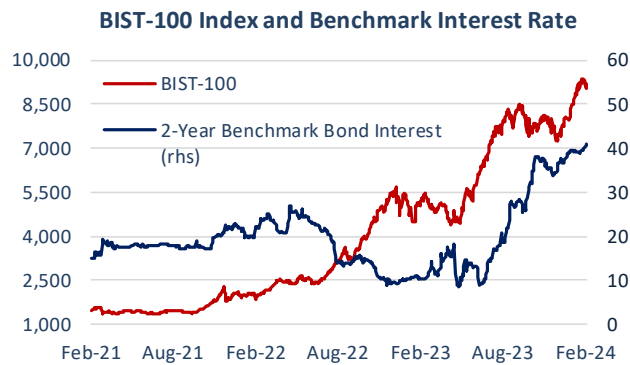
Financial Markets

	31-Jan	29-Feb	Change
5-Y CDS (basis points)	325	288	-37 bps ▼
TR 2-Y Benchmark Yield	43,27%	44,87%	160 bps ▲
BIST-100	8.497	9.194	8,2% ▲
USD/TRY	30,3440	31,2198	2,9% ▲
EUR/TRY	32,9612	33,7845	2,5% ▲
Currency Basket*	31,6526	32,5021	2,7% ▲

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

Global stock markets displayed a positive outlook in February.

Although the data releases in US pointed out that inflationary pressures in the country continued, leading to a postponement of interest rate cut expectations in the markets, global stock markets displayed a positive performance in February. MSCI global stock index, which tested its historical high level of 3,337 during the month, increased by 4.1% mom, while MSCI emerging markets index rose by 4.6%. DXY index rose to 104.2, while the US 10-year bond yield increased by 29 basis points to 4.25 in February. In line with the moderate strengthening in the US dollar, the price of gold ounce, which fell as low as 1,992 USD on 13 February, ended the month at 2,035 USD.



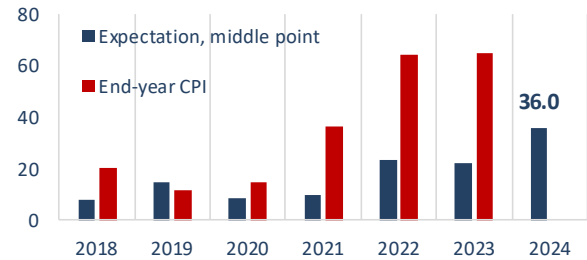
The positive outlook in global risk appetite was also reflected in domestic markets. BIST-100 index, which broke new records during the month, rose by 8.2% yoy to 9,194 in February. Thus, the index tested its highest level since October 2023 in USD terms with 302.2. In February, USD/TRY and EUR/TRY rose by 2.9% and 2.5%, respectively. Türkiye's 5-year CDS premium hit its lowest level since 2023 year-end with 288 bps on 26 February. The yield on the 2-year benchmark bond was 44.87% at the end of February.

CBRT published the first Inflation Report of the year.

In the first Inflation Report of the year published on 8 February, CBRT kept its inflation forecasts unchanged at 36% for end-2024, 14% for end-2025 and 9% for end-2026. At the press conference, CBRT's new Governor Fatih Karahan stated that inflation in the last quarter of 2023 was in line with the forecasts of the previous report, while emphasising that the rigidity in services inflation continued and the

convergence of inflation expectations to the forecast range was important for the monetary policy stance. According to the CBRT's February Survey of Market Participants, CPI expectations for the current year-end and 12-month ahead stand at 42.96% and 37.78%, respectively.

Expectations in First Inflation Reports and Year-End Inflation of Given Year (%)



CBRT kept the policy rate unchanged in line with expectations.

At its meeting held on 22 February, CBRT kept the policy interest rate unchanged at 45% in line with market expectations. The Committee stated in the text that the underlying trend of monthly inflation in January increased in line with the projections in the forecast path due to the month-specific and time-dependent price and wage adjustments. CBRT reiterated that the current level of the policy rate will be maintained until the underlying trend of monthly inflation displays a significant and lasting decline, and emphasised that the monetary policy stance may be tightened in case of a significant and lasting deterioration in the inflation outlook. The statement that the decisive monetary policy stance will continue to contribute to the real appreciation of the Turkish lira, which is one of the main drivers of disinflation, was also noteworthy. The text also stated that macroeconomic policies will be implemented in a way to preserve the functionality of the market mechanism and macro financial stability.

Securities portfolio of non-residents'...

According to the securities statistics released by CBRT, as of 23 February, non-residents' equity portfolio increased by net 49 million USD and GDDS portfolio rose by 121 million USD since the end of January, according to price and FX rate movements adjusted data. Thus, since the end of 2023, foreign capital inflows to stock and bond markets were 115 million USD and 453 million USD, respectively. As of 23 February, CBRT's gross reserves and net reserves were 131.7 billion USD and 22.4 billion USD, respectively.

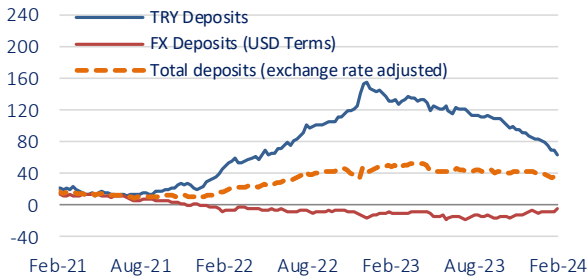
Source: CBRT, Datastream, Reuters,

Banking Sector

The decline in FX-protected deposit volume continues.

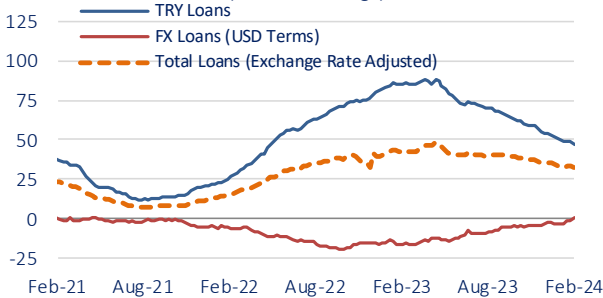
According to the weekly data released by BRSA, as of February 23, both TL deposits and FX deposits recorded a slight decline compared to the end of 2023. Compared to the same period of the previous year, TL deposit volume increased by 63.5% to 8.9 trillion TRY, while FX deposit volume in USD terms contracted by 4.8% to 202.3 billion USD. Thus, total deposit volume in the banking sector increased by 60.3% yoy to 15.1 trillion TRY, while the FX rate-adjusted annual increase in total deposit volume was realized as 34.5%. As of February 23, the share of TL deposits in total deposit volume was 58.7%. The volume of FX-protected deposit accounts, which decreased to 2.3 trillion TRY as of February 23, has declined by 31.8% (1.1 trillion TRY) since August 2023, while there has been a limited increase of 0.3% in FX deposit volume in USD terms since the aforementioned period.

Deposit Growth
(annual % change)

**Total loan volume increased to 12.2 trillion TRY.**

As of February 23, TL loans increased by 47.1% yoy to 8.2 trillion TRY, the slowest increase since May 2022. On the other hand, rising by 0.3% yoy, FX loan volume in USD terms expanded for the first time since September 2021 and reached 130.9 billion USD. Thus, during the same period, total loan volume of the banking sector rose by 52.5% yoy to 12.2 trillion TRY. In this period, the FX rate-adjusted increase in total loan volume was realized as 32.8%. Compared to 2023 year-end, the increase in TL and USD-denominated FX loans were 3.9% and 1.7%, respectively.

Loan Growth
(annual % change)

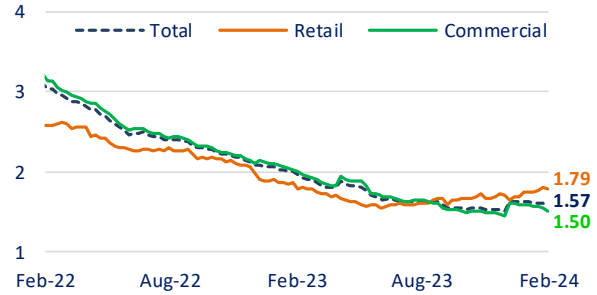
**Consumer loans continue to lose momentum.**

On the retail loans side, the strong course in credit card usage continued. As of February 23, annual increase in credit card expenditures was realized as 153.1%, while consumer loans rose by 31.8% yoy, recording the slowest increase since October 2022. In the same period, personal finance and housing loans increased by 35.4% yoy and 19.1% yoy, respectively, while the annual increase in vehicle loans became 65%, the lowest level since July 2022.

Non-performing loans ratio declined to 1.57%.

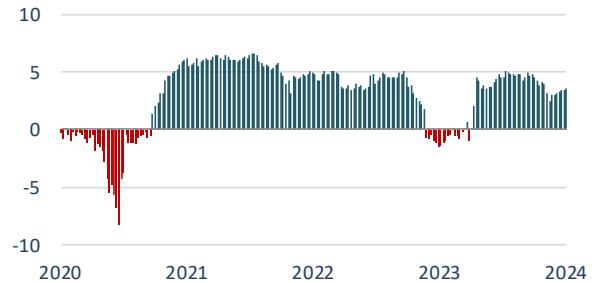
Non-performing loans ratio in the banking sector decreased to 1.57% as of February 23. In this period, the ratio fell to the lowest level of the last two months by realizing as 1.50% in commercial loans, while it reached the highest level of the last one year with 1.79% in retail loans.

Non-performing Loans
(%)

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

As of February 23, balance sheet FX position of the banking sector was (-) 40,885 million USD while off-balance sheet FX position was (+) 44,393 million USD. Thus, the net foreign currency position was recorded as 3,509 million USD.

Net FX Position
(USD Billion)



Source: BRSA Weekly Bulletin

Concluding Remarks

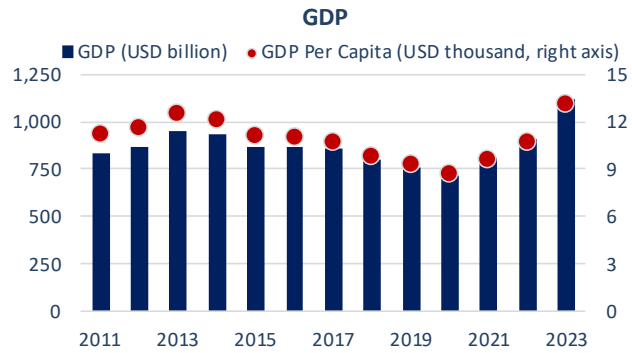
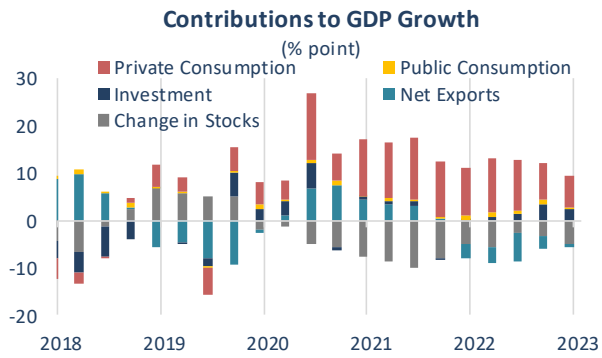
The data released in developed countries in February did not change the highlights of the global economic agenda. In line with the data releases in the US, market expectations regarding the timing of the Fed's first rate cut were delayed, while the minutes of the last FOMC meeting showed that the committee members made cautious assessments for possible monetary easing steps.

CBRT kept its policy rate unchanged in February in line with market expectations. In 2024, we expect the growth composition to be similar to the outlook in the second half of 2023 due to the lagged effects of monetary tightening steps.

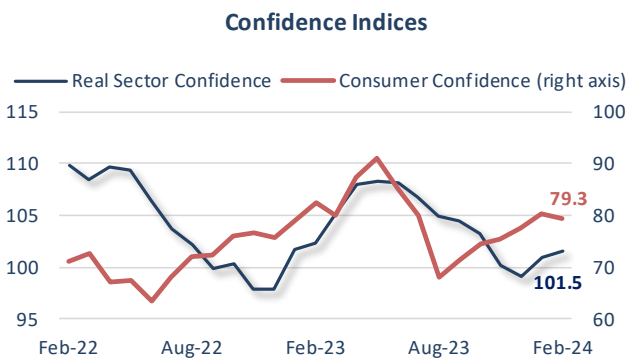
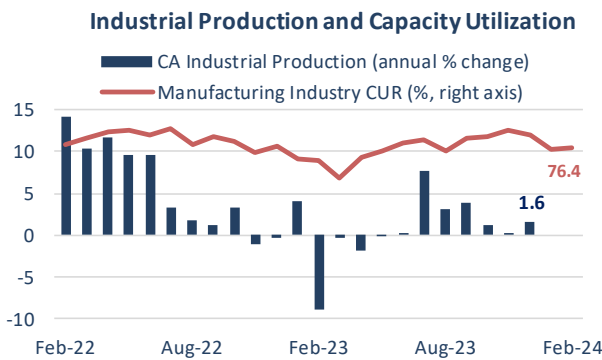
In the upcoming period, the course of inflation and economic activity in advanced economies will continue to be decisive for the pace of global markets. Besides, the course of energy prices and geopolitical developments will be closely monitored.

Turkish Economy - Macroeconomic Indicators

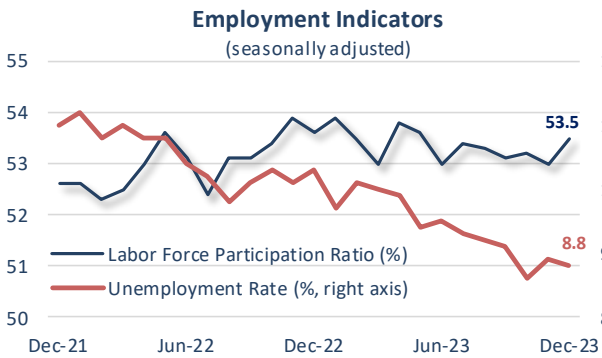
Growth



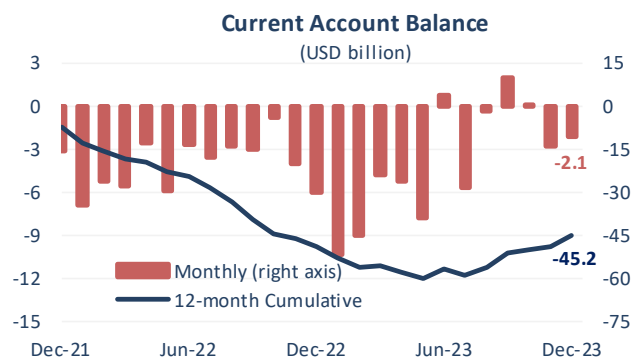
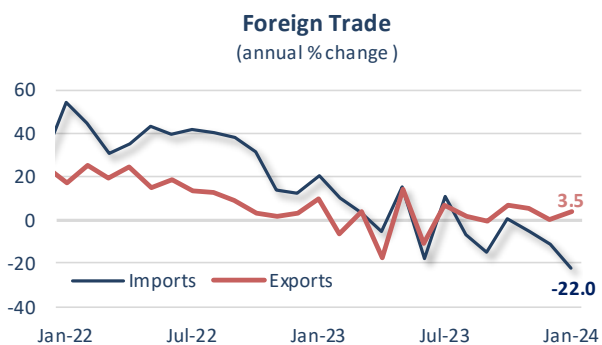
Leading Indicators



Labor Market



Foreign Trade and Current Account Balance

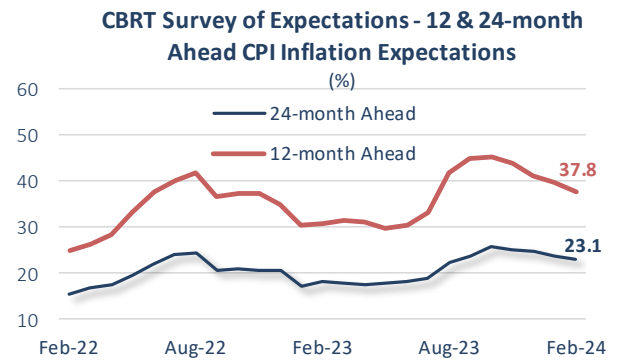
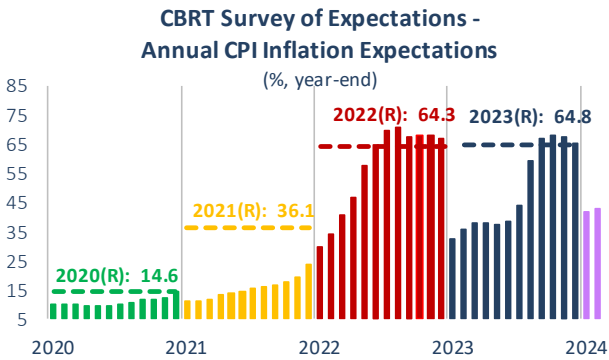
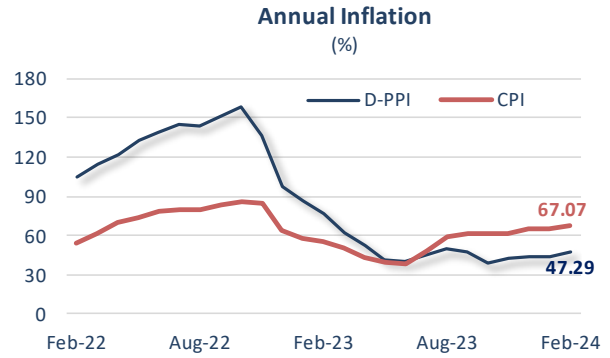
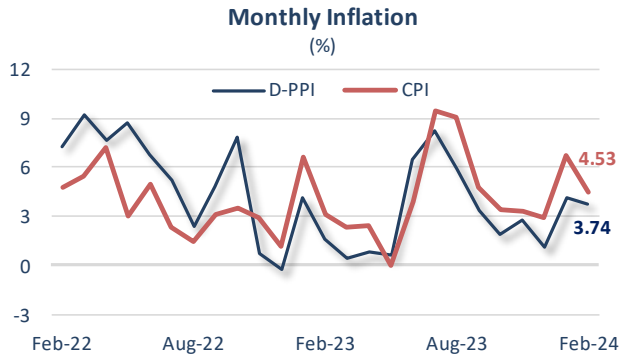


(CA) Calendar adjusted

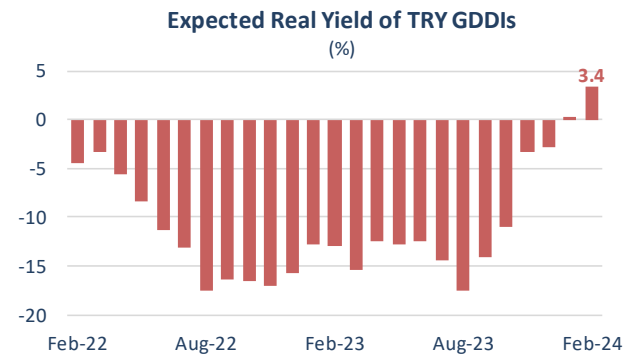
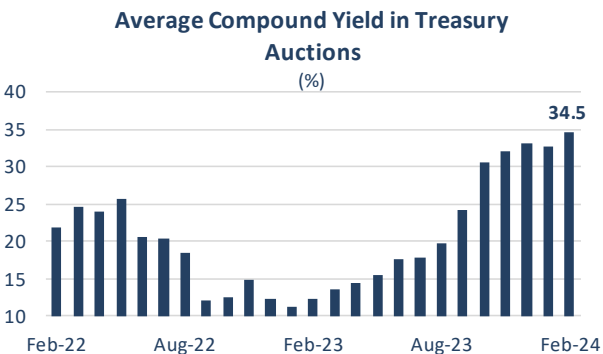
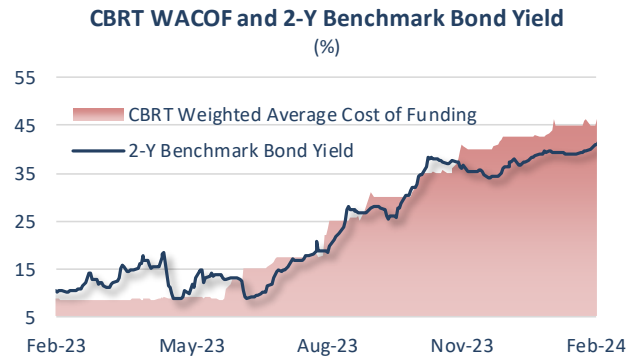
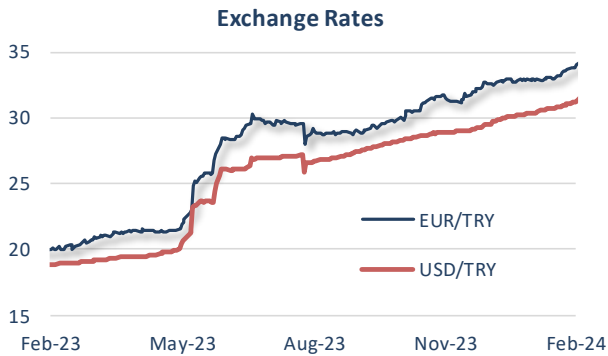
Source: Datastream, CBRT, Turkstat

Turkish Economy - Macroeconomic Indicators

Inflation



Foreign Exchange and Bond Market



(R) Realization

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

Turkish Economy - Macroeconomic Indicators

Growth	2019	2020	2021	2022	2023	23-Q2	23-Q3	23-Q4
GDP (USD billion)	760	717	808	906	1,119	272	297	304
GDP (TRY billion)	4,318	5,049	7,256	15,012	26,276	5,506	7,697	8,431
GDP Growth Rate (%)	0.8	1.9	11.4	5.5	4.5	3,9	6,1	4,0
Inflation (%)						Dec.23	Jan.24	Feb.24
CPI (annual)	11.84	14.60	36.08	64.27	64.77	64.77	64.86	67.07
Domestic PPI (annual)	7.36	25.15	79.89	97.72	44.22	44.22	44.20	47.29
Seasonally Adjusted Labor Market Figures						Oct.23	Nov.23	Dec.23
Unemployment Rate (%)	13.4	12.6	11.0	10.3	8.8	8.6	8.9	8.8
Labor Force Participation Rate (%)	52.6	49.1	52.6	53.6	53.5	53.2	53.0	53.5
FX Rates						Dec.23	Jan.24	Feb.24
CPI Based Real Effective Exchange Rate	76.0	61.9	47.6	54.9	55.3	55.3	57.1	
USD/TRY	5.95	7.43	13.28	18.72	29.53	29.53	30.34	31.22
EUR/TRY	6.68	9.09	15.10	19.98	32.62	32.62	32.96	33.78
Currency Basket (0.5*EUR+0.5*USD)	6.32	8.26	14.19	19.35	31.08	31.08	31.65	32.50
Foreign Trade Balance⁽¹⁾ (USD billion)						Nov.23	Dec.23	Jan.24
Exports	180.8	169.6	225.2	254.1	255.5	255.5	255.5	256.2
Imports	210.3	219.5	271.4	363.7	361.8	365.6	361.7	354.4
Foreign Trade Balance	-29.5	-49.9	-46.2	-109.6	-106.2	-110.2	-106.2	-98.2
Import Coverage Ratio (%)	86.0	77.3	83.0	69.9	70.6	69.9	70.6	72.3
Balance of Payments⁽¹⁾ (USD billion)						Oct.23	Nov.23	Dec.23
Current Account Balance	10.8	-31.9	-7.2	-49.1	-45.2	-50.3	-49.1	-45.2
Capital and Financial Accounts	5.2	-39.4	-29.0	-35.5	-56.1	-55.6	-57.6	-56.1
Direct Investments (net)	-6.6	-4.5	-6.9	-8.7	-4.7	-4.7	-4.8	-4.7
Portfolio Investments (net)	2.8	9.6	-0.8	13.5	-8.3	-2.6	-7.4	-8.3
Other Investments (net)	2.6	-12.7	-21.4	-40.3	-41.0	-43.6	-43.8	-41.0
Reserve Assets (net)	6.3	-31.9	23.3	12.3	-2.0	-4.7	-1.6	-2.0
Net Errors and Omissions	-5.7	-7.5	1.6	25.9	-10.7	-5.1	-8.3	-10.7
Current Account Balance/GDP (%)	1.4	-4.4	-0.9	-5.4	-4.0	-	-	-
Budget⁽²⁾⁽³⁾ (TRY billion)						Nov.23	Dec.23	Jan.24
Expenditures	1,000.0	1,203.7	1,603.5	2,941.4	6,585.5	5,193.0	6,585.5	768.0
Interest Expenditures	99.9	134.0	180.9	310.9	674.6	632.3	674.6	121.1
Non-interest Expenditures	900.1	1,069.8	1,422.7	2,630.5	5,910.8	4,560.7	5,910.8	646.9
Revenues	875.3	1,028.4	1,402.0	2,802.4	5,210.5	4,660.5	5,210.5	617.2
Tax Revenues	673.9	833.3	1,165.0	2,353.4	4,500.9	4,060.0	4,500.9	517.2
Budget Balance	-124.7	-175.3	-201.5	-139.1	-1,375.0	-532.4	-1,375.0	-150.7
Primary Balance	-24.8	-41.3	-20.7	171.8	-700.4	99.8	-700.4	-29.6
Budget Balance/GDP (%)	-2.9	-3.5	-2.8	-1.0	-5.2	-	-	-
Central Government Debt Stock (TRY billion)						Nov.23	Dec.23	Jan.24
Domestic Debt Stock	755.1	1,064.3	1,354.8	1,905.3	3,209.3	3,086.5	3,209.3	3,366.5
External Debt Stock	574.0	773.4	1,490.0	2,127.9	3,513.2	3,489.5	3,513.2	3,598.7
Total Debt Stock	1,329.1	1,837.6	2,844.9	4,033.2	6,722.5	6,576.0	6,722.5	6,965.1

(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)	2019	2020	2021	2022	2023	Dec.23	Jan.24	Change ⁽¹⁾
TOTAL ASSETS	4,491	6,106	9,215	14,347	23,550	23,550	23,887	1.4
Loans	2,656	3,576	4,901	7,581	11,677	11,677	11,938	2.2
TRY Loans	1,642	2,353	2,832	5,110	7,894	7,894	8,019	1.6
Share (%)	61.8	65.8	57.8	67.4	67.6	67.6	67.2	-
FX Loans	1,015	1,224	2,069	2,471	3,783	3,783	3,919	3.6
Share (%)	38.2	34.2	42.2	32.6	32.4	32.4	32.8	-
Non-performing Loans	150.8	152.6	160.1	163.4	191.9	191.9	196.0	2.1
Non-performing Loan Rate (%)	5.3	4.1	3.2	2.1	1.6	1.6	1.6	-
Securities	660	1,022	1,476	2,370	3,970	3,970	4,116	3.7
TOTAL LIABILITIES	4,491	6,106	9,215	14,344	23,550	23,550	23,887	1.4
Deposits	2,567	3,455	5,303	8,862	14,852	14,852	14,948	0.6
TRY Deposits	1,259	1,546	1,880	4,779	8,897	8,897	8,839	-0.6
Share (%)	49.0	44.7	35.5	53.9	59.9	59.9	59.1	-
FX Deposits	1,308	1,909	3,423	4,083	5,955	5,955	6,108	2.6
Share (%)	51.0	55.3	64.5	46.1	40.1	40.1	40.9	-
Securities Issued	194	224	310	325	584	584	635	8.8
Payables to Banks	533	658	1,048	1,432	2,384	2,384	2,426	1.8
Funds from Repo Transactions	154	255	587	540	723	723	685	-5.3
SHAREHOLDERS' EQUITY	492	600	714	1,407	2,153	2,153	2,175	1.0
Profit (Loss) of the Period	49.0	58.5	93.0	431.6	620.5	620.5	32.0	-94.8
RATIOS (%)								
Loans/GDP	61.5	70.9	68.0	50.5	44.4	44.4		
Loans/Assets	59.1	58.6	53.2	52.8	49.6	49.6	50.0	-
Securities/Assets	14.7	16.7	16.0	16.5	16.9	16.9	17.2	-
Deposits/Liabilities	57.2	56.6	57.5	61.8	63.1	63.1	62.6	-
Loans/Deposits	103.5	103.5	92.4	85.5	78.6	78.6	79.9	-
Capital Adequacy (%)	18.4	18.7	18.4	19.5	19.1	19.1	16.9	-

(1) Year-to-date % change

Source: BRSA, Turkstat

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