



April 2024

Economic Research Division

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

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

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

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

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

Oktay Erkan Temizkan
Asst. Economist
erkan.temizkan@isbank.com.tr

Global Economy

Fed kept the policy rate unchanged between 5.25%-5.50% at its March meeting in line with expectations. In the projections, Fed members maintained their expectations for a 75 basis points rate cut in 2024.

BoJ raised its policy rate for the first time in 17 years and ended the negative interest rate policy.

In the US, monthly CPI inflation rose to 0.4% in February, while PCE price index rose by 0.3%, below the expectations.

Released data in Euro Area showed that the weak course in the manufacturing industry continued.

After 6 months of decline, CPI in China rose by 0.7% yoy in February due to the New Year holiday.

Oil prices surged in March as geopolitical risks increased. Among agricultural commodities, the rapid rise in cocoa prices was noteworthy.

Turkish Economy

Local elections were high on the agenda of domestic markets in March.

Seasonally adjusted unemployment rate increased by 0.2 points mom to 9.1% in January, and the labour underutilization rate was realized as 26.5%, the highest level since May 2021.

According to seasonally adjusted figures, industrial production remained unchanged on a monthly basis in January, but increased by 1.1% yoy recording, the lowest rise in the last 7 months.

ICI Türkiye manufacturing PMI came in at 50 in March, indicating that operating conditions in the sector remained unchanged.

Current account deficit was realized as 2.6 billion USD in January, slightly below market expectations. In this period, 12-month cumulative current account deficit narrowed to 37.5 billion USD.

Central government budget posted a deficit of 153.8 billion TRY in February, and primary budget deficit became 99 billion TRY.

In March, CPI increased by 3.16% mom, below the expectations and annual CPI inflation reached 68.50%. Domestic PPI inflation was realized as 3.29% mom and 51.47% yoy, respectively.

CBRT raised the policy interest rate by 500 basis points to 50% at its March meeting.

BIST-100 index fell by 0.6% in March, while Turkish Lira continued to depreciate against US dollar and euro. Türkiye's 5-year CDS premium increased by 13 bps to 301 bps in March.

Fitch upgraded Turkey's credit rating by one level to B+ and updated the credit rating outlook from "stable" to "positive".

Turkish Economy	2
Financial Markets	8
Banking Sector.....	9
Concluding Remarks.....	10
Graphs.....	11
Tables.....	13

Leading Indicators

Unemployment rate rose to 9.1% in January.

Seasonally adjusted unemployment rate increased by 0.2 points mom to 9.1% in January, the highest level in the last 5 months. Labor force participation rate rose to 53.9% due to the 245K person increase in labor force. Despite the increase in labor force, employment rose only by 160K and this development caused the upsurge of unemployment rate. Youth unemployment rate that covers the 15-24 age group rose by 1.1 points mom to 16.6% in January. Labour underutilization rate, the broadest unemployment indicator, rose to 26.5%, the highest level since May 2021.

According to paid employee statistics, the total number of employees in industry, construction and trade-services sectors increased by 2.8% yoy in January. In this period, the number of paid employees rose slightly by 0.1% in industrial sector, 9.6% in construction sector and 3.1% in trade-services sector.

Industrial production index remained unchanged on a monthly basis in January.

TURKSTAT revised the industrial production index with updated weights and data for 2021 and subsequent years. As a result of the revision, calendar adjusted industrial production growth for 2023 increased from 0.9% to 1.6%. In the first month of 2024, rising by 1.1% on an annual basis industrial production displayed the slowest increase in the last 7 months. In the same period, seasonally adjusted industrial production index remained unchanged on a monthly basis. In January, production increased by 4.3% mom in mining&quarrying and 4.6% mom in electricity, gas&steam sectors, respectively. On the other hand, in the same period production decreased by 0.6% in manufacturing industry. Production contracted in 14 out of 24 sub-sectors of the manufacturing industry on a monthly basis. Double-digit declines in the manufacture of computer, electronic and optical products (21.2%) and basic pharmaceutical products (11.1%) stood out. On the other hand, ongoing consecutive increases of production in food (3 months), rubber and plastic (3 months), basic metal (5 months) and chemical products manufacturing (6 months) sectors were noteworthy.

ICI Türkiye Manufacturing PMI was 50 in March.

Türkiye Manufacturing PMI, published by Istanbul Chamber of Industry (ICI), came in at 50 in March, indicating that operating conditions in manufacturing sector remained unchanged. According to the sub-items of the index, production recorded a limited increase in this period, while the slowdown in new orders was realized at the lowest level of last 9 months. On the other hand, the depreciation of Turkish lira continued to be the main factor that pushing up input prices in the sector. The increase in delivery times continued in the third month, amid geopolitical developments. Sectoral PMI data were below the threshold level in 8 out of 10 sectors, indicating that operating conditions remained under pressure across sectors. In this period, textile products sector had the lowest PMI value with 41.1, while the food products manufacturing sector that ranked first in the production increase, was also the only sector whose new orders rose.

In January, trade sales volume decreased by 3.2% mom.

Trade sales volume index, the brand new data published for the first time by Turkstat, contracted by 3.2% mom and 0.4% yoy in January. The 5.9% decline in wholesale trade volume was the main driver of monthly decline in trade sales volume. Retail sales volume, which is one of the leading indicators for domestic demand, recorded the fastest monthly increase of the last 6 months with 2.6% in January. In this period, electronic goods and furniture displayed the highest monthly rise in sales by 6.1%, while textile, clothing and footwear group was the only sub-item where sales decreased by 0.7%. According to calendar adjusted figures, the annual increase in retail sales volume was realized as 13.3%, the lowest level in the last 16 months. On the other hand, monthly average debit and credit card expenditures of households adjusted for the CPI, rose by 7.3% mom in February, indicating that domestic demand remained strong despite the monetary tightening.

Confidence indices presented a mixed outlook in March.

Seasonally adjusted consumer confidence index remained flat on a monthly basis and was realized as 79.4 in March. According to sub-indices, evaluations regarding the current period deteriorated compared to February, while households' expectations for the financial situation and general economic situation for the next 12 months improved. On the other hand, real sector confidence index increased by 1.5 points mom to 103.5 in March, the highest level of the last 4 months. In this period, confidence in services sector rose by 1.5%, while it declined by 1.0% and 3.6% in retail trade and construction sectors, respectively. Thus, the economic confidence index, which has been below the threshold value since July 2023, rose by 1.0 point in March compared to the previous month and reached the threshold level thanks to the increases in real sector and services sector confidence.

House sales rose by 17.3% yoy in February.

House sales, which have been contracting on an annual basis since July 2022, rose by 17.3% yoy to 93,902 units in February due to the low base effect created by the earthquake disaster last year. In this period, mortgaged house sales decreased by 49.1% yoy, while other sales recorded the highest increase since May 2022 with 35.7%. On the other hand, house sales to foreigners continued to decline in February, falling to the lowest level in nearly 3 years. Amid the weak outlook in housing market the rise in house prices loses momentum. According to the data released by CBRT, house prices rose by 2.3% mom and 68% yoy in January, so that the annual real increase in prices declined to 1.4%. While Ağrı, Ardahan, Kars and Iğdır were the provinces where house prices increased the fastest by 103.8% yoy, price increases in Istanbul (54.5%) remained below the rises in Ankara (85.6%) and Izmir (70.4%) for the 12th month in a row.

Source: CBRT, Datastream, ISO, Turkstat

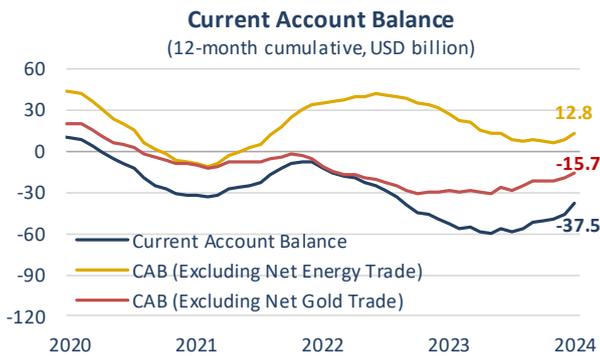
Foreign Trade and Balance of Payments

Foreign trade deficit narrowed by 56.4% yoy in January.

According to data released by Turkstat, exports increased by 3.5% yoy to 20 billion USD in January, while imports decreased by 22% yoy to 26.2 billion USD. Thus, foreign trade deficit narrowed by 56.4% yoy to 6.2 billion USD in January. The import coverage ratio, which was 57.5% in January 2023, rose to 76.2% in the same month of this year.

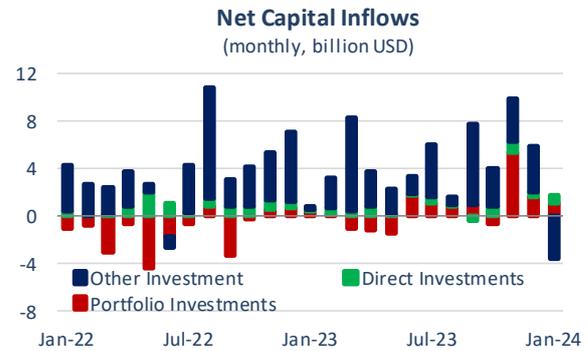
Current account deficit became 2.6 billion USD in January.

Current account posted a deficit of 2.6 billion USD in January, slightly below market expectations. In this period, current account deficit narrowed by 75.5% yoy, mainly due to the decline in non-monetary gold and net energy imports. In January, net gold imports fell to 936 million USD, the lowest level since April 2022. Thus, current account surplus excluding gold and energy increased by 77.6% yoy to 3.6 billion USD. In January, services balance followed a relatively flat course compared to the same month of the previous year and posted a surplus of 2.8 billion USD, while transportation and travel items recorded a net income of 995 million USD and 2.2 billion USD, respectively. Thus, according to 12-month cumulative figures, current account deficit was realized as 37.5 billion USD in January, the lowest level since August 2022.



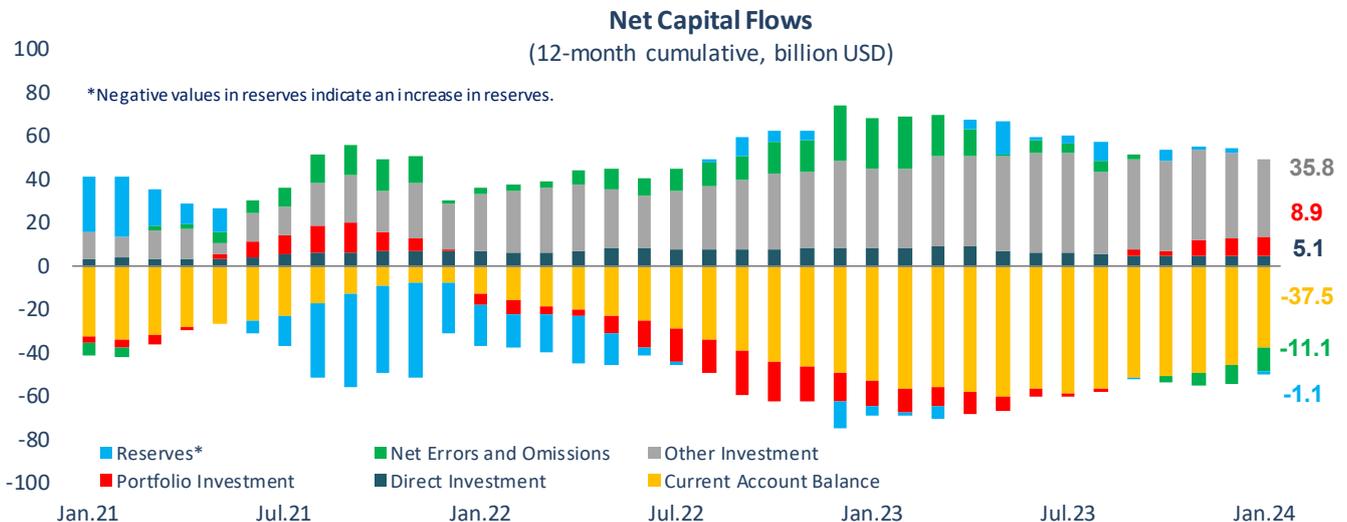
Moderate course in foreign direct investments continued.

In January, foreign direct investments posted a limited net capital inflow of 661 million USD. In this period, residents' net acquisition of financial assets abroad became 249 million USD, while net incurrence of liabilities was realized as 910 million USD. Net real estate investments, which were realized as 415 million USD in January, constituted 45.6% of net incurrence of liabilities. In the same period, non-residents' direct capital investments in Türkiye increased by 57% yoy to 399 million USD.



Portfolio investments recorded a net capital inflow of 1.1 billion USD.

In January, non-residents' equity securities portfolio increased by 186 million USD, while their net purchases in debt securities market were realized as 1.7 billion USD. Thus, in the first month of the year, portfolio investments increased by 131.6% on an annual basis.



Source: Datastream, Turkstat, CBRT

Foreign Trade and Balance of Payments

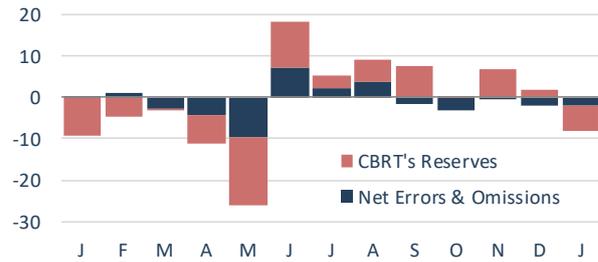
First capital outflow in other investments since June 2022...

In January 2024, other investments recorded a net capital outflow for the first time since June 2022, with an amount of 3.5 billion USD. In this period, domestic banks' currency and deposits in correspondents increased by 4.1 billion USD and nonresident banks' deposits in Türkiye rose by 1.7 billion USD. In January, banks and the General Government realized net credit utilization of 912 million USD and 17 million USD, respectively, while other sectors realized net repayment of 890 million USD. According to 12-month figures, long-term debt rollover ratio was 121% in banking sector and 93.4% in other sectors.

Reserve assets decreased by 6.2 billion USD.

Having increased by 24.5 billion USD in the second half of 2023, reserve assets decreased by 6.2 billion USD in January. Thus, reserve assets contributed to the financing of the current account deficit for the first time since May 2023. Net errors and omissions item, which recorded capital outflows for the last 5 months, had a capital outflow of 1.9 billion USD in January.

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



Expectations...

12-month cumulative current account deficit, which has been declining since August 2023, maintained this trend in January. Moreover, according to the preliminary data released by the Ministry of Trade, exports increased by 13.6% yoy in February, while imports continued to decline by 8.5% yoy. The fall of 5.1 billion USD in foreign trade deficit compared to February 2023 indicates that the 12-month cumulative current account deficit will continue to decline.

Balance of Payments	(USD million)			
	January 2023	January 2024	% Change	12-month Cumulative
Current Account Balance	-10,423	-2,556	-75.5	-37,516
Foreign Trade Balance	-12,625	-4,448	-64.8	-78,612
Services Balance	2,818	2,792	-0.9	52,003
Travel (net)	2,160	2,195	1.6	41,059
Primary Income	-391	-856	118.9	-11,681
Secondary Income	-225	-44	-80.4	774
Capital Account	-14	33	-	-158
Financial Account	-10,216	-4,421	-56.7	-48,769
Direct Investments (net)	-163	-661	305.5	-5,140
Portfolio Investments (net)	-469	-1,086	131.6	-8,944
Net Acquisition of Financial Assets	658	799	21.4	3,128
Net Incurrence of Liabilities	1,127	1,885	67.3	12,072
Equity Securities	-486	186	-	2,059
Debt Securities	1,613	1,699	5.3	10,013
Other Investments (net)	-243	3,533	-	-35,792
Currency and Deposits	1,024	1,874	83.0	-23,090
Net Acquisition of Financial Assets	4,334	4,006	-7.6	3,391
Net Incurrence of Liabilities	3,310	2,132	-35.6	26,481
Central Bank	558	62	-88.9	13,016
Banks	2,752	2,070	-24.8	13,465
Foreign Banks	-2	3	-	7,148
Foreign Exchange	1,637	1,699	3.8	3,111
Turkish Lira	1,117	368	-67.1	3,206
Non-residents	1,635	1,702	4.1	10,259
Loans	435	120	-72.4	-11,075
Net Acquisition of Financial Assets	-9	159	-	-1,492
Net Incurrence of Liabilities	-444	39	-	9,583
Banking Sector	-856	912	-	8,847
Non-bank Sectors	455	-890	-	15
Trade Credit and Advances	-1,697	1,543	-	-1,681
Other Assets and Liabilities	-5	-4	-20.0	54
Reserve Assets (net)	-9,341	-6,207	-33.6	1,107
Net Errors and Omissions	221	-1,898	-	-11,095

Source: CBRT, Datastream

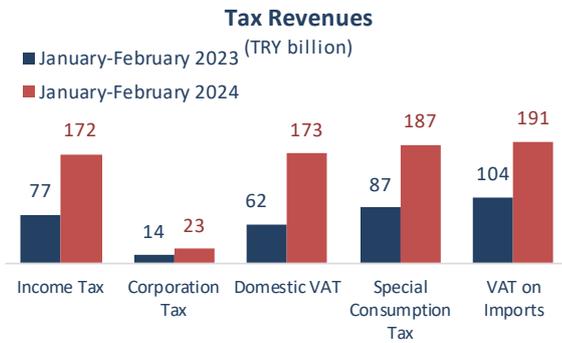
Budget Balance

Central government budget deficit became 153.8 billion TRY in February.

In February, central government budget revenues increased by 145% compared to February 2023, the date of earthquake disaster, to 536.1 billion TRY and budget expenditures rose by 77.2% to 689.9 billion TRY. Thus, central government budget deficit decreased by 9.8% yoy to 153.8 billion TRY in February. In the same period, primary budget deficit narrowed by 27.4% to 99 billion TRY. On the other hand, cumulative budget deficit increased by 50.2% yoy to 304.5 billion TRY in the first two months of 2024.

Tax revenues rose by 126.2% on annual basis.

In February, tax revenues increased by 126.2% yoy to 406.3 billion TRY due to the low base effect. In this period, domestic value added tax revenues nearly tripled, while corporate tax income increased rapidly by 182.3% yoy. Special consumption tax revenues also rose by 108% to 88.8 billion TRY.

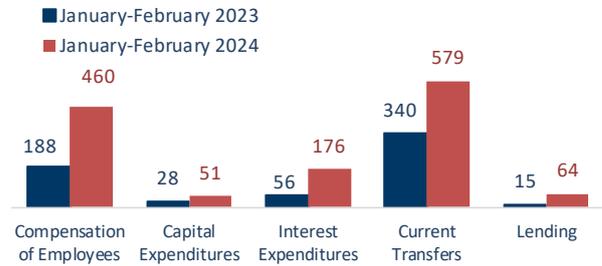


In February, revenues from Treasury portfolio and subsidies increased almost 17-fold on an annual basis due to the difference in revenue transfer periods between the base year and current year. In this period, the Treasury's revenues from interest, shares and fines went up by 204.6% yoy to 55.5 billion TRY. Thus, non-tax revenues surged by 231.1% yoy in February.

Current transfers increased by 51.9% yoy.

In February, current transfers increased by 51.9% yoy, below the CPI inflation, while personnel expenditures surged by 136.5% yoy. In this period, 18.2 billion TRY was paid to Electricity Generation Corporation (EÜAŞ) and 72.9 billion TRY was paid to social security institutions from the assignment item. In February, the lending item increased by 3.7 times yoy to 38.2 billion TRY, in line with the loans to the Produce of Soil Office (TMO) (12.5 billion TRY), Türkiye Sugar Factory Inc. (TÜRKŞEKER) (7.2 billion TRY) and Turk Eximbank (11.8 billion TRY). In February, capital transfers, which were high last year due to earthquake expenditures, declined by 85.2% yoy. In this period, interest expenses rose by 60.2% yoy.

Budget Expenditures (TRY billion)



Expectations...

In February, central government revenues increased faster than expenditures on an annual basis due to the fact that extraordinary realizations of previous year's February caused by earthquake disaster, created a base effect. In the January-February period, cumulative budget deficit was 304.5 billion TRY, 11.5% of the Medium Term Program target of 2,652 billion TRY for 2024. In the upcoming period, the effects of the steps to be taken in line with the disinflation target on domestic demand, budget revenues and public expenditures will be decisive on the budget outlook.

Central Government Budget

	February		%	January-February		%	(billion TRY)	
	2023	2024		Change	2023		2024	MTP Target
Expenditures	389.4	689.9	77.2	710.7	1,457.9	105.1	11,089.0	13.1
Interest Expenditures	34.2	54.8	60.2	55.6	175.9	216.5	1,254.0	14.0
Non-Interest Expenditures	355.2	635.1	78.8	655.1	1,281.9	95.7	9,835.0	13.0
Revenues	218.8	536.1	145.0	507.9	1,153.4	127.1	8,437.1	13.7
Tax Revenues	179.6	406.3	126.2	432.4	923.5	113.6	7,407.7	12.5
Other Revenues	39.2	129.8	231.2	75.5	229.9	204.6	1,029.4	22.3
Budget Balance	-170.6	-153.8	-9.8	-202.8	-304.5	50.2	-2,651.9	11.5
Primary Balance	-136.3	-99.0	-27.4	-147.2	-128.6	-12.7	-1,397.9	9.2

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

Source: Datastream , Ministry of Treasury and Finance

Inflation

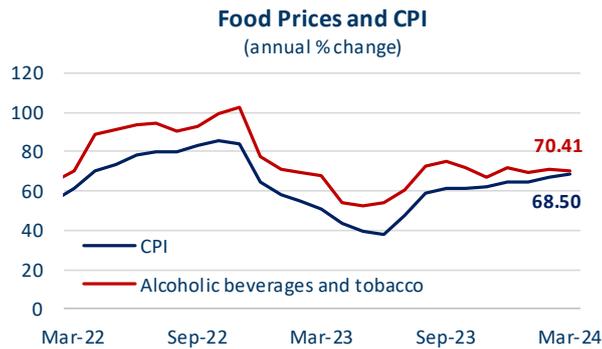
CPI increased below expectations in March.

In March, monthly CPI inflation came in at 3.16%, below market expectations and the lowest level since the beginning of the year. According to the Reuters survey, market expectation for monthly CPI inflation was 3.50% in March. Thus, annual CPI inflation rose to 68.50%. In March, domestic producer price index (D-PPI) also recorded the most moderate monthly increase of the last 3 months with 3.29% and thereby annual PPI inflation came in at 51.47%.

March (change %)	CPI		D-PPI	
	2023	2024	2023	2024
Monthly	2.29	3.16	0.44	3.29
Year-to-Date	12.52	15.06	6.25	11.59
Annual	50.51	68.50	62.45	51.47
Annual Average	70.20	57.50	113.73	45.28

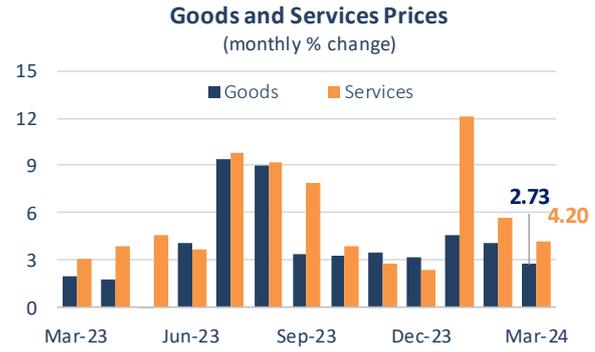
Education prices rose by 13.08% mom.

Prices increased in 11 out of 12 main expenditure groups in March. Education (13.08%) remained the spending category with the highest price increase in March following February. Communication group, where prices increased by 5.65%, followed education group in this period. On the other hand, food and non-alcoholic beverages group pushed monthly inflation up the most by 0.87 points due to its high weight in the consumption basket. This group was followed by housing, where prices increased by 3.42% from February, contributing 0.48 points. Alcoholic beverages and tobacco group was the only expenditure item to record a price decline (-0.02%) in March.



Services prices rose by 4.20% mom.

In March, core CPI excluding seasonal products rose by 3.34% mom and 69.20% yoy, respectively, above the headline inflation. In March, B index (CPI excluding unprocessed food, energy, alcoholic beverages, tobacco and gold) and C index (CPI excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco and gold) increased by 3.14% and 3.52% mom, respectively.



In March, the rise in services prices continued to exceed the rise in goods prices. In this period, the goods index rose by 2.73% compared to February, while the monthly increase in the services index was 4.20%. In the goods group, the 5.57% rise in unprocessed food prices stood out. In the services group, the monthly increase in communication services prices reached the highest level of the last 11 months with 6.63%. The rapid rise in rent prices continued in March, and the fall in transportation services prices (-0.17%) was remarkable.

Food prices continued to be influential on domestic PPI inflation.

In the domestic PPI index, the fastest monthly price increase of March was observed in metal ores. On the other hand, food products also pushed monthly PPI inflation up the most by 0.83 points in this period. Prices of coke and refined petroleum products, which had risen rapidly in February, fell by 1.02% in March. Thereby, coke and refined oil prices limited the monthly PPI inflation by 0.04 points. Prices in coal and lignite group decreased by 0.25%.

Expectations...

After exceeding expectations in January and February, a loss of momentum in monthly inflation gave a positive sign for the course of inflation. In the upcoming period, the impact of the tightening steps on domestic demand as well as the course of exchange rates will continue to be closely monitored. Moreover, the lasting upward trend in oil prices due to supply-side pressures stemming from geopolitical risks is crucial for the course of inflation.

Financial Markets

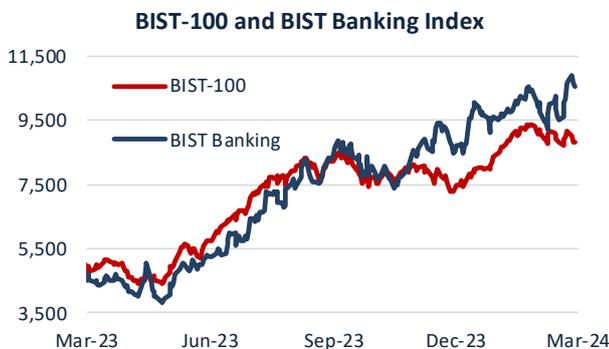
	29-Feb	29-Mar	Change
5-Y CDS (basis points)	288	301	13 bps ▲
TR 2-Y Benchmark Yield	44.87%	45.44%	57 bps ▲
BIST-100	9,194	9,142	-0.6% ▼
USD/TRY	31.2198	32.3520	3.6% ▲
EUR/TRY	33.7845	34.9402	3.4% ▲
Currency Basket*	32.5021	33.6461	3.5% ▲

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

Global and domestic markets diverged in March.

Despite the fact that higher-than-expected US inflation data limited global risk appetite in the first half of March; global stock markets presented a positive outlook for the rest of the month thanks to the Fed projections that maintained the expectation of a 75 basis points rate cut this year and Fed Chairman Powell's mild statements. MSCI global stock index rose by 3% mom to 3,438 in March, and MSCI emerging markets index rose by 2.2%. DXY rose to 104.5, while the US 10-year bond yield fell to 4.20% at the end of March.

In March, focusing on local elections domestic markets followed a volatile course and diverged negatively from global markets. BIST-100 decreased by 0.6% mom to 9,142 due to profit sales, while the banking index increased by 9.2%. In March, USD/TRY and EUR/TRY rose by 3.6% and 3.4%, respectively. Türkiye's 5-year CDS premium rose by 13 basis points and ended the month at 301 basis points. The yield of 2-year benchmark bond reached 45.44% at the end of March.



CBRT raised the policy rate to 50%.

CBRT raised the policy rate by 500 basis points to 50% at its meeting held on March 21, despite the market expectation that CBRT would not change interest rates in this period. Thus, the CBRT's total policy rate hikes since June 2023 amounted to 4,150 basis points. In addition to the rate hike, the Committee announced that it decided to change the operational framework and set overnight borrowing and lending rates with a margin of -/+ 300 basis points compared to the policy rate. In the decision text, CBRT stated that recent indicators point to the ongoing resilience in domestic demand, while the stickiness in services inflation, inflation expectations, food prices and geopolitical developments keep inflationary pressures alive. CBRT underlined that tight monetary policy will be maintained until the underlying trend of monthly inflation displays a significant

and lasting decline and inflation expectations converge to the projected forecast range. CBRT reiterated the statement referring to the real appreciation of the Turkish Lira, which was mentioned in previous text for the first time and added that the underlying trend of monthly inflation would decline with the improvement in expectations. The bank expects disinflation to be established in the second half of this year.

Expectations for year-end CPI inflation increased in March.

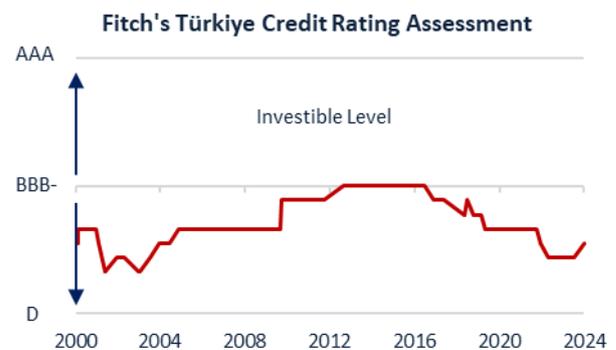
According to CBRT's Survey of Market Participations, the year-end CPI expectation rose to 44.19% in March from 42.96% in February, while the 12-month ahead expectation decreased to 36.70% from 37.78%. In this period, USD/TRY expectations for the year-end increased slightly to 40.53. On the other hand, participants' growth expectations for 2024 and 2025 remained unchanged compared to the previous survey period and were realized as 3.3% and 3.8%, respectively. Moreover, market expectations for an improvement in the current account balance continued in March.

Securities portfolio of non-residents'...

According to the securities statistics released by CBRT, as of 22 March, non-residents' equity portfolio decreased by net 95 million USD and GDDS portfolio decreased by 510 million USD since the end of February, according to price and FX rate movements adjusted data. Thus, since the end of 2023, foreign capital inflows to the stock market were 20 million USD, while foreign capital outflows from the bond market were 57 million USD. As of 22 March, CBRT's gross reserves and net international reserves were 123.8 billion USD and 15.2 billion USD, respectively.

Fitch upgraded Türkiye's credit rating to B+.

Fitch upgraded Türkiye's credit rating by one level to B+ and updated the credit rating outlook from "stable" to "positive". Thus, Türkiye's credit rating was raised for the first time after 2013. Pointing to the increased confidence in the permanence and effectiveness of the economic policies implemented since June 2023 as the justification for the increase in the credit rating, the Agency assessed that the economic policy stance is consistent with the objective of achieving a significant decline in inflation and reducing the current account deficit.

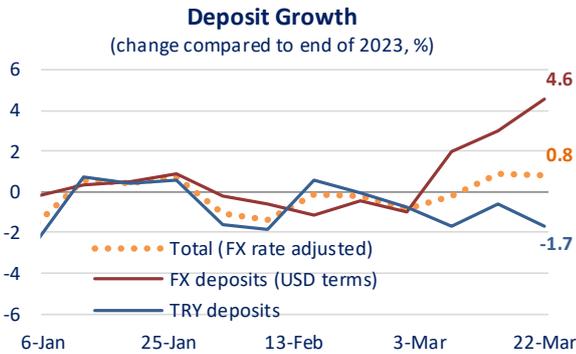


Source: CBRT, Datastream, Reuters,

Banking Sector

FX deposit volume increased in March.

According to the weekly data released by BRSA, as of March 22, TRY deposits in the banking sector decreased by 1.7% compared to the end of 2023 and were realized as 8.7 trillion TRY, while FX deposits in USD terms expanded by 4.6% to 212.4 billion USD due to the strong increases in last three weeks. Furthermore, compared to the same period of last year, TRY deposits increased by 49.2%, while FX deposits in USD terms contracted by 1.2%. Consequently, total deposit volume in the sector increased by 55.9% yoy to 15.5 trillion TRY. According to FX rate-adjusted figures, annual rise in total deposit volume was realized as 28.5%. Due to the increases in FX deposits and exchange rates in recent weeks, the share of TRY deposits in total deposit volume was recorded at 56.3% as of March 22, the lowest level since February 2023. Having lost its declining momentum in recent weeks, FX-protected deposit volume contracted by 32.9% (1.1 trillion TRY) compared to August 18, 2023 and became 2.3 trillion TRY as of March 22.



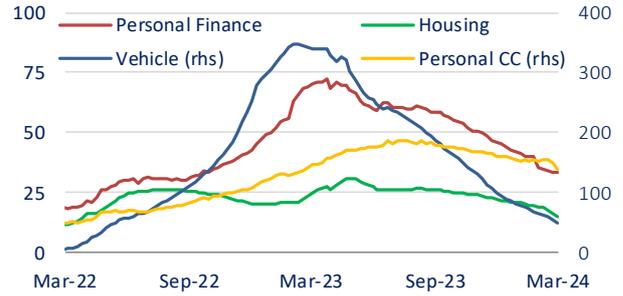
Total loan volume reached 12.7 trillion TRY.

As of March 22, total loan volume in the banking sector increased by 52.1% yoy to 12.7 trillion TRY. In this period, TRY loan volume displayed the slowest annual increase since May 2022 with 44.2% and became 8.5 trillion TRY. On the other hand, rising by 1.8% yoy, FX loan volume extended its annual rise to the fifth consecutive week and reached 133.2 billion USD as of March 22. As of the same date, the FX rate-adjusted annual rise in total loan volume was realized as 31.6%, the lowest rate since July 2022. TRY loans and USD denominated FX loans increased by 7.8% and 3.5%, respectively, compared to end of 2023.

Consumer loans continued to lose momentum.

As of March 22, personal finance loans increased by 33.5% yoy, while vehicle loans rose by 49.7% yoy, recording the slowest annual increase since May 2022. In the same period, housing loans also displayed the slowest annual rise since April 2022 with 14.2%. As of March 22, increasing by 139.7% yoy credit card expenditures maintained its strong course but the significant loss of momentum in the last two weeks was noteworthy.

Consumer Loans (annual change, %)



Non-performing loans ratio declined to 1.51%.

Non-performing loans ratio in the banking sector remained around historically low levels with 1.51% as of March 22. This ratio was realized as 1.81% for retail loans and 1.42% for commercial loans.

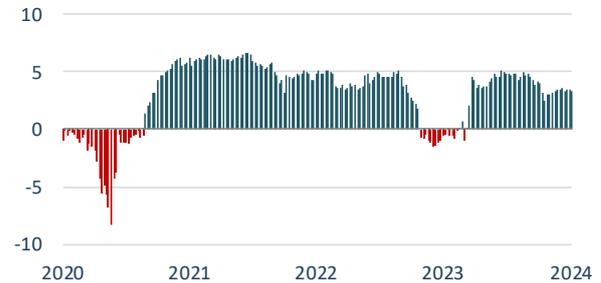
Non-performing Loans (%)



Foreign currency net general position...

As of March 22, balance sheet FX position of the banking sector was (-) 52,172 million USD while off-balance sheet FX position was (+) 55,418 million USD. Thus, net foreign currency position was realized as (+) 3,246 million USD.

Net FX Position (USD billion)



Source: BRSA Weekly Bulletin

Concluding Remarks

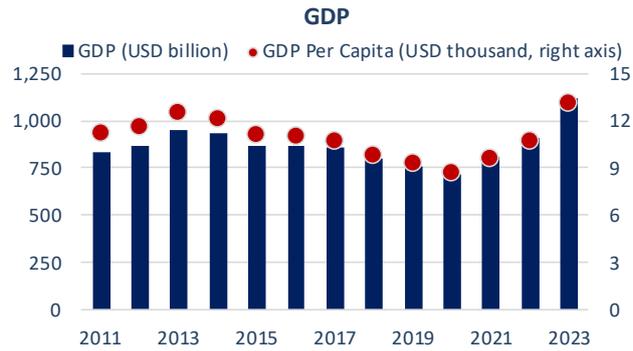
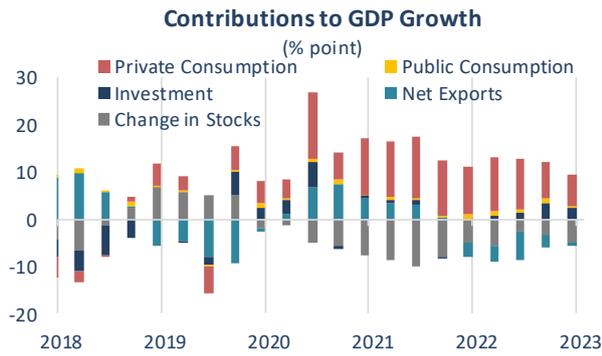
In March, data flow regarding inflation and economic activity continued to be influential on the course of global markets as major central bank's meetings were closely followed. In the US, where the labor market and economic activity remained relatively strong, Fed kept its policy rate unchanged in line with expectations. The projections released after the meeting showed that Fed members maintained their expectations for a 75 basis points rate cut in 2024. Futures markets, which were more optimistic than the Fed in terms of the timing of rate cuts in December 2023, seem to have converged to the Fed's forecasts with the impact of the data released in recent months. Although the market's expectation for the first rate cut concentrates on the June meeting, expectations for a rate cut continue to be based on data releases. In the Euro Area, data showing that manufacturing activity weakened supported the perception that the ECB would not be able to maintain the tight monetary policy stance for a long time.

Oil prices, which generally displayed an increasing trend in the first two months of 2024, maintained their high course in March. In the first days of April, the price of Brent crude oil per barrel soared and reached an intraday price over 90 USD, indicating that geopolitical issues and production cuts continue to pose risks to the global inflation outlook. On the other hand, data on the real sector and inflation in China present a complex outlook, making it difficult to make predictions for oil prices.

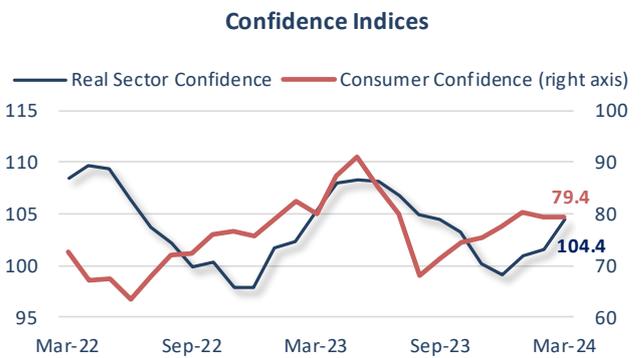
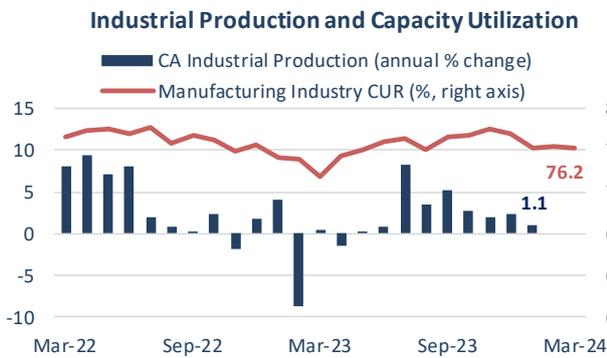
Focusing on local elections financial markets in Türkiye followed a volatile course in March. Supply indicators pointed out that production grew moderately, albeit at a slower pace, while demand indicators showed that domestic demand remained strong despite the monetary tightening. Considering the resilient course of domestic demand as well as the ongoing stickiness in inflation expectations, CBRT raised the policy rate by 500 basis points at its March meeting, contrary to market expectations. With the local elections behind us, the course of monetary and fiscal policies and their impact on pricing behavior will continue to be closely monitored in the upcoming period.

Turkish Economy - Macroeconomic Indicators

Growth



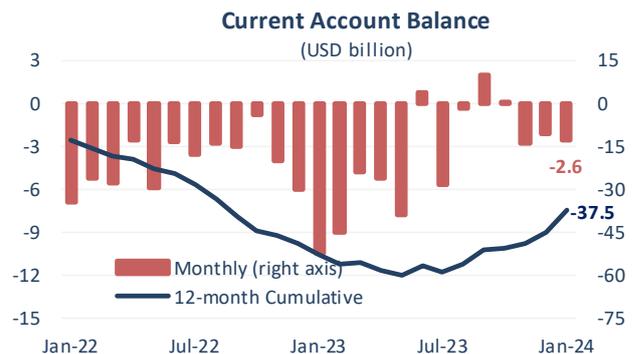
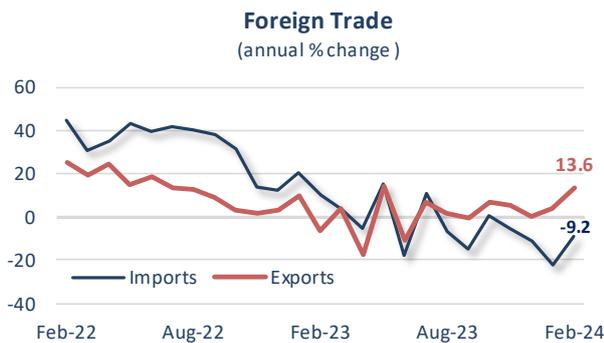
Leading Indicators



Labor Market



Foreign Trade and Current Account Balance

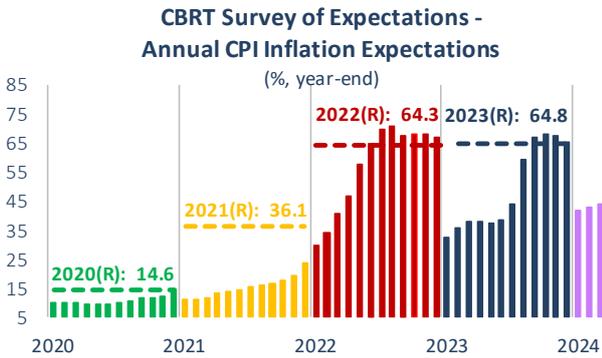
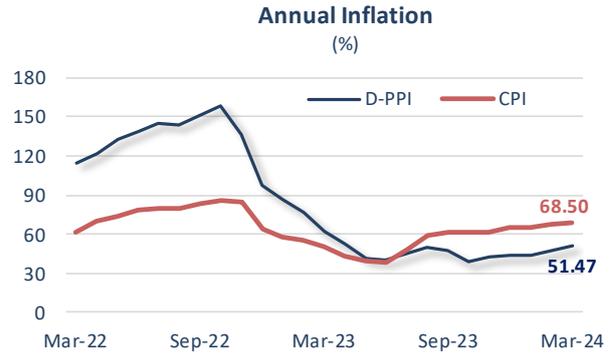
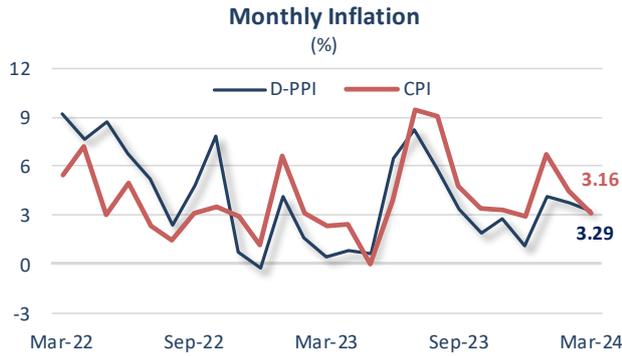


(CA) Calendar adjusted

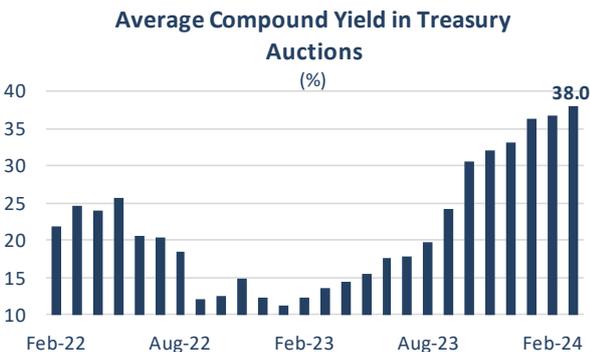
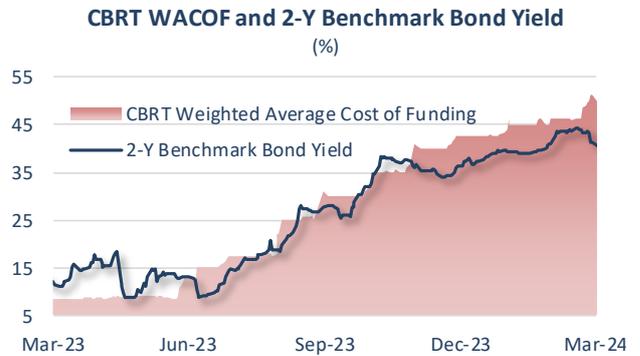
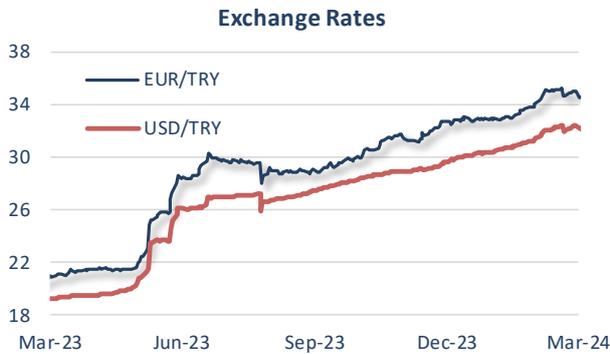
Source: Datastream, CBRT, Turkstat

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 (%)						Jan.24	Feb.24	Mar.24
CPI (annual)	11.84	14.60	36.08	64.27	64.77	64.86	67.07	68.50
Domestic PPI (annual)	7.36	25.15	79.89	97.72	44.22	44.20	47.29	51.47
Seasonally Adjusted Labor Market Figures						Nov.23	Dec.23	Jan.24
Unemployment Rate (%)	13.4	12.6	11.0	10.3	8.8	9.0	8.9	9.1
Labor Force Participation Rate (%)	52.6	49.1	52.6	53.6	53.5	53.0	53.6	53.9
FX Rates						Jan.24	Feb.24	Mar.24
CPI Based Real Effective Exchange Rate	76.0	61.9	47.6	54.9	55.3	55.4	58.5	58.0
USD/TRY	5.95	7.43	13.28	18.72	29.53	29.53	31.22	32.35
EUR/TRY	6.68	9.09	15.10	19.98	32.62	32.62	33.78	34.94
Currency Basket (0.5*EUR+0.5*USD)	6.32	8.26	14.19	19.35	31.08	31.08	32.50	33.65
Foreign Trade Balance⁽¹⁾ (USD billion)						Dec.23	Jan.24	Feb.24
Exports	180.8	169.6	225.2	254.1	255.5	255.4	256.1	258.6
Imports	210.3	219.5	271.4	363.7	361.8	361.8	354.3	351.5
Foreign Trade Balance	-29.5	-49.9	-46.2	-109.6	-106.2	-106.3	-98.2	-92.9
Import Coverage Ratio (%)	86.0	77.3	83.0	69.9	70.6	70.6	72.3	73.6
Balance of Payments⁽¹⁾ (USD billion)						Nov.23	Dec.23	Jan.24
Current Account Balance	10.8	-31.9	-7.2	-49.1	-45.4	-49.3	-45.4	-37.5
Capital and Financial Accounts	5.2	-39.4	-29.0	-35.5	-56.1	-55.3	-54.6	-48.8
Direct Investments (net)	-6.6	-4.5	-6.9	-8.7	-4.7	-4.8	-4.6	-5.1
Portfolio Investments (net)	2.8	9.6	-0.8	13.5	-8.3	-7.4	-8.3	-8.9
Other Investments (net)	2.6	-12.7	-21.4	-40.3	-41.0	-41.5	-39.6	-35.8
Reserve Assets (net)	6.3	-31.9	23.3	12.3	-2.0	-1.6	-2.0	1.1
Net Errors and Omissions	-5.7	-7.5	1.6	25.9	-10.7	-5.8	-9.0	-11.1
Current Account Balance/GDP (%)	1.4	-4.4	-0.9	-5.4	-4.1	-	-4.1	-
Budget⁽²⁾⁽³⁾ (TRY billion)						Dec.23	Jan.24	Feb.24
Expenditures	1,000.0	1,203.7	1,603.5	2,941.4	6,585.5	6,585.5	768.0	1,457.9
Interest Expenditures	99.9	134.0	180.9	310.9	674.6	674.6	121.1	175.9
Non-interest Expenditures	900.1	1,069.8	1,422.7	2,630.5	5,910.8	5,910.8	646.9	1,282.0
Revenues	875.3	1,028.4	1,402.0	2,802.4	5,210.5	5,210.5	617.2	1,153.4
Tax Revenues	673.9	833.3	1,165.0	2,353.4	4,500.9	4,500.9	517.2	923.5
Budget Balance	-124.7	-175.3	-201.5	-139.1	-1,375.0	-1,375.0	-150.7	-304.5
Primary Balance	-24.8	-41.3	-20.7	171.8	-700.4	-700.4	-29.6	-128.6
Budget Balance/GDP (%)	-2.9	-3.5	-2.8	-1.0	-5.2	-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

Turkish Economy - Banking Sector Outlook

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2019	2020	2021	2022	2023	Jan.24	Feb.24	Change ⁽¹⁾
TOTAL ASSETS	4,491	6,106	9,215	14,347	23,550	23,887	24,662	3.2
Loans	2,656	3,576	4,901	7,581	11,677	11,938	12,366	3.6
TRY Loans	1,642	2,353	2,832	5,110	7,894	8,019	8,287	3.3
Share (%)	61.8	65.8	57.8	67.4	67.6	67.2	67.0	-
FX Loans	1,015	1,224	2,069	2,471	3,783	3,919	4,079	4.1
Share (%)	38.2	34.2	42.2	32.6	32.4	32.8	33.0	-
Non-performing Loans	150.8	152.6	160.1	163.4	191.9	196.0	196.0	0.0
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	4,116	4,259	3.5
TOTAL LIABILITIES	4,491	6,106	9,215	14,344	23,550	23,887	24,662	3.2
Deposits	2,567	3,455	5,303	8,862	14,852	14,948	15,140	1.3
TRY Deposits	1,259	1,546	1,880	4,779	8,897	8,839	8,881	0.5
Share (%)	49.0	44.7	35.5	53.9	59.9	59.1	58.7	-
FX Deposits	1,308	1,909	3,423	4,083	5,955	6,108	6,259	2.5
Share (%)	51.0	55.3	64.5	46.1	40.1	40.9	41.3	-
Securities Issued	194	224	310	325	584	635	715	12.6
Payables to Banks	533	658	1,048	1,432	2,384	2,426	2,552	5.2
Funds from Repo Transactions	154	255	587	540	723	685	833	21.7
SHAREHOLDERS' EQUITY	492	600	714	1,407	2,153	2,175	2,231	2.6
Profit (Loss) of the Period	49.0	58.5	93.0	431.6	620.5	32.0	74.7	133.6
RATIOS (%)								
Loans/GDP	61.5	70.9	68.0	50.5	44.4			
Loans/Assets	59.1	58.6	53.2	52.8	49.6	50.0	50.1	-
Securities/Assets	14.7	16.7	16.0	16.5	16.9	17.2	17.3	-
Deposits/Liabilities	57.2	56.6	57.5	61.8	63.1	62.6	61.4	-
Loans/Deposits	103.5	103.5	92.4	85.5	78.6	79.9	81.7	-
Capital Adequacy (%)	18.4	18.7	18.4	19.5	19.1	16.9	16.8	-

(1) Year-to-date % change

Source: BRSA, Turkstat

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.